



Dynamic Electronics Co., Ltd.

# 2019 Quarter Three Investor Conference

Nov. 12, 2019

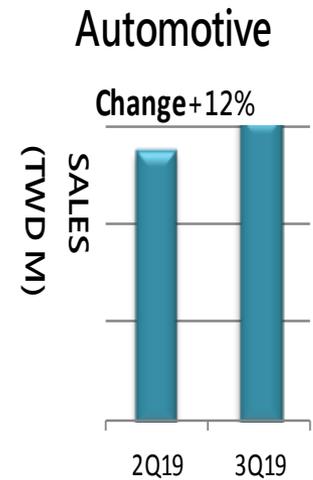
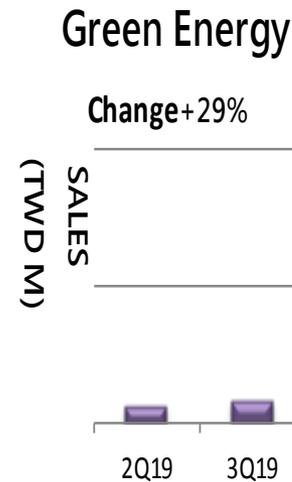
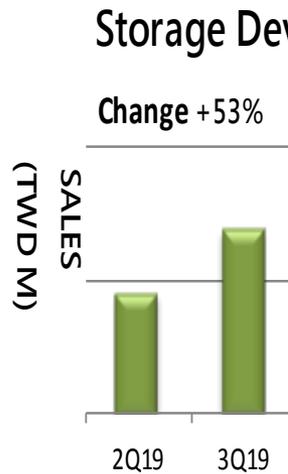
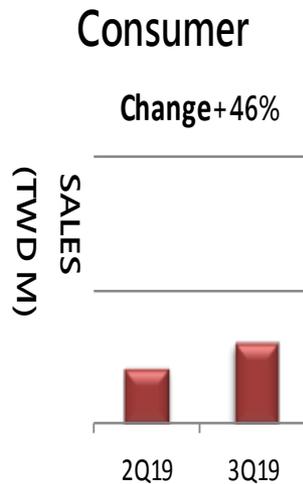
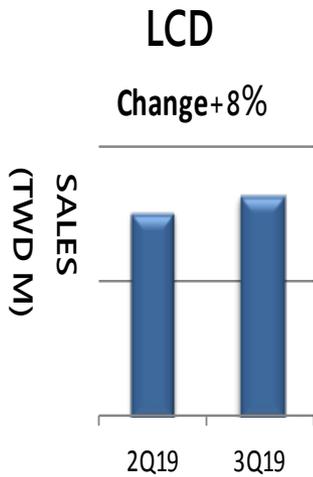
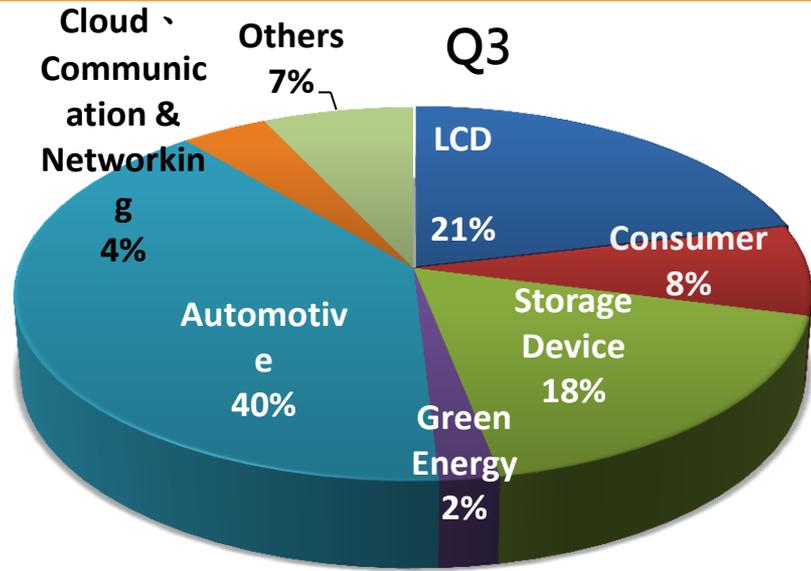
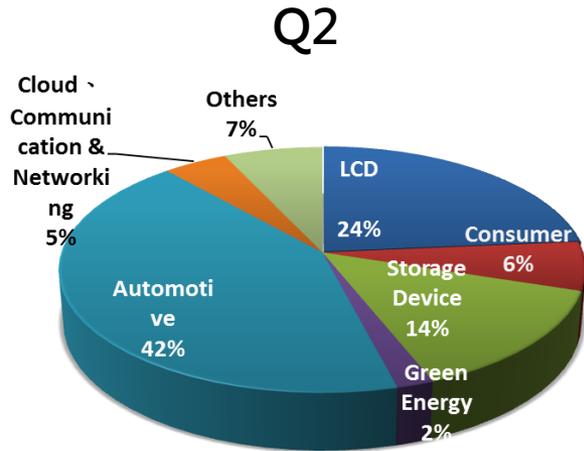


