

Xxentria

9M2023 Results Update

Dec | 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.

**9M2023 Financial Highlights &
2023 Outlook**

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

Appendix

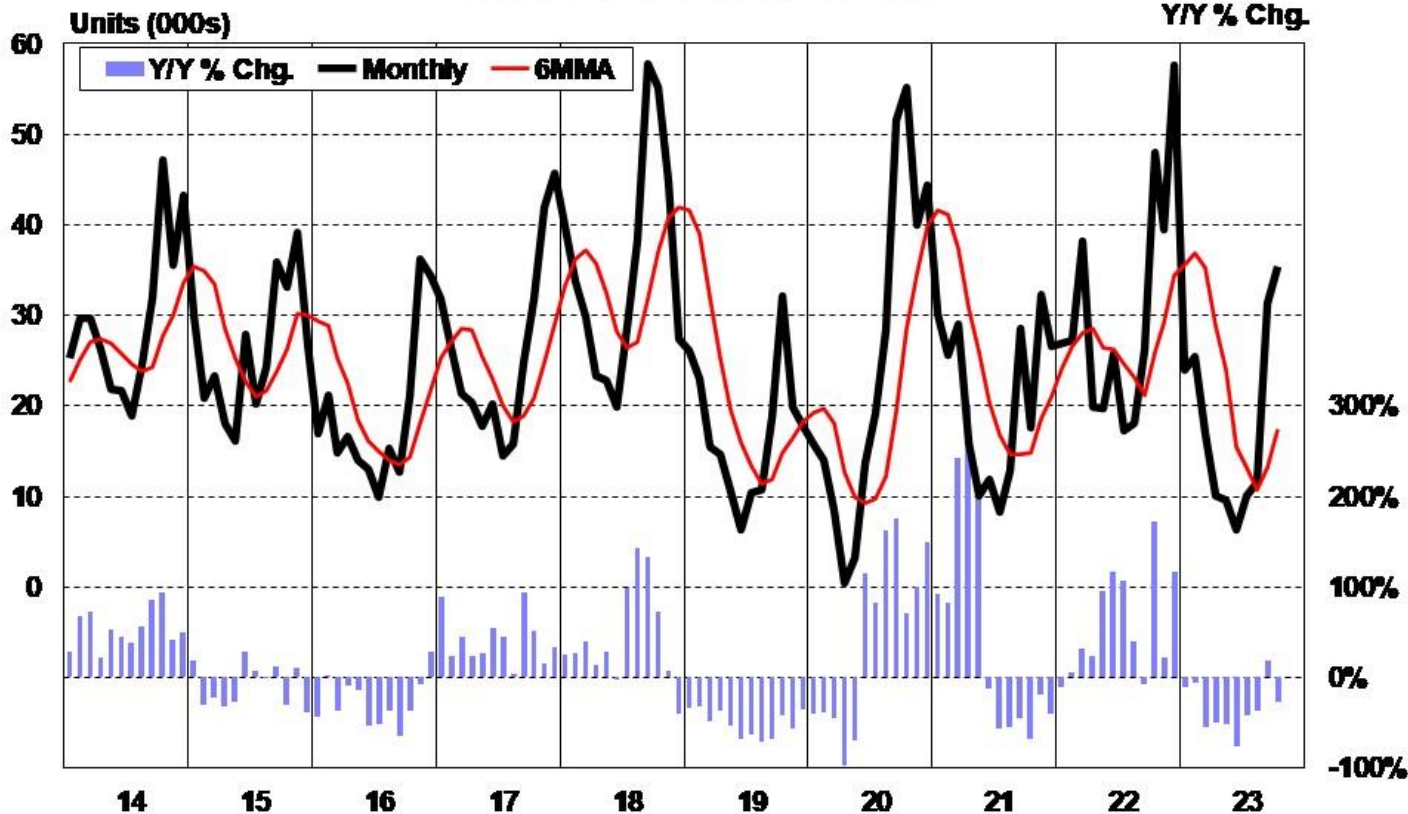
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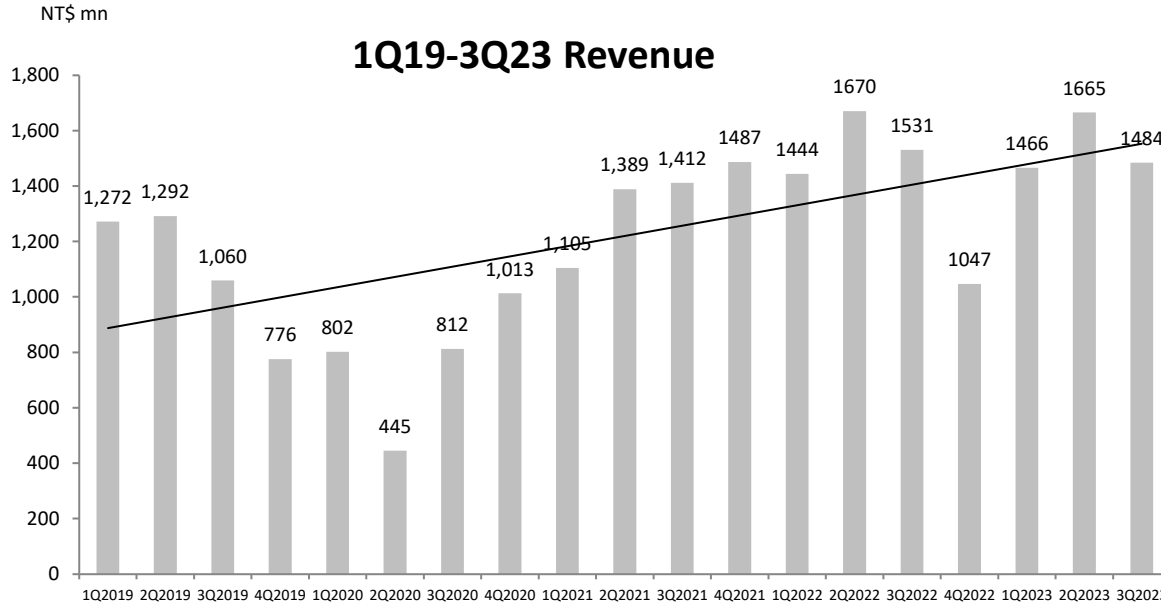
9M2023 Review & 2023 Outlook

