



# ITEQ Corporation

2023 Fourth Quarter Investor Presentation

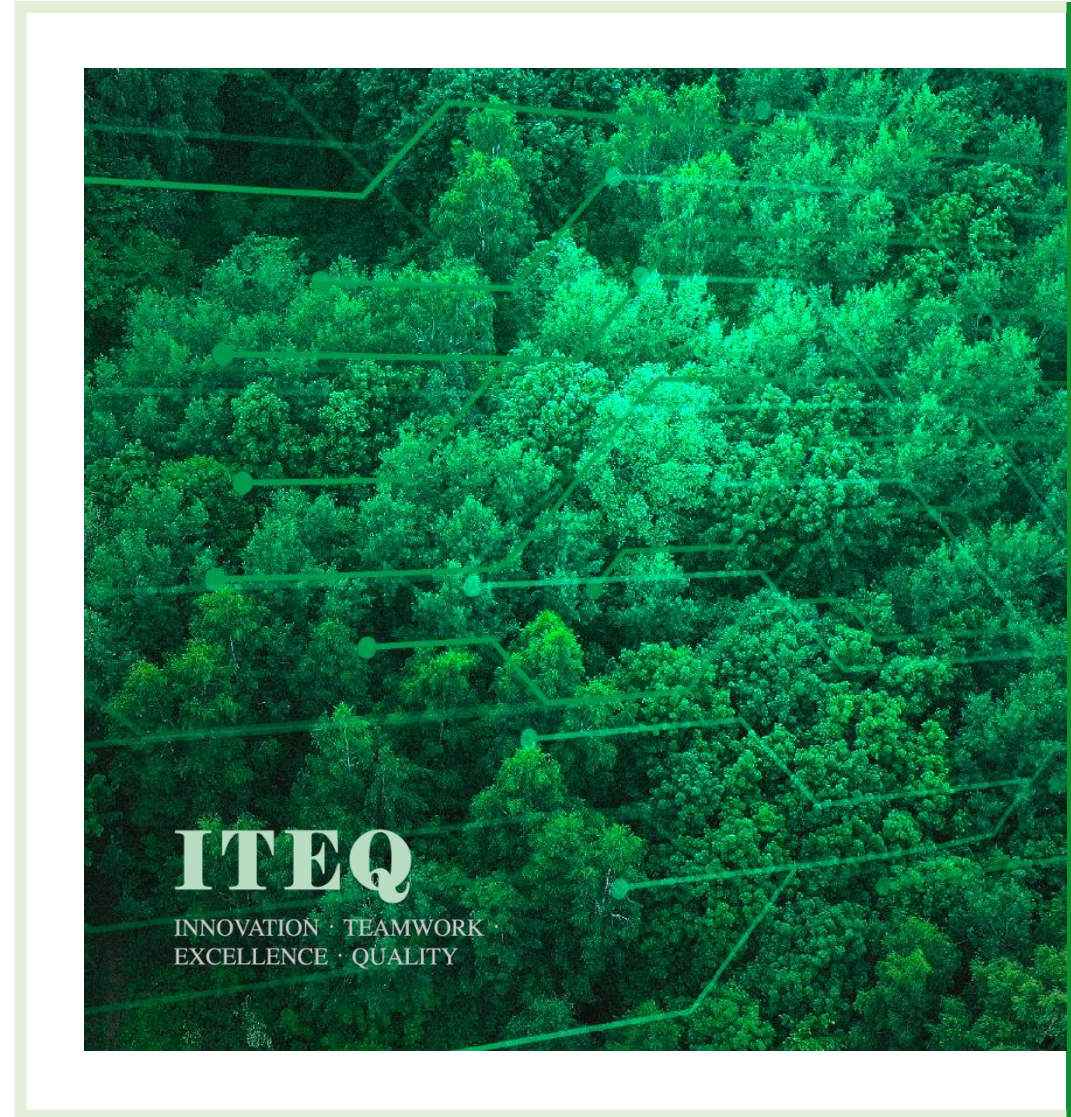
**ITEQ**

INNOVATION. TEAMWORK. EXCELLENCE. QUALITY

March 2024

# 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



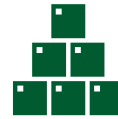
**Employees**  
~4,000



**Chairman**  
Dennis Chen



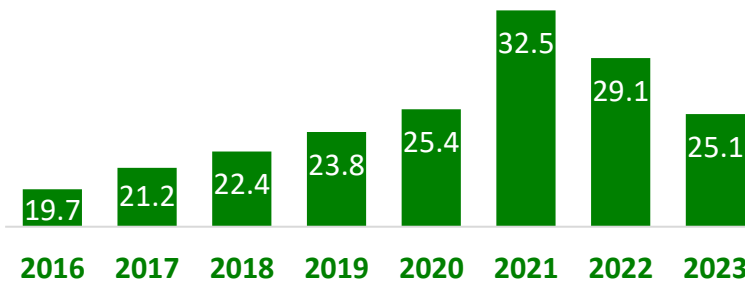
**CEO**  
Audrey Tsai



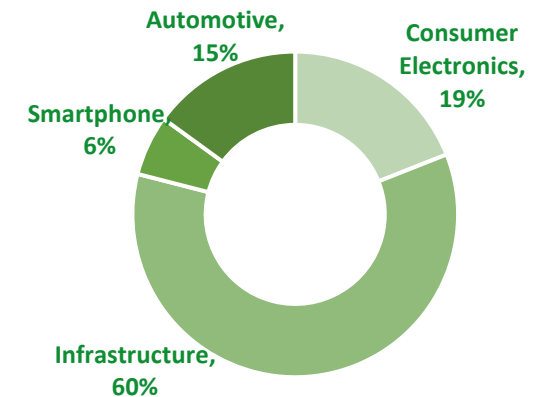
## Main Products

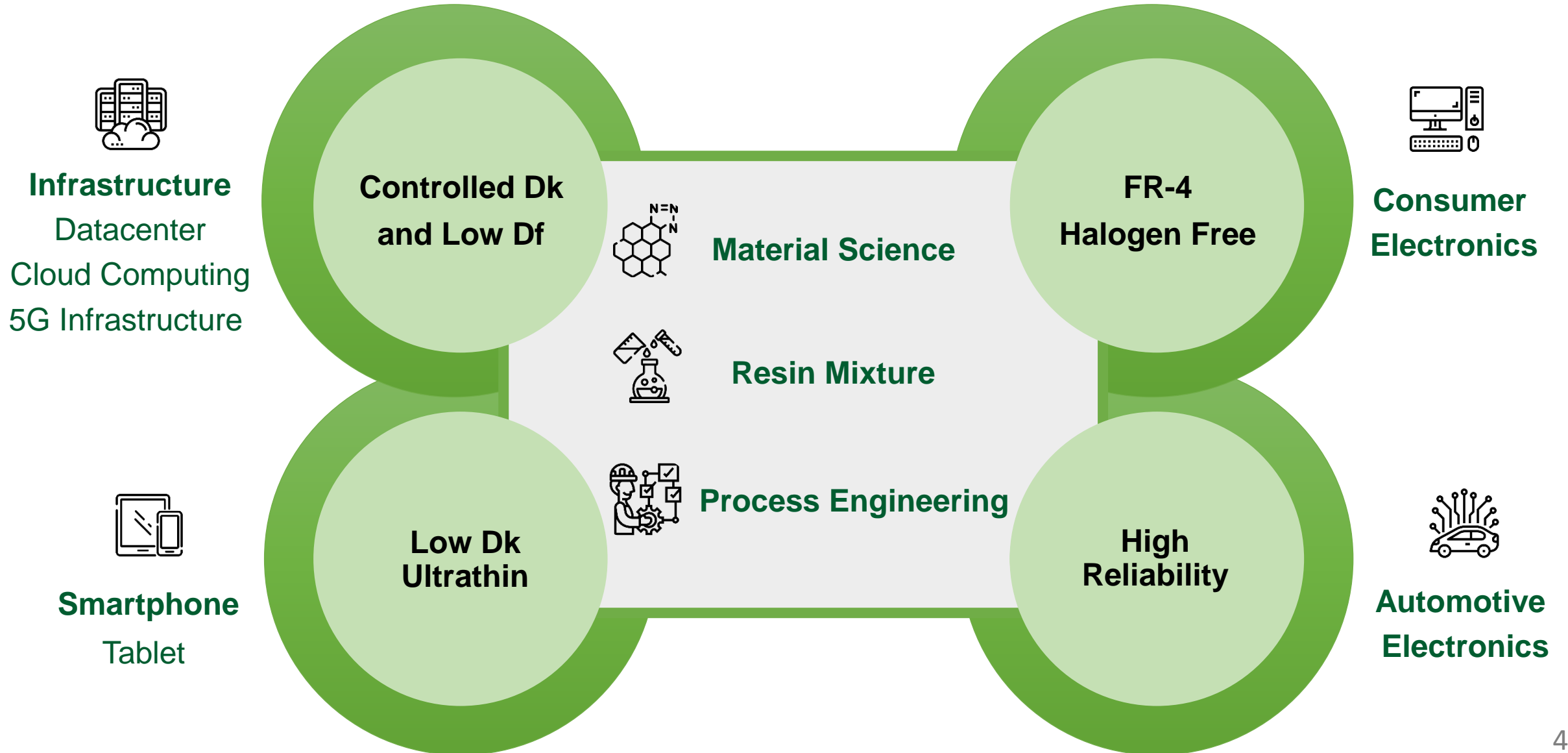
Copper Clad Laminate (CCL) & Prepreg (PP) | Masslam service | Flexible CCL

