



# ITEQ Corporation

2022 Third Quarter Investor Presentation

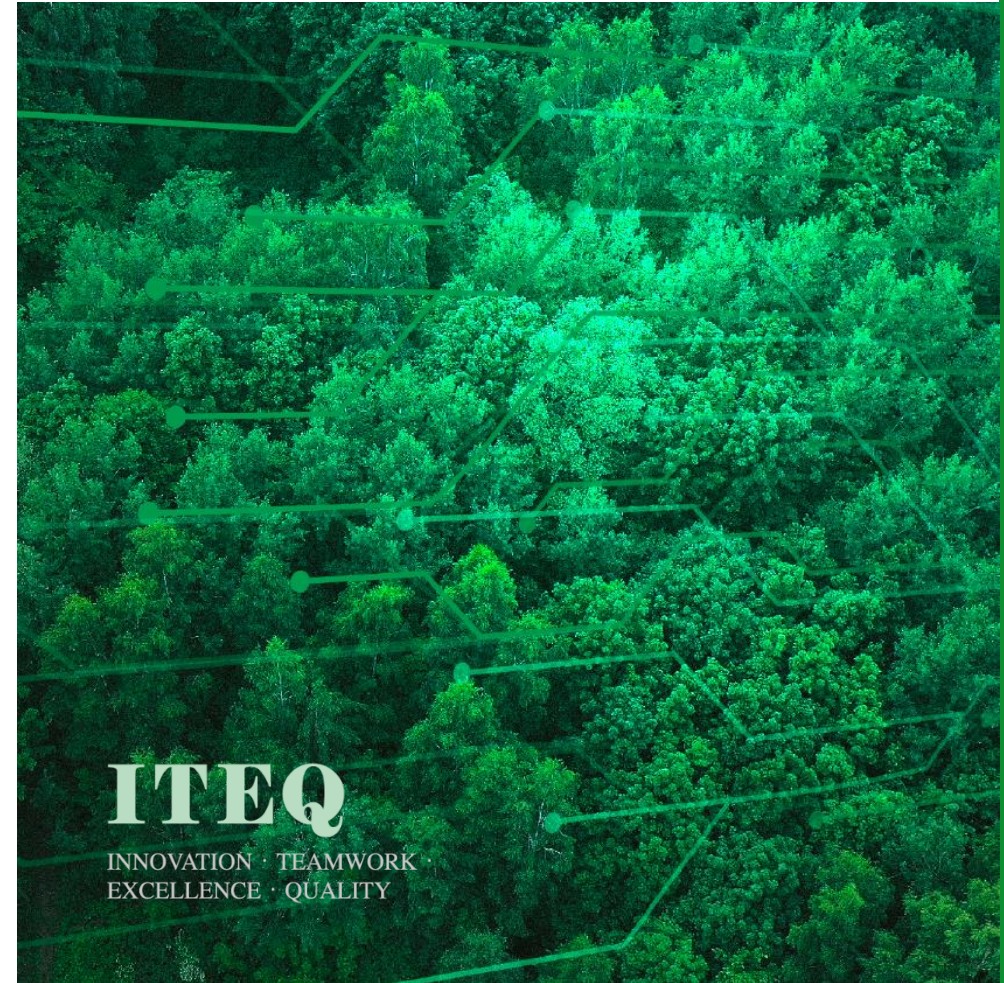
**ITEQ**

INNOVATION. TEAMWORK. EXCELLENCE. QUALITY

February 2023

# Disclaimer Statement

- 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**  
NT\$3,630 million



**Employees**  
~4,000



**Chairman**  
Dennis Chen



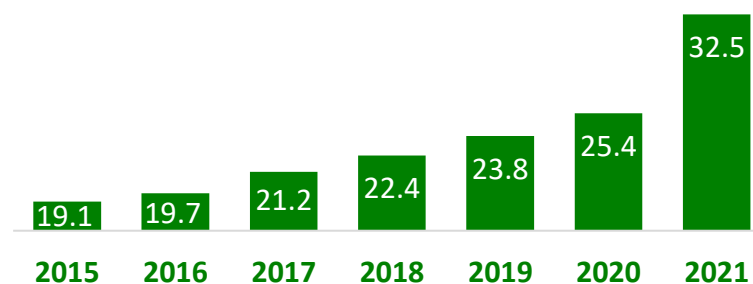
**CEO**  
Audrey Tsai



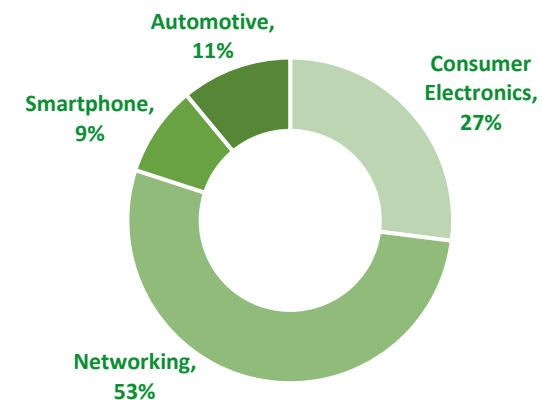
### Main Products

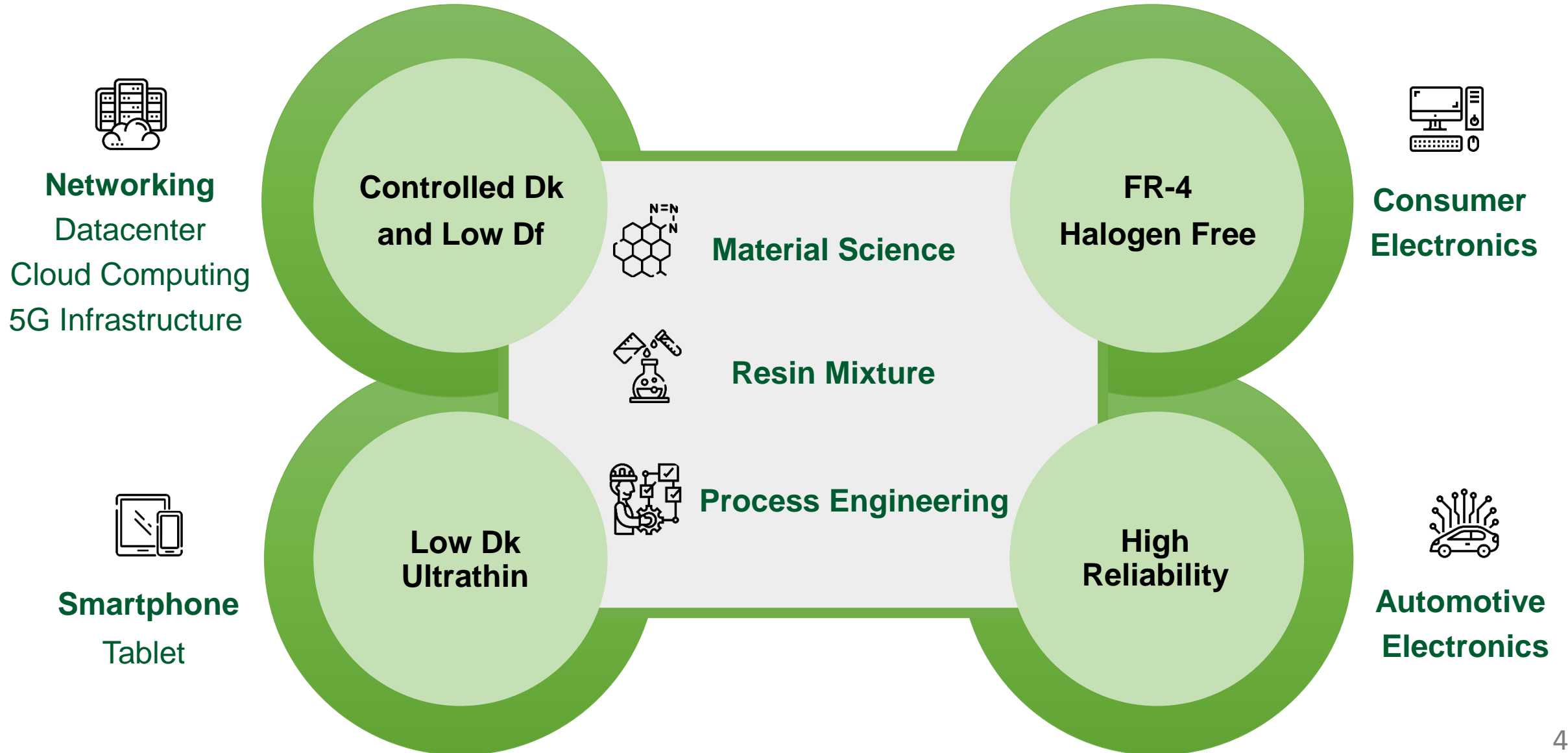
Copper Clad Laminate (CCL) & Prepreg (PP) | Masslam service | Flexible CCL

