



# GLOBALTEK

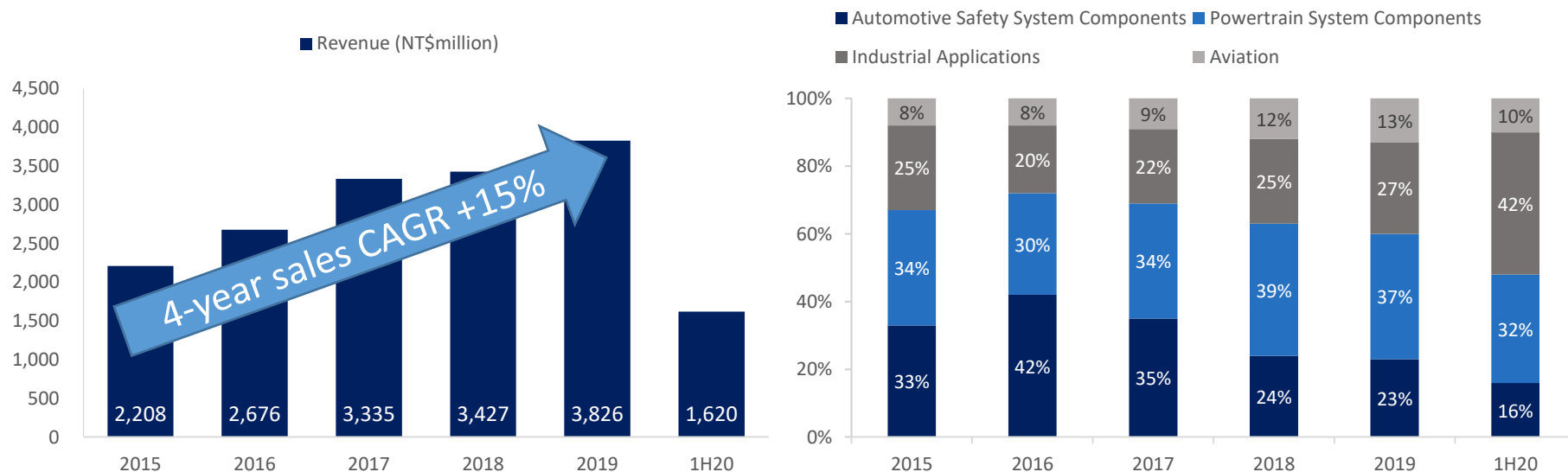
Unite as One

Investor Presentation  
August 2020



# A Creative Total Solution Provider in Global Niche Markets

- 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\$3.8bn in 2019 with +15% 2015-19 sales CAGR
- Our business: Precision metal machining for automotive safety system components, powertrain system components, industrial applications and aviation



Source: TEJ and GlobalTek

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# These Are the Key Topics in 2020

The COVID-19 impact the entire world. Challenge does not **change the core**, it **strengths** them.



**Supply Chain Resilience**

**Risk Mitigation**

**Sustainability**

# Global Tek 3D Business Model

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- **Define:**

By focusing on emerging trends of each niche market and understanding customers' crucial need and build a strategic partnership by providing VA/VE service

- **Design:**

- Internal: We recruit talents, establish professional organization and offer full services for customers in each niche market.
- External: Through GlobalTek Alliance, we establish a cluster and create the best performance.

- **Desire:**

- We aim to become top three strategic partner of core customers in each niche market.
- Through collaboration and sharing, we will create a sustainable group.

