

# TECO Electric & Machinery Co., Ltd.



**TECO**

# 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. 3Q20 Financial Results**

II. Recap of Recent Major Events

# Statements of Comprehensive Income – 9M 20

(In NT Millions)	9M 2020	9M 2019	YoY
Operating Revenue	33,349	35,850	-7.0%
- Recurring Operating Revenue	32,878	35,754	-8.0%
- Gain(Loss) on financial assets at fair value through profit or Loss	471	96	390.6%
Net Gross Profit	8,192	8,996	-8.9%
Operating Profit	2,674	2,876	-7.0%
Non-operating Income	722	739	-2.3%
Income Before Tax	3,396	3,614	-6.0%
Income Tax	(484)	(752)	-35.6%
Net Income **	2,728	2,587	5.5%
EPS(NT\$)	1.41	1.33	6.0%

\* Excluding non-controlling interest

# Financial Highlights – 9M 20

(In NT Millions)	9M 2020	9M 2019	YoY
Net sales -Recurring *	32,878	35,754	-8.0%
Gross Margin - Recurring *	23.5%	24.9%	-140bps
Operating Margin - Recurring *	6.7%	7.8%	-110bps
EPS (NT\$)	1.41	1.33	6.0%
ROE (%) **	6.1%	6.3%	-20bps
ROA (%) **	3.5%	3.6%	-10bps

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

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

# Statements of Comprehensive Income – 3Q20

(In NT Millions)	3Q 2020	2Q 2020	QoQ	3Q 2019	YoY
Operating Revenue	11,448	11,236	1.9%	11,601	-1.3%
- Recurring Operating Revenue	11,437	10,857	5.3%	11,606	-1.5%
- Gain(Loss) on financial assets at fair value through profit or Loss	11	379	-97.1%	(5)	-320.0%
Net Gross Profit	2,543	3,002	-15.3%	2,990	-14.9%
Operating Profit	712	1,153	-38.2%	937	-24.0%
Non-operating Income	254	638	-60.2%	168	51.2%
Income Before Tax	966	1,792	-46.1%	1,105	-12.6%
Income Tax	(185)	(200)	-7.5%	(233)	-20.6%
Net Income **	802	1,479	-45.8%	785	2.2%
EPS(NT\$)	0.41	0.76	-46.1%	0.40	2.5%

