



# 2022 2<sup>nd</sup> Quarter Earnings Conference

August 16<sup>th</sup>, 2022

**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.

# Financial Highlights 2Q22

- 2022 Q2 Financials

|                  | 2Q 2022 | 1Q 2022 | QoQ    | 2Q 2021 | YoY    |
|------------------|---------|---------|--------|---------|--------|
| Net Sales        | 14,544  | 13,897  | 4.7%   | 12,813  | 13.5%  |
| Gross Margin     | 23.0%   | 21.9%   | 110bps | 23.9%   | -90bps |
| Operating Margin | 8.9%    | 8.3%    | 60bps  | 8.2%    | 70bps  |
| EPS (TWD)        | 0.48    | 0.17    | 182.4% | 0.68    | -29.4% |

The Three Business Groups Operating Performance

Recap of Recent Major Events

Appendix: Financial Statements

- 2Q 2022 net sales increased by 13.5% YoY and 4.7% QoQ due to continual growth of Green Mechatronic Solutions in North America, Europe, and Taiwan, as well as engineering projects of Intelligence Energy.
- The gross margin was 23.0%, less than the same period last year level by 0.9%, due to the cost pressure from raw materials, freight expense, logistics labor costs, and warehouse rental costs. Operating margin was higher than 2Q 2021 level by 0.7% due to expense control.
- EPS reached at TWD 0.48 in Q2, increased by TWD 0.31 versus the previous quarter, mainly due to dividend income of TWD 730 million; and a decrease of TWD 0.2 from the same period last year, mainly because the loss of TWD 420 million in financial asset evaluation, compared to the same period last year, the financial asset evaluation benefit was TWD 710 million.

# Financial Highlights 1H22

- 2022 Q2 Financials

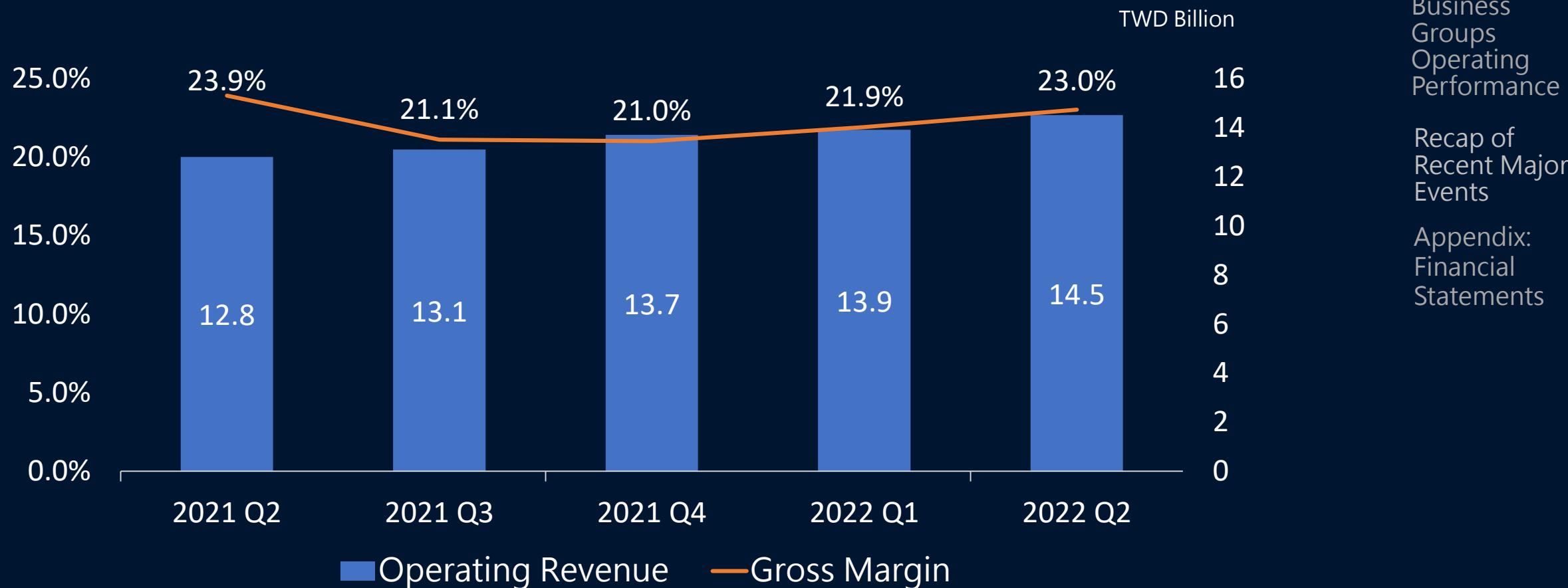
|                  | 1H22   | 1H21   | YoY     |
|------------------|--------|--------|---------|
| Net Sales        | 28,441 | 24,353 | 16.8%   |
| Gross Margin     | 22.5%  | 23.7%  | -120bps |
| Operating Margin | 8.6%   | 7.7%   | 90bps   |
| EPS (TWD)        | 0.65   | 1.21   | -46.3%  |

