

[IR/JAMES CHEN]: Ladies and Gentlemen of the Investment Community and the Media

Good afternoon, everyone. I'm James, the IR of Fitipower.

Thank you for joining us for the first quarter of 2024.

Quarterly Operating Report and investor conference.

I am going to preside over today's meeting.

Today's management team includes

Mr. Young Lin, Chairman

and Mr. PC Chen, the Chief Financial Officer.

Let's start today's

Investor conference.

This is the safe harbor notice, please refer to it.

Today's agenda is as follows.

Reporting first on operating results for the first quarter of 2024,

The second part is about Fitipower overview.

The third part is

the CEO key message.

Lastly, we will have a Q&A session.

One operating result for the first quarter of 2024.

First of all, we will see the consolidated income statement.

In the consolidated income statement, our revenue for the first quarter was NT\$3722 million.

Compared to NT\$3767 million in the previous quarter, the revenue decreased by 1.18%, and compared to the same period last year, the revenue decreased by 5.43%.

Our gross margin for the first quarter was 29.93%, a decrease of 3.85% from 33.78% in the previous quarter.

Compared to the same period last year, 30.48% is almost the same.

Our portion of expenses is NT\$731 million.

Compared to the previous quarter, it increased by 5.8%, and compared to the same period last year, it increased by 3.18%.

The operating margin is 10.28%,

This is a decrease of 5.15% compared to 15.43% in the previous quarter.

Compared with 12.48% in the same period of last year, this represents a decrease of 2.2%.

the net income margin was 12.07%

This is a decrease of 4.18% from 16.25% in the previous quarter.

Compared to 11.08% in the same period last year, this represents an increase of 0.99%.

Our EPS for the first quarter was NT\$3.17.

This is a 28% decrease from NT\$4.43 in the previous quarter.

Compared to NT\$2.26 in the same quarter last year, that's an increase of almost a dollar.

Our ROE

In the first quarter, the level was 2.19%.

This

presentation is a graphical representation of the numbers we just reported, so you can get a clearer picture of what we're doing.

In our balance sheet section,

We're in the first quarter, and we can see that the cash portion is 2.038 billion.

We have invested NT\$10.8 billion in money market funds.

In addition.

The non-current financial assets measured at amortized cost was NT\$5862 million, which was represented by large certificates of deposit.

So the whole thing adds up to about 18.7 billion in cash.

Inventories were NT\$2245 million in the first quarter, up from NT\$1948 million in the previous

quarter.

All of our assets were NT\$25.775 billion in the first quarter.

Our debt is NT\$4.162 billion, so the debt ratio is 16.2%.

Here are some of the more key financial indicators

We can see that our AR turnover day is 65.1 days.

This is down from 68.5 days in the previous quarter, and about the same as the same period last year.

Our portion of the DOI is 72.3 days.

This is an increase from 69.3 days in the previous quarter.

Compared to the same period last year, it was a decrease.

Our cash flow from operations and free cash flow

We had a net inflow.

This chart is the same as the previous quarter's figures,

It's clearer to show it in a graph.

In the upper right hand corner of the section is our inventory as a percentage of assets which comes to 8.71%.

Our revenue for the last eight quarters

There is also a change in the DOI and inventory.

First of all, we see this picture on the left.

The blue bar chart is our revenue, the red bar chart is our inventory, and the green is the absolute amount of a change in inventory.

In the quarter, the absolute amount of our inventory rose by 15.42%,

The main reason is to do some stocking up for the future operation.

Also on the right hand side of this DOI, we're at 72.31 days for the quarter.

This is an increase of 2.98 days compared to 69.33 days in the previous quarter.

Our four main product segment in the first quarter.

The first one is the revenue share of display driver ICs.

We accounted for 36.02% in the first quarter, a decrease of 2.68% compared to the previous quarter.

Our power management ICs were 12.62%, a decrease of 1.12% compared to the previous quarter.

We're at 29.84% on Mobile IC.

Compared to the previous quarter, there was a decrease of 5.26%.

We are in other related semiconductor, that is, other semi part is

21.37%, an increase of 9.74% compared to the previous quarter.

Please refer to the percentage of the last quarter compared to the same quarter a year ago.

Please refer to the five-quarter trend chart of our consolidated revenue and gross margin, as shown on the left.

As we mentioned in Q1 revenue Q/Q and Y/Y.

The first quarter was primarily driven by lower customer volumes in the smaller sizes.

However, there is a large size of a rush order injection, as well as other related semiconductor performance better than expected.

Therefore, the overall revenue performance was flat.

The main driver for growth in QOQ is the category comprising other related semiconductors, which plays a pivotal role.

In a YOY comparison, the most important growth drivers are,

Other related semiconductors, the second strongest category is Mobile IC.

Our gross margins continue to be a combination of customer manufacturing supplier and inventory factors, and we are still seeking to optimize a balance.

