Advantech

2Q 2021 Results Analyst Meeting

4th August, 2021

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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.
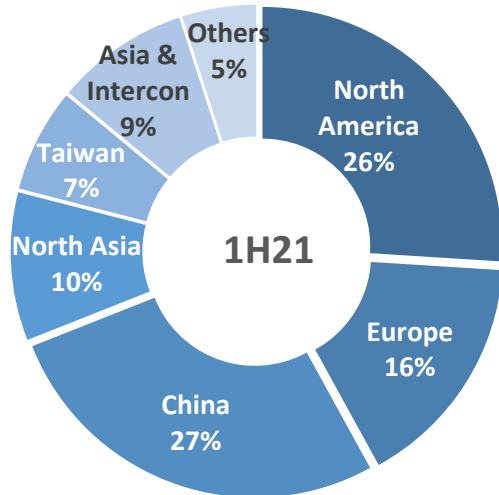
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2Q21 & 1H21 Financial Results

NT$ mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	1H21	YoY
Net Sales	**12,301**	**13,976**	**14,382**	**13,486**	**11,272**	**14,018**	**13,050**	**12,779**	**13,161**	**14,210**	**27,371**	**8%**
QoQ%	-1%	14%	3%	-6%	-16%	24%	-7%	-2%	3%	8%		
YoY%	8%	11%	16%	9%	-8%	0%	-9%	-5%	17%	1%		
Gross Profit	**4,724**	**5,410**	**5,697**	**5,268**	**4,395**	**5,766**	**5,192**	**5,043**	**5,209**	**5,217**	**10,426**	**3%**
Gross Margins%	38.4%	38.7%	39.6%	39.1%	39.0%	41.1%	39.8%	39.5%	39.6%	36.7%	38.1%	
Operating Expense	2,872	3,079	3,070	2,845	2,742	2,925	2,928	2,765	2,922	3,020	5,942	5%
Operating Profit	1,852	2,331	2,627	2,423	1,654	2,841	2,264	2,278	2,287	2,197	4,484	0%
Operating Margin%	**15.1%**	**16.7%**	**18.3%**	**17.9%**	**14.7%**	**20.3%**	**17.4%**	**17.8%**	**17.4%**	**15.5%**	**16.4%**	
No-operating Income	196	89	86	-297	-33	118	202	-195	130	80	210	147%
Pretax Profit	2,048	2,420	2,713	2,126	1,621	2,959	2,466	2,083	2,417	2,277	4,694	2%
Tax Expenses	432	513	561	409	340	621	511	353	488	462	950	-1%
Effective Tax Rate	**21.1%**	**21.2%**	**20.7%**	**19.4%**	**21.0%**	**21.0%**	**20.7%**	**16.9%**	**20.2%**	**20.3%**	**20.2%**	
Net Income	1,613	1,892	2,136	1,700	1,295	2,308	1,941	1,704	1,913	1,790	3,703	3%
YoY%	18%	19%	25%	4%	-20%	22%	-9%	0%	48%	-22%		
EPS (NT$)	**2.10**	**2.46**	**2.78**	**2.21**	**1.68**	**2.99**	**2.52**	**2.21**	**2.48**	**2.31**	**4.79**	**2%**

■ Gross profit was eroded due to 1) Component cost-up impact ; 2) Time gap between cost inflation and ASP hike

■ Effective Tax rate was 20.2% in 1H21

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1H21 Sales By Region

USD$mn	1H21	1H20	YoY %	Rev %
North America	250	242	4%	26%
Europe	154	141	9%	16%
China	265	194	37%	27%
North Asia	94	89	6%	10%
Taiwan	63	58	9%	7%
Asia & InterCon	90	67	35%	9%
Others	53	48	9%	5%
Total	970	839	16%	100%

North Asia

USD$mn			
AJP:	$20.1M	GR%:	+8%
ATJ:	$31.5M	GR%:	-11%
AKR :	$42.3M	GR%:	+21%

Asia & InterCon

USD$mn			
AAU/NZ	$8.5M	GR%:	+9%
ASEAN	$22.8M	GR%:	+19%
India	$7.0M	GR%:	+39%
Russia	$6.5M	GR%:	+2%
LATAM	$7.4M	GR%:	-22%
ME&A	$37.3M	GR%:	+106%

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1H21 Performance By SBG

1H 2021 US$ mn		Revenue	YoY	Rev. %	Gross Margin	Operating Profit	OP Margin
Industrial IOT		351	34%	36%	45~50%	112	32.1%
Embedded IOT		226	7%	23%	35~40%	41	18.2%
Allied DMS	Applied Computing	97	-11%	10%	25~30%	10	10.2%
	Cloud IOT	93	-2%	10%	35~40%	8	8.9%
Service IOT		81	23%	8%	40~45%	5	6.2%
AGS & APS		122	26%	13%	25~30%	17	14.0%
Other unallocated expenses						-34	
Total		970	16%	100%		159	16.4%

- **IIoT** YoY+34% contributed by new infrastructure demand from China and semiconductor IEM smart equipment upgrades

- **SIoT** YoY+23% driven by iHealthcare projects contribution and iCity's progress in NA/Greater China market

- **ACG** YoY -11% mainly due to major projects ended and ATJ underperformed

- **CIoT** included VSMD (Video Solution Division) YoY -2%

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Working Capital and Balance Sheet

NT$ mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Cash Cycle										
Inventory	8,179	8,446	8,089	7,783	9,093	9,695	8,523	7,814	8,846	10,713
Account receivable	8,683	9,209	9,526	8,832	8,012	9,617	8,734	8,781	8,978	10,157
Account payable	5,756	6,519	4,981	4,799	5,291	5,455	3,737	4,326	5,731	7,782
IN turnover	93	87	86	87	110	102	104	95	94	98
AR turnover	62	58	59	61	67	57	63	62	61	61
AP turnover	69	64	60	54	66	59	53	47	57	68
CCC	87	80	85	95	112	100	115	110	98	91
BS										
Cash & Cash Equivalents	9,304	11,446	7,103	10,061	11,013	12,161	9,792	13,132	14,508	14,851
Cash	7,076	6,641	5,559	6,004	4,966	6,064	6,380	7,497	7,786	7,772
Marketable Sec. & S/T Investment	2,229	4,805	1,544	4,057	6,047	6,096	3,412	5,635	6,722	7,079
Total asset	46,864	49,654	45,391	47,216	49,007	52,444	47,775	50,199	53,576	57,314
ST debt	633	524	502	458	493	484	514	405	429	402
LT debt	439	387	334	278	290	198	143	88	241	166
Total equity	31,642	28,994	30,971	32,731	28,640	30,904	33,036	35,046	31,896	33,556
Capex	(189)	(214)	(229)	(329)	(213)	(346)	(231)	170	(236)	(192)
D&A	275	255	289	167	265	219	254	231	252	251
Total Investment CF	(814)	(176)	(342)	(475)	(730)	250	(885)	556	(396)	(349)

- Advantech generating $7.8bn NTD in 2Q21 for Cash level, indicating sufficient working capital

- The Cash-Conversion Cycle (CCC) maintained healthy level (<100 days) in 2Q21

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3Q21 Guidance

Based on the exchange rate assumption of **US$1 to NT$28**, managements expect the 3Q21 guidance as below

Items	3Q21 Estimation
Consolidated Revenue	**US$ 510M ~ 530M**
Gross Margin	**36.5% ~ 38.5%**
Operating Margin	**16.0% ~ 18.0%**

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