



**SEOUL SEMICONDUCTOR**

# Company that turns crisis into opportunity Opportunity knocks on only those who are prepared

## EARNINGS RELEASE

4Q 2019

Feb 12, 2020

All IR information can be downloaded from the internet

- 1) IR Book - Visit Seoul Semiconductor's Website (<http://www.seoulsemicon.com/en/>)
  - Investor > IR Room
- 1) Full Financial Statements
  - Full financial statements can be downloaded from the Dart system (<http://englishdart.fss.or.kr>)
  - XBRL Financial Statements (check menu on the top) > XBRL Search > Enter the company code # (046890)
  - You can also access other material disclosures of Seoul Semiconductor on this site

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# Table of Contents

- I. 4Q 2019 quarter results**
- II. Leading 2<sup>nd</sup> generation technology**
- III. 1Q 2020 guidance**
- IV. Appendix**

I

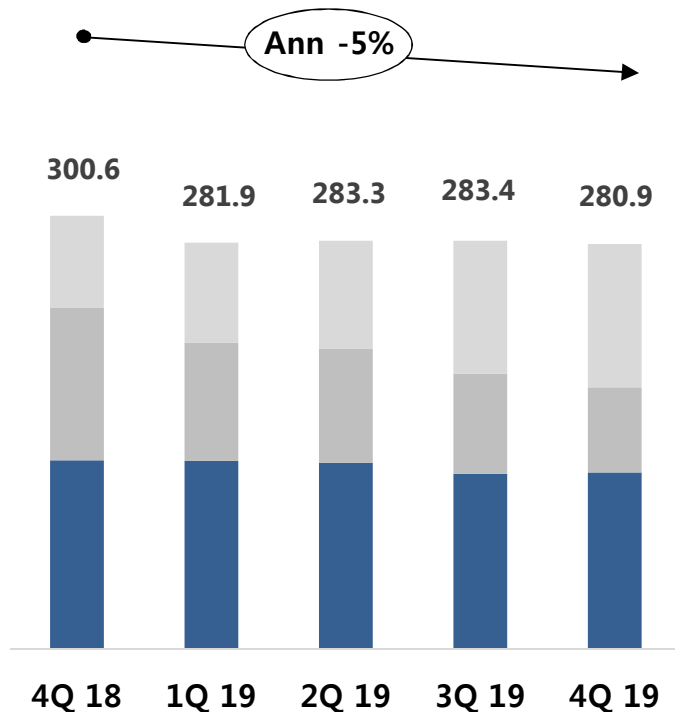
4Q 2019 quarter results

# I. 4Q 2019 quarter results \_ 1) Sales & earnings

- SSC's '19 Sales and EBITDA fell YoY 5%, 7ppt respectively on industry's ASP decline on high inventory
- SSC reports 4.4% OPM for '19 despite of some upstream and midstream expected to record OP losses

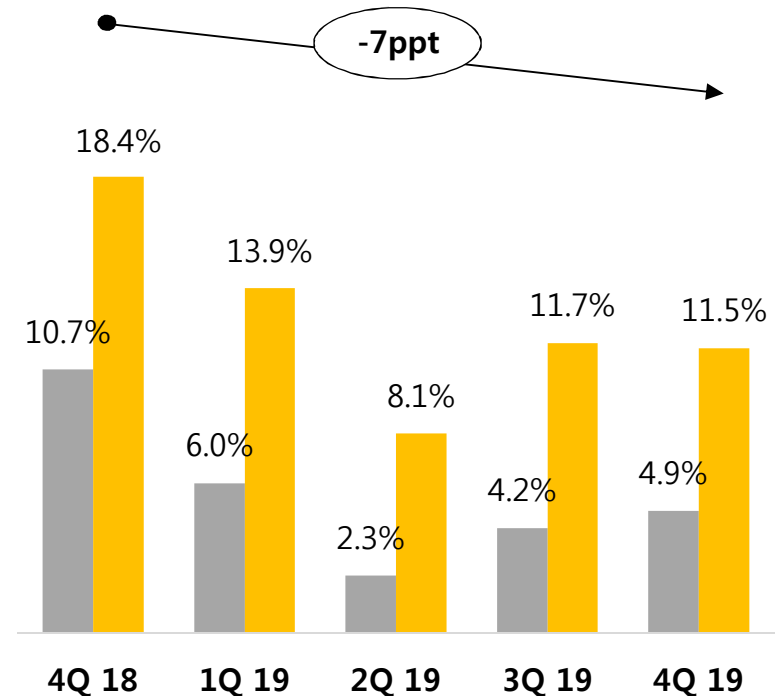
**Sales** (Bn KrW, %)

- Others (Tablet, NBPC, phone, CE, UV & etc.)
- TV & Monitor
- General lighting (Incl. automotive)



