

Mercuries Data System 2019 Investor Conference

Code: 2427

Mercuries Data Systems Ltd.

System Integration

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AGENDA

- ➡ 2018 Financial Results
- ➡ 2018 Banking Automatic System
- ➡ 2018-2019 Public Construction Integration
- ➡ 2018-2019 New Business
- ➡ 2019 Outlook

2018 Financial Results

➤ 2016 – 2018 Consolidated income statement

Unit : ,000

	2016	%	2017	%	2018	%	YoY %
Revenue	2,696,941	100.0%	3,297,432	100.0%	3,354,042	100.0%	1.7%
Cost of Revenue	(1,957,430)	-72.6%	(2,457,365)	-74.5%	(2,416,260)	-72.0%	-1.7%
Gross Profit	739,511	27.4%	840,067	25.5%	937,782	28.0%	11.6%
Operating Expenses	(709,267)	-26.3%	(763,264)	-23.1%	(840,346)	-25.1%	10.1%
Operating Income	30,244	1.1%	76,803	2.3%	97,436	2.9%	26.9%
Non-Operating Income	24,393	0.9%	10,724	0.3%	22,822	0.7%	112.8%
Net Income before Tax	54,637	2.0%	87,527	2.7%	120,258	3.6%	37.4%
Income Tax	(5,189)	-0.2%	(13,536)	-0.4%	(4,699)	-0.1%	-65.3%
Net Income after Tax	49,448	1.8%	73,991	2.2%	115,559	3.4%	56.2%
EPS	0.27		0.39		0.63		

- ⊗ Sales from the banking automation BU stay in high level. Exchange rate of Yen/NTD remains weak.
- ⊗ No major losses or penalties from the public construction BU.
- ⊗ Product mix has higher margin rate than that in last year.
- ⊗ Highest net income after tax in the last 10 years. Increasing 56.2% yearly.

2018 Financial Results

➤ 2017 – 2018 Standalone income statement by BU

Unit : ,000

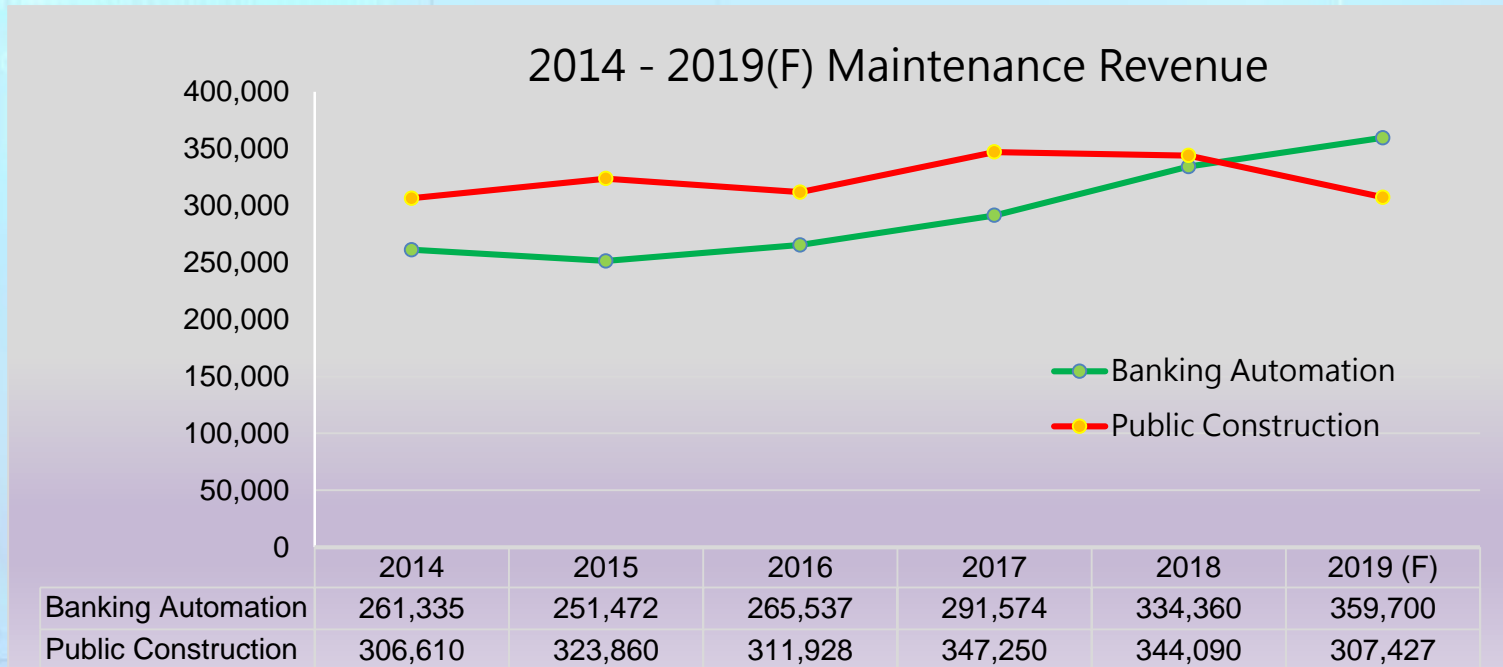
	Banking automatic sys.			Public construction integration		
	2017	2018	YoY%	2017	2018	YoY%
Rev. of Product Sales	1,505,423	1,426,160	-5.3%	1,118,618	1,220,039	9.1%
Cost of Product Sales	(1,187,895)	(1,123,577)	-5.4%	(1,005,905)	(1,001,425)	-0.4%
GP-Products	317,528	302,584	-4.7%	112,713	218,614	94.0%
GP Rate-Products	21.1%	21.2%		10.1%	17.9%	
Rev. of Maintenance	291,574	334,360	14.7%	347,250	344,090	-0.9%
Cost of Maintenance	(44,058)	(57,733)	31.0%	(197,506)	(217,023)	9.9%
GP-Maintenance	247,516	276,627	11.8%	149,744	127,068	-15.1%
GP Rate-Maintenance	84.9%	82.7%		43.1%	36.9%	
Total Rev.	1,796,997	1,760,520	-2.0%	1,465,868	1,564,129	6.7%
Total Cost	(1,231,953)	(1,181,309)	-4.1%	(1,203,411)	(1,218,447)	1.2%
Total Gross Profit	565,044	579,211	2.5%	262,457	345,682	31.7%
Expenses	(268,218)	(287,029)	7.0%	(300,775)	(331,223)	10.1%
Operating Income	296,826	292,182	-1.6%	(38,318)	14,458	N/A
Operating Income Rate	16.5%	16.6%		-2.6%	0.9%	

