

Operating Result Report for Q2 of 2024

Aug. 8, 2024

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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

2024 ELECTRONICS AND PCB MARKET

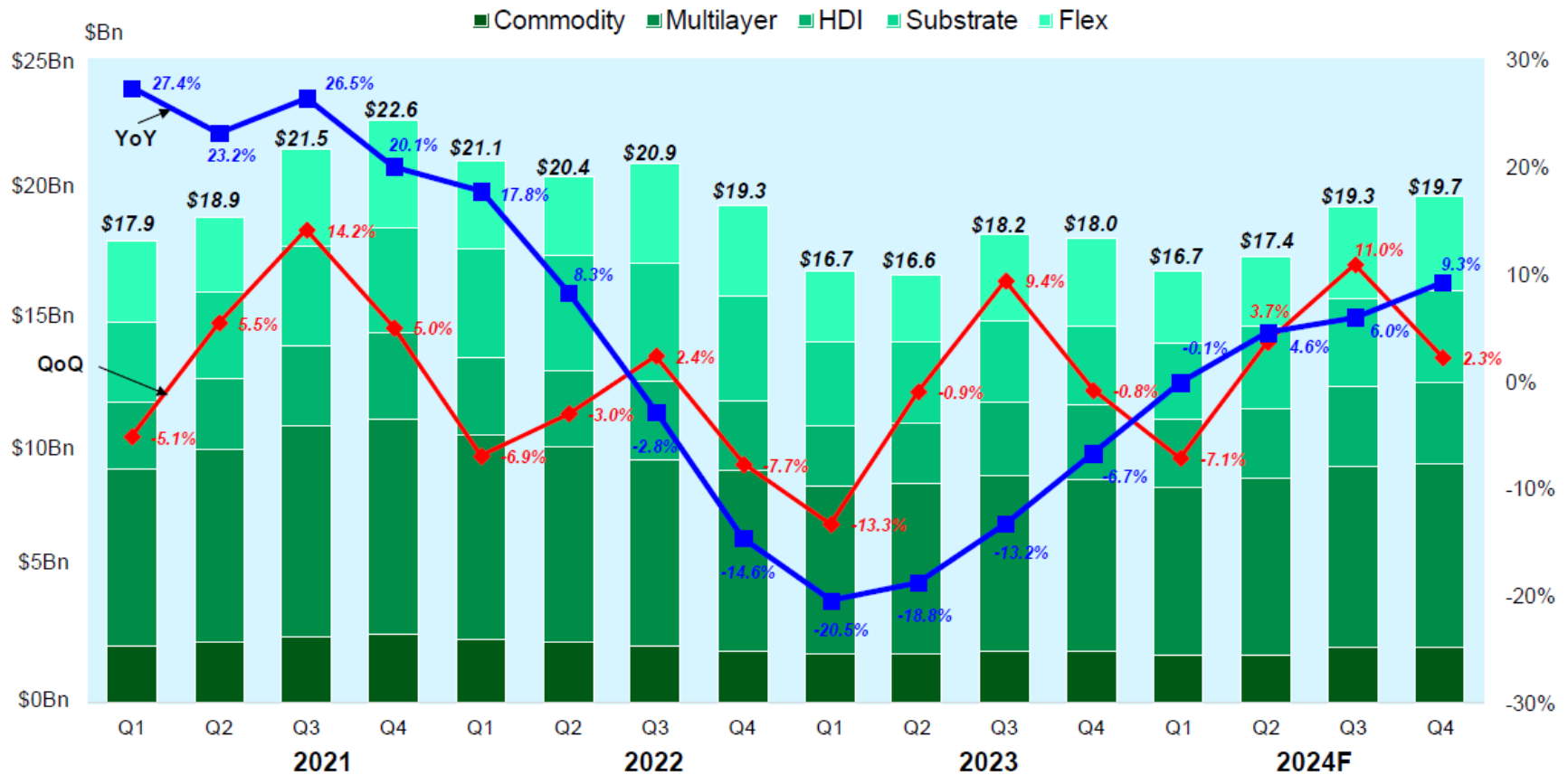
Electronics Market

- Recovery is centered around AI, including server, HPC, networking, advanced packaging, high-speed circuit boards and materials.
- EV, autonomous driving, and military applications also help market growth.
- New initiation of PCB and substrate operations in SEA, encompassing Thailand, Malaysia, and Vietnam, signifies a pivotal phase in the evolution of the electronics industry.

