

Dynamic Electronics Co., Ltd.

# 2019 Operational Overview

April 16, 2020

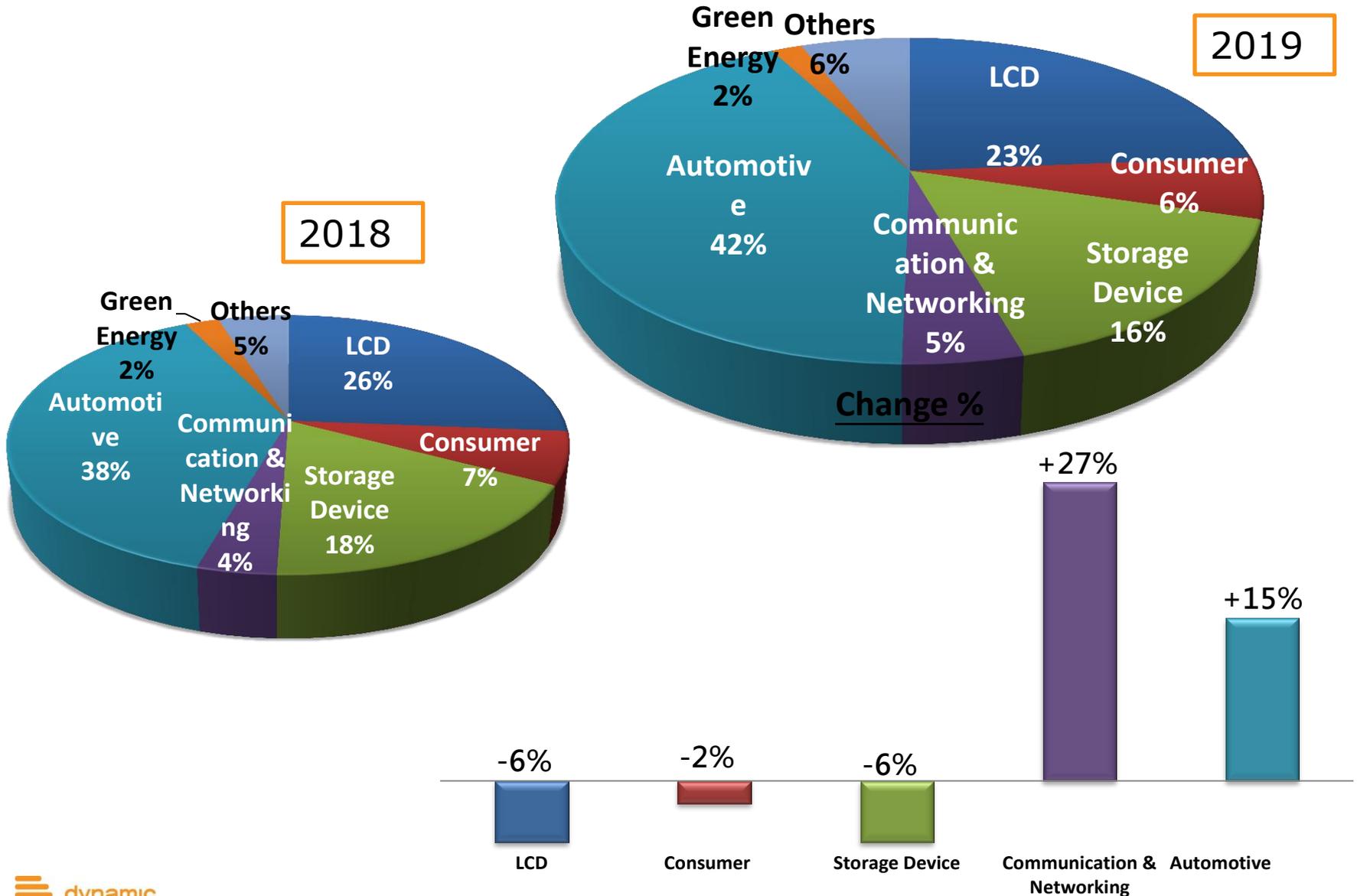


# Content

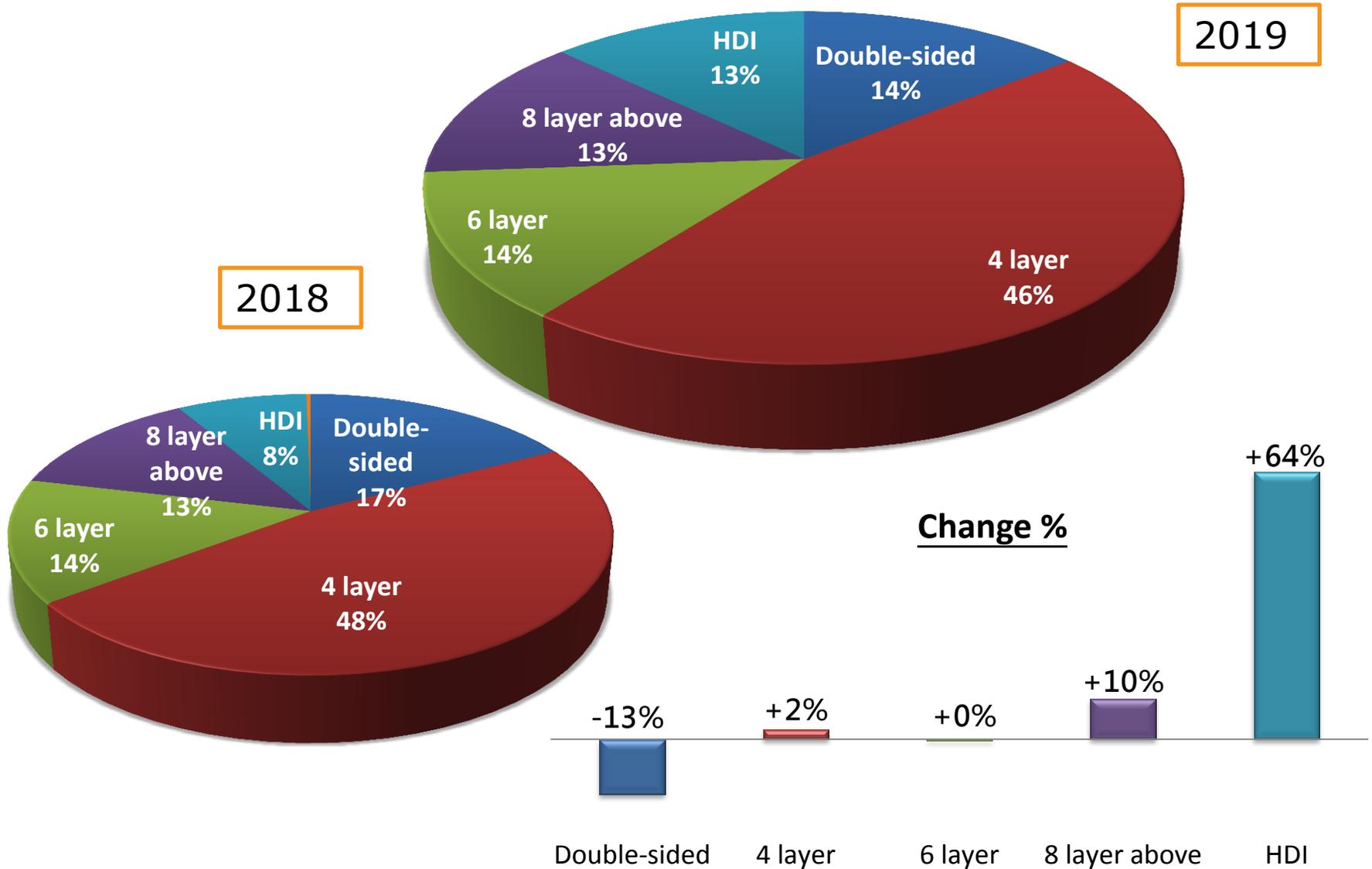
---

1. Operational Overview of 2019
2. Future Prospects
3. Significant Events

# 2019 Revenue by Application



# 2019 Revenue by Process



# Consolidated Income Statement

Accounts (TWD 100M)	4Q19	3Q19	Q-o-Q Change%	4Q18	Y-o-Y Change%	Q1-Q4 2019	Q1-Q4 2018	Y-o-Y Change%
Sales Revenue	35.58	38.73	(8.1)%	35.09	1.4 %	137.17	130.58	5.0 %
<b>Gross Profit %</b>	<b>15.8 %</b>	<b>15.2 %</b>	<b>0.6 %</b>	<b>10.6 %</b>	<b>5.2 %</b>	<b>12.8 %</b>	<b>8.9 %</b>	<b>4.0 %</b> ppts
Operating expenses	3.15	3.86	(18.3)%	3.12	0.9 %	12.33	11.61	6.2 %
<b>Operating Income%</b>	<b>6.9 %</b>	<b>5.2 %</b>	<b>1.7 %</b>	<b>1.7 %</b>	<b>5.3 %</b>	<b>3.8 %</b>	<b>(0.0)%</b>	<b>3.9 %</b> ppts
Non-operating income/expenses	(1.74)	(0.50)	(249.5)%	(0.21)	(718.4)%	(2.89)	(2.32)	(24.5)%
Net Income (loss)	0.61	1.21	(49.8)%	0.35	74.5 %	1.55	(2.41)	164.5 %