## Agenda

- 「01」 We've Seen the Bright Spot Beyond 2020
- 「02」 Target Niche Markets to Fuel Sales Growth:  
1. Automotive, 2. Medical device, 3. Industrial, 4. Aviation
- 「03」 Our Long-term Goals
- 「04」 Robust Financial Performance

# We See Reason to be Optimistic Post-2020

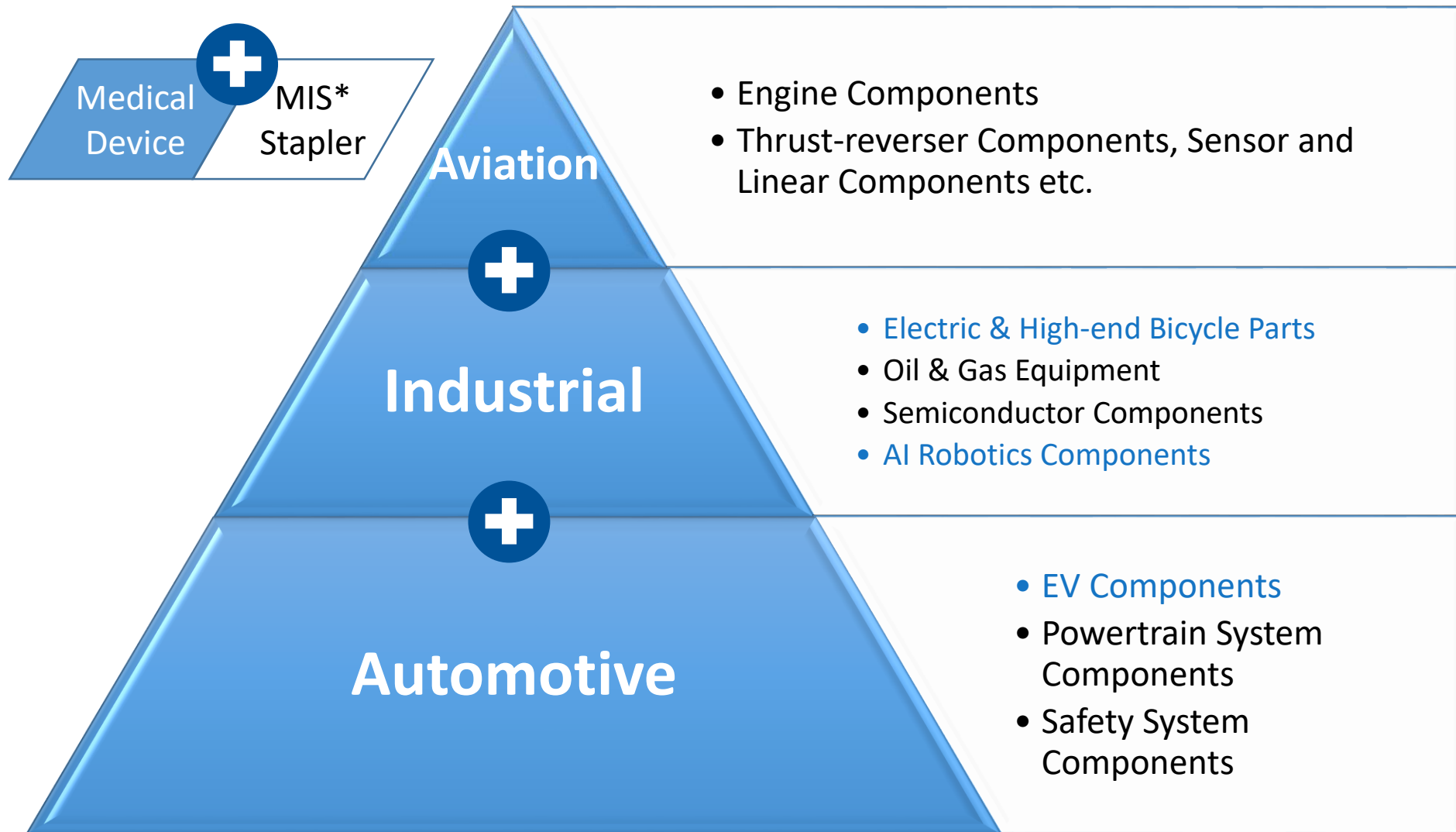
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- Our business model stood up well to the challenging conditions created by the pandemic:
  - The Global Tek 's diversification and alliance business model allowed us to outperform our peers. Our 1H20 sales declined 13% yoy vs. peers' -18% to -35% yoy.
  - Global customers emphasize on supply chain partner's diversification, professional services and financial health during U.S.-China trade war and global pandemic.
  - GlobalTek will continue to explore new applications in each niche market, enhance our one stop total solutions with competitive edge and reallocate resources for expansion.
- Based on our solid foundation of automotive business, we've entered **Electric Vehicle (EV)** market through our collaboration with the world's leading automotive manufacturers, including Nidec, BorgWarner and others.
- Due to clear strategy, stable management team and preparations, we **expect automotive demand to grow strongly in 2021**. We also expect our **industrial business to keep its growth momentum**, including electric bicycle (e-bike) and high-end bicycle. For the challenging aviation segment, we'll be resilient and continue to seek opportunities.
- Components for medical devices is a new business area where we see strong potential for growth. Based on our track record in automotive and aviation, we are collaborating with a leading China medical device maker as China localized medical device manufacturing.

