

環宇
芯系天下

**Q1 2016
Quarterly
Online Investor
Conference
(線上法說會)**

May 6, 2016



環宇通訊半導體
Global Communication Semiconductors, LLC



“Enabling Today’s Global
Communications
and Beyond”

Disclaimer Statement



This presentation includes forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that GCS Holdings, Inc. expects or anticipates will or may occur in the future (including but not limited to projections, targets, estimates and business plans) are forward-looking statements.

GCS's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market share, competition, environmental risks, change in legal, financial and regulatory frameworks, government policies, international economic and financial market conditions, political risks, cost estimates and other risks and factors beyond our control.

GCS does not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.

Agenda



Opening:

Brian Ann, CEO & President

Financial Section:

Grace Li, Director & Special Assistant to CEO

Market Overview:

Simon Yu, Senior VP and General Manager,
Worldwide Sales & Marketing and Component
Business

Q&A: All

FINANCIAL SECTION

Statements of Comprehensive Income - QoQ



(in NT\$ thousands except EPS)

	1Q16	4Q15	1Q15	1Q16 Over 4Q15	1Q16 Over 1Q15
Net Operating Revenue	463,785	472,018	357,248	-1.7%	29.8%
Gross Profit	233,853	230,871	132,702	1.3%	76.2%
Gross Margin	50.4%	48.9%	37.1%		
Operating Expenses	(142,457)	(117,614)	(94,012)	21.1%	51.5%
Operating Income	91,396	113,257	38,690	-19.3%	136.2%
Operating Margin	19.7%	24.0%	10.8%		
Non-operating Items	(72,146)	(28,396)	(532)	154.1%	13461.3%
Net Income	16,897	79,988	34,749	-78.9%	-51.4%
Net Profit Margin	3.6%	16.9%	9.7%		
Basic EPS (NTD)	0.29	1.40	0.63		
Diluted EPS (NTD)	0.28	1.37	0.60		
R&D Expense % to Revenue	10.8%	8.2%	9.1%		

Note: 57,604,764 shares and 59,397,290 shares were used in basic EPS and diluted EPS calculation for 1Q16, respectively.

Non-operating Income and Expenses- QoQ



(in NT\$ thousands)

	1Q16	4Q15	1Q15	1Q16 Over 4Q15	1Q16 Over 1Q15
Other Income	523	1,022	75	-48.8%	597.3%
Other Gains and Losses					
Net losses on financial liabilities at fair value through profit or loss	(56,070)	(37,665)	0	48.9%	-
Net currency exchange gain or (loss)	(7,223)	17,290	(53)	-141.8%	13528.3%
Finance Cost					
Interest expense for convertible bonds	(7,490)	(7,156)	0	4.7%	-
Other interest expense	(1,886)	(1,887)	(554)	-0.1%	240.4%
Total Non-operating Income and Expenses	(72,146)	(28,396)	(532)	154.1%	13461.3%

Balance Sheet Highlight & Key Indices



Selected Items from Balance Sheet

(in NT\$ thousands)

	1Q16		4Q15		1Q15	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	1,258,482	46%	1,237,513	49%	569,298	39%
Accounts Receivable	234,699	9%	205,006	8%	151,296	10%
Inventory	348,075	13%	331,800	12%	302,882	21%
Available-for-Sale Financial Assets	73,031	3%	52,479	2%	-	-
Net Property, Plant and Equipment	485,269	18%	473,634	18%	184,377	13%
Deferred Tax Assets	199,975	7%	203,951	8%	194,476	13%
Total Assets	2,732,480	100%	2,653,367	100%	1,469,305	100%
Current Liabilities	384,706	14%	335,862	13%	139,584	10%
Bonds Payable	373,575	14%	457,386	17%	-	-
Long Term Bank Loans	119,711	4%	127,142	5%	-	-
Total Liabilities	971,405	36%	1,009,804	38%	229,675	16%
Total Stockholders' Equity	1,761,075	64%	1,643,563	62%	1,239,630	84%

Key Indices

Current Ratio	485%	536%	748%
Debt Ratio	36%	38%	16%
AR Turnover Days	44	44	44
Inventory Turnover Days	162	138	129

