

THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

AMKR - Q2 2016 Amkor Technology Inc Earnings Call

EVENT DATE/TIME: AUGUST 01, 2016 / 9:00PM GMT

OVERVIEW:

Co. reported 2Q16 revenue of \$917m. Expects 3Q16 revenues to increase roughly 15% sequentially.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

CORPORATE PARTICIPANTS

Greg Johnson *Amkor Technology Inc. - VP, Finance & IR*

Steve Kelley *Amkor Technology Inc. - President & CEO*

Joanne Solomon *Amkor Technology Inc. - EVP & CFO*

CONFERENCE CALL PARTICIPANTS

Randy Abrams *Credit Suisse - Analyst*

Frank Jarman *Goldman Sachs - Analyst*

Atif Malik *Citigroup - Analyst*

Sidney Ho *Nomura Securities International, Inc. - Analyst*

Adam Willinger *BofA Merrill Lynch - Analyst*

Umesh Bhandary *Jefferies & Co. - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Amkor Technology second quarter earnings conference call. My name is Andrea and I will be your conference facilitator today.

(Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the call over to Greg Johnson, Vice President of Finance and Investor Relations. Mr. Johnson, please go ahead.

Greg Johnson - *Amkor Technology Inc. - VP, Finance & IR*

Thank you, Andrea, and good afternoon, everyone. Joining me today are Steve Kelley, our President and Chief Executive Officer, and Joanne Solomon, our Chief Financial Officer.

Our earnings press release was filed with the SEC this afternoon and is available on our website. During this conference call we will use non-GAAP financial measures and you can find the reconciliation to the US GAAP equivalent at our website. These non-GAAP measures include combining J-Device's financial results for certain periods prior to their consolidation.

We will also make forward-looking statements about our expectations for Amkor's future performance, based on the environment as we currently see it and statements about the impact of the earthquakes in Japan. Of course, actual results could be different. Please refer to our press release and other 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 would like to turn the call over to Steve.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Steve Kelley - Amkor Technology Inc. - President & CEO

Good afternoon and thanks for joining the call. Today I'll discuss our second quarter results, and our third quarter outlook. In addition I'll provide an update on some of our key growth initiatives.

In the second quarter we generated revenue of \$917 million, above the high end of our guidance. Two major factors drove this strong performance: Android smartphone demand, and the accelerated recovery of our earthquake damaged Kumamoto factory. With the significant increase in revenue, our second quarter profit also beat expectations.

Excluding earthquake recovery costs, earnings per share increased \$0.06 sequentially, and EBITDA improved 17% sequentially. Revenue growth remains the single most important objective for Amkor, and we want to grow in a balanced way to avoid over-reliance on any single market or customer.

We believe that this is the best way to achieve more consistent financial performance through all phases of the business cycle. I will touch on four of the ways we are driving balanced growth.

First, we are increasing our revenue in markets other than smartphones and tablets, such as automotive. These markets tend to be more stable, with less pronounced highs and lows. With the acquisition of J-Devices, sales in these other markets now account for 55% to 60% of our overall revenue, up from 40% to 45% in 2015.

Second, we are expanding our customer base in the smartphone and tablet market, primarily by engaging with fabless companies in the China ecosystem. This allows us to more fully utilize our existing assets and broadens our participation in all tiers of the mobile device market.

Third, we continue to make share gains in the iOS and high end Android ecosystems, leveraging our expertise in advanced SiP, MEMS, and other advanced packages to expand our content in flagship phones. We expect to grow iOS ecosystem revenue significantly this year, powered by a strong second half.

Finally, we are focused on building manufacturing lines which support multiple customers. This approach maximizes overall utilization and helps to derisk our business.

Now I'd like to say a few words about our initiatives and investments in greater China, where we expect our revenues to double this year. The expansion of our Shanghai factory is complete. We are now installing equipment. This expansion will boost our Shanghai clean room space by nearly 45% to roughly 625,000 square feet. Our Shanghai factory is Amkor's second largest factory by revenue and offers a wide variety of advanced packaging and test services, including wafer probe, 8- and 12-inch wafer bumping, wafer-level packaging, and advanced SiP.

We are able to offer quick turn engineering assistance to our customers in greater China, and leverage our location in a free trade zone. We recently announced the installation of a new MEMS packaging line at our Shanghai factory. This new line will augment our MEMS production line in the Philippines where we produce more than two billion MEMS units since 2011.

