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***PHISON***

# Financial Results & Company Outlook

## 2021 First Quarter

K.S. Pua | Chairman and CEO of Phison

May 10, 2021

# Forward-Looking Statement

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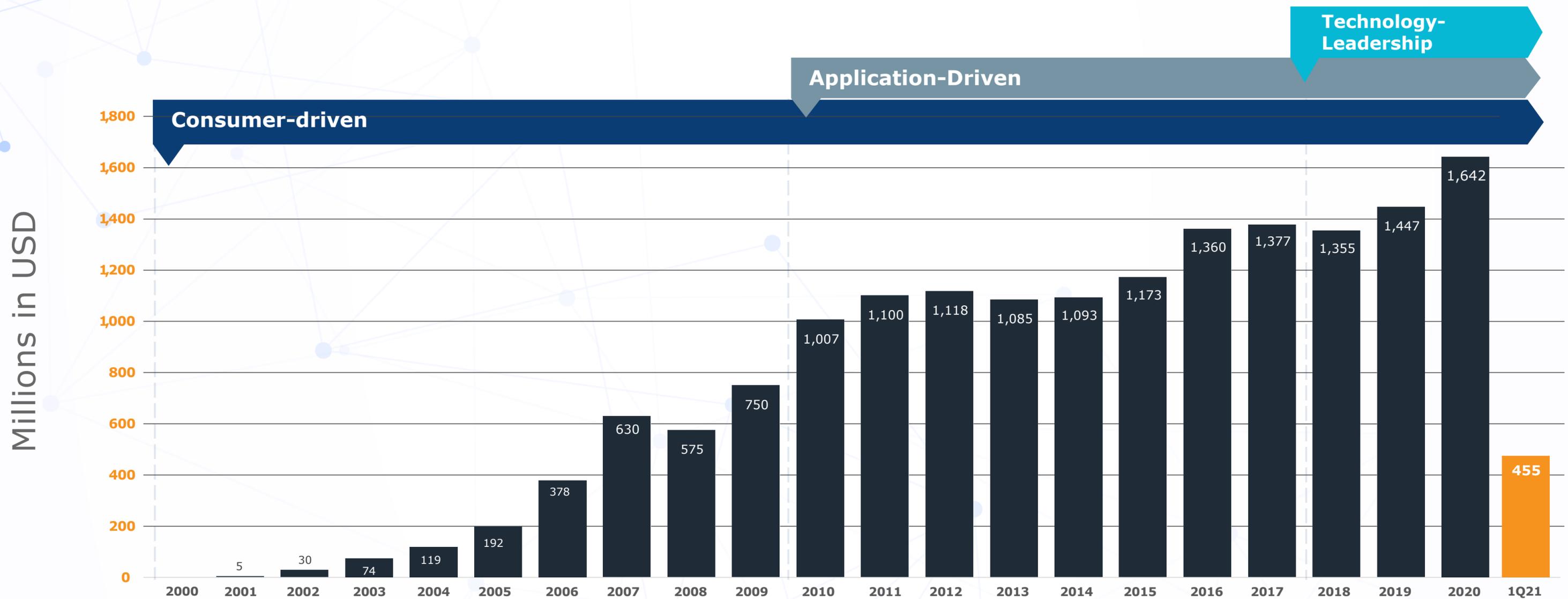
# Executive Summary

- 1** Phison's Business Transformation
- 2** Financial Results
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# **1 Phison's Business Transformation**