\* Excluding non-controlling interest

# Financial Highlights – 3Q20

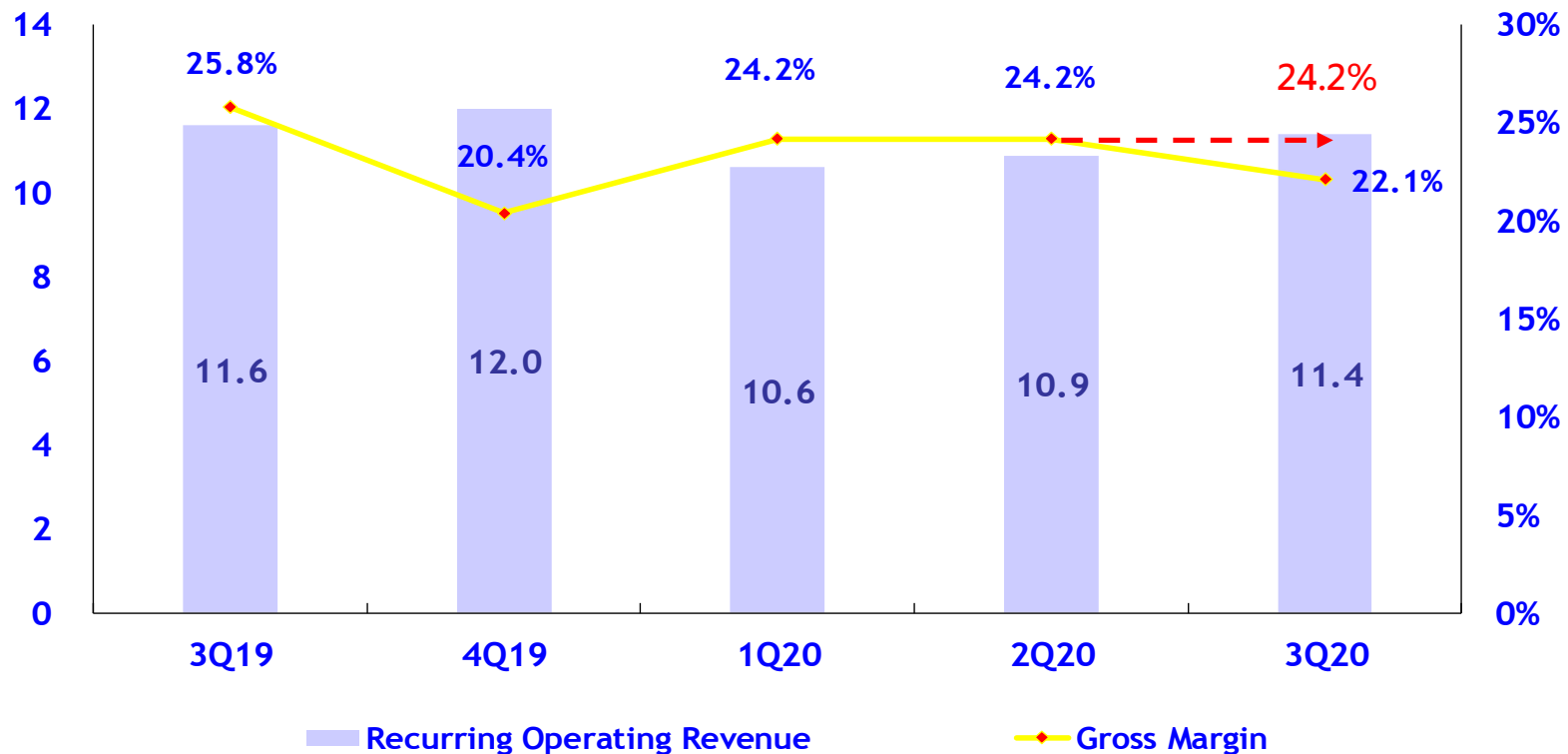
(In NT Millions)	3Q 2020	2Q 2020	QoQ	3Q 2019	YoY
Net sales -Recurring *	11,437	10,857	5.3%	11,606	-1.5%
Gross Margin - Recurring *	22.1%	24.2%	-210bps	25.8%	-370bps
Operating Margin - Recurring *	6.1%	7.1%	-100bps	8.1%	-200bps
EPS (NT\$)	0.41	0.76	-46.1%	0.40	2.5%
ROE (%) **	5.2%	10.2%	-500bps	5.5%	-30bps
ROA (%) **	3.0%	5.6%	-260bps	3.1%	-10bps