### Revenue (NT\$ billion)



### Revenue by Application (FY23)







# Growth Strategy Blueprint

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# Path of Innovation

Widely adopted in consumer electronics



Engaged with tier 1 automotive players



Enhanced ultra-thin dielectric capability for handheld devices



Biz kick-off with top server OEMs & ODMs



Dominant CCL supplier for Intel Purley server platform



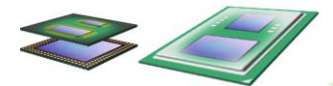
No. 1 Taiwan CCL supplier for 5G base station



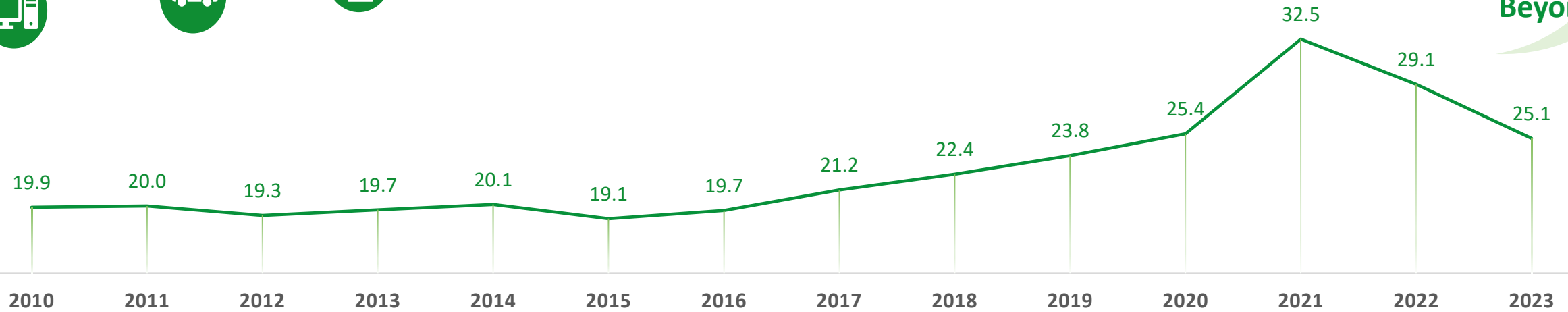
New product for HDI PCB: Resin Coated Copper (RCC)



Substrate Like PCB (SLP) IC Packaging Substrate Laminate

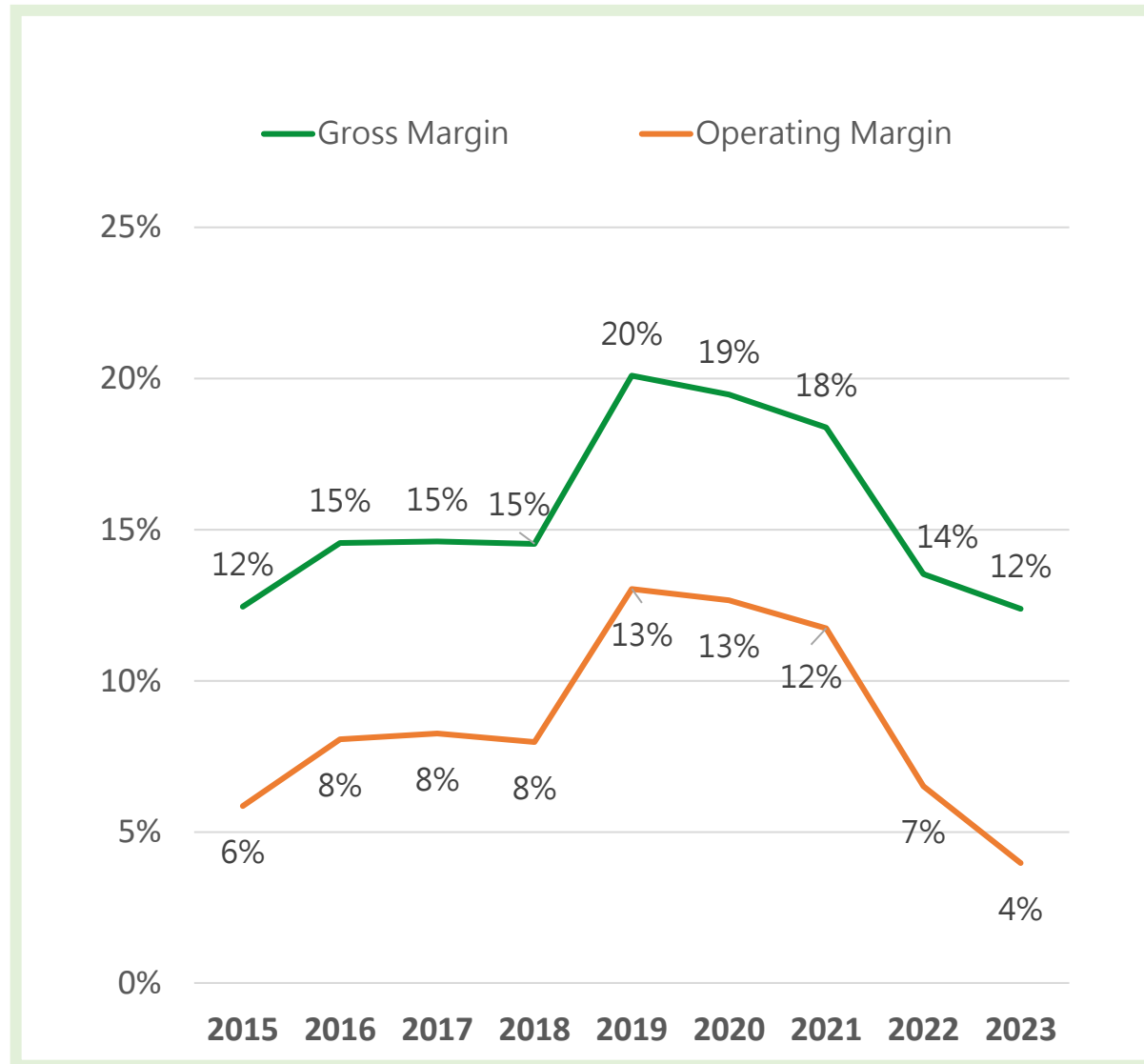
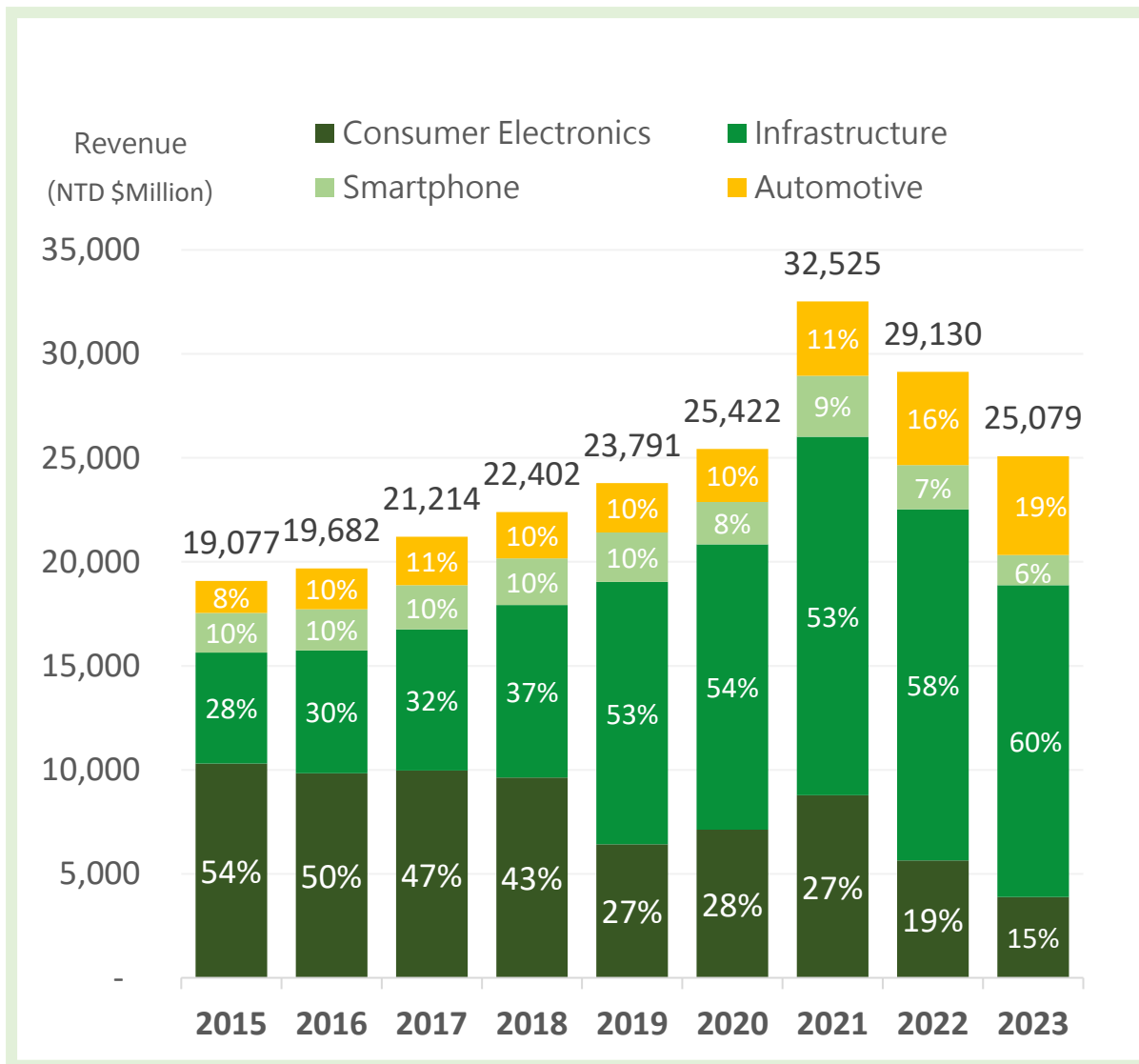


