

# TECO Electric & Machinery Co., Ltd.



**2021 1<sup>st</sup> Quarter  
Earnings Conference**

**May 21<sup>st</sup> , 2021**

# Safe Harbor Statement

- This Presentation contains certain forward-looking statements that are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements.
- Except as required by law, we undertake no obligation to update any forward – looking statements, whether as a result of new information, future events or otherwise.

# Agenda

**I. 1Q21 Financial Results**

**II. Recap of Recent Major Events**

# Statements of Comprehensive Income – 1Q21

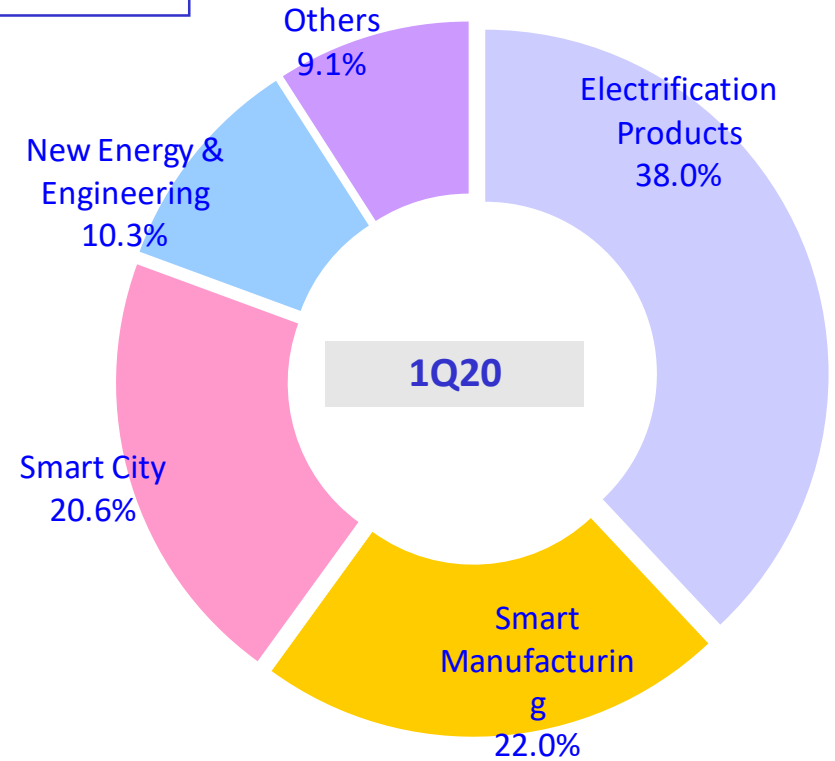
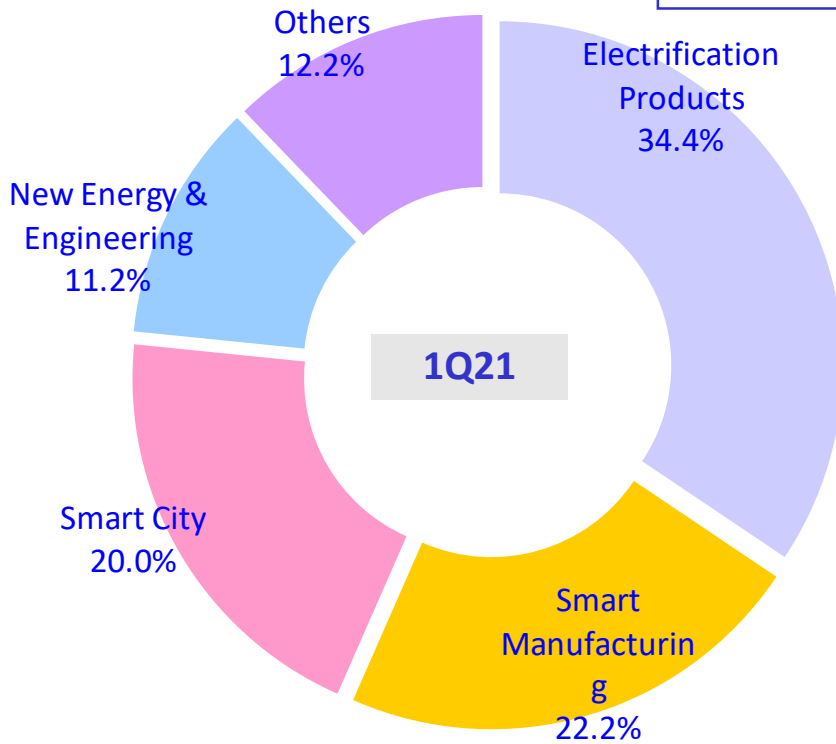
(In NT Millions)	1Q 2021	4Q 2020	QoQ	1Q 2020	YoY
Operating Revenue	11,991	12,474	-3.9%	10,665	12.4%
-Recurring Operating Revenue	11,540	12,472	-7.5%	10,584	# 9.0%
-Gain(Loss) on financial assets at fair value through profit or Loss	451	2	22450.0%	81	456.8%
Net Gross Profit	3,189	2,564	24.4%	2,647	20.5%
Operating Profit	1,395	860	62.2%	809	72.4%
Non-operating Income	37	144	-74.3%	(171)	-121.6%
Income Before Tax	1,432	1,004	42.6%	638	124.5%
Income Tax	(201)	(104)	93.3%	(99)	103.0%
Net Income **	1,102	783	40.7%	447	146.5%
EPS(NT\$)	0.53	0.40	32.5%	0.23	130.4%

