



SK hynix FY2019 Q4 Earnings Results



Disclaimer

This material contains forward-looking statements which can be subject to certain risks and uncertainties that could cause actual results to differ materially.

All financial information contained in this document is based on consolidated K-IFRS.

Review of the FY2019 Q4 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.



FY2019 Q4 Financial Results

Results of Operation

Income Statement

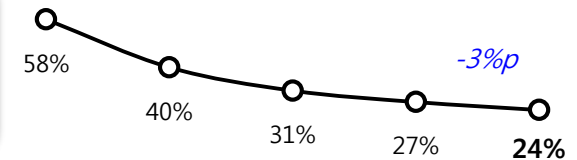
(Unit: KRW Billion)		Q4'19	Q3'19	Q4'18	QoQ	YoY
Revenue		6,927	6,839	9,938	+1%	-30%
Gross Profit		1,653	1,816	5,774	-9%	-71%
Operating Profit		236	473	4,430	-50%	-95%
EBITDA*		2,478	2,631	6,181	-6%	-60%
Net Profit		-118	495	3,398	N/A	N/A
EPS(KRW)	Basic	-173	721	4,965		
	Dil.	-173	721	4,965		
Shares Outstanding (Mil. Shares)	Basic	684	684	684		
	Dil.	684	684	684		

* EBITDA = Operating Profit + Depreciation & Amortization

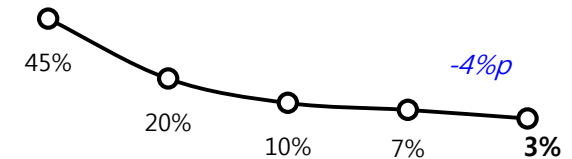
【Note】 All figures in this presentation are rounded to KRW Billions, leading to some statements not adding up completely

