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***PHISON***

# Financial Results & Company Outlook

## 2021 Fourth Quarter

K.S. Pua | CEO of Phison

March 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.

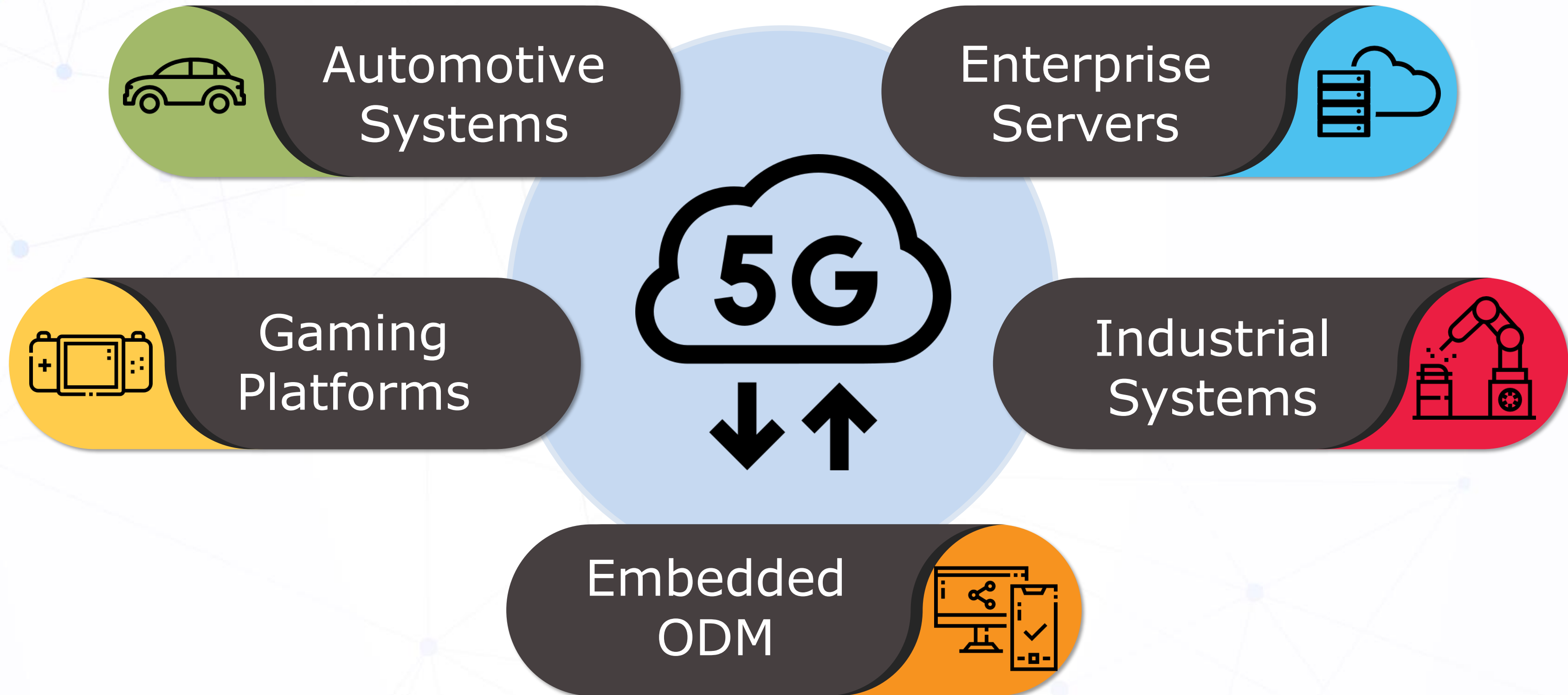
# Executive Summary

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

The background features a complex network of white lines and dots on a dark blue gradient, with several semi-transparent teal geometric shapes (polygons) overlaid. The overall aesthetic is modern and tech-oriented.

