

# TECO Electric & Machinery Co., Ltd.



**2020 4th Quarter  
Earnings Conference**

**March 30, 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. 4Q20 Financial Results

## II. Recap of Recent Major Events

## III. 2021 Growth Strategy

- approved by BOD dated on December 22, 2020

# Statements of Comprehensive Income – 2020

(In NT Millions)	2020	2019	YoY
Operating Revenue	45,823	47,909	-4.4%
- Recurring Operating Revenue	45,350	47,786	-5.1%
- Gain(Loss) on financial assets at fair value through profit or Loss	473	123	284.6%
Net Gross Profit	10,756	11,481	-6.3%
Operating Profit	3,534	3,536	-0.1%
Non-operating Income	866	903	-4.1%
Income Before Tax	4,400	4,439	-0.9%
Income Tax	(588)	(920)	-36.1%
Net Income **	3,511	3,222	9.0%
EPS(NT\$)	1.81	1.65	9.7%

\* Excluding non-controlling interest

# Financial Highlights – 2020

(In NT Millions)	2020	2019	YoY
Net sales -Recurring *	45,350	47,786	-5.1%
Gross Margin - Recurring *	22.7%	23.8%	-110bps
Operating Margin - Recurring *	6.7%	7.1%	-40bps
EPS (NT\$)	1.81	1.65	9.7%
ROE (%) **	5.9%	5.8%	10bps
ROA (%) **	3.4%	3.4%	-

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

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

# Statements of Comprehensive Income – 4Q20

(In NT Millions)	4Q 2020	3Q 2020	QoQ	4Q 2019	YoY
Operating Revenue	12,474	11,448	9.0%	12,059	3.4%
- Recurring Operating Revenue	12,472	11,437	9.0%	12,032	3.7%
- Gain(Loss) on financial assets at fair value through profit or Loss	2	11	-81.8%	27	-92.6%
Net Gross Profit	2,564	2,543	0.8%	2,485	3.2%
Operating Profit	860	712	20.8%	660	30.3%
Non-operating Income	144	254	-43.3%	165	-12.7%
Income Before Tax	1,004	966	3.9%	825	21.7%
Income Tax	(104)	(185)	-43.8%	(168)	-38.1%
Net Income **	783	802	-2.4%	635	23.3%
EPS(NT\$)	0.40	0.41	-2.4%	0.32	25.0%