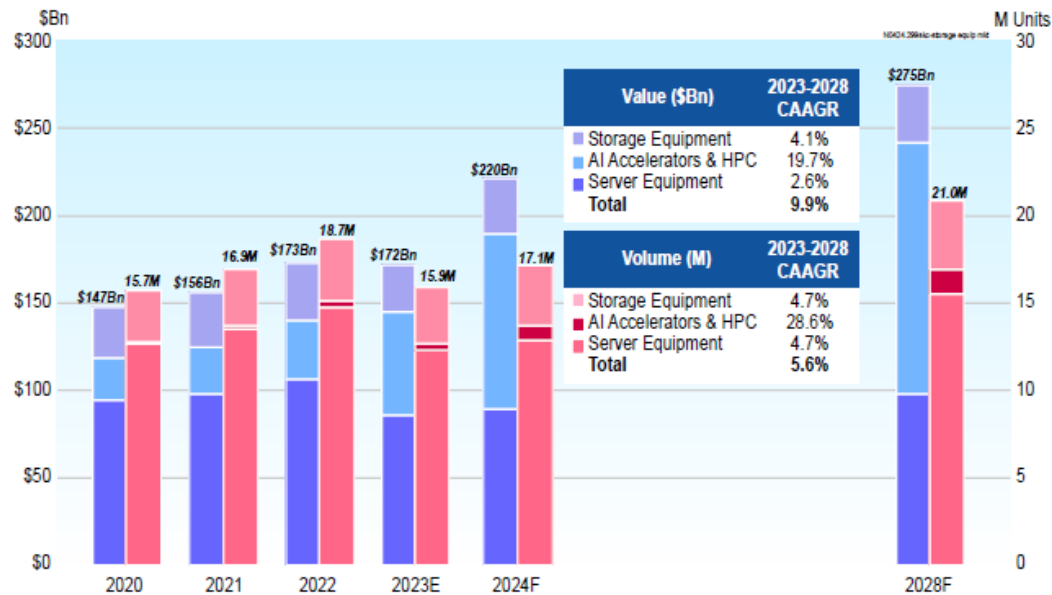
2024 PCB Market Forecast and Outlook

- Currently a 5.0% growth is forecasted for the PCB market.
- HDI growth, 5.3% from AI, optical module, satellite, automotive, and other applications.
- Multi-layer board segment is forecasted to grow at about 4%.
- Supply chain de-risking (decoupling) will certainly offer opportunities to suppliers outside China, especially in SEA.

