

# SK Hynix FY2019 Q1 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 Q1 financial results has not been finalized. Figures in this earnings release are subject to changes during the independent auditing process.



# FY2019 Q1 Financial Results

# Results of Operation

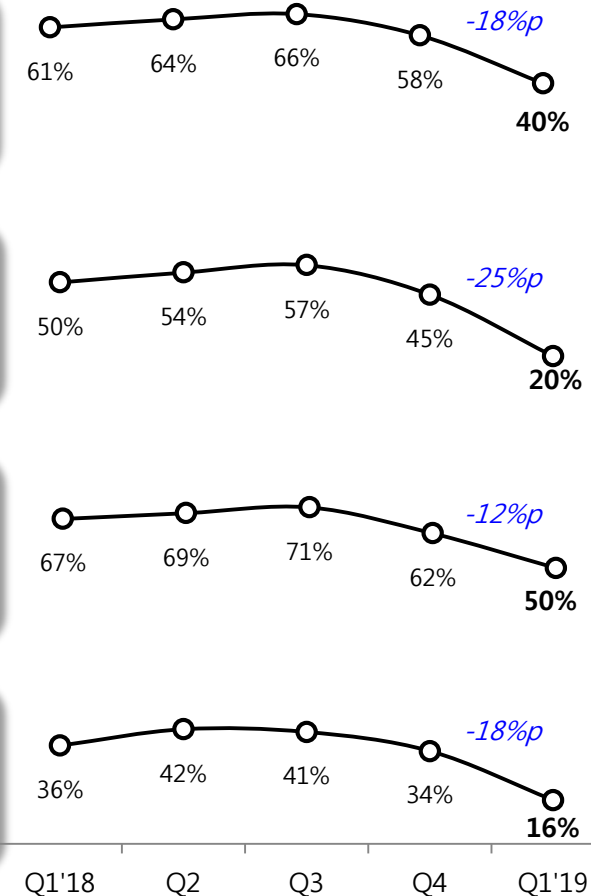
## Income Statement

(Unit: KRW Billion)		Q1'19	Q4'18	Q1'18	QoQ	YoY
Revenue		6,773	9,938	8,720	-32%	-22%
Gross Profit		2,680	5,774	5,336	-54%	-50%
Operating Profit		1,366	4,430	4,367	-69%	-69%
EBITDA*		3,397	6,181	5,813	-45%	-42%
Net Profit		1,102	3,398	3,121	-68%	-65%
EPS(KRW)	Basic	1,612	4,965	4,420		
	Dil.	1,612	4,965	4,419		
Shares Outstanding (Mil. Shares)	Basic	684	684	706		
	Dil.	684	684	706		

