THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

AMKR - Q1 2020 Amkor Technology Inc Earnings Call

EVENT DATE/TIME: APRIL 27, 2020 / 9:00PM GMT

CORPORATE PARTICIPANTS

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

Stephen D. Kelley *Amkor Technology, Inc. - President, CEO & Director*

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

CONFERENCE CALL PARTICIPANTS

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

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

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

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

Tianyan Goellner *Sidoti & Company, LLC - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Amkor Technology First Quarter 2020 Earnings Conference Call. My name is Chris, and I'll 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 Vincent Keenan, Vice President, Investor Relations. Mr. Keenan, please go ahead.

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

Thank you, Chris. Good afternoon, everyone, and thank you for joining us for Amkor's First Quarter 2020 Earnings Conference Call. Joining me today are Steve Kelley, 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 Steve.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Good afternoon. Thanks for joining the call. Today, I'll review our first quarter performance and our second quarter outlook. During today's call, I will also discuss how we dealt with the coronavirus in the first quarter and how we expect it to affect our business in the second quarter.

Fundamentally, we believe that the virus, while impacting near-term demand, will not have a significant negative impact on the medium or long-term growth of the semiconductor industry. We expect the market's secular growth drivers, including high-performance computing, 5G and digital automotive, to remain intact. And we are well positioned for growth. We believe that our long-term strategy to achieve balanced revenue growth by delivering an unmatched combination of technology, quality, execution and service will continue to deliver value to our customers and to our shareholders.

Now on to the first quarter results. We just completed the best first quarter in Amkor's history, largely due to strong demand for advanced packaging in the consumer and communications markets. Revenue grew nearly 30% year-on-year to a first quarter record of $1.15 billion.

In response to the virus, we implemented new hygiene, health monitoring, and people density protocols throughout our factory network. These protocols have kept our employees safe and allowed us to maintain a high operating tempo. In a challenging environment, our manufacturing team's execution has been and continues to be exceptional.

Our most significant virus-related supply issues began late in the first quarter after governments in the Philippines and Malaysia imposed restrictions on the movement of people, including our employees. These restrictions constrained factory output during the first -- during the last 2 weeks of March and the first few weeks of April. The good news is that the output from our factories in the Philippines and Malaysia has largely recovered. Our teams in both countries have done an excellent job bringing our factories back to a near-normal operating tempo while maintaining a safe environment.

In the first quarter, sales into the mobile communications market were strong, driven by spring phone launches. Sales into the computing and consumer markets were solid. Automotive and industrial sales were down.

Our advanced SiP revenue in the quarter more than doubled year-on-year. Amkor's advanced SiP technology, quality, and yield performance match up nicely with the needs of our customers. From a business standpoint, we believe that advanced SiP manufacturing is a solid long-term growth engine for the company with good cash flow and moderate capital investment requirements.

Amkor has long been a leading supplier of advanced SiP modules for smartphones, including our front-end modules for 4G and 5G phones. We built on that expertise to establish a leadership position in Antenna in Package modules, which ramped the volume in the first quarter.

Amkor's advanced SiP technology is also being used by automotive and consumer customers who benefit from our long-time experience building high-yield, high-quality modules. And all of our customers have access to Amkor's advanced SiP toolkit, which includes double-sided assembly, advanced RDL molding and RF shielding technologies.

Moving to our outlook for the second quarter. Given the level of near-term demand uncertainty, this is not a typical quarter. Here's what's happened so far in April. In our advanced packaging factories, which account for more than 60% of our revenue, overall demand has stayed reasonably strong. Supply constraints have been minimal. In our wire bond factories, overall demand has remained sluggish, similar to the first quarter. And over the past 2 weeks, we have received indications from a number of customers that near-term demand is expected to weaken as a result of the coronavirus. Our estimate of the impact of these virus-related demand reductions is included in our second quarter forecast. At the midpoint, we believe second quarter revenue will be up about 17% year-on-year and down about 9% sequentially.

As I said before, we see the coronavirus as a near-term challenge for the semiconductor industry and for Amkor. Our medium-term and long-term outlooks remain quite strong. We will continue to execute our strategy and invest for growth in a disciplined way. We have produced strong positive free cash flow in each of the past 5 years in both up years and down years. As a result, we now have the strongest balance sheet in Amkor's history, with roughly $1 billion in cash and around $500 million in net debt.

Megan will now provide more detailed financial information.

