

ITEQ Corporation

2020 Third Quarter Earnings Result

ITEQ

INNOVATION. TEAMWORK. EXCELLENCE. QUALITY

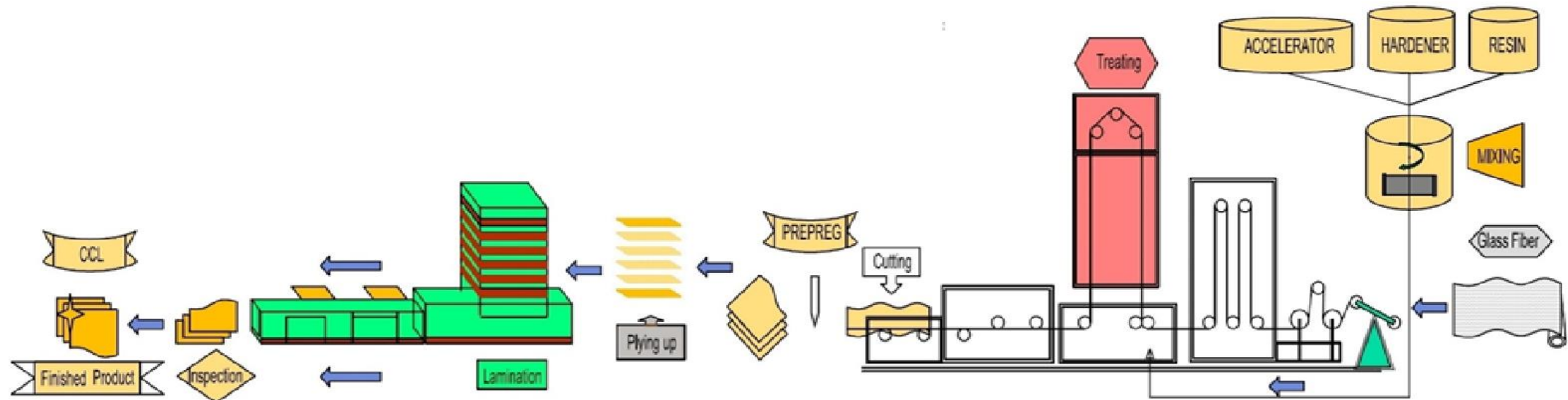
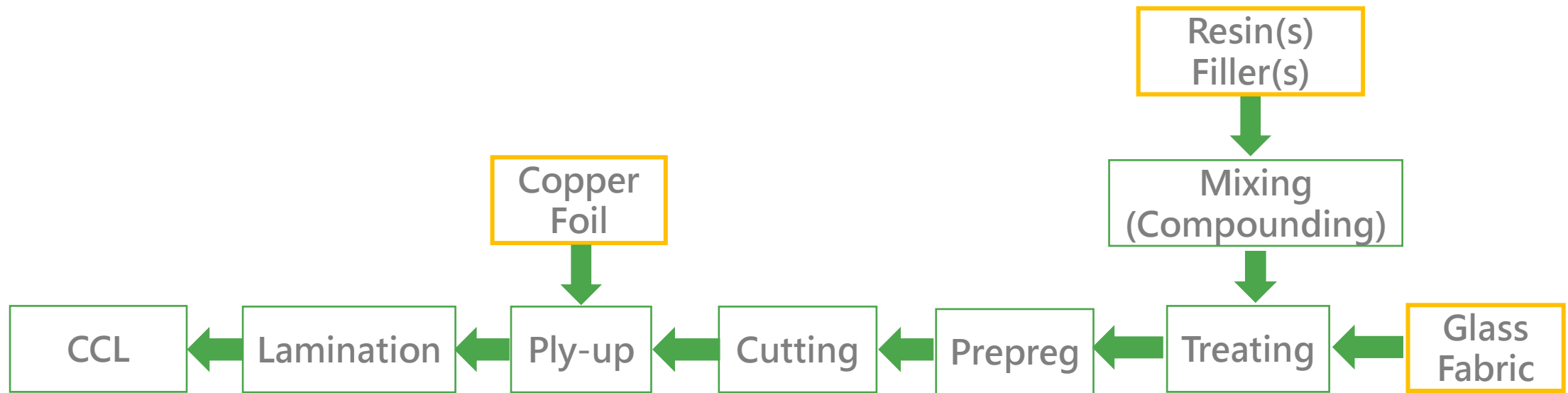
January 2021

- 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.

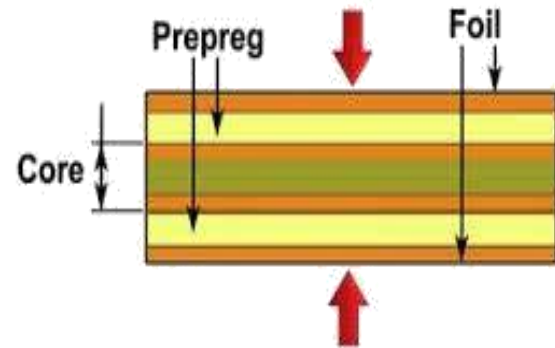
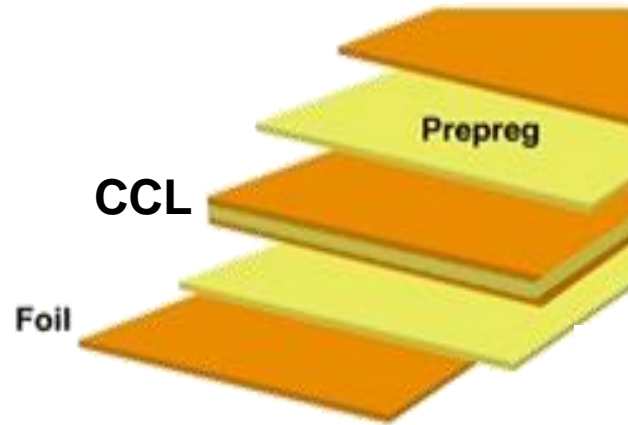
Company Overview

