

WT MICROELECTRONICS 文晔科技



2018 Third Quarter Investor Conference

**Presented by Cheryl Yang
November 8, 2018**

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- WT's forward-looking statements, which may include statements regarding its results of operations, financial condition or business prospects, are subject to significant risks and uncertainties and are based on WT's current expectations.
- Actual results may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons, including, among other things: the cyclical nature of our industry; our dependence on introducing new products on a timely basis; our dependence on growth in the demand for our products; our ability to compete effectively; our dependence on key personnel; general economic and political conditions; possible disruptions in commercial activities caused by natural and human-induced disasters, including terrorist activity and armed conflict; and fluctuations in foreign currency exchange rates.
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Agenda

- 1. Overview**
- 2. Financial Update**
- 3. Business Outlook**
- 4. Questions and Answers**



1. Overview

Strong secular growth with economies of scale

- A leading Asian semiconductor distributor, founded in 1993 and listed in 2000 (ticker: 3036 TT)
- Strategic focus on Asia region and Automotive & Internet of Things (IoT) applications
- 2017 revenues of NT\$189bn, up 31% YoY
- 45 offices in Asia (30 offices in China and 15 offices in Korea, Taiwan, and South Asia) with over 8,000 customers
- Over 2,000 headcounts after Maxtek acquisition in 4Q17 (over 650 sales, 200 PMs, and 450 FAEs)
- Completion of warehouse semi automation (total 6 warehouses in Taiwan, HK, Shenzhen China, Shanghai China, Korea, and Singapore)
- Completion of B2B service platform for major vendors and customers

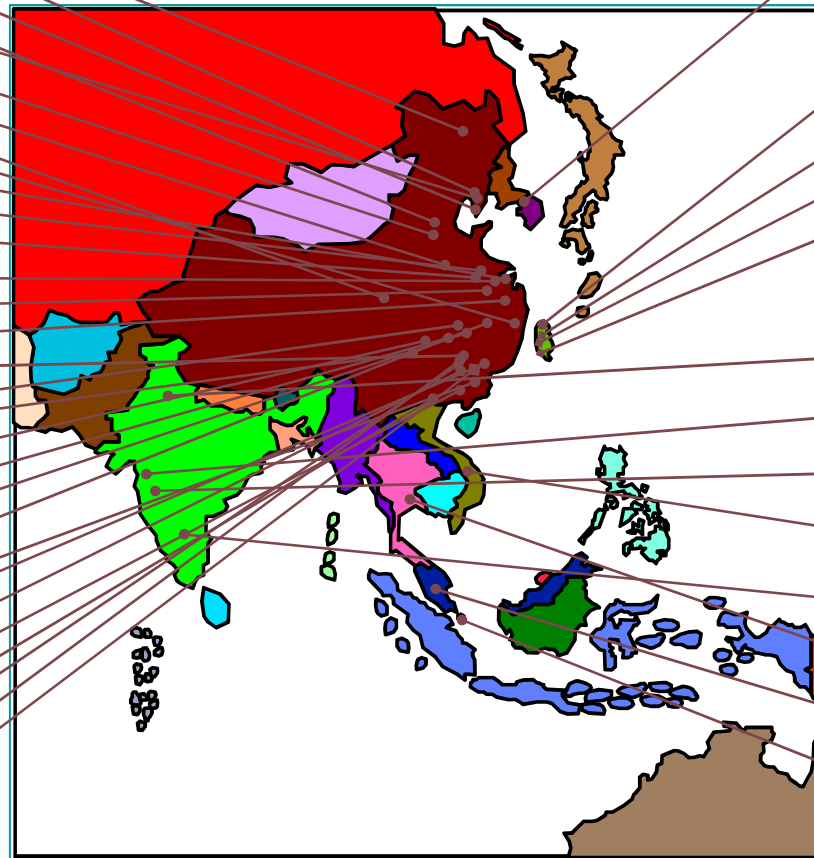


1. Overview

China Offices (30)

Harbin
Shenyang
Dalian
Beijing
Qingdao
Zhengzhou
Jinan
Xian
Ningbo
Shanghai
Wuxi
Suzhou
Kunshan
Nanjing
Hangzhou
Wenzhou
Hefei
Chengdu
Chongqing
Changsha
Wuhan
Fuzhou
Fuqing
Xiamen
Dongguan
Shunde
Guangzhou
Zhuhai
Hong Kong
Shenzhen

Offices Across Asia



Korea Office (1)

Seoul

Taiwan Offices (4)

