Qisda Corporation Investor Conference: 2021 Q1 Results

May 13, 2021

Qisda

Participants

Chairman	Peter Chen
CFO	Jasmin Hung
GM, Information Technology Business Group Commercial and Industrial Business	Joe Huang
GM, Medical Devices Business Group	Harry Yang
GM, Business Solutions Group	Michael Lee
GM, Networking and Communication Business Group	April Huang
CIO	Michael Wang

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Agenda

1. 2021 Q1 Financial Results	CFO	Jasmin Hung
2. Business Update and Outlook	Chairman	Peter Chen
3. Summary of Business Groups	GMs of Business Group	

4. Event
   - Changing the Accounting Treatment on Shareholding of AUO
5. Q&A

Safe Harbor Notice

We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.

We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

I. 2021 Q1 Financial Results

CFO Jasmin

Qisda

Qisda Group

Qisda is a global technology group with businesses spanning information and communication, medical, smart business solutions, and 5G networking communication.

Established Year	1984
IPO Year (Code 2352)	1996
Capital (NTD)	19.7B
Consolidated Companies	180
Listed Companies (Taiwan)	14
No. of Employees	33,000 (2020/12)

Global Presence

Manufacture Sites：Taiwan, China, Vietnam

Sales Offices：194 Locations Worldwide

R&D：Taiwan, China

Revenue Breakdown by Geography (2020)

Asia	46%
Americas	29%
Europe	22%
Others	3%

2020 Revenue

NTD$191.7B
(USD$ 6.5B)

Awards

2018 THOMSON REUTERS:
「TOP 100 GLOBAL TECH LEADER」

2020 Winning「Best Companies to Work For in Asia」

2020 Winning「Taiwan Corporate Sustainability Awards (TCSA)」

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Business Groups

Qisda 2352

ICT
Information & Communication Technology
(60%)

- **Displays**
  - Gaming
  - High-end
  - General
- **Projectors**
- **ICT - others**
  - IA Solution products
  - Automobile Infotainment
  - TV, Digital signage display

MEDICAL
(7%)

- **Medical Services**
  - BenQ Medical Center in Nanjing and Suzhou
- **Equipment & Consumables**
  - Operating Table, Surgical Light
  - Ultrasound
  - Intraoral Scanner
  - Hearing Aids
  - Dentistry Consumables
- **Qflux Dialyzer**
  - Dialysis Equipment & Consumables
  - Ethanol Solution

BSG
Business Solutions
(12%)

- **Smart Hospital**
- **Smart Factory**
- **Smart Retail**
- **Smart Energy**
- **Smart Enterprise**
- **Smart Campus**

NCG
Networking & Communication
(14%)

- **LAN/MAN**
  - Data Switch
- **Wireless Broadband**
  - Small Cell
  - Wireless Router
- **Digital Multimedia**
  - IP Camera
- **Enterprise Mobile Solutions**
  - mmWave Radar

OTHERS
(7%)

- **Material**
  - Polarizer
  - Optical film
- **Other products**

INVESTMENT

- **AUO**
- **Darfon**

Q1 High value-added business account for 33% of total revenue

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2021 Q1 Highlights

- ✓ **Q1 revenue and profit increased significantly on YoY basis. EPS reached $1.07 (+$0.96), highest quarter result in13 years.**
  - **Revenue increased by 30%, operating income increased by 66% and net income attributable to Qisda increased by 808%**
  - **Highest Q1 revenue and operating income in 13 years:** Due to Qisda's strategic investment in high value-added business and increasing demand in commercial and industrial applications for ICT products, even when Q1 is traditionally slower season
  - **Gross margin, operating income margin and net income margin increased on YoY basis:** Gross margin was 14.7% (+1.3ppt), operating income margin was 3.4% (+0.8ppt), and net income margin was 5.1% (+4ppt)
  - **Non-operating income continued to make positive contribution.**
- ✓ **Revenue of high value-added business grew by 92% on YoY basis and accounted for 33% of Q1 revenue**
- ✓ **Qisda increased shares in Sysage to 51% from 35% on March 23**
- ✓ **Cash dividend for 2020 was NT$ 1.5 per share, payout ratio was 59%**

