

GLOBALTEK

Unite as One

Investor Presentation

December 2018

Agenda

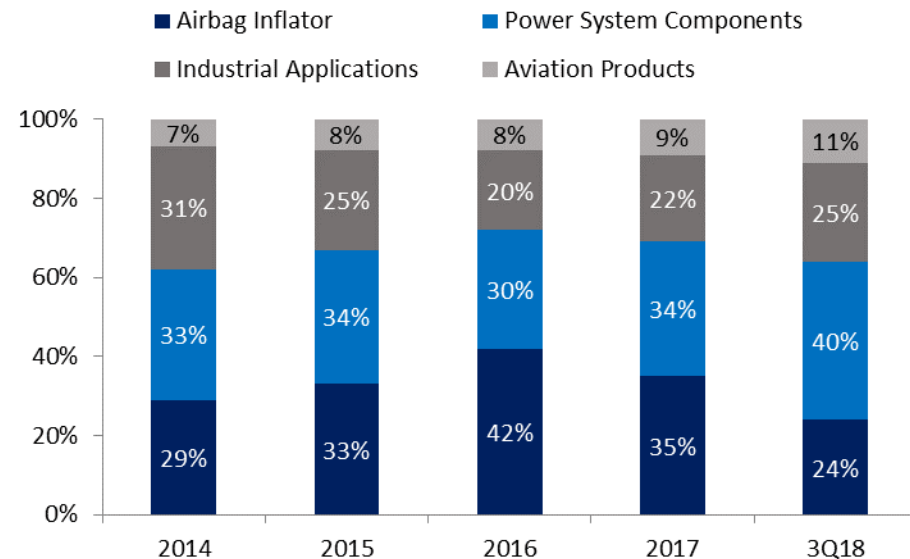
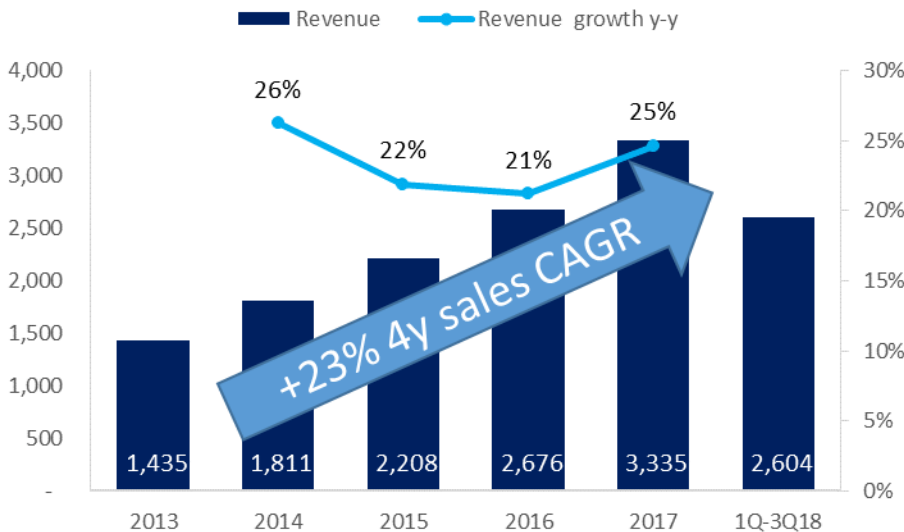
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- 03 The Global Tek Alliance
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Automotive Safety System
(Airbag Inflators)

Global Tek - A Niche Machining Expert

- Founded in 2000 & Listed on TWSE on Feb. 5th, 2018 (Ticker: 4566 TT)
- Employees: 900+
- Founders + management team shareholdings are more than 50%
- Revenue: NT\$3.3bn in 2017 with +23% 2013-17 sales CAGR
- Products: Precision metal machining for airbag inflator, powertrain system components, industrial applications and aviation products



Source: TEJ and Global Tek

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Target Niche Markets Fuel Sales Growth



Powertrain System
Components

Auto Industry Trends Favor Powertrain Sales Growth

Our powertrain products enhance fuel efficiency and are used in enhanced ICE and electrified drivetrains automobiles:

