

環宇
芯系天下

**Q4 2022
Quarterly
Online Investor
Conference
(線上法說會)**

Feb 20, 2023



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:

Kelly Lin, Special Assistant to CEO

Participant:

Simon Yu, Senior VP and Spokesperson

Q&A: All



FINANCIAL SECTION

Statements of Comprehensive Income - QoQ



(in NT\$ thousands except EPS)

	4Q22	3Q22	4Q21	4Q22 Over 3Q22	4Q22 Over 4Q21
Net Operating Revenue	354,467	342,099	308,643	3.6%	14.8%
Gross Profit	47,654	78,551	66,373	-39.3%	-28.2%
Gross Margin	13.4%	23.0%	21.5%		
Operating Expenses	(124,187)	(115,673)	(77,645)	7.4%	59.9%
Operating Expenses to Revenue %	35.0%	33.8%	25.2%		
Operating Loss	(76,533)	(37,122)	(11,272)	106.2%	579.0%
Operating Margin	-21.6%	-10.9%	-3.7%		
Non-operating Items	(319,106)	(190,286)	(149,479)	67.7%	113.5%
Loss before Income Tax	(395,639)	(227,408)	(160,751)	74.0%	146.1%
Income Tax Benefit	3,123	3,333	1,507	-6.3%	107.2%
Net Loss	(392,516)	(224,075)	(159,244)	75.2%	146.5%
Net Loss Attributable to owners of the Parent	(392,516)	(224,075)	(159,244)		
Net Loss %	-110.7%	-65.5%	-51.6%		
Basic EPS (NTD)	(3.56)	(2.03)	(1.74)		
Diluted EPS (NTD)	(3.56)	(2.03)	(1.74)		
R&D Expense % to Revenue	14.4%	11.9%	12.6%		

Note 1: 110,235 thousand shares were used in basic EPS and diluted EPS calculation for 4Q 2022 .

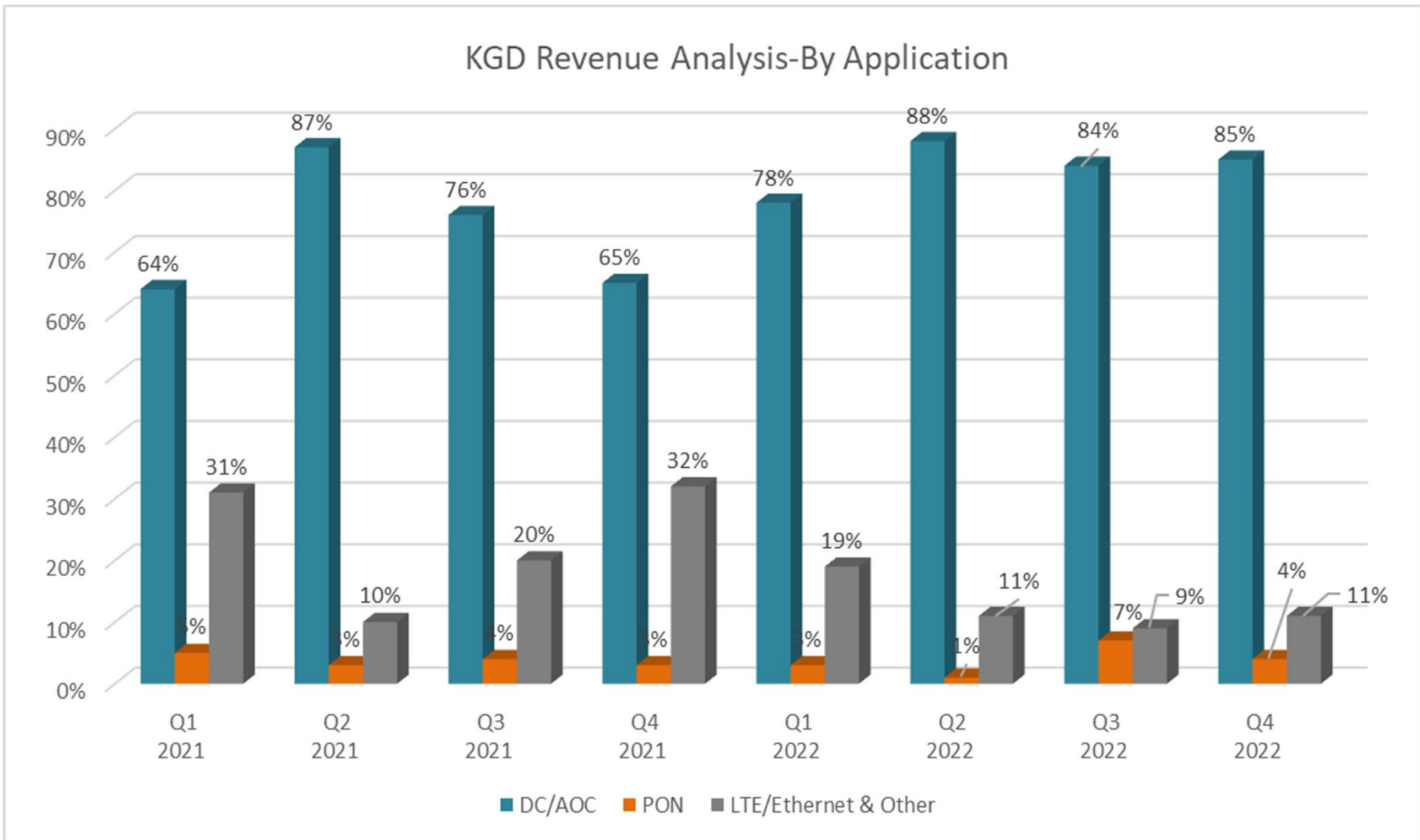
Note 2. Revenue supplemental information

