

**WEGO 威高**

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector



# Investor Presentation

2020 Interim Results

August 2020

# Our Results



**Revenue growth:** For the 6 months ended 30 June 2020, we continued to record revenue growth despite the impact of COVID-19, with revenues increasing 3.0% y-o-y to RMB5,091m.

- Our pharma packaging and orthopedics segments in particular recorded strong results, growing 22.1% and 21.8% respectively to reach RMB764.5m and RMB830.6m in sales in 1H2020.
- While sales from our Clinical Care segment in 1H2020 declined y-o-y due to COVID-19, we believe that the impact is only temporary as COVID-19 continues to stabilize, and that our diversified product mix and our scale will enable us to resume growth and further our market leadership going forward.
- Our gross profit margins declined from 63.4% to 57.8% as a result of product mix changes due to COVID-19.



**Argon's results affected by COVID-19, but we remain positive on its outlook:** Argon's performance in 1H2020 was affected as a result of the continued spread of COVID-19 across the world throughout the second quarter of 2020.

- In 1H2020, Argon recorded total sales RMB678.3m, representing a 3.8% decrease y-o-y. While sales declined slightly when compared to 1H2019, Argon's net profit continued to record consistent growth.
- Despite the short-term impact of COVID-19, we expect China to continue to be a major growth driver for Argon in the coming years.

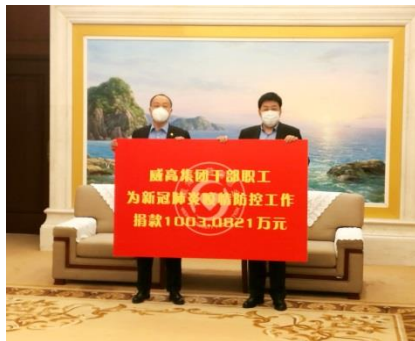


**Continued increase in profitability:** Our net income attributable to owners of the Company grew 3.5% in 1H2020, largely in line with revenue growth.

- Despite the impact of the pandemic, we intend to continue fulfilling our commitment to provide consistent returns to our shareholders. For 1H2020, we have announced a total dividend of 6.2 cents, representing a 5.1% increase to 1H2019.

# Impact of COVID-19

## Our work with COVID-19



- Since the outbreak of COVID-19 as early as December 2019, the pandemic has caused an unprecedented impact to both global health and the global economy.
- To pledge our support to the frontline workers, the Weigao Group, including our employees, have collectively donated RMB50 million in medical products and funds throughout our fight against COVID-19:
  - On January 28, Weigao was among the first batch of companies to donate medical supplies to Huoshenshan Hospital. In total, Weigao donated more than RMB3 million of supplies to Huoshenshan Hospital, and continued to organize the company-wide donation of various supplies' to the country's efforts against COVID-19;
  - By the end of February, Weigao's staff collectively donated a total of RMB20.4 million to our country's efforts against COVID-19;
  - By mid-March, we had donated surgical gowns, isolation gowns, protective suits, masks, disinfectants, infusion equipment, blood collection devices, blood transfusion sets, IV catheters, medical equipment and other medical supplies worth more than RMB30 million.

## Our strategy to combat COVID-19



- Despite the extended impact of COVID-19, our diversification strategy, in terms of both product mix and geographic markets, has shown strong results in mitigating risk throughout 1H2020.
- Safeguarding the health of our employees and to our customers continues to be a crucial goal for us. While the pandemic has largely stabilized in China, we will continue to ensure we have the right protocols in place to protect the health of our workers and ensure that our product supply to our customers remain uninterrupted in the event of a resurgence.
- As the COVID-19 situation continues to stabilize, we intend to continue our stated strategy of product upgrades, import substitution, investments in technology and resource sharing to ensure that our business continues to grow in the coming years.
- Our management believes that through our diversified businesses and high quality products, we are able to continue consolidating our market leading position in China. At the same time, we will continue to promote opportunities to achieve synergies across our global platform, with a view to support our corporate growth both domestically and abroad.