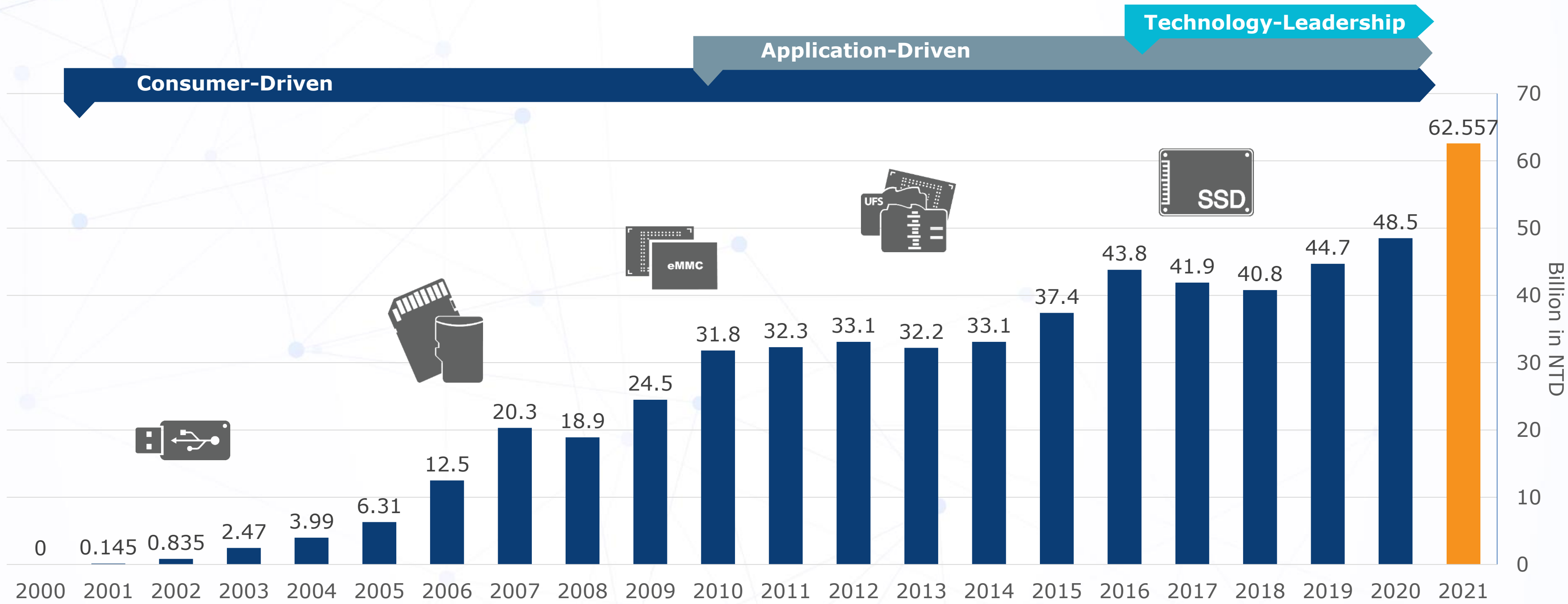
# **1** Phison's Business Transformation