Cash Flows

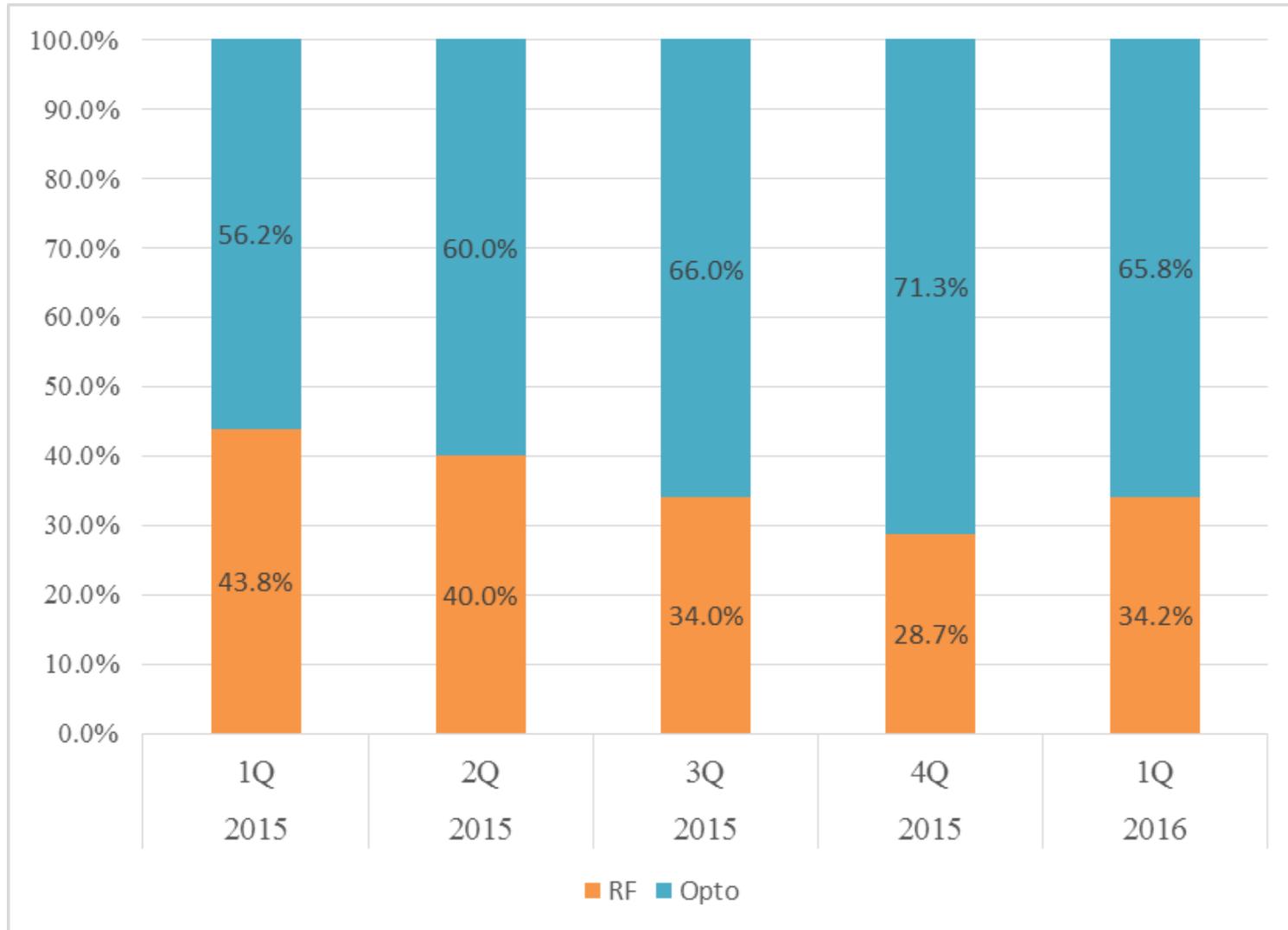


(in NT\$ thousands)

