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PHISON

Financial Results & Company Outlook

2021 First Quarter

K.S. Pua | Chairman and CEO of Phison

May 10, 2021

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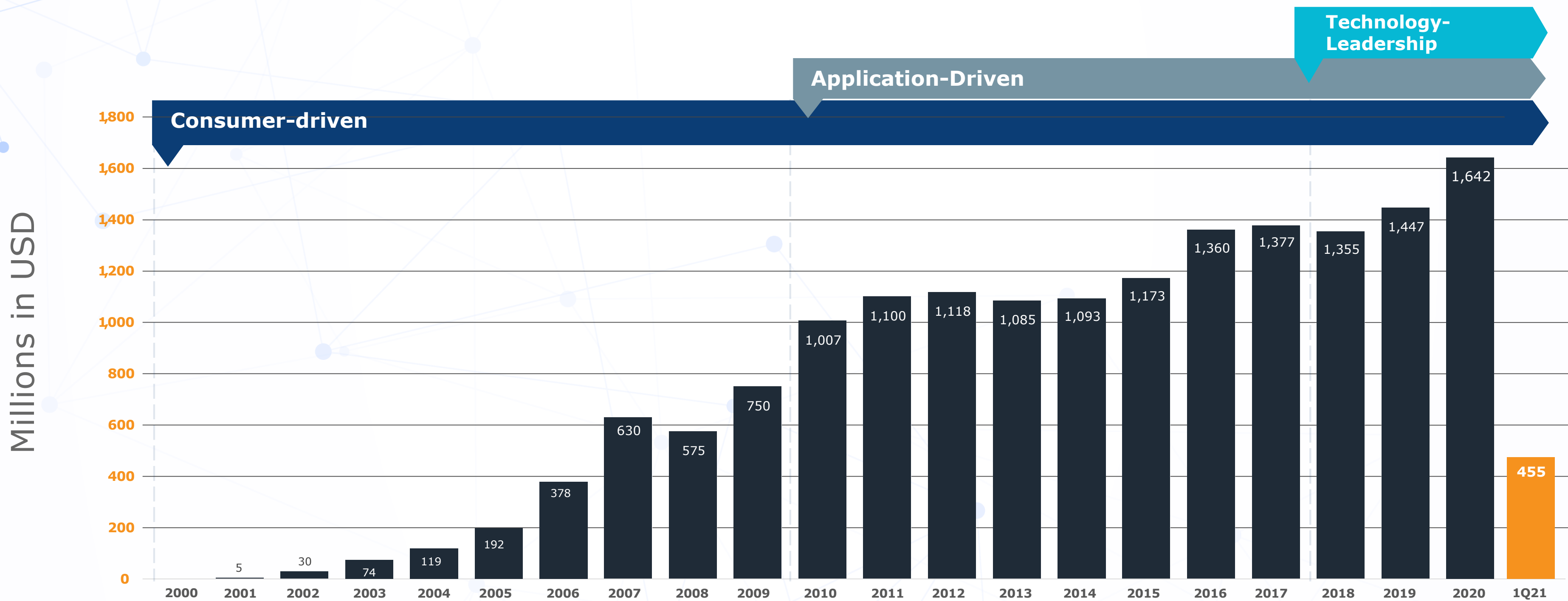
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Q & A

