Qisda Corporation Investor Conference: 2021 Q2 Results

August 12, 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

Agenda

1. 2021 Q2 Financial Results	CFO	Jasmin Hung
2. Business Update and Outlook	Chairman	Peter Chen
3. Summary of Business Groups	GMs of Business Groups	
4. Q&A		

Qisda

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.

1. 2021 Q2 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 (Ticker 2352)	1996
Capital (NTD)	19.7B
Consolidated Companies	183
Listed Companies (Taiwan)	14
No. of Employees	33,000

Global Presence

Manufacture Sites：Taiwan, China, Vietnam

Sales Offices：197 Locations Worldwide

R&D：Taiwan, China

Revenue Breakdown by Geography (2020)

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

2021 First Half Revenue

NTD$106.9B (USD$ 3.8B)

2020 Revenue

NTD$191.7B (USD$ 6.5B)

Awards

2020 Winning「Best Companies to Work For in Asia」

2020 Winning「Taiwan Corporate Sustainability Awards (TCSA)」

2018 THOMSON REUTERS:「TOP 100 GLOBAL TECH LEADER」

Qisda

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
(13%)

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

OTHERS
(8%)

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

INVESTMENT

- **AUO** (FVOCI)
- **Darfon** (Equity method)

Q2 High value-added business account for 32% of total revenue

2021 Q2 Highlights

- **Q2 revenue, operating income and net income attributable to Qisda were all the highest second-quarter results in 10 years.**

- **Highest Q2 EPS \$1.93 in 10 years; 1H EPS \$3.01 already higher than full-year EPS in 10 years.**

- **Q2 revenue and profitability significantly increased on YoY basis**
  - **Revenue increased by 28%, operating income increased by 33% and net income attributable to Qisda increased by 301%.**
  - **Revenue growth rate maintains double digits:** This is due to Qisda's strategic investment in high value-added business and increasing demand in commercial and industrial applications for ICT products.
  - **High value-added business:** Revenue significantly increased by 94% on YoY basis and continuously accounted for more than 30% in 4 consecutive quarters. Revenue for medical business increased by 42%.
  - **Non-operating income continued to make positive contribution:** Mainly due to investment in AUO is changed to FVOCI from equity method, amount is approximately NTD 2.4 billion.

- **First half revenue, operating income and net income attributable to Qisda were all the highest half-year results in 10 years.**
  - **Gross margin, operating income margin and net income margin increased on YoY basis: Gross margin 14.7% (+1.2ppt), operating income margin 3.4% (+0.4ppt), net income margin 6.5% (+4.6ppt).**

Qisda

Consolidated Statement of Comprehensive Income (Quarterly)

Unit : NT$ Million

	2021 Q2		2020 Q2		YoY amt	YoY g%	2021 Q1		QoQ amt	QoQ g%
Net Sales	**55,984**	**100%**	**43,673**	**100%**	**12,311**	**28%**	**50,904**	**100%**	**5,080**	**10%**
Cost of Goods Sold	(47,725)		(37,744)		(9,981)		(43,403)		(4,322)	
Gross Margin	**8,259**	**14.8%**	**5,929**	**13.6%**	**2,330**	**39%**	**7,501**	**14.7%**	**758**	**10%**
Operating Expenses	(6,352)	-11.3%	(4,494)	-10.3%	(1,858)		(5,783)	-11.4%	(569)	
Operating Income	**1,907**	**3.4%**	**1,435**	**3.3%**	**472**	**33%**	**1,718**	**3.4%**	**189**	**11%**
Net non-operating Income	3,388		392		2,995		1,415		1,973	
Profit(Loss) before Tax	**5,295**	**9.5%**	**1,827**	**4.2%**	**3,468**	**190%**	**3,133**	**6.2%**	**2,162**	**69%**
Net Income	**4,388**	**7.8%**	**1,213**	**2.8%**	**3,175**	**262%**	**2,609**	**5.1%**	**1,779**	**68%**
Net income attributable to Qisda	**3,805**	**6.8%**	**949**	**2.2%**	**2,857**	**301%**	**2,112**	**4.1%**	**1,694**	**80%**
EPS (NT$) (a)	**$1.93**		**$0.48**		**$1.45**		**$1.07**		**$0.86**	

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

Qisda

Consolidated Statement of Comprehensive Income (First Half)

