



Investor Presentation

FY2022 Results Announcement
March 2023

CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector

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FY2022 Business Highlights



Key business highlights of 2022



Robust growth despite the pandemic

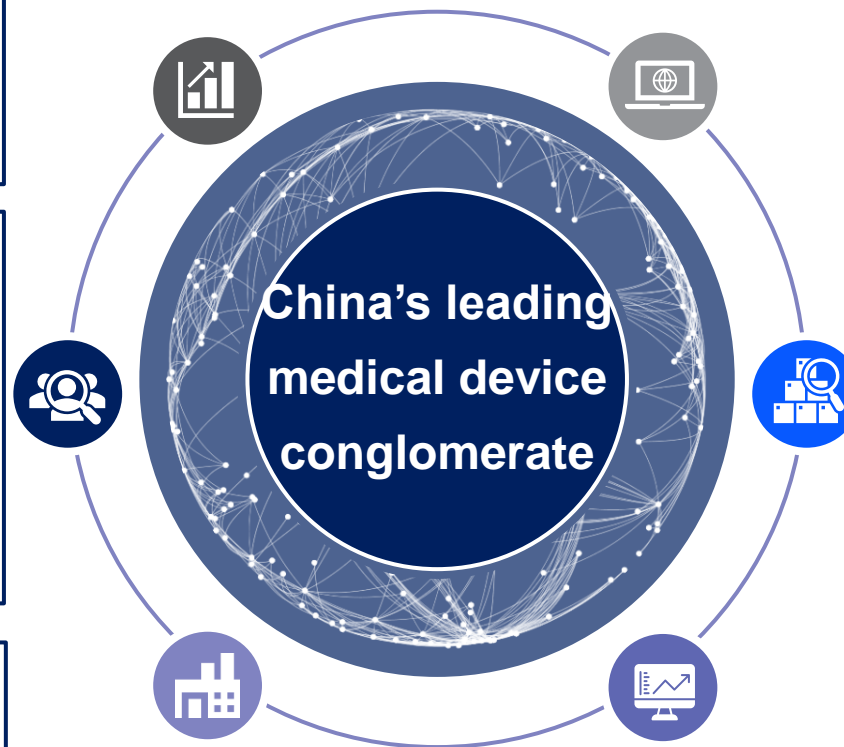
- Despite the challenges posed by the COVID-19, VBP, and stock channeling, WEGO's key products have maintained an upward growth trend in terms of market share, resulting in higher-than-industry revenue growth rate
- In 2022, revenue was RMB13.62 billion, representing a y-o-y growth of 3.1%; Net profit attributable to owners of the company was RMB2.72 billion, representing a y-o-y growth of 19.7%

Sales channel integration

- Continuous promotion of sales channel integration, redirecting marketing resources to core customer development and retention, improving product penetration of key account as well as average customer value
- Increased the customer reach to include more county-level hospitals and established more city-level satellite offices, demonstrating the unwavering commitment to providing exceptional customer services to hospitals at all levels

New business initiatives

- Grew various new business segments such as digital clinical care production, life science information and support solutions, urology, endocrinology, endoscopy and rehabilitation related products
- Digital clinical care products are expected to boom in 2023. In rehabilitation, introduced international leading brain-computer interactive rehabilitation training system



Blood irradiators for civil use

- Revenue of Rad Source was RMB0.43 billion, representing a y-o-y growth of 29%.
- Since 2018, Rad Source started developing direct-to-consumer irradiators for irradiation of raw materials, particles and seeds to eliminate pathogens and parasites.
- With leading technology and global leadership position, the product has significant market potential and a broad range of application areas including high-end traditional Chinese medicines and raw meat & seafood

Fruitful R&D achievements


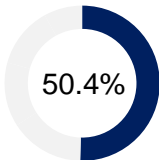
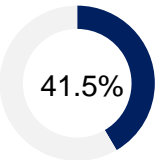

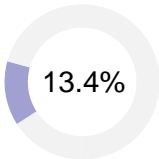
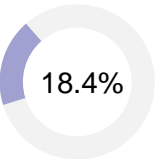

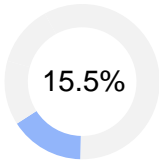
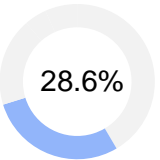

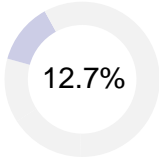
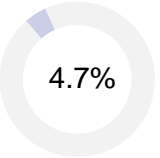

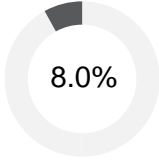
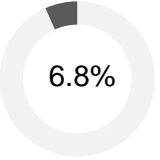
- Boosted R&D investment in 2022 with RMB 550mm R&D expenditure in total, marking a y-o-y growth of 9% , continuously iterating existing product portfolio and proactively develop new products.
- Invested in 4 healthcare funds to participate in startup incubation and to closely track industry trends

Global development opportunities

- In 2022, WEGO established new overseas business development based on original strategy, proactively expanded overseas market and explored global clients and partners
- Overseas business recorded significant growth as its revenue increased by 19.2% on y-o-y basis

