



Himax Technologies, Inc. Q3 2020 Unaudited Financials and Investor Update Call

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<p>Moderator/Speaker Dial-In Numbers (for Mark Schwalenberg, Jordan Wu, Eric Li, Jessica Pan and Karen Tiao): Leader Dial in (toll free) (855) 842-5904 Leader Dial in (international) (720) 634-2980 Conference ID number: 4408778</p> <p>Direct URL to Live Call Console https://edge.media-server.com/mmc/p/x93vx34d Conference ID number: 4408778 Web PIN: 1069</p>	<p>Replay Dial-In Numbers: TOLL-FREE: (855) 859-2056 TOLL/INTERNATIONAL: (404) 537-3406 From: 11/12/2020 at 11:30 am EST To: 11/20/2020 at 11:30 am EST Replay Pin Number: 4408778</p>

Operator: Opening and standard introduction.

Mark Schwalenberg: Welcome everyone to Himax's third Quarter 2020 Earnings Call. Joining us from the Company are Mr. Jordan Wu, President and Chief Executive Officer; Ms. Jessica Pan, Chief Financial Officer and Mr. Eric Li, Chief IR/PR Officer. After the Company's prepared comments, we have allocated time for questions in a Q&A session. If you have not yet received a copy of today's

results release, please email HIMX@mzgroup.us, access the press release on financial portals or download a copy from Himax's website at www.himax.com.tw.

Before we begin the formal remarks, I'd like to remind everyone that some of the statements in this conference call, including statements regarding expected future financial results and industry growth, are forward-looking statements that involve a number of risks and uncertainties that could cause actual events or results to differ materially from those described in this conference call. Factors that could cause actual events or results to differ materially from those described in this conference call include, but are not limited to, general business and economic conditions, the state of the semiconductor industry; market acceptance and competitiveness of the driver and non-driver products developed by Himax; demand for end-use application products; the uncertainty of continued success in technological innovations; as well as other operational and market challenges and other risks described from time to time in the Company's SEC filings, including those risks identified in the section entitled "Risk Factors" in its Form 20-F for the year ended December 31, 2019 filed with the SEC in March, 2020.

Except for the Company's full year of 2019 financials, which were provided in the Company's 20-F and filed with the SEC on March 25, 2020, the financial information included in this conference call is unaudited and consolidated and prepared in accordance with IFRS accounting. Such financial information is generated internally and has not been subjected to the same review and scrutiny, including internal auditing procedures and external audits by an independent auditor, to which we subject our annual consolidated financial statements, and may vary materially from the audited consolidated financial information for the same period. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I will now turn the call over to Mr. Eric Li. The floor is yours.

Q3 Results

Mr. Eric Li: Thank you Mark and thank you everybody for joining us. My name is Eric Li and I am the Chief IR/PR Officer. Joining me are Jordan Wu, our CEO, and Jessica Pan, our CFO. On today's call, we will first review the Himax consolidated financial performance for the third quarter, followed by the fourth quarter 2020 outlook. Jordan will then give an update on the status of our business, after which we will take questions. We will review our financials on both IFRS and non-IFRS basis. The non-IFRS financials exclude share-based compensation and acquisition-related charges.

In addition to the impact of Covid-19 which remained harsh in many parts of the world, the prolonged US-China trade tension and sanctions brought turbulence to the market and resulted in new market dynamics during the third quarter. The unceasing stay-at-home economy created new demand but pushed foundry capacity constraints to a more severe level. Despite these challenges, we continued to execute efficiently and deliver strong business results in this changing environment.

We pre-announced preliminary key financial results for the third quarter on October 6 with revenue, gross margin and EPS all exceeding the guidance issued on August 6, 2020. Today, our reported results for revenue, gross margin and EPS are all in line with the pre-announced results.

For the third quarter, we recorded net revenue of \$239.9 million, an increase of 28.3% sequentially and an increase of 46.1% compared to the same period last year. The 28.3% sequential increase of revenue exceeded our guidance of an increase of around 20% quarter-over-quarter. Display drivers for TV, tablet, smartphone and automotive as well as CMOS image sensors all contributed to the

better-than-guided sales. Gross margin was 22.3%, exceeding the prior guidance of flat to slightly down from the 21.0% of the second quarter. IFRS profit per diluted ADS was 4.9 cents, exceeding our guidance of around 2.0 cents to 2.8 cents. Strong sales and improved gross margin contributed to the better-than-expected earnings results. The EPS increase was, however, offset by the RSU expense which was higher than what was indicated on the last earnings call as we raised the RSU amount to reward the team for the better-than-expected financial results. We will elaborate on this in a few minutes. Non-IFRS profit per diluted ADS was 7.3 cents, exceeding our guidance of around 3.5 cents to 4.3 cents.

