

Scan & Join Phison's IR list



PHISON

Financial Results & Company Outlook

2021 Second Quarter

K.S. Pua | Chairman and CEO of Phison

August 6, 2021

Forward-Looking Statement

Information included in this press release 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 cyclicality, 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.

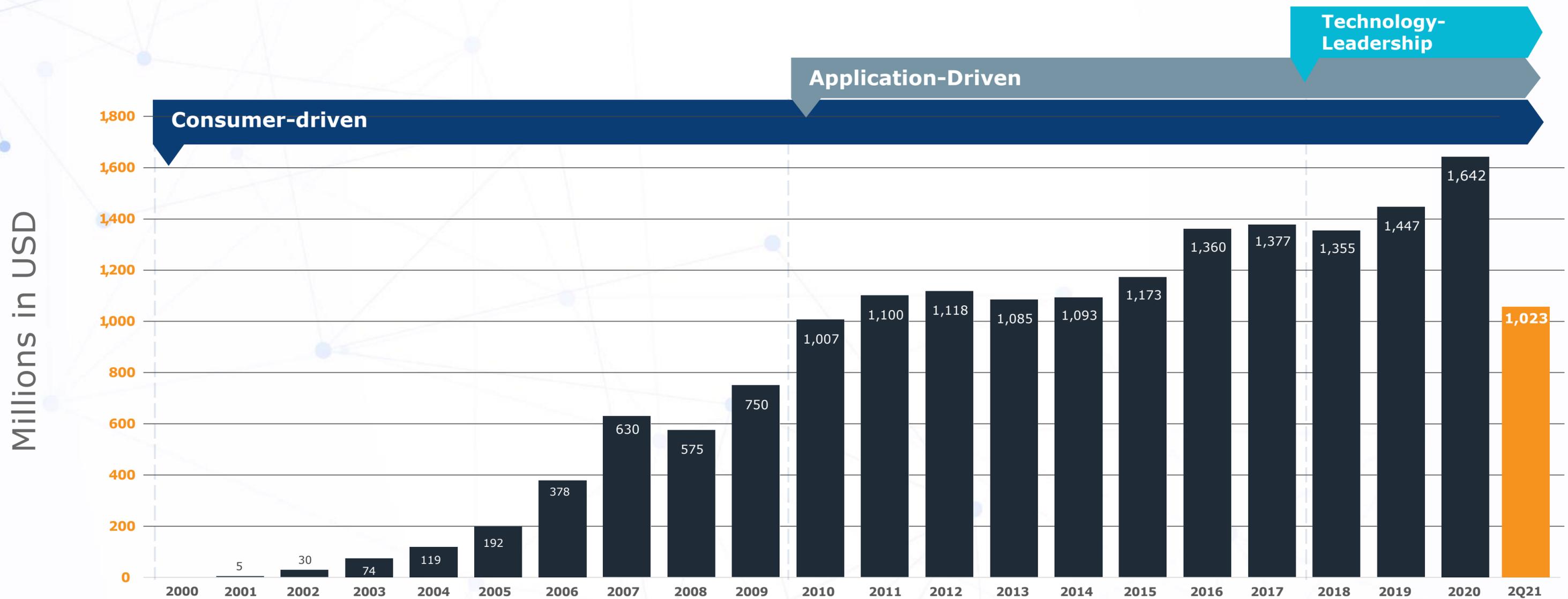
Executive Summary

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

1 Phison's Business Transformation

Phison's Transformation to Application-driven & Leadership Solutions