\* 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



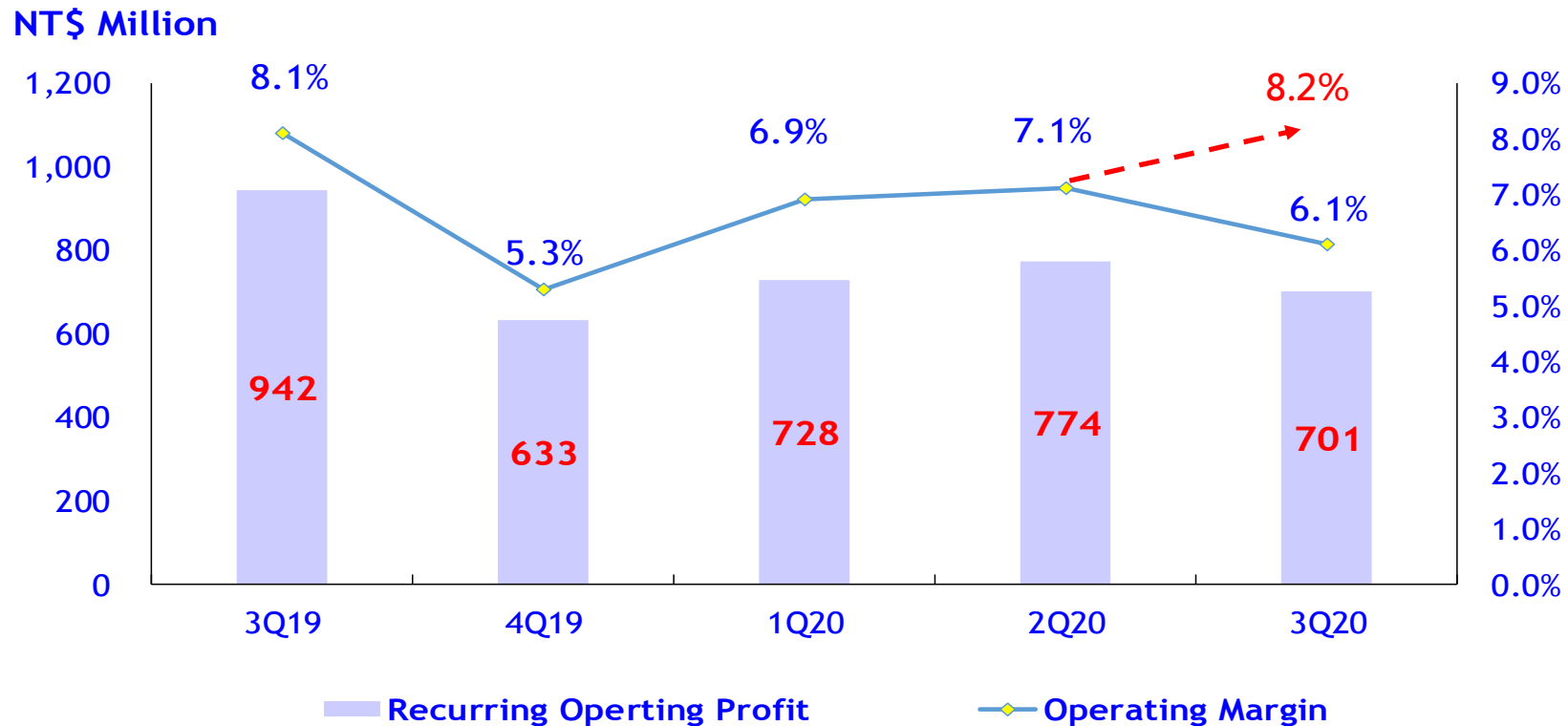
\* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

