



# **Zyxel Group Corporation(3704)**

## **2023 Second Quarter Earnings Conference**

**August 17, 2023**

# Safe Harbor Notice

- **The statements contains historical information and forward-looking statements.**
- **Such forward-looking statements involve unknown risks and uncertainties, which may cause the actual performance, financial condition or results of forecast of Unizyx Holding Corporation to be materially different from any future performance, financial condition or results of operations implied by such forward-looking statements.**

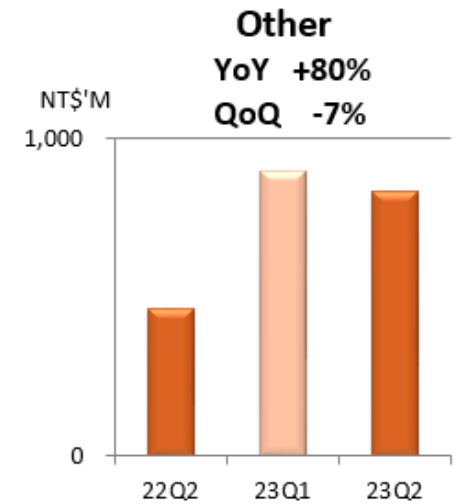
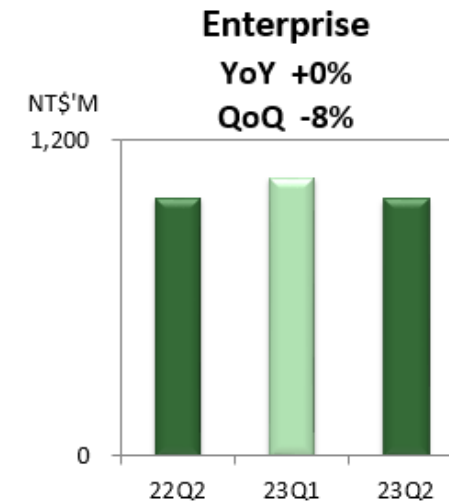
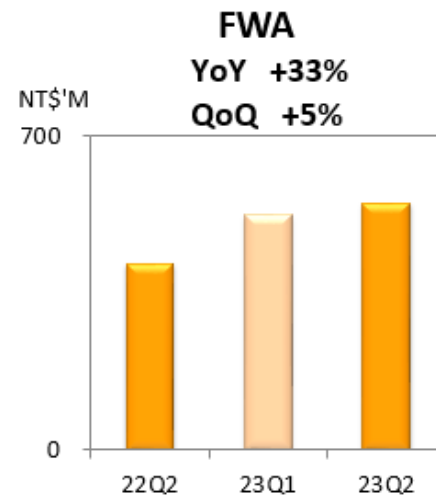
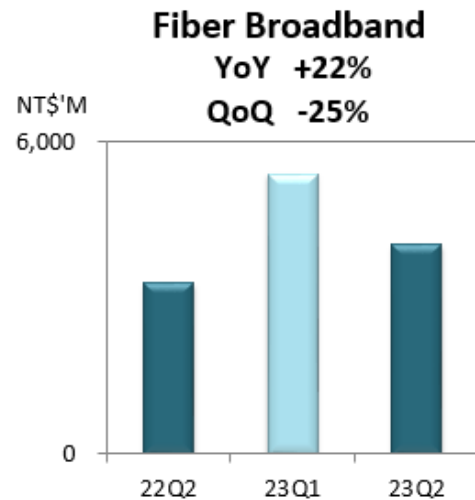
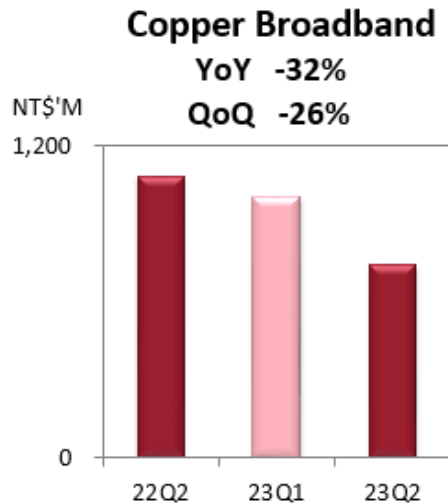
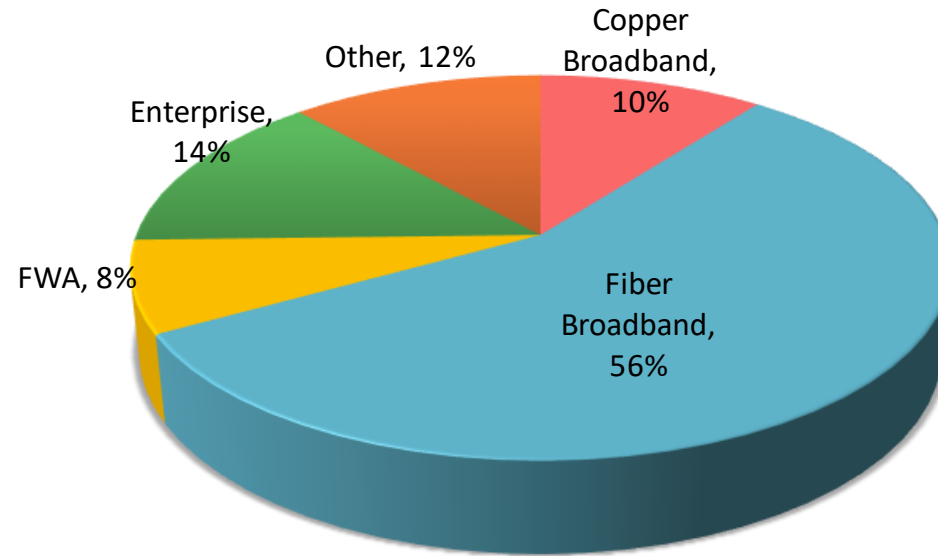
# 23Q2 Statements of Comprehensive Income