Total Trailers: Net Orders
Year over Year Percent Change
January 2014 - October 2023



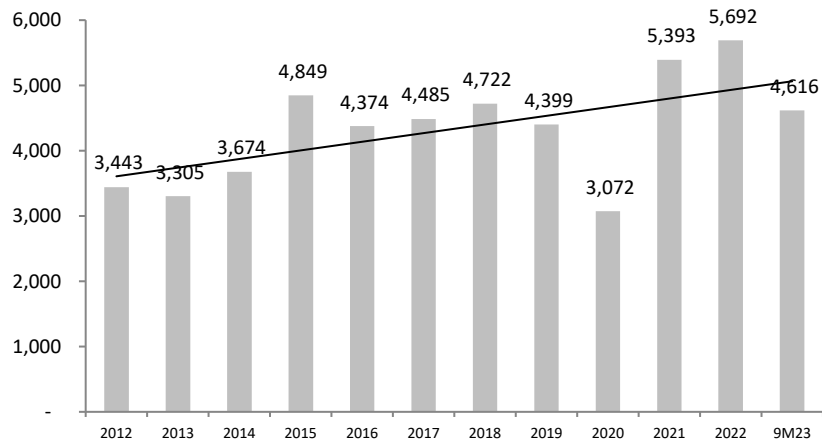
Source: ACT Research Co. © 2023

“The industry cancellation rate moderated to 1.2% of the backlog in October, from September’s 2.8% level, improved but still slightly elevated. And as expected in October, orders outpaced production. As a result, the trailer backlogs grew 5% sequentially, but remained lower y/y, down more than 25% against 2022’s supply-chain constrained and pent-up demand heavy environment.”



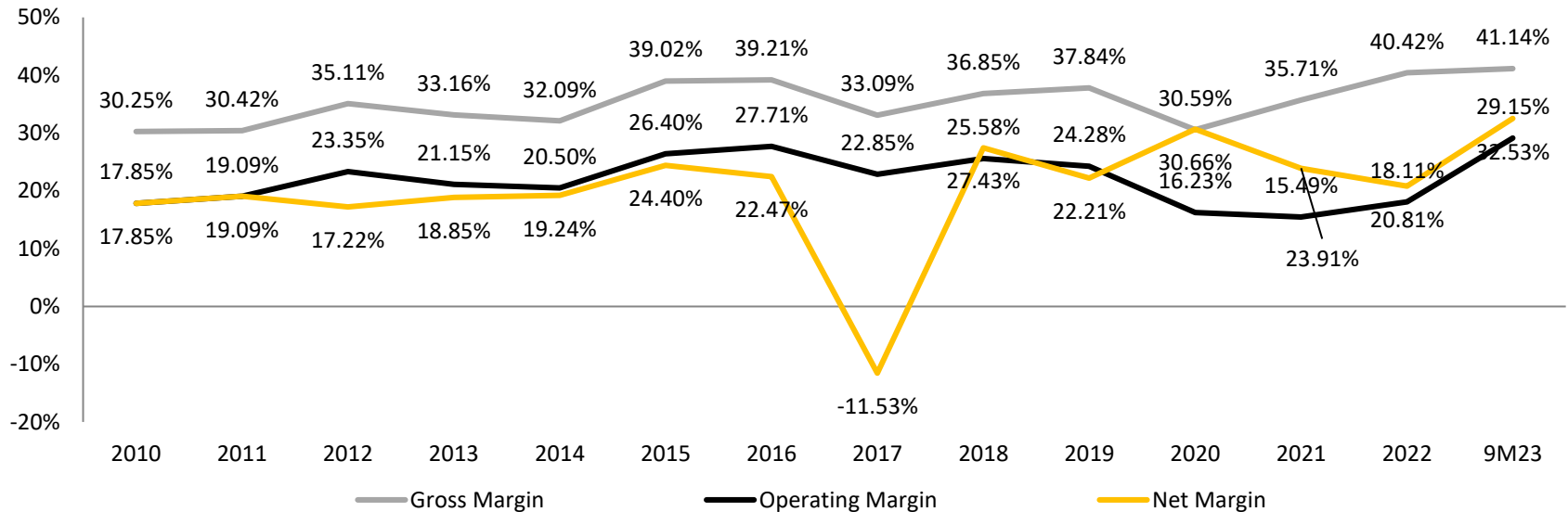
NT\$ mn

Historical Revenue



The freight rates is favorable, dry van demand is strong after Covid 19. Xxentria's revenue was also benefit from strong dry van demand.