**Profitability** (Bn KrW, %)

- Operating profit
- EBITDA

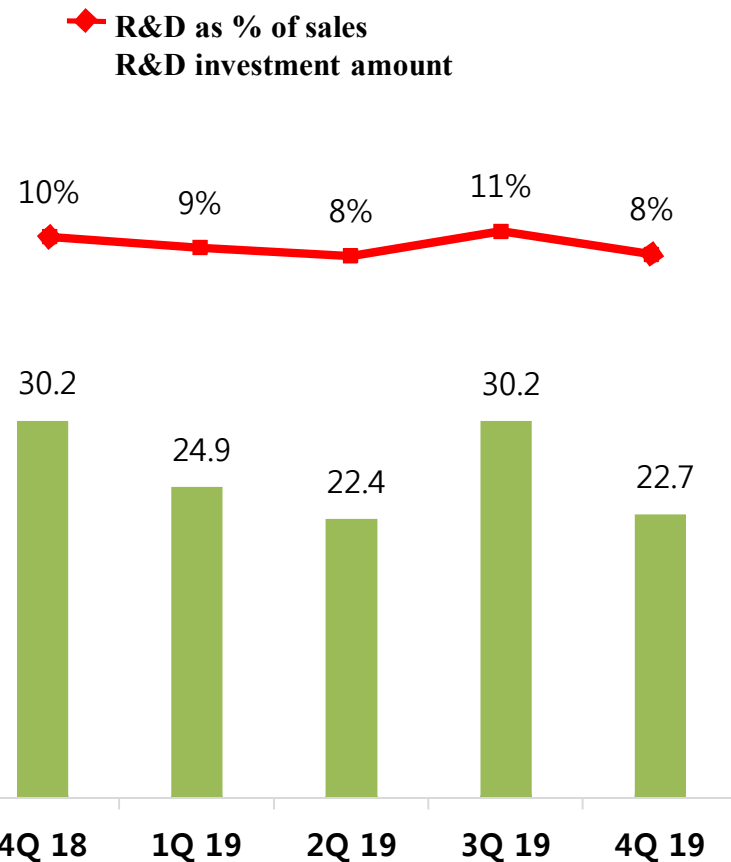


# I. 4Q 2019 quarter results \_ 2) Investments & expense

- SSC is generating profits even when manufacturing from Korea
- If R&D spending comes down to competitor level, SSC can generate above double digit margin

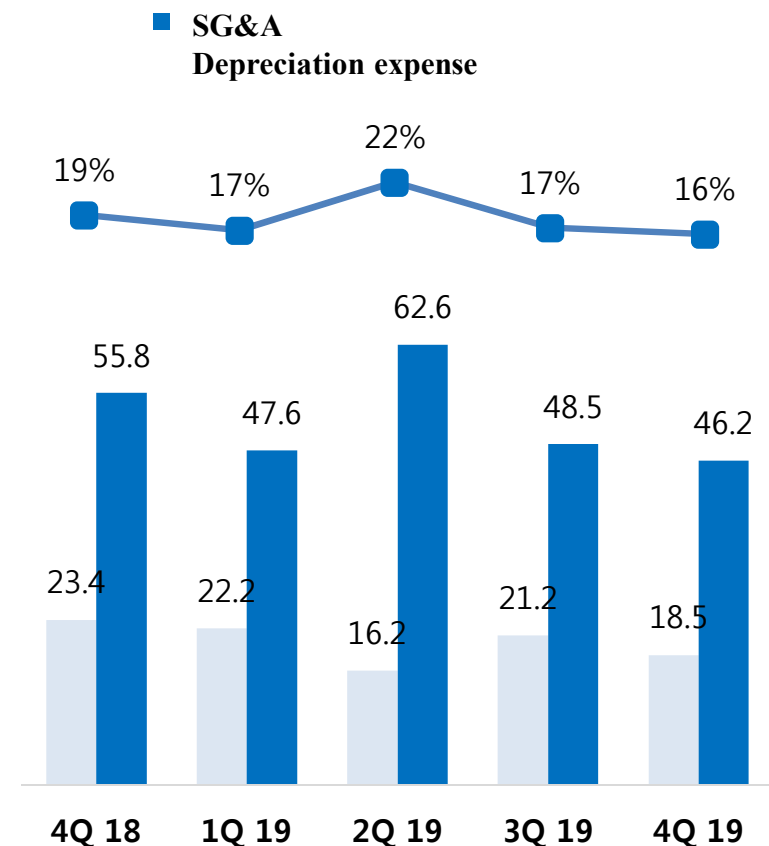
## R&D investments

(Bn KrW, %)



## Expense

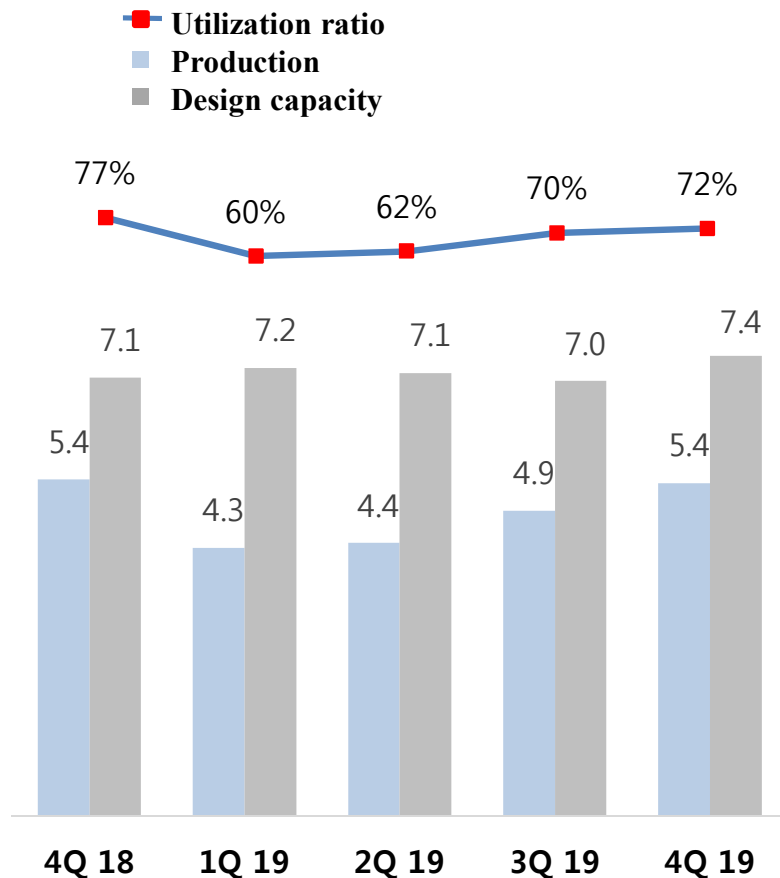
(Bn KrW, %)



