Andes Technology Corporation 2017 Q3 Report

Driving Innovations[TM]

Stock #: 6533
2017/11/9

Safe Harbor Notice

Except for the historical information contained herein, the matters addressed in this presentation are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially, including but not limited to weather, impact of competitive products and pricing, industry-wide shifts in the supply and demand for semiconductor products, rapid technology change, semiconductor industry cycle, and general economic conditions.

Except as required by law, Andes undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Driving Innovations™

Agenda

- **Operating Results**
- **Product Application**
- **New Products and Ecosystems**
- **Awards Just Granted**
- **Concluding Remarks**
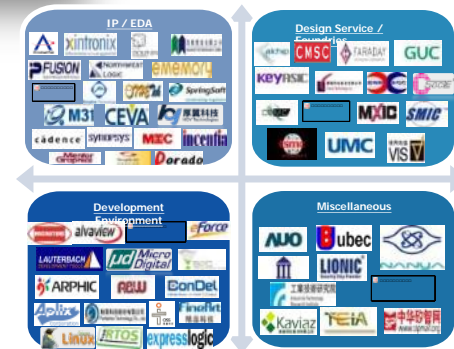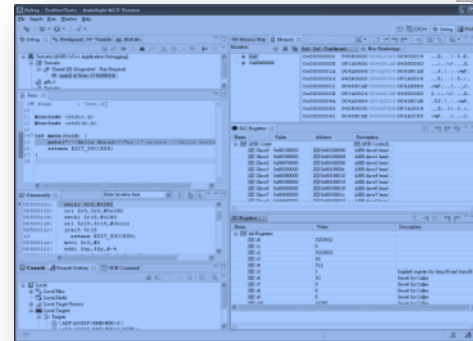
Operating Results

Business Status Overview

- **>135** commercial licensees
  - Geographically distributed in Taiwan, China, Korea, Japan, Europe, and USA.
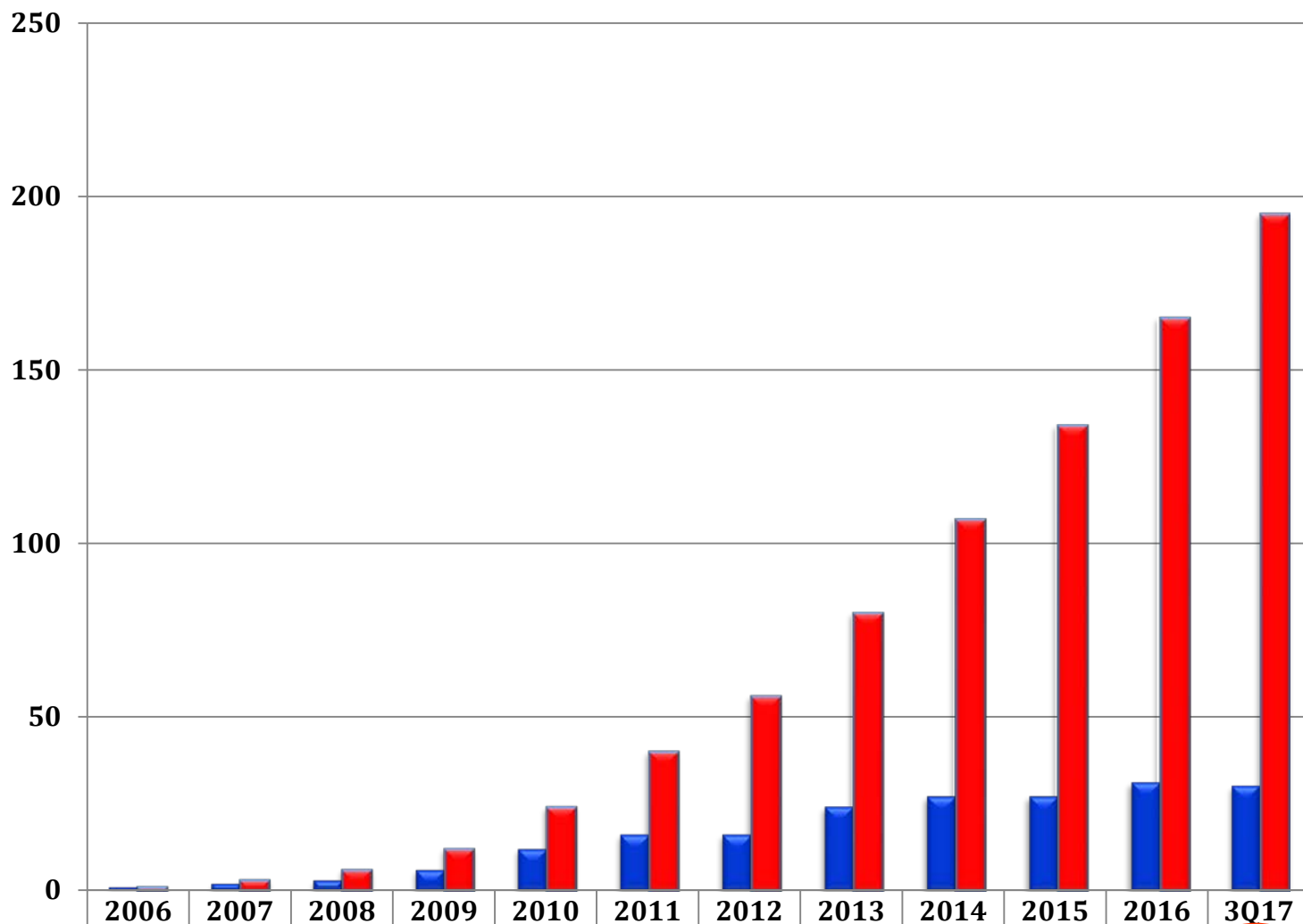 - **>190** license agreements signed

Andes-Embedded SoC

- AndeSight™ IDE:
  - >**10,000** installations

- Eco-system:
  - >**100** partners

- **>2.3B** Accumulative SoC Shipped:
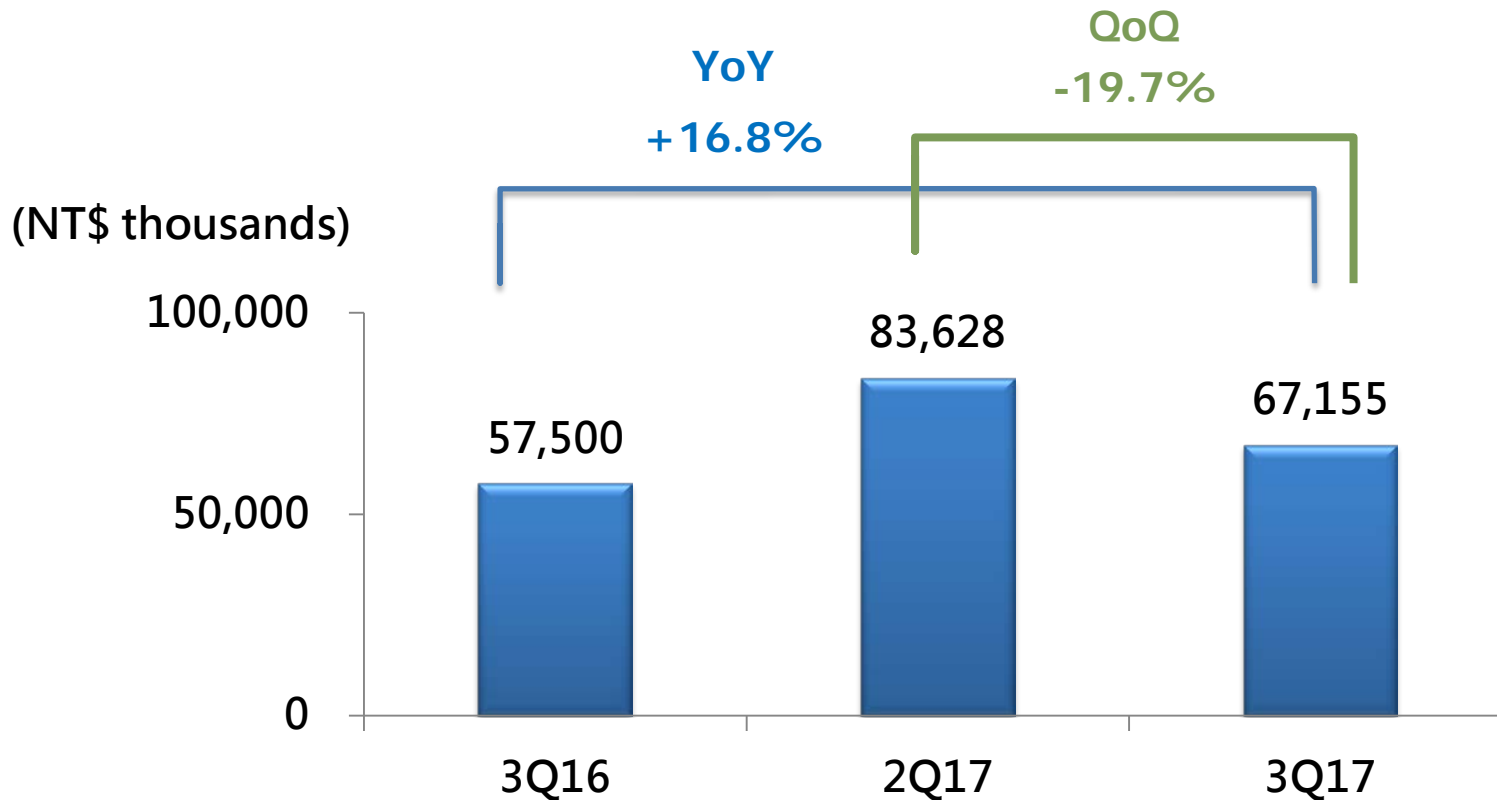 - (by 2017 Q3 end)

