

ARIZON RFID Technology

英屬開曼群島永道射頻技術股份有限公司

Operating results for the first half of 2024

TWSE Ticker | 6863

2024/09/18

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Company Overview

Company Profile

Establish Date	2021/10/21
Chairman	Felix Ho
CEO	Bing-Yi Lin
Capital	NT\$748mm (NT\$10 per share, 74,888,000 shares)
Consolidated Revenue	NT\$2.685bn., Net Income 448mm (2023FY) NT\$2.071bn., Net Income 415mm (2024H1)
Main Products	Design and manufacturing RFID antennas & readers, RFID tags & manufacturing, RFID application system integration
Production Sites	Yangzhou (China), Taipei City (Taiwan)
Number of Employees	831 (2024 Jun)

History



Asia's first company to join MIT AUTO-ID Center

Arizon RFID Technologies was established, the largest RFID inlay manufacturer in Aisa

Asia's first EPC global certified RFID testing center

Yangzhou factory was established It became the world's largest RFID inlay manufacturing factory

Teipei factory was established It became the second production base Target annual production capacity of 1 billion inlays

The second Yangzhou factory was established Annual production capacity reached 5bn inlays

Yangzhou & Taipei factories obtained ARC Certification

Arizon (6863-KY) listed on the stock exchange



Taipei Factory Expansion

Taipei factory production capacity was increased from 880mm to 1.8bn.

Establishing a U.S. Subsidiary

Timely respond to the increasing demands of the U.S. market.
Focus on potential business opportunities in Central and South America.

Investing in a Subsidiary in Vietnam

For the future North Vietnam factory, the area is 1.6 times bigger than Yangzhou factory area.
Production is expected to begin by the end of the second quarter of 2025.
Main production base for export to European and American markets in the future.

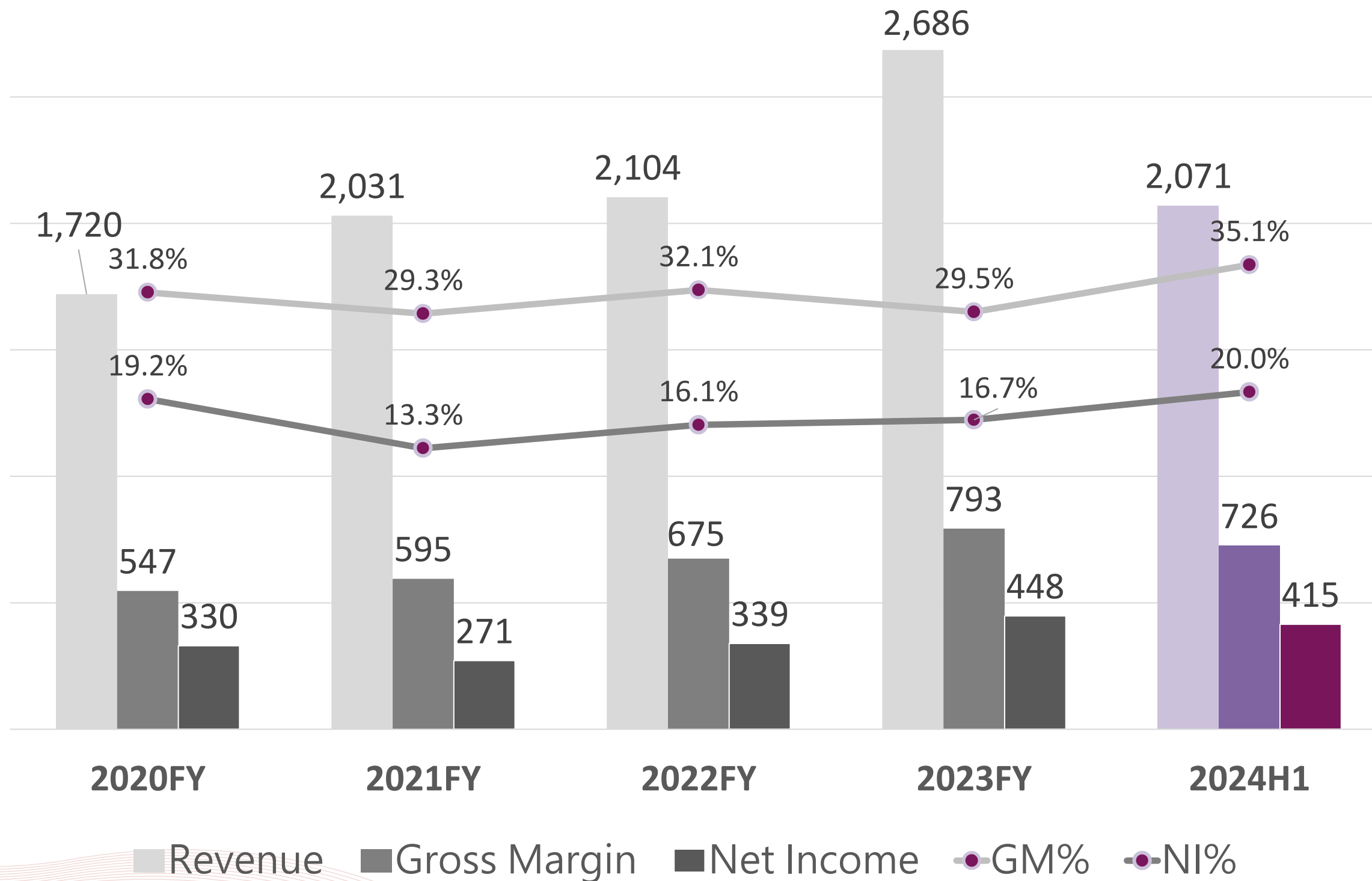
1st Convertible Bond Profile

Issuance Amount	NT\$1 Billion
Terms	No coupon rate, 3-year maturity, offering by competitive auction
Other Terms	Convertible after three months of issuance; no reset, no put option, with call option for the company
Purpose of Fund Raising	To fund the construction of a factory and purchase of machinery and equipment, with a planned amount of NT\$1.58 billion
Project	<ul style="list-style-type: none">Acquired land in Hung Yen Province of Vietnam in 2023, covering an area of 52 thousand square metersPhase 1: Plans to construct a three-story factory building, auxiliary buildings, and set up a production line with an annual capacity of 3 billion units