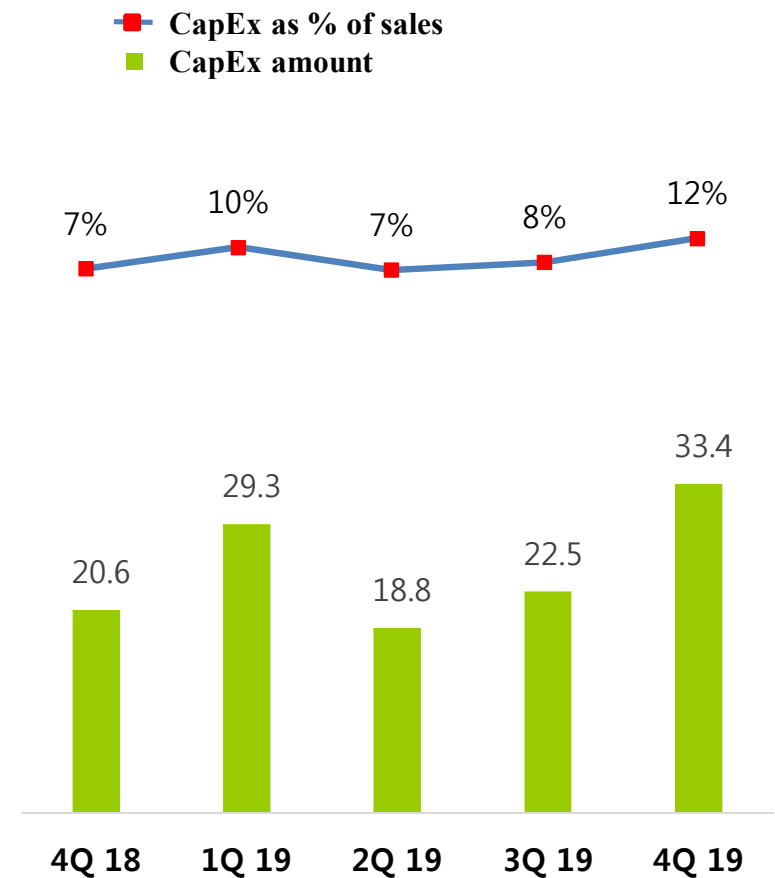
# I. 4Q 2019 quarter results \_ 3) Production & CapEx

- Utilization declined in '19 on relocation of equipment, but expect to end in Q1 with utilization expected to rebound in '20
- CapEx spending rose slightly to prepare for production of Micro LED

**Production** (Bn PKG, %)



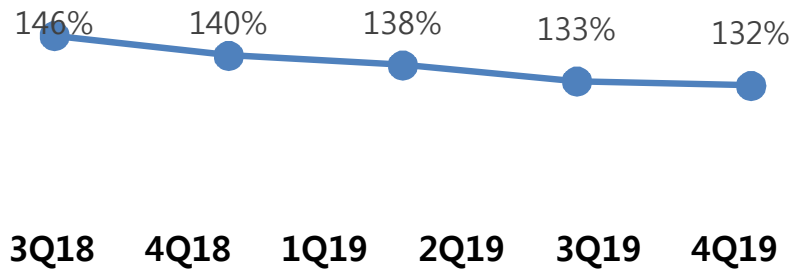
**CapEx** (Bn KrW, %)



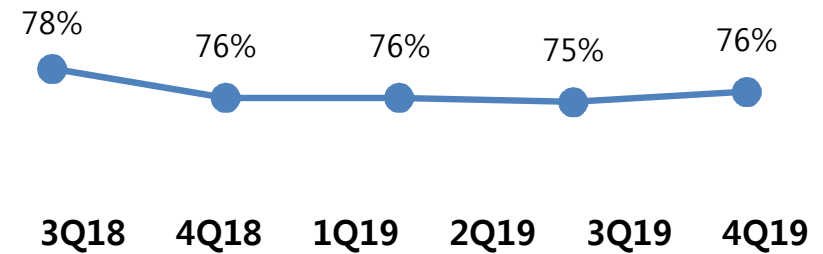
# I. 3Q 2019 quarter results \_ 4) Balance sheet

- Current ratio continues to maintain healthy levels
- SSC's inventory T/O days remains between 45~50 days, 1/2 of competitor level