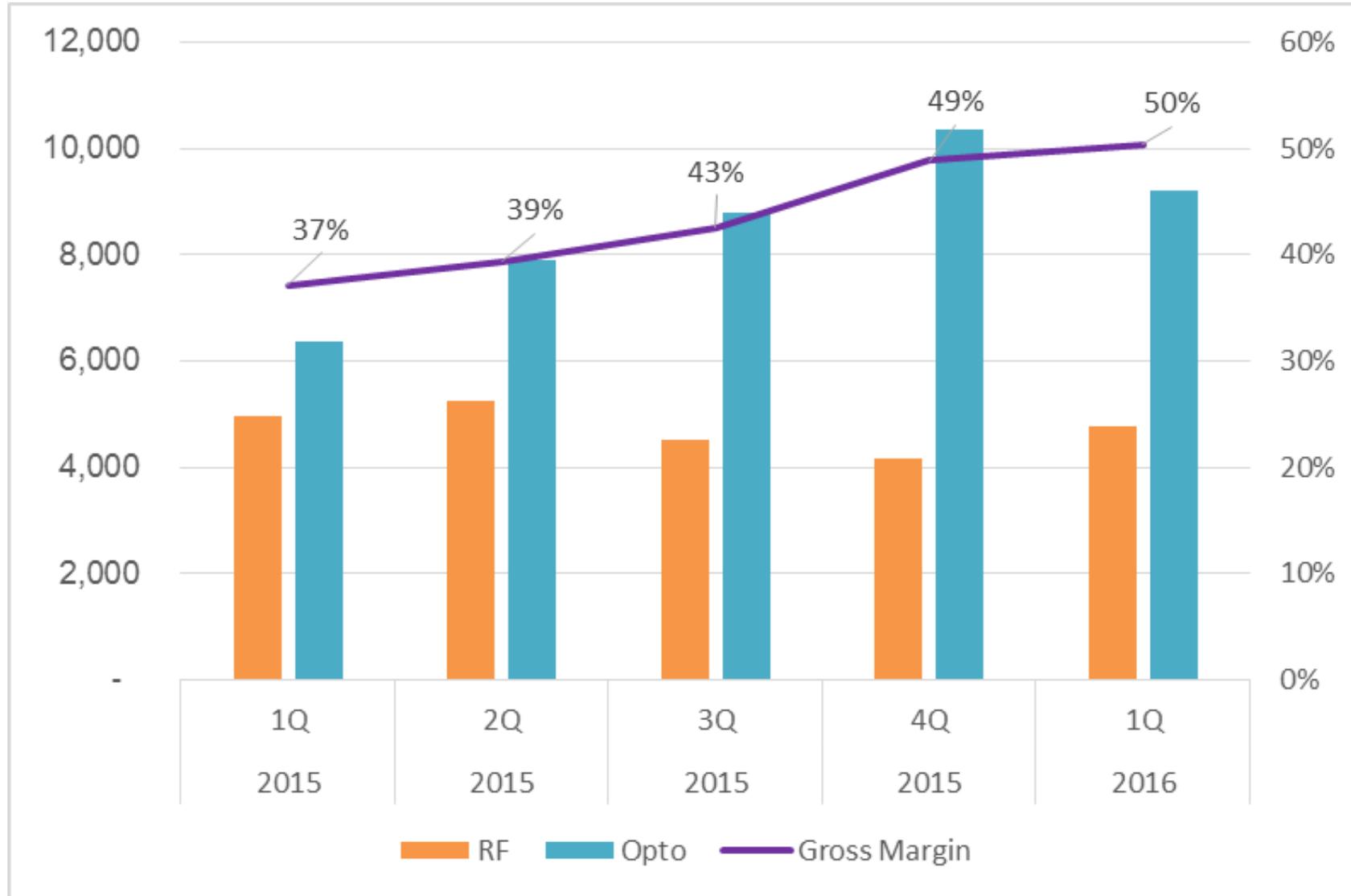
	<u>1Q16</u>	<u>4Q15</u>	<u>1Q15</u>
Beginning Balance	1,237,513	1,197,929	527,385
Cash from Operating Activities	71,307	126,706	57,997
Acquisition of property, plant and equipment	(35,539)	(19,632)	(6,548)
Acquisition of available-for-sale financial assets	0	(41,786)	-
Repayments of long-term loans	(4,884)	(4,594)	-
Payment of cash dividend	0	(11,326)	-
Others	(9,915)	(9,784)	(9,536)
Ending Balance	1,258,482	1,237,513	569,298
Free Cash Flow (Note)	35,768	107,074	51,449

