

Scan & Join Phison's IR list



PHISON

Financial Results & Company Outlook

2024 Third Quarter

K.S.Pua | CEO

November 8, 2024

Forward-Looking Statement

Information included in this earning meeting that are not historical in nature are "forward looking statements". Phison cautions readers that forward looking statements are based on Phison's reasonable knowledge and current expectations and are subject to various risks and uncertainties. Actual results may differ materially from those contained in such forward looking statements for a variety of reasons including without limitation, risks associated with demand and supply change, manufacturing and supply capacity, design win, time to market, market competition, industrial cyclicity, customer's financial condition, exchange rate fluctuation, legal actions, amendments of the laws and regulations, global economy change, natural disasters, and other unexpected events which may disrupt Phison's business and operations. Accordingly, readers should not place reliance on any forward-looking statements. Except as required by law, Phison undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

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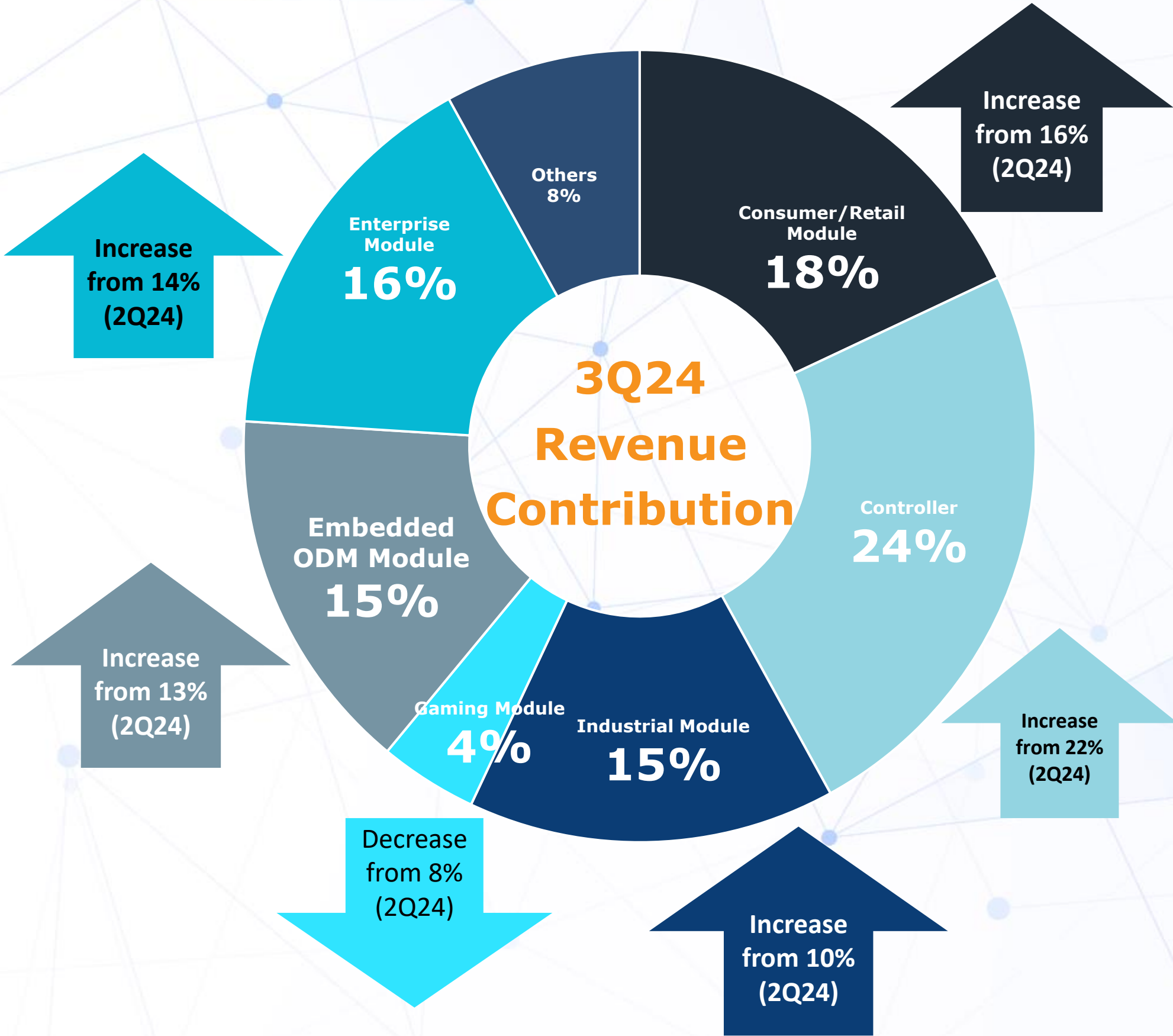
Q&A

