

AP Memory Technology Corporation

Roadshow

2018.09.13
KGI Security Comp.
12F

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OUTLINE

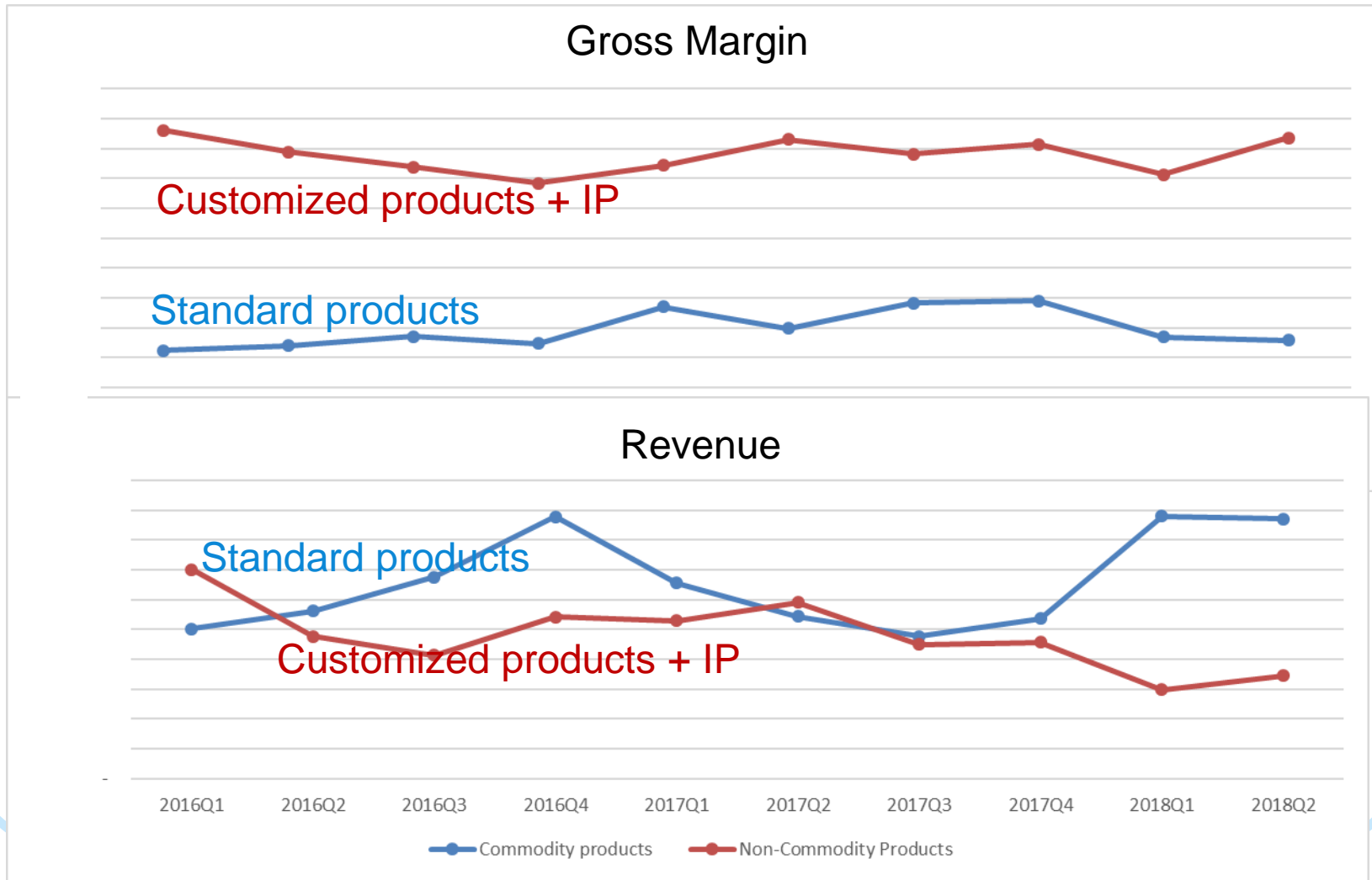
- Introduction
- Business Re-focusing & Future Prospects
- H1 2018 Financial Information

Introduction

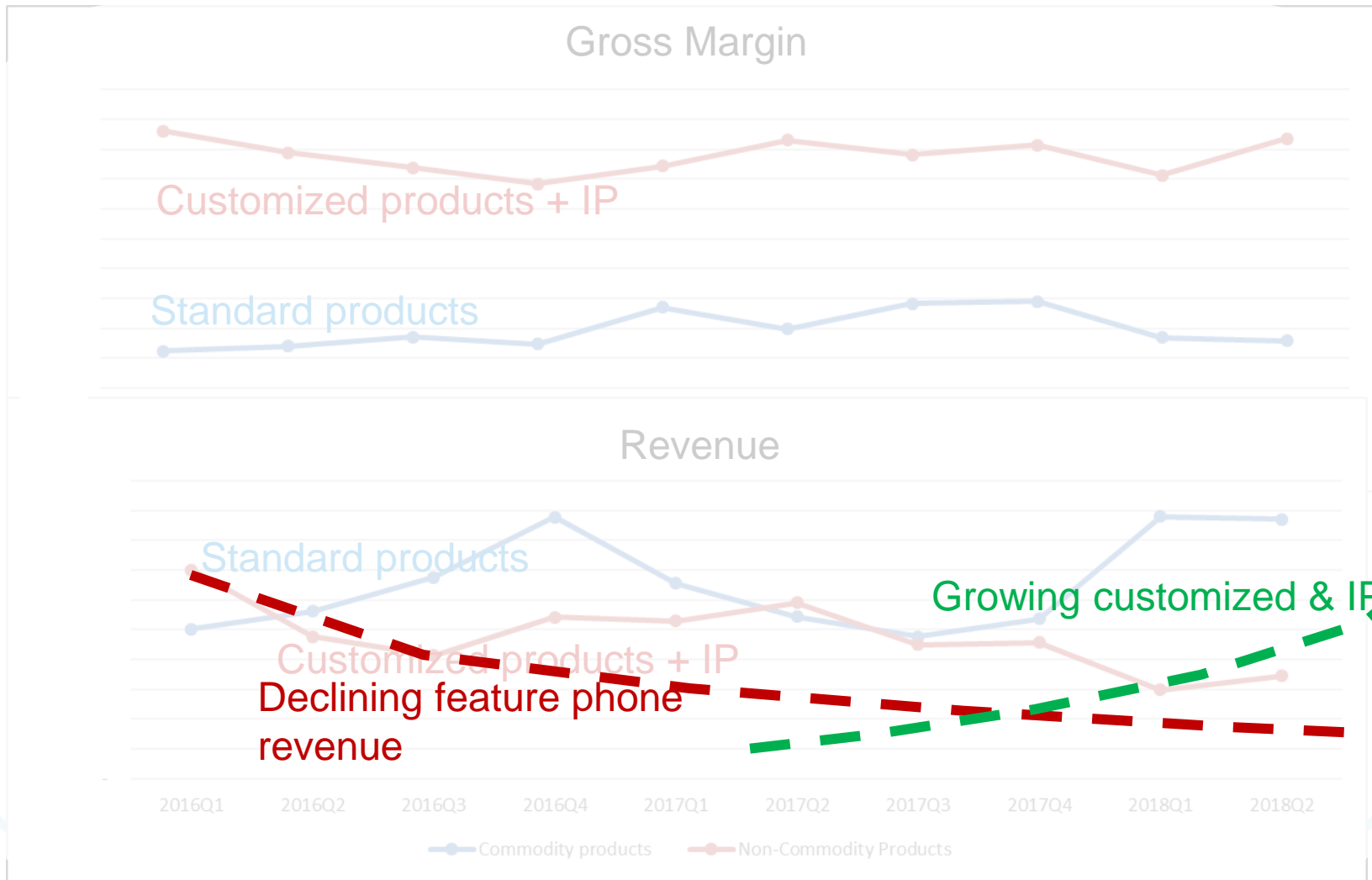
- Strategic re-focusing
 - Focus on high-margin customized products
 - Including Design Service & IP
 - Change business model for LP products
 - Improve margin on standard products.

