Qisda Corporation Investor Conference: 2021 Q4 Results

March 9, 2022

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

Agenda

1. Company Profile
2. 2021 Q4 Financial Results
3. Transformation Result
4. Business Update and Outlook
5. Summary of Medical Business Group
6. Q&A

CFO	Jasmin Hung
Chairman	Peter Chen
GM	Harry Yang

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.

I. Company Profile

CFO Jasmin

Qisda

Qisda Group

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

Established Year	1984
IPO Year (Ticker 2352)	1996
Capital (NTD)	19.7B
Consolidated Companies	197
Listed Companies (Taiwan)	16
No. of Employees	30,000+

Global Presence

Manufacture Sites：Taiwan, China, Vietnam

Sales Offices：198 Locations Worldwide

R&D：Taiwan, China

Revenue Breakdown by Geography (2021)

Asia	46%
Americas	31%
Europe	21%
Others	2%

2021 Revenue
NTD$226B (USD$ 8.1B)

2020 Revenue
NTD$191.7B (USD$ 6.5B)

Awards

2021 Forbes:
" World's Best Employer 2021 "

2021 HR Asia:
" Best Companies to Work For 2021 "
" Most Caring Companies 2021 "

2021 Winning
" Taiwan Corporate Sustainability Awards (TCSA) "

Qisda

Business Groups

Qisda 2352

2021 Revenue (NTD)	ICT Information & Communication Technology (61%)	MEDICAL (7%)	BSG Business Solutions (13%)	NCG Networking & Communication (12%)	OTHERS (7%)
	138.8 B	16.5 B	28.7 B	27.9 B	14.1 B

ICT
- **Displays** 97.5B (43%)
  - Gaming
  - High-end
  - General
- **Projectors** 12B (5%)
- **ICT - others** 10B (4%)
- **ICT - HVA** 19.3B (9%)
  - Prof. Display Module
  - Integration Solutions
  - High-end Video Survillance

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

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

OTHERS
- **Material**
  - Functional Film
  - Advanced Battery Materials
- **Other products**

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

* Purple columns are "high value-added business" which account for 41% of total revenue. Each business group's revenue scale is between NTD 15B ~ 30B, reaching a meaningful economics of scale.

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2. 2021 Q4 Financial Results

CFO Jasmin

Qisda

2021 Q4 Highlights

- **Whole year revenue NTD 226B (+34.3B), EPS 4.22 (+1.69), revenue, operating income, net income attributable to Qisda and EPS were all highest in 10 years**
  - Growth on YoY basis: Revenue 18%, operating income 11% and net income attributable to Qisda 67%
  - Gross margin 14.4% (+0.4ppt), operating margin 3.3% (-0.1ppt)
  - Return on Equity (ROE) achieved 16.8%

- **Q4 revenue grew 8% on YoY basis, operating income decreased NTD 0.34B and net income attributable to Qisda decreased NTD 0.77B**
  - **Mainly due to increase in materials cost and expenses**
  - **ICT:** Revenue grew 15% as demand shifted to commercial from consumer, gross margin decreased due to changes in product portfolio
  - **Medical:** Revenue grew 29%, highest on quarterly and yearly basis. Profit contribution grew significantly
  - **BSG:** Revenue grew 36%, highest on quarterly and yearly basis. Profit contribution grew slightly due to increase in materials cost
  - **NCG:** Revenue decreased 35%. Profit contribution decreased due to shortage in materials and containers and port congestion

- **Cash dividend NTD 2.5 per share, payout ratio around 59%, yield rate around 8% (based on NTD 30.95 closing price of 3/8)**

Qisda

Consolidated Statement of Comprehensive Income (Quarterly)

Unit : NT$ Million

	2021 Q4		2020 Q4		YoY		2021 Q3		QoQ	
					amt	g%			amt	g%
Net Sales	**61,872**	**100%**	**57,134**	**100%**	**4,738**	**8%**	**57,201**	**100%**	**4,671**	**8%**
Cost of Goods Sold	-53,391		-48,984		-4,407		-48,885		-4,506	
Gross Margin	**8,481**	**13.7%**	**8,150**	**14.3%**	**331**	**4%**	**8,316**	**14.5%**	**166**	**2%**
Operating Expenses	-6,727	-10.9%	-6,060	-10.6%	-667		-6,334	-11.1%	-393	
Operating Income	**1,754**	**2.8%**	**2,091**	**3.7%**	**-336**	**-16%**	**1,982**	**3.5%**	**-227**	**-11%**
Net non-operating Income	263		705		-441		566		-302	
Profit(Loss) before Tax	**2,018**	**3.3%**	**2,795**	**4.9%**	**-778**	**-28%**	**2,548**	**4.5%**	**-530**	**-21%**
Net Income	**1,533**	**2.5%**	**2,284**	**4.0%**	**-751**	**-33%**	**1,954**	**3.4%**	**-421**	**-22%**
Net income attributable to Qisda	**995**	**1.6%**	**1,761**	**3.1%**	**-766**	**-43%**	**1,395**	**2.4%**	**-400**	**-29%**
EPS (NT$) (a)	**$0.51**		**$0.90**		**-$0.39**		**$0.71**		**-$0.20**	

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

Qisda

Consolidated Statement of Comprehensive Income (YTD)

