



*Your Partner of  
Advanced Materials & Mass Lam Service*

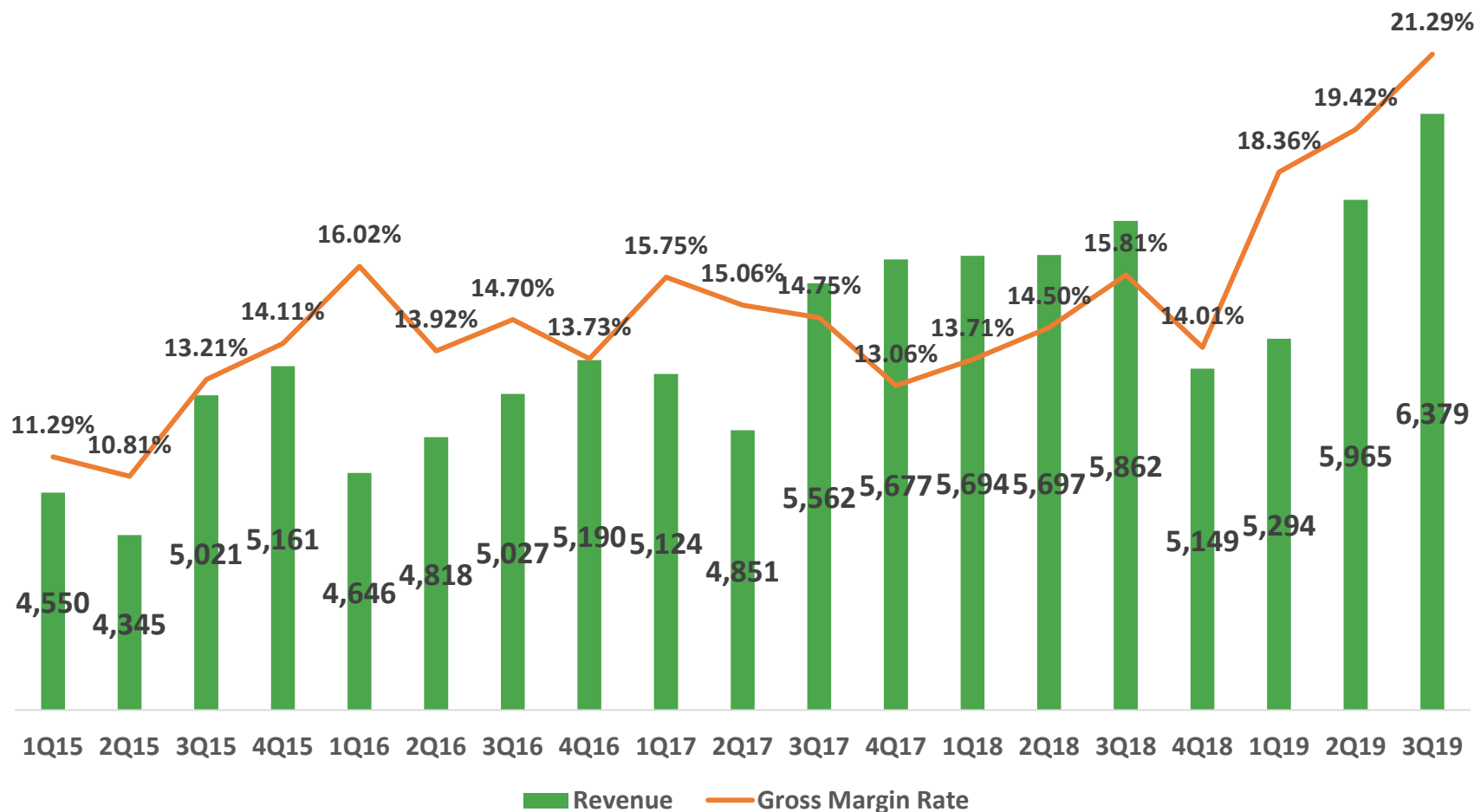
# **ITEQ Corporation**

## **2019 Third Quarter Earnings Result**

- This presentation and release contain “forward-looking statements” which may include projections of future results of operations, financial condition or business prospects based on our own information and other sources.
- Our actual results of operations, financial condition or business prospects may differ from those expressed or implied in these forward-looking statements for a variety of reasons, including but not limited to market demand, price fluctuations, competition, international economic conditions, supply chain issues, exchange rate fluctuations and other risks and factors beyond our control.
- The forward-looking statements in this release reflect the current belief of ITEQ as of the date of this release. ITEQ undertakes no obligation to update these forward-looking statements for events or circumstances that occur subsequent to such date.

