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***PHISON***

# Financial Results & Company Outlook

## 2023 Second Quarter

K.S. Pua | CEO of Phison

August 4, 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

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# **1 Phison's Business Transformation**



# Re-definition

**DRAM**

**Memory**

**NOR Flash**







**Boot**

**NAND Flash**

**Storage**

**PHISON**

# Memory and Storage Industry: Can they continue to suffer further losses?

NAND/Memory Makers ((Billion in USD)	Operating Loss @1Q23	Sum @1Q23	Operating Loss @2Q23	Sum @2Q23
	-3.4 <sup>Note</sup>	-10.05	-3.4	-8.15
	-2.6 <sup>Note</sup>		-2.3	
	-2.3 <sup>Note</sup> (Quarter ended March 2, 2023)		-1.8 <sup>Note</sup> (Quarter ended June 1, 2023)	
 Western Digital	-0.472		-0.65	
	-1.28		Not Announced Yet	
	No Announcement			

**Note:** According to market research firms, the DRAM business still remains profitable.

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

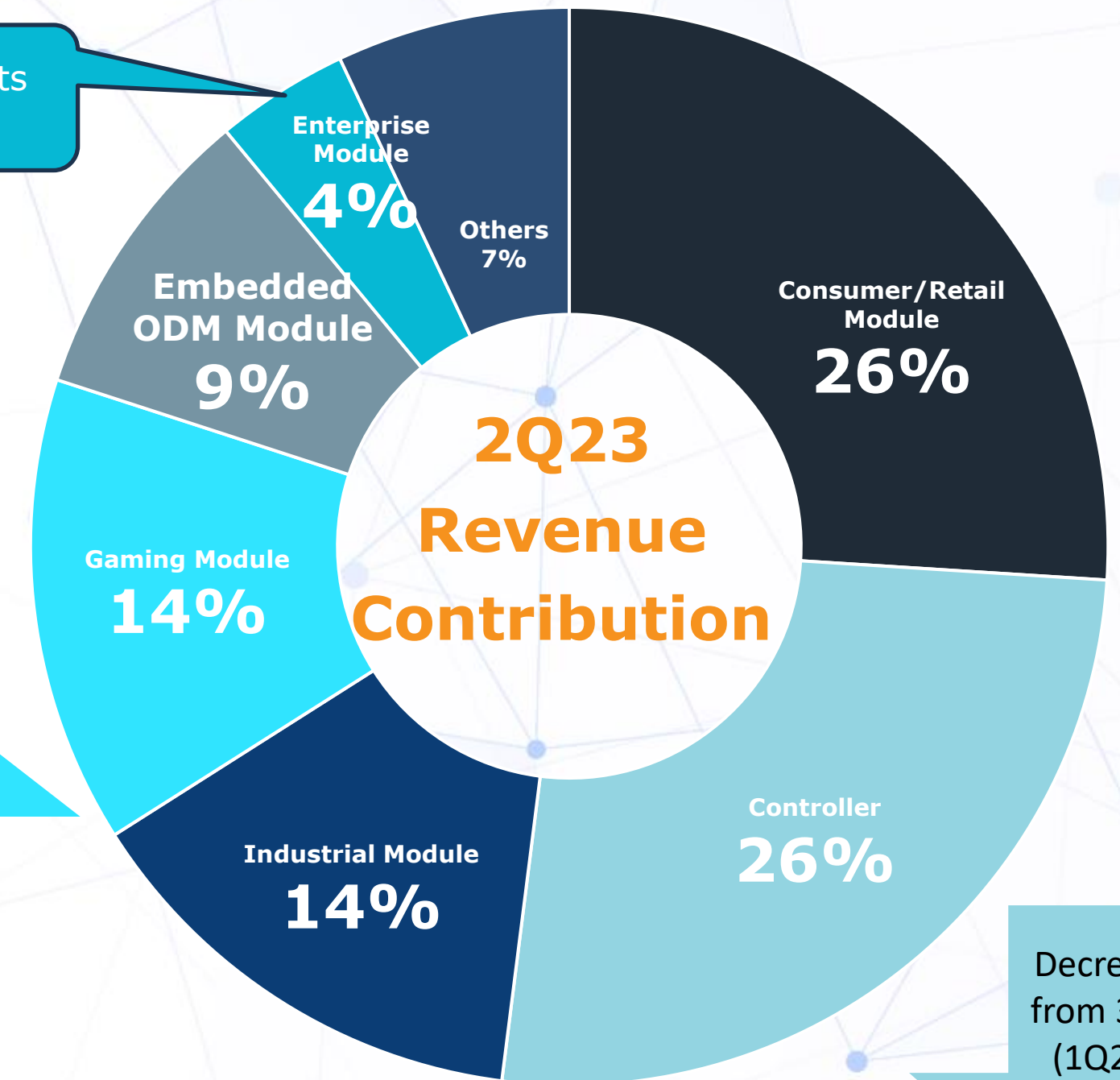
Revenue from Non-consumer/retail Products

