



*Your Partner of  
Advanced Materials & Mass Lam Service*

# **ITEQ Corporation**

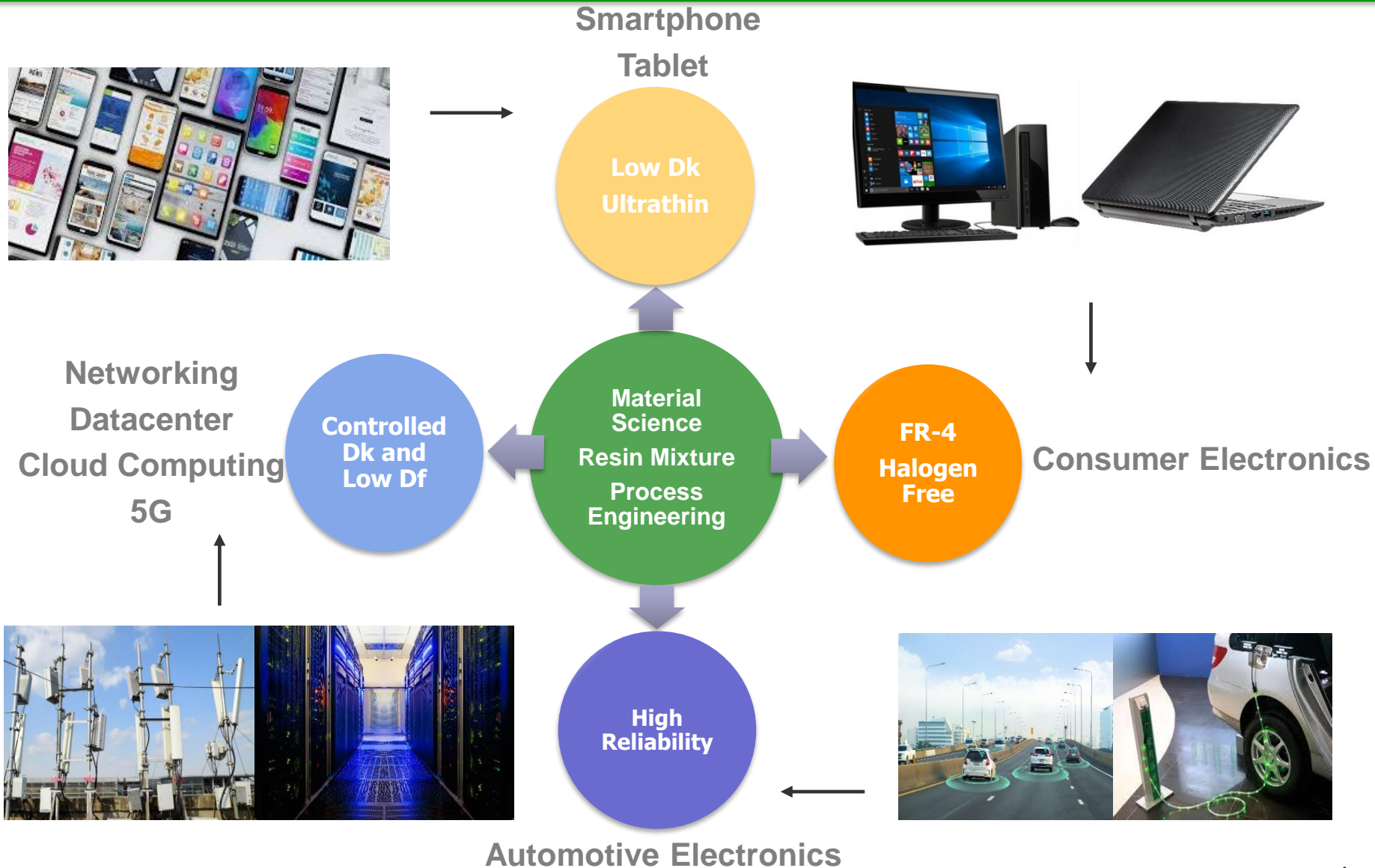
## **2020 Second Quarter Earnings Result**

- 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.

