

PRIMAX ELECTRONICS

QUARTERLY FINANCIAL RESULTS | TAIWAN | 28 OCTOBER 2021

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INVESTOR RELATIONS

Primax Electronics 3Q 2021 Financial Results



Primax Speakers

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Meeting Agenda

Quarterly Results
& Update

⌚ 20'

Trends & Growth
Opportunities

⌚ 15'

Investor Questions
& Feedback

⌚ 10'

Safe Harbor And Disclaimer

Primax's presentation contains forward-looking statements subject to significant risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In this context, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions.

Actual results may differ materially from those contained in the forward-looking statements due to risk and uncertainties resulting from a number of important factors. Such factors include, but are not limited to: our highly competitive environment; the cyclical nature of our business; our ability to develop new products; and our successful execution in new business developments, and etc. All forward-looking statements in this presentation are based on information available to us as of the date hereof, we undertake no obligation to update these forward-looking statements for new information, future events, otherwise, or update the reasons why actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

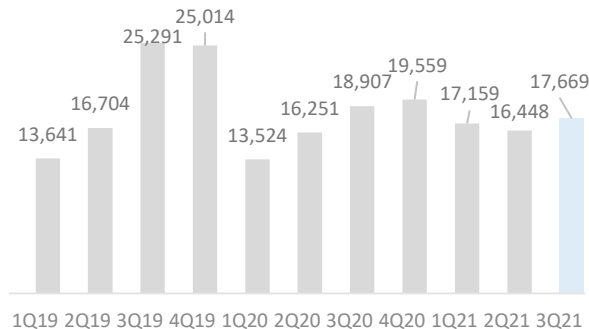
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PRIMAX HIGHLIGHTS OF THE QUARTER

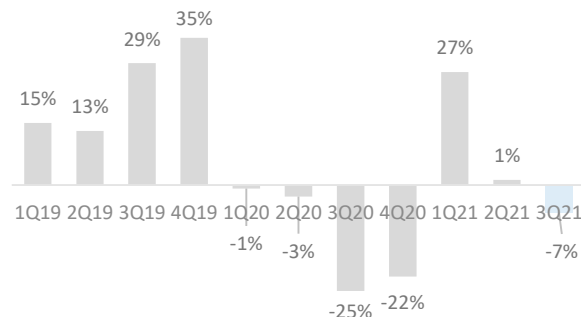


- Visual business strong from car ADAS adjustment to product mix
- Interface business YoY growth decelerating from a high base in 3Q20
- Business equipment growing robustly from back to office demand
- Audio revenue lower than expected due to severe component constraints

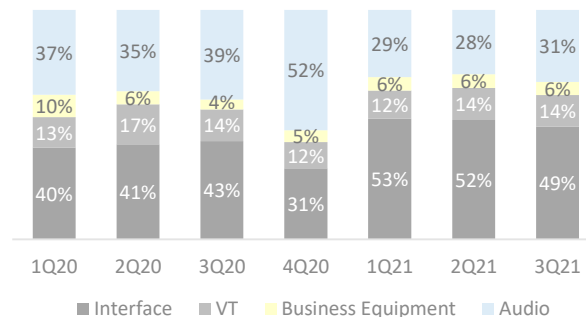
Quarterly Revenue (NTD million)



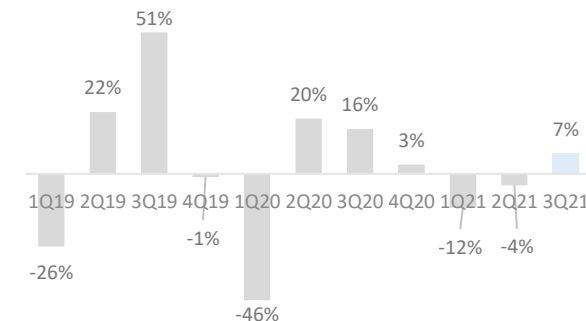
Quarterly Revenue Growth YoY (%)



Quarterly Sales Breakdown (%)

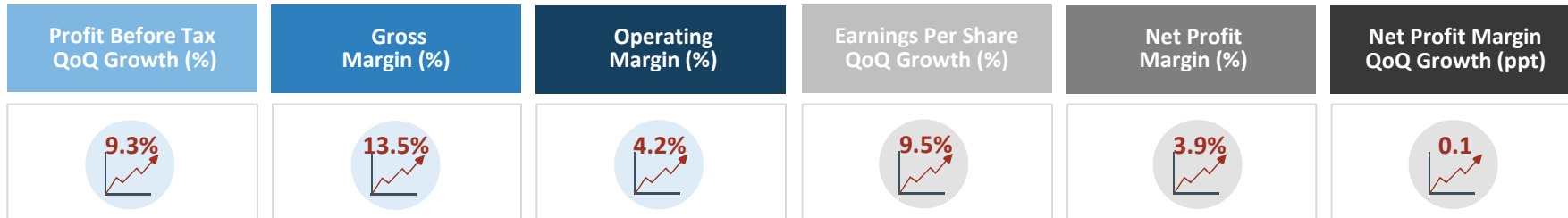


Quarterly Revenue Growth QoQ (%)