# Phison's transformation to application-driven & leadership solutions

Gaming Enterprise Automotive Industrial Embedded ODM



# Phison expands beyond consumer-focused NAND solutions

**70%**

revenue from non-consumer products



# **2 1Q21 Financial Results**

# Revenue

**1Q21**

**\$12.9B**

**Revenue flat Q/Q  
Gross profit up 28% Q/Q**

**Revenue in \$NT**

# 1Q21 Business performance

## ASIC

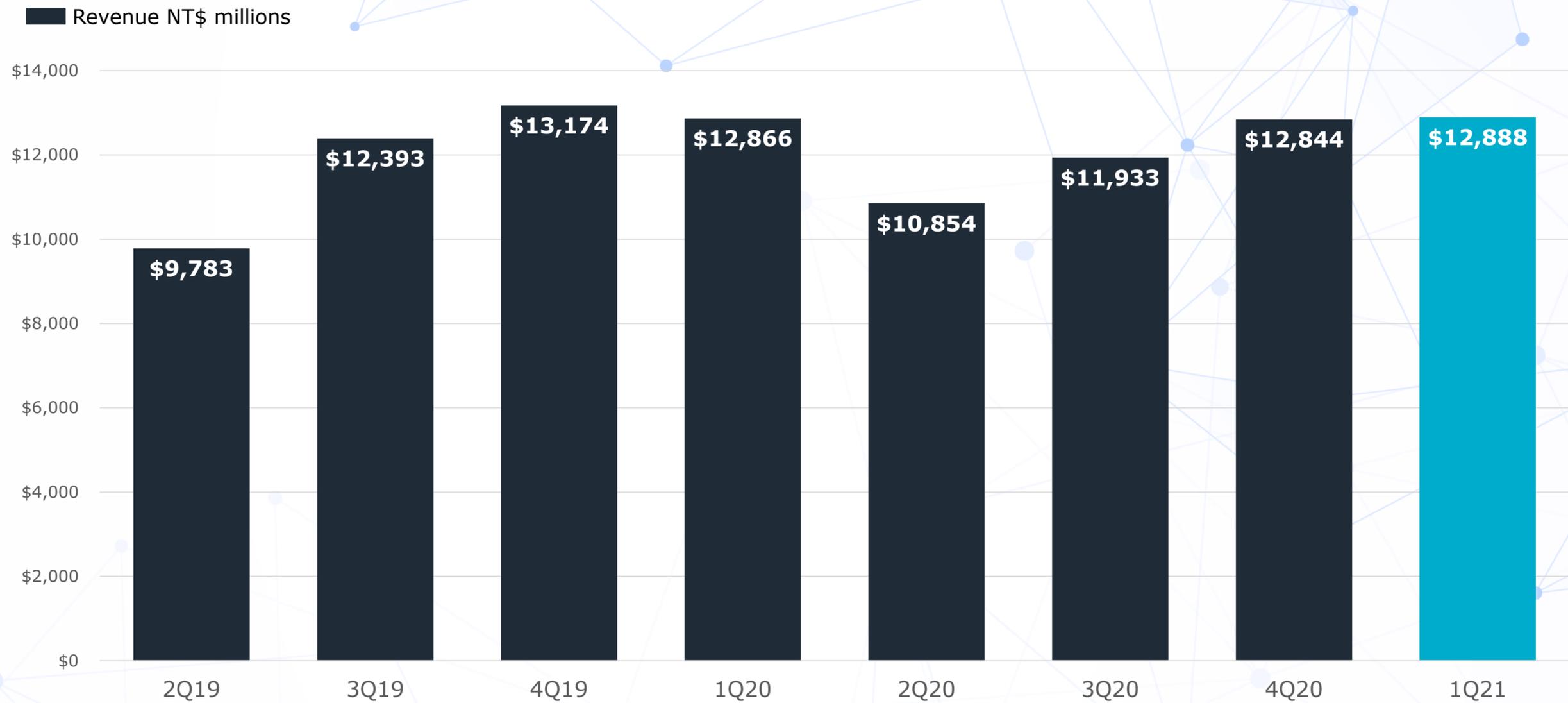
- 20%** of total revenue in 1Q 2021
- 17%** Y/Y SATA and PCIe controller unit growth
- 96%** Y/Y PCIe controller unit growth

## Module

- 74%** of total revenue in 1Q 2021
- 96%** Y/Y unit growth in BGA SSD modules
- 5%** YoY revenue growth in industrial modules
- 39%** YoY revenue growth in gaming SSDs
- 32%** YoY revenue growth in embedded ODM modules