## Target Niche Markets to Fuel Sales Growth



# Diversified and Solid Revenue Foundations



\*Note: Minimally Invasive Surgical (MIS)



# Tier 1 Customer Portfolio

## Automotive Safety System Components



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

## Automotive and EV Components



## Industrial Applications



## Aviation



## Medical Devices



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## 1. Automotive: We See Strong Potential for High Demand Growth in 2021



Automotive Components





# Gearing up for Robust Demand Growth from Automotive in 2021

- Automotive applications accounted for 48% of our 1H20 sales, including safety system and powertrain system components, accounting for 16% and 32% of 1H20 sales, respectively.
- We are developing components for EV, including motor casings for Electric Power Systems (EPS), collaborating with the global No. 1 motor manufacturer, Nidec.
- We believe that 2Q20 was the bottom for our automotive business. Demand has recovered in July & August and based on current order indications from our clients, we expect strong demand growth in 2021.



# Motor Casing to Tap into ADAS and EV Applications

- We are collaborating with Nidec to develop casings for EPS motors for Advanced Driver Assistance Systems (ADAS).
- We are support existing tier 1 and OEM customers, such as BorgWarner, to further penetrate the global EV market.
- Future applications include motor casings for EV and electrical braking systems.

	
<ul style="list-style-type: none"><li>● Global no.1 EPS brushless DC motor maker with 25% market share</li><li>● 2020 automotive segment sales target: US\$6.5bn-US\$9.3bn</li></ul>  <p><u>Traction motor</u>      <u>Traction motor system (E-Axle)</u></p> <p><u>ADAS related product</u></p> <p><b>Decarbonization</b></p> <p><b>Automotive electrification, EV and PHEV</b></p> <hr/> <p>-From internal combustion engine to electric motor -Once-in-a-century technological revolution</p>	<ul style="list-style-type: none"><li>● Provide motor casing for Electric Power Steering (EPS) power-pack</li><li>● Machining capabilities include precision stamping and molding design</li></ul> 

Source: Nidec

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## 2. Medical Devices: Our New Growth Driver



Medical Device

# We Expect Strong Growth from Medical Devices

During July 2020, we started our medical device business and collaborated with CAK, a leading MIS stapler manufacturer in China.

- “Made in China 2025 strategy” and other strategic plans are supporting the localization of medical devices.
- The China Minimally Invasive Surgical Instruments and Accessories (MISIA) and MIS stapler market reached RMB18.5bn and RMB4.6bn in 2019, respectively.
- The China MISIA and MIS stapler market is forecast to grow at a 19% and 23% CAGR between 2020 and 2024, respectively, driven by localized production.



Source: China Insights Consultancy

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## 3. Industrial: Sustainable Growth Likely To Continue



Industrial  
Instrumentation



# The Growth Momentum in Industrial is Likely to Continue

- Industrial is the most resilient and diversified segment of our business and contributed 42% of our 1H20 sales.
- As Global Tek continues to pursue growth opportunities among niche markets, we expect electric bicycles and AI robotics to be the new growth drivers for the Global Tek diversified and alliance business model.
- Existing industrial businesses, including semiconductor, oil & gas and high-end bicycle were less impacted by COVID-19 pandemic.