Business Re-focusing & Future Prospects

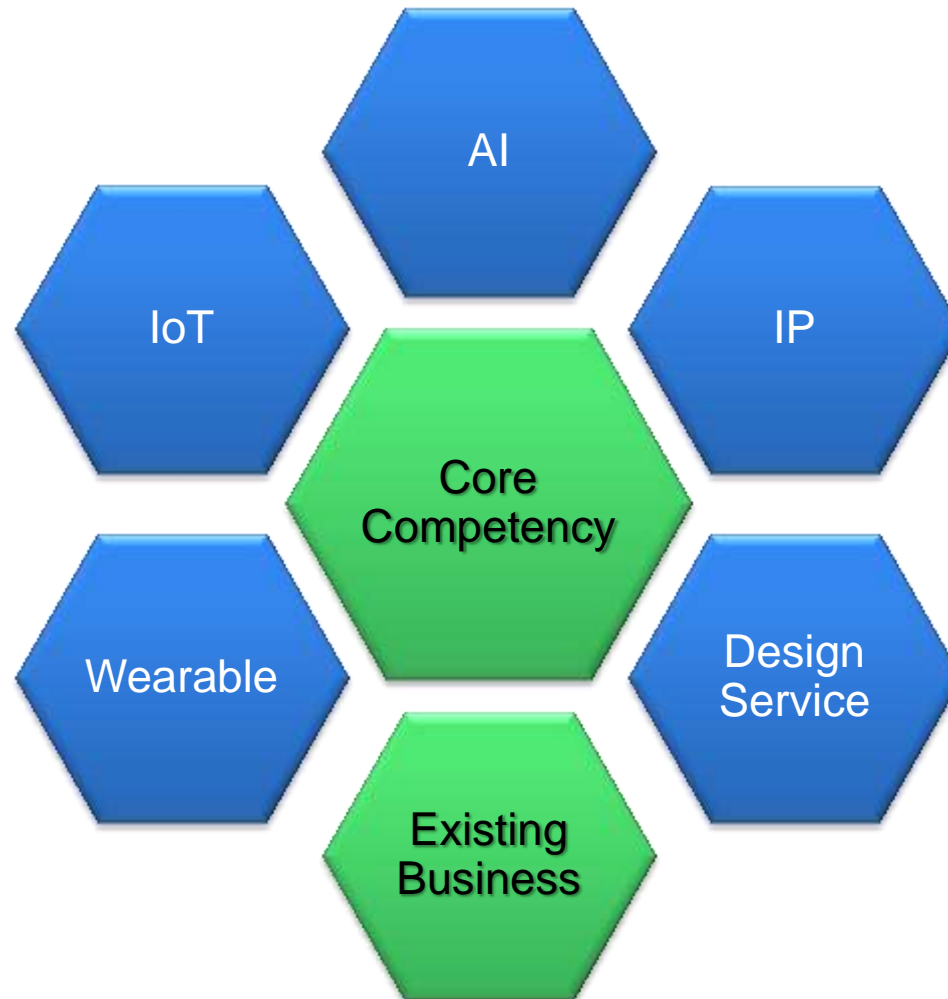
AP Memory financial model



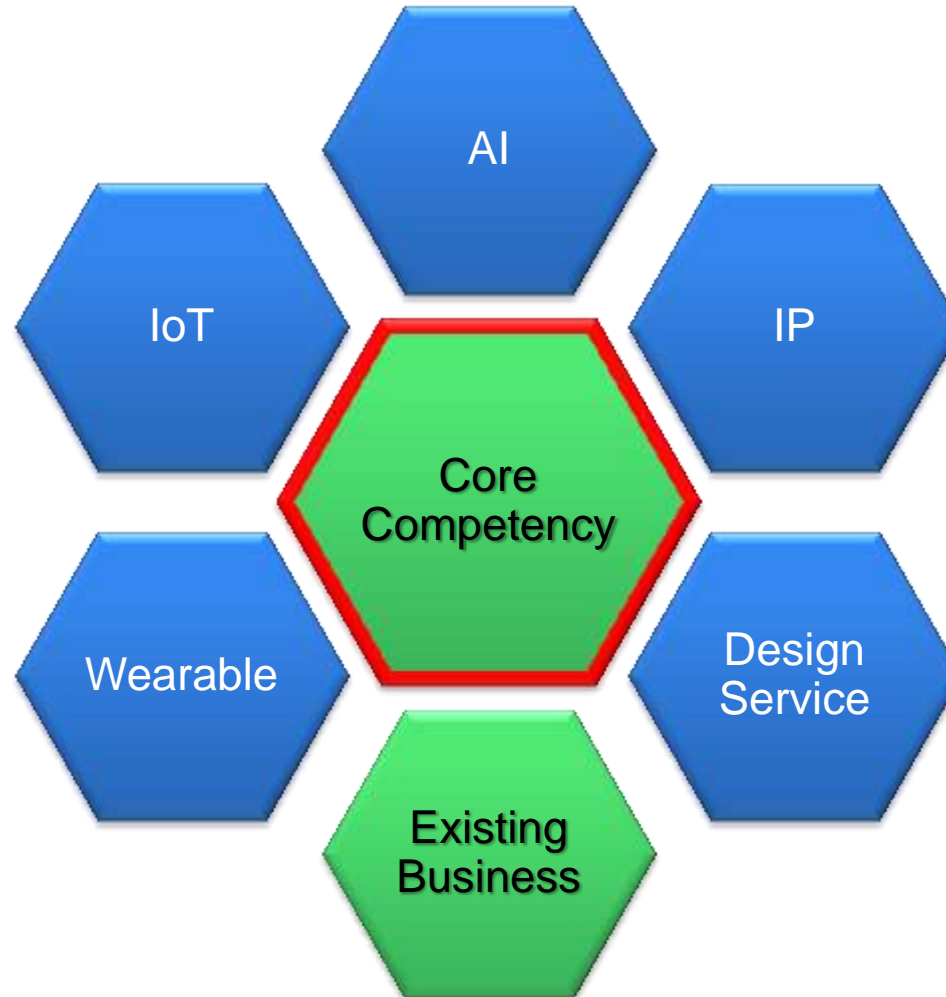
AP Memory financial model



Growth Areas: Customized + IP



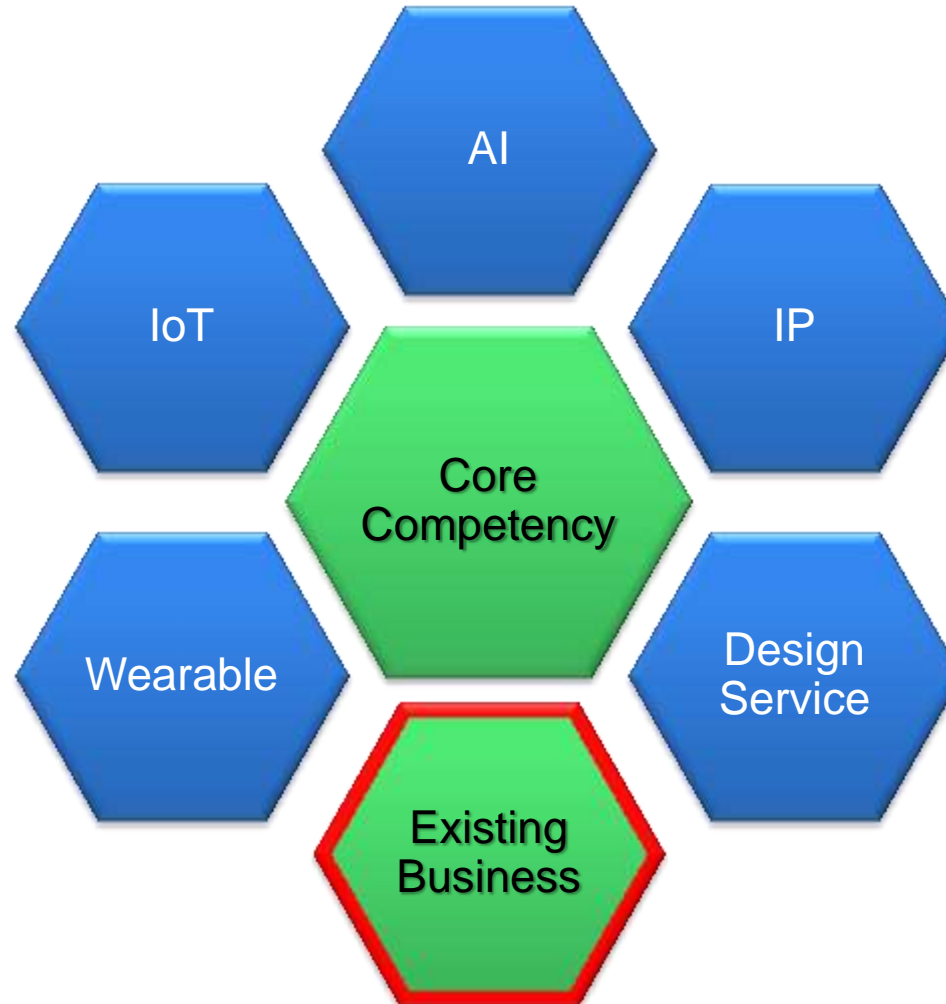
Growth Areas: Core Competency



Core Competency

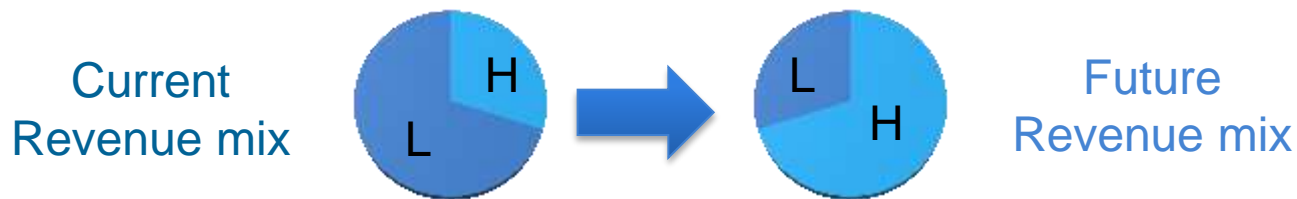
- 80+ development engineers
 - System & memory expertise
