

Castles Technology 【5258】

Online Investor Conference

2021/08/20



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Agenda

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

1.

Company Introduction



About Castles Technology

❖ Operation

- ◆ Top domestic manufacturer and solution provider of IC card reader and POS
- ◆ Multiple business locations, including the USA, UK, Spain, Italy, Jordan, and Singapore
- ◆ Headquartered in Xindian District, New Taipei City, products selling more than 50 countries

❖ Expertise and Market

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



Global Foot Print



 Castles Technology



2.

Industry Overview



Current Status of Payment Industry

❖ Change of Overall Industry

- ◆ **Market Change:** The merge of competitors in past few years has changed market share.
- ◆ **Competitive Threshold :** In 2020, with increasing design difficulty and higher cost for certification acquisition, the initiation of PCI PTS v6.x and EMV Contactless L1 v3.x accelerated the elimination of vulnerable business.
- ◆ **Device Replacement:** Wireless communication options move from 2G, 3G to 4G gradually.
- ◆ **COVID-19 Impact:** It was expected to have a wave of device replacement due to the expiration of certificate for PCI PTS v3.x products in April 2020, but COVID-19 postponed the schedule.

❖ Industry Competition

- ◆ Cross-border integration of the new electronic payment is an upcoming challenge for business expansion.
- ◆ Diversified products for banks to perform multiple payment integration is a new opportunity.



❖ **Application of Unattended Payment Device**

- ◆ With the impact of COVID-19, cashless applications become popular.
- ◆ The key point to sales growth is to provide software 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.

New Opportunity for Payment Industry

❖ **Software Service Platform**

- ◆ A growing number of commercial software developers are willing to invest in Android product development and the hardware performance requirement becomes higher. To fulfill customers' demands, the industry trend moves 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.

3.

New Products & Applications



New Product Series – POS



S1K



S1F2



S1L

Android Saturn Series



V3P3

Linux Vega Series



U1M



U1B



S1E-UPT

Unattended UPT Series



4.

Operation Overview

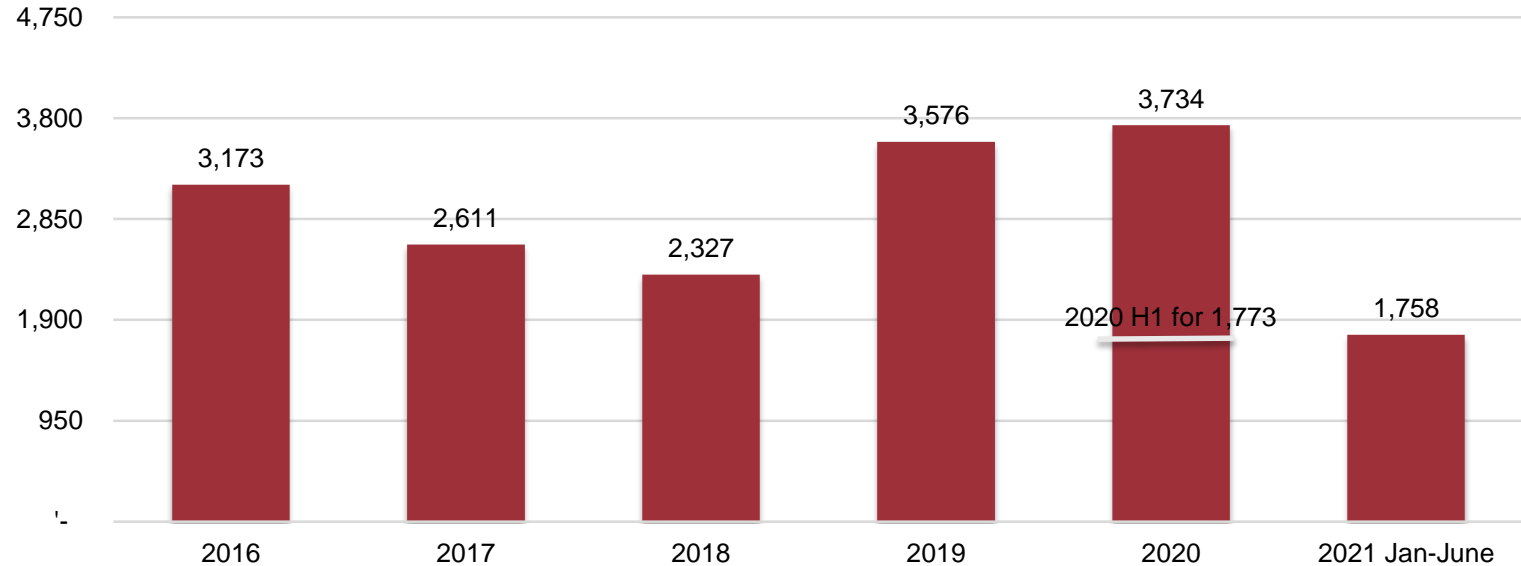


Business Performance – Consolidated Revenue

- ❖ The consolidated revenue is NT\$1.76 billion in 2021 H1, decreased by 0.85% compared to NT\$1.77 billion in 2020 H1 .

