

Operating Result Report for Q4 and full year of 2022

Mar. 27, 2023

Content

- 1. Market Information**
- 2. Operating Overview for Q4 and full year of 2022**
- 3. Outlook for Dynamic**
- 4. Dynamic Actions in ESG**

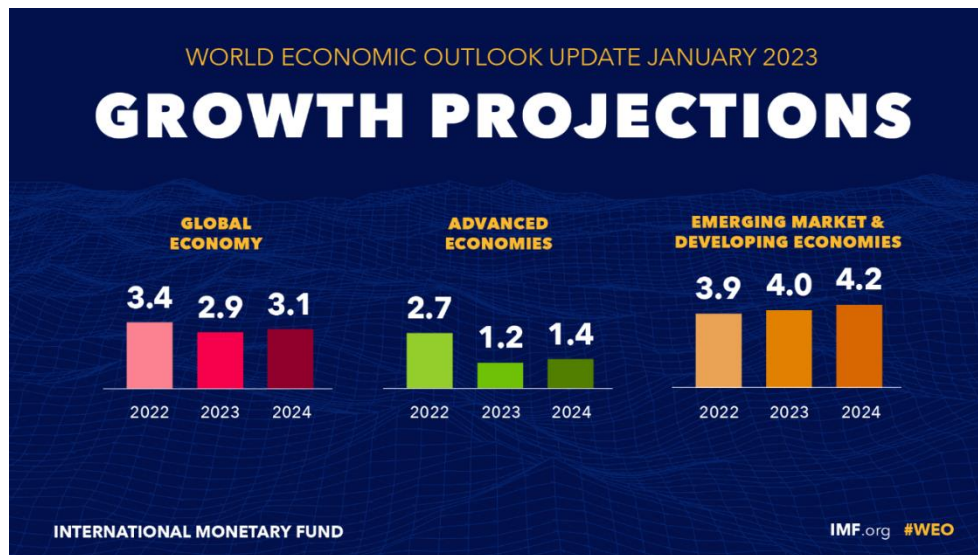
Disclaimer

- 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

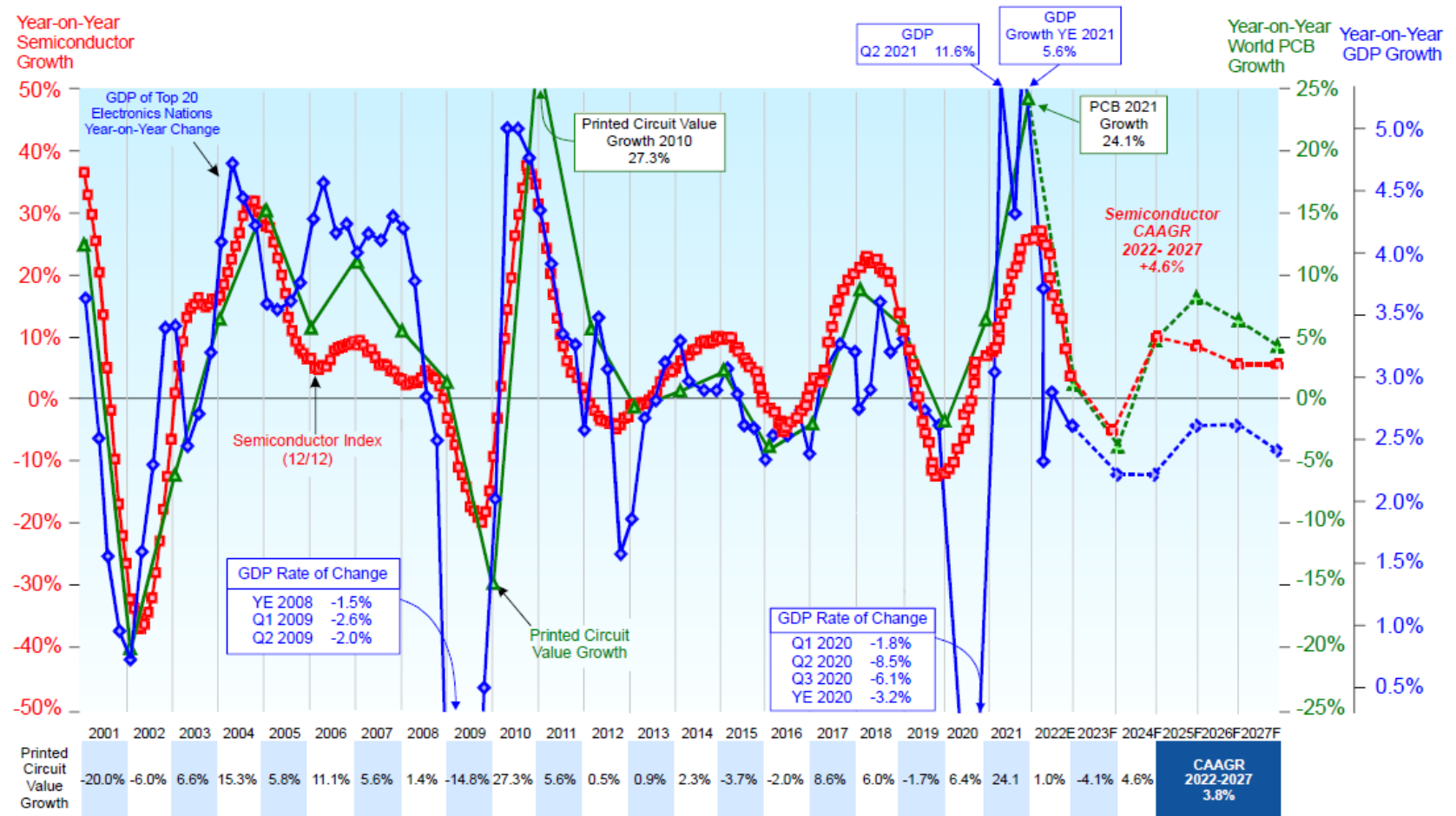
WORLD ECONOMIC OUTLOOK

Global growth is projected to fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, then rise to 3.1 percent in 2024. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. The rapid spread of COVID-19 in China dampened growth in 2022, but the recent reopening has paved the way for a faster-than-expected recovery. Global inflation is expected to fall from 8.8 percent in 2022 to 6.6 percent in 2023 and 4.3 percent in 2024, still above pre-pandemic (2017–19) levels of about 3.5 percent. The balance of risks remains tilted to the downside



WORLD SEMICONDUCTOR, PCB, AND GDP FORECAST

WORLD SEMICONDUCTOR, PCB, AND GDP FORECAST



2023 PCB MARKET FORECAST


2023 will be a challenging year

- Weak demand and high inventory will hurt the demand at least in the first half of 2023.
- High inflation and interest rate are likely to persist throughout the years
- Economic recession in the US and Europe is possible.
- Ukraine war will possibly continue, and Europe energy crisis is likely to persist