1 Phison's Business Transformation

Phison's Non-consumer Deployment Reduces NAND Market Fluctuation Impact

Revenue from Non-consumer/retail Products

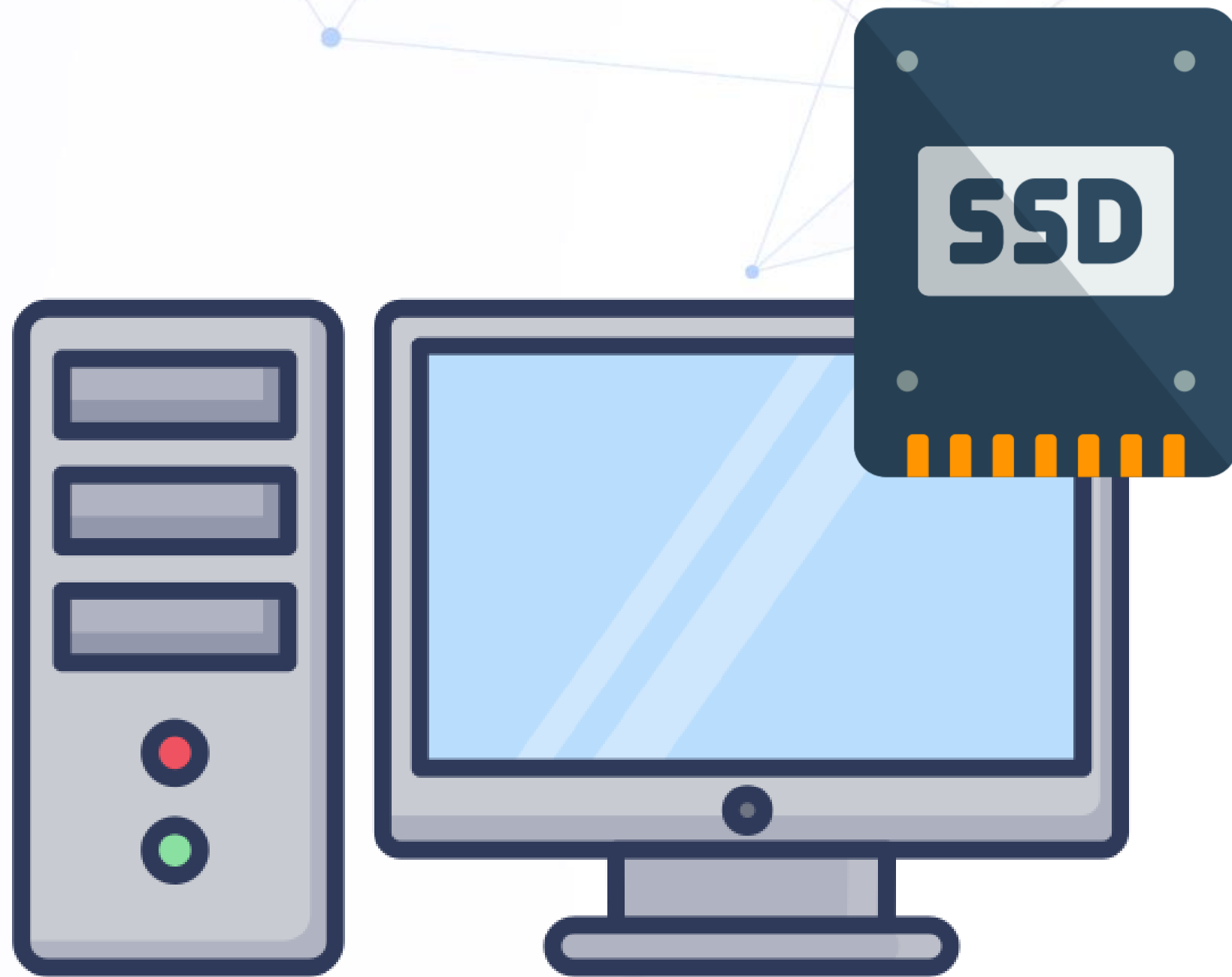
70%+



Note: Controller Revenue Contribution includes both direct shipments and controllers applied to modules.

