

MediaTek Inc. Reports Fourth Quarter 2018 Consolidated Results

MediaTek discloses Taiwan-International Financial Reporting Standards (TIFRS) financial measures and also provides Non-Taiwan-International Financial Reporting Standards (Non-TIFRS)^{Note1} financial measures as supplemental information. Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Earnings distribution is made in accordance with financial statements based on TIFRS.

Taiwan-International Financial Reporting Standards (TIFRS) financial measures

- 4Q18 consolidated revenue of NT\$60,892 million, down 9.2% from previous quarter
- 4Q18 consolidated gross margin of 38.9%, up 0.4 percentage points from previous quarter
- 4Q18 consolidated operating income of NT\$3,851 million, down 39.0% from previous quarter
- 4Q18 consolidated net income of NT\$3,752 million; EPS of NT\$2.42
- 2018 consolidated revenue of NT\$238,057 million; Gross margin of 38.5%, up 2.9 percentage points year-over-year
- 2018 consolidated operating income of NT\$16,182 million, up 64.8% year-over-year; EPS of NT\$13.26

Consolidated Revenue

MediaTek Inc. today announced financial results of fourth-quarter ended December 31, 2018. The fourth-quarter revenue was NT\$60,892 million, down 9.2% sequentially and up 0.8% year-over-year. The quarter-over-quarter decrease was mainly due to seasonal decrease in consumer electronics demand. Annual revenue totaled NT\$238,057 million, down 0.1% year-over-year.

Consolidated Gross Profit and Gross Margin

The fourth-quarter gross profit was NT\$23,702 million, down 8.2% sequentially and up 4.9% year-over-year. Gross margin for the quarter was 38.9%, up 0.4 percentage points sequentially and up 1.5 percentage points year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to favorable product mix.

Gross profit of the year amounted to NT\$91,724 million (gross margin: 38.5%), up 8.1% year-over-year.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$19,851 million (32.6% of revenue), compared with NT\$19,515 million (29.1% of revenue) in the previous quarter and NT\$21,294 million (35.3% of revenue) in the same period last year. The quarter-over-quarter increase was mainly due to higher year-end reimbursements, and year-over-year decrease was mainly due to the operating expenses related to an one-off disposal gain in the same quarter last year which was not recurring this quarter.

Operating expenses for the quarter included:

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- R&D expenses of NT\$15,070 million (24.7% of revenue), increased from NT\$14,890 million in the previous quarter and decreased from NT\$15,859 million in the same period last year.
- Selling expenses of NT\$3,222 million (5.3% of revenue), increased from NT\$2,908 million in the previous quarter and increased from NT\$3,050 million in the same period last year.
- Administration expenses of NT\$1,559 million (2.6% of revenue), decreased from NT\$1,716 million in the previous quarter and decreased from NT\$2,385 million in the same period last year.

Full-year 2018 operating expense was NT\$75,541 million (31.7% of revenue), increased 0.6% year-over-year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$3,851 million, down 39.0% sequentially and up 198.5% year-over-year. Operating margin for the quarter was 6.3%, decreased from 9.4% in the previous quarter and increased from 2.1% in the year-ago quarter.

Operating income of the year was NT\$16,182 million (operating margin: 6.8%), up 64.8% year-over-year.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$319 million, or 0.5% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$418 million.

Non-operating income of the year amounted to NT\$7,509 million, compared with NT\$17,418 million last year.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$3,752 million, down 45.4% sequentially and down 63.1% year-over-year. Net profit margin for the quarter was 6.2%, decreased from 10.3% in the previous quarter and decreased from 16.8% in the year-ago quarter. EPS was NT\$2.42, compared with NT\$4.39 in the prior quarter and NT\$6.50 in the year-ago quarter. The quarter-over-quarter decreases in net income, net profit margin and EPS were mainly due to lower quarterly sales and higher operating expense this quarter. The year-over-year decreases in net income, net profit margin and EPS were mainly due to the one-off gains on disposal of investments in the same quarter last year which was not recurring in this quarter.

