

Castles Technology 【5258】

Investor Conference

2021/12/14



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Agenda

1. Company Introduction
2. Operation Overview
3. Financial Overview
4. Industry Overview
5. New Products and Applications
6. Operating Strategies & Prospect



1.

Company Introduction



About Castles Technology

❖ Operation

- ◆ Top domestic manufacturer and solution provider of IC card reader and POS
- ◆ Headquartered in Xindian District, New Taipei City, Castles Technology sells products in more than 50 countries.

❖ Expertise and Market

- ◆ World leader in payment system technology
- ◆ Provide user-friendly, seamless, and secured products to global market
- ◆ Products range over financial industry, retail, restaurant, health care, and public transportation, unattended retail, etc.

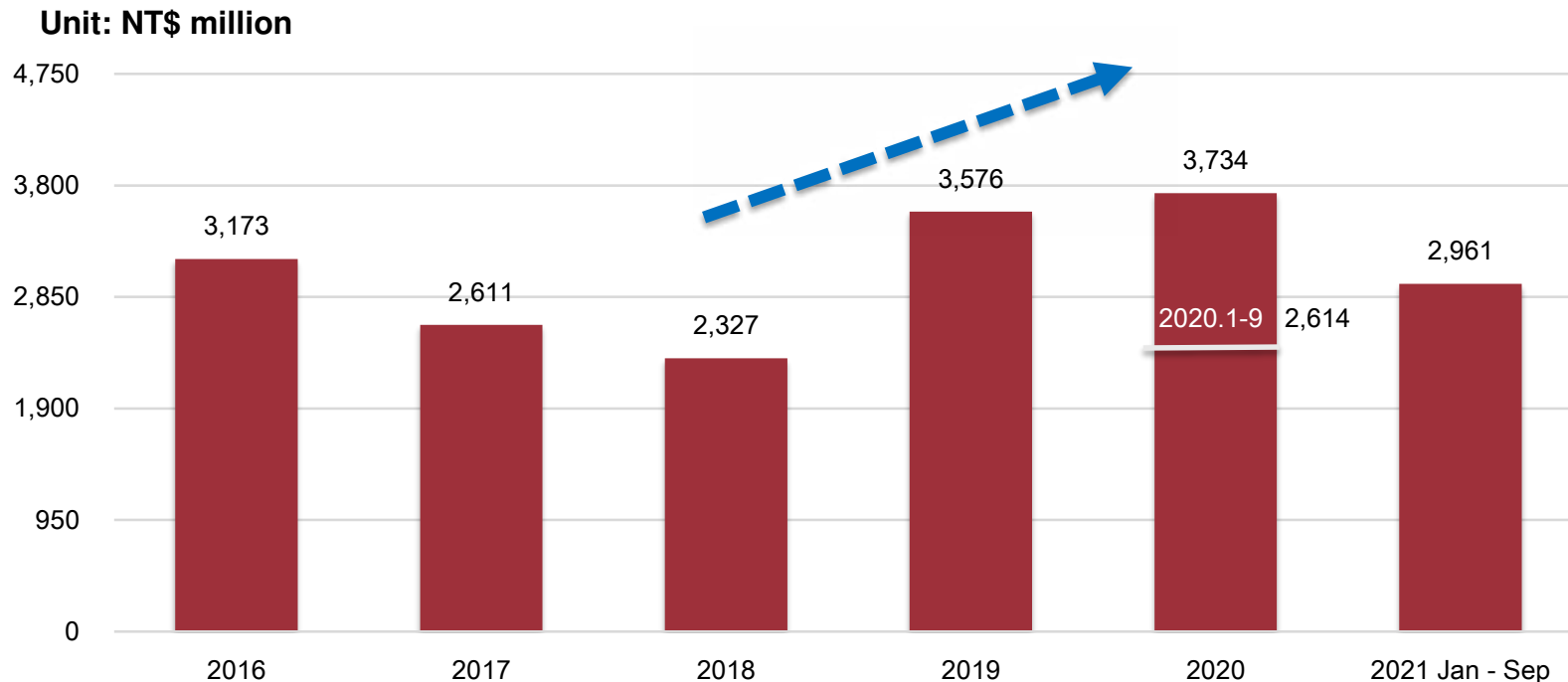
2.