- Complete product portfolio
 - PSRAM + LP + Standard, including DDR4, LP4
- IP development pipeline

Growth Areas: Existing Business



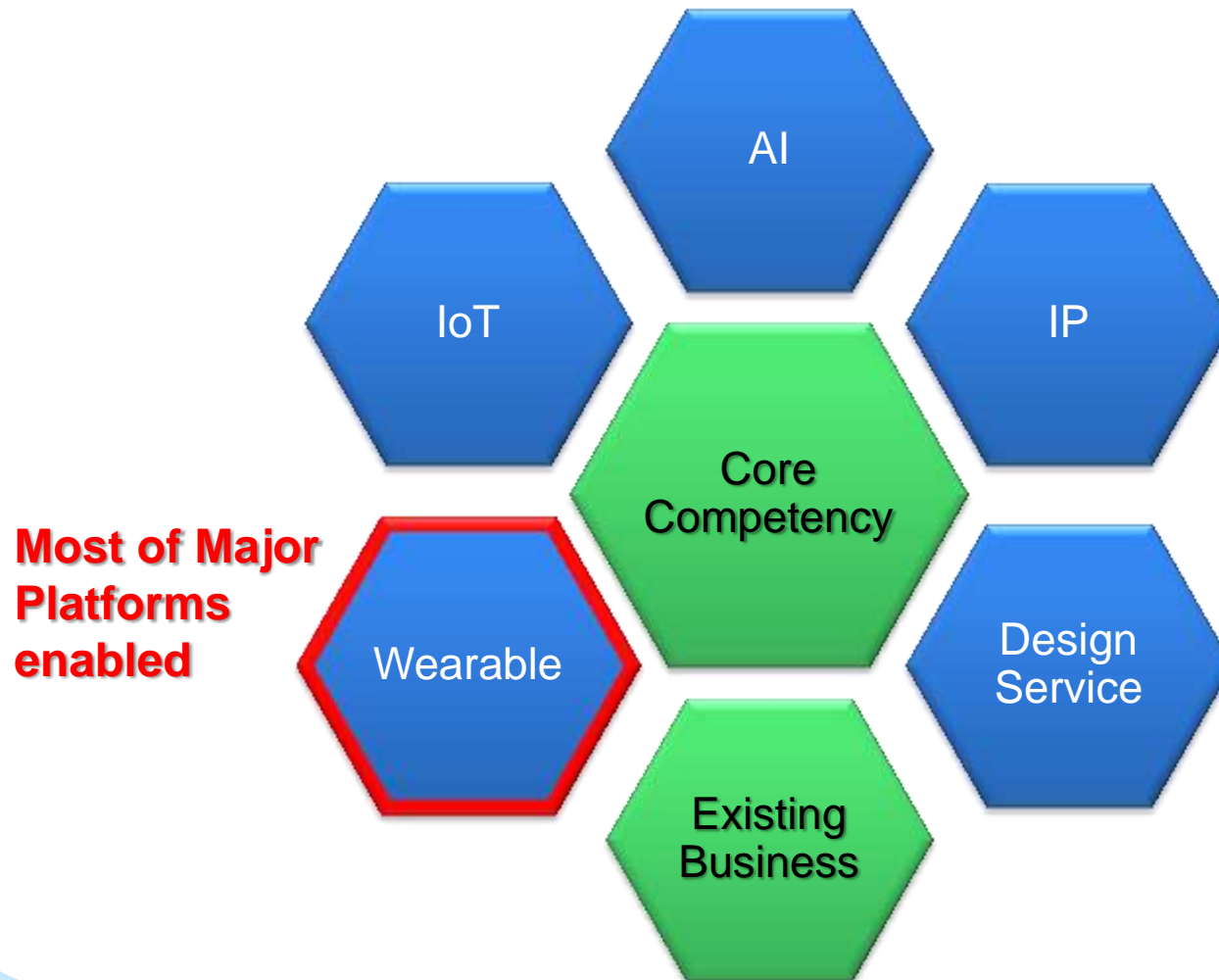
Optimization of Current Business

- LP DRAM business model change
 - Low-Margin Product Sales → **Licensing**
 - Profit neutral, higher margin, much lower risk
 - Contract signed, will reflect partially in Q4/Q1, fully Q2-19