# Content

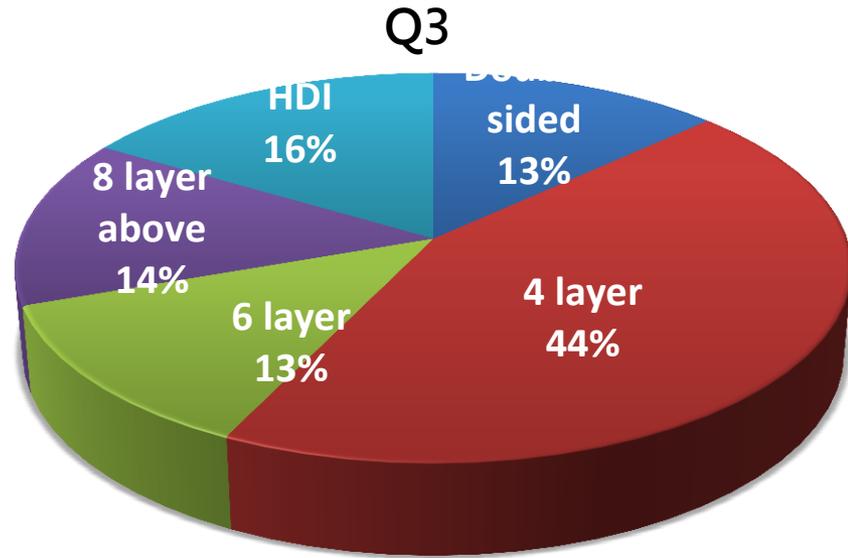
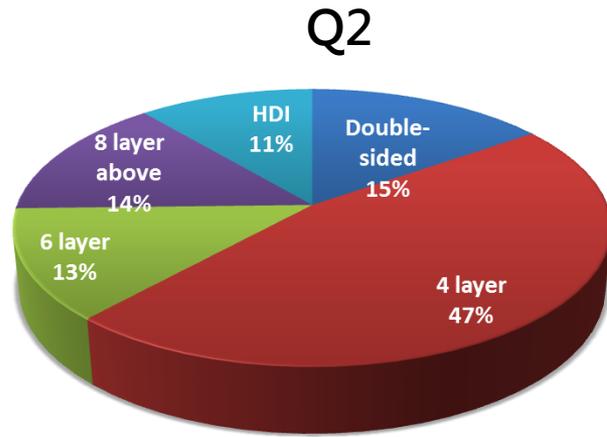
---