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

Thank you, Steve, and good afternoon, everyone. Today, I will review our first quarter results, our second quarter outlook and also provide some comments on the strength of our balance sheet.

We delivered record first quarter revenue of $1.15 billion. Revenue was only 2% lower than Q4 2019, primarily due to continued strength in the consumer market and in mobile communication. Q1 gross margin of 16.4% was nearly 300 basis points higher than the prior year quarter. Gross margin reflects a change in product mix to higher bill of materials packages like advanced SiP and flip chip. Operating expenses were around $5 million lower than expected. This is primarily due to lower travel and other discretionary spending as well as lower-than-expected restructuring charges in Japan. The record Q1 revenue and disciplined discretionary spending resulted in operating income of $85 million. Operating margin increased 600 basis points from the prior year quarter to 7.3%. Net income for the quarter was $64 million, and earnings per diluted share was $0.26, a significant improvement over the loss in the year ago quarter. This represents the best profitability for our first quarter in the last 10 years. EBITDA increased over 35% from the year ago quarter to $210 million, and EBITDA margin was 18.2%.

Moving to our second quarter outlook. We expect revenue to be between $1 billion and $1.1 billion. Gross margin is expected to be between 9.5% and 13.5%, reflecting changes in product mix. We widened our guidance range this quarter as the current macroeconomic environment has made it more difficult to predict end market demand. Our guidance also includes estimates for incremental costs for labor and other supplies we expect to incur for virus containment actions. We expect Q2 operating expenses of around $105 million, which includes an estimate for restructuring costs in Japan. Generally, we expect our annual effective tax rate to be around 20%, subject to a minimum level of taxes not dependent on our income. We expect Q2 bottom line to be in the range of a net loss of $32 million or $0.13 per share to net income of $19 million or $0.08 per share. Our 2020 forecast for capital expenditures remains at $550 million. Our investment plan focuses on strategic growth areas, primarily capability and capacity in advanced SiP, flip chip and fan-out technologies. Our capital spend in the first quarter was relatively light, which gives us flexibility to push some CapEx into 2021, should macroeconomic conditions worsen.

Moving on to our balance sheet. We entered Q1 with a strong balance sheet. Out of an abundance of caution, we took steps to shore up our cash position, drawing approximately $200 million from available credit facilities and revolvers. While we have no immediate need for these funds, we felt it prudent to access these credit lines to ensure we have available liquidity and flexibility in the event macroeconomic conditions worsen. As a result, we ended the quarter with $1 billion of cash and short-term investments. In addition, our net debt of $513 million is the lowest it has been in over 20 years. This strong financial position is a direct result of our focus on free cash flow generation and our resilient business model. As a high fixed cost business, operating in a cyclical industry, generating free cash flow is the top priority. You can see the impact of that focus in our 2019 performance. Even as our revenue declined 6% in 2019 due to the industry inventory correction, we generated over $100 million of free cash flow. This was our fifth consecutive year of free cash flow. And with our Q1 results, we have made significant progress towards meeting our goal of a sixth consecutive year. Given our financial flexibility, we are well positioned to withstand potential near-term challenges. We are also able to strategically invest for medium- and long-term growth.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of 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. If you could comment on the second quarter guidance, just a bit more details on it. I'm curious, across the different segments, how the demand is faring. And if you could also discuss, it seems like the foundries are still guiding a bit of resilience. And maybe if you could talk a bit the trends -- some of it might be timing when they're reported, but if there's some difference in your seasonal profile relative to some of the foundry outlook, which seems resilient to date, but advising there might be adjustments later.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Sure. Yes. Let me just give you a little background into our Q2 forecast, and I'll address your specific questions, Randy. First part of our forecast thinking was to look at April 1 because that's in the books. And what I can say about April is that our actual shipments are on par with our Q1 run rate. So we start with that. But we also know that there are a lot of things happening in the end markets that will lead to contraction. So we polled our customers about their views on demand in May and June. So many of those customers indicated that there were changes that were imminent. So we basically rolled up those imminent changes and came up with our forecast for Q2. Most of the impact, to answer your first question, is in 3 segments: first is automotive, the second is communications and the third will be industrial. So that's where we're seeing most of the adjustments made. The computing and consumer markets are holding up pretty well through Q2. We decided to widen the guidance range a bit because there's a fair amount of uncertainty in Q2, more than the average quarter. That's how we ended up with a $50 million swing on either side of the midpoint.

