



**Wah Lee Industrial Corp. (3010.TT)**  
**2024 2Q Management Report**  
**August 23, 2024**

**Company Basic Information**

|                            |           |
|----------------------------|-----------|
| Closing Price (22/08/2024) | NT\$124.0 |
| 52 WK High                 | NT\$157.0 |
| 52 WK Low                  | NT\$86.1  |
| Book Value/share           | NT\$82.9  |
| Shares on Issue (M)        | 259.3     |
| Market Cap (USD M)         | 953       |
| QFII Holding (%)           | 10.3      |
| Monthly Avg Daily Turn     | NT\$100M  |

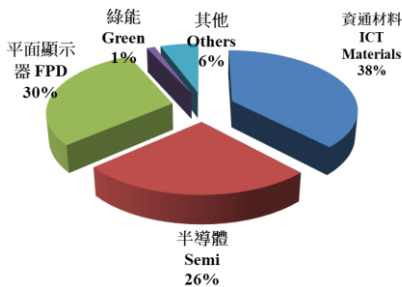
**Key Financial Indicators**

|                      | 2022  | 2023  | 2Q24  |
|----------------------|-------|-------|-------|
| ROE                  | 15.0% | 11.9% | 10.5% |
| Debt/Asset           | 62.0% | 59.0% | 56.0% |
| Cash Conversion Days | 76.0  | 81.8  | 76.5  |

**3010 WL Price Chart (1 yr)**



**Product Mix (2Q24)**



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

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**2Q2024 Consolidated Results Announcement**

**Wah Lee's 1H2024 sales reached NT\$38,405 million, a 25.7% YoY growth after the inventory digestion among customers and recovering macro-economic condition. 2Q24 sales of NT\$21,154 million has set a record high quarterly sales.**

- **Information Communication Technology 24.87% YoY growth:** ICT sector's 1H24 sales reached NT\$14,560 million and has posted a strong growth from the low basis a year ago. To be particularly noticed is that the demands of engineering plastics and PCB consumable raw materials applied in AI servers/switches have boosted the related sales, including CPU/GPU/HBM(High Bandwidth Memory) sockets, connectors, dry films and low Dk/Low Df CCLs.
- **Semiconductor 16.26% YoY growth:** 1H24 semi sector sales was NT\$9,870 million. Wah Lee provides photoresist, slurry, and advanced packaging material to foundry customer's 5/3 nm nodes and CoWoS packaging process. Specialty gases are also provided to semi and other industries. Wah Lee has started to export specialty gases to the leading foundry's Japan and US expansion plants which will have good growth potential in the future.
- **FPD 41.02% YoY growth:** The FPD 1H24 sales reached NT\$11,331 million and showed a strong recovery from last year because electronic whiteboard sales has returned to its growth track. Large screen LCD TV demands also showed growth and drove the sales of our optical sheets/films such as light guide sheets and polarizer sheets.
- **Green Energy 32.97% YoY decline:** The Chinese EV and EV battery markets have become very competitive and the price erosions of EVs and batteries and its upstream raw materials were overwhelmingly serious. Chinese government phased out their EV subsidy policy also played a role in the decline of the green energy sector.

**1H24 EPS: NT\$4.10, after tax net profit grew 3.6% YoY**

1H 2024 consolidated sales totaled NT\$38,405M. 1H24 gross profit was NT\$2,824M with gross margin of 7.35% because of the higher growth rate of FPD sector. 1H24 operating expense ratio was 4.10%, which was lower than the 4.66% a year ago as the larger sales number enjoyed the economies of scale. 1H24 operating margin was 3.25% and operating profit was NT\$1,249M. 1H24 non-operating profit was NT\$302M, mainly contributed from long-term investment companies. Pretax profit totaled NT\$1,550M. 1H24 after tax and minority profit was NT\$1,014M, which was a growth of 3.6% from a year ago. The outstanding common shares of the company as of June 30, 2024 grew to 259,351,300 shares from 236,239,200 shares as of end of 2023 because of the conversion of convertible bonds into stocks. The dilution effect was about 9.78%. 1H24 EPS was NT\$4.10, which was slightly lower than NT\$4.15 in 1H23. Hopefully the stronger sales in 2H24 and better product mix changes can recover the dilution effect and bring back EPS growth.