Unit : NT$ Million

	2021 1H		2020 H1		YoY amt	YoY g%
Net Sales	**106,888**	**100%**	**82,873**	**100%**	**24,015**	**29%**
Cost of Goods Sold	(91,128)		(71,680)		(19,448)	
Gross Margin	**15,760**	**14.7%**	**11,193**	**13.5%**	**4,567**	**41%**
Operating Expenses	(12,135)	-11.4%	(8,721)	-10.5%	(3,413)	
Operating Income	**3,625**	**3.4%**	**2,472**	**3.0%**	**1,153**	**47%**
Net non-operating Income	4,802		(6)		4,808	
Profit(Loss) before Tax	**8,427**	**7.9%**	**2,466**	**3.0%**	**5,961**	**242%**
Net Income	**6,997**	**6.5%**	**1,604**	**1.9%**	**5,392**	**336%**
Net income attributable to Qisda	**5,917**	**5.5%**	**1,181**	**1.4%**	**4,736**	**401%**
EPS (NT$) (a)	**$3.01**		**$0.60**		**$2.41**	

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

Qisda

Consolidated Balance Sheet Highlights

Unit : NT$ Million

	2021.06.30		2021.03.31		QoQ		2020.06.30		YoY	
					amt	g%			amt	g%
Cash & Equivalent	21,234	12%	23,629	14%	-2,395	-10%	15,423	11%	5,812	38%
Accounts Receivable	33,041	18%	30,792	18%	2,249	7%	27,876	20%	5,165	19%
Inventory	42,008	23%	35,897	21%	6,110	17%	26,991	20%	15,017	56%
L-T Investments	3,276	2%	16,677	10%	-13,401	-80%	17,389	13%	-14,113	-81%
Financial assets at fair value through other comprehensive income–non-current	17,466	10%	2,599	2%	14,867	572%	1,285	1%	16,181	1259%
Total Assets	182,913	100%	171,215	100%	11,698	7%	138,200	100%	44,713	32%
Fin. Debt *	50,557	28%	47,733	28%	2,824	6%	39,331	28%	11,226	29%
Accounts Payable	40,175	22%	36,914	22%	3,262	9%	29,802	22%	10,373	35%
Toal Liabilities	121,507	66%	109,897	64%	11,609	11%	91,039	66%	30,468	33%
Equity	61,406	34%	61,318	36%	88	0%	47,162	34%	14,245	30%

YoY Added company : Alpha

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

Key Financial Ratios

	2021.06.30	2021.03.31	QoQ	2020.06.30	YoY
AR Turnover (Days)	77	78	-1	82	-5
Inventory Turnover (Days)	77	75	+2	70	+7
AP Turnover (Days)	81	81	+0	77	+4
Cash Conversion Cycle (Days)	73	72	+1	75	-2
ROE (annualized) (a)	23.3%	17.4%	+5.9 ppt	6.7%	+16.6 ppt
Current ratio	121%	127%	-6 ppt	120%	+1 ppt
Fin. Debt (b) / Total Assets	28%	28%	0 ppt	28%	0 ppt