Unit : NT$ Million

	2021		2020		YTD YoY	
					amt	g%
Net Sales	**225,961**	**100%**	**191,702**	**100%**	**34,259**	**18%**
Cost of Goods Sold	-193,404		-164,875		-28,530	
Gross Margin	**32,557**	**14.4%**	**26,827**	**14.0%**	**5,730**	**21%**
Operating Expenses	-25,196	-11.2%	-20,214	-10.5%	-4,982	
Operating Income	**7,361**	**3.3%**	**6,613**	**3.4%**	**748**	**11%**
Net non-operating Income	5,631		1,600		4,032	
Profit(Loss) before Tax	**12,992**	**5.7%**	**8,213**	**4.3%**	**4,780**	**58%**
Net Income	**10,483**	**4.6%**	**6,367**	**3.3%**	**4,116**	**65%**
Net income attributable to Qisda	**8,308**	**3.7%**	**4,988**	**2.6%**	**3,319**	**67%**
EPS (NT$) (a)	**$4.22**		**$2.54**		**$1.69**	

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

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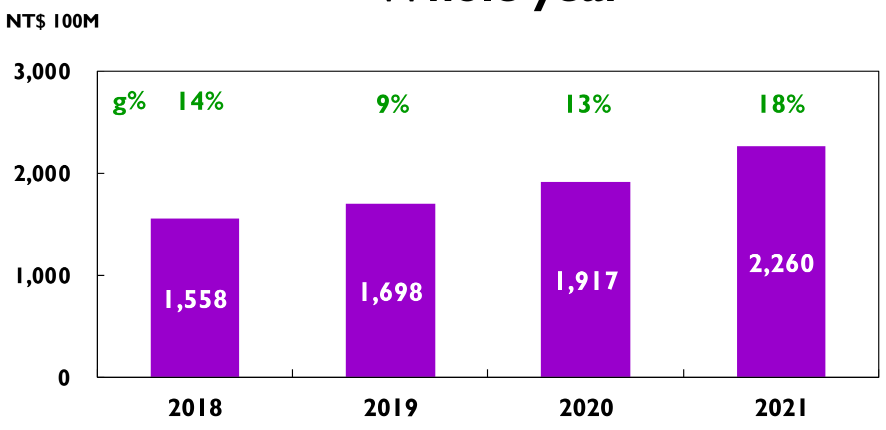
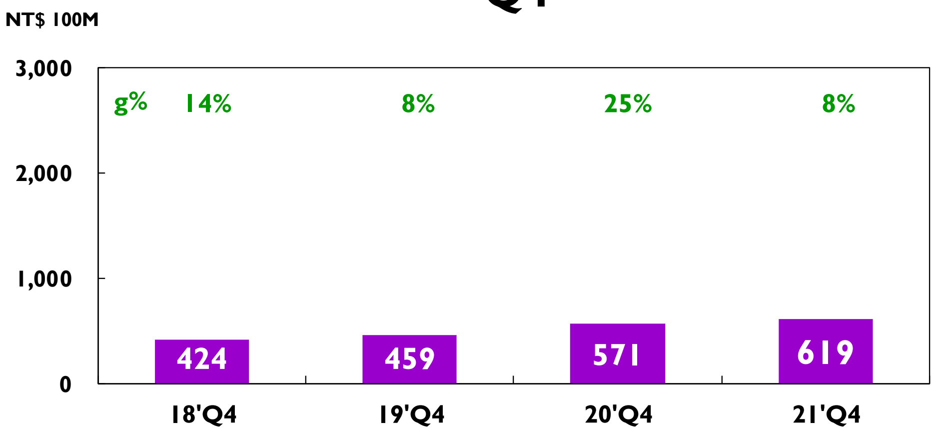
Revenue and Operating Income

- **Whole year: Revenue and operating income were highest in 10 years, YoY grew at double-digit rate - revenue 18%, operating income 11%**
- **Q4: Revenue NTD 61.9 B, YoY grew 8%; rising material cost and expenses are the main reasons for slight decrease in operating income**