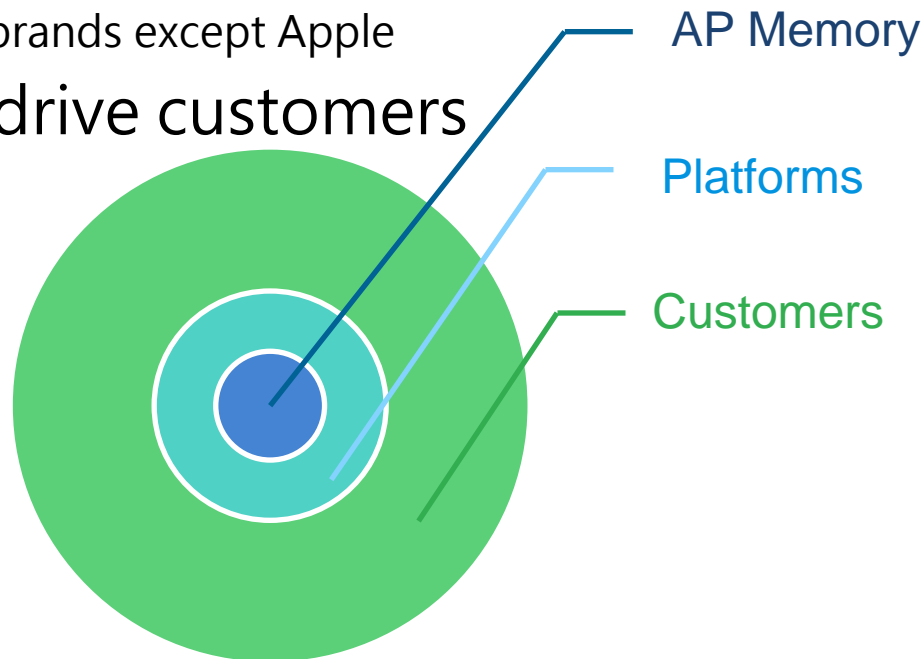
- Standard DRAM margin improvement
 - Leverage design service → reduce R&D cost
 - Increase customized sales → improve margin
- Anti-cyclical with DRAM
 - DRAM Up cycle: higher cost, margin pressure
 - DRAM Down cycle: lower cost, better margin

Growth Areas: Wearable



Wearable + Battery-Powered

- Ultra-low-power, ultra-compact products
- Many platforms enabled
 - Watches: leading MCUs such as ST, etc
 - BT earphones: many SOC platforms
 - Major brands except Apple
- Platforms drive customers