Note: Free Cash Flow = Cash from Operating Activities - Capital Expenditures

Revenue Product Mix % - QoQ



Revenue Mix (K USD) vs Gross Margin



MARKET OVERVIEW

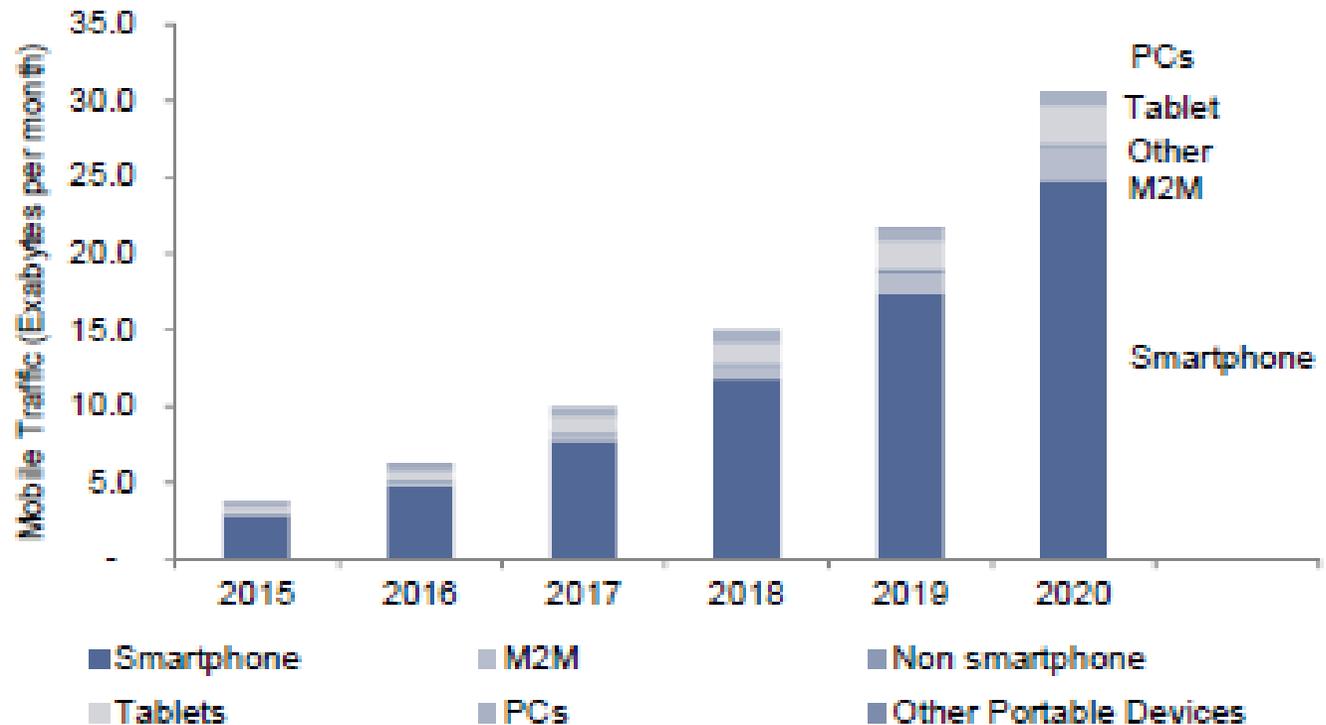
More Traffic → 5G



Exhibit 20: Mobile traffic is expected to grow at a 53% CAGR from 2015-2020

Global Mobile Traffic by device type

4K/8K 超高清
VR
Smart Home
IoT
自動駕車



Source: Cisco VNI, 2016.

Enhanced mobile broadband (eMBB)

- 20Gbps

Massive machine-type communications (mMTC)

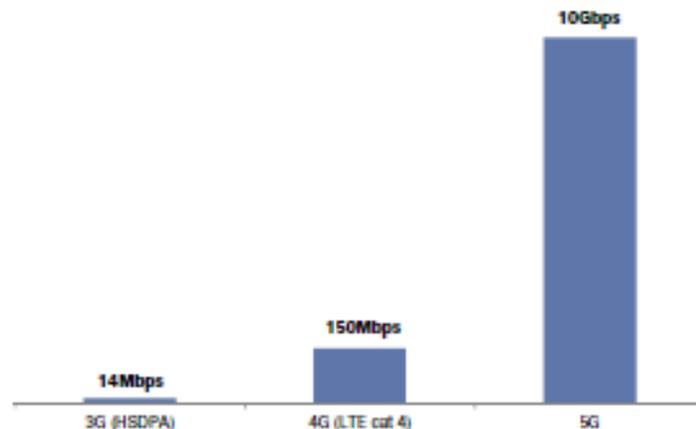
- 1M Square Meters

Ultra-reliable, low latency communications(uRLLC)

- 时延达到1毫秒

Exhibit 6: Peak data speeds for different generations of cellular technologies

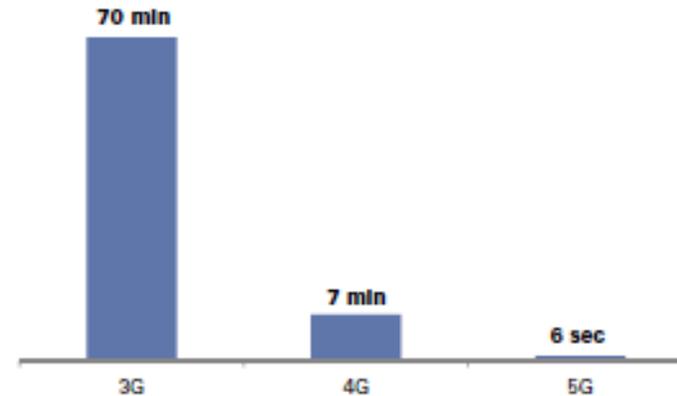
Peak data rates for 3Gvs. 4G vs. 5G



Source: Huawei, Goldman Sachs Global Investment Research.

