

# **Operating Result Report for Q3 of 2022**

**Nov. 10, 2022**



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# Disclaimer

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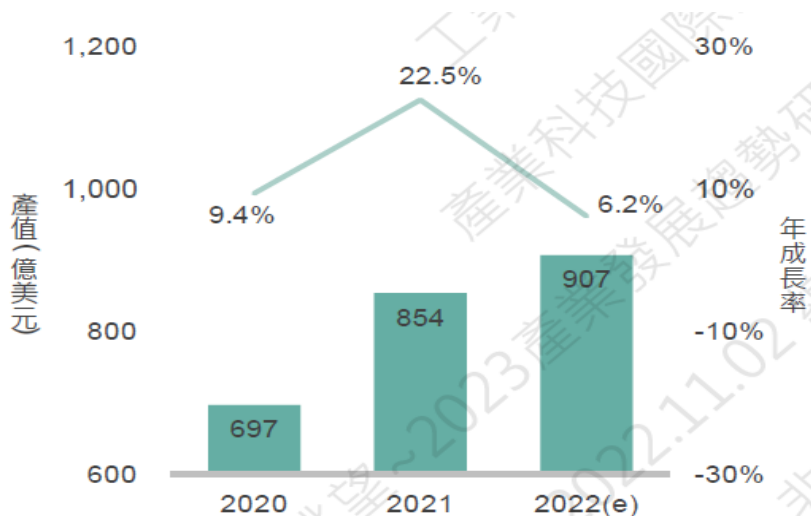
- The forward-looking statements in this report contain unknown risks and uncertainties, which may cause actual operating results to be materially different from the forward-looking statements, the statements about historical events are excluded.
- The forward-looking statements in this report reflect 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

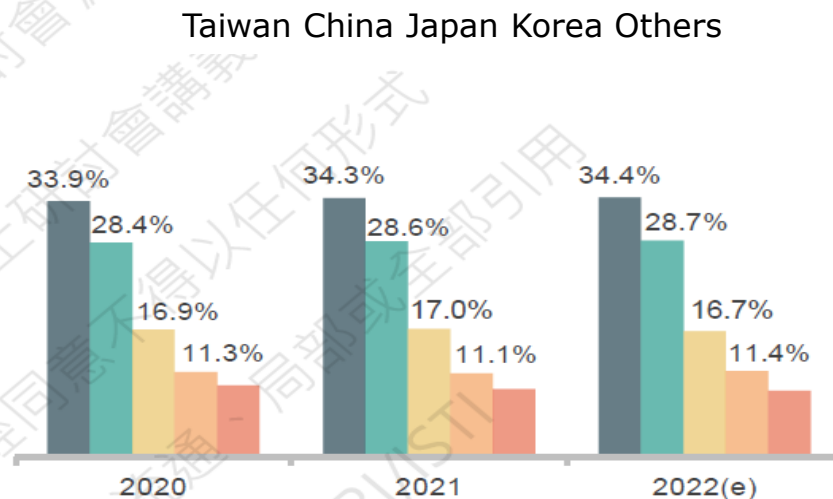
# Development Status of Global PCB Industry

Under the influence of all the negative factors such as international conflicts, high inflation and high inventory, it is expected that the growth of global PCB output value in 2022 is not as good as the previous year. The growth rate is about 6.2% and the scale of output value is USD90.7billion.

Global PCB output value and growth rate



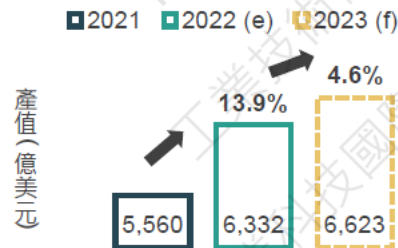
Global PCB market share



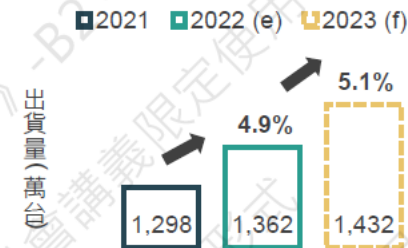
# Growth forecast for each product application

Semiconductor and server are expected to grow.