Beyond

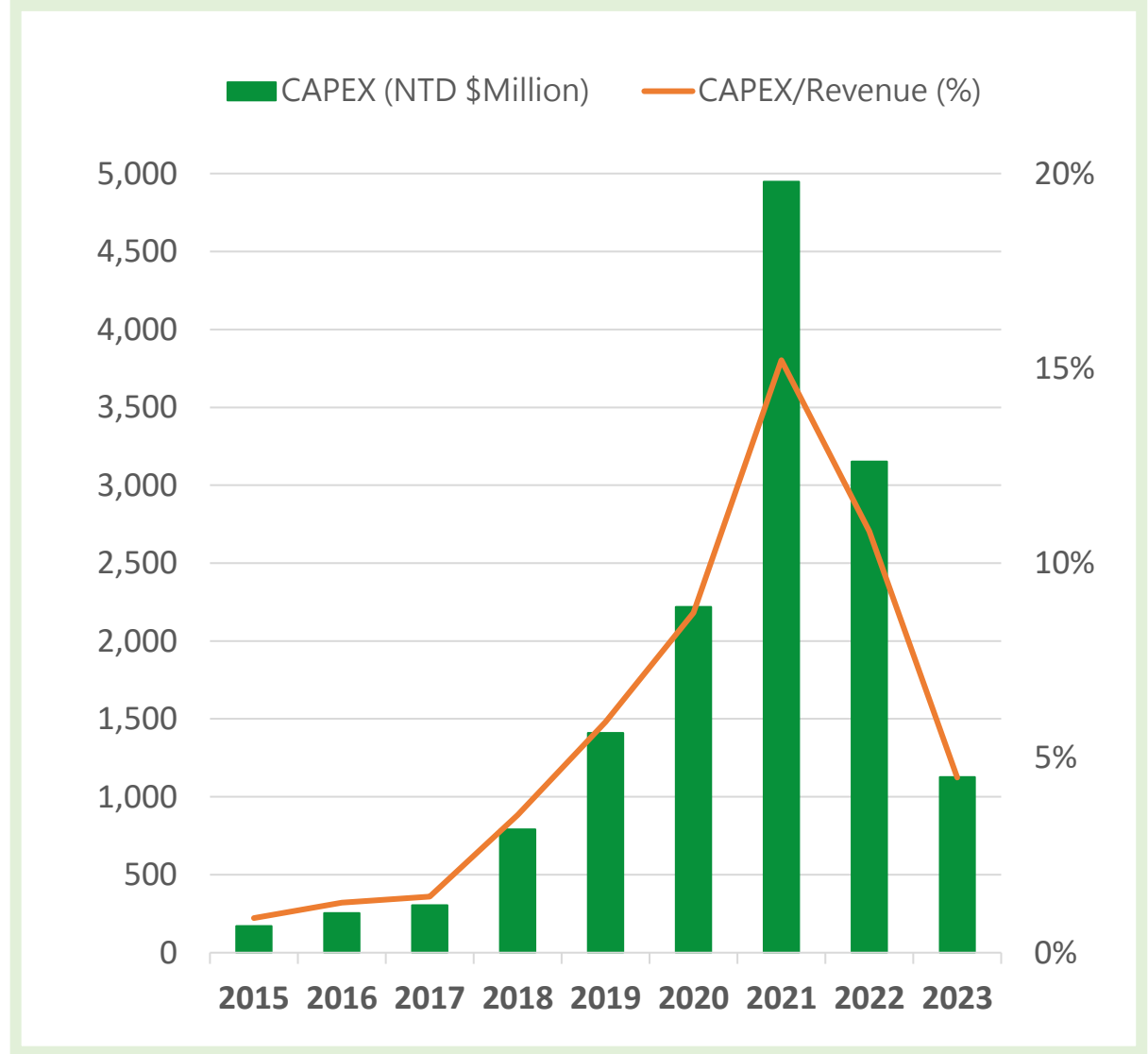
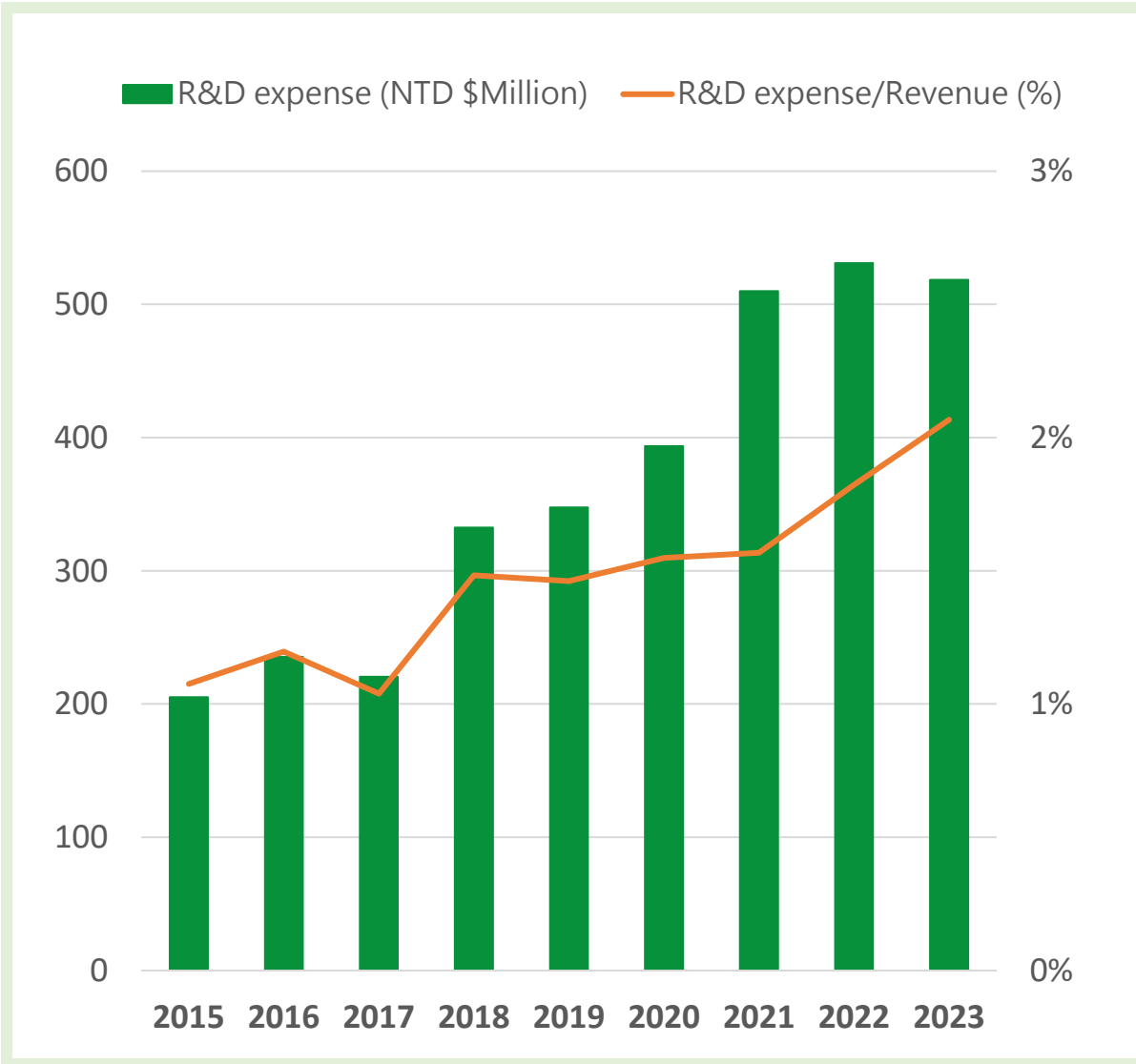


— Revenue (NT\$ billion)

