

Zhen Ding Technology Holding (4958 TT)

Fourth Quarter and Full Year 2022 Financial Results

March 13th, 2023

- Zhen Ding Technology Holding's statements of its current expectations are forward looking statements subject to significant risks and uncertainties and actual results may differ materially from those contained in the forward-looking statements.
- Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.



AGENDA

1

4Q22 & 2022 Financial Results

Sharon Wang, Chief Financial Officer

2

Company Strategy

Charles Shen, Chairman

3

Business Roadmap and Execution

D.J. Lee, General Manager



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Zhen Ding Tech. Holding

4Q22 & 2022 Financial Results

Sharon Wang, Chief Financial Officer

Consolidated Income Statement

(Unit: NT\$ million, unless otherwise stated)

| | 4Q22 | 3Q22 | 4Q21 | QoQ (%) | YoY (%) |
|-------------------------------|--------------|--------------|--------------|-----------------|-----------------|
| Revenue | 52,902 | 50,004 | 56,442 | 5.8% | -6.3% |
| Gross Profit | 13,913 | 12,985 | 12,167 | 7.1% | 14.4% |
| Gross Margin | 26.3% | 26.0% | 21.6% | +0.3ppts | +4.7ppts |
| Operating Expenses | 5,219 | 4,918 | 3,864 | 6.1% | 35.1% |
| Operating Profit | 8,694 | 8,067 | 8,303 | 7.8% | 4.7% |
| Operating Margin | 16.4% | 16.1% | 14.7% | +0.3ppts | +1.7ppts |
| Non-Operating Income/Expenses | (973) | 345 | (321) | - | -203.1% |
| Net Income | 6,857 | 7,172 | 6,861 | -4.4% | -0.1% |
| Net Margin | 13.0% | 14.3% | 12.2% | -1.3ppts | +0.8ppts |
| Net Income to Parent | 4,705 | 4,985 | 4,870 | -5.6% | -3.4% |
| EPS (NT\$) | 4.98 | 5.27 | 5.15 | | |
| ROE(%) | 22.3% | 23.8% | 25.2% | -1.5ppts | -2.9ppts |
| Average Exchange Rate | 31.40 | 30.40 | 27.91 | | |

* Weighted Average Shares outstanding as of 4Q22: 944,956 thousand shares

** ROE is annualized data calculated based on the average of equity attributable to owners of parent

2022 Financial Summary

(Unit: NT\$ million, unless otherwise stated)

| | 2022 | 2021 | Change | YoY% |
|---------------------------------------|--------------|--------------|-------------|-----------------|
| Revenue | 171,356 | 155,022 | 16,334 | 10.5% |
| Gross Margin | 23.3% | 19.7% | | +3.6ppts |
| Operating Profit | 22,447 | 15,781 | 6,666 | 42.2% |
| Operating Margin | 13.1% | 10.2% | | +2.9ppts |
| Net Income | 20,535 | 13,694 | 6,841 | 50.0% |
| Net Margin | 12.0% | 8.8% | | +3.2ppts |
| Net Income to Parent | 14,197 | 9,651 | 4,546 | 47.1% |
| EPS (NT\$) | 15.02 | 10.21 | 4.81 | |
| Cash Inflow Generated from Operations | 45,311 | 14,058 | 31,253 | 222.3% |
| Capital Expenditures | 29,032 | 31,149 | -2,117 | -6.8% |
| Cash and Cash Equivalents* | 57,599 | 35,179 | 22,420 | 63.7% |
| ROE(%) | 16.7% | 12.6% | | +4.1ppts |

*Including current financial assets at amortized cost (time deposits, etc.)

