



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

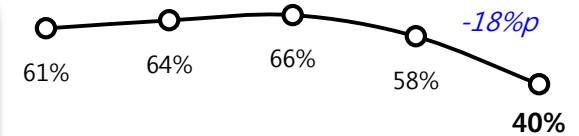
<i>(Unit: KRW Billion)</i>		Q1'19	Q4'18	Q1'18	QoQ	YoY
Revenue		6,773	9,938	8,720	-32%	-22%
Gross Profit		2,680	5,774	5,336	-54%	-50%
Operating Profit		1,366	4,430	4,367	-69%	-69%
EBITDA*		3,397	6,181	5,813	-45%	-42%
Net Profit		1,102	3,398	3,121	-68%	-65%
EPS(KRW)	Basic	1,611	4,965	4,420		
	Dil.	1,611	4,965	4,419		
Shares Outstanding (Mil. Shares)	Basic	684	684	706		
	Dil.	684	684	706		

* EBITDA = Operating Profit + Depreciation & Amortization

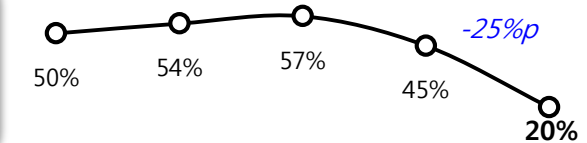
[Note] All figures in this presentation are rounded to KRW Billions, leading to some statements not adding up completely

