

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 7, 2019

DIODES INCORPORATED  
(Exact name of Registrant as Specified in Its Charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

002-25577  
(Commission  
File Number)

95-2039518  
(IRS Employer  
Identification No.)

4949 Hedgcoxe Road, Suite 200, Plano, TX  
(Address of Principal Executive Offices)

75024  
(Zip Code)

Registrant's Telephone Number, Including Area Code: (972) 987-3900

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.66 2/3	DIOD	The NASDAQ Stock Market LLC

**Item 2.02 Results of Operations and Financial Condition.**

On May 7, 2019, Dr. Keh-Shew Lu, President and Chief Executive Officer of Diodes Incorporated, (the “Company”), as well as Brett R. Whitmire, Chief Financial Officer, Emily Yang, Vice President, Worldwide Sales and Marketing, and Laura Mehl, Director of Investor Relations, participated in a conference call to discuss the Company’s first quarter 2019 financial results. A recording of the conference call has been posted on the Company’s website at [www.diodes.com](http://www.diodes.com), and copy of a transcript of the conference call is furnished as Exhibit 99.1 to this report.

In the earnings conference call, the Company utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) in order to provide investors with an alternative method for assessing the Company’s operating results in a manner that enables investors to more thoroughly evaluate its current performance as compared to past performance. The Company also believes these non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Management uses these non-GAAP measures for the same purpose. The Company believes that investors should have access to the same set of tools that management uses in analyzing results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from similar measures used by other companies. For a description, and reconciliation with GAAP, of these non-GAAP measures see the Company’s press release dated May 7, 2019, announcing the Company’s first quarter 2019 financial results, a copy of which was furnished as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on May 7, 2019.

**Item 7.01 Regulation FD Disclosure.**

The transcript of the earnings conference call furnished as Exhibit 99.1 also provides an update on the Company’s business outlook, that is intended to be within the safe harbor provided by the Private Securities Litigation Reform Act of 1995 (the “Act”) as comprising forward looking statements within the meaning of the Act.

The information furnished in this Item 7.01, including the exhibit incorporated by reference, will not be treated as “filed” for the purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section. This information will not be deemed incorporated by reference into any filing under the Securities Act, or into another filing under the Exchange Act, unless that filing expressly refers to specific information in this Report.

**Item 9.01 Financial Statements and Exhibits.**

**(d) Exhibits.**

Exhibit Number	Description
99.1	<a href="#">Transcript of earnings conference call held on May 7, 2019.</a>

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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 hereunto duly authorized.

DIODES INCORPORATED

Dated: May 13, 2019

By /s/ Brett R. Whitmire  
BRETT R. WHITMIRE  
Chief Financial Officer

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THOMSON REUTERS STREETEVENTS

**EDITED TRANSCRIPT**

DIOD - Q1 2019 Diodes Inc Earnings Call

EVENT DATE/TIME: MAY 07, 2019 / 9:00PM GMT

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## CORPORATE PARTICIPANTS

Brett R. Whitmire Diodes Incorporated - CFO  
Emily Yang Diodes Incorporated - VP of Worldwide Sales & Marketing  
Keh-Shew Lu Diodes Incorporated - CEO, President & Director  
Leanne Sievers

## CONFERENCE CALL PARTICIPANTS

Gausia Chowdhury Longbow Research, LLC - Analyst  
Tristan Gerra Robert W. Baird & Co. Incorporated, Research Division - MD and Senior Research Analyst

## PRESENTATION

Operator

Good afternoon and welcome to Diodes Incorporated First quarter 2019 Financial Results Conference Call. At this time, all participants are in listen-only mode. At the conclusion of today's conference call, instructions will be given for the question-and-answer session. (Operator Instructions)As a reminder, this conference call is being recorded today, Tuesday, May 7, 2019.

I would now like to turn the call over to Leanne Sievers of Shelton Group Investor Relations. Leanne, please go ahead.

Leanne Sievers

Good afternoon and welcome to Diodes' first quarter 2019 financial results conference call. I'm Leanne Sievers, President of Shelton Group, Diodes' Investor Relations firm. Joining us today are Diodes' President and CEO, Dr. Keh-Shew Lu; Chief Financial Officer, Brett Whitmire; Vice President of Worldwide Sales and Marketing, Emily Yang; and Director of Investor Relations, Laura Mehrl.

