Y2018 1H Financial Results

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President, General Management
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This presentation contains forward-looking statements and is subject to risks and uncertainties. Actual results may differ materially from those contained in the forward-looking statements.

The projections should not be interpreted as legally binding commitments, but rather as flexible information subject to change occasionally.
## Y18 1H Financial Results

<table>
<thead>
<tr>
<th>NT$M</th>
<th>Y2017</th>
<th></th>
<th></th>
<th>Y2018</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q</td>
<td>2Q</td>
<td>1H</td>
<td>1Q</td>
<td>2Q</td>
<td>1H</td>
<td>QoQ</td>
</tr>
<tr>
<td>Net Sales</td>
<td>10,006</td>
<td>11,406</td>
<td>21,412</td>
<td>11,355</td>
<td>12,645</td>
<td>24,001</td>
<td>11%</td>
</tr>
<tr>
<td>YoY%</td>
<td>-1%</td>
<td>6%</td>
<td>3%</td>
<td>13%</td>
<td>11%</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Gross Margin%</td>
<td>40.5%</td>
<td>38.6%</td>
<td>39.5%</td>
<td>38.2%</td>
<td>37.9%</td>
<td>38.0%</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Operation Expense</td>
<td>2,548</td>
<td>2,648</td>
<td>5,196</td>
<td>2,696</td>
<td>2,851</td>
<td>5,547</td>
<td>6%</td>
</tr>
<tr>
<td>Operation Margin%</td>
<td>15.0%</td>
<td>15.4%</td>
<td>15.2%</td>
<td>14.5%</td>
<td>15.3%</td>
<td>14.9%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Non-Operation Income</td>
<td>-4</td>
<td>386</td>
<td>382</td>
<td>99</td>
<td>87</td>
<td>186</td>
<td>-12%</td>
</tr>
<tr>
<td>*Effective Tax Rate</td>
<td>19.6%</td>
<td>19.5%</td>
<td>19.5%</td>
<td>21.5%</td>
<td>21.4%</td>
<td>21.4%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>NPAT</td>
<td>1,206</td>
<td>1,723</td>
<td>2,929</td>
<td>1,368</td>
<td>1,595</td>
<td>2,963</td>
<td>17%</td>
</tr>
<tr>
<td>EPS (NT$)</td>
<td>1.73</td>
<td>2.47</td>
<td>4.20</td>
<td>1.95</td>
<td>2.28</td>
<td>4.23</td>
<td>17%</td>
</tr>
</tbody>
</table>

* Effective tax rate Increased by 3% mainly due to Taiwan CIT increased from 17% to 20% since Y2017
## Y18 1H Performance by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>USD$M</th>
<th>Y17 1H</th>
<th>Y18 1H</th>
<th>GR%</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>181.8</td>
<td>217.4</td>
<td></td>
<td>+19.6%</td>
<td>27%</td>
</tr>
<tr>
<td>Europe</td>
<td>121.0</td>
<td>152.2</td>
<td></td>
<td>+25.8%</td>
<td>19%</td>
</tr>
<tr>
<td>Greater China</td>
<td>224.8</td>
<td>265.1</td>
<td></td>
<td>+17.9%</td>
<td>33%</td>
</tr>
<tr>
<td>Asia &amp; Intercon</td>
<td>102.2</td>
<td>109.4</td>
<td></td>
<td>+7.0%</td>
<td>13%</td>
</tr>
<tr>
<td>DMS/E2E</td>
<td>33.6</td>
<td>27.1</td>
<td></td>
<td>-19.5%</td>
<td>3%</td>
</tr>
<tr>
<td>Affiliates</td>
<td>32.8</td>
<td>38.3</td>
<td></td>
<td>+16.8%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>696.2</strong></td>
<td><strong>809.3</strong></td>
<td></td>
<td><strong>+16.3%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Local Sales:** US 809.3M, +16.3%

### North America
- **ANA:** 202.1M, GR%: +22.7%
- **B+B:** 15.3M, GR%: -10.5%

### Europe
- **AEU:** 128.0M, GR%: +21.5%
- **ADLoG:** 24.2M, GR%: +54.7%

### Greater China
- **China:** 206.9M, GR%: +18.7%
- **Taiwan:** 58.2M, GR%: +15.4%

### DMS/E2E
- **DMS(NC):** 20.8M, GR%: -25.0%
- **DMS(AC):** 4.4M, GR%: +6.5%

### Asia & Intercon
- **Japan:** 19.6M, GR%: +8.5%
- **Korea:** 32.4M, GR%: +6.0%
- **AAU/NZ:** 5.7M, GR%: +15.0%
- **ASEAN:** 15.0M, GR%: +6.4%
- **India:** 6.5M, GR%: +32.9%
- **Russia:** 6.9M, GR%: -31.1%
- **ME&A:** 15.5M, GR%: +36.0%
- **LATAM:** 7.5M, GR%: -2.2%

### Affiliates
- **Advanixs:** 8.4M, GR%: +6.1%
- **ALNC:** 11.6M, GR%: +32.9%
- **A-Cermate:** 6.6M, GR%: +31.9%
- **A-Kostec:** 2.0M, GR%: -4.8%

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Y18 H1 Performance by SBG

**Networks & Communications**
- Telecom & Mission Critical Systems
- Enterprise Network Platforms
- Network & Embedded Switches
- Video Broadcasting Solutions

