

Qisda Corporation 2017 Q1 Results

May 4, 2017

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Outline

- 2017 Q1 DMS Business Financial Results
- 2017 Q1 DMS Business Summary

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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 might not occur and our actual results could differ materially from those anticipated in these forward-looking statements.

Disclaimer

These financial information in this presentation are based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business (formerly named Consolidated core business), and based on audited Taiwan IFRS results of consolidated financials.

QI DMS Business Financial Results

Q1 DMS Business Income Statement: QoQ Analysis

Amount : NT\$ Billion

	2017 Q1		2016 Q4		QoQ
DMS Business: (1)					
Net Sales	23.61	100.0%	25.15	100.0%	-6.1%
COGS	(22.04)		(23.15)		
Gross Margin	1.57	6.6%	2.00	8.0%	-1.4 ppt
Opex	(1.16)	-4.9%	(1.19)	-4.7%	
Operating Income	0.41	1.7%	0.81	3.2%	-1.5 ppt
Net Non-op Items	0.92		1.02		
Consolidated: (2)					
Net Income	1.29	4.1%	1.67	4.9%	-0.8 ppt
Net Income, attributable to owners of Company	1.23	3.9%	1.60	4.7%	-0.8 ppt
EPS (NT\$)	0.63		0.81		
Net Worth / Share (NT\$)	15.03		15.00		

(1) Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business

(2) Based on audited Taiwan IFRS results of consolidated financials. The company's operating segments include DMS, brand marketing & distribution, materials science, medical service and others

(3) EPS was calculated based on total weighted-averaged outstanding shares (1,966 m shares)

(4) Net worth per share was calculated based on total outstanding shares (1,966 m shares)

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Q1 DMS Business Balance Sheet Highlights

Amount : NT\$ Billion

	2017 Q1		2016 Q4		QoQ
Cash & Equivalent	4.15	5.9%	3.79	5.3%	0.36
Accounts Receivable	21.19	30.3%	21.95	30.6%	(0.76)
Inventory	10.14	14.5%	11.22	15.7%	(1.08)
L-T Investments	25.02	35.7%	24.71	34.5%	0.32
Total Assets	70.02	100.0%	71.68	100.0%	(1.66)
Fin. Debt	17.17	24.5%	15.02	21.0%	2.15
Accounts Payable	18.05	25.8%	21.48	30.0%	(3.43)
Total Liabilities	40.47	57.8%	42.17	58.8%	(1.71)
Equity	29.56	42.2%	29.51	41.2%	0.05

* Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business

* Fin. debt included long term and short term financial debts

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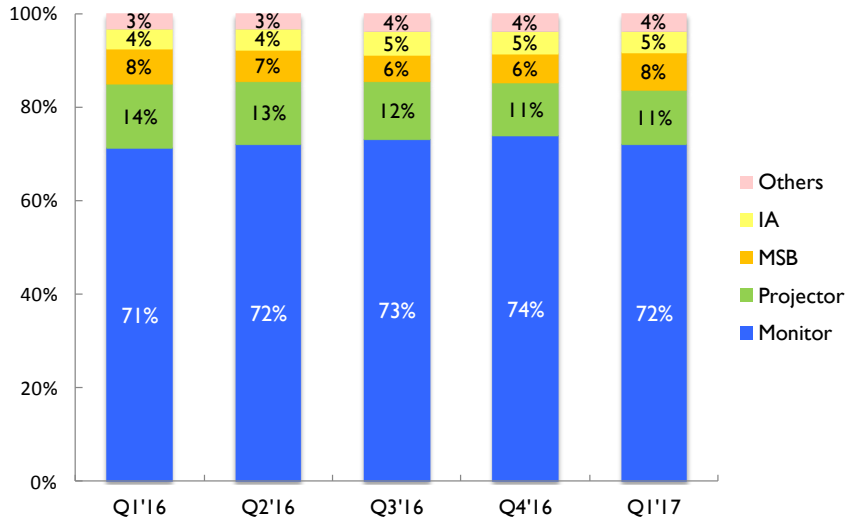
Q1 DMS Business Key Financial Ratios

	<u>2017 Q1</u>	<u>2016 Q4</u>	<u>QoQ</u>
A/R Turnover	81 days	78 days	+3 days
Inventory Turnover	43 days	46 days	-3 days
A/P Turnover	81 days	89 days	-8 days
Cash Conversion Cycle	43 days	35 days	+8 days
ROA	1.7%	2.3%	-0.6 ppt
ROE	4.2%	5.6%	-1.4 ppt
Current ratio	108.8%	109.4%	-0.6 ppt
Fin. Debt / Total Assets	24.5%	21.0%	+3.5 ppt