1. Operation Overview of 2019 Q3
2. Future Prospects
3. Latest Significant Events

# 2019 Q3 Revenue by Application

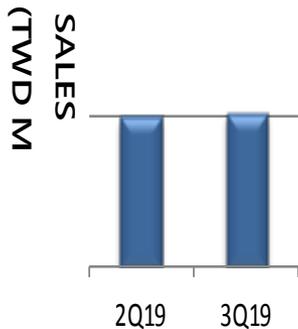


# 2019 Q3 Revenue by Process



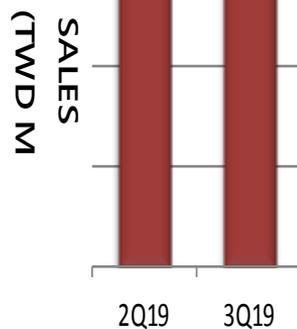
## Double-sided

Change+3%



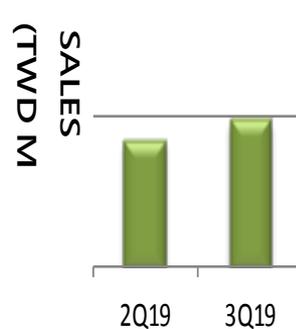
## 4 layer

Change+14%



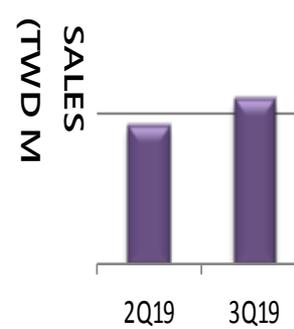
## 6 layer

Change+15%



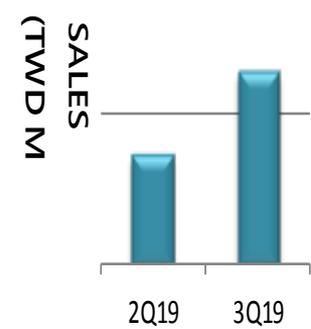
## 8 layer above

Change+18%



## HDI

Change+77%



# Applications of Automotive Boards

---

- A. Conventional : Infotainment system, Body control, Powertrain, Car wireless charger, Car battery, Car key, USB, Tire pressure detection, Engine control, Car antenna, Airbag, Car light, Interior control, Brake, Engine ignition control, Electronic control unit, Dynamic control unit
- B. HDI: Camera, Sensor, Reversing radar, Car multimedia, Communication
- C. Rigid-flex: Camera module, LiDAR
- D. High Frequency: Short-range radar (24Ghz), Medium/long range radar (77/79Ghz)
- E. Heavy Copper: Central junction box, Charge controller, DC converter
- F. Semi-flex: Junction box, EPS (Electronic Power Steering), Parking assistance system, Laser scanner, Multi-domain controller

# Consolidated Income Statement

Accounts (TWD 100M)	3Q19	2Q19	Q-o-Q Change%	3Q18	Y-o-Y Change%	Q1-Q3 2019	Q1-Q3 2018	Y-o-Y Change%
Sales Revenue	38.73	32.33	19.8 %	35.78	8.3 %	101.59	95.50	6.4 %
<b>Gross Profit %</b>	<b>15.2 %</b>	<b>10.5 %</b>	<b>4.7 %</b>	<b>11.0 %</b>	<b>4.1 %</b>	<b>11.8 %</b>	<b>8.2 %</b>	<b>3.6 %</b> ppts
Operating expenses	3.86	2.76	40.0 %	3.02	27.6 %	9.18	8.48	8.2 %
<b>Operating Income%</b>	<b>5.2 %</b>	<b>2.0 %</b>	<b>3.2 %</b>	<b>2.6 %</b>	<b>2.6 %</b>	<b>2.7 %</b>	<b>(0.7)%</b>	<b>3.4 %</b> ppts
Non-operating income/expenses	(0.50)	(0.40)	(23.8)%	(0.89)	43.8 %	(1.15)	(2.11)	45.6 %
Net Income (loss)	1.21	0.12	(872.0)%	0.02	4,837.2 %	0.95	(2.76)	(134.3)%
<b>Net Income (loss)%</b>	<b>3.1 %</b>	<b>0.4 %</b>	<b>2.7 %</b>	<b>0.1 %</b>	<b>3.1 %</b>	<b>0.9 %</b>	<b>(2.9)%</b>	<b>3.8 %</b> ppts
EPS(NTD)	0.43	0.05	(760.0)%	0.01	4,200.0 %	0.34	(0.98)	(134.7)%
ROE (%)	12.2 %	1.3 %	11.0 %	0.3 %	12.0 %	3.2 %	(9.5)%	12.7 % ppts
Quantity(M SF)	909	807	12.6 %	949	(4.2)%	2506	2588	(3.2)%
Average exchange	31.07	30.99	0.3 %	29.93	3.8 %	31.07	29.93	3.8 %

\* The weighted average shares to 281,059,335 of ordinary shares outstanding during the third 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)	3Q19		2Q19		3Q18	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents	13.41	9.5%	12.23	8.9%	11.01	8.0%
Accounts receivable	41.73	29.5%	35.13	25.6%	37.31	27.0%
Inventories	16.76	11.9%	17.28	12.6%	18.63	13.5%
Property, plant and equipment	53.56	37.9%	58.24	42.4%	56.96	41.3%
<b>Total Assets</b>	<b>141.31</b>	<b>100.0%</b>	<b>137.35</b>	<b>100.0%</b>	<b>137.98</b>	<b>100.0%</b>
Current liabilities	70.60	50.0%	70.74	51.5%	75.08	54.4%
Long-term loans	23.32	16.5%	19.33	14.1%	18.52	13.4%
<b>Total liabilities</b>	<b>101.80</b>	<b>72.0%</b>	<b>98.01</b>	<b>71.4%</b>	<b>99.29</b>	<b>72.0%</b>
<b>Total equity</b>	<b>39.52</b>	<b>28.0%</b>	<b>39.34</b>	<b>28.6%</b>	<b>38.69</b>	<b>28.0%</b>
<b>Important Financial Indicator</b>						
Average collection turnover	112		112		103	
Average inventory turnover	58		62		56	
Current ratio (Times)	1.1		1.0		1.0	
Asset productivity(Times)	1.1		0.9		1.0	

