

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): February 06, 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 February 6, 2023, Diodes Incorporated (the “Company”) issued a press release announcing its fourth quarter and fiscal year ended December 31, 2022 financial results. A copy of the press release is furnished as Exhibit 99.1.

In the press release, 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 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. See Exhibit 99.1 for a description and reconciliation with GAAP of the non-GAAP measures used.

The information furnished in this Item 2.02, including the exhibit incorporated by reference, 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 (the “Securities Act”), or into another filing under the Exchange Act, unless that filing expressly refers to specific information in this Report.

Item 7.01 Regulation FD Disclosure.

The press release furnished in Exhibit 99.1 also 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.

The information furnished in this Item 7.01, including the exhibit incorporated by reference, will not be treated as “filed” for the purposes of Section 18 of 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, or into another filing under the Exchange Act, unless that filing expressly refers to specific information in this Report.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	Press release dated February 6, 2023.
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: February 6, 2023

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



Diodes Incorporated Reports Fourth Quarter and Fiscal 2022 Financial Results

Achieves Record Full Year GAAP EPS Increasing 44% to \$7.20 and Non-GAAP EPS Increasing 42% to \$7.36 over 2021

Plano, Texas – February 6, 2023 -- Diodes Incorporated (Diodes) (Nasdaq: DIOD) today reported its financial results for the fourth quarter ended December 31, 2022.

Year 2022 Highlights

- Revenue grew to a record \$2.0 billion, an increase of 10.8 percent over the \$1.8 billion in 2021;
- GAAP gross profit was a record \$827.2 million, a 23.4 percent increase from \$670.4 million in the prior year;
- GAAP gross profit margin improved 420 basis points to a record 41.3 percent from 37.1 percent in 2021;
- GAAP operating income increased 47.9 percent to a record \$408.2 million, or 20.4 percent of revenue, compared to \$276.0 million, or 15.3 percent of revenue, in 2021;
- GAAP net income was a record \$331.3 million, an increase of 44.8 percent from the \$228.8 million last year;
- Non-GAAP adjusted net income was a record \$339.0 million, an increase of 42.9 percent from the \$237.2 million in 2021;
- GAAP EPS was a record \$7.20 per diluted share, a 44.0 percent improvement from the \$5.00 per diluted share in 2021;
- Non-GAAP EPS was a record \$7.36 per diluted share, a 42.1 percent improvement from the \$5.18 per diluted share in 2021;
- Excluding \$28.7 million, net of tax, non-cash share-based compensation expense, both GAAP net income and non-GAAP adjusted net income would have increased by \$0.62 per diluted share;
- EBITDA improved 19.7 percent to a record \$520.4 million, or 26.0 percent of revenue, compared to \$434.6 million, or 24.1 percent of revenue in 2021; and
- Achieved a record \$392.5 million cash flow from operations and \$180.8 million of free cash flow, including \$211.7 million of capital expenditures, or 10.6 percent of revenue. Net cash flow was a negative \$25.7 million, which includes the net pay-down of \$112.3 million of total debt.

Commenting on the results, Dr. Keh-Shew Lu, Chairman, President and Chief Executive Officer, stated, "In spite of the COVID-related lockdowns and power outages throughout the year in China as well as the global economic slowdown, we delivered 10.8% annual growth over 2021 and achieved record financial performance across all metrics. In fact, the fourth quarter represented our ninth consecutive quarter of year-over-year growth. Additionally, our earnings power and cash generation in 2022 were also significant highlights with gross margin expanding 420 basis points to 41.3%, operating margin expanding 510 basis points to 20.4%, and GAAP EPS increasing 44% to \$7.20 and non-GAAP EPS growing 42% to \$7.36. We also achieved record cash flow from operations of \$393 million.

“Underpinning the Company’s noteworthy performance was continued strong growth in our automotive end market, which increased 40% over 2021 and reached 15% of product revenue for the year. We also continued to drive growth in our industrial end market through our ongoing content expansion efforts, which contributed to our industrial and automotive end markets representing 42% of 2022 product revenue and exceeding our target model of 40%. The growth in these end markets combined with the ongoing increase of our Pericom products also contributed to our strong gross margin expansion throughout the year as part of our product mix improvement efforts.”