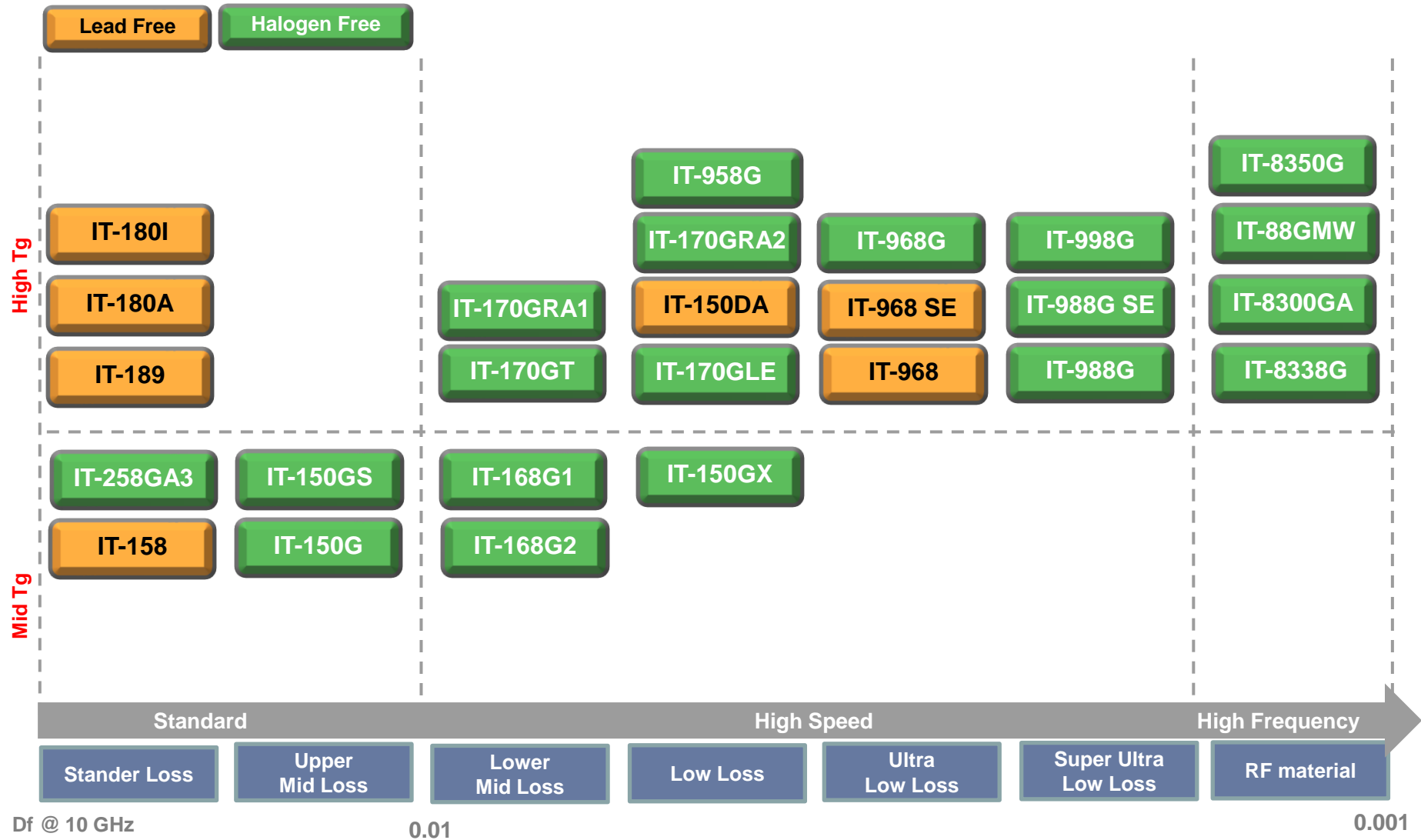
- Establishment: April 10<sup>th</sup>, 1997
- Headquarter: HsinChu, Taiwan
- Capital: NTD\$3,330M
- Employees: Over 3,000
- Chairman: Dennis Chen
- CEO: Audrey Tsai
- CTO: Tarun Amla
- Main Product: Copper Clad Laminate & Prepreg  
Masslam service  
Flexible CCL



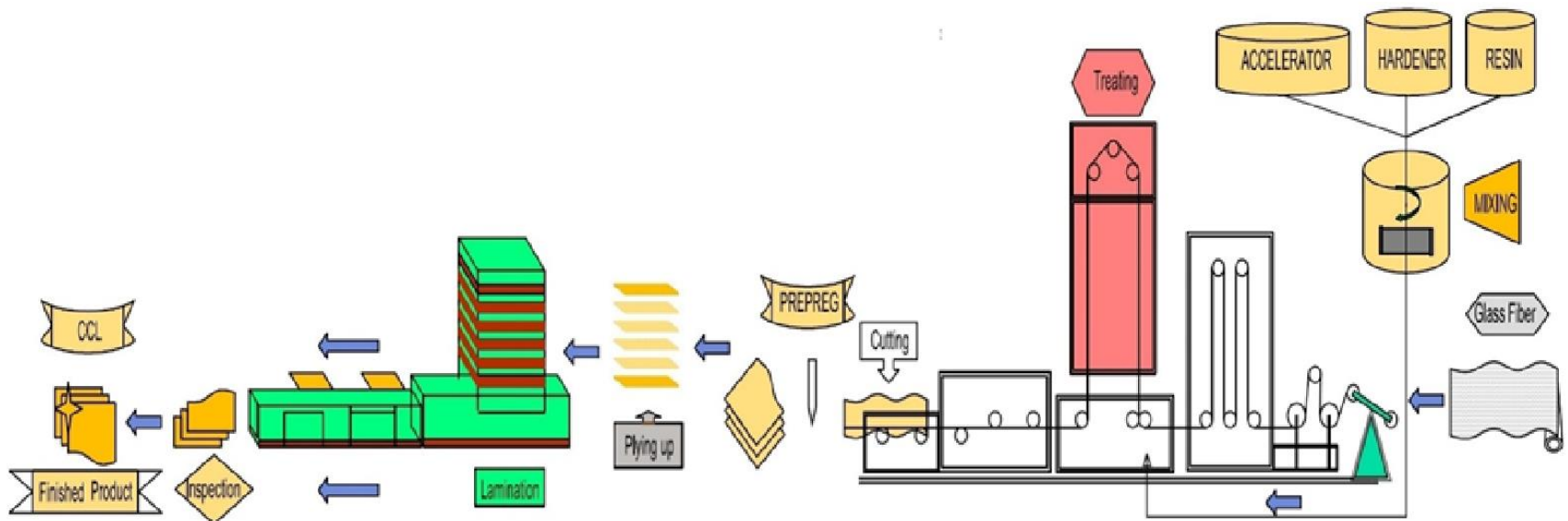
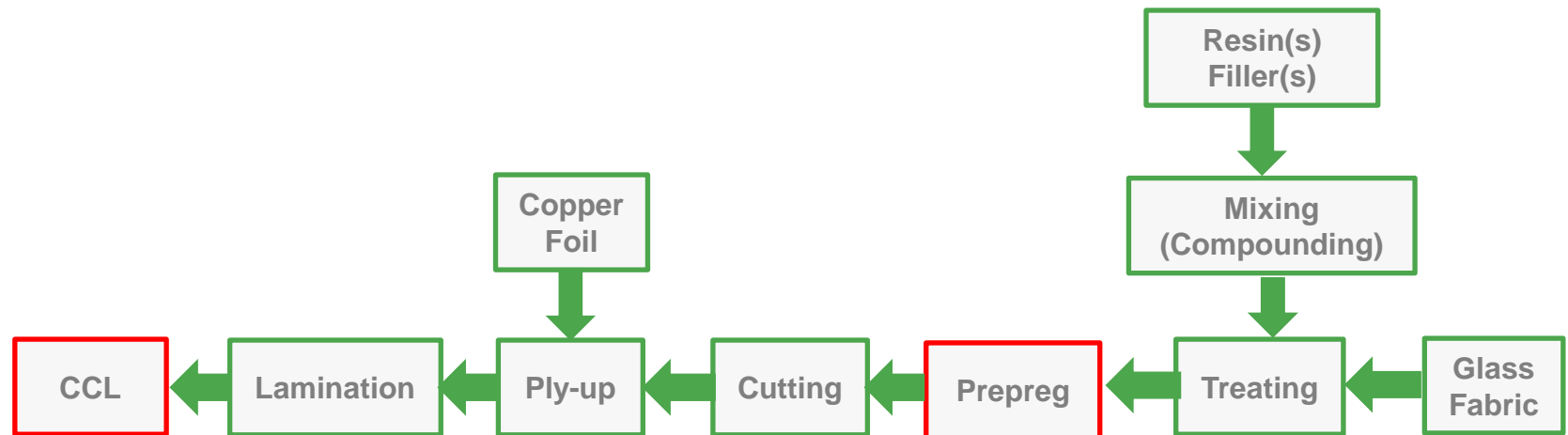
# Core Technology



