Elite Material Co., Ltd.

A global leading provider of green laminates for diversified applications

IR Publication

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Innovation
Globalization
Diversification

What's new

- A new R&D center in Kunshan City, China
- Expansion project in Hubei Province, China
- Operating performance
- Appendix
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  - Manufacturing process of laminates
  - 1Q18 P&L summary
  - Five-year P&L summary

A new R&D center in Kunshan City, Jiangsu Province

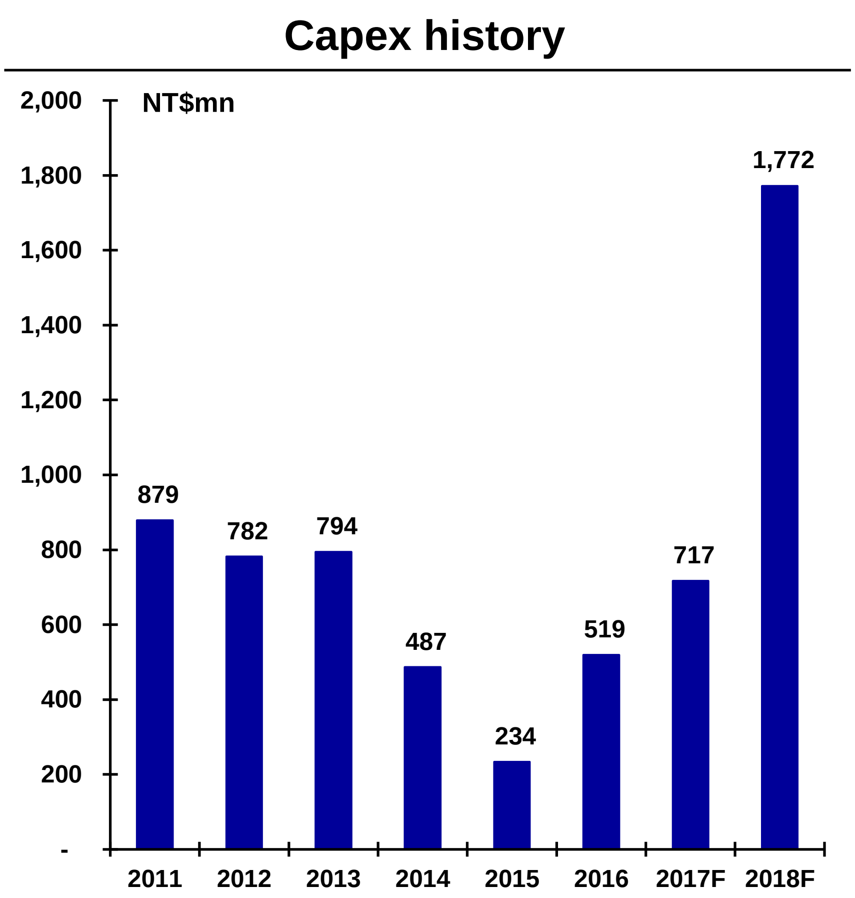
- **On 30th October 2017, the board resolved to invest NT$1.4 billion (US$47 million) in Kunshan City of Jiangsu Province, China for a new R&D center.**
  - The size of the land is 25 acres.
  - Twenty acres of the land will be used for the construction of the R&D center.
  - The cost of constructing the R&D center is about NT$500 million, and the construction will begin in 2018.
  - Tax incentive is the main cause of establishment of the R&D center. The said R&D center will sustain the New High Technology tax status for the Kunshan site of the Company, keeping the corporate income tax rate at 15%.

Expansion project in Hubei, China

- **On 14th December 2017, the board resolved to invest NT$2.2 billion (US$73 million) in the neighborhood of Wuhan City of Hubei Province, China for green field factories.**
  - The of size of the land is 198 acres.
  - A two-phase expansion is planned. Each phase can increase the capacity of CCLs by 600,000 sheets per month. (The current monthly capacity of the Company is 2.95 million sheets. Each new phase can increase capacity by 20.3%.)
  - The construction of the factory building for Phase I will begin in early 2018, costing about NT$613 million.
  - The installment and pilot running of Phase I equipment will be in 1Q19.
  - Phase I is planned to commence full commercial operation in mid-2019.
  - The installment of Phase II equipment is under consideration, depending on the demand of downstream PCB manufactures in the neighborhood.

