

Scan & Join Phison's IR list



PHISON

Financial Results & Company Outlook

2024 Second Quarter

K.S.Pua | CEO

August 14, 2024

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.

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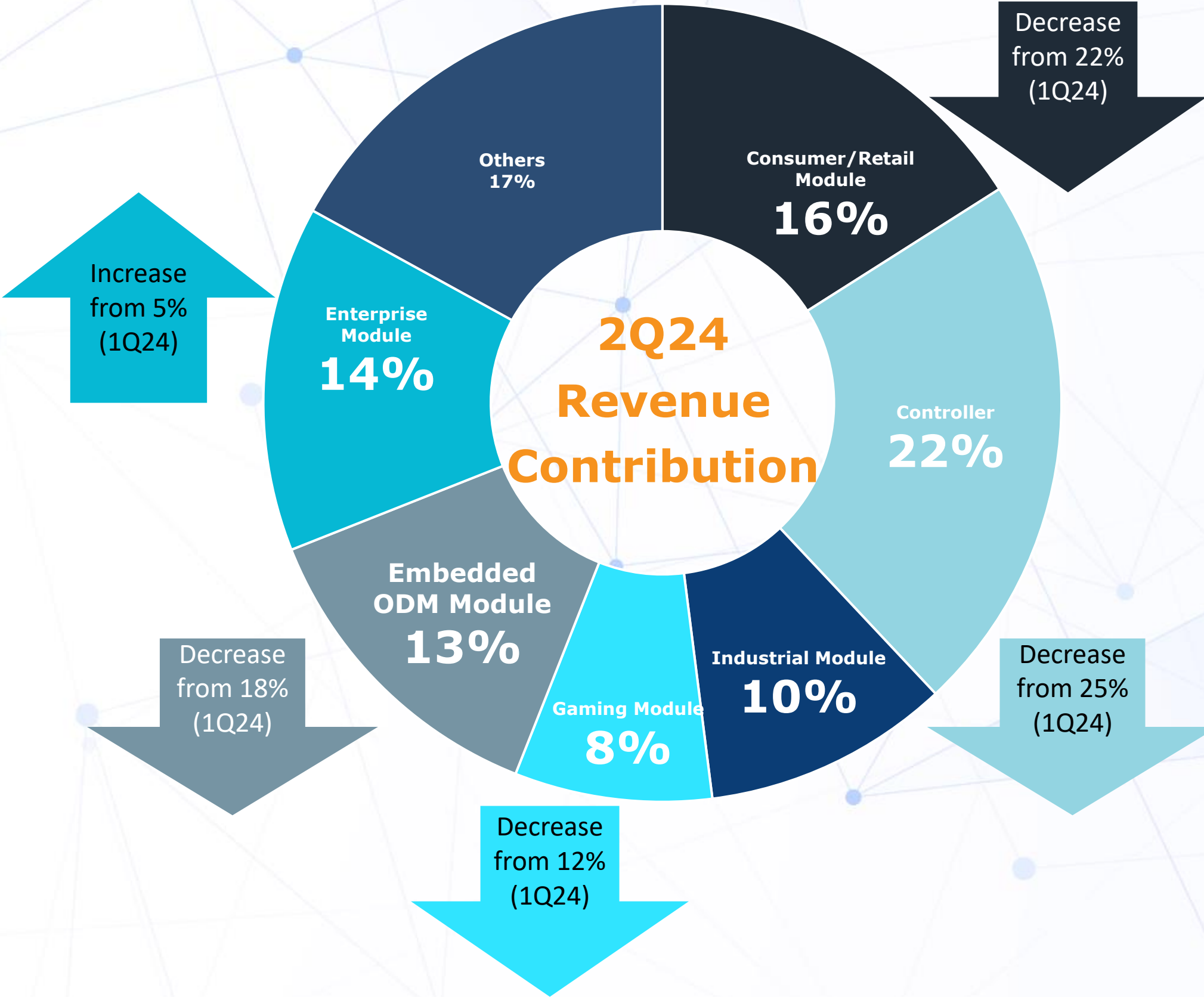
Q&A