Moving now to our third quarter outlook. We expect that Q3 revenues will increase roughly 15% sequentially, driven by growth in advanced SiP, greater China, and automotive. We expect strong third quarter revenues to drive higher gross margin, earnings per share, EBITDA, and positive free cash flow.

We are maintaining our 2016 capital spending plan at roughly \$650 million, including \$170 million for construction of K5, our new R&D and manufacturing facility in South Korea. We plan to begin installing equipment in K5 later this year, and will time our capacity investments to match customer demand. K5 will be our Center of Excellence for wafer-level advanced SiPs as well as for conventional wafer-level fan-out products.

The consolidation occurring among our first tier OSAT competitors continues to be a positive catalyst for Amkor. Many customers are seeking to maintain balance and minimize risk in their supply chain, and these customers often turn to Amkor for help. We were very proud to recently receive Qualcomm's supplier of the year award. It's especially meaningful, given the long mutually beneficial relationship between the two companies.

AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Finally, I would like to recognize the extraordinary efforts of our Japanese team who accelerated the recovery of our Kumamoto factory by more than a month. I would also like to acknowledge our worldwide manufacturing team, our customers, and our suppliers, who together provided strong and enthusiastic assistance during the expedited recovery process.

Joanne will now provide more detailed financial information.

Joanne Solomon - Amkor Technology Inc. - EVP & CFO

Thank you, Steve, and good afternoon, everyone. Our first quarter revenues of \$917 million were up 6% sequentially. Advanced products revenue increased 11%, driven by strong demand for our flip chip and wafer-level processing products for the Android ecosystem.

Revenue for mainstream products was up 2%. The impact of the Japanese earthquakes moderated our growth in this category. Our gross margin of 14% was above the high end of our guidance due to strong revenue growth and quicker recovery from the earthquakes.

We incurred \$13 million of incremental earthquake costs that reduced gross margin by 150 basis points and earnings per diluted share by \$0.04. We expect to incur a further \$4 million of costs in the third quarter. Taking into account insurance payments anticipated later this year of JPY3 billion, about \$30 million, we expect the net impact of the Japan earthquakes on full year 2016 results to be minimal.

Operating expenses in the second quarter were \$100 million. For the third quarter we expect operating expenses to remain around this level. We are exercising discipline and continue to control cost and spending. On a combined basis with J-Devices, operating expenses have been around this level for the past several years.

Interest expense in the second quarter was \$22 million, up from \$17 million in the first quarter. With the completion of K5 in the second quarter, we are no longer capitalizing interest on the project. We expect interest expense to remain around \$22 million for the rest of 2016. We expect our effective tax rate to be around 30% for both Q3 as well as the full year.

On a combined basis, Amkor and J-Devices generated \$700 million of adjusted EBITDA over the past 12 months. At June 30, we had total debt of \$1.6 billion, and debt to combined adjusted EBITDA was 2.4 times. Our liquidity is solid, with \$500 million in cash and \$230 million in available undrawn loans. Our full year 2016 capital expenditures forecast of around \$650 million remains unchanged.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Randy Abrams, Credit Suisse.

Randy Abrams - Credit Suisse - Analyst

Thank you. Good job on the execution. For second quarter I wanted to see first what drove the upside to the original guidance, whether that was all from the pull-in from the Japan facility. And then as you look at the third quarter guidance, how much is coming through from the traditional flagship smartphone launch and the share gains you talked about and then how much are from some of these other areas like the SiP, the greater China, and the automotive that you cited?

AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Steve Kelley - Amkor Technology Inc. - President & CEO

Sure, Randy. Looking at Q2, so the two major factors driving the upside in Q2 were the fast recovery in the Kumamoto factory, and the second really was outperformance in the Android smartphone space, particularly in the high end Android smartphone space. So we saw a lot of upside demand based on the success of the Galaxy 7 phone in the market.

In Q3 we're just seeing a number of things come together and there's overlap between these various segments. So certainly the launch of flagship smartphones is driving a lot of the upside, particularly in our advanced product area. So wafer-level packaging and SiP in particular.

We're also seeing an uptick in greater China as our market share there increases. Most of that market share's increasing at China suppliers who supply into the smartphone market.

Randy Abrams - Credit Suisse - Analyst

Thanks for that. Go ahead.

Steve Kelley - Amkor Technology Inc. - President & CEO

I wanted to add one more thing about automotive. We're also seeing a pretty good uptick in automotive in Q3, not quite as dramatic as smartphones, but I think we're going to have a strong second half in automotive sales.