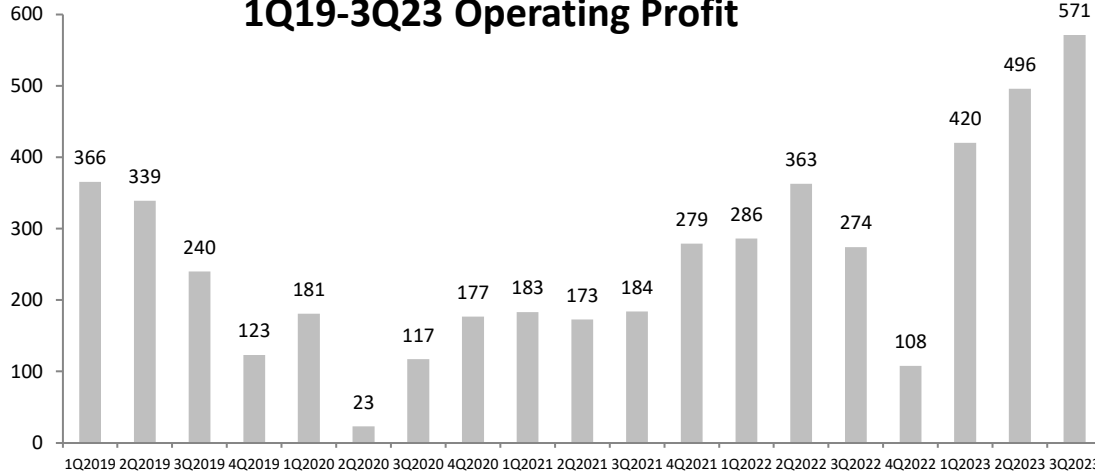
Margin Trend



- Gross margin maintained at 40%. Xxentria strictly controlled the cost.
- Due to transportation cost decreased, operation expenses decreased and operation profit increased in 9M2023.
- Non-operating income and expenses was NT\$ 526 million in 9M2023. Mainly from 1) other loss of NT\$284 million from financial assets at fair value through profit or loss. 2) interest revenue NT\$143 million. 3) other revenue NT\$111 million.

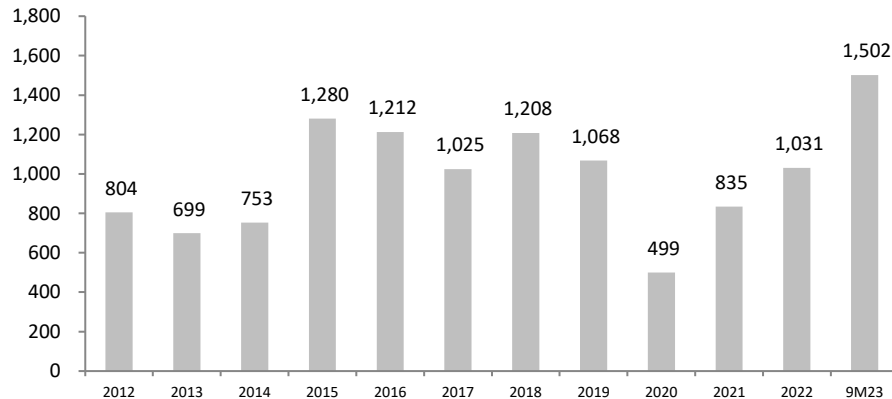
NT\$ mn

1Q19-3Q23 Operating Profit



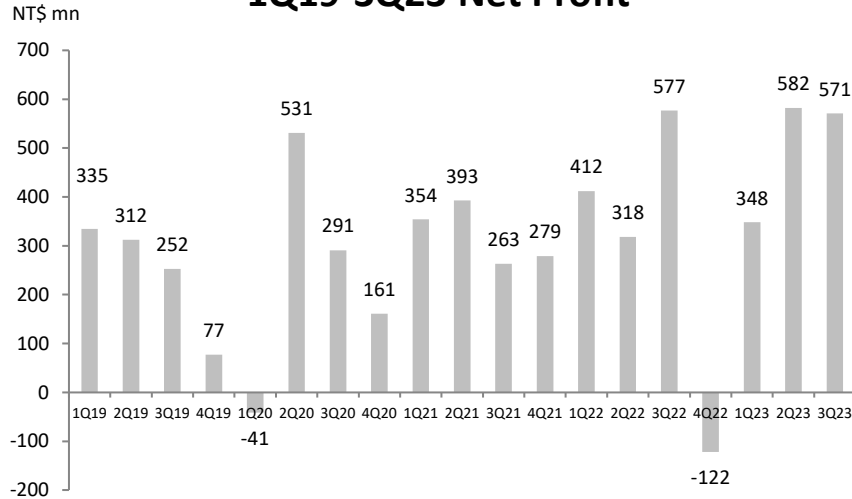
NT\$ mn

Historical Operating Profit



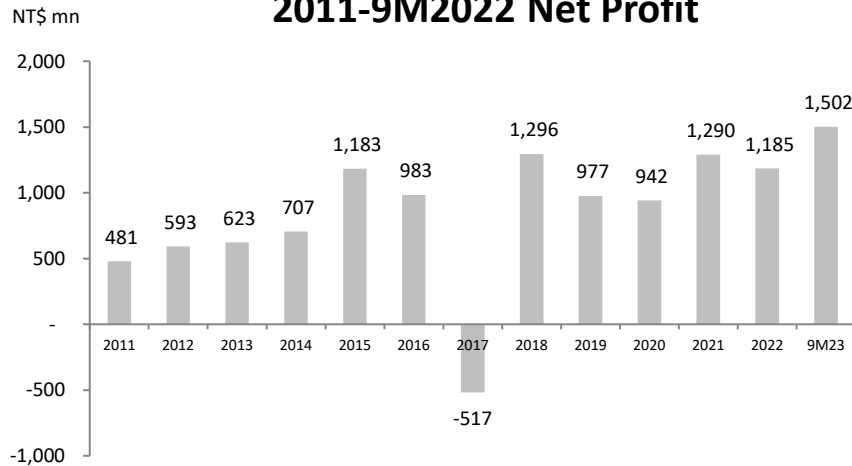
Operating profit increased since 2023, due to shipping fee decreased.