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Section 1

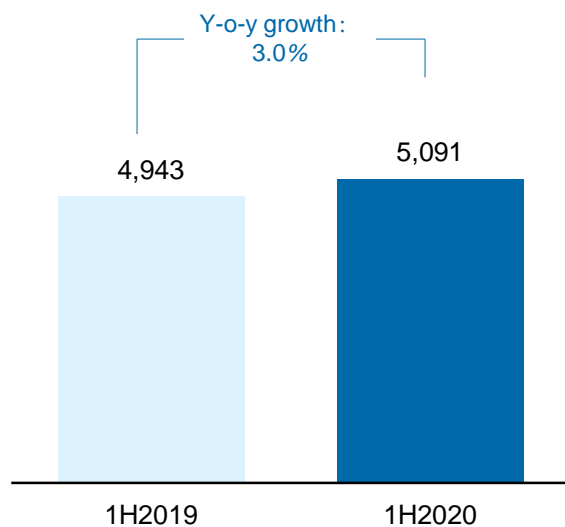
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# 1H2020 Financial Results

# Results Summary



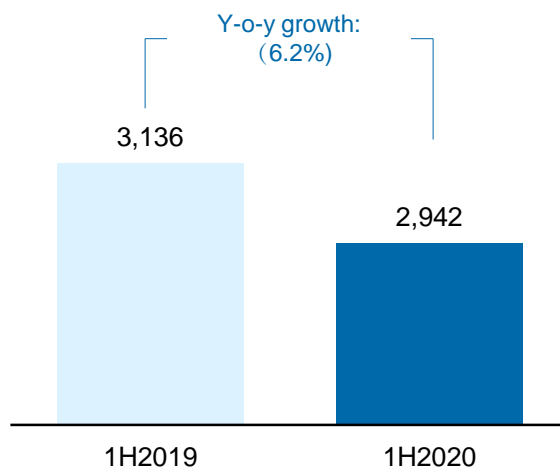
## Revenue



RMBm	1H2019	1H2020	Growth (%)
Revenue	4,943	5,091	3.0%



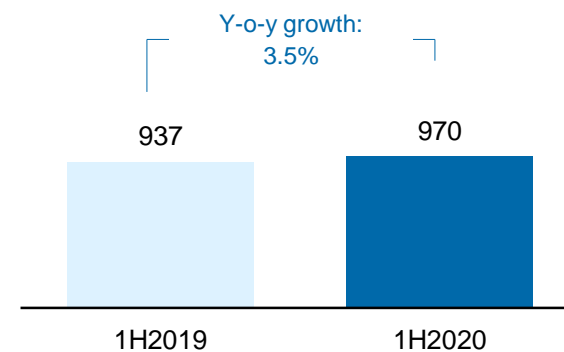
## Gross profit



RMBm	1H2019	1H2020	Growth (%)
Gross profit	3,136	2,942	(6.2%)
Margin (%)	63.4%	57.8%	(5.6pts)



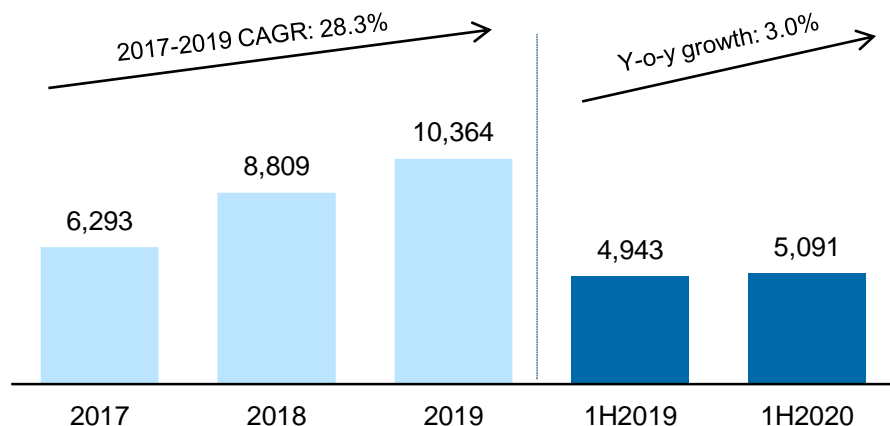
## Net profit attributable to owners of the Company



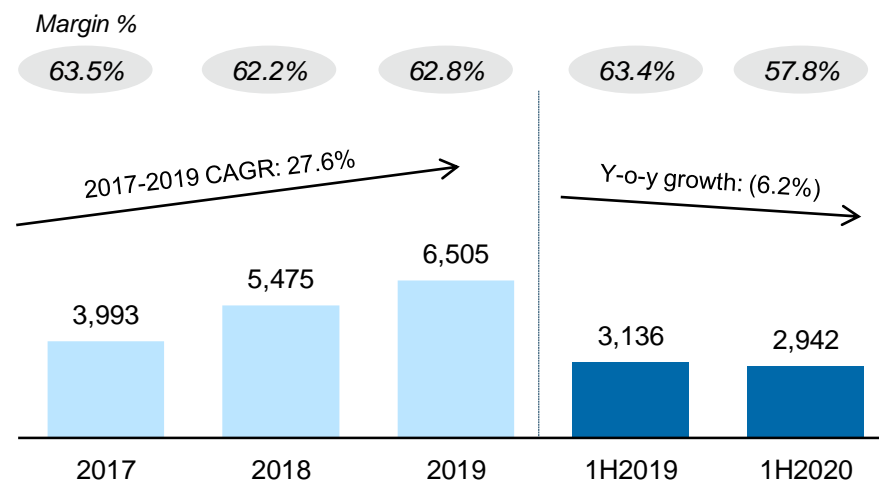
RMBm	1H2019	1H2020	Growth (%)
Net profit	937	970	3.5%
Margin (%)	19.0%	19.1%	+1.0ppt