1 Phison's Business Transformation

Phison's transformation to application-driven & leadership solutions

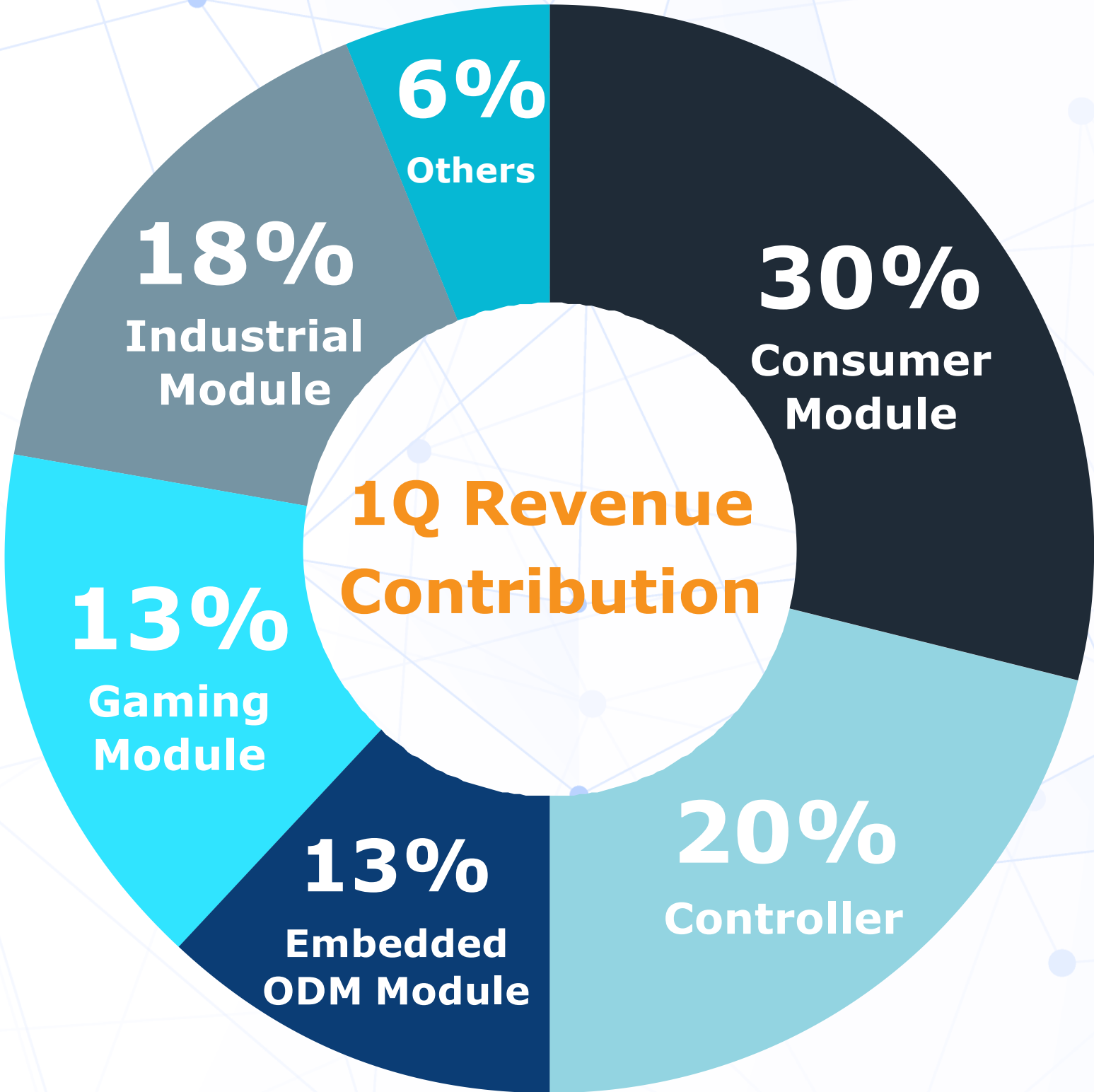
Gaming Enterprise Automotive Industrial Embedded ODM



