

Scan & Join Phison's IR list



PHISON

Financial Results & Company Outlook

2024 First Quarter

K.S.Pua | CEO

May 10, 2024

Forward-Looking Statement

Information included in this earning meeting that are not historical in nature are "forward looking statements". Phison cautions readers that forward looking statements are based on Phison's reasonable knowledge and current expectations and are subject to various risks and uncertainties. Actual results may differ materially from those contained in such forward looking statements for a variety of reasons including without limitation, risks associated with demand and supply change, manufacturing and supply capacity, design win, time to market, market competition, industrial cyclicity, customer's financial condition, exchange rate fluctuation, legal actions, amendments of the laws and regulations, global economy change, natural disasters, and other unexpected events which may disrupt Phison's business and operations. Accordingly, readers should not place reliance on any forward-looking statements. Except as required by law, Phison undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events, or otherwise.

Executive Summary

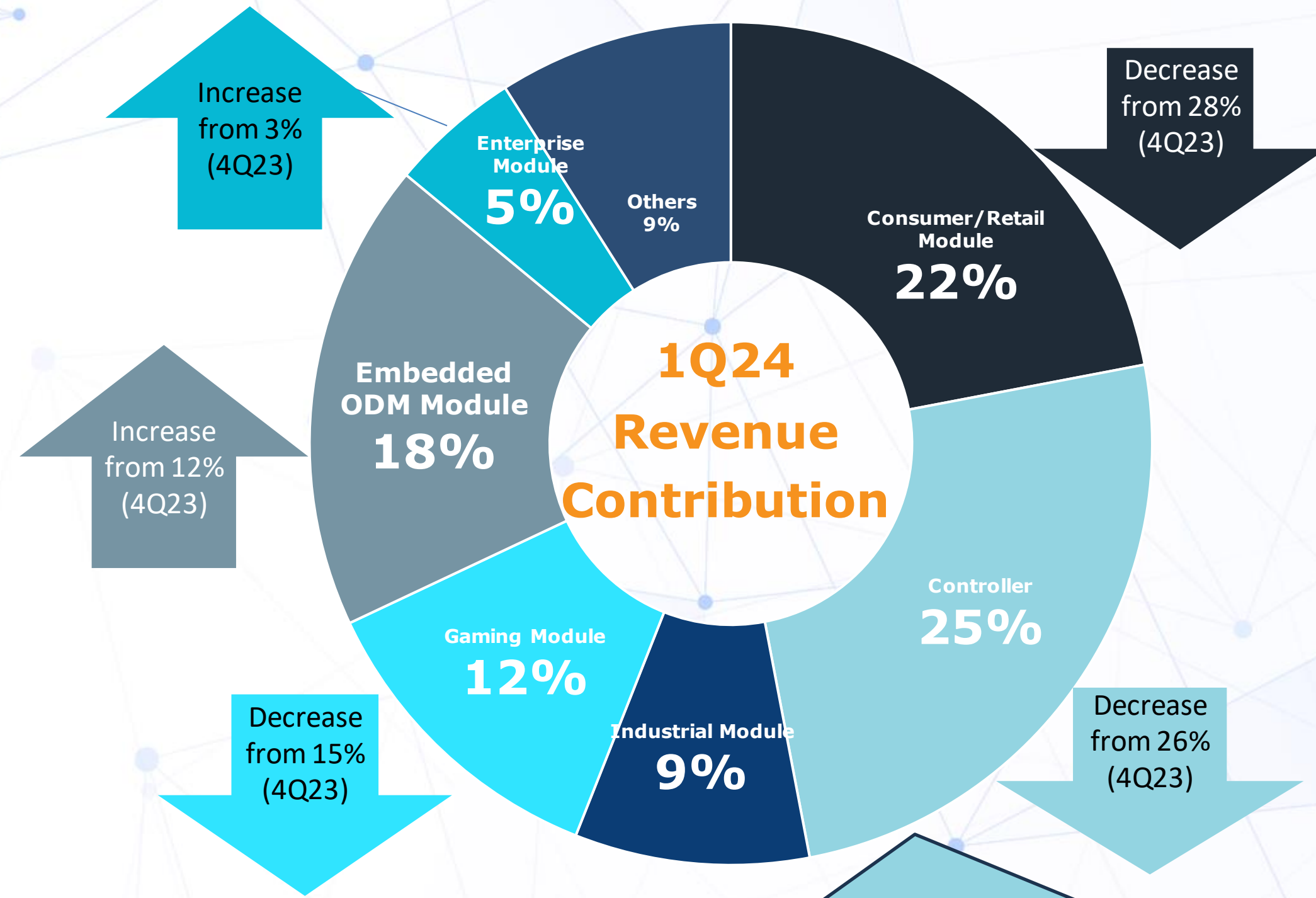
- 1** Phison's Business Transformation
- 2** Financial Results
- 3** Business Highlights
- 4** Technology Leadership Update
- 5** Q&A