Before I turn the call over to Dr. Lu, I'd like to remind our listeners that the results announced today are preliminary, as they are subject to the company finalizing the closing procedures and customary quarterly review by the company's independent registered public accounting firm. As such, these results are unaudited and subject to revision until the company files its Form 10-Q for the first quarter 2019.

In addition, management's prepared remarks contain forward-looking statements, which are subject to risks and uncertainties and management may make additional forward-looking statements in response to your questions. Therefore the company claims the protection of the Safe Harbor for forward-looking statements that is contained in the Private Securities Litigation Reform Act of 1995. Actual results may differ from those discussed today and therefore we refer you to more detailed discussion of the risks and uncertainties in the company's filings with the Securities and Exchange Commission, including Forms 10-K and 10-Q. In addition, any projections as to the company's future performance, represent management's estimates as of today, May 7, 2019. Diodes assumes no obligation to update these projections in the future as market conditions may or may not change, except to the extent required by applicable law.

Additionally, the company's press release and management's statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms. Included in the company's press release are definitions and reconciliations of GAAP to non-GAAP items, which provide additional details. Also throughout the company's press release and management statements during this conference call, we refer to net income attributable to common stockholders as GAAP net income. For those of you unable to listen to the entire call at this time, a recording will be available via webcast for 90 days in the Investor Relations section of Diodes' website at [www.diodes.com](http://www.diodes.com).

And now I'll turn the call over to Diodes' President and CEO, Dr. Keh-Shew Lu. Dr. Lu, please go ahead.

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Thank you, Leanne. Welcome, everyone, and thank you for joining us today.

Diodes once again had an exceptional quarter of solid financial results achieving record net income and earnings per share on both GAAP and non-GAAP basis. Revenue for the quarter grew 10% over the prior year period on continued market share gains and it was down 3.9% sequentially, which was better than typical seasonality. Notably, gross margin increased 90 basis point from the fourth quarter 2018, exceeding the upper end of our guidance range and reaching the highest level since the fourth quarter of 2010, and we expect a further increase in the second quarter. Contributing to this margin expansion was the achievement of record revenue in Europe combined with record revenue in the automotive and industrial end markets.

In the automotive market, revenue grew 7% sequentially and 23% year-over-year as we continue to benefit from past design win activity. Together, these two end markets represented 39% of total revenue, which place us well on track to achieving our long-term target of 40%. Additionally, our Pericom business, excluding frequency control products, reached record revenue levels in the first quarter and contributed to our strong margin performance.

More recently, on April 1st we announced the closing of the transaction to acquire Texas Instruments' wafer fab facility and operation located in Greenock, Scotland, GFAB. The ownership transfer has gone very smooth with no interruption to production. We are in the process of aggressively installing Diodes' processes to fully utilize the additional 8-inch capacity and capability of the fab, which will support our growth expansion initiatives and future cost reduction. As part of a five-year wafer supply agreement, Diodes is providing foundry services to TI, which is not material to Diodes overall revenue.

As we look to the second quarter, we expect to extend our growth momentum and market share gains, while further increasing gross margin and lowering operating expenses as a percent of revenue. Together, these factors will contribute to driving higher profitability and cash flow for Diodes and our shareholders.

One final comment. As announced in February 22, Rick White retired as CFO as of March 1. And Brett Whitmire, who has been with the company over eight years has assumed the CFO role. I would like to take this time to thank Rick for his many years of service to Diodes and our financial organization while also welcoming Brett into this new position. Rick will remain with Diodes part-time and serve as Corporate Secretary as well as an adviser to the company.

With that, let me now turn the call over to Brett to discuss our first quarter financial results and our second quarter 2019 guidance in more detail.

Brett R. Whitmire - Diodes Incorporated - CFO

Thanks, Dr. Lu, and good afternoon everyone. I look forward to meeting and speaking to each of you in the coming quarters. As part of my financial review today, I will focus my comments on the sequential change for each of the line items and would refer you to our press release for a more detailed review of our results as well as the year-over-year comparisons.

Revenue for the first quarter 2019 was \$302.3 million, a 3.9% decrease from the \$314.4 million in the fourth quarter 2018, which is better than normal seasonality. Gross profit for the first quarter was a \$112.4 million, or 37.2% of revenue, compared to a \$114.2 million, or 36.3% of revenue, in the fourth quarter 2018. The sequential increase in gross margin was primarily due to the record revenue from the automotive and industrial end markets as well as from Pericom products.