* Based on unaudited Taiwan IFRS results of the DMS(Design, Manufacturing and Service) business
 * ROA and ROE were calculated on a quarterly basis

Q1 DMS Business Summary

DMS Business Revenue Breakdown by Product Line



* Professional/industrial display and automobile electronics products, herein referred to as "MSB"

* Printer and scanner products, POS and surveillance products herein referred to as "IA"

* "Others" includes, mobile and other products

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2017 Q1 DMS Business Summary

- **Monitor :**

- Unit shipment decreased by 15% QoQ to 4.1M sets

- **Projector :**

- Unit shipment decreased by 4.4% QoQ to 283K sets

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Value-Up Solutions

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Qisda Corporation.
Unaudited DMS Business Consolidated Balance Sheet
Mar. 31, 2017

UNIT : NT\$K

Assets				Liabilities and stockholders' equity
Current assets :				Liabilities
Cash & cash equivalents	\$ 3,539,061	5		Short- term borrowings
Current available-for-sale financial assets	92,562	0		Current financial liabilities at fair value through profit or loss
Notes and accounts receivable, net	16,437,641	23		N/P & A/P
N/R & A/R from related parties	4,749,449	7		N/P & A/P to related parties
Other receivables, net	7,300	0		Other payable
Other receivable from related parties	745,522	1		Other payable to related parties
Net inventories	10,140,402	14		Other current liabilities
Other current assets	585,310	1		Bonds payable due within one year
Other Financial assets-current	606,600	1		Long-term debt due within one year
Non-current assets classified as held for sale	-	-		Current provisions
Total current assets	36,903,847	53		Total current liabilities
Non current assets				
Non-current available-for-sale financial assets	712,147	1		Long term loan
Investments accounted for using equity method	25,023,831	36		Leased Liabilities-non current
Property, plant and equipment	5,457,385	8		Provision Liabilities-non current
Investment property	-	-		Deferred tax liabilities
Intangible assets	24,265	0		Other non-current liabilities, others
Deferred tax assets	1,081,556	2		Total non-current liabilities
Other non-current assets	57,965	0		Total Liabilities
Other non-current financial assets	42,322	0		Attributable to owners of company
Long-term prepaid rents	721,607	1		Common stock
Total Non current assets	33,121,079	47		Capital surplus
				Retained Earnings
				Other equity interest
				Treasury Stock
				Total stockholders' equity
Total Assets	\$ 70,024,926	100		Total Liabilities and stockholders' equity
				\$ 70,024,926 100

Qisda Corporation.
Unaudited DMS Business Consolidated Income Statement
Jan~Mar' 2017

UNIT : NT\$K

Net sales	\$ 23,609,309	100
Cost of goods sold	22,042,271	93
Gross profit	1,567,037	7
S & M	372,093	2
G & A	203,127	1
R & D	586,123	2
Operating expense	1,161,343	5
Operating income (loss)	405,694	2
Total non-operating income (loss)	918,692	4
Profit before tax	1,324,385	6
Income Tax Expense	94,007	0
Profit after tax	1,230,378	5
Other comprehensive income (Profit after tax)	(1,148,961)	(5)
Comprehensive income	\$ 81,416	0

QISDA CORPORATION AND ITS SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2017, December 31, 2016, and March 31, 2016
(Expressed in Thousands of New Taiwan Dollars)

