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Financial Results & Company Outlook

2023 First Quarter

K.S. Pua | CEO of Phison

May 5, 2023

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.

Executive Summary

- 1** Phison's Business Transformation
- 2** Financial Results
- 3** Business Highlights
- 4** Technology Leadership Update
- 5** Q&A

1 Phison's Business Transformation

Re-definition

DRAM

Memory

NOR Flash

Boot

NAND Flash

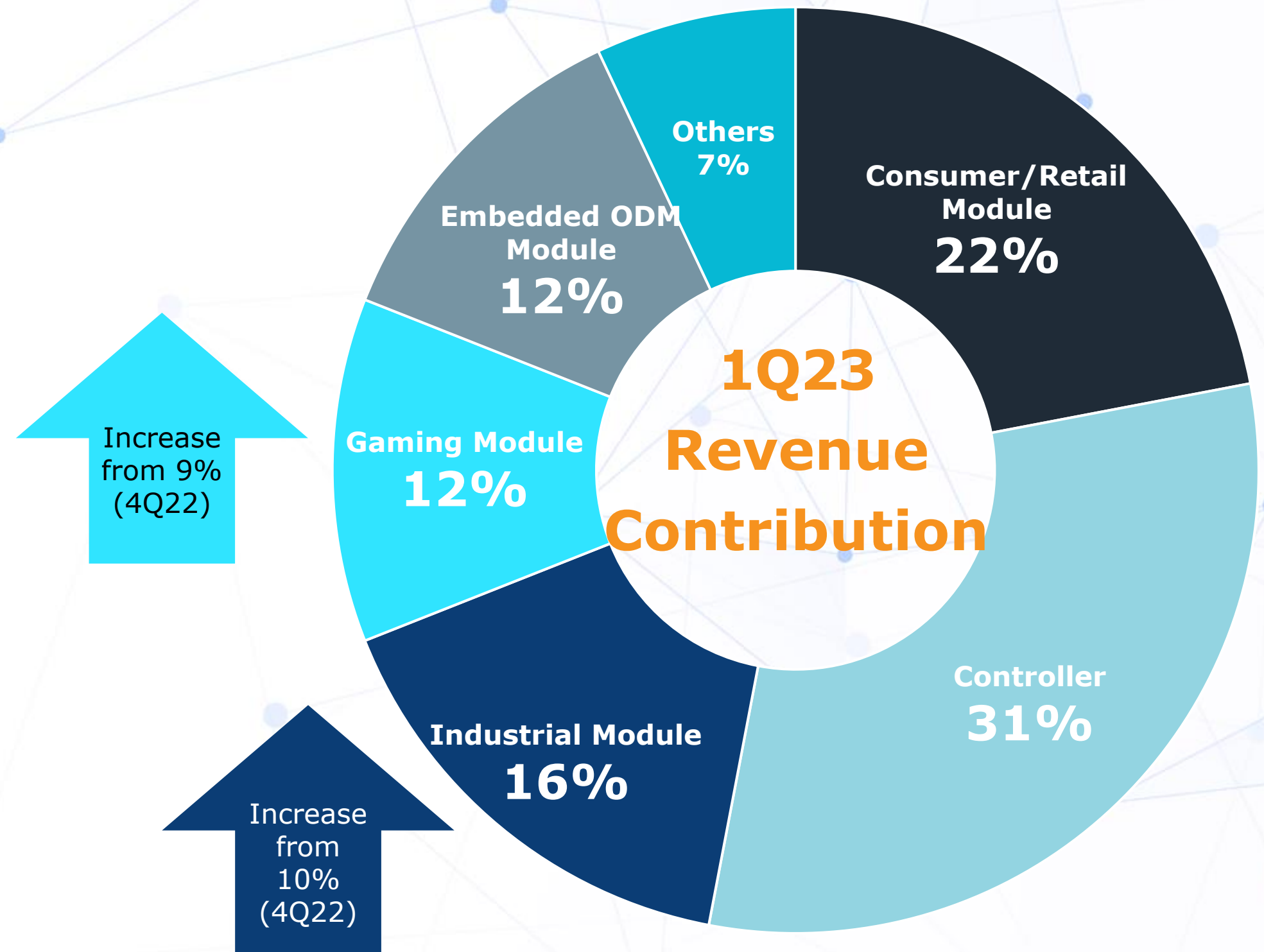
Storage

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

Revenue from Non-consumer/retail Products

70%+



Note: Controller revenue contribution includes controllers directly shipped and applied to modules