# Optimized Mix with Product Innovation



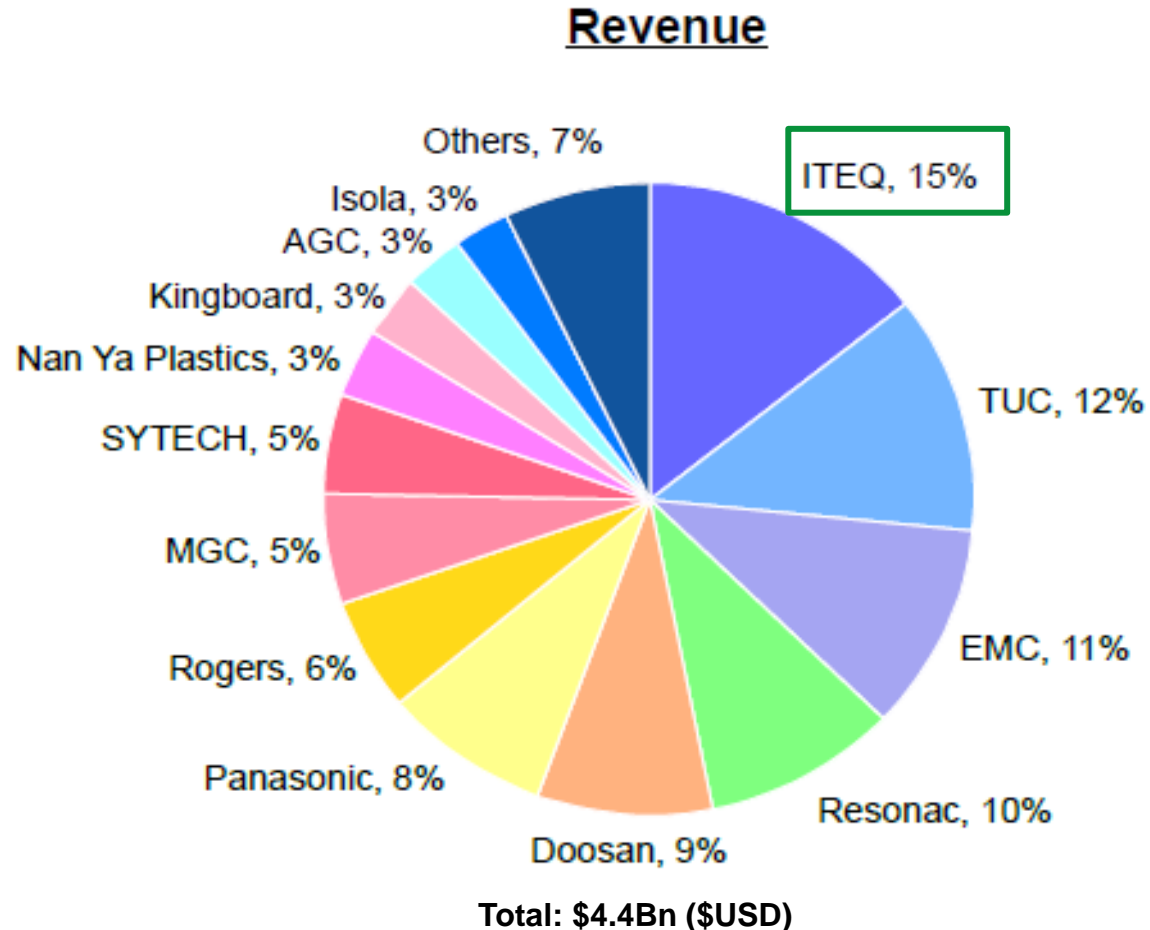
# R&D and Capex to Pursuit Sustainable Growth



\*2023 CAPEX including the increase in prepayments for equipment NT\$560m.



## 2022 WW Specialty Laminate Market Share



## ITEQ: Leading CCL supplier

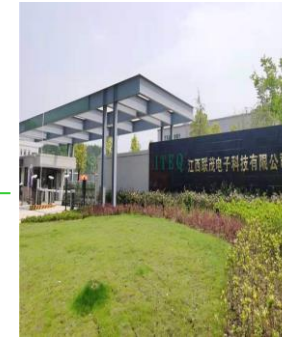
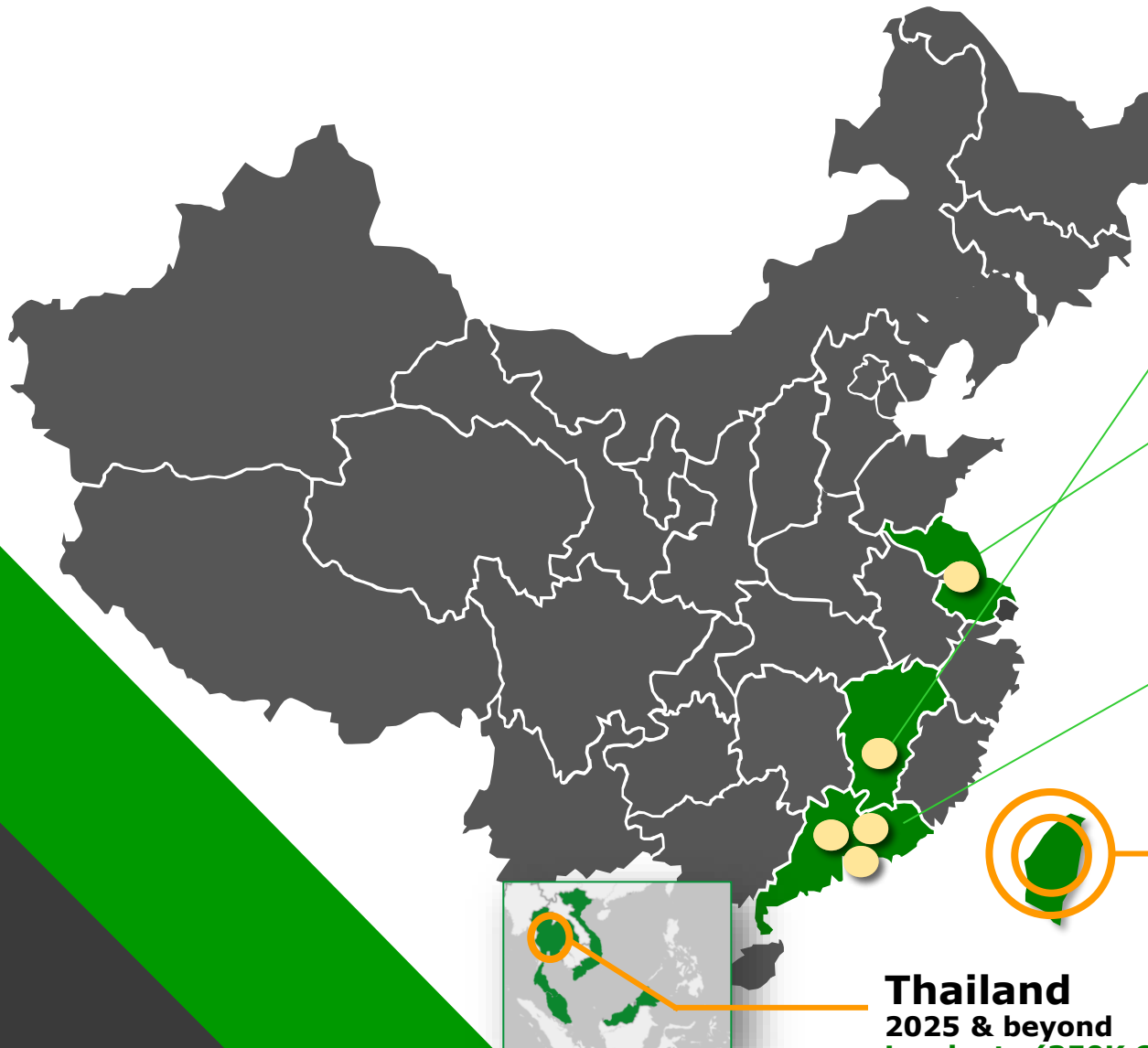
- Worldwide top supplier in high speed / frequency laminate
- Cutting-edge technology with MP track record
- Secular growth momentum in network infrastructure and data centers upgrading opportunities
- Rising EV market to boost demand for high speed / frequency automotive CCL



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\*Specialty Laminate includes: High speed, package substrate, RF  
Source: Prismark Report, 2023/06

