威健

2018 Q3 Earnings Conference

2018/11/9

Agenda

Welcome	Fama Chou	Senior Vice President Spokesman
Company Introduction		
3rd Q18 Financial Results		
Opportunities, Solutions and Competitive Advantages		
Q & A	Stan Chi Tom Chen	Group Chief Operating Officer Executive Vice President

Safe Harbor Notice

- WEIKENG's statements of its current expectations are forward-looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Information as to those factors that could cause actual results varied can be found in WEIKENG's Quarterly or Yearly Financial Statements and Report filed with the Taiwan Stock Exchange Corporation (the "TWSE") and such other major information will be posted on the TWSE's Market Observation Post System (MOPS) from time to time.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.
- In addition, any financial information contained in this report is prepared in accordance with the International Financial Reporting Standards (IFRSs).

Company Introduction--Brief Facts

WEIKENG

- Established in 1977
- As of 2018/9/30, 1,154 employees
- 2017 consolidated sales: NT$ 51.9B
- 2018 1Q~3Q consolidated sales: NT$ 41.5B(YoY=12%)

Weikeng Industrial

Weikeng Industrial (Taiwan/ Greater China)

- Parent company
- 430 employees
- 2017 sales: NT$25.5B
- 2018 1Q~3Q sales: NT$21.6B(YoY=22%)

Weikeng International (HK/China)

- Entered in 1994
- Wholly-owned subsidiary
- 675 employees
- 2017 sales: NT$25.0B
- 2018 1Q~3Q sales: NT$18.6B(YoY=1%)

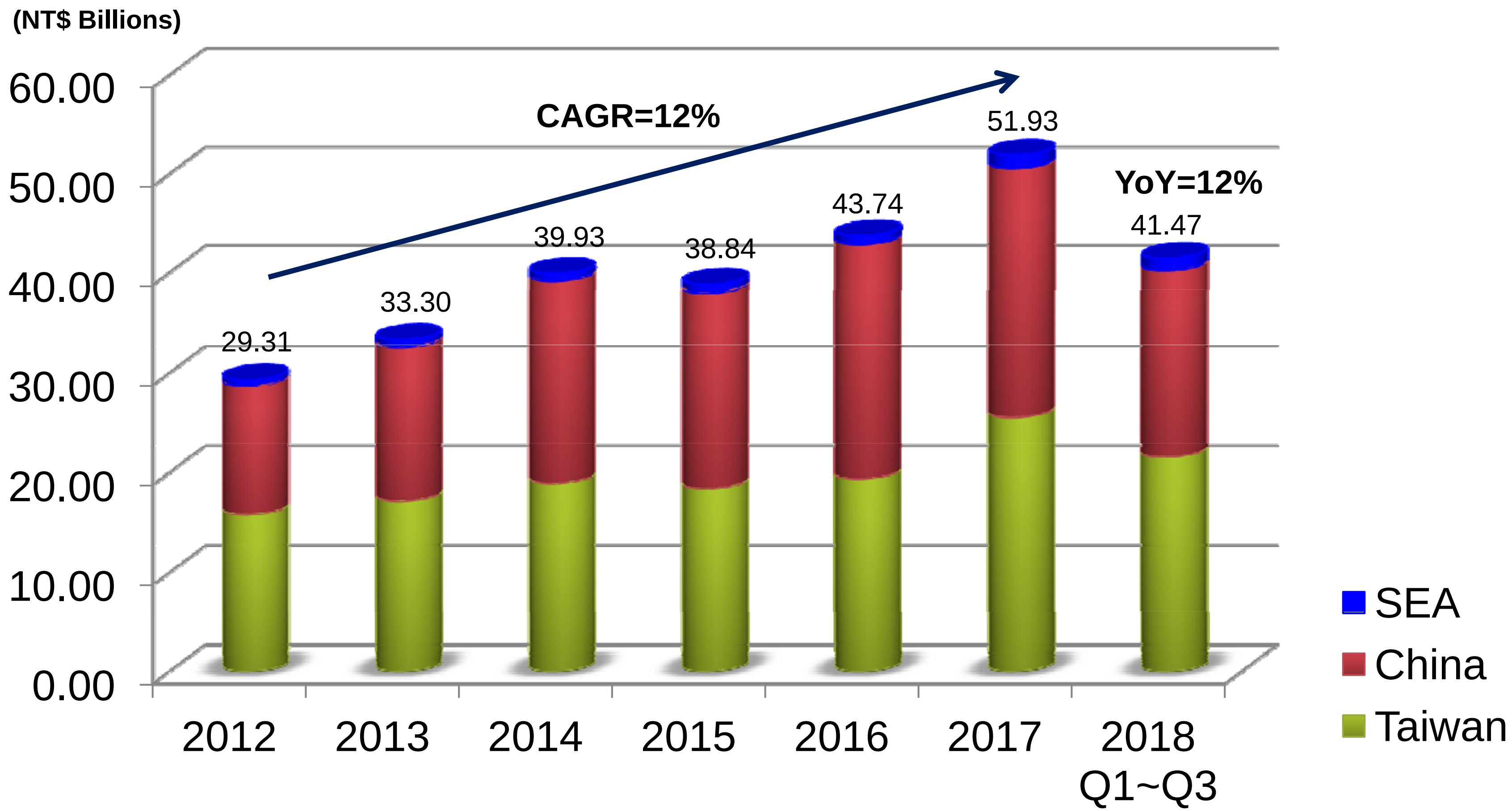
Weikeng Tech (Sin/SEA)