# Revenue Trend

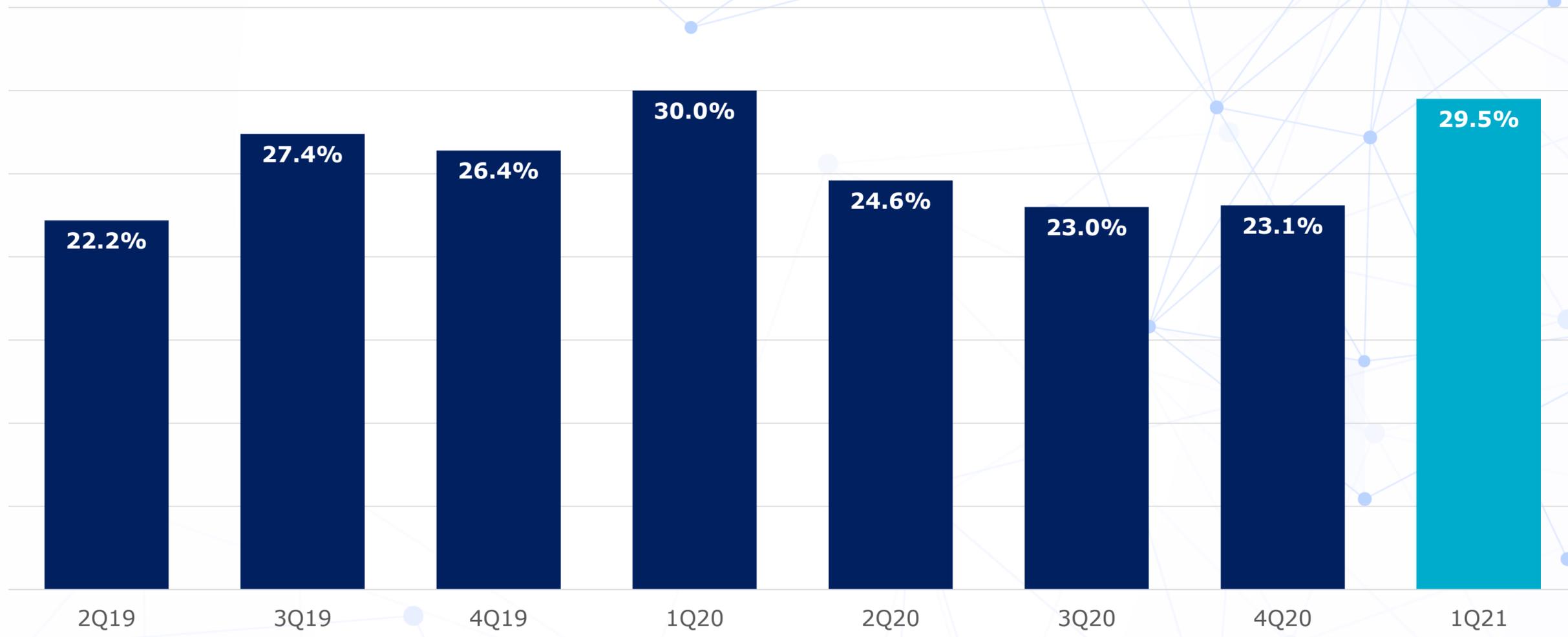
Keep Q/Q and Y/Y growth Even IC industry is in shortage



