

環宇
芯系天下

**Q2 2021
Quarterly
Online Investor
Conference
(線上法說會)**

Aug 06, 2021



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)

	2Q21	1Q21	2Q20	2Q21 Over 1Q21	2Q21 Over 2Q20
Net Operating Revenue	307,557	301,307	412,013	2.1%	-25.4%
Gross Profit	78,009	100,005	187,826	-22.0%	-58.5%
Gross Margin	25.4%	33.2%	45.6%		
Operating Expenses	(106,478)	(99,221)	(101,990)	7.3%	4.4%
Operating Expenses to Revenue %	34.6%	32.9%	24.8%		
Operating Income	(28,469)	784	85,836	-3731.3%	-133.2%
Operating Margin	-9.3%	0.3%	20.8%		
Non-operating Items	(24,037)	(87,521)	(60,495)	-72.5%	-60.3%
Income (Loss) before Income Tax	(52,506)	(86,737)	25,341	-39.5%	-307.2%
Income Tax (Expense) Benefit	7,308	(1,452)	(19,391)	-603.3%	-137.7%
Net Income (Loss)	(45,198)	(88,189)	5,950	-48.7%	-859.6%
Net Income (Loss) Attributable to owners of the Parent	(45,198)	(88,189)	5,950		
Net Income (Loss) %	-14.7%	-29.3%	1.4%		
Basic EPS (NTD)	(0.50)	(0.99)	0.07		
Diluted EPS (NTD)	(0.50)	(0.99)	0.07		
R&D Expense % to Revenue	14.6%	13.2%	10.2%		

Note 1: 89,775 thousand shares and 89,775 thousand shares were used in basic EPS and diluted EPS calculation for 2Q21, respectively.

Note 2. Revenue supplemental information

	2Q21	1Q21	2Q20	2Q21 Over 1Q21	2Q21 Over 2Q20
Revenue in US\$ thousand	10,993	10,621	13,779	3.51%	-20.2%
Exchange Rate	28.17	28.37	30.00		