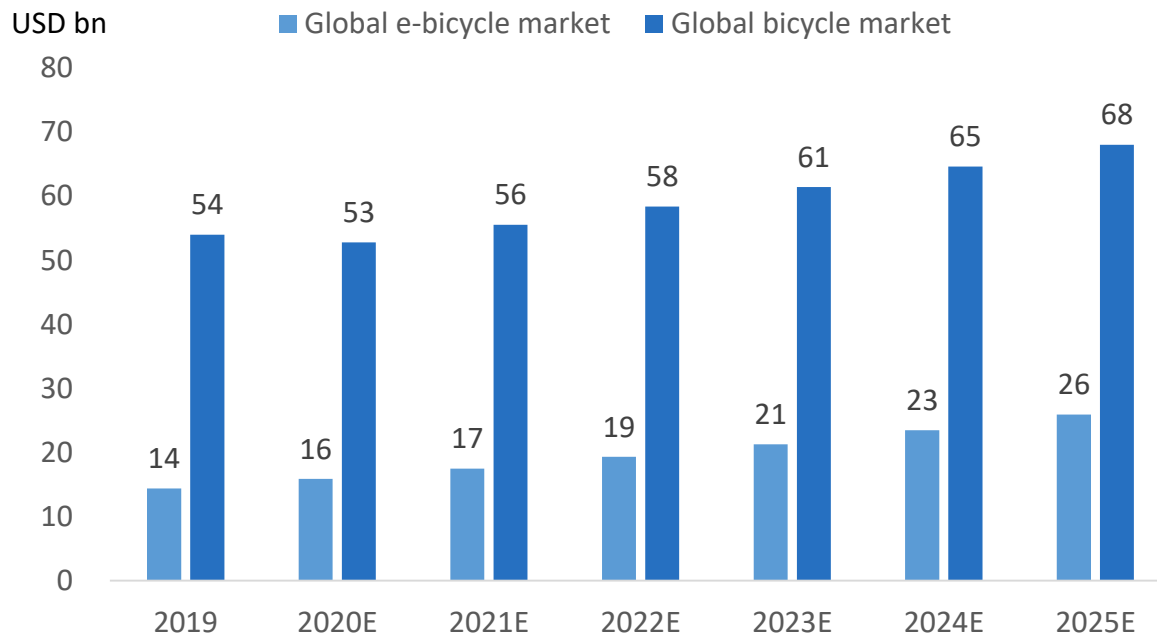
Source: Emerson, Fox, Gates and Boston Dynamics

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# Cycle-to-Work to Drive Our Industrial Growth

We saw demand from e-bikes and high-end bicycles surge as COVID-19 changed lifestyles and attracted government subsidies into the area:

- The Global bicycle market is forecast to grow at a **5% CAGR** between 2020 and 2025.
- The Global e-bicycle market is forecast to grow at **10% CAGR** from 2020 to 2025.
- We expect 2H20 electric and high-end bike demand to be stronger than 1H20 while the growth momentum should continue in 2021 and beyond.