# Gross Margin Trend

Continuing transformation improves gross profit margin

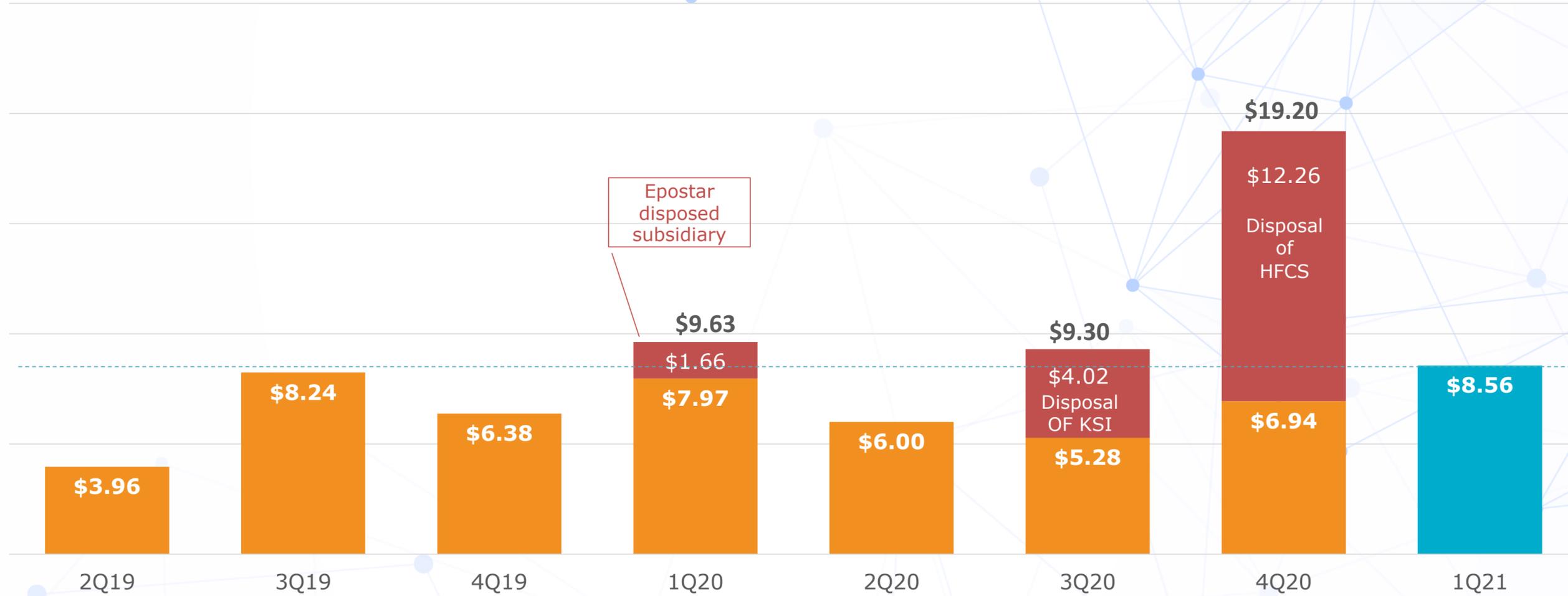
■ Gross Margin %



# Earnings Per Share Trend

Phison's unique business model drives strong profitability

In NT\$



\*EPS contribution from one-time gain is in red.

# Income Statement Highlights

NT\$mn	1Q21	4Q20	Q/Q (%)	1Q20	Y/Y (%)
<b>Revenue</b>	<b>12,888</b>	<b>12,841</b>	0.4	<b>12,867</b>	0.2
Gross Profit	<b>3,804</b>	<b>2,961</b>	28.5	<b>3,866</b>	-1.6
Operating Expenses	1,969	3,074	-35.9	2,083	-5.5
<b>Operating Profit</b>	<b>1,835</b>	<b>-113</b>	1,723.9	<b>1,783</b>	2.9
Non-Operating gains (losses)	217	4,417	-95.1	455	-52.3
Pretax Income	2,052	4,304	-52.3	2,238	-8.3
Tax Expenses	364	520	-30.0	340	7.1
<b>Net Income to Phison</b>	<b>1,688</b>	<b>3,784</b>	-55.4	<b>1,898</b>	-11.1
<b>Basic EPS (NT\$)</b>	<b>8.56</b>	<b>19.2</b>	-55.4	<b>9.63</b>	-11.1
<b>Adjusted EBITDA*</b>	<b>2,275</b>	<b>1,520</b>	49.6	<b>2,087</b>	9.0
<b>Key Financial Ratios (%)</b>					
Gross Margin	29.5	23.1		30.0	
Operating Margin	14.2	-0.9		13.9	
Net Profit Margin	13.1	29.5		14.8	

- 1 Revenue QoQ and YoY are flat.
- 2 Well inventory management makes operating margins less affected by the depreciation of the US dollar.
- 3 Continue to invest in research and development expenses to maintain technological leadership
- 4 Adjusted EBITDA this quarter is better than the previous quarter and the same period last year

\*Adjusted EBITDA which takes earnings and adds back net interest, taxes, depreciation/amortization charges and employee stock option expenses, plus other adjustments related to disposal of long-term investments.

# Balance Sheet Highlights

NT\$m	1Q21		4Q20		1Q20	
	Amount	%	Amount	%	Amount	%
<b>Total Assets</b>	<b>51,717</b>	100.0	<b>47,564</b>	100.0	<b>41,921</b>	100.0
Cash & Current Financial assets at fair value	18,676	36.1	20,456	43.0	13,512	32.2
Account Receivable	7,233	14.0	6,018	12.7	6,968	16.6
Inventories	13,159	25.4	10,141	21.3	13,172	31.4
Long-term Investments	4,608	8.9	4,805	10.1	3,232	7.7
Net PP&E	4,916	9.5	4,647	9.8	3,391	8.1
<b>Total Liabilities</b>	<b>15,162</b>	<b>29.3</b>	<b>12,408</b>	<b>26.1</b>	<b>10,793</b>	<b>25.7</b>
Current Liabilities	14,701	28.4	11,763	24.7	10,587	25.3
<b>Total Equity</b>	<b>36,555</b>	70.7	<b>35,156</b>	73.9	<b>31,128</b>	74.3
<b>BVPS(NT\$)</b>	<b>185</b>		<b>178</b>		<b>158</b>	
<b>Key Financial Ratios</b>						
A/R Turnover Days	47		45		46	
Inventory Turnover Days	117		109		125	
ROE (%)	18.8		27.1		25.2	
ROA (%)	13.6		20.2		18.9	