Taipei, Headquarters
Hsinchu, R&D
Taichung
Tainan

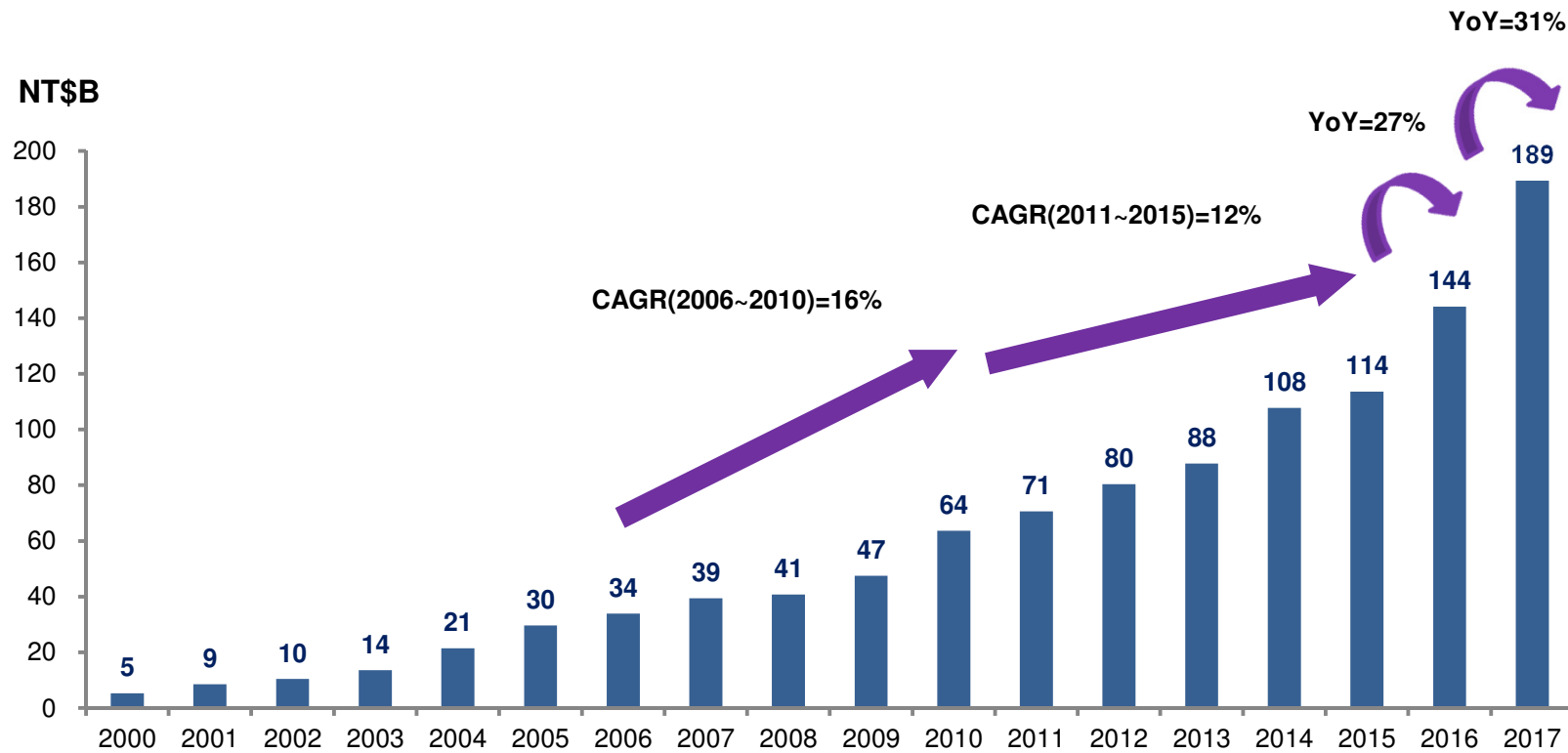
South Asia Offices (10)

New Delhi, N. India
Mumbai, N. India
Pune, N. India
Vietnam
Bangalore, S. India
Bangkok, Thailand
Penang, Malaysia
Singapore



1. Overview

NR (Net Revenue)



2. Financial Update

3Q18 result highlights

- Net revenue was above guidance, up 59% QoQ and 67% YoY
- Operating profit grew 39% QoQ and 54% YoY
- Net profit increased 59% QoQ and 29% YoY
- Return on net working capital improved 6.4ppt QoQ to 16.1%
- Operating cash cycle reduced 34 days QoQ to 49 days
- Return on shareholder equity increased 6.9ppt QoQ to 19.2%