\*\* 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

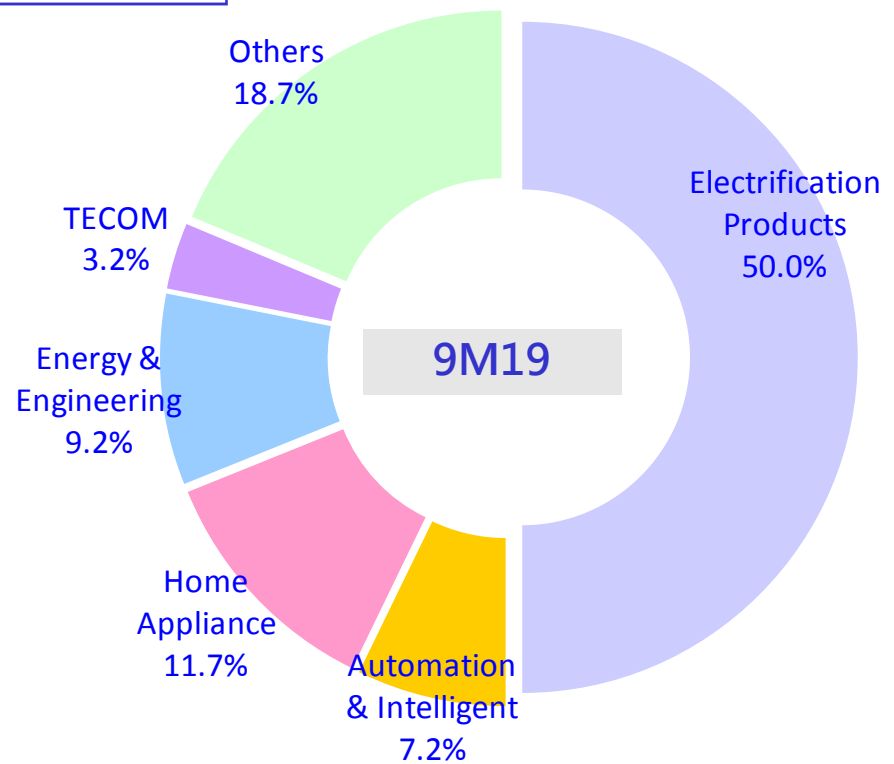
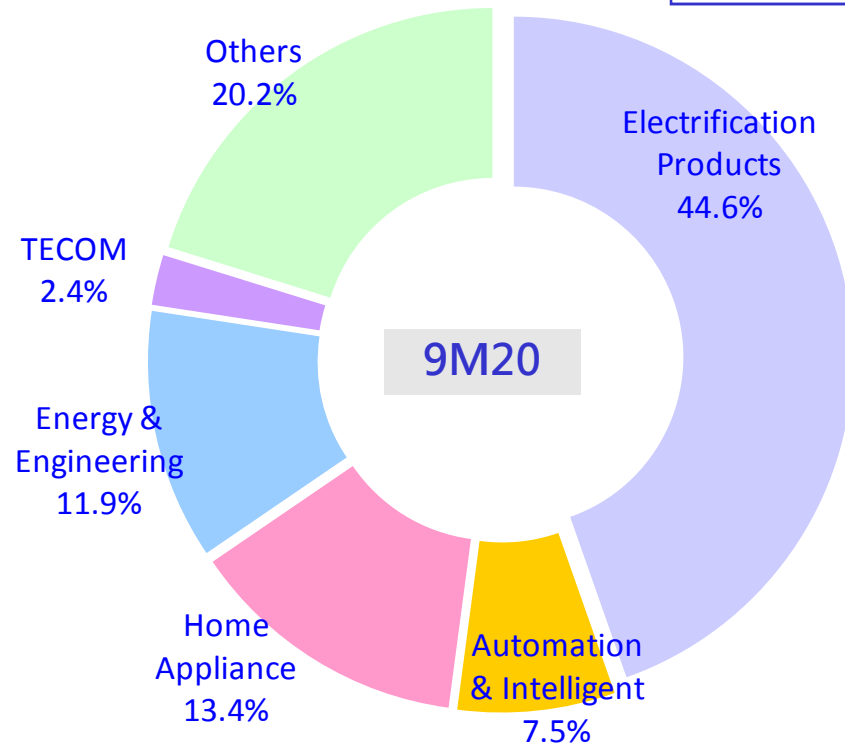


