



GLOBALTEK

Unite as One

Investor Presentation
November 2019

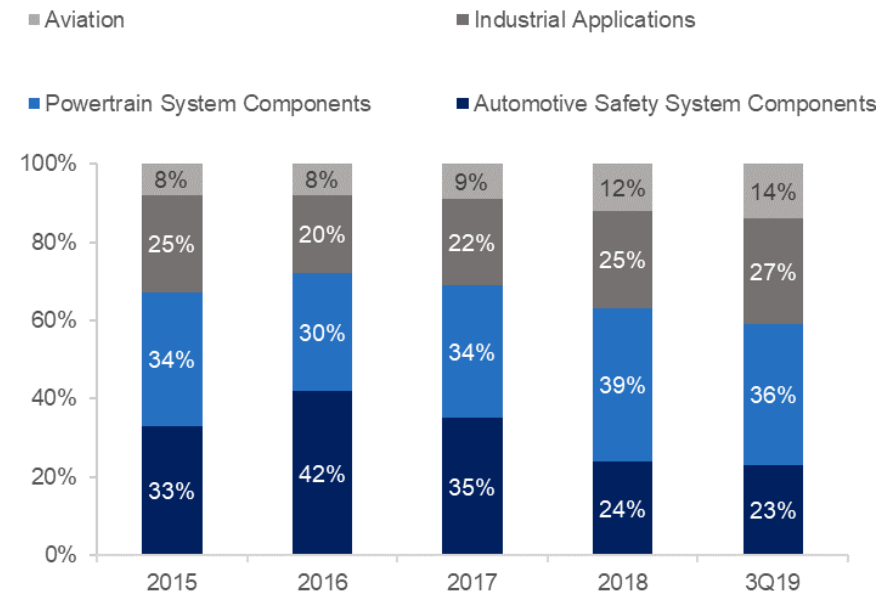
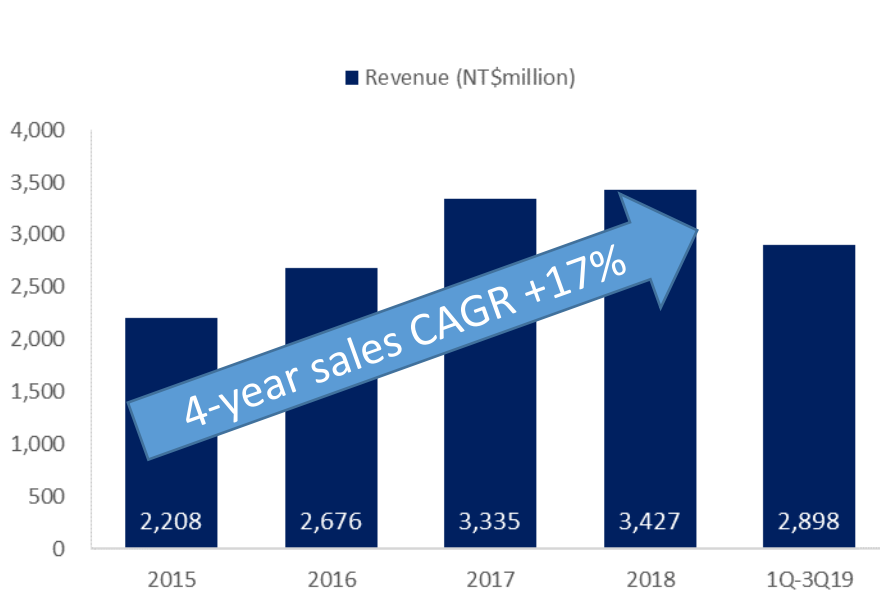


Executive Summary

- ◆ Global Tek manufactures precision-machined metal components for **automotive, industrial and aviation** applications. We attract and retain our customers through the total value proposition of the services we offer.
- ◆ We collaborate with OEM and Tier 1 customers worldwide to develop customized components amidst the **fuel efficiency trend within the Aviation and Automotive** industries. We also target **industrial applications with robust growth momentum**, including high-end bicycles and beverage equipment.
- ◆ We aim to be our world class customers' top strategic partner in each niche market, organically expanding our business through the '**Global Tek Alliance**' – a comprehensive program of vertical integration, horizontal collaboration and supply chain resource management.
- ◆ We will leverage the Global Tek Alliance to maximize synergies between Global Tek and our supply chain partners while strategically **investing in critical proprietary in-house machining capabilities**.
- ◆ With excellent employee quality and balanced resource allocation across Asia, we'll strive to attain annual sales growth **higher than industry growth** and we are committed to maintain a **50%** dividend payout ratio.