Assets		March 31, 2017		December 31, 2016		March 31, 2016		Liabilities and Equity		March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents	\$ 6,623,442	7	6,825,353	7	8,845,163	9	2100	Short-term borrowings	\$ 13,450,340	15	8,070,512	8	16,016,271	17
1110	Financial assets at fair value through profit or loss—current	36,391	-	373,349	-	468,036	1	2120	Financial liabilities at fair value through profit or loss—current	207,614	-	111,454	-	305,418	-
1125	Available-for-sale financial assets—current	285,726	-	239,660	-	258,513	-	2170	Notes and accounts payable	20,896,326	22	24,585,553	26	20,714,343	22
1170	Notes and accounts receivable, net	21,640,043	23	20,957,048	22	20,136,995	22	2180	Accounts payable to related parties	2,135,174	2	2,423,924	3	1,852,307	2
1181	Notes and accounts receivable from related parties	3,387,870	4	4,374,388	5	4,282,059	5	2200	Other payables	8,976,567	10	9,973,358	10	7,936,479	9
1200	Other receivables	188,821	-	173,978	-	141,240	-	2220	Other payables to related parties	13,632	-	21,710	-	14,749	-
1210	Other receivables from related parties	9,733	-	7,537	-	240,250	-	2300	Other current liabilities	740,110	1	745,703	1	637,845	1
130X	Inventories	15,840,004	17	17,065,196	18	14,152,704	15	2322	Current portion of long-term debt	990,868	1	4,346,257	5	871,751	1
1470	Other current assets	1,297,452	2	1,467,073	2	1,418,231	2	2250	Provisions—current	356,560	-	350,934	-	403,159	-
1476	Other financial assets—current	1,092,146	1	784,598	1	406,573	-		Total current liabilities	<u>47,767,191</u>	<u>51</u>	<u>50,629,405</u>	<u>53</u>	<u>48,752,322</u>	<u>52</u>
	Total current assets	<u>50,401,628</u>	<u>54</u>	<u>52,268,180</u>	<u>55</u>	<u>50,349,764</u>	<u>54</u>		Non-current liabilities:						
Non-current assets:								2540	Long-term debt	9,629,908	11	8,980,990	9	11,041,168	12
1523	Available-for-sale financial assets—non-current	1,095,632	1	991,686	1	964,031	1	2613	Lease obligations payable—non-current	1,171,253	1	1,181,632	1	1,177,898	1
1550	Investments accounted for using equity method	16,077,907	17	15,682,210	16	15,386,430	16	2550	Provisions—non-current	658,465	1	656,632	1	781,265	1
1600	Property, plant and equipment	18,395,953	20	18,860,162	20	19,220,219	21	2570	Deferred income tax liabilities	119,526	-	121,108	-	70,720	-
1760	Investment property	2,500,450	3	2,651,784	3	2,920,813	3	2670	Other non-current liabilities	792,218	1	797,112	1	683,044	1
1780	Intangible assets	192,515	-	202,892	-	197,985	-		Total non-current liabilities	<u>12,371,370</u>	<u>14</u>	<u>11,737,474</u>	<u>12</u>	<u>13,754,095</u>	<u>15</u>
1840	Deferred income tax assets	1,712,732	2	1,725,549	2	1,771,644	2		Total liabilities	<u>60,138,561</u>	<u>65</u>	<u>62,366,879</u>	<u>65</u>	<u>62,506,417</u>	<u>67</u>
1900	Other non-current assets	142,762	-	149,875	-	163,507	-	Equity attributable to shareholders of the Company:							
1980	Other financial assets—non-current	187,484	-	186,155	-	211,340	-	3110	Common stock	19,667,820	21	19,667,820	21	19,667,820	21
1985	Long-term prepaid rents	2,442,114	3	2,593,717	3	2,736,374	3	3200	Capital surplus	2,145,422	2	2,177,332	2	2,183,406	2
	Total non-current assets	<u>42,747,549</u>	<u>46</u>	<u>43,044,030</u>	<u>45</u>	<u>43,572,343</u>	<u>46</u>	3300	Retained earnings	8,036,580	9	6,806,202	7	4,059,589	4
								3400	Other equity	(290,270)	-	858,692	1	1,528,497	2
									Total equity attributable to shareholders of the Company	<u>29,559,552</u>	<u>32</u>	<u>29,510,046</u>	<u>31</u>	<u>27,439,312</u>	<u>29</u>
								36XX	Non-controlling interests	3,451,064	3	3,435,285	4	3,976,378	4
									Total equity	<u>33,010,616</u>	<u>35</u>	<u>32,945,331</u>	<u>35</u>	<u>31,415,690</u>	<u>33</u>
Total assets		<u>\$ 93,149,177</u>	<u>100</u>	<u>95,312,210</u>	<u>100</u>	<u>93,922,107</u>	<u>100</u>	Total liabilities and equity		<u>\$ 93,149,177</u>	<u>100</u>	<u>95,312,210</u>	<u>100</u>	<u>93,922,107</u>	<u>100</u>