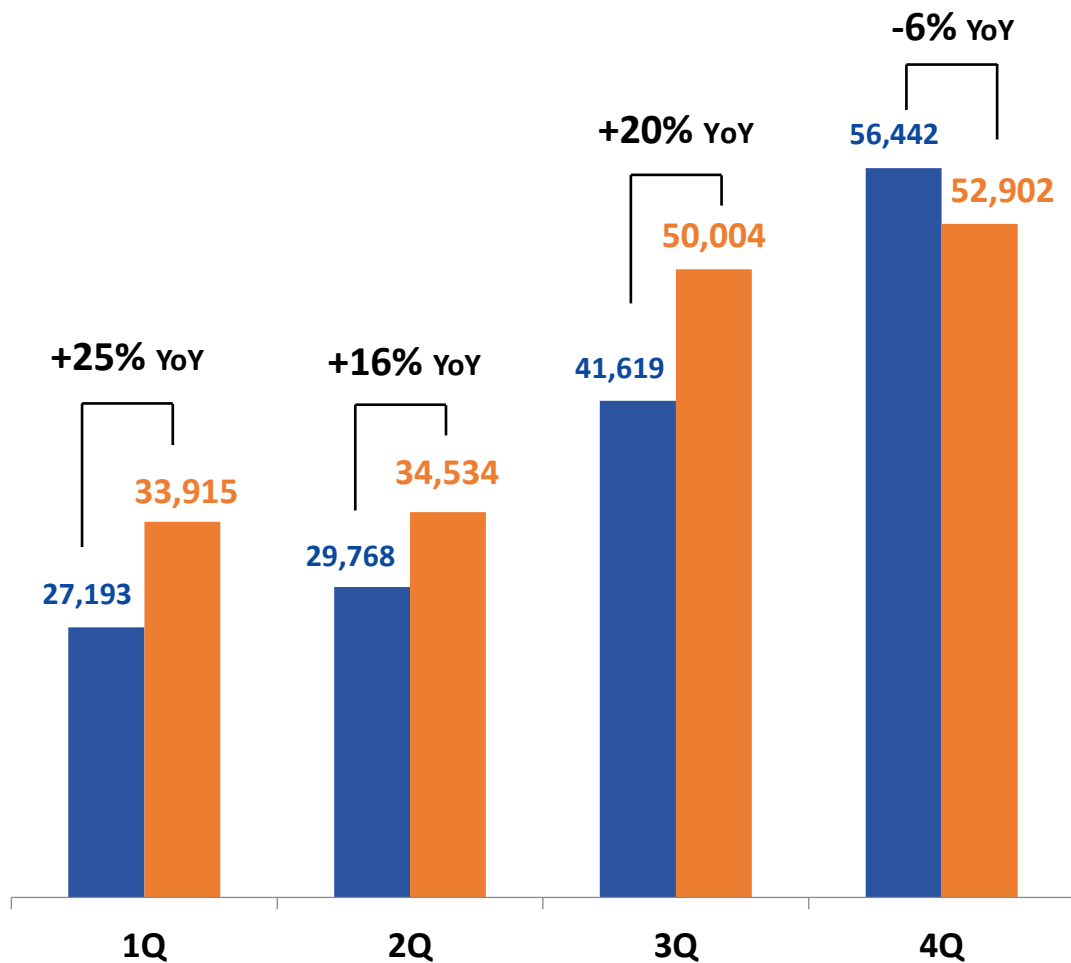
Quarterly Trends

Revenue

Unit: NT\$ million

■ 2021

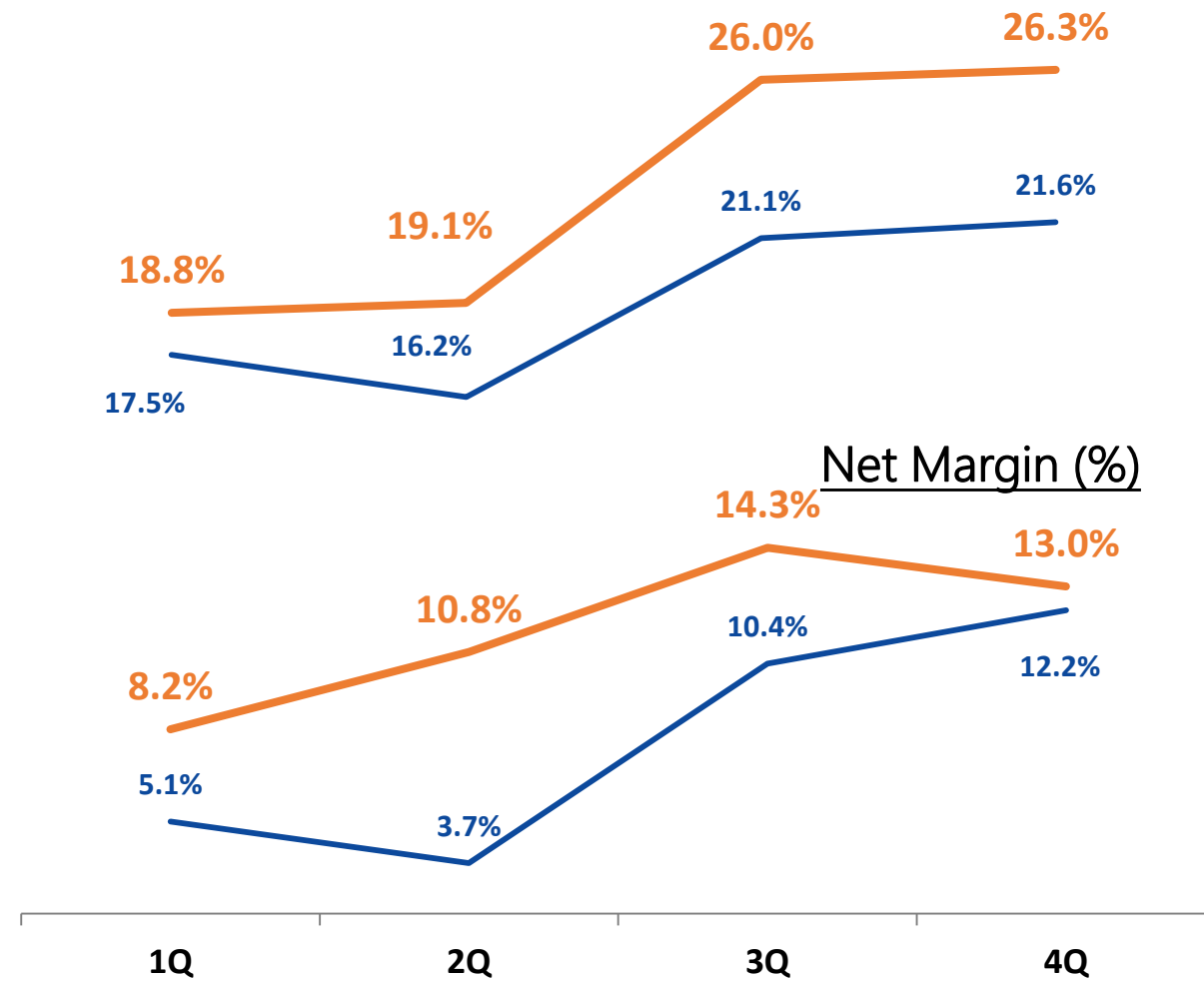
■ 2022



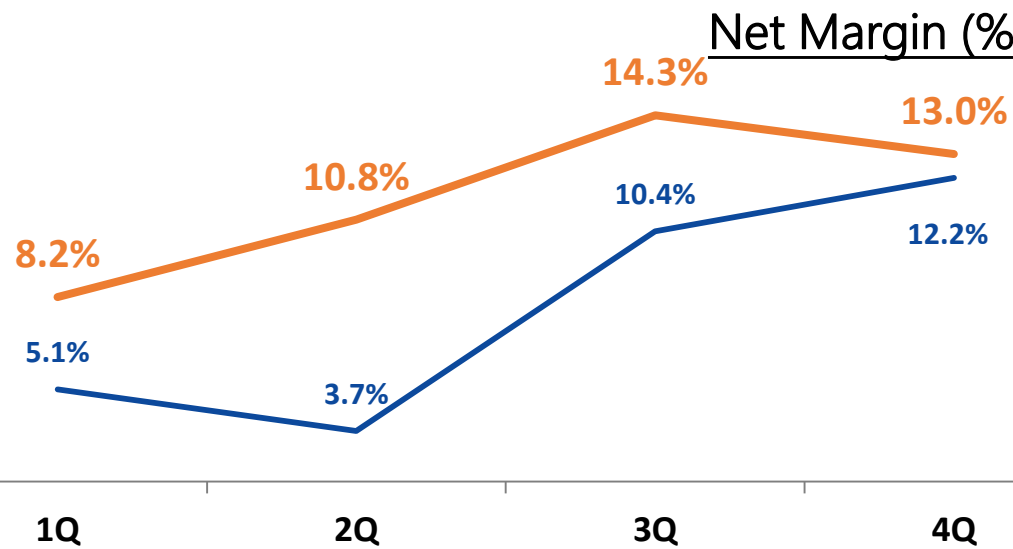
Gross Margin (%)