Consolidated Statement of Comprehensive Income (Quarterly)

Amount : NT$ Million

	2021 Q1		2020 Q1		YoY		2020 Q4		QoQ	
					amt	g%			amt	g%
Net Sales	**50,904**	100%	**39,200**	100%	**11,704**	30%	**57,134**	100%	**(6,231)**	-11%
Cost of Goods Sold	(43,403)		(33,936)		(9,467)		(48,984)		5,581	
Gross Margin	**7,501**	14.7%	**5,264**	13.4%	**2,236**	42%	**8,150**	14.3%	**(650)**	-8%
Operating Expenses	(5,783)	-11.4%	(4,228)	-10.8%	(1,555)		(6,060)	-10.6%	277	
Operating Income	**1,718**	3.4%	**1,037**	2.6%	**681**	66%	**2,091**	3.7%	**(373)**	-18%
Net non-operating Income	1,415		(398)		1,813		705		710	
Profit(Loss) before Tax	**3,133**	6.2%	**639**	1.6%	**2,494**	390%	**2,795**	4.9%	**337**	12%
Net Income	**2,609**	5.1%	**392**	1.0%	**2,217**	566%	**2,284**	4.0%	**325**	14%
Net income attributable to Qisda	**2,112**	4.1%	**233**	0.6%	**1,879**	808%	**1,761**	3.1%	**350**	20%
EPS (NT$) (a)	**$1.07**		**$0.12**		**$0.96**		**$0.90**		**$0.18**	

(a) EPS was calculated based on total weighted-averaged outstanding shares (1,967 m shares)

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Consolidated Balance Sheet Highlights

Amount : NT$ Million

	2021.03.31		2020.12.31		QoQ		2020.03.31		YoY	
					amt	g%			amt	g%
Cash & Equivalent	**23,629**	14%	**22,540**	13%	**1,088**	5%	**13,914**	11%	**9,715**	70%
Accounts Receivable	**30,792**	18%	**36,502**	21%	**-5,710**	-16%	**24,859**	19%	**5,932**	24%
Inventory	**35,897**	21%	**35,139**	21%	**758**	2%	**25,024**	19%	**10,873**	43%
L-T Investments	**16,677**	10%	**16,308**	10%	**368**	2%	**16,793**	13%	**-116**	-1%
Total Assets	**171,215**	100%	**170,812**	100%	**403**	0%	**131,667**	100%	**39,548**	30%
Fin. Debt *	**47,733**	28%	**44,568**	26%	**3,164**	7%	**39,811**	30%	**7,922**	20%
Accounts Payable	**36,914**	22%	**40,526**	24%	**-3,613**	-9%	**25,241**	19%	**11,672**	46%
Toal Liabilities	**109,897**	64%	**111,849**	65%	**-1,952**	-2%	**83,878**	64%	**26,019**	31%
Equity	**61,318**	36%	**58,963**	35%	**2,355**	4%	**47,789**	36%	**13,529**	28%
Net Worth / Share	**$19.82**		**$18.32**		**$1.50**		**$17.09**		**$2.73**	

Nely Consolidated Subsidiaries

YoY : Add Alpha, Simula, Golden Spirit

* Fin. Debt included long term and short term financial debts and lease obligations payable

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Key Financial Ratios

	2021.03.31	2020.12.31	QoQ	2020.03.31	YoY
AR Turnover (Days)	60	65	-5	65	-5
AR Turnover (Days)	78	79	-1	84	-6
Inventory Turnover (Days)	75	70	+5	71	+4
AP Turnover (Days)	81	79	+2	75	+6
Cash Conversion Cycle (Days)	72	70	+2	80	-8
ROE (annualized) (a)	17.4%	11.9%	+5.5 ppt	3.3%	+14.1 ppt
Current ratio	127%	124%	+3 ppt	121%	+6 ppt
Fin. Debt (b) / Total Assets	28%	26%	+2 ppt	30%	-2 ppt

(a) Annualized net income / Average total equity

(b) Fin.debt included long term and short term financial debts and lease obligations payable.