GAAP operating expenses for the first quarter 2019 were \$70.3 million, or 23.3% of revenue, and \$65.8 million, or 21.8% of revenue, on a non-GAAP basis, which excludes \$4.5 million of amortization of acquisition-related intangible asset expenses. This compares with GAAP operating expenses in the fourth quarter 2018 of \$70.3 million, or 22.4% of revenue, and \$65.8 million or 20.9% of revenue on a non-GAAP basis.

Total other expense amounted to approximately \$89,000 for the quarter, including \$2.1 million of interest expense and \$64,000 of foreign currency loss, largely offset by \$1.2 million of other income and \$0.9 million of interest income. Income from taxes and non-controlling interest in the first quarter 2019 amounted to \$42 million compared to \$42.8 million in the fourth quarter 2018.

Turning to income taxes. Our effective income tax rate for the first quarter was approximately 24.5%. GAAP net income for the first quarter 2019 was a record \$31.7 million or \$0.62 per diluted share compared with \$29.5 million or \$0.58 per diluted share last quarter. Share count used to compute GAAP diluted EPS for first quarter 2019 was 51.5 million shares.

First quarter 2019 non-GAAP adjusted net income was a record \$35.4 million or \$0.69 per diluted share, which excluded net of tax \$3.7 million of non-cash acquisition-related intangible asset amortization costs. This compares to non-GAAP adjusted net income of \$33.2 million or \$0.65 per diluted share in the fourth quarter 2018.

EBITDA for the first quarter 2019 was \$69.9 million, or 23.1% of revenue, compared with \$70.5 million or 22.4% of revenue in the fourth quarter 2018. We've included in our earnings release a reconciliation of GAAP net income to non-GAAP adjusted net income and GAAP net income to EBITDA, which provides additional details. Cash flow generated from operations was \$69.9 million for the first quarter 2019. Free cash flow was \$51.2 million, which included \$18.6 million of capital expenditures. And net cash flow in the first quarter was a positive \$60.5 million.

Turning to the balance sheet. At the end of the first quarter, cash and cash equivalents plus short-term investments totaled approximately \$307.9 million. Working capital was \$524.8 million and long-term debt, including the current portion, was \$215.8 million. We are now in a positive net position with cash exceeding long-term debt. At the end of the first quarter, inventory increased \$1.2 million from the fourth quarter 2018 to approximately \$216.6 million. The increase in inventory reflects a \$5.1 million increase in work in process, offset by a \$3.7 million decrease in finished goods and a \$200,000 decrease in raw materials. This is the fourth consecutive quarter of finished goods inventory decreases, reflecting our focus on reducing finished goods inventory. Finished goods inventory days were 27 in the quarter compared to 28 in the fourth quarter of 2018. Total inventory days were 102 in the quarter compared to 100 last quarter. Capital expenditures on a cash basis for the first quarter 2019 were \$18.6 million, or 6.2% of revenue. We expect CapEx for the full year 2019 to remain within our target model of 5% to 9% of revenue.

Now turning to the outlook. We expect revenue in the second quarter of 2019 to increase to approximately \$322 million, plus or minus 2%. At the midpoint, this represents growth of over 6.5% sequentially and 5.9% increase over the prior year period, and reflects continued growth from Diodes' organic business as well as revenue contribution from GFAB. We expect GAAP gross margin to be 38%, plus or minus 1%. Non-GAAP operating expenses, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets, are expected to be approximately 21% of revenue, plus or minus 1%.

We expect net interest expense to be approximately \$2 million. Our income tax rate expected to be 24.5%, plus or minus 3%. And the shares used to calculate diluted EPS for second quarter are anticipated to be approximately 52 million. Please note that purchase accounting adjustments of \$3.7 million after-tax for Pericom and previous acquisitions are not included in these non-GAAP estimates.

With that said, I will now turn the call over to Emily Yang.