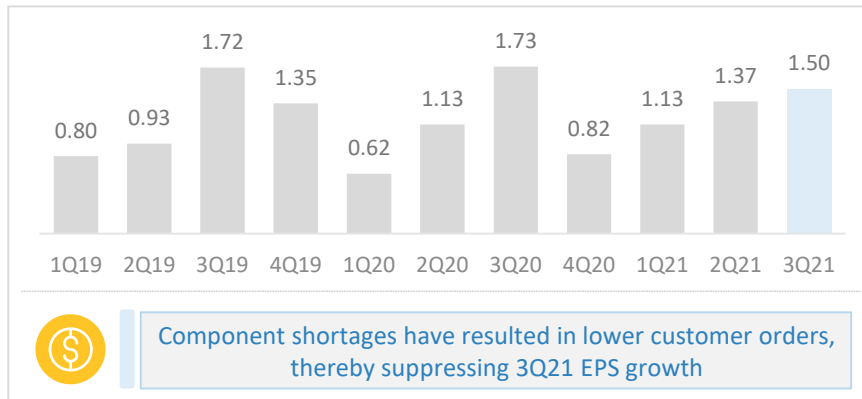


PRIMAX FINANCIAL DASHBOARD

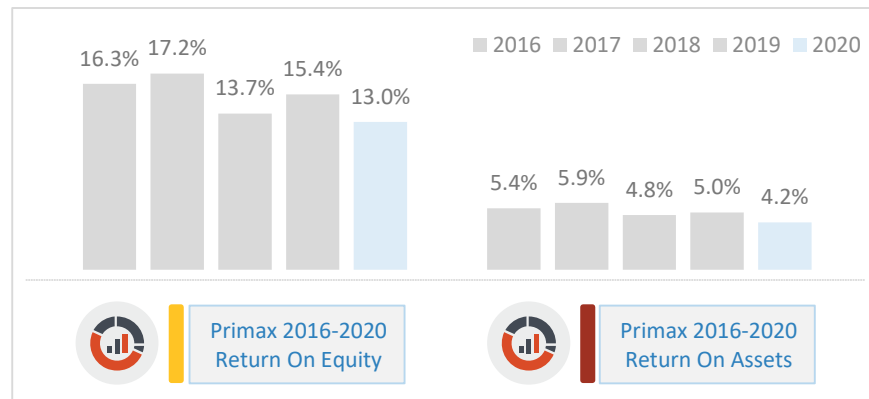
Primax 3Q21 Highlights – Profit Before Tax (PBT), Gross Margin, Operating Margin, EPS, And Return On Equity And Assets



Quarterly Earnings Per Share (NTD)

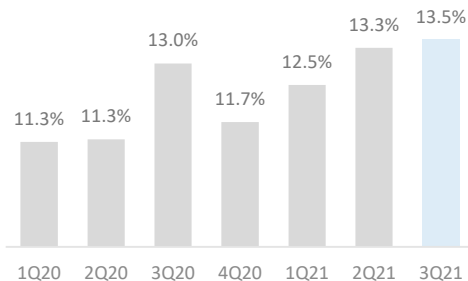


Return On Equity And Return On Assets (%)

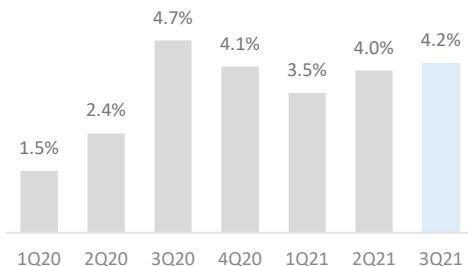


PRIMAX INCOME STATEMENT

Quarterly Gross Margin (%)



Quarterly Operating Margin (%)

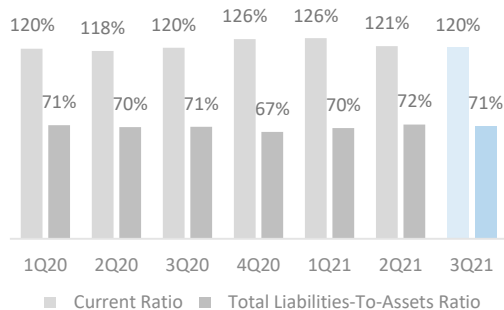


(NTD million)

	3Q 2021	2Q 2021	3Q 2020	QoQ	YoY
Net Sales	17,669	16,448	18,907	7.4%	-6.5%
COGS	15,285	14,257	16,452		
Gross Profit	2,384	2,191	2,454	8.8%	-2.9%
Gross Margin (%)	13.5%	13.3%	13.0%	0.2 ppt	0.5 ppt
Operating Expense	1,646	1,533	1,558	7.4%	5.6%
Operating Expense (%)	9.3%	9.3%	8.2%	0.0 ppt	1.1 ppt
Operating Income	738	658	896	12.3%	-17.6%
Operating Margin (%)	4.2%	4.0%	4.7%	0.2 ppt	-0.5 ppt
Non-operating Items	130	137	168		
Income before Tax	868	795	1,063	9.3%	-18.3%
Income Tax	182	167	235		
Net Income	686	627	828	9.4%	-17.1%
Net Margin (%)	3.9%	3.8%	4.4%	0.1 ppt	-0.5 ppt
NI attributed to Primax	672	611	773	9.9%	-13.1%
EPS (NTD)	1.50	1.37	1.73	9.5%	-13.3%

PRIMAX BALANCE SHEET

Current Ratio & Leverage (%)



3Q21 Balance Sheet Key Indices (days)

AR Turnover



AP Turnover



Inventory Days



Cash Conversion Cycle

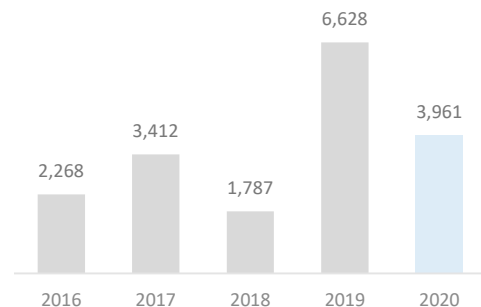


(NTD million)