Electronics Market

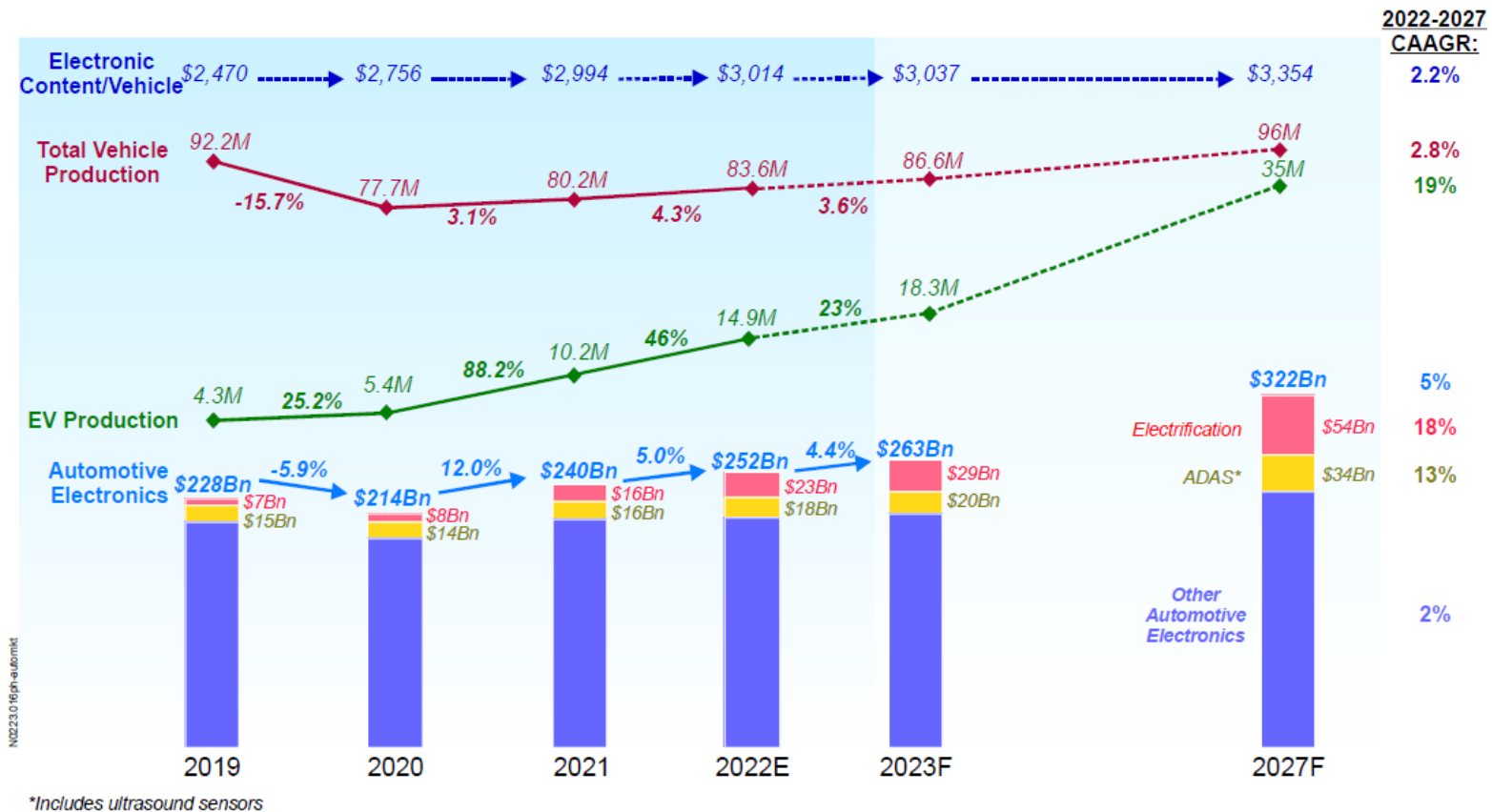
- PC market is expected to decline additional -5% or more.
- Server market will grow at low single digit, around 3%, mostly driven by CSP companies.
- Handset market could be flat. Shipment from Chinese smartphone suppliers might grow slightly. Apple smartphone sales could be flat or down.
- Automotive vehicle shipment could be 87M units or slightly higher.

2023 PCB Market forecast

- Currently -4% PCB market value decline from \$81.7Bn to \$78.4Bn, is forecasted
- Substrate market could drop more than -8%.
- Commodity -7%; MLB and FPC -3% to -2%; HDI -2%.
- Inventory, weak demand, and ASP drop are the killers of the 2023 market. 

AUTOMOTIVE ELECTRONICS MARKET

AUTOMOTIVE ELECTRONICS MARKET



Forecasts are at constant currency exchange. Vehicle production includes light and heavy vehicles; EV production includes BEV, PHEV, HEV. Automotive electronics excludes Li-ion batteries.