\* Excluding non-controlling interest

# Financial Highlights – 4Q20

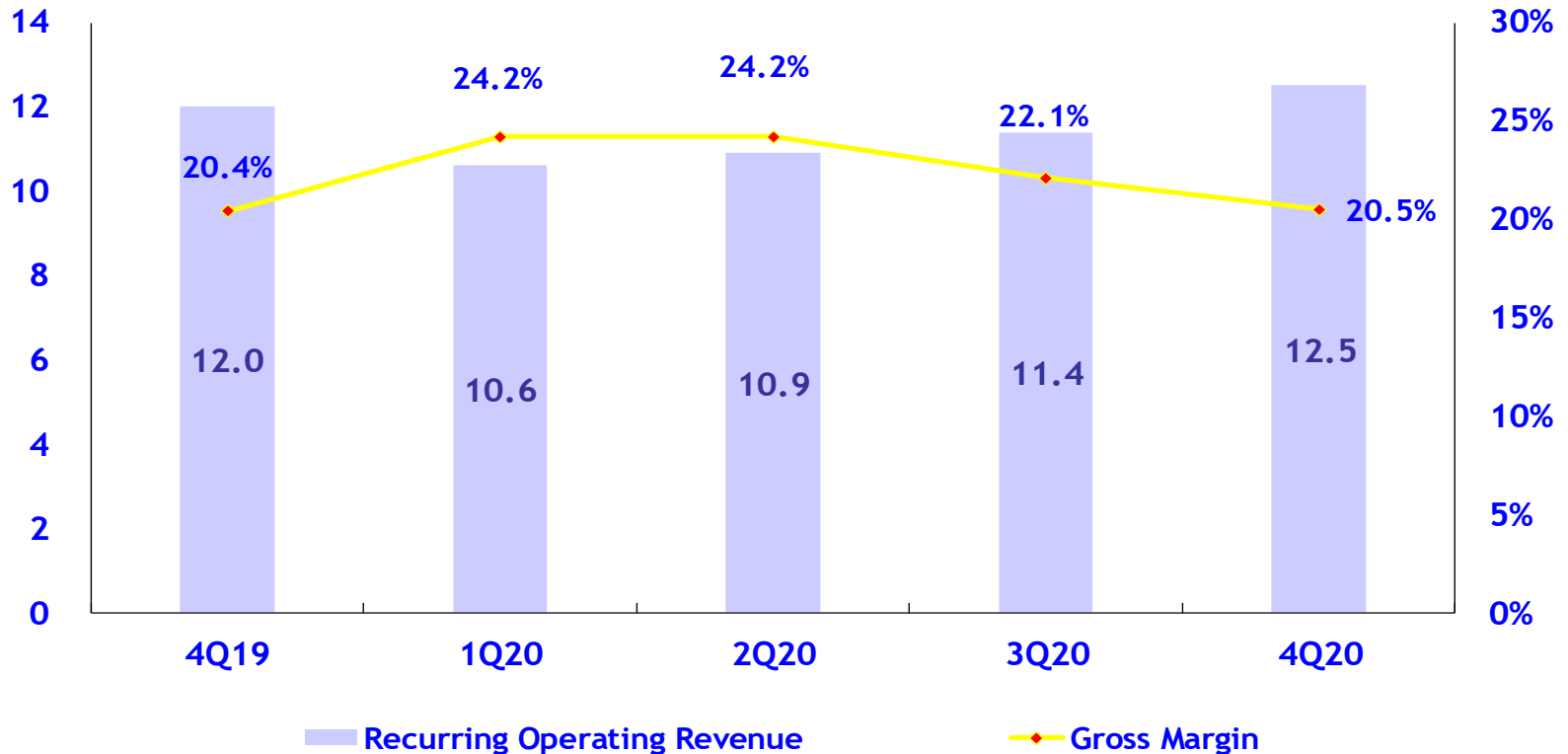
(In NT Millions)	4Q 2020	3Q 2020	QoQ	4Q 2019	YoY
Net sales -Recurring *	12,472	11,437	9.0%	12,032	3.7%
Gross Margin - Recurring *	20.5%	22.1%	-160bps	20.4%	+10bps
Operating Margin - Recurring *	6.9%	6.1%	+80bps	5.3%	+160bps
EPS (NT\$)	0.40	0.41	-2.4%	0.32	25.0%
ROE (%) **	5.1%	5.2%	-10bps	4.5%	+60bps
ROA (%) **	3.0%	3.0%	-	2.6%	+40bps

