



文晔科技 股份有限公司
WT MICROELECTRONICS Co., Ltd.

RESPONSE TO WPG HOLDING'S OFFER
2019/11/22

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CORPORATE STRATEGY



1 ORGANIC EXPANSIONS

Expand business lines at existing and new vendors

2 FURTHER ACQUISITIONS

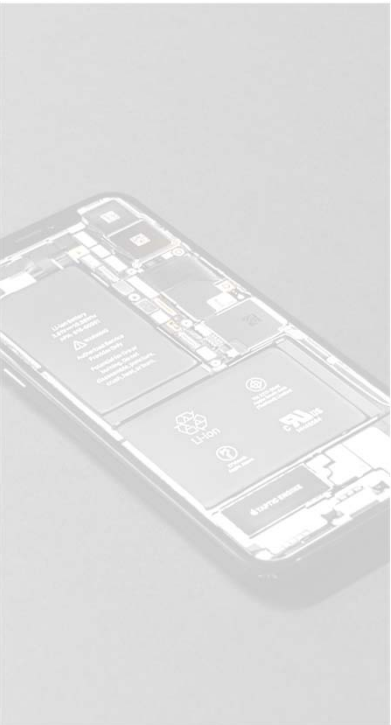
Target at niche peers, to increase the breadth and depth of the product portfolio

3 DIGITAL TRANSFORMATION

Reduce another 20% of Opex in the long term via the improved efficiency



INDUSTRY OUTLOOK



1 SEMICONDUCTOR INDUSTRY TO RESUME GROWTH

Gartner estimates that global non-memory semiconductor industry will grow 7% YoY in 2020 and 5% in the long term. In addition, Asian market, where WT focuses, will continue to grow at a higher rate.

2 5G TO TAKE OFF

The rising penetration of 5G will boost the semiconductor growth and WT has a broad product coverage, particularly at smartphones.

3 CONSOLIDATION TO CONTINUE

The consolidation among semiconductor vendors has accelerated and WT will continue to benefit from the trend.

4 TI CASE IS EXCEPTIONAL

TI's recent change to direct sale model is exceptional. Conversely, vendors continue to increase the partnership with IC distributors.



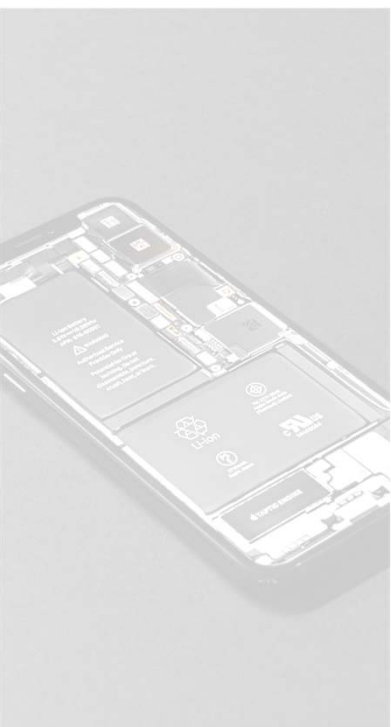
FINANCIAL PERFORMANCE

NT\$m	2014	2015	2016	2017	2018	1-3Q18	1-3Q19
Revenue	107,767	113,598	144,147	189,419	273,416	187,654	238,413
Gross Profit	6,181	6,390	6,925	8,422	10,645	7,944	7,986
Operating Profit	2,462	2,476	2,461	3,918	5,254	3,972	3,895
Non-operating Loss	- 217	- 126	- 423	- 813	- 1,633	- 1,117	- 1,515
Pre-tax Profit	2,245	2,350	2,038	3,105	3,621	2,855	2,380
After-tax Profit	1,837	1,983	1,699	2,520	2,778	2,189	1,824
EPS	5.18	4.49	3.61	5.26	5.02	3.96	3.13
DPS	3.00	2.90	2.40	2.50	2.35		
Gross Margin	5.74%	5.63%	4.80%	4.45%	3.89%	4.23%	3.35%
Operating Margin	2.28%	2.18%	1.71%	2.07%	1.92%	2.12%	1.63%

- Earnings declined YoY in 2018 and 1-3Q19, due to increased interest rate, along with less favorable product mix.
- Target to distribute over 50% of 2019's earnings in 2020, implying over 5% of cash yield



CONCERNS ON WPG'S OFFER



1 BECOME THE LARGEST SHARE HOLDER

WPG will become the largest shareholder, after acquiring 30% of stakes as management and related parties own about 10%.

