

MediaTek Inc. Reports Fourth Quarter 2019 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

- 4Q19 consolidated revenue of NT\$64,708 million, down 3.7% from previous quarter and up 6.3% year over year
- 4Q19 consolidated gross margin of 42.5%, up 0.4 percentage points from previous quarter and up 3.6 percentage points year over year
- 4Q19 consolidated operating income of NT\$6,226 million, down 11.4% from previous quarter and up 61.7% year over year
- 4Q19 consolidated net income of NT\$6,383 million; EPS of NT\$4.03
- 2019 consolidated revenue of NT\$246,222 million; Gross margin of 41.9%, up 3.4 percentage points year-over-year
- 2019 consolidated operating income of NT\$22,567 million, up 39.5% year-over-year; EPS of NT\$14.69

Consolidated Revenue

MediaTek Inc. today announced financial results of fourth-quarter ended December 31, 2019. The fourth-quarter revenue was NT\$64,708 million, down 3.7% sequentially and up 6.3% year-over-year. The quarter-over-quarter decrease was mainly due to lower seasonal demand for consumer electronics. The year-over-year increase was mainly due to higher demand for smartphone and some consumer electronics. Annual revenue totaled NT\$246,222 million, up 3.4% year-over-year.

Consolidated Gross Profit and Gross Margin

The fourth-quarter gross profit was NT\$27,492 million, down 2.8% sequentially and up 16% year-over-year. Gross margin for the quarter was 42.5%, up 0.4 percentage points sequentially and up 3.6 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\$103,046 million (gross margin: 41.9%), up 12.3% year-over-year.

Consolidated Operating Expenses

Operating expenses for the quarter was NT\$21,266 million (32.9% of revenue), compared with NT\$21,261 million (31.6% of revenue) in the previous quarter and NT\$19,851 million (32.6% of revenue) in the same

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period last year. Operating expenses was flat quarter-over-quarter. The year-over-year increase was mainly due to higher R&D investments and expenses associated with higher sales.

Operating expenses for the quarter included:

- R&D expenses of NT\$16,397 million (25.3% of revenue), decreased from NT\$16,590 million in the previous quarter and increased from NT\$15,070 million in the same period last year.
- Selling expenses of NT\$3,197 million (4.9% of revenue), increased from NT\$3,024 million in the previous quarter and decreased from NT\$3,222 million in the same period last year.
- Administration expenses of NT\$1,672 million (2.6% of revenue), increased from NT\$1,647 million in the previous quarter and increased from NT\$1,559 million in the same period last year.

Full-year 2019 operating expense was NT\$80,478 million (32.7% of revenue), increased 6.5% year-over-year.

Consolidated Operating Income and Operating Margin

Operating income for the quarter was NT\$6,226 million, down 11.4% sequentially and up 61.7% year-over-year. Operating margin for the quarter was 9.6%, decreased from 10.5% in the previous quarter and increased from 6.3% in the year-ago quarter.

Operating income of the year was NT\$22,567 million (operating margin: 9.2%), up 39.5% year-over-year.

Consolidated Non-operating Income (loss) and Income Tax

Non-operating income for the quarter was NT\$829 million, or 1.3% of revenue. It was mainly from interest income and dividend income. Income tax expense for the quarter was NT\$672 million.

Non-operating income of the year amounted to NT\$4,460 million, compared with NT\$7,509 million last year.

Consolidated Net Income, Net Profit Margin and EPS

Net income for the quarter was NT\$6,383 million, down 7.5% sequentially and up 56.6% year-over-year. Net profit margin for the quarter was 9.9%, decreased from 10.3% in the previous quarter and increased from 6.7% in the year-ago quarter. EPS was NT\$4.03, compared with NT\$4.38 in the prior quarter and NT\$2.63 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 this quarter. The year-over-year increases in net income, net profit margin and EPS were mainly due to higher revenue and gross margin this quarter.

Full year 2019 net income was NT\$23,204 million, up 11.7% year-over-year. Accumulated EPS was NT\$14.69 for the year, compared with NT\$13.26 last year.

Consolidated Cash and Financial Assets-Current

Cash and financial assets-current at the end of the quarter was NT\$203,174 million. This represents 44.3% of the company's total assets. Cash and financial assets-current was NT\$205,786 million and NT\$164,671 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\$26,837 million. The accounts receivable turnover was 40 days based on quarterly average net receivables divided by annualized net revenue. The turnover was same as 40 days in the last quarter and lower than 46 days in the year-ago quarter.

Consolidated Inventory

Net inventory was NT\$27,615 million at the end of the quarter. The inventory turnover was 72 days based on quarterly average inventory divided by annualized cost of goods sold. The turnover was lower than 73 days in the last quarter and 85 days in the year-ago quarter.

Consolidated Cash Flow from Operations

Net cash provided by operating activities during the quarter was NT\$19,588 million, compared with net cash provided by operating activities of NT\$7,192 million in the prior quarter and net cash provided by operating activities of NT\$8,703 million in the year-ago quarter.

Earnings Webcast

MediaTek will hold a public webcast today (February 7). **Starting from this year, MediaTek will only hold one result conference call each quarter in English for information consistency.** 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, February 7, 2020

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

http://wms.gridow.com/ir/mediatek/en/mediatek_2019Q4_en.html

Dial-in Number: +886-2-21928016

Password: 388413#

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)	4Q19	3Q19	4Q18 ^(Note2)	Q-Q	Y-Y
Net Sales	64,708	67,224	60,892	(3.7%)	6.3%
Operating costs	(37,216)	(38,934)	(37,190)		
Gross profit	27,492	28,290	23,702	(2.8%)	16.0%
Selling expenses	(3,197)	(3,024)	(3,222)		
Administration expenses	(1,672)	(1,647)	(1,559)		
R&D expenses	(16,397)	(16,590)	(15,070)		
Operating expenses	(21,266)	(21,261)	(19,851)		
Operating income	6,226	7,029	3,851	(11.4%)	61.7%
Net non-operating income	829	918	642		
Net income before income tax	7,055	7,947	4,493		
Income tax expense	(672)	(1,045)	(418)		
Net income	6,383	6,902	4,076	(7.5%)	56.6%
EPS attributable to the parent(NT\$)	4.03	4.38	2.63		

Note1: Sums may not equal totals due to rounding.

Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	4Q19	3Q19	4Q18
Gross profit	42.5%	42.1%	38.9%
Selling expenses	(4.9%)	(4.5%)	(5.3%)
Administration expenses	(2.6%)	(2.4%)	(2.6%)
R&D expenses	(25.3%)	(24.7%)	(24.7%)
Operating income	9.6%	10.5%	6.3%
Non-operating income	1.3%	1.4%	1.1%
Income tax expense	(1.0%)	(1.6%)	(0.7%)
Net income	9.9%	10.3%	6.7%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Unaudited)

(In NT\$ millions, except EPS)	2019	2018	Y-Y
Net Sales	246,222	238,057	3.4%
Operating costs	(143,176)	(146,334)	
Gross Profit	103,046	91,724	12.3%
Selling expenses	(10,938)	(11,227)	
Administration expenses	(6,538)	(6,766)	
R&D expenses	(63,001)	(57,549)	
Operating Expenses	(80,478)	(75,541)	
Operating Income	22,567	16,182	39.5%
Net Non-operating Income	4,460	7,509	
Net Income Before Income Tax	27,027	23,691	
Income tax expense	(3,823)	(2,909)	
Net Income	23,204	20,782	11.7%
EPS Attributable to the Parent(NT\$)	14.69	13.26	

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Income Statement (Percentage of Revenue)

	2019	2018
Gross profit	41.9%	38.5%
Selling expenses	(4.4%)	(4.7%)
Administration expenses	(2.7%)	(2.8%)
R&D expenses	(25.6%)	(24.2%)
Operating income	9.2%	6.8%
Non-operating income	1.8%	3.2%
Income tax expense	(1.6%)	(1.2%)
Net income	9.4%	8.7%

Note: Sums may not equal totals due to rounding.

MediaTek Inc. Consolidated Balance Sheet (Unaudited)

(In NT\$ millions)	4Q19	3Q19	4Q18 ^(Note2)
Cash & financial assets-current	203,174	205,786	164,671
Accounts receivable	26,837	30,450	28,939
Inventories	27,615	31,028	30,980
Other current assets	9,103	10,967	11,448
Funds and investments	73,278	56,446	49,262
Intangible assets	70,917	71,884	73,789
Other non-current assets	47,778	47,330	43,748
Total assets	458,702	453,891	402,836
Short-term loans	57,255	54,701	51,057
Accounts payable	22,314	23,101	17,687
Other current liabilities	51,530	50,719	53,848
Total non-current liabilities	13,204	12,539	5,918
Total equity	314,400	312,830	274,326

Note1: Sums may not equal totals due to rounding.

Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

MediaTek Inc. Consolidated Cash Flow Summary (Unaudited)

(In NT\$ millions)	4Q19	3Q19	4Q18
Net cash provided by (used in) operating activities	19,588	7,192	8,703
Net cash provided by (used in) investing activities	1,502	2,891	(1,106)
Net cash provided by (used in) financing activities	2,775	(27,244)	(12,830)
Effect of changes in exchange rate on cash and cash equivalents	(2,293)	(928)	452
Net increase (decrease) in cash and cash equivalents	21,573	(18,089)	(4,781)
Cash and cash equivalents at the end of the period	177,545	155,972	143,170

Note: Sums may not equal totals due to rounding.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results^{Note3}

(In NT\$ millions)	4Q19	3Q19	4Q18 ^(Note2)	Q-Q	Y-Y
TIFRS operating income	6,226	7,029	3,851		
TIFRS net income	6,383	6,902	4,076		
TIFRS EPS(NT\$)	4.03	4.38	2.63		
Non-TIFRS reconciliation items	627	1,140	35		
Share-based compensation	321	934	(343)		
Amortization of acquisition related assets	417	420	421		
Tax effect	(111)	(214)	(43)		
Non-TIFRS operating income	6,964	8,383	3,929	(16.9%)	77.2%
Non-TIFRS operating income margin (%)	10.8%	12.5%	6.5%		
Non-TIFRS net income	7,010	8,043	4,111	(12.8%)	70.5%
Non-TIFRS net income margin (%)	10.8%	12.0%	6.8%		
Non-TIFRS EPS(NT\$)	4.43	5.11	2.66		

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Note2: Reclassification adjustments made due to latest IFRS interpretation that does not affect annual amount for the period 2018.

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【Supplemental Information】

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

(In NT\$ millions)	2019	2018	Y-Y
TIFRS operating income	22,567	16,182	
TIFRS net income	23,204	20,782	
TIFRS EPS(NT\$)	14.69	13.26	
Non-TIFRS reconciliation items	3,100	1,369	
Share-based compensation	2,019	152	
Amortization of acquisition related assets	1,678	1,518	
Tax effect	(597)	(301)	
Non-TIFRS operating income	26,265	17,853	47.1%
Non-TIFRS operating income margin (%)	10.7%	7.5%	
Non-TIFRS net income	26,304	22,152	18.7%
Non-TIFRS net income margin (%)	10.7%	9.3%	
Non-TIFRS EPS(NT\$)	16.68	14.14	

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