



中美矽晶製品股份有限公司
Sino-American Silicon Products Inc.

Q2 2019 Earnings Report

August, 2019



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Executive Comments

1. 2019Q2 and 20191H

- 19Q2 SAS EPS dropped to NTD -3.92 due to onerous contract provision of final Polysilicon LTA (NTD 4.35bn.)
- Q2 EPS would surge to NTD3.54 (BEST EVER!) if no provision.
- 191H EPS NTD -0.76 (NTD 6.69 if no provision, Record High!)
- Revenue remains stable with nearly 90% contribution from GWC, solar sector share drops to 11%.
- Solar operation cash is positive.
- All solar business (wafer, cell, module, power plant) operating profits are positive.

2. Outlook

■ Short Term & Long Term

- SAS has successfully turned around solar business, and determines to reset a profitable operation by writing off idle equipment & final polysilicon LTA in 18Q4 & 19Q2 respectively.
- Although solar market visibility is short, with GWC's lucrative earning & SAS' restless technology breakthrough, a very bright and optimistic future is anticipated.

3. High-potential

- Diversified operation model not only works as contingency plan to macro uncertainties, but also secures earnings recognition from various subsidiaries.
- Very high capital surplus serves as cushion against volatility and protection of shareholder payback through dividend distribution from capital surplus.

4. SiC (GWC)

- Under Tier 1 customers qualification. Ramp up from 2020. Plan further expansion from 2H20.

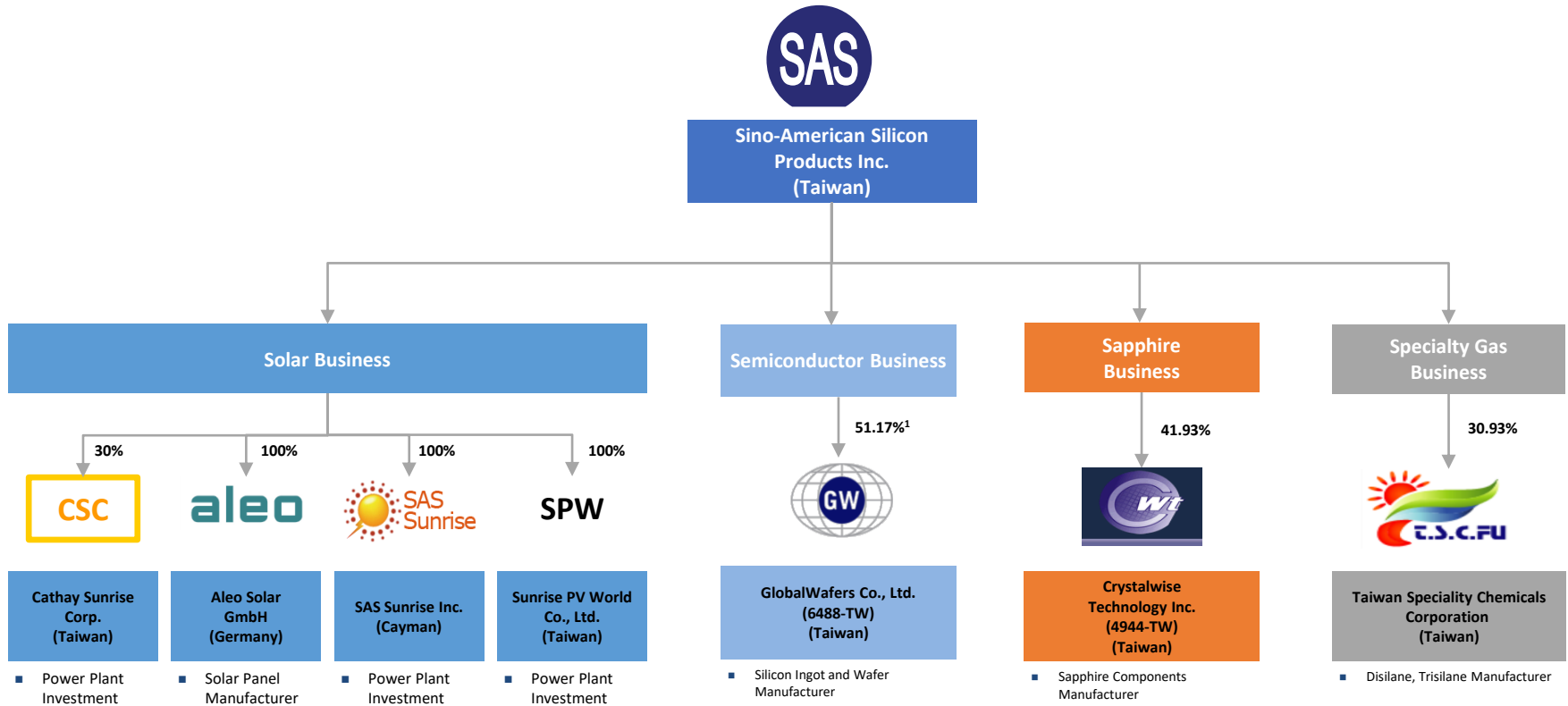


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SAS Group Overview



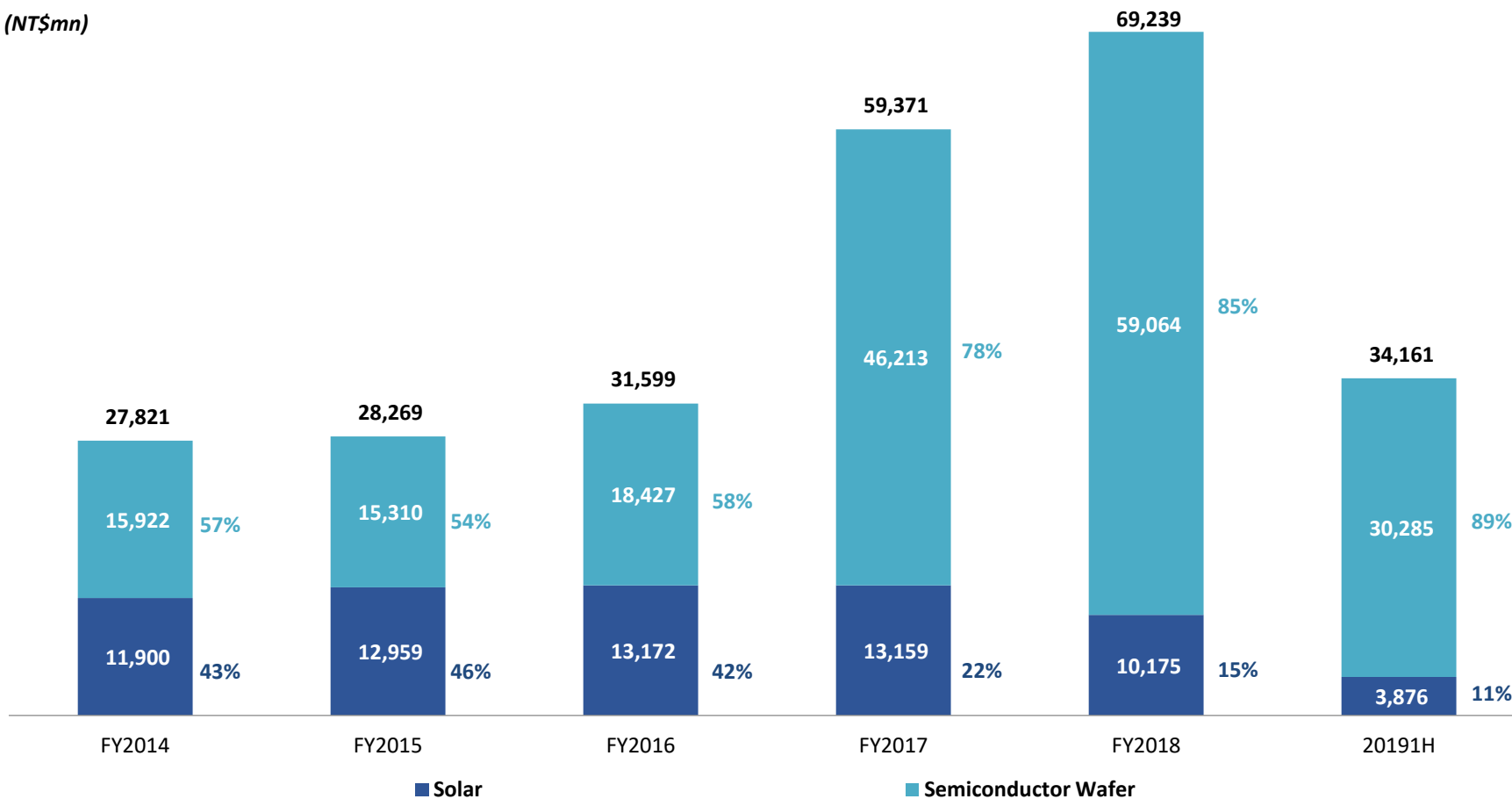
Group Structure



Note: SAS' shareholding % of GWC : GWC shares held by SAS / GWC total outstanding shares deducting repurchased shares

Group Revenue by Business

(NT\$mn)





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Solar Industry Overview

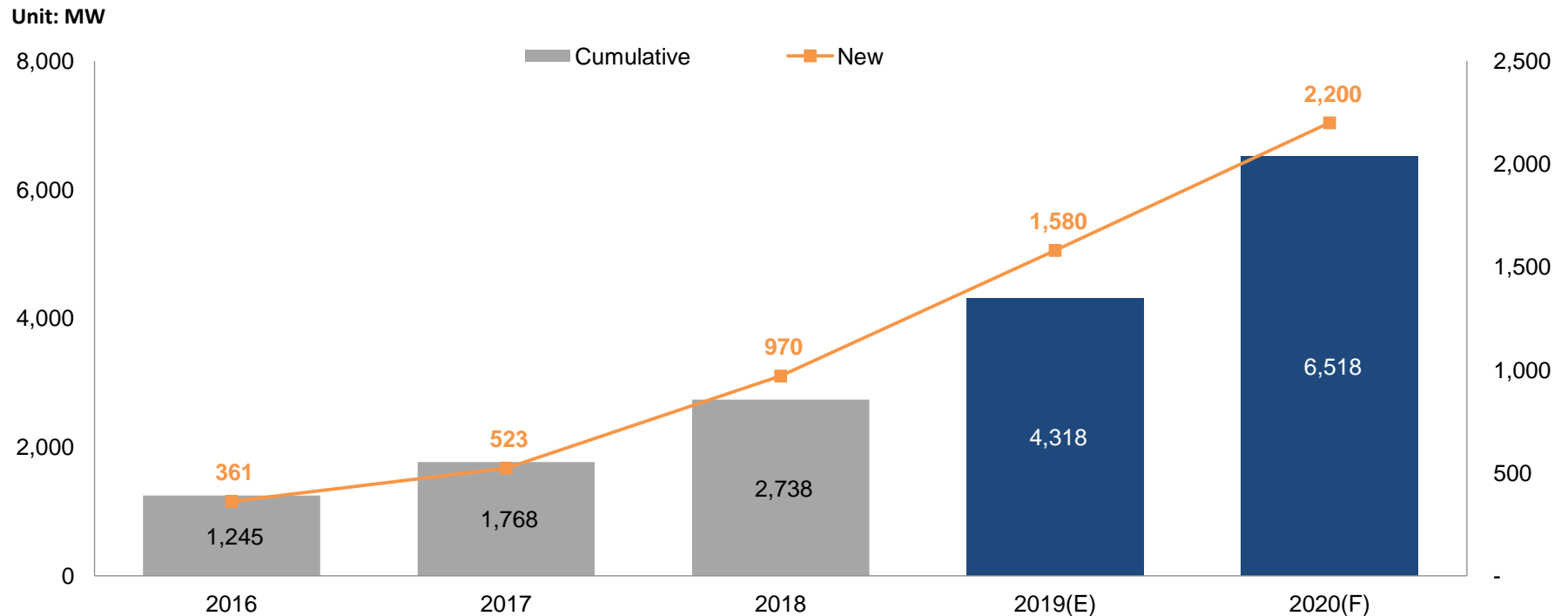




Taiwan's PV Industry to Become a GW Scale Market

- Taiwan government actively pushes for PV development, achieved 1GW in new installations for the first time in 2018, 2019 expected to reach 1.5GW in new installations, which will place Taiwan among the ranks of global GW-scale markets worldwide with a global market share of 1.6%.