Revenue from large display drivers was \$55.7 million, down 6.3% sequentially and up 11.3% year-over-year. The sequential decline was driven by significantly lower shipments of monitor ICs due to customers' inventory correction following a demand hike in the first half. If combining the first three quarters of 2020, our sales into monitor segment still increased 22.1% from last year. The demand for monitors remains robust and we expect a strong rebound in the fourth quarter. Offsetting monitor's third quarter weakness was a surge in TV and notebook sales. TV segment revenue increased 17.6% sequentially, reflecting strong consumer spending and home entertainment demand. Panel customers' building of inventories in anticipation of higher TV panel prices also contributed to the sequential increase. It was no surprise that notebook sales recorded the highest growth among large display products, increasing 31.5% quarter-over-quarter, thanks to the continuing demand for telework and e-learning with panel customers seemingly still sitting on low inventories. Large panel driver ICs accounted for 23.2% of total revenue for the quarter, compared to 31.8% in the second quarter of 2020 and 30.5% a year ago.

Small and medium-sized display drivers recorded a very strong third quarter, with revenue of \$151.6 million, up 53.5% sequentially and up 96.6% year-over-year. TDDIs for both tablet and smartphone

posted extraordinary sales growth in Q3. For the automotive segment, we delivered a decent low-teens sequential growth amidst a declining automotive market worldwide. Small and medium-sized segment accounted for 63.2% of total sales for the quarter, compared to 52.8% in the second quarter of 2020 and 46.9% a year ago.

Our smartphone sales, the best performing product category of all in Q3, reached a quarterly record-high of \$63.3 million, up 153.6% sequentially and 101.2% year-over-year. It represented more than 26% of our total sales in Q3. Our smartphone TDDI sales were up 155.7% sequentially and up 193.7% from the same period last year. The significant sequential growth was a continuation from Q2 when the product category already grew 69.0% from the previous quarter. However, as mentioned in our last earnings call, the growth was capped by an industry-wide wafer foundry shortage. Our smartphone and tablet TDDI ICs share the same pool of foundry capacity and we were, and still are, unable to meet all the demands for these products.

The Q3 strength in smartphone TDDI reflected customers' aggressive new product launch plans with our TDDI solutions as well as our ability to price our products higher to reflect the tight wafer foundry situation. Amid the economic downturn and lackluster overall smartphone consumption, OEMs are pushing more for budget handsets using TFT-LCD screens, instead of the more expensive AMOLED displays. Sales of traditional smartphone DDICs also surged by 147.8% sequentially and were up 5.3% from same period last year with demands from key brand customers. We believe such strong sales of traditional smartphone DDICs were a short-term rebound as the product category is quickly being replaced by TDDI and AMOLED, as we have repeatedly indicated.

Revenue for tablet posted a third consecutive record-high, with Q3 sales growing 26.0% sequentially and 336.4% year-over-year. The quarterly revenue reached \$53.7 million, accounting for more than

25% of our driver IC revenue. We expect our tablet segment sales to continue to grow as overall market demand for tablet remains robust for more home working and online education needs and TDDI's penetration in tablet market continues to pick up. Our tablet TDDI has a leading market position at a time when TDDI is quickly becoming mainstream for Android tablets. Third quarter tablet TDDI sales increased over 35% sequentially and were better than our guidance of a 20.0% increase. This marked the second consecutive quarter of increases in tablet TDDI shipments since the initial mass production in the first quarter of 2020, and we are firmly in the leading position among peers. However, as mentioned above, the sequential growth was crippled by tight foundry capacity as we couldn't ship enough to meet all customer demands. Revenue of traditional discrete driver ICs for tablet also delivered 20.3% sequential growth and was up 164.5% year-over-year in the third quarter thanks to strong orders from both leading brand and white box names.

Our third quarter driver IC revenue for automotive was up 13.2% sequentially and up 3.9% year-over-year, despite a sluggish global automotive market. The sequential growth was owed, to a large extent, to the aggressive pursuit of market share gains by China panel maker customers to which we are a major supplier. These customers are comfortable with Himax leading technology and proven production record which supports them in their efforts to ramp up production swiftly. With global automotive demand showing signs of recovery, we expect to see robust and sustainable growth in Q4 and into 2021. Jordan will elaborate on this in a few minutes.

