



# GlobalWafers (6488 TT) 1Q20 Results Presentation

---

Spokesman: William Chen, Vice President  
TEL: +886-3-577-2255 EXT: 2280  
Email: [William@sas-globalwafers.com](mailto:William@sas-globalwafers.com)

May 2020



# Disclaimer

This presentation has been prepared by GlobalWafers Co., Ltd. (the “Company”). This presentation and the materials provided herewith do not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in any jurisdiction or an inducement to enter into investment activity, nor may it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. Any decision to purchase securities in a proposed offering should be made solely on the basis of the information contained in the offering circular published in relation to such proposed offering, if any.

The information contained in this presentation has not been independently verified. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. The information contained in this document should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation. None of the Company nor any of its affiliates, advisors or representatives will be liable (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with the presentation.



# Executive Comments

## ➤ Outlook

- Macro economic, Semi/wafer markets are in tremendous flux. Forecast predictions are a temporary "best guess" and highly dependent on the unknown length and depth of COVID-19 impact.
- The semiconductor's industry has been designated as 'Essential' by the regulators of the world's major economies. All GlobalWafers production sites are operating normally.
- The need for medical supplies & ROHO peripherals are boosting demand.
- Customers are building safety stock to mitigate wafer supply chain risks.
- The near-term demand picture is unclear, but the long-term industry trend is positive as the onset of 5G, Edge Computing, AIoT, Industry 4.0 etc. will drive demand growth.
- The outlook for 2H20 heavily depends on further developments in the COVID-19 pandemic. Market supply and demand could return to normal if containment efforts are effective.
- Key factors for the recovery timing:
  - When the global macro-economy will recover
  - When COVID-19 pandemic will be effectively contained.
  - When the data industry will drive Capex in memory.
  - When smart phone sales will recover.
  - When automotive sales will recover
- Stimulus measures planned by governments to soften epidemic blow may bring a potential demand surge.



## ➤ 2020Q1

- 1Q20 ended with an uptick in wafer shipments. However the logistic challenges resulted from COVID-19 outbreak and the subsequent restriction measures offset partial profits.
- 2Q20 wafer demand is forecasted stable or very close to 1Q20. 2H20 wafer demand will depend on large part whether the COVID-19 impact is contained or if it continues into 2H20 and the effectiveness of the stimulus plan in every country.
- Cash flow from operations of NTD 3,168mn (US\$ 105mn)\* and cash of NT\$ 35,547mn (US\$ 1,176mn)\* reflect our correct operation strategy and emphasize the strength of our business model and financial moats.

*Note:*

*1. FX Rate: NTD:USD = 30.225*

*2. Cash = cash and the equivalent + restricted cash*



# Recent Events

## ➤ Repatriation of Offshore Funds

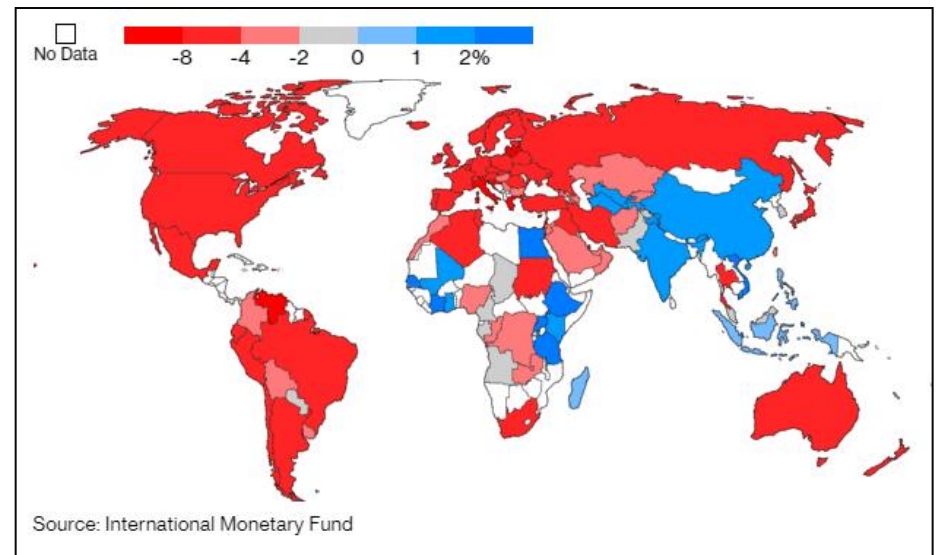
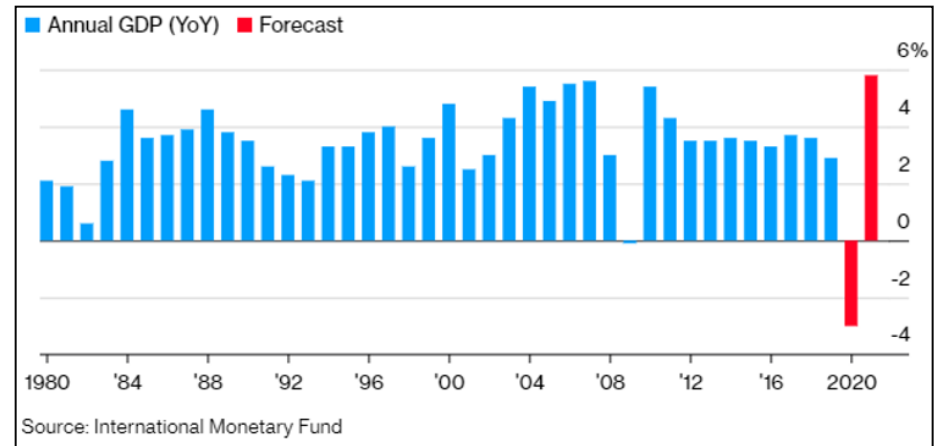
- Amount : USD 355 million (over NTD 10 billion)
- Investment plan :
  - ✓ Capacity expansion for advanced process.  
(Mainly for 300mm advanced products and technologies)
  - ✓ Increase SiC and SI SiC capacity.
  - ✓ Enhance TWN HQ R&D for product differentiation.
  - ✓ Invest in renewable energy for CO2 emission cut.

## ➤ Corporate Governance

- GWC is awarded Top 5% corporate governance among all listed companies in Taiwan  
(2nd year in a row)

# Global GDP Growth Forecast

- In its revised March forecast, the IMF predicted the “Great Lockdown” recession would be the steepest in almost a century and warned the world economy’s contraction and recovery could be worse than anticipated if the coronavirus lingers or returns.
- The IMF lowered its 2020 global GDP growth forecast to a -3% contraction, more than a 6% downward swing from its January prediction of 3.3% expansion. Global GDP shrinking -3% would dwarf the 2009 financial crisis contraction of -0.1%.



# The IMF's Revised World Economic Outlook



GlobalWafers Co., Ltd.  
環球晶圓股份有限公司

- Strong balance sheets will be needed for post-COVID-19 Capex Spending.