<b>Net Income (loss)%</b>	<b>1.7 %</b>	<b>3.1 %</b>	<b>(1.4)%</b>	<b>1.0 %</b>	<b>0.7 %</b>	<b>1.1 %</b>	<b>(1.8)%</b>	<b>3.0 %</b> ppts
EPS(NTD)	0.21	0.43	(51.2)%	0.12	75.0 %	0.55	(0.86)	164.0 %
ROE (%)	6.1 %	12.2 %	(6.1)%	3.5 %	2.6 %	4.0 %	(6.1)%	10.1 % ppts
Quantity(M SF)	907	909	(0.2)%	912	(0.5)%	3414	3500	(2.5)%
Average exchange	30.93	31.07	(0.5)%	30.16	2.6 %	30.93	30.16	2.6 %

\* The weighted average shares to 281,059,335 of ordinary shares outstanding during the fourth quarter of 2019.

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

# Consolidated BS & Financial Indicators

Accounts (TWD 100M)	4Q19		3Q19		4Q18	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	10.38	7.7%	13.41	9.5%	11.63	8.1%
Accounts receivable	39.40	29.1%	41.73	29.5%	38.53	26.9%
Inventories	15.20	11.2%	16.76	11.9%	18.93	13.2%
Property, plant and equipment	53.31	39.4%	53.56	37.9%	59.41	41.5%
<b>Total Assets</b>	<b>135.19</b>	<b>100.0%</b>	<b>141.31</b>	<b>100.0%</b>	<b>143.09</b>	<b>100.0%</b>