Business segment update



			2022 % y-o-y revenue growth	% of revenue	% of segment ¹ profit
	Medical devices	<ul style="list-style-type: none"> ❖ Despite the impact of the pandemic on demand for medical devices, which further adversely affected the sales volume of medical consumables, the Company leveraged the balanced product portfolio, expanded customer base, and controlled to significantly increase the market share ❖ Expanded the offerings in specialized fields such as anesthetic respiratory care, urology, endocrinology, endoscopy, rehabilitation and digital products 	+5.2%	 50.4%	 41.5%
	Orthopedic products	<ul style="list-style-type: none"> ❖ Seized the opportunity presented by VBP to become the leading provider in the market. With hospitals listing WEGO as the top choice, the Company's market share is set to soar ❖ Optimized the sales channels to streamline operation ❖ The impact of VBP has become milder, allowing us to quickly increasing market share and promote innovation 	-13.9%	 13.4%	 18.4%
	Pharma packaging	<ul style="list-style-type: none"> ❖ The pre-filled syringe injectors have achieved a y-o-y revenue growth of 9.3%. Excluding the sales of the COVID vaccines, sales volume of the pre-filled syringe injectors has grown by 42% ❖ WEGO will enhance production capacity to capture the market demand, strengthen service capabilities catering to downstream pharmaceutical companies, increase client loyalty to capture the sustained long-term growth of the industry ❖ Explore overseas opportunities to increase global market share 	+3.2%	 15.5%	 28.6%
	Interventional products	<ul style="list-style-type: none"> ❖ Excluding the impacts from supply chain challenge, Argon's revenue has achieved about 15% of y-o-y growth ❖ Argon's new product registration process and marketing efforts in China have progressed smoothly, resulted in a 23.3% revenue growth from China market ❖ With the support from WEGO, Argon's global supply chain will gradually resume and is projected to return to a growth rate of over 15% 	+11.8%	 12.7%	 4.7%
	Blood management	<ul style="list-style-type: none"> ❖ As a leading player in the domestic blood collection industry, WEGO will leverage its expertise in blood collection to expand its presence in areas such as blood component collection and blood therapy, while actively pursuing opportunities to enter overseas markets ❖ Rad Source has recorded a revenue y-o-y growth of 29%. The direct-to-consumer irradiators have registered a sales of 80 units, and are used for irradiation of raw materials, particles and seeds to eliminate pathogens and parasites. There is a significant potential for expanded application use 	+12.4%	 8.0%	 6.8%



Strategic Outlook



Company strategy



In response to the policy changes, competition landscape, clinical demands and the accumulation of resources, WEGO proposed the three operational strategies – “platform-based”, “international” and “digital” development, and two guarantee strategies – “talents” and “innovation”



Platform-based development – unleash the advantages of an open, inclusive, and collaborative platform

- Build a diverse product ecosystem and an efficient collaborative organizational structure, achieving greater economies of scale
- Deliver comprehensive product solutions that exceed customer expectations and expand product lines while perfecting each product to its finest



International development – maintain WEGO’s leading position domestically and achieve collaborative development across the borders

- Through strategic investment and licensing-ins, we bring high-end medical devices and cutting-edge technologies to China
- Explore overseas opportunities actively. WEGO hopes to move from being a Chinese exporter to becoming a multinational corporation. The Company’s goal is to achieve a globalization rate of over 50% in the next 10 years



Digital development – improve management capability to new heights with the digital strategy and explore new opportunities for growth

- Continue to improve digital management capabilities, enhance our edge in production, R&D, and marketing operations
- Expand the digital product portfolio, such as Mobile Nursery Management Software, and explore new growth opportunities



Talents – establish a talent incentivization framework

- Attract and cultivate top-tier talents, build a comprehensive talent incentive framework to engage and inspire our employees, to unleash their creativity



Innovation – boost innovation capabilities and achieve sustainable growth

- Iteration of existing products: to improve functionality, utilize new materials, and lower production costs
- New products: Established R&D centers in Shanghai and Suzhou, recruiting R&D talents, focusing on tackling key technological challenges and developing major breakthrough products
- Via fund investment, to stay ahead of industry trends and invest for the future

Platform-based development —— sales platform integration



- ❖ Continue to promote sales channel integration, and redirect marketing resources on core customer development and retention. The Company has seen increasing penetration rate among the key clients (especially the tertiary hospitals)
- ❖ Continue to expand into new markets and seize the enormous potential brought by VBP. WEGO rapidly increased the customer outreach to include more county-level hospitals and established more city-level satellite offices, demonstrating the unwavering commitment to providing exceptional customer services to hospitals at all levels



Number of customers (as of 31 Dec 2022)

	New customers	Total number of domestic customers	Total number of overseas customers
Hospital	486	3,601	3,595
Blood stations	-	414	-
Other medical units	18	1,119	1,683
Distributors	617	3,969	2,076
Total	1,121	9,103	7,354

Platform-based development —— new business initiatives



Digital clinical care products

- Trusted by nearly **50** top-tier tertiary hospitals
- Helps the nursing department to enhance standardization and uniformity level of patient care services, reducing workload of medical staff, lowering personnel costs and enhancing job welfare
- **Error-free** drug administration so far, preventing the occurrence of adverse events
- With the pilot period of fast accumulation of customer base, the installation base is expected to experience explosive growth by 2023
- Generate synergies to boost the sales of the clinical consumable products