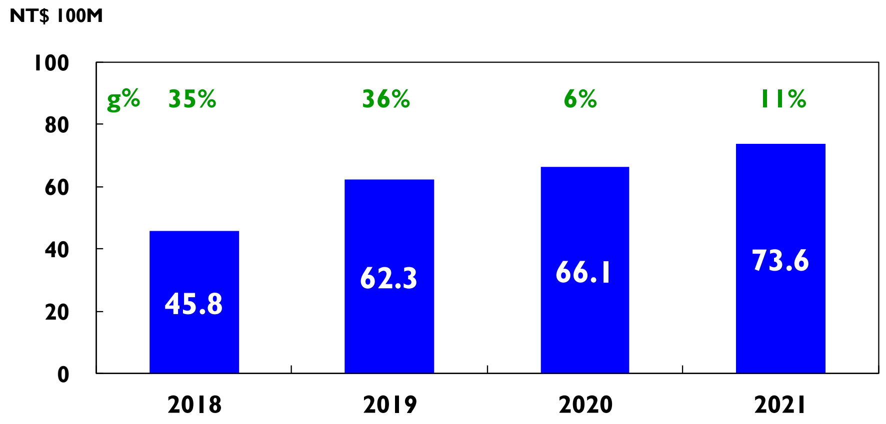
Whole year | **Q4**

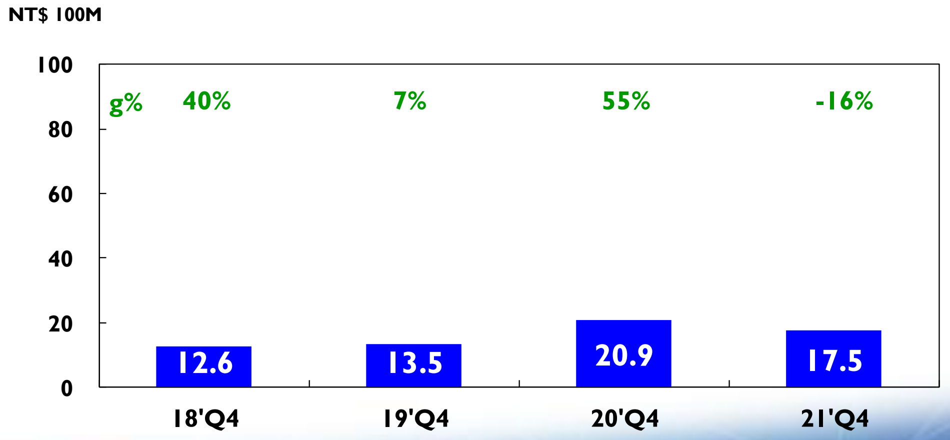
Revenue





Operating Income





Consolidated Balance Sheet Highlights

Unit : NT$ Million

	2021.12.31		2021.09.30		QoQ amt	QoQ g%	2020.12.31		YoY amt	YoY g%
Cash & Equivalent	17,781	9%	16,830	9%	951	6%	22,540	13%	-4,759	-21%
Accounts Receivable	33,009	18%	33,731	19%	-722	-2%	36,502	21%	-3,493	-10%
Inventory	50,148	27%	47,994	27%	2,154	4%	35,139	21%	15,009	43%
L-T Investments	4,067	2%	3,321	2%	746	22%	16,308	10%	-12,241	-75%
Financial assets at fair value through other comprehensive income–non-current	18,047	10%	14,069	8%	3,978	28%	1,381	1%	16,666	1206%
Total Assets	187,211	100%	181,017	100%	6,193	3%	170,812	100%	16,399	10%
Fin. Debt	52,179	28%	57,069	32%	-4,890	-9%	44,568	26%	7,610	17%
Accounts Payable	40,785	22%	38,547	21%	2,238	6%	40,526	24%	259	1%
Toal Liabilities	121,048	65%	121,661	67%	-613	-1%	111,849	65%	9,199	8%
Equity	66,163	35%	59,357	33%	6,806	11%	58,963	35%	7,200	12%

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Key Financial Ratios

	2021.12.31	2021.09.30	QoQ	2020.12.31	YoY
AR Turnover (Days) (Incl. Factoring)	76	76	+0	79	-3
Inventory Turnover (Days)	80	81	-1	70	+10
AP Turnover (Days)	77	77	+0	79	-2
Cash Conversion Cycle (Days)	79	80	-1	70	+9
Current ratio	124%	120%	+4 ppt	124%	+0 ppt
Return on equity	16.8%				

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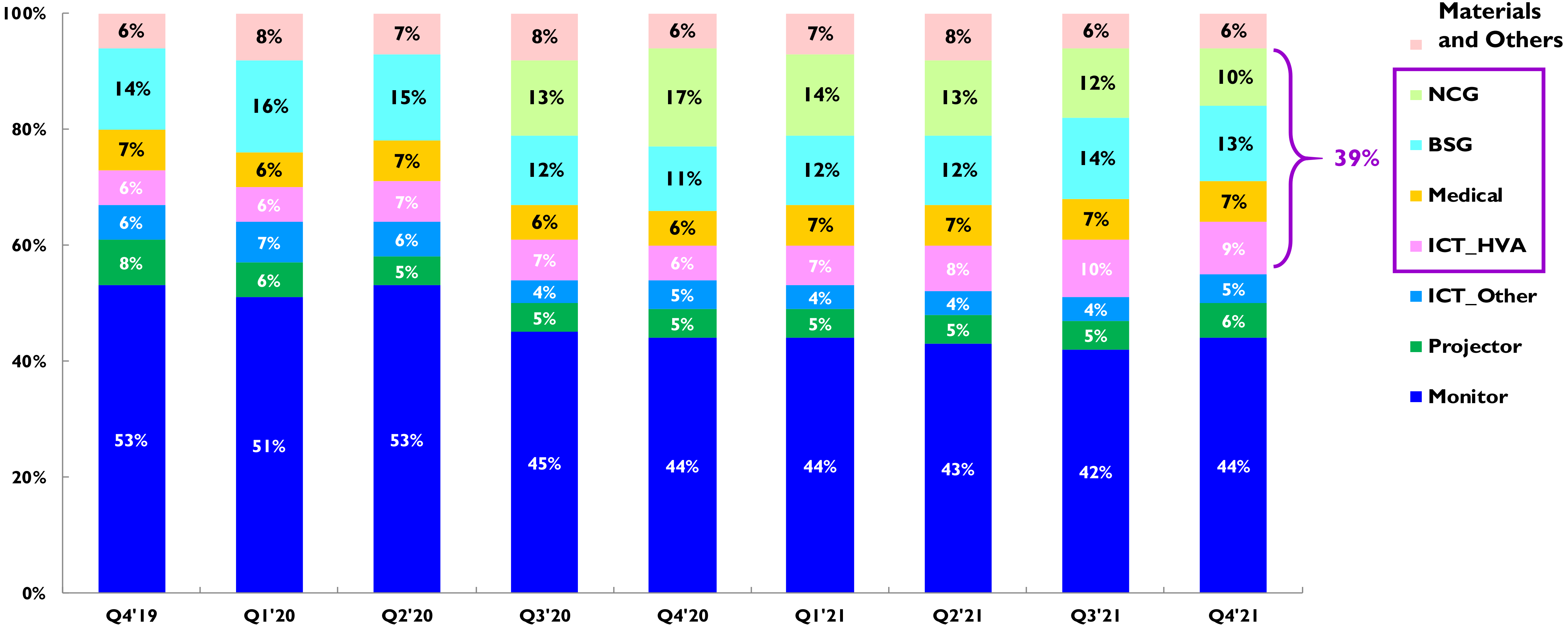
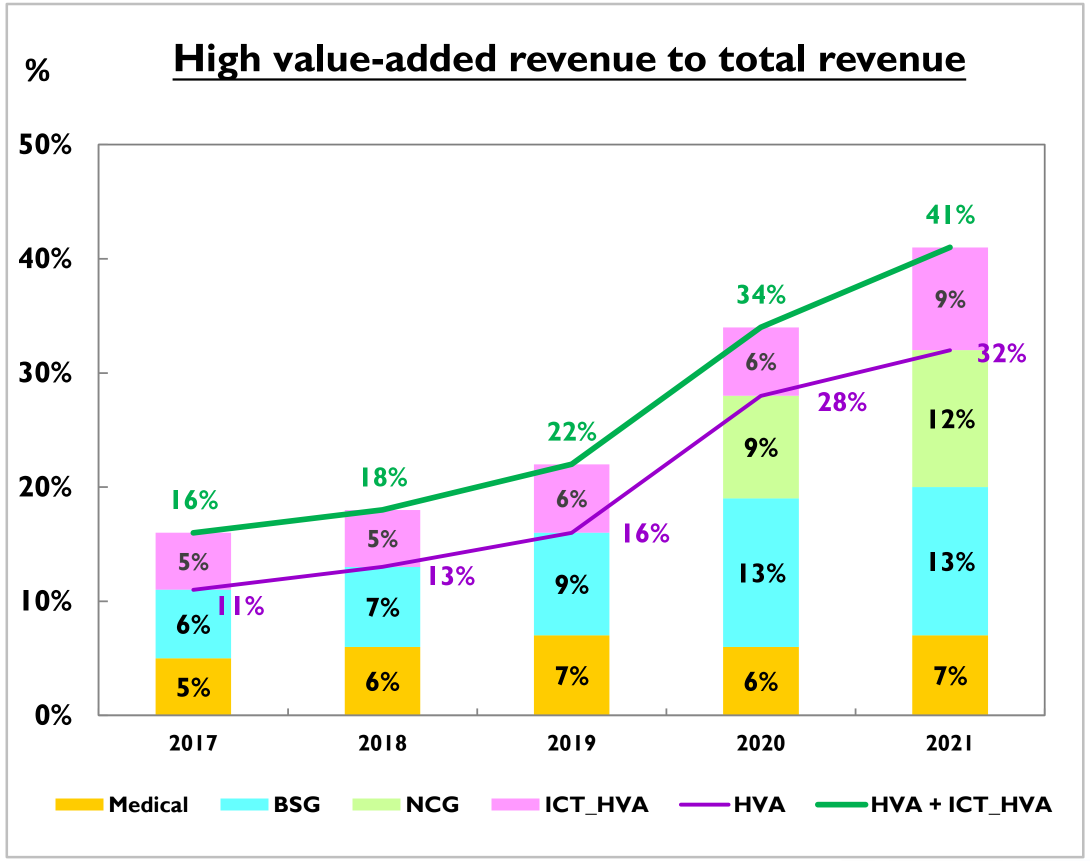
Revenue Breakdown by Business (Quarterly)