Unit: NT\$ Million	<u>23Q2</u>	<u>%</u>	<u>23Q1</u>	<u>%</u>	<u>22Q2</u>	<u>%</u>	<u>QoQ%</u>	<u>YoY%</u>
Net Sales	7,124	100.0%	8,853	100.0%	6,229	100.0%	-19.5%	14.4%
Cost of Goods Sold	5,616	78.8%	6,944	78.4%	4,767	76.5%	-19.1%	17.8%
<b>Gross Profit</b>	<b>1,508</b>	<b>21.2%</b>	<b>1,909</b>	<b>21.6%</b>	<b>1,462</b>	<b>23.5%</b>	<b>-21.0%</b>	<b>3.1%</b>
Operating Expenses	1,242	17.4%	1,371	15.5%	1,215	19.5%	-9.5%	2.2%
<b>Operating Income</b>	<b>266</b>	<b>3.7%</b>	<b>538</b>	<b>6.1%</b>	<b>247</b>	<b>4.0%</b>		
Non-Operating Income (Loss)	154	2.2%	35	0.4%	(123)	-2.0%		
Income before Tax	420	5.9%	573	6.5%	124	2.0%		
Income Tax (Gain)	118	1.7%	107	1.2%	44	0.7%		
Net Income	302	4.2%	466	5.3%	80	1.3%		
<b>Net Income to Shareholders of the Parent Company</b>	<b>304</b>	<b>4.3%</b>	<b>461</b>	<b>5.2%</b>	<b>74</b>	<b>1.2%</b>		
EPS (NT Dollar)	0.77		1.17		0.17			

