

**WEGO 威高**

CONSCIENCE | INTEGRITY | LOYALTY

*The Leading Total Solutions Provider in the PRC Medical Devices Sector*

# Investor Presentation

2020 Annual Results

March 2021

# Business Update



**Revenues continued to grow:** For the year ended 31 December 2020, we continued to record revenue growth despite the impact of COVID-19, with revenues increasing 9.3% y-o-y to RMB11,345m.

- In 2020, because of the decline in hospital visits due to COVID-19, various business sectors were under pressure in the first quarter. With the gradual control of COVID-19, the production and sales of various business segments have gradually resumed in the second quarter. Weigao will continue to enrich its product portfolio in the future and continue to maintain its dominant position in the market with the company's strong marketing capabilities.
- Our gross profit margins declined from 62.7% to 52.9% as a result of product mix changes due to COVID-19.



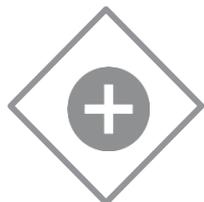
**Argon's results affected by COVID-19 in Europe and America, but we remain positive on its outlook:** Argon's performance was affected as a result of the continued spread of COVID-19 across the world throughout the second quarter of 2020. In FY2020 Argon recorded total sales RMB1,370m, representing a 4.4% decrease y-o-y. While sales declined slightly when compared to 2019, Argon's net profit continued to record consistent growth.

**Pharma packaging maintained rapid growth: In FY2020 Pharma packaging recorded total sales RMB1,694m, representing a 32.2% increase y-o-y.**



**Continued increase in profitability :** Our net income attributable to owners of the Company grew 5.3% y-o-y to RMB2,030m in FY2020.

- Despite the impact of the pandemic, we intend to continue fulfilling our commitment to provide consistent returns to our shareholders. For the 2H2020, we have announced a total dividend of 6.8 cents, representing a 11.5% increase from 2H2019.



**To fight against COVID-19, strived to ensure product supply:**

- According to the epidemic prevention situation, actively deploying products to meet clinical needs.
- Continuing to expand the production capacity of prefilled syringes and small-size syringes.

# Social Responsibility, Strategy and Enormous Effort in Counteracting 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;
  - Afterwards, Weigao 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 2020.
- 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.

# Table of contents



Section 1	<b>FY2020 Financial Results</b>	4
Section 2	<b>Operational Highlights</b>	11
Section 3	<b>Strategic Outlook</b>	15
Appendix A	<b>Historical Reconciliation of Net Profit</b>	19



Section 1

# FY2020 Financial Results

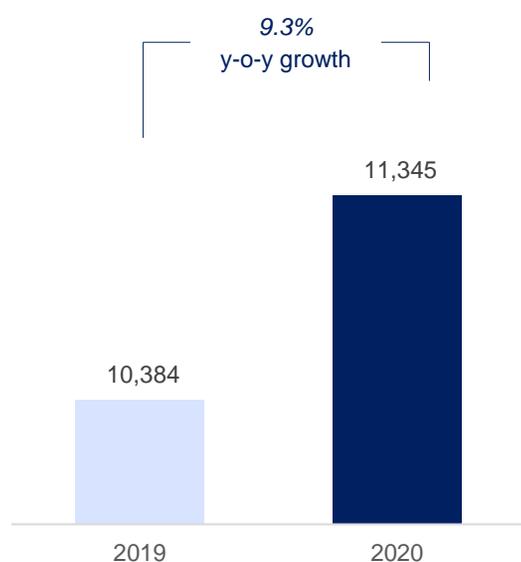
**Notes:**

In 2020, Weigao had a business combination under the same control, the consolidated financial statements of FY2019 have been restated accordingly.