# Key Financial Figures

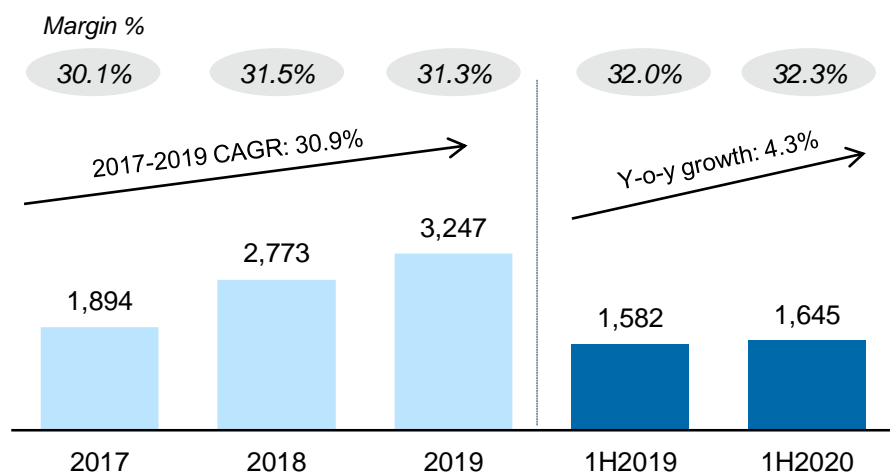
## Revenue (RMB million)



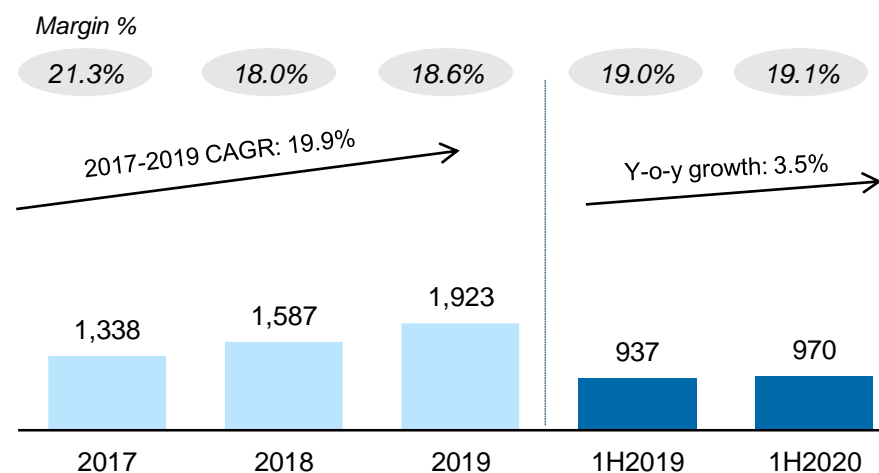
## Gross profit<sup>1</sup> (RMB million)



## EBITDA<sup>1</sup> (RMB million)



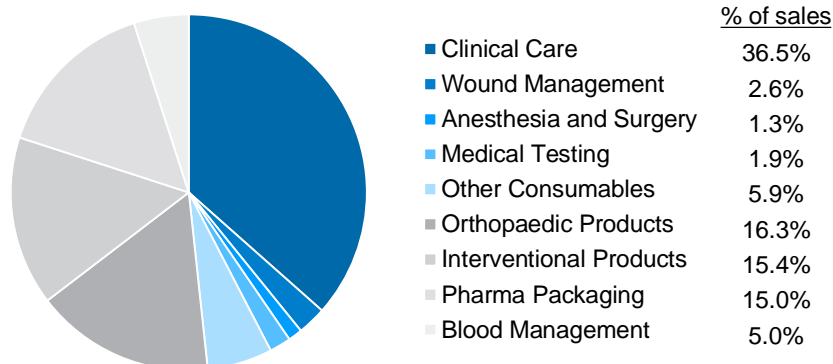
## Net profit attributable to owners of the Company<sup>1,2</sup> (RMB million)



