

Disclaimer

- The company has not released any financial forecasts. However, the statements in this presentation regarding our business and financial aspects, including our perspectives on the company's future operations and industry development, may differ from actual future results. Such differences may arise from factors beyond our control, including the Russia-Ukraine war, the Israel-Palestine conflict, US-China trade competition, global economic conditions, the pace of inventory clearance, price and exchange rate fluctuations, and other risk factors.
- This presentation is based on information currently obtained by the company from various sources. In the event of future changes or adjustments, please refer to the information disclosed on the TWSE MOPS website as the primary source.



Davicom Semiconductor, Inc.

(Ticker Symbol: 3094)

Investor Conference

15:00 Dec. 13, 2024

Business Strategy

Operational Policy

Focusing on the niche markets, Mastering the high gross profit margins,
Developing the new businesses actively, and Pursuing the company operation growth

- Impact of Macro-Environmental Changes: Geopolitical trends are showing signs of deglobalization. Against the geopolitical turbulence, our company pays close attention to new regulations and policy requirements, export controls, and tariff changes. For key customer regions in major markets, we have established contingency plans to address potential crises and risks.
- Economic Environment and Revenue/Profit Challenges: We maintain regular communication with existing clients to understand shifts in product market trends. Continuous efforts are made to strengthen cost control and optimization in our existing product lines' supply chain. Additionally, we focus on developing embedded industrial automation products targeting the application in niche markets.
- Product Competition Strategies:
 - Internal Competitiveness: We streamline operations and concentrate on researching and developing energy-efficient, performance-enhancing niche products for embedded industrial control applications. By monitoring gross profit trends of high-sales products, we aim to achieve long-term growth and profitability goals. Overcoming challenges in R&D and production quality, we strive to meet product promotion targets and return the trust and support of our shareholders, employees, management team, and clients.
 - External Competitiveness: We actively seek collaboration opportunities in related technical fields, enhancing vertical integration of hardware and software in our product lines and pursuing horizontal cooperation. By providing customers with agile, high-quality, cost-effective solutions, we aim to expand market reach and boost revenue.
- Pursuing sustainable EPS growth and implementing ESG sustainability goals as a top priority

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 Segments



Video Decoder (VD)

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



AI SoC

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

Performance Retrospective, 1/2

2024 Q1~Q3 Revenue and Profit

	<u>Q3 / 2024</u>	<u>Q1~Q3/2024</u>
Revenue	NTD 43,670K	NTD122,524K
Gross Profit Rate	68.45%	67.70%
EBT	NTD 391K	NTD 6,458K
EAT	NTD 507K	NTD 5,688K
EPS (Net)	NTD 0.01	NTD 0.07



Performance Retrospective, 2/2

The company founded 28 years provides high value-added services and a win-win situation with customers. The gross profit margin of its products can maintain above 65%. It has been profitable for 75 consecutive quarters. In recent years, the shareholder dividend payout ratio has exceeded 80%, reflecting its commitment to rewarding shareholders for their support.



2024 Market and Company Business Review , 1/2

- China's electronic product exports have slowed down due to the ongoing U.S.-China trade war, which has driven the relocation of factories out of China. This is leading to an intensification of competition in China's domestic industrial automation components market. Furthermore, demand from industrial control customers weakened and inventory clearance slow take place in the industrial IoT control market the company focuses on , which has impacted overall performance for the year.
- Decrease in Demand from Major Clients: The company's major clients are still clearing their inventory of materials, leading to reduced demand for components. Although most customers continue to purchase goods, the overall purchase volume has decreased, especially the decline in demand from major customers in the China market, which has affected the annual sales performance.



2024 Market and Company Business Review , 2/2

- The current situation of e-paper driver chips: This year, the inventory removal of foreign financial payment instrument customers was not as expected, which affected the company's e-paper driver chip sales performance; however, in the second half of the year, demands from European heating system customers starting to recover gradually, reducing the negative growth of e-paper driver chip sales this year.
- In recent years, the company has invested in UHF RFID core technology for the factory production line and warehouse material tracking management systems, which have been adopted by several automated customers, laying a favorable foundation with such core competitiveness for future expansion of related markets.

Market Overview (I)

- Looking forward to 2025, the promotion of automation application technologies and the expansion of end-consumer demand for electronic components are expected to effectively reduce inventory gradually. Market conditions are anticipated to continue a steady recovery. Moreover, with the support and guidance from China government financial policies, ongoing efforts to expand factory automation production will contribute to the promotion of the company's product sales and drive business growth.
- As the consumer market and the PC and networking markets are expected to bottom out, the industrial control market is anticipated to reach its low point in the first half of 2025 and gradually rebound in the second half. Previously, due to production shortages during the pandemic and the guidance of new policies, customers in the China market have increasingly leaned toward using domestical components. This trend could present a potential opportunity for the company's performance growth in the future.

Market Overview (II)

- With China's domestic Ethernet IC design companies gradually introducing low-cost and compatible products, the company faces challenges in acquiring new customers and retaining existing ones. The competitive landscape for the product market has become particularly intensive.
- In 2025, the company's new products, offering high performance and low cost, will be introduced to the market. These products are expected to help retain existing customers and support the adoption of new customers, contributing to future performance growth.

Company Business Outlook (I)

- The company has consistently focused on operating within the niche market of embedded systems. In recent years, in addition to its efforts in power system equipment, traditional industrial control, and retail payment hardware, the company has been dedicated to the development and promotion of solutions related to smart manufacturing and the Internet of Things (IoT). Looking ahead, the company plans to develop new Ethernet technologies and new products related to the Industrial Internet of Things (IIoT) to enhance customer service and expand business opportunities for its products.
- With UHF RFID as the company's core technology cultivated over many years, its application in factory material tracking and management systems has shown promising results in market promotion. The company will continue to develop new customers and continuously launch upgraded system integration service solutions, creating additional business opportunities.

Company Business Outlook (II)

- In 2025, the United States is expected to continue expanding IoT infrastructure, while China's manufacturing sector will move toward automated production. Relevant policies and initiatives are directly linked to smart manufacturing, automation control, and industrial IoT, creating the potential for the industrial control industry to emerge from its downturn in 2025. This trend aligns with the company's Product Development Roadmap (*SPE: 10Base-T1S & T1L), with new product development set to drive future business growth.
- In 2025, the new products will be launched one by one, the company's performance is expected to gradually recover, and the operating conditions will resume growth!



SPE Product & Major Application Market

- SPE, Single Pair Ethernet, Ethernet networking on one twisted copper wires
- Beneficial for low cost of infrastructure deployment with diversities of Ethernet networking topology in short and/or long distance, targeted at Industry 4.0, Factory Automation, IIoT, Smart Manufacturing, Smart Grid, Smart Building, et al.
- IEEE802.3cg 10BASE-T1S PHY Chip
 - Featuring Ethernet networking on multidrop in short range for sensors and actuators in workshop for real-time monitoring and data collection
- IEEE802.3cg 10BASE-T1L PHY Chip
 - Featuring Ethernet networking in long range of communication trunk among facilities and factory buildings for data analysis by AI/Cloud Computing for real-time decision making



Connectivity Beyond Limits