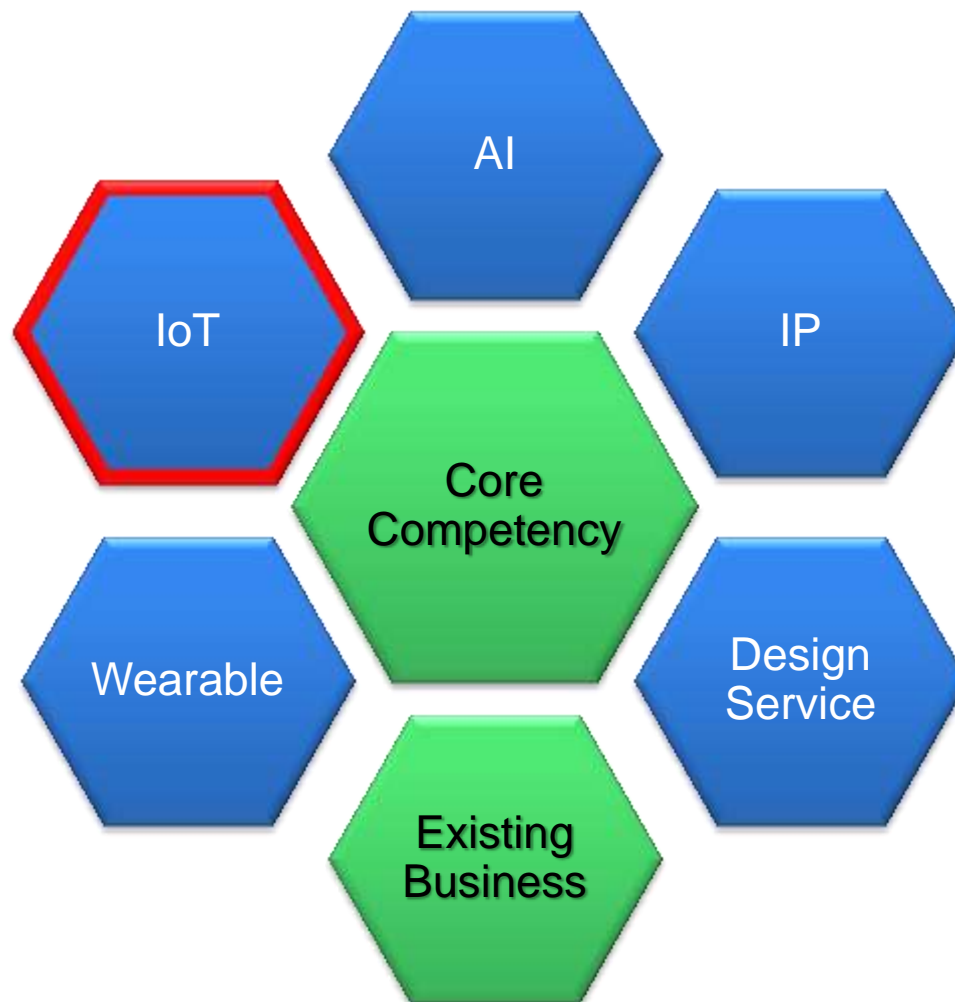


Home > ST Partner Program

AP MEMORY

Growth Areas: IoT

**Ramping
now
thru 2019**

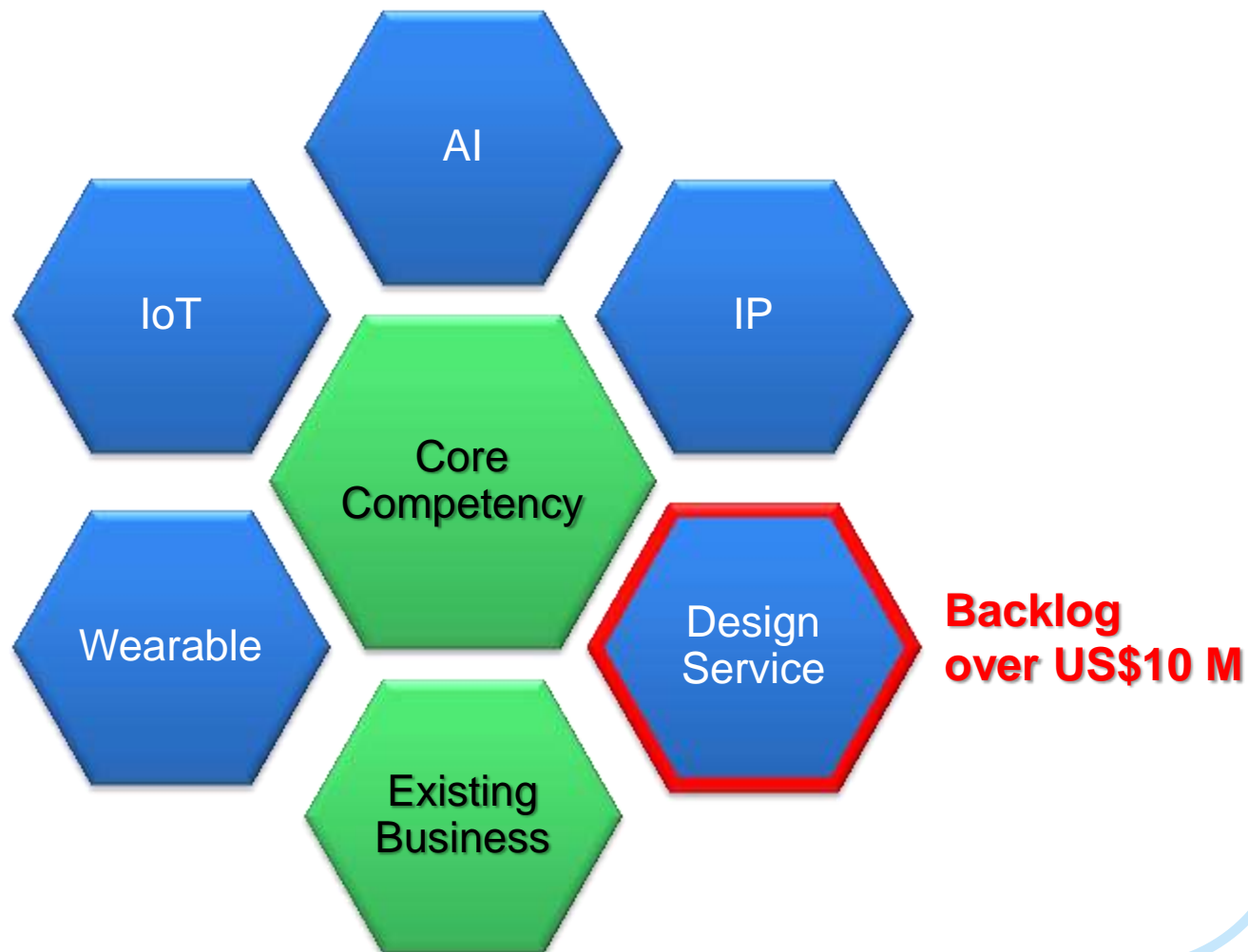


IoT/AIoT

- IoT
 - Linux-based: Customized LPDRAM
 - Revenue ramping now through 2019
 - RTOS-based: ultra-low-power PSRAM
 - Almost all NB-IoT platforms enabled
 - Revenue ramping now, but slowly
 - Transitioning from Embedded SRAM to PSRAM
- AIoT (AI + IoT)
 - Design-in ongoing with new AIoT memory
 - Revenue in 2019



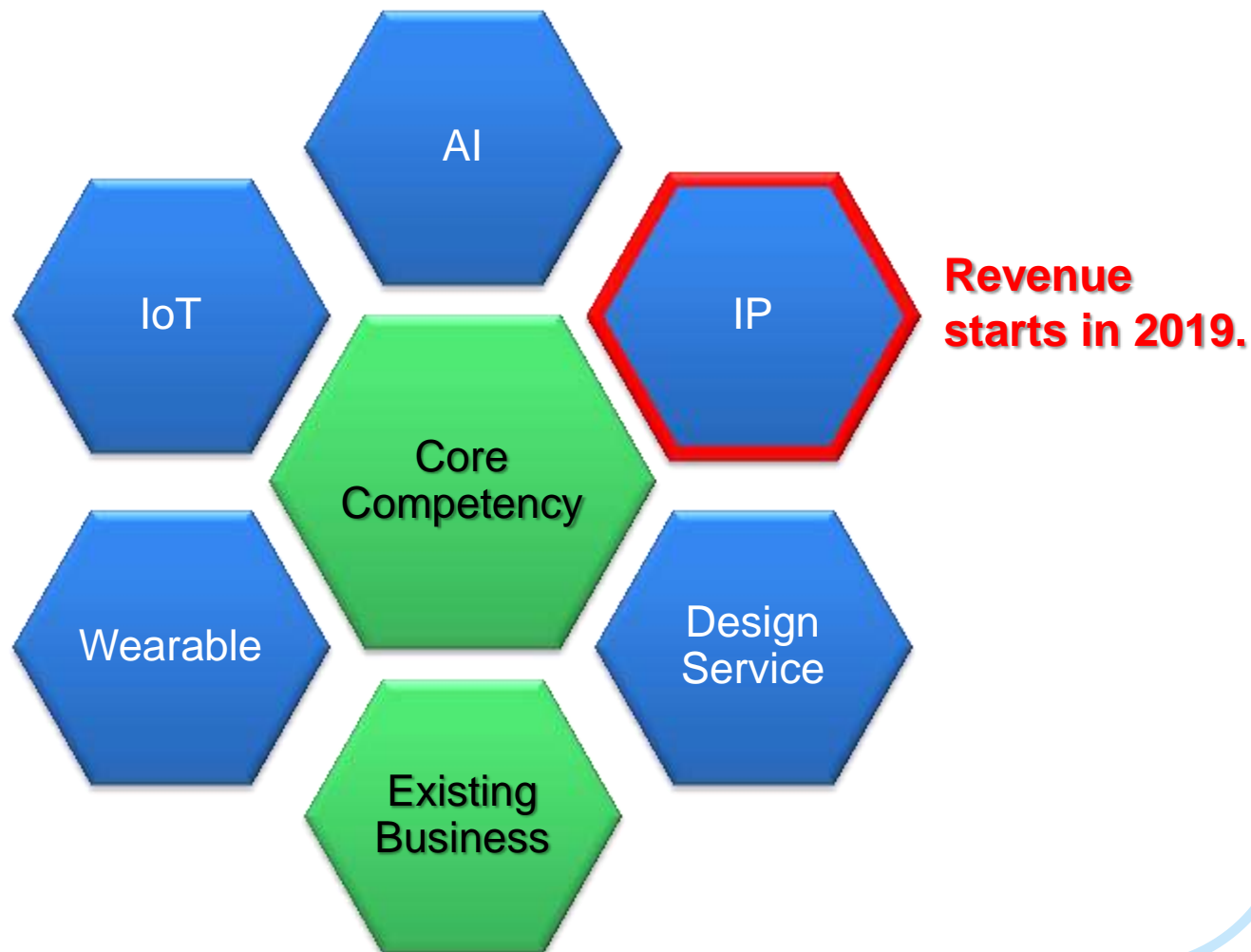
Growth Areas: Design Service



Design Service

- Close partnership with Powerchip
- Other projects with external customers
- Current design service backlog over US\$10 M
- Business model:
 - NRE + Royalty or NRE + Product Sale