— 2021

— 2022

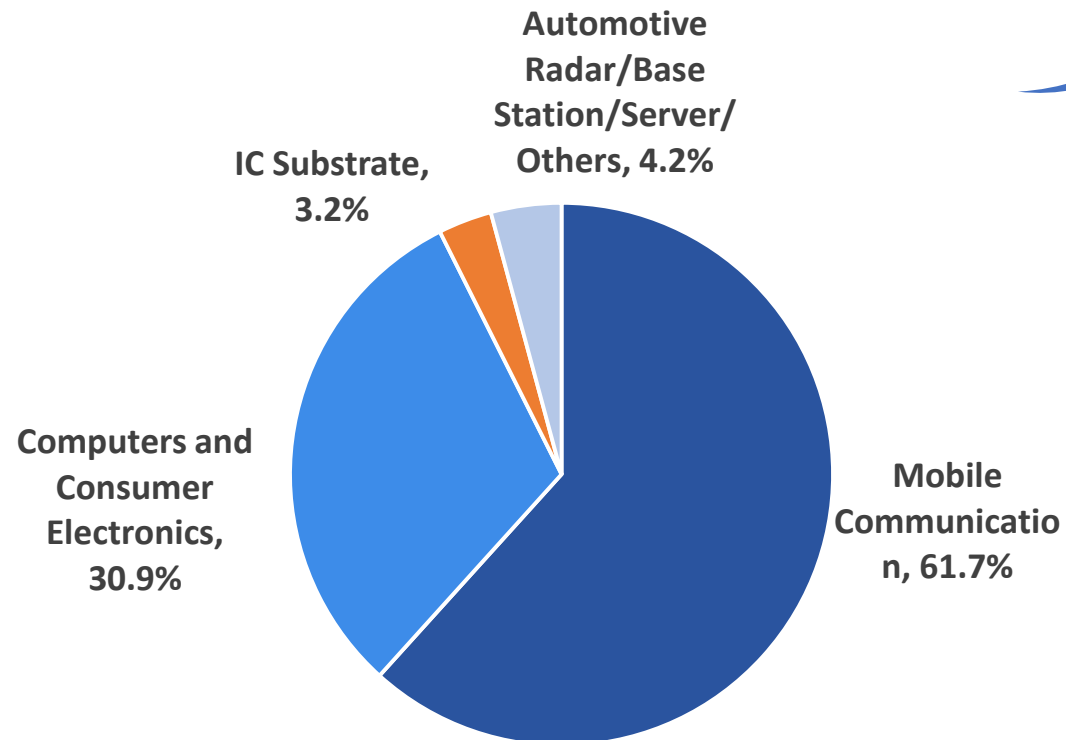


Net Margin (%)



Revenue Breakdown – By Applications

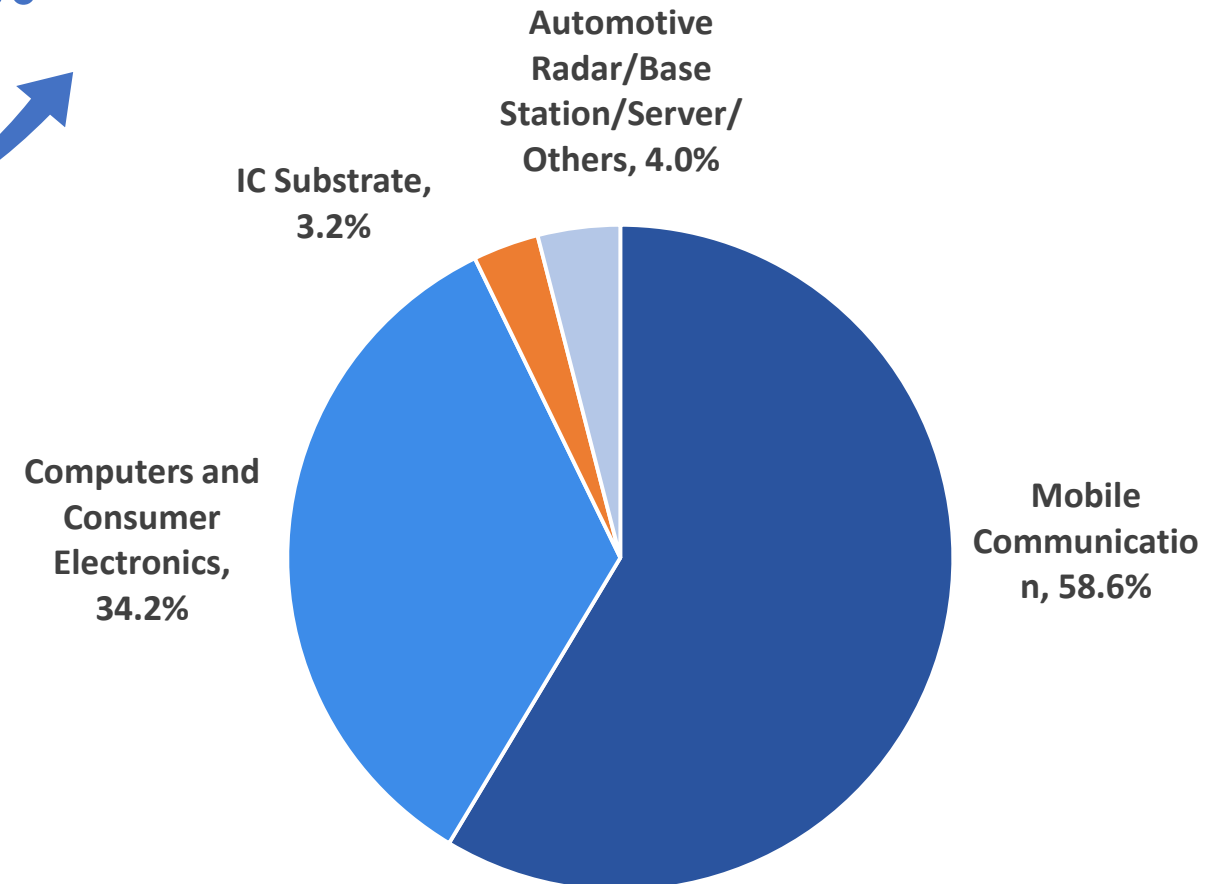
2021 Revenue NT\$155.0bn



+10.5%
YoY



2022 Revenue NT\$171.4bn



Consolidated Balance Sheet and Key

Unit: NT\$ million

| | 2022-12-31 | | 2021-12-31 | | Change | |
|----------------------------------|----------------|---------------|----------------|---------------|---------------|-----------------|
| | Amount | % | Amount | % | Amount | % |
| Cash and Cash Equivalents** | 57,599 | 24.8% | 35,179 | 18.0% | 22,420 | +6.8ppts |
| Notes & Accounts Receivable | 30,529 | 13.1% | 38,669 | 19.8% | (8,140) | -6.7ppts |
| Inventories | 17,725 | 7.6% | 17,675 | 9.0% | 50 | -1.4ppts |
| Property, Plant and Equipment*** | 104,814 | 45.1% | 86,073 | 44.0% | 18,741 | 1.1ppts |
| Total Assets | 232,560 | 100.0% | 195,755 | 100.0% | 36,805 | |
| Debt | 45,359 | 19.5% | 37,619 | 19.2% | 7,740 | +0.3ppts |
| Notes & Accounts Payable | 37,082 | 15.9% | 34,918 | 17.8% | 2,164 | -1.9ppts |
| Total Liabilities | 99,694 | 42.9% | 82,235 | 42.0% | 17,459 | +0.9ppts |
| Total Equity | 132,866 | 57.1% | 113,520 | 58.0% | 19,346 | -0.9ppts |

Key Indices

| | | | |
|-------------------------|------|------|--------|
| A/R Turnover Days | 72 | 84 | (12) |
| Inventory Turnover Days | 52 | 48 | 4 |
| Current Ratio (x) | 1.49 | 1.69 | (0.20) |
| PPE Turnover (x) **** | 1.84 | 1.80 | 0.04 |