2 1Q23 Financial Results

1Q23 Revenue and Gross Profit

1Q23 Revenue

\$10.078B

Revenue down 41.08% YoY

1Q23 Gross Profit

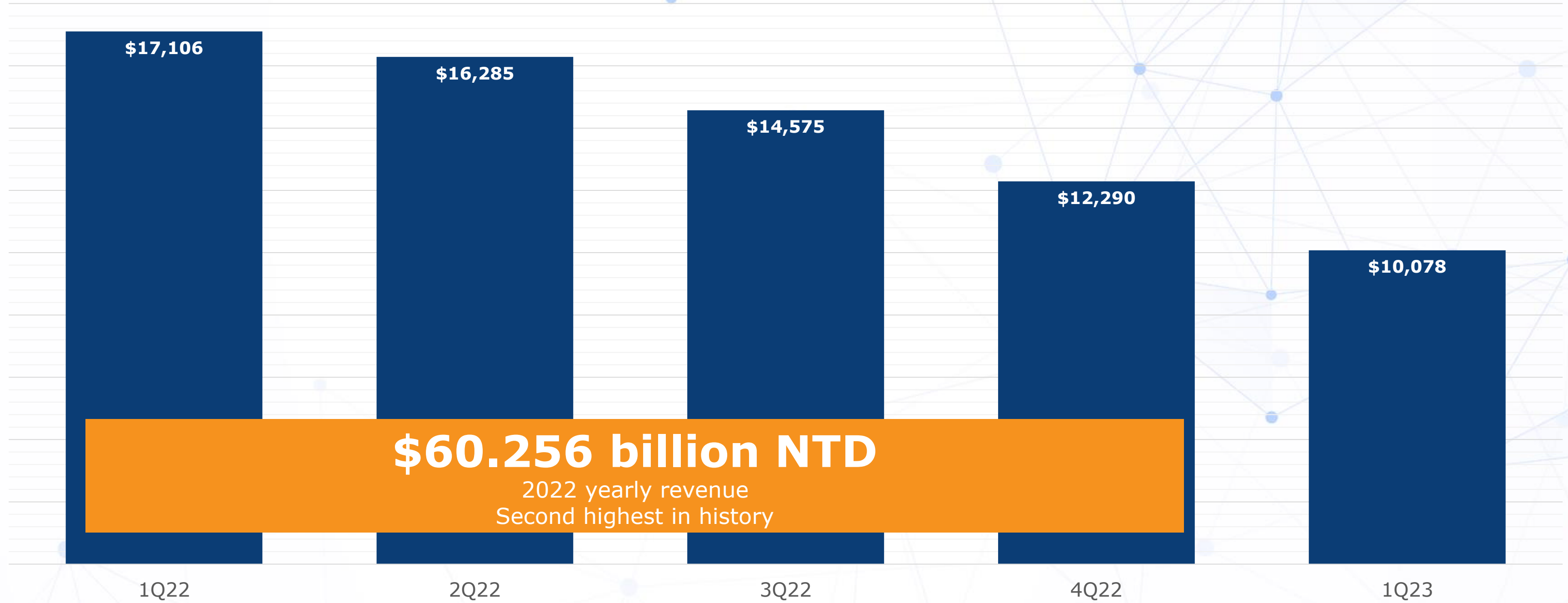
\$3.203B

Gross profit down 40.64% YoY

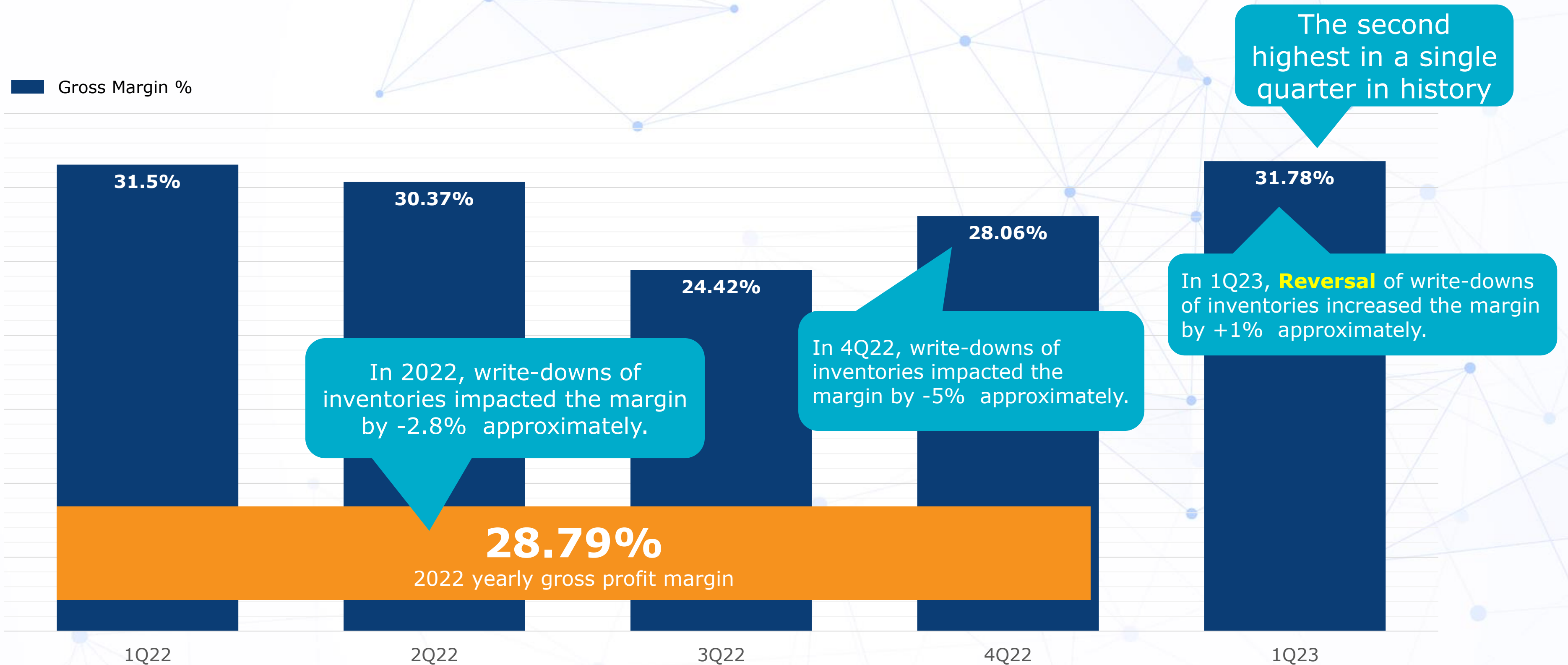
Revenue in \$NT

Revenue Trend

■ Revenue NT\$ millions



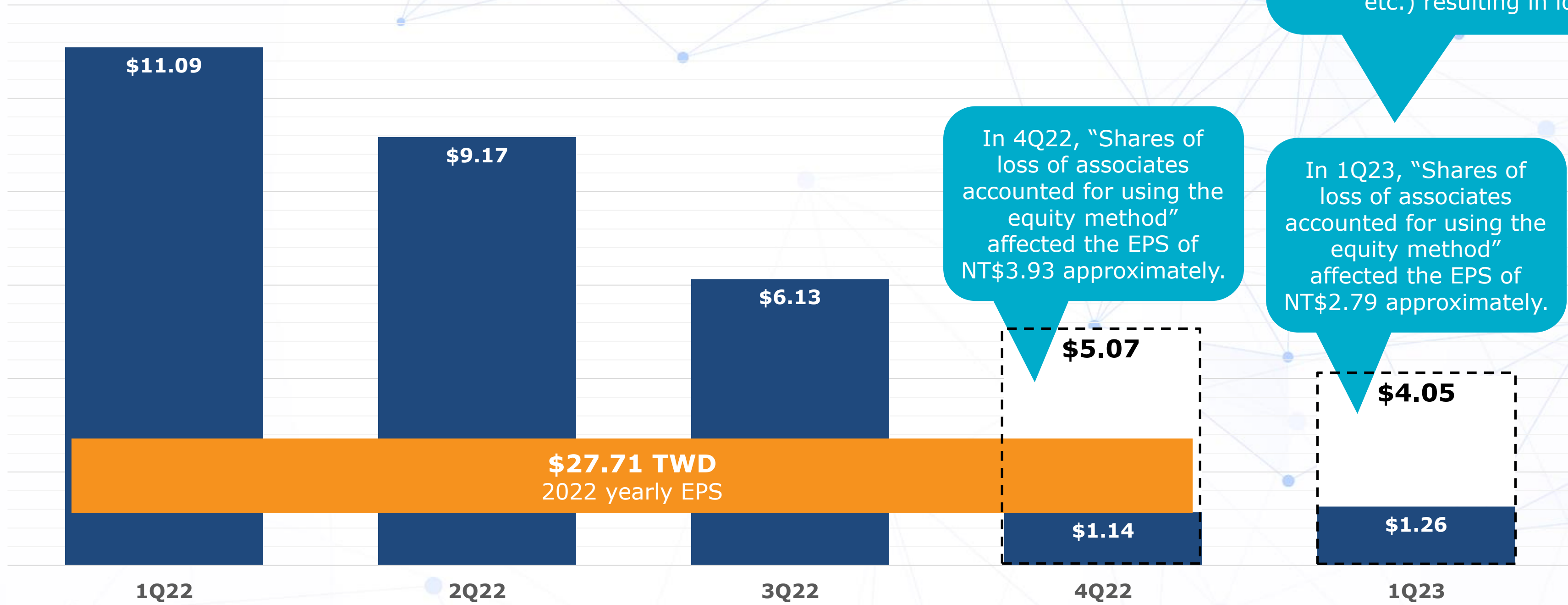
Gross Margin Rate Trend



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



Mainly because 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

In 4Q22, "Shares of loss of associates accounted for using the equity method" affected the EPS of NT\$3.93 approximately.

In 1Q23, "Shares of loss of associates accounted for using the equity method" affected the EPS of NT\$2.79 approximately.

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

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$m	1Q23		4Q22		1Q22	