Driving Innovations™

Agreement Growth Analysis

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	3Q17
■ IP Agreements	1	2	3	6	12	16	16	24	27	27	31	30
■ Accumulated IP Agreements	1	3	6	12	24	40	56	80	107	134	165	195

ANDES **Confidential**

Driving Innovations™

Consolidated Revenue

- **3Q17 Revenue: NT$ 67.16M**
- **YoY : grew up 16.8%**
- **QoQ : down 19.7%**

YoY
+16.8%

QoQ
-19.7%

(NT$ thousands)

100,000

83,628

67,155

57,500

50,000

0

3Q16   2Q17   3Q17

Confidential

7

Driving Innovations™

Consolidated Royalty

(NT$ thousands)

3Q16	2Q17	3Q17
3,044	9,876	9,906

Driving Innovations™
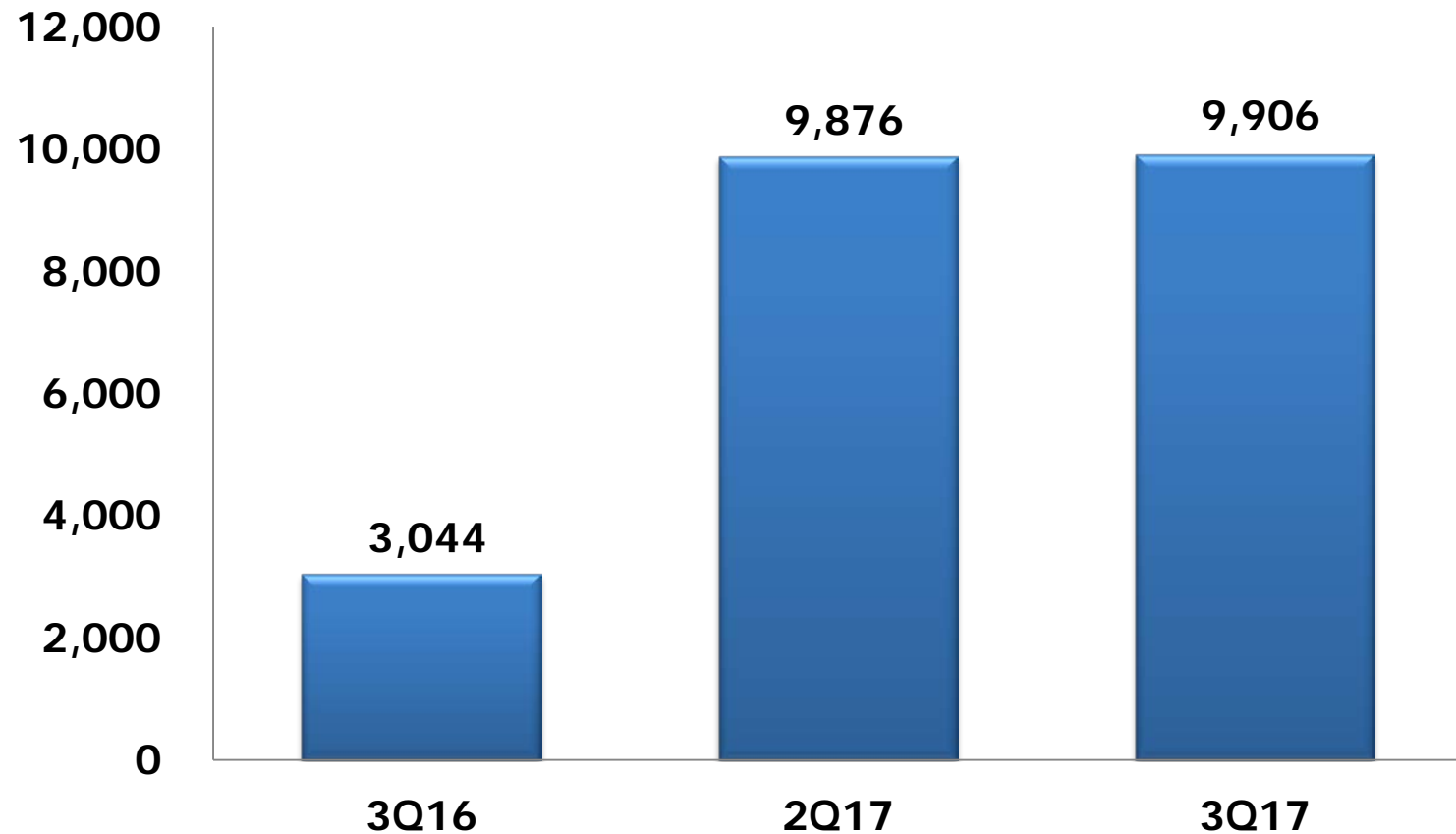
Consolidated Gross Margin

(NT$ thousands)
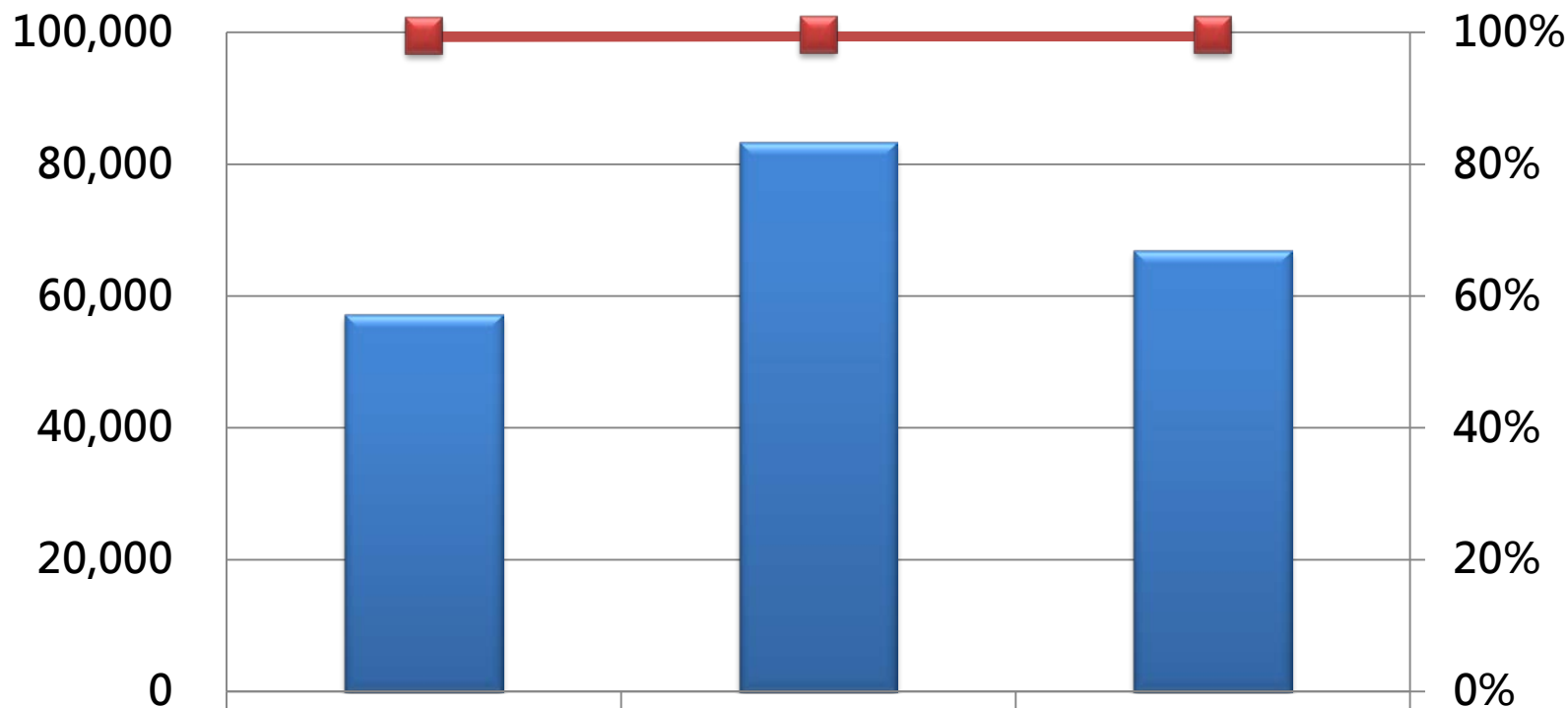
	3Q16	2Q17	3Q17
Gross Profit	57,257	83,341	66,912
Gross Margin	99.6%	99.7%	99.6%