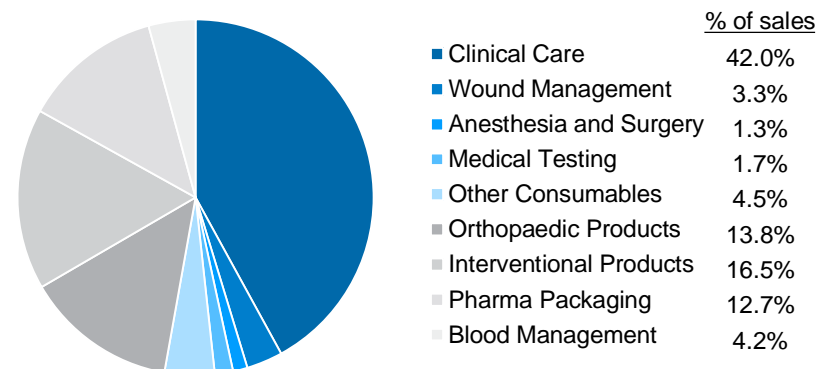
# Revenue Breakdown By Products

## Revenue Breakdown

1H2020



1H2019



### Segmental revenues (RMBm)

### % of revenues

	Segmental revenues (RMBm)			% of revenues	
	1H2020	1H2019	% Change	1H2020	1H2019
Medical Device Products	2,459	2,611	(5.8%)	48.3%	52.8%
<i>Clinical Care</i>	1,861	2,077	(10.4%)	36.5%	42.0%
<i>Wound Management</i>	133	162	(17.9%)	2.6%	3.3%
<i>Anesthesia and Surgery</i>	65	65	0.3%	1.3%	1.3%
<i>Medical Testing</i>	99	82	21.3%	1.9%	1.7%
<i>Other Consumables</i>	301	225	33.8%	5.9%	4.5%
Orthopaedic Products	831	682	21.8%	16.3%	13.8%
Interventional Products	783	814	(3.7%)	15.4%	16.5%
Pharma Packaging	765	626	22.1%	15.0%	12.7%
Blood Management	254	210	20.7%	5.0%	4.2%
<b>Total</b>	<b>5,091</b>	<b>4,943</b>	<b>3.0%</b>	<b>100.0%</b>	<b>100.0%</b>