\* EBITDA = Operating Profit + Depreciation & Amortization

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

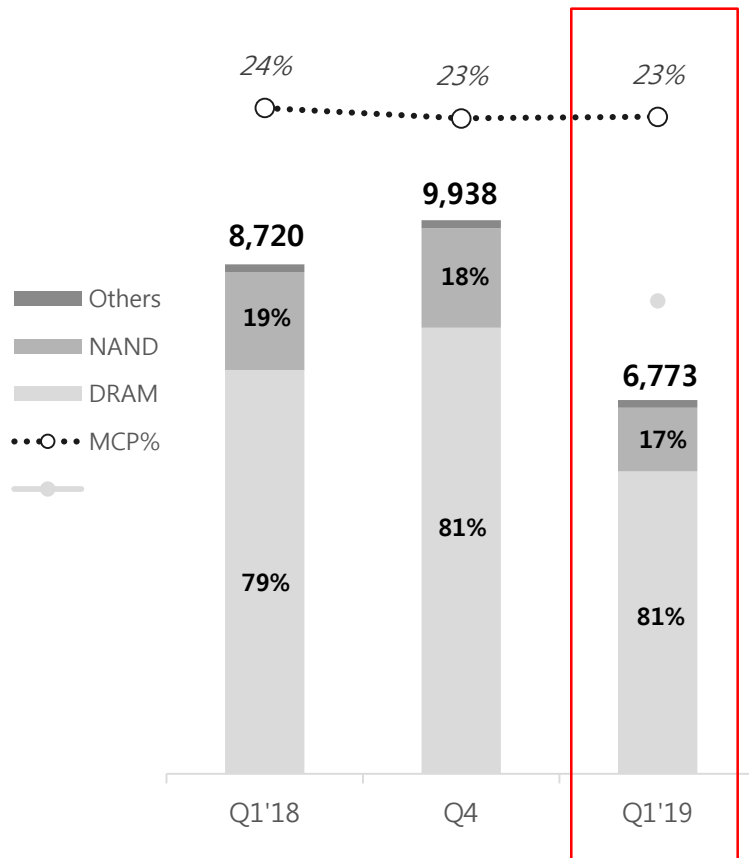
## Profit Margins



# Sales Analysis - 1

## Revenue Trend

(Unit: KRW Billion)



- Q1'19 revenue decreased 32% in QoQ due to shipment decline for both DRAM & NAND with sharper-than-expected ASP erosion as slower demand trend continued

### DRAM

- QoQ B/G -8%, ASP -27%
- Despite seasonal demand weakness and continuing purchase postponement trend from server customers, proactively responded to market requirement
- Computing products drove steeper ASP erosion

### NAND

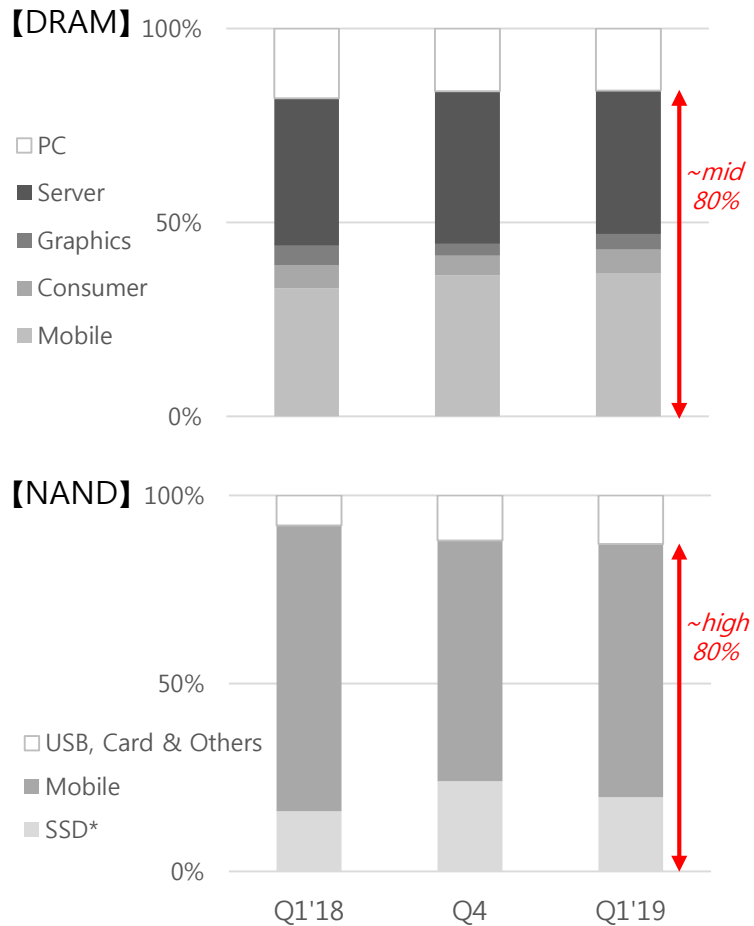
- QoQ B/G -6%, ASP -32%
- Active shift of product mix allocation toward high density mobile despite persistence of overall sluggish demand
- ASP erosion steepened with suppliers' severe price competition led by inventory burden and increased portion of higher density sales

### MCP

- Although higher density adoption continued in Chinese smartphone, MCP shipments fell due to weak set demand
- Revenue decreased 32% QoQ, while revenue mix was maintained

