



# Xxentria Technology Materials Co., Ltd.

8942 TT

April 2018

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- These forward-looking statements involve known and unknown risks, uncertainties and other factors, including price variation, competition, global economy, exchange rate movement and market demand, which may cause actual results to differ materially from those implied by such forward-looking statements.
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**2017 Financial Highlights &  
2018 Outlook**

**The Growth Strategy –  
From the Cyclical to Secular**

**Appendix**

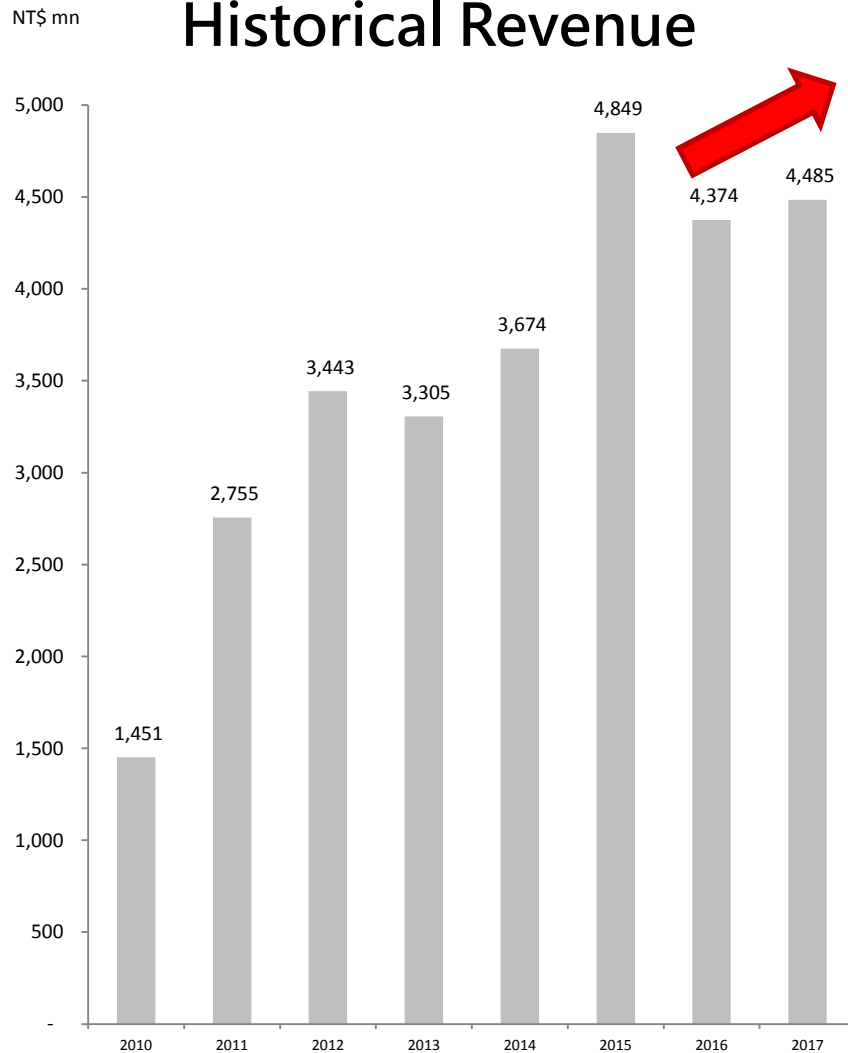
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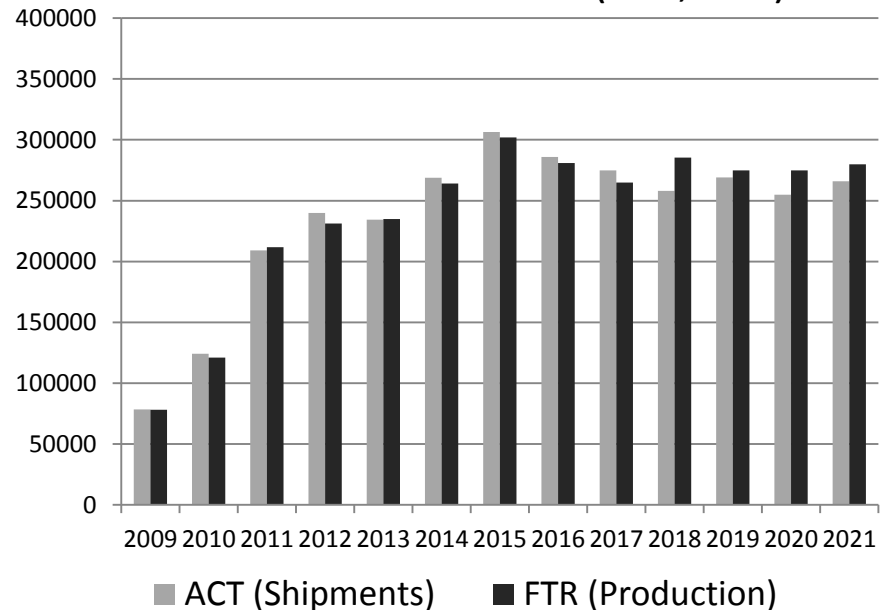
- The US truck trailer demand was peaked in 2015. Both ACT and FTR had projected the demand in 2016-17 will decline and rebound from 2018. However, the demand had rebound in 3Q2017, resulting in **Xxentria's revenue grow 2.54% in 2017.**
- In 2017, Xxentria and its subsidiary Alanold-Xxentria recognized total impairment loss of NT\$ 1,213mn. It provides a better operating environment and to improve margin. **Xxentria will dedicate and focus on the core business of truck trailer panel.**
- With increasing inland transportation demand and truck trailer cycle rebound, it is expected to have a **strong 2018 performance for Xxentria.**
- The US Presidential proclamation to impose tariffs on steel and aluminum which has taken effect on March 23, **has no impact on Xxentria.** The composite panels that are imported into US by Xxentria are not under the scope of this new policy.