Profit Margins

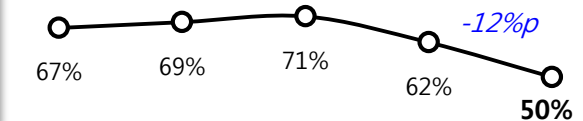
Gross Margin



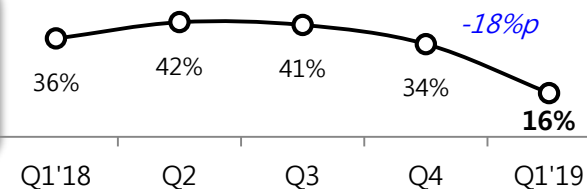
Operating Margin



EBITDA Margin



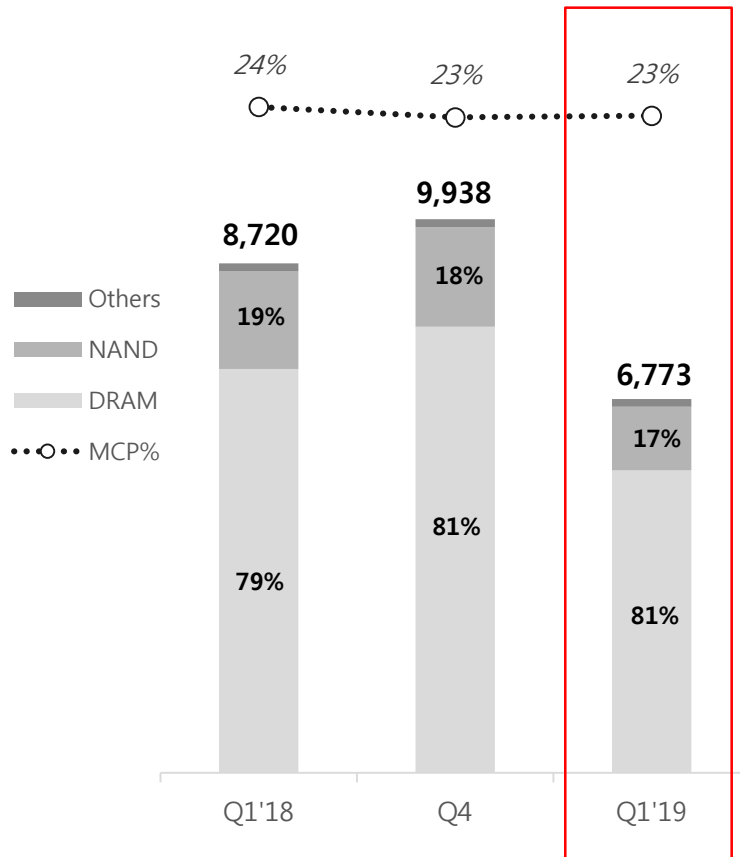
Net Margin



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

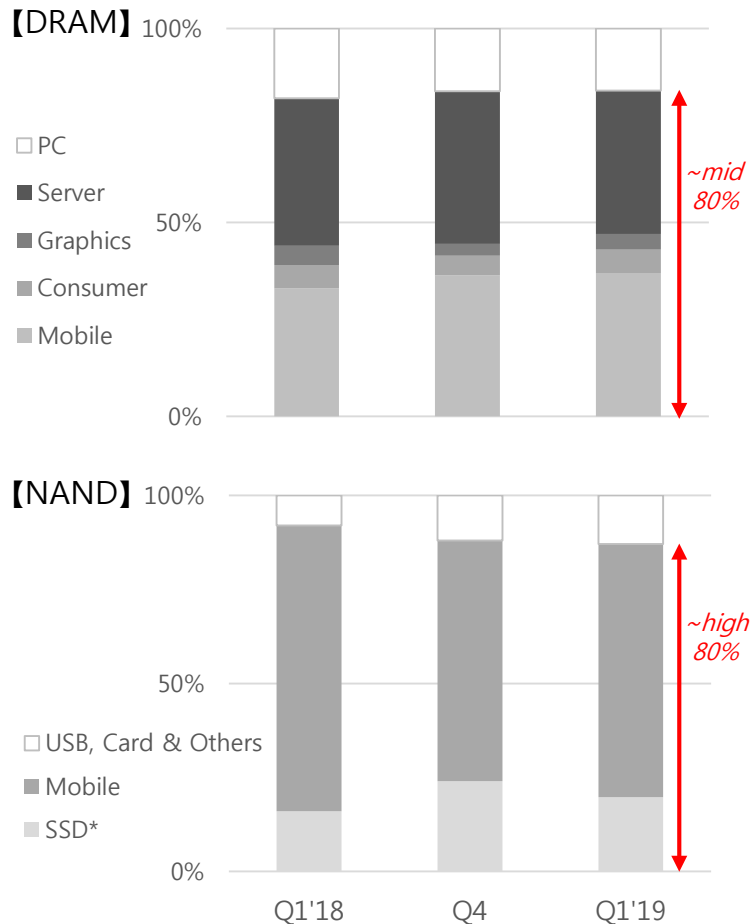
- QoQ B/G -6%, ASP -32%
- Active shift of product mix allocation toward high density mobile despite persistence of overall sluggish demand
- ASP erosion steepened with suppliers' severe price competition led by inventory burden and increased portion of higher density sales

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



❖ 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

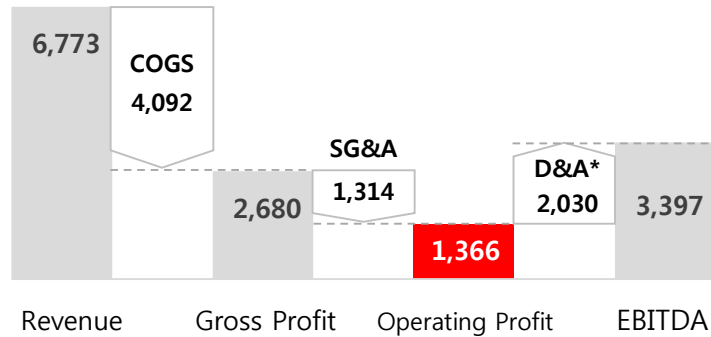
* including discrete NAND for SSDs

Profit Analysis

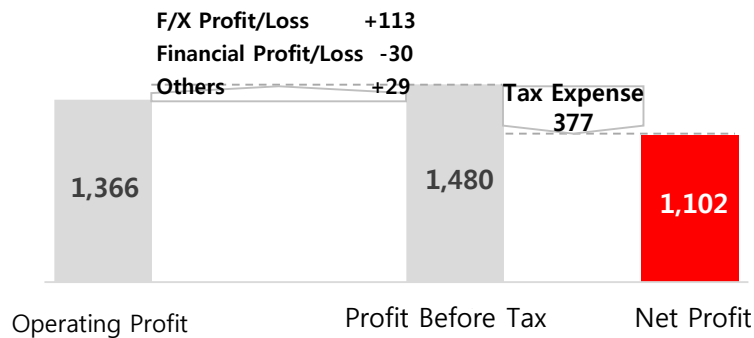
2019 Q1 Profit

【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

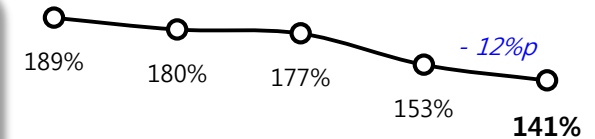
(Unit: KRW Billion)	Q1'19	Q4'18	Q1'18	QoQ	YoY
Assets	65,132	63,658	49,125	<i>+1,473</i>	<i>+16,006</i>
Cash*	7,192	8,369	8,266	-1,178	-1,074
Liabilities	17,965	16,806	12,747	<i>+1,159</i>	<i>+5,219</i>
Debt **	6,147	5,282	3,867	+865	+2,280
Shareholders' Equity	47,166	46,852	36,378	<i>+314</i>	<i>+10,788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