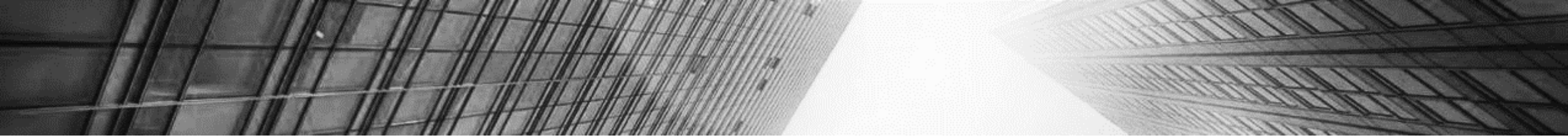
### Revenue (NT\$ billion)



### Revenue by Application (FY21)







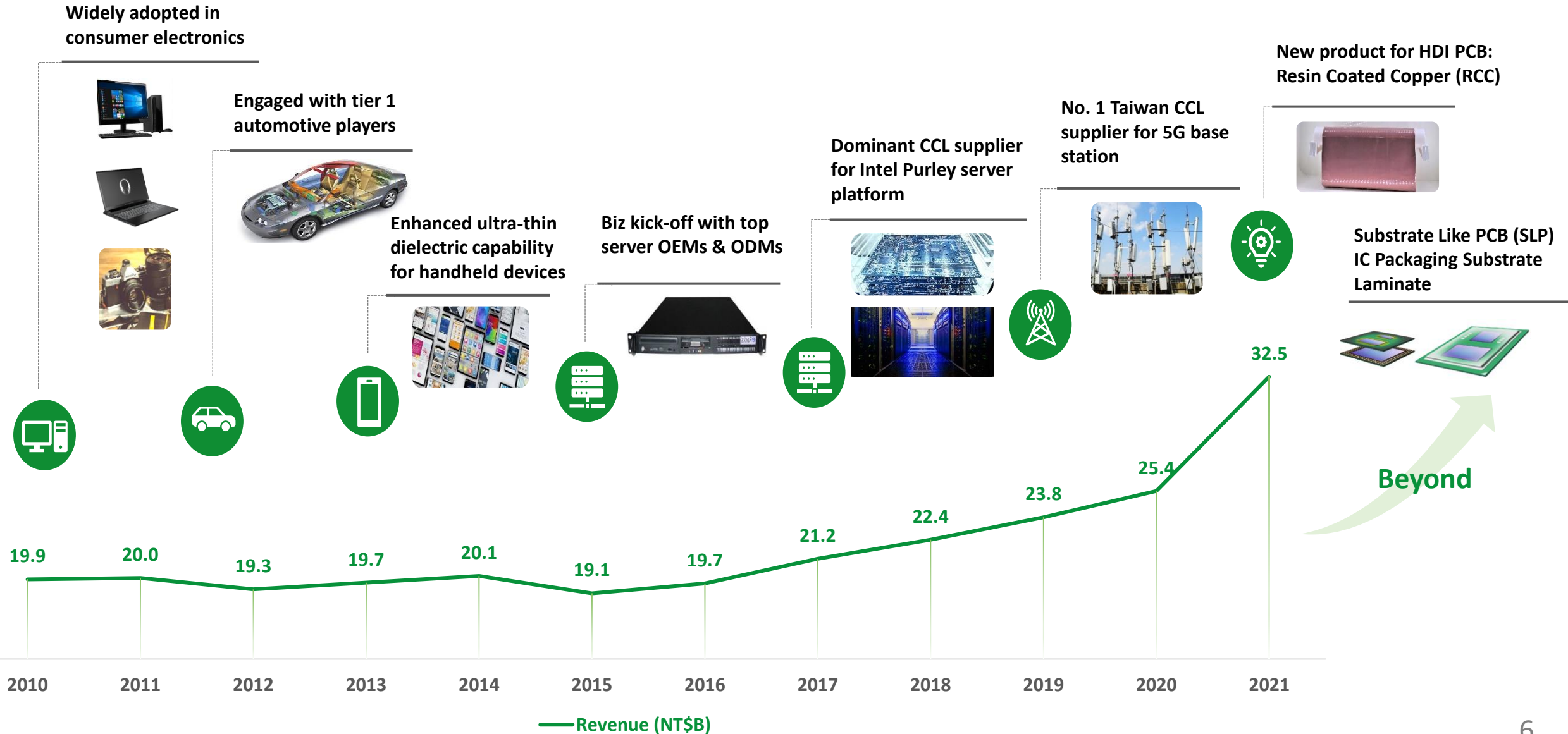
# Growth Strategy Blueprint

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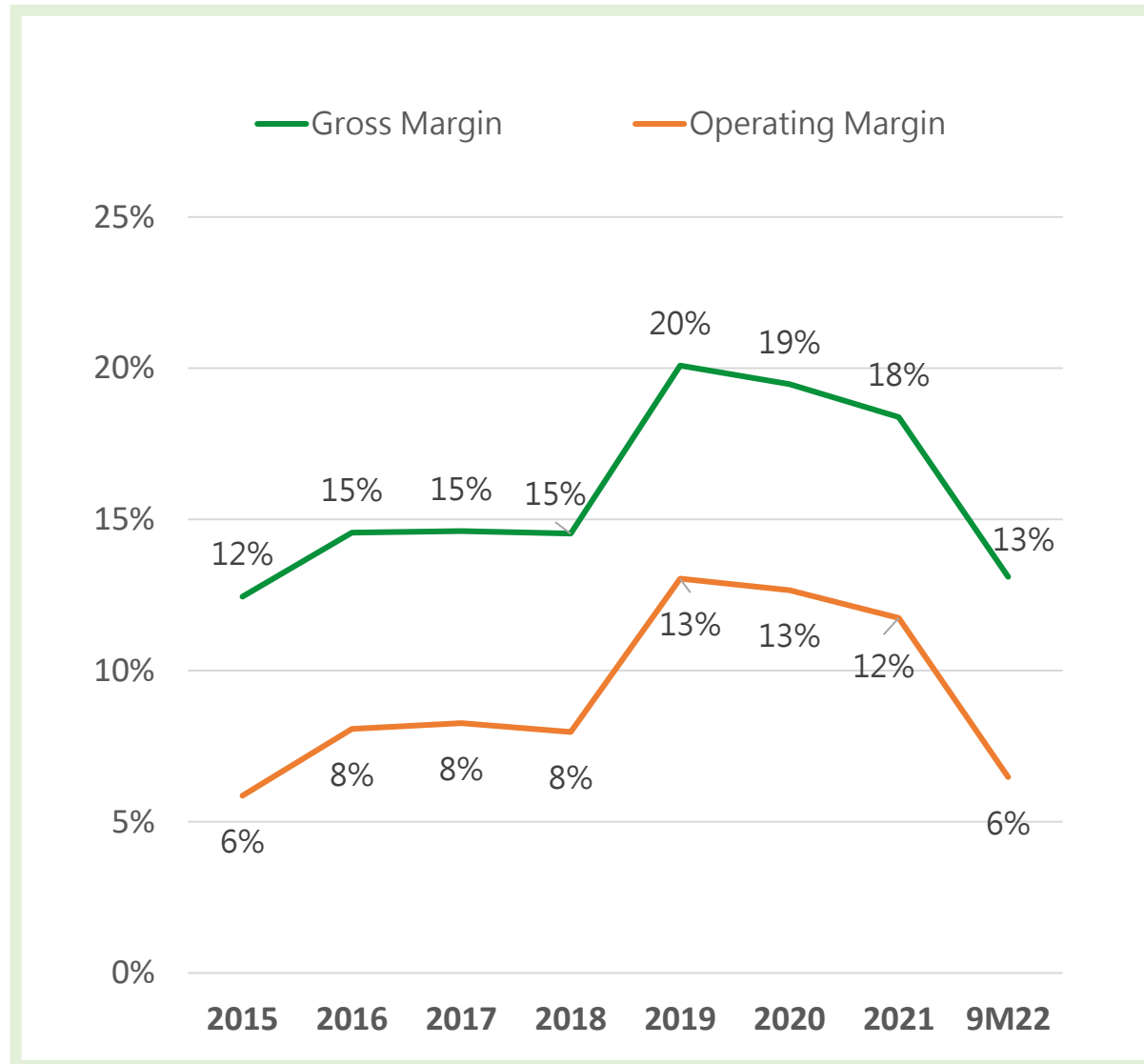
