ChipMOS TECHNOLOGIES INC. Q1 2025 Earnings Conference Call
May 13, 2025, 3:00 PM Taiwan

Company Participants
S.J. Cheng – Chairman and President
Silvia Su – Vice President-Finance and Accounting Management Center
Jesse Huang – Spokesperson and Senior Vice President-Strategy and Investor Relations
G.S. Shen – Technical Deputy Director-Strategy and Investor Relations

Operator
Greetings, and welcome to the ChipMOS First Quarter 2025 Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. I would now like to turn the conference over to Dr. GS Shen, of ChipMOS TECHNOLOGIES Strategy and Investor Relations team to introduce the management team of the Company in Conference. Dr. Shen, you may begin.

GS Shen, Technical Deputy Director-Strategy and Investor Relations
Thank you, operator. Welcome everyone to ChipMOS' first quarter 2025 results conference call. Joining us today from the company are Mr. S.J. Cheng, Chairman and President; and Ms. Silvia Su, Vice President of Finance and Accounting Management Center. We are also joined on the call today by Mr. Jesse Huang, Spokesperson and Senior Vice President of Strategy and Investor Relations. S.J. will chair the meeting and review business highlights and provide more color on the operating environment. After Silvia's review of the Company's key financial results, SJ will provide our current business outlook. All Company executives will then participate in an open Q&A session.

Please note, we have posted a presentation on the MOPS and also on the ChipMOS' website www.chipmos.com to accompany today's conference call. Before we begin the prepared comments, we remind you to review our forward-looking statements disclaimer, which is noted as the "Safe Harbor Notice" on the second page of today's presentation and in the results press release we issued. As a reminder, today's conference call is being recorded and a replay will be made available later today on the Company's website.

At this time, I'd like to now turn the call over to our company's Chairman and President, Mr. S.J. Cheng. Please go ahead, sir.

S.J. Cheng, Chairman and President

Yes, thank you, GS. We appreciate everyone joining our call today.

The first quarter came in as expected and followed normal patterns around the holidays. We did not see anything too much out of the norm. Our team has remained focused on execution. We are working closely in support of our customers and making sure we have the right capacity. Our long-term plans remain a priority and we are well positioned in our core markets and with new developing applications. Our balance sheet is strong and we remain conservative on Capital Expenditures as we build long-term value for shareholders.

In terms of Q1 highlights….

- Our revenue increased 2.5% compared to Q4 2024.
- Q1 Gross Margin was 9.4%, which is flat with Q4 2024.
- Q1 Net Earnings were NT$ 0.24, compared to NT$ 0.32 in Q4 2024.

In terms of the details, our overall utilization rate was 62% in Q1 2025 compared to 59% in Q4 2024. We saw improvement across the board, with the biggest increase coming in Bumping UT which increased to 65% from 54% in Q4. The Assembly UT is 55% in Q1. The average Test utilization was 61%, and DDIC was 65%.

Regarding our manufacturing business, assembly represented 24.4% of Q1 revenue. Mixed-signal and memory Testing represented 21.8% and wafer bumping represented 25.4% of Q1 revenue. On a product basis, our DDIC product represented 27.3% of total revenue in Q1, with gold bumping representing about 23.9%. Revenue from DRAM and SRAM represented 14.1% of total Q1 revenue. Our Mixed-signal products represented 10% of total Q1 revenue.

As additional color, our memory products represented 38.8% of total Q1 revenue. Memory product revenue increased 2.4% compared to Q4 2024, and decreased slightly by 0.6% on a year-over-year basis. This was a benefit from pricing and volume. DRAM represented 13.6% of total Q1 revenue, and increased 10.7% compared to Q4 2024. Flash revenue represented about 24.7% of Q1 revenue, which was up 4.9% compared to Q4 2024 and was up 8.6% on a year-over-year basis. NAND Flash represented 37.7% of Q1 total Flash revenue. This is up significantly by around 30% compared to Q4 2024. NOR Flash decreased 7.2% compared to Q4 2024, but increased significantly by 27.6% on a year-over-year basis.

Moving onto Driver IC and gold bump revenue, this represented about 51% of total Q1 revenue. We saw some benefit from re-stocking and some short term rush orders. This offset the impact of fewer working days for the Lunar New Year Holiday. Overall, this segment was up 2.9% compared to Q4 2024 and was up 0.7% on a year-over-year basis. Of note, Gold bump revenue increased significantly 24.5% compared to Q4 2024 and was up near 30% on a year-over-year basis. Our DDIC revenue was down 10.6% compared to Q4 2024. Demand related to Auto panels contributed about 33% of our Q1 DDIC revenue, which down slightly by about 1.1% compared to Q4 2024. Regarding OLED, this increased to 25.6% of Q1 DDIC revenue, but was impacted by seasonal de-stocking and decreased 2.5% compared to Q4 2024.

