



# ITEQ Corporation

2020 Third Quarter Earnings Result

**ITEQ**

INNOVATION. TEAMWORK. EXCELLENCE. QUALITY

November 2020

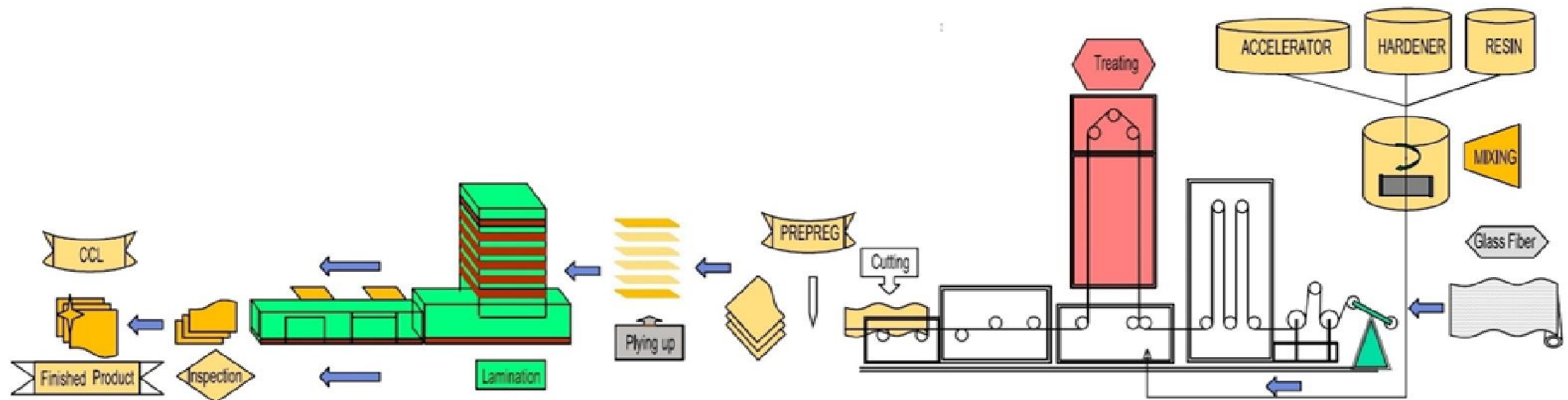
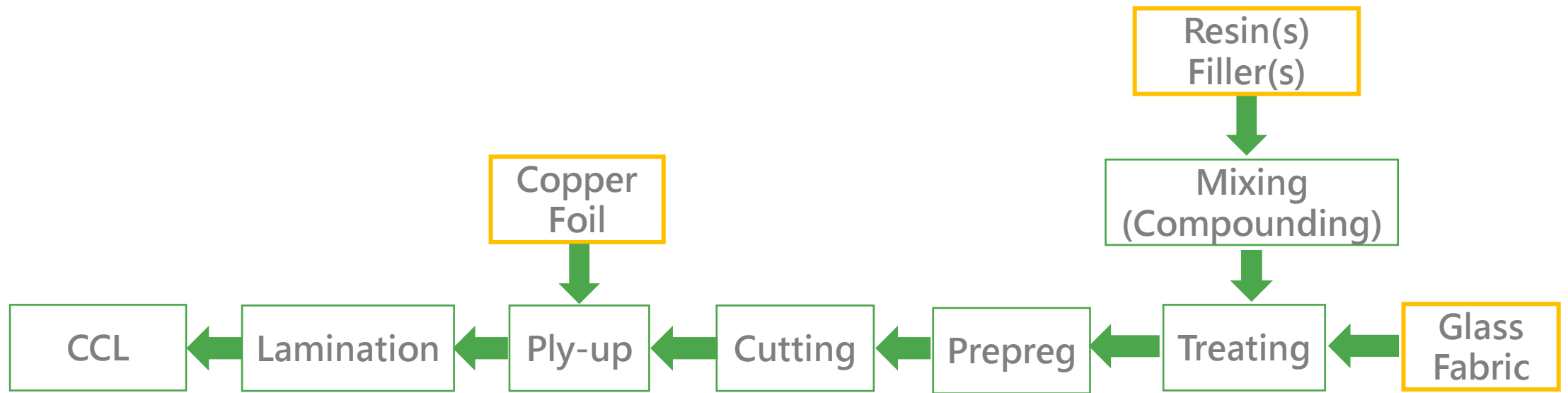
- This presentation and release contain “forward-looking statements” which may include projections of future results of operations, financial condition or business prospects based on our own information and other sources.
- Our actual results of operations, financial condition or business prospects may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

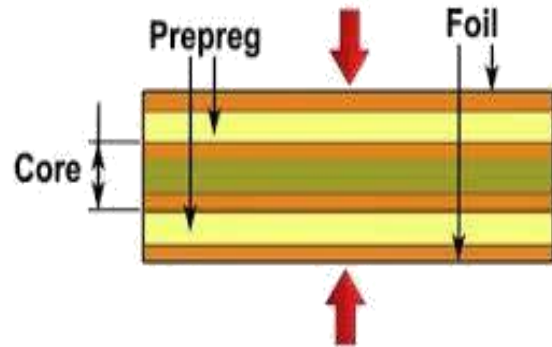
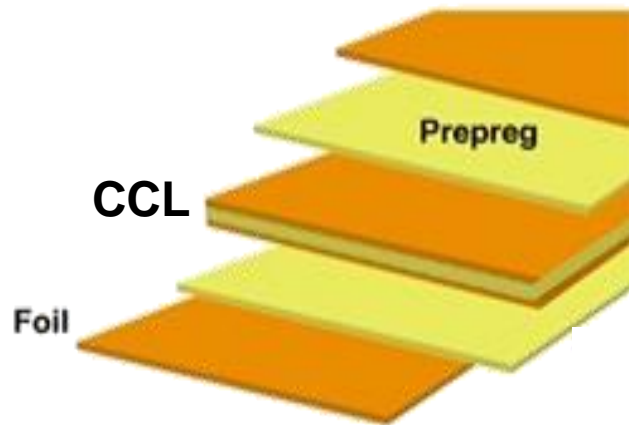
- ◆ Establishment: April 10<sup>th</sup>, 1997
- ◆ Headquarter: HsinChu, Taiwan
- ◆ Capital: NTD\$3,330M
- ◆ Employees: Over 3,000
- ◆ Chairman: Dennis Chen
- ◆ CEO: Audrey Tsai
- ◆ Main Product: Copper Clad Laminate & Prepreg  
Flexible CCL  
Masslam service