70%

Desktop PCs
Pre-installed with SSDs
before shipment



1. The retail DIY upgrade market is shifting towards high-capacity and high-end SSDs for gaming, content creation, AI, etc. applications.
2. The total volume of the low-end retail SSD market will decrease.

3. Phison's long-term strategy

- Enterprise SSD
- AI on-premises fine-tuning and storage
- Embedded ODM (PC & Mobile)
- Customized storage solutions

2 3Q24 Financial Results

3Q24 Revenue and Gross Profit

3Q24 Revenue

\$13.943B

Revenue up 12.5% YoY
Revenue down 12.3% QoQ

3Q24 Gross Profit

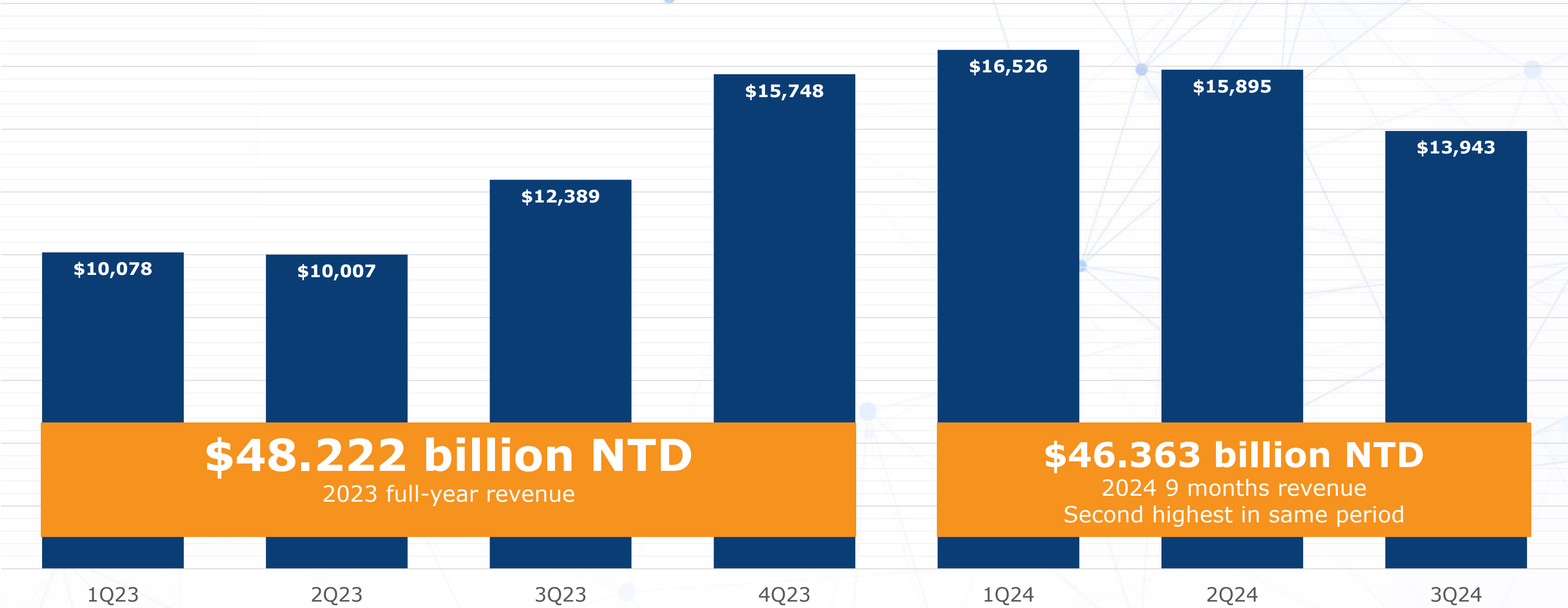
\$4.076B

Gross profit up 2.2% YoY
Gross profit down 26.4% QoQ

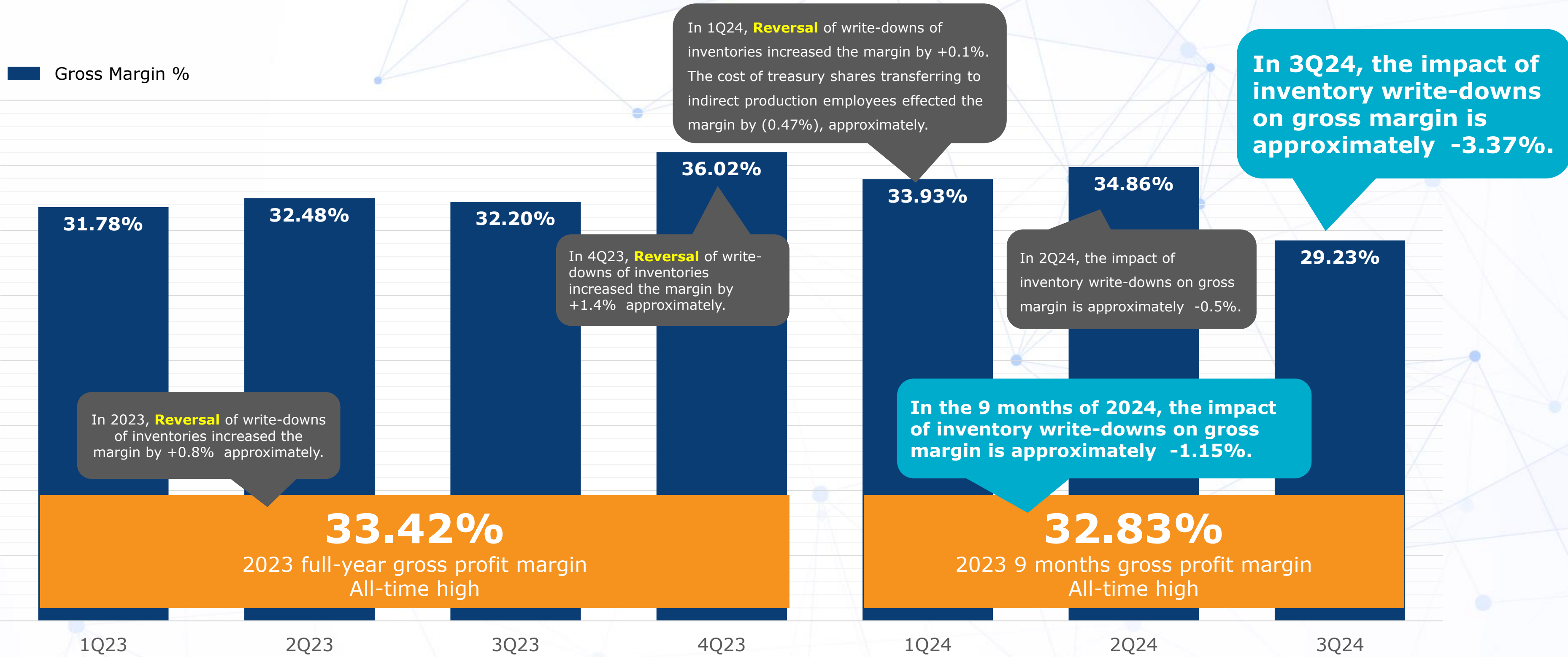
Revenue in \$NT

Revenue Trend

Revenue NT\$ millions



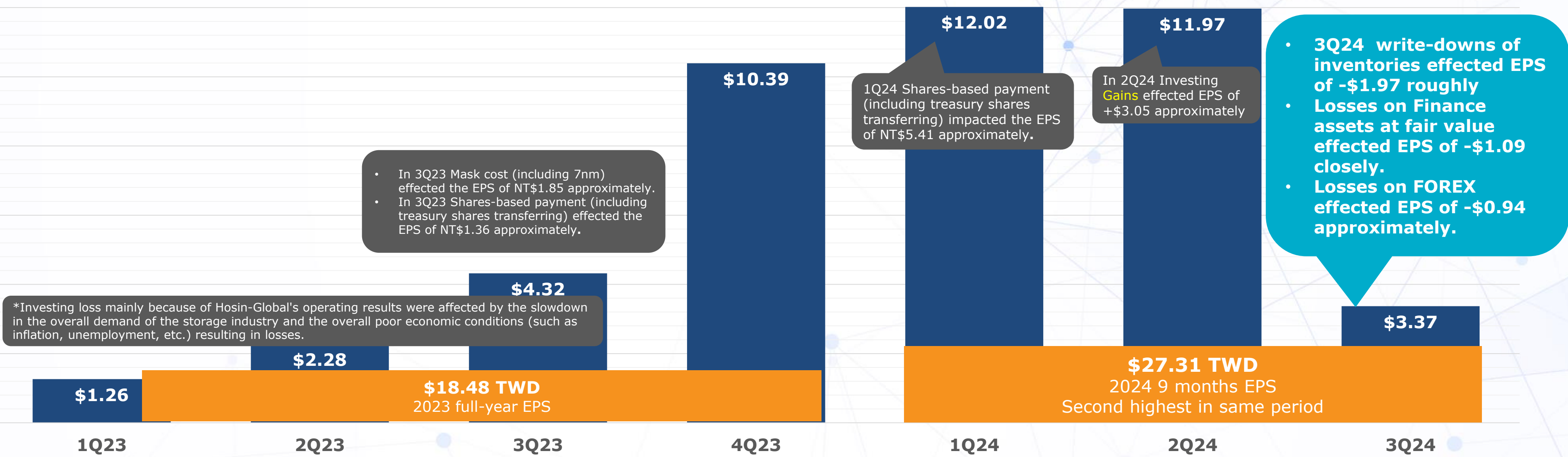
Gross Margin Rate Trend



Note:
By the accounting rule, we evaluate the lower of cost and the market price (LCM) to reserve the allowance of inventory price loss. When the market price hiking, we will reversal the allowance of inventory price loss.