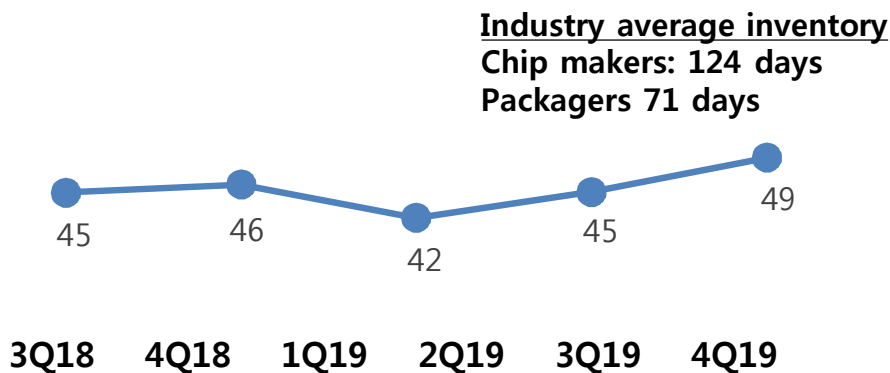
**Current ratio**



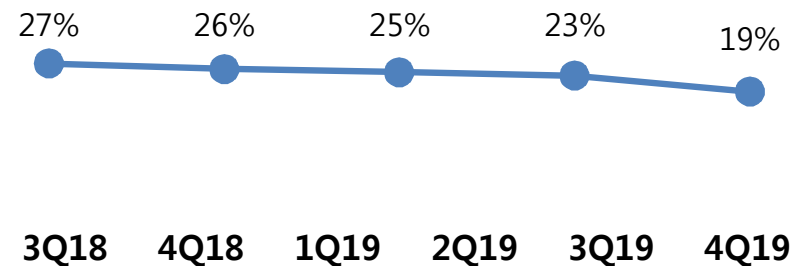
**Debt to equity**



**Inventory T/O**



**Net debt ratio**



\* Industry average: 3Q19 annualized



# **II** **2<sup>nd</sup> Gen LED Technology**

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**II-1. 2<sup>nd</sup> Gen LED Tech**

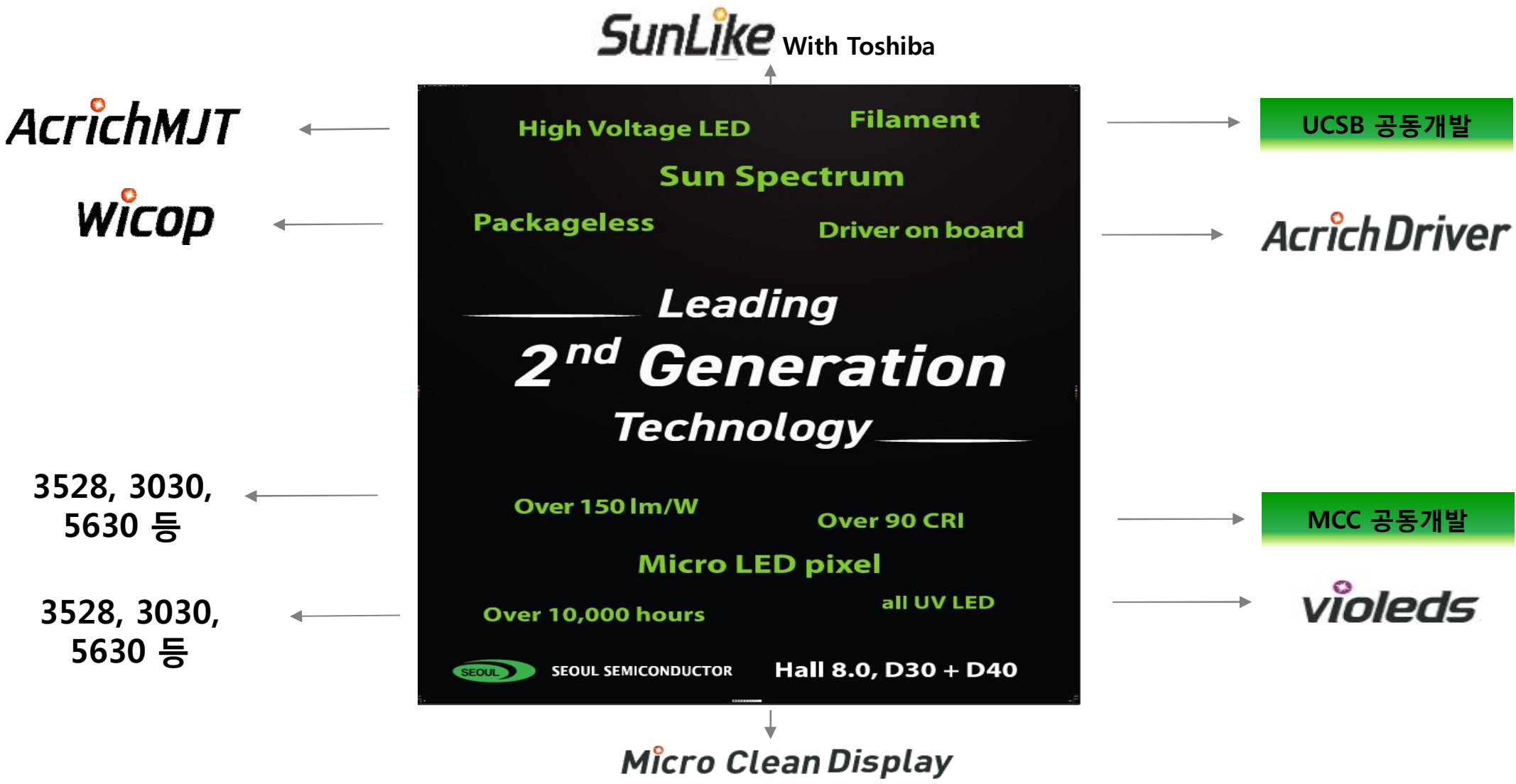
**II-2. Violeds**

**II-3. L&B release**

**II-4. Micro LED**

# II-1. 2<sup>nd</sup> Gen LED Tech \_ 1) 2<sup>nd</sup> Generation LED

Lead the industry with 2<sup>nd</sup> generation technology that substantially increases efficiency & performance

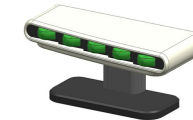




## II-3. 2<sup>nd</sup> Gen Tech \_ 1) Violeds

- We are releasing new display, auto, sensor products at L&B, prepared with great ambition