Note: The above expenses don't include the back office expense and year-end bonus.

2018 Financial Results

➤ The trend of the maintenance revenue

Unit : ,000



- Ⓜ Maintenance revenue from the banking automation BU will exceed that from the public construction BU next year °
- Ⓜ The GP rate of the maintenance business of banking division was 83% in 2018, and the other division, public construction integration, was 37%.

2018 Financial Results

What we estimated in 2018 1Q and the fact is

- We estimate the market demand in 2018 will be 30% fewer than that in 2017. It means the total demand will be about the same as that in 2016 >> **The total demand of ATM in 2018 decreased 19.1% compared to 2017, but a result of 10.7% increase to 2016, which is better than expected. The reason is the OK Mart case boosted the total demand that year.**
- The ASP of RATM will drop and the GP rate would be around 10-12% >> **The RATM's ASP dropped 12% in 2018, GP % was 13.8% °**
- Because the amount of ATM maintained by MDS increases, the maintenance revenue will keep growing and exceed 300 million NT dollars in 2018 >> **Reached NTD 334 million in 2018, 14.7% growth yearly (NTD 291 million in 2017). Meet expectation.**
- The sales of finger vein solution get better. Two banks have adopted this solution and bought around 2,000 sets. We believe the finger vein solution will become the third valid identification method besides signatures and signets >> **Technical improvements of face ID threaten the finger vein solution.**
- The total profits from banking automatic system will decline inevitably in 2018 >> **Dropped 1.6%. Meet expectation.**
- No major mega-scale public construction integration cases will finish in 2018, but some cases developing from major projects could be recognized this year especially from TRA projects. We believe the profits from public construction integration will turn around >> **turned around from 38 million deficit to 14 million gain. Meet expectation.**
- To sum up, without the one-off loss this year, the 2018 net income of MDS will be better than last year >> **Meet expectation °**