Earnings Per Share Trend

In \$NT



*Investing loss mainly because of Hosin-Global's operating results were affected by the slowdown in the overall demand of the storage industry and the overall poor economic conditions (such as inflation, unemployment, etc.) resulting in losses.

*Basic EPS contribution from one-time gain was in light blue.

3Q24 Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

Historical high in a single quarter, and Historical high for the same period

Historical high for the same period

- 1 Revenue in NTD: QoQ is decreased 12.3%.
Revenue in USD: QoQ is decreased 12.4%.
- 2 In 3Q24, The gross margin was 29.2%. The write-down of inventory effected the gross margin by -3.37% approximately.
- 3 3Q24 OPEX was lower than 3Q23 and 2Q24, due to the expenses of treasury shares transferring only happen in 3Q23 and lower mask fee to 2Q24. Phison keeps investing in research and development to maintain technological leadership.
- 4 The non-operating losses in 3Q24 mainly for recognizing the losses of forex and the gains/losses from finance assets valuations.

NT\$m	3Q24	2Q24	3Q23	Q/Q (%)	Y/Y (%)
Revenue in US\$Mn	432	493	393	(12.4)	9.9
Revenue	13,943	15,895	12,389	(12.3)	12.5
Gross Profit	4,076	5,541	3,989	(26.4)	2.2
Marketing Exp.	375	400	325		
General & Adm. Exp.	215	269	238		
Research & Development	2,161	2,853	2,896		
Expected credit losses	103	22	5		
Operating Expenses	2,854	3,544	3,464	(19.5)	(17.6)
Operating Profit	1,222	1,997	525	(38.8)	132.8
Non-Operating gains (losses)	(477)	893	427		
Pretax Income	745	2,890	952	(74.2)	(21.7)
Tax Expenses	54	439	94		
Net Income to Phison	691	2,451	858	(71.8)	(19.5)
Basic EPS (NT\$)	3.37	11.97	4.32		
Key Financial Ratios (%)					
Gross Margin	29.2%	34.9%	32.2%		
Operating Margin	8.8%	12.6%	4.2%		
Net Profit Margin	5.0%	15.4%	6.9%		
Average Exchange Rate--USD/NTD	32.03	31.90	30.93		

*EBITDA which takes earnings and adds back interests, taxes, and depreciation/amortization charges.