Dr. Lu concluded by stating, “Reaching the \$2 billion revenue level in 2022 was a significant and meaningful achievement for the entire Diodes team. With gross profit growing 23% to \$827 million for the year, we have taken another giant step towards the next goal in our 2025 financial targets to achieve \$1 billion in annual gross profit. I am very proud of our accomplishments and our ability to consistently deliver both top line growth and significantly expanded earnings for our shareholders.”

Fourth Quarter 2022

Revenue for fourth quarter 2022 was \$496.2 million, increasing 3.3 percent from \$480.2 million in the fourth quarter 2021 and down 4.8 percent from \$521.3 million in the third quarter 2022, which is slightly better than typical seasonality.

GAAP gross profit for the fourth quarter 2022 was \$206.2 million, or 41.6 percent of revenue, increasing from \$190.7 million, or 39.7 percent of revenue, in the fourth quarter of 2021 and down from \$217.8 million, or 41.8 percent of revenue, in the third quarter 2022.

GAAP operating expenses for fourth quarter 2022 were \$109.7 million, or 22.1 percent of revenue, and on a non-GAAP basis were \$105.9 million, or 21.3 percent of revenue, which excludes \$3.8 million of amortization of acquisition-related intangible asset expenses. GAAP operating expenses in the fourth quarter 2021 were \$104.7 million, or 21.8 percent of revenue, and in the third quarter 2022 were \$105.4 million, or 20.2 percent of revenue.

Fourth quarter 2022 GAAP net income was \$92.1 million, or \$2.00 per diluted share, compared to GAAP net income in the fourth quarter 2021 of \$65.5 million, or \$1.43 per diluted share, and GAAP net income of \$86.4 million, or \$1.88 per diluted share, in the third quarter 2022.

Fourth quarter 2022 non-GAAP adjusted net income was \$79.6 million, or \$1.73 per diluted share, which excluded, net of tax, \$3.1 million of acquisition-related intangible asset costs. This compares to non-GAAP adjusted net income of \$73.3 million, or \$1.60 per diluted share, in the fourth quarter 2021 and \$92.2 million, or \$2.00 per diluted share, in the third quarter 2022.

The following is an unaudited summary reconciliation of GAAP net income to non-GAAP adjusted net income and per share data, net of tax (*in thousands, except per share data*):

	Three Months Ended December 31, 2022
GAAP net income	\$ 92,051
GAAP diluted earnings per share	\$ 2.00
Adjustments to reconcile net income to non-GAAP net income:	
Amortization of acquisition-related intangible assets	3,130
Loss on sale of manufacturing facilities	224
LSC investment related	(15,832)
Non-GAAP net income	\$ 79,573
Non-GAAP diluted earnings per share	\$ 1.73

Note: Throughout this release, we refer to "net income attributable to common stockholders" as "net income."

(See the reconciliation tables of GAAP net income to non-GAAP adjusted net income near the end of this release for further details.)

Included in fourth quarter 2022 GAAP net income and non-GAAP adjusted net income was approximately \$7.6 million, net of tax, of non-cash share-based compensation expense. Excluding share-based compensation expense, both GAAP earnings per share ("EPS") and non-GAAP adjusted EPS would have increased by \$0.16 per diluted share for the fourth quarter 2022, \$0.14 for fourth quarter 2021 and \$0.18 for the third quarter 2022.

EBITDA (a non-GAAP measure), which represents earnings before net interest expense, income tax, depreciation and amortization, in fourth quarter 2022 was \$129.6 million, or 26.1 percent of revenue, increasing from \$139.0 million, or 28.9 percent of revenue, in fourth quarter 2021 and a decrease from the \$141.9 million, or 27.2 percent of revenue, in third quarter 2022. For a reconciliation of GAAP net income to EBITDA, see the table near the end of this release for further details.