Growth Areas: IP

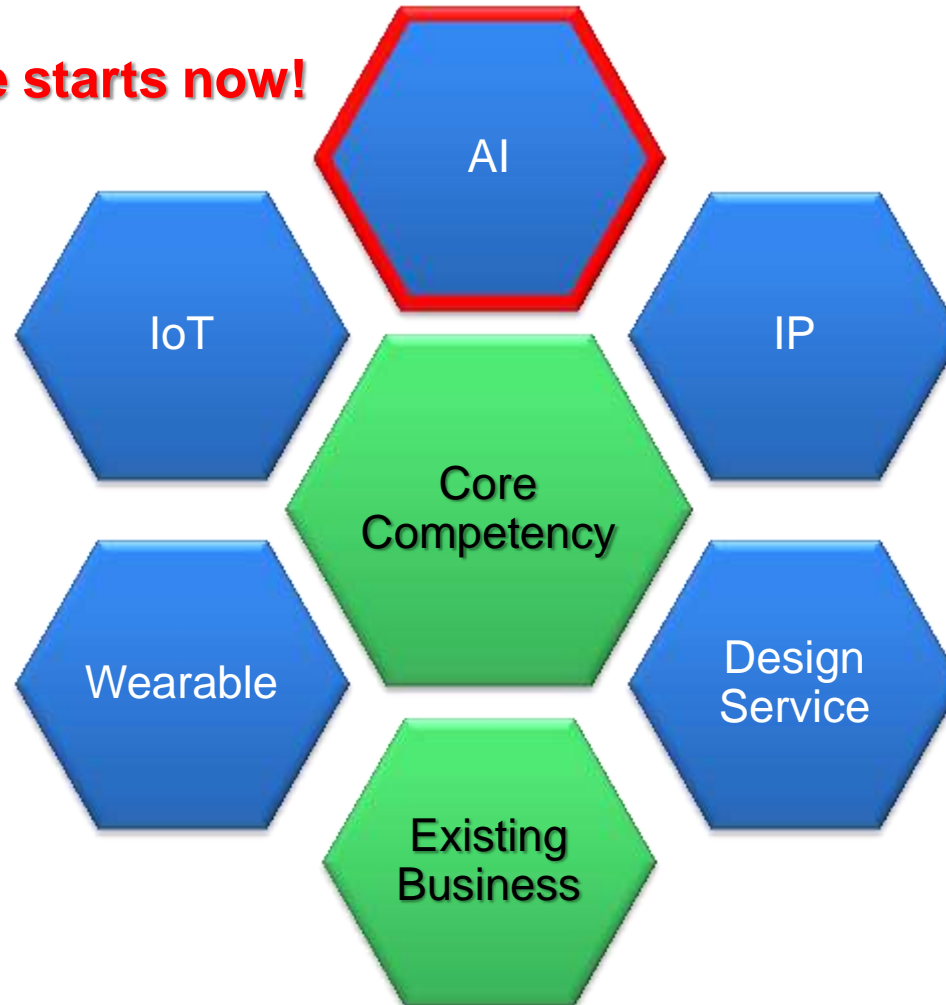


IP Licensing Pipeline

- 2T-SRAM
 - 3X SRAM size reduction for LCD drivers
 - Targeting AMOLED drivers
 - 1st Licensing MOU signed
 - Revenue starts in 2019
- Ferroelectric Memory
 - IP development stage
 - Revenue timeline not yet certain

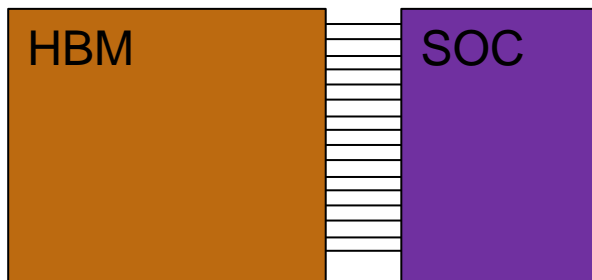
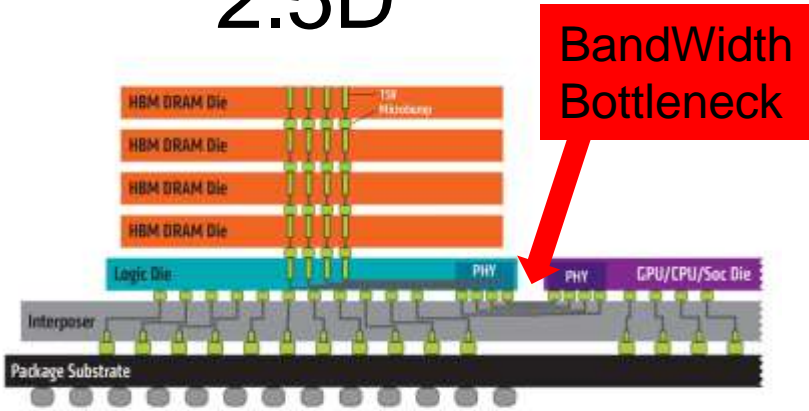
Growth Areas: Customized + IP

The future starts now!



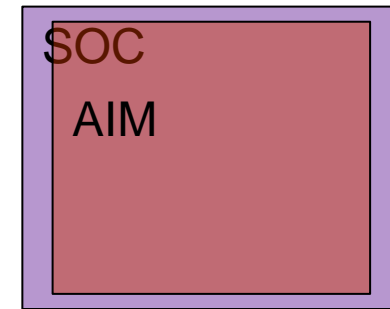
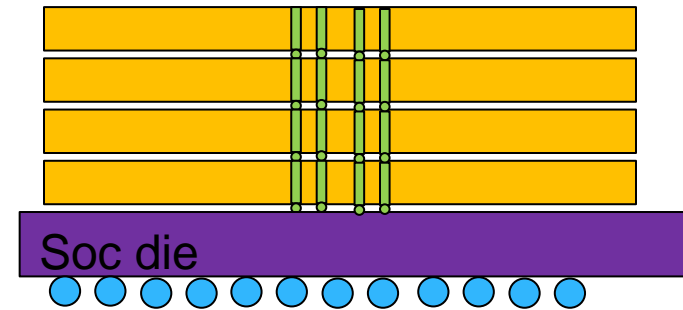
AI Memory – historical opportunity