1Q19-3Q23 Net Profit



| NT\$ mn | 9M23 | 9M22 |
|---------|------|------|
| FX Gain | 272 | 921 |

2011-9M2022 Net Profit



9M2023 Review

| Consolidated P&L (NT\$ mn) | 3Q2023 | | 3Q2022 | | YoY% | 9M2023 | | 9M2022 | | YoY% |
|---|--------------|------------|--------------|------------|----------------|--------------|------------|--------------|------------|---------------|
| | Amount | % | Amount | % | | Amount | % | Amount | % | |
| Revenue | 1,484 | 100 | 1,531 | 100 | (3.07) | 4,615 | 100 | 4,646 | 100 | (0.67) |
| COGS | -866 | -58 | -837 | -55 | 3.46 | -2,717 | -59 | -2,637 | -57 | 3.03 |
| Gross Profit | 618 | 42 | 694 | 45 | (10.95) | 1,898 | 41 | 2,009 | 43 | (5.53) |
| S&M | -136 | -9 | -384 | -25 | (64.58) | -410 | -9 | -971 | -21 | (57.78) |
| G&A | -49 | -4 | -34 | -2 | 44.12 | -135 | -3 | -105 | -2 | 28.57 |
| R&D | -3 | 0 | -2 | 0 | - | -8 | 0 | -9 | 0 | - |
| Operating Expense | --188 | -13 | -420 | -27 | (55.24) | -553 | -12 | -1,085 | -23 | 49.03 |
| Operating Profit | 429 | 29 | 274 | 18 | 56.57 | 1,345 | 29 | 924 | 20 | 45.56 |
| Non-operating Income and Expenses | 271 | 18 | 449 | 27 | (39.64) | 527 | 12 | 774 | 16 | (31.91) |
| Profit before Tax | 700 | 47 | 723 | 47 | (3.18) | 1,872 | 41 | 1,698 | 36 | 10.25 |
| Income Tax | -129 | -9 | -146 | -9 | (11.64) | -370 | -8 | -391 | -8 | (5.37) |
| Net Profit | 571 | 38 | 577 | 38 | (1.04) | 1,502 | 33 | 1,307 | 28 | 14.92 |
| Basic EPS | 3.15 | | 3.20 | | (1.56) | 8.31 | | 7.29 | | 13.99 |
| Fully Diluted EPS | 3.15 | | 3.19 | | (1.25) | 8.30 | | 7.28 | | 14.01 |

9M2023 Review

| Consolidated Balance Sheet (NT\$ mn) | 2023.09.30 | | 2022.12.31 | |
|---|------------|-----|------------|-----|
| | Amount | % | Amount | % |
| Key Items | | | | |
| Cash & Equivalent | 1,308 | 8 | 2,835 | 17 |
| AR & NR | 1,611 | 10 | 313 | 2 |
| Inventory | 1,499 | 9 | 1,350 | 8 |
| PP&E | 5,105 | 31 | 4,537 | 27 |
| Current Liability | 4,462 | 27 | 6,189 | 37 |
| Non-Current Liability | 1,638 | 10 | 1,541 | 9 |
| Total Shareholder's Equity | 10,455 | 63 | 9,014 | 54 |
| Total Asset | 16,556 | 100 | 16,744 | 100 |

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Appendix

Top Trailer Body Panel in the US

Establishment:1994

Ticker: 8942 TT

Over 300 Full Time Employees worldwide

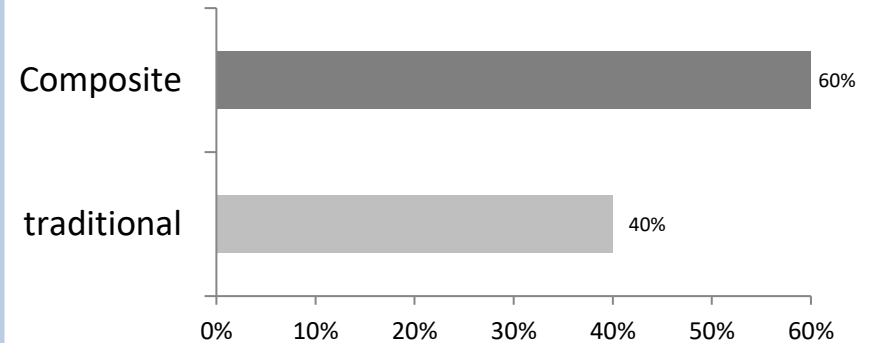
Dedicated in R&D and manufacturing of Galvanized steel, Aluminum composite panel and other specialized metal finishing

2022/2023.9M Revenue of NT\$ 5.7bn/4.6bn

Market Cap: US\$ 438 mn (2023/12/04)

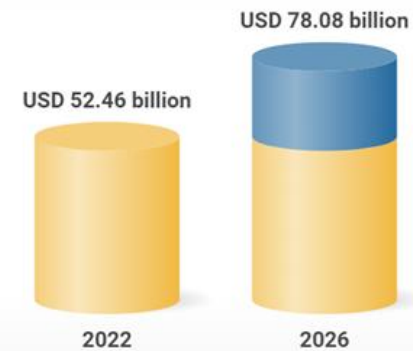
- Headquarters: Tainan, Taiwan
- Guiren Plant: 4 Composite Line, 4 mn m²/yr
- Rende Plant: 3 Composite Line, 3.5 mn m²/yr

