

Scan & Join Phison's IR list



PHISON

Financial Results & Company Outlook

2022 Third Quarter

K.S. Pua | CEO of Phison

November 4, 2022

Forward-Looking Statement

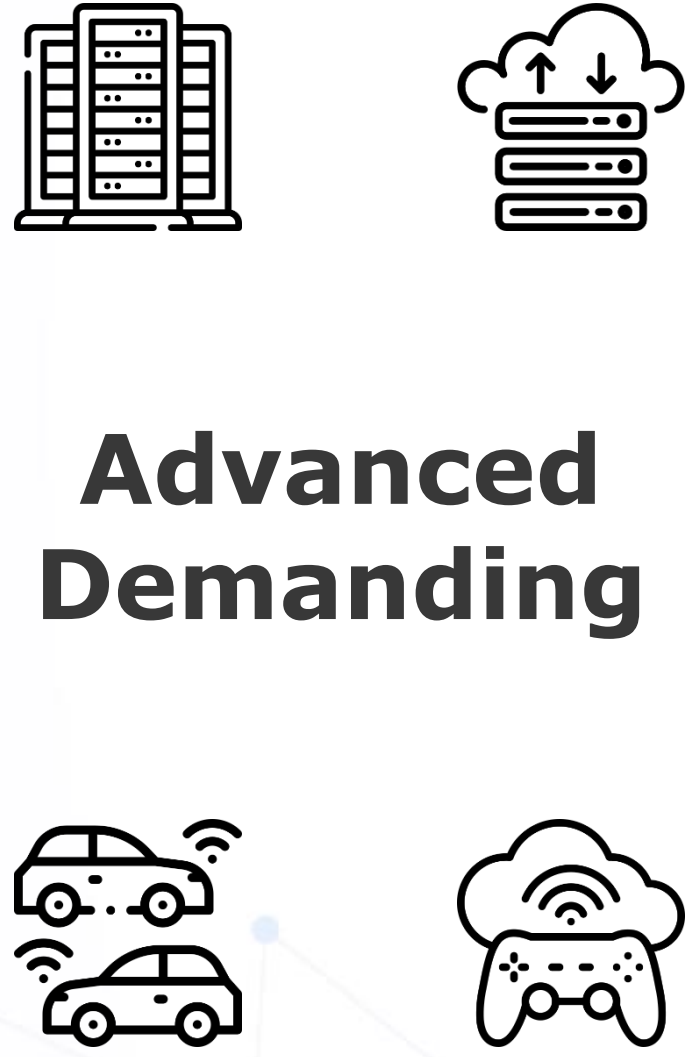
Information included in this earning meeting that are not historical in nature are "forward looking statements". Phison cautions readers that forward looking statements are based on Phison's reasonable knowledge and current expectations and are subject to various risks and uncertainties. Actual results 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

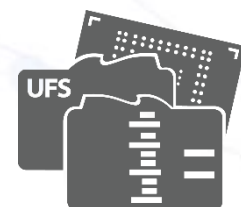
1 Phison's Business Transformation

Phison's Complete Products Continue to Meet Unlimited NAND Storage Demand



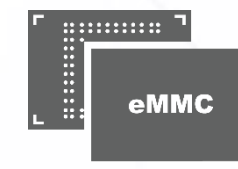
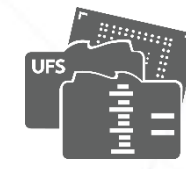
Advanced Demanding

This category is represented by an orange-bordered box containing four icons: a server rack, a cloud with upload and download arrows, two cars with wireless signals, and a game controller with a wireless signal.