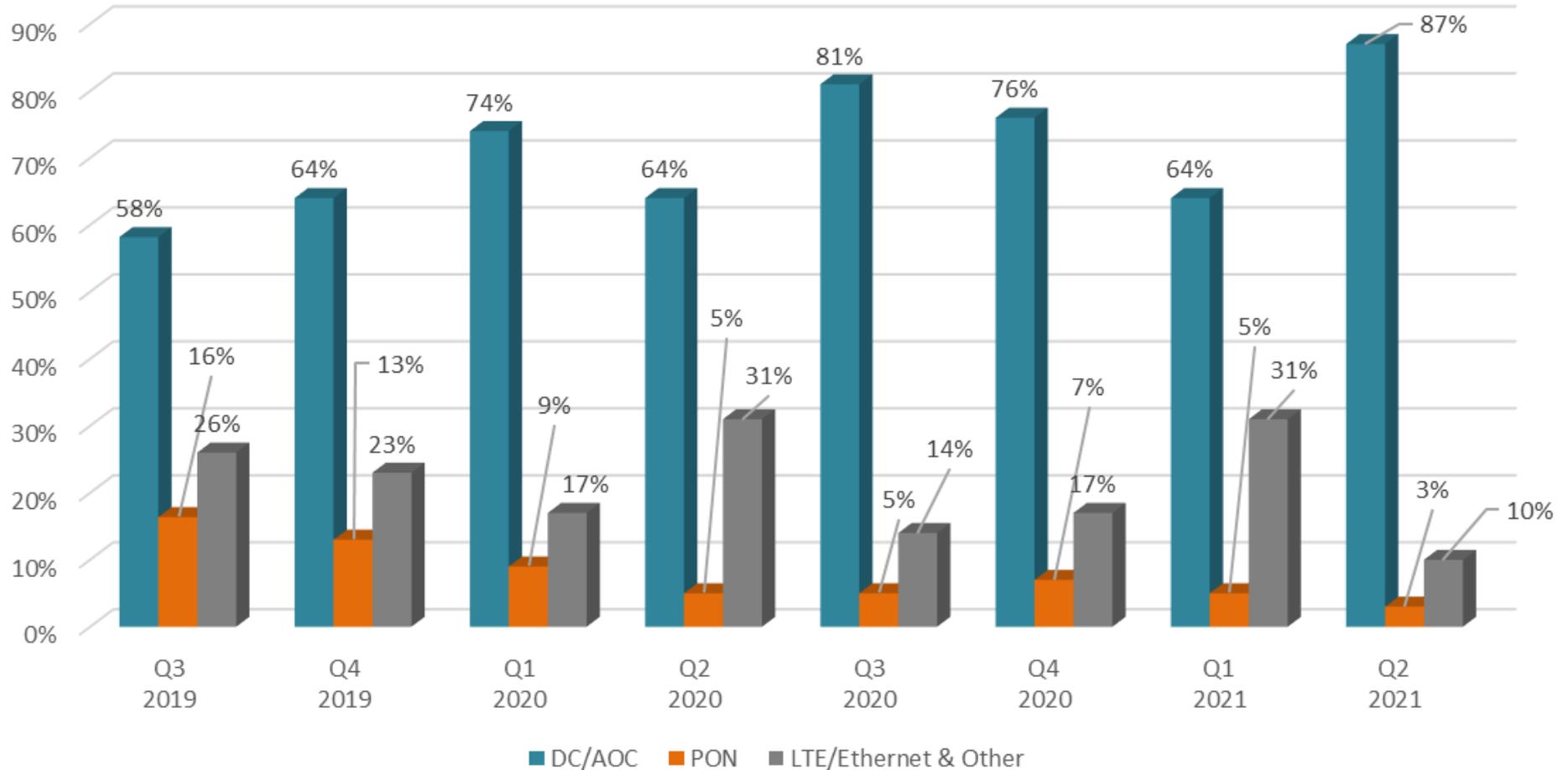
Revenue Mix % vs Gross Margin - QoQ



KGD Revenue Mix - QoQ



KGD Revenue Analysis-By Application



Non-operating Income and Expenses- QoQ



(in NT\$ thousands)

	2Q21	1Q21	2Q20	2Q21 Over 1Q21	2Q21 Over 2Q20
Other Income - other	1,046	1,935	3,123	-45.9%	-66.5%
Other Income - Income from forgiveness of PPP loan	81,577	6,838	-	1093.0%	-
Other Gains and Losses					
Net currency exchange gain or (loss)	(1,121)	(113)	(650)	892.0%	72.5%
Gain (loss) on disposal of property, plant and equipment	(2)	(1,028)	-	-99.8%	-
Liquidation losses on disposal of a subsidiary	-	-	(188)	-	-
Others	(576)	(581)	(1,873)	-0.9%	-69%
Finance Cost					
Interest expense	(502)	(573)	(855)	-12.4%	-41.3%
Share of profit (loss) of equity-accounted investees	(104,459)	(93,999)	(60,052)	11.1%	73.9%
Total Non-operating Income and Expenses	(24,037)	(87,521)	(60,495)	-72.5%	-60.3%

Statements of Comprehensive Income - YoY



(in NT\$ thousands except EPS)

	2021 Jan to Jun.	%	2020 Jan to Jun.	%	Change (%)
Net Operating Revenue	608,864	100.0%	779,365	100.0%	-21.9%
Operating Cost	(430,850)	-70.8%	(431,641)	-55.4%	-0.2%
Gross Profit	178,014	29.2%	347,724	44.6%	-48.8%
Operating Expenses	(205,699)	-33.8%	(211,684)	-27.2%	-2.8%
Operating Income	(27,685)	-4.5%	136,040	17.5%	-120.4%
Non-operating items	(111,558)	-18.3%	(95,935)	-12.3%	16.3%
Income before Income Tax	(139,243)	-22.9%	40,105	5.1%	-447.2%
Income Tax	5,856	1.0%	(31,600)	-4.1%	-118.5%
Net Income	(133,387)	-21.9%	8,505	1.1%	-1668.3%
Net Income Attributable to Owners of the Parent	(133,387)	-21.9%	8,427	1.1%	-1682.9%
Basic EPS (NTD)	(1.49)		0.09		
Diluted EPS (NTD)	(1.49)		0.09		
Average Exchange Rate-USD/NTD	28.17		30.00		
R&D expense % to Revenue	13.9%		11.18%		
ROA (%)	-7.02%		0.49%		
ROE (%)	-7.76%		0.47%		