Driving Innovations™

Consolidated Operating Expenses

(NT$ thousands)

YoY
-21.8%

QoQ
-39.6%

	3Q16	2Q17	3Q17
Total	63,406	81,979	49,554
Selling expenses	18,568	29,465	19,118
Administration expenses	13,174	13,821	15,922
R&D expenses	31,664	38,693	14,514

■ R&D expenses   ■ Administration expenses   ■ Selling expenses

Driving Innovations™
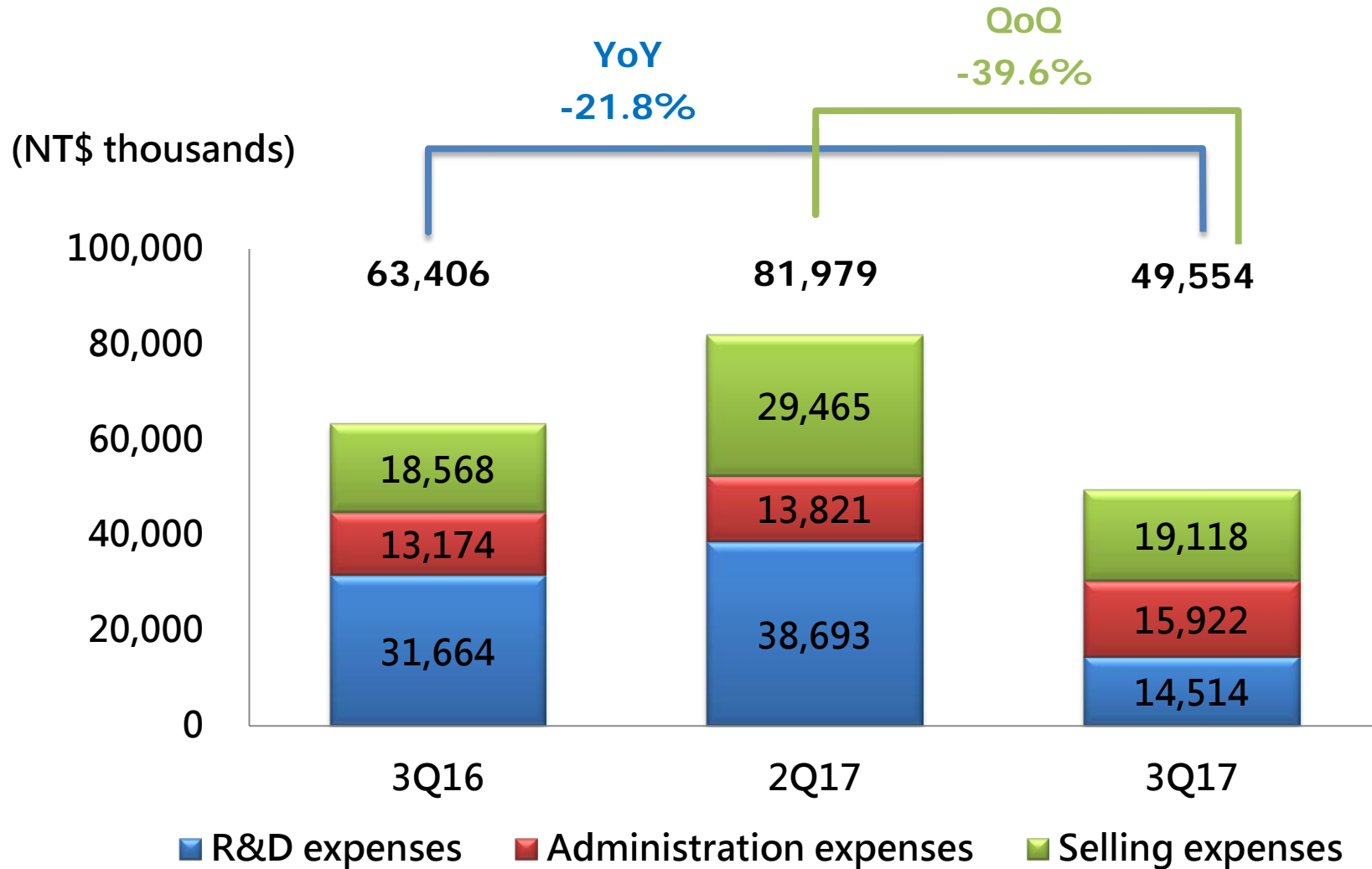
Consolidated Operating Income
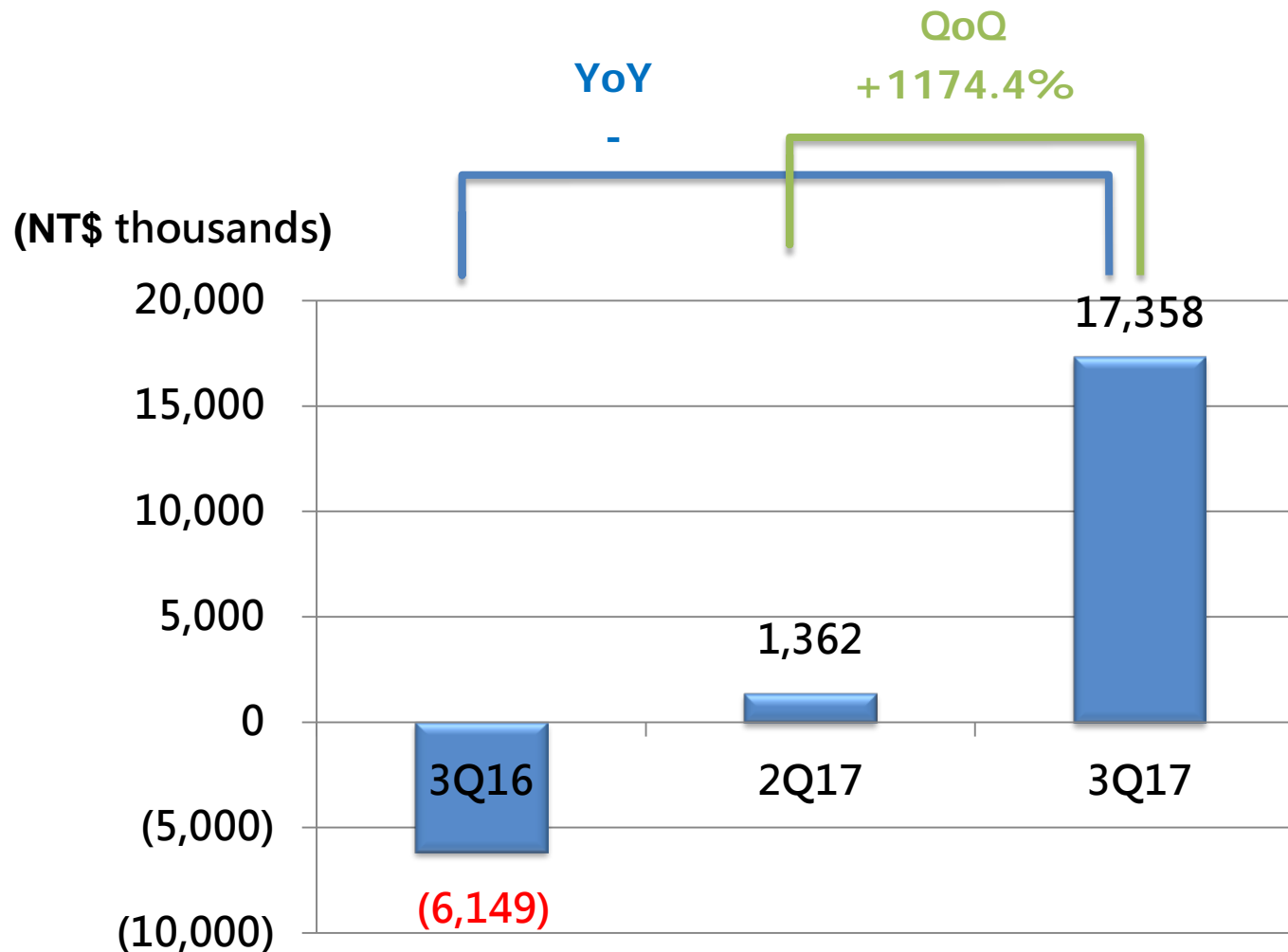
Consolidated Operating Margin