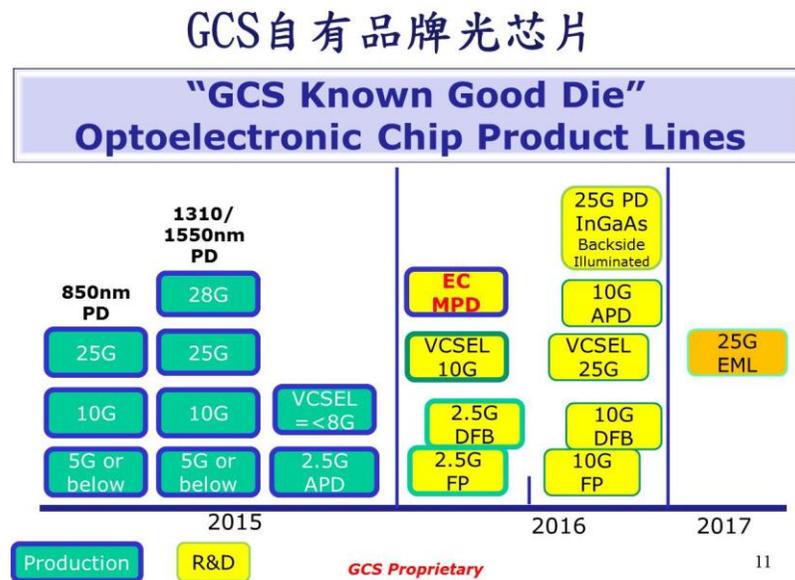
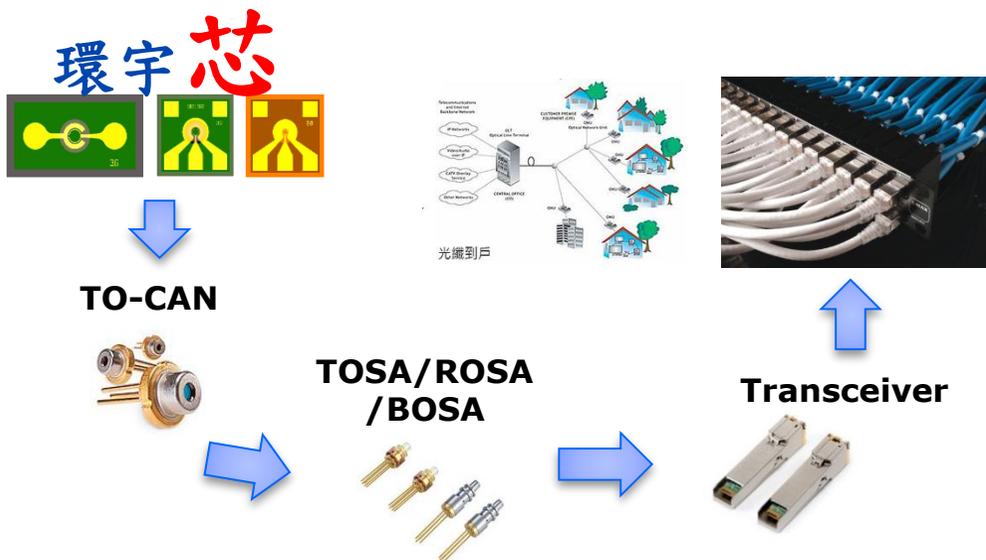
Exhibit 7: Time required for download of a 8GB video on various technologies

Download time on 3G vs. 4G vs. 5G



Source: Huawei, Goldman Sachs Global Investment Research.

