

Darfon Electronics Corp.

2Q 2019 Investor Conference

August 08, 2019

www.darfon.com.tw

Investor@darfon.com.tw



Agenda

- **2Q 2019 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 2019 Financial Highlights

2Q'19 Consolidated Income Statement Highlights

Unit: NT\$ million except per share data

	2Q'19		1Q'19		QoQ%	2Q'18		YoY%	2019 IH		2018 IH		YoY%
Net sales	5,008	100.0%	4,023	100.0%	24.5%	5,161	100.0%	-3.0%	9,031	100.0%	9,163	100.0%	-1.4%
Gross profit	940	18.8%	748	18.6%	25.6%	1,121	21.7%	-16.2%	1,688	18.7%	1,748	19.1%	-3.4%
Operating expenses	(644)	-12.9%	(515)	-12.8%		(619)	-12.0%		(1,159)	-12.8%	(1,133)	-12.4%	
Operating income	296	5.9%	233	5.8%	27.0%	502	9.7%	-41.1%	529	5.9%	616	6.7%	-14.1%
Net non-operating items	34	0.7%	41	1.0%	-17.5%	(2)	0.0%		75	0.8%	63	0.7%	19.2%
Earning before income tax	329	6.6%	274	6.8%	20.3%	500	9.7%	-34.1%	603	6.7%	678	7.4%	-11.1%
Net income	260	5.2%	216	5.4%	20.6%	395	7.7%	-34.1%	476	5.3%	536	5.9%	-11.2%
Attributable to:													
Equity holders of the parent company	233		197		18.0%	395		-41.1%	430		535		-19.7%
Basic EPS (NT\$(a))	0.83		0.70			1.41			1.53		1.91		

(a) Basic EPS was calculated based on the weighted average outstanding shares of each year (280,000m shares in 2019 2Q, 2019 1Q, and 2018 2Q)

- Quarterly revenue and profit enhanced due to revenue mix adjustment on QoQ basis
- Revenue and profitability momentum affected by MLCC market correction

2Q'19 Consolidated Balance Sheet Highlights

Unit : NT\$ million except per share data

	2Q'19		1Q'19		2Q'18	
Cash & cash equivalents	2,675	13.2%	2,581	14.3%	1,688	10.1%
Accounts receivable	5,948	29.2%	4,966	27.5%	6,142	36.8%
Inventory	2,822	13.9%	2,491	13.8%	2,309	13.8%
Current assets	12,802	62.9%	11,321	62.7%	11,281	67.6%
Net PP&E	5,393	26.5%	4,908	27.2%	4,844	29.0%
Total assets	20,341	100.0%	18,066	100.0%	16,687	100.0%
Short-term bank loans	2,023	9.9%	665	3.7%	596	3.6%
Accounts payable	3,835	18.9%	3,525	19.5%	4,105	24.6%
Current liabilities	10,031	49.3%	7,585	42.0%	7,995	47.9%
Long-term interest-bearing debt	440	2.2%	440	2.4%	440	2.6%
Total liabilities	10,837	53.3%	8,320	46.1%	8,609	51.6%
Total stockholders' equities	9,504	46.7%	9,746	53.9%	8,078	48.4%
BVPS(NT\$)	30.2		32.8		28.7	
Net Debt (Cash)	(213)		(1,476)		(653)	

- AR, Inventory and AP increasing with revenue growth
- Moderate leverage for pursuing sustainable growth

Note: Net Debt (Cash) = ST Loans + LT Loans – Cash & cash equivalents

IH'19 Consolidated Cash Flow Highlights

Unit : NT\$ million

	2019 IH	2018 IH	Change
From operating activities	669	560	109
Net income	476	536	(60)
Depreciation & amortization	352	300	52
Net change in working capital	544	(386)	930
From investing activities	(1,851)	(604)	(1,247)
Capital expenditure	(549)	(257)	(291)
From financing activities	1,031	54	977
Net change in debt	1,068	54	1,014
Net change in cash	(63)	60	(123)
Free cash flow	120	302	(182)

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'19	1Q'19	QoQ	2Q'18	YoY
Debt ratio	53%	46%	7.2 bps	52%	1.7 bps
*Debt ratio	46%	37%	9.1 bps	46%	0.1 bps
Net debt (Cash) to equity	-2%	-15%	12.9 bps	-8%	5.8 bps
Current ratio	127.6	149.2	(21.6) bps	141.1	(13.5) bps
Cash conversion cycle	76	93	(16.4) days	61	15.3 days
ROA	5.6%	4.8%		10.2%	
ROE	10.8%	9.0%		19.6%	

- Debt ratios up with strategic investment but still show sound capital structure
- Current ratio keeps a healthy level
- CCC is well managed

Note: *Debt Ratio = (Total Liabilities - Cash & cash equivalents) / (Total Assets - Cash & cash equivalents)

Net Debt (Cash) to Equity = (ST Loans + LT Loans - Cash & cash equivalents) / Total Stockholders' Equities

Business Outlook



Q&A

Thank You!