

Castles Technology 【5258】

Investor Conference

2024/04/30



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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 & Forecast



1.

Company Introduction



About Castles Technology

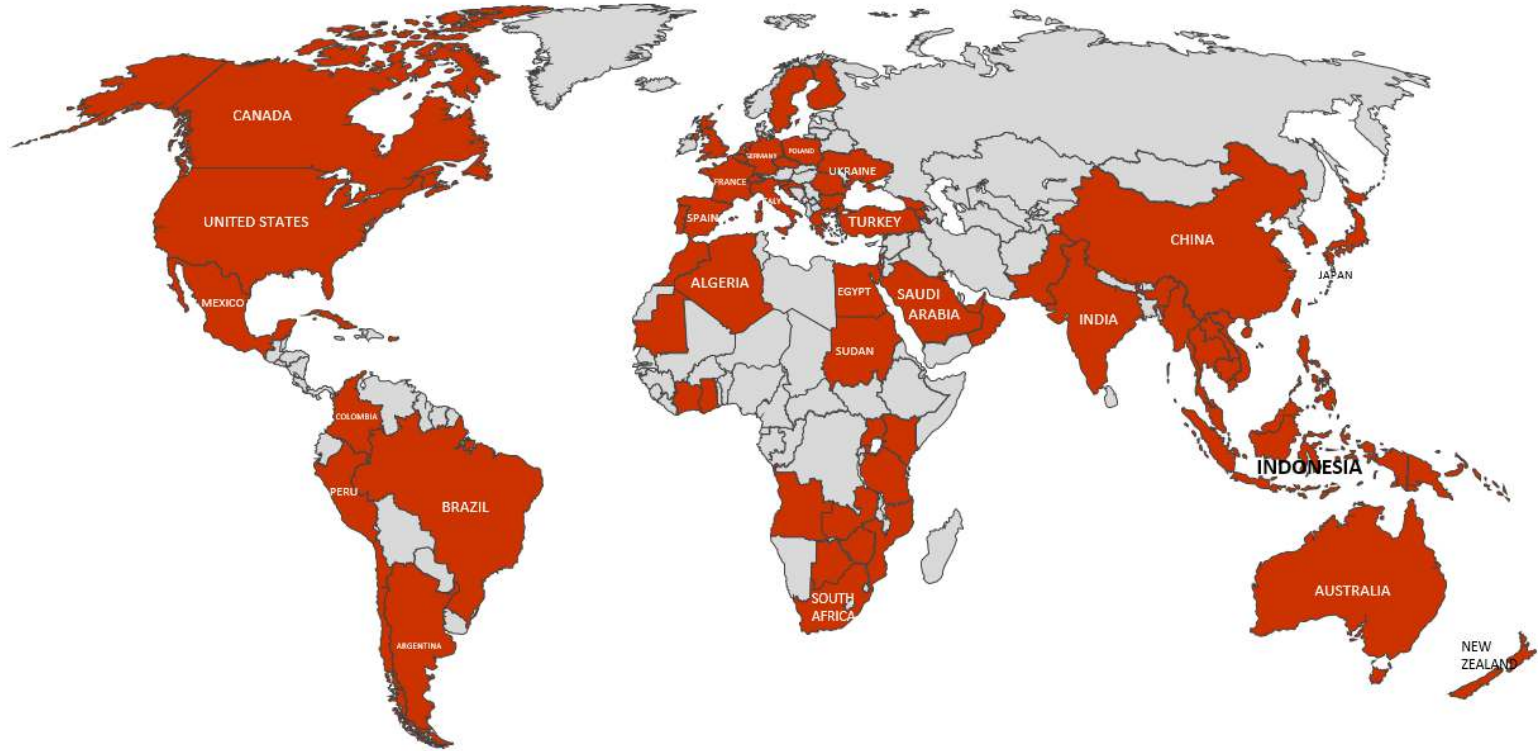
❖ Operation

- ◆ 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 secure products to global market
- ◆ Products range over financial industry, retail, restaurant, health care, and public transportation, gas station, electric car charging, unattended retail, etc.

Global Foot Print



 Castles Technology



2.