- Entered in 2000
- Wholly-owned subsidiary
- 49 employees
- 2017 sales: NT$1.40B
- 2018 1Q~3Q sales: NT$1.30B(YoY=21%)

Company Introduction–Revenues, 2012-2018 / Q1~Q3

WEIKENG

- 2012~2017 CAGR of revenues :12%; 2018(1Q~3Q) YoY：12%
- Diversified, broad-based accounts--top 10 share 17% of revenues (2018 Q1~Q3)



Company Introduction–Revenue by Applications segment

WEIKENG

Applications Segment

Consumer 19%

Smart Speaker, VR, IoT Devices, WiFi/BT module, Smart/feature phone, eReader, Tablet, PND, LED TV, STB, Game Console, Media Player, Home appliance, White Goods, Alarm, Wearable, Home automation, LED lighting, e-Lock, Toy, IP CAM, Projector, Headphone

Industrial 34%

IPC, UPS, ADAS, TPMS, BMS, Motor Control, Charging Stations/Piles, Drone, POS, VF Pump, Security/Surveillance (DVR), E-Tools, Lighting, Welding machine, Aero modeling, eBike, Textile machine, PLC, Metering, Smart Grid, Wind Power, Solar Inverter, Instrumentation, Telecom Power, Fitness, NAS, Automotive, Car infotainment, BCM, Dashboard, RKE, Power Train, Medical

Computing 38%

PC, NB, MB, AIO, Server, 2-in-1 NB, Enterprise Storage, Mining Machine, AI

Communications 9%

Ethernet switch, Gateway, WiFi AP router, xDSL, GPON / EPON, Cable modem, STB, Femtocell, 4G/5G Base station, NIC，Ethernet / Infinite band

Company Introduction–Line card

WEIKENG

Amazing, AMD, Cypress, dialog semiconductor, Diodes Incorporated, GSD
HiSilicon, Infineon, Lattice Semiconductor, Microchip, molex, NXP
Panasonic ideas for life, Parade, SanDisk, sinopower, Vishay, Western Digital

active-semi, ADATA, altek, applied micro, Apacer, ASRock
Echelon, EPC, ESS, Etron 鈺創科技 Etron Technology Inc., EVE 亿纬锂能, 合力泰 HOLITECH
InvenSense, longsys, Luminus, Bit Semiconductor LTD, Realtek, 圣邦微电子 SGMICRO
Sitronix, socionext, u-blox, XMOS, Zentel

Company Introduction–Value-adds, Awards

WEIKENG

AMD
- 2017 The Best Distribution Partner
- 2016 The Best Distribution Partner

Cypress / Spansion
- 2017 Distributor of the year, Taiwan
- 2015 Distributor of the year, Greater China
- 2014 Asia Distributor Award, Best Distributor

Infineon
- FY1617 Top DFAE Champion Partner, China
- FY1516 Leading PMM Demand Creation Performance Distribution Partner

Lattice
- 2016 Distributor of the year
- 2014 Distributor of the year

Microchip
- FY18 Top Distributor, Greater China
- FY17 Top Distributor, Greater China

NXP
- Best Business Partner 2017 GC Region: Best Performance in Mass Market Business Growth
- 2013 Asia Distribution Distinction Award, Fastest Growing Regional Disty - Taiwan

SanDisk / HGST
- 2016 Appreciation Award, HGST
- 2015 SanDisk Best Distributor
- 2015 The Best Partner Award, 2.5 HDD

Vishay
- 2017 Vishay Distributor of the Year
- 2016 Distributor of the year, highest number of semiconductor design-in
- 2015 Vishay Distributor of the Year

