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***PHISON***

# Financial Results & Company Outlook

## 2022 Fourth Quarter

K.S. Pua | CEO of Phison

March 15, 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

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

# **1** Phison's Business Transformation

# Re-definition

**DRAM**

**Memory**

**NOR Flash**

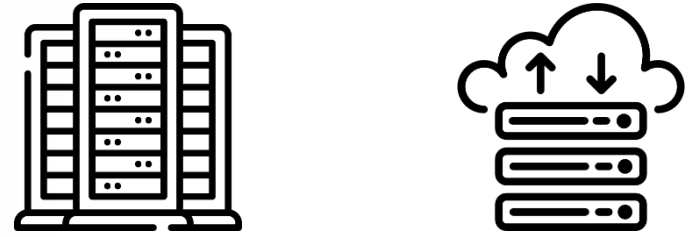
**Boot**

**NAND Flash**


**Storage**

**PHISON**

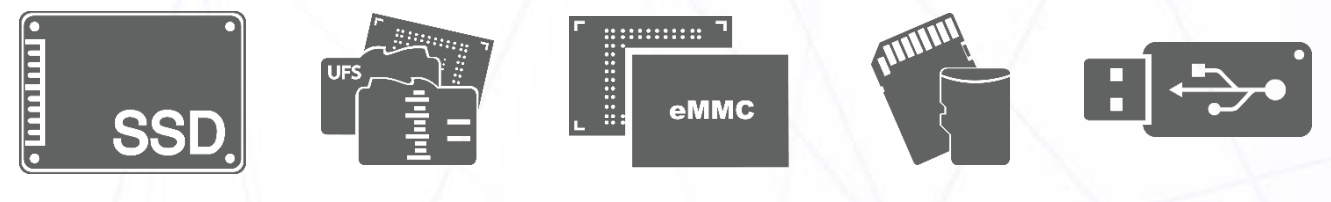
# Phison's Full Range of Storage Solutions Continue to Meet Unlimited NAND Storage Demand