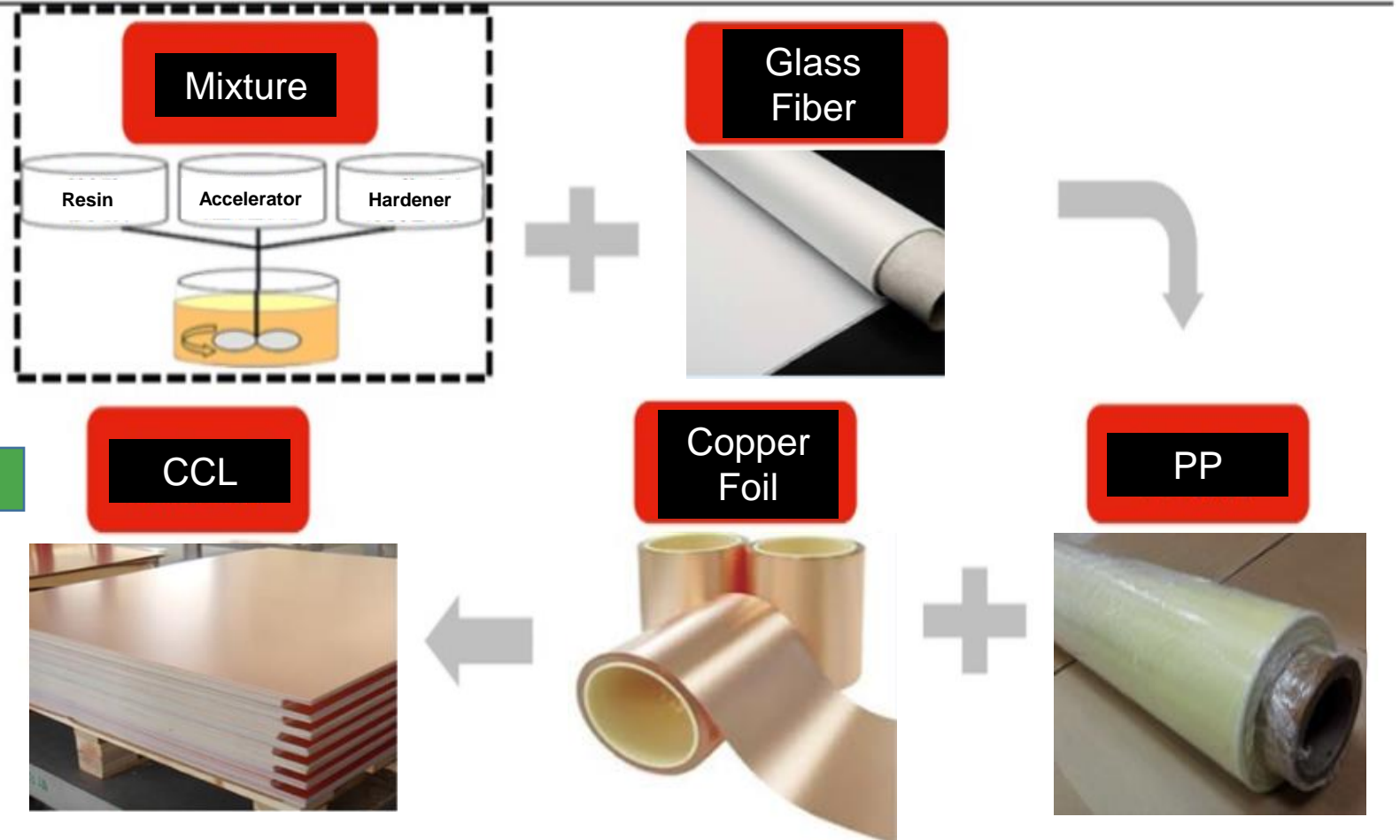
# CCL & PP Manufacturing Flow



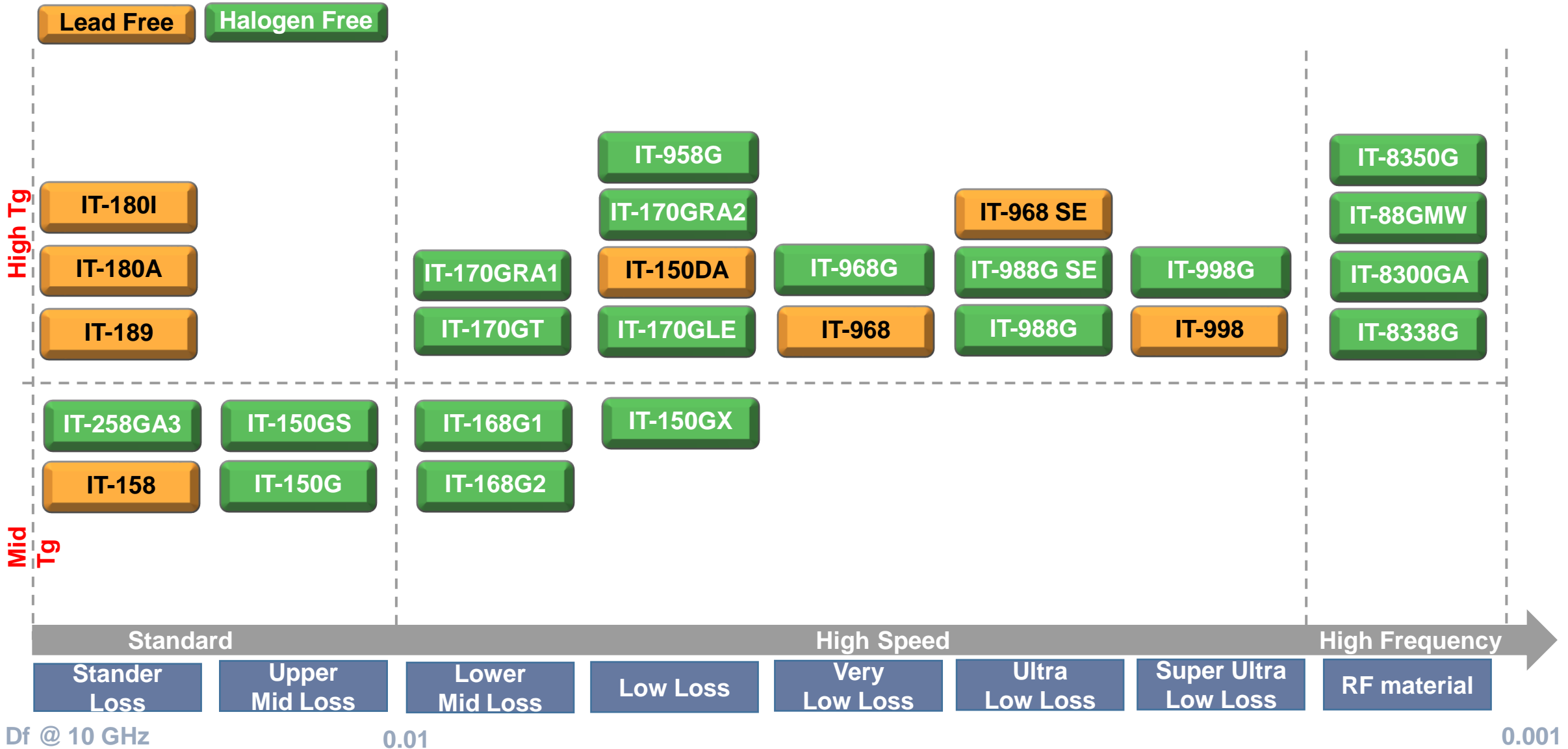
## CCL/PP