Randy Abrams - Credit Suisse - Analyst

Okay. And I'll have a quick follow-up on the first one and then a second question. Maybe the follow-up, because the higher base where third quarter now mid-teens is well above the past few years. Is there much in there for Kumamoto, and the follow-through I guess initial stage on fourth quarter, if seasonality sometimes is flat plus or minus, but if it affects fourth quarter, just given the higher base in third quarter?

And the second question I had was on the, there's more development work around the fan-out technology and the SLIM SWIFT. If you could talk about how the sampling is going and then moving toward revenue for that product?

Steve Kelley - Amkor Technology Inc. - President & CEO

Sure. Okay, so I'll address them in order. First, on Q3, I think your question was how much of that increase in revenue is due to catch-up revenue from Kumamoto.

Randy Abrams - Credit Suisse - Analyst

Yes, that's right.

Steve Kelley - Amkor Technology Inc. - President & CEO

I would say there's a little bit in there. Our revenue didn't dip as much as we expected in Q2 as a result of Kumamoto. We'll get some of that back in Q3. And I think we will see our key customers in that facility rebuild their supply chain over the course of the second half. So we are seeing a little bit of a lift but I wouldn't call it a major factor. I'd call it a minor factor in our increased quarter on quarter.

AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

As I look to Q4, I believe your question was basically do we have any initial feel for what Q4's going to look like. I would say that the forecasts we're seeing right now are fairly positive from our customers. They look pretty good for Q4. But I would characterize the Amkor position as we're cautiously optimistic. We're tempered somewhat by the uncertainty in the smartphone market based on a reaction to these new flagship launches. So if the phones are successful I think Q4's going to be a very good one for Amkor. If they're not as successful then we'll have to make adjustments in Q4.

Your last question I believe was on the fan-out technologies and SWIFT and SLIM and so forth. Let me bring you up-to-date where we are with those efforts.

First of all, we're sampling multiple customers. Our objective in the SWIFT area, this is the wafer-level fan-out technology, is to get the cost down to a point where that technology can be migrated into the mid-range segment of the smartphone market, not just in the high end, and also to facilitate wafer-level SiP implementations. We think by doing that we'll be able to grow the market and there would be enough demand for both TSMC and Amkor and others to participate in that market.

So we really feel that wafer-level SiP technology is mainstream technology of the future, and we appreciate that TSMC is paving the way. They're basically accelerating the acceptance of this technology, particularly among suppliers into the smartphone market.

Randy Abrams - *Credit Suisse - Analyst*

Okay. Do you think it's -- I guess for the mainstream market it would be -- is next year do you think still just pilot line and initial projects or we could start by second half seeing a little bit of mainstream activity?

Steve Kelley - *Amkor Technology Inc. - President & CEO*

I think realistically speaking we won't see material revenue from SWIFT until 2018. I think 2017's going to be a year of qualification for most of our customers. And just a little more color. The K5, the initial production line there will be for SWIFT and wafer-level fan-out technology. So we'll start to install production equipment in the fourth quarter this year, and we expect to begin running quals in first quarter, with some initial low rate initial production in Q2 and Q3.

Randy Abrams - *Credit Suisse - Analyst*

Okay. Great. Thanks a lot, guys.

Operator

Frank Jarman, Goldman Sachs.

Frank Jarman - *Goldman Sachs - Analyst*

Great. Thanks for taking my questions, guys, and congrats on the results for the quarter. I just wanted to focus on the cash flow for a little bit. It looks like year-to-date you burned a little bit of cash. I know that you were spending with regards to the CapEx plan is driving some of that, but can you just help us think about how we should be thinking about free cash flow for the back half of the year? Thank you.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Joanne Solomon - Amkor Technology Inc. - EVP & CFO

Great. Thank you, Frank, for the question. On free cash flow, so we do expect that we're going to be free cash flow in the second half of the year with the strength of the Q3 results and some of the cautious optimism for fourth quarter. So we were free cash flow negative for the first half, but we do expect to catch up in the second half.

Frank Jarman - Goldman Sachs - Analyst

Great. Thank you. And then I guess just as I think about the CapEx plans, I think you're still targeting around \$650 million for the year, and \$170 million of that is related to K5. As we look to next year or post K5, how should we think about the CapEx story evolving? Should we be thinking that it could come down by \$170 million post the K5 spend?

Steve Kelley - Amkor Technology Inc. - President & CEO

I think if you're looking for rough guidance, Frank, it would be \$500 million plus or minus.

Frank Jarman - Goldman Sachs - Analyst

Okay.