## Historical Revenue

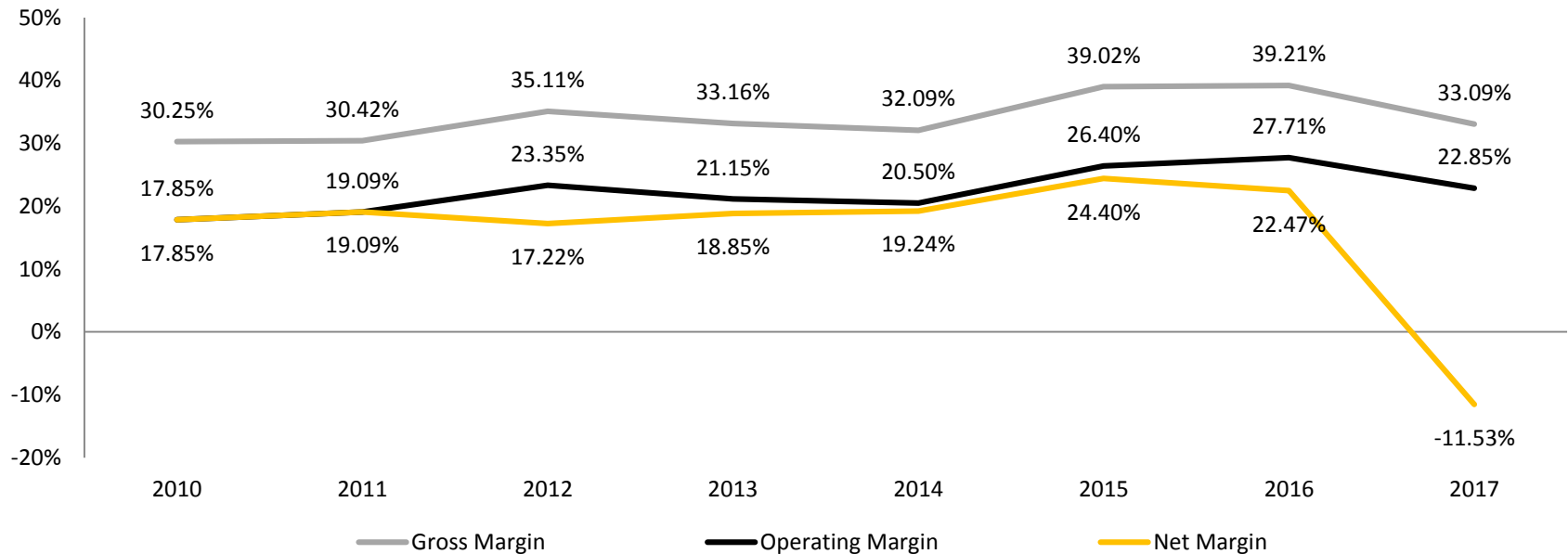


- 2017 revenue of NT\$ 4,485 mn, up 2.54% YoY
- 2017 was the trough for trailer production (ACT, FTR). Trailer production will rebound in 2018 and bring in up the momentum of Xxentria.

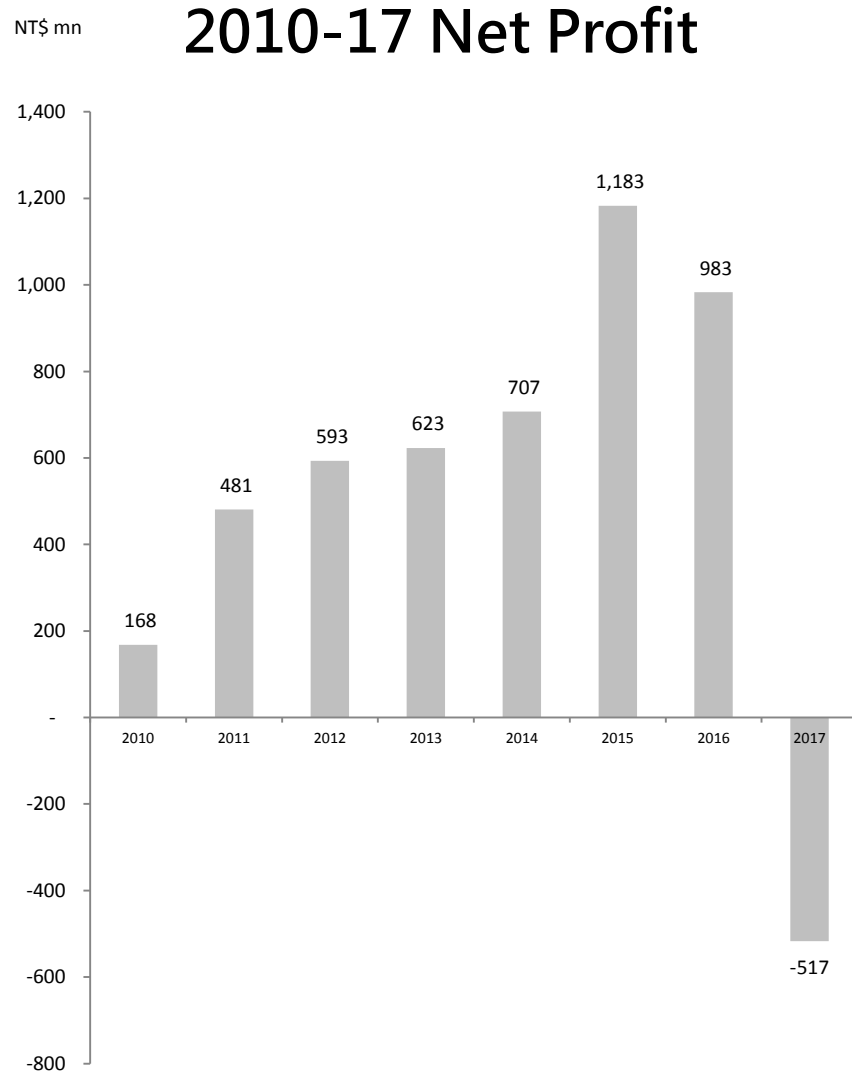
## US Trailer Forecast (ACT, FTR)