# Sales Analysis - 2

## Revenue Breakdown by Application



\* including discrete NAND for SSDs

### ❖ Sluggish IT demand and weak seasonality continued

Server  
DRAM  
+  
SSD

- Demand slowdown continued due to inventory correction and conservative purchasing behavior from server customers
- Revenue portion of Server DRAM and SSD reduced due to larger ASP erosion of server related applications

Mobile  
DRAM  
+  
NAND

- Demand weakened due to seasonality & slower smartphone shipments
- However, actively responded to faster adoption trend of higher density products, especially for Chinese smartphones
- Mobile sales mix increased, given milder price decline in DRAM and improved shipments in NAND

PC DRAM

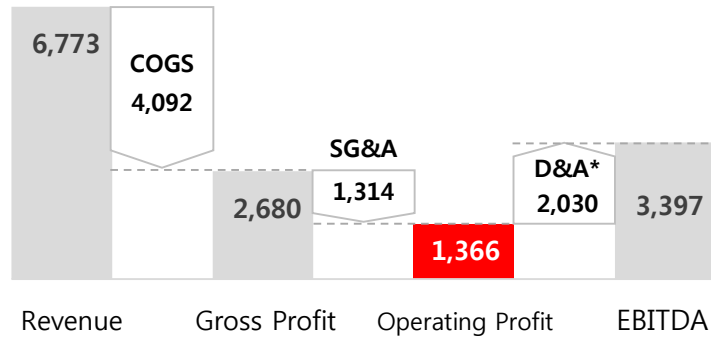
- PC DRAM shipments reduced with ongoing undersupply condition of CPU, meanwhile PC revenue portion was retained

# Profit Analysis

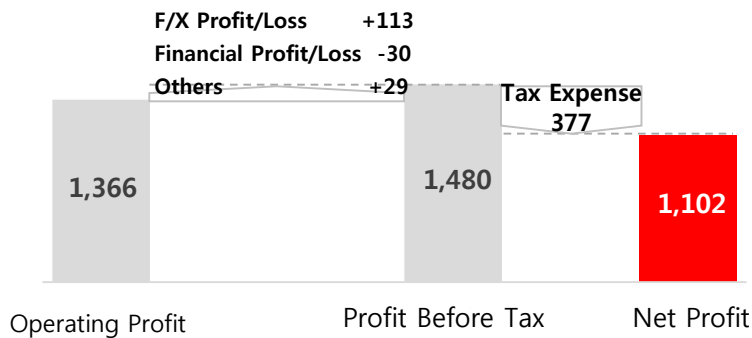
## 2019 Q1 Profit

### 【Operating Profit】

(Unit: KRW Billion)



### 【Net Income】



\* Depreciation & Amortization

- Revenue decrease, inventory write-down due to sharp price erosion, and one-off cost recognition from initial M15 Fab operations drove deterioration of Gross Profit to KRW 2.68T (-54% QoQ) and Operating Profit to KRW 1.37T (-69% QoQ) in Q1'19
- Depreciation & Amortization expenses rose as capital investments continued, leading EBITDA to reach KRW 3.4T with EBITDA margin of 50%
- Depreciation of KRW at quarter-end resulted in gain on foreign currency related items and recognized net non-operating profits of KRW 113B
- Corporate tax expense marked to KRW 377B (-71% QoQ)
- Net Profit reached KRW 1.1T with 16% of Net Profit Margin

