

Xxentria 2021

1H2021 Results Update

OCT. | TPE



XXENTRIA
Low Waste. High Efficiency.

- The presentation and the relevant information mentioned in this material, including operating performance, financial performance and the business outlook, have been compiled from both internal and external resources.
- 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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- The forward looking statements expressed in this material reflect the Company's current view about the future as of today. The Company is not responsible for any updates if there are any changes in the future.

1H2021 Financial Highlights &
2021 Outlook

The Growth Strategy –
From the Cyclical to Secular

Appendix

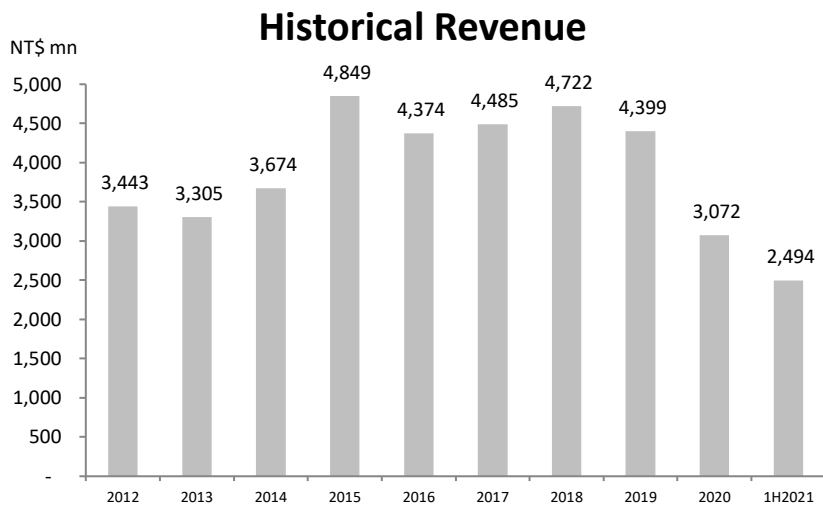
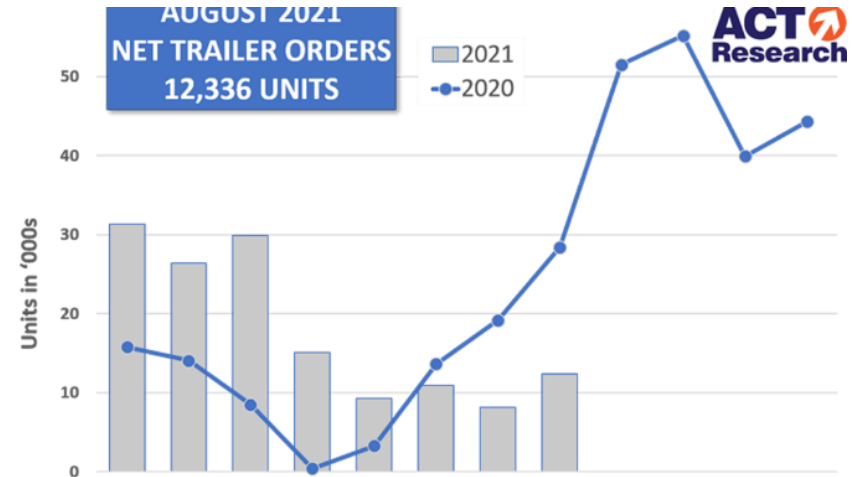
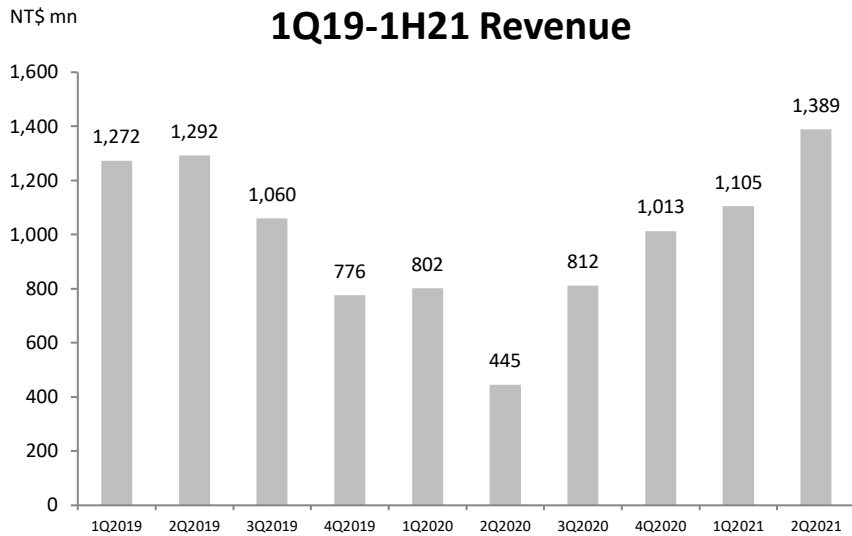
**1H2021 Financial Highlights &
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**The Growth Strategy –
From the Cyclical to Secular**