PCB MARKET Q/Q GROWTH



SERVER/STORAGE/AI PCB MARKET

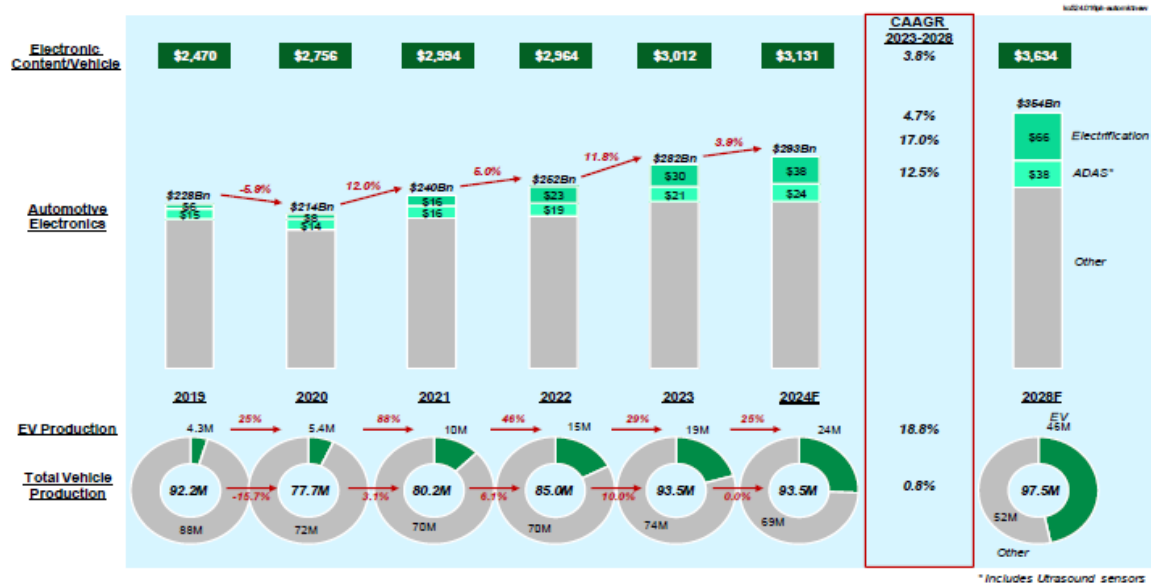


Server/Storage/AI PCB Market

Server PCB Market 2023	\$8.2Bn
2023 - 2028 CAAGR	11.1%
Growth Drivers	Data centers, high-performance computing and AI
Leading Customers	Dell, HP, Inspur, ODM, CSP, Nvidia
Products	High layercount MLB, HDI, FCBGA substrates
Technologies	High-speed laminates, SAP FCBGA

Attribute	Range	Trend for Next 5 years
Layercount	8L for lower end 12-16L higher end rack >22L for Highest complexity	No change in the range, but more pressure to higher layercount
Max Layercount	24 to 28	Modest growth to 30-34
Trace to trace	4 mil → 3.5 mil	
Material Selection	Mid-loss to very-loss laminate Low profile copper required	Higher requirement on electric performance, ultra low-loss, extreme low-loss laminate needed, very-low-profile copper

AUTOMOTIVE PCB MARKET



Automotive PCB Market	
Automotive PCB Market 2023	\$9.2Bn
2023 – 2028 CAAGR	5.2%
Growth Drivers	EV, ADAS
Leading Customers	Tesla, BYD, Bosch, Denso, Aptiv, etc.
Products	HDI, FPC, Thick Cu and RF ML boards
Technologies	High reliability, special materials

PRISMARK (2024.06.25)

- Product technology: HDI, above 10L, above level 2, high frequency, thick copper
- Product applications: autonomous driving, ADAS, smart cockpit, Internet of Vehicles computing, battery management modules, lens modules, etc.

PCB MARKET DEVELOPMENT TRENDS

For the next five years, the PCB market is likely to expand from \$69.5Bn in 2023 to \$90.4Bn in 2028.

In the near-term, the PCB market will mostly be driven by the following applications:

- AI and HPC systems: advanced GPU, CPU, and ASIC devices
- Automotive electronics: EV and ADAS
- Communication electronics: High-speed networking and satellite (and 6G) wireless communications

PCB market growth will be supported by the following product technologies:

- High-speed and high-frequency boards and materials for server, AI, wired, and wireless infrastructure mainboards
- Any-layer for wearables, and others

Regional production transformation:

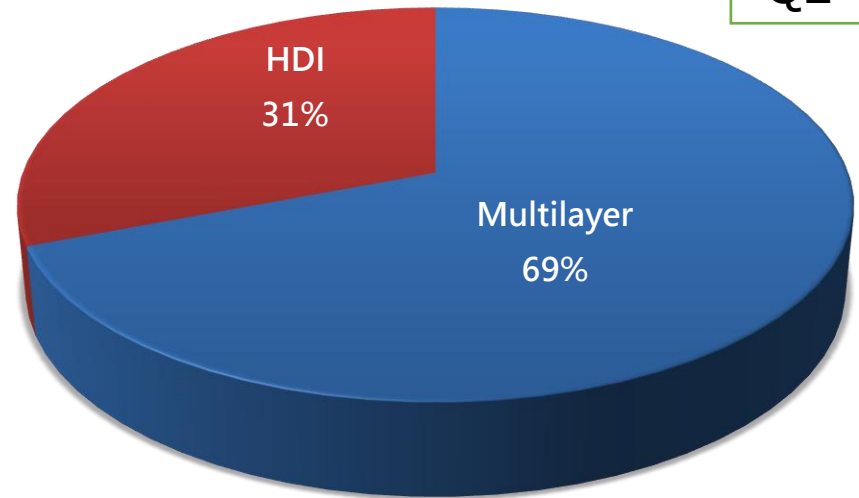
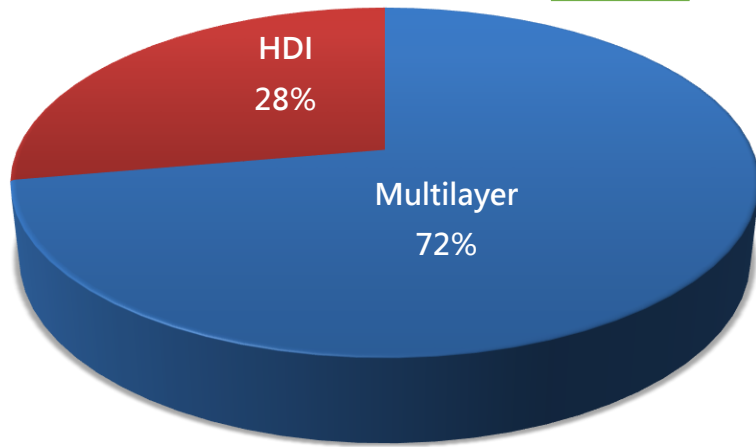
- China will remain the leading PCB production site, but will focus on value-added products and localization. Consolidation is likely to occur.
- SEA will become an emerging and growing production site for ML, HDI, FPC, and substrates. In a few years, SEA could become the second largest production site in the world.
- Japan, Taiwan, and Korea will rely more on substrate production.
- Americas and European market will be supported by military, industrial, and medical PCB production.