Third quarter revenue from our non-driver businesses was \$32.6 million, up 13.3% sequentially but down 12.1% year-over-year. The sequential increase was mainly a result of higher engineering fee income and increased shipments of the Tcon for high frame rate and high-resolution displays as well as CMOS image sensor products with demand coming from notebook and IP camera applications. However, the increase in sales was offset by a decrease in WLO shipments to an anchor customer.

Non-driver products accounted for 13.6% of total revenue, as compared to 15.4% in the second quarter of 2020 and 22.6% a year ago.

Gross margin for the third quarter was 22.3%, up 130 basis points sequentially and up 280 basis points from the same period last year. The sequential increase was contributed by a favorable product mix of more shipments of better margin products such as tablet and automotive ICs, higher engineering fee income and resales of certain products whose values have been written-off previously in accordance with our inventory management protocol. Weighing on gross margins were lower WLO shipments which decreased factory utilization, and increased shipments for smartphone ICs which registered a lower gross margin than the corporate average. Gross margin increased 2.8% from last year thanks to a more favorable product mix with more shipments of tablet and Tcon, higher engineering fee income and resales of written-off products. Likewise, the gain was offset by lower WLO and higher smartphone shipments.

Our IFRS operating expenses were \$44.2 million in the third quarter, up 17.4% from the preceding quarter and up 11.4% from a year ago. The sequential expenses increase was caused mainly by \$4.8 million of RSU, the immediately vested portion of the total RSU grant, which was higher than the \$3.0 million guided on the last earnings call, to beneficially compensate employees from a better-off profit. The \$1.8 million additional RSU expense represents 0.9 cents lower in after-tax EPS. The increased salary also contributed to the higher operating expenses. The year-over-year increase was a result of increased RSU. As an annual practice, we reward employees with an annual bonus at the end of September which always leads to a substantial increase in the third quarter IFRS operating expenses compared to the other quarters of the year. This year, the RSU grant totaled \$5.0 million, out of which \$4.8 million was vested immediately and expensed in the third quarter. Non-IFRS operating expenses

for the third quarter were \$38.9 million, up 4.8% from the previous quarter but down 0.9% from the same quarter in 2019.

IFRS operating margin for the third quarter was 3.9%, up from 0.9% in the prior quarter and up from -4.7% in the same period last year. The sequential increase was mainly due to higher sales and better gross margin but offset by higher operating expenses. The year-over-year improvement was primarily a result of higher sales and improved gross margin. Third quarter non-IFRS operating profit was \$14.7 million, or 6.1% of sales, higher from non-IFRS operating profit of \$2.1 million, or 1.1% of sales last quarter and up from -4.4% for the same period last year.

IFRS profit for the third quarter was \$8.5 million, or 4.9 cents per diluted ADS, compared to profit of \$1.4 million, or 0.8 cents per diluted ADS, in the previous quarter and loss of \$7.2 million, or 4.2 cents per diluted ADS, a year ago.

Third quarter non-IFRS profit was \$12.6 million, or 7.3 cents per diluted ADS, compared to non-IFRS profit of \$1.7 million, or 1.0 cent per diluted ADS last quarter and non-IFRS loss of \$6.9 million, or 4.0 cents per diluted ADS for the same period last year.

Turning to the balance sheet, we had \$142.9 million of cash, cash equivalents and other financial assets as of the end of September 2020, compared to \$128.0 million at the same time last year and \$107.1 million a quarter ago. The higher cash balance was mainly a result of an operating cash inflow of \$33.5 million during the quarter. Restricted cash was \$104.0 million at the end of the quarter, compared to \$164.0 million of the preceding quarter and a year ago. The restricted cash is used to guarantee the short-term secured borrowings for the same amount. We repaid a total of \$60.0 million short-term secured borrowings during the quarter and, in the meantime, the restricted cash deposit

was reduced by the same amount. Separately, during this quarter, we entered into a new ten-year unsecured loan agreement of \$60 million and repaid all short-term unsecured borrowings totaling \$58.4 million. As a result, we had \$60.0 million of long-term unsecured loans as of the end of Q3, of which \$6.0 million was current portion. There was no more short-term unsecured loan as of the end of the quarter, compared to \$58.4 million a quarter ago and \$90.6 million at the same time last year. Not only have we strengthened our balance sheet by replacing all short-term unsecured borrowings with ten-year loans, we also managed to secure favorable terms of the new long-term loan so that the additional interest payments are minimal.