Profit Margins

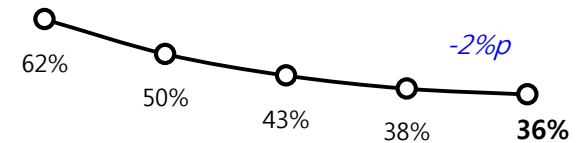
Gross Margin



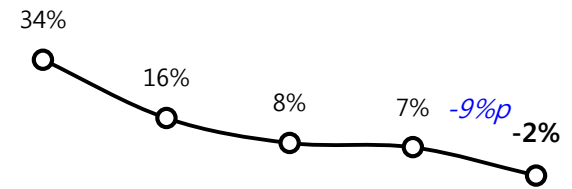
Operating Margin



EBITDA Margin



Net Margin

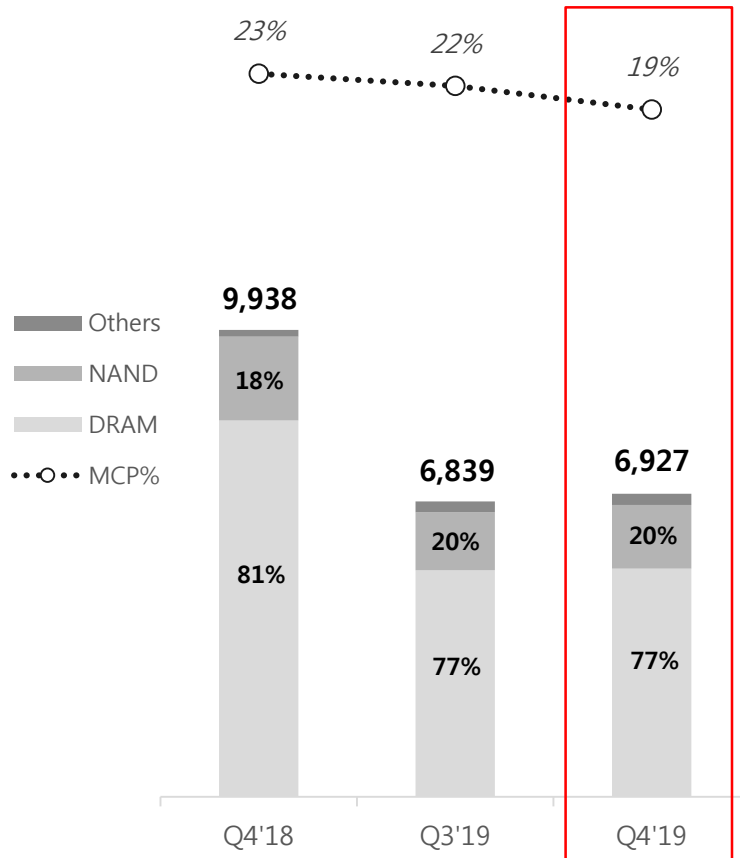


Q4'18 Q1'19 Q2 Q3 Q4

Sales Analysis - 1

Revenue Trend

(Unit: KRW Billion)



- With active response to demand recovery and improvement of pricing trend, 4Q'19 revenue increased 1% QoQ despite USD depreciation
- Recorded Annual Revenue of KRW 27T, Operating Profit of KRW 2.7T and Net Profit of KRW 2T

DRAM

- QoQ B/G +8%, ASP -7%
- Responded actively to continuing PC replacement demand from Windows 7 service termination and increasing procurement from IDC customers following their inventory normalization, which led to increased shipment