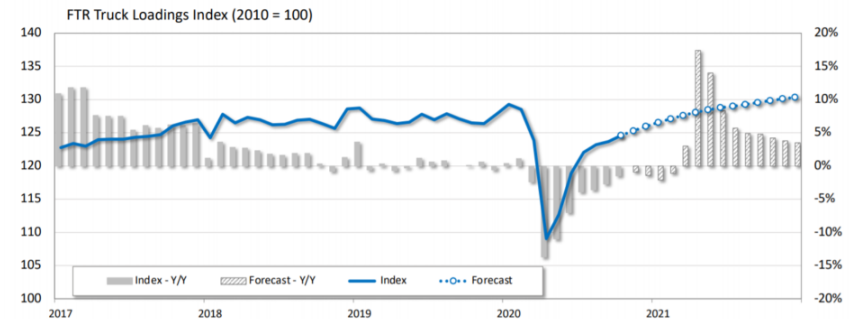
Appendix

- All the indicators we use to track the heavy-duty truck market point to extraordinarily strong demand conditions. So much so that sales volumes this year will be determined on the supply side, by the ability of the manufacturers to keep up with customer demand for product. Barring an adverse surprise on COVID or some other front, a possibility that can't be dismissed, even at this early stage of the year, significant growth from last year is assured.
- Most fleets have already placed all their orders for 2021 delivery, especially for dry and refrigerated vans. Fleets have placed large orders for trailers in response to the robust freight demand. OEMs are under pressure to fill these orders due to bottlenecks in the supply chain. Suppliers are facing worker shortages; some raw materials are scarce and there are still delays getting some imported parts through the West Coast ports. Once the situation improves, production will be steady, at high volumes for an extended time.
- “Trailer orders remained low for the fourth consecutive month in July. The issue is certainly not demand related, as fleets remain bullish regarding equipment acquisition. With existing orderboards stretching through the end of Q1'22 on average and well into Q2'22 for dry vans and reefers, OEMs continue to limit order acceptance,” said Frank Maly, director CV transportation analysis and research at ACT Research. “OEMs’ concerns regarding their supply chain, staffing availability, and pricing of components and materials are mainly responsible for the continued reluctance to accept further orders in the near-term.” “However, when the order season eventually opens, expect a surge of pent-up volume to flood in, likely resulting in a very significant commitment of available 2022 production capacity.”