	4Q22	3Q22	4Q21	4Q22 Over 3Q22	4Q22 Over 4Q21
Revenue in US\$ thousand	11,310	11,258	11,090	0.46%	1.98%
Exchange Rate	29.80	29.28	28.01		

Revenue Mix % vs Gross Margin - QoQ



KGD Revenue Mix - QoQ



Non-operating Income and Expenses- QoQ



(in NT\$ thousands)

	4Q22	3Q22	4Q21	4Q22 Over 3Q22	4Q22 Over 4Q21
Other Income - other	1,355	1,233	181	9.9%	648.6%
Other Gains and Losses					
Net currency exchange gain or (loss)	4,032	(11,042)	3,611	-136.5%	11.7%
Gain on disposal of property, plant and equipment	1,672	385	5,931	334.3%	-71.8%
Gain (loss) on disposal of investments	(3,863)	(610)	21,775	533.3%	-117.7%
Impairment loss on intangible assets	(41,816)	-	(42,074)	-	-0.6%
Others	(287)	(3,421)	(272)	-91.6%	5.5%
Finance Cost					
Interest expense	(3,948)	(3,875)	(1,714)	1.9%	130.3%
Share of profit (loss) of equity-accounted investees	(276,251)	(172,956)	(136,917)	59.7%	101.8%
Total Non-operating Income and Expenses	(319,106)	(190,286)	(149,479)	67.7%	113.5%

Statements of Comprehensive Income - YoY



(in NT\$ thousands except EPS)

	2022	%	2021	%	Change (%)
Net Operating Revenue	1,333,810	100.0%	1,235,881	100.0%	7.9%
Operating Cost	(1,018,881)	-76.4%	(890,824)	-72.1%	14.4%
Gross Profit	314,929	23.6%	345,057	27.9%	-8.7%
Operating Expenses	(452,262)	-33.9%	(375,871)	-30.4%	20.3%
Operating Loss	(137,333)	-10.3%	(30,814)	-2.5%	345.7%
Non-operating items	(814,368)	-61.1%	(356,396)	-28.8%	128.5%
Loss before Income Tax	(951,701)	-71.4%	(387,210)	-31.3%	145.8%
Income Tax Benefit	11,984	0.9%	8,713	0.7%	37.5%
Net Loss	(939,717)	-70.5%	(378,497)	-30.6%	148.3%
Net Loss Attributable to Owners of the Parent	(939,717)	-70.5%	(378,497)	-30.6%	148.3%
Basic EPS (NTD)	(8.53)		(4.20)		
Diluted EPS (NTD)	(8.53)		(4.20)		
Average Exchange Rate-USD/NTD	29.80		28.01		
R&D expense % to Revenue	13.1%		13.0%		
ROA (%)	-19.70%		-8.50%		
ROE (%)	-22.92%		-9.43%		

Note 1: 110,148 thousand shares were used in basic EPS and diluted EPS calculation for 2022 .