Taiwan Market Forecast



Source: Energy Trend, June, 2019



Solar Plants Outlook of SAS

- SAS has established ~120 MW PV power projects in Taiwan and Philippines, and starts Battery Energy Storage System projects in 2019.

System

Roof Mounted



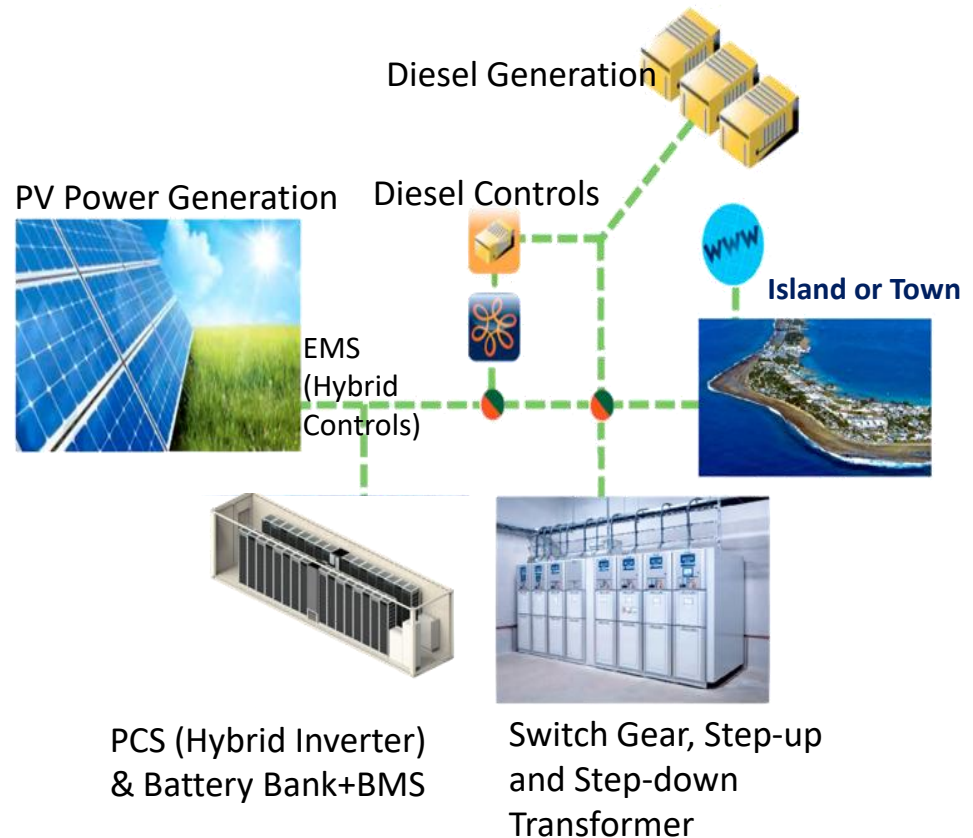
Water



Ground



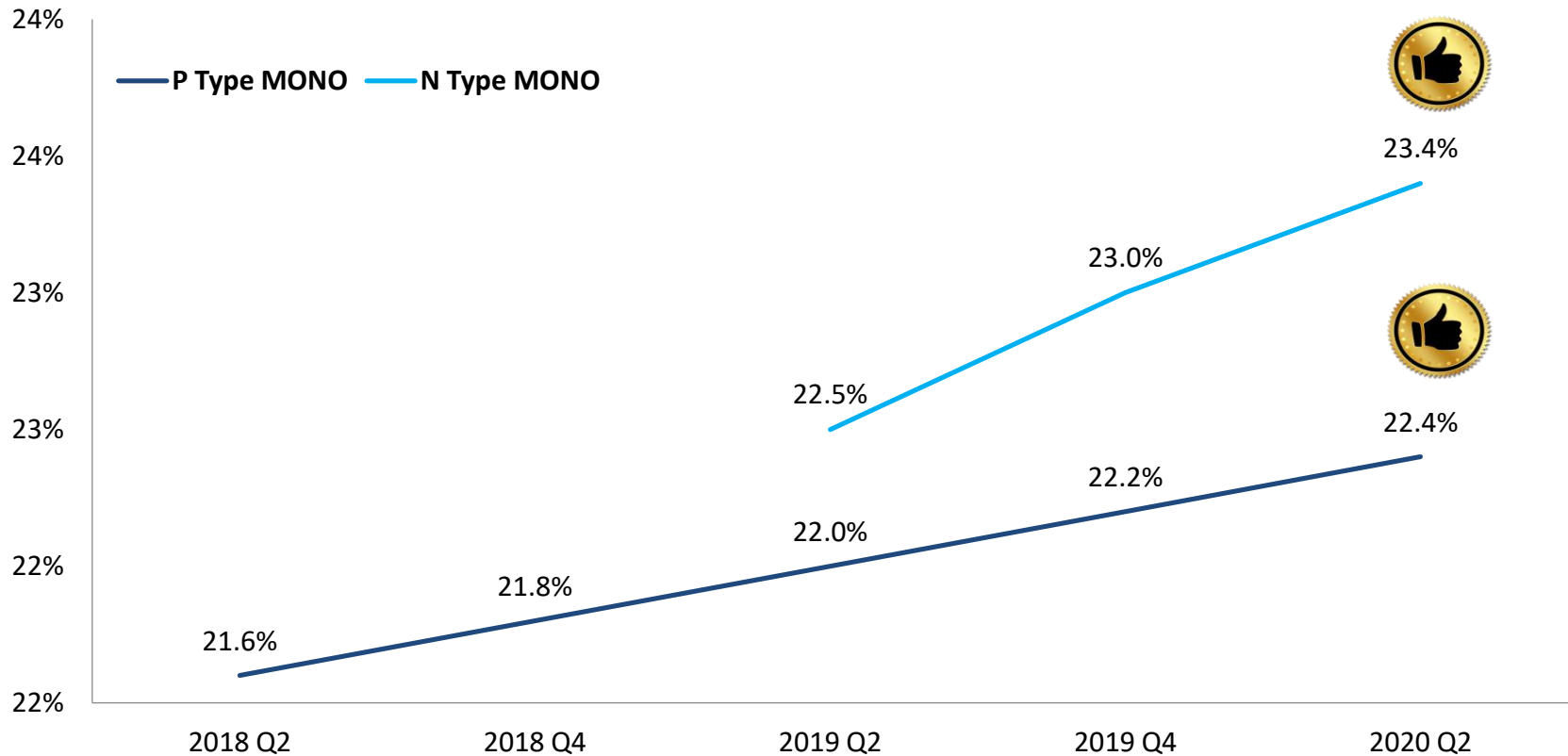
Grid Tied or Islands Micro-grid





Efficiency Roadmap of SAS

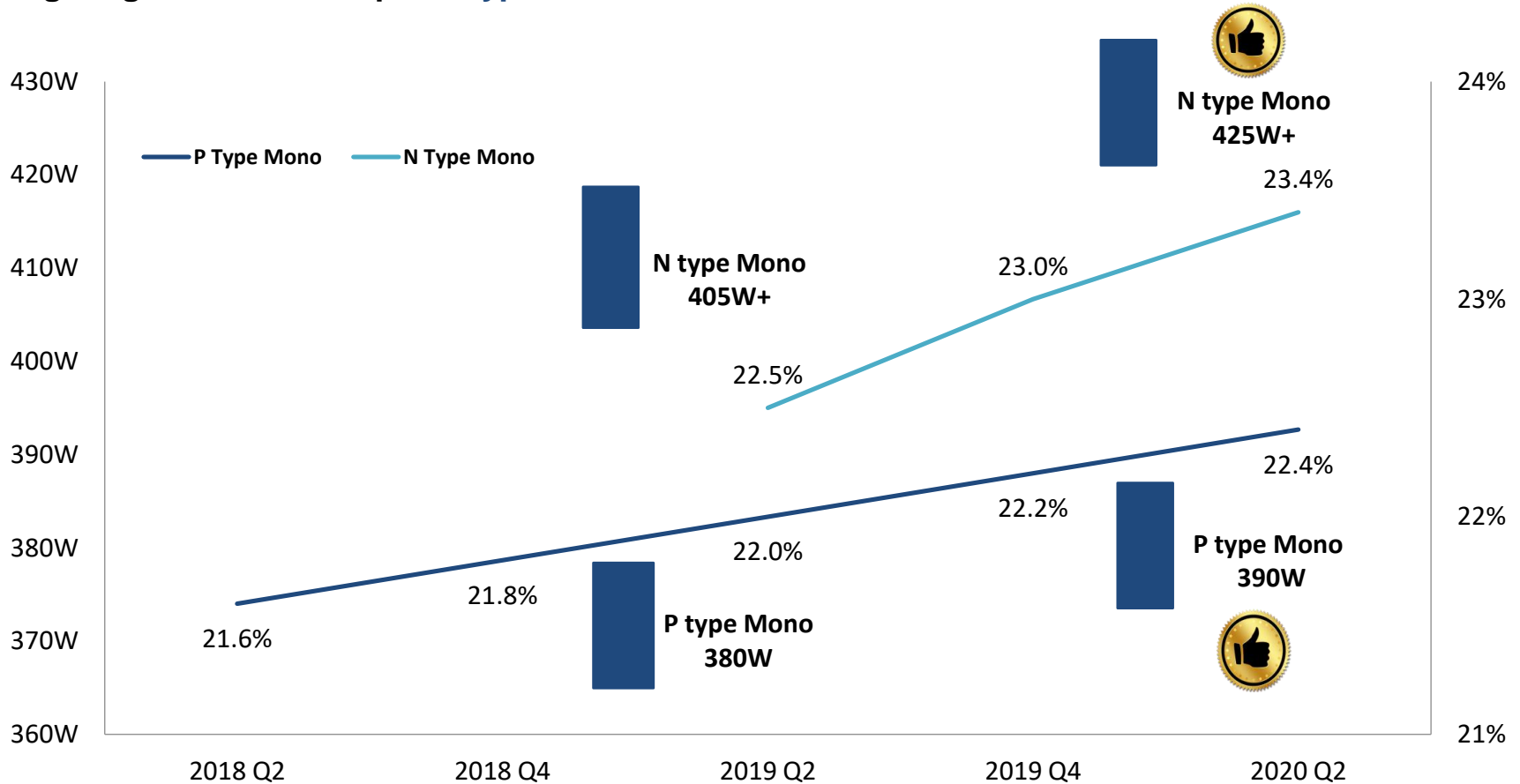
➤ SAS has leading technology of solar cells performance





Projection of Module Power Roadmap of SAS

- Targeting **425W+** with 72pcs **N type Mono** Modules
- Targeting **390W+** with 72pcs **P type Mono** Modules





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SAS Consolidated Performance Update





Financial Highlights

1. Revenue

- 19Q2 revenue reaches NTD 16,656 mn (USD 536 mn)¹, a decrease of 3.8% YoY.
- 191H revenue reaches NTD 34,161 mn (USD 1,100 mn)¹, a decrease of 0.1% YoY. (nearly 90% contributed by GWC semiconductor wafer business)

2. Minimizing Solar Sector Loss

- By recognizing onerous contract provision (NTD4.35bn) of polysilicon LTA in 19Q2, SAS is alleviated from its last LTA burden, a healthier financial structure is anticipated.