# 5G Wireless Technology Drives NAND Unlimited Growth Momentum



# Phison's Continuous Transformation Improves Non-consumer Storage Market Results

Gaming Enterprise Automotive Industrial Embedded ODM



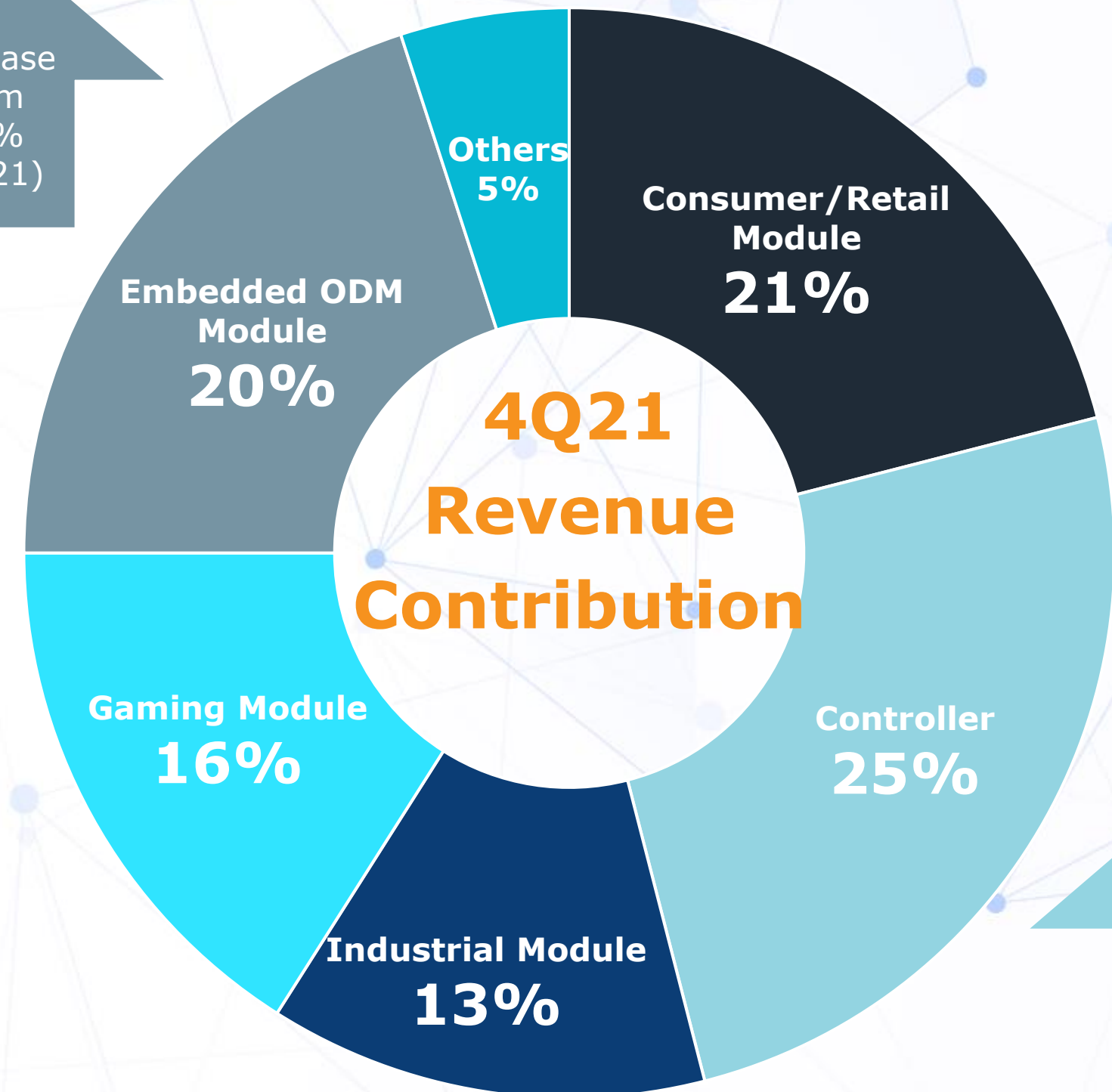
Consolidated revenue in NT\$ Billion

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

Revenue from Non-consumer/retail Products

# 70%

Increase from 19% (3Q21)



Increase from 22% (3Q21)

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

# **2 4Q21 Financial Results**



# 4Q21 Revenue and Gross Profit

4Q21 Revenue  
**\$16.8B**

Revenue up 31% YoY

A record high for the same period

4Q21 Gross Profit  
**\$4.77B**

Gross profit 61% YoY

A record high for the same period

Revenue in \$NT

# 4Q21 Business performance

## ASIC

- 25%** of total revenue in 4Q 2021
- 6%** YoY SATA and PCIe total controller unit growth
- 87%** YoY PCIe controller unit growth