1 Phison's Business Transformation

Phison's Non-consumer Deployment Reduces NAND Market Fluctuation Impact

Revenue from Non-consumer/retail Products

70%+



NAND Controller 1Q24 Revenue Increases by 2% (QoQ) However, due to a higher growth rate in revenue from NAND module solutions, the contribution of NAND controller revenue decreased compared to 4Q23.

Note: Controller Revenue Contribution includes both direct shipments and controllers applied to modules.

2 1Q24 Financial Results

1Q24 Revenue and Gross Profit

1Q24 Revenue

\$16.526B

Revenue up 64.0% YoY
Revenue up 4.9% QoQ
Second Highest in the same period

1Q24 Gross Profit

\$5.607B

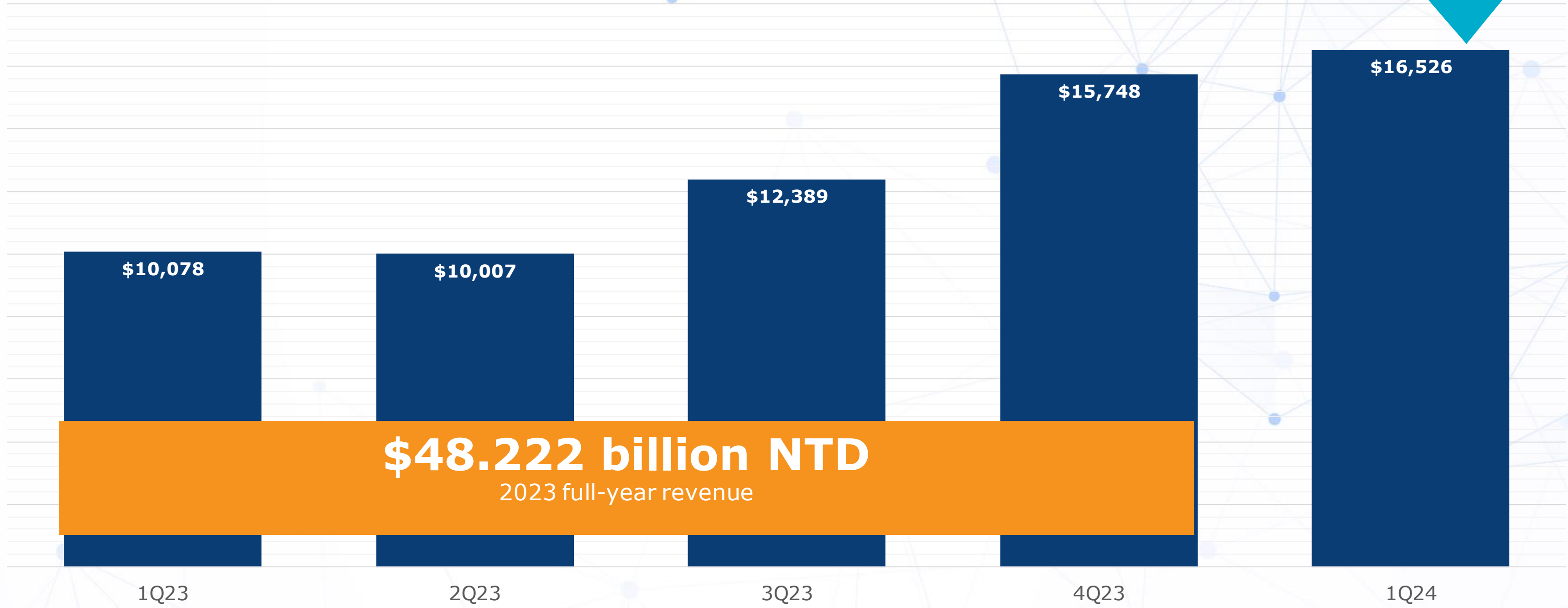
Gross profit up 75.1% YoY
Gross profit up (1.2)% QoQ
Historical High for the same period

