



# Nanya Technology

## 4Q' 2015 Investor Conference

Presentation to Investors and Analysts 27 January 2016

**Dr. Pei-Ing Lee** , President & Spokesman

# Agenda



- |     |                         |
|-----|-------------------------|
| 01. | Q4'15 Revenue & Results |
| 02. | 2015 Revenue & Results  |
| 03. | Operations              |
| 04. | Market Outlook          |
| 05. | Business Outlook        |



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# 01

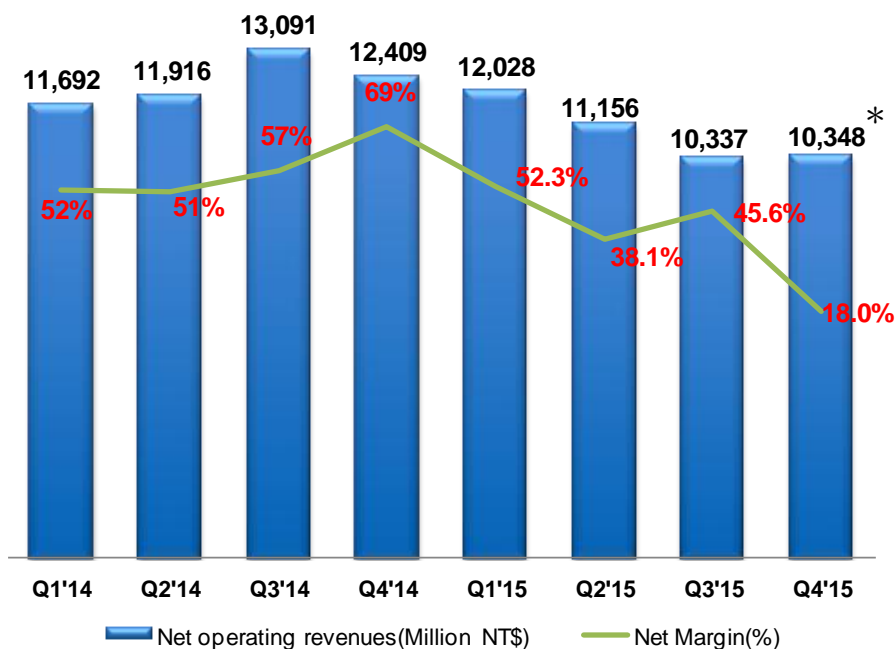
## Q4'15 REVENUE & RESULTS



# Financial Highlights

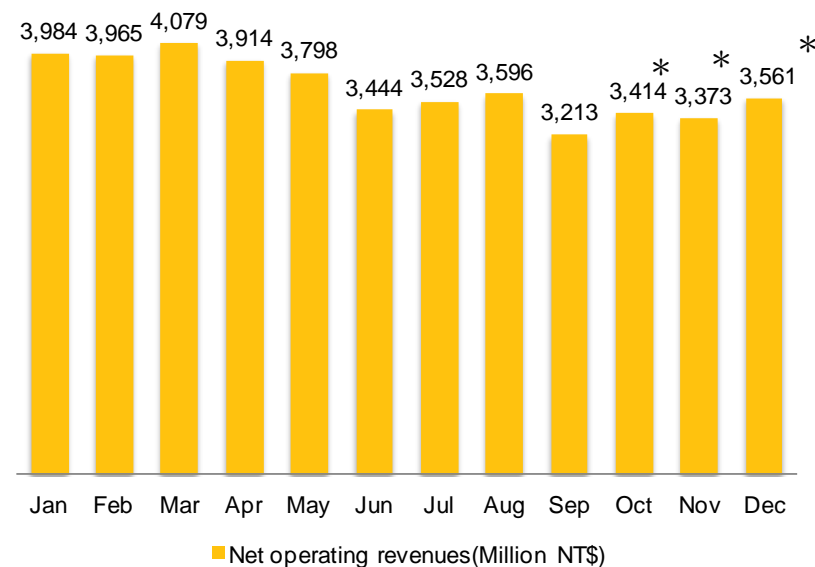
## 2014-2015 Quarterly Results

\* Unaudited number



## 2015 Monthly Revenues

\* Unaudited number



# Quarterly Revenue Results

	QoQ Q4 '15 vs. Q3'15	YoY Q4'15 vs. Q4'14
Revenue	0.1%	-16.6%
Shipment	16.0%	29.1%
ASP	-15.5%	-39.2%
Exchange Rate	2.2%	6.2%

- Revenue remain flat quarterly
- Q4'15 bit shipments growth of 16.0% QoQ, offset by 15.5% ASP decrease QoQ.

# Q4'15 Financial Results Summary

Amount in Million NT\$, except for EPS	Q4'15 Unaudited		Q3'15 Audited		QoQ	Q4'14 Audited		YoY
Net Sales	10,348	100%	10,337	100%	0.1%	12,409	100%	-16.6%
Gross Margin (Loss) <i>Gross Margin(%)</i>	3,104	30%	3,858	37.3%	-19.5%	6,026	48.6%	-48.5%
Operating Income (Loss) <i>Operating Margin(%)</i>	1,855	17.9%	2,952	28.6%	-37.1%	5,153	41.5%	-64%
EBITDA* <i>EBITDA Margin (%)</i>	3,335	32.2%	4,433	42.9%	-24.8%	6,518	52.5%	-48.8%
Non-operating Income (Exp.)	28**	0.3%	1,782	17.1%		5,007	40.4%	
Income Tax Benefit (Expense)	-16	-0.2%	-2	-0.0%		-1,604	-12.9%	
Net Income (Loss) <i>Net Margin (%)</i>	1,862	18%	4,727	45.6%	-60.6%	8,568	69%	-78.3%
Earnings Per Share	0.77***		1.94			3.56		
Book Value Per Share	22.54		21.57			17.19		
Shares Outstanding(million shares)	2,429		2,429			2,410		

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

\*\* Non-Operating income included NT\$109 million from Inotera's profits in Q4'15

\*\*\* EPS is based on weighted average outstanding shares of 2,424million.

