



Best DRAM Provider for Smart World



Nanya Technology

Q1' 2019 Investor Conference

Presentation to Investors and Analysts, 16 Apr. 2019

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Safe Harbor

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Agenda

01. Q1'19 Revenue & Results

02. CAPEX & Bit Shipment

03. Market Outlook

04. Business Review & Outlook



01

Q1'19 REVENUE & RESULTS

Q1'19 Financial Results Summary

Amount in Million NT\$, except for EPS & BVPS	Q1'19		Q4'18		QoQ	Q1'18		YoY
	Unaudited		Audited			Audited		
Net Sales	11,372	100%	16,958	100%	-32.9%	18,797	100%	-39.5%
Gross Profit (Loss) <i>Gross Margin(%)</i>	4,633	40.7%	8,972	52.9%	-48.4%	9,741	51.8%	-52.4%
Operating Income (Loss) <i>Operating Margin(%)</i>	3,020	26.6%	7,092	41.8%	-57.4%	8,319	44.3%	-63.7%
EBITDA* <i>EBITDA Margin (%)</i>	6,381	56.1%	10,217	60.2%	-37.5%	11,236	59.8%	-43.2%
Non-operating Income (Expense)	567	5.0%	893	5.3%	-36.5%	-1,092	-5.8%	
Income Tax Benefit (Expense)	0	0.0%	-32	-0.2%		-1	0.0%	
Net Income (Loss) <i>Net Margin (%)</i>	3,586	31.5%	7,953	46.9%	-54.9%	7,227	38.4%	-50.4%
Earnings Per Share (NT\$)	1.18**		2.57			2.39		
Book Value Per Share (NT\$)	55.26		54.02			47.24		
Shares Outstanding(million shares)	3,034		3,053			3,060		

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

** EPS is based on weighted average outstanding shares of 3,035M

Quarterly Revenue Results

	QoQ Q1 '19 vs. Q4'18	YoY Q1'19 vs. Q1'18
Revenue	-32.9%	-39.5%
Shipment	Decreased low teens %	Decreased high teens
ASP	Decreased low twentys %	Decreased high twentys%
Exchange Rate	-0.1%	-1.1%

- Q1'19 Revenue decreased by 32.9% QoQ
- Q1'19 Bit shipment decreased low teens % QoQ
- Q1'19 ASP decreased low twentys % QoQ

