

Promise Technology Inc.(3057) 2018 Result Announcement

Speaker : Edward Lin, Chairman of Promise
Technology Inc.

Date: Dec. 7, 2018

A solid blue horizontal bar spanning the width of the slide, located at the bottom.

Disclaimer Clause :

This document is for information and illustrative purposes only. It is not, and should not be regarded as “investment advice” or as a “recommendation” regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of Promise Technology except for your internal use.

AGENDA

- State of Operation
- Storage Market Dynamics
- Promise Opportunities
- Strategy of Technologies and Achievement
- Strategy of Marketing and Target
- Executive Focus and Conclusion

STATE OF OPERATION

Company Profile



- PROMISE Technology, Inc. · stock symbol : 3057 was founded in San Jose, USA, Dec., 1988
- More than 300 employees and 40 % of them are R&D staffs globally. Our business territories across US, Europe, Japan, China, APAC and MENA
- Promise has earned a reputation for developing innovative storage solutions for vertical markets which deliver practical answers to the business.
- This passion for innovation has kept us at the forefront of the storage industry and led us to form strategic alliances with leading storage-related companies worldwide.



Financial Result

Income Statement, 2018 vs. 2017 Jan. ~ Sep.

Income Statement (Unit:NT\$M)	2018				2017				variance
	Q1	Q2	Q3	Jan~Sep	Q1	Q2	Q3	Jan~Sep	
Net Sales	449	498	490	1,437	519	445	464	1,427	10
Gross Margin	151	165	148	464	205	180	163	548	(84)
%	34%	33%	30%	32%	39%	40%	35%	38%	-6.11ppt
Total Operating Expenses	204	196	164	564	310	264	255	829	(266)
%	45%	39%	33%	39%	60%	59%	55%	58%	-18.88ppt
Income from Operations	(53)	91	(16)	22	(105)	(84)	(92)	(281)	303
Net Income	(57)	69	(21)	(9)	(132)	(59)	(89)	(280)	271
%	-13%	14%	-4%	-1%	-25%	-13%	-19%	-20%	19.01ppt

Root Cause:

1. Tried to transformed business entity to 'matrix' organization by different business units, but unable to create short-term revenue caused by the fragmented resources
2. Reduction of OEM accounts

Action to Improve:

1. Coming up with ways to cut costs and increase profits for the company
2. New product launch on schedule
3. Foreseeing result from the alliance with ecosystem partners
4. New OEM/ODM accounts penetration proactively

STORAGE MARKET DYNAMICS

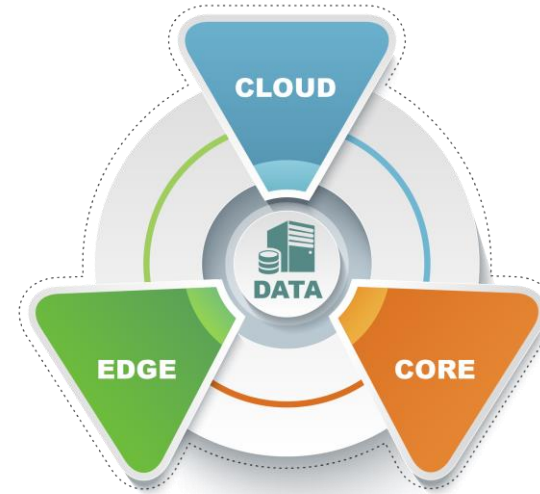
1.1 Big Data Appliance:

- Data growth intensively:
Significant network security requirement
- Unstructured data dominate the future storage: Audio and Rich Media
- In-depth data value identification:
Digitalization on the spot



1.2 Exploring the AIoT Revolution

- Accelerating shift toward AI and IoT, Data is crucial to AIoT
- AIoT contain three key elements: Edge 、 Core and Cloud
- A solution with flexibility of store and extend all the data is necessary to enterprises
- Promise deepens existing storage products, builds core architecture, which integrates edge devices and cloud storage of public or private clouds, to meet fast convergence and data analysis, and accelerate the application of artificial intelligence.



