

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 08, 2023

DIODES INCORPORATED

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

002-25577
(Commission File Number)

95-2039518
(IRS Employer
Identification No.)

4949 Hedgcoxe Road, Suite 200
Plano, Texas
(Address of Principal Executive Offices)

75024
(Zip Code)

Registrant's Telephone Number, Including Area Code: 972 987-3900

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.66 2/3	DIOD	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition.

On November 8, 2023, Dr. Keh-Shew Lu, Chairman, President and Chief Executive Officer of Diodes Incorporated, (the “Company”), as well as Brett R. Whitmire, Chief Financial Officer of the Company, Emily Yang, Senior Vice President, Worldwide Sales and Marketing of the Company, Gary Yu, Chief Operating Officer of the Company and Gurmeet Dhaliwal, Director of Investor Relations for the Company, participated in a conference call to discuss the Company’s third quarter 2023 financial results. A recording of the conference call has been posted on the Company’s website at www.diodes.com, and copy of a transcript of the conference call is furnished as Exhibit 99.1 to this Report. Information contained in or accessible through the Company’s website shall not be deemed to be incorporated by reference into this Report.

In the above-mentioned conference call, the Company utilizes financial measures and terms not calculated in accordance with generally accepted accounting principles in the United States (“GAAP”) in order to provide investors with an alternative method for assessing the Company’s operating results in a manner that enables investors to more thoroughly evaluate its current performance as compared to past performance. The Company also believes these non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Management uses these non-GAAP measures for the same purpose. The Company believes that investors should have access to the same set of tools that management uses in analyzing financial results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from similar measures used by other companies. For a description, and reconciliation with GAAP, of these non-GAAP measures see the Company’s press release dated November 8, 2023, announcing the Company’s third quarter 2023 financial results, a copy of which was furnished as Exhibit 99.1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 8, 2023.

Item 7.01 Regulation FD Disclosure.

The information set forth in Item 2.02 is incorporated herein by reference. The transcript of the earnings conference call furnished as Exhibit 99.1 provides an update on the Company’s business outlook, that is intended to be within the safe harbor provided by the Private Securities Litigation Reform Act of 1995 (the “Act”) as comprising forward looking statements within the meaning of the Act.

Additionally, the submission of the information set forth in this Item 7.01 is not deemed an admission as to the materiality of any information in this Report that is required to be disclosed solely by Regulation FD.

Item 8.01 Other Events.

From time to time, the Company may give corporate presentations to its customers, suppliers and other related interested parties. Copies of the Company’s corporate presentation slides, updated on November 8, 2023, are furnished herewith as Exhibit 99.2 and Exhibit 99.3. Exhibit 99.2 provides an update focused on the Company’s third quarter 2023 financial results and Exhibit 99.3 is used in the Company’s investor relations presentations.

In the corporate presentation slides furnished herewith as Exhibits 99.2 and 99.3, the Company utilizes financial measures and terms not calculated in accordance with GAAP in order to provide investors with an alternative method for assessing the Company’s operating results in a manner that enables investors to more thoroughly evaluate its current performance as compared to past performance. The Company also believes these non-GAAP measures provide investors with a more informed baseline for modeling the Company’s future financial performance. Management uses these non-GAAP measures for the same purpose. The Company believes that investors should have access to the same set of tools that management uses in analyzing financial results. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered a substitute for or superior to GAAP results and may differ from similar measures used by other companies. For a description, and reconciliation with GAAP, of these non-GAAP measures see Exhibits 99.2 and 99.3.

The information in this Report, including Exhibits 99.1, 99.2, and 99.3, will not be treated as “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section. This information will not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or into another filing under the Exchange Act, unless that filing expressly refers to specific information in this Report.

Forward-Looking Statements

Statements in this Report (including in the documents furnished as Exhibits 99.1, 99.2 and 99.3) contain forward-looking statements that involve future risks and uncertainties as contemplated by the safe harbor provided by the Act. All statements, other than statements of historical facts, included in this Report (including the documents furnished as Exhibits 99.1, 99.2 and 99.3) should be regarded as “forward-looking statements”. Such statements include statements containing forward-looking words such as “expect,” “anticipate,” “aim,” “estimate,” and variations thereof, including without limitation statements, whether direct or implied, regarding expectations of that for the fourth quarter of 2023, we expect revenue to be approximately \$325 million plus or minus 3 percent; we expect GAAP gross margin to be 35.0 percent, plus or minus 1 percent; non-GAAP operating expenses, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets, are expected to be approximately 26.5 percent of revenue, plus or minus 1 percent; we expect net interest income to be approximately \$2.0 million; we expect our income tax rate to be 18 percent, plus or minus 3 percent; shares used to calculate diluted EPS for the fourth quarter are anticipated to be approximately 46.6 million. Potential risks and uncertainties include, but are not limited to, such factors as: the risk that the COVID-19 pandemic may continue to have a material adverse effect on customer demand and staffing of our production, sales and administration facilities; the risk that such expectations

may not be met; the risk that the expected benefits of acquisitions may not be realized or that integration of acquired businesses may not continue as rapidly as we anticipate; the risk that the cost, expense, and diversion of management attention associated with the LSC acquisition may be greater than we currently expect; the risk that we may not be able to maintain our current growth strategy or continue to maintain our current performance, costs, and loadings in our manufacturing facilities; the risk that we may not be able to increase our automotive, industrial, or other revenue and market share; risks of domestic and foreign operations, including excessive operating costs, labor shortages, higher tax rates, and our joint venture prospects; the risks of cyclical downturns in the semiconductor industry and of changes in end-market demand or product mix that may affect gross margin or render inventory obsolete; the risk of unfavorable currency exchange rates; the risk that our future outlook or guidance may be incorrect; the risks of global economic weakness or instability in global financial markets; the risks of trade restrictions, tariffs, or embargoes; the risk that the coronavirus outbreak or other similar epidemics may harm our domestic or international business operations to a greater extent than we currently anticipate; the risk of breaches of our information technology systems; and other information, including the “Risk Factors” detailed from time to time in Diodes’ filings with the United States Securities and Exchange Commission. Exhibit 99.2 and Exhibit 99.3 contain a more detailed listing of the risks and uncertainties associated with those forward-looking statements. Diodes undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Transcript of earnings conference call held on November 8, 2023.
99.2	Third quarter 2023 financial results.
99.3	Corporate slides for investor presentations.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIODES INCORPORATED

Date: November 13, 2023

By: /s/Brett R. Whitmire
Brett R. Whitmire
Chief Financial Officer

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

DIOD.OQ - Q3 2023 Diodes Inc Earnings Call

EVENT DATE/TIME: NOVEMBER 08, 2023 / 10:00PM GMT

REFINITIV STREETEVENTS | www.refinitiv.com | [Contact Us](#)

©2023 Refinitiv. All rights reserved. Reproduction or redistribution of Refinitiv content, including by framing or similar means, is prohibited without the prior written consent of Refinitiv. 'Refinitiv' and the Refinitiv logo are registered trademarks of Refinitiv and its affiliated companies.

C O R P O R A T E P A R T I C I P A N T S

Brett R. Whitmire Diodes Incorporated - CFO

Emily Yang Diodes Incorporated - SVP of Worldwide Sales & Marketing

Gary Yu Diodes Incorporated - COO

Keh-Shew Lu Diodes Incorporated - Chairman, CEO & President

C O N F E R E N C E C A L L P A R T I C I P A N T S

David Neil Williams The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Gary Wade Mobley Wells Fargo Securities, LLC, Research Division - Senior Analyst

Tyler Bomba Robert W. Baird & Co. - Equity Research Analyst

William Stein Truist Securities, Inc., Research Division - MD

Leanne K. Sievers Shelton Group - President

P R E S E N T A T I O N

Operator

Good afternoon, and welcome to Diodes Incorporated Third Quarter 2023 Financial Results Conference Call. At this time, all participants are in a listen-on mode. At the conclusion of today's conference call, instructions will be given for the question-and-answer session. (Operator Instructions) As a reminder, this conference call is being recorded today, Wednesday, November 8, 2023.

I would now like to turn the call over to Leanne Sievers of Shelton Group Investor Relations. Leanne, please go ahead.

Leanne K. Sievers - Shelton Group - President

Good afternoon, and welcome to Diodes third quarter 2023 financial results conference call. I'm Leanne Sievers, President of Shelton Group, Diodes' Investor Relations firm. Joining us today from Taiwan are Diodes Chairman, President and CEO, Dr. Keh-Shew Lu, Chief Operating Officer, Gary Yu, Chief Financial Officer, Brett Whitmire, Vice President of Worldwide Sales and Marketing, Emily Yang and Director of Investor Relations, Gurmeet Dhaliwal.

I'd like to remind our listeners that the results announced today are preliminary as they are subject to the company finalizing its closing procedures and customary quarterly review by the company's independent registered public accounting firm. As such these results are unaudited and subject to revision until the company files its form 10-Q for its fiscal quarter ending September 30, 2023.

In addition, management's prepared remarks contain forward-looking statements which are subject to risks and uncertainties and management may make additional forward-looking statements in response to your questions. Therefore, the company claims the protection of the safe harbor for forward-looking statements that is contained in the private securities litigation reform act of 1995. Actual results may differ from those discussed today and therefore we refer you to a more detailed discussion of the risks and uncertainties in the company's filings with the Securities and Exchange Commission including forms 10-K and 10-Q.

In addition, any projections as to the company's future performance represent management's estimates as of today November 8, 2023. Diodes assumes no obligation to update these projections in the future, as market conditions may or may not change, except to the extent required by applicable law. Additionally, the company's press release and management statements during this conference call will include discussions of certain measures and financial information in GAAP and non-GAAP terms, including the company's press release or definitions and reconciliations of GAAP

to non-GAAP items which provide additional details. Also throughout the company's press release and management statements during this conference call, we refer to net income attributable to common stockholders as GAAP net income.

For those of you unable to listen to the entire call at this time, a recording will be available via webcast for 90 days in the investor relations section of Diodes' website at www.diodes.com.

And now, I'll turn the call over to Dr. Liu, Diodes' Chairman, President and CEO. Dr. Liu, please go ahead.

Keh-Shew Lu - Diodes Incorporated - Chairman, CEO & President

Thank you, Leanne. Welcome everyone and thank you for joining us today. As announced earlier, today our third quarter results reflected weaker than expected end customer demand in the computing, consumer and communication markets, as well as the overall Asian market. Our original assumption of a market recovery did not materialize throughout the quarter. However, our automotive product revenue in the third quarter remained at a record 19% of revenue, contributing to our commodity automotive and industrial revenue being 45% of revenue and above our target model of 40%.

Although, the current environment presented challenges for our business in the near term. I believe, we remain well positioned for a return to growth, as we continue to strive toward our next goal of \$1 billion in gross profit.

With that let me turn it over to Gary, Diodes' Chief Operating Officer for some additional insights on the quarter.

Gary Yu - Diodes Incorporated - COO

Thank you, Dr. Lu. Revenue in the quarter was \$404.6 million, a 13.4% decrease reflecting the weaker than expected demand in the 3C markets especially, in Asia as Dr. Lu mentioned. Although, our original guidance contemplated a continued reduction in channel inventory, global demand throughout the quarter, did not support a significant decrease in these inventory levels.

In addition to the delayed recovery in the 3C markets, in the fourth quarter we have also begun to see a more broad-based slowdown globally in industrial, as well as softness in some areas of the automotive market. This is primarily related to the customer inventory adjustment, as well as year-end distributor inventory management, which is contributing to our much lower outlook than our typical seasonality. Although the general market is slow, there are certain areas where the demand is beginning to show signs of recovery especially, in the Computing market.

That said, I want to reiterate that despite those weaker demand dynamics, we remain focused on the long-term and our product mix improvement initiatives, as we continue to invest in R&D for new products targeting expanded design wins in the automotive and industrial markets. Additionally, we are further developing the process technology in our previously acquired fabs to build the capability, in preparation for the reduction of our waiver service agreements. In conjunction with those efforts, we also continue to increase manufacturing cost savings across all operations.

