

Advantech 1Q21 Result Earnings Call

May 2021



Safe Harbor Notice

- 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.

1Q21 Financial Result

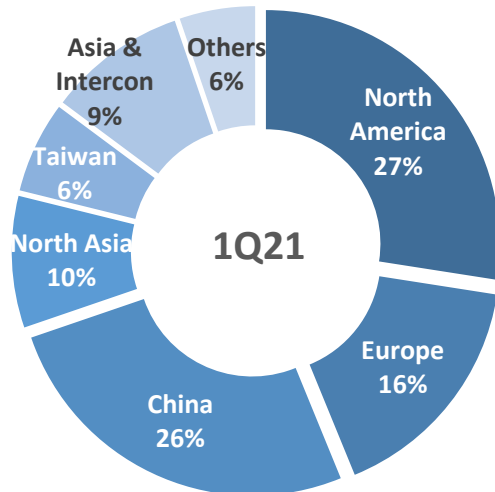
NT\$ mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Net Sales	12,301	13,976	14,382	13,486	11,272	14,018	13,050	12,779	13,161
QoQ%	-1%	14%	3%	-6%	-16%	24%	-7%	-2%	3%
YoY%	8%	11%	16%	9%	-8%	0%	-9%	-5%	17%
Gross Profit	4,724	5,410	5,697	5,268	4,395	5,766	5,192	5,043	5,209
Gross Margins%	38.4%	38.7%	39.6%	39.1%	39.0%	41.1%	39.8%	39.5%	39.6%
Operating Expense	2,872	3,079	3,070	2,845	2,742	2,925	2,928	2,765	2,922
Operating Profit	1,852	2,331	2,627	2,423	1,654	2,841	2,264	2,278	2,287
Operating Margin%	15.1%	16.7%	18.3%	17.9%	14.7%	20.3%	17.4%	17.8%	17.4%
No-operating Income	196	89	86	-297	-33	118	202	-195	130
Pretax Profit	2,048	2,420	2,713	2,126	1,621	2,959	2,466	2,083	2,417
Tax Expenses	432	513	561	409	340	621	511	353	488
Effective Tax Rate	21.1%	21.2%	20.7%	19.4%	21.0%	21.0%	20.7%	16.9%	20.2%
Net Income	1,613	1,892	2,136	1,700	1,295	2,308	1,941	1,704	1,913
YoY%	18%	19%	25%	4%	-20%	22%	-9%	0%	48%
EPS (NT\$)	2.10	2.46	2.78	2.21	1.68	2.99	2.52	2.21	2.48

- Effective Tax rate was 20.2% in 1Q21

- In non-operating side, Advantech booked NT\$72mn fixed asset disposal gain in 1Q21 (one-time gain).

1Q21 Sales By Region

USD\$m	1Q21	1Q20	YoY %	Rev %
North America	126	113	11%	27%
Europe	75	70	8%	16%
China	119	68	76%	26%
North Asia	47	42	13%	10%
Taiwan	29	30	-2%	6%
Asia & InterCon	44	32	36%	9%
Others	24	20	19%	6%
Total	464	374	24%	100%



USD\$m	North Asia	GR%
AJP	9.7	+16.5%
ATJ	15.9	-12.0%
AKR	21.5	+39.7%

USD\$m	Asia & InterCon	GR%
AAU/NZ	3.8	+17.2%
ASEAN	10.6	+22.3%
India	4.2	+24.7%
Russia	3.1	+21.2%
LATAM	3.5	+22.2%
ME&A	18.4	+62.0%

1Q21 Performance By SBG

US\$ mn		Revenue	YoY	Rev. %	Gross Margin	Operating Profit	OP Margin
Industrial IOT		171	54%	37%	45~50%	53	31.3%
Embedded IOT		106	7%	23%	35~40%	22	20.6%
Allied DMS	Applied Computing	44	-14%	10%	30~35%	0	0.5%
	Cloud IOT	48	37%	10%	35~40%	5	10.1%
Service IOT		38	18%	8%	40~45%	3	8.5%
AGS & APS		57	37%	12%	35~40%	8	13.8%
Other unallocated expenses						-10	
Total		464	24%	100%		81	17.4%

- 1Q21 Operating Margin increased driven by 1) Economic scale (Rev. +17% YoY); 2) Product-mix improvement
- IIoT YoY + 53% mainly contributed by new infrastructure demand and semiconductor IEM smart equipment upgrades
- ACG YoY -14% mainly due to major projects ended and ATJ underperformed

Working Capital and Balance Sheet

NT\$ mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Cash Cycle									
Inventory	8,179	8,446	8,089	7,783	9,093	9,695	8,523	7,814	8,846
Account receivable	8,683	9,209	9,526	8,832	8,012	9,617	8,734	8,781	8,978
Account payable	5,756	6,519	4,981	4,799	5,291	5,455	3,737	4,326	5,731
IN turnover	93	87	86	87	110	102	104	95	94
AR turnover	62	58	59	61	67	57	63	62	61
AP turnover	69	64	60	54	66	59	53	47	57
CCC	87	80	85	95	112	100	115	110	98
BS									
Cash & Cash Equivalents	9,304	11,446	7,103	10,061	11,013	12,161	9,792	13,132	14,508
Cash	7,076	6,641	5,559	6,004	4,966	6,064	6,380	7,497	7,786
Marketable Sec. & S/T									
Investment	2,229	4,805	1,544	4,057	6,047	6,096	3,412	5,635	6,722
Total asset	46,864	49,654	45,391	47,216	49,007	52,444	47,775	50,199	53,576
ST debt	633	524	502	458	493	484	514	405	429
LT debt	439	387	334	278	290	198	143	88	241
Total equity	31,642	28,994	30,971	32,731	28,640	30,904	33,036	35,046	31,896
Capex	(189)	(214)	(229)	(329)	(213)	(346)	(231)	170	(236)
D&A	275	255	289	167	265	219	254	231	252
Total Investment CF	(814)	(176)	(342)	(475)	(730)	250	(885)	556	(396)

- Advantech generating \$7.8bn NTD in 1Q21 for Cash level, which set a new company record, indicating sufficient working capital
- The Cash-Conversion Cycle (CCC) back to normal level (<100 days) in 1Q21

2Q21 Guidance

Based on the exchange rate assumption of US\$1 to NT\$28.3, managements expect the 2Q21 guidance as below

Items	2Q21 Estimation
Consolidated Revenue	US\$ 480M ~ 500M
Gross Margin	37.0% ~ 39.0%
Operating Margin	16.5% ~ 18.5%

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