

Edgar Filing: GIGAMEDIA LTD - Form 6-K

GIGAMEDIA LTD
Form 6-K
August 18, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549

FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15D-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of August, 2003
Commission File Number: 000-30540

GIGAMEDIA LIMITED
122 TunHua North Road, 14th Floor
Taipei, Taiwan (R.O.C.)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b) :82- .)

GIGAMEDIA LIMITED is furnishing under cover of Form 6-K:
GIGAMEDIA REPORTS SECOND QUARTER 2003 FINANCIAL RESULTS

(GIGAMEDIA LOGO)

GIGAMEDIA REPORTS SECOND QUARTER
2003 FINANCIAL RESULTS

TAIPEI, Taiwan, August 14, 2003 - GigaMedia Limited ("GigaMedia" or the "Company") (Nasdaq: GIGM, www.giga.net.tw), a diversified provider of online and offline entertainment services in Taiwan, today announced its second quarter operating and financial results.

Key Results:

- Offline music distribution business results significantly impacted by SARS; sales declined approximately 17% in each of April and May.
- Online consumer ISP business unit closing on breakeven; recorded positive EBITDA of approximately NT\$19.6 million.
- Cash burn rate in broadband ISP business unit declined 14% to NT\$3.1 million.
- Company in a strong financial position with approximately NT\$2.0 billion in total cash, short-term investments and liquid marketable securities.

Edgar Filing: GIGAMEDIA LTD - Form 6-K

Chief Executive Officer Raymond Chang said, "During the second quarter we continued to make progress in our financial performance. Although our offline music distribution business was impacted by the outbreak of SARS in Taiwan, current sales in our music stores indicate that the impact of SARS was temporary. In our online ISP operations, as a result of tight cost controls and increased revenues, we recorded positive EBITDA. In sum, although the overall business environment is challenging and SARS resulted in significant sales deterioration in this period, consistent improvements in our businesses on an operating level demonstrate that we are tracking toward profitability."

CONSOLIDATED FINANCIAL RESULTS (SECOND QUARTER 2003 VERSUS FIRST QUARTER 2003)

For the second quarter of 2003, GigaMedia reported consolidated revenues of NT\$725.6 million, compared with revenues of NT\$914.1 million for the first quarter. The Company's second quarter performance was led by results in its offline music distribution business, which recorded revenues of NT\$558.4 million during the period.

Operating loss was NT\$80.9 million in the second quarter compared with NT\$70.4 million during the first quarter. The increase in operating loss during the quarter was mainly related to a decline in sales recorded by GigaMedia's offline business unit, G-Music. G-Music's sales were negatively impacted by SARS in the second quarter. The SARS epidemic in Taiwan deterred customers from visiting many public locations during the period, including the stores of G-Music's two leading music store chains. Taiwan's SARS epidemic has since subsided,

1

and customer sales in the G-Music chain stores are now showing some improvement.

Non-operating income during the second quarter consisted of interest income of NT\$4.2 million, foreign exchange loss of NT\$4.4 million, and investment income of NT\$4.8 million. Total non-operating income decreased to negative NT\$12.5 million in the second quarter of 2003 from NT\$7.9 million in the previous quarter, primarily due to an expense of approximately NT\$17.3 million during the second quarter related to payment of an insurance deductible. This payment was made in connection with a class action lawsuit related to the initial public offering of our stock.

The Company reported a net loss of NT\$73.7 million for the second quarter versus a loss of NT\$50.1 million in the first quarter, mainly due to payment of the aforementioned insurance deductible.

Cash and other cash equivalents at the end of the first quarter totaled NT\$1.1 billion, not including additional short-term investments totaling NT\$900.0 million, compared to NT\$1.1 billion and NT\$842.9 million, respectively, during the previous period, representing a total increase of approximately NT\$52.7 million.

GigaMedia's long-term investments include an investment of US\$10 million with a maturity date of 2005.