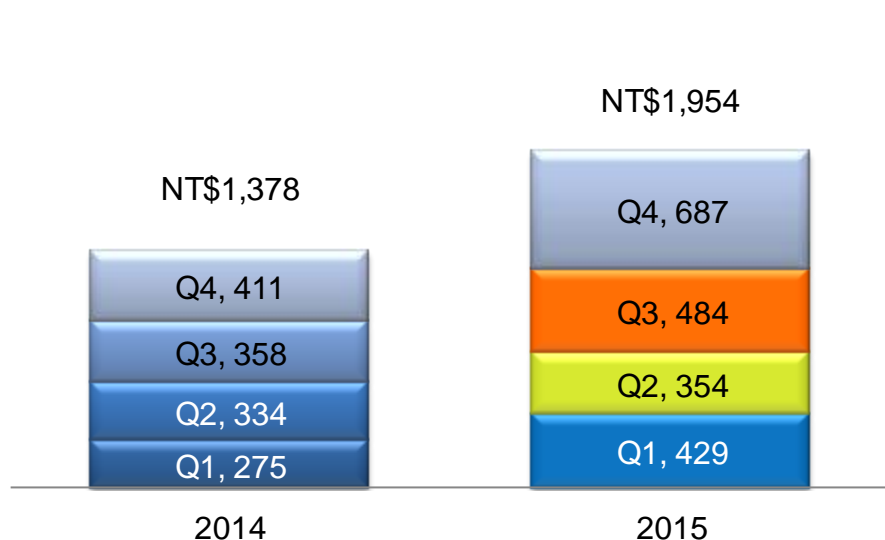
# Q4 v.s. Q3 Results Comparison

NT Dollars in Millions	Q4 '15	%	Q3'15	%	Difference
Gross Margin	3,104	30.0%	3,858	37.3%	<ul style="list-style-type: none"> <li>Q4'15 Cost of Good Sold(COGS) recognized NT\$ 337 million expense from employees' subscription rights of capital injection</li> </ul>
Operating Income	1,855	17.9%	2,952	28.6%	<ul style="list-style-type: none"> <li>Q4'15 expense of NT\$490 million (including NT\$ 337 million in COGS) from employees' subscription rights of capital injection</li> <li>Other difference due to ASP decrease, shipment increase, etc.</li> </ul>
Non-Operating Income	28	0.3%	1,782	17.1%	<ul style="list-style-type: none"> <li>Recognized Inotera's profit down to NT\$109 million from NT\$ 1,406 million in Q3'15</li> <li>Q3 recognized NT\$479 million profits on exchange</li> </ul>

# Operating Expenses

## R&D Expenses

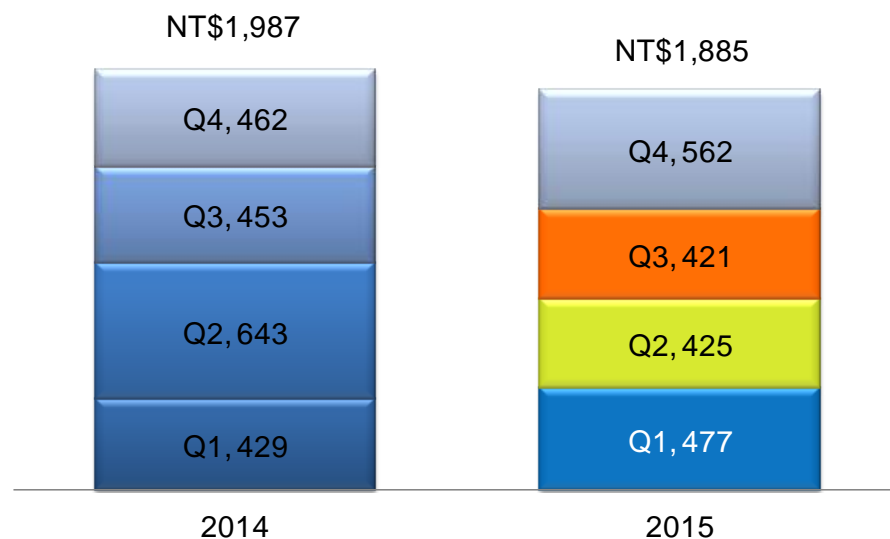
(Million NT\$)



*Note: Q4'15 R&D expense increased to NT\$ 687M mainly for variety products development and 20nm preparation.*

## SG&A Expenses

(Million NT\$)



*Note: Q4'15 SG&A increase due to expenses from employees' subscription rights of capital injection and other items.*