An Emerging Leader in The Precision Machining Industry

- Founded in 2000 & Listed on the TWSE on February 5th, 2018 (Ticker: 4566 TT)
- Employees: 800+
- Founders + management team shareholdings are more than 50%
- Revenue: NT\$3.4bn in 2018 with +17% 2014-18 sales CAGR
- Our business: Precision metal machining for automotive safety system components, powertrain system components, industrial applications and aviation



Source: TEJ and Global Tek

Agenda

- 01 Target Niche Markets to Fuel Sales Growth
- 02 The Global Tek Alliance
- 03 Our Goals & Execution Plans
- 04 Robust Financial Performance
- 05 Appendix



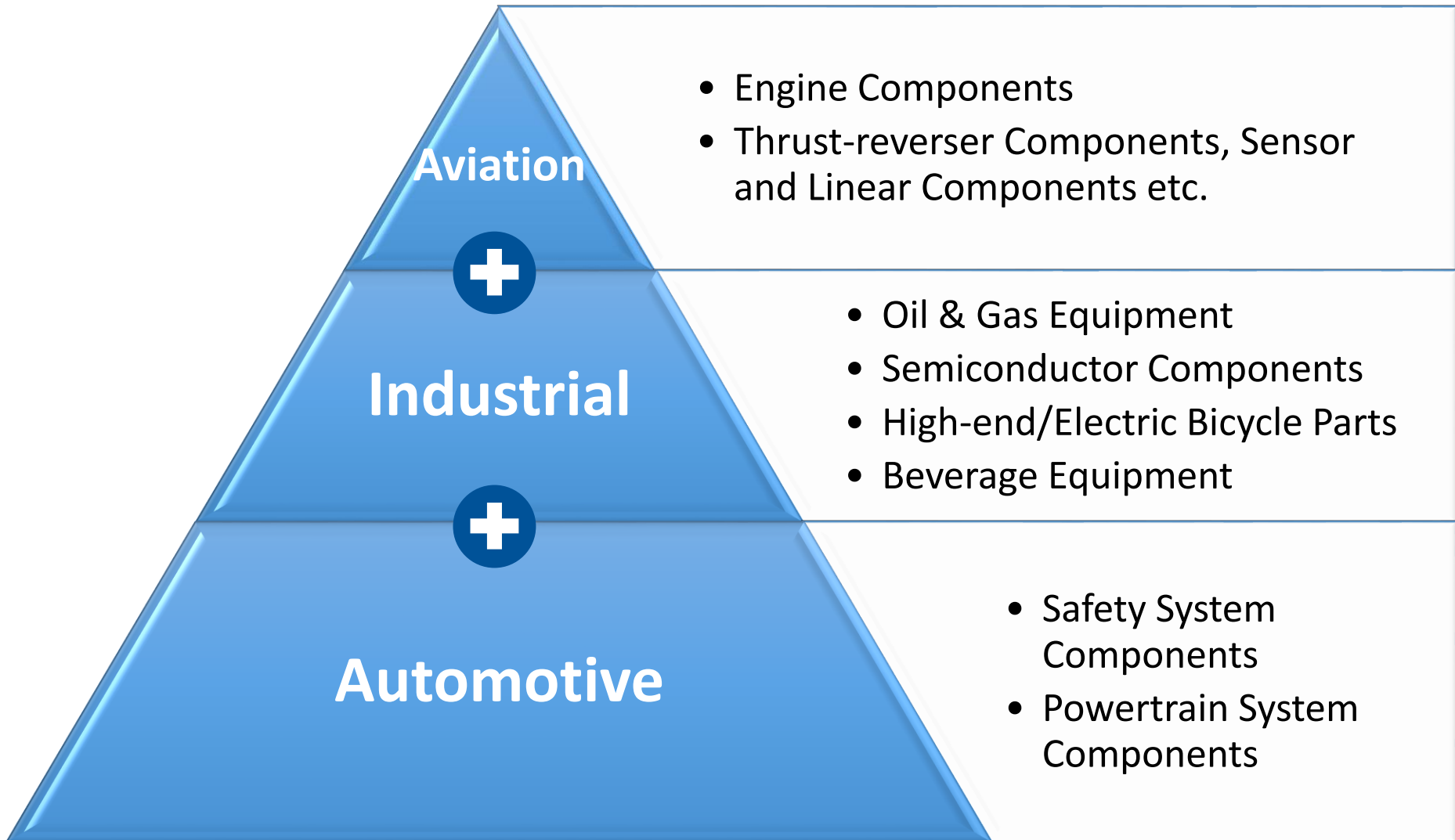
Automotive Safety Systems

Target Niche Markets to Fuel Sales Growth



Powertrain System Components

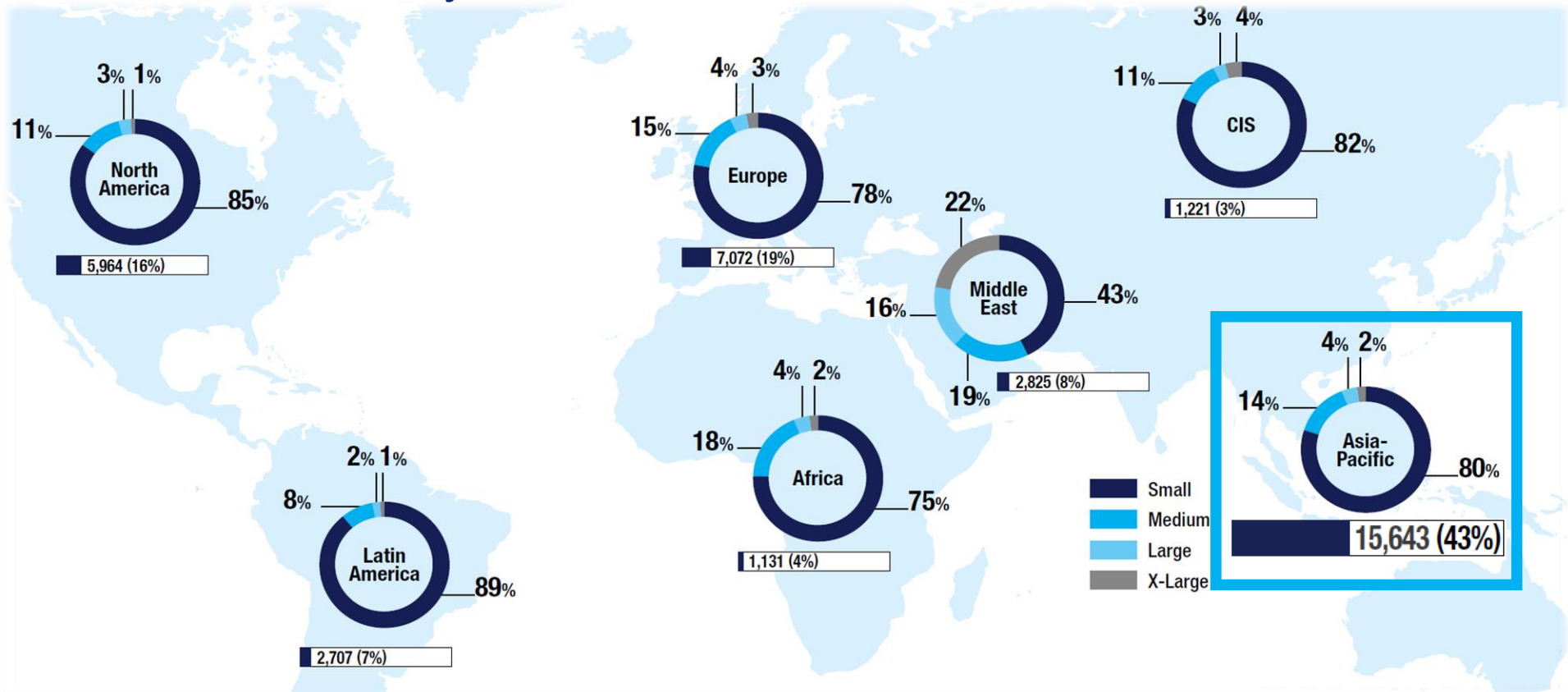
Solid Revenue Foundation



Asia-Pacific and Small Aircraft to Drive Fleet Growth Through 2037

- From 2018-37 global commercial passenger aircraft deliveries are expected to double to **36,563** aircraft per year (4.4% CAGR), reaching a market value of **US\$5.6 trillion**.
- **The Asia Pacific region is expected to account for 43% of the global fleet** versus the current 33% while **small aircraft are projected to account for nearly 80%** of both the global and Asia-Pacific fleets.

Airbus Projections for the 2037 Commercial Airline Fleet



Our Aviation Business Opportunity

- To benefit from the three major trends described below, Global Tek will focus on what big companies don't want to do and what small companies can't do.
- Due to our **strong track record, the word-of-mouth effect and competitive Quality-Cost-Delivery (QCD)**, our team has won crucial orders – including LEAP engine oil server & heat exchange system components and Jack Heads for B787 thrust reversers.