\* 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



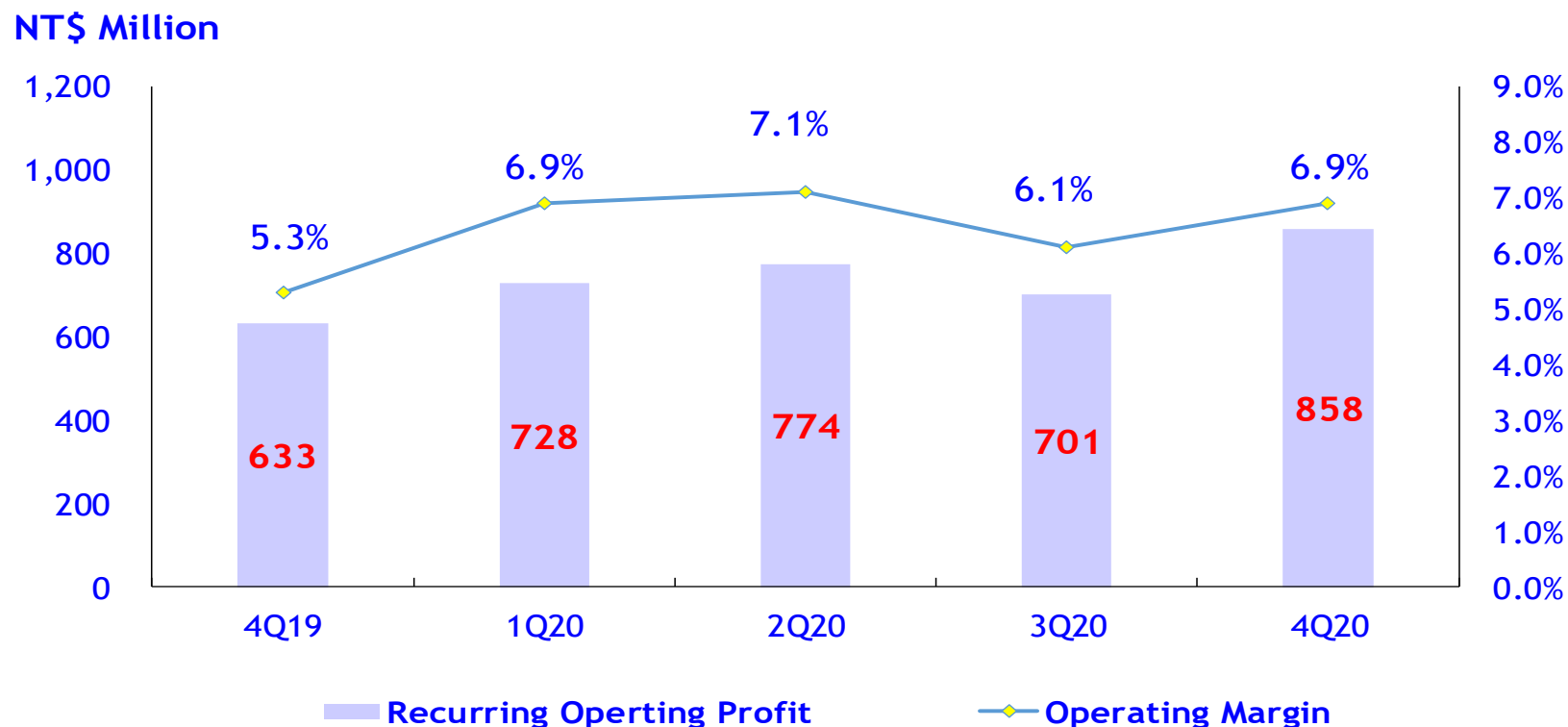
\* Recurring Operating Revenue = Operating Revenue – financial assets at fair value through profit or loss

\*\* 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

# Balance Sheets – Dec. 2020

( In NT\$ 1,000)

