2024 1st Quarter Earnings Conference

2024/05/28

Agenda

1. Welcome
2. Company Introduction
3. 1Q’24 Financial Results
4. Market Status & Outlook
5. Strategic Approach in 2024
6. Q & A

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

- The Jan~Apr of 2024 consolidated sales: NT$ 25.2Billion (YoY=+16.5%)

Weikeng Group

Weikeng Industrial (Taiwan/ Greater China)

- Parent company
- 2024 Jan~Apr sales:
  NT$11.4 Billion
  (YoY=+NT$1.6 Billion，+16%)

Weikeng International (HK/China)

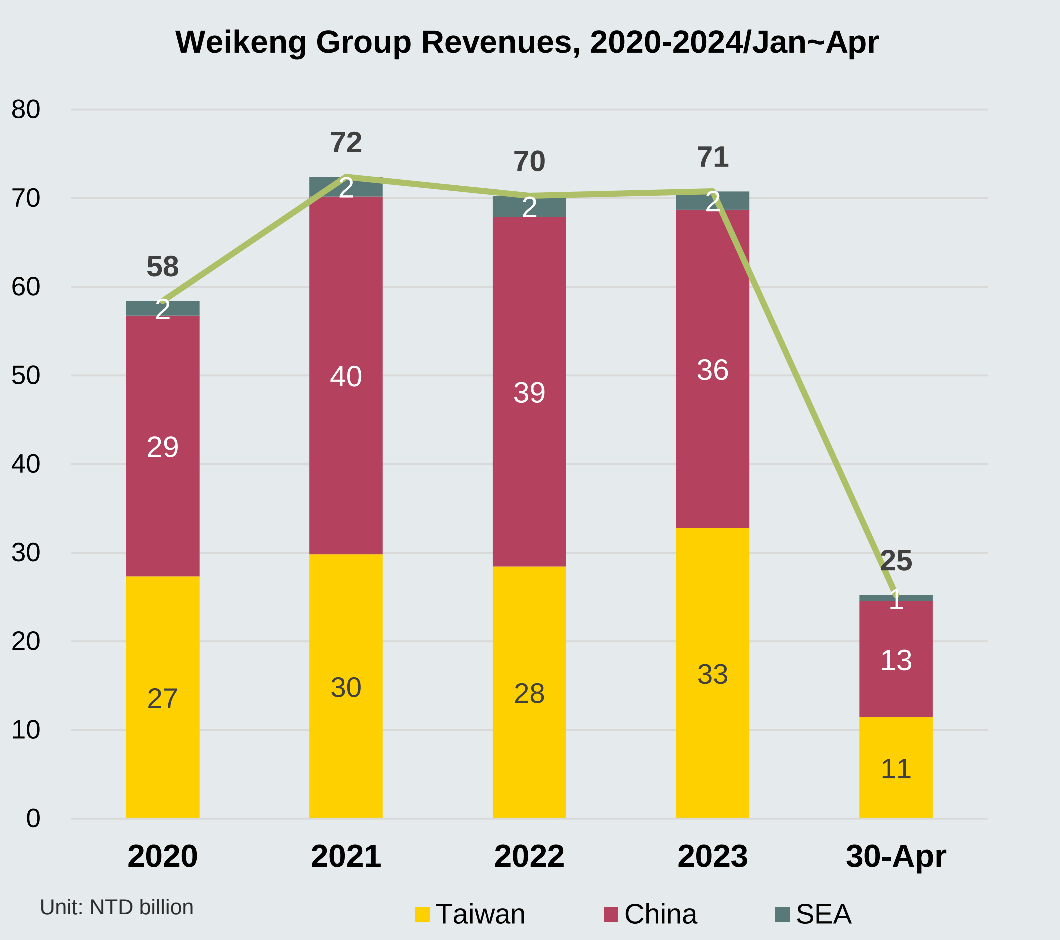
- Wholly-owned subsidiary
- 2024 Jan~Apr sales:
  NT$13.1 Billion
  (YoY=+NT$2 Billion，+18%)