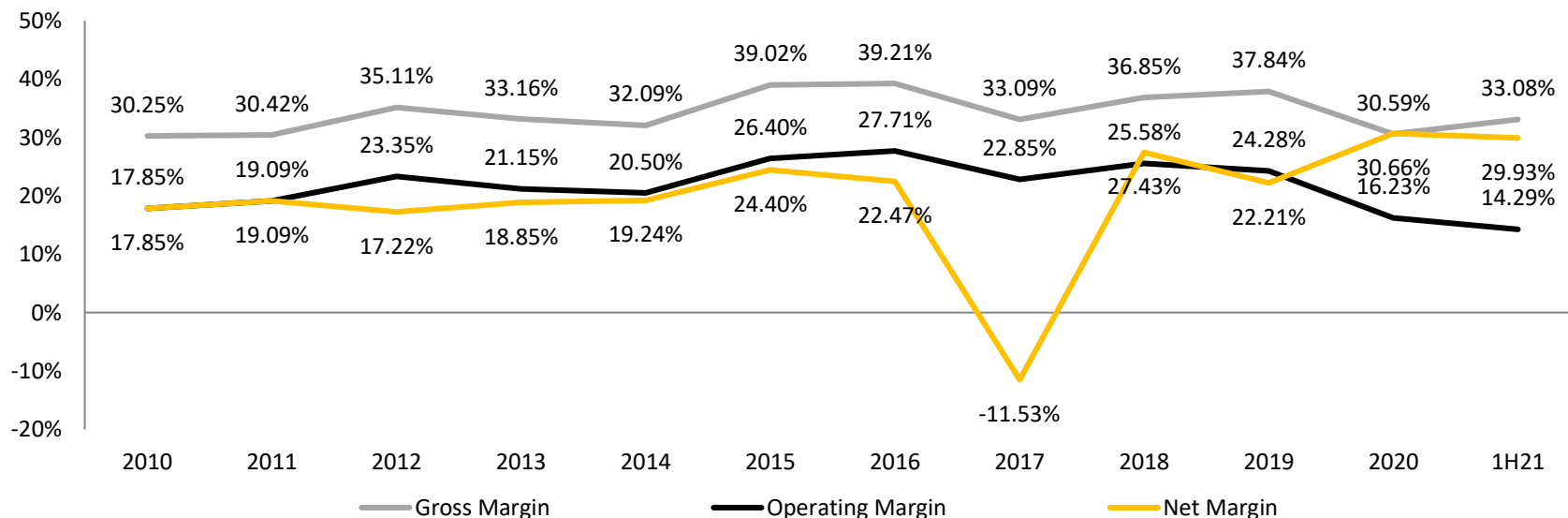
1H2021 Review



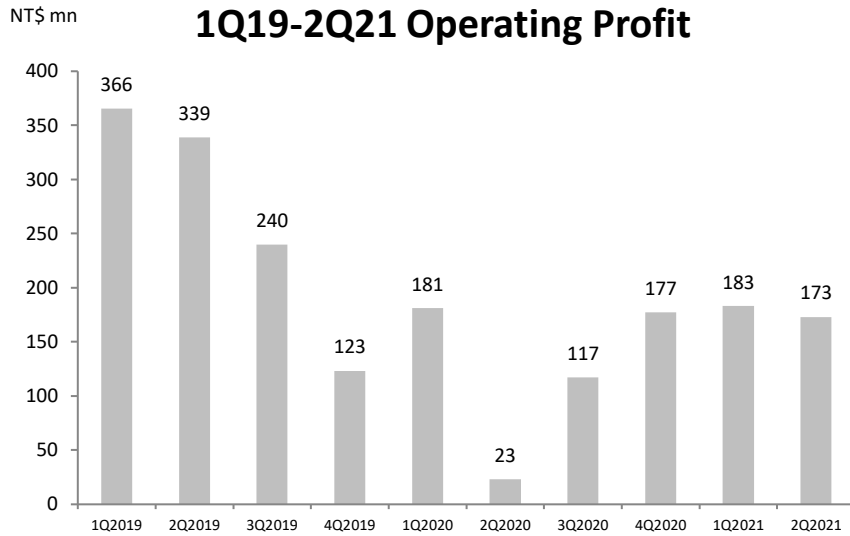
Truck freight outlook



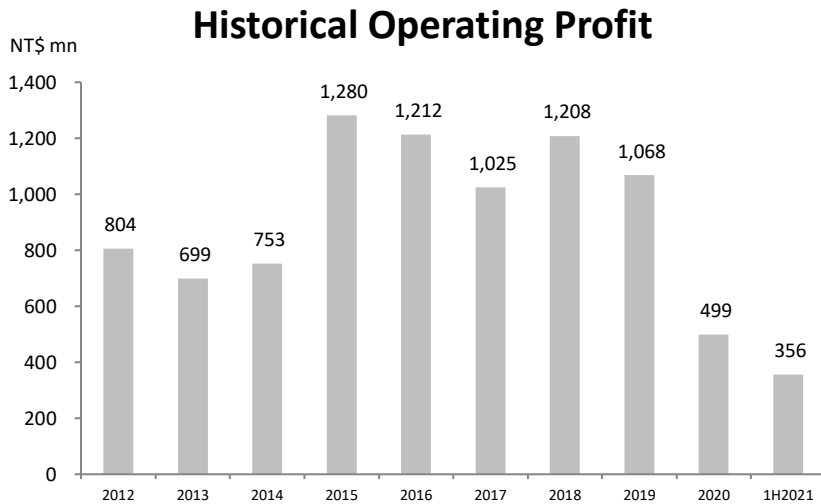
Margin Trend



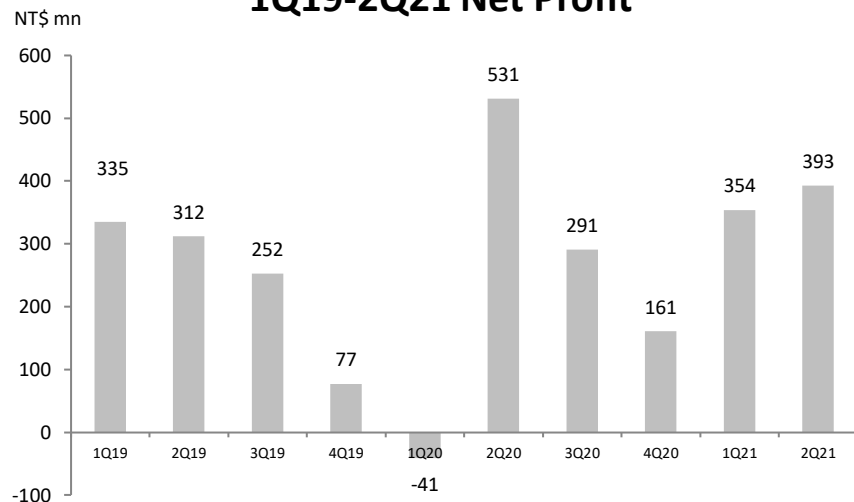
- Gross margin increased to 33.08% from 31.50% in 1H20. The company faced some headwinds such as : 1) worse FX, 2) material cost hike. Xxentria hiked our ASP in February and May. Gross margin will keep at 32%~33%.
- Due to transportation cost increased, 1H2021 Operating margin of 14.29% drop 2% from 1H2020.
- Non-operating income and expenses was NT\$ 506 million in 1H21. Mainly from 1) other income of NT\$510 million from financial assets at fair value through profit or loss. 2) FX loss of NT\$ 97 million.



- Due to materials price hike, ocean freight rises, unfavorable FX, 1Q2021 operating profit NT\$ 173 mn, up 636.62% YoY.

