



Best DRAM Partner for Smart World



Nanya Technology

Q3' 2019 Investor Conference

Presentation to Investors and Analysts, 8 Oct. 2019

Dr. Pei-Ing Lee, President & Spokesman

Safe Harbor

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Agenda

01. Q3'19 Revenue & Results

02. CAPEX & Bit Shipment

03. Market Outlook

04. Business Review & Outlook



01

Q3'19 REVENUE & RESULTS

Q3'19 Financial Results Summary

Amount in Million NT\$, except for EPS & BVPS	Q3'19		Q2'19		QoQ	Q3'18		YoY
	Unaudited		Audited			Audited		
Net Sales	14,799	100%	12,441	100%	19.0%	24,375	100%	-39.3%
Gross Profit (Loss) <i>Gross Margin(%)</i>	4,137	28.0%	4,348	34.9%	-4.9%	14,366	58.9%	-71.2%
Operating Income (Loss) <i>Operating Margin(%)</i>	2,252	15.2%	2,805	22.5%	-19.7%	12,434	51.0%	-81.9%
EBITDA* <i>EBITDA Margin (%)</i>	5,957	40.3%	6,427	51.7%	-7.3%	15,487	63.5%	-61.5%
Non-operating Income (Expense)	432	2.9%	600	4.8%		438	1.8%	
Income Tax Benefit (Expense)	-479	-3.2%	-657	-5.3%		0	0.0%	
Net Income (Loss) <i>Net Margin (%)</i>	2,205	14.9%	2,748	22.1%	-19.8%	12,872	52.8%	-82.9%
Earnings Per Share (NT\$)	0.72**		0.90			4.15		
Book Value Per Share (NT\$)	49.71***		49.01			51.52		
Shares Outstanding(million shares)	3,053		3,052			3,102		

Note: * EBITDA = Operating income + Depreciation & Amortization Expenses

*** BVPS is calculated based on 3,053M outstanding shares after deduction of NT\$ 7.11 cash dividend

** EPS is based on weighted average outstanding shares of 3,053M

Quarterly Revenue Results

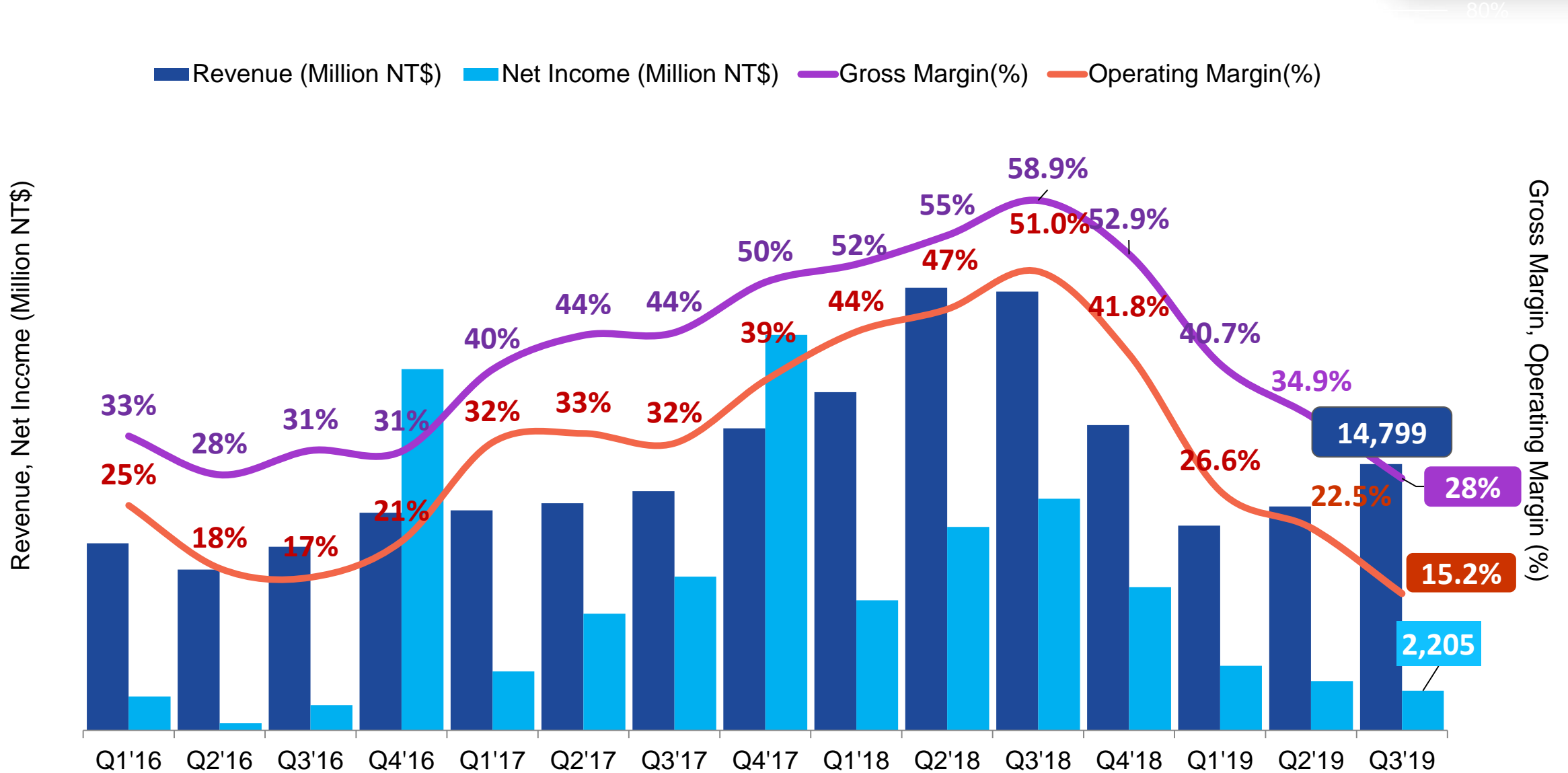
	QoQ Q3 '19 vs. Q2'19	YoY Q3'19 vs. Q3'18
Revenue	+19.0%	-39.3%
Shipment	Increased mid-30% range	Increased 20% range
ASP	Decreased low-teens%	Decreased 50% range
Exchange Rate	+0.3%	+3.1%