**Advanced Growing Biz**



**Mature Stable Biz**

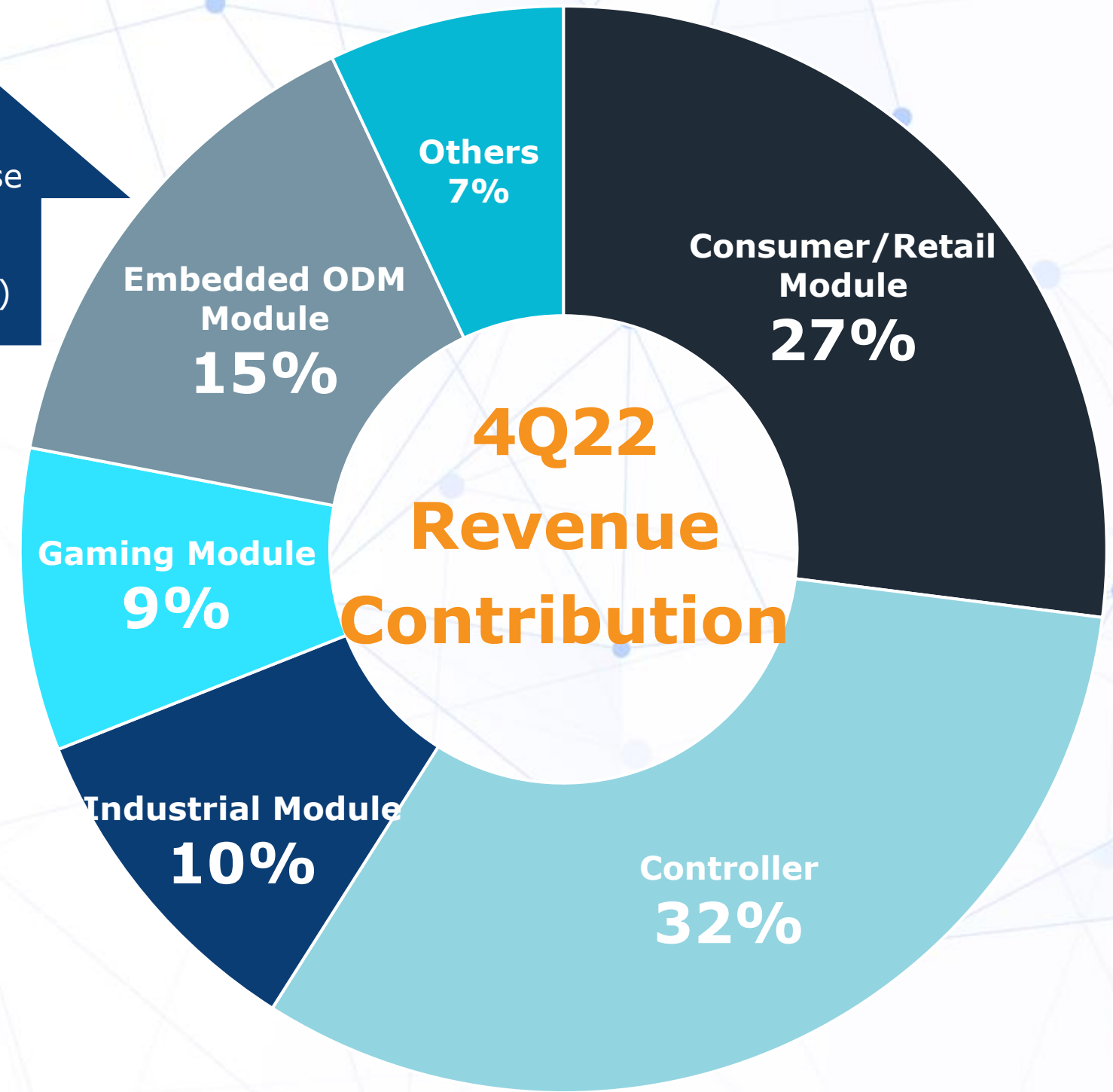


# Phison's Non-consumer Deployment Reduces NAND Market Fluctuation Impact

Revenue from Non-consumer/retail Products

70%+

Increase from 14% (3Q22)



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

# **2 4Q22 Financial Results**



# 4Q22 Revenue and Gross Profit

**4Q22 Revenue**

**\$12.290B**

Revenue down 26.99% YoY