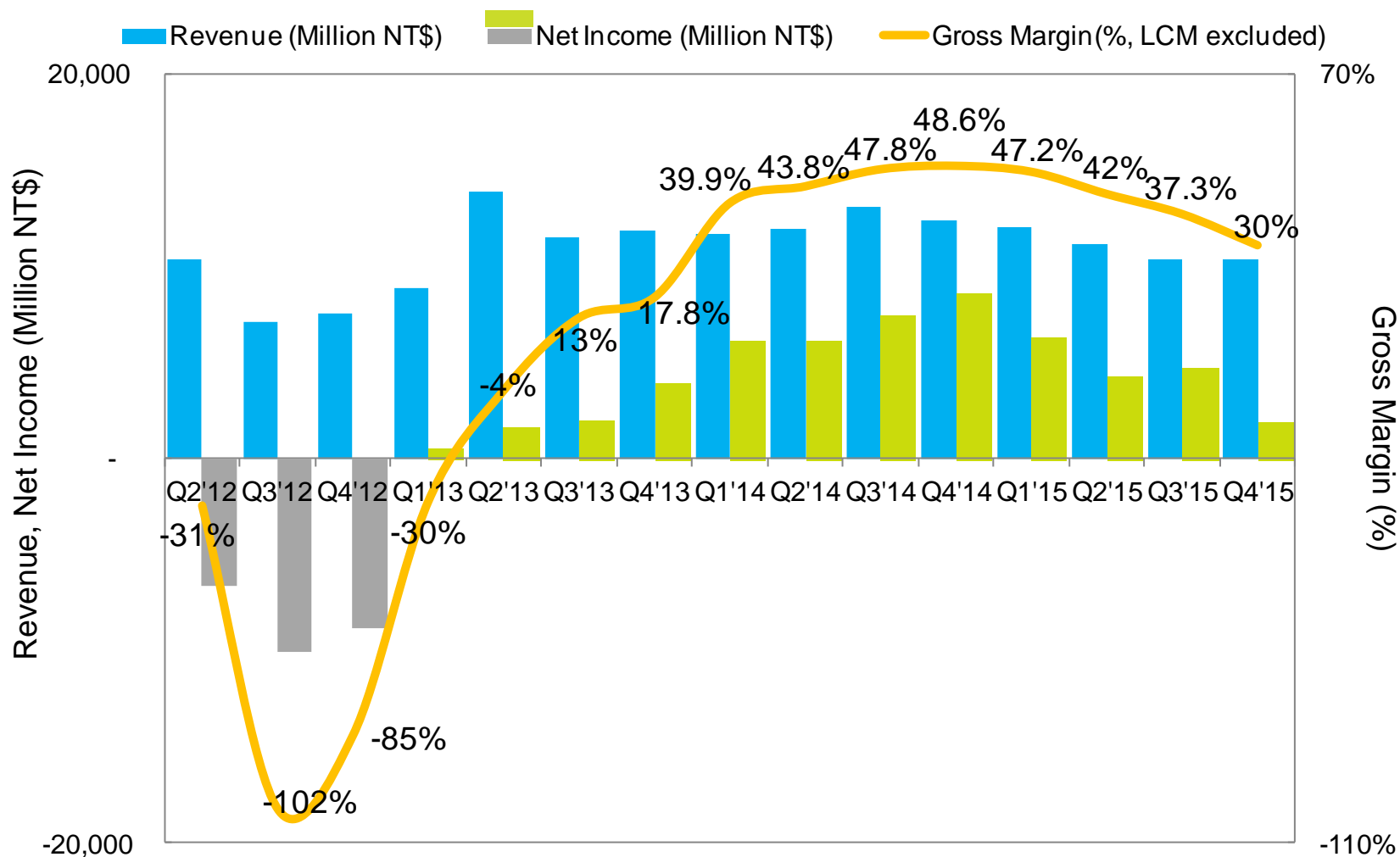


# Q4'15 Cash Flows

(Unit: Million NT\$)	Q4'15 Unaudited & Consolidated	Q3'15 Audited & Consolidated	Q4'14 Audited & Consolidated
<b>Beginning Balance</b>	<b>3,747</b>	<b>7,189</b>	<b>4,167</b>
Cash from Operating Activities	3,539	4,622	7,519
Capital expenditures	-776	-1,321	-1,250
Long-term & Short-term loans	-3,994	-1,853	-3,954
Investments and others	583	-4,890	786
<b>Ending Balance</b>	<b>3,100</b>	<b>3,747</b>	<b>7,268</b>
Free Cash Flow <sup>(1)</sup>	<b>2,764</b>	<b>3,302</b>	<b>6,269</b>