1 High cash level and realizable assets can flexibly respond to various changes in the industry.

2 Increase inventory to cope with the shortage of industrial ICs and components.

3 The book value per share reached NT\$185, a record high.

# **3 Business Highlights**

# 1

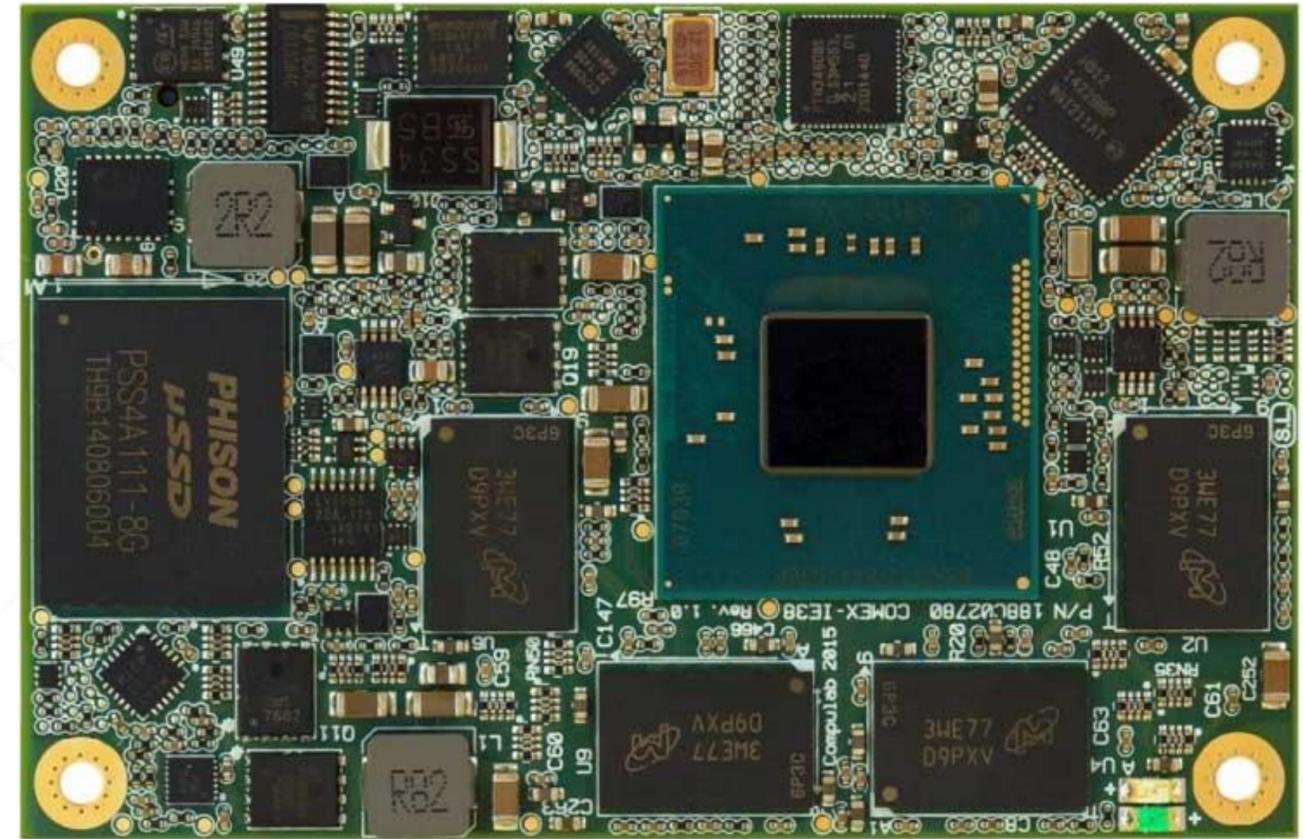
# Awarded Best SSD for Gaming in 2021



**“Phison E18... it's not only a major step up from the first generation of PCIe 4.0 drives, but a notable improvement over the Samsung 980 Pro, especially in terms of write performance.”**

# Phison on Mars

Perserverance spacecraft's COMEX-IE38 module has Phison's SSD solution



“Wow... so pretty awesome that Intel and Phison (who has their SSD controllers inside of the next-gen PlayStation5 and XboxSeries X/S consoles) -- and now the Mars Perserverance rover.” — **TweakTown**

# 1Q 2021 Business Highlights



## Retail

- CES 2021- Phison showcases U17/U18, the world's fastest USB 3.2 Gen 2x2 native UFD controller
- Phison starts shipping SD 7.0 Express card



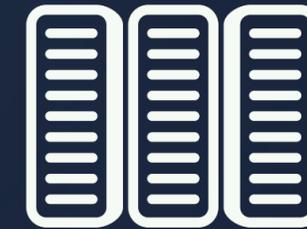
## PC OEM

- PCIe SSD design-in in high end Tablet
- Enabling Tier-1 smart phone manufacturer with Phison's UFS solution
- New E21T controller: The transition from 28nm to 12nm process technology for console, PC/laptop, and mobile gaming.