On an end-market basis, total revenue from Automotive and Industrial represented about 27% of Q1 revenue. This increased 13% compared to Q4 2024. Smartphone revenue represented 36.5% of total Q1 revenue, and increased slightly compared to Q4 2024. We are encouraged by recent reports of healthier inventory and demand levels in this market. We also had some benefit of short term rush orders as we moved through Q1. TV panel demand represented 14.3% of Q1 revenue, which was down 1.7% compared to Q4 2024. Consumer related revenue represented 18.7%, and Computing accounted for 3.5% of Q1 revenue respectively.

Now let me turn the call to Ms. Silvia Su, to review the first quarter 2025 financial results.

Silvia, please go ahead.

<u>Silvia Su, Vice President-Finance and Accounting Management Center</u>

Thank you S.J. All dollar amounts cited in our presentation are in NT dollars. The following numbers are based on the exchange rates of NT$ 33.19 against US$1 as of March 31, 2025.
All the figures were prepared in accordance with Taiwan-International Financial Reporting Standards.

Referencing presentation Page 12 Consolidated Operating Results Summary
For the first quarter of 2025, total revenue was NT$ 5,532 million.
Net profit attributable to the Company was NT$ 176 million in Q1.
Net earnings for the first quarter of 2025 were NT$ 0.24 per basic common share or US$ 0.15 per basic ADS.

EBITDA for Q1 was NT$ 1,425 million. EBITDA was calculated by adding depreciation and amortization together with operating profit.

Return on equity in Q1 was 2.8%.

Referencing presentation Page 13 Consolidated Statements of Comprehensive Income
Compared to Q4 2024:
Total Q1 2025 revenue increased 2.5% compared to Q4 2024.

Q1 2025 Gross profit was NT$ 518 million, with gross margin mostly flat at 9.4% compared to 9.5% in Q4 2024.

Our operating expenses in Q1 2025 were NT$ 411 million, or 7.4% of total revenue, which decreased 4.7% compared to Q4 2024 as we continue to manage all costs.

Operating profit for Q1 2025 was NT$ 116 million, with operating profit margin at 2.1%, which is also mostly flat compared to Q4 2024.

Net non-operating income in Q1 2025 was NT$ 82 million which decreased NT$ 73 million compared to Q4 2024. The difference is mainly due to the decrease of foreign exchange gains of NT$ 75 million.

Profit attributable to the Company in Q1 2025 decreased 24.1% compared to Q4 2024 primarily reflecting the impact of a decrease of net non-operating income of NT$ 73 million, which was offset by a NT$17 million decrease in income tax expense.

Basic weighted average outstanding shares were 723 million shares.

Compared to Q1 2024:
Total revenue for Q1 2025 increased 2.1% compared to Q1 2024.
Gross margin at 9.4% decreased 4.8ppts compared to Q1 2024.
Operating expenses decreased 4.3% compared to Q1 2024.

Operating profit margin at 2.1% decreased 4.6ppts compared to Q1 2024.

Net non-operating income in Q1 2025 was NT$ 82 million which decreased NT$ 74 million compared to Q1 2024. The difference is mainly due to the decrease of foreign exchange gains of NT$ 91 million and partially offset by the increase of interest income of NT$ 26 million.

Profit attributable to the Company decreased 59.7% compared to Q1 2024. The difference is mainly due to a decreased operating profit of NT$ 247 million and the decrease of net non-operating income of NT$ 74 million and partially offset by the decrease of income tax expense of NT$ 60 million.

Referencing presentation Page 14 Consolidated Statements of Financial Position & Key Indices
Total assets at the end of Q1 2025 were NT$ 43,214 million.
Total liabilities at the end of Q1 2025 were NT$ 18,270 million.
Total equity at the end of Q1 2025 was NT$ 24,944 million.
Accounts receivable turnover days in Q1 2025 were 85 days.
Inventory turnover days was 49 days in Q1 2025.

Referencing presentation Page 15 Consolidated Statements of Cash Flows
As of March 31, 2025, our balance of cash and cash equivalents was NT$ 13,566 million, which represents a decrease of NT$ 1,653 million compared to the beginning of the year.

Net free cash inflow for the first quarter of 2025 was NT$ 831 million compared to NT$ 800 million for the same period in 2024. The difference is mainly due to the increase of depreciation expenses of NT$ 128 million, interest income of NT$26 million and the decrease of CapEx of NT$ 63 million and income tax expenses of NT$ 60 million and partially offset by a NT$ 247 million decrease in operating profit. We continue to balance our capital allocation strategy by investing in the long-term capacity and revenue generation areas that will drive our success, while returning value to shareholders through the distribution of dividends.

Free cash flow was calculated by adding depreciation, amortization, interest income together with operating profit and then subtracting CapEx, interest expense, income tax expense and dividend from the sum.

