



# GLOBALTEK

Unite as One

Investor Presentation  
November 2019



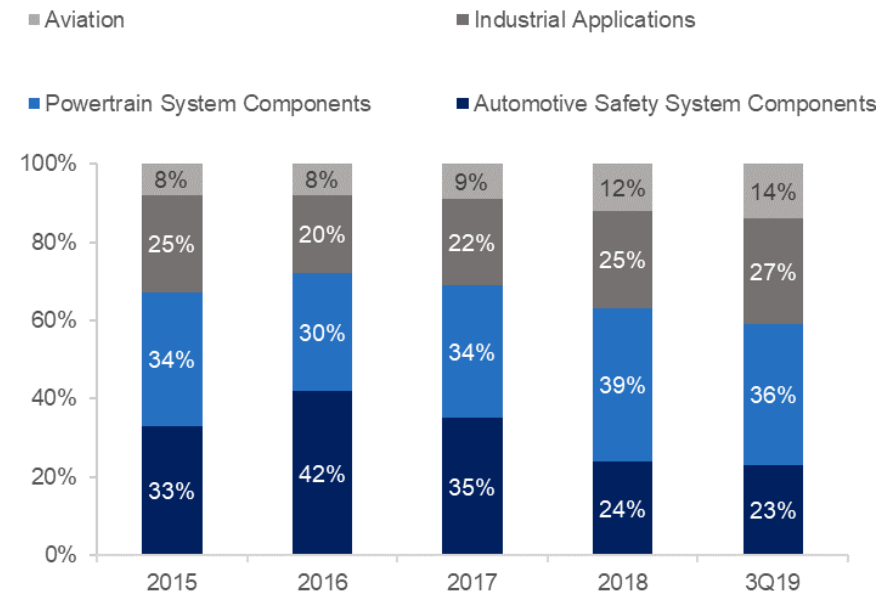
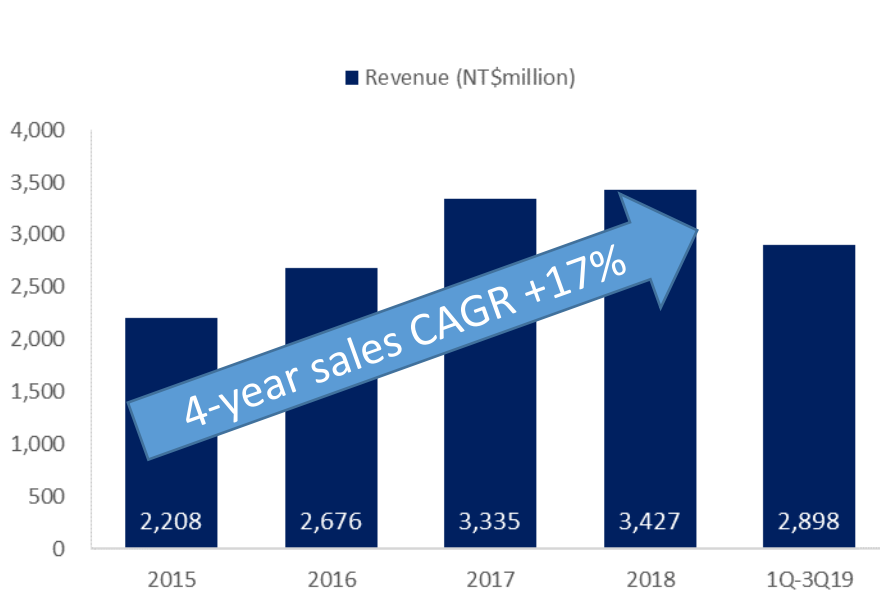
# Executive Summary

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- ◆ 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