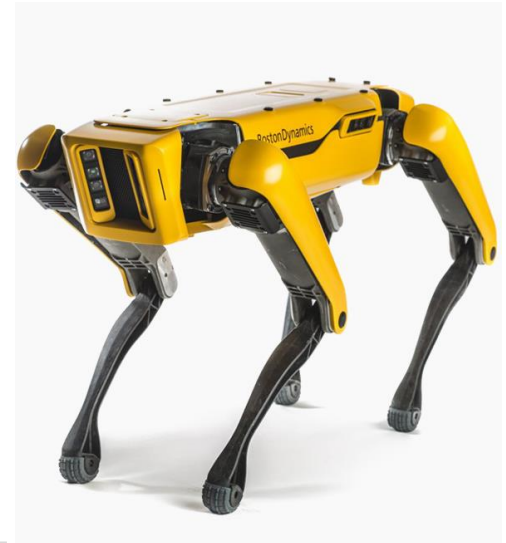
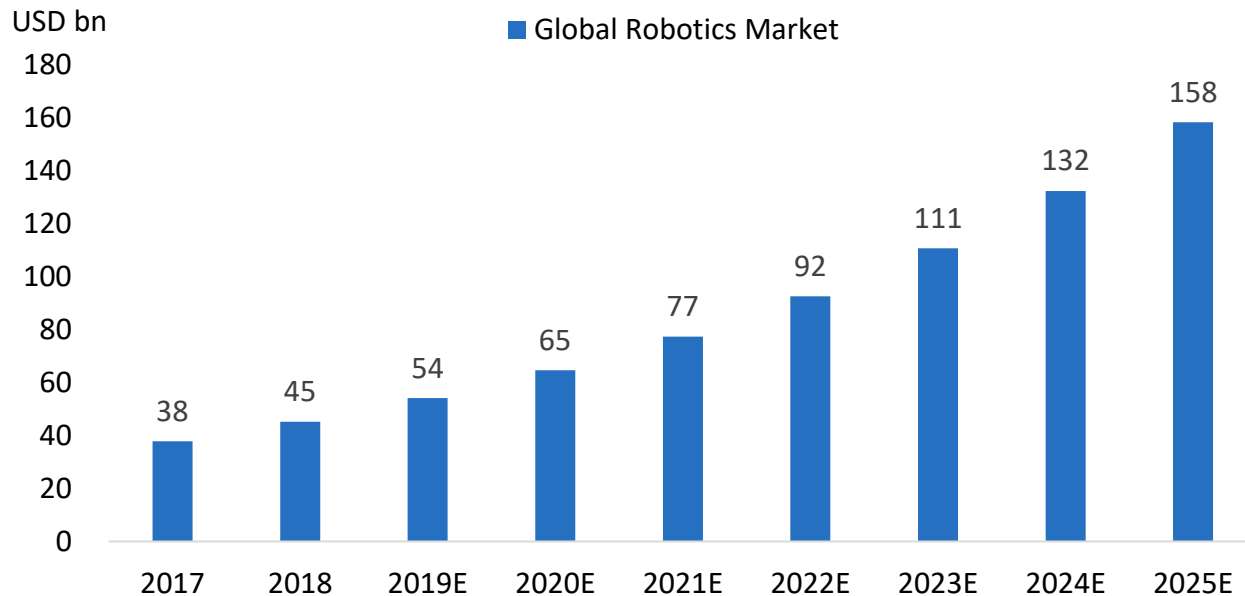
Source: Expert Market Research, Research and Markets and Gates

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# AI Robotics Demonstrate Our Industrial Innovation

We are committed to exploring innovative industrial applications, and AI robotics is one of our new growth drivers within the industrial segment:

- Global Tek is the **key supplier** of electronics housings for **Boston Dynamics**, the world's leading AI robotics manufacturer.
- The Global robotics market is forecast to grow at a **20% CAGR** from 2019 to 2025.



Source: Fior Markets and Boston Dynamics

## 4. Aviation: Facing the Headwind, We Seek Opportunity



Aviation System  
Components

# Seeking New Opportunity in Aviation Applications

- Aviation applications accounted for **10%** of 1H20 sales, including landing gear parts, engine accessories, flight control actuators and proximity sensor components.
- Though COVID-19 impacted the aviation industry, GlobalTek's resilience, risk mitigation and financial strength remain intact to support our aviation clients.
- We will continue to seek new aviation business amidst the trends of **Tier 1 outsourcing, Asia manufacturing and LEAP engine ramp-up**. Besides strengthening five-axis machining capabilities, through vertical integration and horizontal collaboration, we'll continue to offer one-stop full services. Based on our strong track record and reputation, we target more engine, actuator and sensor system components.



