

A nighttime city skyline with a network overlay. The background shows a city at night with many lit-up buildings. Overlaid on this is a large, semi-transparent blue sphere with a network of white dots and lines connecting them, resembling a globe or a data network. The text is centered over this graphic.

# Ennoconn Corporation

## 3Q 2020 Investor Conference

November 11<sup>th</sup>, 2020







## Safe Harbor Statement

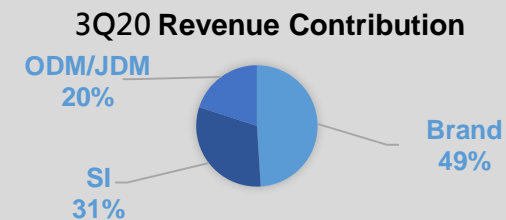
Our discussion may include predictions, estimates and other information that might be considered forward-looking. While these forward-looking statements represent our current judgment on what the future holds, they are subject to risks and uncertainties that could cause actual results to differ materially. Undue reliance should not be placed on any forward-looking statements, which reflect our opinions only as of the date of this presentation. We undertake no obligation to update them.

# 3Q20 Financial Results

| NT\$M  | 3Q19   | 2Q20   | 3Q20   | QoQ     | YoY     | Notes  |
|--|--------|--------|--------|---------|---------|--|
| <b>Revenues</b>                                | 20,633 | 18,559 | 21,132 | 13.9%   | 2.4%    | <ul style="list-style-type: none"> <li>Despite the COVID-19 pandemic, revenue increased by 13.9% QoQ. Out of our three major sectors, this was mainly driven by brand and system integration businesses.</li> </ul>  |
| <b>Gross Profit</b>                            | 4,956  | 4,654  | 4,640  | -0.3%   | -6.4%   |  |
| <b>Gross Margin %</b>                          | 24.0%  | 25.1%  | 22.0%  | -3.1ppt | -2.0ppt |  |
| Selling expenses                               | -847   | -812   | -933   |         |         | <ul style="list-style-type: none"> <li>Gross margin decreased by 3.1% ppt QoQ due to a different product mix in Q3 that includes more hardware sales, which has a lower gross margin.</li> </ul>   |
| G&A expenses                                   | -986   | -992   | -1,043 |         |         |  |
| R&D expenses                                   | -2,158 | -1,978 | -1,575 |         |         | <ul style="list-style-type: none"> <li>Thanks to the optimization of OPEX expenditure control, especially R&amp;D expense, operating expense went down by 3.1 ppt QoQ. The operating margin remained at the same level QoQ.</li> </ul>                           |
| Expected credit loss                           | -84    | 3      | -106   |         |         |  |
| <b>Operating Income</b>                        | 881    | 875    | 984    | 12.5%   | 11.7%   |  |
| <b>Operating Marg%</b>                         | 4.3%   | 4.7%   | 4.7%   | -       | 0.4ppt  |  |
| Interest income (expense)                      | -123   | -100   | -120   |         |         | <ul style="list-style-type: none"> <li>Due to the depreciation of USD, we booked NT\$125 million in foreign exchange loss. (Compared with the previous quarter, the foreign exchange loss increased NT\$38 million and the EPS decreased by NT\$0.31)</li> </ul> |
| FX gain (loss)                                 | -14    | -87    | -125   |         |         |  |
| Other non-operating income (expenses)          | 305    | 333    | 227    |         |         |  |
| <b>Income Tax</b>                              | 217    | 280    | 217    | -22.5%  | -       |  |
| <b>Net Income</b>                              | 831    | 740    | 749    | 1.2%    | -9.8%   | <ul style="list-style-type: none"> <li>The evaluation benefit of financial assets and liabilities decreased by NT\$ 147 million. (Compared with the previous quarter, the EPS decreased by NT\$1.14)</li> </ul>  |
| <b>Net Income</b> (deducted minority interest) | 353    | 300    | 276    | -8.1%   | -21.9%  |  |
|  |        |        |        |         |         | <ul style="list-style-type: none"> <li>The effective tax rate was 22.4%.</li> </ul>  |
| <b>EPS (NT\$)</b>                              | 3.88   | 3.30   | 3.01   | -8.9%   | -22.5%  | <ul style="list-style-type: none"> <li>EPS of Q3 2020 was NT\$3.01</li> </ul>  |