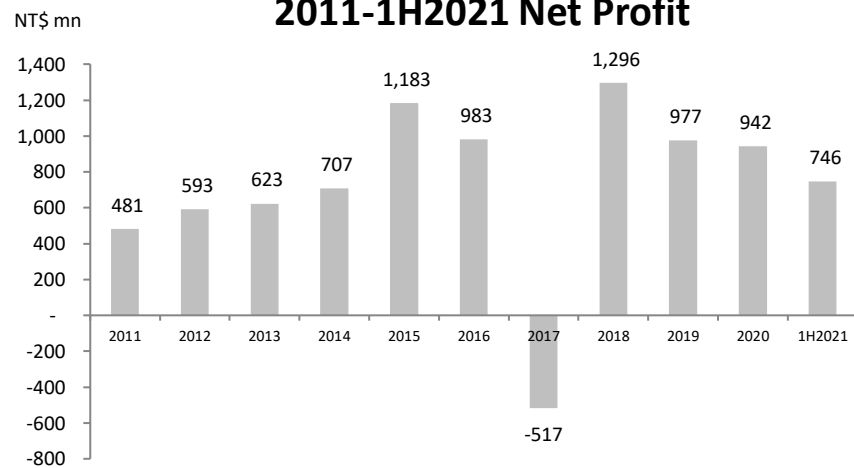


1Q19-2Q21 Net Profit



2Q21 net profit of NT\$ 393 mn. 2Q21 non-operating income and expenses of NT\$291 mn mainly from the mark-to-market gain of all investments of NT\$ 286mn.

2011-1H2021 Net Profit



NT\$ mn	1H2021	1H2020
FX Loss	(97)	(19)

1H2021 Review

Consolidated P&L (NT\$ mn)	2Q2021		2Q2020		YoY	1H.2021		1H.2020		YoY
	Amount	%	Amount	%		Amount	%	Amount	%	
Revenue	1,389	100	445	100	212%	2,493	100%	1,246	100%	100%
COGS	-924	-67	-344	-77	169%	-1,668	-67%	-853	-69%	96%
Gross Profit	465	33	101	23	360%	825	33%	393	31%	110%
S&M	-253	-18	-47	-11	438%	-388	-16%	-129	-10%	201%
G&A	-31	-2	-30	-7	3%	-63	-3%	-58	-5%	9%
R&D	-8	-1	-1	0	700%	-18	0%	-2	0%	800%
Operating Expense	-292	-21	-78	-18	274%	-469	-19%	-189	-15%	148%
Operating Profit	173	12	23	5	652%	356	14%	204	16%	75%
Non-operating Income and Expenses	291	21	511	115	-43%	506	21%	332	27%	52%
Profit before Tax	464	33	534	120	-13%	862	35%	536	43%	61%
Income Tax	-71	-5	-3	-1	2267%	-116	-5%	-46	-4%	152%
Net Profit	393	28	531	119	-26%	746	30%	490	39%	52%
Basic EPS	2.31		3.27		-	4.48		3.05		-
Fully Diluted EPS	2.31		3.27		-	4.47		3.05		-

Consolidated Balance Sheet (NT\$ mn)	2021.06.30		2020.06.30	
	Amount	%	Amount	%
Key Items				
Cash & Equivalent	3,753	28	2,791	23
AR & NR	1,264	9	260	2
Inventory	1,011	8	1,181	12
PP&E	4,143	31	4,144	40
Current Liability	4,898	37	3,207	31
Non-Current Liability	569	4	34	0
Total Shareholder's Equity	7,920	59	7,061	69
Total Asset	13,387	100	10,302	100

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Appendix

Top Trailer Body Panel in the US

Establishment:1994

Ticker: 8942 TT

Over 300 Full Time Employees worldwide

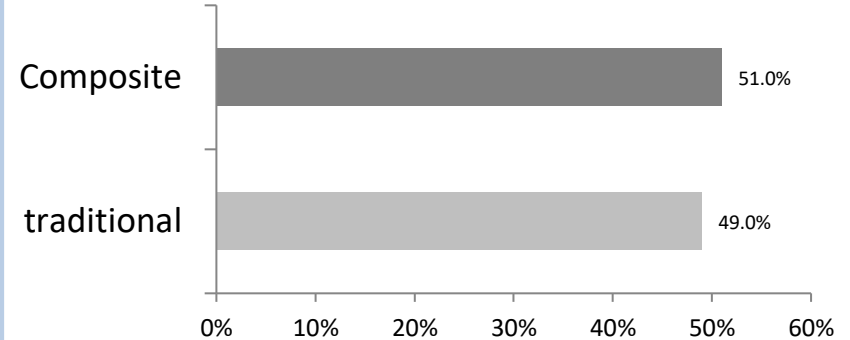
Dedicated in R&D and manufacturing of Galvanized steel, Aluminum composite panel and other specialized metal finishing