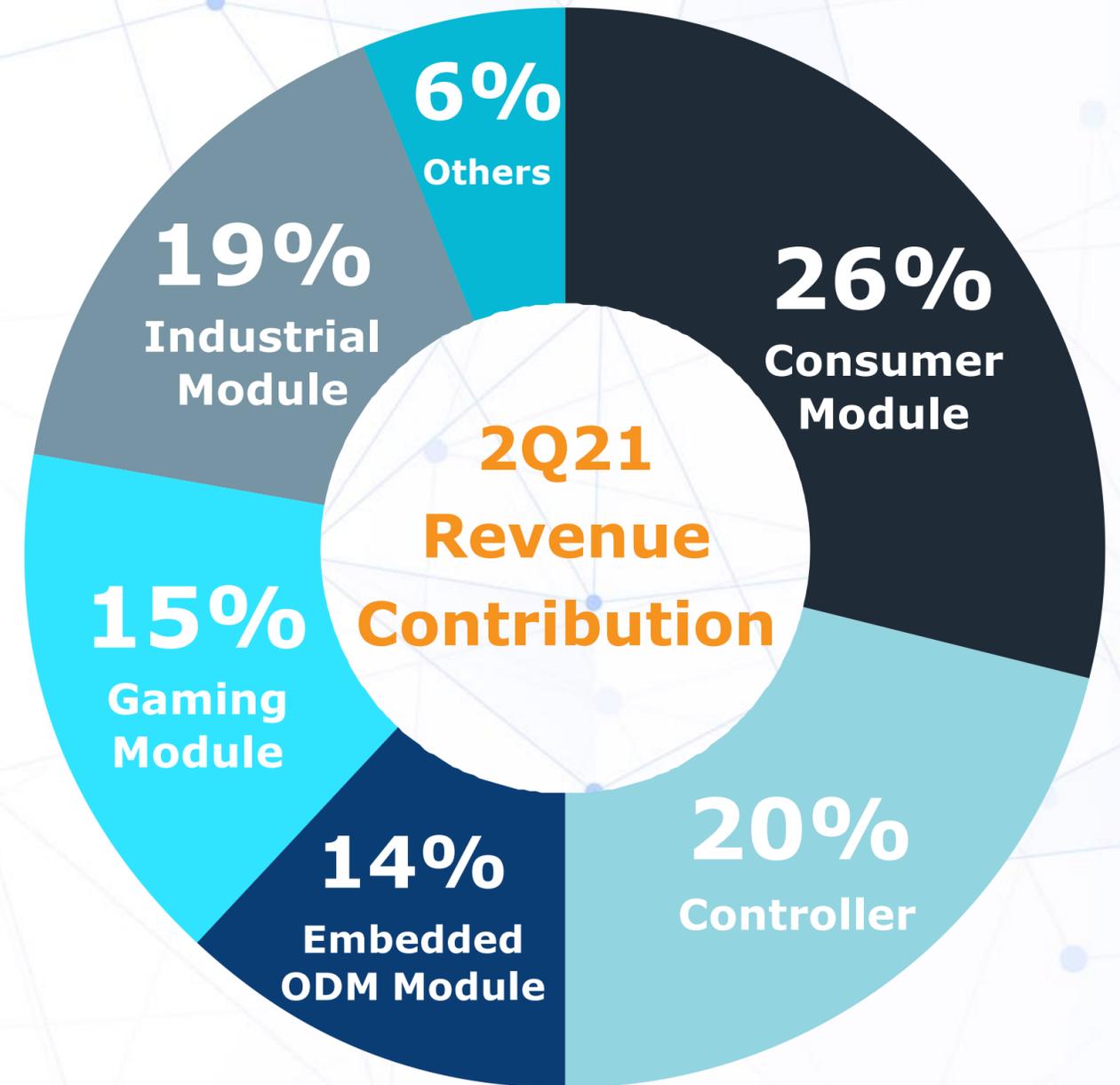
Gaming Enterprise Automotive Industrial Embedded ODM



Phison Expands Beyond Consumer-focused NAND Solutions

70%

revenue from non-consumer products



2 2Q21 Financial Results

2Q21 Revenue and Gross Profit

2Q21 Revenue
\$15.9B

Revenue up 23% Q/Q

A record high over the same period in history
A new historical single-season high

2Q21 Gross Profit
\$5.16B

Gross profit up 36% Q/Q

A record high over the same period in history
A new historical single-season high

