

A background image showing a blue sky with white clouds and a network of white lines representing data connections or fiber optics.

Array Networks

# Q3 FY20 INVESTOR UPDATE

- **This presentation may contain certain "forward-looking statements" concerning the business, operations and financial condition of Array, Inc. Although Array believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, there can be no assurance that its expectations will be realized.**
- **"Forward-looking statements" consist of all non-historical information, including the statements referring to the prospects and future performance of Array. Actual results could differ materially from those projected in Array forward-looking statements due to numerous known and unknown risks and uncertainties.**
- **Array does not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.**

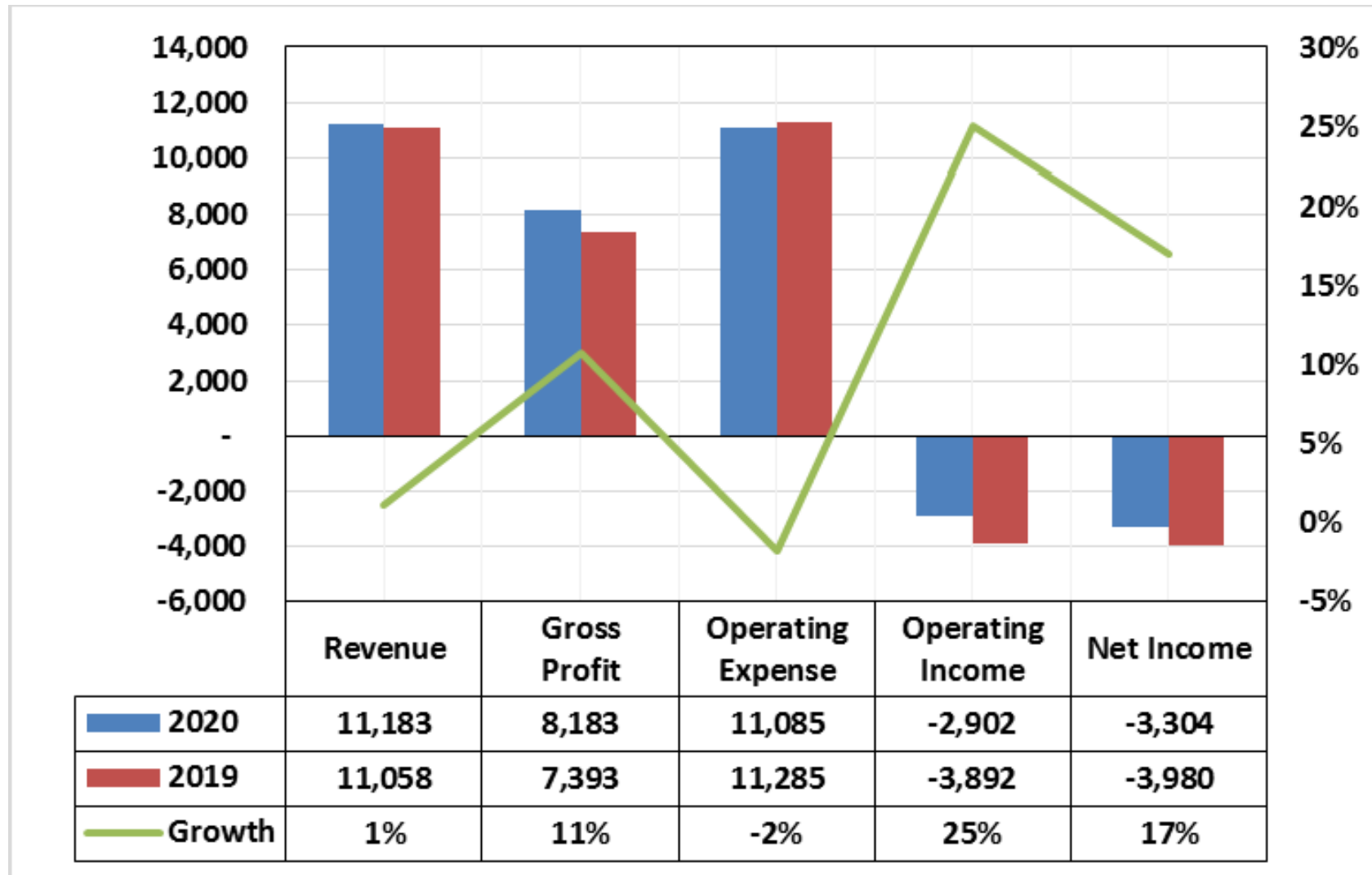
### Year-to-date results

- **US\$11.085M (NT\$331M) in revenue**
- **73% gross profit margin**
- **1% USD revenue increase vs. YTD, 2019**
- **136% revenue growth in SSL VPN (SPX/AG) product vs. YTD, 2019**
- **49% revenue growth in North America vs. YTD, 2019**
- **6% revenue growth in India vs. YTD, 2019**
- **Headcount increase 13% vs. YTD, 2019**
- **Operating loss decreased by 25%**
- **Net Loss is US\$3.304M (NT\$99M); decrease of 17% vs. YTD, 2019**