Operation Overview



Business Performance – Consolidated Revenue

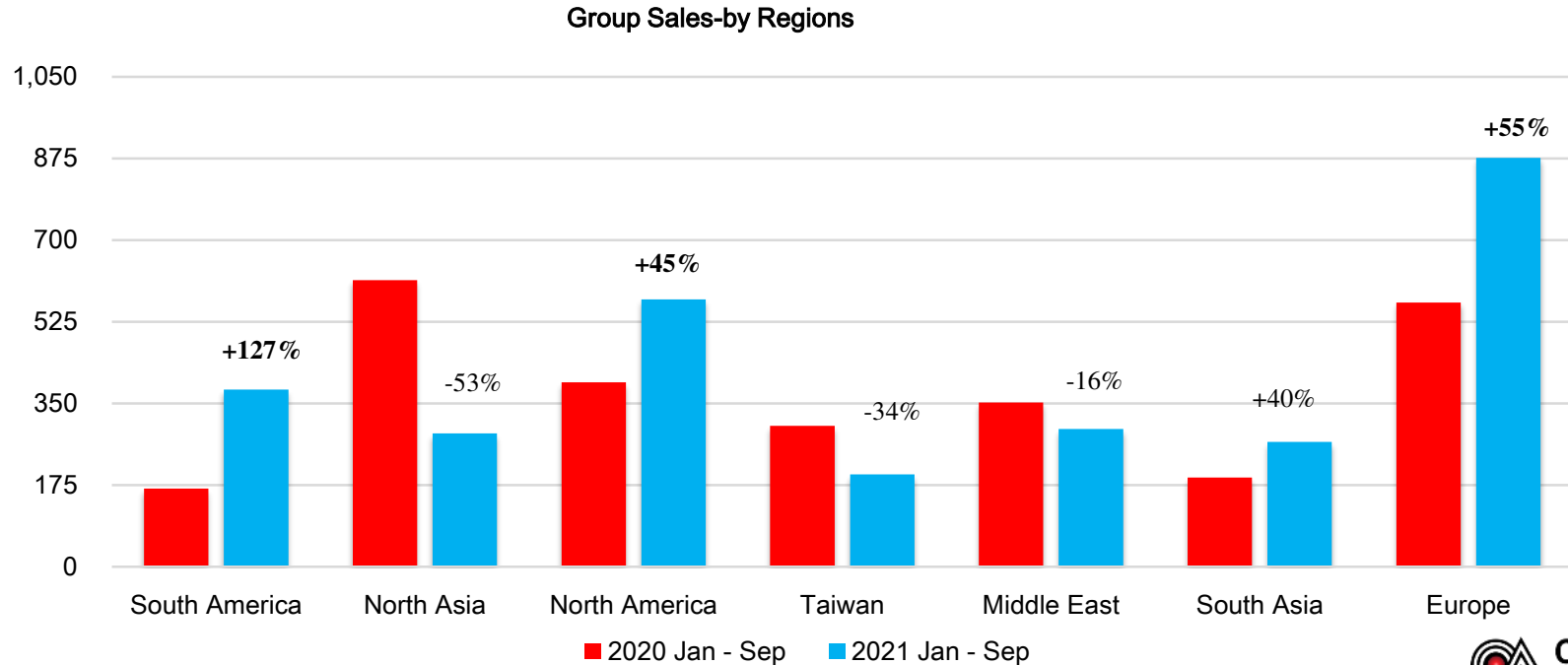
- ❖ The consolidated revenue is NT\$ 2.96 billion for the period January to September 2021, increasing by 13% compared with NT\$ 2.61 billion the respective period of year 2020.



Operation Overview

- ❖ An increase of consolidated revenue for the period January to September 2021 resulted from the growth in America and Europe.

Unit: NT\$ million



3.