# 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)

**Thailand**  
2025 & beyond  
Laminate (350K SHT/Month)  
Prepreg (TBD)

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



# Market Trend & Growth Drivers

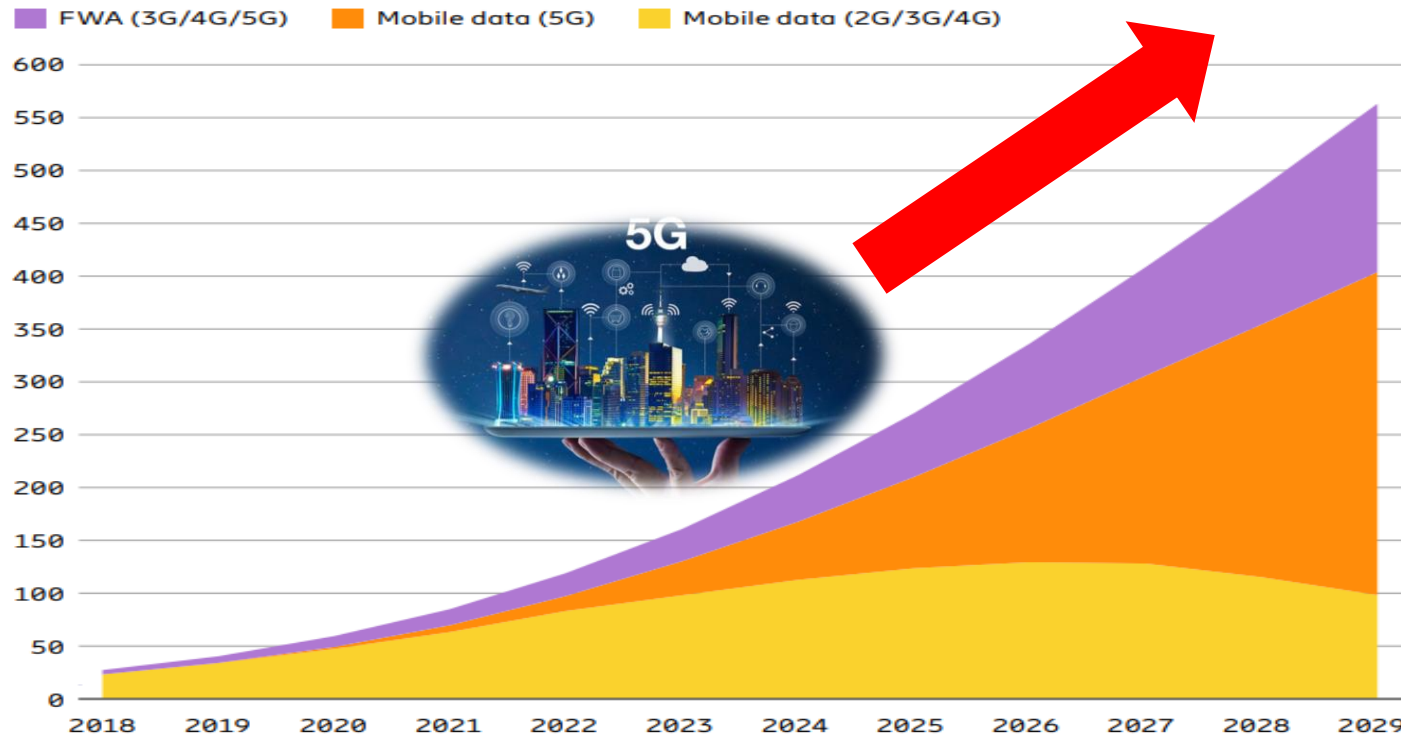
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## Global Mobile Network Data Traffic (EB per month)

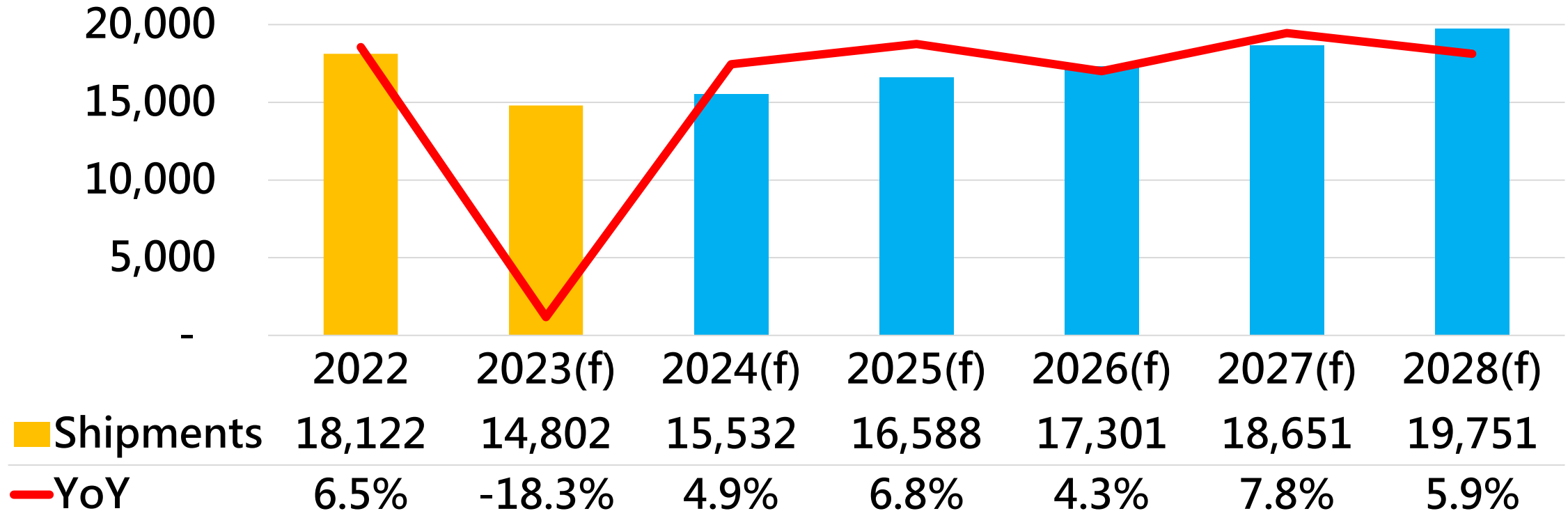


Source : Ericsson Mobility Report, 2023/11

- 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.)
  - AI & High Performance Computing & Big Data Analysis
  - Cloud Computing and Cloud Storage
  - Internet of Vehicles (ADAS & Self-Driving)
  - End user products (computers, smartphones, IoT devices)
  - IoT related applications (Smart Home & Telemedicine)
  - Virtual Reality (VR) and Augmented Reality (AR)

- 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.

## Global Server Shipment Forecast



Source : DIGITIMES Research, 2024/02

2023~2028 Global Server shipment CAGR forecast +6% ;

- Generative AI to drive demand for both AI servers and general-purpose servers
- AI server robust demand to drive CCL content growth



# 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       | PCIe 5.0               |
|       | MP Time      | 2017 Q3  | 2019 Q3      | 2021 Q1  | 2023 H1         | 2023 H2        | 2024                   |
|       | CCL Material | Mid Loss | Mid Loss     | Low Loss | Very Low Loss   | Very Low Loss  | VLL/<br>Ultra Low Loss |
|       | Layer count  | 8 to 12  | 8 to 12      | 12 to 16 | 16 to 20        | 16 to 20       | 18 to 22               |



| 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)   | 4 nm / 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 | VLL/<br>Ultra Low Loss |
|     | Layer count  | 8 to 12                  | 12 to 16    | 12 to 16    | 16 to 20      | 16 to 20      | 18 to 22               |

## Datacenter Equipment Cyclical Upgrade to Drive the Following;

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

## Green Power/EV



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

High Tg material

## Internet of Vehicle

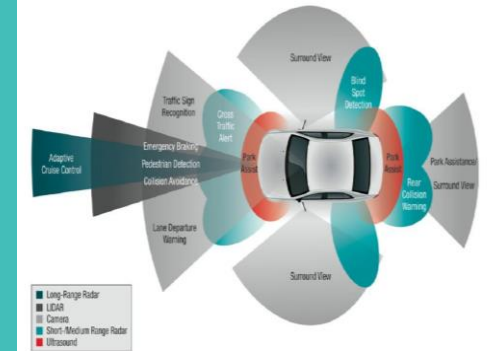


- Infotainment
- Networking

HDI

High Speed Material

## Active Safety



- Active Safety System
- ADAS
- Radar
- Antenna Module

HDI

High Speed Material

High Frequency Material

## Autonomous Driving



- HPC
- Graphic Processing
- Automated Driving Control Module

HDI

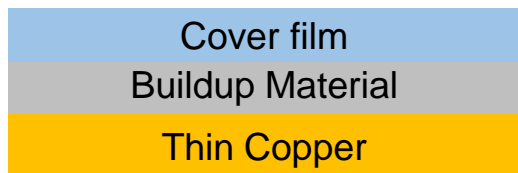
High Speed Material

- EV, IoV and Active Safety to boost demand for high performance automotive CCL
- PCB usage for EV is 4 to 5 folds of conventional gasoline vehicle