## Gaming

- Enabling world's first and fastest gaming phone with Phison's PCIe BGA SSD
- PCGamer- Best PCIe 4.0 SSD for gaming in 2021
- "Phison E18... it's not only a major step up from the first generation of PCIe 4.0 drives, but a notable improvement over the Samsung 980 Pro, especially in terms of write performance." - PCGamer



## Server / DC

- SATA SSD design-in in NAS
- Phison offering SSD solutions with FIPS 140-2 certification
- "Many governments, and companies that do business with government agencies, have adopted the FIPS 140-2 standard as a minimum requirement for data" - Trendfocus



## Industrial

- PCIe SSD design-in in car marker production line PC (Europe)
- PCIe SSD design-in in medical PC
- SATA SSD design-in in digital whiteboard (Turkey)
- Phison joins the Automotive Edge Computing Consortium (AECC)

# Q2 2021 Business Outlook



## Retail

Shipping **Gen4 value SSD** in retail, extending Gen4 market leadership



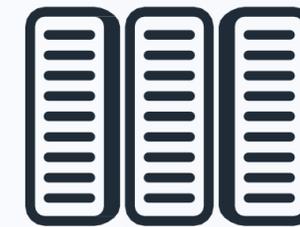
## PC OEM

**Gen4 solution for PC OEM** entering final qualification



## Gaming

**Pushing even higher performance** on industry-leading E18



## Server / DC

**FX Enterprise SSD Gen3** completing qual and shipping



## Industrial

**Cyber-security** solution entering sampling stage

New class of industrial grade NVMe solution set to launch

# Semiconductor Industry Outlook

- Supply chain capacity is tight and there is no sign of relief in the short-term.
- Lack of manufacturing capabilities to support production of legacy nodes creates short-term supply gap that is larger than that of the advanced process nodes.
- Currently focus is on securing production capacity. Pricing adjustment based on market supply and demand at the shipping time is becoming a norm from supply chain and Phison customers.
- In the upcoming quarter, pricing trend for NAND module and flash IC expected to be stable, due to the limitation of the NAND controller supply.
- The shortage of materials may cause the traditional peak season 3Q demand to be postponed to 4Q.

# **4 Technology Leadership Update**

# Technology Innovations



## Enterprise

- Aligned with OEM and Hyperscale on OCP Cloud Drive Specification
- EDSFF E1.S configurations ready
  - Standard (Mainstream)
  - High Density (HPC)



## Security

- Growing demand for robust solutions
- All SSD are ready
  - FIPS 140-3 Level 2
  - SP800-193 Resiliency
  - TCG Opal and Secure Boot