Mature Legacy

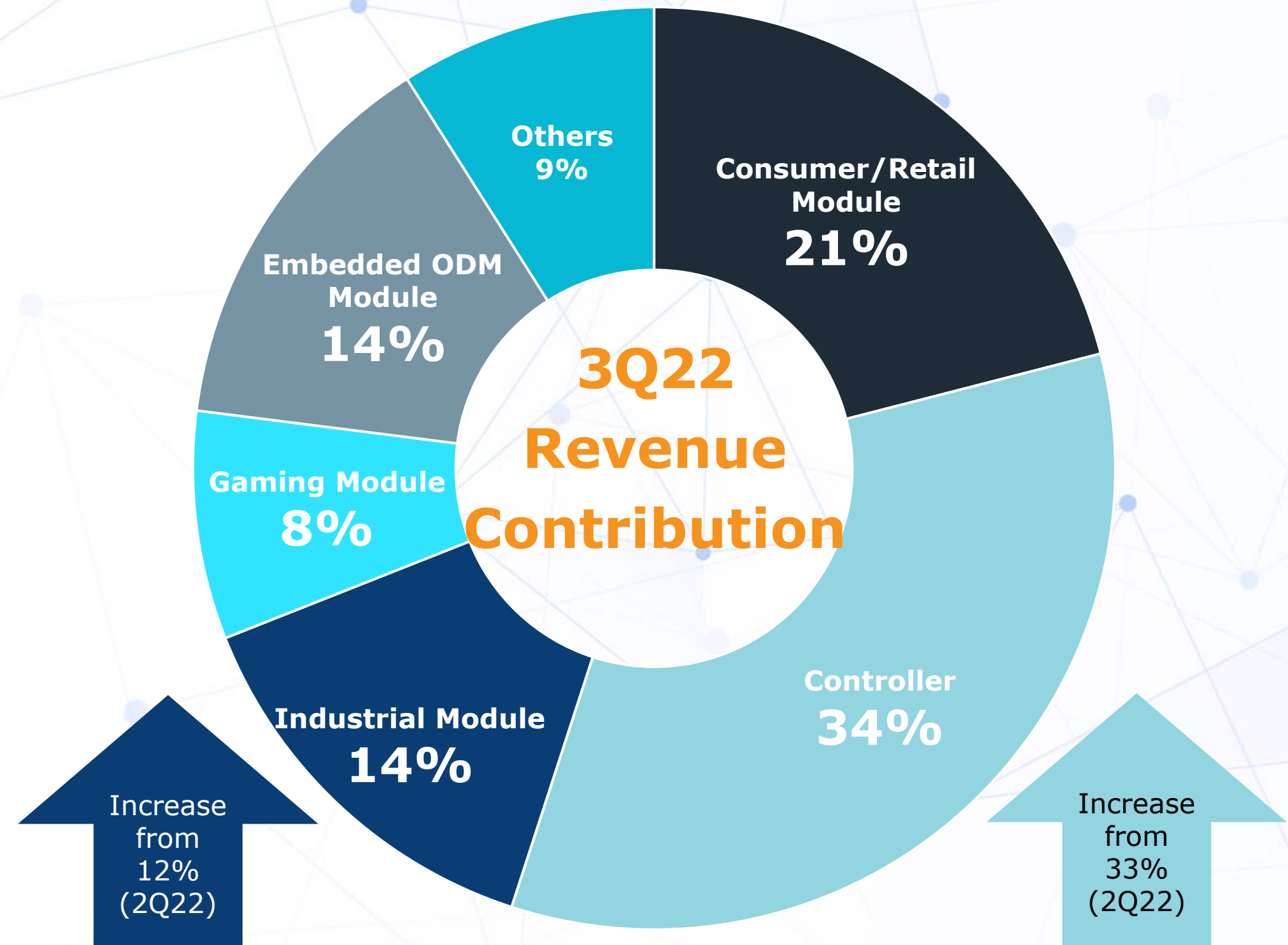
This category is represented by a blue-bordered box containing six icons: a desktop monitor and tower PC, a tablet and smartphone, a camera, a microscope, a robotic arm, and a security camera.



