ADVANTECH

Enabling an Intelligent Planet

Advantech (TT:2395)

3Q 2026 Investor Conference Call Transcript (Summary)

-Hosted by Daiwa Cathay Capital Markets.

Date: November 4th, 2026 | Time: 15:30 Taipei Time

3Q26 Key Financial Results

3Q26 Revenue	Gross Margin	Operating Margin	EPS (NTD)
$32.440 BN *+83% YoY*	**36.7%**	**20.9%**	**$7.15**

CALL PARTICIPANTS

Corporate Executives

- **Eric Chen**– *CFO & President of General Management*
- **Miller Chang**– *President of Embedded Sector*
- **Grace Liao** – *Deputy Spokesperson and Sr. IR Manager*

SAFE HARBOR STATEMENT & FORWARD-LOOKING DISCLAIMER

This transcript has been prepared based on the audio recording of the conference call and has been edited for clarity and readability, including the removal of repetitive wording and conversational fillers. While reasonable efforts have been made to ensure its accuracy, the transcript may contain transcription errors or omissions. In the event of any discrepancy, the original audio recording and the Company's official filings and disclosures shall prevail. This transcript is provided for reference only and does not constitute investment advice or an offer or solicitation to buy or sell any securities.

MANAGEMENT PRESENTATION

Grace Liao – *Deputy Spokesperson and Sr. IR Manager*

Advantech's revenue and profit both reached record highs in the third quarter of 2026. Third-quarter revenue amounted to NT$32.44 billion, representing an increase of 83% year-over-year and 24% quarter-over-quarter. Gross profit was NT$11.90 billion, with a gross margin of 36.7%, mainly due to higher key component costs. Operating profit reached NT$6.80 billion, with an operating margin of 20.9%. Non-operating net income amounted to NT$1.11 billion, mainly supported by dividend income and a one-time gain from the disposal of an office building in Japan. The effective tax rate for the third quarter was 21.5%. Net income after tax reached NT$6.22 billion, up 125% year-over-year, with quarterly EPS of NT$7.15.

ADVANTECH
Enabling an Intelligent Planet

For the first three quarters of 2026, cumulative revenue reached NT$78.95 billion, up 49% year-over-year. Gross profit amounted to NT$29.72 billion, with a gross margin of 37.6%, down 2.2 percentage points year-over-year. Operating profit reached NT$15.65 billion, with an operating margin of 19.8%, representing a 79% year-over-year increase. Net income after tax for the first three quarters reached NT$14.07 billion, up 88% year-over-year, with cumulative EPS of NT$16.21.

In U.S. dollar terms, first three quarters revenue amounted to US$2.49 billion, up 46% year-over-year, with all regional markets delivering double-digit growth. North America, Europe, and China collectively continued to contribute approximately 70% of total revenue. North America grew 58% year-over-year, driven by semiconductor equipment, robotics, and cloud infrastructure projects. Europe increased 36%, supported mainly by factory automation and medical equipment projects. China grew 55% on strong channel sales and demand from semiconductor equipment, automation, and smart energy applications. Taiwan increased 72% YoY, primarily driven by semiconductor equipment, automation, and transportation projects. North Asia and emerging markets also achieved year-over-year growth of 43% and 37%, respectively.

By business sector, IoT Automation grew by 25%, driven by factory automation projects across North America, China, and Taiwan, together with transportation applications. Intelligent Systems grew by 49%, mainly benefiting from semiconductor equipment, cloud infrastructure, robotics, and AI-related projects. Embedded Sector grew by 40%, supported by medical equipment in North America, Europe, China, the Middle East, and Africa, as well as machine automation and mission-critical applications. Intelligent Service grew by 7%, driven by strong growth in healthcare projects, partially offset by declines in retail and hospitality.