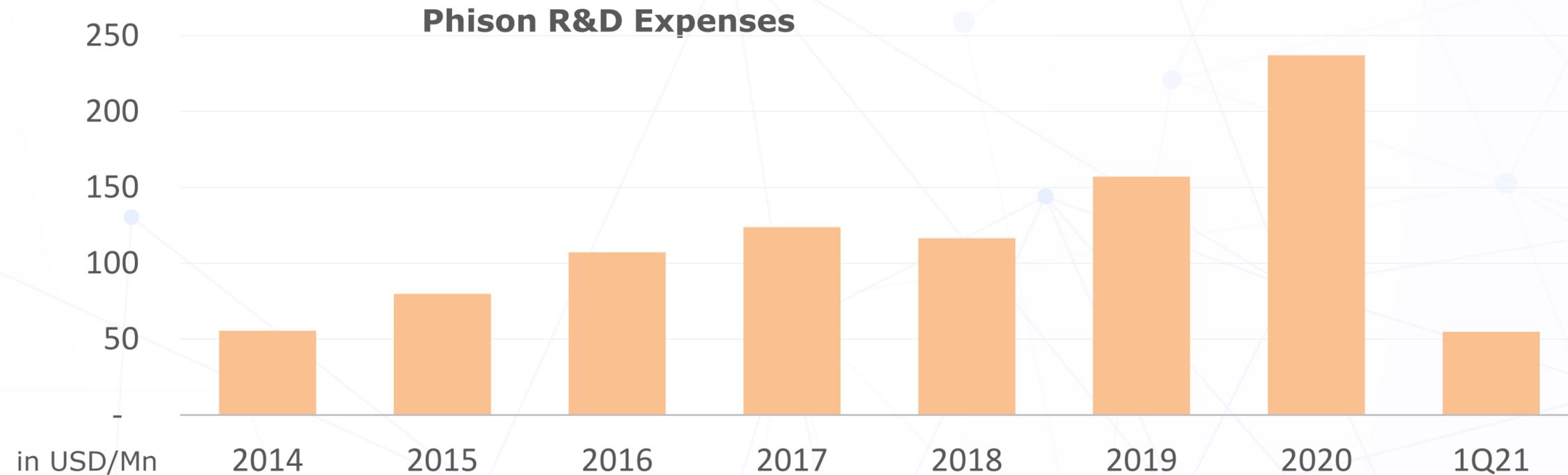


## Chia Cryptocurrency

- CHX Exchange has launched
- All SSD are ready
- Phison Plot SSD is optimized for fast plot-file creation
- Extended TBW endurance

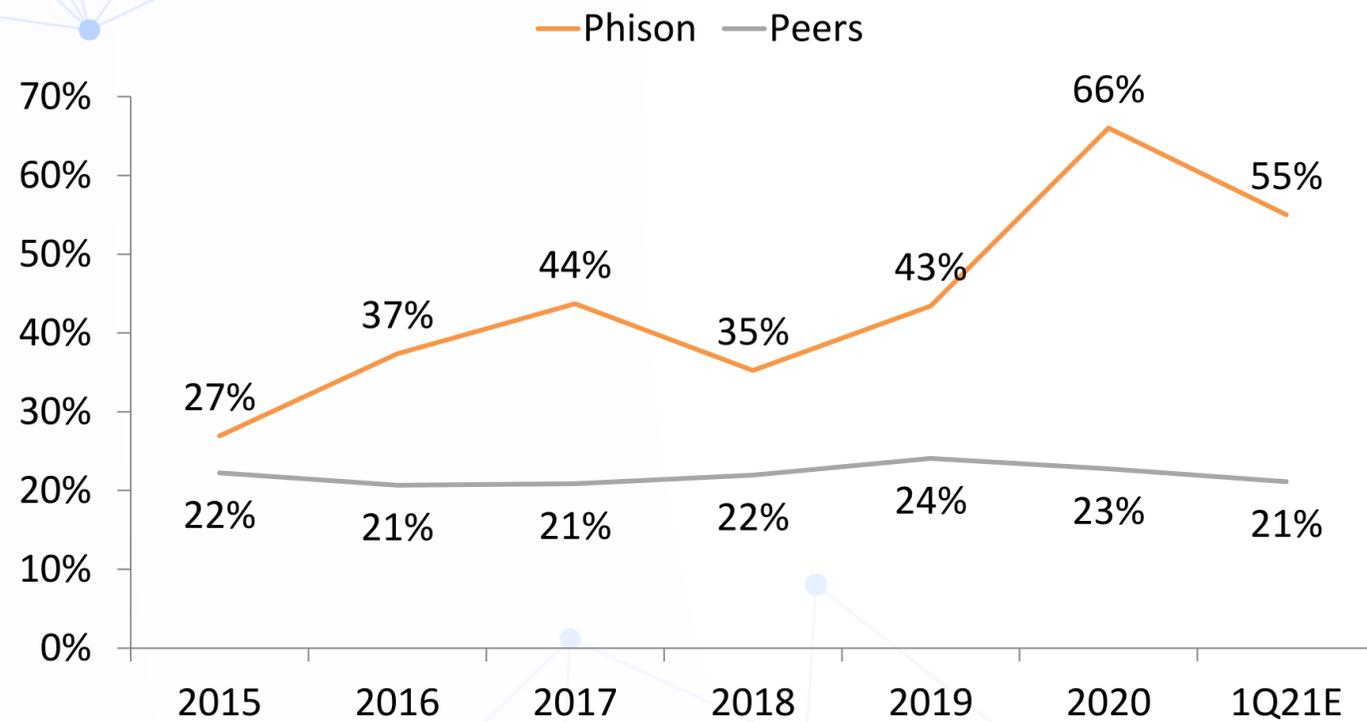
# Continue to strengthen our leading technology position (1/2)