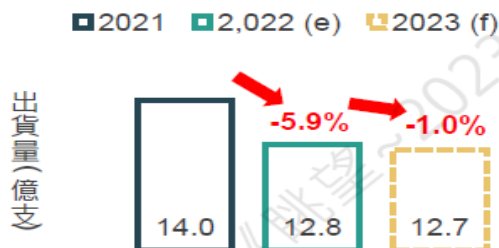
## Semiconductor



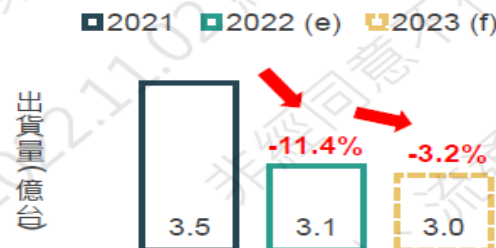
## Server



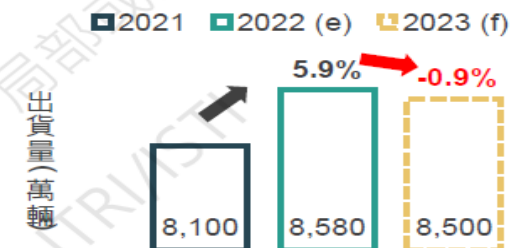
## Smartphone



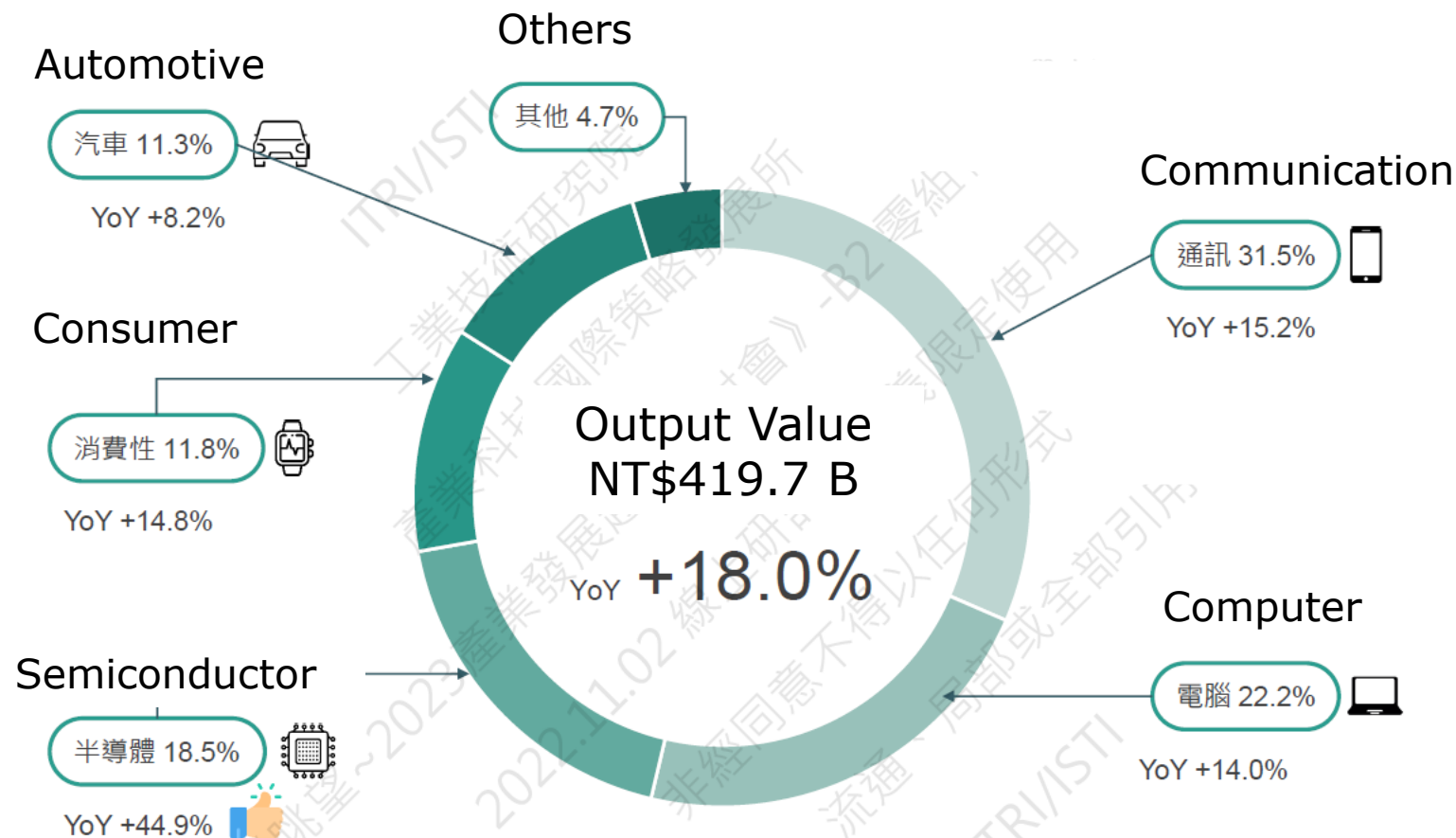
## Computer



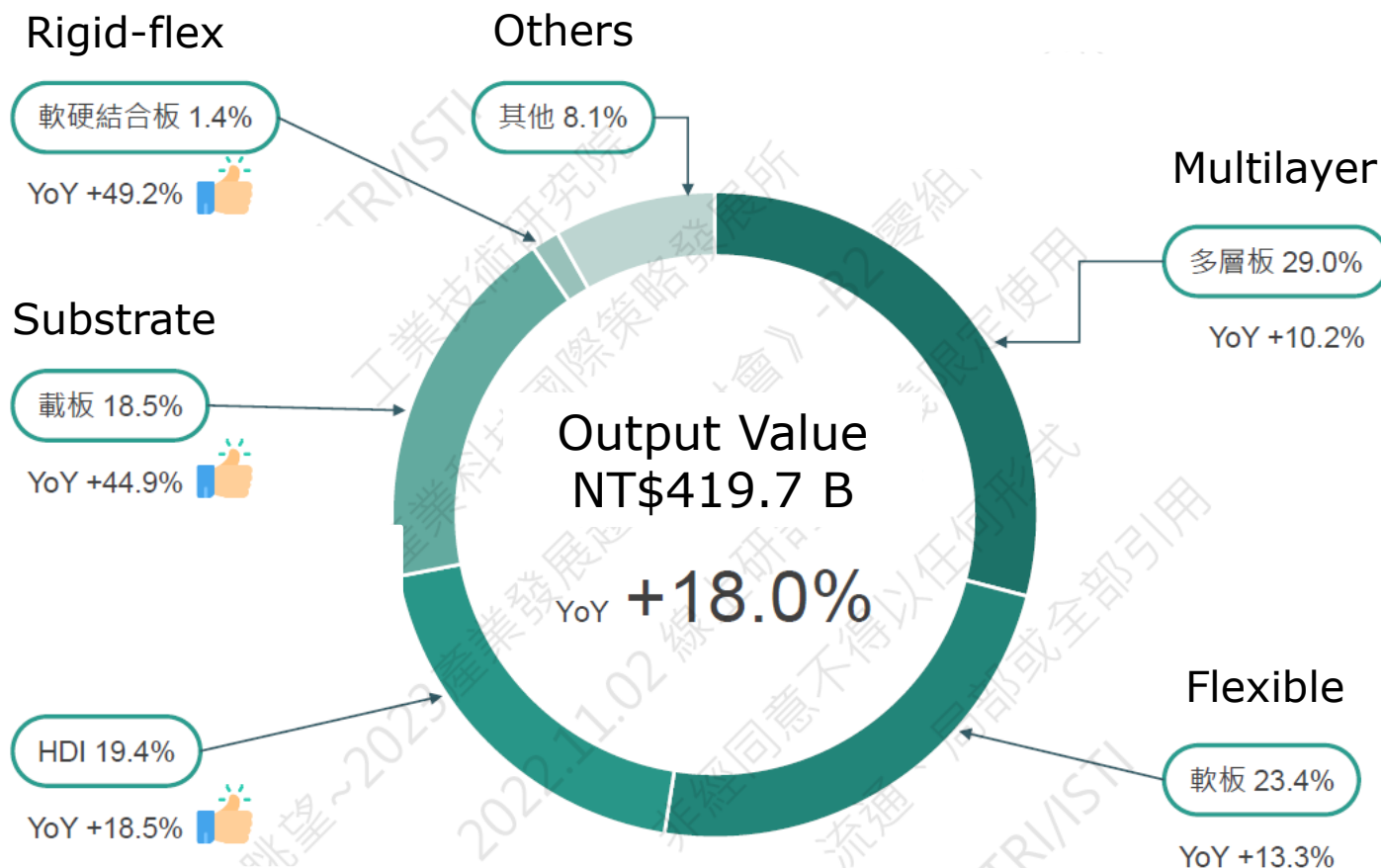
## Automotive



# 2022H1 Taiwan PCB Manufacturing Output Value Statistics – By Application Market

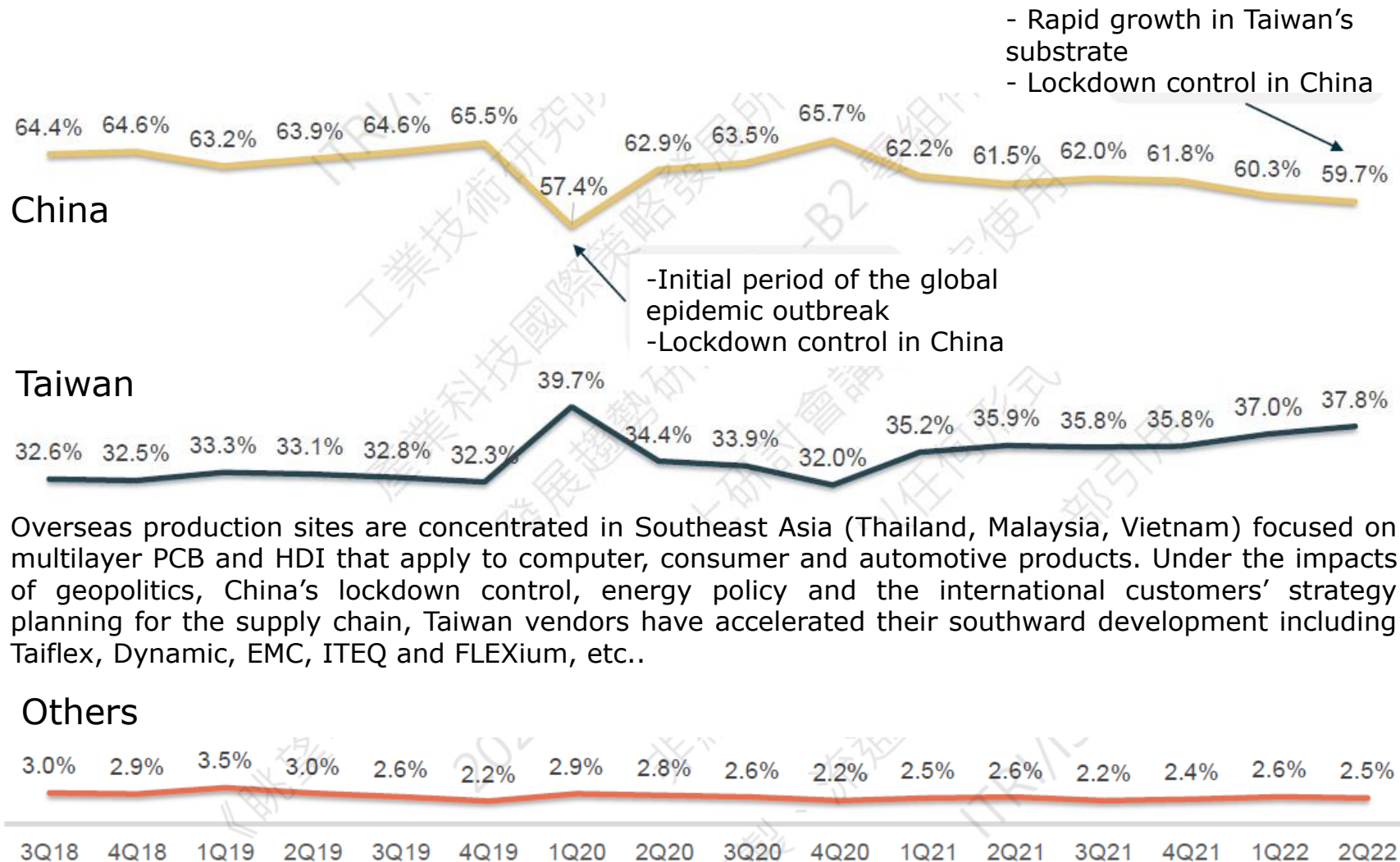


# 2022H1 Taiwan PCB Manufacturing Output Value Statistics – By Product Structure





# Taiwan PCB Production Locations



Overseas production sites are concentrated in Southeast Asia (Thailand, Malaysia, Vietnam) focused on multilayer PCB and HDI that apply to computer, consumer and automotive products. Under the