(real GDP, annual percent change)	2019	2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-3.0</b>	<b>5.8</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-6.1</b>	<b>4.5</b>
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
<b>Emerging Markets and Developing Economies</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.6</b>
<b>Emerging and Developing Asia</b>	<b>5.5</b>	<b>1.0</b>	<b>8.5</b>
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
<b>Emerging and Developing Europe</b>	<b>2.1</b>	<b>-5.2</b>	<b>4.2</b>
Russia	1.3	-5.5	3.5
<b>Latin America and the Caribbean</b>	<b>0.1</b>	<b>-5.2</b>	<b>3.4</b>
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
<b>Middle East and Central Asia</b>	<b>1.2</b>	<b>-2.8</b>	<b>4.0</b>
Saudi Arabia	0.3	-2.3	2.9
<b>Sub-Saharan Africa</b>	<b>3.1</b>	<b>-1.6</b>	<b>4.1</b>
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
<b>Low-Income Developing Countries</b>	<b>5.1</b>	<b>0.4</b>	<b>5.6</b>

Source: IMF, World Economic Outlook, April 2020



# IDC's Projections for COVID-19 Recovery

- Regardless of which scenario emerges, the winners will be those who are prepared to respond to the demands of emerging technologies like 5G, the Internet of Things, high-performance computing and the intelligent edge.
- We have the resources to withstand current macro headwinds and stand ready to supply customer needs.

## Mapping Four Semiconductor Revenue Forecast Scenarios

2020 Worldwide Semiconductor Revenue Growth Forecast Scenarios	Technology Supply Chain Recovery	Global Disruption to Economy and Technology Demand	Impact on Broader Technology Industry & Initiatives
<b>Scenario 1:</b> Decline -12% or more	1-3 months	9-12+ months	9-12+ months
<b>Scenario 2:</b> Decline -3 to -6%	3-9 months	3-9 months	3-9 months
<b>Scenario 3:</b> Growth +2%	1-3 months	3-9 months	3-9 months
<b>Scenario 4:</b> Growth +6% or more	1-3 months	1-3 months	1-3 months
Source: IDC, March 2020			





# The Semiconductor Industry's Vital Role in the COVID-19 Pandemic

- Being the key enabler, semiconductors are necessary in every aspect of the economy, keeping infrastructure and the society functioning.
- Apart from consumer devices, semiconductors are widely used in critical infrastructure, such as telecommunications, energy, finance, transportation and medical devices.
- Demand for digital services has risen during the quarantine and stay-at-home period.
- The semiconductor's industry has been designated as 'Essential' by the regulators of the world's major economies.



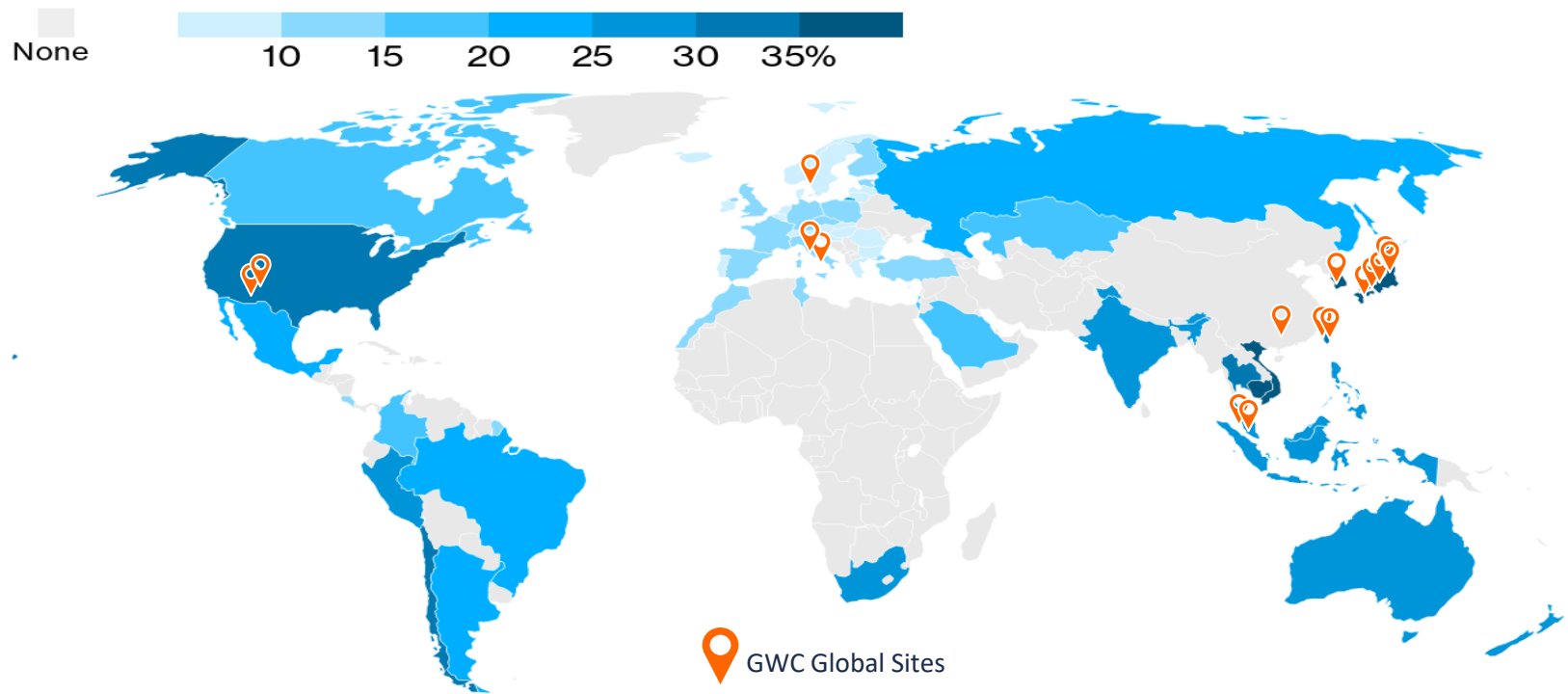
# GlobalWafers COVID-19 Countermeasures

- Build safety inventory for all necessary raw materials to guard against supply chain disruptions.
- Maximize our ability to shift orders as needed between our global manufacturing sites, pending changes in local country quarantine policies.
- Risk management of our multi-tiered supply chain to lower the dependence on one single area.
- Continuously re-evaluate financial and market forecasts and take corresponding actions
- Monitor how the competitive environment and supply chain shift and quickly adapt to the new norm.

# COVID-19 Brings Immediate Challenges

- COVID-19 could be a catalyst for companies to revisit their global supply chain strategies.
- It could reshape the global supply chain.
- We will be well-positioned should this happen.

## Share of all Imports of Intermediate Manufacturing Products from China



Source: OECD TiVA, Bloomberg Economic, February, 2020



# Potential Supply Chain Responses to COVID-19

## Deglobalization

- Supply chain players may seek to mitigate future disruptions
- This could accelerate the trend towards diminished global interdependence and integration

## Our View:

GlobalWafers supplies  **Globally and Locally.**

Our global footprint is the best contingency plan to minimize global uncertainty.

- MULTIPLE SOURCES in MULTIPLE COUNTRIES as a contingency plan.
- LOCAL SUPPLY to MITIGATE macro INSTABILITY and geopolitical TENSION.
- AGILITY to allocate worldwide capacity for faster time-to-market.

