

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 network of nodes and lines, resembling a globe or a data network. The text is centered over this graphic.

Ennoconn Corporation

4Q 2021 Investor Conference Call

March 22th, 2022

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.

2020~2021 Consolidated Performance YoY

4Q21 Sales

+14%

26.5B – 30.2B

4Q21 Net Income

+46%

0.35B – 0.51B

4Q21 EPS

+41%

NT\$ 3.78 - NT\$ 5.32

2021 Sales

+15%

84.1B – 96.6B

2021 Net Income

+24%

1.11B – 1.37B

2021 EPS

+18%

NT\$ 12.13 – NT\$ 14.30

4Q21 & 2021 Financial Results

NT\$M	4Q21	2021	Notes
Revenues	30,147	96,557	<ul style="list-style-type: none"> Both revenue in 4Q21 and 2021 hit a record high. As material costs increased due to chip shortage and higher transportation expense, gross margin went down slightly. Thanks to the optimization of OPEX expenditure control, operating margin decreased slightly.
Gross Profit	5,540	20,483	
Gross Margin %	18.4%	21.2%	
Selling expenses	-838	-3,324	
G&A expenses	-1,280	-4,799	<ul style="list-style-type: none"> Foreign exchange loss for 4Q21 and 2021 amounted to 96 million and 185 million, respectively. The effective tax rate for 4Q21 and 2021 were 23.3% and 20.9%, respectively.
R&D expenses	-2,638	-9,084	
Expected credit loss	-13	-82	
Operating Income	770	3,193	
Operating Marg%	2.6%	3.3%	<ul style="list-style-type: none"> EPS for 4Q21 and 2021 were NT\$5.32 and NT\$14.3, respectively. Both achieved a record high.
Interest income (expense)	-119	-492	
FX gain (loss)	-96	-185	
Other non-operating income (expenses)	1,022	1,771	
Income Tax	368	897	
Net Income	1,210	3,390	
Net Income (deducted minority interest)	511	1,373	
EPS (NT\$)	5.32	14.30	

2021 Financial Results

NT\$M	2020	2021	YoY	Notes
Revenues	84,091	96,557	14.8%	<ul style="list-style-type: none"> ● 2021 Revenue amounted to 96.6 billion and hit a record high, which increased by 14.8% YoY as a result of growth from all of three business segments, especially for system integration due to strong demand in semiconductor business. ● As material costs increased due to chip shortage and higher transportation expense, gross margin went down by 2.1ppt YoY. Meanwhile, thanks to the optimization of OPEX control, operating margin just slightly went down by 1.1ppt YoY. ● To enhance product competitiveness, we continued to invest in advanced technologies. R&D expense increased by 15% YoY, amounting to 9.084 billion in 2021. ● FX loss was 185 million recognized in 2021, which sharply decreased comparing to 322 million in 2020. ● As accepting many projects in 2021, projects profit amounted to 680 million. ● The effective tax rate in 2021 was 20.9%. ● EPS of 2021 was NT\$14.30 and hit a record high.
Gross Profit	19,593	20,483	4.5%	
Gross Margin %	23.3%	21.2%	-2.1ppt	
Selling expenses	-3,629	-3,324		
G&A expenses	-4,137	-4,799		
R&D expenses	-7,887	-9,084		
Expected credit loss	-266	-82		
Operating Income	3,674	3,193	-13.1%	
Operating Marg%	4.4%	3.3%	-1.1ppt	
Interest income (expense)	-461	-492		
FX gain (loss)	-322	-185		
Other non-operating income (expenses)	1,086	1,771		
Income Tax	821	897	9.3%	
Net Income	3,155	3,390	7.4%	
Net Income (deducted minority interest)	1,112	1,373	23.5%	
EPS (NT\$)	12.13	14.30	17.9%	