Thrust Reverser  
Jack Head



Heat Exchanger Components  
For LEAP Engines



## Our Long-term Goals



# GlobalTek 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**



## Robust Financial Performance

# 1H20 Review and Outlook Beyond 2020

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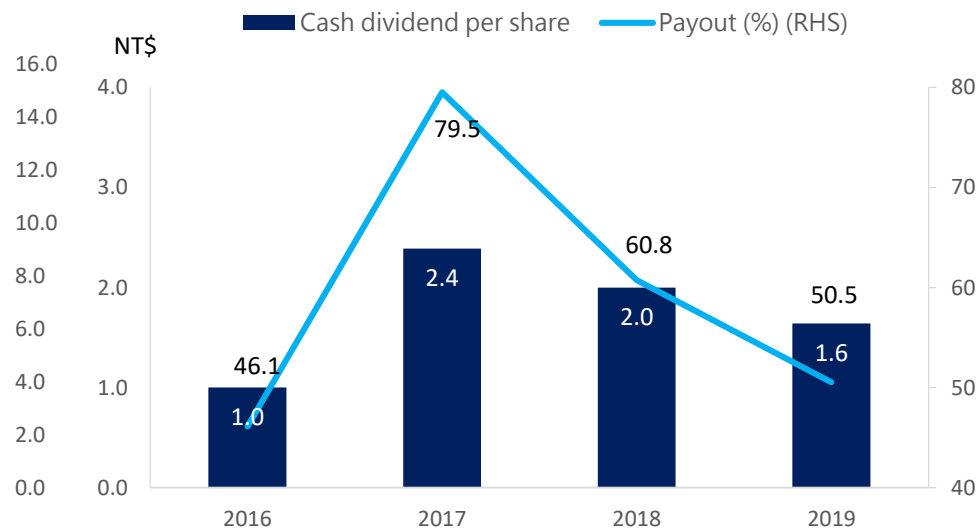
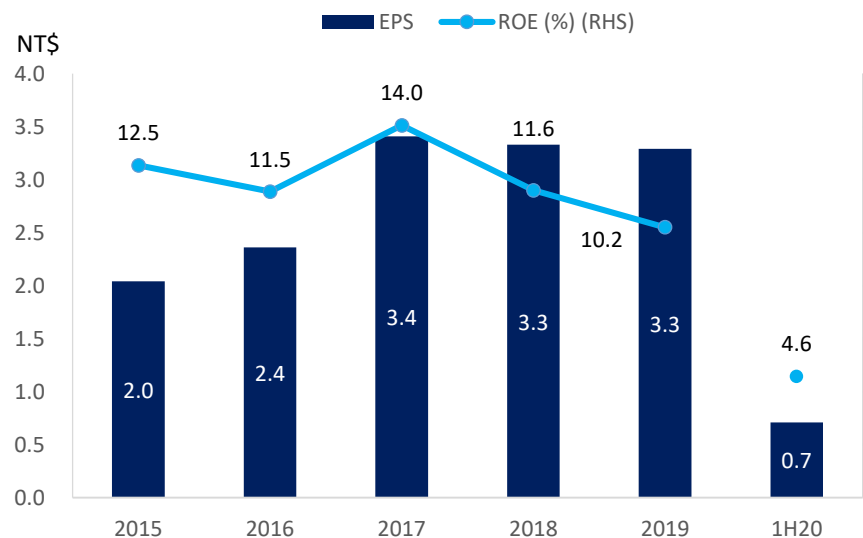
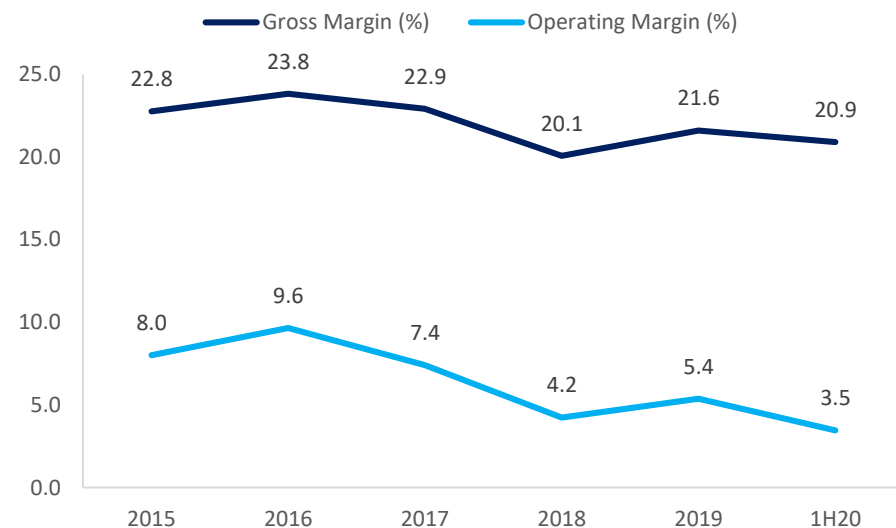
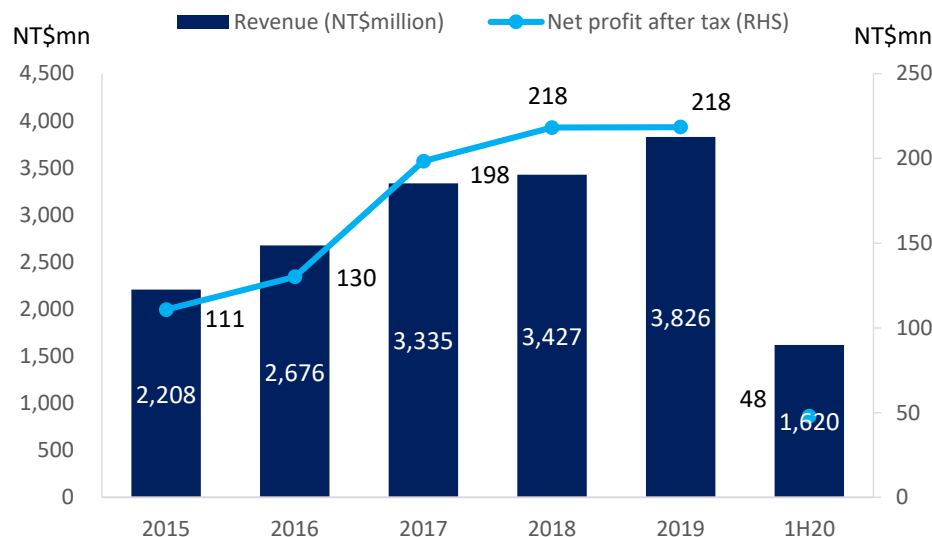
## 1H20 Review