\* Excluding non-controlling interest

- Revenue in 2021Q1 increased by 12.4% compared to 2020Q1, mainly due to: 1) growth in Taiwan Engineering & Home Appliances business; 2) financial asset valuation increase of Fubon Media and other financial assets held by Tong-An Investment and 3) business growth from automation business in China, Motovario, Pelican and ITTS.
- Recurring operating income in 2021Q1 decreased by 7.5% compared to 2020Q4, mainly due to one-time income from the EID project of Teco and equipment purchase case of ITTS in 2020Q4.
- The net non-operating income in 2021Q1 increased by 210 million compared to 2020Q1, mainly due to the increase in the appraisal of financial assets at fair value through profit and loss.
- Income tax expenses in 2021Q1 decreased by 102 million compared with 2020Q1, mainly due to the offset of income tax payable in 2020Q1 due to the capital reduction of high-speed rail in 2015.2021Q1

# Revenue Breakdown

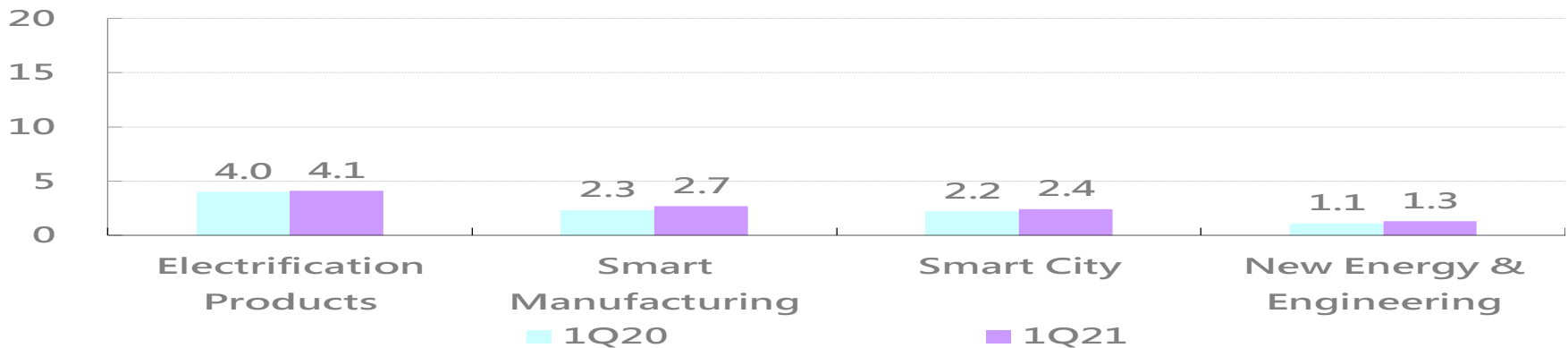
In 1Q2021, total consolidated topline up 12.4% YoY



# Sales on Major Business Lines

- "Electrification products" decreased by about TWD2.7 billion. The decline was mainly due to the impact of the epidemic, which reduced the demand in the North American market.
- "Smart manufacturing" increased by about 320 million, mainly due to: 1) growth in automation in China, Motovario; 2) ITTS equipment procurement business.
- "Smart City" revenue increased by about TWD210 million (YoY+9.4%), mainly due to the revenue growth of Teco's home appliance and the increasing demand for e-commerce shopping has led to the growth of Taiwan Pelican due to the impact of the epidemic.
- "New energy and engineering" revenue increased by approximately TWD240 million (YoY+22.0%), mainly due to the increase in offshore wind farm substation & IDC engineering revenue.