Revenue in \$NT

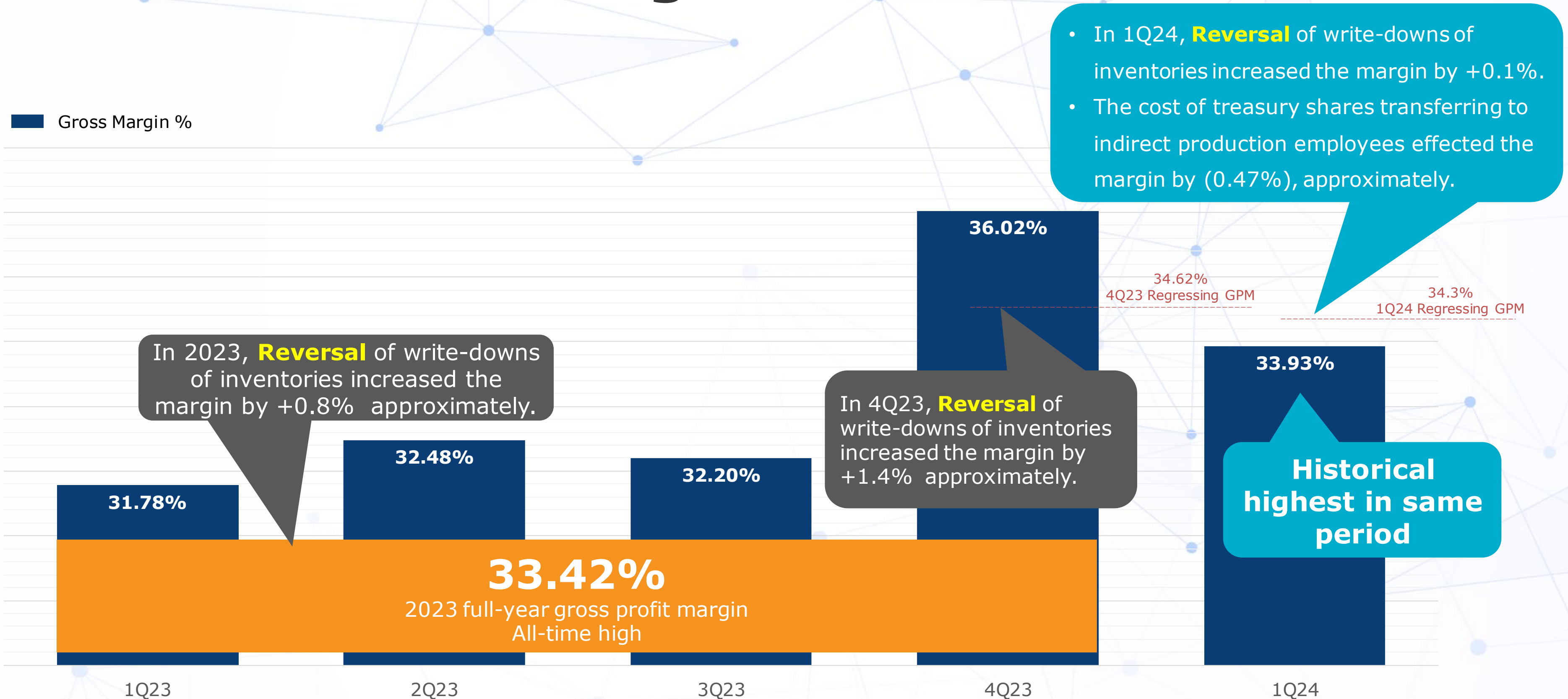
Revenue Trend

■ Revenue NT\$ millions

Second highest in same period



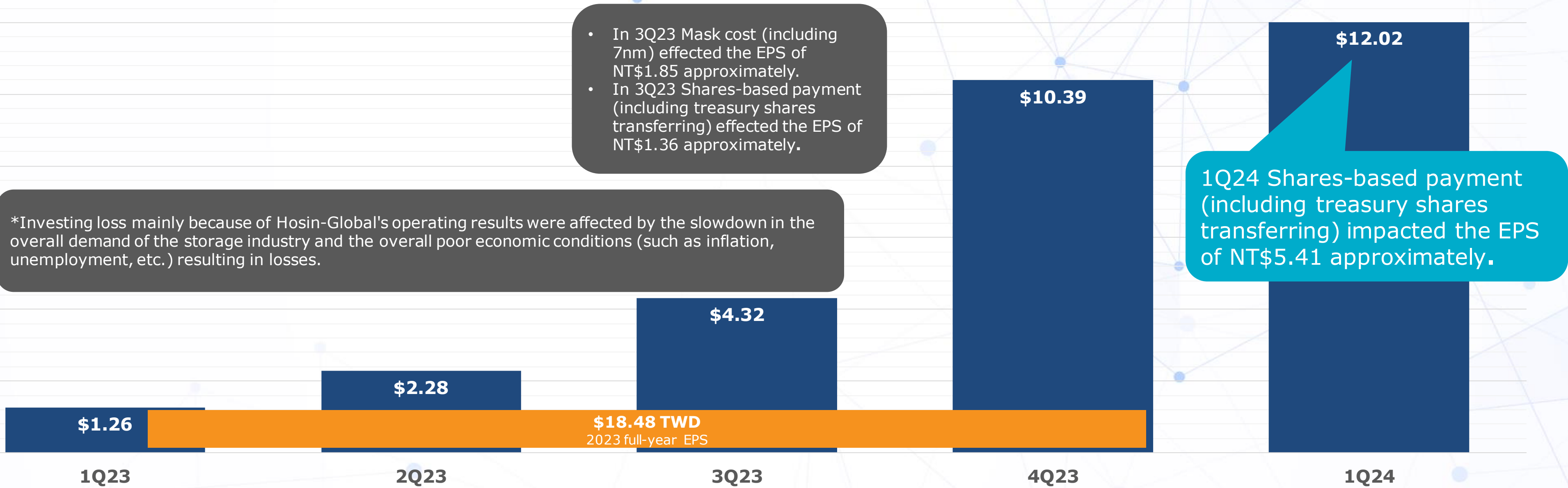
Gross Margin Rate Trend



Note: By the accounting rule, we evaluate the lower of cost and the market price (LCM) to reserve the allowance of inventory price loss. When the market price hiking, we will reversal the allowance of inventory price loss.

Earnings Per Share Trend

In \$NT



- In 3Q23 Mask cost (including 7nm) effected the EPS of NT\$1.85 approximately.
- In 3Q23 Shares-based payment (including treasury shares transferring) effected the EPS of NT\$1.36 approximately.

*Investing loss mainly because of Hosin-Global's operating results were affected by the slowdown in the overall demand of the storage industry and the overall poor economic conditions (such as inflation, unemployment, etc.) resulting in losses.

1Q24 Shares-based payment (including treasury shares transferring) impacted the EPS of NT\$5.41 approximately.

*Basic EPS contribution from one-time gain was in light blue.

1Q24 Income Statement Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

Historical high in a single quarter
The second highest in a single quarter, and Historical high for the same period

- Revenue in NTD: QoQ is increased 4.9%. Revenue in USD: QoQ is increased 6.9%.