1 Phison's Business Transformation

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

Revenue from Non-consumer/retail Products

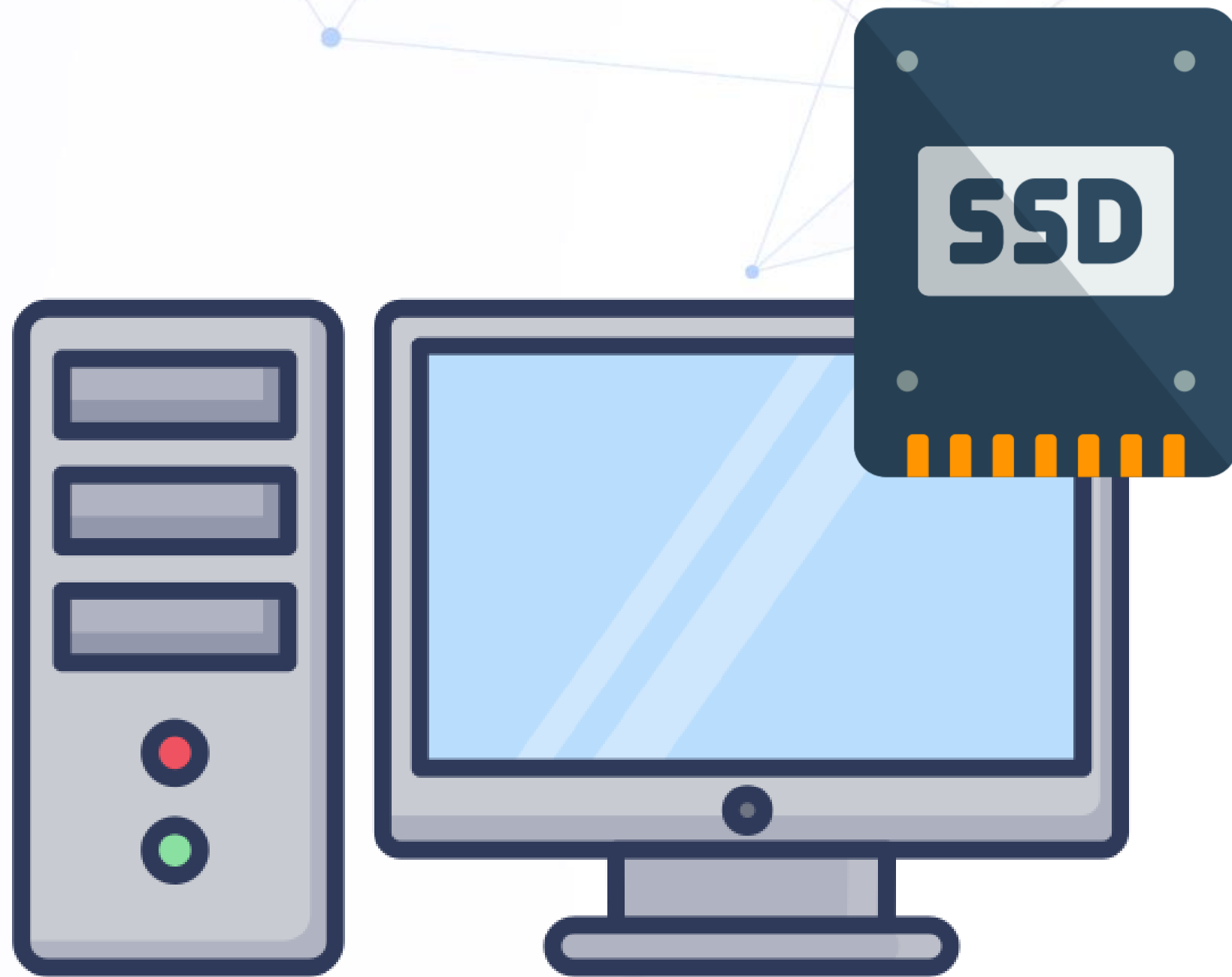
70%+



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

70%

Desktop PCs
Pre-installed with SSDs
before shipment



1. The retail DIY upgrade market is shifting towards high-capacity and high-end SSDs for gaming, content creation, AI, etc. applications.
2. The total volume of the low-end retail SSD market will decrease.

3. Phison's long-term strategy

- Enterprise SSD
- AI on-premises fine-tuning and storage
- Embedded ODM (PC & Mobile)