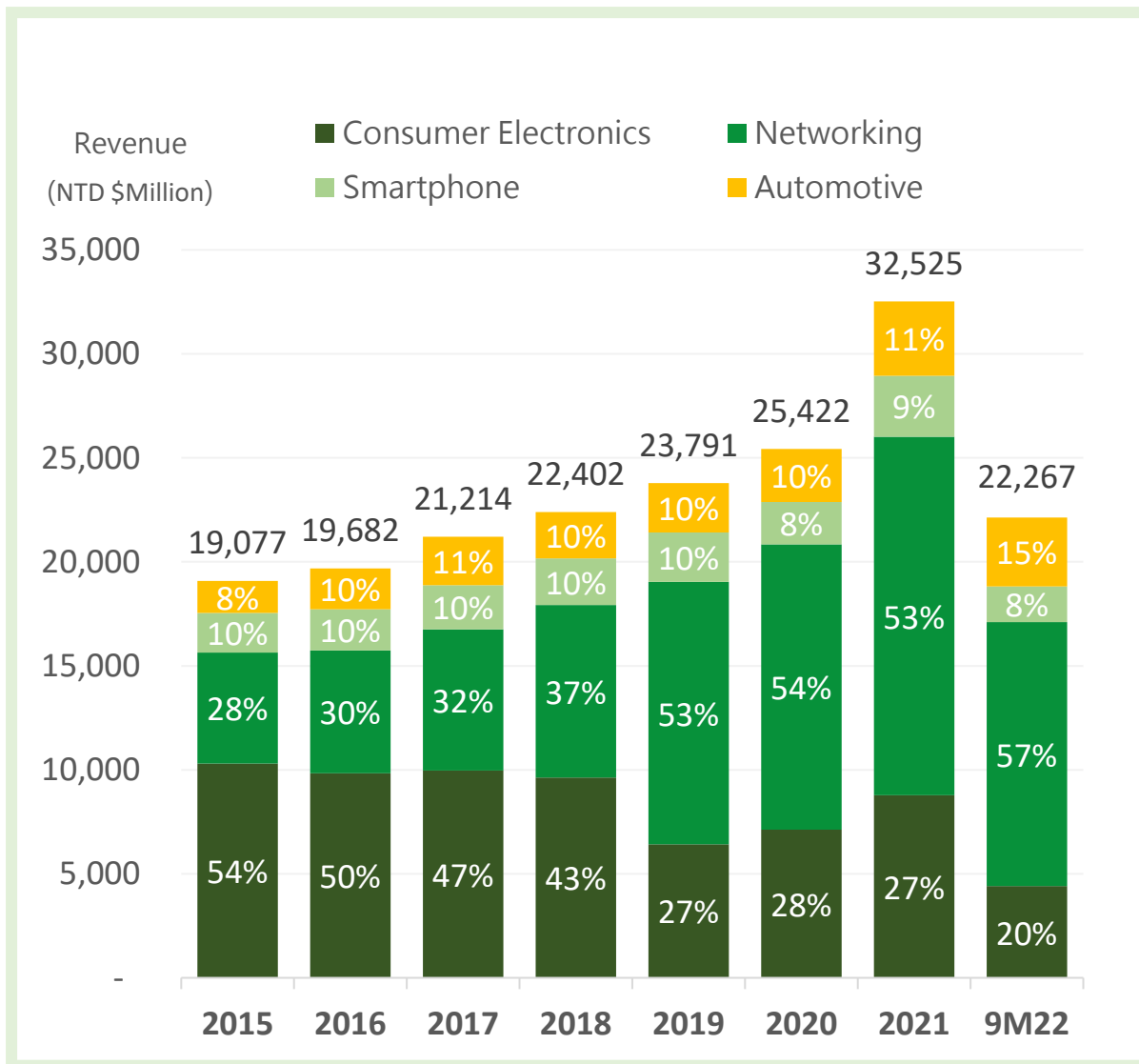
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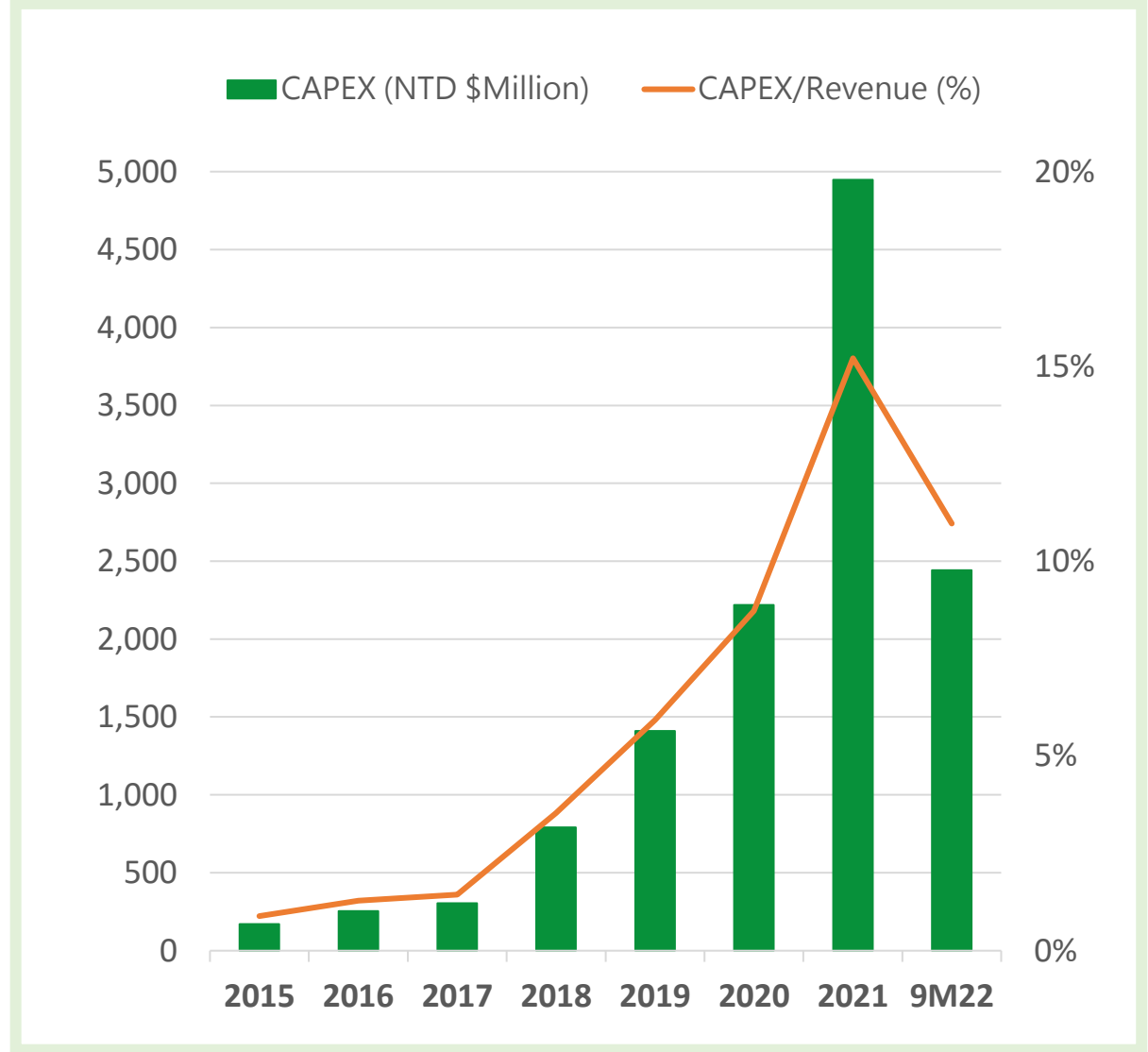
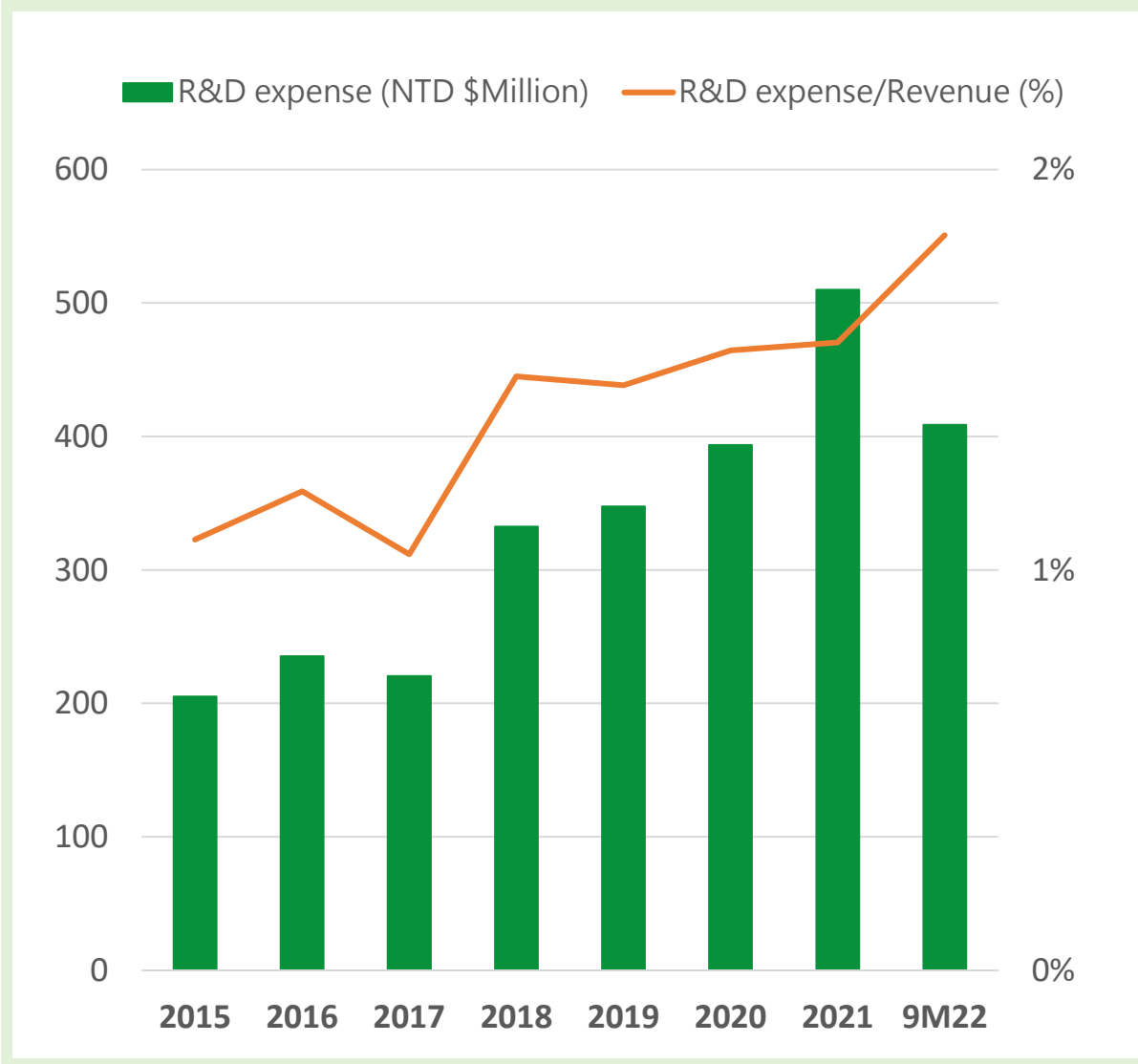
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# Optimized Mix with Product Innovation