# Revenue & Gross Margin Rate

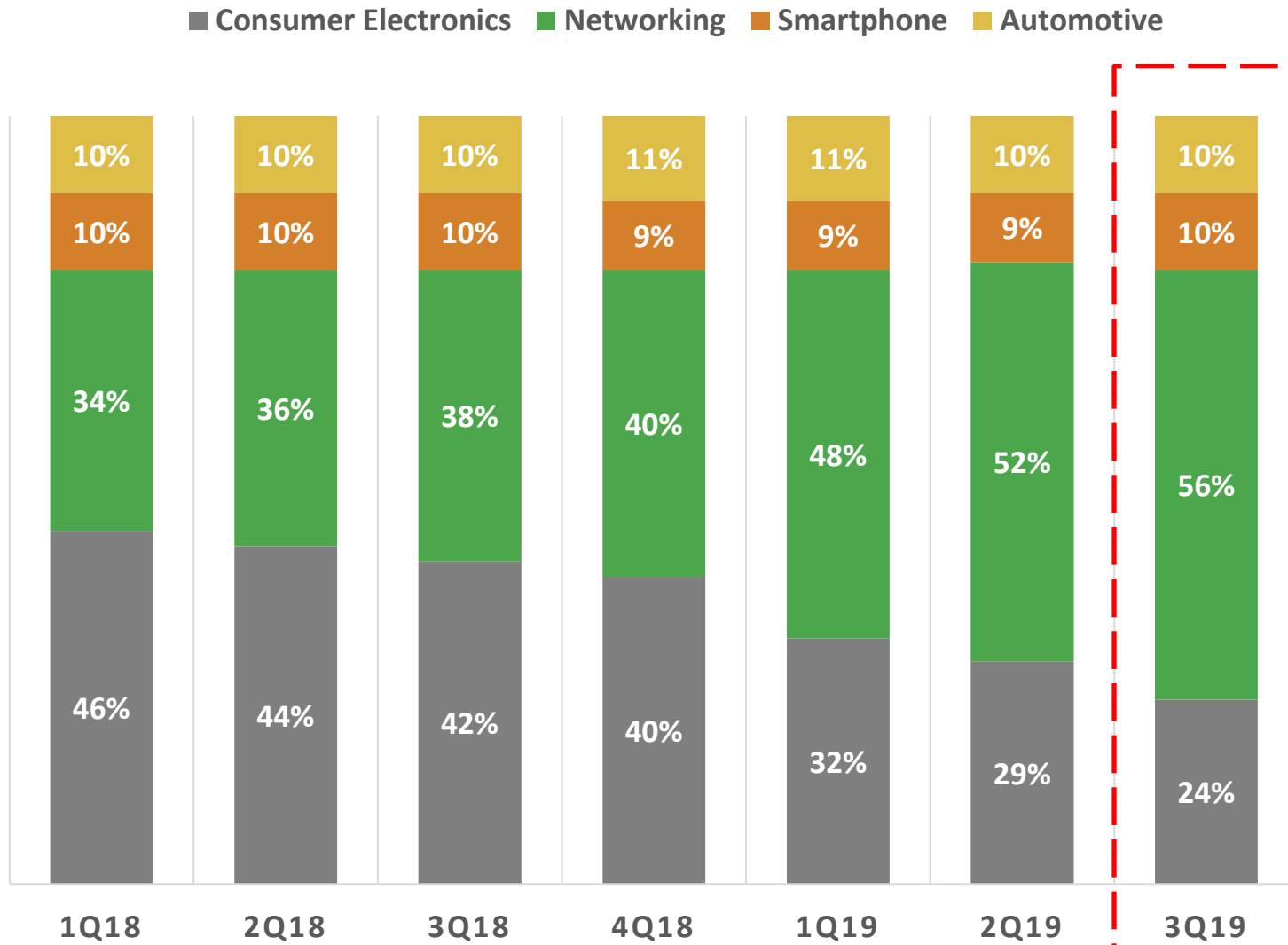
(Million NTD)