2020/20211H Revenue of NT\$ 3.1bn/2.5bn

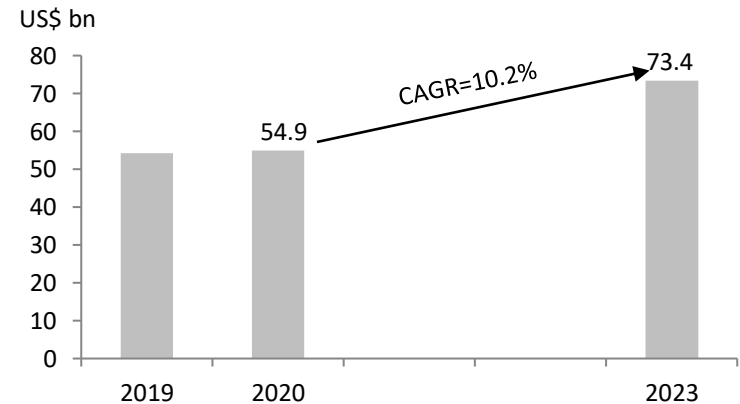
Market Cap: US\$ 412 mn (2021/08/19)

- Headquarters: Tainan, Taiwan
- Guiren Plant: 4 Composite Line, 4 mn m²/yr
- Rende Plant: 3 Composite Line, 3.5 mn m²/yr

2020 US Overall Trailer Panel Market

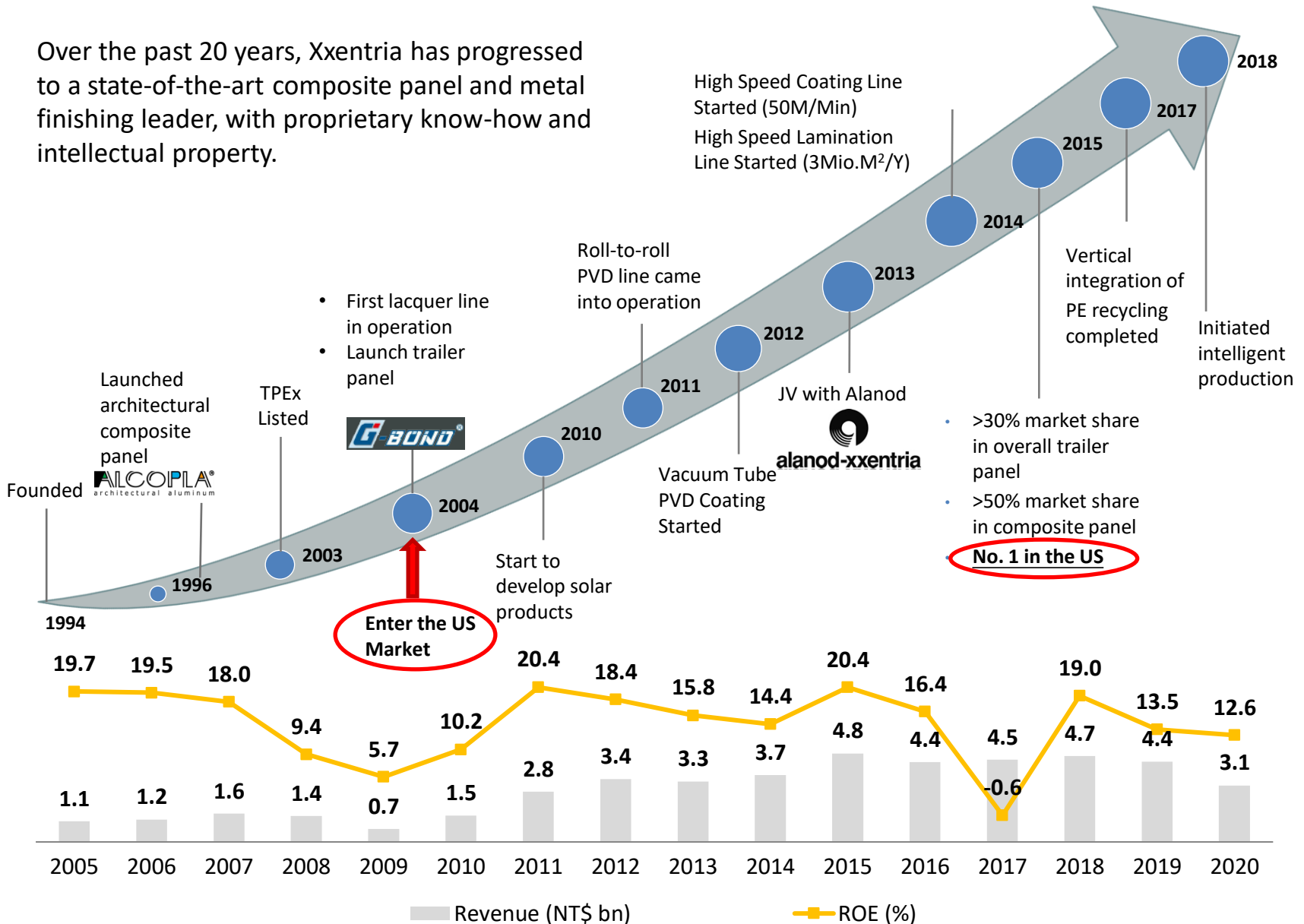


The Global Trailer Market



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 (2019), 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.



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.