Steve Kelley - Amkor Technology Inc. - President & CEO

For next year.

Frank Jarman - Goldman Sachs - Analyst

That's helpful. The last question I had for you guys is just with regards to the cash balance. I think at the end of this quarter you had \$500 million in cash and \$230 million in available revolver availability. How do you think about uses of that cash, and how much of that cash sits within the US versus internationally?

Joanne Solomon - Amkor Technology Inc. - EVP & CFO

So I think with respect to uses of the cash, our priority has been to invest back in the business. We also use excess cash to manage our debt levels as well. The majority of the cash is overseas but it's not restricted from use. We can move most of that around through a series of intercompany loans that we have as well as some efficient jurisdictions to dividend.

Steve Kelley - Amkor Technology Inc. - President & CEO

Great, thanks so much. That's all I had.

Operator

Atif Malik, Citi.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Atif Malik - Citigroup - Analyst

Thanks for taking my question and good job on the quarter and the guide. Steve, if you can talk about, is there a percentage of sales number that you're targeting for your communication sales? Sounds like the comm sales came down in June but could go up in September as you guys gain share. So just kind of your thinking about when you talk about the balancing of the revenue growth, how you're thinking about kind of a long-term smartphone exposure?

Steve Kelley - Amkor Technology Inc. - President & CEO

Yes. Basically I think what we think right now is that the smartphone percentage of our sales, the communications part of our sales, we're going to vary between 40% and 45%, depending on whether we're in the high season or low season for smartphones. So I think that's a pretty good percentage. It's still the biggest part of the IC market so we need to be strong there. But we want to balance our exposure to smartphones with exposure in other markets such as automotive.

Atif Malik - Citigroup - Analyst

Okay. And then Joanne, on the last call you talked about getting to 20% gross margin at \$1 billion sales level. If I look at your guide, the midpoint is about 18%. Could you walk me through how we get from 18% to the 20% target gross margin you talked about at \$1 billion level last time?

Joanne Solomon - Amkor Technology Inc. - EVP & CFO

Yes, absolutely. So we're seeing really strong performance from J-Devices, and it's contributing a larger share of our revenues for Q3 than what we had anticipated. So what's happening is that's compressing overall gross margins, because since they're a mainstream business they operate at a lower gross margin. The growth in J-Devices' revenue nonetheless drives improved gross profit, EPS, strong cash flow.

So if I look at Amkor's revenue excluding J-Devices for Q3, it's about the same level as Q3 2014, about \$815 million of revenue. So our expected gross margin for Amkor excluding J-Devices is right around that 20% mark, which is about 100 basis points higher than what it was in 2014. So the last thing I would highlight is the strengthening Japanese yen may also compress some of the gross margin. So those are some of the biggest changes as to that original guidance we gave.

Atif Malik - Citigroup - Analyst

Last one, if you can break out what percentage of sales China was in the reported quarter. Understand it's still small, 3% to 4%, but what was the percentage of sales was China?

Steve Kelley - Amkor Technology Inc. - President & CEO

We're in the mid single digits now. So we expect in Q3 to be around 5% of our sales will be in greater China, fabless customers.

Atif Malik - Citigroup - Analyst

Perfect. Thanks.

Operator

Sidney Ho, Deutsche Bank.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Sidney Ho - *Nomura Securities International, Inc. - Analyst*

Thanks for taking my questions and congrats on a good quarter. Steve, just maybe on the linearity of the quarter. You talked about last quarter incremental improvement each week in the first few weeks of the quarter. How has things shaped up in Q3 so far, and would you say industry capacity is tight at this point?

Steve Kelley - *Amkor Technology Inc. - President & CEO*

Yes, I would say industry capacity is relatively tight in the more advanced nodes. So as we look across Amkor, it's tight in wafer-level process products, wafer-level CSP, for instance, SiP is fairly tight. But I would say this. We're managing it pretty well. We've had some improvements in our planning process over the past two years and we've become a little more efficient in our factories as well. And so that's why we haven't had to raise our CapEx plan for this year.

To your previous question, I think in Q2 we saw a gradual increase in demand and so we went into Q3 operating at pretty high level, particularly in our advanced factories. So hasn't been a sudden stair step, it's been a gradual increase as we build for these flagship phones that we expect to launch later in Q3.

Sidney Ho - *Nomura Securities International, Inc. - Analyst*

Got it. And then as my follow-up question, related to your smartphone strength or your position in smartphones, you have historically been strong in high end smartphones for Android and iOS [camp]. How would you characterize your current position in mid to low end phones, especially in China?