Tier 1 Outsourcing

- OEM cost-reduction initiatives have created pressure for Tier 1 suppliers:
- **Outsourcing increased:** 2011-17 OEM capex CAGR was 2% vs. 11% for key suppliers
- **Pricing pressure also increased:** OEM gross margins rose while supplier margins have been flat
- **The Result:** Tier 1 continue to outsource to Tier 2/3/4 suppliers while **reducing supply sources**
- **The Benefit:** The Global Tek total solution is attracting more orders from new and existing customers

Asia Manufacturing

- Tier 1/2 shifted manufacturing clusters eastward, emphasizing **technological capabilities, quality, cost and delivery**
- Rolls-Royce, Safran, Meggitt and UTC have Manufacturing/MRO facilities in Singapore, Malaysia and China
- Direct material spend in Asia is projected to rise in the next 3~5 years
- Global Tek has certified manufacturing facilities in **China, Taiwan and Malaysia**, as well as a strong track record in aviation component production

LEAP Engine Ramp-Up

- Commercial airlines focus on fuel efficiency to compete with regional low-cost carriers
- Installed on the A320neo and C919, the LEAP engine is the **best selling engine** in aviation history, and is projected to reach annual production of 2k units by 2020
- LEAP engines rank No.1 in new engine deliveries in Asia-Pacific with a greater than **40% market share**
- Global Tek's superior QCD capabilities are resulting in increased order volumes

Source: Bloomberg and Global Tek

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Our Aviation Strategy Roadmap