	Amount	%	Amount	%	Amount	%
Total Assets	51,676	100.0	59,990	100.0	63,155	100.0
Cash & Current Financial assets at fair value	10,662	20.6	17,819	29.7	13,947	22.1
Account Receivable	6,031	11.7	7,237	12.1	10,003	15.8
Inventories	21,082	40.8	20,390	34.0	23,780	37.7
Long-term Investments	3,867	7.5	4,443	7.4	5,333	8.4
Net PP&E	7,523	14.6	7,598	12.7	6,866	10.9
Total Liabilities	14,275	27.6	22,358	37.3	25,853	40.9
Current Liabilities	9,533	18.4	17,599	29.3	20,166	31.9
Bonds Payable	3,449	6.7	3,442	5.7	3,420	5.4
Total Equity	37,401	72.4	37,632	62.7	37,302	59.1
BVPS(NT\$)	194		196		189	
Key Financial Ratios						
A/R Turnover Days	60		48		50	
Inventory Turnover Days	277		170		168	
ROE (%)	2.6		14.4		23.4	
ROA (%)	1.8		8.8		13.9	

1 Cash: the change is a result of operating profit and the growth of inventory and pay-off of cash dividend.

2 Inventories: Inventories will be adjusted according to changes in the industry and to maintain a safe level based on operational needs.

3 Total Equity: the change is a results of the Net profit of 2023Q1 deducting the surplus distribution of 2H/22 (NT\$4.5 Cash dividend per share).

Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

The second highest in a single quarter in history

- Revenue in NTD: QoQ is decreased 18.0%. Revenue in USD: QoQ is decreased 15.6%.
- In 1Q23, The margin was 31.8%(record high of same period and second highest of a single quarter). The reversal of allowance for inventory LCM increased the margin by 1% approximately.
- 1Q23 OPEX was slightly higher than 4Q22. Phison keeps investing in research and development to maintain technological leadership.
- The non-operating losses in 1Q23 mainly for the losses of investments for using the equity method.