2. Financial Update

Statement of Comprehensive Income

Unit: NT\$M

Key accounts	3Q18		3Q18	2Q18		QoQ	3Q17		YoY
	Amount	%	Guidance	Amount	%		Amount	%	
Net Operating revenues	84,771	100.00%	74B~78B	53,248	100.00%	59.20%	50,833	100.00%	66.76%
Gross profit	3,096	3.65%	3.7%~3.9%	2,560	4.81%	-1.16ppt	2,245	4.42%	-0.77ppt
Operating expenses	(1,392)	-1.64%		(1,332)	-2.50%	-0.86ppt	(1,136)	-2.24%	-0.6ppt
Operating income	1,704	2.01%	1.9%~2.1%	1,228	2.31%	-0.3ppt	1,109	2.18%	-0.17ppt
Financing costs	(431)	-0.51%		(383)	-0.72%	-0.21ppt	(232)	-0.45%	+0.06ppt
Others	(17)	-0.02%		41	0.07%		41	0.08%	
Earning before tax	1,256	1.48%		886	1.66%	41.76%	918	1.81%	36.82%
Income tax expense	(268)	-0.32%		(266)	-0.50%	0.75%	(150)	-0.30%	78.67%
Non-Controlling Interests	-	-		-	-		-	-	
Profit after tax	988	1.16%		620	1.16%	59.35%	768	1.51%	28.65%
EPS (in dollars)	1.79			1.12		59.82%	1.61		11.18%



2. Financial Update

Statement of Comprehensive Income

Unit: NT\$M

Key accounts	Ytd18		Ytd17		YoY
	Amount	%	Amount	%	
Net Operating revenues	187,654	100.00%	129,575	100.00%	44.82%
Gross profit	7,944	4.23%	5,965	4.60%	-0.37ppt
Operating expenses	(3,971)	-2.11%	(3,130)	-2.41%	-0.3ppt
Operating income	3,973	2.12%	2,835	2.19%	-0.07ppt
Financing costs	(1,160)	-0.62%	(645)	-0.50%	+0.12ppt
Others	42	0.02%	56	0.04%	
Earning before tax	2,855	1.52%	2,246	1.73%	27.11%
Income tax expense	(667)	-0.36%	(429)	-0.33%	55.48%
Non-Controlling Interests	-	-	-	-	
Profit after tax	2,188	1.17%	1,817	1.40%	20.42%
EPS (in dollars)	3.96		3.82		3.66%