BUSINESS SEGMENT RESULTS

ONLINE ENTERTAINMENT (BROADBAND ISP)

SECOND QUARTER 2003 RESULTS COMPARED TO FIRST QUARTER 2003 RESULTS

Edgar Filing: GIGAMEDIA LTD - Form 6-K

| CATEGORY | 2Q03 | 1Q03 | VA |
|--|--------------------|--------------------|------|
| Total revenues | NT\$167.2 million | NT\$161.2 million | |
| Access revenues | NT\$161.8 million | NT\$153.8 million | |
| Subscribers | 100,677 | 103,375 | |
| ARPU | NT\$426 | NT\$416 | |
| Total costs and expenses | NT\$198.3 million | NT\$200.0 million | |
| Operating cost | NT\$127.1 million | NT\$132.8 million | |
| SG&A | NT\$53.0 million | NT\$50.9 million | |
| Operating income (loss) | (NT\$31.2 million) | (NT\$38.6 million) | |
| Net income (loss) | (NT\$45.9 million) | (NT\$32.7 million) | (Not |
| Operating cash burn including capex (quarterly)* | NT\$3.1 million | NT\$3.6 million | |

*We define operating cash burn including capex as EBIT plus non-cash items minus capex.

2

Operating cash burn per month including capex declined from NT\$1.2 million to NT\$1.0 million, quarter over quarter.

TOTAL REVENUES AND CORPORATE ACCESS REVENUES INCREASED

Total revenues for the quarter ended June 30, 2003 increased 4% to NT\$167.2 million from NT\$161.2 million during the previous quarter.

Total access revenues increased 5% to NT\$161.8 million, compared with NT\$153.8 million for the quarter ended March 31, 2003, due mainly to a slight increase in ARPU in our subscriber base. The Company's continued focus on migrating users to higher specification products helped support ARPUs during the period. GigaMedia recognizes access revenues net of the revenue split with its cable partners.

Total corporate revenues through our wholly-owned subsidiary Koos Broadband Telecom Limited ("KBT") increased approximately 15% during the second quarter.

The ISP business recorded content subscription revenues of NT\$3.6 million during the period, as compared to NT\$4.2 million during the first quarter. Content revenues consist mainly of subscriber revenues from GigaMedia's broadband videostreaming site GigaTV (www.gigatv.com.tw).

Sales/rental/installation revenues in the ISP business, which include routers and switches, increased to NT\$935 thousand for the second quarter from NT\$597 thousand during the first quarter.

Advertising revenues increased to NT\$273 thousand in the first quarter from

Edgar Filing: GIGAMEDIA LTD - Form 6-K

NT\$228 thousand for the first quarter. The Company has de-emphasized this aspect of its business and does not expect to record significant advertising revenues going forward.

TOTAL COSTS FLAT; OPERATING COST DECREASED

Total costs and expenses were flat at NT\$198.3 million in the second quarter, compared to NT\$200.0 million in the prior period.

Operating costs decreased in the second quarter to NT\$127.1 million versus NT\$132.8 million in the previous quarter, largely due to lowered cost of sales during the second quarter. Operating costs during the period consisted mainly of costs associated with business operations and customer service departments of NT\$25.3 million, telecommunications costs of NT\$53.6 million, and depreciation cost of network equipment other than cable modems amounting to NT\$29.3 million.

Included in this quarter's operating costs was amortization of fees related to backbone maintenance, peering arrangements and billing software, which totaled NT\$5.7 million.

3

The Company's SG&A costs were relatively flat during the second quarter, increasing by approximately NT\$2.1 million, or 4%, to NT\$53.0 million as a result of professional fees.

OPERATING LOSS NARROWED

Operating loss decreased by 19% to NT\$31.2 million from NT\$38.6 million, quarter over quarter.

NET LOSS INCREASED

Net loss increased in the second quarter to a loss of NT\$45.9 million from a loss of NT\$32.7 million in the prior period, resulting primarily from payment of an insurance deductible of approximately US\$500 thousand. This payment was made in connection with a class action lawsuit related to the initial public offering of our stock.