Life science information and support solutions

- Leveraged the expertise of the sales lead who has MNC experiences, to build a high-performing sales team
- The product portfolio consists of the monitoring equipment, infusion pumps, ventilators, and digital management systems
- Achieved **2,000** installations across various clinical departments in the first year of the team, including anesthesia, ICU, emergency, respiratory and rehabilitation
- Suzhou R&D center has recruited a state-of-the-art R&D team, with first product expected to be available for commercialization by 2024, bringing in also synergies with consumables sales



Urology

- Stents: leveraging the latest international metal stent technology, WEGO has set up China sales office, and has initiated effort to locally develop the product, which is set to commercialized in **2 years**
- Medical energy-based equipment: targeting on the innovative solutions including thulium lasers and pulsed thulium lasers. Currently WEGO has entered an initial phase, with plan to explore the full potential of thulium laser technology in respiratory, digestive, head and neck surgery and medical aesthetics areas
- Actively engaging in dialogues with MNCs to explore partnership opportunities



Endocrinology

- Developed a team in 2022
- The product portfolio includes glucose meters, glucose test strips, and insulin syringes, etc.
- Currently in process to introduce an overseas CGM product with superior technology compared to the competitors, expected to be launched in **2024**
- To create a in-and-ex-hospital chronic disease management system, for real time communication between physicians and patients, to ensure continuous care on disease progress. Patients are able to obtain health data in real time, to achieve an integrated information management system

Platform-based development —— new business initiatives (cont')



Endoscopy

- Leveraging partnership with external experts and integration with external team, WEGO incorporated the cutting-edge technologies and achieved breakthroughs in core technology development
- In **2024**, the Company is expecting to launch, amongst others, disposable ureteroscopes, cystoscopes, endoscopes, 4K image processing systems
- The products set to launch in **2025** include disposable bronchoscopes, hysteroscopes, 4K/8K fluorescence endoscopes and related supporting products, confocal endoscopes, narrow-band imaging products and respiratory iterative products



Rehabilitation

- There is enormous potential for growth in the demand for rehabilitation medical services with supports from the government
- By 2022, WEGO has entered the market centered around precision rehabilitation. WEGO introduced a brain-machine interface rehabilitation training system, which has qualified as the **first** medical device registration certificate in China and has been the **first** device enrolled into the promotion list for key medical equipment by Ministry of Industry and Information Technology
- Highly recognized by multiple national authorities and they have added “brain-machine interface rehabilitation training” to procurement catalogs as an innovative technology
- Introduced various intelligent and digitized products including joint rehabilitation robots for sports rehabilitation treatment, cognitive impairment rehabilitation assessment and training system



Safe automatic drug administration system

- Developed various drug administration system products including automatic injection pens, disposable multi-dose injection pens, repeatable pen-style injectors, and electronic intelligent pens
- Committing to enhance patient safety for family medicine and to improve compliance with WEGO's product solutions



International development

Connecting China to the globe, building stronger WEGO business by global collaboration

WEGO has integrated the internal resources and established an overseas business unit, to continuously drive the international development process. By leveraging the global resources, the Company integrated R&D, production, sales and distribution, and services to enhance WEGO's industry competitiveness and to promote the upgrading and refinement of the entire industry vertical

Despite the challenges posed by the global economic downturn in 2022, the overseas business has remained stable and experienced significant growth. Its revenue from overseas has increased by 19.2% yoy

Strategic goal of WEGO's global expansion plan:

1. Domestic market: WEGO is committed to bringing high-end medical device products and advanced technologies to the Chinese market through strategic investments and licensing-in to improve the product structure and optimize the product portfolio
2. Overseas market: over the next decade, WEGO is dedicated to achieving parity with international industry leaders, accelerating the Company's global expansion plan, transforming from an original equipment manufacturer to a brand manufacturer. WEGO hopes to move from being a Chinese exporter to becoming a multinational corporation. The Company's ultimate goal is to achieve globalization rate of over 50%



Digitalization development



1

Digitalized production and operation

WEGO leverages the power of **digital development** to improve operational efficiency, reduces production costs, and enhances product quality, ultimately boosting the manufacturing competitiveness

Internet of Things (IoT) technology

IoT enables seamless connectivity between products, production equipment and personnel, optimizing the manufacturing process, tracking entire production process in real-time, and enabling the staff to quickly identify any issues that may arise



AI-assisted QC technology

AI technology helps the Company streamline quality control, reducing testing time, minimizing the risk of errors and personnel costs and improving product quality rate