Steve Kelley - *Amkor Technology Inc. - President & CEO*

Yes, that's been a particular emphasis for us because we have been very strong in high end. I think we've made a pretty good movement to mid range. That's not all of our doing. Because a lot of the features that were introduced in the high end have migrated relatively quickly into the mid range, so we benefit from that.

I think as I look at China, most of the customers we deal with in China are focused on the mid range but also some are in high end and some are the entry level as well. We see the same type of migration across the tiers of the mobile phone market. So as we gain a foothold in one tier, it often allows us to get a foothold in a different tier. As we deal with more customers, we're basically getting a better exposure to all tiers of the mobile phone market.

Sidney Ho - *Nomura Securities International, Inc. - Analyst*

Great. And then just a follow-up on that. 4Q is typically where your largest Android customers do their inventory adjustments, and based on the order pattern you're seeing so far this quarter, is there any reason why this year would be any different?

Steve Kelley - *Amkor Technology Inc. - President & CEO*

I really don't know, to tell you the truth. I think the Android market's been strong for us all year and so I think we'd have to take a look at their sell-in and sell-through data to figure out if they're going to have a pullback in Q4.



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Sidney Ho - *Nomura Securities International, Inc. - Analyst*

All right. One last question maybe for Joanne. I just want to understand the gross margin guidance for Q3. Does that include any of the insurance proceeds that you talked about, I think you talked about \$30 million, or was that mostly coming in in fourth quarter?

Joanne Solomon - *Amkor Technology Inc. - EVP & CFO*

The insurance proceeds right now are forecasted for the fourth quarter, so our guidance does not include the \$30 million expected insurance proceeds. It does include about \$4 million of incremental costs, so that will further compress gross margins in Q3.

Sidney Ho - *Nomura Securities International, Inc. - Analyst*

Perfect. Thank you very much.

Operator

Ana Goshko, Bank of America.

Adam Willinger - *BofA Merrill Lynch - Analyst*

Good afternoon. This is Adam Willinger on for Ana. Back to J-Devices, with regard to its margin contribution, I think you had previously said you're consolidating some of its manufacturing facilities and were going to drive that margin kind of in the 15% to 20% range? I was just wondering kind of how that's progressing and is that still an appropriate medium term target?

Steve Kelley - *Amkor Technology Inc. - President & CEO*

Let me make a comment there. Just to back up a little bit, our overall plan in Japan is to consolidate and fill. So the consolidate part of the strategy is to gradually reduce the number of factories we have in Japan, over the course of three to four years. We try to do that in such a way that we avoid customer disruption. We expect some expenses from that effort to kick in next year, but we also expect a fairly quick payback.

On the fill side of the strategy, it's basically a three-pronged strategy. First, we're trying to maximize share at the existing customers. Secondly, return some business from other Asia locations into Japan. And we executed well for one customer who transferred production from their plant in Singapore back into J-Devices' factories in Japan.

And finally, really we're looking at new international customers who have an interest in building products in Japan, and we're getting some significant interest from international customers. What that all means is I believe that we'll be able to move J-Devices into the 15% to 20% range over the next two to three years.

Adam Willinger - *BofA Merrill Lynch - Analyst*

Okay, thank you. And I guess I had one more question on I think you had previously mentioned that after completing K5 that you were planning to consolidate some facilities in Korea and perhaps sell one of them that was located in Seoul? I think you had maybe said proceeds would be in the \$150 million to \$200 million range? Do you have any a time line for when you're anticipating receiving those funds and perhaps any plans for the proceeds?



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Steve Kelley - Amkor Technology Inc. - President & CEO

Let me make a comment. We will close our K1 facility here in the first half of next year. K1's our oldest facility at Amkor. I think it's been around for more than 40 years, and we've been closing it for the past five years. So a very slow closure, trying to minimize the effect on customers. We would expect to begin marketing that property late this year and to close next year on a sale to a third party.

Adam Willinger - BofA Merrill Lynch - Analyst

Great. Just a quick follow-up on that. With your capital structure and your senior notes that are becoming callable this fall, how do you think about potentially using proceeds from that sale or from potentially free cash flow generation if your CapEx is going to be lower next year? How do you think about using cash availability for debt repayment, especially given the kind of attractive rates on prepayable term and revolver borrowings?

Joanne Solomon - Amkor Technology Inc. - EVP & CFO

Yes, so we're always opportunistic in looking at lowering our cost to borrow. It's obviously a balance between what cash we have on hand and what needs we have for investing in the business. But if there's an opportunity to lower the cost to borrow, we'll take a look at it.

