



# ITEQ Corporation

2021 Second Quarter Earnings Result

**ITEQ**

INNOVATION. TEAMWORK. EXCELLENCE. QUALITY

September 2021

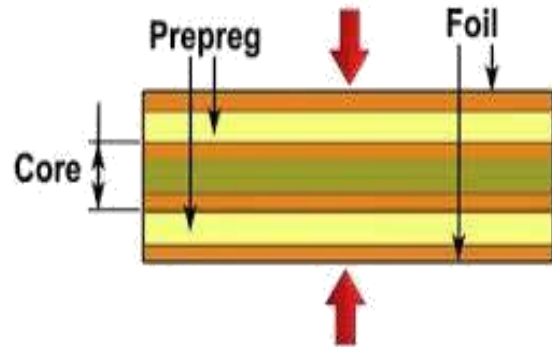
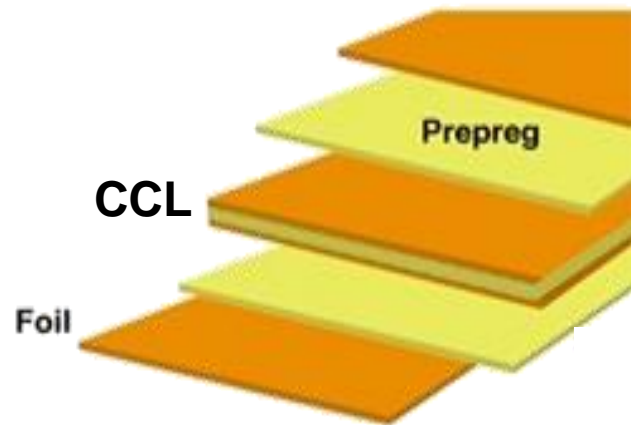
- This presentation and release contain “forward-looking statements” which may include projections of future results of operations, financial condition or business prospects based on our own information and other sources.
- Our actual results of operations, financial condition or business prospects may 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.

# Company Overview

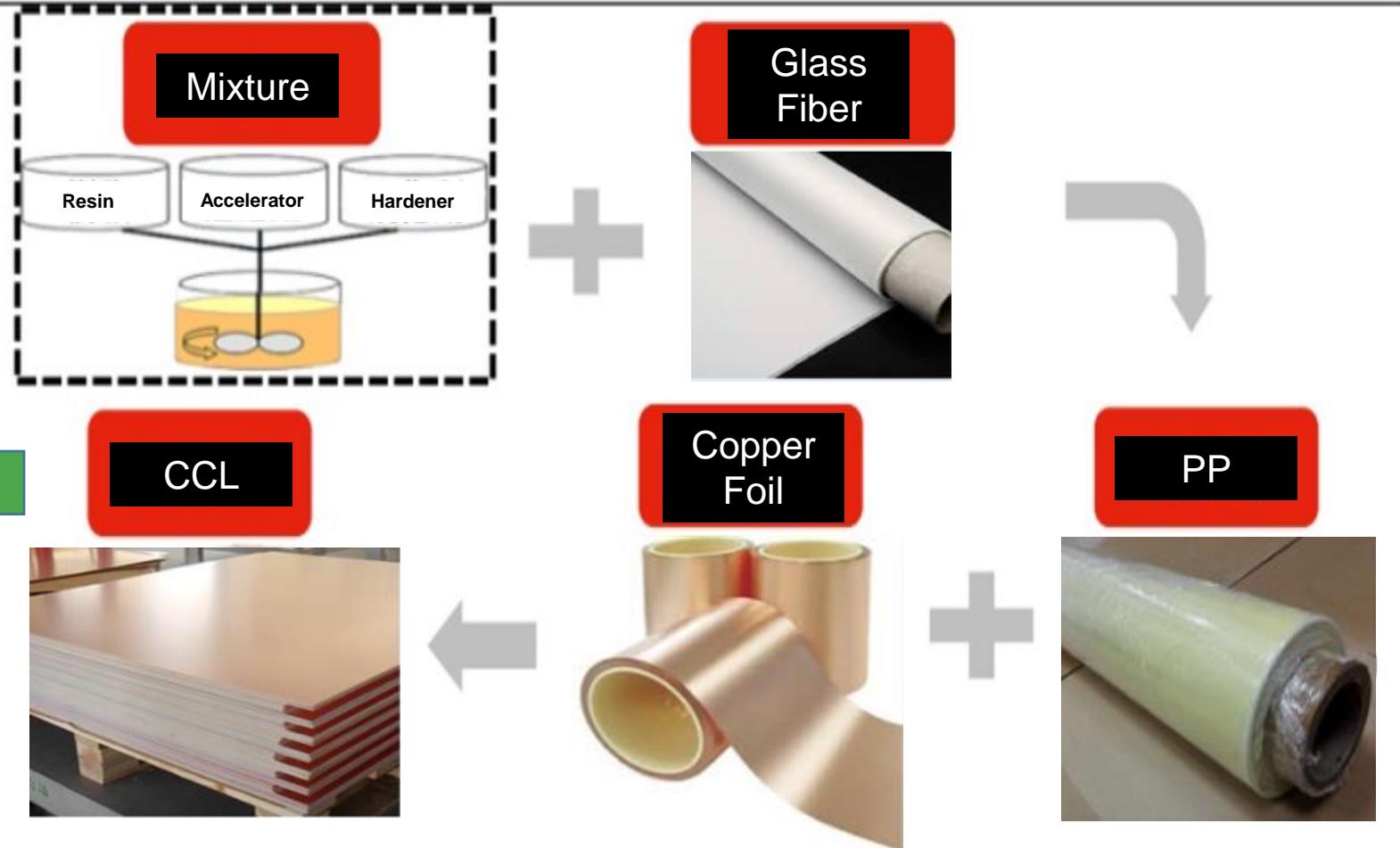
- ◆ Establishment: April 10<sup>th</sup>, 1997
- ◆ Headquarters: HsinChu, Taiwan
- ◆ Capital: NTD\$3,830M
- ◆ Employees: Over 3,000
- ◆ Chairman: Dennis Chen
- ◆ CEO: Audrey Tsai
- ◆ Main Product: Copper Clad Laminate & Prepreg  
Flexible CCL  
Masslam service