3. GM, Net Profit & EPS

- Financial results excluding onerous contract provision are stated to indicate more clearly SAS' operations and profitability.
- 19Q2 Gross Margin : 11% (37.4% if no provision, Record High!)
- 19Q2 Net Profit : -3% (23% if no provision)
- 19Q2 EPS : NTD -3.92 (NTD3.54 if no provision, Best Ever!)
- 191H EPS : NTD -0.76 (NTD6.69 if no provision, All-Time High!)

4. Sufficient Cash

- 191H net cash position reaches NT\$ 39,710mn (USD 1,278 mn)*¹

Note : 1. FX Rate: NTD:USD = 31.06



Financial Highlight : 20191H vs. 20181H

(NT\$mn)	20191H	20181H	YoY
Revenue	34,161	34,200	-0.1%
EBITDA* ¹	8,357	9,749	-14.3%
EBITDA %	24.5%	28.5%	-4.0%
EBIT	5,722	6,815	-16.0%
Operating Profit	5,687	6,737	-15.6%
Operating Profit %	16.6%	19.7%	-3.1%
Net Profit	3,164	4,761	-33.5%
Net Profit %	9.3%	13.9%	-4.7%
EPS	(NT\$0.76)	NT\$2.93	(NT\$3.69)
ROE* ² (annualized)	13.7%	21.4%	-7.7%
ROA* ³ (annualized)	6.1%	10.4%	-4.3%

1. EBITDA = Net Profit + Tax + Interests + Depreciation + Amortization.

2. ROE = Net Profit / Average Shareholders Equity

3. ROA = (Net Profit + Interest * (1 - Effective Tax Rate)) / Average Asset



Financial Highlight : 2019Q2 vs. 2019Q1

(NT\$mn)	2019Q2	2019Q1	QoQ
Revenue	16,656	17,505	-4.8%
EBITDA* ¹	1,953	6,404	-69.5%
EBITDA %	11.7%	36.6%	-24.9%
EBIT	605	5,118	-88.2%
Operating Profit	622	5,064	-87.7%
Operating Profit %	3.7%	28.9%	-25.2%
Net Profit	-552	3,716	-114.9%
Net Profit %	-3.3%	21.2%	-24.5%
EPS	(NT\$3.92)	NT\$3.15	-NT\$7.07
ROE* ² (annualized)	-4.6%	29.8%	-34.4%
ROA* ³ (annualized)	-1.9%	14.1%	-16.0%

1. EBITDA = Net Profit + Tax + Interests + Depreciation + Amortization.

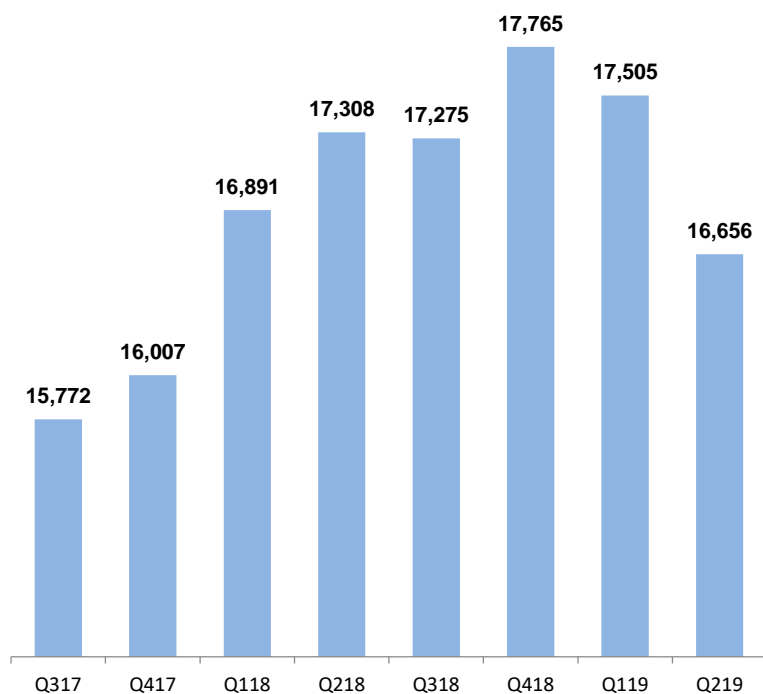
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Revenue

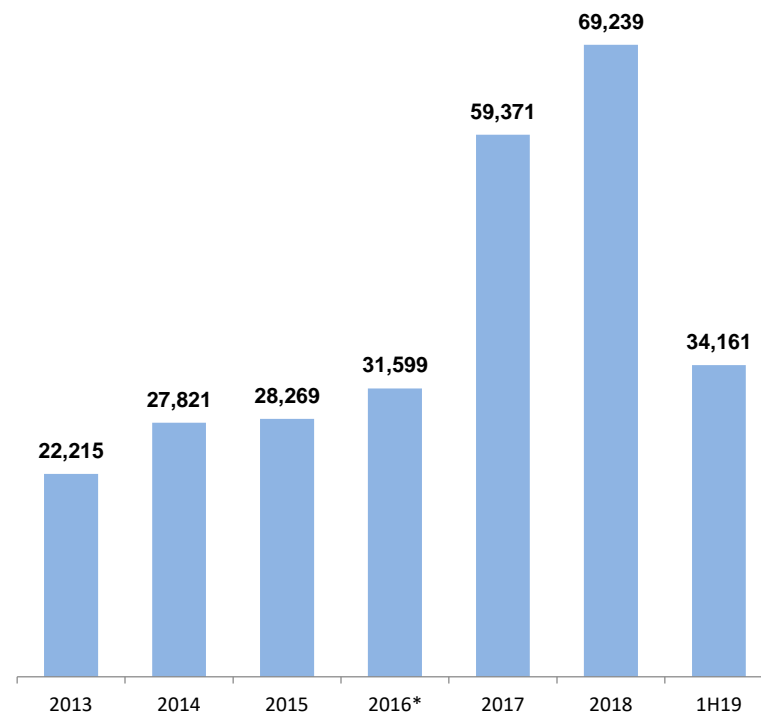
Quarterly

(NT\$mn)



Annual

(NT\$mn)



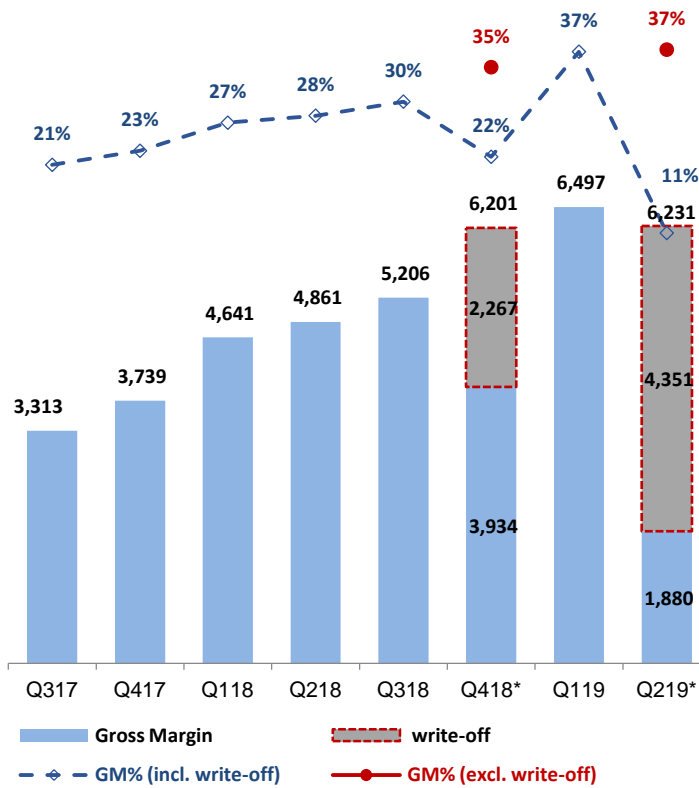
Note: Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.