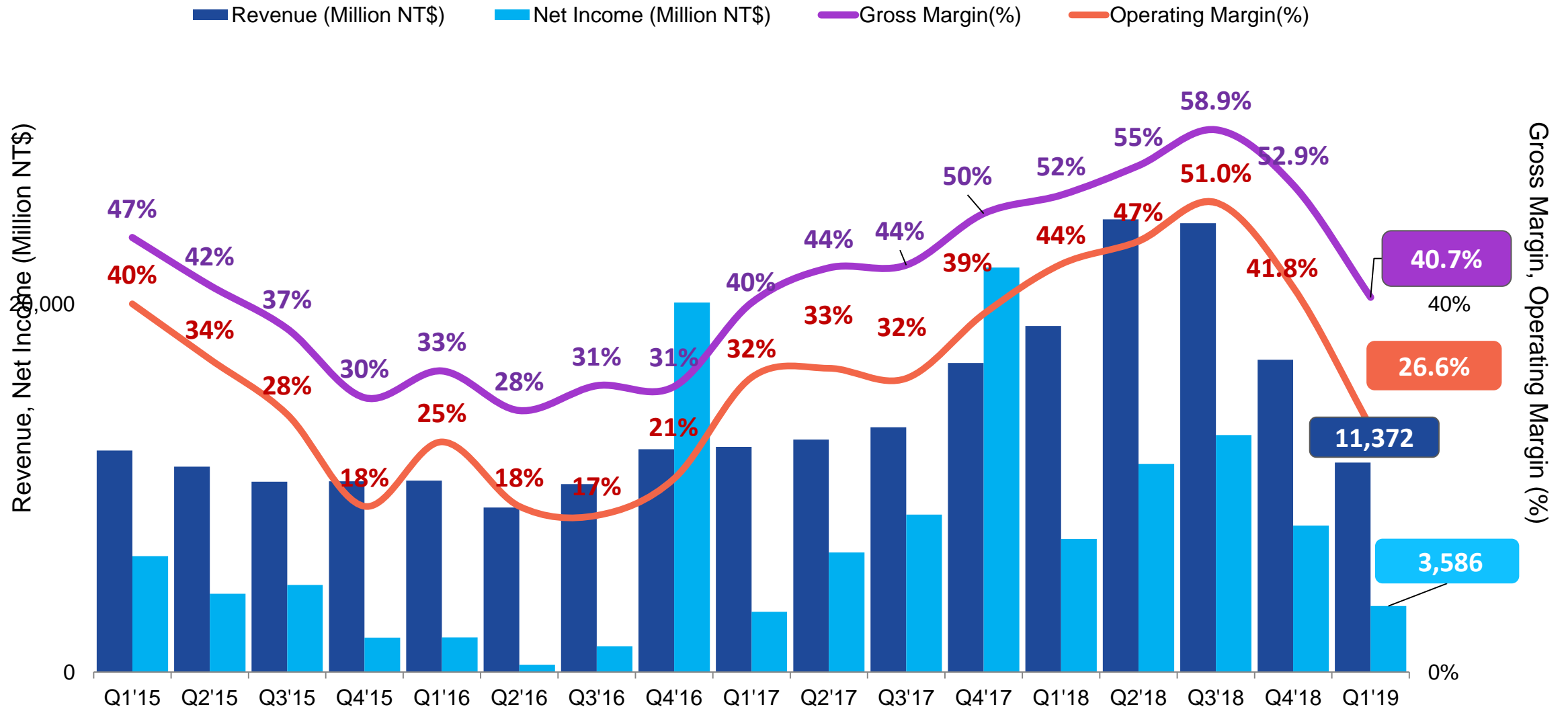
Q1'19 vs. Q4'18 Results Comparison

Amount in Million NT\$	Q1'19 Unaudited	Q4'18 Audited	QoQ (PPT* Delta)	Remarks
Net Sales	11,372	16,958		<ul style="list-style-type: none"> ■ ASP decreased by low twenties% QoQ ■ Bit shipment decreased by low teens % range QoQ
Gross Profit (Loss) Gross Margin(%)	4,633 40.7%	8,972 52.9%	-12.2%	<ul style="list-style-type: none"> ■ Q1'19 Gross profit decreased NT\$ 4,339M, mainly due to pricing and shipment decline
Operating Income (Loss) Operating Margin(%)	3,020 26.6%	7,092 41.8%	-15.2%	<ul style="list-style-type: none"> ■ Q1'19 OP Income decreased NT\$ 4,073M <ul style="list-style-type: none"> ■ Gross profit decreased NT\$ 4,339M ■ SG&A decreased NT\$ 97M, R&D expense decreased NT\$ 169M
Net Income (Loss) Net Margin (%)	3,586 31.5%	7,953 46.9%	-15.4%	<ul style="list-style-type: none"> ■ Net Income decreased NT\$ 4,367M <ul style="list-style-type: none"> ■ OP Income decreased NT\$ 4,073M ■ FX** gain decreased NT\$ 386M (Q1'19: NT\$ 91M; Q4'18: NT\$ 477M) ■ Other Income increased NT\$ 92M mainly from Interest Income