QISDA CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		For the three-month periods ended March 31			
		2017		2016	
		Amount	%	Amount	%
4000	Net sales	\$ 31,686,779	100	31,764,175	100
5000	Cost of sales	<u>28,066,082</u>	<u>89</u>	<u>27,890,795</u>	<u>88</u>
	Gross profit	<u>3,620,697</u>	<u>11</u>	<u>3,873,380</u>	<u>12</u>
	Operating expenses:				
6100	Selling expenses	1,387,490	4	1,332,364	4
6200	Administrative expenses	623,744	2	669,473	2
6300	Research and development expenses	<u>809,530</u>	<u>3</u>	<u>785,794</u>	<u>3</u>
	Total operating expenses	<u>2,820,764</u>	<u>9</u>	<u>2,787,631</u>	<u>9</u>
	Operating income	<u>799,933</u>	<u>2</u>	<u>1,085,749</u>	<u>3</u>
	Non-operating income and loss:				
7010	Other income	20,787	-	66,940	-
7020	Other gains and losses—net	85,604	-	(100,949)	-
7050	Finance costs	(144,267)	-	(171,372)	-
7060	Share of profits (losses) of associates and joint ventures	<u>679,724</u>	<u>2</u>	<u>(366,862)</u>	<u>(1)</u>
	Total non-operating income and loss	<u>641,848</u>	<u>2</u>	<u>(572,243)</u>	<u>(1)</u>
	Income before income tax	1,441,781	4	513,506	2
7950	Income tax expense	<u>150,391</u>	<u>-</u>	<u>87,445</u>	<u>1</u>
	Net income	<u>1,291,390</u>	<u>4</u>	<u>426,061</u>	<u>1</u>
	Other comprehensive income:				
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign operations	(1,073,172)	(3)	(307,365)	(1)
8362	Change in fair value of available-for-sale financial assets	113,630	-	25,934	-
8370	Share of other comprehensive income of associates and joint ventures	(289,651)	(1)	(111,552)	-
8399	Less: income tax related to items that may be reclassified subsequently to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Other comprehensive income for the period, net of income tax	<u>(1,249,193)</u>	<u>(4)</u>	<u>(392,983)</u>	<u>(1)</u>
	Total comprehensive income for the period	<u>\$ 42,197</u>	<u>-</u>	<u>33,078</u>	<u>-</u>
	Net income attributable to:				
8610	Shareholders of the Company	\$ 1,230,378	4	513,924	2
8620	Non-controlling interests	<u>61,012</u>	<u>-</u>	<u>(87,863)</u>	<u>(1)</u>
		<u>\$ 1,291,390</u>	<u>4</u>	<u>426,061</u>	<u>1</u>
	Total comprehensive income attributable to:				
8710	Shareholders of the Company	\$ 81,416	-	163,062	1
8720	Non-controlling interests	<u>(39,219)</u>	<u>-</u>	<u>(129,984)</u>	<u>(1)</u>
		<u>\$ 42,197</u>	<u>-</u>	<u>33,078</u>	<u>-</u>
	Earnings per share (in New Taiwan dollars):				
9750	Basic earnings per share	\$ <u>0.63</u>		<u>0.26</u>	
9850	Diluted earnings per share	\$ <u>0.62</u>		<u>0.26</u>	

QISDA CORPORATION AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three-month periods ended March 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to shareholders of the Company											
	Retained earnings					Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total retained earnings	Foreign currency translation differences	Unrealized gains (losses) on available-for-sale financial assets	Remeasurements of defined benefit plans	Total other equity interest	Total equity of the Company	Non-controlling interests	Total equity
Balance at January 1, 2016	\$ 19,667,820	2,179,038	242,689	3,302,976	3,545,665	2,097,271	(27,522)	(190,390)	1,879,359	27,271,882	4,098,841	31,370,723
Changes in equity of associates and joint ventures accounted for using equity method	-	5,951	-	-	-	-	-	-	-	5,951	-	5,951
Difference between consideration and carrying amount arising from acquisition or disposal of shares in subsidiaries	-	(792)	-	-	-	-	-	-	-	(792)	(508)	(1,300)
Changes in ownership interests in subsidiaries	-	(791)	-	-	-	-	-	-	-	(791)	-	-
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	2,560	2,560
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	4,678	4,678
Net income (loss) for the period	-	-	-	513,924	513,924	-	-	-	-	513,924	(87,863)	426,061
Other comprehensive income for the period	-	-	-	-	-	(380,758)	29,896	-	(350,862)	(350,862)	(42,121)	(392,983)
Total comprehensive income for the period	-	-	-	513,924	513,924	(380,758)	29,896	-	(350,862)	163,062	(129,984)	33,078
Balance at March 31, 2016	\$ 19,667,820	2,183,406	242,689	3,816,900	4,059,589	1,716,513	2,374	(190,390)	1,528,497	27,439,312	3,976,378	31,415,690
Balance at January 1, 2017	\$ 19,667,820	2,177,332	459,607	6,346,595	6,806,202	1,018,614	131,797	(291,719)	858,692	29,510,046	3,435,285	32,945,331
Changes in equity of associates and joint ventures accounted for using equity method	-	5,623	-	-	-	-	-	-	-	5,623	-	5,623
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	932	932
Changes in ownership interests in subsidiaries	-	(56,756)	-	-	-	-	-	-	-	(56,756)	56,756	-
Capital injection from non-controlling interests	-	19,223	-	-	-	-	-	-	-	19,223	(2,485)	16,738
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(205)	(205)
Net income for the period	-	-	-	1,230,378	1,230,378	-	-	-	-	1,230,378	61,012	1,291,390
Other comprehensive income for the period	-	-	-	-	-	(1,296,480)	147,518	-	(1,148,962)	(1,148,962)	(100,231)	(1,249,193)
Total comprehensive income for the period	-	-	-	1,230,378	1,230,378	(1,296,480)	147,518	-	(1,148,962)	81,416	(39,219)	42,197
Balance at March 31, 2017	\$ 19,667,820	2,145,422	459,607	7,576,973	8,036,580	(277,866)	279,315	(291,719)	(290,270)	29,559,552	3,451,064	33,010,616