# Product Roadmap

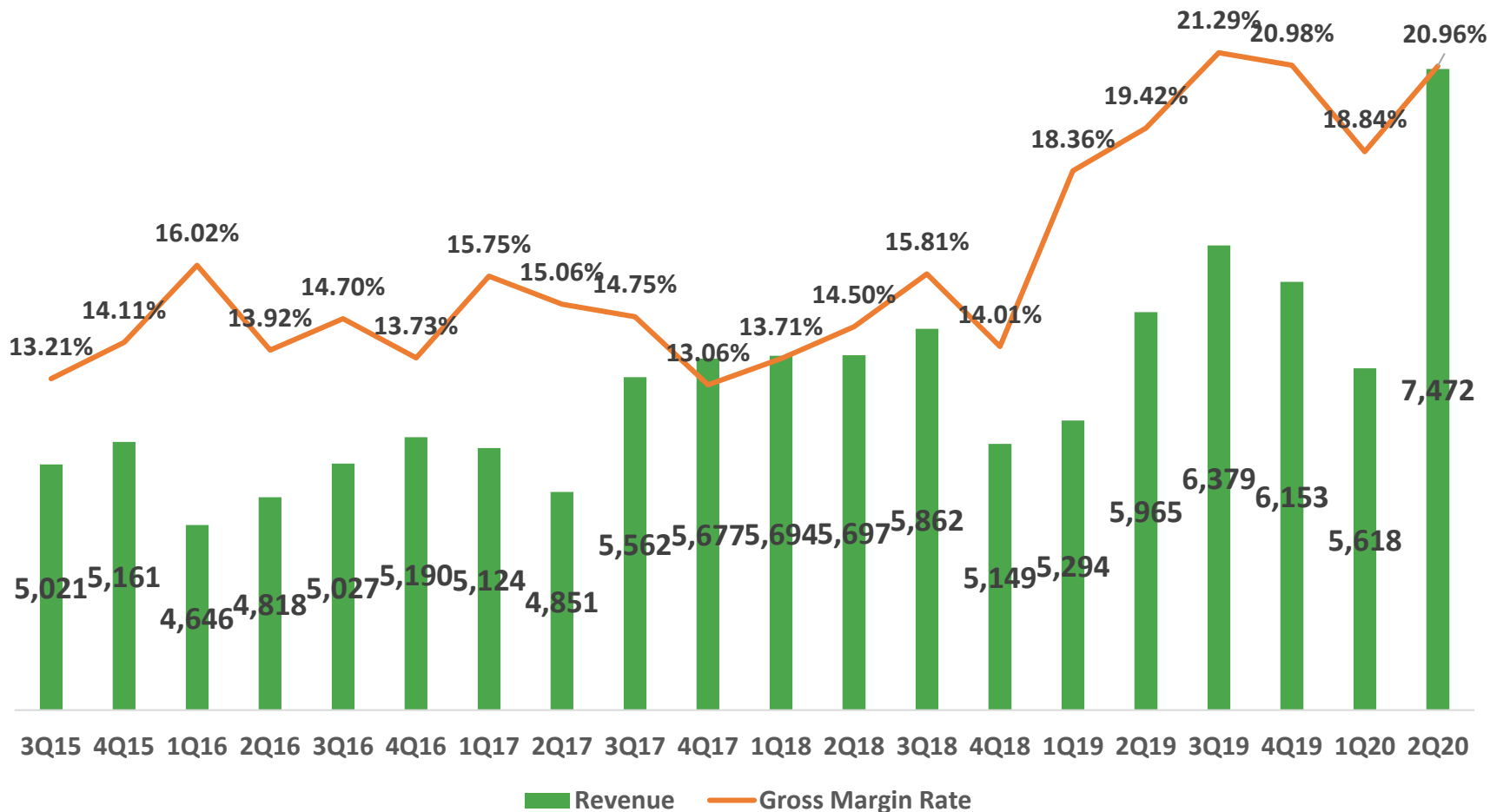


# CCL & Prepreg Manufacturing Flow

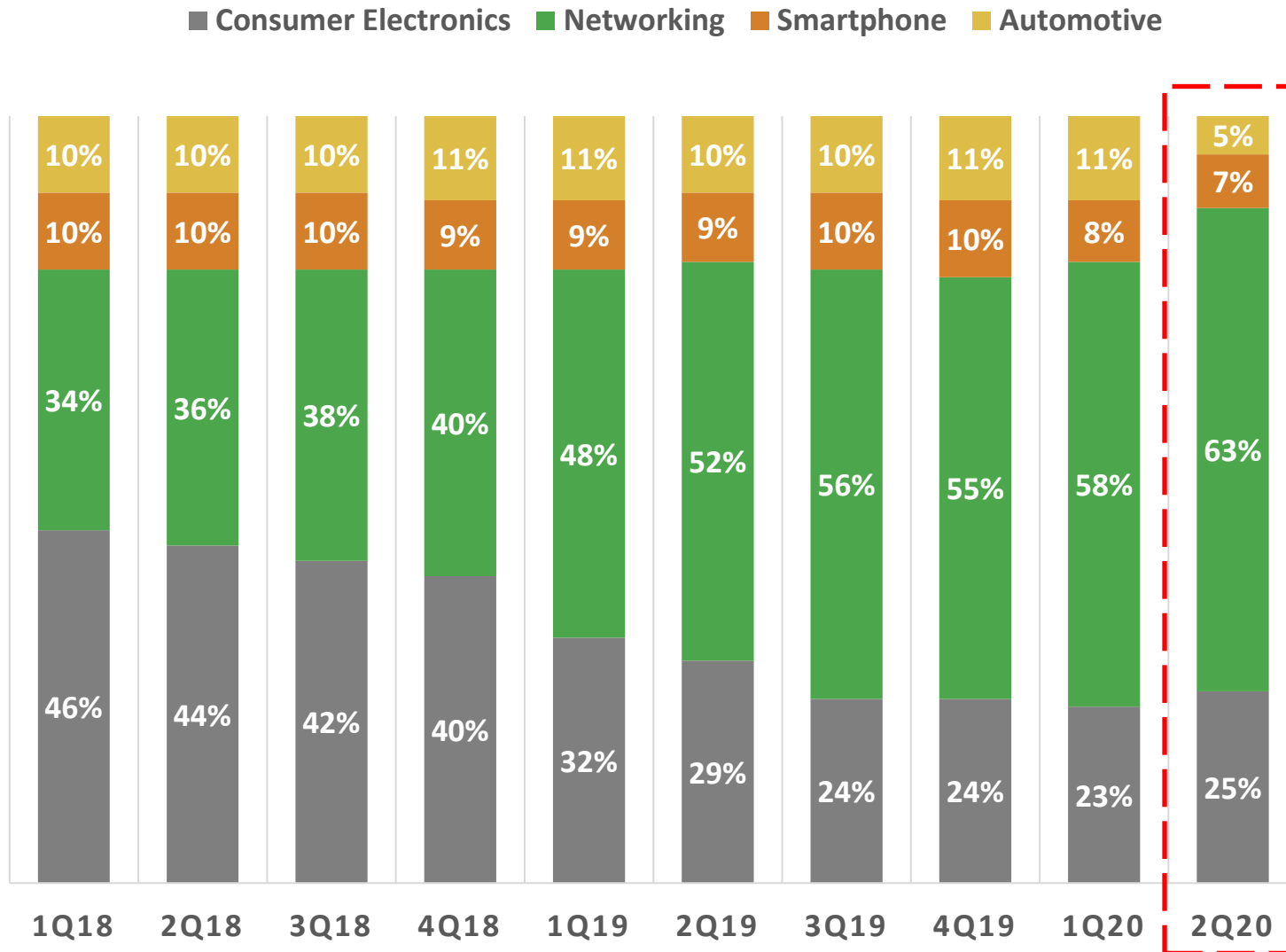


# Revenue & Gross Margin Rate

(Million NTD)