For fourth quarter 2022, net cash provided by operating activities was \$102.9 million. Net cash flow was a negative \$44.7 million, which includes the pay down of \$114.1 million of total debt. Free cash flow (a non-GAAP measure) was \$39.1 million, which includes \$63.8 million of capital expenditures.

Balance Sheet

As of December 31, 2022, the Company had approximately \$348 million in cash and cash equivalents, restricted cash, and short-term investments. Total debt (including long-term and short-term) amounted to approximately \$186 million and working capital was approximately \$729 million.

The results announced today are preliminary and unaudited, as they are subject to the Company finalizing its closing procedures and completion of the quarterly review by its independent registered public accounting firm. As such, these results are subject to revision until the Company files its Form 10-K for the year ending December 31, 2022.

Business Outlook

Dr. Lu concluded, "For the first quarter of 2023, we expect revenue to be approximately \$467 million, plus or minus 3 percent. GAAP gross margin is expected to be 41.0 percent, plus or minus 1 percent. Even with the revenue and loading decrease in the first quarter, we expect to maintain our gross margin effectively comparable to last quarter and above our target model of 40 percent. Non-GAAP operating expenses, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets, are expected to be approximately 22.2 percent of revenue, plus or minus 1 percent. We expect net interest expense to be approximately \$2.5 million. Our income tax rate is expected to be 19.0 percent, plus or minus 3 percent, and shares used to calculate diluted EPS for the first quarter are anticipated to be approximately 46.5 million."

Amortization of acquisition-related intangible assets of \$3.1 million, after tax, for previous acquisitions is not included in these non-GAAP estimates.

Conference Call

Diodes will host a conference call on Monday, February 6, 2023 at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) to discuss its fourth quarter and full year financial results. Investors and analysts may join the conference call by dialing **1-833-634-2590**, and international callers may join the teleconference by dialing +1-412-317-6038. A telephone replay of the call will be made available approximately two hours after the call and will remain available until February 13, 2023 at midnight Central Time. The replay number is 1-877-344-7529 with a pass code of 1311288. International callers should dial +1-412-317-0088 and enter the same pass code at the prompt.

Additionally, this conference call will be broadcast live over the Internet and can be accessed by all interested parties on the Investors' section of Diodes' website at <https://investor.diodes.com>. To listen to the live call, please go to the investors' section of Diodes' website and click on the conference call link at least 15 minutes prior to the start of the call to register, download and install any necessary audio software. For those unable to participate during the live broadcast, a replay will be available shortly after the call on Diodes' website for approximately 90 days.

About Diodes Incorporated

Diodes Incorporated (Nasdaq: DIOD), a Standard and Poor's SmallCap 600 and Russell 3000 Index company, delivers high-quality semiconductor products to the world's leading companies in the consumer electronics, computing, communications, industrial, and automotive markets. We leverage our expanded product portfolio of discrete, analog, and mixed-signal products and leading-edge packaging technology to meet customers' needs. Our broad range of application-specific solutions and solutions-focused sales, coupled with worldwide operations of 32 sites, including engineering, testing, manufacturing, and customer service, enables us to be a premier provider for high-volume, high-growth markets. For more information visit 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 first quarter of 2023, we expect revenue to be approximately \$467 million plus or minus 3 percent; we expect GAAP gross margin to be 41.0 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 22.2 percent of revenue, plus or minus 1 percent; we expect non-GAAP net interest expense to be

approximately \$2.5 million; we expect our income tax rate to be 19.0 percent, plus or minus 3 percent; shares used to calculate diluted EPS for the first quarter are anticipated to be approximately 46.5 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.

The Diodes logo is a registered trademark of Diodes Incorporated in the United States and other countries.