NT\$m	1Q23	4Q22	Q/Q (%)	1Q22	Y/Y (%)
Revenue in US\$Mn	331	392	(15.6)	613	(46.0)
Revenue	10,078	12,290	(18.0)	17,106	(41.1)
Gross Profit	3,203	3,449	(7.1)	5,395	(40.6)
Operating Expenses	2,365	2,206	7.2	2,935	(19.4)
Operating Profit	838	1,243	(32.6)	2,460	(65.9)
Non-Operating gains (losses)	(524)	(1,082)	(51.6)	163	(421.5)
Pretax Income	314	161	95.0	2,623	(88.0)
Tax Expenses	72	(56)	(228.6)	438	(83.6)
Net Income to Phison	242	217	11.5	2,185	(88.9)
Basic EPS (NT\$)	1.26	1.14	10.5	11.09	(88.6)
EBITDA*	626	461	37.4	2,863	(77.9)
Key Financial Ratios (%)					
Gross Margin	31.8%	28.1%		31.5%	
Operating Margin	8.3%	10.1%		14.4%	
Net Profit Margin	2.4%	1.8%		12.8%	
Average Exchange Rate--USD/NTD	30.39	29.80		27.99	

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

【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

NT\$/million		1Q23	4Q22	Q/Q (%)	1Q22	Y/Y (%)
TIFRS	Operating Profit	838	1,243	(32.58%)	2,460	(65.93%)
	Operating Profit Margin (%)	8.32%	10.11%		14.38%	
Reconciliations	Shares-based payment	74	74		100	
Non-TIFRS	Operating Profit	912	1,317	(30.75%)	2,560	(64.38%)
	Operating Profit Margin (%)	9.05%	10.72%		14.97%	

TIFRS	Net Income to Phison	242	217	11.52%	2,185	(88.92%)
	Net Incomt (%)	2.40%	1.77%		12.77%	
	Basic EPS (NT\$)	1.26	1.14		11.09	
Reconciliations	Shares-based payment	74	74		100	
	Tax effect	(11)	(5)		(14)	
Non-TIFRS	Net Income to Phison	305	286	6.64%	2,271	(86.57%)
	Net Incomt (%)	3.03%	2.33%		13.27%	
	Basic EPS (NT\$)	1.59	1.50		11.52	

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 April 2023

April Revenue

\$3.367B

Revenue down 14% MoM

**Consolidated Revenue
from Jan. to Apr.**

\$13.445B

Revenue down 41% YoY

Revenue in \$NT

3 Business Highlights

Phison PCIe 5.0 SSD Controller E26

Helping Partners to be Selected as the Best High-end SSD Shopping List



High-end NVMe solid-state drives (SSDs) are designed to store data quickly. The latest list of Tier S SSD uses Phison E26 controllers and has sequential read and write speeds of about 12.5 GB/s and 10 GB/s, respectively. This makes them some of the fastest mobile storage devices on the market. These new ultra-high-end NVMe SSDs are an excellent choice for users who want the best performance from their laptops or desktop computers.

Brand and Model	Controller
Apacer AS2280F5	Phison E26
CFD Gaming PG5NFZ	Phison E26
Corsair MP700	Phison E26
Gigabyte Gen5 AORUS	Phison E26
Goodram IRDM Ultimate	Phison E26
MSI E26 (Spatium)	Phison E26
MSI M570	Phison E26
Zadak TWSG5	Phison E26