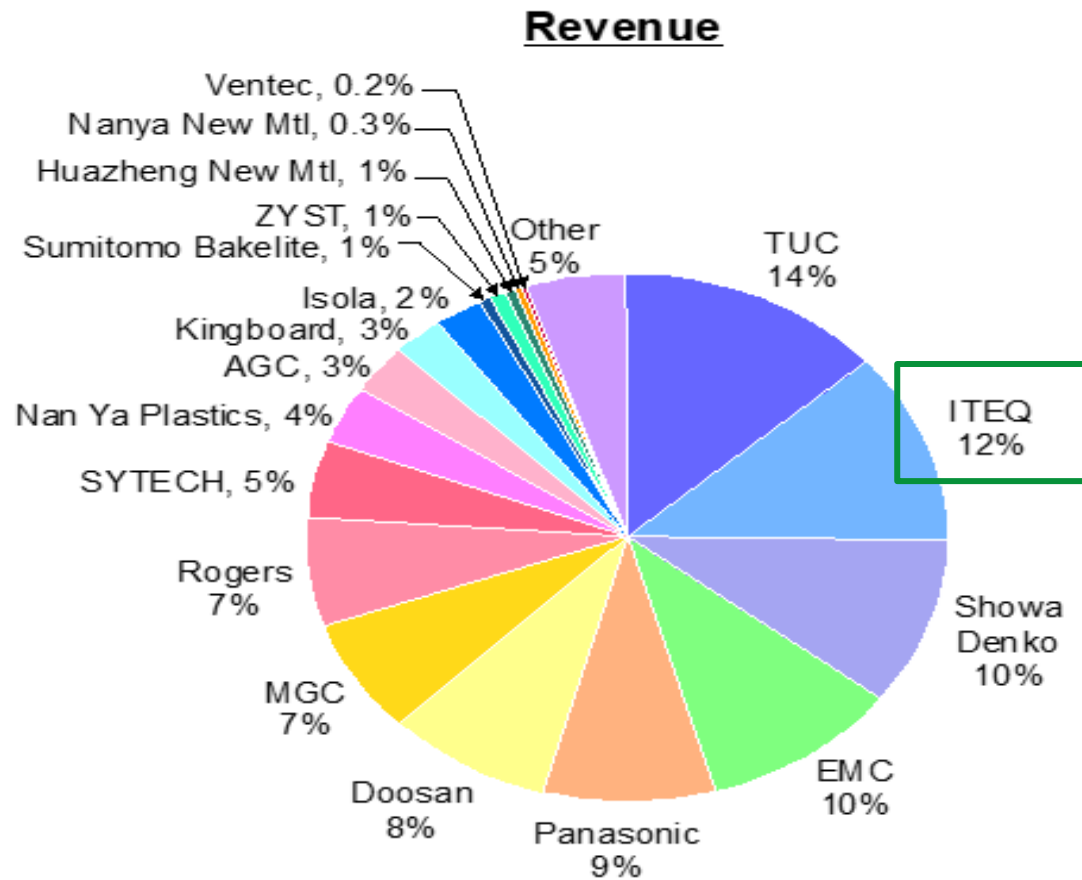


# R&D and Capex to Pursuit Sustainable Growth





## 2021 WW Specialty Laminate Market Share



Total: \$4.65Bn (\$USD)

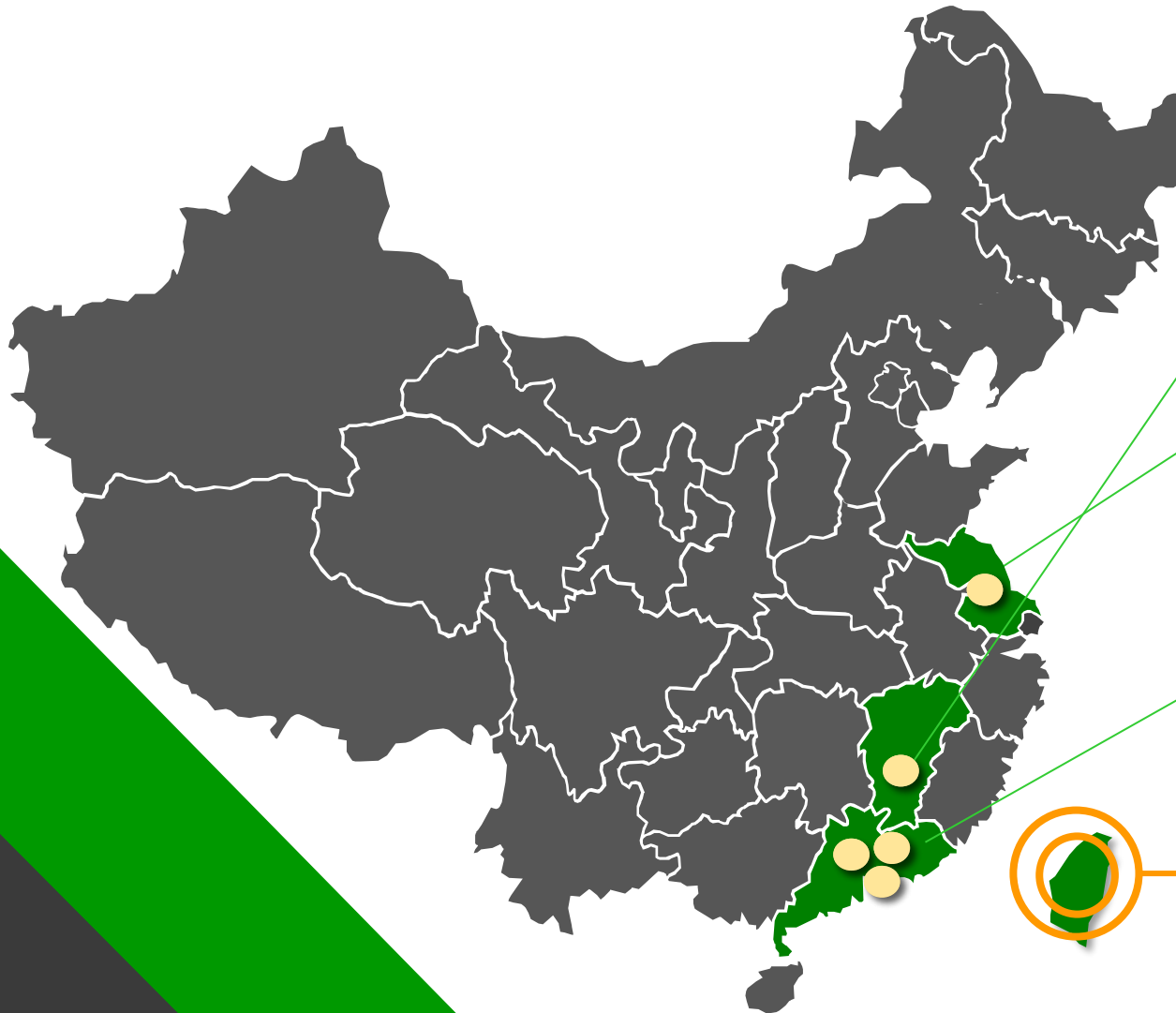
\*Specialty Laminate includes: High speed, package substrate, RF  
Source: Prismark Report, 2022/05

## 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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# Manufacturing Site & Capacity – Expansion Plan ITEQ



