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CORPORATE PARTICIPANTS

Giel Rutten *Amkor Technology, Inc. - President, CEO & Director*

Jennifer Jue *Amkor Technology, Inc. - VP of IR & Finance*

Megan Faust *Amkor Technology, Inc. - Executive VP, CFO & Treasurer*

CONFERENCE CALL PARTICIPANTS

Benjamin Alexander Reitzes *Melius Research LLC - MD & Head of Technology Research*

Craig Andrew Ellis B. *Riley Securities, Inc., Research Division - Senior MD, Director of Research and Senior Semiconductor & Capital Equipment Analyst*

Joseph Lawrence Moore *Morgan Stanley, Research Division - Executive Director*

Randy Abrams *UBS Investment Bank, Research Division - Analyst*

Robert Stephen Barger *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Thomas Robert Diffely *D.A. Davidson & Co., Research Division - MD & Director of Research*

Toshiya Hari *Goldman Sachs Group, Inc., Research Division - MD*

Yu Shi *Needham & Company, LLC, Research Division - Senior Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Amkor Technology First Quarter 2024 Earnings Conference Call. My name is Diego, and I will be your conference facilitator today. (Operator Instructions).

I would now like to turn the call over to Jennifer Jue, Head of Investor Relations. Ms. Zhu, please go ahead.

Jennifer Jue - *Amkor Technology, Inc. - VP of IR & Finance*

Thank you, operator. Good afternoon, everyone, and thank you for joining us for Amkor's First Quarter 2024 Earnings Conference Call. Joining me today are Giel Rutten, our Chief Executive Officer; and Megan Faust, our Chief Financial Officer.

Our earnings press release was filed with the SEC this afternoon and is available on the Investor Relations page of our website, along with the presentation slides that accompany today's call.

During this presentation, we will use non-GAAP financial measures, and you can find the reconciliation to the U.S. GAAP equivalent on our website. We will make forward-looking statements about our expectations for Amkor's future performance based on the environment as we currently see it. Of course, actual results could differ. Please refer to our press release and SEC filings for information on risk factors, uncertainties, and exceptions that could cause actual results to differ materially from these expectations.

Please note that the financial results discussed today are preliminary and final data will be included in our Form 10-Q.

And now I'll turn the call over to Giel.

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Thank you, Jennifer. Good afternoon, everyone, and thank you for joining the call today. Amkor delivered first-quarter results in line with expectations with revenue of \$1.37 billion and EPS of \$0.24. Overall, a 7% year-on-year revenue decline with the most significant decline from the automotive and industrial markets.

After a multi-quarter industry cycle, we believe the first quarter marks the low point for revenue and utilization for Amkor. Although macroeconomic and geopolitical uncertainties continue to impact market sentiments, we observed positive signs of market recovery in multiple areas across our portfolio. During the quarter, we continued to focus on our strategic pillars to elevate our leadership position. With our strong technology leadership in advanced packaging, a unique diversified global footprint, and partnerships with lead customers in the secular growth markets, we are well positioned to accelerate as the industry exits the cycle.

Now let me review the dynamics in each of our end markets. Revenue in the communications end market declined 3% year-on-year in the first quarter. Within the iOS ecosystem, we experienced a larger-than-seasonal correction after record revenues in the second half of 2023. Within the Android supply chain as well as in NAND memory, we observed improvement in demand and year-on-year growth from the lows in 2023. Overall smartphone units are projected to be up low single digits this year. We believe that the introduction of AI into edge devices like smartphones will accelerate innovation and drive increased demand for advanced packaging solutions. With Amkor's strong position throughout premium tier smartphones and our advanced packaging leadership, we expect this to create opportunities for further business growth.

In Q1, revenue in our automotive and industrial business declined 22% year-on-year as several of our customers implemented inventory control measures. Despite these near-term inventory corrections, long-term drivers for growth remain intact. Semiconductor content per car is expected to continue to increase, driven by the proliferation of ADAS, electrification, infotainment, and telematics all requiring advanced packaging technology.