<https://techwafer.com/ssd-tier-list-best-ssds-to-buy/>

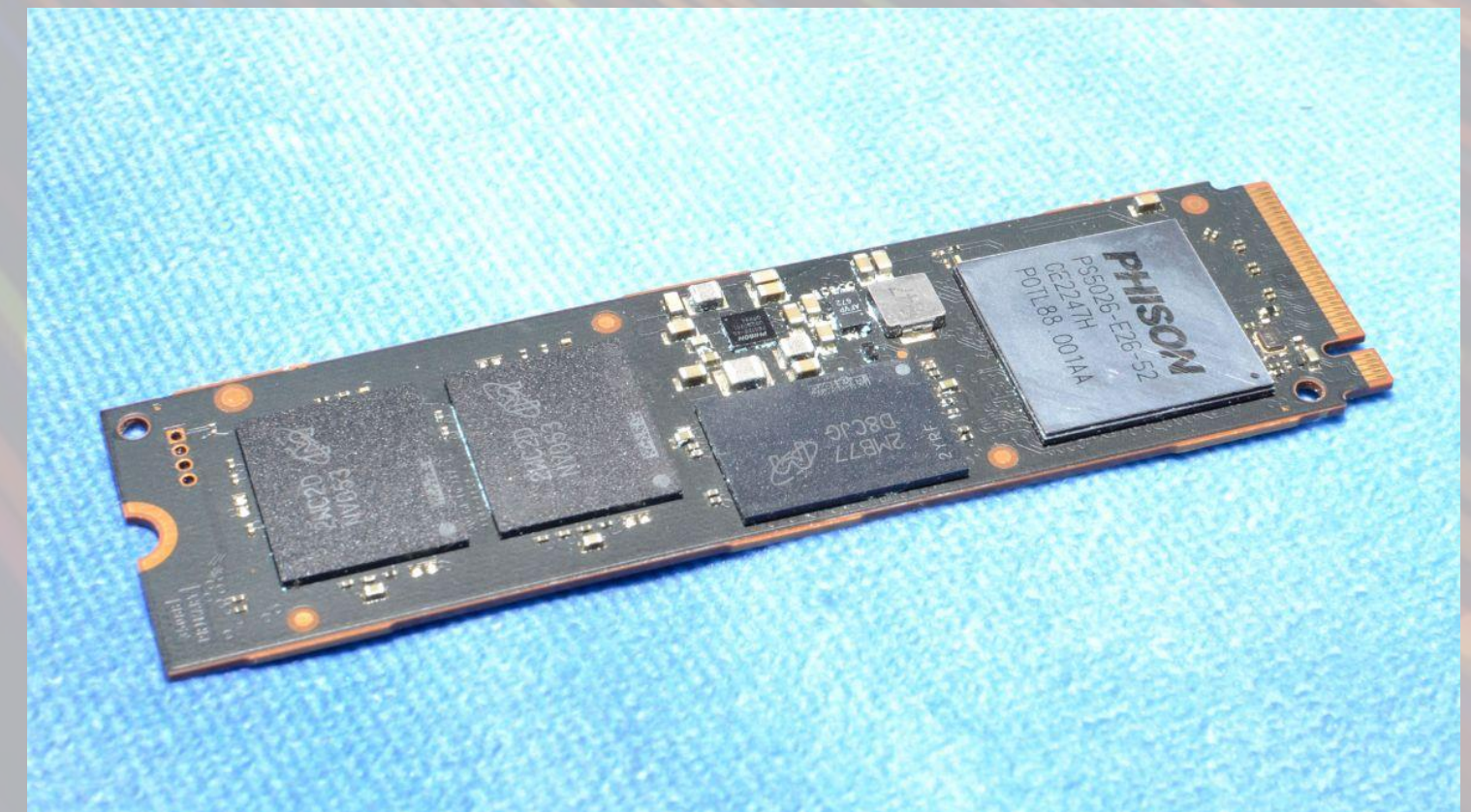


Phison PCIe 5.0 Controller E26

Helping Brand Partners Build the fastest SSD

tom's**HARDWARE**

Crucial T700 SSD Preview:
Fastest Consumer SSD Hits 12.4 GB/s



<https://www.tomshardware.com/features/crucial-t700-ssd-preview-fastest-consumer-ssd-hits-124-gbs>

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Phison PCIe 4.0 Controller E18

Helping Brand Partner to be Awarded the Best SSD Recommendation



<https://www.pcgamer.com/nextorage-nem-pa-2tb-review-performance-benchmarks/>

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1Q23 Design Service Highlights (1/2)

Launched the World's First and Only
NAND Controllers and Storage Modules
R&D Resource Sharing Design Service Platform