Net sales in the first half of 2022 was TWD 28.44 billion, with 16.8% YoY growth, and EPS in the first half of 2022 reached at TWD 0.65, a decrease of TWD 0.56 over the same period last year, mainly due to the loss in financial asset evaluation.

The Three Business Groups Operating Performance  
Recap of Recent Major Events  
Appendix: Financial Statements

# Operating Revenue vs. Gross Margin

- 2022 Q2 Financials

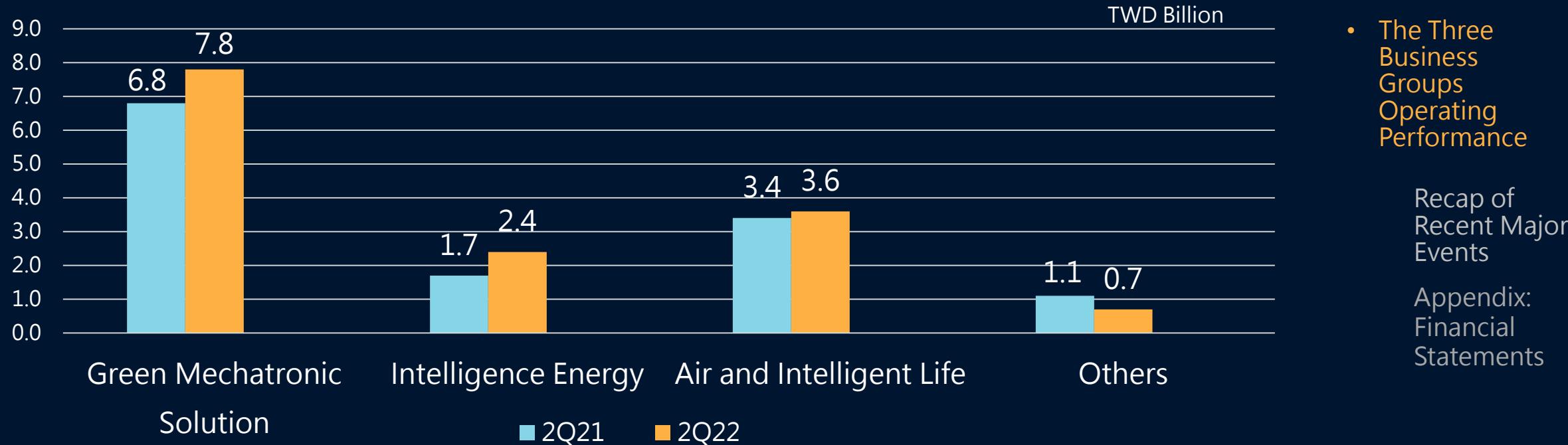


# Operating Profit vs. Operating Margin

- 2022 Q2 Financials
- The Three Business Groups Operating Performance
- Recap of Recent Major Events
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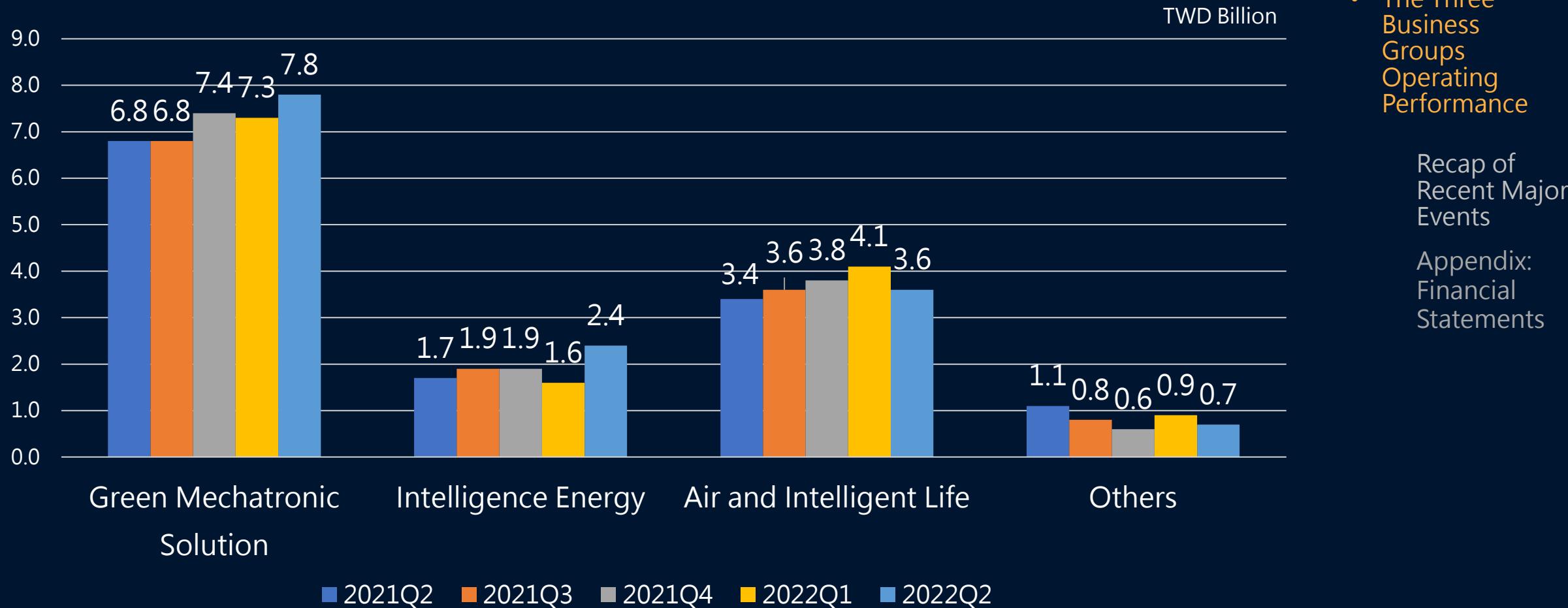