**JiangXi Plant**  
(Phase I) - 2020  
Laminate (600K SHT/Month)  
Prepreg (3,500K M/Month)  
(Phase II) - 2021  
Laminate (600K SHT/Month)  
Prepreg (3,500K M/Month)  
(Phase III) – 2022 & 2023  
Laminate (1,200K SHT/Month)  
Prepreg (5,000K M/Month)



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



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



**GuangZhou Plant**  
FCCL(1,450 K M<sup>2</sup>/Month)

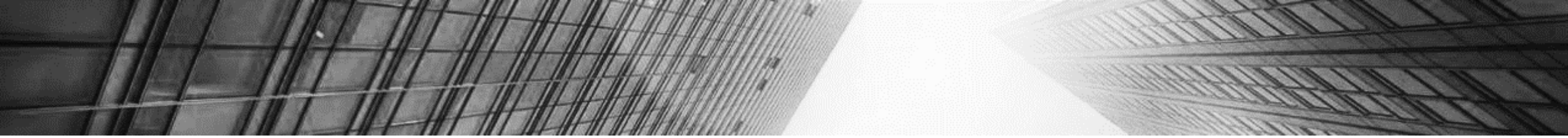


**HuangJiang Plant**  
Masslam Service(500K SQFT/Month)



**HsinChu (Headquarters)**  
Laminate(400K SHT/Month)  
Prepreg (2,400K M/Month)

Distributor/Agent: USA, Europe, Israel, Korea, Japan and Singapore



# Market Trend & Growth Drivers

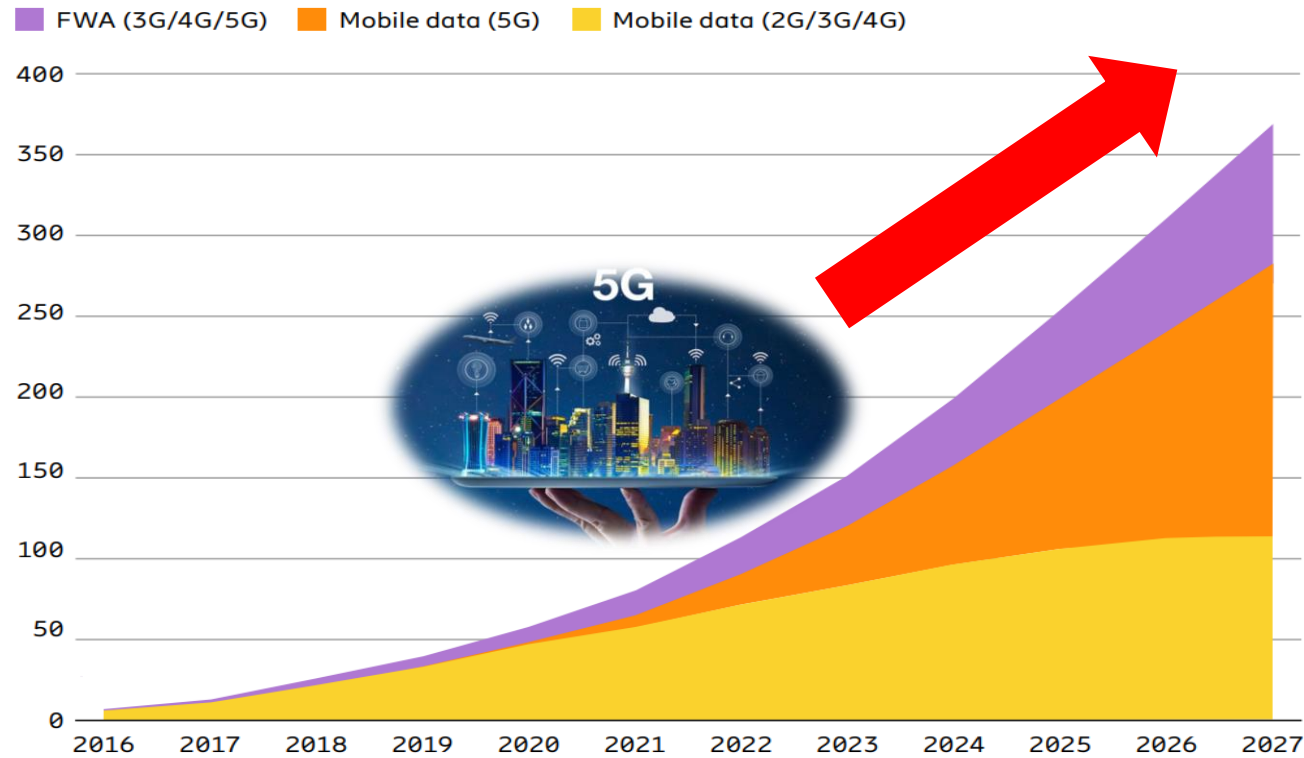
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## Global Mobile Network Data Traffic (EB per month)



Source : Ericsson Mobility Report, 2022/06

### ● The Expansion of Global Mobile Network Data Traffic Continues on the Rise

- Telecommunications equipment & datacenter
  - Base station, ground satellite transceiver station
  - Core (traditional / cloud datacenter)
  - Edge computing (Enterprise enhanced infrastructure, such as data center & internal/external servers, signal transmission stations, etc.)
- End user products (computers, smartphones, IoT devices)
- IoT related applications (Smart Home & Telemedicine)
- Internet of Vehicles (ADAS & Self-Driving)
- Big Data Analysis & AI & High Performance Computing
- Cloud Computing and Cloud Storage
- Virtual Reality (VR) and Augmented Reality (AR)

- 5G mobile data traffic share to reach 60% in 2027.
- The expansion of global mobile network data traffic has driven network service operators, telecommunications companies and IoT & IoV manufacturers to expand/upgrade product specs to meet the needs of low latency, high reliability and high-speed computing processing

# Diversified High-Speed Materials for HPC/Datacenter ITEQ

High Speed Application

Super Ultra Low-loss

IT-999G

IT-998G

R&D

IT-998 / IT-998SE

IT-998SE : Low-Dk glass  
IT-998 : Low-Dk 2 glass

▲ Next

- 800G Ethernet
- 112Gbps

0.001

Ultra Low-loss 2  
(with Low Dk glass)

IT-988GSE

IT-968GSE

IT-968SE

Intel EGS / BHS  
AMD Genoa / Turin

- PCIe 5.0
- 200G Ethernet
- 400G Ethernet
- 56Gbps

0.002

0.003

Ultra Low-loss 1

IT-988G

IT-968G

IT-968

Intel EGS / BHS  
AMD Genoa / Turin

- PCIe 5.0
- 100G Ethernet
- 25~32Gbps

0.004

0.005

Very Low-loss

IT-150DA

IT-958G

IT-170GRA2

Intel Whitley  
AMD Rome / Milan

- PCIe 4.0
- 40G Ethernet
- 10~20Gbps

0.006

0.007

Low-loss

IT-170GRA1

Intel Purley  
AMD Naples

- PCIe 3.0

0.009

Mid-loss

Loss Level

Halogen Free

Halogenated

Platform

Application

13

Df @10GHz (RC 50%)

# Datacenter Server Platform Upgrade

Intel	Platform	Purley		Whitley	Eagle Stream		Birch Stream
	CPU	Skylake	Cascade Lake	Ice lake	Sapphire Rapids	Emerald Rapids	Granite Rapids
	Nano Process	14 nm	14 nm+	10 nm	Intel 7	Intel 7	Intel 3
	PCIe Gen	PCIe 3.0	PCIe 3.0	PCIe 4.0	PCIe 5.0	PCIe 5.0	TBA
	MP Time	2017 Q3	2019 Q3	2021 Q1	2023 H1	2023	2024
	CCL Material	Mid Loss	Mid Loss	Low Loss	Very Low Loss	Very Low Loss	TBD
	Layer count	8 to 12	8 to 12	12 to 16	16 to 20	16 to 20	TBD



AMD	Architecture	Zen	Zen2	Zen3	Zen4		Zen5
	CPU	Naples	Rome	Milan	Genoa	Bergamo	Turin
	Nano Process	14 nm (Global Foundries)	7 nm (TSMC)	7 nm (TSMC)	5 nm (TSMC)	5 nm (TSMC)	3 nm (TSMC)
	PCIe Gen	PCIe 3.0	PCIe 4.0	PCIe 4.0	PCIe 5.0	PCIe 5.0	PCIe 5.0
	MP Time	2017 Q3	2019 Q3	2020 Q4	2022 Q4	2023	2024
	CCL Material	Mid Loss	Low Loss	Low Loss	Very Low Loss	Very Low Loss	TBD
	Layer count	8 to 12	12 to 16	12 to 16	16 to 20	16 to 20	TBD

