

環宇
芯系天下

**Q2 2016
Quarterly
Online Investor
Conference
(線上法說會)**

Aug 2, 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)

	2Q16	1Q16	2Q15	2Q16 Over 1Q16	2Q16 Over 2Q15
Net Operating Revenue	481,273	463,785	406,083	3.8%	18.5%
Gross Profit	194,426	233,853	159,941	-16.9%	21.6%
Gross Margin	40.4%	50.4%	39.4%		
Operating Expenses	(120,896)	(142,457)	(91,766)	-15.1%	31.7%
Operating Income	73,530	91,396	68,175	-19.5%	7.9%
Operating Margin	15.3%	19.7%	16.8%		
Non-operating Items	20,457	(72,146)	(16,106)	-128.4%	-227.0%
Net Income	82,563	16,897	52,106	388.6%	58.5%
Net Profit Margin	17.2%	3.6%	12.8%		
Basic EPS (NTD)	1.39	0.29	0.95		
Diluted EPS (NTD)	1.12	0.28	0.91		
R&D Expense % to Revenue	7.3%	10.8%	9.3%		

Note: 59,198,808 shares and 66,592,720 shares were used in basic EPS and diluted EPS calculation for 2Q16, respectively.

Non-operating Income and Expenses- QoQ



(in NT\$ thousands)

	2Q16	1Q16	2Q15	2Q16 Over 1Q16	2Q16 Over 2Q15
Other Income	1,064	523	323	103.4%	229.4%
Other Gains and Losses					
Net Gain or (losses) on financial liabilities at fair value through profit or loss	10,202	(56,070)	(12,775)	-118.2%	-179.9%
Net currency exchange gain or (loss)	2,081	(7,223)	1,024	-128.8%	103.2%
Gain on disposal of investment	14,983	-	-	-	-
Finance Cost					
Interest expense for convertible bonds (Note)	(6,116)	(7,490)	(4,207)	-18.3%	45.4%
Other interest expense	(1,757)	(1,886)	(471)	-6.8%	273.0%
Total Non-operating Income and Expenses	20,457	(72,146)	(16,106)	-128.4%	-227.0%

Note: Amortization of discount on convertible bonds

Statements of Comprehensive Income – YoY



(in NT\$ thousands except EPS)

	2016	%	2015	%	Change (%)
	Jan to June		Jan to June		
Net Operating Revenue	945,058	100.0%	763,331	100.0%	23.8%
Operating Cost	(516,779)	-54.7%	(470,688)	-61.7%	9.8%
Gross Profit	428,279 ▲	45.3%	292,643	38.3%	46.3%
Operating Expenses	(263,353)	-27.9%	(185,778)	-24.3%	41.8%
Operating Income	164,926 ▲	17.5%	106,865	14.0%	54.3%
Non-operating items	(51,689)	-5.5%	(16,638)	-2.2%	210.7%
Income before Income Tax	113,237 ▲	12.0%	90,227	11.8%	25.5%
Income Tax	(13,777)	-1.5%	(3,372)	-0.4%	308.6%
Net Income	99,460 ▲	10.5%	86,855	11.4%	14.5%
Basic EPS (NTD)	1.70		1.58		
Diluted EPS (NTD)	1.66		1.52		
Average Exchange Rate-USD/NTD	32.78		31.18		
R&D expense % to Revenue	9.0%		9.2%		
ROA (%)	8.37%		10.22%		
ROE (%)	11.25%		13.80%		

Balance Sheet Highlight & Key Indices



Selected Items from Balance Sheet

(in NT\$ thousands)