- In 1Q24, The margin was 33.9%(Historical high for the same period). The reversal of allowance for inventory LCM effected the margin by +0.1%, but the cost of treasury shares transferring effected the margin by (0.47%), approximately.
- 1Q24 OPEX was higher than 4Q23. Due to the expenses of treasury shares transferring and lower employee compensation reserved. Phison keeps investing in research and development to maintain technological leadership.
- The non-operating gains in 1Q24 mainly for recognizing the gains of investments for using the equity, the gains of forex and the gains/losses from finance assets valuations.

NT\$m	1Q24	4Q23	1Q23	Q/Q (%)	Y/Y (%)
Revenue in US\$Mn	527	493	331	6.9	59.2
Revenue	16,526	15,748	10,078	4.9	64.0
Gross Profit	5,607	5,673	3,203	(1.2)	75.1
Marketing Exp.	409	391	262		
General & Adm. Exp.	449	355	178		
Research & Development	3,536	3,426	2,000		
Expected credit losses	(39)	(40)	(75)		
Operating Expenses	4,355	4,132	2,364	5.4	84.2
Operating Profit	1,252	1,541	838	(18.8)	49.3
Non-Operating gains (losses)	1,582	642	(524)		
Pretax Income	2,834	2,183	314	29.8	802.3
Tax Expenses	414	99	72		
Net Income to Phison	2,420	2,084	242	16.1	899.5
Basic EPS (NT\$)	12.02	10.39	1.26		
Key Financial Ratios (%)					
Gross Margin	33.9%	36.0%	31.8%		
Operating Margin	7.6%	9.8%	8.3%		
Net Profit Margin	14.6%	13.2%	2.4%		
Average Exchange Rate--USD/NTD	31.45	31.15	30.39		

