

Third Quarter 2022 Financial Results Diodes Incorporated (DIOD)

November 7, 2022



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 2022, we expect revenue to be approximately \$494 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 21.0 percent of revenue, plus or minus 1 percent; we expect non-GAAP net interest expense to be approximately \$4.0 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 fourth 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.

This presentation also contains non-GAAP measures. See the Company’s press release on November 7, 2022 titled, “Diodes Incorporated Reports Record Third Quarter Fiscal 2022 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.

Diodes delivers high-quality semiconductor products to the world's leading companies in the consumer electronics, computing, communications, industrial, and automotive markets



Vision: Profitability Growth to Maximize Shareholder Value

Our Core Values: Integrity, Commitment, Innovation

- **Revenue** - a record **\$521.3 million**; increasing 10.6% year-over and 4.1% sequentially
- **GAAP gross profit** - a record **\$217.8 million**; increasing 20.2% year-over-year and 5.5% sequentially
- **GAAP gross profit margin** - a record **41.8%**; increasing 340bp year-over-year and 60bp sequentially
- **GAAP net income** – a record **\$86.4 million**, or **\$1.88** per diluted share, improving 25.3% year-over-year and a 7.4% increase sequentially
- **Non-GAAP net income** - a record **\$92.2 million**, or **\$2.00** per diluted share, improving 36.1% year-over-year and 5.3% sequentially
- **EBITDA** **\$141.9 million**, or 27.2% of revenue
- **Cash flow** from operations of \$132.2 million
- **Free cash flow** of \$62.4 million, including \$69.8 of capital expenditures
- **Net cash flow** of \$78.3 million



3Q'22 represented 7th consecutive quarter of record adjusted EPS and revenue despite COVID-related lockdowns and power outages in certain regions of China for part of the quarter



5th consecutive quarter of record gross margin, improving 340bp YoY to 41.8%; the 3rd consecutive quarter above target model of 40%



Achieved record revenue in the Automotive and Industrial markets



Automotive revenue increased 48% YoY and 17% QoQ



Automotive and Industrial totaled 44% of product revenue, above 41% for 2nd consecutive quarter and exceeding 2025 target of 40%

**~40% of
revenue**
(44% for 3Q2022)

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

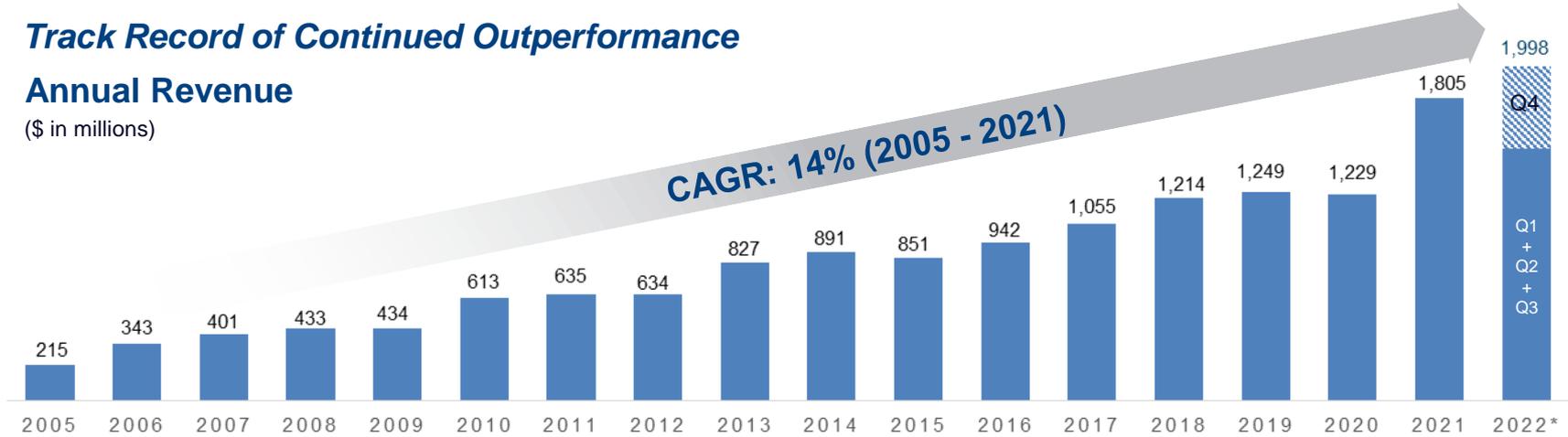
- Cloud computing: server, storage, data centers