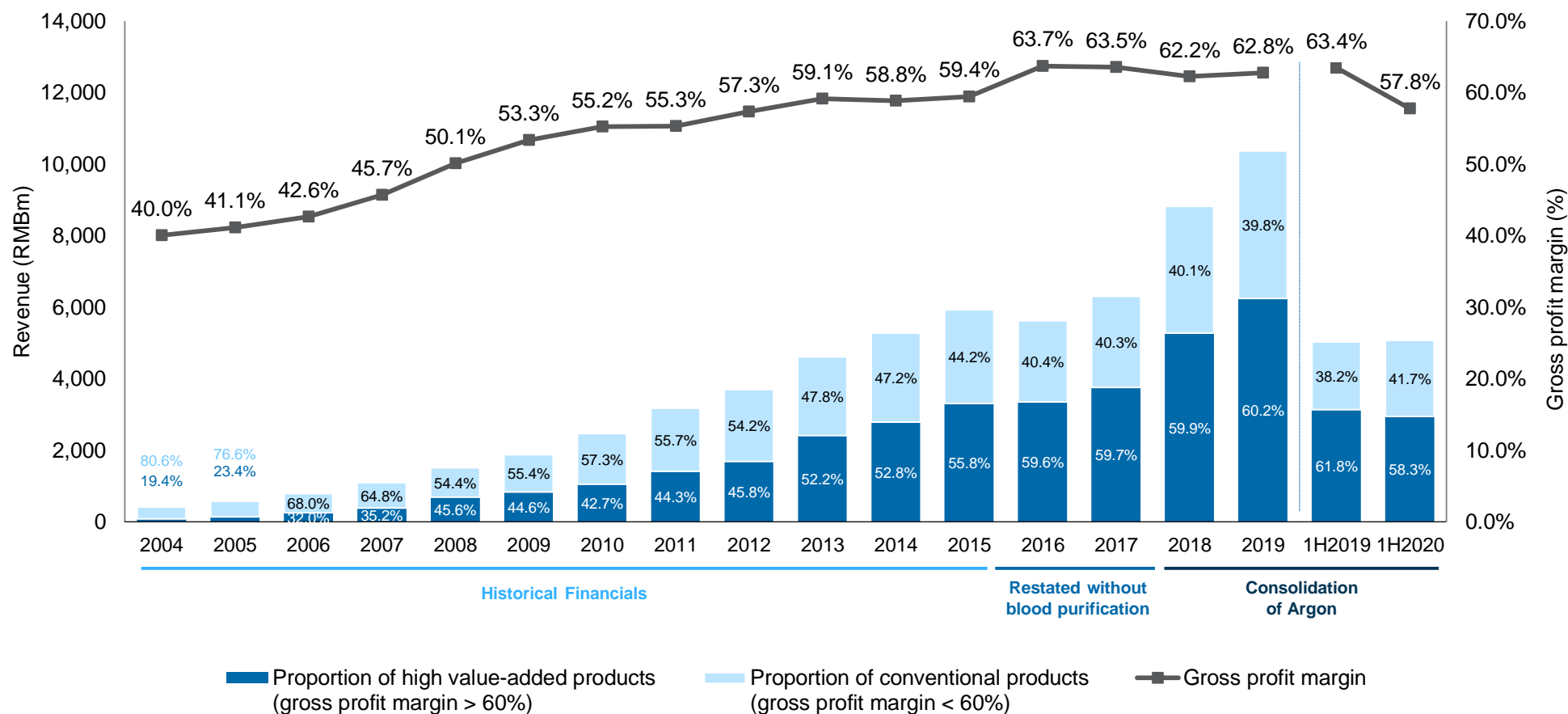


# A Track Record of Sustainable and Steady Growth

## Turnover and margin evolution since IPO

While our gross margins for 1H2020 declined to 57.8% as a result of product mix changes due to the impact of COVID-19, we expect margins to recover as COVID-19 stabilizes. We intend to continue our strategy of R&D and product mix upgrades to further enhance our gross margins going forward.

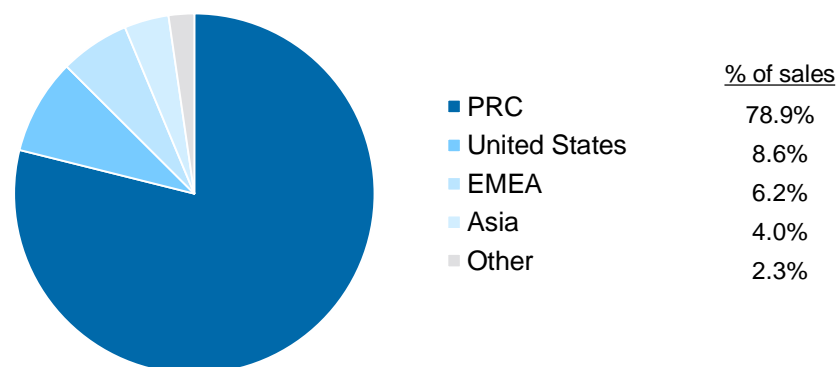
## Proportion of high-value added products and gross profit margins



