

Global Unichip Corp. (GUC) Reports Financial Results for 3Q22

Hsinchu – Oct 27, 2022 -- Global Unichip Corporation (TAIEX: 3443) today announced consolidated net sales of NT\$6,062 million, income from operations of NT\$ 1,147 million, net income of NT\$ 1,058 million, and basic earnings per share of NT\$7.90 for the third quarter ended Sep 30, 2022.

Financial Summary

(In NT\$M except EPS and percentage)

	3Q22	2Q22	QoQ	3Q21	YoY
Net Sales	6,062	5,381	13%	3,585	69%
NRE	1,158	1,513	-23%	840	38%
Turnkey	4,705	3,729	26%	2,599	81%
Others	199	139	43%	146	36%
Gross Profit	2,114	1,893	12%	1,421	49%
Gross Margin	34.9%	35.2%	--	39.6%	--
Operating Expense	967	1,062	-9%	935	3%
Income from Operations	1,147	831	38%	486	136%
Operating Margin	18.9%	15.4%	--	13.6%	--
Net Income	1,058	761	39%	417	154%
Net Profit Margin	17.5%	14.1%	--	11.6%	--
EPS (NT\$)	7.90	5.67	39%	3.11	154%

Topics in This Report:

- Revenue Analysis
- Gross Margin Analysis
- Expense Analysis
- Net Profit & EPS
- Financial Condition Review
- Cash Flow Analysis

Financial Highlights: Third Quarter 2022

- Net Sales was NT\$6,062 million, which increased 13% compared to 2Q22 and also increased 69% from NT\$3,585 million in 3Q21.
- Since 1Q22, IP bundled in NRE contract is recognized as Others instead of NRE revenue, and the numbers above, for 3Q21, is adjusted following the same policy. In 3Q22, pure NRE revenue was NT\$ 1,158 million, decreasing 23% QoQ but increasing 38% YoY. Turnkey revenue was NT\$4,705 million, increasing 26% QoQ and increasing 81% YoY, which is better than expectation.
- Gross Margin was 34.9%, which is 0.3 percentage points lower than 2Q22 and 4.7 percentage points lower than 3Q21.
- Operating Margin was 18.9%, up 3.5 percentage points from 2Q22 and 5.3 percentage points higher than 3Q21, which is better than expectation..
- Net Margin was 17.5%, up 3.4 percentage points compared with 2Q22 and 5.9 percentage points higher than 3Q21, which is better than expectation.
- EPS was NT\$7.90, which increased 39% compared to 2Q22 and also increased 154% from 3Q21, both are higher than the growth rate of revenue.

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Revenue Analysis

● By Segment

NRE by Technology	3Q22	2Q22	3Q21
	%	%	%
5nm & Below	5%	5%	10%
7nm	15%	53%	23%
16nm	35%	26%	40%
28nm & Above	45%	16%	27%
Total	100%	100%	100%

Turnkey by Technology	3Q22	2Q22	3Q21
	%	%	%
5nm & Below	0%	0%	0%
7nm	4%	7%	21%
16nm	44%	31%	19%
28nm & Above	52%	62%	60%
Total	100%	100%	100%

By segment, combined 16 nm and below accounted for 55% of total NRE (IP excluded) revenue in 3Q22, and 72% for three quarters in 2022, which kept increasing compared to 2021. And 5nm & below accounted for 5% in 3Q22, and 4% for three quarters in 2022.

In 3Q22, 7nm accounted for 4% of total Turnkey revenue and 16nm (12nm included) revenue contribution increased to 44%. There was no Turnkey revenue contribution from 5nm yet.

● By Technology/Application/Region

Net Sales by Technology	3Q22	2Q22	3Q21
	%	%	%
5nm & Below	1%	3%	2%
7nm	7%	20%	23%
16nm	41%	29%	24%
28nm & Above	51%	48%	51%
Total	100%	100%	100%

Net Sales by Application	3Q22	2Q22	3Q21
	%	%	%
AI/ML	7%	16%	20%
Networking	27%	23%	20%
Digital Consumer	46%	34%	42%
Industry	15%	18%	12%
Others	5%	9%	6%
Total	100%	100%	100%

Net Sales by Reigon	3Q22	2Q22	3Q21
	%	%	%
Taiwan	17%	19%	19%
USA	21%	19%	21%
China	32%	32%	39%
Japan	8%	12%	7%
Korea	18%	13%	7%
Europe	4%	5%	7%
Total	100%	100%	100%

By technology, 16nm and below revenue contribution of total revenue in 3Q22 was 49%, and 50% for three quarters in 2022, including revenue from NRE and Turnkey business. 5nm & below accounted for 1% of total revenue in 3Q22 and 2% for three quarters in 2022, and all of it is from NRE revenue.

By application, major revenue contribution is still Digital Consumer in 3Q22, and revenue contribution increased significantly to 46% contributed from new Turnkey project in this segment. The revenue contribution of AI/ML and Networking combined to be 34%, which both are also very important target markets for GUC.