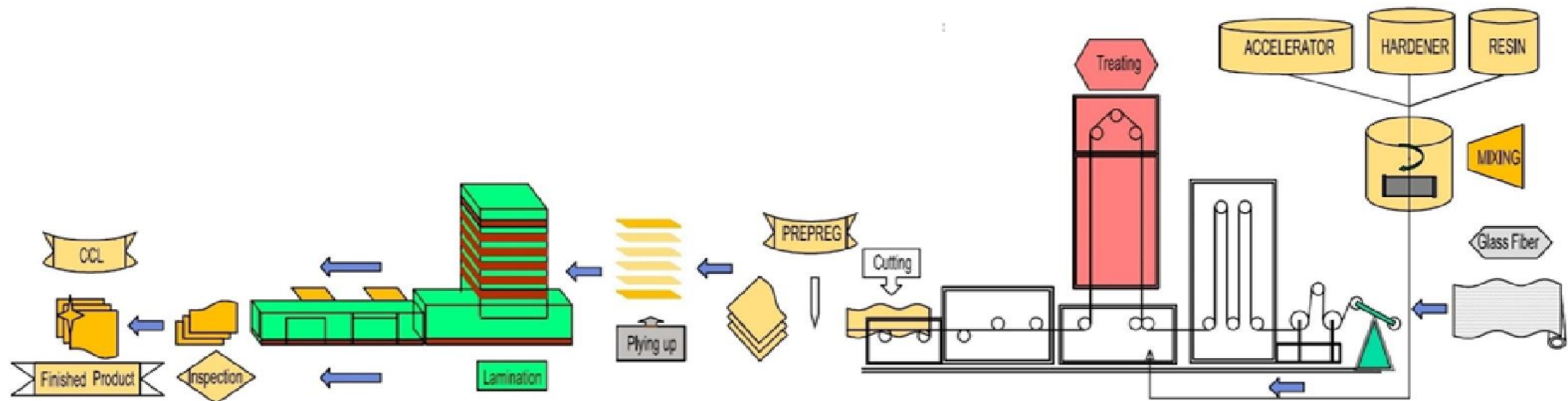
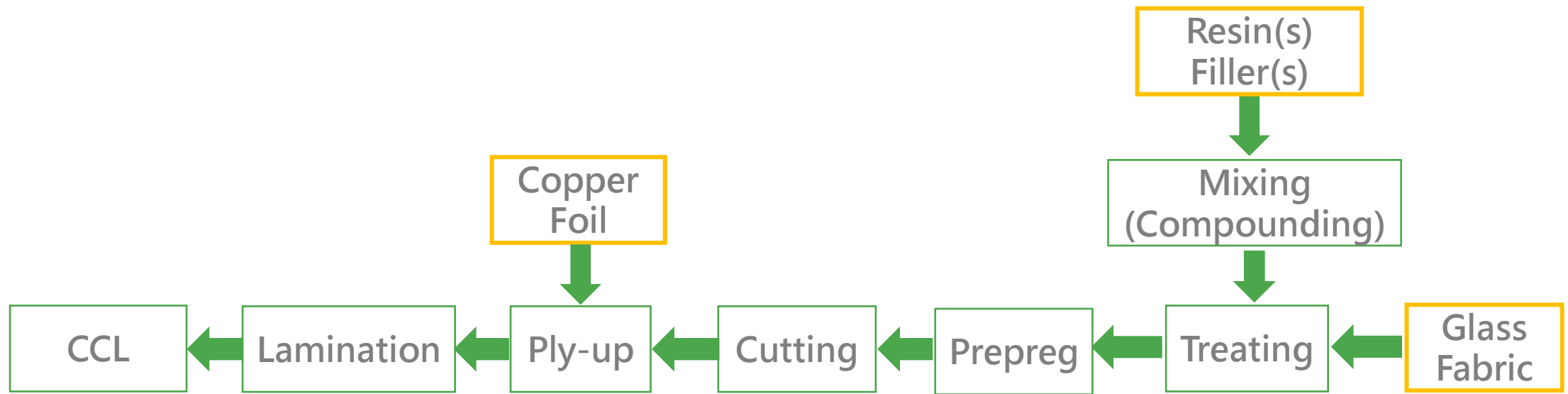
## CCL/PP