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

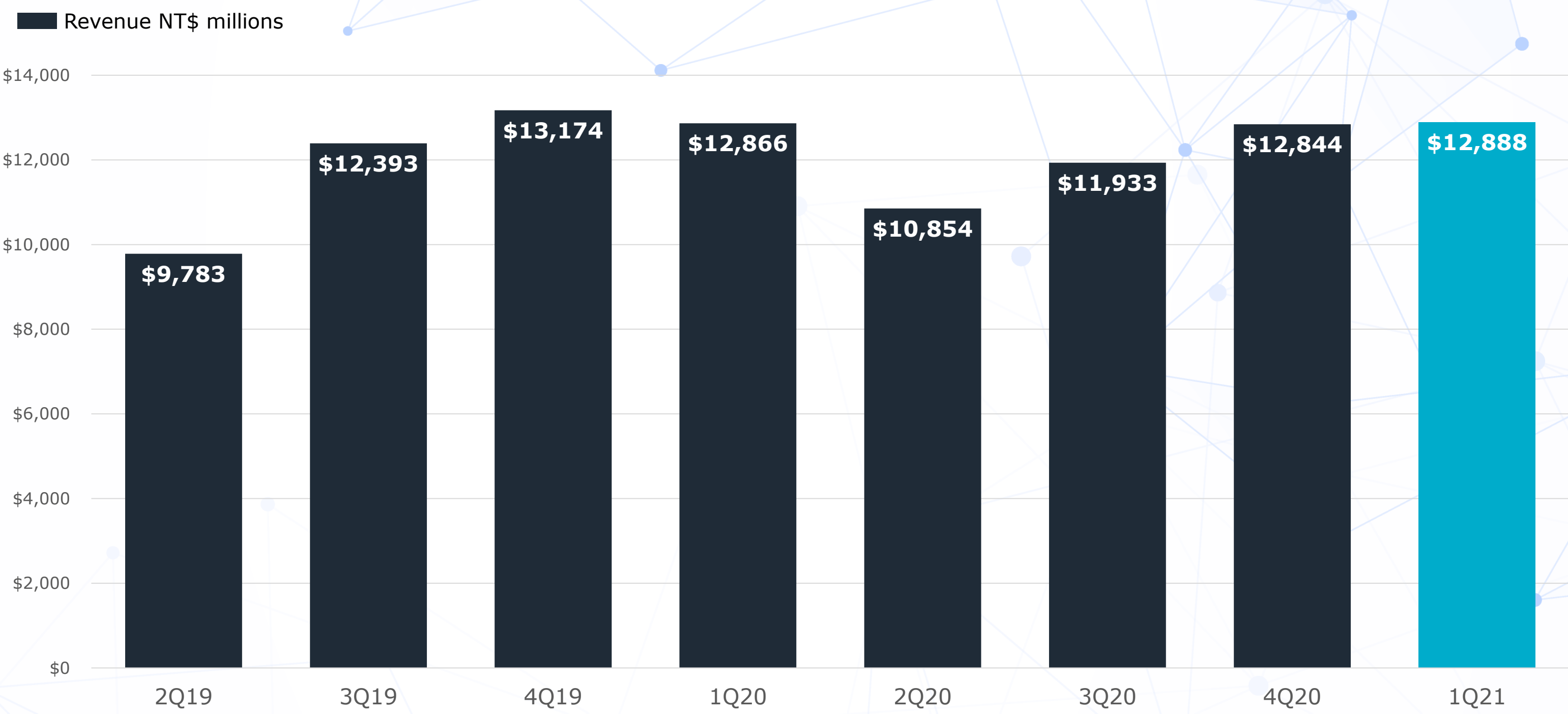
- 20%** of total revenue in 1Q 2021
- 17%** Y/Y SATA and PCIe controller unit growth