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

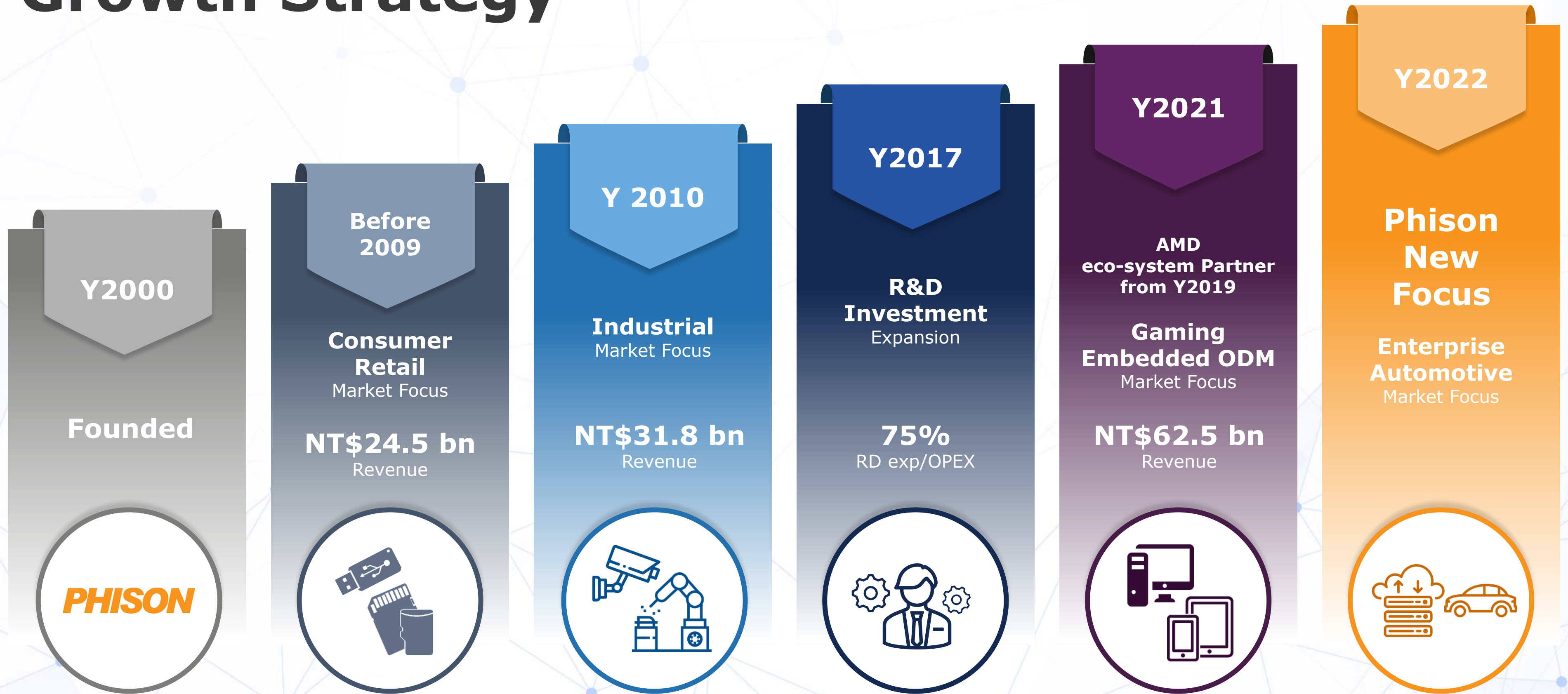
Revenue from Non-consumer/retail Products

70%+



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

The Last Mile of Phison 5+5 Growth Strategy



2 3Q22 Financial Results

3Q22 Revenue and Gross Profit

3Q22 Revenue

\$14.575B

Revenue down 13.9% YoY

A second high for the same period

3Q22 Gross Profit

\$3.559B

Gross profit down 33.5% YoY

A second high for the same period

Revenue in \$NT

3Q22 Business performance

ASIC

- 34%** of total revenue in 3Q 2022
- 7%** YoY of total controller unit growth
- 11%** YoY of PCIe controller unit growth