TWD Billion



# Financial Highlights – 1Q21

(In NT Millions)	4Q 2020	3Q 2020	QoQ	4Q 2019	YoY
Net sales -Recurring *	11,540	12,472	-7.5%	10,584	9.0%
Gross Margin - Recurring *	23.7%	20.5%	+320bps	24.2%	-50bps
Operating Margin - Recurring *	8.2%	6.9%	+130bps	6.9%	+130bps
EPS (NT\$)	0.53	0.40	32.5%	0.23	130.4%
ROE (%) **	6.7%	5.1%	+160bps	3.2%	+350bps
ROA (%) **	4.0%	3.0%	+100bps	1.8%	+220bps

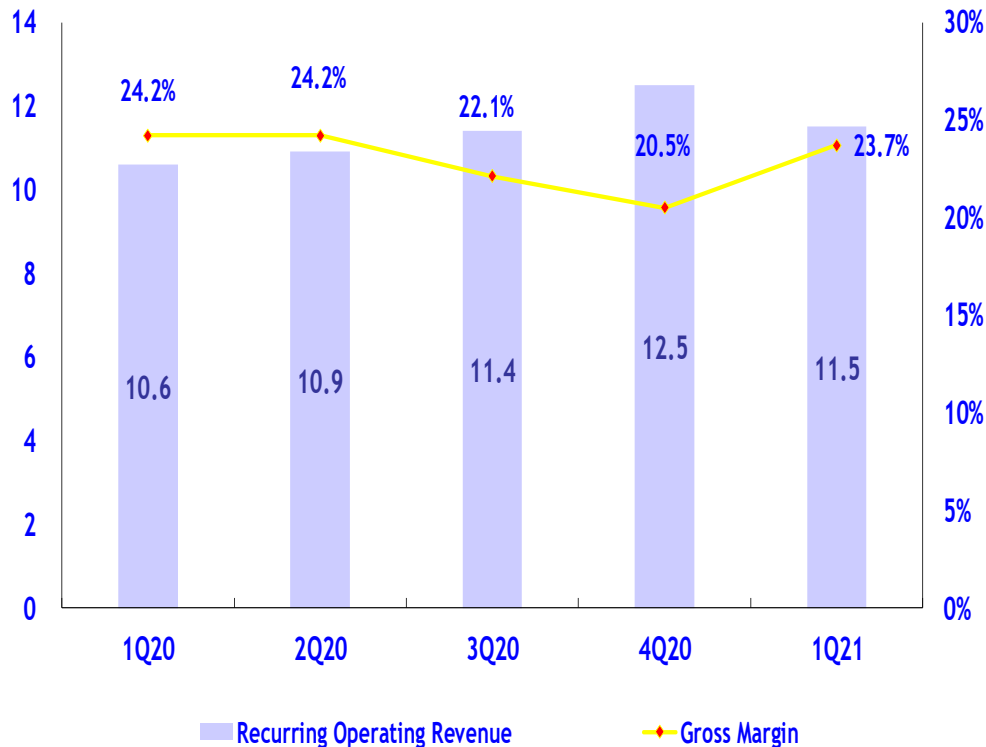
- 2021Q1 recurring revenue increased by about 9% compared to 2020Q1, mainly due to: 1) growth of engineering and home appliance in Taiwan; 2) growth in automation in China, Motovario, Pelican and ITTS.
- The recurring gross profit margin for the first quarter of 2021 was 23.7%, a decrease of 0.5% from 24.2% in the same period last year, mainly due to the increase in material costs and the impact of the revenue mix.
- The recurring operating profit margin in the first quarter of 2021 increased by 1.3% compared with the first quarter of last year, mainly due to the management efficiency enhancement and better expense control .