- 96%** Y/Y PCIe controller unit growth

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

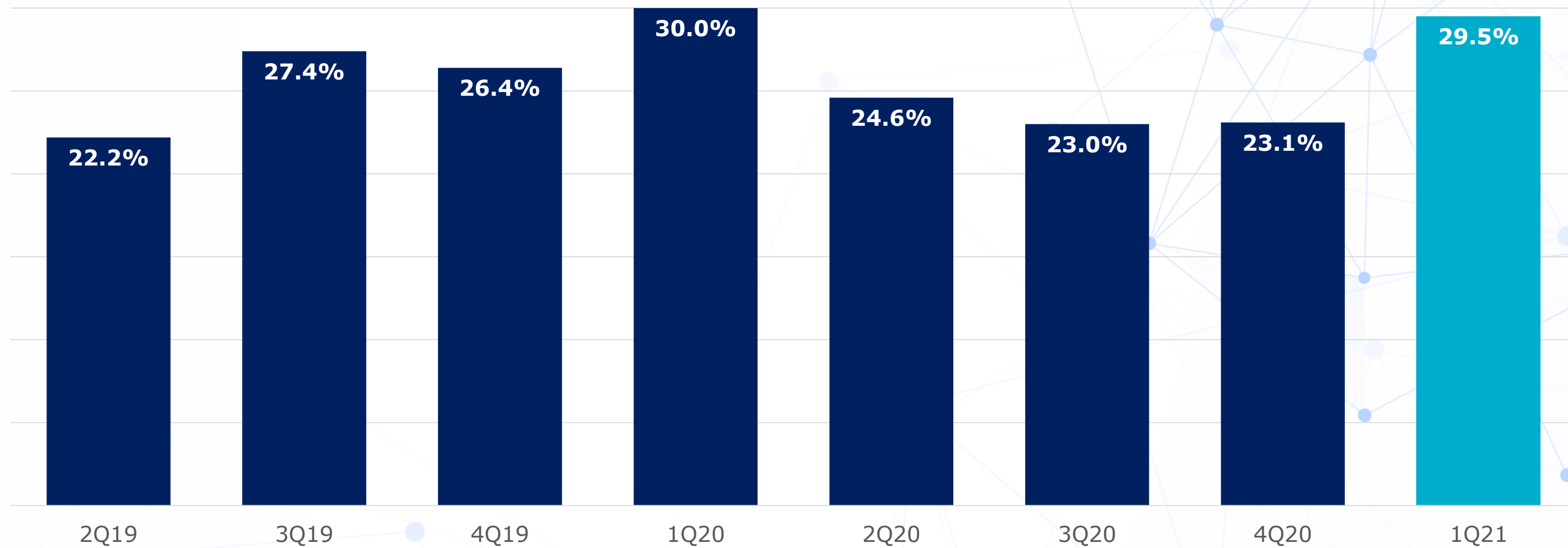
Keep Q/Q and Y/Y growth Even IC industry is in shortage