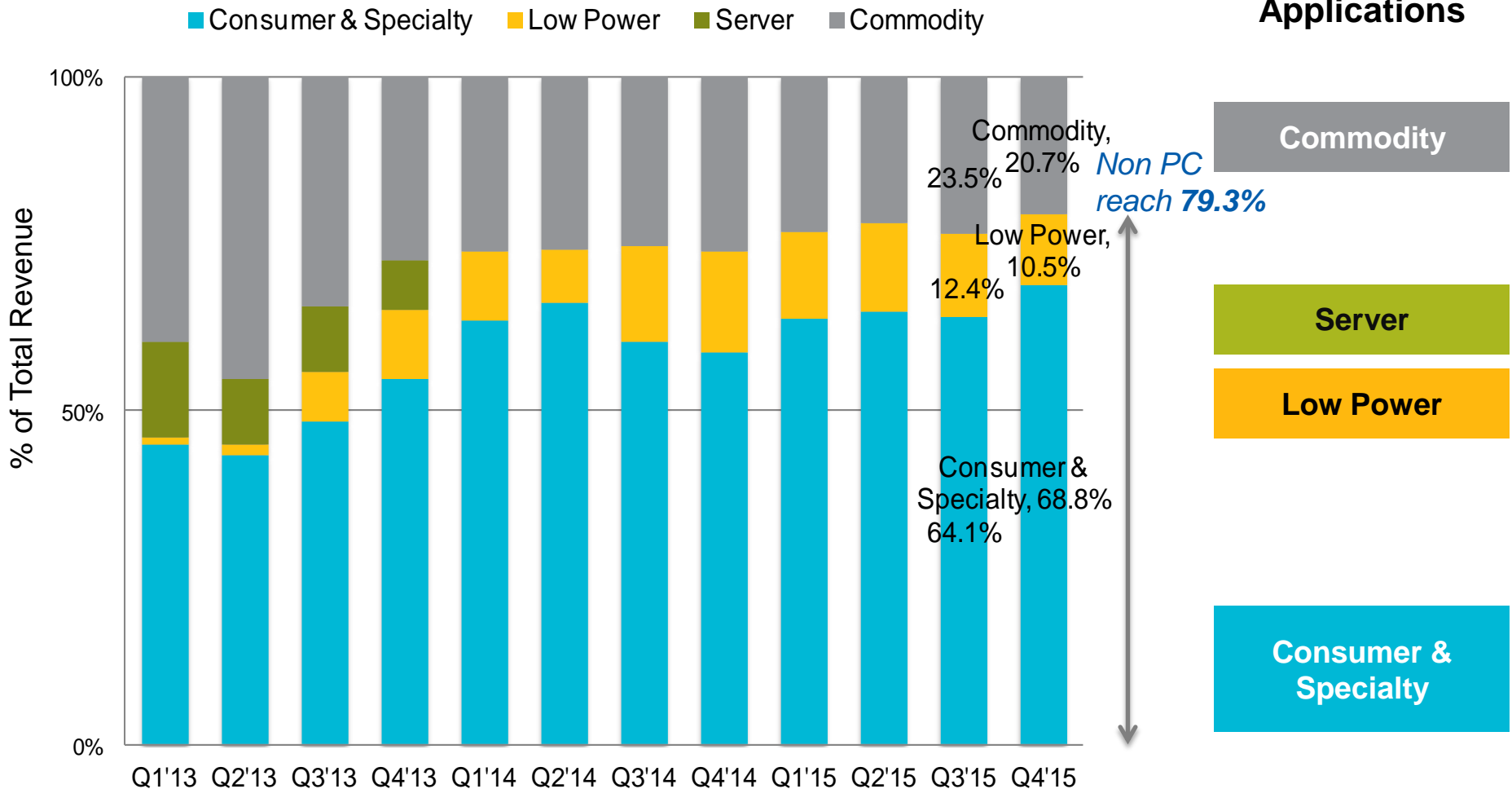
(1) Free Cash Flow = Cash from operating activities – Capital expenditures

# Financial Highlights



# Sales Breakdown by Application

## Applications



\* Revenue portion

# Financial Summary

## Q4'15 Highlights

- Gross margin 30%, Operating margin 17.9%, net margin 18%
- Recognized NT\$ 109 million(M) from Inotera's profits in Q4
- Net income NT\$ 1,862M, EPS NT\$ 0.77, BVPS NT\$ 22.54
- 30nm Design Shrink exceed 50% output in 4Q15
- Cost per bit improved mid-single digits in QoQ



# Business Highlights

## Micron Acquire Inotera

- Nanya Tech will support Micron Taiwan to acquire Inotera as a wholly owned subsidiary
- The transaction expected to close in the mid-2016

## Enhance strategic relationships with Micron

- Nanya will invest up to NTD 31.5B in Micron USA shares through private placement

## Secured Future Technology Nodes

- Nanya & Micron signed 1x and 1y Technology transfer & license option MOU

# Business Highlights

## Rights Offering

- Completed 320 million new common shares issuance at NT\$ 36.5 per share
- Received NT\$11.68 billion
- Investors including: Kingston, ADATA, Cathay Life Insurance, Mercuries Life Insurance, Taiwan Post, etc.



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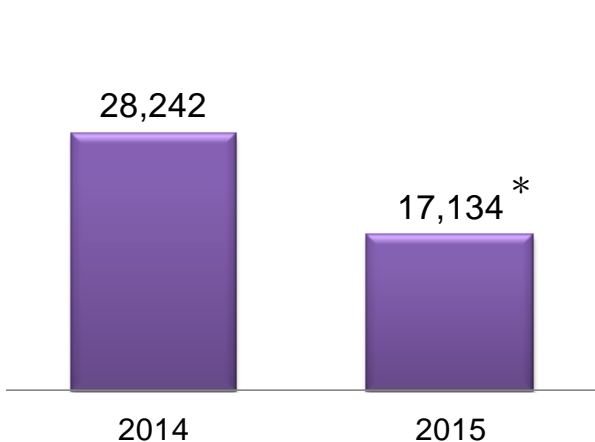
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# 2015 REVENUE & RESULTS

# 2015 Financial Highlights

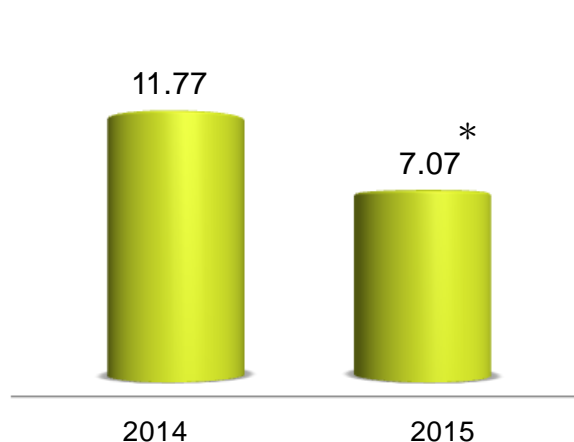
## Net Income

(Million NT\$)