A major factor in the first quarter's gross margin decline was the impact of small form factor products.

In the category of display driver ICs, we mainly cover large-size and mid-size products.

Our consolidated revenue in large-medium size was NT\$1.34 billion in the first quarter.

Its QOQ is down 7.78% and YOY is down 36.17%.

In QOQ, the main growth driver is the mid-size segment.

For the mid-size we include industrial control and automotive.

Notebook is a weak performer.

Among the consolidated YOY, TV was a little bit weaker.

Overall in the large and medium-sized market, medium-sized customers regained the momentum of pulling goods.

In addition, TV and Monitor also have rush orders.

Notebook continues to wait for a rebound in the economy.

In the PowerIC product segment,

Revenue in Q1 was NT\$469 million, down 8.99% QOQ and 19.56% YOY.

The major growth drivers in QOQ were,

Panel Power

The other is Others, which includes our LED, Switch, Motor and DDR5.

The most important growth drivers in consolidated revenue in YOY were Others and regulator,

The Regulator contains LVBUCK, LDO and Boost.

We will continue to expand our customer base and markets for our existing products.

Recently we have gone to India to expand our product line and customers.

In the DDR5, the volume can gradually pull up, other such as VCM OIS high-end driver program will also gradually contribute to revenue.

In the MobileIC product segment,

Revenue for the first quarter was NT\$1.11 billion.

YOY was up 38.08%, QOQ was down 15.76%.

QOQ's growth was driven by TDDI's Tablet,

TFT Wear is the second major growth driver.

The most important source of growth in YOY.

First is TFT's Wear,

The second is TDDI's Tablet, the third is TDDI's Mobile.

AMOLED's DDI will be in

start to contribute revenue in the second quarter of this year.

In the segment of other related semiconductors.

Revenue for the first quarter was NT\$795 million, an increase of 82.03% compared to the previous quarter.

the year-over-year growth rate is 81.38%.

The most important growth drivers in QOQ were,

EPD.

The second is ESL and the third is TCON, all three of which contribute to a revenue driver.

The main growth drivers of YOY are ESL, EPD and TCON,

TCON in the first quarter of the year

already has Notebook products

Sensor also started mass production in the first quarter of this year.

If there are new products in mass production in the next few quarters, they will also be included in this segment.

A summary of the financial figures for the last five quarters.

Revenue of NT\$3722 million

Our R&D expenses were NT\$554 million in the quarter.

The Ratio of R&D is up to a new high of 14.89%.

Our EPS of \$3.17.

Our book value per share increased to NT\$146.25 per share, and debt ratio is 16.15%.

This is a figure I just mentioned, and I'll provide a chart for your reference.

Immediately following

A brief description of Fitipower's overview.

We have nine hundred people, headquartered in Hsinchu.

over 75% is R&D.

Our three main product lines are

Display IC, power IC, and other semi.

For your reference, we have provided a trend chart of our revenue and the distribution of the four most important items from 2019 to 2023.

On the left, there is a split between 2019 and 2023.

If you add up the size of Driver ICs, we were at 81% five years ago, and now we are at 73%.

In the section on our cash dividend policy and payout ratio

We earned NT\$13.29 in 2023 and we pay out NT\$10.64 per share.

The payout ratio is up to 80.64%.

In the ESG section, first of all, we published last year's Corporate Governance Rating this year and we have moved from Level 3 to Level 2.

It's a big step forward.

We have reached the top 6% to 20% of all listed companies, which is Level 2, and we will continue to work hard to make the corporate governance assessment move towards Level 1.

The second part is that by 2023, we have completed the construction of the environmental, health and safety, and information security management systems, namely ISO-14001, ISO-45001 and ISO-27001.

In the third part, Fitipower revised the relevant management procedures and formulated the Code of Conduct for Suppliers, which requires the relevant suppliers to comply with and regularly conduct relevant sustainability assessments for our future cooperation with suppliers.

Finally, carbon management will be further enhanced in the future by introducing the Climate Risk Financial Disclosure, or TCFD, in 2024.

and greenhouse gas inventory system ISO-14064

The data verification is expected to be completed in the first quarter of next year, 2025.

We will also be conducting a carbon emission assessment of our major products, namely ISO-14067.

Achieve net-zero carbon emissions by 2050 through a complete inventory of carbon emissions data and risk management.

Please refer to our honors in the past few years, in this year we won the third place in the award of the Taiwan Mittelstand by MOEA.

To summarize one of the most important recent events, we held a board meeting on 18 April and resolved that we will be issuing common shares by private placement through cash capital.

The main purpose of this private placement of cash

is to

future expansion of our operations and product lines.

The introduction of a strategic partner led to a private placement of a capital increase issue.

With the approval of the shareholders' meeting

The second thing is that on 18 April we distributed a cash dividend of NT\$10.64 per share, which was mentioned earlier.