70%+

Enterprise Modules starts to see some results.

Increase from 12% (1Q23)

Decrease from 31% (1Q23)



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



# **2 2Q23 Financial Results**



# 2Q23 Revenue and Gross Profit

2Q23 Revenue

**\$10.007B**

Revenue down 38.6% YoY  
Revenue down 0.7% QoQ

2Q23 Gross Profit

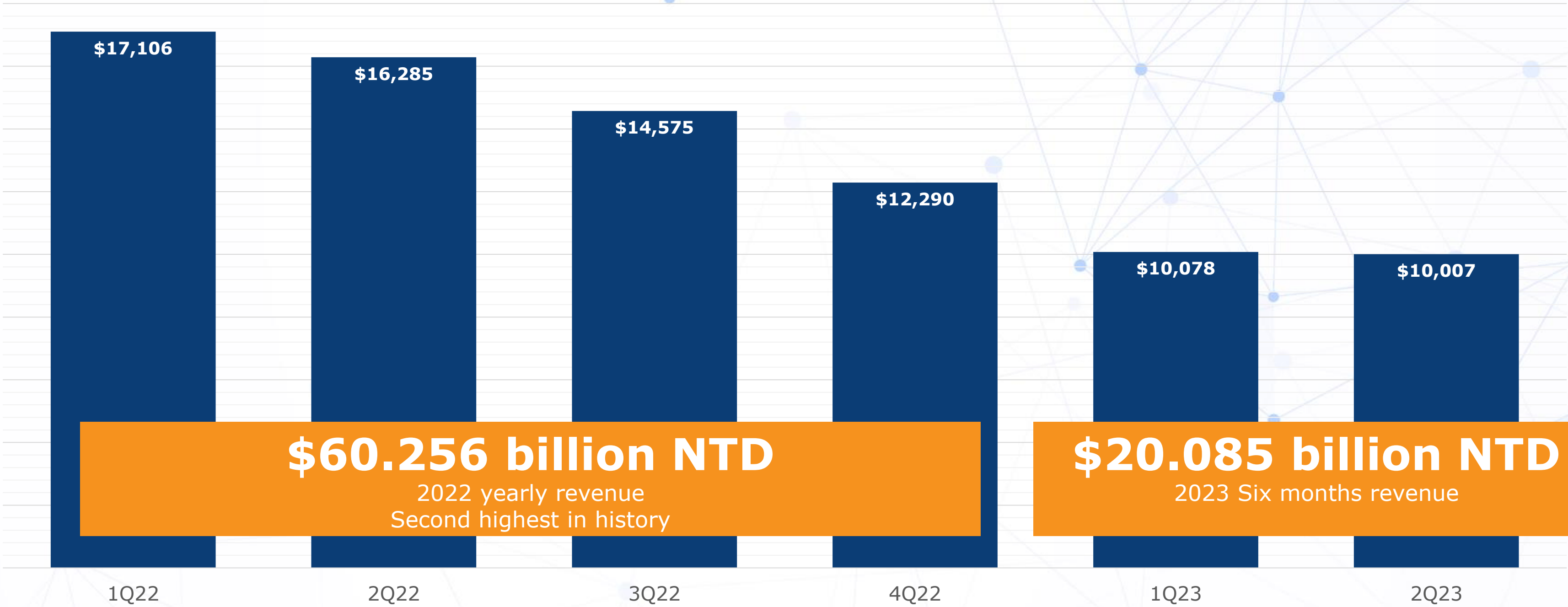
**\$3.25B**

Gross profit down 34.3% YoY  
Gross profit up 1.5% QoQ

Revenue in \$NT

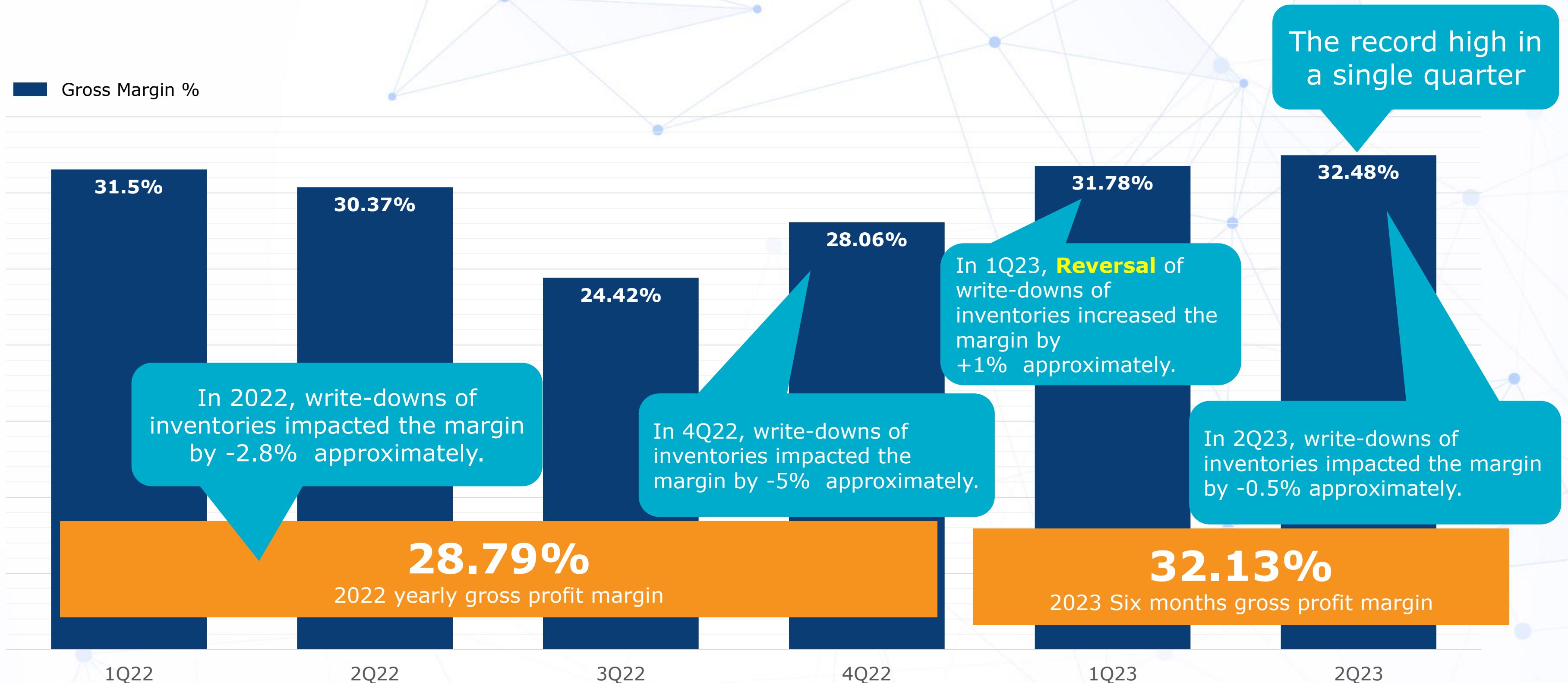
# Revenue Trend

■ Revenue NT\$ millions





# Gross Margin Rate Trend

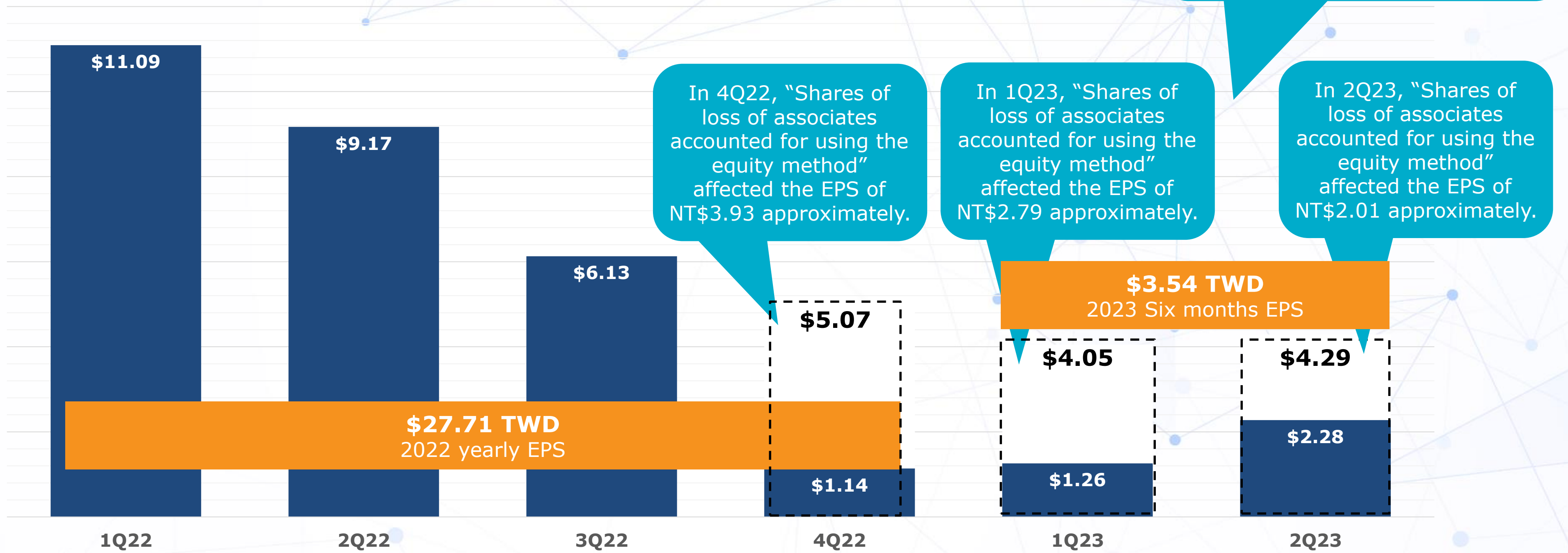


**Note:**

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



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



# 2Q23 Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

The record high in a single quarter

- 1 Revenue in NTD: QoQ is decreased 0.7%.  
Revenue in USD: QoQ is decreased 0.9%.