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

# Consolidated Cash Flow Statement

(TWD 100M)	3Q19	2Q19	3Q18
<b>Cash at beginning of period</b>	<b>11.97</b>	<b>13.03</b>	<b>14.05</b>
Cash Flow from Operating	4.75	2.03	3.10
Capital Expenditure	(2.10)	(2.70)	(4.46)
Cash Dividends Paid			
Cash Flow from Financing	(1.82)	(0.68)	(1.72)
Investment & Other	0.23	0.28	0.00
<b>Cash at end of period</b>	<b>13.02</b>	<b>11.97</b>	<b>10.97</b>
Free Cash Flow	2.64	(0.67)	(1.36)

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

# Summary of Year 2019 Q3

---

- The revenue of Q3 was 3.873 billion, increased by 19.8% compared with the previous quarter and 8.3% compared with the same period last year. The annual cumulative revenue was 6.4% higher than the same period last year. Reasons for the growth of revenue are: the market recovered, the demand for high-end process products increased and the production capacity was in short supply.
- Gross profit margin was 15.2%, it's 4.7% up from the previous quarter and 4.1% up from the same period of last year. The annual accumulation was 3.6% higher than the same period of last year. The main reason for the increase in gross profit margin is: the proportion of HDI increased from 11% to 16%. The main new products are:
  - Automotive HDI board are in mass production, mainly used in automotive cameras, high-frequency radar, multimedia systems and communications. (accounted for 1/3 of HDI)
  - Storage HDI board, mainly used in high-end SSD of data center. (accounted for 1/3 of HDI)
  - LCD HDI board, mainly used in notebooks. (accounted for 1/5 of HDI)
- The net profit of this term is 121 million dollars, and the annual cumulative net profit is 95 million.

# Prospect of Year 2019 Q4

---

- Q4 revenue is expected to be flat compared with the same period last year.
- Q4 gross margin is positive as the demand for high-end process HDI will last to the end of the year.
- Q4 HDI will continue to grow in the applications to automotive, storage, LCD, and automotive will have higher growth due to the nature of demand. Other than these three types of products, the other products will decrease.

# Product Roadmap of Year 2020

---

## 1. The direction of automotive board development

- Mainly focus on the products of high frequency (automobile radar, car network), HDI (camera, car multimedia), thick copper (new energy car), Semi-Flex board (control unit, replacement of traditional connectors), etc.

## 2. The planning for Internet Communication

- Continue to develop 5G related internet communication products, such as small cell, antenna modules, switches/routers, etc.

