

Faraday Reports Second Quarter 2023 Results

Revenue was NT\$2,917 Million with a Reported EPS of NT\$1.66

Second Quarter 2023 Highlights^[1]

- Revenue of NT\$2,917 million (US\$95.4 million)
 - Gross margin was 43.6%
 - Net income attributed to stockholders of the parent was NT\$414 million (US\$13.5 million)
 - Earnings per share of NT\$1.66
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<Hsinchu, Taiwan – Jul. 25th, 2023> Faraday Technology Corporation (“Faraday” or the “Company”) (TWSE: 3035), a leading fabless ASIC service and silicon IP provider, today announced its consolidated financial results for the second quarter of 2023. Second quarter consolidated revenue was NT\$2,917 million, down by 11% QoQ and 13% YoY, with gross margin of 43.6%. Net income attributed to stockholders of the parent was NT\$414 million, with a basic EPS of NT\$1.66.

Looking back on the second quarter, revenue for this quarter decreased 11% QoQ, reaching NT\$2,917 million. Although all 3 major products showed a decline on a quarterly basis, the long-term growth indicators IP and NRE continued to show growth compared to the same period last year, despite last year being a high base period. IP Revenue was NT\$343 million, decreased by 10% QoQ and increased by 8% YoY. NRE revenue was NT\$489 million, decreased by 21% QoQ and increased by 11% YoY. Mass production on the other hand was impacted by the high based period last year and customer inventory adjustments, resulting in a decrease of 8% QoQ, reaching NT\$2,085 million. In terms of profitability, gross margin for second quarter declined 1 percentage point from previous quarter reaching 43.6%, operating margin was 14.4% and basic EPS decreased by 18% from previous quarter resulting in NT\$1.66. During the first half of the year, the accumulated volume of ASIC design win projects remained stable. With continuous growth in ASIC demand supported by various applications, Faraday has successfully break-through advanced process technology through winning a 14nm SoC ASIC project from an international client, utilizing self-developed 14nm advanced process IP solutions and SoC development platform. This achievement further expands the application landscape of AI.

Looking ahead to third quarter, overall revenue is expected to slightly increase compared to previous quarter. Looking towards the future, ASIC industry is expected to continue prosperous development through the emerging various applications. Faraday, with its comprehensive custom solutions and self-developed IP solutions, along with diversified business models, can provide customers with exclusive design services. The Company is also actively engaged in advanced packaging technologies (2.5D/3D packaging) and Chiplet design through project wins from international customers.

Lastly, Faraday places great importance on sustainable development. The Company provides customers with multi-site manufacturing support services across regions, offering flexible production support to mitigate manufacturing risks caused by significant environmental factors, thereby further strengthening Faraday's commitment to sustainable business operations.

[1] Unless otherwise stated, all financial figures discussed in this announcement are prepared in accordance with Taiwan-International Financial Report Standards (TIFRSs). They represent comparisons among the three-month period ended June 30, 2023, the three-month period ended March 31, 2023, and the equivalent three-month period that ended June 30, 2022. For all 2Q23 results, New Taiwan Dollar (NT\$) amounts have been converted into U.S. dollars at the exchange rate of NT\$30.57 to one U.S. dollar.

Summary of Operating Results

Operating Results					
(Amount: NT\$ million)	2Q23	1Q23	QoQ% change	2Q22	YoY% change
Revenues	2,917	3,262	-10.6	3,365	-13.3
Gross profit	1,271	1,458	-12.9	1,660	-23.4
Operation expenses	(851)	(808)	5.2	(835)	1.9
Operating income	420	650	-35.4	825	-49.0
Non-operating items	95	(10)	-1008.0	15	541.5
Net income attributed to stockholders of the parent	414	502	-17.5	661	-37.4
EPS (NTD)	1.66	2.02		2.66	