Our Powertrain Products Echo Auto Industry Trends

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

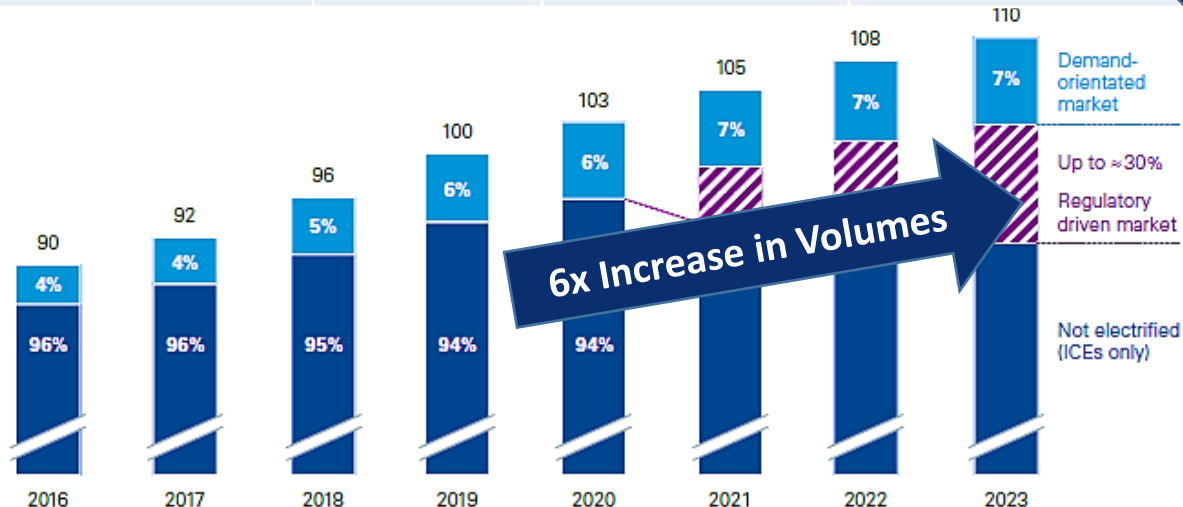
- Dual Clutch Transmissions (DCT) improve fuel economy by 5~15%
- Overrunning Alternator Decoupling (OAD) Systems improve fuel economy by 5%
- Crankshaft vibration dampers are used in three-cylinder engines and hybrid cars

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]



6x Increase in Volumes

Demand-orientated market
Up to ~30% Regulatory driven market
Not electrified (ICEs only)

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

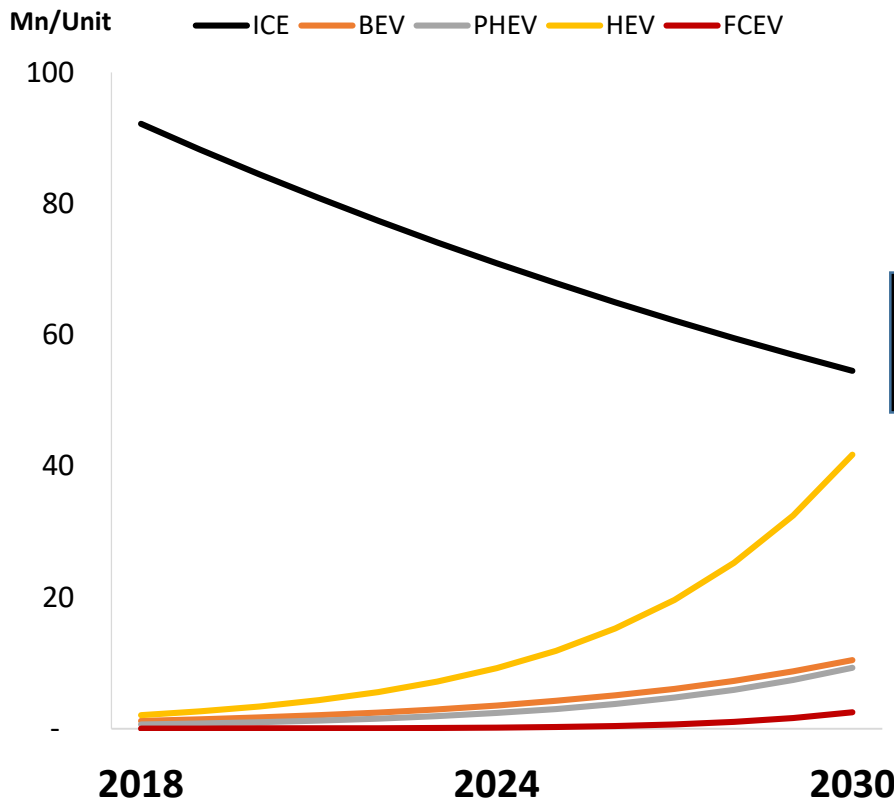
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Source: Global Tek