\* Excluding gain(loss) on financial assets at fair value through profit or loss

\*\* Annualized number and excluding non-controlling interests

# Recurring Operating Revenue vs. Gross Margin

NT\$ Billion



- The recurring gross profit margin for the first quarter of 2021 was 23.7%, a decrease of 0.5% from 24.2% in the same period last year, mainly due to the increase in material costs and the impact of the revenue mix.
- The low gross profit margin in the fourth quarter of 2020 is mainly due to: 1) the increase in the proportion of engineering revenue in the revenue mix in the revenue, and 2) due to the fact that the new Taiwan dollar in 2020 is relative to the US dollar, RMB, Euro, Australian dollar, Singapore dollar, etc. Relatively strong, the appreciation is large, so that the exchange rate has an adverse effect.

\* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

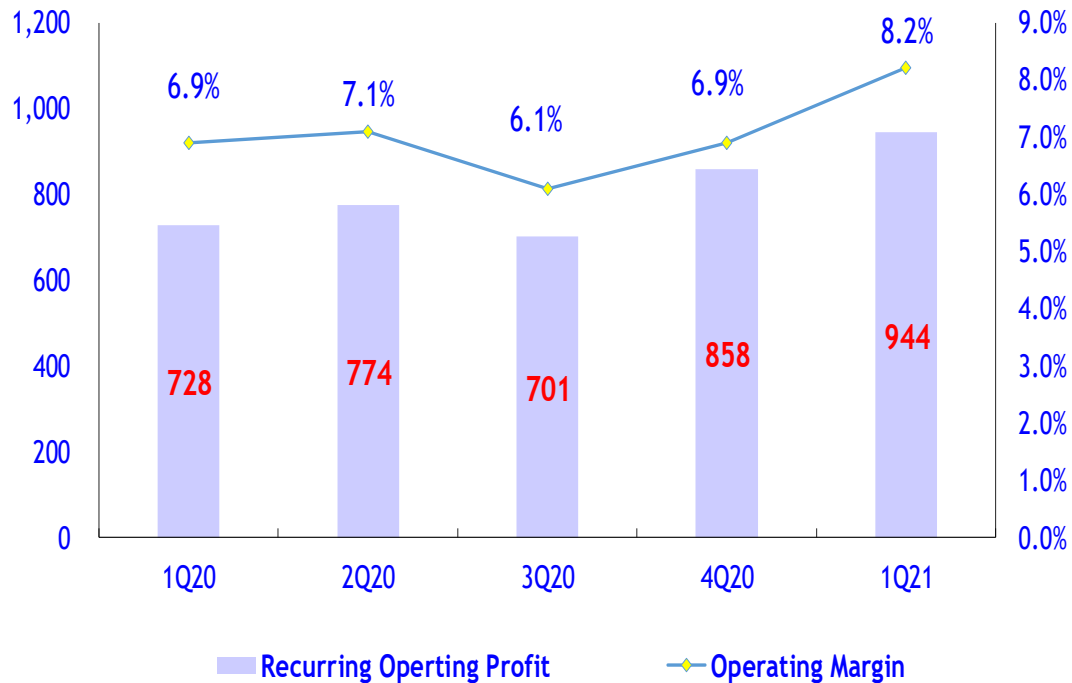
\*\* Gross Margin = Recurring Gross Profit / Recurring Operating Revenue

\*\*\* Recurring Gross profit excludes financial assets at fair value through profit or loss



# Recurring Operating Profit vs. Operating Margin

NT\$ Million



- The recurring operating profit margin in the first quarter of 2021 increased by 1.3% compared with the first quarter of last year, mainly due to the management efficiency enhancement and better expense control .

\* Recurring Operating Profit excludes financial assets at fair value through profit or loss

