



**SOLOMON
SYSTECH**
晶門科技

SOLOMON SYSTECH

**Interim Results
Presentation 2019**
21 August 2019, Hong Kong

Disclaimer



This presentation does not constitute an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation or is unlawful without compliance with any registration, filing or other requirements.

The statements contained in this presentation that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations, estimates and projections about the financial markets in which Solomon Systech (International) Limited (the "Group") will invest, and the beliefs and assumptions of the Group. Words such as "expects", "targeted", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "forecasts", "projects", variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict. Therefore, actual outcomes and returns may differ materially from what is expressed or forecasted in such forward-looking statements. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the expectations expressed in such forward-looking statements. These factors include, but are not limited to changes in economic conditions; changes in the level of capital investment; success of business and operating initiatives; changes in the regulatory environment; fluctuations in interest and exchange rates; the outcome of litigation; changes in political and economic stability; government actions; and natural phenomena such as floods, earthquakes and hurricanes. Other unknown or unpredictable factors could cause actual results or performance to differ materially from those in the forward-looking statements contained in this presentation. We caution that the foregoing list of important factors is not exhaustive.

Highlights

Financial Review

Business Review

Outlook

Highlights

- Revenue amounted to US\$56.6 million
- Gross profit was US\$10.0 million
- Gross margin was 17.6%
- Net loss was US\$9.6 million
- Loss per share was 0.39 US cent (3.02 HK cents)
- Book-to-bill ratio for the period was 1.1
- The Board resolved not to propose any interim dividend for the six months ended 30 June 2019

Highlights

Financial Review

Business Review

Outlook

Financial Review - Profit and Loss



(US\$ million)	1H 2019	1H 2018	Variance
Revenue	56.6	45.7	+24%
Gross profit <i>Gross margin</i>	10.0 17.6%	14.6 32.0%	-14.4pts
Net loss	9.6	6.3	
(US cents)			
Loss per share	0.39	0.25	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	1.1	

Financial Review - Financial Remarks



		Key Factors
Revenue	US\$56.6m (1H18: US\$45.7m)	<ul style="list-style-type: none"> • Sales: up 24% YOY • Unit shipments: up 12% YOY • Blended ASP: up 10% YOY
Gross Profit	US\$10.0m (1H18: US\$14.6m)	<ul style="list-style-type: none"> • Gross margin: 17.6% (1H18: 32.0%)
Total Operating Expenses	US\$22.2m (1H18: US\$25.2m)	<ul style="list-style-type: none"> • Product R&D costs: <ul style="list-style-type: none"> - US\$14.0m (1H18: US\$16.6m) - 25% of Sales (1H18: 36%) • S&D expenses: <ul style="list-style-type: none"> - US\$1.8m (1H18: US\$2.0m) - 3% of Sales (1H18: 5%) • Admin expenses: <ul style="list-style-type: none"> - US\$6.4m (1H18: US\$6.6m)
Finance Income – net	Finance Income - net US\$0.3m (1H18: US\$2.1m)	<ul style="list-style-type: none"> • Treasury income: US\$0.1m (1H18: US\$0.3m) <ul style="list-style-type: none"> - Interest and Dividend: US\$0.1m • Net fair value gain on financial assets at FVTPL: <ul style="list-style-type: none"> - US\$0.3m (1H18: US\$1.8m)
Net Loss	US\$9.6m (1H18: US\$6.3m)	Increased loss of around 50% is mainly due to specific provisions made for slow moving inventories, and decrease in net finance income during 1H 2019 compared to 1H 2018.