## Margin Trend



- 2017 gross margin of 33.09%, down 6.12 ppt YoY. The changes of GM attributed to: 1) the strong currency of NTD affected gross margin by 6.11%; 2) inventory impairment of NT\$87.764mn that affected gross margin by 1.95%.
- 2017 operating margin of 22.85%, down 4.86 ppt YoY
- 2017 net margin down 34.00 ppt YoY. The changes of NM also attributed to NT\$ 362 mn FX loss and the booked NT\$ 1,213 mn impairment loss.



- 2017 net loss of NT\$ 517.4mn
- Decrease in net profit in 2017 primarily owing to the impact of the surging NTD and impairment loss. The local currency's appreciation resulted in a foreign-exchange loss of NT\$ 362 mn and booked NT\$ 1,213 mn of impairment loss in 3Q2017.

NT\$ mn	2017	2016
FX loss	(361.71)	(48.97)



# 2017 P&L Highlights

Consolidated P&L (NT\$ mn)	2017		2016		YoY
	Amount	%	Amount	%	
<b>Revenue</b>	<b>4,485</b>	<b>100%</b>	<b>4,374</b>	<b>100%</b>	<b>3%</b>
COGS	(3,000)	(67%)	(2,660)	(61%)	13%
<b>Gross Profit</b>	<b>1,484</b>	<b>33%</b>	<b>1,715</b>	<b>39%</b>	<b>(13%)</b>
Operating Expense	(460)	(10%)	(503)	(11%)	(9%)
<b>Operating Profit</b>	<b>1,025</b>	<b>23%</b>	<b>1,212</b>	<b>28%</b>	<b>(15%)</b>
Non-operating Income and Expenses	(1,441)	(32%)	10	-	(14,510%)
<b>Profit before Tax</b>	<b>(416)</b>	<b>(9%)</b>	<b>1,222</b>	<b>28%</b>	<b>(134%)</b>
<b>Net Profit</b>	<b>(517)</b>	<b>(12%)</b>	<b>983</b>	<b>22%</b>	<b>(153%)</b>

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# Top Trailer Body Panel in the US

Establishment:1994

Ticker: 8942 TT

Over 300 Full Time Employees worldwide

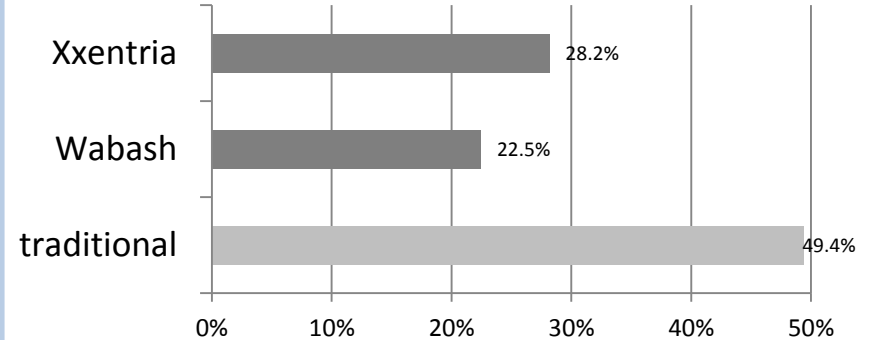
Dedicated in R&D and manufacturing of Galvanized steel composite panel, Aluminum composite panel and other specialized metal finishing

2016/2017 Revenue of NT\$ 4.4bn/4.5bn

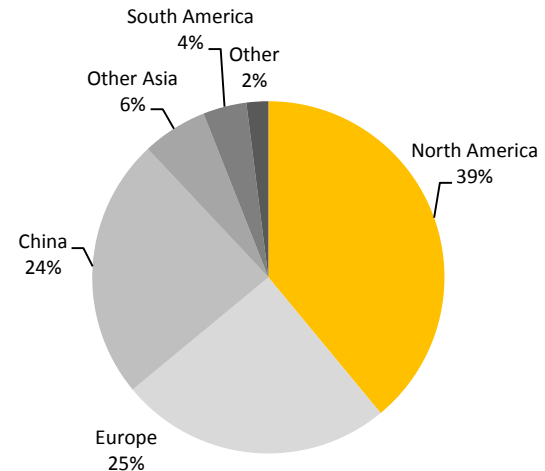
Market Cap: US\$ 331mn (2018/03/27)

- Headquarters: Tainan, Taiwan
- Guiren Plant: 4 Composite Line, 4 mn m<sup>2</sup>/yr
- Rende Plant: 3 Composite Line, 3.5 mn m<sup>2</sup>/yr
- Jiangmen Plant: 2 Composite Line, 1.5 mn m<sup>2</sup>/yr