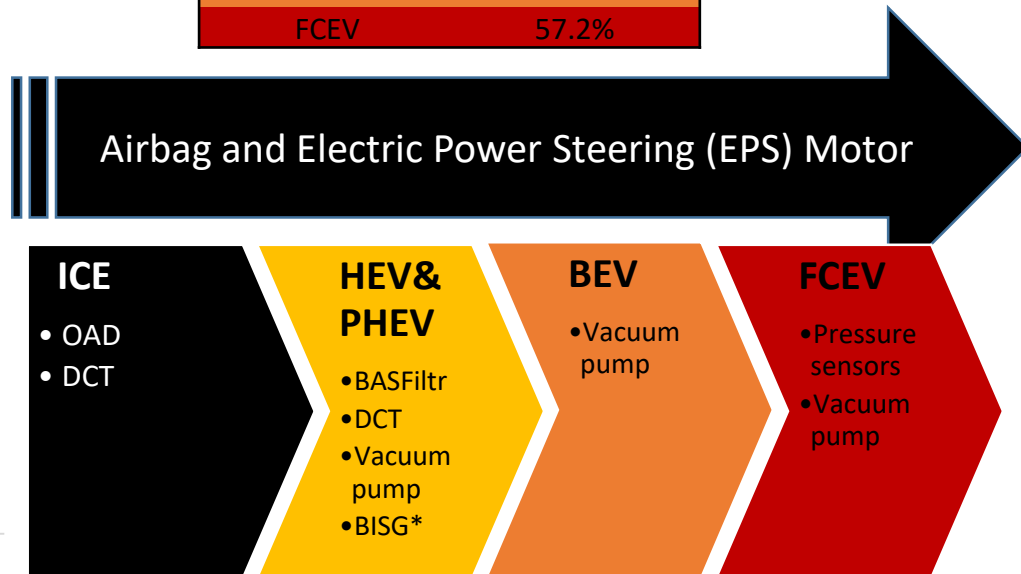
Our 10-year Automotive Product Roadmap

Our automotive product roadmap matches new energy vehicle market trend:

- General purpose components to grow with global automotive market
- Components for powertrain migration: last-generation ICE, Hybrid EV (HEV), Battery EV (BEV) and Fuel Cell EV (FCEV)



2018-30 Unit CAGR	
ICE	-4.3%
PHEV	25.4%
HEV	28.6%
BEV	19.8%
FCEV	57.2%



*Belt Integrated Starter Generator

Source: IHS

Multiple Niche Markets to Fuel Our Sales Growth

Automotive Safety System Components



- Average # of airbags per car to increase to 5.2 by 2020 from 3.5 in 2014.
- Global Airbag market to grow at 4% annually, 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/electric bikes
- Beverage equipment
- 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



- LEAP engine is the World's Best-Selling Engine
- Huge new aircraft demand
- Global aircraft volume to grow at a **4.4% CAGR** between 2018 and 2037

We target annual sales growth higher than industry growth

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

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Our Product Portfolio

Automotive Safety System Components (23% of 3Q19 sales)

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



Powertrain System components (36% of 3Q19 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 (27% of 3Q19 sales)

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



Aviation (14% of 3Q19 sales)

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



Tier 1 Customer Portfolio

Automotive Safety System Components

In-plant integration



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

Powertrain System components

In-house capacity



Industrial Applications

In-plant integration



Aviation

In-house capacity



The Global Tek Alliance

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



In-House + In-Plant = GLOBALTEK Alliance

Growth Engine #1 : In-House Capability

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

Growth Engine #2 : In-Plant Integration

- ◆ Targeting less complex components
- ◆ Industrial and automotive safety system products
- ◆ Supply chain resource management

Total Machining Solutions:

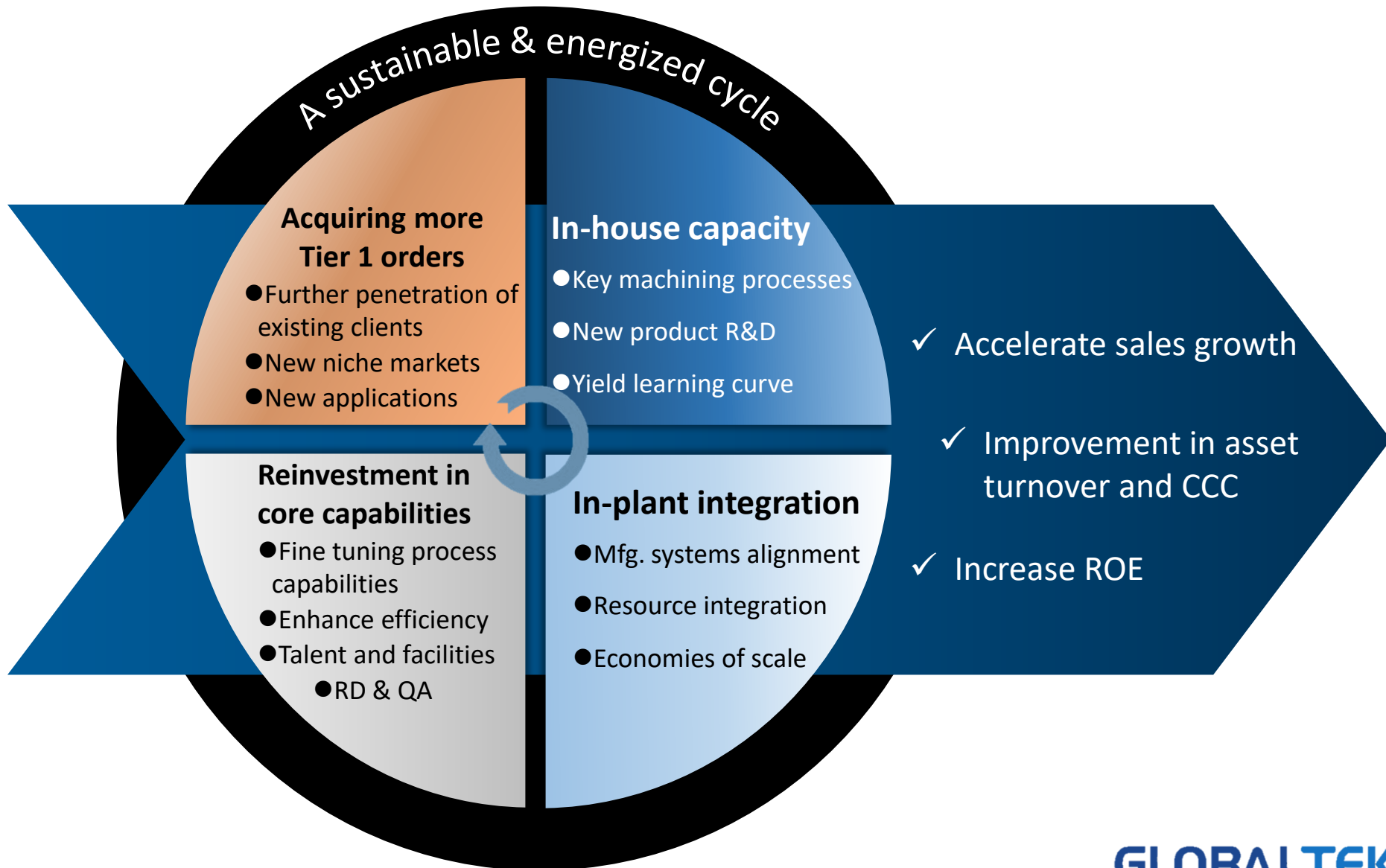
- Material forming
- Precision machining
- Stamping
- Surface treatment
- Sub-assembly
- Functional testing

