

Contacts:

Grace Tseng
CFO & Spokesperson
+886-3-5787888

Samantha Lu
IR Manager
+886-3-5787888 ext. 84588
ir@faraday-tech.com

Faraday Reports Second Quarter 2020 Revenues at NT\$1,306 Million with an EPS of NT\$0.58

Second Quarter 2020 Highlights^[1]:

- Revenues were NT\$1,306 million (US\$43.6 million)
- Gross margin was 46.8%
- Net income attributed to stockholders of the parent was NT\$143 million (US\$4.8 million)
- Earnings per share of NT\$0.58

<Hsinchu, Taiwan – July 24, 2020> Faraday Technology Corporation (“Faraday” or the “Company”) (TWSE: 3035), a leading fabless ASIC service and silicon IP provider, today announced its consolidated financial results for the second quarter of 2020. Second quarter consolidated revenues were NT\$1,306 million, up by 3.2% quarter-over-quarter and up by 7.5% year-over-year, with gross margin of 46.8%. Net income attributed to stockholders of the parent was NT\$143 million, with a basic EPS of NT\$0.58.

In the second quarter, the Company’s operations were impacted by macro economic uncertainties and the COVID-19 pandemic, with the revenues at NT\$1,306 million, an increase of 3.2% quarter-over-quarter and 7.5% year-over-year. From a product mix perspective, growth momentum of mass production remained with a 7% quarter-over-quarter growth at NT\$816 million. In the first half of this year, the demands for the applications related to New China Infrastructure strategy and niche products were relatively stable, contributing to mass production increase of 17% compared with the same period last year. Demand for smartmeter was robust throughout the first half of the year while other applications also performed well such as AI facial recognition, 5G and PoS. There are more new applications that will go into production in the second half of this year. NRE revenues remained at the same level as the previous quarter due to the dynamic of design cycle and sales booking schedule of some projects caused by COVID-19 pandemic.

The Company reviewed its ASIC design wins in the past years which were mostly in the six segments including Automation, Smartmeter, Audio/Video, Datacom, Communication and AIoT. The technology processes which Faraday is capable of are able to fulfill customers’ needs. These applications featured high mass production opportunity, high customer stickiness and long product life cycle that were the essential conditions creating the recurring income. Looking forward to the third quarter, there are more new projects expected to enter into production which will drive sales growth in the third quarter. Facing the considerable uncertainties, the Company will continue to pay attention to the market changes while capturing the superior applications in order to build the long term competitiveness.

^[1] Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with Taiwan-International Financial Report Standards (TIFRSs). They represent comparisons among the three-month period ended June 30, 2020, the three-month period ended March 31, 2020, and the equivalent three-month period that ended June 30, 2019. For all 2Q20 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$29.9356 to one U.S. dollar.

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	2Q20	1Q20	QoQ% change	2Q19	YoY% change
Net sales	1306	1265	3.2	1215	7.5
Gross profit	611	618	(1.3)	664	(8.0)
Operating expenses	(604)	(576)	4.9	(609)	(0.7)
Operating income	7	42	(84.7)	55	(88.3)
Non-operating income and expense	157	5	3326.2	14	1009.0
Net income attributed to stockholders of the parent	143	39	265.0	56	154.0
Earnings per share (NTD)	0.58	0.16		0.22	

Detailed Financials Section

COGS & Expenses & Non-Operating Income & Expenses					
(Amount: NT\$ million)	2Q20	1Q20	QoQ% change	2Q19	YoY% change
Net sales	1306	1265	3.2	1215	7.5
Operating costs	(695)	(647)	7.5	(551)	26.2
Gross profit	611	618	(1.3)	664	(8.0)
Gross margin (%)	46.8%	48.9%		54.7%	
Operating expenses	(604)	(576)	4.9	(609)	(0.7)
Operating income	7	42	(84.7)	55	(88.3)
Operating margin (%)	0.5%	3.4%		4.6%	
Non-operating income and expense	157	5	3326.2	14	1009.0

Current Assets			
(Amount: NT\$ million)	As of		
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Cash and cash equivalents	3070	2769	2734
Notes and accounts receivable, net	812	888	856
Days sales outstanding	57	61	69
Inventories, net	649	636	650
Days of inventory	87	90	112
Total current assets	5119	4885	4837

Liabilities			
(Amount: NT\$ million)	As of		
	Jun 30, 2020	Mar 31, 2020	Jun 30, 2019
Total current liabilities	2097	1841	2193
Notes and accounts payable	1065	1104	1049
Others	1032	737	1144
Non-current liabilities	309	327	379
Total liabilities	2406	2169	2572
Liabilities to equity	47.0%	41.9%	53.0%

Analysis of Revenue

ASIC Revenue Breakdown by Geometry

Geometry	2Q19	1Q20	2Q20
≥0.25um	4.9%	3.2%	2.7%
0.11um~0.18um	47.6%	45.7%	45.5%
55nm~90nm	21.1%	20.0%	18.4%
40nm	17.8%	15.3%	21.3%
≤28nm	8.6%	15.8%	12.1%

ASIC Revenue Breakdown by Application

Application	2Q19	1Q20	2Q20
Communication	24.8%	18.9%	19.5%
Industrial	31.5%	21.7%	29.4%
MM/Con/PC	14.2%	12.0%	14.5%
AIoT	26.4%	44.2%	35.4%
Others	3.1%	3.2%	1.2%

Total Revenue Breakdown by Billing Method

Billing	2Q19	1Q20	2Q20
MP	63.8%	60.5%	62.5%
NRE	19.5%	22.5%	22.0%
IP	16.7%	17.0%	15.5%

About Faraday

Faraday Technology Corporation (TWSE: 3035) is a leading ASIC design service and IP provider, certified to ISO 9001 and ISO 26262. The broad silicon IP portfolio includes I/O, Cell Library, Memory Compiler, ARM-compliant CPUs, DDR2/3/4, low-power DDR1/2/3, MIPI, V-by-One, USB 2.0/3.1 Gen 1, 10/100/1000 Ethernet, Serial ATA, PCI Express, and programmable SerDes, etc. Headquartered in Taiwan, Faraday has service and support offices around the world, including the U.S., Japan, Europe, and China. For more information, visit www.faraday-tech.com or follow Faraday on LinkedIn