

# Operating Results Report for Q2 of 2022

Aug. 10, 2022

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# Disclaimer

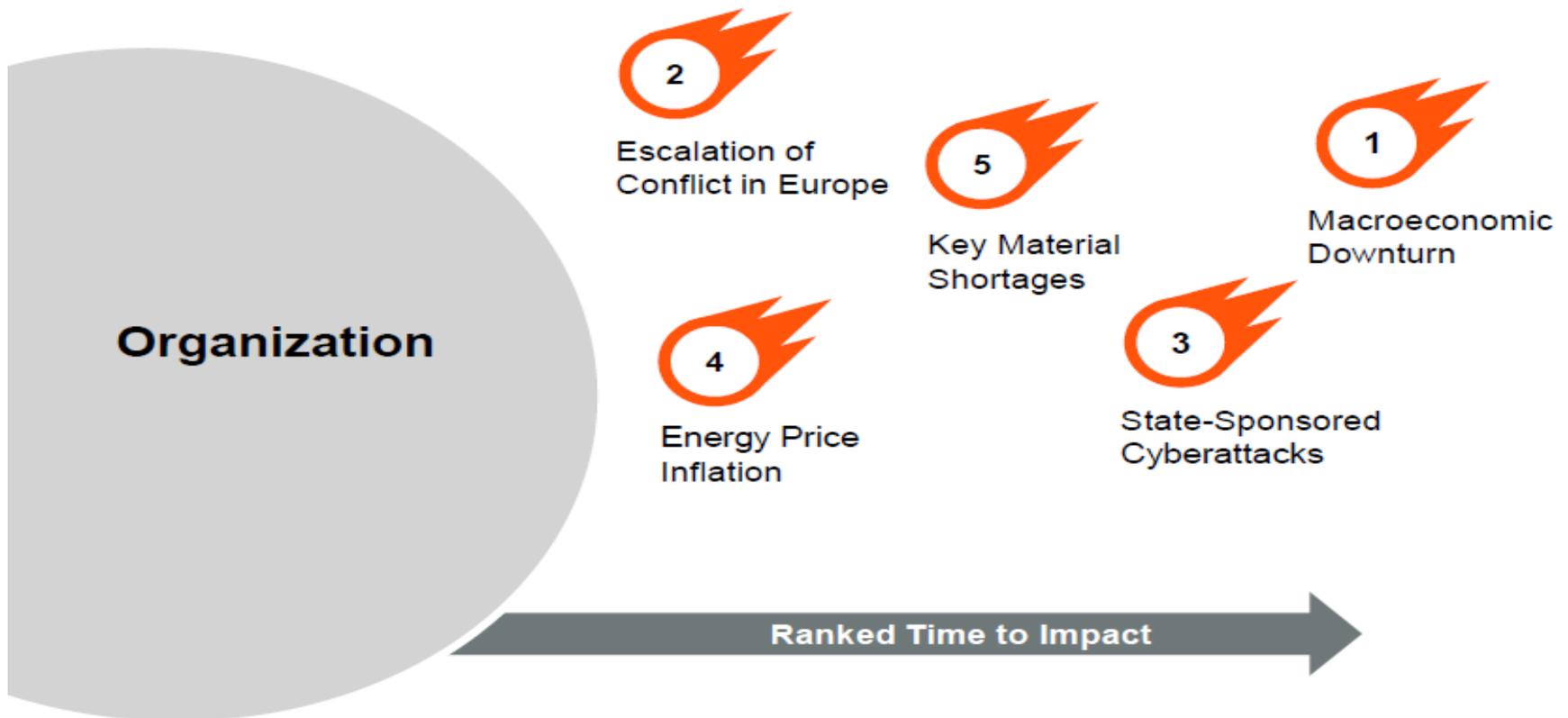
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- The forward-looking statements in this report contain unknown risks and uncertainties, which may cause actual operating results to be materially different from the forward-looking statements, the statements about historical events are excluded.
- The forward-looking statements in this report reflect the company's view of the future so far, the company is not responsible for reminding or updating on any changes or adjustments in these views in the future at any time.