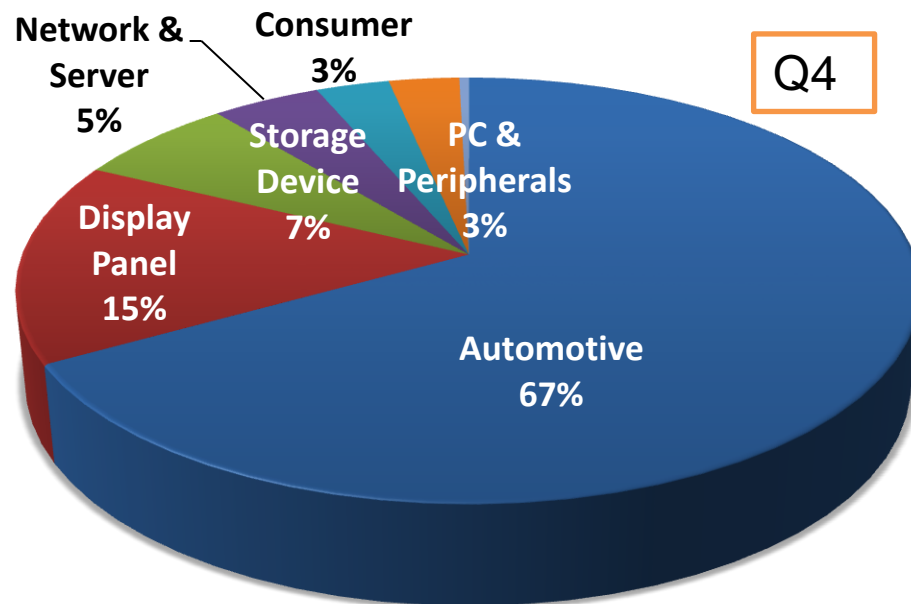
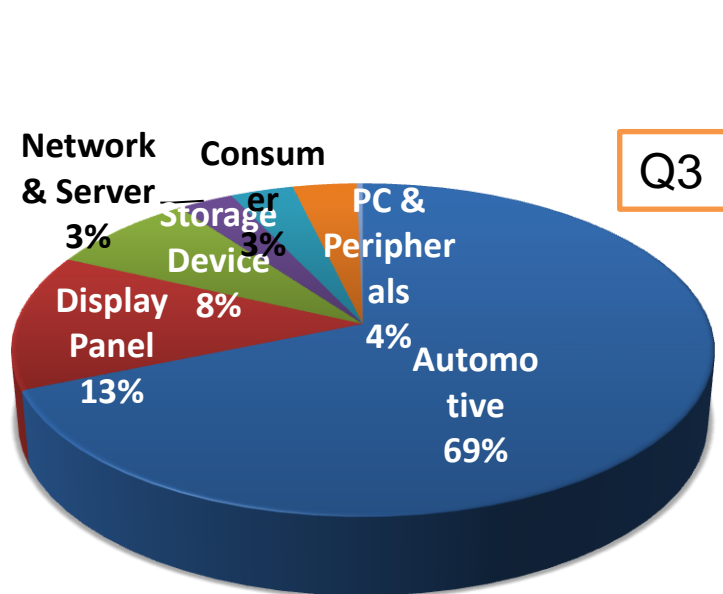
Global Light Vehicle Sales

- Global light vehicle sales in 2022 is 81 million units, the same as in 2021.
- The Global Light Vehicle (LV) selling rate in February fell to 81 mn units/year from January's figure of 83 mn units/year. While global supply-side constraints remain a drag on the sector's recovery, raw monthly registrations increased to 6.5 mn units — growth of almost 11% year-on-year (YoY).
- The month-on-month (MoM) decline in SAAR performance is largely attributed to a deceleration in the Chinese market in February, affected by the Chinese New Year and the termination of tax incentives in 2022. Both the North America and Western Europe markets saw YoY improvements in performance when compared against a very weak 2022.