- 2 In 2Q23, The margin was 32.48%(record high of a single quarter). The reserve of allowance for inventory LCM increased the margin by -0.5% approximately.
- 3 2Q23 OPEX was slightly higher than 1Q23. Due to reserve employee compensation based on growth profit. Phison keeps investing in research and development to maintain technological leadership.
- 4 The non-operating losses in 2Q23 mainly for the losses of investments for using the equity method and gains from finance assets valuations.

NT\$m	2Q23	1Q23	2Q22	Q/Q (%)	Y/Y (%)
Revenue in US\$Mn	328	331	556	(0.9)	(41.0)
Revenue	10,007	10,078	16,285	(0.7)	(38.6)
Gross Profit	3,250	3,203	4,947	1.5	(34.3)
Marketing Exp.	300	262	317		
General & Adm. Exp.	190	178	329		
Research & Development	1,984	2,000	2,390		
Expected credit losses	59	(75)	(9)		
Operating Expenses	2,533	2,365	3,027	7.1	(16.3)
Operating Profit	717	838	1,920	(14.4)	(62.7)
Non-Operating gains (losses)	(67)	(524)	257		
Pretax Income	650	314	2,177	107.0	(70.1)
Tax Expenses	209	72	371		
Net Income to Phison	441	242	1,807	82.2	(75.6)
Basic EPS (NT\$)	2.28	1.26	9.17		
Key Financial Ratios (%)					
Gross Margin	32.5%	31.8%	30.4%		
Operating Margin	7.2%	8.3%	11.8%		
Net Profit Margin	4.4%	2.4%	11.1%		
Average Exchange Rate--USD/NTD	30.55	30.39	28.72		

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

# 1H23 Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

Historical High  
for the same period

- 1 For Six month end of June 30. Revenue in NTD: YoY is decreased 43.8%. Revenue in USD: YoY is decreased 39.8%.
- 2 For Six month end of June 30. The margin was 31.13% (record high in the same period). The reversal of allowance for inventory LCM increased the margin by 0.3% approximately.
- 3 For Six month end of June 30. OPEX was lower than year-ago. Due to less reserve employee compensation based. Phison keeps investing in research and development to maintain technological leadership.
- 4 For Six month end of June 30. The non-operating losses mainly for recognizing the losses of investments for using the equity.