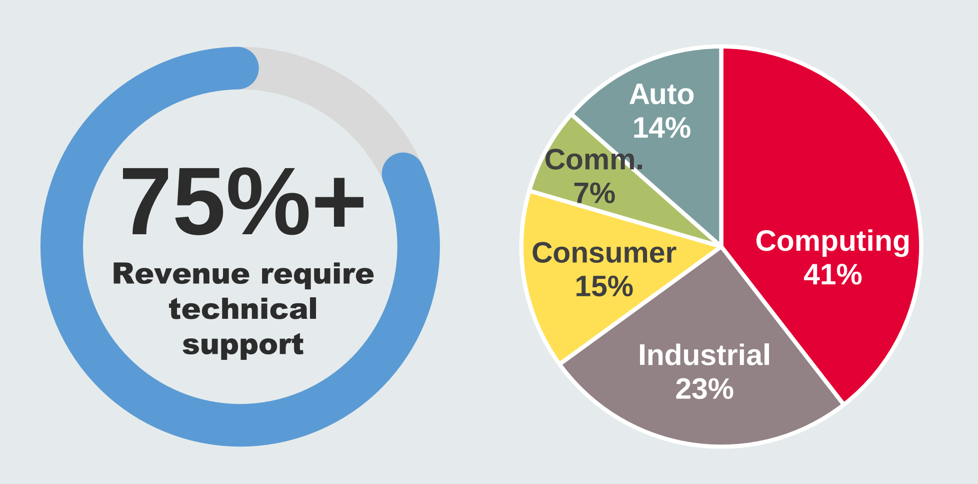
Weikeng Tech (Sin/SEA)

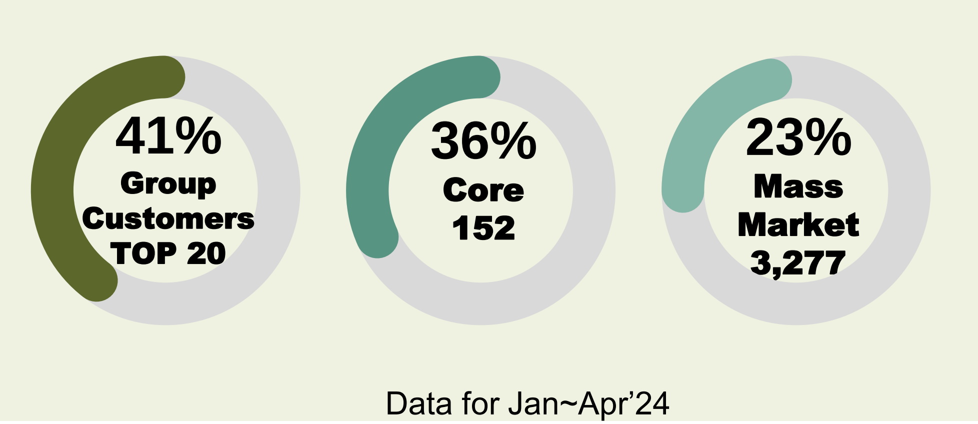
- Wholly-owned subsidiary
- 2024 Jan~Apr sales:
  NTT$0.7Billion
  (YoY=-NT$26 Million，-4%)

Company Introduction – Revenues, 2020-2024/Jan~Apr

Weikeng Facts







Consolidated Statements of Comprehensive Income

Selected Items from Consolidated Statements of Comprehensive Income (In NT$ Millions)	1Q 2024	4Q 2023	1Q 2023	1Q24 Over 4Q23	1Q24 Over 1Q23
Net Revenue	18,444	18,192	16,524	1%	12%
Gross Margin	1,049 5.69%	1,158 6.37%	1,053 6.37%	-9% -0.68ppts	-0% -0.68ppts
Operating Expenses	564	742	643	-24%	-12%
Net Operating Income	485 2.63%	417 2.29%	411 2.48%	16% +0.34ppts	18% +0.15ppts
Net Non-Operating Income & Expenses	(270)	(126)	(185)	-114%	-46%
Profit before Tax	215 1.17%	290 1.60%	226 1.37%	-26% -0.43ppts	-5% -0.20ppts
Net Profit	169	227	170	-26%	-1%
Basic EPS(NT Dollar)	0.39	0.53	0.4	-26%	-3%
Exchange Rate(NT$/US$)	31.42	30.93	30.42	2%	3%

*Comparison of 1Q’24 and 1Q’23:
1. Financial costs increased by NT$40 million.
2. Net foreign currency exchange gains decreased by NT$42 million.
3. Measured by fair value through profit or loss has a net decrease of NT$4 million in evaluation benefits (mainly CB6 put/call options evaluation).

Balance Sheets and Key Indices

Selected Items from Balance Sheets (In NT$ Millions)	Mar. 31, 2024		Dec. 31, 2023		Sep 30, 2023	
	$	%	$	%	$	%
Cash and Cash Equivalents	2,405	6	2,411	6	2,308	6
Notes and Accounts Receivable, net	14,828	38	13,587	35	13,751	35
Inventories, net	19,956	51	20,517	53	20,553	53
Total Assets	**39,498**	**100**	**38,646**	**100**	**38,765**	**100**
Short-term Borrowings	16,176	41	14,702	38	15,855	41
Notes and Accounts Payable	8,584	22	9,593	25	8,515	22
Total Liabilities	**30,312**	**77**	**29,880**	**77**	**29,932**	**77**
Total Equity	**9,186**	**23**	**8,766**	**23**	**8,833**	**23**
Key Indices						
A/R Turnover (Days)	70		68		69	
Inventory Turnover (Days)	106		101		102	
A/P Outstanding (Days)	48		36		33	
Current Ratio (X)	1.41		1.40		1.41	
ROWC(%)	7.65		7.37		7.42	
ROE(%)	7.53		8.77		8.28	
Exchange rate at the BS date	32		30.71		32.27	