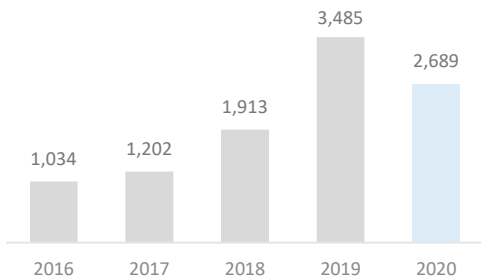
	3Q 2021	2Q 2021	1Q 2021	4Q 2020	3Q 2020
Cash	5,176	5,127	6,167	6,935	10,839
Notes & Accounts Receivable	14,007	13,207	12,145	13,579	14,807
Inventory	12,709	11,225	10,242	10,247	8,790
Total Current Assets	40,288	40,748	39,547	35,110	37,470
Fixed Assets	7,333	6,601	6,497	6,542	6,505
Total Assets	53,934	53,590	52,646	47,307	50,179
Notes & Accounts Payable	15,965	14,556	15,205	19,001	17,114
S-T Borrowings	9,975	10,334	8,662	905	6,530
CPLTD	288	275	121	75	0
Total Current Liabilities	33,528	33,644	31,316	27,941	31,201
L-T Borrowings	1,112	1,147	1,334	681	364
Total Liabilities	38,202	38,518	36,707	31,806	35,403
Total Equity	15,731	15,072	15,939	15,501	14,776

PRIMAX STATEMENT OF CASH FLOWS

Operating Cash Flow (NTD million)



Capital Expenditure (NTD million)

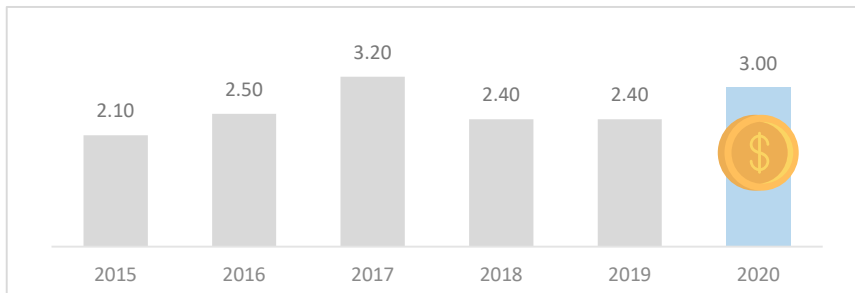


(NTD million)

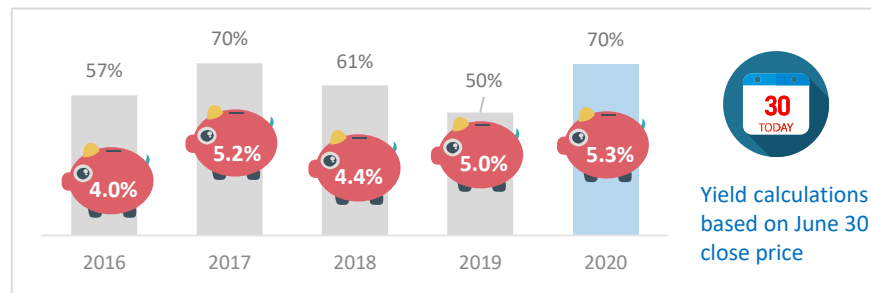
	3Q21 YTD	2Q21 YTD	1Q21 YTD	4Q20 YTD	3Q20 YTD
From Operations	(7,198)	(10,500)	(8,572)	3,961	2,049
- Income Before Tax	2,297	1,429	634	2,478	1,931
- Depreciation & Amortization	1,475	1,000	515	2,230	1,682
- Notes & Accounts Receivable	(425)	373	1,434	5,630	4,413
- Notes & Accounts Payable	(3,036)	(4,445)	(3,796)	(4,744)	(6,630)
- Inventory	(2,563)	(1,015)	14	(39)	1,416
- Other Operating Sources	(4,946)	(7,842)	(7,373)	(1,594)	(763)
From Investment	(2,562)	(1,148)	(517)	(2,796)	(2,131)
- Fixed Assets	(2,490)	(1,157)	(533)	(2,689)	(2,008)
- Other Investing Sources	(72)	9	17	(107)	(123)
From Financing	8171	9,969	8,390	(975)	4,330
- S-T Borrowings	9,070	9,429	7,757	(187)	5,438
- L-T Borrowings	645	666	700	577	186
- Cash Dividend	(1,355)				(1,077)
- Other Financing Sources	(189)	(126)	(66)	(288)	(216)
Net Cash Position Change	(1,589)	(1,678)	(699)	190	4,247
Effect of Foreign Currency	(170)	(130)	(70)	44	(109)
Cash At Beginning of Year	6,935	6,935	6,935	6,701	6,701
Ending Cash Balance	5,176	5,127	6,167	6,935	10,839

CASH DIVIDEND AND 2021 CALENDAR

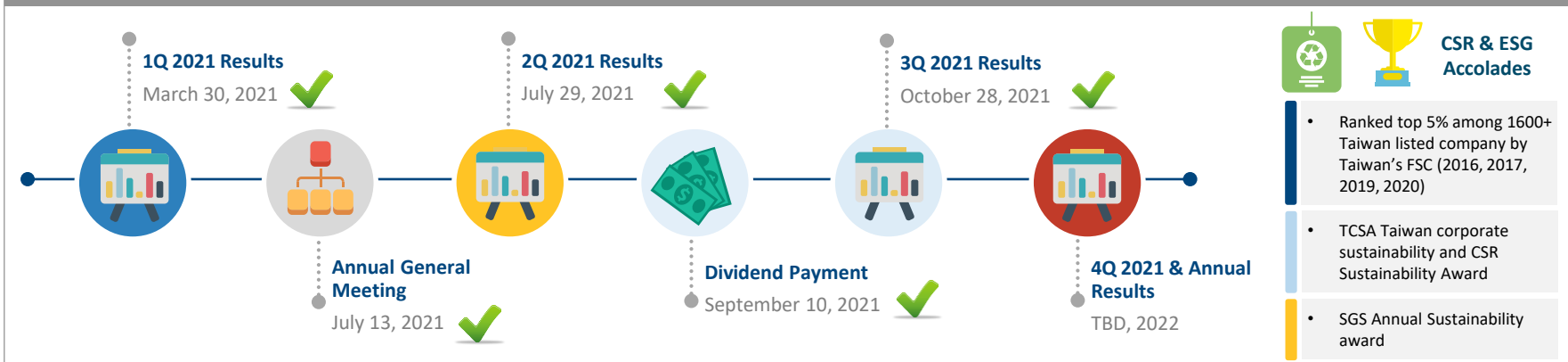
Cash Dividend Per Share (NTD)