These steps represent further enhancements to the actions we have taken over the past several years, which have consistently enabled us to deliver increasing growth and the probability and will continue to do so for years to come.

Let me now turn the call over to Brett, to discuss our third quarter financial results and our fourth quarter guidance in more detail.

Brett R. Whitmire - Diodes Incorporated - CFO

Thanks Gary, and good afternoon, everyone. Revenue for the third quarter 2023 was \$404.6 million, down 13.4% from \$467.2 million in the second quarter of 2023 and 22.4% from \$521.3 million in the third quarter 2022.

Gross profit for the third quarter was \$155.9 million or 38.5% of revenue, due to the impact of our wafer service agreements combined with higher facility underutilization costs due to the softer than expected demand in the quarter.

This compares to \$195.4 million or 41.8% of revenue in the prior quarter and \$217.8 million or 41.8% of revenue in the prior year quarter.

GAAP operating expenses for the third quarter were \$102 million or 25.2% of revenue and on a non-GAAP basis were \$95.6 million or 23.7% of revenue, which excludes \$3.8 million of amortization of acquisition-related intangible asset expenses and \$2.6 million of restructuring costs. This compares to GAAP operating expenses in the prior quarter of \$105.8 million or 22.6% of revenue, and in the third quarter 2022 of \$105.4 million or 20.2% of revenue. Non-GAAP operating expenses in the prior quarter were \$102 million or 21.8% of revenue.

Total other income amounted to approximately \$6.6 million for the quarter consisting of \$4.5 million of interest income, \$1.3 million of other income, a \$1.3 million foreign currency gain and a \$0.4 million unrealized gain on investments, and \$0.9 million in interest expense.

Income from taxes and non-controlling interest in the third quarter 2023 was \$60.5 million, compared to \$101 million in the previous quarter and \$109.1 million in the prior year quarter.

Turning to income taxes, our effective income tax rate for the third quarter was approximately 17.6%.

GAAP net income for the third quarter 2023 was \$48.7 million or \$1.05 for diluted share, compared to \$82 million or \$1.77 per diluted share in the second quarter 2023 and \$86.4 million or \$1.88 per diluted share in the third quarter 2022. The share count used to compute gap diluted EPS for the third quarter 2023 was 46.3 million shares.

Non-GAAP adjusted net income for the third quarter was \$52.5 million or \$1.13 per diluted share, which excluded net of tax \$3.1 million of acquisition-related intangible asset amortization, \$1.9 million in restructuring costs and a \$0.9 million gain on an equity investment. This compares to \$73.3 million or \$1.59 per diluted share in the prior quarter and \$92.2 million or \$2 per diluted share in the third quarter 2022.

Excluding non-cash share-based compensation expense of \$4.7 million net of tax for the third quarter both GAAP earnings per share and non-GAAP adjusted EPS would have increased by \$0.10 per diluted share.

EBITDA for the third quarter was \$90.6 million or 22.4% of revenue compared to \$133.5 million or 28.6% of revenue in the prior quarter and \$141.9 million or 27.2% of revenue in the third quarter 2022.

We have included in our earnings release, a reconciliation of GAAP net income to non-GAAP adjusted net income and GAAP net income to EBITDA, which provides additional details.

Cash flow generated from operations was \$50.1 million for the third quarter. Free cash flow was \$11.6 million, which included \$38.5 million for capital expenditures. Net cash flow was a negative \$27.1 million including the pay down of \$35.3 million of total debt.

Turning to the balance sheet, at the end of the third quarter cash, cash equivalents, restricted cash plus short-term investments totaled approximately \$308 million. Working capital was \$768 million and total debt including long-term and short-term was \$53 million.

In terms of inventory, at the end of the third quarter total inventory days were approximately 124, as compared to 112, last quarter. Finished goods inventory days were 34, compared to 30, last quarter. Total inventory dollars increased \$18 million from the prior quarter to approximately \$343.7 million. Total inventory in the quarter consisted of a \$16.5 million increase in raw materials, an \$8.9 million increase in finished goods and a \$7.4 million decrease in work in process.

Capital expenditures on a cash basis were \$38.5 million for the third quarter or 9.5% of revenue which is at the high end of our target model of 5% to 9%.

Now turning to our outlook, for the fourth quarter of 2023 we expect revenue to be approximately \$325 million plus or minus 3%. We expect GAAP gross margin to be 35% plus or minus 1%, primarily due to higher underutilization costs on the lower expected revenue combined with less favorable product mix, from a reduction on the contribution of Automotive and Industrial revenue.

Non-GAAP operating expenses which are GAAP operating expenses, adjusted for amortization of acquisition-related intangible assets are expected to be approximately 26.5% of revenue plus or minus 1%.

We expect net interest income to be approximately \$2 million. Our income tax rate is expected to be 18% plus or minus 3% and shares used to calculate EPS for the fourth quarter are anticipated to be approximately 46.6 million. Not included in these non-GAAP estimates is amortization of \$3.1 million after-tax for previous acquisitions.

With that said, I now turn the call over to Emily Yang.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Thank you, Brett and good afternoon. As Dr. Liu and Gary mentioned, revenue in the third quarter was down 13.4% sequentially and below our original estimates. Our assumption of the market recovery in the quarter did not happen.

Our global POS decreased in the quarter and our channel inventory increased slightly, remained above our defined normal range of 11 to 14 weeks. The automotive market remained relatively stable during the quarter.

Looking at the global sales in the third quarter, Asia represented 72% of revenue, Europe 18% and North America 10%. In terms of our end-market industrial was 26% of Diodes' product revenue.

Automotive remained a record 19%, computing 25% which is improved three percentage points compared to last quarter with most of the improvement driven by AI Server demand increase.

Consumer represented 18% and communication 12% of product revenue with smartphone demand especially in Asia still low, during the quarter.

Our automotive industrial end market combined at 45% of product revenue represented the sixth consecutive quarter above 40% and is five percentage points above our 2025 target.

Now let me review the end-market in greater detail. In the automotive end-market revenue and demand remained relatively stable in the third quarter. We continue to focus on expanding our content in various applications by extending our design win momentum.

During the quarter we introduced 139 new automotive-compliant products which included low voltage MOSFET products for Automotive Battery Management System, Wi-Fi telecommunications and infotainment applications.

As the content expansion continues to increase in the automotive market the demand for managing sensor data, control information, infotainment, and power line and battery management is increasing dramatically. We introduced a series of power TVS products with a wide range of operating voltage ideal for protecting EVs and charging station applications. We're also seeing design wins for protection devices in Domain Control Units, touch panel systems, transmission control units, PCI Express Gen 4 clock generators as well as crystal oscillators in ADAS infotainment and auto-driving radar systems.

Automotive-compliant ideal diode controllers continue to have strong demand from ADAS, telematic and infotainment systems. We also secure design wings for USB Type-C solutions including USB power delivery controllers, MUX switches and Re-Drivers for in-vehicle infotainment systems. We're also seeing increased adoption of 3.3-volt USB-C Re-Drivers, USB-C DisplayPort Alternate crossbar MUXes, and different video protocol switches in rear seat entertainment, smart cockpit, ADAS and camera monitor systems.

In the industrial market we've begun to see broader weakness materialize with a more pronounced inventory rebalancing combined with year-end distributor inventory controls expected in the fourth quarter.

Despite the general market weakness, our team remains focused on furthering our design win momentum and new product introductions to support future growth. The industrial and automotive markets remain our top focus for expanding our content and market share to drive continued product mix improvement and gross margin expansion over time.

To highlight a few positives during the quarter, our HDMI MUX and Re-Drivers USB Type C DisplayPort ALT ReDriver and MIPI ReDriver saw growth in commercial displays while our HDMI signal duplicators were adopted in the industrial camera system.

Silicon Carbide Schottky diodes continued to gain traction in Power Factor Correction applications for industrial adapters and medical equipment while Thyristor and SBR products gain momentum in Power-over-Ethernet, server and solar panel applications. We also continued to secure design wins for our linear LED drivers in handheld power tools and high voltage regulators in fan applications. And our piezo sounder drivers continued to win new designs in security alarm, household smoke alarm and aftermarket dashboard alarms.

In the computing market after many quarters of inventory adjustment, we're seeing some signs of recovery with particular strength in the AI server demand. We expect POS revenue to increase sequentially in the computing market with a further recovery in the first half of next year in this market.

Our TVS protection product for USB-C data line protection, USB-C source power switches, low voltage MOSFETs, and low voltage Omnipolar Hall sensors are building momentum in notebook, desktop and docking station applications. There was also increased adoption of our connectivity and signal integrity products including MUX switches and ReDrivers for HDMI, USB-C, DisplayPort and MIPI protocols in applications including workstations, gaming, notebook, desktop, docking stations, and add-in card applications.

We're also seeing adoption of our 40 gigabit per second USB4 ReDrivers in long channel cases together with USB4 retimers and 20 gigabit per second USB Type-C DisplayPort ReD in the next generation computing platform design. Our PCI Express 3.0 packet switches are also building momentum by enabling high-speed seamless connectivity in cloud server and data centers with multiple CPU system support for cross-domain endpoints to improve reliability, availability and serviceability.

Also in the computing, our timing products continue to gain design-in/design-win momentum for server and storage applications while our PCI Express Gen5/Gen6 clock generators and buffers were designed into AI servers.

In the communication market, we continue to secure new design wins for our timing products including clock buffers and crystal oscillators for smart NIC cards and optical transceiver modules. Our LDO family, low-voltage Omnipolar Hall sensors, low-voltage MOSFETs and data line protection products saw solid demand and new design wins for camera, I/O protection, smart cover and wireless earbug applications in the smartphone.

Lastly, in the consumer market, our bridge rectifier, Hall latch switches and TVS products continued to gain traction in home appliance applications. Design momentum also continues for our LED drivers, SBR, Piezo sounder drivers and audio amplifier in VR headsets, TV, monitor, headphones and tracker applications. And our LDOs gain demand momentum from home monitoring camera systems while our HDMI passive, active MUX/ReDrivers/splitters and the DisplayPort MUXes saw increased adoption in keyboard, video, monitors and mice.

In summary, although the global demand environment remained weak and we are being impacted by inventory digestion across certain end markets, our team remains focused on driving increased design wins and new product introductions, especially in our strategic focus areas of automotive and industry. This initiative has been the foundation to our past content expansion and market share gains, and we believe also serve to position us well for a return to the growth and margin expansion in the future.

With that we now open the floor to questions. Operator?

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. To ask a question (Operator Instructions). If you're using a speakerphone, (Operator Instructions). If at any time, your question has been addressed and you would like to withdraw your question (Operator Instructions). At this time, we will pause momentarily to assemble our roster. Our first question comes from William Stein with Truist Securities.

William Stein - Truist Securities, Inc., Research Division - MD

The first is about your capital allocation strategy. There are several similar companies, let's say, diversified -- diversified companies with broad end markets, a lot of analog products. Many of them have micros. I acknowledge you don't but you're a very consistent generator of free cash flow and you've used that to continue to pay down debt for the last few quarters, I think the last maybe eight or 10 quarters perhaps. And you now have a net cash balance. Stock is down a lot from the peak. What is it going to take to see the company resume a buyback and would you consider establishing a dividend?

Brett R. Whitmire - Diodes Incorporated - CFO

Yes. So, Will, this is Brett. I think that as we've talked about before, we do view our capital strategy as essentially driving growth. Investment in growth, we've -- and we -- a key part of that is looking at M&A. A key part of that is investing back in the business that we've done. I think we've openly talked -- we've talked about our history. We have had some stock buyback programs. Back in 2015, we had a program, and then we bought Lite-On Semiconductor, it was a buyback. We continue to look at that. From a dividend perspective, that's not something that we view on the table right now but we continue to contemplate the best use of our cash as we continue to be confident of our growth and cash generation. Yes, we just continue to consider it, absolutely.

