

Global Unichip Corp. (GUC) Reports Financial Results for 2Q23

Hsinchu – Jul 27, 2023 -- Global Unichip Corporation (TAIEX: 3443) today announced consolidated net sales of NT\$6,587 million, income from operations of NT\$ 938 million, net income of NT\$ 839 million, and basic earnings per share of NT\$6.26 for the second quarter ended June 30, 2023.

Financial Summary

<i>(In NT\$M except EPS and percentage)</i>	<u>2Q23</u>	<u>1Q23</u>	<u>QoQ</u>	<u>2Q22</u>	<u>YoY</u>
Net Sales	6,587	6,529	1%	5,381	22%
NRE	1,266	1,486	-15%	1,588	-20%
Turnkey	5,168	4,953	4%	3,729	39%
Others	153	90	70%	64	139%
Gross Profit	1,919	2,084	-8%	1,893	1%
Gross Margin	29.1%	31.9%	--	35.2%	--
Operating Expense	981	981	0%	1,062	-8%
Income from Operations	938	1,103	-15%	831	13%
Operating Margin	14.2%	16.9%	--	15.4%	--
Net Income	839	934	-10%	761	10%
Net Profit Margin	12.7%	14.3%	--	14.1%	--
EPS (NT\$)	6.26	6.97	-10%	5.67	10%

Topics in This Report:

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

Financial Highlights: Second Quarter 2023

- Net Sales was NT\$6,587 million, which increased only 1% compared to 1Q23 but increased 22% from 2Q22.
- In 2Q23, NRE revenue was NT\$ 1,266 million, decreasing 15% QoQ and decreasing 20% YoY. Turnkey revenue was NT\$5,168 million, increasing 4% QoQ and increasing 39% YoY.
- Gross Margin was 29.1%, which is 2.8 percentage points lower than 1Q23 and 6.1 percentage points lower than 2Q22.
- Operating Margin was 14.2%, down 2.7 percentage points from 1Q23 and 1.2 percentage points lower than 2Q22.
- Net Margin was 12.7%, down 1.6 percentage points compared with 1Q23 and 1.4 percentage points lower than 2Q22.
- EPS was NT\$6.26, which decreased 10% compared to 1Q23 but increased 10% from 2Q22.

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Revenue Analysis

● By Segment

NRE by Technology	2Q23	1Q23	2Q22
	%	%	%
5nm & Below	18%	35%	9%
7nm	38%	28%	50%
16nm	19%	20%	25%
28nm & Above	25%	17%	16%
Total	100%	100%	100%

Turnkey by Technology	2Q23	1Q23	2Q22
	%	%	%
5nm & Below	0%	0%	0%
7nm	25%	17%	7%
16nm	37%	43%	31%
28nm & Above	38%	40%	62%
Total	100%	100%	100%

By segment, combined 16 nm and below accounted for 75% of total NRE revenue in 2Q23 and 5nm & below accounted for 18% in 2Q23. Revenue contribution of 7 nm & below is still more than 50% of total NRE revenue.

In 2Q23, 7nm accounted for 25% of total Turnkey revenue, which kept increasing both on QoQ and YoY basis. There was no Turnkey revenue contribution from 5nm & below yet.

● By Technology/Application/Region

Net Sales by Technology	2Q23	1Q23	2Q22
	%	%	%
5nm & Below	3%	8%	3%
7nm	27%	19%	20%
16nm	34%	37%	29%
28nm & Above	36%	36%	48%
Total	100%	100%	100%

Net Sales by Application	2Q23	1Q23	2Q22
	%	%	%
AI/ML	4%	14%	16%
Networking	23%	26%	23%
Digital Consumer	55%	45%	34%
Industry	12%	10%	18%
Others	6%	5%	9%
Total	100%	100%	100%

Net Sales by Reigon	2Q23	1Q23	2Q22
	%	%	%
Taiwan	10%	10%	19%
USA	20%	27%	19%
China	29%	30%	32%
Japan	9%	7%	12%
Korea	30%	23%	13%
Europe	2%	3%	5%
Total	100%	100%	100%

By technology, 16nm and below revenue contribution of total revenue in 2Q23 was 64%. 5nm & Below accounted for 3% of total revenue and all of it is from NRE revenue. Revenue contribution of 7 nm increased significantly in this quarter.

