Castles Technology 【5258】

Investor Conference

2022/04/13

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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**

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❖ **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, gas station, electric car charging, unattended retail, etc.

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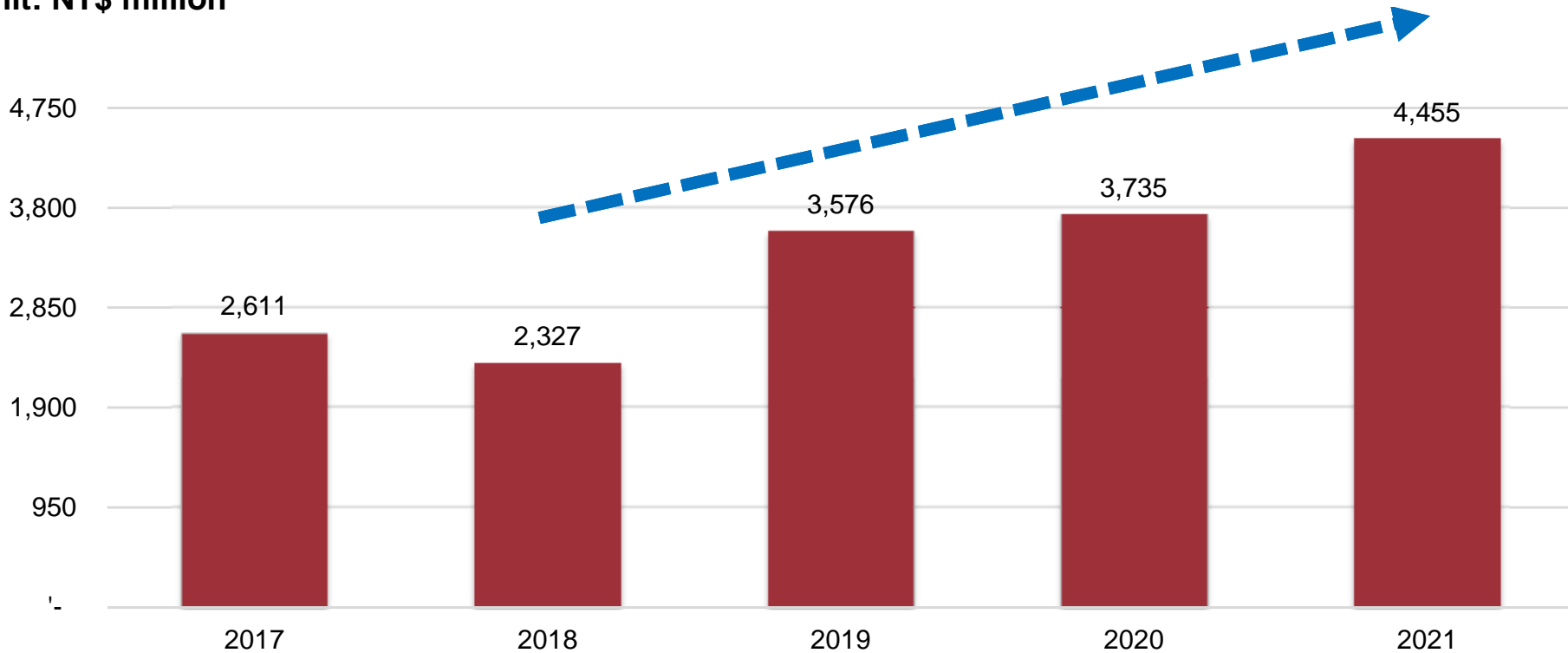Market Presence