Full year 2018 net income was NT\$20,782 million, down 13.7% year-over-year. Accumulated EPS was NT\$13.26 for the year, compared with NT\$15.56 last year.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$164,671 million. This represents 40.9% of the company's total assets. Cash and financial assets-current was NT\$170,509 million and NT\$170,120 million at the end of previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes mutual funds, bonds and derivatives.

Consolidated Accounts Receivable

Accounts receivable (net) at the end of the quarter was NT\$28,939 million. The accounts receivable turnover was 46 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 44 days in the last quarter and higher than the 29 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$30,980 million at the end of the quarter. The inventory turnover was 85 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than the 83 days in the last quarter and higher than the 76 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$8,703 million, compared with net cash provided by operating activities of NT\$4,100 million in the prior quarter and net cash provided by operating activities of NT\$16,739 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (January 30). A live webcast of the conference call will be available through the Investor Relations section of the MediaTek website. Investors who want to raise questions may use the toll number attached below.

Schedule and Webcast Links:

In Mandarin 4:00 – 5:00 p.m. (Taiwan Time)

http://wms.gridow.com/ir/mediatek/tw/mediatek_2018Q4_tw.html

In English 5:30 – 6:30 p.m. (Taiwan Time)

http://wms.gridow.com/ir/mediatek/en/mediatek_2018Q4_en.html

Dial-in Number: +886-2-21928016

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About MediaTek Inc.

MediaTek Incorporated (TWSE: 2454) is a global fabless semiconductor company that enables 1.5 billion connected devices a year. We are a market leader in developing innovative systems-on-chip (SoC) for mobile device, home entertainment, connectivity and IoT products. Our dedication to innovation has positioned us as a driving market force in several key technology areas, including highly power-efficient mobile technologies and advanced multimedia solutions across a broad range of products such as smartphones, tablets, digital televisions, OTT boxes, wearables and automotive solutions. MediaTek empowers and inspires people to expand their horizons and more easily achieve their goals through smart technology. We call this idea Everyday Genius and it drives everything we do. Visit www.mediatek.com for more information.

Taiwan-International Financial Reporting Standards (TIFRS)

MediaTek Inc. Consolidated Income Statement (Unaudited)

(In NT\$ millions, except EPS)	4Q18	3Q18	4Q17	Q-Q	Y-Y
Net Sales	60,892	67,030	60,403	(9.2%)	0.8%
Operating costs	(37,190)	(41,206)	(37,819)		
Gross profit	23,702	25,825	22,584	(8.2%)	4.9%
Selling expenses	(3,222)	(2,908)	(3,050)		
Administration expenses	(1,559)	(1,716)	(2,385)		
R&D expenses	(15,070)	(14,890)	(15,859)		
Operating expenses	(19,851)	(19,515)	(21,294)		
Operating income	3,851	6,310	1,290	(39.0%)	198.5%
Net non-operating income	319	1,342	9,445		
Net income before income tax	4,170	7,652	10,735		
Income tax expense	(418)	(779)	(575)		
Net income	3,752	6,872	10,160	(45.4%)	(63.1%)
EPS attributable to the parent(NT\$)	2.42	4.39	6.50		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	4Q18	3Q18	4Q17
Gross profit	38.9%	38.5%	37.4%
Selling expenses	(5.3%)	(4.3%)	(5.0%)
Administration expenses	(2.6%)	(2.6%)	(3.9%)
R&D expenses	(24.7%)	(22.2%)	(26.3%)
Operating income	6.3%	9.4%	2.1%
Non-operating income	0.5%	2.0%	15.6%
Income tax expense	(0.7%)	(1.2%)	(1.0%)
Net income	6.2%	10.3%	16.8%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Unaudited)