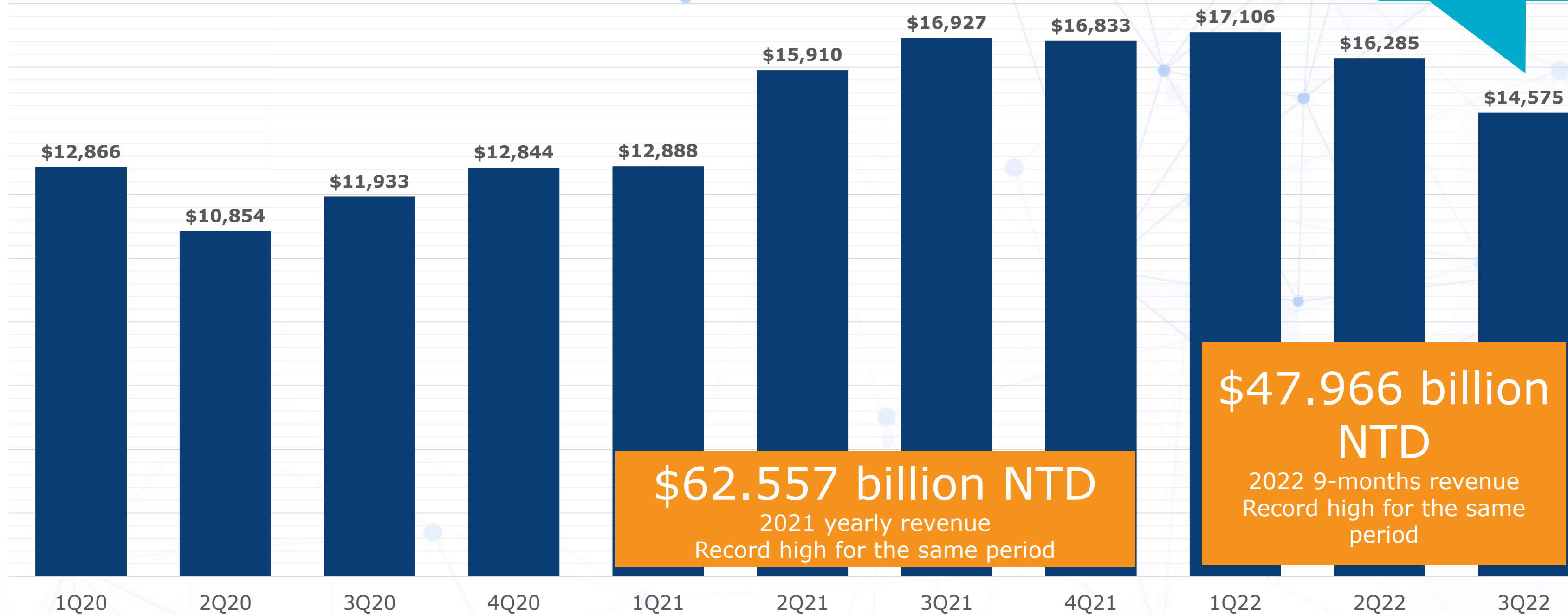
Module

- 57%** of total revenue in 3Q 2022
- 7%** YoY of unit growth in BGA SSD modules
- 5%** QoQ of revenue growth in gaming modules

Revenue Trend

Successful transformation of the non-consumer storage market, maintaining stable revenue growth