NT\$m	1H/23	1H/22	Y/Y (%)
Revenue in US\$Mn	657	1169	(43.8)
Revenue	20,085	33,391	(39.8)
Gross Profit	6,453	10,342	(37.6)
Marketing Exp.	562	612	
General & Adm. Exp.	367	631	
Research & Development	3,984	4,702	
Expected credit losses	(16)	18	
Operating Expenses	4,897	5,963	(17.9)
Operating Profit	1,556	4,379	(64.5)
Non-Operating gains (losses)	(591)	421	
Pretax Income	965	4,800	(79.9)
Tax Expenses	282	808	
Net Income to Phison	683	3,992	(82.9)
Basic EPS (NT\$)	3.54	20.26	
Key Financial Ratios (%)			
Gross Margin	32.1%	31.0%	
Operating Margin	7.7%	13.1%	
Net Profit Margin	3.4%	12.0%	
Average Exchange Rate--USD/NTD	30.55	28.72	



# Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$mn	2Q23	1Q23	2Q22
<b>Total Assets</b>	<b>54,049</b>	<b>51,676</b>	<b>63,437</b>
<b>Cash &amp; Current Financial assets at fair value</b>	13,366	10,662	16,825
<b>Account Receivable</b>	6,509	6,031	10,003
<b>Inventories</b>	20,590	21,082	23,301
<b>Long-term Investments</b>	3,654	3,867	5,110
<b>Net PP&amp;E</b>	7,553	7,523	7,482
<b>Total Liabilities</b>	<b>15,461</b>	<b>14,275</b>	<b>24,449</b>
<b>Current Liabilities</b>	10,704	9,533	18,703
<b>Bonds Payable</b>	3,457	3,449	3,427
<b>Total Equity</b>	<b>38,588</b>	<b>37,401</b>	<b>38,988</b>
<b>BVPS(NT\$)</b>	<b>200</b>	<b>194</b>	<b>198</b>
<b>Key Financial Ratios</b>			
<b>A/R Turnover Days</b>	63	60	47
<b>Inventory Turnover Days</b>	274	277	170
<b>ROE (%)</b>	3.58	2.6	20.93
<b>ROA (%)</b>	2.44	1.8	12.67

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

**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 2023/1H deducting the surplus distribution of 2H/22 (NT\$4.5 Cash dividend per share).

## 【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		2Q23	1Q23	2Q22	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	717	838	1,920	(14.4%)	(62.7%)
	Operating Profit Margin (%)	7.17%	8.32%	11.79%		
Reconciliations	Shares-based payment	66	74	101		
Non-TIFRS	Operating Profit	783	912	2,021	(14.1%)	(61.3%)
	Operating Profit Margin (%)	7.82%	9.05%	12.41%		

TIFRS	Net Income to Phison	441	242	1,807	82.2%	(75.6%)
	Net Incomt (%)	4.40%	2.40%	11.09%		
	Basic EPS (NT\$)	2.28	1.26	9.17		
Reconciliations	Shares-based payment	66	74	101		
	Tax effect	(19)	(11)	(14)		
Non-TIFRS	Net Income to Phison	488	305	1,894	60.0%	(74.2%)
	Net Incomt (%)	4.88%	3.03%	11.63%		
	Basic EPS (NT\$)	2.52	1.59	9.61		