## Datacenter Equipment Cyclical Upgrade to Drive the Following;

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

## Green Power/EV



- Energy Conservation
- Power Charging
- High Current & Voltage
- Heavy Cu

High Tg material

## Internet of Vehicle

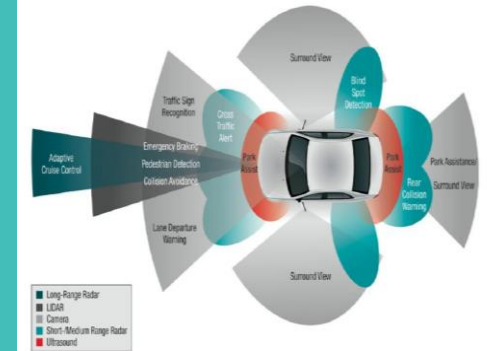


- Infotainment
- Networking

HDI

High Speed Material

## Active Safety



- Active Safety System
- ADAS
- Radar
- Antenna Module

High Speed Material

High Frequency Material

## Autonomous Driving



- HPC
- Graphic Processing
- Automated Driving Control Module

HDI

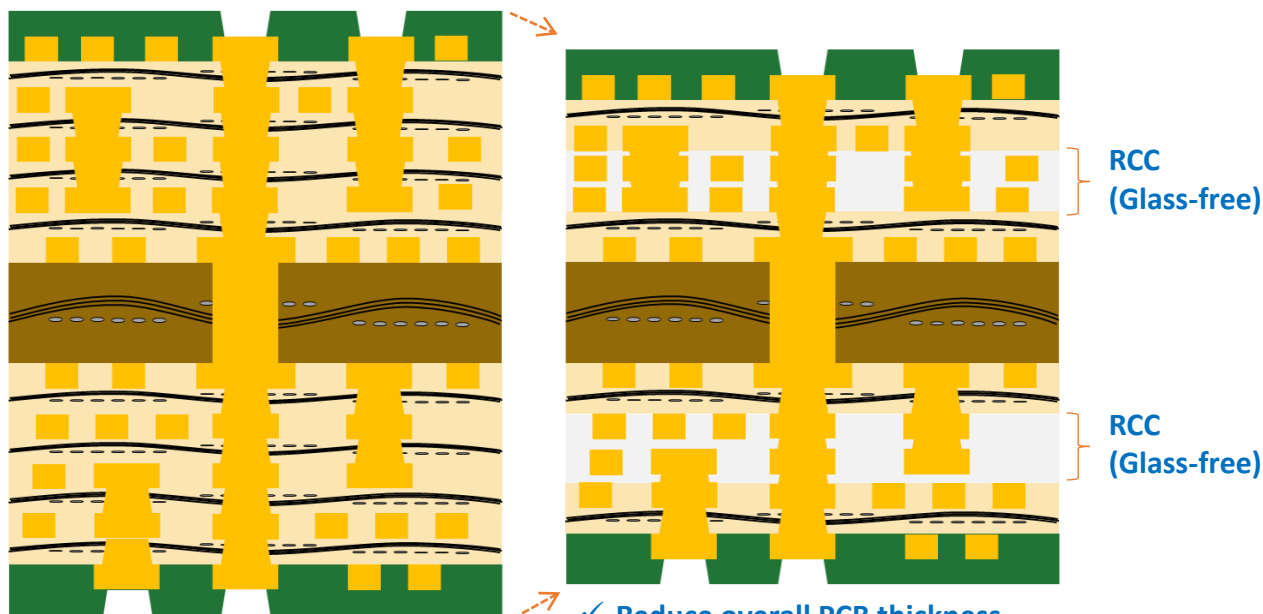
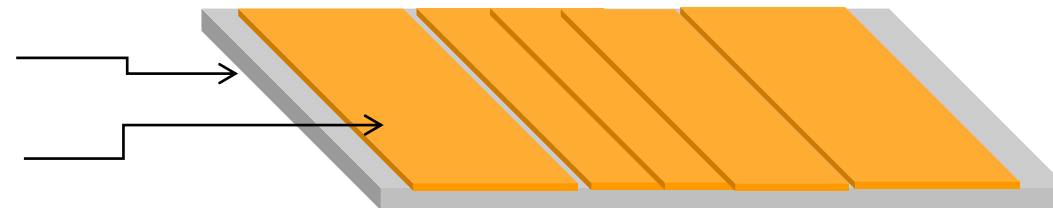
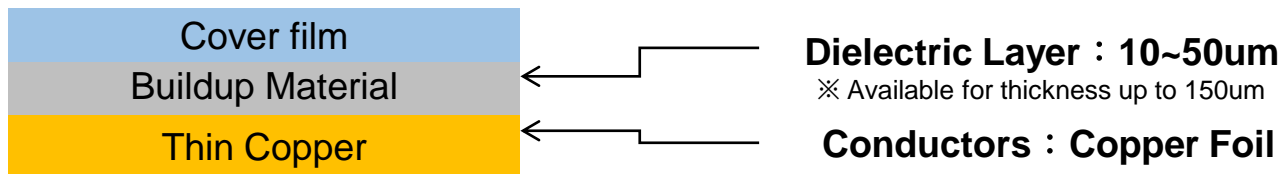
High Speed Material

- EV, IoV and Active Safety to boost demand for high performance automotive CCL
- PCB usage for EV is 3 folds of conventional gasoline vehicle

# HDI New Product: Resin Coated Copper (RCC)

## Resin Coated Copper (RCC)

- ✓ Glass-free solution which enables further thickness reduction of dielectric layer while satisfies the needs towards fine-line pattern design and hybrid HDI/Substrate-Like PCB production.



- ✓ Reduce overall PCB thickness
- ✓ Eliminate the fiber weave effect with enhanced reliability of signal transmission

## ITEQ RCC Advantages

### Glass-Free

Reduce thickness of the dielectric layer and overcome minimum thickness constraints (15-20um)

### Reduce Material Costs

Copper foil + glass fiber + resin → Copper foil + resin; replace traditional stacking

### Simplify PCB Lamination process

Combine the processes of PP/Copper foil stack-up into one

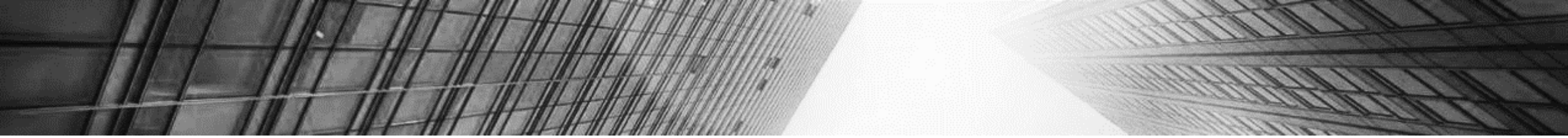
### Better Dielectric Constant (Dk) and Impedance Control

RCC uses pure glue material enabling stable dielectric constant

### Better Laser Processability

RCC is a glass fiber free material, which is easier to form holes through laser drilling with more stable Via quality





# 3Q22 Financial Results

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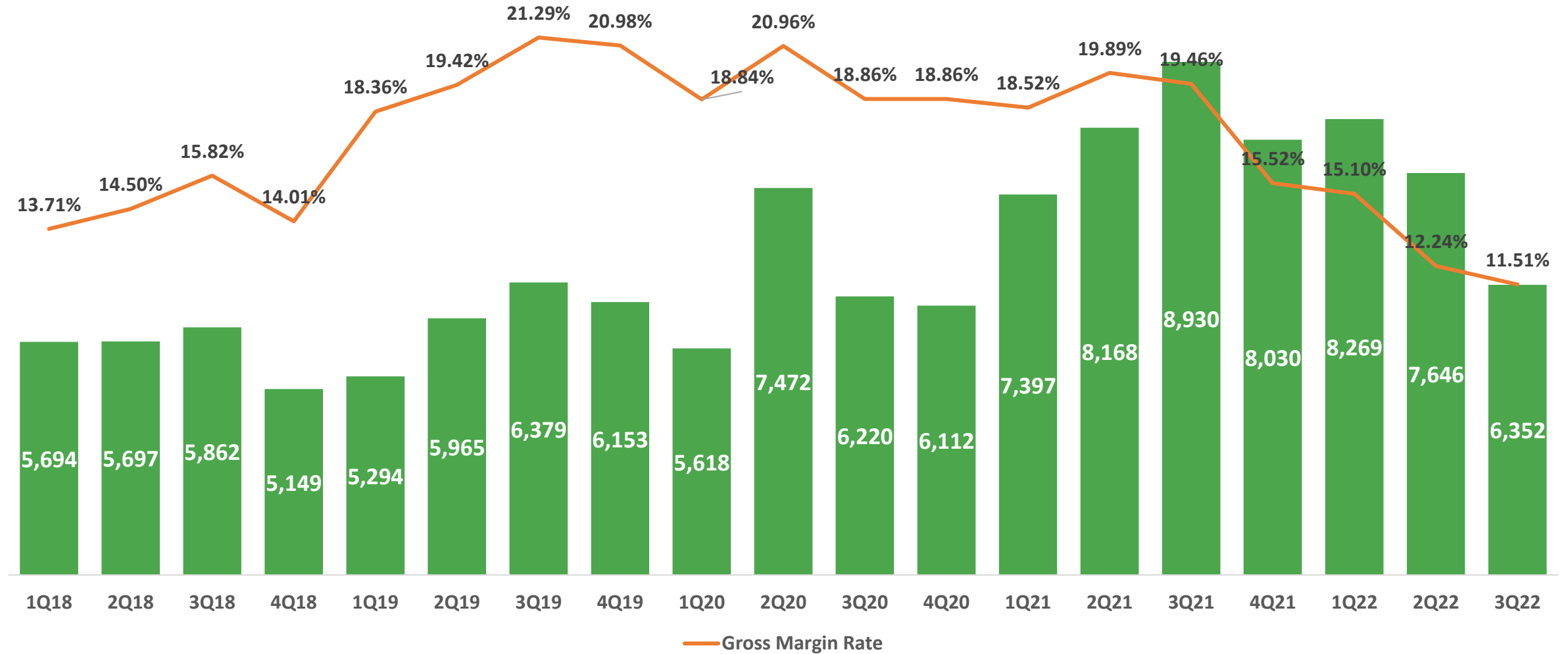
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# 3Q22 Income Statement