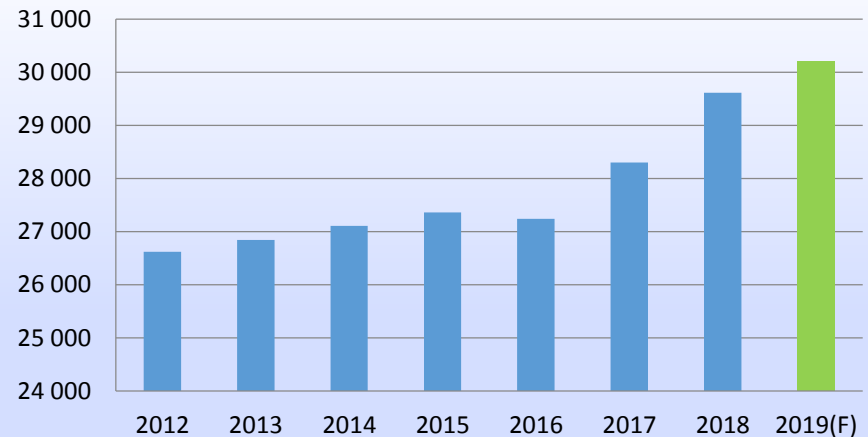
2018 Banking Automatic System

➤ ATM market demands

- ④ More than expected. The amount reached 29,612 units at the end of 2018 (Increased 1,314 units or 4.6% yearly). We expect the amount will reach 30,200 units this December.
- ④ At the same time, the number of ATM transactions and transaction volume increase 3.5% and 5.7% respectively.
- ④ More and more functions (e.g. fee payments, foreign currency exchange and coin deposit) are adapted on ATMs, providing a boost demand of sidecar in 2019.

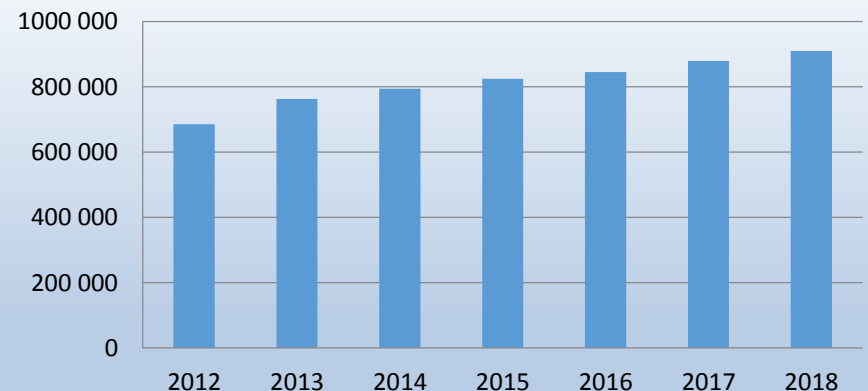
ATM market size

Unit: 台



The amount of ATM Transactions

Unit: '000次



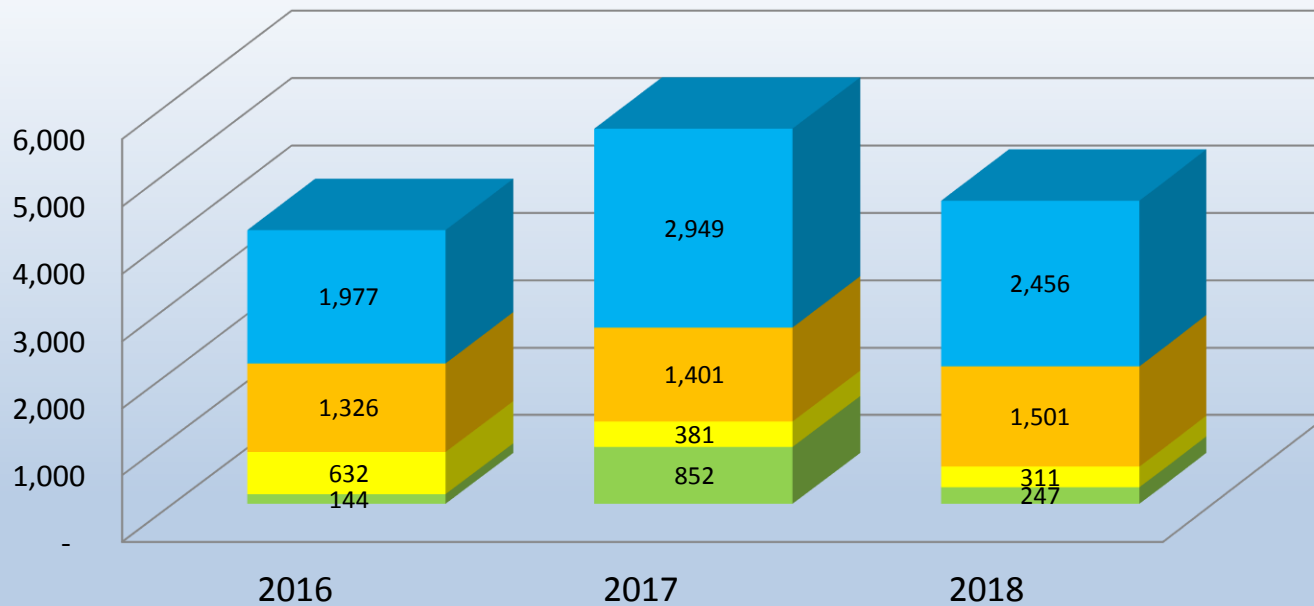
Source: Banking Bureau, FSC. 2018/12 & MDS's prediction

