



*Solution Provider
For the Secured Data Transmission*

3689 UDE

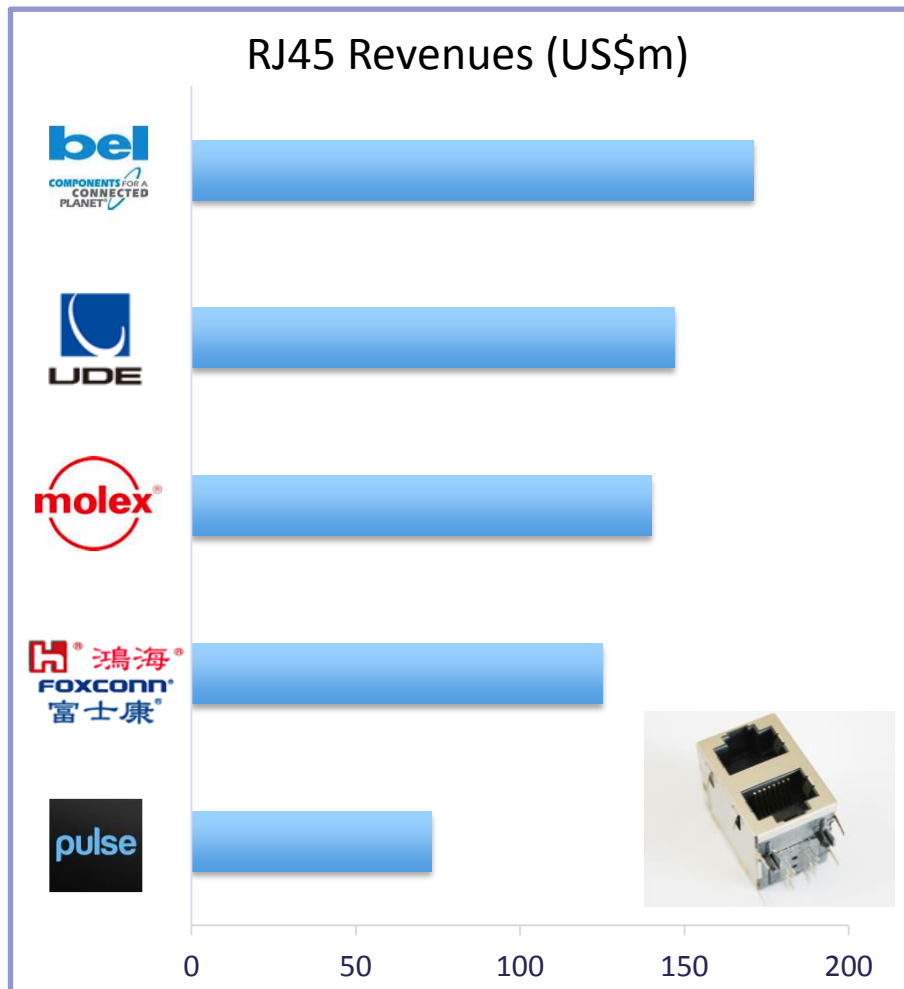
Gary Chen

May 2019

Disclaimer

- The information contained in this confidential document ("Presentation") has been prepared by UDE (the "Company"). It has not been fully verified and is subject to material updating, revision and further amendment.
- While the information contained herein has been prepared in good faith, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers gives, has given or has authority to give, any representations or warranties (express or implied) as to, or in relation to, the accuracy, reliability or completeness of the information in this Presentation, or any revision or supplement thereof, or of any other written or oral information made or to be made available to any interested party or its advisers (all such information being referred to as "Information") and liability therefore is expressly disclaimed. Accordingly, neither the Company nor any of its shareholders, directors, officers, agents, employees or advisers takes any responsibility for, or will accept any liability whether direct or indirect, express or implied, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness or injury of the Information or for any of the opinions contained herein or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this Presentation or the information.
- Neither the issue of this Presentation nor any part of its contents is to be taken as any form of commitment on the part of the Company to proceed with any transaction and the right is reserved by the Company to terminate any discussions or negotiations with any prospective investors. In no circumstances will the Company be responsible for any costs, losses or expenses incurred in connection with any appraisal or investigation of the Company. In furnishing this Presentation, the Company does not undertake or agree to any obligation to provide the recipient with access to any additional information or to update this Presentation or to correct any inaccuracies in, or omissions from, this Presentation which may become apparent.
- This Presentation should not be considered as the giving of investment advice by the Company or any of its shareholders, directors, officers, agents, employees or advisers. Each party to whom this Presentation is made available must make its own independent assessment of the Company after making such investigations and taking such advice as may be deemed necessary. In particular, any estimates or projections or opinions contained herein necessarily involve significant elements of subjective judgment, analysis and assumptions and each recipient should satisfy itself in relation to such matters.
- This Presentation includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, continued availability of capital and financing, general economic, market or business conditions and other unforeseen events. Prospective Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in forward-looking statements.

UDE – World No. 2 in ICM revenues



Founded in 2005

Ticker: 3689 TT

3,300 full-time employees

Dedicated supplier of integrated RJ-45 ports

2018 revenues: NT\$4.5 billion

- Headquarters: Taoyuan, Taiwan
- Deyang, Sichuan, China plant: High-volume production
- Dongguan, Guangzhou, China plant: Product and automation R&D, high value-added production

UDE – young and restless


- *We are a global leader in the Ethernet technology applications.*
- *We are one rare manufacturer that is able to combine automated volume production capability with a high degree of product customization.*
- *We are not wedded to any single product, but instead seek to leverage UDE manufacturing management expertise to seek out new business opportunities.*