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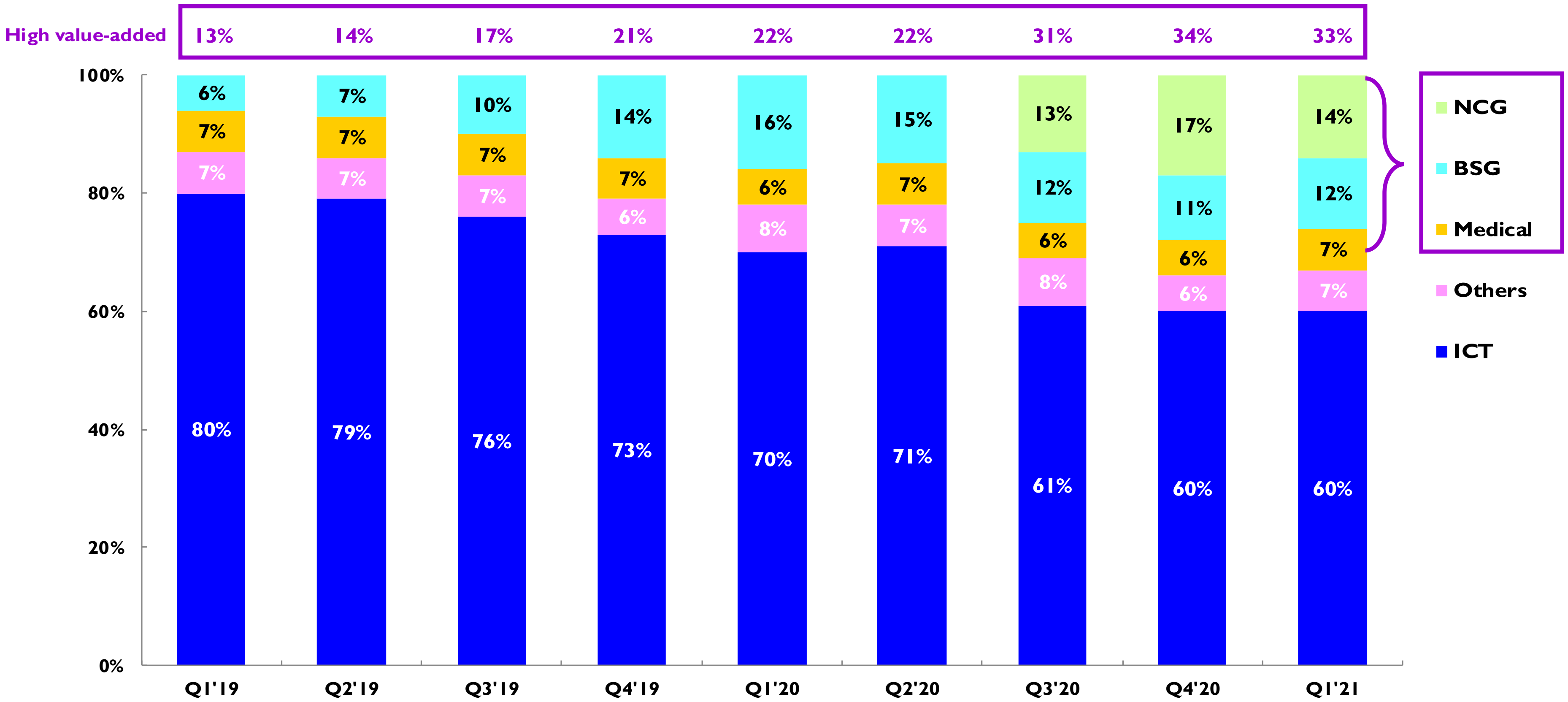
Revenue Breakdown by Business (Quarterly)