From a geographic perspective, revenue from Taiwan, China and USA totally accounted for 70% in 3Q22. China market revenue contribution in three quarters of 2022 is 36%. Korea market revenue contribution increased significantly in this quarter, and the growth was contributed from Turnkey revenue increase.

Gross Margin Analysis

	3Q22		2Q22		3Q21	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
<i>\$M except percentages)</i>						
Cost of sales	3,948	65.1%	3,488	64.8%	2,164	60.4%
Gross profit	2,114	34.9%	1,893	35.2%	1,421	39.6%

Gross margin rate was 34.9% in 3Q22, decreasing compared with 35.2% in 2Q22 and also decreasing from 39.6% in 3Q21, which is due to different product mix.

Expenses Analysis

	3Q22		2Q22		3Q21	
	Amount	% of net sales	Amount	% of net sales	Amount	% of net sales
<i>\$M except percentages)</i>						
SG&A Exp	238	4.0%	241	4.5%	193	5.4%
R&D Exp	729	12.0%	821	15.3%	742	20.7%
Total operating expenses	967	16.0%	1,062	19.8%	935	26.1%

Total operating expenses in 3Q22 represented 16.0% of net sales, decreasing from 19.8% in 2Q22, which is because of higher revenue this quarter. From the perspective of dollar amount, operating expenses decreased slightly on QoQ basis in 3Q22.

Net Profit & EPS

	3Q22		2Q22		3Q21	
	Net Income	EPS (NT\$)	Net Income	EPS (NT\$)	Net Income	EPS (NT\$)
<i>(In NT\$M except EPS)</i>						
	1,058	7.90	761	5.67	417	3.11

Net income in 3Q22 was NT\$1,058 million and EPS was NT\$7.90, increasing 39% compared with 2Q22 and it also increased 154% on YoY basis.

Financial Condition Review

● Liquidity Analysis

	Unit: NT\$M			
	9,30,2022	6,30,2022	9,30,2021	
Assets				
Cash and cash equivalents	5,128	4,770	4,375	At the end of 3Q22, total assets were NT\$17,928 million and total liabilities were NT\$11,211 million. Both increased sequentially. This was mainly due to increase of Inventory, cash(prepayment from customers) and AR around the end of the third quarter.
Accounts receivable, net	2,433	1,760	1,209	
Inventories	4,838	4,083	2,404	
Other current assets	3,790	3,220	3,376	
Total current assets	16,189	13,833	11,364	
Property, plant and equipment	682	645	622	
Other non-current assets	1,057	1,099	715	
Total assets	17,928	15,577	12,701	
Liabilities				
Current liabilities	10,615	9,340	7,499	
Non-current liabilities	596	593	456	
Total liabilities	11,211	9,933	7,955	
Equity				
Total equity	6,718	5,644	4,746	
Total liabilities and equity	17,928	15,577	12,701	
Net working capital (NT\$M)	5,575	4,493	3,865	Net working capital in 2Q22 was NT\$5,575 million and current ratio was 153%.
Current ratio(%)	153	148	152	

● Receivable and Inventory days

	9,30,2022	6,30,2022	9,30,2021	
A/R turnover days	34	32	32	Days of A/R turnover and Inventory turnover in 2022 were 34 days and 101 days, respectively. Main reason of inventory turnover days increase compared to 2021 is because of customized inventory increase at the end 3Q22 to meet market demand.
Inv. turnover days	101	98	85	

Cash flow analysis

	Unit: NT\$M			
	3Q22	2Q22	3Q21	
Cash flows from operating activities:	438	366	(72)	Net cash generated in operating activities was NT\$438 million in 3Q22, which was contributed to 3Q22 profit. Net cash spent in investing activities was NT\$77 million in 3Q22, which was mainly due to acquisitions of equipment and intangible asset. Financing activities spent cash of NT\$17 million during this quarter.
Cash flows from investing activities:	(77)	(158)	(66)	
Cash flows from financing activities:	(17)	(956)	(17)	
Effect of exchange rate changes on cash and cash equivalents	14	(5)	(1)	
Net increase (decrease) in cash and cash equivalents	358	(753)	(156)	
Cash and cash equivalents, beginning of period	4,770	5,523	4,531	
Cash and cash equivalents, end of period	5,128	4,770	4,375	



The Advanced ASIC Leader

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GLOBAL UNICHIP CORP. (GUC) is the Advanced ASIC Leader™ whose customers target IC devices to leading edge computing, communications, and consumer applications. Based in Hsin-chu, Taiwan GUC has developed a global reputation with a presence in China, Europe, Japan, Korea, and North America. GUC is publicly traded on the Taiwan Stock Exchange under the symbol 3443. For more information, please visit GUC's company website ([http:// www.guc-asic.com](http://www.guc-asic.com)) for details.

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