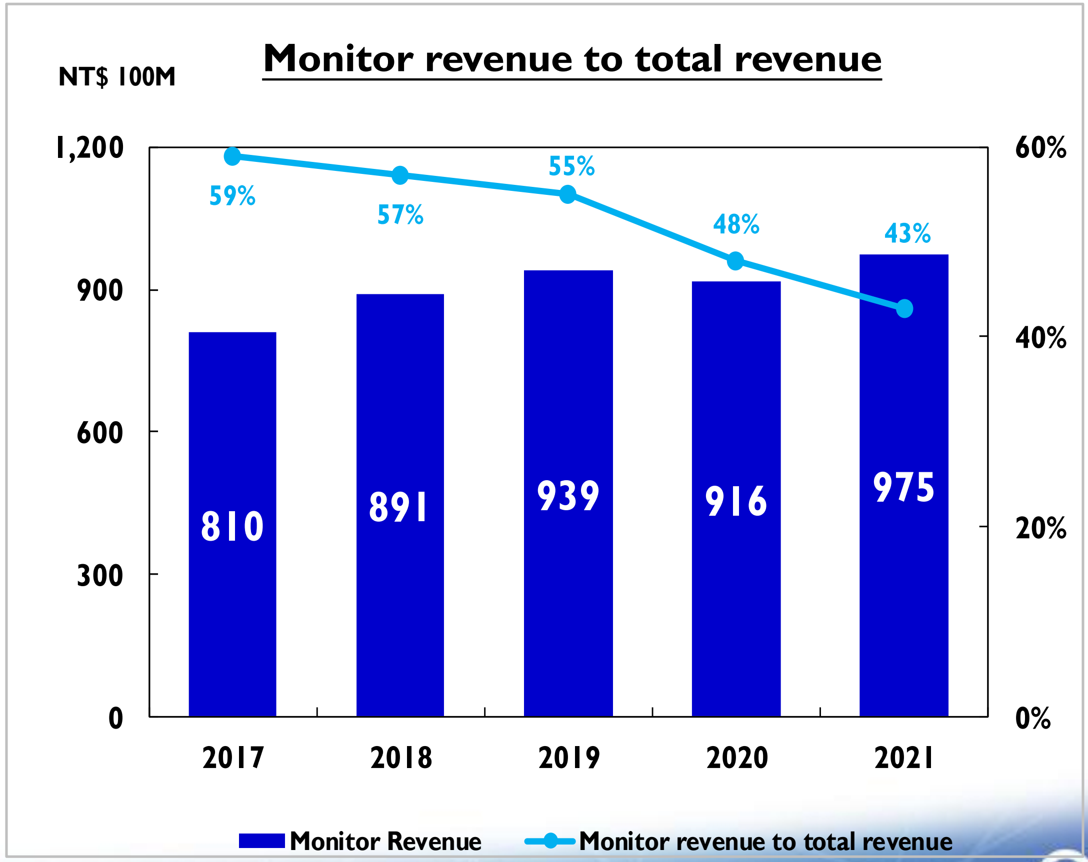


* Materials and Others: BenQ Materials and other products
* ICT：ICT products
* ICT_Projector: Projectors
* NCG：Networking and Communication
* ICT_HVA: prof. display modules, integrated solutions, high-end video surveillance
* ICT_Monitor: Monitors
* BSG：Business Solutions Group
* Medical：medical service, equipment and consumables
*ICT_Other: other ICT products