2 2Q24 Financial Results

2Q24 Revenue and Gross Profit

2Q24 Revenue

\$15.895B

Revenue up 58.8% YoY
Revenue down 3.8% QoQ

2Q24 Gross Profit

\$5.541B

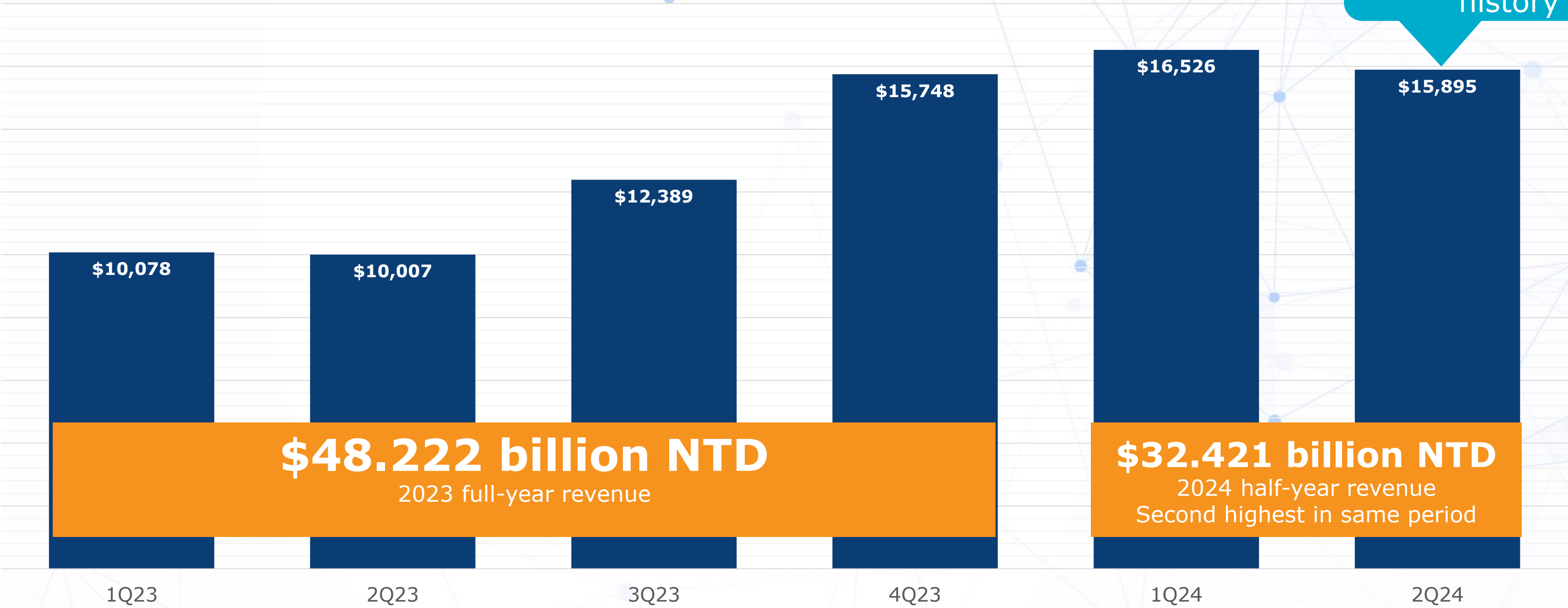
Gross profit up 70.5% YoY
Gross profit down 1.2% QoQ
Historical High for the same period