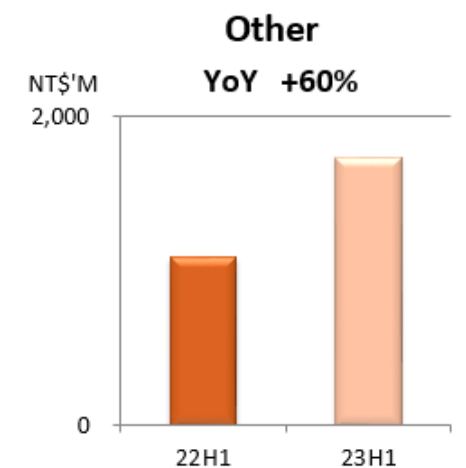
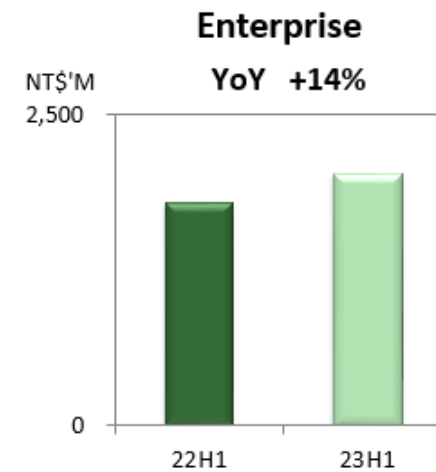
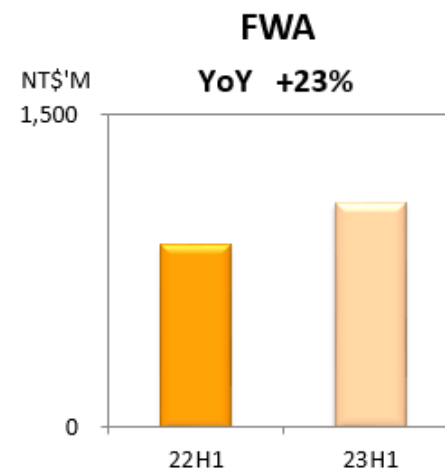
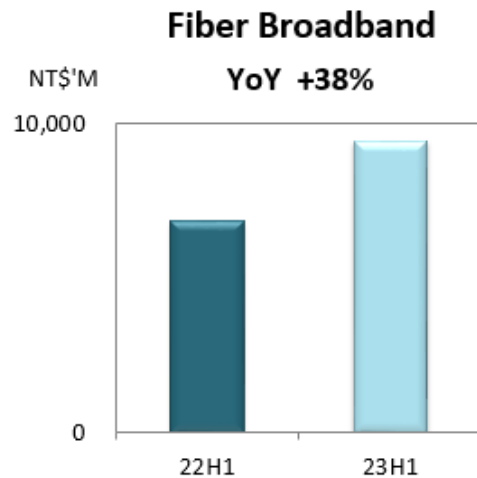
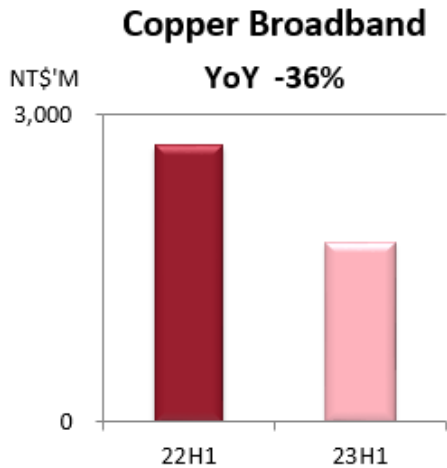
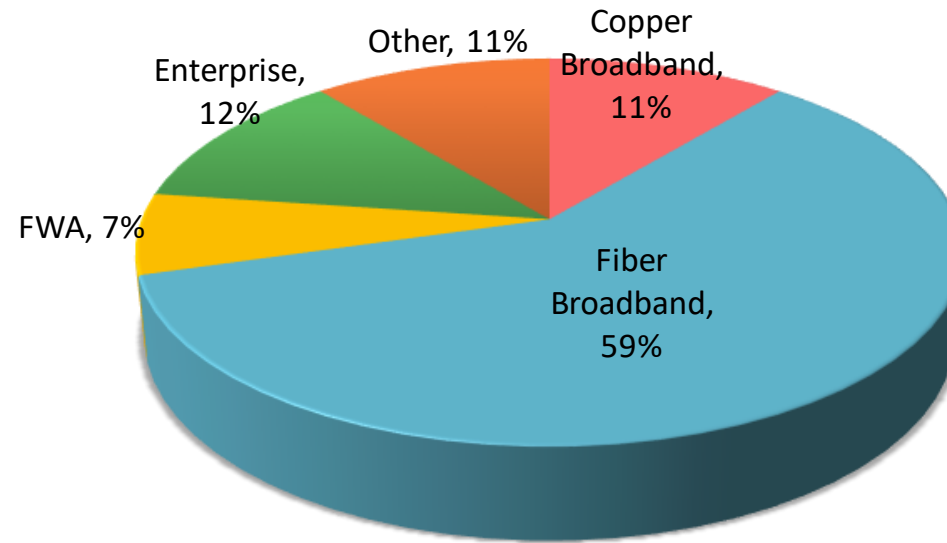
# 23H1 Statements of Comprehensive Income