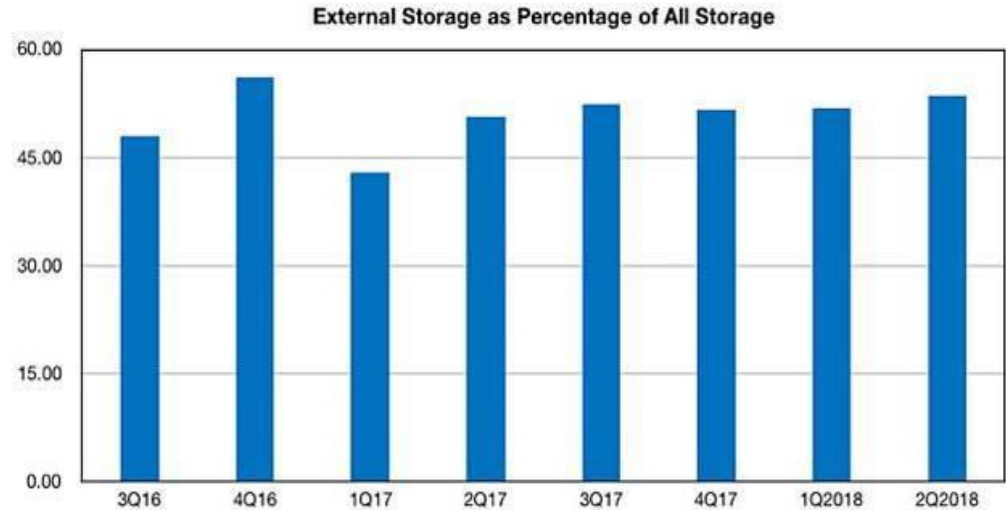
Trend #2: Hit Back of Edge Computing

- Reducing transmission costs, shrinking latency, and improving quality of service
- The reasons of enterprises are willing to migrate and adopt edge computing storage solutions :
 - ✓ Cost of cloud storage is way higher than end-user computing
 - ✓ Security and encryption
 - ✓ Flexibility of data migration
 - ✓ Stability and efficiency of real-time data access



Trend #3: Continuous Growth of External Storage

- External storage (SAN, NAS, DAS) as percentage of all storage once significant lower in Q1, 2017, and rallied soon which was above 45% in average (Promise Technology is also one of the vendors of external storage)



資料來源: IDC

Trend #4: Infrastructure of Cloud Storage

- Cloud storage architectures are primarily about delivery of storage on demand in a highly scalable and multi-tenant way.
- One key focus of cloud storage is cost. For this reason, cloud storage must be self-managing to a large extent.



