



Shenzhen Goodix Technology Co., Ltd.
2020 Third Quarter Earnings Report Summary



Company Profile

Stock Short Name	GOODIX	Stock Code	603160
Stock Exchange on which the Shares are Listed	Shanghai Stock Exchange		
Contact Person and Means of Contact	Secretary to the Board	Representative of Securities Affairs	
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The Main Business

Goodix Technology is an integrated solution provider for applications based on IC design and software development offering industry-leading software and hardware semiconductor solutions. It is recognized as the largest biometric authentication solution provider for Android devices in the global market. Currently, Goodix product lines cover the areas of biometric authentication, human interface, and IoT. Looking forward, the company aims for growing into an enterprise targeting at comprehensive IC designs as the goal for its strategic development.

As an IC design house, Goodix adopts the fabless model and focuses on the design, research, and development of chips that are driven by market demands, while outsourcing tasks such as wafer fabrication, packaging and testing to professional fabrication, packaging and testing vendors. The products Goodix offers are sold both directly as well as via agents and distributors to module makers, integrated solution providers, and device manufactures.

Shenzhen Goodix Technology Co., Ltd. Announces Third Quarter Results

Revenue Up 16% To RMB 2.07 billion

Shenzhen, China, October 30, 2020- Goodix Technology (603160. SH), an integrated solution provider for applications based on IC design and software development, today announced the unaudited consolidated results for the third quarter of 2020 (“3Q20”) ended September 30, 2020.

3Q20 Key Highlights

- **Total revenue** was RMB 2.07 billion, an increase of 16% year-over-year;
- **Gross profit** was RMB 1.08 billion in 3Q20, down from RMB1.09 billion in 3Q19, a decrease of 1% year-over-year;
- **Gross margin** was 52% in the 3Q20 vs. 61% in the 3Q19;
- **Net profit** was RMB 503 million, a decrease of 28% compared with RMB 695 million in the third quarter of 2019;
- **Basic EPS** : RMB 1.11 per share vs. RMB 1.54 per share in the 3Q19;
- **Diluted EPS**: RMB 1.09 per share vs. RMB 1.49 per share in the 3Q19.

3Q20 Financial Review

December Fiscal Year End	Sep' 18	Sep' 19	Sep' 20
(All figures in Million CNY)	3Q18	3Q19	3Q20
Revenue	977.01	1,791.51	2,072.14
Gross Profit	507.42	1,089.10	1,079.08
<i>Gross Margin%</i>	<i>52%</i>	<i>61%</i>	<i>52%</i>
Operating Income	239.29	793.47	604.95
<i>Operating Margin%</i>	<i>24%</i>	<i>44%</i>	<i>29%</i>
Net Income	206.51	695.47	502.76
R&D expense	180.84	262.70	454.72
<i>R&D margin%</i>	<i>18.5%</i>	<i>14.7%</i>	<i>21.9%</i>

In the third quarter of 2020, affected by some customers stock up in advance, the company had a revenue of RMB 2.07 billion, an increase of 16% compared with RMB 1.79 billion in the third quarter of 2019. Our gross profit was down 1% to RMB 1.08 billion in the 3Q20 from RMB 1.09 billion in the 3Q19.

Our gross margin was 52% in the 3Q20 and down 9 percentage points from 61% in the 3Q19, due to the product mix reason caused by a mass production of ultra-thin in-display fingerprint sensor products.

The company had an operating expense of RMB 687 million in the third quarter of 2020, an increase of 60% compared with RMB 443 million in the third quarter of 2019.

Of which, sales and marketing expense was RMB 200 million, an increase of 52% compared with RMB 132 million in the third quarter of 2019, mainly because of increased sales headcount and increased expense of technical support driven by increased revenue incurred by end customers of new products. In the third quarter of 2020, sales and marketing expenses accounted for 9.7% of revenue, an increase of 2.3 percentage points versus 7.4% in the third quarter of 2019.