A new Eco system is emerging in Hubei

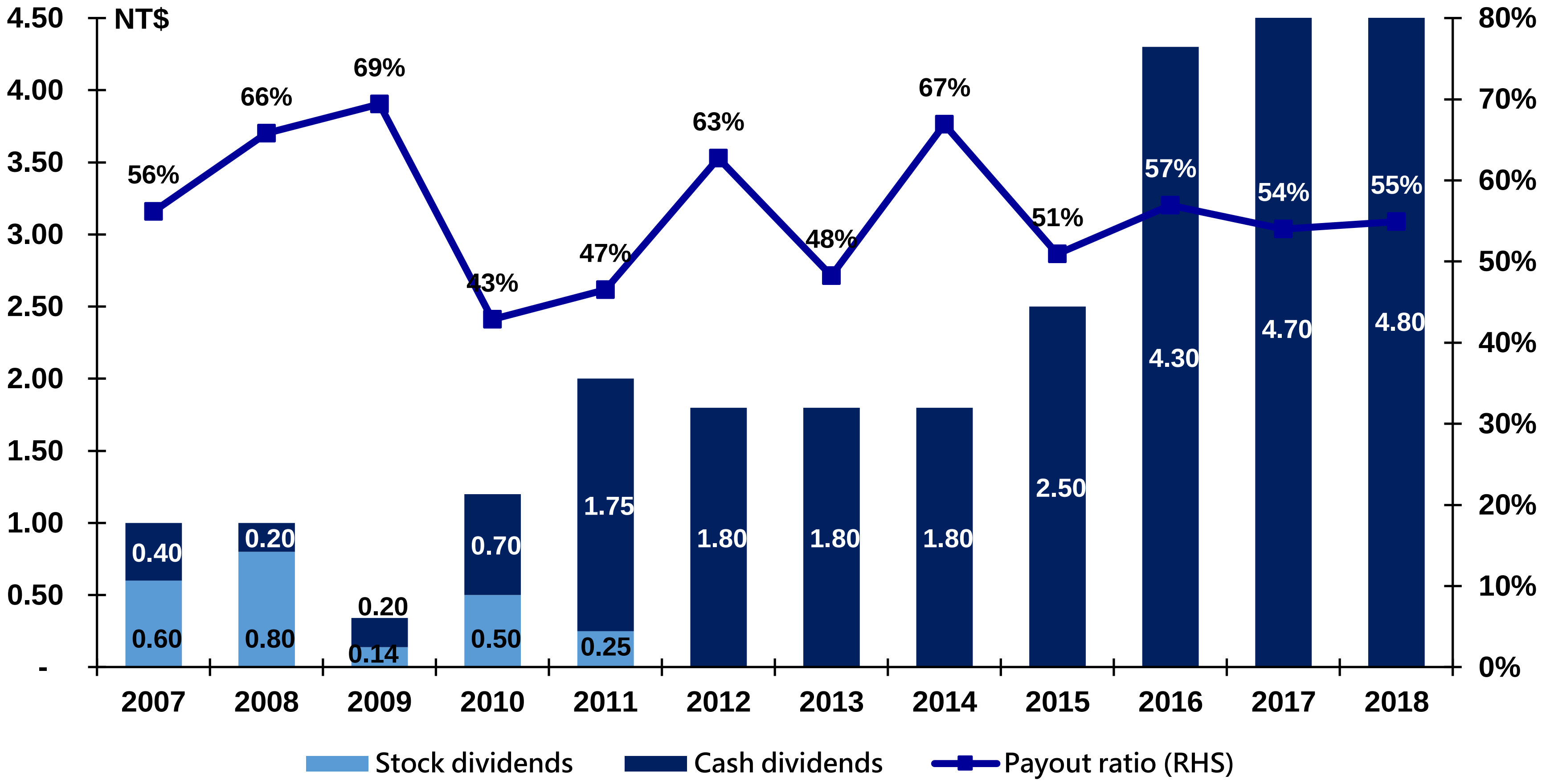
Capex history and 2018 capex plan



Major capex items:

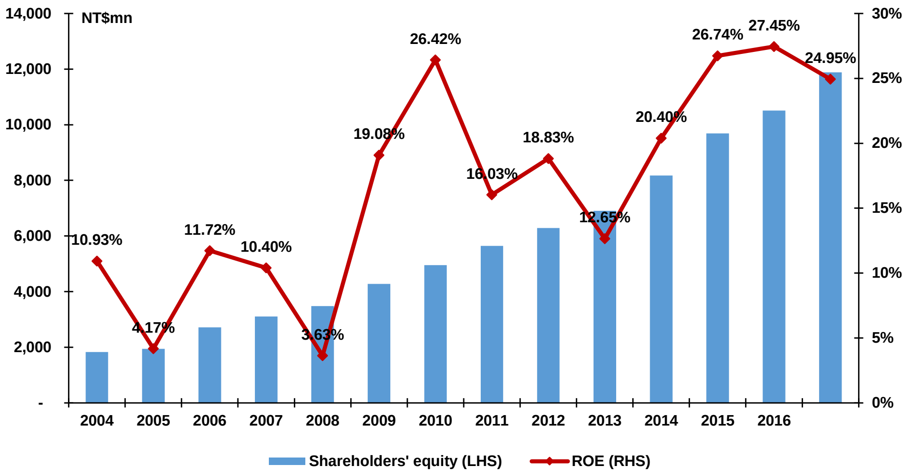
- **Year 2017**
  - Last payment of equipment for additional production line at Hsinchu site
  - Maintenance capex
- **Year 2018**
  - Land acquisition cost at Kunshan site for the new R&D center
  - Land acquisition cost at Hubei project for expansion
  - Construction cost for the main building of the new factory in Hubei Province
  - Payments for the equipment installed at the new factory in Hubei Province
  - Maintenance capex