# Market Information

# Emerging Risks

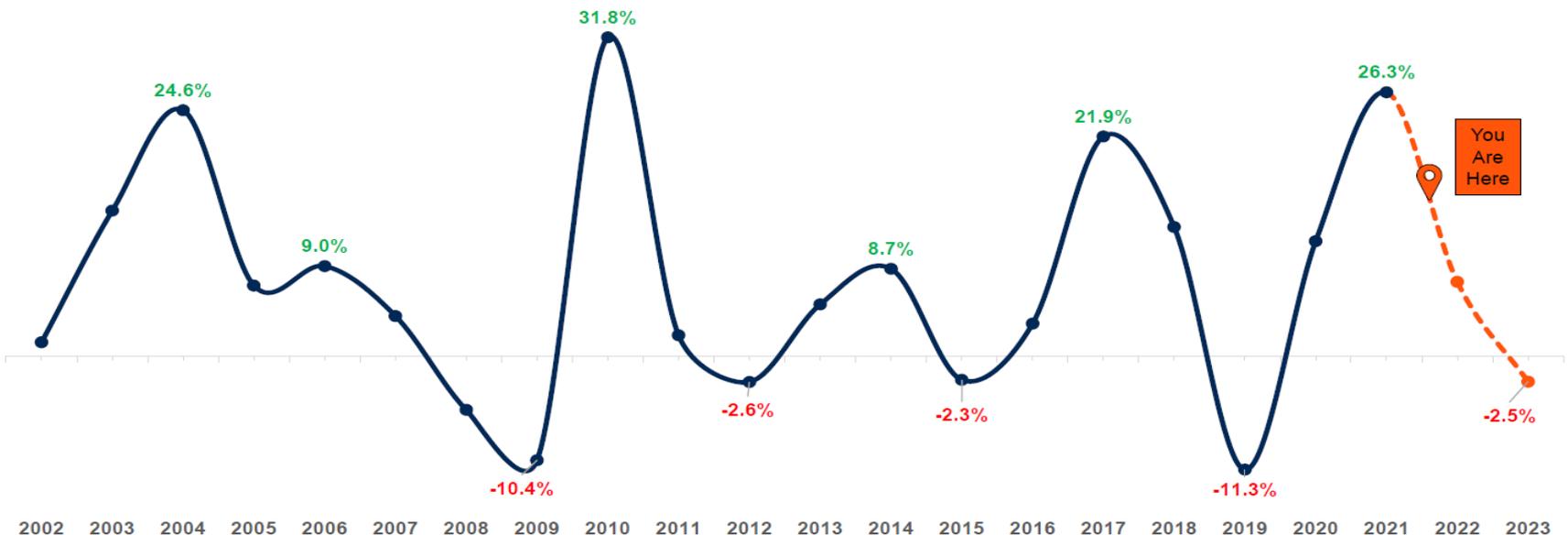
- According to 2Q22 Gartner Emerging Risks Survey, the top five combined risks are, in order: macroeconomic downturn, escalation of conflict in Europe, state-sponsored cyberattacks, energy price inflation, and key material shortages.