# 3Q19 Income Statement

NTD \$Million	2Q19	3Q18	3Q19	QOQ	YOY
<b>Revenue</b>	<b>5,965</b>	<b>5,862</b>	<b>6,379</b>	7%	9%
Gross Profit	1,159	927	1,358	17%	46%
Operating Expense	430	353	421	-2%	19%
<b>Operating Profit</b>	<b>729</b>	<b>575</b>	<b>938</b>	29%	63%
Non-Op Income / Loss	0	(34)	(59)		
Income before Tax	729	540	878	20%	62%
Tax Expense	152	141	163		
<b>Net Income to Parent</b>	<b>577</b>	<b>399</b>	<b>715</b>	24%	79%
<b>EPS(NT\$)</b>	<b>1.91</b>	<b>1.31</b>	<b>2.36</b>	24%	79%
<b>Key Financial Ratio (%)</b>					
Gross Margin	19.4	15.8	21.3		
Operating Expense Ratio	7.2	6.0	6.6		
Operating Margin	12.2	9.8	14.7		
Effective Tax Rate	20.8	26.2	18.5		
Net Margin	9.7	6.8	11.2		

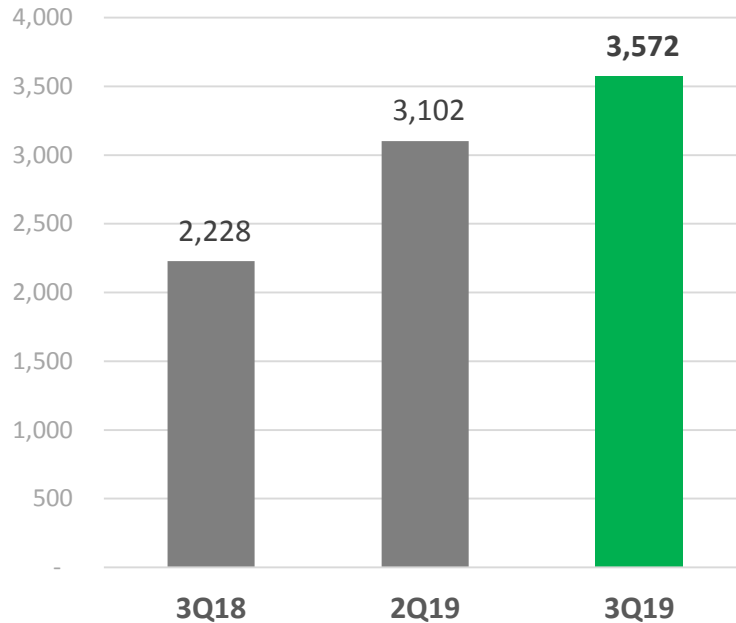
# 1Q18~3Q19 Product Mix



# Product Mix by Application

SALES  
( NT\$ MILLION)

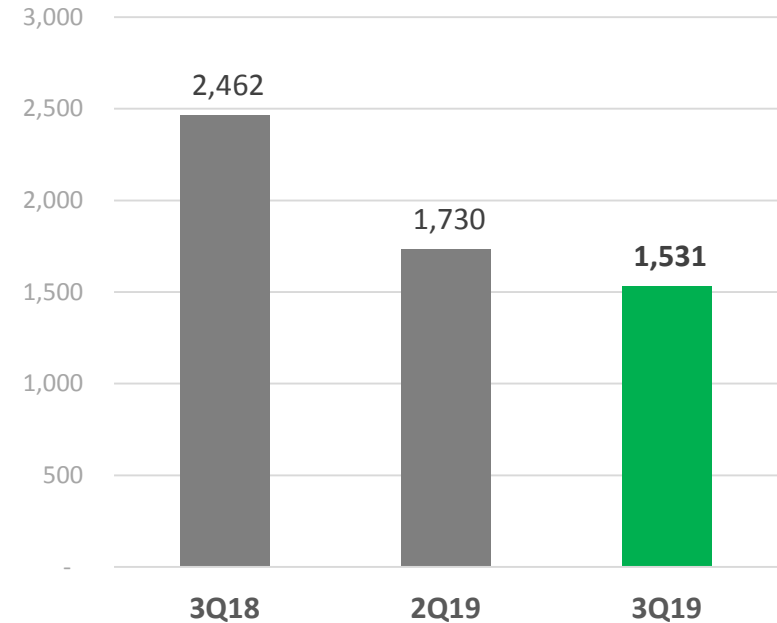
## Networking



- Net sales of NTD 3,572M, up 15.2% from 2Q19, and 60.3% from 3Q18.