# 1Q18~2Q20 Product Mix

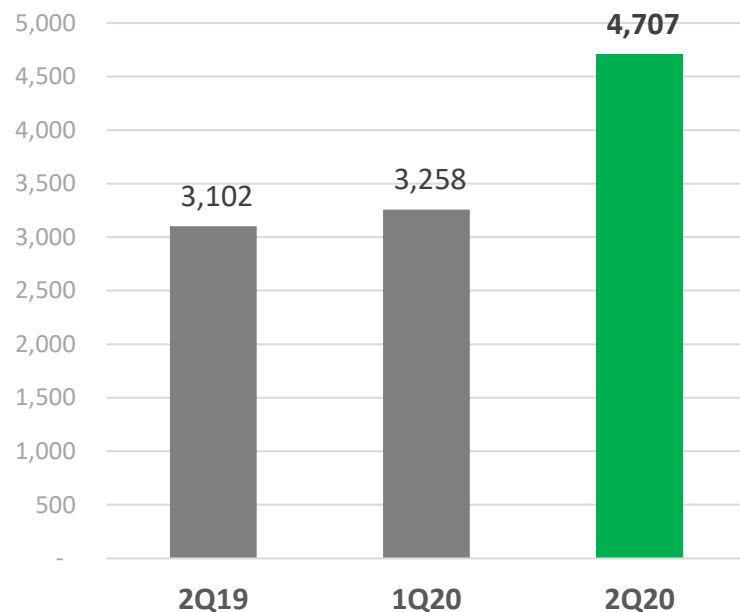




# Product Mix by Application

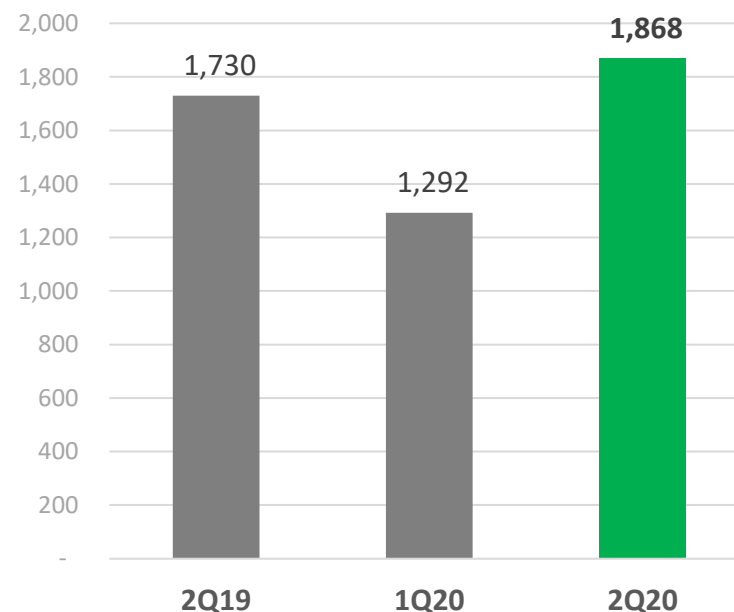
SALES  
( NT\$ MILLION)