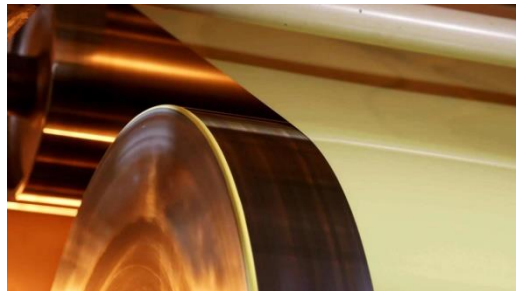
Foaming

- 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 new products to account for **6.5%** of revenue by 2022*

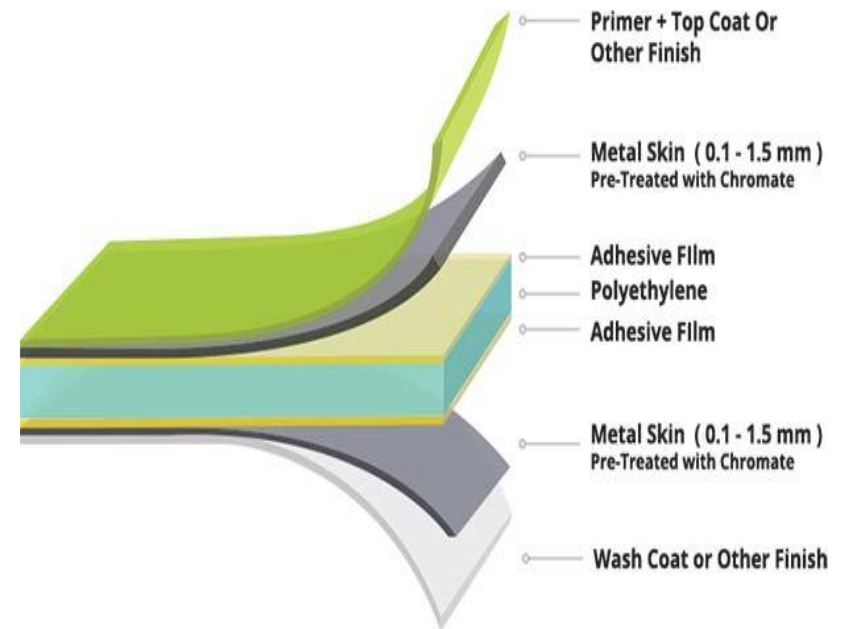
A-Bond

Products

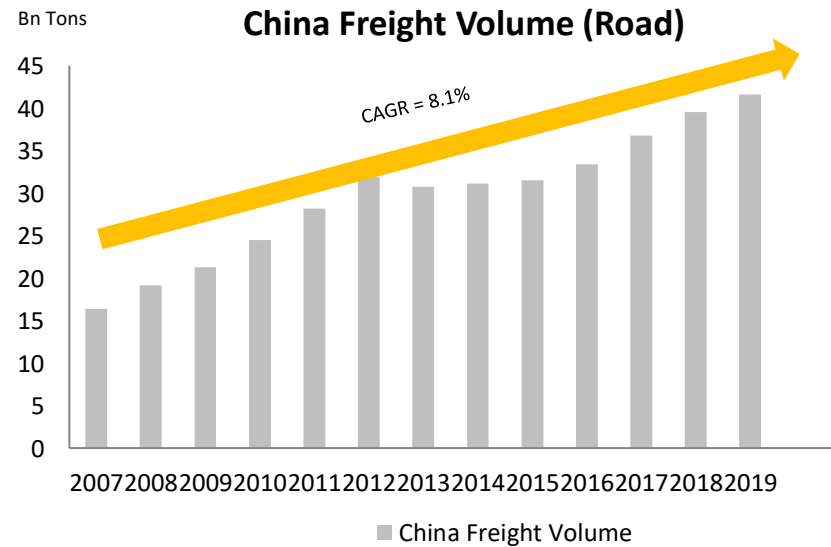
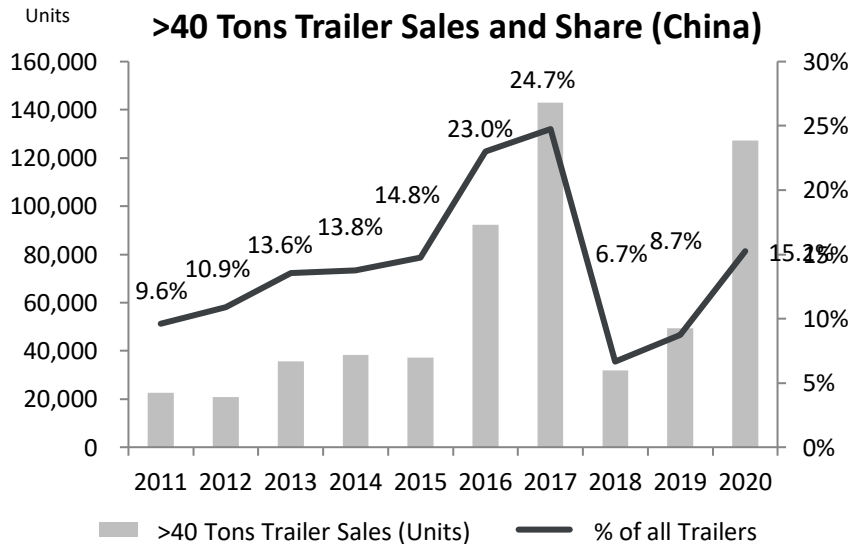
- New generation composite panel, using high-tech aluminum alloy
- 50% weight reduction in comparison to conventional trailer, decreasing fuel consumption and carbon emissions, and increasing capacity
- Superior corrosion resistance feature