# 3Q YTD - Growth Trends FY20 vs. FY19



(US\$1,000)



# Statements of Comprehensive Income

## – Q1-Q3, FY20 & Q1-Q3, FY19



	USD-TWD Average Rate			2020/9/30 29.817			2019/9/30 31.054			Comparison (US\$ base)	
	Jan. - Sep., 2020			Jan. - Sep., 2019			2020 vs 2019		Y/Y Change		
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.					
<b>Operating Revenues</b>	11,183	333,458	100	11,058	343,380	100	126	1%			
Sales Returns and Allowances	0	0	-	0	0	-	0	0%			
<b>Operating Revenue, Net</b>	11,183	333,458	100	11,058	343,380	100	126	1%			
Operating Cost	-3,000	-89,452	-27	-3,664	-113,783	-33	664	-18%			
<b>Gross profit</b>	8,183	244,006	73	7,393	229,597	67	790	11%			
<b>Operating Expenses</b>											
Sales expenses	-6,324	-188,575	-56	-6,663	-206,911	-60	338	-5%			
Administrative expenses	-2,085	-62,176	-19	-1,907	-59,231	-17	-178	9%			
R&D expenses	-2,595	-77,390	-23	-2,043	-63,439	-19	-553	27%			
Expected credit impairment loss	-80	-2,385	-1	-672	-20,872	-6	592	-88%			
<b>Total operating Expenses</b>	-11,085	-330,526	-99	-11,285	-350,453	-102	200	-2%			
<b>Operating (Loss) Income</b>	-2,902	-86,520	-26	-3,892	-120,856	-35	990	-25%			
Non-operating Income & Expenses											
Other income	24	727	0	30	934	0	-6	-19%			
Interest income	125	3,728	1	157	4,878	2	-32	-20%			
Exchange gain (loss), net	-6	-177	0	-34	-1,054	0	28	-83%			
(Loss) Income on Financial assets at fair value through profit or loss	6	174	0	26	814	0	-20	-78%			
Finance Costs	-89	-2,646	-1	-87	-2,709	-1	-2	2%			
Loss on disposal assets	-3	-103	0	0	0	0	-3	100%			
Other expense	-10	-299	0	-9	-273	0	-1	14%			
<b>Total Non-operating Income &amp; (Exp)</b>	47	1,404	0	83	2,590	1	-36	-44%			
<b>(Loss) Income before income tax</b>	-2,855	-85,116	-26	-3,808	-118,266	-34	954	-25%			
Income tax expense	-449	-13,392	-4	-172	-5,342	-2	-277	161%			
<b>Consolidated Net (Loss) Income</b>	-3,304	-98,508	-30	-3,980	-123,608	-36	677	-17%			
EPS - Basic (NT\$)		-2.00			-2.45						