Note 1: 89,564 thousand shares and 89,564 thousand shares were used in basic EPS and diluted EPS calculation for 1H2021, respectively.

Note 2. Revenue supplemental information

	Jan to Jun/2021	Jan to Jun/2020	Change (%)
Revenue in US\$ thousand	21,614	25,979	-16.8%
Exchange Rate	28.17	30.00	

Non-operating Income and Expenses- YoY



(in NT\$ thousands)

	2021 Jan to Jun.	2020 Jan to Jun.	Change (%)
Other Income	2,981	9,371	-68.2%
Other Income - Income from forgiveness of PPP loan	88,415	-	-
Other Gains and Losses			
Net currency exchange gain or (loss)	(1,234)	(189)	552.9%
Gain (loss) on disposal of property, plant and equipment	(1,030)	213	-583.6%
Liquidation losses on disposal of a subsidiary	-	(188)	-
Other loss	(1,157)	(1,960)	-41.0%
Finance Cost			
Interest expense	(1,075)	(1,849)	-41.9%
Share of profit (loss) of equity-accounted investees	(198,458)	(101,333)	95.8%
Total Non-operating Income and Expenses	(111,558)	(95,935)	16.3%

Balance Sheet Highlight & Key Indices



Selected Items from Balance Sheet

(in NT\$ thousands)

	2Q21		1Q21		2Q20	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	1,136,546	31%	1,159,644	31%	1,113,221	27%
Accounts Receivable and Notes Receivable	206,180	6%	197,894	5%	218,338	5%
Inventory	320,604	9%	346,235	9%	368,263	9%
Other current assets	30,156	1%	30,887	1%	179,531	4%
Investments accounted for under the Equity Method	888,121	24%	917,721	24%	1,133,230	27%
Net Property, Plant and Equipment	677,710	19%	691,484	18%	768,824	19%
Intangible Assets	140,249	4%	143,474	4%	192,172	5%
Deferred Tax Assets	119,228	3%	116,814	3%	119,150	3%
Prepaid investment	-	0%	85,620	2%	-	0%
Total Assets	3,643,353	100%	3,791,314	100%	4,148,480	100%
Short Term Loan	20,000	1%	20,000	1%	20,000	1%
Accounts Payable and Other Payables	135,399	4%	118,455	3%	190,813	4%
Long Term Bank Borrowings - Current Portion	28,032	1%	28,455	1%	23,233	1%
Long Term Bank Loans	5,811	0%	94,464	2%	123,053	3%
Deferred Tax Liabilities	58,210	2%	60,802	2%	71,171	2%
Total Liabilities	297,321	8%	343,582	9%	459,471	11%
Total Stockholders' Equity	3,346,032	92%	3,447,732	91%	3,689,009	89%

Key Indices

Current Ratio	760%	974%	740%
Debt Ratio	8%	9%	11%
AR Turnover Days	61	60	64
Inventory Turnover Days	174	191	177

Cash Flows



(in NT\$ thousands)