- Showcase morning to evening light at L & B
- Slim automotive headlamp (10mm)

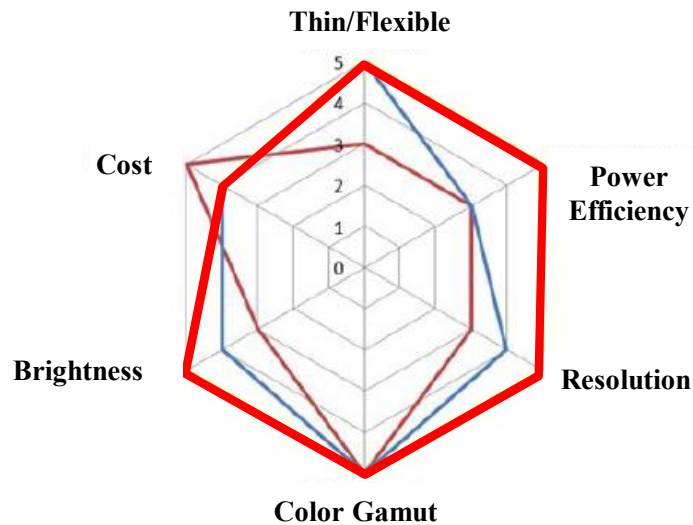


- No LED company can by pass without using SSC / SVCs patents
  - Won 32 global law suits, won 4 injunction orders and 2 recall orders by court

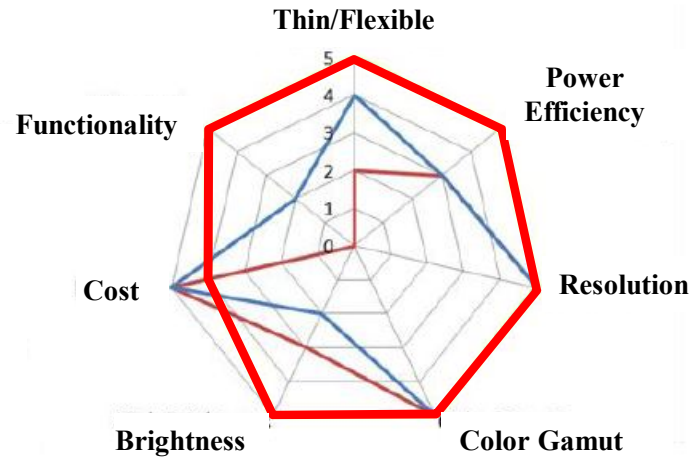
## II-4. Leading 2<sup>nd</sup> generation technology \_ 1) Advantage of Micro LED

- Micro LED delivers highest performance among all displays

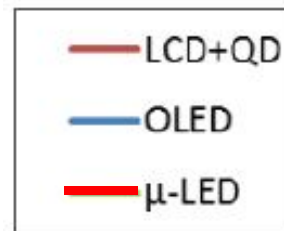
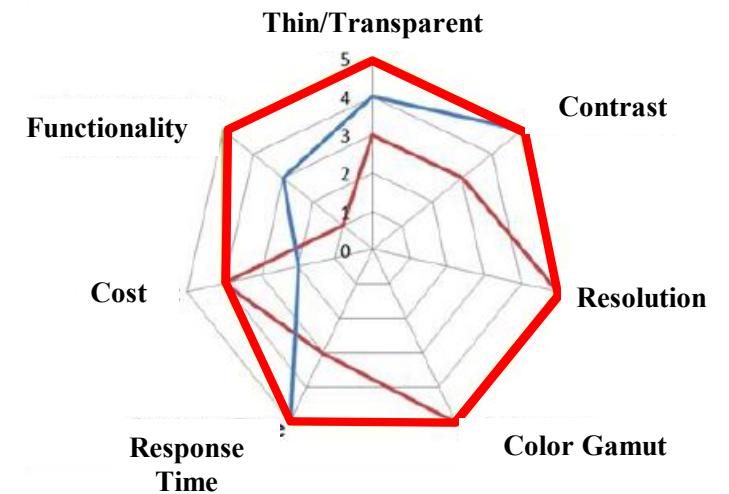
### AR/VR



### Smart Phone



### TV



\* Source: VEECO, Company

## II-4. Leading 2<sup>nd</sup> generation technology \_ 2) Cost difference between displays

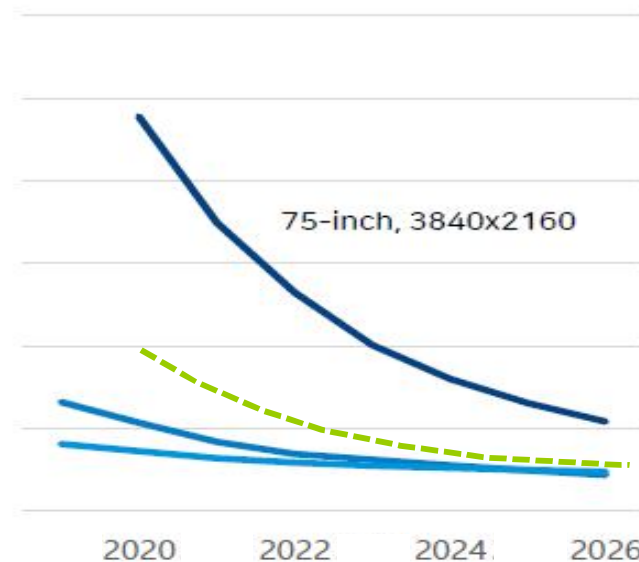
- Micro LED delivers highest performance among all displays