Quarterly Financial Highlights

40,000

80%

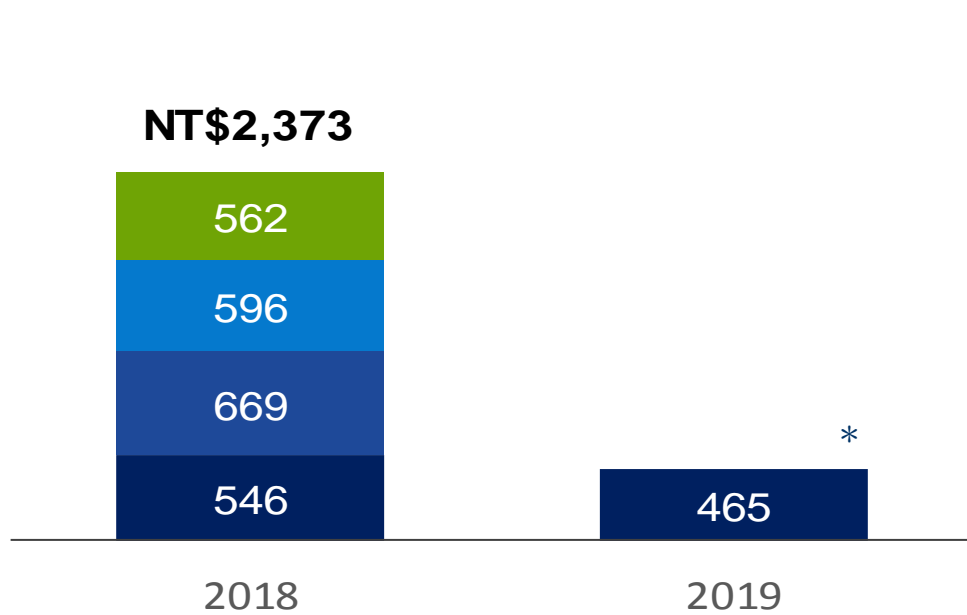


Operating Expenses

SG&A Expenses

(Million NT\$)

* Unaudited number



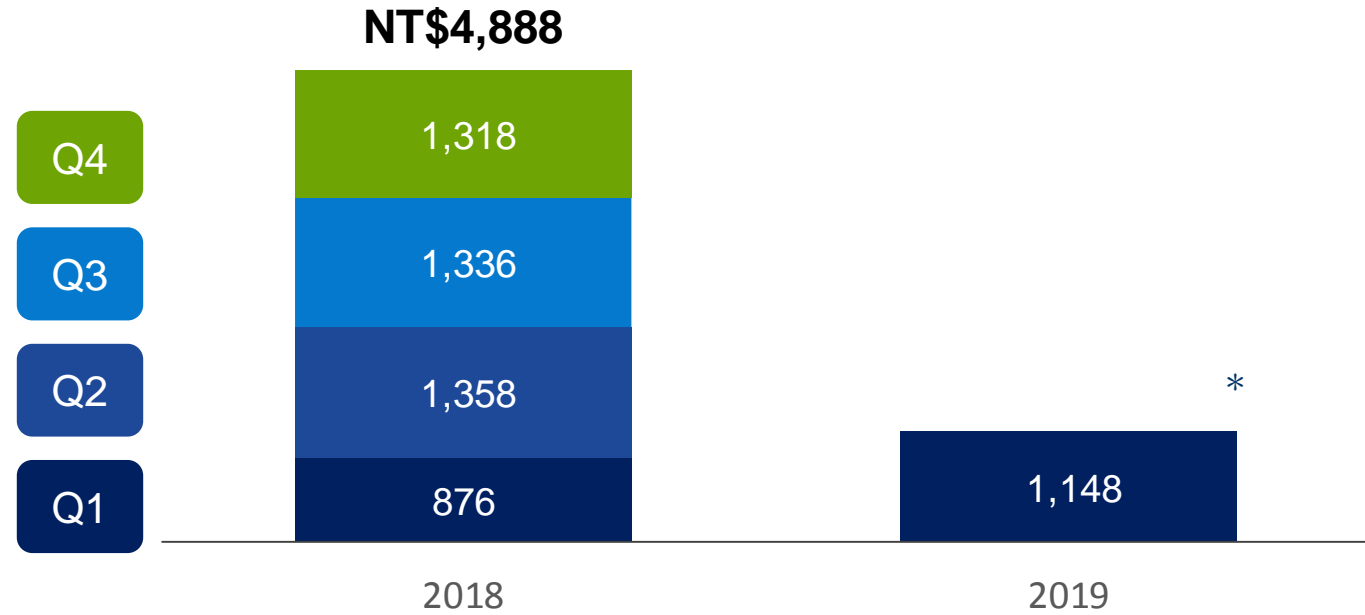
Note:

- Q1'19 SG&A expenses less than Q4'18 mainly due to variable cost decreased

R&D Expenses

(Million NT\$)

* Unaudited number



Note:

- Q1'19 R&D expenses similar to average

Cash Flows

Unit: Million NT\$	Q1'19 Unaudited & Consolidated	Q4'18 Audited & Consolidated	Q1'18 Audited & Consolidated
Beginning Balance	57,384	57,259	33,769
Cash from Operating Activities	5,714	15,427	7,943
Capital expenditures	-1,723	-12,745	-1,941
Investments and others	-1,203*	-2,556**	10,425
Ending Balance	60,172	57,384	50,197
Free Cash Flow ⁽¹⁾	3,991	2,681	6,003

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

* Mainly for share buyback of NT\$ 1,030M

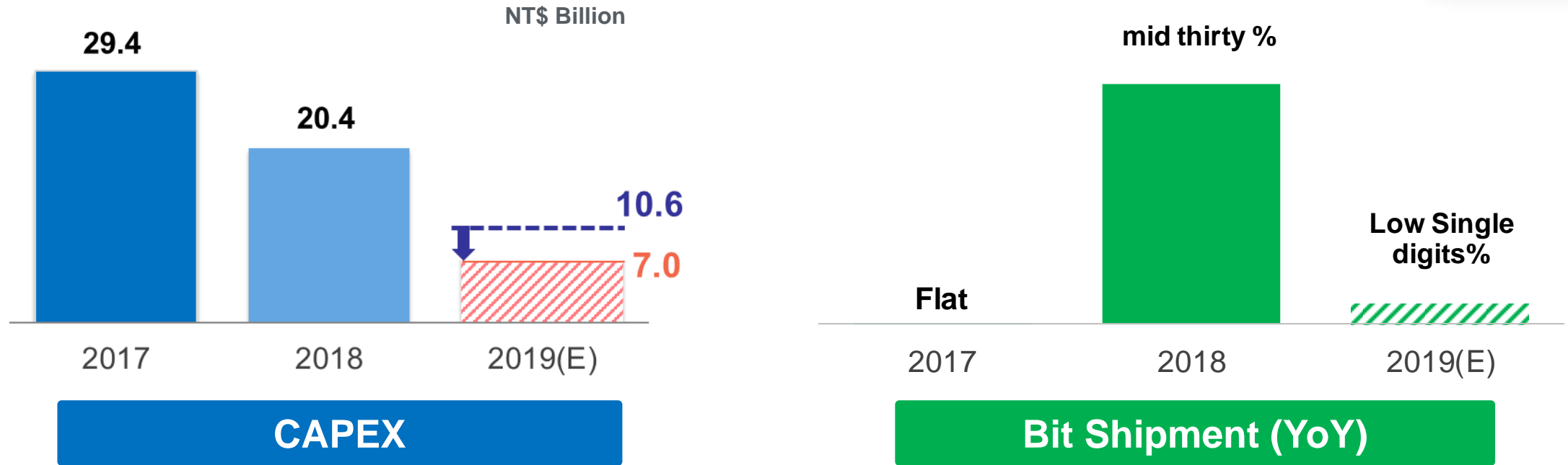
** Mainly for share buyback of NT\$ 2,783M



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CAPEX & BIT SHIPMENT

CAPEX & Bit Shipment



Capital Expenditure (CAPEX)

- Q1'19 CAPEX NT\$ 1.7Billion (B)
- 2019 CAPEX plan reduce from NT\$ 10.6B to approx. NT\$ 7B (34% cut)

Bit Shipment

- Q1'19 Bit shipment decreased by low teens %
- Q2'19 bit shipment growth guided for up single digits %
- 2019 Bit shipment growth trim down to low single digits %
- Allocate 5~10% more capacity to technology & product development



03

MARKET OUTLOOK

DRAM Market outlook – Q1'2019

Outlook

- Macroeconomic uncertainty, inventory adjustment and CPU shortages impact DRAM demand in Q1'19 resulted in price decline worse than expectation. Expect Q2'19 inventory gradually digested and price decline narrowing. Optimistic on Q3'19 market stabilization with seasonal peak on consumer applications, mobile demand increase coupled with PC and server recovery