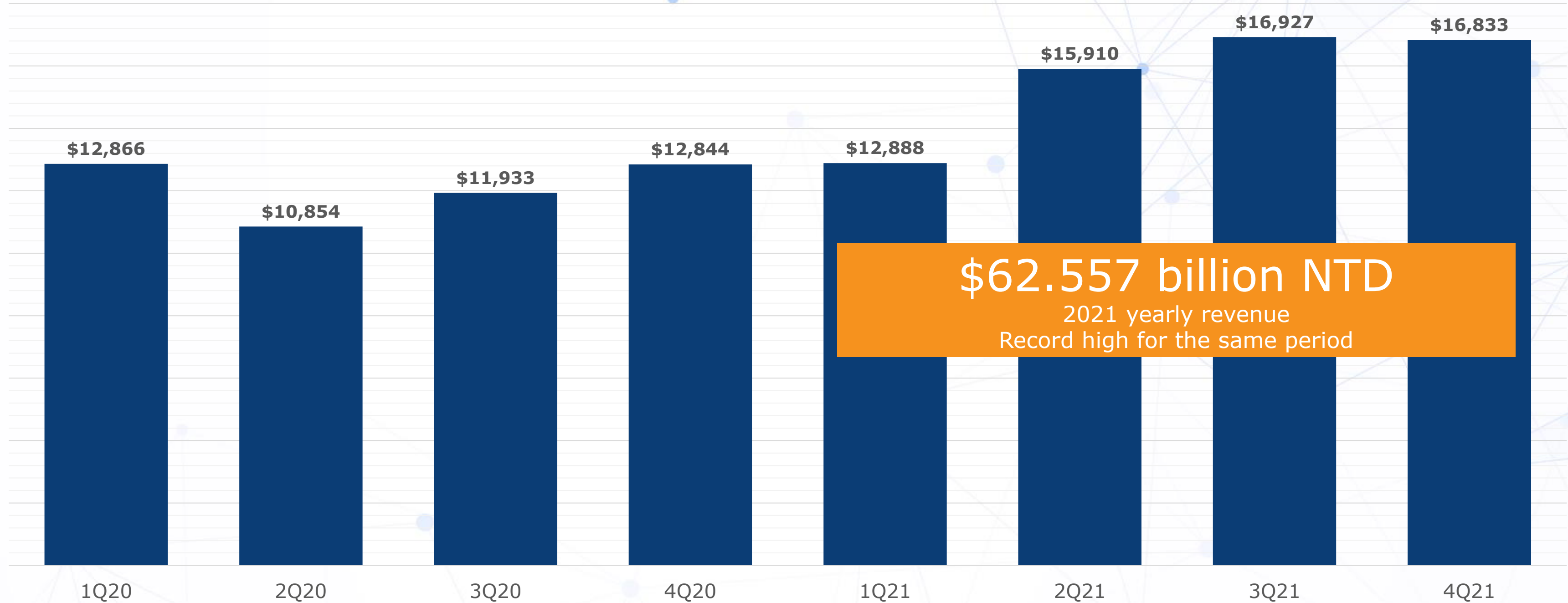
## Module

- 70%** of total revenue in 4Q 2021
- 14%** YoY unit growth in BGA SSD modules
- 9%** YoY revenue growth in industrial modules
- 28%** YoY revenue growth in gaming modules
- 110%** YoY revenue growth in embedded ODM modules