**4Q22 Gross Profit**

**\$3.449B**

Gross profit down 27.78% YoY

The third highest  
in the same period in history

Revenue in \$NT

# 2022 Business Performance

## ASIC

- 34%** of total revenue contribution in 2022
- 17%** YoY of total controller unit growth (record high)
- 15%** YoY of PCIe controller unit growth (record high)

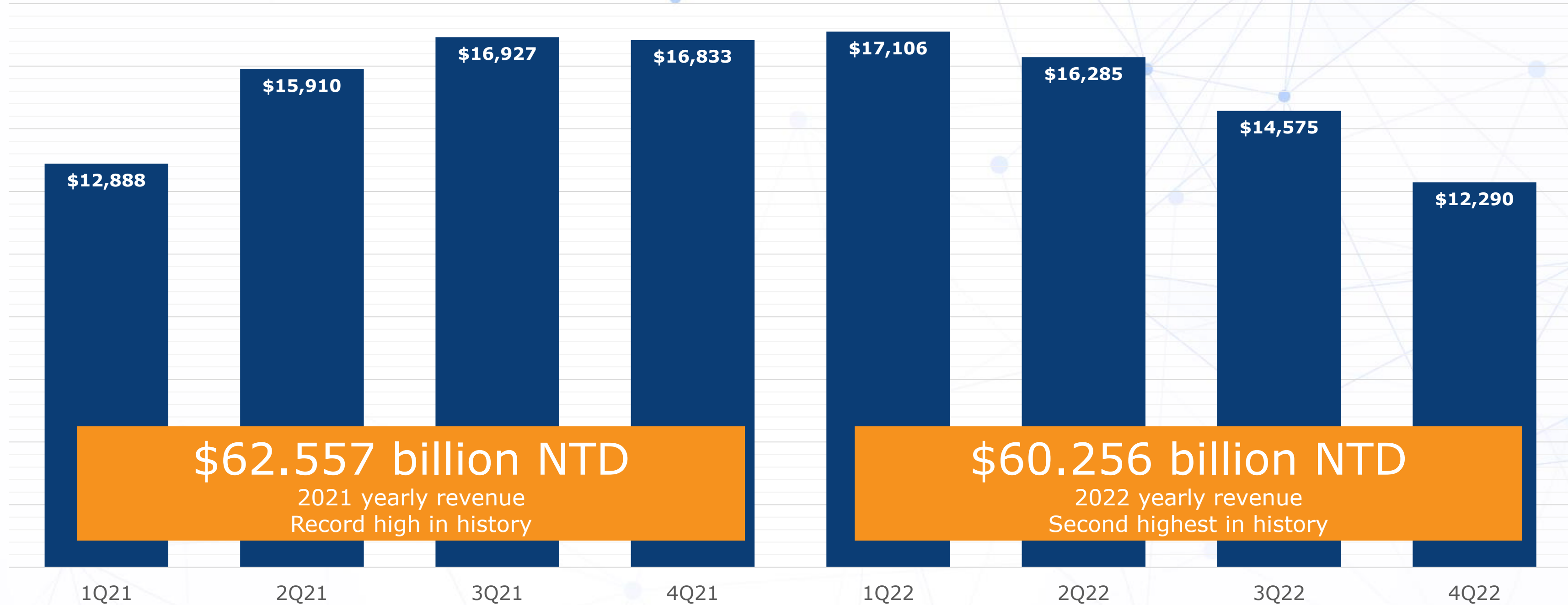
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## Module