Gross Profit

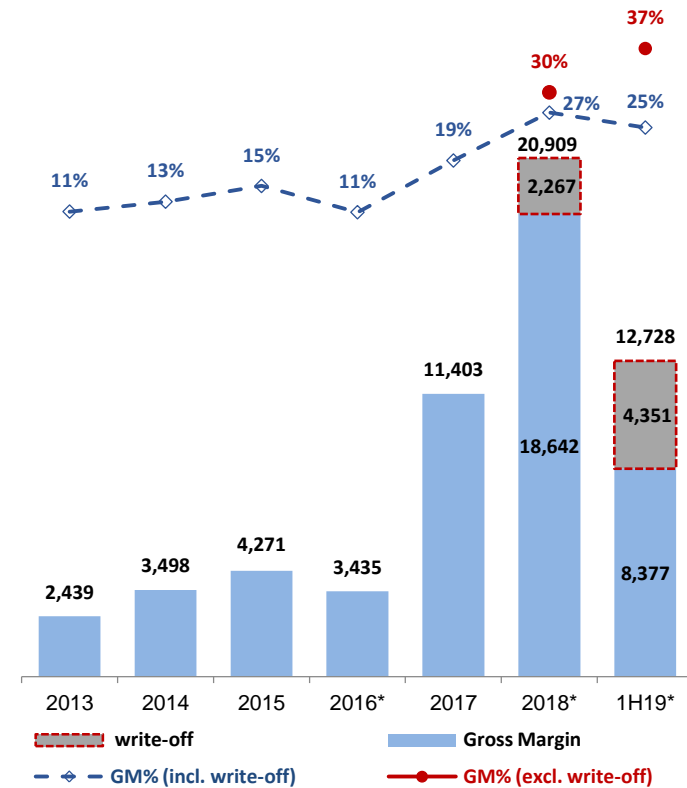
Quarterly

(NT\$mn)



Annual

(NT\$mn)



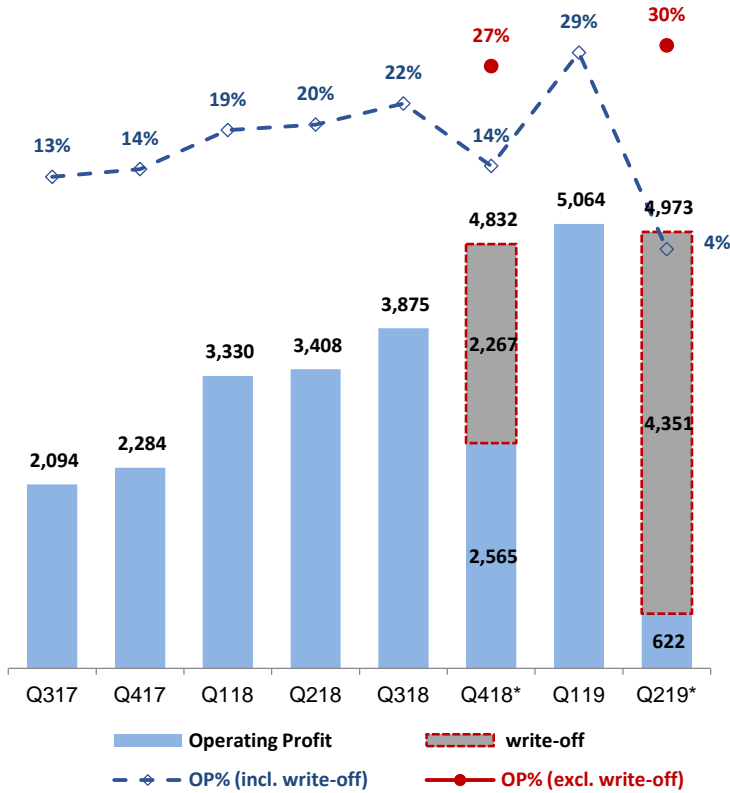
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2. Impairment of assets and onerous contract provision were recognized in Q418 & Q219 respectively



Operating Profit

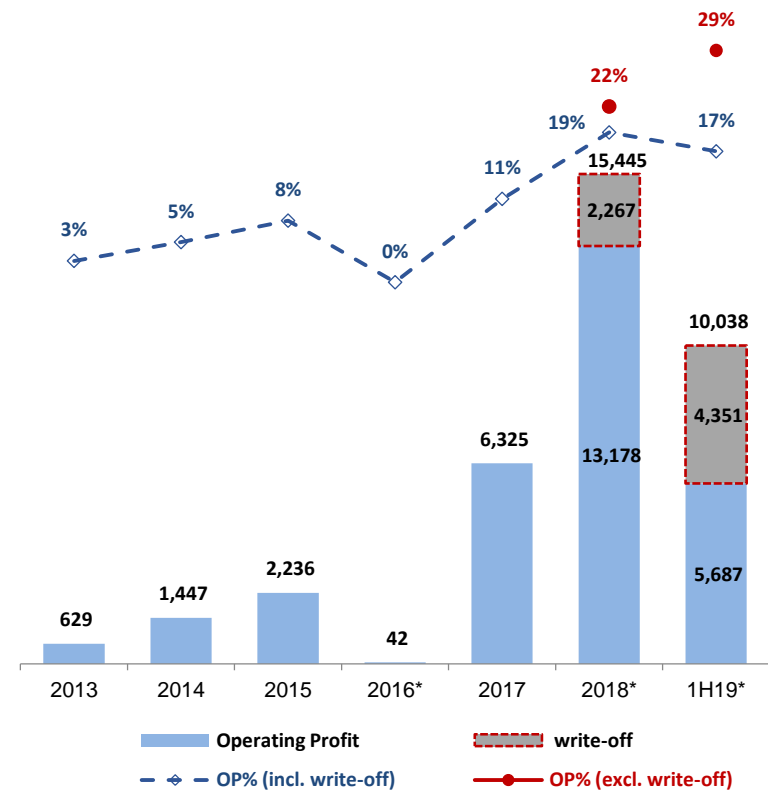
Quarterly

(NT\$mn)



Annual

(NT\$mn)

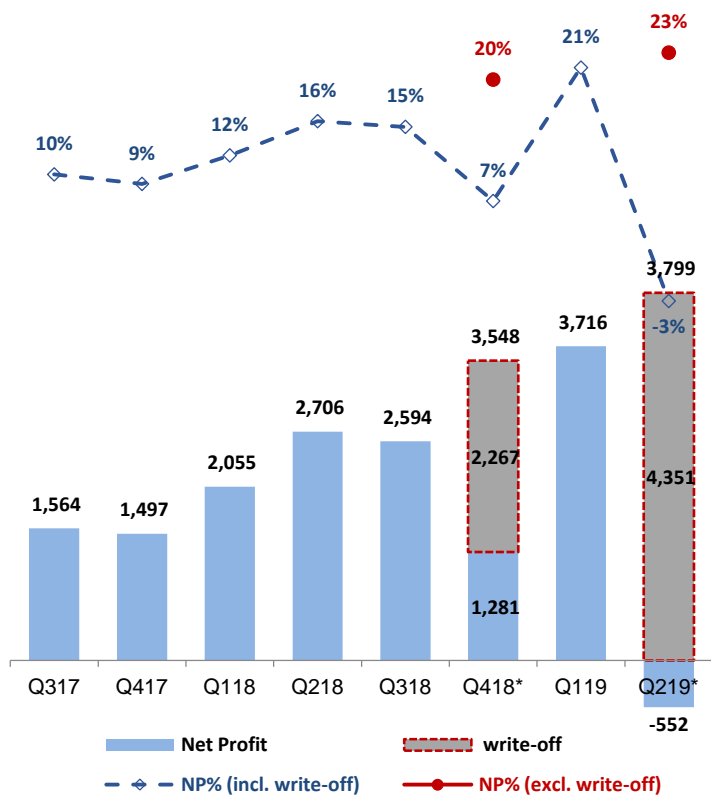


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Net Profit

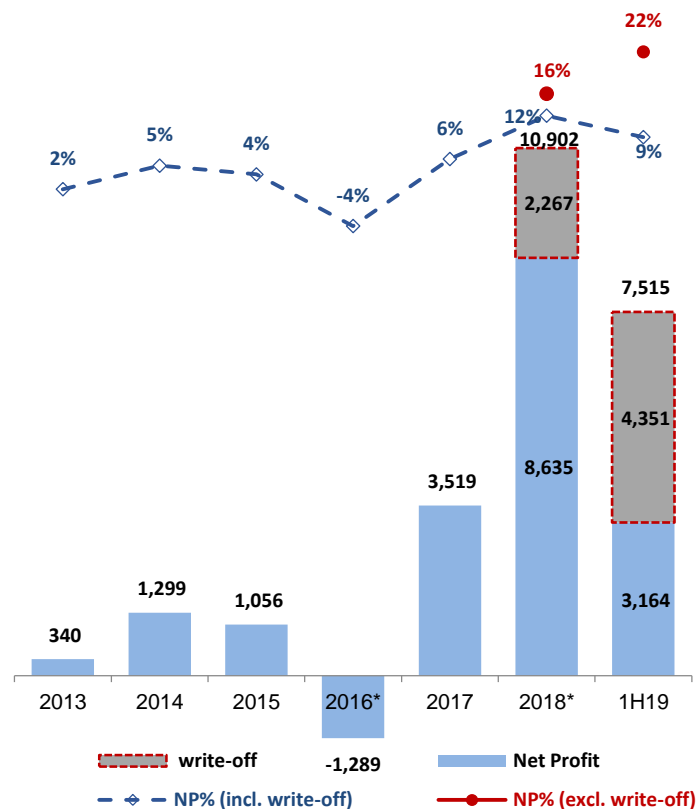
Quarterly

(NT\$mn)



Annual

(NT\$mn)



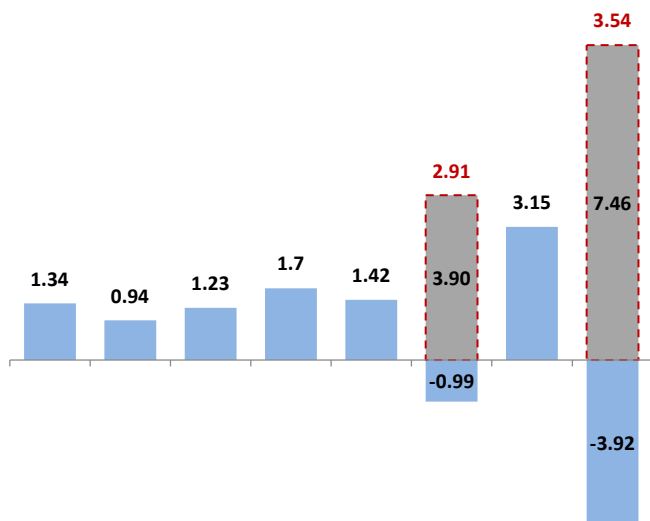
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EPS

Quarterly

(NT\$)

EPS excl. write-off write-off EPS

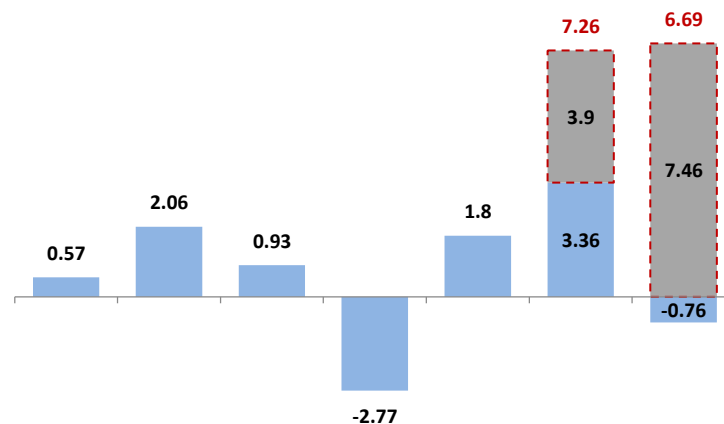


Q317 Q417 Q118 Q218 Q318 Q418* Q119 Q219*

Annual

(NT\$)

EPS excl. write-off write-off EPS



2013 2014 2015 2016* 2017 2018* 1H19*

Note: Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.