- NBPC BLU's ASP mini-LED vs. OLED

Comparison of Mini-LED NB		
	Mini-LED 15.6"	15.6" OLED Laptop panel
Resolution	UHD	UHD
Brightness	1150 nits	600 nits
Contrast Ratio	100,000: 1	120,000:1
Dimming Zone		
LED Pieces	8000+	OLED
Driving Method	PM	AM
Module price	US\$70-80	US\$200-220

- TV Panel ASP

— Micro LED — OLED — LCD - - - SSC Micro LED Pixel

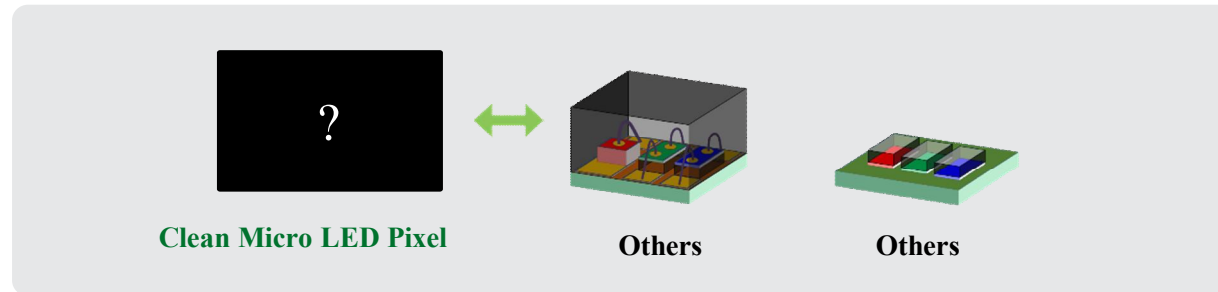


Our Micro LED Pixel targets \$2B signage and \$100B display market

\* Source: IHS, Hi-Investment Securities, Primasia Securities

## II-4. Leading 2<sup>nd</sup> generation technology \_ 3) SSC's cost advantage

- Our world's first Micro LED Pixel with highest performance & attractive ASP is ready for production



1. World's first Micro LED Pixel

A) 42" → 220" 4K TV with One Pixel

2. From R,G,B EPI to Module

A) R,G,B EPI wafer in-house

B) Chip → Module in-house

3. In-house transfer and tiling technology

A) Transfer to PCB or Glass

B) Customer has options to choose tiling

**III**

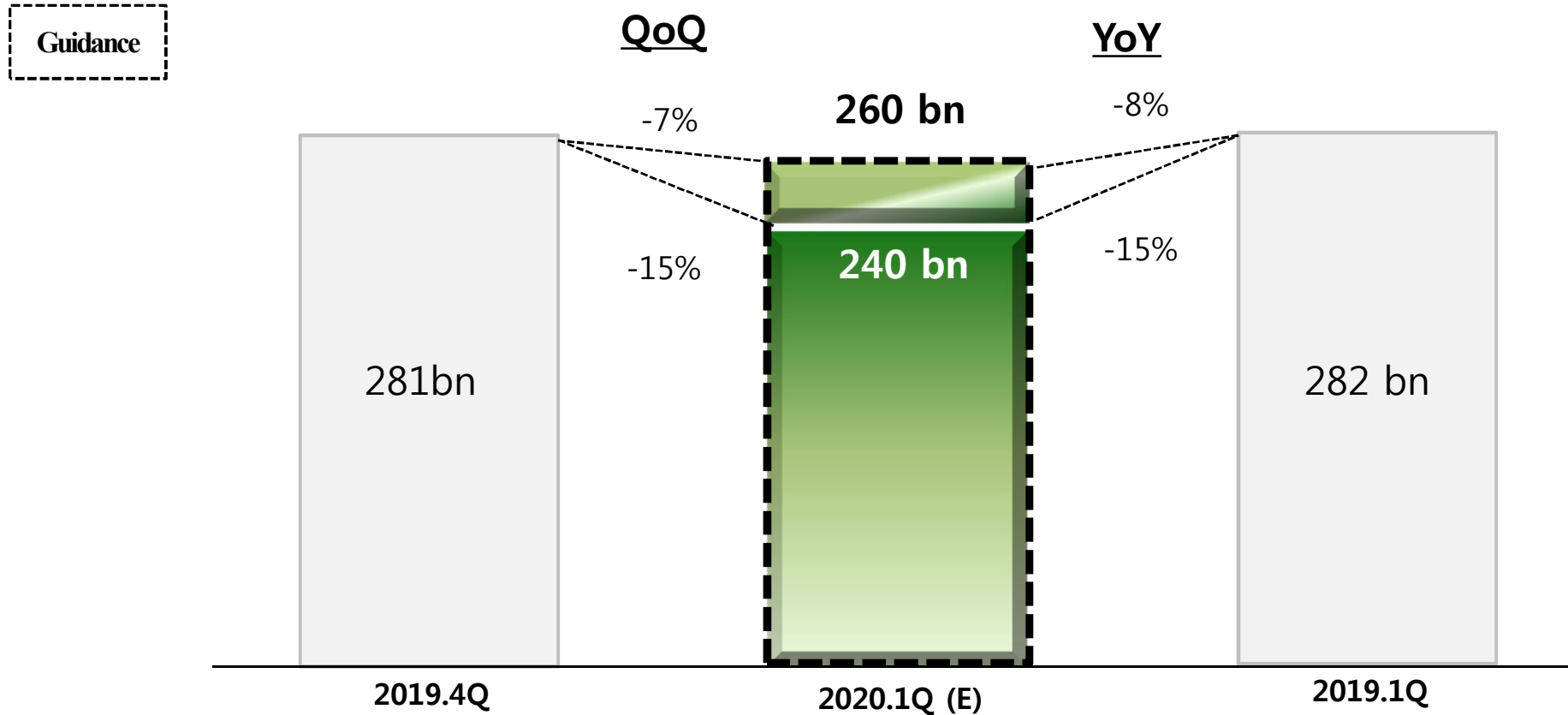
**1Q 2020 guidance**

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# III. 1Q 2020 guidance

- Guide for 1Q sales of 240 ~ 260 bn
- Expect -7% ~ -15% decrease QoQ, -8 ~ -15% YoY



