

環宇
芯系天下

**Q1 2022
Quarterly
Online Investor
Conference
(線上法說會)**

May 03, 2022



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, Senior Director & Special Assistant to
CEO

Market Overview:

Simon Yu, Senior VP and Spokesperson

Q&A: All



FINANCIAL SECTION

Statements of Comprehensive Income - QoQ



(in NT\$ thousands except EPS)

	1Q22	4Q21	1Q21	1Q22 Over 4Q21	1Q22 Over 1Q21
Net Operating Revenue	297,485	308,643	301,307	-3.6%	-1.3%
Gross Profit	94,603	66,373	100,005	42.5%	-5.4%
Gross Margin	31.8%	21.5%	33.2%		
Operating Expenses	(109,847)	(77,645)	(99,221)	41.5%	10.7%
Operating Expenses to Revenue %	36.9%	25.2%	32.9%		
Operating Income (Loss)	(15,244)	(11,272)	784	35.2%	-2044.4%
Operating Margin	-5.1%	-3.7%	0.3%		
Non-operating Items	(157,962)	(149,479)	(87,521)	5.7%	80.5%
Loss before Income Tax	(173,206)	(160,751)	(86,737)	7.7%	99.7%
Income Tax Benefit (Expense)	2,544	1,507	(1,452)	68.8%	-275.2%
Net Loss	(170,662)	(159,244)	(88,189)	7.2%	93.5%
Net Loss Attributable to owners of the Parent	(170,662)	(159,244)	(88,189)		
Net Loss %	-57.4%	-51.6%	-29.3%		
Basic EPS (NTD)	(1.55)	(1.74)	(0.99)		
Diluted EPS (NTD)	(1.55)	(1.74)	(0.99)		
R&D Expense % to Revenue	15.8%	12.6%	13.2%		
ROA (%)	-14.0%	-8.5%	-9.1%		
ROE (%)	-15.6%	-9.4%	-10.1%		

Note 1: 109,862 thousand shares were used in basic EPS calculation for 1Q22.

Note 2. Revenue supplemental information

	1Q22	4Q21	1Q21	1Q22 Over 4Q21	1Q22 Over 1Q21
Revenue in US\$ thousand	10,628	11,090	10,621	-4.17%	0.1%
Exchange Rate	27.99	28.01	28.37		