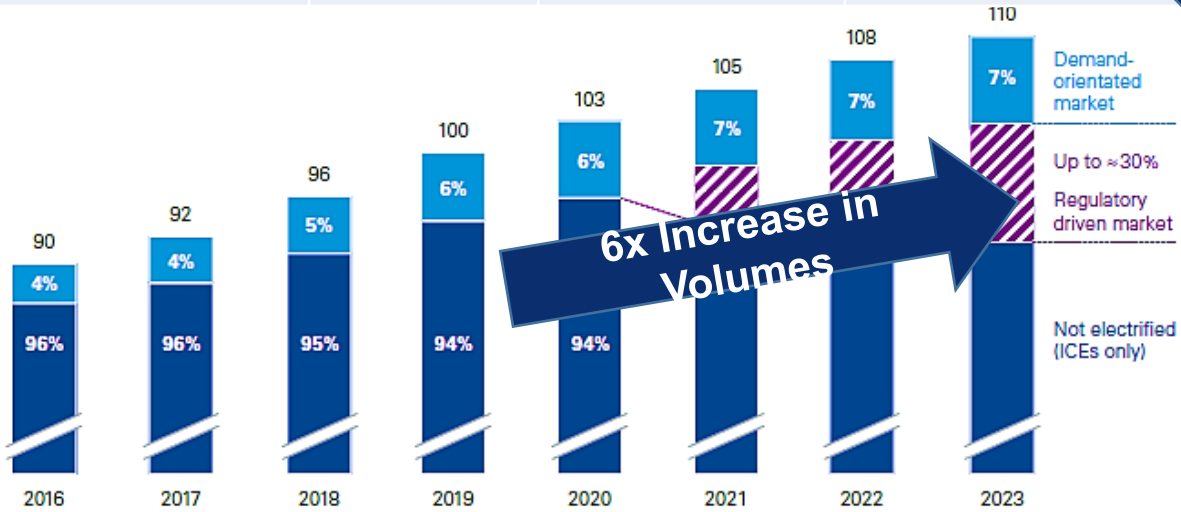
- Dual Clutch Transmissions (DCT) improve fuel economy by 5~15%
- Overrunning Alternator Decoupling (OAD) Systems improve fuel economy by 5%
- Crankshaft vibration dampers are used in three-cylinder engines and hybrid cars

Government Mandated Fuel Consumption Targets for Passenger Cars

Liters per 100km	EU	US	China
2015	5.6	7.4	6.9
2025	3-3.4	4.7	4

Avg. 5% reduction per year

[in m units]



● Internal combustion engines (ICEs) only ● All electrified drivetrains (FCEVs, BEVs, PHEVs, HEVs) ≡ Adjusted scale for better visibility

Our Product Portfolio

Airbag Inflator (24% 3Q18 sales)

Key components, including igniter, diffuser and sealing & inflator subassembly



Powertrain System components (40% 3Q18 sales)

Hybrid and Three-Cylinder Engine Compatible:

- OAD and basfilter
- Crankshaft damper/pulley
- Vacuum pump component
- DCT: Dual-Clutch Transmission components
- Modular camshaft head and tailstock



Industrial Applications (25% 3Q18 sales)

- Oil refinery industrial instruments
- Semiconductor wafer fab instruments
- High-end bicycle suspension and transmission systems



Aviation Products (11% 3Q18 sales)

- Landing gear
- Engine accessories
- Flight control actuator components
- Proximity sensor components



Continuous Growth on End Demand

Airbag Inflator



- Average # of airbags per car to increase to 5.2 by 2020 from 3.5 in 2014.
- Global Airbag market to grow at 4% pa, reaching US\$5bn by 2021
- Includes knee, side, frontal, external and curtain airbags

Powertrain System Components



- Emission reduction
- Engine downsizing
- Increasing clean energy vehicles
- Out of 2023's 110mn global vehicles, **30%** are expected to be Advanced ICEs (down-sized w/turbo)
- **7%** are expected to be clean energy vehicles vs. 5% in 2018

Industrial Applications



- Rising capex at IC Fabs & Oil Refineries
- High end and electric bicycles
- Global Semi capex for $\leq 10\text{nm}$ to grow at a **21% CAGR** from 2020-25
- WW bicycle mkt to grow at a **4% CAGR** from 2018-26

Aviation Products



- New aircraft demand
- LEAP engine rising penetration
- Global aircraft volume to grow at a **4% CAGR** between 2016 and 2036

Source: GIA, IHS, SEMI, Persistence Market Research, Airbus and Boeing

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Tier 1 Customer Portfolio

Airbag Inflator

In-plant integration



Powertrain System Components

In-house capacity



Industrial Applications

In-plant integration



Aviation Products

In-house capacity



Our customers have a 65%+ share of the global airbag market

Note: Key Safety Systems (KSS) acquired the global assets of Japan-based Takata Corporation in April 2018, with financial backing from KSS parent Joyson Electronics (based in Ningbo, China), PAG, an Asia based private equity firm and the Future Industry Investment Fund ("SDIC").