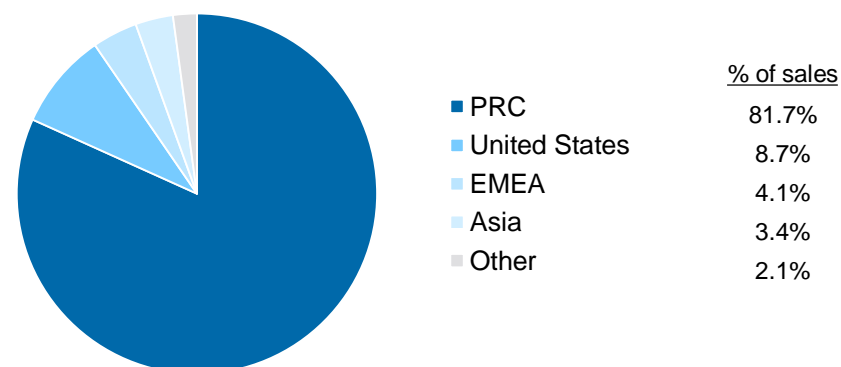
# Geographic Information

## Geographic breakdown

1H2020



1H2019



### Segmental revenues (RMBm)

### % of revenues

		Segmental revenues (RMBm)			% of revenues	
		1H2020	1H2019	% Change	1H2020	1H2019
China	East and Central China	2,049	1,959	4.6%	40.3%	39.6%
	North China	852	906	(6.0%)	16.7%	18.3%
	Northeast	334	412	(19.0%)	6.6%	8.3%
	South China	353	316	11.6%	6.9%	6.4%
	Southwest	329	339	(3.1%)	6.5%	6.9%
	Northwest	100	109	(7.7%)	2.0%	2.2%
	<b>China Subtotal</b>	<b>4,017</b>	<b>4,041</b>	<b>(0.6%)</b>	<b>78.9%</b>	<b>81.7%</b>
Overseas	US	436	429	1.6%	8.6%	8.7%
	EMEA	318	201	58.4%	6.2%	4.1%
	Other Asia	203	167	21.6%	4.0%	3.4%
	Others	117	105	10.7%	2.3%	2.1%
	<b>Overseas Subtotal</b>	<b>1,074</b>	<b>902</b>	<b>19.0%</b>	<b>21.1%</b>	<b>18.3%</b>
<b>Total</b>	<b>5,091</b>	<b>4,943</b>	<b>3.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

# Other Financial Figures

## Other financial figures

		1H2020	1H2019
Working capital	Inventory turnover (days) <sup>1</sup>	111 days	114 days
	Accounts receivable (days) <sup>1</sup>	137 days	133 days
	Accounts payable (days) <sup>1</sup>	69 days	67 days
Leverage	Debt / LTM EBITDA (x)	1.3x	1.8x
	Net debt / LTM EBITDA (x)	Net cash	0.6x
	Interest coverage ratio (x)	15.5x	10.8x
	Gearing ratio <sup>2</sup> (%)	25.3%	36.0%
Ratio and returns analysis	Current ratio	3.2x	2.8x
	Return on equity (ROE)	11.4%	11.8%
	Return on assets (ROA)	7.3%	7.2%
Dividend	Interim dividend (RMB/share)	6.2 cents	5.9 cents



Section 2

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# Operational Highlights



# Overview of Argon's Performance



*As Weigao's core overseas platform, Argon has been an important part of Weigao's growth since the acquisition, aiding Weigao in diversifying in both geography and product mix.*

*Continued initiatives across Weigao and Argon are currently underway; we believe the collaboration between Weigao and Argon will continue to be a key growth catalyst for both companies in the coming years.*

A blue icon representing financial performance, showing a bar chart with an upward-pointing arrow.

**Financial Performance**

- In 1H2020, Argon recorded total sales RMB678.3m, representing a 3.8% decrease y-o-y. While sales declined slightly when compared to 1H2019, Argon's net profit continued to record consistent growth.

A black star icon with a white outline, representing Argon's focus on China.

**Argon China**

- China has been pinpointed as one of Argon's key growth regions going forward; Argon aims to create synergies with Weigao's vast network and local expertise to rapidly grow its presence in China in the coming years.
- In 1H2020, Argon continued to make strides in establishing its sales & distribution network, laying the foundations for future rapid growth.

A grey icon representing future strategy, showing a compass rose with a white center.

**Future Strategy**

- To capitalize on the vast market potential of China in order to further expand Argon's global coverage and scale.
- To continue develop innovative products and supplement its existing product portfolio.

# Nationwide Sales Network

## Distribution Network in China

We have established an extensive sales network comprising of 36 sales offices, 37 customer service centers and 2,597 sales representatives across 231 cities in China



- Headquarter
- 36 sales offices
- 2,597 sales representatives in 231 cities

## Number of customers in China (as of 30 June 2020)

	Newly added 1H2020	Total
Hospitals	16	2,626
Blood Stations	-	414
Other Medical Units	19	729
Distributors	13	1,917
<b>Total</b>	<b>48</b>	<b>5,686</b>