***EBITDA** which takes earnings and adds back interests, taxes, and depreciation/amortization charges.

Balance Sheet Highlights

Taiwan-International Financial Reporting Standards (TIFRS)

NT\$m	1Q24	4Q23	1Q23
Total Assets	75,753	64,963	51,676
Cash & Current Financial assets at fair value	15,262	15,201	10,662
Account Receivable	9,917	9,622	6,031
Inventories	30,158	24,410	21,082
Long-term Investments	5,931	4,763	3,867
Net PP&E	7,324	7,448	7,523
Total Liabilities	29,212	22,175	14,275
Current Liabilities	23,279	21,801	9,534
Bonds Payable	5,541	-	3,449
Total Equity	46,541	42,788	37,401
BVPS(NT\$)	227	213	194
Key Financial Ratios			
A/R Turnover Days	54	64	60
Inventory Turnover Days	228	255	277
ROE (%)	21.67	9.01	2.58
ROA (%)	14.12	5.87	1.78

- 1** Cash: the change is a result of operating profit and the management of inventory purchasing.
- 2** Inventories: Inventories will be adjusted according to changes in the industry and to maintain a safe level based on operational needs.
- 3** Bonds Payable: The company issued its 2nd domestic unsecured convertible bonds in this quarter.
- 4** Total Equity: the change is a mixed result of the Net profit of 3 months deducting the surplus distribution of 2H23 (NT\$8.84 Cash dividend per share), issuing bonds and treasury shares transferring.

【Supplemental Information】

Reconciliations of TIFRS Results to Non-TIFRS Results

◎ Forward-Looking Statement ◎

The Non Taiwan International Financial Reporting Standards(Non-TIFRS) results supplemented in this presentation are reconciliation results which exclude the financial impact of share-based payment, tax effect and other items.

The supplemental information is for reference only, and is not a substitute for information based on TIFRS. The final actual surplus distribution will be made in accordance with financial statements based on TIFRS.

Reconciliations of TIFRS Results to Non-TIFRS Results (1Q24)

NT\$/million		1Q24	4Q23	1Q23	Q/Q (%)	Y/Y (%)
TIFRS	Operating Profit	1,252	1,541	838	(18.8%)	49.3%
	Operating Profit Margin (%)	7.57%	9.79%	8.32%		
Reconciliations	Shares-based payment	1,271	37	74		
Non-TIFRS	Operating Profit	2,523	1,578	912	59.9%	176.6%
	Operating Profit Margin (%)	15.27%	10.02%	9.05%		

TIFRS	Net Income to Phison	2,420	2,084	242	16.1%	899.5%
	Net Incomt (%)	14.64	13.23%	2.40%		
	Basic EPS (NT\$)	12.02	10.39	1.26		
Reconciliations	Shares-based payment	1,271	37	74		
	Tax effect	(182)	28	(11)		
Non-TIFRS	Net Income to Phison	3,509	2,149	305	63.3%	1,050.5%
	Net Incomt (%)	21.23%	13.65%	3.03%		
	Basic EPS (NT\$)	17.43	10.71	1.59		

Note1: Please note, Non-TIFRS results here is a supplement and not a substitute for the Information based on TIFRS, which excluded the share-based payment, tax effect and other items. The final actual surplus distribution is based on the financial statements of TIFRS.

Note2: The numbers may not equal, it is due to rounding.