* Shares outstanding as of 2022/12/31: 944,956 thousand shares

** Including current financial assets at amortized cost (time deposits, etc.)

*** Including investment property

**** PPE Turnover = annualized net revenue / average net property, plant and equipment

2011-2022 Financial Summary

Unit: NT\$ million

| Period | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| Revenue | 44,280 | 55,369 | 64,483 | 75,954 | 85,738 | 82,393 | 109,238 | 117,913 | 120,068 | 131,279 | 155,022 | 171,356 |
| Gross Profit | 6,993 | 10,775 | 11,894 | 14,323 | 16,427 | 12,542 | 17,833 | 26,061 | 27,222 | 26,584 | 30,537 | 39,888 |
| Net Income | 2,356 | 4,056 | 5,471 | 6,735 | 7,731 | 3,456 | 6,772 | 11,536 | 12,402 | 11,508 | 13,694 | 20,535 |
| Net Income to Parent | 2,356 | 4,056 | 5,471 | 6,735 | 7,731 | 3,456 | 5,172 | 8,448 | 8,685 | 8,095 | 9,651 | 14,197 |
| Depreciation & Amortization | 3,008 | 3,375 | 3,742 | 4,293 | 4,850 | 5,295 | 5,679 | 6,820 | 7,955 | 8,405 | 11,875 | 14,638 |
| EPS (NT\$) | 3.30 | 5.49 | 7.41 | 9.12 | 9.80 | 4.29 | 6.43 | 10.50 | 9.93 | 8.90 | 10.21 | 15.02 |
| DPS (NT\$) | 1.50 | 2.50 | 3.00 | 3.67 | 4.50 | 2.20 | 3.30 | 4.46 | 4.50 | 4.50 | 5.00 | 6.00 |
| Payout Ratio (%) | 45.5% | 45.5% | 40.5% | 40.2% | 45.9% | 51.3% | 51.3% | 42.5% | 45.3% | 50.6% | 49.0% | 40.0% |
| Cash and Cash Equivalents* | 4,084 | 8,756 | 10,016 | 23,482 | 31,572 | 30,241 | 33,296 | 49,154 | 43,071 | 46,775 | 35,179 | 57,599 |
| Property, Plant and Equipment | 27,097 | 26,637 | 27,843 | 30,073 | 32,074 | 32,262 | 36,681 | 41,913 | 46,243 | 68,177 | 86,073 | 104,814 |
| Capital | 6,699 | 7,034 | 7,386 | 7,386 | 8,047 | 8,047 | 8,047 | 8,047 | 9,022 | 9,470 | 9,470 | 9,470 |
| ROE (%) | 15.34% | 21.27% | 23.77% | 23.33% | 20.82% | 8.59% | 14.49% | 17.30% | 14.72% | 11.84% | 12.59% | 16.67% |
| Debt Ratio (%) | 67.03% | 66.28% | 64.06% | 62.54% | 53.70% | 59.72% | 55.33% | 44.25% | 35.41% | 42.56% | 42.01% | 42.87% |

* Including current financial assets at amortized cost (time deposits, etc.)



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Company Strategy

Charles Shen, Chairman

1

Revenue increased by 10.5% YoY, achieving our target of double-digit growth:

Despite facing challenges from the macro environment, we have kept working with global tier 1 customers and growing with them.

2

Net income increased by 50% YoY, achieving our target of “net income growth being higher than revenue growth”:

This was mainly attributable to: 1) our product mix continues to shift to higher end products and 2) under the One ZDT Strategy, we have been introducing smart manufacturing into each plant step by step, and the operating efficiency of all product lines has improved materially.

3

Qinhuangdao BT substrate fab entered mass production, and Shenzhen ABF substrate fab started sample certification; 2022 capacity expansion plan was on schedule:

We remain optimistic about the mid-to long-term outlook of IC substrate demand. While we are still in the stage of gradually ramping up capacity and the revenue contribution from IC substrate is still low, we expect our advanced smart fabs will quickly improve production yields and manufacturing efficiency. We have achieved initial desired results for the trial production of ABF substrates, and we expect revenue and profit contribution from IC substrate to pick up significantly in the next three years.

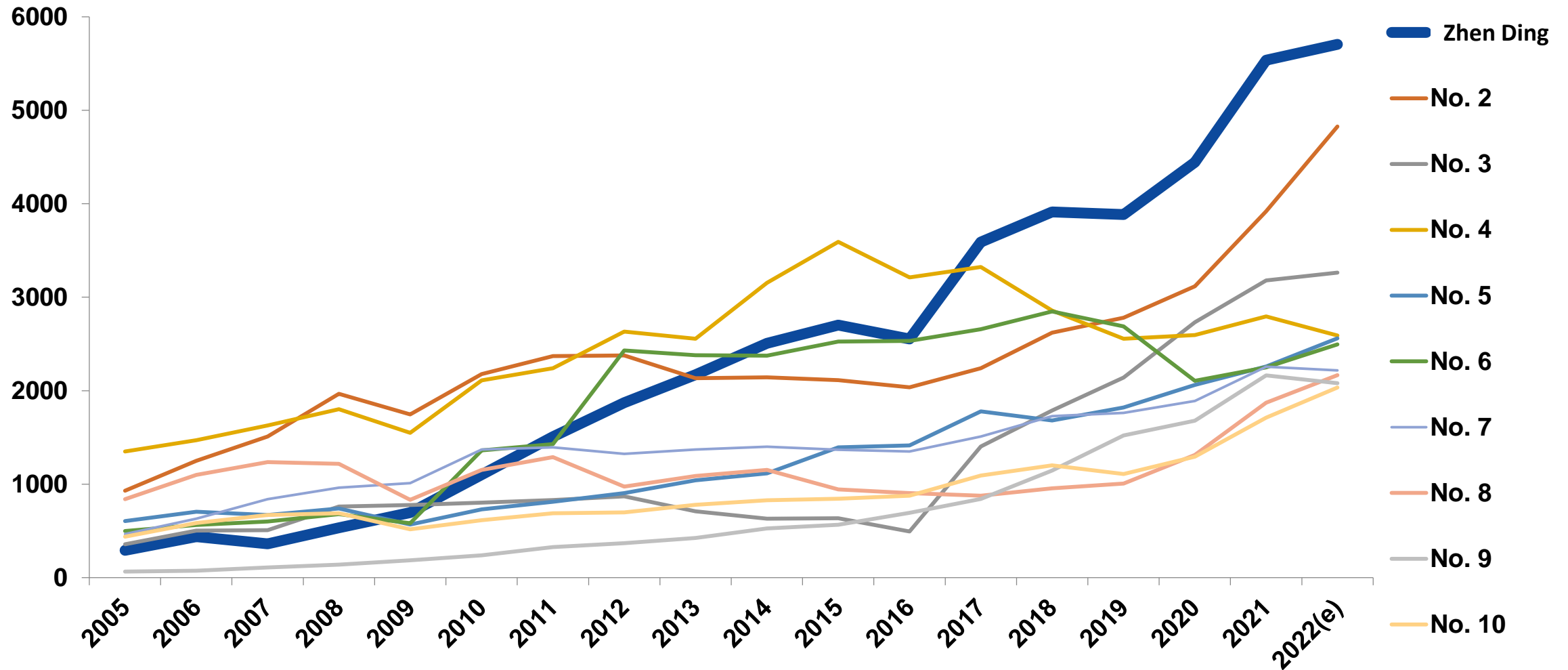
4

Co-develop products with customers to break into new application markets:

Under the One ZDT Strategy, we continue to develop products for diversified application markets. In 2022, for automotive and server applications, we not only had new products that entered mass production, but also had order wins for high-end models from important customers.