# HDI New Product: Resin Coated Copper (RCC)

## Resin Coated Copper (RCC)

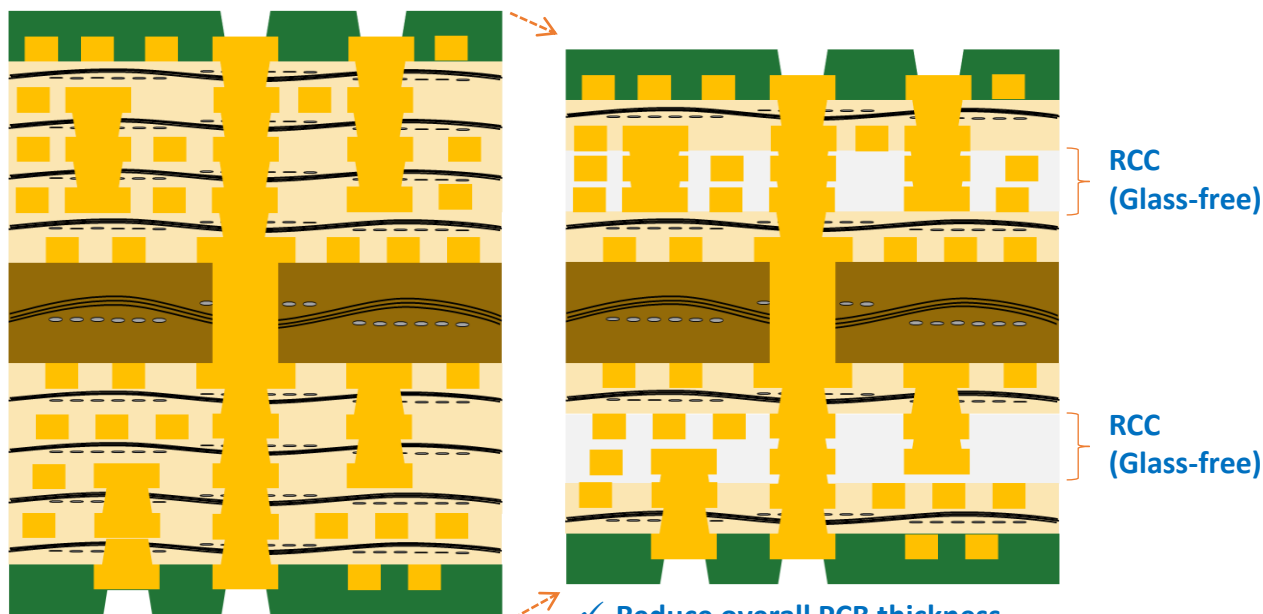
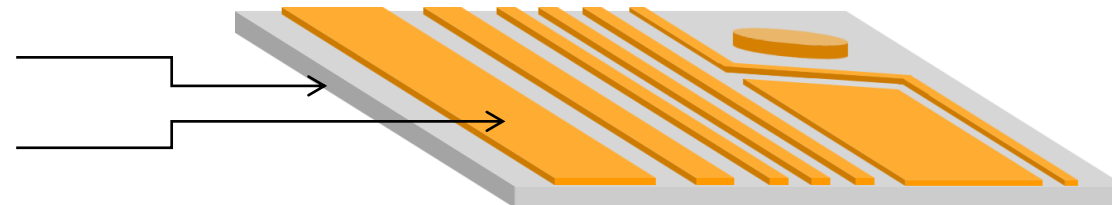
- ✓ Glass-free solution which enables further thickness reduction of dielectric layer while satisfies the needs towards fine-line pattern design (smaller form factor) and hybrid HDI/Substrate-Like PCB production.



**Dielectric Layer : 10~50um**

※ Available for thickness up to 150um

**Conductors : Copper Foil**



- ✓ 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)

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

RCC uses pure glue material enabling stable dielectric constant

### Power Consumption Saving

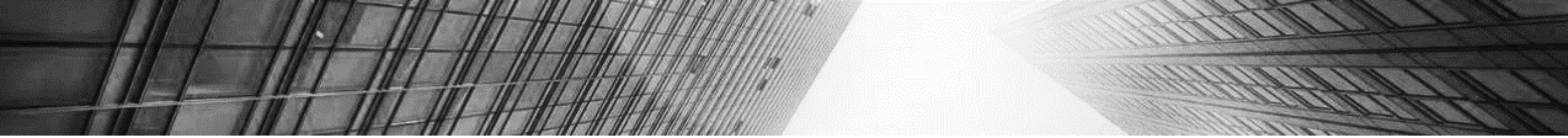
Lower voltage – extending battery life

### Better Laser Processability

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

### Simplify PCB Lamination process

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



# 4Q23 & 2023 Financial Results

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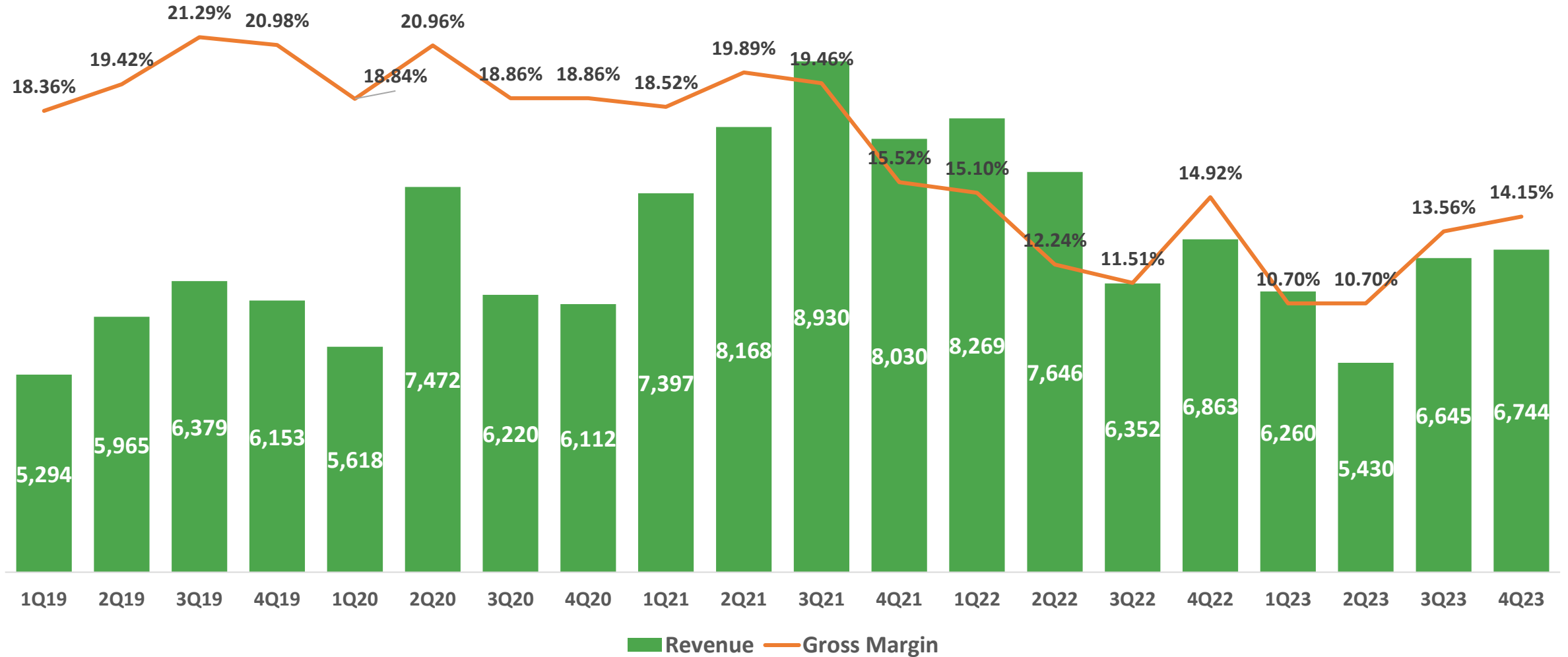
# 4Q23 & FY23 Income Statement

| NTD \$Million              | 4Q23          | 3Q23          | 4Q22          | QoQ          | YoY          | 2023          | 2022          | YoY           |
|----------------------------|---------------|---------------|---------------|--------------|--------------|---------------|---------------|---------------|
| <b>Revenue</b>             | <b>6,744</b>  | <b>6,645</b>  | <b>6,863</b>  | <b>1.5%</b>  | <b>-1.7%</b> | <b>25,079</b> | <b>29,130</b> | <b>-13.9%</b> |
| Gross Profit               | 954           | 901           | 1,024         | 5.9%         | -6.8%        | 3,106         | 3,940         | -21.2%        |
| Operating Expense          | 535           | 511           | 570           | 4.7%         | -6.1%        | 2,111         | 2,043         | 3.3%          |
| <b>Operating Profit</b>    | <b>419</b>    | <b>390</b>    | <b>454</b>    | <b>7.4%</b>  | <b>-7.7%</b> | <b>995</b>    | <b>1,896</b>  | <b>-47.5%</b> |
| Non-Op Income / Loss       | 132           | (4)           | (72)          |              |              | 157           | 419           |               |
| Income before Tax          | 551           | 386           | 381           | 42.7%        | 44.6%        | 1,152         | 2,315         | -50.2%        |
| Tax Expense                | 225           | 151           | 47            |              |              | 476           | 460           |               |
| Net Income to Parent       | 326           | 235           | 334           | 38.7%        | -2.4%        | 677           | 1,855         | -63.5%        |
| <b>EPS(NT\$)</b>           | <b>0.90</b>   | <b>0.65</b>   | <b>0.92</b>   | <b>38.5%</b> | <b>-2.2%</b> | <b>1.86</b>   | <b>4.94</b>   | <b>-62.3%</b> |
| <b>Key Financial Ratio</b> |               |               |               |              |              |               |               |               |
| <b>Gross Margin</b>        | <b>14.15%</b> | <b>13.56%</b> | <b>14.92%</b> |              |              | <b>12.38%</b> | <b>13.52%</b> |               |
| Operating Expense Ratio    | 7.93%         | 7.69%         | 8.31%         |              |              | 8.42%         | 7.01%         |               |
| <b>Operating Margin</b>    | <b>6.21%</b>  | <b>5.87%</b>  | <b>6.60%</b>  |              |              | <b>3.97%</b>  | <b>6.51%</b>  |               |
| Effective Tax Rate         | 40.83%        | 39.12%        | 12.34%        |              |              | 41.32%        | 19.87%        |               |
| <b>Net Margin</b>          | <b>4.83%</b>  | <b>3.54%</b>  | <b>4.87%</b>  |              |              | <b>2.70%</b>  | <b>6.37%</b>  |               |