2018 Banking Automatic System

➤ ATM market competition (1)

Unit: 台

2016 - 2018 The amount of ATM sales from major vendors



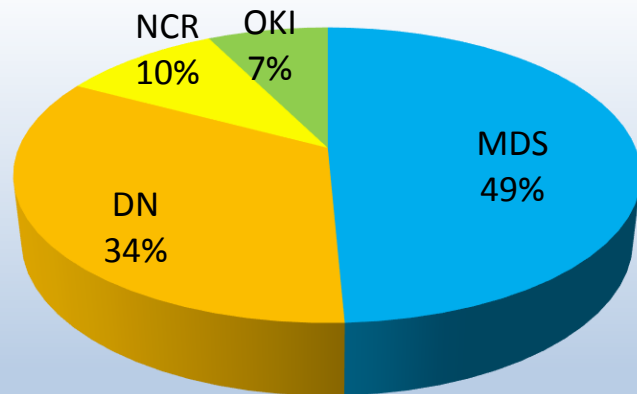
	2016	%	2017	%	2018	%
MDS	1,977	48.5%	2,949	52.8%	2,456	54.4%
DN	1,326	32.5%	1,401	25.1%	1,501	33.2%
NCR	632	15.5%	381	6.8%	311	6.9%
OKI	144	3.5%	852	15.3%	247	5.5%
TTL	4,079	100.0%	5,583	100.0%	4,515	100.0%

	CD			RATM		
MDS	4	0.3%		MDS	2,452	79.3%
DN	1,223	85.9%		DN	278	9.0%
OKI	0	0.0%		OKI	311	10.1%
NCR	197	13.8%		NCR	50	1.6%
Total	1,424	100.0%		Total	3,091	100.0%

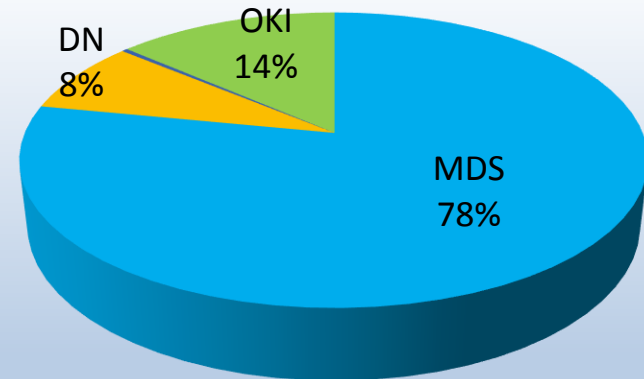
2018 Banking Automatic System

➤ ATM market competition (2)

ATM Market Share %
As of 2018/12



RATM Market Share %
As of 2018/12



➤ ATM Sidecar (e.g. cash rapid deposit, coin deposit and TCR)

	2015	2016	2017	2018	2019(F)
Unit	84	38	80	61	200*
Revenue	49,762	22,624	43,037	28,386	60,000

* The unit refers to the amount of sidecar, not include the amount of ATM

- Stay with the core business in 2018, MDS is expecting a fruitful harvest in AFC/AG products, communication systems, radar and software solutions (Taipower Co.) in 2019. In addition, revenue and profit from server/storage devices and monitoring solutions will keep stable developing.