2

Digitalized products

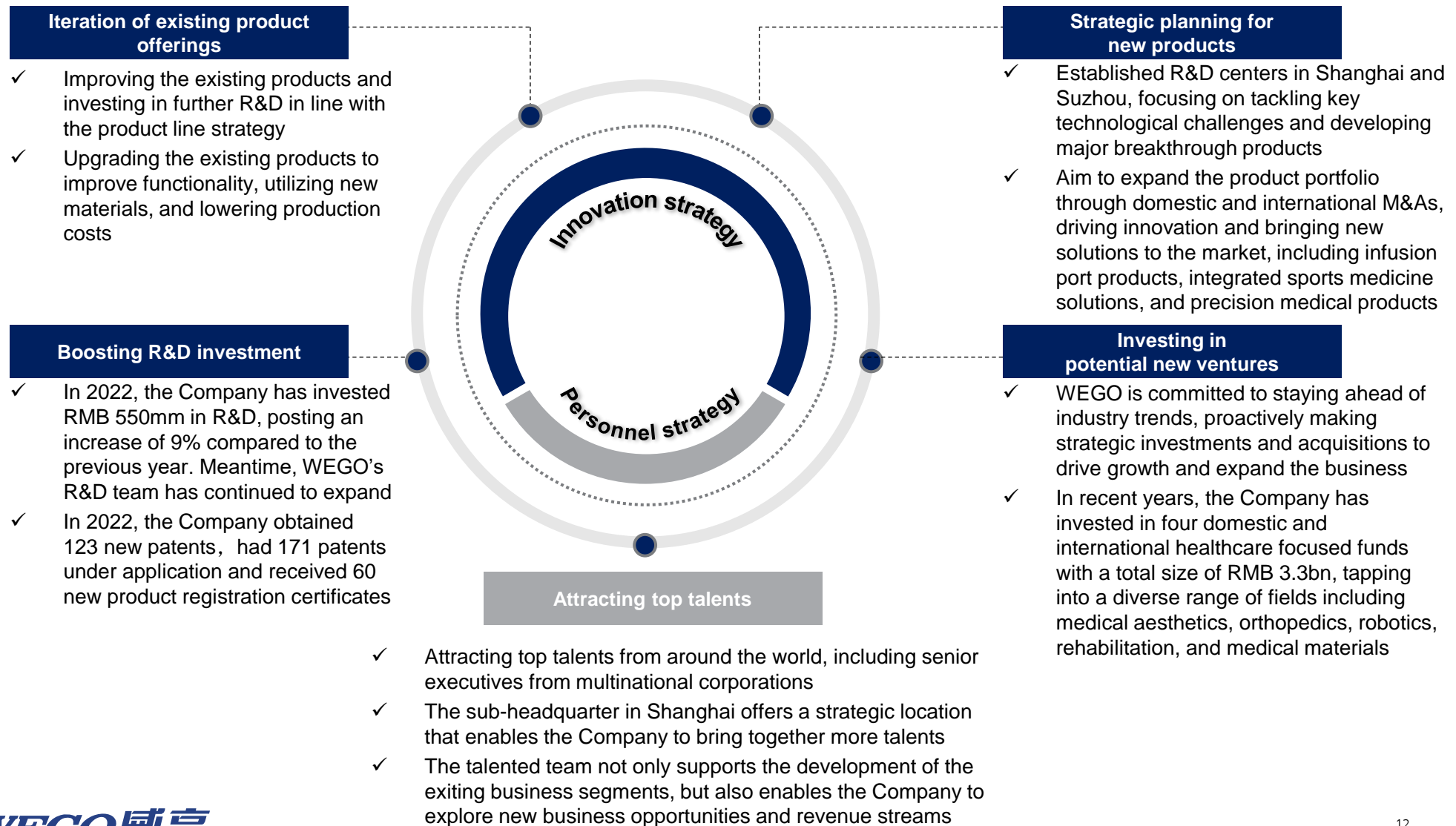
- WEGO has established a **hospital-centric information infrastructure system**, offering integrated and intelligent total information solutions
- **The digital clinical products** enhance the automation level of clinical nursing work in hospitals
- WEGO has developed a **service platform for nurses**, creating an online community platform for the clinical care





Innovation and talents strategies

WEGO thrives to accelerate future development embracing new opportunities, pushing boundaries of innovation, expanding in-house R&D investment, and gathering top talents





Sustainable green development



- **Environment management:** stay committed to the principles of green development. With a robust and comprehensive environmental management system in place, WEGO adheres strictly to all relevant environmental protection laws and regulations in the areas where the company operates
- **Energy conservation and low-carbon practices:** actively support the global initiatives to combat climate change. **Starting from October 2022, WEGO strategically entered the hospital energy management business. The goal is to help institutions implement an intelligent energy system to save energy consumption and reduce CO2 emission. In doing so, WEGO is expected to also create new business growth opportunities**
- **Resource and emissions management:** starting from the origin to optimize resource utilization and reduce pollution emissions. WEGO invests in environmental technology to improve production processes and set annual targets for resource utilization and emissions reduction

Social and community investment



- **Corporate social responsibility:** take concrete actions to give back to society through various charitable donations and social welfare activities. WEGO has contributions in supporting local education and medical research, helping to cultivate talented professionals in these fields
- **Employee development:** WEGO is committed to creating a non-discriminatory, equal, harmonious, and safe working environment for all employees
- **Opportunities for people in need:** **WEGO's subsidiary Jierui is the largest social welfare enterprise in Shandong province, providing employment for nearly a thousand individuals with disabilities and helping them bond with society**

Responsible business operation



- **Improve governance:** strictly adheres to the Governance Principles for Listed Companies in Appendix 14 of the Listing Rules
- **Build sustainable supply chain:** seeks partners who share WEGO's high standards of business ethics. By strengthening the supplier management practices, WEGO works together with the partners to promote mutual growth
- **Anti-corruption:** WEGO's zero-tolerance policy towards corruption, bribery and extortion reinforces the commitment to uphold its business ethics. All employees are required to sign the "WEGO's Ten Commitments" to demonstrate their dedication to anti-corruption and promoting integrity