Financial Review - Balance Sheet



(US\$ million)	As at 30 Jun	As at 31 Dec	Variance
	2019	2018	
Total assets	98.4	107.0	
Total borrowings	0.2	0.2	
Shareholders' funds	69.4	79.0	-12%
Net Cash	24.6	13.4	+83.6%
(HK Cents)			
Shareholders' funds per share	22	25	
Net cash per share	7.7	4.2	

Financial Review – Net cash Analysis 2019 vs 2018



Net Cash:	Change
• US\$24.6m (30 Jun'19) vs US\$13.4m (31 Dec'18)	+US\$11.2m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
• Net Cash from Operating Activities	+3.7m	• Capital Expenditure	-0.1m
• Interest and Dividend Received	+0.1m	• Principal portion of lease payments	-0.7m
• Change in FVTPL	+8.2m		

Highlights

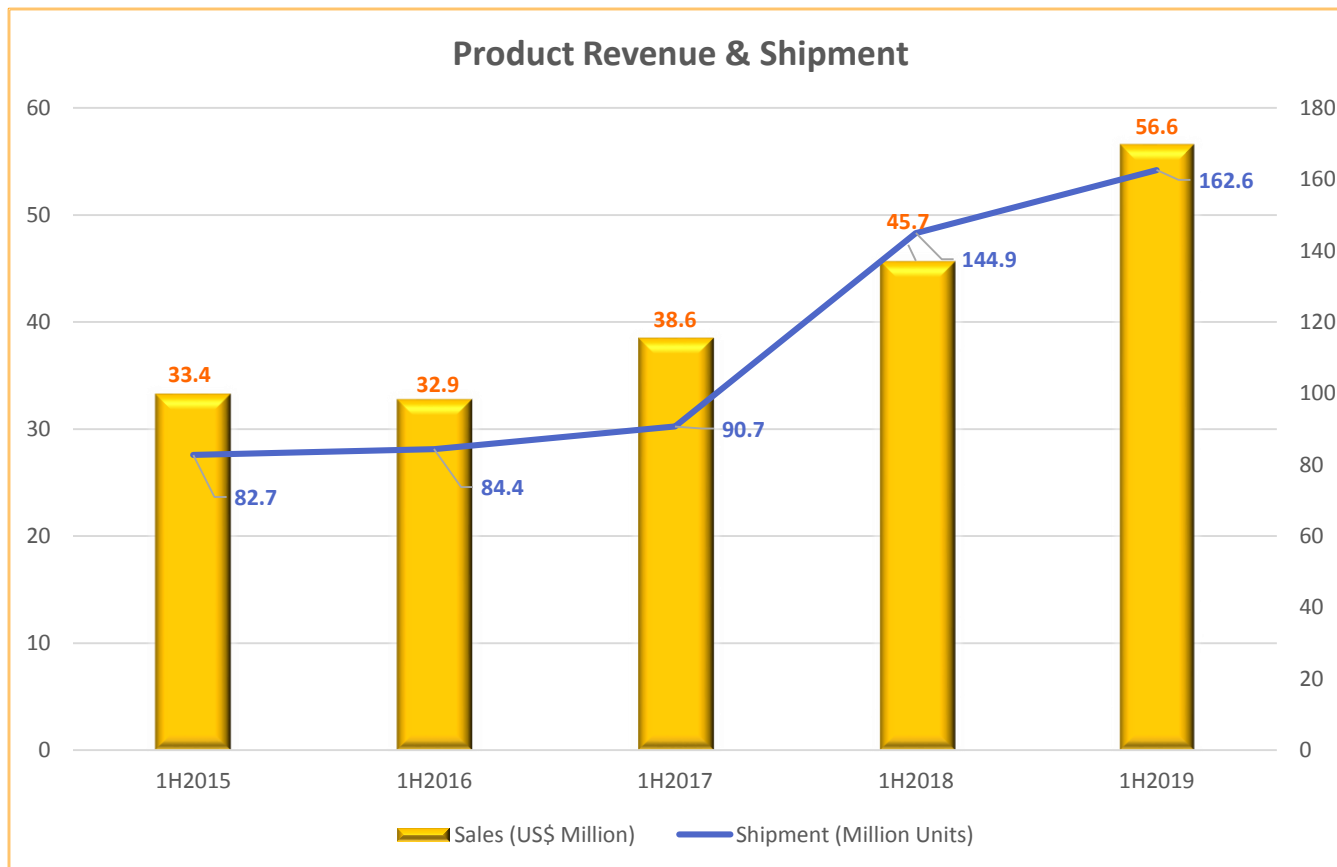
Financial Review

Business Review

Outlook

Business Review – Revenue & Shipments

- 1H2019 Total Revenue: ~US\$56.6 million (up ~24% YoY)
- 1H2019 Total Shipments: ~162.6 million units (up ~12% YoY)