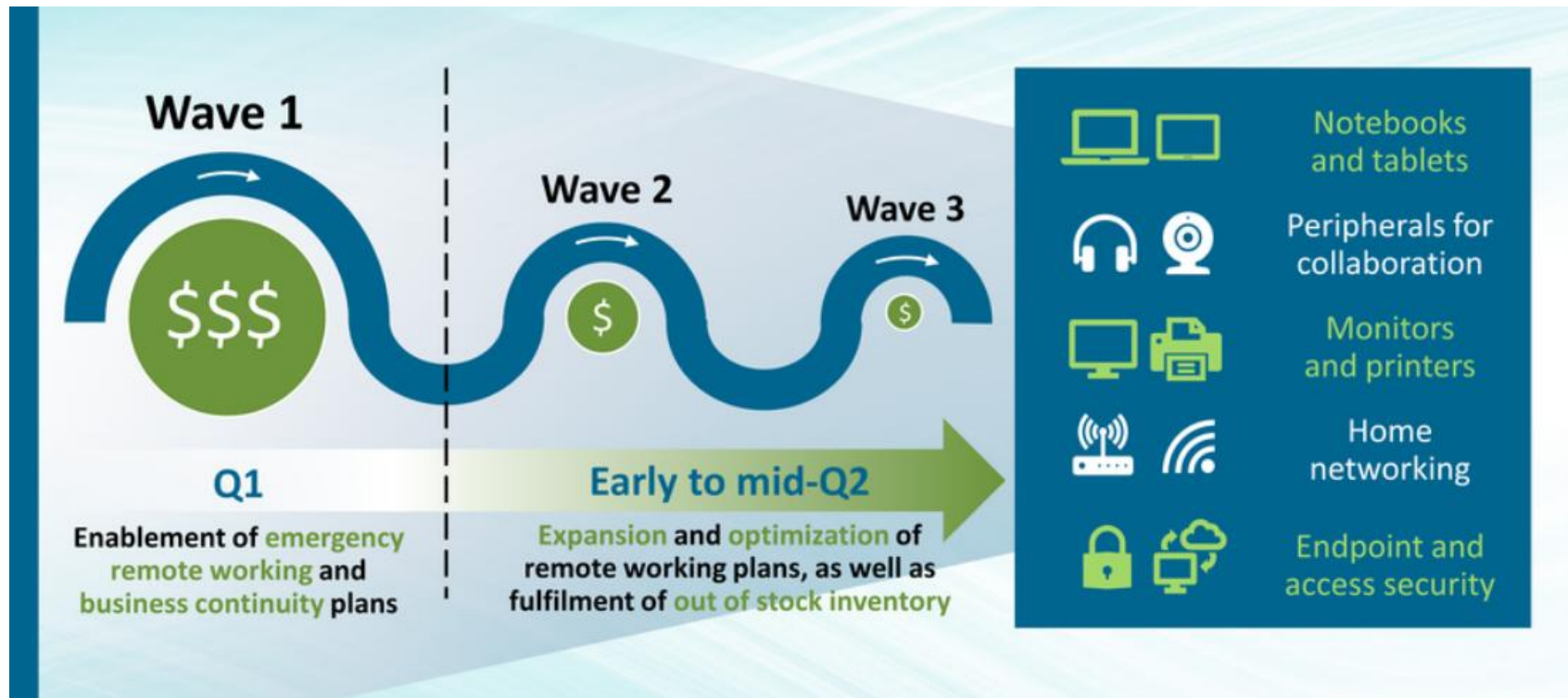


# Industry Overview

# Parts of Tech Sectors Boomed in 1Q20

- As business were suddenly forced to equip a newly remote work force, some parts of the tech supply chain benefitted from WFH(Work From Home) & ROHO (Remote Office Home Office) associated demand.

## Parts of Tech Sectors Boomed in 1Q20



Source: Canalyses, April, 2020

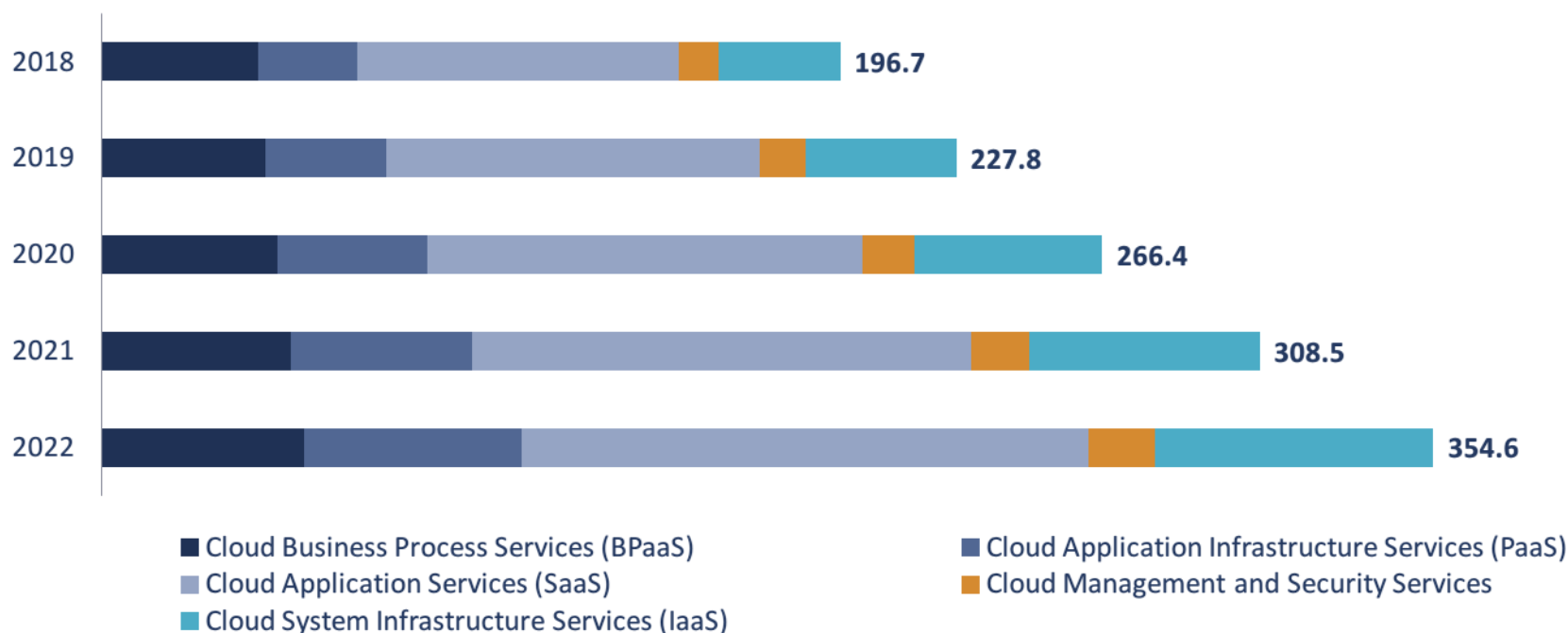


# Worldwide Public Cloud Revenue

- The worldwide public cloud services market is forecast to grow 17% in 2020 to total \$266.4 billion, up from \$227.8 billion in 2019.