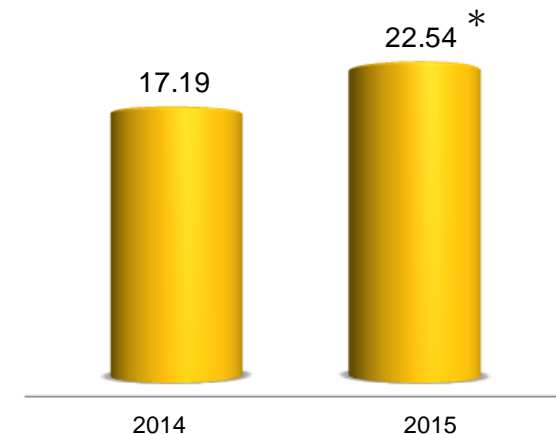
## Earnings Per Share

(NT\$)



## Book Value Per Share

(NT\$)



## Y2015 Performance

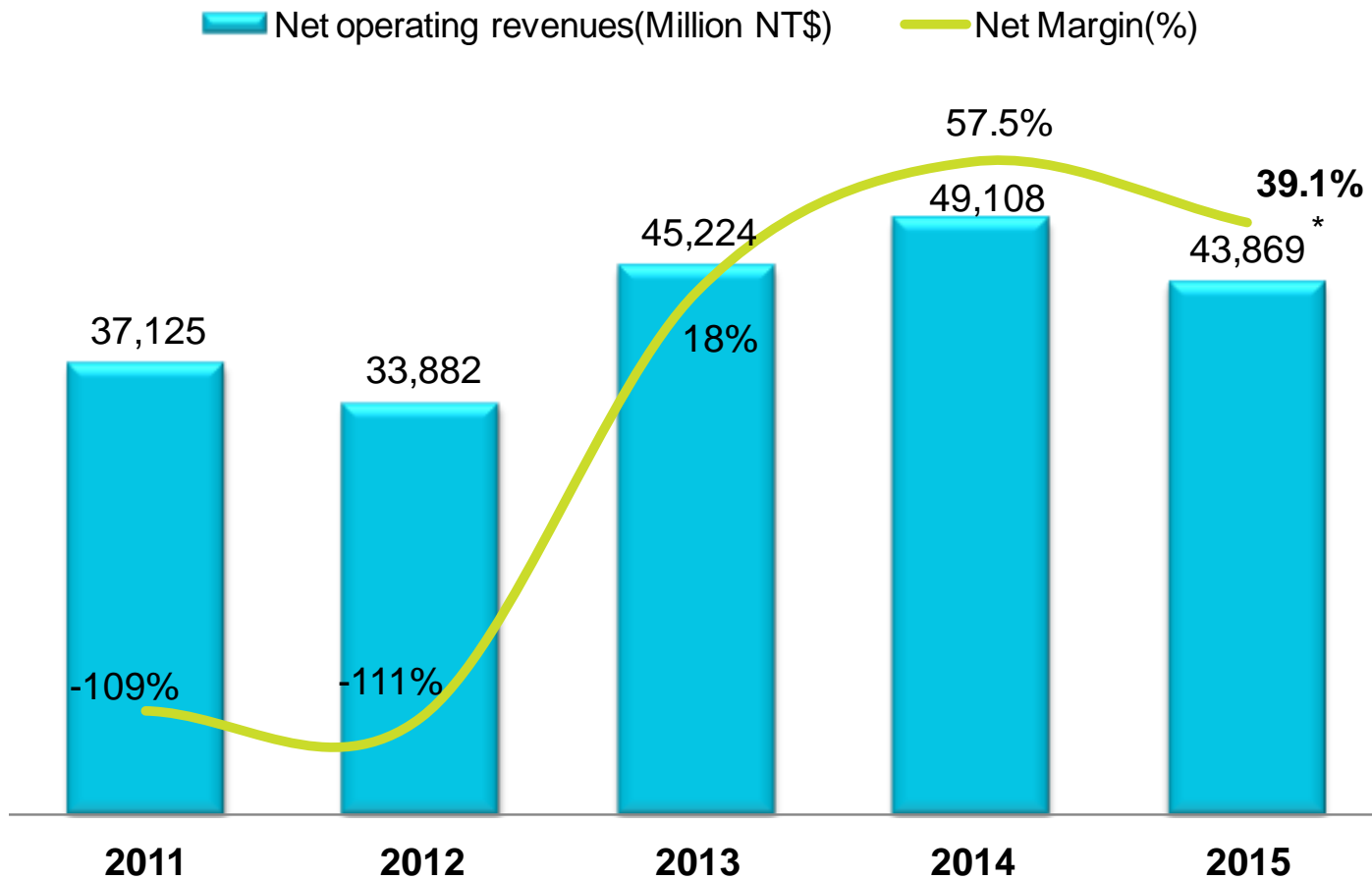
- Net income of NT\$17.134 billion(B)
- Net Margin 39.1%
- EPS NT\$ 7.07, BVPS NT\$ 22.54
- Debt ratio 47% vs. 60 % in 2014