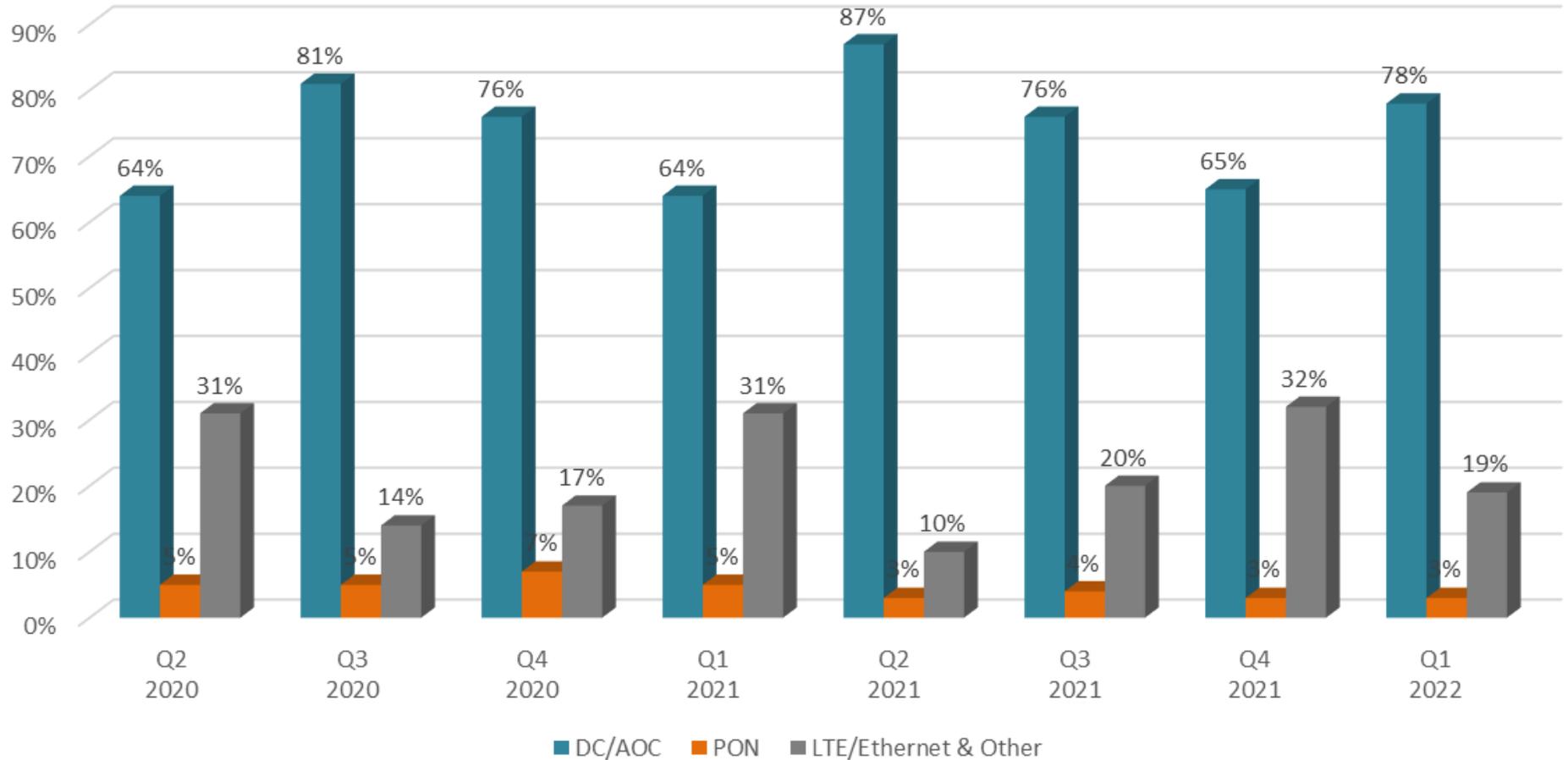
Revenue Mix % vs Gross Margin - QoQ



KGD Revenue Mix - QoQ



KGD Revenue Analysis-By Application



Non-operating Income and Expenses- QoQ



(in NT\$ thousands)

	1Q22	4Q21	1Q21	1Q22 Over 4Q21	1Q22 Over 1Q21
Other Income - other	780	181	1,935	330.9%	-59.7%
Other Income - Income from forgiveness of PPP loan	-	-	6,838	-	-100.0%
Other Gains and Losses					
Net currency exchange gain or (loss)	(14,902)	3,611	(113)	-512.7%	13087.6%
Gain (loss) on disposal of property, plant and equipment	-	5,931	(1,028)	-100.0%	-100.0%
Gain (loss) on disposal of investments	-	21,775	-	-100.0%	-
Impairment loss on intangible assets	-	(42,074)	-	-100.0%	-
Others	(3,954)	(272)	(581)	1353.7%	580.6%
Finance Cost					
Interest expense	(1,834)	(1,714)	(573)	7.0%	220.1%
Share of loss of equity-accounted investees	(138,052)	(136,917)	(93,999)	0.8%	46.9%
Total Non-operating Income and Expenses	(157,962)	(149,479)	(87,521)	5.7%	80.5%

Balance Sheet Highlight & Key Indices



Selected Items from Balance Sheet

(in NT\$ thousands)

	1Q22		4Q21		1Q21	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	778,385	16%	1,839,765	37%	1,159,644	31%
Accounts Receivable and Notes Receivable	197,007	4%	155,873	3%	197,894	5%
Accounts Receivable and Notes Receivable - Related Party	6,747	0%	2,913	0%	-	0%
Inventory	304,085	6%	280,451	6%	346,235	9%
Other current assets	31,071	1%	29,960	1%	30,887	1%
Investments accounted for under the Equity Method	2,439,943	52%	1,690,553	34%	917,721	24%
Net Property, Plant and Equipment	633,606	14%	575,485	12%	691,484	18%
Intangible Assets	97,648	2%	94,366	2%	143,474	4%
Deferred Tax Assets	109,922	2%	103,784	2%	116,814	3%
Prepaid investment	-	0%	-	0%	85,620	2%
Total Assets	4,714,923	100%	4,901,994	100%	3,791,314	100%
Short Term Loan	20,000	1%	20,000	0%	20,000	1%
Accounts Payable and Other Payables	154,292	4%	98,445	2%	118,455	3%
Long Term Bank Borrowings - Current Portion	10,693	0%	10,292	0%	28,455	1%
Long Term Bank Loans	193,783	4%	188,673	4%	94,464	2%
Deferred Tax Liabilities	61,200	1%	59,173	1%	60,802	2%
Total Liabilities	463,375	10%	402,754	8%	343,582	9%
Total Stockholders' Equity	4,251,548	90%	4,499,240	92%	3,447,732	91%