## Q3., FY20 Financial Highlights



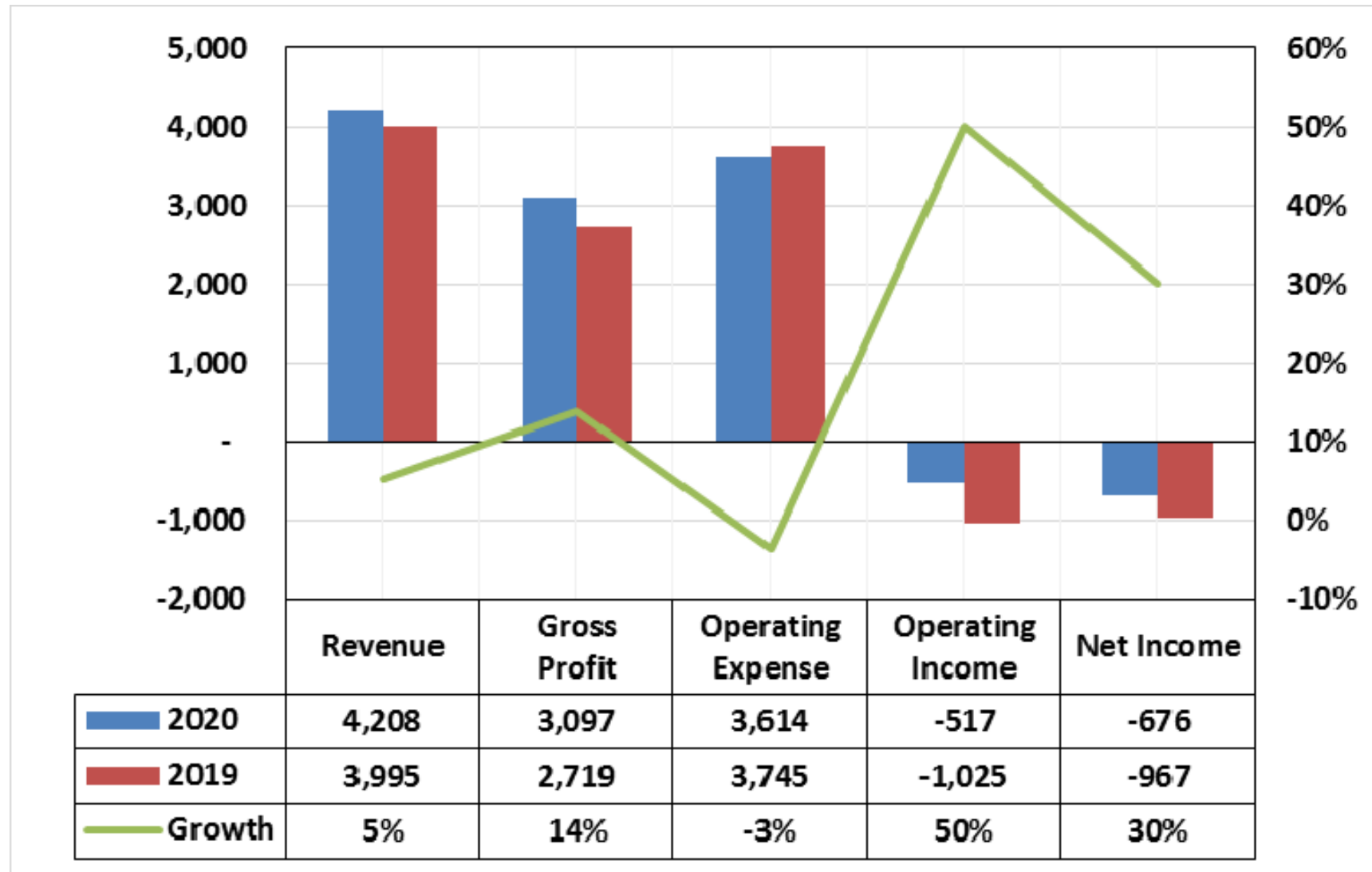
### Q3., FY20 results

- **USD\$4.208M (NT\$124M) in revenue**
- **74% gross profit margin**
- **5% Q3 USD revenue increase vs. Q3 2019**
- **21% revenue growth in SSL VPN (SPX/AG) product vs. Q3 2019**
- **15% Q3 revenue growth in Japan vs. Q3 2019**
- **Operating Expense USD\$3.614M (NT\$106M) ); decrease of 3% vs. Q3 2019**
- **Operating loss decreased by 50% vs. Q3 2019**
- **Net Loss for Q3 is US\$676M (NT\$20M); decrease of 30% vs. Q3 2019**

# Q3 - Growth Trends FY20 vs. FY19



(US\$1,000)