Revenue Breakdown by Business (Yearly)

- High value-added business revenue to total revenue reached 41%, transformation shows positive result. We are kicking off next phase target – high value-added business profit contribution exceed 50%
- Medical, BSG and NCG account for 32% of total revenue, combine with ICT high value-added products (ICT_HVA) which account for 9% of total revenue, increase by 25% comparing with 16% in 2017
- Monitors revenue grew steadily and its weight on total revenue decrease to 43% from 59% as the result of increase in high value-added products.





3. Transformation Result

Chairman Peter

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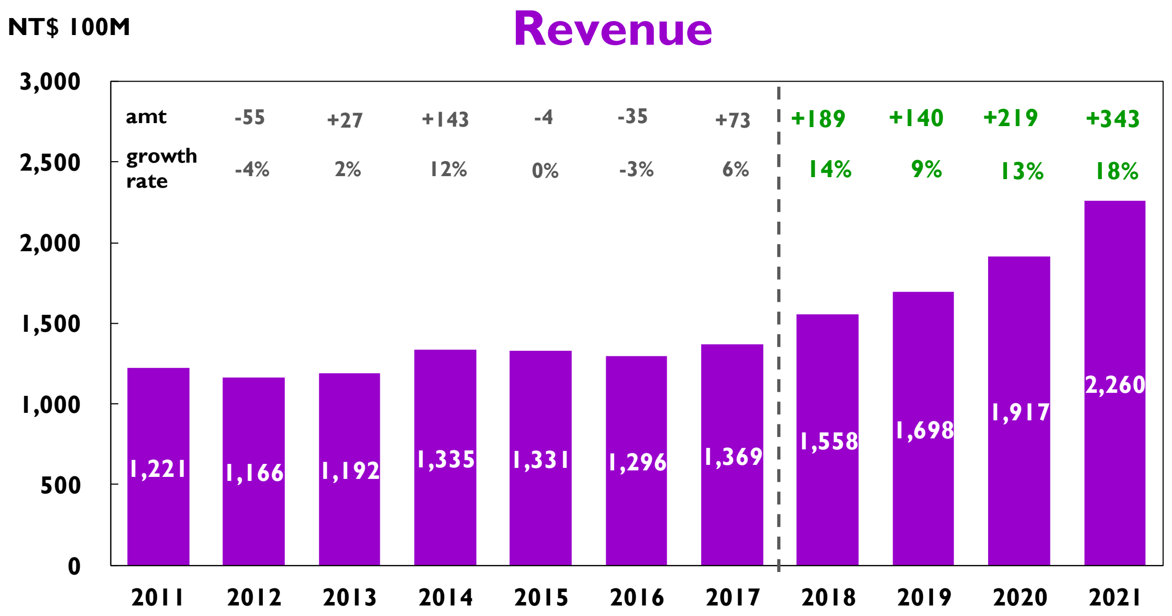
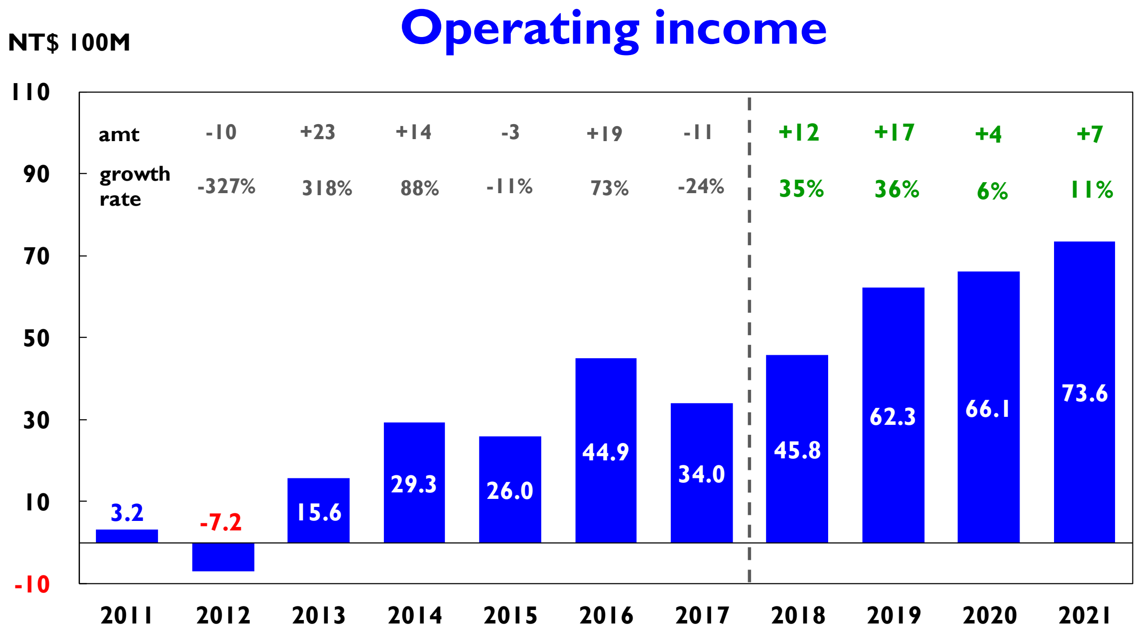
Revenue and Operating Income