Company Contact:

Diodes Incorporated
Gurmeet Dhaliwal
Director, IR & Corporate Marketing
P: 408-232-9003
E: Gurmeet_Dhaliwal@diodes.com

Investor Relations Contact:

Shelton Group
Leanne Sievers
President, Investor Relations
P: 949-224-3874
E: lsievers@sheltongroup.com

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share data)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2022	2021	2022	2021
Net sales	\$ 496,212	\$ 480,171	\$ 2,000,580	\$ 1,805,162
Cost of goods sold	290,016	289,480	1,173,343	1,134,802
Gross profit	206,196	190,691	827,237	670,360
Operating expenses				
Selling, general and administrative	71,822	70,951	280,877	257,710
Research and development	34,090	30,096	126,316	119,200
Amortization of acquisition-related intangible assets	3,830	4,077	15,610	16,216
Loss (gain) on disposal of fixed assets	4	177	(3,651)	246
Other operating expense (income)	(1)	(601)	(108)	1,003
Total operating expense	109,745	104,700	419,044	394,375
Income from operations	96,451	85,991	408,193	275,985
Other (expense) income				
Interest income	1,123	788	3,672	3,139
Interest expense	(2,892)	(1,193)	(8,320)	(7,491)
Foreign currency (loss) gain, net	(410)	(1,123)	2,122	(2,107)
Unrealized (loss) gain on investments	(554)	13,180	(16,514)	28,018
Other income	1,046	11,153	6,787	17,551
Total other (expense) income	(1,687)	22,805	(12,253)	39,110
Income before income taxes and noncontrolling interest	94,764	108,796	395,940	315,095
Income tax provision	1,406	42,487	56,685	78,807
Net income	93,358	66,309	339,255	236,288
Less net (income) attributable to noncontrolling interest	(1,307)	(796)	(7,972)	(7,525)
Net income attributable to common stockholders	\$ 92,051	\$ 65,513	\$ 331,283	\$ 228,763
Earnings per share attributable to common stockholders:				
Basic	\$ 2.02	\$ 1.46	\$ 7.31	\$ 5.11
Diluted	2.00	1.43	7.20	5.00
Number of shares used in earnings per share computation:				
Basic	45,470	45,018	45,330	44,772
Diluted	46,111	45,942	46,036	45,781

Note: Throughout this release, we refer to “net income attributable to common stockholders” as “net income.”

DIODES INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(in thousands, except per share data)
(unaudited)

For the three months ended December 31, 2022:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				\$ 92,051
Diluted earnings per share (Per-GAAP)				\$ 2.00
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	3,830		(700)	3,130
Loss on sale of manufacturing facilities		264	(40)	224
LSC investment related		554	(16,386)	(15,832)
Non-GAAP				\$ 79,573
Diluted shares used in computing earnings per share				46,111
Non-GAAP diluted earnings per share				\$ 1.73

Note: Included in GAAP and non-GAAP net income was approximately \$7.6 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 improved by \$0.16 per share.

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME – Cont.
(in thousands, except per share data)
(unaudited)

For the three months ended December 31, 2021:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				\$ 65,513
Diluted earnings per share (Per-GAAP)				\$ 1.43
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	4,077		(748)	3,329
Acquisition-related costs	551		(116)	435
LSC investments related		(13,181)	26,642	13,461
Gain on sale of manufacturing subsidiary		(9,446)	-	(9,446)
Non-GAAP				\$ 73,292
Diluted shares used in computing earnings per share				45,942
Non-GAAP diluted earnings per share				\$ 1.60

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$6.5 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 improved by \$0.14 per share.

DIODES INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(in thousands, except per share data)
(unaudited)

For the twelve months ended December 31, 2022:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				\$ 331,283
Diluted earnings per share (Per-GAAP)				\$ 7.20
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	15,610		(2,857)	12,753
Acquisition-related costs	607		(127)	480
Insurance recovery for manufacturing facility	(3,594)		719	(2,875)
Loss on sale of manufacturing facilities		677	(102)	575
LSC investment related		16,514	(19,771)	(3,257)
Non-GAAP				\$ 338,959
Diluted shares used in computing earnings per share				46,036
Non-GAAP diluted earnings per share				\$ 7.36

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$28.7 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 improved by \$0.62 per share.