Revenue in \$NT

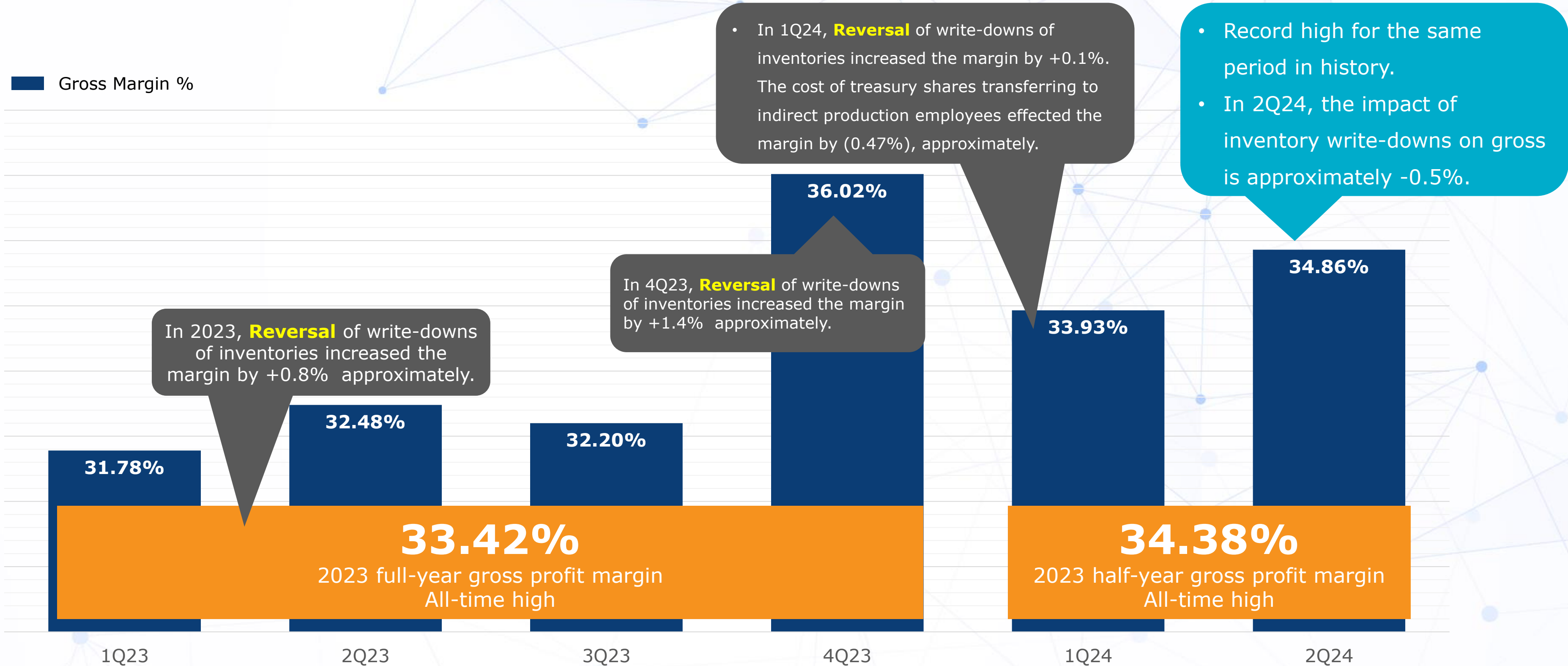
Revenue Trend

■ Revenue NT\$ millions

Record high for the same period in history



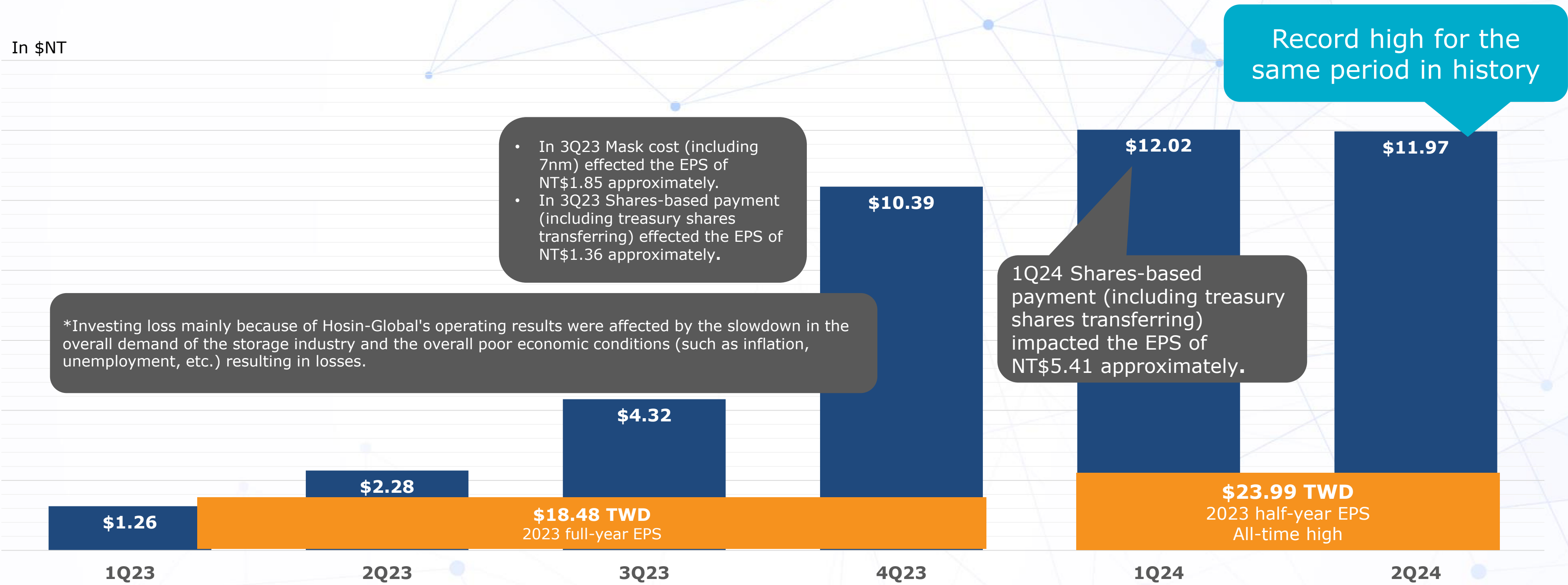
Gross Margin Rate Trend



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.