## Number of customers overseas (as of 30 June 2020)

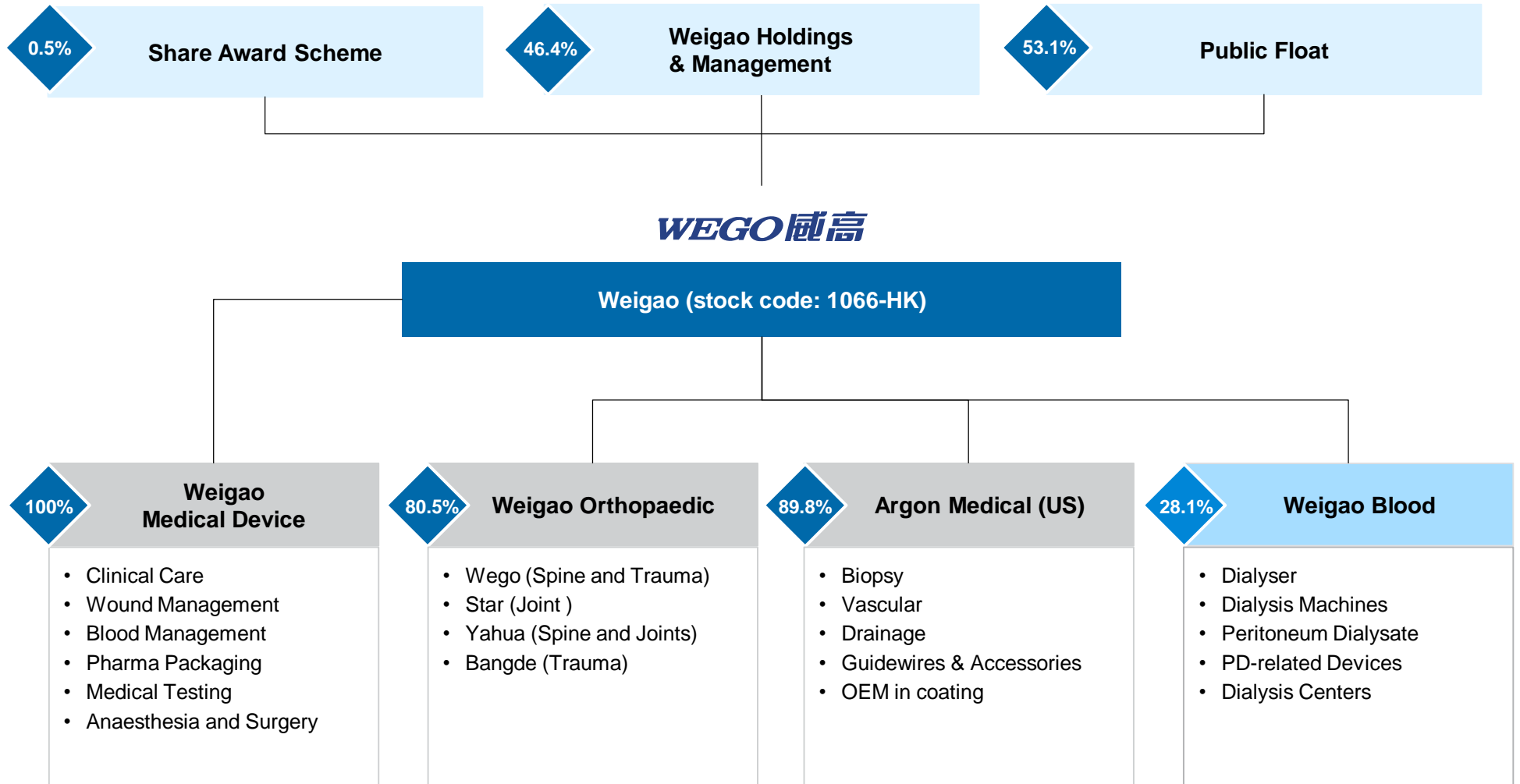
	Newly added in 1H2010	Total
Hospitals	9	3,218
Other Medical Units	16	1,417
Distributors	14	277
<b>Total</b>	<b>39</b>	<b>4,912</b>

# Product Portfolio

## Product Development

	Number of products as of 30 June 2020	
	China	Overseas
With product registration certificates	507	553
Under application for product registration certificates	19	69
Patented products	491	163
Under patented application	112	14

# Corporate Structure







Section 3

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# Strategic Outlook



# Corporate Milestones

**WEGO 威高**

- Weigao was founded, with its business focusing on manufacturing disposable medical consumables