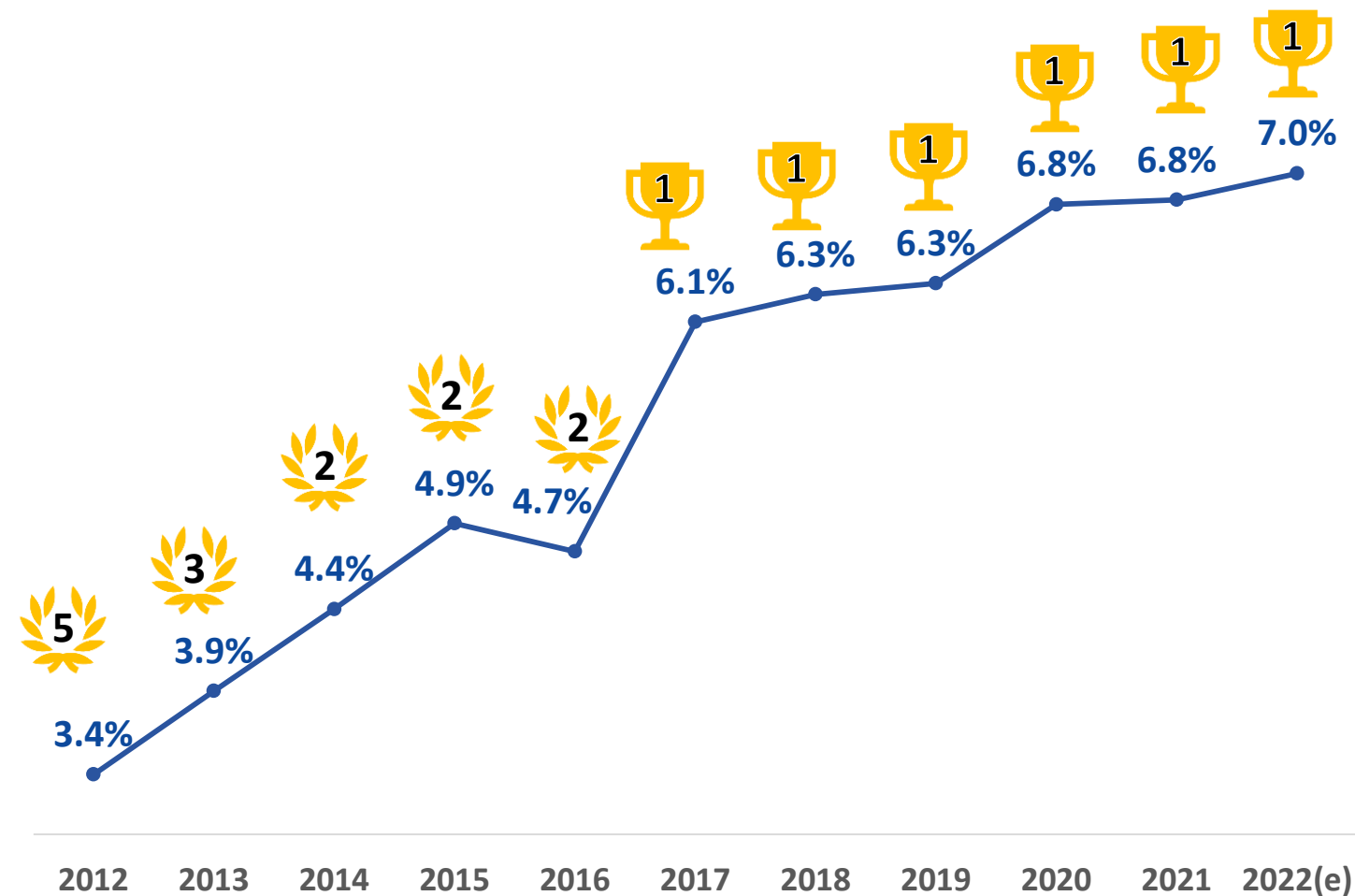
2022 Global Top 10 PCB Companies Revenue Trends

Unit: US\$ million



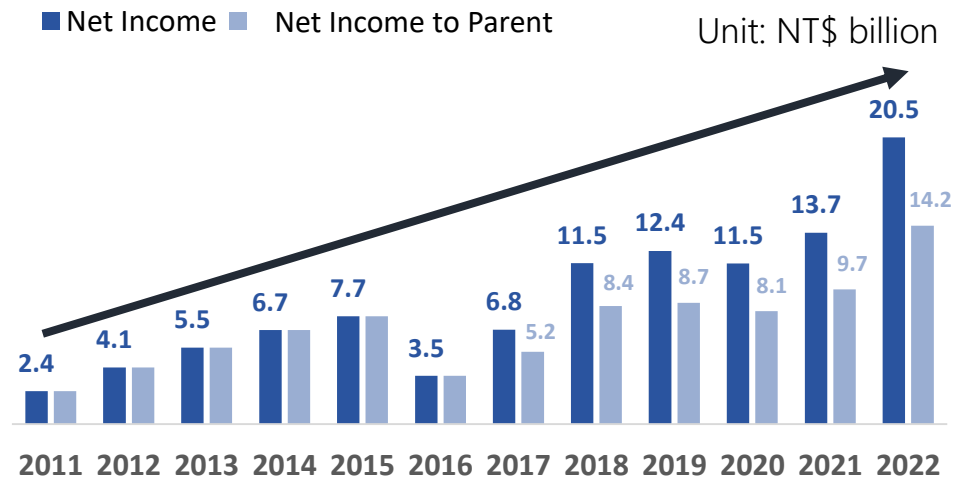
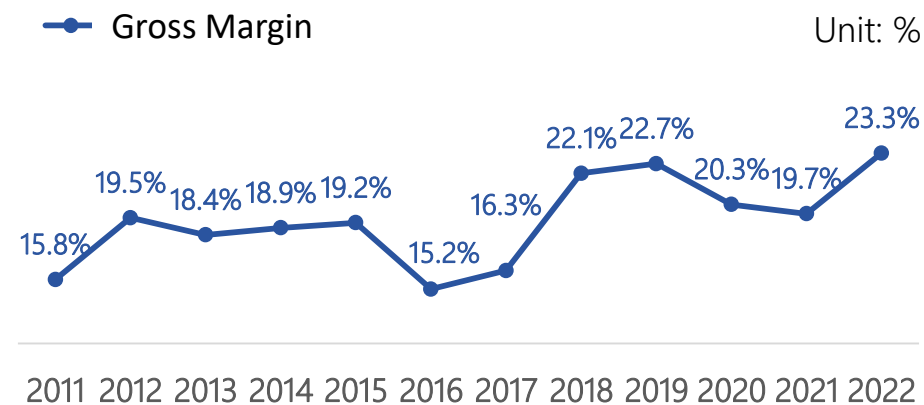
Source : NT Information ; Prismark (2023/02)