The UDE Strategy

Financial Performance



*Optimizing
automation +
customization*

***Differentiated
product focus***

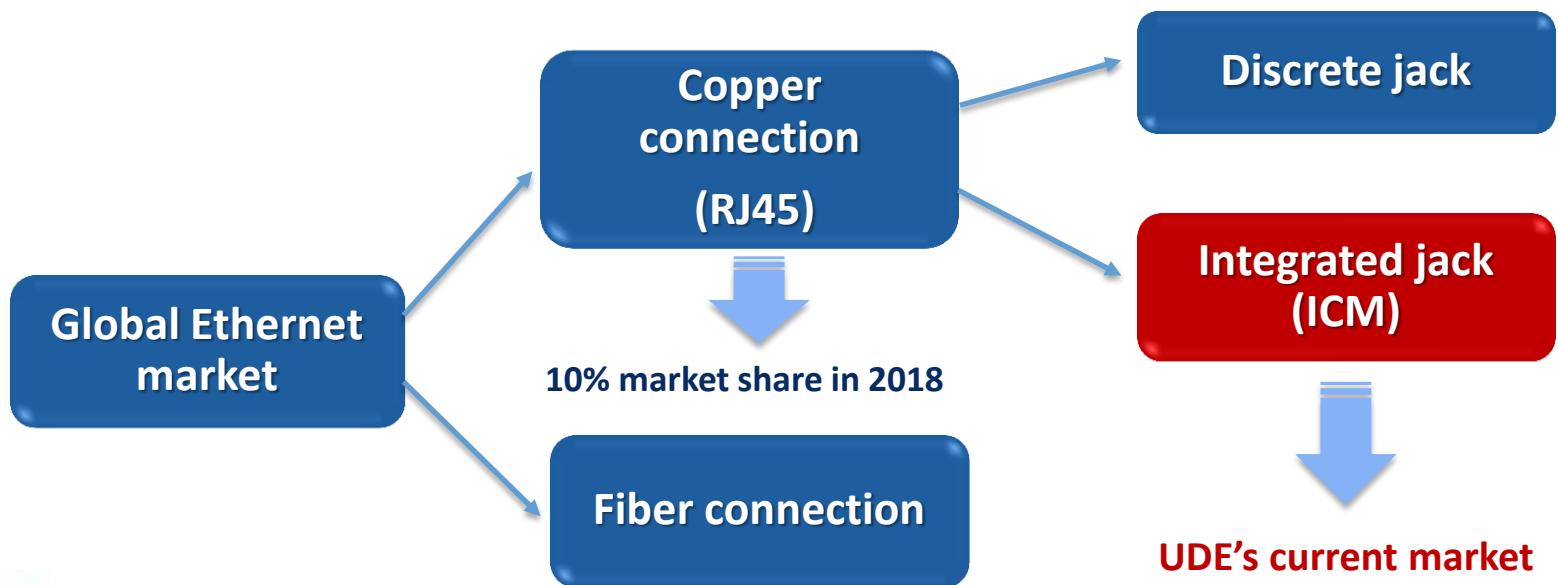
The UDE strategy

*Keeping up with
the cloud*

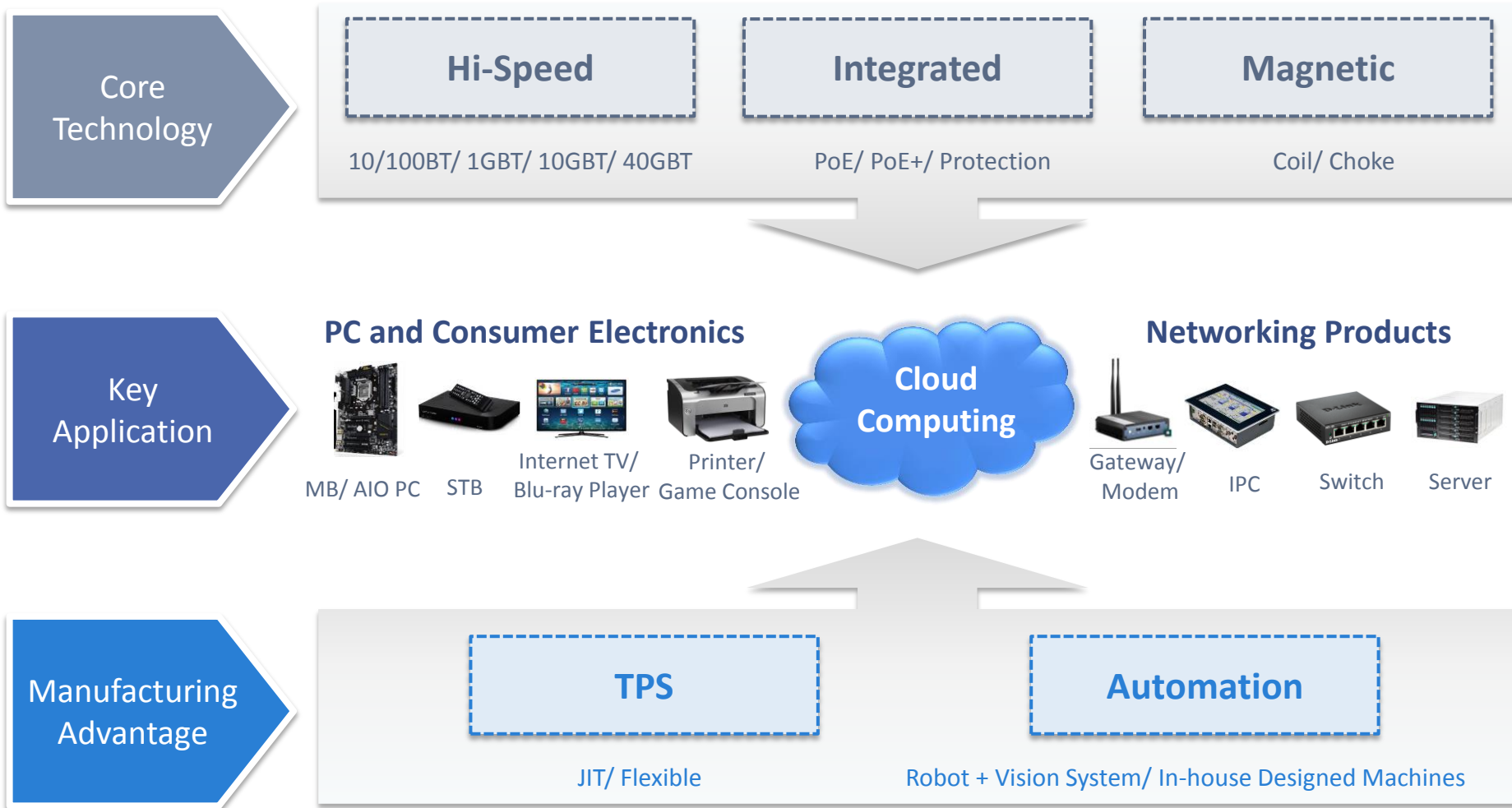
*Targeting market
share gain*

UDE's market positioning

- **UDE positions itself in the Ethernet market**
UDE focuses on the copper connection of the global Ethernet market, where it enjoyed 10% market share in 2018 in volume terms.
- **Extend to Non-integrated jack market**
With key offering of integrated connection module (ICM), UDE aims to extend to Fiber connection and discrete jack market.