Consolidated Revenue for April 2024

April Revenue
\$5.156

Revenue up 53% YoY
Second highest in history for the same period

**Consolidated Revenue
from Jan. to April**
\$21.682B

Revenue up 61% YoY
Second highest in history for the same period

Revenue in \$NT

3 Business Highlights

Client SSD Market

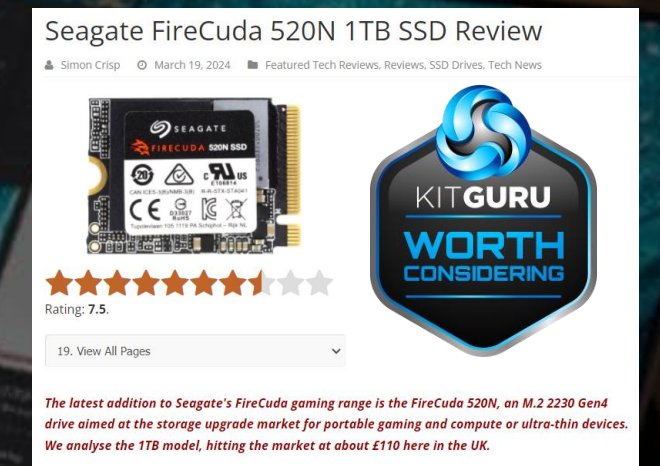
Client SSD Market TAM @2025

1.4B+
USD
Controllers
TAM

20B+ USD
Modules TAM



Retail



Note: TAM (Total Addressable Market) is estimated by market research firms

<https://www.techradar.com/computing/computing-components/crucial-t705>
<https://www.kitguru.net/components/ssd-drives/joao-silva/msi-unveils-its-fastest-pcie-5-0-ssd-yet/>
<https://www.tomshardware.com/pc-components/ssds/plyn-cs3150-1tb-ssd-review>
<https://www.kitguru.net/components/ssd-drives/simon-c-risp/seagate-firecuda-520n-1tb-ssd-review/all/>

Automotive Storage

Auto Storage Market TAM @2025

0.3B+
USD
Controllers
TAM

3B+ USD
Modules TAM

16+

Brands of Top 20 Car Makers
Adopted Phison Auto Storage Solutions

Mobile Storage

Mobile Storage Market TAM @2025

1B+ USD
Controllers
TAM

20B+ USD
Modules TAM

3

Branded Mobile/PC/Tablet
Adopted Phison UFS/eMMC Modules

3

NAND Makers
Adopted Phison UFS

4


NAND Makers
Adopted Phison eMMC

Gaming Storage

Gaming Storage Market TAM @2025

3B+ USD
Modules TAM

THE BEST GEN 5 SSD




gamesradar+

(Image credit: Future / Duncan Robertson)

3. Crucial T700 Pro ★★★★★
The best Gen 5 SSD

SPECIFICATIONS
Capacities: up to 4TB Interface: PCIe Gen 5
Read/write speed: 12,378 / 11,517 MB/s
Warranty: 5 years

THE BEST SSD FOR PS5



gamesradar+

(Image credit: Future/Jeremy Laird)

6. Seagate FireCuda 530 ★★★★★
The best SSD for PS5

SPECIFICATIONS
Capacities: up to 4TB Interface: AIC PCIe 4.0 x4
Read/write speed: 7,300 / 6,900 MB/s
Random read/write speed: 1M / 1M IOPS
DRAM cache: 2GB DDR4
SLC cache: up to 450GB (model dependent)
Write endurance: 2550TB Warranty: 5 years

THE BEST HIGH CAPACITY SSD




PC GAMER

(Image credit: Future)

3. Nextorage NEM-PA ★★★★★
The best high capacity NVMe SSD

SPECIFICATIONS
Capacity: 1TB, 2TB, 4TB Controller: Phison E18
Flash: TLC NAND Interface: M.2 PCIe 4.0 x4
Seq. read: 7,300 MB/s Seq. write: 6,900 MB/s

THE BEST SSD FOR PS5




PC GAMER

(Image credit: Future)

5. Silicon Power XS70 2TB SSD ★★★★★
The best PS5 NVMe SSD

SPECIFICATIONS
Capacity: 1TB, 2TB, 4TB
Controller: Phison PS5018-E18
Flash: Micron 176L TLC NAND
Interface: M.2 PCIe 4.0 x4 Seq. read: 7,300 MB/s
Seq. write: 6,800 MB/s

THE BEST PCIe 5 SSD



PC GAMER

(Image credit: Future)

7. Teamgroup T-Force Z540 ★★★★★
The best PCIe 5 SSD

SPECIFICATIONS
Capacity: 1TB, 2TB, 4TB
Controller: Phison PS5026-E26
Memory: Micron 232-layer TLC NAND
Interface: PCIe Gen5 x4 Seq. read: 12,400 MB/s
Seq. write: 11,800 MB/s