Amkor is the leading automotive OSAT and has multiple decades of experience meeting the stringent requirements of the automotive industry. During the quarter, we used our Portugal facility as a base for enhancing key partnerships with industry leaders in support of a resilient European semiconductor supply chain. We also expanded engagements with leading Japanese automotive semiconductor companies through our factory in Kumamoto and other locations in Japan. We remain focused on leveraging our broad geographic footprint and strengthening partnerships with leading automotive semiconductor customers.

Revenue from the computing end market increased 4% sequentially, driven by strength in the AI devices and several new product introductions for ARM-based PCs. Slow recovery of infrastructure and traditional server demand resulted in a 4% year-on-year decline. Planned investments to expand 2.5D capacity for AI devices are on track to come online by the end of the second quarter. We also strengthened our R&D efforts in Korea to innovate and enable next-generation advanced packaging technologies for high-performance computing.

The consumer end market increased 6% year-on-year and experienced a typical seasonal decline in the first quarter. Traditional consumer product demand remains weak, while increased demand for IoT wearables drove the year-on-year growth. Production ramps of new products, utilizing advanced SiP technologies are on track for high volume production in the second half of this year. Amkor is engaged with lead customers across a diverse set of products, ranging from audio devices, smartwatches, and the emerging AR/VR experience. Our advanced SiP expertise positions us well for growth, and we continue to expand capacity and invest to drive manufacturing scale and innovation.

During the first quarter, our manufacturing organization continued to demonstrate operational excellence with a focus on cost control while maintaining the high-quality standards required by our customers. We focused on optimizing capacity for 2.5D technology in Korea, supporting AI data center applications, and on qualifying advanced SiP and memory technology in Vietnam to support ramps in the second half of this year. Additionally, we progressed our plans for our advanced packaging and test facility in Arizona and submitted our full application for CHIPS funding.

Now let me turn to our second quarter outlook. After a multi-quarter semiconductor industry cycle, we believe the first quarter marked the low point of our revenue. We expect second-quarter revenue of \$1.45 billion, which represents sequential growth of 6% and flat revenue year-on-year. Overall, our expectations for full-year 2024 have not changed. We foresee a muted first half followed by strong growth in the second half, driven by the seasonal launch of premium tier smartphones, a meaningful ramp of a new consumer wearable program, and additional capacity coming online for 2.5D technology.

Assumptions for more balanced inventory levels within Android, memory, and PCs and additional confidence. Although the automotive and industrial market appears to be softening more than we expected earlier this year, we see upsides in other areas of our portfolio. We believe that the secular growth drivers for the semiconductor industry remain in place. And with our leading technology portfolio, scale, and global footprint, we are confident in our position to accelerate as the industry exits the current cycle.

With that, I will now turn the call over to Megan to provide more detailed financial information.

Megan Faust - Amkor Technology, Inc. - Executive VP, CFO & Treasurer

Thank you, Giel, and good afternoon, everyone. Amkor delivered first-quarter revenue of \$1.37 billion, in line with expectations. We believe this will be the lowest revenue quarter for this cycle as we see signs of recovery and anticipate a stronger second half. First quarter gross profit was \$202 million, and gross margin was 14.8%. Gross margin includes a benefit of approximately 100 basis points related to lower depreciation expense on our test equipment.

During the quarter, we performed a periodic assessment of the useful lives of our manufacturing equipment and extended the estimated useful life of our test equipment as a result of broader and longer use. The factory teams continue to utilize temporary cost control measures during the quarter in response to the low utilization environment. Headcount control, overtime reduction, and reduced work weeks contributed to lower labor costs. Reduced factory supplies and maintenance contributed to a decrease in other costs of goods sold. These focused cost containment measures are flexible tools, allowing us to sustain profitability while maintaining the ability to support an anticipated increase in demand in the second half of 2024.

Operating expenses for the quarter came in as expected at \$129 million, reflecting an annual reset of employee compensation levels as well as costs to bring our new Vietnam factory online. Operating income was \$73 million and operating income margin was 5.4%.

Net income for the first quarter was \$59 million, resulting in EPS of \$0.24, which includes a \$0.05 benefit from the change in depreciable useful lives of our test equipment. First quarter EBITDA was \$233 million, and EBITDA margin was 17.1%.

Our balance sheet remains strong. We ended the quarter with \$1.6 billion of cash and short-term investments and total liquidity of \$2.2 billion.