Current liabilities	81.52	60.3%	70.60	50.0%	79.64	55.7%
Long-term loans	6.45	4.8%	23.32	16.5%	17.36	12.1%
<b>Total liabilities</b>	<b>96.09</b>	<b>71.1%</b>	<b>101.80</b>	<b>72.0%</b>	<b>103.79</b>	<b>72.5%</b>
<b>Total equity</b>	<b>39.10</b>	<b>28.9%</b>	<b>39.52</b>	<b>28.0%</b>	<b>39.30</b>	<b>27.5%</b>
<b>Important Financial Indicator</b>						
Average collection turnover	109		112		103	
Average inventory turnover	55		58		55	
Current ratio (Times)	0.9		1.1		1.0	
Asset productivity(Times)	1.1		1.0		1.0	

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

# Consolidated Cash Flow Statement

(TWD 100M)	4Q19	3Q19	4Q18
<b>Cash at beginning of period</b>	13.02	11.97	10.97
Cash Flow from Operating	4.85	4.75	0.33
Capital Expenditure	(2.71)	(2.10)	(1.57)
Cash Dividends Paid			
Cash Flow from Financing	(4.09)	(1.82)	1.84
Investment & Other	(0.69)	0.23	0.07
<b>Cash at end of period</b>	<b>10.38</b>	<b>13.02</b>	<b>11.63</b>
Free Cash Flow	2.14	2.64	(1.24)