## Networking



SALES  
( NT\$ MILLION)

## Consumer electronics



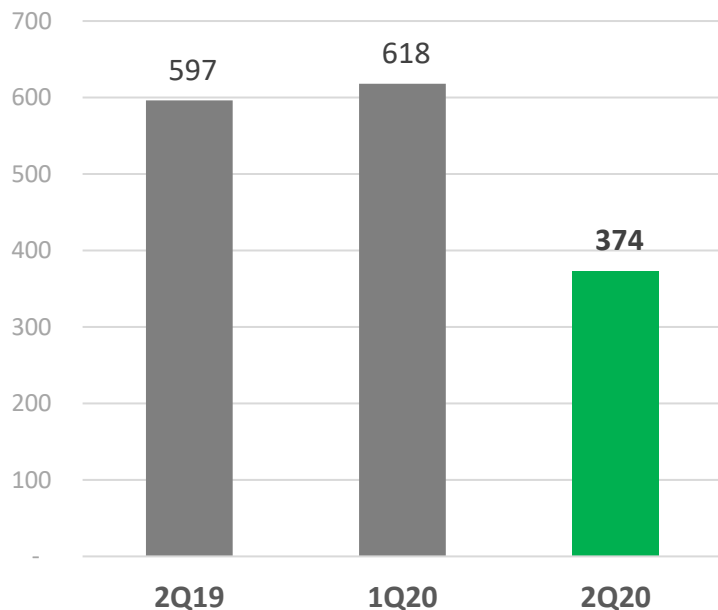
- Net sales of NTD 4,707M
- QoQ: +44.5% / YoY: +51.7%

- Net sales of NTD 1,868M
- QoQ: +44.6% / YoY: +8.0%

# Product Mix by Application

SALES  
( NT\$ MILLION)

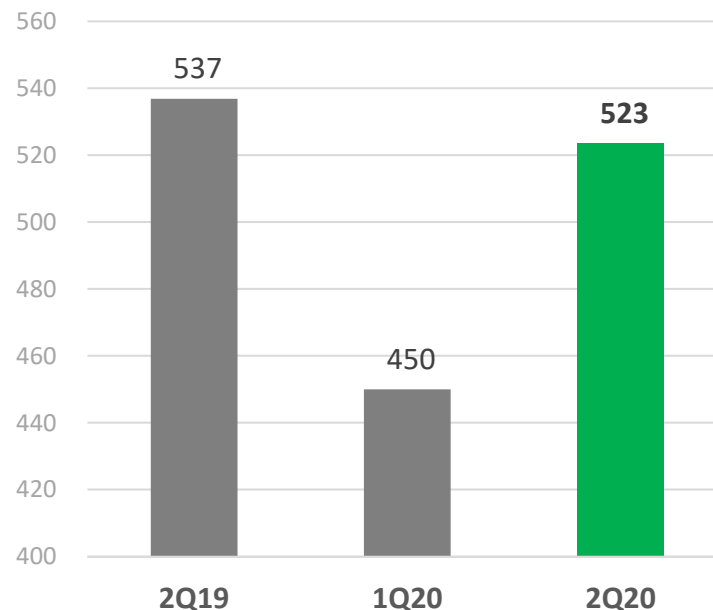
## Automotive



- Net sales of NTD 374M
- QoQ: -39.5% / YoY: -37.4%

SALES  
( NT\$ MILLION)

## Smartphone



- Net sales of NTD 523M
- QoQ: +16.2% / YoY: -2.6%

# 2Q20 Income Statement

NTD \$Million	2Q20	1Q20	2Q19	QoQ	YoY
<b>Revenue</b>	<b>7,472</b>	<b>5,618</b>	<b>5,965</b>	33%	25%
Gross Profit	1,567	1,058	1,159	48%	35%
Operating Expense	486	466	430	4%	13%
<b>Operating Profit</b>	<b>1,081</b>	<b>592</b>	<b>729</b>	82%	48%
Non-Op Income / Loss	(4)	(80)	0		
Income before Tax	1,077	512	729	110%	48%
Tax Expense	211	135	152		
<b>Net Income to Parent</b>	<b>866</b>	<b>377</b>	<b>577</b>	129%	50%
<b>EPS(NT\$)</b>	<b>2.60</b>	<b>1.24</b>	<b>1.91</b>	110%	36%
<b>Key Financial Ratio (%)</b>					
<b>Gross Margin</b>	<b>21.0</b>	<b>18.8</b>	<b>19.4</b>		
Operating Expense Ratio	6.5	8.3	7.2		
<b>Operating Margin</b>	<b>14.5</b>	<b>10.5</b>	<b>12.2</b>		
Effective Tax Rate	19.6	26.3	20.8		
<b>Net Margin</b>	<b>11.6</b>	<b>6.7</b>	<b>9.7</b>		

# 2Q20 Balance Sheet

NTD \$Million	2Q20	1Q20	2Q19
<b>Total Assets</b>	<b>24,433</b>	<b>27,157</b>	<b>20,470</b>
Cash	2,566	7,034	3,502
Marketable Securities	11	69	87
NR / AR	11,958	9,757	9,830
Inventories	3,199	3,452	1,818
Fixed Assets	4,762	5,095	3,871
<b>Total Liabilities</b>	<b>12,861</b>	<b>14,598</b>	<b>12,481</b>
Short-term Debt	1,359	4,168	3,181
NP / AP	6,293	6,055	4,878
Long-term Debt	919	1,259	947
<b>Total Equity</b>	<b>11,572</b>	<b>12,559</b>	<b>7,990</b>
<b>Key Financial Ratio (%)</b>			
ROE	25.6	21.7	27.1
ROA	11.2	9.5	11.3
Debt ratio	52.6	53.8	61.0