OPERATING CASH BURN DECREASED

Operating cash burn was NT\$3.1 million during the period, or NT\$1.0 million per month, versus NT\$3.6 million in the first quarter, or NT\$1.2 million per month. The decline in operating cash burn was driven by reduced operating losses during the period. GigaMedia defines operating cash burn per month including capex as EBIT plus non-cash items minus capex.

ARPU INCREASED

Blended average revenue per user ("ARPU") for GigaMedia's one-way cable, two-way cable and ADSL broadband access services increased during the second quarter to NT\$426, compared with NT\$416 in the first quarter. This was achieved despite strong market competition and continued price pressure. Management expects minimal ARPU gains in the foreseeable future.

One-way ARPU decreased 9% to NT\$268 compared to NT\$296 during the previous quarter, due to termination of GigaMedia's no minimum meter rate package. ARPU

Edgar Filing: GIGAMEDIA LTD - Form 6-K

for two-way cable during the period increased slightly to NT\$615 compared with NT\$612 during the previous period. ARPU for ADSL for the three-month period increased 2% to NT\$394 from NT\$387, due primarily to an increase in the number of subscribers to higher specification products during the period.

OFFLINE MUSIC DISTRIBUTION (G-MUSIC)

The following represents the results of the Rose Records and Tachung Records music store chains for the three-month period.

4

G-MUSIC SECOND QUARTER 2003 RESULTS COMPARED TO FIRST QUARTER 2003 RESULTS
The following reflects the results of G-Music, not GigaMedia's 58.6% interest in G-Music, during the periods indicated. Minority interests have not been excluded.

| CATEGORY | 2Q03 | 1Q03 |
|--------------------------|--------------------|--------------------|
| Total revenues | NT\$558.4 million | NT\$752.9 million |
| COGS | NT\$482.0 million | NT\$655.6 million |
| Gross margin | 14% | 13% |
| SG&A | NT\$126.2 million | NT\$129.0 million |
| Total costs and expenses | NT\$608.1 million | NT\$784.6 million |
| Operating income (loss) | (NT\$49.7 million) | (NT\$31.8 million) |
| Net income (loss) | (NT\$47.5 million) | (NT\$29.8 million) |

TOTAL REVENUES DOWN

Total revenues for the quarter ended June 30, 2003 were NT\$558.4 million, down 26% from the NT\$752.9 million recorded during the prior period, attributable to the impact of SARS on customer shopping behavior during the period and the overall decline of the recorded music market. GigaMedia records offline music business revenues under sales revenues.

COSTS AND EXPENSES DECLINED

Total COGS, net of return and allowance for the quarter ended June 30, 2003, was NT\$482.0 million, a decrease of approximately NT\$173.7 million, or 26% quarter over quarter. The decline in COGS was in line with the decline in total revenues during the period. Gross margin for the offline music business was up slightly at 14%, or NT\$76.4 million. Gross margin in the music distribution business remains under pressure from an overall decline in the market. GigaMedia records COGS from its offline music business under cost of sales.

G-Music recorded a decrease in SG&A costs during the second quarter of approximately NT\$2.8 million.

Edgar Filing: GIGAMEDIA LTD - Form 6-K

GigaMedia management made a concerted effort during the SARS epidemic in Taiwan to work with key vendors and landlords to minimize the business impact of SARS. Management expects to see the effects of related rental concessions and business cooperation in GigaMedia's third quarter results.

OPERATING MARGIN DECLINED

Operating margin for the quarter ended June 30, 2003 was negative 9%, or an operating loss

5

of NT\$49.7 million. This represented an increased loss of approximately NT\$17.9 million over the first quarter, due primarily to lower sales recorded during the second quarter.

NET LOSS INCREASED

Net loss increased from negative NT\$29.8 million to negative NT\$47.5 million, primarily due to light sales during the second quarter.

ABOUT GIGAMEDIA

GigaMedia Limited (Nasdaq: GIGM) is a diversified provider of entertainment services in Taiwan. The Company's online/offline business model provides the Company multiple distribution channels, deep customer relationships and the ability to meet future market demands as technology drives new media and entertainment industry change.