impacts of geopolitics, China's lockdown control, energy policy and the international customers' strategy planning for the supply chain, Taiwan vendors have accelerated their southward development including Taiflex, Dynamic, EMC, ITEQ and FLEXium, etc..

# 2023 Outlook

NT\$969.1 B YOY+4.5%

## Positive factors:

1. Continuous opening of new capacity along with the expansion of substrate plants.
2. The penetration rate of 5G mobile phones are expected to expand continuously.
3. The carbon neutrality environmental protection wave and the subsidy policies of the US, China and Europe will boost the order shipments of EV.
4. Server products continue to grow driven by the demand for 5G, AIoT and HPC
5. The depreciation of NTD is favorable for international competitiveness.
6. Other emerging application development (MiniLED, Low Orbit Satellite)

## Negative factors:

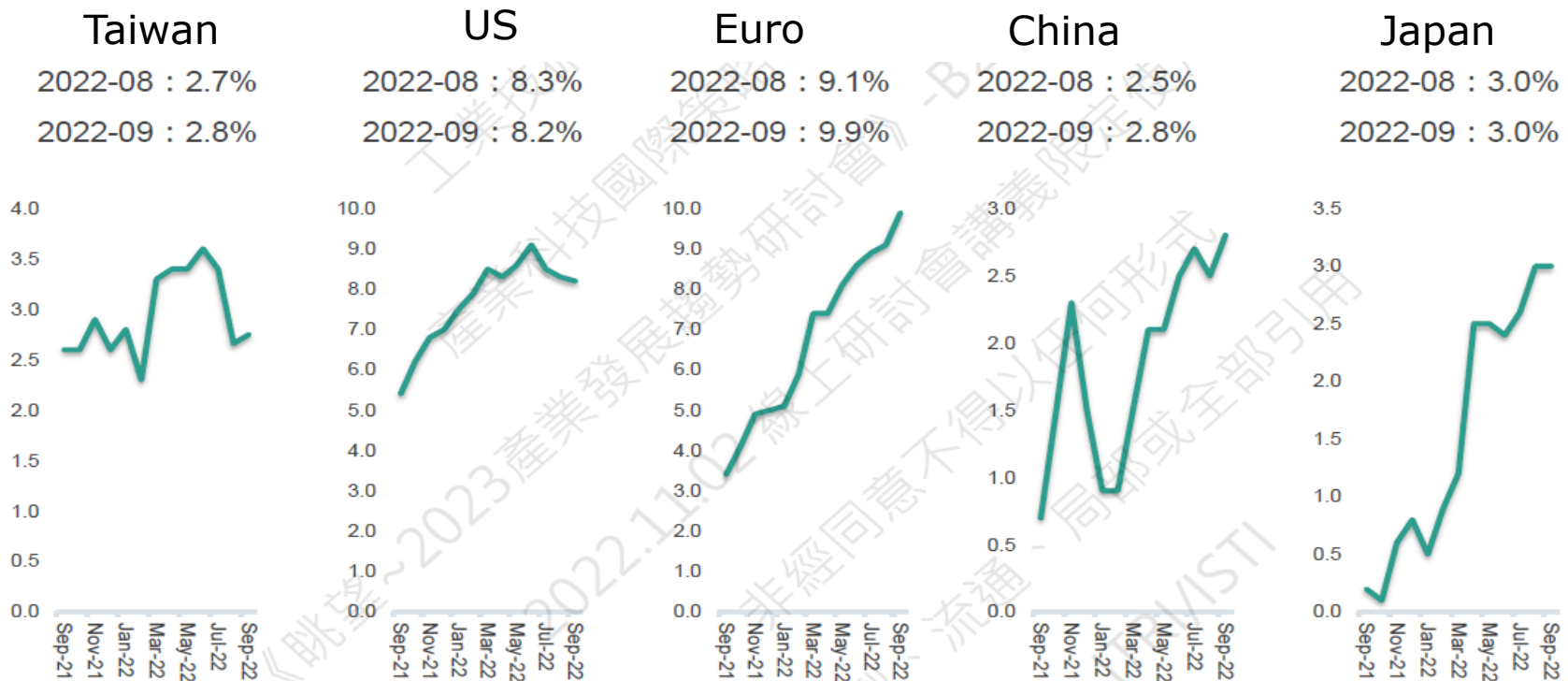
1. Global inflation and depressing economy weaken consumers' confidence.
2. Weak demand in the mobile phones and PC market delays the recovery of orders due to inventory pressure.
3. Continued shortage of semiconductor components will bottle up part of the terminal products' shipments.
4. The uncertainties of China's lockdown policy and energy policies are unfavorable to Taiwan-based vendor to produce in China.
5. Geopolitics and the technology conflicts between China and the US cause the instability in the international environment.