Operating Overview for Q2 of 2024

2024Q2 Sales Analysis - Technology

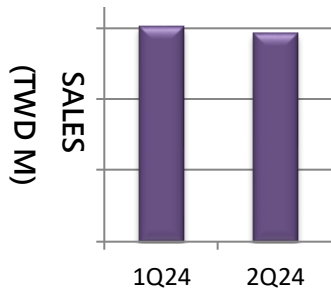
Q2

Q1



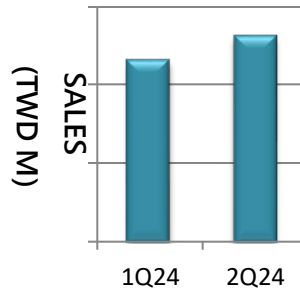
Multilayer

Change - 3%

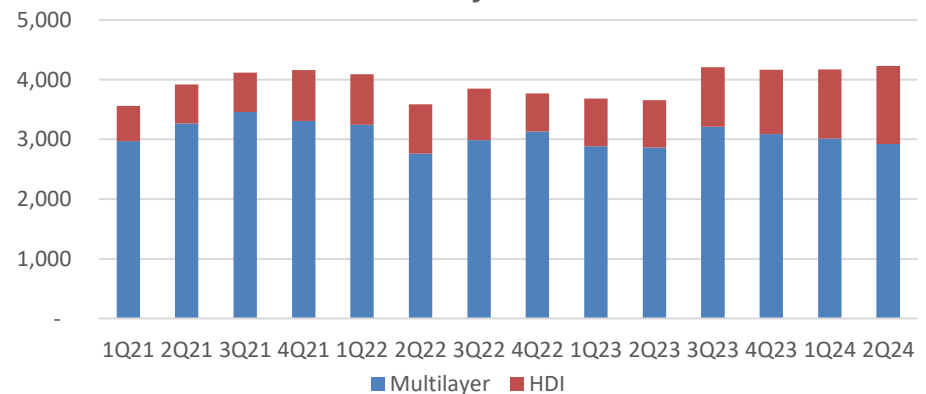


HDI

Change + 13%



Revenue by Process



Consolidated Income Statement

Accounts (TWD 100M)	2Q24	1Q24	Q-o-Q Change%	2Q23	Y-o-Y Change%	Q1-Q2 2024	Q1-Q2 2023	Y-o-Y Change%
Sales Revenue	42.28	41.71	1.4 %	36.54	15.7 %	83.99	73.39	14.4 %
Gross Profit %	27.4 %	22.7 %	4.8 %	20.0 %	7.5 %	25.1 %	19.9 %	5.2 % ppts
Operating expenses	6.11	5.53	10.4 %	5.13	19.0 %	11.64	10.19	14.2 %
Operating Income%	13.0 %	9.4 %	3.6 %	5.9 %	7.1 %	11.2 %	6.0 %	5.2 % ppts
Non-operating income/expenses	(0.20)	0.18	210.9 %	1.06	118.5 %	(0.02)	0.15	112.9 %
Net Income (loss)	3.40	2.83	20.4 %	2.36	43.9 %	6.23	3.32	87.6 %
Net Income (loss)%	8.0 %	6.8 %	1.3 %	6.5 %	1.6 %	7.4%	4.5 %	2.9 % ppts
EPS(NTD)	1.23	1.02	20.6 %	0.85	44.7 %	2.24	1.20	86.7 %
ROE (%)	18.4 %	16.2 %	2.2 %	15.4 %	3.1 %	16.9 %	10.8 %	6.1 % ppts
Average exchange	31.90	31.45	1.4 %	30.55	4.4 %	31.90	30.55	4.4 %

* The weighted average thousand shares to 277,675 of ordinary shares outstanding during the second quarter of 2024.

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

Consolidated BS & Important Financial Indicator

Accounts (TWD 100M)	2Q24		1Q24		2Q23	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	43.28	16.2%	41.72	17.1%	30.49	15.0%
Accounts receivable	45.54	17.0%	45.43	18.6%	38.57	18.9%
Inventories	27.35	10.2%	24.05	9.9%	22.23	10.9%
Property, plant and equipment	134.09	50.2%	116.67	47.9%	97.24	47.7%
Total Assets	267.36	100.0%	243.72	100.0%	203.71	100.0%
Current liabilities	143.97	53.8%	118.46	48.6%	88.23	43.3%
Long-term loans	33.58	12.6%	40.70	16.7%	42.41	20.8%
Total liabilities	193.47	72.4%	174.04	71.4%	142.11	69.8%
Total equity	73.89	27.6%	69.68	28.6%	61.60	30.2%
Important Financial Indicator						
A/R turnover days	106		107		105	
Average inventory turnover day	76		70		82	
Current ratio (Times)	0.9		1.0		1.1	
Asset productivity (Times)	0.7		0.7		0.7	

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

Consolidated Cash Flow Statement

(TWD 100M)	2Q24	1Q24	2Q23
Cash at beginning of period	41.72	33.75	30.85
Cash Flow from Operating	5.41	4.64	7.63
Capital Expenditure	(16.55)	(15.10)	(6.53)
Cash Dividends Paid	0.00	0.00	0.00
Cash Flow from Financing	15.04	15.31	0.52
Investment & Other	(2.45)	2.63	0.45
Cash at end of period	43.28	41.72	30.49
Free Cash Flow	(11.14)	(10.46)	1.10