Picture: Lake landscape formed from industrial wastewater after waste processing

Core competitiveness

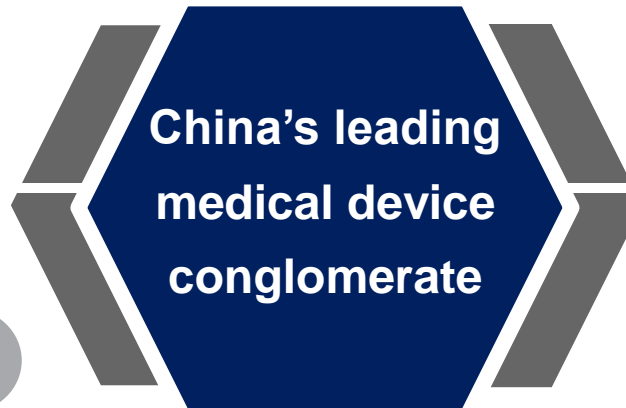


Corporate culture, reputation and impact

- Always follow the corporate culture of conscience, integrity and loyalty to meet clinical needs
- There is strong demand in the market for our products. The implementation of volume-based procurement has facilitated the efficiency improvement along the industry chain of medical equipment and consumables, which is greatly beneficial for the Company in boosting market share

Solid Manufacturing Foundation

- Notable advantage in automation, material science, cost control, capacity, quality control, etc., and eligible for volume-based procurement in terms or requirement on both price and quality
- Continue to enhance the digital development in manufacturing, and actively strengthen foothold in new materials and technologies to maintain and enhance the competitiveness of manufacturing



Open and inclusive platform

- Promote the synergy and resource sharing between segments, stimulating flexibility and vitality of each sector to the fullest
- Actively cultivate and develop new business segments, which may become new growth drivers

Customer and distribution channel resources

- Create an outstanding marketing system adaptive to domestic market, improving channel advantages through continuous channel integration
- Continue to diversify product portfolio through R&D, cooperation with global parties, M&A, and aim to fully utilize the channel advantages