Cash Dividend Payout And Dividend Yield (%)



Financial Calendar For 2021 And CSR & ESG Awards



PRIMAX 4Q 2021 OUTLOOK



Primax Sales Outlook

Sales Outlook



Primax anticipates double-digit QoQ revenue growth in 4Q.

Thanks to peak season, our audio orders will see strong uptick if our component supply issues can ease off timely.

Interface & Biz Equipment

Interface growth will maintain at double digit YoY. Primax expects new business product contributions to rise in 2H21.

Demand for printers and MFP will continue to enjoy high YoY growth in 4Q21.

Visual Technology

Police body cam growth rate will revitalize in 2H21, shaking off the slow start in 1H21.

ADAS camera demand would sustain at reasonable growth rate, while smartphone camera module revenue and mix would decrease.

Audio

Consumer speakers and smart speakers will be the key growth drivers.

Should component shortages ease off in 4Q21, audio revenue could grow more robustly QoQ due to pent-up demand from 3Q21.



Primax Profit Outlook

Gross margin expected to see QoQ decline due to rising consumer audio mix, but operating margin likely maintain $\geq$ 3Q21's level



Interface / Biz Equip



The combined interface / business equipment **profit will show strong YoY growth** thanks to better margins and the strong recovery of the printer business.



Visual

Profit growth in 4Q21 would come mainly from an increase of car ADAS contributions.



Audio

Due to the rise of consumer audio and smart speaker product mix, 4Q21 audio gross margin would be a bit lower than 3Q21, but will still be 2-3 ppt higher than 4Q20 as we have already diverted away from most low-margin products.

PRIMAX 2021 STRATEGY AND OUTLOOK

Primax Targets & Strategy



Deepen 3 senses In 1 strategy

Continue to expand new smart devices to inject growth momentum, increase high value-add new products to the mix each year, such as AIoT and Smart Access products.



Profit growth over revenue growth

Due to a continuous effort of optimizing our product and customer mix, gross margin and operating margin would likely see an improvement in the future. Primax is now adopting a profit over revenue growth strategy to optimize profitability and shareholders' return.



Intelligence Interface Segment

PC and gaming peripheral demand remain robust thanks to WFH (work from home). High growth is also expected from new businesses such as smart homes, docking, and wireless charging.



Visual Technology Segment

EV and ADAS demand would likely show strong growth in the coming years thanks to an US-based customer. Primax also aims to increase margins on its non-smartphone camera module mix.



Audio Segment

Growth would mainly come from consumer audio and video conference demands, coupled with new projects kick-off, Primax's audio profitability should improve significantly on a YoY basis.



Increase High Value-Add Products

Primax's strategy of gradually increasing commercial and industrial contribution from AIoT (ie. fleet management and law enforcement body camera) and smart home (smart locks and smart doorbell), should be growth drivers in the future.



Upgrade Manufacturing Capabilities

Primax is pushing ahead towards Smart Manufacturing and Industrial 4.0 concept, with aims of increasing efficiency and lowering costs for the company.



Diversifying Capacity

With aims of mitigating country risks, Primax's Thailand manufacturing site is currently under construction and will be ready for production by 2021 year-end.

PRIMAX AT A GLANCE AND LONG-TERM GROWTH STRATEGY

2020 Group numbers of:

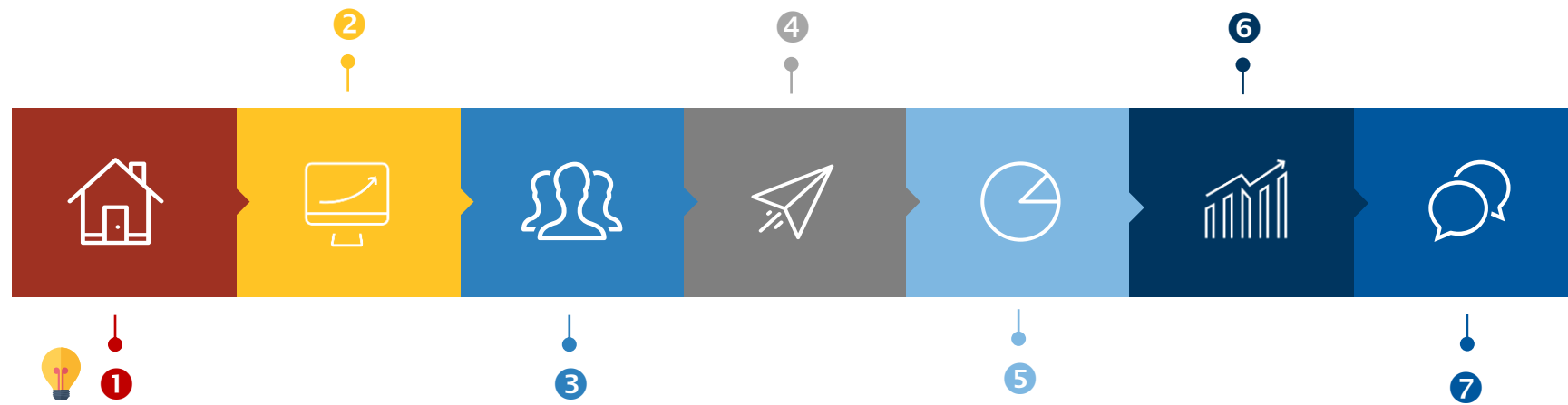
Revenue = NTD 68.24 billion
Net profit = NTD 1.92 billion