Public Construction Integration



➤ AG/AFC products

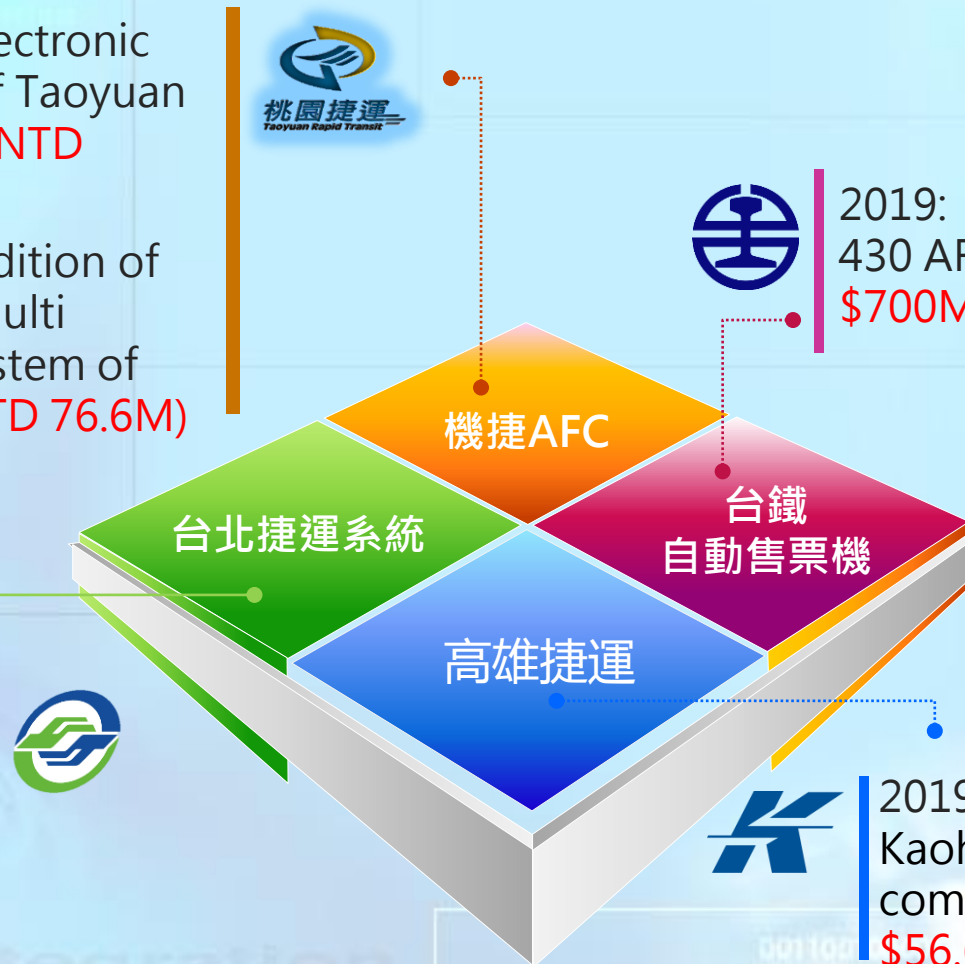
2018: Systems of electronic stored value card of Taoyuan Metro completed. (NTD \$18M)

2019: AG device addition of A3/A14/A22, and multi mobile payment system of Taoyuan Metro. (NTD 76.6M)

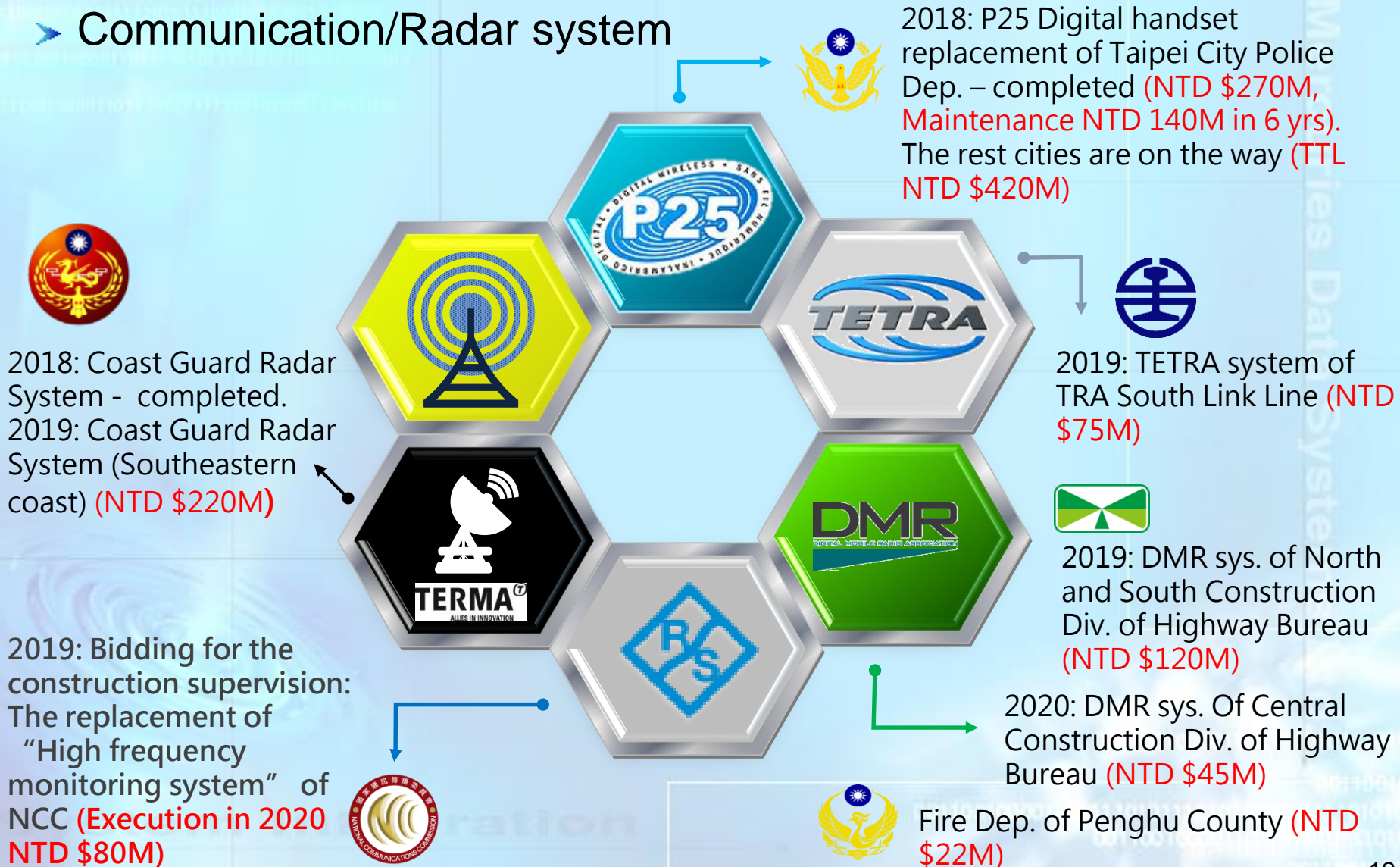
2019: 9 stations of AFCs of W-Z-S line (萬大線) (NTD \$170M)

