
SOLOMON SYSTECH

Interim Results Presentation 2018

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solutions in silicon



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Highlights

Financial Review

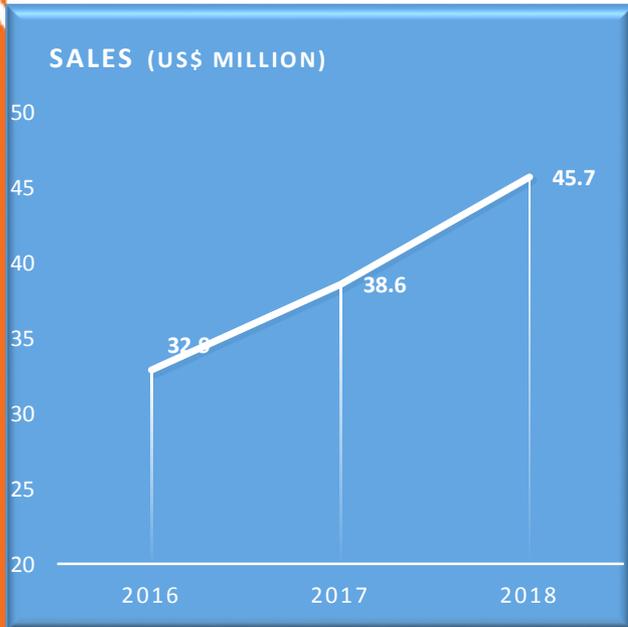
Business Review

Outlook

Highlights

- Sales amounted to US\$45.7 million
- Gross profit was US\$14.6 million
- Gross margin was 32.0%
- Net loss was US\$6.3 million
- Loss per share was 0.25 US cent (1.94 HK cents)
- Book-to-bill ratio for the year was 1.1
- The Board resolved not to propose any interim dividend for the six months ended 30 June 2018

Performance Charts



Highlights

Financial Review

Business Review

Outlook

Financial Review - Profit and Loss



(US\$ million)	1H 2018	1H 2017	Variance
Sales	45.7	38.6	+18%
Gross profit <i>Gross margin</i>	14.6 32.0%	14.7 38.1%	-6.1pts
Net loss	6.3	5.6	
(US cents)			
Loss per share	0.25	0.23	
Dividends per share	Nil	Nil	
Book-to-bill ratio	1.1	1.1	

Financial Review - Financial Remarks



		Key Factors
Sales	US\$45.7m (1H17: US\$38.6m)	<ul style="list-style-type: none"> Sales: up 18% YOY Unit shipments: up 60.0% YOY Blended ASP: down 26.0% YOY
Gross Profit	US\$14.6m (1H17: US\$14.7m)	<ul style="list-style-type: none"> Gross margin: 32.0% (1H17: 38.1%)
Total Operating Expenses	US\$25.2m (1H17: US\$23.8m)	<ul style="list-style-type: none"> Product R&D costs: <ul style="list-style-type: none"> US\$16.6m (1H17: US\$16.3m) 36.3% of Sales (1H17: 42.1%) S&D expenses: <ul style="list-style-type: none"> US\$2.0m (1H17: US\$1.6m) 4.5% of Sales (1H17: 4.1%) Admin expenses: <ul style="list-style-type: none"> US\$6.6m (1H17: US\$6.0m)
Finance Income - net	Finance Income - net US\$2.1m (1H17: US\$2.5m)	<ul style="list-style-type: none"> Treasury income: US\$0.3m (1H17: US\$0.6m) <ul style="list-style-type: none"> Interest: US\$0.2m; Dividend: US\$0.1m Net fair value gain on financial assets at FVTPL: <ul style="list-style-type: none"> US\$1.8m (1H17: US\$1.9m)
Net Loss	US\$6.3m (1H17: US\$5.6m)	<ul style="list-style-type: none"> Mainly due to: <ul style="list-style-type: none"> specific provisions for slow moving inventories; decrease in average selling price due to special price reduction of certain old stocks; and decrease in treasury income due to a less favorable investment environment

Financial Review - Balance Sheet

(US\$ million)	As at 30 Jun	As at 31 Dec	Variance
	2018	2017	
Total assets	117.5	116.2	
Total borrowings	0.2	0.3	
Shareholders' funds	86.1	91.8	-6.2%
Net cash	21.8	23.3	-6.4%
(HK Cents)			
Shareholders' funds per share	27	29	
Net cash per share	6.8	7.3	