Accounts receivable as of the end of September 2020 were \$221.1 million, up from \$206.1 million last quarter and \$157.3 million a year ago. DSO was 99 days at the end of the quarter, as compared to 86 days a year ago and 101 days at the end of the last quarter.

Inventories as of September 30, 2020 were \$125.7 million, down from \$161.5 million last quarter and \$167.6 million a year ago. The much lower inventory level in Q3 was a result of strong customer demands amid tight foundry capacity. While we will continue to pursue an aggressive inventory build-up strategy, our inventory position will likely remain at such a low level in the foreseeable future given the severe foundry capacity shortage prevailing in the market place.

Net cash inflow from operating activities for the third quarter was \$33.5 million as compared to an inflow of \$24.0 million for the same period last year and an outflow of \$9.2 million last quarter.

Third quarter capital expenditures amounted to \$1.2 million, versus \$31.2 million a year ago and \$0.7 million last quarter. The third quarter capex was for R&D related equipment for our IC design businesses.

As of September 30, 2020, Himax had 172.4 million ADS outstanding, little changed from last quarter. On a fully diluted basis, the total number of ADS outstanding was 173.4 million.

Q4 2020 Guidance:

Now, turning to our fourth quarter guidance. For the quarter, we expect further revenue growth from the already high level of Q3 in most of our business sectors. Gross margin shall see a major uptick and could reach a quarterly historical high for us.

For the fourth quarter, we expect revenue to increase by around 10% sequentially. Gross margin is expected to be around 29%, which will depend on the final product mix.

With the increase in revenue and margin growth in fourth quarter, net income shall increase sequentially. To further reward employees, there would be another \$3.0 million of cash bonus in the fourth quarter which will be expensed immediately. This represents 1.4 cents lower in EPS. IFRS profit attributable to shareholders is expected to be in the range of around 15.0 cents to 16.0 cents per fully diluted ADS. Non-IFRS profit attributable to shareholders is expected to be in the range of 15.1 cents to 16.1 cents per fully diluted ADS. I will now turn the call over to Jordan. Jordan, the floor is yours.

Q4 2020 Outlook:

Thank you, Eric. Before we walk through each of our major product segments, I'd like to briefly comment on the background for our upbeat Q4 gross margin guidance and our view on the sustainability of the higher margin.

First off, gross margin expansion has always been at the top of our agenda and we will surely work hard toward continuous profitability improvement. The upbeat Q4 gross margin guidance is mainly a reflection of the tight foundry capacity which results in better pricing and more favorable product mix. The foundry industry appears to be going through a structural change in the supply-demand dynamics for the mature process nodes - both 8" and 12". We believe the current tightness is likely to persist throughout the next few years. Major volume applications such as display drivers for TDDI and AMOLED, PMIC for 5G smartphone, CIS that is ever upgrading in resolution, just to name a few, are significantly expanding in wafer consumption and competing for the same pool of mature nodes while the industry has no major expansion plan in sight for such capacity.

As Eric mentioned, we are experiencing major foundry supply shortage in quite a few of our business areas, including TDDI and DDIC for smartphone, tablet and automotive applications as well as CMOS Image Sensor. For next year's wafer demands, we have secured with our foundry partners a capacity which is already larger than our total shipment for this year. On top of that, we are developing additional capacities for various product areas with an aim to further our available foundry pool for the next few years. Some of these new capacities will start making contributions next year. We will report the progress in due course.

Another important factor for continuous gross margin improvement will come from a number of our non-driver products which are either already in volume production and look on track to grow in size, such as timing controller and ultralow power CIS, or will be new additions to our revenue stream, such as the WiseEye total solution and the WE-I ASIC chip.

Again, gross margin expansion will continue to be one of our major business goals for next year and beyond.

Display Driver IC Businesses

LDDIC

Now let us start with an update on the large-panel driver IC business. For the fourth quarter, we expect large display driver IC revenue to increase by high-single-digit sequentially. This is due to the extension of strong demand derived from persisting homeworking and distance education, resulting in growing monitor and notebook demands. We expect a decent sequential increase of around 20% in the monitor segment in the fourth quarter. As for notebook, we anticipate even stronger momentum in Q4, increasing more than 75% quarter over quarter. We have active design-in activities in high-end monitor and new generation low-power notebook where we provide not only our driver IC, but also timing controller. Especially in gaming monitors and e-learning notebooks, we anticipate more market share gains from the design-wins of our leading display driver ICs and Tcon with key customers.