# Performance by Business Segment

| Business Segments      | Key Members   |      | 3Q20<br>Revenue<br>Contribution<br>(NT\$M) | Revenue<br>QoQ | Revenue<br>YoY | 3Q20<br>GM | 3Q20<br>OpM | 3Q20<br>EPS<br>Contribution<br>(NT\$) | Notes |
|------------------------|---|------|--|----------------|----------------|------------|-------------|---------------------------------------|-------|
| Ennoconn Consolidation |   | 3Q20 | 21,132                                     |                |                | 22.0%      | 4.7%        | 3.01                                  |       |
|                        |   | 2Q20 | 18,559                                     | 13.9%          | 2.4%           | 25.1%      | 4.7%        | 3.30                                  |       |
|                        |   | 3Q19 | 20,633                                     |                |                | 24.0%      | 4.3%        | 3.88                                  |       |
| Brand                  | <br>  | 3Q20 | 10,252 (49%)                               |                |                | 28.1%*     | 3.8%        | 0.80 (27%)                            |       |
|                        |   | 2Q20 | 8,837 (48%)                                | 16.0%          | 5.8%           | 33.9%*     | 3.1%        | 0.64 (19%)                            |       |
|                        |   | 3Q19 | 9,693 (47%)                                |                |                | 33.4%*     | 2.9%        | 0.72 (19%)                            |       |
| System Integration     |    | 3Q20 | 6,638 (31%)                                |                |                | 12.8%      | 5.1%        | 1.08 (36%)                            |       |
|                        |   | 2Q20 | 5,788 (31%)                                | 14.7%          | 11.8%          | 12.9%      | 5.0%        | 1.14 (35%)                            |       |
|                        |   | 3Q19 | 5,938 (29%)                                |                |                | 12.0%      | 4.2%        | 0.91 (23%)                            |       |
| ODM / JDM              | <br><br><br>Others | 3Q20 | 4,242 (20%)                                |                |                | 21.4%      | 5.9%        | 1.13 (37%)                            |       |
|                        |   | 2Q20 | 3,935 (21%)                                | 7.8%           | -15.2%         | 23.0%      | 8.0%        | 1.52 (46%)                            |       |
|                        |   | 3Q19 | 5,002 (24%)                                |                |                | 20.2%      | 7.0%        | 2.25 (58%)                            |       |



- The gross margin of S&T went down by 5.8 ppt QoQ due to a different product mix that includes more hardware sales, which has a lower gross margin. However, with the savings made on personnel expenses and the control on expert and warranty expenses, the operating margin increased by 0.7% QoQ.
- The revenue of Marketech grew by 14.7% QoQ, driven by the growth in semiconductor business.
- The revenue of ODM increased by 7.8%. However, the gross margin of home securities segment decreased, resulted in the gross margin and operating margin decreasing 1.6 ppt and 2.1 ppt respectively.
- Ownership: S&T 27.1% ; MIC 44.6% ; Goldtek 56.7% ; CASwell 32.2%

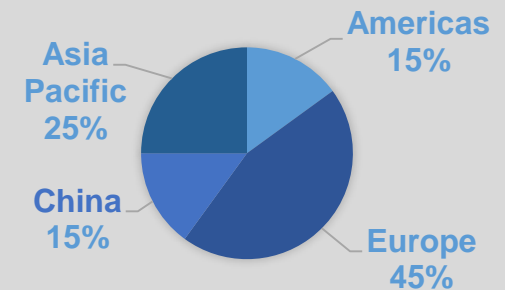
\*We adjusted the GM and OpM of S&T due to the difference in accounting principles between EU and Taiwan. S&T's announcement: 3Q20 GM was 35.6%; 2Q20 GM was 38.6%; 3Q19 GM was 37.7%.

# Revenue by Region

|                |      | Revenue<br>(NT\$M) | Revenue<br>QoQ | Revenue<br>YoY | 2020Q1-Q3<br>Revenue<br>(NT\$M) |
|----------------|------|--------------------|----------------|----------------|---------------------------------|
| Ennoconn Total | 3Q20 | <b>21,132</b>      | 13.9%          | <b>2.4%</b>    | <b>57,559</b>                   |
|                | 2Q20 | 18,559             |                |                |                                 |
|                | 3Q19 | 20,633             |                |                |                                 |
| The Americas   | 3Q20 | <b>3,071 (15%)</b> | <b>21.5%</b>   | <b>-12.8%</b>  | <b>7,310 (13%)</b>              |
|                | 2Q20 | 2,528 (14%)        |                |                |                                 |
|                | 3Q19 | 3,522 (17%)        |                |                |                                 |
| Europe         | 3Q20 | <b>9,557 (45%)</b> | <b>11.5%</b>   | <b>16.5%</b>   | <b>27,243 (47%)</b>             |
|                | 2Q19 | 8,568 (46%)        |                |                |                                 |
|                | 3Q19 | 8,200 (40%)        |                |                |                                 |
| China          | 3Q20 | <b>3,183 (15%)</b> | <b>20.3%</b>   | <b>-13.7%</b>  | <b>8,595 (15%)</b>              |
|                | 2Q20 | 2,646 (14%)        |                |                |                                 |
|                | 3Q19 | 3,689 (18%)        |                |                |                                 |
| Asia Pacific   | 3Q20 | <b>5,321 (25%)</b> | <b>10.5%</b>   | <b>1.9%</b>    | <b>14,411 (25%)</b>             |
|                | 2Q20 | 4,817 (26%)        |                |                |                                 |
|                | 3Q19 | 5,222 (25%)        |                |                |                                 |

## Notes

### 3Q20 Revenue



- The Americas : mainly from Goldtek and S&T, 28% and 41%, respectively.
- Europe : S&T accounted for 88% of our Europe sales.
- China : 61% of the revenue was from Marketech, and 32% came from ODM business.
- Asia Pacific : Marketech was the key contributor, generating 76% of total revenue.