# Results Summary



## Revenue



RMBm	FY2019	FY2020	Growth (%)
Revenue	10,384	11,345	9.3%



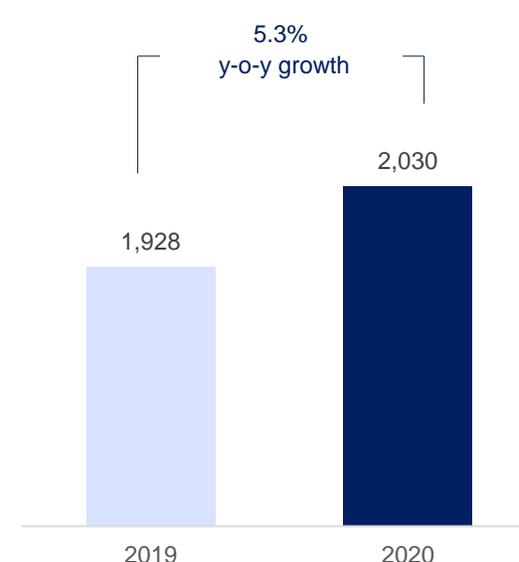
## Gross profit<sup>1</sup>



RMBm	FY2019	FY2020	Growth (%)
Gross profit	6,514	6,457	(0.9%)
Margin (%)	62.8%	56.8%	-6.0ppts



## Net profit attributable to owners of the Company<sup>1</sup>

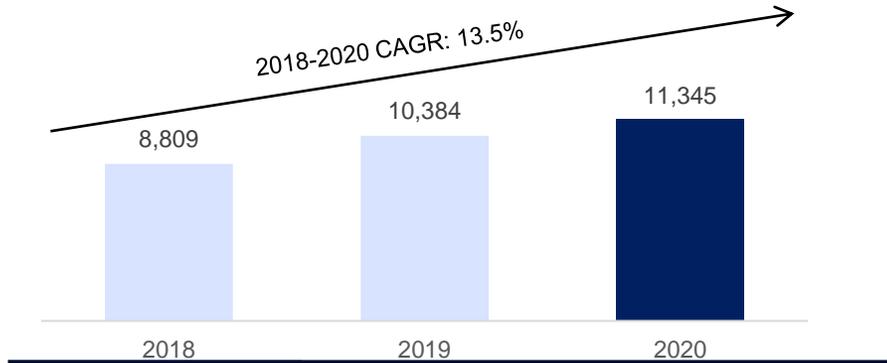


RMBm	FY2019	FY2020	Growth (%)
Net profit	1,928	2,030	5.3%
Margin (%)	19.3%	19.0%	-0.3ppts