Gross Margin Trend

Continuing transformation improves gross profit margin

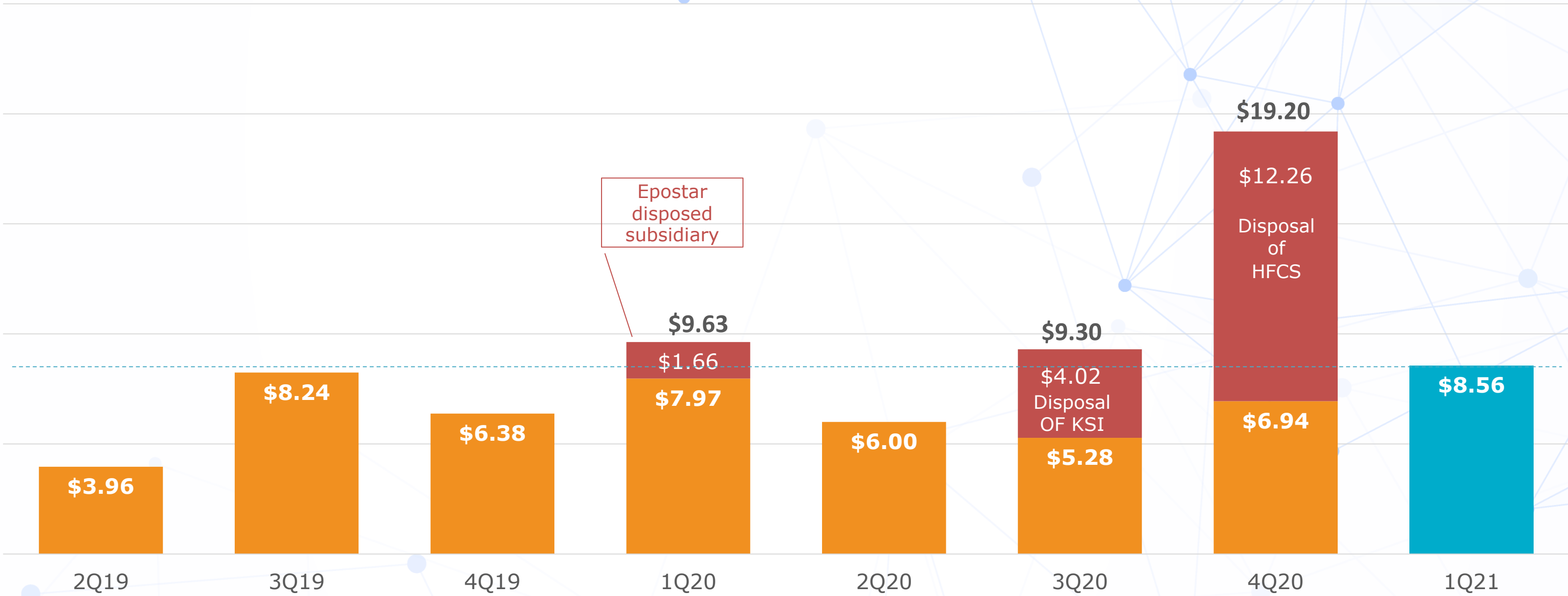
■ Gross Margin %



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\$m	1Q21	4Q20	Q/Q (%)	1Q20	Y/Y (%)
Revenue	12,888	12,841	0.4	12,867	0.2
Gross Profit	3,804	2,961	28.5	3,866	-1.6
Operating Expenses	1,969	3,074	-35.9	2,083	-5.5
Operating Profit	1,835	-113	1,723.9	1,783	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
Net Income to Phison	1,688	3,784	-55.4	1,898	-11.1
Basic EPS (NT\$)	8.56	19.2	-55.4	9.63	-11.1
Adjusted EBITDA*	2,275	1,520	49.6	2,087	9.0
Key Financial Ratios (%)					
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	

*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.