# Statements of Comprehensive Income

## – Q3, FY20 & Q3, FY19



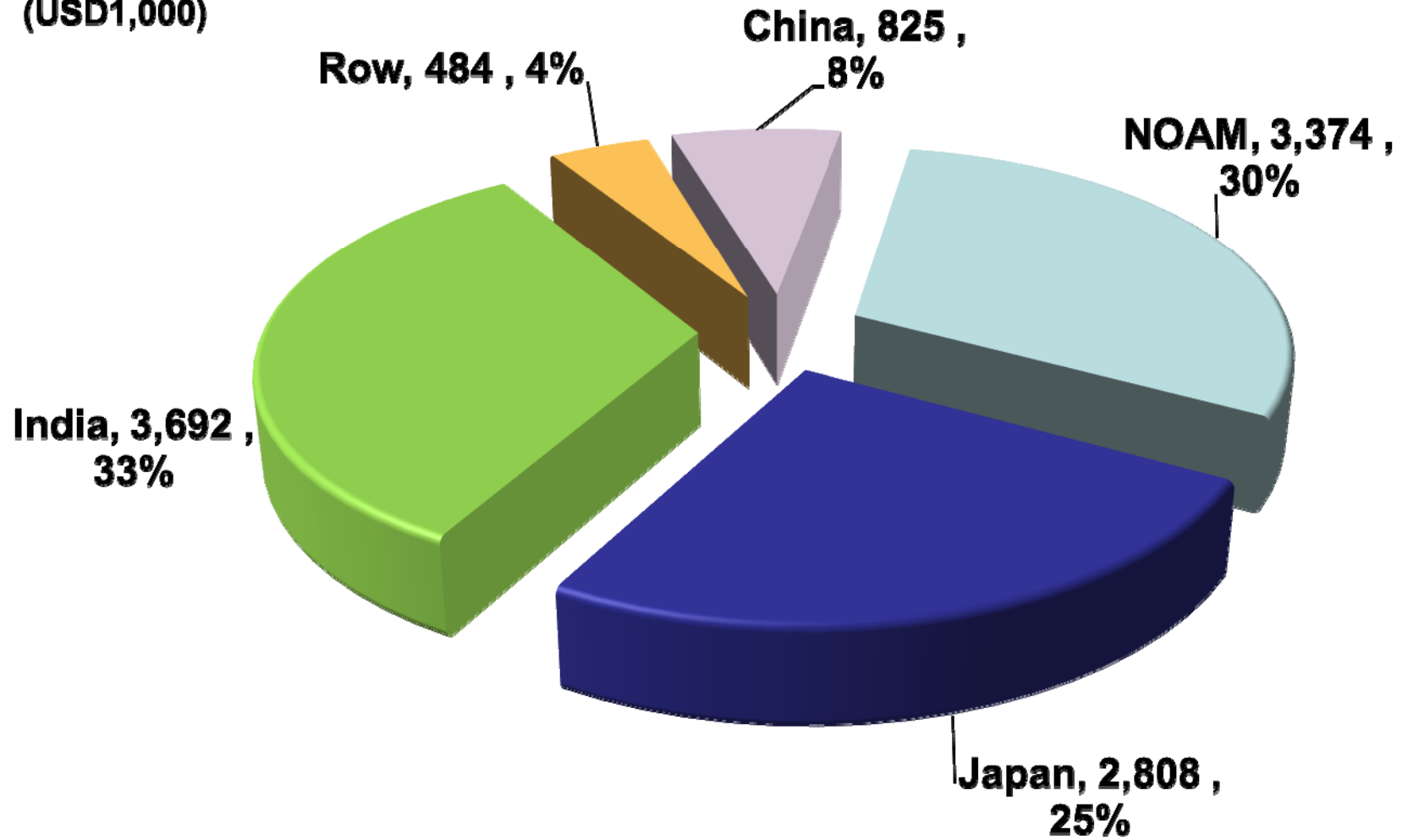
USD-TWD Average Rate	2020/9/30 29.817			2019/9/30 31.054			Comparison (US\$ base)	
	Q3, 2020			Q3, 2019			Q3 20 vs Q3 19	Q/Q Change
	(US\$1,000)	(NT\$1,000)	% of Rev.	(US\$1,000)	(NT\$1,000)	% of Rev.		
<b>Operating Revenues</b>	4,208	124,199	100	3,995	124,572	100	213	5%
Sales Returns and Allowances	0	0	-	0	0	-	0	0%
<b>Operating Revenue, Net</b>	4,208	124,199	100	3,995	124,572	100	213	5%
Operating Cost	-1,112	-32,806	-26	-1,276	-39,794	-32	164	-13%
<b>Gross profit</b>	3,097	91,393	74	2,719	84,778	68	377	14%
<b>Operating Expenses</b>								
Sales expenses	-2,128	-62,664	-50	-2,298	-71,664	-58	170	-7%
Administrative expenses	-656	-19,300	-16	-564	-17,602	-14	-92	16%
R&D expenses	-830	-24,423	-20	-674	-21,029	-17	-156	23%
Expected credit impairment loss	0	15	0	-209	-6,529	-5	209	-100%
<b>Total operating Expenses</b>	-3,614	-106,372	-86	-3,745	-116,824	-94	131	-3%
<b>Operating (Loss) Income</b>	-517	-14,979	-12	-1,025	-32,046	-26	508	-50%
Non-operating Income & Expenses								
Other income	0	-4	0	10	306	1	-10	-100%
Interest income	37	1,100	1	50	1,545	1	-12	-24%
Exchange gain (loss), net	-12	-366	0	-1	-45	0	-11	789%
(Loss) Income on Financial assets at fair value through profit or loss	0	1	0	8	253	0	-8	-99%
Finance Costs	-29	-853	-1	-32	-988	-1	3	-9%
Loss on disposal assets	-3	-103	0	0	0	0	-3	100%
Other expense	-3	-101	0	-5	-168	0	2	-37%
<b>Total Non-operating Income &amp; (Exp)</b>	-11	-326	0	29	903	1	-40	-137%
<b>(Loss) Income before income tax</b>	-528	-15,305	-12	-996	-31,143	-25	469	-47%
Income tax expense	-148	-4,351	-4	29	893	1	-177	-606%
<b>Consolidated Net (Loss) Income</b>	-676	-19,656	-16	-967	-30,250	-24	292	-30%
<b>EPS - Basic (NT\$)</b>		-0.40			-0.61			