The above is my part. Next, we have our Chairman, Mr. Young Lin

To give you some key information about the current situation of the industry.

[CHAIRMAN/YOUNG LIN]: Hello everyone, I am Young Lin, I will explain to you in two parts, the first part is the future of Fitipower.

the key growth momentum in the next two or three quarters.

We have four product lines: Display, Power, Mobile, and other Semi.

In Display, we have mass production this quarter.

We currently have the highest frequency P2P Driver.

It can reach four Gigabit per second.

We have also launched other

P2P Driver, like CSPI and CHPI, which I hadn't done before, and that allowed us to break into some new customers.

PMIC Level Shifter for LTPS panels in Notebooks also started to increase in volume this quarter.

What about next quarter?

Because

With the launch of the samples, we are going to launch the high-frequency

P2P Driver will also begin to release, in addition, with the development of IT to the high-frequency, so Notebook and Monitor the original Driver also need to have new specifications

So in the third quarter, we will launch the

Higher Frequency Driver

Supports some very high frequency Mini-LVDS, not just P2P.

On the power side, this quarter we launched BLDC brushless motors for the white goods market, and we have also found some corresponding opportunities in the Indian market.

This season we have also launched our new generation of Buck Converters for Netcom, VGA, and these Servers. This series of products come in a smaller package than before and can support higher currents.

This is the HVBuck side, and then in the VCM side we have also launched the industry's smallest Open Loop VCM Driver in this quarter, that Driver can support both the middle and the bottom at the same time, it's a two-in-one VCM Driver, which is much more convenient for customers to use, and then in the next quarter's VCM we will let our Close Loop OIS advanced driver solution will be shipped in large quantities in the next quarter. Loop OIS advanced driver solution will be shipped in large quantities in the next quarter.

In terms of PD

Fast charging

This season we have launched

Single Chip Dual C Port

Then it can support high power protocol ICs up to 140 Watt.

Then we also launched the corresponding E-Marker.

It's in the Cable.

Next quarter

We will have a four phase PWM Controller in HVBUCK which will have a four phase PWM Controller that can be paired with a larger power GPU.

In this quarter, we have also started to ship EPD seven Level PMICs and LED Drivers in large quantities for other products, other Power products.

Next season we will be launching some new products which include

There is a new specification for DDR-V with higher current and better features what is that number? 5120

We'll be releasing samples of these next quarter.

OK, in terms of Mobile products

This quarter we've mass-produced

HD high-brush 144 Hz TDDI

This is a DSC function

Also mass-produced TDDI for Mobile small QHD.

We also started mass production of AMOLED FHD PLUS Single RAM in small quantities.

In the next few quarters, we will extend this TDDI down the road, perhaps in addition to QHD, but also WVGA, small QVGA, we will explore these to put the original plug-in Driver.

We will explore the benefits of integrating the external Driver into Touch to form TDDI.

This is in the general LCD, OLED side we will explore the opportunity of higher-end OLED Driver development.

Then on the Other Semi side, in the T-CON

Introduced a high-end Monitor that can support up to 120Hz and 165Hz.

Then EDP 1.2

mass production

With the next quarter

Our Notebook will launch EDP1.5 for T-CON, so we are in the T-CON Notebook series!

It's complete. So is the Monitor.

This is on the T-CON side

And then ESL.

The E-5 IC product line is now complete, and the market share is gradually increasing.

We are also exploring with our strategic partners the development of a new architecture IC for E-6 in the future.

In terms of Sensor and AI, Sensor is used in sweeping robots and some smart home scenarios.

There have been some good shipments, that AI is mainly for some low power EDGE scenarios

We emphasize on low power consumption

This is the Other Semi area, and this is the key growth driver that we're going to talk to you about this quarter.

The recent

Demand and inventory

The economy is still not back, but the visibility of individual products such as TV is still good.

Then Notebook seems to have a chance to recover in the second half of the year.

That's pretty obvious in ESL terms.

With the acceptance of this four-color ESL, from the second quarter also showed good growth.

The Inventory Level is basically in a healthy condition, and it is hoped that the demand for this boom can be quickly restored.

Then, we may be able to develop more new products and create more revenue under the condition that the production capacity is not in danger.

Thank you. That's probably what I'm talking about today.

[IR/JAMES CHEN]: Thank you, Mr. Chairman.

Let's move on to the last part of the session, which is the Q&A, the question and answer part.

You can now

You can ask questions directly online, this is the first part, you can press your WebEx above a raise your hand function, I will send the unmute button with the acceptance key to you, you press the acceptance

You can then

Ask your question directly

In the second session, I'm going to ask that if you're not comfortable asking a question directly, you can type your question in a box in the chat.

Send it to me

The third part is about some of the questions asked by investors during the registration process, and we will answer these questions in the last part.