To answer your final question about the foundries and the OSATs, I think the biggest difference with the foundries is their lead time. Typically, a lead time at an OSAT like Amkor is, let's say, 2 weeks, maybe 3 weeks, depending on the complexity of the product, whereas the foundries, it could be anywhere from 2 months to 4, 5 months. So I think it takes a while for demand perturbations to filter up the chain.

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

Okay. No, that's helpful. And if you could talk -- Megan, I think you mentioned mix changes in the gross margins. If you could discuss what some of the shifts are going on to impact the gross margin guidance.

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

Sure, Randy. So specifically for Q2, as we've guided, and Steve outlined our revenue, we are experiencing some further product mix shifts in Q2, which is putting a bit of pressure on the gross margin percentage. That would really relate to the pro rata amount of our higher bill material cost products like advanced SiP. To just come back to the general material percent issue, which is what drives that, advanced SiP has grown significantly. And as Steve mentioned, it's more than doubled from a year ago quarter. So this is our fastest-growing technology at Amkor, and it's actually been very beneficial, as you've seen in our Q4 record revenue and $0.40 EPS as well as the record Q1 revenue at $0.26. So Q4 and Q1 show that although higher bill of material cost products like advanced SiP exist and while they're dilutive to that gross margin percentage, they are accretive to earnings.

The other issue in Q2 we are experiencing is the manufacturing costs are staying fairly flat. And that's a function of some merit increases and labor costs in Q2 as a result of the tendency to give those in the second quarter, and those are then offsetting the volume reduction.

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

Okay. If I could follow up on the advanced SiP, maybe if you could talk pipeline, if you expect the consumer product to, I guess, continue its ramp-up? And how you see the pipeline for additional projects? And then if you could talk about AiP where you're in volume, if you expect a kind of normal ramp-up or additional ramp-up of volume towards second half with some of the flagship phone launches?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Sure. Let me just take them one at a time, Randy. So on the consumer products, we see that holding steady, getting stronger throughout 2020. So we like what we have today, and we like what we see in the pipeline on consumer. In general, for SiP, we like our backlog of projects. And to that end, we're actually adding on to our factory called K4 in Korea, which is our primary center of excellence for SiP manufacturing through expanding floor space and expand our capabilities there. We're also fitting out an additional module in our new K5 factory in Incheon, Korea, specifically for advanced SiP. So we're bullish on SiP moving forward.

With regards to AiP, the Antenna in Package module, we ramped well. We did hit a nice ramp in Q1. I would say we'll have to wait and see how the market develops, particularly in the millimeter wave segment. But we're ready to satisfy whatever the customer needs are moving forward.

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

Okay. No, great. If I can do 1 more question. As you look -- because it's a much different profile, where first quarter much better than seasonal, and now you're factoring some impact, if you could discuss a bit implications on second half where you normally get the seasonal ramp. I know it's early, but if you believe this correction might be kind of multi-quarter where you get the seasonal ramp. There's some talk also about potentially some of the flagship launches could be a little bit later. So if you're also seeing some different timing this year as we go towards second half. And I noticed you're holding the CapEx. So is it also tied to some of the views on some of these projects moving ahead?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes. We are holding the CapEx because we are optimistic about the demand in the second half of this year and also about the fact that our content is going up, particularly in smartphone and automotive and high-performance computing.

So going back to your first question, which is the second half and really 2020, obviously, we started strong in Q1. We're going through some near-term demand issues in Q2 connected with the coronavirus. What I think we're going to see is, in the second half, probably a few things that will catalyze a recovery. The first is the launch of flagship phones. The second is the release of some pent-up consumer demand. And third is I think we'll see a recovery in the automotive market. And I think we're going to exit 2020 at a very high operating tempo. So we think 2021 is going to be a banner year for Amkor.

The other thing I think it's important to keep in mind for 2020 is we just spent the better part of 18 months going through an inventory correction. We started this correction back in Q3 of '18 as an industry, and it was a long process, a better part of 6 quarters. So going into this coronavirus demand perturbation, there's not a lot of excess inventory out there. And so what that generally means is when you recover, at least in the chip industry, we should recover fairly quickly.

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

Okay. Great. No, I appreciate that. And if you could discuss if there's any timing delay or schedule shift or at least from that semiconductor perspective, it's a pretty normal timetable at this stage.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Are you referring to the flagship phones?

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

Yes, for the flagship phones.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

It's really difficult for us to pin that down, but we think it's definitely happening in the second half. I don't know exactly when. So we just respond to the inputs we get from our customers and we follow their lead.