Supply

- Major suppliers reduce capital expenditures and adjust inventory

Demand

- **Mobile Market** : Smartphone unit shipments expected to decrease in 2019, due to deferred replacement cycle before 5G adoption
- **Server Market** : Q1'19 Inventory adjustment in server markets and expect demand to resume gradually. AI & connectivity will sustain sever market long-term growth
- **PC Market** : PC shipments effected of CPU shortages, expected to be eased from Q3'19
- **Consumer Market** : US-China trade factors continue to interfere consumer market in short-term. Set-top boxes, smart speakers, SSDs, and IP CAMs grown will increase DRAM demand in the long run

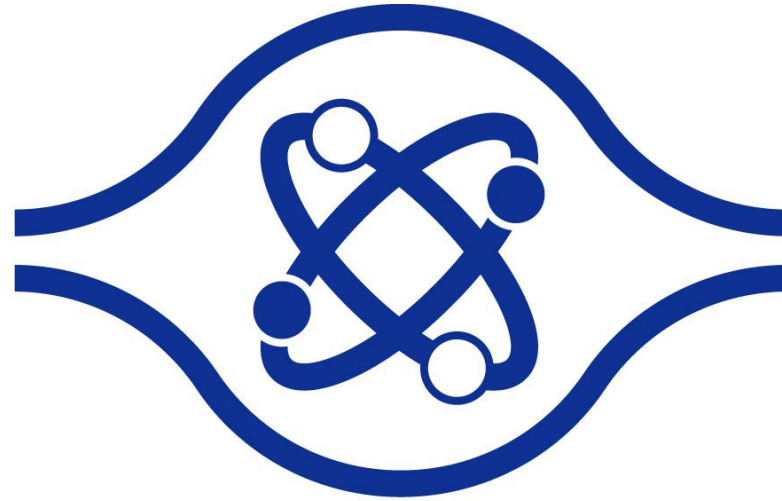


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BUSINESS REVIEW & OUTLOOK

Nanya Business Review & Outlook

- Received National Industry Innovation Award from the Ministry of Economic Affairs, R.O.C.
- Cash dividend of NT\$ 21.7B (NT\$ 7.09 ~ 7.15 per common share) will be proposed to the AGM on May 30, 2019
- 2019 Capex plan further trim down > 30% to approx. NT\$ 7B
- Allocate 5~10% more capacity to technology & product development activities
- Diversify product portfolio to minimize downside risks
- DRAM demand growth strengthen expected from 2H 2019



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Thanks & Questions

Q1'19 Consolidated Income Statement

Amount: Million NT\$	Q1'19		Q4'18		QoQ	Q1'18		YoY
	Unaudited		Audited			Audited		
Net Sales	11,372	100.0%	16,958	100.0%	-32.9%	18,797	100.0%	-39.5%
Cost of Goods Sold	6,739	59.3%	7,986	47.1%		9,057	48.2%	
Gross Margin	4,633	40.7%	8,972	52.9%	-48.4%	9,741	51.8%	-52.4%
SG&A Expenses	465	4.1%	562	3.3%		546	2.9%	
R&D Expenses	1,148	10.1%	1,318	7.8%		876	4.7%	
Operating Income	3,020	26.6%	7,092	41.8%	-57.4%	8,319	44.3%	-63.7%
Non-operating Income (Exp.)	567	5.0%	893	5.3%		-1,092	-5.8%	
Income before Tax	3,586	31.5%	7,985	47.1%	-55.1%	7,227	38.4%	-50.4%
Income Tax Benefit (Expense)	0	0.0%	-32	-0.2%		-1	0.0%	
Net Income	3,586	31.5%	7,953	46.9%		7,226	38.4%	
Net income attributable to noncontrolling interests	0	0.0%	0	0.0%		-1	0.0%	
Net Income attributable to NTC	3,586	31.5%	7,953	46.9%	-54.9%	7,227	38.4%	-50.4%
EPS(NT\$)	1.18		2.57			2.39		
Book Value Per Share	55.26		54.02			47.24		