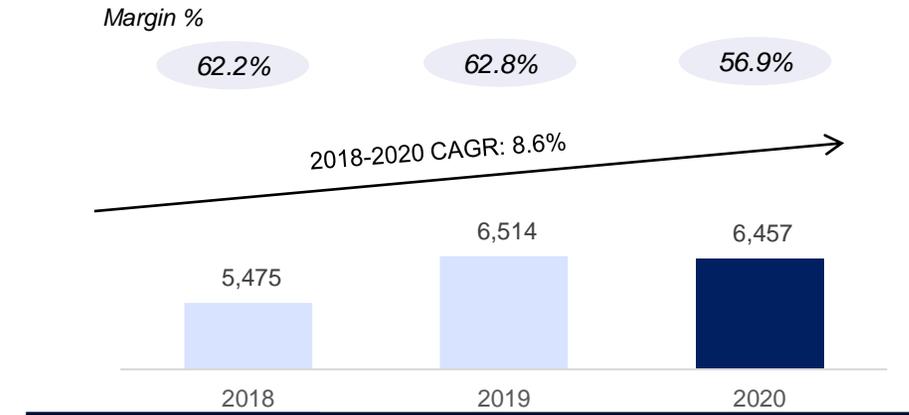


# Key Financial Figures

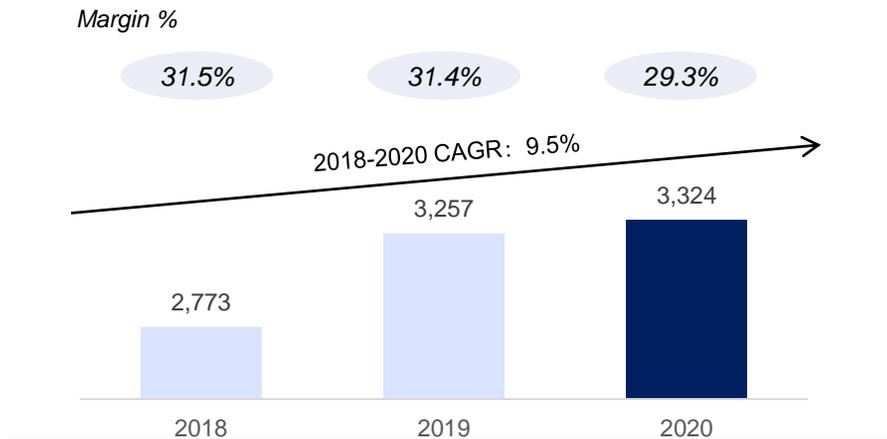
## Revenue (RMB million)



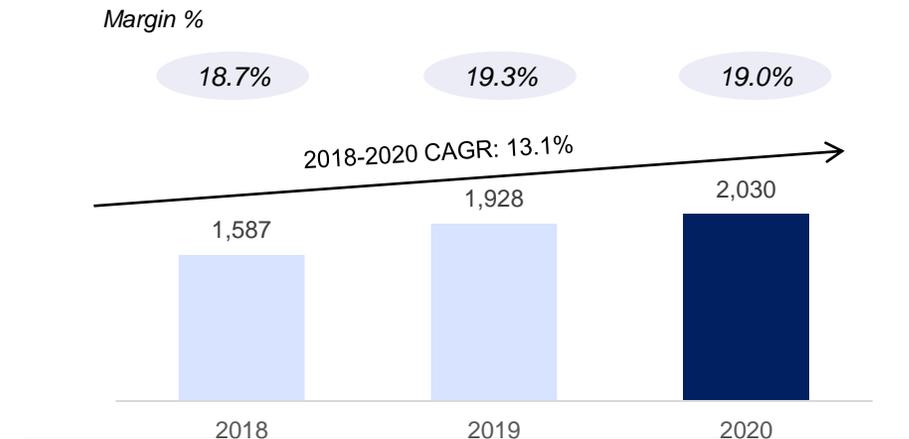
## Gross profit<sup>1</sup> (RMB million)



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



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



Notes:

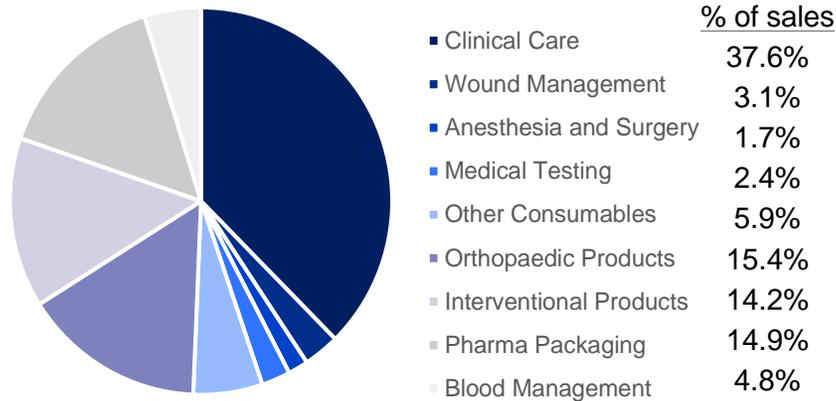
- Adjusted for extraordinary items in FY2018 including fair value appreciation of Argon's inventory and an one-off transaction expense associated with the acquisition of Argon
- Adjusted for one-off expenses related to the repayment of Argon's term loans in FY2019