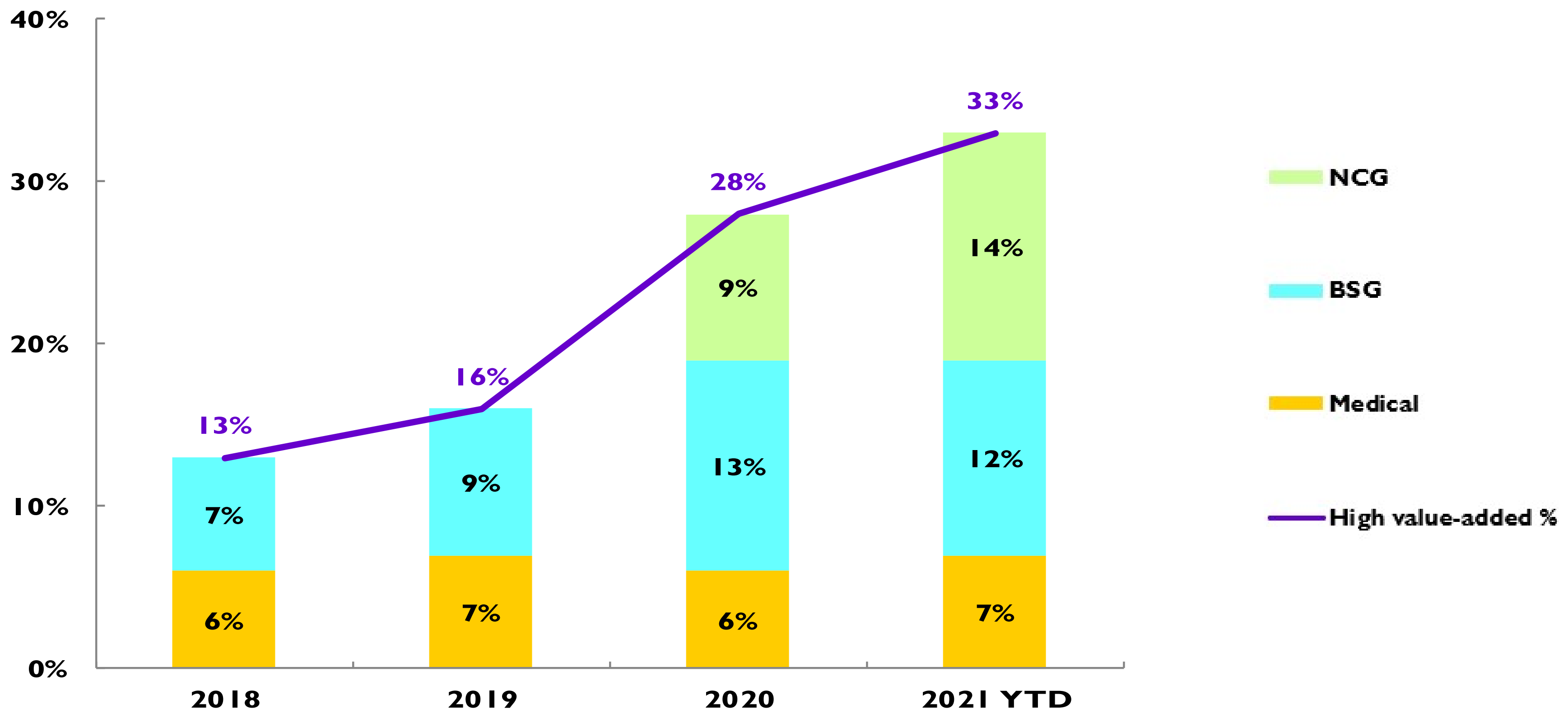


＊NCG：Networking and Communication ＊BSG：Business Solutions Group ＊Medical：includes medical service, medical equipment, medical consumable

＊ICT：includes monitor, projector, signage , TV and electronics products ＊Others：includes BenQ Materials Corp. and other products

Revenue of High value-added Business (Yearly)

- High value-added business is moving toward the goal of accounting for more than half of total revenue by 2022.