2. Financial Update

Balance Sheet

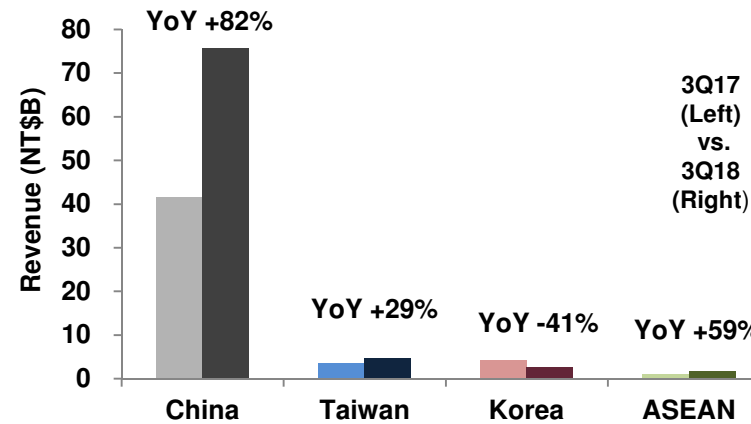
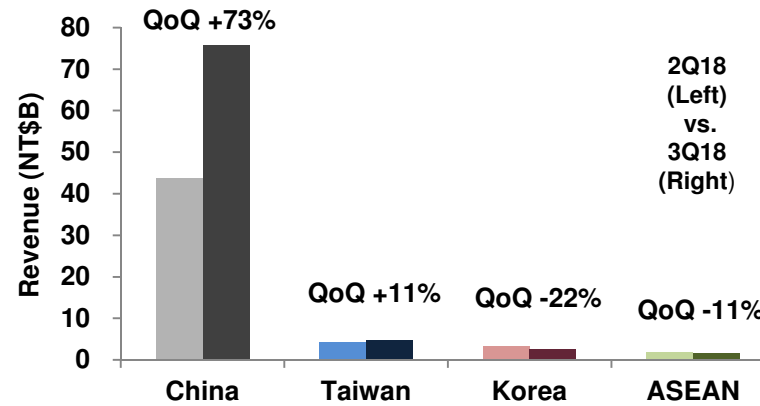
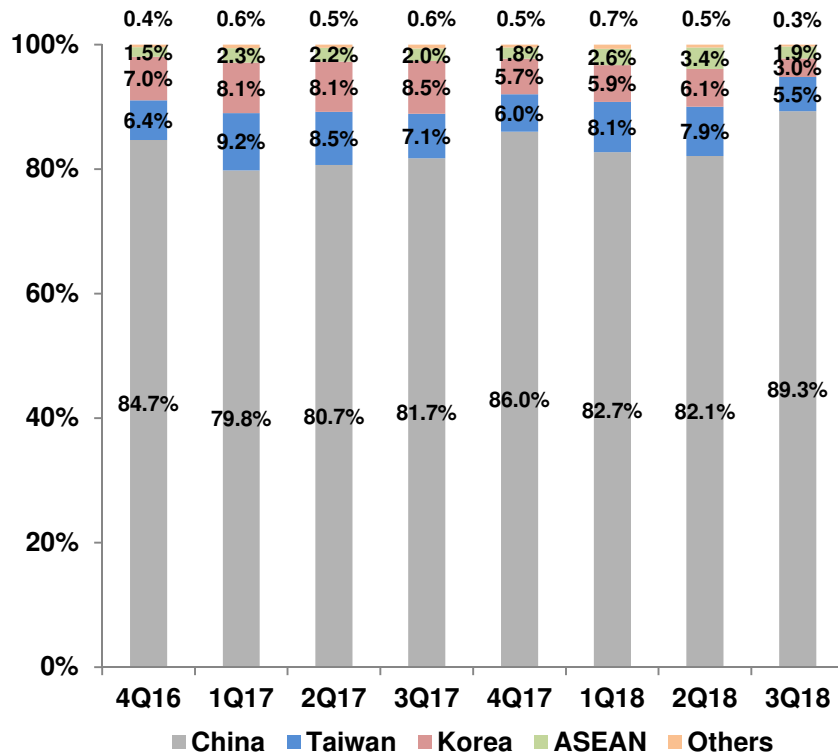
Unit: NT\$M

Key accounts	3Q18		2Q18		3Q17	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	2,818	3	2,283	3	2,178	3
Accounts receivable	46,421	47	35,865	43	29,980	44
Inventory	42,894	43	38,500	46	30,140	44
Other current assets	2,706	2	2,321	2	1,962	3
Non-current assets	4,890	5	4,926	6	4,303	6
Total Assets	99,729	100	83,895	100	68,563	100
Short-term loans	26,886	27	33,033	39	25,524	37
Accounts payable	47,066	47	24,039	29	23,267	34
Other current liabilities	3,939	4	4,513	5	1,538	3
Long-term loans	185	-	494	1	-	-
Other liabilities	571	1	1,806	2	1,512	2
Total Liabilities	78,647	79	63,885	76	51,841	76
Total Equity	21,082	21	20,010	24	16,722	24
Indices	3Q18		2Q18		3Q17	
Current ratio	122%		128%		128%	
Debt/Assets ratio	79%		76%		76%	
Debt/Equity ratio	373%		319%		310%	
Gearing ratio	1.15		1.56		1.40	