2Q24 Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

Historical high in a single quarter, and Historical high for the same period

Historical high for the same period

NT\$m	2Q24	1Q24	2Q23	Q/Q (%)	Y/Y (%)
Revenue in US\$Mn	493	527	328	(6.5)	50.3
Revenue	15,895	16,526	10,007	(3.8)	58.8
Gross Profit	5,541	5,607	3,250	(1.2)	70.5
Marketing Exp.	400	409	300		
General & Adm. Exp.	269	449	190		
Research & Development	2,853	3,536	1,984		
Expected credit losses	22	(39)	59		
Operating Expenses	3,544	4,355	2,533	(18.6)	39.9
Operating Profit	1,997	1,252	717	59.5	178.5
Non-Operating gains (losses)	893	1,582	(67)		
Pretax Income	2,890	2,834	650	2.0	344.6
Tax Expenses	439	414	209		
Net Income to Phison	2,451	2,420	441	1.3	455.8
Basic EPS (NT\$)	11.97	12.02	2.28		
Key Financial Ratios (%)					
Gross Margin	34.9%	33.9%	32.5%		
Operating Margin	12.6%	7.6%	7.2%		
Net Profit Margin	15.4%	14.6%	4.4%		
Average Exchange Rate--USD/NTD	31.90	31.45	30.55		

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

- Revenue in NTD: QoQ is decreased 3.8%. Revenue in USD: QoQ is decreased 6.5%.
- In 2Q24, The margin was 34.9%(Historical high for the same period and second high in a single quarter). The write-down of inventory effected the margin by -0.5% approximately.
- 2Q24 OPEX was lower than 1Q24. Due to the expenses of treasury shares transferring only happen in 1Q24 and employee compensation reserved. Phison keeps investing in research and development to maintain technological leadership.
- The non-operating gains in 2Q24 mainly for recognizing the gains of investments for using the equity, the gains of forex and the gains/losses from finance assets valuations.
- The three Key financial ratios here are all up compared with 1Q24 and 2Q23.

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$mn	2Q24	1Q24	2Q23
Total Assets	77,395	75,753	54,049
Cash & Current Financial assets at fair value	16,583	15,262	13,366
Account Receivable	10,481	9,917	6,509
Inventories	30,411	30,158	20,590
Long-term Investments	6,728	5,931	3,654
Net PP&E	7,267	7,324	7,553
Total Liabilities	28,297	29,212	15,461
Current Liabilities	22,311	23,279	10,704
Bonds Payable	5,564	5,541	3,457
Total Equity	49,098	46,541	38,588
BVPS(NT\$)	240	227	198
Key Financial Ratios			
A/R Turnover Days	57	54	63
Inventory Turnover Days	235	228	274
ROE (%)	21.2	21.67	3.58
ROA (%)	14.04	14.12	2.44

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

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

As of the end of the second quarter, **more than 75% of our inventory is allocated to the Non-Retail market.**

3 Total Equity: the change is a mixed result of the Net profit of half-year deducting the surplus distribution of 2H23 (NT\$8.84 Cash dividend per share), issuing bonds and treasury shares transferring.

【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 (2Q24)

NT\$/million		2Q24	1Q24	1Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,997	1,252	717	59.5%	178.5%
	Operating Profit Margin (%)	12.56%	7.57%	7.17%		
Reconciliations	Shares-based payment	26	1,271	66		
Non-TIFRS	Operating Profit	2,023	2,523	783	(19.8%)	158.4%
	Operating Profit Margin (%)	12.73%	15.27%	7.82%		

TIFRS	Net Income to Phison	2,451	2,420	441	1.3%	455.8%
	Net Incomt (%)	15.42%	14.64%	4.40%		
	Basic EPS (NT\$)	11.97	12.02	2.28		
Reconciliations	Shares-based payment	26	1,271	66		
	Tax effect	(4)	(182)	(19)		
Non-TIFRS	Net Income to Phison	2,473	3,509	488	29.5%	406.8%
	Net Incomt (%)	15.56%	21.23%	4.88%		
	Basic EPS (NT\$)	12.08	17.43	2.52		

- Non-TIFRS EPS increased 2Q24 EPS by approximately NT\$0.11, mainly effected by the stock option plan.

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.