Note 2. Revenue supplemental information

	2022	2021	Change (%)
Revenue in US\$ thousand	44,755	44,123	1.4%
Exchange Rate	29.8	28.01	

Non-operating Income and Expenses- YoY



(in NT\$ thousands)

	2022	2021	Change (%)
Other Income	4,026	5,532	-27.2%
Other Income - Income from forgiveness of PPP loan	5,408	87,633	-93.8%
Other Gains and Losses			
Net currency exchange gain or (loss)	(29,124)	1,853	-1671.7%
Gain on disposal of property, plant and equipment	6,660	17,064	-61.0%
Gain (loss) on disposal of investments	(4,171)	29,526	-114.1%
Gain on disposal of a subsidiary	-	12,890	-100.0%
Impairment loss on assets	-	(1,070)	-100.0%
Impairment loss on intangible assets	(41,816)	(42,074)	-0.6%
Other loss	(9,562)	(1,982)	382.4%
Finance Cost			
Interest expense	(12,090)	(4,632)	161.0%
Share of profit (loss) of equity-accounted investees	(733,699)	(461,136)	59.1%
Total Non-operating Income and Expenses	(814,368)	(356,396)	128.5%

Balance Sheet Highlight & Key Indices



Selected Items from Balance Sheet (in NTS thousands)

	4Q22		3Q22		4Q21	
	Amount	%	Amount	%	Amount	%
Cash and Cash Equivalent	442,196	10%	824,740	17%	1,839,765	37%
Accounts Receivable	199,516	4%	237,183	5%	155,873	3%
Accounts Receivable - Related Party	2,958	0%	9,900	0%	2,913	0%
Inventory	338,168	7%	389,776	8%	280,451	6%
Other current assets	33,314	1%	34,436	1%	29,960	1%
Investments accounted for under the Equity Method	2,446,614	54%	2,147,920	45%	1,690,553	34%
Net Property, Plant and Equipment	695,667	15%	729,654	15%	575,485	12%
Intangible Assets	56,678	1%	104,873	2%	94,366	2%
Deferred Tax Assets	127,852	3%	128,961	3%	103,784	2%
Total Assets	4,516,914	100%	4,799,684	100%	4,901,994	100%
Short Term Loan	20,000	1%	20,000	0%	20,000	0%
Accounts Payable and Other Payables	308,831	7%	151,165	4%	98,445	2%
Long Term Bank Borrowings - Current Portion	43,277	1%	44,278	1%	10,292	0%
Long Term Bank Loans	329,110	7%	351,614	7%	188,673	4%
Deferred Tax Liabilities	65,537	2%	67,858	2%	59,173	1%
Total Liabilities	816,192	18%	700,564	15%	402,754	8%
Total Stockholders' Equity	3,700,722	82%	4,099,120	85%	4,499,240	92%

Key Indices

Current Ratio	270%	598%	1543%
Debt Ratio	18%	15%	8%
AR Turnover Days	54	57	53
Inventory Turnover Days	144	163	164

Cash Flows



(in NT\$ thousands)

	4Q22	3Q22	4Q21
Beginning Balance	824,740	864,552	909,407
Cash from Operating Activities	(11,954)	7,536	73,215
Acquisition of investments accounted for under the equity method	(351,191)	-	(56,065)
Acquisition of property, plant and equipment	(6,179)	(109,337)	(35,909)
Proceeds from the sale of PP&E	88	29,711	103,190
Repayments of long-term loans	(10,502)	(12,903)	(7,264)
Principal elements of lease payments	(2,213)	(2,103)	(1,535)
Employee Option Exercise	-	-	2,112
Proceed from private placement	-	-	815,800
The effect of exchange rate changes	(548)	47,700	36,097
Others	(45)	(416)	717
Ending Balance	442,196	824,740	1,839,765
Increase (Decrease) in Cash	(382,544)	(39,812)	930,358
Free Cash Flow (Note)	(18,133)	(101,801)	37,306