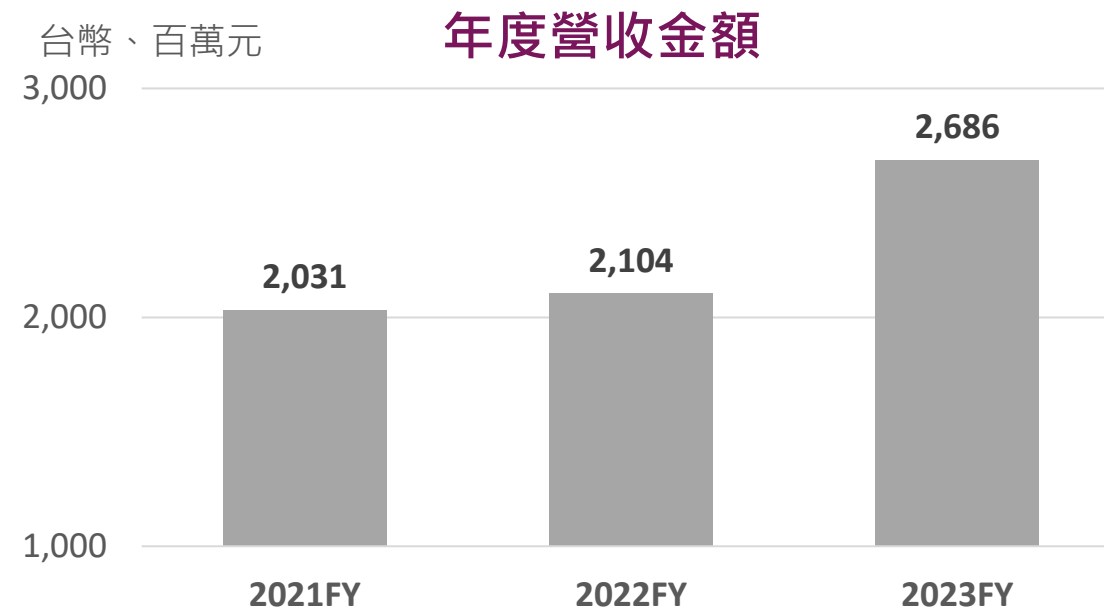
Operation Highlight

Operating results in recent years and profitability

unit : TWD Million, %



Revenue, Profit, and Growth in Recent Years

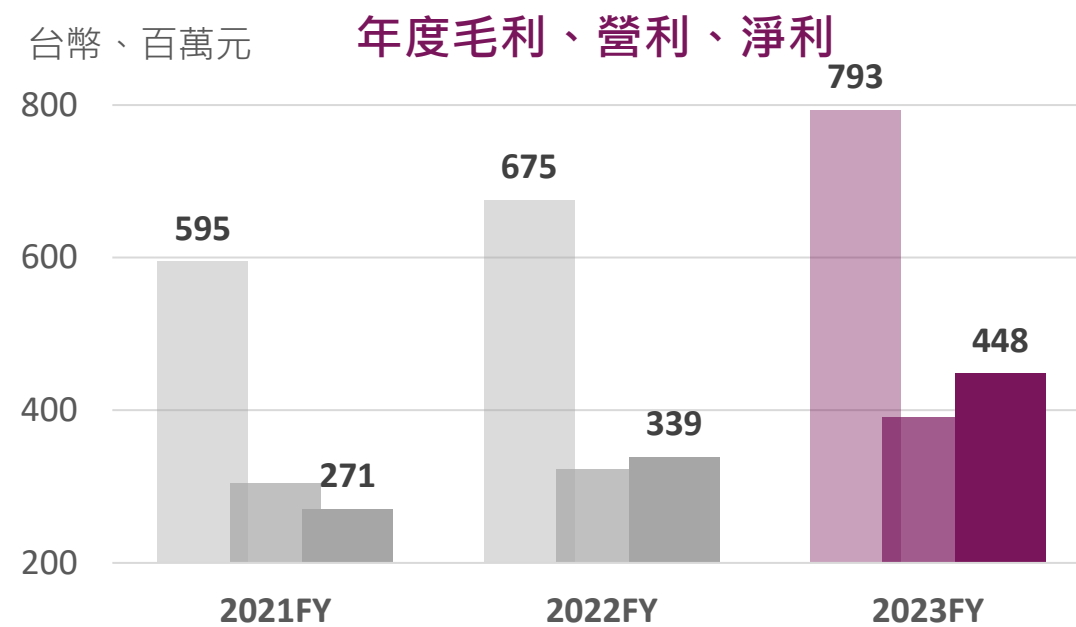


Sales Revenue 2023

26.9億

YoY Increase in Sales

+27.7%