QISDA CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31	
	2017	2016
Cash flows from operating activities:		
Income before income tax	\$ 1,441,781	513,506
Adjustments for:		
Depreciation	443,465	464,476
Amortization	42,326	51,263
Provision of bad debt expense	26,083	7,911
Interest expense	144,267	171,372
Interest income	(13,535)	(31,545)
Share-based compensation cost	932	2,560
Share of losses (profits) of associates and joint ventures	(679,724)	366,862
Gain on disposal of property, plant and equipment	(655)	(701)
Impairment loss on financial assets	1,755	-
Impairment loss on non-financial assets	111	-
Total non-cash profit and loss	(34,975)	1,032,198
Changes in operating assets and liabilities:		
Decrease in financial assets at fair value through profit or loss	336,958	42,647
Decrease (increase) in notes and accounts receivable	(704,435)	254,271
Decrease in notes and accounts receivable from related parties	986,518	372,943
Decrease (increase) in other receivables	(10,723)	18,454
Decrease (increase) in other receivables from related parties	(2,196)	1,154
Decrease in inventories	1,225,192	2,234,076
Decrease in other current assets	170,219	83,941
Decrease in other non-current assets	2,876	15,880
Net changes in operating assets	2,004,409	3,023,366
Increase in financial liabilities at fair value through profit or loss	96,160	233,158
Decrease in notes and accounts payable	(3,689,227)	(2,338,830)
Decrease in accounts payable to related parties	(288,750)	(427,642)
Decrease in other payables to related parties	(8,078)	(2,007)
Increase in provisions	7,459	12,662
Decrease in other current liabilities	(968,508)	(789,581)
Decrease in other non-current liabilities	(4,894)	(8,172)
Net changes in operating liabilities	(4,855,838)	(3,320,412)
Total changes in operating assets and liabilities	(2,851,429)	(297,046)
Cash provided by (used in) operations	(1,444,623)	1,248,658
Interest received	9,415	20,344
Interest paid	(94,167)	(159,901)
Income taxes paid	(222,502)	(167,369)
Net cash provided by (used in) operating activities	(1,751,877)	941,732

QISDA CORPORATION AND ITS SUBSIDIARIES (Continued)

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the three-month periods ended March 31	
	2017	2016
Cash flows from investing activities:		
Purchase of available-for-sale financial assets	(43,467)	(80,563)
Additions to property, plant and equipment	(585,790)	(347,986)
Additions to investment property	(42,828)	(16,680)
Proceeds from disposal of property, plant and equipment	1,538	1,227
Increase in loan receivables from related parties	-	(32,824)
Additions to intangible assets	(18,207)	(20,374)
Decrease (increase) in other financial assets	(308,877)	2,299,923
Increase in long-term prepaid rents	-	(2,102)
Net cash flows provided by (used in) investing activities	<u>(997,631)</u>	<u>1,800,621</u>
Cash flows from financing activities:		
Increase in short-term borrowings	5,989,594	3,563,031
Decrease in short-term borrowings	(564,275)	(1,835,034)
Increase in long-term debt	1,997,890	-
Repayment of long-term debt	(4,345,117)	(4,506,476)
Decrease in lease obligations payable	(19,554)	(14,635)
Capital injection from non-controlling interests	16,738	-
Acquisition of subsidiary's interests from non-controlling interests	-	(1,300)
Net cash provided by (used in) financing activities	<u>3,075,276</u>	<u>(2,794,414)</u>
Effects of foreign exchange rate changes	<u>(527,679)</u>	<u>(138,826)</u>
Net decrease in cash and cash equivalents	(201,911)	(190,887)
Cash and cash equivalents at beginning of period	<u>6,825,353</u>	<u>9,036,050</u>
Cash and cash equivalents at end of period	<u>\$ <u>6,623,442</u></u>	<u>8,845,163</u>