\* Recurring Operating Profit excludes financial assets at fair value through profit or loss

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

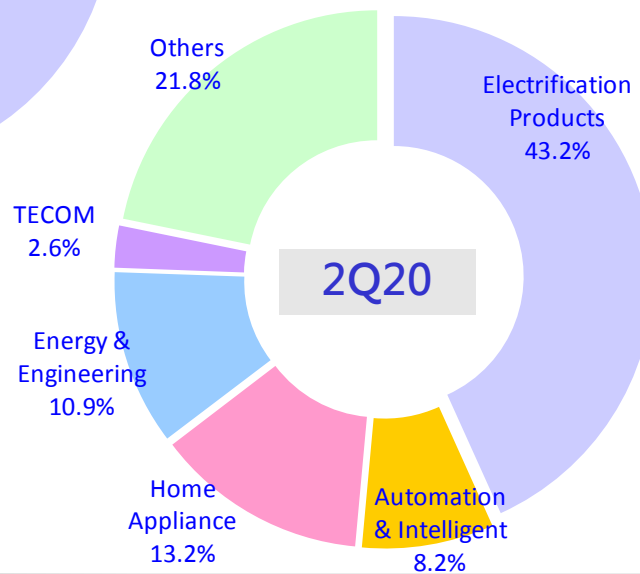
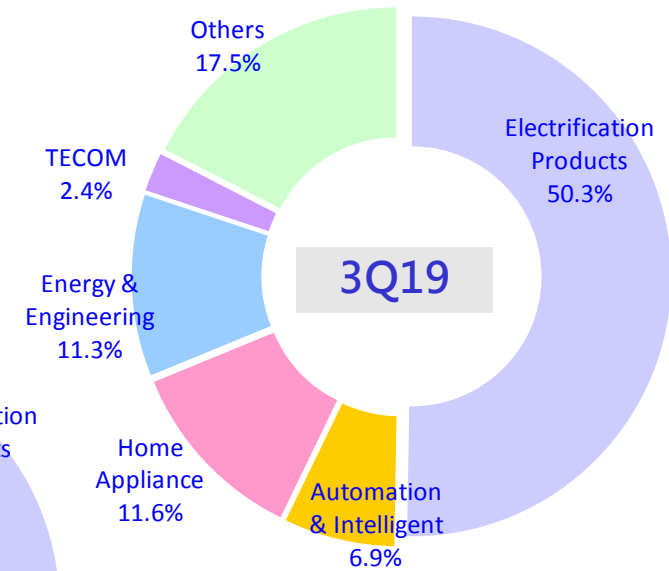
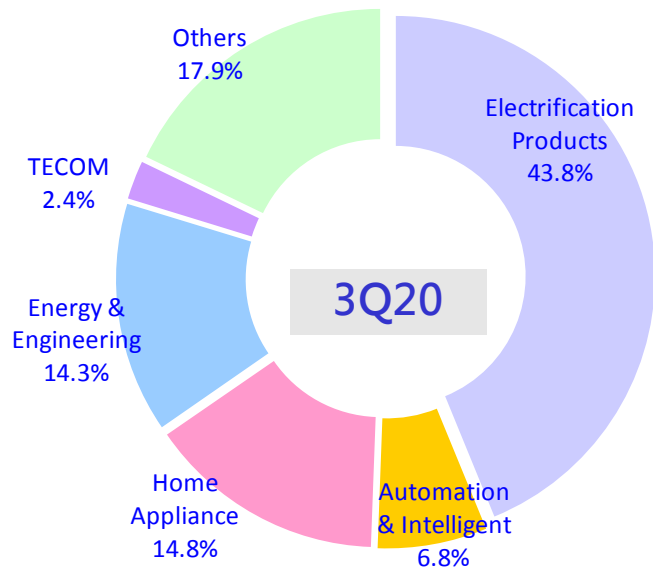
# Revenue Breakdown 1/2

