

MediaTek Inc. Reports Third 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

-Record-high quarterly consolidated revenue, operating income and net income in 3Q20

-3Q20 consolidated revenue of NT\$97,275 million, up 43.9% from previous quarter and up 44.7% year over year

-3Q20 consolidated gross margin of 44.2%, up 0.7 percentage points from previous quarter and up 2.1 percentage points year over year

-3Q20 consolidated operating income of NT\$14,628 million, up 97.3% from previous quarter and up 108.1% year over year

-3Q20 consolidated net income of NT\$13,367 million; EPS of NT\$8.42

Consolidated Revenue

MediaTek Inc. today announced financial results of third-quarter ended September 30, 2020. The third-quarter revenue was NT\$97,275 million, up 43.9% sequentially and up 44.7% year-over-year. The quarter-over-quarter and year-over-year increases were mainly due to smartphone market share gain, 5G contribution and stronger demand from certain consumer electronics such as TV, WiFi and Power management IC.

Consolidated Gross Profit and Gross Margin

The third-quarter gross profit was NT\$43,028 million, up 46.3% sequentially and up 52.1% year-over-year. Gross margin for the quarter was 44.2%, up 0.7 percentage points sequentially and up 2.1 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\$28,400 million (29.2% of revenue), compared with NT\$21,991 million (32.5% of revenue) in the previous quarter and NT\$21,261 million (31.6% of revenue) in the same period last year. The quarter-over-quarter and year-over-year increases were mainly due to higher expenses associated with higher sales and increases in R&D investments.

Operating expenses for the quarter included:

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- R&D expenses of NT\$22,547 million (23.2% of revenue), increased from NT\$17,416 million in the previous quarter and increased from NT\$16,590 million in the same period last year.
- Selling expenses of NT\$3,648 million (3.7% of revenue), increased from NT\$2,730 million in the previous quarter and increased from NT\$3,024 million in the same period last year.
- Administration expenses of NT\$2,205 million (2.3% of revenue), increased from NT\$1,844 million in the previous quarter and increased from NT\$1,647 million in the same period last year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$14,628 million, up 97.3% sequentially and up 108.1% year-over-year. Operating margin for the quarter was 15.0%, increased from 11.0% in the previous quarter and increased from 10.5% in the year-ago quarter.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$804 million, or 0.8% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$2,066 million.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$13,367 million, up 82.8% sequentially and up 93.7% year-over-year. Net profit margin for the quarter was 13.7%, increased from 10.8% in the previous quarter and increased from 10.3% in the year-ago quarter. EPS was NT\$8.42, up from NT\$4.58 in the prior quarter and NT\$4.38 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\$184,310 million. This represents 37.6% of the company's total assets. Cash and financial assets-current was NT\$187,158 million and NT\$205,786 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\$37,997 million. The accounts receivable turnover was 35 days based on quarterly average net receivables divided by annualized net revenue. The turnover was lower than 41 days in the last quarter and 40 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$31,010 million at the end of the quarter. The inventory turnover was 57 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than 83 days in the last quarter and 73 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$31,839 million, compared with net cash provided by operating activities of NT\$7,177 million in the prior quarter and net cash provided by operating activities of NT\$7,192 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (October 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:

Friday, October 30, 2020

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2020Q3_en.html

Dial-in Number: +886-2-21928016

Password: 150906#

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)	3Q20	2Q20	3Q19	Q-Q	Y-Y
Net Sales	97,275	67,603	67,224	43.9%	44.7%
Operating costs	(54,246)	(38,197)	(38,934)		
Gross profit	43,028	29,407	28,290	46.3%	52.1%
Selling expenses	(3,648)	(2,730)	(3,024)		
Administration expenses	(2,205)	(1,844)	(1,647)		
R&D expenses	(22,547)	(17,416)	(16,590)		
Operating expenses	(28,400)	(21,991)	(21,261)		
Operating income	14,628	7,416	7,029	97.3%	108.1%
Net non-operating income	804	1,113	918		
Net income before income tax	15,432	8,529	7,947		
Income tax expense	(2,066)	(1,219)	(1,045)		
Net income	13,367	7,310	6,902	82.8%	93.7%
Owners of the parent	13,251	7,204	6,871	83.9%	92.9%
Non-controlling interests	115	106	32		
EPS attributable to the parent(NT\$)	8.42	4.58	4.38		

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	3Q20	2Q20	3Q19
Gross profit	44.2%	43.5%	42.1%
Selling expenses	(3.7%)	(4.0%)	(4.5%)
Administration expenses	(2.3%)	(2.7%)	(2.4%)
R&D expenses	(23.2%)	(25.8%)	(24.7%)
Operating income	15.0%	11.0%	10.5%
Non-operating income	0.8%	1.6%	1.4%
Income tax expense	(2.1%)	(1.8%)	(1.6%)
Net income	13.7%	10.8%	10.3%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	3Q20	2Q20	3Q19
Cash & financial assets-current	184,310	187,158	205,786
Accounts receivable	37,997	36,101	30,450
Inventories	31,010	36,812	31,028
Other current assets	16,630	7,189	10,967
Funds and investments	95,939	90,066	56,446
Intangible assets	77,105	78,296	71,884
Other non-current assets	47,675	47,259	47,330
Total assets	490,666	482,882	453,891
Short-term loans	30,626	42,557	54,701
Accounts payable	29,288	26,698	23,101
Other current liabilities	74,934	73,712	50,719
Total non-current liabilities	14,514	16,159	12,539
Total equity	341,304	323,756	312,830

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	3Q20	2Q20	3Q19
Net cash provided by (used in) operating activities	31,839	7,177	7,192
Net cash provided by (used in) investing activities	(2,687)	(1,863)	2,891
Net cash provided by (used in) financing activities	(25,402)	(9,663)	(27,244)
Effect of changes in exchange rate on cash and cash equivalents	(1,332)	(1,552)	(928)
Net increase (decrease) in cash and cash equivalents	2,418	(5,901)	(18,089)
Cash and cash equivalents at the end of the period	171,356	168,938	155,972

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

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

(In NT\$ millions)	3Q20	2Q20	3Q19	Q-Q	Y-Y
TIFRS operating income	14,628	7,416	7,029		
TIFRS net income	13,367	7,310	6,902		
TIFRS EPS(NT\$)	8.42	4.58	4.38		
Non-TIFRS reconciliation items	692	508	1,140		
Share-based compensation	418	212	934		
Amortization of acquisition related assets	406	399	420		
Tax effect	(131)	(103)	(214)		
Non-TIFRS operating income	15,452	8,027	8,383	92.5%	84.3%
Non-TIFRS operating income margin (%)	15.9%	11.9%	12.5%		
Non-TIFRS net income	14,059	7,819	8,043	79.8%	74.8%
Non-TIFRS owners of the parent	13,946	7,724	8,011		
Non-TIFRS net income margin (%)	14.5%	11.6%	12.0%		
Non-TIFRS EPS(NT\$)	8.86	4.92	5.11		

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