## Key Messages

- Shipment up 16.3% YoY.
- Cost /bit improved >20% YoY.
- Recognized IMI's profit of NT\$ 4.4B



# Annual Revenue & Net Margin



\* Unaudited number

# 2015 Revenue Results

	2015 vs. 2014
Revenue	-10.7%
Shipment	+16.3%
ASP	-26.9%
Exchange Rate	+5.1%

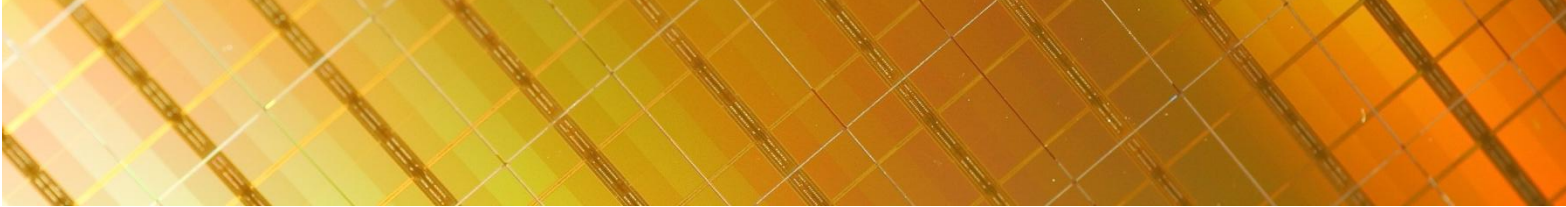
- 2015 revenue decreased 10.7% YoY.
- Bit shipments increased 16.3% YoY.
- ASP decreased 26.9% YoY.
- Revenue up 5.1% due to exchange rate.

# 2015 Income Statement

Amount: Million NT\$	Y2015		Y2014		YoY
	Unaudited & Consolidated		Audited & Consolidated		
Net Sales	43,869	100.0%	49,108	100.0%	-10.7%
Cost of Goods Sold	26,547	60.5%	26,939	54.9%	
Gross Margin	17,323	39.5%	22,169	45.1%	-21.9%
SG&A Expenses	1,885	4.3%	1,987	4.0%	
R&D Expenses	1,954	4.5%	1,378	2.8%	
Operating Income	13,483	30.7%	18,805	38.3%	-28.3%
Non-operating Income (Exp.)	4,194	9.6%	12,928	26.3%	
Income before Tax	17,677	40.3%	31,733	64.6%	-44.3%
Income Tax Benefit (Expense)	-513	-1.2%	-2,481	-5.1%	
Profit from Continuing Operation	17,164	39.1%	29,251	59.6%	
Income (Loss) from Discontinued Operation	0	0.0%	-1,056	-2.2%	
Net income attributable to noncontrolling interests	30	0.1%	-47	-0.1%	
Net Income attributable to NTC	17,134	39.1%	28,242	57.5%	-39.3%
EPS(NT\$)	7.07		11.77		



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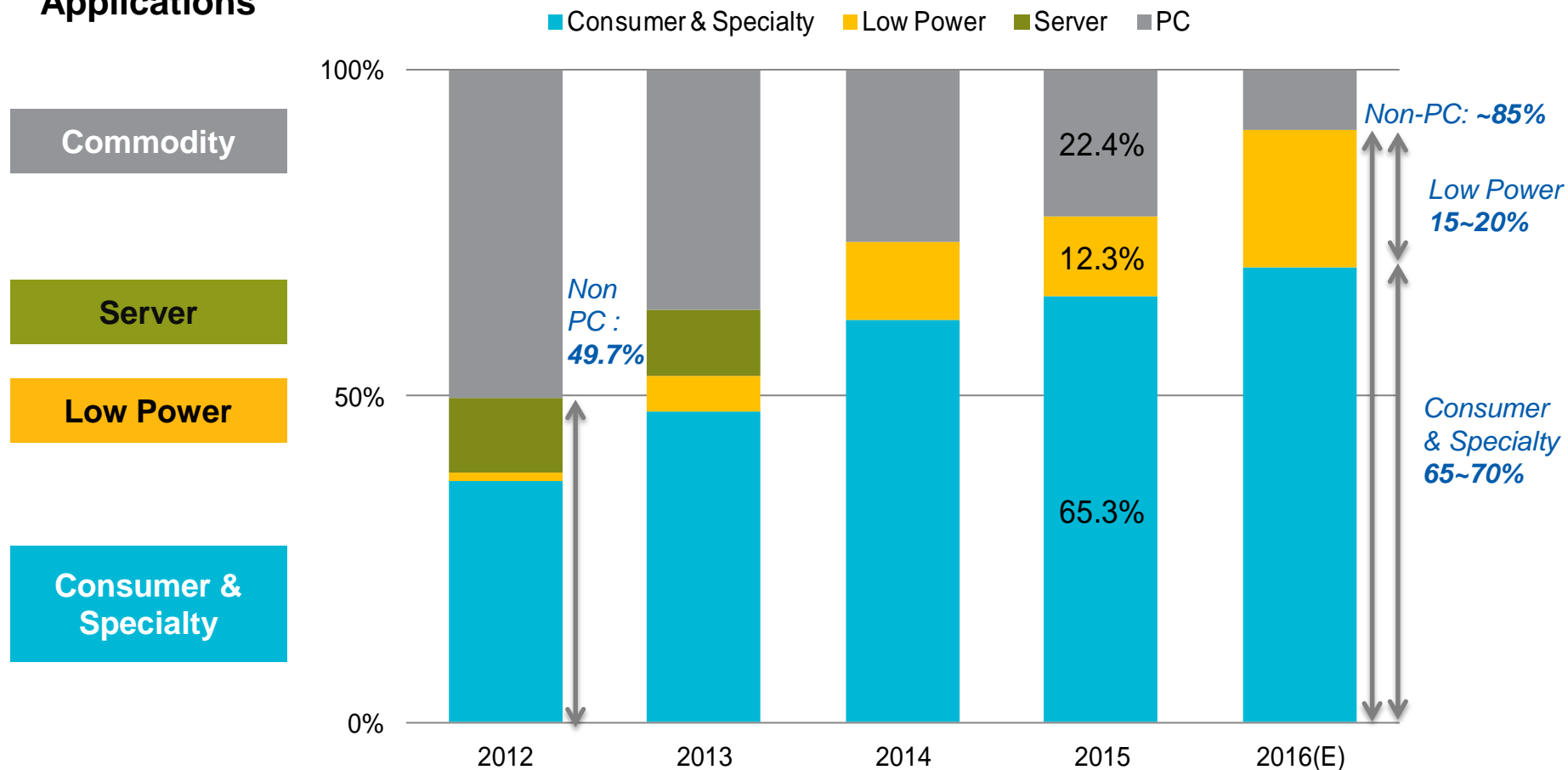
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## OPERATIONS