Regarding the balance sheet, cash and cash equivalents accounted for 18% of the total assets, slightly lower than the previous quarter due to cash dividend payments in 3Q26. Inventories accounted for 23% of total assets, broadly unchanged quarter-over-quarter. Inventory turnover improved to 95 days, while the cash conversion cycle stood at 86 days. Both remained within a comfortable range, reflecting healthy and stable financial structure and capital efficiency level.

Eric Chen– *CFO & President of General Management*

Third-quarter revenue surpassed the US$1 billion milestone for the first time, establishing a new quarterly record. Gross margin declined by approximately 1.00 percentage point from the second quarter to 36.67%, primarily because the cost of SSDs, DDR4 memory, and other key components increased substantially. Although Advantech passed the additional costs on to customers, price transparency and lower permitted markups on these components prevented the Company from maintaining its historical margin percentage. Nevertheless, the third-quarter operating margin reached 20.95%, reflecting higher sales volumes and disciplined operating expense control. For the first three quarters, the operating expense ratio declined to 17.82%, an improvement of approximately 5.43 percentage points year-over-year.

The United States, China, and Taiwan remained particularly strong, posting year-over-year revenue growth of 58%, 55%, and 72%, respectively. In the United States, demand from semiconductor and medical equipment applications supported a regional B/B ratio of 2.12. China benefited from semiconductor equipment, factory automation, and healthcare-related applications, while Taiwan was driven primarily by semiconductor equipment. Japan and Korea grew broadly in line with the corporate average. Within the product portfolio, high growth was seen in intelligent systems and embedded computing, with demand tied to semiconductor equipment, video-related applications, and medical equipment. Advantech's service-related business also benefited from demand for memory and storage-related products.

The consolidated book-to-bill (B/B) ratio stood at 1.64 in the third quarter. North America and Europe recorded ratios of 2.12 and 1.52, while China reached 1.50 according to the Company's official earnings release. Order bookings increased for five consecutive quarters beginning in 3Q25, while shipments rose for four consecutive quarters beginning in 4Q25, indicating that order and shipment momentum remained positive. Strong demand from semiconductor equipment applications continued to support forward order visibility.

For 4Q26, management provided revenue guidance of US$970 million–US$990 million, based on an assumed exchange rate of NT$31.80 per U.S. dollar. Gross margin was projected at 36.0%–38.0% and operating margin at 18.0%–20.0%.

QUESTION & ANSWER SESSION

The Q&A topics for this meeting were compiled based on key issues raised through the Company's ongoing engagement and dialogue with the investment community, including but not limited to Daiwa.

Financial, BB Ratio & Outlook

[1.1] How should we think of near-term demand? Can we have more color on B/B ratio in 3Q26 and October? Any update on the latest design-in and design win numbers?

[1.2] How should think of price trend going forward toward to current cost inflation trend and how it would impact gross margin trend in 4Q26 and beyond?

[1.3] Given concerns that cost inflation may be driving order pull-ins, could you provide more color on the current order backlog and the extent of any pull-forward demand?

[1.4] With Edge AI contribution expected to rise in 2H26 and 2027, how will this impact ASPs (excluding cost inflation) and gross margins? Will a higher Edge AI sales mix be margin-accretive or dilutive?

Eric Chen– *CFO & President of General Management*

The overall B/B ratio reached 1.64 in 3Q26 and 1.60 in October, supported by strong semiconductor equipment demand, particularly in the North America, China, and Taiwan. The semiconductor sector recorded a B/B ratio of 2.62, while medical equipment (in North America and Europe) and industrial automation (in China) also showed positive order momentum. Advantech secured 161 design wins in the United States, with expected annual revenue (EAR) of approximately US$687 million, up 262% year-over-year.

The rising component costs continued to pressure gross margins, with CPU prices increasing by 10%–20% ,PCB prices by 15%–20%, and Memory remained. Although Advantech has adjusted selling prices to reflect higher costs, the lower markups on key components have diluted overall gross margin. Expecting 4Q26 gross margin to remain at 36%–38% similar to 3Q26. However, as the key component price and allocation become more stable, we have a better chance to optimize our gross margin performance which is to return our GP% toward 40% in a long-term objective.

