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Davicom Semiconductor, Inc.

(Ticker Symbol: 3094)

Investor Conference

15:00 Dec. 8, 2023

Operation Strategy

- Operating Policy
 - ✓ Focusing on the niche markets
 - ✓ Mastering the high gross profit margins
 - ✓ Developing the new businesses actively
 - ✓ Pursuing the company operation growth
- Providing highly reliable product quality, professional and thoughtful technical services
- Concentrated to the niche market required by a high security and stability
- Holding fast to 65~70% of gross margin to maintain the company's long-term profit
- Seeking a capital partners in related fields to expand the market and increase the revenue
- Pursuing the sustainable growth of EPS and realizing the sustainability operation of ESG

Core Technology

**Ethernet
MAC & PHY**

Mixed Signal

RFID Omni-Solution

**Networking Protocol
Stacks**

**AIoT
& Algorithms**

Video Decoder

USB & Interfaces

**Audio Signal
Processing**

DSP & Algorithms



Ethernet

- Ethernet Transceiver with 10/100/1000Mbps
- Ethernet Switch, Controller with USB & SPI



E-Paper Display Driver (EPD)

- 36, 126 Sigments



Video Decoder (VD)

- 1 and 4 channels; 720H and 960H resolution; mixer



AI SoC

- DM8111 (RISC-V, CIS (CMOS Image Sensor))

DAVICOM Performance Retrospective, 1/2

2023 Q1~Q3 Revenue and Profit

	<u>Q3 / 2023</u>	<u>Q1~Q3/2023</u>
Revenue	NTD 46,983K	NTD183,658K
Gross Profit Rate	68.81%	68.46%
EBT	NTD 10,962K	NTD 45,707K
EAT	NTD 10,157K	NTD 45,050K
EPS (Net)	NTD 0.12	NTD 0.55



Performance Retrospective, 2/2

The company founded 27 years and 71 successive quarters of 65% and more margin by a high added value of services; Since the company's public listing, the annually average dividend per share is close to 1 NTD.



2023 Market and Company Business Review , 1/2

- Since the fourth quarter of last year in 2022, the matured process wafer production capacity began to alleviate. Most end-users of IC products turned increasingly conservative in their inventory management, and inventory level has been relatively high. Meanwhile, the ongoing technological conflict between China and the United States led to a decline in China's exports of consumer and communication equipment, slowing down inventory clearance rates. Some major customers notably delayed their orders. This situation started impacting the company's revenue from the second quarter of this year, leading to a lower annual revenue in 2023 compared to 2022.
- Despite the market sentiment and slower inventory clearance rates than anticipated, the company did not lose its major customers. Some customers have gradually resumed purchases starting from the fourth quarter."



2023 Market and Company Business Review , 2/2

- During 2023, Davicom experienced an increase in orders from key customers in the energy and finance sectors for its products, which is expected to make a substantial contribution to the company's annual revenue and future projections.
- A Production line and Warehouse Material Tracking and Management System centered on UHF RFID technology, which Davicom has been investing in in recent years, has been recognized in the market and was awarded an EPC contract from a leading domestic wire and cable manufacturer. This contract award would set a favorable foundation for expanding into related markets in the future.

Market Overview (I)

- The adverse effects of global inflation on economic conditions persist, particularly with uncertainty regarding whether China's manufacturing sector can regain its previous growth momentum in the coming year.
- Due to US restrictions on the development of advanced semiconductor technology in China, which has turned China to develop mature process products and markets (including Ethernet chips). This poses a significant challenge to Taiwan's mature process products in Chinese market.

Market Overview (II)

- The demand in emerging industries such as new energy facility monitoring and control systems, smart manufacturing, and electronic verification cards (EVC) used in financial transactions is poised for accelerated growth. In the coming years, this trend is expected to bring promising opportunities for Ethernet chips and EPD driver chips.

Company Business Outlook (I)

- Davicom has consistently focused on the niche market of embedded systems. In addition to fields such as electricity, traditional industrial control, and retail payment hardware equipment, the company has further dedicated efforts to the development and promotion of smart manufacturing and Internet of Things (IoT) related solutions in recent years. This strategic direction aims to deepen customer service and expand the business opportunities of the company's products.
- Utilizing UHF RFID as its core technology, the application in factory material tracking and management systems has been introduced to the market, with expectations of further gains in 2024."

Company Business Outlook (II)

- Although the global economic situation and the development momentum of China's manufacturing industry remain uncertain, potentially causing partial uncertainties in the company's operations, however, the business opportunities presented by emerging markets should help offset some of the negative impacts. Additionally, the UHF RFID system business is expected to contribute to the company's revenue to a certain extent.
- In summary, the challenging period is expected to conclude by the end of 2023. It is anticipated that Davicom's operational status will restore from the trough in 2024.



Connectivity Beyond Limits