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 July 2023

**July Revenue**  
**\$3.394B**

Revenue down 1% MoM

**Consolidated Revenue  
from Jan. to Jul.**  
**\$23.479B**

Revenue down 39% YoY

Revenue in \$NT

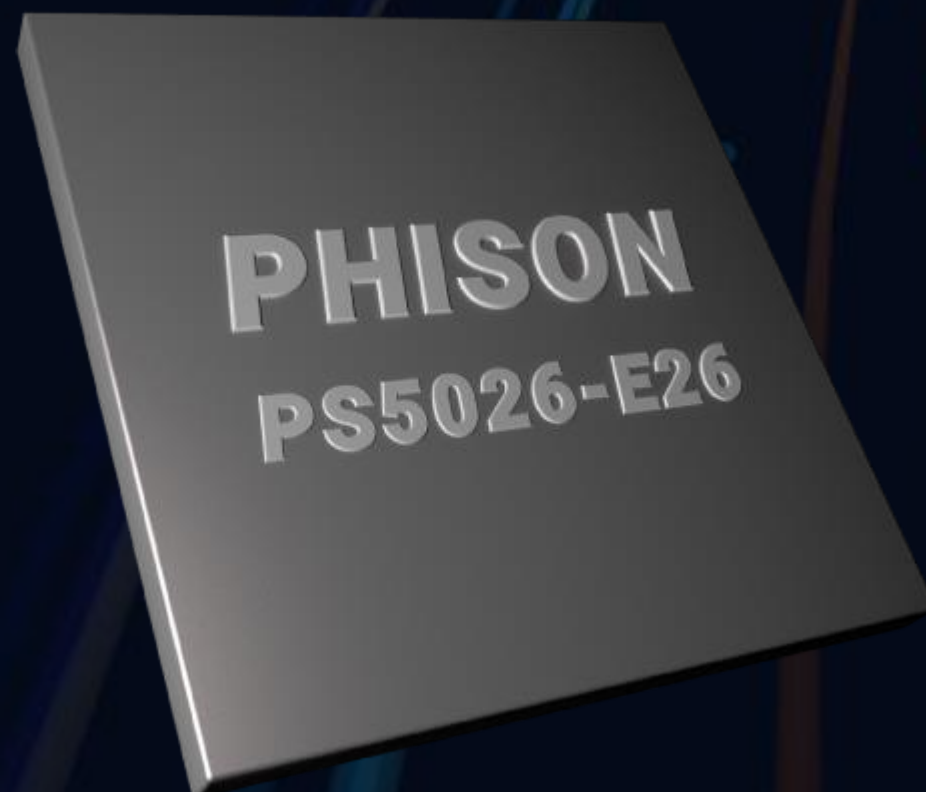


# **3 Business Highlights**



# Phison PCIe 5.0 SSD Controller E26

## Holds the Highest Market Share



### Phison's PCIe 5.0 SSD Partners



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# Phison PCIe 5.0 Controller E26 Empowers Brand Partners to Build Best SSDs at Computex 2023

**Best New Storage Product**  
*MSI Spatium M570 Pro Frozr+*



<https://www.pcmag.com/news/the-best-of-computex-2023>

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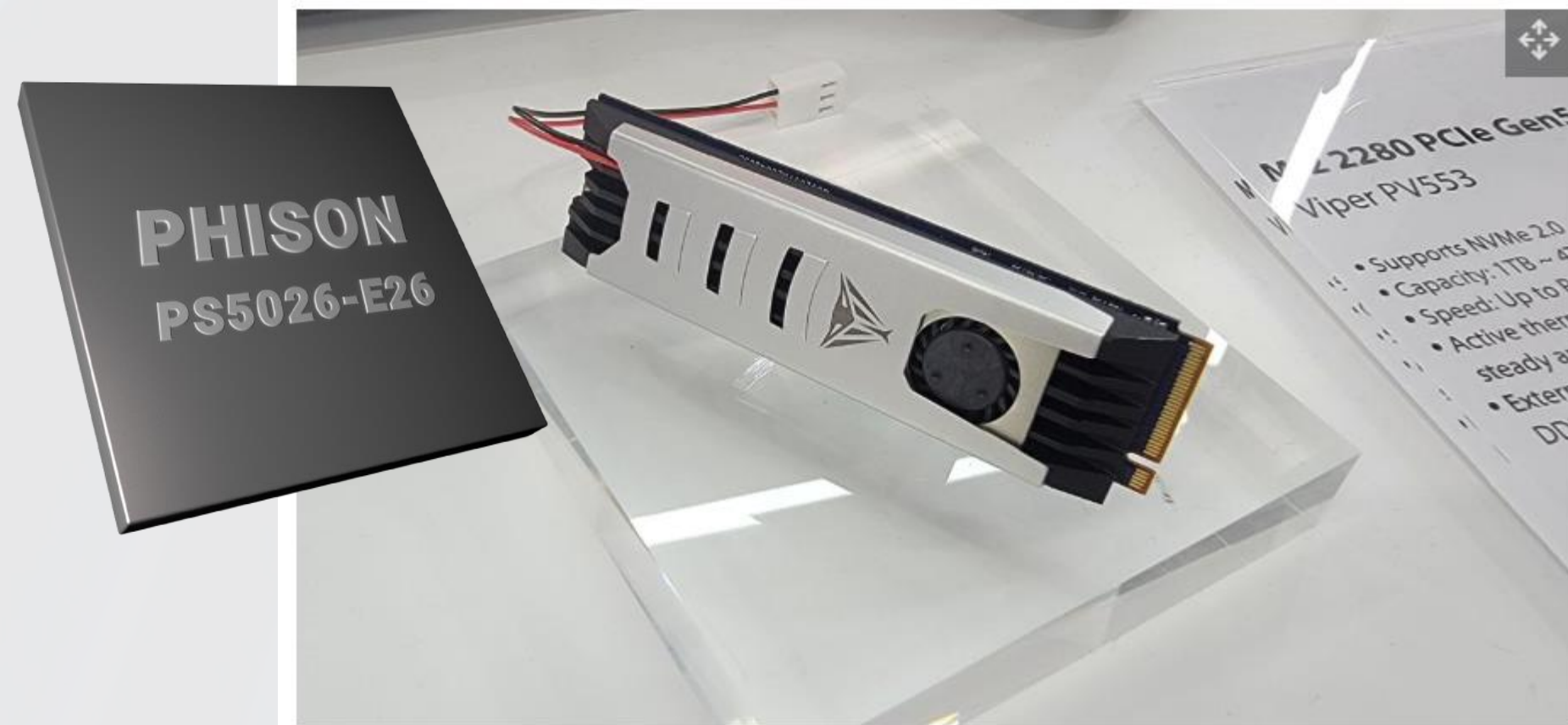
CONFIDENTIAL | 2Q23 Financial Results