# Performance of Business Groups



- The Three Business Groups Operating Performance
- Recap of Recent Major Events
- Appendix: Financial Statements

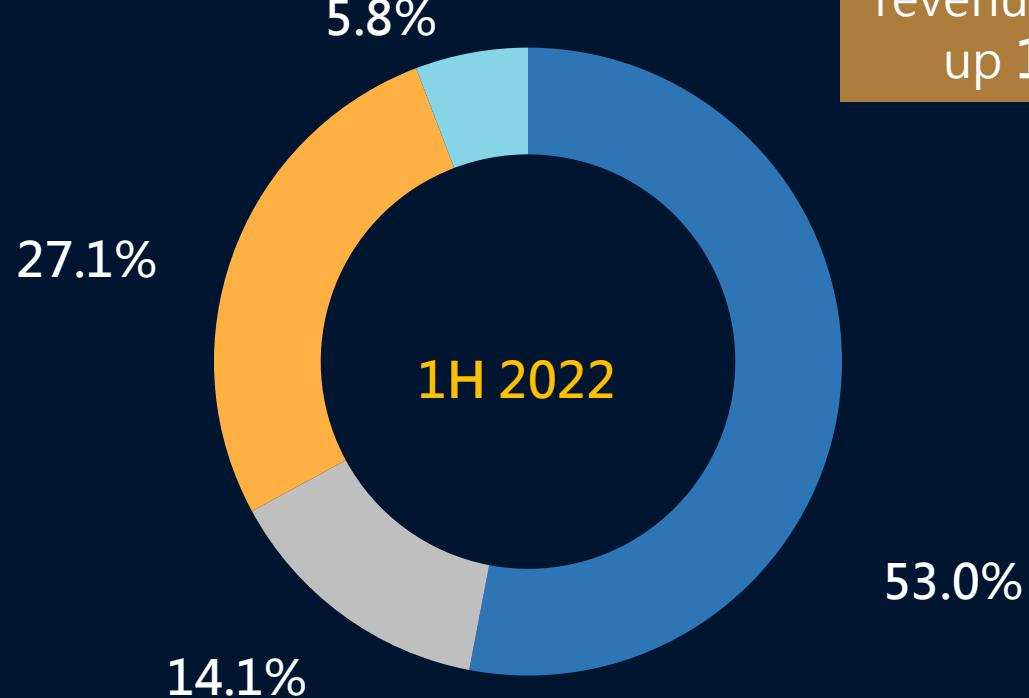
- ✓ "Green Mechatronic Solution" revenue increased by 13.9% YoY, thanks to the continuous growth in North America, Europe and Taiwan.
- ✓ The revenue growth of "Intelligence Energy" increased by 37.5% YoY, mainly due to the growth of engineering project revenue (including IDC projects and, Longtan UHV substation energy storage system, etc.)
- ✓ The YoY revenue growth of "Air and Intelligent Life" was 5.6%, mainly due to the revenue growth of air conditioning products.