2022 US Overall Trailer Panel Market



Global Trailer Market

Market forecast to grow at CAGR of 10.5%

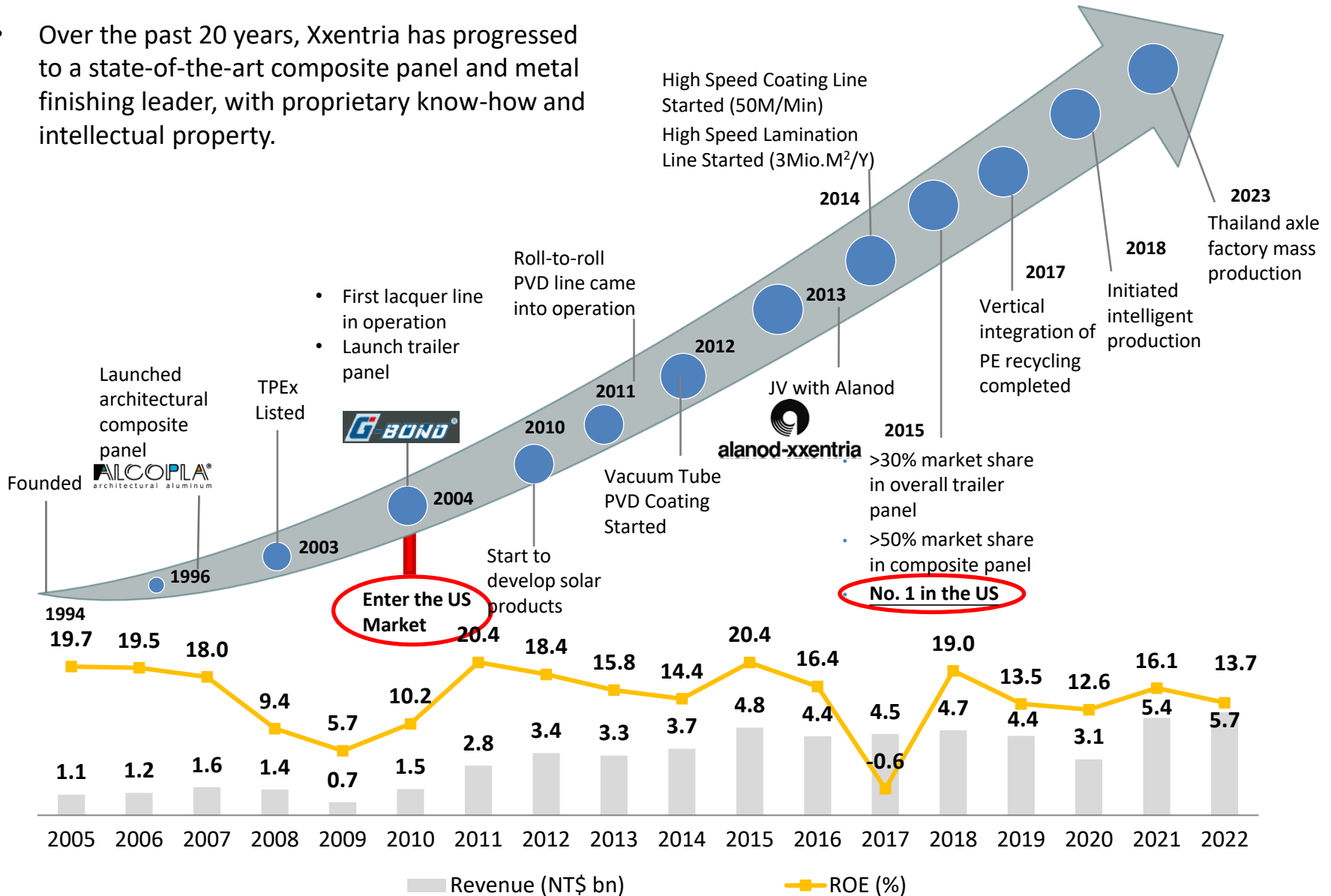


<https://www.researchandmarkets.com/reports/5591876>

RESEARCH AND MARKETS
THE WORLD'S LARGEST MARKET RESEARCH STORE

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.