ZDT: Continued Market Share Gain in the Global PCB Market



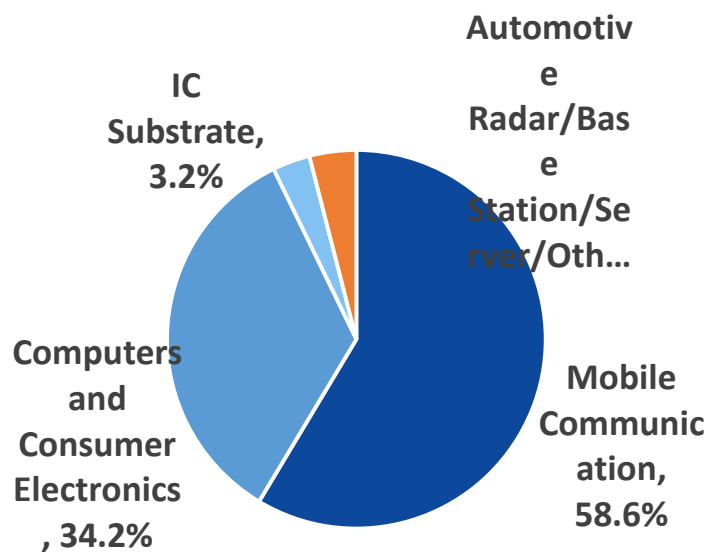
Source : Prismark

Stable Profitability

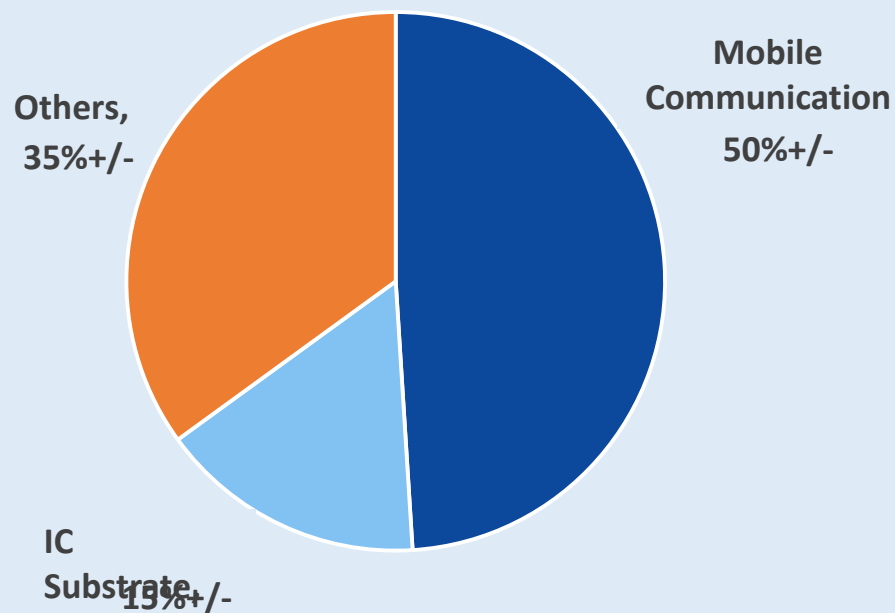




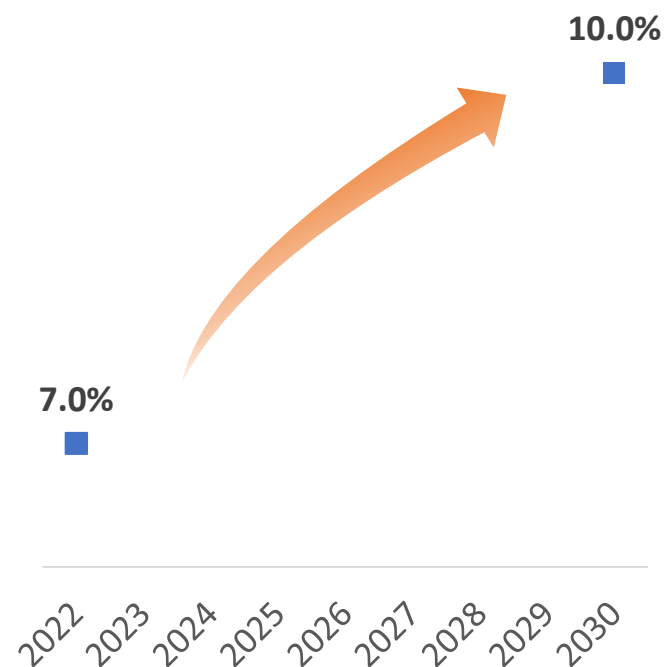
2022 Revenue by Application



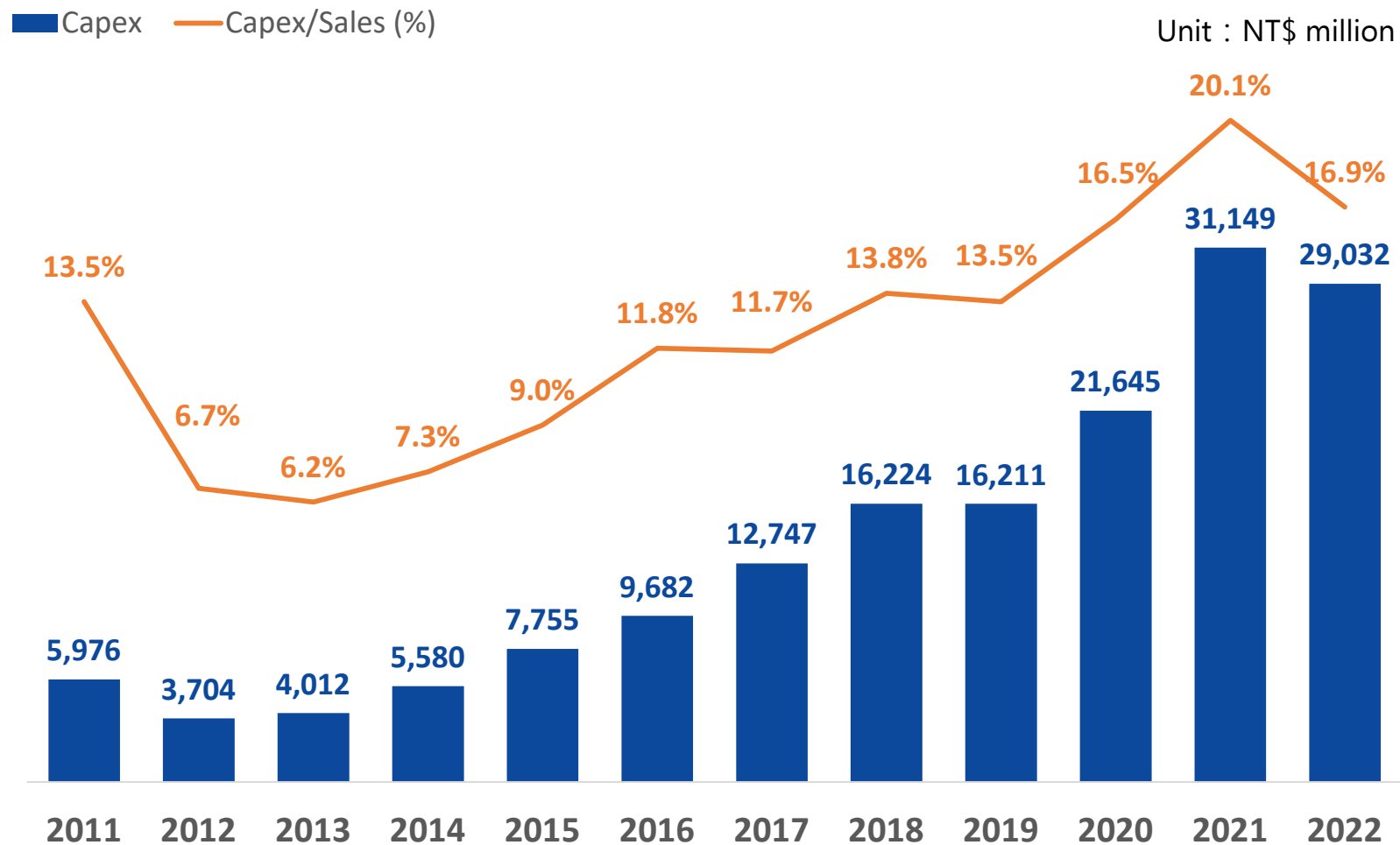
2025 Target Revenue by Application



Aim to Reach 10% Global Market Share by 2030



Continued Capacity Expansion, Pursuing Stable Growth

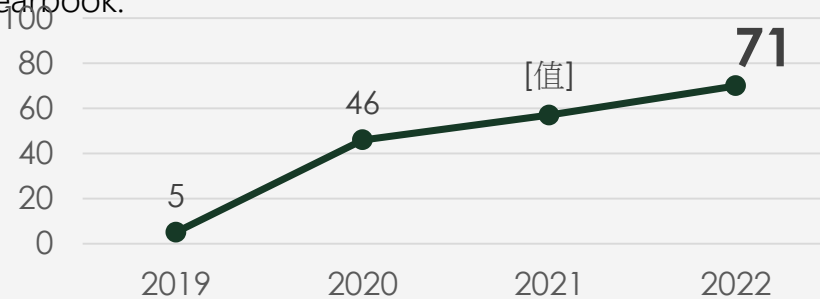


Early
deployment of
production
capacity to meet
customers' need

Commitment to EPS + ESG – Improvement in ESG Ratings

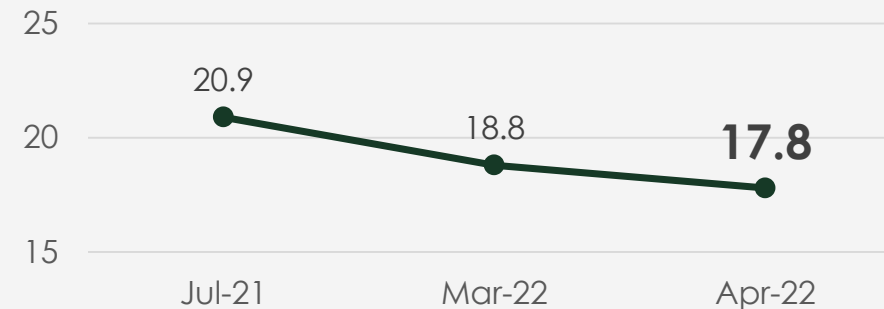
S&P Global ESG Rating

In 2022, Zhen Ding's S&P ESG Score improved to 71 and was selected as a member of the S&P Global Sustainability Yearbook.



Sustainalytics ESG Risk Rating

Zhen Ding's Sustainalytics ESG Risk Ratings improved from 20.9 to 17.8, from medium risk to low risk.



FTSE Russell ESG Rating

In December 2022, Zhen Ding's FTSE Russell ESG Rating improved from 3.6 to 4.3 (out of 5), and ranked in the 3rd place among all listed companies in Taiwan.

ESG Rating: 4.3

ICB Supersector: Industrial Goods & Services

Percentile rank: 95 ⓘ

Environment Score: 4.0

ICB Supersector decile rank: 10 ⓘ

Social Score: 4.1

ICB Supersector decile rank: 10

Governance Score: 5.0

ICB Supersector decile rank: 10

Bloomberg Gender Equality Index (GEI)

Zhen Ding was included in the 2023 Bloomberg Gender Equality Index, becoming the 1st company in the PCB industry and one of 16 Taiwanese companies included in the index.