With respect to TV, we expect mid-single-digit sequential decline in the next quarter owing to a correction to a surge in TV demand in the previous quarter. Recently, we saw top-tier TV brands with aggressive promotion tactics in 8K TVs in anticipation of major sporting events resuming across many countries after a long lockdown. Our 8K TV display drivers and timing controller ICs have been widely adopted by multiple leading end customers. It is worth highlighting that we have been developing and delivering timing controller products for many years and this segment already represents more than 5% of our total revenue. It is applied in a wide range of products such as TV, monitor, notebook and automotive. Our technology not only provides higher resolution, higher frame rate and better image quality, it can also enable lower power in products where power consumption is critical. The margin and ASP of the timing controller product are much higher than those of display drivers, and we expect

this segment to be an extensive long-term growth opportunity. Our Tcon revenue in the fourth quarter, while limited by a capacity shortage in IC packaging due to competing demands from 5G chipsets, is on track to increase by more than 20% sequentially. This will represent more than 40% increase annually.

SMDDIC

Now let's turn to the small and medium-sized display driver IC business, beginning with an update on the smartphone segment. Our TDDI product roadmap as well as new design-wins and new production plans all position Himax well to gain market share throughout 2020 and into 2021.

As I mentioned on the last earnings call, the pandemic has weighed on the global smartphone shipment significantly due to supply chain disruption at the beginning of the year, followed by a lackluster consumer demand. However, the smartphone market has regained some momentum in Q3, and the momentum seems to have carried into Q4. On the backdrop of a rebounding smartphone market, our smartphone TDDI revenue is projected to have nice high-teens sequential growth in the fourth quarter although foundry capacity remains a growth constraint. Traditional display driver ICs for smartphone, after a temporary spike in Q3, is set to decline double digit in Q4.

As stated before, AMOLED technology has advanced to become the mainstream display for high-end smartphones. Himax is highly committed in this field. Much progress has been made by collaborating with leading panel makers across China. Our development started from smartphone, and extends to wearable, tablet and automotive with Chinese panel makers. We believe AMOLED driver IC will become one of the major growth engines for our small and medium panel driver IC business from 2021.

Tablet has been one of our top sales contributors throughout 2020. In the fourth quarter, it is on track for another sequential growth of over 20%. As mentioned on previous earnings calls, for consumers, tablet TDDI offers a lighter weight and slimmer and more stylish design as well as improved touch accuracy with added option for active stylus specifically geared towards high quality writing and drawing. Himax is a pioneer in the tablet TDDI technology and led the market for mass production in the first quarter of 2020. At present, we are the dominant supplier for literally all leading Android names. Tablet TDDI represents a tremendous upside potential for Himax thanks to its higher ASP and more units of TDDI chips in each tablet than those for smartphone. We expect a sequential increase of around 80% for our tablet TDDI in the fourth quarter as the penetration of in-cell touch into tablet continues to accelerate. To expand and strengthen our position in the market for next generation models, we are working on new designs with resolution and touch accuracy upgrades, targeting large size tablets from key customers.

For traditional DDIC for tablet, we expect low-teens sequential decline for Q4, but sales to be up more than 50% compared to the same period last year due to booming tablet demand arising from homeworking and remote learning. The demand for traditional DDIC for tablet is also being eroded by in-cell TDDI but at a more moderate pace than that for smartphone.

Turning to the automotive sector. As the panels inside a car continue to grow in both number and size, the demand for automotive driver ICs is well positioned for healthy growth in the coming years. Although the global car demand has been badly hit by Covid-19, especially in the first half of the year, the market is showing signs of gradual recovery starting Q3. Our automotive ICs, which enjoy higher gross margins, are experiencing a solid rebound lately with car makers rushing in for inventory replenishment after quite a few sluggish quarters.

The demand of automotive display ICs for more sophisticated and higher performing displays has continued its rising trajectory. Advanced new features such as in-cell touch, local dimming, cascade-topology connection and P2P high-speed interface bridging functions are being adopted with Himax being the primary partner for major automotive panel makers and tier-1 players to enable these new technologies. With these new technologies on track for more shipments starting 2021, we are confident that our automotive segment is hitting another inflection point with a strong and positive long-term outlook.

