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AMKR.OQ - Q3 2020 Amkor Technology Inc Earnings Call

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## PRESENTATION

### Operator

Good day, ladies and gentlemen, and welcome to the Amkor Technology Third Quarter 2020 Earnings Conference Call. My name is Diego, 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 conference call over to Vince Keenan. Mr. Keenan, please go ahead.

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### Vincent Keenan - Amkor Technology, Inc. - VP of IR

Good afternoon, everyone, and thank you for joining us for Amkor's Third Quarter 2020 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 our website. During this conference call, we will use non-GAAP financial measures, and you can find the reconciliation to the U.S. GAAP equivalent on our website. We will also 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 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 Giel.

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

Good afternoon, everyone, and thanks for joining the call today. Before reviewing our financial results for the third quarter, I would like to announce an important milestone for Amkor. The Board has decided to initiate a regular quarterly cash dividend of \$0.04 per share with the first payment to be made in January 2021. This decision reflects confidence in our consistent financial performance, good free cash flow generation and a positive long-term business outlook. Megan will provide additional information regarding the dividend later in our call.

Now let me turn to a review of our third quarter performance and the outlook for the fourth quarter. I will also cover the important markets and technologies where I believe Amkor is well positioned for growth.

Continued solid demand in our advanced packaging technology resulted in the highest quarterly revenue in Amkor's history. The revenue of \$1.35 billion was above the high end of guidance, an increase of 25% year-over-year and 15% sequentially. Broad-based demand in the communications and automotive and industrial markets drove both revenue and profitability higher than expectations.

When combined with the strong first half results, we generated \$0.87 of EPS in just the first 3 quarters. This enabled us to further strengthen our balance sheet. Communications revenue was very robust in the third quarter, mainly driven by the launch of next-generation premium smartphones. Revenue increased over 30% sequentially and year-on-year. This strength is a reflection of Amkor's solid position in the mobile market with engagements across a wide range of customers, leveraging our advanced technology portfolio.

Although overall smartphone units are forecasted to decline this year, the introduction of 5G capability and the proliferation of high-end features has helped to expand our footprint. Particularly, in the RF domain and in modems, sensors and peripheral devices.

Third quarter performance in the automotive market was better than expected with a low single-digit sequential growth. Advanced products for automotive were up double digits sequentially. Here, we saw a majority of our customers ramp up their orders throughout the quarters. The 1 exception was in Japan, which has been slower to recover and where we expect Q3 to be the trough quarter.

We also had another solid quarter in the consumer end markets with significant growth of 9% sequentially and 70% year-over-year. We continue to invest in capacity and technology to drive manufacturing scale and innovation in our advanced SiP solutions. This allows us to capitalize on opportunities in the consumer IoT and the growth markets.

We're also expanding our engineering teams by adding experts in areas like RF and system tests to enable full turnkey support to our customers. Our revenue performance in the computing end market was in line with expectations with sequential growth of 3% and a solid year-on-year increase of 21%. We saw good performance in all applications, including data centers, infrastructure, storage and personal computing.

Following a strong second quarter, our memory business was flat sequentially and was up 6% year-on-year.

Finally, our test business grew almost 10% year-over-year in Q3 as we continue to focus on expanding test attach rates. The continued strong demand of advanced products resulted in a high utilization of our wafer level, flip chip and SiP production line.

Several factories delivered record output in this third quarter. Utilization rates in our lead frame and wire bond lines improved slightly towards the end of the quarter, reflecting signs of recovery in the automotive end market, where we do 40% of our lead frame and wire bond business.

Our manufacturing organization continues to do an excellent job across factories to meet the growing customer demand, while also maintaining necessary containment measures to mitigate the impact of the COVID-19 pandemic. Both factories achieved excellent quality performance in the third quarter with the lowest quality incident level for over 3 years. This resulted in several positive customer endorsements. Our procurement team has been able to limit supply chain disruptions for component and material supply.

Now let me turn to our fourth quarter outlook. We are expecting the fourth quarter to be another solid quarter with revenue of \$1.3 billion at the midpoint of our guidance. This represents a year-on-year increase of over 10% in Q4 and over 20% for the full year of 2020. Performance will depend in part on the successful launch of next-generation phone models and a continued recovery of the automotive market, especially in Japan.