**Applied Computing**
- Industrial Mobile Computing
- Applied Computing DMS
- Allied-DMS/China
- Allied-DMS+DTOS/Europe

**Embedded Core & IoT Modules**
- Computing on Modules
- Single Board Computers
- Industrial Motherboards
- Embedded Box Computers
- M2I/Connected Appliances
- Industrial Display Solutions
- Industrial Flash Storage (SQFlash)
- WISE-POE & Cloud Storage
- ARM-based Computing
- Modular Board Design Services
- Gaming Solutions

**Service-IoT**
- Medical Computing
- Intelligent Hospital Solutions
- Intelligent Retail
- iRetail Platform
- iLogistics & Fleet Management Solutions
- Digital Signage Solutions

**Intelligent Systems**
- Industrial Computers
- Industrial Servers & Storage
- Industrial Video Solutions
- Transportation Solutions
- Network Edge Solutions
- Industrial Switches +11%, 99%
- Industrial Wireless Devices
- Industrial Cellular Routers

**Embedded-IoT + Allied DMS (Design-in)**

**US 343.2M, 42%, +9.3%**

**US 217.7M**
- 27%, +16.8%

**US 51.4M**
- 6%, +0.05%

**% of Sales, YoY Growth**
- Industrial Automation
  - +21%, 106%
  - Industrial I/O & Controllers
  - Automation Computing & HMI
  - Motion Controls & Machine Vision
  - Remote IoT Devices (WISE)
  - WebAccess+ Software
  - iFactory (Industry 4.0) Solutions
  - Machine Automation Solutions
  - Energy & Environment Solutions

**US 74.0M**
- 9%, -2.7%

**Intelligent Healthcare**
- Medical Computing
- Intelligent Hospital Solutions
- Intelligent Retail
- iRetail Platform
- iLogistics & Fleet Management Solutions
- Digital Signage Solutions

**Intelligent Logistics**
- In-Vehicle Computing
- iLogistics & Fleet Management Solutions

**Intelligent Retail**
- iRetail Platform
- iLogistics & Fleet Management Solutions
- Digital Signage Solutions

**Intelligent Transportation**
- Network Edge Solutions
- Industrial Switches +11%, 99%
- Industrial Wireless Devices
- Industrial Cellular Routers

**Intelligent Retail**
- iRetail Platform
- iLogistics & Fleet Management Solutions
- Digital Signage Solutions

**Intelligent Transportation**
- Network Edge Solutions
- Industrial Switches +11%, 99%
- Industrial Wireless Devices
- Industrial Cellular Routers

**US 287.0M**
- 35%, +21.4%

**Service-IoT**
- Medical Computing
- Intelligent Hospital Solutions
- Intelligent Retail
- iRetail Platform
- iLogistics & Fleet Management Solutions
- Digital Signage Solutions

**Local Sales: US 809.3M, +16.3%**

**APS & AGS**
- US 106.2M
- 13%, +22.2%

**US 217.7M**
- 27%, +16.8%

**US 51.4M**
- 6%, +0.05%

**US 512.8M, 53%, +19.8%**

**Enabling an Intelligent Planet**
## Y18H1 Performance By SBG

<table>
<thead>
<tr>
<th>1H18</th>
<th>US$ mn</th>
<th>Revenues</th>
<th>YoY</th>
<th>Gross Margin Range</th>
<th>Operating Profit</th>
<th>OP Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial IOT</strong></td>
<td>287</td>
<td>21%</td>
<td>45~50%</td>
<td>65</td>
<td>22.7%</td>
<td></td>
</tr>
<tr>
<td><strong>Embedded IOT</strong></td>
<td>218</td>
<td>17%</td>
<td>33~38%</td>
<td>35</td>
<td>16.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Allied DMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACG</td>
<td>51</td>
<td>0%</td>
<td>30~35%</td>
<td>7</td>
<td>13.6%</td>
<td></td>
</tr>
<tr>
<td>NCG</td>
<td>74</td>
<td>-3%</td>
<td>35~40%</td>
<td>11</td>
<td>14.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Service IOT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGS &amp; APS</td>
<td>106</td>
<td>22%</td>
<td>15~20%</td>
<td>12</td>
<td>11.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Other unallocated expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>809</td>
<td>16%</td>
<td></td>
<td></td>
<td>121</td>
<td>14.9%</td>
</tr>
</tbody>
</table>

- IIoT grew 21%, GP range to be between 45~50%, EIoT grew 17%, low to the medium GP product line had a higher growth rate
- NCG/ACG gross margin declined due to biz competition and key component cost up
- AGS/APS product line include CPU, Memory, Flash, mainly sell out through Advantech system product
### Y18 1H Working Capital

<table>
<thead>
<tr>
<th>NT$M</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full</td>
<td>Q1 End</td>
<td>Q2 End</td>
</tr>
<tr>
<td>Cash Position</td>
<td>7,237</td>
<td>6,678</td>
<td>8,315</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>7,378</td>
<td>6,719</td>
<td>7,730</td>
</tr>
<tr>
<td><strong>DSO (Days)</strong></td>
<td>63</td>
<td>58</td>
<td>65</td>
</tr>
<tr>
<td>Inventory</td>
<td>5,597</td>
<td>5,799</td>
<td>5,969</td>
</tr>
<tr>
<td><strong>DOH (Days)</strong></td>
<td>78</td>
<td>88</td>
<td>77</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>4,983</td>
<td>3,605</td>
<td>4,198</td>
</tr>
<tr>
<td><strong>Days</strong></td>
<td>69</td>
<td>54</td>
<td>54</td>
</tr>
</tbody>
</table>

- Inventory DOH slightly higher than last year mainly due to aggressive purchasing actions to cover material shortage & long lead time.