## Worldwide Public Cloud Service Revenue Forecast

(USD bn)

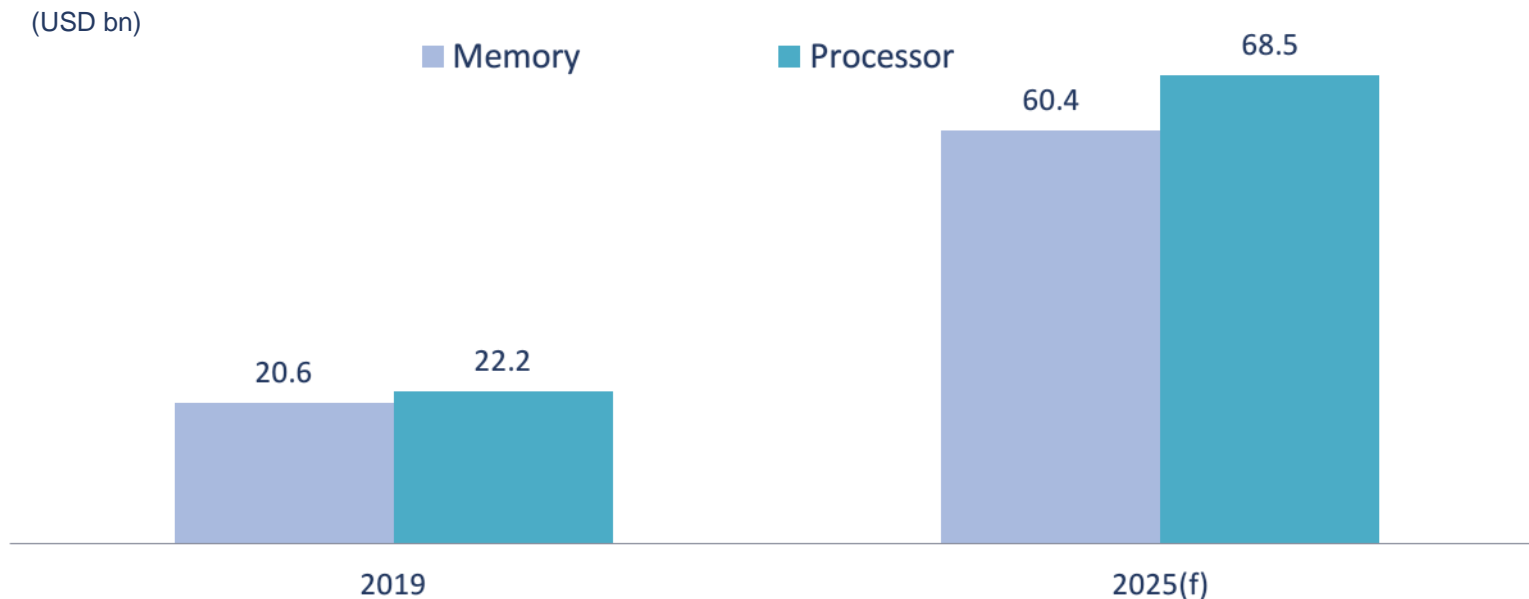


Source: Gartner, April, 2020

# AI-enabled ICs to See Strong Long-Term Growth

- Chips used for AI applications are set for massive growth in the next five years as use of the technology expands across a variety of markets.
- Its significant computational capabilities and vast potential for deep learning are applicable to a wide variety of applications.
- AI and big data have combined to assist COVID-19 containment efforts.

## Semiconductors with AI functions Market Forecast (2019 - 2025)



Source: IHS Markit, January, 2020

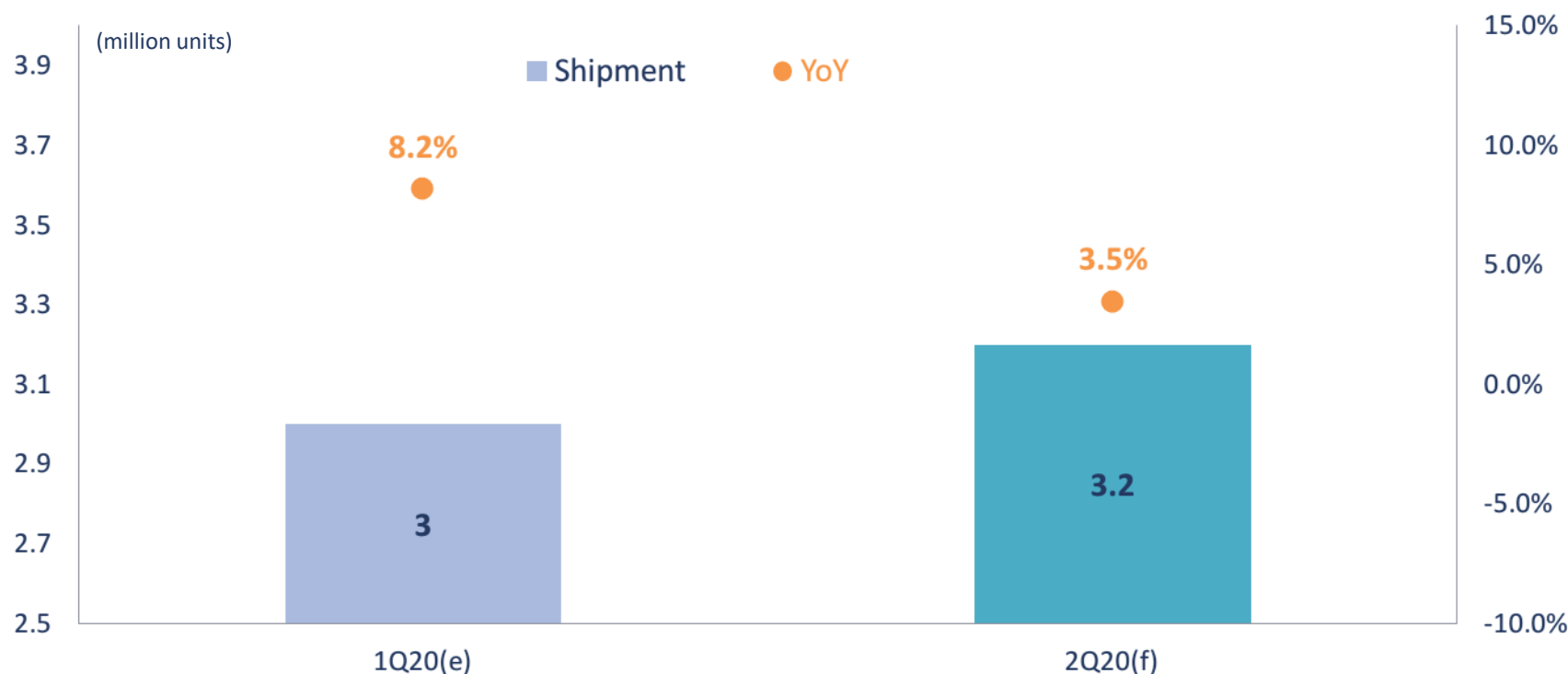




# Strong Server Shipment

- Owing to strong orders for data center servers and traditional server brands' preemptive stock-up demand to avoid pandemic-induced breaks in the server supply chain, overall server shipment is expected to remain on the upswing in 2Q20.