In 9M 2020, total consolidated topline down 7.0% YoY

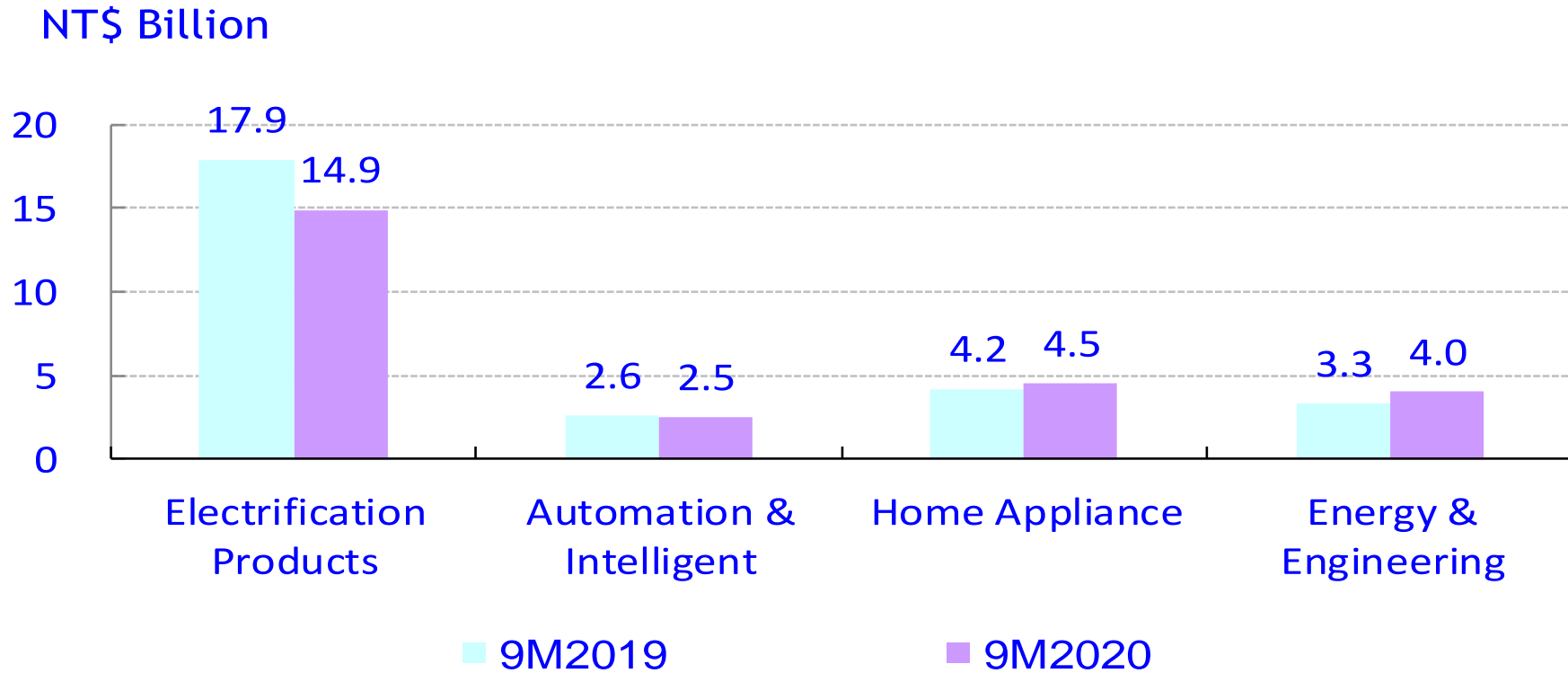


# Revenue Breakdown 2/2

In 3Q 2020, total consolidated topline down 1.3 YoY, up 1.9% QoQ

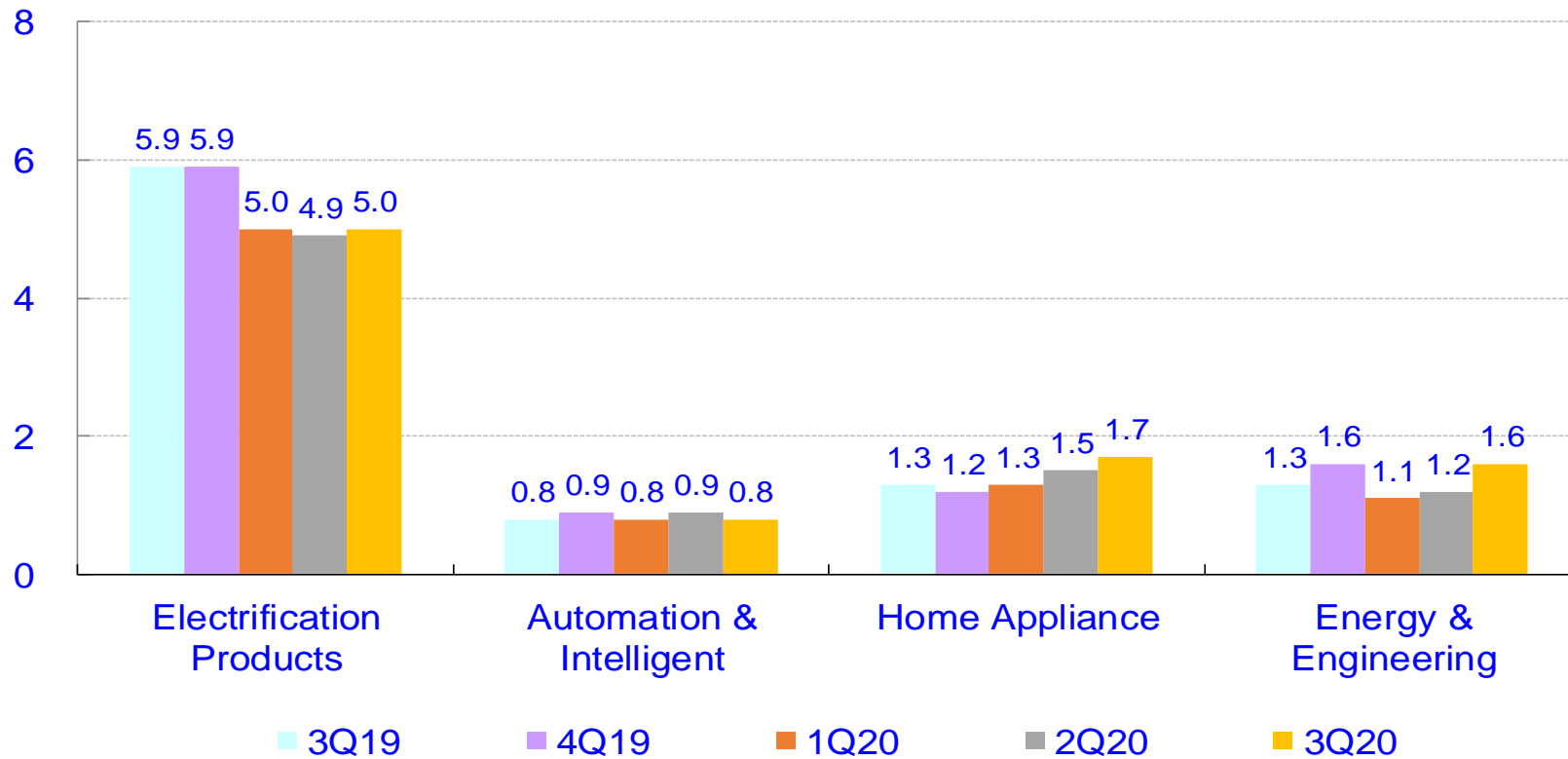


# Sales on Major Business Lines <sup>1/2</sup>



# Sales on Major Business Lines 2/2

NT\$ Billion



# Balance Sheets – Sep. 2020

( In NT\$ 1,000)

	Sep. 2020		Dec. 2019		Sep. 2019	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	20,308,158	19%	19,111,371	19%	18,616,097	19%
Receivable	10,086,451	10%	10,711,774	11%	11,095,563	11%
Inventories	10,008,929	10%	9,853,585	10%	10,307,603	11%
- Financial assets at fair value through profit or Loss	3,614,643	3%	2,418,162	2%	2,392,642	2%
- Financial assets at fair value through other comprehensive income	20,654,294	19%	15,538,746	16%	14,472,980	15%
<b>Total Assets</b>	<b>106,068,500</b>	<b>100%</b>	<b>99,094,404</b>	<b>100%</b>	<b>98,036,047</b>	<b>100%</b>
Payable	11,497,747	11%	11,954,866	12%	11,664,105	12%
Short-term Borrowings(inclu. Long - term liabilities, current portion)	2,938,004	3%	5,268,435	5%	2,026,526	2%
Long-term Borrowings	4,671,586	4%	6,673,954	7%	7,290,720	7%
Corporate Bond Payable	6,000,000	6%	1,000,000	1%	4,000,000	4%
<b>Total Liabilities</b>	<b>38,673,838</b>	<b>36%</b>	<b>37,389,614</b>	<b>38%</b>	<b>37,512,387</b>	<b>38%</b>
<b>Equities</b>	<b>67,394,662</b>	<b>64%</b>	<b>61,704,790</b>	<b>62%</b>	<b>60,523,660</b>	<b>62%</b>

## Key Indices

AR Turnover (times)	4.41	4.59	4.49
Inventory Turnover (times)	3.15	3.21	3.07
Current Ratio	2.36	2.17	2.14
Quick Ratio	1.75	1.57	1.55
Net Debt to Equity	-9.9%	-10.0%	-8.8%

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# Breakthrough under the Epidemic