On CapEx, we expect to spend, this year, approximately \$550 million with the potential to increase up to \$575 million. The potential 5% increase is depending on new opportunities in advanced SiP that could begin ramping in the first half of 2021.

Our major investments for this year include advanced SiP capacity and capability, test capacity and quality enhancements through factory automation. Going forward, I'm confident that the growth drivers in the semiconductor industry remain in place. 5G communication, high-performance computing, IoT wearables and automotive electronics will continue to drive innovation and technology and manufacturing in the OSAT domain. The breadth and diversity of Amkor's technology portfolio, manufacturing scale and footprint together with its broad customer base and the global support structure, positions the company very well to serve our customers in these high-growth areas. Megan will now provide more detailed financial information.

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

Thank you, Giel, and good afternoon, everyone. Before I discuss our financial results, I would like to note how pleased we are to announce the initiation of a regular quarterly cash dividend. We have taken a lot of deliberate steps to reach this significant milestone. The principal driving force has been our sustained focus on generating free cash flow.

Over the past several years, we have exercised CapEx discipline and increased flexibility in our manufacturing lines to reduce capital intensity to around 12%. The emphasis on cost control and operating efficiency, while improving manufacturing quality has resulted in optimizing our overall fixed manufacturing cost structure. And our focus on cost control has also resulted in relatively flat SG&A expense, excluding restructuring charges over the past 5 years.

At the same time, Amkor capitalized on significant growth opportunities in advanced packaging technologies that target 5G, advanced automotive systems, IoT wearables and high-performance computing, all of which generate strong cash flows for the business.

We not only invested in growth, but also strengthened our balance sheet over the last few years. In the September quarter, we paid down \$230 million of debt and had over \$900 million in cash and short-term investments at the end of Q3. Our net debt of \$400 million is the lowest in our public company's history, and our gross leverage ratio of debt-to-EBITDA is 1.4x at the end of Q3, just below our long-term target of 1.5x.

With total liquidity of \$1.3 billion, including undrawn credit facilities, and our proven record for delivering consistent free cash flow, we now have the financial flexibility to continue to make investments in future growth opportunities while returning capital to stockholders. As a reflection of their confidence in our consistent financial performance and long-term outlook, the Board has approved the initiation of a regular quarterly cash dividend in the amount of \$0.04 per share payable on January 7, 2021, to stockholders of record as of the close of business on December 18, 2020.

Now on to the results. Our third quarter revenue represents the fourth consecutive quarter of record quarterly revenue. This strong top line growth drove operating income for the first 9 months of 2020 to nearly \$300 million, and operating income margin to over 8%.

Gross profit dollars in Q3 increased 25% sequentially, and gross margin increased 140 basis points to 17.8%. Q3 operating expenses were \$114 million, including \$6 million for restructuring costs in Japan. Our Japan initiative is expected to reduce annual fixed costs by approximately \$25 million, half of which we expect to benefit from in 2020. Excluding restructuring costs, operating expenses through the first 9 months of 2020 were essentially flat with the prior year comparable period.

The combination of strong revenue growth and continued spending discipline, drove Q3 operating margin up 200 basis points sequentially to 9.4%. Q3 EBITDA increased 20% sequentially to \$250 million. And EBITDA margin was 19%.

Moving on to our fourth quarter outlook. We expect revenue to be between \$1.25 billion and \$1.35 billion. Gross margin for Q4 is expected to be between 17% and 20%. We expect Q4 operating expenses of around \$120 million, including restructuring charges of approximately \$12 million, primarily related to our Japan initiative.

With the increase in profit before tax, we expect a lower annual effective tax rate in the mid-teens. We expect net income to be in the range of \$68 million to \$115 million, and earnings per share to be in the range of \$0.28 to \$0.47.

As Giel stated earlier, our 2020 forecast for capital expenditures of \$550 million may increase by up to 5% to \$575 million as we evaluate demand and growth opportunities for 2021. With that, we will now open the call up for your questions. Operator, you may begin the polling now.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question comes from Randy Abrams with Crédit Suisse.

