

ADVANTECH

Enabling an Intelligent Planet

Advantech Year to 3Q20 Earnings Call

November 2020



Safe Harbor Notice

- This presentation contains forward-looking statements and is subject to risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements.
- The projections should not be interpreted as legally binding commitments, but rather as flexible information subject to change occasionally.

Year to 3Q20 Financial Result

NT\$ mn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	YT3Q20	YoY
Net Sales	11,355	12,645	12,360	12,366	12,301	13,976	14,382	13,486	11,272	14,018	13,050	38,340	-6%
QoQ%	-3%	11%	-2%	0%	-1%	14%	3%	-6%	-16%	24%	-7%		
YoY%	13%	11%	10%	5%	8%	11%	16%	9%	-8%	0%	-9%		
Gross Profit	4,338	4,792	4,760	4,772	4,724	5,410	5,697	5,268	4,395	5,766	5,192	15,354	-3%
Gross Margins%	38.2%	37.9%	38.5%	38.6%	38.4%	38.7%	39.6%	39.1%	39.0%	41.1%	39.8%	40.0%	
Operating Expense	2,696	2,851	2,858	2,799	2,872	3,079	3,064	2,858	2,742	2,925	2,928	8,594	-5%
Operating Profit	1,643	1,941	1,902	1,974	1,852	2,331	2,633	2,410	1,654	2,841	2,264	6,759	-1%
Operating Margin%	14.5%	15.4%	15.4%	16.0%	15.1%	16.7%	18.3%	17.9%	14.7%	20.3%	17.3%	17.6%	
No-operating Income	99	87	265	76	196	89	86	-297	-33	118	202	287	-22%
Pretax Profit	1,741	2,029	2,167	2,050	2,048	2,420	2,718	2,113	1,621	2,959	2,466	7,046	-2%
Tax Expenses	374	434	458	412	432	513	561	409	340	621	511	1,472	-2%
Effective Tax Rate	21.5%	21.4%	21.1%	20.1%	21.1%	21.2%	20.6%	19.4%	21.0%	21.0%	20.7%	20.9%	
Net Income	1,363	1,584	1,710	1,633	1,613	1,892	2,140	1,700	1,295	2,308	1,941	5,544	-2%
QoQ%	-17%	16%	8%	-5%	-1%	17%	13%	-21%	-24%	78%	-16%		
YoY%	10%	10%	9%	32%	18%	19%	25%	4%	-20%	22%	-9%		
EPS (NT\$)	1.78	2.07	2.23	2.13	2.10	2.46	2.78	2.21	1.68	2.99	2.52	7.19	-2%

- In non-operating side, Advantech booked NT\$98mn dividend income in 3Q20.
- Advantech went ex-dividend on July 31st and paid stock dividend on September 8th. The EPS is reflected to the stock dividend dilution.

Year to 3Q20 Sales By Region

USD\$M	YT3Q20	YT3Q19	YoY %	Rev %
North America	374	381	-2%	29%
Europe	211	230	-8%	17%
China	304	301	+1%	24%
North Asia	131	140	-6%	10%
Taiwan	79	76	+3%	6%
Asia & Intercon	107	106	+1%	8%
Others	74	75	-1%	6%
Total	1,280	1,309	-2.2%	100%

North America

- US reported QoQ growth in 3Q20 due to strong demand in medical sector.

China

- EIOT maintained a moderate growth in China in 3Q20.
- ILOT segment experienced weakening sentiment from channel customers in 3Q20.

Asia & InterCon

AAU/NZ:	\$12.8M	GR%:	+30%
ASEAN:	\$28.3M	GR%:	+6%
India	\$8.3M	GR%:	-28%
Russia	\$11.7M	GR%:	+1%
LATAM	\$13.4M	GR%:	+19%
ME&A	\$31.5M	GR%:	-7%

Europe

- The overall sentiment remained weak but stabilized.
- Positive sides came from CIOT and EIOT Online business.

North Asia

AJP:	\$24.4M	GR%:	-24%
ATJ*:	\$54.5M	GR%:	-23%
AKR :	\$52.5M	GR%:	+14%

Year to 3Q20 Performance By SBG

US\$ mn		Revenues	YoY	Rev. %	Gross Margin Range	Operating Profit	OP Margin
Industrial IOT		416	1%	33%	48~53%	85	20.3%
Embedded IOT		317	-5%	25%	34~39%	48	15.3%
Allied DMS	Applied Computing	172	0%	13%	26~36%	23	13.3%
	*Cloud IOT	123	-12%	10%	33~39%	20	15.9%
Service IOT		107	-3%	8%	38~43%	10	9.3%
AGS & APS		145	-2%	11%	23~28%	19	12.9%
Other unallocated profit (expenses)						22	
Total		1,280	-2.2%	100%		227	17.7%

- *Networks & Communications Group was renamed as Cloud IoT Group effectively in October 2019.
- Applied Computing (ACG) and Service IOT (SIOT) reported improving operating margin YoY. In addition to utilize customer segmentation and product portfolios, ACG's business is benefited from strong demand on medical sectors, while SIOT has significantly operating efficiency since the production moving back to Taiwan and China.
- The overall material price was at flattish sentiment in 3Q20.

Working Capital and Balance Sheet

NT\$ mn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Cash Cycle											
Inventory	6,818	7,174	7,600	7,558	8,179	8,446	8,089	7,783	9,093	9,695	8,523
Account receivable	7,797	8,358	8,346	8,351	8,683	9,209	9,526	8,832	8,012	9,617	8,734
Account payable	5,376	6,251	6,248	5,811	5,756	6,519	4,981	4,799	5,291	5,455	3,737
IN turnover	84	80	87	90	93	87	86	87	110	102	104
AR turnover	62	57	61	61	62	58	59	61	67	57	63
AP turnover	68	67	74	71	69	64	60	54	66	59	53
CCC	77	71	74	79	87	80	85	95	112	100	115
BS											
Cash & Cash Equivalents	8,829	10,456	7,178	8,884	9,304	11,446	7,103	10,061	11,013	12,161	9,797
Total asset	42,324	45,345	42,286	43,940	46,864	49,654	45,391	47,216	49,007	52,444	47,775
ST debt	36	25	18	97	633	524	502	458	493	484	514
LT debt	81	81	81	46	439	387	334	278	290	198	143
Total equity	29,411	26,475	28,108	29,543	31,642	28,994	30,971	32,731	28,640	30,904	33,036
Capex	(158)	(130)	(246)	(157)	(189)	(214)	(229)	(329)	(213)	(346)	(231)
D&A	187	177	203	148	275	255	287	167	265	219	254
Total Investment CF	(609)	(476)	(31)	(666)	(814)	(176)	(342)	(475)	(730)	250	(885)

- Advantech generated NT\$6.5bn operating cash flow and paid NT\$5.5bn cash dividend in 3Q20.
- The inventory turnover remained over 100 days as end of 3Q20 due to weakening business sentiment but the inventory dollar declined NT\$1.2bn QoQ in 3Q20.

4Q20 Guidance

Based on the exchange rate assumption of US\$1 to NT\$29, managements expect the 4Q20 guidance as below

Items	4Q20 Estimation
Consolidated Revenue	US\$ 420M ~ 440M
Gross Margin	38.0% ~ 40.0%
Operating Margin	16.0% ~ 18.0%