Advantech's order backlog reached approximately US$2.50 billion covering deliveries through 2027. The customers have been placing orders earlier to secure component supply amid extended lead times, rather than requesting earlier shipments. As Advantech's products generally require further integration into customers' systems, management does not view the current backlog as primarily driven by pull-forward demand. Overall, the demand, supply, order postpone, and cancellation trend are closely monitored internally. The indicators are under the right track.

Speaking of the Edge AI products, particularly high-end edge servers, can significantly lift overall ASPs. However, margins vary by application and product mix. Specialized medical and industrial AI solutions generally offer higher margins, while high-end edge servers carry a larger share of costly peripheral components, resulting in relatively lower margins.

Key Components & Supply Condition

[2.1] Could you provide an update on the current component shortages, particularly memory, chips , and PCBs?

[2.2] How much of 9M26 revenue growth was driven by volume versus price increases?

Eric Chen– *CFO & President of General Management*

Component supply conditions remain challenging, although the situation varies by product category. Mainstream memory supply has gradually stabilized, while certain SKUs remain constrained due to strong AI and data center demand. Some CPUs and chipsets, particularly those used in legacy and embedded platforms, continue to face allocation restrictions and extended lead times. PCB shortages are mainly concentrated in certain upstream materials, particularly copper-clad laminate (CCL).

Advantech is addressing these challenges through earlier procurement, strategic supplier partnerships, and supply chain diversification, while some constraints may persist into 2027.

For the first nine months of 2026, Advantech's revenue grew by 49.1% year-over-year, with price increases contributing 20.5 percentage points and volume growth contributing the remaining 28.6 percentage points.

Regional & Sector performances

[3.1] How should we expect growth from each region (ANA, AEU, ACN) and their respective key growth drivers into 4Q26 & 2027?

[3.2] How should we think about the demand outlook from semiconductor industry in US region? What about AI infrastructure globally?

Miller Chang– *President of Embedded Sector*

Management expects strong growth momentum to continue into 4Q26, supported by revenue performance and B/B ratios in the first nine months. In North America, key growth drivers include semiconductor equipment, AI and cloud infrastructure, medical equipment, and robotics. Europe is expected to benefit from industrial and medical equipment demand, while China is supported by industrial automation, semiconductor equipment, medical equipment, and emerging robotics applications. The Company remains positive about 2027.

The semiconductor equipment demands to remain strong into 2027, driven by continued investments in semiconductor capacity and advanced manufacturing. Advantech serves leading semiconductor equipment manufacturers across front-end wafer processing and back-end packaging and testing, with opportunities extending from North America to Asia and Europe. Meanwhile, global AI infrastructure investments are driving demand for supporting equipment, including power systems, energy management, cooling, and industrial automation. Advantech aims to capture these opportunities through its edge computing and industrial server platforms.

Edge AI progress

[4.1] How does Advantech define Edge AI revenue, and which products and solutions are included?

Eric Chen– *CFO & President of General Management &* **Miller Chang**– *President of Embedded Sector*

Advantech defines Edge AI revenue as products equipped with GPU, NPU, or TPU capabilities to support AI inference workloads. Edge AI revenue includes integrated AI computing products and standalone AI components, such as GPU cards and AI chips. For the first nine months of 2026, Edge AI revenue reached US$603 million, up 109% year-over-year, accounting for 24.5% of total revenue. Integrated products contributed approximately 95% of Edge AI revenue, while standalone components represented 5%. Key applications include medical imaging, factory automation, optical

inspection, and robotics, supported by Advantech's embedded computing platforms, industrial edge servers, and software solutions. Though the pure AI software revenue still remains relatively small.

[4.2] What new applications are enabled by higher-performance embedded boards, and how does Advantech differentiate itself from other IPC vendors beyond hardware performance? Could management share some examples?