Based on the above factors, it is estimated that Taiwan's PCB industry will continue to grow, but the growth rate will be lower than 2022. The growth rate of 2023 will be 4.5%

# Global inflation has yet to peak

The Russian-Ukraine war worsened the energy and food crisis. The annual growth rate of CPI in the US and Euro Zone reached a new high. The lack of consumer confidence caused the decline in terminal demand and the reduction in manufacturing activities. The high inflation also posed a threat to the global economy.

annual growth rate of CPI



# Currency devaluation affects competitiveness

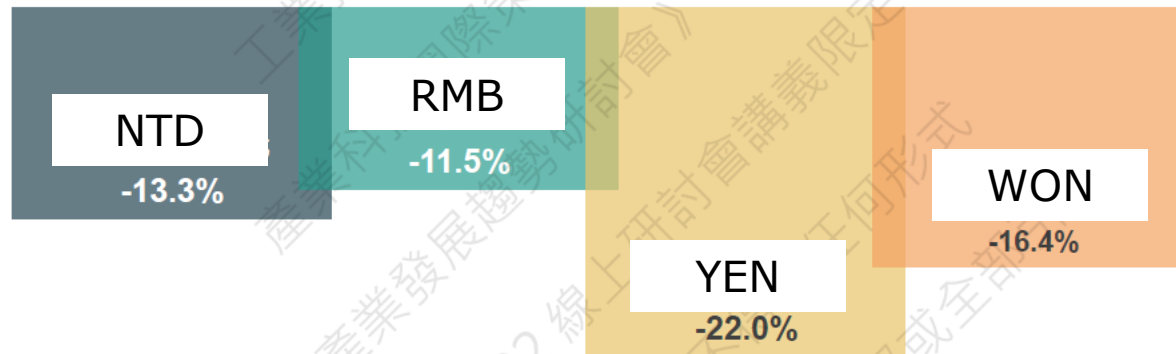


Favorable for the competitiveness of Taiwan's rigid board against China



Unfavorable to the competitiveness of Taiwan's substrate and flex board against Japan

## Major Asian currencies depreciate against the US dollar



The U.S. FED rate hike and the strengthening of USD have triggered a global currency devaluation. The currency depreciation reduces the price of domestic products abroad to a certain extent, which is favorable for export expansion. Through the analysis of the currency depreciation rate of Taiwan's PCB industry and its peers around the world and the aforementioned competitiveness analysis, this wave of currency depreciation will benefit the competitiveness of Taiwan's rigid board against China but be unfavorable to the competitiveness of Taiwan's substrate and flex board against Japan.