Expanding Profitability Growth

Track Record of Continued Outperformance

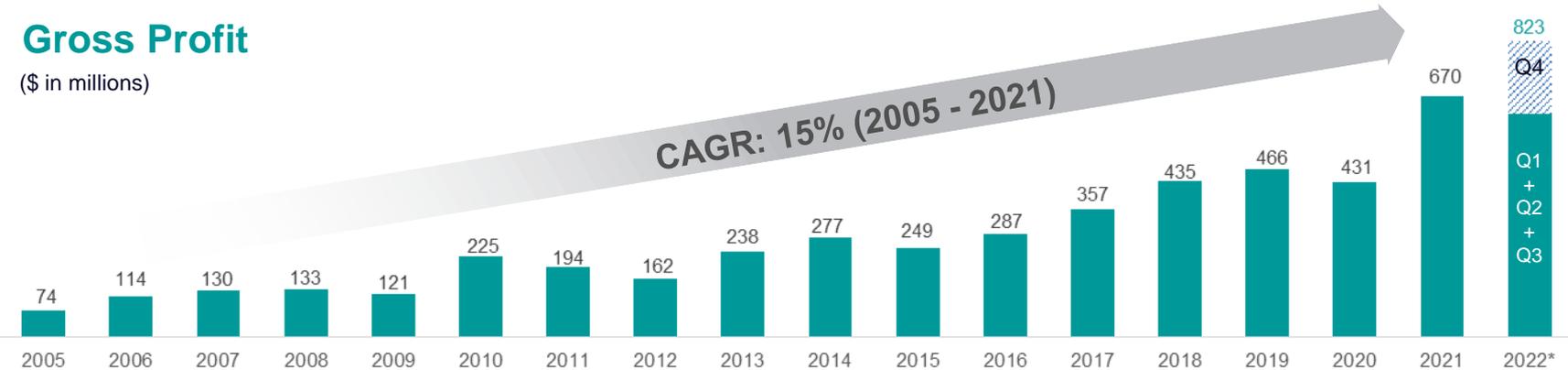
Annual Revenue

(\$ in millions)



Gross Profit

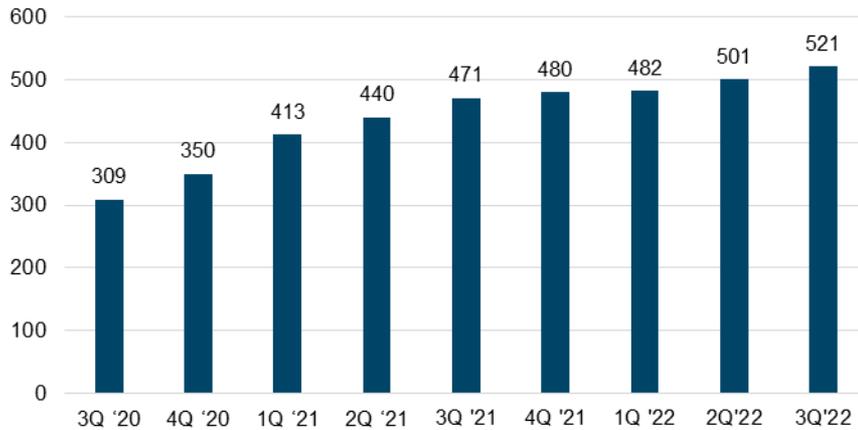
(\$ in millions)



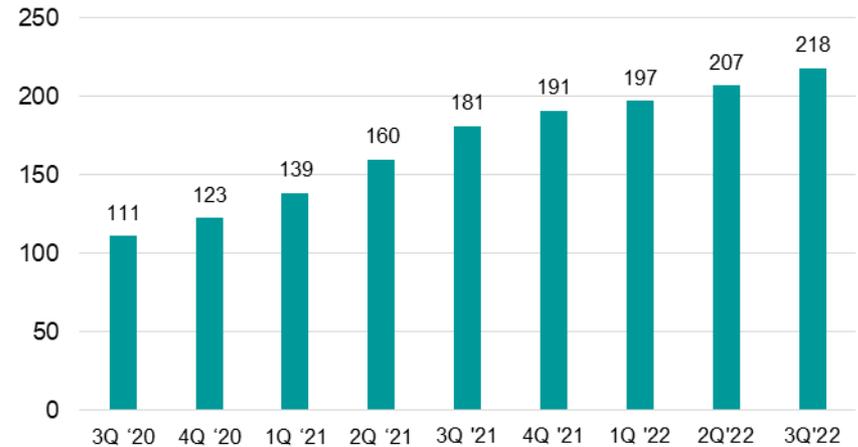
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* Revenue/Gross Margin for 2022 are based on Q1-Q3 results and Q4 guidance provided on November 7, 2022