# Phison PCIe 5.0 Controller E26 Empowers Brand Partners to Build Best SSDs at Computex 2023

Best of Computex 2023 for SSD

Patriot Viper PV553



<https://www.tomshardware.com/features/best-of-computex-2023>

**PHISON**

CONFIDENTIAL | 1Q23 Financial Results



# Phison, the World's First Independent Controller Supplier Earns Automotive-SPICE CL3

**PHISON**

**The World's First  
Independent Controller Supplier  
to Pass Automotive-SPICE CL3**

## **ASPICE**

- The international gold standard for software and firmware development

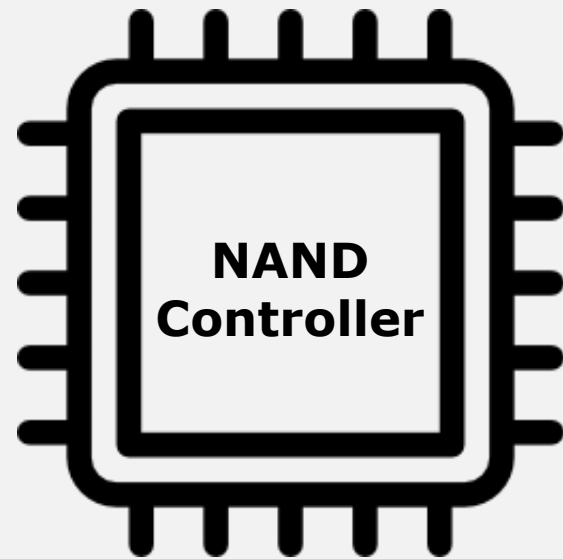
## **Capability Level 3 (CL3)**

The highest ASPICE requirement by global automakers

**PHISON**

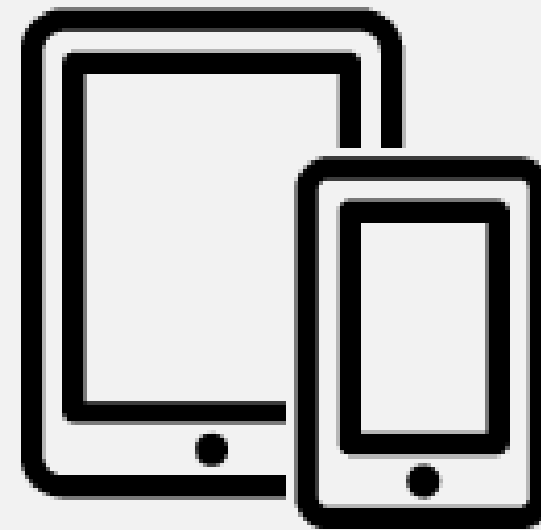


# 2Q23 Design Service Highlights



## Customized

- PCIe 4.0
- UFS 2.2/3.1/4.0
- eMMC 5.1