CAGR 1989-2020

- Revenue = 15%
- Net profit = 14%

Stable returns

- 50%+ dividend payout
- 4-6% dividend yield



Founded in 1984 with long-term growth strategy of:

- Riding on the trend of “A World of Smart Everything”
- “3 senses In 1” strategy
- Value over scale
- Diversity to mitigate risks

Worldwide employee of 17,000+

Solid financial performance

- Strong cash cow business
- High ROE (5-year average of 15.6%)

Corporate governance & ESG

- Highly rated (2016, 2017, 2019, 2020)
- High ranked CSR/ESG (#38)
- SGS Sustainability Elite Award
- TCSA (top 50 Sustainability Award & Platinum Award for CSR report)

DIFFERENTIATION AND CORE COMPETENCY



Uniquely Positioned

- ✓ 3 senses in 1 strategy
 - ✓ A value added approach
-
- ✓ All in one solutions provider
 - ✓ Visual, audio and interface expertise



Long History of Re-Investing

- ✓ Long, proven track record since 1984
-
- ✓ Achieving through product life cycle transition
 - ✓ New technology evolution



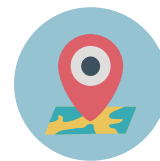
ODM Design Service Provider

- ✓ Positioned as the go to ODM design service provider
-
- ✓ Original design and manufacturing
 - ✓ Flexible approaches and strong and long lasting relations with clients



Moving Away From Low Value Add

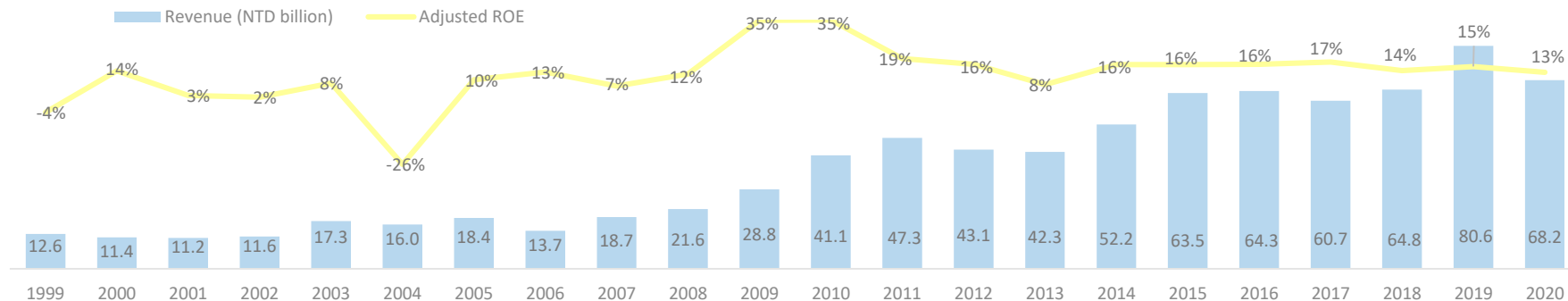
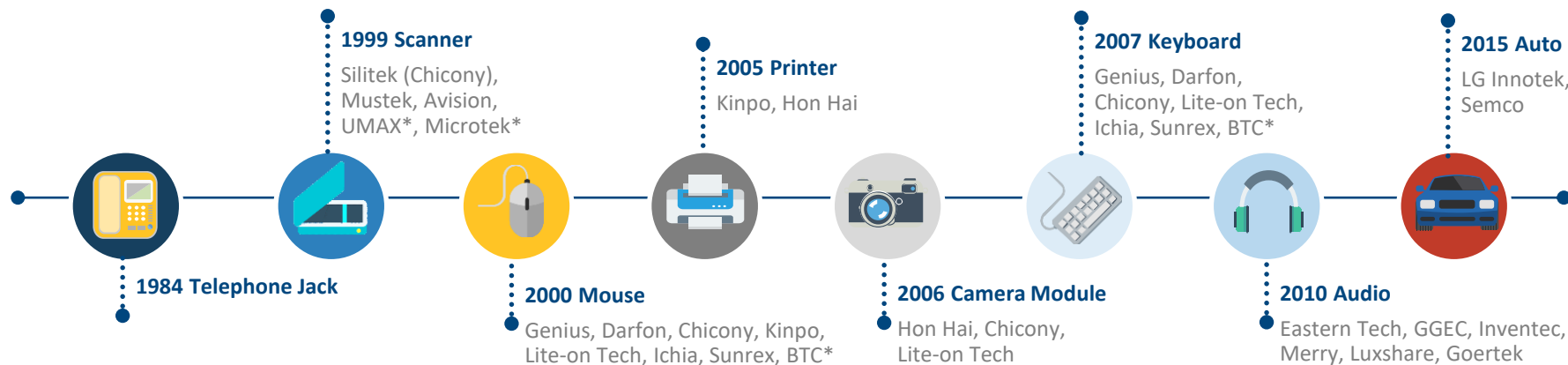
- ✓ Moving away from me-too business
 - ✓ Moving to higher margin products
-
- ✓ Seeking out cloud based service provider customers in need of a reliable long-term hardware provider