Category	2014	2015	2016	2017	2018	2019	2020	1Q21
R&D Headcount	530	674	809	942	1,112	1,450	1,531	1,647
R&D Exp. / Revenue (%)	5%	6%	7%	9%	9%	11%	14%	12%
R&D Exp. / Operating Exp.	65%	71%	73%	78%	79%	79%	81%	81%

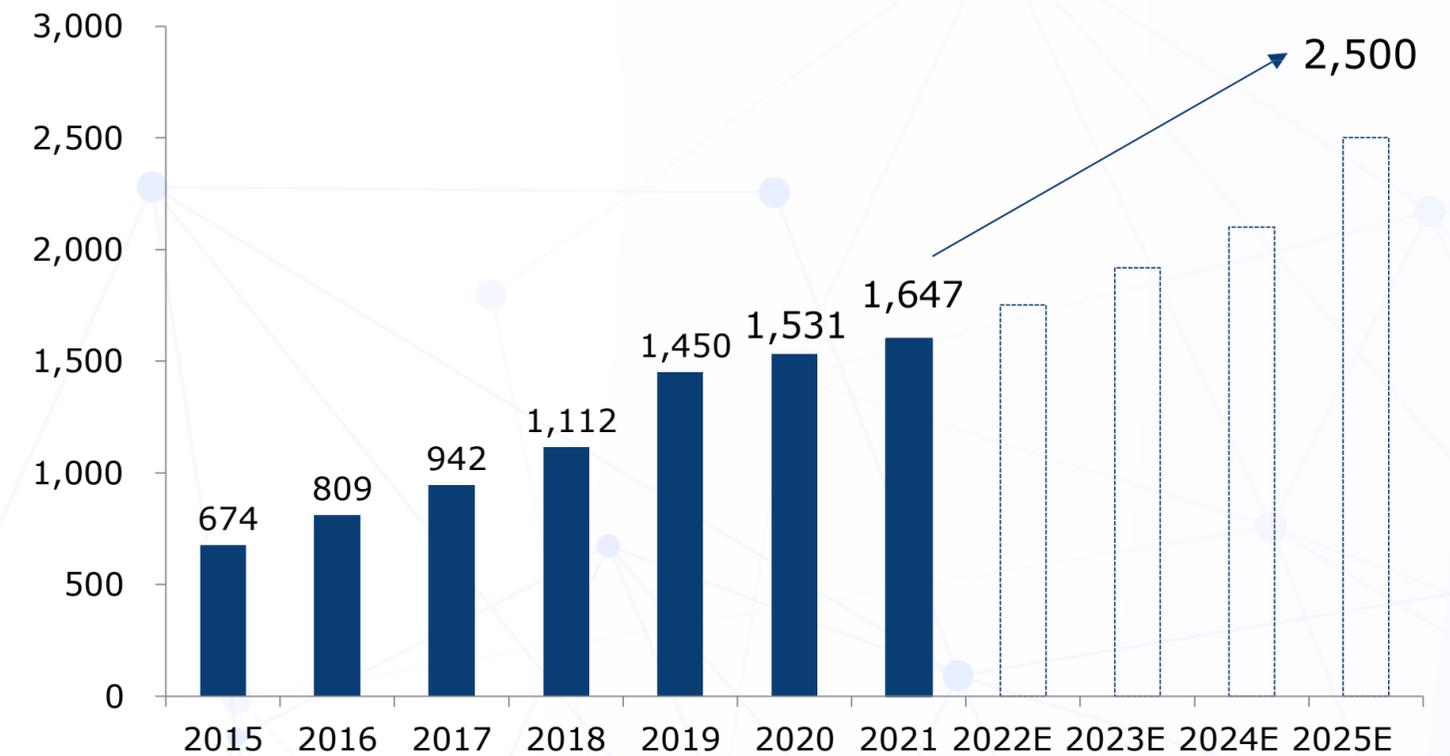


# Continue to strengthen our leading technology position (2/2)

**Average R&D intensity 2X of industry peers**



**Industry-leading R&D talents: 2,500 R&D by 2025**



\*RD intensity is RD expense/IC related sales.

\*\* Peers include SIMO, Marvell, MediaTek, Realtek, Novatek and Silergy.

# **5** Enhancing Value for Shareholders

# Phison's 5 + 5 growth strategy



**Thank you**