- Revenue was NT\$1.6bn, declined 13% YoY.
  - Automotive safety system accounted for 16%, automotive power train system accounted for 32%, industrial application accounted for 42% and aviation accounted for 10%, respectively.
  - Due to strong demand from bicycle and semiconductor, the industrial sales contributed more than 40% of total sales for the first time.
  - Gross margin was 21%; Operating margin decreased to 4% from 1H19's 5%, due to sales decline.
- Non-op income was NT\$2.4mn, declined 96% YoY, due to foreign exchange loss.
- Net income was NT\$48mn, declined 60% YoY. EPS was NT\$0.71.

## Outlook Beyond 2020

- We saw recovery since 2H20 and expect higher growth momentum in 2021.
  - Automotive demand has recovered since 2H20 and to grow significantly in 2021.
  - Revenue from Industrial segment would continue to grow.
  - Aviation is challenging but we expect global customers continue their outsourcing as a result of U.S.-China trade war and global pandemic.

# Financial Highlights



Source: TEJ and Capital IQ

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# 2015-1H20 Income Statement

NT\$m	2015	2016	2017	2018	2019	1H20	YoY (%)					
							2015	2016	2017	2018	2019	1H20
<b>Revenue</b>	<b>2,208</b>	<b>2,676</b>	<b>3,335</b>	<b>3,427</b>	<b>3,826</b>	<b>1,620</b>	<b>9.8</b>	<b>21.2</b>	<b>24.6</b>	<b>2.7</b>	<b>11.6</b>	<b>-13.3</b>
Gross Profit	502	637	764	688	826	338	35.3	26.9	19.9	-10.0	20.1	-11.4
Operating Expenses	-326	-379	-517	-543	-620	-282	20.4	16.4	36.4	14.0	14.3	-2.9
<b>Operating Profit</b>	<b>177</b>	<b>258</b>	<b>247</b>	<b>145</b>	<b>206</b>	<b>56</b>	<b>75.4</b>	<b>46.1</b>	<b>-4.4</b>	<b>-49.6</b>	<b>41.7</b>	<b>-38.7</b>
Pretax Income	142	205	291	315	284	58	104.6	44.1	41.9	8.3	-9.8	-63.4
Tax Expenses	-31	-75	-92	-97	-66	-11	20.5	138.2	23.4	4.8	-32.1	-72.9
<b>Net Income to Parent</b>	<b>111</b>	<b>130</b>	<b>198</b>	<b>218</b>	<b>218</b>	<b>48</b>	<b>155.1</b>	<b>17.4</b>	<b>52.5</b>	<b>10.0</b>	<b>0.1</b>	<b>-60.3</b>
<b>Basic EPS (NT\$)</b>	<b>2.04</b>	<b>2.36</b>	<b>3.41</b>	<b>3.33</b>	<b>3.29</b>	<b>0.71</b>	<b>108.2</b>	<b>15.7</b>	<b>44.5</b>	<b>-2.3</b>	<b>-1.2</b>	<b>-61.0</b>
<b>Key Financial Ratios (%)</b>												
Gross Margin	22.8	23.8	22.9	20.1	21.6	20.9						
Operating Expense Ratio	14.8	14.2	15.5	15.8	16.2	17.4						
Operating Margin	8.0	9.6	7.4	4.2	5.4	3.5						
Effect Tax Rate	22.1	36.5	31.8	30.7	23.1	18.0						
Net Margin	5.0	4.9	5.9	6.4	5.7	3.0						

Source: TEJ and Capital IQ

# 2015-1H20 Balance Sheet

NT\$m	2015	2016	2017	2018	2019	1H20	YoY (%)					
							2015	2016	2017	2018	2019	1H20
<b>Total Assets</b>	<b>2,422</b>	<b>3,002</b>	<b>4,052</b>	<b>4,478</b>	<b>4,908</b>	<b>4,717</b>	<b>9.7</b>	<b>24.0</b>	<b>35.0</b>	<b>10.5</b>	<b>9.6</b>	<b>2.5</b>
Cash	279	502	670	902	1,334	1,489	39.6	80.4	33.4	34.7	47.9	45.5
AR & NR	606	726	901	861	978	773	-1.6	19.9	24.0	-4.4	13.5	-19.9
Inventories	426	484	714	897	863	757	11.1	13.5	47.5	25.7	-3.8	-9.7
Fixed Assets	820	800	844	856	1,000	1,050	11.0	-2.4	5.5	1.5	16.7	23.8
<b>Total Liabilities</b>	<b>1,335</b>	<b>1,837</b>	<b>2,395</b>	<b>2,374</b>	<b>2,731</b>	<b>2,631</b>	<b>-12.6</b>	<b>37.6</b>	<b>30.4</b>	<b>-0.9</b>	<b>15.0</b>	<b>5.1</b>
AP & NP	389	680	597	554	627	462	-5.6	74.9	-12.3	-7.1	13.1	-13.4
<b>Total Equity</b>	<b>1,087</b>	<b>1,166</b>	<b>1,658</b>	<b>2,104</b>	<b>2,177</b>	<b>2,085</b>	<b>59.9</b>	<b>7.3</b>	<b>42.2</b>	<b>26.9</b>	<b>3.5</b>	<b>-0.6</b>
<b>Key Financial Ratios</b>												
A/R Turnover Days	100.9	90.9	89.0	93.8	87.7	98.6						
Inventory Turnover Days	86.7	81.5	85.0	107.3	107.1	115.4						
A/P Turnover Days	85.7	95.7	90.6	76.7	71.9	77.5						
Cash Conversion Days	101.9	76.6	83.4	124.5	122.9	136.5						
ROE (%)	12.5	11.5	14.0	11.6	10.2	4.6						
ROA (%)	4.8	4.8	5.6	5.1	4.7	2.1						

Source: TEJ, Capital IQ and Company Data

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