n = 306

# Semiconductor Revenue Growth History and Forecast

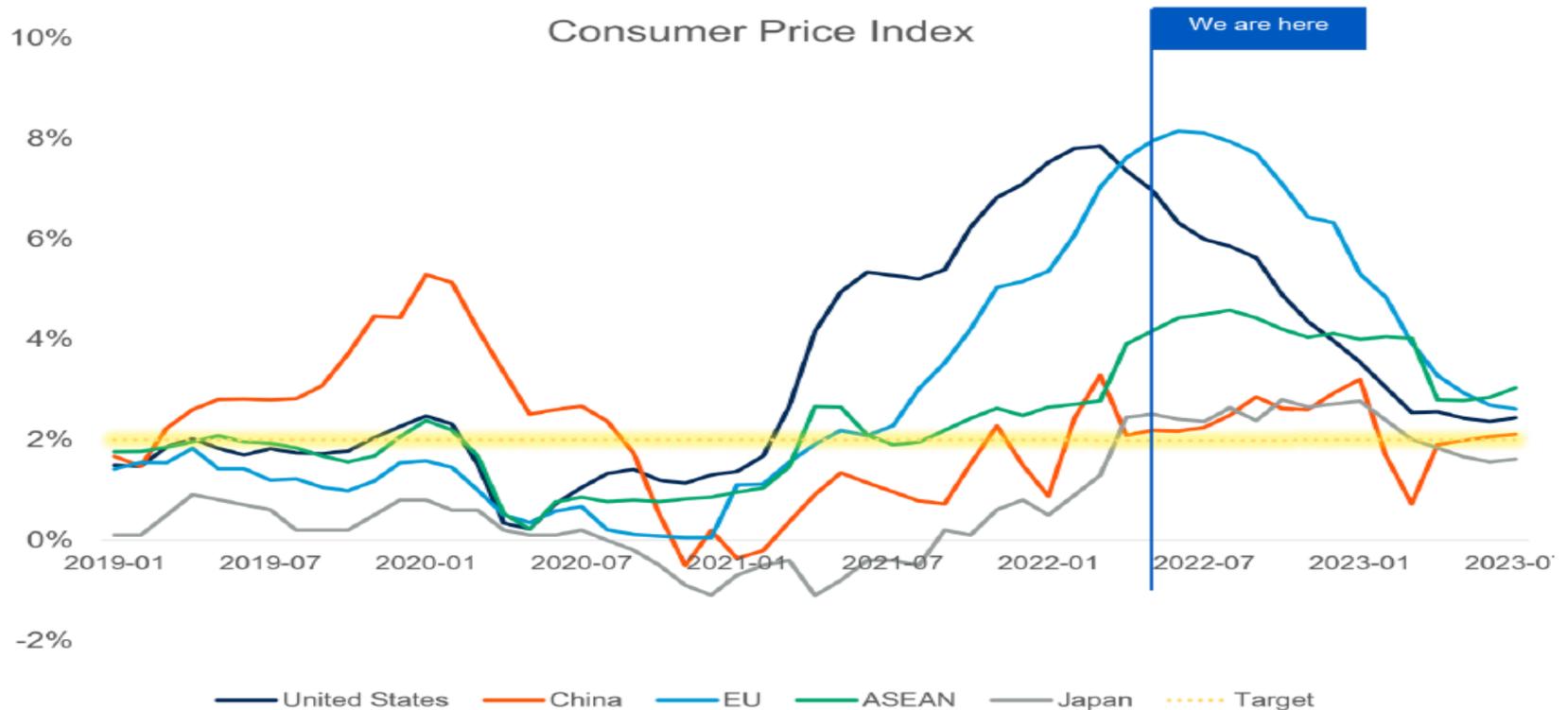
- Semiconductors enter a downward cycle:
  - 2021 to 2022 : Annual Growth Rate falling to 7.4%
  - 2022 to 2023 : Annual Growth Rate falling to -2.5%



Gartner (June 2022)

# Country and Region Inflation Levels

- CPI inflation stands the highest for Europe in 2022, followed by the United States.
- The supply/demand imbalances, with a logistics bottleneck and labor shortage, which fundamentally cause high inflation, are unlikely to ease in 2022.