- **Since 2014, we kicked off the strategy of M&A and organic growth in parallel, transformation shows positive result. Revenue, operating income, net income attributable to Qisda and EPS were all highest in 10 years**
  - ✓ 2014 ~ 2017: Focus on optimizing current ICT business, start strategic investment in Medical and BSG
  - ✓ 2017 ~ 2021: Accelerate M&A in high value-added business to be consolidated companies, continuously optimize ICT business and expand ICT_HVA products
- **Revenue: Size exceeding NTD 220B in 2021 from NTD 100B. Revenue amount grew over NTD 10B each year and average 10% growth rate in recent 4 years**
- **Operating income: Steadily profitable and breakthrough NTD 7B in 2021. Average double-digit annual growth rate in recent 4 years**





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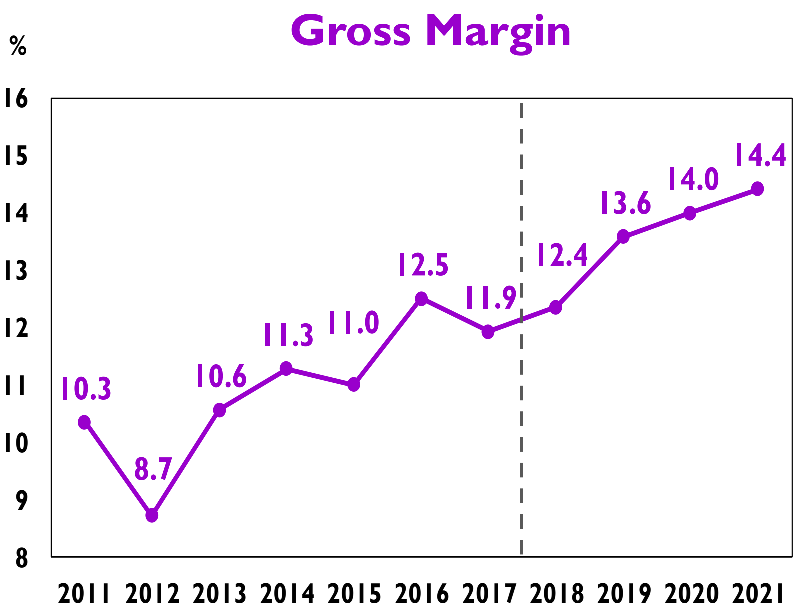
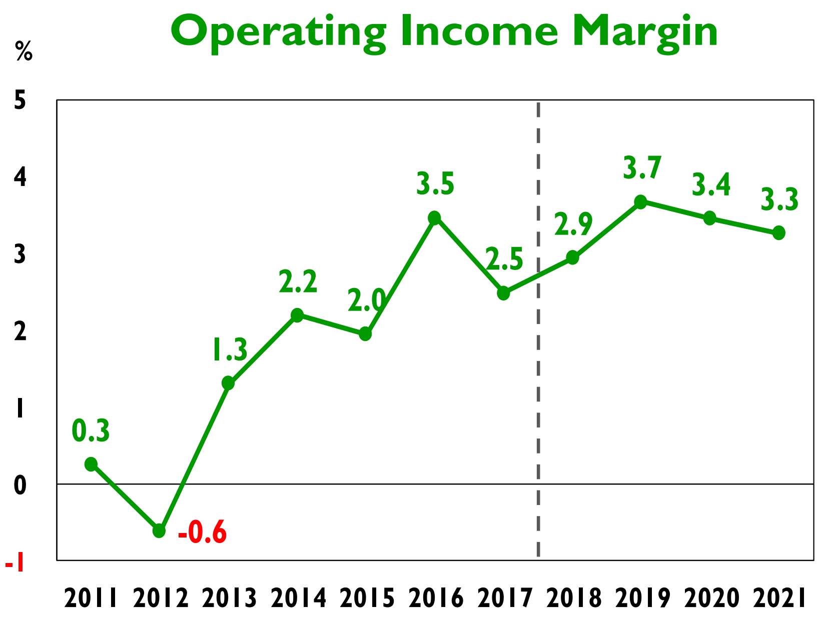
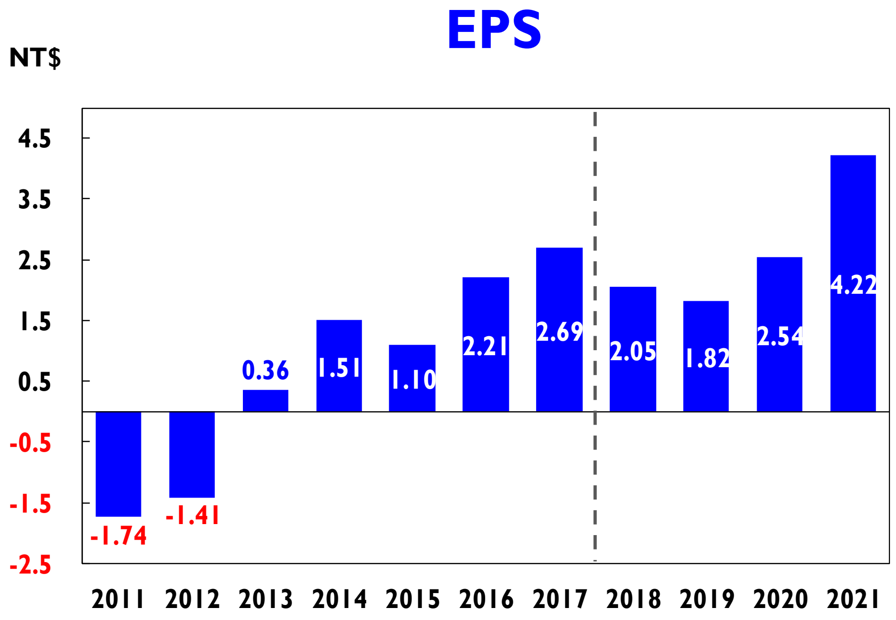
Gross Margin, Operating Income Margin, EPS