Diversity To Mitigate Risks

- ✓ China, Thailand and Czech manufacturing
 - ✓ Singapore treasury center
-
- ✓ US early engagement engineering team
 - ✓ UK R&D center
 - ✓ Taiwan R&D and pilot run site

SUSTAINABLE SUCCESS IN PRODUCT DIVERSIFICATION

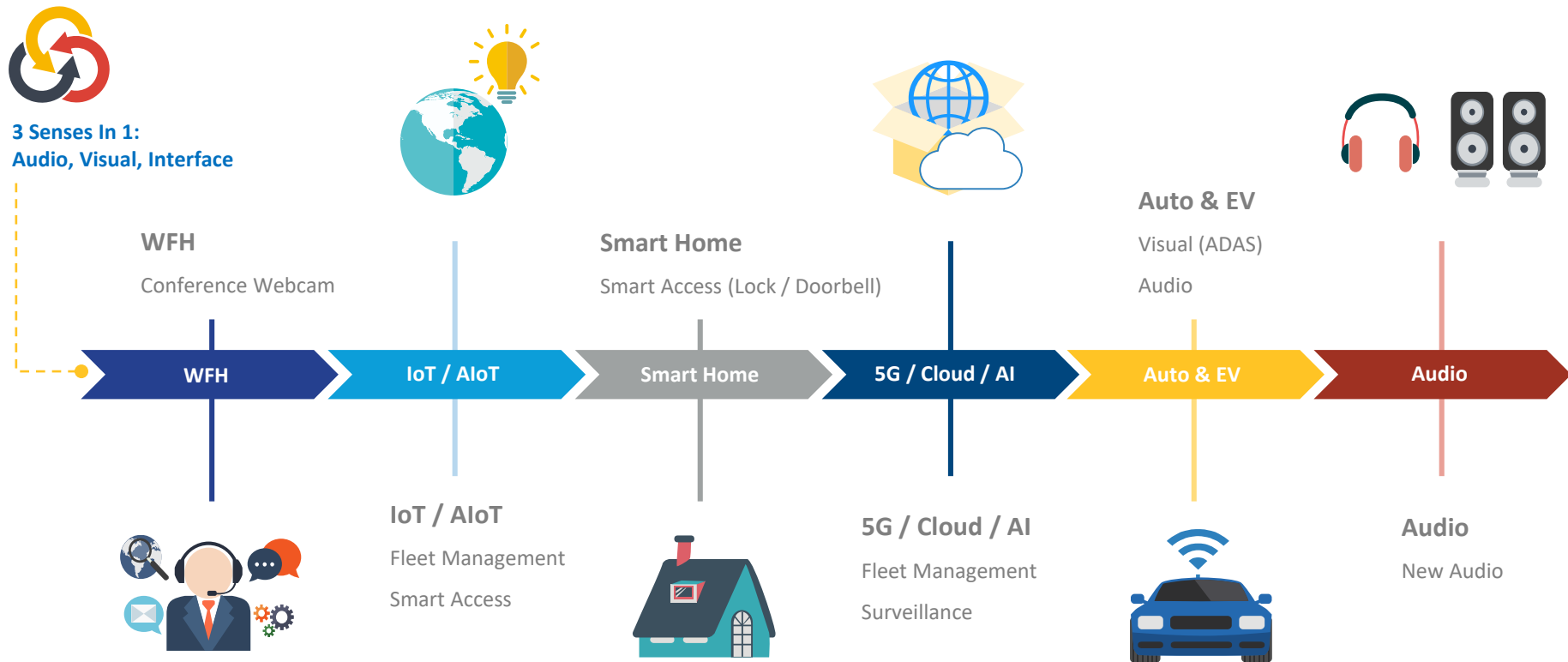


Note: (1) Companies with an asterisk are delisted or no longer in business. (2) Primax's 2008-2016 ROE is calculated on a conservative basis, adding back NTD 1.2 billion in goodwill that was written down before re-listing.