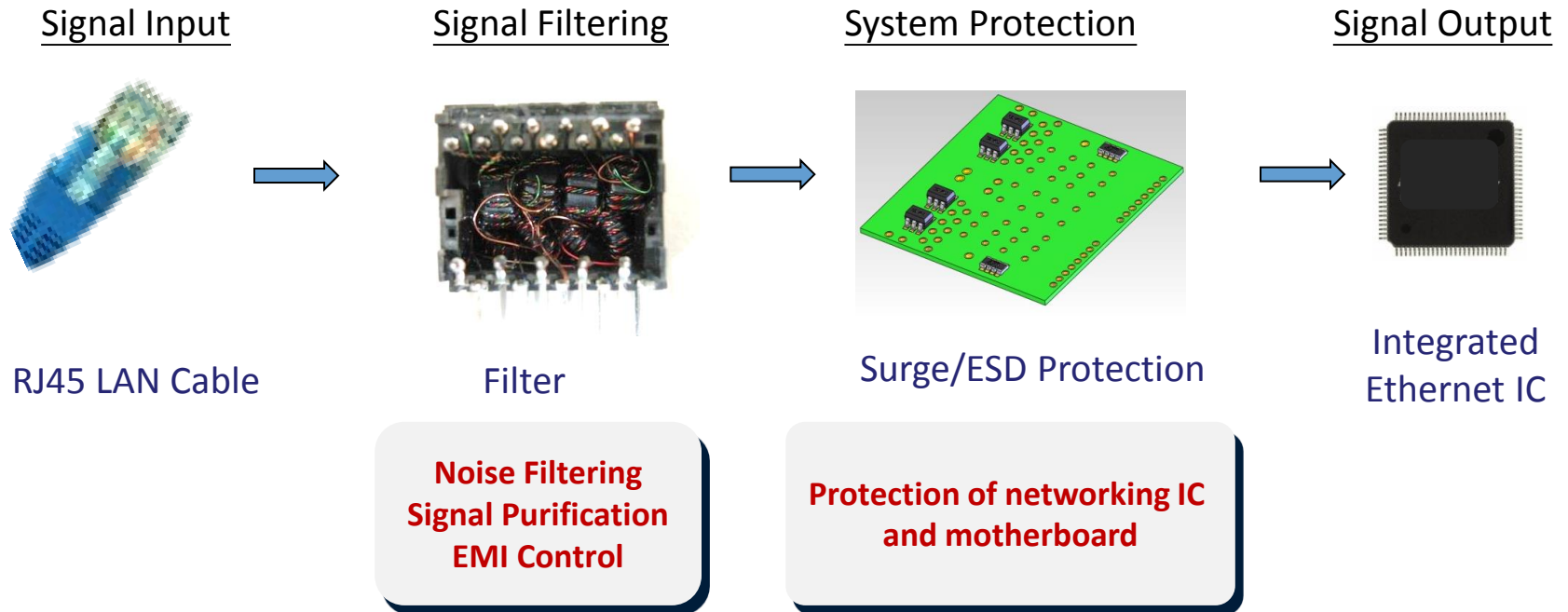


Core competence



We aim to leverage our manufacturing advantages to products beyond RJ45








UDE possesses excellent electromagnetic signal processing and customization capability



Customized high frequency electromagnetic impedance design to match customer systems

Goal: Maintain high S/N ratio to guarantee complete and rapid signal transmission to the network IC on client motherboard

Most diverse application base of any RJ45 producer

	MB / AIO PC	Networking	Set-Top Box	Server	Blu-ray Player / Internet TV	Game Consoles	Printer
	√	√	√	√	√	√	√
		√	√	√			√
	√	√		√		√	
		√		√			
		√		√			
		√		√			
			√	√			
							√

Selling to global leaders in key product categories



MB / AIO PC



Networking



Set-Top Box



Server



Blu-ray Player
/ Internet TV
/ Game Consoles



Printer

UDE is a rarity

- **A high-volume/low-cost leader also offering highly customized products**

Product offering


- Wide range of electrical characteristics and structural options
- Highly customized with low volume production run capability
- 8,500 active part numbers
- 4,700 different models produced each month

Customer base

- Low single client risk : 60% of sales from top ten clients
- No client accounts for more than 15% of sales
- 1,300 active client accounts

Industry attributes

- Barriers to entry are high
- RJ45 Jack industry has only a handful of major players
- These are UDE, Foxconn, Bel Fuse, Molex and Pulse
- Bel Fuse has the most advanced technology
- UDE is the largest scale producer and the low-cost leader