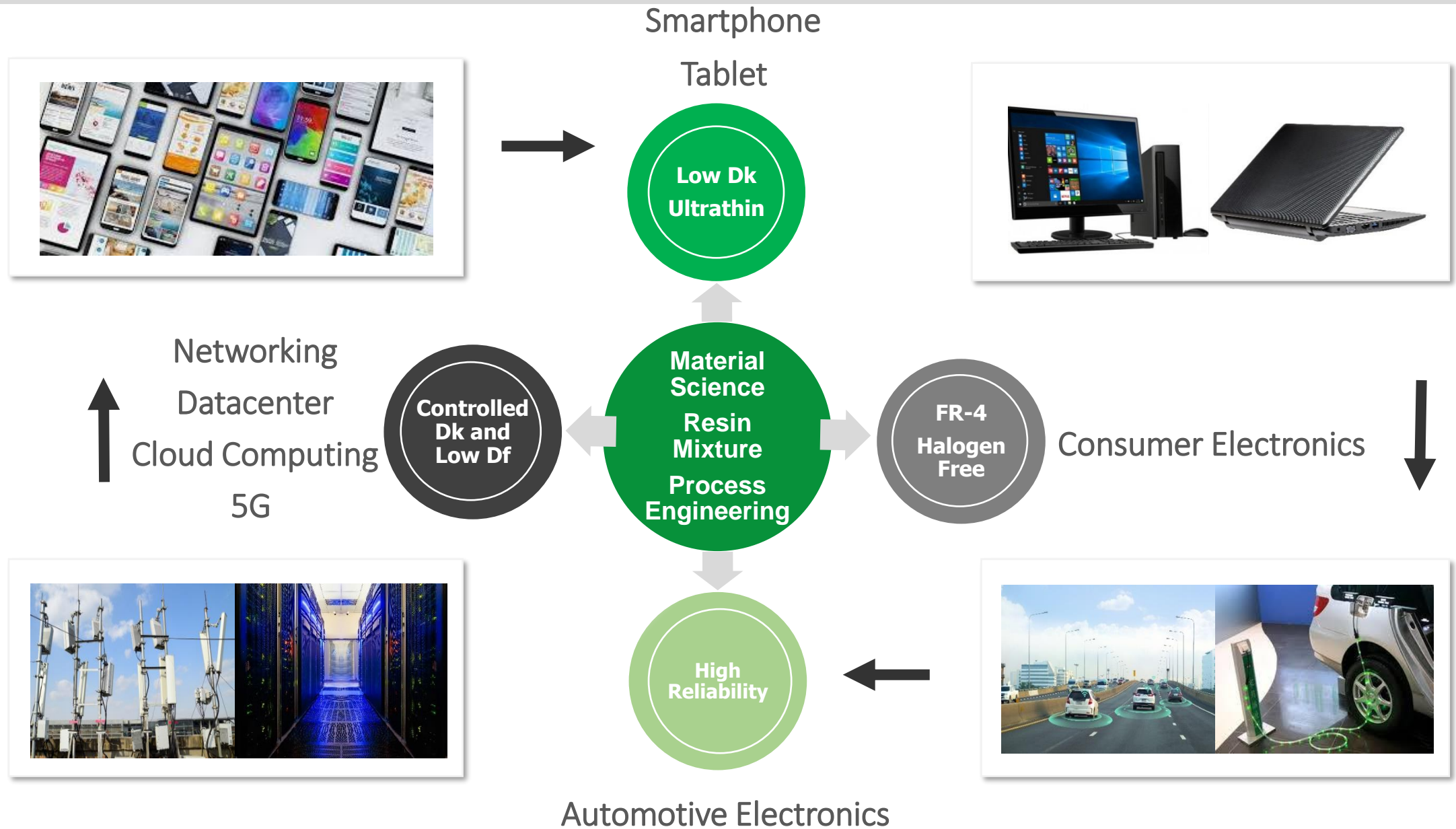


## CCL Manufacturing Process

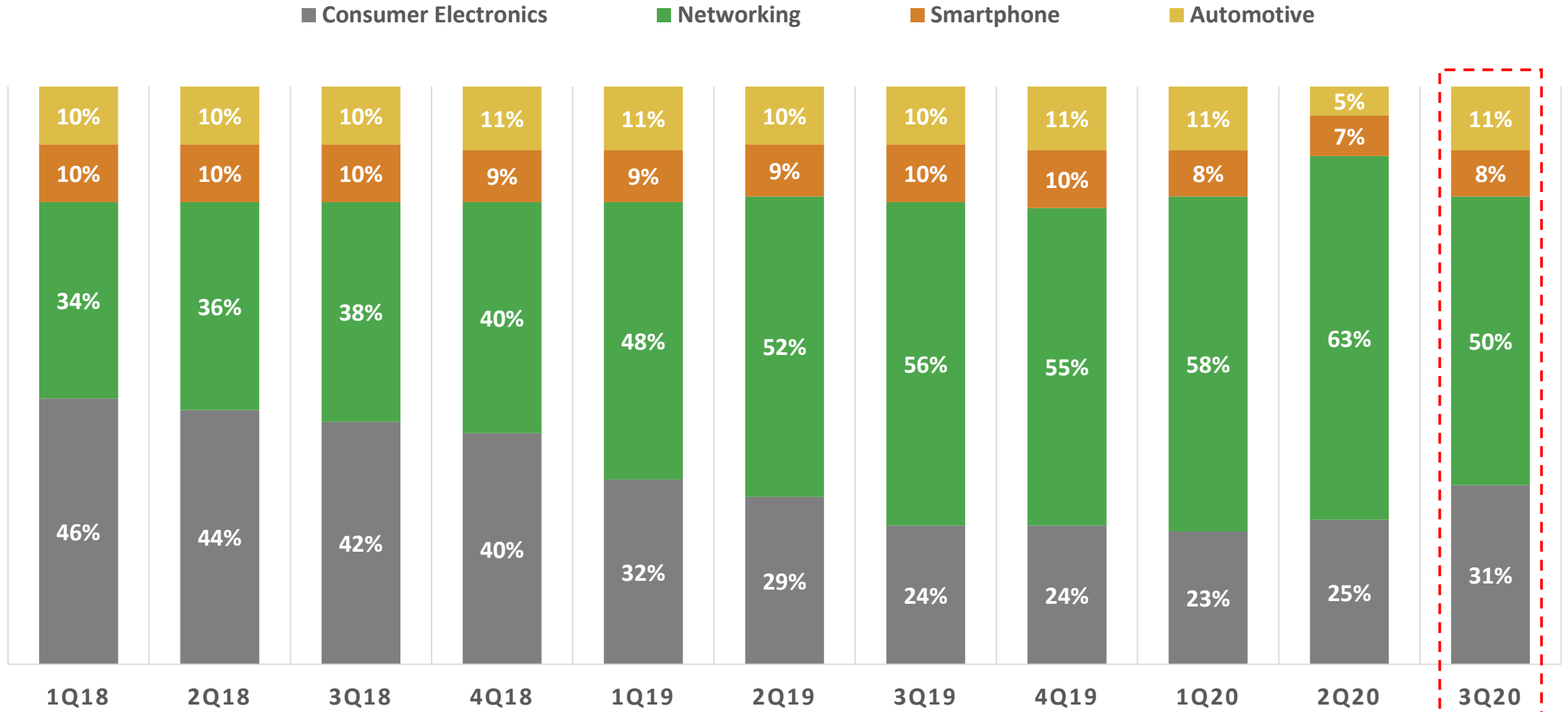


# Product Roadmap





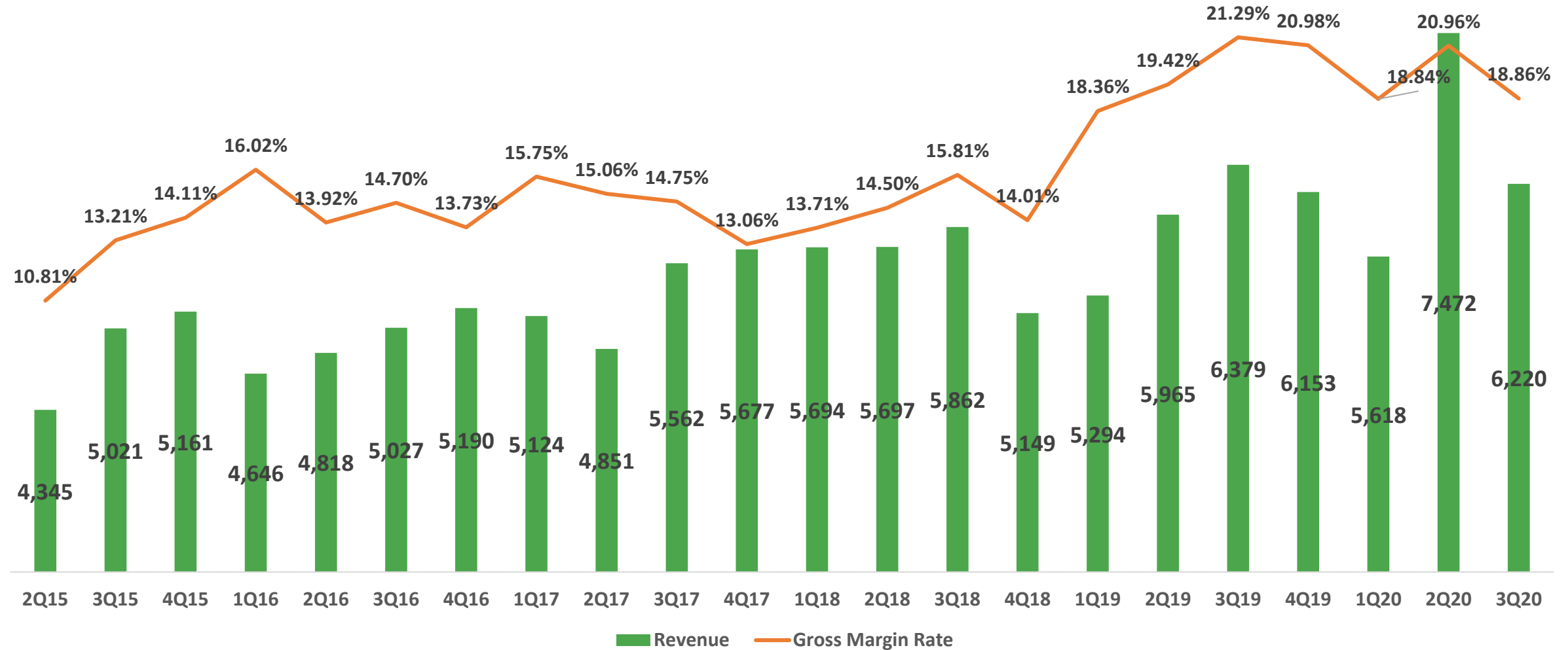