- Price erosion slowed down in all applications

NAND

- QoQ B/G +10%, ASP Flat
- Expanded sales to solution markets such as PC SSD with continued sound demand trend, and mobile market with new smartphone launches, which led to increased shipment
- Although price rebound began for major applications, blended ASP remained flat QoQ due to increased sales mix of high-density products which carried lower price per unit

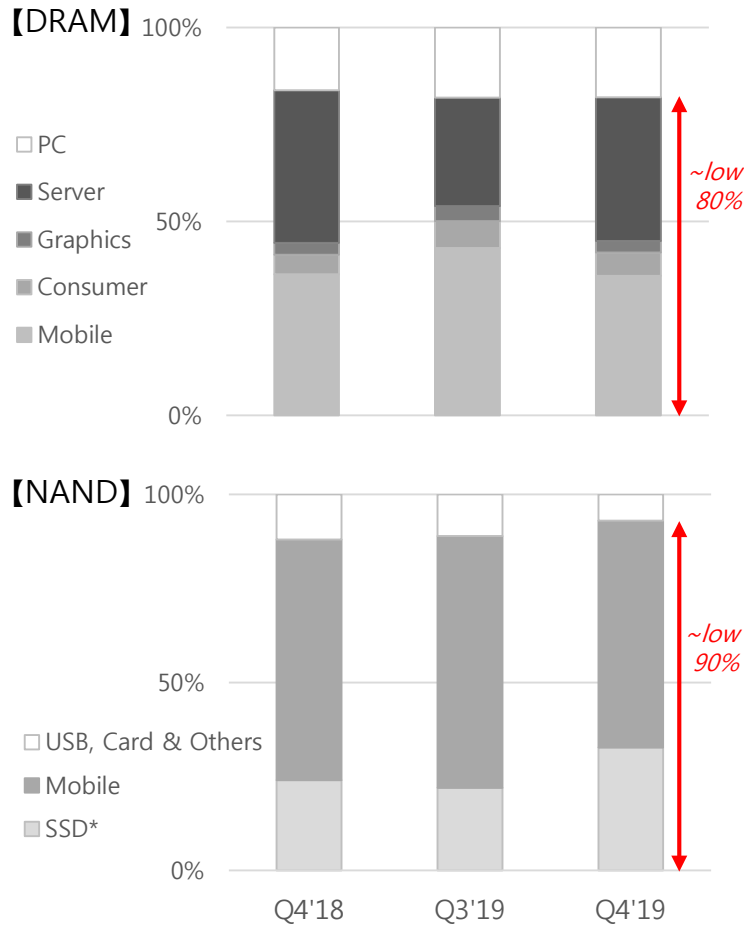
MCP

- Despite solid demand for high-end products, demand for mid to low-end products was relatively sluggish, which led to decreased revenue
- Revenue declined 9% QoQ, and revenue mix was also slightly reduced