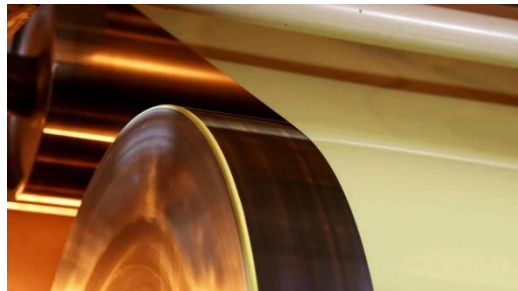
Foaming

- 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 2024

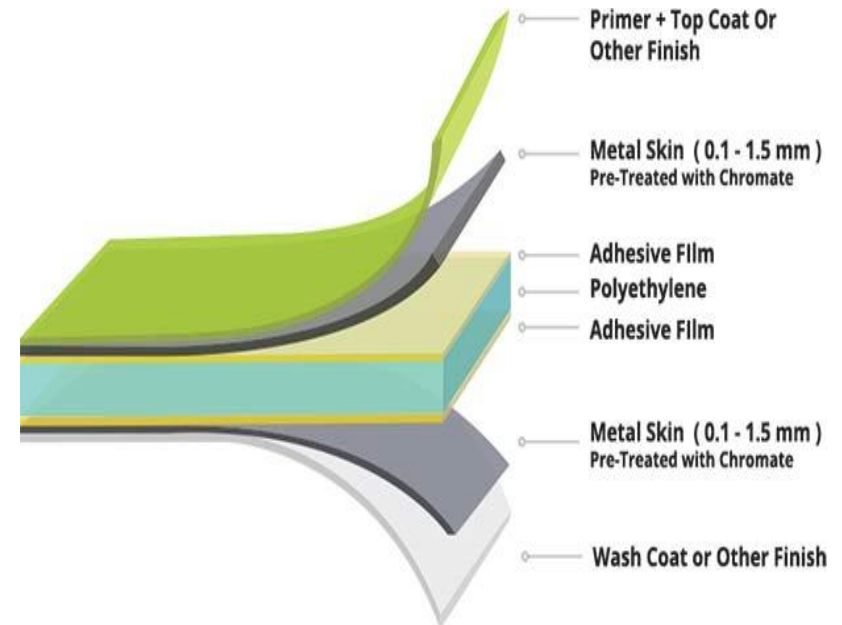
A-Bond

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

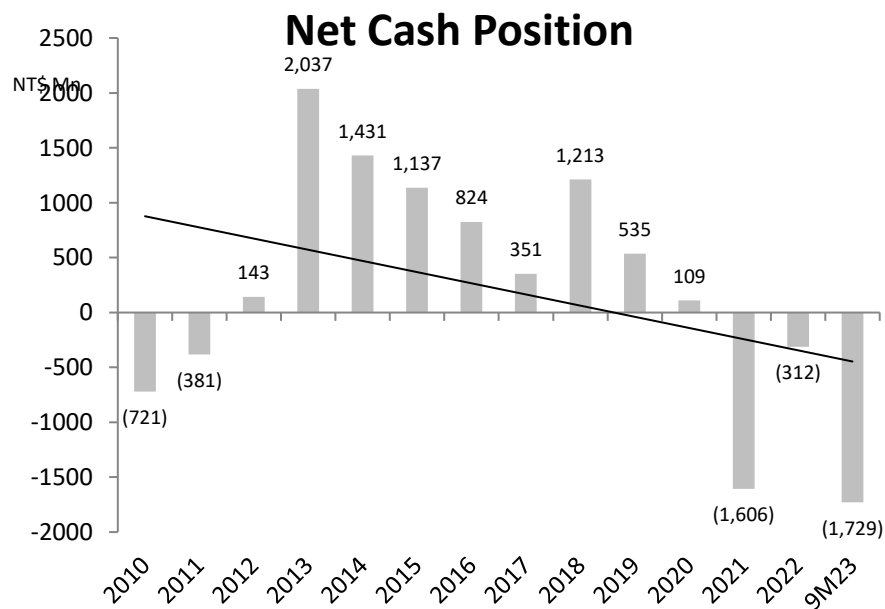
Target Market

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

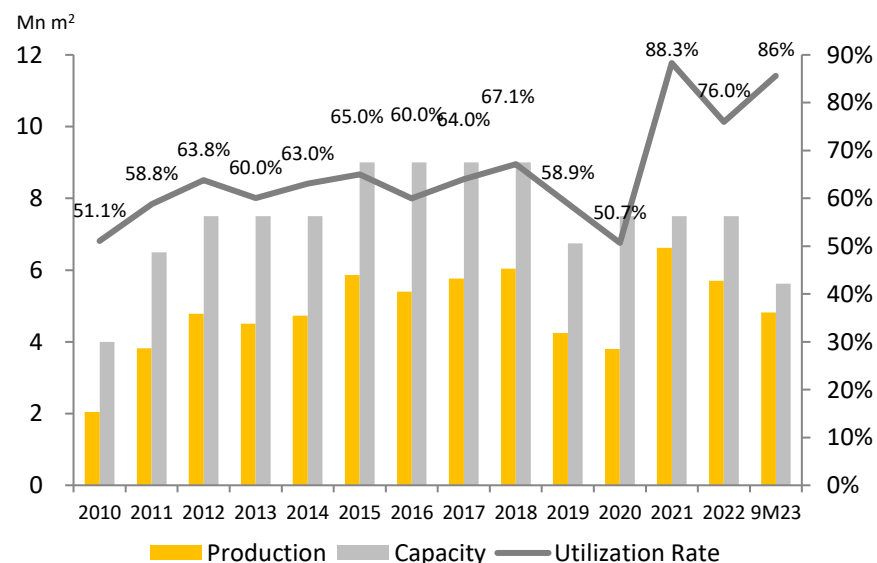


Targeting to maintain superior resource management

- 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.



2010-9M2023 Utilization Rate



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 2017-20231H

| NT\$ Million | 2018 | 2019 | 2020 | 1H2021 | 2H2021 | 1H2022 | 2H2022 | 1H2023 |
|-------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | \$1,296 | \$977 | \$942 | \$746 | \$544 | \$730 | \$455 | \$930 |
| Cash Dividend | \$912 | \$656 | \$492 | \$248 | \$415 | \$332 | \$248 | \$365 |
| Stock Dividend | - | - | - | - | - | - | \$165 | - |
| EPS (NT\$/share) | \$5.00 | \$3.64 | \$2.73 | \$1.36 | \$2.27 | \$4.09 | \$3.08 | \$5.16 |
| Cash Yield (%)⁽¹⁾ | 7.0% | 7.18% | 4.10% | 2.21% | 3.71% | 7.1% | 5.0% | - |
| Payout Ratio (%) | 70% | 67% | 52% | 33% | 75% | 44% | 76% | 39% |
| Ex-div Date | 2019/6/13 | 2020/07/16 | 2021/07/01 | 2021/12/03 | 2022/05/26 | 2022/12/01 | 2023/06/27 | 2023/12/19 |