## Customized

- UFS for mobile applications
- eMMC for entry phones



## Customized

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



# **4 Technology Leadership Update**

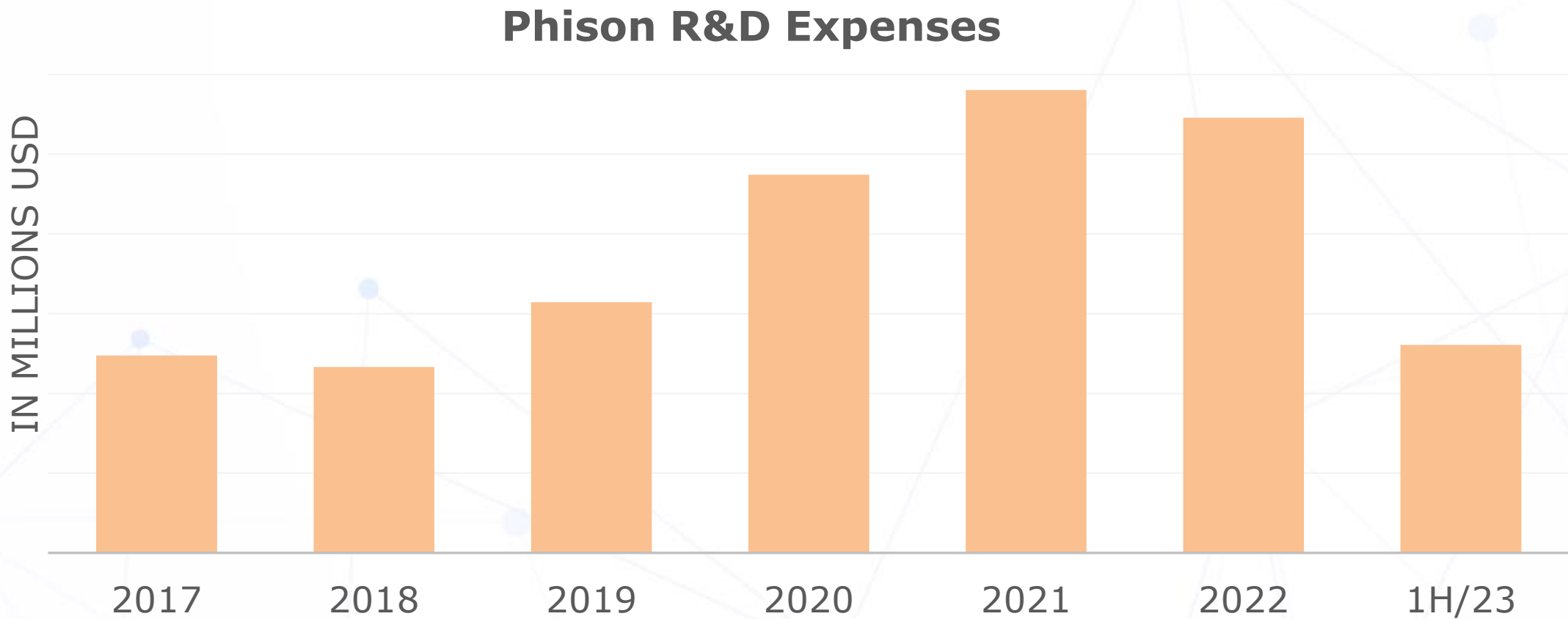
# Continue to Strengthen Phison Leading Technology Position

Category	2017	2018	2019	2020	2021	2022	1H/23
R&D Headcount	942	1,112	1,450	1,531	2,228	2,891	2980
R&D Exp. / Revenue (%)	9%	9%	11%	14%	13%	14%	20%
R&D Exp. / Operating Exp.	78%	79%	79%	81%	81%	77%	81%

2000+  
Global Patents

3800+  
Global Employees

75%+  
Proportion of Engineers



Note: Global patents including Granted and Pending



## **5 Phison's R&D in the Field of AI**

# Phison Enhances NAND Storages Performance & Reliability Through AI

**60+**  
AI Engineers

**World-Class**  
Labs & Validation

**Decoding Algo.**  
DSP & ECC