Gartner (June 2022)

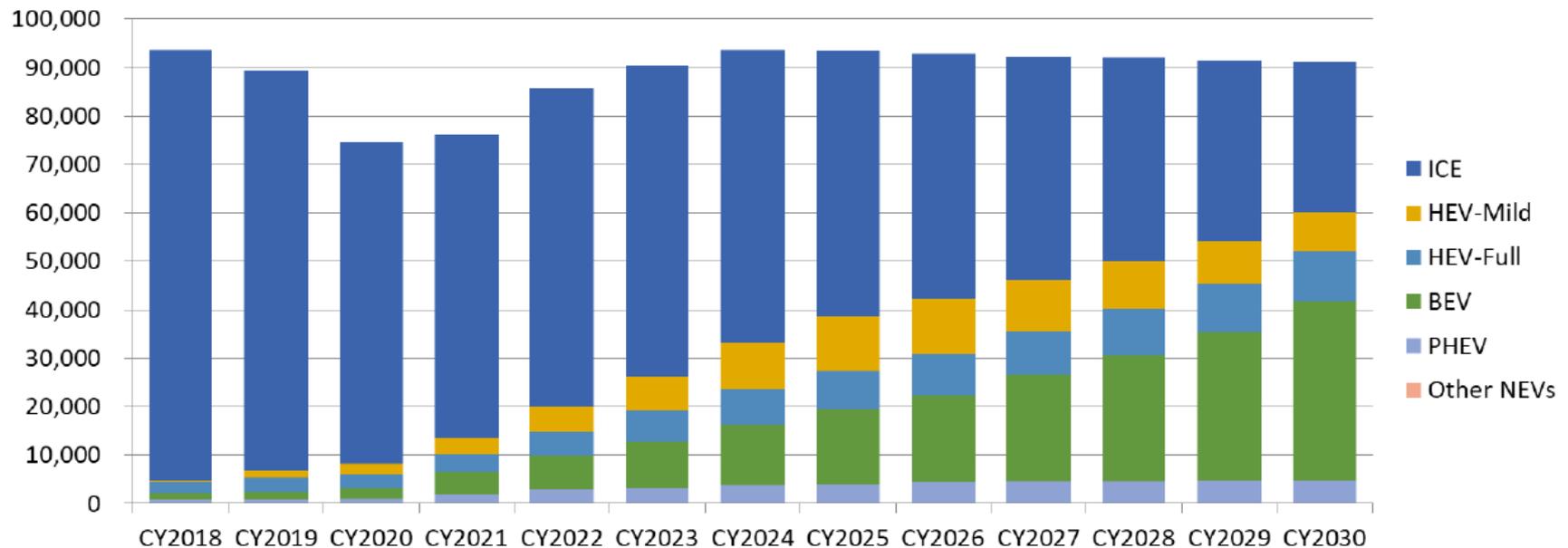
# Revenue Growth of each product application

- Demand from smartphones/PCs slows down in 2022.
- Auto, Data Center, wearables show strong long term growth.
- 2022 Revenue Growth: 7.4%; 2021-26 CAGR: 5.6%.

2022 Revenue: \$639.2 Billion 2022 Revenue Growth: 7.4%	2022 (USD B)	Apps	2026 (USD B)	2026 Revenue: \$782.7 Billion 2021-26 CAGR: 5.6%
3.1% (Was: 15.2%)	\$149.7	Smartphone	\$158.8	1.8%
21.1%	\$92.8	Data Center	\$117.1	8.8%
-5.4% (Was: 2.0%)	\$78.4	PC & Ultramobile	\$74.7	-2.0%
11.1%	\$64.6	Industrial	\$89.4	9.0%
26.6%	\$45.5	SSD	\$69.1	14.0%
32.8%	\$13.7	ADAS	\$27.8	22.0%
40.5%	\$10.2	EV/HEV	\$22.3	25.2%
15.3%	\$9.9	Wearables	\$14.1	10.4%
495.6%	\$0.5	Auto-HPC	\$10.1	160.6%
2.4%	\$173.9	Others	\$199.3	3.2%
7.4%	\$639.2	Total Semi	\$782.7	5.6%

# Auto Production Trends and EV/HEV Market

- According to Gartner forecast in April, the vehicle unit production downwards in the long run. Vehicle unit production will not recover to the level in 2018 through the next 10 years. The main reason of the reduction is automakers' withdrawal from the ICE cars production.
- Forecast also shows the share of EV/HEVs in 2030 will represent 66% of the total vehicle unit production, and the unit production of ICE cars will keep decreasing through 2040s continuously.