Target Market

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



- Demand for higher quality, more advanced trailer panels will take off as the Chinese economy recovers, Xxentria has started to penetrate this new market and is ready to duplicate its successful experience in the US to grow in China.
- According to Ministry of Transport, the total freight traffic volume in China continues to increase. The total traffic in 2019 was 41.6bn tons.
- Xxentria is also exploring opportunities in other countries with vast inland territory and high demand of inland transportation. We started shipping to UK and India, and began delivering samples to Australia clients.

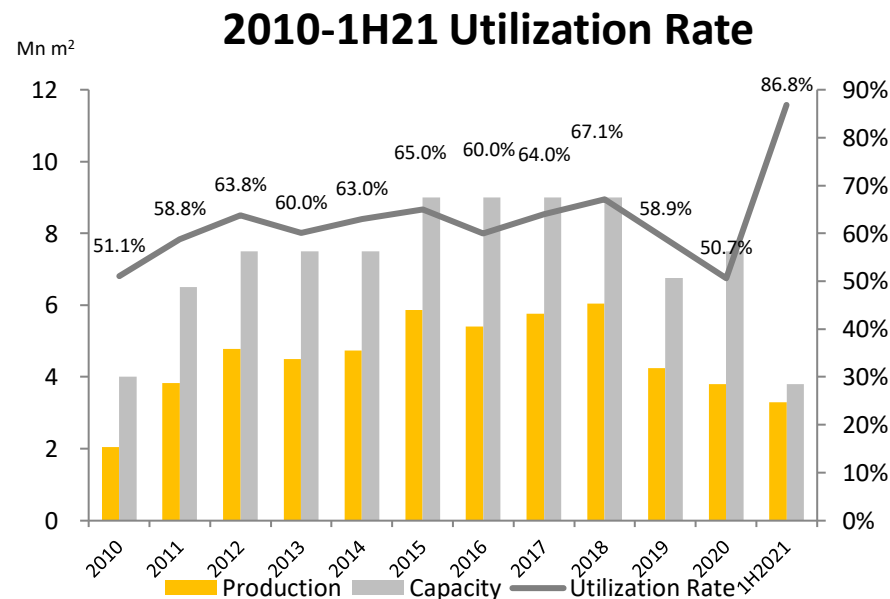
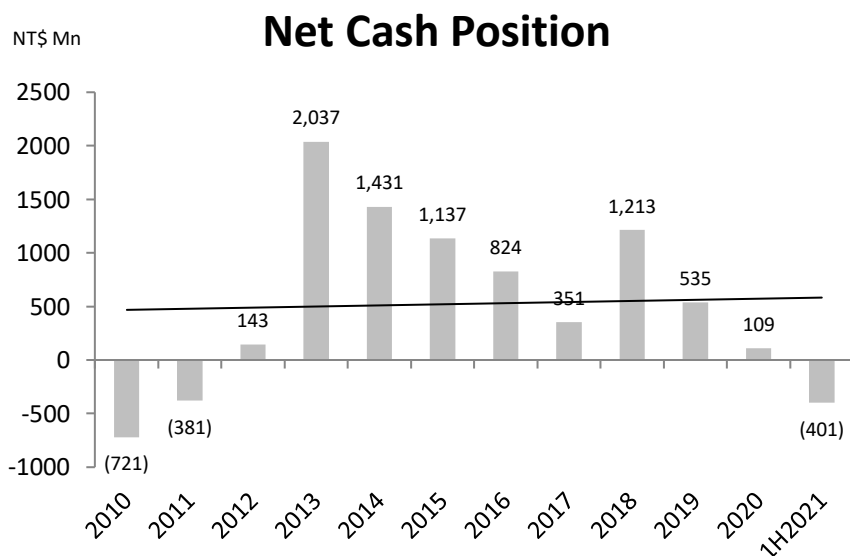


Source: <http://www.chyxx.com/tag/%E5%8D%8A%E6%8C%82%E7%89%B5%E5%BC%95%E8%BD%A6/1.html>

Source: National Bureau of Statistics of the People's Republic of China

Targeting to maintain superior resource management

- 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.
- Xxentria intends to maximize its payout ratio, backed by our solid cash position and limited capex.