Unit: NT\$ Million	<u>23H1</u>	<u>%</u>	<u>22H1</u>	<u>%</u>	<u>YoY%</u>
Net Sales	15,977	100.0%	13,258	100.0%	20.5%
Cost of Goods Sold	12,560	78.6%	10,432	78.7%	20.4%
<b>Gross Profit</b>	<b>3,417</b>	<b>21.4%</b>	<b>2,826</b>	<b>21.3%</b>	<b>20.9%</b>
Operating Expenses	2,613	16.4%	2,379	17.9%	9.8%
<b>Operating Income</b>	<b>804</b>	<b>5.0%</b>	<b>447</b>	<b>3.4%</b>	<b>79.8%</b>
Non-Operating Income	189	1.2%	113	0.9%	67.3%
Income before Tax	993	6.2%	560	4.2%	77.3%
Income Tax (Gain)	225	1.4%	155	1.2%	45.2%
Net Income	768	4.8%	405	3.1%	89.6%
<b>Net Income to Shareholders of the Parent Company</b>	<b>765</b>	<b>4.8%</b>	<b>400</b>	<b>3.0%</b>	<b>91.3%</b>
EPS (NT Dollar)	1.94		0.91		

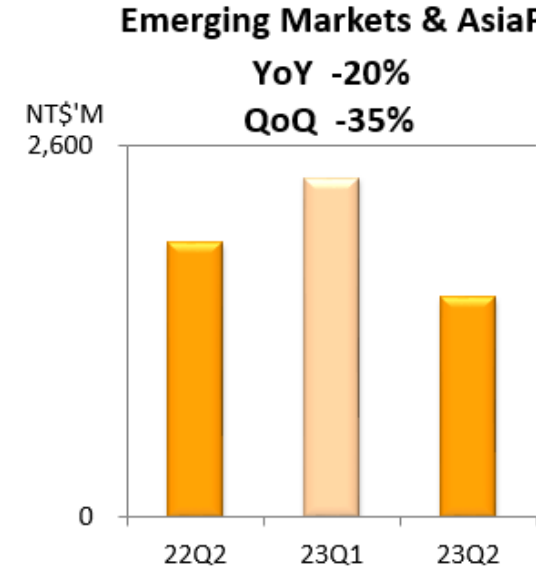
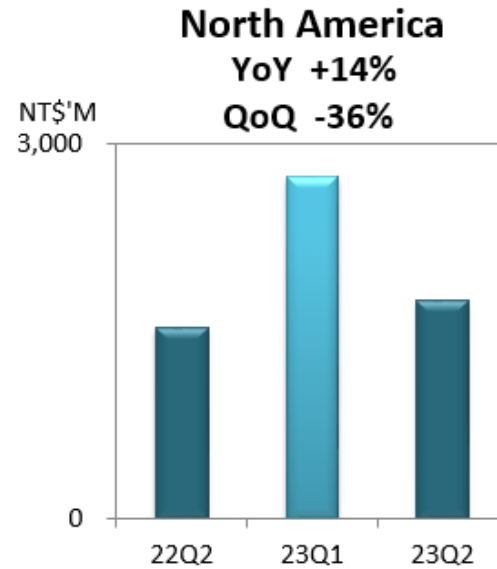
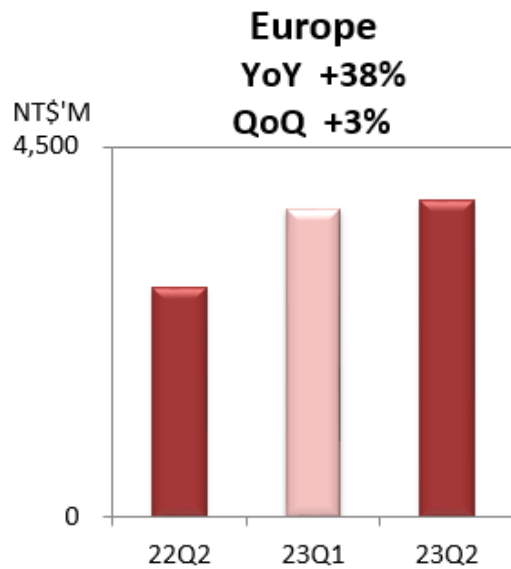
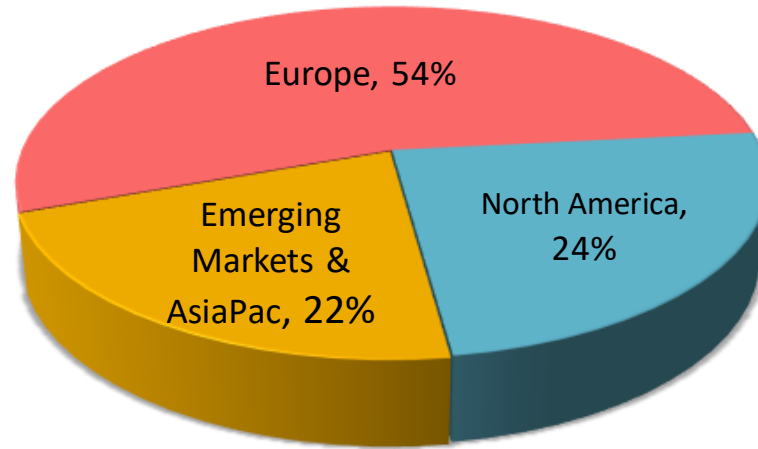
# 23Q2 Revenue by Product