- 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

Balance Sheet Highlights

NT\$mn	1Q21		4Q20		1Q20	
	Amount	%	Amount	%	Amount	%
Total Assets	51,717	100.0	47,564	100.0	41,921	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
Total Liabilities	15,162	29.3	12,408	26.1	10,793	25.7
Current Liabilities	14,701	28.4	11,763	24.7	10,587	25.3
Total Equity	36,555	70.7	35,156	73.9	31,128	74.3
BVPS(NT\$)	185		178		158	
Key Financial Ratios						
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

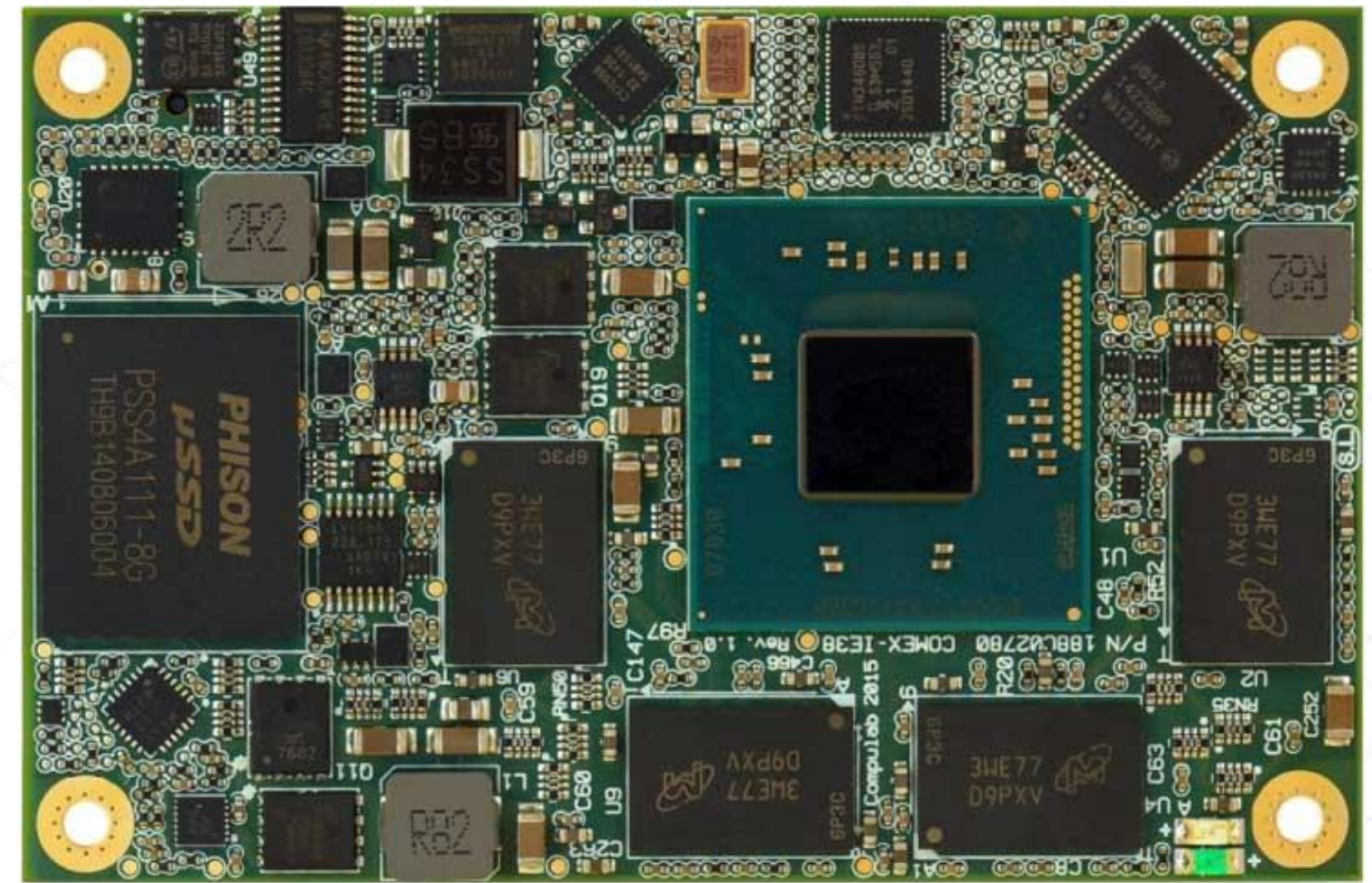
Awarded Best SSD for Gaming in 2021



“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



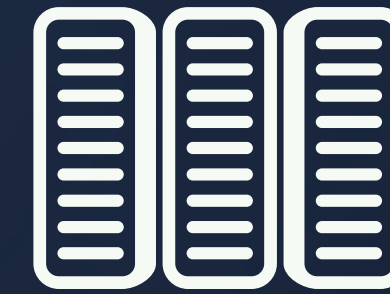
PC OEM

- 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



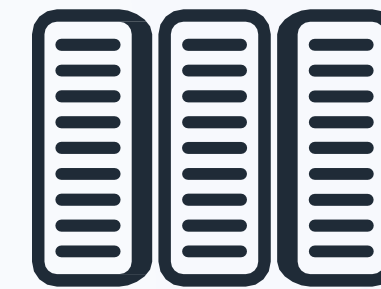
PC OEM

Gen4 solution for PC OEM entering final qualification



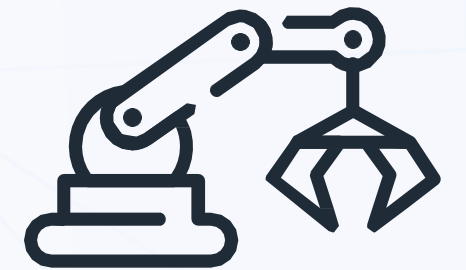
Gaming

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

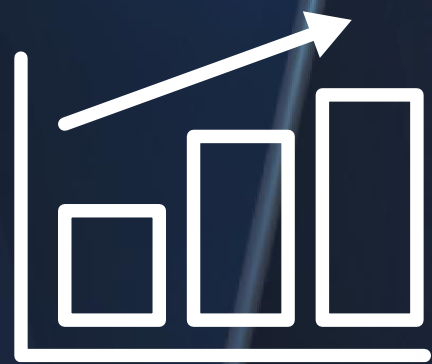
New class of industrial grade NVMe solution set to launch