NTD \$Million	3Q22	2Q22	3Q21	QoQ	YoY
<b>Revenue</b>	<b>6,352</b>	<b>7,646</b>	<b>8,930</b>	<b>-16.9%</b>	<b>-28.9%</b>
Gross Profit	731	936	1,738	-21.9%	-57.9%
Operating Expense	382	486	631	-21.4%	-39.5%
<b>Operating Profit</b>	<b>349</b>	<b>450</b>	<b>1,107</b>	<b>-22.4%</b>	<b>-68.5%</b>
Non-Op Income / Loss	13	146	(11)		
Income before Tax	362	596	1,096	-39.3%	-67.0%
Tax Expense	85	161	261		
Net Income to Parent	277	435	835	-36.3%	-66.8%
<b>EPS(NT\$)</b>	<b>0.74</b>	<b>1.14</b>	<b>2.40</b>	<b>-35.1%</b>	<b>-69.2%</b>
<b>Key Financial Ratio</b>					
<b>Gross Margin</b>	<b>11.51%</b>	<b>12.24%</b>	<b>19.46%</b>		
Operating Expense Ratio	6.01%	6.36%	7.07%		
<b>Operating Margin</b>	<b>5.49%</b>	<b>5.89%</b>	<b>12.40%</b>		
Effective Tax Rate	23.48%	27.01%	23.81%		
<b>Net Margin</b>	<b>4.36%</b>	<b>5.69%</b>	<b>9.35%</b>		

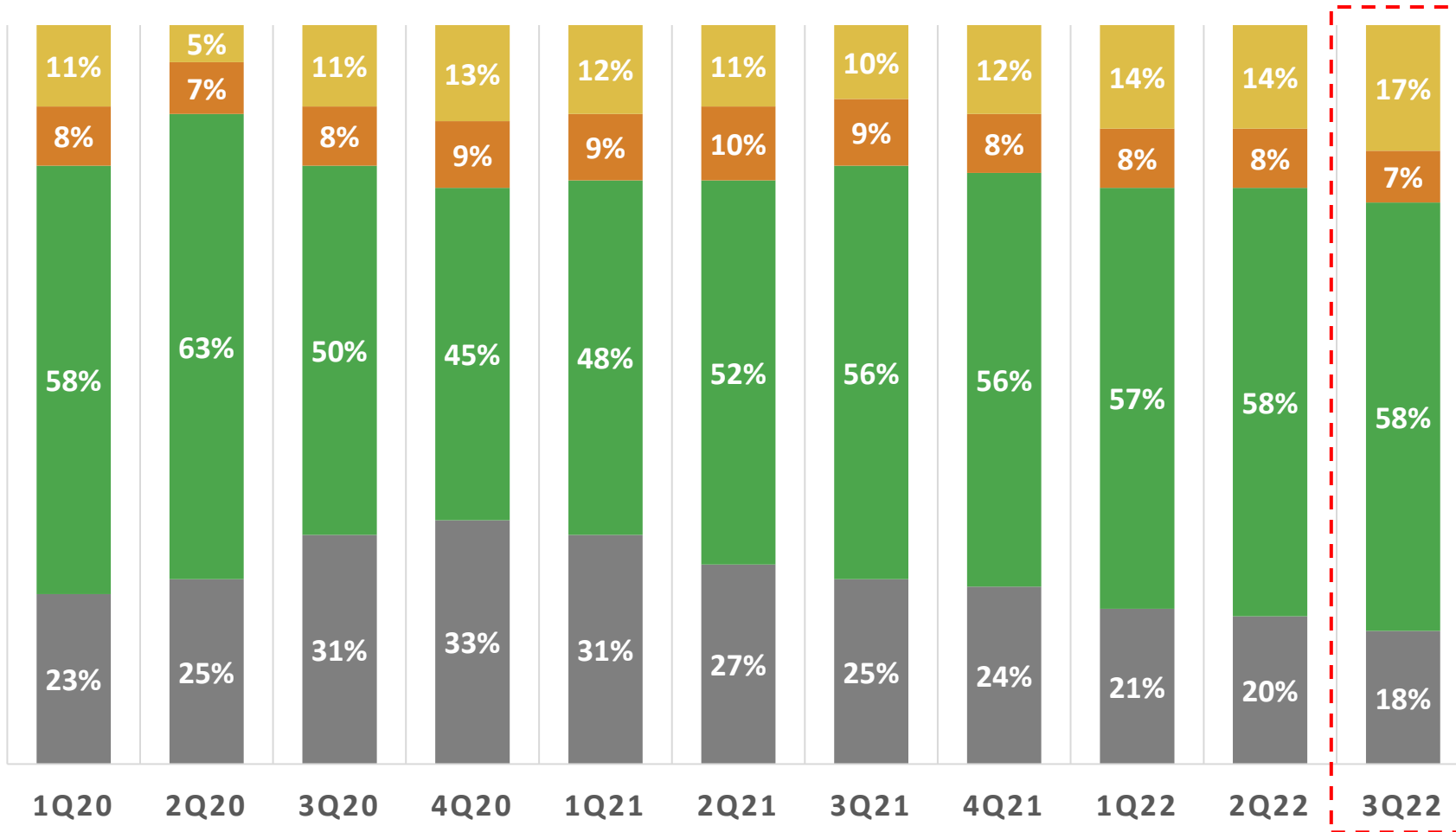
# Revenue & Gross Margin Rate

(Million \$NTD)



# 1Q20~3Q22 Product Mix

■ Consumer Electronics  
 ■ Networking  
 ■ Smartphone  
 ■ Automotive



3Q22 Product Growth %	QoQ	YoY
Automotive	+0.9%	+20.9%
Smartphone	-27.3%	-44.7%
Networking	-16.9%	-26.3%
Consumer Electronics	-25.2%	-48.8%

# 3Q22 Balance Sheet

NTD \$Million	3Q22	2Q22	3Q21
<b>Total Assets</b>	<b>32,523</b>	<b>34,043</b>	<b>36,035</b>
Cash	4,310	3,873	4,035
Marketable Securities	5	4	5
NR / AR	12,315	13,799	14,100
Inventories	2,579	3,872	5,194
Fixed Assets	11,166	10,276	10,117
<b>Total Liabilities</b>	<b>12,525</b>	<b>13,092</b>	<b>15,681</b>
Short-term Debt	3,521	2,051	1,434
NP / AP	3,954	5,686	8,432
Long-term Debt	1,477		-
<b>Total Equity</b>	<b>19,998</b>	<b>20,951</b>	<b>20,354</b>
<b>Key Financial Index</b>			
Days Sales Outstanding	154	151	149
Days Sales of Inventory	60	64	66
Days Payable Outstanding	77	84	98
ROE (%)	11.30	13.60	18.50
ROA (%)	6.99	8.42	10.31
Debt ratio (%)	38.50	38.46	43.50

# 2015 – 2021 Dividend Policy

Year	EPS(NT\$)	Dividend(NT\$)	Cash Dividend(NT\$)	Pay-out Ratio(%)
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%
2021	9.00	5.0	5.0	56%

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

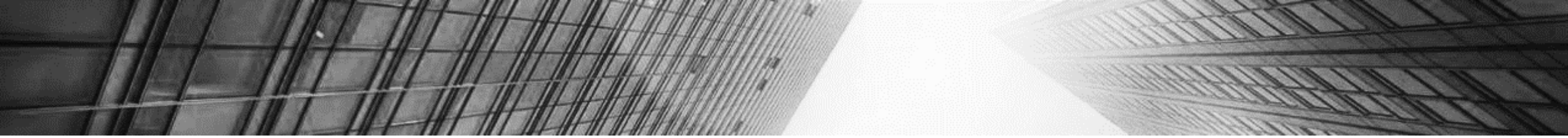
\*\*New shares issuance of 50 million common shares concluded on September 2<sup>nd</sup> 2021

\*\*\*Factoring in the repurchase and cancellation of 20 million shares in 3Q22; current total outstanding common share: 363 million