For Strategic Applications:

Automotive
Industrial
Aviation

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Synergies of the GLOBALTEK Alliance



Balanced Deployment of Manufacturing Resources

In-plant integration

In-house capacity

Taiwan – Xinwu Factory

47% total sales (3Q19)

331 employees



Quality system:



Specialization:

Automotive
Industrial
Aviation

Core processes:

Dewaxing casting
CNC machining

China – Wuxi Factory

44% total sales (3Q19)

385 employees



Quality system:



Specialization:

Automotive

Core processes:

Forging / Bar stock
CNC machining

China – Xi'an Factory

9% total sales (3Q19)

149 employees



Quality system:



Specialization:

Industrial
Aviation

Core processes:

CNC machining

No. of employee is based on Sep. 30th data.

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Our Goals & Execution Plan



Industrial Instrumentation

Global Tek Vision 2023

Top Line Growth Target

Higher Than Industry Growth

Improve Efficiency, Product Mix
and Reduce OPEX Rate

Target
20-25% Gross Margin and
5-10% Operating Margin

After CAPEX, Establish Supply
Chain Campus and M&A

Target
50% Dividend Payout Ratio

Global Tek Execution Plan



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

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



Replicate In-Plant Supply Chain Cluster in Central Taiwan

Build a big campus zone in the Central Taiwan Science Park that will include in-house capacity and which will integrate and share resources with supply chain partners. The project will be completed over the next 3 years.



Establish a Competitive Framework with Smart Manufacturing (Industry 4.0)









We'll continue to improve accurate quotation, timely sample, production quality and manufacturing efficiency. These are our advantages to form long-term strategic partnerships across global niche markets.



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 Leadership 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	40	<ul style="list-style-type: none"> ■ National Taiwan University EMBA ■ Co-Founder & Associate General Manager of Primax (4915 TT)
 Jonathan Lo Executive VP	Xinwu Factory General Manager	30	<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	16	<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	20	<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	20	<ul style="list-style-type: none"> ■ Imperial College of Medicine, UK MS in Mechanical Engineering ■ VP of Lorom Industrial
 Tim Gau CFO	Financial Division Head	30	<ul style="list-style-type: none"> ■ National Taiwan University EMBA ■ University of Rochester MBA ■ Experience as CFO in the Bio and IT industries