## CCL Manufacturing Process

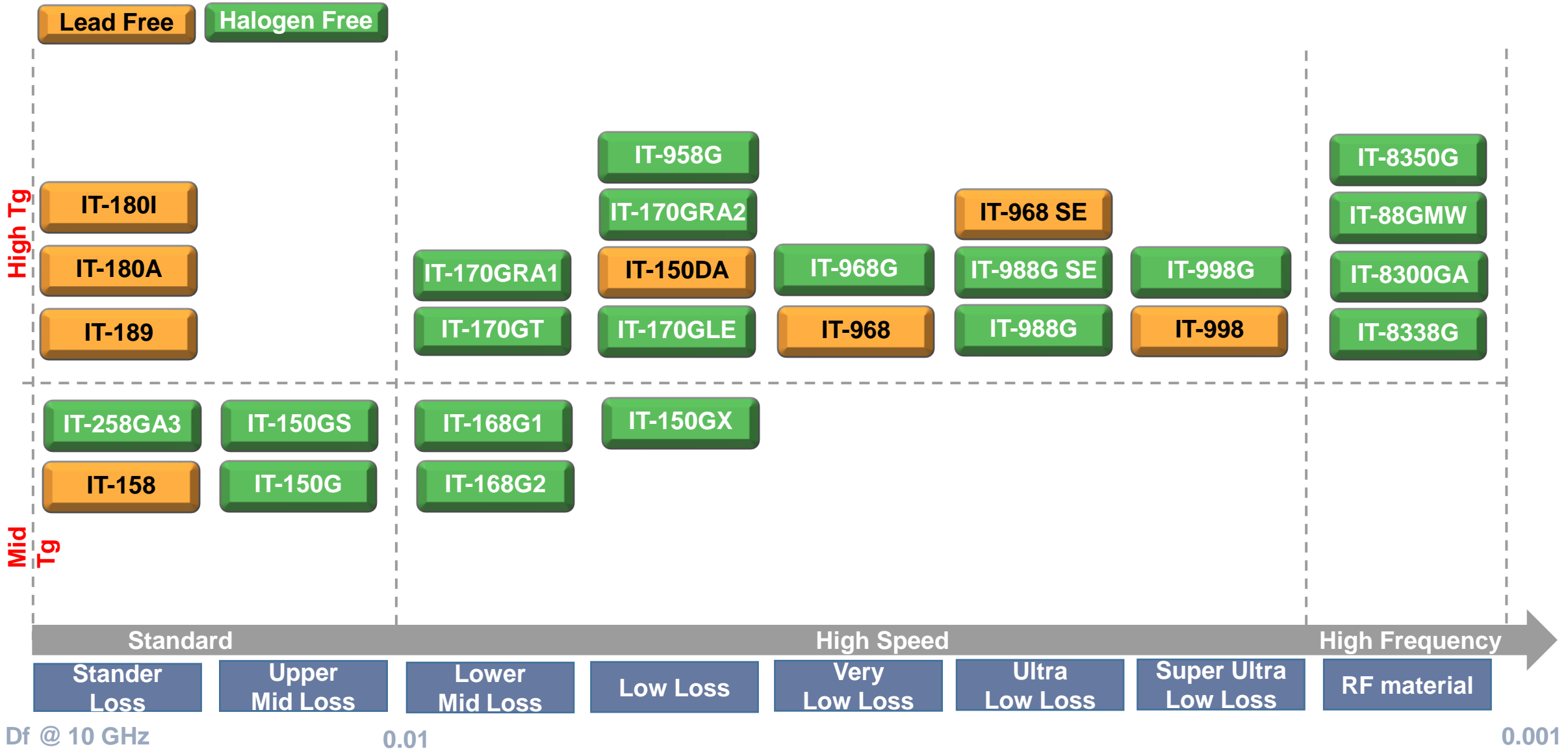


# CCL & PP Manufacturing Flow



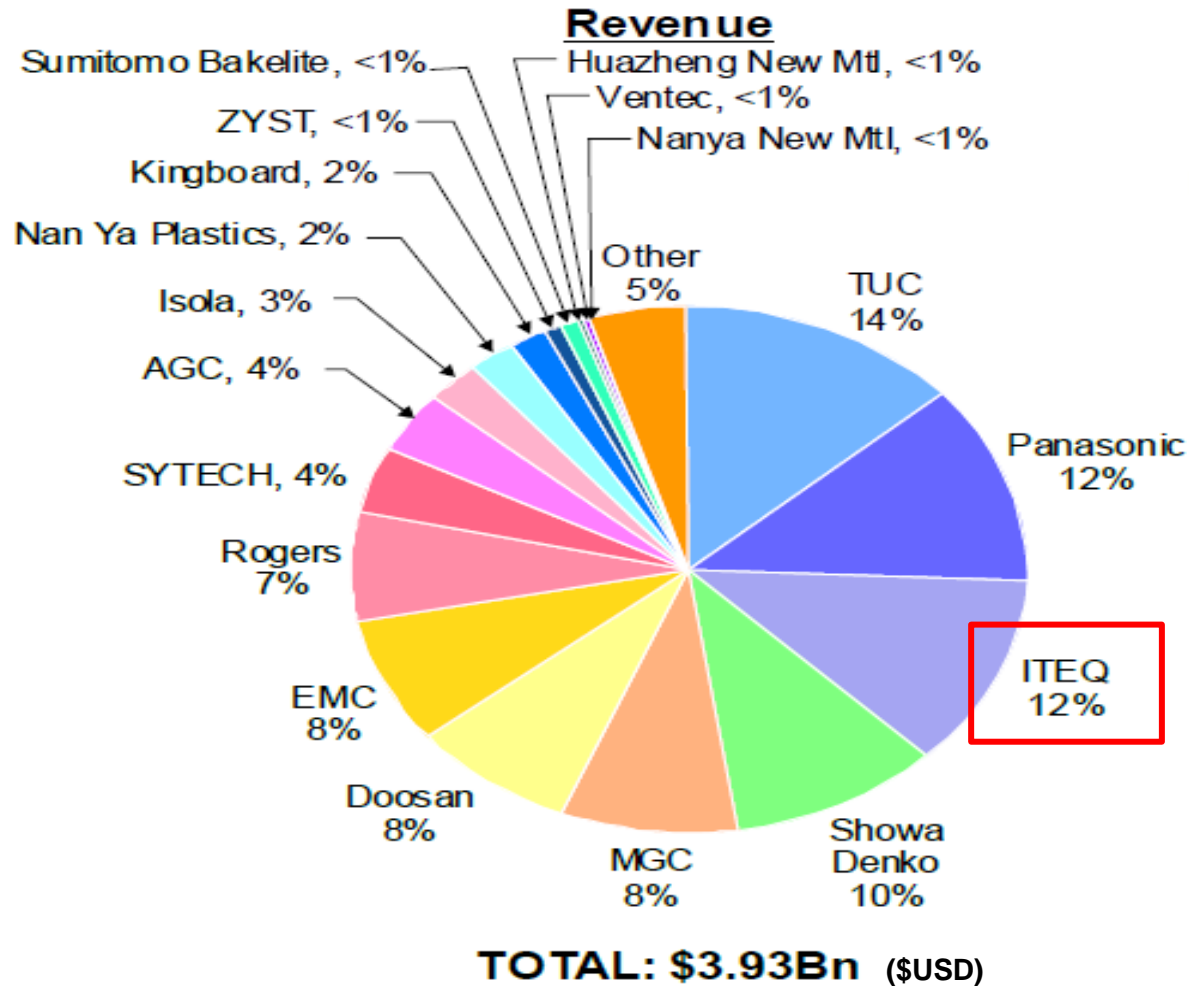


# Product Roadmap





## 2020 WW Specialty Laminate Market Share



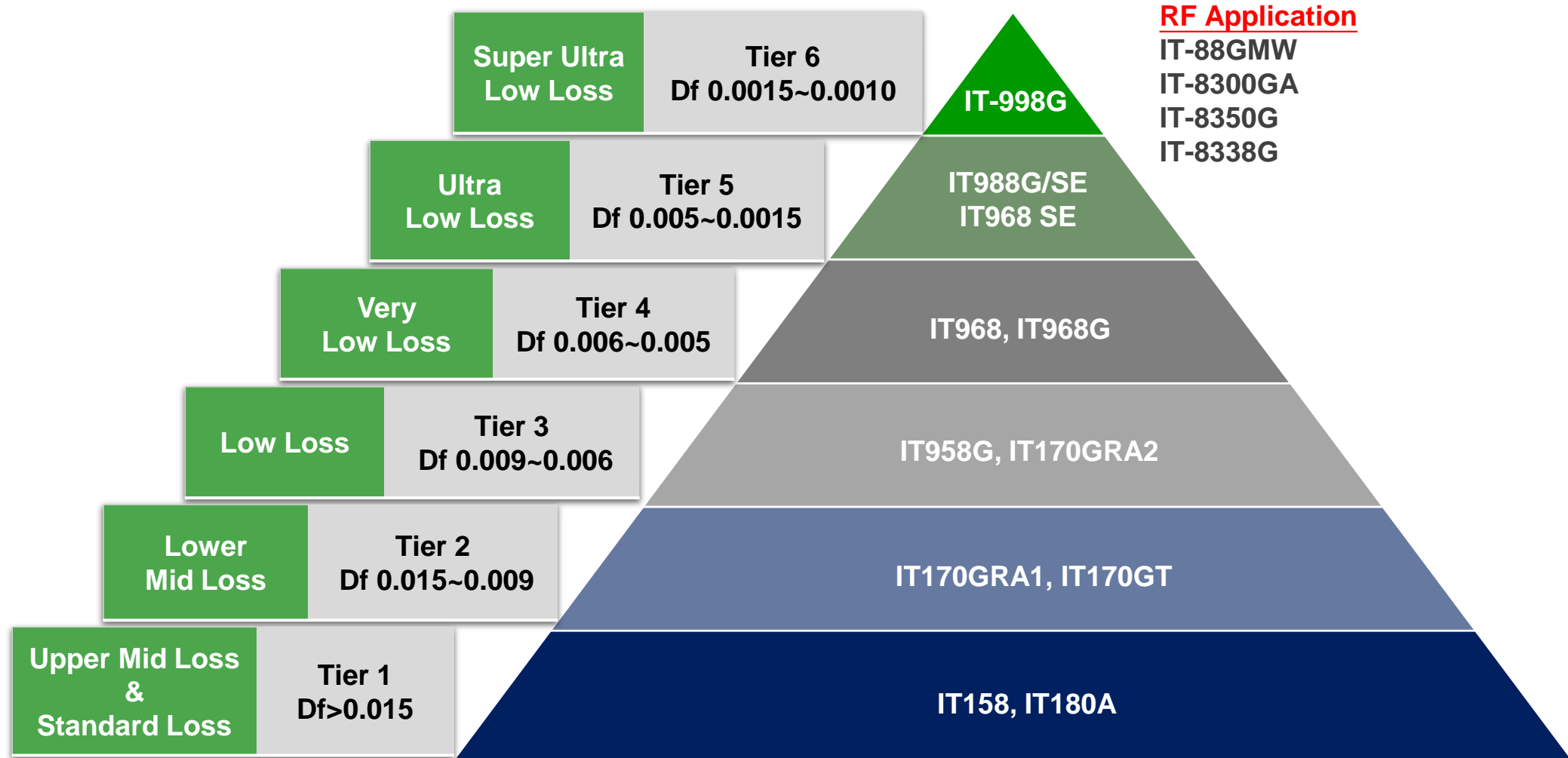
## ITEQ: Leading CCL supplier

- Worldwide top supplier in high speed / frequency laminate
- Cutting-edge technology with MP track record