YoY
+36.6pt

QoQ
+24.3pt

25.9%

1.6%

3Q16   2Q17   3Q17

(10.7%)

Driving Innovations™
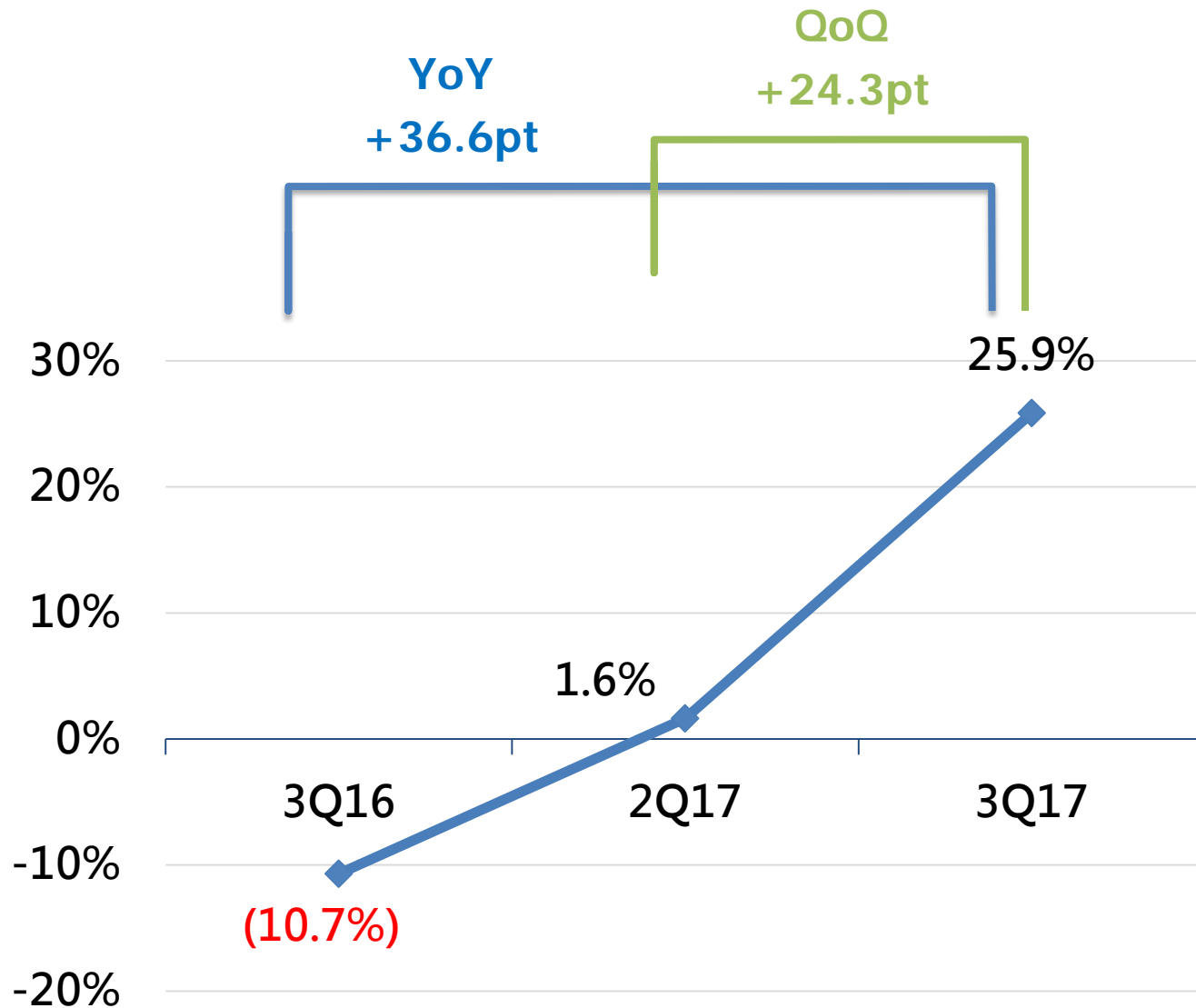
Consolidated Net Income
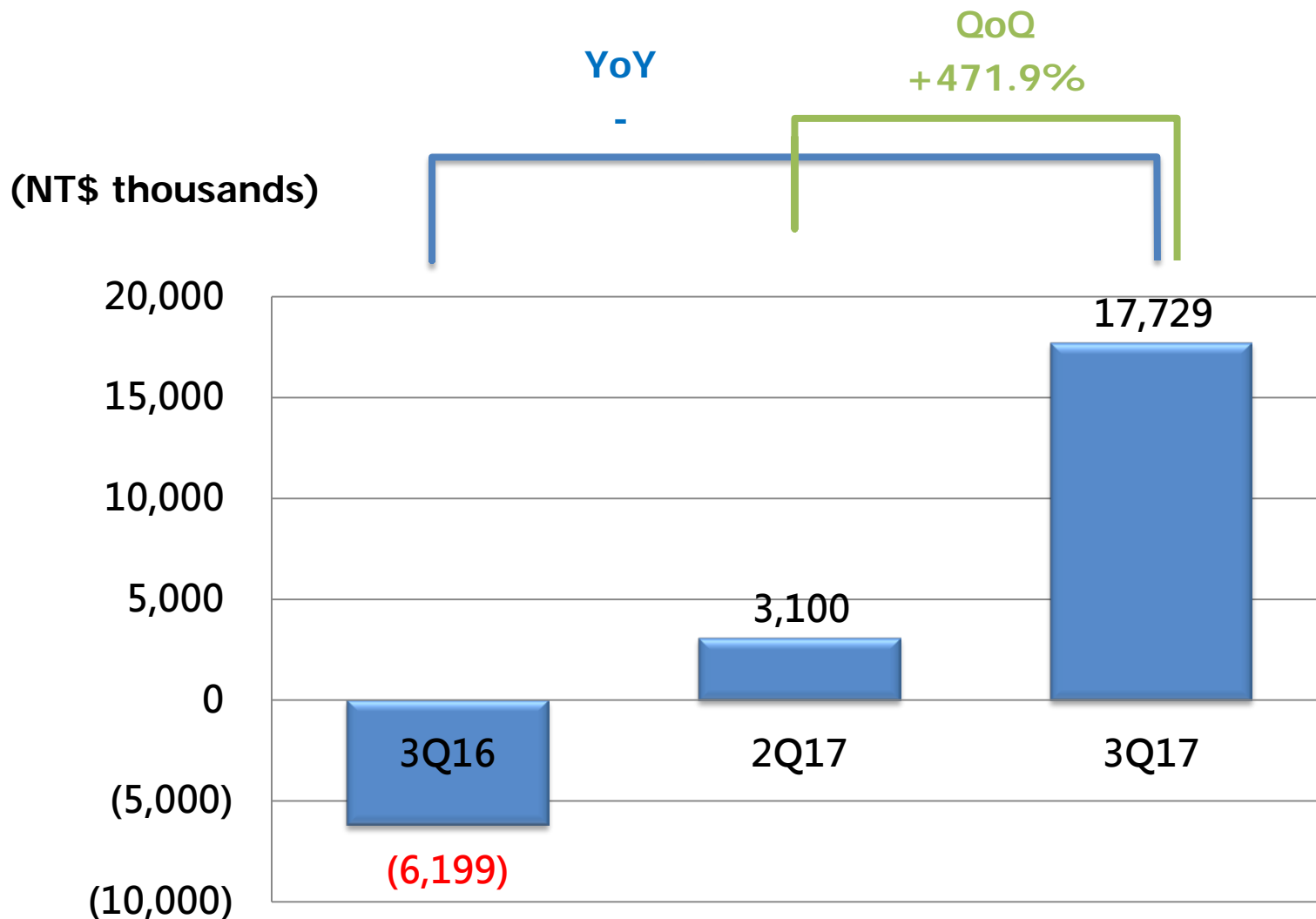
Consolidated Net Profit Margin