(a) Annualized net income / Average total equity

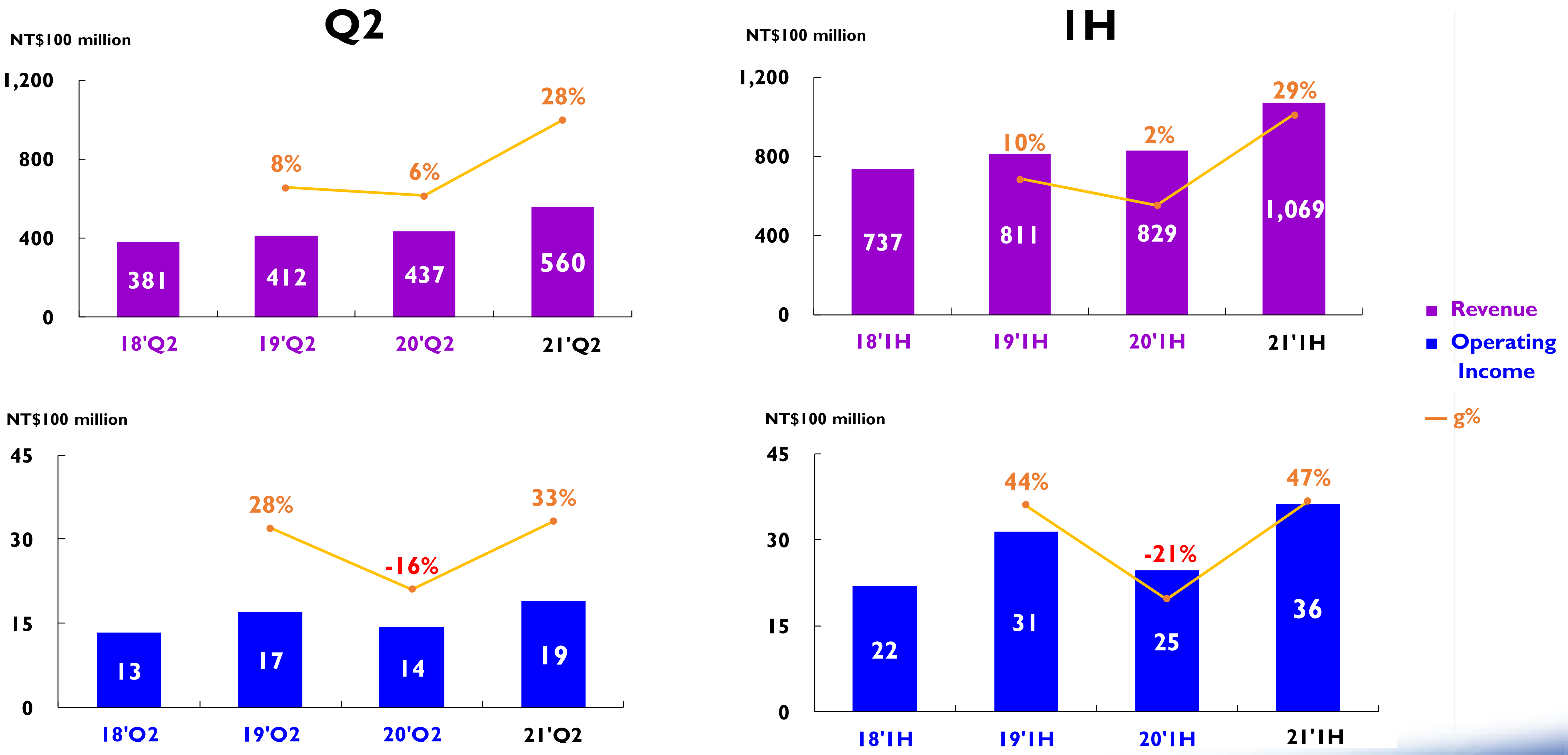
(b) Fin.debt included long term and short term financial debts and lease obligations payable.