**Spring has come,
so has the
Season of Hope**



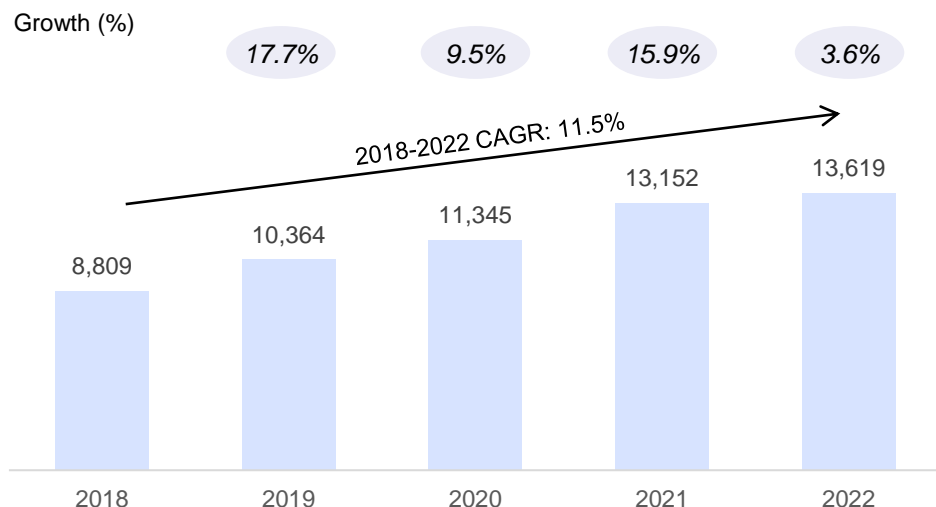
FY2022 Financial Performance



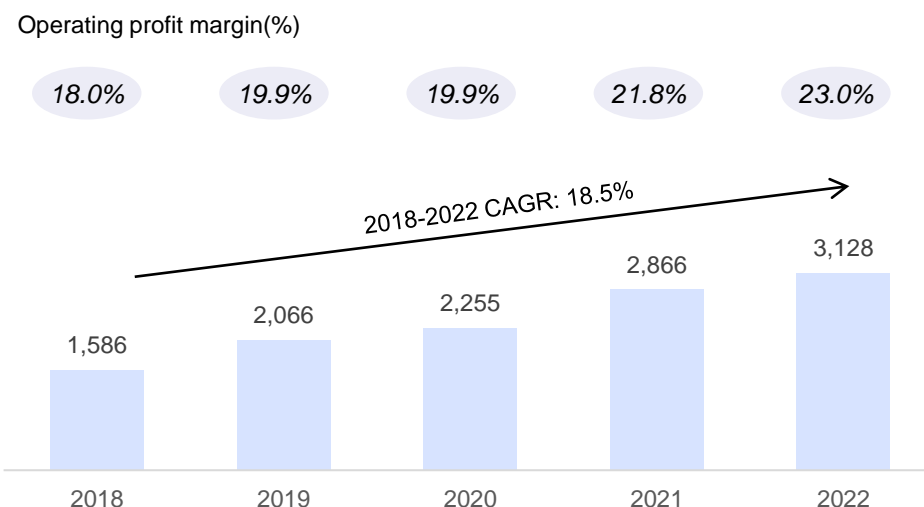
Key financials



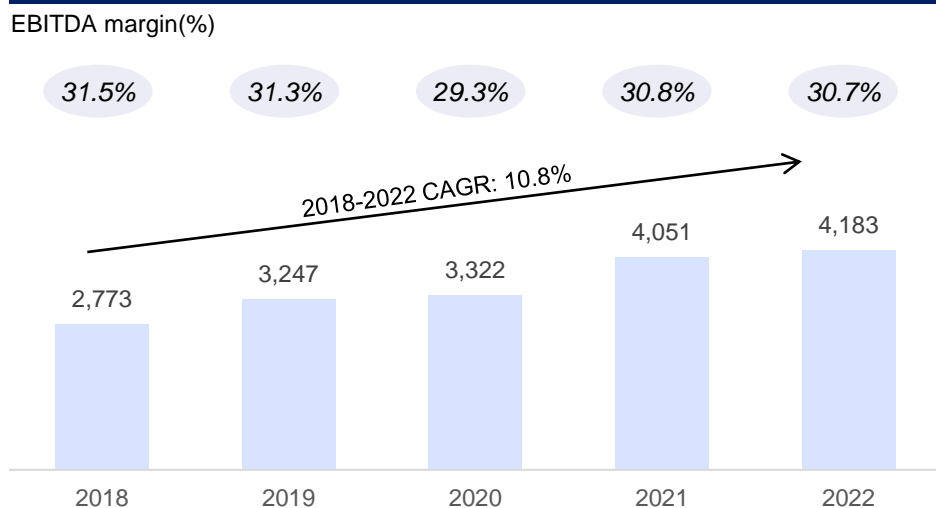
Revenue ³ (RMBmm)



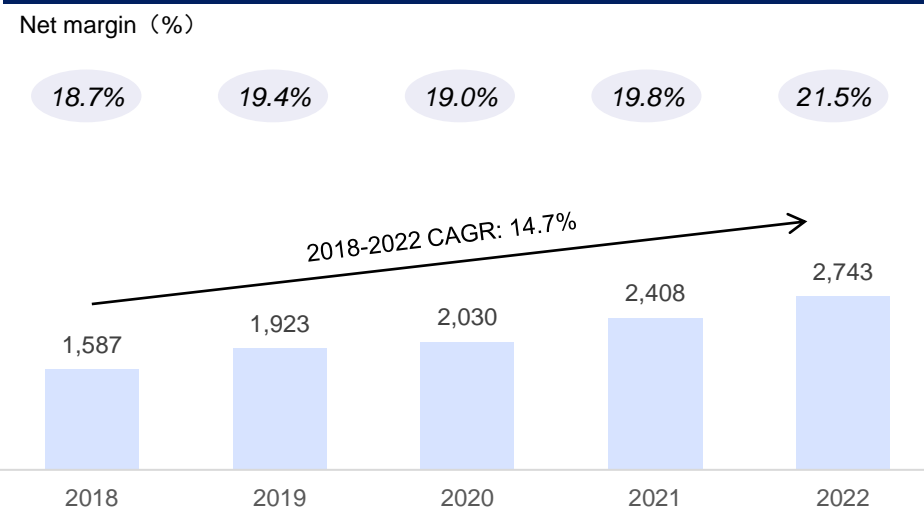
Operating profit ^{1,3,4} (RMBmm)



EBITDA ^{1,2,3,5} (RMBmm)



Net profit attributable to owners of the Company ^{1,2,3,5} (RMBmm)



Notes: ¹ After deduction of special items such as inventory appreciation due to the acquisition of Argon Medical in 2018 and the one-time transaction fee of the acquisition; ² After deduction of special item of the one-time debt replacement fee of Argon Medical in 2019; ³ Not including the impact of accounting restatement of business under the same control in 2019, 2020 and 2021; ⁴ Operating profit refers to the total pre-tax profit of each segment; ⁵ After deduction of accrual litigation expense in 2021 as well as the deduction of dilution of Group's interest in WEGO Blood Purification, after-tax income recorded from land and housing recycled by government and after-tax expense for product liability claims in 2022.

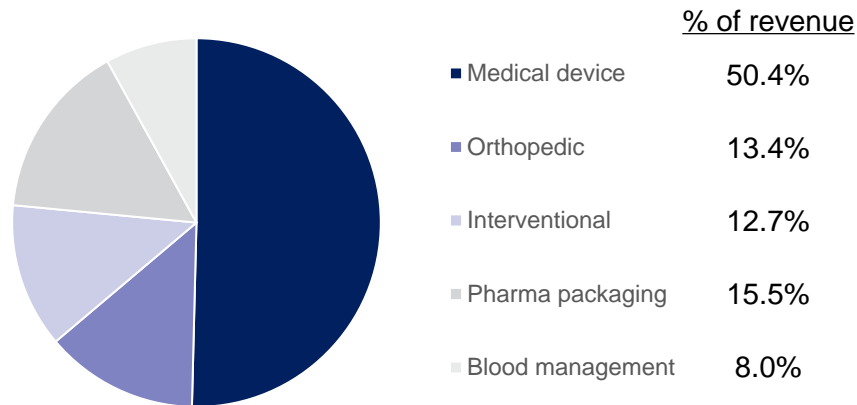
The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports.