**Randy Abrams** - *Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department*

I wanted to ask the first question about the comment you made on the CapEx. If you could talk a little more about the 2021, the opportunities you're looking at? And also, it looks like most of the growth in the past year has been in the advanced packaging if you're getting to the point of getting tight on capacity that into next year, you may have to start accelerating some of the investments. So if you could give an initial view on the -- at least at where it stands now the CapEx into next year?

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

Randy, this is Giel. Randy, with respect to the CapEx and the potential increase of 5% going into the fourth quarter, we see a fairly strong pipeline of, specifically our advanced SiP portfolio in the consumer IoT market, but also in the communication market. And there, we work on a couple of programs that may ramp up in the first quarter, and that will drive CapEx up in our fourth quarter. So depending on the exact timing of these programs, there will be a slight increase of about 5% towards the end of the year. That was at least the first part of the question. What was again the second part of your question?

**Randy Abrams** - *Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department*

Okay. Yes. It was 2 part, but it's more of the direction for next year. And it's more factoring the advanced capacity has been growing quite well. If that's getting to the point, you're getting pretty full and need to start to accelerate some investments.

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

Yes. I mean we expect that the cyclicity of some of the markets will not fundamentally change. So if you look to our first and second quarter, we expect that to be slightly lower than our third and fourth quarter. That's a regular seasonality. So we don't expect a significant CapEx to be ramping in the first half.

However, with some of the phone launches changing their schedule, it may drive some incremental capacity required in the second quarter, so we're open for that. But currently, I don't expect and anticipate a huge ramp in capacity spending or capital spending in the first 2 quarters of next year.

**Randy Abrams** - *Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department*

Okay. And maybe if I can follow-up, I guess, for maybe a rough sense for next year, that capital intensity then, you're still expecting low teens for the capital intensity at this stage?

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

Yes. I think that's our target. That's our anticipation that we keep our CapEx spending at the low teens, and that's where we currently budgeting for.

**Randy Abrams** - *Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department*

Okay. And I want to ask one more question on the tightness. I'm curious if you're seeing any limitations on things like the high-end ABS substrates, if it's any issue limiting some of your business?

And the other area of tightness, it seems like some areas of foundry are getting tight. If you're also seeing any limitation from that side. And then at the same time, in the space that you're participating, how you're seeing overall industry tightness and implication for pricing, if any, change where it's firming up or adjusting?

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

Yes. Let's start with the substrate supply chain. There is indeed some tightness in the substrate supply chain, and that requires us to work very closely with both our customers on one hand with the suppliers on the other hand.

Now we expect that to last into the early part of next year. Currently, it's not really hampering our ramp, but it's getting tired. And that also ties a little bit in your -- in the third part of your questions on the pricing. Some of the material pricing is trending upwards slightly. And that is related, of course, to that shortness in the market on the substrate.

Now on the foundry part, your second question, there is some tightness of supply, specifically in the 8-inch foundry side. It doesn't really impact ourself. I mean we're sort of agnostic to the foundry supply chain. It's something that is primarily a choice of our customers. But what we currently see is that there is tightness in wafer supply, yes.

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**Randy Abrams** - Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department

Okay. Yes. And I have, I guess, just 2 other questions. One on the memory space, where we had the M&A get announced by Hynix acquiring Intel. Does that have any impact on the memory, you traditionally, I think, had a good business on the NAND side. But if you could talk about any change for the memory part of your business?

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

Yes. I think the announcement of Hynix acquiring the Intel part. Well, first of all, it will take a while before that, that deal will close. I think what I'm reading is it may take up to 2 years now, even a little bit longer. I mean the Intel NAND part is a relatively small part of our business. So we see a potential maximum impact of low -- very low single digits on our overall revenue for the company. So not material, I would say, and it will develop over time. And we don't know exactly how the supply chain for that part of the NAND business in Hynix at that point in time will change. I mean bringing it to their internal supply chain will take also some time.