Revenue in \$NT

2Q21 Business performance

ASIC

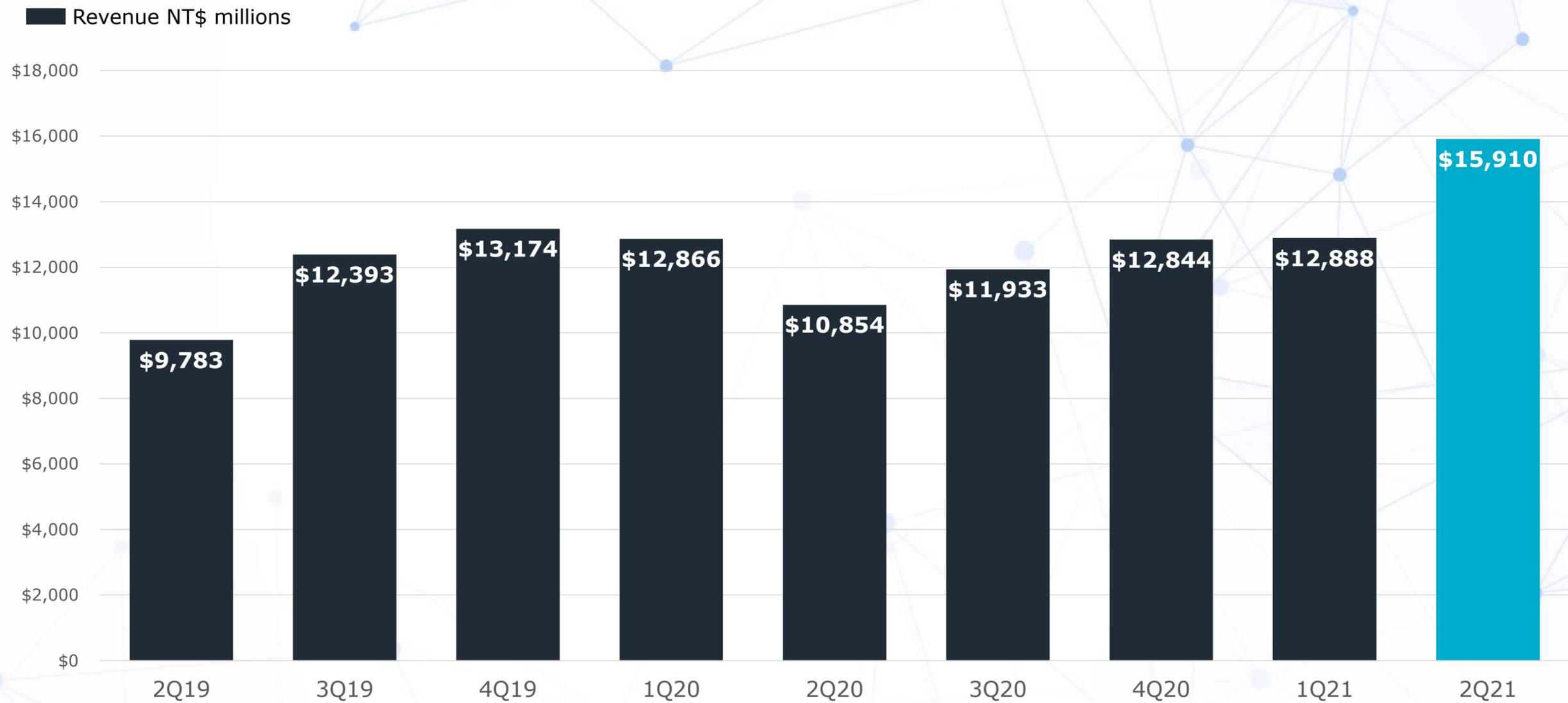
- 20%** of total revenue in 2Q 2021
- 50%** YoY SATA and PCIe controller unit growth
- 190%** YoY PCIe controller unit growth

Module

- 74%** of total revenue in 2Q 2021
- 28%** YoY unit growth in BGA SSD modules
- 56%** YoY revenue growth in industrial modules
- 137%** YoY revenue growth in gaming modules
- 54%** YoY revenue growth in embedded ODM modules