Market Status & Outlook(I)

WEIKENG

Market Segment	Market Status & Outlook
Semiconductor Market	• According to data from WSTS, Gartner, and IDC, the semiconductor market revenue is expected to grow by 13% to 20% this year, with a growth of approximately 10% excluding memory.. • The shortage of Nvidia GPUs last year was primarily due to advanced packaging (CoWoS). In the first half of this year, production capacity can expand by more than double, with more suppliers joining, thus significantly improving the bottleneck in AI chip supply. • AI applications this year will expand from cloud data centers/AIGC to AI PCs and AI smartphones. • Strong growth in AI is driving high demand for High Bandwidth Memory (HBM), leading to supply shortages. • Due to the aggressive deployment by companies such as Nvidia, AMD, Apple, Qualcomm, Intel, Mediatek, and Broadcom, along with strong demand for AIGC, AI PCs, and AI Smartphones, TSMC's advanced process capacity is now almost 100% utilized.. • However, in mature processes, competition is fierce due to a significant increase in mature process capacity in mainland China.
Server Market (Nomura/Digitimes 2024/4)	• This year, the overall server market is showing modest performance, with an expected growth of only 3%-5%. However, the AI server segment is demonstrating strong growth, projected to grow by 25%-30%. Currently, AI servers account for approximately 12% of the overall server market. • Global Server Market: ✓ Q1'24: 3.534Mu, QoQ -1.6%, YoY -6.7%% ✓ Q2'24: 3.601Mu, QoQ: +1.9%, YoY +1.9%
Automotive Market (S&P Global Mobility 2023/12) (Digitimes 2024/1) (IEA/BloombergNEF 2024/1)	• The global automotive market is expected to show modest growth of only 2%-3% this year. China's automotive market surpassed 30 million vehicles last year, capturing a 35% global market share. It is also projected to grow by 2%-3% this year. • The electric vehicle (BEV+PHEV) market is forecasted to grow by 21% from last year's 1.38 million units to reach 1.67 million units. China's electric vehicle market reached 9.49 million units last year, with a global market share of 68%. • Despite limited overall growth in the automotive market, the trend towards automotive intelligence remains unchanged. This will drive a high compound annual growth rate (CAGR) of 15%-20% in automotive electronics until 2027. Advanced Driver Assistance Systems (ADAS) and In-Vehicle Infotainment systems (IVI) are the two major driving forces.
PC/NB Market (Trendforce/Nomura/Digitimes 2024/4)	• Overall, the PC market showed only a slight recovery of 1%-3% in the first half of this year, given the low base period from the previous year. In the second half of this year, with the release of new AI PC modles boasting 40 TOPS (Tera Operations Per Second) or more and the introduction of Microsoft Co-Pilot to the market, a significant recovery in the PC market should be observed. It is expected to grow by 5%-7% for the full year. • Global Notebook (NB) Market: ✓ Q1'24: 40.349Mu, QoQ -3.5%, YoY +12.2% ✓ Q2'24: 41.237Mu, QoQ:+2.2%, YoY -5.1%

Market Status & Outlook(II)

Market Segment	Market Status & Outlook
Smartphone Market (Canalys/Counterpoint/Digitimes 2424/5)	• It is expected that the global smartphone market will grow by 2%-4% this year, but Apple iPhone may decline by around 5%. • Currently, China has not introduced any policies to stimulate the smartphone market this year, resulting in only a modest recovery in the Chinese market. However, Huawei's recent resurgence in the Chinese market has noticeably squeezed iPhone's market share in China. • Global smartphone market: ✓ Q1'24: 281.1Mu, QoQ -14%, YoY +6.7% ✓ Q2'24: 274.3Mu, QoQ: -2.4%, YoY +8.3%
CN Market Situations	•The issues of China's real estate sector, high youth unemployment, and sluggish domestic market have not yet to see significant improvement. However, the official announcement of China's mainland first-quarter GDP growth at 5.3%, surpassing expectations, was primarily driven by the manufacturing sector (steel, aluminum, electric vehicles, solar energy, batteries, etc.) and export-led growth. • The substantial export of the "new three industries" (electric vehicles, lithium batteries, and solar energy) from the mainland has contributed to GDP growth, filling the gap in domestic demand and increasing employment. However, it has also impacted employment in related industries in Europe and the United States and inhibited the development of related industries there. This phenomenon has triggered backlash from the United States/European Union, prompting investigations and the implementation of tariff actions.
International Political and Economic Situations Changing	• On May 14, 2024, the Biden administration announced a new round of tariff adjustments on China: ✓ Electric Vehicles (EVs): The tariff rate on electric vehicles will increase from 25% to 100% this year. ✓ Semiconductors: By 2025, tariffs will rise from 25% to 50%. ✓ Batteries: The tariff rate on lithium-ion batteries for electric vehicles will increase from 7.5% to 25% this year. The tariff rate on non-electric vehicle lithium-ion batteries will also increase from 7.5% to 25%. ✓ Solar Panels: Tariffs will rise from 25% to 50% starting in 2024. ✓ Steel/Aluminum: Tariffs will increase from 7.5% to 25%. • The European Union (EU) announced on October 2023 that it has officially initiated an anti-subsidy investigation on imports of pure electric vehicles from China to determine whether to impose anti-dumping tariffs.