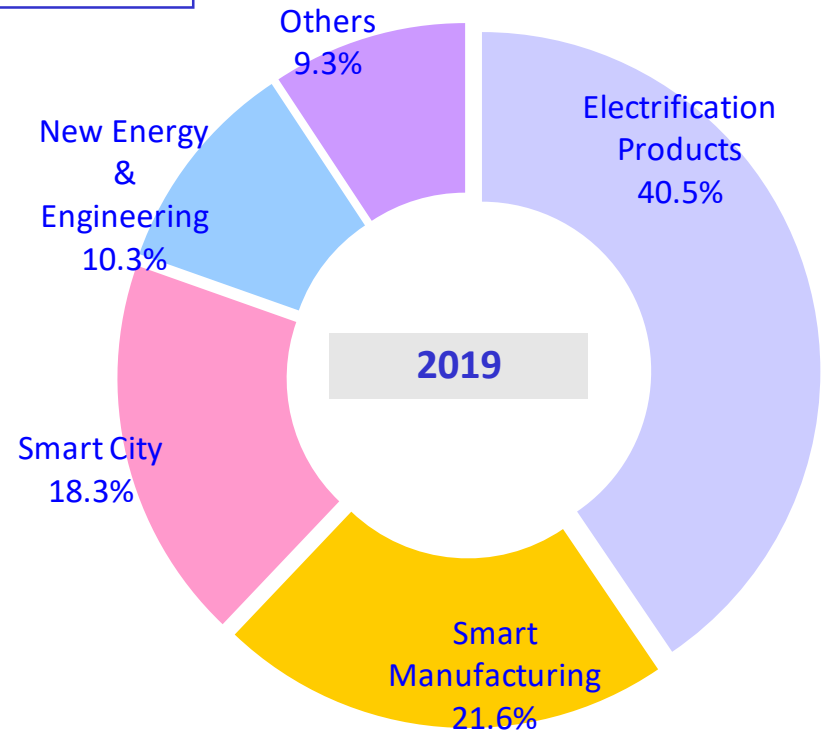
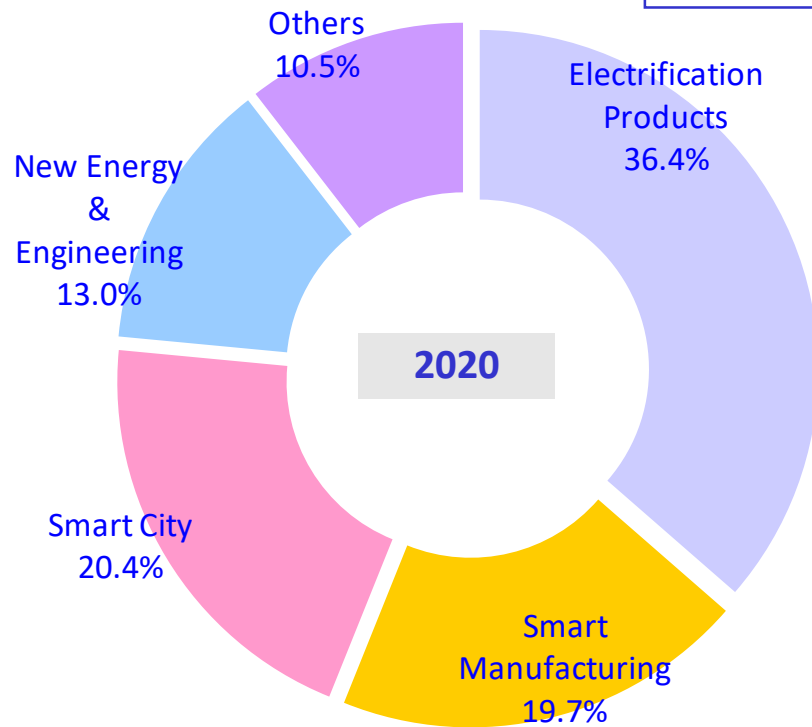
	Dec. 2020		Sep. 2020		Dec. 2019	
	Amount	%	Amount	%	Amount	%
Cash & Cash Equivalent	20,397,260	19%	20,308,158	19%	19,111,371	19%
Receivable	10,642,883	10%	10,086,451	10%	10,711,774	11%
Inventories	9,627,248	9%	10,008,929	10%	9,853,585	10%
Total Assets	105,679,071	100%	106,068,500	100%	99,094,404	100%
Payable	12,921,618	12%	11,497,747	11%	11,954,866	12%
Short-term Borrowings(inclu. Long - term liabilities, current portion)	2,816,832	3%	2,938,004	3%	1,857,637	2%
Long-term Borrowings	3,611,731	3%	4,671,586	4%	7,084,752	7%
Corporate Bond Payable	6,000,000	6%	6,000,000	6%	4,000,000	4%
Total Liabilities	38,053,839	36%	38,673,838	36%	37,389,614	38%
Equities	67,625,232	64%	67,394,662	64%	61,704,790	62%

## Key Indices

AR Turnover (times)	4.41	4.41	4.59
Inventory Turnover (times)	3.36	3.15	3.21
Current Ratio	2.33	2.36	2.17
Quick Ratio	1.75	1.75	1.57
Net Debt to Equity	-11.8%	-9.9%	-10.0%