Our total debt as of the end of the quarter is \$1.2 billion, and our debt-to-EBITDA ratio is 1x.

Moving on to our second quarter outlook. We expect Q2 revenue of around \$1.45 billion, representing a sequential increase of 6%, slightly stronger than historical seasonality. While there are still some areas of softness, we are seeing signs of returning to a more balanced seasonal demand pattern. We expect the gross margin to be between 13% and 15%, reflecting a product mix with higher material content. We expect Q2 operating expenses to increase to around \$135 million, primarily due to preparation costs for our Vietnam factory. Our activities to qualify initial products are on track, and we expect to begin high-volume manufacturing in the second half of the year.

We expect our full-year effective tax rate to be around 18%. Second quarter net income is expected to be between \$35 million and \$75 million, resulting in EPS of \$0.14 to \$0.30. Our CapEx forecast for the year remains at \$750 million. Our investments are primarily focused on increasing advanced packaging capacity for 2.5D and advanced SiP as well as expanding select manufacturing facilities.

Amkor is a technology leader with decades of experience, and we have leveraged that experience to successfully navigate through this semiconductor cycle. We managed our cost structure to align with lower demand, preserve profitability, and generate free cash flow. We continue to invest in the most advanced packaging technology to support growth markets such as high-performance computing, specifically for AI applications. We strategically invested to further expand our broad geographic footprint by completing our Vietnam factory and beginning the qualification of new products.

These activities enable us to serve the world's leading semiconductor companies in this dynamic environment, and we are poised for growth as we exit the cycle.

With that, we will now open the call up for your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Toshiya Hari with Goldman Sachs.

Toshiya Hari - *Goldman Sachs Group, Inc., Research Division - MD*

Congrats on the strong results. Giel, for the full year, you mentioned that your outlook remains largely unchanged. You did comment that auto and industrial are a little softer than what you had expected 3 months ago. So what are some of the offsets, if you can walk through how you're thinking about computing, consumer, et cetera, that would be helpful.

Giel Rutten - *Amkor Technology, Inc. - President, CEO & Director*

Yes, Toshi, good to see you on the call. I mean some of the offsets for that will compensate in our view for the weaker automotive performance during this year will come, first of all, from the launch of the communication devices in the second half of the year. We see there some upsides also with the recovery of the Android markets that will give us slightly an upside, but also on the compute side as well as on the consumer side, the elements that we mentioned before, the launch of a new device for consumer as well as the 2.5D upsides where we expect 2024 revenue to be triple the revenue in 2023, that will give us compensation for the lower automotive performance.

Toshiya Hari - *Goldman Sachs Group, Inc., Research Division - MD*

And then as my follow-up, maybe one for Megan, on the gross margin side. So in Q1, even if you exclude the benefit from lower depreciation, I think gross margins came in towards the high end of guidance. What drove the upside in Q1? Was it just conservatism on your part 3 months ago? Or did you see any pricing upside or what have you, maybe it was mix? And then for Q2, you talked about the mix deteriorating with higher material costs. If you can expand on that, that would be helpful.

Megan Faust - *Amkor Technology, Inc. - Executive VP, CFO & Treasurer*

So with respect to the outperformance, you're right that our gross margin performance, even without that depreciation benefit exceeded even on the higher revenue in our range. Really, the only notable thing was I would say there was continued cost control. So the costs came in slightly lower than what we had guided despite the upside in revenue. So that's the story around Q1 gross margin. As we move into Q2, you'll note that there is some pressure on the gross margin percentage. That is a product mix element. We're anticipating as we move into the Q2 and as we start to see things come in for communications, there will be higher advanced SiP products, and those tend to have a higher material content associated with that.

So despite there being higher material content putting pressure on the gross margin percentage, we are expecting to have higher gross profit dollars.

Operator

And our next question comes from Ben Reitzes with Melius Research.

Benjamin Alexander Reitzes - *Melius Research LLC - MD & Head of Technology Research*

I wanted to ask about the smartphone market. Just as we go throughout the year, are you expecting a strong second half of launches in 2024? Or does it feel like 2025 is when AI really kicks in? And just if you can characterize smartphones this year. I'd appreciate it. And then I have a follow-up.