Financial Overview



Consolidated Income Statements

Unit : NT\$ Million

| Item | 2021 Jan - Sep | % | 2020 Jan - Sep | % | YoY |
|---|----------------|------|----------------|------|-------|
| Revenue | 2,960.64 | 100% | 2,614.39 | 100% | +13% |
| Gross profit | 811.47 | 28% | 690.08 | 26% | +18% |
| Operating expenses | | | | | |
| Selling expenses | 220.80 | 7% | 169.01 | 7% | +31% |
| Administrative expenses | 111.64 | 4% | 77.23 | 3% | +45% |
| Research and development expenses | 354.21 | 12% | 314.23 | 12% | +13% |
| Impairment loss (reversal of impairment loss) | (39.22) | -1% | (17.35) | -1% | -126% |
| Total operating expenses | 647.42 | 22% | 543.12 | 21% | +19% |
| Net operating income | 164.05 | 6% | 146.95 | 5% | |
| Profit before income tax | 146.03 | 5% | 189.51 | 7% | |
| Comprehensive income | 121.72 | 4% | 146.51 | 5% | |
| EPS (NTD) | 1.23 | | 1.51 | | |

4.

Industry Overview



Current Status of Payment Industry

❖ Change of Overall Industry

- ◆ **Market Change:** Castles Technology market share has been growing since the mergers of competitors in past years.
- ◆ **COVID-19 Impact:** Back orders have reached an extreme due to the lifting of lockdown restrictions. Since global components shortage hits supply chain greatly, the overall market demand of payment terminals is rather strong.

❖ Industry Competition

- ◆ Cross-regional integration and coordination have become the new challenge in electronic payment industry. Castles has been approaching toward this target.
- ◆ The integration of different payment methods will be competitive advantage in the future.

Market Trend

❖ Application of Unattended Payment Device

- ◆ With the impact of COVID-19, cashless payments become popular.
- ◆ The key factor in sales growth is to provide software and hardware integration services.
- ◆ The collaboration of sales team and local strategical partners leads to the different application of unattended payment devices.

❖ Application and Service of New Retail Market

- ◆ COVID-19 creates incentive for merchants to adopt monthly rental service platforms to reduce costs in hiring personnel and investing in new equipment with more cautious manner.

❖ Electric Vehicle Charging Station

- ◆ Future market for charging equipment is forthcoming.
- ◆ Supporting open platform for payment and embedded payment terminals is included in regulations for many countries as one of the key requirements.

New Opportunity for Payment Industry

❖ Software Service Platform

- ◆ A growing number of commercial software developers is willing to invest on Android platform and the requirements for hardware performance become higher. Therefore, to fulfill market demand, the industry trend is moving toward high-end products.

❖ Solution of Software & Hardware Integration

- ◆ With the maturity of Android-based products, acquirers from all over the world are actively investing in developing the platform application.
- ◆ A complete product line of Android-based payment terminals provides Cloud services for customers to perform integration, which expedites development process for customers.
- ◆ Android-based products will become the bread-winning product in payment market and steer the multiple application in the future.



5.