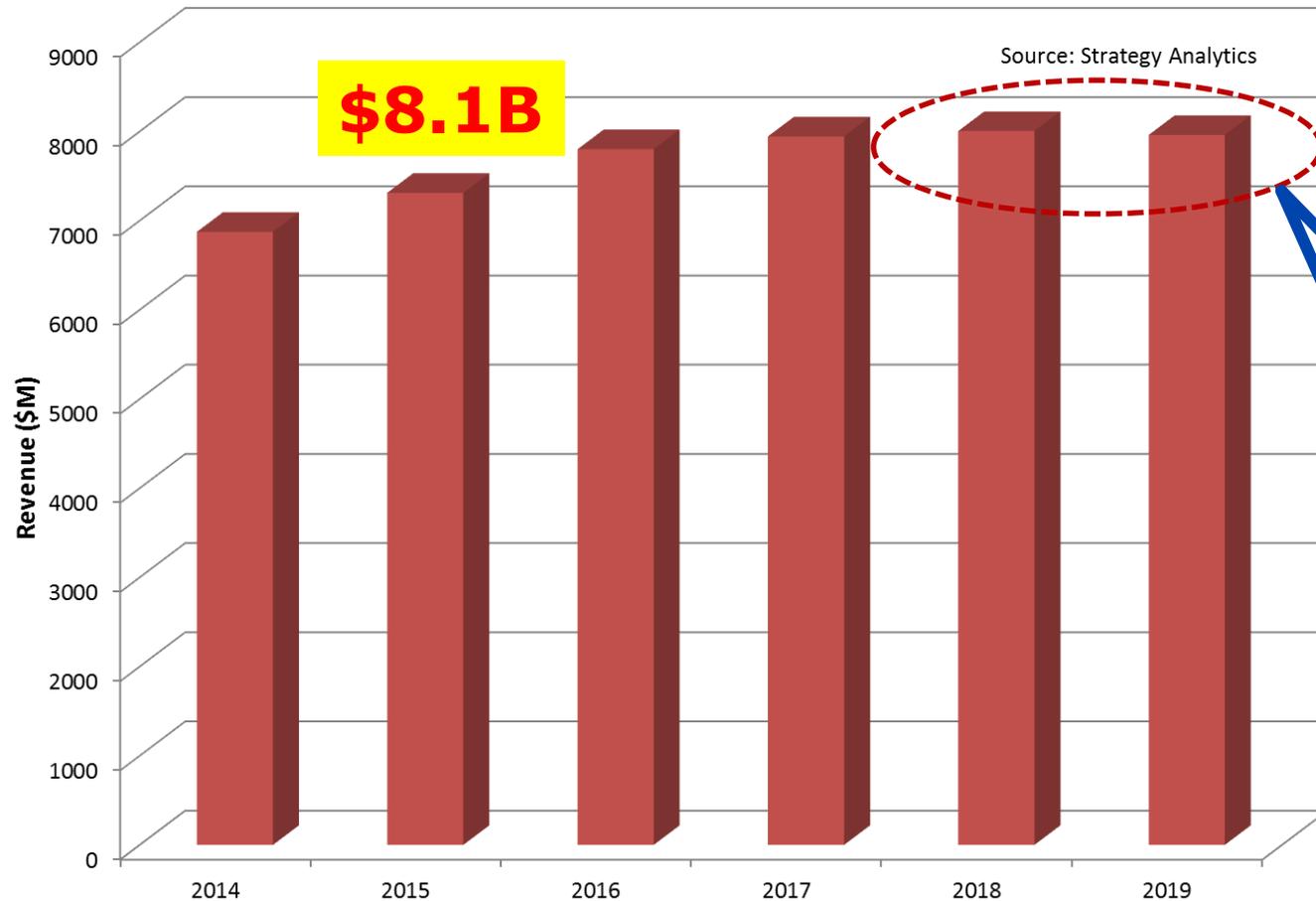
Optoelectronic Market



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- 4G: 2015 WW LTE user 1.68B (年增107%)
- Global Fiber Optic Component market: US\$42 billion 2017
 - continuously growing demand for bandwidth
 - the ensuing need for fibre-based broadband
 - robust growth in mobile internet
 - stronger FTTx related deployments in developing Asian countries
- China Market:
 - Q1 slow down – due to excessive inventory, 營運商 upgrade network - slow down deployment
 - Start to recover at the end of Q2
 - Q3 & Q4 accelerate –營運商 need to achieve target set by China Gov (寬帶下鄉 with 20Mbps)
 - 三大營運商 : CAPEX 2015 4,386 亿 (RMB), 2016 3,582 亿 (RMB)

GaAs RF Market



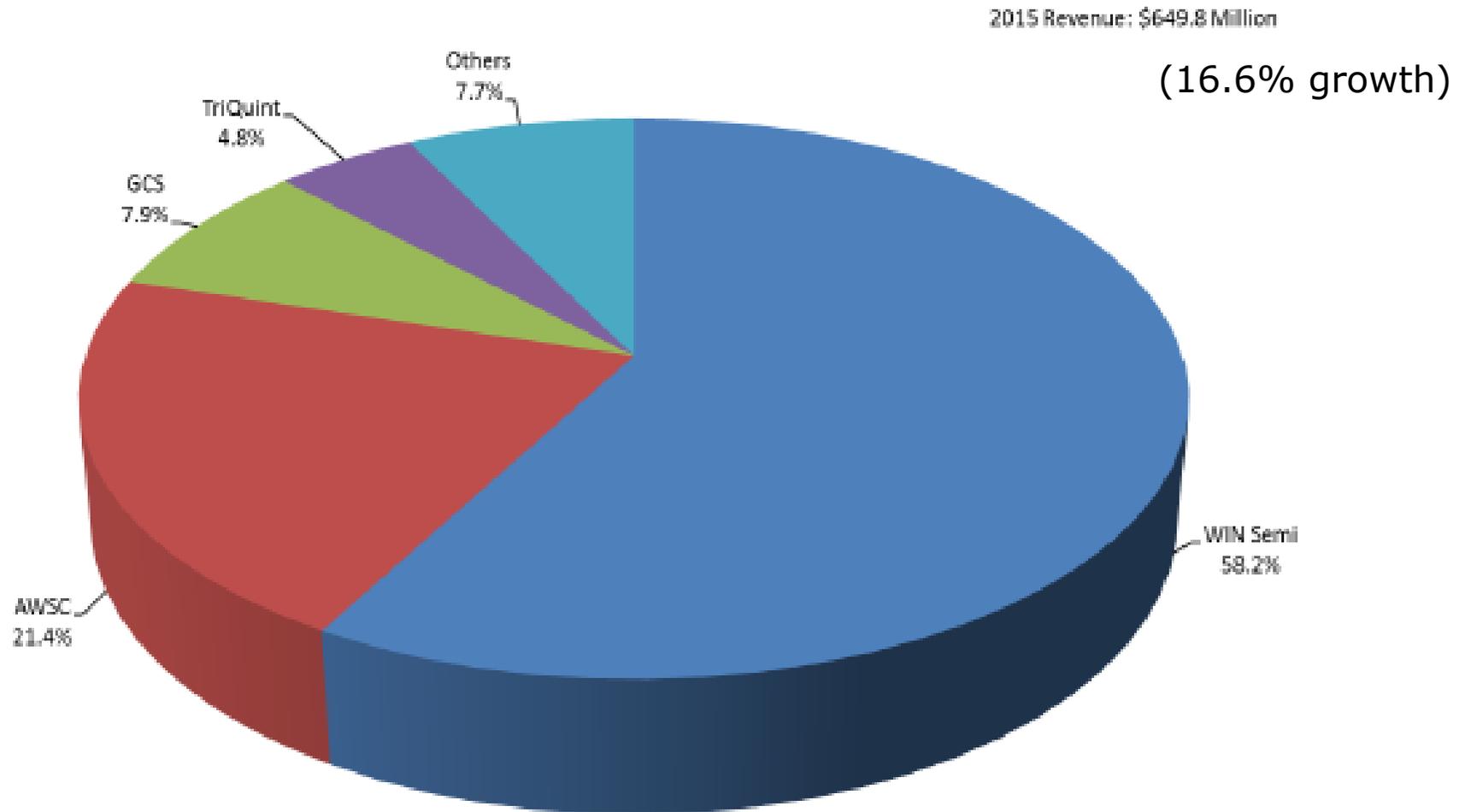
**5G &
802.11AC
will drive
Further
growth**