■ Revenue NT\$ millions

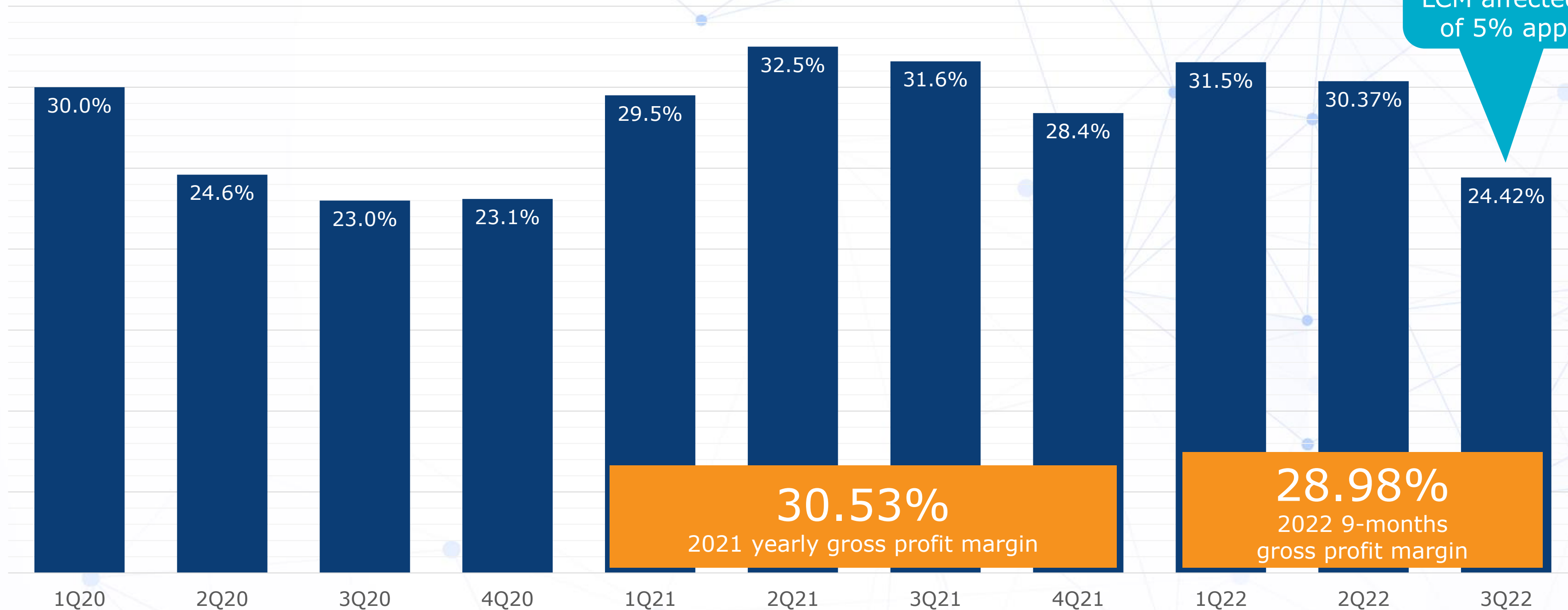


Gross Margin Rate Trend

Continue to improve the non-consumer product portfolio, maintaining a stable gross margin rate

In 3Q22, the increased allowance for inventory LCM affected the margin of 5% approximately.

■ Gross Margin %

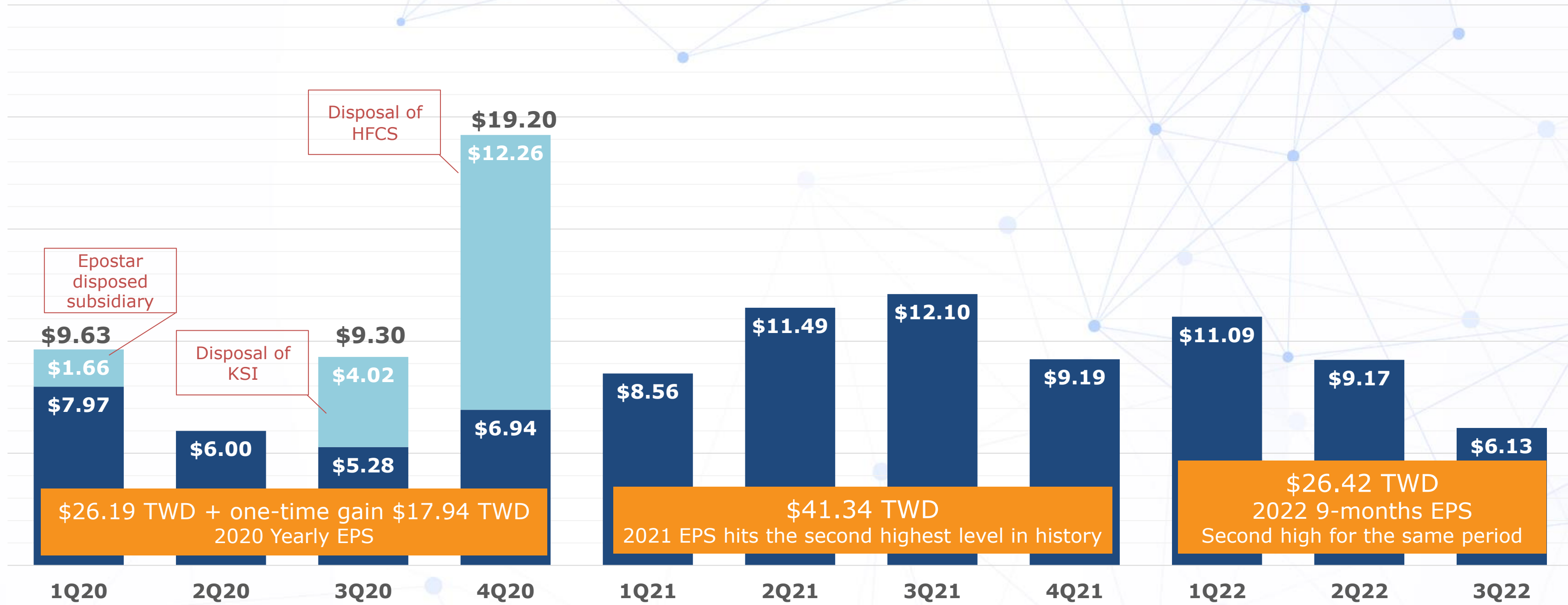


Note: By the accounting rule, we evaluate the lower of cost and the market price (LCM) to reserve the allowance of inventory price loss. When the market price hiking, we will reversal the allowance of inventory price loss.