Superior Track Record of Client



Best Supplier Award
2001-2008



Group Annual Supplier Award for 10 straight years
2002-2012



Best Supplier Award
2009-2010



Outstanding Supplier Award
2009



Annual Performance Supplier Award
2011



Annual Merit Supplier Award
2012



Outstanding Quality Award
2012



Approved as a Supplier of Control Systems
2012



Best Supplier, Drive Line Systems
2013



Best Supplier, Drive Line Systems
2013



Annual International Excellent Service Award
2013



Outstanding Supplier Award
2013



Outstanding Progress Award
2015



Outstanding Cooperation Award
2015



Outstanding Quality Award
2016

The Global Tek Alliance

“All for one, one for all”
- Alexandre Dumas, The Three Musketeers



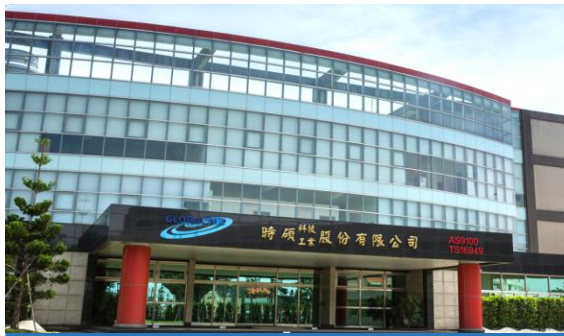
Balanced Deployment of Manufacturing Resources

In-plant integration

Taiwan – Xinwu Factory

40% total sales (2017)

340 employees



Quality system:



Specialization:

Automotive
Industrial
Aviation

Core processes:

Dewaxing casting
CNC machining

China – Wuxi Factory

52% total sales (2017)

444 employees



Quality system:



Specialization:

Automotive

Core processes:

Forging / Bar stock
CNC machining

In-house capacity

China – Xi'an Factory

8% total sales (2017)

130 employees



Quality system:



Specialization:

Industrial
Aviation

Core processes:

CNC machining

In-House + In-Plant = GLOBALTEK Alliance

Growth Engine #1 : In-House Capability

- ◆ Targeting complex and critical components
- ◆ Powertrain and aviation product manufacturing

Improving Gross Margin

Increasing Cash Flow

Growth Engine #2 : In-Plant Integration

- ◆ Targeting less complex components
- ◆ Industrial and airbag-related products
- ◆ Supply chain resource management