Financial Review – Net Cash Analysis 2018 vs 2017



Net Cash:	Change
<ul style="list-style-type: none"> US\$21.8m (30 Jun'18) vs US\$23.3m (31 Dec'17) 	-US\$1.5m

Major Cash Inflow	US\$	Major Cash Outflow	US\$
<ul style="list-style-type: none"> Interest and Dividend Received 	+0.3m	<ul style="list-style-type: none"> Net cash Used in Operating Activities 	-12.3m
<ul style="list-style-type: none"> Change in FVTPL 	+11.3m	<ul style="list-style-type: none"> Capital Expenditure 	-1.2m
<ul style="list-style-type: none"> Exchange difference 	+0.4m		

Highlights

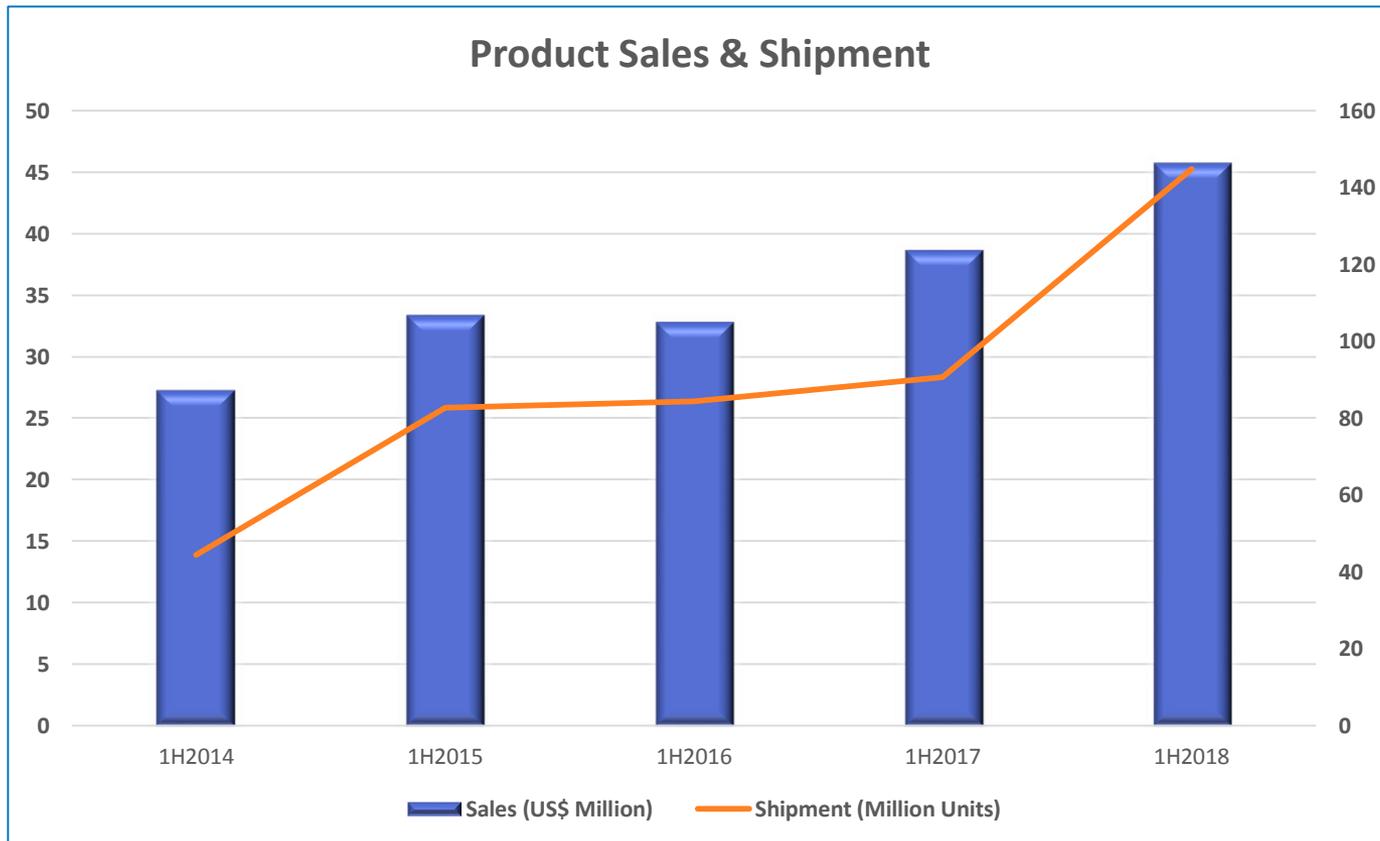
Financial Review

Business Review

Outlook

Business Review – Sales & Shipments

- 1H2018 Total Sales: ~US\$45.7 million (up 18% year-on-year)
- 1H2018 Total Shipments: ~144.9 million units (up 60% year-on-year)



Business Review – Advanced Display

Advanced Display



- **Total Sales:**
 - Surged 39% year-on-year to US\$25.9 million
- **PMOLED Touch and Display Driver Integration (TDDI) IC**
 - World's 1st: an important industry milestone
 - Potential revenue driver
 - Sample ready for customer outreach.
- **PMOLED Display Driver IC (DDI)**
 - Continued to score design-wins: leverage fast-growing wearables, bank keys and smart home appliances, etc.
 - Designed-in high resolution grayscale display projects: wearables, other applications (medical devices, optical view finders)
- **Bistable DDI**
 - Strong growth of ESL: leverage trends of unmanned stores and supermarket/store automation
 - Design-wins: scoreboards/ tags for logistics asset management
 - New products developed: for larger size panels (7"~13")

Business Review – Main Display

Main Display



- **Total Sales:** Slight reduction of 1% to US\$19.8m
- **maXTouch® Touchscreen Controller IC**
 - Scored design-wins: major international smartphone/tablet brands
- **Large TFT LCD DDI**
 - Over 70% sales growth
 - Increased share in Nanjing CEC Panda Flat Panel Display's business
 - Qualified as a major supplier of new customers in Chengdu and Xianyang and garnered design-in projects
- **MIPI Bridge Chip**
 - Garnered design-win for VR
- **Touch and Display Driver Integration (TDDI) IC**
 - Shipment for FHD panels: started to increase in June