- Secular growth momentum in 5G network and data center opportunities
- Rising EV market to boost demand for high speed / frequency automotive CCL

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EXCELLENCE · QUALITY

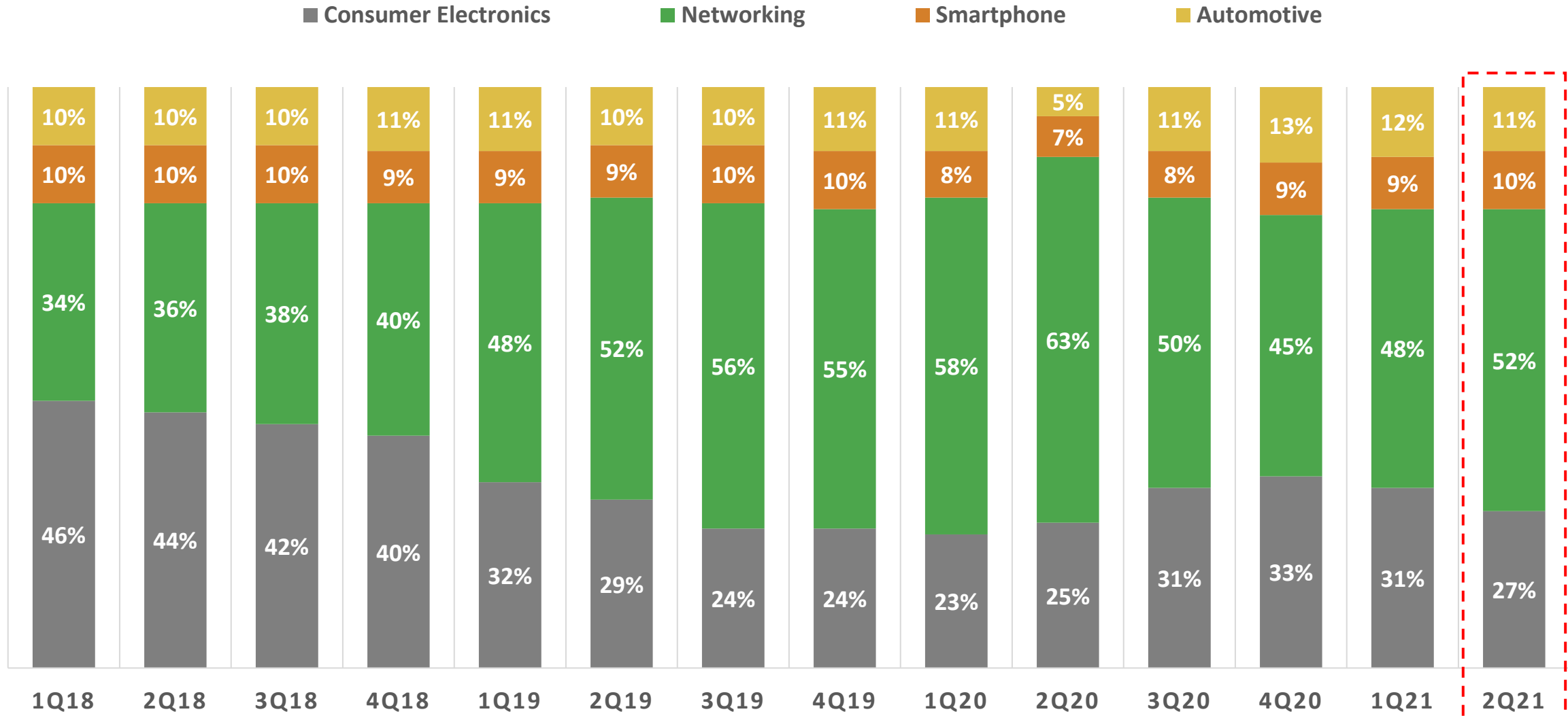
\*Specialty Laminate includes: High speed, package substrate, RF  
Source: Prismark Report, 2021/06