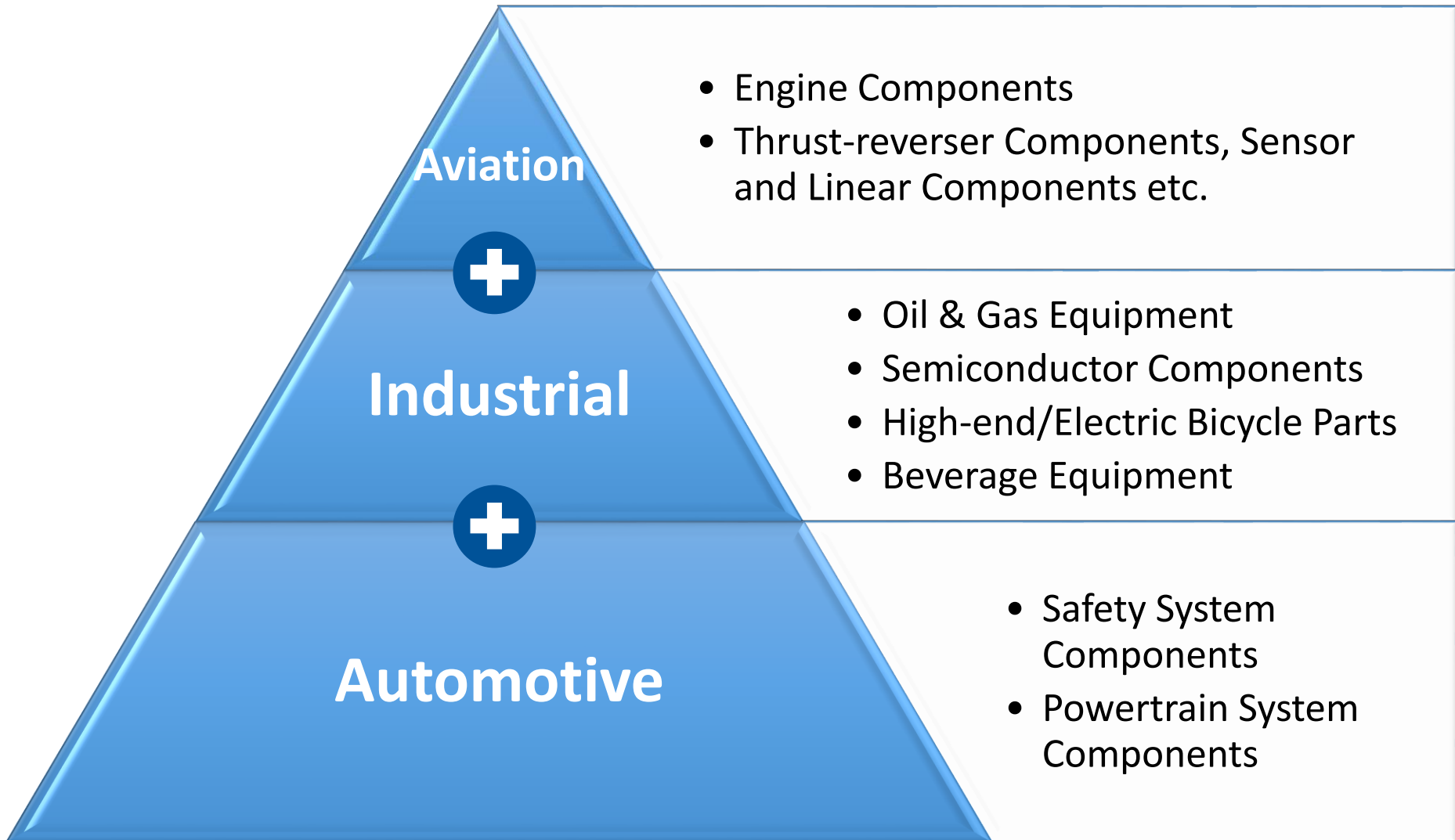
Automotive Safety Systems

## Target Niche Markets to Fuel Sales Growth



Powertrain System Components

# Solid Revenue Foundation

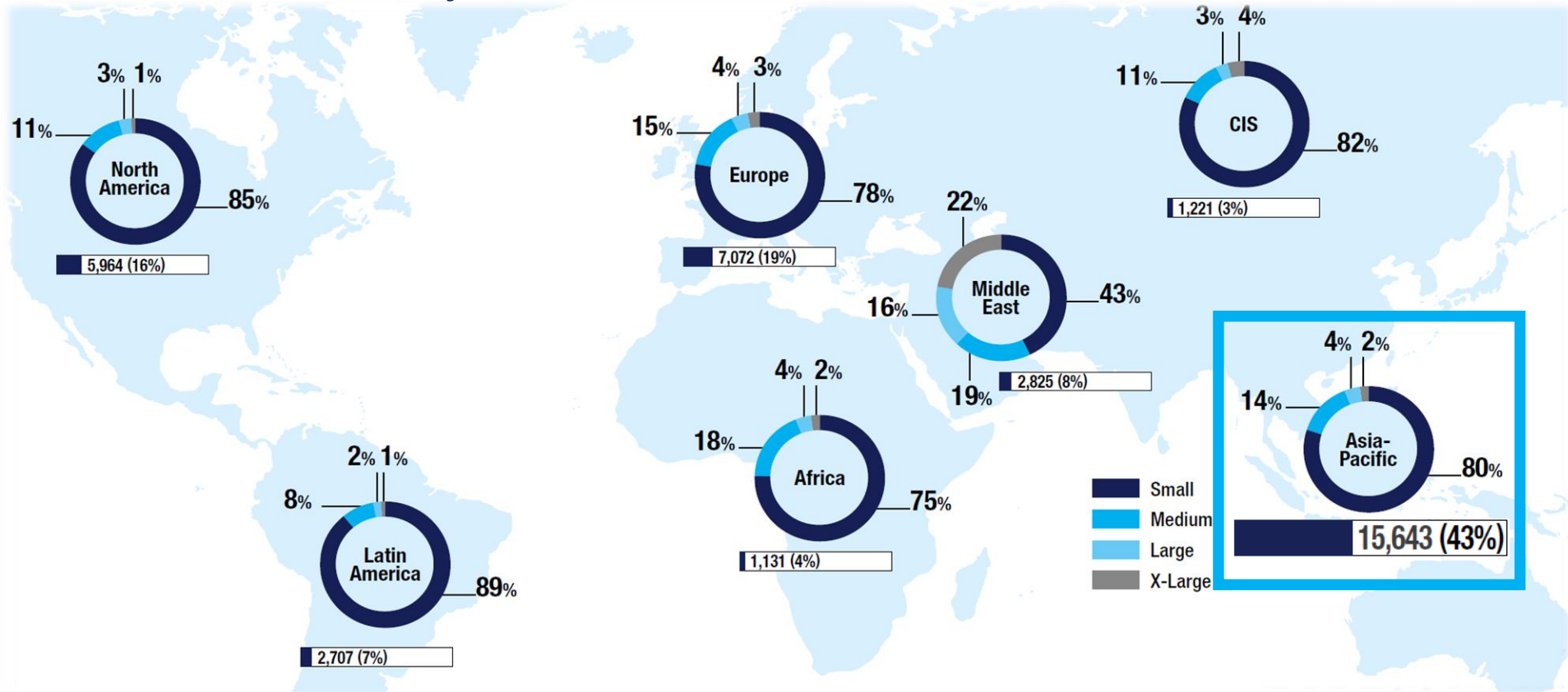




# Asia-Pacific and Small Aircraft to Drive Fleet Growth Through 2037

- 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

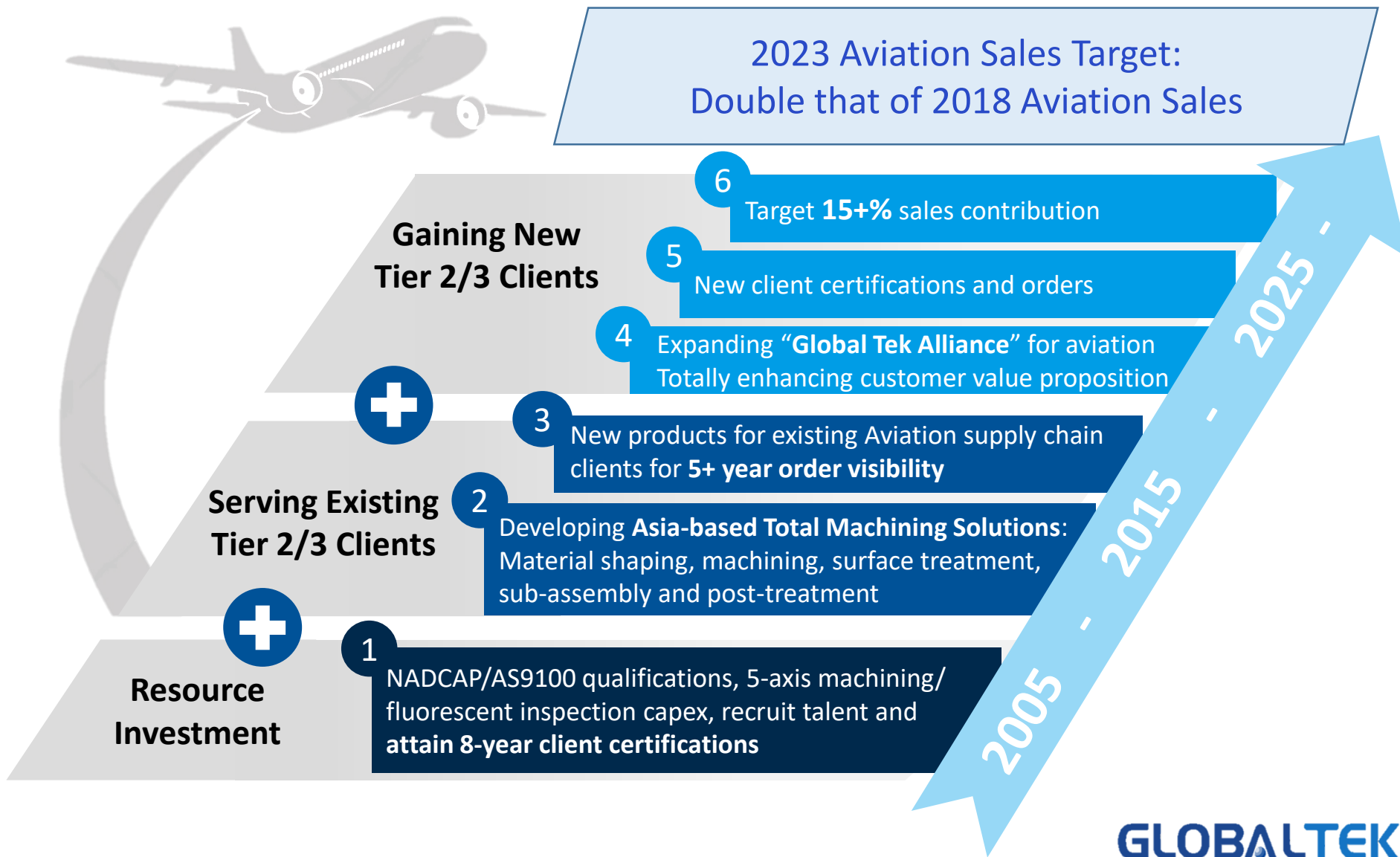
- Commercial airlines focus on fuel efficiency to compete with regional low-cost carriers
- Installed on the A320neo and C919, the LEAP engine is the **best selling engine** in aviation history, and is projected to reach annual production of 2k units by 2020
- LEAP engines rank No.1 in new engine deliveries 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**:

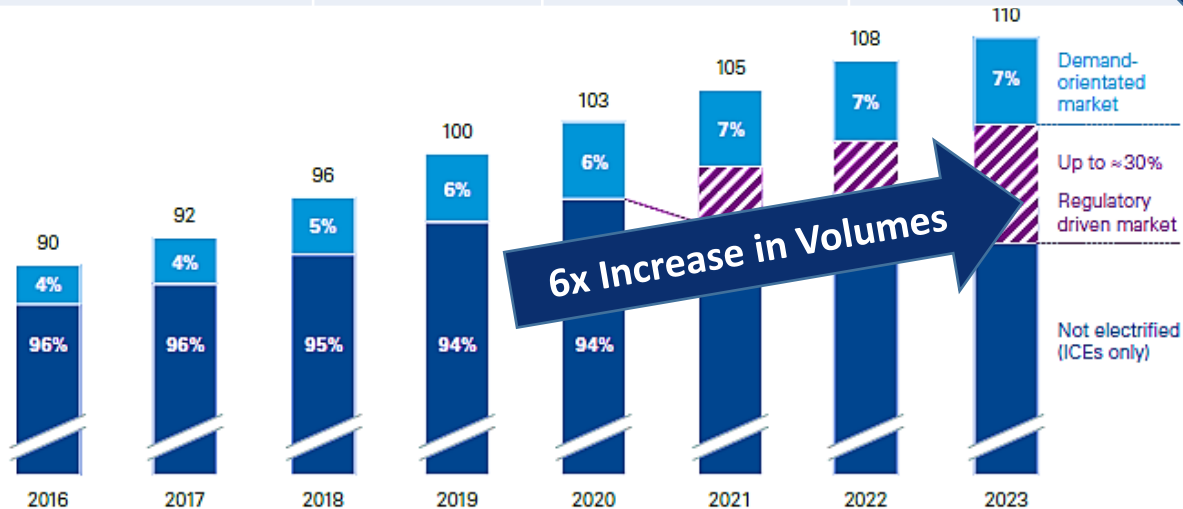
- Dual Clutch Transmissions (DCT) improve fuel economy by 5~15%
- Overrunning Alternator Decoupling (OAD) Systems improve fuel economy by 5%
- Crankshaft vibration dampers are used in three-cylinder engines and hybrid cars

## Government Mandated Fuel Consumption Targets for Passenger Cars

| Liters per 100km | EU    | US  | China |
|------------------|-------|-----|-------|
| <b>2015</b>      | 5.6   | 7.4 | 6.9   |
| <b>2025</b>      | 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