# 1Q18~3Q20 Product Mix

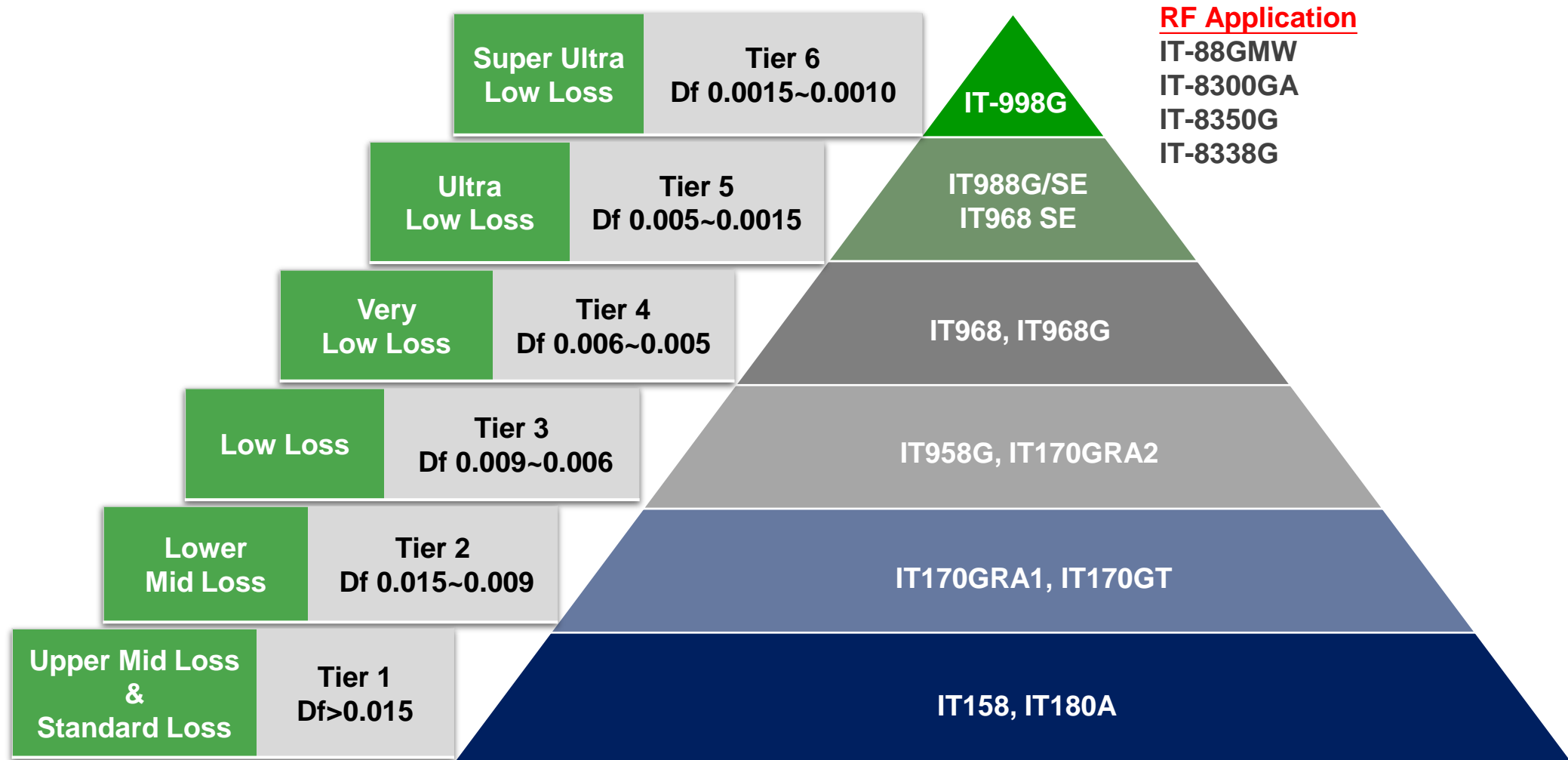




# Revenue & Gross Margin Rate

(Million \$NTD)