New Products & Applications

New Product Series – EFT POS



S1KC



S1F2



S1L

Android Saturn Series



V3M3



V3UL2

Linux Vega Series

New Product Series – UPT

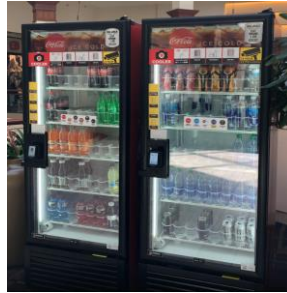


U1M

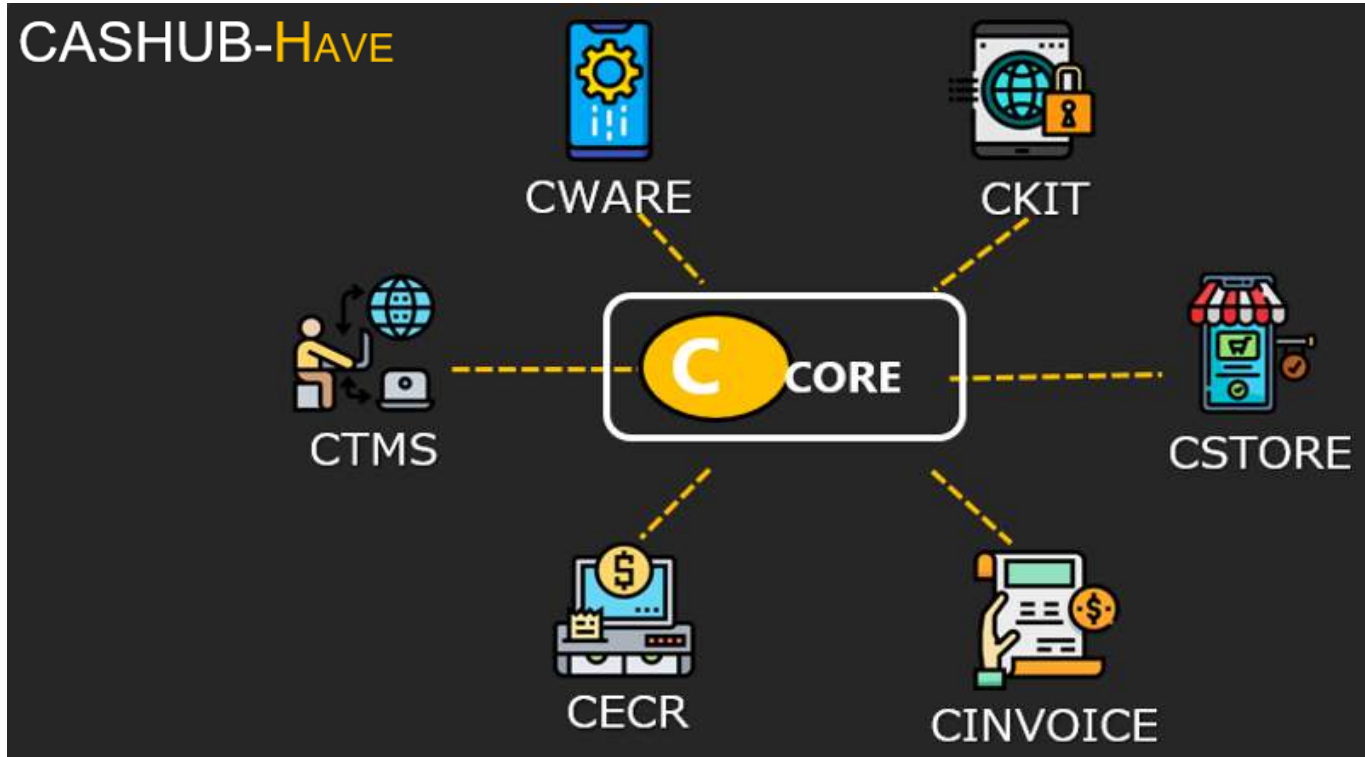
U1B

S1E-UPT

Unattended UPT Series



New Product Series – Cloud Services



6.

Operating Strategies & Prospect



Operating Strategies

❖ Global Deployment

- ◆ Global sales forces had been established in Europe, America and Southeast Asia. The certification process had also been completed by local acquirers.
- ◆ Upcoming revenue growth will be brought by opportunities of unattended business and Android terminals product transition.
- ◆ Unattended terminals market is booming in North America and certification process acceleration will be a momentum for UPT sales growth.

❖ Vertical Integration of Industry Chain

- ◆ Enhance market share through merger and strategic alliance to build up global channel
- ◆ Keep approaching and expanding sales forces and dedicate in local markets
- ◆ Castles will be a POS solution provider including payment application of hardware, software and cloud services.

Operating Strategies

❖ Software and Cloud Services

- ◆ Castles Technology will intensely focus on software and Cloud services, expecting to increase the proportion of sales revenue year by year.
- ◆ Castles looks forward to be a total solution provider for software and hardware integration, assisting our clients to shorten time from product development to orders billing.

❖ Global Components Shortage

- ◆ Accelerate certification progression for alternative components
- ◆ Shorten certification schedule for revised products
- ◆ Improve timeless for shortage component procurement

❖ Core Competence Enhancement

- ◆ Speed up product certification schedule for all customers and regions
- ◆ Continue to invest in R&D resources. especially in the software field
- ◆ Plan to increase production capacity to meet customer delivery

❖ Opportunity and Challenge

- ◆ Business of self-service device is stably expanding and potential growth is predictable.
- ◆ Influenced by coronavirus variant, Castles Technology will keep monitoring uncertainties.
- ◆ Back orders rise from Europe and America, but specific components shortage will impact stock turnover and extend operation cycle time.

Thank you