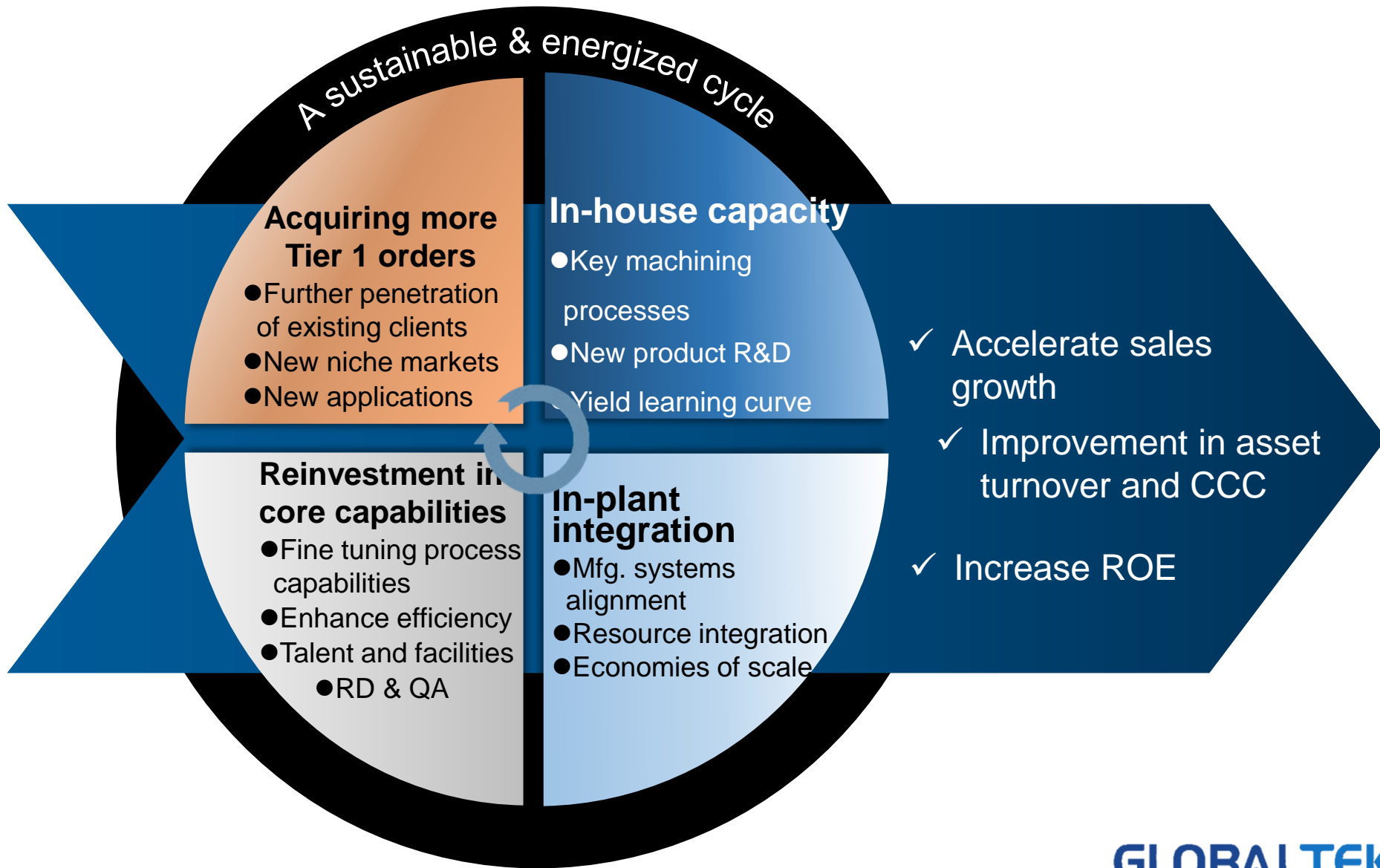
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Execution



Industrial Instrumentation

Synergies of the GLOBALTEK Alliance



Global Tek Execution Plan

Learning and growth

- Dedicated, centralized **R&D and Quality Assurance**
- Utilize **Cross Functional Team** structure to create a learning organization
- Maintain **3% R&D intensity**

Capacity Expansion

- **In-House:**
 - i) Expand core machining capacity
 - ii) Industry 4.0 + Automation
- **In-Plant Integration:**
 - i) Strengthen supply chain partnerships
 - ii) Seek M&A targets in forging, stamping, surface & heat treatment

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Financial Goals

- **Sales Growth:** maximize revenue from existing clients & explore niche markets
- **Profitability Improvement:** reduce OPEX rate to below 15% by 2023
- **Target Higher ROE:** increase asset turnover and financial leverage

Customer Acquisition

- **Client Focus:** large volume with 15%+ gross margin and medium volume with 30%+ gross margin
- **New Niche Markets:** mid-size clients requiring complex machining processes, such as high-end durable goods & medical devices
- **Provide Extra Services:** from machining & stamping to subassembly

Cross Functional Team integrates sales, engineering, manufacturing, quality and logistics

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GLOBALTEK Winning Formula



Investment in Superior Human Resources

41% of employees are college graduates, R&D staff are 5% of total work force and 11% of R&D staff have a Master's degree or above



Supply Chain Collaboration

Share resources with supply chain partners; pre-emptively invest in in-house capacity and in-plant integration



Efficient Working Capital Management









Lower AR days, longer AP days and an 82% asset turnover ratio result in a shorter cash conversion cycle than our peers



Build a Defendable Niche in Our Focus Markets

Form strategic partnerships with top-five clients in each niche market and support them with the cross function team structure and agility

