



**SOLOMON
SYSTECH**

2020 Annual Results Announcement

**23 Mar 2021
Stock code: 2878**

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HIGHLIGHTS



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HIGHLIGHTS

- Revenue amounted to US\$121.3 million, increased by about 12.0%.
- Gross profit was US\$35.8 million, jumped by 68.1%.
- Gross margin was 29.6%, increased 9.9% points.
- Profit attributable to owners of the parent was US\$11.7 million, turnaround from loss of US\$27.3 million.
- Earnings per share was 0.5 US cent (3.9 HK cents).
- Book-to-bill ratio for the period was 1.4.
- The Board proposed a final dividend per share of 0.8 HK cent (approximately 0.1 US cent).



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FINANCIAL REVIEW



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PROFIT & LOSS



	2020	2019	Variance
	(US\$ million)	(US\$ million)	
Revenue	121.3	108.3	+12.0%
Gross Profit	35.8	21.3	+68.1%
Gross Margin	29.6%	19.7%	+9.9% Pts
Profit / (Loss) Attributable to Owners of the Parent	11.7	(27.8)	
Earnings / (Loss) per Share (US cents)	0.5	(1.1)	
Dividends per Share (HK cents)	0.8	Nil	
Book-to-Bill Ratio	1.4	1.1	

PROFIT / (LOSS) BEFORE TAX

After Charging / (Crediting):



	2020	2019
	(US\$ million)	(US\$ million)
Cost of Goods Sold	85.3	79.8
(Reversal of) / Provision for Obsolete Inventory	(0.3)	6.7
Impairment of Trade Receivable	-	0.08
Amortisation of Intangible Assets	0.5	3.9
Depreciation of PPE	1.3	1.7
Depreciation of Right-to-Use Assets	1.4	1.4
Foreign Exchange Differences, Net	0.4	0.2
Impairment of Goodwill	-	2.3
Impairment of Other Intangible Assets	-	8.0
Termination Benefits	0.1	3.1

FINANCIAL REMARKS



		Key Factors
Revenue	US\$121.3m (2019: US\$108.3m)	<ul style="list-style-type: none"> Revenue: up 12.0% Unit Shipments: up 379.4m pcs (2019: 308.7m pcs) 22.9% YoY
Gross Profit	US\$35.8m (2019: US\$21.3m)	<ul style="list-style-type: none"> Gross Margin: 29.6% (2019: 19.7%)
Total Operating Expenses	US\$30.5m (2019: US\$53.8m)	<ul style="list-style-type: none"> Product R&D Costs: <ul style="list-style-type: none"> US\$16.9m (2019: US\$24.7m) 13.9% of Sales (2019: 22.8%) Selling & Distribution Expenses: <ul style="list-style-type: none"> US\$2.5m (2019: US\$3.1m) 2.0% of Sales (2019: 2.9%) General Admin Expenses: <ul style="list-style-type: none"> US\$11.1m (2019: US\$12.4m) Other Expenses (Non-recurring): <ul style="list-style-type: none"> US\$ Nil (2019: US\$13.5m)
Profit / (Loss) Attributable to Owners of the Parent	US\$11.7m (2019: Loss of US\$27.3m)	

BALANCE SHEET



	As at 31 Dec 2020	As at 31 Dec 2019	Variance
	(US\$ million)	(US\$ million)	
Total Assets	94.2	76.9	+22%
Total Borrowings	0.2	0.2	-
Shareholders' Funds	63.4	51.3	+23.6%
Cash and Cash Equivalents	50.8	18.1	+180.7%
Shareholders' Funds per Share (HK cents)	19.8	16.0	+23.8%
Net Cash per Share (HK cents)	15.9	5.6	+183.9%

TRADE RECEIVABLE AGEING

(Based on invoice date)



	As at 31 Dec 2020	As at 31 Dec 2019
	(US\$ million)	(US\$ million)
1-30 days	6.4	13.8
31-60 days	4.0	4.0
61-90 days	2.7	1.6
91-180 days	2.2	-
181-365 days	-	0.2
Total	15.3	19.6