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

# Consolidated IS & Cash Flows

Accounts (TWD 100M)	2019	2018	Y-o-Y Change%
Sales Revenue	137.17	130.58	5.0 %
Gross Profit %	12.8 %	8.9 %	4.0 % ppts
Operating Income%	3.8 %	(0.0)%	3.9 % ppts
Net Income (loss)	1.55	(2.41)	164.5 %
EPS(NTD)	0.55	(0.86)	164.0 %
Cash Flow from Operating	16.49	(4.49)	467.0 %
Capital Expenditure	(11.43)	(15.16)	24.6 %
Free Cash Flow	5.06	(19.65)	125.7 %
Cash Dividends Paid			
Cash and cash equivalents	10.38	11.63	(10.7)%
ROE (%)	4.0 %	(6.1)%	10.1 % ppts

# Summary of 2019

---

- In the first half of the year, due to the uncertainty of the US-China Trade War, customers placed orders conservatively, so the production cost of Kunshan plant rose as the capacity utilization rate was too low. The market recovered in the second half of the year and the demand for high-end process products went up that led to short supply. As a result, the overall gross profit lifted and the operation performance was turned into gain.
- Main reasons for profit:
  - The increase in the demand for high-end process product (HDI)
  - The marked effect of the automation of Huangshi Smart Factory
- The net profit after tax in 2019 is 155 million dollars and EPS is 0.55 dollar.

# 2020Q1 Revenue (announced self-settled figures)

	Unit: NTD thousands			
	Q1 (self-settled figures)			
	Taoyuan Plant	Kunshan Plant	Huangshi Plant	PCB consolidated
this quarter	9,022	2,001,284	1,026,916	3,037,221
YoY	314,105	1,941,118	797,157	3,052,380
Change	(305,083)	60,166	229,759	(15,159)
Change %	-97.13%	3.10%	28.82%	-0.50%

Comparing with the same quarter last year, there's a reduction of 300million from Taoyuan plant in Q1 this year, plus the impact of the epidemic, however, the revenue of Kunshan Plant and Huangshi Plant increased by 60 million and 230 million respectively, a growth of 10.6%.