2019: 430 AFC units bidding (NTD \$700M)

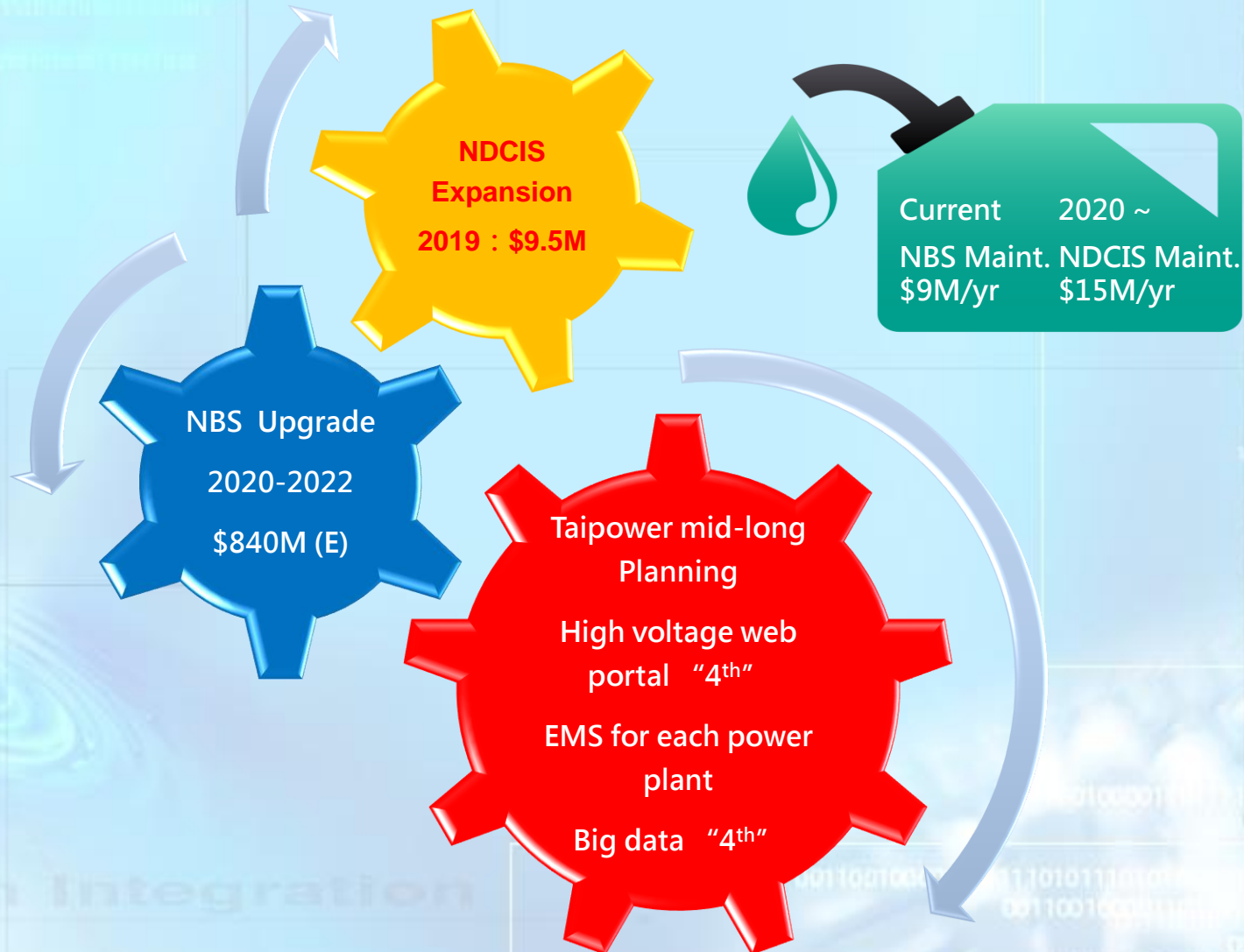
2019: R11 station of Kaohsiung Metro completed (NTD \$56.6M)