IMAGIN+

Global Customers Are Supported with Expert Design Services

Complete Device: NAND Module System Integration

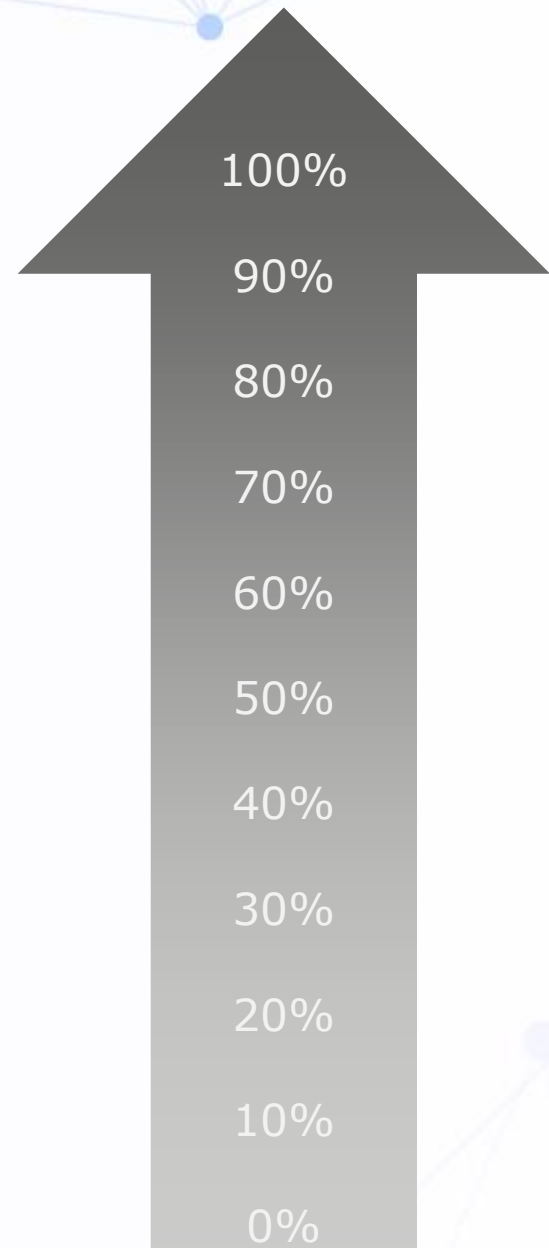
Firmware Design

ASIC Design, IP Licensing



- NAND MGMT.
- Algorithm Design
- Security Design
- Customization
- Optimization

- Manufacturing
- Validation
- Customization
- PCB Layout
- Circuit Design

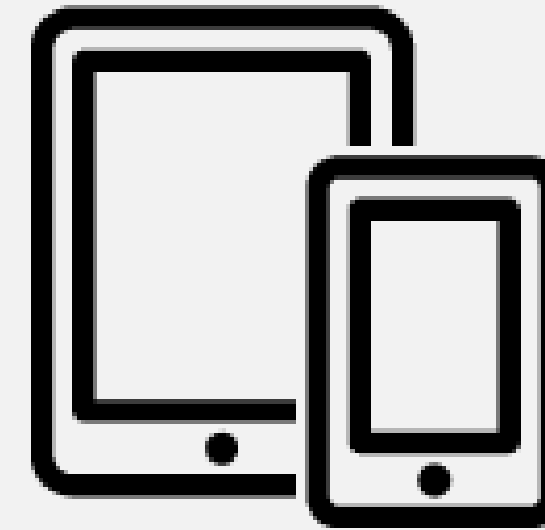


1Q23 Design Service Highlights (2/2)



Customized

- PCIe 4.0
- FW & ASIC modification
- Analog
- Testing conditions



Customized

- UFS for mobile applications
- eMMC for entry phones

4 Technology Leadership Update

Continue to Strengthen Phison Leading Technology Position

Category	2017	2018	2019	2020	2021	2022	1Q23
R&D Headcount	942	1,112	1,450	1,531	2,228	2,891	2929
R&D Exp. / Revenue (%)	9%	9%	11%	14%	13%	14%	20%
R&D Exp. / Operating Exp.	78%	79%	79%	81%	81%	77%	85%

2000+
Global Patents

3800+
Global Employees

75%+
Proportion of Engineers

Note: Global patents including Granted and Pending