Giel Rutten - *Amkor Technology, Inc. - President, CEO & Director*

On the smartphone market, 2 comments from my side. One is the volumes are expected to go up, let's say, mid-single digits if we compare the market versus 2023. And on top of that, we see that the inventory levels, specifically on the Android side when we enter the year are lower, and that gives us some upside there. That's one important trend that drives the market up. The second trend is a trend where we see both in the China market as well as in the non-China smartphone market, a trend toward higher-end smartphones. And that gives a place to over advantage our position in the premium tier segment of the smartphone market is better than in the midrange or low end. So given these 2 elements, we see some upside on the smartphone market as compared to our earlier assumptions entering this year.

Benjamin Alexander Reitzes - *Melius Research LLC - MD & Head of Technology Research*

Great Megan, for you, on the gross margin, I just want to clarify. So there's a \$0.05 benefit from depreciation in the quarter. It's going to last, I assume, all year each quarter. Can we flow that through to earnings? Or were you in answer to the prior question, mentioning that there could be offsets that make up for it? Or can we flow through each quarter, the upside from that change?

Megan Faust - *Amkor Technology, Inc. - Executive VP, CFO & Treasurer*

Ben, yes, with respect to the change in estimated useful lives, that impact in Q1 as disclosed, was about \$0.05 on the bottom line. As we go through the year, that benefit is going to gradually decrease as those assets become fully depreciated. So as we get through the second half, that impact will become less than it is, say, in Q1 and further out. So it won't be something that you can just add straight to the bottom line.

Operator

Our next question comes from Craig Ellis with B. Riley Securities.

Craig Andrew Ellis - *B. Riley Securities, Inc., Research Division - Senior MD, Director of Research and Senior Semiconductor & Capital Equipment Analyst*

Congratulations on the good performance, Giel and Megan. I wanted to go back 3 months, Megan, and just use that as a reference point to understand how you're thinking about the business' performance half-on-half. I think 3 months ago, we thought there was potential for 30% half-on-half growth. Is that still the right way to look at the business?

Giel Rutten - *Amkor Technology, Inc. - President, CEO & Director*

Well, let me start giving some comments, Greg, and then maybe Megan can give some more details. I mean, the assumption is still that we see roughly a 30% first-half, second-half seasonality. We expect the first half to come in a bit better than we originally anticipated. So with that seasonality still in place and the underlying assumption to that higher seasonality still being confirmed, we expect, let's say, the outlook similar than 3 months ago. That's on a qualitative basis. And Megan, can you add to that?

Megan Faust - Amkor Technology, Inc. - Executive VP, CFO & Treasurer

Yes, Craig. So I would say, overall, that's the same sentiment. It's just the puts and takes that get us to that have shifted a bit, as we just previously described with a bit weaker automotive and a bit more upside in some of the other markets. So even though there's an outperformance in Q1, and I would say our Q2 guide is slightly better than seasonal. For the full year, I would still say we would anticipate something that could be as strong as that '22 second-half growth.

Craig Andrew Ellis - B. Riley Securities, Inc., Research Division - Senior MD, Director of Research and Senior Semiconductor & Capital Equipment Analyst

Got it. That's helpful. And then the second one is just a deeper dive into the compute business in the first quarter. So sequentially was better than we had modeled than had expected. Can you just go into a little bit more detail on what drove that? And maybe what I'm getting at is that more memory? Or was there an early start on the 2.5D HPC program for 2Q that might have helped a little bit?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, Greg, I mean, we had some puts and takes in the first quarter on the compute market. On the downside, our more conventional compute business was still slow. I think the conventional servers were still slow. We saw some upside on the memory business, although that was relatively small. We saw a good upside on PC and laptop where we launched some new products in the ARM-based PC market. And since the PC market is gradually improving, that gave us some upside. And I would say the other one was in the data center you already mentioned that slightly better than we expected on the 2.5D, although, let's say, the bigger capacity increase will come on stream in the second quarter, we continuously try to optimize overline utilization there.

Craig Andrew Ellis - B. Riley Securities, Inc., Research Division - Senior MD, Director of Research and Senior Semiconductor & Capital Equipment Analyst

If I could just ask a clarification on that, that might tilt a little bit more toward Megan. Megan, I know when we've talked in the past, new programs can often ramp at a lower than corporate gross margin. I know you've had 2.5D capability for some time, but I think this is a new program. So anything we should have in mind as we think about the back half of the year as this program becomes bigger?