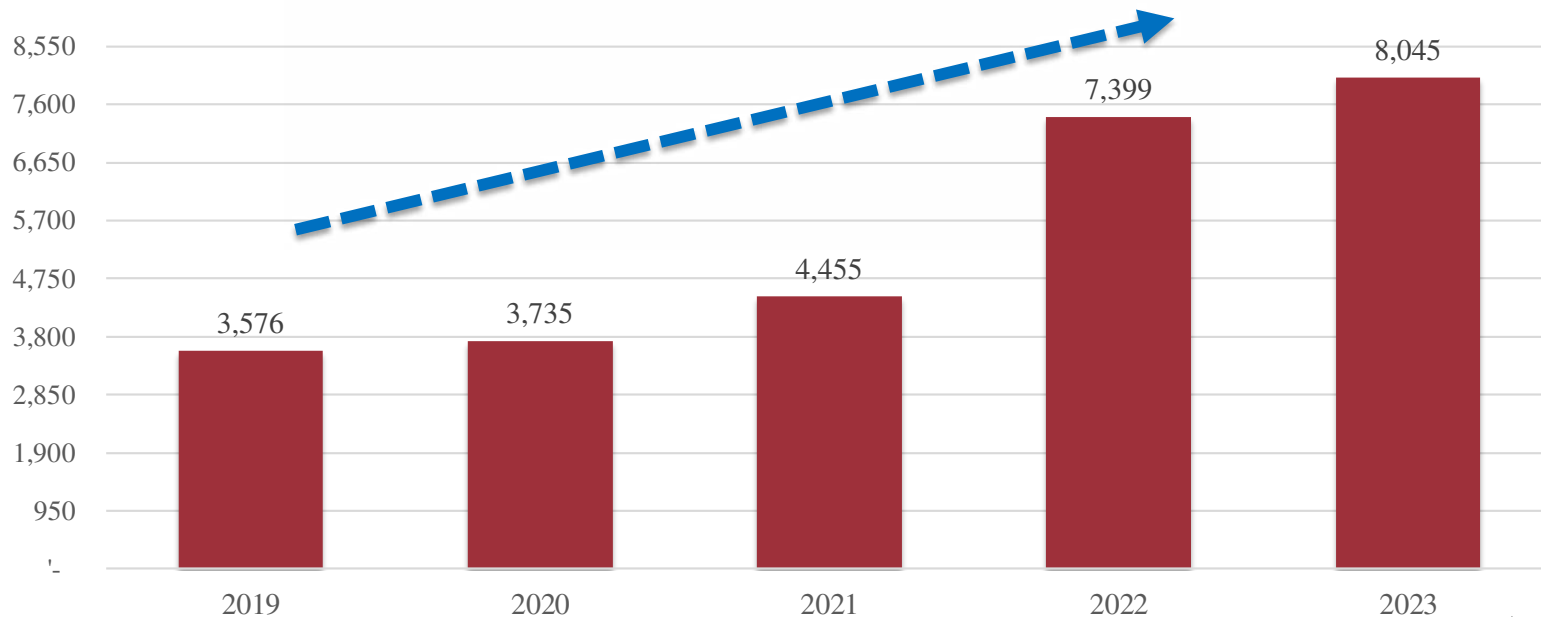
Operation Overview



Business Performance – Consolidated Revenue

- ❖ The consolidated revenue is NT\$ 8.045 billion for 2023, increasing by 8% compared to fiscal year 2022.

Unit: NT\$ million



3.

Financial Overview



Consolidated Income Statements

Unit : NT\$ Million

Item	2023	%	2022	%	YoY
Revenue	8,045.03	100%	7,399.99	100%	8%
Gross profit	2,681.86	33%	2,317.56	31%	16%
Operating expenses					
Selling expenses	464.76	6%	393.92	5%	18%
Administrative expenses	396.51	5%	243.80	3%	63%
Research and development expenses	632.69	8%	588.24	8%	8%
Impairment loss (reversal of impairment loss)	31.56	0%	64.52	0%	-51%
Total operating expenses	1,525.52	19%	1,290.48	17%	18%
Net operating income	1,156.34	14%	1,027.08	14%	
Profit before income tax	1,223.51	15%	1,020.12	14%	
Comprehensive income	931.49	12%	805.31	11%	
EPS (NTD)	8.65		7.78		

4.