* Revenue Portion is USD basis

Sales Analysis - 2

Revenue Breakdown by Application



❖ Amidst gradual inventory level decline, driven by suppliers' efforts to adjust their production, demand started to recover, leading to improved supply-demand dynamics

Server DRAM

- Sales portion of Server DRAM increased QoQ backed by accelerated procurement from especially IDC customers after their inventory level normalized
- Solid Server customer's procurement trend is expected to continue

Mobile DRAM + Mobile NAND

- Demand from smartphones showed relatively modest demand increase, due to base effect of continued strong growth in previous two quarters
- However, newly launched smartphone sales from certain customers was in good shape, and trend of memory contents increase continued

PC/Graphics DRAM

- PC replacement demand from enterprise led to continuous solid demand for PC-related components as drew near to the Windows 7 service termination

SSD

- Adoption rate increase trend of high-density SSDs within PC continued and server SSD demand improved as server customer resume procurement
- SSD revenue portion out of NAND exceeded 30%

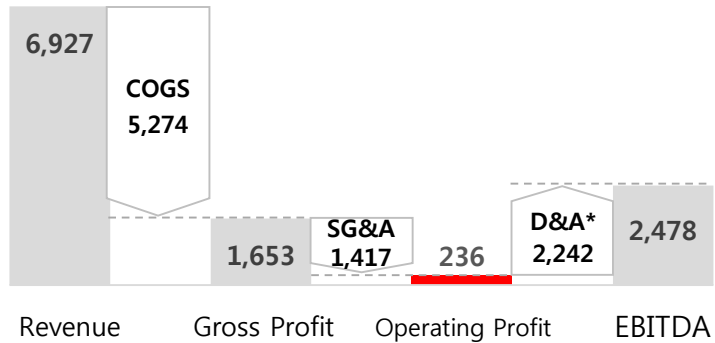
* SSD향 단품판매 포함

Profit Analysis

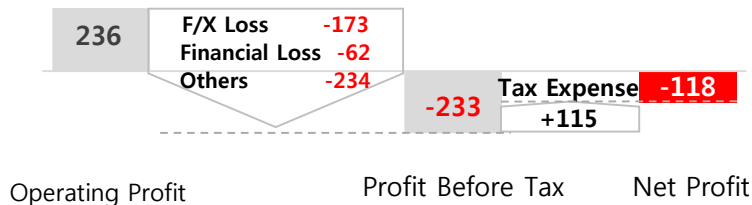
Q4'19 Profit

【Operating Profit】

(Unit: KRW Billion)



【Net Income】



- Sales mix increase of relatively lower profit products in response to demand improvement, and initial cost burden from new tech migration led to increase in COGS. Gross Profit reached KRW 1.7B(-9% QoQ) and Operating Profit recorded KRW 236B(-50% QoQ) in Q4'19
- While Depreciation & Amortization expenses rose slightly as capital investments and asset acquisitions continued, Operating Profits decreased. Thus, EBITDA of KRW 2.5T was recorded, with EBITDA margin of 36%
- With loss on foreign currency related items following appreciation of the KRW at quarter-end, and recognition of fair valuation loss in Kioxia investment asset led to Net Non-operating Loss of KRW 469B
- Net Loss reached KRW -118B, with Net margin of -2%

* Depreciation & Amortization

Capital Structure

Balance Sheet

(Unit: KRW Billion)	Q4'19	Q3'19	Q4'18	QoQ	vs. Q4'18
Assets	64,789	63,672	63,658	+1,118	+1,131
Cash*	3,995	3,256	8,369	+739	-4,375
Liabilities	16,846	15,406	16,806	+1,441	+40
Debt **	10,524	9,703	5,282	+821	+5,242
Shareholders' Equity	47,943	48,266	46,852	-323	+1,091
Capital Stock	3,658	3,658	3,658	-	-
Retained Earnings	42,931	43,123	42,034	-192	+897