# Capital Structure

## Balance Sheet

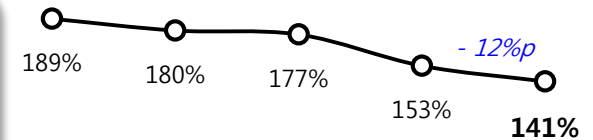
(Unit: KRW Billion)	Q1'19	Q4'18	Q1'18	QoQ	YoY
<b>Assets</b>	<b>65,132</b>	<b>63,658</b>	<b>49,125</b>	<b>+1,473</b>	<b>+16,006</b>
Cash*	7,192	8,369	8,266	-1,178	-1,074
<b>Liabilities</b>	<b>17,965</b>	<b>16,806</b>	<b>12,747</b>	<b>+1,159</b>	<b>+5,219</b>
Debt **	6,147	5,282	3,867	+865	+2,280
<b>Shareholders' Equity</b>	<b>47,166</b>	<b>46,852</b>	<b>36,378</b>	<b>+314</b>	<b>+10,788</b>
Capital Stock	3,658	3,658	3,658	-	-
Retained Earnings	42,104	42,034	29,684	+71	+12,421

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

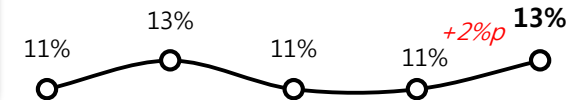
\*\* Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-Term Borrowings