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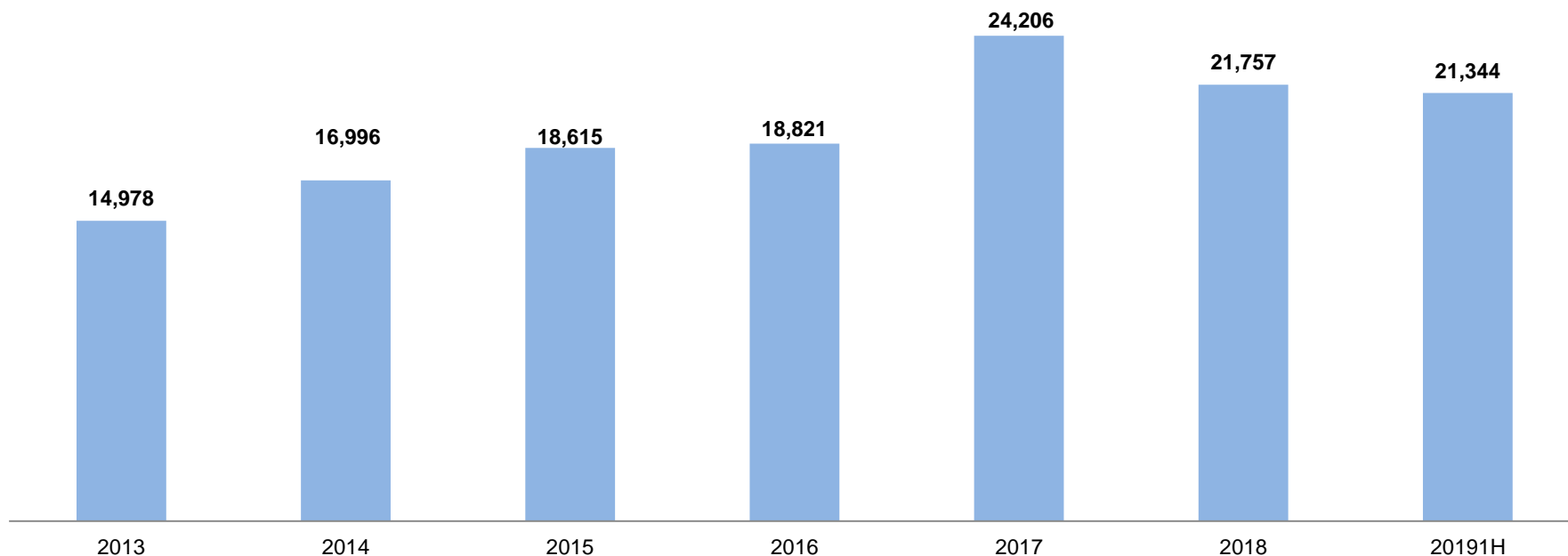
3. *1H19 EPS is adjusted due to rounding.

Abundant Capital Surplus Capable of Fruitful Dividend

- With abundant capital surplus, SAS is capable of distributing dividend even in the absence of remunerative earning.
- Distribution from capital surplus reduces the exposure of taxable dividends.

Capital Surplus

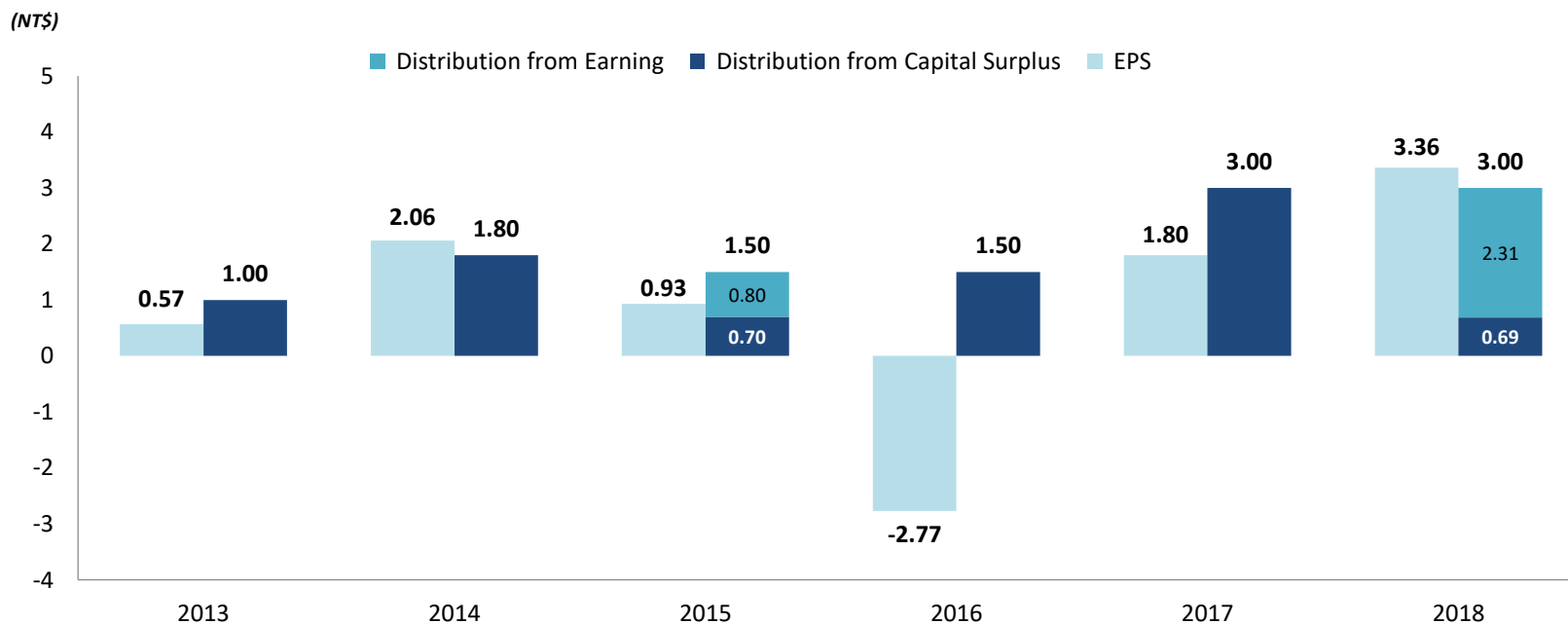
(NT\$mn)



Dividend Payout

- SAS is committed to provide stable dividend payout to its shareholders with lucrative yield rate even when net income is negative.

Dividend versus EPS

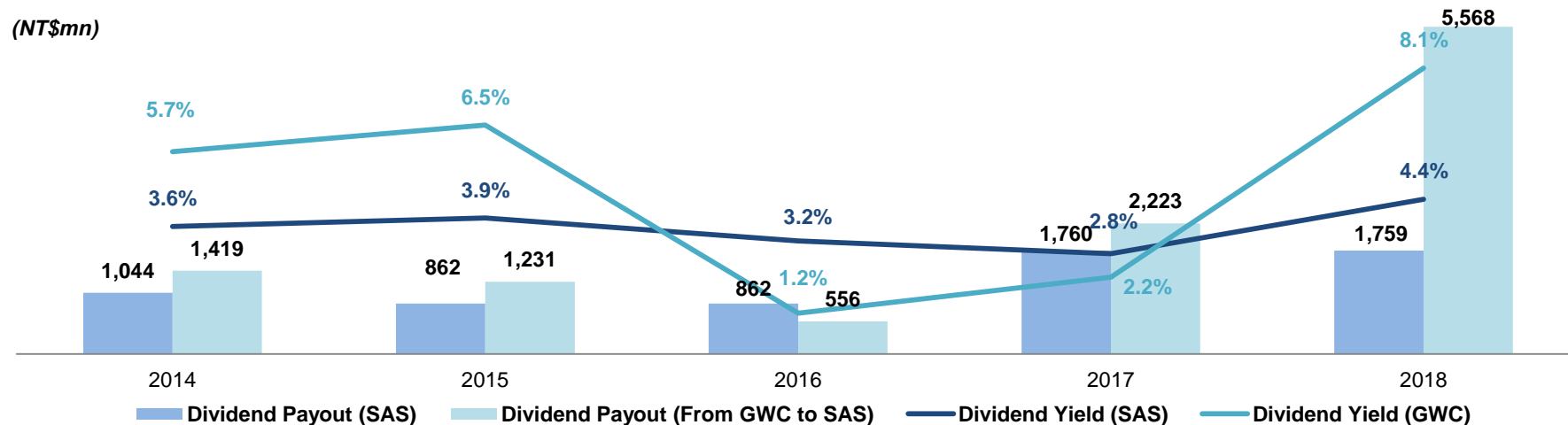


Dividend Payout Ratio	175.4%	87.4%	161.3%	NA	166.7%	89.3%
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Stable Dividend Payout with Lucrative Yield

- There is positive correlation between SAS' and GWC's dividend payout since GWC's IPO in 2014
- GWC's sufficient cash inflow contributes to profitable payback of SAS' shareholders
- Majority of 2018 dividend received from GWC will be used to repay bank loan while the rest will be served for strategic business deployment.

Dividend Payout Amount and Yield



	2014	2015	2016	2017	2018
SAS' Shareholding in GWC ¹	71.3%	66.7%	50.8%	50.8%	51.2%
% of SAS' dividend payout to dividend SAS received from GWC	73.6%	70.0%	155.1%	79.2%	31.6%
Dividend per Share of SAS (NT\$)	1.8	1.5	1.5	3.0	3.0
Dividend per Share of GWC (NT\$)	5.7	5.0	2.5	10.0	25.0

Source: Company filings.

1. As of dividend payout date.

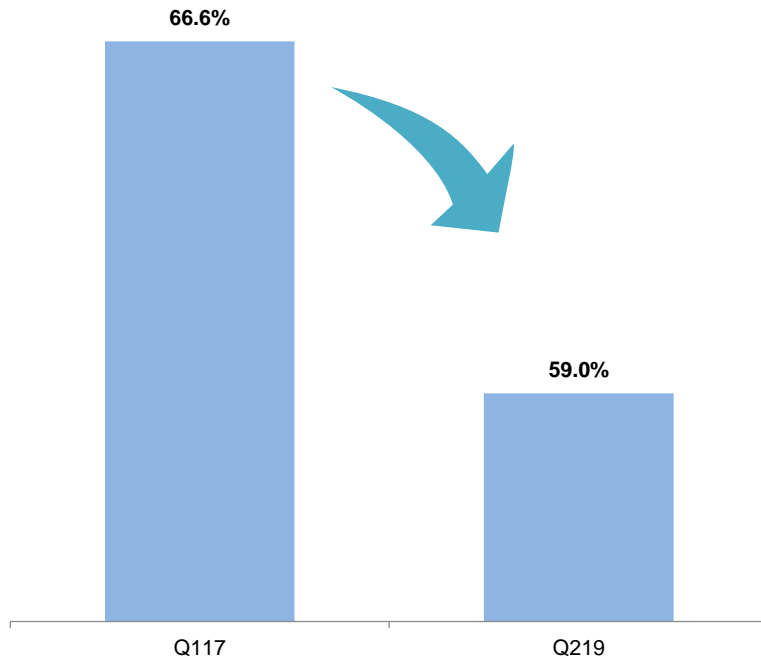
2. Dividend yield calculated based on the closing price of dividend announcement date.



Leverage

- Cash increased due to GWC's repayment of all bank loans associated with the acquisition of SunEdison Semiconductor in 4Q16.
- Possessing sufficient net cash on book and repaid all bank loans upon receiving GWC dividend, SAS' solid financial structure ranks top among rivals by zero debt except solar farm project financing.