QoQ
+22.7pt

YoY
+37.2pt

	3Q16	2Q17	3Q17
	(10.8%)	3.7%	26.4%

14

Driving Innovations™
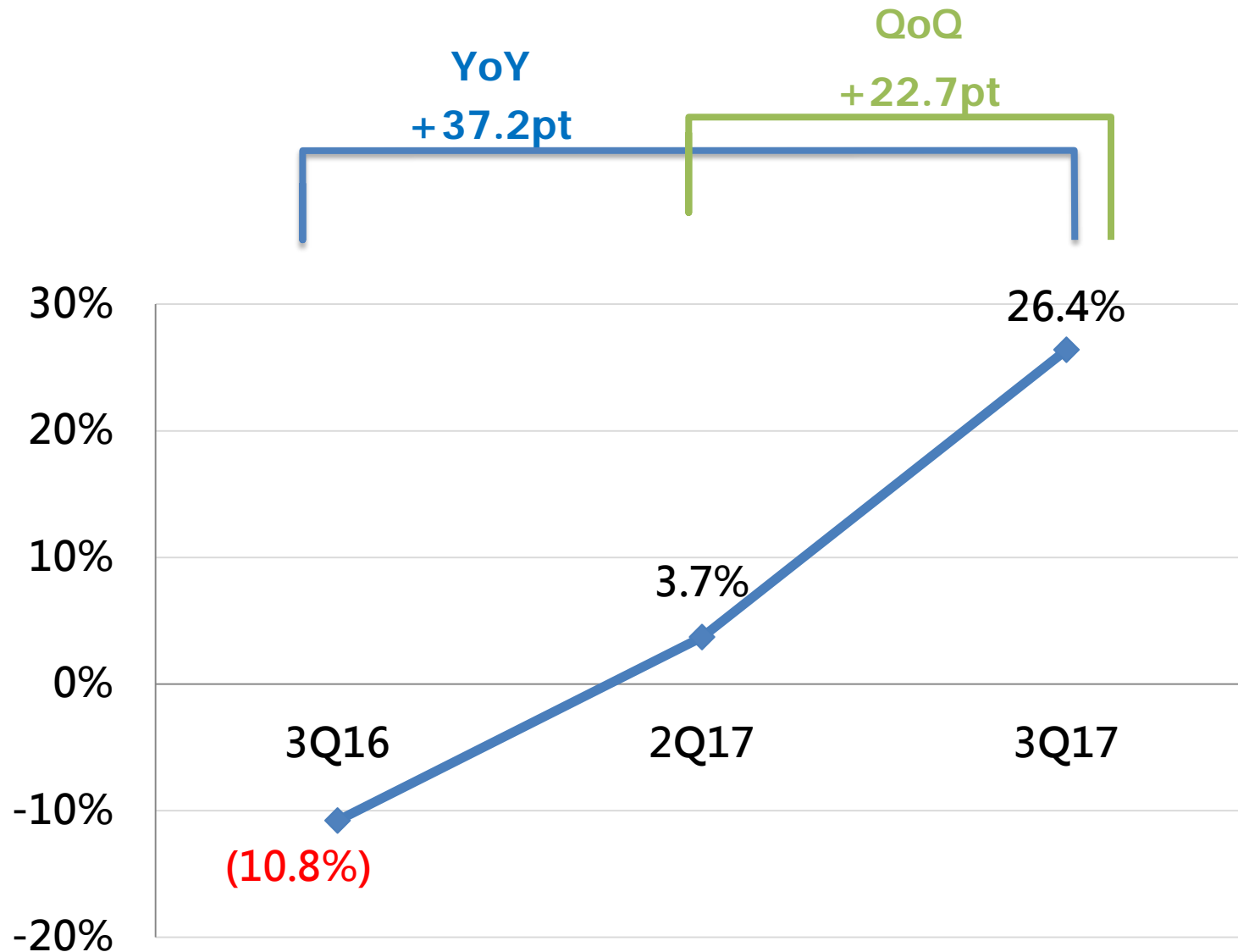
Consolidated Earnings Per Share

(NT$)

YoY
+0.61

QoQ
+0.36

- 3Q16: (0.17)
- 2Q17: 0.08
- 3Q17: 0.44

Confidential

Driving Innovations™
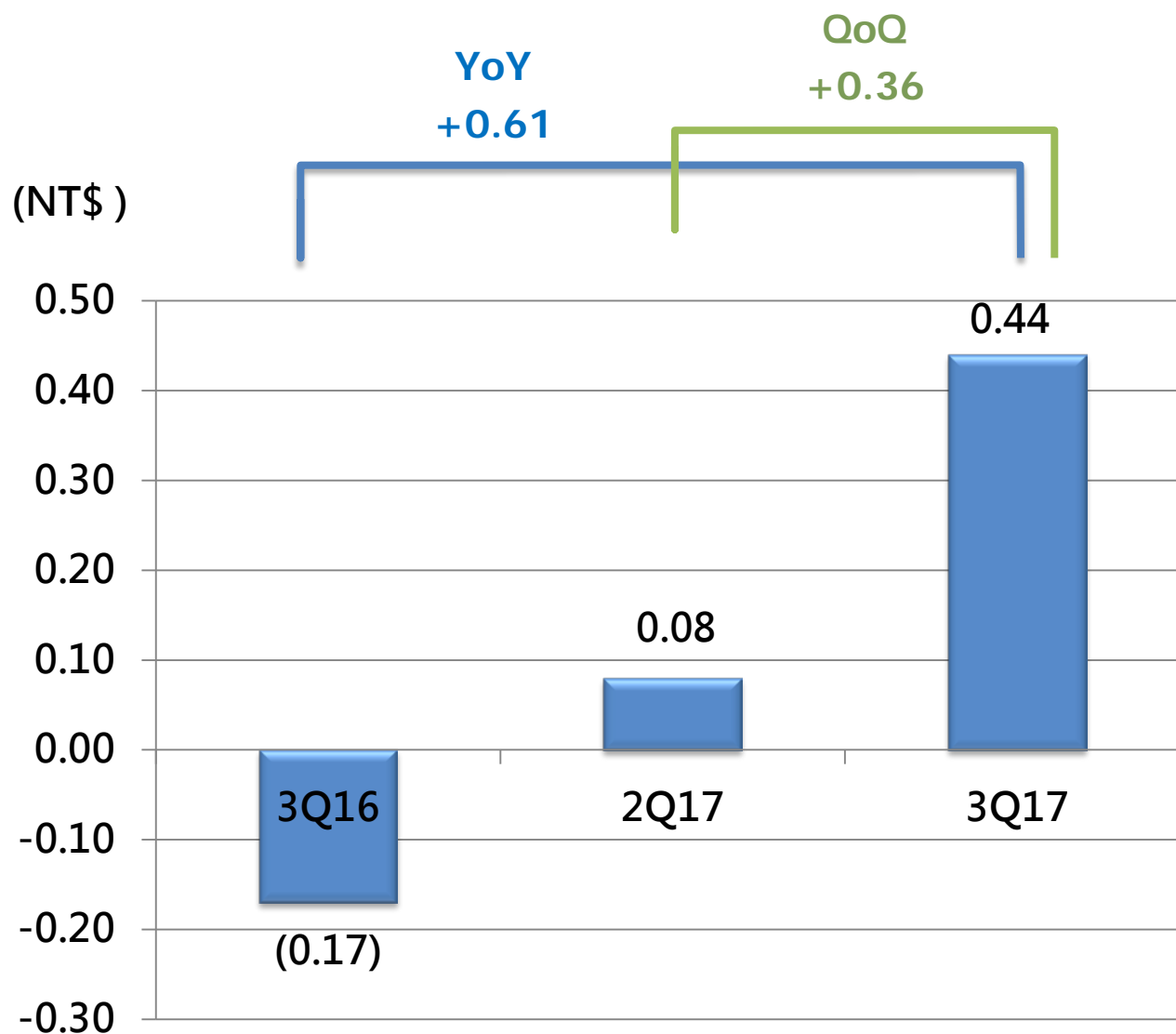
Revenue Analysis by Payment Model