- Q3'19 Revenue increased by 19.0% QoQ
- Q3'19 Bit shipment increased mid-thirty% range QoQ
- Q3'19 ASP decreased low-teens% QoQ

Q3'19 vs. Q2'19 Results Comparison

Amount in Million NT\$	Q3'19 Unaudited	Q2'19 Audited	QoQ (PPT* Delta)	Remarks
Net Sales	14,799	12,441	+19%	<ul style="list-style-type: none"> Bit shipment increased by mid-thirty% range QoQ ASP decreased by low-teens% QoQ
Gross Profit (Loss) Gross Margin(%)	4,137 28.0%	4,348 34.9%	-6.9%	<ul style="list-style-type: none"> Q3'19 Gross profit decreased NT\$ 211M, mainly due to ASP drop, amid strong shipment growth
Operating Expense	1,885 12.7%	1,543 12.4%	0.3%	<ul style="list-style-type: none"> SG&A increased NT\$ 57M, R&D expense increased NT\$ 285M
Operating Income (Loss) Operating Margin(%)	2,252 15.2%	2,805 22.5%	-7.3%	<ul style="list-style-type: none"> Q3'19 OP Income decreased NT\$ 553M
Net Income (Loss) Net Margin (%)	2,205 14.9%	2,748 22.1%	-7.2%	<ul style="list-style-type: none"> Net Income decreased NT\$ 543M <ul style="list-style-type: none"> OP Income decreased NT\$ 553M FX & Interest income decreased NT\$ 160M Income tax decreased 178M

Quarterly Financial Highlights



Operating Expenses

SG&A Expenses

(Million NT\$)

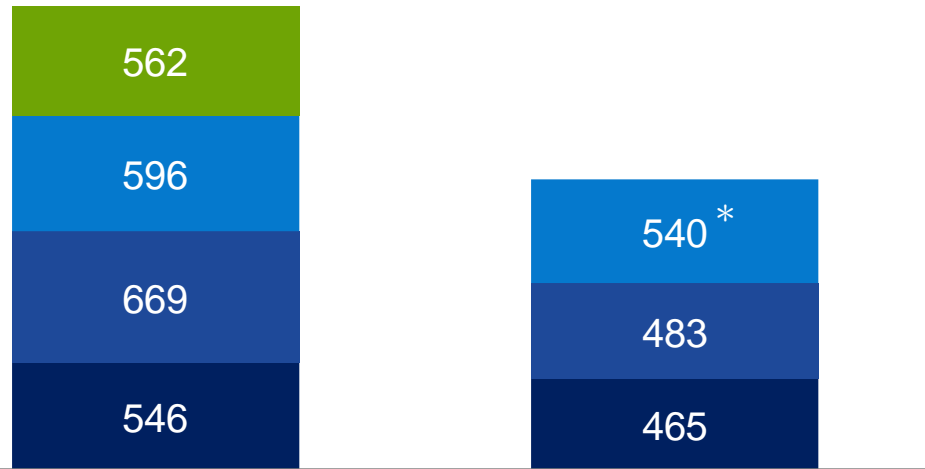
* Unaudited number

R&D Expenses

(Million NT\$)