# Sales Trend of Business Groups

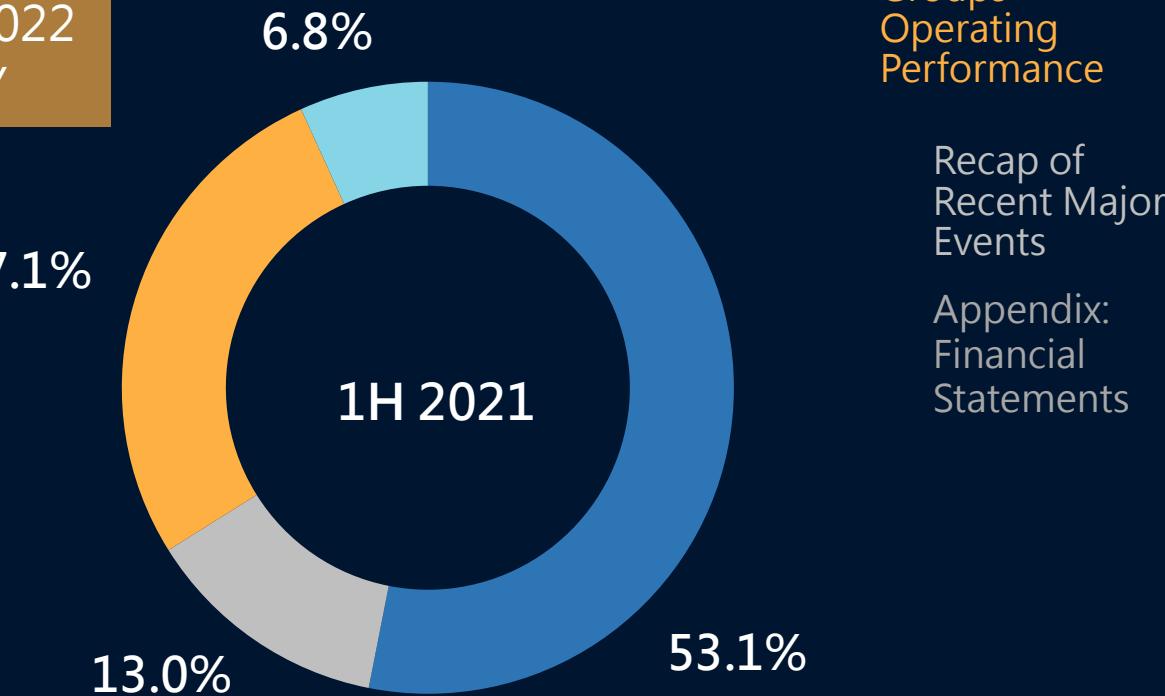


# Revenue Breakdown by Business Group 1/2

- The Three Business Groups Operating Performance



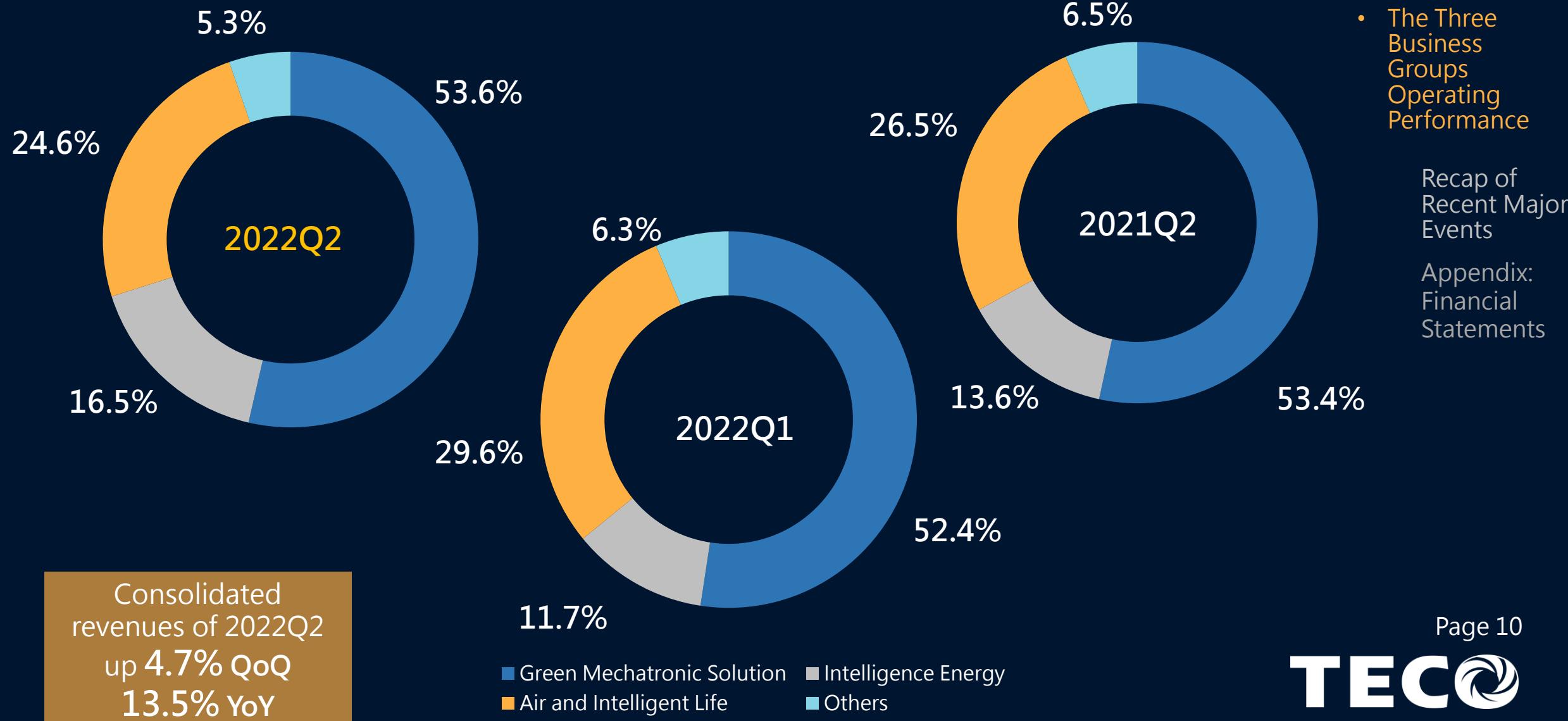
Consolidated  
revenues of 1H 2022  
up **16.8%** YoY



- Green Mechatronic Solution
- Air and Intelligent Life

- Intelligence Energy
- Others

# Revenue Breakdown by Business Group 2/2



# Green Mechatronic Solution | Rising Electricity Prices Drive Business Opportunities

2022 Q2  
Financials

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| Factory Equipment                  | Products   | Energy-saving Efficiency   |
|------------------------------------|--|--|
| High Efficiency Motor Drive System | High Efficiency Sensing Motor (IE3/IE4)  | 2 ~ 8%   |
|                                    | High Efficiency Permanent Magnet Motor (IE4)                                       | more than 4~5% efficiency improved compared with IE4 Sensing Motor |
|                                    | Medium and Low Voltage Inverters   | Up to 50%  |
| Cooling Tower                      | IE5 Ultra High Efficiency Cooling Water Tower Permanent Magnet Direct Drive System | Up to 15%  |

- Since July 1<sup>st</sup>, Taiwan's electricity rates has been raised by an average of 8.4%, and 15% for energy-heavy industries. As the energy and electricity costs for businesses are rising, TECO has launched low-carbon smart solutions for factories last year to save electricity, reduce costs, and reduce carbon emissions step by step.
- According to statistics, TECO's energy-saving products and services have a year-over-year growth of 30+%. Its annual revenue is expected to reach NT\$4 billion this year.