Revenue Trend

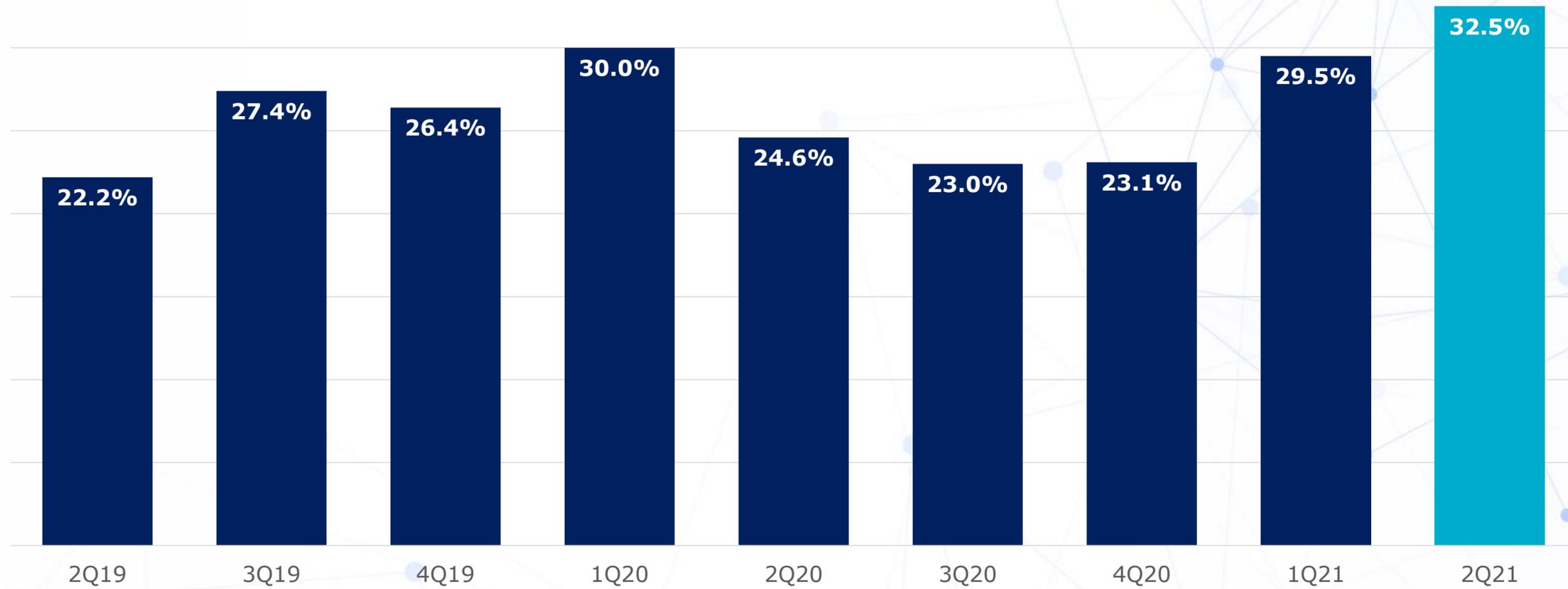
Keep Q/Q and Y/Y growth Even IC industry is in shortage



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

A record high over the same period in history

NT\$m	2Q21	1Q21	Q/Q (%)	2Q20	Y/Y (%)
Revenue in US\$Mn	568	455	24.8	363	56.5
Revenue	15,910	12,888	23.4	10,855	46.6
Gross Profit	5,164	3,804	35.8	2,673	93.2
Operating Expenses	2,628	1,969	33.5	1,593	65.0
Operating Profit	2,536	1,835	38.2	1,080	134.8
Non-Operating gains (losses)	220	217	1.4	43	411.6
Pretax Income	2,756	2,052	34.3	1,123	145.4
Tax Expenses	492	364	35.2	-62	893.5
Net Income to Phison	2,264	1,688	34.1	1,185	91.1
Basic EPS (NT\$)	11.49	8.56	34.2	6.00	91.5
Adjusted EBITDA*	3,032	2,275	33.3	1,308	131.8
Key Financial Ratios (%)					
Gross Margin	32.5	29.5		24.6	
Operating Margin	15.9	14.2		9.9	
Net Profit Margin	14.2	13.1		10.9	
Average Exchange Rate--USD/NTD	28.17	28.37		30.00	