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

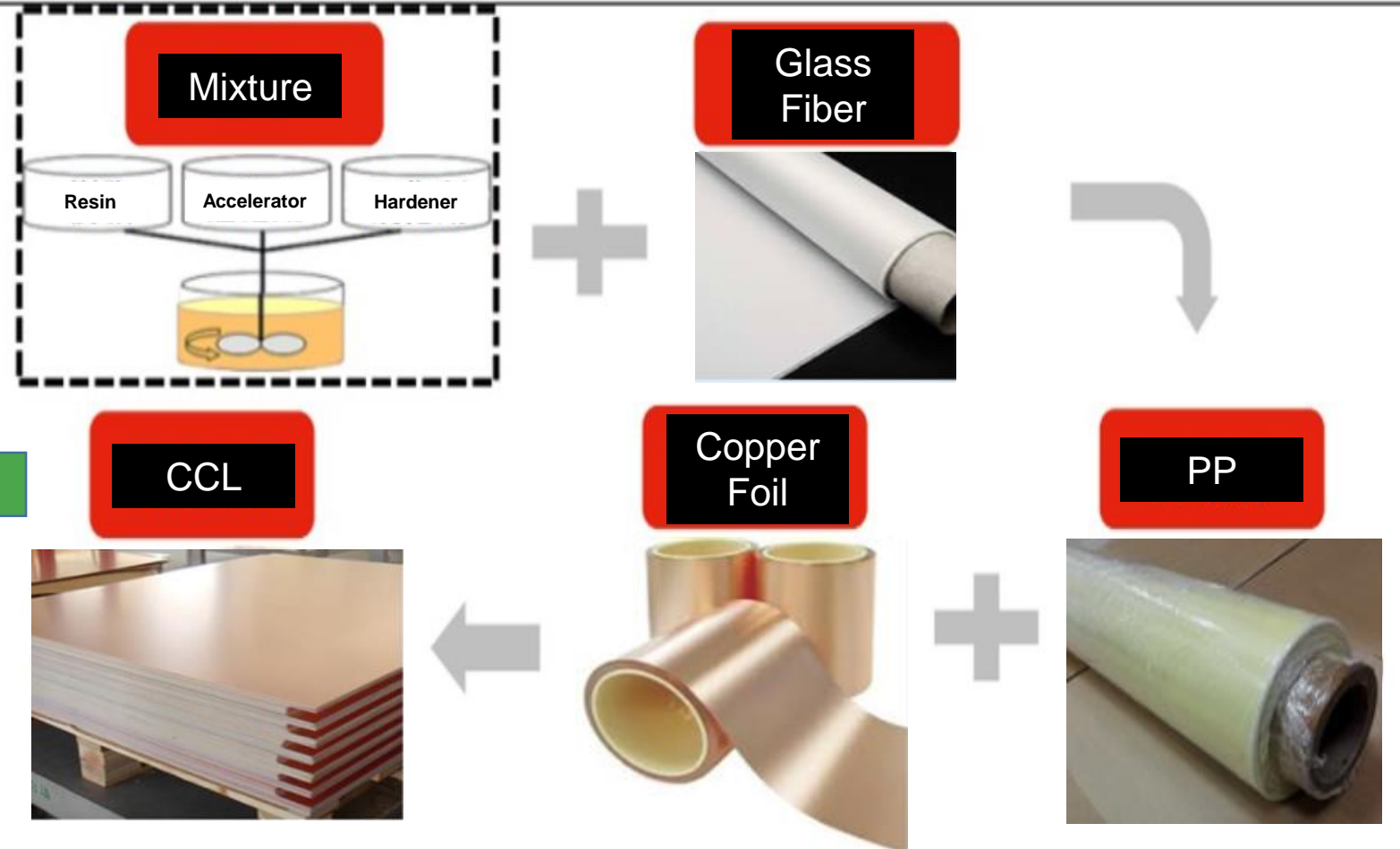




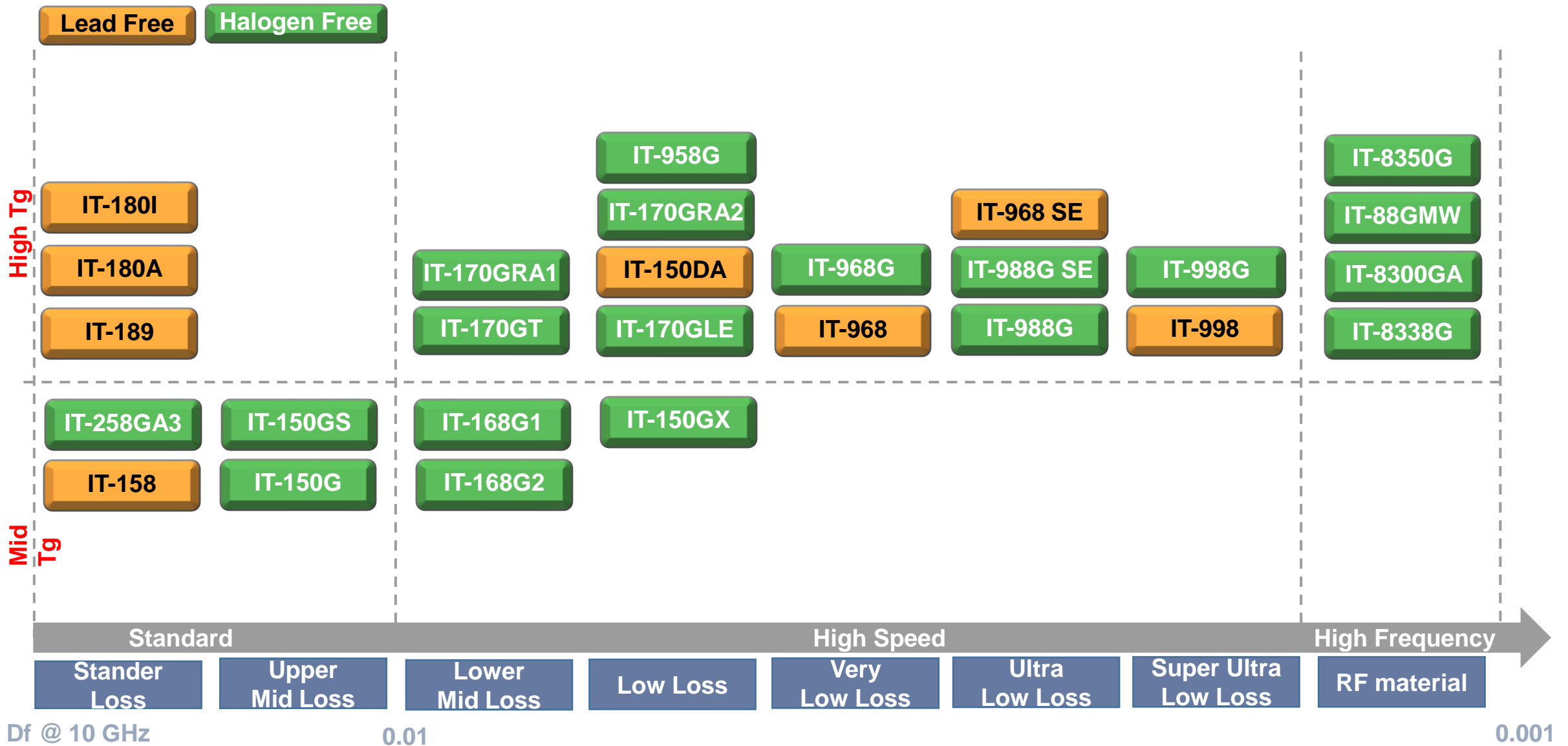
CCL/PP

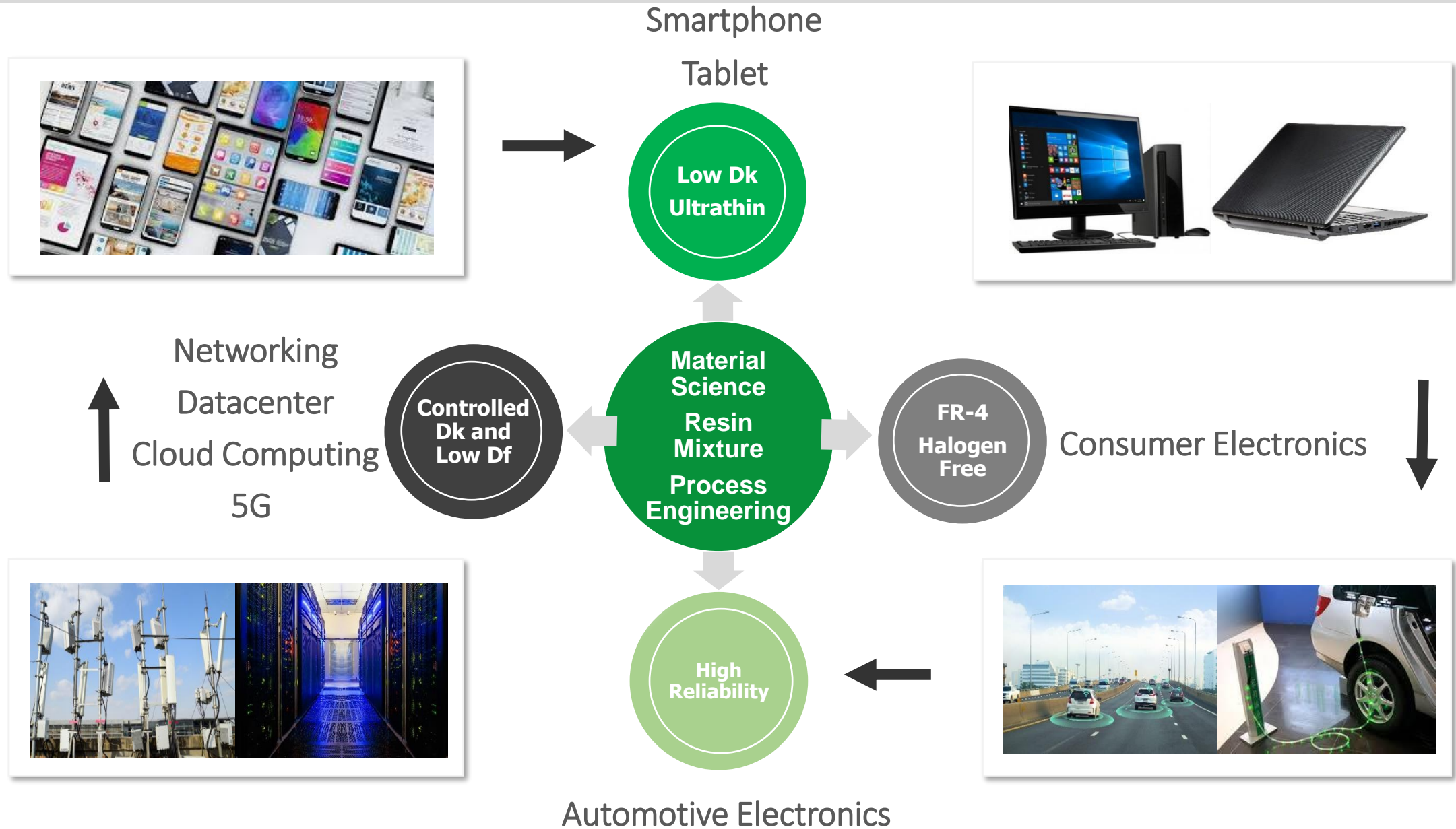


CCL Manufacturing Process

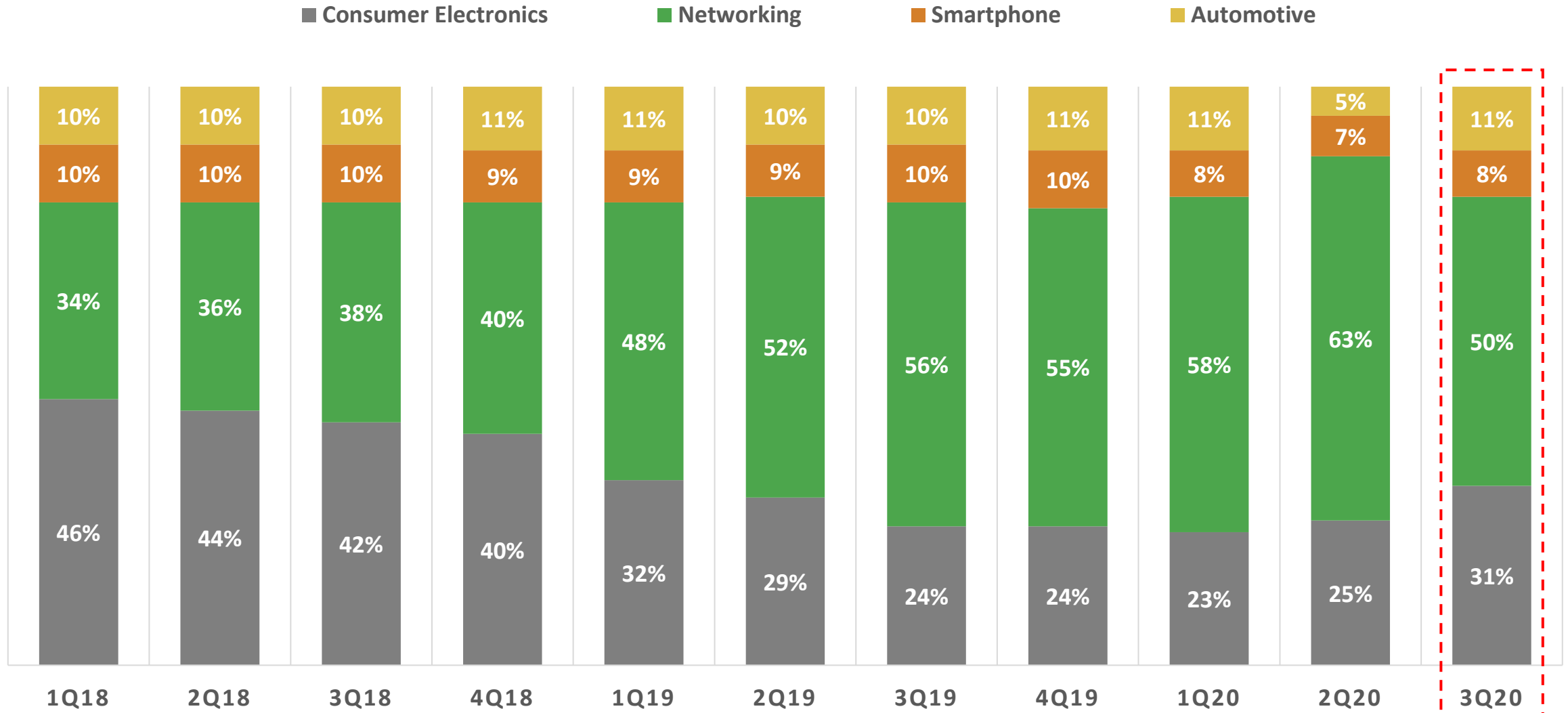


Product Roadmap



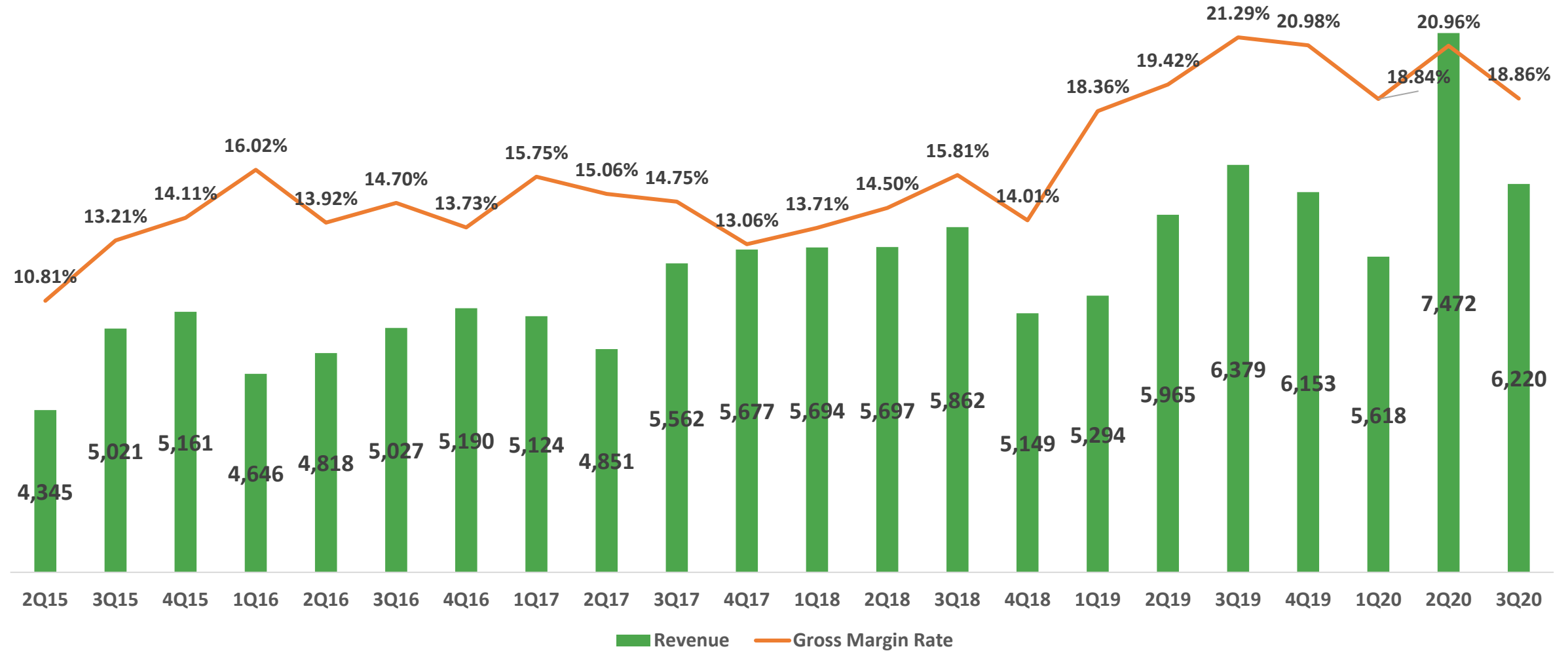


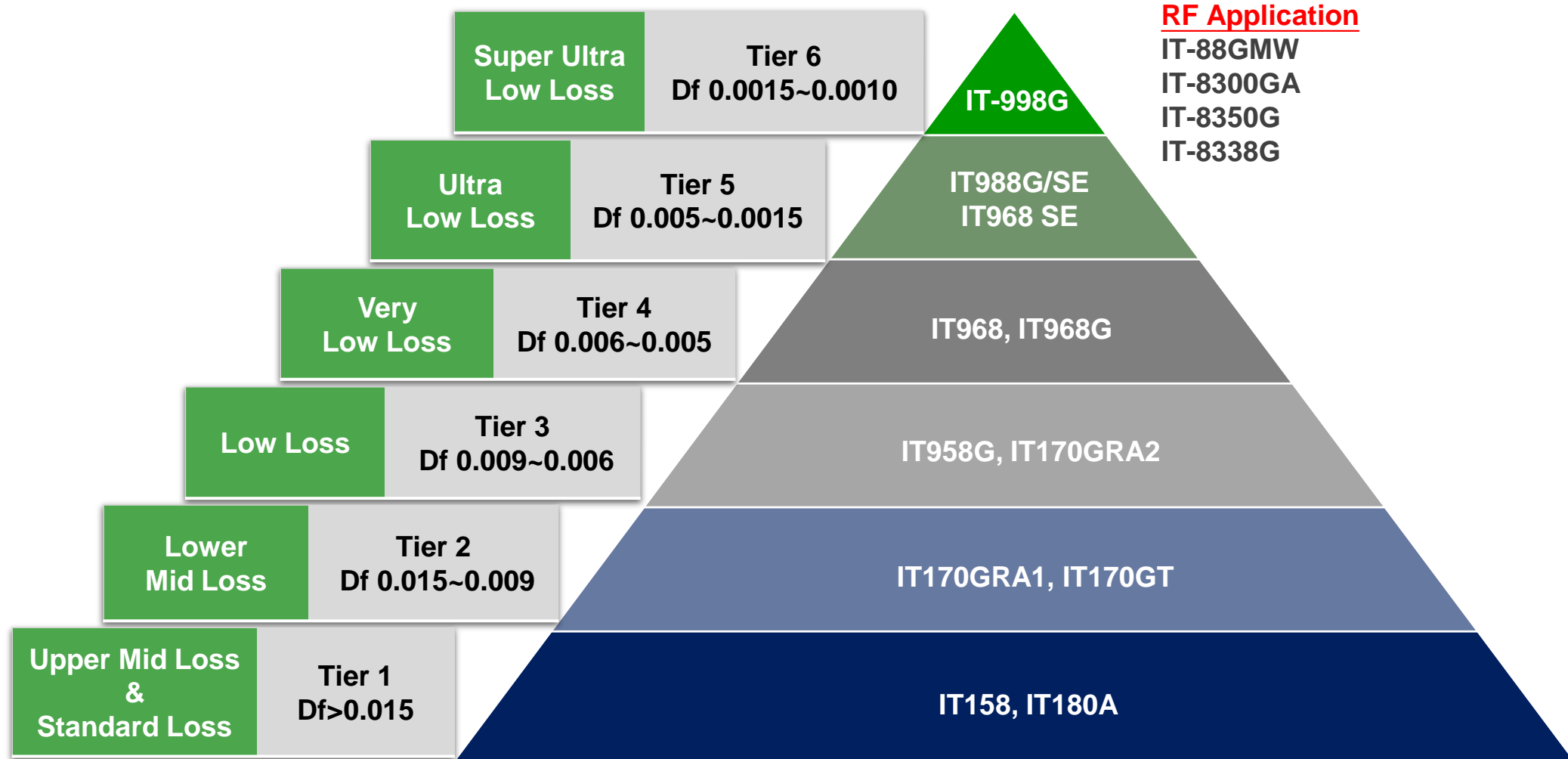
1Q18~3Q20 Product Mix



Revenue & Gross Margin Rate

(Million \$NTD)





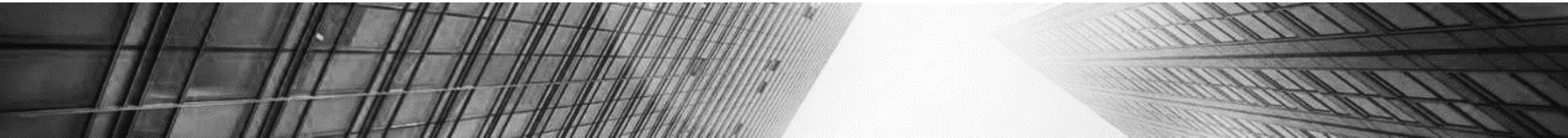