William Stein - Truist Securities, Inc., Research Division - MD

Okay. As a follow-up, I'm hoping you can address a sort of combined question about the quarter and the outlook. I think in the press release and then also in the commentary on the call, you talked about a recovery that you expected to happen that didn't. I didn't -- perhaps my recollection of my notes just isn't all that strong, but I don't recall Q3 being guided for a recovery. And so maybe you can just refresh my memory, what recovery were you expecting that didn't materialize? And then going forward, maybe talk about when you think things settle out and start to recover and when we can start thinking about revenue returning to growth.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, William, this is Emily. I think during the Q3 earnings call, we provided the guidance, right? The guidance is actually based on a lot of assumptions for each of the market segments and some of the customers, I would say, overall situation. So, looking back, right, we compared to what we assumed in the beginning of the quarter versus the end result. We still feel like that some of the assumptions didn't realize, and we did actually assume certain recovery areas that should improve because of the channel inventory situation. So, I think that's really refers back to our assumptions. And like I said, based on the assumptions, there are certain things that we build in there, unfortunately, didn't really materialize during the quarter, right? So, I think your second question is really when do we think the business will be back to the normal range, right? So, I think that's really a crystal ball question. It's really hard to predict at this moment, market is extremely dynamic. But I think what we want to really assure is the market situation or demand decrease as well as the inventory adjustment should be short term. And we want to make sure as a company, we continue to focus on the important areas that really help us with the success in the past, right, which is really focus on the product mix improvement. This includes by introducing more new products and continue to drive the automotive industrial contract expansion at the same time working on the manufacturing efficiency, right? So, we cannot really control the market. But with all those right things in place, we're confident that this will continue to drive our revenue improvement as well as margin improvement over time.

Keh-Shew Lu - Diodes Incorporated - Chairman, CEO & President

This is Dr. Lu. And as I mentioned in my speech, we will continue to focus on R&D spend the money in R&D, focus on new technology, new process and new products. And this is -- we still target our vision of \$1 billion of gross profit. And so short term, yes, we have some inventory problem or not. This is inventory adjustment, but for us, still need to focus on long term.

Operator

Our next question comes from David Williams with Benchmark.

David Neil Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

I guess maybe firstly here, just -- it seems like there's been some mixed commentary out of the automotive segment and the puts and takes around just where the exposures are and whether it's good or bad. But just kind of wondering if you could help us kind of square some of your commentary on the automotive, where you're seeing the weakness particularly in terms of geographies and whether that's I.C.E. or traditional -- excuse me, I.C.E. or EV, anything that kind of helps us understand where the particular weakness coming from would be helpful.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, David, this is Emily. I think overall in the automotive market segment that we see, in general, the inventory level increase, right? So, we do expect some inventory rebalancing. Each customer situation can be different from the others. And each program can be a little bit different as well as down to the part number level. So unfortunately, not everything equal. But in general, we're also seeing with the inventory rebalancing coupled with certain area of demand adjustment as well, right? So as a result of this to, and I also mentioned quarter-end inventory control by some of the distributors. So, we really believe that's really compounded area that we do expect automotive is going to be under a little bit challenge in the short term. And from the regional point of view, I think for automotive, especially with strategic accounts, it's really a global approach, right? So, it's really kind of difficult to point it out to a specific region. But in general, we've seen more of the weakness from the North American and also Europe market. So that's really what we see.

Keh-Shew Lu - Diodes Incorporated - Chairman, CEO & President

And if you look at -- we're still able to accomplish record of the 19% of the revenue. So, our automotive still continues growing while at the same time, we still continue to improve our content of the automotive. So that's the effort we are focused on, and I think we still continue success for it to increase the content.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, I think I mentioned we actually introduced 139 automotive-compliant product just in third Q. I believe second quarter is 113 and the previous quarter is actually other 79 or 80 number. So, you can actually see the focus overall for the company on driving new product introductions as well as getting into a new market area expanding our SAM and TAM will continue to be the focus.

David Neil Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

(inaudible) that part of WC going into the fourth quarter?

Brett R. Whitmire - Diodes Incorporated - CFO

David, can you repeat that? You really broke up on that question. Could you repeat your question?

David Neil Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Yes, my apologies. Was the UAW strike, was that any impact to you guys on the fourth quarter?

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. I mean there's definitely indirect impact, but I think relatively, it's not a big impact.

David Neil Williams - The Benchmark Company, LLC, Research Division - Senior Equity Analyst

Okay. All right. And then just lastly for me is on the gross margin. Can you kind of maybe give us some puts and takes there and just the guidance on the margin side is down pretty -- further than we would have thought, but is it just volume? Or is this part of the service agreement that's also having an impact? And any color there would be helpful.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, I think overall, right, when we look at the margin, I talked about the product mix change a little bit. If you look at auto industrial percentage, definitely decreased a little, right? But mainly, the reason is actually due to the underloading situation under realization. Of course, that's coupled with different reasons, right? I think the long-term agreement, I mean the service agreement is part of it as well as the decrease in the revenue, right? So -- but again, right, this is the things that we really believe is a short-term challenge that we will overcome. I think the long-term focus, talking about the product mix improvement, also industrial as well as introducing new products. And we are confident that in the longer term, we'll continue to drive the revenue improvement as well as the margin improvement.

Gary Yu - Diodes Incorporated - COO

Right. And this is Gary. I would like to put some comment on the light wafer service agreements here. And basically, there's really nothing we can control for our customer demand, okay, and the loading here. But what we really think control is that we're aggressively loading our stuff and then qualified our process and technology in these two wafer fabs that we acquired a couple of years ago. And that's really the things we want to focus on and you're going to see the process in the future at a more loading to resolve the underloading situation surely like that way.

Operator

The next question comes from Gary Mobley with Wells Fargo Securities.

Gary Wade Mobley - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Hi, everyone. I hope you're surviving the early morning wake up. Appreciate you going this time in Taiwan. So probably what's on most people's minds is how 2024 looks, and I'm sure you're not going to go there, but maybe if you can give us a sense of maybe sort of the exaggerated seasonal patterns you might see to start the year or maybe even different -- some of the atypical seasonal patterns that might unfold during the year considering the inventory drain that has to take place.

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. I think, Gary, with the market dynamics that's going on, I think it's hard to put a seasonality picture anymore, right? Just looking at 2023, it is a little bit over the map, right? So, I think in general, we're still hopeful that the market demand situation as well as inventory readjustment is going to be over. So, we still think that's going to be a short-term issue. Again, right, since it's short term, we want to continue to focus on the important things that can get Diodes to be more successful down the road, right? So that's what we really see. I think first half is definitely a visibility and challenge in front of us. So, we're definitely hoping for a second half improvement.

Gary Wade Mobley - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Okay. So, I would assume that you're trying to maximize your manufacturing load, just like your competitors are in the soft macro environment. And so related to that, how is pricing holding up on a like-for-like product basis, given that maybe people are a little looking through the nooks and crannies for all types of business at this point in time?

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, I think in general, right, price is always driven by demand and supply, right? When the demand is a little bit weak and with a little bit more supply, there's definitely some shift in that dynamic. But what we're still seeing, majority of the price pressure is really coming from the deep commodity area, and the advanced or differentiated unique product overall still much better. So again, right, based on this, which is nothing new that we've been talking about. So, we'll continue to focus on the new differentiated new products, right, which is referred back to the product mix initiative improvement that we have been focusing on for the last number of years already, right? So that will continue to be the direction and focus overall for the company.

Gary Wade Mobley - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Yes. If I could just sneak one more in.

Gary Yu - Diodes Incorporated - COO

I would like to put some comment on that other than the price pressures that we're facing up. And again, that really all we can control is try to drive manufacturing costs down and efficiencies in that way. So that we can take advantage of those kind of savings activity initiative to save those price issues and price pressures from the front market.

Gary Wade Mobley - Wells Fargo Securities, LLC, Research Division - Senior Analyst

Okay. Brett, if I can sneak one in. You're essentially guiding your OpEx to decrease roughly \$10 million sequentially. Is that anything structural or permanent? Or is it just lower bonus accruals and some other variable items?

Brett R. Whitmire - Diodes Incorporated - CFO

Yes. So basically, you have -- if you look at some of our trend across the year, as you -- we start to see some of the revenue trend, you can see the actions that we're taking to bring our employee spend in line with that. We're also -- you could see some restructuring charges we took in third quarter as we consolidated some stuff and various actions we're taking, and I think you'll continue to see things we're doing to drive and be stronger as we work through this cycle and continue to stay focused on kind of the -- when you look back a year ago, when we were hitting \$500 million, we were right on top of our model. And as we think about going forward, we're going to tighten the belt during this cycle to be stronger and then get in a better position as we go forward and continue to work to enable ourselves to grow back into that.

Operator

Our next question comes from Tristan Gerra with Baird.

Tyler Bomba - Robert W. Baird & Co. - Equity Research Analyst

This is Tyler Bomba on for Tristan. You touched on some of the near-term dynamics on pricing. Could you talk about maybe what your expectations for pricing are into next year?

Emily Yang - Diodes Incorporated - SVP of Worldwide Sales & Marketing

Yes. So, I think, Tristan, I think pricing is dynamic, right? There's different product categories. There are different competitors that we are facing. And each of the area can be a little bit different versus the other. I think the end market is also a key factor. So, in general, you see more of this tighter price pressure coming from the maybe consumer more on the computing area because the volume is demand driven, right? So, I think in general, right, we believe with the new product introductions and with the focus of the content expansion in auto and industrial. And together with the manufacturing efficiency can help us to weather further from the price pressure and with the long-term margin improvement, right? So, I think in general, that's what we see overall in the market.

Tyler Bomba - Robert W. Baird & Co. - Equity Research Analyst

Great. And then before this current quarter that you just reported, when was the last time that you had underutilization charges? And what does that tell us about where we're at in the cycle?

Gary Yu - Diodes Incorporated - COO

Yes. Actually, we do not disclose too much information about those kind of analysis that to our clients at this moment here, but we do see that the utilization situation happening is like the third quarter. And then we -- and again, as I emphasize in the previous question here, so we really cannot control the demand from our client, okay? But what we can do, we try to continue to driving our process in the product qualification in that particular wafer fab that we can load it up and to avoid that kind of underutilization situation happening again a year.

Keh-Shew Lu - Diodes Incorporated - Chairman, CEO & President

Well, if you are looking at the underloading program or unloaded, I need to separate from two aspects. One is unloaded due to our service agreement, okay, due to -- when we do the acquisition for the operations, then we have a service agreement. And that -- what we are doing is develop our own technology and porting our own product to continually speed up the unloaded effect, okay? So that's one direction. The other direction due to the underloading is our own manufacturing and due to our own loadings, then we slow down the capacity expansion. So, you can see that's why the CapEx for the manufacturing capability or capacity was reduced. That expansion was reduced. That's the way -- that's why Brett mentioned we cut down our CapEx. And -- but at the same time, I think dropping the price may not be at a good solution because if the markets slow down -- and you cannot just drop the price and try to gain more loadings, okay? So most important is the product mix and new products. See, if you can focus on new products and win the product mix, then maybe short term we don't solve it. But from long-term strategy, strategic direction, this is what we need to do to get it for -- independent to the market. So, if you're going to differentiate your products, and like automotive, it cannot be easily depressed or lose share to other people. So, the whole thing would be the capacity utilization due to the customer demand, not due to the losing the share, okay? So, this is the strategic direction we are focused on is more new products, more automotive, industrial, more differentiated type of products to resolve the capacity issues. But dropping the product or price will not be a good solution.

Operator

As we have no further questions, this concludes our question-and-answer session. I would like to turn the conference back over to Dr. Lu for any closing remarks.

Keh-Shew Lu - Diodes Incorporated - Chairman, CEO & President

Thank you for your participation on today's call. Operator, now you can disconnect.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may all now disconnect.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2023, Refinitiv. All Rights Reserved.