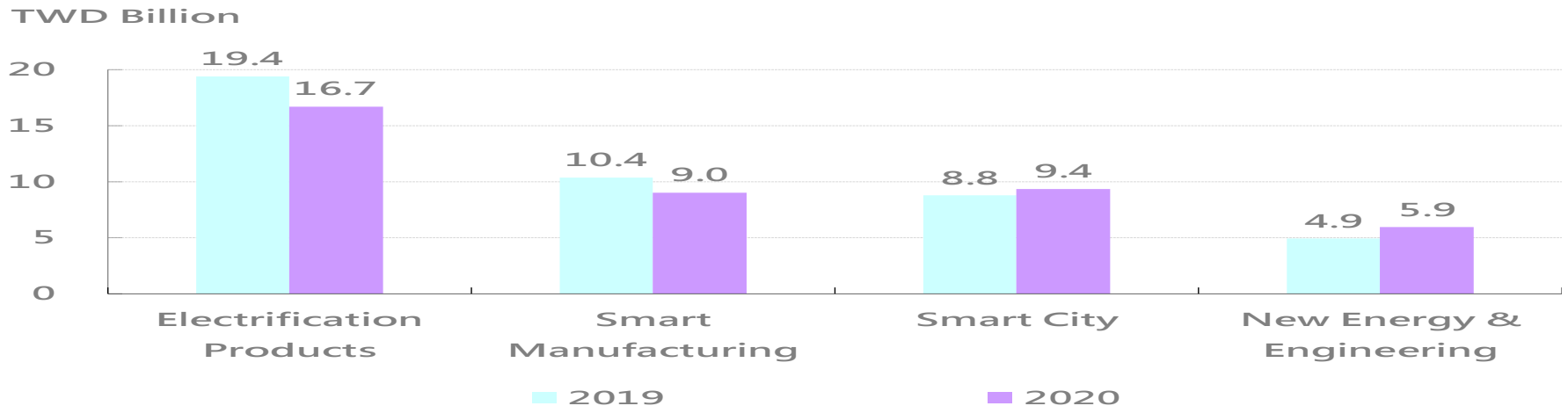
# Revenue Breakdown

In 2020, total consolidated topline down 4.35% 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" decreased by about 1.4 billion, mainly due to: 1) Motovario's revenue fell severely affected by the epidemic; 2) Tecom adjusted its 3C agency business.
- "Smart City" revenue increased by about TWD600 million, 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 TWD1 billion, mainly due to the increase in IDC engineering revenue from TECO.



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# Progress on Electric Vehicle

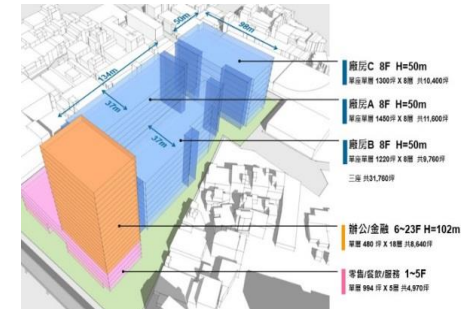
- ✓ T Power won the 29th Taiwan Excellence Gold Award. It is the only domestic manufacturer that integrates automotive motors and drivers into one. It has won opportunities from many domestic and foreign electric vehicle manufacturers. It is expected to gradually realize in the third quarter of 2021.
- ✓ 2021/2/1 announced to join the Hon Hai MIH platform, supporting commercial vehicle solutions, and is the only supplier among suppliers that independently designs, develops and manufactures motors and electronic controls, and is a member of high-power and high-voltage products. In addition, TECO is also actively discussing the demand for related models with Foxtron Vehicle Technology to strive for future supply opportunities.
- ✓ 2021/3/17 signed a MOU with the electric bus manufacturer, RAC Electric Vehicle. RAC will purchase 500 sets of electric bus power systems for two years. The first batch of 30 sets will be delivered in the second quarter of this year. It will be TECO's self-made power module with motor and drives.