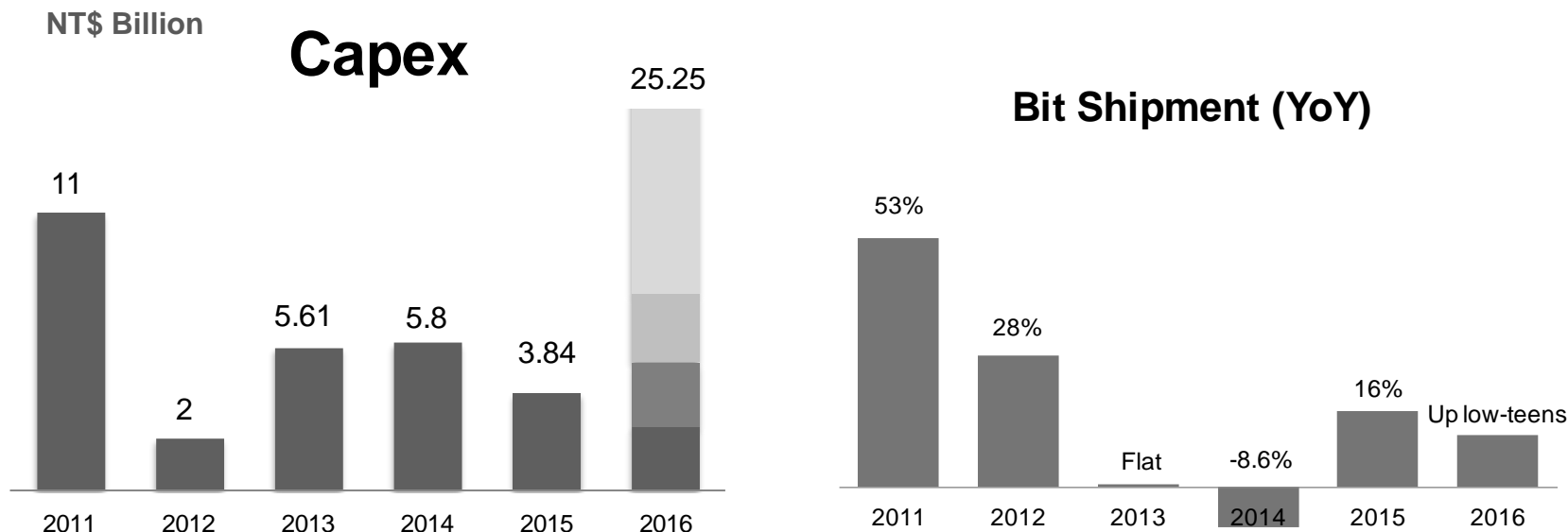
# 2016 Revenue Breakdown Guidance

## Applications



\* Revenue portion by Application

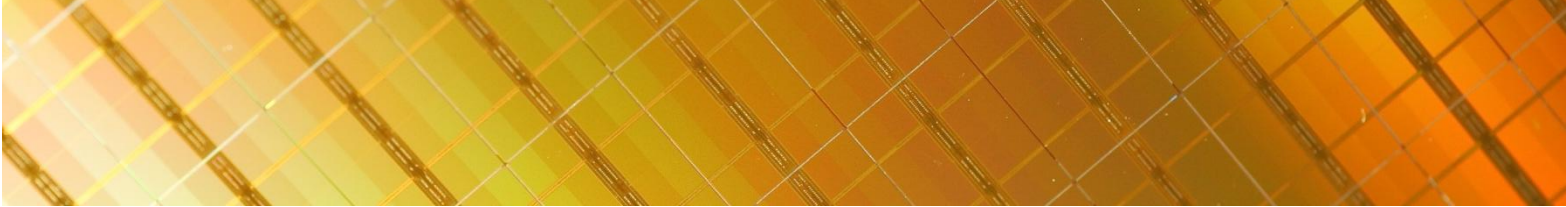
# Capex & Bit Shipment



- **Capital Expenditure (Capex)**
  - NT\$776M Capex of Q4'15. NT\$3,842M Capex of Y2015.
  - Estimated NT\$25,253M for 2016 Capex. (20nm Conversion Capex in 2016 guided for NT\$ 23,632M)
- **Bit Shipment**
  - Q4'15 bit shipment increase 16% QoQ. 16.3% bit shipment growth in 2015.
  - 2016 bit shipment guidance to increase low-teens yoy.
  - Estimated bit shipment flat in Q1'16.