	2Q16		1Q16		2Q15	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	1,290,712	46%	1,258,482	46%	1,190,862	55%
Available-for-Sale Financial Assets-Current	41,668	2%	-	-	-	-
Accounts Receivable	267,013	9%	234,699	9%	183,066	9%
Inventory	358,027	13%	348,075	13%	299,223	14%
Available-for-Sale Financial Assets-Non current	22,539	1%	73,031	3%	25,460	1%
Net Property, Plant and Equipment	499,573	18%	485,269	18%	175,304	8%
Deferred Tax Assets	200,534	7%	199,975	7%	191,742	9%
Total Assets	2,822,885	100%	2,732,480	100%	2,154,853	100%
Current Liabilities	374,539	13%	384,706	14%	275,600	13%
Bonds Payable	345,332	12%	373,575	14%	481,867	22%
Long Term Bank Loans	115,057	4%	119,711	4%	-	-
Total Liabilities	929,767	33%	971,405	36%	850,707	39%
Total Stockholders' Equity	1,893,118	67%	1,761,075	64%	1,304,146	61%

Key Indices

Current Ratio	529%	485%	614%
Debt Ratio	33%	36%	39%
AR Turnover Days	46	44	45
Inventory Turnover Days	147	162	125

Cash Flows

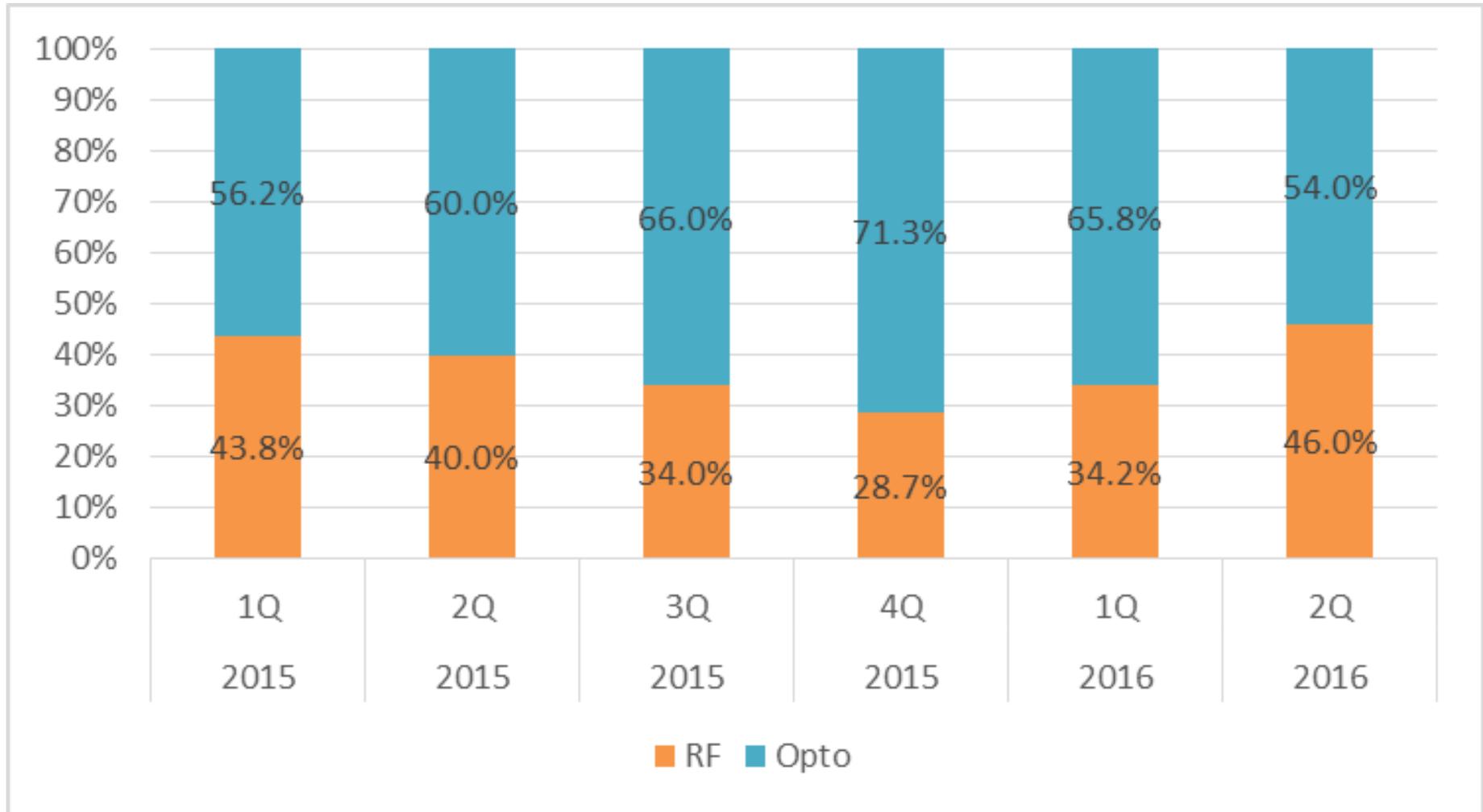


(in NT\$ thousands)