# Green Mechatronic Solution | Electrification of U.S. O&G

2022 Q2  
Financials



- The compressors of O&G transmission stations in the U.S. used to be driven by diesel generators. After the passage of the “Clean Competition Act” in the U.S., the electrification of the O&G industry has become a long-term trend.
- TECO has obtained more than 20 million USD of E-Skid orders, and business opportunities for more than 100 sets are under negotiation.

• The Three  
Business  
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Operating  
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Recap of  
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# Intelligence Energy | Business Opportunities which TECO is Striving for

2022 Q2  
Financials

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- Onshore Substation :
  - A total of 1,200MW, the amount exceeds NT\$8 billion.
- Offshore Substation – TECO's Competitive Advantages in Equipment :
  - Lightweight / high weather resistance / high shock resistance
  - Technical cooperation with experienced international manufacturers
- Taipower Dongshan E/S energy storage system :
  - 60MW of capacity, and is expected to be tendered in August, 2022, with an amount exceeds NT\$3 billion.

# Market Strategies |

## Keeping abreast of emerging market trends

2022 Q2  
Financials

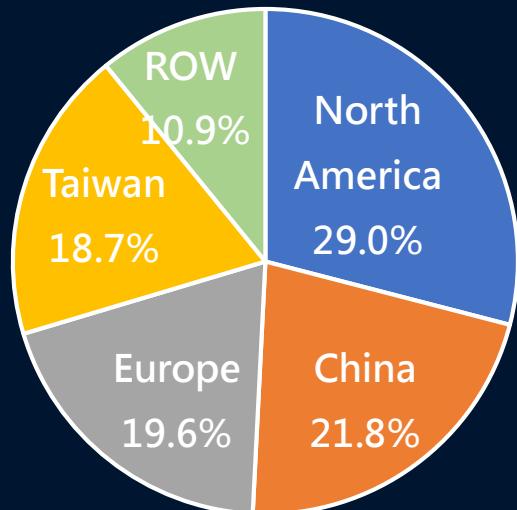
- The Three Business Groups Operating Performance

Recap of Recent Major Events

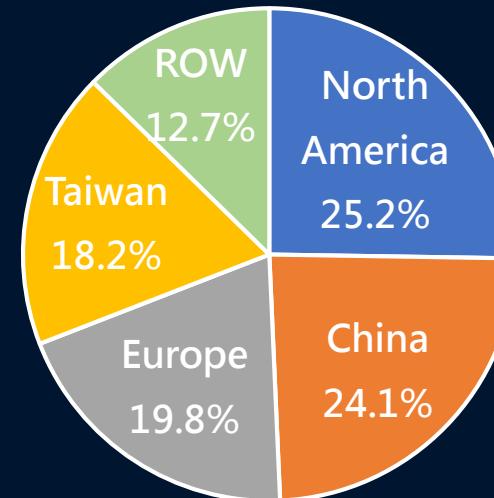
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Geographical distribution of revenue of Green Mechatronic Solution

1H2022



2021



- Compared with major overseas markets such as North America, China and Europe, emerging markets such as ASEAN and India with higher economic growth rates currently account for a relatively low contribution to TECO, and their huge growth potential is the driver for TECO's future development.
- The focus of development will be Vietnam, Indonesia, Thailand, Malaysia and other markets in ASEAN, as well as India in the South Asia.

# Market Strategies |

## Building a diversified and balanced supply chain

2022 Q2  
Financials

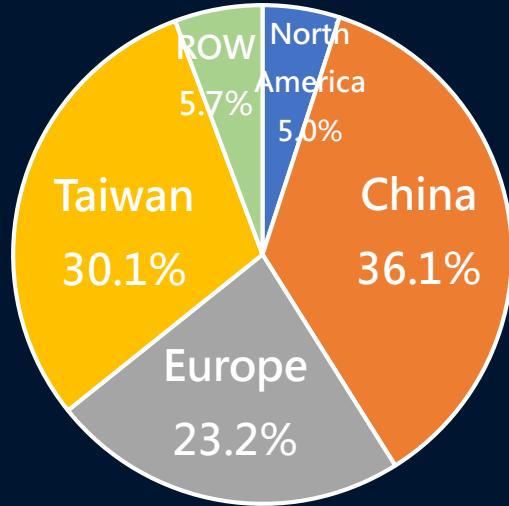
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Recap of Recent Major Events