Emily Yang - Diodes Incorporated - VP of Worldwide Sales & Marketing

Thank you, Brett, and good afternoon. As Dr. Lu and Brett highlighted, first quarter revenue grew 10% year-over-year as we continued to gain increasing market share. Looking more closely at first quarter revenue. POS revenue was down slightly, mostly driven by the Chinese New Year and weaker demand in Asia. We started to see a recovery for Diodes business in March. Europe had record high results and North America remained strong. Distributor inventory, in terms of weeks, increased sequentially in the first quarter but is within our normal range of 11 to 14 weeks. We expect distributor inventories to remain within our normal range of 11 to 14 weeks in the near term.

Looking at global sales in the first quarter, Asia represented [74%] (corrected by the company after the call) of the revenue, Europe 13% and North America 13%. In terms of our end markets, industrial was once again our largest representative end market at 29% of revenue, consumer 23%, communication also 23%, computing 15% and automotive 10% of revenue.



Now let me review the end markets in greater detail. As Dr. Lu mentioned, our automotive end market had a record quarter, growing 7% sequentially and 23% year-over-year and reaching a record 10% of total revenue. This continued growth is a result of our past design win activity and momentum across an expanding customer base in all application areas, particularly in our three focus areas of connected driving, which consists of ADAS, Telematics, and Infotainment system, comfort, style and safety, including lighting and brushless DC motor control, and Powertrain covering conventional hybrid and electric vehicles.

From a product perspective, both our analog and discrete product family continue to be strong for us in the automotive market. PCI Express has become the interface of choice for the backbone transmission of engine control unit, ADAS, navigation, telematics and infotainment systems. Diodes is well positioned to address this need with a variety of products designed to support PCI Express protocol. In fact, Diodes is the only supplier to offer PCI Express 4.0 Clock Generators and Clock Buffers with AECQ Grade 2 105 C ambient temperature support.

We are also seeing a lot of activities from automotive customers for our DC-DC converters, timers and USB switches for USB Type-C, infotainment and charging applications. Our sensor business also continues to grow in applications like power windows, doors, seatbelts, pumps and [gearshifts] (corrected by the company after the call).

We also continue to gain traction with MOSFET design-ins across a number of auto applications as well as strong revenue growth in battery management system applications for our automotive-grade Zener diodes and rectifiers.

As a result of our automotive expansion initiatives, over the past five, six years, we have increased our potential semiconductor content per vehicle to \$85 per vehicle, an increase from our prior estimate of \$70, which will continue to drive further revenue upside towards our long-term targets.

We also saw strong growth in industrial end markets with revenue increasing almost 12% sequentially and 39% year-over-year to reach a record 29% of total revenue. Our momentum continued with new design win activities across applications such as metering, DC fans, power tool and power supply, as well as home appliances, including e-lock applications.

With our newly introduced low-power PCI Express 2.0 Packet Switch, we continue to expand our market position in industrial PC with expanding design-in activities. Our products low-power performance gives Diodes a leading position in the small-lane and port expansion application. We are also seeing USB Type-C adoption into medical equipment with our HDMI over Type-C Crossbar Switch designed-in for transporting video image to the monitor over our USB Type-C interface.

In the consumer market, we continue to see growth for our SBR and Schottky products for new applications like smart speakers, handheld portable devices, wire and wireless chargers, gaming, vehicles, OLED TVs as well as USB EOS and data line protection.

Additionally, we have seen significant design win activities with DC-DC products, driven by IPTV, over-the-top TV and set-top box applications as well as bipolar transistor design-ins for TV and monitor applications. We're also seeing strong demand for our Hall Sensors in applications like wireless earbud and IoT. And our audio products are gaining traction in monitor and gaming applications.

Also in the first quarter, we saw increasing content growth in TV panel applications across a broad range of products, including switching diodes, Zener diodes and transient voltage suppressors. We're also beginning to see revenue growth in augmented reality applications on low-profile small form factor switching diodes products.

In the communications end market, we're seeing new design wins in 5G applications like base stations, CPE, small cell and data centers for many of our products including PCI Express 2.0 Packet Switches, I2C/SPI port expanders, level shifters, MOSFETs and timing. We're also seeing an increasing need for sensors in smartphone applications with a demand for high-speed, low-loss MIPI switches continue to grow in mobile applications as display resolution and the number of camera modules increase.

Power density in particular is a key concern for smartphone manufacturers. And Diodes has been actively engaged in this market with its comprehensive small footprint DFN and CSP MOSFET portfolio as well as our AC-DC products in charger and adapter applications. The mobile



device and smartphone market continue to be a key growth area for our protection products, especially in support of the latest trend to replace a 3.5-millimeter audio jack with a USB Type-C connector.