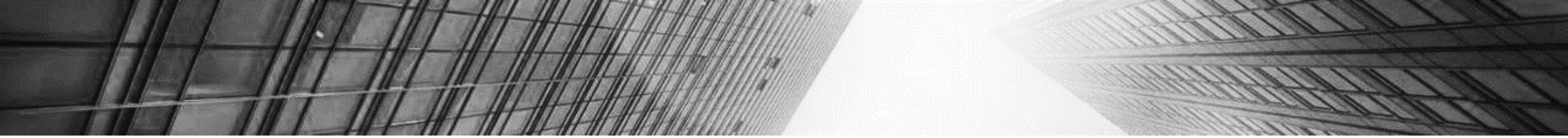
- The need for 5G commercialization and server upgrade will expedite the growth of high speed / frequency demand
- ITEQ's market share in high speed / frequency material to uplift robustly

# 3Q20 Income Statement

NTD \$Million	3Q20	2Q20	3Q19	QoQ	YoY
<b>Revenue</b>	<b>6,220</b>	<b>7,472</b>	<b>6,379</b>	-17%	-2%
Gross Profit	1,173	1,567	1,358	-25%	-14%
Operating Expense	454	486	421	-7%	8%
<b>Operating Profit</b>	<b>719</b>	<b>1,081</b>	<b>938</b>	-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%
<b>EPS(NT\$)</b>	<b>1.94</b>	<b>2.60</b>	<b>2.36</b>	-25%	-18%
<b>Key Financial Ratio</b>					
<b>Gross Margin</b>	<b>18.9%</b>	<b>21.0%</b>	<b>21.3%</b>		
Operating Expense Ratio	7.3%	6.5%	6.6%		
<b>Operating Margin</b>	<b>11.6%</b>	<b>14.5%</b>	<b>14.7%</b>		
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
<b>Total Assets</b>	<b>25,953</b>	<b>24,433</b>	<b>21,929</b>
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
<b>Total Liabilities</b>	<b>13,527</b>	<b>12,861</b>	<b>13,476</b>
Short-term Debt	2,331	1,359	4,242
NP / AP	6,328	6,293	5,715
Long-term Debt	1,640	919	718
<b>Total Equity</b>	<b>12,426</b>	<b>11,572</b>	<b>8,453</b>
<b>Key Financial Index</b>			
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

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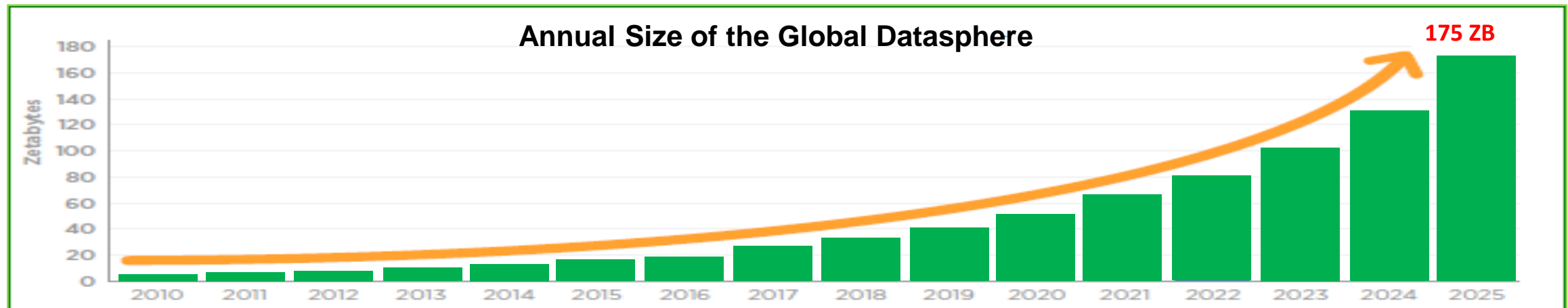
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- **Rapid expansion of Global Datasphere**

- 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)

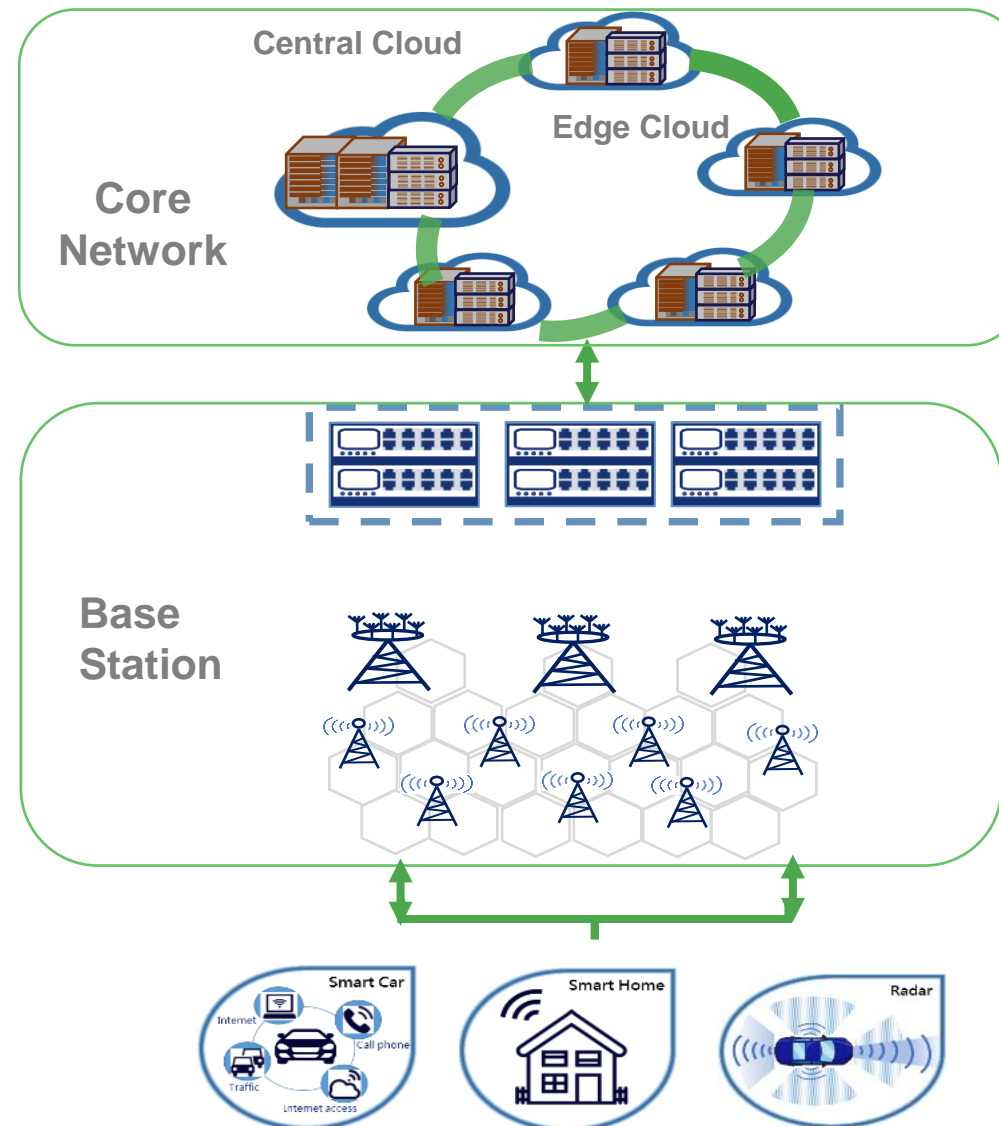
- Including Antenna, PA, TRX Network
- Multi layer design for complex functionality