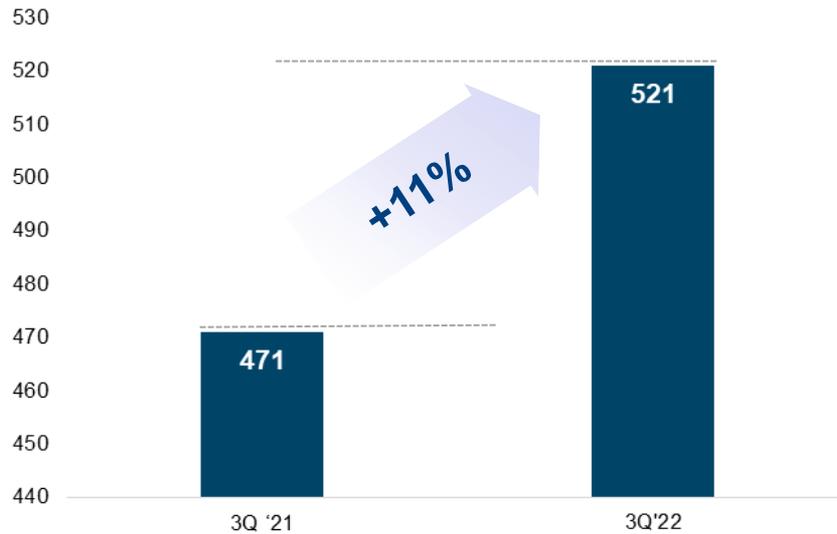
Quarterly Revenue (\$ Millions)



Quarterly Gross Profit (\$ Millions)



Revenue (\$ Millions)



