

D-Link Reports 3Q20 Consolidated Financials

- Third quarter 2020 net revenue was NT\$4.16 billion, up 30.4% from sequential quarter.
- Gross margin exclusive of inventory related gain was 31.6%, compared to 31.1% in 2Q20.
- Gross margin inclusive of inventory related gain was 32.7%, compared to 32.3% in 2Q20.
- Operating margin was 4.8%, compared to -3.1% in 2Q20.
- Consolidated net income after non-controlling interests was NT\$ 303 mln for 3Q20 as compared to -NT\$5 million reported last quarter.
- EPS on weighted-average capital of NT\$6.52 bln was NT\$0.46, compared to negative NT\$0.01 per share in 2Q20.
- All of the above figures are based on consolidated numbers and 3Q20 net income is audited/reviewed.

Taipei, Taiwan, November 11th, 2020 - D-Link Corporation ("D-Link", "the Company", or "the Group") (TAIEX 2332) today announced its global unaudited consolidated financial results for the YT3Q and third quarter of 2020.

For the third quarter of 2020, D-Link posted net revenue of NT\$4.16 bln, up 30.4% from sequential quarter recovering from the disrupted sales pattern due to COVID 19 impacted economies that the company operated in such as Europe and India. Gross margin after inventory provision improved to 32.7% from 32.3% contributing to favorable product mix and inventory provision write back of NT\$48 million. Operating expenses as a percentage to revenue improve to 27.9% versus that of 35.4% last quarter with the substantial drop in top line revenue. While maintaining operating expenses at about the same level as prior quarter combining higher revenue and improved margin, the company reported operating income of NT\$201 million or net operating margin of 4.8% in 3Q20. Non-operating income was NT\$145 million which included NT\$41 million income recognized from long term investee companies, NT\$84 million gain from investment sales, NT\$12 million foreign exchange gain/financial instrument valuation and NT\$9 million derived from other financial income. Consolidated net income after tax and non-controlling interests was NT\$303 million and EPS was NT\$0.46 per share.

For the YT3Q of 2020, D-Link’s net revenue was NT\$11.025 bln, down 12.1% as compared to NT\$12.54 bln of YT3Q19 mainly due to lower revenue than plan resulting from business interruption since the outbreak of the pandemic. Gross margin including inventory related gain/loss was 31.5%, up from 27.9% of YT3Q19 due to a 1.1% margin contribution from inventory provision writeback and favorable products mix. Given the challenging environment, the company has adopted cautious spending policy as well as receiving some government COVID’s relief, operating expenses in absolute dollar term was 11.1% lower year over year. Net operating income turn positive in 3Q20 reported at NT\$201 million. Consolidated net income for YT3Q was NT\$250 million and EPS was 0.38.

D-Link Group’s financial condition and liquidity remained sound at the end of 3Q20. Cash and short term investment held was NT\$3.815 billion. Account Receivables were NT\$3.24 bln and AR turnover days was 81 days which was in line with the trade terms offered. The September quarter ending inventory was NT\$2.23 bln and inventory turnover was 94 days. The company’s liquidity position is sound with current ratio and net debt/equity ratio of 1.89 and 0.74 respectively showing a improvement trend in the past few quarters

. Return on equity was 14.7 at the end of 3Q20.

Consolidated Sales Breakdown by Region:

NT\$M	3Q20		2Q20		3Q19		QoQ	YoY
Emg. & APac	2,872	69.0%	2,177	68.2%	2,989	69.7%	32.0%	-3.9%
EU	818	19.7%	583	18.3%	847	19.7%	40.3%	-3.5%
NA	472	11.3%	432	13.5%	454	10.6%	9.3%	3.9%
Total	4,162	100%	3,192	100%	4,290	100%	30.4%	-3.0%

From a geographic perspective, 3Q20 revenue from Emerging/Asia Pacific, Europe and North America were 69%, 19.7% and 11.3% respectively. The emerging markets and Europe showed QoQ sales increase of 32% and 40.3% respectively recovering from the hard-hit economies due to COVID lock down. North America sales was up 9.3% with steady project shipment to meet demand from the work at home mode.

Consolidated Sales Breakdown by Product Category:

With respect to 3Q20 consolidated revenue by product category, Switch products accounted for 39% of sales, followed by Wireless at 33%, Broadband at 6.3%, Digital Home at 6.2%, and Others at 15.5%. Switch were up 57.9% QoQ as a result of disties stocking up for the

upcoming retail season and higher project shipment in Russia after the economy shut down. Revenue from Digital Home and Broadband also increase 70% and 18% from prior quarter respectively return to normal run-rate sales pattern versus that of Q2.

About D-Link

D-Link is among one of the global leaders and award winning designer, developer, and planner of networking, broadband, digital electronics, voice and data communications solutions for the digital home, Small Office/Home Office (SOHO), Small to Medium Business (SMB), and Workgroup to Enterprise environments. With in-depth worldwide market channel coverage over 100 countries and full-range product offering of Ethernet adapters, switches and routers for professional and home users, D-Link is a dominant market participant and price/performance leader in the networking and communications market. D-Link Corporation headquarter is located at No.289, Sinhu 3rd Road, Neihu District, Taipei City 114, Taiwan. Phone: 886-2-6600-0123; FAX: 886-2-6600-9898; <http://www.dlink.com.tw>

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