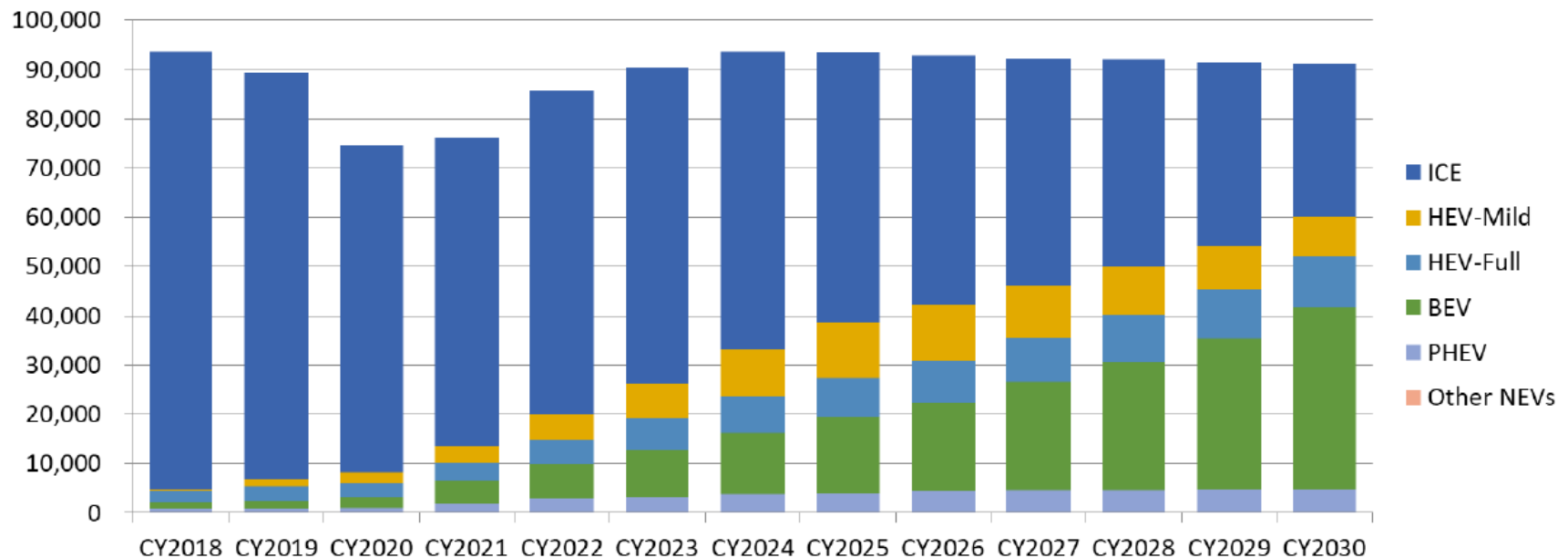
# Global Light Vehicle Sales

- Global light vehicle sales in 2020 and 2021 are 78 million / 81 million units, respectively.
- The Global Light Vehicle selling rate ended a four-month growth trend in September by falling to 86mn units/year from 91 mn units/year seen in August. The year-to-date (YTD) raw sales figure was down 2% from the weak base of 2021.
- China's market remained robust with YTD growth of 8%.
- North America and Europe, however, continued to struggle YTD as supply issues held back these markets..



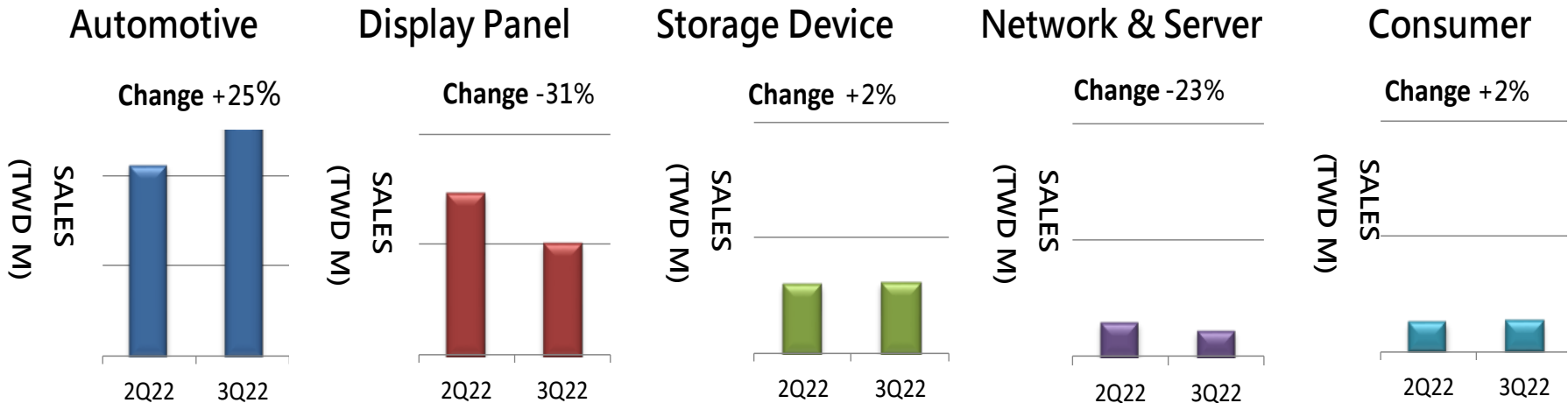
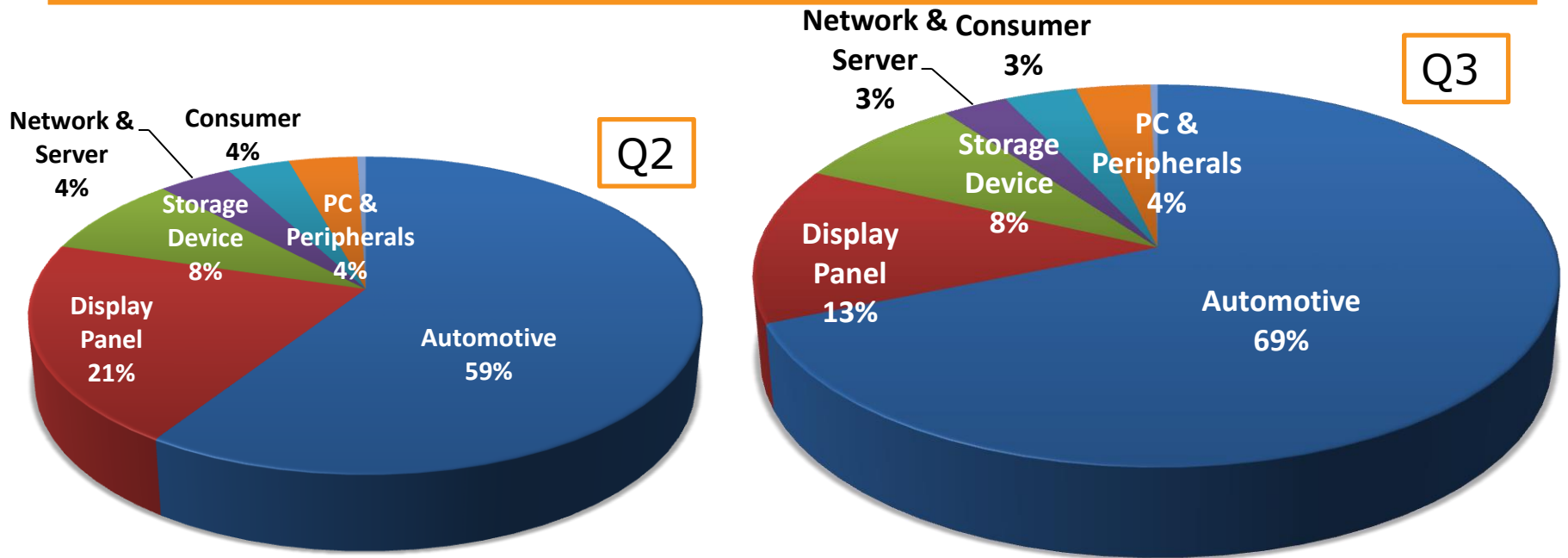
# Auto Production Trends and EV/HEV Market