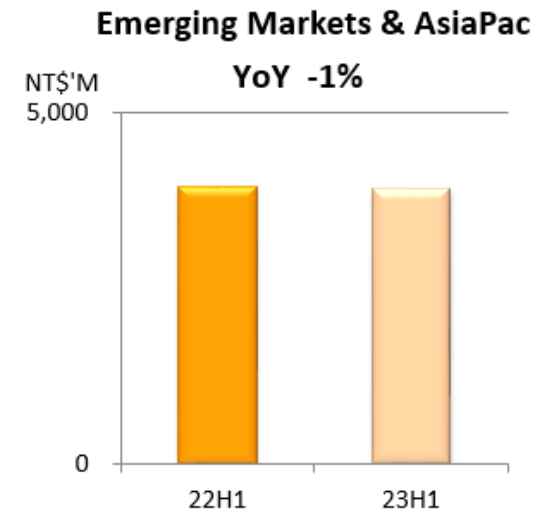
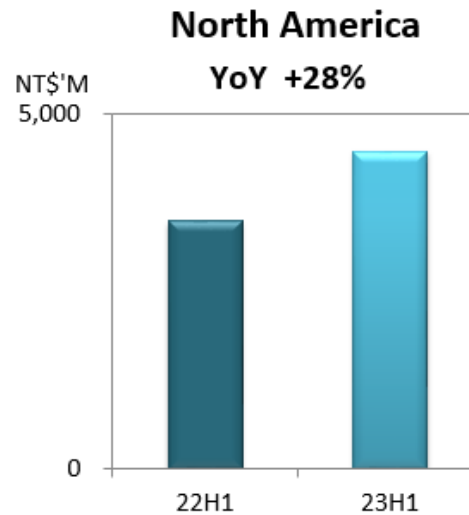
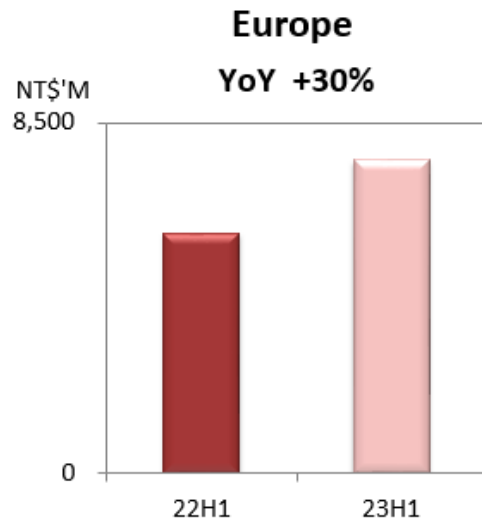
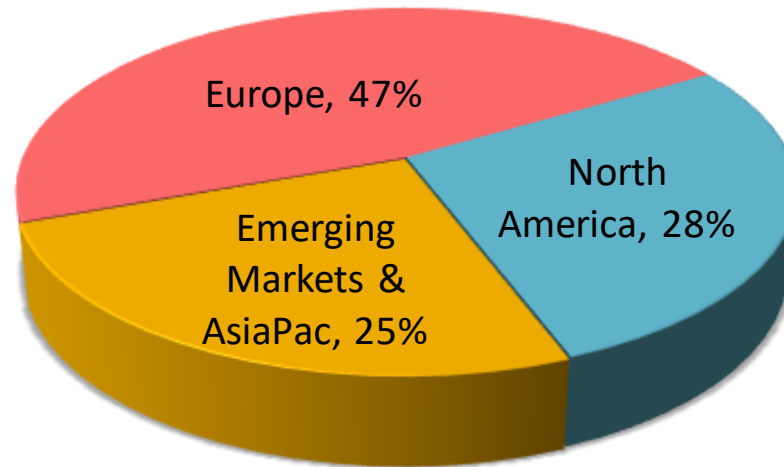
# 23H1 Revenue by Product