Earnings Per Share Trend

Phison's unique business model drives strong profitability

In \$NT



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

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$m	3Q22		2Q22		3Q21	
	Amount	%	Amount	%	Amount	%
Total Assets	59,130	100.0	63,437	100.0	52,946	100.0
Cash & Current Financial assets at fair value	14,475	24.5	15,836	25.0	12,473	23.6
Account Receivable	8,825	14.9	8,523	13.4	9,468	17.9
Inventories	21,075	35.6	23,301	36.7	17,466	33.0
Long-term Investments	5,007	8.5	5,110	8.1	4,758	9.0
Net PP&E	7,563	12.8	7,482	11.8	5,794	10.9
Total Liabilities	22,451	38.0	24,449	38.5	17,964	33.9
Current Liabilities	16,581	28.0	18,703	29.5	17,509	33.1
Bonds Payable	3,435	5.8	3,427	5.4	-	-
Total Equity	36,679	62.0	38,988	61.5	34,982	66.1
BVPS(NT\$)	186		198		178	
Key Financial Ratios						
A/R Turnover Days	50		47		46	
Inventory Turnover Days	163		170		120	
ROE (%)	18.7		20.9		24.1	
ROA (%)	11.4		12.7		16.8	

1 Cash: the change is a result of operating profit and the growth of inventory and pay-off of Plants payments and 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 Net PP&E: Increase due to the completion of the inspection and acceptance of the fifth phase of the R&D center and parking tower.

4 Total Equity: the change is a results of 2022 9-months Net profit deducting the surplus distribution of 2H/21 and 1H/22 (NT\$13 and NT\$10 Cash dividend per share).

Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

A second high over the same period in history

- Revenue in NTD: YoY is decreased 10.5%.
Revenue in USD: YoY is decreased 13.3%.
- The margin down to 24.4% in 3Q22 is because of the increased allowance for inventory LCM affected the margin of 5% approximately and slipped market prices of module products.
- Continue to invest in research and development expenses to maintain technological leadership; but the total OPEX was down as the revenue and profit are lower.

NT\$m	3Q22	2Q22	Q/Q (%)	3Q21	Y/Y (%)
Revenue in US\$Mn	482	556	(13.3)	608	(20.7)
Revenue	14,575	16,285	(10.5)	16,927	(13.9)
Gross Profit	3,559	4,947	(28.1)	5,356	(33.6)
Operating Expenses	2,338	3,027	(22.8)	2,502	(6.6)
Operating Profit	1,221	1,920	(36.4)	2,854	(57.2)
Non-Operating gains (losses)	114	257	(55.8)	8	1,325.0
Pretax Income	1,335	2,177	(38.7)	2,862	(53.4)
Tax Expenses	143	370	(61.5)	478	(70.1)
Net Income to Phison	1,192	1,807	(34.0)	2,384	(50.0)
Basic EPS (NT\$)	6.13	9.17	(33.2)	12.10	(49.3)
EBITDA*	1,591	2,435	(34.7)	3,054	(47.9)
Key Financial Ratios (%)					
Gross Margin	24.4%	30.4%		31.6%	
Operating Margin	8.4%	11.8%		16.9%	
Net Profit Margin	8.2%	11.1%		14.1%	
Average Exchange Rate--USD/NTD	29.28	28.72		28.17	

*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\$/Millions		3Q22	2Q22	Q/Q (%)	3Q21	Y/Y (%)
TIFRS	Operating Profit	1,221	1,920	-36.4%	2,854	-57.2%
	Operating Profit Margin (%)	8.4%	11.8%		16.9%	
Reconciliations	Shares-based payment	85	101		59	
Non-TIFRS	Operating Profit	1,306	2,021	-35.4%	2,913	-55.2%
	Operating Profit Margin (%)	9.0%	12.4%		17.2%	

TIFRS	Net Income to Phison	1,192	1,807	-34.0%	2,384	-50.0%
	Net Incomt (%)	8.2%	11.1%		14.1%	
	Basic EPS (NT\$)	6.13	9.17		12.1	
Reconciliations	Shares-based payment	85	101		59	
	Tax effect	(18)	(14)		(12)	
Non-TIFRS	Net Income to Phison	1,259	1,894	-33.5%	2,431	-48.2%
	Net Incomt (%)	8.6%	11.6%		14.4%	
	Basic EPS (NT\$)	6.48	9.61		12.33	

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.