Castles Technology
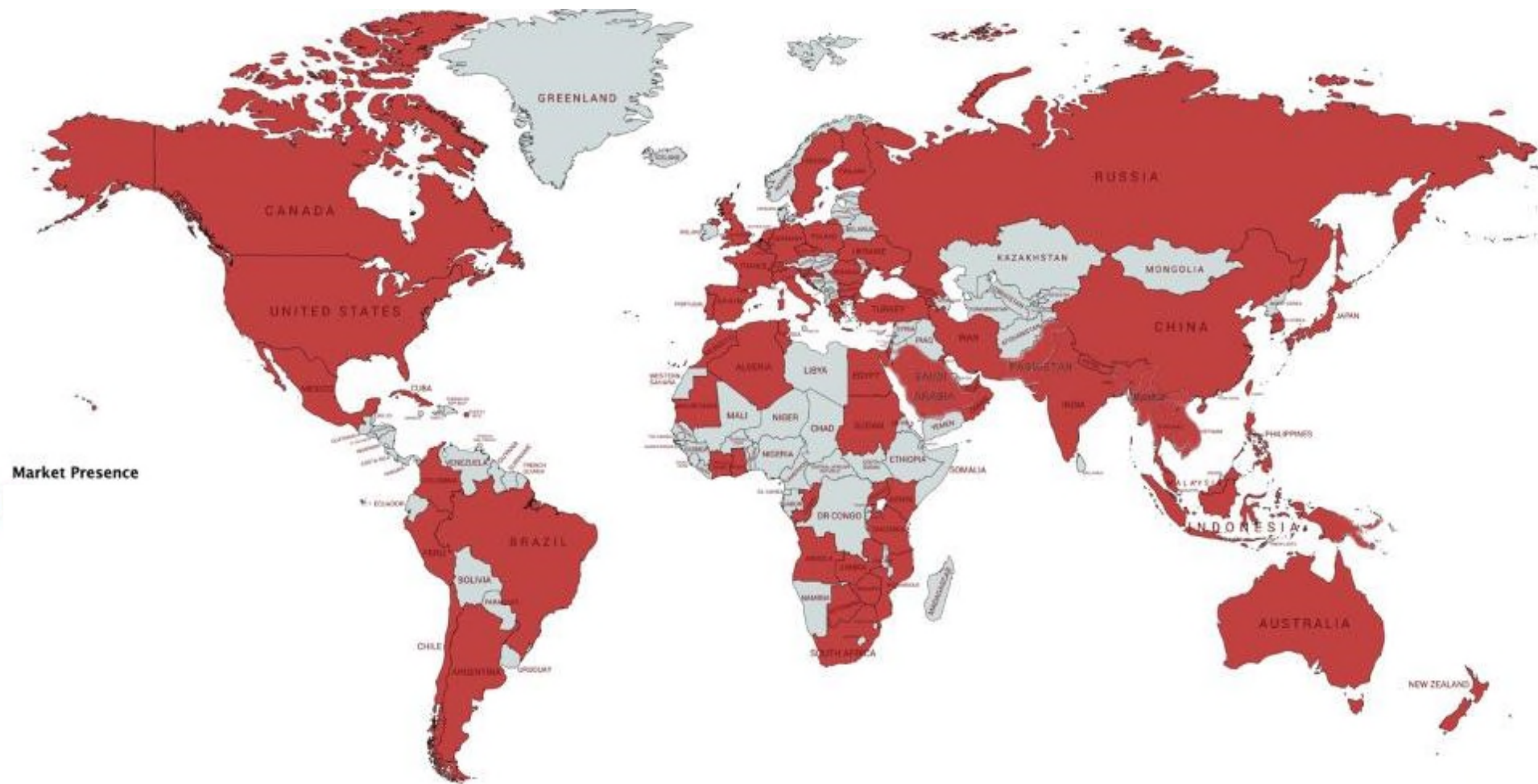
2. **Operation Overview**