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2. Business Update and Outlook

Chairman Peter

Qisda

Qisda's Vision

High value-added business will account for more than half of the revenue by 2022

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Qisda's Winning Strategy

Current Business Optimization

ICT Products
(No. 2 👑 in Monitor,
No.1 👑 in DLP Projector,
Others)

Fast Expansion for Medical Businesses

Medical Service, Equipment & Consumables

Major Pillars

5G Network Business Strategic Placement

Comprehensive broadband solutions

Acceleration on Solution Development

Smart Solutions
(Hospital, Factory, Energy, Retail,
Enterprise, Campus)

2021 Q2 Outlook

✓ Business Driver

- Completed the public tender offer of Sysage to enhance the synergy to be a total solution service provider
- Alpha Networks Inc. became a subsidiary from August 2020 which fueled Qisda's revenue growth
- Medical business is expected to remain high growth rate
- Non-operating income continues to make positive contribution

✓ Cautious Measures to Global Economic

- The pandemic in Europe and India is still severe even with vaccination in many countries. The supply chain still face various uncertainties such as shortage in material, cargo capacity in the supply chain and material price hike.
- Cautiously optimistic in the profitability in Q2

3. Summary of Business Groups

GM, Information Technology Business Group Commercial and Industrial Business Group	Joe Huang
GM, Medical Devices Business Group	Harry Yang
GM, Business Solutions Group	Michael Lee
GM, Networking and Communication Business Group	April Huang

ICT (Information & Communication Technology)

Display
WW No.2

- Gaming Solutions
- High-end Solutions
- General Solutions
- Industrial Solutions

Projector
WW DLP No.1

- Data Projector
- Video Projector
- Short throw Projector
- Laser Pro-AV Projector
- Interactive Projector

Automotive Solutions

- Automotive Wireless Module
- Automotive V2X Module
- Automotive mmWave Radar Module
- Automotive Display Module

Qisda

MEDICAL

Qisda Medical Fleet

Invest medical industry more than 15years With more than 15 medical companies

Operate 2 General Hospitals

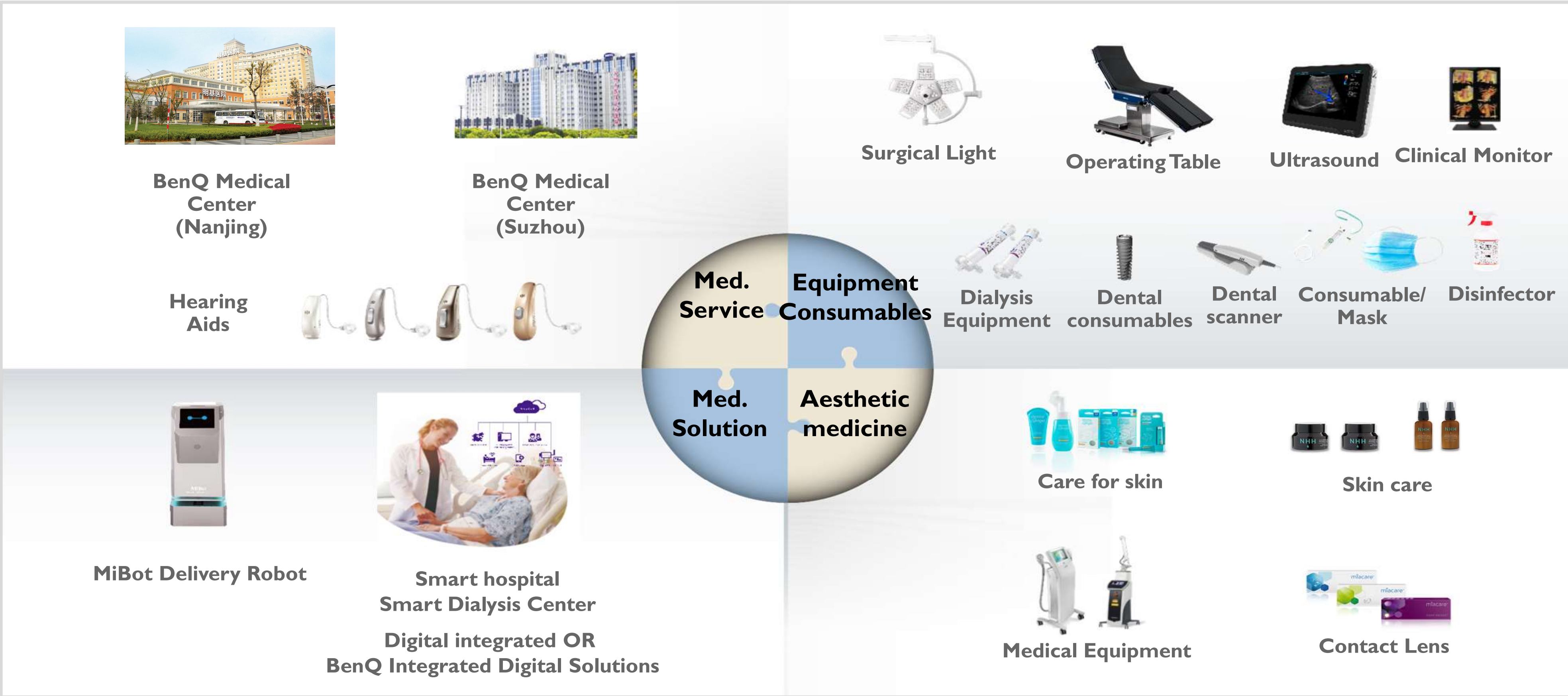
Leading Brand：Consumables、Disinfector and Hearing aids