Adam Willinger - BofA Merrill Lynch - Analyst

Great. Thank you very much.

Operator

(Operator Instructions)

Umesh Bhandary, Jefferies.

Umesh Bhandary - Jefferies & Co. - Analyst

Thank you for taking my question. Maybe the first one, Joanne, you mentioned that you're cautiously optimistic for the fourth quarter. Is that sort of like you don't know yet in terms of sort of the upside that you might get from the iOS devices? Are you seeing most of the upside that you got from the Android devices in the Q2 and Q3 quarter? So what was that comment regarding, the cautious optimism for Q4?

Steve Kelley - Amkor Technology Inc. - President & CEO

I'll make a comment, Umesh. What that means is typically Q4, if you look back 10 years, seasonally we're down a bit Q4 versus Q3. I think what's changed over the years is that a lot of the cycle really revolves around the success of these flagship phone launches. So we have two major launches we expect this quarter, and if they're successful Q4 could be quite good. If they're not successful, then we probably revert to a seasonal pattern.

Umesh Bhandary - Jefferies & Co. - Analyst

Got it. Just build schedule so far into the third quarter, has that been sort of like in line with previous ramp-up or how do we sort of characterize there the build for the new devices so far?



AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Steve Kelley - Amkor Technology Inc. - President & CEO

Yes, it's a good question because it's very reminiscent of Q3 2014. So we went through this two years ago, very similar. In fact, even the revenue level is similar to what we had two years ago in Q3.

Umesh Bhandary - Jefferies & Co. - Analyst

Got it. That's helpful. Maybe switching a little bit. Obviously there has been quite a bit of consolidation in your customers, among your customers. Has that started sort of impacting you guys and how does that sort of, how do you see that sort of flowing through for your business?

Steve Kelley - Amkor Technology Inc. - President & CEO

Yes, you're right, there's been a lot of consolidation in our customer base in the past two years. And by and large it's been fairly positive for us, because as these customers get bigger, they want to consolidate their supply base and they're more comfortable with larger OSAT suppliers such as Amkor. So every consolidation is different, but I'd say speaking generally it's been a very positive trend for Amkor.

Umesh Bhandary - Jefferies & Co. - Analyst

And is that positive mostly because you are I guess still sort of the number two player in the segment, you still sort of stay relevant from that perspective, is that why or -- ?

Steve Kelley - Amkor Technology Inc. - President & CEO

Yes. Yes, it's also because we have a broad line of products and services, and so for just about every customer out there, we can supply everything from mainstream wire bomb products to the most advanced products in the industry. And so we're a one stop shop, in addition to being a technology leader. So we're a pretty good match for most of these companies.

Umesh Bhandary - Jefferies & Co. - Analyst

Got it. One final question from me. Obviously one of your number one competitor in the segment obviously is some consolidation by them as well. Do you see need to get bigger? I think I might have asked this question in the past, but any updated thoughts on that and how would you go about I guess becoming bigger?

Steve Kelley - Amkor Technology Inc. - President & CEO

Well we're becoming a little bit bigger. We became bigger this year with the acquisition of J-Devices. That was a pretty large amount of revenue that we're now consolidating within the Amkor Group. So that was one really big step to get a little bit bigger. But by and large, our focus is on organic growth, and we think we're doing a better job on the efficiency front, on the planning front, and on the execution front, trying to get more business in Amkor and taking advantage of the current competitive dynamics.

Umesh Bhandary - Jefferies & Co. - Analyst

Thank you very much.

AUGUST 01, 2016 / 9:00PM, AMKR - Q2 2016 Amkor Technology Inc Earnings Call

Greg Johnson - Amkor Technology Inc. - VP, Finance & IR

Thanks very much, Umesh. That ends the Q&A portion of the call today. I'd like to turn it back over to Steve for his closing remarks.

Steve Kelley - Amkor Technology Inc. - President & CEO

I would like to recap our key messages. First, performance in the second quarter was stronger than expected, driven by Android smartphone demand and the fast recovery of our Kumamoto factory.

Second, we expect that third quarter revenues will grow by roughly 15%, fueled by growth in advanced SiP, greater China, and automotive.

Finally, our efforts to grow market share are gaining traction, helped by increased sales into the automotive market, and a more diversified approach to the mobile device market.

Thank you very much for joining us today.

Operator

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

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2016, Thomson Reuters. All Rights Reserved.