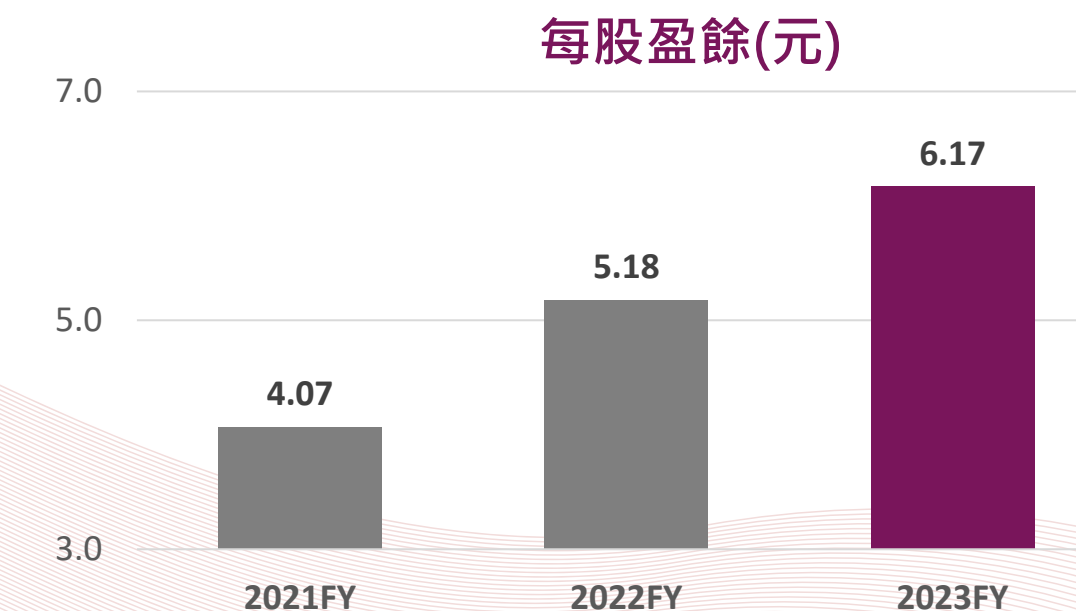


Gross Margin 2023

29.5%

YoY Increase in Margin

+17.4%



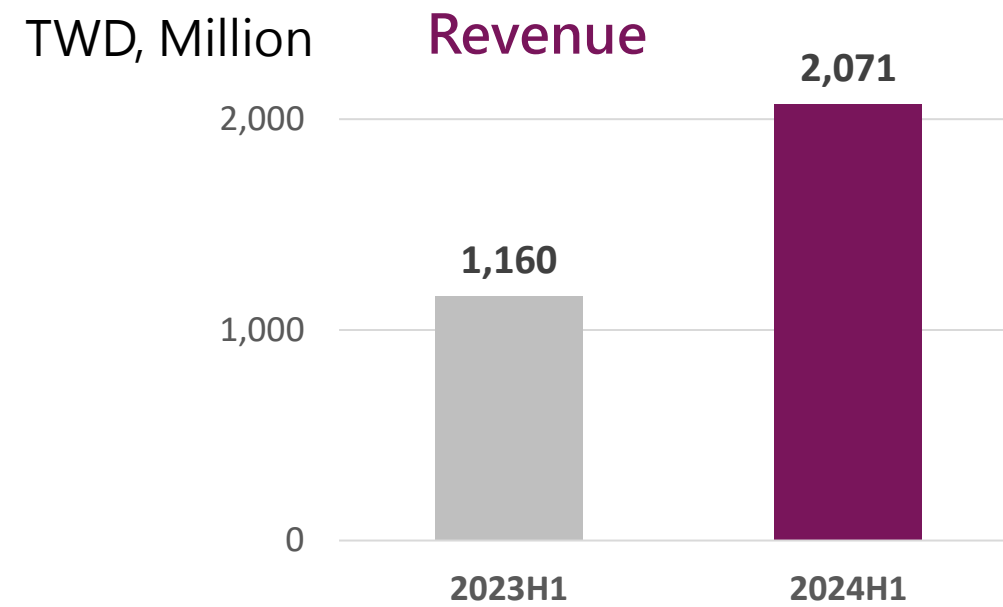
EPS in 2023

\$6.17

YoY Increase in EPS

+19.1%

Revenue and Income in 2024H1

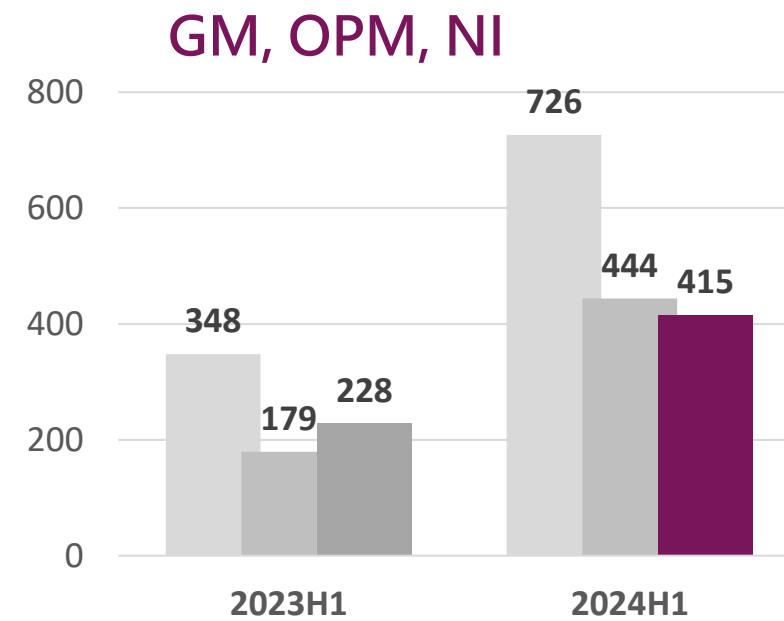


Sales Revenue 2024H1

2071 mil.