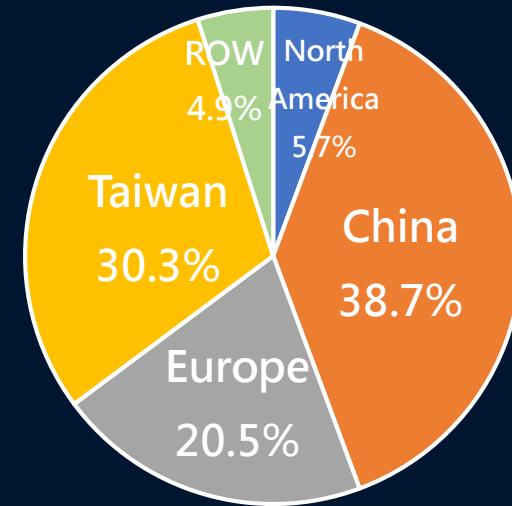
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Geographical distribution of output value of Green Mechatronic Solution

1H2022



2021



- Compared with 2021, in the first half of 2022, the output value of China plus Taiwan decreased by 2.8%, Europe and ROW (mainly from Southeast Asia), increased by 2.7% and 0.8%, respectively. It shows that the diversification of the supply chain is already in progress. With the increasing capacity of Vietnam and the completion of India plant by 2022 end, the proportion of output value of ROW, mainly in Southeast Asia, will increase more significantly.
- Compared with the high contribution in the revenue side, output value in North America represents a relatively low percentage at present. To quickly respond to the need of local customers, reduce the uncertainty & carbon emissions caused by long-distance transportation, TECO plans to expand the scale of production in North America to increase supply chain resilience.

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# Outlook for 3<sup>rd</sup> Quarter

## Revenue YoY Growth

Green Mechatronic Solution 14%~18%

Intelligence Energy 58%~62%

Air and Intelligent Life -5%~-3%

Company-Wide Gross Margin 21%~25%

- The Three Business Groups Operating Performance

Recap of Recent Major Events

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# Recap of Recent Major Events | TECO presents solutions for carbon neutrality at Hannover Messe



## E-Mobility



## Solutions for Carbon Neutrality

TECO Group collaborates with European affiliate partner Motovario S.p.A., an Italian manufacturing company of gear reducers to present three main themes: Solutions for Carbon Neutrality, E-Mobility, and Smart Manufacturing.



## Smart Manufacturing



- Recap of Recent Major Events

## Appendix: Financial Statements



# Q&A

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**TECO**

# Statements of Comprehensive Income | 2Q22

2022 Q2  
Financials

| (TWD Million)        | 2022Q2 | 2022Q1 | QoQ     | 2021Q2 | YoY     |   |
|----------------------|--------|--------|---------|--------|---------|---|
| Operating Revenue    | 14,544 | 13,897 | 4.66%   | 12,813 | 13.51%  | The Three Business Groups Operating Performance |
| Net Gross Profit *   | 3,341  | 3,044  | 9.76%   | 3,058  | 9.25%   |   |
| Operating Profit     | 1,287  | 1,151  | 11.82%  | 1,051  | 22.45%  |   |
| Non operating Income | 280    | (351)  | 179.77% | 706    | -60.34% | Recap of Recent Major Events                    |
| Income Before Tax    | 1,567  | 800    | 95.88%  | 1,757  | -10.81% |   |
| Income Tax           | (396)  | (346)  | 14.45%  | (179)  | 121.23% |   |
| Net Income**         | 1,021  | 348    | 193.39% | 1,436  | -28.90% | • Appendix: Financial Statements                |
| EPS (TWD)            | 0.48   | 0.17   | 182.35% | 0.68   | -29.41% |   |

\* Including unrealized/realized benefits of affiliated companies

\*\* Excluding non controlling interest

- Revenue in 2022Q2 increased by approximately 13.51% compared to 2021Q2, is mainly due to: Continual growth of Green Mechatronic Solutions in North America, Europe, and Taiwan, as well as engineering projects of Intelligence Energy.
- The net non operating income in 2022Q2 was TWD 280 million, compared to the net non operating profit in 2021Q2 was TWD 706 million. The main reason is because:
  - (1) The stock market volatility resulted in a loss of TWD 420 million in financial asset evaluation; however, compared to the same period last year, the financial asset evaluation benefit was TWD 710 million.
  - (2) Dividend income increased TWD730 million compared to 2021Q2, because the shareholders' meeting of those invested companies were postponed to Q3 due to COVID 19 epidemic in 2021.