G&A expenses were RMB 33 million, a decrease of 5% compared with RMB 34 million in the third quarter of 2019, mainly caused by accounting rule change in terms of the amortization of land use for the Global Intelligent Chip Innovation Center Project in the third quarter of 2020, G&A expenses accounted for 1.6% of the revenue, a decrease of 0.3 percentage points compared with 1.9% in the third quarter of 2019.

R&D expenses were RMB 455 million, an increase of 73% compared with RMB 262 million in the third quarter of 2019, and accounted for more than 60% of operating expenses, due to newly added overseas R&D centers, incremental labor costs, and increased R&D activities. In the third quarter of 2020, R&D expenses accounted for 22% of revenue, increasing 7 percentage points from 15% a year ago. The continuous investment in R&D fully reflects the company's strategies of focusing on long-term development and being committed to building core competitiveness. The company will continue to focus on IC design, and actively seek for new products and new fields.

The net profit in the third quarter of 2020 was RMB 503 million, a decrease of 28% compared with RMB 695 million in the third quarter of 2019, mainly due to gross margin under pressure and increased R&D investment.

On the per share basis, in the third quarter of 2020, basic earnings per share was RMB 1.11 per share, down 28% from RMB 1.54 per share in the same period last year. Diluted EPS (earnings per share) was RMB 1.09 per share, down 27% from RMB 1.49 per share in the same period last year.

The net assets attributable to shareholders in listed companies were RMB 7.44 billion, an increase of 30% from RMB 5.72 billion on year over year basis. The company's total assets were RMB 9.2 billion, an increase of 21% from RMB 7.62 billion on basis of the previous year.

In the third quarter of 2020, the net cash flow from operating activities was RMB 149 million, a decrease of 85% on a year-on-year basis, from RMB 981 million in the third quarter of 2019, due to an increased production and procurement, an increased in accounts receivable and decrease in net profit. Net cash flow from investment activities was RMB 838 million vs. RMB -1.15 billion in the third quarter of 2019, a net difference of RMB 1.98 billion, due to the difference in maturity of wealth management products. The change in the net cash flow from financing activities was because of paying dividends in cash.

In general, in the face of the unfavorable COVID-19 pandemic and the macro situation, the company's management and employees strive to overcome the challenge, continue to focus on long-term development, being hardworking, and continuously expand product lines and customer markets.

Up to now, the company's Lens-type optical UD FP have been commercially used in 177 brand models, of which 34 are Ultra-thin optical UD FP.

With the popularization of online education, the company's shipment of touch chips has risen steadily. The solution and the car-level fingerprint solution have also been commercialized on many well-known automobile brands and models; in addition, the company's in-ear detection and touch two-in-one solution, industry-leading ECG and PPG chips with industry-leading performance indicators, Bluetooth LE chips and active noise reduction frequency codec chips have also achieved mass production and shipment, and have been recognized and commercialized by many well-known customers.

The company will continue to focus on the fields of smartphone market, IoT, and automotive electronics and strive to deepen and broaden three product lines in human-computer interaction, biometrics, and IoT platforms.

Shenzhen Goodix Technology Co., Ltd.

Consolidate Income Statement

For the nine months ended Sep 30,2020 and Sep 30 2019

(The currency of the statements is Chinese Yuan,'CNY',unless otherwise indicated)