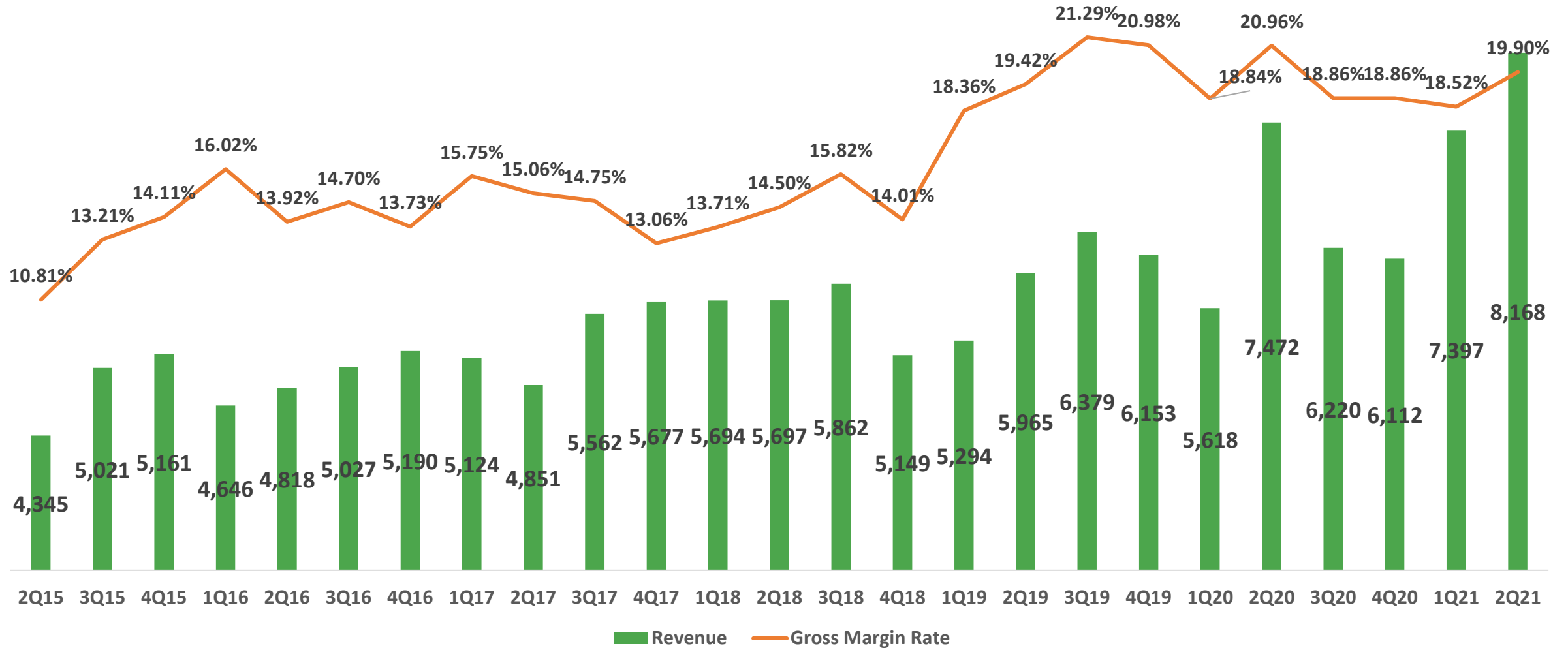
- The need for 5G commercialization and server upgrade to expedite the growth of high speed / frequency material demand
- ITEQ's market share in high speed / frequency material to uplift robustly

# 1Q18~2Q21 Product Mix



# Revenue & Gross Margin Rate

(Million \$NTD)



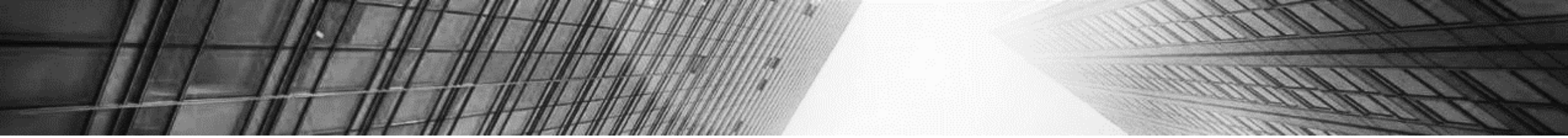
# 2Q21 Income Statement

NTD \$Million	2Q21	1Q21	2Q20	QoQ	YoY
<b>Revenue</b>	<b>8,168</b>	<b>7,397</b>	<b>7,472</b>	<b>10%</b>	<b>9%</b>
Gross Profit	1,625	1,370	1,567	19%	4%
Operating Expense	483	503	486	-4%	0%
<b>Operating Profit</b>	<b>1,142</b>	<b>867</b>	<b>1,081</b>	<b>32%</b>	<b>6%</b>
Non-Op Income / Loss	(19)	(24)	(4)	-19%	370%
Income before Tax	1,123	843	1,077	33%	4%
Tax Expense	263	200	211	31%	24%
Net Income to Parent	860	643	866	34%	-1%
<b>EPS(NT\$)</b>	<b>2.58</b>	<b>1.93</b>	<b>2.60</b>	<b>34%</b>	<b>-1%</b>
<b>Key Financial Ratio</b>					
<b>Gross Margin</b>	<b>19.90%</b>	<b>18.52%</b>	<b>20.96%</b>		
Operating Expense Ratio	5.92%	6.80%	6.50%		
<b>Operating Margin</b>	<b>13.98%</b>	<b>11.72%</b>	<b>14.46%</b>		
Effective Tax Rate	23.39%	23.78%	19.60%		
<b>Net Margin</b>	<b>10.53%</b>	<b>8.69%</b>	<b>11.58%</b>		

# 2Q21 Balance Sheet

NTD \$Million	2Q21	1Q21	2Q20
<b>Total Assets</b>	<b>32,698</b>	<b>29,350</b>	<b>24,433</b>
Cash	2,749	3,511	2,566
Marketable Securities	5	6	11
NR / AR	13,403	11,115	11,958
Inventories	4,161	3,888	3,199
Fixed Assets	9,569	8,712	4,762
<b>Total Liabilities</b>	<b>17,960</b>	<b>15,378</b>	<b>12,861</b>
Short-term Debt	3,144	1,708	1,359
NP / AP	7,661	6,914	6,293
Long-term Debt	1,370	1,640	919
<b>Total Equity</b>	<b>14,738</b>	<b>13,972</b>	<b>11,572</b>
<b>Key Financial Index</b>			
Days Sales Outstanding	159	136	161
Days Sales of Inventory	64	54	55
Days Payable Outstanding	102	98	109
ROE (%)	20.80	21.42	25.60
ROA (%)	10.23	10.87	11.19
Debt ratio (%)	54.93	52.40	52.64





# Market Trend & Growth Drivers

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**ITEQ**

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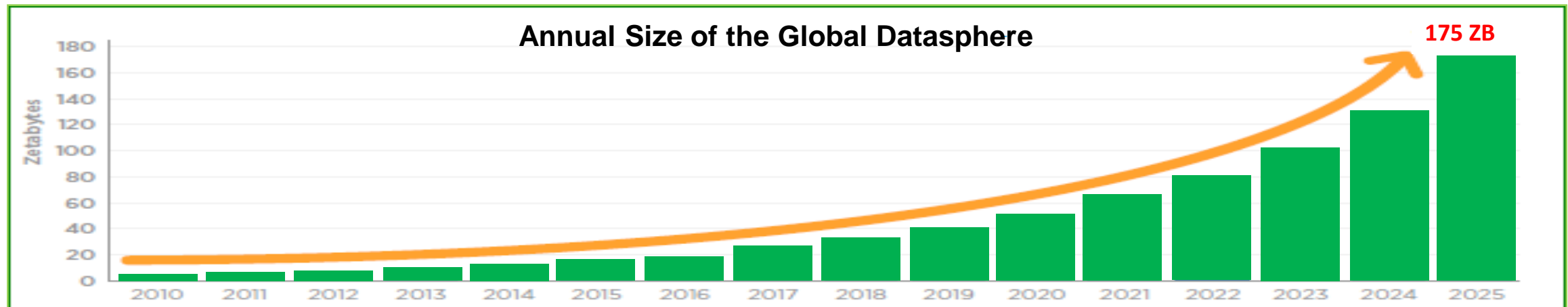
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- **Rapid expansion of Global Datasphere**