* Unaudited number

NT\$2,373

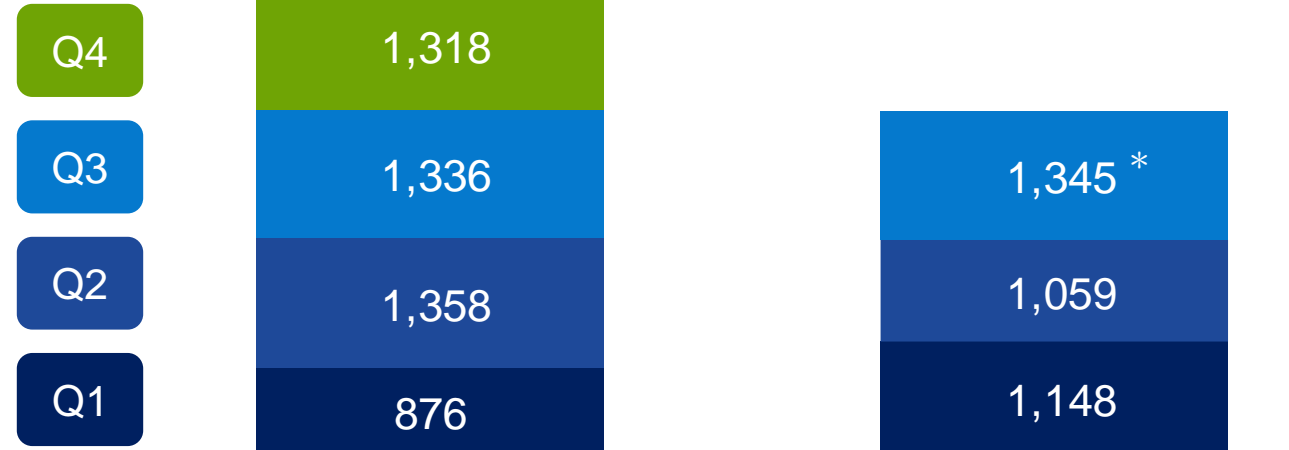


2018

2019

Note: Q3'19 SG&A expenses increased mainly due to sales revenue increase...etc.