Revenue and profit breakdown (by business segment)



Revenue breakdown

2022

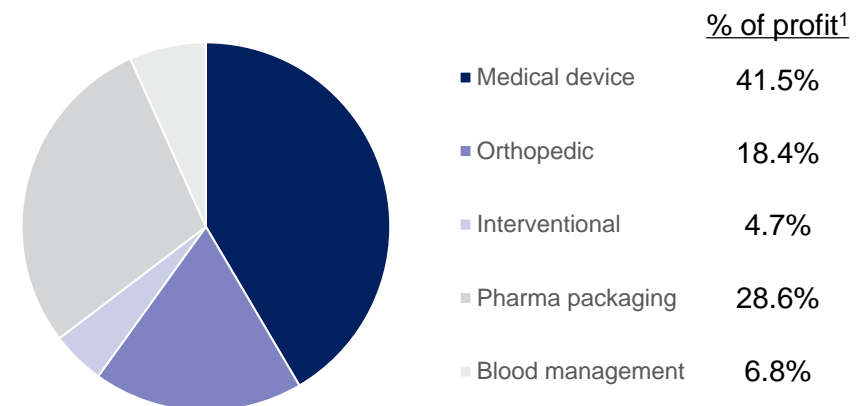


Revenue by business segment
(RMBmm)

	2022	2021 ³
Medical device product	6,859	6,464
Orthopedic products	1,830	2,127
Interventional products	1,726	1,544
Pharma packaging products	2,105	2,040
Blood management	1,098	977
Total	13,619	13,152

Profit breakdown

2022



Profit by business segment
(RMBmm)

	2022	2021 ³
Medical device product	1,298	927
Orthopedic products	576	762
Interventional products	147	151
Pharma packaging products	896	855
Blood management	211	170
Total	3,194²	2,940²

Note: ¹ The calculation of profit breakdown does not include other segment profits of RMB64.02mm; ² The total includes other segment profits of RMB64.02mm (2022) and RMB74.58mm (2021), which are not listed separately; ³ Not including the impact of accounting restatement of business under the same control in 2021. The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports.

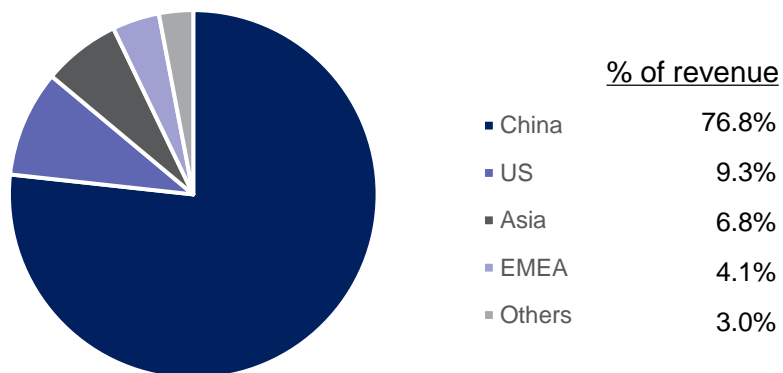


Geographic presence of the business

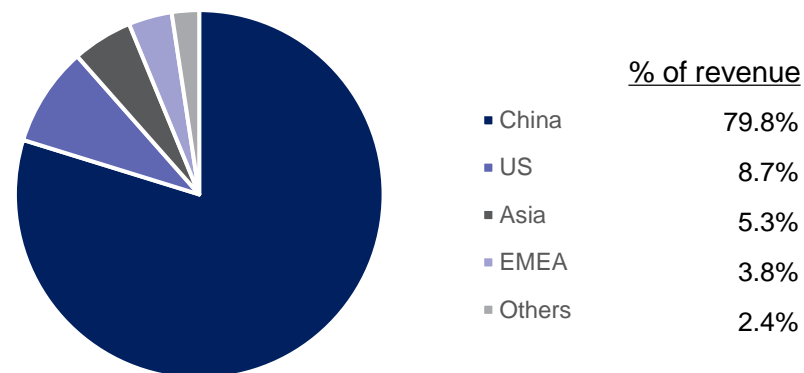
Geographic presence

Sales from overseas operations was RMB3,170mm, accounting for 23% of revenue

2022



2021



Revenue by category (RMBmm)

	2022	2021 ¹	y-o-y growth (%)
China	10,454	10,495	-0.4%
US	1,272	1,146	11.0%
Asia	931	701	32.7%
EMEA	563	502	12.2%
Others	399	308	29.9%
Total	13,619	13,152	3.6%

Note: ¹ Not including the impact of accounting restatement of business under the same control in 2021.