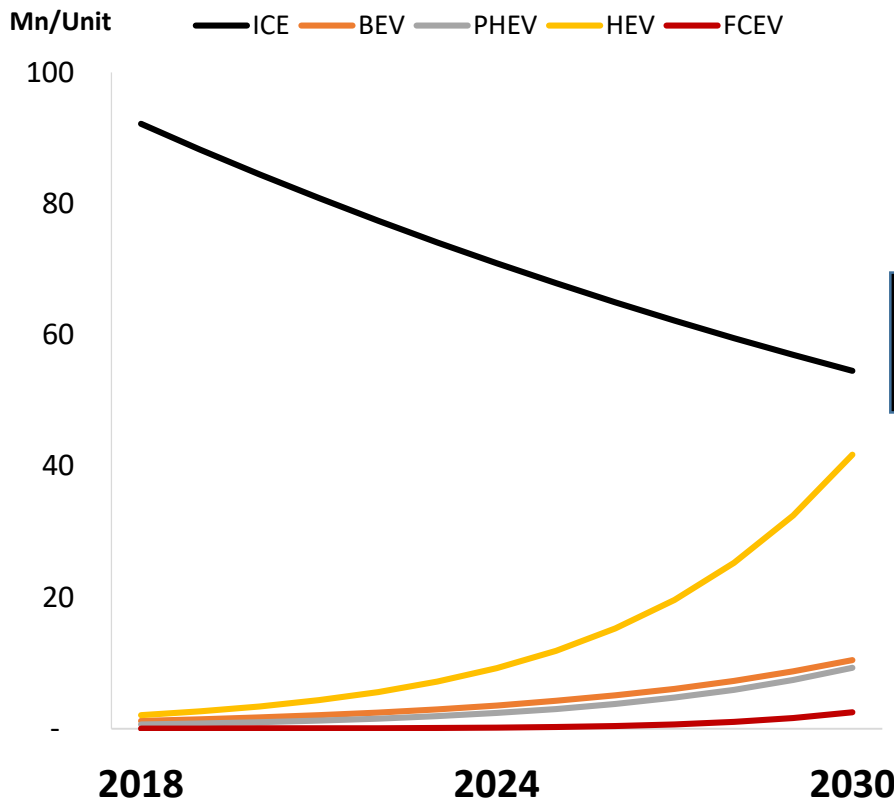
**GLOBALTEK**

Source: Global Tek

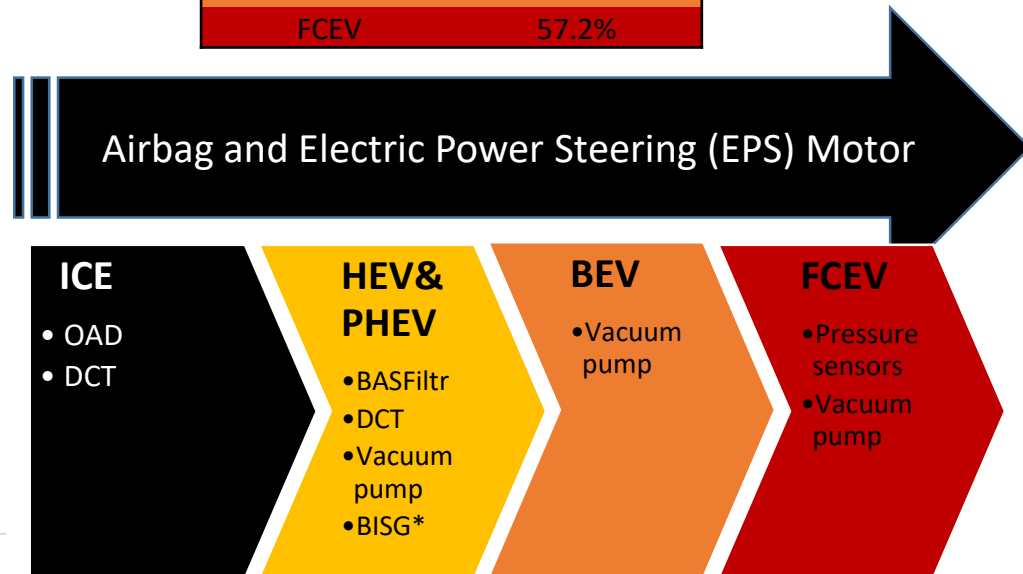
# Our 10-year Automotive Product Roadmap

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 Stater 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:

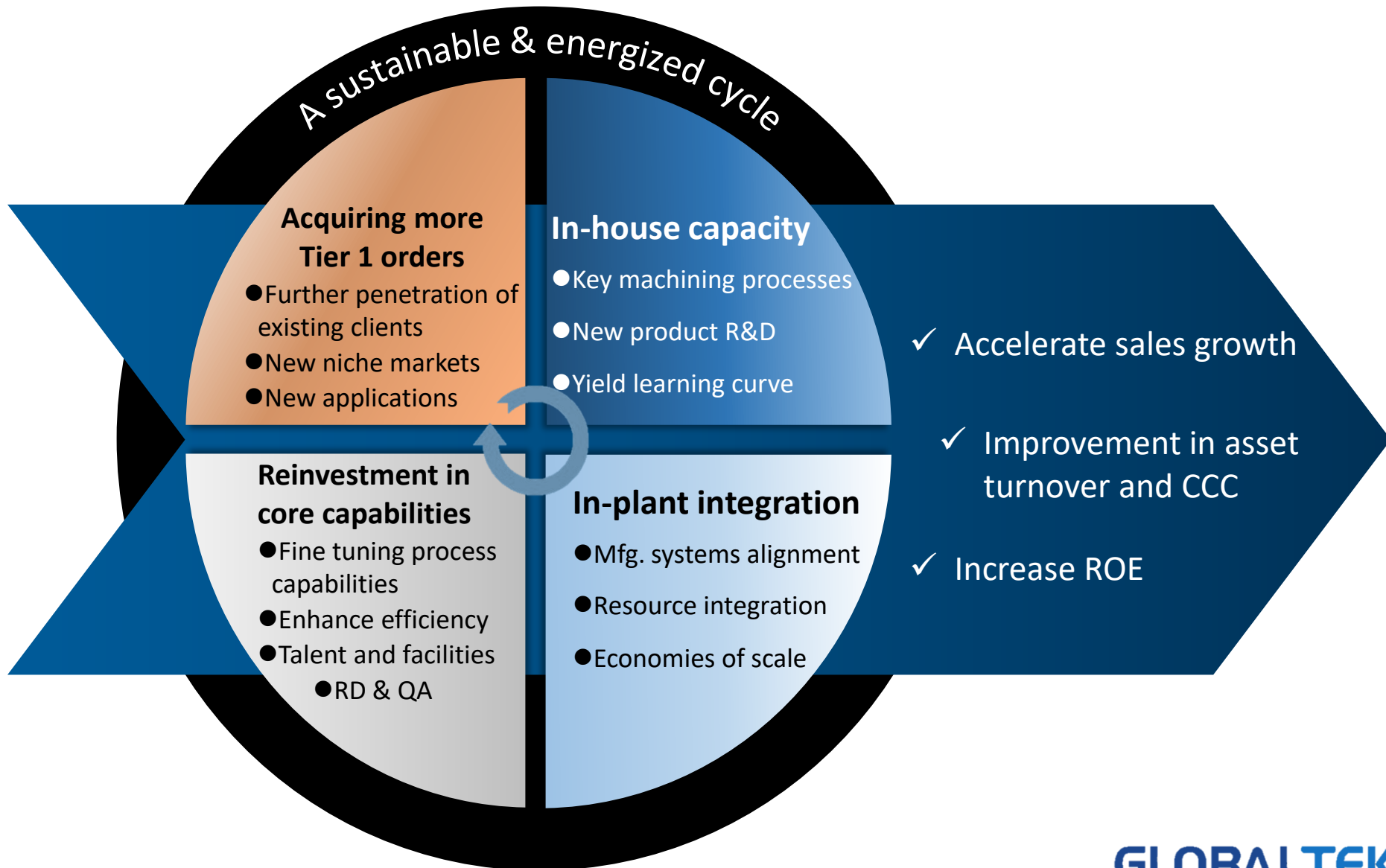
- Material forming
- Precision machining
- Stamping
- Surface treatment
- Sub-assembly
- Functional testing

## 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. 30<sup>th</sup> 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

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## **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   |
|--|---|-------------------|--|
|  <b>Donald Huang</b><br>Chairman and CEO | Pursue lean spirit and learning organization culture, embed company's vision and strategy | 40                | <ul style="list-style-type: none"> <li>■ National Taiwan University EMBA</li> <li>■ Co-Founder &amp; Associate General Manager of Primax (4915 TT)</li> </ul>                        |
|  <b>Jonathan Lo</b><br>Executive VP      | Xinwu Factory<br>General Manager  | 30                | <ul style="list-style-type: none"> <li>■ Taiwan Feng Chia University, MS in Mechanical Engineering</li> <li>■ VP of Snap-On, Zhejiang (SNA US)</li> </ul>                            |
|  <b>Ken Liu</b><br>Auto Group GM         | Wuxi Factory<br>General Manager   | 16                | <ul style="list-style-type: none"> <li>■ Taiwan Chung Yuan Christian University, MS in Biomedical Engineering</li> </ul>   |
|  <b>Yong Yang</b><br>Director            | Xi'an Factory<br>plant Head   | 29                | <ul style="list-style-type: none"> <li>■ China Xi'an Jiaotong University, BS in Mechanical Engineering</li> </ul>  |
|  <b>Mike Chang</b><br>Director           | Automotive Division Head  | 30                | <ul style="list-style-type: none"> <li>■ Taiwan Chang Gung University, MBA</li> <li>■ Manager, Global PMX (4551 TT)</li> </ul>   |
|  <b>Ari Chang</b><br>Director           | Aviation Division Head  | 20                | <ul style="list-style-type: none"> <li>■ Lawrence Technological University, USA MS in Automotive engineering</li> <li>■ Manager of FOX factory, Tung Pei Industrial</li> </ul>       |
|  <b>David Chan</b><br>Director         | Industrial Division Head  | 20                | <ul style="list-style-type: none"> <li>■ Imperial College of Medicine, UK MS in Mechanical Engineering</li> <li>■ VP of Lorom Industrial</li> </ul>                                  |
|  <b>Tim Gau</b><br>CFO                 | Financial Division Head   | 30                | <ul style="list-style-type: none"> <li>■ National Taiwan University EMBA</li> <li>■ University of Rochester MBA</li> <li>■ Experience as CFO in the Bio and IT industries</li> </ul> |