# Introduction of Huangshi Plant

Information Intelligence  
Big Data

Equipment Automation





Pre-production  
preparation time

Reduced

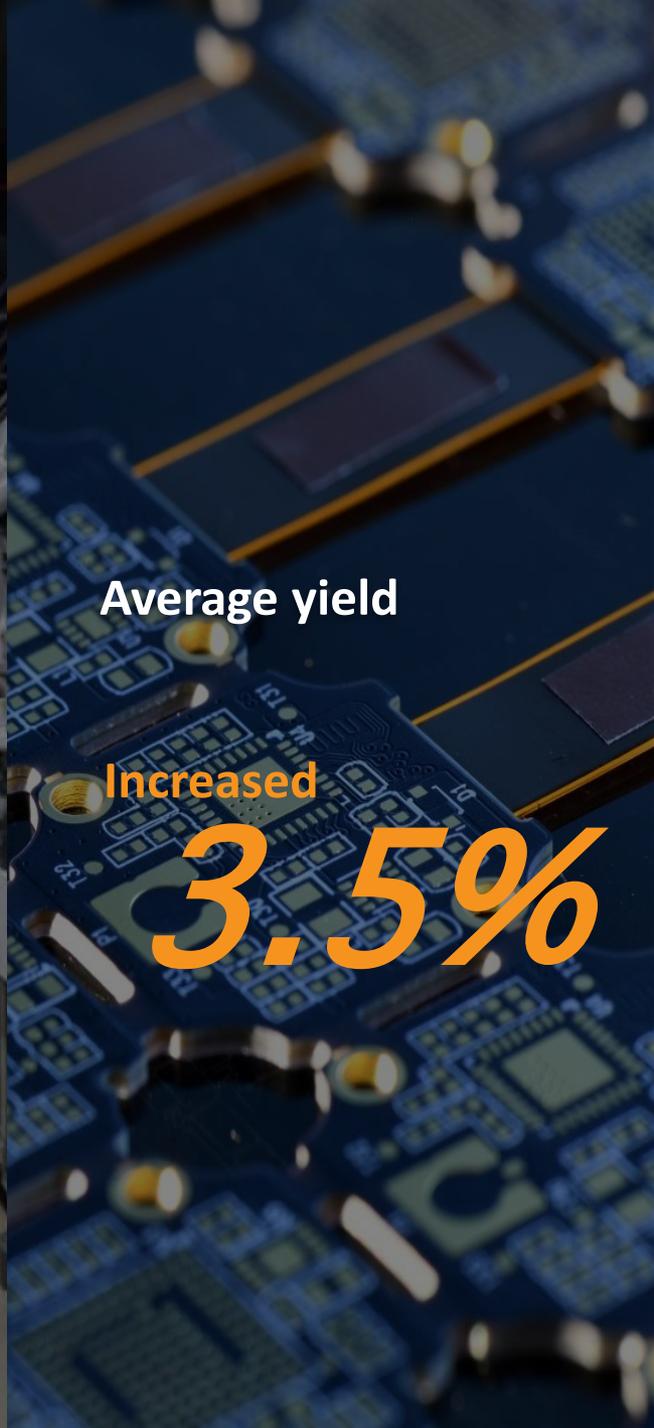
61%



Equipment  
abnormality  
exclusion time

Reduced

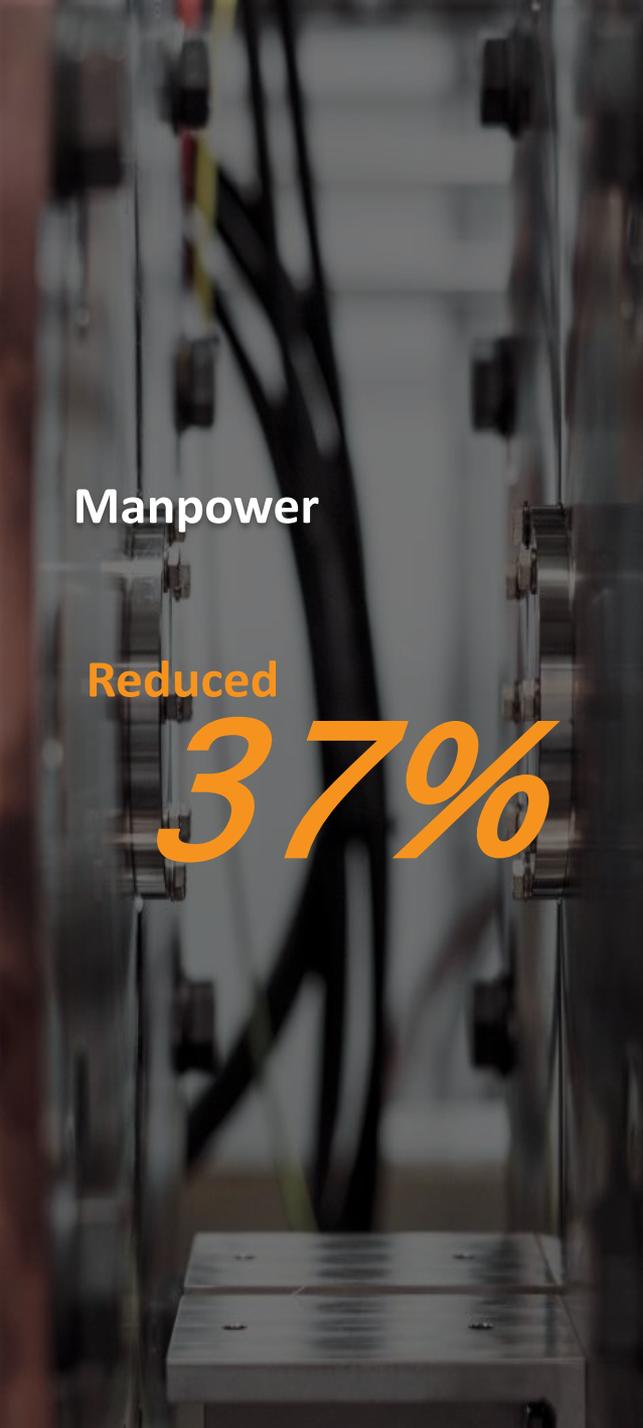
66%



Average yield

Increased

3.5%



Manpower

Reduced

**37%**



Productivity

Increase

**48%**



Output value per capita

**117** K USD

# Latest Significant Events

---

1. 10/18 The board of directors resolved to sell the Taoyuan factory and it was sold to Tungwei Construction for 735 million dollars. The sales and purchase agreement was signed on the same day. The profit on disposal is estimated at about NT\$300 million. The actual recognized profit is based on the data of audits by certified accountant.
2. The Group President Mr. Yong-Nian Chiu passed away on Sep. 28. On Oct. 25<sup>th</sup>, the board of directors passed:
  - The Chairman Mr. Ken Huang holds a concurrent post as the President of the Company.
  - The Vice President Mr. Stephen Tsai takes over the President post of Kunshan Plant.

# Award of Affirmation – Won “2019 TCSA”

---

**11/2 Dynamic won the "2019 TCSA Taiwan Corporate Sustainability Award"**

- **Taiwan Sustainability Corporate Excellent Performance Award**
- **Corporate Sustainability Report Category 1 - Gold Award**

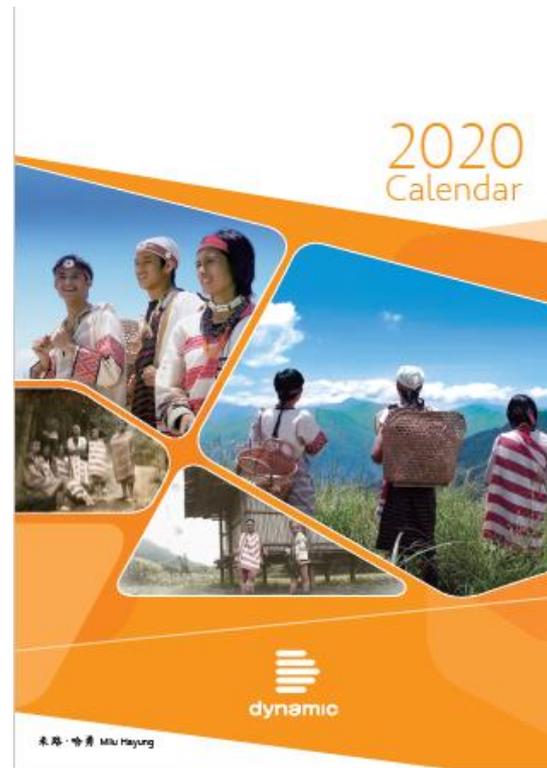