*Optimizing
automation +
customization*

*Differentiated
product focus*

The UDE strategy

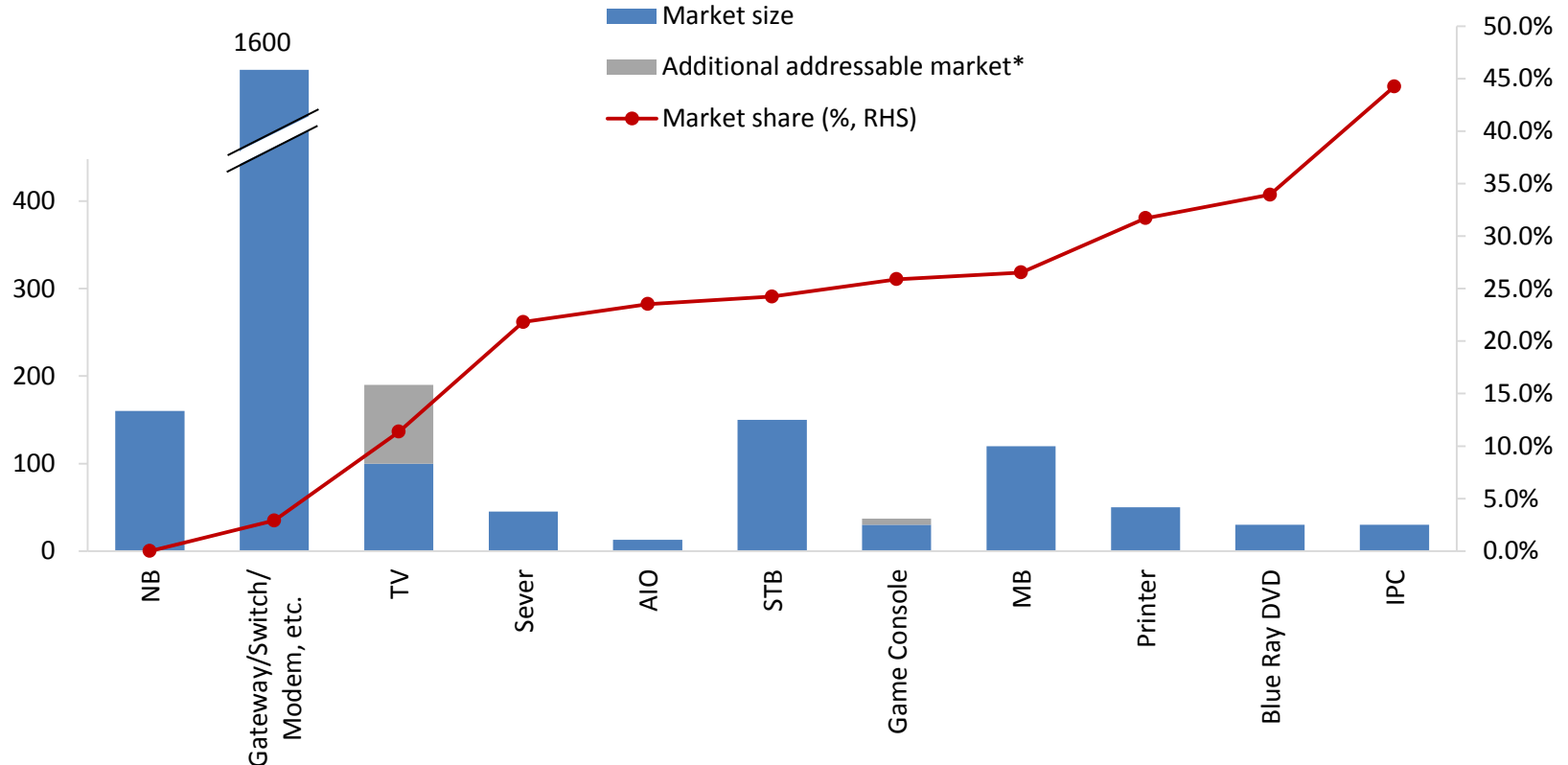
*Keeping up with
the cloud*

***Targeting market
share gain***

New world to conquer

UDE's 2018 global market share is 10%

Mn ports



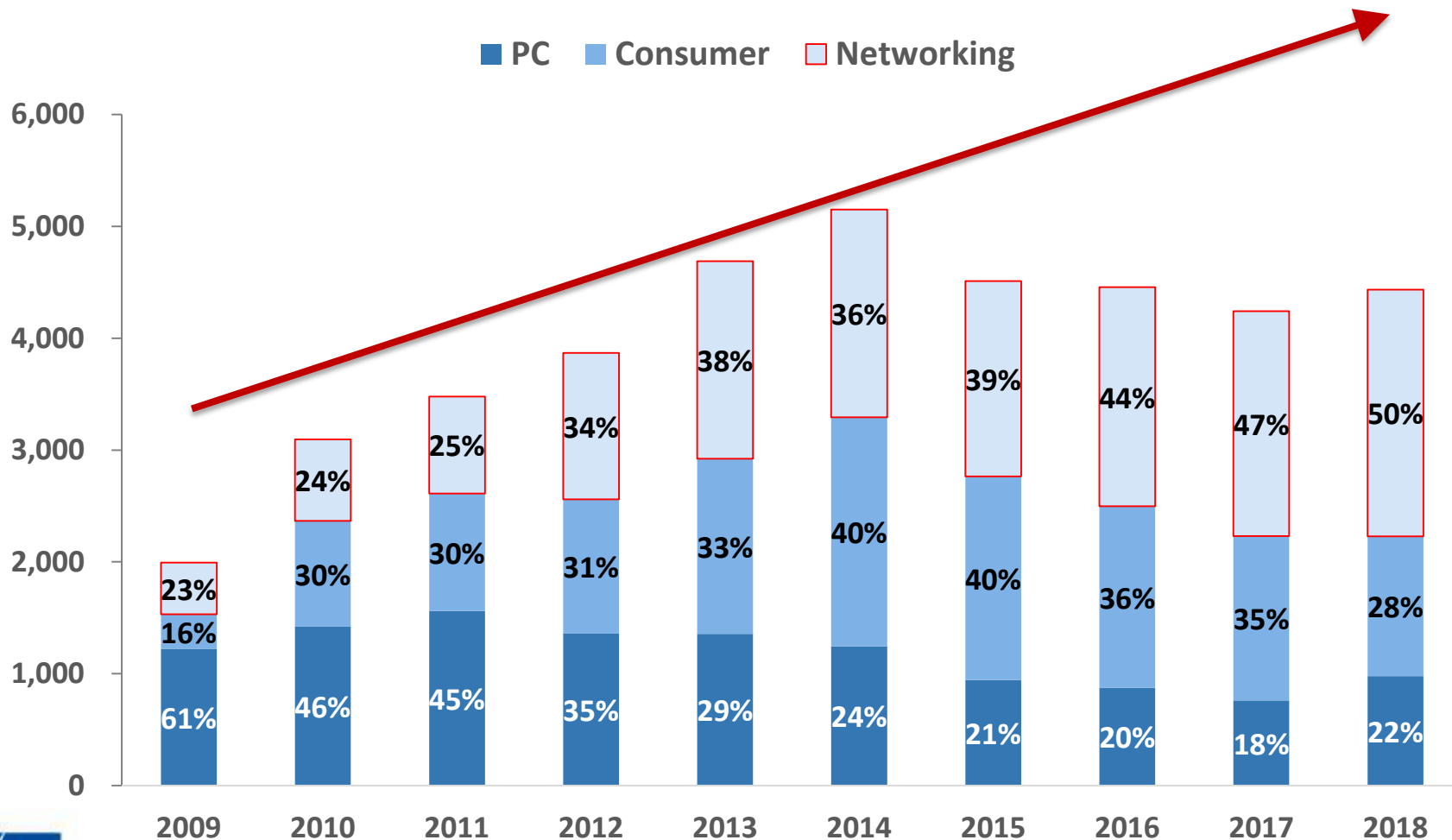
* Additional addressable market refers to devices that currently do not have RJ45 connections but are expected to incorporate them in the future.