- 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: Data Age 2025, sponsored by Seagate with data from IDC Global DataSphere, May 2020)

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

## Core (Telecom) + Transport 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)

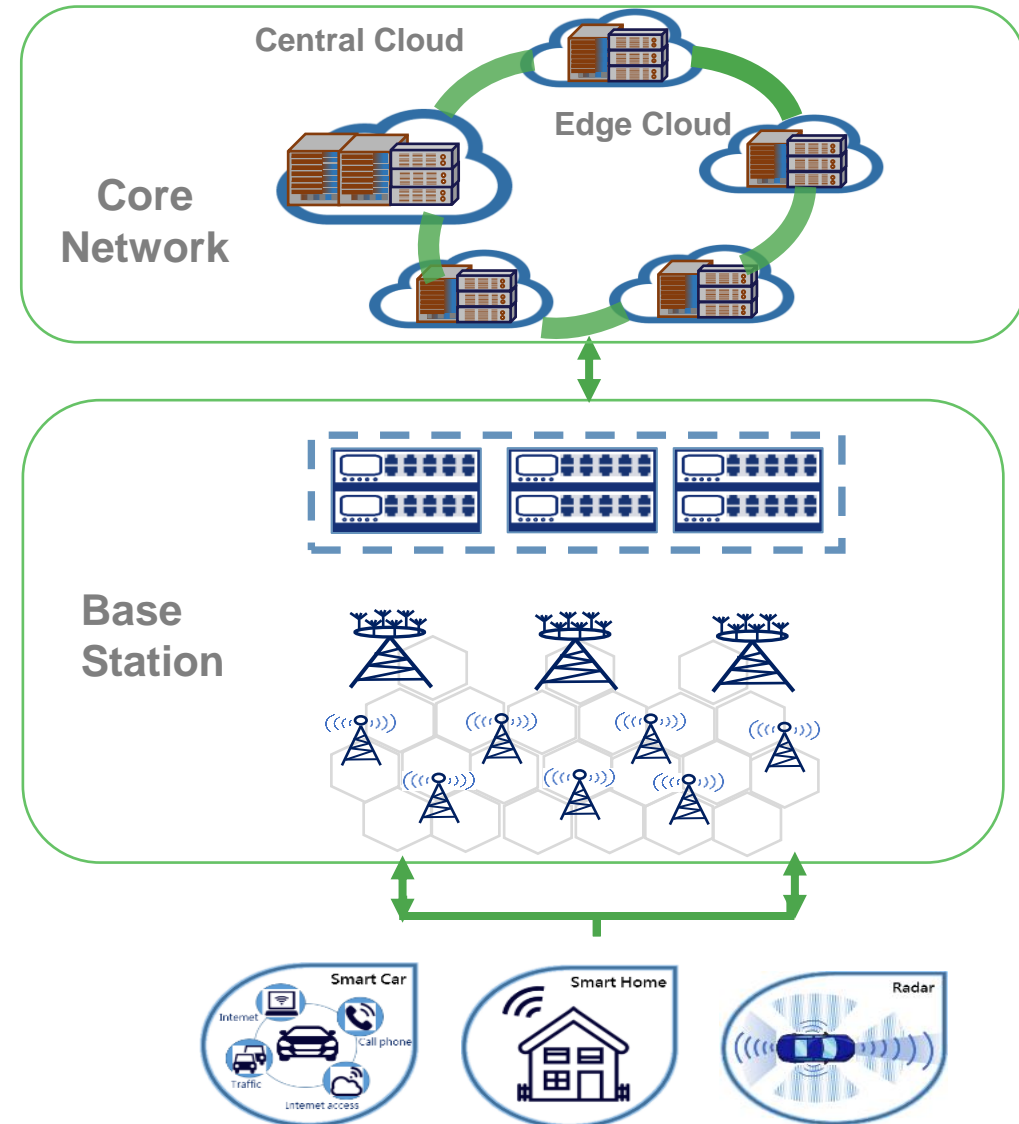
- Including Antenna, PA, TRX Network
- Multi layer design for complex functionality