(In NT\$ millions, except EPS)	2018	2017	Y-Y
Net Sales	238,057	238,216	(0.1%)
Operating costs	(146,334)	(153,330)	
Gross Profit	91,724	84,886	8.1%
Selling expenses	(11,227)	(10,465)	
Administration expenses	(6,766)	(7,431)	
R&D expenses	(57,549)	(57,171)	
Operating Expenses	(75,541)	(75,067)	
Operating Income	16,182	9,819	64.8%
Net Non-operating Income	7,509	17,418	
Net Income Before Income Tax	23,691	27,237	
Income tax expense	(2,909)	(3,167)	
Net Income	20,782	24,070	(13.7%)
EPS Attributable to the Parent(NT\$)	13.26	15.56	

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2018	2017
Gross profit	38.5%	35.6%
Selling expenses	(4.7%)	(4.4%)
Administration expenses	(2.8%)	(3.1%)
R&D expenses	(24.2%)	(24.0%)
Operating income	6.8%	4.1%
Non-operating income	3.2%	7.3%
Income tax expense	(1.2%)	(1.3%)
Net income	8.7%	10.1%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	4Q18	3Q18	4Q17
Cash & financial assets-current	164,671	170,509	170,120
Accounts receivable	28,939	32,998	16,895
Inventories	30,980	38,008	26,540
Other current assets	11,448	13,579	25,109
Funds and investments	49,262	49,424	37,772
Intangible assets	73,789	74,093	76,029
Other non-current assets	43,748	43,662	42,348
Total assets	402,836	422,274	394,814
Short-term loans	51,057	63,891	64,316
Accounts payable	17,687	25,277	23,584
Other current liabilities	53,848	55,923	39,357
Total non-current liabilities	5,918	5,267	6,358
Total equity	274,326	271,917	261,199

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	4Q18	3Q18	4Q17
Net cash provided by (used in) operating activities	8,703	4,100	16,739
Net cash provided by (used in) investing activities	(1,106)	3,916	(2,137)
Net cash provided by (used in) financing activities	(12,830)	(30,906)	1,408
Effect of changes in exchange rate on cash and cash equivalents	452	(531)	(134)
Net increase (decrease) in cash and cash equivalents	(4,781)	(23,421)	15,877
Cash and cash equivalents at the end of the period	143,170	147,951	145,338

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note2}

(In NT\$ millions)	4Q18	3Q18	4Q17	Q-Q	Y-Y
TIFRS operating income	3,851	6,310	1,290		
TIFRS net income	3,752	6,872	10,160		
TIFRS EPS(NT\$)	2.42	4.39	6.50		
Non-TIFRS reconciliation items	35	545	299		
Share-based compensation	(-343)	268	(-54)		
Amortization of acquisition related assets	421	387	403		
Tax effect	(43)	(110)	(50)		
Non-TIFRS operating income	3,929	6,965	1,639	(43.6%)	139.7%
Non-TIFRS operating income margin (%)	6.5%	10.4%	2.7%		
Non-TIFRS net income	3,787	7,418	10,459	(48.9%)	(63.8%)
Non-TIFRS net income margin (%)	6.2%	11.1%	17.3%		
Non-TIFRS EPS(NT\$)	2.45	4.74	6.68		

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【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note2}

(In NT\$ millions)	2018	2017	Y-Y
TIFRS operating income	16,182	9,819	
TIFRS net income	20,782	24,070	
TIFRS EPS(NT\$)	13.26	15.56	
Non-TIFRS reconciliation items	1,369	2,047	
Share-based compensation	152	614	
Amortization of acquisition related assets	1,518	1,766	
Tax effect	(301)	(334)	
Non-TIFRS operating income	17,853	12,200	46.3%
Non-TIFRS operating income margin (%)	7.5%	5.1%	
Non-TIFRS net income	22,152	26,117	(15.2%)
Non-TIFRS net income margin (%)	9.3%	11.0%	
Non-TIFRS EPS(NT\$)	14.14	16.86	

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