Source: UDE estimates

Networking driving LT revenue growth

NT\$ mn



Source: Company.



***Optimizing
automation +
customization***

*Differentiated
product focus*

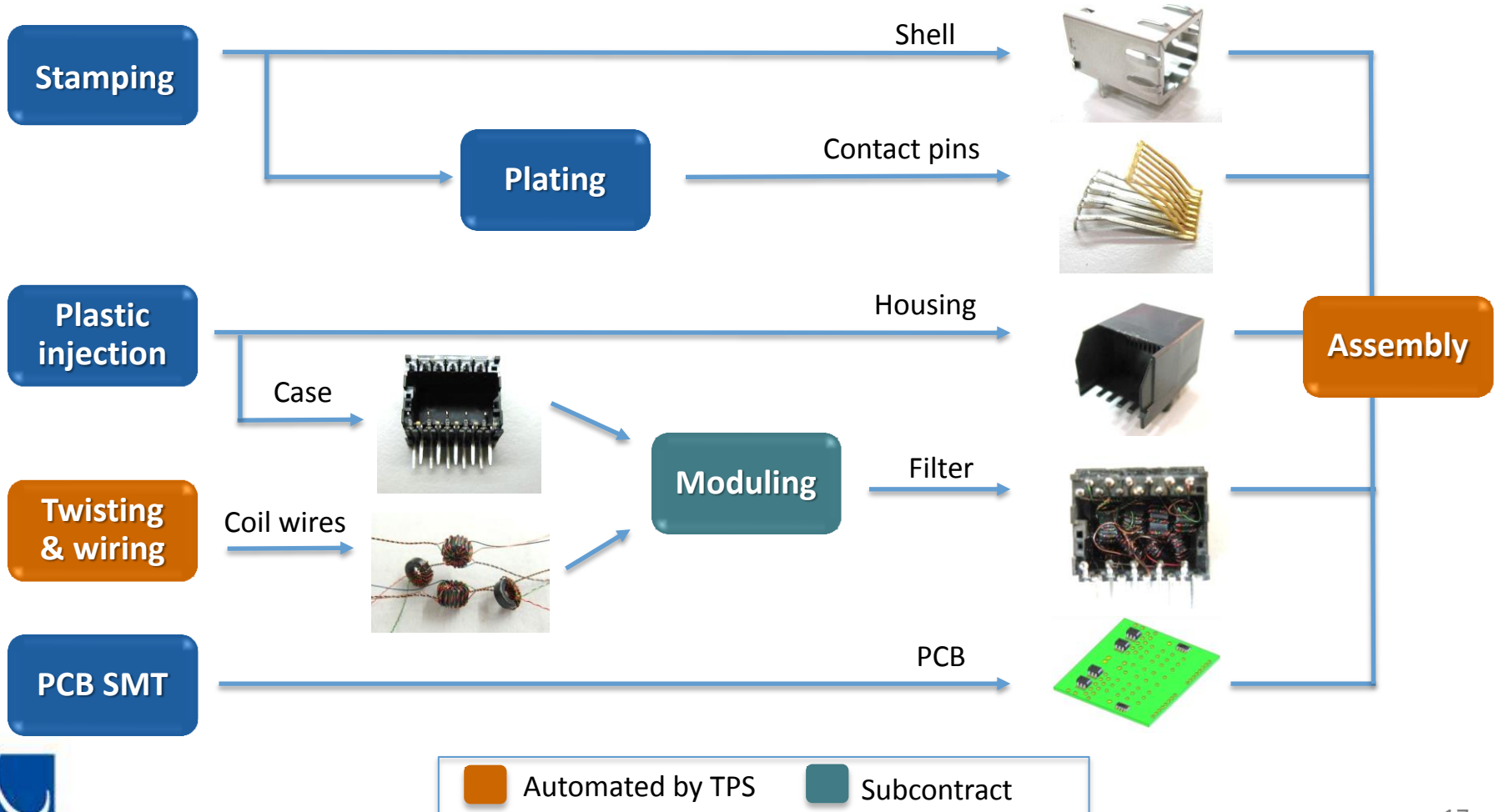
The UDE strategy

*Keeping up with
the cloud*

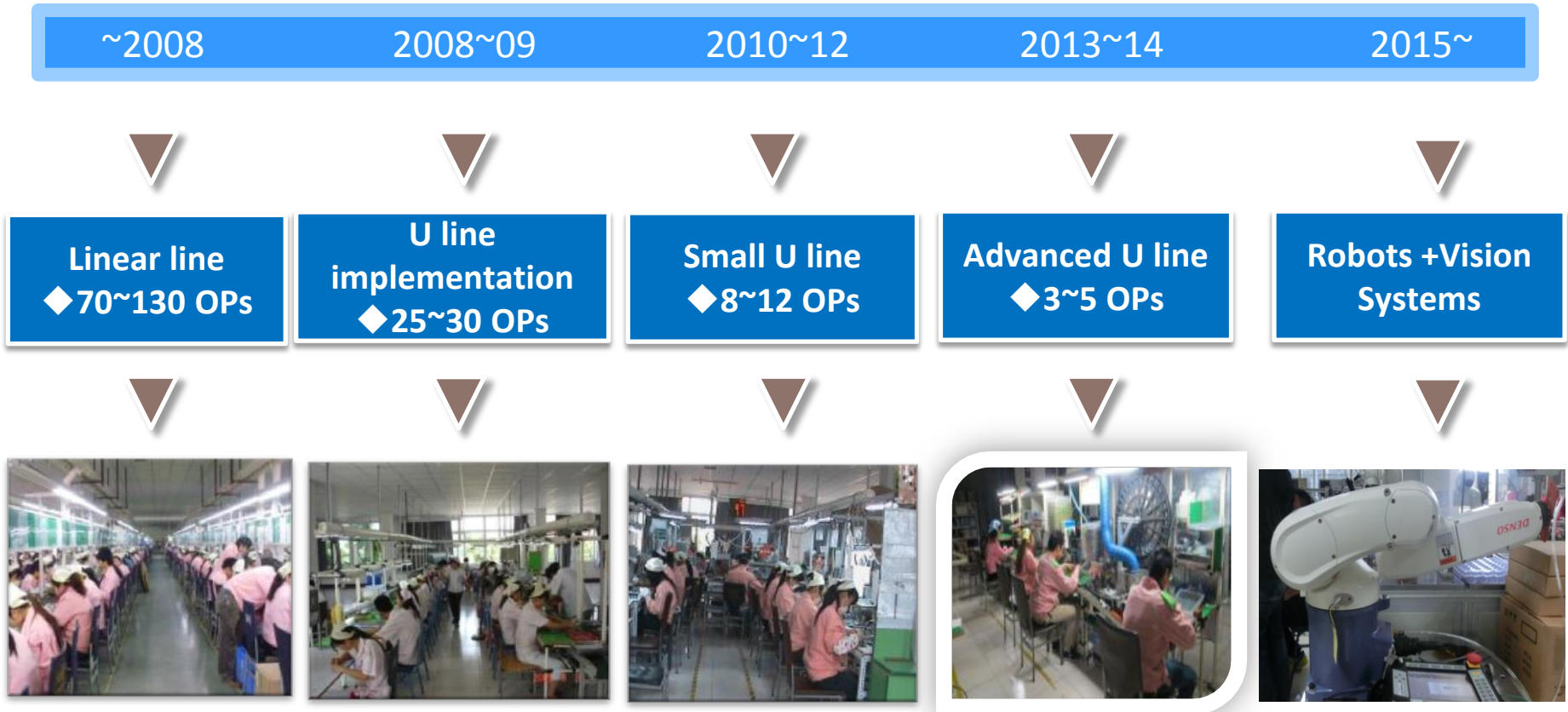
*Targeting market
share gain*

TPS automated process flow

- TPS & automation has significantly lifted productivity at twisting & wiring and assembly.
- Subcontract focuses on moduling, which represents further efficiency with automation.



Assembly — TPS implementation



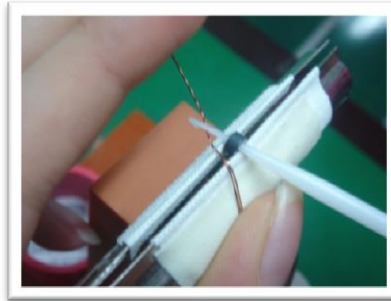
	OP	Production line	PPH	Capacity/hr
Linear line	80	1	10 pcs	800 pcs
U line	80	10 (8 P/line)	80 pcs	6,400 pcs

Manual winding vs. auto winding

A pictorial illustration of the manual winding process



Twisting



Winding




Assembly



Process Complete

	Hourly output	Defect Rate
Manual winding	50 pcs	2-4%
Auto winding	650 pcs	Below 0.2%