**More RF Contents:
MIMO Antenna
Carrier Aggregation
More Frequency Bands**

GaAs RF Foundry Market



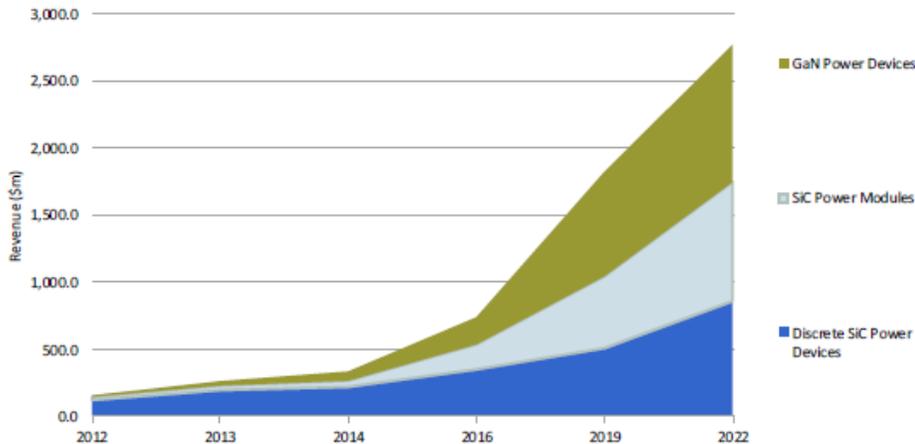
Exhibit 2: 2015 RF GaAs Pure-Play Foundry Market Share



Power Electronics Market



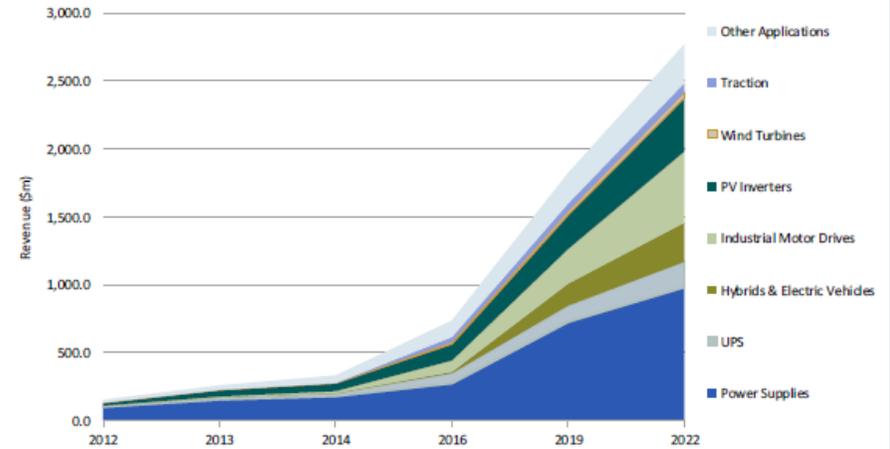
Figure ES.1
The World Market for SiC & GaN Power Devices by Overall Technology