Megan Faust - Amkor Technology, Inc. - Executive VP, CFO & Treasurer

So with respect to the profitability associated with this since we are expanding the existing scale and these products have already been in production, I wouldn't anticipate any significant movements. We do -- obviously, this is a very technical high-value product. Its profitability is greater than our corporate average, but we would continue to see that play out in the second half.

Operator

Our next question comes from Charles Shi with Needham & Company.

Yu Shi - Needham & Company, LLC, Research Division - Senior Analyst

Megan, allow me to ask the technology question on 2.5D. I think the leading foundry is probably moving from standard silicon in the posted base 2.5D more towards organic interposer base, the 2.5D, and probably a little bit in the distant future that the embedded type of the 2.5D. So one thing you can address is what capability you have in-house right now. And how long do you expect you can maintain the status of being in offset that has the full pump capability with respect to the standard in the poster base, organic interposer base, and maybe embedded application in the future? Could you help us understand a little bit better about the capability?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, I got your question, Charles. Let me repeat that. Your question was indeed along the technologies line on the next-generation technology after 2.5D interposer how we see that and how we are positioned with that. Now when it comes to 2.5D with interposers, we see that running currently, but we also expect that we'll continue to run for, let's say, the next 1 to 2 years. But we see an active transition from silicon interposer into RDL structures with 2.5D. We launched those technologies with 3 new customers and one existing customer, we expect that to be qualified and introduced early 2025. For, let's say, the time being, we expect that to run in parallel to the interposer technologies. And then on top of that, we see as a variation to that the bridge technology, which basically uses a silicon bridge together with RDL as a next-generation connectivity structure between 2 dies. And I think there, we have the capability in-house also. So is that answering your question, Charles?

Yu Shi - Needham & Company, LLC, Research Division - Senior Analyst

Yes. Maybe as a follow-up, your OSAT competitor probably lie on the earnings call was in a little bit ambiguous about what role they play under their partnership with its foundry with respect to what part of the 2.5D packaging they do versus what they don't. Can you kind of clarify a little bit between you and your peers? What are the things you are more uniquely positioned than you are capable to do 2.5D, what you are already doing? And maybe your competitors are still having?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Charles, I mean, generally, we don't comment to the capabilities or business of our competitors. But let me give you a few highlights here. Amkor started with a lead customer on a full flow. That means on wafer as well as on substrate for 2.5D multiple years ago, we currently are in the third generation, and we are currently performing at yield levels because that's an important performance indicator that is, I would say, industry standards. That doesn't hold for our competitors. We still believe that we are the only OSAT that is doing this at scale, and we're ramping up. The industry still has a shortage in capacity when it comes to high-end computing devices, and we expect that to continue.

So definitely, there are alternatives being explored to rapidly expand capacity to accelerate there. And I cannot comment to all the details there. But as we mentioned, compared to last year, we're tripling our capacity coming on stream by the end of the second quarter, that results in tripling of our revenue for 2.5D, and we are launching our, let's say, fan-out technology or RDL technologies in high-volume production by early 2025. So I would see still in that whole environment of growing markets, we are well positioned, but we don't exclude that the supply chain will diversify when the volumes really go up.

Operator

And our next question comes from Randy Abrams with UBS.

Randy Abrams - UBS Investment Bank, Research Division - Analyst

The first question, actually, Giel, just to follow up on the last one on the advanced packaging. Just factoring you do see RDL interposer and also we're seeing good strength or interest for the NVIDIA new parts. Do you have any further plans to expand? Just after the tripling, are you already starting to prepare orders for further capacity if you have anything to share on that?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, Randy. We also commented in the last earnings call that we will continue to ramp our capacity beyond the tripling. But we wanted to avoid this becomes, let's say, a recurring team where we report out on the capacity, but definitely, in the second half of the year, we will continue to ramp our capacity. A lot of the equipment that we bring in is fungible between our, let's say, RDL interposer versus our silicon interposer as well as our

advanced pumping technologies. The factory where we ramp up and will continue to ramp up is in Korea, where we have, let's say, significant plans in place to ramp this capacity.