Revenue and Operating Income

- Revenue and operating income **reached Q2 and 1H record high in 10 years**

Revenue

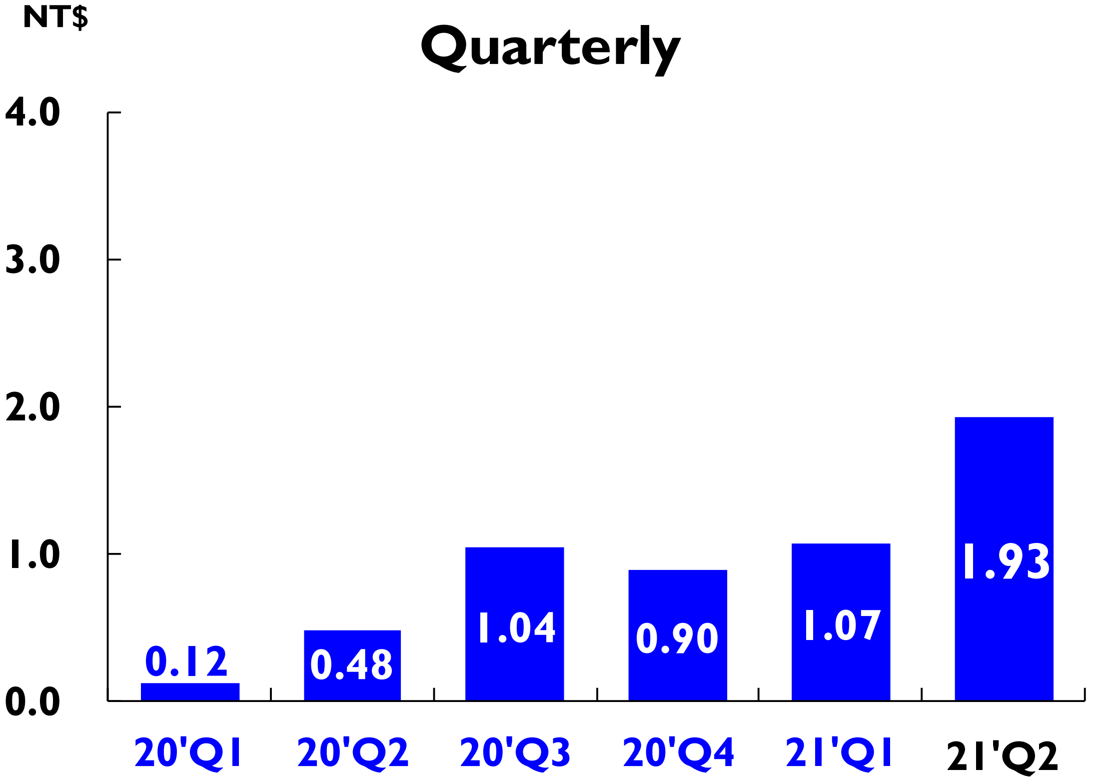
Operating Income