Business Performance – Consolidated Revenue

❖ **The consolidated revenue is NT$ 4.455 billion for 2021, increasing by 19% compared with NT$ 3.735 billion the respective period of year 2020.**
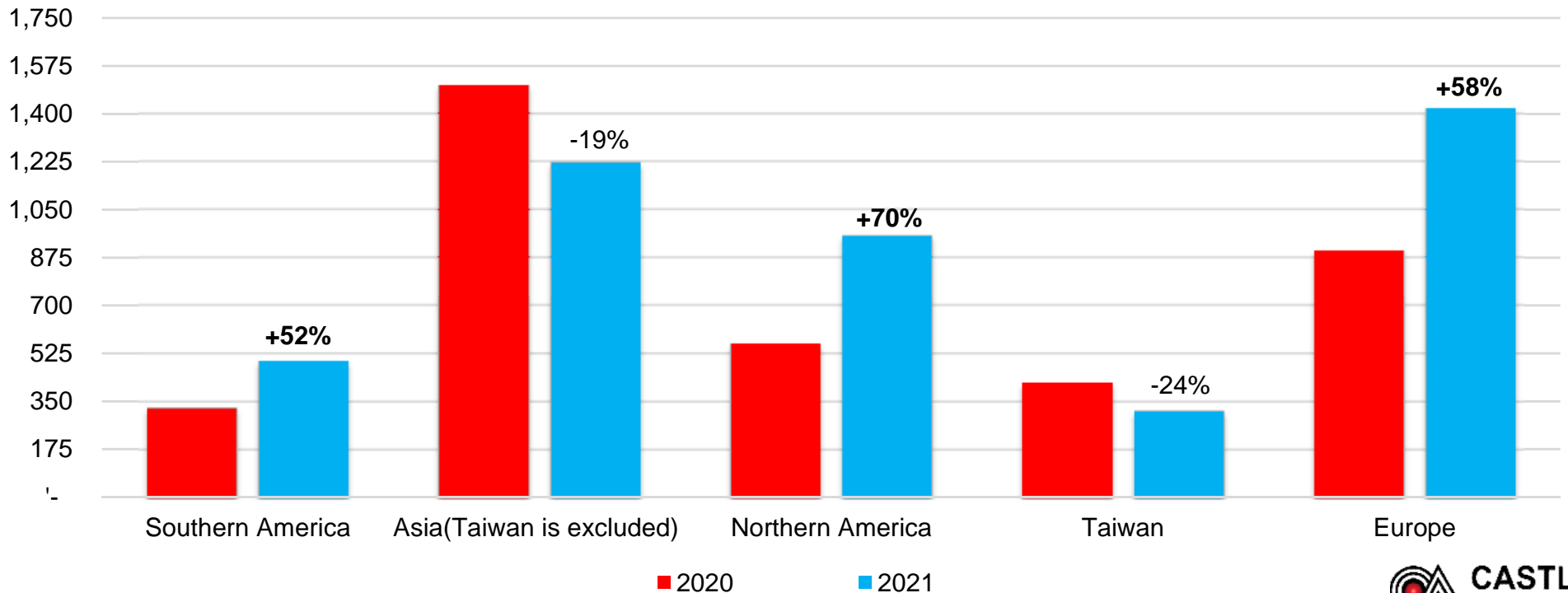
Unit: NT$ million

❖ **An increase of consolidated revenue 2021 resulted from the growth in America and Europe.**

Unit: NT$ million

Consolidated revenue-by region

3. Financial Overview

Consolidated Income Statements

Unit：NT$ Million

Item	2021	%	2020	%	YoY
Revenue	4,455.32	100%	3,734.51	100%	+19%
Gross profit	1,235.34	28%	963.41	26%	+28%
Operating expenses					
Selling expenses	300.25	7%	239.59	7%	+25%
Administrative expenses	169.21	4%	114.44	3%	+48%
Research and development expenses	487.02	11%	412.48	11%	+18%
Impairment loss (reversal of impairment loss)	(48.87)	-1%	(26.38)	-1%	+85%
Total operating expenses	907.61	21%	740.13	20%	+23%
Net operating income	327.73	7%	223.28	6%	
Profit before income tax	278.68	6%	275.02	7%	
Comprehensive income	236.10	5%	208.00	5%	
EPS (NTD)	2.51		2.23		

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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.

  ✦ The integration of different payment methods will be competitive advantage in the future.

❖ **Application of Unattended Payment Device**

- ✦ With the impact of COVID-19, cashless payments become popular.

- ✦ 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.

❖ **SoftPOS**

- ✦ Apple Inc. has announced the "Tap to Pay" service on iPhone, which allows merchants to accept payments directly on iPhone without additional hardware.

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New Opportunity for Payment Industry

❖ **Mature Software Service Platform**

  ✦ A growing number of commercial software developers are willing to invest more resources on Android platform. Compared to other Apps, commercial software developers incline to provide front-end and back-end integrated solutions for specific industries, leading to strict requirements for hardware specification and performance.