# Revenue Trend

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

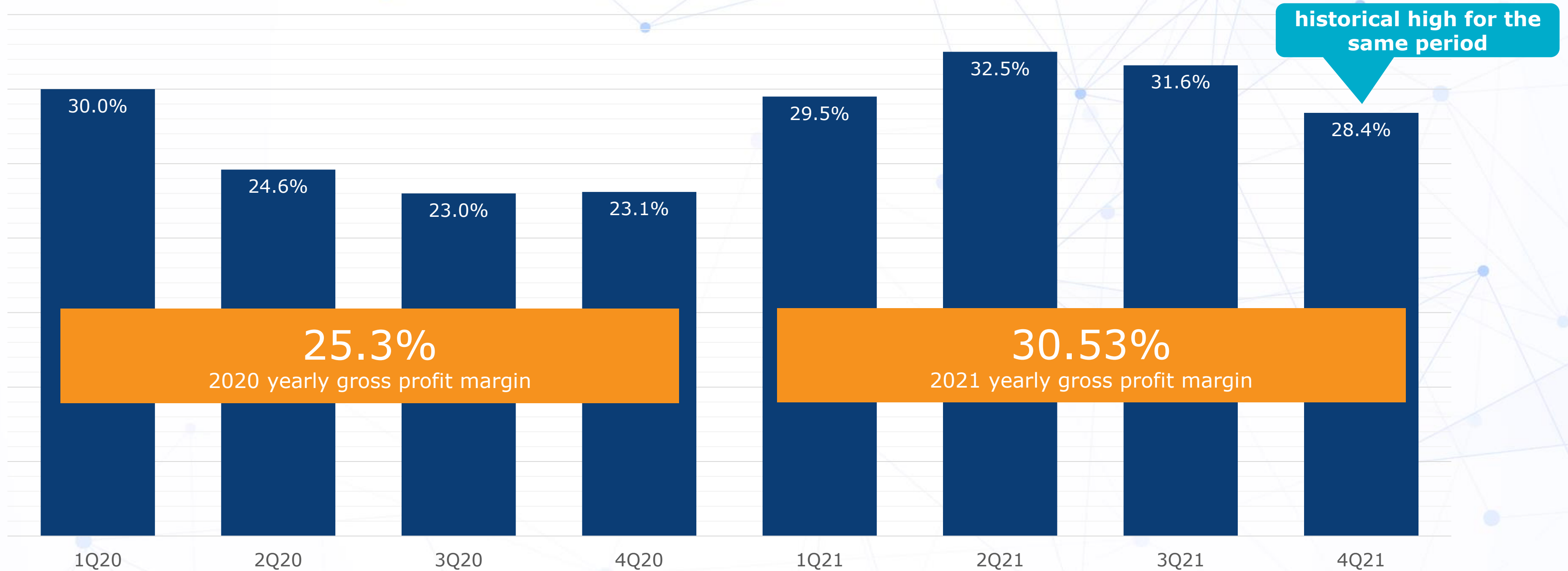
Revenue NT\$ millions



# Gross Margin Rate Trend

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

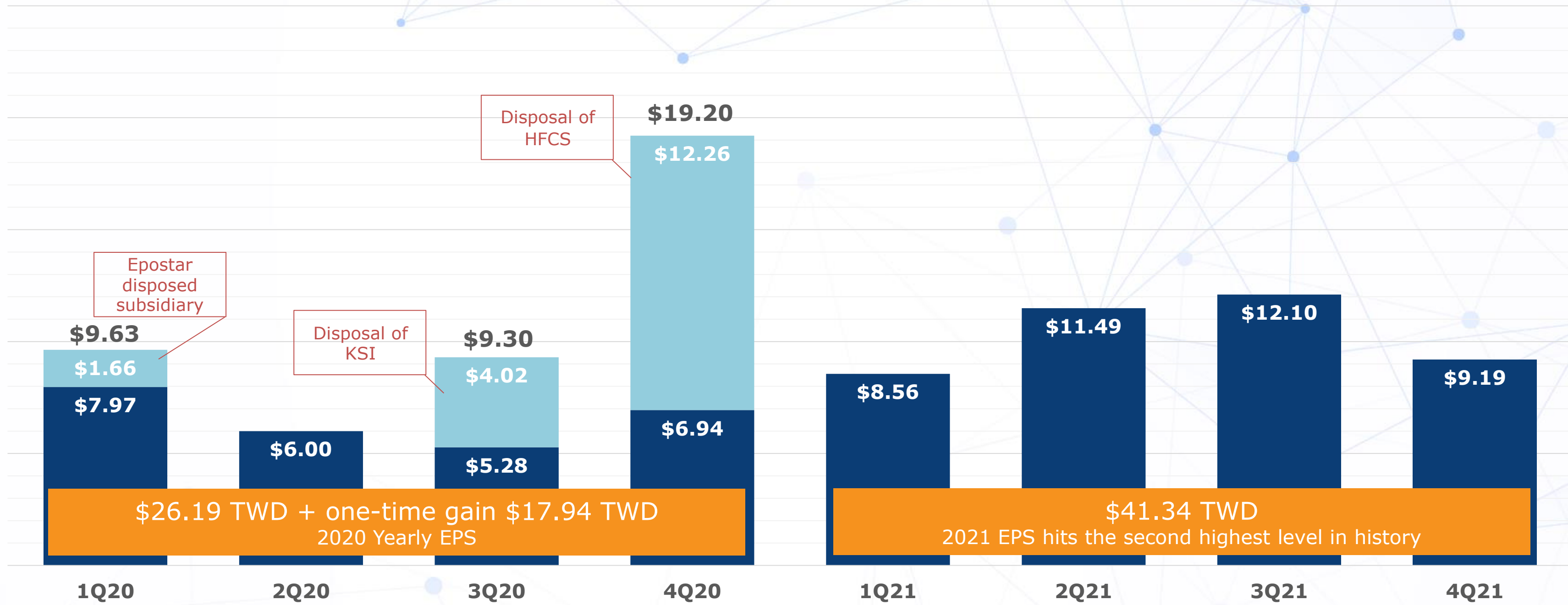
■ Gross Margin %



# Earnings Per Share Trend

Phison's unique business model drives strong profitability

In \$NT



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

# Income Statement Highlights

A record high over the same period in history

- 1** Revenue in NTD: YoY is increased 31.1%. Revenue in USD: YoY is increased 35.7%.
- 2** Revenue contribution of higher gross margin products and well inventory management resulted 28.4% GM of 4Q21 reach record high over the same period.
- 3** Continue to invest in research and development expenses to maintain technological leadership
- 4** Adjusted EBITDA this quarter is better than and the same period last year