2 CONCERNS FROM CUSTOMERS AND ANTITRUST LAW

Combined market share will reach 70% in Taiwan and 50% in Asia ex-Japan.

3 NEGATIVE TO EMPLOYEES

of WPG's employees declined during acquisitions while WT increased.

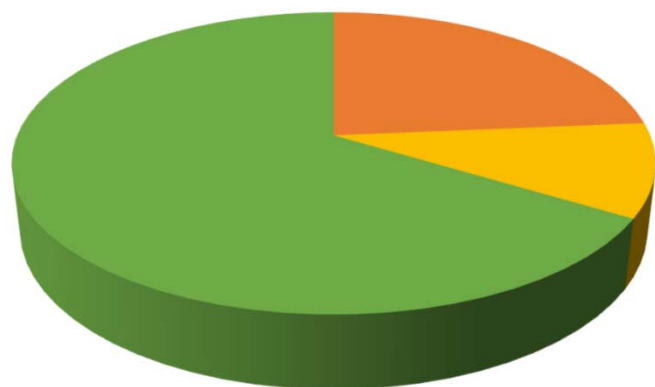
4 OFFER PRICE IS LOW

WPG's offer price is NT\$45.8 is below the fair price of NT\$50.48-\$53.68.



BECOME THE LARGEST SHAREHOLDER

SHAREHOLDING



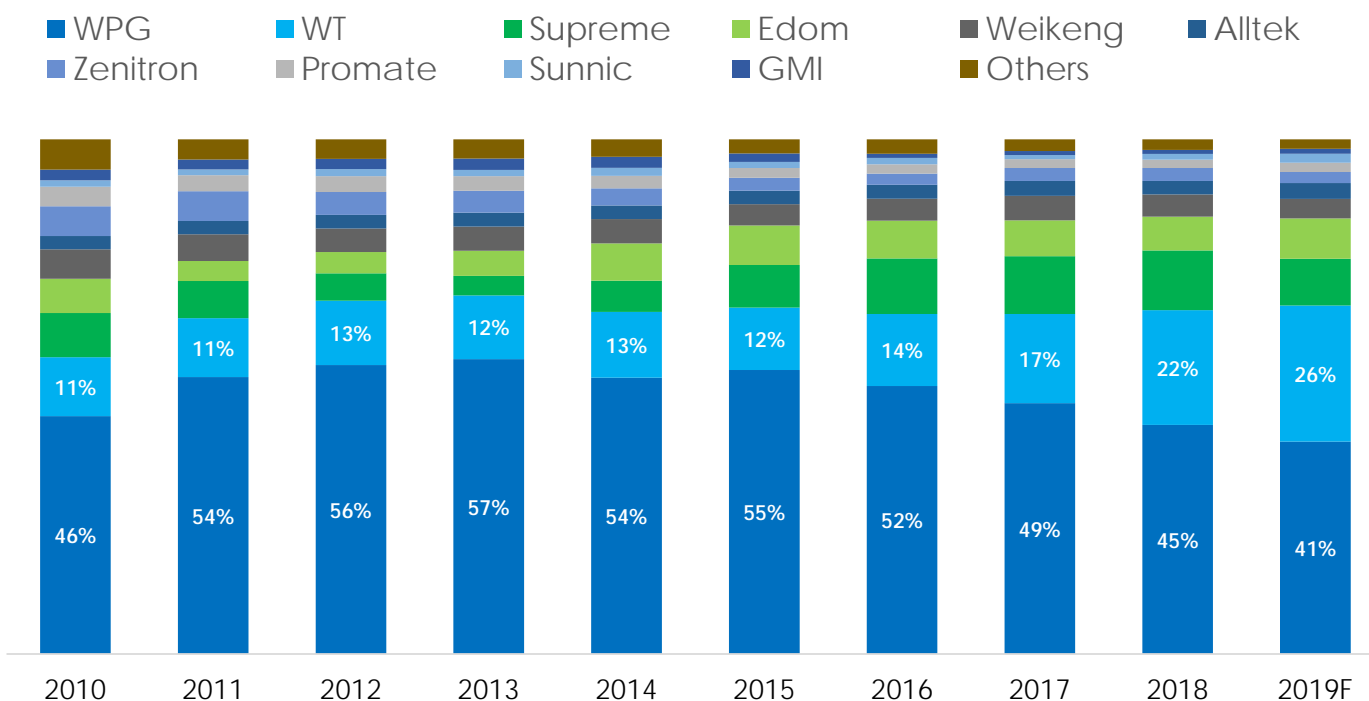
Foreign Investors	23.65%
Management and related parties	10.00%
Others	66.35%