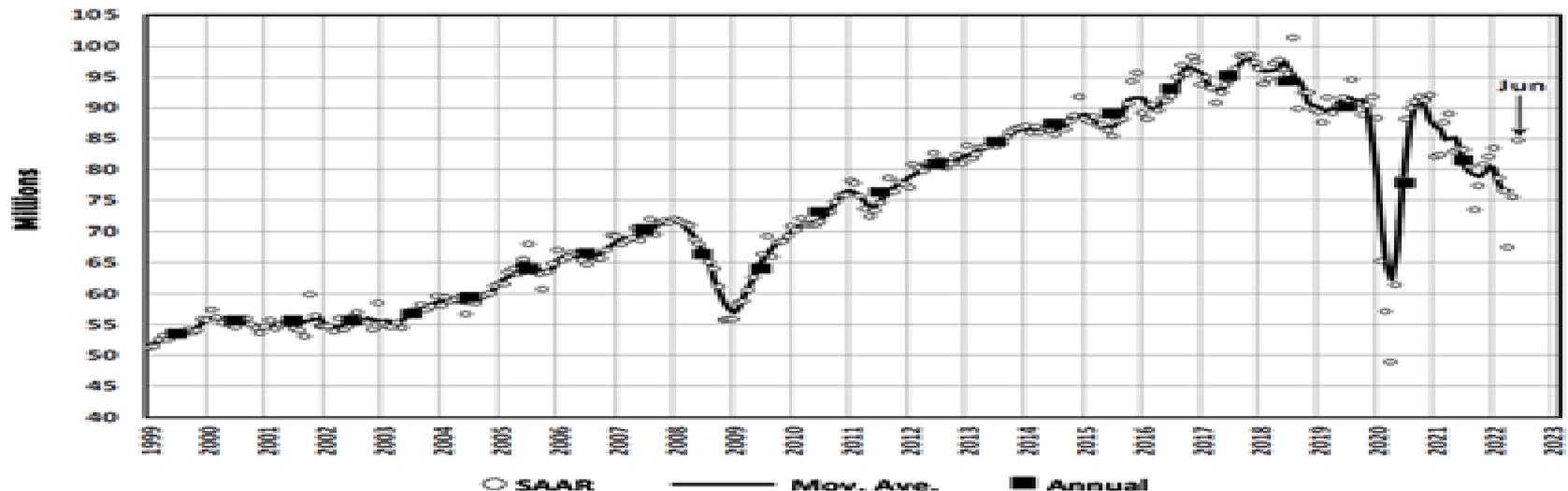


Gartner (April 2022)

# Global Light Vehicle Sales

- Global light vehicle sales in 2020 and 2021 are 78 million / 81 million units, respectively.
- Global light vehicle sales rose to 85 million units/year in June from 76 million units/year in May in 2022, marking the best record so far this year, but cumulative sales this year dropped 8.5% YOY.
- The increase in sales in June was mainly driven by a robust recovery in China, which benefited from the lifting of coronavirus lockdowns that allowed manufacturers to increase production and purchase tax cuts.
- The U.S. still faces record-breaking high transaction prices, low inventories and low incentives.

