

Darfon Electronics Corp.

2Q 2017 Investor Conference

August 7, 2017

www.darfon.com.tw

Investor@darfon.com.tw



Agenda

- **2Q 2017 Financial Highlights**
- **Business Outlook**
- **Q&A**



Safe Harbor Notice

We have made forward-looking statements in the presentation. Our forward-looking statements contain information regarding, among other things, our financial conditions, future expansion plans and business strategies. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties, and assumptions about us.

We undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events in the conference might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

2Q 2017 Financial Highlights

2Q'17 Consolidated Income Statement Highlights

Unit: NT\$ million except per share data

	2Q'17		1Q'17		QoQ%	2Q'16		YoY%	1H'17		1H'16		YoY%
Net sales	4,549	100.0%	3,776	100.0%	20.5%	4,716	100.0%	-3.6%	8,325	100.0%	8,784	100.0%	-5.2%
Gross profit	724	15.9%	587	15.6%	23.2%	668	14.2%	8.4%	1,311	15.7%	1,239	14.1%	5.8%
Operating expenses	(562)	-12.4%	(492)	-13.0%		(588)	-12.5%		(1,053)	-12.7%	(1,117)	-12.7%	
Operating income	162	3.6%	96	2.5%	68.8%	79	1.7%	103.6%	258	3.1%	121	1.4%	112.4%
Net non-operating items	18	0.4%	10	0.3%	77.1%	15	0.3%	21.2%	29	0.3%	31	0.4%	-7.8%
Earning before income tax	180	4.0%	106	2.8%	69.6%	95	2.0%	90.4%	286	3.4%	152	1.7%	87.9%
Net income	144	3.2%	85	2.2%	70.1%	76	1.6%	90.7%	229	2.8%	122	1.4%	87.6%
Attributable to: Equity holders of the parent company	143		85		68.2%	76		89.2%	228		121		88.9%
Basic EPS (NT\$)(a)	0.51		0.30			0.25			0.82		0.41		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each year
(280.00m shares in 2017 2Q, 280.05m shares in 2017 1Q, and 297.96m shares in 2016 2Q)

- Quarterly revenue increased due to new model launch
- Quarterly margins is improving
- Net profit increased with cost control & production efficiency

2Q'17 Consolidated Balance Sheet Highlights

Selected Items from Balance Sheets

Unit : NT\$ million except per share data

	2Q'17		1Q'17		2Q'16	
Cash & marketable securities	2,646	16.9%	2,705	18.0%	2,576	16.1%
Accounts receivable	5,135	32.8%	4,258	28.4%	4,645	29.0%
Inventory	2,045	13.1%	2,214	14.8%	2,135	13.3%
Current assets	10,230	65.4%	9,608	64.1%	10,212	63.7%
Net PP&E	5,082	32.5%	5,076	33.8%	5,475	34.2%
Total assets	15,648	100.0%	15,000	100.0%	16,022	100.0%
Short-term bank loans	536	3.4%	540	3.6%	520	3.2%
Accounts payable	3,565	22.8%	3,273	21.8%	3,161	19.7%
Current liabilities	7,055	45.1%	6,057	40.4%	6,240	38.9%
Long-term interest-bearing debt	723	4.6%	740	4.9%	1,054	6.6%
Total liabilities	7,956	50.8%	6,973	46.5%	7,473	46.6%
Total stockholders' equities	7,692	49.2%	8,026	53.5%	8,549	53.4%
BVPS(NT\$)	27.4		28.6		28.6	
Net Debt (Cash)	(1,386)		(1,425)		(1,002)	

- Cash & marketable securities position keeps a relative high
- Well-established capital structure pursuing long-term growth

Note: Net Debt (Cash) = ST Loans + LT Loans – Cash & Marketable Sec.

2Q'17 Consolidated Cash Flow Highlights

Unit : NT\$ million

	IH'17	IH'16	Change
From operating activities	396	577	(181)
Net income	229	122	107
Depreciation & amortization	302	347	(45)
Net change in working capital	71	(177)	248
Prepaid expenses and other current assets	37	502	(465)
Accrued expenses and other current liabilities	(183)	(74)	(109)
From investing activities	416	(447)	862
Capital expenditure	(199)	(249)	50
From financing activities	(584)	(388)	(195)
Net change in debt	(559)	(385)	(175)
Treasury stock	(24)	0	(24)
Net change in cash	55	(348)	402
Free cash flow	197	328	(131)

Note: Free cash flow = Cash flow from operating activities - Capital expenditure

- Operating cash and free cash flow are in healthy status



Key Ratio Highlights

	2Q'17	1Q'17	QoQ	2Q'16	YoY
Debt ratio	51%	46%	4.4 bps	47%	4.2 bps
*Debt ratio	41%	35%	6.1 bps	36%	4.4 bps
Net debt (Cash) to equity	-18%	-18%	(0.3) bps	-12%	(6.3) bps
Current ratio	145.0	158.6	(13.6) bps	163.7	(18.7) bps
Cash conversion cycle	63	77	(13.2) days	65	(1.1) days
ROA	4.5%	2.3%		2.1%	
ROE	7.4%	4.2%		3.4%	

- Low debt ratio to maintain solid financial structure
- Current ratio keeps a healthy level
- CCC is well managed

Note: *Debt Ratio = (Total Liabilities - Cash & Marketable Sec.) / (Total Assets - Cash & Marketable Sec.)

Net Debt (Cash) to Equity = (ST Loans + LT Loans - Cash & Marketable Sec.) / Total Stockholders' Equities

Business Outlook



Q&A

Thank You!