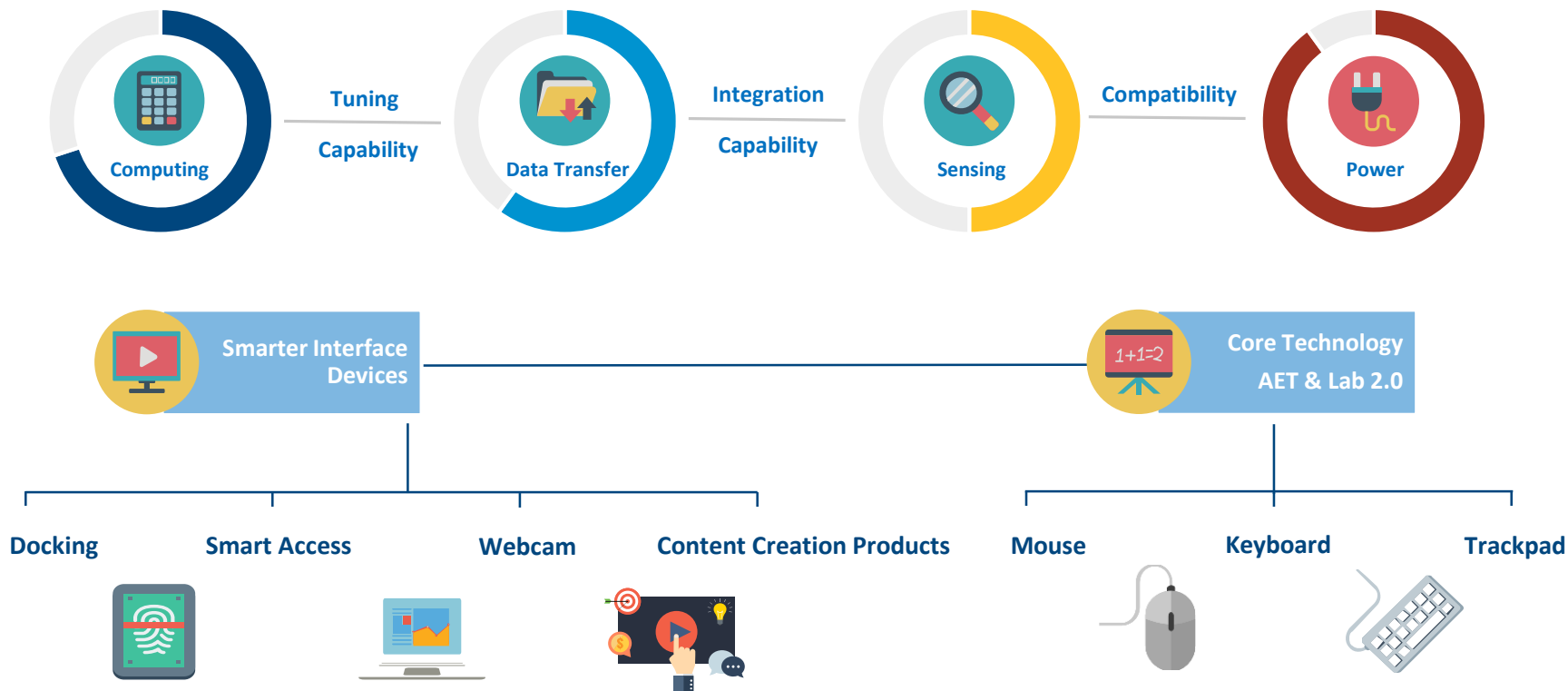
PRODUCT PORTFOLIO AND APPLICATIONS

Classification	Product Portfolio	Historical Range	2020 Sales Breakdown
 Intelligent Interface	 Smart Lock Wireless Charging Docking Gaming Mouse & Keyboard Mouse & Keyboard Gaming Controller Smart Remote Trackpad	29-48%	 39
 Visual Technology	 Dash Camera Police Body Camera ADAS Camera Camera Module Multi-Camera Ultra-Slim 360 Cam 4K 360 Cam	14-30%	 14
 Business Equipment	 Surveillance MFP Thermal Printer Scanner / ADF Mobile Photo Printer	6-13%	 6
 Audio	 Conference Products TWS Headphones Smart Speaker Portable Speaker Home Audio Loud Speaker Transducer	15-51%	 42

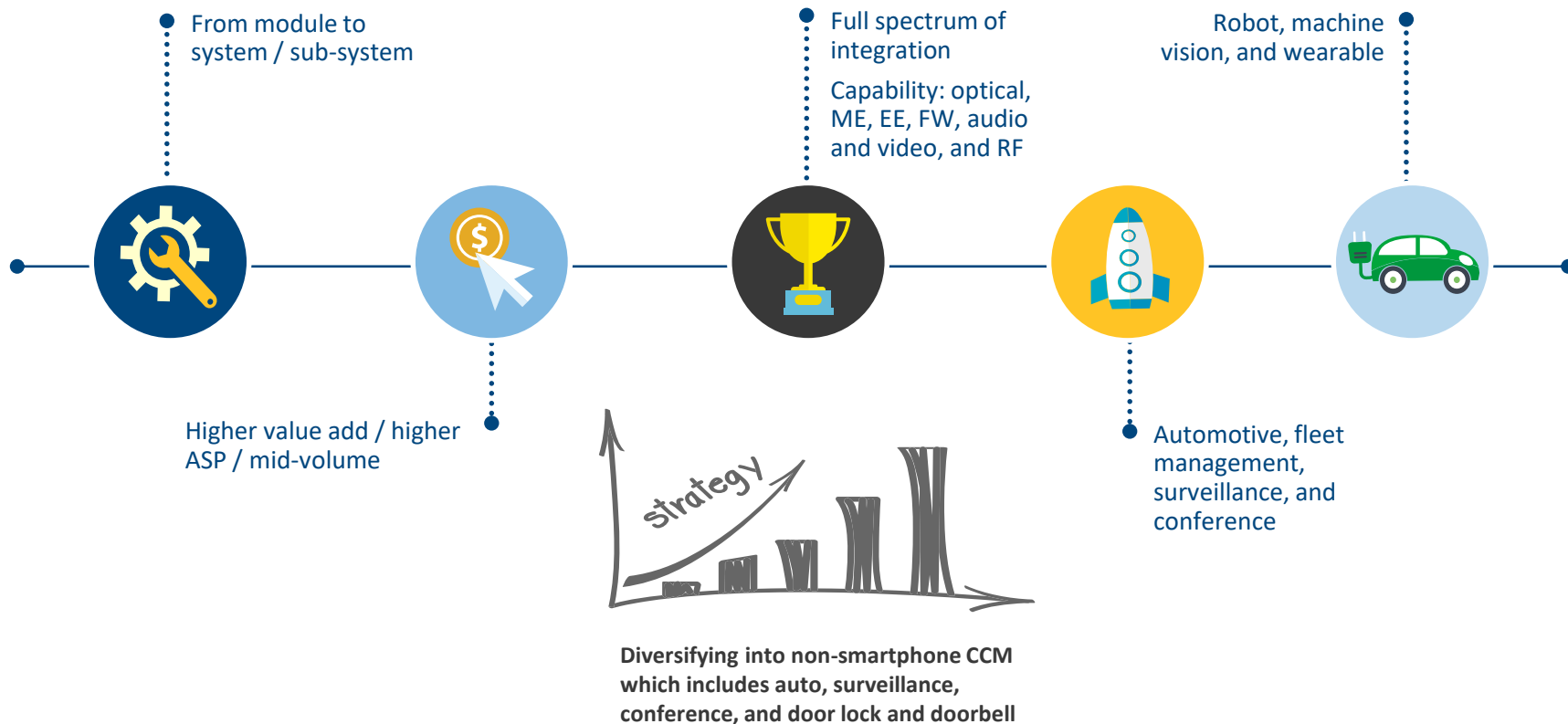
3 SENSES IN 1 HARDWARE SOLUTIONS PROVIDER