Key Indices

Current Ratio	663%	1543%	974%
Debt Ratio	10%	8%	9%
AR Turnover Days	56	53	60
Inventory Turnover Days	170	164	191

Cash Flows



(in NT\$ thousands)

	<u>1Q22</u>	<u>4Q21</u>	<u>1Q21</u>
Beginning Balance	1,839,765	909,407	1,106,476
Cash from Operating Activities	(8,474)	73,215	28,131
Acquisition of investments accounted for under the equity method	(1,043,899)	(56,065)	-
Acquisition of property, plant and equipment	(60,038)	(35,909)	(32,444)
Decrease (Increase) in other current assets	(85)	(299)	141,392
Decrease (Increase) in other non-current assets	(3,650)	1,454	(177)
Acquisition of intangible assets	(1,606)	-	-
Proceeds from the sale of PP&E	15,689	103,190	284
Prepayments for investments	-	-	(84,615)
Proceed from long-term loan	-	-	5,340
Repayments of long-term loans	(1,289)	(7,264)	(5,624)
Principal elements of lease payments	(1,569)	(1,535)	(1,453)
Employee Option Exercise	1,567	2,112	-
Proceed from private placement	-	815,800	-
The effect of exchange rate changes	41,974	36,097	2,334
Others	-	(438)	-
Ending Balance	778,385	1,839,765	1,159,644
Increase (Decrease) in Cash	(1,061,380)	930,358	53,168
Free Cash Flow (Note)	(68,512)	37,306	(4,313)

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

MARKET OVERVIEW

❖ Ethernet Optical Transceiver 2021

- CAGR 18% in 2011-2021
- \$4.6 billion: up 25% from 2020 (2020: 32% GR) (2019: -18% GR)
- 14% CAGR in 2022-2027 (fcst by LC), \$10 billion by 2027

❖ 2021 Growth Drivers:

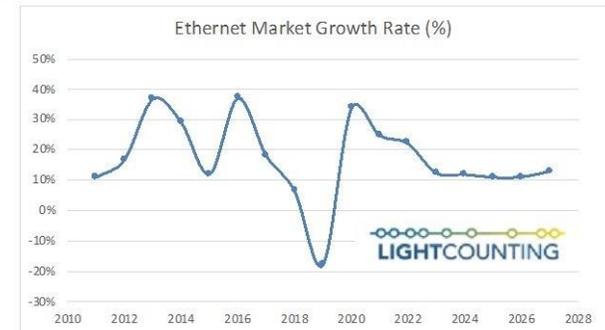
- Legacy products picked up after pandemic disruption
- Strong growth in 200GbE and 400GbE
- Google 400GbE, Amazon 200GbE, Meta 200GbE
- First Google 800GbE (2x400GbE)

❖ 2022 20%+ growth rate (fcst by LC)

- Amazon 400GbE
- Google/Meta 800GbE
- Amazon/Microsoft 1.6TbE (2x800GbE)
- Meta 1.6TbE (2x800GbE) for AI clusters

❖ Supply Chain issue – continued, especially ICs

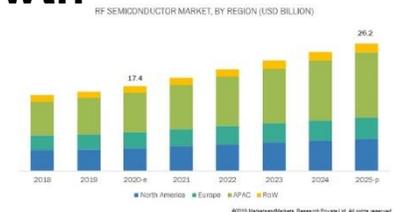
Figure: Annual growth in sales of Ethernet optical transceivers



RF Semiconductors Market



- ❖ **China 2021: total base station 9.96M (2G/3G/4G/5G) (2020 9.31M)**
 - 5G 1.42M (2020 770K)
- ❖ **Global 2021: 5G services - only 78 countries and 200 services providers offer commercial 5G services, 3.5GHz, 600MHz or 700MHz. MMwave: 16 countries, 28 services provides, mainly US, Japan.**
- ❖ **Global 2022:**
 - 95 countries, 289 services providers offer 5G services (GSMA)
- ❖ **China 2022: 5G growth expected same level as 2021**
 - Government push more applications (industrial and services providers)
- ❖ **2022: Smartphones, radar, electronic warfare systems fuel growth**
 - Focus: Filter, GaAs, Automotive, APAC
- ❖ **RF Semiconductor Market: 2020 \$17.4B → 2026 \$26.2B**
- ❖ **GaN RF Device: 2020 \$891M → 2021 \$900M → 2026 \$2.4B (Yole)**
 - 2022: strong growth, especially Defense, Base station?