# 23Q2 Revenue by Region



# 23H1 Revenue by Region





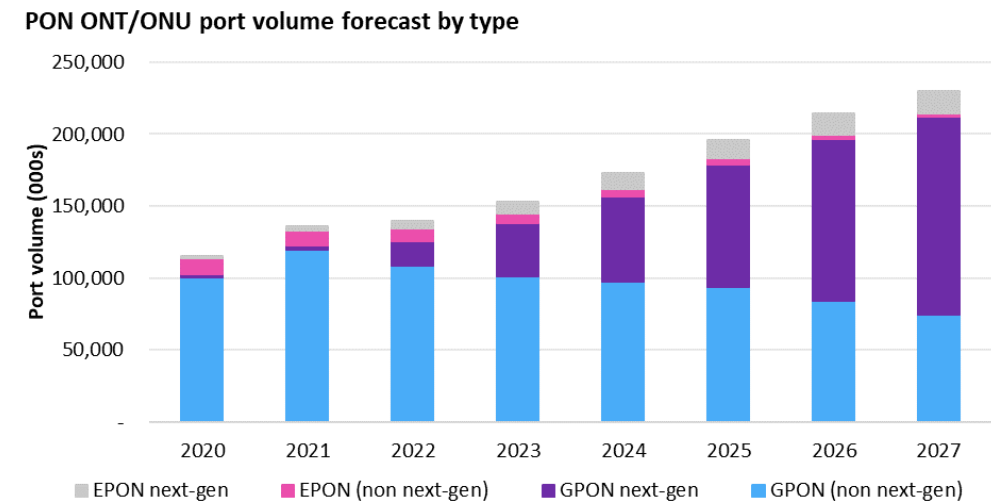
# Balance Sheets & Key Indices

Unit: NT\$ Million

	<u>2023.06.30</u>	<u>%</u>	<u>2023.03.31</u>	<u>%</u>	<u>2022.06.30</u>	<u>%</u>
Cash and Cash Equivalents	5,038	22%	4,497	18%	2,991	14%
Accounts Receivable	6,846	31%	7,990	33%	5,860	28%
Inventories	6,021	27%	7,373	30%	7,460	35%
Long-term Investments	268	1%	266	1%	180	1%
Property, Plant and Equipment	1,784	8%	1,862	8%	1,781	8%
Other Assets	2,462	11%	2,533	10%	2,744	13%
<b>Total Assets</b>	<b>22,419</b>	<b>100%</b>	<b>24,521</b>	<b>100%</b>	<b>21,016</b>	<b>100%</b>
Current Liabilities	9,473	42%	11,287	46%	9,317	44%
Non-Current Liabilities	2,641	12%	2,648	11%	2,637	13%
<b>Total Liabilities</b>	<b>12,114</b>	<b>54%</b>	<b>13,935</b>	<b>57%</b>	<b>11,954</b>	<b>57%</b>
<b>Total Equity</b>	<b>10,305</b>	<b>46%</b>	<b>10,586</b>	<b>43%</b>	<b>9,062</b>	<b>43%</b>
<b>Book Value per Share</b>	<b>26</b>		<b>26</b>		<b>20</b>	
<b>Key Indices</b>						
AR Turnover Days	95		84		85	
Inventory Turnover Days	109		100		135	
Current Ration (X)	2.0		1.8		1.9	

# Service Provider Service Trends – 10G PON mass deploy coming

- ❑ 10G PON technologies driving bandwidth demands Multi-Giga rates applications.
- ❑ 10G applications: immersive home user experience, gaming, cloud storage (cloud office)
- ❑ Technology: Global 10G PON deploy accelerating, driving the scale of ecosystem covering equipment, optical modules, and chips. (Refer to Omdia's market report)
- ❑ North America: deploy XGSPON grows rapidly, now beyond GPON (AT&T, Lumen, Windstream).
- ❑ China: Dual Giga 5G mobile and 10G PON fiber  
This year, China Mobile's 10G close 1/3 pie, foresee copy success of PON fiber replacing copper.
- ❑ Europe: deploy 10G XGSPON, Telefonica España  
UK - Openreach (BT Group), Virgin Media O2, CityFibre,  
Netherlands - KPN, Delta Fiber / Belgium – Proximus.