2.5D



~2,000 connections

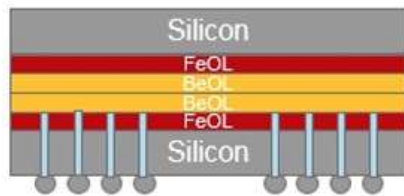
3D



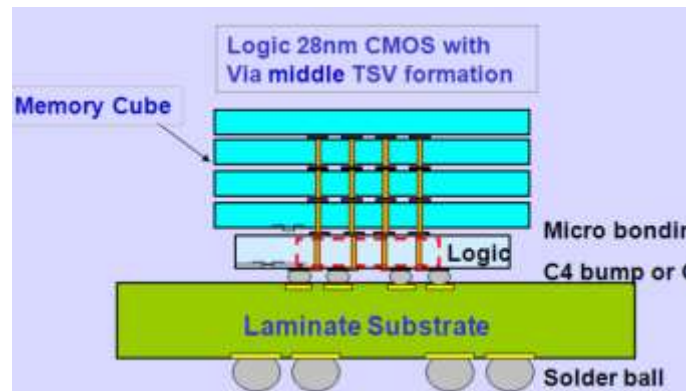
Millions of connections

AI / Computing-in-Memory

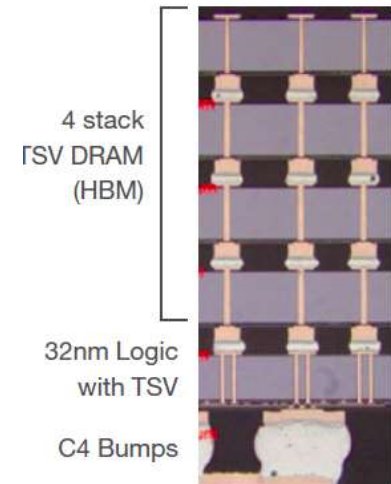
- AI/CIM Platform: Partnership with Powerchip
 - Enabling Platform with Design Service
 - 3 Contracts signed
 - NRE now, royalty/sales revenue in 2019
- 3D stacking
 - Eco-system emerging



TSMC



UMC



3D Logic + HBM

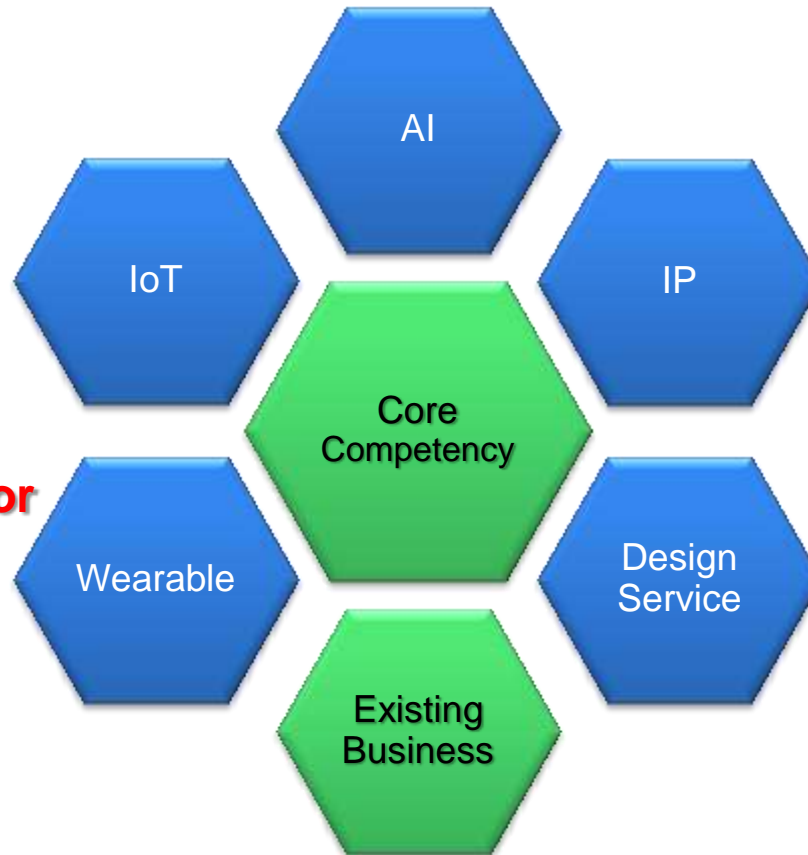
Global Foundry

Growth Areas: Customized + IP

The future starts now!