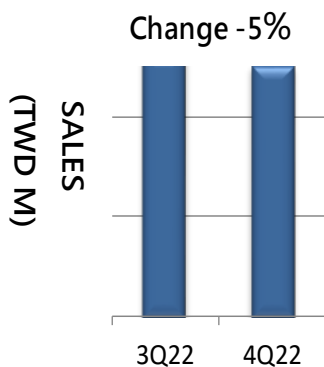


Operating Overview for Q4 and full year of 2022

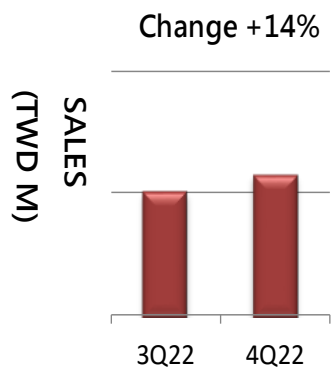
2022Q4 Sales Analysis - Product



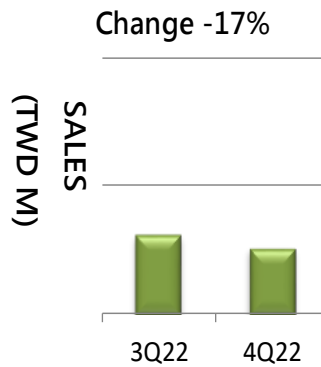
Automotive



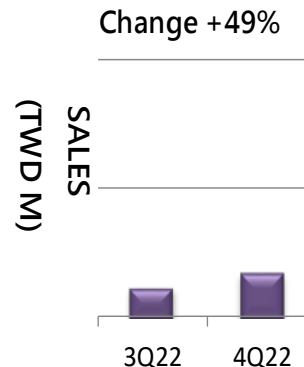
Display Panel



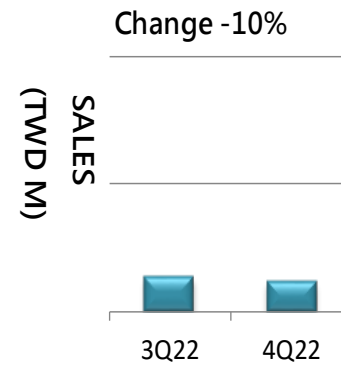
Storage Device



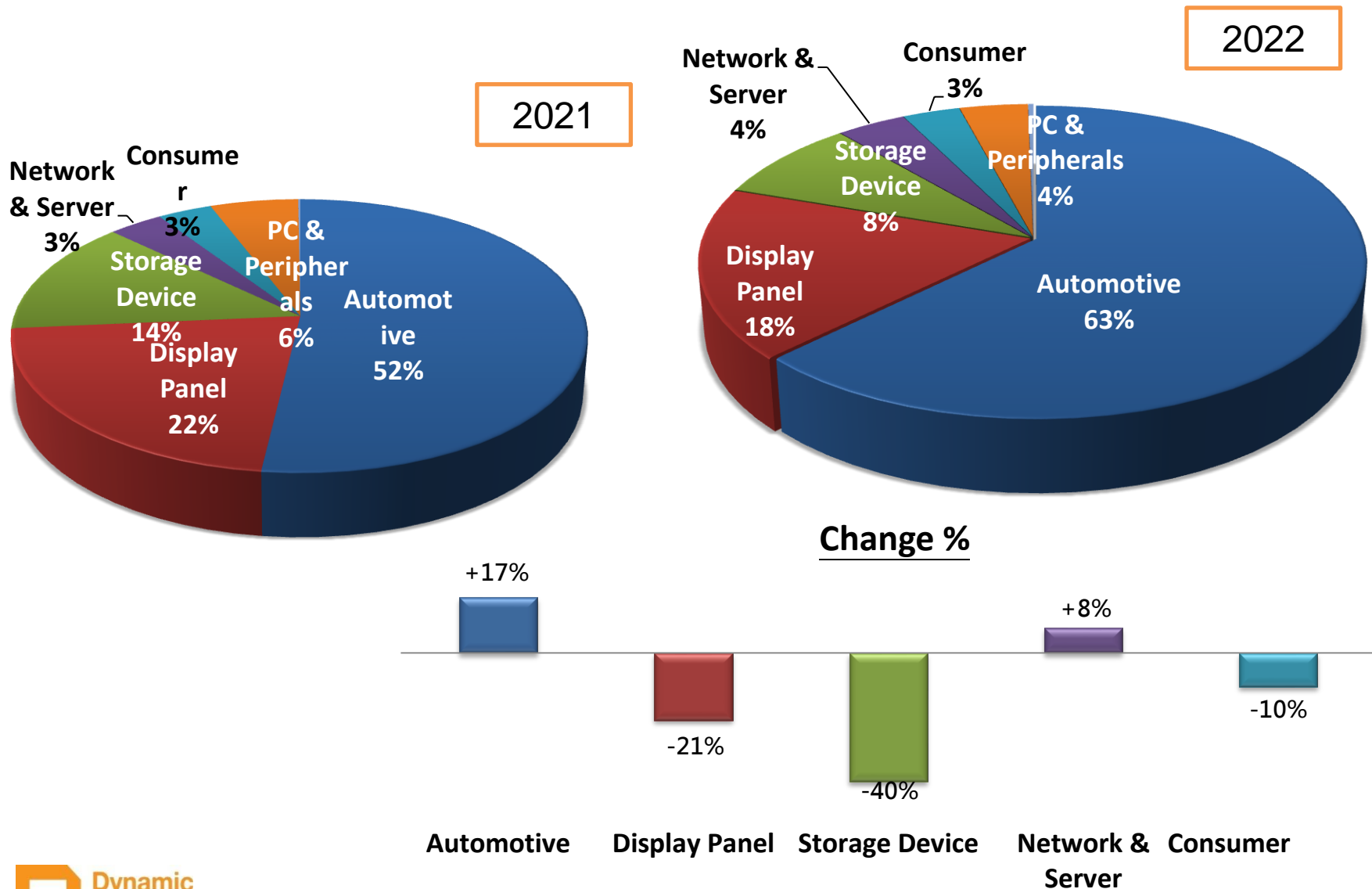
Network & Server



Consumer



2022 Sales Analysis - Product



Consolidated Income Statement

Accounts (TWD 100M)	4Q22	3Q22	Q-o-Q Change%	4Q21	Y-o-Y Change%	Q1-Q4 2022	Q1-Q4 2021	Y-o-Y Change%
Sales Revenue	37.69	38.47	(2.0)%	41.58	(9.3)%	152.97	157.53	(2.9)%
Gross Profit %	19.6 %	16.6 %	3.1 %	16.6 %	3.0 %	17.4 %	16.4 %	1.0 % ppts
Operating expenses	4.87	4.59	6.1 %	4.80	1.5 %	18.27	19.34	(5.5)%
Operating Income%	6.7 %	4.6 %	2.1 %	5.1 %	1.6 %	5.4 %	4.1 %	1.3 % ppts
Non-operating income/expenses	(1.00)	(0.05)	(2,024.5)%	(0.27)	(270.6)%	(0.57)	(0.02)	(2,517.1)%
Net Income (loss)	0.86	1.22	(29.3)%	1.46	(41.0)%	5.47	4.70	16.3 %
Net Income (loss)%	2.3 %	3.2 %	(0.9)%	3.5 %	(1.2)%	3.6 %	3.0 %	0.6 % ppts