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



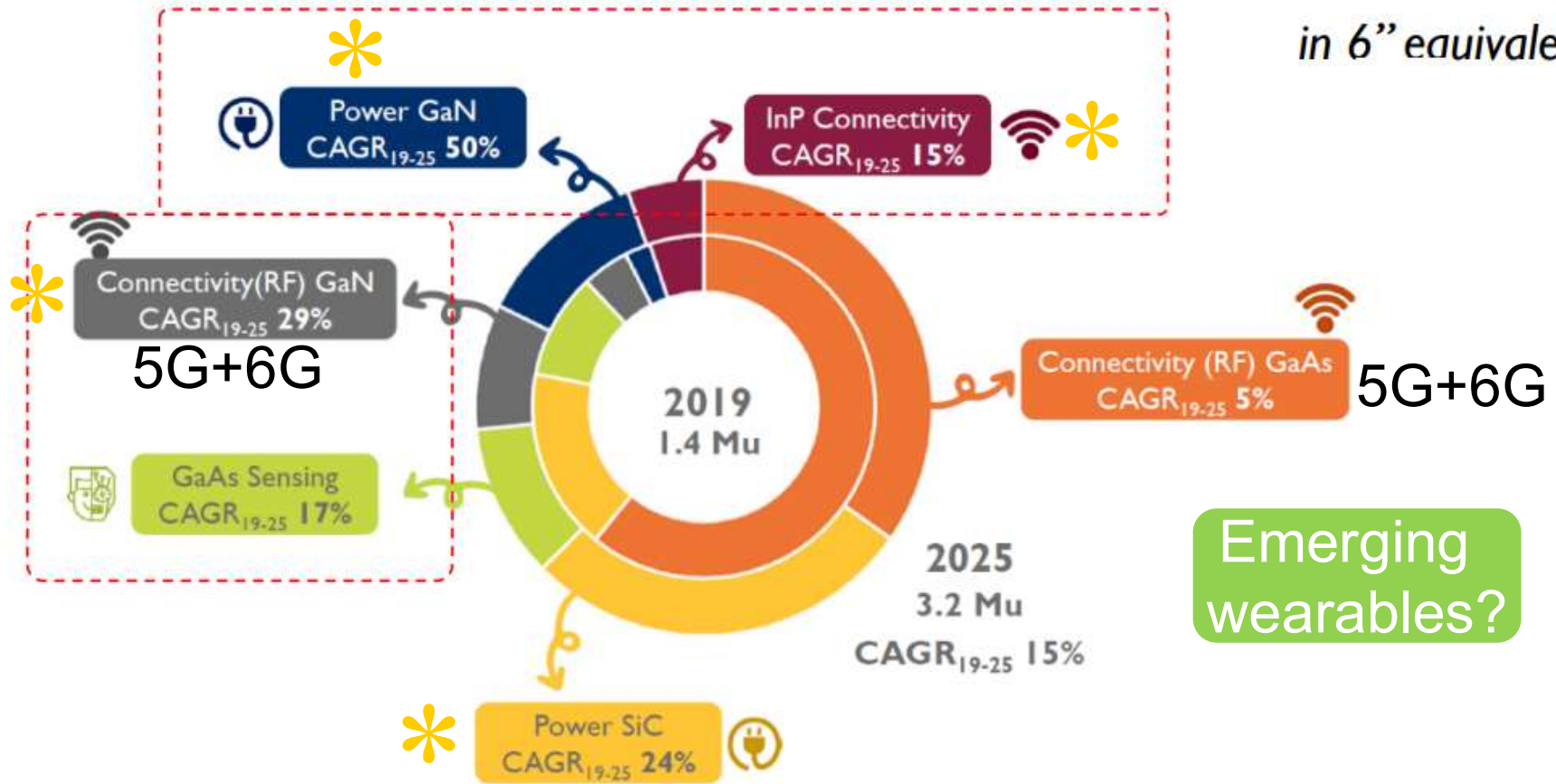
Market Update

Compound Semiconductors Opportunities

RF

POWER

in 6" equivalent



PHOTONICS

LIGHTING & DISPLAY

RF Market



Global RF Front-end Module Market
US\$ 17.4 billions – 2021 (IMARC Group)
US\$ 36.8 billions – 2027
CAGR – 14.7% (2022-2027)

China –
Cell phone – down 14% in 2022
HE 5G stalled, LE 5G continues
Going after 6G

ROW – HE 5G continues but small volume

Simon says: “Whether you like it or not, Regional Markets, Regional Supply Chain”