NT\$m	4Q21	3Q21	Q/Q (%)	4Q20	Y/Y (%)
<b>Revenue in US\$Mn</b>	<b>605</b>	608	(0.5)	446	35.7
<b>Revenue</b>	<b>16,833</b>	16,927	(0.6)	12,841	31.1
<b>Gross Profit</b>	<b>4,776</b>	5,356	(10.8)	2,961	61.3
<b>Operating Expenses</b>	<b>2,916</b>	2,503	16.5	3,075	(5.2)
<b>Operating Profit</b>	<b>1,860</b>	2,853	(34.8)	-114	1,731.6
<b>Non-Operating gains (losses)</b>	<b>208</b>	8	2,500.0	4,417	(95.3)
<b>Pretax Income</b>	<b>2,068</b>	2,861	(27.7)	4,303	(51.9)
<b>Tax Expenses</b>	<b>256</b>	477	(46.3)	519	(50.7)
<b>Net Income to Phison</b>	<b>1,812</b>	2,384	(24.0)	3,784	(52.1)
<b>Basic EPS (NT\$)</b>	<b>9.19</b>	12.10	(24.0)	19.20	(52.1)
<b>Adjusted EBITDA*</b>	<b>2,488</b>	3,068	(18.9)	2,104	18.3
<b>Key Financial Ratios (%)</b>					
<b>Gross Margin</b>	<b>28.4%</b>	31.6		23.1	
<b>Operating Margin</b>	<b>11.0%</b>	16.9		(0.9)	
<b>Net Profit Margin</b>	<b>10.8%</b>	14.1		29.5	
<b>Average Exchange Rate--USD/NTD</b>	<b>28.00</b>	28.07		29.55	

\*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

- 1 Increase Cash is from operating profit and issue of convertible bonds.
- 2 Increase inventory to cope with changes of the NAND industry ; and maintain safety level in line with growth revenue.
- 3 Increase debt rate is raised by grew account payable and issue of convertible bonds.
- 4 The equity increased lower than net profit is because of the surplus distribution of 1H/21 (NT\$10 Cash dividend per share) and 2020(NT\$23 Cash dividend per share).

NT\$m	4Q21		3Q21		4Q20	
	Amount	%	Amount	%	Amount	%
<b>Total Assets</b>	<b>63,021</b>	<b>100.0</b>	52,946	100.0	47,564	100.0
<b>Cash &amp; Current Financial assets at fair value</b>	<b>20,248</b>	<b>32.1</b>	12,473	23.6	20,456	43.0
<b>Account Receivable</b>	<b>8,729</b>	<b>13.9</b>	9,468	17.9	6,018	12.7
<b>Inventories</b>	<b>19,497</b>	<b>30.9</b>	17,466	33.0	10,141	21.3
<b>Long-term Investments</b>	<b>5,241</b>	<b>8.3</b>	4,758	9.0	4,805	10.1
<b>Net PP&amp;E</b>	<b>6,651</b>	<b>10.6</b>	5,794	10.9	4,647	9.8
<b>Total Liabilities</b>	<b>25,713</b>	<b>40.8</b>	17,964	33.9	12,408	26.1
<b>Current Liabilities</b>	<b>21,827</b>	<b>34.6</b>	17,509	33.1	11,763	24.7
<b>Bonds Payable</b>	<b>3,413</b>	<b>5.4</b>	-	-	-	-
<b>Total Equity</b>	<b>37,308</b>	<b>59.2</b>	34,982	66.1	35,156	73.9
<b>BVPS(NT\$)</b>	<b>189</b>		178		178	
<b>Key Financial Ratios</b>						
<b>A/R Turnover Days</b>	<b>43</b>		46		45	
<b>Inventory Turnover Days</b>	<b>125</b>		120		109	
<b>ROE (%)</b>	<b>22.5</b>		24.1		27.1	
<b>ROA (%)</b>	<b>14.8</b>		16.8		20.2	