**Third Quarter 2023
Financial Results
Diodes Incorporated (DIOD)**

November 8, 2023



www.diodes.com

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements containing forward-looking words such as “expect,” “anticipate,” “aim,” “estimate,” and variations thereof, including without limitation statements, whether direct or implied, regarding expectations of that for the fourth quarter of 2023, we expect revenue to be approximately \$325 million plus or minus 3 percent; we expect GAAP gross margin to be 35.0 percent, plus or minus 1 percent; non-GAAP operating expenses, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets, are expected to be approximately 26.5 percent of revenue, plus or minus 1 percent; we expect net interest income to be approximately \$2.0 million; we expect our income tax rate to be 18 percent, plus or minus 3 percent; shares used to calculate diluted EPS for the fourth quarter are anticipated to be approximately 46.6 million. Potential risks and uncertainties include, but are not limited to, such factors as: the risk that the COVID-19 pandemic may continue and have a material adverse effect on customer demand and staffing of our production, sales and administration facilities; the risk that such expectations may not be met; the risk that the expected benefits of acquisitions may not be realized or that integration of acquired businesses may not continue as rapidly as we anticipate; the risk that the cost, expense, and diversion of management attention associated with the LSC acquisition may be greater than we currently expect; the risk that we may not be able to maintain our current growth strategy or continue to maintain our current performance, costs, and loadings in our manufacturing facilities; the risk that we may not be able to increase our automotive, industrial, or other revenue and market share; risks of domestic and foreign operations, including excessive operating costs, labor shortages, higher tax rates, and our joint venture prospects; the risks of cyclical downturns in the semiconductor industry and of changes in end-market demand or product mix that may affect gross margin or render inventory obsolete; the risk of unfavorable currency exchange rates; the risk that our future outlook or guidance may be incorrect; the risks of global economic weakness or instability in global financial markets; the risks of trade restrictions, tariffs, or embargoes; the risk that the coronavirus outbreak or other similar epidemics may harm our domestic or international business operations to a greater extent than we currently anticipate; the risk of breaches of our information technology systems; and other information, including the “Risk Factors” detailed from time to time in Diodes’ filings with the United States Securities and Exchange Commission.

This presentation also contains non-GAAP measures. See the Company’s press release on November 8, 2023 titled, “Diodes Incorporated Reports Third Quarter Fiscal 2023 Financial Results” for detailed information related to the Company’s non-GAAP measures and a reconciliation of GAAP net income to non-GAAP net income.



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Diodes delivers high-quality (analog, discrete, logic, and mixed signal) semiconductor products to the world's leading companies in the automotive, industrial, computing, consumer electronics, and communications markets



Vision: Profitability Growth to Maximize Shareholder Value

Our Core Values: Integrity, Commitment, Innovation

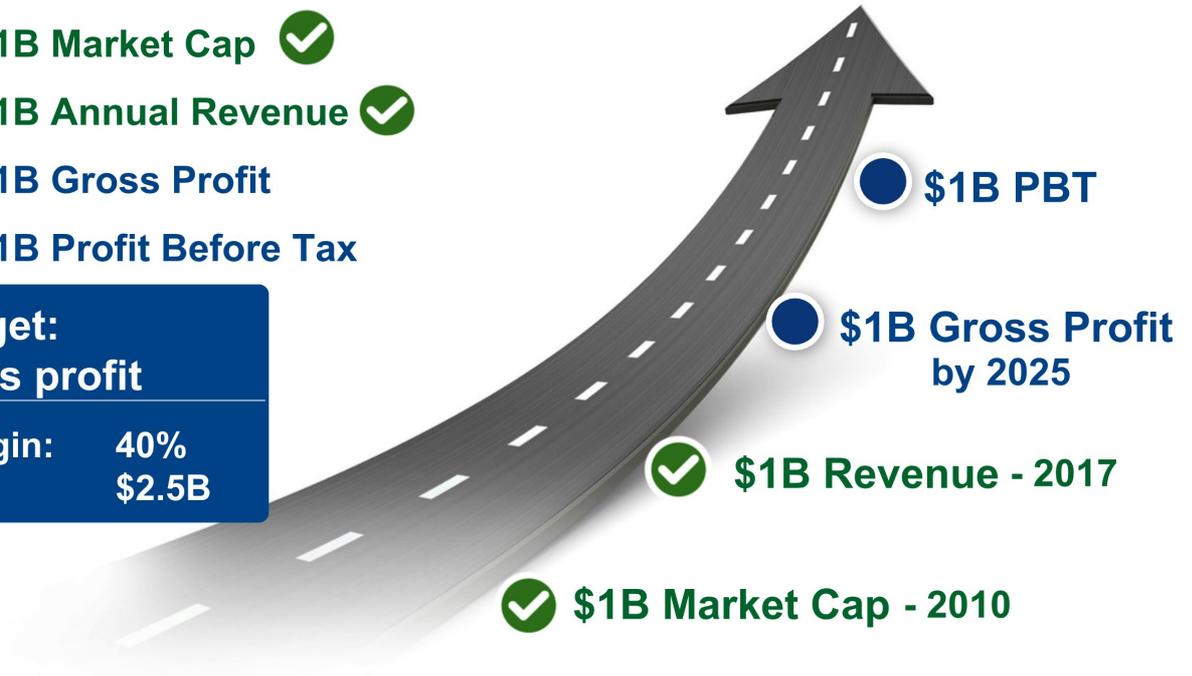


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

- Goal 1: \$1B Market Cap ✓
- Goal 2: \$1B Annual Revenue ✓
- Goal 3: \$1B Gross Profit
- Goal 4: \$1B Profit Before Tax

2025 Target:
\$1B Gross profit

Gross Margin: 40%
Revenue: \$2.5B



**~40% of
revenue**
(45% for Q3 2023)

Automotive

- Connected driving, comfort/style/safety, electrification/powertrain

Industrial

- Embedded systems and precision controls, and IIoT

Consumer

- IoT: wearables, home automation, smart infrastructure

Communications

- Smart phones, 5G networks, advanced protocols, and charging solutions

Computing

- Cloud computing: server, AI server, storage, data centers

**~60% of
revenue**
(55% for Q3 2023)



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Revenue \$404.6M ↓ -13.4% Q-Q	GAAP Gross Profit \$155.9M ↓ -20.2% % Q-Q	GAAP Gross Margin 38.5% ↓ - 330 bps Q-Q	Non-GAAP EPS \$1.13 ↓ - 28.9% Q-Q
Non-GAAP Net Income \$52.5M ↓ -28.4% Q-Q	EBITDA \$90.6M 22.4% of Revenue	Cash Flow from Ops \$50.1M 12.4% of Revenue	Strong Balance Sheet \$308M/\$53M Cash/Debt



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



Automotive revenue remained at record 19% of product revenue



Achieved 26% of product revenue in the Industrial market



Automotive and Industrial totaled 45% of product revenue, exceeding 2025 target of 40%



\$308 million in cash and cash equivalents



Total debt ~\$53 million

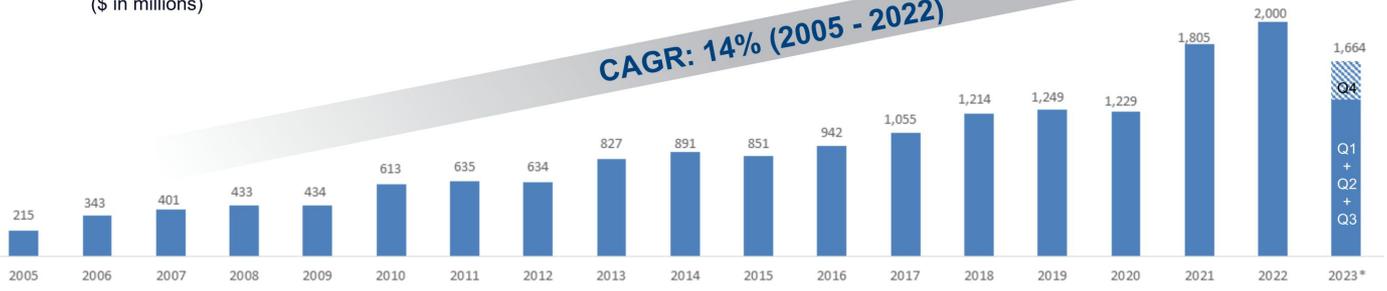


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Track record of Continued Outperformance

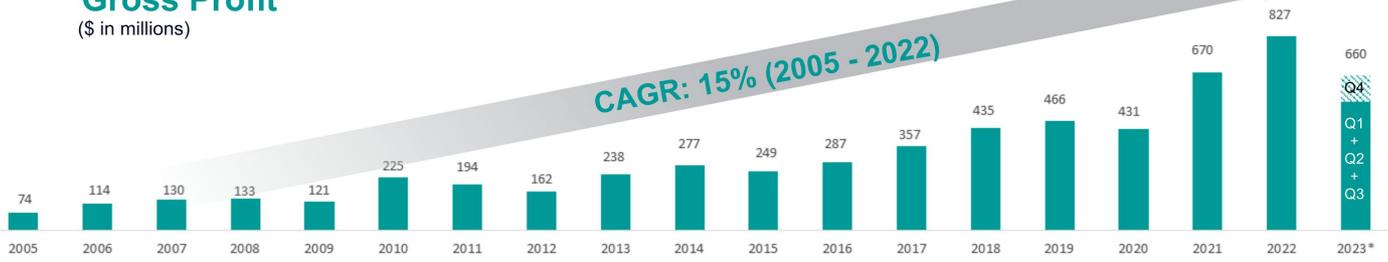
Annual Revenue (\$ in millions)

CAGR: 14% (2005 - 2022)



Gross Profit (\$ in millions)

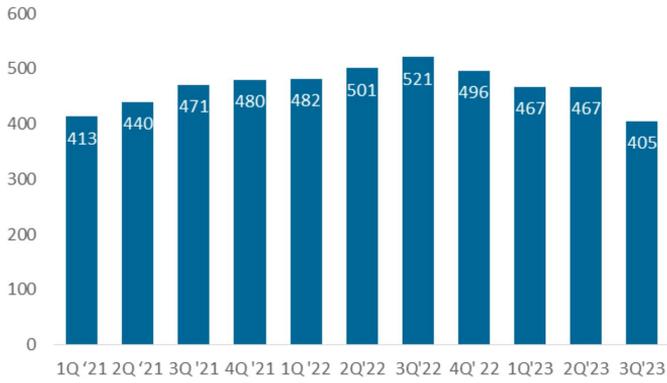
CAGR: 15% (2005 - 2022)



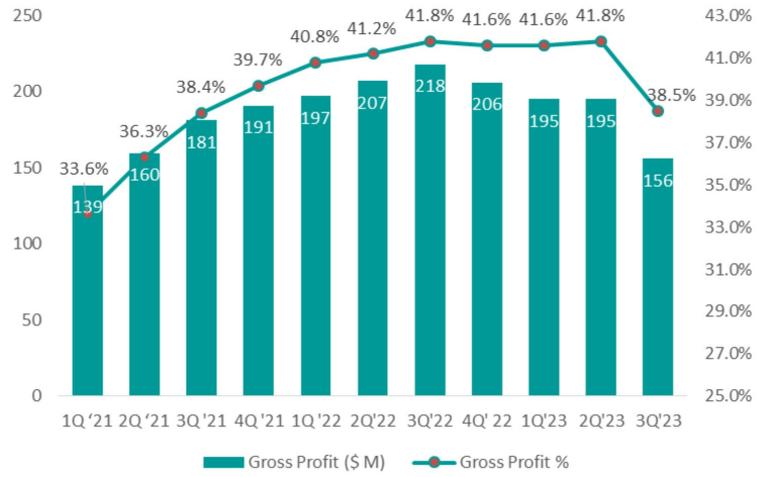
DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

* Revenue/Gross Profit for 2023 are based on Q1-Q3 results and Q4 guidance provided on November 8, 2023

Quarterly Revenue (\$ Millions)

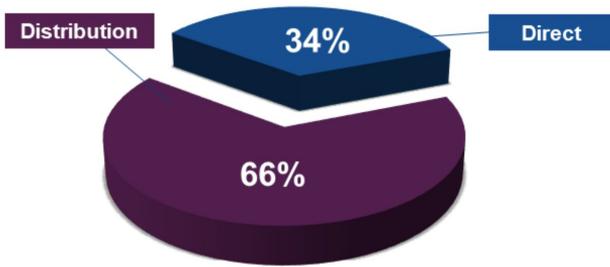


Quarterly Gross Profit (\$ Millions)