## Stability Ratios

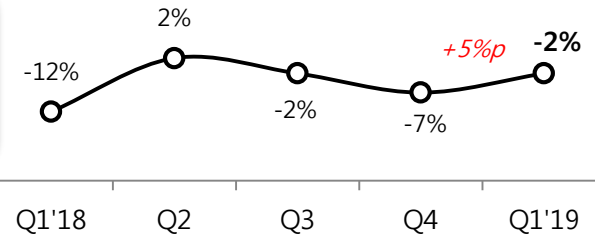
Current  
Ratio



Debt-to-Equity  
Ratio



Net  
Debt-to-Equity  
Ratio

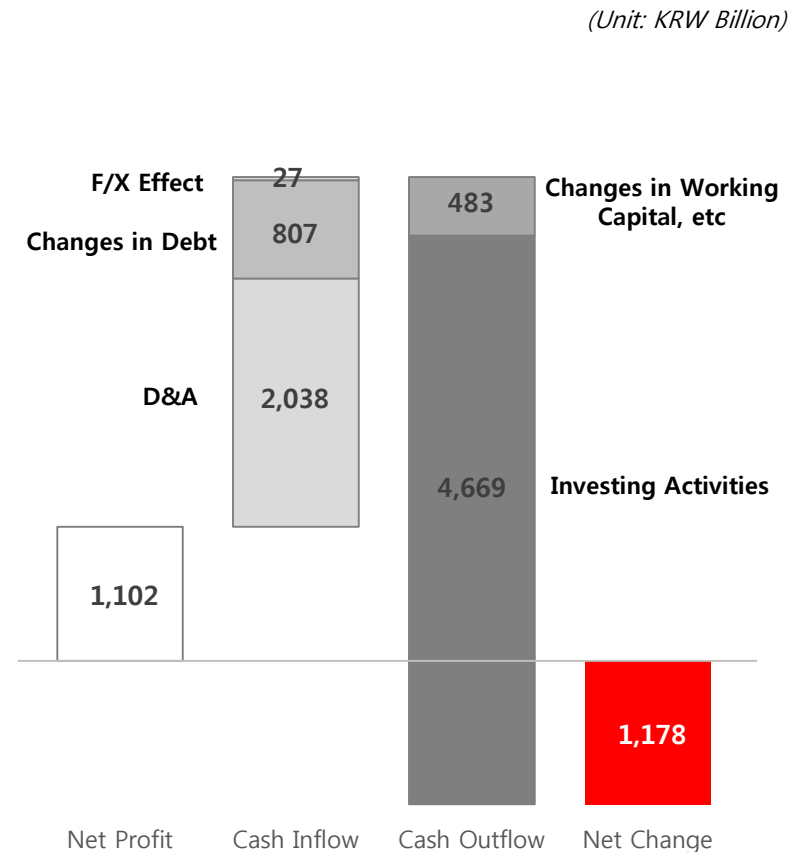


# Cash Flow

## Cash Flow

<i>(Unit: KRW Billion)</i>	Q1'19	Q4'18	Q1'18
<b>Beginning Cash Balance</b>	8,369	5,675	8,555
<b>CF from Operating Activities</b>	2,658	6,995	4,528
Net Profit	1,102	3,398	3,121
D&A*	2,038	1,753	1,449
Changes in Working Capital	(483)	1,844	(42)
<b>CF from Investing Activities</b>	(4,669)	(4,613)	(4,520)
Acquisition of PP&E	(4,350)	(4,278)	(4,317)
<b>CF from Financing Activities</b>	807	296	(301)
Changes in Debt	875	296	(301)
Dividend Payout	0	0	0
Share Repurchase	0	0	0
<b>Effect of F/X rate changes on Cash &amp; Equivalents</b>	27	15	4
<b>Net Changes in Cash</b>	(1,178)	2,694	(289)
<b>Ending Cash Balance</b>	7,192	8,369	8,266

## Q1 2019 Net Cash Flow



\* Including depreciation for non-operating(idle) assets

# [Attachment1] Statement of Financial Position

K-IFRS (KRW Billion)

	Q1'19	Q4'18	Q1'18	QoQ	YoY
<b>Assets</b>					
Current Assets	18,618	19,894	17,633	-1,276	+985
Cash & Cash Equivalents*	7,192	8,369	8,266	-1,178	-1,074
Accounts Receivables	5,497	6,320	5,574	-823	-77
Inventories	5,117	4,423	3,103	+695	+2,014
Non-Current Assets	46,513	43,764	31,492	+2,749	+15,021
Property, plant & equipment	36,385	34,953	27,365	+1,432	+9,020
Intangible Assets	2,612	2,679	2,305	-67	+307
<b>Total Assets</b>	<b>65,132</b>	<b>63,658</b>	<b>49,125</b>	<b>+1,473</b>	<b>+16,006</b>
<b>Liabilities</b>					
Interest-bearing Debts	6,147	5,282	3,867	+865	+2,280
S-T Borrowings	1,408	586	75	+822	+1,333
Current Portion of LT Borrowings	1,103	1,029	523	+74	+580
Bonds/Convertible Bonds	1,506	1,506	1,616	+0	-110
L-T Borrowings	2,130	2,162	1,652	-32	+477
Accounts Payables	953	1,096	780	-144	+173
<b>Total Liabilities</b>	<b>17,965</b>	<b>16,806</b>	<b>12,747</b>	<b>+1,159</b>	<b>+5,219</b>
<b>Shareholders' Equity</b>					
Capital Stock	3,658	3,658	3,658	-	-
Capital Surplus	4,144	4,144	4,144	-	-
Retained Earnings	42,104	42,034	29,684	+71	+12,421
<b>Total Shareholders' Equity</b>	<b>47,166</b>	<b>46,852</b>	<b>36,378</b>	<b>+314</b>	<b>+10,788</b>

\* Short-term Financial Instruments included

## [Attachment 2] Income Statement

K-IFRS (KRW Billion)

		Q1'19	Q4'18	Q1'18	QoQ	YoY
Revenue		6,773	9,938	8,720	-32%	-22%
Cost of Goods Sold		4,092	4,164	3,383	-2%	+21%
Gross Profit		2,680	5,774	5,336	-54%	-50%
SG&A Expenses		1,314	1,344	969	-2%	+36%
Operating Profit		1,366	4,430	4,367	-69%	-69%
Net Financial Profit/Loss		-30	-20	2		
Net F/X Transaction & Translation Profit/Loss		113	112	-81		
Income (Expense) From Jointly Controlled Entities and Associates, Net		4	3	5		
Others		25	189	-3		
EBITDA		3,397	6,181	5,813	-45%	-42%
Income Before Tax		1,480	4,712	4,291	-69%	-66%
Tax Expense/Benefit		377	1,314	1,169	-71%	-68%
Net Profit		1,102	3,398	3,121	-68%	-65%
EPS(KRW)	Basic	1,612	4,965	4,420		
	Diluted	1,612	4,965	4,419		
Shares Outstanding (Mil. Shares)	Basic	684	684	706		
	Diluted	684	684	706		