Market Status & Outlook(III)

Segment	Units	2022	2023	2024(F)	Segment	Units	2022	2023	2024(F)
Semiconductor (WSTS/2323/12)	USD	$574.084B	$520.126B	$588.364B	Global Vehicle (S&P Global Mobility 2023/12)	Shipments	79Mu	86Mu	88.3Mu
	YoY	3.30%	-9.4%	13.10%		YoY	-1%	8.9%	2.8%
NB (Trendforce/Nomura/Digitimes 2024/4)	Shipments	187.1Mu	165Mu	174.7Mu	China Vehicle (S&P Global Mobility 2023/12)	Shipments	26.864Mu	30.093Mu	31Mu
	YoY	-24.3%	-11.8%	5.8%		YoY	2.10%	12%	3.0%
Server (Nomura/Digitimes 2024/4)	Shipments	18.1Mu	14.802Mu	15.532Mu	Global EV(BEV+PHEV) (Digitimes 2024/1 IEA/BloombergNEF 2024/1)	Shipments	10.5Mu	13.8Mu	16.7Mu
	YoY	6.30%	-18.3%	4.9%		YoY	62%	31.4%	21.0%
Smartphone (Canalys/Counterpoint/Digitimes 2424/5)	Shipments	1,160.9Mu	1,126.2Mu	1,168.4Mu	China EV(BEV+PHEV) (Digitimes 2024/1 IEA/BloombergNEF 2024/1)	Shipments	6.887Mu	9.495Mu	11.50 Mu
	YoY	-11.90%	-3%	3.7%		YoY	93%%	37.9%	21.1%

Strategic Approach in 2024

- In response to the competition between the US and China, OEMs/ODMs clients are relocating their production lines/bases. Weikeng has already enhanced the establishment of supply chain logistics and personnel in various new production locations outside the Greater China region, such as Southeast Asia, North America, and Mexico.
- In response to the increasing technical requirements of new application fields in both hardware and software, Weikeng has allocated a high proportion of professionally certified technical teams (1 FAE for every 2 Sales) to provide the most timely and in-depth Products Promotion, Project Tracking (DI/DW), and Trouble Shooting (debug) services to our customers in the Greater China region, which has been highly recognized and appreciated by both our Vendors and major customers!
- By closely collaborating with the world's leading and most advanced semiconductor companies, we are jointly strategizing important fields and new market opportunities. The results have already significantly impacted Weikeng's revenue and will increasingly demonstrate greater competitiveness!
  - ➢ Deeply engaging in various related fields within the AI ecosystem : AMD, Infineon, NXP, Lattice, WDC, Molex, Gigadevice
    - ✓ AI servers (AI Generated Content, AIGC), general-purpose servers, data centers, CRPS/BBU (server power modules and backup battery modules), AI modules/sockets, high-speed networks, 5G Open Radio Access Networks (ORAN)…
  - ➢ Deepening our presence in the new energy market and applications: Infineon, NXP, Molex, Microchip, Vishay
    - ✓ Electric vehicles (EV), automotive active safety and intelligent applications (IVI, radar, powertrain, MCU, pressure sensors...), charging stations, energy storage devices...
  - ➢ Deepening applications in various smart devices and industrial markets: AMD, Infineon, NXP, Lattice, Microchip, Vishay, Amazing, Gigadevice, Sitronix, GSD, Sinopower
    - ✓ AI PC, AI NB, AI Smartphone, AI Tablet PC, IPC, TV, Monitor, NFC-Tag (e.g. Easy Card, Transportation Card, Access Card, ETC, various electronic tags), E-reader, IoT, Smart Meter…


Q&A

Thank You