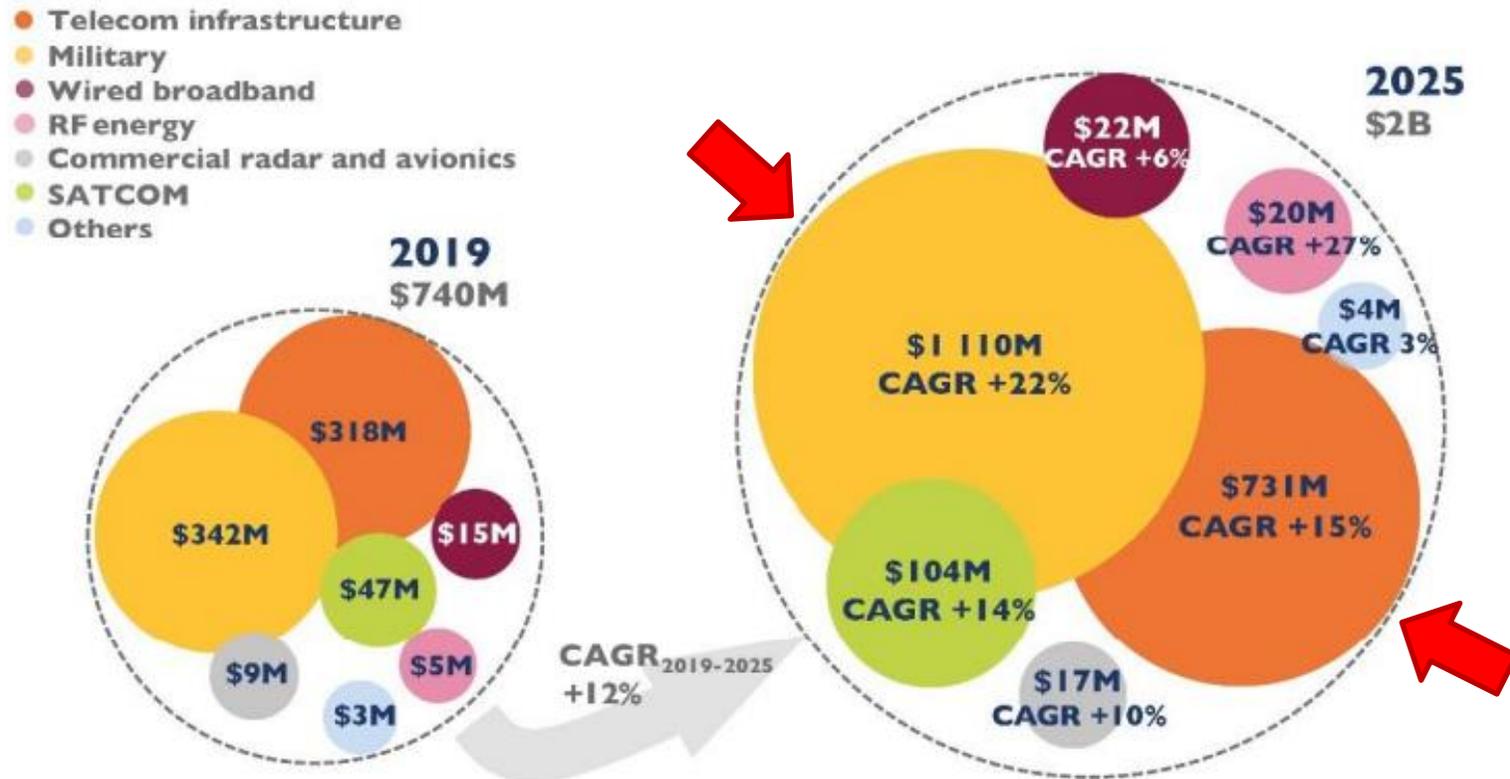


GaN RF Device Market



2019-2025 packaged GaN RF device market forecast - Split by application

(Source: GaN RF Market: Applications, Players, Technology, and Substrates 2020 report, Yole Développement, 2020)