Robust Financial Performance



Aviation

Review and 2019 Outlook

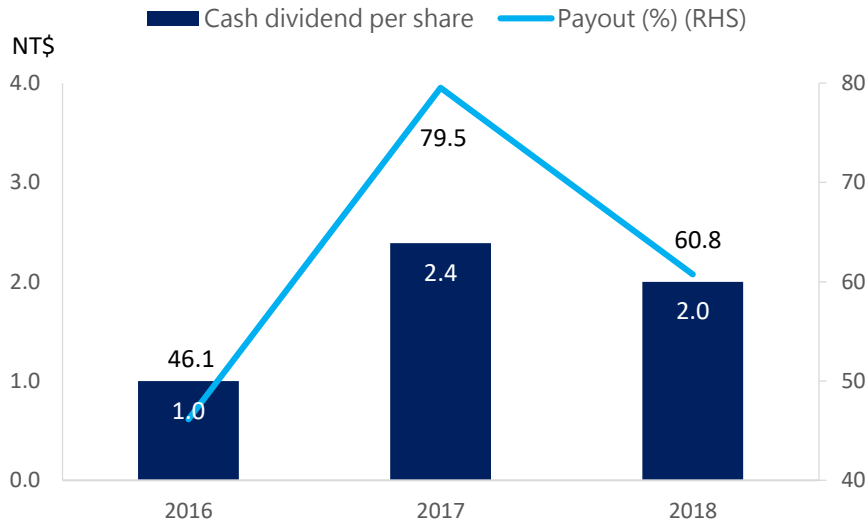
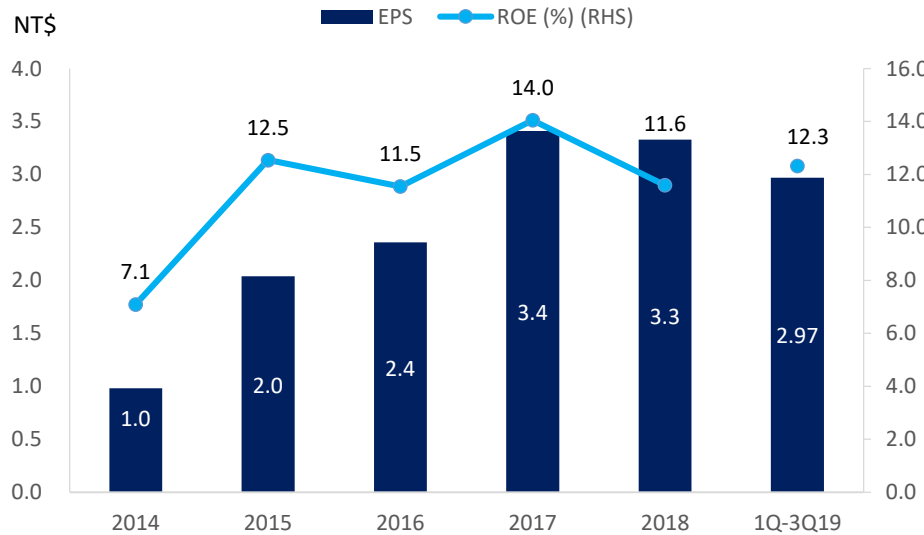
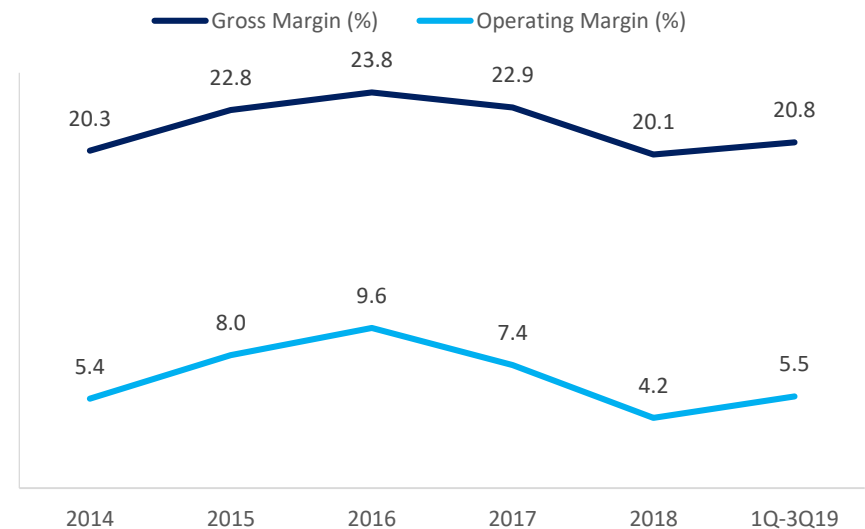
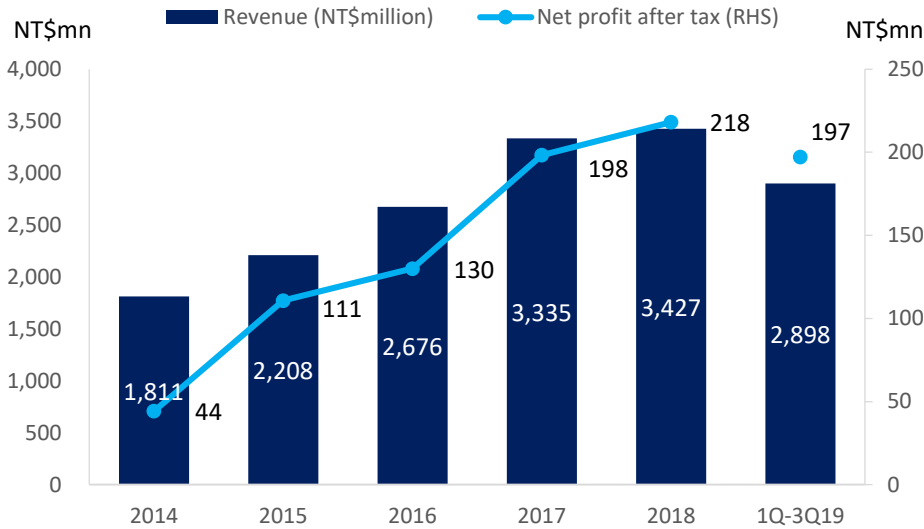
3Q19 Review