5G vs 6G

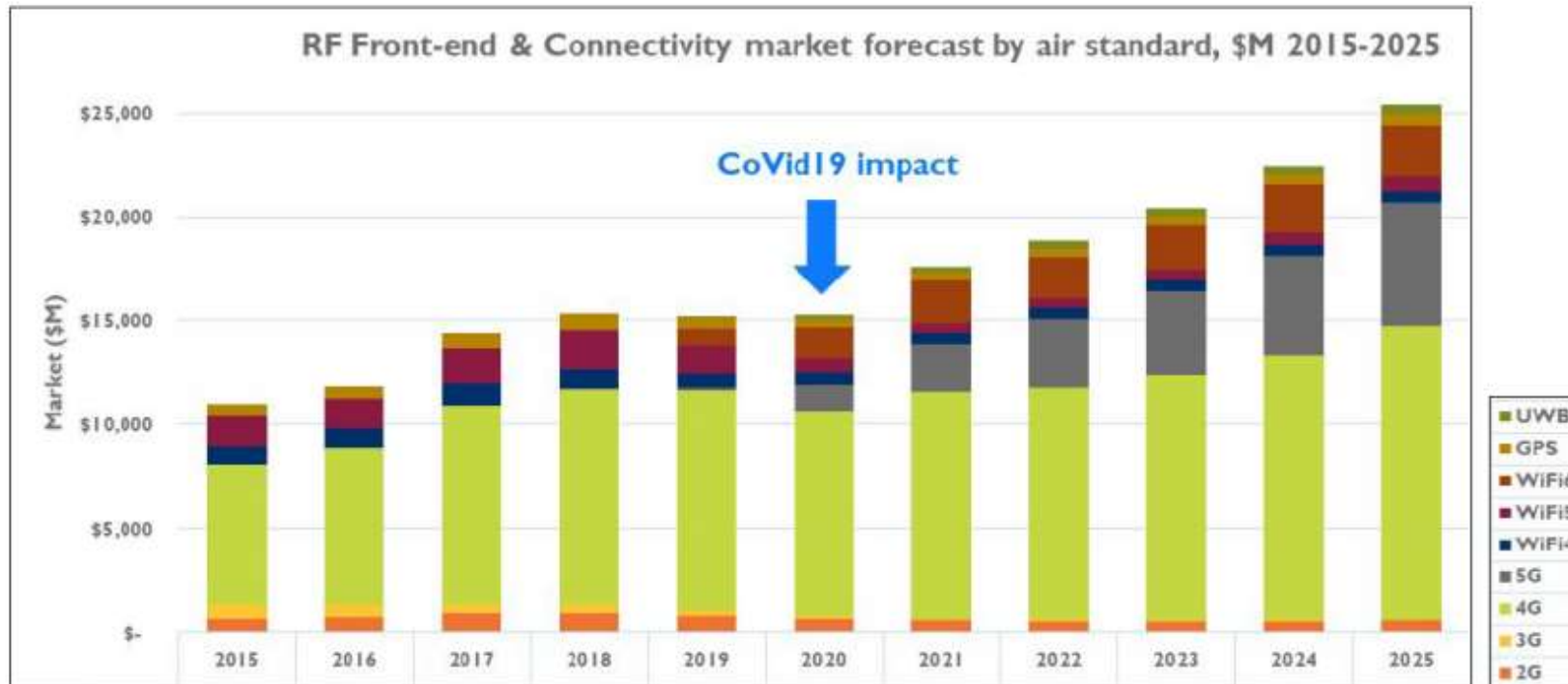


5G與6G規格比較

	5G	6G
最高傳輸速度	20 Gbps	1000 Gbps
使用者傳輸速度	0.1 Gbps	20 Gbps
區域容量	10Mbps/平方公尺	10,000Mbps/平方公尺
移動性	500公里/小時	1,000公里/小時
可靠度	五個9	七個9
eMBB延遲性	小於1ms	小於0.5ms
連接密度	100萬終端/每平方公里	1,000萬終端/每平方公里
電池	10年	20年
位置正確性	小於10公尺	公分等級

資料來源：工研院產科國際所

BAW Filter



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- 4G will still represent the largest market by 2025, while 5G will have the largest growth (36% CAGR 2020-2025). Wi-Fi connectivity market will move from Wi-Fi4 and Wi-Fi5 to Wi-Fi6.
- UWB market will takeover by 2020 and penetrate multiple smartphone OEMs as a new standard for precise location.
- The GPS market has decreased in 2019 as GPS SoC in iPhone has been moved away from GPS FEM to Application Processor.