# Executive Summary

## I. Fundamental

**Investment  
Value**

- **Double digit margin if lower R&D to 1/2**
- **At historical low with high upside potential**

**Industry  
Leading**

- **Lead industry with 2<sup>nd</sup> Generation LED tech**
- **No one can by pass SSC/SVC's patents**

## II. Quantum Leap

**Quantum  
Leap**

- **Strong revenue base to be fueled with new growth momentum of Violeds & VCSEL**

**Explosive  
Growth**

- **Use Micro LED Pixel for Signage & consumer TV market**

**IV**

**APPENDIX**

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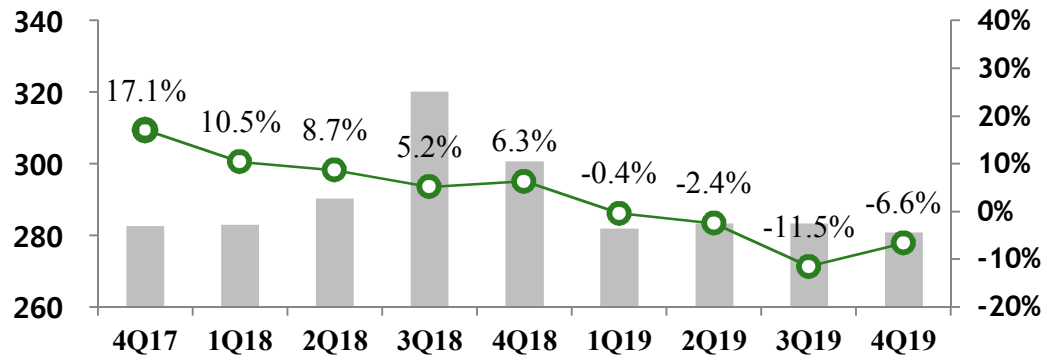
### III. Appendix \_ 1) Condensed financials

(Bn KrW)	2019.Q4	2019.Q3	2019.Q2	2019.Q1	2018.Q4	2018.Q3	2018.Q2	2018.Q1	2019	2018	2017	2016	2015	2014
<b>[Income Statement]</b>														
<b>Sales</b>	<b>280.9</b>	<b>283.4</b>	<b>283.3</b>	<b>281.9</b>	<b>300.6</b>	<b>320.3</b>	<b>290.3</b>	<b>283.0</b>	<b>1,129.5</b>	<b>1,194.2</b>	<b>1,110.4</b>	<b>953.8</b>	<b>1,011.2</b>	<b>939.3</b>
COGS	220.8	222.9	214.0	217.3	212.8	230.6	214.5	213.0	875.0	871.0	826.1	720.1	773.0	749.6
COGS (%)	79%	79%	76%	77%	71%	72%	74%	75%	77%	73%	74%	75%	76%	80%
Gross Profit	60.1	60.5	69.3	64.6	87.8	89.7	75.8	70.0	254.5	323.2	284.3	233.7	238.2	189.7
Gross Profit (%)	21.4%	21.3%	24.5%	22.9%	29.2%	28.0%	26.1%	24.7%	22.5%	27.1%	25.6%	24.5%	23.6%	20%
SG&A	46.2	48.5	62.6	47.6	55.8	61.6	58.2	52.8	204.9	228.3	186.1	176.2	192.6	187.1
<b>Operating Profit</b>	<b>13.9</b>	<b>12.0</b>	<b>6.6</b>	<b>17.1</b>	<b>32.0</b>	<b>28.1</b>	<b>17.6</b>	<b>17.2</b>	<b>49.6</b>	<b>94.9</b>	<b>98.3</b>	<b>57.5</b>	<b>45.6</b>	<b>2.6</b>
Operating Profit (%)	4.9%	4.2%	2.3%	6.0%	10.7%	8.8%	6.0%	6.1%	4.4%	7.9%	8.8%	6.0%	4.5%	0%
Pre-tax Profit	1.3	19.6	9.0	18.9	21.4	21.1	20.7	15.1	48.8	78.4	70.5	49.6	37.0	- 13.2
Net Profit	4.4	15.6	6.9	11.8	24.2	13.7	13.5	11.3	38.7	62.6	46.4	37.5	26.8	0.7
<b>[Balance Sheet]</b>														
<b>Total Assets</b>	<b>1,318.6</b>	<b>1,311.4</b>	<b>1,305.2</b>	<b>1,271.1</b>	<b>1,293.8</b>	<b>1,349.9</b>	<b>1,277.5</b>	<b>1,262.5</b>	<b>1,318.6</b>	<b>1,293.8</b>	<b>1,227.3</b>	<b>1,090.6</b>	<b>1,136.0</b>	<b>1,180.3</b>
Current Assets	615.6	592.2	598.4	573.3	601.6	649.4	582.4	574.5	615.6	601.6	575.5	503.7	500.3	503.9
Cash and Equivalents	71.2	43.1	40.1	32.2	36.8	33.2	38.1	42.8	71.2	36.8	77.7	61.2	105.4	105.8
Inventory	154.5	150.3	133.4	132.2	155.2	143.4	128.8	135.5	154.5	155.2	137.5	108.5	107.0	127.8
Non-current Assets	703.0	719.2	706.8	697.8	692.2	700.5	695.2	687.5	703.0	692.2	651.9	586.9	635.8	676.4
<b>Total Liabilities</b>	<b>570.1</b>	<b>562.8</b>	<b>573.9</b>	<b>547.2</b>	<b>568.5</b>	<b>647.7</b>	<b>584.1</b>	<b>584.7</b>	<b>570.1</b>	<b>568.5</b>	<b>551.4</b>	<b>438.7</b>	<b>511.0</b>	<b>570.6</b>
Current Liabilities	466.9	445.2	435.1	408.8	412.7	553.2	478.6	475.3	466.9	412.7	435.5	396.2	405.8	463.0
Non-Current Liabilities	103.1	117.6	138.8	138.4	155.8	94.5	105.5	109.5	103.1	155.8	116.0	42.5	105.3	107.6
<b>Total Equity</b>	<b>748.5</b>	<b>748.6</b>	<b>731.3</b>	<b>724.0</b>	<b>725.3</b>	<b>702.1</b>	<b>693.4</b>	<b>677.8</b>	<b>748.5</b>	<b>725.3</b>	<b>675.9</b>	<b>651.9</b>	<b>625.0</b>	<b>609.7</b>