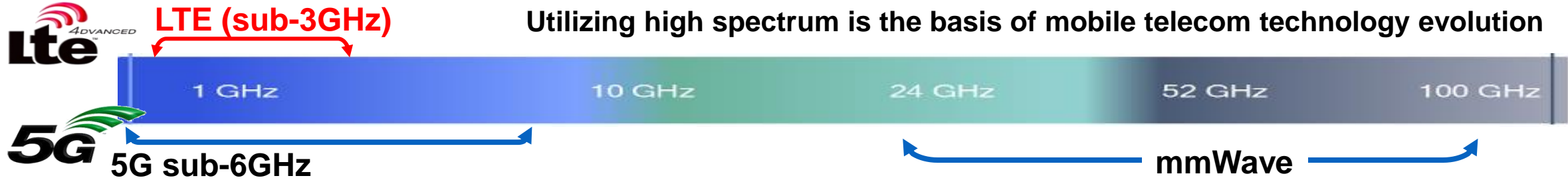
High Speed Material

High Frequency Material

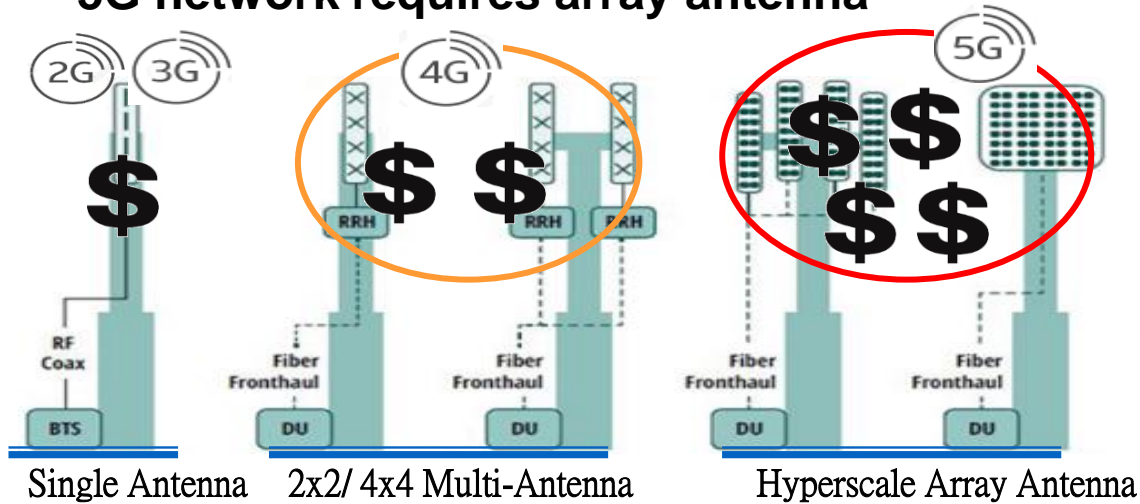
## IoT(Internet of Things)