\*\* Operating Margin = Recurring Operating Profit / Recurring Operating Revenue

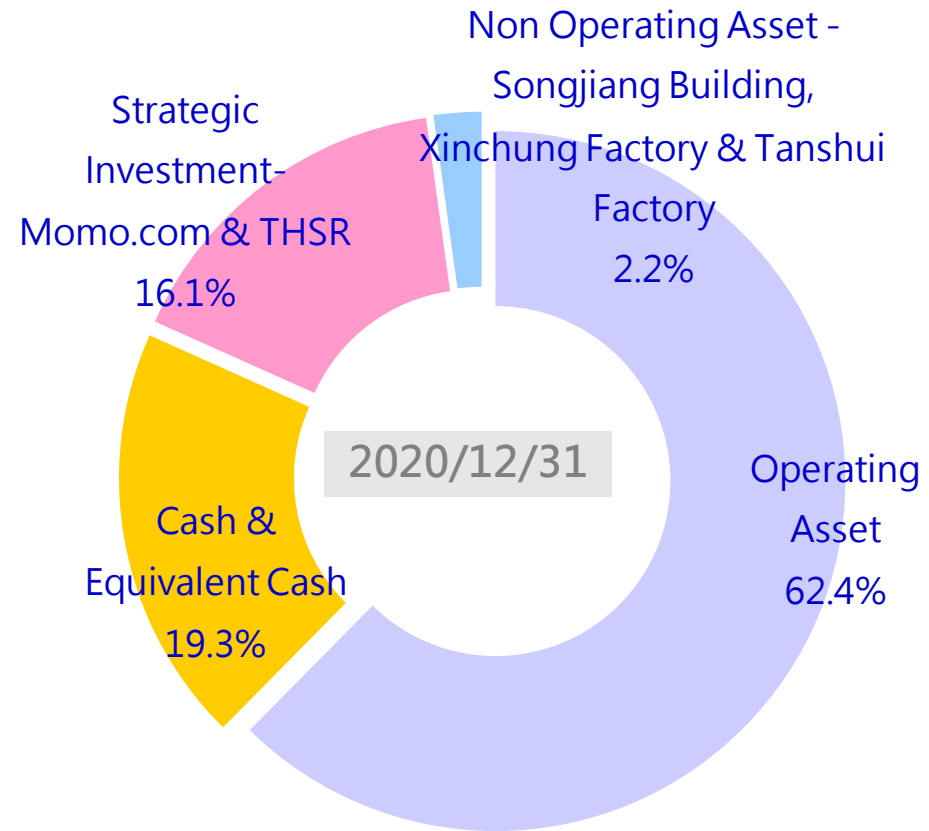
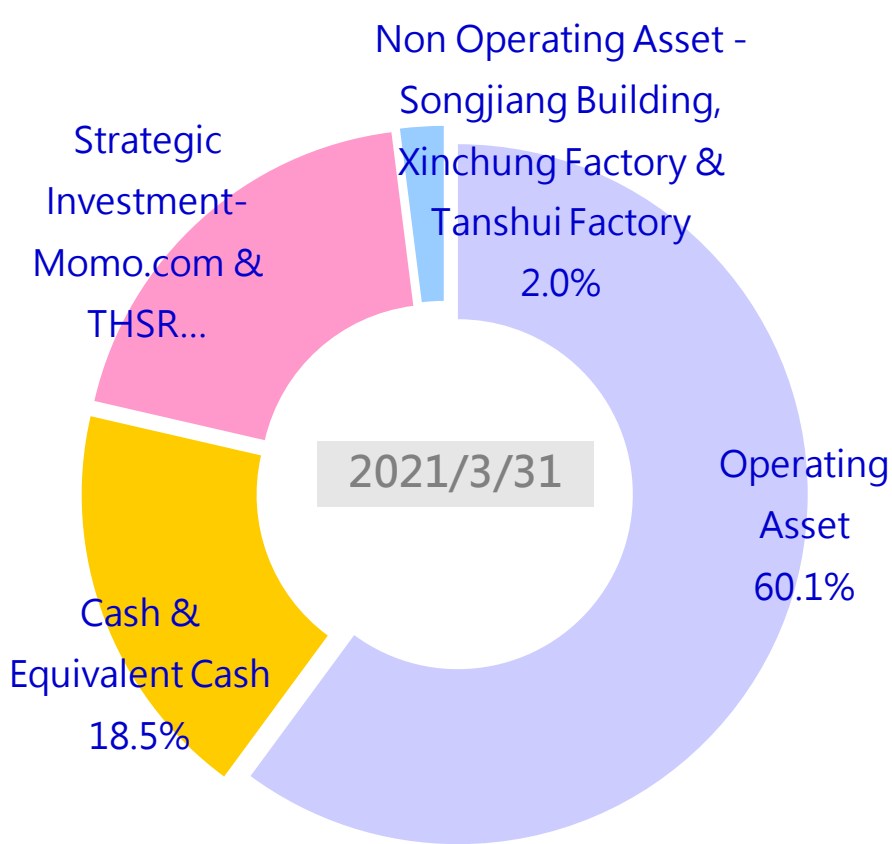
# Balance Sheets – March 2021