**Ramping
now
thru 2019**

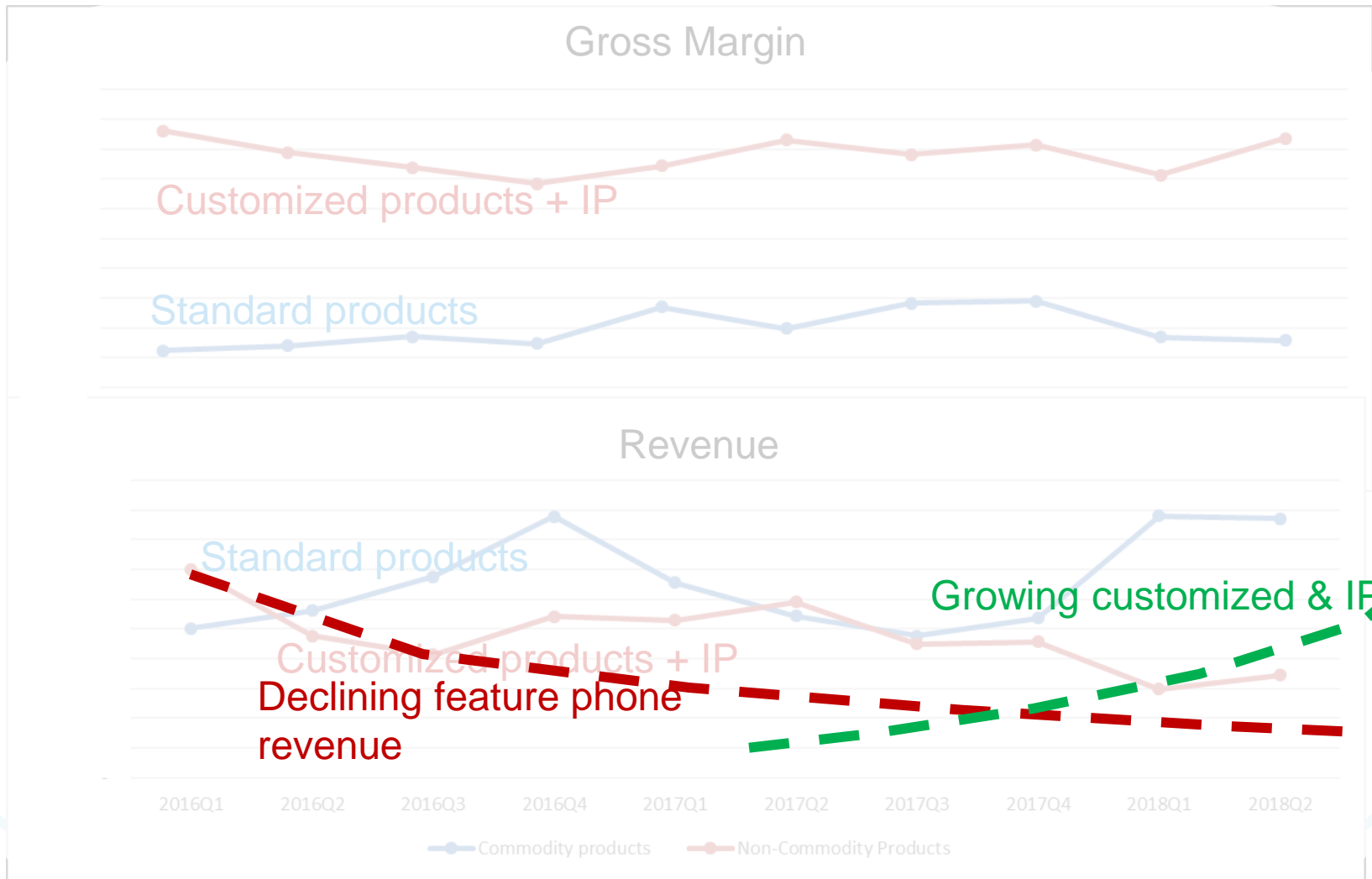
**Most of Major
Platforms
enabled**



**Revenue
starts in 2019.**

**Backlog
over US\$10 M**

Future Growth Expectation



H1 2018 Financial Information

2018.H1 Consolidated I/S

in NT\$K	2018H1	2017H1	YoY	
			ΔAMT	Δ%
Sales revenue	2,390,789	2,316,803	73,986	3
Costs of Goods Sold	1,938,425	1,757,306	181,119	10
Gross Margin	452,364	559,497	(107,133)	(19)
Gross Margin Rate (%)	19%	24%		(22)
Sales & Mktng Exp.	38,048	64,067	(26,019)	(41)
Adm. Exp.	42,273	55,316	(13,043)	(24)
R&D Exp.	245,547	177,149	68,398	39
Expected Credit Loss	(597)	3,987	(4,584)	(115)
Operating Expenses	325,271	300,519	24,752	8
Operating Income	127,093	258,978	(131,885)	(51)
Operating Income Rate (%)	5%	11%		(52)
Non-Operating P&L	28,264	(92,208)	120,472	(131)
Income before Tax	155,357	166,770	(11,413)	(7)
Income Tax Exp.	24,431	58,678	(34,247)	(58)
Net Income	130,926	108,092	22,834	21
Net Income Rate (%)	5%	5%		17
Net Income for the Company	130,926	127,091	3,835	3
EPS(NT\$)	1.85	1.81	0.04	2

2018.Q2 Consolidated I/S

in NT\$K	2018.Q2	QoQ			YoY		
		2018.Q1	ΔAMT	Δ%	2017.Q2	ΔAMT	Δ%
Sales revenue	1,215,161	1,175,628	39,533	3	1,132,694	82,467	7
Costs of Goods Sold	989,454	948,971	40,483	4	863,393	126,061	15
Gross Margin	225,707	226,657	(950)	(0)	269,301	(43,594)	(16)
Gross Margin Rate (%)	19%	19%	(4)	(4)	24%	(22)	(22)
Sales & Mktng Exp.	18,683	19,365	(682)	(4)	29,507	(10,824)	(37)
Adm. Exp.	21,215	21,058	157	1	27,459	(6,244)	(23)
R&D Exp.	127,908	117,639	10,269	9	99,456	28,452	29
Expected Credit Loss	(975)	378	(1,353)	(358)	(19,686)	18,711	(95)
Operating Expenses	166,831	158,440	8,391	5	136,736	30,095	22
Ope. Income	58,876	68,217	(9,341)	(14)	132,565	(73,689)	(56)
Ope. Income Rate (%)	5%	6%	(17)	(17)	12%	(59)	(59)
Non-Operating P&L	54,112	(25,848)	79,960	(309)	12,012	42,100	350
Income before Tax	112,988	42,369	70,619	167	144,577	(31,589)	(22)
Income Tax Exp.	19,138	5,293	13,845	262	49,651	(30,513)	(61)
Net Income	93,850	37,076	56,774	153	94,926	(1,076)	(1)
Net Income Rate (%)	8%	3%	145	145	8%	(8)	(8)
Net Income for the Company	93,850	37,076	56,774	153	102,589	(8,739)	(9)
EPS(NT\$)	1.32	0.52	0.80	154	1.46	(0.14)	(10)

2018.06.30 Consolidated B/S

in NT\$K	2018.06.30		2017.12.31		ΔAMT	Δ%	2017.06.30		ΔAMT	Δ%
	AMT	%	AMT	%			AMT	%		
Cash & Cash Equivalents	869,924	25	1,066,354	33	(196,430)	(18)	1,876,324	38	(1,006,400)	(54)
A/R (net)	685,937	20	598,575	18	87,362	15	803,931	28	(117,994)	(15)
Inventory (net)	1,315,742	38	942,274	29	373,468	40	672,839	17	642,903	96
Other Current Assets	155,906	4	155,596	5	310	0	86,831	4	69,075	80
Investments in Equity Method	75,012	2	74,303	2	709	1	71,180	2	3,832	5
Property, Plant, and Equip.	51,086	2	68,341	2	(17,255)	(25)	126,544	2	(75,458)	(60)
Goodwill	76,204	2	76,204	3	-	-	76,204	2	-	-
Other Intangible Assets	97,708	3	102,502	3	(4,794)	(5)	107,807	3	(10,099)	(9)
Other Noncurrent Assets	157,075	4	159,604	5	(2,529)	(2)	151,047	2	6,028	4
Total Assets	3,484,594	100	3,243,753	100			3,972,707	100		
Debts	150,000	4	100,000	3	50,000	50	160,000	7	(10,000)	(6)
A/P	473,892	14	385,981	12	87,911	23	606,217	11	(132,325)	(22)
Other Payables	171,164	5	101,840	3	69,324	68	241,747	4	(70,583)	(29)
Tax Liabilities	16,346	-	47,649	2	(31,303)	(66)	68,050	1	(51,704)	(76)
Others	27,344	1	10,941	-	16,403	150	7,172	1	20,172	281
Total Liabilities	838,746	24	646,411	20			1,083,186	25		
Common Stocks	748,095	22	709,293	22	38,802	5	706,453	18	41,642	6
Additional Paid-in Capital	845,944	24	826,272	25	19,672	2	808,499	21	37,445	5
Retained Earnings	1,074,412	31	1,085,893	34	(11,481)	(1)	1,057,237	28	17,175	2
Others	(22,603)	(1)	(24,116)	(1)	1,513	(6)	(23,353)	(1)	750	(3)
Owners' Equity	2,645,848	76	2,597,342	80			2,548,836	66		
Minority Interests	-	-	-	-	-	-	340,685	9	(340,685)	(100)
Total Equities	2,645,848	76	2,597,342	80			2,889,521	75		
BV per shares	35.37		36.62				36.08			

2018.H1 Cash Flow Status

in NT\$K	2018.H1	2017.H1
Cash Flow from Operating Activities		
Cash from Operations	(243,419)	548,976
Interests Received	4,267	3,143
Interests Paid	(535)	(1,960)
Tax Paid	(47,994)	(55,654)
Cash in(out)flows from Ope. Activities	(287,681)	494,505
Cash Flow from Investing Activities		
Cash in(out)flows from Invest. Activities	36,824	(39,695)
Cash Flow from Financing Activities		
Cash in(out)flows from Fin. Activities	53,595	(117,356)
Foreign exchange G(L) on cash	2,132	(1,956)
Net cash in(out)flow on Cash and Cash equivalents	(195,130)	335,498
Beginning Cash Balance	1,061,883	1,376,210
End Cash Balance	866,753	1,711,708

2018 .H1 Financial Structures

	2018.H1	2017
Current Ratio	362.13%	427.29%
Quick Ratio	190.55%	267.63%
Average A/R collection days *	50 days	74 days
Days sales of inventory *	117 days	108 days
Net income %	5.48%	5.58%
ROA *	7.81%	6.73%

* Annualized figures

Conclusions

- Short-term action
 - Improve profitability
 - Focus on high-margin business
 - LPDRAM Sales → Licensing
- Mid-term outlook
 - Optimize core business
 - Execute development pipeline



Q & A

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