## Global Server Shipment Forecast



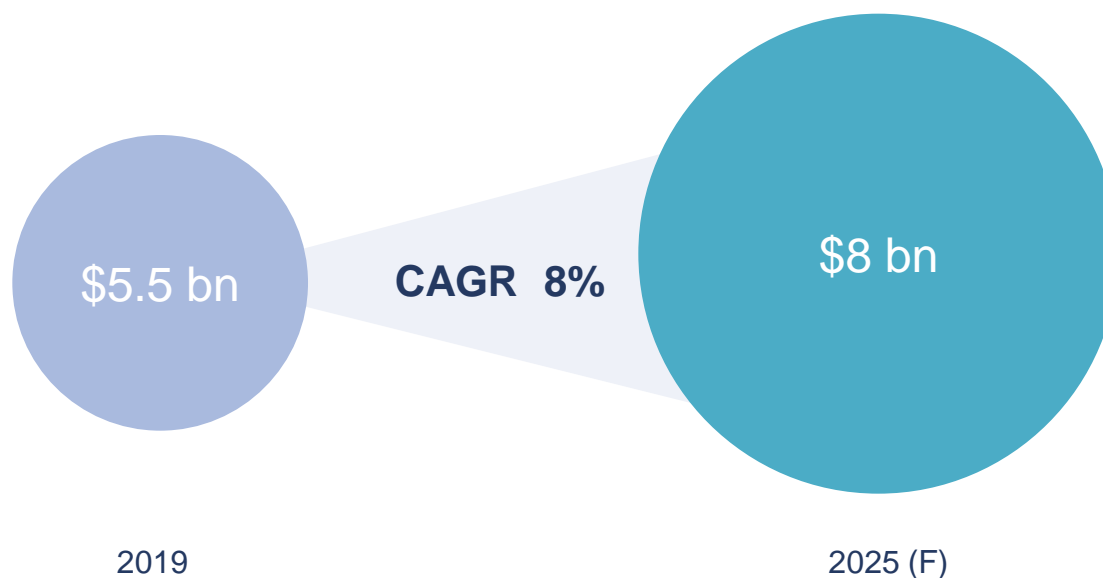
Source: TrendForce, April, 2020

# Medical Electronics Market

- Semiconductors in medical electronics market are expected to grow with a CAGR of 8% each year, expanding from \$5.5 billion now to a little under \$8 billion by 2024.
- The market for semiconductors used in medical applications is one of the fastest growing segments of the industrial semiconductor market. There are significant growth drivers in this market which provide strong opportunities in the analog, digital, and sensors segments.

## Medical Electronics Market Forecast

(USD bn)



Source: Business Wire, November end, 2019

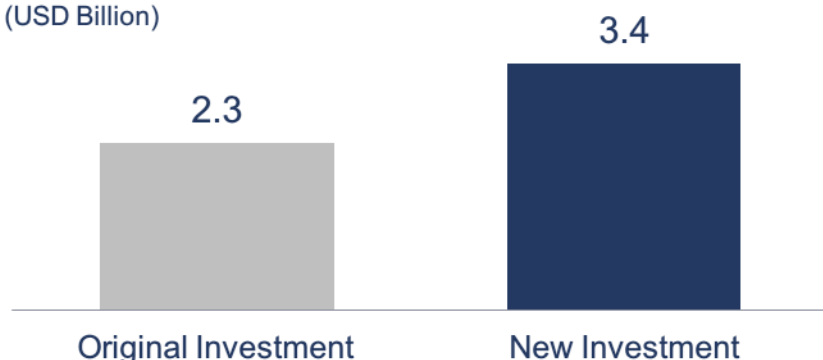
# Accelerating 5G Infrastructure Construction

- Though the global economy is under the shadow of COVID-19, many nations consider 5G a crucial strategy to offset the uncertainties and are accelerating infrastructure construction.

## Korea

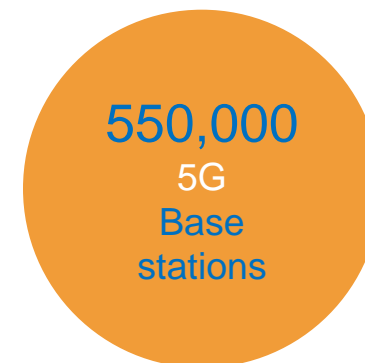
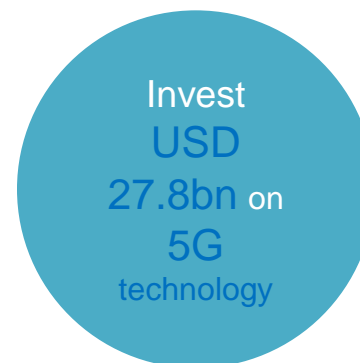
3 main telecom companies increased 5G network investment from USD 2.3bn to USD 3.4 bn in 5G in 1H20.

(USD Billion)



## China

China deploys "new infrastructure" projects to accelerate 5G infrastructure and data centers. Major telecom firms plan hefty 5G investments.



## Japan

- ✓ SoftBank, NTT DoCoMo and KDDI launch 5G service 4 months earlier than original scheduled.
- ✓ Rakuten Mobile will initiate 5G service in June.

## USA

- Telecoms invest **USD 275 bn** for 5G networks
- Biggest 5G spectrum auction



# 1Q20 Performance Update



# 1Q20 Financial Highlights

## ➤ Stable financial performance

- Revenue
  - ✓ NTD 13,515mn (QoQ : 0.1%)
  - ✓ EBITDA: 5,015mn (QoQ : 1.1%)
  - ✓ EBIT: 3,845mn (QoQ : 1.9%)
- Profits are slightly offset by rising logistics cost
  - ✓ GM: 36.5% (QoQ : -1.7%)
  - ✓ Operating Profit: 28.2% (QoQ : -0.3%)
  - ✓ Net Profit : 21.3% (QoQ : -0.2%)
  - ✓ EPS: NTD 6.62 (QoQ : - NTD 0.06)

## ➤ Financial Leverage

- Sufficient cash\* position – NT\$ 35,547mn (US\$ 1,176mn)\*.
- Prepayment – NT\$ 19,441 mn (US\$ 643.2 mn)\*

*Note:*

1. FX Rate: NTD:USD = 30.225

2. Cash = cash and the equivalent + restricted cash



# Financial Highlight : 1Q20 vs. 4Q19

(NT\$m)	1Q20	4Q19	QoQ
Revenue	13,515	13,506	0.1%
EBITDA* <sup>1</sup>	5,015	4,959	1.1%
EBITDA %	37.1%	36.7%	1.1%
EBIT	3,845	3,772	1.9%
Operating Profit	3,805	3,853	-1.3%
Operating Profit %	28.2%	28.5%	-0.3%
Net Profit	2,880	2,908	-1.0%
Net Profit %	21.3%	21.5%	-0.2%
EPS	NT\$6.62	NT\$6.68	-NT\$0.06
ROE* <sup>2</sup> (annualized)	28.2%	30.9%	-2.7%
ROA* <sup>3</sup> (annualized)	12.0%	14.7%	-2.7%