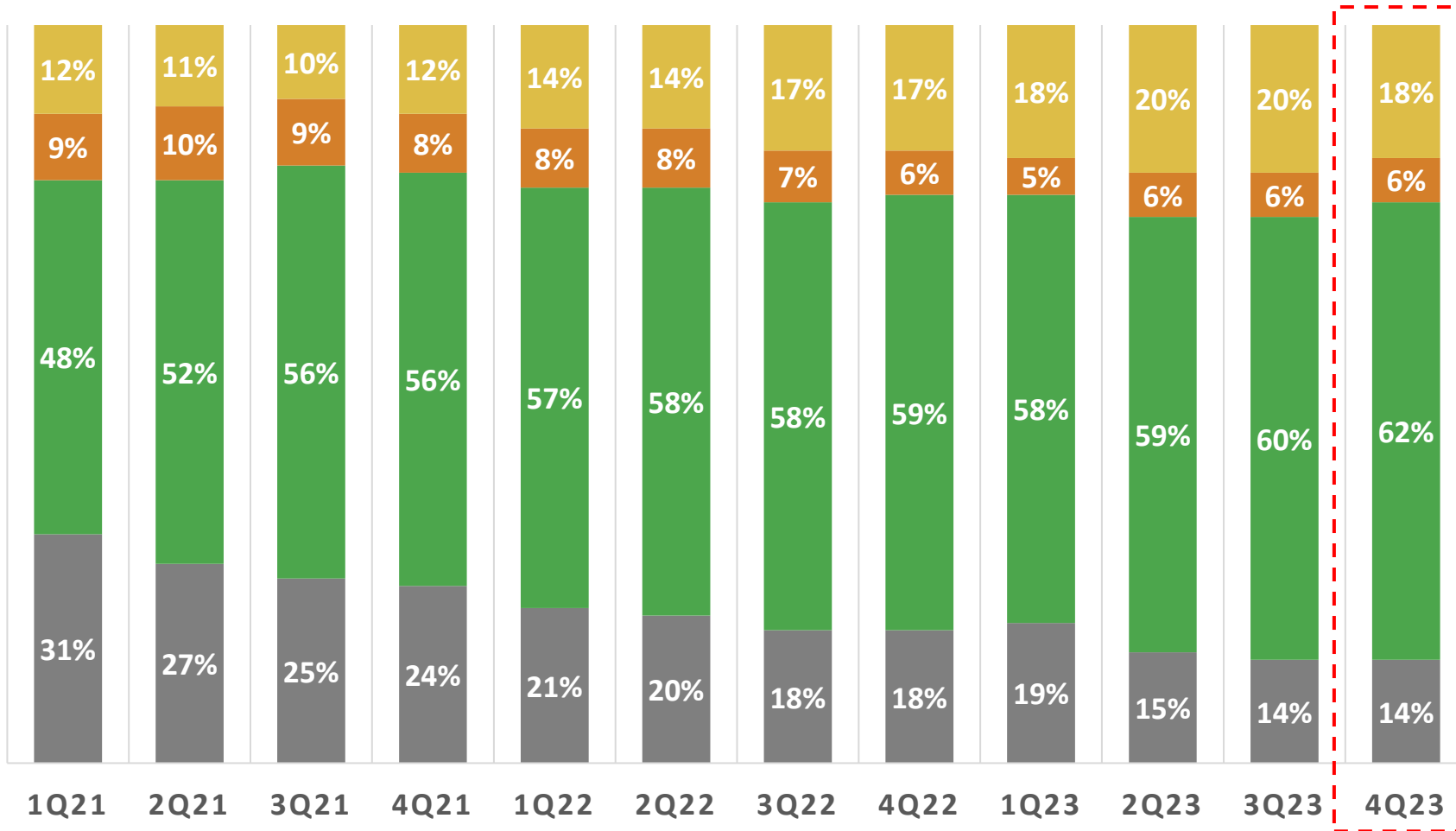
# Revenue & Gross Margin Rate

(Million \$NTD)



# Product Mix

■ Consumer Electronics
 ■ Infrastructure
 ■ Smartphone
 ■ Automotive



| 4Q23 Product Growth % | QoQ   | YoY    |
|-----------------------|-------|--------|
| Automotive            | -8.7% | +4.0%  |
| Smartphone            | +1.5% | -1.7%  |
| Infrastructure        | +4.9% | +3.3%  |
| Consumer Electronics  | +1.5% | -23.6% |

# 4Q23 Balance Sheet

| NTD \$Million              | 4Q23          | 3Q23          | 4Q22          |
|----------------------------|---------------|---------------|---------------|
| <b>Total Assets</b>        | <b>33,380</b> | <b>33,881</b> | <b>33,383</b> |
| Cash                       | 5,594         | 6,030         | 5,214         |
| NR / AR                    | 11,498        | 11,470        | 12,119        |
| Inventories                | 3,014         | 2,834         | 2,731         |
| Fixed Assets               | 11,180        | 11,387        | 11,102        |
| <b>Total Liabilities</b>   | <b>13,940</b> | <b>14,126</b> | <b>13,272</b> |
| Short-term Debt            | 2,921         | 2,554         | 2,633         |
| NP / AP                    | 5,991         | 6,332         | 5,926         |
| Long-term Debt             | 2,346         | 2,600         | 1,677         |
| <b>Total Equity</b>        | <b>19,440</b> | <b>19,755</b> | <b>20,111</b> |
| <b>Key Financial Index</b> |               |               |               |
| Days Sales Outstanding     | 172           | 171           | 159           |
| Days Sales of Inventory    | 54            | 52            | 62            |
| Days Payable Outstanding   | 99            | 102           | 95            |
| ROE (%)                    | 3.42          | 3.43          | 8.96          |
| ROA (%)                    | 2.37          | 2.33          | 5.57          |
| Debt ratio (%)             | 41.76         | 41.69         | 39.76         |

# 2017 – 2023 Dividend Policy

| Year | EPS(NT\$) | Dividend(NT\$) | Cash Dividend(NT\$) | Pay-out Ratio(%) |
|------|-----------|----------------|---------------------|------------------|
| 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%              |
| 2022 | 4.94      | 3.0            | 3.0                 | 61%              |
| 2023 | 1.86      | 1.5            | 1.5                 | 81%              |

\*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

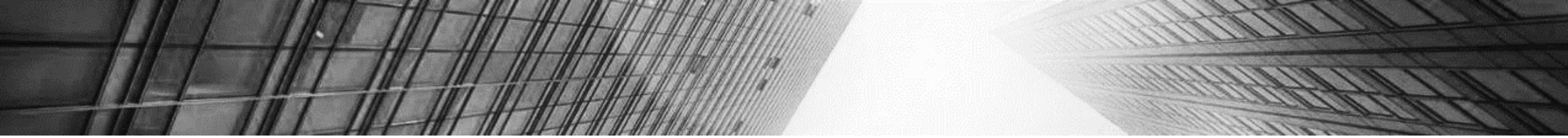
\*\*\*Factoring in the repurchase and cancellation of 20 million shares in 3Q22; current total outstanding common share: 363 million