  ✦ With growing customization demands, hardware suppliers need to provide more diversified products to fulfill both high-end and medium-end customers.

❖ **Solution of Software & Hardware Integration**

  ✦ Global acquires and service providers aggressively approach Android software development. The challenge for acquires and service providers is to complete software porting and backend system update for customers in a limited time.

  ✦ Besides well-structured product lines of Android-based payment terminals, cloud and integrated services are indispensable to serve the needs in a new business opportunity.

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5.

New Products & Applications

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New Product Series – EFT POS

Android Saturn Series

S1F2

S1E2

S1Mini

Linux Vega Series

V3M3

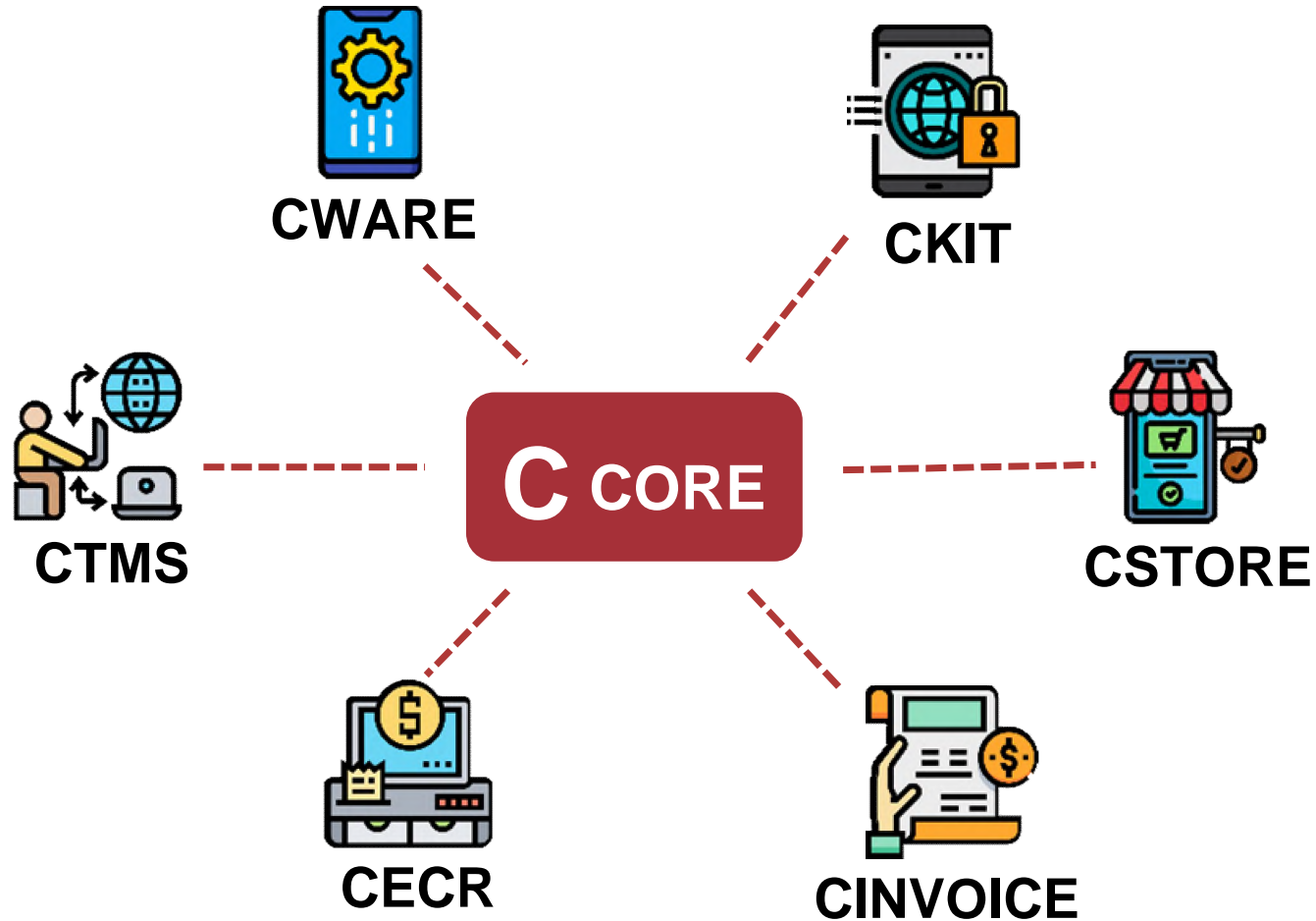V3CT3

New Product Series – UPT

Unattended UPT Series

U1M

U1B

S1E-UPT

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CWARE