Source:TWSE

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

5-year Income Statement

| NT\$ Million | 2018 | 2019 | 2020 | 2021 | 2022 | 9M23 | YoY (%) | | | | | |
|-------------------|-------|-------|-------|-------|-------|-------|---------|--------|--------|-------|--------|--------|
| | | | | | | | 2018 | 2019 | 2020 | 2021 | 2022 | 9M23 |
| Sales Revenue | 4,722 | 4,399 | 3,072 | 5,393 | 5,692 | 4,616 | 5.3 | (6.8) | (30.2) | 75.6 | 5.54 | (0.67) |
| Gross Profit | 1,740 | 1,665 | 940 | 1,926 | 2,301 | 1,898 | 17.2 | (4.3) | (43.5) | 104.9 | 19.47 | (5.49) |
| Operating Profit | 1,208 | 1,068 | 499 | 835 | 1,031 | 1,345 | 17.9 | (11.6) | (53.3) | 67.3 | 23.47 | 45.72 |
| Income before Tax | 1,438 | 1,194 | 1,054 | 1,500 | 1,618 | 1,872 | - | (17.0) | (24.6) | 42.3 | 7.86 | 10.25 |
| Net Income | 1,296 | 977 | 942 | 1,290 | 1,185 | 1,502 | - | (24.6) | (11.7) | 36.9 | (8.14) | 14.91 |
| EPS (NT\$) | 7.83 | 6.00 | 5.77 | 7.81 | 7.89 | 8.31 | - | (23.4) | (3.6) | 35.4 | 1.02 | 5.32 |

Key Financial ratio (%)

| | | | | | | |
|------------------|------|------|------|------|------|-------|
| Gross Margin | 36.8 | 37.8 | 30.6 | 35.7 | 40.4 | 41.14 |
| Operating Margin | 25.6 | 24.3 | 16.2 | 15.5 | 18.1 | 29.15 |
| Opex ratio | 11.3 | 13.6 | 14.4 | 20.2 | 22.3 | 11.99 |
| Net Margin | 27.4 | 22.2 | 30.7 | 23.9 | 20.8 | 32.53 |

5-year Balance Sheet

| NT\$ Million | 2018 | 2019 | 2020 | 2021 | 2022 | 9M23 | YoY (%) | | | | | |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|---------------|
| | | | | | | | 2018 | 2019 | 2020 | 2021 | 2022 | 9M23 |
| TOTAL ASSETS | 10,714 | 10,118 | 11,234 | 15,820 | 16,776 | 16,556 | 6.3 | (4.2) | (5.6) | 11.0 | 40.8 | 1.5 |
| Cash | 3,893 | 2,566 | 2,791 | 1,505 | 2,836 | 1,307 | 67.6 | (9.7) | (34.1) | 8.8 | (46.1) | (35.13) |
| NR & AR | 628 | 295 | 743 | 1,359 | 313 | 1,611 | 0.8 | (19.0) | (53.0) | 151.9 | 82.9 | 11.49 |
| Inventory | 1,155 | 1,154 | 920 | 1,235 | 1,350 | 1,499 | (12.0) | (12.7) | (0.1) | (20.3) | 34.2 | 24.89 |
| Fixed Asset | 4,090 | 4,141 | 4,221 | 4,276 | 4,537 | 5,105 | (11.3) | (0.1) | 1.2 | 1.9 | 1.3 | 11.35 |
| TOTAL LIABILITIES | 3,458 | 2,845 | 3,496 | 7,568 | 7,730 | 6,100 | 54.1 | (27.9) | (17.7) | 22.9 | 116.5 | (16.0) |
| Bank Loans | 2,579 | 2,031 | 2,683 | 6,509 | 6,550 | 4,746 | 132.2 | (34.0) | (21.2) | 32.1 | 142.6 | (23.22) |
| NP & AP | 251 | 76 | 201 | 269 | 250 | 485 | 6.9 | 62.5 | (69.7) | 164.5 | 33.8 | 302.6 |
| TOTAL EQUITY | 7,257 | 7,273 | 7,737 | 8,252 | 9,046 | 10,455 | (13.8) | 13.6 | 0.2 | 6.38 | 6.7 | 15.49 |

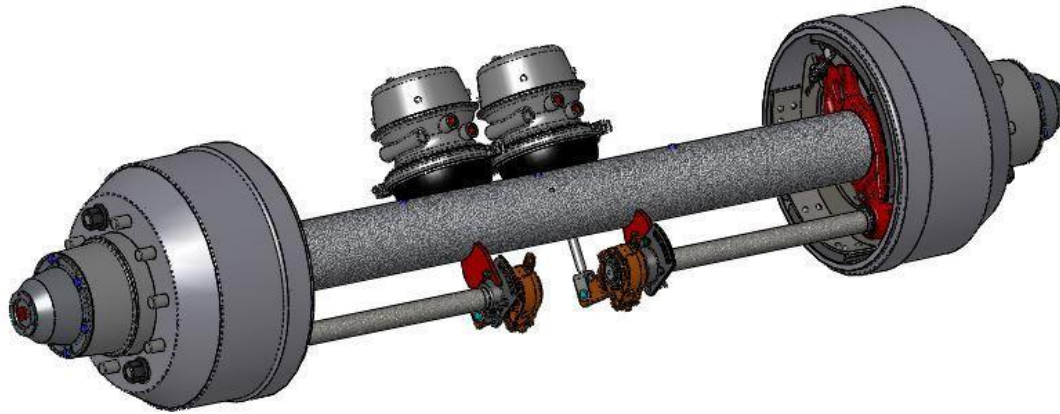
| | | | | | | |
|-------------------------|------|------|------|------|------|-------|
| A/R turnover days | 54 | 38 | 62 | 71 | 54 | 57 |
| Inventory turnover days | 152 | 140 | 178 | 113 | 139 | 144 |
| A/P turnover days | 25 | 22 | 39 | 31 | 26 | 29 |
| ROE (%) | 19.0 | 13.5 | 12.6 | 16.1 | 13.7 | 20.52 |
| ROA (%) | 6.9 | 9.6 | 8.7 | 9.5 | 7.3 | 12.02 |

*ROE & ROA are annualized.