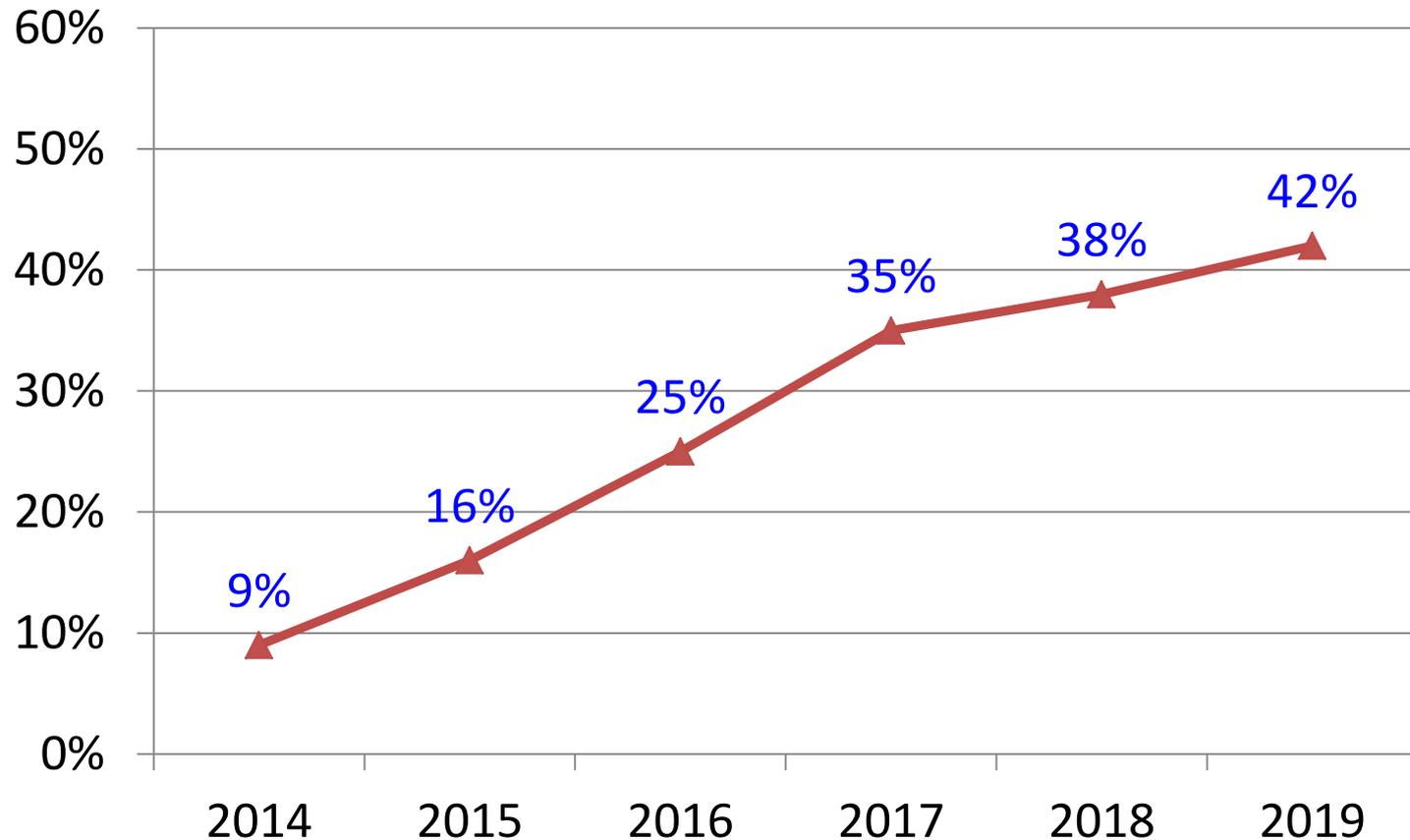
# The Demand Trend of Automotive Board

---

- Despite the poor sales of automobiles, according to Prismark's estimate, the compound growth rate of automotive PCBs in 2018 ~ 2023 is 5.7% since the content of automotive electronics has been expanding, automotive electronics continues to grow, and the shipments of automotive PCBs are still increasing.
- The impact of COVID-19 is temporary, clients of automobile are still very proactive in technology development and business strengthening, automobile technology will keep growing.
- Dynamic's automotive board grew by 15% in 2019. The new added shipment, high-end automotive boards, had their samples built and tested two years ago, and the mass production began after approval. The sample amount of each year's new project is higher than the previous year, showing that Dynamic's penetration rate of automotive market continues to expand.
- The lot control / traceability management of Dynamic Huangshi Smart Factory allows all relevant electronic data of people, machines, materials, and methods in the production process to be recorded and stored, and then the statistics, analysis, and tracking. Customers have high requirement for such system and therefore HS factory is favored by customers.

# The Growth Trend of Dynamic Automotive

The trend of automotive board' s share of Dynamic' s revenue



# The Demand Trend for Storage, Server, TFT and Medical

---

- Storage Device: Hard Disk Drives (HDD), Solid-State Drives (SSD), and memory modules that used in servers and cloud systems are still increasing.
- Communication and Networking: Orders for servers from China increased a lot in the second quarter from the first quarter.
- TFT-LCD: The demand for panels for notebook computers (NB) is very strong. In addition, orders for panels for medical equipment and ventilators have been received and mass production has begun.
- Medical Equipment: The medical-grade ventilators and air purifiers that filter bacteria were added in mass production. (Kunshan factory has passed ISO 13485 medical equipment quality management system.)