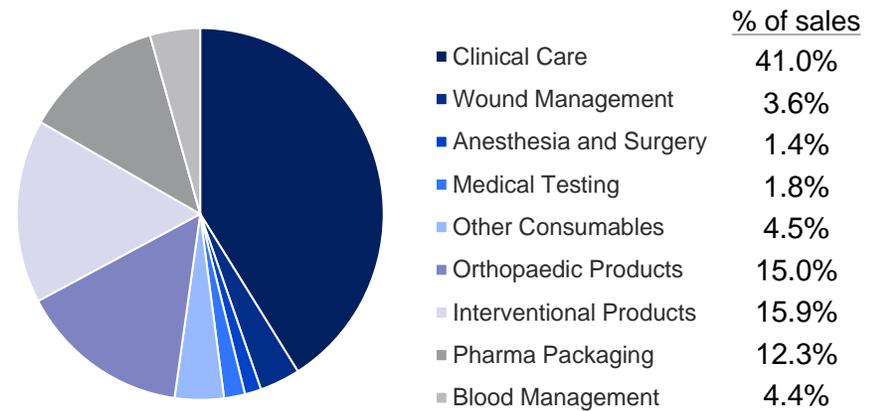
# Revenue Breakdown By Products

## Revenue Breakdown

FY2020



FY2019



	Segmental revenues (RMBm)			% of revenues	
	FY2020	FY2019	% Change	FY2020	FY2019
Medical Device Products	5,747	5,433	5.8%	50.7%	52.3%
<i>Clinical Care</i>	4,267	4,256	0.3%	37.6%	41.0%
<i>Wound Management</i>	347	370	(6.2%)	3.1%	3.6%
<i>Anesthesia and Surgery</i>	193	150	28.7%	1.7%	1.4%
<i>Medical Testing</i>	276	191	44.5%	2.4%	1.8%
<i>Other Consumables</i>	664	466	42.5%	5.9%	4.5%
Orthopaedic Products	1,748	1,556	12.3%	15.4%	15.0%
Interventional Products	1,612	1,656	(2.7%)	14.2%	15.9%
Pharma Packaging	1,694	1,281	32.2%	14.9%	12.3%
Blood Management	544	458	18.8%	4.8%	4.4%
<b>Total</b>	<b>11,345</b>	<b>10,384</b>	<b>9.3%</b>	<b>100.0%</b>	<b>100.0%</b>