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# Statements of Comprehensive Income | 1H22

2022 Q2  
Financials

- Revenue in the first half of 2022 increased by 16.79% compared to the same period of 2021, mainly because three business groups all grew at double digit.
- The net non operating income in the first half of 2022 decreased by 105.41% versus the same period of 2021, mainly due to the stock market volatility resulted in a loss in financial asset evaluation.

| (TWD Million)        | 1H2022 | 1H2021 | YoY      |
|----------------------|--------|--------|----------|
| Operating Revenue    | 28,441 | 24,353 | 16.79%   |
| Net Gross Profit*    | 6,385  | 5,776  | 10.54%   |
| Operating Profit     | 2,438  | 1,878  | 29.82%   |
| Non operating Income | (71)   | 1,312  | -105.41% |
| Income Before Tax    | 2,367  | 3,190  | -25.80%  |
| Income Tax           | (742)  | (380)  | 95.26%   |
| Net Income**         | 1,369  | 2,538  | -46.06%  |
| EPS (TWD)            | 0.65   | 1.21   | -46.28%  |

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TECO

# Balance Sheets | June 2022

- Cash and Cash Equivalents increased by TWD 2.9bn compared to Year end of 2021 mainly due to 1) the increase in both revenue and profit, 2) the redemption of OASIS Fund.
- Inventories increased by TWD 0.8bn compared to Year end of 2021 mainly due to the need for business growth. Inventory turnover has not changed much.
- Equities decreased by TWD 15.0 bn compared to Year end of 2021. In addition to the current period's net profit, it was mainly due to the announcement of cash dividends and the increase in the loss of financial asset evaluation.

| (TWD Thousand)             | Jun. 30, 2022      |             | Jun. 30, 2021      |             | Dec. 31, 2021      |             |
|----------------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|                            | Amount             | %           | Amount             | %           | Amount             | %           |
| Cash & Cash Equivalents    | 20,167,428         | 16%         | 21,503,024         | 16%         | 17,274,143         | 13%         |
| Receivables                | 12,794,020         | 10%         | 11,196,812         | 8%          | 11,741,329         | 9%          |
| Inventories                | 13,049,064         | 10%         | 10,983,900         | 8%          | 12,252,098         | 9%          |
| <b>Total Assets</b>        | <b>124,005,841</b> | <b>100%</b> | <b>132,972,314</b> | <b>100%</b> | <b>136,612,450</b> | <b>100%</b> |
| Payables                   | 18,493,412         | 15%         | 16,729,328         | 12%         | 15,919,185         | 12%         |
| Short term Borrowings      | 1,703,444          | 1%          | 2,075,739          | 2%          | 2,042,697          | 1%          |
| Long term Borrowings       | 3,804,406          | 3%          | 4,154,959          | 4%          | 4,095,257          | 3%          |
| Corporate Bond Payables    | 6,000,000          | 5%          | 6,000,000          | 5%          | 6,000,000          | 4%          |
| <b>Total Liabilities</b>   | <b>43,334,958</b>  | <b>35%</b>  | <b>41,847,054</b>  | <b>31%</b>  | <b>40,950,519</b>  | <b>30%</b>  |
| <b>Equities</b>            | <b>80,670,883</b>  | <b>65%</b>  | <b>91,125,260</b>  | <b>69%</b>  | <b>95,661,931</b>  | <b>70%</b>  |
| <b>Key Indices</b>         |                    |             |                    |             |                    |             |
| AR Turnover (times)        | 4.90               |             | 4.84               |             | 4.69               |             |
| Inventory Turnover (times) | 3.31               |             | 3.27               |             | 3.42               |             |
| Current Ratio              | 2.00               |             | 2.14               |             | 2.14               |             |
| Quick Ratio                | 1.39               |             | 1.57               |             | 1.48               |             |
| Net Debt to Equity         | -10.7%             |             | -10.2%             |             | -5.4%              |             |

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