	<u>2Q21</u>	<u>1Q21</u>	<u>2Q20</u>
Beginning Balance	1,159,644	1,106,476	1,448,840
Cash from Operating Activities	45,914	28,131	92,138
Acquisition of investments accounted for under the equity method	-	-	(464,693)
Acquisition of property, plant and equipment	(31,227)	(32,444)	(35,267)
Decrease (Increase) in other current assets	(997)	141,392	553
Decrease(Increase) in other non-current assets	440	(177)	5,843
Acquisition of intangible assets	(248)	-	(720)
Refund of investment from the liquidation of a subsidiary	-	-	5,924
Prepayments for investments	-	(84,615)	-
Proceed from long-term loan	-	5,340	94,159
Repayments of long-term loans	(5,602)	(5,624)	(5,725)
Principal elements of lease payments	(1,457)	(1,453)	(1,714)
The effect of exchange rate changes	(29,882)	2,334	(26,117)
Others	(39)	284	0
Ending Balance	1,136,546	1,159,644	1,113,221
Increase (Decrease) in Cash	(23,098)	53,168	(335,619)
Free Cash Flow (Note)	14,687	(4,313)	56,871

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

5G OVERVIEW

5G Worldwide



5G is the newest wireless networking technology that phones, smartwatches, cars, and who knows what else, whatever you can think of, will use in the coming years, but it's not yet available in every region around the world.

As of February 2021, over 30% of the world's countries have access to 5G.

Some estimates forecast that by 2025, we'll reach 3.6 billion 5G connections.

5G in China



- ❖ 2020 – 5G (3.5Ghz) base station: 750K
- ❖ 2021 3.5Ghz 5G continues build (China Mobile)
- ❖ 2021 700Mhz 5G base stations: 4000K-50+ (2021-2022)
- ❖ Main objective: combine 3.5Ghz and 700Mhz base stations to extend 5G network coverage across entire China to expedite 5G development so applications as well.
- ❖ Traditional Broadcasting cooperates with China Mobile to reduce overall cost.
- ❖ GSMA estimates 460 million 5G connections in China by 2025.
- ❖ China will be the biggest 5G market!

5G in USA



As of January 2021, [PwC reports](#) that US mobile operators had collectively covered 75% of the country with 5G; expansion of 5% is expected by July.

- **Verizon:** Fixed and mobile 5G all over the US.
- **AT&T:** Mobile 5G in thousands of cities.
- **T-Mobile/Sprint:** Available in thousands of locations.
- **UScellular:** Works in parts of California, Iowa, Maine, and other states.
- **C Spire:** Fixed and mobile 5G in Mississippi.
- **Charter's Spectrum Mobile:** Began providing 5G in March 2020.
- **Comcast/Xfinity:** Rolled out nationwide in October 2020.
- **Starry:** Fixed 5G currently in Boston, Denver, LA, New York City, and Washington, D.C.
- **Google Fi & Simple Mobile:** Nationwide coverage powered by T-Mobile.
- **Nex-Tech Wireless:** Might launch in 2021.
- **US Mobile:** 5G works with all of their plans.
- **Mint Mobile:** Available in thousands of US cities since July 2020.
- **Cricket Wireless:** Began offering services in August 2020.
- **Visible:** Works through Verizon's network.
- **Dish:** Expects a Q3 2021 launch.

Why 700Mhz 5G?



- ❖ 700 Mhz – longer wavelength (used in broadcasting systems)
- ❖ Less attenuation
- ❖ More scattering capability, reduce “blank spot”, but less capacity
- ❖ Less power consumption
- ❖ Suitable for network coverage
- ❖ For same coverage area, 700Mhz “1” BS = “5” 2.6Ghz BS = “6” 3.5Ghz BS = “9” 4.9Ghz BS
- ❖ Lower cost – huge economic benefit (as far as operators are concerned)

Frequency	Dense Polulated Region (Coverage: meter)	Normal Polulated Region (Coverage: meter)	Less Polulated Region (Coverage: meter)	Farm Land Region (Coverage: meter)
700 MHz	572	1341	2765	4655
2.6 GHz	418	818	1365	2033
3.5 GHz	369	723	1170	1849
4.9 GHz	311	608	984	1552

Source:电力知识学堂

Q & A



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**For further inquiry
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