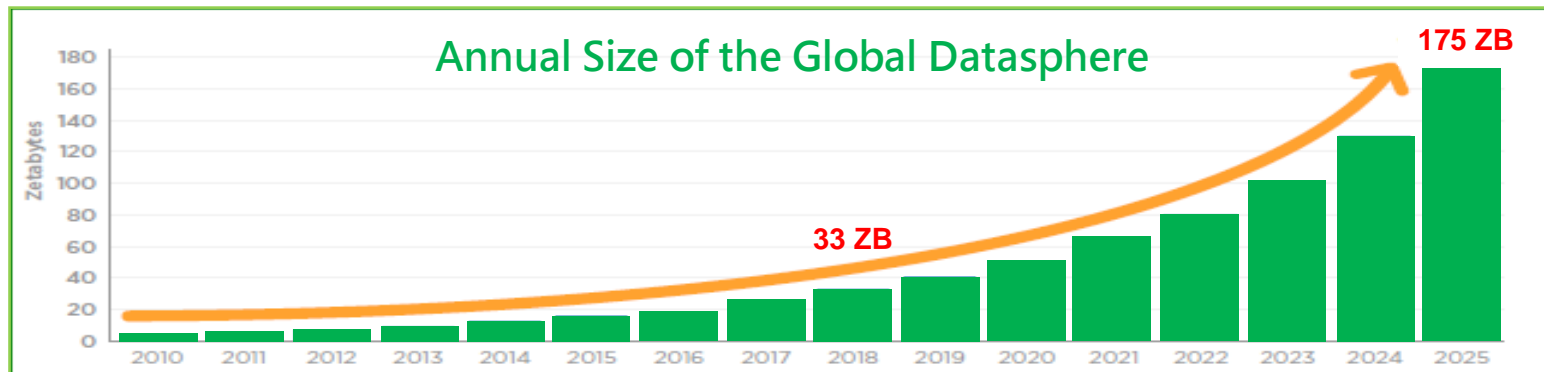
# **Market Trend & Growth Drivers**

- **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) + 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

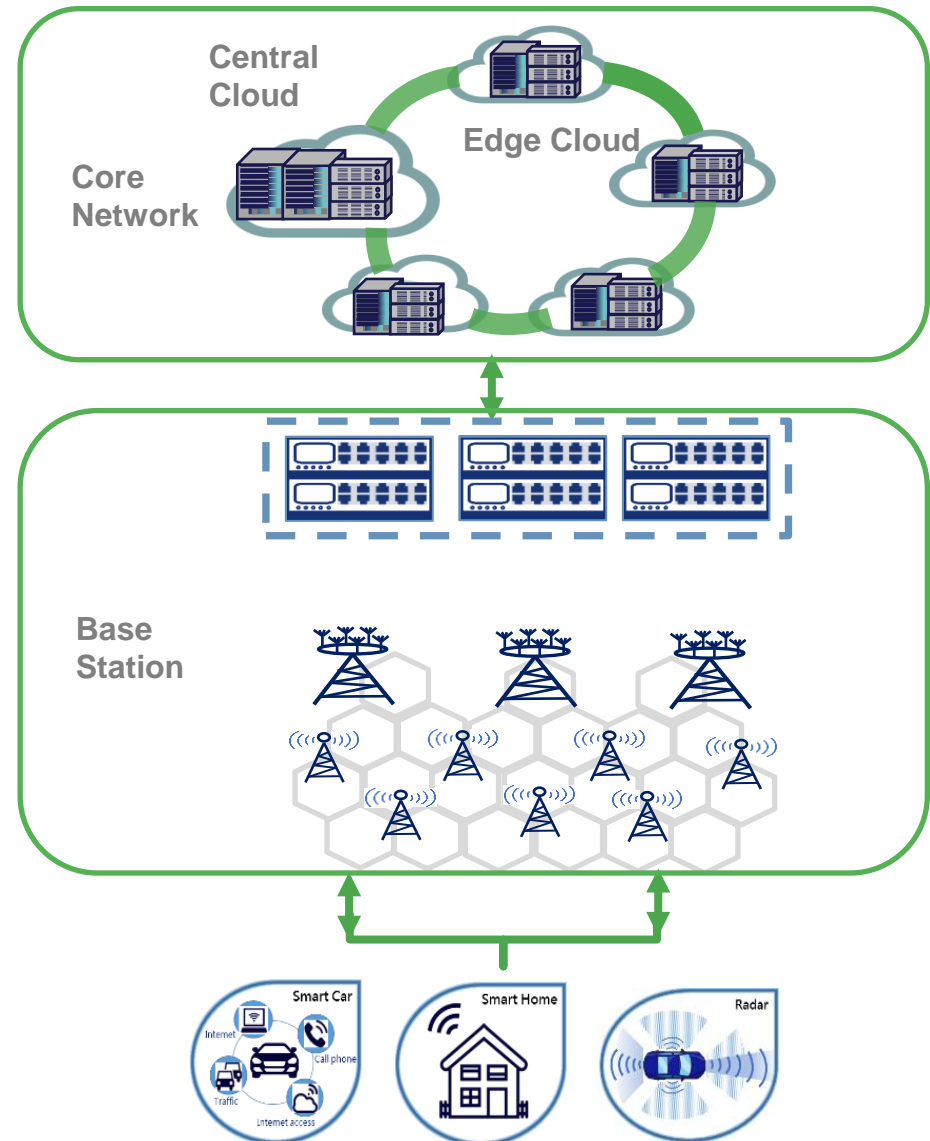
## Active Antenna Unit (AAU)