*Optimizing
automation +
customization*

*Differentiated
product focus*

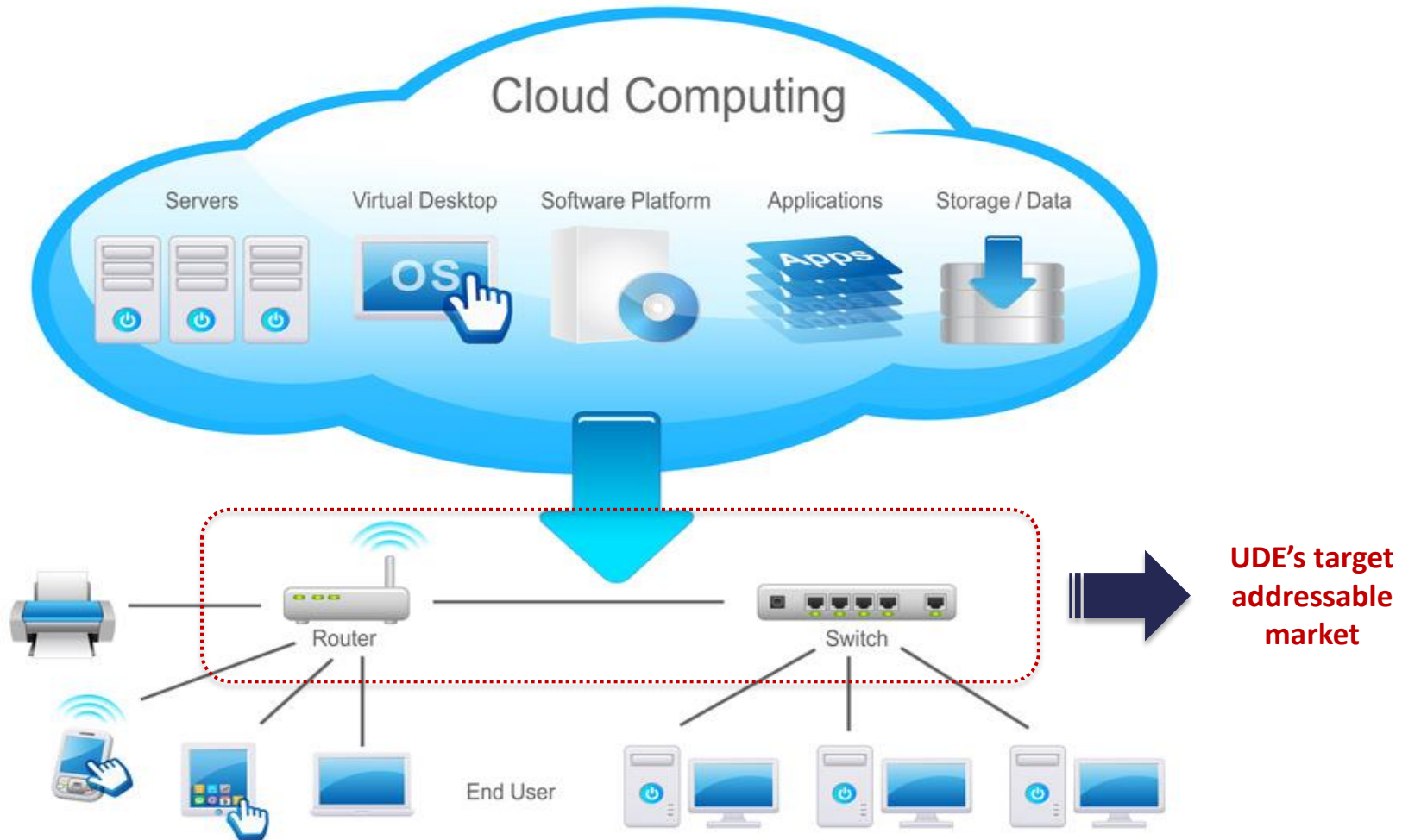
The UDE strategy

***Keeping up with
the cloud***

*Targeting market
share gain*

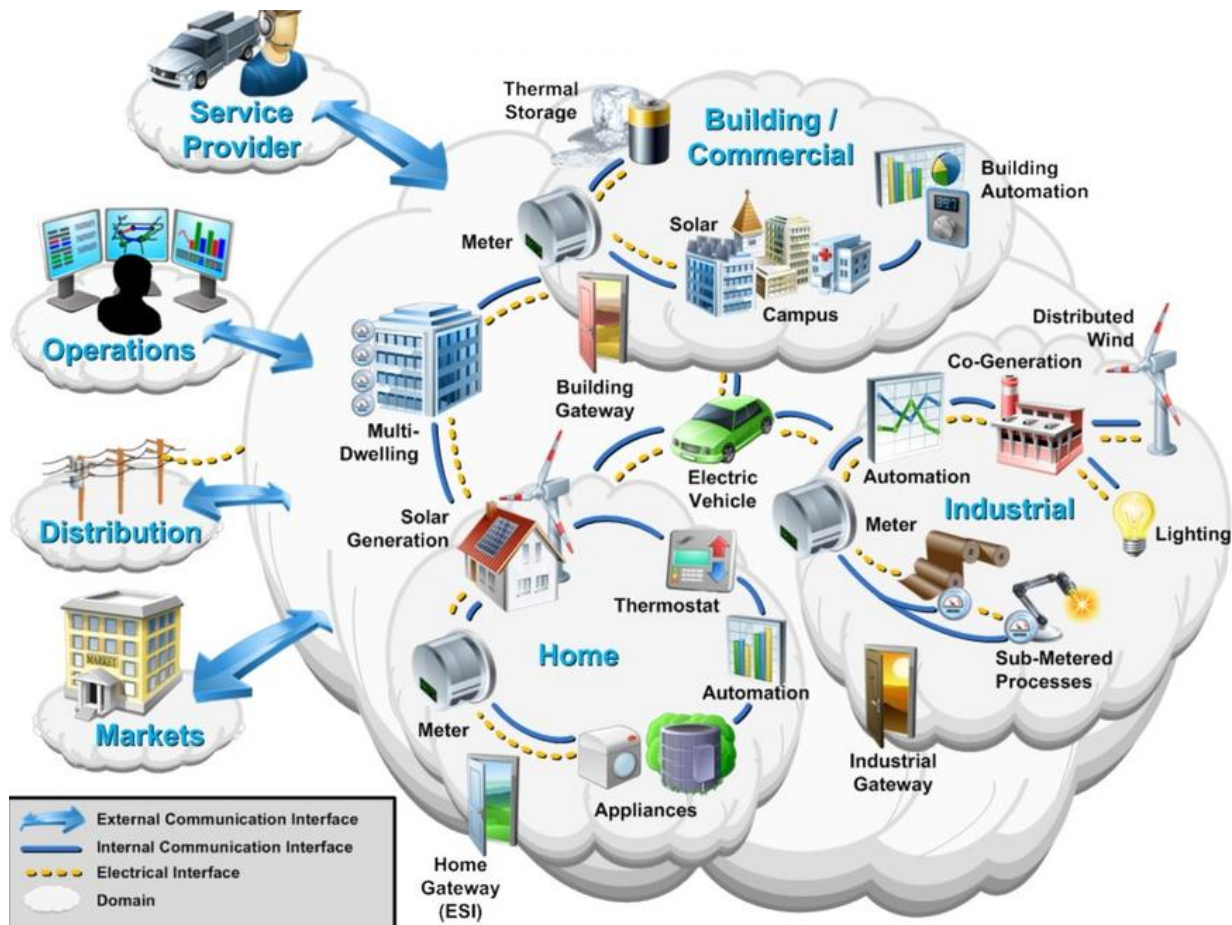
The concept of cloud

- Growth in cloud computing means increased market potential for UDE

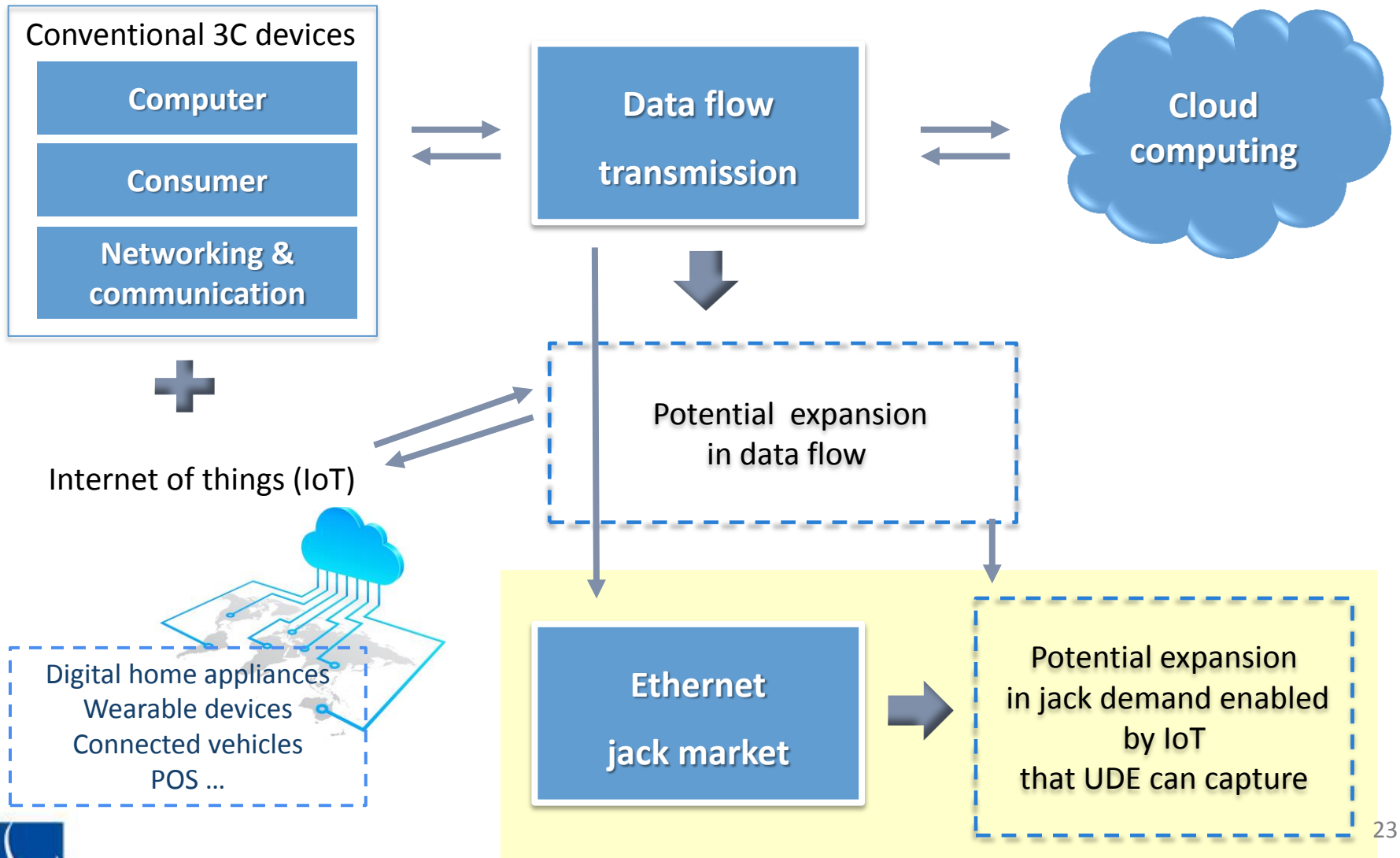


The concept of IoT

- Internet of things (IoT) appears to be the next big thing, driving new devices used in our daily lives to create new data flows (anywhere, everywhere).



Cloud and IoT to drive potential growth





Financial Performance

Five-year income statement

NT\$ million	2014	2015	2016	2017	2018	Growth YoY (%)				
						2014	2015	2016	2017	2018
Revenues	5,156	4,491	4,474	4,289	4,478	9.9	-12.9%	-0.4%	-4.1%	4.4%
Gross profit	1,368	893	881	908	839	6.5	-34.7%	-1.4%	3.1%	-7.6%
Operating profit	626	171	161	231	65	-5.7	-72.7%	-6.1%	43.8%	-71.9%
Pre-tax profit	636	238	219	256	101	-5.7	-62.6%	-7.6%	16.8%	-60.5%
Net income to parent	509	176	190	243	120	-2.1	-65.5%	8.3%	28.0%	-50.6%
EPS (NT\$)	7.38	2.52	2.73	3.49	1.72	-4.0	-65.9%	8.3%	28.0%	-50.7%
Margin (%)										
Gross margin	26.5	19.9	19.7	21.2	18.7					
Operating margin	12.1	3.8	3.6	5.4	1.4					
Net margin	9.9	3.9	4.3	5.7	2.7					

Source: Company.

Five-year balance sheet

NT\$ million	2014	2015	2016	2017	2018	Growth YoY (%)				