- 72%** of total revenue contribution in 2022
- 9%** YoY of unit growth in PCIe SSD modules (record high)

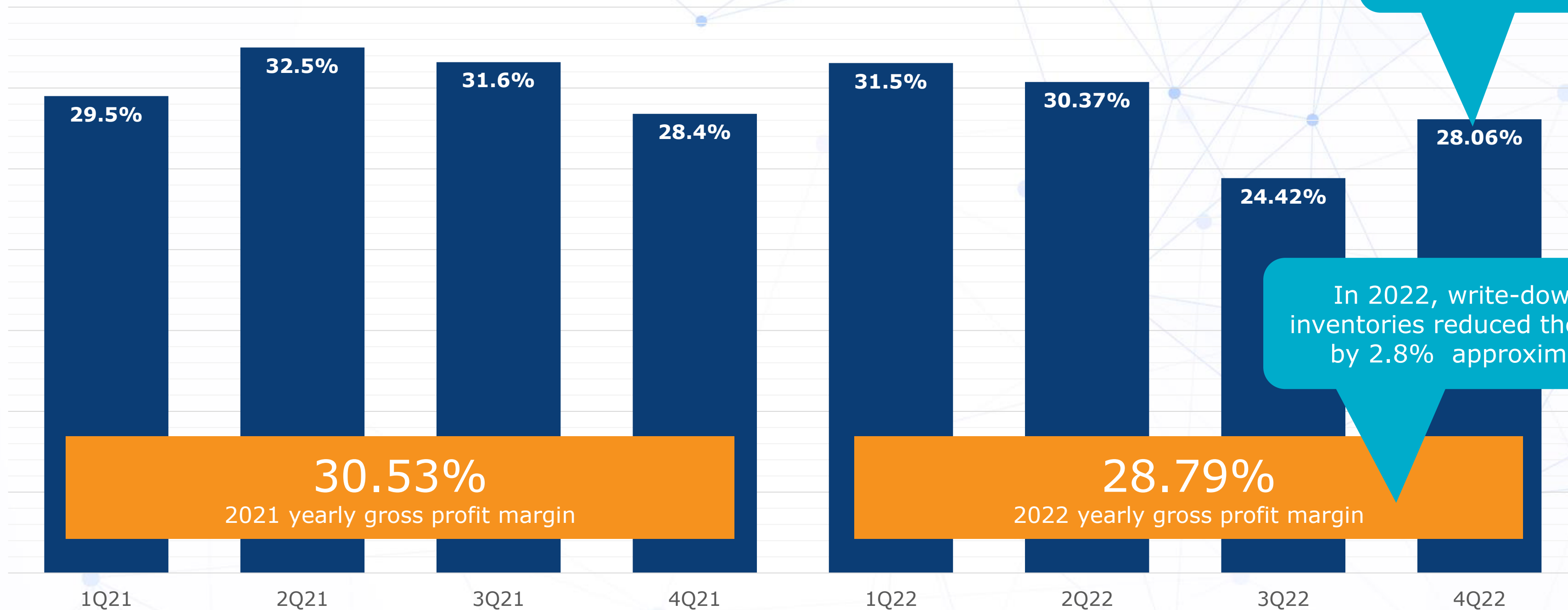
# Revenue Trend

■ Revenue NT\$ millions



# Gross Margin Rate Trend

■ Gross Margin %

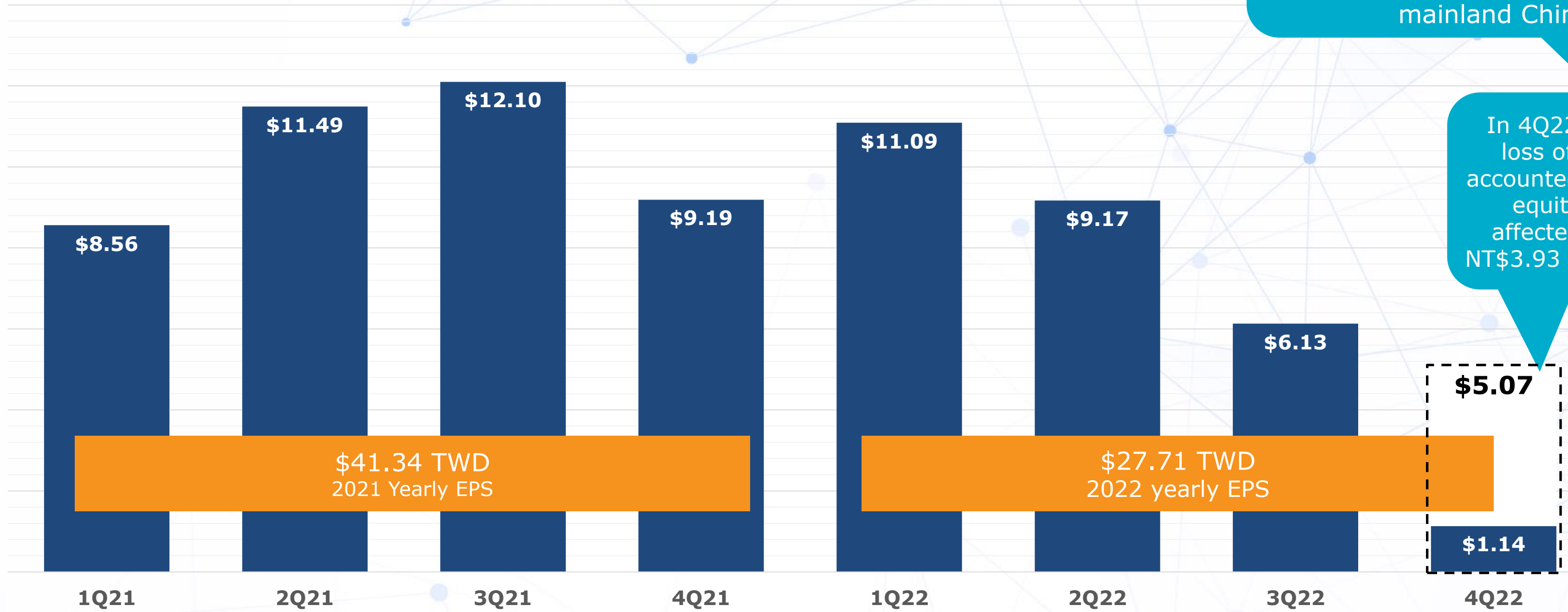


**Note:**

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

In \$NT



Mainly because Hosin-Global's operating results were affected by the slowdown in the overall demand of the storage industry and the COVID-19's impact on logistics in mainland China.

In 4Q22, "Shares of loss of associates accounted for using the equity method" affected the EPS of NT\$3.93 approximately.