SALES  
( NT\$ MILLION)

## Consumer Electronics

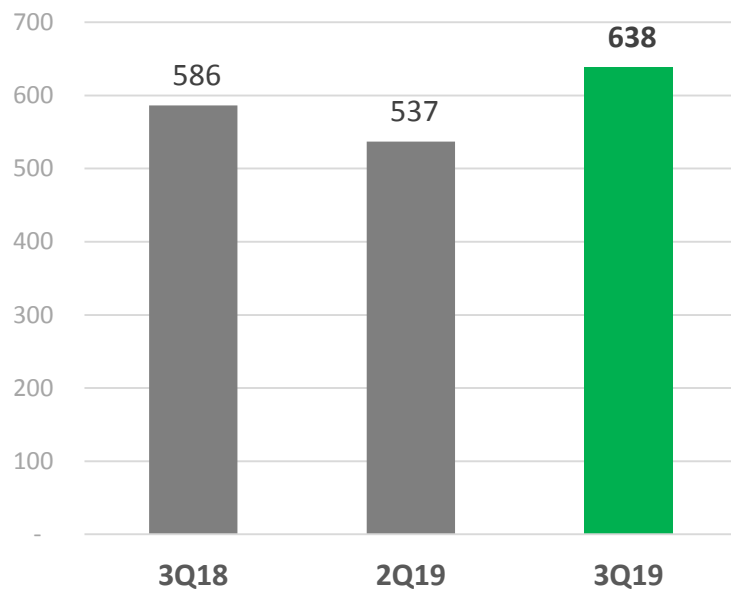


- Net sales of NTD 1,531M, down 11.5% from 2Q19, and 37.8% from 3Q18..

# Product Mix by Application

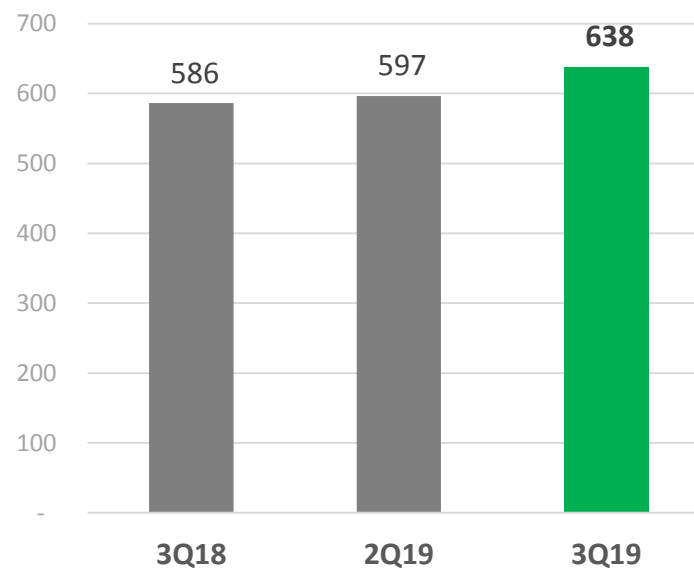
SALES  
( NT\$ MILLION)

## Smartphone



SALES  
( NT\$ MILLION)

## Automotive



- Net sales of NTD 638M, up 18.8% from 2Q19, and 8.9% from 3Q18.

- Net sales of NTD 638M, up 6.9% from 2Q19, and 8.9% from 3Q18.

# 3Q19 Balance Sheet

NTD \$Million	2Q19	3Q18	3Q19
<b>Total Assets</b>	<b>20,470</b>	<b>19,001</b>	<b>21,929</b>
Cash	3,502	3,536	2,984
Marketable Securities	87	27	83
NR / AR	9,830	8,941	10,702
Inventories	1,818	2,145	2,110
Fixed Assets	3,406	2,753	4,152
<b>Total Liabilities</b>	<b>12,481</b>	<b>11,600</b>	<b>13,476</b>
Short-term Debt	3,063	3,389	4,242
NP / AP	4,878	5,409	5,715
Long-term Debt	947	1,035	718
<b>Total Equity</b>	<b>7,990</b>	<b>7,401</b>	<b>8,453</b>
<b>Key Financial Ratio (%)</b>			
ROE	27.1	22.6	29.2
ROA	11.3	9.2	12.1
Debt ratio	61.0	61.1	61.5