- Gross margin: From 10% to 14%, increased by around 4%
- Operating income margin: From below 1% to steadily above 3%, increased by around 3%
- EPS: 2021 reached 4.22, highest in 10 years due to increase in operating business profitability, disposal of some idle assets and minimize uncertainties from non-operating business







Qisda major subsidiaries EPS and ROE

NTD		2021			Comparing With 2020	
Business Group	Company		EPS	ROE	EPS	ROE
ICT	Data Image (ROTC)	★ record high	4.58	19%	+2.00	+3%
	BenQ		3.31	18%	+0.17	+2%
	TopView (OTC)	★ highest in 6 years	4.46	12%	+2.23	+6%
	SIMULA (OTC)		1.39	7%	+0.29	+1%
Medical	Hospital		US 0.18	27%	US +0.16	+24%
	K2	★ highest in 10 years	3.84	15%	+0.90	+3%
	BenQ Medical Tech (OTC)		0.65	4%	-0.75	-4%
BSG	DFI (TSE)		5.38	15%	+1.84	+6%
	Partner Tech (ROTC)		1.26	13%	+1.19	+9%
	Sysage (TSE)	★ record high	3.07	13%	+0.15	+0%
NCG	Alpha (TSE)		0.80	4%	-0.23	-7%
Others	BenQ Materials (TSE)	★ highest in 7 years	3.03	20%	+1.79	+11%
Qisda Group		★ highest in 10 years	4.22	17%	+1.69	+4%

- BenQ Medical Tech: Aggressively invest in medical distribution channel, medical management and pharmacies to assemble medical grand fleet
- Alpha: Continuously optimize product portfolio to increase profitability

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4. Business Update and Outlook

Chairman Peter

Qisda's Winning Strategy

Current Business Optimization

ICT Products
(WW2 👑 in Monitor, Projectors;
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, Retail, Energy,
Enterprise, Campus)

2022 Q1 Outlook

✓ Business Drivers

- Continuous optimization in ICT high value-added products.
- Medical business to maintain high growth: Hospital business and the demand for infection prevention products are expected to grow steadily.
- In-depth expansion of Business Solutions Group: Enhance cloud and digital transformation services to increase value of solutions.

✓ Cautious Measure in the Face of Global Economic Uncertainties

- Pandemic-related impact: While the vaccine penetration rate increases and countries increasingly lift lockdown restrictions, 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, port congestion, rising interest rates, inflation and its impact on products price and consumer spending need to be observed.

5. Summary of Medical Business Group

GM, Medical Devices Business Group Harry Yang

Medical Business Group Overview


BenQ Medical Center, Nanjing

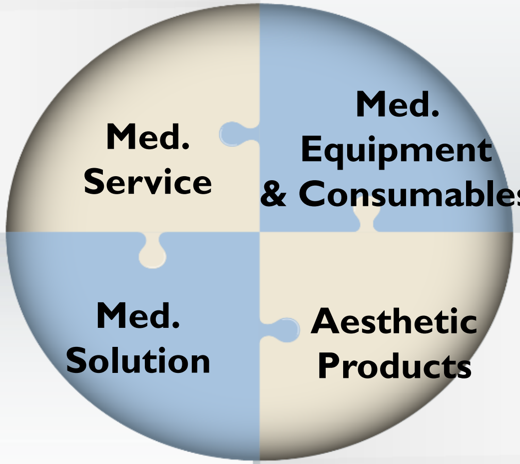

BenQ Medical Center, Suzhou


Medical Management


Pharmacies


Hearing Aids


AI Smart Health Examination




Surgical Equipment


Ultrasound


Medical Display


Intraoral scanner/dental consumables


Dialyzer


Dialysis Machine


Medical Facemask & Medical Consumable


Medical Disinfectant


MiBot Medical Robot


Smart Hospital, Smart Surgery
Smart Dialysis, Digital Dentistry


Vision Care


Skin Care


Professional Aesthetic Equipment


Wound Care

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Medical Business Group Milestones

2008
- BenQ Medical Center, Nanjing
- Medical Services

2010
- BenQ Materials
- BenQ Medical Tech
- Medical Equipment

2012
- Qisda Corp.
- Medical Imaging

2013
- BenQ Medical Center, Suzhou
- Lily Medical
- BenQ AB DentCare
- Medical Consumables
- IntraOral

2014
- BenQ Dialysis
- Dialysis Production

2017
- BenQ Health
- Best Sound
- Hearing Aids

2018
- K2 Medical
- Dialysis Distribution

2019
- BenQ Biotech (Shanghai)
- Dialysis Production& Distribution

2020
- Eastech Medical
- Golden Spirit
- Medical Imaging Distribution
- Disinfectant

2021
- HeYue Life
- Concord Medical
- DIVA
- Dataa
- Pharmacies
- Medical Mgmt
- Medical Display
- AI Smart Health Examination

Medical Business Group Strategy

Gathering the hidden medical champions in Taiwan to integrate core technology and utilize group resources to be a medical grand fleet that is user-centric。

Alliance Growth

Strategic investment to assemble multinational grand fleet

User Centric

Connect social platform with hospital to meet the needs of customers

Innovative Technology

Integrate core technology to develop and manufacture new medical products

Medical Business Group Outlook and Direction

- IoT
- AI
- Big Data
- 5G
- Metaverse

Smart Healthcare

- AI Smart Healthcare, Precision Medicine
- Smart Medical Management, Telemedicine
- Smart Hospital