						2014	2015	2016	2017	2018
Total Assets	4,898	4,534	4,490	4,905	5,449	12.4	-7.4	-0.9	9.2	11.1
Cash	1,013	394	361	818	976	-19.4	-61.1	-8.3	126.7	19.3
NR & AR	1,164	1,128	1,233	1,202	1,359	-1.7	-3.1	9.3	-2.5	13.1
Inventory	1,325	1,472	1,142	984	1,089	50.4	11.1	11.1	-13.8	10.7
Non-current assets	1,136	1,355	1,542	1,561	1,802	44.7	19.3	-22.4	1.2	15.4
Total Liabilities	2,078	1,868	1,876	2,157	2,744	5.1	-10.1	0.4	15.0	27.2
Bank loans	554	762	837	1,138	1,342	32.7	37.5	9.8	36.0	17.9
NP & AP	510	529	464	472	465	7.0	3.8	-12.3	1.7	-1.5
Other payables	768	508	548	505	597	10.6	-33.8	7.9	-8.0	18.2
Total Equities	2,786	2,642	2,591	2,665	2,626	19.0	-5.1	-1.9	2.9	-1.5
Capital	697	697	697	697	697	3.1	0.0	0.0	0.0	0.0
Additional paid-in capital	727	727	727	728	728	24.9	0.0	0.0	0.3	0.0
Retained earnings	1,293	1,169	1,255	1,387	1,347	18.5	-9.6	7.4	10.5	-2.9
Key Financial Metrics										
A/R turnover days	83	93	96	104	104					
Inventory turnover days	106	142	133	115	105					
A/P turnover days	48	53	50	50	47					

Source: Company.

1Q19 income statement

	1Q19	1Q18	YoY	4Q18	QoQ
Revenue	1,043	1,001	4%	1,180	-12%
Gross Profit	157	197	-20%	220	-29%
Operating Expenses	(210)	(177)	-19%	(220)	5%
Operating Profit/(Loss)	(53)	20	-265%	–	–
Non Operating Income/(Loss)	8	(3)		2	
Income Before Tax	(45)	17	-265%	1	-4,500%
