

# Darfon Electronics Corp. Investor Conference

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# Agenda

- **3Q22 Financial Highlights**
  - **Business Outlook**
  - **Q&A**
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# 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.**

# 3Q22 Financial Highlights

# 3Q22 Consolidated Income Statement Highlights

Unit: NT\$ million except per share data

|                             | 3Q22  |        | 2Q22  |        | QoQ%   | 3Q21  |        | YoY%  | 2022~3Q |        | 2021~3Q |        | YoY%  |
|-----------------------------|-------|--------|-------|--------|--------|-------|--------|-------|---------|--------|---------|--------|-------|
| <b>Net sales</b>            | 7,572 | 100.0% | 7,754 | 100.0% | -2.3%  | 6,962 | 100.0% | 8.8%  | 22,742  | 100.0% | 20,495  | 100.0% | 11.0% |
| <b>Gross profit</b>         | 1,282 | 16.9%  | 1,331 | 17.2%  | -3.7%  | 1,140 | 16.4%  | 12.4% | 3,833   | 16.9%  | 3,425   | 16.7%  | 11.9% |
| <b>Operating expenses</b>   | (864) | -11.4% | (867) | -11.2% |        | (805) | -11.6% |       | (2,587) | -11.4% | (2,359) | -11.5% |       |
| <b>Operating income</b>     | 418   | 5.5%   | 464   | 6.0%   | -9.9%  | 335   | 4.8%   | 24.8% | 1,247   | 5.5%   | 1,066   | 5.2%   | 16.9% |
| Net non-operating items     | 132   | 1.7%   | 14    | 0.2%   | 856.6% | 108   | 1.5%   | 23.1% | 161     | 0.7%   | 146     | 0.7%   | 10.6% |
| Earning before income tax   | 551   | 7.3%   | 478   | 6.2%   | 15.2%  | 443   | 6.4%   | 24.4% | 1,408   | 6.2%   | 1,212   | 5.9%   | 16.1% |
| <b>Net income</b>           | 432   | 5.7%   | 374   | 4.8%   | 15.3%  | 337   | 4.8%   | 28.2% | 1,095   | 4.8%   | 944     | 4.6%   | 16.0% |
| Net income attributable to: |       |        |       |        |        |       |        |       |         |        |         |        |       |
| The parent company          | 339   | 4.5%   | 286   | 3.7%   | 18.3%  | 304   | 4.4%   | 11.5% | 873     | 3.8%   | 815     | 4.0%   | 7.1%  |
| <b>Basic EPS (NT\$)(a)</b>  | 1.21  |        | 1.02  |        |        | 1.08  |        |       | 3.12    |        | 2.91    |        |       |

(a) Basic EPS was calculated based on the weighted average outstanding shares (280m shares) of each period

- Revenue decrease since PC demand weakness
- Profitability enhanced with economies of scale

# 3Q22 Consolidated Balance Sheet Highlights

Unit : NT\$ million except per share data

|                                 | 3Q22   |        | 2Q22   |        | 3Q'21  |        |
|---------------------------------|--------|--------|--------|--------|--------|--------|
| Cash & marketable securities    | 2,923  | 8.5%   | 3,057  | 8.9%   | 3,012  | 9.9%   |
| Accounts receivable             | 8,445  | 24.6%  | 8,259  | 24.1%  | 7,214  | 23.7%  |
| Inventory                       | 8,652  | 25.2%  | 8,847  | 25.8%  | 7,635  | 25.0%  |
| Current assets                  | 21,494 | 62.6%  | 21,567 | 62.9%  | 18,974 | 62.2%  |
| Net PP&E                        | 8,828  | 25.7%  | 8,585  | 25.0%  | 7,078  | 23.2%  |
| Total assets                    | 34,341 | 100.0% | 34,281 | 100.0% | 30,490 | 100.0% |
| Short-term bank loans           | 5,922  | 17.2%  | 5,097  | 14.9%  | 4,983  | 16.3%  |
| Accounts payable                | 5,489  | 16.0%  | 5,750  | 16.8%  | 6,148  | 20.2%  |
| Current liabilities             | 16,000 | 46.6%  | 16,787 | 49.0%  | 14,888 | 48.8%  |
| Long-term interest-bearing debt | 4,389  | 12.8%  | 4,150  | 12.1%  | 3,209  | 10.5%  |
| Total liabilities               | 20,969 | 61.1%  | 21,503 | 62.7%  | 18,792 | 61.6%  |
| Total stockholders' equities    | 13,372 | 38.9%  | 12,778 | 37.3%  | 11,698 | 38.4%  |
| BVPS(NT\$)                      | 36.8   |        | 34.9   |        | 32.9   |        |

- Working capital to be managed with revenue scale growth
- Maintain healthy capital structure and leverage for sustainable growth

# 3Q22 Consolidated Cash Flow Highlights

Unit : NT\$ million

|                                  | I~3Q22         | I~3Q21         | Change         |
|----------------------------------|----------------|----------------|----------------|
| <b>From operating activities</b> | <b>(115)</b>   | <b>(1,272)</b> | <b>1,158</b>   |
| Net income                       | 1,095          | 944            | 151            |
| Depreciation & amortization      | 919            | 802            | 116            |
| Net change in working capital    | (1,905)        | (2,945)        | 1,040          |
| <b>From investing activities</b> | <b>(1,217)</b> | <b>(1,577)</b> | <b>360</b>     |
| Capital expenditure              | (1,466)        | (898)          | (568)          |
| <b>From financing activities</b> | <b>427</b>     | <b>2,821</b>   | <b>(2,394)</b> |
| Net change in debt               | 1,547          | 3,619          | (2,072)        |
| Cash dividends                   | (840)          | (700)          | (140)          |
| <b>Net change in cash</b>        | <b>(553)</b>   | <b>(92)</b>    | <b>(461)</b>   |
| <b>Free cash flow</b>            | <b>(1,581)</b> | <b>(2,171)</b> | <b>590</b>     |

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

- Cash flow affected by working capital level up and capital expenditure increase

# Key Ratio Highlights

|                           | 3Q22  | 2Q22  | QoQ       | 3Q21  | YoY       |
|---------------------------|-------|-------|-----------|-------|-----------|
| Debt ratio                | 61%   | 63%   | (1.7) bps | 62%   | (0.6) bps |
| *Debt ratio               | 57%   | 59%   | (1.6) bps | 57%   | 0.0 bps   |
| Net debt (Cash) to equity | 55%   | 48%   | 6.8 bps   | 44%   | 11.0 bps  |
| Current ratio             | 134.3 | 128.5 | 5.9 bps   | 127.4 | 6.9 bps   |
| Cash conversion cycle     | 136   | 136   | 0 days    | 107   | 29 days   |
| ROA                       | 5.5%  | 4.7%  |           | 4.6%  |           |
| ROE                       | 13.2% | 11.8% |           | 11.6% |           |

- **Current ratio keeps a healthy level**
- **CCC to be managed**
- **ROE increase with profitability enhanced**

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!***

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