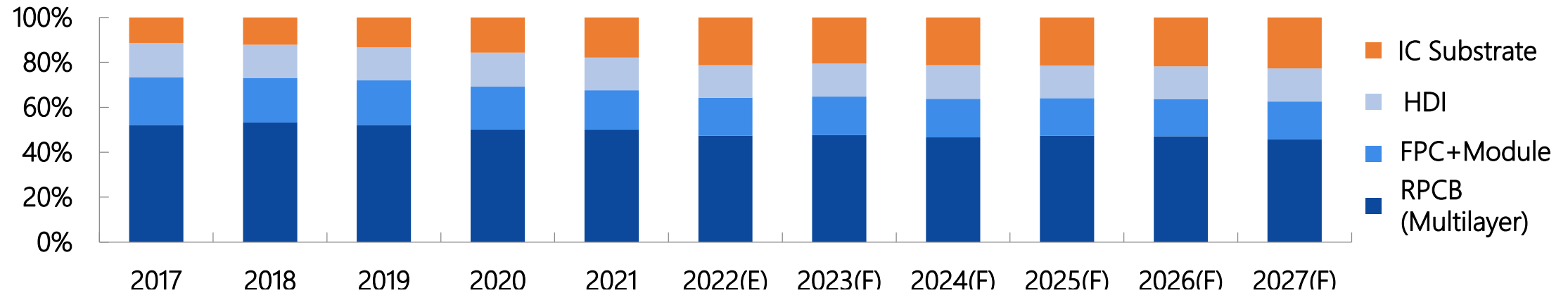
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Business Roadmap and Execution

D.J. Lee, General Manager

PCB Markets will Continue to Grow



| Product | Item | 2017 | 2018 | 2019 | 2020 | 2021 | 2022(E) | 2023(F) | 2024(F) | 2025(F) | 2026(F) | 2027(F) | 2022-27 CAGR |
|-------------------|-------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|--------------|
| RPCB (Multilayer) | Value | 30,656 | 33,225 | 31,969 | 32,674 | 40,641 | 38,721 | 37,340 | 38,179 | 41,939 | 44,430 | 45,048 | 3.1% |
| | % | 52.1% | 53.2% | 52.1% | 50.1% | 50.2% | 47.4% | 47.6% | 46.6% | 47.3% | 47.1% | 45.8% | |
| FPC+Module | Value | 12,523 | 12,395 | 12,195 | 12,483 | 14,058 | 13,842 | 13,427 | 14,131 | 14,872 | 15,652 | 16,473 | 3.5% |
| | % | 21.3% | 19.9% | 19.9% | 19.1% | 17.4% | 16.9% | 17.1% | 17.2% | 16.8% | 16.6% | 16.7% | |
| HDI | Value | 8,968 | 9,222 | 9,008 | 9,874 | 11,811 | 11,763 | 11,528 | 12,225 | 12,965 | 13,749 | 14,581 | 4.4% |
| | % | 15.2% | 14.8% | 14.7% | 15.1% | 14.6% | 14.4% | 14.7% | 14.9% | 14.6% | 14.6% | 14.8% | |
| IC Substrate | Value | 6,696 | 7,554 | 8,139 | 10,188 | 14,410 | 17,415 | 16,073 | 17,441 | 18,926 | 20,538 | 22,286 | 5.1% |
| | % | 11.4% | 12.1% | 13.3% | 15.6% | 17.8% | 21.3% | 20.5% | 21.3% | 21.3% | 21.8% | 22.7% | |
| Total | | 58,843 | 62,396 | 61,311 | 65,219 | 80,920 | 81,741 | 78,367 | 81,976 | 88,702 | 94,369 | 98,388 | 3.8% |