1. Management intends to increase their stake
2. QFII are mainly comprised of Dividend Investors (Aviva, Robeco, Norges, Dimensional, and Mellon), Index Funds (Vanguard and Blackrock), Small-Medium Cap Tech Funds (Aviva, HSBC, and Fidelity)
3. WPG will become the largest shareholder, after acquiring 30% of stakes



Concerns on WPG's Offer

COMBINED SHARE REACH 70% IN TAIWAN



2019F (USD \$M)

WPG	17,136
WT	10,971
Supreme	3,775
Edom	3,249
Weikeng	1,582
Alltek	1,273
Zenitron	894
Promate	749
Sunnic	723
GMI	406
Others	754
Total	41,510

*2019 forecast are estimated the equal Q4 numbers as Q3

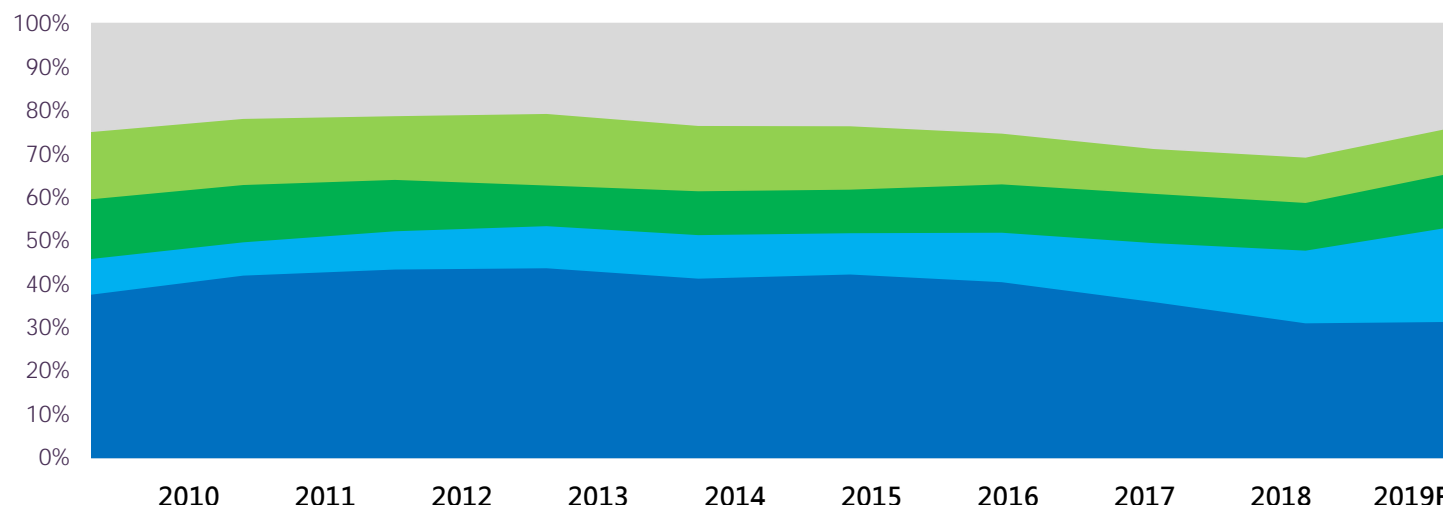
- The share of WT+WPG is close to 70%



Concerns on WPG's Offer

COMBINED SHARE REACH 50% IN ASIA EX-JAPAN

Share of AP Top-10 Distributors



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F
WPG	38%	42%	44%	44%	41%	42%	41%	36%	31%	31%
WT	8%	8%	9%	10%	10%	9%	11%	14%	17%	22%
ARROW	14%	13%	12%	9%	10%	10%	11%	11%	11%	12%
AVNET	15%	15%	15%	16%	15%	15%	12%	10%	10%	10%
Others	25%	22%	21%	21%	23%	23%	25%	29%	31%	24%

- WPG+WT are over 50% share among top-10
- WPG has been losing share resulting from the concerns of suppliers and customers

2018 Asia Pacific Top-10 Distributors

Company	Revenue (\$M)
WPG Holdings	16,712
WT Microelectronics	9,009
Arrow Electronics	5,888
Avnet	5,611
Supreme Electronics	3,726
S.A.S. Dragon Holdings (HK Disty)	3,274
Edom Technology	2,623
Techtronics (China Disty)	2,615
Hqchip (China Disty)	2,165
Macnica Fuji Electronics Holdings	2,087
Total	53,709



NEGATIVE TO EMPLOYEES

TOTAL EMPLOYEE COUNT (GROUP)

	2012	2013	2014	2015	2016	2017	2018	2019
WPG	6,227	5,971	5,595	5,518	5,449	5,409	5,504	5,446 ^a
WT	1,869	2,000	1,941	1,853	1,763	2,196	2,399	2,400 ^b

^a as of Mar 31, 2019
^b as of Q3 2019

1. For WPG, # of employees almost decreased year-over-year (except for 2018), despite a few acquisitions during this period
2. For WT, # of employees increased steadily from 1,869 to 2,400 as of 3Q19



Offer Price is Low

WPG's OFFER PRICE IS LOW



1 OFFER PRICE

Acquire 5%-30% of outstanding shares, with price of NT\$45.8 (26.9% premium to the closing price of NT\$36.1 on 13 Nov).

2 VALUATION METHODS

Too biased to near-term market price and premium seems too low.

3 CASE STUDY

ASE / SPIL and Hitachi / Yungtay

4 FAIR PRICE

NT\$50.48-\$53.68, according to the fair third-party evaluator.