NT\$4,888



2018

2019

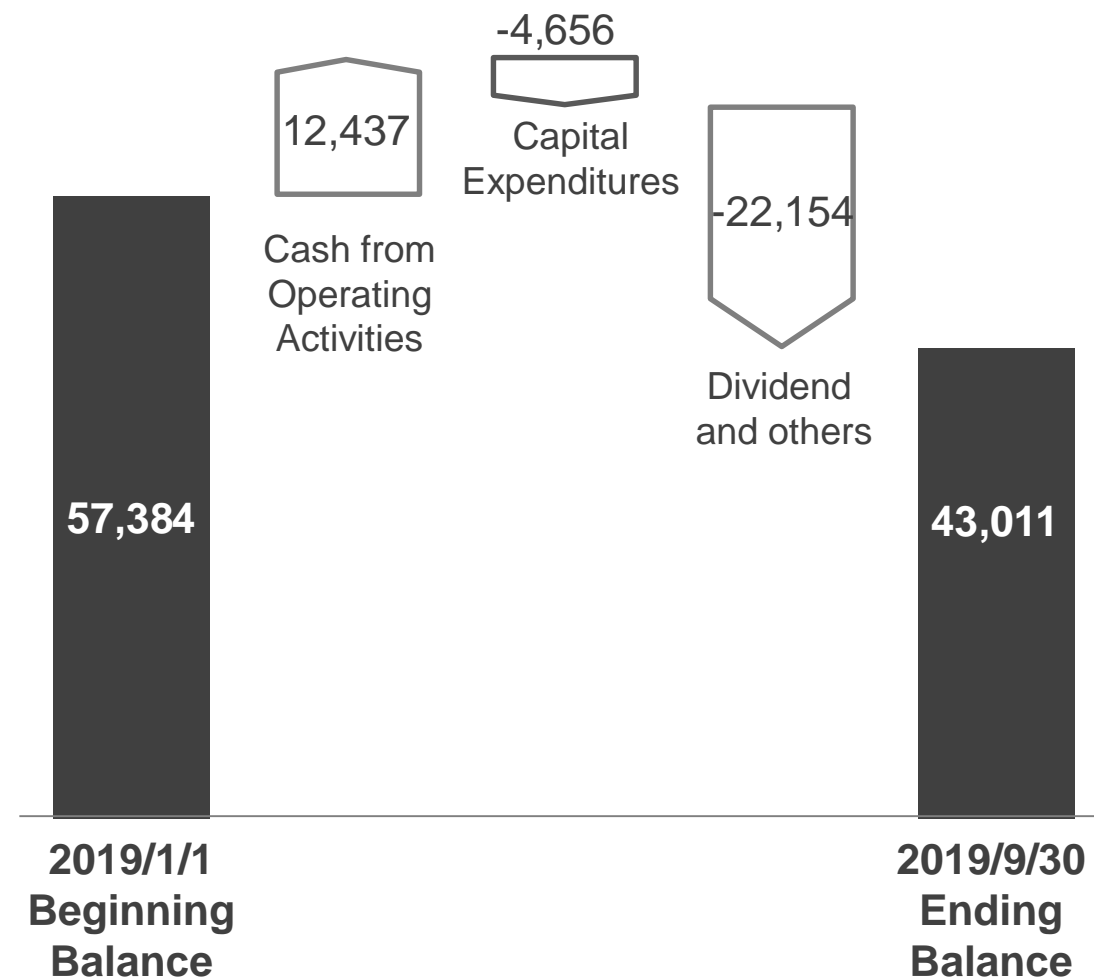
Note: Q3'19 R&D expenses increased in both new process technology and product development.

Cash Flows

Q1~Q3 2019 Cash Flow

Unit: Million NT\$	Q3'19	Q2'19
	Unaudited & Consolidated	Audited & Consolidated
Beginning Balance	60,861	60,374
Cash from Operating Activities	4,930	1,591**
Capital expenditures	-1,106	-1,827
Dividend and others	-21,674*	723
Ending Balance	43,011	60,861
Free Cash Flow ⁽¹⁾	3,824	-236

Unit: Million NT\$



Q1~Q3 2019 Free Cash Flow NT\$7,781 Million

(1) Free Cash Flow = Cash from operating activities – Capital expenditures

* Mainly from dividend payout of NT\$ 21.7B

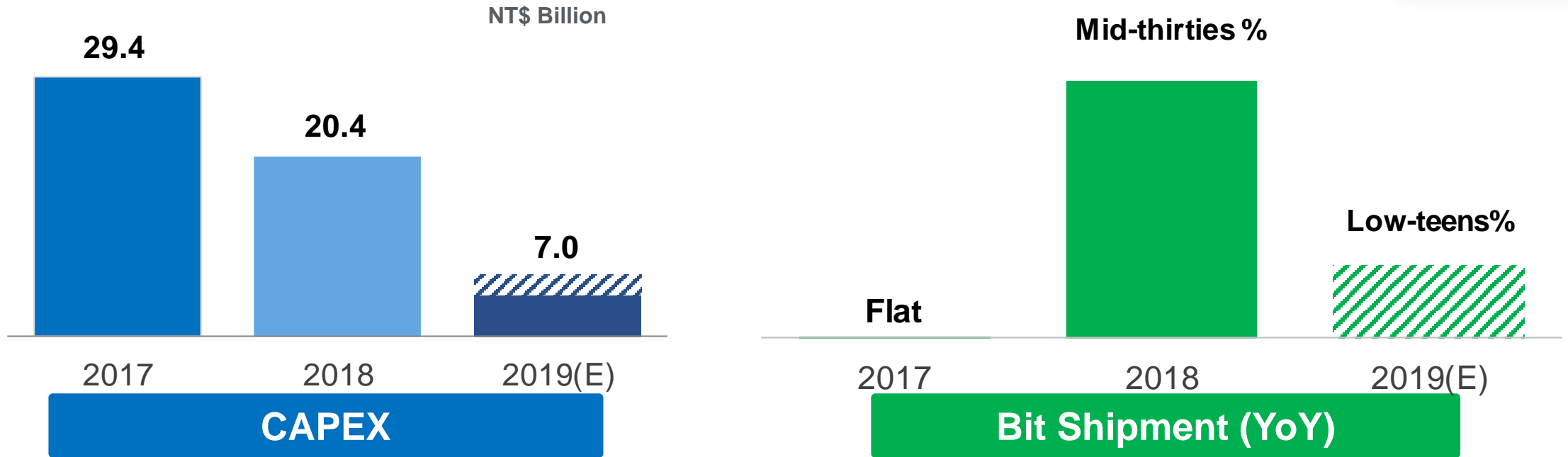
** Including retained earnings tax NT\$ 2.5B