Operator

And our next question comes from the line of Tianyan Goellner with Sidoti.

Tianyan Goellner - *Sidoti & Company, LLC - Analyst*

Congrats on a strong quarter. I just have a, first, clarification, then maybe a follow-up. The clarification is, I think, Steve, you mentioned about almost all the facilities are running at the full capacity now. Is that correct?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

No. No, we're definitely not running at full capacity. I think we're running very good rates in some of our more advanced factories. So what we saw in Q1 is a long demand for advanced packages, in particular, System in Package products. So on those lines, we're running close to full. In some of the wafer-level lines, we're getting close to full as well. But for the rest of the company, particularly in our wire bond segment, we have a lot of room for growth within our installed capacity.

Tianyan Goellner - *Sidoti & Company, LLC - Analyst*

Okay. That's clear. And the next one would be on the CapEx, because you said, of course, we would be holding some packs for the second half, maybe even for 2021. And I remember in the last quarter, Megan also mentioned about over 60% would be invested in advanced packaging. I'm wondering, if we hold off some CapEx, which part would be kind of mostly impacted?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes. So CapEx, again, we're keeping our guided $550 million spend for 2020. And you're right, last earnings call, we guided roughly 60% for advanced packaging; 30% for other things like facilities, R&D, quality improvement, IT; and then 10% for wire bond essentially. That's the split. That remains the split. And I think your question is more, do we have any flexibility to push that to 2021, some of it? And the answer is yes. But at this point, we don't think we need to do that because we're expecting a reasonably robust recovery in the second half. If that expectation changes, we do have the flexibility to push part of that $550 million in CapEx spending into next year.

Operator

And our next question comes from the line of Sidney Ho with Deutsche Bank.

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

I have a few. For the -- first of all, the Q2 guidance, down 9% from revenue. How much revenue impact are you assuming in your guidance related specifically to supply constraints? And kind of related to that, in terms of gross margin, you talk about incremental cost and supply and incremental costs related to virus containment. Can you quantify that headwind that may reverse in the following quarter?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes. Let me take the supply constraints question, and I'll let Megan answer the incremental cost question. But to answer your question, on Q2, supply constraints will probably cost us around $20 million in revenue. And most of that is because of the constraints we had in Malaysia and the Philippines in the first few weeks of April. But today, we're pretty much recovered from that. There are shortages of things, but they're the normal things, like substrates and capacitors and things. And I would not classify them as major constraints for us in Q2.

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

And then, Sidney, your question regarding the incremental costs, we're not giving that level of detail as far as quantifying the level of cost. I can tell you that they were modest, and they were included in Q1 and then they're recurring in Q2.

Operator

And our next question comes from the line of Krish Sankar with Cowen and Company.

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

Steve and Megan, I had a couple of them. Number one, Steve, you said that you expect auto to recover in the second half. Is that what your customers are seeing? Or is it more a function of given the fact that order has been so weak, we expect kind of a cyclical rebound? Kind of curious on that. And then I had a couple of more follow-ups.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes. So in automotive, obviously, there's been a lot of commentary about the automotive market. What gives me reason for optimism? Basically, what I see first is our position in the automotive market. So we're very strong in the digital parts of the automotive that require advanced packaging, whether it's SiP or flip chip or some variant thereof. And so what we're seeing is that technology migrating quickly into the mid-range vehicles, so not just the high end, but also the mid range. And so we have a very good market share there, and we expect to benefit disproportionately as the car making resumes.

The other points that give me reason to be optimistic about automotive is, in the past, if you take a look at what happened during the last shock, 2009, there were concerted government efforts to sell and to incentivize people to buy cars. I think they'll likely happen again. I think the carmakers know how to sell cars, they know to cut deals to incentivize people to buy cars. And finally, I believe that personal cars, assuming social distancing remains a thing, personal cars are a great way to control your environment. So I think you'll see a resurgence and enthusiasm for personal cars.

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

Got it. That's very helpful, Steve. And then just a quick question on the smartphone communications segment for you. How do you envision that in the second half? You did say that some of the flagships phones might still be on target, so it should improve. So is it fair to assume that you're kind of going through a slow patch now and it should improve into the second half? Or how should we think of the -- that segment exposure for Amkor?