Offer Price is Low

VALUATION METHODS FROM WPG

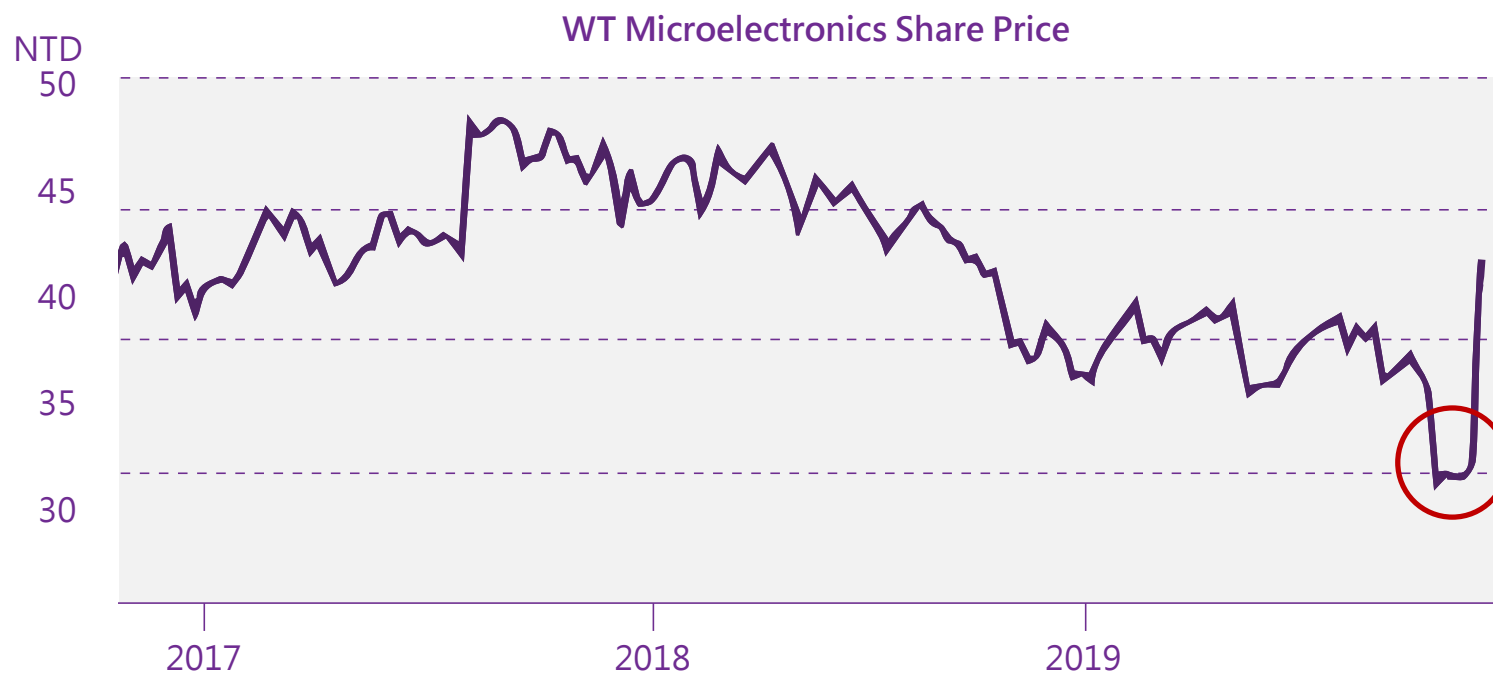
Valuation Methods	Time Period	Price Range	Weighting	Premium	Suggested Price
Market Price	10/20/30/60 Days	34.99-37.23	70%		
Price/Book	One Year	47.53-49.85	15%	7.84%-17.89%	42.53-49.18
Price/Earnings	One Year	52.14-54.53	15%		

- The stock price is close to a 3-year low
- Weighting on market price is too high vs the common range of 50-70%
- Premium is too low vs the common level of about 20%



