



Company Basic Information

Closing Price (22/08/2023)	NT\$87.1
52 WK High	NT\$93.6
52 WK Low	NT\$77.5
Book Value/share	NT\$71.6
Shares on Issue (M)	236.0
Market Cap (USD M)	653
QFII Holding (%)	11.5
Monthly Avg Daily Turn	NT\$100M

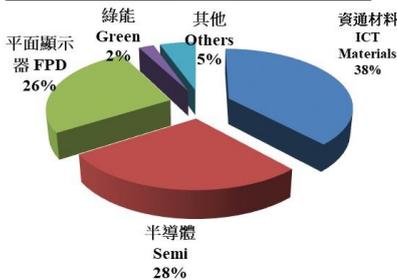
Key Financial Indicators

	2021	2022	1H23
ROE	19.1%	15.0%	11.4%
Debt/Asset	61.0%	62.0%	60.0%
Cash Conversion Days	76.5	76.0	91.4

3010 WL Price Chart (1 yr)



Product Mix (1H23)



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

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2Q23 Consolidated Results Announcement

Wah Lee's 1H23 cumulative sales reached NT\$30,545 million, a 19.3% YoY decrease.

- **Information Communication Technology 25.45% YoY decline:** The hawkish tone of US FED on interest rates, leading to conservative consumer behaviors and high inventory levels, has continued to cause the slow-moving of ICT materials in 1H23, albeit the monthly sales have grown month by month. Wah Lee's high-end engineering plastics and PCB/MB materials both posted YoY declines. We expect to see mild to strong returns of demands in 2H23 on a HoH basis, possible growth can be in double digits.
- **Semiconductor 0.51% 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. The inventory digestion speed had been slower than expected in the beginning of the year. 2Q23 semi sales was lower than 1Q23 sales, which was consistent with the view of the leading foundry maker in their most recent analyst meeting. However, with the demands of AI servers and next generation smartphone chips, semi material sales will resume its growth momentum soon.
- **FPD 26.21% YoY decline:** The FPD sales in 1H23 showed a YoY decline because in January 2022 the electronic whiteboards were shipped in large quantities to avoid the delay of delivery due to the Chinese New Year holidays. However, the whiteboard sales has returned in 2Q23 and will continue to rise in 2H23. FPD sales also expects a significant 2H23 HoH sales growth.
- **Green Energy 39.88% YoY decline:** The mainland Chinese government phased out their EV subsidy policy starting in 2023 and the rush to purchase EVs before the phase out in Q4 2022 has driven down the demands of EV batteries in 1H23. However, the EV battery cathode materials and electrolyte sales will recover in 2H23 due to the expansion into new customers.

1H23 EPS: NT\$4.15, 2Q23 EPS of NT\$2.92 set a record 2Q high

1H23 consolidated sales totaled NT\$30,545M. Consolidated 1H23 gross profit was NT\$2,604M with 1H23 gross margin of 8.52% and 2Q23 gross margin of 9.34%. 2Q23 GM was high due to the reversals of reserves for losses in slow-moving and write-off of inventory starting in 2H22, as inventory was gradually digested. 1H23 operating expense ratio was 4.66%, which was at its normal level, and operating margin was 3.86%. Operating profit was NT\$1,180M. Non-operating profit was NT\$237M, mainly contributed from long-term investment companies. Pretax profit totaled NT\$1,417M. After tax and minority profit was NT\$978M, with 1H23 EPS of NT\$4.15.



2023 Outlook

Generally speaking, monthly sales in 1H23 showed a gradual, MoM growth pattern. 2Q23 sales showed a 12.44% QoQ growth from 1Q23 sales. This has signaled the gradual digestions of inventories at all levels of the tech industry. Most of Wah Lee's industry sectors, including engineering plastics, PCB/MB raw materials, FPD related sales, and green energy sector will see mild to strong HoH sales growth, indicating the resumption of consumer and enterprise spendings. The overall FY2023 sales will show a modest decline or a flat YoY from a year ago, and will see a YoY growth for the year of 2024 and onwards. We are confident that the general trends in the mega technology advancements will continue to move on. The generative AI (e.g. ChatGPT), HPC, 5G communications, EV/automobiles, smartphones, consumer electronics, high-end semiconductor manufacturing will eventually bring the general demands back to a positive growth cycle. Gradual digestions of customers' inventory levels will also lead to the return of technology raw material demands. Wah Lee is well-positioned in the raw material supply chain and will ride on the mega trends of technology advancements. We will be in the forefront of demand returns and closely monitor the inflection point of underlying economic cycles.

Operating Result (M)	2020	2021	2022	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Total Rev	59,081	70,515	73,570	12,353	14,836	16,160	15,731	16,284	16,866	18,756	18,610	19,510	18,336	19,149	16,575	14,378	16,167
Gross Profit	4,801	5,983	5,567	1,005	1,195	1,287	1,313	1,438	1,496	1,572	1,476	1,558	1,428	1,438	1,143	1,094	1,510
Operating Profit	2,108	3,073	2,643	425	545	636	501	726	758	804	784	802	697	704	440	431	749
After Tax Profit	1,859	2,843	2,485	344	440	636	439	597	641	842	764	768	657	737	323	289	689
Shares Outstanding	231.40	236.02	236.02	231.40	231.40	231.40	231.40	231.40	231.40	236.02	236.02	236.02	236.02	236.02	236.02	236.02	236.02
EPS (NTD)	8.03	12.05	10.53	1.49	1.90	2.75	1.89	2.53	2.71	3.57	3.24	3.26	2.78	3.12	1.37	1.22	2.92
Operating Result (%)																	
GP Margin	8.1%	8.5%	7.6%	8.1%	8.1%	8.0%	8.3%	8.8%	8.9%	8.4%	7.9%	8.0%	7.8%	7.5%	6.9%	7.6%	9.3%
OP Margin	3.6%	4.4%	3.6%	3.4%	3.7%	3.9%	3.2%	4.5%	4.5%	4.3%	4.2%	4.1%	3.8%	3.7%	2.7%	3.0%	4.6%
AT Profit Margin	3.1%	4.0%	3.4%	2.8%	3.0%	3.9%	2.8%	3.7%	3.8%	4.5%	4.1%	3.9%	3.6%	3.8%	1.9%	2.0%	4.3%
Growth % YoY																	
Sales YoY	8.0%	19.4%	4.3%	2.4%	5.7%	11.0%	12.2%	31.8%	13.7%	16.1%	18.3%	19.8%	8.7%	2.1%	-10.9%	-26.3%	-11.8%
GP YoY	14.7%	24.6%	-7.0%	9.5%	10.5%	11.5%	27.2%	43.1%	25.2%	22.1%	12.4%	8.3%	-4.5%	-8.5%	-22.6%	-29.8%	5.7%
OP YoY	33.9%	45.8%	-14.0%	31.6%	27.3%	36.8%	40.3%	70.8%	39.1%	26.4%	56.5%	10.5%	-8.0%	-12.4%	-43.9%	-46.3%	7.5%
AT Profit YoY	31.3%	52.9%	-12.6%	9.2%	27.9%	41.6%	42.5%	73.5%	45.7%	32.4%	74.0%	28.6%	2.5%	-12.5%	-57.7%	-62.4%	4.9%

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.