OUR OPPORTUNITIES

First : Technology and Experience over 3 Decades



Consultations and Services

2018 onward, Total solution provider

Advanced Storage Solutions

2013, Best optimized appliance

Authenticated Storage

2008, Apple-qualified SAN storage

Storage Platform Enclosures

2003, Innovative technology

Storage HBA RAID Card

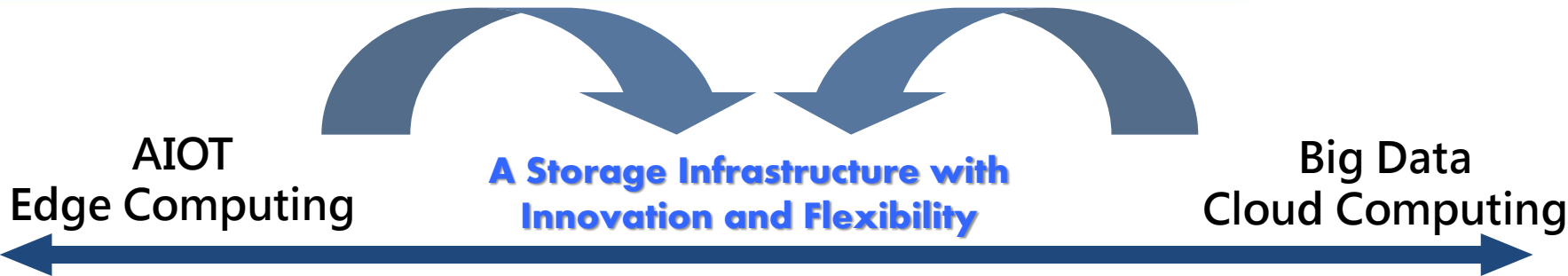
1998, 85%+ market share

Storage IC

1993, 90%+ market share



Second : New Product Launch Along with the Market Dynamics



Ingest
Edit
Deliver
Archive

Rich Media



Flexible
Reliable
Scalable

IT



NAS

Easy
Quick
Secure



Surveillance

Open
Optimized
Certified



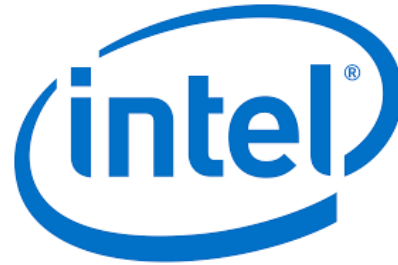
Cloud

Scalability
Integration
Software-Defined

Third : Partnership with the First Tier Multinational Vendors



TOSHIBA



AMD 

SONY



milestone

中科曙光
Sugon



Adobe

Fourth : Brand Awareness and Marketing Visibility

Rich Media



Video Surveillance



IT/Cloud

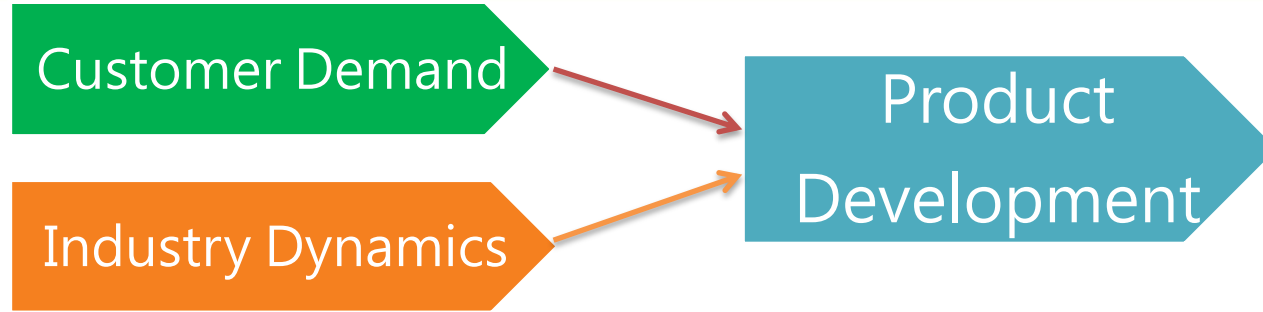


Fifth : Storage Technology Licensing

- It is believed the most valuable property of Promise Technology is the innovative technology which has been over three decades
- Technology Licensing will help us to explore more business opportunities



STRATEGY OF TECHNOLOGIES AND ACHIEVEMENT



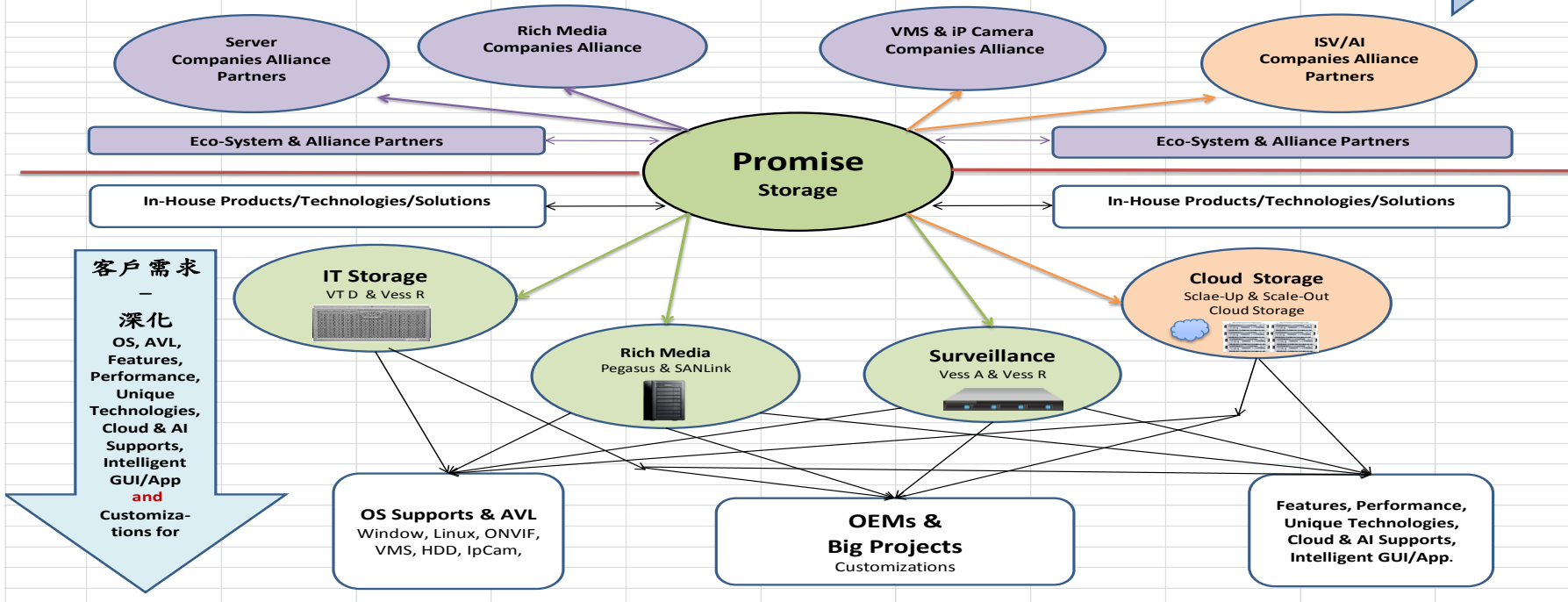
1. 1. Main strategy:

Meet the needs of medium and large OEM customers or focus on specific vertical industry customer groups, to develop and deepen the functionality and customization of products °

2. Second strategy: Increase product application

For expansion of medium and long-term business coverage, following industry trends, jointing with ecosystem vendors, develop and build core architectures which to integrate edge device and cloud storage.

產業趨勢 - 廣化 Eco-System & Alliance Partners' Certifications and Partnership Build-Up for Channel Business





c. Product and Technology

* IT/Cloud – Main product series VTrak D5000, Second product series Vess R3000

◆ Main strategy: Customer demand

- The VTrak D5000 was launched in the third quarter of this year and has been adopted by a well-known big manufacturer. It is expected that sales will grow quarter by year next
- Deepening of the product: building a core storage system architecture for intelligent edge computing, real-time synchronized virtual link public cloud or private cloud storage.
- Customization of products and technologies : Manufacturing company of cloud related products

◆ Second strategy: Industry trend

- Expand product applications: License technology to server vendors to develop and build core architectures, and integrate cloud storage in data.

Strategy of Technology – Rich Media

*Rich Media –Pegasus, SANLink

- **Main strategy: Customer demand**
- Deepening of the products: The pegasus series will be launched in 2019 to match more different transmission interfaces and will be connected to the cloud, sharing the content of co-production of audio and video, providing customers with more convenient storage management.
 - Customization of products and technologies : Rich Media company.

- **Second strategy: Industry trend**

Expanding product applications License technology to Rich Media company.



pegasus 3 Series
Prosumer RAID Desktop Storage
Thunderbolt™ 3 Hardware RAID Storage for Creative Professionals

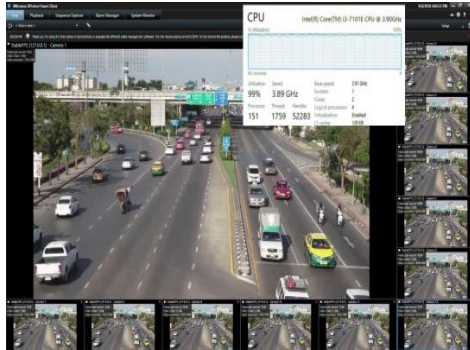


SANLink 3 N1
Thunderbolt™ 3 Bridge Adapter
NEW High Speed bus-powered Thunderbolt™ 3 Ethernet Bridge



SANLink 3 F2
Thunderbolt™ 3 Bridge Adapter
Thunderbolt™ 3 Fibre Channel Bridge

Video Surveillance



 VESS

*Surveillance –Vess A, Vess R

◆ Main strategy : Customer demand

- Deepening of the products: Support diverse Linux operating systems, NAS capabilities, providing the function of data backup, synchronization and sharing of public or private cloud storage
- Customization of products and technologies: Negotiating the customization requirements with OEM

◆ Second strategy: Industry trend

- Expanding product application : mutual certification of products with many well-known VMS/monitoring manufacturers and promote products. Through the data stored in the cloud synchronously , expand the application of AI, and 2019 performance growth will have a certain contribution.

Our Business Territories

  PROMISE OFFICE



- EMEA & Germany
- ✓ Sales & Marketing
- ✓ Post service & support
- ✓ Logistic Hub
- ✓ **Integration Site**

PROMISE EMEA
PROMISE Netherlands



- China
- ✓ Sales & Marketing
- ✓ Engineering
- ✓ Post service & support



PROMISE USA

- USA
- ✓ Sales, Marketing
- ✓ Engineering
- ✓ Quality Assurance
- ✓ Post service & support
- ✓ **Integration Site**



PROMISE UK

PROMISE Germany

PROMISE Italy

PROMISE China

- Japan
- ✓ Sales & marketing
- ✓ Post service & support

PROMISE India

- Dubai
- ✓ Sales & marketing
- ✓ Post service & support

PROMISE Dubai

PROMISE Japan

PROMISE Taiwan

- India
- ✓ Sales & marketing
- ✓ Post service & support

- Taiwan
- ✓ Sales & Marketing
- ✓ Engineering
- ✓ Manufacturing
- ✓ Quality Assurance
- ✓ Traded at TAIEX
- ✓ **Integration Site**