Dialyzer and relates, one-stop service

Smart medical care be widely applied in many aspects

Smart Medical care involves Smart Hospital、Smart operating room、Smart dialysis center
BenQ Integrated Digital Solutions

MEDICAL


BenQ Medical Center (Nanjing)
BenQ Medical Center (Suzhou)
Hearing Aids
Med. Service
Equipment Consumables
Med. Solution
Aesthetic medicine
Surgical Light
Operating Table
Ultrasound
Clinical Monitor
Dialysis Equipment
Dental consumables
Dental scanner
Consumable/ Mask
Disinfector
MiBot Delivery Robot
Smart hospital
Smart Dialysis Center
Digital integrated OR
BenQ Integrated Digital Solutions
Care for skin
Skin care
Medical Equipment
Contact Lens

BSG (Business Solutions)

Vertical Integration

Service	WEBEST Solution; EASC EXPERT ALLIANCE; BenQ 明基能源技術 BenQ ESCO Corp; Epicloud
SP/SI	PARTNER; EPOINT SYSTEMS; MACEPOS; La Fresh; BenQ 明基逐鹿 BenQ Guru; D8AI; Grandsys; Dynasafe; Statinc; 前進國際
VARs	SYSAGE 聚碩科技; 羅昇企業 ACE PILLAR; COREX
Devices	DFI; AEWIN; APLEX Technology
Infrastructure	Qisda