 - Shipment for FWVGA panels: declined
 - New TDDI for FHD+ Infinity screens and 21:9 aspect ratio: designed-in a smartphone project

Highlights

Financial Review

Business Review

Outlook

Advanced Display – Outlook

PMOLED Display Driver IC

Strong Potential:

- **Capture Market Trends:** bank keys, smart home appliances, wristbands with grayscale display
- **PMOLED TDDI IC:** expected to start pilot production in Q4

Bistable Display Driver IC

Growth Momentum to Continue:

- **Strong Growth of ESL Market:** in particular in PRC
- **Expanding Larger Size Panel Market:** ESL & medical device markets
- Leverage other new applications

Others

- **Micro LED DDI**
 - Garner design wins for promotional sign boards

Main Display – Outlook

Mobile Display IC

➤ **maXTouch® Touchscreen Controller IC Business Continues to Grow:**

- Design wins garnered in 1H to start mass production
- New foldable AMOLED touch controller IC: sample ready by end 2018 and start mass production in 2019

➤ **TDDI**

- Capture opportunities from shortage of TDDI IC for FHD panels in market
- New TDDI for infinity screen with 21:9 aspect ratio to start mass production

Large Display Driver IC

Sustain Strong Growth Momentum:

➤ **Current Customer**

- Further increase the share in Nanjing CEC Panda Flat Panel Display's business

➤ **Potential Customers**

- Achieve design-wins with customers in Chengdu and Xiangyang

Summary

2018 1H Summary

- Strong increase in total sales (18%) & unit shipments (60%)
- Greatly enhanced R&D talent pool and new product development
- Net loss due to:
 - specific provisions for slow moving inventories;
 - decrease in average selling price due to special price reduction of certain old stocks; and
 - decrease in treasury income due to a less favorable investment environment

Looking Ahead

Positive Outlook:

- Anticipate strong growth: large display driver ICs, PMOLED and bistable products (surging wearables, ESLs and smart home appliances markets)
- Design-wins achieved in 1H to start mass production
- Launch of new products: e.g. PMOLED TDDI, foldable AMOLED touch controller IC

Thank You

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