## Robust Financial Performance



Aviation

# Review and 2019 Outlook

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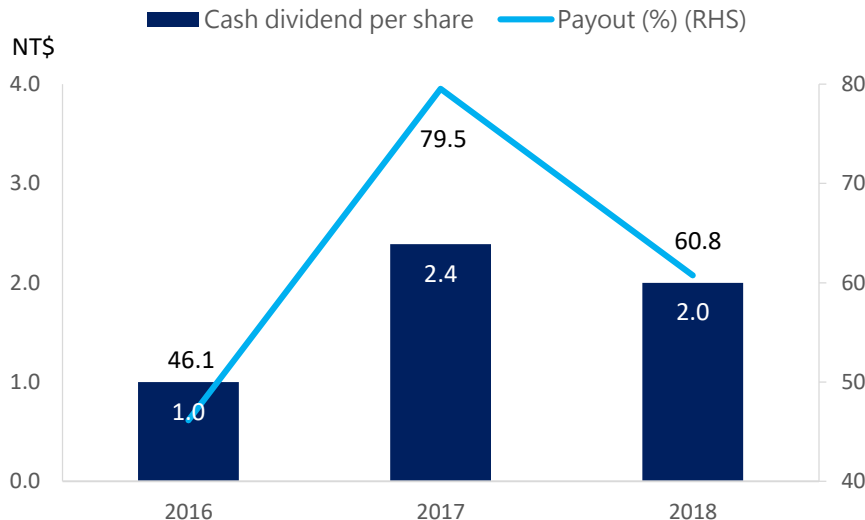
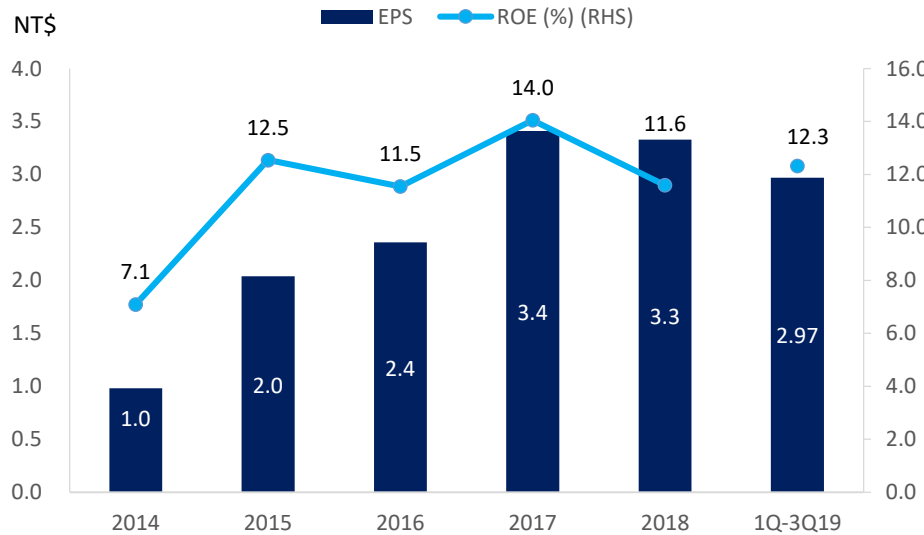
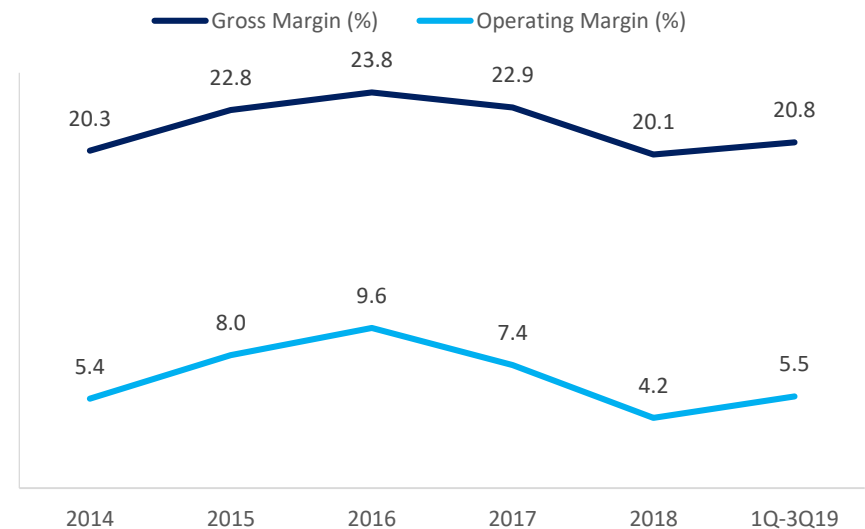
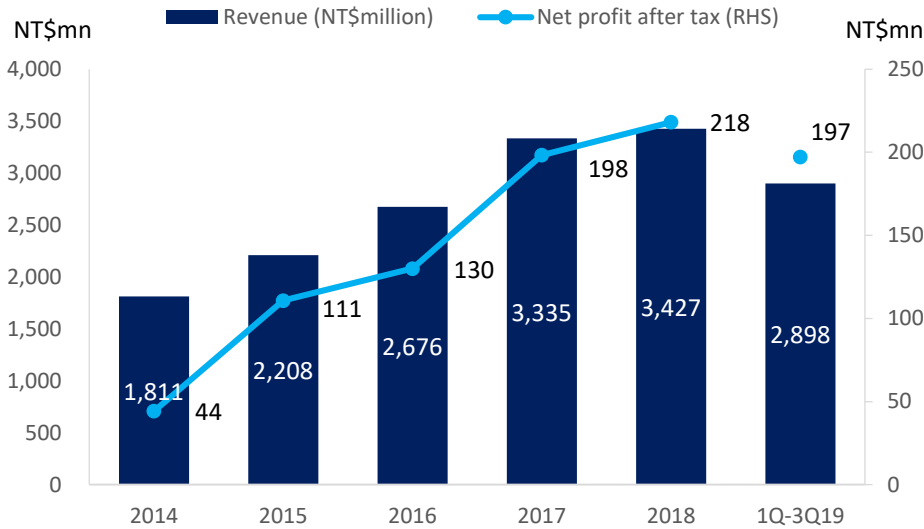
## 3Q19 Review