## 2017 US Overall Trailer Panel Market

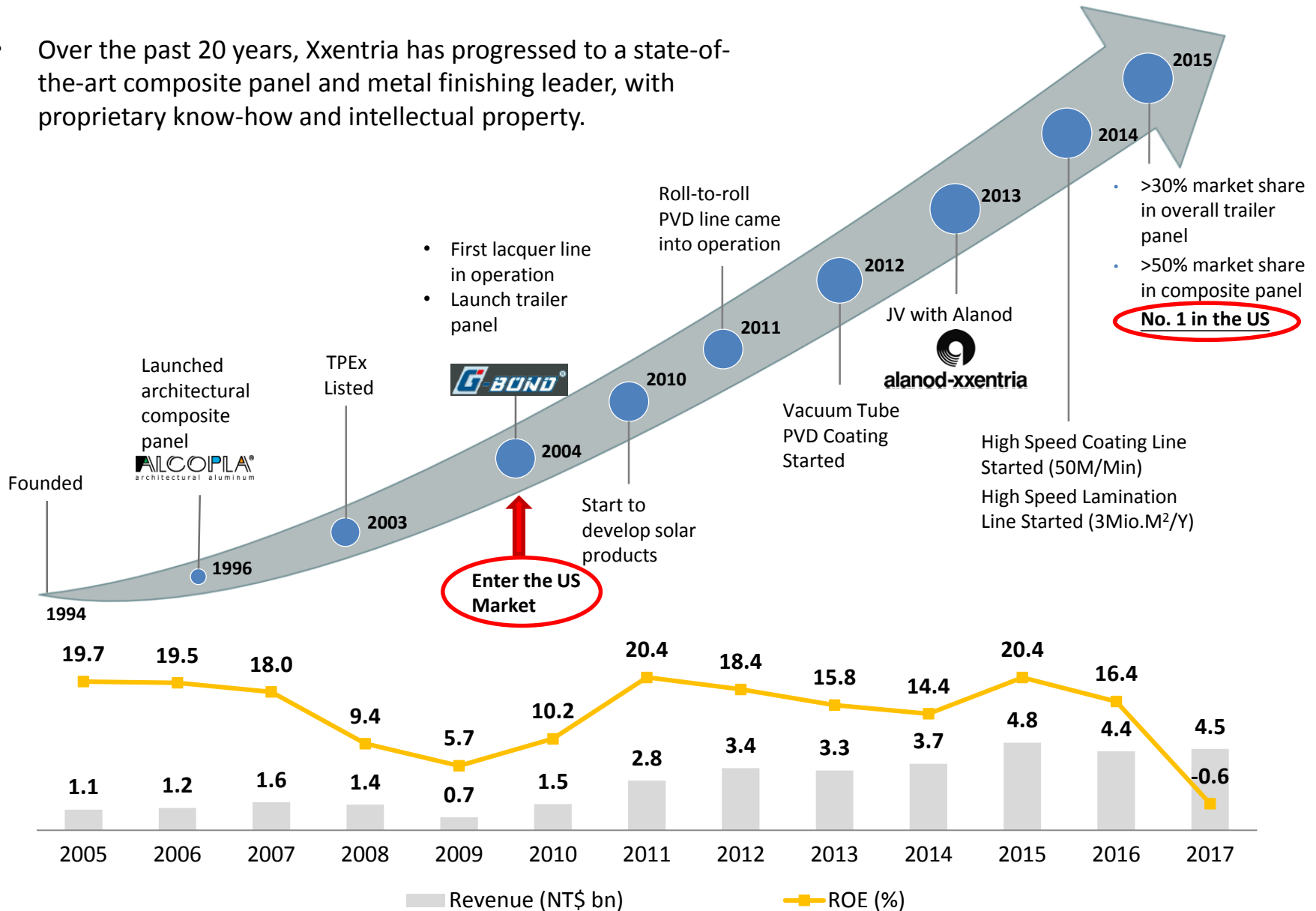


## 2015 World Trailer Markets



# Innovation, Innovation, Innovation!

- Over the past 20 years, Xxentria has progressed to a state-of-the-art composite panel and metal finishing leader, with proprietary know-how and intellectual property.



# Superior Products for Trailers

**Flagship product – G-Bond accounts for ~30% of the Dry Van market (2016), No. 1 in the U.S.**

- **Leader in Industry Transformation** - Light weight. Strong. Safe. Higher Capacity. Lower Emissions. Lower Fuel Consumption. Streamlined Appearance. Xxentria's trailer panels incorporate all requisites for the next generation transportation industry.
- **Superior Performance & Easy to Install** - G-BOND Galvanized Steel Composite Panels have superior performance in trailer bodies compared with traditional Aluminum or Steel panel. It can decrease the need for rivets and subframes, and increases the internal space of the trailer while maintaining high safety and durability standards through high-impact resistant testing.



# Strong Technology

*With years of experience and dedication in sharpening our craft and technique, Xxentria excels in metal finishing, PE foaming and lamination, to provide superior high-quality products to our clients.*

## Lacquer

- Xxentria's roll-to-roll continuous lacquering technology is capable of maximizing paint usage to ensure a uniform coating thickness.
- Xxentria provides various types of lacquers and uses the latest IR heating system to dry paint immediately; ensuring color is consistent and maintains good gloss. All materials are corrosion and weather resistant, and have perfect color retention.

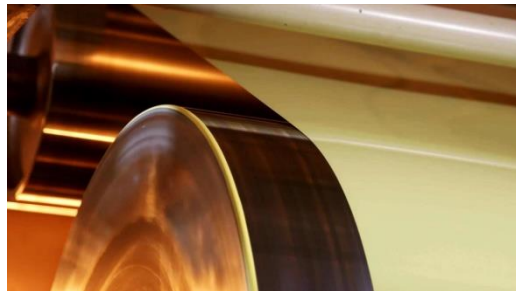
## Foaming

- Xxentria's unique continuous foaming technology produces a uniform thickness and homogeneous PE foam, which can reduce weight and provide a solid lining to the composite panel.
- Xxentria's special process can turn recycled PE waste into high-quality material. The strength and elasticity of the PE foam, along with specialized metal sheet, can meet the US road transportation requirements.