The report that discloses corporate governance, social inclusion and environmental sustainability, it is informative and linked to SDGs (Global Sustainability Goals). All the award-winning companies are transparent, and deeply trusted by stakeholders and employees. It is the most important cornerstone for the sustainable development of enterprises.

# Social Care – Education

It is the fourth consecutive year that Dynamic Electronics has provided the stage for the children of Jieshou Junior High School to give full play to their talents.

In the first three years, the children's creativity through their unique and sharp observation of color, line and composition was discovered, Dynamic Electronics collected the paintings made by the children from Teacher Mi Lu's Atayal art class, and turned these paintings into an exquisite desk calendar. Not only did the children feel the climax of being affirmed, but also made the parents in the tribe proud, and the name of the "Jieshou Junior High School" has been glorified. The huge added value created is exciting and surprising.

This year, the new curriculum of literacy orientation for Grade 7 is starting to be carried out, the theme is "my tribal life", the teacher instructed the child to use photography to "record" the daily life, to "discover" the beauty of life, to "preserve" tribe tradition and culture, so the children began to use mobile phones to "see Fuxing". Dynamic will select the excellent photographic works and print them on the 2020 desk calendar, and hope to bring the recipients a whole year of pleasure.



Hsi-ko Suspension Bridge



Chicken Raising Customs

# Thank You!

2019 © Dynamic Electronics Co., Ltd. All Rights Reserved.