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

2024Q2 Summary

- In terms of product proportion, the proportion of automotive boards decreased by 3%, the proportion of network communications and server products increased by 2%, the proportion of display panels increased by 1%, and the proportion of other products remained the same.
- From a technical perspective, HDI accounted for 31%, an increase of 3% from the previous quarter, the amount increased by 13%, and the product structure continued to be optimized.
- Revenue in the second quarter was 4.228 billion, an increase of 1.4% from the previous quarter. The gross profit margin was 27.4%, an increase of 4.8 percentage points, mainly due to the continued increase in the proportion of HDI products, high-end new products for automobiles, network communications, and display panels entering mass production, and the maintenance of high utilization rates.
- The operating expense rate was 14.4%, an increase of 1.1 percentage points from the previous quarter. This was mainly due to the fact that the Thai factory started mass production in the third quarter ahead of schedule, causing operating expenses (mainly personnel expenses) to be incurred in advance.
- The operating net profit margin was 13%, an increase of 3.6 percentage points from the previous quarter.
- Non-operating income and expenses were -20 million yuan, and exchange gains were approximately 42 million yuan, mainly due to the depreciation of the RMB and Taiwan dollar.
- Net profit for the current period was 340 million yuan, an increase of 20.4% from the previous quarter. The net profit margin was 8%, an increase of 1.3 percentage points from the previous quarter. Earnings per share (EPS) was 1.23 yuan, an increase of 20.6% from the previous quarter, and an increase of 86.7% in the first half from the same period last year.

Outlook for Dynamic

Future Outlook

- Customer demand grew moderately in the third quarter, and HDI trended upward. In response to customer demand, the high-end HDI production capacity of Huangshi Plant No. 2 has been opened month by month. Because customer products are more high-end, the new production capacity has been revised to 150,000 SF, but the revenue contribution of full production and full sales remains unchanged. It is expected to bring mid-to-high single-digit quarterly growth to third-quarter revenue, but it still depends on the status of customers' demand for goods.
- In terms of gross profit margin, product mix optimization has a positive impact. However, the Thai factory has begun mass production, which is expected to have some impact on gross profit margin in the short term, but the scope of the impact is relatively limited. We remain confident in our long-term gross profit margin, and the commissioning of new technologies and new plants will gradually enhance our operating performance and market competitiveness.
- The operating expense ratio in the third quarter is expected to be flat or slightly higher, mainly because the Thailand factory has just started operations. Once the operations of the Thailand factory are on track and generating revenue contribution, the overall operating expense ratio will decrease.
- Growth in automobiles, network communications and servers, storage devices, computers and peripherals is expected in the third quarter. Among them, among network communication and server product types, Netcom cards continue to actively increase sales, and AI ASIC accelerator cards have also passed certification and are currently in small-scale production. Most of these products are high-end HDI designs and have a positive contribution to profits.
- The Thai factory has moved forward to mass production in the third quarter, with production capacity being released month by month and undergoing customer audits.
- Judging from current customer demand, the second half of 2024 will be better than the first half. We have an optimistic and positive view in 2025, but it still depends on the overall economic situation.

Dynamic Actions in ESG

Dynamic Completes TNFD Assessment

TNFD disclosure recommendations are designed to assist companies in assessing and disclosing nature-related risks, such as climate change, ecosystem collapse, and biodiversity loss, while allowing investors and companies to better understand how natural risks will affect their businesses, and encourage companies to adopt more sustainable business models.



For details, please refer to Dynamic 2023 ESG Sustainability Report.

2024Q2 ESG Actions and Performance

Other ESG actions and performance in 2024Q2 include:

- Complete the 2023 greenhouse gas inventory in Taoyuan, Kunshan, and Huangshi, including scopes 1, 2, and 3.
- Huangshi participated in the electricity-carbon-finance application for green electricity of 49.6 million kilowatt hours. It is estimated that green electricity will account for 33.3% of the total electricity consumption this year, which can reduce carbon dioxide emissions by 57,232 tons.
- Huangshi won the title of provincial green supply chain management enterprise.
- Huangshi won the Hubei May 1st Labor Award.
- Huangshi donated computer equipment to Huangshan Primary School.
- Huangshi UL2799 zero waste to landfill highest level platinum level certificate renewal.



Q&A