Datacom/Telecom Market

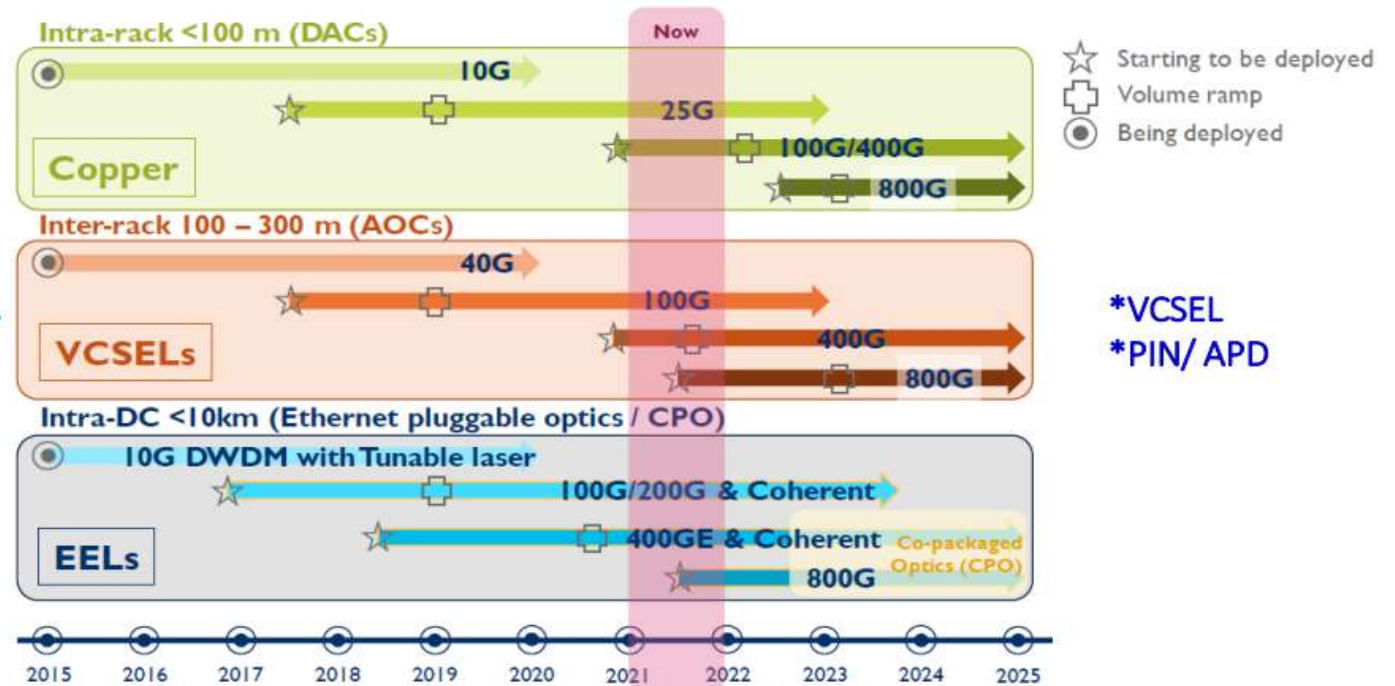


400G and beyond

- New technology
- Applications
- Compatibility
- New business models

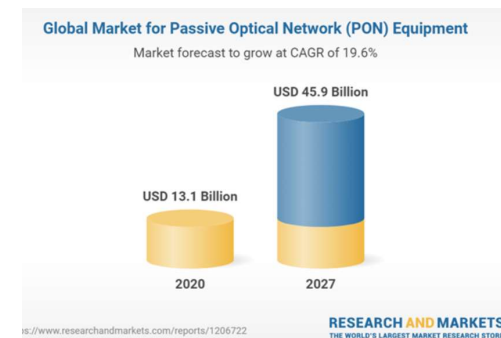
Faster internet

- Advancement of technology becomes available
- Faster interfaces → throughput improvements on electrical and optical side
- Price performance of hyperscalers



Source: Yole, 2021

Global PON equipment market:
2020 - \$13.1 billion, 2027 - \$45.9 billion (CAGR 19.6%)





Q & A



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For further inquiry
investors@gcsincorp.com