DIODES INCORPORATED AND SUBSIDIARIES
RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME
(in thousands, except per share data)
(unaudited)

For the twelve months ended December 31, 2021:

	Operating Expenses	Other Income (Expense)	Income Tax Provision	Net Income
Per-GAAP				\$ 228,763
Diluted earnings per share (Per-GAAP)				\$ 5.00
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	16,216		(2,974)	13,242
Acquisition-related costs	2,816		(591)	2,225
LSC investments related		(28,018)	29,609	1,591
Gain on sale of manufacturing subsidiary		(9,446)	-	(9,446)
Restructuring costs	961		(144)	817
Non-GAAP				\$ 237,192
Diluted shares used in computing earnings per share				45,781
Non-GAAP diluted earnings per share				\$ 5.18

Note: Included in GAAP and non-GAAP adjusted net income was approximately \$26.2 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 improved by \$0.57 per share.

ADJUSTED NET INCOME AND ADJUSTED EARNINGS PER SHARE

The Company's financial statements present net income and earnings per share that are calculated using accounting principles generally accepted in the United States ("GAAP"). The Company's management makes adjustments to the GAAP measures that it feels are necessary to allow investors and other readers of the Company's financial releases to view the Company's operating results as viewed by the Company's management, board of directors and research analysts in the semiconductor industry. These non-GAAP measures are not prepared in accordance with, and should not be considered alternatives or necessarily superior to, GAAP financial data and may be different from non-GAAP measures used by other companies. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures, even if they have similar names. The explanation of the adjustments made in the table above, are set forth below:

Detail of non-GAAP adjustments

Amortization of acquisition-related intangible assets – The Company excluded this item, including amortization of developed technologies and customer relationships. The fair value of the acquisition-related intangible assets is amortized using straight-line methods which approximate the proportion of future cash flows estimated to be generated each period over the estimated useful life of the applicable assets. The Company believes that exclusion of this item is appropriate because a significant portion of the purchase price for its acquisitions was allocated to the intangible assets that have short lives and exclusion of the amortization expense allows comparisons of operating results that are consistent over time for both the Company's newly acquired and long-held businesses. In addition, the Company excluded this item because there is significant variability and unpredictability among companies with respect to this expense.

Acquisition related costs – The Company excluded expenses associated with previous acquisitions of that typically consist of advisory, legal and other professional and consulting fees. These costs were expensed as they were incurred and as services were received, and in which the corresponding tax adjustments were made for the non-deductible portions of these expenses. The Company believes the exclusion of the acquisition related costs provides investors with a more accurate reflection of costs likely to be incurred in the absence of an unusual event such as an acquisition and facilitates comparisons with the results of other periods that may not reflect such costs.

Insurance recovery for manufacturing facility – The Company recorded gains related to insurance recovery for a manufacturing facility in Asia. The Company believes the exclusion of the insurance recovery provides investors with a more accurate reflection of the continuing operations of the Company and facilitates comparisons with the results of other periods which may not reflect such gains.

Gain/Loss on sale of manufacturing facilities - The Company sold a manufacturing subsidiary and as part of the transaction, there are working capital adjustments that are recorded as gains or losses in the statement of operations. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Non-cash mark-to-market investment adjustments – The Company excluded market-to-market adjustments on various equity related investments. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

Restructuring costs – The Company recorded restructuring charges related to various international locations. These restructuring charges are excluded from management's assessment of the Company's operating performance. The Company believes the exclusion of the restructuring charges provides investors an enhanced view of the cost structure of the Company's operations and facilitates comparisons with the results of other periods that may not reflect such charges or may reflect different levels of such charges.

LSC investments related – The Company excluded market to market adjustments and the associated tax on certain LSC equity investments. The Company has also excluded certain taxes related to integration and restructuring activities within certain Taiwan subsidiaries including LSC. The Company believes this is not reflective of the ongoing operations and exclusion of this provides investors an enhanced view of the Company's operating results.

CASH FLOW ITEMS

Free cash flow (FCF) (Non-GAAP)

FCF for the fourth quarter of 2022 is a non-GAAP financial measure, which is calculated by subtracting capital expenditures from cash flow from operations. For the fourth quarter of 2022, FCF was \$39.1 million, which represents the cash and cash equivalents that we are able to generate after taking into account cash outlays required to maintain or expand property, plant and equipment. FCF is important because it allows us to pursue opportunities to develop new products, make acquisitions and reduce debt.