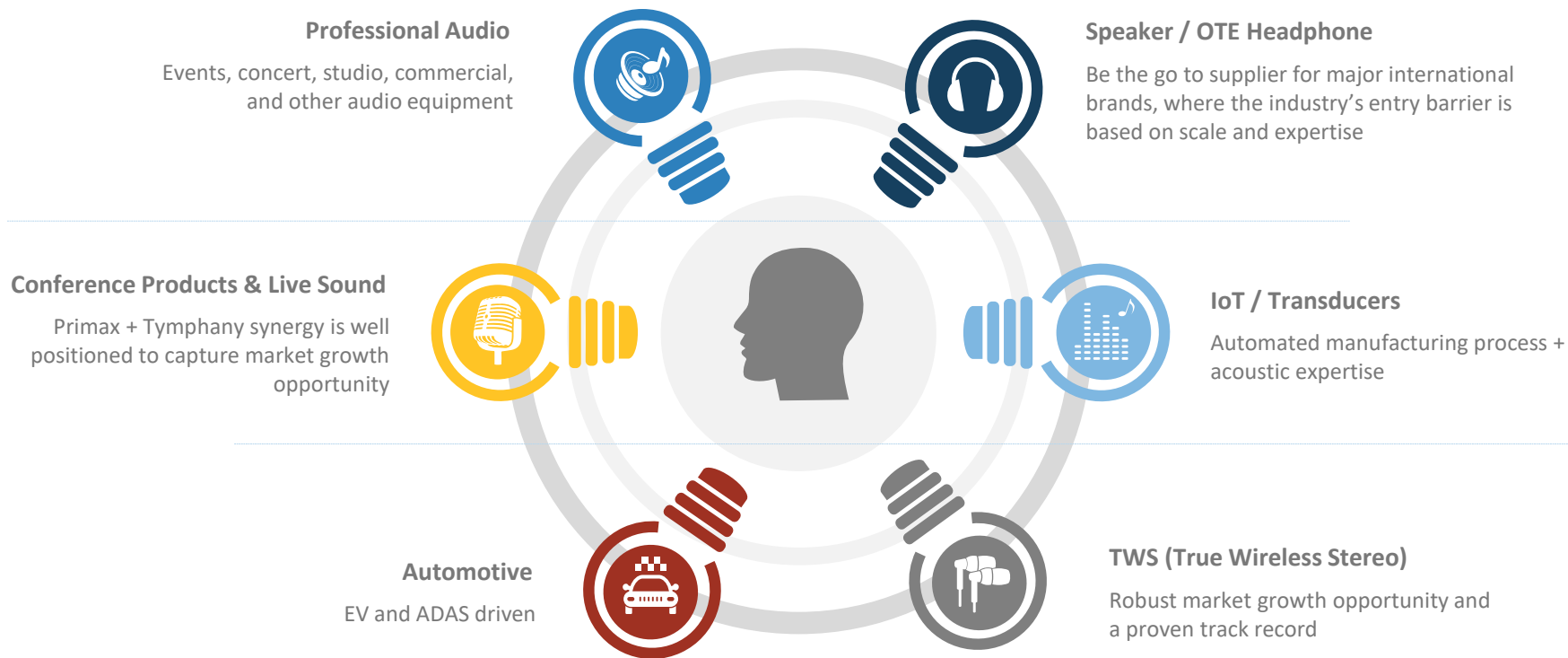
INTELLIGENT INTERFACE GROWTH FROM IOT



HIGHER VALUE-ADD VISUAL TECHNOLOGY



WELL POSITIONED IN AUDIO SEGMENT



PRIMAX KEY INVESTMENT THESIS

Growth Opportunities

3 senses in 1 strategy

Car electronics (EV / ADAS), fleet management, surveillance, and smart door lock and doorbell

Capitalizing On Mega Trends

AIoT, smart home, 5G / cloud / AI, auto and new audio

Margin Expansions

Better product mix, increase new businesses, and focus on low-medium volume but higher margin and / or ASP products



Capital Deployment

Increase dividend payout, less capex and strong free cash flow generating ability

Shareholder Return

Historically paid out 50-70% of earnings, with ROIC > 13% and ROE at about 15%

Commitment To CSR / ESG

Management has strong commitment to CSR / ESG, and Primax is often ranked as one of the best CSR / ESG listed entities in Taiwan

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About Primax Electronics

[Primax Electronics](#) was founded in 1984 and is a leading supplier of IT, electronic and consumer solutions. The company is headquartered at Neihu Technology Park in Taipei City. Guided by the principle of "Global Operations with R&D and Smart Manufacturing in Taiwan", Primax now operates across Asia, The Americas and Europe. Highly-efficient production sites have been established in Taiwan, China and Thailand and the company has over 10,000 employees worldwide.

Seeing the potential of cloud technology and IoT, Primax has successfully developed human-machine interface products with touch, voice control, gesture recognition and wearable functions. Vision and video products have achieved notable successes in smart surveillance systems, mobile devices, smart homes, and advanced driver assistance systems. Our insistence on maintaining high yields as well as high quality in manufacturing and development is backed by our technical expertise. Our implementation of smart system engineering has also made us an indispensable partner for leading international brands and has allowed us to build up the energy needed for future growth.

For the latest news from Primax Electronics, visit our [website](#) or follow us on  

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