3 Business Highlights

Phison Award at Computex 2024 (6/4-6/7)

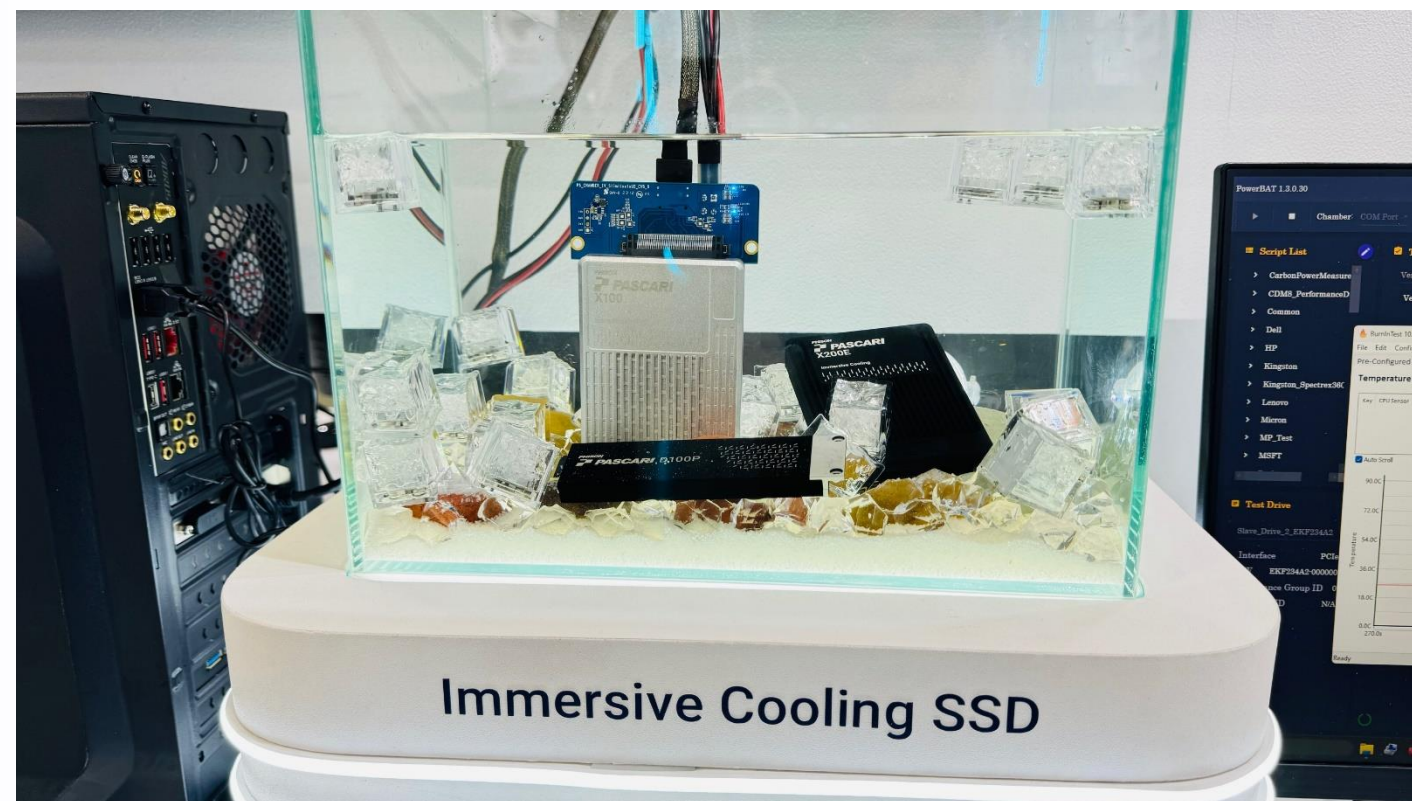
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Phison's booth attracted numerous customers to explore the aiDAPTIV+ solution



Phison introduced the world's first native USB 4.0 NAND controller U21



Phison's immersive-cooling enterprise SSD X Series and D100P



Phison's global first PCIe 5.0 DRAM-Less SSD controller E31T helping create the world's first PCIe Gen5 gaming laptop

Phison Award at Computex 2024 (6/4-6/7)

PHISON

Phison's flagship PCIe 5.0 SSD E26
Awarded TweakTown's Best of Computex 2024.