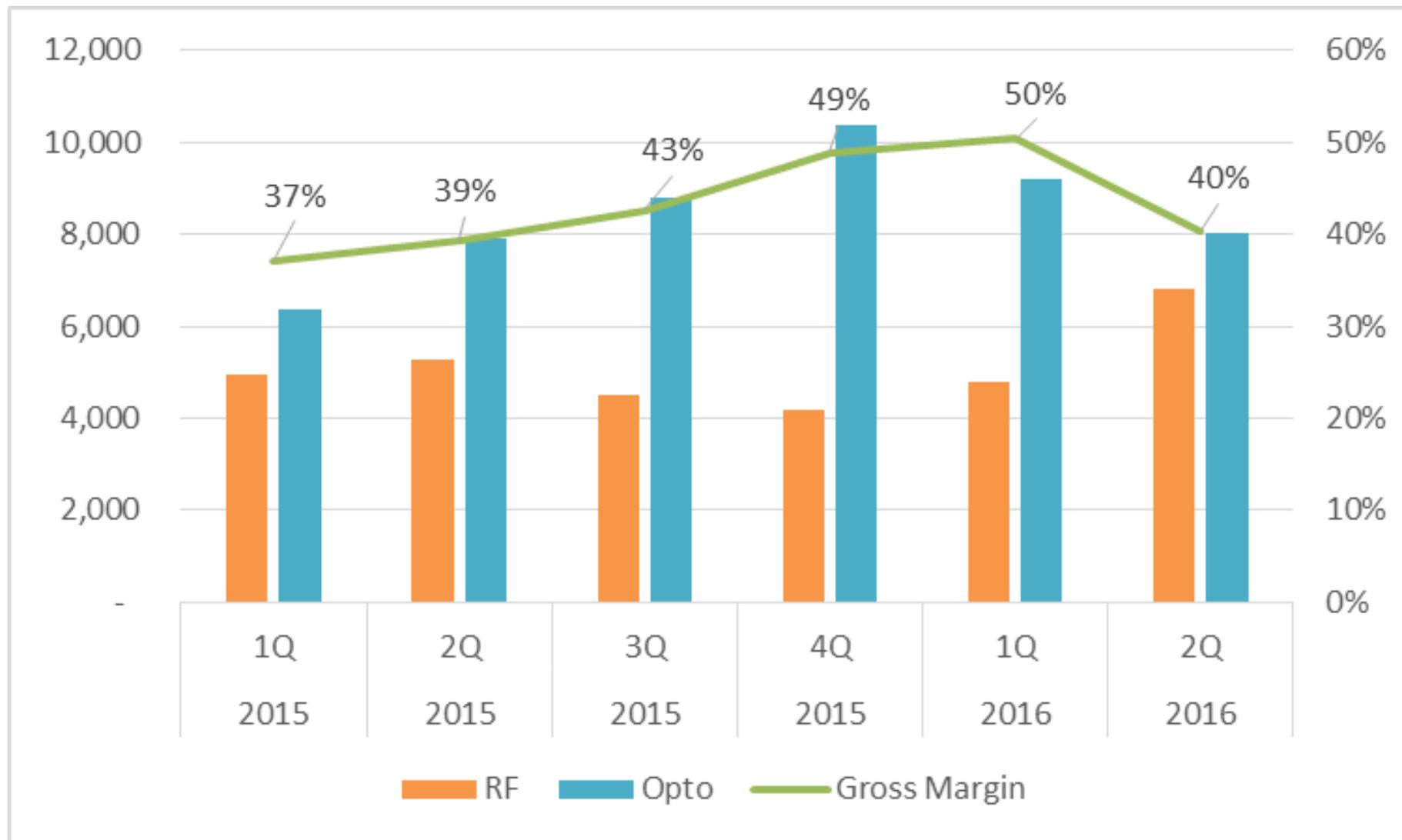
	2Q16	1Q16	2Q15
Beginning Balance	1,258,482	1,237,513	569,298
Cash from operating activities	43,166	71,307	63,283
Acquisition of property, plant and equipment	(45,266)	(35,539)	(33,478)
Acquisition of available-for-sale financial assets	-	-	(7,795)
Proceeds from the sale of of available-for-sale financial assets	34,362	-	-
Repayments of long-term loans	(4,811)	(4,884)	-
Proceeds from issuance of convertible bonds	-	-	600,000
Others	4,779	(9,915)	(446)
Ending Balance	1,290,712	1,258,482	1,190,862
Free Cash Flow (Note)	(2,100)	35,768	29,805