Experienced Management Team

Name and Position	Function	Years in Industry	Education/Experience
 Donald Huang Chairman and CEO	Pursue lean spirit and learning organization culture, embed company's vision and strategy	32	<ul style="list-style-type: none"> ■ National Taiwan University EMBA ■ Co-Founders & Associate General Manager of Primax (4915 TT)
 Jonathan Lo Executive VP	Xinwu Factory General Manager	16	<ul style="list-style-type: none"> ■ Taiwan Feng Chia University, MS in Mechanical Engineering ■ VP of Snap-On, Zhejiang (SNA US)
 Ken Liu Auto Group GM	Wuxi Factory General Manager	15	<ul style="list-style-type: none"> ■ Taiwan Chung Yuan Christian University, MS in Biomedical Engineering
 Yong Yang Director	Xi'an Factory plant Head	29	<ul style="list-style-type: none"> ■ China Xi'an Jiaotong University, BS in Mechanical Engineering
 Mike Chang Director	Automotive Division Head	30	<ul style="list-style-type: none"> ■ Taiwan Chang Gung University, MBA ■ Manager, Global PMX (4551 TT)
 Ari Chang Director	Aviation Division Head	21	<ul style="list-style-type: none"> ■ Lawrence Technological University, USA MS in Automotive engineering ■ Manager of FOX factory, Tung Pei Industrial
 David Chan Director	Industrial Division Head	23	<ul style="list-style-type: none"> ■ Imperial College of Medicine, UK MS in Mechanical Engineering ■ VP of Lorom Industrial
 Lewis Yeh CFO	Financial Division Head	30	<ul style="list-style-type: none"> ■ National Taiwan University EMBA ■ CFO of Cyber Power Systems (3617 TT)