# Q1-Q3, FY20 Revenue By Region



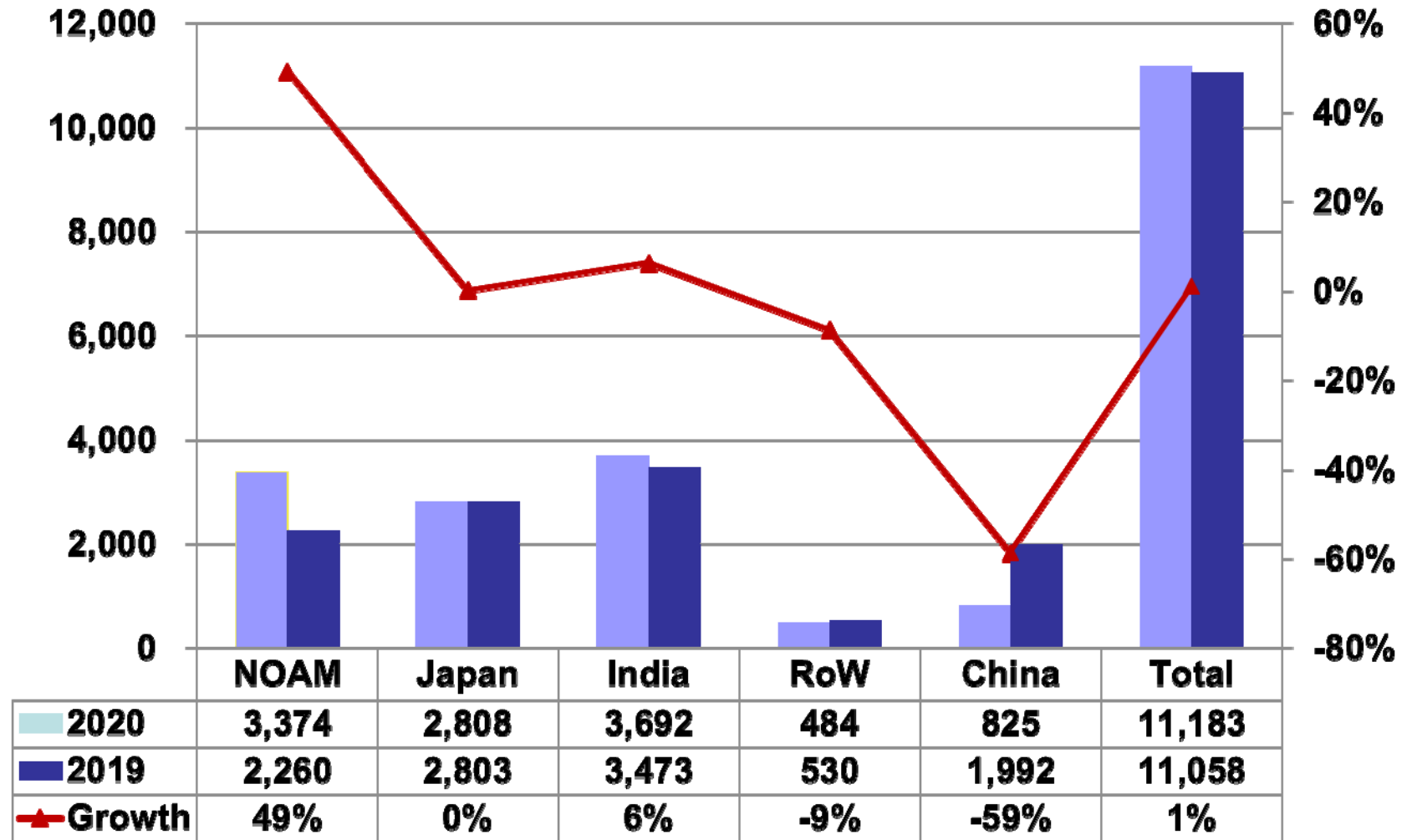
(USD1,000)