- The need for 5G commercialization and server upgrade will expedite the growth of high speed / frequency demand
- ITEQ's market share in high speed / frequency material to uplift robustly

3Q20 Income Statement

NTD \$Million	3Q20	2Q20	3Q19	QoQ	YoY
Revenue	6,220	7,472	6,379	-17%	-2%
Gross Profit	1,173	1,567	1,358	-25%	-14%
Operating Expense	454	486	421	-7%	8%
Operating Profit	719	1,081	938	-33%	-23%
Non-Op Income / Loss	97	(4)	(59)		
Income before Tax	816	1,077	878	-24%	-7%
Tax Expense	172	211	163		
Net Income to Parent	645	866	715	-26%	-10%
EPS(NT\$)	1.94	2.60	2.36	-25%	-18%
Key Financial Ratio					
Gross Margin	18.9%	21.0%	21.3%		
Operating Expense Ratio	7.3%	6.5%	6.6%		
Operating Margin	11.6%	14.5%	14.7%		
Effective Tax Rate	21.0%	19.6%	18.5%		
Net Margin	10.4%	11.6%	11.2%		

3Q20 Balance Sheet

NTD \$Million	3Q20	2Q20	3Q19
Total Assets	25,953	24,433	21,929
Cash	3,625	2,566	2,984
Marketable Securities	6	11	83
NR / AR	11,200	11,958	10,702
Inventories	3,330	3,199	2,110
Fixed Assets	5,896	4,762	4,596
Total Liabilities	13,527	12,861	13,476