TRADE PAYABLE AGEING

(Based on invoice date)



	As at 31 Dec 2020	As at 31 Dec 2019
	(US\$ million)	(US\$ million)
1-30 days	7.3	6.8
31-60 days	6.8	5.9
61-90 days	1.5	3.0
Over 90 days	0.2	0.1
Total	15.8	15.8

CASH & CASH EQUIVALENTS ANALYSIS 2020 VS 2019

Cash and Cash Equivalents

Change

- | | |
|--|-----------------------|
| <ul style="list-style-type: none"> US\$50.8m (31 Dec 2020) vs US\$18.1m (31 Dec 2019) | +US\$32.7m
+180.7% |
|--|-----------------------|

Major Cash Inflow (Outflow)

US\$

- | | |
|--|--------|
| <ul style="list-style-type: none"> Net Cash generated from Operating Activities (FY 2020) | 34.0m |
| <ul style="list-style-type: none"> Net Cash outflow from Operating Activities (FY 2019) | (3.0m) |

BUSINESS REVIEW

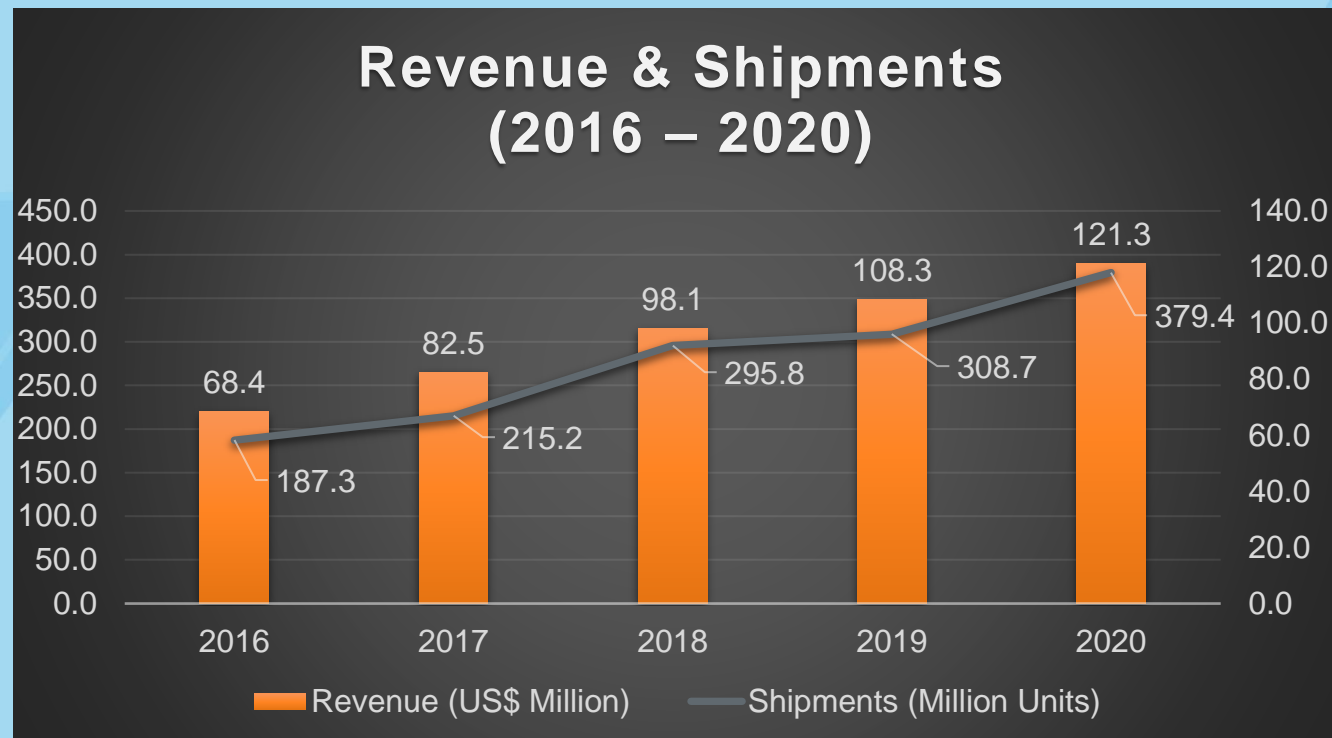


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REVENUE & SHIPMENTS



- 2020 Total Revenue: About US\$121.3 million (+12.0% YoY)
- 2020 Total Shipments: About 379.4 million units (+22.9% YoY)



ADVANCED DISPLAY

Advanced Display



- **Total Shipments:**
 - Increased about 82.2% year-on-year to around 245.8 million units
- **PMOLED Display Driver IC (“DDI”)**
 - Increased orders for portable healthcare devices and related applications, triggered by the demand for healthcare products worldwide under the COVID-19 pandemic (the “Pandemic”)
- **PMOLED Touch and Display Driver Integration (“TDDI”)**
 - Launched production of products that are used in smart home appliances in 2020
- **Bistable DDI**
 - Shifted focus to promote its product for medium-sized ESL panels (2.6”-4”) used at mega stores in the second half of 2020
- **Mini-LED**
 - Collaborated with leading companies and received orders that paved the way for applying mini-LED technology to mass production

LARGE DISPLAY

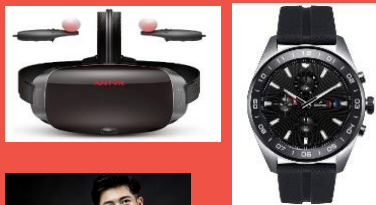
Large Display



- **Total Shipments:**
 - Decreased about 35.6% year-on-year to around 78.9 million units
- **Softening Demand**
 - The slowing global demand for TVs due to the Pandemic in 1H of 2020 and model transition in 2H of 2020 resulted in a drop in revenue driven by Large Display (“LD”) products as a whole.