Domain knowledge across six major fields

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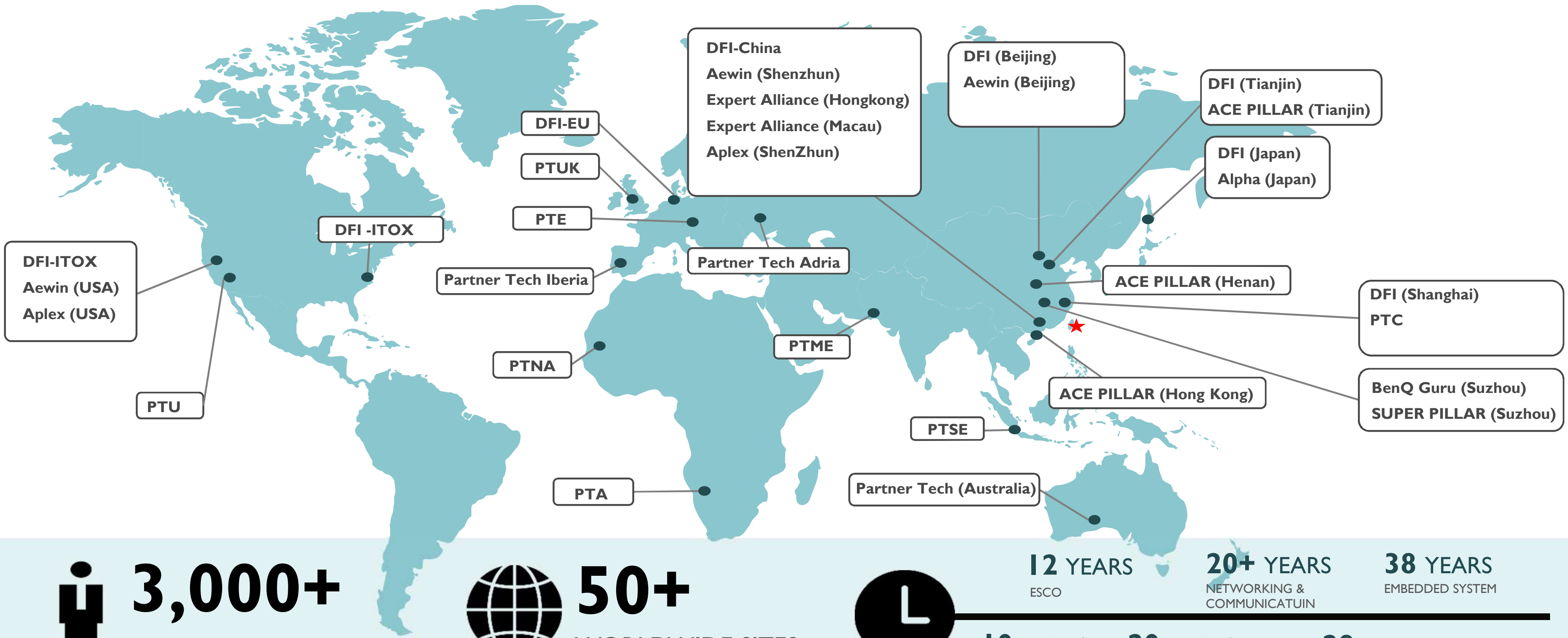
BSG (Business Solutions)

BSG Worldwide Sales Offices



3,000+ WORLD EMPLOYEES

50+ WORLDWIDE SITES

12 YEARS ESCO

20+ YEARS NETWORKING & COMMUNICATUIN

38 YEARS EMBEDDED SYSTEM

10 YEARS FACTORY AUTOMATION

20 YEARS ERP / ICT SOLUTION PROVIDER

28 YEARS POS

Qisda

NCG (Networking & Communication)

Product Portfolio: Ethernet switch, Mobile Broadband, Broadband network, 5G Enterprise network, Other networking products

ALPHA Networks

Wireless Broadband

- 5G NR CPE
- 5G NR Small Cell (CU、DU、RU)
- Wi-Fi6 Router/Gateway
- Wi-Fi6 SMB/Enterprise AP
- 10G PON / XGSPON
- xDSL / G.fast Router / HGW

LAN/MAN

- Data Center Switch
- 5G Core Network at Architecture xHaul Transport Switch
- Enterprise Switch
- SMB Switch
- Industrial Switch
- XGS-PON OLT

Digital Multimedia

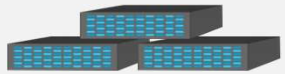
Enterprise (SMB) Camera
- Fixed Dome Camera
- Panoramic Camera
- Bullet/ Box Camera

Smart Home Camera
- Video Doorbell
- Outdoor Battery Camera
- Indoor

Mobile enterprise Solution

- 24GHz Radar Sensor
- 77GHz Radar Sensor
- 79GHz Radar Sensor
- BSD/LCA/RCTA/PAS
- Radar System
- 3D AVM System
- Vehicle Gateway

Platform



- Industrial Server
- ETSI : Multi-access Edge Computing (MEC) NFV Software

hitron

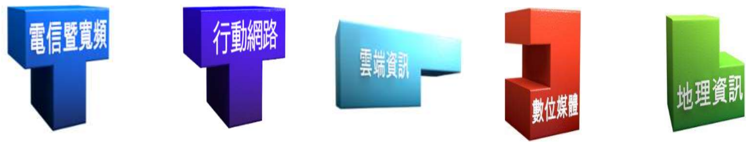
Cable applications

Cable CPE	Home Networking devices	Module	Infrastructure
Cable Modem eMTA Wireless Gateway Wireless Voice Gateway IPTV	Wifi Extender MoCA ECB	DOCSIS 2.0 DOCSIS 3.0 DOCSIS 3.1	Outdoor Cable Modem Proactive Network Management System DOCSIS Probe

iot

System integrator

Various integration	Network Construction Optimization	Cloud Services	To build New Media World	key to Globe