Taxes	5	(3)	166%	3	66%
Non-controlling Interests	(15)	(5)		(18)	
Net Income/(Loss) to Parent	(24)	18	-133%	17	-141%
EPS (NT\$)	(0.35)	0.26	-135%	0.31	-113%
Key Financial Ratios (%)					
Gross Margin	15.1	19.7		18.6	
Operating Expense Ratio	20.1	17.7		18.6	
Operating Margin/(Loss)	-5.1	2.0		–	
Net Margin/(Loss)	-2.3	1.8		1.4	
Other Information					
Effective Tax Rate (%)	-11	18		-300	

2013-17 dividend payout

(NT\$ Million)	2013	2014	2015	2016	2017
Net income to parent	514	509	176	190	243
Cash dividend	306	300	105	111	160
Dividend p/s (NT\$)	4.5	4.3	1.5	1.6	2.3
Cash yield (%)	4.2 ^{*1}	8.3 ^{*2}	5.2 ^{*3}	4.2 ^{*4}	6.3 ^{*5}
Payout ratio (%)	60%	59%	60%	59%	66%

Notes:

1. 2013 yield is based on UDE's closing share price on July 11, 2014, the day before ex-dividend day.
2. 2014 yield is based on UDE's closing share price on July 15, 2015, the day before ex-dividend day.
3. 2015 yield is based on UDE's closing share price on July 14, 2016, the day before ex-dividend day.
4. 2016 yield is based on UDE's closing share price on July 18, 2017, the day before ex-dividend day.
5. 2017 yield is based on UDE's closing share price on July 19, 2018, the day before ex-dividend day.



Source: Company.

Q&A



Thank you very much!

For more information regarding UDE
www.ude-corp.com

For all inquiries, suggestions, and comments
service@ude-corp.com