Income Statement	Jan-Sep,2020	Jan-Sep,2019
Revenue	¥ 5,128,237,726.45	¥ 4,678,220,795.52
Less:Operating cost	2,471,362,738.93	1,807,298,787.55
Taxes and surcharges	32,335,837.77	46,897,690.42
Selling expenses	453,548,973.28	379,482,076.87
Administrative expenses	94,009,079.82	101,099,124.21
Research and development expenses	1,289,326,234.98	720,511,356.40
Finance expenses	-34,037,349.99	-6,729,776.96
Including:Interest expense	1,812,777.78	285,658.17
Interest income	35,889,178.10	8,760,996.97
Add:Other income	243,301,992.80	272,669,074.13
Investment income	51,053,671.45	55,115,821.01
earning from fair market value changes	104,474,959.57	32,434,391.21
Impairment of credit	896,555.37	-1,220,744.65
Impairment of assets	-34,734,857.77	-21,654,516.68
Proceeds from asset disposal		
Operating income	1,186,684,533.08	1,967,005,562.05
Add:non-operating income	2,564,410.13	488,832.84
Less:non-operating expenses	92,017.78	3,110,134.29
Income before tax	1,189,156,925.43	1,964,384,260.60
Less:income tax	89,072,328.07	252,074,098.61
Net profit	¥ 1,100,084,597.36	¥ 1,712,310,161.99
Net profit contributed before the combination under common control		
I .Profit classified by continuity		
Continuous operating profit and loss	1,100,084,597.36	1,712,310,161.99
II .Profit classified by ownership		
Net profit attributable to owners of the parent company	1,100,082,610.16	1,712,310,161.99
Net profit attributable to minority shareholders	1,987.20	
Other comprehensive income after tax	-51,155,964.22	3,813,064.21
Other comprehensive income after tax attributable to owner of the parent company	-51,155,809.11	3,813,064.21

I .Comprehensive income not to be reclassified as profit or loss		
II .Comprehensive income to be reclassified as profit or loss	-51,155,809.11	3,813,064.21
i.Currency translation reserve	-51,155,809.11	3,813,064.21
Other comprehensive income after tax attributable to minority shareholders	-155.11	
Total comprehensive income	1,048,928,633.14	1,716,123,226.20
Total comprehensive income attributable to owner of the parent company	1,048,926,801.05	1,716,123,226.20
Total comprehensive income attributable to minority shareholders	1,832.09	
Earning per share:		
I .Basic earnings per share	¥ 2.44	¥ 3.82
II .Diluted earning per share	¥ 2.38	¥ 3.68

Consolidated Statement of Balance Sheet

As of Sep 30,2020 and Dec 31,2019

(The currency of the statements is Chinese Yuan,'CNY',unless otherwise indicated)

Assets	30-Sep-20	31-Dec-19
Current assets:		
Cash and cash equivalents	¥ 3,310,619,787.59	¥ 3,519,545,051.96
Financial assets held for trading	401,198,486.30	1,725,466,079.73
Notes receivables and trade receivables, net	1,354,016,887.24	691,445,515.88
Inventories	684,765,472.48	366,243,893.16
Prepayments	55,797,504.41	31,545,044.10
Other receivables	49,159,283.30	95,506,821.45
Current portion of non-current assets	51,927,012.50	30,520,875.00
Other current assets	53,692,754.22	30,955,822.08
Total current assets	5,961,177,188.04	6,491,229,103.36
Non-current assets:		
Other non-current financial assets	303,814,951.99	
Investment property		
Fixed assets	402,376,310.86	245,699,345.08

Construction in progress	41,516,692.23	120,258,499.77
Intangible assets	1,292,764,149.93	775,920,639.31
Goodwill	563,215,029.78	43,138,491.19
Long-term deferred expenses	4,389,167.69	16,307,892.64
Deferred tax assets	51,129,020.59	48,818,704.33
Other non-current assets	583,837,777.88	107,409,862.02
Total non-current assets	3,243,043,100.95	1,357,553,434.34
Total assets	¥ 9,204,220,288.99	¥ 7,848,782,537.70