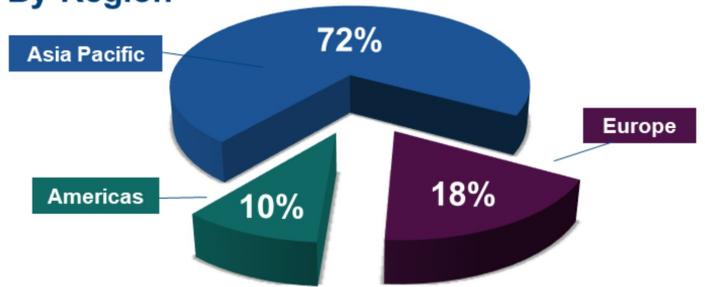


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

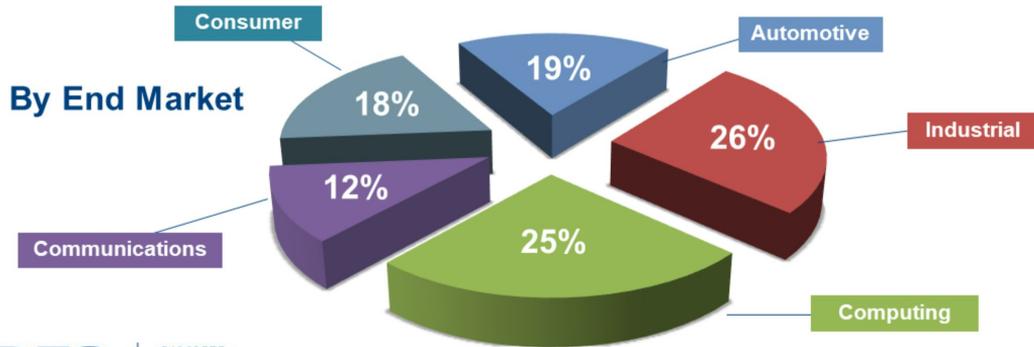
By Channel



By Region



By End Market



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Income Statement – Third Quarter 2023

(\$ in millions, except per share amounts)	3Q22	2Q23	3Q23
Net sales	521.3	467.2	404.6
Gross profit (GAAP)	217.8	195.4	155.9
Gross profit margin % (GAAP)	41.8%	41.8%	38.5%
Net income (GAAP)	86.4	82.0	48.7
Net income (non-GAAP)	92.2	73.3	52.5
Diluted EPS (non-GAAP)	2.00	1.59	1.13
Cash flow from operations	132.2	92.6	50.1
EBITDA (non-GAAP)	141.9	133.5	90.6



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

(\$ in millions)	Dec 31, 2021	Dec 31, 2022	Sep 30, 2023
Cash*	373	348	308
Inventory	349	360	344
Current Assets	1,188	1,162	1,183
Total Assets	2,194	2,288	2,340
Total Debt	301	185	53
Total Liabilities	892	705	581
Total Equity	1,303	1,583	1,759

* Cash, Restricted Cash and Short-term investments



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

- **Revenue to be ~\$325 million, +/- 3.0%**
- **GAAP gross margin of 35.0%, +/- 1%**
- **Non-GAAP operating expenses 26.5% of revenue, +/- 1%**, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets
- **Net Interest income of ~\$2.0 million**
- **Income tax rate to be 18%, +/- 3%**
- Shares used to calculate diluted EPS approximately **46.6 million**
- Amortization of acquisitions-related intangible assets of **\$3.1 million**, after tax, for previous acquisitions is not included in these non-GAAP estimates

- **Vision: Expand shareholder value**
- **Mission: Profitability growth to drive 20%+ operating profit**
- **Next Strategic Goal: \$1B gross profit**
- **Tactics:**
 - Total system solutions sales approach and content expansion driving growth
 - Increased focus on high-margin Automotive, Industrial, analog, and power discrete products
 - Investment for technology leadership in target products, fab processes, and advanced packaging



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



DIODES
INCORPORATED

Thank you



www.diodes.com

Reconciliation of Net Income to Adjusted Net Income

For the three months ended September 30, 2023

(in thousands, except per share data)

	Operating Expenses	Other (Income) Expense	Income Tax Provision	(unaudited) Net Income
Per-GAAP				\$ 48,720
Diluted earnings per share (per-GAAP)				\$ 1.05
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	3,807		(698)	3,109
Non-cash market-to-market investment value adjustments		(401)	80	(321)
Investment gain		(1,136)	227	(909)
Restructuring Cost	2,566		(642)	1,924
Non-GAAP				\$ 52,523
Diluted shares used in computing earnings per share				46,320
Non-GAAP diluted earnings per share				\$ 1.13

Note: Included in GAAP and non-GAAP net income was approximately \$4.7 million, net of tax, non-cash share-based compensation expense. Excluding share-based compensation expense, both GAAP and non-GAAP diluted earnings per share would have increased by \$0.10 per share.



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

GAAP to Non-GAAP Reconciliation

For the three months ended September 30, 2022

(in thousands, except per share data)

(unaudited)

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				\$ 86,386
Diluted earnings per share (Per-GAAP)				1.88
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	3,939		(721)	3,218
Acquisition-related costs	128		(27)	101
Gain on sale of manufacturing facilities		413	(62)	351
Non-cash mark-to-market investment adjustments		2,649	(530)	2,119
Non-GAAP				\$ 92,175
Diluted shares used in computing earnings per share				46,014
Non-GAAP diluted earnings per share				\$ 2.00

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$8.1 million, net of tax, non-cash share-based compensation expense. Excluding share-based compensation expense, both GAAP and non-GAAP adjusted diluted earnings per share would have increased by \$0.18 per share



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Investor Relations

Diodes Incorporated (DIOD)

Plano, TX, USA

November 8, 2023



www.diodes.com

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: Any statements set forth above that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Such statements include statements containing forward-looking words such as “expect,” “anticipate,” “aim,” “estimate,” and variations thereof, including without limitation statements, whether direct or implied, regarding expectations of that for the fourth quarter of 2023, we expect revenue to be approximately \$325 million plus or minus 3 percent; we expect GAAP gross margin to be 35.0 percent, plus or minus 1 percent; non-GAAP operating expenses, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets, are expected to be approximately 26.5 percent of revenue, plus or minus 1 percent; we expect net interest income to be approximately \$2.0 million; we expect our income tax rate to be 18 percent, plus or minus 3 percent; shares used to calculate diluted EPS for the fourth quarter are anticipated to be approximately 46.6 million. Potential risks and uncertainties include, but are not limited to, such factors as: the risk that the COVID-19 pandemic may continue and have a material adverse effect on customer demand and staffing of our production, sales and administration facilities; the risk that such expectations may not be met; the risk that the expected benefits of acquisitions may not be realized or that integration of acquired businesses may not continue as rapidly as we anticipate; the risk that the cost, expense, and diversion of management attention associated with the LSC acquisition may be greater than we currently expect; the risk that we may not be able to maintain our current growth strategy or continue to maintain our current performance, costs, and loadings in our manufacturing facilities; the risk that we may not be able to increase our automotive, industrial, or other revenue and market share; risks of domestic and foreign operations, including excessive operating costs, labor shortages, higher tax rates, and our joint venture prospects; the risks of cyclical downturns in the semiconductor industry and of changes in end-market demand or product mix that may affect gross margin or render inventory obsolete; the risk of unfavorable currency exchange rates; the risk that our future outlook or guidance may be incorrect; the risks of global economic weakness or instability in global financial markets; the risks of trade restrictions, tariffs, or embargoes; the risk that the coronavirus outbreak or other similar epidemics may harm our domestic or international business operations to a greater extent than we currently anticipate; the risk of breaches of our information technology systems; and other information, including the “Risk Factors” detailed from time to time in Diodes’ filings with the United States Securities and Exchange Commission.

This presentation also contains non-GAAP measures. See the Company’s press release on November 8, 2023 titled, “Diodes Incorporated Reports Third Quarter Fiscal 2023 Financial Results” for detailed information related to the Company’s non-GAAP measures and a reconciliation of GAAP net income to non-GAAP net income.



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Dr. Keh-Shew Lu

Chairman, President and CEO

Experience:

- President & CEO, Diodes Incorporated Since 2005
- Texas Instruments 27 years
 - Senior Vice President of TI Worldwide Analog and Logic
 - President of Texas Instruments – Asia

Education:

- Honorary Doctorate in Engineering
National Cheng Kung University
- Doctorate and Master's Degree in Electrical Engineering
Texas Tech University
- Bachelor's Degree in Engineering
National Cheng Kung University – Taiwan



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Gurmeet Dhaliwal

Company spokesperson
Director, Investor Relations

Experience:

- Head of Corporate Marketing, Diodes Incorporated, Milpitas, CA
- Head of Corporate Marketing, Pericom, Milpitas, CA
- Vice President, Marketing, CA Technologies (Broadcom), Redwood City, CA
- Director, Global Marketing Strategy, EMC, Pleasanton, CA
- Director, Marketing, Zarlink Semiconductor (Microchip), San Jose, CA
- Marketing Management positions at Cisco and National Semiconductor, CA

Education:

- MBA, Marketing/Entrepreneurship, Saint Mary's College of California
- BS in Electrical and Computer Engineering, UC Santa Barbara



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Diodes delivers high-quality (analog, discrete, logic and mixed signal) semiconductor products to the world's leading companies in the automotive, industrial, computing, consumer electronics, and communications markets



Vision: Profitability Growth to Maximize Shareholder Value

Our Core Values: Integrity, Commitment, Innovation



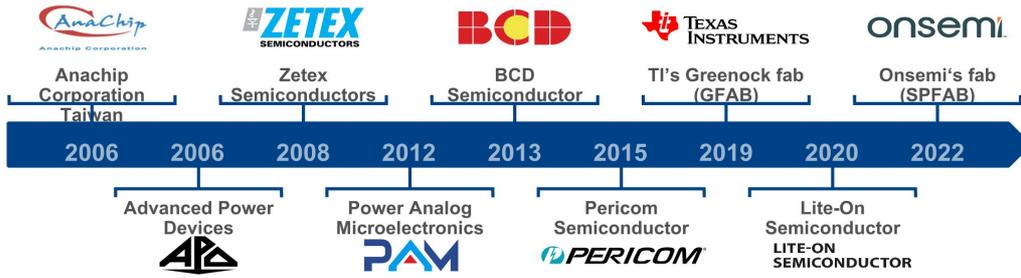
DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

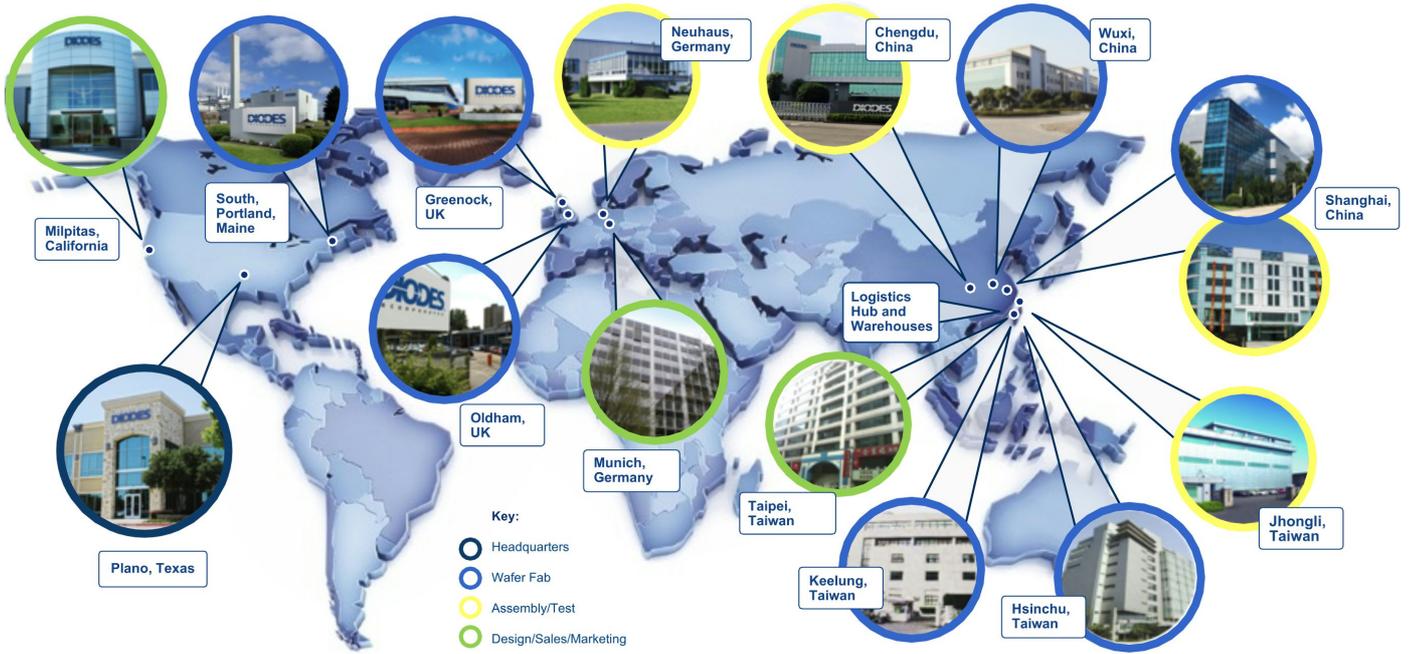
Global Operations and World-class Manufacturing