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$m	3Q24	2Q24	3Q23
Total Assets	72,238	77,395	60,285
Cash & Current Financial assets at fair value	15,762	16,583	15,329
Account Receivable	8,961	10,481	8,599
Inventories	28,504	30,411	21,331
Long-term Investments	6,487	6,728	3,961
Net PP&E	7,318	7,267	7,453
Total Liabilities	24,919	28,297	19,524
Current Liabilities	18,866	22,311	14,755
Bonds Payable	5,588	5,564	3,464
Total Equity	47,319	49,098	40,761
BVPS(NT\$)	230	240	203
Key Financial Ratios			
A/R Turnover Days	55	57	67
Inventory Turnover Days	232	235	259
ROE (%)	16.46	21.2	5.24
ROA (%)	11.15	14.04	3.46

1 Cash: the change is a result of operating profit and the management of inventory purchasing.

2 Inventories: Inventories will be adjusted according to changes in the industry and to maintain a safe level based on operational needs.
Most of our inventory is allocated to the Non-Retail market.

3 Total Equity: the change is a mixed result of the Net profit of 9 months deducting the surplus distribution of 2H23 and 1H24 (NT\$8.84 and NT\$13.19 Cash dividend per share), issuing bonds and treasury shares transferring.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

◎ Forward-Looking Statement ◎

The Non Taiwan International Financial Reporting Standards(Non-TIFRS) results supplemented in this presentation are reconciliation results which exclude the financial impact of share-based payment, tax effect and other items.

The supplemental information is for reference only, and is not a substitute for information based on TIFRS. The final actual surplus distribution will be made in accordance with financial statements based on TIFRS.

Reconciliations of TIFRS Results to Non-TIFRS Results (3Q24)

NT\$/million		3Q24	2Q24	3Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,222	1,997	525	(38.8%)	132.8%
	Operating Profit Margin (%)	8.76%	12.56%	4.24%		
Reconciliations	Shares-based payment	27	26	342		
Non-TIFRS	Operating Profit	1,249	2,023	867	(38.3%)	44.1%
	Operating Profit Margin (%)	8.96%	12.73%	7.00%		

TIFRS	Net Income to Phison	691	2,451	858	(71.8%)	(19.5%)
	Net Incomt (%)	4.96%	15.42%	6.93%		
	Basic EPS (NT\$)	3.37	11.97	4.32		
Reconciliations	Shares-based payment	27	26	342		
	Tax effect	(4)	(4)	(72)		
Non-TIFRS	Net Income to Phison	714	2,473	1,128	(71.1%)	(36.7%)
	Net Incomt (%)	5.12%	15.56%	9.10%		
	Basic EPS (NT\$)	3.49	12.08	5.68		

- Non-TIFRS EPS increased 3Q24 EPS by approximately NT\$0.11, mainly effected by the stock option plan.

Note1: Please note, Non-TIFRS results here is a supplement and not a substitute for the Information based on TIFRS, which excluded the share-based payment, tax effect and other items. The final actual surplus distribution is based on the financial statements of TIFRS.

Note2: The numbers may not equal, it is due to rounding.

Consolidated Revenue for October 2024

October Revenue
\$3.717B

Revenue up -27% YoY

Consolidated Revenue
from Jan. to Oct.
\$50.08B

Revenue up 33% YoY
Third highest in history for the same period

Revenue in \$NT

3 Business Highlights

Phison at Automotive USA 2024 (10/21-10/23)

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Sebastien, CTO of Phison USA, gave a panel speech on **Speeding Ahead: Auto Evolution With PCIe Signal Conditioning Solution and SSD**, sharing insights on the future of automotive technology and how Phison continues to push the boundaries of what's possible.



Phison at Automotive USA 2024 (10/21-10/23)

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Showcasing automotive storage solutions at the event and exchanging ideas with industry experts to stay updated on market trends and customer needs is crucial for creating top-notch products.