2022 October Revenue

October Revenue

\$4.206B

Revenue down 30% YoY

Annual Cumulative Revenue

\$52.172B

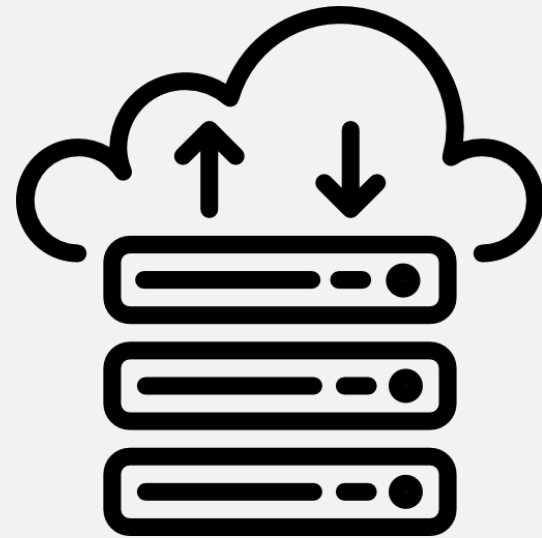
Revenue up 1% YoY

A record high for the same period

Revenue in \$NT

3 Business Highlights

Phison's Design Services Continue to Support Customers with Customized Projects



Customized

- PCIe 4.0
- Main/Boot Drives
- Features
- Enterprise SSD Controllers



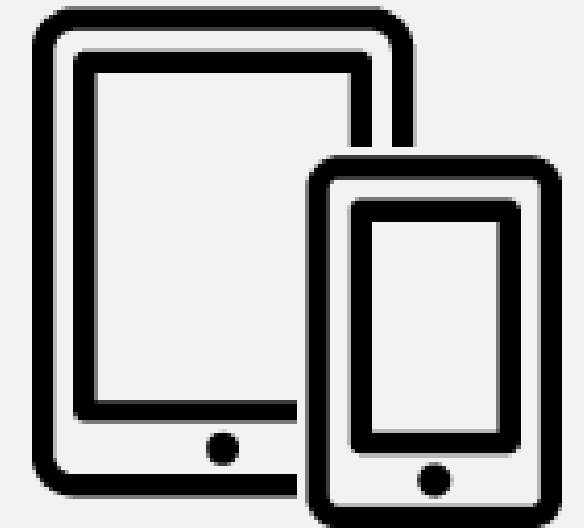
Customized

- PCIe 4.0
- Security
- Structure
- Reliability



Customized

- For X86 Platforms
- For System Integrators
- Security

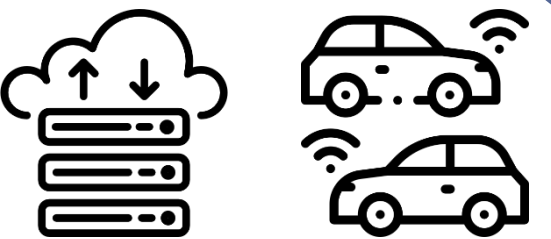


Customized

- UFS for Mobile Applications

Phison Continues to Pursue Long-Term Steady Growth and Benefits Instead of Short-Term Interests

Growth Driver for the next 5 years



Many long-term customized design service demands

- No layoffs
- Continue to expand R&D investment

- Maintain technology leadership
- Maintain R&D spending intensity
- Short-term gains may be affected

- Greater long-term growth benefits
- Enhance customer added value
- Solid foundation of revenue and profit