EPS(NTD)	0.31	0.44	(29.5)%	0.53	(41.5)%	1.97	1.70	15.9 %
ROE (%)	5.6 %	7.9 %	(2.3)%	10.6 %	(5.0)%	8.9 %	8.5 %	0.4 % ppts
Average exchange	29.81	29.29	1.8 %	28.02	6.4 %	29.81	28.02	6.4 %

* The weighted average shares to 277,530,632 of ordinary shares outstanding during the fourth 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)	4Q22		3Q22		4Q21	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	16.78	8.4%	22.08	10.8%	27.30	15.5%
Accounts receivable	43.65	21.8%	44.14	21.5%	46.25	26.2%
Inventories	27.07	13.5%	29.23	14.2%	29.53	16.7%
Property, plant and equipment	99.47	49.7%	86.81	42.3%	62.42	35.4%
Total Assets	200.14	100.0%	205.12	100.0%	176.39	100.0%
Current liabilities	101.78	50.9%	102.11	49.8%	104.60	59.3%
Long-term loans	26.08	13.0%	30.86	15.0%	8.77	5.0%
Total liabilities	138.60	69.3%	143.63	70.0%	121.18	68.7%
Total equity	61.53	30.7%	61.49	30.0%	55.21	31.3%
Important Financial Indicator						
Average collection turnovers	109		109		101	
Average inventory turnover	87		90		68	
Current ratio (Times)	0.9		1.1		1.0	
Asset productivity(Times)	0.8		0.8		1.1	