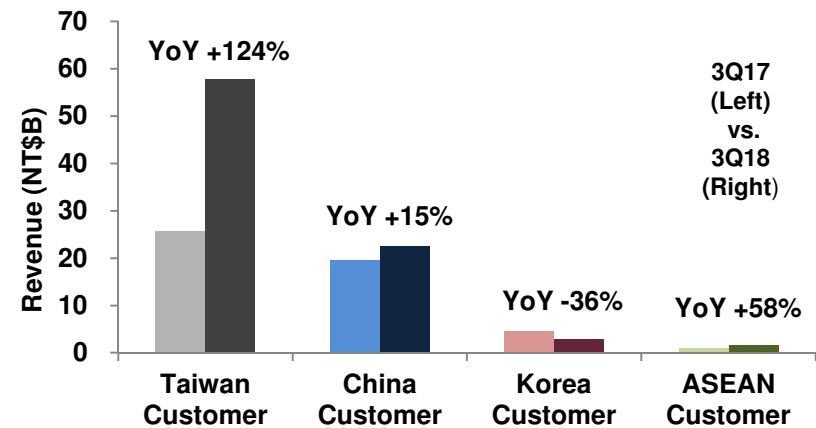
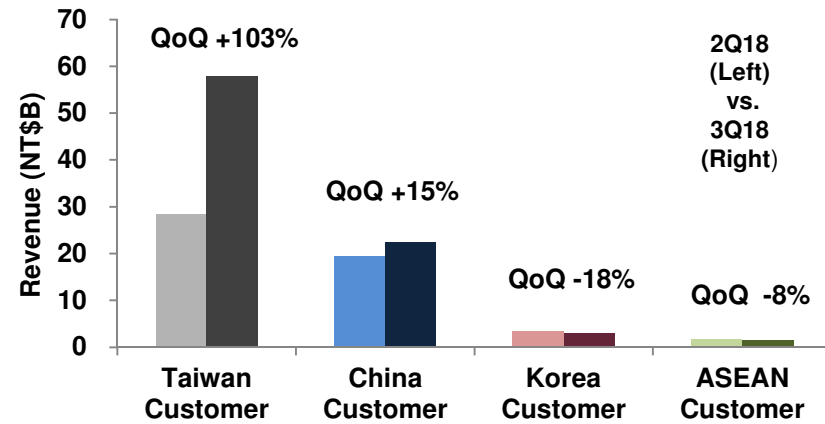
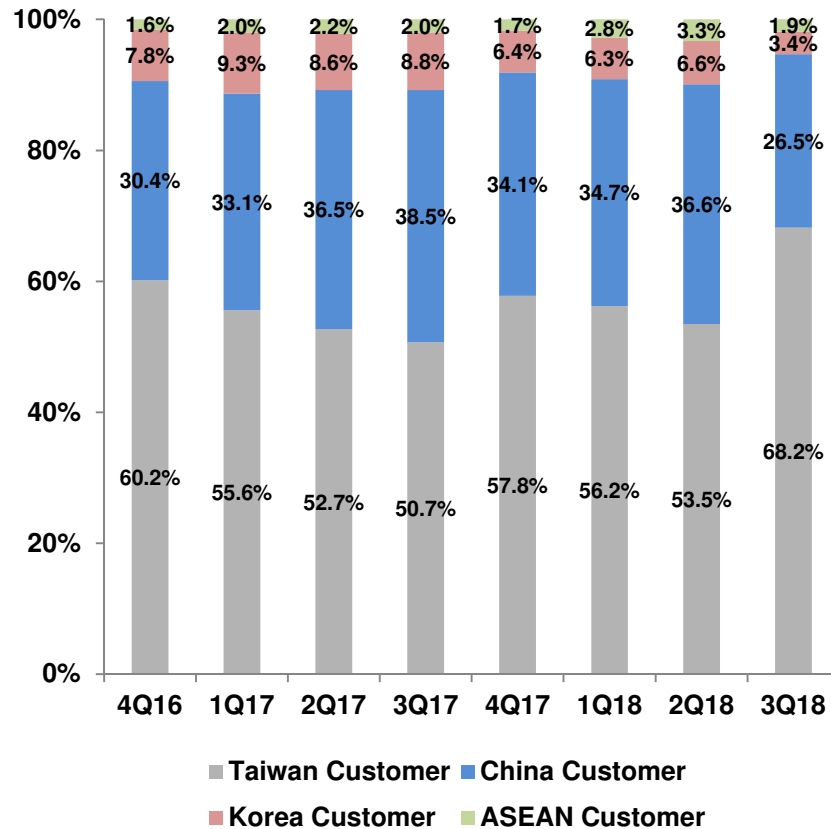
2. Financial Update

NR by Geography (Ship-to Destination)