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

I think you're roughly right. I think these phones are always seasonal, right? And it won't be different this year. What's different for us is our content continues to go up in these flagship phones. And with the advent of 5G, the content comes up even faster. So we're pretty happy with our market share in the advanced phones. And we're also happy we're seeing a lot of the features migrate into the mid-range. Similar phenomena to what we see happening in automotive. So we know that the next wave of phones will come out in the second half of this year, and we're looking forward to supporting those production ramps.

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

Got it. Got it. And then a final question for Megan. You spoke about CapEx, and thanks for the color on that. If you do have to push out CapEx into 2021 because of a weaker macro in the second half, would it be the wire bonder CapEx? Would it be advanced packaging? Or would it be across the board?

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

Yes, it's really going to be dependent upon what the demand environment looks like, but it could be broad across the board.

Operator

And we do have 1 follow-up question from the line of Sidney Ho with Deutsche Bank.

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

So the first follow-up is on the automotive side. I know Chris just asked about this. But given production facilities for most of the automakers worldwide are still mostly shut down at this point, what are your thoughts on that business this year? I think in the past, you talked about that business growing 10% a year kind of run rate. And maybe remind us what the geographical mix for that business is.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes. I think it's a mixed picture depending on what region of the world you're talking about as far as the status of the factories, whether it's China or Europe or the U.S., and there's even a lot of variation within regions. I don't really have a geographical breakout for you, Sidney. What I can say is that I think we're taking our lumps in the first half in the automotive market. We saw a downdraft in Q1. We're seeing a further downdraft in Q2. So I think that's why I'm optimistic about a recovery in the second half in automotive because of our position in the market and the fact that these factories will come back. To me, it's really a question of demand, ultimately. And so can we find ways to stimulate demand for personal vehicles? And I think we will be able to do that.

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

Okay. That's fair. My last question is, you answered this a little bit earlier in the Q&A, but TSMC talked about the semiconductor market ex memory being flat to down slightly this year. If I compare that to you guys, if we strip out just maybe the large consumer SiP project that you guys are working on, is that a right range to think about your business for the full year? Maybe you can give us some reference to think about the second half, would be great.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

Yes, Sidney. We really haven't revised or taken a look at the second half yet. We're dealing with so much near-term uncertainty. We're taking it 1 quarter at a time.

Operator

We do have 1 more question from the line of Ana Goshko with Bank of America.

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

So, Megan, you mentioned that you've drawn some credit facilities to enhance the cash balance, and you do have a lot of cash at $1 billion. So wondering if you could just provide more kind of thought about your rationale for maintaining that amount of cash. Secondly, as it seems like you're potentially making sure you're covered in a downside scenario, in addition to scaling back CapEx, what would be your other levers if you needed to preserve free cash flow or minimize any kind of free cash flow burn in a downside scenario? And then finally, could you remind us, do you have any covenants in any of the facilities that you have on the credit facility side?

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

Sure, Ana. I'll take your -- I'll take them, probably the last one first. We do not have any significant covenants in our debt facilities, so that's an easy one. With respect to the cash balance, we did, out of an abundance of caution, really, not -- especially with Steve's remarks, we don't see an imminent need, but we thought would be potential for worsening environment to take those actions. We'll continue to evaluate those cash levels with respect to our view on future demand, and then we'll pay down when we're comfortable. We are investing those as well in the near term. I mean, we felt that this just was -- this level of conservatism was prudent.

So with respect to your other question about what levers we could pull in addition to CapEx and how we'll ensure that we maintain positive free cash flow, I'll note to you, in 2019, we were under pressure in that environment, and we were able to successfully reduce costs to ensure that we preserved cash flow and even generated over $100 million in cash flow, and that was through reducing incentive comp, reducing discretionary spend and just being disciplined about how we exercise those.

So with respect to cash burn, et cetera, we'll keep our eye on that. And as any demand weakens, we'll take actions as needed.

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

Thank you, Chris. This ends the question-and-answer portion of our call. I will now turn the call back to Steve for his closing remarks.

Stephen D. Kelley - *Amkor Technology, Inc. - President, CEO & Director*

I would like to recap our key messages. First, we just completed the strongest first quarter in Amkor's history, with revenue, operating margin and EPS all at the high end of expectations. We dealt effectively with the coronavirus in the first quarter, keeping employees safe while maintaining solid production output. In the near term, we will navigate through the impact of the virus on demand. And in the medium and long term, we are very well positioned to grow revenues and profits in all of our target markets. Thank you for joining the call today.

Operator

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