## Lamination

- With decades of experience and development, Xxentria utilizes its roll-to-roll continuous laminating technology to bond thin metal sheets on either side of a polyethylene core or fire-retardant core.
- Xxentria controls the precise pressure and temperature in order to create metal composite panels with a uniform foamed plastic core, superior flatness, and rigidity.

## Technologies



# Future Growth Driver



# New Products to Expand Market Share

**Targeting A-Bond, BiMetal products to account for 8% of revenue by 2021**

## Products

### A-Bond

- New generation composite panel, using high-tech aluminum alloy
- 50% weight reduction in comparison to conventional trailer, decreasing fuel consumption and carbon emissions, and increasing capacity
- Superior corrosion resistance feature

### BiMetal

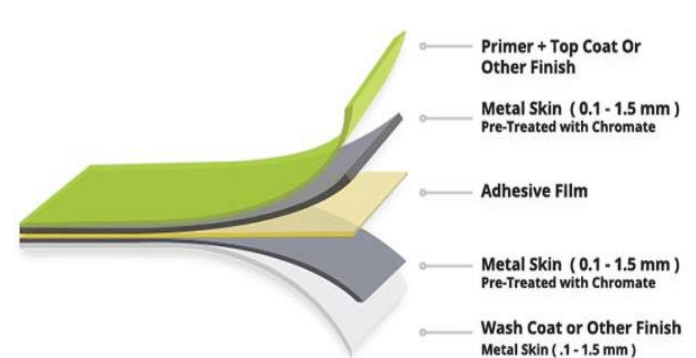
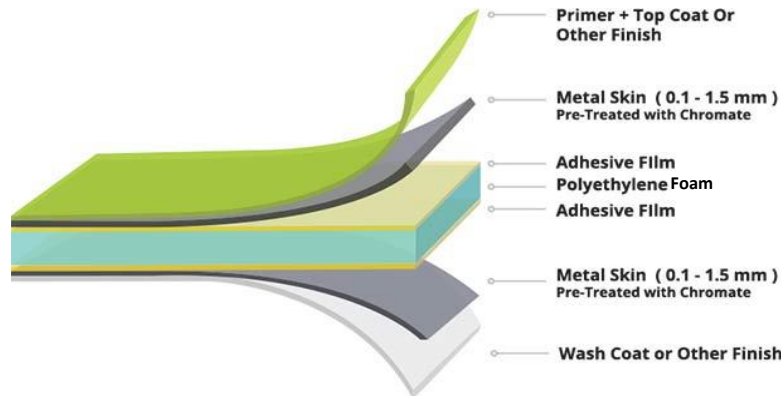
- Provide trailer body manufacturers more flexible solutions
- Two metal laminate plates with high stiffness, flatness and stability, can be used in high wind or harsh environments

## Target Market

- Customers with high demand in anti-corrosion, light weight, low fuel consumption, and low emission

- Provide advanced materials with competitive pricing to customers who have not transferred to composite panels

## Tech

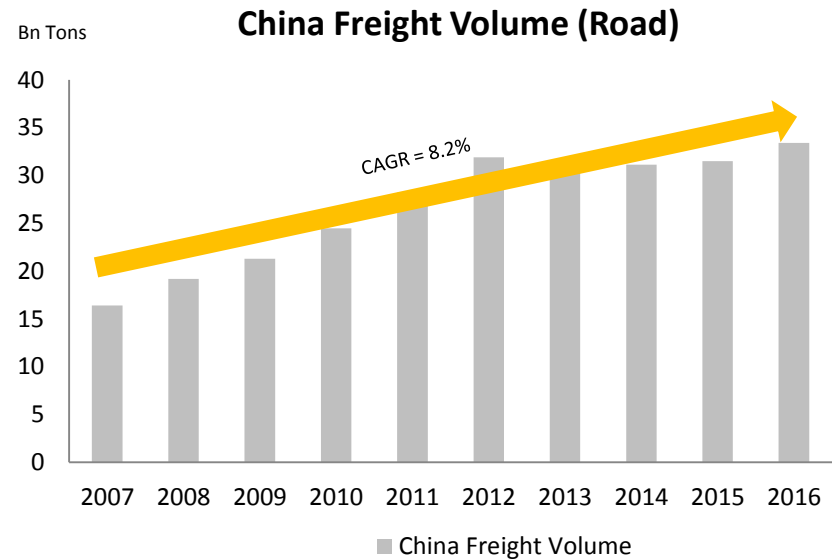
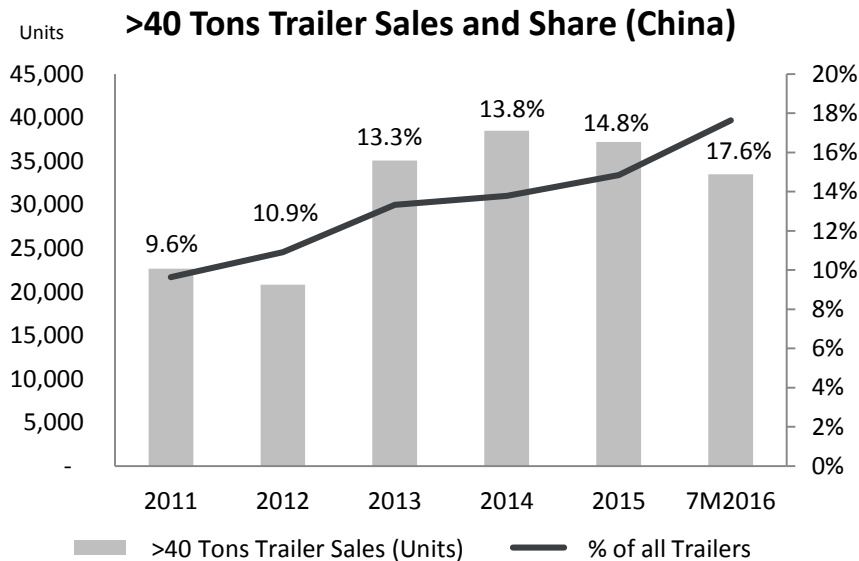