4Q21 Performance by Business Segment

Business Segments	Key Members	Revenue Contribution (NT\$M)	Revenue QoQ	Revenue YoY	GM	OpM	EPS Contribution (NT\$)
Ennoconn Consolidation	4Q21	30,147	28.8%	13.6%	18.4%	2.5%	5.32
	3Q21	23,414			21.5%	3.8%	3.78
	4Q20	26,532			21.6%	4.5%	3.78
Brand	4Q21	13,636 (45%)	32.5%	-4.9%	27.4%*	2.2%	1.15 (22%)
	3Q21	10,290 (44%)			29.7%*	1.0%	0.62(17%)
	4Q20	14,342 (54%)			27.4%*	3.8%	1.80 (48%)
System Integration	4Q21	11,510 (38%)	37.5%	59.9%	8.7%	3.6%	2.19 (41%)
	3Q21	8,370 (36%)			11.5%	5.8%	2.01 (53%)
	4Q20	7,196 (27%)			11.0%	4.1%	0.92 (24%)
ODM / JDM	4Q21	5,001 (17%)	5.2%	0.1%	16.1%	0.9%	1.98 (37%)
	3Q21	4,754 (20%)			21.6%	6.6%	1.15 (30%)
	4Q20	4,995 (19%)			20.3%	7.3%	1.06(28%)

4Q2021 Revenue Contribution

- Revenue of brand business increased by 32.5% QoQ while gross margin went down by 2.3ppt QoQ since material costs increased due to chip crisis. Meanwhile, thanks to the optimization of OPEX expenditure control, operating margin grew slightly.
- The revenue of system integration business increased by 37.5% QoQ, while the revenue growth of construction projects with lower gross margin brought down whole gross margin by 2.8ppt QoQ.
- The revenue of ODM/JDM business increased by 5.2% QoQ since traditional peak season. On the other hand, chip crisis and increase on transportation costs brought down gross margin and operating margin by 5.5ppt and 5.7ppt respectively.
- Ownership: S&T 27.6% ; MIC 44.0% ; Goldtek 56.7% ; CASwell 31.8%

* We adjusted the GM and OpM of S&T due to the difference in accounting principles between EU and Taiwan. S&T's announcement: 4Q21 GM was 33.3%; 3Q21 GM was 36.6%; 4Q20 GM was 33.0%

2021 Performance by Business Segment

Business Segments	Key Members	Revenue Contribution (NT\$M)	Revenue YoY	GM	OpM	EPS Contribution (NT\$)	Notes
Ennoconn Consolidation	2021	96,557	14.8%	21.2%	3.3%	14.30	<p>2021 Revenue Contribution</p> <ul style="list-style-type: none"> Revenue of brand business grew in 2021 while gross margin went down by 0.6ppt YoY since material costs increased due to chip crisis. Thanks to the semiconductor business, the revenue of system integration business grew by 37.2% YoY. With unfavorable product mix, gross margin slightly dropped by 1.8ppt YoY. Due to the optimization of OPEX expenditure control, operating margin kept flat. Revenue of ODM/JDM business increased by 7.3% YoY since capacity leveled off. On the other hand, chip crisis and increase on transportation costs brought down gross margin and operating margin by 1.2ppt and 2.5ppt respectively. Ownership: S&T 27.6% ; MIC 44.0% ; Goldtek 56.7% ; CASwell 31.8%
	2020	84,091		23.3%	4.4%	12.13	
Brand	2021	44,322 (46%)	4.5%	29.9%*	2.0%	3.06 (21%)	
	2020	42,403 (50%)		30.5%*	3.4%	3.84 (32%)	
System Integration	2021	34,459 (36%)	37.2%	10.5%	4.8%	6.93 (49%)	
	2020	25,120 (30%)		12.3%	4.8%	4.21 (35%)	
ODM / JDM	2021	17,776 (18%)	7.3%	20.3%	3.8%	4.31 (30%)	
	2020	16,568 (20%)		21.5%	6.3%	4.08 (33%)	

* We adjusted the GM and OpM of S&T due to the difference in accounting principles between EU and Taiwan.
S&T's announcement: 2021 GM was 36.5%; 2020 GM was 36.3%.