According to Gartner, the vehicle unit production downwards in the long run. The main reason of the reduction is automakers' withdrawal from the ICE cars production. But EV/HEV is a growing trend. Forecast shows the share of EV/HEVs in 2030 will represent 66% of the total vehicle unit production.



# Operating Overview for Q3 of 2022

# 2022Q3 Sales Analysis - Product





# Consolidated Income Statement

Accounts (TWD 100M)	3Q22	2Q22	Q-o-Q Change%	3Q21	Y-o-Y Change%	Q1-Q3 2022	Q1-Q3 2021	Y-o-Y Change%
Sales Revenue	38.47	35.88	7.2 %	41.17	(6.6)%	115.28	115.95	(0.6)%
<b>Gross Profit %</b>	<b>16.6 %</b>	<b>16.8 %</b>	<b>(0.3)%</b>	<b>17.3 %</b>	<b>(0.8)%</b>	<b>16.7 %</b>	<b>16.3 %</b>	<b>0.3 %</b> ppts
Operating expenses	4.59	4.45	3.2 %	5.00	(8.2)%	13.39	14.54	(7.9)%
<b>Operating Income%</b>	<b>4.6 %</b>	<b>4.4 %</b>	<b>0.2 %</b>	<b>5.2 %</b>	<b>(0.6)%</b>	<b>5.0 %</b>	<b>3.8 %</b>	<b>1.3 %</b> ppts
Non-operating income/expenses	(0.05)	0.71	(106.6)%	0.40	(111.8)%	0.43	0.25	(74.0)%
Net Income (loss)	1.22	1.74	(29.8)%	1.55	(21.1)%	4.61	3.24	42.2 %
<b>Net Income (loss)%</b>	<b>3.2 %</b>	<b>4.8 %</b>	<b>(1.7)%</b>	<b>3.8 %</b>	<b>(0.6)%</b>	<b>4.0 %</b>	<b>2.8 %</b>	<b>1.2 %</b> ppts
EPS(NTD)	0.44	0.63	(30.2)%	0.56	(21.4)%	1.66	1.17	41.9 %
ROE (%)	7.9 %	12.0 %	(4.0)%	11.6 %	(3.7)%	10.0 %	8.1 %	1.9 % ppts
Average exchange	29.29	28.73	1.9 %	28.08	4.3 %	28.73	28.08	2.3 %

\* The weighted average shares to 277,526,172 of ordinary shares outstanding during the third quarter of 2022.

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

# Consolidated Balance Sheet & Important Financial Indicator

Accounts (TWD 100M)	3Q22		2Q22		3Q21	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	22.08	10.8%	25.74	13.4%	18.34	11.3%
Accounts receivable	44.14	21.5%	42.55	22.1%	44.51	27.4%
Inventories	29.23	14.2%	28.57	14.8%	31.12	19.1%
Property, plant and equipment	86.81	42.3%	74.06	38.5%	56.24	34.6%
<b>Total Assets</b>	<b>205.12</b>	<b>100.0%</b>	<b>192.60</b>	<b>100.0%</b>	<b>162.65</b>	<b>100.0%</b>
Current liabilities	102.11	49.8%	96.16	49.9%	96.30	59.2%
Long-term loans	30.86	15.0%	28.36	14.7%	6.13	3.8%
<b>Total liabilities</b>	<b>143.63</b>	<b>70.0%</b>	<b>134.53</b>	<b>69.9%</b>	<b>109.40</b>	<b>67.3%</b>
<b>Total equity</b>	<b>61.49</b>	<b>30.0%</b>	<b>58.07</b>	<b>30.1%</b>	<b>53.25</b>	<b>32.7%</b>
<b>Important Financial Indicator</b>						
Average collection turnovers	109		107		100	
Average inventory turnover	90		85		67	
Current ratio (Times)	1.1		1.2		1.1	
Asset productivity(Times)	0.8		0.8		1.1	