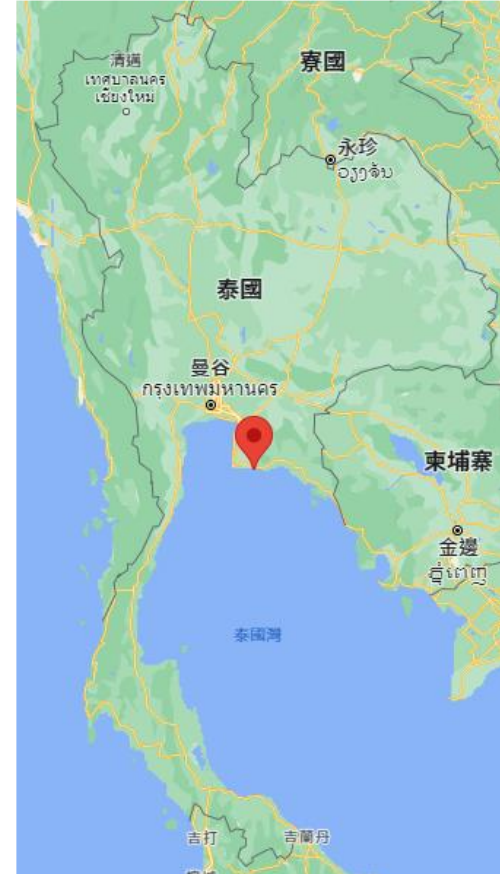
Thank You

THANK YOU

Axles



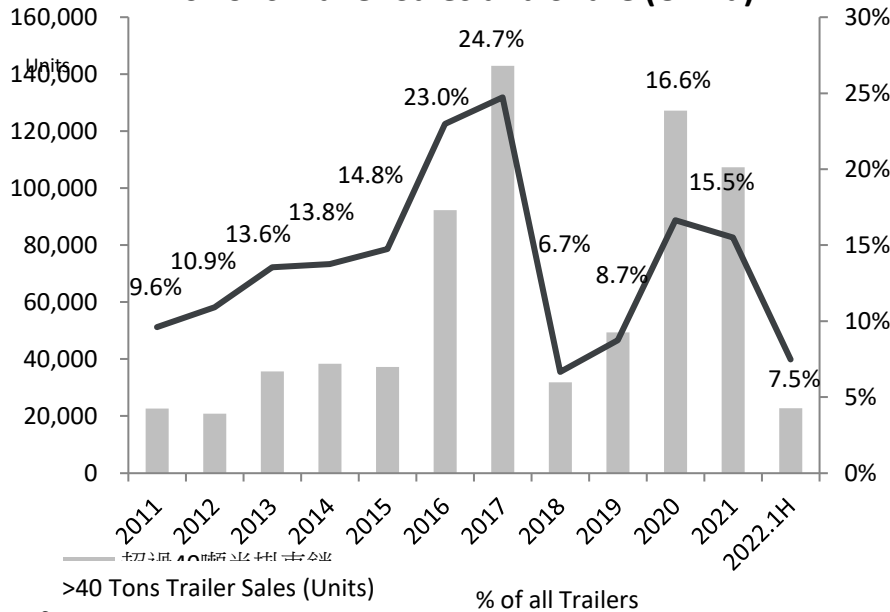
- Trailer Axles is an important part. Each trailer is equipped with 6-8 axles.
- Xxentria started to invest in Axles production in 2022.
- We expect the factory will start to mess product and have benefit to the company in 1H2024.



Axles production facility in Rayong, Thailand

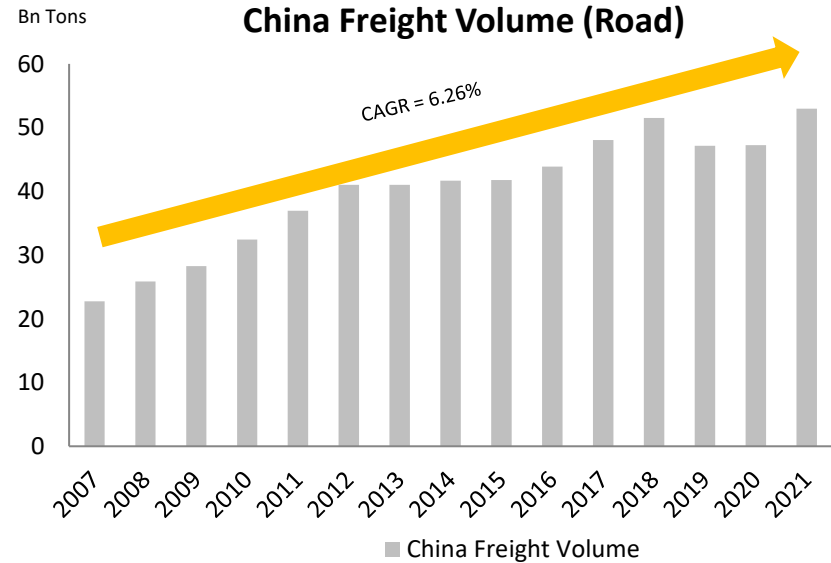
- Demand for higher quality, more advanced trailer panels will take off as the Chinese economy recovers, Xxentria has started to penetrate this new market and is ready to duplicate its successful experience in the US to grow in China.
- According to Ministry of Transport, the total freight traffic volume in China continues to increase. After COVID-19, the inflation cause cost increase. The fleet control their capex, so the demand postpone to next year.
- Xxentria is also exploring opportunities in other countries with vast inland territory and high demand of inland transportation. We started shipping to UK, East-South Asia, and Central and South America.

>40 Tons Trailer Sales and Share (China)



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

China Freight Volume (Road)



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

New Products to Expand Market Share

Targeting new products to account for **5.0%** of revenue by 2024

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