## 2024 Outlook

We are confident the year of 2024 will be a year of recovery. Due to the low basis of monthly sales in 2023, the cumulative Jan.-Jul. 2024 consolidated sales has grown by 25.53% YoY. Wah Lee's geographic expansions were targeted at the fast-growing markets: China's GDP growth target for 2024 is 5.3%; ASEAN countries' overall GDP growth is expected to be 4.9%; India's GDP growth aims for 7%; while US, Japan, Mexico, and Europe markets all expect to have satisfactory growth rates. Wah Lee plans to aggressively expand its market shares in these major markets. From the application's perspectives, smartphones and NB, PC are expected to see sales volume to resume growth momentum in 2024. With the advent of generative AI, the consumer and enterprise AI sectors will both see exponential demand growths within the next few years. According to industry research, AI servers will grow at a CAGR of 45% during the year from 2022-2026. Wah Lee provides a comprehensive portfolio of raw materials for AI servers or other high performance computing or communication device. From high-end engineering plastics that go into the connectors, sockets for GPU/CPU/HBM, and chassis, to the dry films and CCLs required for the production of high-end PCB for AI servers or switches. Furthermore, semiconductor raw materials including photoresist, CMP slurry, bulk chemicals, specialty gases, and advanced packaging materials were comprehensively provided by Wah Lee to foundry and DRAM makers for making all the critical GPU/CPU/Memory chips that will make up for the backbone of an AI server or other AI device. EV market is another potential growth area. By the year of 2030, EV is expected to grow at a CAGR of 17.3%. Wah Lee has already provided GaN and SiC components and device that are required in the high electricity voltage working environment of EV and charging stations. The related 3<sup>rd</sup> generation compound semiconductor sales in Wah Lee has grown by 46% YoY in 2023. Wah Lee has well positioned itself to lead in the continuous development of mega technology trends in the modern world. We will periodically update our latest progress in different frontiers of industries to investors and shareholders.

| Operating Result (M) | 2021   | 2022   | 2023   | 1Q21   | 2Q21   | 3Q21   | 4Q21   | 1Q22   | 2Q22   | 3Q22   | 4Q22   | 1Q23   | 2Q23   | 3Q23   | 4Q23   | 1Q24   | 2Q24   |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total Rev            | 70,515 | 73,570 | 66,782 | 16,284 | 16,866 | 18,756 | 18,610 | 19,510 | 18,336 | 19,149 | 16,575 | 14,378 | 16,167 | 19,019 | 17,218 | 17,251 | 21,154 |
| Gross Profit         | 5,983  | 5,567  | 5,526  | 1,438  | 1,496  | 1,572  | 1,476  | 1,558  | 1,428  | 1,438  | 1,143  | 1,094  | 1,510  | 1,548  | 1,374  | 1,321  | 1,503  |
| Operating Profit     | 3,073  | 2,643  | 2,502  | 726    | 758    | 804    | 784    | 802    | 697    | 704    | 440    | 431    | 749    | 699    | 623    | 558    | 690    |
| After Tax Profit     | 2,843  | 2,485  | 2,114  | 597    | 641    | 842    | 764    | 768    | 657    | 737    | 323    | 289    | 689    | 712    | 423    | 433    | 581    |
| Shares Outstanding   | 236.02 | 236.02 | 236.24 | 231.40 | 231.40 | 236.02 | 236.02 | 236.02 | 236.02 | 236.02 | 236.02 | 236.02 | 236.02 | 236.02 | 236.24 | 250.70 | 259.35 |
| EPS (NTD)            | 12.05  | 10.53  | 8.96   | 2.53   | 2.71   | 3.57   | 3.24   | 3.26   | 2.78   | 3.12   | 1.37   | 1.22   | 2.92   | 3.02   | 1.80   | 1.80   | 2.30   |
| Operating Result (%) |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| GP Margin            | 8.5%   | 7.6%   | 8.3%   | 8.8%   | 8.9%   | 8.4%   | 7.9%   | 8.0%   | 7.8%   | 7.5%   | 6.9%   | 7.6%   | 9.3%   | 8.1%   | 8.0%   | 7.7%   | 7.1%   |
| OP Margin            | 4.4%   | 3.6%   | 3.7%   | 4.5%   | 4.5%   | 4.3%   | 4.2%   | 4.1%   | 3.8%   | 3.7%   | 2.7%   | 3.0%   | 4.6%   | 3.7%   | 3.6%   | 3.2%   | 3.3%   |
| AT Profit Margin     | 4.0%   | 3.4%   | 3.2%   | 3.7%   | 3.8%   | 4.5%   | 4.1%   | 3.9%   | 3.6%   | 3.8%   | 1.9%   | 2.0%   | 4.3%   | 3.7%   | 2.5%   | 2.5%   | 2.7%   |
| Growth % YoY         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Sales YoY            | 19.4%  | 4.3%   | -9.2%  | 31.8%  | 13.7%  | 16.1%  | 18.3%  | 19.8%  | 8.7%   | 2.1%   | -10.9% | -26.3% | -11.8% | -0.7%  | 3.9%   | 20.0%  | 30.8%  |
| GP YoY               | 24.6%  | -7.0%  | -0.7%  | 43.1%  | 25.2%  | 22.1%  | 12.4%  | 8.3%   | -4.5%  | -8.5%  | -22.6% | -29.8% | 5.7%   | 7.6%   | 20.2%  | 20.7%  | -0.5%  |
| OP YoY               | 45.8%  | -14.0% | -5.3%  | 70.8%  | 39.1%  | 26.4%  | 56.5%  | 10.5%  | -8.0%  | -12.4% | -43.9% | -46.3% | 7.5%   | -0.7%  | 41.6%  | 29.5%  | -7.9%  |
| AT Profit YoY        | 52.9%  | -12.6% | -14.9% | 73.5%  | 45.7%  | 32.4%  | 74.0%  | 28.6%  | 2.5%   | -12.5% | -57.7% | -62.4% | 4.9%   | -3.4%  | 31.0%  | 49.8%  | -15.7% |

### 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.