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

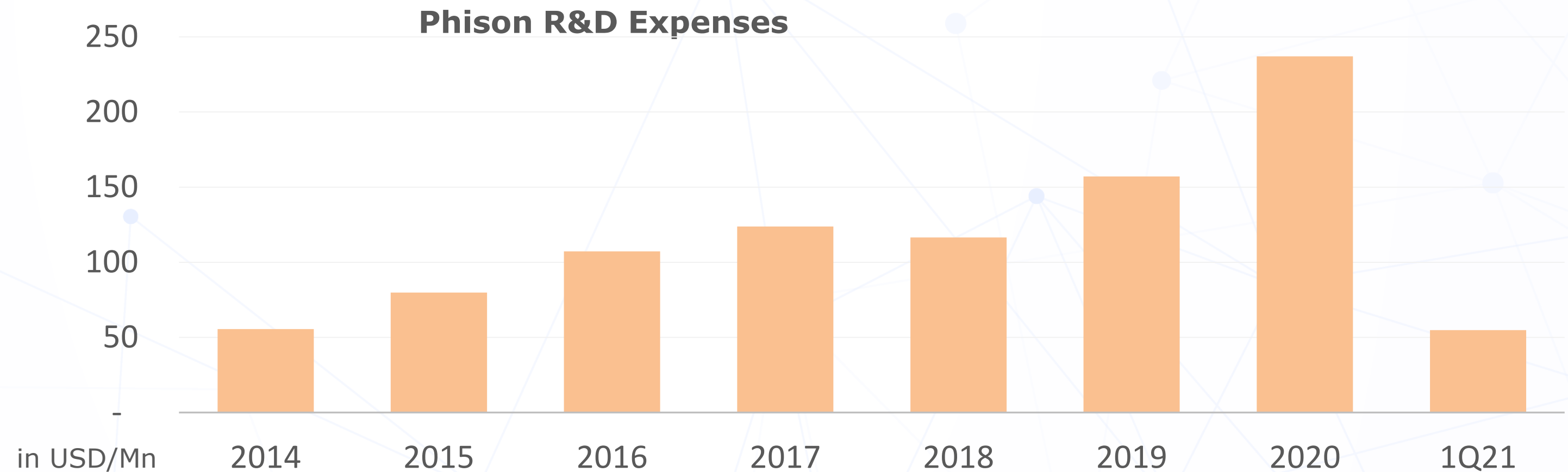


Chia Cryptocurrency

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

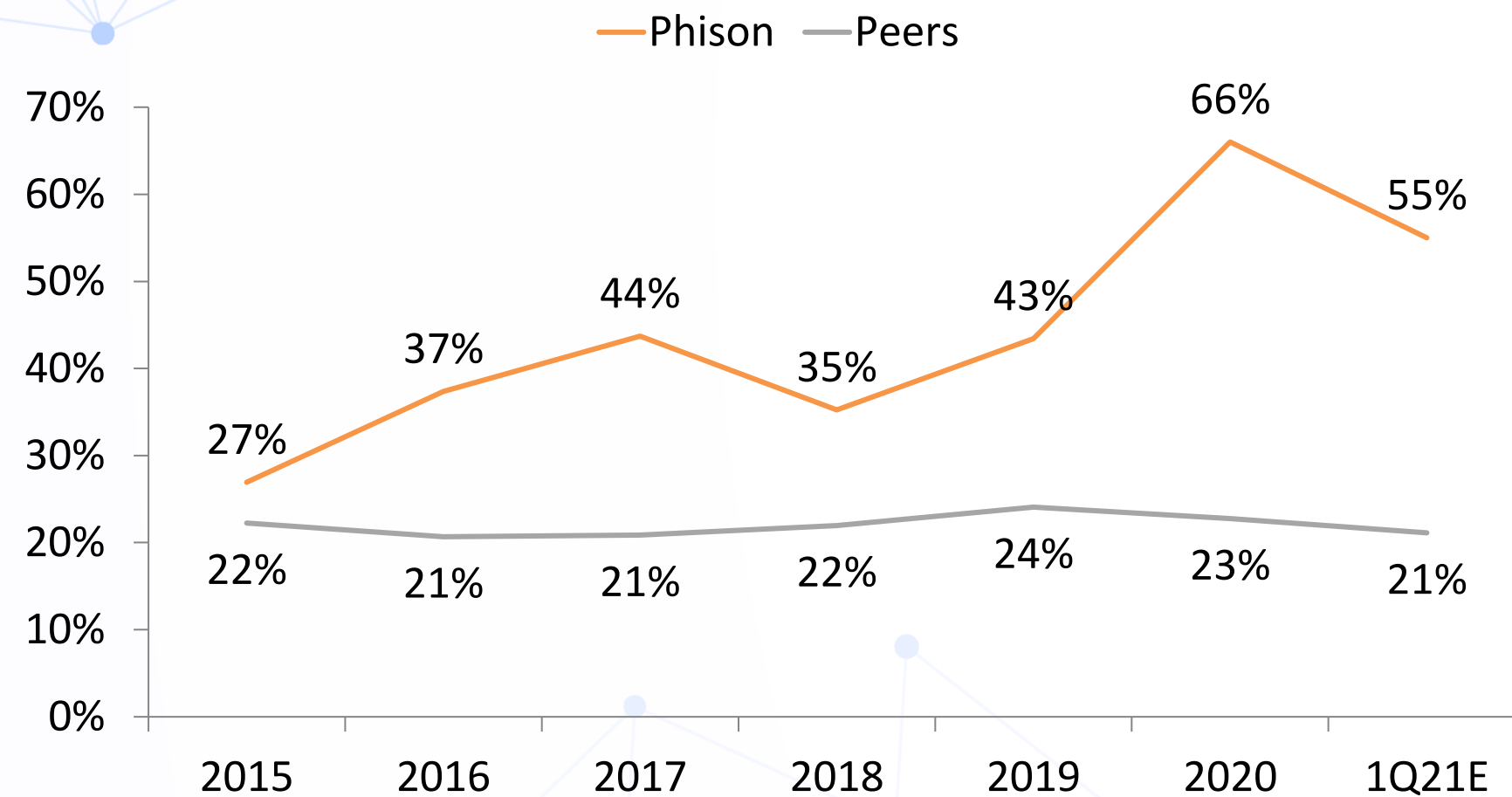
Continue to strengthen our leading technology position (1/2)