Liabilities and Stockholders' Equity	30-Sep-20	31-Dec-19
Current liabilities:		
Short-term loans	¥ 275,198,611.11	
Financial liabilities held for trading		
Notes payables and trade payables	444,853,778.08	533,216,817.28
Advances from customers		2,171,196.46
Contract liability	514,483.11	
Employee benefits payable	199,884,255.69	181,004,878.04
Taxes payable	171,663,071.98	86,287,228.34
Other payables	625,730,579.04	578,042,047.08
Other current liabilities	605,361.52	
Total current liabilities	1,718,450,140.53	1,380,722,167.20
Non-current liabilities:		
Deferred income	16,913,022.80	12,182,037.01
Deferred tax liabilities	26,312,409.29	16,453,940.75
Total non-current liabilities	43,225,432.09	28,635,977.76
Total liabilities	1,761,675,572.62	1,409,358,144.96
Equity:		
Paid-in capital	457,666,809.00	455,732,298.00
Capital reserve	1,763,144,494.70	1,505,357,149.97
Less: treasury shares	275,617,322.93	334,093,668.76
Other comprehensive income	-57,309,252.08	-6,153,442.97
Legal reserve	228,325,829.50	228,325,829.50

Undistributed earnings	5,326,331,141.52	4,590,255,867.36
Equity attributable to owners of the parent company	7,442,541,699.71	6,439,424,033.10
Equity attributable to minority shareholders	3,016.66	359.64
Total owner's equity	7,442,544,716.37	6,439,424,392.74
Total liabilities and owner's equity	¥ 9,204,220,288.99	¥ 7,848,782,537.70

Consolidated Statement of Cash Flows

For the nine months ended Sep 30,2020 and Sep 30 2019
(The currency of the statements is Chinese Yuan,'CNY',unless otherwise indicated)

Cash Flow Statement	Jan-Sep,2020	Jan-Sep,2019
Cash flows from operating activities		
Cash received from sales and services	¥ 4,992,139,828.83	¥ 5,212,602,198.23
Taxes and surcharges refunds	432,408,031.44	348,124,553.26
Other cash received from operating activities	68,978,128.99	38,691,122.33
Total cash inflows from operating activities	5,493,525,989.26	5,599,417,873.82
Cash paid for goods and services	3,316,009,322.15	1,897,752,811.79
Cash paid for employees related expenses	861,262,675.31	686,441,031.95
Taxes and surcharges cash payments	415,384,949.78	627,474,519.78
Other cash payments related to operating activities	748,830,280.34	598,595,612.70
Total cash outflows from operating activities	5,341,487,227.58	3,810,263,976.22
Cash generated from operating activities	152,038,761.68	1,789,153,897.60
Cash flows from investing activities		
Cash received from withdraw of investments	6,600,000,000.00	7,620,000,000.00
Cash received from investment income	76,962,002.60	80,240,495.73
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	5,680.00	1,745.00
Cash received from other investment related activities	61,669,190.00	

Total cash inflows from investing activities	6,738,636,872.60	7,700,242,240.73
Cash paid for fixed assets, intangible assets and other long-term assets	1,317,697,382.28	189,864,249.21
Cash payments for investments	5,865,789,066.16	9,158,286,767.72
Cash paid for other investment related activities		68,942,000.00
Net cash payments for acquisitions of subsidiaries and other business units		
Total cash outflows from investing activities	7,183,486,448.44	9,417,093,016.93
Net cash used in investing activities	-444,849,575.84	-1,716,850,776.20
Cash flows from financing activities		
Cash received from investments by others including: investment from minority shareholders	215,793,695.14	40,555,900.00
Cash received from borrowings	275,000,000.00	29,969,760.00
Other cash received from other financing activities	4,063,556.85	
Total cash inflows from financing activities	494,857,251.99	70,525,660.00
Cash repayments for debts		
Cash payments for distribution of dividends, profit and interest expenses	364,843,550.40	227,918,347.55
Other cash payments related to financing activities	48,233,689.25	71,096,123.63
Total cash outflows from financing activities	413,077,239.65	299,014,471.18
Net cash provided by financing activities	81,780,012.34	-228,488,811.18
Effect of changes in exchange rate on cash and cash equivalents	-7,894,462.55	3,634,076.29
Net increase in cash and cash equivalents	-218,925,264.37	-152,551,613.49
Add: Cash and cash equivalents at the beginning of the year	3,509,545,051.96	583,433,563.53
Cash and cash equivalents at the end of the year	¥ 3,290,619,787.59	¥ 430,881,950.04

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