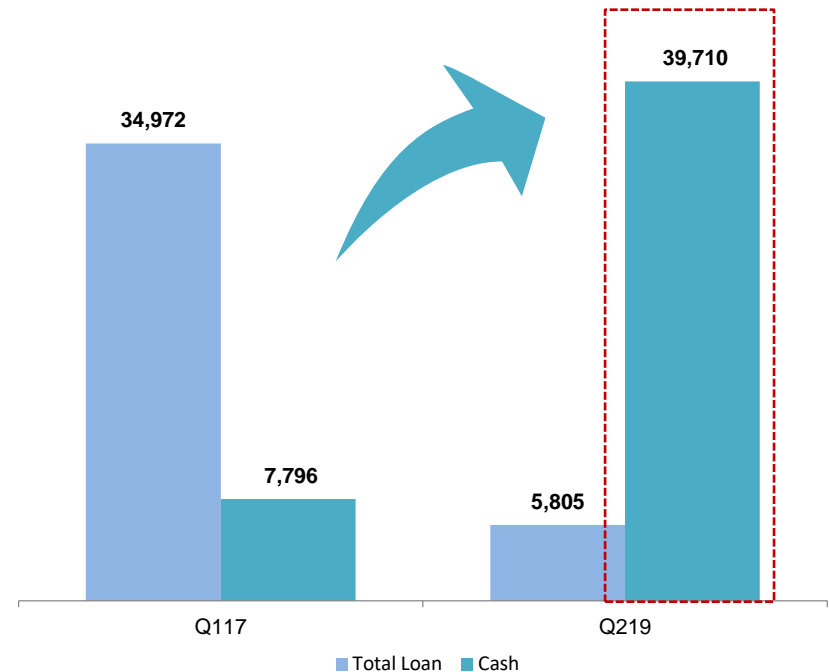
Total Liabilities to Total Asset



Total Loan and Cash

(NT\$mn)

Net Cash Position



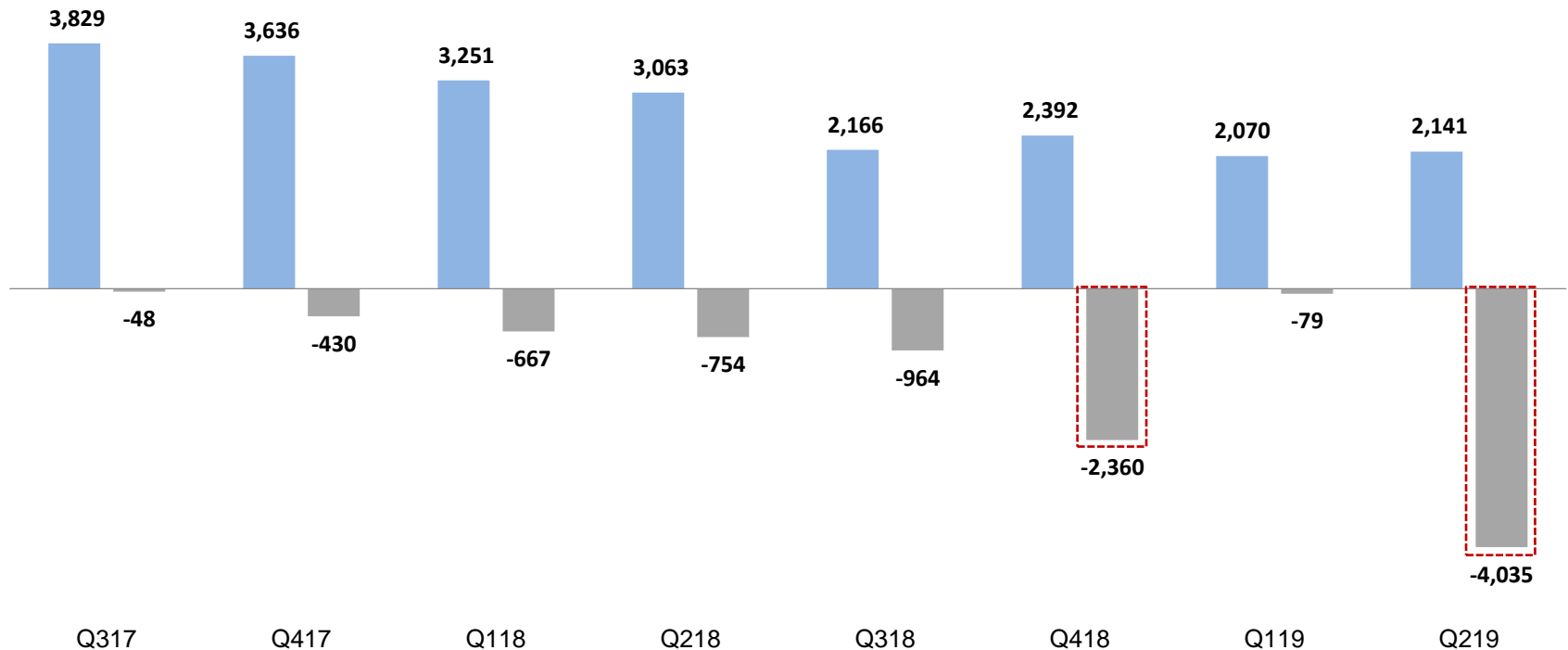


SAS Dedicates to Minimize Solar Sector Loss Going Forward

- One-time write-off related to impairment of assets and polysilicon LTA demonstrates SAS' determination to reset a healthy financial structure

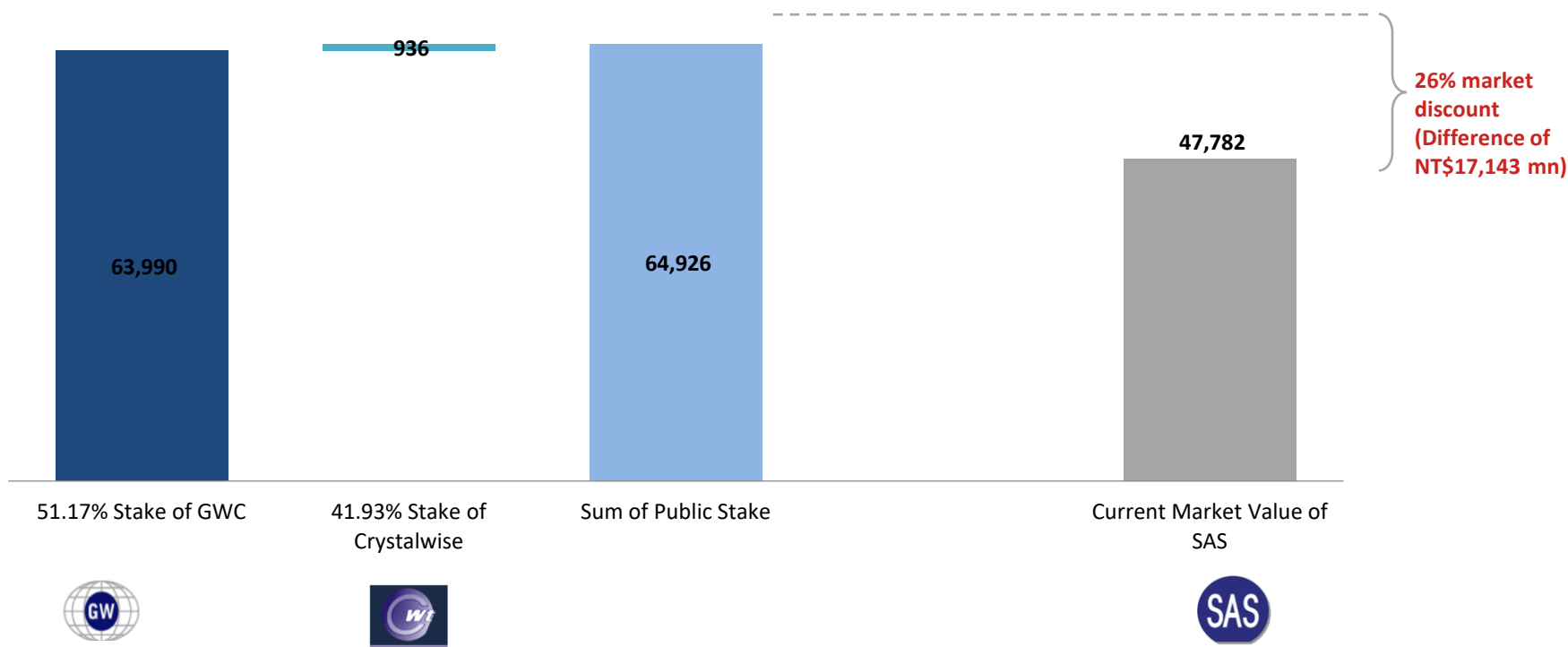
(NT\$mn)

■ Solar Sector Revenue ■ Solar Sector Net Profit



Undervalued Market Value of SAS versus Its Stake in GWC and Crystalwise

- Current market value of SAS trades at 26% discount compared to sum of its 51.17% stake of GWC and 41.93% stake of Crystalwise, which makes SAS a cheaper alternative to invest in GWC.
- Geo-political uncertainties and volatility adversely affect GWC with an underestimated share price, thus further diminish SAS stock market performance.



Source: Stock price of August 12, 2019



Income Statement

Income statement

(NT\$mm)	2013	2014	2015	2016*	2017	2018*	1H19*
Revenue	22,215	27,821	28,269	31,599	59,371	69,239	34,161
Growth (%)	20.8%	25.2%	1.6%	11.8%	87.9%	16.6%	-
Gross Profit	2,439	3,498	4,271	3,435	11,403	18,642	8,377
Gross Profit Margin (%)	11.0%	12.6%	15.1%	10.9%	19.2%	26.9%	24.5%
EBITDA	4,058	4,214	4,184	2,052	11,741	19,030	8,357
EBITDA Margin (%)	18.3%	15.1%	14.8%	6.5%	19.8%	27.5%	24.5%
Operating Profit	629	1,447	2,236	42	6,325	13,178	5,686
Operating Profit Margin (%)	2.8%	5.2%	7.9%	0.1%	10.7%	19.0%	16.6%
Profit before Tax	128	1,925	1,960	(856)	5,126	13,318	6,051
Profit before Tax Margin (%)	0.6%	6.9%	6.9%	(2.7%)	8.6%	19.2%	17.7%
Net Profit	340	1,299	1,056	(1,289)	3,519	8,635	3,164
Net Profit Margin (%)	1.5%	4.7%	3.7%	(4.1%)	5.9%	12.5%	9.3%
EPS (NT\$)	0.57	2.06	0.93	(2.77)	1.80	3.36	(0.76)

Note:

1. Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.
2. Impairment of assets and onerous contract provision were recognized in Q418 & Q219 respectively
3. 1H19 EPS is adjusted due to rounding.