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**Randy Abrams** - Crédit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department

Yes. Makes sense. Okay. The last question I wanted to ask on the -- it's more of a mainstream versus advanced. Mainstream, it looks like turning a bottom, which you mentioned of Japan, I guess your sense if there's -- if you're seeing that visibility, we could get a snapback where it looks like we bounce along the bottom for a while.

And then from the advanced packaging, where in communications, you've been tracking up 30%, if you maybe think the opposite effect, given strong growth these launch of 5G, maybe it sets up a high base where that starts to moderate or if you see drivers for continued strength carrying into next year?

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

Yes. Let's start with the mainstream part. We shared, in the last quarter, at the end of second quarter, we anticipated the trough quarter in the third quarter. And we still see that to happen. So from here, we expect a recovery in the mainstream markets. We do about 40% of our total mainstream business in automotive. And there we see a slight recovery going forward. Although we don't expect the V-shape recovery, we will see a gradual improvement. That is on top of the end market recovery, we also see an effect with respect to inventory. Where we reported also some inventory

buildup, specifically in the automotive market at the end of the second quarter. And we now see that, that inventory level normalizes significantly. So the recovery of the end market, then it's -- together with the effect of a more balanced, let's say, inventory, we are, I would say, fairly positive with respect to the recovery of the mainstream market going forward.

Now to your second part of your question, with respect to the high bar of the communication business and how do we expect that to grow. I would say the overall communication market this year in the volume is still expected to be down. I would say it's expected to be down high teens.

Will that recover next year? I think with respect to smartphone volume, I expect the recovery. And then an important driver that drives, let's say, semiconductor value is 5G and 5G proliferation. This year, there are roughly about 200 million 5G phones in the market. We expect that to go to a rough number between 300 million and 350 million phones. There's a semiconductor increment in 5G phones. So that is, let's say, an increase in the semiconductor content in the smartphone market. We expect that to continue into 2021, whether it will be at the rate of this year, that's to be expected, but we will see a continued increase.

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### Operator

Our next question comes from Sidney Ho with Deutsche Bank.

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### Shek Ming Ho - Deutsche Bank AG, Research Division - Director & Senior Analyst

First of all, congrats on the dividend announcement. My first question is maybe a little shorter-term question on the communications business. With this year's flagship zone being pushed out by a few weeks, do you expect the strength in communications in the second half of this year to extend into the first quarter of next year. If I look at the past 5 years, the sequential growth in your comms business is somewhere between flat to down 30%. Just curious how you think about that in the first quarter of 2021?

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

Well, certainly, I think it's not so easy to predict what will happen in the first quarter 2021. You referred to a delay in the launch. I mean that may be a few weeks. I don't -- personally, I don't see that much of a delay. How that business will develop in the first quarter next year, specifically from a semiconductor perspective, it's difficult to forecast. It all depends on the sell-through of the phones that are being launched in the different ecosystems at the end of this year.

Sometimes, we see a very strong sell-through in the main season, the Christmas season. And that then, of course, drives a lot of replenishment in the overall supply chain, and that requires, of course, a much more stronger impact of -- that has a much more stronger impact on the semiconductor supply chain.

However, if the sell-through is not good, then Q1 may be impacted. So current view is that the end market demand for the phones is good, and that would drive a strong first quarter. But we are currently evaluating what exactly that well is.

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### Shek Ming Ho - Deutsche Bank AG, Research Division - Director & Senior Analyst

Okay. That's fair. Maybe a follow-up question is related to inventory in the supply chain. I think you just talked about the inventory in the auto supply chain. But are there any other areas that you see inventory is being elevated right now? And do you think most of that would be worked down by the end of this year, in particular, in the smartphone market, we've been hearing some pre-buys in anticipation of some share gains, curious just what you're seeing there?

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

Yes. I already mentioned automotive. There, I can only reconfirm that I expect towards the end of the year that, that supply chain will be much more imbalance. With respect to the communication markets, also there, we observed that in the second quarter, there was some inventory built up, both on the component materials side.

Just to manage the risk in the third and fourth quarter ramp. Now there is much more confidence in the market that the COVID-19 impact on the overall supply chain is limited, certainly in Asia. So also for the communication market, at least from our perspective, I expect the supply chain to be much more in balance in the fourth quarter.