( In NT\$ 1,000)

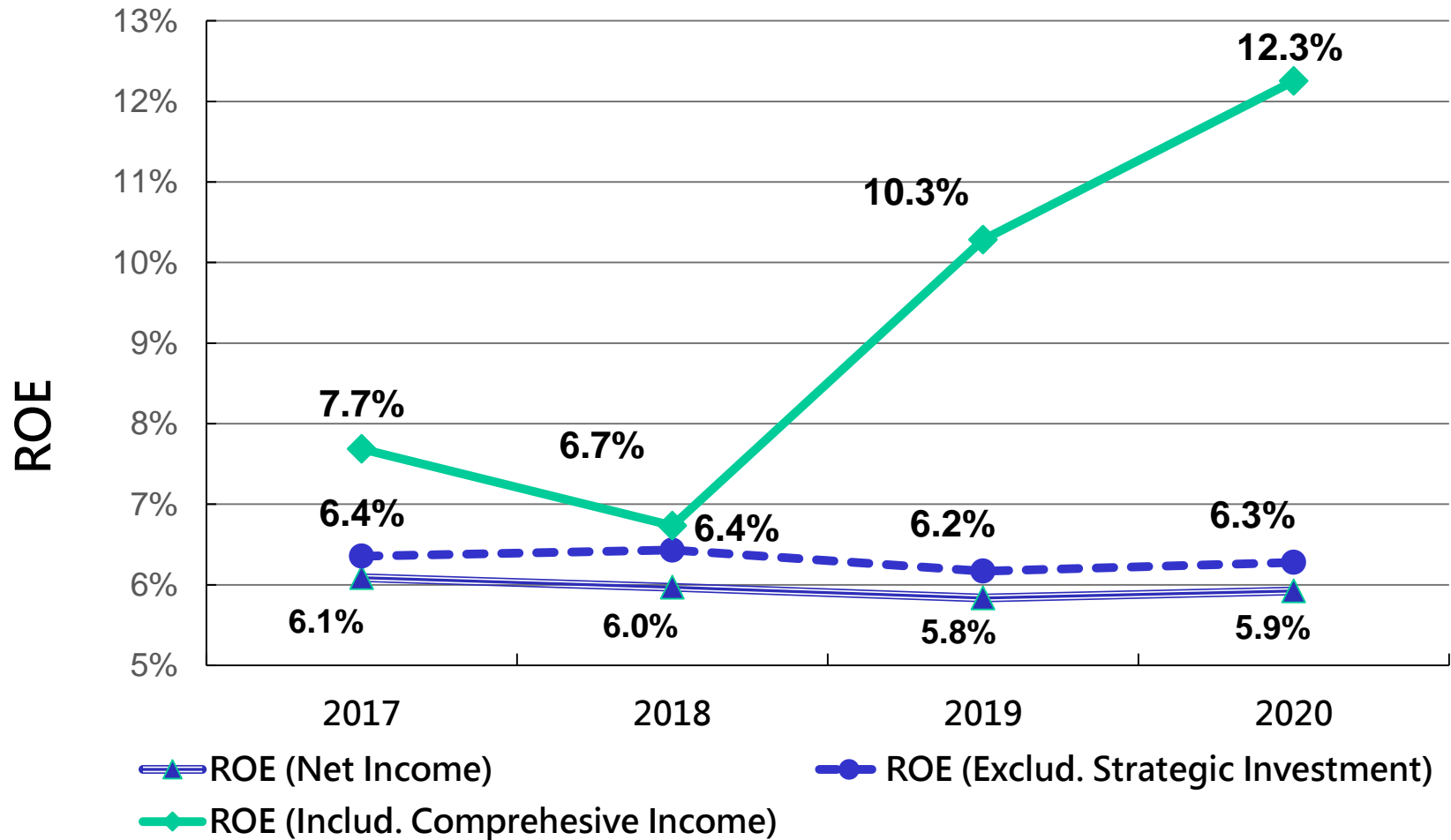
	Mar. 2021		Dec. 2020		Mar. 2020	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	21,565,432	19%	20,397,260	19%	23,759,597	23%
Receivable	10,188,696	9%	10,642,883	10%	9,941,792	10%
Inventories	10,319,388	9%	9,627,248	9%	9,832,914	10%
<b>Total Assets</b>	<b>116,958,623</b>	<b>100%</b>	<b>105,679,071</b>	<b>100%</b>	<b>102,023,782</b>	<b>100%</b>
Payable	15,450,054	13%	12,921,618	12%	12,508,412	12%
Short-term Borrowings(inclu. Long - term liabilities, current portion)	3,189,293	3%	2,816,832	3%	6,083,959	6%
Long-term Borrowings	3,295,687	3%	3,611,731	3%	7,427,410	7%
Corporate Bond Payable	6,000,000	5%	6,000,000	6%	4,000,000	4%
<b>Total Liabilities</b>	<b>41,014,568</b>	<b>35%</b>	<b>38,053,839</b>	<b>36%</b>	<b>42,647,561</b>	<b>42%</b>
<b>Equities</b>	<b>75,944,055</b>	<b>65%</b>	<b>67,625,232</b>	<b>64%</b>	<b>59,376,221</b>	<b>58%</b>
<b>Key Indices</b>						
AR Turnover (times)	4.68		4.41		4.32	
Inventory Turnover (times)	3.30		3.36		3.05	
Current Ratio	2.09		2.33		1.88	
Quick Ratio	1.54		1.75		1.40	
Net Debt to Equity	-12.0%		-11.8%		-10.5%	