Source : Prismark (2023/2) *2023-2027 forecasts are calculated based on Prismark's estimates

Five Major Global Manufacturing Campuses

Multiple manufacturing campuses to fulfill clients' needs

China Qinhuangdao



Qinhuangdao Park BT Substrate Park
(FPC & advanced module
/SLP High end HDI)

China Huai'an



Huai'an Park
1
(RPCB/HDI)

Huai'an Park 2
(FPC & advanced
module/HDI/ Mini
LED))

Huai'an Park 3
(High-end HDI/
MSAP)

Taiwan



Kaohsiung Park
(FPC and advanced
module)

Taoyuan Boardtek
Park
(PCB for networking,
HPC, automotive related
applications)

India



Chennai Park
(FPC and
advanced
module)

China Shenzhen



Shenzhen Park 1
(FPC and advanced
module/HDI)

Shenzhen Park
2
(FPC and
advanced
module)

ABF Substrate
Park



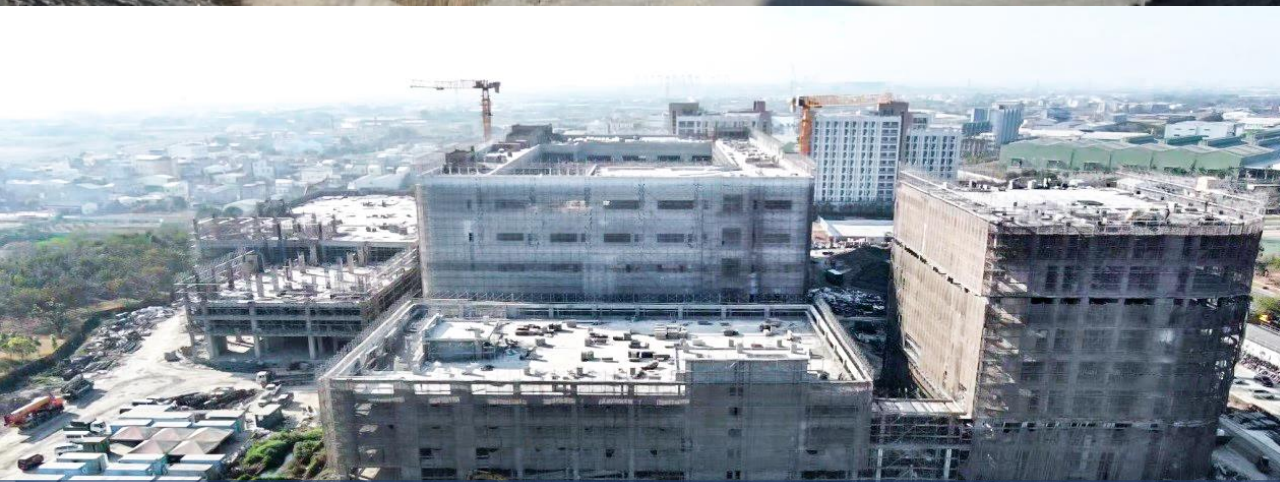
Capacity Expansion Plan: ABF Trail Production Yield is Comparable to Tier 1 Peers



Qinhuangdao BT Substrate Fab:
FC-CSP/WB-CSP/Memory



Shenzhen ABF Substrate Fab: FCBGA



Kaohsiung Luzhu Science Park:
FPC and Advanced Module Production Line



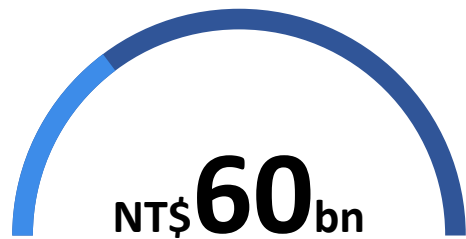
Huai'an Park 3: High-end HDI/MSAP



| | | 2023 | | | | 2024 | | | | 2025 | | | |
|---|--|---|----|----|----|---------------------|--|----|----|------|----------------------|----|----|
| | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| SZ ABF Substrate Plant (Two Fabs’ floor area in total: 170,000 m²) | Fab 1 (Mid to high-end products) | Installation | | | | | | | | | | | |
| | | Sample certification | | | | | | | | | | | |
| | | Mass production, target yield: comparable to tier 1 peers | | | | | Full utilization, target yield: comparable to tier 1 peers | | | | | | |
| | Fab 2 (High end products) | | | | | | Installation | | | | | | |
| | | | | | | | Sample certification | | | | | | |
| | | | | | | | Mass production | | | | | | |
| QHD BT Substrate Plant (Two Fab’s floor area in total: 60,000 m²) | Fab 1 | Industry Leading Quality | | | | | | | | | | | |
| | Fab 2 | Mass Production | | | | Utilization at 90%+ | | | | | | | |
| Huai’an MSAP (Two Fabs’ floor area in total: 91,200m²) | HC01 (ELIC & MSAP products) | Sample certification | | | | | | | | | | | |
| | | Mass production, target yield: comparable to tier 1 peers | | | | | Utilization at 90%+ with leading quality | | | | | | |
| | HC02 (ELIC & MSAP products / Mini LED products) | | | | | | | | | | Installation | | |
| | | | | | | | | | | | Sample certification | | |
| | | | | | | | | | | | | | MP |

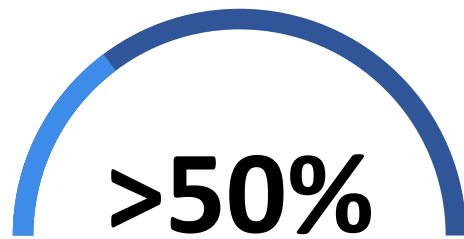
Based on current business outlook, management targets:

- 2023 Revenue: About flat, but positive on 2024-2025 demand
- IC Substrate Goals:



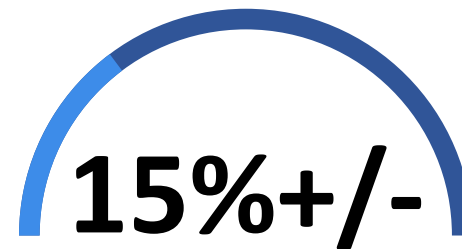
Capex for IC Substrate:

Plan to invest NT\$60bn from 2022~2025, with NT\$15bn per year



Revenue from IC Substrate:

Revenue CAGR >50% in the next 3 years



Revenue from IC Substrate:

Account for 15 %+/- of company's consolidated revenue in 2025



IC Substrate Market Share:

Aim to become one of the global top 5 companies in the IC substrate market in 2030



Q&A



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Zhen Ding Tech. Holding

THANK YOU