Referencing presentation Page 16 Capital Expenditures and Depreciation
We invested NT$ 570 million in CapEx in Q1.
The breakdown of CapEx in Q1 was 8.3% for bumping, 29.7% for LCD Driver, 18.9% for assembly and 43.1% for testing.
Depreciation expenses were NT$ 1,309 million in Q1.

As of April 30, 2025 the Company’s outstanding ADS number was approximately 3.6 million units, which represents around 9.9% of the Company’s issued common shares.

That concludes the financial review. I will now turn the call back to our Chairman Mr. S.J. Cheng for our outlook. Please go ahead, sir.

SJ Cheng, Chairman and President

Thank you, Silvia.

As we look ahead we want to note a few key points. First, we are in the right long-term end markets with a leadership position to build on. We expect this to benefit our business in up-markets and help reduce the impact of slowdowns in softer markets. Second, our location is strategically important in the supply chain to our customers. We expect this will continue to give us an important advantage over the long-term. Third, our balance sheet is strong and our team is very experienced. We have managed through many cycles over the years and know how to quickly adapt. Our focus is on supporting customers and ensuring the highest reliability and quality.

As everyone knows, we are all facing fluid trade policies as it relates to the U.S. and China restrictions. We remain in close contact with our customers and will continue to monitor the situation. This can impact our outlook along with everyone else if there is a demand slowdown. For now, we are seeing a low to no impact of tariff and China restrictions, even excluding any pull-in demand. However, the impact has been to cause uncertainty about the coming quarters. Strategically, improving our utilization rate will be priority.

In Q2 in our memory product business we expect to benefit from customers' restocking. We also expect to benefit from stabile prices, and some positive growth in Commodity and Niche DRAM. And we are seeing signs of rebounding of Flash in Q2. Therefore, we expect memory momentum will be better than DDIC in Q2.

In our DDIC product business, the UT level for smartphone product is improving, particularly in our OLED product with customers' re-stocking in Q2. We are positive about this business but understand this is a fluid environment.

Regarding our 2025 CapEx, we are taking a conservative approach with our CapEx budget in 2025, similar to prior years. We plan to carefully invest in new added capacity based on customer demand and UT level. Our focus is on supporting customers as we drive strong free cash flow, while reducing the further depreciation pressure and maintain our competitive advantage and strength.

In addition, we did a routine facility annual maintenance and added a 69KV UHV power supply circuit at Chupei factory. This will help ensure we have a reliable power source over the long-term at our Chupei factory. The installation resulted in in fewer working days at our Chupei factory and also impacts our April revenue.

Finally, in terms of our capital allocation, our Board approved our latest dividend, NT$ 1.2 per common share. In addition, our Board also approved a new share repurchase program today given the dislocation in our share price with market volatility around the new tariffs. Under the program, the company will repurchase up to 15 million shares on the open market of the Taiwan Stock Exchange, and transfer to employees as related regulations after. This reflects our strong balance sheet, leadership market position and our focus on building shareholder value.

Operator, that concludes our formal remarks, we can now take questions.

Question and Answer Session

Operator
Thank you. At this time, we will be conducting a question and answer session.
Our first question comes from Annie from UBS. You may begin.

Annie, Associate Analyst, UBS (For Haas Liu, Analyst)
Can you please give us more color about the momentum and demand of DDIC product for the second half of 2025? Would it be expected to decline compared to the first half?

Jesse Huang, Spokesperson and Senior Vice President of Strategy and Investor Relations
As everyone knows, we are all facing fluid trade policies as it relates to the U.S. and China restrictions. It has been to cause uncertainty about the coming quarters and second half. Therefore, as our Chairman just memtioned, for the 2Q outlook, we expect memory momentum will be better than DDIC in Q2.

Operator
Our second question comes from Michael Hsu from Yuanta.

Michael Hsu, Analyst, Yuanta
A follow up question for better memory momentum in Q2. Is the visibility be as clear in Q3?

SJ Cheng, Chairman and President
We expect our customers will benefit from the stable prices, and expanding end-applications. Therefore, we expect memory momentum will be better than DDIC in second half.

Michael Hsu, Analyst, Yuanta
Could you give us the momentum sequence of Niche DRAM and Flash product for second half?

SJ Cheng, Chairman and President
Among our memory product, NOR Flash is better than low power DDR and then NAND Flash.

Operator
Thank you. And I am not showing any further questions in the queue. I would like to turn the call back over to GS Shen.

GS Shen, Technical Deputy Director of Strategy and Investor Relations
That concludes our question and answer session. Thank you for participating. I'll turn the floor back to Mr. S.J. Cheng for any closing comments.

S.J. Cheng, Chairman and President
Thank you everyone for joining our conference call. Please email our IR Team if you have any more questions. We appreciate your support. Goodbye.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.