High Speed Material

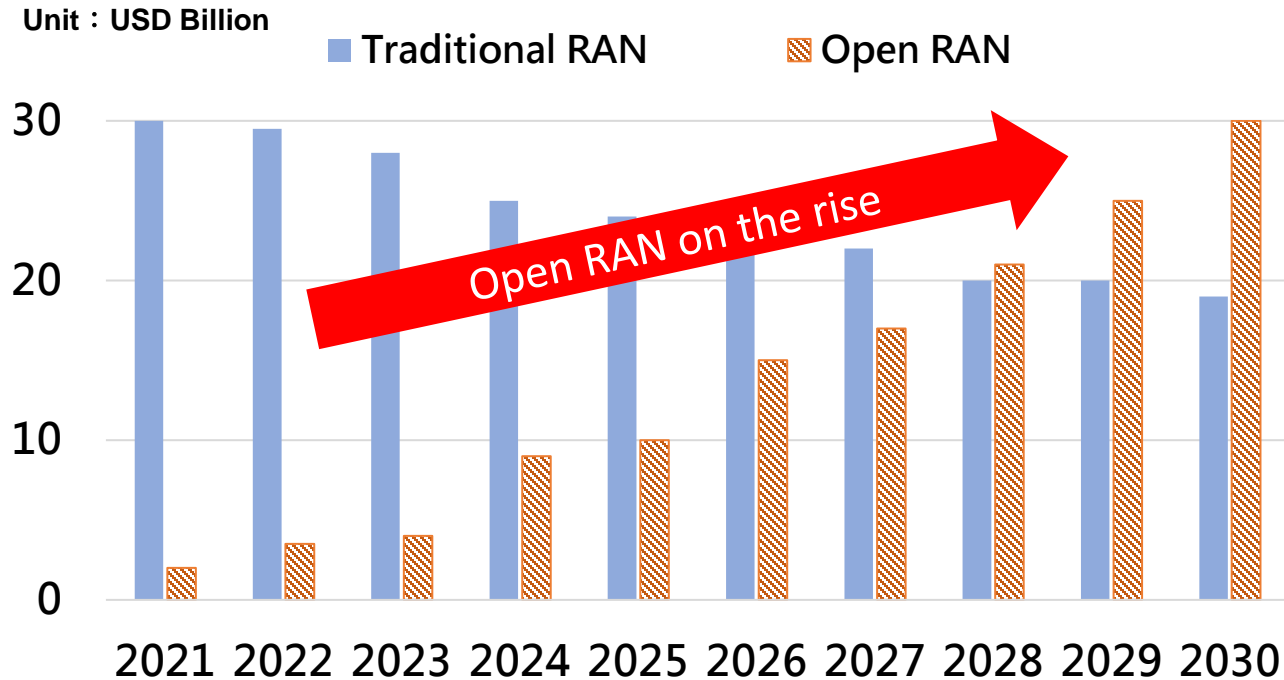
High Frequency Material

## IoT(Internet of Things)

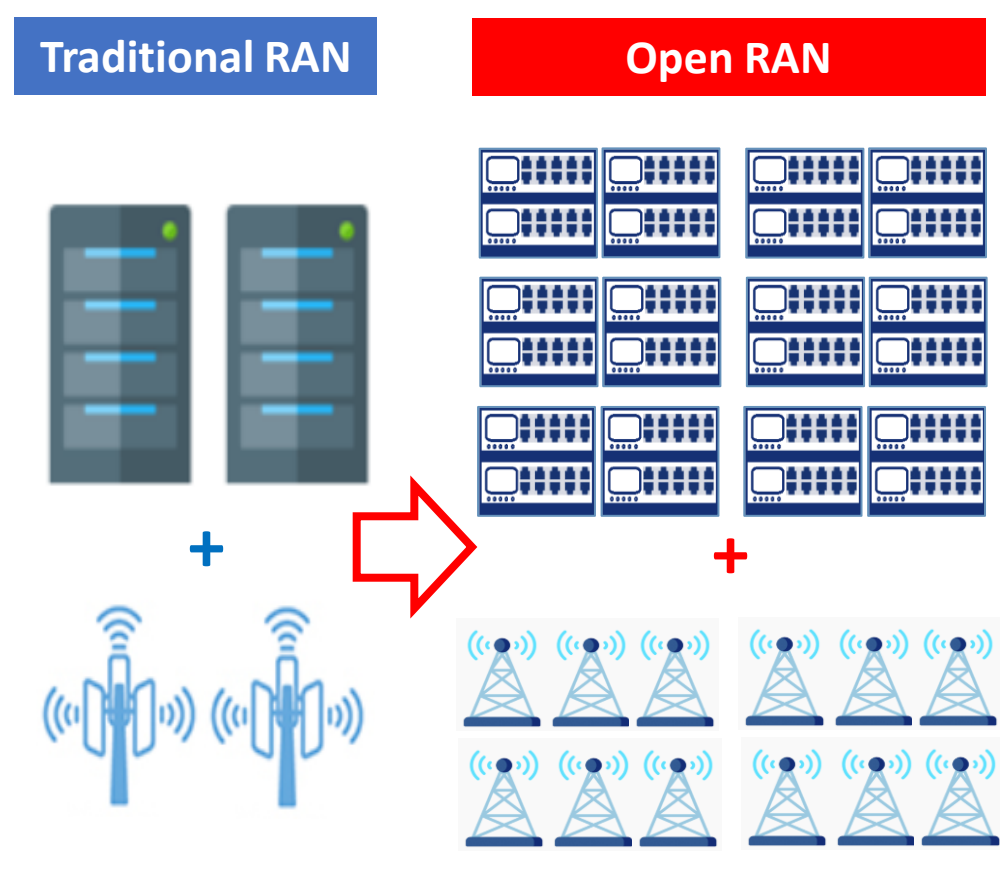
High Speed Material



## 2021~2030 RAN Equipment Sales Forecast



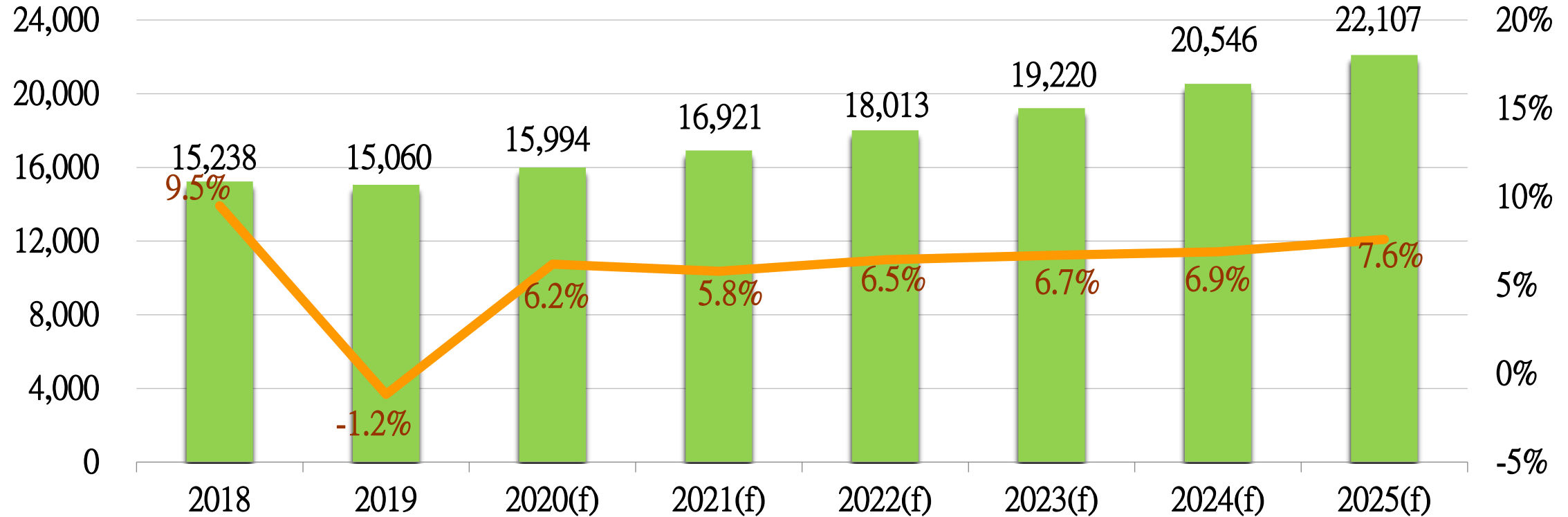
Source: DIGITIMES Research, 2021/7



- Rising Open RAN Market: Another key driver to bring up the TAM for 5G network production value
- Potential opportunity for stronger CCL demand of edge computing servers and 5G Whitebox equipment

## 2020~2025 Global Server Shipment CAGR: 6.7%

Unit : Thousand



Source : DIGITIMES Research · 2020/9

- Increase of Datacenter Equipment Shipment: Demand of high speed material to grow correlatively