# February 2022 Consolidated Revenue

**February 2022 Consolidated Revenue**

**\$5.307B**

**Revenue up 45% YoY**

**Cumulative Consolidated Revenue  
(Jan to Feb in 2022)**

**\$10.726B**

**Revenue up 39% YoY**

**A record high over the same period in history**

**\*The unit of revenue is NTD**



# **3 Business Highlights**

# Phison Controllers Awarded Again

## Phison Awarded 2021/2022 Best SSD Controllers

### Best Storage Products of 2022

*As compiled by StorageNewsLetter.com*

This is a Press Release edited by StorageNewsletter.com on January 14, 2022 at 2:03 pm

*Here are the companies with the best storage products of the year as compiled by the redaction of [StorageNewsLetter.com](https://www.storagenewsletter.com):*

#### HDDs

**Best in HDDs:** Western Digital

**Best in HDD controllers:** Marvell

#### SSDs

**Best in SSDs:** Samsung, Kioxia

**Best in SSD controllers:** Phison



<https://www.storagenewsletter.com/2022/01/14/best-storage-products-of-2022/>

# 4Q21 Business Highlights



## Retail

- Phison's SD/microSD card solution PS8601 enabling video-speed-class market for multiple customers
- Phison Gen4 SSD controllers E16, E19T, and E18 are the main solutions on retail Gen4 SSD market



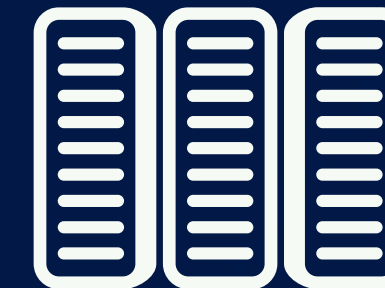
## OEM

- 3 NAND makers adopted Phison eMMC and UFS controllers
- Phison awarded best storage technical partner by phone maker
- Phison UFS 2.2 PS8317 approved by Qualcomm and MediaTek chipset
- Phison eMMC qualified by multiple Chromebook brand customers



## Gaming

- Phison Gen4 SSD solution E18 supported multiple customers to be approved by PS5
- Phison E13T Gen3 SSD solutions drives gaming NBs with high C/P



## Server / DC

- Phison S12DC SATA SSD solutions qualified by server systems
- Phison S12DC SATA SSD installed in NAS systems
- Phison E19T drives cloud gaming servers



## Industrial

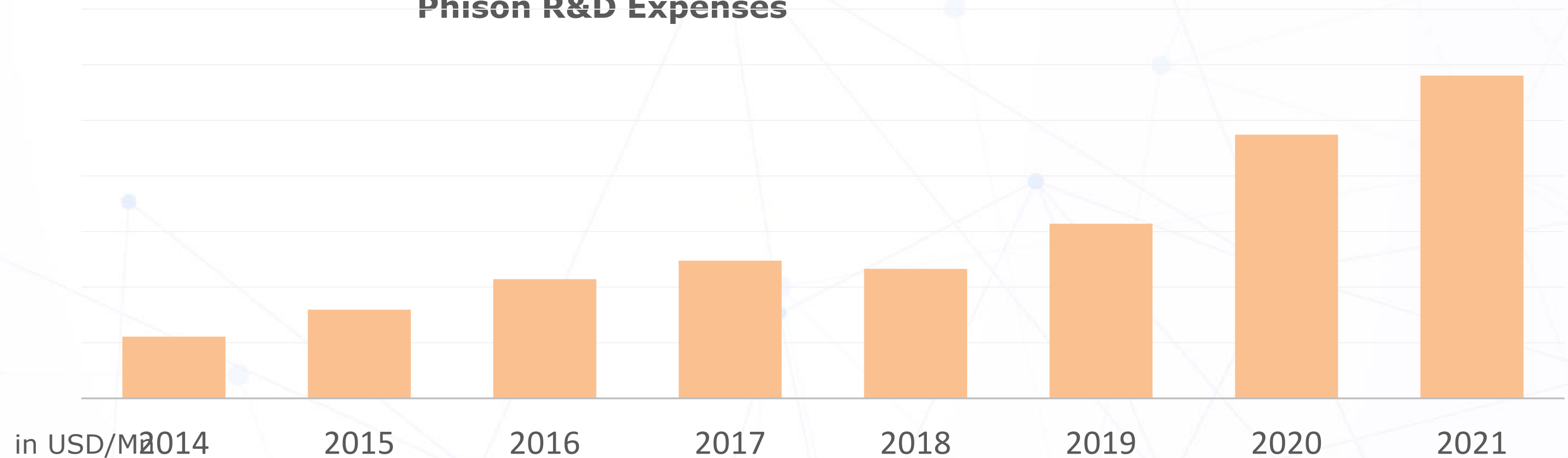
- Phison S11T SSD solutions enabling tier-1 auto-infotainment systems
- Phison PS8228 eMMC solutions installed in auto-media systems
- Phison E13T Gen3 SSD solutions facilitated POS machines