- Headquartered in Plano, TX
- Manufacturing in US, UK, Germany, China, and Taiwan
- ISO 9001:2015 Certified / IATF 16949:2016 Certified
- ISO 14001:2015 Certified



Key Acquisitions





DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Our commitment to a sustainable and profitable business is built around ESG



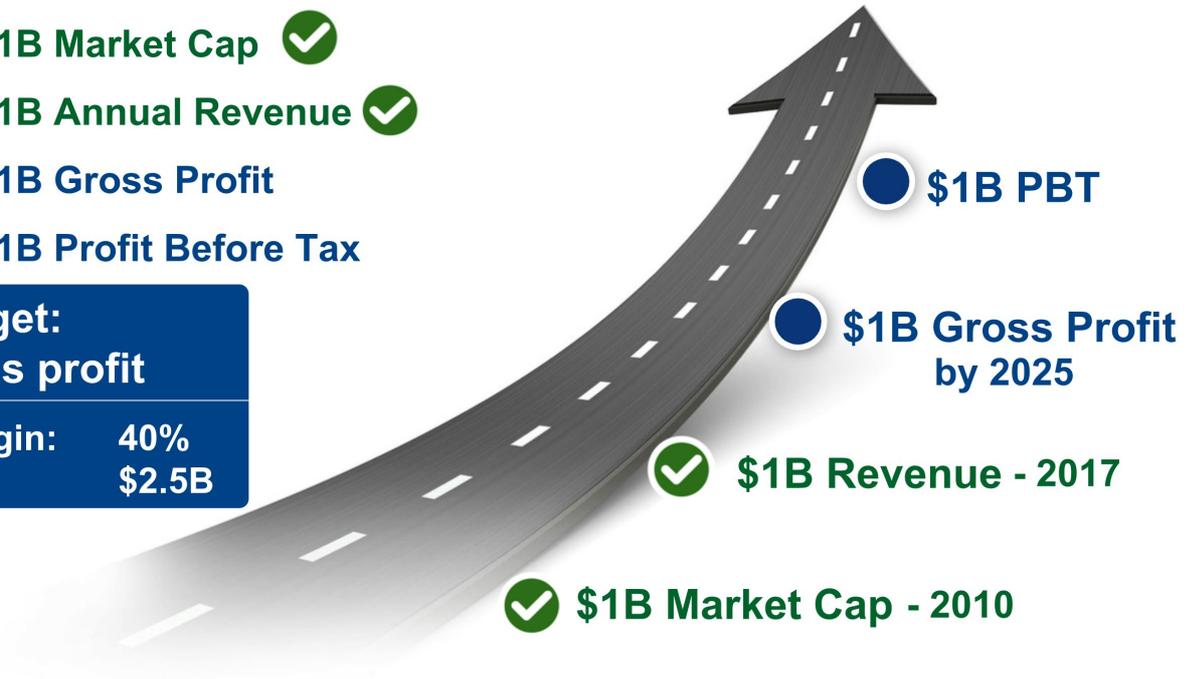
DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Please refer to [Governance and Oversight](#) for additional details

- Goal 1: \$1B Market Cap ✓
- Goal 2: \$1B Annual Revenue ✓
- Goal 3: \$1B Gross Profit
- Goal 4: \$1B Profit Before Tax

2025 Target:
\$1B Gross profit

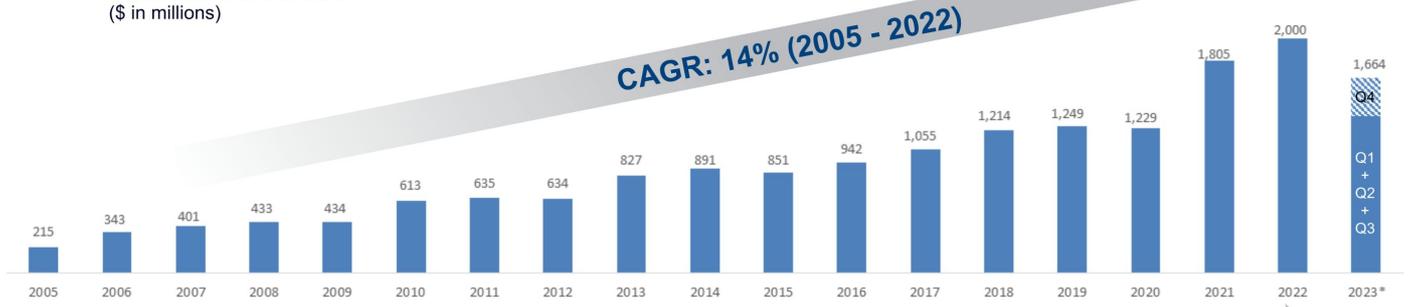
Gross Margin:	40%
Revenue:	\$2.5B



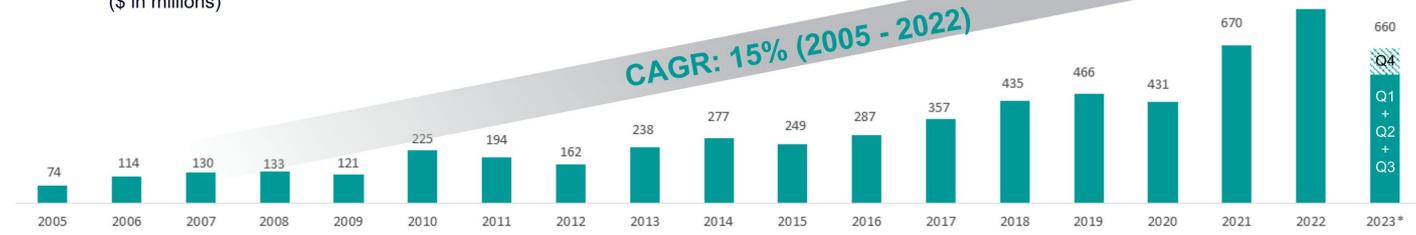
DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Track record of Continued Outperformance

Annual Revenue (\$ in millions)



Gross Profit (\$ in millions)



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

* Revenue/Gross Profit for 2023 are based on Q1-Q3 results and Q4 guidance provided on November 8, 2023

**~40% of
revenue**
(45% for Q3 2023)

Automotive

- Connected driving, comfort/style/safety, electrification/powertrain

Industrial

- Embedded systems and precision controls, and IIoT

Consumer

- IoT: wearables, home automation, smart infrastructure

Communications

- Smart phones, 5G networks, advanced protocols, and charging solutions

Computing

- Cloud computing: server, AI server, storage, data centers



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

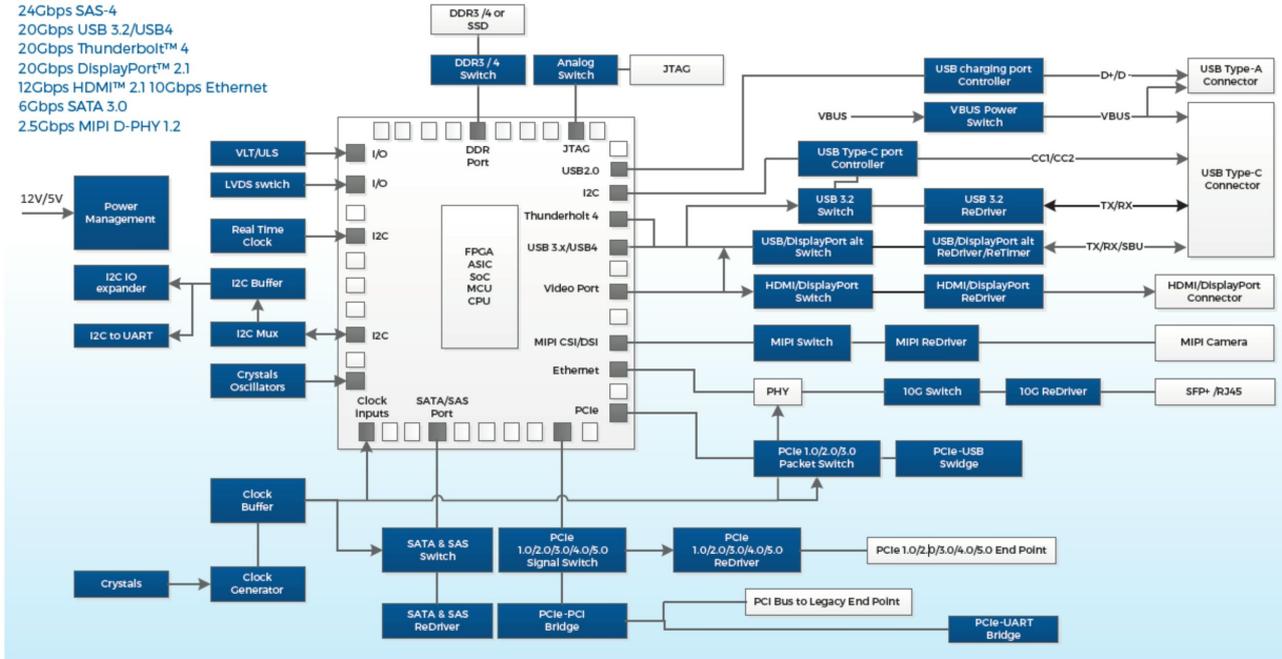
Automotive and Industrial are Driving Growth

- **Automotive** – 31% CAGR (2013 – 2022)
 - Focused on connected driving, comfort, style, safety, and electrification
 - Released 139 new automotive-compliant products in Q3 2023
 - Increased dollar content per car to \$140
- **Industrial** – 15% CAGR (2013 – 2022)
 - Focused on embedded systems, networked systems, automation, motor controls, sensors, power management, and IIoT
 - Building momentum for SiC Schottky diodes and MOSFETs
 - Expanding content in security, medical, green energy generation and energy storage systems



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Capability up to:
 32Gbps PCIe® 5.0
 24Gbps SAS-4
 20Gbps USB 3.2/USB4
 20Gbps Thunderbolt™ 4
 20Gbps DisplayPort™ 2.1
 12Gbps HDMI™ 2.1 10Gbps Ethernet
 6Gbps SATA 3.0
 2.5Gbps MIPI D-PHY 1.2



DISCRETE
 ANALOG
 LOGIC
 MIXED-SIGNAL

Example: Embedded System Applications

Focus Applications:

Connected Driving

- **ADAS** (Advanced Driver Assistance Systems)
- **Telematics**
- **Infotainment Systems**