Telecom & Broadband | Mobile Network | Cloud Information | Digital Media | Geographic Information

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4. Event

- Changing the Accounting Treatment on Shareholding of AUO

Qisda

The accounting treatment on investment in AUO is changed from using "Equity Method" to being classified as financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

- ✓ **This is to allow Qisda's profit or loss to reflect its own operating performance as the result of its value transformation in core business and to eliminate uncertainties from recognizing the share of AUO's profit or losses in non-operating activities**
- ✓ **Starting from May 12, 2021, Qisda changed the accounting treatment on investment in AUO from "Equity Method" to "FVOCI"**
  - **Qisda will not recognize the share of AUO's profit or losses by its ownership percentage in each quarter**
    - Profit or losses of AUO will no longer affect Qisda's profitability and earnings per share (EPS)
  - **Investment in AUO is measured at fair value at each quarter with the resulting change in fair value presented in Other Comprehensive Income.**
    - Such resulting change in fair value would not affect Qisda's net income and EPS in each quarter.
  - **If AUO issue cash dividend, Qisda will recognize it as dividend revenue under non-operating activities**
    - Such cash dividend will increase Qisda's non-operating income and EPS
  - **Under IAS28.22, "one-time valuation gain" resulting from this change in accounting treatment will be recognized under non-operating activities in Q2**

Qisda

The accounting treatment on investment in AUO is changed from using "Equity Method" to being classified as financial assets measured at Fair Value through Other Comprehensive Income (FVOCI)

- ✓ **In Q2, Qisda's profitability and EPS will still be affected by "profit or loss from AUO" and "change in accounting treatment"**
  - **For period from 04/01 - 5/11, Qisda will recognize the share of profit or losses from AUO by its ownership percentage under Equity Method**
    - Final result to be calculated upon AUO's publication of Q2 results
  - **Under IAS28.22, one-time valuation gain resulting from change in accounting treatment will be recognized**
    - (Closing share price of AUO on 5/11 - Qisda's cost of ownership in AUO) * number of AUO shares Qisda owns
- ✓ **The estimated total amount is NT$ 2.4 billion for both "Shares of profits of associates and joint ventures" and "Gain on disposal of investment" (this amount will be finalized after CPA audit in Q2)**

● As of 2021/03/31, Qisda's share cost of AUO was **NT$20.56** and owns 663 million shares
● As of 2021/05/11, the closing share price of AUO is **NT$ 24.20**
● The estimated amount (closing share price 24.2 – cost per share 20.56) * 663 million shares = NTD$ 2.4 billion - This will be separately presented under "Shares of profits of associates and joint ventures" and "Gain on disposal of investment" in the Statement of Comprehensive Income - The final amount of these two items will be made public after CPA completes Q2 assessment

Qisda

Qisda changed the accounting treatment on its shareholding of AUO

To manifest value transformation outcomes and to eliminate uncertainties from non-operating income and loss

BenQ Foundation resigned its position of AUO director via Peter Chen's resignation of authorized representative director (appointed through paragraph 2 of Article 27 of Company Act) as of May 11, 2021.

After considering relevant factors, Qisda changed the accounting treatment on its investment in AUO from using "Equity Method" to being classified as financial assets measured at Fair Value through Other Comprehensive Income (FVOCI) starting from May 12, 2021.

By measuring at FVOCI, profit or losses of AUO will no longer affect Qisda's profitability and earnings per share (EPS) as Qisda will not recognize the share of AUO's profit or losses by its ownership percentage in each quarter. Qisda's profit or loss would reflect its own operating performance as the result of its value transformation in core business.

Investment in AUO at FVOCI is subsequently measured at fair value at each quarter, with the resulting change in fair value presented in Other Comprehensive Income. Such unrealized gain or loss from remeasurement would not affect Qisda's net income and EPS in each quarter.

Qisda Press Release, May 11, 2021

5. Q&A

Qisda

Value-Up Solutions