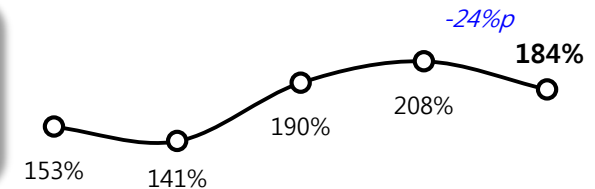
*Cash = Cash & Cash Equivalents + Short-term Financial Instruments

+ Short-term Investments

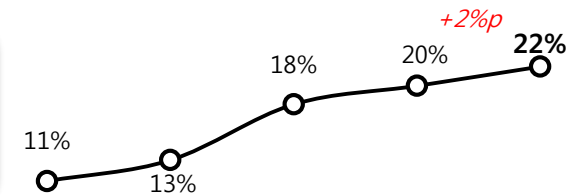
** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-Term Borrowings

Stability Ratios

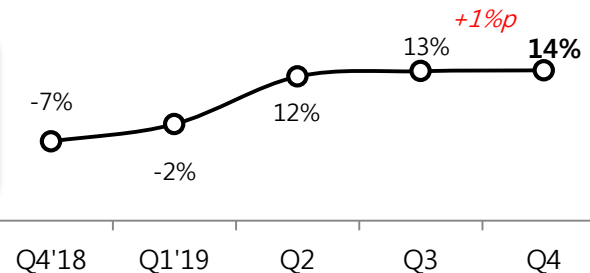
Current Ratio



Debt-to-Equity Ratio



Net Debt-to-Equity Ratio

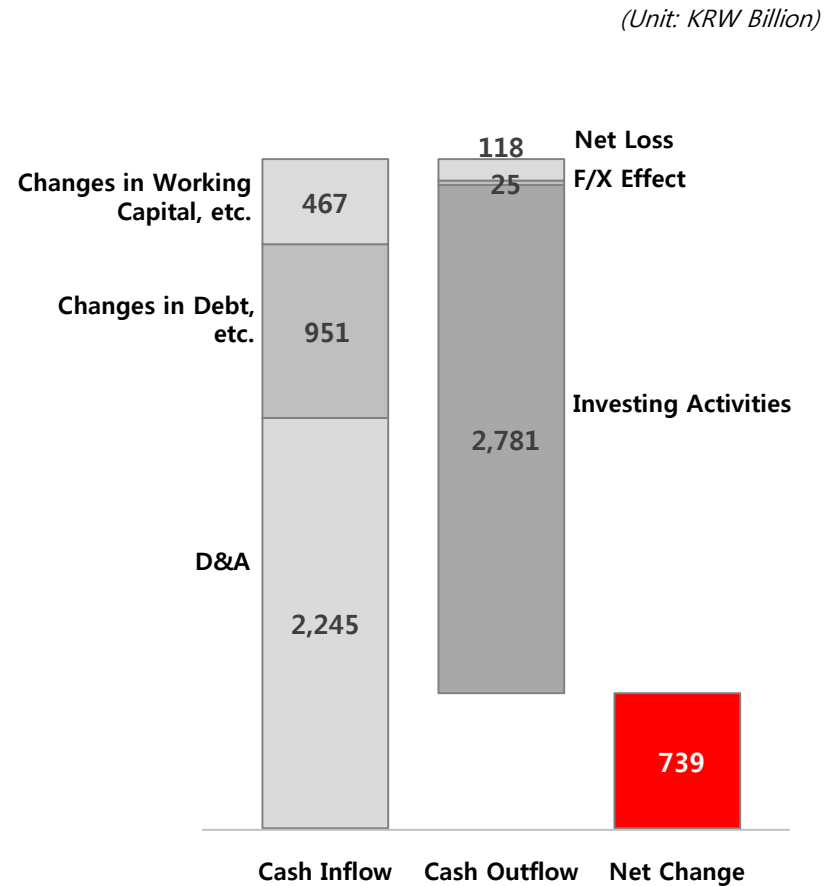


Cash Flow

Cash Flow

(Unit: KRW Billion)	Q4'19	Q3'19	Q4'18
Beginning Cash Balance	3,256	3,110	5,675
CF from Operating Activities	2,594	2,509	6,995
Net Profit	(118)	495	3,398
D&A*	2,245	2,160	1,753
Changes in Working Capital, etc.	467	(146)	1,844
CF from Investing Activities	(2,781)	(3,092)	(4,613)
Acquisition of PP&E	(2,531)	(2,892)	(4,278)
CF from Financing Activities	951	711	296
Changes in Debt	1,071	776	296
Dividend Payout	0	0	0
Share Repurchase	0	0	0
Effect of F/X rate changes on Cash & Equivalents	(25)	18	15
Net Changes in Cash	739	146	2,694
Ending Cash Balance	3,995	3,256	8,369

Q4'19 Net Cash Flow



* Including depreciation for non-operating(idle) assets

Dividend Policy Review

Mid-term dividend policy(FY19~FY21)

『KRW1,000 per share + Additional 5% of Annual FCF*』

*FCF = Cash Flow from Operating Activities – Acquisition of PP&E
(based on consolidated Cash Flow Statement for the Fiscal Year)

- Paying 『Fixed DPS』 plus 『Additional Dividend』 based on earnings result, to reflect business volatility and enhance shareholders' minimum visibility in annual shareholder return
 - As FCF turned into negative in '19, reevaluation of FCF-based shareholder return policy was required
- '19 Dividend Per Share = KRW 1,000
 - Despite sharp erosion of FCF, maintaining DPS level of '17 upturn
- Reevaluation planned after applying to '19~'21, if required