YoY Increase in Sales

+ 79%

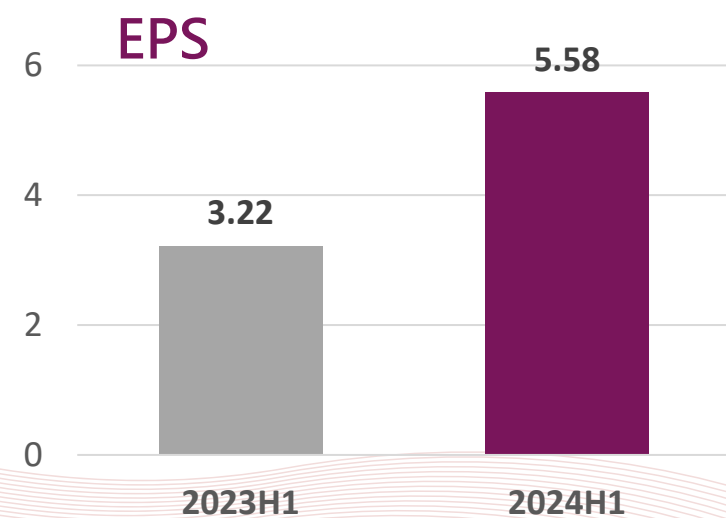


Gross Margin 2024H1

35.1%

YoY Increase in Margin

+109%



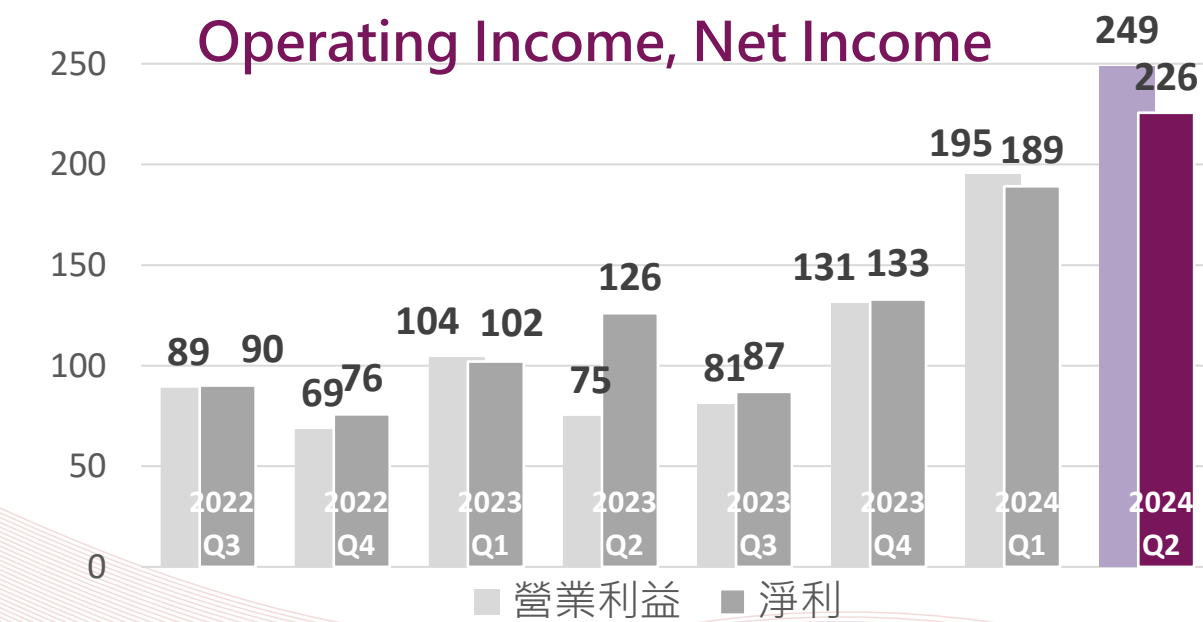
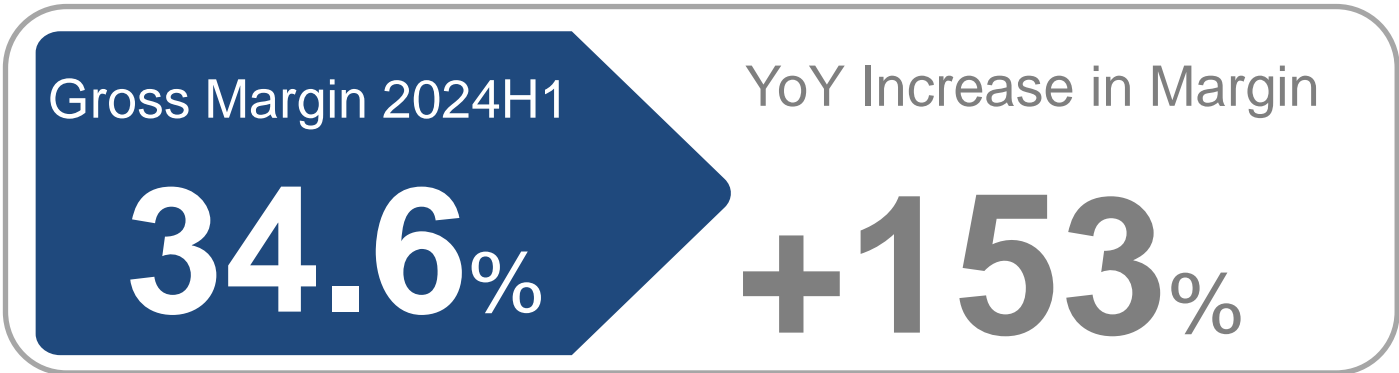
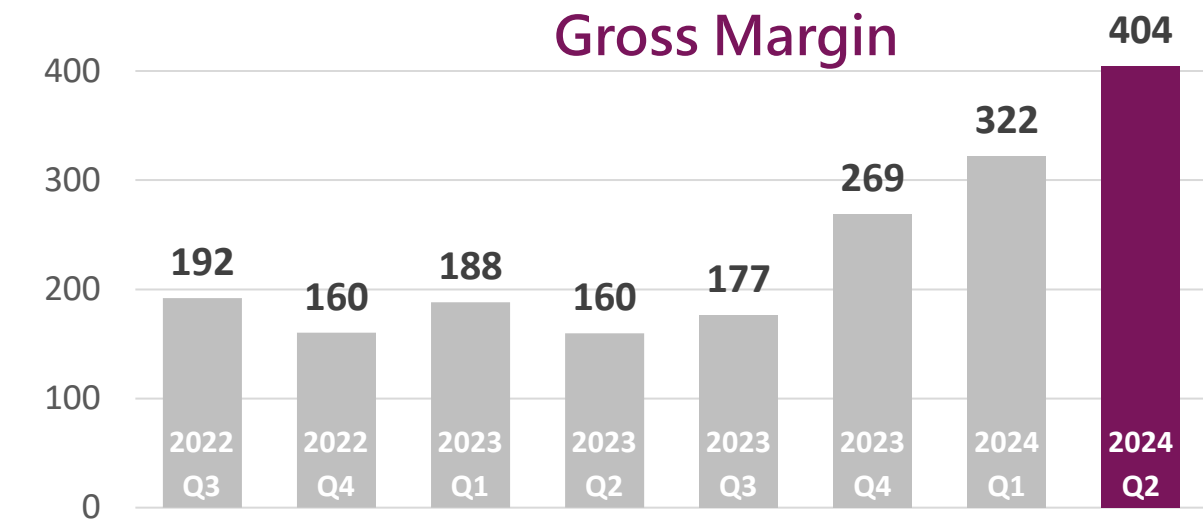
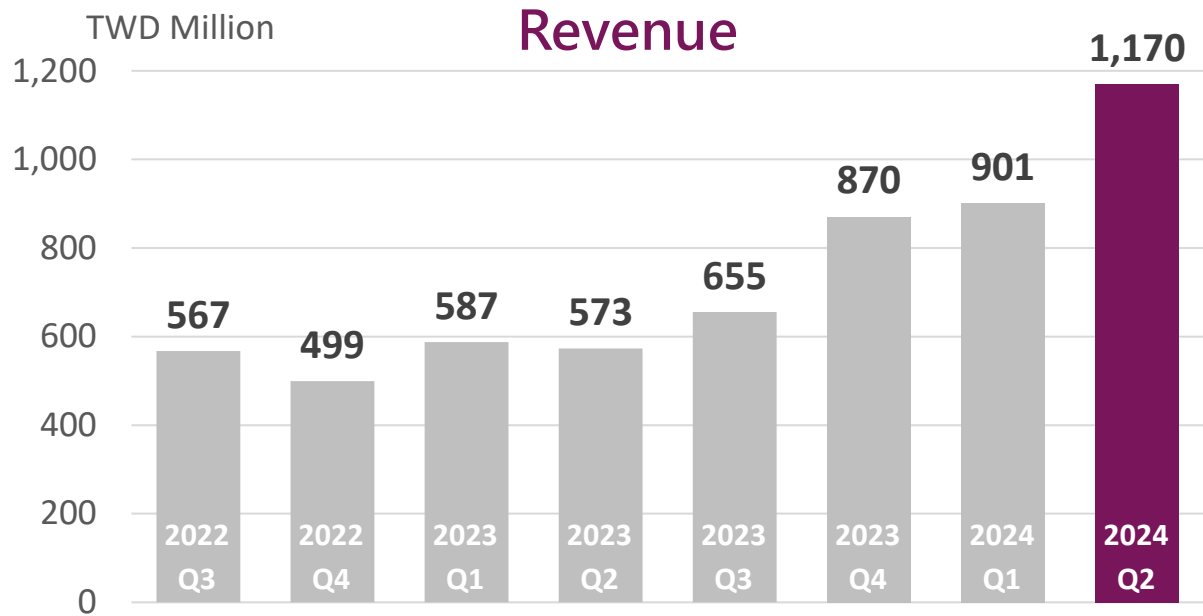
Net Income 2024H1

415 mil.