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

# Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

| NT\$m  | 4Q22   |       | 3Q22   |       | 4Q21   |             |
|--|--------|-------|--------|-------|--------|-------------|
|  | Amount | %     | Amount | %     | Amount | %           |
| <b>Total Assets</b>                                      | 59,990 | 100.0 | 59,130 | 100.0 | 63,021 | 100.0       |
| <b>Cash &amp; Current Financial assets at fair value</b> | 17,819 | 29.7  | 14,475 | 24.5  | 20,248 | 32.1        |
| <b>Account Receivable</b>                                | 7,237  | 12.1  | 8,825  | 14.9  | 8,729  | 13.9        |
| <b>Inventories</b>                                       | 20,390 | 34.0  | 21,075 | 35.6  | 19,497 | 30.9        |
| <b>Long-term Investments</b>                             | 4,443  | 7.4   | 5,007  | 8.5   | 5,241  | 8.3         |
| <b>Net PP&amp;E</b>                                      | 7,598  | 12.7  | 7,563  | 12.8  | 6,651  | 10.6        |
| <b>Total Liabilities</b>                                 | 22,358 | 37.3  | 22,451 | 38.0  | 25,713 | 40.8        |
| <b>Current Liabilities</b>                               | 17,599 | 29.3  | 16,581 | 28.0  | 21,827 | 34.6        |
| <b>Bonds Payable</b>                                     | 3,442  | 5.7   | 3,435  | 5.8   | 3,413  | 5.4         |
| <b>Total Equity</b>                                      | 37,632 | 62.7  | 36,679 | 62.0  | 37,308 | <b>59.2</b> |
| <b>BVPS(NT\$)</b>  | 196    |       | 193    |       | 189    |             |
| <b>Key Financial Ratios</b>                              |        |       |        |       |        |             |
| <b>A/R Turnover Days</b>                                 | 48     |       | 50     |       | 43     |             |
| <b>Inventory Turnover Days</b>                           | 170    |       | 163    |       | 125    |             |
| <b>ROE (%)</b>   | 14.4   |       | 18.7   |       | 22.5   |             |
| <b>ROA (%)</b>   | 8.8    |       | 11.4   |       | 14.8   |             |

**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 the Net profit of 2022 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 third high over the same period in history

- 1 Revenue in NTD: YoY is decreased 15.7%. Revenue in USD: YoY is decreased 18.7%.
- 2 In 4Q22, The margin was 28.1%. The increased allowance for inventory LCM affected the margin of 5% approximately.
- 3 In 4Q22, the OPEX was down for lower revenue and profit and the operating profit is almost equal to 3Q22. Still, we keep investing in research and development to maintain technological leadership.
- 4 The non-operating losses in 4Q22 including the losses of investments for using the equity method and losses of forex.

| NT\$m                                 | 4Q22          | 3Q22          | Q/Q (%)       | 4Q21          | Y/Y (%)       |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue in US\$Mn</b>              | <b>392</b>    | <b>482</b>    | <b>(18.7)</b> | <b>608</b>    | <b>(35.5)</b> |
| <b>Revenue</b>                        | <b>12,290</b> | <b>14,575</b> | (15.7)        | <b>16,833</b> | (27.0)        |
| <b>Gross Profit</b>                   | 3,449         | 3,559         | (3.1)         | 4,776         | (27.8)        |
| <b>Operating Expenses</b>             | 2,206         | 2,338         | (5.6)         | 2,915         | (24.3)        |
| <b>Operating Profit</b>               | <b>1,243</b>  | <b>1,221</b>  | 1.8           | <b>1,861</b>  | (33.2)        |
| <b>Non-Operating gains (losses)</b>   | (1,082)       | 114           | (1,049.1)     | 208           | (620.2)       |
| <b>Pretax Income</b>                  | 161           | 1,335         | (87.9)        | 2,069         | (92.2)        |
| <b>Tax Expenses</b>                   | (56)          | 143           | (139.2)       | 257           | (121.8)       |
| <b>Net Income to Phison</b>           | <b>217</b>    | <b>1,192</b>  | (81.8)        | <b>1,812</b>  | (88.0)        |
| <b>Basic EPS (NT\$)</b>               | <b>1.14</b>   | <b>6.13</b>   | (81.4)        | <b>9.19</b>   | (87.6)        |
| <b>EBITDA*</b>                        | 461           | 1,591         | (71.0)        | 2,285         | (79.8)        |
| <b>Key Financial Ratios (%)</b>       |               |               |               |               |               |
| <b>Gross Margin</b>                   | 28.1%         | 24.4%         |               | 28.4%         |               |
| <b>Operating Margin</b>               | 10.1%         | 8.4%          |               | 11.1%         |               |
| <b>Net Profit Margin</b>              | 1.8%          | 8.2%          |               | 10.8%         |               |
| <b>Average Exchange Rate--USD/NTD</b> | <b>29.80</b>  | <b>29.28</b>  |               | <b>28.00</b>  |               |