➤ Communication/Radar system



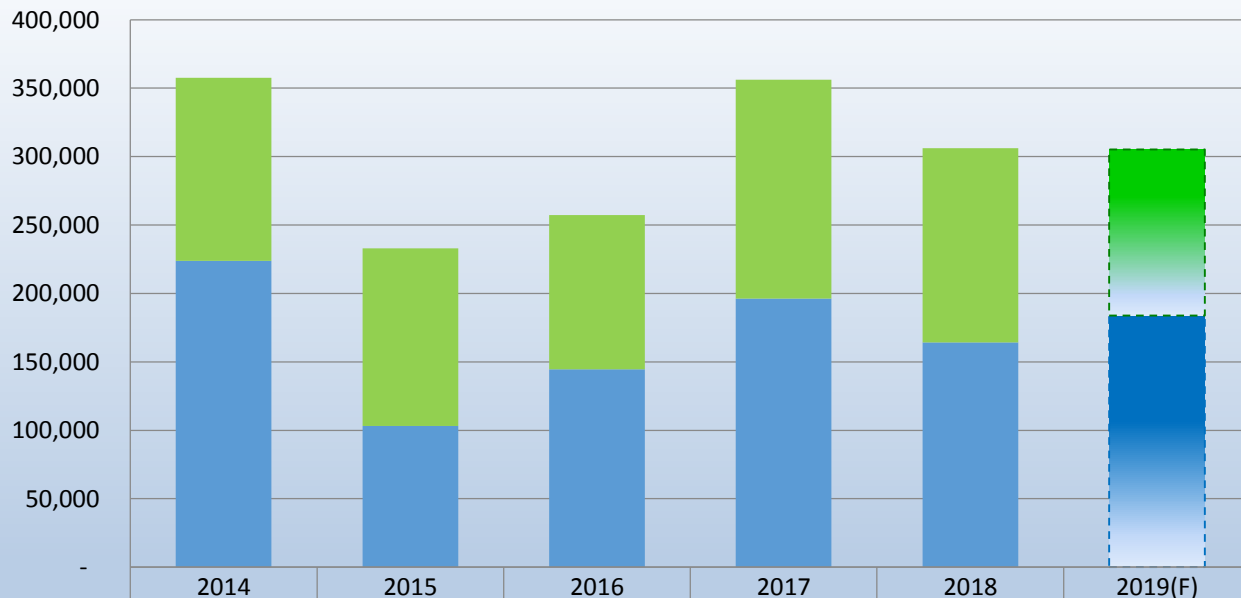
➤ Software Solutions (Taipower Co.)



> Sever/Storage devices



2014 -2019(F) Revenue



	2014	2015	2016	2017	2018	2019(F)
Sever/DB Storage 維護	133,827	129,770	112,636	159,833	141,930	121,223
Sever/DB Storage 硬體	223,850	103,192	144,590	196,352	164,337	183,895