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**Shek Ming Ho** - Deutsche Bank AG, Research Division - Director & Senior Analyst

Okay. Maybe one last question for me, I'll go away. In terms of gross margin, with Q4 revenue being down at the midpoint of your guidance, yet your gross margin is going up. Can you walk us through that dynamics? And kind of related to this, when I look at the mainstream products, you're still 25% below the roughly \$600 million quarterly run rate that used to peak at. Is there a way to think about the gross margin impact of that underutilization for that business? Maybe asked differently. If mainstream is back to that \$600 million level, what kind of an uplift does that do to the company's gross margin?

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

Sidney, this is Megan, I'll take that one. With respect to the incremental flow-through that you're seeing between Q3 and Q4, there are a couple of dynamics happening there. The first one really is changes in product mix. And given that we're expecting to see a recovery in the Japan auto market, which is increasing our utilization, we're really getting strong flow-through on that. So the better utilization of those Japan assets is really helping the margin.

The second component is we are expecting to see some notable benefit recognized in Q4 for our Japan initiative. So both of those are really contributing to higher gross profit dollars, higher margin on the lower revenue.

With respect to how to think about the mainstream, and yes, you're right, we're still below revenue that we've achieved in prior periods. The best way to think about that is really our flow-through model. So we typically expect a 40% to 50% flow through on our incremental revenue.

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**Operator**

Our next question comes from Krish Sankar with Cowen and Company.

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**Krish Sankar** - Cowen and Company, LLC, Research Division - MD & Senior Research Analyst

Congrats on the dividend initiation. I have 2 of them. First one for either Giel or Megan. Just to go back to the CapEx question, if you do upside it to \$575 million, for this year, is it borrowing from next year? I mean if I look at your CapEx over the last several years, it's been running around a \$550 million run rate except for last year. So I'm just trying to figure out is the upside for this year borrowing from next year? Or is it tough to say at this point? And then I had a follow-up.

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

Yes. Let me try to answer that here. Is it borrowing for -- from next year. Yes, that's a good question. I think to some extent, it is. On the other hand, we also see there incremental projects that we didn't anticipate before that commitment that will drive higher CapEx. Of course, the matter is also a timing across the year-end is a little bit arbitrary. But normally, I think this will be incremental CapEx for the year.

**Krish Sankar** - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Got it. Got it. And then as a follow-up, if I look into next year, I'll give like you also highlighted 5G phone should increase, but arguably, 4G might slow down. So how would it impact your SiP technology business for the out of front end module?

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

Wow, that's a detailed question, Krish. First of all, we expect the overall phone market to recover next year. So referring to what I said earlier, we expect the phone market to -- with respect to total volume, to decline, and that includes 4 plus 5G, which, let's say, between 10% and 15% this year. And there are many reasons for that. I think the COVID-19 pandemic in the early part of the year was one of the, let's say, the reasons that there was a slow market in that part of the year. So we expect that to recover to some extent that will drive overall volume.

And then the second part is the increase of 5G will reduce the 4G volumes. However, if you look to the semiconductor content in general and the RF content, it's specific for 5G phones, that's significantly higher for 5G. So certainly, for the next coming years, we see that with that switch moving from more 4G -- from 4G to 5G that the RF business will continue to strengthen.

**Operator**

(Operator Instructions) Our next question comes from Atif Malik with Citi.

**Atif Malik** - *Citigroup Inc., Research Division - Director & Semiconductor Capital Equipment and Specialty Semiconductor Analyst*

Congratulations on the initiation of the dividend. Giel, I have the question on SMIC. Any impact to your sales. You mentioned agnostic to foundry supply chain with them not being able to get equipment. Is there any impact to your sales outlook?

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

Yes. Atif, this is Giel. I indeed already mentioned that Amkor is agnostic to the foundry supply chain. I think customers are working with foundry partners and wafers either come from foundry A or foundry B. So there is a switch in certain application areas.