- Established its orthopaedic business

- Entered the hemodialysis industry by introducing dialyser products

**NIKKISO**

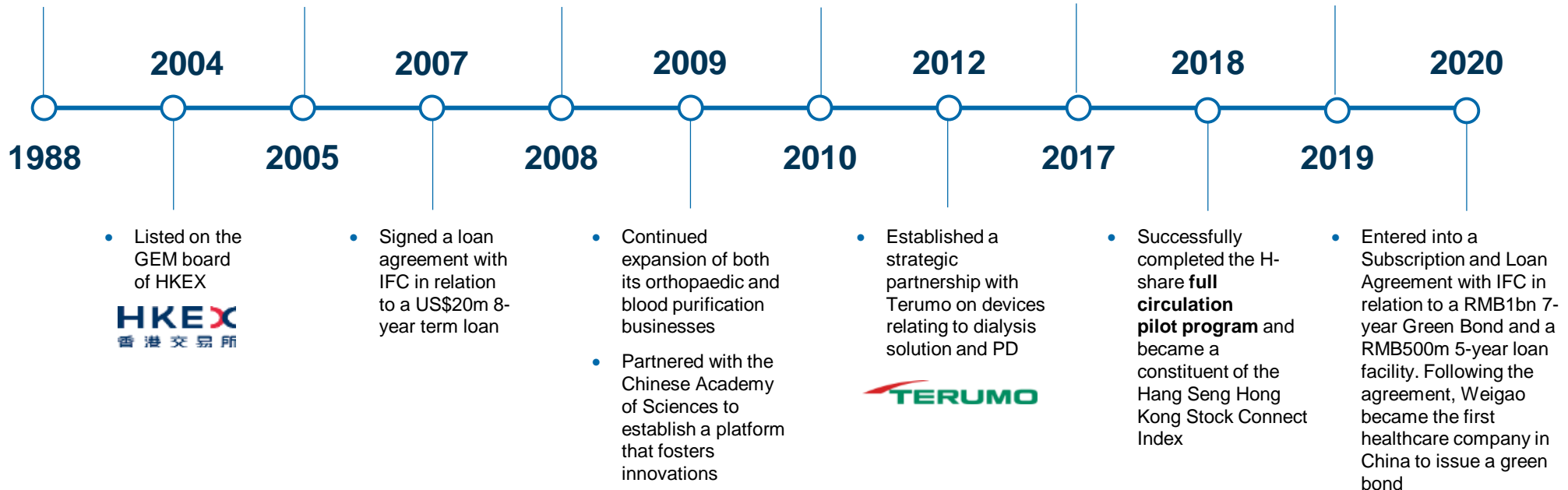
- Weigao transferred from the GEM to the main board of HKEX
- Established a JV with Nikkiso to produce hemodialysis devices

**ARGON**  
MEDICAL DEVICES

- Announced the acquisition of Argon, a leading intervention device manufacturer in the US

**BEST MANAGED COMPANIES**  
民企卓越管理公司

- Selected as one of the Best Managed Companies (BMC) in China



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# Management Vision

## Market Positioning

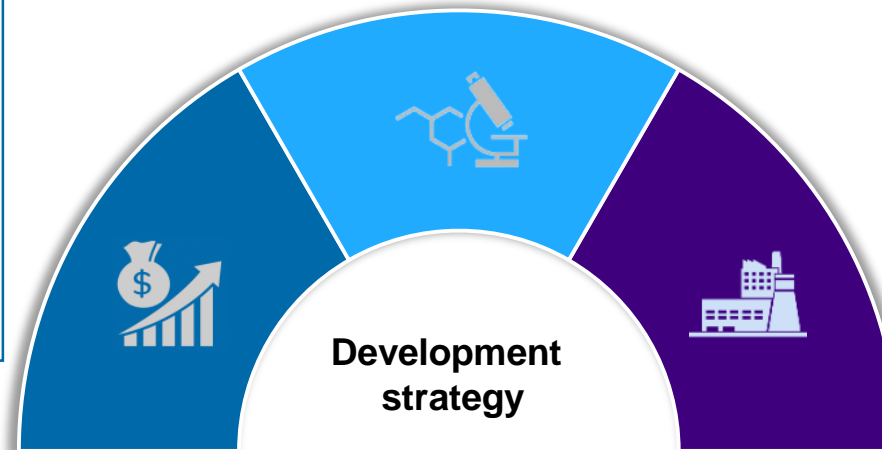
- To continue maintaining our position as the **pre-eminent player in the Chinese medical devices industry** with a view to grow into one of the world's leading medtech players
- **To continue to be the solutions provider and innovator of choice** for customers within our 4 core segments (consumables, orthopaedics, interventional products and pharma packaging)

## Innovation Strategy

- Continuous **optimization of product mix** through product upgrades, innovation and import substitution
- Continuous upgrades in manufacturing facilities, automation and engineering technologies to ensure we produce the **best-in-class products** for our customers
- Keeping our pulse on the latest cutting-edge technology worldwide through our **global R&D hubs**

## Product Vision

- Focusing on developing products within our 8+4 strategy, (8 product lines + 4 core business segments), where **market size is large** and **untapped potential remains immense**
- Continuous evolution to produce higher-technology products year over year, where margins are more robust and barriers to entry are high
- Maintaining our pristine **operational safety** record and continuing to be our customer's most trusted solutions provider



**As the nation's leading medtech company since our founding in 1988, Weigao strives to continue to be the most trusted leading solutions provider in the PRC medical devices industry**

# Growth Initiatives

## Growth Strategies

*In addition to natural growth from the expansion of the Chinese medical industry, Weigao has plans to further accelerate its growth through a variety of initiatives ranging from product upgrades and diversification to opportunistic acquisitions*



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