Short-term Debt	2,331	1,359	4,242
NP / AP	6,328	6,293	5,715
Long-term Debt	1,640	919	718
Total Equity	12,426	11,572	8,453
Key Financial Index			
Days Sales Outstanding	156	161	151
Days Sales of Inventory	56	55	37
Days Payable Outstanding	111	109	97
ROE (%)	23.90	25.6	29.20
ROA (%)	10.57	11.2	12.08
Debt ratio (%)	52.12	52.6	61.45



Market Trend & Growth Drivers

ITEQ

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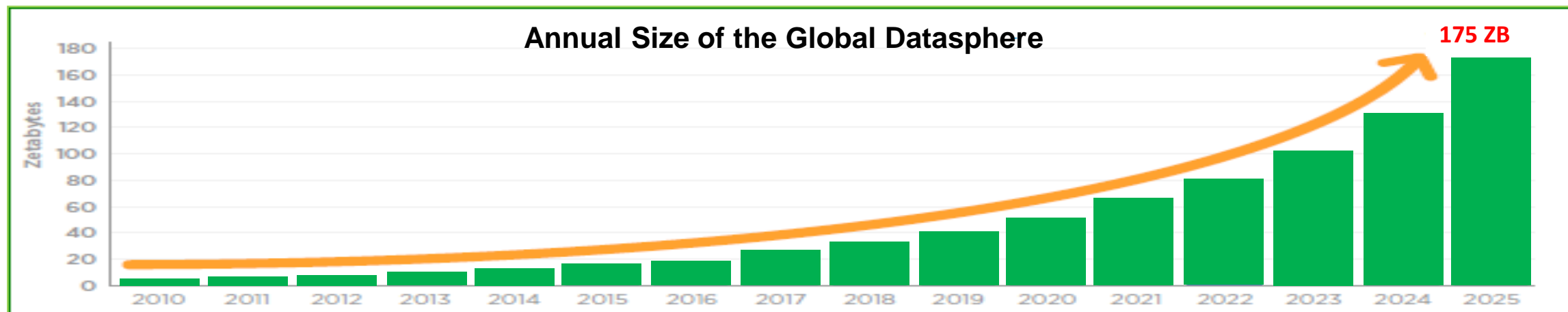
INNOVATION • TEAMWORK •
EXCELLENCE • QUALITY