# III. Appendix \_ 2) Quarterly financial ratios

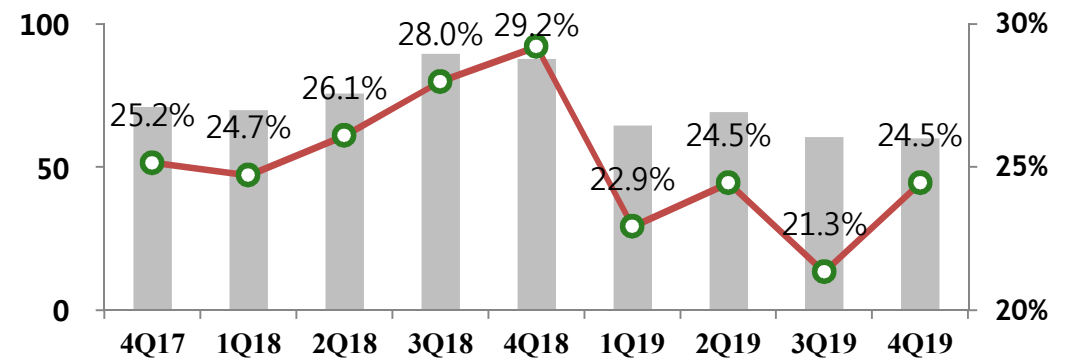
**Sales & YoY change**

(KrW bn)



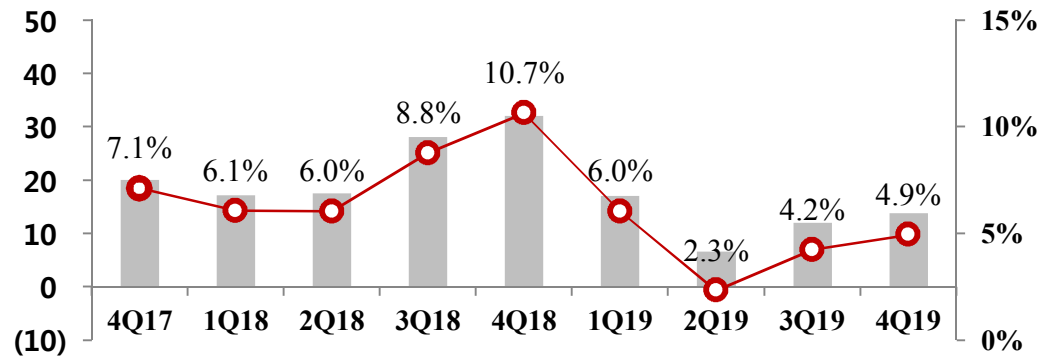
**Gross profit**

(KrW bn)



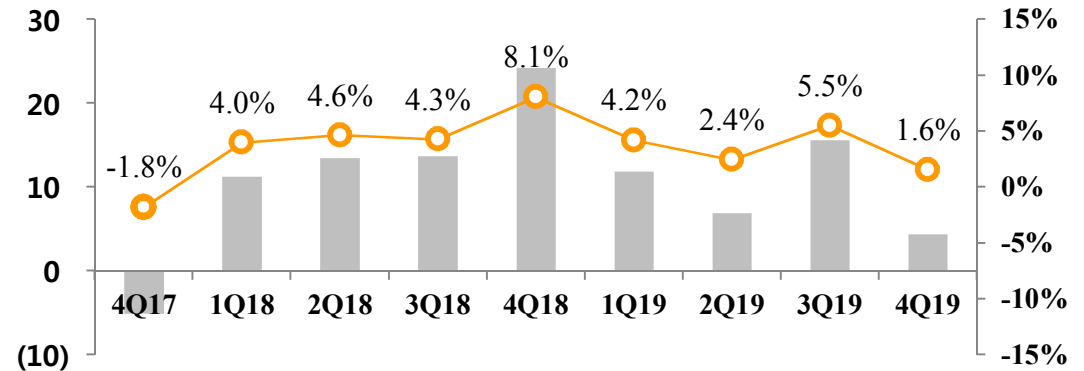
**Operating profit**

(KrW bn)



**Net profit**

(KrW bn)



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