Balance Sheet

Balance Sheet

(NT\$mm)	2013	2014	2015	2016*	2017	2018*	1H19*
Assets							
Cash and cash equivalents	3,682	5,391	5,902	9,269	20,343	36,829	39,710
Account receivable	4,064	5,019	6,204	8,560	8,830	9,881	9,756
Inventories	4,416	1,607	5,749	9,708	10,048	7,881	8,490
Property, plant and equipment	16,098	15,244	18,905	41,398	37,529	37,439	37,816
Other assets	11,414	13,627	9,427	14,079	12,593	11,955	13,258
Total assets	39,674	40,887	46,186	83,014	89,343	103,985	109,030
Liabilities							
Short-term loan	2,576	3,486	2,676	17,704	14,367	9,335	5,805
Account payable	2,754	2,713	2,932	6,328	5,352	5,236	4,774
Long term loan	4,373	3,807	2,546	16,357	5,034	2,040	0
Other liabilities	9,385	9,299	9,464	15,399	20,814	39,460	53,699
Total liabilities	19,088	19,304	17,617	55,787	45,566	56,071	64,278
Shareholder Equity	20,586	21,583	28,570	27,227	43,777	47,914	44,752

Note:

1. Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.
2. Impairment of assets and onerous contract provision were recognized in Q418 & Q219 respectively
3. 1H19 EPS is adjusted due to rounding.
4. Account receivables include account receivables from related parties.
5. Account payables include account payables from related parties.



GWC Performance Update

2019Q2 Financial Highlights

1. Revenue & Gross Margin

- Continued with 19Q1 remarkable performance, 19Q2 carries on strong financial results.
- Stable revenue.
- Hit second-best in history in GM%, OP% and PBT%.

2. EPS

- Q219 EPS amounts to NTD\$ 8.15.
- 1H19 EPS is all-time-high, exceeding over half of 2018 full year.

3. Financial Leverage

- Sufficient net cash position - NTD 37,968 mn (USD 1,222 mn)*¹
- Prepayment - NTD 22,386 mn (USD 721 mn)*¹
- Free Cash Flow*² - Generate NTD 7,837 mn (USD 252 mn)*¹ from operation as of 1H19, representing 26% of revenue.

4. Dividend

- Cash dividend of NTD 25 per share were distributed on August 9th, totaled NTD 10,881mn (USD 350 mn)*¹ with 80.2% payout ratio.

5. LTA

- Korea 300mm new line establishment will not impact GWC margin due to new production line is secured with higher ASP to cover depreciation.
- LTA are honored, GWC offers flexible shipment as countermeasure for inventory digestion.

Note:

1. FX Rate: NTD:USD = 31.06

2. Free cash flow : Cash flow from operating activities – Capex



Financial Highlight : 20191H vs. 20181H

(NT\$m)	20191H	20181H	YoY
Revenue	30,285	28,278	7.1%
EBITDA* ¹	12,235	10,667	14.7%
EBITDA %	40.4%	37.7%	2.7%
EBIT	9,922	8,315	19.3%
Operating Profit	9,873	8,049	22.7%
Operating Profit %	32.6%	29.0%	3.6%
Net Profit	7,399	6,279	17.8%
Net Profit %	24.4%	22.2%	2.2%
EPS	NT\$17.02	NT\$14.36	NT\$2.66
ROE* ² (annualized)	35.5%	35.5%	0.0%
ROA* ³ (annualized)	16.0%	16.9%	-0.9%

1. EBITDA = Net Profit + Tax + Interests + Depreciation + Amortization.

2. ROE = Net Profit / Average Shareholders Equity

3. ROA = (Net Profit + Interest * (1 - Effective Tax Rate)) / Average Asset

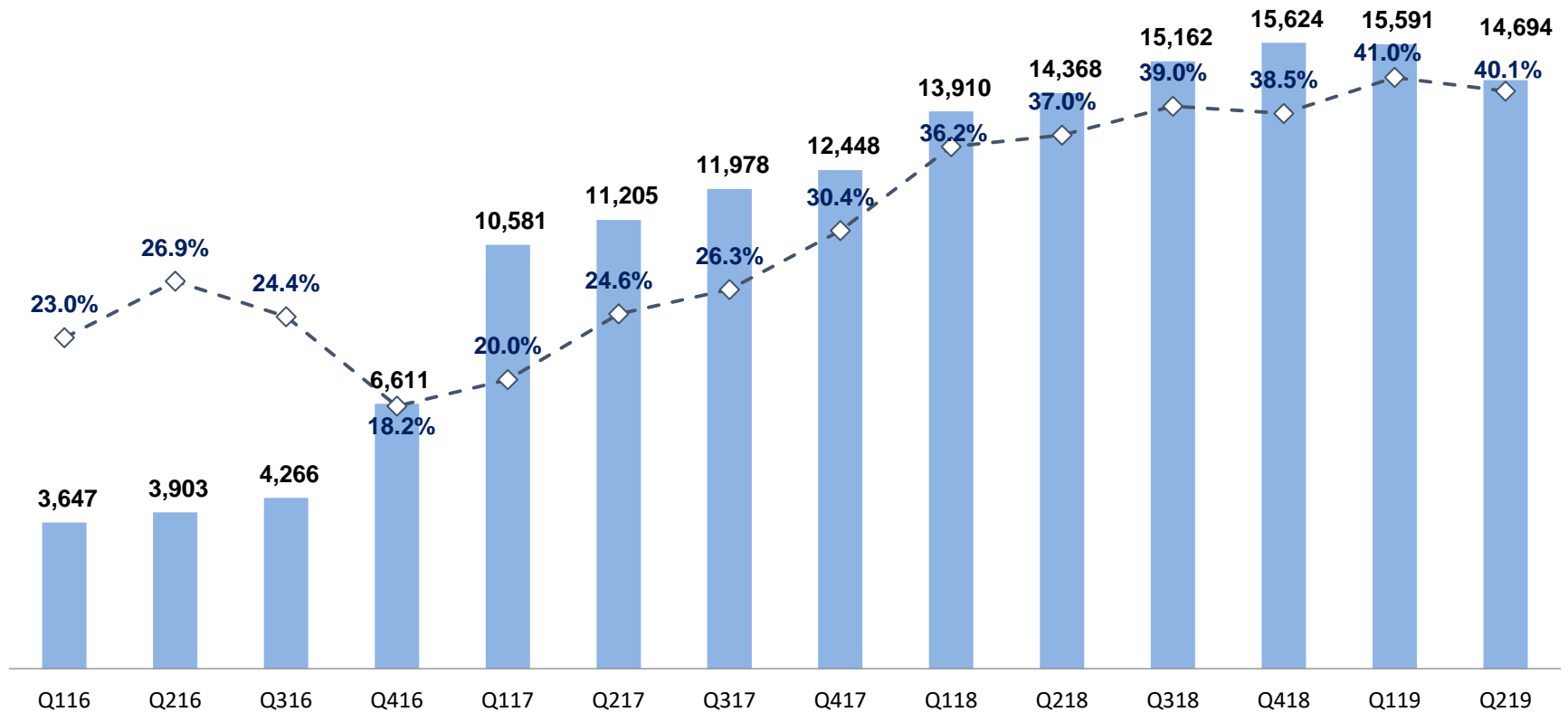


Revenue & Gross Margin

- Revenue and Gross Margin maintain at high level against the volatile industry and macro uncertainties.

(NT\$mn)

Revenue — ◇ — GM %



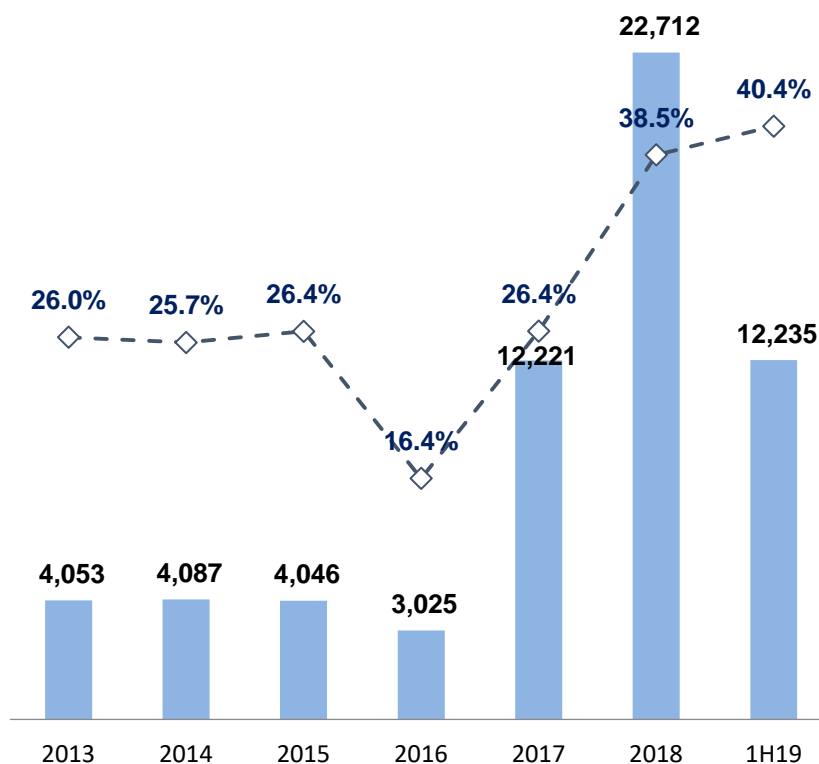
EBITDA & EPS

- High EBITDA underpins GWC's great profitability, best-ever EBITDA/Revenue %
- EPS amounts to NTD 17.02, surpassing 50% of 2018 full-year EPS

EBITDA

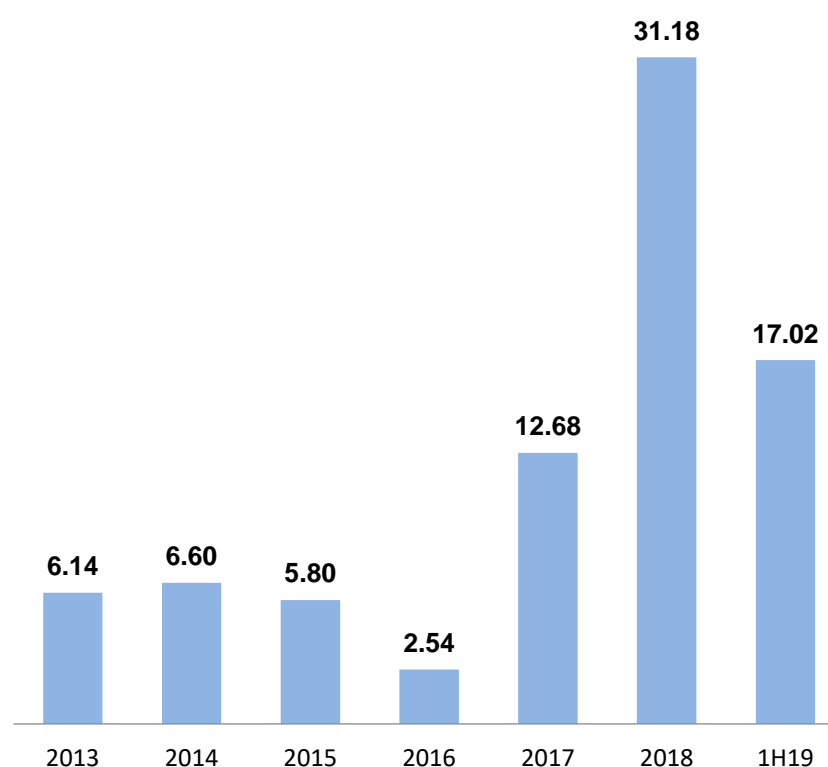
(NT\$mn)