# Thank you

Question and Comment



# Appendix

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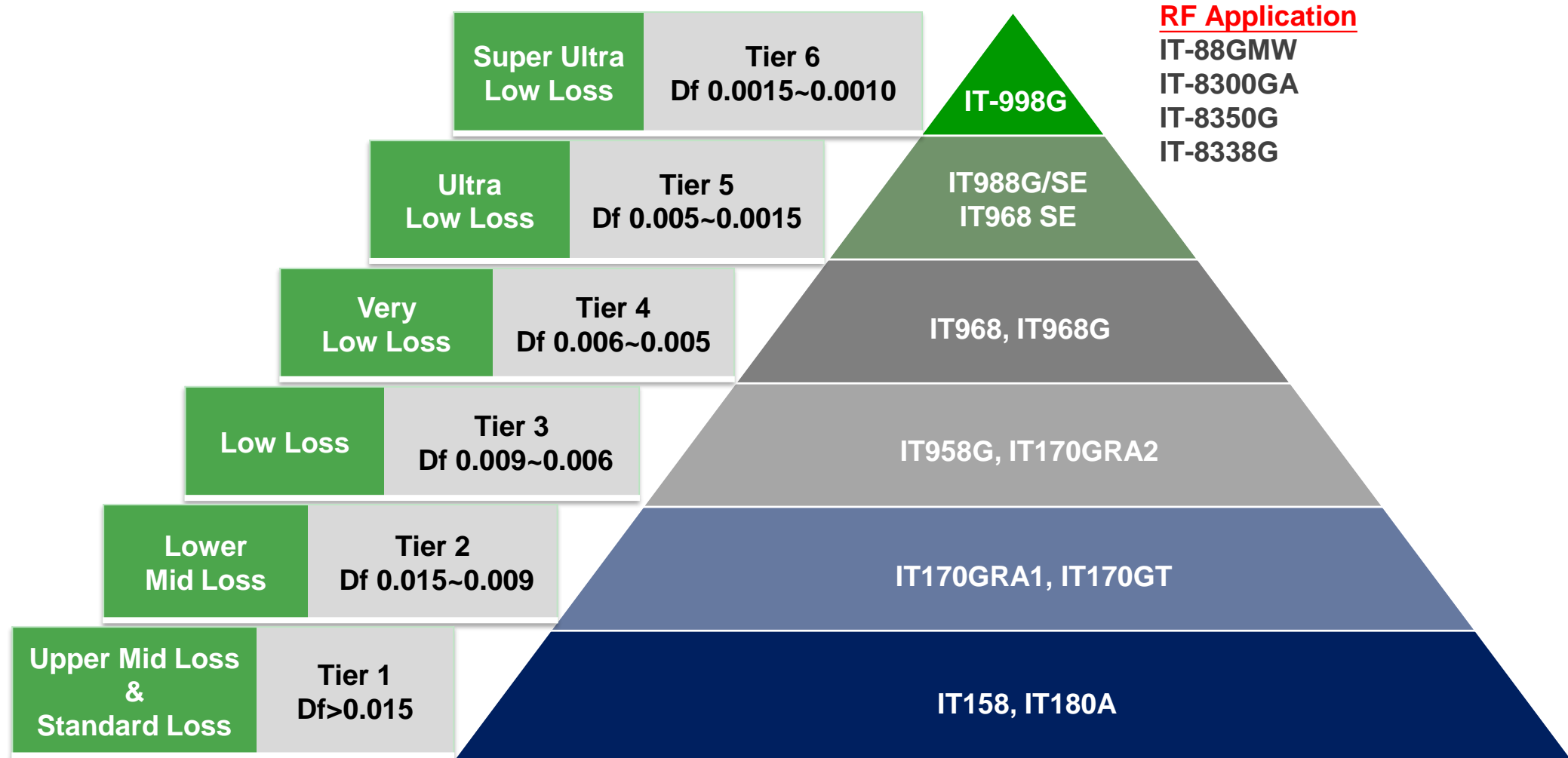
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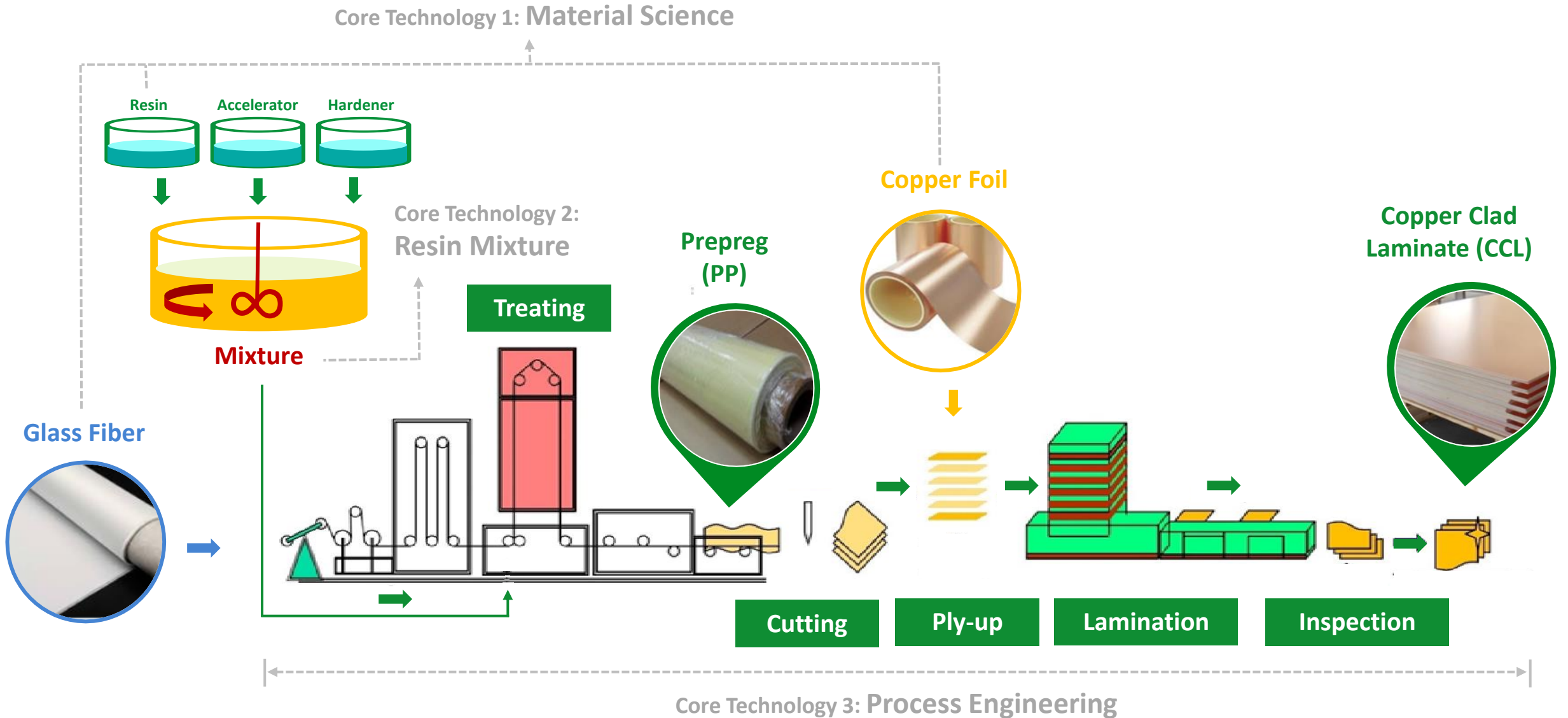


# Well-Expanded Product Line

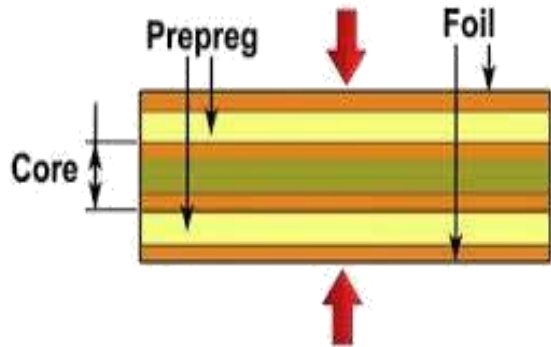
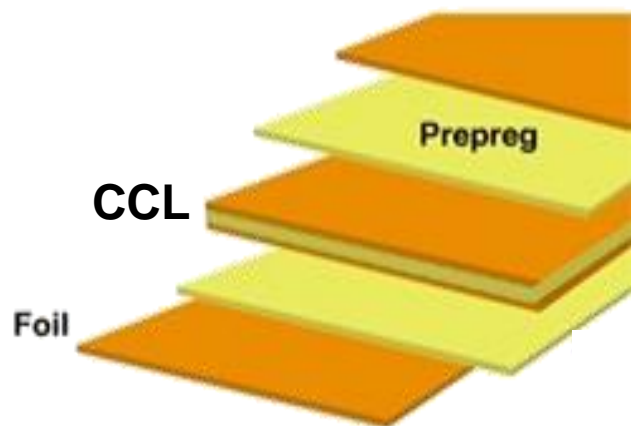


- The need for 5G commercialization and server upgrade to expedite the growth of high speed / frequency material demand
- ITEQ's market share in high speed / frequency material to uplift robustly

# CCL & PP Manufacturing Flow



## CCL/PP



## CCL Manufacturing Process