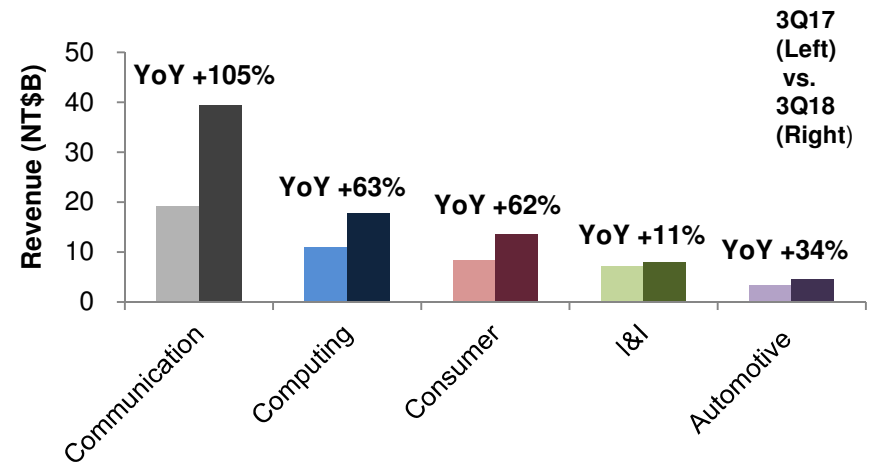
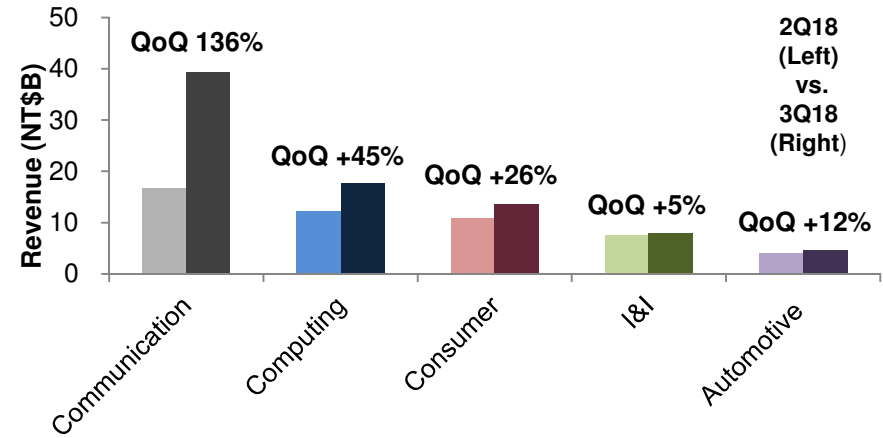
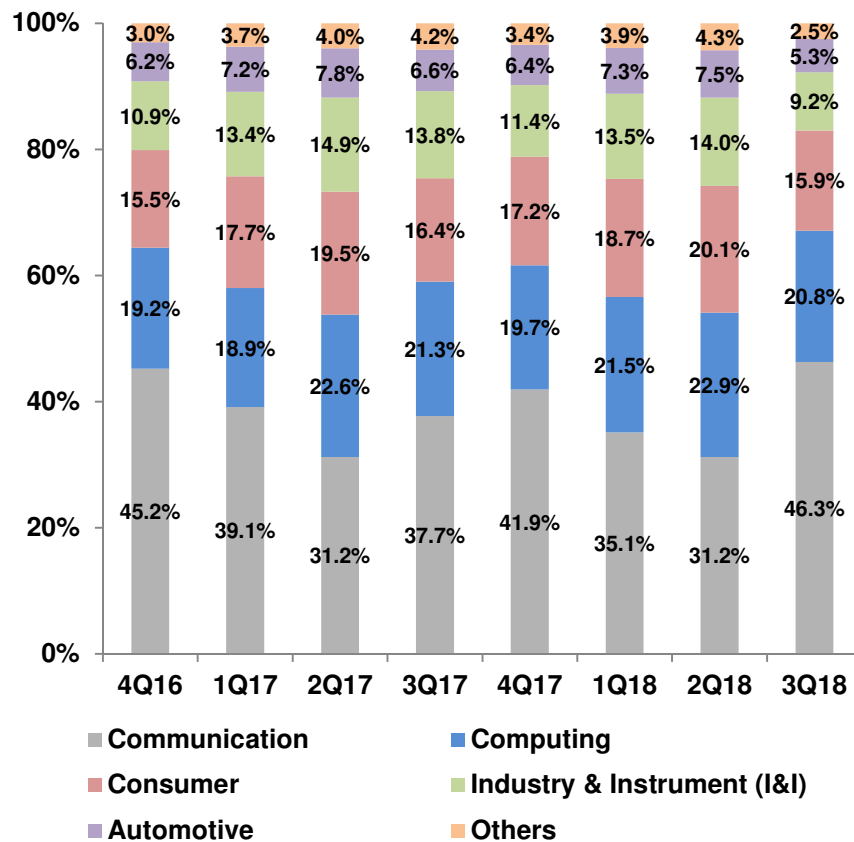
2. Financial Update