Industry Overview



❖ Industry Overview

- Android smart terminal have become mainstream in the market, but due to client applications variations, they are gradually divided into high-end, high-priced models and entry-level models. As there are limited high-end options yet available in the market, we can expected the potential growth of this market to be strong.
- As cashless transaction methods rapidly gain popularity and recruiting workers becomes challenging, the market for unattended self-service products is growing in opportunities and applications. Additionally, the flexibility of not being constrained by business hours makes unattended self-service stores an attractive expansion option for businesses. This area holds promising potential for future growth.
- Electric vehicle charging station operators in Europe and the US are upgrading equipment for open charging models. Unattended self-service terminals are becoming essential, pointing to strong future demand for terminal applications at charging stations.
- Despite privacy and data security challenges, biometric payment is being tested in some markets. Its convenience and fraud resistance attract companies in exploring it. However, future development remains uncertain.
- As AI applications booming, unattended self-service providers are introducing integrated solutions combining edge AI, aiming to enhance commercial value at each point beyond just product and service sales.

❖ Industry Competition

- Faced with market pricing pressures and new industry changes, Castles continues to develop new product applications and integrate advanced technology. The company also strengthens supply chain management and differentiates product lines to meet customers' varying price flexibility needs.
- Castles' Zhongli factory began production at the end of 2023. In response to major European and American clients proposing "Taiwan+1" production plans, the company is actively negotiating with manufacturing partners and expects to have models manufactured in the Southeast Asia region at the second half of this year.
- To address different customers' needs for overseas business expansion, in addition on leveraging Castles' global acquiring bank relations and security expertise, Castles is also actively expanding our overseas presence to provide localized software development and maintenance services. Castles believes its global footprint helps customers accelerate their deployment goals, creating a win-win situation for both the company and our clients.

❖ New Retail Industry and Service

- As some financial payment service companies venture into SMB business, high-performance Android terminal have become their preferred choice for replacing POS systems in SMB environments. This trend is growing and expanding in scope. Thus, providing high-performance, large-screen Android terminals with peripheral expansion capabilities presents a new challenge for leading manufacturers like us.
- The integration of AI and edge computing is expected to revolutionize the retail services. Combining AI with smart terminals that incorporate edge computing will transform physical retail and unattended self-service. Being able to grasp localized needs and providing tailored products is key to success, hence partnering with local service operators is crucial for industry success.
- Castles unattended terminals have been adopted by renowned domestic and international clients. With our global sales network and EDGE AI applications, as well as regional telecom companies phasing out 2G/3G services, the company anticipates new sales opportunities and revenue growth.

❖ New demands for SMBs

- As the Android system equipment is becoming more popular, commercial software developers are also willing to invest more resources on the Android platform. In order to fulfill SMB (small and medium-sized business) demands, vertically integrated solutions require higher hardware specifications and performance. In order to cope with this trend, equipment suppliers must provide more customized services to fulfill customers who have high demands on hardware performance.

❖ SoftPOS

- SoftPOS enables handheld PDAs and computers with contactless card reading capabilities to provide payment applications, prompting more manufacturers to seek compatible solutions. And Castles is one of the few companies offering a comprehensive integrated solution and believes our SoftPOS product line will steadily contribute to the company's revenue.
- Due to European regulatory requirements, Apple was forced to open its NFC communication interface. Castles will monitor market changes and provide product solutions correspondingly.

❖ EV Charging

- Despite regional differences in banning combustion engine vehicles, it is assured the electric vehicle (EV) era has arrived. EV sales have surged over the past decade, increasing demand for charging infrastructure. Charging station operators traditionally used closed payment systems, but regulations in Europe and the US now require open payment models. This integration of charging stations and payment terminals leads the payment industry into new areas.
- As acquiring methods vary across countries, charging station operators that partner with terminal suppliers capable of handling cross-border acquiring is beneficial to their international business expansion.
- Currently, the charging station industry is in a highly competitive phase, with companies aggressively vying for market share. Once the market stabilizes, charging station operators is expected to plan on creating more opportunities for customers to shop at nearby stores while waiting for their EVs to charge. Integrating edge computing and AI to provide customers with faster, smarter, and more personalized experiences at charging stations is the future trend.

5.