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

# Consolidated Statements Of Cash Flows

(TWD 100M)	3Q22	2Q22	3Q21
<b>Cash at beginning of period</b>	25.74	27.99	25.27
Cash Flow from Operating	2.27	6.41	0.70
Capital Expenditure	(5.72)	(5.60)	(3.13)
Cash Dividends Paid	(1.94)		(1.11)
Cash Flow from Financing	0.73	(4.87)	(3.38)
Investment & Other	0.85	0.23	(0.03)
<b>Cash at end of period</b>	22.08	25.74	18.34
Free Cash Flow	(3.45)	0.81	(2.44)

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

# 2022Q3 Summary

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- The proportion of automotive boards increased from 59% in Q2 to 69% in Q3 mainly due to the growth of electric vehicle boards, while the display panel fell from 21% to 13% due to weak market demand.
- In terms of product technology, an increase of 3% of 8Layer-up board.
- Revenue in the third quarter stabilized compared with the previous quarter, with an increase of 7.2%; the gross profit margin decreased slightly, mainly because the output of Huangshi Plant II was still increasing and the increase in unit cost caused by the planned production reduction of Kunshan Plant offset the contribution from product technology upgrade and RMB depreciation; slight dip of operating expense ratio, which increased operating net profit margin from 4.4% in the previous quarter to 4.6%; non-operating: foreign exchange gains of NTD178 million due to depreciation of Taiwan dollar and RMB, and Kunshan Plant's loss of about NTD54 millions in disposal of idle assets and a loss NTD 58 millions from the redemption of convertible bonds; the net profit after tax was NTD122 million, EPS was \$0.44, and the accumulated ESP from Q1 to Q3 was \$1.66.
- CHIANAN and Cheng Chong Mock-up Company, in which we own 70% of the shares, each achieved a revenue of more than NTD6 millions in the third quarter, and have been at breakeven so far this year.
- This is Dynamic Holding's first quarterly report. We reclassified our R&D expenses (about 4% this quarter) from cost to operating expenses. The main reason is that after we transformed to Holding Company and went public, the operations of our main PCB businesses are in the mainland. This adjustment is made in order to be comparable with the data of mainland peers. At the same time, we synchronously update the comparative information for the same period to achieve consistency in the presentation of financial reports.

# Outlook for Dynamic

# 2022Q4 and 2023 Outlook

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- The revenue forecast for Q4 is the same as the previous quarter. In terms of products, the demand for automotive boards is relatively stable, and display panel customers are partially replenishing their inventories. Other product types are still affected by lower demand, destocking and chip shortages .
- We estimate that the overall economy in 2023 will continue to go downward since the second half of 2022, but our revenue will still grow, the growth momentum mainly come from ADAS, high-end electric vehicles, Netcom, servers, etc.
- Huangshi Plant II :
  - ✓ The first phase of production capacity has been completed, with a total of 600,000 square feet, of which 450,000 are high-end multi-layer boards and 150,000 are HDI. The current utilization rate has reached 90%.
  - ✓ Product application: electric vehicle, ADAS, server and Netcom products.
  - ✓ The second phase is mainly based on the special process expansion of high-end HDI and high-level multi-layer boards, but the content of the expansion will be determined according to the subsequent needs of customers.
  - ✓ 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.

# Dynamic Actions in ESG

## According to the "Sustainable Development Roadmap" of the FSC - Develop a GHG inventory and verification schedule

Item	Implementation items	Scheduled timeline	Description
1	Set up a schedule for examination and verification, submit it to the board for approval	2022 Q2	Complete the schedule for Examination and verification, and submit it to the Board of Directors for approval.
2	Formulate the parent company's greenhouse gas value standards	2022 Q2	Completed the parent company's greenhouse gas examination standards.
3	The parent company's internal examination of greenhouse gas	2022 Q2	Completed the parent company's internal greenhouse gas examination of 2021.
4	Formulate the parent company's greenhouse gas reduction goal	2022 Q3	Taking 2020 as the baseline, reduce carbon emissions by 4% every year, and reduce emissions by 20% by 2025 compared with 2020, and submit it to the board of directors for approval.
5	The parent company's internal examination and verification of greenhouse gas	2023 Q1	<ol style="list-style-type: none"> <li>1 Examine 2022 greenhouse gas emissions and carry out external verification, and related operations will continue to be implemented in the first quarter of each year.</li> <li>2 Achieving the target schedule required by the FSC ahead of schedule.</li> </ol>
6	The subsidiaries' internal examination and verification of greenhouse gas	implementing	The target schedule required by the FSC has been met.
7	Examined data collection, plan implementation progress, reduction effect	Every January, April, July, October	Starting from Q3 in 2022, the implementation results will be reviewed at the KPI meeting every quarter, and reported to the board of directors for supervision by the board.



# Thank You!

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