For the fourth quarter, revenue for the small and medium-sized driver IC business is expected to increase by around mid-teens sequentially with demand continuing to surpass supply. Capacity shortage remains a major factor that negatively impacts our capabilities to make more shipments to customers. In consideration of capacity constraints which may not be resolved shortly, we often have to strategically prioritize the production of products for those customer models where we are the key supplier and/or enjoy better profitability.

Non-Driver Product Categories

Now let me share some of the progress we made on the non-driver IC businesses in the last quarter.

WLO

First on the WLO business. The fourth quarter WLO revenue declined sequentially as a result of lower shipments to an anchor customer. Our WLO factory will continue to manufacture the anchor customer's legacy product going forward. With our exceptional technologies of WLO in nanoimprinting

manufacturing and diffraction optics design, we have been engaged by multiple customers / partners to develop future generation products covering a wide range of applications such as ToF 3D sensing, waveguide for AR goggles, biomedical devices and others.

3D Sensing

Next is an update on the 3D sensing business. Targeting next generation Android smartphones, we are collaborating with leading laser and ToF sensor vendors to develop a new world-facing 3D sensing camera whereby we provide optical components and/or projectors which are critical for the performance of the whole ToF solution.

For non-smartphone 3D-sensing engagements where we provide a structured light-based 3D sensing total solution, our target markets range from smart door lock, facial recognition-based e-payment, business access control to biomedical inspection device. A number of recent design-wins will enter into mass production soon.

Alternatively, we also offer a market leading 3D decoder ASIC to those customers who wish to design their own structured light 3D sensing solution. Here we have had quite a few design-wins from customers targeting China's vast e-payment market with some shipments already starting in the fourth quarter. We are also working with customers for industrial robotics, smart door lock and home security, all of which carry great potential for our 3D business in the future.

Ultralow power smart sensing

Now switching gears to the WiseEye smart sensing solution. As I mentioned on the last couple earnings calls, in order for our WiseEye technology to reach its maximum potential, we have adopted a flexible business model whereby, in addition to a total solution where we provide processor, image sensor and AI algorithm, we also offer those key parts individually in order to address the customer's different needs and widen our market reach.

For the total solution offering, our current focus applications include notebook, TV, doorbell, door lock, and air conditioner as we continue to work out new solutions to cover further edge device AI markets. In partnership with leading players in their respective industries, a number of these solutions are slated to enter mass production in 2021. For the other type of business model where we only offer key parts, our strategy is to actively participate in the ecosystems led by the world's leading AI and cloud service providers. In addition to the collaboration with Google on their TensorFlow Lite for Microcontrollers that we announced previously, we are making another major breakthrough by partnering with another world-leading cloud service provider with a business focus more toward healthcare, financial services, government, retail and industrial manufacturing. Separately, to further lower the technical barrier for using our WiseEye solution, we teamed up with a leading online store specialized in easy development tools for machine learning on edge devices. We are extremely excited about the rapid business progress and believe our WiseEye offerings will become a major contributor to our P&L in the near future.

CMOS Image Sensor

Now turning to our CMOS image sensor business update. We continue to see extremely strong demands for our CMOS image sensors for IP camera and notebook, but our actual shipment has been badly capped by the foundry capacity available to us. Separately, our industry-first 2-in-1 CMOS

image sensor that supports RGB mode for video conferencing and ultralow power AI mode for facial recognition has penetrated the laptop ecosystem for their most stylish super slim bezel designs. We expect to have small volume shipment toward late 2020 with more to come in next year.

Regarding ultralow power always-on CMOS image sensor, which targets in battery powered or always-on applications, we are getting promising feedbacks and design adoptions from customers in various markets, such as car recorders, surveillance, smart electric meters, drones, home appliances, and consumer electronics. In Q4, CIS revenue is expected to be flat sequentially although demand is much stronger than that. Again, our shipment is capped by foundry capacity constraint.

For non-driver IC business, we expect revenue to decrease by low-single-digit sequentially in the fourth quarter.

That concludes my report for this quarter. Thank you for your interest in Himax. We appreciate you joining today's call and are now ready to take questions.

OPERATOR TO QUEUE QUESTIONS

Jordan's closing remarks

As a final note, Eric Li, our Chief IR/PR Officer, will maintain investor marketing activities and continue to attend investor conferences. We will announce the details as they come about. Thank you and have a nice day!