- **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)

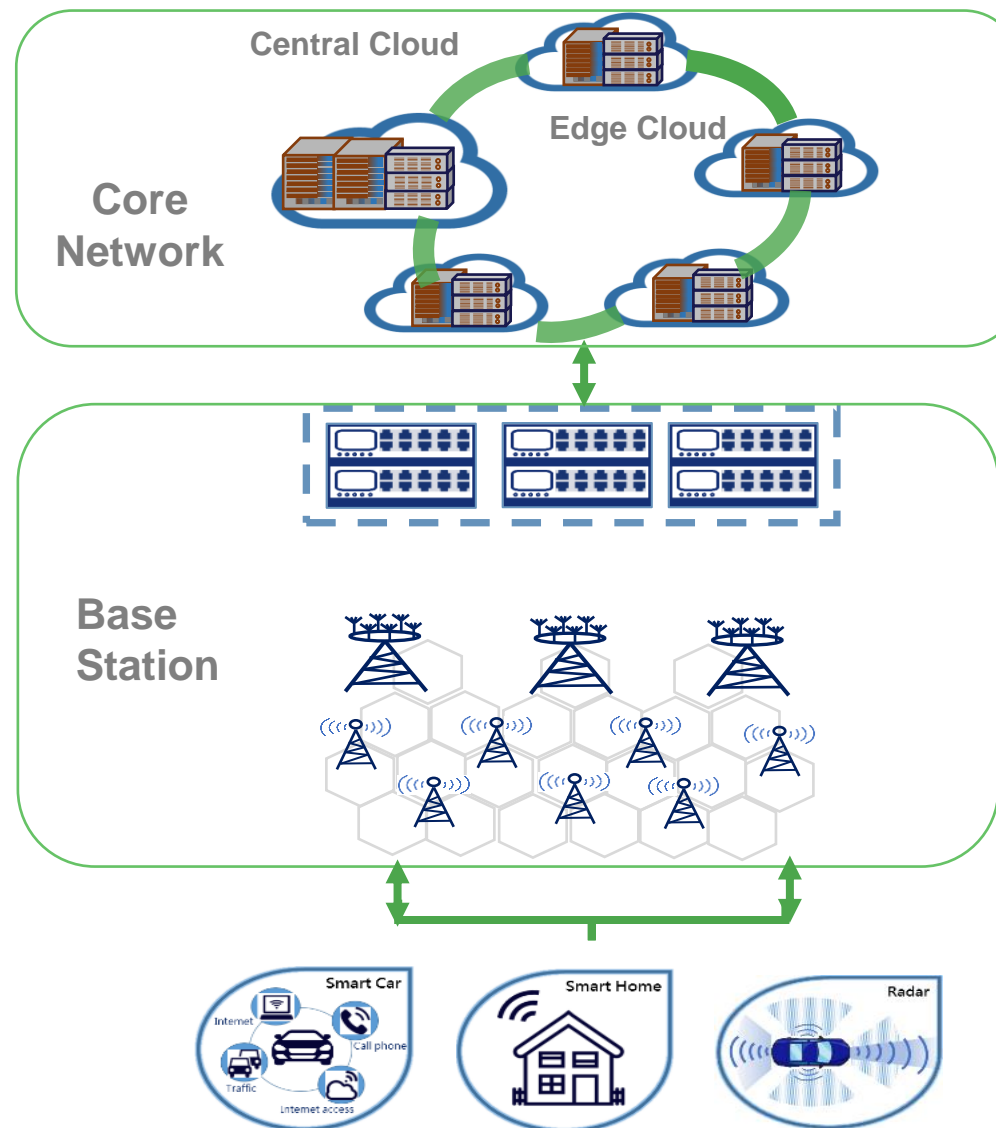
- Including Antenna, PA, TRX Network
- Multi layer design for complex functionality

High Speed Material

High Frequency Material

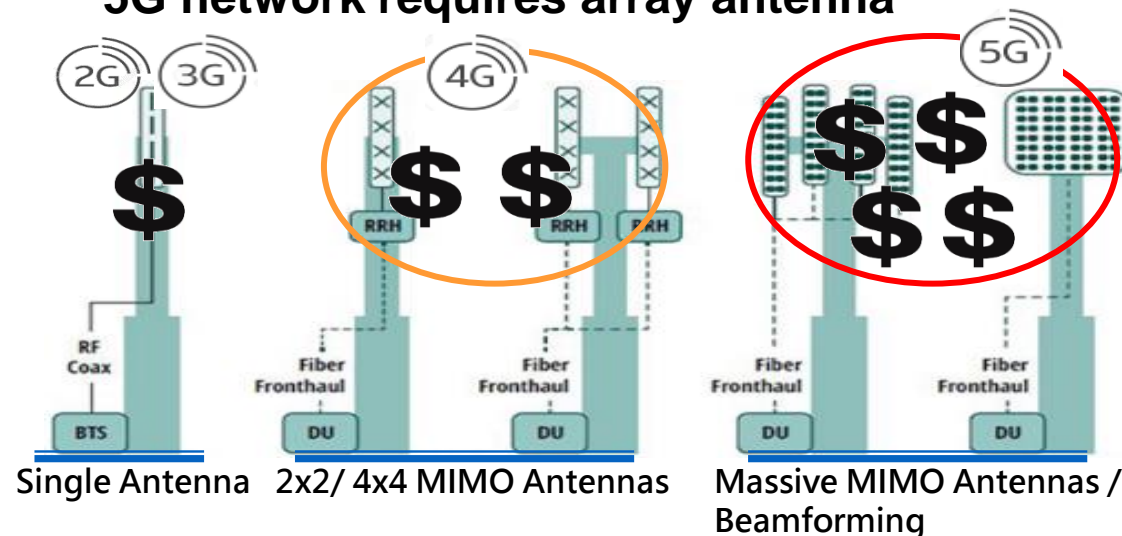
IoT(Internet of Things)