# China Market is the Next Opportunity

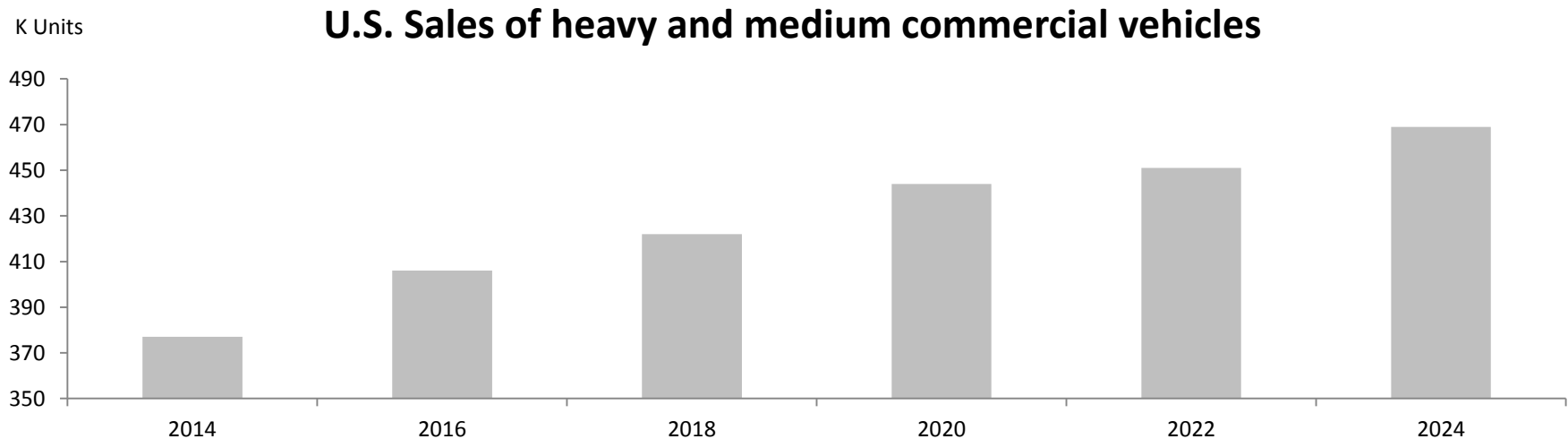
## Targeting China market to account for **20%** of revenue by 2021

- Demand for higher quality, more advanced trailer panels will take off in the next recovery of the Chinese economy, Xxentria has started to penetrate this new market and is ready to duplicate its successful experience in the US to succeed in China.
- According to Ministry of Transport, the total freight traffic volume in China continues to increase. The total traffic in 11M 2017 was 43bn tons.
- In response to new regulation and consolidation in the logistic industry, trailers over 40 tons is the fastest growing sector among trailers. From January to July of 2016, trailers over 40 tons accounted for 17.6% of all trailers with total sales of 33,486 (trailers).



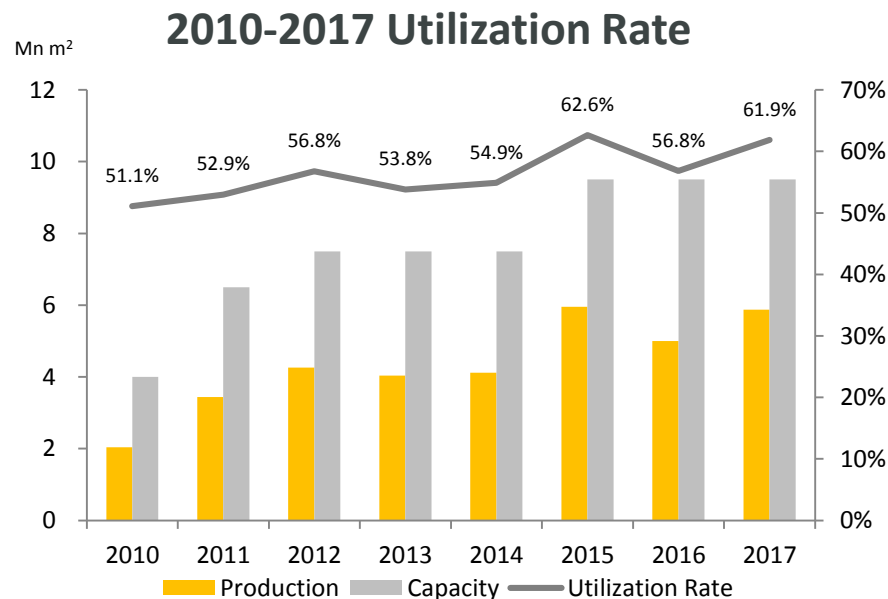
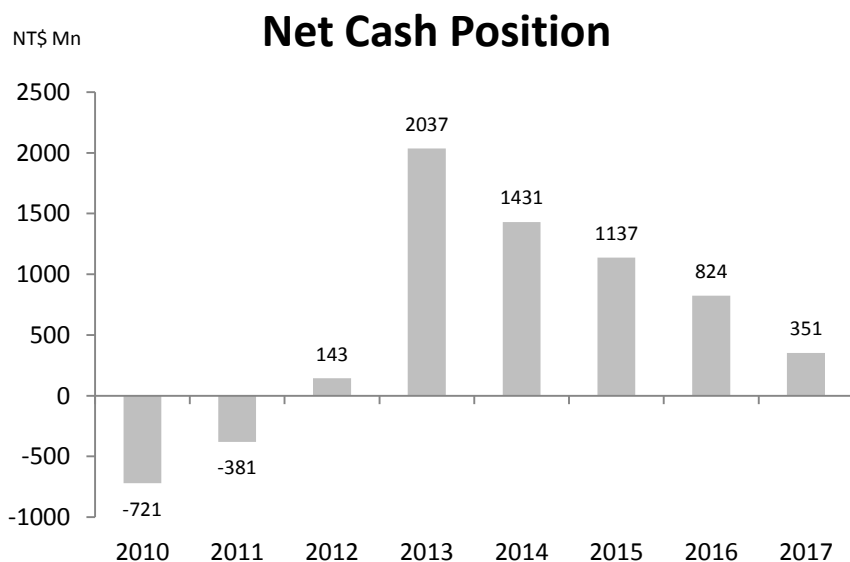
## Targeting truck body to account for **4%** of revenue by 2021