\*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   |                             | 4Q22          | 3Q22  | Q/Q (%) | 4Q21   | Y/Y (%)  |
|-----------------|-----------------------------|---------------|-------|---------|--------|----------|
| TIFRS           | Operating Profit            | <b>1,243</b>  | 1,221 | 1.80%   | 1,860  | (33.17%) |
|                 | Operating Profit Margin (%) | <b>10.11%</b> | 8.38% |         | 11.05% |          |
| Reconciliations | Shares-based payment        | <b>74</b>     | 85    |         | 107    |          |
| Non-TIFRS       | Operating Profit            | <b>1,317</b>  | 1,306 | 0.89%   | 1,967  | (33.01%) |
|                 | Operating Profit Margin (%) | <b>10.72%</b> | 8.96% |         | 11.68% |          |

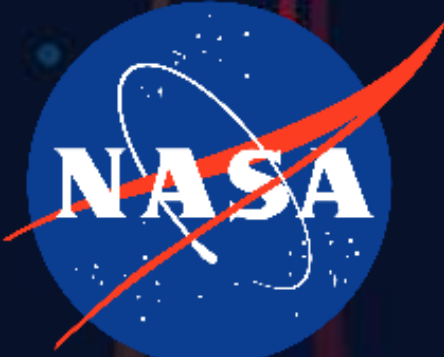
|                 |                      |              |       |          |        |          |
|-----------------|----------------------|--------------|-------|----------|--------|----------|
| TIFRS           | Net Income to Phison | <b>217</b>   | 1,192 | (81.80%) | 1,812  | (88.02%) |
|                 | Net Incomt (%)       | <b>1.77%</b> | 8.18% |          | 10.76% |          |
|                 | Basic EPS (NT\$)     | <b>1.14</b>  | 6.13  |          | 9.19   |          |
| Reconciliations | Shares-based payment | <b>74</b>    | 85    |          | 107    |          |
|                 | Tax effect           | <b>(5)</b>   | (18)  |          | (21)   |          |
| Non-TIFRS       | Net Income to Phison | <b>287</b>   | 1,259 | (77.23%) | 1,898  | (84.89%) |
|                 | Net Incomt (%)       | <b>2.33%</b> | 8.64% |          | 11.27% |          |
|                 | Basic EPS (NT\$)     | <b>1.50</b>  | 6.48  |          | 9.63   |          |

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's on the moon

- Phison SSD has earned NASA certification with TRL-6 tests passed 
- Phison will land on the moon in 2023 and help NASA build the world's first lunar data center

**SPACENEWS**

## Startups to test advanced computing technology on lunar missions

by Debra Werner — September 12, 2022



Skycorp is working with Phison Electronics Corp. to test a commercial hard drive on the moon. Credit: Skycorp

PARIS – The quest for enhanced space-based computing and data storage is extending to lunar missions.

Skycorp announced plans Sept. 12 to send a commercial solid-state drive from Taiwan-based Phison Electronics Corp. to the moon next year.

<https://spacenews.com/lunar-computer-missions/>

**PHISON**

# Phison Enterprise SSD X1 Awarded 2023 Taiwan Excellence Award



**TAIWAN**  
EXCELLENCE 2023



**Phison Enterprise SSD X1  
@Taiwan Excellence Booth at Embedded World Show**

**PHISON**

# Phison PCIe 5.0 SSD Controller E26 Helps Partner Win the Best SSD of CES

Best SSD: MSI Spatium M570 Pro





<https://www.tomshardware.com/news/best-of-ces-2023>

**PHISON**

# Phison PCIe 4.0 SSD Controller E21T Helps Partner Win 100% Recommendation



|   |                        |             |  |
|---|------------------------|-------------|--|
|  | <b>Performance</b>     | 100%        | <br><b>MUST HAVE</b><br><b>EDITOR'S CHOICE AWARD!</b><br>TweakTown |
|   | <b>Quality</b>         | 100%        |  |
|   | <b>Features</b>        | 100%        |  |
|   | <b>Value</b>           | N/A         |  |
|   | <b>Overall</b>         | <b>100%</b> |  |
|   | <b>The Bottom Line</b> |             |  |

As we see it, Micron's 2550 SSD has delivered overall the single most impressive performance for a flash-based SSD to date.