Offer Price is Low

STOCK PRICE IS CLOSE to 3-YEAR LOW



1. The closing price of NT\$36.1 was close to the bottom of 3-year range



Offer Price is Low

70% WEIGHTING TOO HIGH

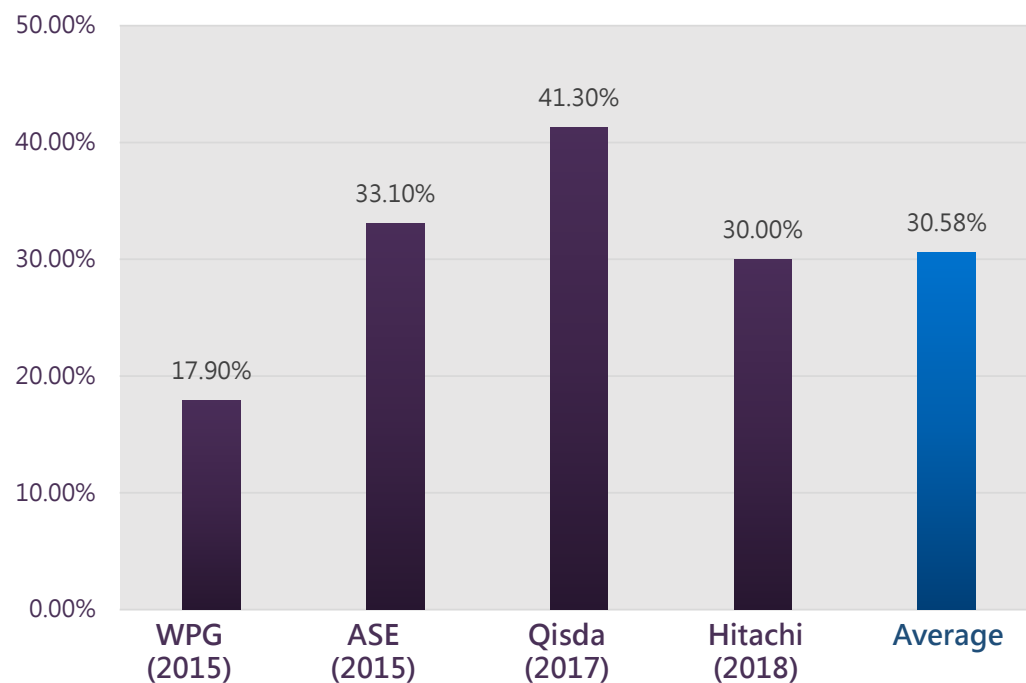
	WPG (2015)	ASE (2015)	Qisda (2017)	Hitachi (2018)	Average
Market Price	85%	33%	70-80%	50%	62%
Price/Book	15%	33%	20-30%	40%	28%
Price/Earnings		33%			10%
Price/Sales					
Price/EBITDA				10%	

1. Compared with recent relevant cases, 70% weighting on market price seems at the high-end.