02

CAPEX & BIT SHIPMENT

CAPEX & Bit Shipment



Capital

Expenditure (CAPEX)

- Q1'19~Q3'19 CAPEX NT\$ 4.7Billion (B)
- 2019 CAPEX plan approx. NT\$ 7B

Bit Shipment

- Q3'19 Bit shipment increased by mid-thirties %
- Q4'19 QoQ bit shipment expected to be flat or low single digits decline
- 2019 YoY bit shipment growth expected to be low-teens%
- Continue allocating 5~10% capacity to technology & product development



03

MARKET OUTLOOK

Market Outlook

Outlook

- **Macro:** Macro economic uncertainties expected to continue; Q3 seasonal effect resulted in shipment increase and inventory reduction. Q4 DRAM supply-demand expect to be stable and pricing pressure decrease
- **Sectors Outlook:** Servers demand improve gradually, smartphone content per box increase, 2H'19 PC shipments better than 1H'19, and consumer demand remain stable

Supply

- Inventory adjustment continued, Capex plan conservative

Demand

- **Mobile Market:** New smartphone upgraded with AI and multi-cameras to stimulate DRAM content growth. Introduction of 5G smartphones equipped with 8GB DRAM and forecast substantial shipment growth in coming years
- **Server Market:** Server demand increase gradually. Enterprise cloud services, AI and network development, & streaming services continue to drive server long-term growth
- **PC Market:** PC shipment 2H'19 better than 1H'19
- **Consumer Market:** DRAM demand in consumer segments including TV, set-top box, smart speaker, SSD, gaming and smart watch...etc. to grow steady



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BUSINESS REVIEW & OUTLOOK

Nanya Business Review & Outlook

- Nanya named Dow Jones Sustainability Index on Emerging Markets Index for 2nd straight year
- Strong Q3'19 bit shipment growth in consumer and commodity segments
- Q4'19 DRAM market expect to stay stable
- 2019 bit shipment increase to mid-teens%, in-line with market demand growth
- 20nm LPDDR4/4X and LPDDR3 products commenced volume shipment
- 10nm class technology development on track

Thanks & Questions

Q3'19 Consolidated Income Statement

Amount: Million NT\$

	Q3'19 Unaudited		Q2'19 Audited		QoQ	Q3'18 Audited		YoY
Net Sales	14,799	100.0%	12,441	100.0%	19.0%	24,375	100.0%	-39.3%
Cost of Goods Sold	10,662	72.0%	8,093	65.1%		10,008	41.1%	
Gross Margin	4,137	28.0%	4,348	34.9%	-4.9%	14,366	58.9%	-71.2%
SG&A Expenses	540	3.6%	483	3.9%		596	2.4%	
R&D Expenses	1,345	9.1%	1,059	8.5%		1,336	5.5%	
Operating Income	2,252	15.2%	2,805	22.5%	-19.7%	12,434	51.0%	-81.9%
Non-operating Income (Exp.)	432	2.9%	600	4.8%		438	1.8%	
Income before Tax	2,684	18.1%	3,405	27.4%	-21.2%	12,872	52.8%	-79.2%
Income Tax Benefit (Expense)	-479	-3.2%	-657	-5.3%		0	0.0%	
Net Income	2,205	14.9%	2,748	22.1%		12,872	52.8%	
Net income attributable to noncontrolling interests	0	0.0%	0	0.0%		0	0.0%	
Net Income attributable to NTC	2,205	14.9%	2,748	22.1%	-19.8%	12,872	52.8%	-82.9%
EPS(NT\$)	0.72		0.90			4.15		
Book Value Per Share	49.71		49.01			51.52		