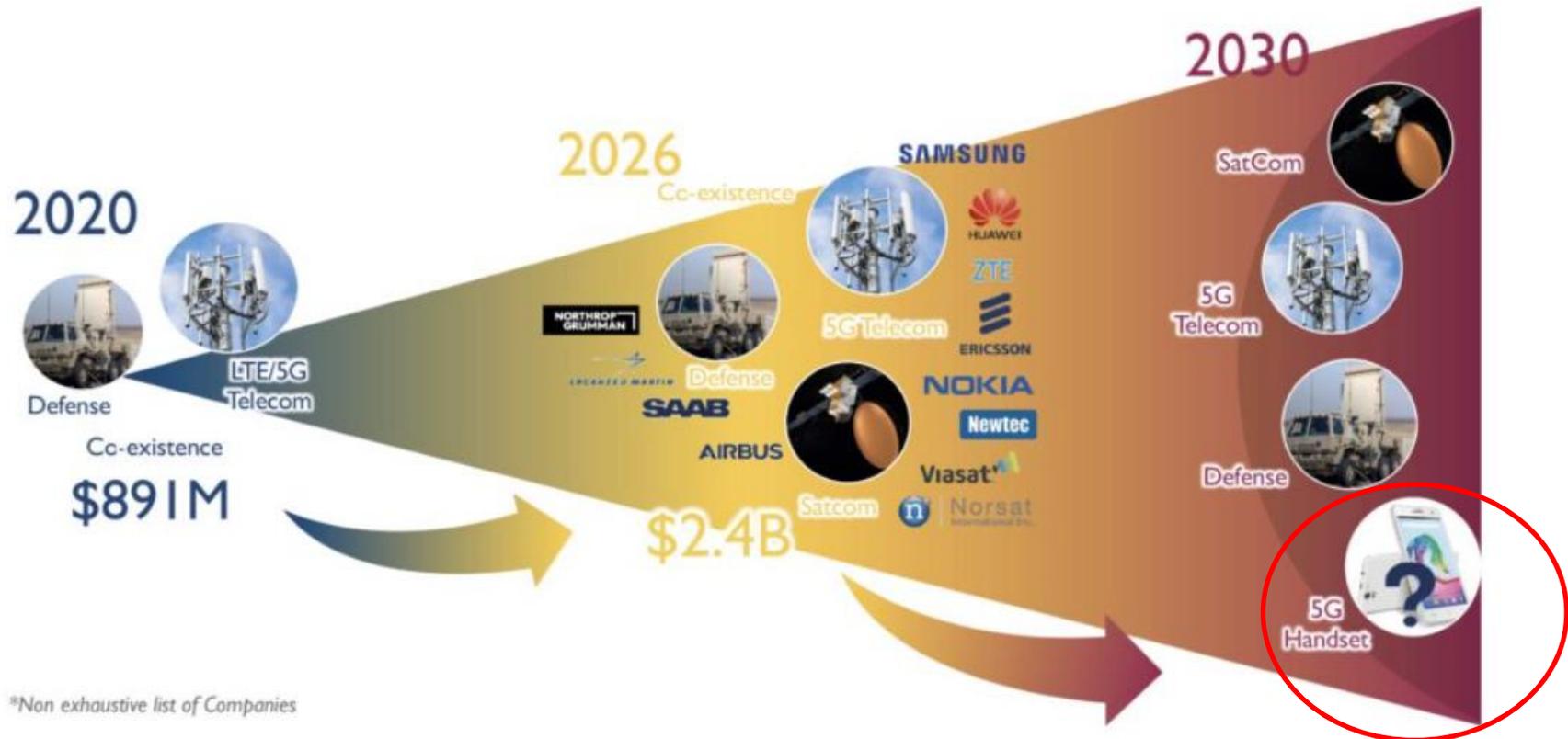


GaN RF Device Market



2020-2030 GaN RF device market evolution

(Source: GaN RF Market: Applications, Players, Technology, and Substrates 2021 report, Yole Développement, 2021)



Global GaN RF Device Suppliers



Figure 3 Global GaN RF device suppliers. Source: GaN RF Market: Applications, Players, Technology, and Substrates 2021 report, Yole Développement, 2021.

Q & A



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**For further inquiry
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