CKIT

CTMS

C CORE

CSTORE

CECR

CINVOICE

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❖ **Software and Cloud Services Transactions will be proceeded safely and fast by reading transaction cards through NFC on mobile phones, which will link transaction data to backend system to complete the transaction.**

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6.
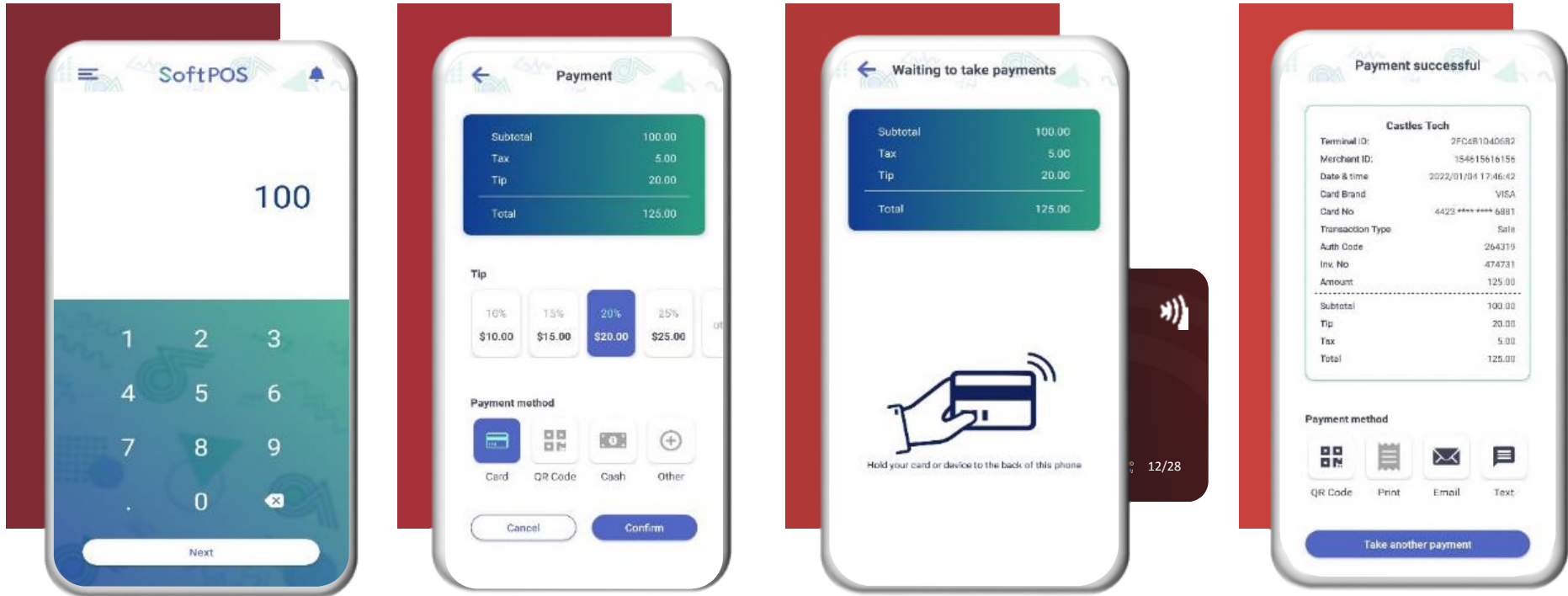
Operating Strategies & Prospect

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.

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❖ **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.

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❖ **Global Components Shortage**

✦ Accelerate certification progression for alternative components

✦ 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

✦ Continue to focus on market change and to develop new solutions, such as SoftPOS

❖ **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