New Products & Applications



New Products - EFT POS

Android Saturn



S1F4 Pro



S1E2



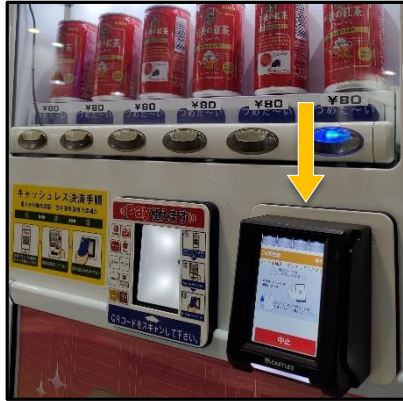
S1U2

Linux Vega



V3CT3

UPT (Unattended Payment Terminal)



Vending



Drive Thru

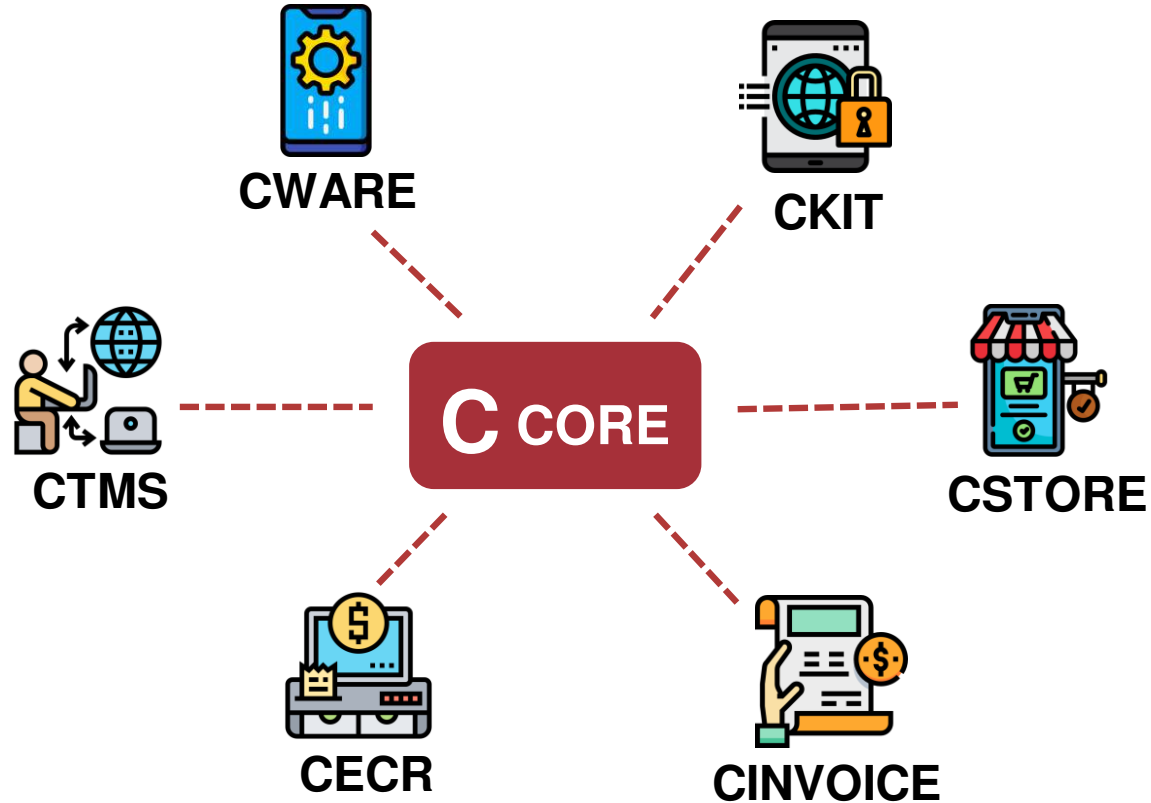


Coffee bar



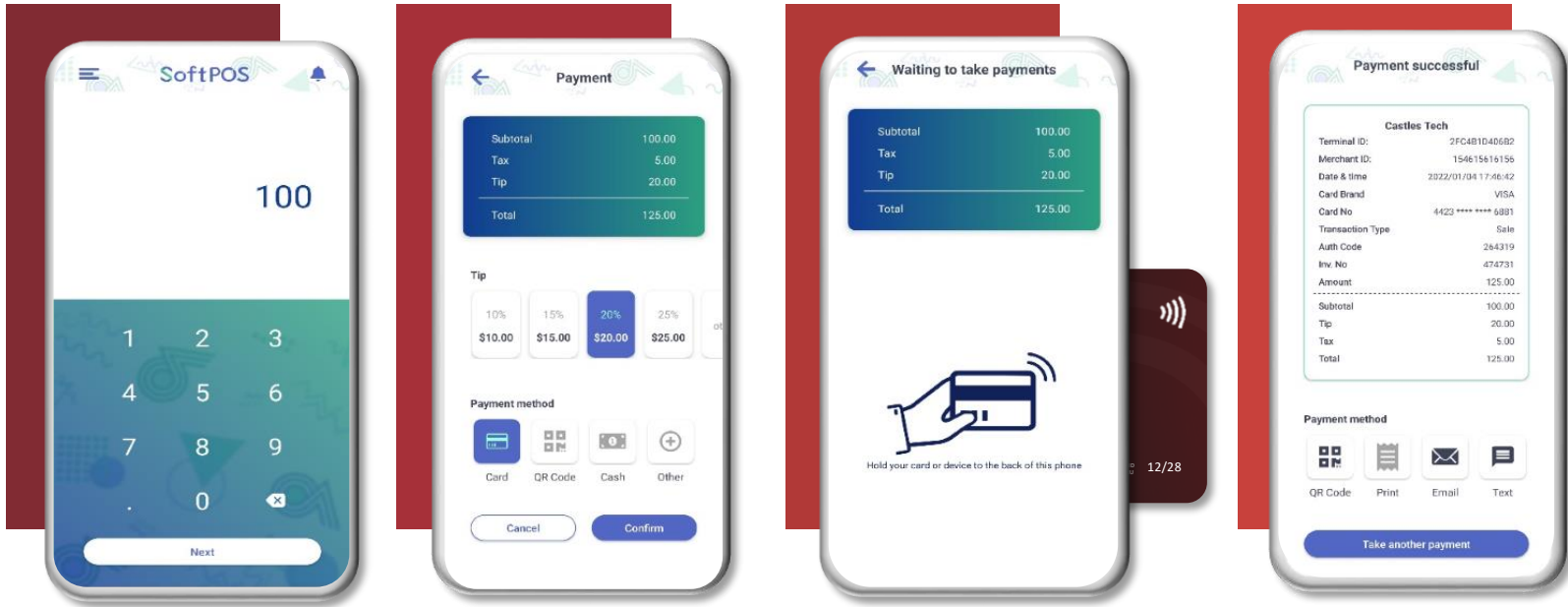
EV Charger

New Product Series – Cloud Services



New Product Series – SoftPOS

- ❖ **SoftPOS enables secure and fast transactions by using a Android smartphone's NFC to read card information. It connects transaction data with backend systems to complete the transaction.**



6.

Operating Strategies & Prospect

Operating Execution Focus

❖ Supply Chain Management

- The global material shortage has been relieved, potential components cost reduction is expected. Furthermore, through supply chain management optimization, increasing production capacity, and collaborating with strategic partners, costs are expected to improve further, enhancing profitability.

❖ Organization Structure Optimization

- Castles is rapidly expanding its corporate organization as our revenue grows. We are actively establishing strong management mechanisms, clarifying roles and responsibilities, and optimizing organizational efficiency in order to strengthen the company's structure.

❖ Continuous Investment in R&D

- R&D capabilities drive product competitiveness. Castles will continue to invest in R&D resources and build an exceptional R&D team, particularly focusing on software technology development, to meet future market trends.

Operational Strategies

❖ Software and Cloud Services

- In addition to hardware design and sales, cloud services and customer-centric software development have been areas of focus for the company in recent years. The goal is to increase the revenue share from these services annually.

❖ Global Network Expansion

- Castles has acquired local acquiring certification in the US and Europe. The global expansion strategy is proving effective, and significant revenue growth is expected in the future with the transition to unattended self-service applications and Android terminals.

❖ Industry Vertical Integration

- Through acquisitions and strategic partnerships, we are establishing a global distribution network to increase market share.
- Continue to expand operational locations and strengthen regional services by integrating hardware, software, and cloud services. The goal is to be a leading global POS solution provider.



❖ Improve the Competitiveness of Enterprises

- Accelerate the progress of product certification in various regions
- Continue to invest in R&D resources, especially the software
- Plan for continuously increasing production capacity to meet customer delivery dates
- Cost reduction and capital expenditure savings
- Continue to pay attention to market changes and develop new solutions, such as SoftPOS

❖ Opportunities and Challenges

- Unattended self-service business opportunities continue to ferment, and there is still a lot of room for growth in the future.
- Affected by interest rate rises, there are still uncertainties in the future, and close observation should be maintained

Thank you