Besides the wafer supply, there is also another element to JCET, which has a small upside -- potential upside for Amkor and that's their joint venture, it's called JCET, and they do bumping and probing services. And that is part of the overall restriction. And we see that instead of the wafer goes to alternative foundries. I think that part will come to the OSATs, including Amkor.

So there's a small potential upside on that part of the business. But overall, I stick with our position that we're agnostic to wafer supply.

**Atif Malik** - *Citigroup Inc., Research Division - Director & Semiconductor Capital Equipment and Specialty Semiconductor Analyst*

Great. Then as a follow-up for Megan. With respect to the cash dividend, you talked about positive long-term outlook, which is driving the initiation of the cash dividend. Can you just give us some pointers in terms of what do you mean by the long-term outlook? The semiconductor industry grows at X? How do you think Amkor grows with respect to that? And if you can also comment on kind of long-term gross margin or operating margin targets?

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

Sure, Atif. So we have not outlined public long-term metrics. However, just speaking in terms of general indications, we would expect that Amkor would grow with or ahead of the market, given how well positioned we are in those growth areas.

**Atif Malik** - Citigroup Inc., Research Division - Director & Semiconductor Capital Equipment and Specialty Semiconductor Analyst

Anything on the profitability goal?

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

Yes. We have not outlined publicly our long-term profitability goals. I think as we've demonstrated over the last recent quarters, we've been able to show sustainability and cash flow and gross margin expansion. So we're going to continue on that track.

**Operator**

Our next question comes from Ana Goshko with Bank of America.

**Anastazia Goshko** - BofA Merrill Lynch, Research Division - MD

I think all my operational questions have been covered, but I did want to ask you on the dividend. What -- what is the -- have dividend policy or sort of this framework that management and the Board decided on with regard to the size of the dividend? Is it -- did you look at like potential kind of a threshold of free cash flow coverage? Or are you looking more at long-term growth potential for the dividend?

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

Sure, Ana. I can give you some color on that. So there was a lot of factors considered in determining the amount to initiate the dividend. I would say that the kind of big picture is we felt that \$0.04, which yields over about over 1% yield is a really good place to start.

As you look at the semi industry and the cyclical, we didn't want to constrain ourselves with some sort of percentage of free cash flow. That being said, we are very comfortable with what we have demonstrated, especially in the recent 5 years. That we will have sufficient cash flow in order to accommodate the dividend at that size.

**Anastazia Goshko** - BofA Merrill Lynch, Research Division - MD

Okay. Great. And then secondly, on the debt repayment that you did in the quarter, what did you repay? And was it higher interest debt? I think it was probably at the subsidiary level. And then could you also let us know what is the average interest rate that you're paying now on the country level loans, roughly?

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

Sure, Ana. I can give you some color there. And then, of course, when our 10-K is on file, all the details will be available. The debt that was paid down in the quarter was, as you said or thought it was, foreign debt. And so that rate that, that averages is in the high 3s, low 4s on average. So that's the transactions that we took here in Q3.

**Anastazia Goshko** - BofA Merrill Lynch, Research Division - MD

Okay. And then finally, you still have a pretty good amount of cash. What is your thought on a minimum cash balance?

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

Yes. We haven't publicly put forth any sort of minimum cash balance. I will say we continue to evaluate what our optimal capital structure is, including evaluating any further debt reductions. So yes, I agree 900 million is more than sufficient to operate our business. Just as a reminder, we had increased our liquidity in COVID just as a precautionary measure. And so we continue to be cautious even coming into Q4, given some of the surges. And once we're comfortable, we'll consider how to manage that.

**Operator**

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

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

Thank you. Before closing the call, I would like to recap our key messages. Amkor has reached an important milestone in its history with the announcement of a regular quarterly cash dividends. We delivered an all-time record of quarterly revenue with a solid profitability, which we used to further strengthen our balance sheet. We believe medium and long-term growth drivers for the semiconductor industry remain intact, and Amkor is well positioned for continued growth. And last but not the least, I would like to thank the whole Amkor team for again delivering a great quarter, and for their resilience and diligence in overcoming the many challenges we face as a result of the COVID-19 pandemic. And thank you very much for joining the call today.

**Operator**

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

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