■ **Miller Chang**– *President of Embedded Sector*

The medical imaging and factory automation as key applications requiring higher-performance embedded computing. CT and MRI systems increasingly rely on AI for image processing, noise reduction, and abnormality detection, while automatic optical inspection (AOI) requires greater computing power to process high-resolution images and detect defects in real time. Beyond hardware performance, Advantech differentiates itself through global and localized technical services, covering over 100 cities across 27 regions, a comprehensive edge computing portfolio developed with leading semiconductor partners, and software solutions such as WEDA and Integrated WISE Solutions (IWS), enabling customers to develop and deploy industrial AI applications.

Long-term Strategy

[5.1] What will be Advantech's key growth drivers over the next decade, and how significant could Edge AI and robotics become?

[5.2] Which industrial applications are driving demand for higher computing power, and how do you expect this demand to evolve?

■ **Eric Chen**– *CFO & President of General Management &* **Miller Chang**– *President of Embedded Sector*
Management identified semiconductor equipment, factory automation, and medical equipment as core long-term growth drivers, alongside emerging opportunities in Edge AI, robotics, energy infrastructure, and mission-critical applications. Advantech aims to become a leading global Edge AI platform solutions provider by 2030, expanding beyond hardware through software platforms and ecosystem partnerships. The Company established a dedicated robotics business unit approximately three years ago, with robotics revenue growing by around 200%–300% in 2026. Although its current contribution remains relatively small, management expects robotics and other AI-driven applications to become increasingly important growth drivers.

Management highlighted semiconductor manufacturing, medical imaging, industrial automatic optical inspection (AOI), and robotics as key applications driving demand for higher computing power. Advanced semiconductor processes require more precise inspection and testing, while CT and MRI systems increasingly rely on AI-powered image processing and analysis. Factory AOI applications also require faster processing of high-resolution images for real-time defect detection. Meanwhile, robotics demands greater computing capabilities for perception, decision-making, and motion

control. As these applications become more complex, management expects demand to shift toward integrated high-performance computing platforms, AI accelerators, and industrial edge servers.

Open Floor Q&A

[1] Given the record bookings and 1.6x BB ratio in 3Q, why is 4Q revenue guided down quarter-on-quarter? Is this a supply or capacity issue, or a demand issue?

■ **Eric Chen**– *CFO & President of General Management*

The base case guidance of 4Q26 is evaluated under the facts of year-end holiday season and planned downtime for global ERP system upgrade in November, which are expecting to affect the available operating days compared with 3Q26. If execution goes smoothly, we still have a good chance of exceeding 3Q26 revenue and surpassing US$1 billion again in 4Q26.

[2] Could I please ask about the Chinese competition in China? Your strategies in China - positioning, manufacturing, pricing, product strategies.

■ **Eric Chen**– *CFO & President of General Management &* **Miller Chang**– *President of Embedded Sector*

Competition in China has always been intense, particularly on pricing and costs over the past few years. We have taken several steps to strengthen our position. First, we have established a local R&D and product development team in Kunshan, with more than 200 product managers and engineers. This enables us to provide locally developed products, manufacturing and services tailored to Chinese customers. Second, customers in demanding industrial applications increasingly value product quality, long-term availability and reliable support alongside price. We have seen some customers return to Advantech for these strengths, contributing to our improving orders and revenue growth. We are also focusing on semiconductor equipment, new energy, AI and robotics, which align with China's industrial development priorities. In addition, we are planning to expand our manufacturing capacity in Kunshan and will share further details once the proposal is ready.

[3] There are currently some delays in data center construction; will this affect product pull-through for Advantech's semiconductor or data center-related segments?

■ **Eric Chen**– *CFO & President of General Management*

Most of our customers are large private-sector enterprises, so we expect policy tightening related to Edge AI infrastructure investment to have a limited impact on our business. So far, we have not seen signs of customers slowing or scaling back their investments. We will continue to closely monitor customer demand and relevant policy developments, and respond as needed.