1. EBITDA = Net Profit + Tax + Interests + Depreciation + Amortization.

2. ROE = Net Profit / Average Shareholders Equity

3. ROA = (Net Profit + Interest\*(1- Effective Tax Rate))/Average Asset

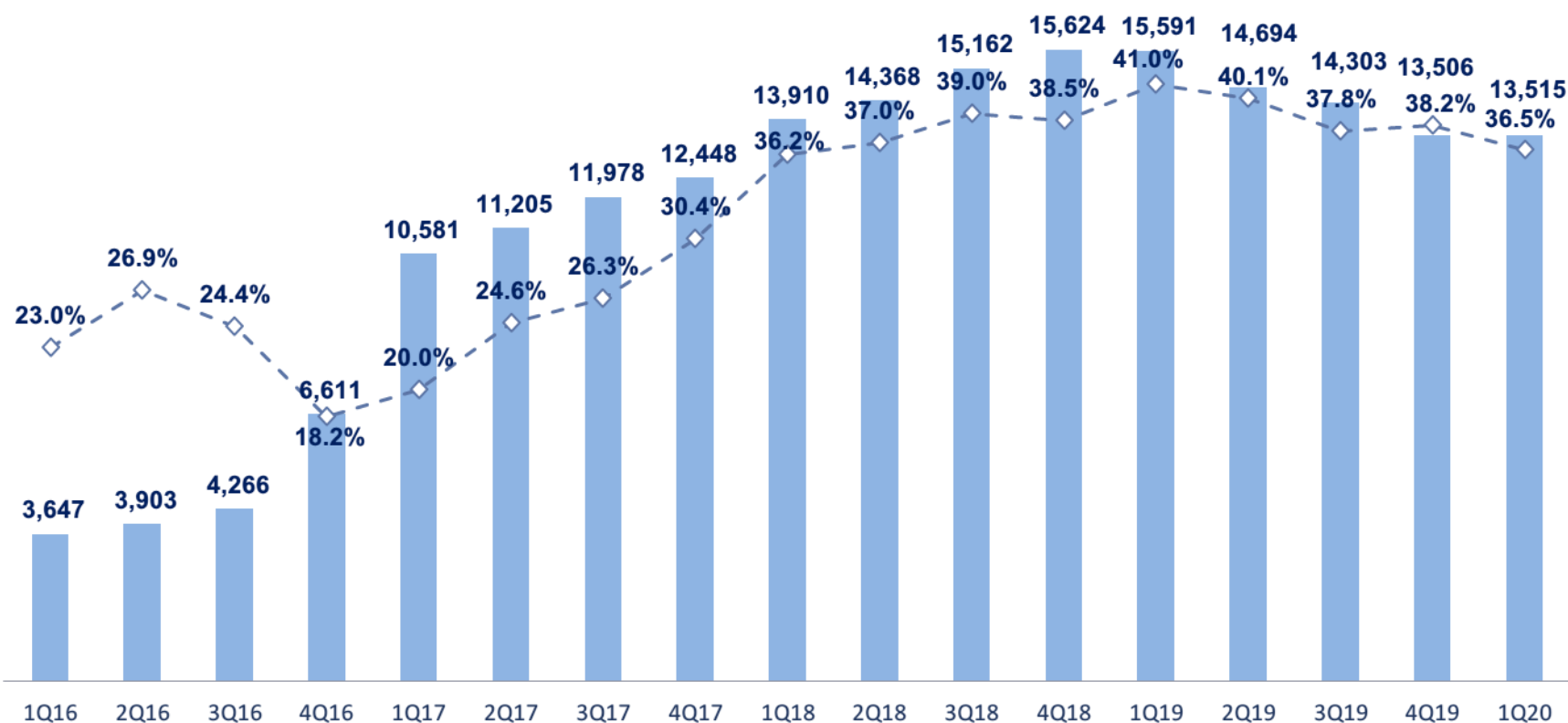


# Revenue & Gross Margin

## Revenue & Gross Margin

(NT\$mn)

Revenue — GM %

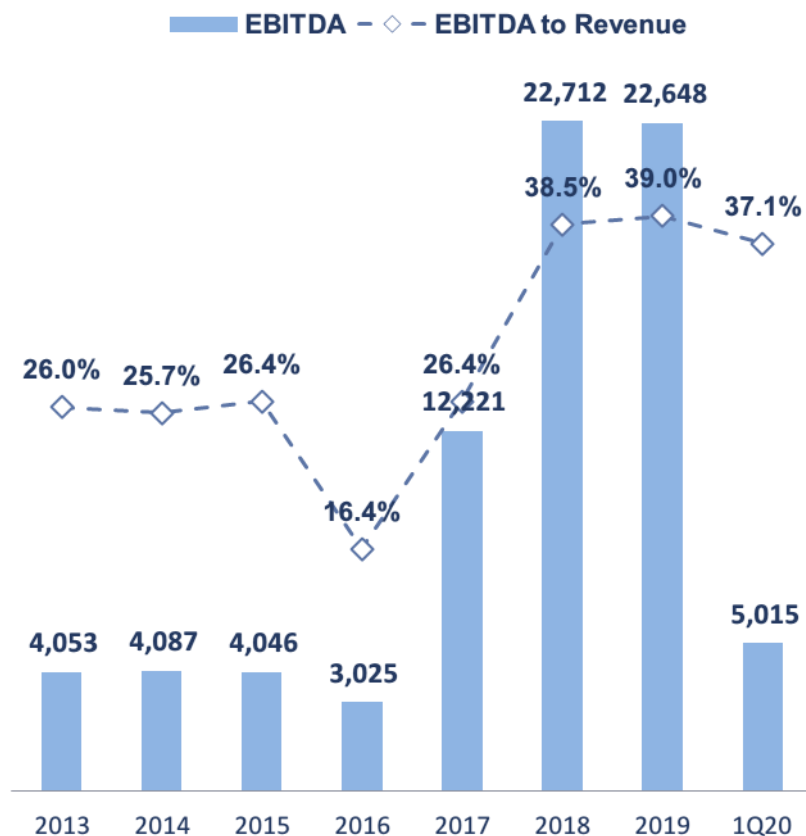




# EBITDA & EPS

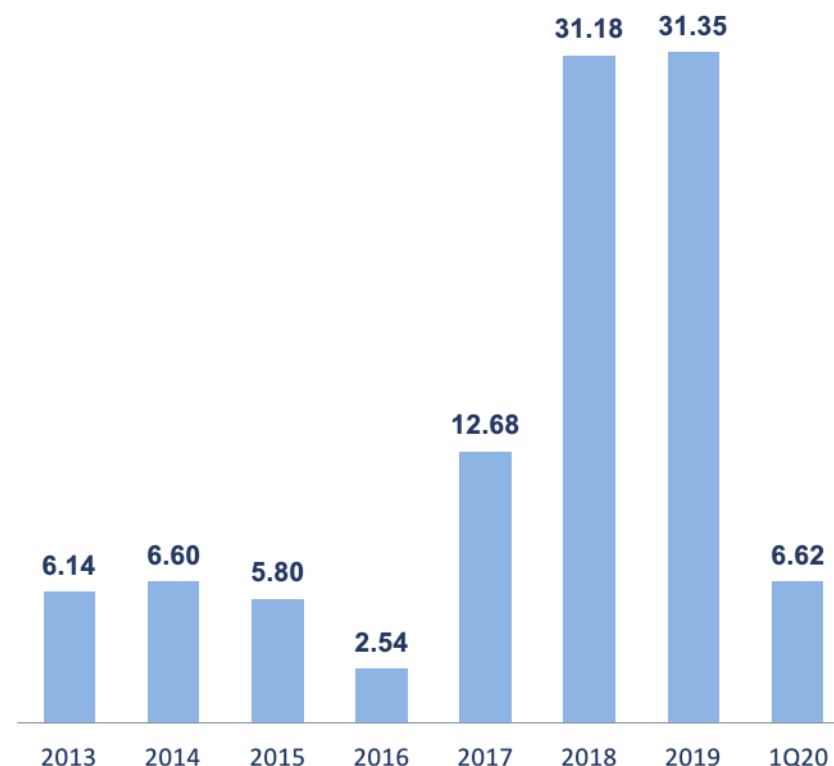
## EBITDA

(NT\$mn)



## EPS

(NT\$)