Robust Financial Performance



Aviation Products

3Q18 Review and 2H18 Outlook

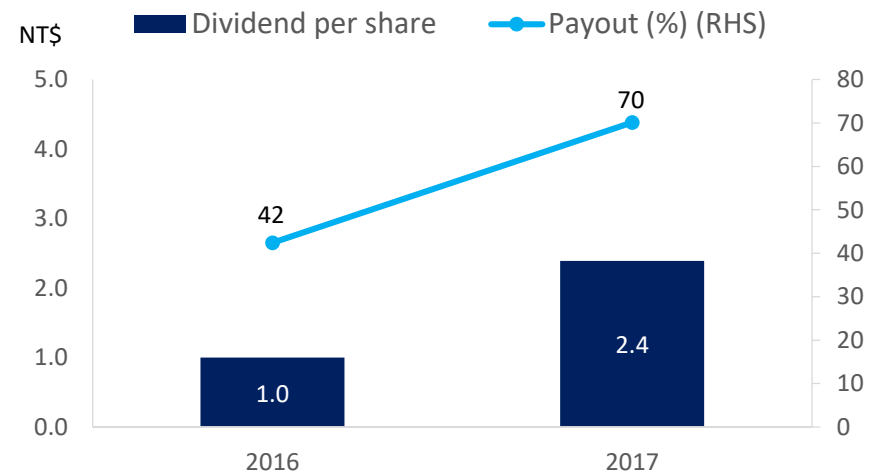
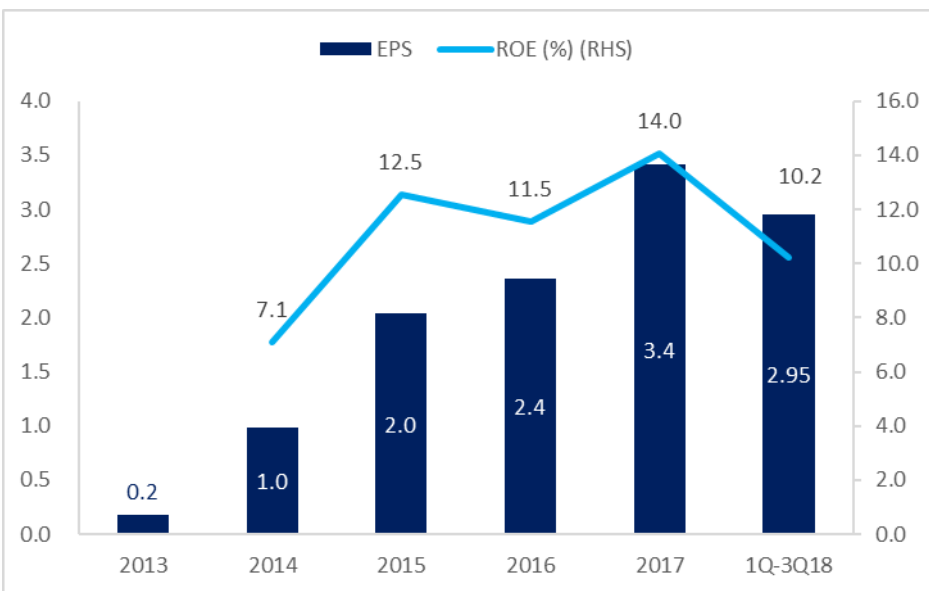
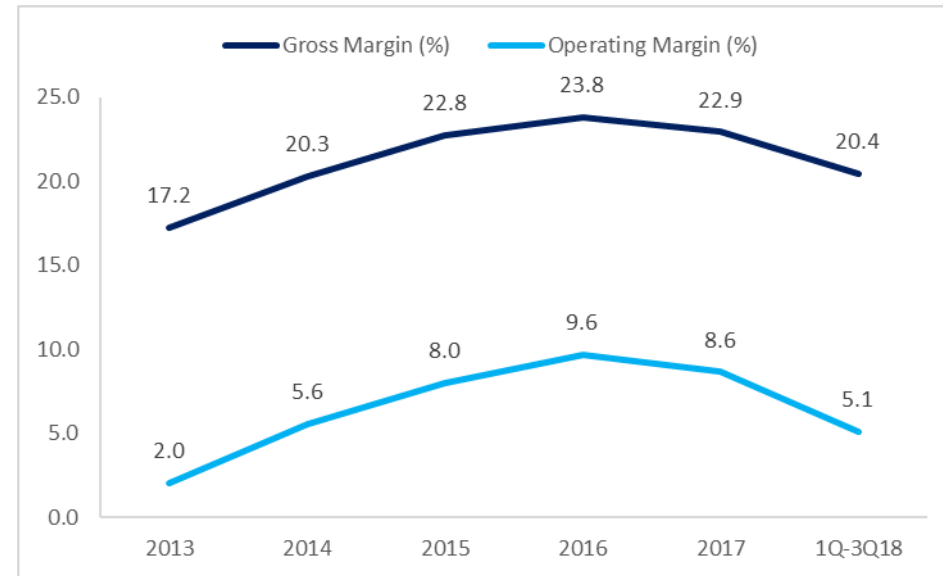
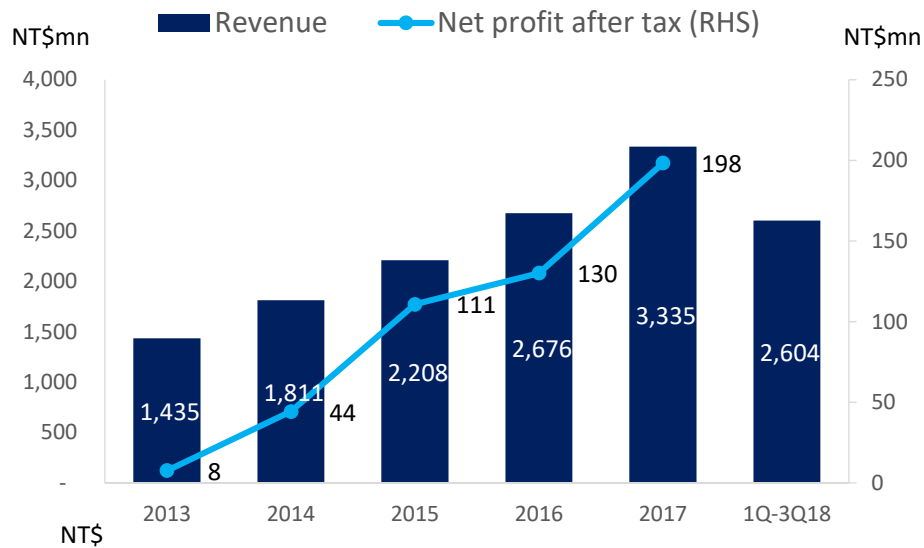
3Q18 Review