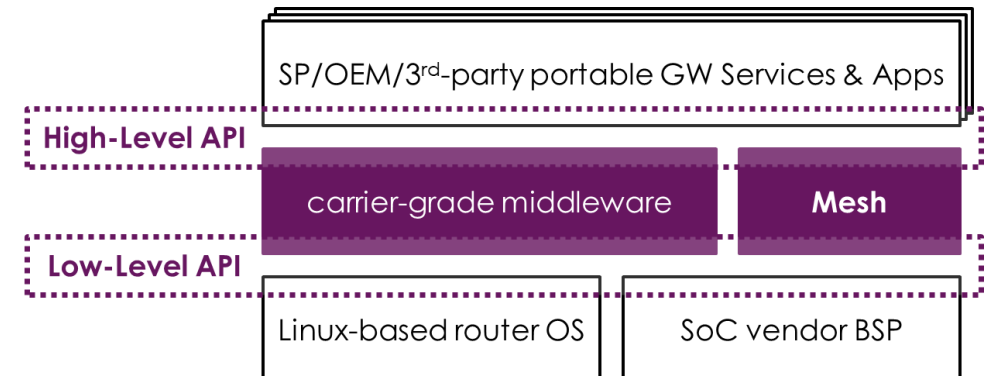


Source: Omdia

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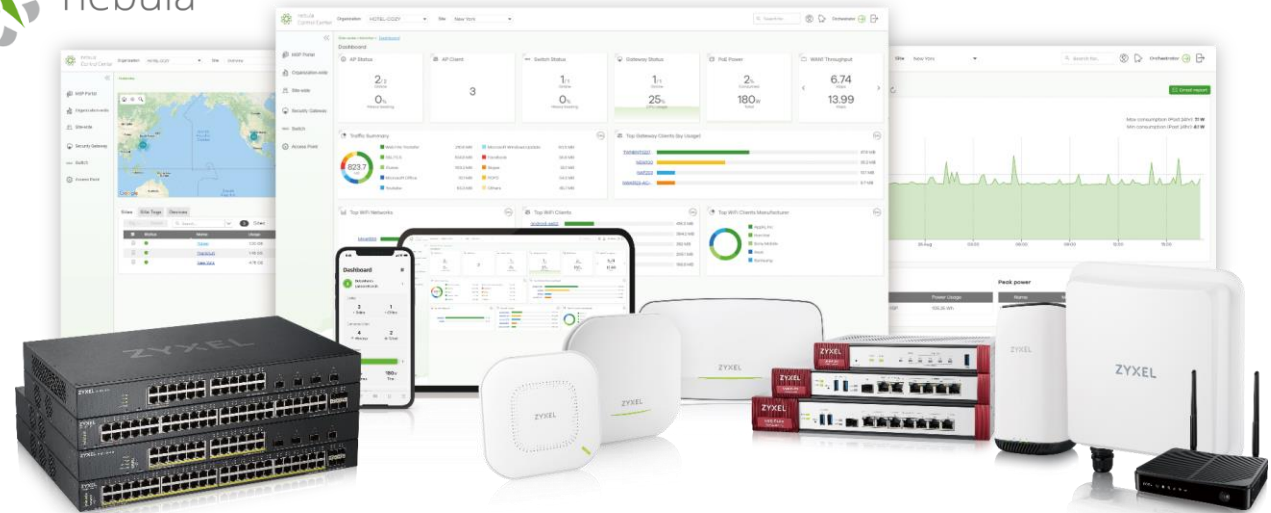
# Service Provider Technology Trends – Disaggregation CPE

- Broadband CPE with HW and SW separation, enabling operators to provide more flexible and scalable service applications to end users.
- HW and SW separation catch Open CPE technology trend: improve flexibility, scalability & faster deployment time, and provide end users more reliable and consistent services.
- Proprietary HW & SW platform, difficult verification, slowing down new service on line.
- Technology : Open APIs, Open-Source and Open Standards  
Open API combined open source community ecosystem to speed up development  
Enable service-driven innovation via 3rd-party service ecosystems.
- Service Provider participation & show interest:  
Nordic, Taiwan, Singapore,  
US AT&T, Verizon



# Technology and Service Trends : Enterprise

- ❑ Ongoing cybersecurity issues drive the sales of firewalls and security licenses. The Security product category grew the most in the first half, with growth of over 30% YoY. Will launch the next generation firewalls to continue the momentum.
- ❑ Security and Nebula subscription license business grows rapidly. In 12 months, total subscription license business is expected to reach NTD 400M.