Source: IHS

Apr-13

Figure ES.2
The World Market for SiC & GaN Power Devices by Application

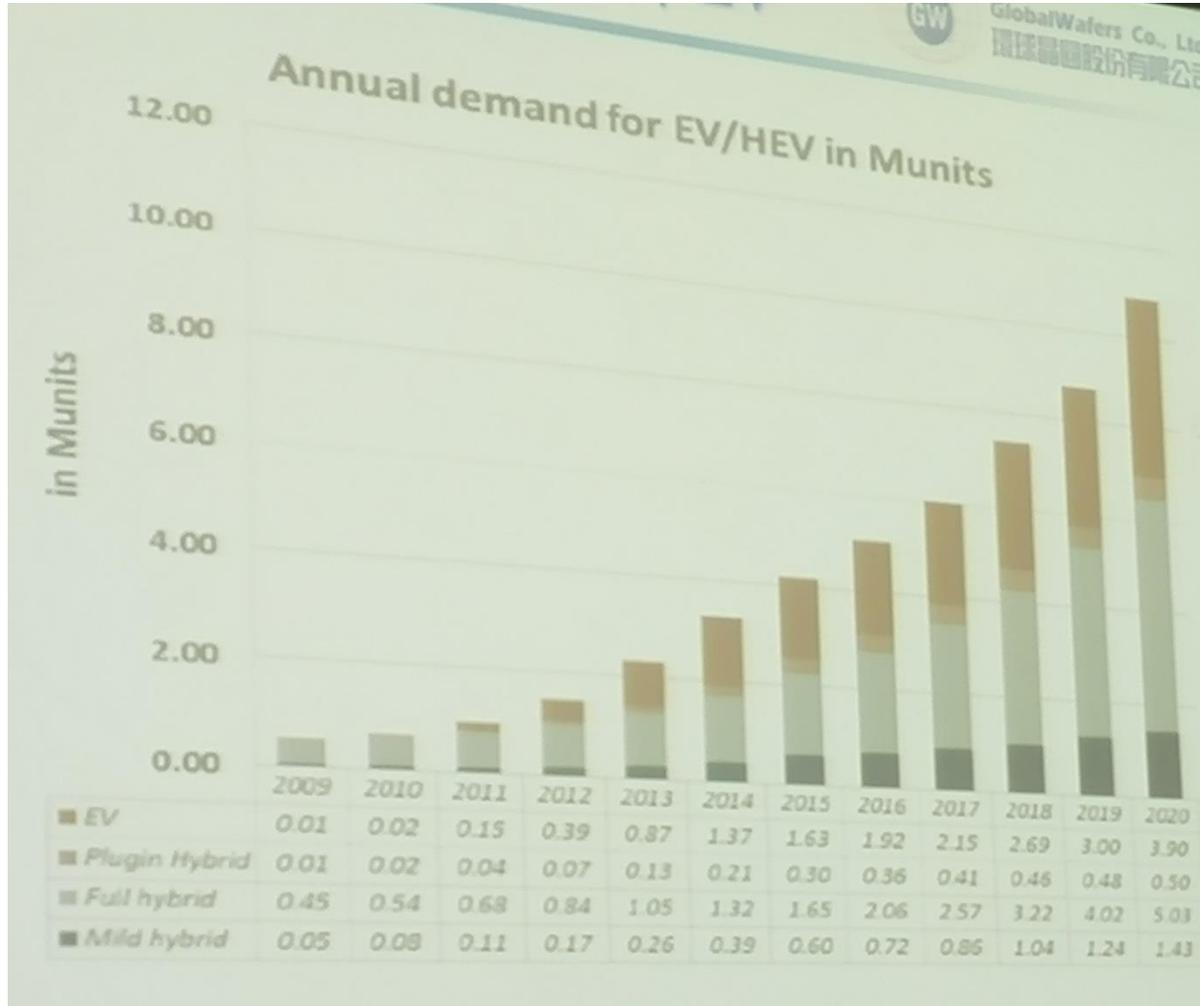


Source: IHS

Apr-13

GCS has both GaN-based and SiC-based Technologies In-place.

Power Electronics Market



4M EV = 100,000 6" SiC wafers

Source:
Global Wafers

Applications & Markets



RF

Power Electronics

Optoelectronics

RFIC · HEMT · pHEMT · HBT,
InP HBT, GaN/Si · GaN/SiC

GaN/Si · GaN/SiC ·
SiC...

PD, APD, VCSEL, FP/DFB LD,
Photonic Integrated Circuits,
2D Image Sensors

40G
100G
400G

Wireless
(mobile + Infrastructure

Power
Electronics

Data
Centers

Consumer/
IoT

Fiber Optical
Network



Base
Station
(4G/5G)



WiFi
(802.
11AC)



Mobile
Phones
(4G/5G)



HEV.EV,
Motor
Drives,
and etc.



40G
100G
400G



AOC
HDMI
Mobile
Wearable



LTE
FTTx

Q & A



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