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

Revenue Product Mix % - QoQ



Revenue Mix (K USD) vs Gross Margin



MARKET OVERVIEW

Market Outlook

- Q3: PON and LTE market start recovery but slow
- 4G user: China Q12016 – 530 millions, Europe+US – 390 Millions
- 全球移动数据收入:2015-3860亿美元→2020-6300亿美元 (Parks Associates)
(2020 -全球5G消费者用户总量将增加至1720万)
May 2016 – China Mobile: 1.3M TD-LTE base stations, 400M users

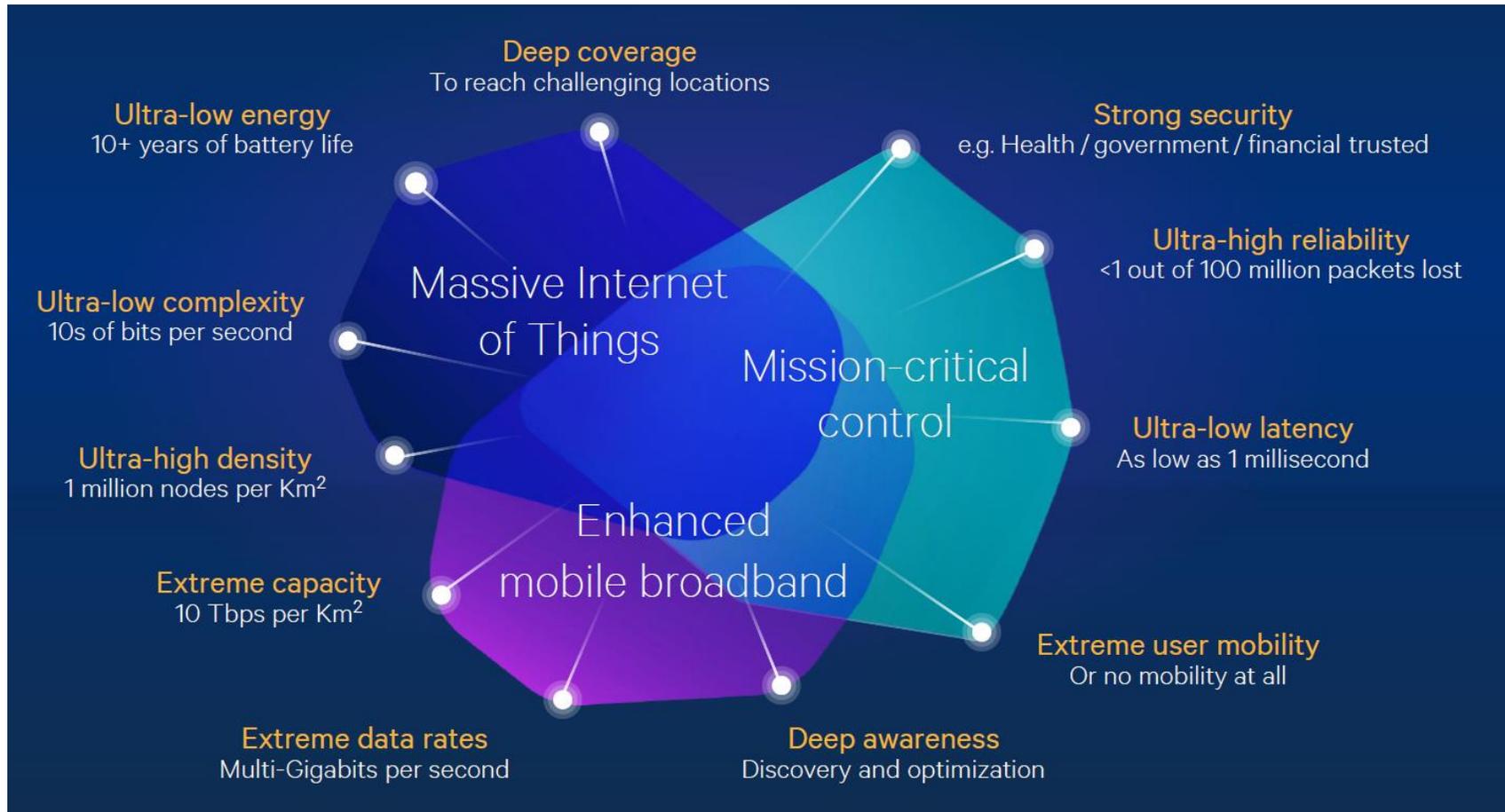
- 5G –不再是纸上谈兵，“从4G到5G, 未来超越想象”