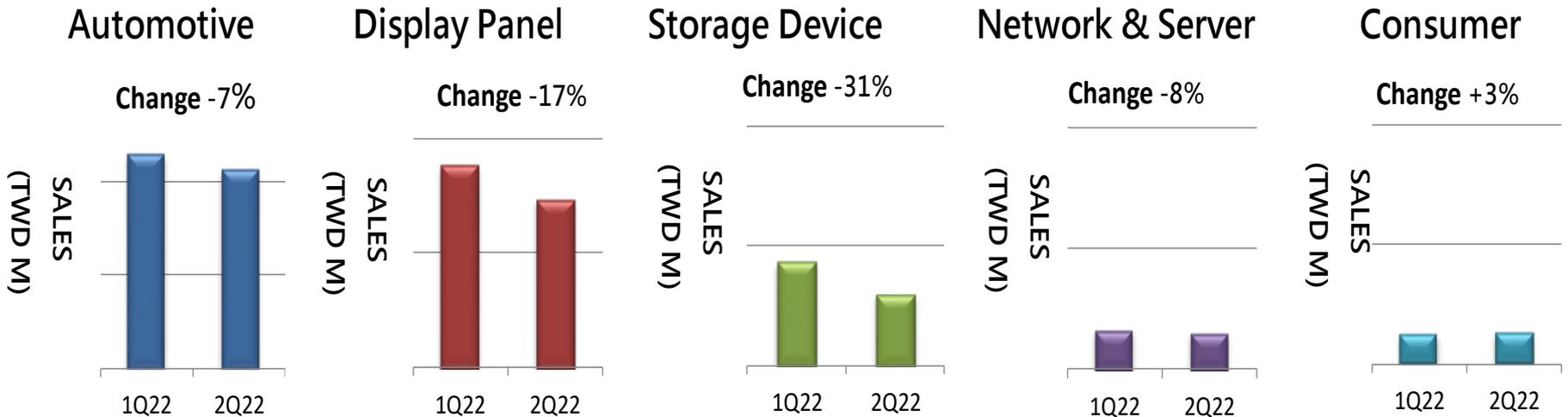
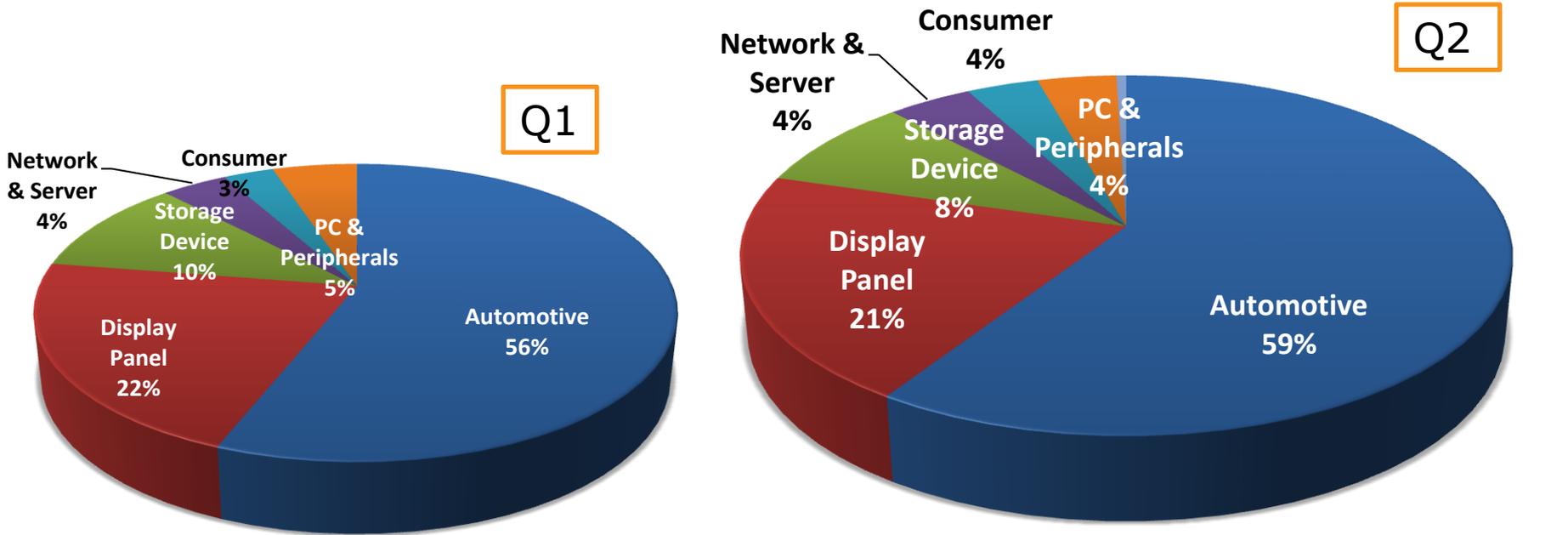
Global Light Vehicle Sales