1Q17-3Q17

85% License Fee
11% Royalty
4% Maintenance and others

Driving Innovations™
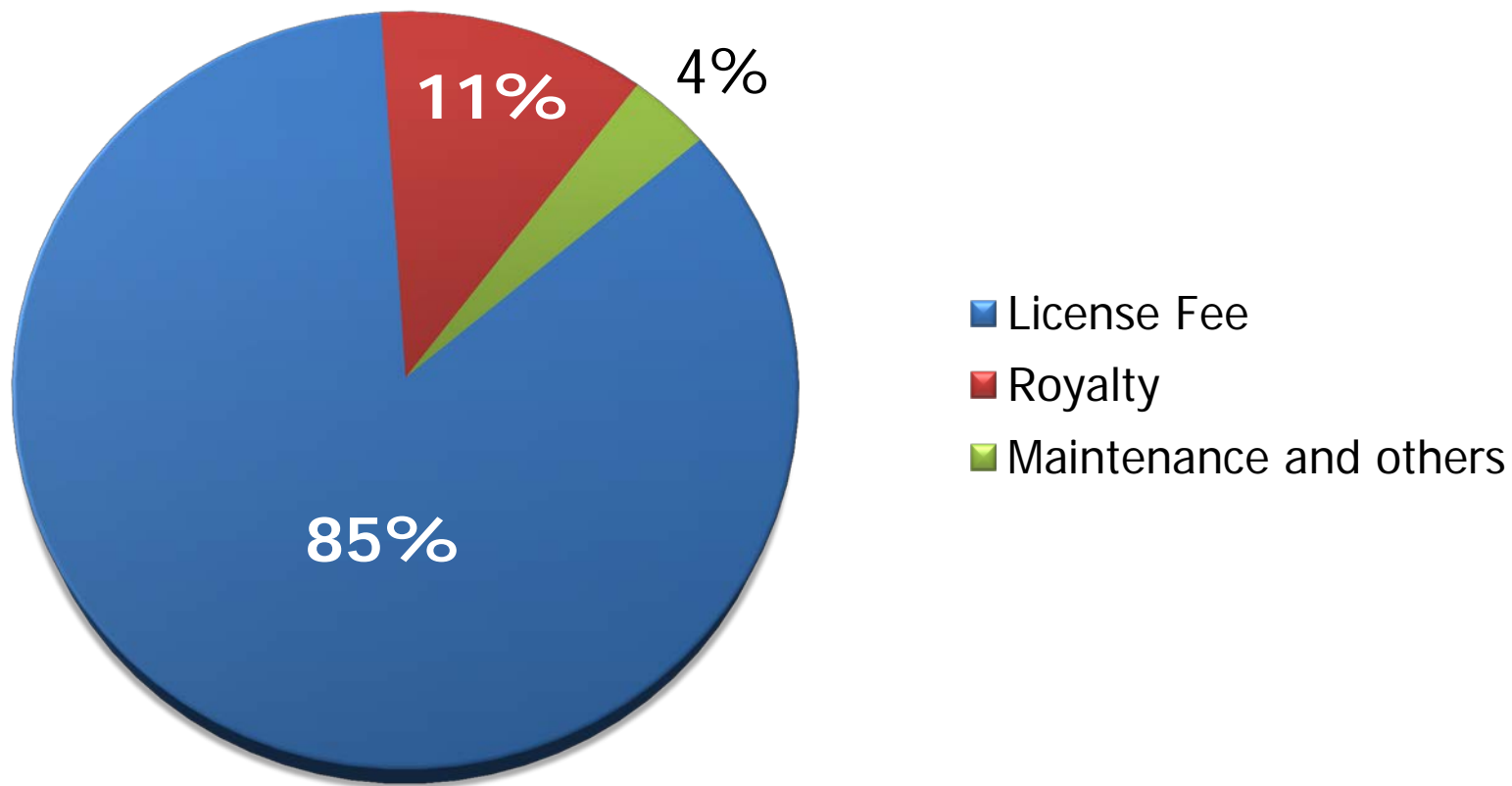
Revenue Analysis by Region

1Q17-3Q17

- Taiwan 53.3%
- China 21.3%
- USA 17.1%
- Korea 4.5%
- Japan 3.7%
- Europe 0.2%

Driving Innovations™
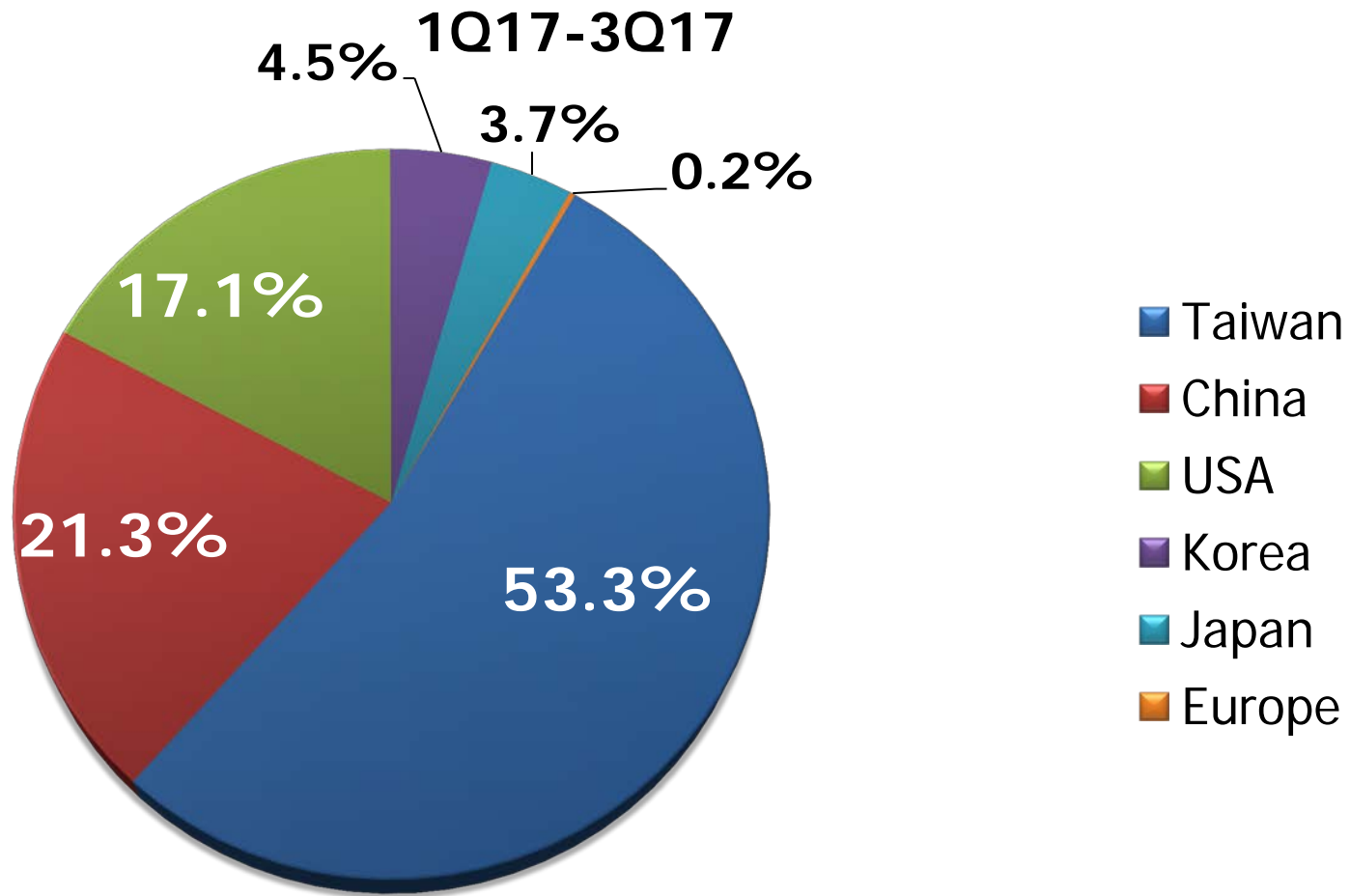
Revenue Analysis by Product

1Q17-3Q17

Legend:
- N13
- D10
- N8
- N9
- N7
- N10
- N6
- D15
- E8
- Platform IP
- EVB

Pie chart values: 28.2%, 21.2%, 14.4%, 14.0%, 8.3%, 4.7%, 2.9%, 2.6%, 2.2%, 0.8%, 0.8%, 0.0%