Apex Storage X16 Gen5 with Phison E26
So Fast - It's Ready For Takeoff

Performance
Sequential Read: 56 GB/s
Sequential Write: 54 GB/s
Random Read: 20M IOPS
Random Write: 19M IOPS



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Phison Booth at FMS 2024

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Key Highlights



Enterprise PCIe 5.0 SSD
PASCARI D200V
61.44TB

aiDAPTIV+ Pro Suite
End-to-End On-Premises
AI Fine-tuning Software

PCIe 6.0 Redriver/Retimer
PS7161 (4-CH)
PS7162 (8-CH)
PS7261 (16-lane)

Phison's Award at FMS 2024 (8/6-8/8)

PHISON

Phison's aiDAPTIV+ Awarded at FMS2024 Best of Show Most Innovative AI Application



Phison Enterprise SSD Product Line-up



High Performance X-Series

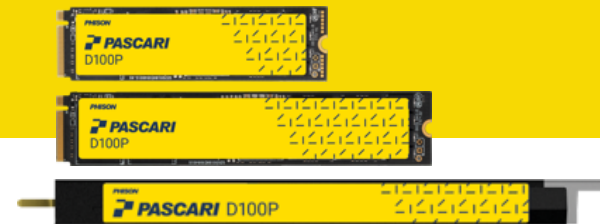
PCIe 4.0/5.0
Up to 30.72TB
1/3 DWPD



U.2 / U.3 / E3.S

Data Center D-Series

PCIe 4.0/5.0
Up to 7.68TB
1/3 DWPD



M.2 / E1.S

SATA S-Series

SATA III
Up to 15.36TB
0.4/1/3 DWPD



2.5"

Boot Drive B-Series

PCIe 4.0 / SATA III
Up to 960GB
1 DWPD



2.5" / M.2

Artificial Intelligence AI-Series

PCIe 4.0
Up to 1.92TB
Up to 100 DWPD



U.2 / M.2

Enterprise SSD

Enterprise SSD Market TAM @2025

25B+ USD
Modules TAM

<1% of TAM

Phison Enterprise SSD Modules
Revenue @2023

5%
1Q24

14%
2Q24

Enterprise SSD Module Revenue Contribution

Signal Conditioning IC Market

Signal Conditioning IC TAM @2025

10M+ USD
Redriver TAM

300M+ USD
Retimer TAM

50%+
Phison PCIe 5.0 Redriver
Shipments Market Share @2023

Start Shipping
Phison PCIe 5.0 Retimer

PHISON
**World's First
Retimer to Pass
CXL 1.1 Endpoint**



Phison's Patented AI @Home Computing

4

『 **aiDAPTIV⁺** 』

The World is Crazy about Generative AI Believes Everyone Needs GenAI

But...



