

MediaTek Inc. Reports Second Quarter 2020 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

- 2Q20 consolidated revenue of NT\$67,603 million, up 11.1% from previous quarter and up 9.8% year over year
- 2Q20 consolidated gross margin of 43.5%, up 0.4 percentage points from previous quarter and up 1.6 percentage points year over year
- 2Q20 consolidated operating income of NT\$7,416 million, up 27.8% from previous quarter and up 20.7% year over year
- 2Q20 consolidated net income of NT\$7,310 million; EPS of NT\$4.58

Consolidated Revenue

MediaTek Inc. today announced financial results of second-quarter ended June 30, 2020. The second-quarter revenue was NT\$67,603 million, up 11.1% sequentially and up 9.8% year-over-year. The quarter-over-quarter increase was mainly due to new 5G smartphone launches and stronger demand from certain consumer electronics such as WiFi and Power management IC. The year-over-year increase was mainly due to sales contribution from 5G smartphone.

Consolidated Gross Profit and Gross Margin

The second-quarter gross profit was NT\$29,407 million, up 12.1% sequentially and up 14.0% year-over-year. Gross margin for the quarter was 43.5%, up 0.4 percentage points sequentially and up 1.6 percentage points year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to favorable product mix.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$21,991 million (32.5% of revenue), compared with NT\$20,435 million (33.6% of revenue) in the previous quarter and NT\$19,647 million (31.9% of revenue) in the same period last year. The quarter-over-quarter and year-over-year increases were mainly due to higher R&D investments.

Operating expenses for the quarter included:

- R&D expenses of NT\$17,416 million (25.8% of revenue), increased from NT\$15,336 million in the previous quarter and increased from NT\$15,407 million in the same period last year.

Note1: Non-TIFRS financial information should be considered in addition to, not as a substitute for, TIFRS financial information. Reconciliations between TIFRS and Non-TIFRS results include share-based compensation, amortization of acquisition related assets, tax effect and other items. Further information is included in supplemental information.

- Selling expenses of NT\$2,730 million (4.0% of revenue), decreased from NT\$3,556 million in the previous quarter and increased from NT\$2,574 million in the same period last year.
- Administration expenses of NT\$1,844 million (2.7% of revenue), increased from NT\$1,542 million in the previous quarter and increased from NT\$1,665 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$7,416 million, up 27.8% sequentially and up 20.7% year-over-year. Operating margin for the quarter was 11.0%, increased from 9.5% in the previous quarter and increased from 10.0% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$1,113 million, or 1.6% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$1,219 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$7,310 million, up 25.9% sequentially and up 12.4% year-over-year. Net profit margin for the quarter was 10.8%, increased from 9.5% in the previous quarter and increased from 10.6% in the year-ago quarter. EPS was NT\$4.58, up from NT\$3.64 in the prior quarter and NT\$4.11 in the year-ago quarter. The quarter-over-quarter and year-over-year increases in net income, net profit margin and EPS were mainly due to higher revenue and gross margin this quarter.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$187,158 million. This represents 38.8% of the company's total assets. Cash and financial assets-current was NT\$198,570 million and NT\$215,522 million at the end of previous quarter and the year-ago quarter, respectively. Financial assets-current portfolio includes mutual funds, bonds, derivatives and so on.

Consolidated Accounts Receivable

Accounts receivable (net) at the end of the quarter was NT\$36,101 million. The accounts receivable turnover was 41 days based on quarterly average net receivables divided by annualized net revenue. The turnover was higher than 39 days in the last quarter and 39 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$36,812 million at the end of the quarter. The inventory turnover was 83 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was higher than 79 days in the last quarter and higher than 78 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$7,177 million, compared with net cash provided by operating activities of NT\$1,931 million in the prior quarter and net cash provided by operating activities of NT\$14,135 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (July 31). 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:

Friday, July 31, 2020

Time: 4:00 – 5:00 p.m. (Taiwan Time) Language: English

http://wms.gridow.com/ir/mediatek/en/mediatek_2020Q2_en.html

Dial-in Number: +886-2-21928016

Password: 395559#

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)	2Q20	1Q20	2Q19	Q-Q	Y-Y
Net Sales	67,603	60,863	61,567	11.1%	9.8%
Operating costs	(38,197)	(34,626)	(35,777)		
Gross profit	29,407	26,237	25,790	12.1%	14.0%
Selling expenses	(2,730)	(3,556)	(2,574)		
Administration expenses	(1,844)	(1,542)	(1,665)		
R&D expenses	(17,416)	(15,336)	(15,407)		
Operating expenses	(21,991)	(20,435)	(19,647)		
Operating income	7,416	5,802	6,143	27.8%	20.7%
Net non-operating income	1,113	928	1,877		
Net income before income tax	8,529	6,730	8,021		
Income tax expense	(1,219)	(926)	(1,518)		
Net income	7,310	5,804	6,503	25.9%	12.4%
Owners of the parent	7,204	5,715	6,430	26.0%	12.0%
Non-controlling interests	106	89	73		
EPS attributable to the parent(NT\$)	4.58	3.64	4.11		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2Q20	1Q20	2Q19
Gross profit	43.5%	43.1%	41.9%
Selling expenses	(4.0%)	(5.8%)	(4.2%)
Administration expenses	(2.7%)	(2.5%)	(2.7%)
R&D expenses	(25.8%)	(25.2%)	(25.0%)
Operating income	11.0%	9.5%	10.0%
Non-operating income	1.6%	1.5%	3.0%
Income tax expense	(1.8%)	(1.5%)	(2.5%)
Net income	10.8%	9.5%	10.6%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	2Q20	1Q20	2Q19
Cash & financial assets-current	187,158	198,570	215,522
Accounts receivable	36,101	25,376	27,915
Inventories	36,812	32,669	31,096
Other current assets	7,189	8,661	8,343
Funds and investments	90,066	81,096	48,718
Intangible assets	78,296	74,186	72,765
Other non-current assets	47,259	47,256	47,679
Total assets	482,882	467,814	452,039
Short-term loans	42,557	52,139	67,802
Accounts payable	26,698	23,202	20,905
Other current liabilities	73,712	49,074	63,982
Total non-current liabilities	16,159	14,851	10,843
Total equity	323,756	328,548	288,507

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	2Q20	1Q20	2Q19
Net cash provided by (used in) operating activities	7,177	1,931	14,135
Net cash provided by (used in) investing activities	(1,863)	562	97
Net cash provided by (used in) financing activities	(9,663)	(4,615)	8,313
Effect of changes in exchange rate on cash and cash equivalents	(1,552)	(584)	37
Net increase (decrease) in cash and cash equivalents	(5,901)	(2,706)	22,582
Cash and cash equivalents at the end of the period	168,938	174,839	174,061

Note: Sums may not equal totals due to rounding.

【 Supplemental Information 】

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

(In NT\$ millions)	2Q20	1Q20	2Q19	Q-Q	Y-Y
TIFRS operating income	7,416	5,802	6,143		
TIFRS net income	7,310	5,804	6,503		
TIFRS EPS(NT\$)	4.58	3.64	4.11		
Non-TIFRS reconciliation items	508	564	682		
Share-based compensation	212	270	394		
Amortization of acquisition related assets	399	404	420		
Tax effect	(103)	(110)	(133)		
Non-TIFRS operating income	8,027	6,476	6,958	23.9%	15.4%
Non-TIFRS operating income margin (%)	11.9%	10.6%	11.3%		
Non-TIFRS net income	7,819	6,368	7,184	22.8%	8.8%
Non-TIFRS owners of the parent	7,724	6,279	7,112		
Non-TIFRS net income margin (%)	11.6%	10.5%	11.7%		
Non-TIFRS EPS(NT\$)	4.92	4.00	4.54		

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