Comfort, Style, and Safety

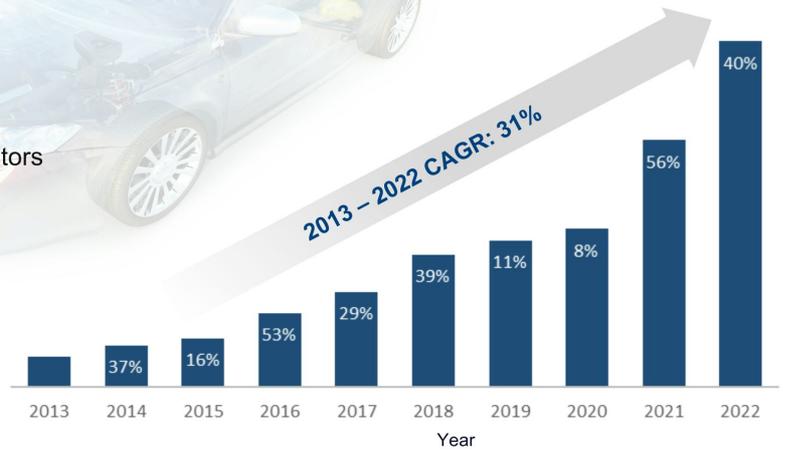
- **Lighting**
 - Migration to LED and intelligent illumination
- **BLDC motor / fan control**
 - Migration from Brushed to Brushless DC Motors

Electrification/Powertrain

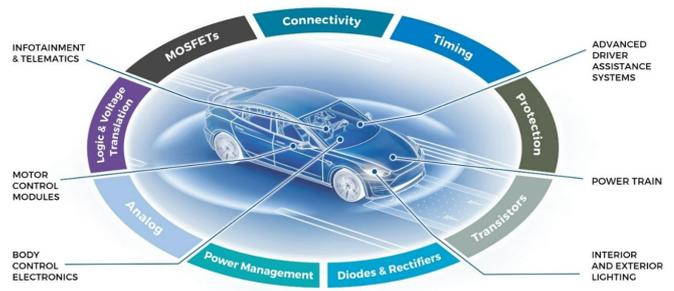
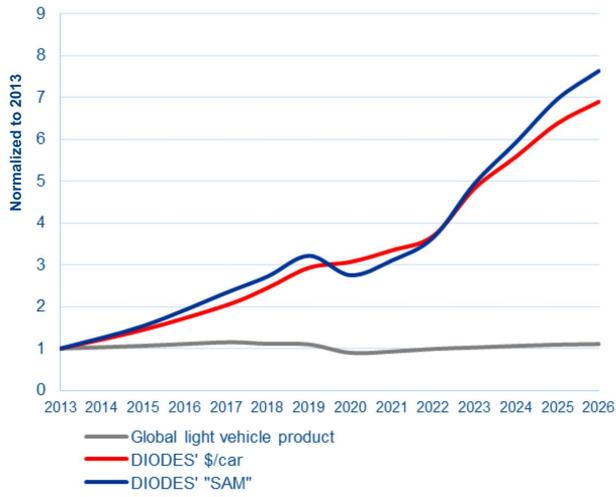
- **Conventional Powertrain → Hybrid → Electrification**
- **Battery management**
 - Move to 48V battery



Automotive Revenue Growth



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



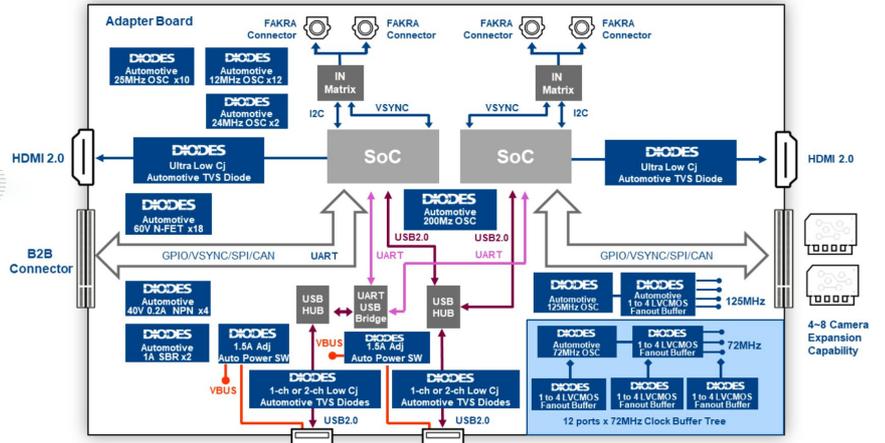
Automotive Potential Revenue	\$ / Car
Automotive Motor Control	\$45.50
Connected Driving (Infotainment, Telematics & ADAS)	\$60.50
Powertrain, Electrification & Body Control Electronics	\$19.70
Lighting – Moving to LED	\$14.30
Total	\$140.00



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



Diodes' Key Products	\$ / Box
Analog	>\$1.20
Power Management	>\$0.70
MOS/BJT	>\$3.50
Diodes and Rectifiers	>\$5.00
Timing and Connectivity	\$14.00
Total	\$24.40

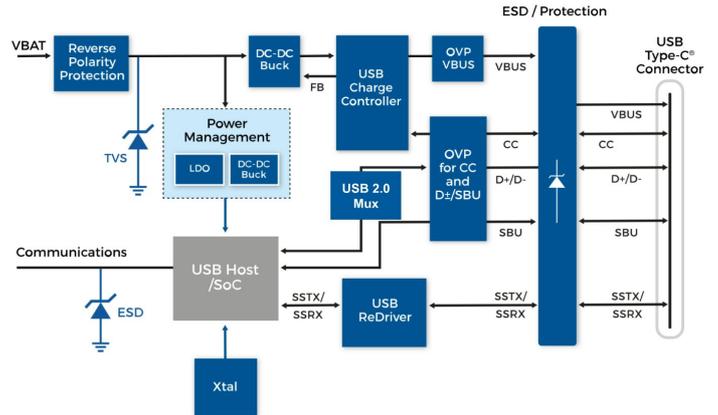


- **Advanced Clock Gen, Clock Buffer, Crystal Oscillator, USB Power Switch, and Protection solutions for mission-critical need**
- **Automotive Compliant* Products**



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

* AEC qualified, manufactured in IATF 16949 certified sites supporting PPAP documents (if applicable).



Diodes' Key Products	\$ / per car
Power Management	\$5.30
MOS/BJT	\$1.00
Diodes and Rectifiers	\$0.50
Timing and Connectivity	\$2.80
Total	\$9.60

- USB charging is a high growth application with approximately 2 to 8 ports per vehicle
- Diodes provides a system solution for USB charging including Port Controller, USB Muxes, Signal Switches, ReDrivers, Xtals, Power Management, and Protection.
- Automotive Compliant* product portfolio expansion is expanding the SAM further



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

* AEC qualified, manufactured in IATF 16949 certified sites supporting PPAP documents (if applicable).

- Increasing IC content in embedded systems
- Switching and signal path for networked systems and automation
- Signal conditioning and timing for precision controls
- Industrial / motor controls, sensors, and power management for smart meters
- Green power, Energy storage



Industrial Revenue Growth

Net Sales

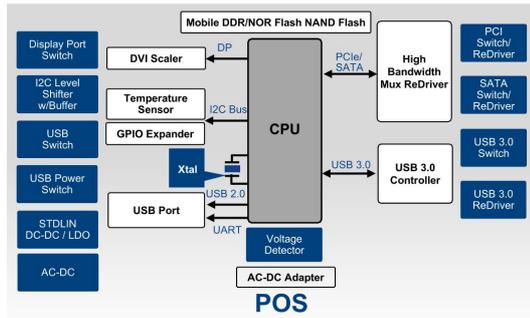
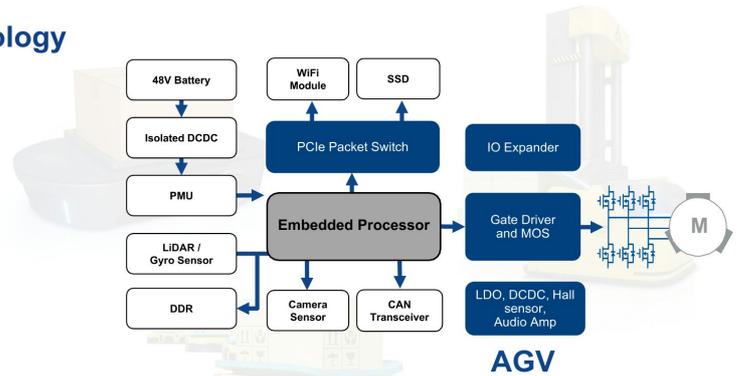


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

- **M2M – Dominated by short range technology**
 - 73% are short range, mostly Wi-Fi
- **2030: connections @ 29,400 million**

M2M – By Application

- IoT and M2M Modems
- POS, Routers, Edge Server
- On-Premise Edge Gateway
- AGV (Automated Guided Vehicle)
- AMR (Autonomous Mobile Robots)
- UAV (Unmanned Aerial Vehicle)



Growth Opportunities:

- Power, Sensor, DC-DC
- Gate Driver, BJT, MOSFET
- XTAL and clock
- Packet switch, ReDriver, IO Expander, MIPI, and USB charging

Dioodes' Key Products	\$ / AGV
Discrete	\$3.50
Analog & Power Mgmt.	\$2.20
Timing and Connectivity	\$18.00
Total	\$23.70

- ReDriver support for PCIe or USB connectivity
- Wide range of signal protocols: PCIe, CXL, SAS, SATA, USB
- MUX products for high capacity solid state storage
- Crystal oscillators for increasing clocking speeds
- LDOs, DCDC, SBR, and TVS for power management and protection

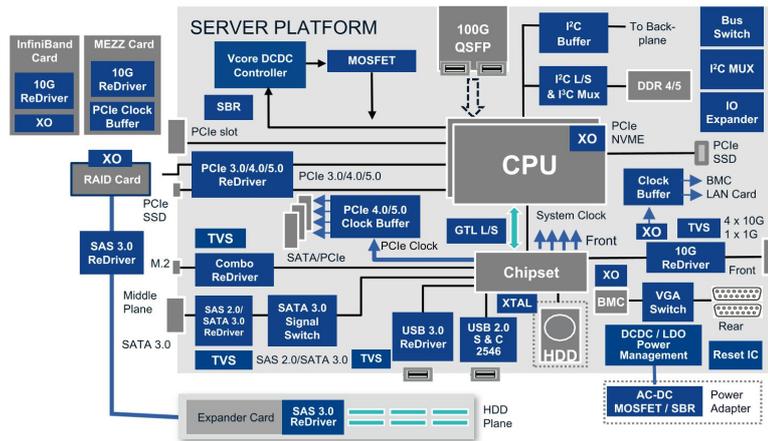


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Server Platform Solution

- Almost all of Server vendors are Diodes' existing customers
- Diodes' products are well positioned in this segment
 - Connectivity, Signal Integrity, Timing, Standard Linear, Power Management, Power Switch, Level shifter, Protection or HV MOSFET / SBR devices

Diodes' Key Products	\$ / Server
Analog	3.80
Discrete	3.60
Timing and Connectivity	33.00
Total	\$40.40



WW server market is expected to grow during 2023 – 2027 with CAGR of 7.7%



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



Diodes' Key Products	\$ / Box
Analog	>\$0.20
Power Management	>\$1.30
MOS/BJT	>\$10.00
Diodes and Rectifiers	>\$5.00
Timing and Connectivity	\$3.50
Total	\$20.00



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Smart Home

- Safety and Security
- Climate Control
- Consumer Electronics
- Lighting control

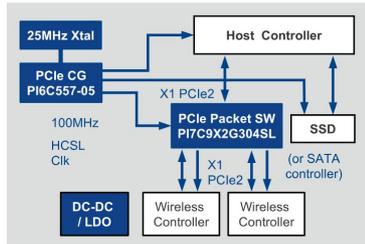
Growth Opportunities

- Power
- LED driver
- Xtal and clock
- Packet switch

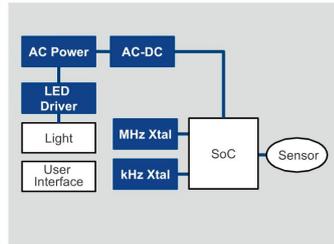


Diodes' Key Products	\$ / Box
Analog	\$0.55 ~ \$0.80
Power Management	\$1.80
MOS/BJT	\$1.10
Diodes and Rectifiers	\$0.50
Timing and Connectivity	\$3.50
Total	\$7.70