*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\$mn	2Q21		4Q20		2Q20	
	Amount	%	Amount	%	Amount	%
Total Assets	56,124	100.0	47,564	100.0	41,310	100.0
Cash & Current Financial assets at fair value	19,701	35.1	20,456	43.0	14,825	35.9
Account Receivable	8,134	14.5	6,018	12.7	5,151	12.5
Inventories	15,600	27.8	10,141	21.3	13,062	31.6
Long-term Investments	4,588	8.2	4,805	10.1	3,165	7.7
Net PP&E	5,461	9.7	4,647	9.8	3,714	9.0
Total Liabilities	21,820	38.9	12,408	26.1	11,461	27.7
Current Liabilities	21,378	38.1	11,763	24.7	11,233	27.2
Total Equity	34,304	61.1	35,156	73.9	29,849	72.3
BVPS(NT\$)	174		178		151	
Key Financial Ratios						
A/R Turnover Days	45		45		43	
Inventory Turnover Days	119		109		131	
ROE (%)	22.8		27.1		20.9	
ROA (%)	15.3		20.2		15.4	

July 2021 Consolidated Revenue

July 2021 Consolidated Revenue

\$5.482B

Annual revenue growth of 42% (YoY)

A record high over the same period in history
The third highest in a single month in history

Cumulative Consolidated Revenue (January to July in 2021)

\$34.28B

Annual revenue growth of 24%

A record high over the same period in history

***The unit of revenue is NTD**

Phison Proposed to Issue the First Domestic Unsecured Convertible Bonds

- Proposal for Issue of Domestic Unsecured Corporate Bonds: The Board approved the company to offer and issue the first domestic unsecured convertible corporate bonds, in order to suffice the needs of business development for purchasing real estate, plant and equipment capital requirements and to enrich working capital to improve capital scheduling capabilities.
- The estimated total number of bonds issued this time will be limited to 35,000, and the denomination of each bond will be NT\$100 thousand, and the total denomination of the bonds will be expected to be limited to NT\$3,500,000 thousand. The issuance is based on 100.5% of the par value, and the estimated total issuance limit is NT 3,517,500 thousand. The tenor is three years and the coupon rate is 0%. The bookbuilding method is proposed to be used for public underwriting.
- After the actual issuance conditions of this case are submitted to the competent authority to declare and take effect, the issuance conditions and the actual issuance operations will be set in accordance with relevant laws and regulations and the financial environment and market conditions.

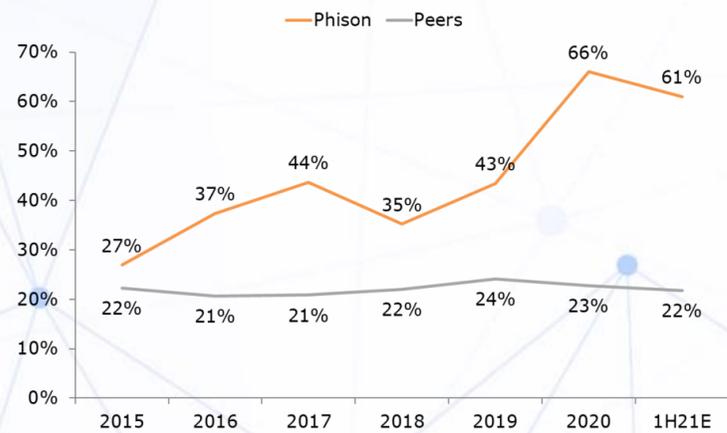
Reasons for the Issuance of the First Domestic Unsecured Convertible Bonds

- Semiconductor production capacity is tight, **requiring close cooperation** with upstream manufacturers in the semiconductor supply chain to ensure production capacity
- The NAND market is booming, and Phison **needs to expand** its business scale and grasp business opportunities
- The increase in R&D personnel **requires the expansion** of corresponding R&D buildings and land to store growth momentum

Building High Walls

Accumulating Resources

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



Phison's 5 + 5 Growth Strategy



The Board Approved the Earnings Distribution of the First Half of 2021

On August 6th, the Board has approved the proposal to allocate a cash dividend to shareholders for 1H21

NT\$10 / share

*Unit is NTD

3 Business Highlights

2Q 2021 Business Highlights



Retail

- Phison started shipping world's fastest E18 Gen4x4 Controller with 176L NAND
- Two NAND makers announced PCIe Gen4 SSD with Phison solutions
- Started shipping USB 3.2 U17 solution for external SSD to NAND maker and retail