YoY Increase in Income

+ 82%

Quarterly Performance and Growth



The background of the slide is a solid dark blue. In the top-left and bottom-right corners, there are decorative halftone patterns. These patterns consist of concentric, overlapping circles of small white dots, creating a textured, wave-like effect. The top-right corner also features a similar pattern, though it is partially cut off by the edge of the image.

Competitive Advantages

Arizon Growth Strategy



Expand Operating Territory

- Based on Asia-Pacific region enter new market
- New manufacturing base in Vietnam
- Expand product procurement and increase supply chain capabilities



Target Sales Growth

- Master global and big-name brands customers
- Keep trends and potential strategic applications
- New application areas and innovative “Blue Ocean” cooperation



Improve Efficient Manufacturing

- Energy saving, consumption reduction, green manufacturing
- Customized solutions to meet customer demand
- Production equipment adapted to products and diversity



Sustainable Development

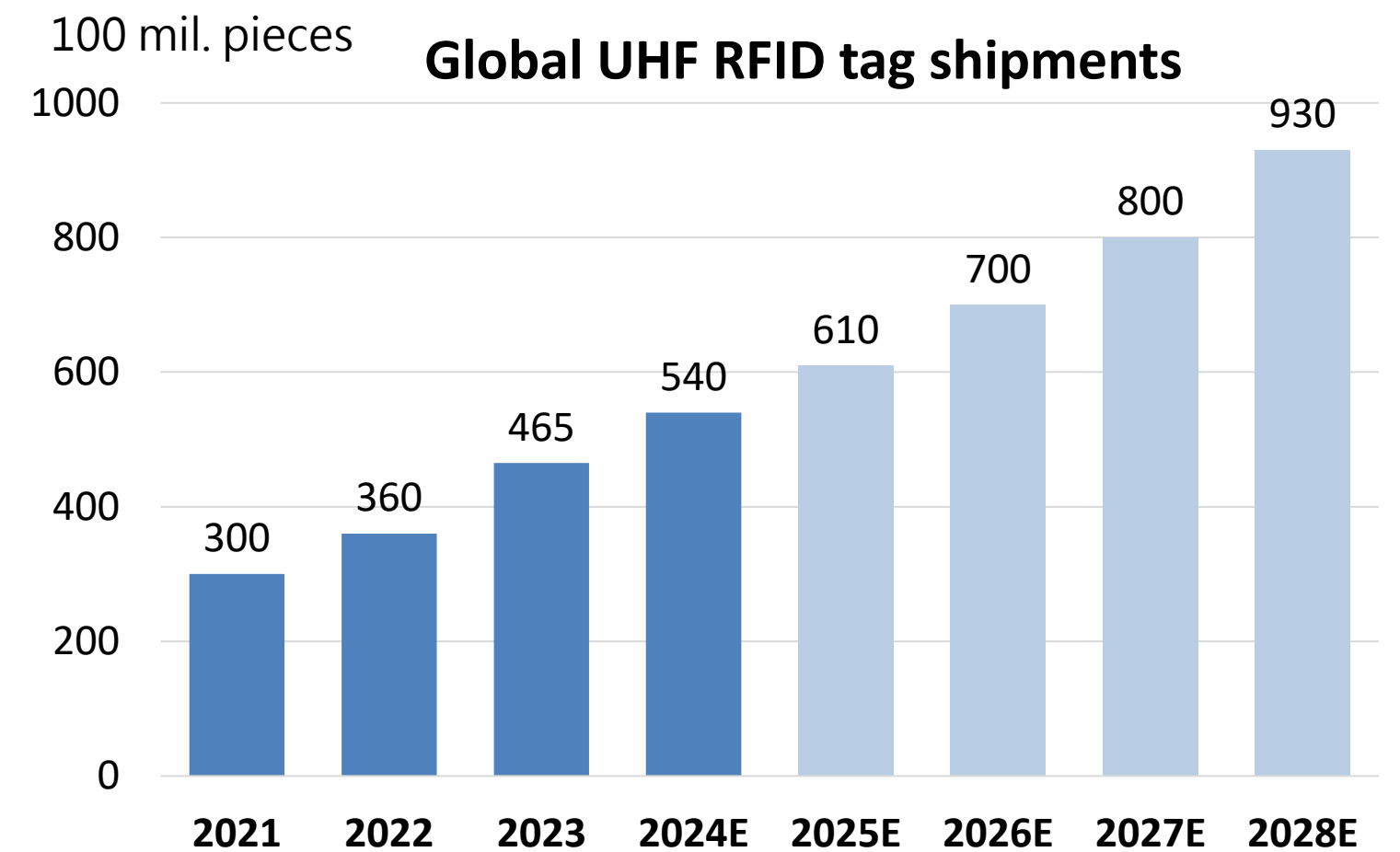
- Promote ESG sustainable development
- Comply with environmentally friendly materials and paper antenna substrate
- Green production, reduce energy consumption and waste



RFID Industry Long-term Growth Potential

UHF RFID Global Development Trends:

- It is expected that global UHF RFID usage will reach 100 billion pieces per year in 2030.
- The main contribution to the growth in the past two years has been American retail and logistics. The retail industry is increasing the use of RFID product categories, and logistics and express delivery are using RFID tags. The introduction of projects in North America has increased the use of RFID by nearly 10 billion.
- In the future, UHF RFID's biggest momentum will come from the field of packages delivery. There is already a potential market of hundreds of billions in parcel delivery in China; in North America and Europe, rising labor costs and labor shortages have made the need for digital classified tracking even more urgent.