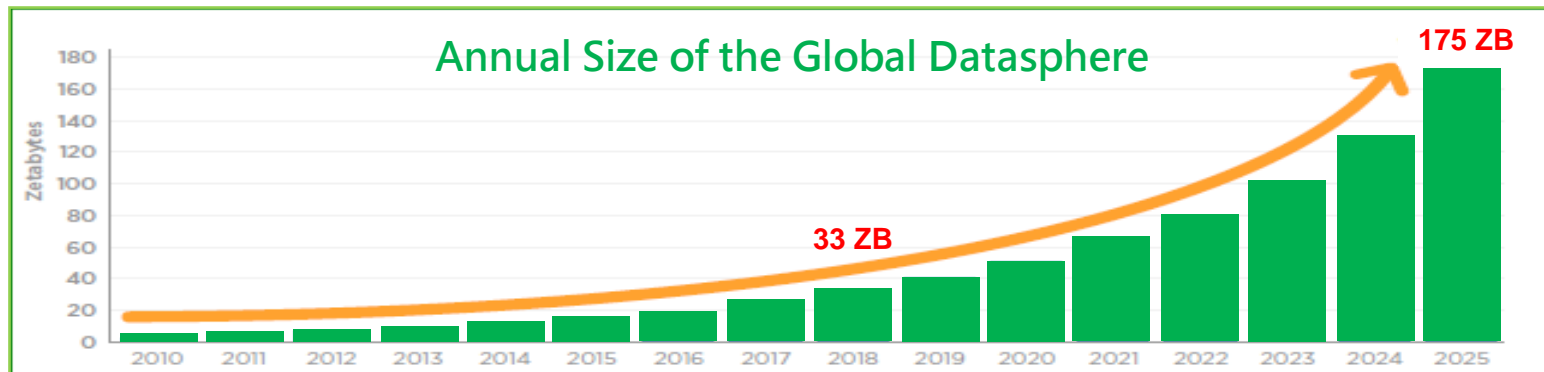
# Market Trend

- **Rapid expansion of Global Datasphere**

- Core (traditional and cloud datacenters)
- Edge (enterprise-hardened infrastructure such as, server rooms, servers in the field, cell towers, and smaller datacenters etc.)
- Endpoint (PCs, smartphones, and IoT devices)

- **Fast growing Global IP traffic**

- UHD video streaming and internet gaming
- Connected home, work, health and car
- Big data and AI applications
- Cloud computing and cloud storage
- Virtual Reality (VR) and Augmented Reality (AR)



(Source: IDC Global DataSphere, Nov 2018)

**Rapid growth of global data traffic stimulates equipment upgrade to meet the need of low latency, high reliable and high speed computing**

# 5G Network Infrastructure & Opportunities

## Core (Telecom) + Transmission Network:

- Including **data center**, **Edge computing**, **OTN**
- High efficient computing and massive data traffic

High Speed Material

## Distributed + Centralized Unit (DU+CU)

- Including **Macro Cell**, **Micro Cell** to **Small Cell**
- Low latency and high speed requirements

High Speed Material

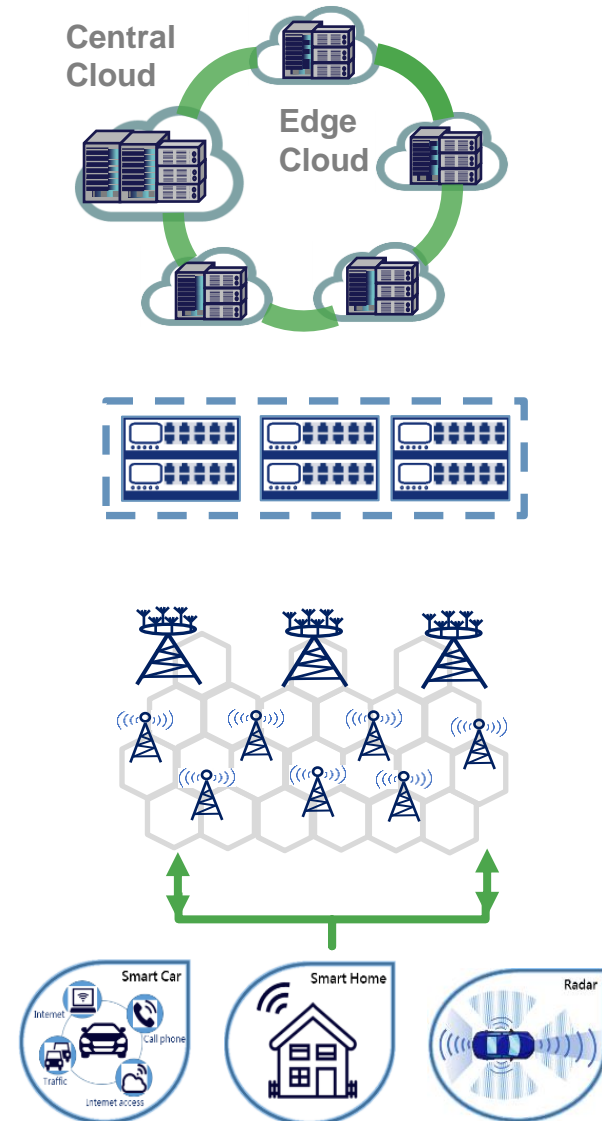
## Active Antenna Unit (AAU)