Offline, GigaMedia operates Taiwan's two largest music store chains, Rose Records and Tachung Records through its subsidiary G-Music. These businesses were acquired in February and September of 2002, respectively, and together hold approximately a 50% share of Taiwan's music retail market.

Online, the Company operates a leading broadband ISP, providing Internet access service and broadband content with multiple delivery technologies. The Company's access products consist of premium cable modem and ADSL offerings, giving the company the ability to deliver superior broadband connections island-wide. GigaMedia's cable modem is a world-class platform capable of offering broadband Internet access at speeds of up to 100 times faster than traditional dial-up services. With 21 cable system partners, the Company's cable modem business passes more than 3.1 million Taiwan households, as well as 417,000 small and medium businesses. In addition, the Company offers interactive Chinese-language multimedia Web sites through its Web destination <http://www.gigigaga.com>.

Other subsidiary companies of GigaMedia include Koos Broadband Telecom Limited, a broadband service provider focused exclusively on corporate subscribers in Taiwan.

Strategic investors of GigaMedia include the Koos Group, a major player in Taiwan's manufacturing, finance, telecommunications, media, and cable industries.

More information on GigaMedia can be obtained from <http://ir.giga.net.tw>.

The directors of GigaMedia (including any director who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement are fair and accurate and that no material facts have been omitted from this

Edgar Filing: GIGAMEDIA LTD - Form 6-K

announcement (the omission of which would render any statement in this announcement misleading in any material respect), and they jointly and severally accept responsibility accordingly. Where any information has been extracted from published or publicly available sources, the sole responsibility of the directors of GigaMedia has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

6

The statements included above and elsewhere in this press release that are not historical in nature are "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. GigaMedia cautions readers that forward-looking statements are based on the company's current expectations and involve a number of risks and uncertainties. Actual results may differ materially from those contained in such forward-looking statements. Information as to those factors that could cause actual results to vary can be found in GigaMedia's Registration Statement on Form 20-F filed with the United States Securities and Exchange Commission in July 2003.

CONTACT:

GIGAMEDIA LIMITED

Brad Miller, Investor Relations Director

886-2-8770-7966 ext. 1107

bradley_miller@corp.giga.net.tw

(Tables to follow)

=====

7

GIGAMEDIA LIMITED CONSOLIDATED STATEMENT OF OPERATIONS JUNE 30 AND MARCH 31, 2003

| | ----- 2Q03 ----- NT\$ ----- | |
|--|---|-------|
| OPERATING REVENUE | | |
| ACCESS REVENUE | 161,783,213 | 153 |
| SALES/RENTAL/INSTALLATION | 548,515,430 | 738 |
| WEB DEVELOPMENT REVENUES | | |
| ADVERTISING AND PROMOTIONAL REVENUE | 11,109,431 | 15 |
| SUBSCRIPTION REVENUE | 3,573,448 | 4 |
| OTHER REVENUE | 583,340 | 2 |
| | ----- | ----- |
| TOTAL | 725,564,862 | 914 |
| | ----- | ----- |
| COST AND EXPENSES | | |
| OPERATING COST | 127,117,305 | 132 |
| COST OF SALES/RENTAL/INSTALLATION | 490,013,739 | 660 |
| WEB DEVELOPMENT EXPENSES | 0 | |
| PRODUCT DEVELOPMENT AND ENGINEERING EXPENSES | 9,725,991 | 10 |
| SELLING AND MARKETING EXPENSES | 121,277,291 | 129 |
| GENERAL AND ADMINISTRATIVE EXPENSES | 57,929,088 | 50 |
| BAD DEBT EXPENSES | 380,133 | |
| GOODWILL VALUATION EXPENSES | | |