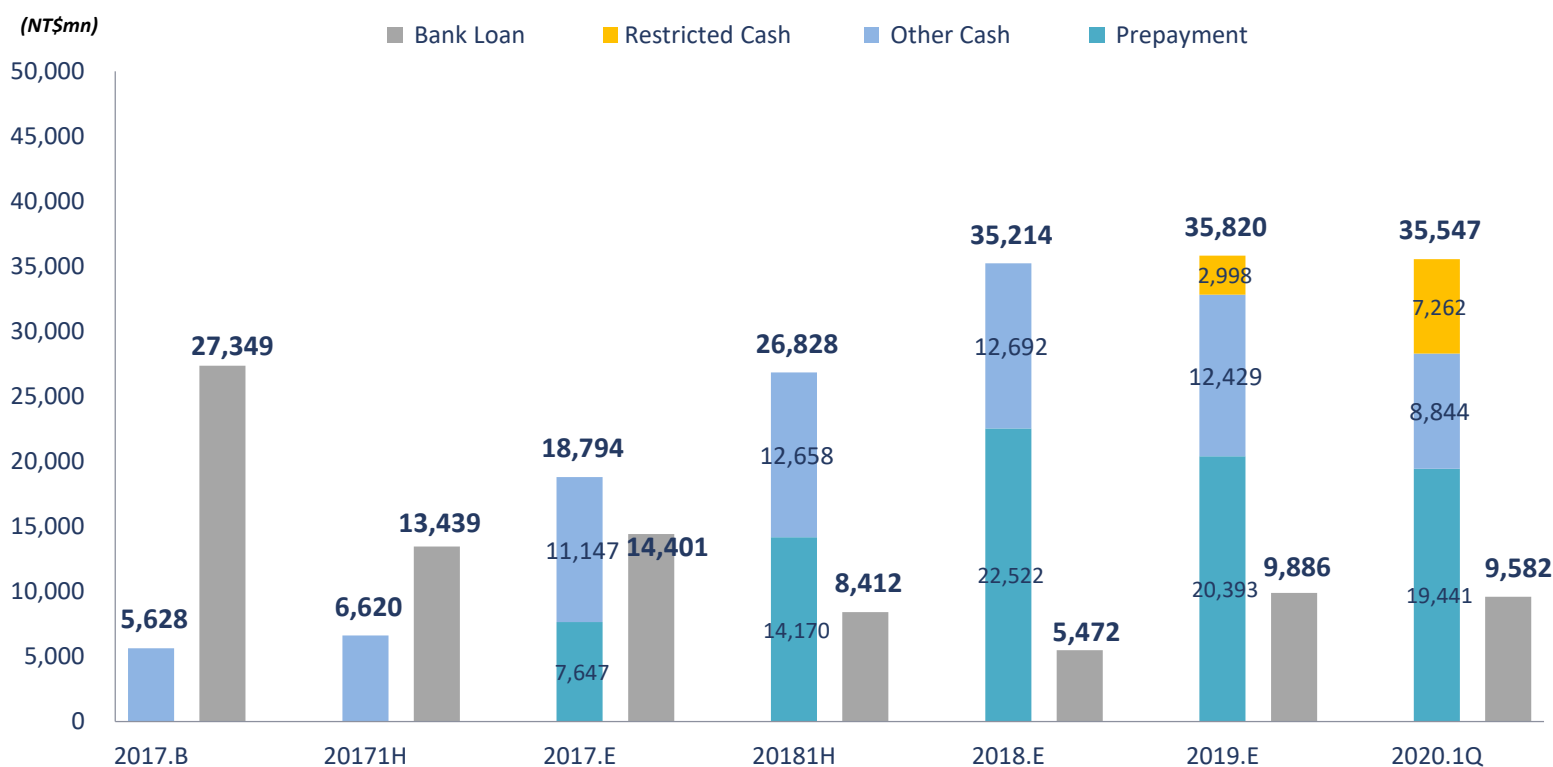




# Financial Leverage

- Sufficient cash makes GlobalWafers capable of sustainable development.
- Bank loans increased in preparation for dividend distribution.

## Cash Structure and Bank Loan



Note: Cash = cash and the equivalent + restricted cash



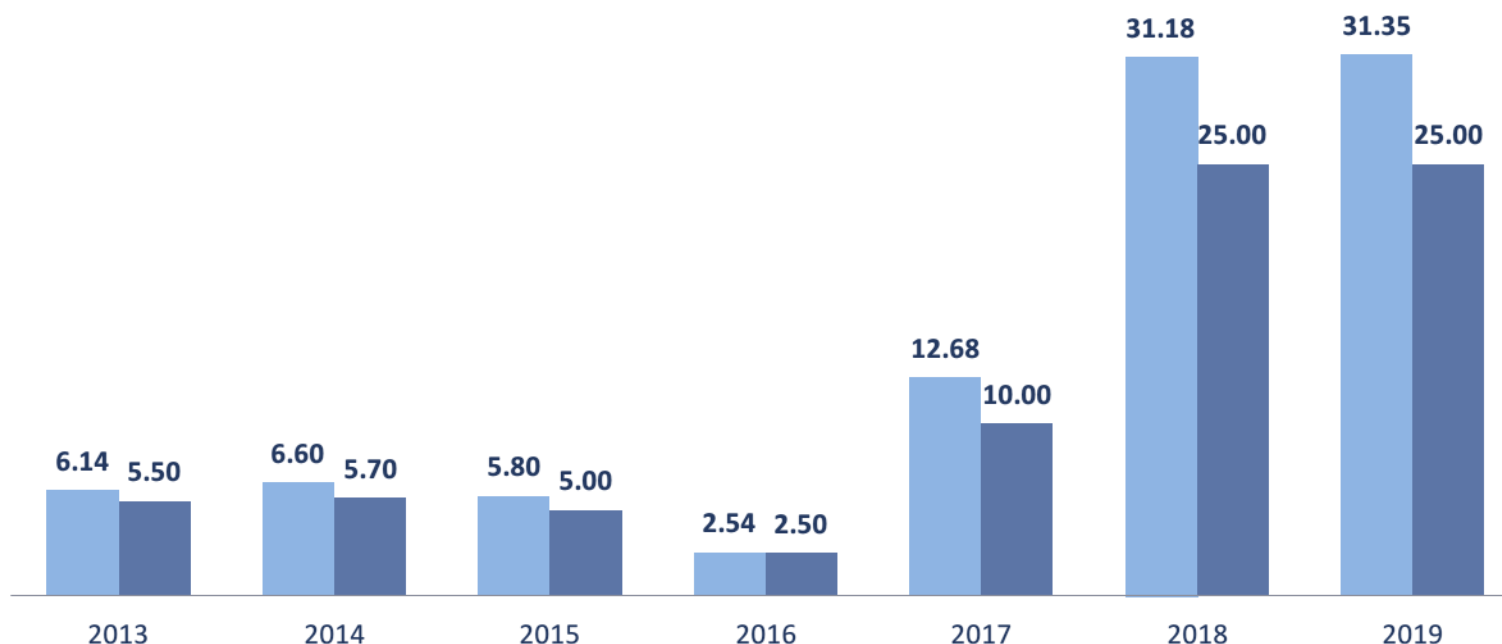
# Dividend Payout

➤ Record high EPS in conjunction with a high dividend payout.