By application, major revenue contribution is still Digital Consumer in 2Q23, which majorly contributing from Turnkey revenue in this segment. The revenue contribution of AI/ML and Networking combined to be 27%, which both are also very important target markets for GUC.

From a geographic perspective, revenue from Taiwan, China and USA totally accounted for 59% in 2Q23. China market revenue contribution is 29%. Korea market revenue contribution increased significantly in this quarter, and the growth was contributed from Turnkey revenue increase.

Gross Margin Analysis

	2Q23		1Q23		2Q22	
	Amount	% of	Amount	% of	Amount	% of
		net sales		net sales		net sales
(In NTSM except percentages)						
Cost of sales	4,668	70.9%	4,445	68.1%	3,488	64.8%
Gross profit	1,919	29.1%	2,084	31.9%	1,893	35.2%

Gross margin rate was 29.1% in 2Q23, decreasing compared with 31.9% in 1Q23 and 35.2% in 2Q22, which is due to different product mix.

Expenses Analysis

	2Q23		1Q23		2Q22	
	Amount	% of	Amount	% of	Amount	% of
		net sales		net sales		net sales
(In NTSM except percentages)						
SG&A Exp	231	3.5%	194	3.0%	241	4.5%
R&D Exp	750	11.4%	787	12.0%	821	15.3%
Total operating expenses	981	14.9%	981	15.0%	1,062	19.8%

Total operating expenses in 2Q23 represented 14.9% of net sales. From the perspective of dollar amount, operating expenses remained flat compared to previous quarter.

Net Profit & EPS

	2Q23		1Q23		2Q22	
	Net	EPS	Net	EPS	Net	EPS
	Income	(NT\$)	Income	(NT\$)	Income	(NT\$)
(In NTSM except EPS)						
	839	6.26	934	6.97	761	5.67

Net income in 2Q23 was NT\$839 million and EPS was NT\$6.26, decreasing 10% compared with 1Q23 but increasing 10% on YoY basis.

Financial Condition Review

● Liquidity Analysis

	6,30,2023	3,31,2023	Unit: NT\$M 6,30,2022
Assets			
Cash and cash equivalents	4,670	5,892	4,770
Accounts receivable, net	2,923	2,359	1,760
Inventories	6,753	6,967	4,083
Other current assets	3,419	3,915	3,220
Total current assets	17,765	19,133	13,833
Property, plant and equipment	603	604	645
Other non-current assets	947	983	1,099
Total assets	19,315	20,720	15,577
Liabilities			
Current liabilities	10,937	11,197	9,340
Non-current liabilities	440	527	593
Total liabilities	11,377	11,724	9,933
Equity			
Total equity	7,938	8,996	5,644
Total liabilities and equity	19,315	20,720	15,577
Net working capital (NT\$M)	6,828	7,936	4,493
Current ratio(%)	162	171	148

At the end of 2Q23, total assets were NT\$19,315 million and total liabilities were NT\$11,377 million. Decrease of liabilities is mainly due to decrease of contract liability in this quarter.

Net working capital in 2Q23 was NT\$6,827 million and current ratio was 162%, which decreased because of less cash after dividend distribution.

Days of A/R turnover and Inventory turnover in 1H23 were 41 days and 133 days, respectively. Main reason of inventory turnover days increase compared to 1H22 is because of customized inventory increase at the end of 2Q23 to meet market demand.

● Receivable and Inventory days

	6,30,2023	3,31,2023	6,30,2022
A/R turnover days	41	37	32
Inv. turnover days	133	139	98

Cash flow analysis

	Unit: NT\$M		
	2Q23	1Q23	2Q22
Cash flows from operating activities:	866	155	366
Cash flows from investing activities:	(173)	(86)	(158)
Cash flows from financing activities:	(1,896)	(26)	(956)
Effect of exchange rate changes on cash and cash equivalents	(19)	0	(5)
Net increase (decrease) in cash and cash equivalents	(1,222)	43	(753)
Cash and cash equivalents, beginning of period	5,892	5,849	5,523
Cash and cash equivalents, end of period	4,670	5,892	4,770

Net cash generated in operating activities was NT\$866 million in 2Q23. Net cash spent in investing activities was NT\$173 million in 2Q23, which was mainly due to acquisitions of equipment and intangible asset. Financing activities spent cash of NT\$1,896 million during this quarter because of distribution of cash dividend.



The Advanced ASIC Leader

Jul 27, 2023

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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