2. The average weighting on market price is 62%, while P/E also accounts for 28% (higher than 15%, which WPG referred)



Offer Price is Low

PREMIUM IS TOO LOW

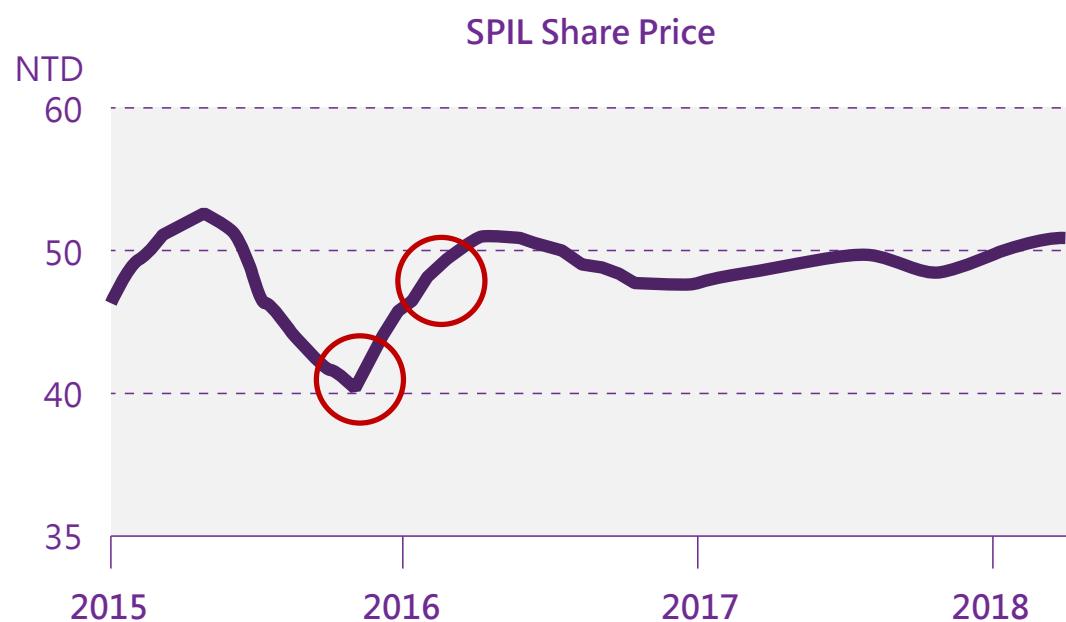


1. Some of the cases, which WPG referred, were less relevant (financial /pharmaceutical)
2. Premium for more relevant cases: WPG (17.9%), ASE (33.1%), Qisda (41.3%), and Hitachi (30%)
3. The common level of about 20%