# Growth by Region – Q1-Q3, FY20 vs. FY19



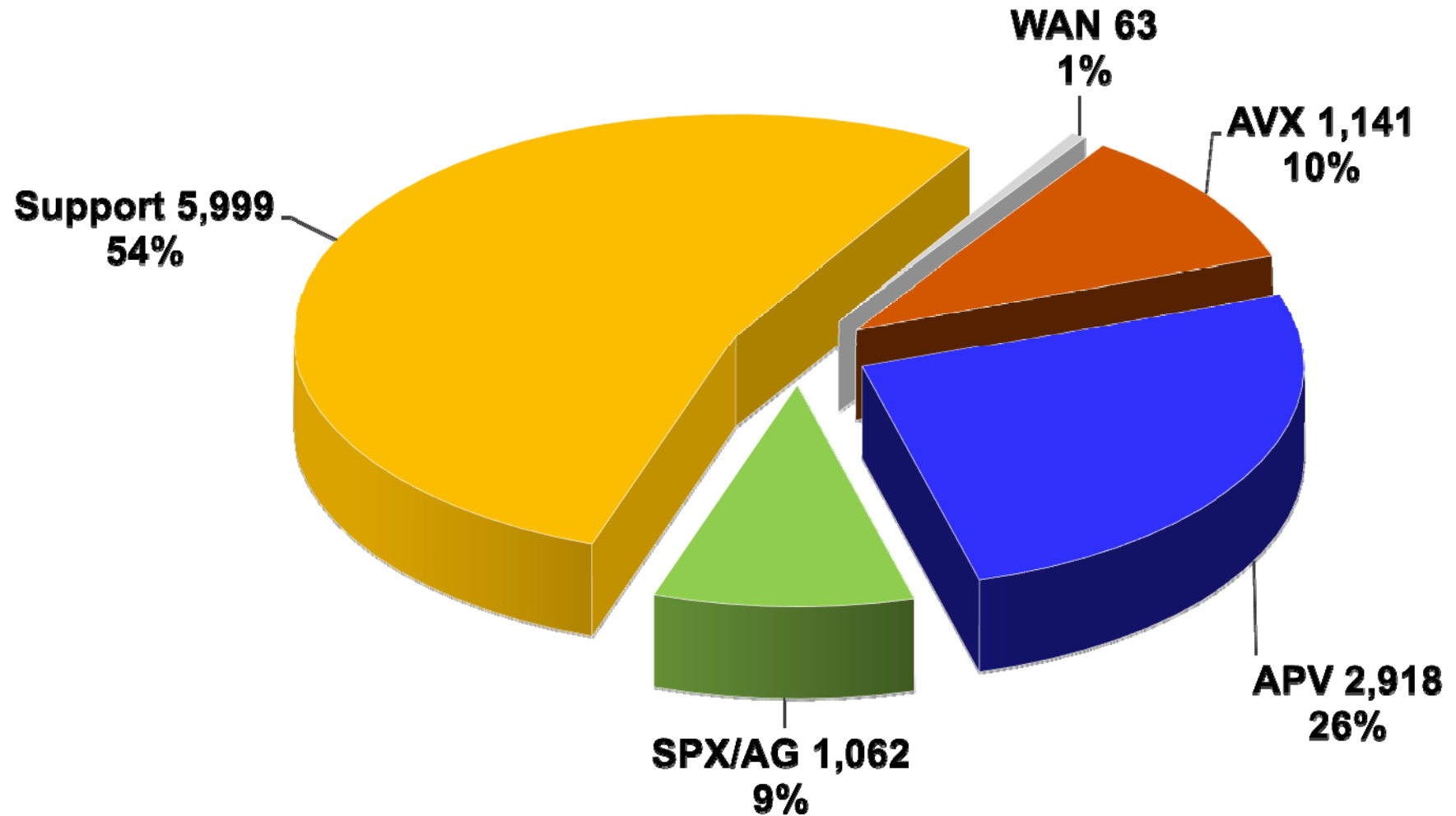
(USD1,000)