Detailed Financials Section

COGS & Expenses & Non-Operating Items					
(Amount: NT\$ million)	2Q23	1Q23	QoQ% change	2Q22	YoY% change
Revenues	2,917	3,262	-10.6	3,365	-13.3
Operating costs	(1,646)	(1,804)	-8.7	(1,705)	-3.5
Gross profit	1,271	1,458	-12.9	1,660	-23.4
Gross margin (%)	43.6%	44.7%		49.3%	
Operating expenses	(851)	(808)	5.2	(835)	1.9
Operating income	420	650	-35.4	825	-49.0
Operating margin (%)	14.4%	19.9%		24.5%	
Non-operating items	95	(10)	-1008.0	15	541.5

Current Assets				Liabilities			
(Amount: NT\$ million)	As of			(Amount: NT\$ million)	As of		
	Jun 30, 2023	Mar 31, 2023	Jun 30, 2022		Jun 30, 2023	Mar 31, 2023	Jun 30, 2022
Cash and cash equivalents	6,392	5,482	5,475	Total current liabilities	4,601	3,672	5,340
Notes and accounts receivable, net	1,315	1,490	1,468	Notes and accounts payable	1,159	1,035	1,510
A/R Turnover Days	39	40	33	Others	3,442	2,637	3,830
Inventories, net	1,766	2,306	2,366	Non-current liabilities	324	337	373
Inventory Turnover Days	126	135	101	Total liabilities	4,925	4,009	5,713
Total current assets	9,844	9,730	9,960	Liabilities to equity	55.0%	40.4%	73.4%

Analysis of Revenues

NRE Revenues Breakdown by Application

Application	2Q23	1Q23	2Q22
Communication	29.9%	25.5%	64.7%
Industrial	39.8%	23.6%	14.8%
MM/Con/PC	11.1%	10.0%	13.0%
AIoT	19.2%	40.9%	7.5%

NRE Revenues Breakdown by Geometry

Geometry	2Q23	1Q23	2Q22
$\geq 0.25\mu\text{m}$	0.8%	0.0%	0.3%
0.11 μm ~0.18 μm	12.5%	12.6%	2.4%
55nm~90nm	10.2%	11.1%	5.4%
40nm	44.4%	15.9%	38.6%
$\leq 28\text{nm}$	32.1%	60.4%	53.3%

MP Revenues Breakdown by Application

Application	2Q23	1Q23	2Q22
Communication	11.0%	14.6%	10.3%
Industrial	45.5%	47.9%	36.0%
MM/Con/PC	9.5%	6.7%	13.0%
AIoT	34.0%	30.8%	40.7%

MP Revenues Breakdown by Geometry

Geometry	2Q23	1Q23	2Q22
$\geq 0.25\mu\text{m}$	1.2%	1.5%	2.4%
0.11 μm ~0.18 μm	25.5%	26.7%	25.0%
55nm~90nm	45.4%	35.8%	41.0%
40nm	14.6%	27.7%	22.4%
$\leq 28\text{nm}$	13.3%	8.3%	9.2%

Total Revenues Breakdown by Billing Method

Billing	2Q23	1Q23	2Q22
MP	71.5%	69.4%	77.4%
NRE	16.8%	18.9%	13.1%
IP	11.7%	11.7%	9.5%

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About Faraday Technology Corporation

Faraday Technology Corporation (TWSE: 3035) is a leading ASIC design service and IP provider, certificated to ISO 9001 and ISO 26262. The broad silicon IP portfolio includes I/O, Cell Library, Memory Compiler, ARM-compliant CPUs, LPDDR4/4X, DDR4/3, MIPI D-PHY, V-by-One, USB 3.1/2.0, 10/100 Ethernet, Giga Ethernet, SATA3/2, PCIe Gen4/3, and 28G programmable SerDes, etc. Headquartered in Taiwan, Faraday has service and support offices around the world, including the U.S., Japan and China. For more information, visit www.faraday-tech.com or follow Faraday on [LinkedIn](#).