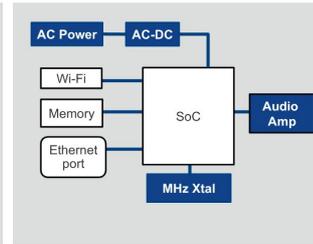
Smart Home Gateway



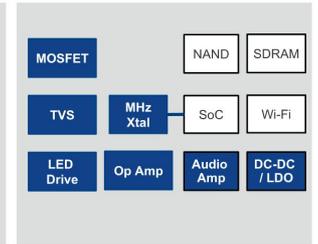
Smart Lighting



Smart Speaker



Digital Assistant



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Focus Applications:

Cloud Computing

- AI / Data Center Server

Gateway

- Internet Gateway
- Fiber network

Core Network, Cell Stations

- Small Cells
- Base Station
- Edge Computing Server
- Smart antenna
- Fiber network

End Products

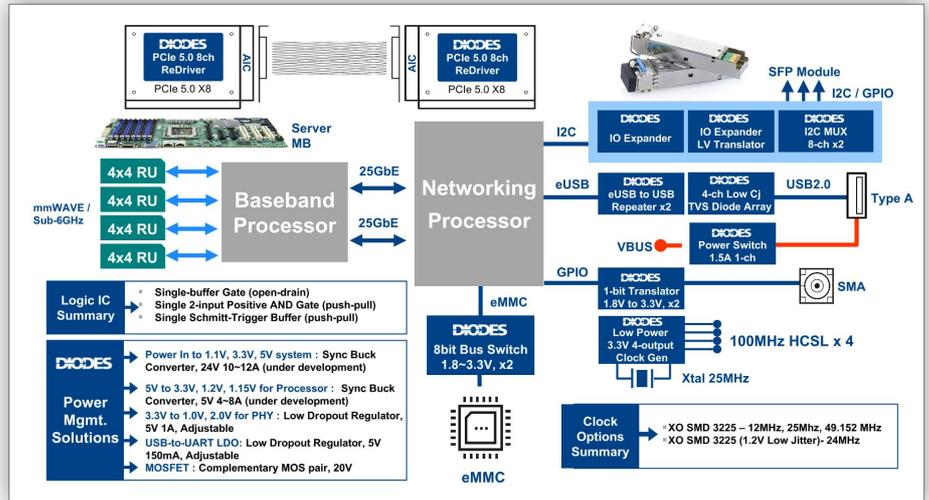
- Portables: Smartphone, Tablet
- Smart Car
- Consumer: VR/AR, Drone, IoT
- Telecom: 5G CPEs
- Embedded/Industrial



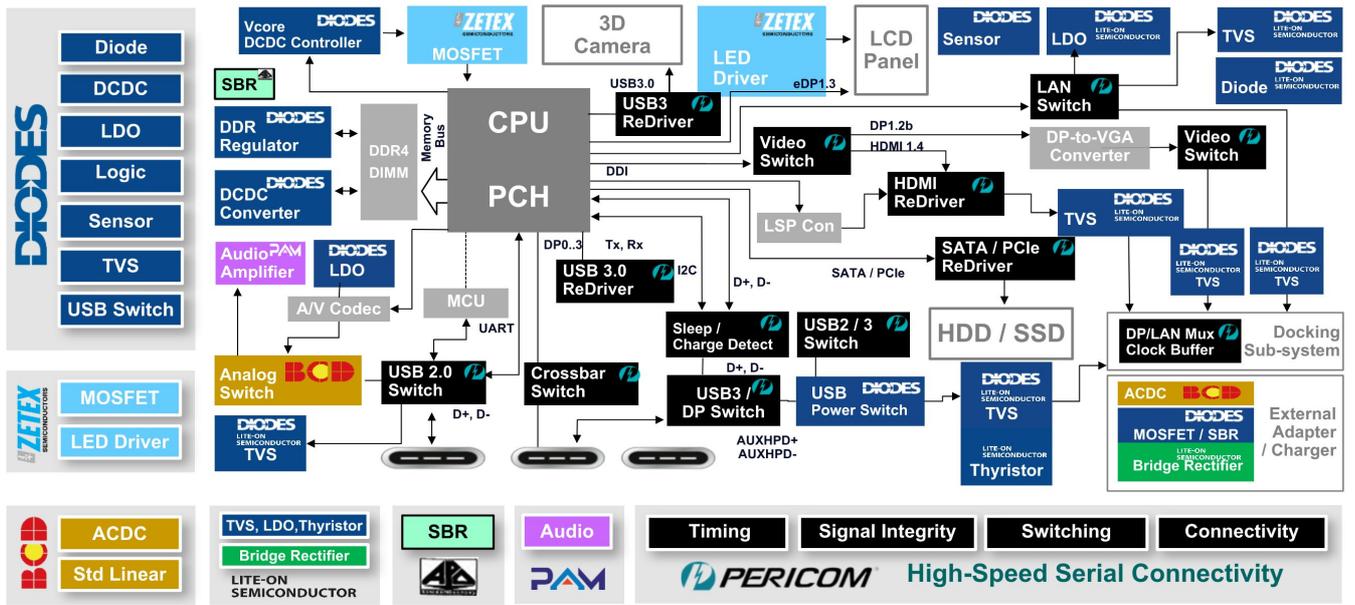
DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

- Advanced Solution in Signal Integrity, Signal/Bus/Power Switches and IO Expanders for diversified networking applications
- Global Logistics provide cost-competitive solution with industry standard pin-outs and flexible package options

Diodes' Key Products	\$ / Box
Analog	>\$0.60
Power Management	\$0.90
MOS/BJT	>\$0.50
Timing and Connectivity	\$11.00
Total	\$13.00



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



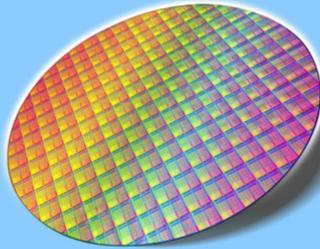
Products



- 32 Gbps ReDrivers and Switches
- Automotive Packet Switch for Telematics / ADAS
- Complete USB Type-C Solution
- Low jitter timing solution for cloud computing
- Ultra low power and low noise LDOs for IoT
- Low Cj TVS for signal integrity
- Lowest RDS(ON) LDMOS for battery efficiency
- SiC Merged PiN Schottky Diodes and SiC MOSFET for industrial and automotive applications

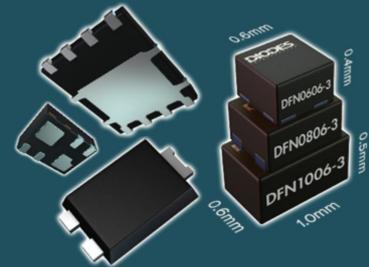
Wafer Fab

- High performance 8" MOSFET trench technology
- Advanced Epi bipolar transistor processes
- Proprietary rectifier technology
- Rugged automotive grade NMOS and PMOS



Assembly/Test

- Compact QFN and DFN
- Power density PowerDI
- Chip scale packaging and plating capability
- Extensive multi-chip package technology



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Wafer Fabs

- US: South Portland, Maine
- China: Shanghai and Wuxi
- Taiwan: Hsinchu and Keelung
- UK: Greenock and Oldham
- Bipolar, BiCMOS, CMOS and BCD process
- Global footprint with strong engineering capabilities



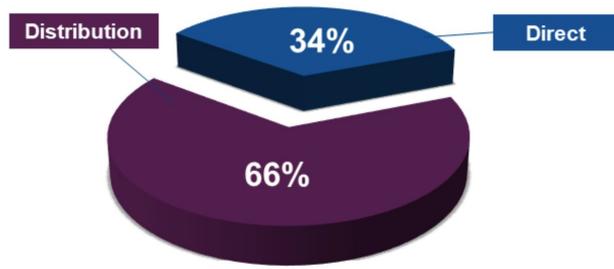
Assembly and Test

- China: Shanghai, Chengdu, and Wuxi
- Taiwan: Jhongli
- Germany: Neuhaus

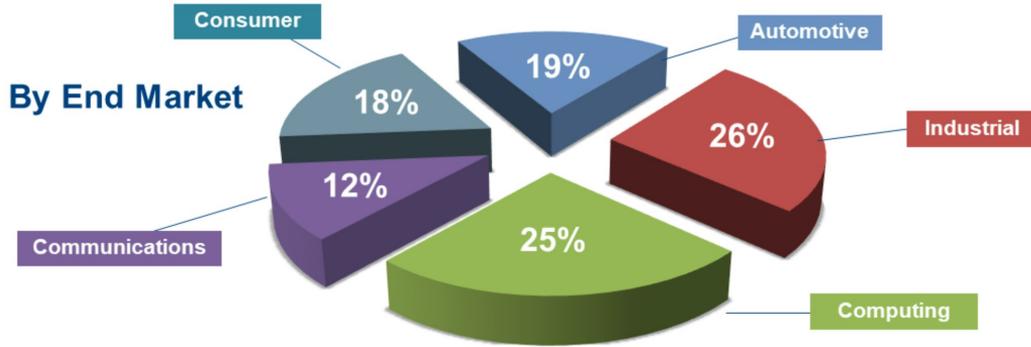
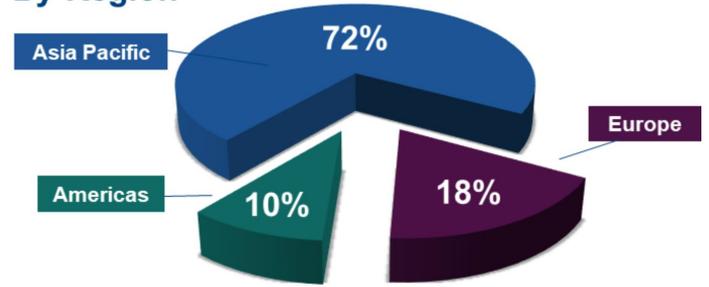


DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

By Channel



By Region



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

Income Statement – Third Quarter 2023

(\$ in millions, except per share amounts)	3Q22	2Q23	3Q23
Net sales	521.3	467.2	404.6
Gross profit (GAAP)	217.8	195.4	155.9
Gross profit margin % (GAAP)	41.8%	41.8%	38.5%
Net income (GAAP)	86.4	82.0	48.7
Net income (non-GAAP)	92.2	73.3	52.5
Diluted EPS (non-GAAP)	2.00	1.59	1.13
Cash flow from operations	132.2	92.6	50.1
EBITDA (non-GAAP)	141.9	133.5	90.6



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

(\$ in millions)	Dec 31, 2021	Dec 31, 2022	Sep 30, 2023
Cash*	373	348	308
Inventory	349	360	344
Current Assets	1,188	1,162	1,183
Total Assets	2,194	2,288	2,340
Total Debt	301	185	53
Total Liabilities	892	705	581
Total Equity	1,303	1,583	1,759

* Cash, Restricted Cash and Short-term investments



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL

- Revenue to be ~\$325 million, +/- 3.0%
- GAAP gross margin of 35.0%, +/- 1%
- Non-GAAP operating expenses 26.5% of revenue, +/- 1%, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets
- Net Interest income of ~\$2.0 million
- Income tax rate to be 18%, +/- 3%
- Shares used to calculate diluted EPS approximately 46.6 million
- Amortization of acquisitions-related intangible assets of \$3.1 million, after tax, for previous acquisitions is not included in these non-GAAP estimates

- **Vision: Expand shareholder value**
- **Mission: Profitability growth to drive 20%+ operating profit**
- **Next Strategic Goal: \$1B gross profit**
- **Tactics:**
 - Total system solutions sales approach and content expansion driving growth
 - Increased focus on high-margin Automotive, Industrial, analog, and power discrete products
 - Investment for technology leadership in target products, fab processes, and advanced packaging



DISCRETE
ANALOG
LOGIC
MIXED-SIGNAL



DIODES
INCORPORATED

Thank you



www.diodes.com