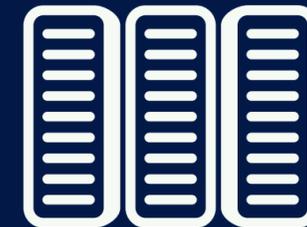
OEM

- PCIe Gen4 E16 SSD design-in for high-end desktop PC
- Delivering E13T PCIe Gen3 SSD performance to high-end Chromebook
- DRAM-less Gen4 solutions at final stage of OEM qualification



Gaming

- Delivering PCIe Gen4 E19T performance to cloud gaming platform
- Enabling gaming NB by E18 PCIe Gen4 SSD
- PCIe Gen3 E13T SSD design-in portable gaming device



Server / DC

- Phison shipping world's highest capacity 15.36TB QLC SATA SSD to U.S. storage OEMs after completion of qualifications



Industrial

- Phison and Cigent ship first self-defending cybersecurity SSDs
- Powering factory automation robots by SATA S11T SSD
- Enabling car Blackbox by uSSD solution
- Delivering industrial grade microSD for smart meters in Russia
- PCIe Gen3 E13T design-in for digital signage platform

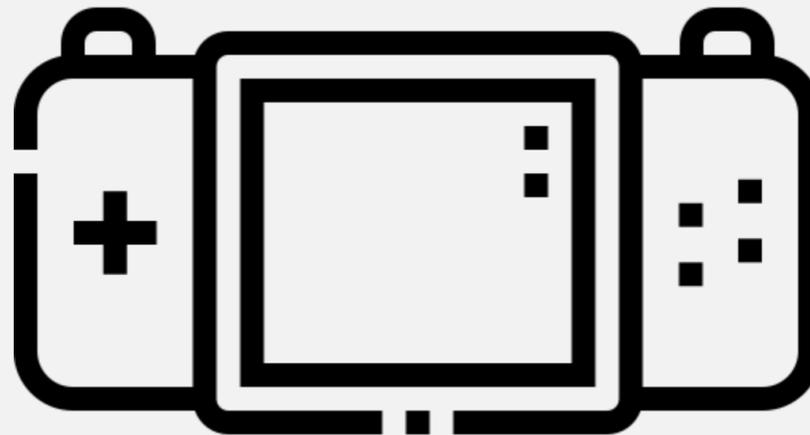
3Q 2021 NAND Market Demand Highlights



SONY IS FINALLY ALLOWING PS5 USERS TO EXPAND SSD STORAGE



2021 is the Year of the Gaming Handheld, Said CNET



Phison and Cigent Partnership Sets New Standard in Cybersecurity with Self-Defending Flash Storage Drives