- Future Growth Driver:
 - Huawei 4.5G (TE-Advanced Pro) (面向4.5G的最佳体验移动承载网白皮书) (2G- GPRS-3G) (3G - HSPA/HSPA+/DC-HSPA+ - 4G – 4.5G – 5G)
2016: 60张4.5G商用网络部署
 - US 5G Network (28GHz, 37 GHz, 39GHz license network)
 - European Service Provider – 在整个大陆开发和部署5G技术
- 100G光设备: 2013-24亿美元, 2018 - 67亿美元 (Data Center)
- Digital universe 2013-2010: 4.4 trillion - 44 trillion gigabytes (IDC)

5G Application Space

“Scalable across extreme variation of requirements.”



Source: Qualcomm

5G will do whatever and whenever you want it to do!

- ❖ ~7 B mobile devices in use in 2030
- ❖ 45 B+ OTHER devices!



Smart Cities



Autonomous Vehicles



Smart Grid



Traffic Control

V2V / V2X

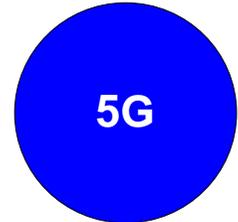
Object Tracking

Low-rate, Latency-Tolerant, High-Security



Remote Industrial Control

Process Automation



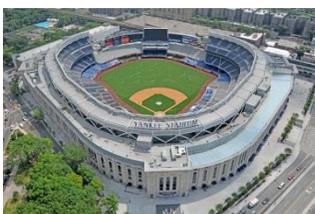
Wearables & Sensors

Low-latency Cloud Gaming
Medical Monitoring
Telesurgery



Disaster, Emergency Management

High Traffic Venues



Immersive Video
Mobile Holographic Display
Augmented Reality



Sources: 4G Americas, Qualcomm, WRC, districoffuture.eu, ExtremeTech, Groupe Canam, SmartGrid.gov, WSJ, marinscope.com, Naledi3D.com, Q2 Serves.uk.com