Consolidated Statements of Comprehensive Income

Selected Items from Consolidated Statements of Comprehensive Income (In NT$ Millions)	3Q 2018	1Q~3Q 2018	2Q 2018	3Q 2017	1Q~3Q 2017	3Q18 Over 2Q18	3Q18 Over 3Q17	1Q~3Q18 Over 1Q~3Q17
Net Revenue	14,811	41,475	13,256	14,460	37,127	12%	2%	12%
Gross Margin	954 6.44%	2,694 6.50%	978 7.38%	770 5.33%	2,012 5.42%	-2% -0.94ppts	24% +1.11ppts	34% +1.08ppts
Operating Expenses	558	1,602	535	441**	1,372	4%	27%	17%
Net Operating Income	395 2.67%	1,091 2.63%	443 3.34%	329 2.28%	641 1.73%	-11% -0.67ppts	20% +0.39ppts	70% +0.9ppts
Non-Operating Items, net	(136)	(276)	(163)	(13)	(61)	-17%	946%	352%
Foreign currency exchange gain (losses),net	(39)	(40)	(90)	46	111	-57%	-185%	-136%
Financial costs	(106)	(264)	(90)	(66)	(184)	18%	61%	43%
Profit before Tax	259 1.75%	815 1.97%	280 2.11%	316 2.18%	579 1.56%	-8% -0.36ppts	-18% -0.43ppts	41% +0.41ppts
Profit	185	570	197	244	443	-6%	-24%	29%
Basic EPS(NT Dollar)	0.54	1.68	0.58	0.76	1.37	-7%	-29%	23%
Average Exchange Rate (USD/NTD)	30.67	29.91	29.74	30.27	30.54	3.13%	1.32%	-2.06%

** AR collection of LeTV CNY 49.16 million (about NTD 223 million) and reversed the allowance for doubtful accounts CNY17.72 million(about NTD 79.15 million)

Balance Sheets and Key Indices

Selected Items from Balance Sheets (In NT$ Millions)	Sep 30, 2018		Jun 30, 2018		Sep 30, 2017	
	$	%	$	%	$	%
Cash and Cash Equivalents	2,161	9	2,347	9	2,072	9
Notes and Accounts Receivable, net	9,777	37	8,842	34	8,365	37
Inventories, net	13,419	51	13,530	52	10,976	49
Total Assets	**26,390**	**100**	**25,782**	**100**	**22,617**	**100**
Short-term Borrowings	11,913	45	9,776	48	9,601	42
Notes and Accounts Payable	7,084	27	8,208	41	6,539	29
Total Liabilities	**20,643**	**78**	**20,239**	**79**	**17,374**	**77**
Total Equity	**5,747**	**22**	**5,543**	**21**	**5,243**	**23**
Key Indices						
A/R Turnover (Days)	59		58		54	
Inventory Turnover (Days)	83		87		73	
A/P Outstanding (Days)	40		43		40	
Current Ratio (X)	1.28		1.28		1.31	
ROWC(%)	9.03		9.83		6.67	
ROE(%)	13.64		14.08		11.24	

Opportunities, Solutions and Competitive Advantages

WEIKENG

- Server / Data center
  - White Box / SI / OEM / ODM: AMD CPU(EPYC) / GPU / Infineon / Lattice / WDC
- AI / Smart Application
  - AMD CPU, GPU / NXP / Infineon / Lattice / Microchip
- Automotive / Electric Vehicle (EV) ：NXP / Infineon / Vishay / Microchip / Cypress / Molex / Lattice / SanDisk
  - ADAS, TPMS, Motor control, BMS, EPS, LED, OBC, EV Charging station / piles, Radar, Infotainment
- Smart phone: WDC, Sitronix, Airoha, Amazing
- Apple(iPhone, Macbook, iPad, iWatch, Airpod, Airpower): Dialog, Lattice
- Smart Speaker(Amazon/Google/Sonos): Lattice, WDC, Cypress, Infineon, Molex
- Type C：NXP / Cypress
- IoT：Cypress (Broadcom / Spansion) / NXP / Microchip / SanDisk
- Passive product lines : Vishay / Molex/ Amazing
- New franchises : Microsemi / Eve Battery / GigaDevice / XMOS

Opportunities, Solutions and Competitive Advantages, Continued

WEIKENG

- Long–term solid relationship with key suppliers

Franchise	Relationship Since	Remark
AMD	1986	#1 AMD/ATI distributor, APAC
Infineon	1996	Top Distribution Partner, #3 in APAC
Microchip	1996	#1 Microchip distributor, Greater China
Cypress	1999	#1 Cypress distributor, Greater China
Lattice	2002	#1 Distributor, WW-based
NXP	2008	Fastest Growing and Best Performing Regional Disties - Greater China
Vishay	2008	Top Distribution Partner, #2 in Greater China
WDC(SanDisk)	2011	#1 SanDisk distributor in Greater China

- Has built core competence by strong demand creation footing
  - High mass market penetration(25% of ICs revenue)
  - Solution offerings by R&D division and jointly with IDHs and customers
- Technical support and R&D teams create industry-leading demand creation activities
  - 70% of ICs revenue from demand creation activities
  - High proportion of technical team support sales team
    - ✓ Taiwan：2 to 3 & China：1 to 2
- ASEAN growth (Territory expansion, New product lines)

Q&A

Thank You

http://www.weikeng.com.tw/investor/conference.php?lan=en