<https://www.cgmagonline.com/2021/07/29/ps5-expand-ssd-storage-beta/>

<https://www.finder.com.au/seagate-firecuda-530-playstation-5>

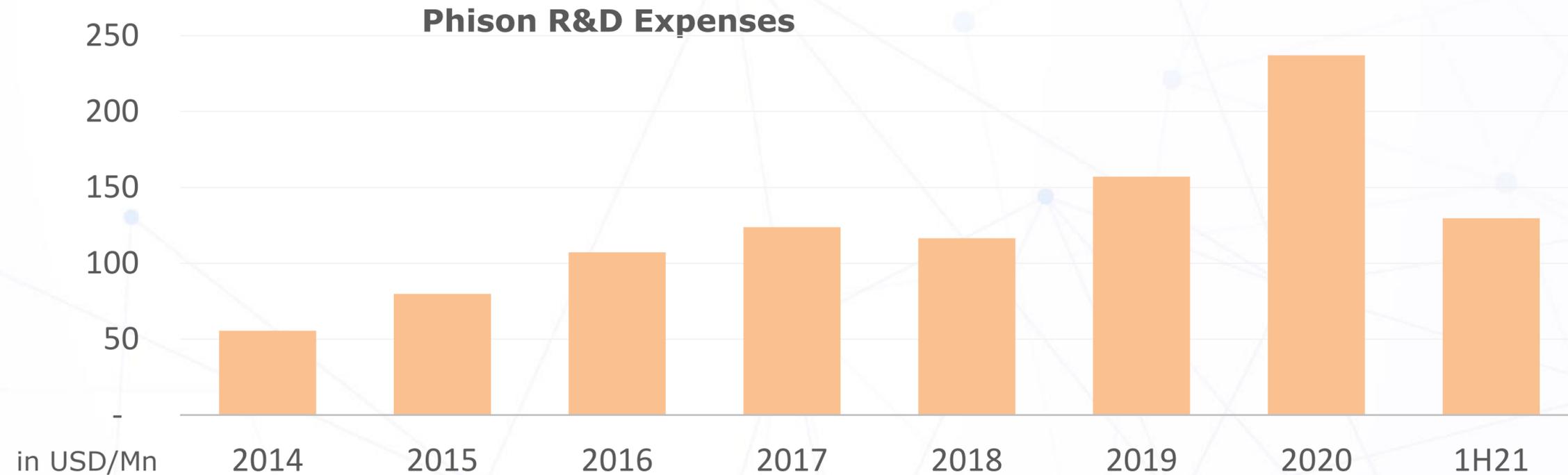
<https://www.cnet.com/tech/computing/2021-is-the-year-of-the-gaming-handheld/>

<https://www.phison.com/en/company/newsroom/press-releases/general/2102-phison-and-cigent-partnership-sets-new-standard-in-cybersecurity-with-self-defending-flash-storage-drives>

4 Technology Leadership Update

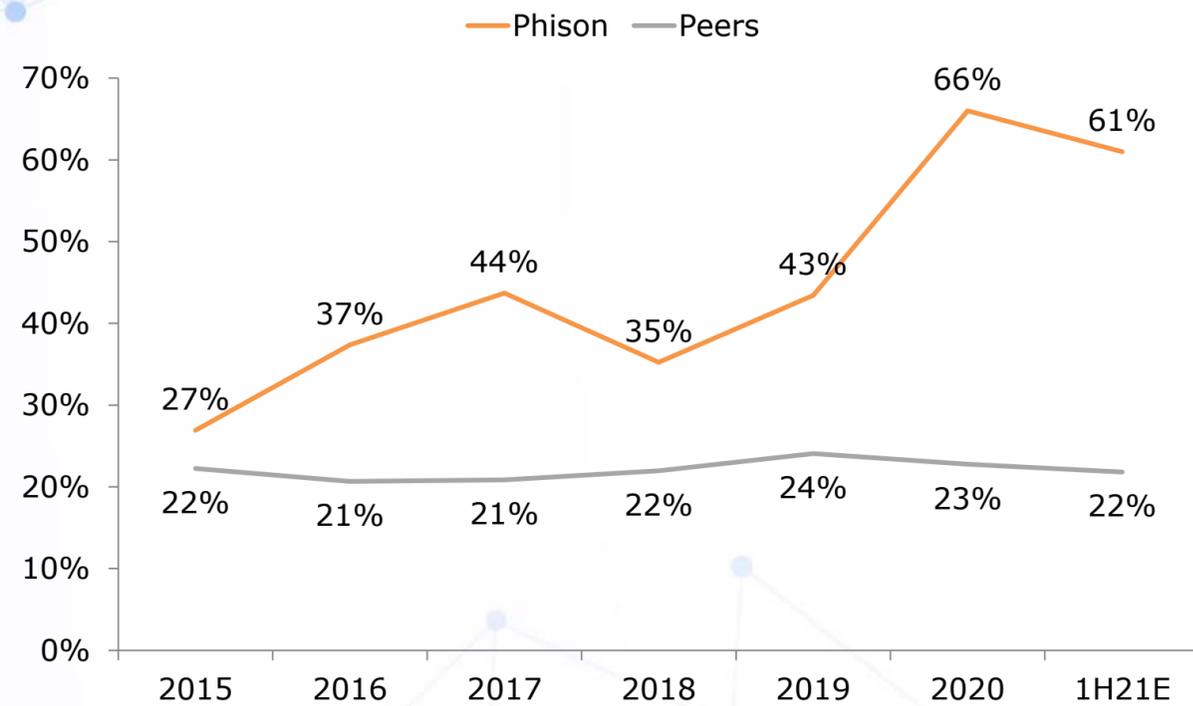
Continue to strengthen our leading technology position (1/2)