High Speed Material



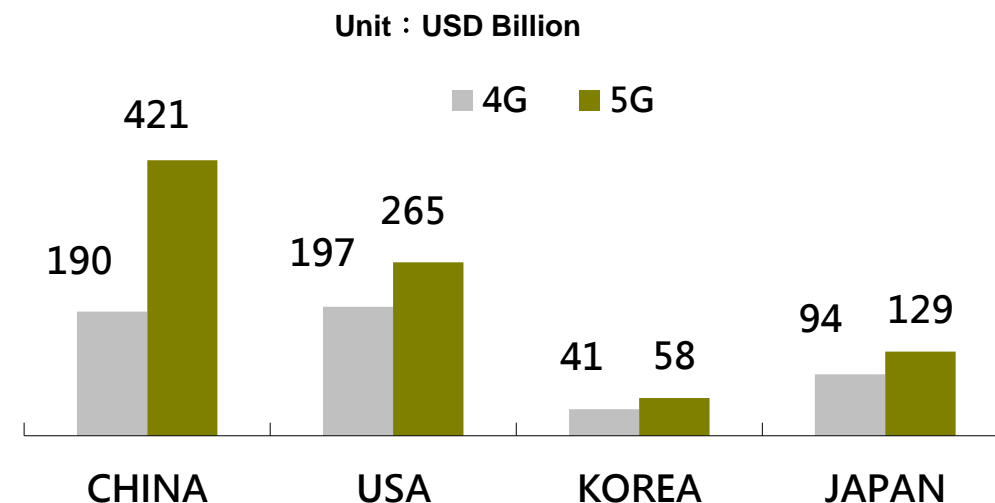


5G network requires array antenna



Source : Morgan Stanley · 2019/2 ; DIGITIMES Research · 2020/8

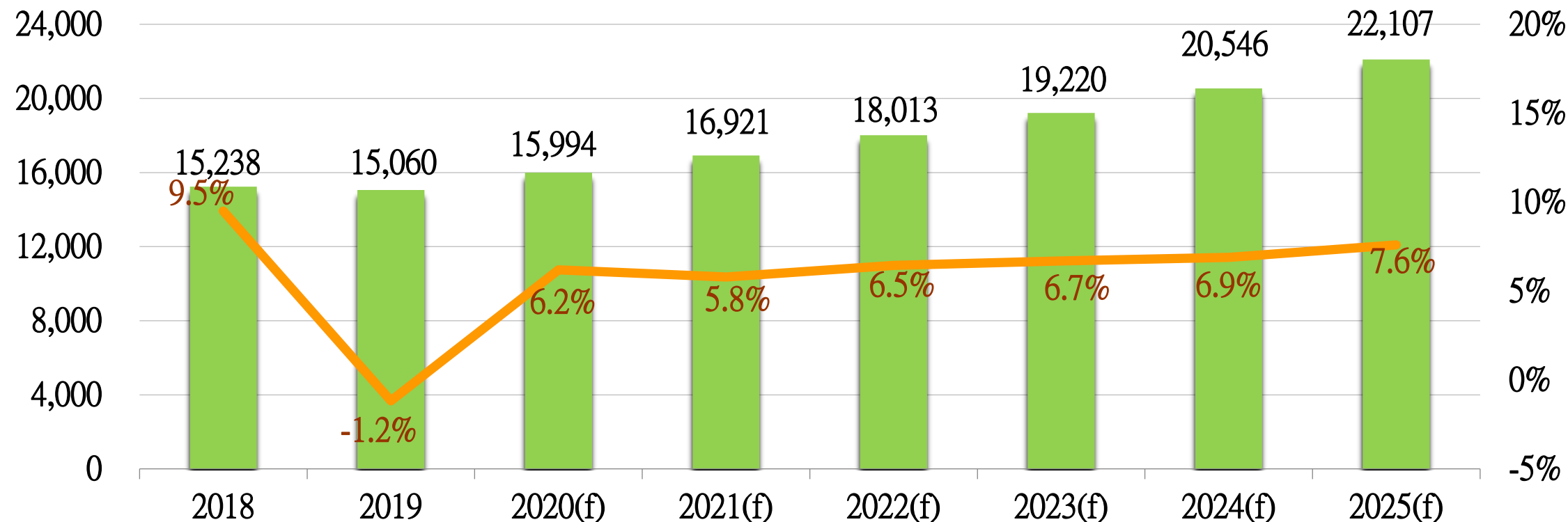
Global 4G & 5G CAPEX (10yrs) Forecast



- High Spectrum 5G Network: Need base station equipment MP/upgrade to drive the demand of high speed/frequency material to grow
- Design Complexity of PCB: Increase area and layer counts for PCB to bring up the unit of demand for CCL

2020~2025 Global Server Shipment CAGR: 6.7%

Unit : Thousand



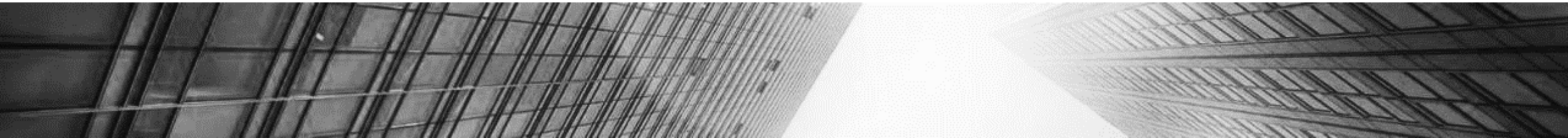
Source : DIGITIMES Research · 2020/9

- Increase of Datacenter Equipment Shipment: Demand of high speed material to grow correlatively
- Hardware Equipment Upgrade: Corresponding CCL material to upgrade

2014 – 2019 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%

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



ITEQ & MGC Joint Venture Project

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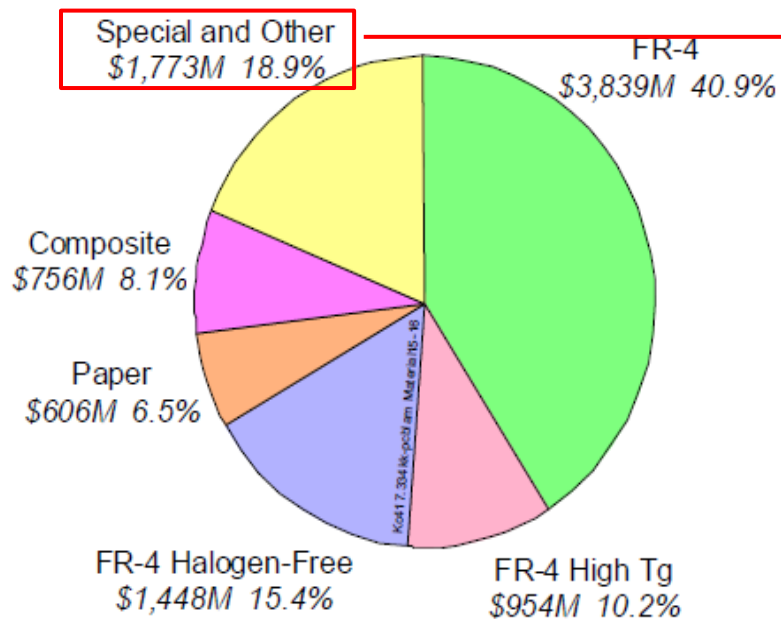
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Increase of Special CCL Production Value