# Q1-Q3, FY20 Revenue By Product



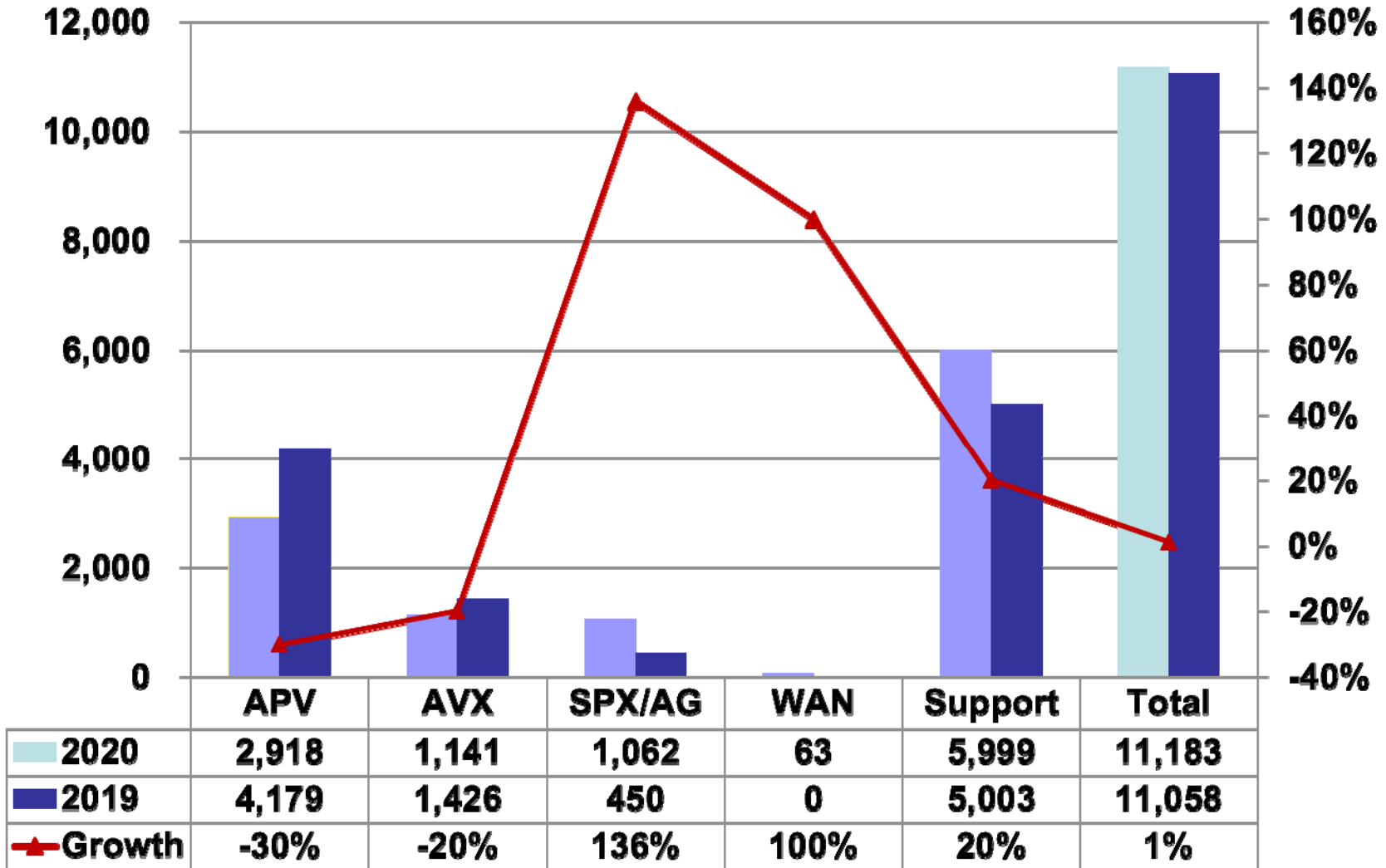
(USD1,000)



# Performance By Product Q1-Q3, FY20 vs. FY19



(USD1,000)



## Operating Expense Growth Q1-Q3, FY20 vs. FY19



(USD1,000)

	2020	2019	Growth
Headcount	104	92	13%
IFRS Operating Expense	11,085	11,285	-2%
Option Expense	95	92	4%
Additional AR Reserve	80	672	-88%
Operating exp. (Excluded AR reserve & Option exp.)	10,910	10,521	4%