ISO/SAE 21434

Road Vehicles-Cybersecurity engineering certification

PHISON

PHISON

The World's First

NAND controller independent supplier
to achieve ISO/SAE 21434 Road vehicles-
cybersecurity engineering certification

This reinforces our commitment to
automotive storage security by establishing
strict cybersecurity guidelines that protect
data integrity and confidentiality across
automotive systems.

SGS **SGS TÜV SAAR**

CERTIFICATE NO.: FS/71/220/24/1490 **PAGE 1/1**

LICENCE HOLDER

PHISON ELECTRONICS CORP.
NO.1, QUN YI RD., JHUNAN,
MIAOLI,
TAIWAN 350, R.O.C.

PROJECT NO/ID **LICENSED TEST MARK** **REPORT NO.**

V2XC **SGS TÜV SAAR CYBER SECURITY COMPLIANT ISO/SAE 21434** **V2XC0001**

Tested according to **ISO/SAE 21434:2021**

Certified product(s) **Cybersecurity Processes of Phison**
"Baseline 29.07.2024"

Technical Data/Parameter **The evaluation has been performed acc. to ISO/SAE 21434:2021 clause 5.4.7 "Organizational Cybersecurity Audit". The audited development process corresponds to the security development lifecycle (SDL) used in practice and follows the understanding of a Cybersecurity Management System as expected acc. to ISO/SAE 21434.**

Specific Requirements **The certificate is created for the purpose of providing conformity of the organization development and support process in accordance with ISO/SAE 21434. Changes which are not covered in the audit report have to be reconsidered.**

Certification Body for Cyber Security
SGS-TÜV Saar GmbH

Puchheim, September 13th, 2024

The validation status is documented via SGS Certification Database.

The test mark regulation is an integral part of this certificate.

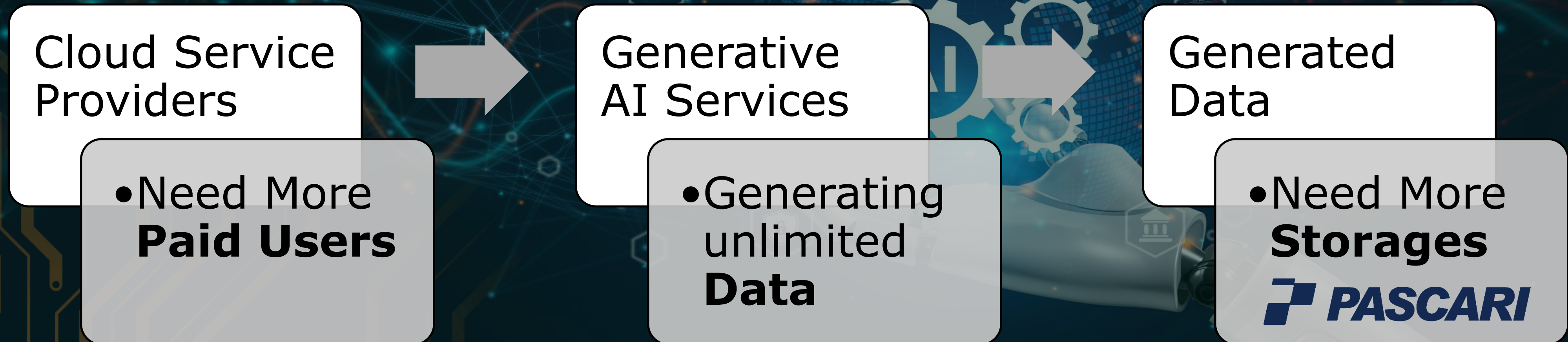
SGS-TÜV Saar GmbH, Benzstr. 28
62176 Puchheim near Munich, Germany
Website: www.sgs-tuv-saar.com/sa
E-Mail: sa@sgs.com

4

Phison's Enterprise SSD Brand



Generative AI services will generate unlimited data, driving storage demand.