Global CCL Production Value (\$USD)

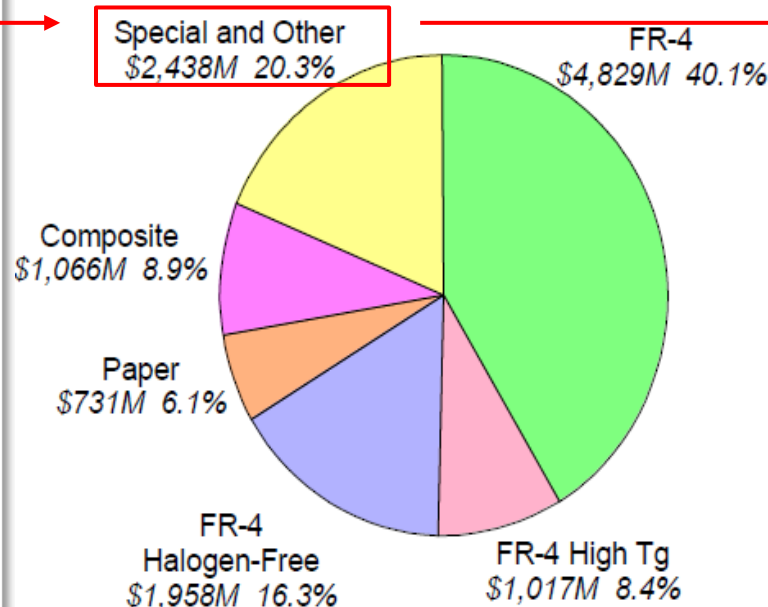
2015



TOTAL: \$9,376M

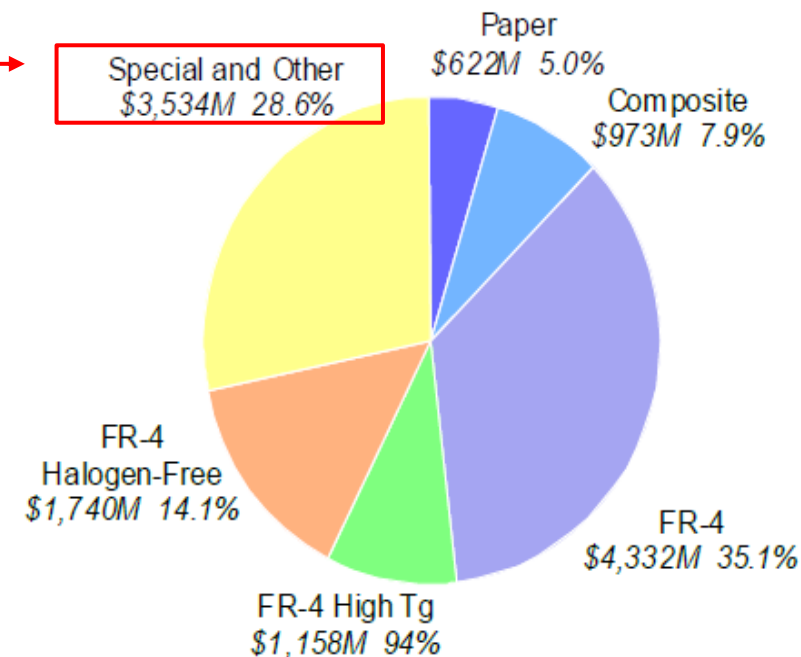
資料來源: Prismark Report

2017



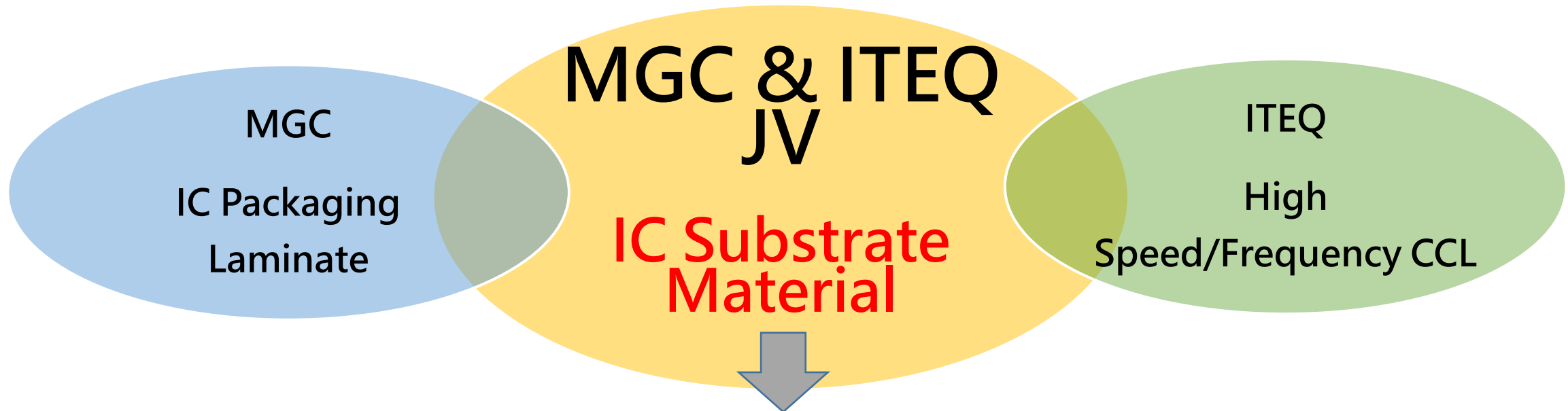
TOTAL: \$12,039M

2019



TOTAL: \$12,359M

- High Speed Transmission: Global special laminates production value increased to \$3,534M in 2019 from \$1,773M in 2015
- Leadership of High Speed/Frequency Technology: ITEQ to set footprint in IC substrate materials adopted in the semiconductor packaging applications



BT Substrate

- Logic IC (Consumer Electronic, Smartphone, GPU, CPU)
- Memory IC (DRAM, NAND Flash)



Thank you

Question and Comment