First of all,

Please ask your questions by raising your hands.

Thank you very much.

You can take advantage of

It's the raise your hand function on WebEx.

and then I'm going to

unmute it so you can ask questions.

Okay, if there are no more questions for the time being, let's start with the message questions part first.

The first question is sinopac sec.

A status of ESL four color shipment, shipment volume and market share

The second is

Is the color E-Reader side better than expected, and is there room to revise expectations upwards?

The third is the timing of and contribution to the release of e-paper outdoor signage.

[CHAIRMAN/YOUNG LIN]: First question, ESL four-color shipment status, market share shipments are not too convenient to disclose, but four-color shipment status on the key growth drivers I just mentioned, at least four-color growth rate is very fast.

Our ESL E5 is in Fitipower.

ESL's revenue is probably already over 70%.

Second, whether the color e-reader is better than expected

Everyone's expectation is very high

We hope that it will grow with the

We hope it will be better as the market penetration rate increases

I think color is definitely better than black and white.

Timing and Contribution of E-paper Outdoor Signage Release

This one

may be answered by

Our strategic partner is better suited to answer this question because it has a number of suppliers as well

[IR/JAMES CHEN]: The second question is from money.udn, what is the outlook for 2Q revenue and gross margin, and what is the outlook for the second half of the year?

[CHAIRMAN/YOUNG LIN]: Season two will grow.

We'll work on that gross profit outlook.

But it depends on the real product mix. Because of the small size in the first quarter, the gross profit dropped quite a bit.

In the second quarter, we'll see how well the smaller sizes hold up to the price cuts.

I can't see the outlook for the second half of the year yet.

But already.

It's been bad for a while now, I think there's some long-dormant ones like Notebook.

I think some of the long dormant ones like Notebooks should have a chance to recover like TV.

Netcom has been dormant for a long time.

The second half of the year should be

I think the second half of the year should be better than the first half.

[IR/JAMES CHEN]: Okay, thank you. I'd like to ask you about the site.

If you want to ask a question, you can use WebEx's raise your hand function and I'll unmute it so you can ask your question.

The second is that you can use the online chat feature

You can use the online chat feature to ask a question with this text.

If there are no questions

I'll answer the questions that were asked by investors during the registration process.

The first question is

How much does the company's e-paper driver IC with AI solution increase the price of e-paper compared to the original?

[CHAIRMAN/YOUNG LIN]: This is

It's probably not convenient to disclose.

[IR/JAMES CHEN]: Okay, thank you.

The second question is, how many years of a technology lead do you have over the Chinese electronic paper driver IC manufacturers?

[CHAIRMAN/YOUNG LIN]: Continuous improvement is the advantage but for now.

But for now, there are no electronic paper driver IC manufacturers in China.

[IR/JAMES CHEN]: The third question is, what are the revenue and profit of QOQ and YOY?

[CHAIRMAN/YOUNG LIN]: QOQ will grow as mentioned.

And then

Profit?

As far as possible.

Try to get more

[IR/JAMES CHEN]: The fourth question is the visibility of current orders.

[CHAIRMAN/YOUNG LIN]: It's about a quarter

or a little bit more.

[IR/JAMES CHEN]: The fifth question is what is the current share of AI-related revenue?

[CHAIRMAN/YOUNG LIN]: Pure AI has no revenue at the moment, but Sensor is already contributing.

[IR/JAMES CHEN]: The sixth question is what will be the growth momentum in 2024.

[CHAIRMAN/YOUNG LIN]: OtherSemi and other product lines, the status of mass production of new products.

I think it's all right, so I think it's gonna grow.

[IR/JAMES CHEN]: The seventh question is about ESL's inventory status of three-color and four-color and its future outlook.

[CHAIRMAN/YOUNG LIN]: I just picked up the four colors here. They're good.

It's going to become mainstream soon.

And the overall ESL market

YOY should also grow with the addition of American customers.

[IR/JAMES CHEN]: The last question is about the status of the color e-book shipment.

[CHAIRMAN/YOUNG LIN]: Color e-books have just been asked if they are better than expected, there are several technologies for color e-books that we have in the pipeline, and as the e-book

penetration rate increases

As I mentioned, I think it will become mainstream.

[IR/JAMES CHEN]: Okay, the above is this time about the investors of the question, please feel free to ask questions, or can be used in two ways, one is the online message, the other is to use the online way to raise your hand and then I'll unmute you from the online question.

questions from President investment trust

Could the management please rank the growth momentum of the product line for the second quarter?

[CHAIRMAN/YOUNG LIN]: OtherSemi should grow the most.

Then Display

[IR/JAMES CHEN]: Thank you.

Okay. - Okay.

Do you have any questions?

If not.

This concludes our quarterly operations and investment conference today.

You are welcome to join us at the next quarterly operating and investing conference.