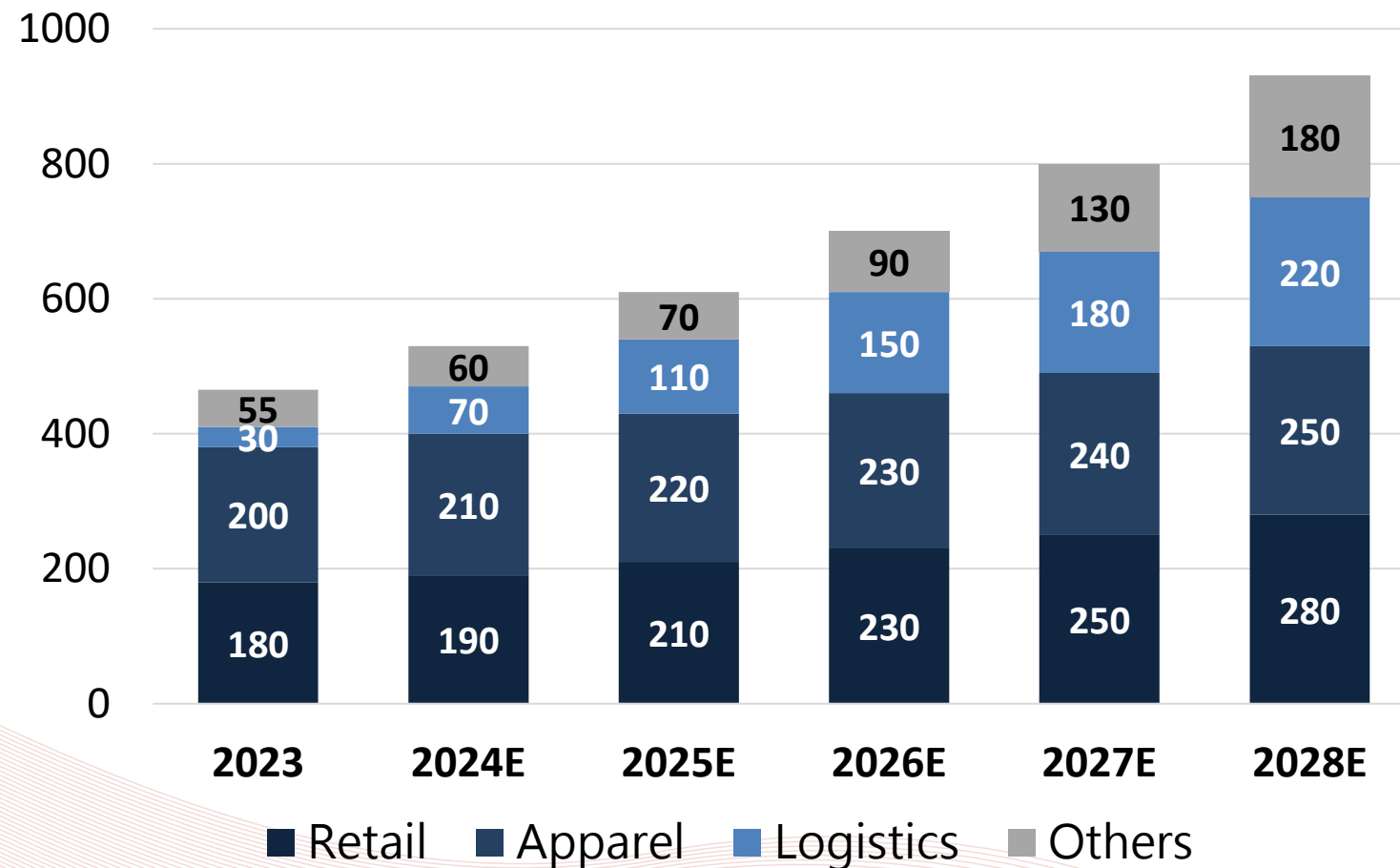
Source: AIoT星圖研究院



Growth Potential in Industrial Applications



100 mil. pieces **Global UHF RFID Application Segments**



Source: AIoT星圖研究院

Market Growth Trends for RFID Applications:

- Major footwear and apparel retailers such as Uniqlo, Decathlon, Zara, and Walmart have successively adopted RFID, driving active adoption by fast fashion, sportswear, and brick-and-mortar retailers.
- Global parcel volume has increased by 150% in the past seven years, primarily driven by the rapid development of e-commerce logistics during the pandemic, presenting a trillion pieces potential market.
- Other applications are also growing, including event ticketing, animal management, medical supplies, industrial materials management, books, and aviation.

Parcel Logistics Trends in United States

Package Delivery Soars:

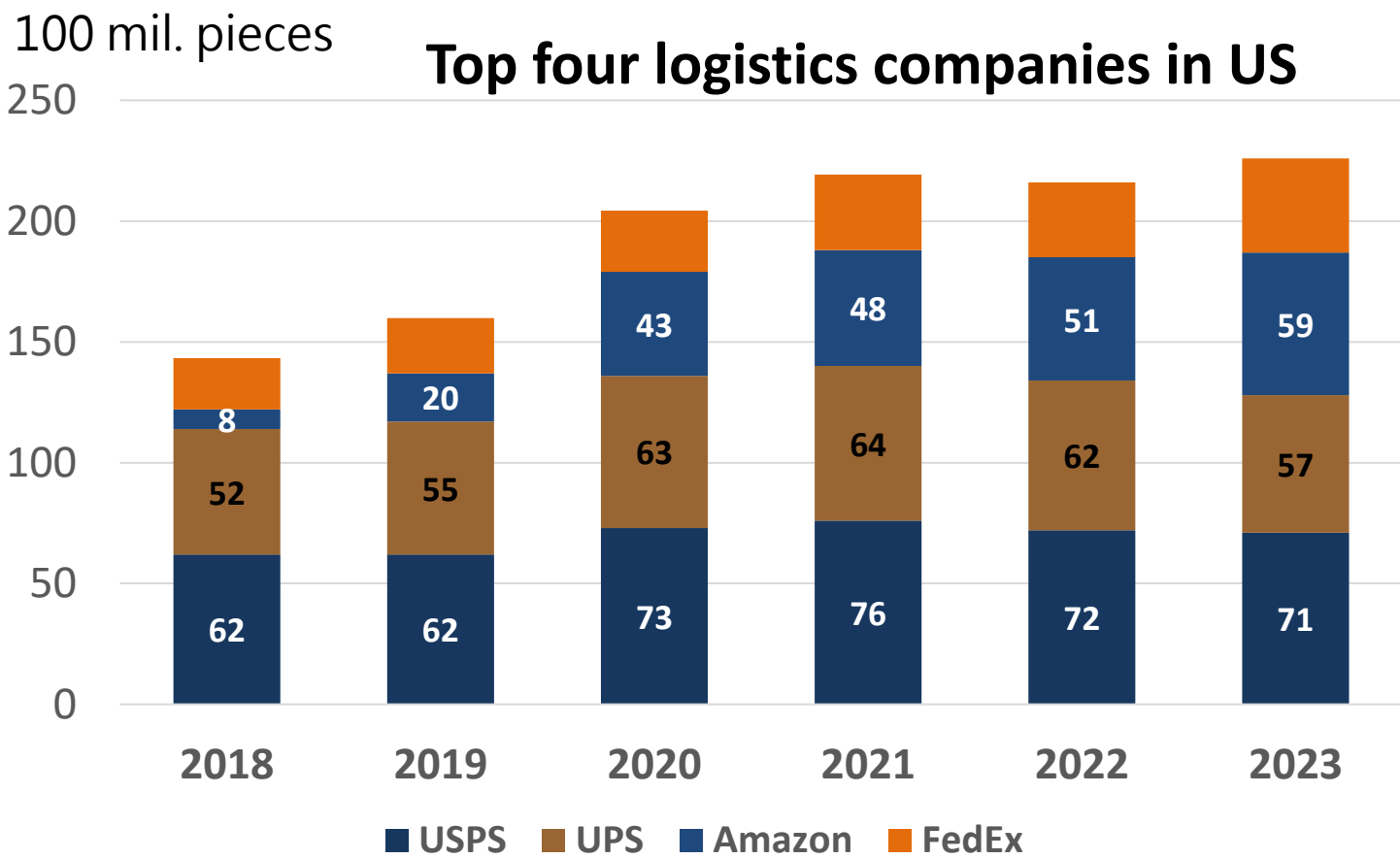
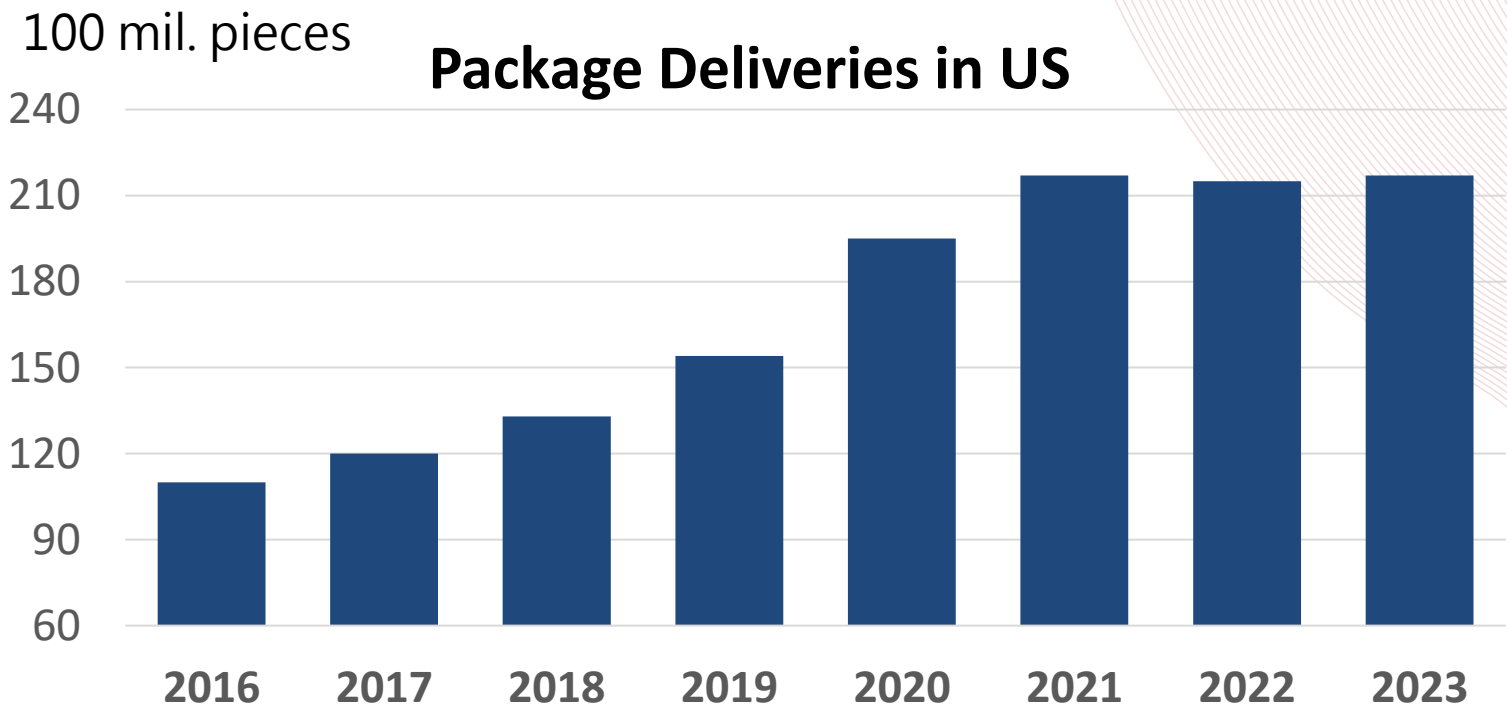
- The number of packages delivered globally skyrocketed by 5.4 billion in 2020, representing a 36.5% increase and surpassing the 20 billion mark annually.
- The surge in e-commerce driven by the pandemic was the primary catalyst for this growth.

E-commerce Logistics Capacity Expands Significantly:

- The company has built a vast logistics network, including a fleet of 95 aircraft, 60,000 trucks, and a strategically placed network of regional logistics centers. This expansion has significantly increased package handling capacity and speed, enabling the delivery of 7 billion packages in 2023, with 4 billion of those in the US.
- By continuously expanding its logistics network and establishing more distribution centers and warehouses, the company has further enhanced package handling capabilities and reduced the unit cost per package by \$0.45 compared to last year.

Enhanced Logistics Efficiency:

- The Smart Package, Smart Facility (SPSF) initiative aims to affix RFID tags to all packages. Phase one, completed in 2023, involved the establishment of thousands of distribution centers, resulting in a 67% reduction in misdeliveries.
- The goal is to achieve real-time tracking of every package, distribution center, and shipment, leveraging cloud-based data analytics for optimized scheduling. This will not only reduce misdeliveries and enhance customer satisfaction but also enable proactive predictive analytics to improve operational efficiency and reduce labor costs.



Source: Annual report, company website

Future trends in logistics

Leveraging AI for Predictive Analytics and Optimization to Reduce Emissions:

- By utilizing machine learning and generative AI for digital transformation and mid-mile optimization, organizations can achieve more accurate predictions, enhance safety, and optimize the intricate coordination of trucks, trailers, and drivers.
- This contributes to improving transportation route efficiency and reducing tons of carbon emissions.
- As supply chains grow increasingly complex, organizations must rely on such technologies to foster greater resilience and agility.