LMC Automotive (June 2022)

# Operating Overview for Q2 of 2022

# 2022Q2 Sales Analysis - Product



# Consolidated Income Statement

Accounts (TWD 100M)	2Q22	1Q22	Q-o-Q Change%	2Q21	Y-o-Y Change%	Q1-Q2 2022	Q1-Q2 2021	Y-o-Y Change%
Sales Revenue	35.88	40.92	(12.3)%	39.16	(8.4)%	76.81	74.78	2.7 %
<b>Gross Profit %</b>	<b>12.4 %</b>	<b>12.6 %</b>	<b>(0.2)%</b>	<b>12.6 %</b>	<b>(0.1)%</b>	<b>12.5 %</b>	<b>10.7 %</b>	<b>1.9 %</b> pts
Operating expenses	2.87	2.74	4.7 %	3.05	(5.9)%	5.61	5.74	(2.3)%
<b>Operating Income%</b>	<b>4.4 %</b>	<b>5.9 %</b>	<b>(1.5)%</b>	<b>4.8 %</b>	<b>(0.4)%</b>	<b>5.2 %</b>	<b>3.0 %</b>	<b>2.2 %</b> pts
Non-operating income/expenses	0.71	(0.24)	401.7 %	(0.12)	681.2 %	0.48	(0.15)	419.4 %
Net Income (loss)	1.74	1.65	5.1 %	1.52	14.1 %	3.39	1.69	100.0 %
<b>Net Income (loss)%</b>	<b>4.8 %</b>	<b>4.0 %</b>	<b>0.8 %</b>	<b>3.9 %</b>	<b>1.0 %</b>	<b>4.4 %</b>	<b>2.3 %</b>	<b>2.1 %</b> pts
EPS(NTD)	0.63	0.60	5.0 %	0.55	14.5 %	1.22	0.61	100.0 %
ROE (%)	12.0 %	11.6 %	0.4 %	11.7 %	0.2 %	11.7 %	6.5 %	5.1 %
Average exchange	28.73	28.00	2.6 %	28.19	1.9 %	28.73	28.19	1.9 %

\* The weighted average shares to 277,518,361 of ordinary shares outstanding during the second quarter of 2022.

\*\* The ROE is the annualized data calculated by the average equity of the parent company.

# Consolidated BS & Important Financial Indicator

Accounts (TWD 100M)	2Q22		1Q22		2Q21	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	25.74	13.4%	27.99	14.3%	25.27	15.5%
Accounts receivable	42.55	22.1%	46.66	23.8%	41.98	25.7%
Inventories	28.57	14.8%	27.84	14.2%	26.99	16.5%
Property, plant and equipment	74.06	38.5%	70.73	36.0%	54.02	33.1%
<b>Total Assets</b>	<b>192.60</b>	<b>100.0%</b>	<b>196.30</b>	<b>100.0%</b>	<b>163.43</b>	<b>100.0%</b>
Current liabilities	96.16	49.9%	105.85	53.9%	92.53	56.6%
Long-term loans	28.36	14.7%	24.55	12.5%	11.29	6.9%
<b>Total liabilities</b>	<b>134.53</b>	<b>69.9%</b>	<b>139.22</b>	<b>70.9%</b>	<b>111.52</b>	<b>68.2%</b>
<b>Total equity</b>	<b>58.07</b>	<b>30.1%</b>	<b>57.07</b>	<b>29.1%</b>	<b>51.91</b>	<b>31.8%</b>
<b>Important Financial Indicator</b>						
Average collection turnovers	107		105		102	
Average inventory turnover	85		80		63	
Current ratio (Times)	1.2		1.1		1.1	
Asset productivity(Times)	0.8		0.9		1.1	