Offer Price is Low

CASE STUDY (1): ASE/SPIL

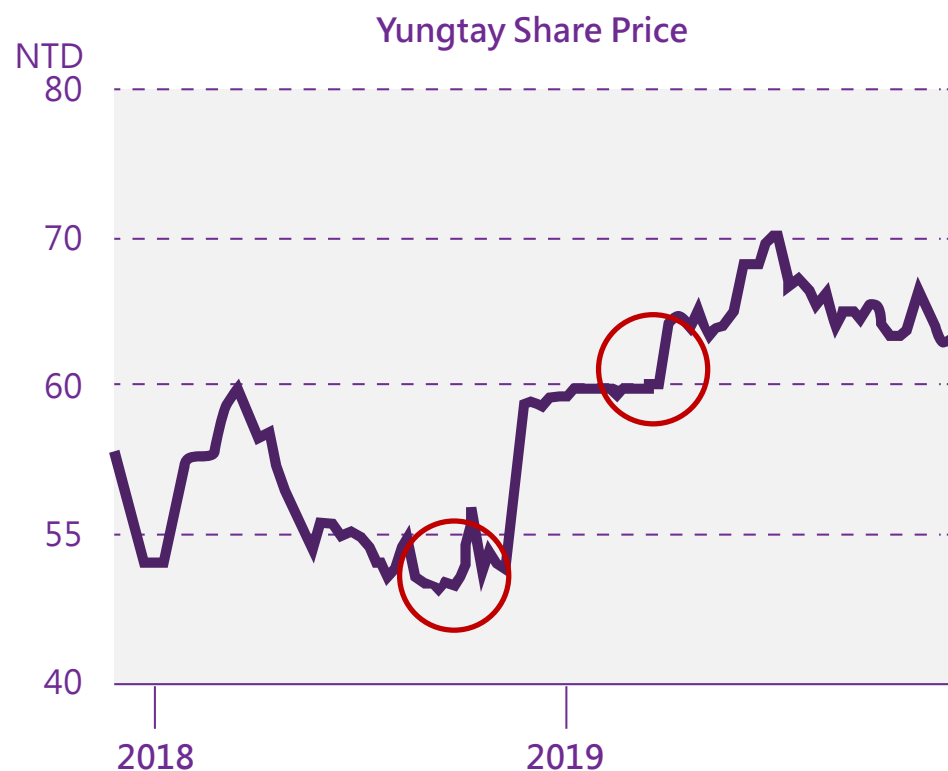


1. In Aug 2015, ASE (2311.TW) announced to acquire 25% of SPIL (2325.TW) at NT\$45.0 (close to 10% premium)
2. Increased offer price to NT\$55.0 in Jan 2016
3. Forming a holding company after the acquisition is completed



Offer Price is Low

CASE STUDY (2): HITACHI/YUNGTAI



1. In Oct 2018, Hitachi announced to acquire Yungtai (1507.TW) at NT\$60.0 (close to 30% premium)
2. Increased offer price to NT\$65.0 in March 2019
3. Despite holding of 40%, Hitachi is still the minority at the board



Offer Price is Low

FAIR PRICE OF NT\$50.48-\$53.68

Valuation Methods	Time Period	Price Range	Weighting	Premium	Fair Price
Market Price	10/20/30 Days	35.03-35.77	50%		50.48-53.68
Price/Book	10/20/30 Days	55.34 (1.39X)	25%	13.19%-18.99%	
Price/Earnings	1-3Q19	52.96-53.63	25%		

1. Fair price of NT\$50.48-\$53.68, estimated by the third-party evaluator (accountant)
2. Weighting on three methods is more balanced at 50%, 25%, and 25% (vs WPG's 70%, 15%, and 15%)
3. Premium is at the range of 13.19%-18.99%, slightly higher than WPG's range of 7.84%-17.89%