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## MARKET OUTLOOK

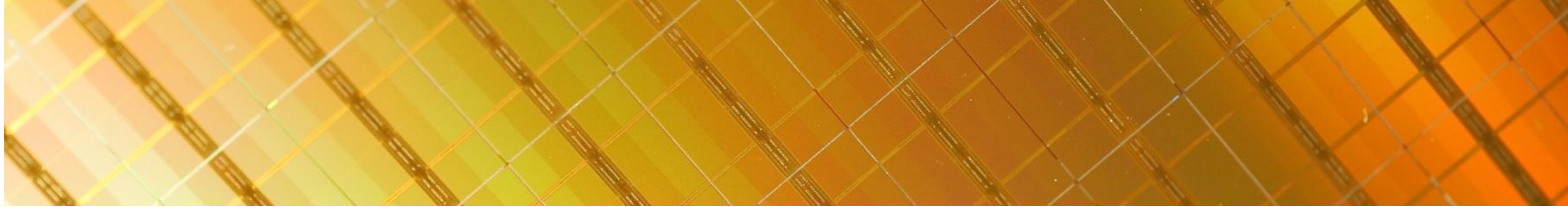
# DRAM Market Outlook

- Overall worldwide economic is conservative, low to moderate demand growth expected in 2016.
- Short term seasonal demand and demand in China market marginally improved in Q1'16, follow by potential consumer demand from Summer Olympics in 2016.
- Expect DRAM price fall, stabilizing in 1H16 due to market balancing. Price uncertainty expected in 2H'16 due to new capacity introduced by major suppliers.





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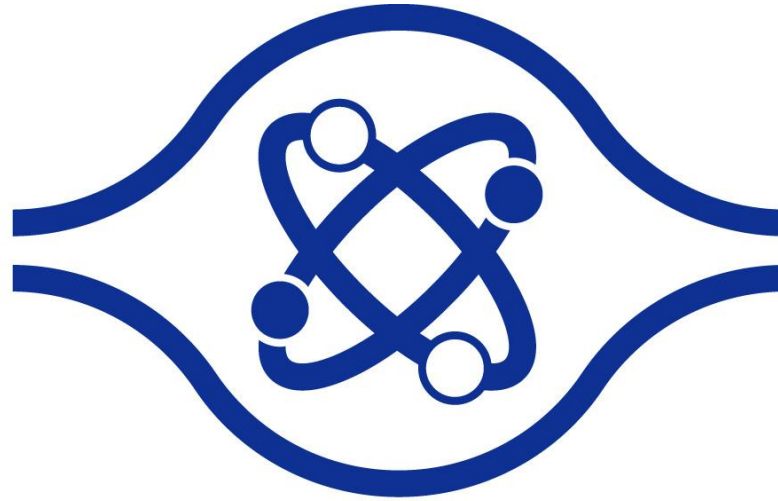


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## BUSINESS OUTLOOK

# Business Outlook

- Q1 2016 bit shipment remain flat.
- 30nm Design Shrink reach 70% output Q2'16.
- Plan to complete 20nm Fab construction by 2016.
- Start 20nm technology pilot run in Q1 2017.



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# Thanks & Questions

“The slides herein and the presentation made during the conference contain forward-looking statements and are provided for information purposes only. Neither Nanya Technology Corp. nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements or undertakes duty to update the statements. Investor(s) is urged to review carefully the information provided herein and shall make investment decision after conducting their own investigation.”

# 4Q'15 Consolidated Income Statement

Amount: Million NT\$	Q4'15 Unaudited		Q3'15 Audited		QoQ	Q4'14 Audited		YoY
Net Sales	10,348	100.0%	10,337	100.0%	0.1%	12,409	100.0%	-16.6%
Cost of Goods Sold	7,244	70.0%	6,480	62.7%		6,383	51.4%	
Gross Margin	3,104	30.0%	3,858	37.3%	-19.5%	6,026	48.6%	-48.5%
SG&A Expenses	562	5.4%	421	4.1%		462	3.7%	
R&D Expenses	687	6.6%	484	4.7%		411	3.3%	
Operating Income	1,855	17.9%	2,952	28.6%	-37.1%	5,153	41.5%	-64.0%
Non-operating Income (Exp.)	28	0.3%	1,782	17.1%		5,007	40.4%	
Income before Tax	1,884	18.2%	4,734	45.7%	-60.2%	10,161	81.9%	-81.5%
Income Tax Benefit (Expense)	-16	-0.2%	-2	0.0%		-1,604	-12.9%	
Profit from Continuing Operation	1,868	18.1%	4,731	45.7%		8,557	69.0%	
Income (Loss) from Discontinued Operation	0	0.0%	0	0.0%		17	0.1%	
Net income attributable to noncontrolling interests	6	0.1%	5	0.0%		6	0.0%	
Net Income attributable to NTC	1,862	18.0%	4,727	45.6%	-60.6%	8,568	69.0%	-78.3%
EPS(NT\$)	0.77		1.94			3.56		
Book Value Per Share	22.54		21.57			17.19		