



Wah Lee Industrial Corp. (3010.TT)
2022 3Q Management Report
December 21, 2022

Company Basic Information

Closing Price (15/12/2022)	NT\$86.0
52 WK High	NT\$115.5
52 WK Low	NT\$76.5
Book Value/share	NT\$69.3
Shares on Issue (M)	236.0
Market Cap (USD M)	635
QFII Holding (%)	11.4
Monthly Avg Daily Turn	NT\$100M

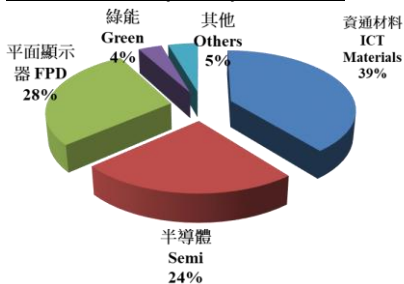
Key Financial Indicators

	2020	2021	3Q22
ROE	14.5%	19.1%	19.7%
Debt/Asset	62.0%	61.0%	62.0%
Cash Conversion Days	86.3	76.5	77.9

3010 WL Price Chart (1 yr)



Product Mix (3Q22)



Wah Lee Consolidated Entities include Wah Lee Taiwan and subsidiaries in China, Singapore, Thailand, Vietnam, and Indonesia.

IR Contact
Eric Lin
+886-2-2715-2087 ext.22061
eric.lin@wahlee.com

3Q22 Consolidated Results Announcement

Wah Lee's 3Q22 cumulative sales reached NT\$56,995 million, a 9.81% YoY increase and a record high cumulative 3Q sales in company history.

- **Information Communication Technology 1.26% YoY decline:** Consecutive US interest rate hikes, post-pandemic softer demands, and Chinese lockdowns have resulted in the slow consumer electronics market. Wah Lee's engineering plastics posted a YoY decline in sales. However, PCB raw material demands were supported by the needs of new generation server platforms launched by the two major CPU companies. In addition, 5G communication device such as switches and routers also required our high frequency substrates (CCL, copper clad laminate) to meet the product specs.
- **Semiconductor 36.93% YoY increase:** Wah Lee's semiconductor raw materials for the high end manufacturing processes, now into 3 nm, are playing a critical role in the semiconductor industry. We are also gaining more market shares in other semi customers' supplies in both Taiwan and China.
- **FPD 4.98% YoY growth:** Despite the recent price declining trends in the FPD industry, our next generation electronic products (electronic whiteboards) were still in good demands and are gaining more market shares from new customers. FPD upstream chemicals are in stable demands even though the utilization rate may fluctuate. They need a minimum level of chemicals to keep the production lines running.
- **Green Energy 43.04% YoY increase:** Green Energy c. 3Q22 sales reached NT\$2,027M. Lithium battery material sales grew substantially as Wah Lee supplied cathode and anode materials to both Taiwanese and Chinese Li-battery manufacturers. With close to 60MW of solar power capacity by yearend 2022, Wah Lee will be able to provide customers with carbon rights and strengthen its total solution provider position under the ESG requirements.

Cumulative 3Q22 EPS was NT\$9.16, record high c. 3Q EPS

Cumulative 3Q22 consolidated sales of NT\$56,995M set a record high. Consolidated c. 3Q22 gross profit was NT\$4,424M, resulting in gross margin of 7.8% which was lower than a year ago because of the price increase effect in FY2021 was alleviated. Operating expense ratio lowered to 3.90%, due to better economies of scale, and operating margin was 3.87%. Operating profit was NT\$2,203M. Non-operating profit was NT\$874M, contributed from steady profits recognized from long-term investment companies, such as CWE(8070.TT). Pretax profit totaled NT\$3,077M. Cumulative 3Q22 after tax and minority profit was NT\$2,162M, as compared to NT\$2,080M in 3Q21 and posted a 4.0% growth. c. 3Q22 EPS was NT\$9.16 and ROE reached 19.7%.



2022 Outlook

The local government anti-Covid-19 measures in eastern and southern China had caused some turbulences in the Company's 3Q sales from Chinese subsidiaries. However, in recent news reports, China government has openly announced the gradual alleviations of the strict rules of disease control. Therefore, it is expected that normal civil and corporate activities will resume soon and the demands will recover. Our views on the mega trends of fundamental technology industries remain intact. 5G (telecom and networking device), EV, AIoT, HPC (high performance computing), data center, cloud computing, and high end semiconductor manufacturing processes will continue to develop. Critical raw materials for the above-mentioned mega trends are actually getting more important for manufacturers to secure the supplies. Wah Lee's role in the overall supply chain has become more crucial. Products that Wah Lee supplies are summarized as below:

Wah Lee has been providing thermoset plastics (e.g. phenolic and PA9T) which are of high rigidity, high reliability, and high insulation capability. These plastics have been the first choice for major power supply manufacturers and have also penetrated into the applications of auto parts, EV electrical components, and EV charging stations. Moreover, optical grade plastics generate strong sales as more lenses and camera modules are used in smartphones and automobile ADAS systems. PCB sector is leading in the provision of materials for 5G networks and IC substrate makers, which require high frequency, low Dk, low Df CCL substrates and high-resolution dry films for high precision circuitry. With the great demands from 5G and EVs and the additional IC fab capacity expansions, more semiconductor raw materials are in needs. Wah Lee, as the top supplier for the semiconductor industry in both Taiwan and China, has strong sales of photoresists, electronics grade chemicals, specialty gases, photoresist strippers, and CMP slurry driven by the strong industry demands. FPD sales is also expected to grow because more on-line activities and the e-commerce promote the demands for large-screen LCD TVs and video conferencing displays. The schools also require a lot more of Wah Lee's next generation electronic products. Wah Lee's endeavors in the Green Energy sector will also pay off as suppliers and customers alike will need carbon rights for business continuities. Wah Lee's solar power capacities will provide the solutions and the ESS (Energy Storage System) business will serve as the last mile for the transition to the alternative energies.

Operating Result (M)	2019	2020	2021	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22
Total Rev	54,682	59,081	70,515	12,066	14,041	14,559	14,016	12,353	14,836	16,160	15,731	16,284	16,866	18,756	18,610	19,510	18,336	19,149
Gross Profit	4,185	4,801	5,983	918	1,081	1,154	1,032	1,005	1,195	1,287	1,313	1,438	1,496	1,572	1,476	1,558	1,428	1,438
Operating Profit	1,574	2,108	3,073	323	428	465	357	425	545	636	501	726	758	804	784	802	697	704
After Tax Profit	1,416	1,859	2,843	315	344	449	308	344	440	636	439	597	641	842	764	768	657	737
Shares Outstanding	231.40	231.40	236.02	231.40	231.40	231.40	231.40	231.40	231.40	231.40	231.40	231.40	231.40	236.02	236.02	236.02	236.02	236.02
EPS (NTD)	6.12	8.03	12.05	1.36	1.49	1.94	1.33	1.49	1.90	2.75	1.89	2.53	2.71	3.57	3.24	3.26	2.78	3.12
Operating Result (%)																		
GP Margin	7.7%	8.1%	8.5%	7.6%	7.7%	7.9%	7.4%	8.1%	8.1%	8.0%	8.3%	8.8%	8.9%	8.4%	7.9%	8.0%	7.8%	7.5%
OP Margin	2.9%	3.6%	4.4%	2.7%	3.0%	3.2%	2.5%	3.4%	3.7%	3.9%	3.2%	4.5%	4.5%	4.3%	4.2%	4.1%	3.8%	3.7%
AT Profit Margin	2.6%	3.1%	4.0%	2.6%	2.4%	3.1%	2.2%	2.8%	3.0%	3.9%	2.8%	3.7%	3.8%	4.5%	4.1%	3.9%	3.6%	3.8%
Growth % YoY																		
Sales YoY	3.3%	8.0%	19.4%	3.7%	4.7%	1.7%	3.3%	2.4%	5.7%	11.0%	12.2%	31.8%	13.7%	16.1%	18.3%	19.8%	8.7%	2.1%
GP YoY	-0.6%	14.7%	24.6%	-12.0%	-4.1%	11.3%	2.9%	9.5%	10.5%	11.5%	27.2%	43.1%	25.2%	22.1%	12.4%	8.3%	-4.5%	-8.5%
OP YoY	-9.9%	33.9%	45.8%	-29.5%	-13.5%	4.7%	2.0%	31.6%	27.3%	36.8%	40.3%	70.8%	39.1%	26.4%	56.5%	10.5%	-8.0%	-12.4%
AT Profit YoY	5.2%	31.3%	52.9%	103.2%	-21.1%	12.8%	-13.5%	9.2%	27.9%	41.6%	42.5%	73.5%	45.7%	32.4%	74.0%	28.6%	2.5%	-12.5%

Safe Harbor Notice

Wah Lee Industrial Corp. (the Company) has made forward-looking statements in this report. The forward-looking statements contain information regarding, among other things, the Company's financial condition, future expansion plans and business strategies. The Company has based these forward-looking statements on its current expectations and projections about future events. Although the Company believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions about it. The Company undertakes 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 discussed in this report might not occur and the actual result could differ materially from those anticipated in these forward-looking statements.