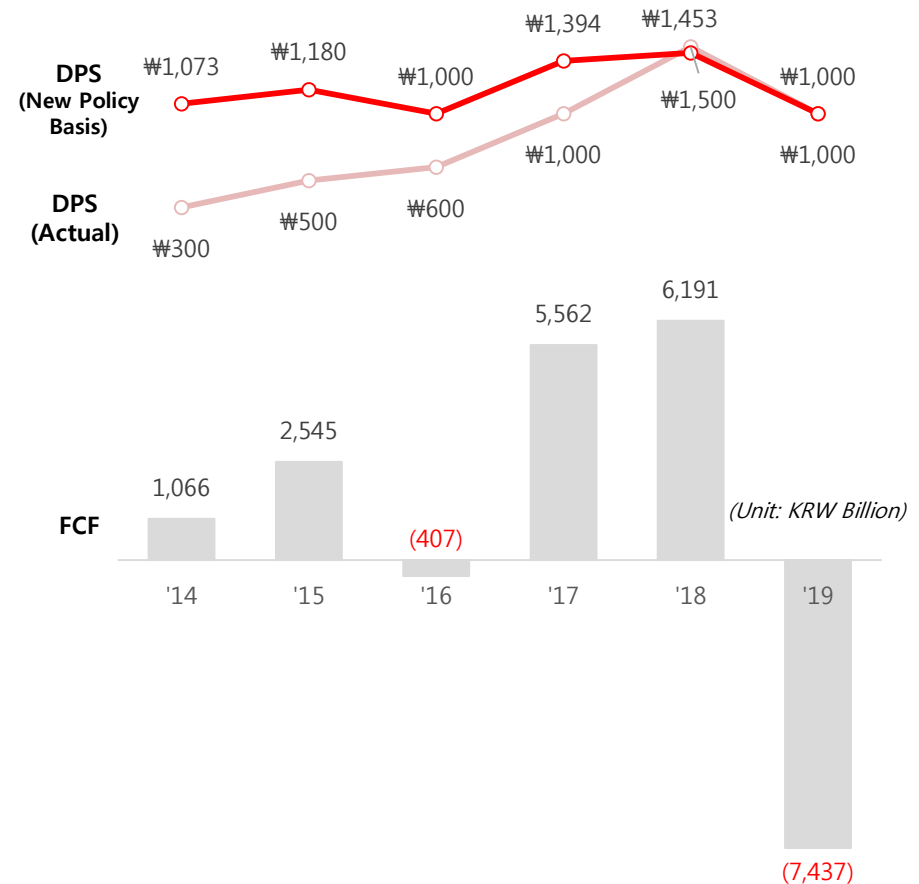
【Dividend Trend】

(KRW Billion)	'14	'15	'16	'17	'18	'19
DPS* (KRW)	300	500	600	1,000	1,500	1,000
Total Dividend Amount	218	353	424	706	1,026	684
Payout Ratio**	5.2%	8.2%	14.3%	6.6%	6.6%	34.0%
Dividend Yield	0.6%	1.6%	1.3%	1.3%	2.5%	1.1%

* Dividend Per Share

** Consolidated basis

DPS under new dividend Policy



[Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q4'19	Q3'19	Q4'18	QoQ	YoY
Assets					
Current Assets	14,458	14,175	19,894	+282	-5,437
Cash & Cash Equivalents*	3,995	3,256	8,369	+739	-4,375
Accounts Receivables	4,262	4,758	6,320	-496	-2,058
Inventories	5,296	5,474	4,423	-178	+873
Non-Current Assets	50,332	49,496	43,764	+836	+6,568
Property, plant & equipment	39,950	38,938	34,953	+1,012	+4,997
Intangible Assets	2,571	2,566	2,679	+5	-108
Total Assets	64,789	63,672	63,658	+1,118	+1,131
Liabilities					
Interest-bearing Debts	10,524	9,703	5,282	+821	+5,242
S-T Borrowings	1,168	1,072	586	+96	+583
Current Portion of LT Borrowings	1,569	1,225	1,029	+344	+541
Bonds/Convertible Bonds	2,745	2,866	1,506	-120	+1,239
L-T Borrowings	5,040	4,539	2,162	+501	+2,879
Accounts Payables	1,043	915	1,096	+128	-54
Total Liabilities	16,846	15,406	16,806	+1,441	+40
Shareholders' Equity					
Capital Stock	3,658	3,658	3,658	-	-
Capital Surplus	4,144	4,144	4,144	-	-
Retained Earnings	42,931	43,123	42,034	-192	+897
Total Shareholders' Equity	47,943	48,266	46,852	-323	+1,091

* Short-term Financial Instruments included

[Attachment2] Income Statement

K-IFRS (KRW Billion)

		Q4'19	Q3'19	QoQ	2019	2018	YoY
Revenue		6,927	6,839	+1%	26,991	40,445	-33%
Cost of Goods Sold		5,274	5,023	+5%	18,825	15,181	+24%
Gross Profit		1,653	1,816	-9%	8,165	25,264	-68%
SG&A Expenses		1,417	1,343	+5%	5,453	4,420	+23%
Operating Profit		236	473	-50%	2,713	20,844	-87%
Net Financial Profit/Loss		-62	-63		-208	-32	
Net F/X Transaction & Translation Profit/Loss		-173	79		109	340	
Income (Expense) From Jointly Controlled Entities and Associates, Net		10	4		24	15	
Others		-244	28		-195	175	
EBITDA		2,478	2,631	-6%	11,251	27,260	-59%
Income Before Tax		-233	520	-145%	2,443	21,341	-89%
Tax Expense/Benefit		-115	25	-563%	426	5,801	-93%
Net Profit		-118	495	N/A	2,016	15,540	-87%
EPS(KRW)	Basic	-173	721		2,943	22,255	
	Diluted	-173	721		2,943	22,252	
Shares Outstanding (Mil. Shares)	Basic	684	684		684	698	
	Diluted	684	684		684	698	

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