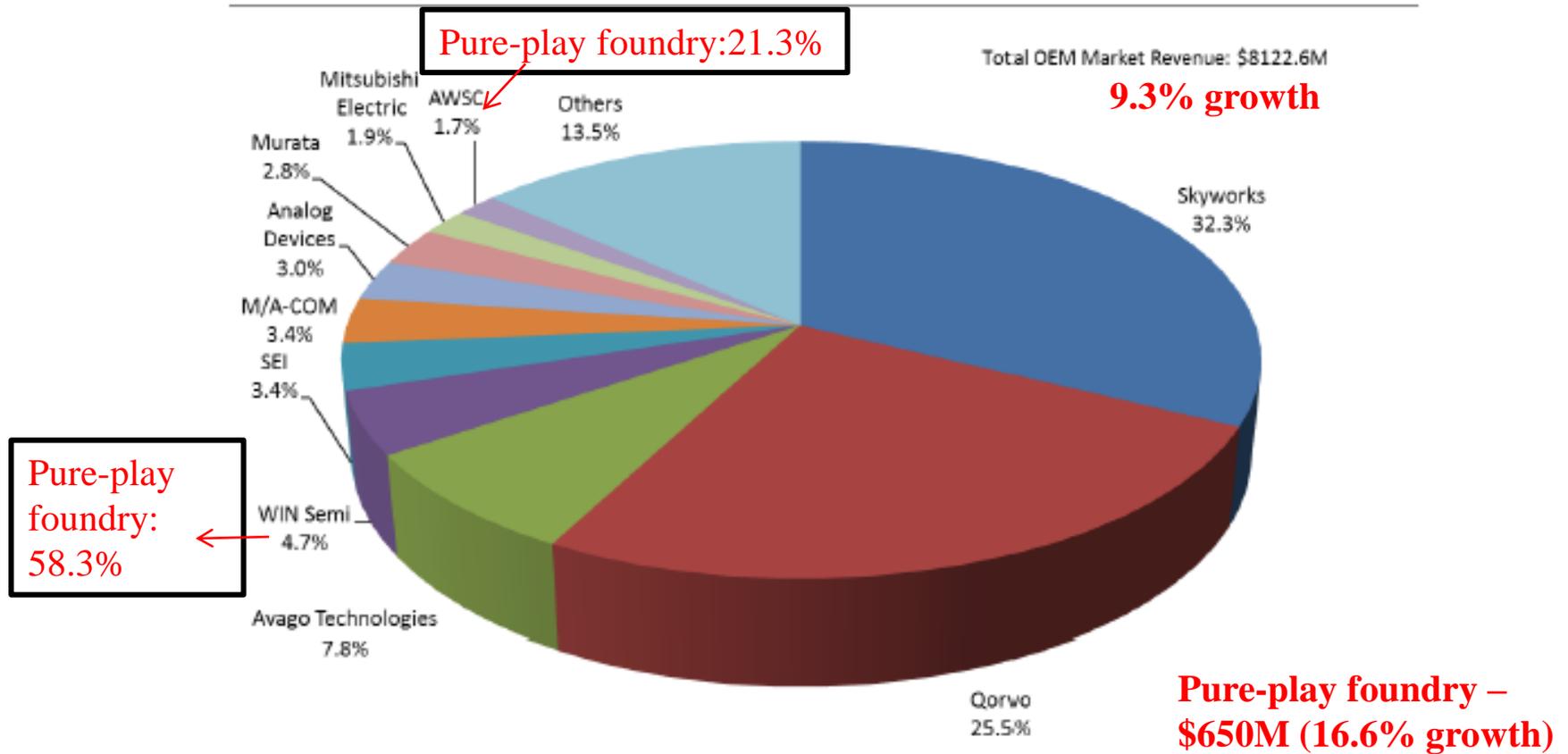
Future Demands

- ❖ Mobile phones nearing saturation today. ~2 B per year.
- ❖ Other applications hold great potential under the advent of 5G: 3+ BU per year total?
 - M2M/low cost IoT: Low cost, low BoM, low rate, latency tolerant.
 - mHealth: Low latency, highly secure, reliable. 1+ B elderly.
 - V2V, V2X, autonomous vehicle features: All new cars.
 - Smart energy, smart city.
 - Telepresence devices.
 - Wearables. Slow start so far, but big potential.
 - Object tracking.
 - On the infrastructure side, small cells.