Direction :

1. OEM/ODM as value proposition, own brand as volume play
2. Technology licensing as the revitalization of current property
3. Strengthen the alliance with ecosystem partners for expanding business scope

Strategy of Marketing

1. Main Strategy:

Product innovation in depth, and in align with ecosystem partners in width

2. Secondary Strategy:

To centralize all the resources for those products which are able to generate revenue in a short time

3. Strategic Intent:

To fulfill the demands of OEM and vertical accounts by a precise evaluation to customized new products and solutions. It will also be further developed and produced after achieving the Return on Investment

Main Strategy

- In depth
- In width

Secondary Strategy

- Centralize
- Focus

Strategic Intent

- Positive return on investment
- A virtuous cycle

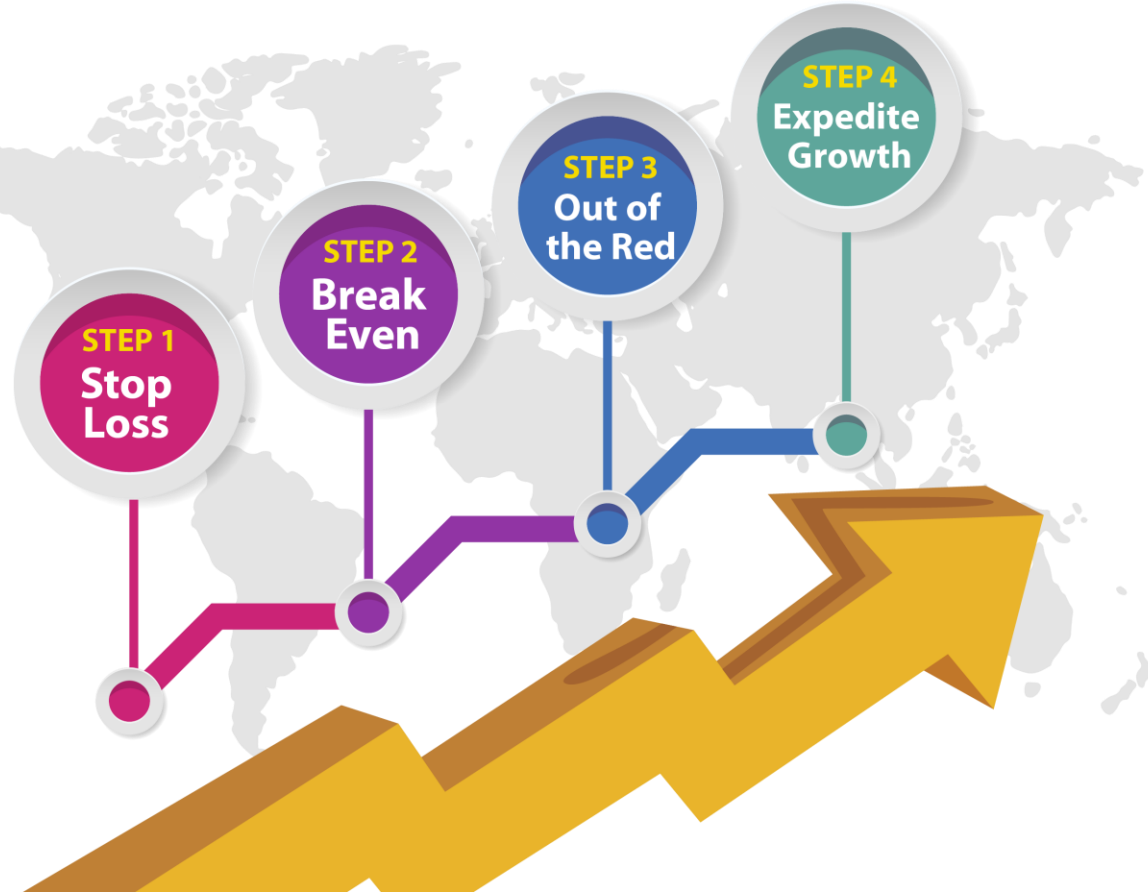


Execution:

1. Strengthen the engagement with existing OEM/ODM accounts in terms of technology and services in depth
2. Expedite the process of the engaging prospects, and bring the products to our own channel after accomplishing the projects
3. Strategy defined for the targeted OEM/ODM prospects

A Tetralogy of Making a Counterattack

It is not proud to win, keep pursuing excellence;
It is not discouraged to frustrate, never give up!





**Thank You for Coming
Any Question?**