PHISON

CONFIDENTIAL | 2Q24 Financial Results

25 Years ago

Mail Servers

Expensive



People use
Cloud-based
Email Services

@hotmail.com
@gmail.com
@yahoo.com
@msa.hinet.net

Now

Mail Servers

Affordable



Corporate use
Edge
Email Servers

@taiwan.gov
@phison.com

By the Same Theory

Now

Cloud-based GenAI Services

Future

On-Premises GenAI Services



Concerns

Cloud-based GenAI Services

- **Not suitable for data-sensitive users**
- **Permanent subscription fees**

The Key

to the Widespread Use of GenAI Services



**Affordable & On-Premises
Fine-Tuning/Inference
Equipment**

aiDAPTIV⁺

150⁺

POC Cases

Lawyer

Government

Judge

Physician

Accountant

Teacher

Engineer

Analyst

Architect

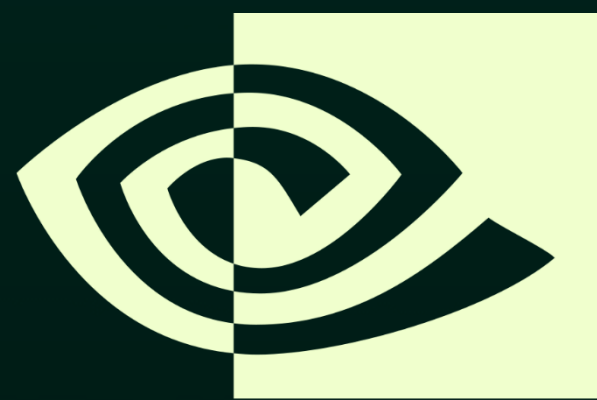
Scientist

Locally

Democratize AI Applications

Just like PCs

aiDAPTIV⁺



NVIDIA®

@Shenzhen and Chengdu

Jointly Promote
the on-premises
AI model fine-tuning market

5 Technology Leadership Update

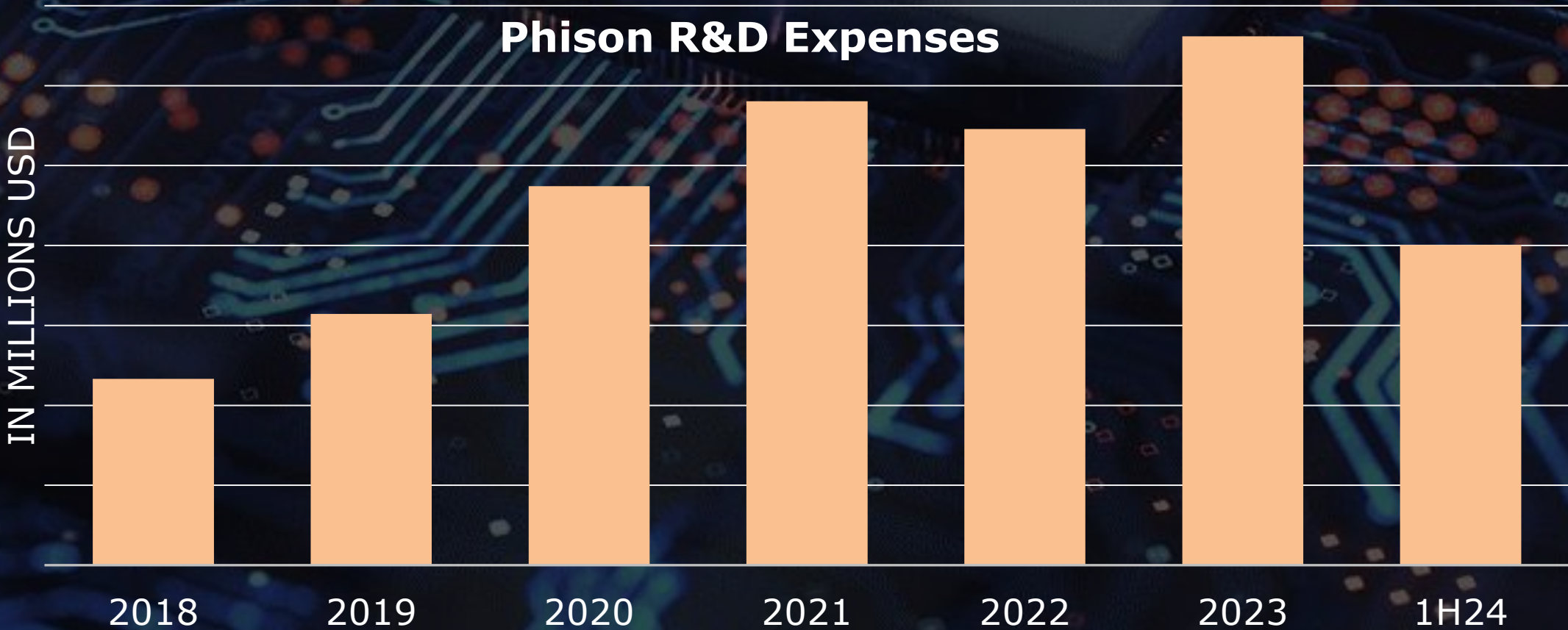
Continue to Strengthen Phison Leading Technology Position

Category	2018	2019	2020	2021	2022	2023	1H24
R&D Headcount							
R&D Exp. / Revenue (%)	9%	11%	14%	13%	14%	22%	20%
R&D Exp. / Operating Exp.	79%	79%	81%	81%	77%	82%	81%

2000+
Global Patents

4000+
Global Employees

75%+
Proportion of Engineers



Note: Global patents including Granted and Pending

Recent ESG progress?



FTSE is the index company under the London Stock Exchange Group (LSEG). FTSE Russell ESG (Environmental, Social, and Governance) is a set of standards and indicators used to evaluate and manage the performance of companies in the areas of environment, social, and governance.

FTSE為倫敦證券交易所 (London Stock Exchange Group) 旗下的指數公司，FTSE Russell ESG (環境、社會與治理) 是一套用於評估和管理企業在環境、社會和治理方面表現的標準和指標。

ESG Score: 4.1 (full score is 5)

ICB Supersector: Technology

Percentile rank: 84 ⓘ

Phison

2024

Exposure levels: ■ High ■ Medium ■ Low ■ Not Applicable

Score: 0 to 5 (higher scores are better)

FTSE Russell Score

Year	FY 2022	FY 2023	FY 2024
Score <small>(Full score is 5)</small>	3.0	3.6	4.1

If you have any other questions
feel free to unmute your microphone or ask in the chat.