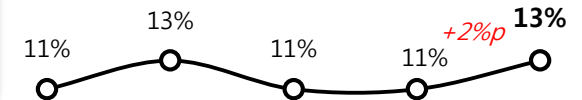
** Debt = Short-term Borrowings + Current portion of Long-term Borrowings + Debentures + Long-Term Borrowings

Stability Ratios

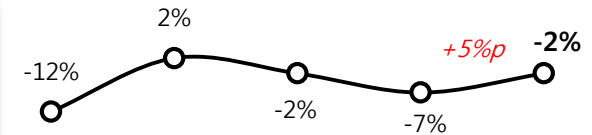
Current Ratio



Debt-to-Equity Ratio



Net Debt-to-Equity Ratio



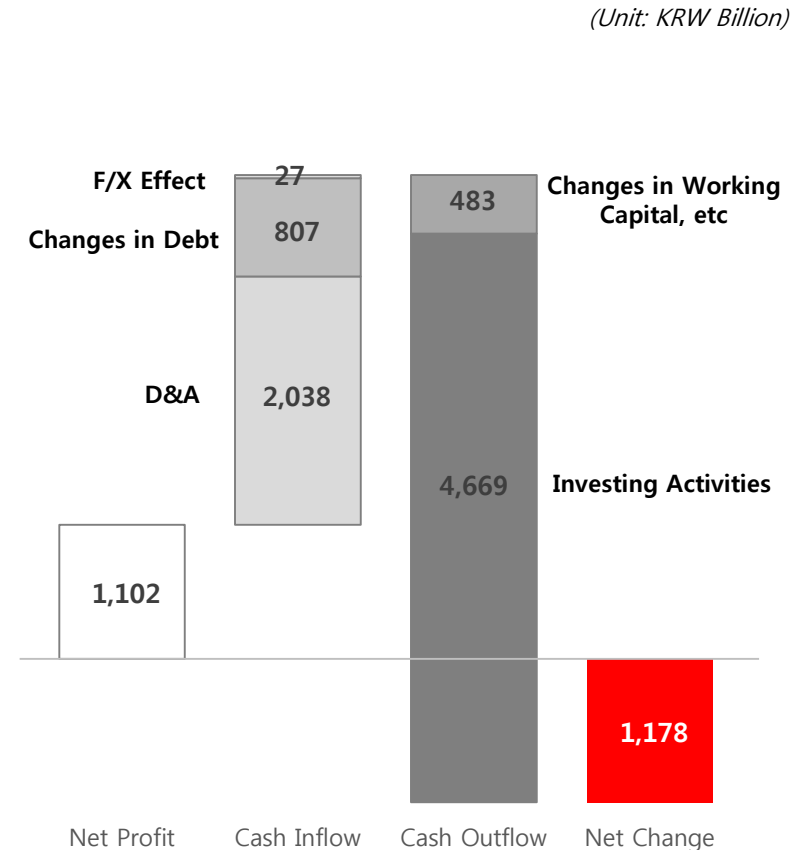
Q1'18 Q2 Q3 Q4 Q1'19

Cash Flow

Cash Flow

<i>(Unit: KRW Billion)</i>	Q1'19	Q4'18	Q1'18
Beginning Cash Balance	8,369	5,675	8,555
CF from Operating Activities	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)
CF from Investing Activities	(4,669)	(4,613)	(4,520)
Acquisition of PP&E	(4,350)	(4,278)	(4,317)
CF from Financing Activities	807	296	(301)
Changes in Debt	875	296	(301)
Dividend Payout	0	0	0
Share Repurchase	0	0	0
Effect of F/X rate changes on Cash & Equivalents	27	15	4
Net Changes in Cash	(1,178)	2,694	(289)
Ending Cash Balance	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
Assets					
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
Total Assets	65,132	63,658	49,125	+1,473	+16,006
Liabilities					
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
Total Liabilities	17,965	16,806	12,747	+1,159	+5,219
Shareholders' Equity					
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
Total Shareholders' Equity	47,166	46,852	36,378	+314	+10,788

* 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	1,611	4,965	4,420		
	Diluted	1,611	4,965	4,419		
Shares Outstanding (Mil. Shares)	Basic	684	684	706		
	Diluted	684	684	706		