Infection Prevention

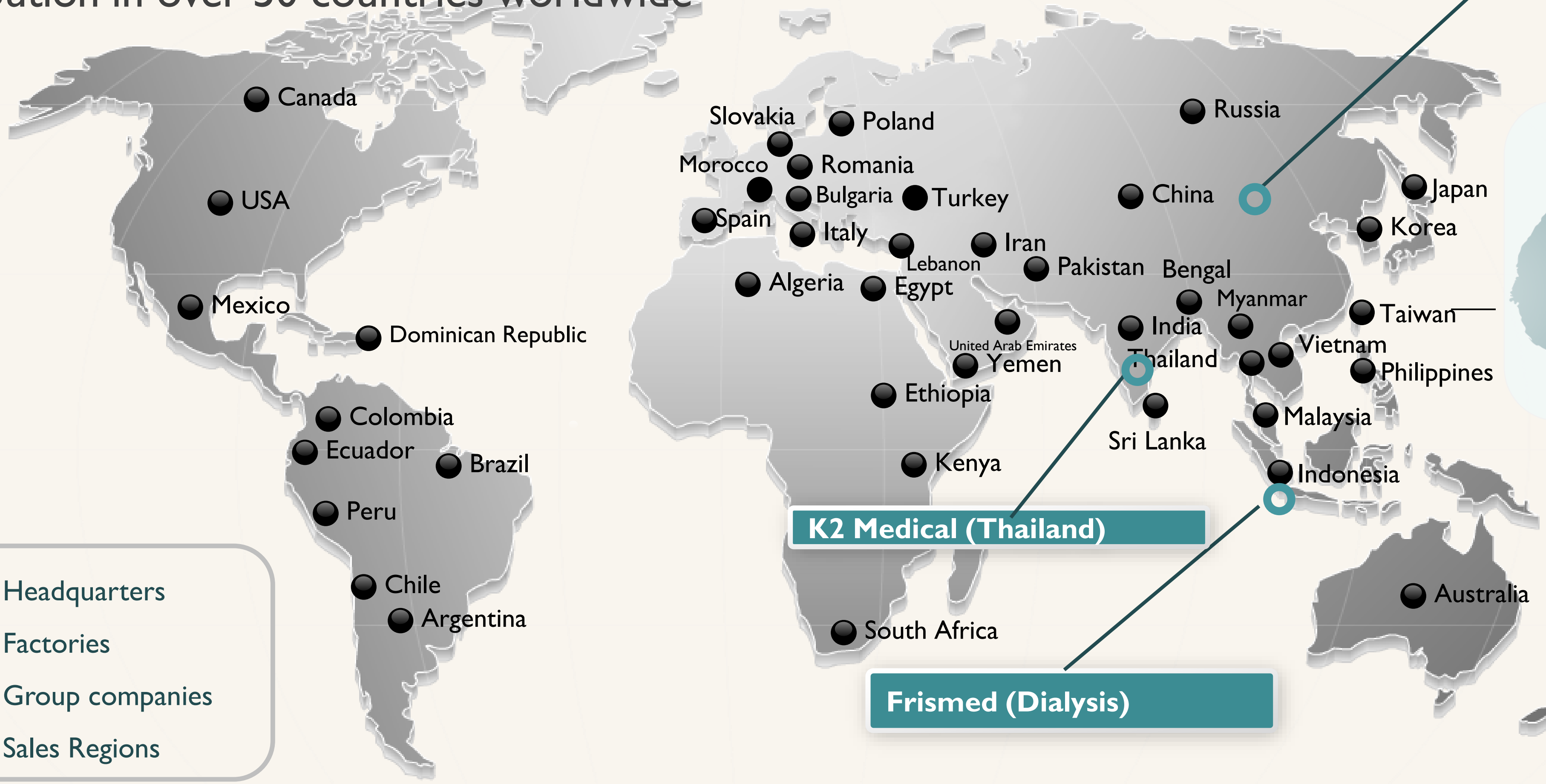
- Smart Pharmacy – Remote Medical Consultation
- Personalized Prevention Products and Services
- Smart Epidemic Prevention

Beauty & Health Sustainability

- Personalized Smart Care
- Smart Aesthetic Service
- Personalized Healthcare

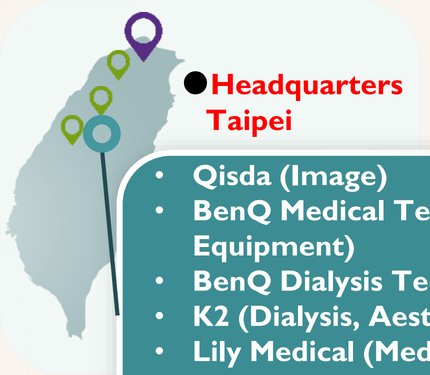
Medical Business Group Global Presence

- 5,000+ employees worldwide
- Distribution in over 50 countries worldwide



- Headquarters
- Factories
- Group companies
- Sales Regions

- BenQ Medical Center, Nanjing
- BenQ Medical Center, Suzhou
- BenQ Medical Tech (Shanghai) (Medical Image, Intraoral)
- BenQ Medical Tech (Medical Imaging, IntraOral, Equipment)
- BenQ Biotech (Dialysis)
- K2 (Dialysis)



- Qisda (Image)
- BenQ Medical Tech (Medical Equipment)
- BenQ Dialysis Tech (Dialysis)
- K2 (Dialysis, Aesthetic Products)
- Lily Medical (Medical Consumables)
- BenQ AB DentCare (Digital Dentistry
- BenQ Health (Personal Prevention Products)
- Best Sound (Hearing)
- Eastech Medical (Medical Imaging)
- Golden Spirit (Disinfect, Dialysis)
- HeYue (Pharmacy)
- ConcordMed (Medical Management)
- BenQ Materials (Aesthetic Medicine)
- DIVA (High-end Medical Display)
- Dataa (AI Smart Healthcare)

6. Q&A

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Value-Up Solutions