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

High Speed/ Frequency Material

## IOT(Internet of Things):

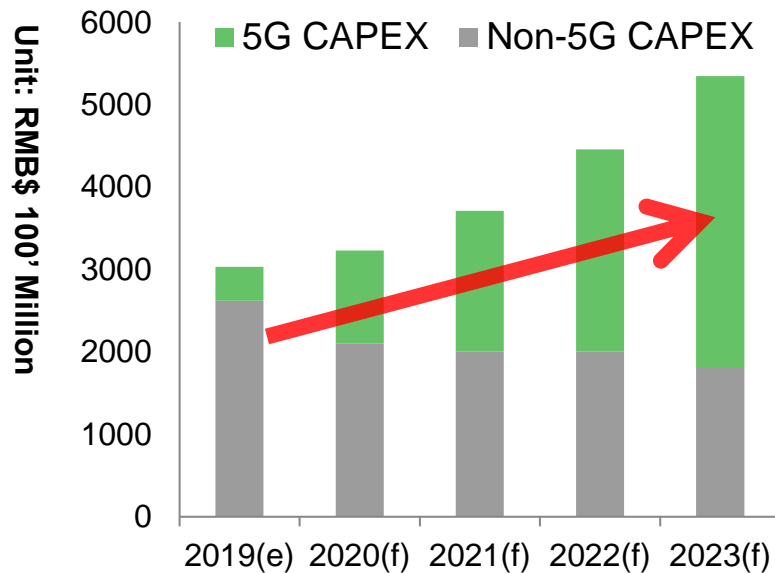
High Speed Material



## ● Accelerating 5G Infrastructure Deployment

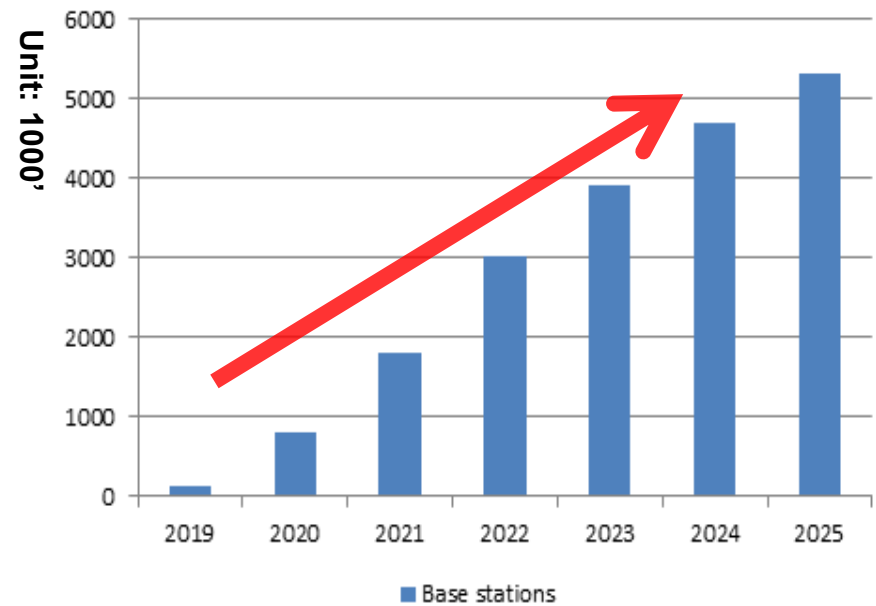
- China 5G CAPEX rise: Expedite 5G infrastructure deployment amid COVID-19 epidemic impact
- China telecom service providers to build over 4x more 5G Base Stations in 2020 vs. 2019
- Strong demand for upgrades on core network (router, server, etc), 200G & 400G switch and optical module driven by SA network expansion in CHN

CAPEX of CHN Telecom Operators, 2019-'23



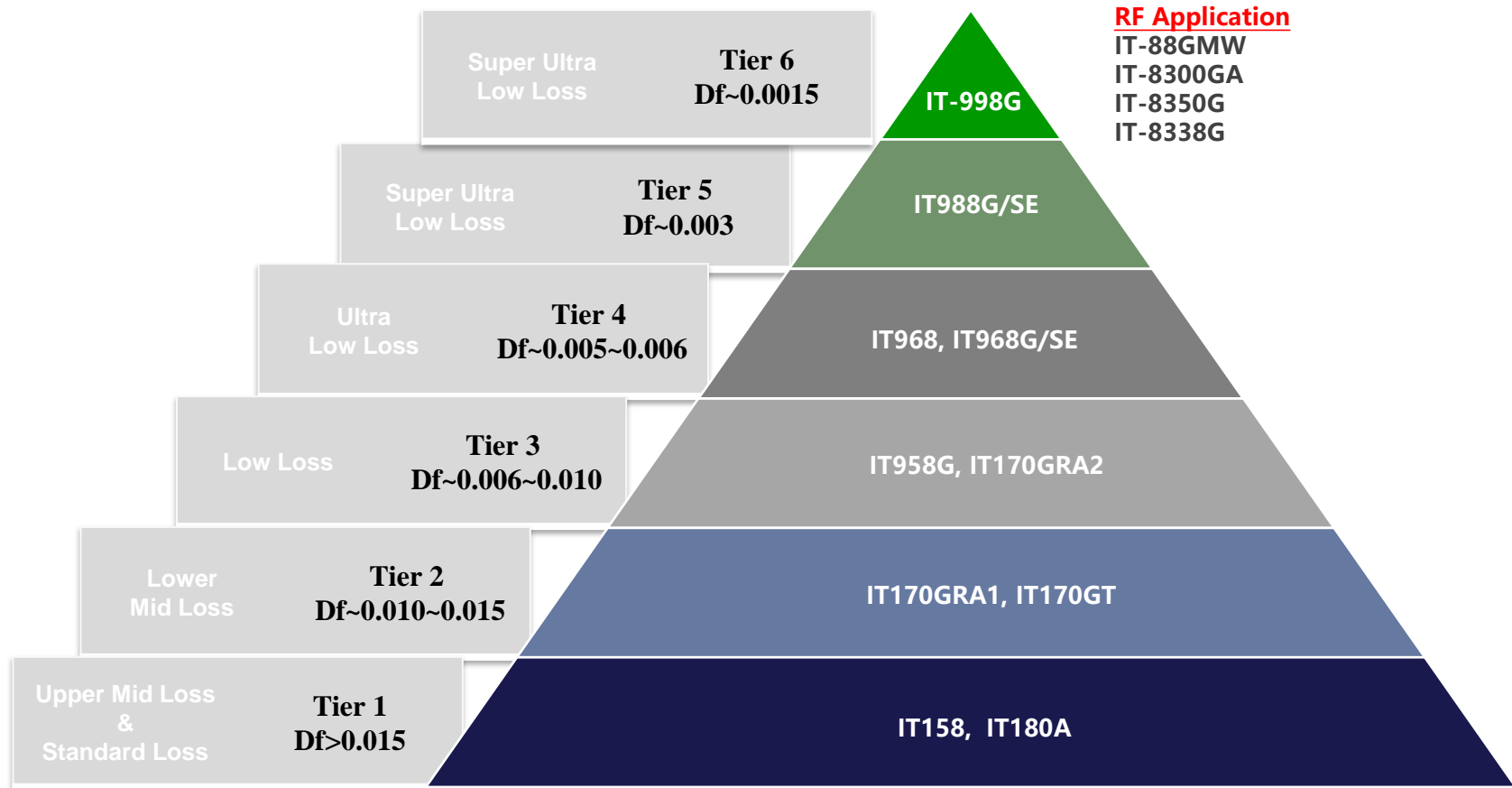
(Source: Digitimes Research, Feb 2020)