# Sustainable Growth Momentum (Datacenter)

Intel	Platform	Purley		Whitley		Eagle Stream	
	CPU	Skylake	Cascade Lake	Copper Lake	Ice lake	Sapphire Rapids	Emerald Rapids
	Nano Process	14 nm	14 nm+	14 nm++	10 nm	Intel 7	Intel 7
	PCIe Generation	PCIe 3.0	PCIe 3.0	PCIe 3.0	PCIe 4.0	PCIe 5.0	PCIe 5.0
	MP Time	2017 Q3	2019 Q3	Cancel	2021 Q1	2022 Q2	2023 Q1
	CCL Material	Mid Loss	Mid Loss	Cancel	Low Loss	Very Low Loss	Very Low Loss
	Layer count	8 to 12	8 to 12	Cancel	12 to 16	16 to 20	16 to 20

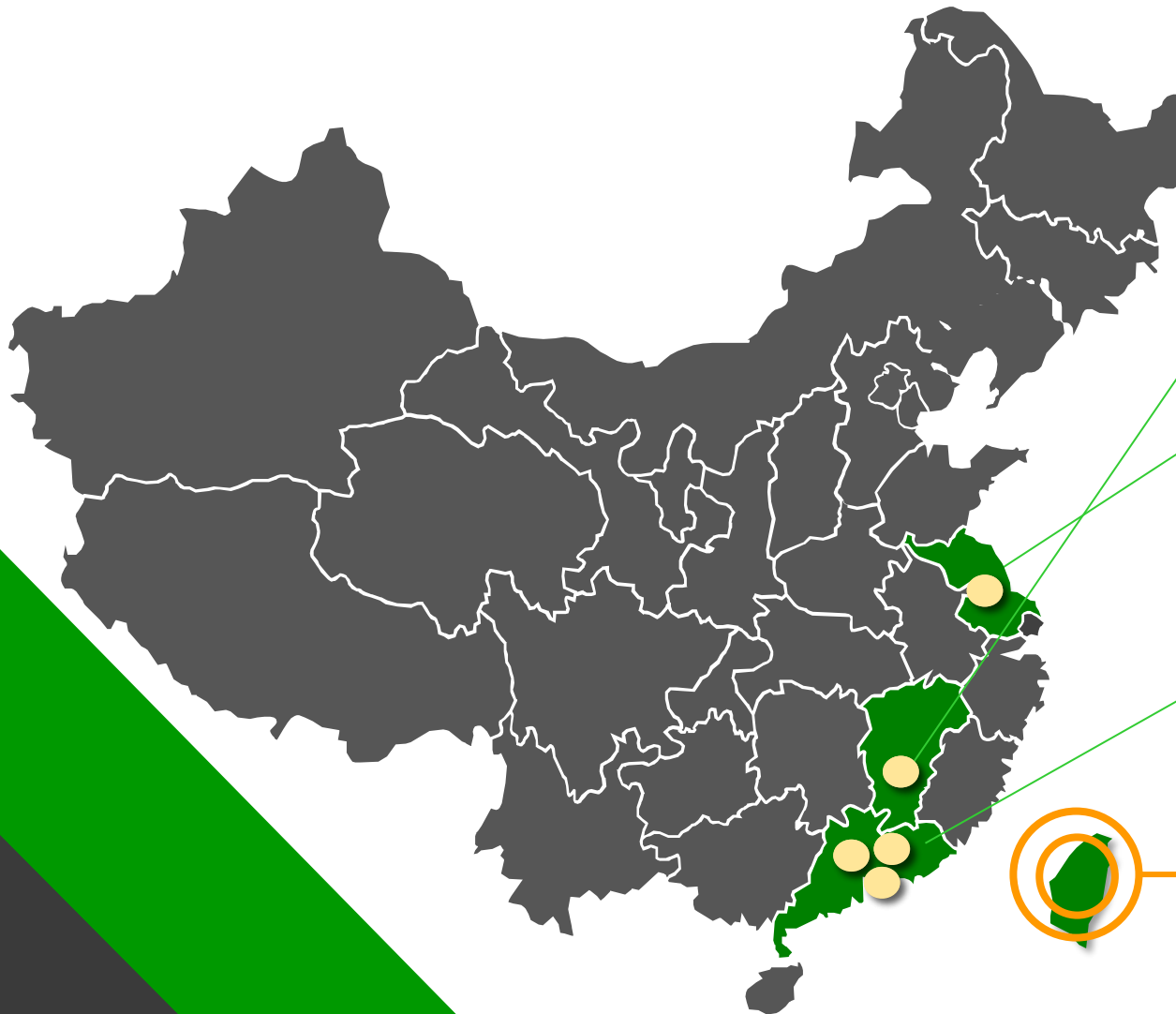
AMD	Architecture	Zen	Zen2	Zen3	Zen4
	CPU	Naples	Rome	Milan	Genoa
	Nano Process	14 nm (Global Foundries)	7 nm (TSMC)	7 nm (TSMC)	5 nm (TSMC)
	PCIe Generation	PCIe 3.0	PCIe 4.0	PCIe 4.0	PCIe 5.0
	MP Time	2017 Q3	2019 Q3	2020 Q4	2022 Q2
	CCL Material	Mid Loss	Low Loss	Low Loss	Very Low Loss
	Layer count	8 to 12	12 to 16	12 to 16	16 to 20



## Datacenter Equipment Cyclical Upgrade to Drive the Following;

- Corresponding CCL material upgrade
- Increase consumption and layer counts for CCL

# Manufacturing Site & Capacity – Expansion Plan ITEQ



**JiangXi Plant**  
(Phase I) - 2020  
Laminate (600K SHT/Month)  
Prepeq (3,500K M/Month)  
(Phase II) - 2021  
Laminate (600K SHT/Month)  
Prepeq (3,500K M/Month)  
**(Phase III) – 2022 & Beyond**  
Laminate (1,200K SHT/Month)  
Prepeq (5,000K M/Month)



**WuXi Plant**  
Laminate (1,650K SHT/Month)  
Prepeq (8,000K M/Month)



**DongGuan Plant**  
Laminate (1,000K SHT/Month)  
Prepeq (4,000K M/Month)



**GuangZhou Plant**  
3L FCCL(750 K M<sup>2</sup>/Month)  
2L FCCL(140 K M<sup>2</sup>/Month)



**HuangJiang Plant**  
Masslam Service(500K SQFT/Month)



**XinPu (Headquarter)**  
Laminate(350K SHT/Month)  
Prepeq (1,800K M/Month)

# 2014 – 2020 Dividend Policy

Year	EPS(NT\$)	Dividend(NT\$)	Cash Dividend(NT\$)	Pay-out Ratio(%)
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%
2019	8.13	5.0	5.0	62%
2020	8.19	5.0	5.0	61%

\*New shares issuance of 30 million common shares concluded on March 31<sup>st</sup> 2020

\*\*New shares issuance of 50 million common shares concluded on September 2<sup>nd</sup> 2021; current total outstanding common share: 383 million



# Thank you

Question and Comment