2018-2019 New Business

➤ Cloud mobile services – Service JDC ®



2018-2019 New Business

> Cloud mobile services – Service JDC ®

2018 New registration
433

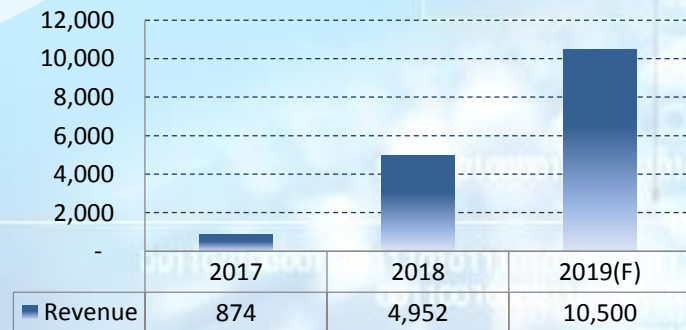


2018 conversion
7.6%

2018
Vietnam
Nanjing

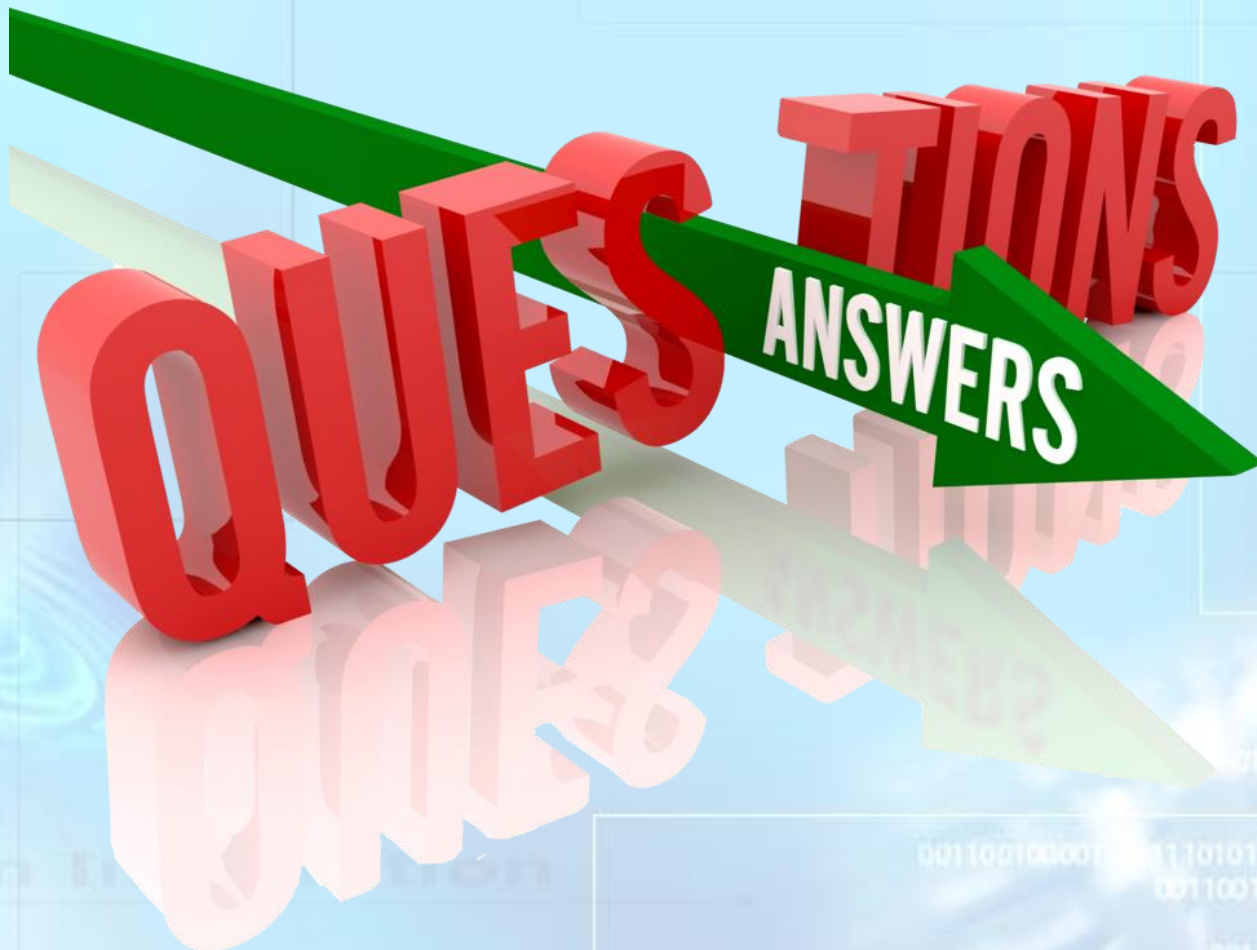
2017 to 2018
Contract extension %
91.3%

Revenue



2019 Outlook

- The ATM demand will keep decreasing in 2019. We expect the total market installment is around 2,500 units.
- Although the total demand decreases, the ASP and gross profit rate of ATM will be better.
- MDS is benefit from increasing installments, the maintenance revenue will reach NTD 360 million this year.
- The operation income from the banking automation BU will decline 25% in 2019.
- On the contrary, the operating income from the public construction BU will have a strong growth in 2019.
- Inevitably, the operating income and net income before tax will slow down in 2019.



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