- Xxentria was focused in 53 foot heavy duty trailers, and became No. 1 in the US within 10 years.
- Like 53 foot trailers, smaller heavy commercial vehicles (HCV) and medium commercial vehicles' (MCV) users call for higher quality panels to increase transportation efficiency and lower emission.
- With a decade of resolute focus in the trailer market, the quality of Xxentria is well-recognized by HCV and MCV makers and more opportunities have emerged in the HCV and MCV space.



## Targeting to maintain a sustainable ROE over **20%** by 2019

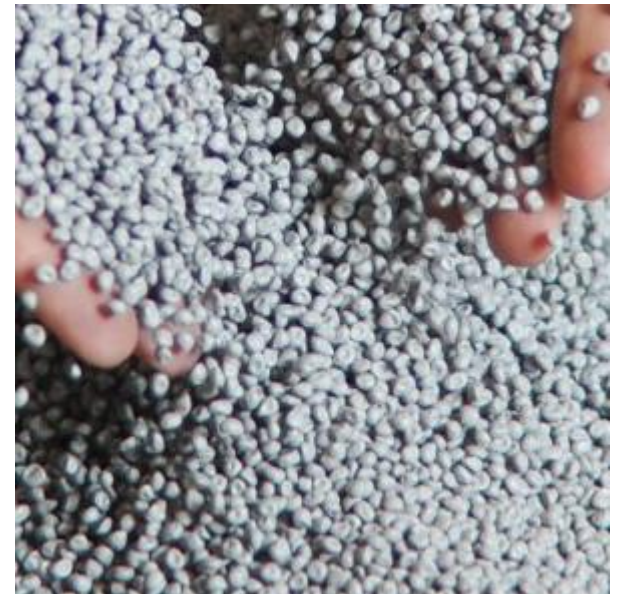
- To reach its ROE target, Xxentria will carefully review its capital structure and consider multiple measurements such as capital reduction or optimized debt-equity ratio.
- Xxentria's carefully planned capital expenditures allow the company to take advantage of growth in existing and new markets, with considerable flexibility for investment in upcoming new products.
- During 2017-19, Xxentria intends to maximize its payout ratio, backed by our solid cash position and limited capex.



***Xxentria will continue to seek opportunities to capture a higher percentage of the industry value chain and reduce volatility***

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- To ensure its PE source and gain more flexibility, Xxentria invested in a new business to crack, wash and pelletize recycled PE waste.
- This new business will support Xxentria with a stable recycled PE source as the demand of composite panel increases.
- In the longer term, Xxentria can better control gross margins of the composite panel business.



# Our Commitment to Shareholders



- Our mission is to create innovative products for a greener environment and a brighter future.
- We are committed to be globally No.1 in the truck composite panel industry.
- We strive to sustain double-digit revenue and earnings growth, despite industry cyclicality.
- We pledge to maintain a cash dividend payout ratio of over 80% of net profit.
- We pledge to maximize return to our shareholders through execution of our promising growth strategy, and maintain a sustainable 20% ROE by 2019.

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- In the 1Q and 1H2017 result update, we continued to talk about two business lines: 1) Alanold-Xxentria, joint venture which Xxentria invested back in 2012 and holds 50% of shares and; 2) an investment in Solar Receiver Tube, has faced fierce competition and **has booked a net loss in the past few years.**
- In 3Q2017, the Board of both Alanold-Xxentria and Xxentria approved to recognize asset impairment loss regarding to those business lines.
- Alanold-Xxentria:
  - Total asset impairment loss of NT\$ 883.825 mn, which includes NT\$203.354 mn for intangible assets impairment, NT\$592.707 mn for equipment impairment and NT\$ 87.764 mn for inventory impairment.
  - Business lines involved include lighting reflectors, solar heat absorber/ reflectors, anodizing treatment, and special material sputtering deposition.
- Xxentria:
  - Solar Heat Department booked impairment on reinvested company of NT\$51.9 mn and impairment on equipment of NT\$227.073 mn.
- In summary, the consolidated financial report in 3Q2017 booked a total impairment of NT\$ 1,212.798 mn. Of which, NT\$ 770.885 mn will be attributed to the parent company and NT\$ 441.913 mn will be attributed to minority interest. As a result, the estimated impact of asset impairment loss is equivalent to NT\$4.65 EPS in 3Q2017, based on 165,840,080 total outstanding shares of Xxentria.
- **Considering the impairment is a non-cash item, the cash dividend payout policy will remain consistent with historical payouts.**