Dividend payout history

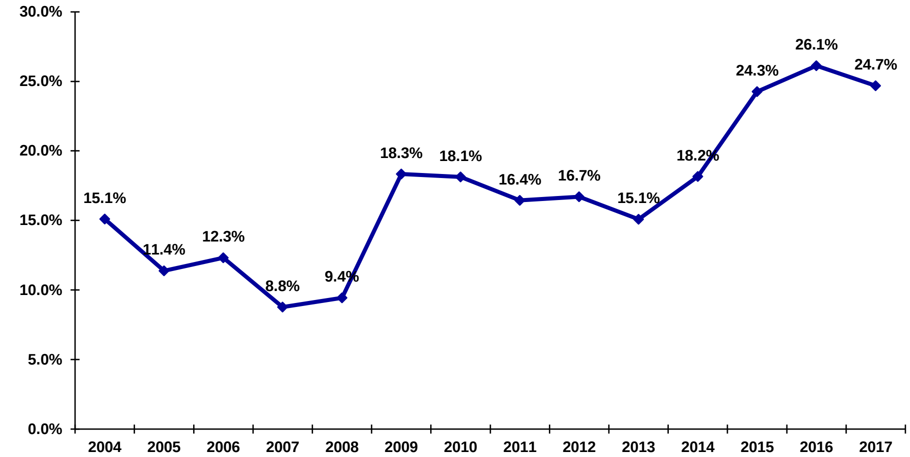


Operating and financial results

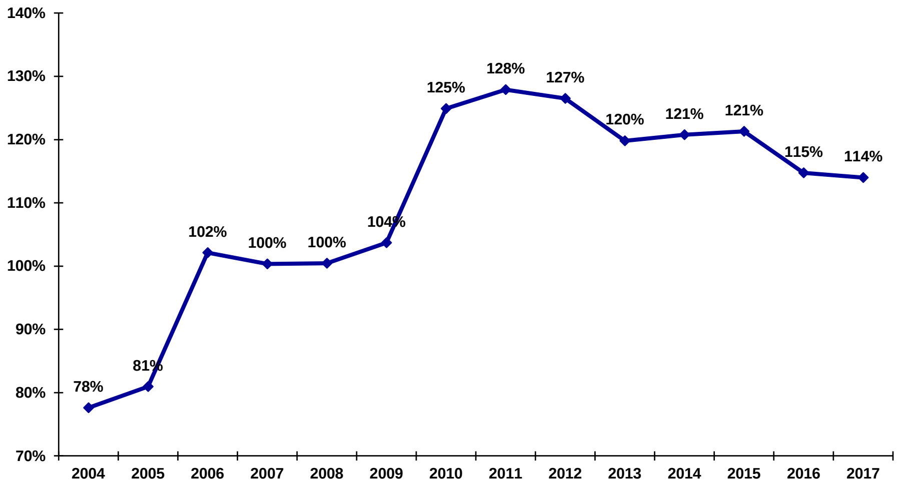
ROE trend



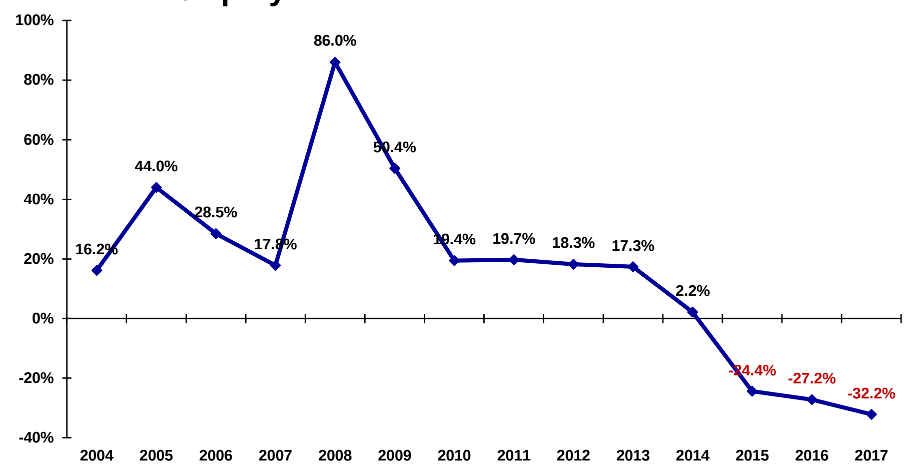
LT gross margin trend



Asset turnover ratio



Net debt/equity ratio



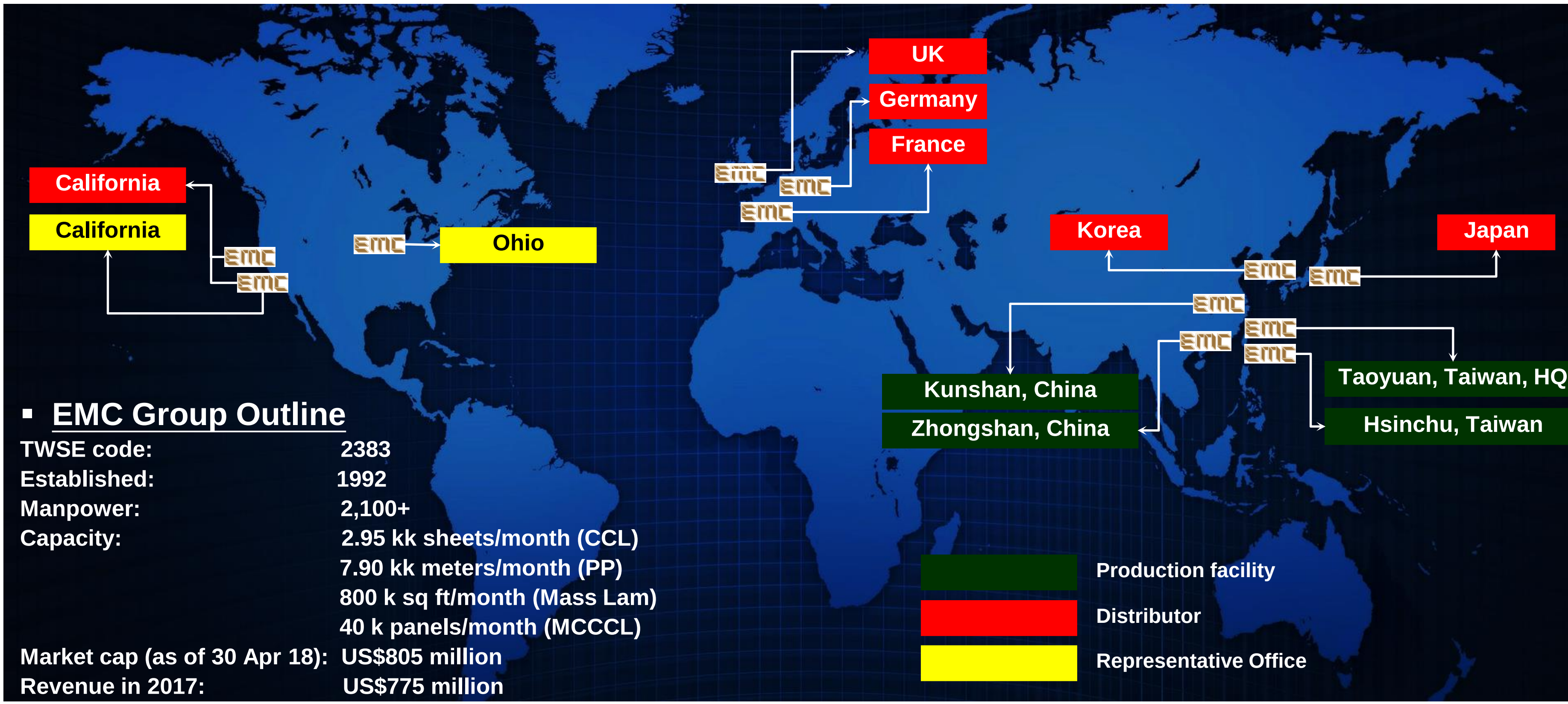
Note: Net debt = Interest-bearing debts – cash amount