Non-GAAP EPS



On-Track to Achieve Longer Term Corporate Objectives

- **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

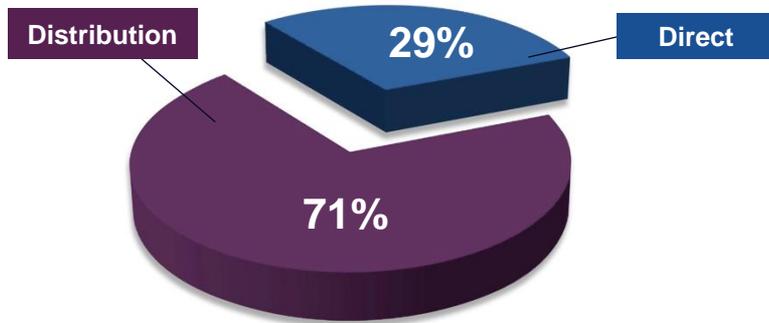
✓ **\$1B Market Cap - 2010**

✓ **\$1B Revenue - 2017**

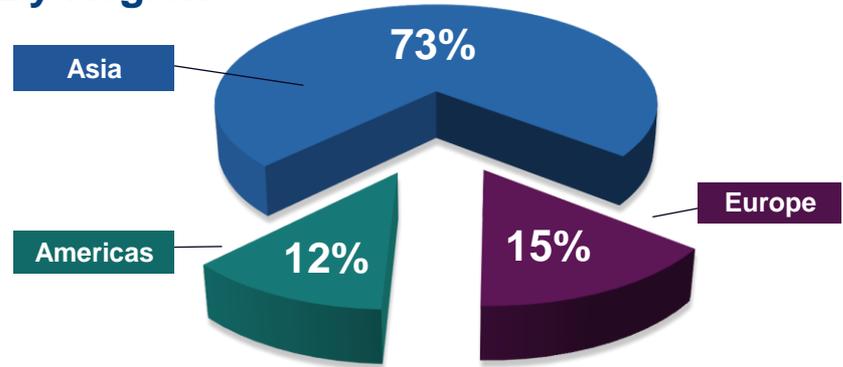
● **\$1B Gross Profit by 2025**

● **\$1B PBT**

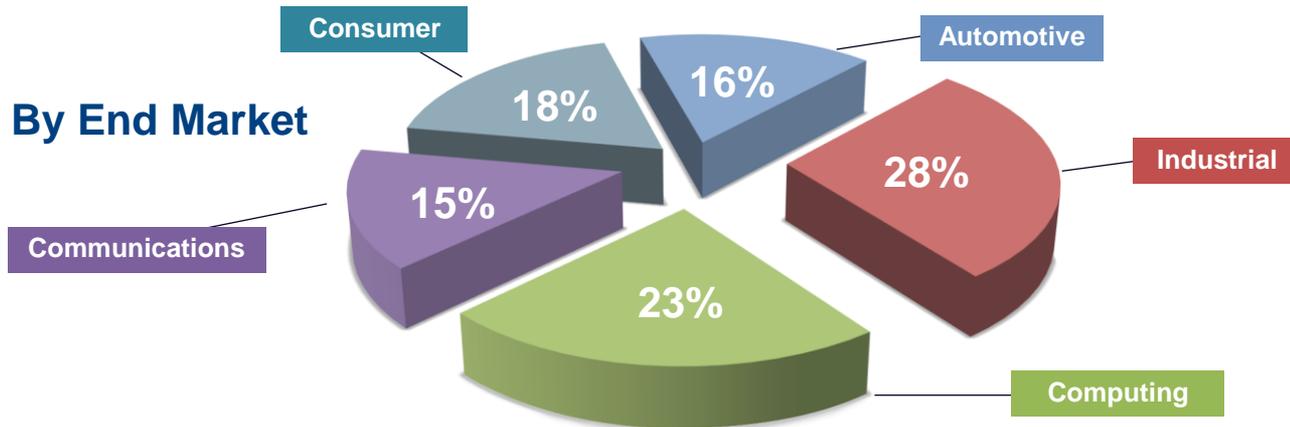
By Channel



By Region



By End Market



Income Statement – Third Quarter 2022 Record Performance

(\$ in millions, except per share amounts)	3Q21	2Q22	3Q22
Net sales	471.4	501.0	521.3
Gross profit (GAAP)	181.2	206.5	217.8
Gross profit margin % (GAAP)	38.4%	41.2%	41.8%
Net income (GAAP)	80.2	80.2	86.4
Net income (non-GAAP)	68.4	86.9	92.2
Diluted EPS (non-GAAP)	1.50	1.90	2.00
Cash flow from operations	98.9	85.0	132.2
EBITDA (non-GAAP)	114.5	130.6	141.9

(\$ in millions)	Dec 31, 2020	Dec 31, 2021	Sept 30, 2022
Cash	327	373	393
Inventory	307	349	375
Current Assets	1,024	1,188	1,277
Total Assets	1,980	2,194	2,363
Total Debt	451	301	296
Total Liabilities	963	892	900
Total Equity	1,016	1,303	1,463

- **Revenue to be ~\$494 million, +/- 3.0%**
In-line with typical seasonality
- **GAAP gross margin of 41.0%, +/- 1%**
on a consolidated basis
- **Non-GAAP operating expenses 21% of revenue, +/- 1%**, which are GAAP operating expenses adjusted for amortization of acquisition-related intangible assets
- **Net Interest expense of ~\$4.0 million**
- **Income tax rate to be 19%, +/- 3%**
- Shares used to calculate diluted EPS approximately **\$46.5 million**
- Amortization of acquisitions-related intangible assets of **\$3.2 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 and Pericom products
 - Investment for technology leadership in target products, fab processes, and advanced packaging



Thank you

Reconciliation of Net Income to Adjusted Net Income

For the three months ended September 30, 2022:

(in thousands, except per share data)

				(unaudited)
	Operating	Other	Income	Net Income
	Expenses	Income	Tax	
		(Expense)	Provision	
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 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 diluted earnings per share would have improved by \$0.18 per share.

GAAP to Non-GAAP Reconciliation

For the nine months ended September 30, 2022:

(in thousands, except per share data)

		(unaudited)		
	Operating	Other	Income	
	Expenses	Income	Tax	Net Income
		(Expense)	Provision	
Per-GAAP				<u>\$ 239,232</u>
Diluted earnings per share (Per-GAAP)				<u>5.21</u>
Adjustments to reconcile net income to non-GAAP net income:				
Amortization of acquisition-related intangible assets	11,780		(721)	11,059
Acquisition-related costs	607		(127)	480
Insurance recovery for manufacturing facility	(3,594)		719	(2,875)
Gain on sale of manufacturing facilities		413	(62)	351
Non-cash mark-to-market investment adjustments		15,960	(3,386)	12,574
Non-GAAP				<u>\$ 260,821</u>
Diluted shares used in computing earnings per share				<u>45,938</u>
Non-GAAP diluted earnings per share				<u>\$ 5.68</u>



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Note: Included in GAAP and non-GAAP net income was approximately \$21.1 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 \$0.46 per share.