Lastly, in computing, power density and efficiency are driving our hardware evolution and Diodes is at the forefront with our comprehensive portfolio of MOSFET power blocks and SGT MOSFET in the DC-DC power conversion.

Additionally, our diodes and rectifier products continue to expand in mobile and desktop power applications as well as wireless charging and printer applications with broad range of products, including fast and ultra-fast recovery rectifiers, a high voltage switching diodes and TVS Zener diodes.

With an increasing adoption of USB Type-C in notebooks and PCs, we have been seeing strong revenue growth for our complete USB Type-C solutions, including switches, ReDrivers, timing, charging and protection products.

In summary, our first quarter once again demonstrated a solid operating leverage in our business model resulting in record profitability despite sequentially lower revenue. Our strong position with customers as well as our past design win activities has enabled us to consistently gain market share and outperform the market. Additionally, our increase in content in both the automotive industrial market, combined with expanded opportunity for our Pericom products, position us to drive continued revenue and profitability growth in the coming quarters.

With that, we will now open the floor to questions. Operator?

## QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) And our first question is from Shawn Harrison with Longbow. Your line is open.

Gausia Chowdhury - Longbow Research, LLC - Analyst

Hi, good afternoon. This is Gausia Chowdhury on behalf of Shawn. Congrats on a solid quarter and guidance. First off, can you give the POS versus POP? I think you said POS is down slightly. Could you give more details, please?

Emily Yang - Diodes Incorporated - VP of Worldwide Sales & Marketing

Yeah. So, this is Emily. So, our POS is down slightly compared quarter-to-quarter. POP also down slightly quarter-to-quarter, that's based on our guidance. So that's how we look at the inventory level as well, right? So, still within our range as defined normal between 11 to 14 weeks.

Gausia Chowdhury - Longbow Research, LLC - Analyst

Okay, thank you. And then can you reconcile your view on the auto and industrial strength that you're seeing given the weakness that was cited by some of your peers. And then also your view on Pericom within these markets. Are you still bullish for 2019? Any further detail will be helpful. Thank you.

Emily Yang - Diodes Incorporated - VP of Worldwide Sales & Marketing

Right. So, if we look at automotive market overall, the consensus is actually from the demand point of view is down. So, where Diodes is actually gaining is really based on the past demand creation effort and also the content expansion. So even though the overall market is down, we're still

seeing very good growth rate, 7% quarter-over-quarter, 23% year-over-year growth. So, that's specifically related to automotive. And then related to Pericom, we're also seeing a significant growth contributing to our Q1 revenue and we expect that growth will continue into 2019 and the rest. This is really based on the demand creation pipeline and also the information that we received from the content expansion point of view.

Thank you.

Operator

Thank you. (Operator Instructions) And our next question is from Tristan Gerra with Baird. Your line is open.

Tristan Gerra - Robert W. Baird & Co. Incorporated, Research Division - MD and Senior Research Analyst

Hi, Dr. Lu. During the earnings call, I think it was in October of last year, Rick was highlighting the potential for Diodes to reach 38% gross margin by the second half of this year. And then it sounded like your outlook for gross margin early this year was more muted to about 36%. Today, your Q2 gross margin guidance is 38%. That's even ahead of last year expectation. And at the time one could contend that the end demand environment was stronger than what you're seeing today. So, I know you mentioned Europe and automotive but could you go more into details about the catalyst for gross margin? What makes it better than you saw it earlier this year? Maybe quantify how big Pericom is as a percent of revenue and how sustainable you think this gross margin outlook is into the second half?

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Okay, Tristan, you know I've been emphasizing if we grew the automotive and industrial revenue, automatically the gross margin will be improving better than our expectations. And so you can see the result, automotive, while the market went down, our sequential still got up 7% and year-over-year is at 20s high, 28%. So you can see the effort due to the past design win plus the company increase as I have been mentioning to you several times. This strong growth has enabled us to reach 10% -- now 10% of our revenue and we continue to improve the automotive performance. And that's the one key thing to improve the gross margin better than expected.