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)

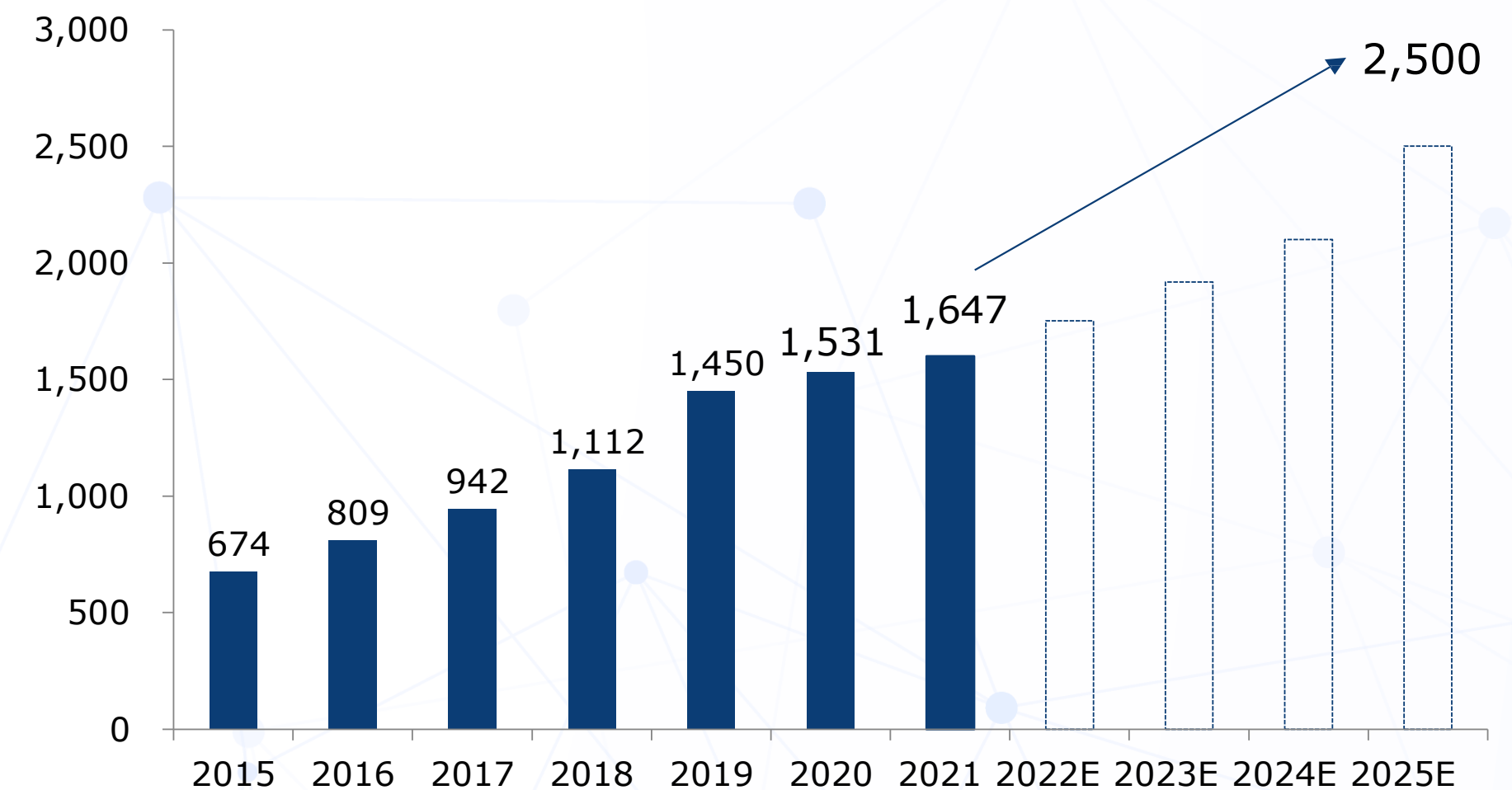
**Average R&D intensity
2X of industry peers**



*RD intensity is RD expense/IC related sales.

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

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



5 Enhancing Value for Shareholders

Phison's 5 + 5 growth strategy



Thank you