Initiated in 2018, Xxentria is introducing multiple automation and intelligent production into manufacturing process and refining QA/QC to improve operation efficiency

- To modularize and calculate resources needs throughout the life cycle of client order. From receiving the order, intelligent scheduling, manufacturing, quality control and assurance, delivering to closing. Aiming to lower waste and increase efficiency.
- Utilizing multiple sensors and scientific analysis to improve yield and collecting data to identify and break the manufacturing bottleneck, as well as increase total capacity.
- In a long run, Xxentria will leverage the experiences and data collected from production line to further improve operation efficiency and get ready to migrate to industry 4.0.



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 achieve sustainable revenue and earnings growth, despite industry cyclicality.
- In the past 5 years, we maintained an average dividend payout over 80% of net profit.
- We pledge to maximize return to our shareholders through execution of our promising growth strategy, and maintain high margin.

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Historical Cash Dividend 2012-2020

NT\$ Million	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Income	\$593	\$623	\$707	\$1,183	\$983	(\$517)	\$1,296	\$977	\$942
Cash Dividend	\$363	\$600	\$620	\$932	\$870	\$498	\$912	\$656	\$492
DPS (NT\$/share)	\$2.25	\$3.30 ⁽²⁾	\$4.00	\$5.99	\$5.50	\$3.00	\$5.50	\$4.00	\$3.00
Cash Yield (%) ⁽¹⁾	4.2%	4.0%	4.1%	6.8%	7.7%	3.8%	7.0%	7.18%	4.79%
Payout Ratio (%)	61%	96%	88%	79%	88%	-	70%	67%	52%
Ex-div Date	2013/8/30	2014/7/8	2015/6/16	2016/6/23	2017/7/24	2018/6/12	2019/6/13	2020/07/16	Note 2

Source:TWSE

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

Note 2 : Stock price based on closing price of 2021/02/26. The Board of Xxentria has proposed to issue a cash dividend of NT\$3.0 per share. Because Net income of 2020 comes from non-operating income-financial assets at fair value through profit or loss about NT\$483 mn. , the company doesn't sell them in 2020. There is no cash flow in 2020.

5-year Income Statement

NT\$ Million	2016	2017	2018	2019	2020	1H21	YoY (%)					
							2016	2017	2018	2019	2020	1H21
Sales Revenue	4,374	4,485	4,722	4,399	3,072	2,494	(9.8)	2.5	5.3	(6.8)	(30.2)	100.0
Gross Profit	1,715	1,484	1,740	1,665	940	825	(9.4)	(13.5)	17.2	(4.3)	(43.5)	110.0
Operating Profit	1,212	1,025	1,208	1,068	499	356	(5.3)	(15.4)	17.9	(11.6)	(53.3)	74.5
Income before Tax	1,221	(416)	1,438	1,194	1,054	862	(15.6)	(134.1)	-	(17.0)	(24.6)	60.8
Net Income	983	(517)	1,296	977	942	746	(16.9)	(152.6)	-	(24.6)	(11.7)	52.2
EPS (NT\$)	6.58	(0.23)	7.83	6.00	5.77	4.48	(15.5)	(103.5)	-	(23.4)	(3.6)	46.9

Key Financial ratio (%)

Gross Margin	39.2	33.1	36.8	37.8	30.6	33.08
Operating Margin	27.7	22.9	25.6	24.3	16.2	14.29
Opex ratio	11.5	10.3	11.3	13.6	14.4	18.79
Net Margin	22.5	(11.5)	27.4	22.2	30.7	29.93

5-year Balance Sheet

NT\$ Million	2016	2017	2018	2019	2020	1H21	YoY (%)					
							2016	2017	2018	2019	2020	1H21
TOTAL ASSETS	10,521	11,182	10,714	10,118	11,234	13,387	6.4	6.3	(4.2)	(5.6)	11.0	29.95
Cash	2,573	4,313	3,893	2,566	2,791	3,753	1.9	67.6	(9.7)	(34.1)	8.8	58.56
NR & AR	771	777	628	295	743	1,264	(4.6)	0.8	(19.0)	(53.0)	151.9	386.15
Inventory	1,504	1,323	1,155	1,154	920	1,011	11.4	(12.0)	(12.7)	(0.1)	(20.3)	(14.40)
Fixed Asset	4,617	4,095	4,090	4,141	4,221	4,143	14.0	(11.3)	(0.1)	1.2	1.9	(1.84)
TOTAL LIABILITIES	3,113	4,796	3,458	2,845	3,496	5,467	23.4	54.1	(27.9)	(17.7)	22.9	68.70
Bank Loans	1,749	3,961	2,579	2,031	2,683	4,154	26.0	132.2	(34.0)	(21.2)	32.1	10.38
NP & AP	144	154	251	76	201	261	(2.7)	6.9	62.5	(69.7)	164.5	428.90
TOTAL EQUITY	7,408	6,386	7,257	7,273	7,737	7,920	0.5	(13.8)	13.6	0.2	6.38	12.17

A/R turnover days	66	63	54	38	62	73
Inventory turnover days	196	172	152	140	178	105
A/P turnover days	20	18	25	22	39	27
ROE (%)	16.4	(0.6)	19.0	13.5	12.6	19.1
ROA (%)	9.9	(4.5)	6.9	9.6	8.7	12.1

*ROE & ROA are annualized.

Thank You

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