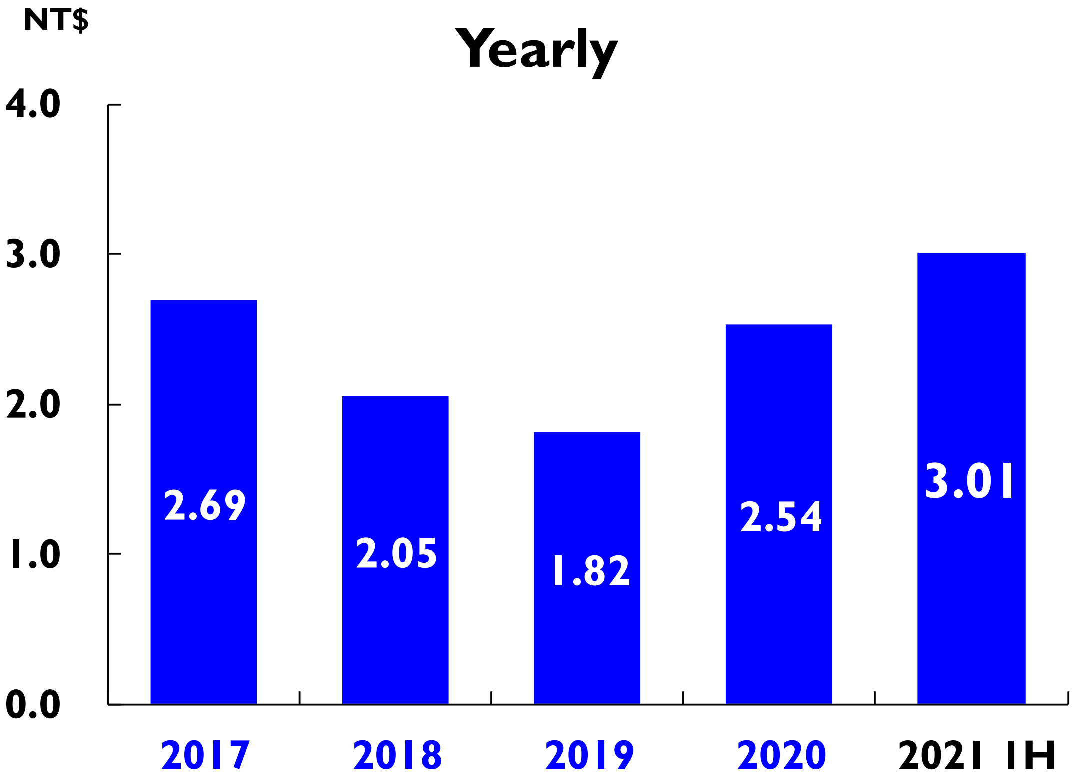


Qisda

EPS

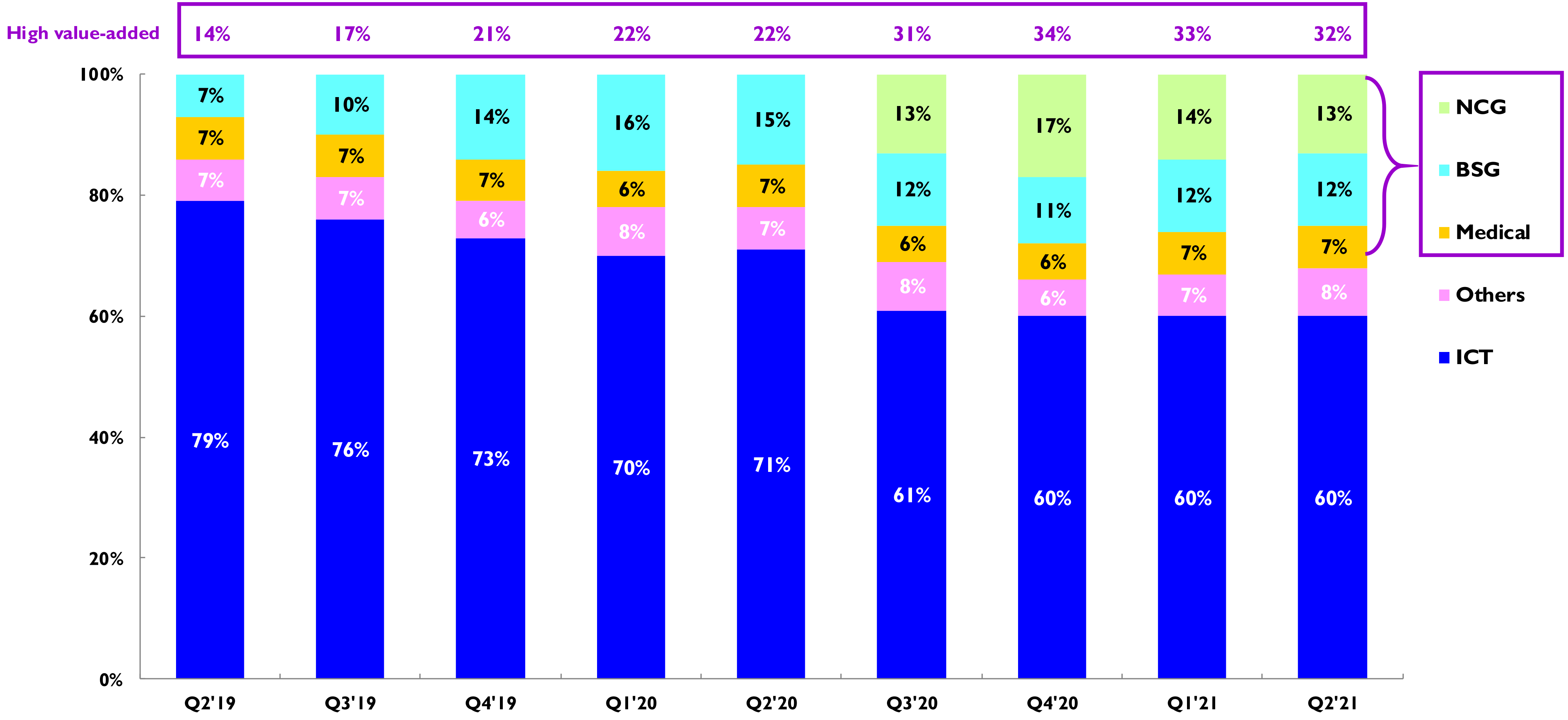
- Above **NT$1** for 2 quarters straight
- 1H **$3.01** highest in 10 years