<https://www.tweaktown.com/reviews/10303/micron-2550-ssd-1tb-232-layers-of-domination/index.html>

**PHISON**

# **4 Technology Leadership Update**

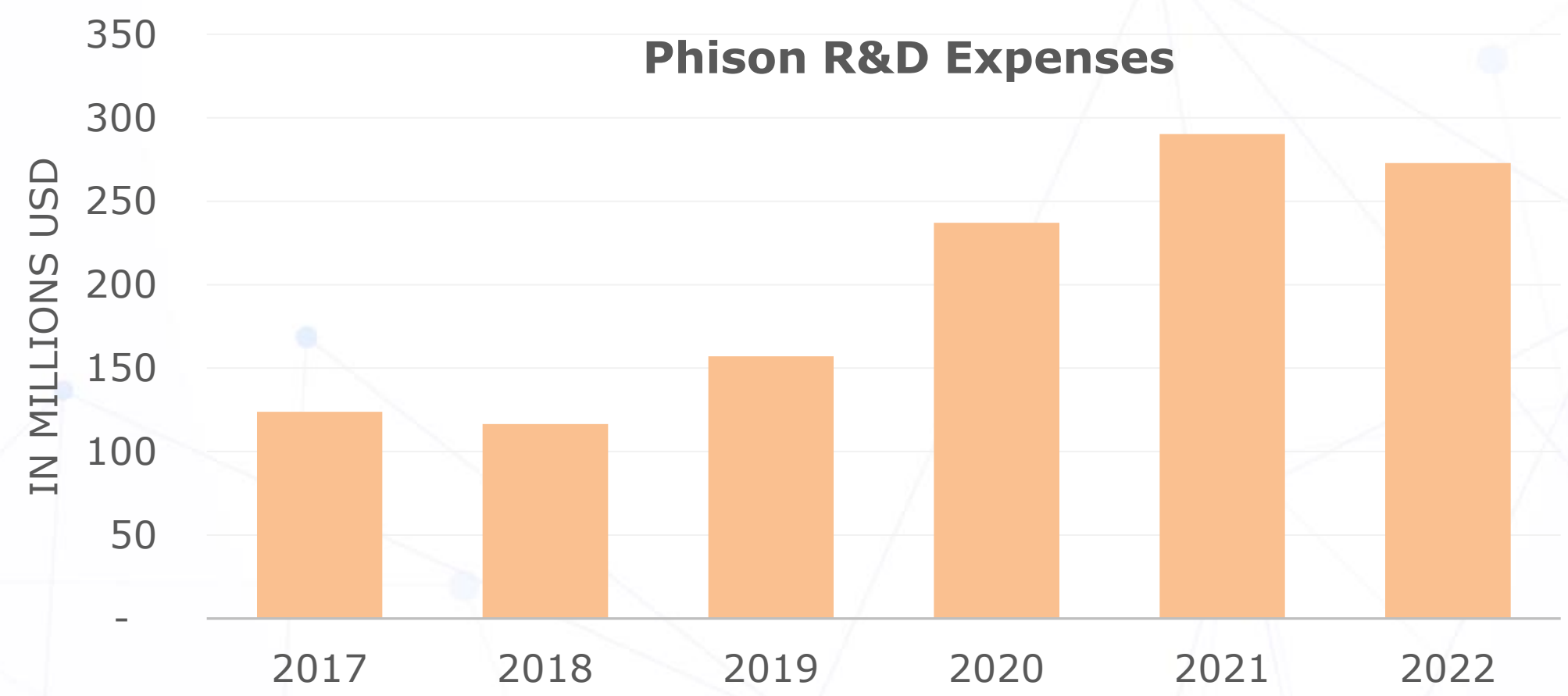
# Continue to Strengthen Phison Leading Technology Position

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

**2000+**  
Global Patents

**3800+**  
Global Employees

**75%+**  
Proportion of Engineers



Note: Global patents including Granted and Pending