# 2020 Product Roadmap

---

- **The development direction of automotive board (to the direction of high-end high-tech content)**
  - Products are mainly focused on advanced driver assistance systems (ADAS), high-frequency radar (HF Radar), electric vehicles (EV)
  - Technical aspects include: high-density interconnect board (HDI), high-frequency board, thick copper board, Rigid-Flex board, Semi-Flex board and so on.
- **Server and Netcom planning**
  - Continue to develop servers and 5G related products, such as small base stations, antenna modules, switches / routers, etc.

# Caring for Dynamic People



More than 300 employees of KS plant enjoyed overseas travel on corporate benefits. Locations include Thailand, Vietnam and Taiwan.

Five clubs were established in 2019: Yoga, dancing, jogging, etc., more than 200 people participated in the clubs.

Spring hiking activities to Shan-Fun mountain and Dome mountain. About 2,600 people attended the 7th Golden Autumn Gala.

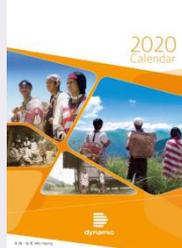
2019 Huangshi New Year Gala recording. Floral party on Goddess Day: more than 600 goddess joined the party.

More than 80 employees of Huangshi plant enjoyed overseas travel on corporate benefits. Locations include Korea and Thailand.

More than 30 people participated in the Huangshi Cihu International Half Marathon. Summer fruit picking activity.

# Social Care and Contribution – Education, Charity

## Education



Sponsored HCCVS Archery Team and the impoverished students with the equipment they need. The Kunshan Charity Foundation support the curriculum fee for the arts students from needy families.

Provided a stage for the children of JSJH to perform themselves for four consecutive years. Made our 2020 desk calendar with their winning photos and give the calendars to teachers and parents as gifts.

## Charity

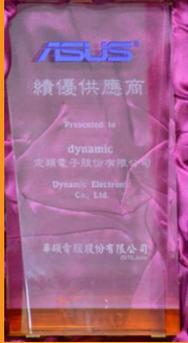


Provide lunch for 93 needy students. Purchased wool felt soaps from the workshop of Eden social welfare foundation for the gifts of Shareholders meeting.

Employees of Huangshi plant visited Huangshi nursing home to send warmth to orphans, disabled children and the elderly.

To extend regards to Huangshi local firemen and officers.

# Awards

				
<p>Huangshi Plant was Awarded Six Prizes in 2019</p>	<p>Received "2019 Outstanding Supplier Award" from Asus</p>	<p>For the 5th Corporate Governance Evaluation- Ranked top 5% as the highest scale for three consecutive years.</p>	<p>Awarded "2019 Sustainable Corporate Performance Award" and "CSR Report Golden Award" by TAISE</p>	<p>Received the 2019 Golden Award of Creative High Quality Tools Application Contest from BOE</p>
<p>Huangshi plant won six awards in 2019: High-tech enterprises, China's top one-hundred electronic circuits enterprises, Top ten superior enterprises in Huangshi Development Zone, Engineering Technology Research Center, Advanced Production Safety Work Unit, Shanxi Datong University practice teaching base.</p>	<p>The HDI PCB Dynamic made for Asus are mainly used in Asus' notebook, mobile phones, gaming mobile phones and other products which are sold worldwide. Dynamic will keep striving for promoting the sustainable development that we share with Asus and all partners.</p>	<p>The culture and implementation of corporate governance have been internalized into Dynamic' s DNA. Dynamic agrees that corporate governance is not only a legal requirement, but also something that corporates should be proactive to enhance. When corporate governance performs effectively, the competitiveness of enterprises is strengthened, and a steady long-term growth can be ensured.</p>	<p>Dynamic disclosed its corporate governance, social integration and environmental sustainability to the general public by publishing CSR report which is aligned with SDGs (Global Sustainable Development Goals). The publication is affirmed by the shareholders and has become an important cornerstone for sustainable corporate development.</p>	<p>Dynamic won the BOE Golden Award of Superior Quality Cup of Creative High Quality Tools Application Contest in 2019 by improving the solderability of LCD (Liquid Crystal Display) products with six sigma(6σ) quality improvement techniques. Excellent performance wins the company this award.</p>

# Thank You!

2020 © Dynamic Electronics Co., Ltd. All Rights Reserved.