Qisda

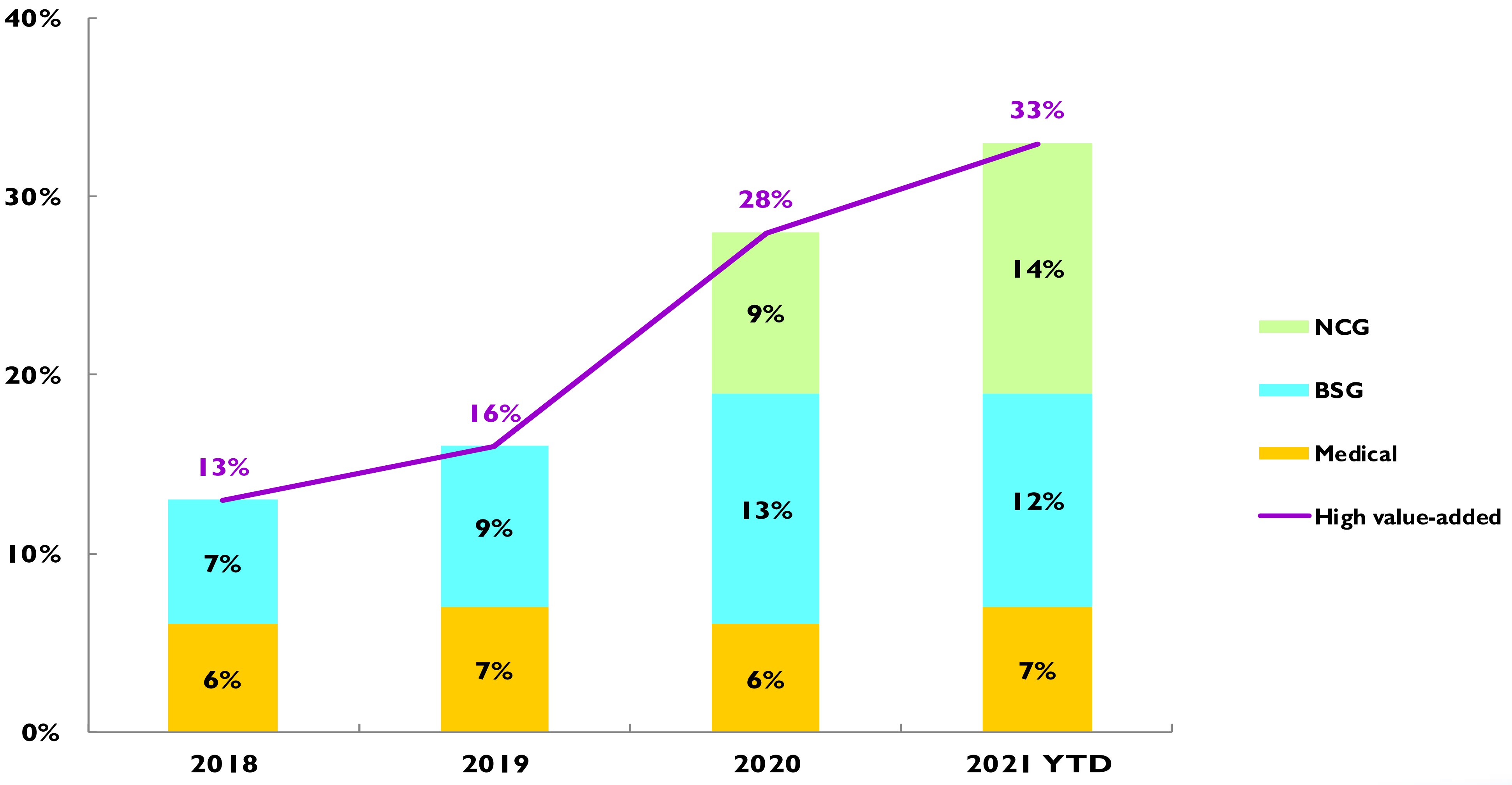
Revenue Breakdown by Business (Quarterly)



* 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



2. Business Update and Outlook

Chairman Peter

Qisda's Vision

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

Qisda

Qisda's Winning Strategy

Major Pillars

Current Business Optimization

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

Fast Expansion for Medical Businesses

Medical Service, Equipment & Consumables

5G Network Business Strategic Placement

Comprehensive broadband solutions

Acceleration on Solution Development

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

Qisda

2021 Q3 Outlook

✓ Business Drivers

- Revenue and profitability of high value-added business continue to grow.
- Medical business likely to maintain high growth: Hospital business growing steadily, with increasing supplies of infection prevention products.
- In-depth expansion of Business Solution Group: Enhance cloud and information security services. DFI (ticker: 2397) completes public acquisition of Ace Pillar (ticker: 8374).

✓ Cautious Measure to Global Economic

- Pandemic-related impact: While the vaccine penetration rate increases and many countries lift the lockdown one after another, variants of the virus still significantly affect many countries' economies.
- Supply and demand: The supply chain still face challenges such as shortage in materials and cargo capacity. Rising inflation and its impact on consumer spending may affect demand.

Qisda

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

Qisda

4. Q&A

Qisda

Value-Up Solutions