Business Review – Advanced Display Products

Advanced Display



- **Total Shipments:**
 - Decreased ~37% year-on-year to ~66.7 million units
- **PMOLED Display Driver IC (DDI)**
 - Volatile macroeconomic environment dampened demand for wearables and other applications, and changed AD's product mix
 - Maintained business with some top-tier wearable brands
 - Achieved design-in projects for smart home appliances in AIoT era
- **PMOLED Touch and Display Driver Integration (TDDI)**
 - Started design-in projects
- **Bistable DDI**
 - Design wins for 1"-2" panels with higher DPI to capture convenience store digitalization trend.
- **Micro-LED**
 - Custom IC for signage displays in premier shopping malls
 - Collaborated with global leading companies and developed a micro-LED prototype for wearable applications

Business Review – Large Display Products

Large Display



- **Total Shipments:**
 - Increased ~476% year-on-year to ~67.9 million units
- **Increased Business with Nanjing Customer & New Customers in Chengdu & Xianyang**
 - Design wins: gaming monitors, Full HD monitors, and TV of various sizes and resolutions
- **New IC**
 - Sample of P2P display driver IC for high-end 120Hz UHD TV and 8K TV jointly developed with Panda ready for testing

Mobile Display/ Mobile Touch



- **Total Shipments:**
 - Increased ~4% year-on-year to ~28.0 million units

- **Mobile Touch Products**
 - AMOLED touchscreen controller IC for foldable/flexible smartphones designed-in with a key module manufacturer in PRC
 - Products for a well-known video game console brand started mass production

- **Mobile Display Products**
 - Ramped up in Q2 with custom-made In-Cell TDDI IC for Full HD+ (1080 x 2160) LTPS panels & MIPI bridge ICs
 - Target applications: quality smartphone screen replacement, test jigs, virtual reality devices, etc.

Highlights

Financial Review

Business Review

Outlook

Advanced Display

- **PMOLED TDDI IC**
 - Expect to start mass production by end 2019
 - Next generation product (higher resolution, In-Cell & Out-Cell touch, larger-size displays, more touch keys) under development
- **PMOLED display driver IC**
 - Products targeting smart home appliances to start mass production by end 2019
- **Bistable display driver IC**
 - New product targeting small-size ESLs for convenience stores to continue revenue contribution
- **Micro-LED**
 - Develop more new ICs to capitalize on the strong growth potential

Outlook

Large Display

- **Strong growth momentum:**
 - Further ramp up shipments to Nanjing customer, and also to customers in Chengdu & Xianyang
 - New P2P display driver IC expected to start mass production in second half of 2019

Others

- **Mobile Touch Products**
 - Leverage design-in projects of AMOLED touchscreen controller ICs to engage top-tier smartphone customers
- **Mobile Display Products**
 - Design wins achieved continue to contribute to revenue stream

Summary

2019 1H Summary

- Total revenue & unit shipments recorded double-digit growth despite challenging market conditions
- Net loss due to:
 - Diminished gross profit margins resulting from provision of slow moving inventories
 - Decreased net finance income
- Improved quarter-on-quarter performance:
 - New management on board devised strategic measures to boost business growth, minimize operating expenses and optimize operating margins

Looking Ahead

- **Economic instability:** may continue to pose challenges to business
- **Bright Growth Spots:**
 - Products: large display driver IC, PMOLED TDDI IC, micro-LED display driver IC
 - Applications: AIoT smart home appliances, ESL for convenience stores, micro-LED

Thank You

Solomon Systech (International) Limited

Stock code: 2878

www.solomon-systech.com