■ EBITDA – ◇ – EBITDA to Revenue



EPS

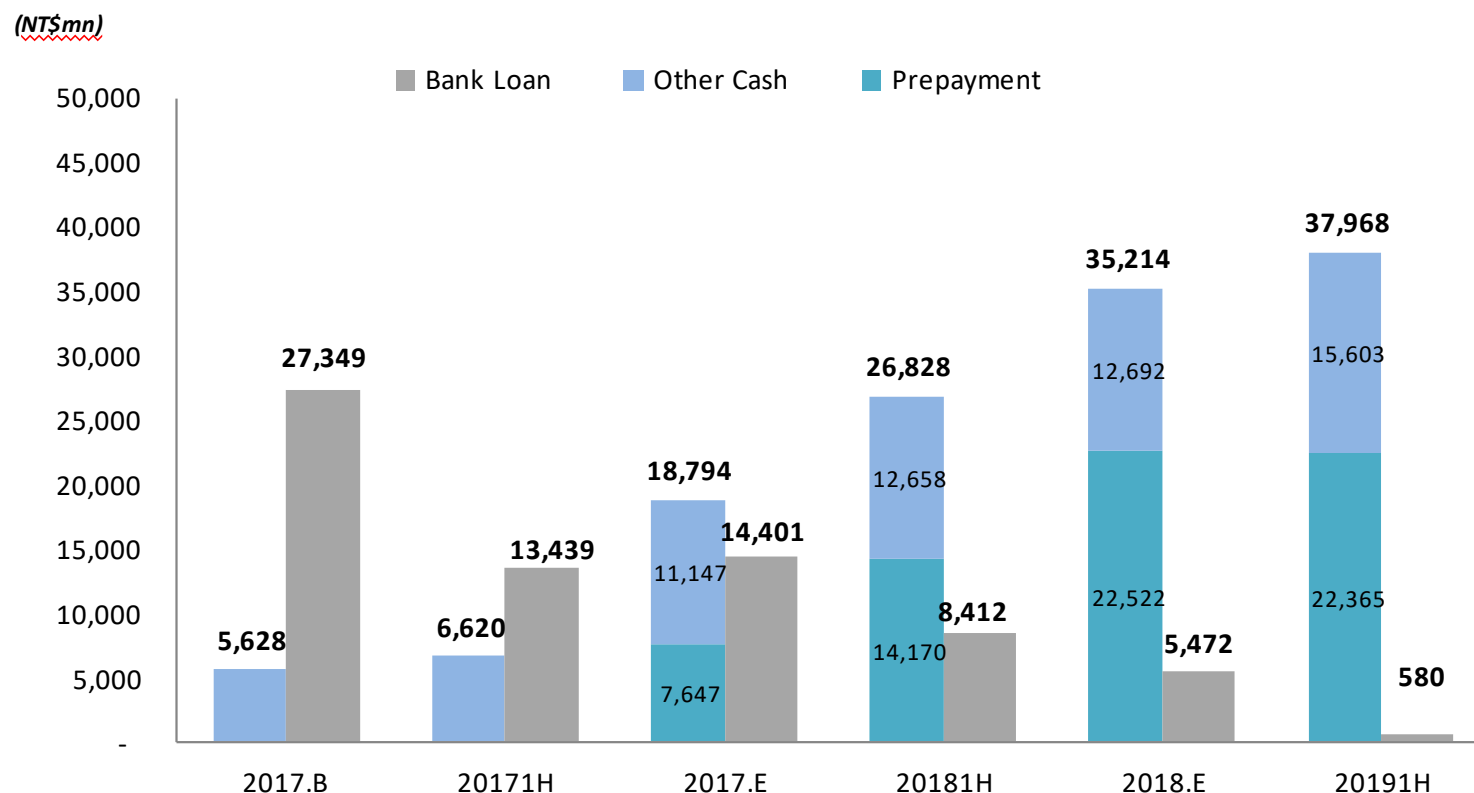
(NT\$)



Financial Leverage

- Solid financial structure
- Sufficient net cash position as reinforcement of sustainable development

Cash Structure and Bank Loan



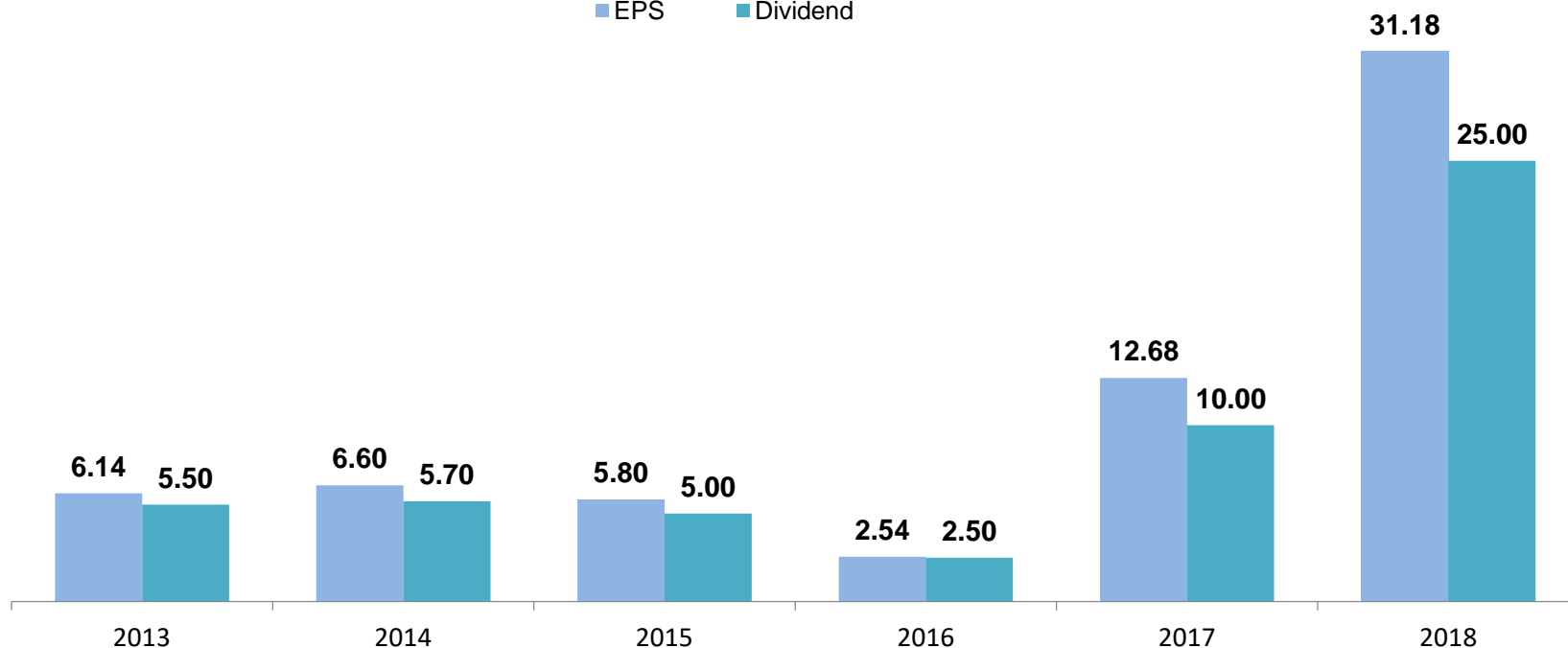
Dividend Payout

- **Lucrative EPS in conjunction with high dividend payout policy brings out profitable earnings for shareholders**

Dividend Payout since 2012 versus EPS

(NT\$)

■ EPS ■ Dividend



Dividend Payout Ratio	89.6%	86.4%	86.2%	98.4%	78.9%	80.2%
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Income Statement

Income Statement

(NT\$mn)	2013	2014	2015	2016	2017	2018	20191H
Revenue	15,570	15,922	15,310	18,427	46,213	59,064	30,285
<i>Growth (%)</i>	-	2.3%	-3.8%	20.4%	150.8%	27.8%	-
Gross Profit	3,663	3,728	4,073	4,130	11,808	22,299	12,278
<i>Gross Profit Margin (%)</i>	23.5%	23.4%	26.6%	22.4%	25.6%	37.8%	40.5%
EBITDA	4,053	4,087	4,046	3,025	12,221	22,712	12,236
<i>EBITDA Margin (%)</i>	26.0%	25.7%	26.4%	16.4%	26.4%	38.5%	40.4%
Operating Profit	2,194	2,336	2,685	1,378	7,414	17,578	9,873
<i>Operating Profit Margin (%)</i>	14.1%	14.7%	17.5%	7.5%	16.0%	29.8%	32.6%
Profit before Tax	2,204	2,679	2,808	1,344	6,875	18,253	10,284
<i>Profit before Tax Margin (%)</i>	14.2%	16.8%	18.3%	7.3%	14.9%	30.9%	34.0%
Net Profit	1,948	2,095	2,044	939	5,278	13,634	7,399
<i>Net Profit Margin (%)</i>	12.5%	13.2%	13.4%	5.1%	11.4%	23.1%	24.4%
EPS (NT\$)	6.14	6.60	5.80	2.54	12.68	31.18	17.02

Note: Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.



Balance Sheet

Balance Sheet

(NT\$mn)	2013	2014	2015	2016	2017	2018	20191H
Assets							
Cash and cash equivalents	1,536	2,685	3,662	5,628	18,794	35,214	37,968
Account receivable	3,165	3,694	4,538	7,642	7,869	9,226	9,259
Inventories	3,291	2,829	3,262	7,307	7,347	7,040	7,888
Property, plant and equipment	9,796	8,972	9,361	31,036	28,202	30,887	31,878
Other assets	3,286	3,204	2,994	8,948	8,020	7,455	8,588
Total assets	21,074	21,385	23,816	60,560	70,232	89,822	95,581
Liabilities							
Short-term loan	1,302	2,069	696	12,982	10,738	5,042	580
Account payable	1,816	1,789	1,383	5,126	4,269	4,870	4,585
Long term loan	--	--	--	14,367	3,663	430	-
Other liabilities	4,821	4,325	5,012	12,267	17,508	36,324	50,116
Total liabilities	7,939	8,184	7,091	44,742	36,178	46,666	55,281
Shareholder equity	13,135	13,201	16,725	15,819	34,054	43,156	40,300

Note:

1. Upon completion of GWC's acquisition of SunEdison Semiconductor ("SEMI") in 2016, FY2016 financials has included earnings from SEMI from the period of 02 Dec 2016 – 31 Dec 2016.

2. Account receivables include account receivables from related parties.

3. Account payables include account payables from related parties.



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Q&A





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