# Impairment

	NT\$'000
Impairment for Alanold-Xxentria	
Equipment	592,707
Intangible Assets	203,354
Inventory	87,764
<b>Sub-total--A</b>	<b>883,825</b>
Recognised by Xxentria - 50% of Alanold-Xxentria=A*50%	441,912
Impairment on reinvested company --B	51,900
Impairment on equipment --C	277,073
<b>Impairment for Xxentria=D</b>	<b>770,885</b>
<b>Remaining (50%) Alanold-Xxentria impairment recognized through minority interest - E</b>	<b>441,912</b>
<b>Impact on consolidated financial report =D+E</b>	<b>1,212,798</b>
<b>Total Shares outstanding – Xxentria ('000)</b>	<b>165,840.080</b>
<b>Impact on 2017 EPS (NT\$)</b>	<b>4.65</b>



# Historical Cash Dividend 2009-16

NT\$ mn	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net Income</b>	\$82	\$168	\$481	\$593	\$623	\$707	\$1,183	\$983	(\$517)
<b>Cash Dividend</b>	\$74	\$121	\$210	\$363	\$600	\$620	\$932	\$870	\$498
<b>DPS (NT\$/share)</b>	\$0.70	\$0.96	\$1.52	\$2.25	\$3.30 <sup>(2)</sup>	\$4.00	\$5.99	\$5.50	\$3.00
<b>Cash Yield (%)<sup>(1)</sup></b>	2.5%	1.6%	2.5%	4.2%	4.0%	4.1%	6.8%	7.7%	4.8%
<b>Payout Ratio (%)</b>	90%	72%	44%	61%	96%	88%	79%	88%	-
<b>Ex-div Date</b>	2010/8/17	2011/7/18	2012/7/11	2013/8/30	2014/7/8	2015/6/16	2016/6/23	2017/7/24	2018/

Source:TWSE

Note 1 : Stock price based on closing price the day before Ex-div date

Note 2 : Including NT\$1.76/share Capital Reduction

# 5-year Income Statement

NT\$ Million	2012	2013	2014	2015	2016	2017	YoY (%)					
							2012	2013	2014	2015	2016	2017
Sales Revenue	3,443	3,305	3,674	4,849	4,374	4,485	25.0	(4.0)	11.2	32.0	(9.8)	2.5
Gross Profit	1,209	1,096	1,179	1,892	1,715	1,484	44.3	(9.3)	7.6	60.5	(9.4)	(13.5)
Operating Profit	804	699	753	1,280	1,212	1,025	52.9	(13.1)	7.7	70.0	(5.3)	(15.4)
Income before Tax	740	799	910	1,447	1,221	(416)	26.9	8.0	13.9	59.0	(15.6)	(134.1)
Net Income	593	623	707	1,183	983	(517)	12.7	5.1	13.5	67.3	(16.9)	(152.6)
EPS (NT\$)	4.15	4.36	4.52	7.79	6.58	(0.23)	7.8	5.1	3.7	72.3	(15.5)	(103.5)

## Key Financial ratio (%)

Gross Margin	35.1	33.2	32.1	39.0	39.2	33.1
Operating Margin	23.4	21.1	20.5	26.4	27.7	22.9
Opex ratio	11.7	12.0	11.6	12.6	11.5	10.3
Net Margin	17.2	18.9	19.2	24.4	22.5	(11.5)

# 5-year Balance Sheet

NT\$ Million	2012	2013	2014	2015	2016	2017	YoY (%)					
							2012	2013	2014	2015	2016	2017
<b>TOTAL ASSETS</b>	<b>6,245</b>	<b>8,386</b>	<b>8,391</b>	<b>9,892</b>	<b>10,521</b>	<b>11,182</b>	<b>34.9</b>	<b>34.3</b>	<b>0.1</b>	<b>17.9</b>	<b>6.4</b>	<b>6.3</b>
Cash	1,094	2,227	1,665	2,524	2,573	4,313	132.8	103.6	(25.2)	51.6	1.9	67.6
NR & AR	513	637	828	808	771	777	(15.8)	24.2	30.0	(2.4)	(4.6)	0.8
Inventory	840	861	928	1,350	1,504	1,323	68.3	2.5	7.8	45.5	11.4	(12.0)
Fixed Asset	2,577	3,243	4,067	4,049	4,617	4,095	8.1	25.8	25.4	(0.4)	14.0	(11.3)
<b>TOTAL LIABILITIES</b>	<b>2,594</b>	<b>2,672</b>	<b>1,613</b>	<b>2,522</b>	<b>3,113</b>	<b>4,796</b>	<b>41.3</b>	<b>3.0</b>	<b>(39.6)</b>	<b>56.4</b>	<b>23.4</b>	<b>54.1</b>
Bank Loans	823	725	324	1,388	1,749	4,061	18.2	(11.9)	(55.3)	328.4	26.0	132.2
NP & AP	200	121	171	148	144	154	31.6	(39.5)	41.3	(13.5)	(2.7)	6.9
<b>TOTAL EQUITY</b>	<b>3,651</b>	<b>5,714</b>	<b>6,779</b>	<b>7,370</b>	<b>7,408</b>	<b>6,386</b>	<b>30.7</b>	<b>56.5</b>	<b>18.6</b>	<b>8.7</b>	<b>0.5</b>	<b>(13.8)</b>
A/R turnover days	59	64	73	62	66	63						
Inventory turnover days	109	140	131	141	196	172						
A/P turnover days	29	27	21	20	20	18						
ROE (%)	18.4	15.8	14.4	20.4	16.4	(0.6)						
ROA (%)	10.9	8.5	8.4	12.9	9.6	(4.8)						

**Thank You**

THANK YOU