## Dividend Payout va.EPS

(NT\$)

■ EPS ■ Dividend



Dividend Payout Ratio%	89.6%	86.4%	86.2%	98.4%	78.9%	80.2%	79.7%
------------------------	-------	-------	-------	-------	-------	-------	-------

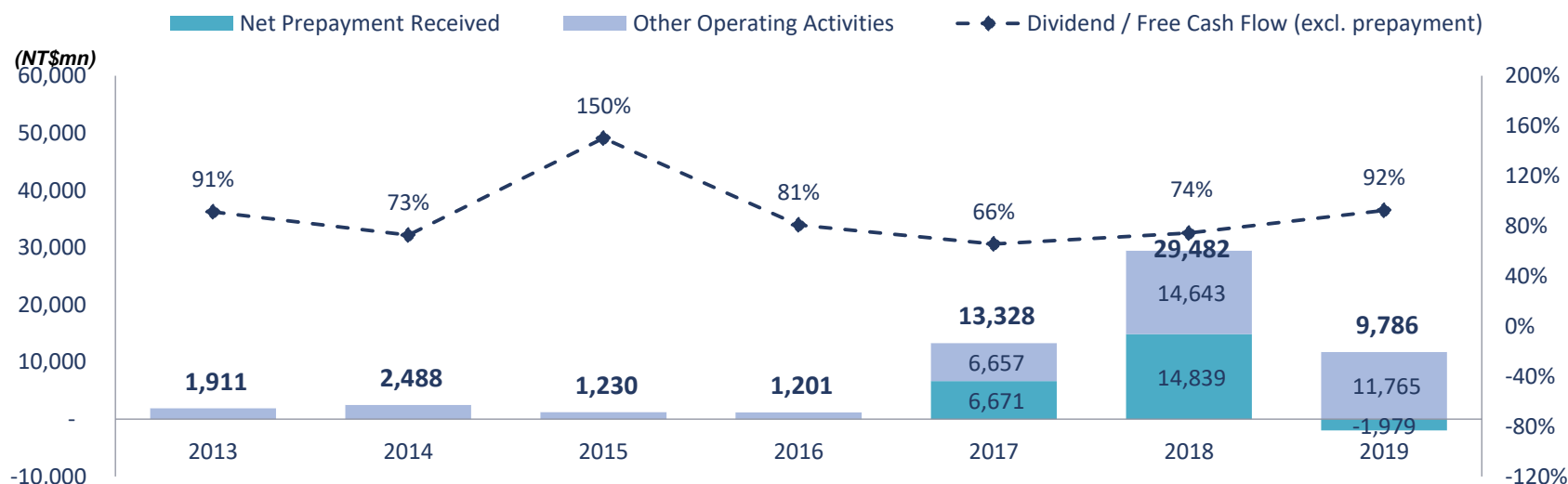
\* 2019 dividend payout is subject to AGM approval on June 23, 2020



# Smoothing Out the Shareholder Dividend Stream

- Dividend payout once every 6 months to smooth out the income stream for shareholders\*.
- Our track record of consistently robust dividend payouts reflects GlobalWafers commitment to shareholder value creation.
- Dividend Distribution schedule :
  - 1H20 dividend → to be distributed in 1Q21
  - 2H20 dividend → to be distributed in 3Q21

## Dividend Distribution vs. Free Cash Flow\*



Note:

1. 2019 dividend payout is subject to AGM approval on June 23, 2020

2. Free cash flow = Cash flow from operating activities – Capex

3. 2019 Prepayment is lower due to the partial LTA fulfillment



# Income Statement

## Income Statement

(NT\$mn)	2013	2014	2015	2016	2017	2018	2019	1Q20
<b>Revenue</b>	<b>15,570</b>	<b>15,922</b>	<b>15,310</b>	<b>18,427</b>	<b>46,213</b>	<b>59,064</b>	<b>58,094</b>	<b>13,515</b>
Growth (%)	-	2.3%	-3.8%	20.4%	150.8%	27.8%	-1.6%	-
<b>Gross Profit</b>	<b>3,663</b>	<b>3,728</b>	<b>4,073</b>	<b>4,130</b>	<b>11,808</b>	<b>22,299</b>	<b>22,847</b>	<b>4,938</b>
Gross Profit Margin (%)	23.5%	23.4%	26.6%	22.4%	25.6%	37.8%	39.3%	36.5%
<b>EBITDA</b>	<b>4,053</b>	<b>4,087</b>	<b>4,046</b>	<b>3,025</b>	<b>12,221</b>	<b>22,712</b>	<b>22,648</b>	<b>5,015</b>
EBITDA Margin (%)	26.0%	25.7%	26.4%	16.4%	26.4%	38.5%	39.0%	37.1%
<b>Operating Profit</b>	<b>2,194</b>	<b>2,336</b>	<b>2,685</b>	<b>1,378</b>	<b>7,414</b>	<b>17,578</b>	<b>17,897</b>	<b>3,805</b>
Operating Profit Margin (%)	14.1%	14.7%	17.5%	7.5%	16.0%	29.8%	30.8%	28.2%
<b>Profit before Tax</b>	<b>2,204</b>	<b>2,679</b>	<b>2,808</b>	<b>1,344</b>	<b>6,875</b>	<b>18,253</b>	<b>18,554</b>	<b>3,922</b>
Profit before Tax Margin (%)	14.2%	16.8%	18.3%	7.3%	14.9%	30.9%	31.9%	29.0%
<b>Net Profit</b>	<b>1,948</b>	<b>2,095</b>	<b>2,044</b>	<b>939</b>	<b>5,278</b>	<b>13,634</b>	<b>13,636</b>	<b>2,880</b>
Net Profit Margin (%)	12.5%	13.2%	13.4%	5.1%	11.4%	23.1%	23.5%	21.3%
<b>EPS (NT\$)</b>	<b>6.14</b>	<b>6.60</b>	<b>5.80</b>	<b>2.54</b>	<b>12.68</b>	<b>31.18</b>	<b>31.35</b>	<b>6.62</b>

Note: Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.



# Balance Sheet

## Balance Sheet

(NT\$mn)	2013	2014	2015	2016	2017	2018	2019	1Q20
<b>Assets</b>								
Cash and cash equivalents	1,536	2,685	3,662	5,628	18,794	35,214	32,822	28,285
Account receivable	3,165	3,694	4,538	7,642	7,869	9,226	8,140	8,574
Inventories	3,291	2,829	3,262	7,307	7,347	7,040	6,849	6,416
Property, plant and equipment	9,796	8,972	9,361	31,036	28,202	30,887	34,697	35,747
Other assets	3,286	3,204	2,994	8,948	8,020	7,455	14,078	17,691
<b>Total assets</b>	<b>21,074</b>	<b>21,385</b>	<b>23,816</b>	<b>60,560</b>	<b>70,232</b>	<b>89,822</b>	<b>96,586</b>	<b>96,713</b>
<b>Liabilities</b>								
Short-term loan	1,302	2,069	696	12,982	10,738	5,042	9,886	9,582
Account payable	1,816	1,789	1,383	5,126	4,269	4,870	3,837	3,746
Long term loan	--	--	--	14,367	3,663	430	0	0
Other liabilities	4,821	4,325	5,012	12,267	17,508	36,324	37,790	46,812
<b>Total liabilities</b>	<b>7,939</b>	<b>8,184</b>	<b>7,091</b>	<b>44,742</b>	<b>36,178</b>	<b>46,666</b>	<b>51,513</b>	<b>60,140</b>
<b>Shareholder equity</b>	<b>13,135</b>	<b>13,201</b>	<b>16,725</b>	<b>15,819</b>	<b>34,054</b>	<b>43,156</b>	<b>45,073</b>	<b>36,573</b>

Note:

1. Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.

2. Account receivables include account receivables from related parties.

3. Account payables include account payables from related parties.



# Q&A



# Thank You

---