- 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     |
| <b>Revenue</b>                  | <b>1,811</b> | <b>2,208</b> | <b>2,676</b> | <b>3,335</b> | <b>3,427</b> | <b>2,898</b> | <b>9.8</b>   | <b>21.2</b> | <b>24.6</b> | <b>2.7</b>   | <b>11.3</b> |
| 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        |
| <b>Operating Profit</b>         | <b>97</b>    | <b>177</b>   | <b>258</b>   | <b>247</b>   | <b>145</b>   | <b>160</b>   | <b>75.4</b>  | <b>46.1</b> | <b>-4.4</b> | <b>-49.6</b> | <b>20.0</b> |
| 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       |
| <b>Net Income to Parent</b>     | <b>44</b>    | <b>111</b>   | <b>130</b>   | <b>198</b>   | <b>218</b>   | <b>197</b>   | <b>155.1</b> | <b>17.4</b> | <b>52.5</b> | <b>10.0</b>  | <b>3.2</b>  |
| <b>Basic EPS (NT\$)</b>         | <b>0.98</b>  | <b>2.04</b>  | <b>2.36</b>  | <b>3.41</b>  | <b>3.33</b>  | <b>2.97</b>  | <b>108.2</b> | <b>15.7</b> | <b>44.5</b> | <b>-2.3</b>  | <b>0.7</b>  |
| <b>Key Financial Ratios (%)</b> |              |              |              |              |              |              |              |             |             |              |             |
| 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        |
| <b>Total Assets</b>         | <b>2,208</b> | <b>2,422</b> | <b>3,002</b> | <b>4,052</b> | <b>4,478</b> | <b>4,802</b> | <b>9.7</b>   | <b>24.0</b> | <b>35.0</b> | <b>10.5</b> | <b>7.9</b>  |
| 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        |
| <b>Total Liabilities</b>    | <b>1,528</b> | <b>1,335</b> | <b>1,837</b> | <b>2,395</b> | <b>2,374</b> | <b>2,639</b> | <b>-12.6</b> | <b>37.6</b> | <b>30.4</b> | <b>-0.9</b> | <b>11.0</b> |
| AP & NP                     | 412          | 389          | 733          | 692          | 633          | 631          | -5.6         | 88.4        | -5.6        | -8.5        | -0.5        |
| <b>Total Equity</b>         | <b>680</b>   | <b>1,087</b> | <b>1,166</b> | <b>1,658</b> | <b>2,104</b> | <b>2,163</b> | <b>59.9</b>  | <b>7.3</b>  | <b>42.2</b> | <b>26.9</b> | <b>4.3</b>  |
| <b>Key Financial Ratios</b> |              |              |              |              |              |              |              |             |             |             |             |
| 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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