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

Consolidated Statements Of Cash Flows

(TWD 100M)	4Q22	3Q22	4Q21
Cash at beginning of period	22.08	25.74	18.34
Cash Flow from Operating	3.98	2.27	(2.43)
Capital Expenditure	(10.73)	(5.72)	(7.16)
Cash Dividends Paid	0.00	(1.94)	0.00
Cash Flow from Financing	(8.61)	0.73	18.09
Investment & Other	0.68	0.85	0.02
Cash at end of period	16.78	22.08	27.30
Free Cash Flow	(6.75)	(3.45)	(9.59)

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

Consolidated Income Statement & Consolidated Statements Of Cash Flows

Account (TWD 100M)	2022	2021	Y-o-Y Change%
Sales Revenue	152.97	157.53	(2.9)%
Gross Profit %	17.4 %	16.4 %	1.0 % ppts
Operating Income%	5.4 %	4.1 %	1.3 % ppts
Net Income (loss)	5.47	4.70	16.3 %
EPS(NTD)	1.97	1.70	15.9 %
Cash Flow from Operating	14.90	1.52	882.6 %
Capital Expenditure	(30.57)	(15.53)	96.9 %
Free Cash Flow	(15.67)	(14.01)	11.9 %
Cash Dividends Paid	(1.94)	(1.11)	75.0 %
Cash and cash equivalents	16.78	27.30	(38.5)%
ROE (%)	8.9 %	8.5 %	0.4 % ppts

2022Q4 Summary

- In terms of products, the proportion of automotive boards decreased slightly from 69% in the third quarter to 67% in the fourth quarter, mainly due to the impact of demand, while display panels increased from 13% to 15% due to urgent orders.
- In terms of technology, the proportion of high-end 8-layer boards plus HDI remains the same.
- In the fourth quarter, revenue was affected by demand and decreased slightly by 2% from the previous quarter; gross profit margin increased by 3 percentage points, mainly due to the improvement in production costs of Huangshi Plant II; The operating expense ratio increased by 1 percentage point, mainly due to the 66 million NT dollar of severance expenses for the employees of the Kunshan plant; the above increased the operating net profit margin from 4.6% in the previous quarter to 6.7%.
- Non-operating income and expenses are mainly due to the exchange loss of about 80 million NT dollar caused by the appreciation of Taiwan dollar and RMB. The net profit after tax is 86 million yuan, EPS\$0.31.

2022 Summary

- The revenue of automotive boards increased by about 17%, and the proportion increased from 52% to 63%, including about 20% of electric vehicle boards, maintaining growth momentum. However, the second and third major product lines - display panels and storage devices, due to the poor economic environment, the demand has dropped significantly, resulting in an overall revenue growth rate of -2.89%.
- In terms of technology, HDI's revenue grew by 15%, and its proportion increased from 17% to 21%, indicating that product technology continues to develop in a high-end direction.
- The high-efficiency/green/high-value Huangshi Plant II was launched in the third quarter.
- Due to the development of product structure towards high-tech content, the expansion of Huangshi factory's automated and intelligent production capacity, and the blessing of exchange rates, the net profit after tax in 2022 will be 547 million NTD, an increase of 16.3%, and EPS \$1.97.
- Dynamic was transformed into an investment holding company in 2022. It hopes to meet the changing needs of the market through diversified industrial cooperation, strengthen competitiveness, improve operational performance, create shareholder value, and achieve sustainable development of the enterprise. In the short to medium term, the manufacturing and service of circuit boards are still the main operating items.