NR by Customer Base



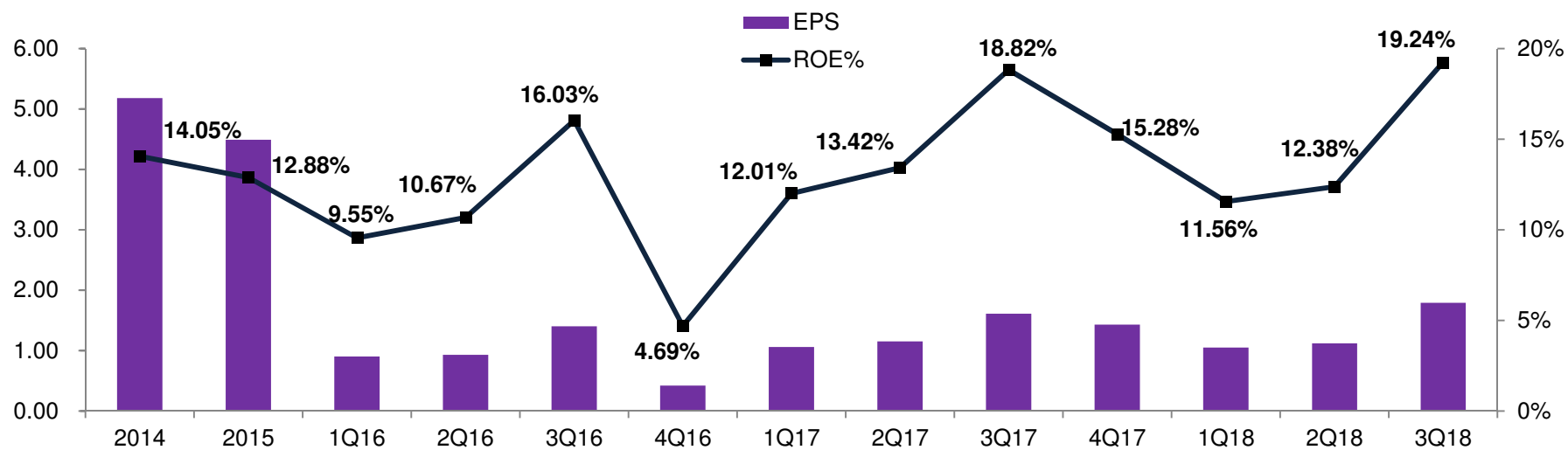
2. Financial Update

NR by Application



2. Financial Update

ROE vs. EPS

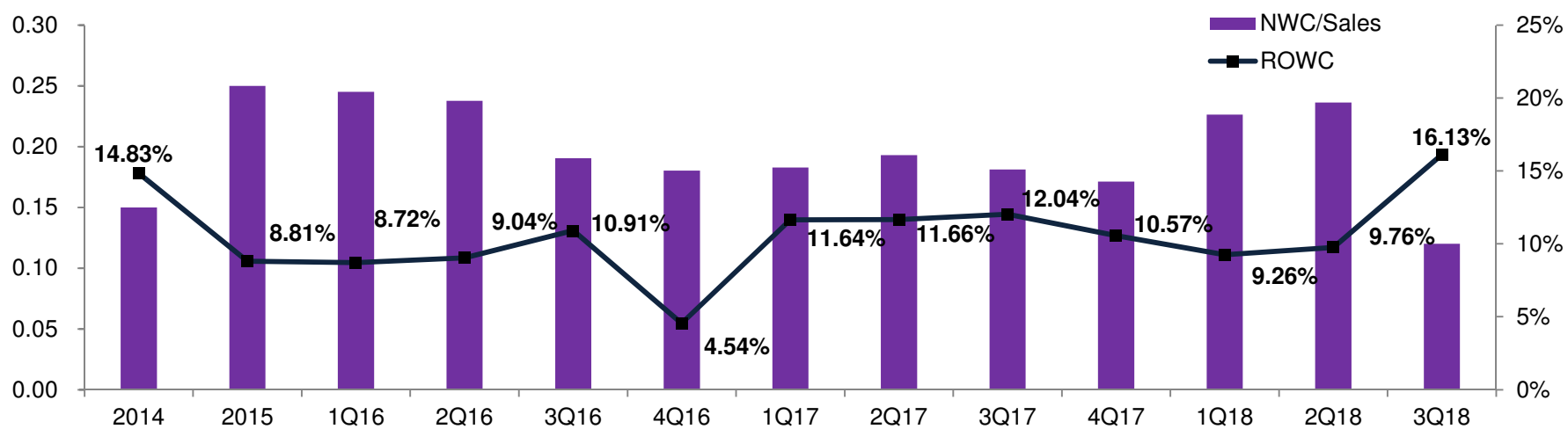


ITEM	2014	2015	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
ROE%	14.05%	12.88%	9.55%	10.67%	16.03%	4.69%	12.01%	13.42%	18.82%	15.28%	11.56%	12.38%	19.24%
EPS	5.18	4.49	0.90	0.93	1.40	0.42	1.06	1.15	1.61	1.43	1.05	1.12	1.79