# **4 Technology Leadership Update**

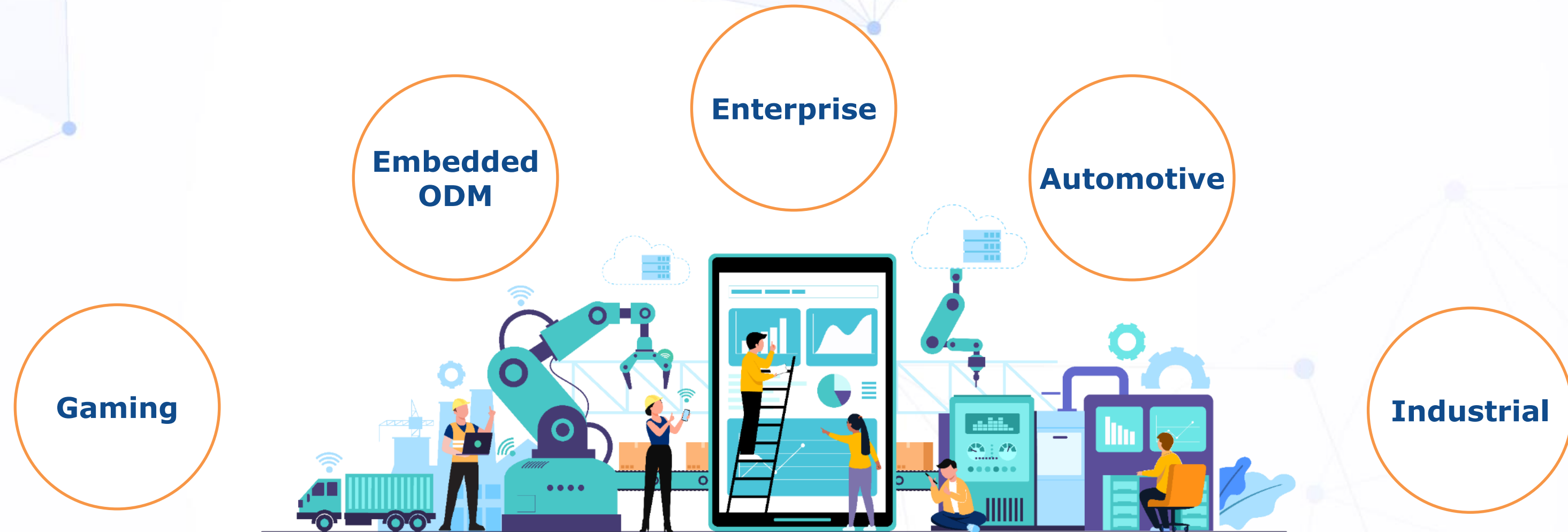
# Continue to Strengthen Phison Leading Technology Position

Category	2014	2015	2016	2017	2018	2019	2020	2021
R&D Headcount	530	674	809	942	1,112	1,450	1,531	2,228
R&D Exp. / Revenue (%)	5%	6%	7%	9%	9%	11%	14%	13%
R&D Exp. / Operating Exp.	65%	71%	73%	78%	79%	79%	81%	81%

**Phison R&D Expenses**



# Phison's Scalable Multi-Application Growth Platform



<i>NAND Controller IC</i>	<i>NAND Storage Module</i>	<i>IP Licensing</i>	<i>ASIC Design Service</i>	<i>Design Service ODM Turnkey</i>
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## Unique Business Model

NAND Flash Storage Total Solutions Connecting NAND Makers and Downstream Vendors

## Technology Leadership

PCIe Gen 4 Leap Frog in 2019  
PCIe Gen 5 to Enter Mass Production in 2022

Thank you