



## ELAN Monthly Sales Report –November 2022

ELAN Microelectronics Corp. (the Company), a leading touch controller solution provider in global NB market, announced its consolidated net sales of NT\$680 million for November 2022. The monthly sales was down 1.64% mom / 50.97% yoy, due to seasonal softness and a slowdown in inventory build by NB brands to adjust their inventory level. YTD sales decreased by 26.64% on year to NT\$ 12,438 million on weaker NB demand, affected by inflation, interest hikes and geopolitical-driven wars.

### Sales for November 2022 --YoY Comparison

Unit: NT\$ Thousand

Year	2022	2021	YoY
<b>Net Sales (Consolidated)</b>	<b>679,962</b>	<b>1,386,698</b>	<b>-50.97%</b>

The sales breakdown in November 2022: Touchpad Module 45%, Touchscreen Controller 15%, Fingerprint Sensor 6%, Pointstick (PST) 18%, Microcontroller 8%, and 8% from the sales of affiliates. Touch applications, including biometric applications, accounted for 66%, and non-touch applications accounted for 34%.

Global NB unit shipments have grown double digits for 2 consecutive years and expanded to over 200M units/ year in 2020~2021 due to the prevailing digital lifestyle. However, Omdia expects the global NB shipment to decrease by double digit % yoy in 2022 to ~ 194 million units, in light of geopolitical, inflationary and CN lockdown risks, along with inventory adjustment in the supply chain.

ELAN sees several “qualitative changes” in spite of lower-than-expected NB demand: growing demands for commercial NB due to digital transformation of many corporates, hardware upgrades on the latest Microsoft OS – Windows11, and so on. These new opportunities will further drive the attach rate of high-security-level FP and high-end touchpad, as well as raise the content value of these products, which renders greater revenue contribution/NB every year as usual.

<<ELAN is a world leader in human-machine interfaces, notably in Touchscreen Controller with Pen Supports, Touchpad Module, Pointing Stick and Biometrics (fingerprint sensors and facial recognition). For more information, please go to <http://www.emc.com.tw/emc/en>.>>



NB brands have speeded up the introduction of FP in NB, in response to the interests of most users in information security. ELAN expects the FP penetration rate to continue growing till 2025. Besides, Windows11 upgrades the security requirement of biometrics, which migrates FP technology from MOH (match-on-host) to MOC (match-on-chip) and builds a higher entry level in addition to higher content value for FP products. ELAN sees great momentum from its FP product line in 2022 & 2023 while it continues to take share and launch competitive new products.

Apple adopted haptic touchpad and numerous NB players follow suit. On the other hand, Windows11 allows users to adjust touchpad feedback, echoing the trend of touchpad upgrade in the long-run. 4 NB brands have chosen ELAN's haptic pad solutions with shipment starting this year. Such solutions will expand our content value several times higher, with ASP ranging from US\$2X~3X, due to complex design structure and multiple components used, as well as uplift contribution from value-added products. ELAN will optimize the design and cost structure to allow this new technology more affordable. We expect the haptic touchpad penetration rate to exceed 30% in 2025, implying 5-year CAGR of ~40%.

Newly upgraded pen protocols (MPP 2.6 and USI 2.0) will be a tailwind for blended ASP. Moreover, touch technology migration plays an important role in the industry, where in-cell touch display will grow rapidly under promotion of several display players. This migration will raise demands for integrated chip – LTDI (Large Touch Display Integration). According to Omdia's research, in-cell NB display market will grow at a CAGR of >40% over 2021~2025 to reach an estimated penetration rate of >30% in 2025.

ELAN's LTDI solutions passed MS MPP2.5 & Wacom WGP certification, not only indicating ELAN's leadership in pen capabilities across multiple platforms, but leading to close cooperation with numerous display makers. Moreover, our pen-capable technology advantage leads us to co-work with KR/ CN display makers to expand our business scope into a high-growth potential AMOLED foldable smartphone market, where Omdia predicts a CAGR of >45% over 2021~2025.



ELAN's biometric smart card solution has been certified by Mastercard, VISA and UnionPay; and we partner with card manufacturers to promote the solution to the payment card players. In addition to the payment industry, we see emerging demands for security access and member identification from plenty of different sectors, which expands the application of ELAN's biometric smart card solution.

Meanwhile, mini/micro LED display technology is another emerging market ELAN is keen to engage in. We work closely with Macroblock and several renowned panel makers to offer solutions for handheld consumer devices, wearable devices, tablet and automotive e-mirror, etc.

Spec upgrades in the NB industry will increase the content value of FP, touchpad and touchscreen and fuel growth momentum for ELAN's short/mid-term operations. As ELAN has delivered outstanding results in the NB market, expansion into new technology and applications, such as foldable smartphone, biometric smart card, mini/micro LED display and ADAS solutions, is a committed goal of ELAN. We are determined to build solid growth momentum for both revenue and profitability among these multiple potentials.

**Contacts :**

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| ■ Spokesperson: Dennis Liu | E-mail: <a href="mailto:dennis_liu@emc.com.tw">dennis_liu@emc.com.tw</a> |
| ■ IR contact: Emily Chiang | E-mail: <a href="mailto:emily@emc.com.tw">emily@emc.com.tw</a>           |
| Elsie Lin                  | E-mail: <a href="mailto:elsie.lin@emc.com.tw">elsie.lin@emc.com.tw</a>   |