- **New IC**
 - High speed point-to-point (“P2P”) display driver IC for the 165Hz high refresh rate gaming monitor and 8K TV markets was launched in 2020

OTHERS

Mobile Display/ Mobile Touch



- **Total Shipments:**
 - Increased by approximately 6.8% year-on-year to around 54.7 million units
- **Mobile Display (“MD”) Products**
 - The demand for mobile devices in China and the consumer sentiment have gradually recovered starting from 2H of 2020, which ultimately helped boost revenue from MD in relation to TDDI and DDI.
- **Mobile Touch Products**
 - The product line that supported game consoles was most benefited as more people stayed at home and played video games under the Pandemic.
 - The sales forecast for 2020 could be achieved in conjunction with a number of design wins.

OUTLOOK



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OUTLOOK

Advanced Display

- **PMOLED TDDI IC**
 - Anticipated to enter mass production in smart home appliances
- **Bistable Display Driver IC**
 - Continue its strong growth momentum, developing a new generation that supports multiple colors
- **Develop New ICs**
 - Resources will be devoted to working with market leading micro-LED (“ μ LED”)/mini-LED panel manufacturers to develop more new ICs with technological breakthroughs plus fulfilling the market needs.

Large Display

- **LD Driver IC**
 - P2P product focusing on gaming monitors will be in demand with high growth potential.
 - Strive to fully utilize the wafer usage and backend capacity to meet the needs of customers

Others

- **MD Products**
 - Demand in the 1H of 2021 is expected to be kept up and supported by the signs of China’s economic recovery and 5G adoption, MIPI, TDDI and DDI products will be in demand.
 - Customers have placed orders early with a view to securing the provision of support.
 - Riding the trend of Internet of Things, new driver products and custom ICs will be able to make contribution starting from 2H of 2021.



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THANK YOU