- Revenue was NT\$2.6bn., up 4% YoY.
 - Airbag inflator sales declined 36% YoY, due to an higher 2017 base (Takata recall-related demand) and due to Takata/KSS order adjustments in 2018.
 - Sales from Powertrain Systems, Industrial Applications and Aviation **grew 30%, 18% and 57% YoY** respectively.
- Gross margin decreased to 20% from 3Q17's 23%, due to NT\$ and RMB strength vs the US\$, rising raw material prices and changes in product mix.
- Operating margin decreased to 5% from 3Q17's 7%, due to the lower gross margin and due to set up expenses for the Germany office (future EU sales HQ).
- Non-op income was NT\$1448mn, up 349% YoY, due to disposal of land assets and FX gains.
- Net income was NT\$191mn, up 23% YoY.

2H18 Outlook

- The Takata/KSS order adjustment process is expected to last through 4Q18.
- The demand outlook for Powertrain, Industrial and Aviation products is strong.
- We expect gross margin to improve due to manufacturing efficiency improvements and RMB/NT\$ depreciation.

Financial Highlights



Source: TEJ and Capital IQ

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2013-3Q18 Income Statement

NT\$m	2013	2014	2015	2016	2017	1Q-3Q18	YoY (%)				
							2014	2015	2016	2017	1Q-3Q18
Revenue	1,435	1,811	2,208	2,676	3,335	2,604	26.3	21.9	21.2	24.6	4.4
Gross Profit	247	368	502	637	764	532	48.8	36.6	26.9	19.9	-6.5
Operating Expenses	-218	-267	-326	-379	-476	-399	22.3	22.0	16.4	25.6	2.7
Operating Profit	29	101	177	258	288	133	248.8	75.3	46.1	11.5	-26.4
Pretax Income	38	69	142	205	291	278	84.0	104.6	44.1	41.9	24.9
Tax Expenses	-31	-26	-31	-75	-92	-87	-14.5	19.6	138.2	23.4	30.4
Net Income to Parent	8	44	111	130	198	191	476.8	150.0	17.4	52.5	22.6
Basic EPS (NT\$)	0.18	0.98	2.04	2.36	3.41	2.95	444.4	108.2	15.7	44.5	8.9
Key Financial Ratios (%)											
Gross Margin	17.2	20.3	22.8	23.8	22.9	20.4					
Operating Expense Ratio	15.2	14.7	14.8	14.2	14.3	15.3					
Operating Margin	2.0	5.6	8.0	9.6	8.6	5.1					
Effect Tax Rate	81.3	37.8	22.1	36.5	31.8	31.2					
Net Margin	0.5	2.4	5.0	4.9	5.9	7.3					

Source: TEJ and Capital IQ

2013-3Q18 Balance Sheet

NT\$m	2013	2014	2015	2016	2017	3Q18	YoY (%)				
							2014	2015	2016	2017	3Q18
Total Assets	1,745	2,208	2,422	3,002	4,052	4,451	26.5	9.7	24.0	35.0	12.2
Cash	103	200	279	502	670	874	93.8	39.6	80.4	33.4	9.6
AR & NR	434	616	606	732	936	926	41.9	-1.6	20.8	28.0	5.9
Inventories	290	384	426	484	714	821	32.4	11.1	13.5	47.5	23.2
Fixed Assets	811	739	820	800	844	833	-9.0	11.0	-2.4	5.5	2.4
Total Liabilities	1,176	1,528	1,335	1,837	2,395	2,377	30.0	-12.6	37.6	30.4	0.7
AP & NP	371	412	389	733	692	634	11.0	-5.6	88.4	-5.6	-1.7
Total Equity	569	680	1,087	1,166	1,658	2,074	19.4	59.9	7.3	42.2	29.1
Key Financial Ratios											
A/R Turnover Days	-	104.3	99.6	90.0	90.0	96.6					
Inventory Turnover Days	-	84.0	85.5	80.4	83.8	100.0					
A/P Turnover Days	-	97.7	84.5	99.1	99.7	86.4					
Cash Conversion Days	-	90.6	100.5	71.3	74.1	110.2					
ROE (%)	-	7.1	12.5	11.5	14.0	10.2					
ROA (%)	-	2.2	4.8	4.8	5.6	4.5					
Net debt (cash)/Equity (%)	96.8	98.1	34.6	9.7	28.1	10.6					

Source: TEJ and Capital IQ

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