Digital Twin:

- By creating a digital replica of real-world data, organizations can simulate and predict various scenarios to optimize operations and make informed decisions.
- This technology enables businesses to anticipate and respond to both predictable events (e.g., Cyber Monday) and unexpected disruptions (e.g., power outages, typhoons), ensuring the resilience and flexibility of their transportation networks.
- Real-time transportation information is also enhanced, ensuring the reliable delivery of delicate items.



Source:
<https://freight.amazon.com/newsroom/2024-q2-news-update> June 28, 2024
<https://about.ups.com/us/en/our-stories/innovation-driven/ups-takes-center-stage-at-google-cloud-next--24-and-rfid-journal.html> June 10, 2024

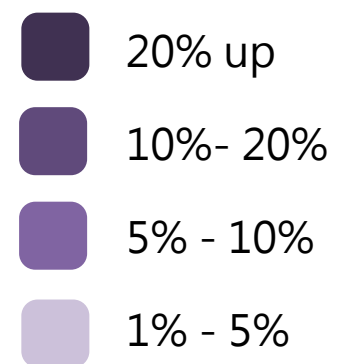
Global Strategy

Arizon Leverages Asia-Pacific Manufacturing Advantages:

- Prior to 2020, we focused on manufacturing in China to supply global customers.
- Since 2021, the company has accelerated its global expansion by establishing second and third production bases. With its successful design and development experience and high-quality manufacturing standards, we has gained recognition from international customers.
- Starting from 2025, Arizona will leverage its global development and Asia-Pacific production advantages to become the preferred RFID Tag Solution Provider for major global customers.



2024 Sales regions



Vietnam's Exports Hit \$190.8 Billion, Up 14.5% YoY:

- Computer, electronic products, and components accounted for \$33.6 billion, or 18% of total exports, with a growth rate of 31.5% YoY.
- Textile and apparel exports reached \$16.5 billion, increasing by 4.6%.
- Footwear exports amounted to \$10.7 billion, growing by 8.8%.

Major Trading Partners: Export Momentum in H1 2024

- Bangladesh's exports reached \$27.5 billion, up 4.5% YoY, with garments accounting for 85% of total exports.
- Indonesia's exports totaled \$26.1 billion, with an 11.9% YoY growth.
- India's exports amounted to \$255 billion, increasing by 11.9%. Textiles and apparel comprised 13% of its total exports.



Objective: Expanding Operational Footprint

- To meet the growing market demand for RFID tags.
- To expand production scale and enhance the competitiveness of long-term operational items.



Factory Location

- Hung Yen Province, Vietnam.
- Approximately 52,000 square meters.
- Can accommodate 2 factories, with future production area of 69,000 square meters.



Investment Amount: NT\$20.4 billion

- Land and Reserve: NT\$4.55 billion.
- Plant and Equipment: NT\$15.8 billion.



Expected Benefits

- Annual production capacity of over 3 billion pieces in the first phase.
- Three production bases to achieve a target of 10 billion units.
- Large-scale production, regional diversification, and global delivery.



2024

2025

2026

2027



Construction

- Company establishment
- land acquisition
- Design starts



Production

- Factory completed
- Installed and production
- Target sales of 760 million pieces



Frist Year Profit

- Full production capacity
- Target sales: 1.53 billion pieces
- Profit in the year

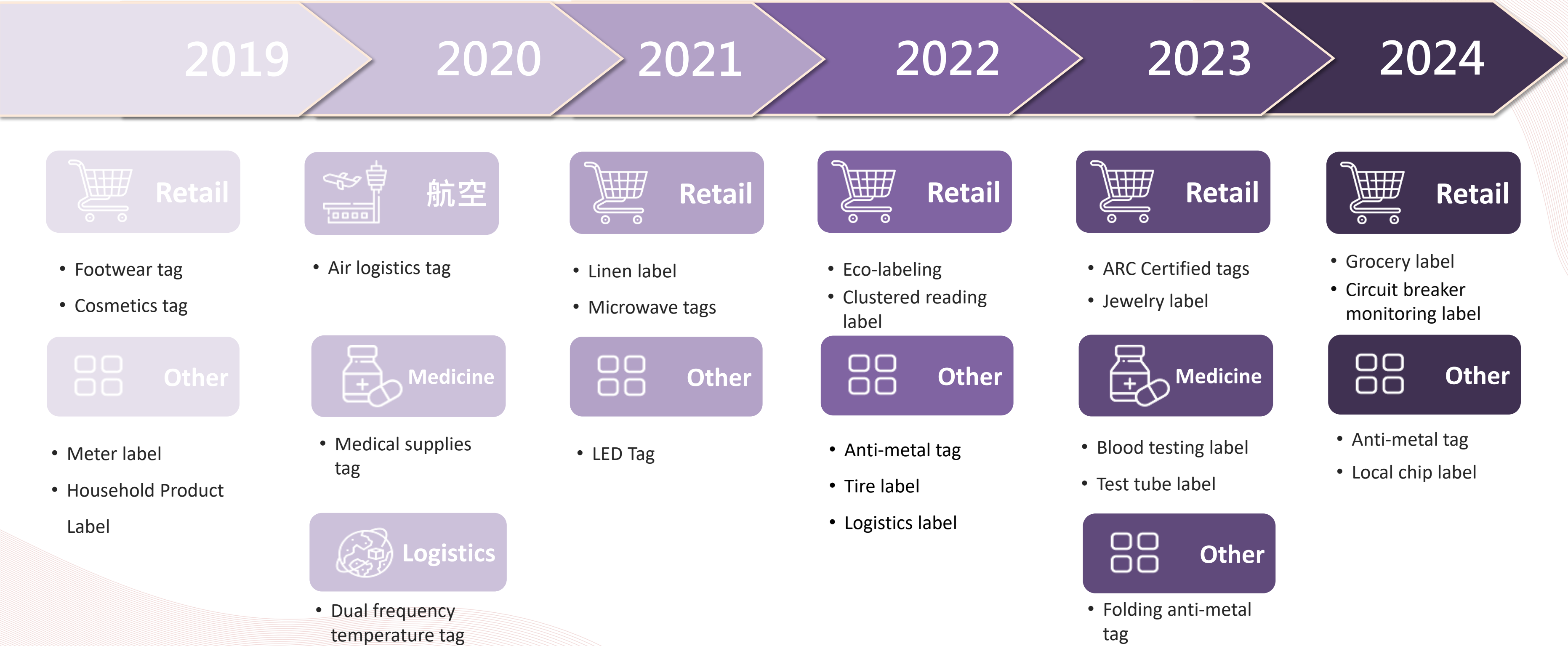
Planning Phase 2

- Capacity utilization reaches more than 80%
- Target sales of 2.16 billion pieces
- The second phase of planning starts



R&D Capacity

Representative Products Launch Schedule





Thank You