The company began to have a net cash position from end-2015.

Appendix

Company profile – global footprint

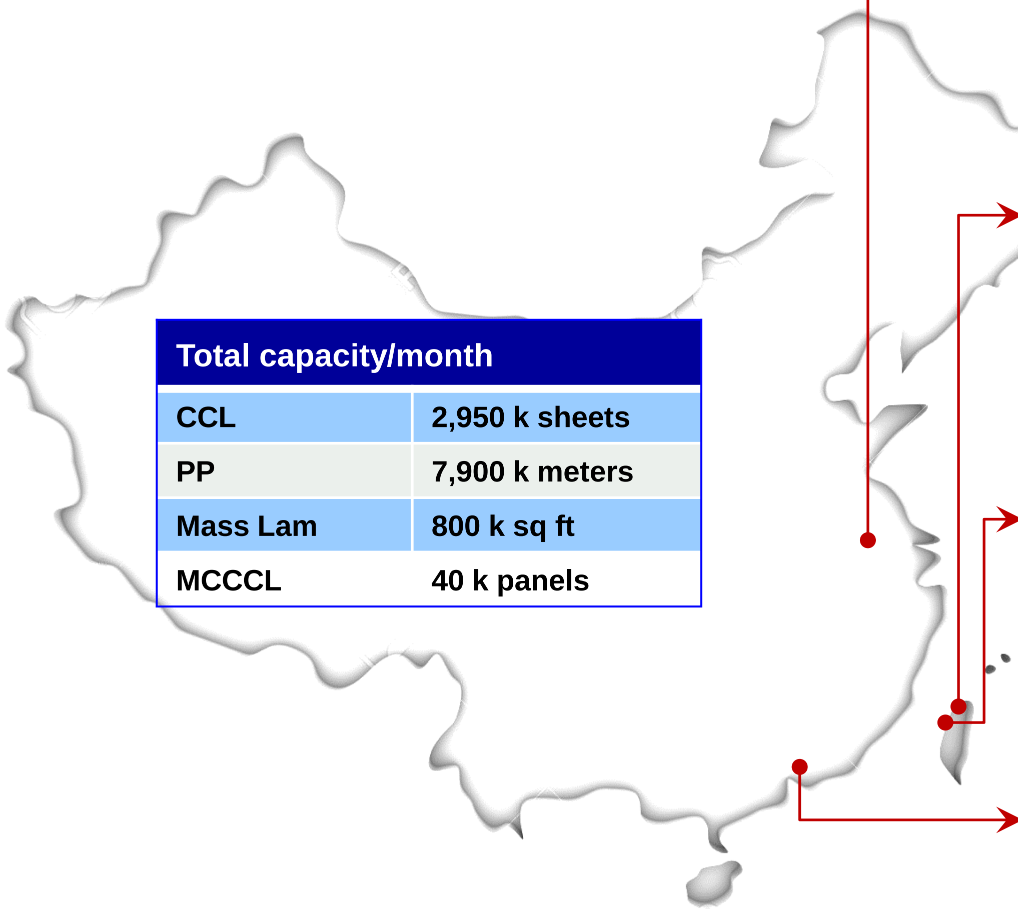
- **In 2016, EMC remains as the largest halogen-free laminator and the 5th largest overall laminate manufacturer in the world.** **(Prismark Partners LLC)**