*Based on revenue

Confidential

Driving Innovations™

Application Analysis

Pie chart data:
- IoT: 40%
- Storage: 18%
- Sensing: 12%
- MCU: 9%
- Connectivity: 6%
- Artificial Intelligence: 3%
- Audio: 3%
- Automotive: 3%
- Networking: 3%
- Others: 3%
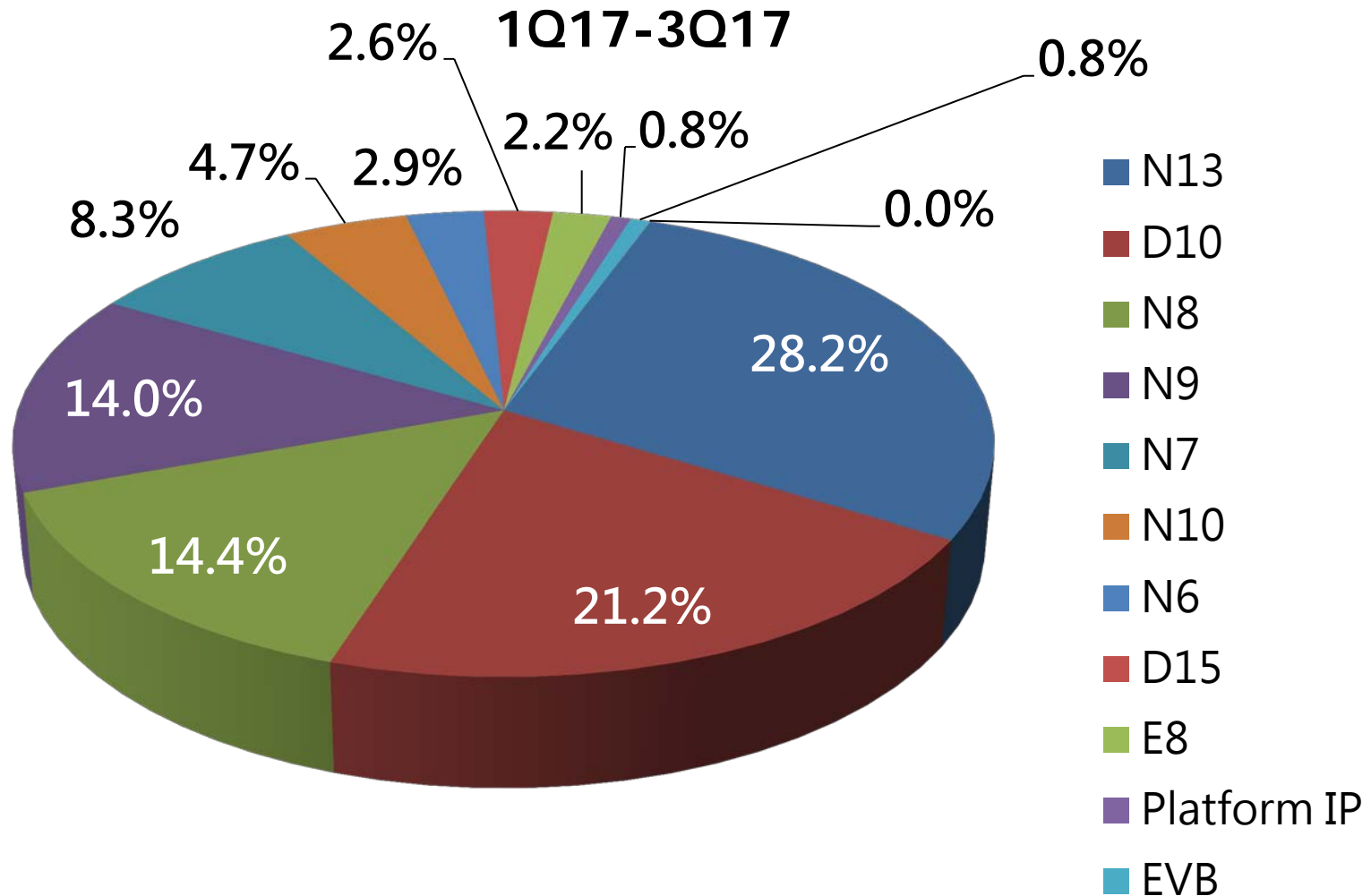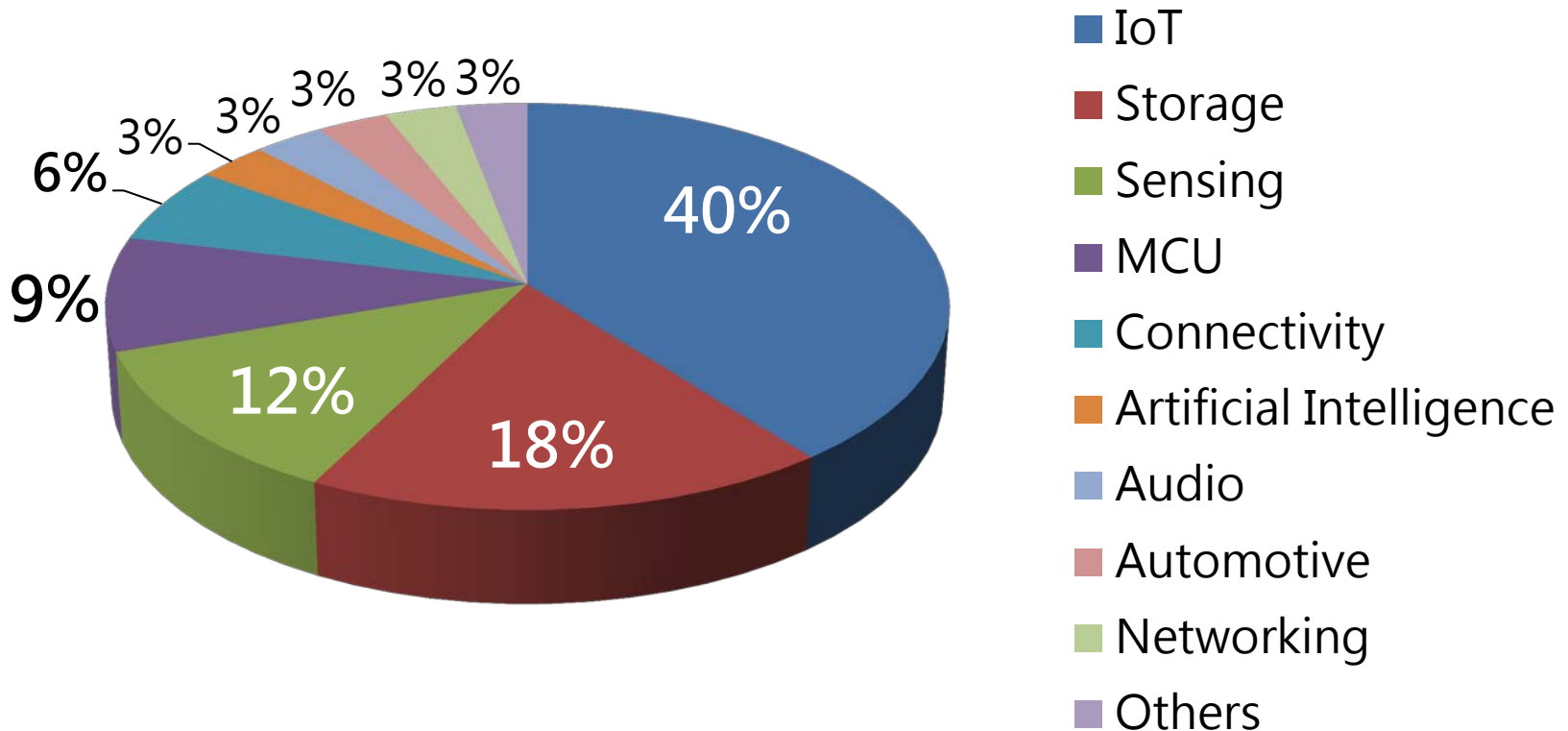
*Based on agreement number

Driving Innovations™

Product Application

Rich Customers' Applications

Consumer
- Touch Screen
- eBook/eDictionary
- Power management
- Bio-medical device
- CMMB
- MCU
- TCON

Storage & Sensor
- USB3.0
- SSD, eMMC
- Anti-virus
- Sensor Hub
- mSATA
- Secure SD
- Fingerprint Recognition

Communication & IoT
- Wireless display
- WiFi, Bluetooth
- GPS, GPON, NFC
- Gateway/router
- Portable Karaoke
- Sigfox LPWAN
- IoT Cat0 base station
- IoT MCU   • ESL
- Smart Meter • Smart Lighting

Industrial & Video
- Motor Control
- Wireless Charger
- Surveillance
- Barcode scanner
- ADAS
- VEDR
- 4K2K CODEC
- 8K4K CODEC