Ps. Asset productivity= Sales Revenue/ Average total Assets.

# Consolidated Statements Of Cash Flows

(TWD 100M)	2Q22	1Q22	2Q21
<b>Cash at beginning of period</b>	27.99	27.30	18.19
Cash Flow from Operating	6.41	2.24	0.76
Capital Expenditure	(5.60)	(8.52)	(1.48)
Cash Dividends Paid			
Cash Flow from Financing	(4.87)	17.43	8.17
Investment & Other	0.23	0.04	(0.20)
<b>Cash at end of period</b>	25.74	27.99	25.27
Free Cash Flow	0.81	(6.28)	(0.72)

Ps. Free Cash Flow = Cash Flow from Operating - Capital Expenditure

# 2022Q2 Summary

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- The proportion of automotive boards increased from 56% in Q1 to 59% in Q2, while storage, display panels, and computers and peripherals decreased.
- The proportion of electric vehicles in Q2 decreased slightly due to the Shanghai lockdown. In order to keep customer information confidential, we will no longer announce the proportion of electric vehicles, but the growth trend and penetration rate of the overall electric vehicle market remain unchanged.
- In terms of product technology, the proportion of HDI continues to increase.
- The 12.3% decrease in Q2 revenue from the previous quarter was mainly due to Shanghai lockdown and the slowing market demand; the gross margin remained mainly due to the offset of the decreased utilization rate of the Kunshan plant and the cost of trial production at Huangshi Plant II by the depreciation of the RMB; the operating expense ratio increased to 8% due to the decrease in revenue; foreign exchange gains of approximately NTD99 million due to the depreciation of NTD and RMB. The net profit after tax was NTD174 million and the EPS was \$0.63, steady quarterly profit.

# Outlook for Dynamic

# 2022Q3 and Future Outlook

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- Looking forward to Q3, the main growth momentum is the automotive / electric vehicle boards; the demand for "non-automotive board" decreased due to the market recession and customers' excessive inventory. We conservatively estimate the revenue and earnings for Q3 will remain the same as Q2.
- Huangshi Plant II :
  - ✓ Phase 1 has a total production capacity of 600,000 square feet, of which 450,000 are high-end multi-layer boards, and 150,000 are HDI, which were put into production in July and produced in August. It is expected to complete the total capacity setup month by month by October.
  - ✓ Product application: electric vehicle, ADAS, server and Netcom products.
  - ✓ Phase 2 production line is under development, it is expected to be launched in Q3 next year, which will add 5-10% in the current production capacity.
  - ✓ The whole factory is fully automated, with the target of manpower reduced by 50%, equipment utilization rate increased by 30%, and defective rate reduced by 25%, achieving automatic production with almost unmanned production lines and transportation.
- Product technology continues to be developed in a high-level direction:
  - ✓ Technology categories: Type-3 and above and any layer HDI, high-frequency materials, thick copper, etc.
  - ✓ The product categories: ADAS, high-end electric vehicles, high-end notebooks, VR/AR/MR, microcell, ground satellite receivers, Mini LEDs, etc.

# Dynamic Actions in ESG

# Huangshi Plant Roof Power Generation Project

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- Completion of Project : 2022.5.25



# Huangshi Plant Roof Power Generation Project

## Grid Connection Box



## Inverter



## Metering and terminal data collection

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# Thank You!

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