- Including **Antenna**, **PA**, **RF Network**
- Multi layer design for complex functionality

High Speed/ Frequency Material

## IOT(Internet of Things):

High Speed Material

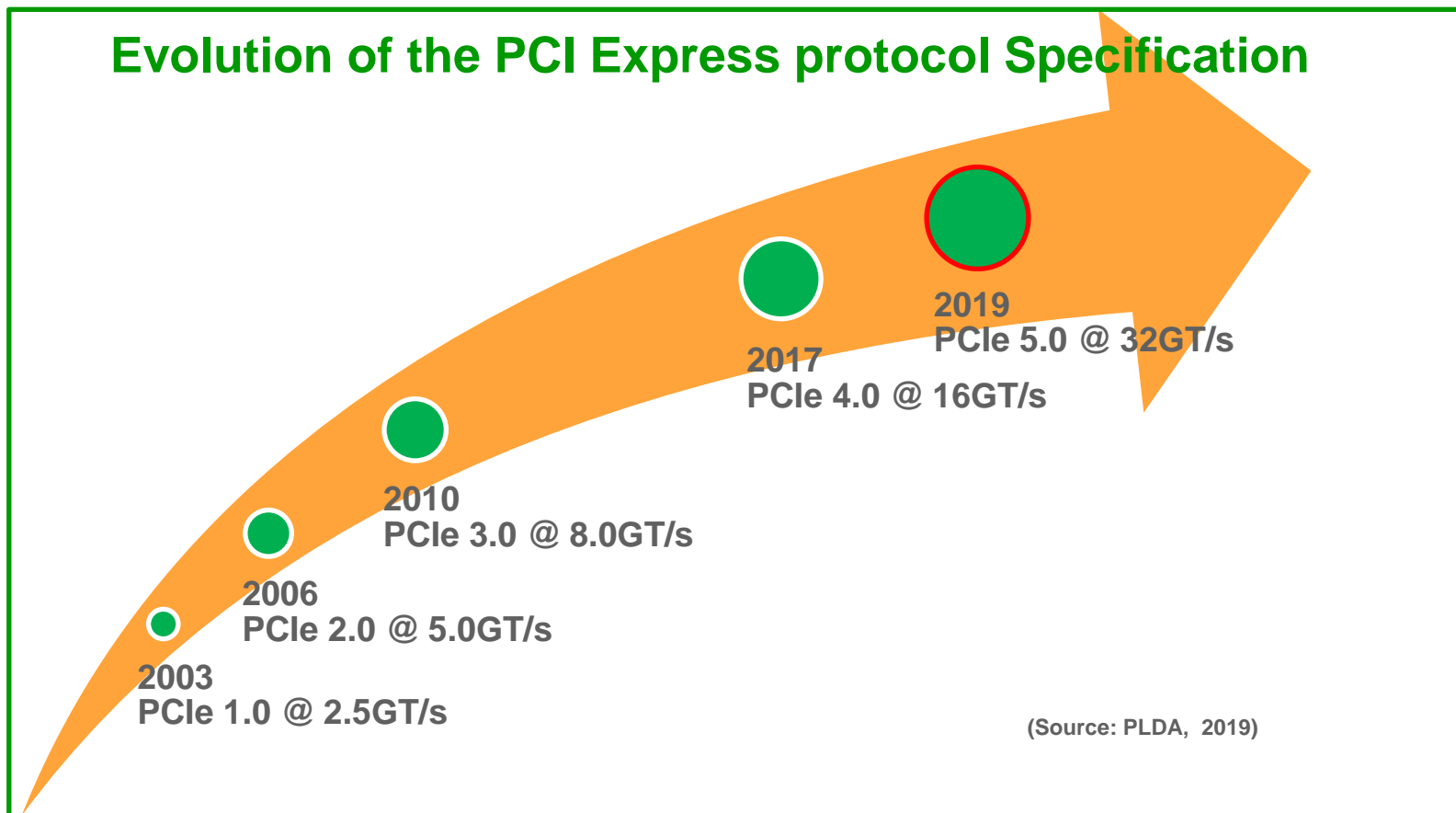


## ● Accelerating 5G base station deployment

- China telecom service providers to build 4x more 5G Base Stations in 2020 vs. 2019
- Stronger demand for upgrades on core network, 200G & 400G switch and optical module driven by SA network establishment scale up in CHN