<https://www.pcgamer.com/best-ssd-for-gaming/>
<https://www.gamesradar.com/best-ssd-for-gaming/>

Enterprise SSD

Enterprise SSD Market TAM @2025

25B+ USD
Modules TAM

5%
1Q24

3%
1Q23

Enterprise SSD Module Revenue Contribution

5

Tier-1 Server Brands
Enterprise PCIe 4.0 SSD Design-in



Industrial Storage

Industrial Storage Market TAM @2025

2B+ USD

Modules TAM

Signal Conditioning IC Market

Signal Conditioning IC TAM @2025

10M+ USD
Redriver TAM

300M+ USD
Retimer TAM

4

Top Motherboard Makers
Adopted Phison PCIe 5.0 Redriver

MP

Phison PCIe 5.0 Retimer

Developing

Phison PCIe 6.0 Redriver/Retimer

Phison's Patented AI @Home Computing Solution

4

『 **aiDAPTIV+** 』

\$\$\$\$\$\$

20 years ago

The Cost of Robotic Arms

\$\$\$

Now

The Cost of Robotic Arms

PHISON



Today

Generative AI Challenge #1

Phison's AI Solution **aiDAPTIV+**

Solves the High-Cost Issue of GenAI

Fills the Market Gap for On-Premises Fine-Tuning of AI Models

CLOUD AI SERVER

(PRE-TRAIN)