Accumulated # of 5G base stations in China, 2019-'25





# 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

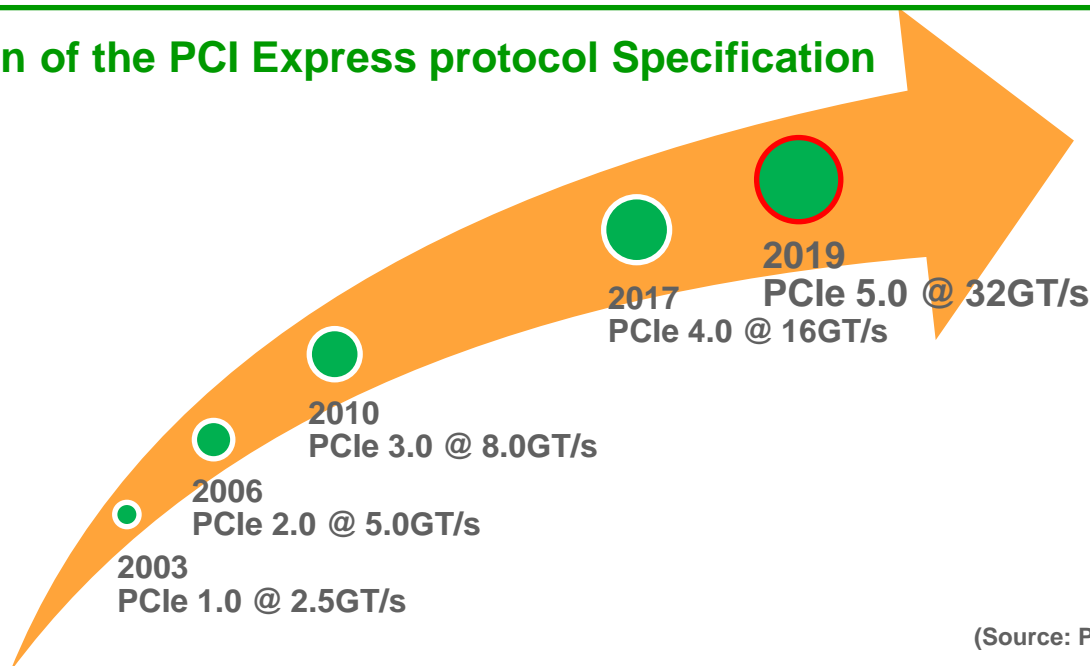
## ● Data center and server upgrade

- 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

## ● Accelerating PCIe Specification Development

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

### Evolution of the PCI Express protocol Specification



(Source: PLDA, 2019)

# New Production Site - JiangXi



## Wuxi

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



## Xsin Pu(Taiwan)

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



## Dong Guan

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



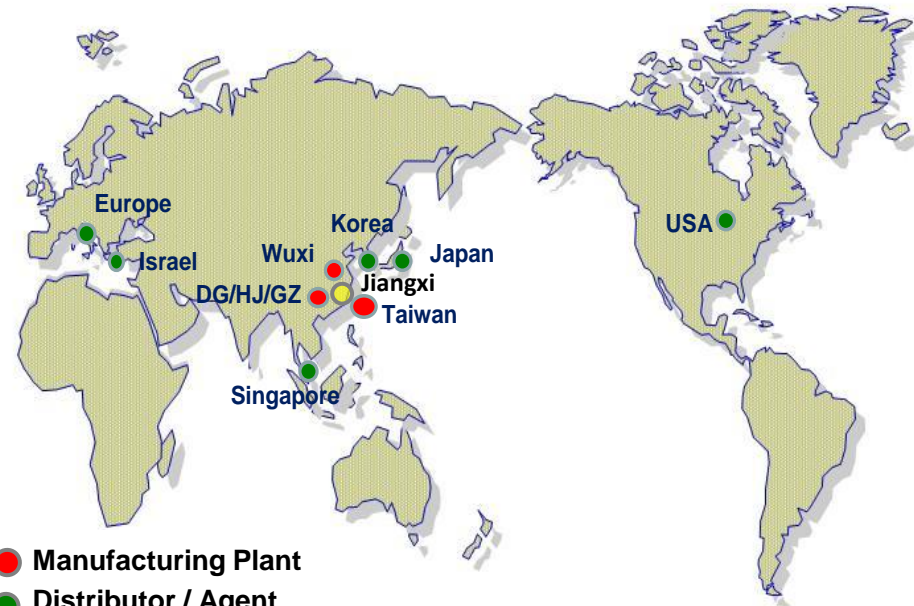
## Guang Zhou(Flexible CCL)

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 (Phase I)

Laminate : 600 K sheets  
Prepreg : 4,500 K meters  
Mass Production Timeline:  
✓ 2Q20 for 450 K sheets  
✓ 3Q20 for 150 K sheets

# 2014 – 2019 Dividend Payout

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%

\*New shares issuance of 30 million common shares concluded in March 31<sup>st</sup> 2020; current total outstanding common share: 333 million

# *Thank You*