Randy Abrams - UBS Investment Bank, Research Division - Analyst

And to follow up, when you do the RDL interposer, since I would assume the silicon interposer is built up to foundry, is there -- how is the step up in dollar opportunity per solution or on that kind of scale versus what you're doing now? Do you expect you'll get a meaningful amount of the processing of the actual RDL interposer? And just curious how that scales your business versus the value you can do now.

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, I don't want to quote specific numbers here. So the answer is yes. I think if you look to the value that we bring on the RDL interposer, then it's significantly more than on the silicon interposer where the silicon interposer is being procured or supplied by a foundry and the value is generated by the foundries on the RDL interposers. The value is created in this case by ourselves. And that will give us an upside per unit.

Randy Abrams - UBS Investment Bank, Research Division - Analyst

And to ask maybe a follow-up since you called out the addition of the AI compute. Do you see much change, whether it's in test time or packaging type of value for -- as we start to put like the AI engine added to the mobile device or even in the compute device?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, that's a good question, Randy. We see a transition, the next-generation mobile devices, including with integrated AI capabilities that we gradually move to another test platform, and that means that also for 2024, we actually increased our investment in test and test equipment not only for this one but in general, with 50% or not we're doubling it actually versus 2023. So a significant increase. And one of the reasons, not the only reason, but one of the reasons is that the complexity of testing these devices with an AI co-processor is getting more complex.

Operator

And our next question comes from Tom Diffely with D.A. Davidson.

Thomas Robert Diffely - D.A. Davidson & Co., Research Division - MD & Director of Research

I guess first, another margin question for Megan. When you look at the ramp in Vietnam over the next several quarters, and I know that some costs are already in the system, but how do you expect that to impact depreciation or the gross margin?

Megan Faust - Amkor Technology, Inc. - Executive VP, CFO & Treasurer

Tom, yes, so we have started to incur our cost to bring that factory online with respect to labor and other costs. And so that is part of the OpEx uptick that we had in Q1 as well as moving into Q2. As we think about that moving to a high volume ramp at the second half of the year, when that moves into production and those costs move into the cost of goods sold, that is a fairly minor part of our total picture. So we're not anticipating a significant impact. However, as you do ramp up programs and that utilization is small, there will be some impact.

Thomas Robert Diffely - D.A. Davidson & Co., Research Division - MD & Director of Research

And as a follow-up, Giel, I was wondering if you can give us an update on the Arizona facility as far as timing or potential subsidies go. The new one that you haven't built Carter.

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, Tom, thanks. I think the question was clear. I mean, we're making significant progress there. We have a team in place. We're working with a design company to design the facility. We're identifying contractors to start the building and we work with customers as well as with other partners in the supply chain to plan our capacity, our technologies, our technology roadmap to detail out the timing. So there is a significant effort ongoing to prepare for building the factory. The timeline is still in place. We try to tune the timeline as good as possible to the availability of silicon capacity in the U.S. And yes, that's the only confirmation that I can get. I think we settled a lot of the details when it comes to the location also.

Thomas Robert Diffely - D.A. Davidson & Co., Research Division - MD & Director of Research

Okay. But it doesn't require CHIP X funding, irrespective of that, you'll continue on with it?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Well, the CHIP X funding is a very fundamental part of starting the facility in the U.S. I mean starting greenfield operations in the U.S. requires significant start-up costs on top of the higher running cost, and there, we will require chip funding in order to build a sustainable business case for this facility in the U.S. But I cannot comment to all the details there, but we feel very confident that we are aligned with, let's say, the market strategy for manufacturing and reshoring manufacturing back to the U.S. and the support of the CHIPS office there. So we are fairly confident that we're on the right track there.

Operator

(Operator Instructions) Our next question comes from Joe Moore with Morgan Stanley.

Joseph Lawrence Moore - Morgan Stanley, Research Division - Executive Director

I just wondered, you've been generating quite a bit of cash on the balance sheet. Any plans there? Any kind of uses of cash that you can talk about?