- Attributed to robust sales growth from WUXI factory, 3Q 2019 consolidated revenue increased 7% sequentially to NT\$1.03bn, a record-high quarterly sales, up 19% YoY.
 - Automotive safety system accounted for 23%, automotive power train system accounted for 36%, industrial application accounted for 27% and aviation accounted for 14%, respectively. Due to robust sales growth of industrial application and aviation division, the combined sales contributed more than 40% of total sales.
 - 3Q19 gross profit was NT\$221mn, representing 14% Y-o-Y versus the same quarter of 2018's gross profit of NT\$194mn. During the same period, gross margin was 22% while EPS was NT\$1.15, a record-high quarterly EPS this year.
 - 2019 first-three quarters accumulated sales increased 11% to NT\$2.9bn, compared to the same period of 2018's NT\$2.6bn; while accumulated gross profit increased 13% to NT\$603mn from 2018's NT\$532mn. 2019 accumulated gross margin improved to 21%, from 2018's 20%.
 - Compared to 2018 first three quarters accumulated operating profit of NT\$133mn, 2019's operating profit was NT\$160mn, implied 20% Y-o-Y. 2019 operating margin was 6%, vs. 5% of 2018's. 2019 pre-tax profit was NT\$255mn, net profit was NT\$197mn and EPS was NT\$2.97.
 - GlobalTek has completed the issuance of NT\$600mn first domestic unsecured convertible bonds during the third quarter of 2019. The above CB (ticker: 45661) has been listed and started trading since August 27th, 2019.

2019 Outlook

- Moving into 2019 fourth-quarter, we expect sales of four business divisions will grow steadily on a year-over-year basis. For the full year of 2019, sales growth will be in line with our expectation.

Financial Highlights



Source: TEJ and Capital IQ



2014-3Q19 Income Statement

NT\$m	2014	2015	2016	2017	2018	1Q-3Q19	YoY (%)				
							2015	2016	2017	2018	1Q-3Q19
Revenue	1,811	2,208	2,676	3,335	3,427	2,898	9.8	21.2	24.6	2.7	11.3
Gross Profit	368	502	637	764	688	603	35.3	26.9	19.9	-10.0	13.4
Operating Expenses	-270	-326	-379	-517	-543	-443	20.4	16.4	36.4	14.0	11.2
Operating Profit	97	177	258	247	145	160	75.4	46.1	-4.4	-49.6	20.0
Pretax Income	71	142	205	291	315	255	104.6	44.1	41.9	8.3	-8.3
Tax Expenses	-26	-31	-75	-92	-97	-57	20.5	138.2	23.4	4.8	-33.6
Net Income to Parent	44	111	130	198	218	197	155.1	17.4	52.5	10.0	3.2
Basic EPS (NT\$)	0.98	2.04	2.36	3.41	3.33	2.97	108.2	15.7	44.5	-2.3	0.7
Key Financial Ratios (%)											
Gross Margin	20.3	22.8	23.8	22.9	20.1	20.8					
Operating Expense Ratio	14.9	14.8	14.2	15.5	15.8	15.3					
Operating Margin	5.4	8.0	9.6	7.4	4.2	5.5					
Effect Tax Rate	37.2	22.1	36.5	31.8	30.7	22.6					
Net Margin	2.4	5.0	4.9	5.9	6.4	6.8					

Source: TEJ and Capital IQ

3Q19 Balance Sheet

NT\$m	2014	2015	2016	2017	2018	3Q19	YoY (%)				
							2015	2016	2017	2018	3Q19
Total Assets	2,208	2,422	3,002	4,052	4,478	4,802	9.7	24.0	35.0	10.5	7.9
Cash	200	279	502	670	902	1,206	39.6	80.4	33.4	34.7	38.0
AR & NR	616	606	732	936	902	1,101	-1.6	20.8	28.0	-3.7	18.9
Inventories	384	426	484	714	897	780	11.1	13.5	47.5	25.7	-5.0
Fixed Assets	739	820	800	844	856	997	11.0	-2.4	5.5	1.5	19.7
Total Liabilities	1,528	1,335	1,837	2,395	2,374	2,639	-12.6	37.6	30.4	-0.9	11.0
AP & NP	412	389	733	692	633	631	-5.6	88.4	-5.6	-8.5	-0.5
Total Equity	680	1,087	1,166	1,658	2,104	2,163	59.9	7.3	42.2	26.9	4.3
Key Financial Ratios											
A/R Turnover Days	106.1	101.1	91.3	89.2	93.8	93.3					
Inventory Turnover Days	91.0	92.4	86.7	85.1	107.4	98.7					
A/P Turnover Days	99.7	88.0	93.4	94.3	88.2	74.3					
Cash Conversion Days	97.4	105.5	84.6	80.0	113.0	117.6					
ROE (%)	7.1	12.5	11.5	14.0	11.6	12.3					
ROA (%)	2.2	4.8	4.8	5.6	5.1	5.7					

Source: TEJ, Capital IQ and Company Data

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