- **EMC Group Outline**

TWSE code:	2383
Established:	1992
Manpower:	2,100+
Capacity:	2.95 kk sheets/month (CCL) 7.90 kk meters/month (PP) 800 k sq ft/month (Mass Lam) 40 k panels/month (MCCCL)
Market cap (as of 30 Apr 18):	US$805 million
Revenue in 2017:	US$775 million
Qualifications:	ISO-9001, ISO-14001, TS-16949 QC080000, AS9100C, and Sony Green Partner
UL file number:	E150504

Production sites and current monthly capacity



Total capacity/month	
CCL	2,950 k sheets
PP	7,900 k meters
Mass Lam	800 k sq ft
MCCCL	40 k panels

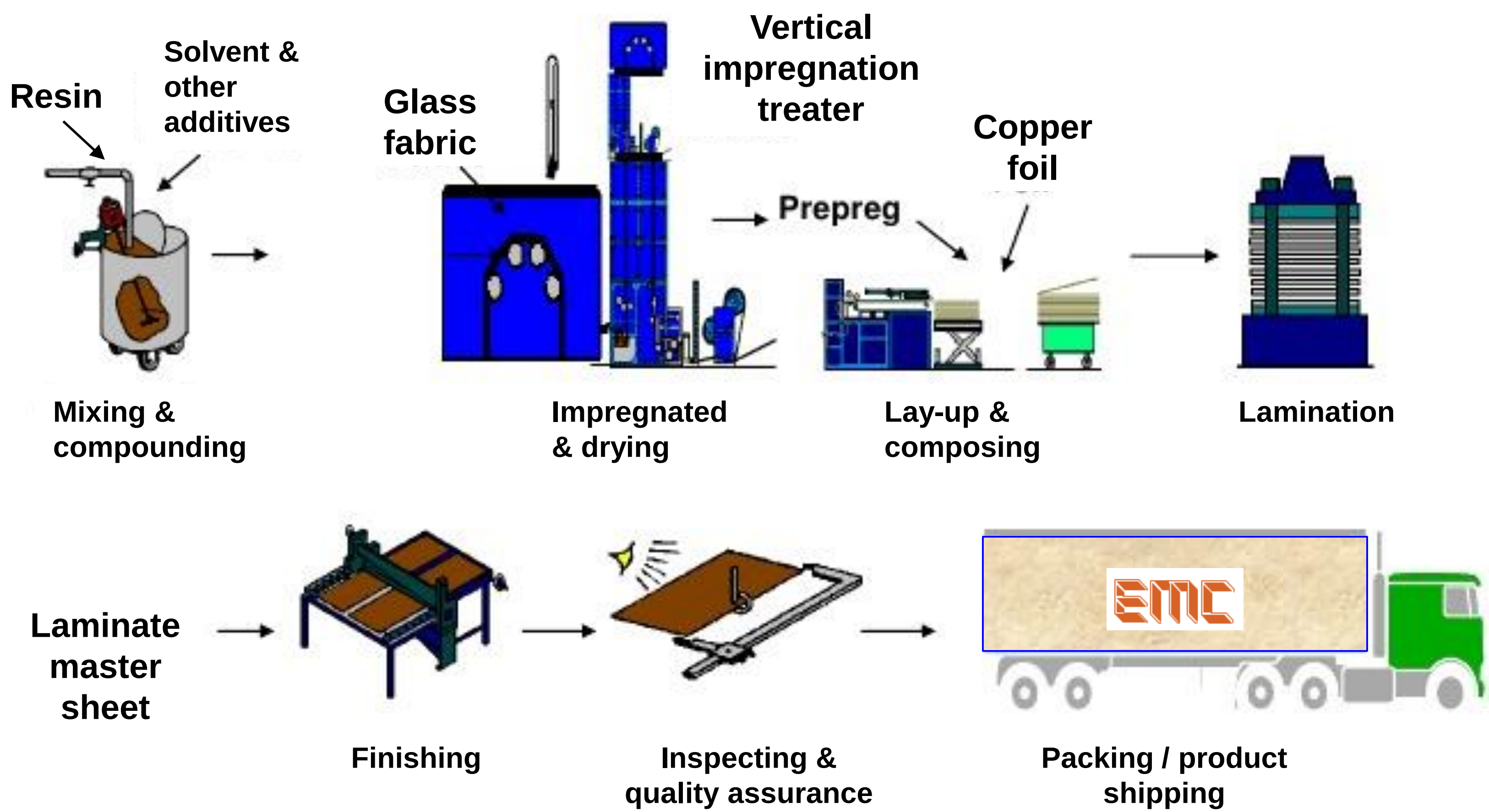
EMC (KS) Kunshan	
CCL	1,350 k sheets
PP	3,300 k meters
Manpower	850+