High Speed Material

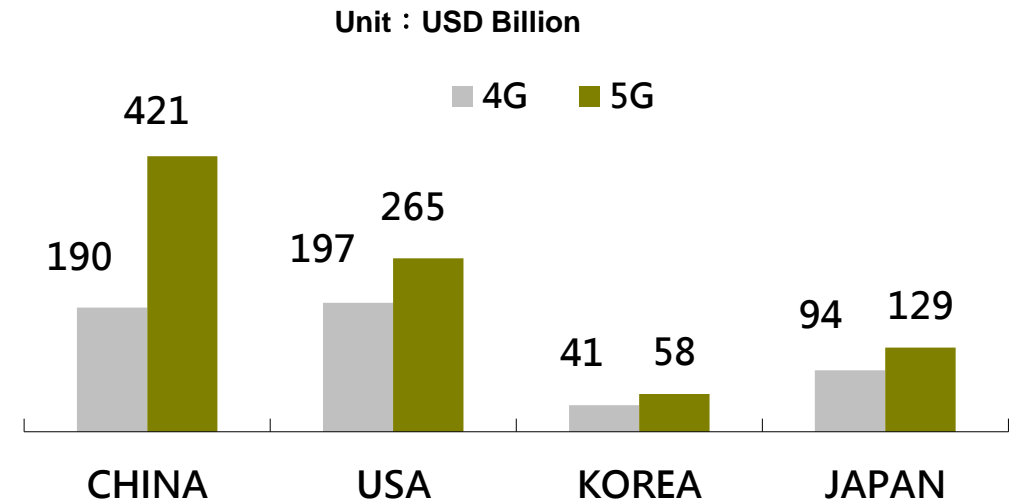




5G network requires array antenna



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



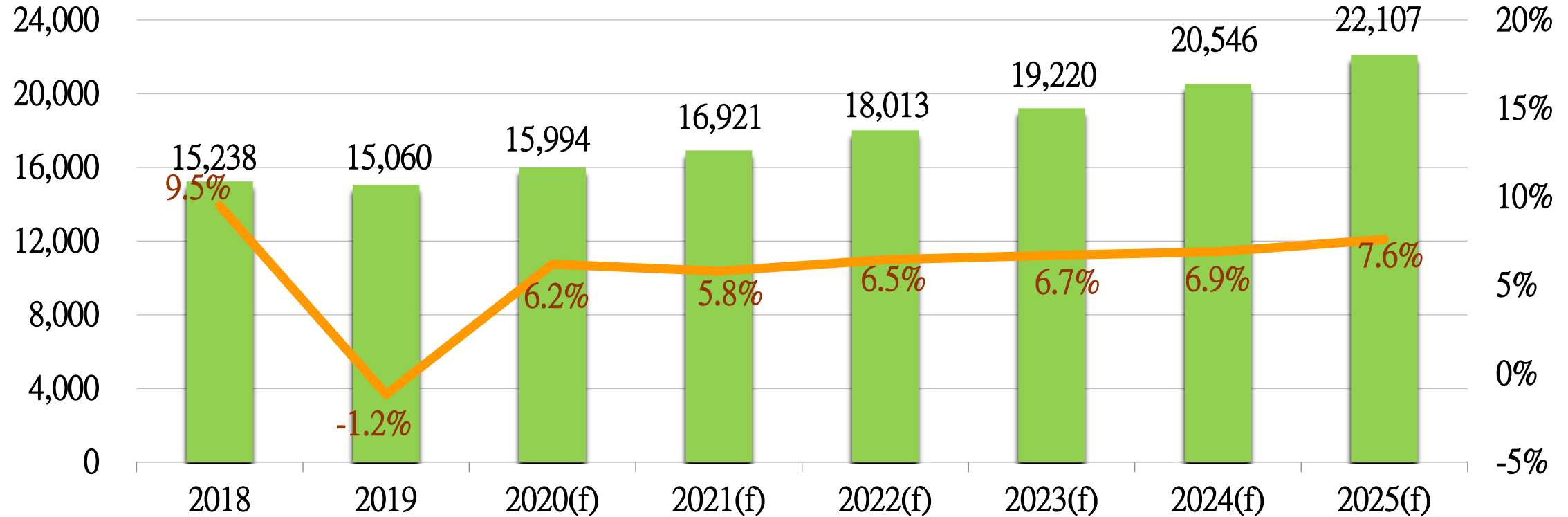
Source : Morgan Stanley · 2019/2 ; DIGITIMES Research · 2020/8

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



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

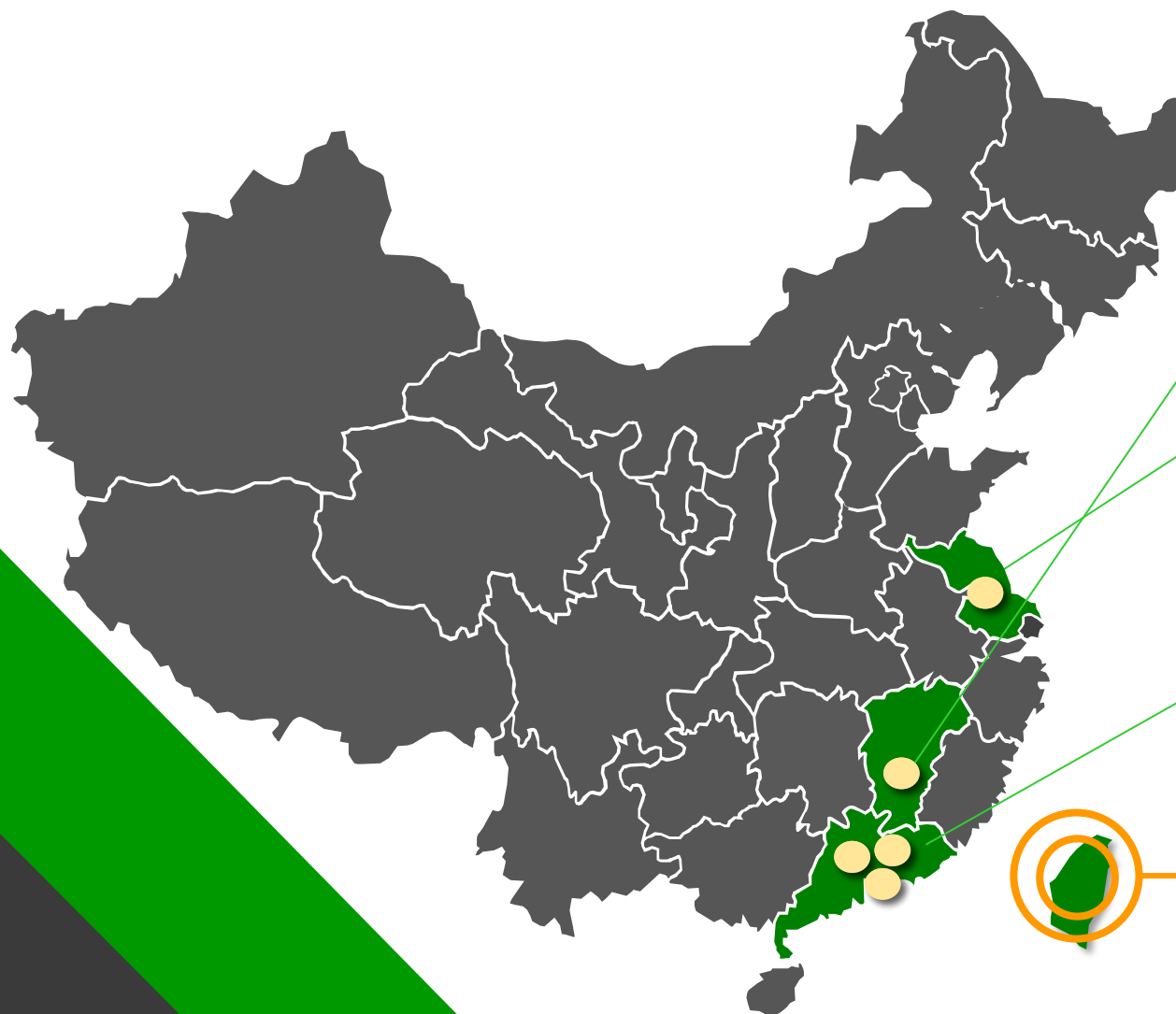
Unit : Thousand



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

# Manufacturing Site & Capacity



**JiangXi Plant**  
(Phase I) - 2020  
Laminate (600K SHT/Month)  
Prepeq (4,500K M/Month)  
(Phase II) - 2021  
Laminate (600K SHT/Month)  
Prepeq (4,500K M/Month)  
(Phase III) - TBD



**WuXi Plant**  
Laminate (1,800K SHT/Month)  
Prepeq (8,500K M/Month)



**DongGuan Plant**  
Laminate (1,000K SHT/Month)  
Prepeq (4,500K 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)

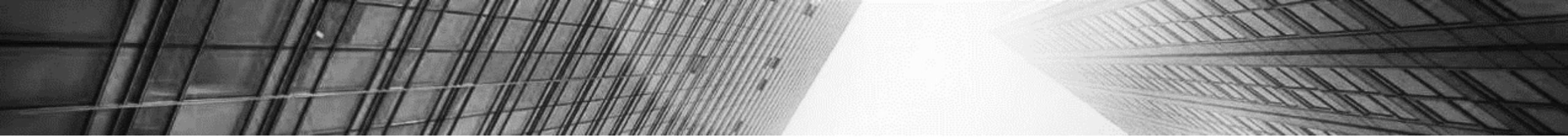


**XinPu (Headquarter)**  
Laminate(450K SHT/Month)  
Prepeq (1,800K M/Month)

# 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 31<sup>st</sup> 2020; current total outstanding common share: 333 million