CONSOLIDATED RECONCILIATION OF NET INCOME TO EBITDA

EBITDA represents earnings before net interest expense, income tax provision, depreciation and amortization. Management believes EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties, such as financial institutions in extending credit, in evaluating companies in our industry and provides further clarity on our profitability. In addition, management uses EBITDA, along with other GAAP and non-GAAP measures, in evaluating our operating performance compared to that of other companies in our industry. The calculation of EBITDA generally eliminates the effects of financing, operating in different income tax jurisdictions, and accounting effects of capital spending, including the impact of our asset base, which can differ depending on the book value of assets and the accounting methods used to compute depreciation and amortization expense. EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, investors should use EBITDA in addition to, and not as an alternative for, income from operations and net income, each as determined in accordance with GAAP. Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures used by other companies. For example, our EBITDA takes into account all net interest expense, income tax provision, depreciation and amortization without taking into account any amounts attributable to noncontrolling interest. Furthermore, EBITDA is not intended to be a measure of free cash flow for management's discretionary use, as it does not consider certain cash requirements such as tax and debt service payments.

The following table provides a reconciliation of net income to EBITDA *(in thousands, unaudited)*:

	Three Months Ended		Twelve Months Ended	
	December 31		December 31	
	2022	2021	2022	2021
Net income (per-GAAP)	\$ 92,051	\$ 65,513	\$ 331,283	\$ 228,763
Plus:				
Interest expense, net	1,769	405	4,648	4,352
Income tax provision	1,406	42,487	56,685	78,807
Depreciation and amortization	34,363	30,572	127,776	122,656
EBITDA (non-GAAP)	\$ 129,589	\$ 138,977	\$ 520,392	\$ 434,578

DIODES INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(in thousands)

	December 31 2022 <i>(unaudited)</i>	December 31, 2021 <i>(audited)</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 336,732	\$ 363,599
Restricted Cash	4,367	3,219
Short-term investments	7,059	6,542
Accounts receivable, net of allowances of \$5,852 and \$4,324 at December 31, 2022 and December 31, 2021, respectively	369,233	358,496
Inventories	360,281	348,622
Prepaid expenses and other	83,999	107,194
Total current assets	1,161,671	1,187,672
Property, plant and equipment, net	736,730	582,079
Deferred income tax	35,308	21,256
Goodwill	144,757	149,890
Intangible assets, net	79,137	94,550
Other long-term assets	130,709	159,048
Total assets	<u>\$ 2,288,312</u>	<u>\$ 2,194,495</u>
Liabilities		
Current liabilities:		
Line of credit	\$ 36,280	\$ 18,068
Accounts payable	160,442	221,254
Accrued liabilities	214,433	184,649
Income tax payable	19,682	29,682
Current portion of long-term debt	1,693	17,381
Total current liabilities	432,530	471,034
Long-term debt, net of current portion	147,470	265,574
Deferred tax liabilities	12,903	32,230
Other long-term liabilities	112,490	122,933
Total liabilities	<u>705,393</u>	<u>891,771</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock - par value \$1.00 per share; 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock - par value \$0.66 2/3 per share; 70,000,000 shares authorized; 45,469,722 and 45,017,774, issued and outstanding at December 31, 2022 and December 31, 2021, respectively	36,503	36,195
Additional paid-in capital	494,773	471,649
Retained earnings	1,448,092	1,116,809
Treasury stock, at cost, 9,281,581 shares held at December 31, 2022 and 9,272,513 shares held at December 31, 2021	(337,490)	(336,894)
Accumulated other comprehensive loss	(128,233)	(50,517)
Total stockholders' equity	1,513,645	1,237,242
Noncontrolling interest	69,274	65,482
Total equity	1,582,919	1,302,724
Total liabilities and stockholders' equity	<u>\$ 2,288,312</u>	<u>\$ 2,194,495</u>