Material	Product	Application	Status
Mid To Low	IT-170GRA1 & 958G	Sub 6Ghz BBU PCB Sub 6Ghz AAU PCB	Demand ramp up in 1Q19 Robust shipment in 2020
Ultra Low	IT-968 IT-968G	Sub 6Ghz AAU RF PCB Digital signal multi layer backboard	Demand ramp up in 1Q19 Increase shipment in 2020
Super Ultra Low	IT-988G SE	5G core router & switch Optical module	Start shipment in 4Q19
RF material	IT-8350GA IT-8300G	mmWave AAU RF Antenna PCB	Design qualification complete Start shipment in 4Q19

## Evolution of the PCI Express protocol Specification



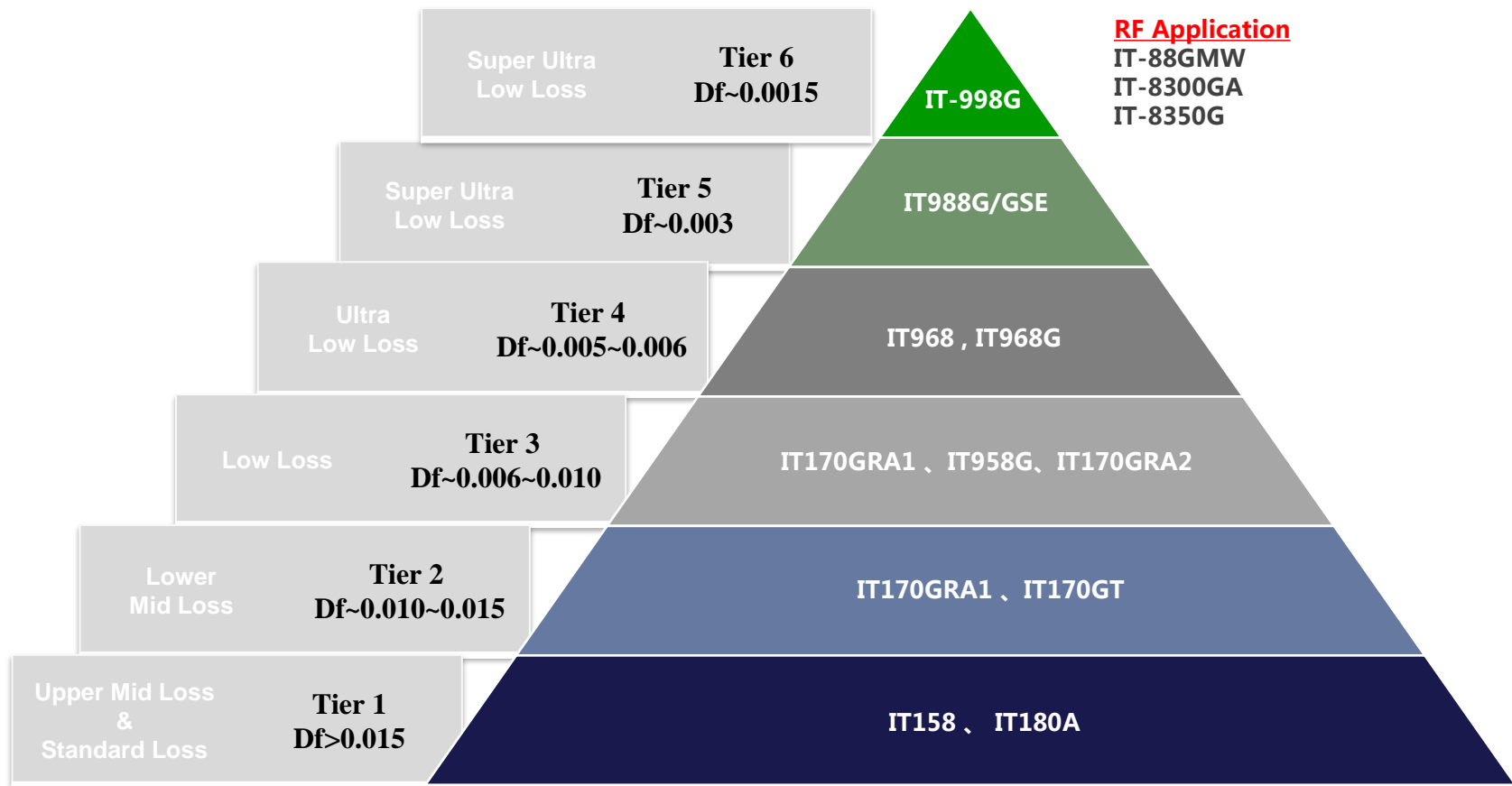
Transition from PCIe 3.0 to PCIe 4.0 took 7 years to complete since 2010, yet PCIe 5.0 only took 2 years to release in 2019