# Balance Sheet - Assets



USD-TWD Ending Rate	29.100			29.980			31.040		
	2020.9.30			2019.12.31			2019.9.30		
	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
<b>Current Assets</b>									
Cash and cash equivalents	\$10,809	314,541	33	\$8,184	245,350	22	\$11,693	362,961	34
Financial assets at fair value through profit or loss—current	1,664	48,413	5	1,658	49,702	5	1,651	51,252	5
Financial assets measured at amortized cost - current	5,056	147,138	15	5,085	152,451	14	0	0	0
Accounts receivables	6,582	191,525	20	8,937	267,941	25	8,545	265,232	25
Accounts receivables-related parties	0	0	0	2,050	61,470	6	2,176	67,540	6
Other receivables	0	0	0	1,573	47,146	4	0	0	0
Inventory	1,576	45,856	5	1,423	42,648	4	1,628	50,540	4
Other current assets	470	13,682	2	481	14,464	1	640	19,872	2
<b>Total of current assets</b>	<b>26,157</b>	<b>761,155</b>	<b>80</b>	<b>29,391</b>	<b>881,172</b>	<b>81</b>	<b>26,334</b>	<b>817,397</b>	<b>76</b>
<b>Non-current assets</b>									
Financial assets at fair value through other comprehensive income – non-current	0	0	0	0	0	0	1,260	39,110	4
Property, plant and equipment	773	22,489	2	768	23,000	2	838	26,014	2
Right-of-use asset	2,056	59,842	6	2,200	65,962	6	2,306	71,579	7
<b>Intangible Assets</b>									
Computer software	119	3,460	0	217	6,510	1	87	2,708	0
Goodwill	3,521	102,459	11	3,521	105,558	10	3,521	109,290	10
Deferred income tax assets	125	3,639	1	123	3,680	0	150	4,667	1
Other non-current assets	66	1,930	0	66	1,988	0	66	2,058	0
<b>Total of non-current assets</b>	<b>6,660</b>	<b>193,819</b>	<b>20</b>	<b>6,896</b>	<b>206,698</b>	<b>19</b>	<b>8,229</b>	<b>255,426</b>	<b>24</b>
<b>Total Assets</b>	<b>\$32,817</b>	<b>\$954,974</b>	<b>100</b>	<b>\$36,287</b>	<b>\$1,087,870</b>	<b>100</b>	<b>\$34,563</b>	<b>\$1,072,823</b>	<b>100</b>

# Balance Sheet – Liabilities & Equity



USD-TWD Ending Rate	29.100			29.980			31.040		
	2020.9.30			2019.12.31			2019.9.30		
	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%	US\$1,000	NT\$1,000	%
<b>Current Liabilities</b>									
Accounts payable	\$461	\$13,421	2	\$745	\$22,304	2	\$578	\$17,950	2
Contract liability- current	5,185	150,896	16	5,709	171,157	16	5,255	163,103	15
Income Taxes payable	68	1,967	0	67	2,019	0	30	932	0
Lease liabilities- current	363	10,574	1	347	10,394	1	353	10,950	1
Other payables	1,466	42,650	5	1,351	40,502	4	1,095	33,980	3
Long-Term Liabilities-Current Portion	735	21,387	2	0	0	0	0	0	0
Other current liabilities	65	1,884	0	86	2,570	0	84	2,622	0
<b>Total current liabilities</b>	<b>8,343</b>	<b>242,779</b>	<b>26</b>	<b>8,305</b>	<b>248,946</b>	<b>23</b>	<b>7,395</b>	<b>229,537</b>	<b>21</b>
<b>Non-current liabilities</b>									
Long-term loans payable	\$468	\$13,610	1	\$0	\$0	0	\$0	\$0	1
Contract liability non-current	3,902	113,551	12	4,554	136,521	13	3,964	123,040	12
Lease liabilities non-current	1,886	54,888	6	2,004	60,077	5	2,084	64,674	6
Other non-current liabilities	106	3,081	0	102	3,047	0	105	3,280	0
<b>Total non-current liabilities</b>	<b>6,362</b>	<b>185,130</b>	<b>19</b>	<b>6,659</b>	<b>199,645</b>	<b>18</b>	<b>6,153</b>	<b>190,994</b>	<b>18</b>
<b>Total Liabilities</b>	<b>14,705</b>	<b>427,909</b>	<b>45</b>	<b>14,964</b>	<b>448,591</b>	<b>41</b>	<b>13,548</b>	<b>420,531</b>	<b>39</b>
<b>Equity attributable to owners of the parent</b>									
Capital	15,769	510,983	53	15,769	510,983	47	15,769	510,983	48
Capital surplus	10,072	342,077	36	9,976	339,230	31	9,944	338,239	31
Retained earnings									
Legal reserve	339	10,535	1	339	10,535	1	339	10,535	1
Special reserve	21	134	0	20	134	0	21	134	0
Unappropriated retained earnings	(7,251)	(223,741)	(23)	(3,948)	(125,233)	(11)	(4,440)	(140,828)	(13)
Other Equity	(150)	(91,435)	(10)	(147)	(74,882)	(7)	41	(46,143)	(4)
Treasury Stock	(687)	(21,488)	(2)	(687)	(21,488)	(2)	(659)	(20,628)	(2)
<b>Total Equity</b>	<b>18,112</b>	<b>527,065</b>	<b>55</b>	<b>21,322</b>	<b>639,279</b>	<b>59</b>	<b>21,015</b>	<b>652,292</b>	<b>61</b>
<b>Total 'Liabilities and Equity</b>	<b>\$32,817</b>	<b>\$954,974</b>	<b>100</b>	<b>\$36,287</b>	<b>\$1,087,870</b>	<b>100</b>	<b>\$34,562</b>	<b>\$1,072,823</b>	<b>100</b>

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**THANK YOU!**