Unit : NTD Million

2016~2021 Jan - June Consolidated Revenue

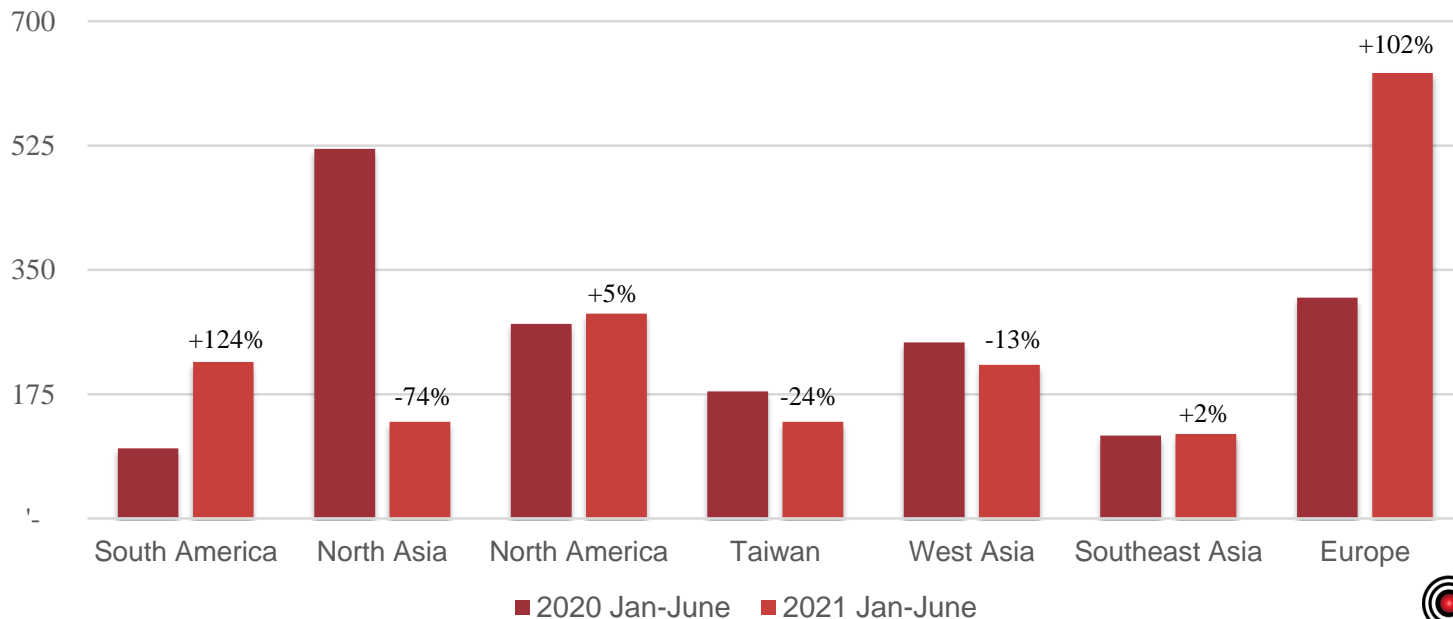


Operation Overview

❖ The decrease of 2021 H1 consolidated revenue resulted from customers in North Asia.

Unit : NTD Million

Sales by Regions



5.

Financial Overview



Consolidated Income Statements

Unit : NTD Million

Item	2021 H1	%	2020 H1	%	YoY
Revenue	1,758.35	100%	1,773.15	100%	-1%
Gross profit	465.23	26%	473.78	27%	-2%
Operating expenses					
Selling expenses	139.56	8%	114.78	6%	22%
Administrative expenses	76.25	4%	48.24	3%	58%
Research and development expenses	222.01	13%	210.36	12%	6%
Impairment loss (reversal of impairment loss)	(44.81)	-3%	(2.58)	0%	1637%
Total operating expenses	393.01	22%	370.80	21%	6%
Net operating income	72.22	4%	102.98	6%	
Profit before income tax	63.82	4%	123.67	7%	
Comprehensive income	63.10	4%	93.67	5%	
EPS(NTD)	0.65		0.97		

6.

Operating Strategies & Prospect



❖ **Global Deployment**

- ◆ Established subsidiaries in UK and Jordan, Castles Technology committed to provide better technical services in Europe, Middle East and Africa.

❖ **Application of Unattended Device and Cloud Service**

- ◆ With the trend of cash free and unattended services, more power stations, laundromats will include payment functions as their needs. Under this trend, Castles Technology continues to strengthen R&D skills and provide better services to shorten the integration time of different applications and payments.
- ◆ Regarding payment application, parameter management is relevant to service maintenance fee, so Castles Technology is optimizing the Cloud service platform to provide customers full-scale solutions.

❖ Diversified Payment Application

- ◆ With popularity of payment applications and the payment security improvement, increasingly diverse payment products will be launched and Castles Technology will play a pivotal role. Besides traditional payment devices, consultation to assist customers to develop Payment-Enabled products will make Castles Technology competitive. In addition, through overseas sales bases and the mastery of local regulations, it is easier for customers to grasp the market for advanced seamless user experiences.

❖ Cloud Service

- ◆ With the increase of Cloud services to make services diversified, more customers are willing to adopt Castles Cloud solutions. Nowadays, some customers in Europe, America and Japan have adopted Castles solution, and the future growth can be positively expected.

❖ **Reginal Prospect**

- ◆ With the establishment of UK subsidiary, Castles Technology will stay on top of the Nordic and Western European markets. Hence, it is expected to have better business performance with lockdown lifting.
- ◆ As key customers from the USA endorse Castles solutions, Castles Technology will work more closely with them in the future and look forward to the replacement demand after pandemic.

❖ **Competitiveness Enhancement**

- ◆ Recently, countries are gradually lifting lockdowns and Castles Technology's global sales channels are more complete, so the upcoming market demand is highly anticipated.

Thank you