Edgar Filing: GIGAMEDIA LTD - Form 6-K

| | | |
|--|--------------|-------|
| OTHER COSTS | 0 | |
| TOTAL | 806,443,547 | 984 |
| OPERATING LOSS | (80,878,685) | (70) |
| NON-OPERATING INCOME (EXPENSE) | | |
| INTEREST INCOME | 4,242,682 | 3 |
| FOREIGN EXCHANGE GAIN (LOSS)-NET | (4,374,364) | |
| INVESTMENT INCOME | 4,797,288 | 4 |
| GAIN FROM DISPOSAL OF PROPERTY, PLANT AND EQUITY | (2,771,837) | |
| INTEREST INCOME (EXPENSES) | (35,780) | (1) |
| OTHER NON-OPERATING INCOME (EXPENSE) | (14,320,973) | 1 |
| TOTAL NON-OPERATING INCOME-NET | (12,462,984) | 7 |
| INCOME TAX (EXPENSE) | (53,027) | |
| MINORITY INTEREST INCOME | 19,720,058 | 12 |
| PRE ACQUISITION EARNINGS | 0 | |
| NET INCOME (LOSS) | (73,674,638) | (50) |
| NET LOSS PER COMMON SHARE | (1.47) | |
| AVERAGE SHARES OUTSTANDING | 50,154,000 | 50,15 |

8

GIGAMEDIA LIMITED
CONSOLIDATED BALANCE SHEET
June 30 and March 31, 2003

| | 2ND QUARTER, 2003 |
|-----------------------------------|----------------------|
| | NT\$ Consolidated |
| ASSETS | |
| CURRENT ASSETS | |
| CASH AND CASH EQUIVALENTS | 1,134,183,302 |
| SHORT-TERM INVESTMENTS | 900,053,561 |
| ACCOUNTS RECEIVABLE | 154,744,679 |
| RECEIVABLE FROM RELATED PARTIES | 0 |
| INVENTORIES-NET | 245,162,115 |
| PREPAID EXPENSES | 27,466,547 |
| RESTRICTED CASH | 63,378,217 |
| OTHER CURRENT ASSETS | 65,095,637 |
| TOTAL CURRENT ASSETS | 2,590,084,058 |
| INVESTMENT | |
| TOTAL INVESTMENT | 580,085,354 |
| PROPERTY, PLANT AND EQUIPMENT-NET | |

Edgar Filing: GIGAMEDIA LTD - Form 6-K

| | |
|-----------------------|---------------|
| NET | 678,152,450 |
| ----- | ----- |
| INTANGIBLE ASSETS-NET | |
| NET | 251,686,904 |
| ----- | ----- |
| OTHER ASSETS | |
| TOTAL OTHER ASSETS | 185,601,689 |
| ===== | ===== |
| TOTAL ASSETS | 4,285,610,455 |
| ===== | ===== |

| | |
|--|---------------|
| | NT\$ |
| | Consolidated |
| ----- | ----- |
| LIABILITIES & SHAREHOLDERS' EQUITY | |
| ----- | |
| CURRENT LIABILITIES | |
| LOAN | 0 |
| ACCOUNTS PAYABLE | 464,588,362 |
| PAYABLE TO RELATED PARTIES | 0 |
| PAYABLE TO EQUIPMENT SUPPLIERS | 101,070 |
| ACCRUED SALARIES AND BONUS | 28,719,694 |
| ACCRUED EXPENSES | 46,358,915 |
| LEASE OBLIGATIONS | 0 |
| OTHER CURRENT LIABILITIES | 61,614,372 |
| | ----- |
| TOTAL CURRENT LIABILITIES | 601,382,413 |
| | ----- |
| OTHER LIABILITIES | |
| TOTAL OTHER LIABILITIES | 54,555,938 |
| | ----- |
| TOTAL LIABILITIES | 655,938,351 |
| | ----- |
| MINORITY INTEREST | 195,142,292 |
| | ----- |
| SHAREHOLDERS' EQUITY | |
| TOTAL SHAREHOLDERS' EQUITY | 3,434,529,812 |
| | ===== |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 4,285,610,455 |
| | ----- |

9

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GigaMedia Limited

(Registrant)

Date: August 14, 2003

By: /s/ Hsia, Winston

(Signature)

Edgar Filing: GIGAMEDIA LTD - Form 6-K

Name: Hsia, Winston

Title: Chief Financial Officer