# Thank you

Question and Comment





# Appendix

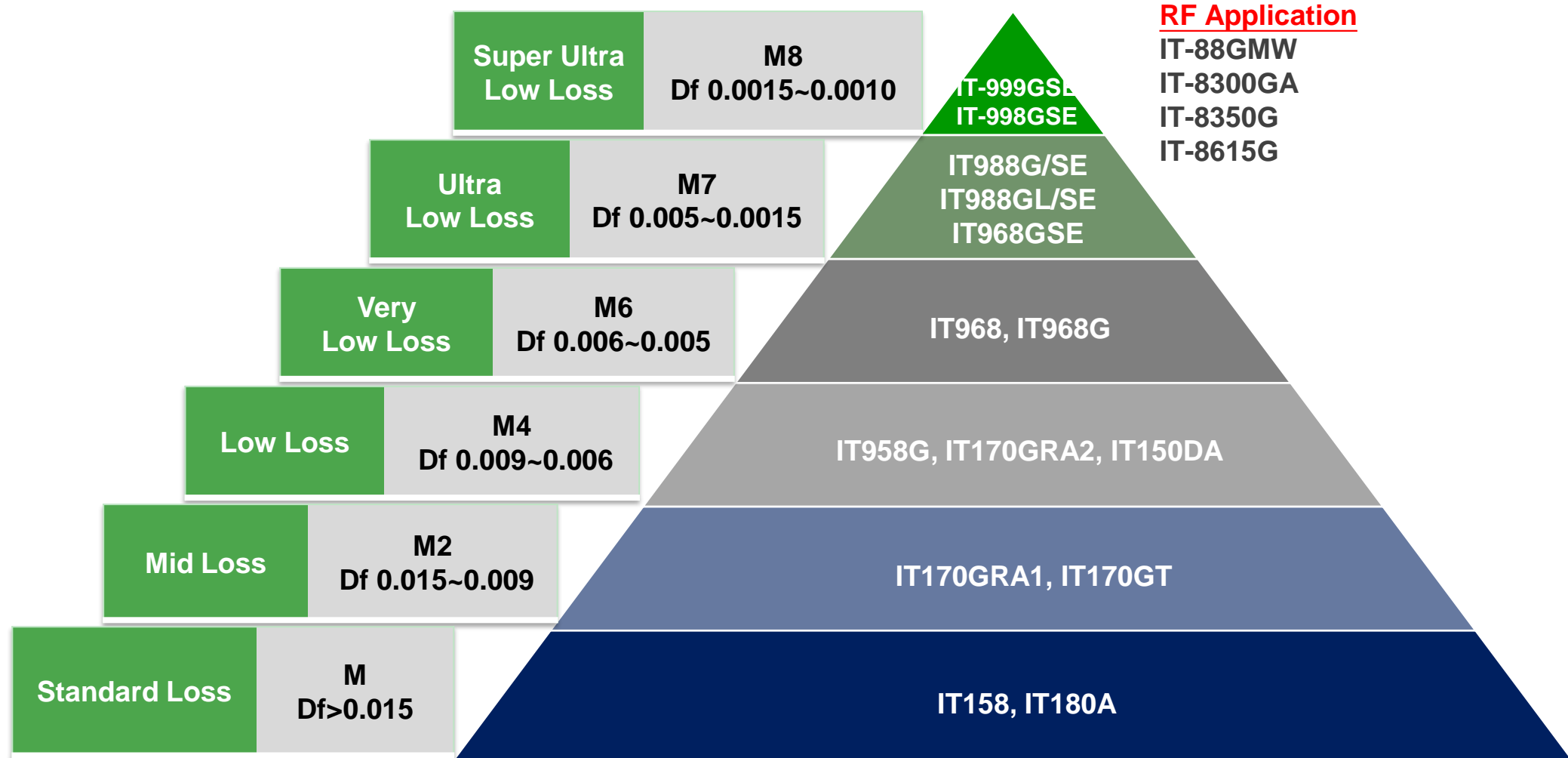
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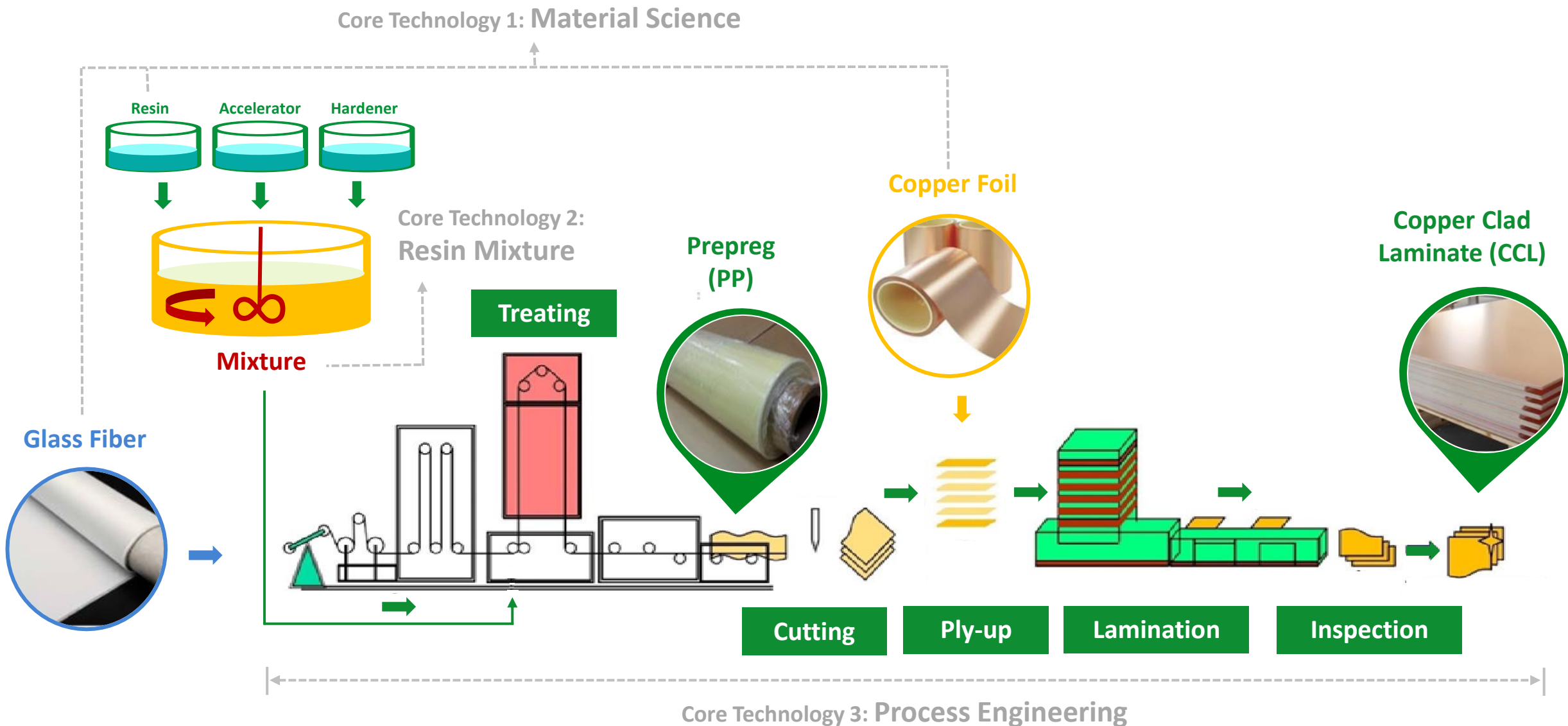
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# Well-Expanded Product Line

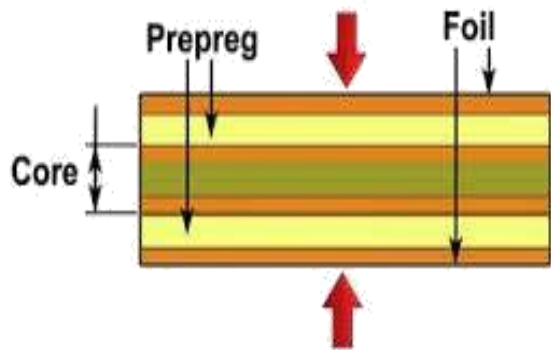
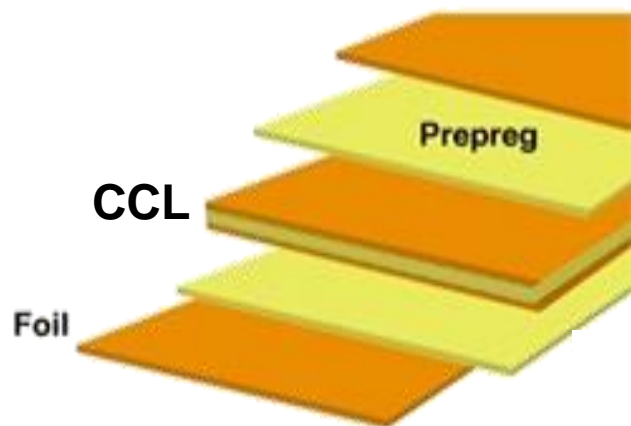


- The need for hyperscale data center and server upgrade to expedite the growth of high speed / frequency material demand
- ITEQ's market share in high speed / frequency material to uplift robustly

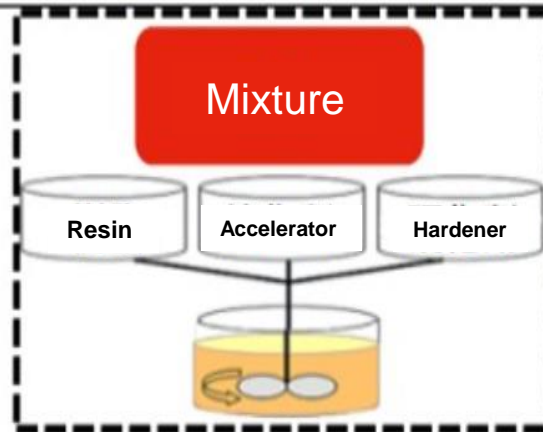
# CCL & PP Manufacturing Flow



## CCL/PP



## CCL Manufacturing Process



Glass Fiber



CCL



Copper Foil



PP



## AI Server CPU\*2 Mainboard (Content Value – mid)

(Used in both general type server and AI server)

**CPU MB**

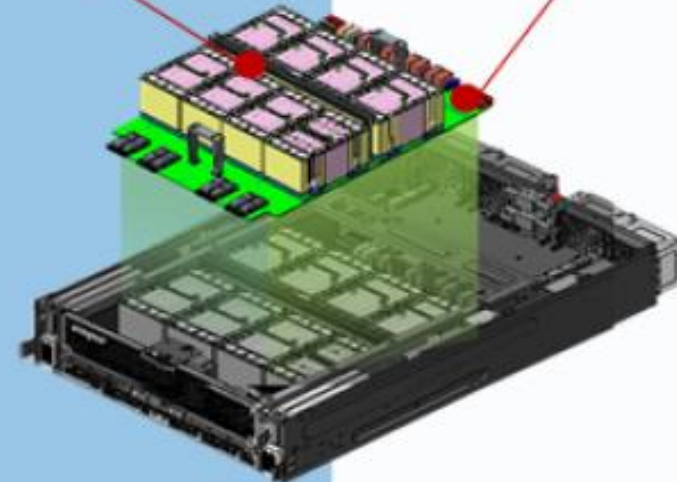


CCL: Very Low Loss  
Layer Count: 14 to 24

## AI Server GPU OAM\*8 (Content Value – high)

(Used in accelerator card– AI server only)

**GPU Tray**



CCL: Very Low Loss  
Layer count: 20 to 30 (HDI)

## AI Server GPU UBB (Content Value – high)

(Used as GPU board– AI server only)

CCL: Ultra Low Loss / VLL  
Layer count: 20 to 30 (incl. HDI)