# A Track Record of Sustainable and Steady Growth

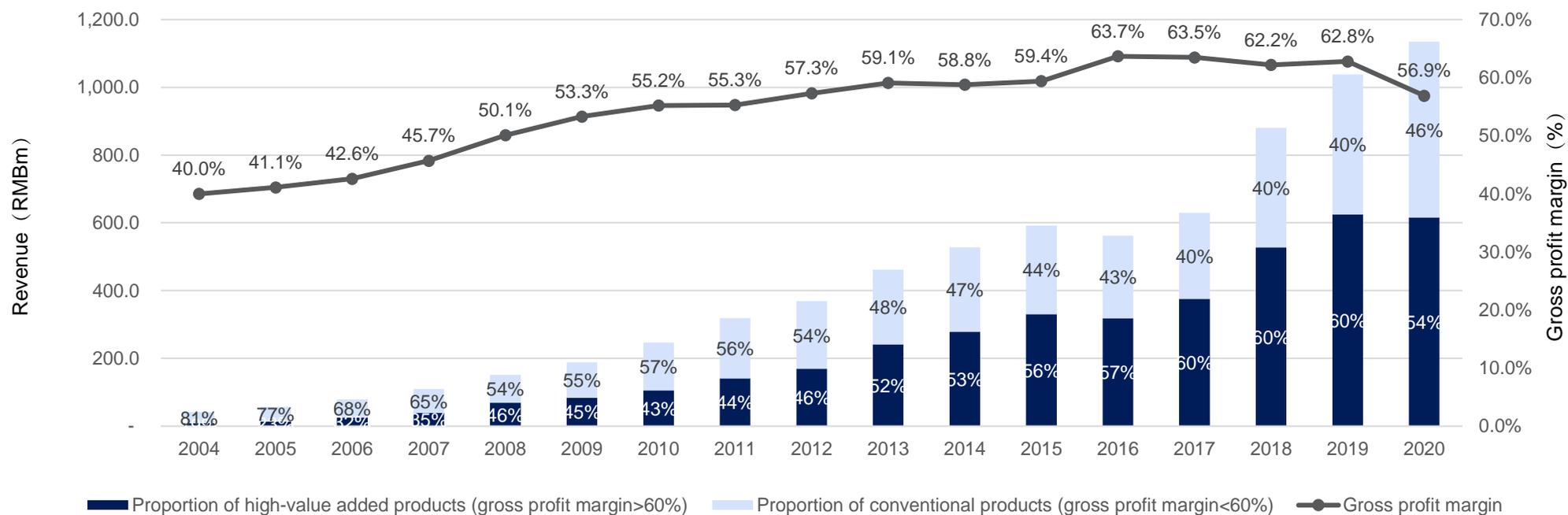


## Turnover and margin evolution since IPO

FY2020, we have continued to further upgrade our product mix and develop higher value-add products, which has allowed us to continue to expand our margin profile while growing our business.

Our product mix changes due to the impact of COVID-19.

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



Historical Financials

Restated without blood purification

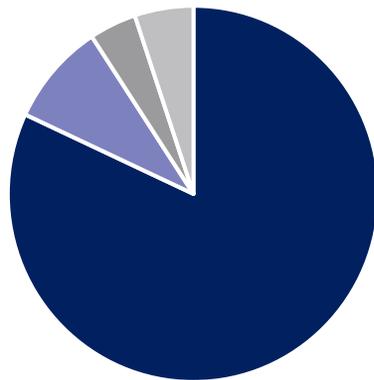
Consolidation of Argon



# Geographic Information

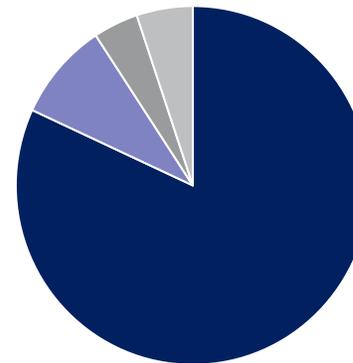
## Geographic breakdown

FY2020



	<u>% of sales</u>
■ PRC	80.5%
■ United States	8.1%
■ EMEA	4.3%
■ Other Districts	7.2%

FY2019



	<u>% of sales</u>
■ PRC	81.9%
■ United States	8.8%
■ EMEA	4.1%
■ Other Districts	5.1%

	<u>Segmental revenues (RMBm)</u>			<u>% of revenues</u>	
	<u>FY2020</u>	<u>FY2019</u>	<u>% Change</u>	<u>FY2020</u>	<u>FY2019</u>
PRC	9,132	8,508	7.3%	80.5%	81.9%
United States	914	918	(0.4%)	8.1%	8.8%
Europe, the Middle East and Africa	486	426	14.1%	4.3%	4.1%
Other Districts	813	532	52.8%	7.2%	5.1%
<b>Total</b>	<b>11,345</b>	<b>10,384</b>	<b>9.3%</b>	<b>100.0%</b>	<b>100.0%</b>

# Other Financial Figures



## Other financial figures

		FY2020	FY2019
<b>Working capital</b>	Inventory turnover (days) <sup>1</sup>	101 days	111 days
	Accounts receivable (days) <sup>1</sup>	135 days	128 days
	Accounts payable (days) <sup>1</sup>	81 days	68 days
<b>Leverage</b>	Debt / LTM EBITDA (x)	1.3x	1.7x
	Net debt / LTM EBITDA (x)	–	0.4x
	Interest coverage ratio <sup>2</sup> (x)	18.6x	10.2x
	Gearing ratio <sup>3</sup> (%)	24.5%	33.9%
<b>Ratio and returns analysis</b>	Current ratio	3.1x	2.8x
	Return on equity (ROE)	12.0%	12.5%
	Return on assets (ROA)	8.0%	8.0%