- The amount payable at the end of March 2021 increased by 2.53 billion from the end of 2020, mainly due to the recognition of a cash dividend of 2.46 billion.
- At the end of March 2021, short-term loans + long-term loans (due within one year) + corporate bonds payable (due within one year), a decrease of 5.02 billion from the end of March 2020, mainly due to repayment of bank loans.
- Shareholders' equity at the end of March 2021 increased by 8.32 billion compared with the end of 2020. In addition to the current period's net profit and capital increase, it was mainly due to the substantial increase in financial asset appraisal benefits.

# Asset Breakdown



# Adjusted ROE Calculation



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# Recent Business Development 1/2

- ✓ 4/12 Invested ZEPT Inc.
  - Represent 25% of ZEPT's total issued shares and obtain one seat in its board.
  - It can fulfill TECO'S needs for automotive drive and integration technology , and can strengthen powertrain design capabilities to shorten the time for consumer verification and mass production.
  
- ✓ 4/19 The first Taiwanese company to manufacture offshore wind turbine prototypes.
  - Signed a cooperation framework agreement with several local and international offshore wind farm developers and global renowned permanent magnet wind turbine manufactures, and will undertake the production of stator and rotor prototypes for wind turbines.
  - Work with partners to strive for the production of prototype wind turbines that Taiwan needs after 2025

# Recent Business Development 2/2

- ✓ 4/27 Establishment of a sales partnership with Schneider Electric.
  - Acting as an agent in Taiwan for Schneider's low-voltage products ranked No. 1 in global market, covering the Easy product series of building power distribution and automation control.
  - Schneider Electric has a complete industrial IOT solutions, coupled with TECO's industrial leadership and experience in Taiwan, it is expected that the synergy development of both parties will increase the product series by 30 to 50% compound annual growth rate within three years.
  
- ✓ 5/3 Affiliated company, TECO Electro Devices Co., Ltd. applied for a public offering and is expected to be listed in Emerging stock in August.
  - Mainly producing servo motors, permanent magnet stepping motors, brushless DC motors and other products..
  - TECO Electro Devices' revenue has continued to grow in recent years, and its full-year revenue in 2020 will grow by more than 30% compared to the previous year, which is expected to become a cash cow in TECO group.

# Corporate governance wins more honor

- ✓ 5/3 TECO has been ranked in the top 5% of corporate governance evaluations for 7 consecutive years, and only 10 domestic listed companies can receive this honor.
- ✓ TCGA pointed out that “TECO holds a standing board meeting every two months to conduct preliminary consultation and communication on the company’s future business plans and major proposals. After reaching a consensus, it will be submitted to the board of directors for decisions, which will help the board of directors. Improvement of deliberative efficiency”. TCGA also believes that "TECO has set up a R&D and Innovation Committee, invited external professional scholars to serve as members, provided international information, combined with the company's comprehensive research institute to conduct market research from strategic directions and forward-looking technologies, and systematically thought about future product directions, and helped the enterprise group. Draw a blueprint for short, medium and long-term product development to enhance the company’s business competitiveness"



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