## ● Data center and serve upgrade

- Penetration rate of Intel Purley Platform (PCIe 3.0) to increase from 80% (2019) to 90% (2020)
- AMD Rome (PCIe 4.0) kick off in 3Q19 while PCIe 5.0 released in June 2019 with 4x speed of current PCIe 3.0; material selection for PCIe 5.0 already began

Standard	Speed	Material	Product	Server	Status
PCIe Gen 3	8Gbps	Mid	IT-170GRA1	Intel Purley Platform	Continue winning new qualifications and shipment
PCIe Gen 4	16Gbps	Low	IT-958G	Intel Whitley Platform AMD Rome Platform	Start shipment in 3Q19
PCIe Gen5	32Gbps	Super Ultra Low	IT-968 IT-968G	Intel Eagle stream Platform	Cooperate with customer for PCB design and material test
Standard	Speed	Material	Product	Switch	Status
NRZ	28Gbps	Ultra Low	IT-968 IT-968G	100G Switch, high end router	Continue shipment
PAM-4	56Gbps	Super Ultra Low	IT-988G SE	400G Switch, high end router	Qualifying with end customer

# Well- Expanded Product Line



- The need for 5G commercialization and server upgrade will expedite the growth of high speed / frequency demand
- ITEQ's market share in high speed / frequency material to uplift robustly

# New Production Site - JiangXi



## Wuxi

Laminate : 1,800 K sheets  
Prepreg : 8,500 K meters



## Hsin Pu(Taiwan)

Laminate : 450 K sheets  
Prepreg : 1,800 K meters



## Dong Guan

Laminate : 1,000 K sheets  
Prepreg : 4,500 K meters



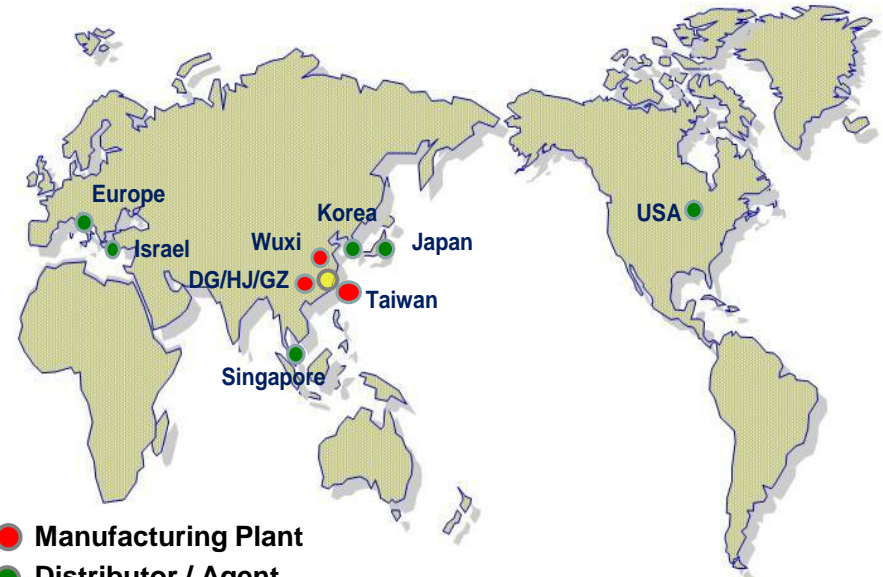
## Guang Zhou(Flexible CCL)

3 Layer FCCL : 750 K SQM  
2 Layer FCCL : 140 K SQM



## Huang Jiang

Mass lam : 500 K SQFT



- Manufacturing Plant
- Distributor / Agent
- New Plant

## JiangXi (First stage)

Laminate : 600 K sheets  
Prepreg : 4,500 K meters  
Mass Production : Oct, 2019 for 300 K sheets  
Jan, 2020 for 300 K sheets



# 2012 – 2018 Dividend Payout

Year	EPS(NT\$)	Dividend(NT\$)	Cash Dividend(NT\$)	Pay-out Ratio(%)
2012	3.34	2.5	2.5	75%
2013	2.52	2.2	2.2	87%
2014	1.62	1.2	1.2	74%
2015	1.92	1.6	1.6	83%
2016	3.13	2.5	2.5	80%
2017	4.11	3.1	3.1	75%
2018	5.86	3.8	3.8	65%

# *Thank You*