Source: Strategy Analytics

2015 Total RF GaAs Device Market

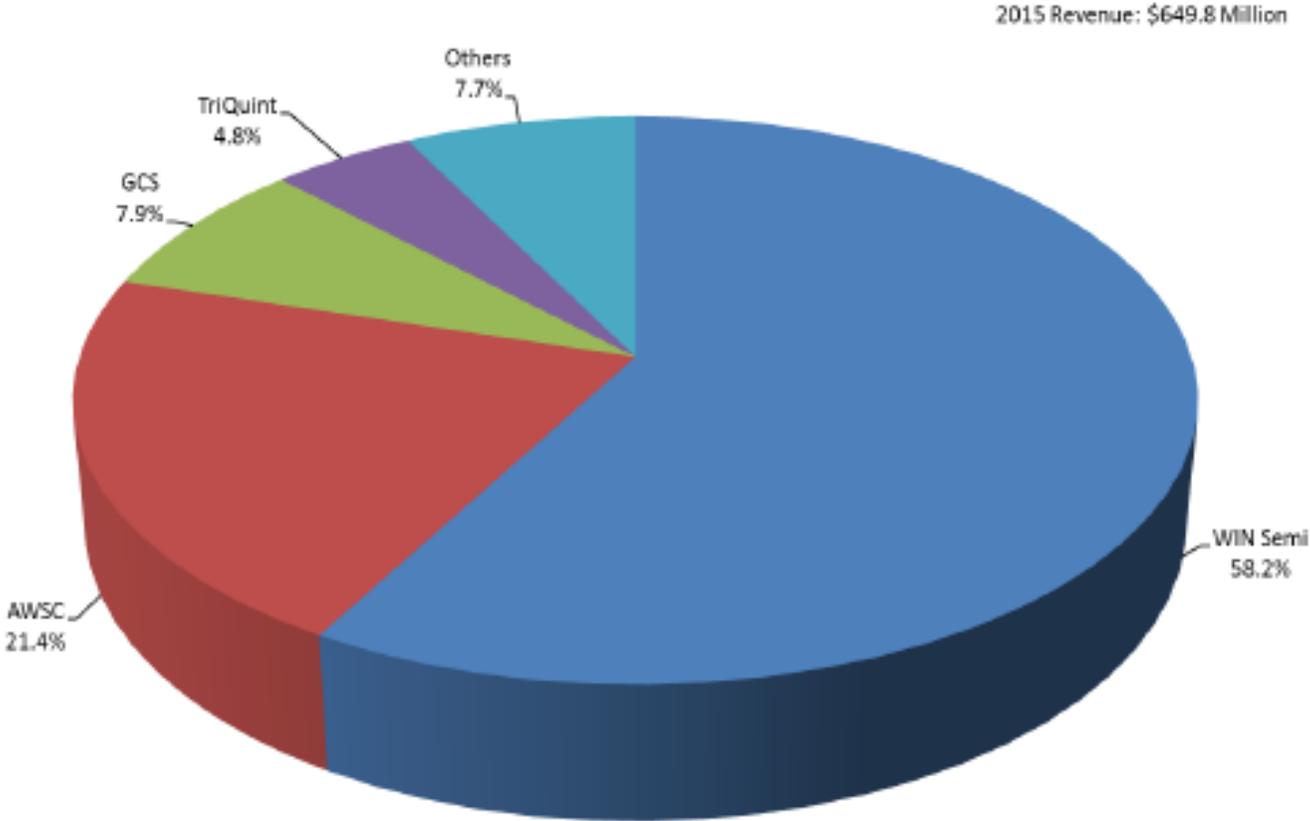
Exhibit 1: 2015 Total RF GaAs Device Market Share



Note: This total revenue also includes pure-play foundry revenue

2015 Total RF GaAs Pure-play Foundry Market

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



Applications & Markets



RF & Power Electronics

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

Wireless
(mobile + Infrastructure)



Base Station/
Mobile Phones
(**4G/5G**)



WiFi
(802.11AC)
WiMax

Power Electronics



HEV, EV,
Motor Drives,
and etc.

Optoelectronics

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

40G
100G
400G

Data Centers



40G
100G
400G

Consumer / IoT



AOC
HDMI
Mobile
Wearable

Fiber Optical Network



LTE
FTTx

Q & A



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