# Continual Asset Revitalization

## Xinzhuang Factory

- Base area: 37,263m<sup>2</sup> (B type industrial zone)
- Development progress:

Joint construction with Kindom Construction Corp. It is expected to be approved in 2022 and completed in 2028. The total floor area of the building is about 78,987 pings, planned to develop as a compound park of biotechnology, AI and ICT industries. It is estimated that the asset appreciation will exceed TWD10 billions.



## Songjiang Building

- Base area: 827 m<sup>2</sup> / Teco holds about 57%
- Development progress:

Applied to reconstruction according to " Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings" and it is expected to be demolished and reconstructed by 2021 year end to be a commercial and office building for lease.



# Achievement of ESG

- ✓ 2020/11/16 TECO has been incorporated, as the only Taiwanese firm in the category of ELQ Electrical Components & Equipment, into 2020 Dow Jones Sustainability Index (DJSI), thanks to 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.
- ✓ 2021/2/22 TECO Electric & Machinery has been granted "Industry Mover" status in S&P Global 2021 Sustainability Yearbook, in acknowledgement of its remarkable performance in sustainability.



# Implementation on Teco's Vision <sup>1/2</sup>

- ✓ TECO publicizes the company's vision and development results through public speeches, exhibitions, social platforms, etc. Such as :

- Implementation of ESG and Vision



- Development of EV powertrain



- Solution for Smart City



# Implementation on Teco's Vision <sup>2/2</sup>

✓ Please click the web link below to watch the video:

- **Implementation of ESG and Vision**

<https://youtu.be/8mu2rFqpyVQ>

<https://youtu.be/f4zo6rdbYtE>

- **Development of EV powertrain**

<https://youtu.be/o2V6jzHsbOw>

<https://youtu.be/4u1yTlwUMTM>

- **Solution for Smart City**

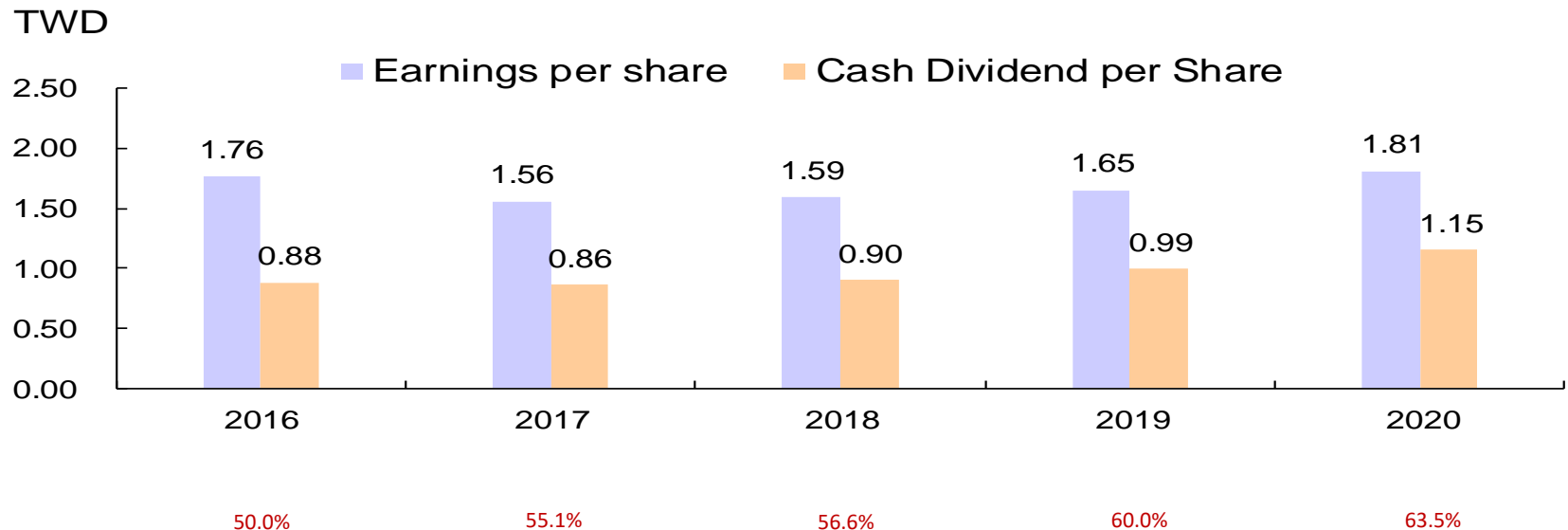
<https://youtu.be/rAkuzOrd4XM>

<https://youtu.be/X-DVaSwEjD8>

# Material Agenda of AGM

## - Dividend Policy

Paying cash dividend TWD1.15 per share which is 20-year high; payout ratio reached at 63.5% which is 5-year high.



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# Strategically Focused Industries

## Green Energy

"Renewable energy" represent 20% of domestic energy supply in 2025

- Solar 20GW grid-connected: including construction project, equipment and power station operation and maintenance business, the scale is estimated to exceed TWD3 trillion
- Offshore wind power 5.5GW grid-connected: output value exceeds TWD900 billion
- Taipower's energy storage demand is nearly 600MW: about TWD18 billion for construction projects and equipment business

## EV

- The scale of the EV industry – It is estimated CAGR> 22% globally during 2017-2025 and the scale will reach US\$567.2 billion.
- The Ministry of Transportation & Communication will invest TWD90 billion in the next 10 years to promote the electric bus industry.
- Taiwan's e-bike is ranked first in the EU import market, accounting for 63.4% of the market in 2020.

## Smart City

IDC

- Google- Estimated increase of 6-8 phases of IDC construction planning, with a total investment of more than TWD70 billion
- Microsoft is expected to invest US\$300 million to build IDC in Taiwan.

Air-conditioning is fully installed in primary and secondary schools, with 100,000 units and TWD10 billions of business opportunities

## Smart Auto

- Global Industrial Control and Factory Automation Market: CAGR>8% during 2020-2025.
- The value of warehousing and logistics automation is estimated to reach US\$270 billion in 2025
- The global AI application market has a CAGR of >30% from 2019 to 2023, of which the Asia-Pacific region has grown more than 38%

# Generate over TWD20 billion revenue in three years

## Smart Green Energy

- Develop solar power plant/energy storage business with TECO's equipment and system advantages, and extend it to solar smart diagnosis and monitoring system to strengthen maintenance and operation business
- Strive for the turnkey project of offshore wind power onshore substation and develop the generator OEM business
- EV powertrain
  - a. Cooperate with domestic and foreign automakers and system manufacturers to provide power systems for commercial and passenger vehicles
  - b. Develop large-capacity and high-voltage motor drive systems to strive for business opportunities in electric buses for public transportation
  - c. Expand the OEM production of 2W electric scooters/bicycles and the assembly of power modules at home and abroad

## Smart City

- Develop new markets in Taiwan based on IDC mechanical and electrical engineering foundation, and expand business to other Asia-Pacific regions
- Smart logistics industry application: Introduce AI image visual driving warning system, improve the intelligent and safe transportation of moving vehicles, and integrate a full-field intelligent management platform
- Business Opportunities for Air Conditioning in Primary and Secondary Schools: Use EMS central control management to achieve smart energy-saving benefits, plus exclusive PM2.5/bacteriostatic and clean technology

## Smart manufacturing

- Smart handling and packaging: develop AR recognition technology and multi-vehicle automated guided vehicles (AGV) to provide one-stop smart logistics solutions
- Smart factory IoT4.0 solution: through unmanned processing and assembly line construction investment to develop industry 4.0 intelligent system integration technology and modules
- Smart operation & maintenance: through the MHm+ cloud platform, with digital value-added maintenance services, strengthen customer linkages and follow-up business opportunities

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