Megan Faust - Amkor Technology, Inc. - Executive VP, CFO & Treasurer

So as far as it relates to our liquidity, looking at our current capital allocation priorities, I would say really the -- and reinvesting in the business is our #1 priority. And as we've been sharing our expansion of our footprint, we're all well aware of the opening of our Vietnam facility. We're also expanding our Europe facility. We're building a new building there. And then, of course, the upcoming U.S. facility will require cash for that as well. So that I would say is our #1 priority followed by ensuring that we're staying up on the most advanced technology and investing in R&D.

Also with our commitment of returning 40% to 50% of our free cash flow to shareholders, that would be then another commitment that we have with respect to our cash.

Operator

Our next question comes from Steve Barger with KeyBanc Capital Markets.

Robert Stephen Barger - KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst

Domestic chip makers in China have been really active in buying wafer fabrication equipment over the past several quarters. And I think a lot of that's for memory. So first, how long do you think it will take for that incremental capacity in China to come online? And second, can you talk about the potential for share gains with those mature node chip makers as you manage your own capacity across regions in Asia?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes, Steve. That's a good question. There is indeed a significant capacity expansion ongoing in China, mostly for the more mature silicon nodes and I would say the previous generation of memory I include that in that assessment. Now with respect to our sell-off and the markets that we're serving, we are very much focusing our business on advanced packaging and advanced packaging uses silicon of the latest silicon nodes, I would say, 7 meters and below, and that is still very much restricted when it comes to expansion in China. The expansion, as we understand it, and I don't have full detail available is very much on the mature nodes in China. Mature nodes would require more mature assembly and test packaging. And I believe it's very much focused to a local-for-local market currently. More, I cannot say on that topic, Steve.

Robert Stephen Barger - KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst

And you talked about expanded engagements with industry leaders in auto industrial for Europe and Japan. Are those new relationships or existing that you're just trying to get deeper with those potential customers? And is there any way to think about timing for conversion of engagement to orders?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes. Good question, Steve. I mean most of the customers that we refer to for expanding our, let's say, partnership with our existing customers where we change our engagement model from more, I would say, more a tactical model to more a longer-term partnership model, and that holds definitely in the European supply chain. I can say without calling out names here that we're engaged with all the semiconductor leaders in the, let's say, IDM space in Europe for supporting them in our manufacturing facility in Portugal.

We have a broad range of technology there, let's say, from FlipsiBGA for ADAS devices to sensors to, let's say, extended wafer bump and wafer probe technologies we teamed up and that was, let's say, an announcement that we've made in last quarter with Global Foundries. That supports the same supply chain in Europe out of their Drayson factories to offer a seamless manufacturing footprint in Europe. So all in all, I think existing engagement, but we're expanding them with different business models, and that also relates to, for example, models like co-investments, dedicated capacities, and broadening the portfolio from what we had in Portugal to also, for example, in the latest announcement, power modules for the EV market.

Robert Stephen Barger - KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst

And so do you view this as an ongoing process in which there may be some near-term wins, but you're also setting seeds for wins and multiple years out?

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Yes. Exactly, Steve. I think for some of these engagements, basically, let's say, can materialize and will materialize in revenue this year. Others will ramp up in the course of the next couple of years. For example, in the latest announcement that would require or that's requiring the build-out of a separate manufacturing module that will go on stream in 2025. But before that has material revenue contribution, that may go towards the end of '25 into 2026. So there are several engagements with different dynamics, but we expect the upside starting this year.

Operator

Thank you. And at this time, I'm showing no further questions. I would like to turn the call back over to Giel for closing remarks.

Giel Rutten - Amkor Technology, Inc. - President, CEO & Director

Thank you. Let me recap the key messages. Amkor delivered first-quarter results in line with expectations with revenue of \$1.37 billion and EPS of \$0.24. After a multi-quarter industry cycle, we believe the first quarter marked the low point for revenue and utilization for Amkor. We expect second-quarter revenue of \$1.45 billion, which represents sequential growth of 6% and flat revenue year-on-year.

Overall, our expectations for full-year 2024 have not changed. We foresee a muted first half followed by strong growth in the second half. Amkor has continued to elevate its leadership position by executing on its 3 strategic pillars: advancing our technology leadership, expanding our broad geographic footprint, and strengthening engagements with lead customers in the growth markets. Thank you for joining the call today.

Operator

Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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