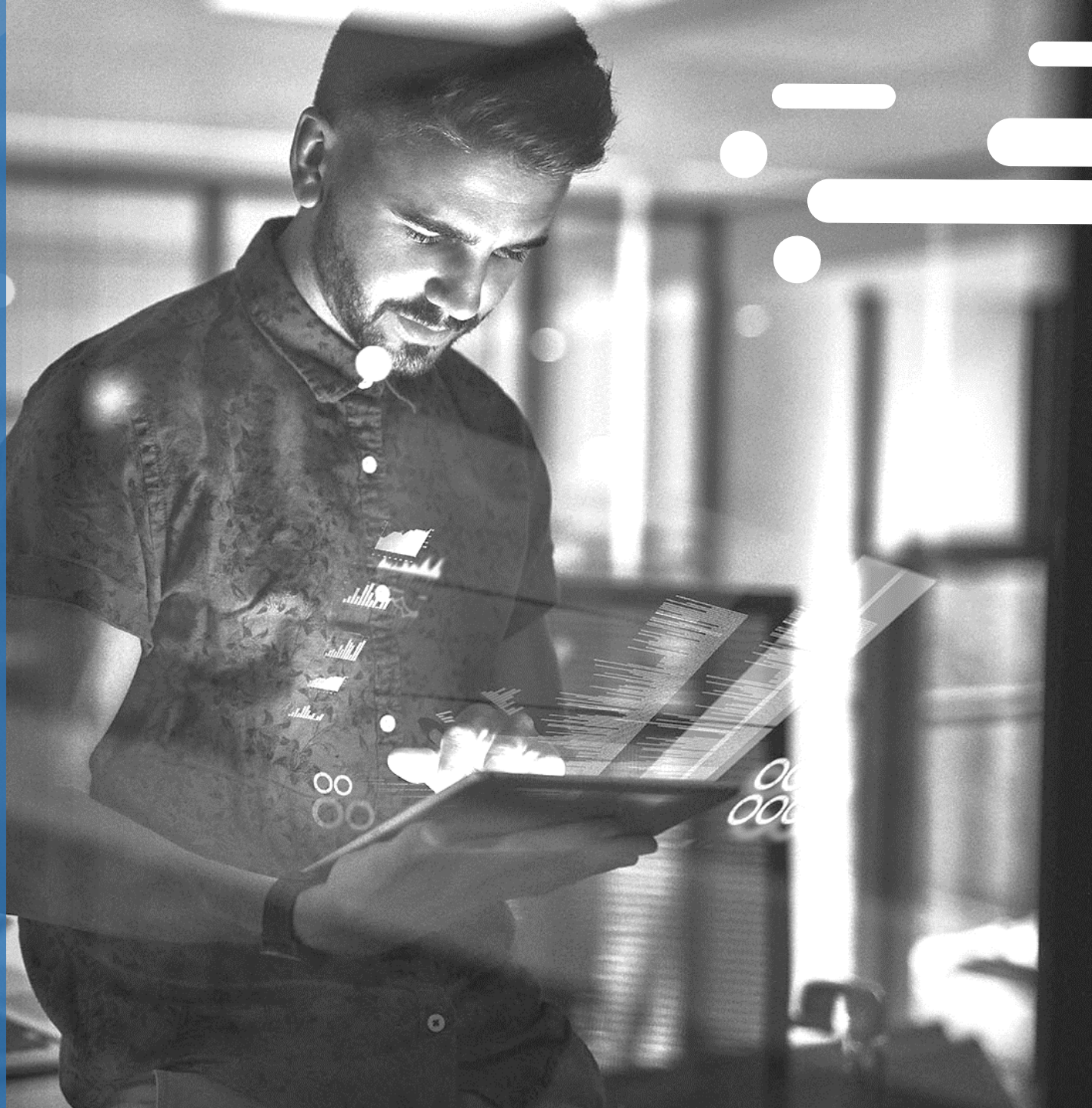


# Technology and Service Trends : Enterprise

- ❑ WiFi7 will also push the upgrade of network (Multi-G, PoE++, Firewall). Zyxel's R&D capability will be our competition edge for the pursuit of time to market.
- ❑ Using AI to enhance our competitiveness. Developing edge AI computing in firewalls for users who cannot send network traffic to cloud analytics. Zyxel Nebula Cloud provides AI big data analysis for our work to build an AI-intelligent network.



# Outlook



Q&A



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