2. Financial Update

ROWC vs. NWC/Sales

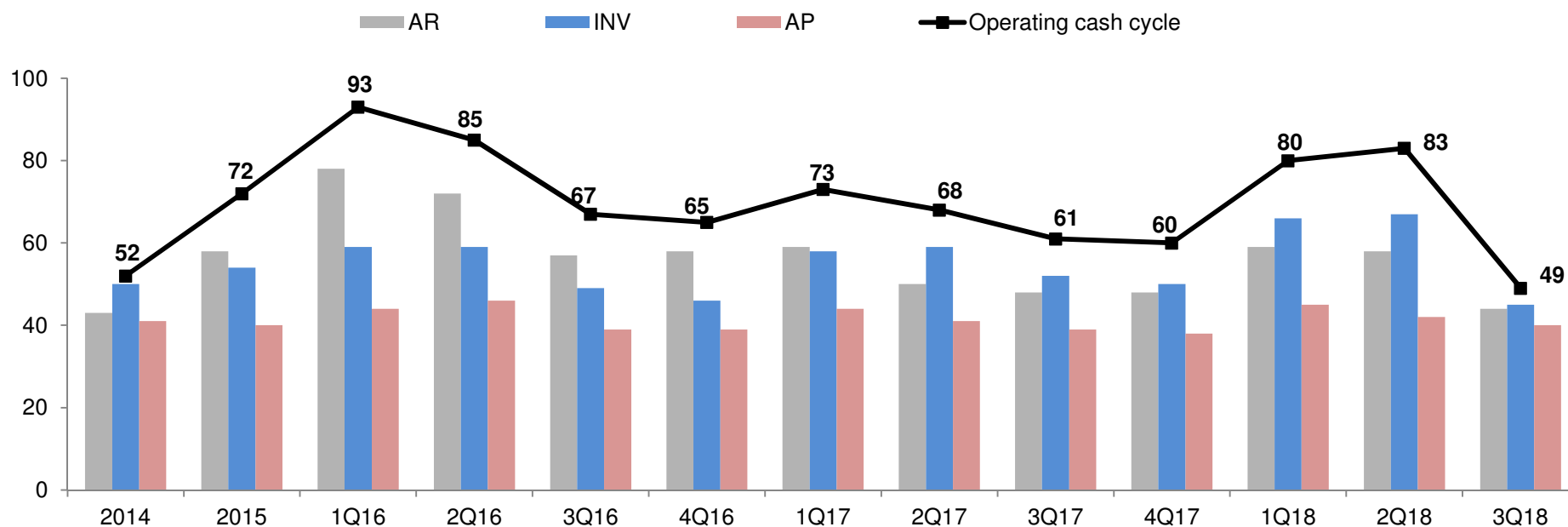


ITEM	2014	2015	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
NWC/Sales	0.15	0.25	0.25	0.24	0.19	0.18	0.18	0.19	0.18	0.17	0.23	0.24	0.12
ROWC	14.83%	8.81%	8.72%	9.04%	10.91%	4.54%	11.64%	11.66%	12.04%	10.57%	9.26%	9.76%	16.13%



2. Financial Update

Operating Cash Cycle



Turnover days	2014	2015	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18
AR	43	58	78	72	57	58	59	50	48	48	59	58	44
INV	50	54	59	59	49	46	58	59	52	50	66	67	45
AP	(41)	(40)	(44)	(46)	(39)	(39)	(44)	(41)	(39)	(38)	(45)	(42)	(40)
Operating cash cycle	52	72	93	85	67	65	73	68	61	60	80	83	49



3. Business Outlook

We currently expect 4Q18 :

- Revenue : between NT\$85 billion ~ NT\$91 billion, at a forecast exchange rate of 30.8 NT Dollars to 1 US Dollar
- Revenue growth : between 0% ~ 7% QoQ and 42% ~ 52% YoY
- Gross profit margin : between 3.2% ~ 3.4%
- Operating profit margin : between 1.6% ~ 1.8%





Thank You !

WT Microelectronics Co., Ltd.

Website : www.wtmec.com