Category	2014	2015	2016	2017	2018	2019	2020	1H21
R&D Headcount	530	674	809	942	1,112	1,450	1,531	1,834
R&D Exp. / Revenue (%)	5%	6%	7%	9%	9%	11%	14%	13%
R&D Exp. / Operating Exp.	65%	71%	73%	78%	79%	79%	81%	80%



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

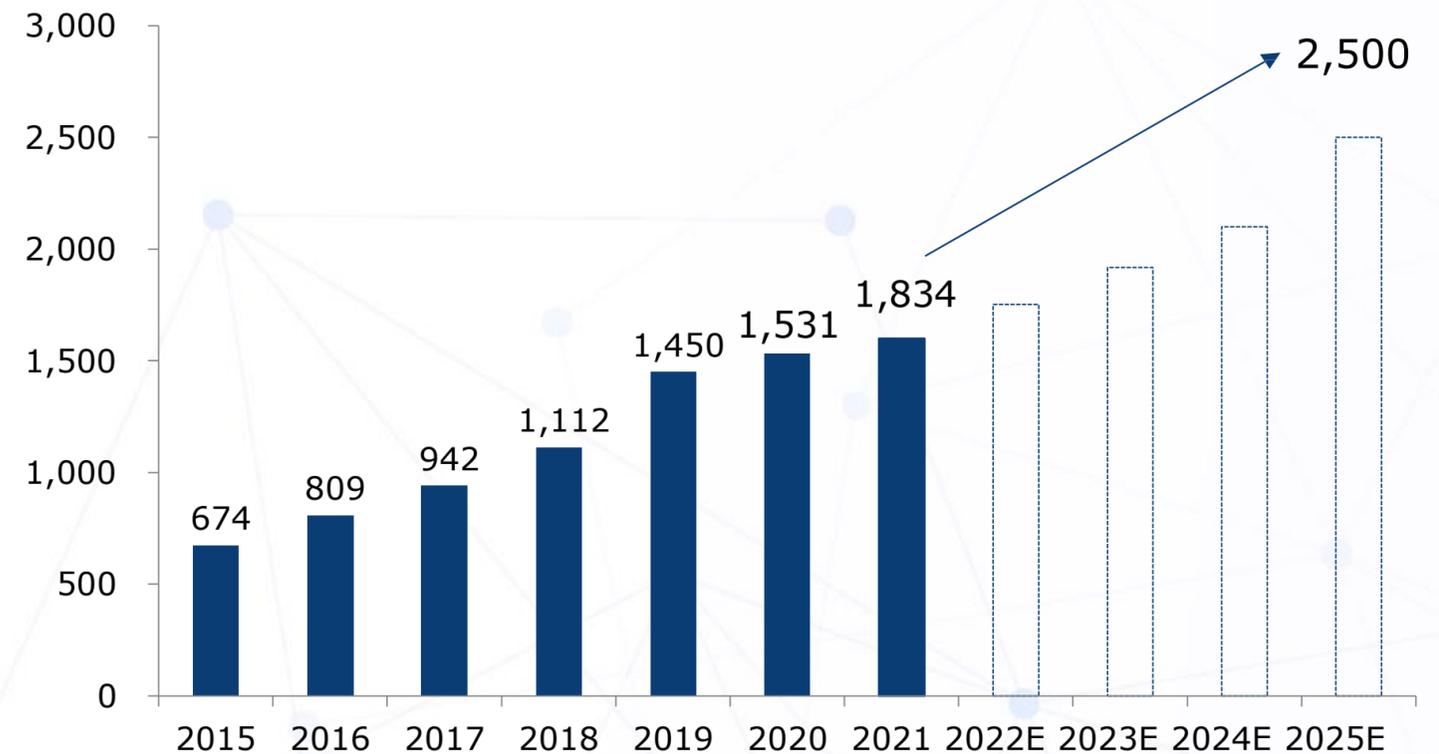
**Average R&D intensity
2X of industry peers**



*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**



Thank you