4 Technology Leadership Update

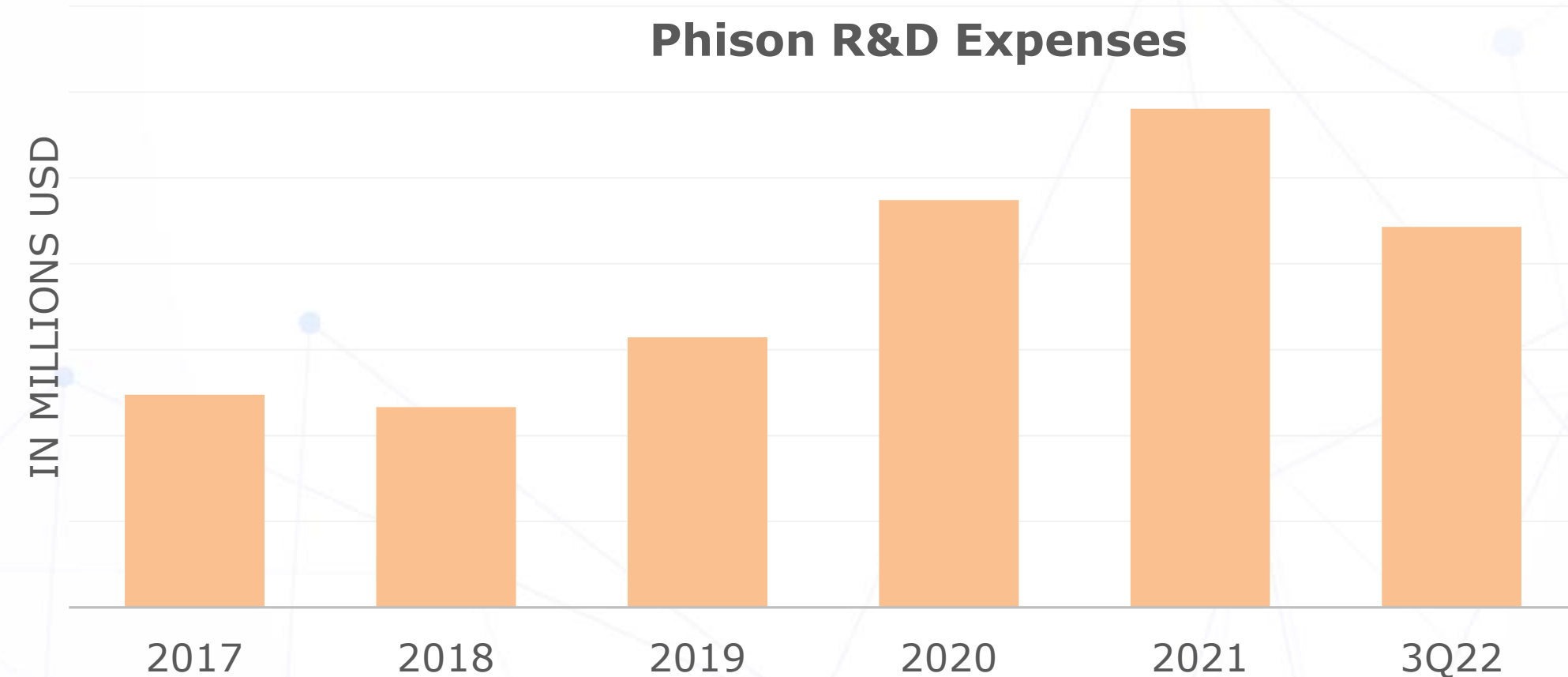
Continue to Strengthen Phison Leading Technology Position

Category	2017	2018	2019	2020	2021	3Q22
R&D Headcount	942	1,112	1,450	1,531	2,228	2,802
R&D Exp. / Revenue (%)	9%	9%	11%	14%	13%	14%
R&D Exp. / Operating Exp.	78%	79%	79%	81%	81%	78%

2000+
Global Patents

3500+
Global Employees

75%+
Proportion of Engineers



Note: Global patents including Granted and Pending

Phison's World's First and Only NAND Controller and Storage Development Resource Sharing Platform

Continue to Support Global Customers Through Design Services

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

NAND Module System Integration

Firmware Design

ASIC Design

- IP Design
- ARCHT. Design
- Security Design
- Analog & Digital
- Power MGMT.
- IP INTEG.
- I/F

NAND MGMT.

Algorithm Design

Security Design

Customization

Optimization

Circuit Design

PCB Layout

Customization

Validation

Manufacturing