Outlook for Dynamic

2023 Outlook

- There are many uncertain factors in the environment in 2023, but the demand of automotive customers is relatively stable, and new products and new part numbers continue to be released. We have in-depth cooperation with customers in the fields of advanced driver assistance systems, smart cockpits, and autonomous driving. The goal is to grow both revenue and profit.
- The utilization rate of the Huangshi plant has remained above 90%, and Huangshi plant II will have a positive contribution to the gross profit margin as the learning curve rises.
- The number of high-end HDI products designed by customers has increased, and the current HDI production capacity is fully loaded. We will use the method of eliminating bottlenecks to increase the HDI production capacity of Huangshi Plant.
- In response to the needs of customers, the construction of the production base in Thailand is being accelerated. The factory is designed as a highly intelligent and automated smart factory. The technology categories are multi-layer boards, high-end multi-layer boards and HDI, including high-frequency and high-speed material technologies; products are used in servers, network communications, storage devices and automobiles. The source of funds will be supported by self-owned funds and bank loans.

Dynamic Actions in ESG

2022 ESG Award Recognitions



Won the top 5% of corporate governance evaluation for six consecutive years



Won the harmonious enterprise of labor relations in Suzhou



Awarded as a water-saving enterprise in Hubei Province



Won the leading enterprise of high-quality development of the industry



Won the advanced enterprise of employment and entrepreneurship in Hubei Province



Won the May 1st Labor Award



Won the advanced unit of safety production work



Won the contract-abidance and creditable enterprise

Awarded AA grade in the ESG assessment

Dynamic 2021 ESG Sustainability Report (Chinese and English) public download area:

1. Public Information Observatory
2. Dynamic website (www.dynaholding.com)



國泰期貨 國泰證券子公司

ESG 月報


2023/2/8

ESG 月報：2022 年度 ESG 評鑑結果評論

評鑑結果觀察

- 在首次受評的公司中有五家獲得 A 以上評等，定穎投控(3715 TT)、力積電(6770 TT)得分最高獲得 AA，富采(3714 TT)、采鈺(6789 TT)及永豐實(6790 TT)獲得 A，除永豐實為造紙業其他皆為電子業。首次評鑑有部分獲得高分主要為電子業反應出該產業受到國際客戶供應鏈與投資人的要求在 ESG 未受評前已有作為。這 4 家電子股同時在「供應鏈社會面向控管」、「董事會結構與運作」、「環境系統與治理」、「空氣管理」、「水管理」、「能源與氣候變遷」及「供應商及產品生命週期管理」表現優於整體平均

2022 Carbon Reduction Performance

Item	Dynamic Low-Carbon Action Plan	2022Carbon reduction performance
1	Reduce the intensity of greenhouse gas emissions: Taking 2020 as the baseline, greenhouse gas emissions (based on revenue) will be reduced by 4% per year and at least 20% by 2025.	The greenhouse gas emission intensity of Kunshan plant was reduced by 15% in 2022 compared to 2020. The greenhouse gas emission intensity of Huangshi plant was reduced by 23% in 2022 compared to 2020.
2	Use renewable energy	In 2022, Huangshi plant has purchased 10 million KW of green electricity, accounting for about 6% of the electricity consumption of Huangshi plant. The green electricity procurement plan for 2023 is actively planned.
3	Build solar power generation area: Daily power generation is planned to be about 8,000K to provide electricity for the living area, accounting for about 1% of the electricity. The test is expected to take place in 2022 and complete in 2023-2024.	At present, the first phase of photovoltaic power generation (the roof of B9 building) has been completed on June 23, 2022, and the power generation data is shown in the figure below. The total power generation is 145,271kwh, and it has been in operation for 265 days, with an average daily power generation about 548kwh, which is equivalent to the carbon dioxide absorbed by planting 42 trees. 

2023 ESG Work Item Planning

- ISO14064 Organizational Greenhouse Gas Emissions Inventory and Verification (including Scope 1, 2 and 3)
- ISO14067 Product Carbon Footprint Inventory and Verification
- ISO46001 Water Resource Efficiency Management System Certification
- CDP (Climate Disclosure Project)
- SBTi (Science Based Targets initiative)



Q&A