Notes:

1. Represents average working capital days
2. Interest coverage ratio = EBITDA / finance costs (excluding one-off fees and expenses related to the early repayment of Argon term loans)
3. Gearing ratio is calculated as total debt as a percentage of total capital



Section 2

# Operational Highlights





# Nationwide Sales Network

## Distribution Network in China

We have established an extensive sales network comprising of 37 sales offices, 36 customer service centers and 2,616 sales representatives across 238 cities in China



- Headquarter
- 37 sales offices
- 2,616 sales representatives in 238 cities

## Number of existing clients in China and corresponding coverage ratios (as of 31 December 2020)

	# covered	Total # in China	Coverage ratio
Grade III hospitals	1,436	2,895	49.6%
Grade II hospitals	1,218	10,121	12.0%
Distributors	2,621	--	--

## Distribution network abroad

Our distribution network was significantly boosted with the acquisition of Argon, and has expanded to over 88 countries globally

- Weigao exports its products overseas to 88 countries and regions including the US, EU, Russia, South Africa and Brazil
- Argon has a highly professional sales team based in US

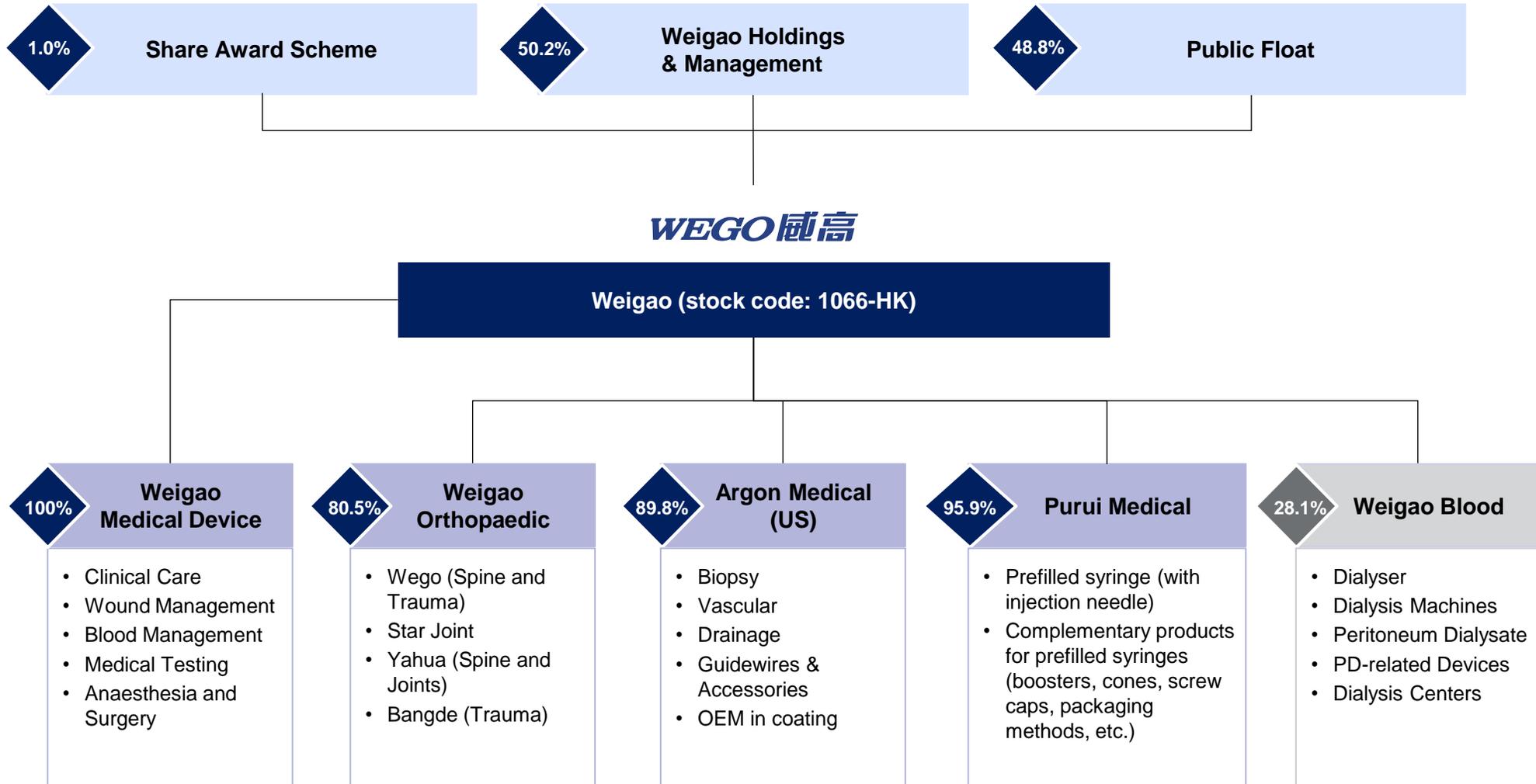
# Product portfolio



## Product development

	Number of products as of 31 December 2020	
	China	Overseas
With product registration certificates	531	584
Under application for product registration certificates	20	91
Patented products	538	162
Under patented application	111	8