PHISON

5

***ai*DAPTIV⁺**

This slide will be explained
in both Chinese and English

PHISON

AI PC + *aiDAPTIV*⁺ = AITPC (AI Training PC)

Phison AITPC Solution

One-stop solution
for large language model

Training + Inference



Cost-effective for school teaching environments
符合學校教學環境的成本

Achieving an AI learning environment
with one device per student
實現一人一機的AI學習環境

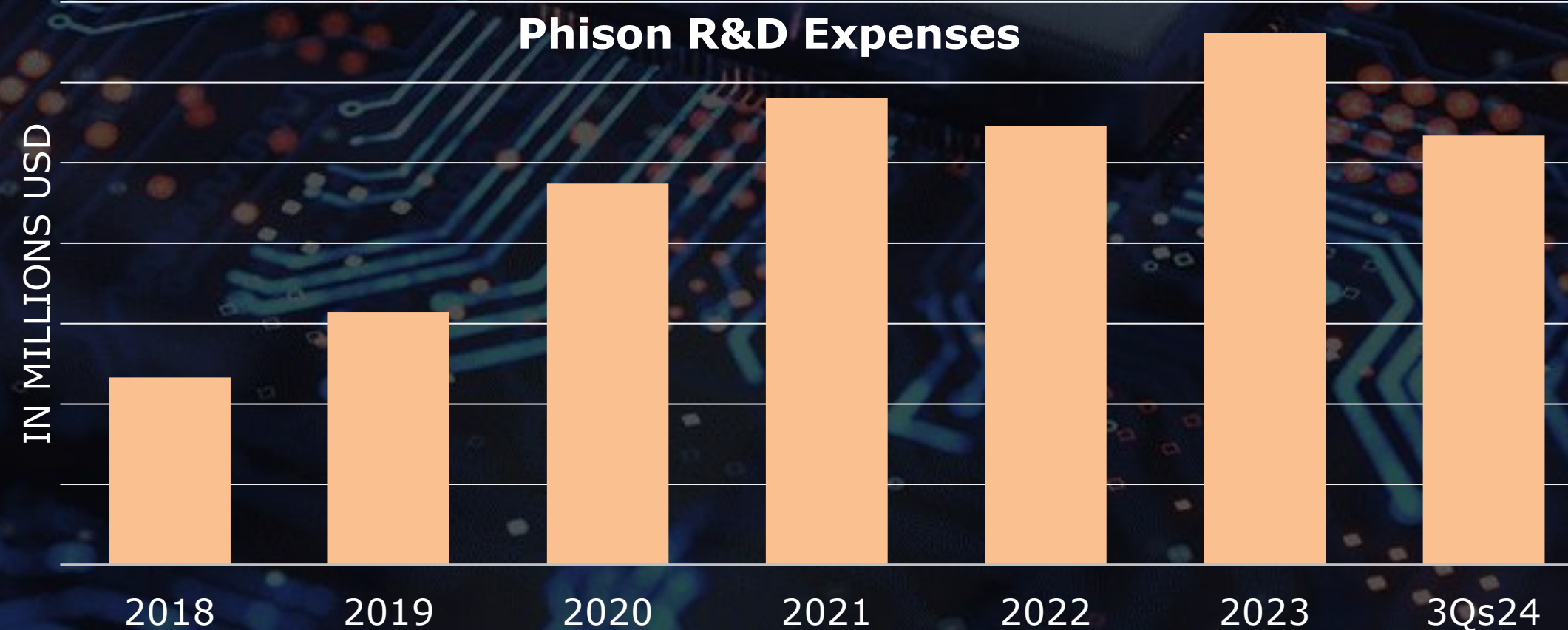
AI education is no longer just theoretical
AI教育 不再是紙上談兵

Affordable for schools, teachers, and students
學校 / 老師 / 學生 都可負擔

6 Technology Leadership Update

Continue to Strengthen Phison Leading Technology Position

Category	2018	2019	2020	2021	2022	2023	9Months 24
R&D Headcount	1,112	1,450	1,531	2,228	2,891	3,087	3,346
R&D Exp. / Revenue (%)	9%	11%	14%	13%	14%	22%	19%
R&D Exp. / Operating Exp.	79%	79%	81%	81%	77%	82%	80%



2000+
Global Patents

4000+
Global Employees

75%+
Proportion of Engineers

Note: Global patents including Granted and Pending