EMC (TW) Taoyuan	
CCL	500 k sheets
PP	1,800 k meters
Manpower	500+

EMC (TW) Hsinchu	
CCL	150 k sheets
PP	1,400 k meters
Mass Lam	800 k sq ft
MCCCL	40 k panels
Manpower	250+

EMC (ZS) Zhongshan	
CCL	950 k sheets
PP	2,100 k meters
Manpower	600+

Laminate manufacturing process



1Q18 consolidated P&L

Unit: NT$ million

	1Q18	4Q17	QoQ	1Q17	YoY
Revenue	5,312	5,721	-7.1%	5,767	-7.9%
Gross profit	1,002	1,261	-20.5%	1,405	-28.6%
Operating profit	562	803	-29.9%	1,002	-43.9%
Interest income (expenses)	6	9	-35.8%	(6)	na
Other income (expenses)	(8)	(6)	na	1	-866.7%
Income before tax	560	805	-30.5%	997	-43.8%
Tax expenses	284	237	19.7%	275	3.2%
Net income	276	568	-51.4%	722	-61.8%
EPS (NT$) - basic	0.86	1.78	-51.4%	2.26	-61.8%
Gross margin (%)	18.9%	22.0%		24.4%	
Operating margin (%)	10.6%	14.0%		17.4%	
Net margin (%)	5.2%	9.9%		12.5%	

Five-year consolidated P&L

Unit: NT$ million

	2013	2014	2015	2016	2017	1Q17	1Q18	YoY
Revenue	16,873	18,885	20,870	22,070	23,610	5,767	5,312	-7.9%
Gross profit	2,545	3,431	5,064	5,766	5,828	1,405	1,002	-28.6%
Operating profit	1,019	1,598	3,249	3,939	4,007	1,002	562	-43.9%
Interest income (expenses)	(50)	(47)	(36)	(27)	16	(6)	6	na
Other income (expenses)	63	287	117	6	6	1	(8)	-866.7%
Income before tax	1,033	1,838	3,331	3,917	4,028	997	560	-43.8%
Tax expenses	195	297	938	1,143	1,233	275	284	3.2%
Net income	838	1,542	2,392	2,774	2,795	722	276	-61.8%
EPS (NT$) - basic	2.62	4.82	7.48	8.68	8.74	2.26	0.86	-61.8%
Gross margin (%)	15.1%	18.2%	24.3%	26.1%	24.7%	24.4%	18.9%	
Operating margin (%)	6.0%	8.5%	15.6%	17.8%	17.0%	17.4%	10.6%	
Net margin (%)	5.0%	8.2%	11.5%	12.6%	11.8%	12.5%	5.2%	