Andes Core™

Driving Innovations™

IoT Applications -1

Bluetooth Speaker

Sigfox LPWAN

IoT - LPWAN

Healthcare device

**N705
N801**

Wearable device

18:45
0 3.JAN
Friday
Engineering Sample

Electronic price tags

Louis Jadot Bourgogne Pinot Noir
France, Burgundy, 2010
75cl
€10,89

Sensor Hub

ANDES TECHNOLOGY

Driving Innovations™
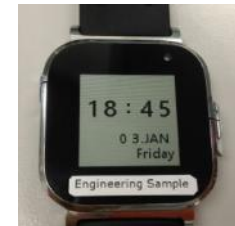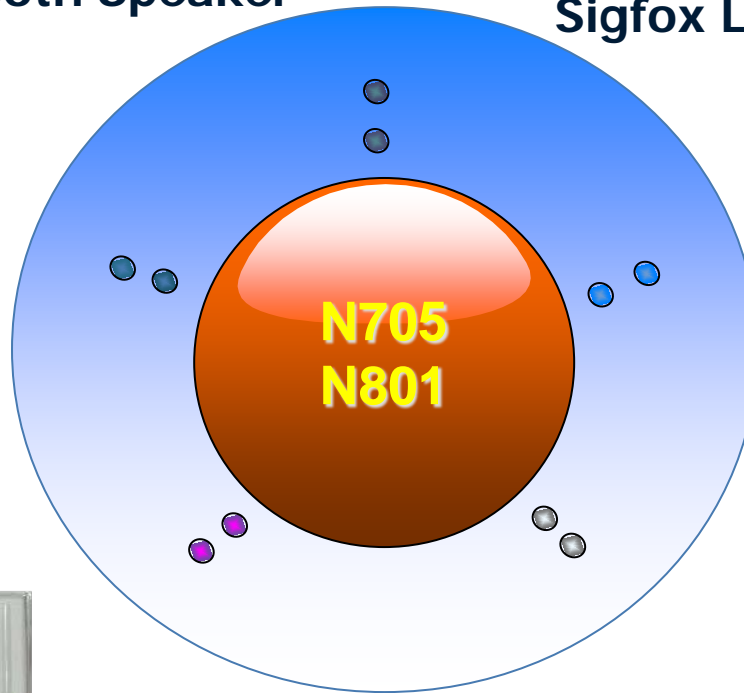
IoT Applications -2

Wearable devices

Drone

Portable Karaoke

N968A D10

WiFi/GPS/FM/Bluetooth combo

GPS/Beido in shared bikes

Contactless payment (NFC)

Driving Innovations™
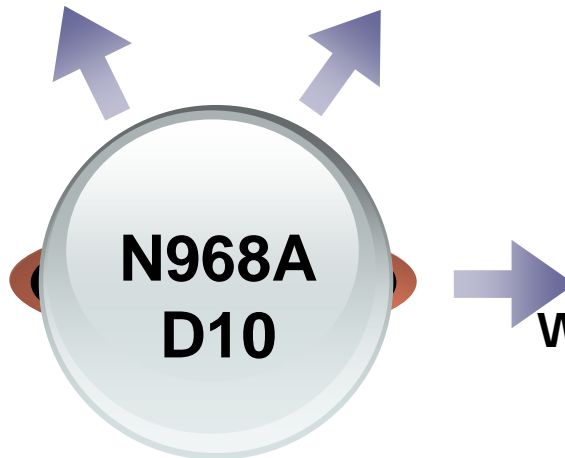
Automotive Applications

◆ **N13**
   ◆ **Calibration of AVM (Around View Monitoring) in NISSAN New X-Trial**

◆ **N10**
   ◆ **CAR Event Recorder**
   ◆ **ADAS**

Andes Core™

◆ **D10**
   ◆ **ADAS**

Driving Innovations™

AI Applications

◆ D15F
Video recognition
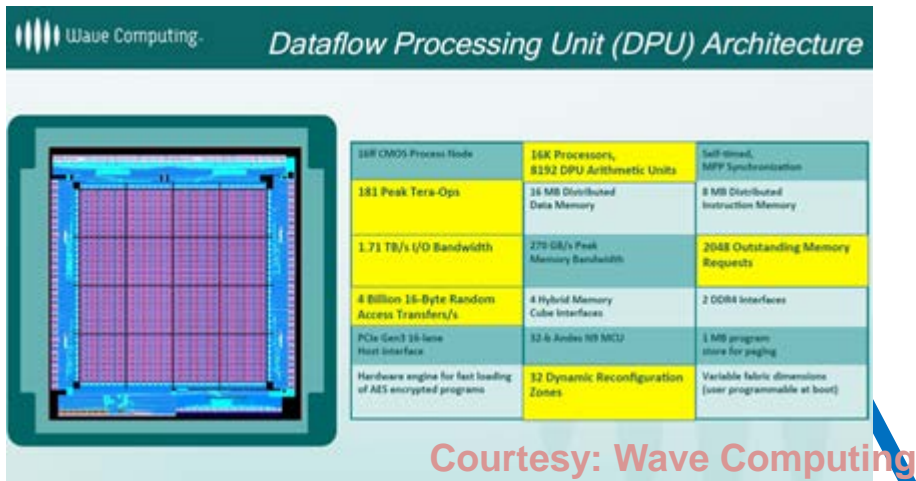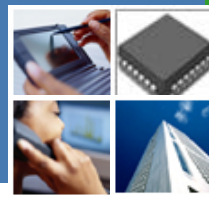
◆ N9
Dataflow Processing

◆ D10
Voice Recognition

Andes Embedded™

Yes, boss, I understand...

Andes Core

◆ N9
AI companion

SoC for WiFi in AI Companion
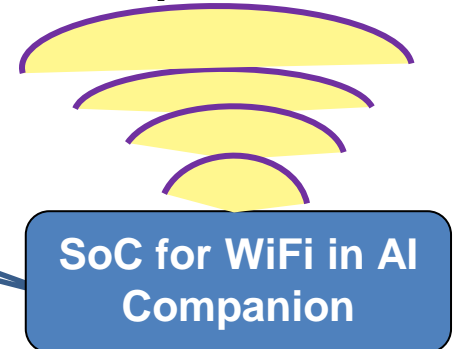
Emerging Applications

❖ AI
  ■ Deep Learning
❖ Next generation TV
❖ Network Engine
  ■ Router
❖ Drone
❖ Robot
❖ …
❖ Many new applications are emerging
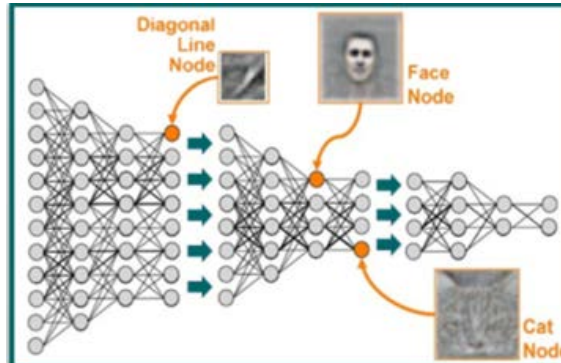
Driving Innovations™
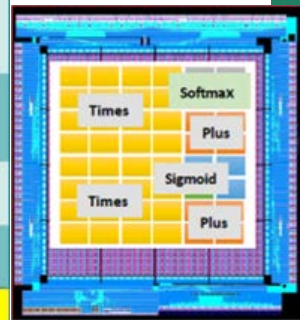
New Products and Ecosystems

New AndesCore™ Revealed in 2017

Performance →

⬤ **New Cores Announced/Released in 2017**

⬤ Protocol Processing
⬤ Gateway
⬤ Storage

N25
NX25

D15(F)
N15(F)
⬤ DSP
⬤ FPU

N13
⬤ Switch
⬤ Router

D10(F)
N10(F)
⬤ Wearable
⬤ Sensor
⬤ WiFi
⬤ Gateway

N9
⬤ Sensor
⬤ WiFi

E8

N8   **E8**

N7   **N8**   **S8**
⬤ BT sensor
⬤ ZigBee sensor
⬤ Strong security

The Internet of THINGS
CONNECT THE WORLD

IoT graphic source:
Wilgengebroed on Flickr

Power consumption →

Driving Innovations™

Awards Just Granted

Leading in IoT Wave

► **"Top 25 IoT Solution Providers 2017"**
— APAC CIOOutlook Magazine

Driving Innovations

➢ **"2017 ASPA Excellence Prize"**
— Asian Science Park Association

Concluding Remarks

❖ Andes will release the new V5 architecture processor core N25 / NX25, perfect for applications of emerging technologies including network communication, deep learning and high end storages.

❖ The collaboration with GlobalFoundries on its 22nm FD-SOI (22FDX®) technology allows Andes Technology to further build up the ecosystem and provide low power consumption and high performance IoT solutions.

❖ Many projects of Andes Technology have entered development stage, they will help enhancing Andes intangible capital and values.

Thank You!

www.**andestech**.com

Q&A