Billions of USD

Cloud Service Providers

AI MODEL ON-PREMISES FINE-TUNING

\$30K~50K USD

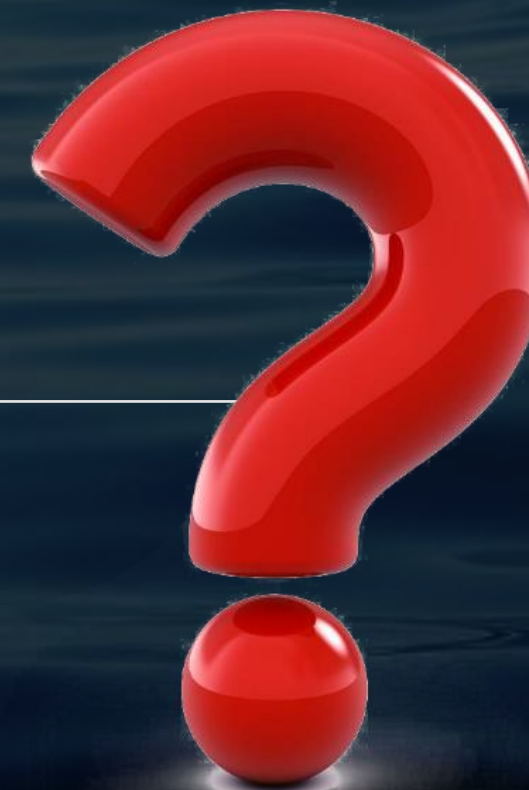
Any Organizations

AI PC

Less than \$10K USD

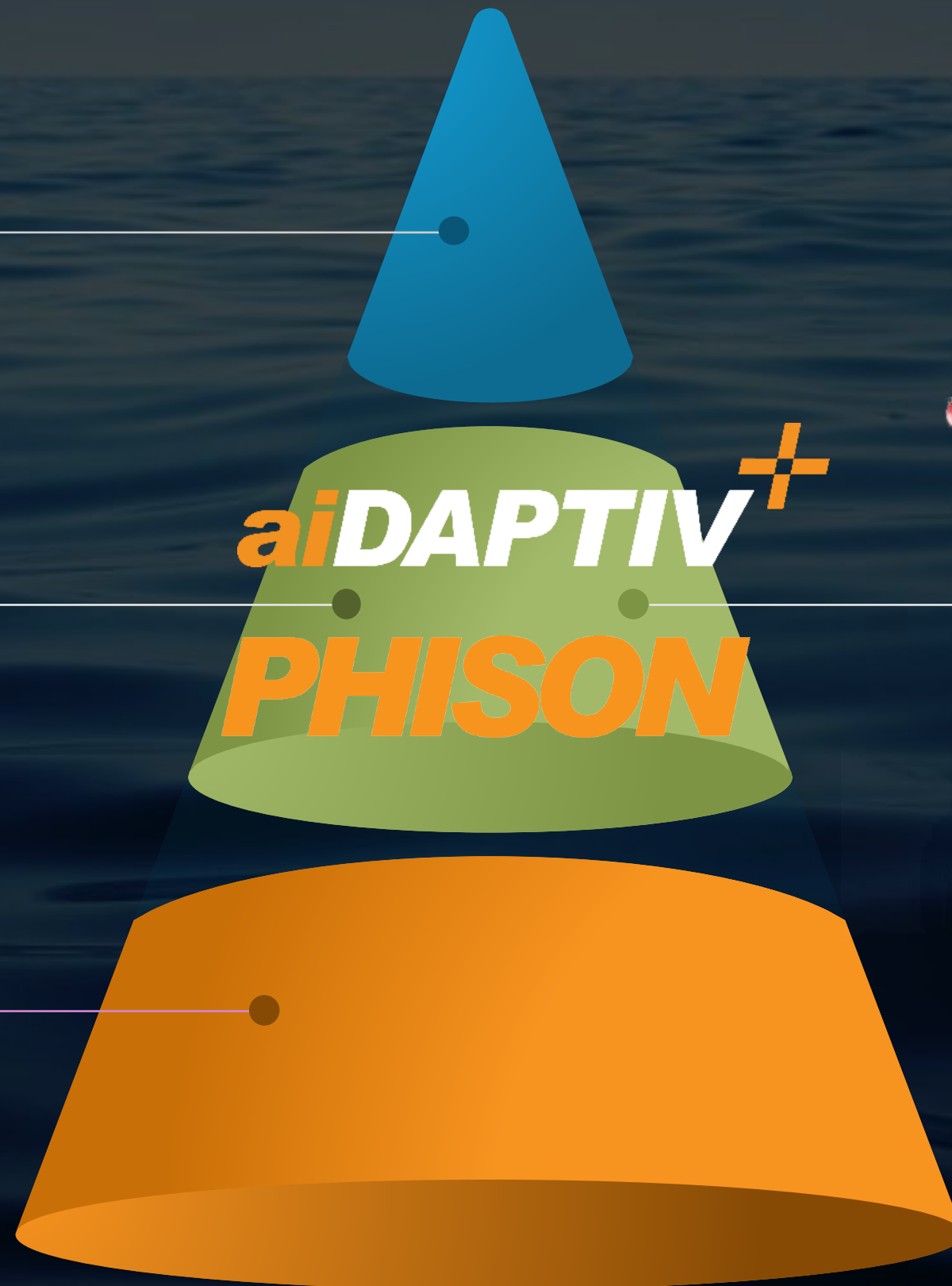
Individual Users

aiDAPTIV+
PHISON



Supply Gap

**New Business
Opportunities**



PHISON

Data Privacy

Today

Generative AI Challenge #2



aiDAPTIV +
Phison's AI Solution =

**AI @Home
Computing**

On-Premises, Secure, Reliable

Business Opportunities?

Phison's AI Solution *aiDAPTIV*⁺

80+

POC Cases

Lawyer

Government

Judge

Physician

Accountant

Teacher

Engineer

Analyst

Architect

Scientist

Almost every industry can benefit from AI assistance to reduce workload, enabling the widespread implementation of AI applications

Just like PCs



Powered by
PHISON

aiDAPTIV+

Phison has Already Established The Ecosystem for aiDAPTIV+

Service Provider

**UI
Dev.**

Customer
Service

System integrator (servers & workstations)

Hardware

**UI
Integration**

PHISON

aiDAPTIV+

Partners Offering Workstations and Servers Powered by Phison's **aiDAPTIV⁺** Solution have Begun Sales and Shipments

On-Premises, Secure, Reliable

Any workstation and server powered by Phison's aiDAPTIV⁺ can enable fine-tuning of generative AI models, including Llama2 with over 70 billion parameters.

**Accelerating the Adoption
of Generative AI Applications.**



4 Technology Leadership Update

Continue to Strengthen Phison Leading Technology Position

Category	2018	2019	2020	2021	2022	2023	1Q24
R&D Headcount	1,112	1,450	1,531	2,228	2,891	3,087	3,151
R&D Exp. / Revenue (%)	9%	11%	14%	13%	14%	22%	21%
R&D Exp. / Operating Exp.	79%	79%	81%	81%	77%	82%	81%

2000+
Global Patents

4000+
Global Employees

75%+
Proportion of Engineers

Note: Global patents including Granted and Pending