# Corporate Structure



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Section 3

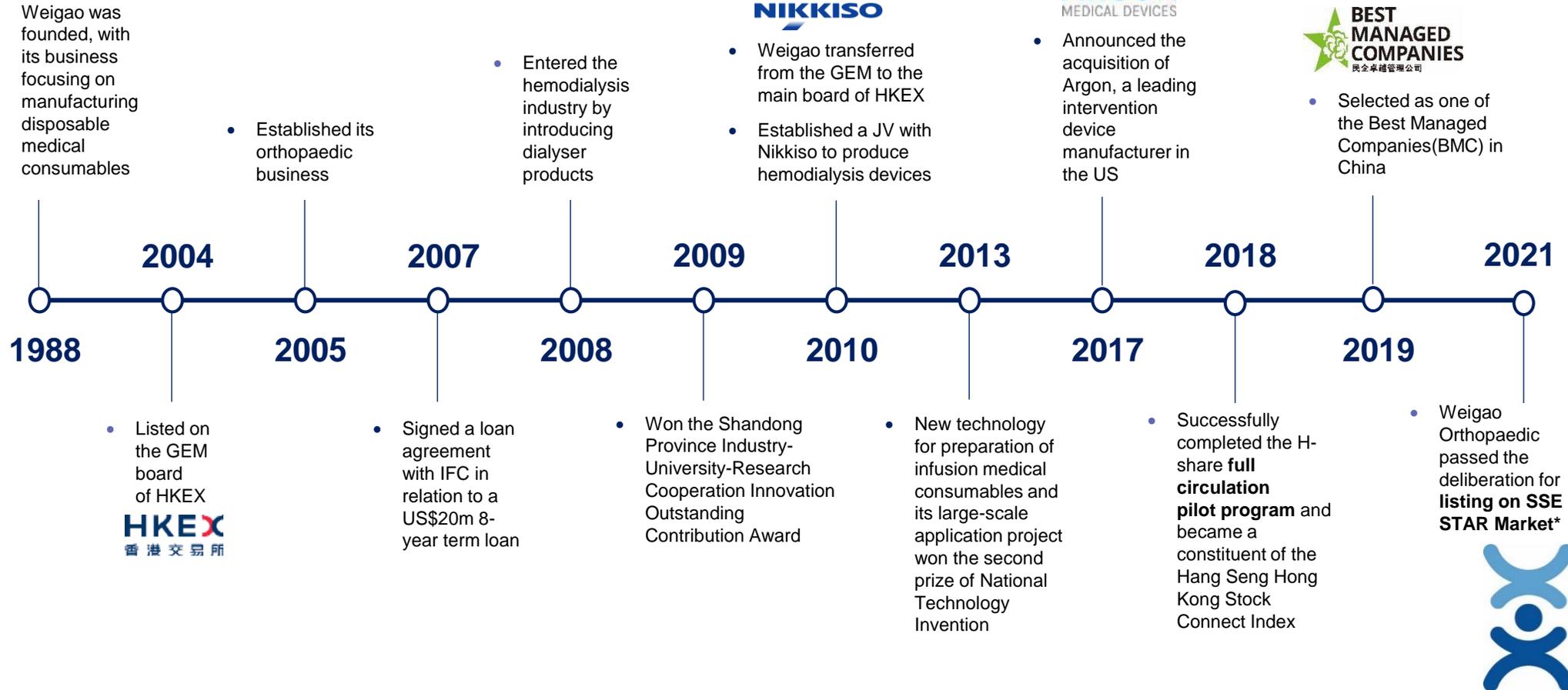
# Strategic Outlook



# Corporate Milestones



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# Management Vision



## Market Positioning

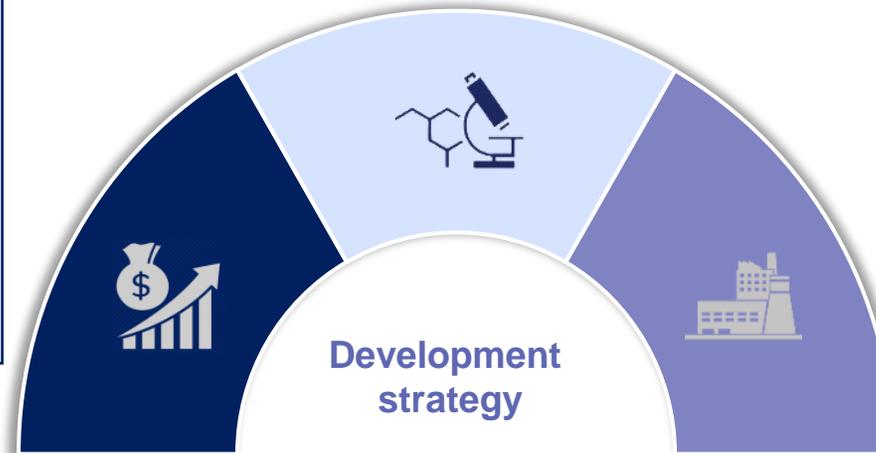
- To continue maintaining our position as the **pre-eminent player in the Chinese medical devices industry** with a view to grow into one of the world's leading medtech players
- **To continue to be the solutions provider and innovator of choice** for customers

## 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**. Establish R&D centers in Shanghai and Suzhou to attract world-class R&D talents.
- Establish and improve the talent incentive system.

## Product Vision

- Grasp the huge market expansion opportunities for therapeutic medical devices
- 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

Benefiting from the continuous expansion of the global medical industry, Weigao plans to build a platform company and provide systematic solutions to accelerate future growth





Appendix A

# Historical Reconciliation of Net Profit





# Historical Reconciliation of Net Profit

	12 months ended 31 Dec 2019 RMB'000	12 months ended 31 Dec 2020 RMB'000	Change (%)
Profit for the year	1,925,233	2,150,391	11.7%
Less: Non-controlling interest	75,297	120,254	59.7%
<b>Profit for the year attributable to owners of the Company</b>	<b>1,849,936</b>	<b>2,030,137</b>	<b>9.7%</b>
Add: One-off expenses related to the early repayment of Argon term loans	78,509	-	
<b>Net profit excluding extraordinary items</b>	<b>1,928,445</b>	<b>2,030,137</b>	<b>5.3%</b>

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