Another one is the industrial. Now this quarter, industrial is 29% of our total revenue. It is an indication of a significant growth in the industrial area for Diodes. While the market kind of slowed down and that's what you're seeing through other people's earnings conference calls, industrial is actually slowed down a little bit, but for Diodes, we continue gaining the market share. So, if you look at my long-term strategy, I've been talking about I want to improve the industrial and automotive to 40% of our revenue. We already reached to 39% and we'll continue our long-term goal of getting higher and higher automotive, industrial -- industrial applications. And this will enable us to continue improve our gross margin.

One more thing, due to our Pericom acquisition, our Pericom products result in the frequency control or those kind of the IC products contribute a significant growth, contribute to our margin. If you remember, our Pericom products typically have a 50% GP or higher. And so, if that sector grows very faster, then it again enables us to exceed our gross margin guidance. And if you look at the Pericom product concentrate on the data center, cloud computing and servers and automotive applications, all those are good and big growth effort for us and contribute better than average growth in Diodes' business. So, I'm still very confident we will continue effort to benefit from these three key areas, reaching high GP and change our product mix towards the high GP products. Even if we get some pressure from the low-end commodity type of product and the price pressure is there but due to our effort on the other market segments I mentioned, then our GP still able to continue improving.

Tristan Gerra - Robert W. Baird & Co. Incorporated, Research Division - MD and Senior Research Analyst

That's very useful. Thank you. And then as a quick follow-up, the market share gains, we can certainly see that and understand it's in automotive because your ramp started or your exposure in autos have been smaller than some of your peers but in industrial, you do have a very meaningful percent exposure. So what would you say at a high level is driving the share gain? Is that packaging? Is it pricing? Any particular sector that you could emphasize.

Emily Yang - Diodes Incorporated - VP of Worldwide Sales & Marketing

Right, I think -- this is Emily, let me address the question, right. I think it's really about content expansion, right? So, even the market may not be growing from the total demand point of view but we've seen significant content expansion within that industrial area, right? The leverage between the Diodes and also the Pericom product line that we've seen are significant push in this area for us.

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Packaging is one of the help, but that right now we are not just -- depend on the packaging. The real reason is to which we start to focus on solution provider. Since through all different acquisitions, our product line now is very complete and has enabled us to provide to our customer a total solution. So, with Emily's drive, we now focus on providing our customer the total solution. And this is the difference from the past.

Tristan Gerra - Robert W. Baird & Co. Incorporated, Research Division - MD and Senior Research Analyst

Great. Thank you very much.

Operator

Thank you. (Operator Instructions) And we have a follow-up from Shawn Harrison with Longbow. Your line is open.

Gausia Chowdhury - Longbow Research, LLC - Analyst

Hi, again. Can you talk a little bit about the TI fab acquisition? What is associated with that within your guidance? And then any details you might be able to provide on the expected accretion or impact to margin or OpEx would be helpful. And then also having to do with the acquisition, how does the fab affect your CapEx profile? Thank you.

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Okay. The TI acquisition, one of the elements is we will provide TI with a wafer supply agreement, but it's immaterial or is not material. So, it's not big compared with our Diodes' revenue. Okay? Second, we keep emphasizing it's accretive, even their margin is not as high as our average, but it's accretive to our business. And we're going to use and we are, like I mentioned, we are aggressive now to qualify our own process because we want to use it to support our future growth. Okay? So we are kind of pretty tight on our wafer supply and we have a lot of wafer need to outside and control by other foundry business, foundry people. So what we want to do is increase, again our own supply. So it's helping us in the future for the growth.

Emily Yang - Diodes Incorporated - VP of Worldwide Sales & Marketing

The other question is on CapEx. So, this is we think our CapEx model.

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Yes. I think the equipment is already there. We maybe missing here and there for some of the equipment needed for our process. Okay? But most of the equipment is already there. So, with the GFAB and therefore is still within our CapEx model of 5% to 9% of our revenue. So, it won't increase our CapEx requirement.

Client Id: 77

Gausia Chowdhury - Longbow Research, LLC - Analyst

Okay. Thank you.

Operator

Thank you. And I'm not showing any further questions in the queue. I would like to turn the call back to Dr. Keh-Shew Lu for his final remarks.

Keh-Shew Lu - Diodes Incorporated - CEO, President & Director

Thank you for your participation on today's call. Operator, you may now disconnect.

Operator

Thank you, everyone for participating today's conference. This concludes the program and you may all disconnect. Have a wonderful day.

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