- ✓ China market : Grasp the economic rebound trend to increase sales to minimize the impact of other markets. Sales in China revenue in Q3 grows ~20% YOY, the Q4 is even stronger. It is expected to grow in 2020 vs. 2019.
  - There is a positive growth on large size motor business, as well as its order intake.
  - Through the explosion proof motor and IE3 efficient motor, it is estimated that small size motor business could grow versus 2019.



# Breakthrough under the Epidemic

- ✓ Commercial Air Conditioners: By the end of September, the sales grows up approximately 10% and will keep expanding direct sale (Government projects) and light commercial air condition DC conversion to take advantage of the subsidy of the government for energy saving. It is expected to grow for the whole year's sales.
- ✓ Household air conditioners: By the end of September, sales grows more than 10%. It will keep the growth momentum through the full year.

# TECO selected as a member of DJSI Emerging Markets

- ✓ TECO has been incorporated, as the only one new Taiwanese firm in the category of ELQ Electrical Components & Equipment, into 2020 Dow Jones Sustainability Index (DJSI), with its extraordinary performance in the two items of "innovation management" and "environmental policy and management system," for both of which it was granted full marks.
- ✓ In addition to its outstanding performance in environmental policy, TECO has received various kinds of acknowledgement for its extraordinary performance in corporate governance, including platinum award of top 50 CSR report of TCSA for six years in a row, top 5% in corporate governance evaluation by the TWSE, and inclusion as a constituent stock of "FTSE4Good TIP Taiwan ESG Index."

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**TECO** 