# ITEQ & MGC Joint Venture Project

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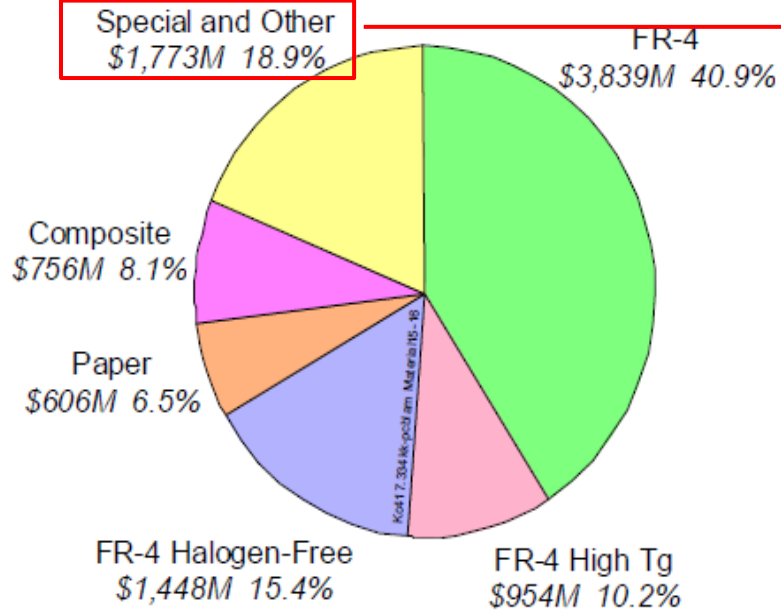
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# Increase of Special CCL Production Value

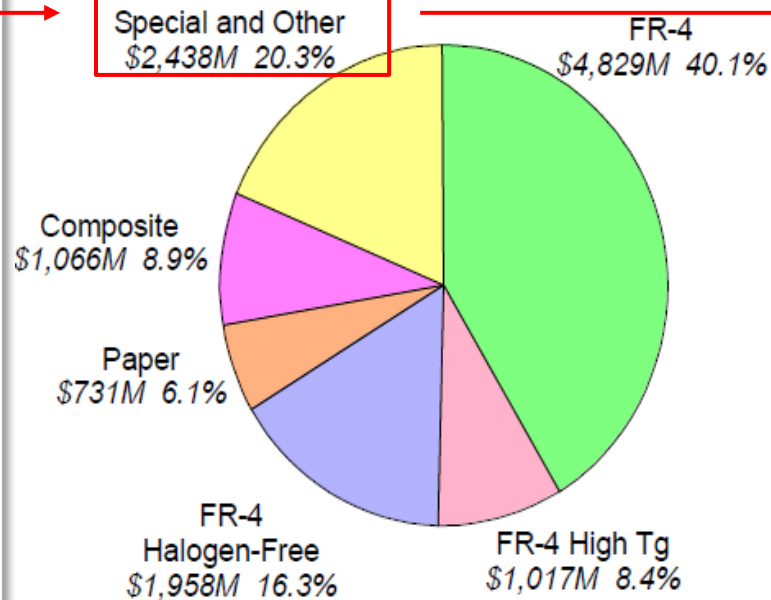
Global CCL Production Value (\$USD)

2015



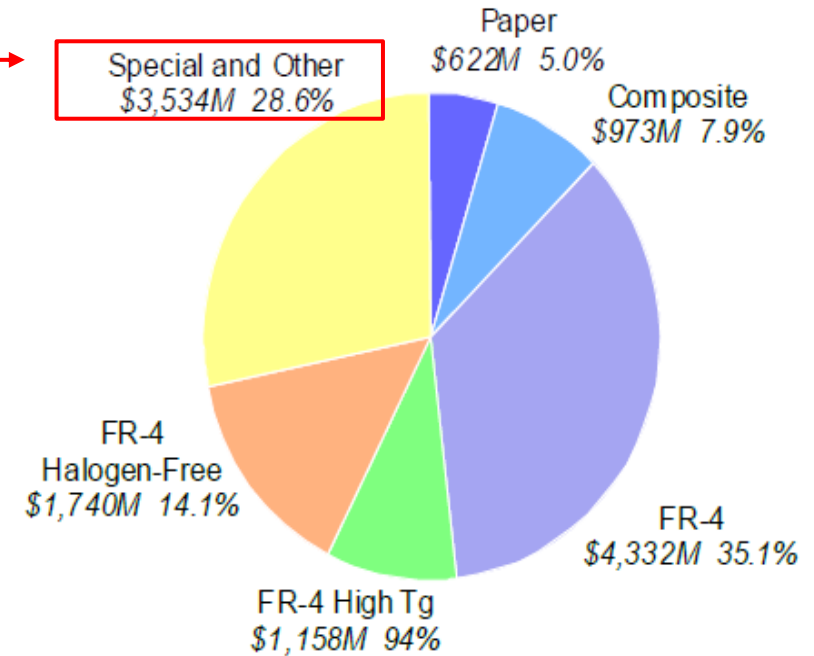
TOTAL: \$9,376M

2017



TOTAL: \$12,039M

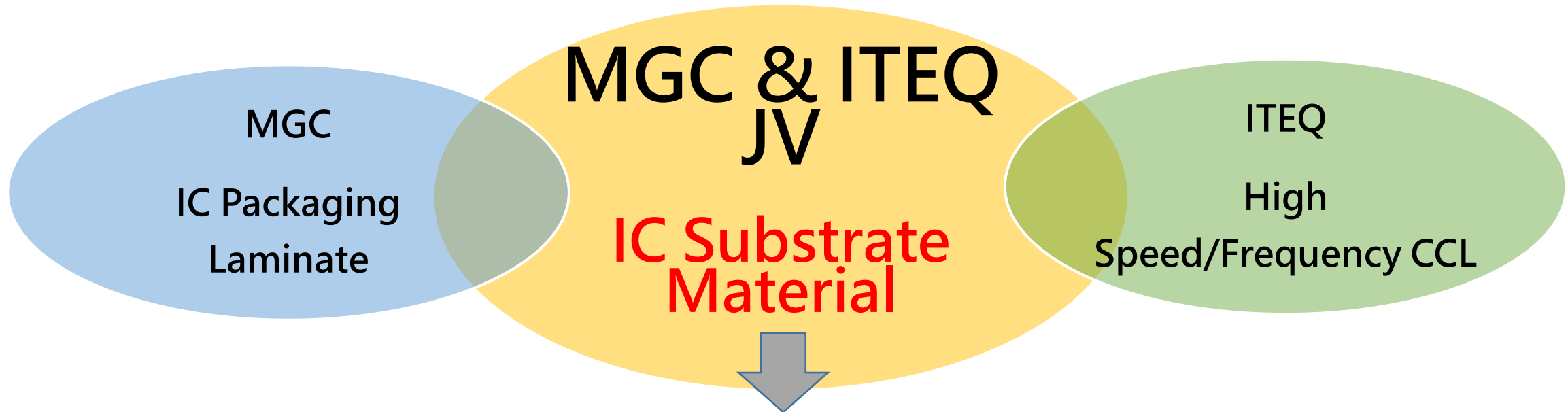
2019



TOTAL: \$12,359M

資料來源: Prismark Report

- 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