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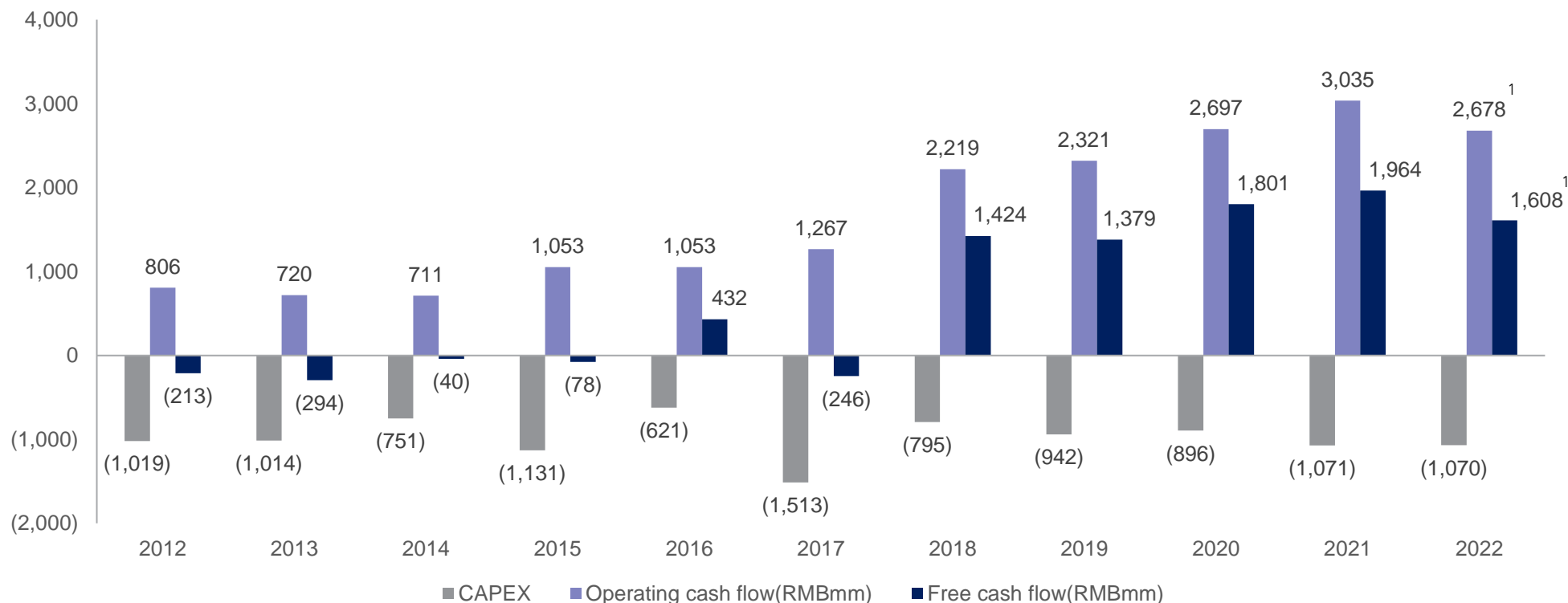
Cash flow and CAPEX

Cash flows and CAPEX

Affected by the COVID pandemic in 2022, account receivable days of the hospital was slightly extended, while the Company's operating cash flow and free cash flow slightly decreased on a y-o-y basis

The Company has recorded positive free cash flow for the fifth consecutive year since 2018 as operating cash flow grew and CAPEX stabilized

Cash flows and CAPEX (RMBmm)



Note: ¹ After deduction of one-time cash outflow 460 RMBmm for product litigation in 2022;² Not including the impact of accounting restatement of business under the same control during 2012-2021.

The above figures are only for the purpose of reflecting the trend at the operational level of the Company. The specific figures are subject to performance reports.

Other financial data



Other financial data

		2022	2021 ³
Working capital	Inventory turnover in days ¹	113	101
	Account receivable turnover in days ¹	138	132
	Account payable turnover in days ¹	76	84
Cash and debt	Cash and bank balances (RMBbn)	6.86	6.63
	Total debt (RMBbn)	4.36	4.06
	Net cash (Net debt) (RMBbn)	2.50	2.57
Leverage analysis	Total debt/EBITDA (x)	1.0x	1.0x
	Net debt/EBITDA (x)	Net cash	Net cash
	Interest coverage ratio ² (x)	21.9x	28.9x
Current ratio and return analysis	Current ratio	3.0x	3.2x
	ROE	13.4%	12.9%
	ROA	9.2%	8.9%

Note: ¹ Average working capital days; ² Interest coverage ratio = EBITDA/financing costs; ³ Not including the impact of accounting restatement of business under the same control in 2021; ⁴ After deduction of accrual litigation expense in 2021 as well as the deduction of dilution of Group's interest in WEGO Blood Purification, after-tax income recorded from land and housing recycled by government and after-tax expense for product liability claims in 2022.

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Development plan



Development strategy

Benefited from the continuous expansion of global healthcare industry, WEGO plans to boost future development by establishing a platform company and providing systematic solutions.

Strategic acquisition

- Replicating the success of Argon and Rad Source by strategically explore acquisition opportunities to broaden our product portfolio and global market coverage and further increase our scale

Direct marketing channels

- Establishing direct sales channels for select product lines in order to provide Weigao with greater pricing power and in turn, higher margins

Product cooperation

- Partnering with key customers to
- design bespoke products to better suit client needs

Product diversification and upgrading

- Focus future developments on higher technology and higher margin products where barriers to entry are greater
- Continuing to diversify our product mix to better combat the evolving market

Import substitution

- Tapping into the high-tech markets
- Importing cutting edge technology to meet the growing demands of Chinese consumers

Strategic cooperation

- Adopt open and diverse cooperation to
- introduce external capital and expertise
- to foster further innovation



Key milestones



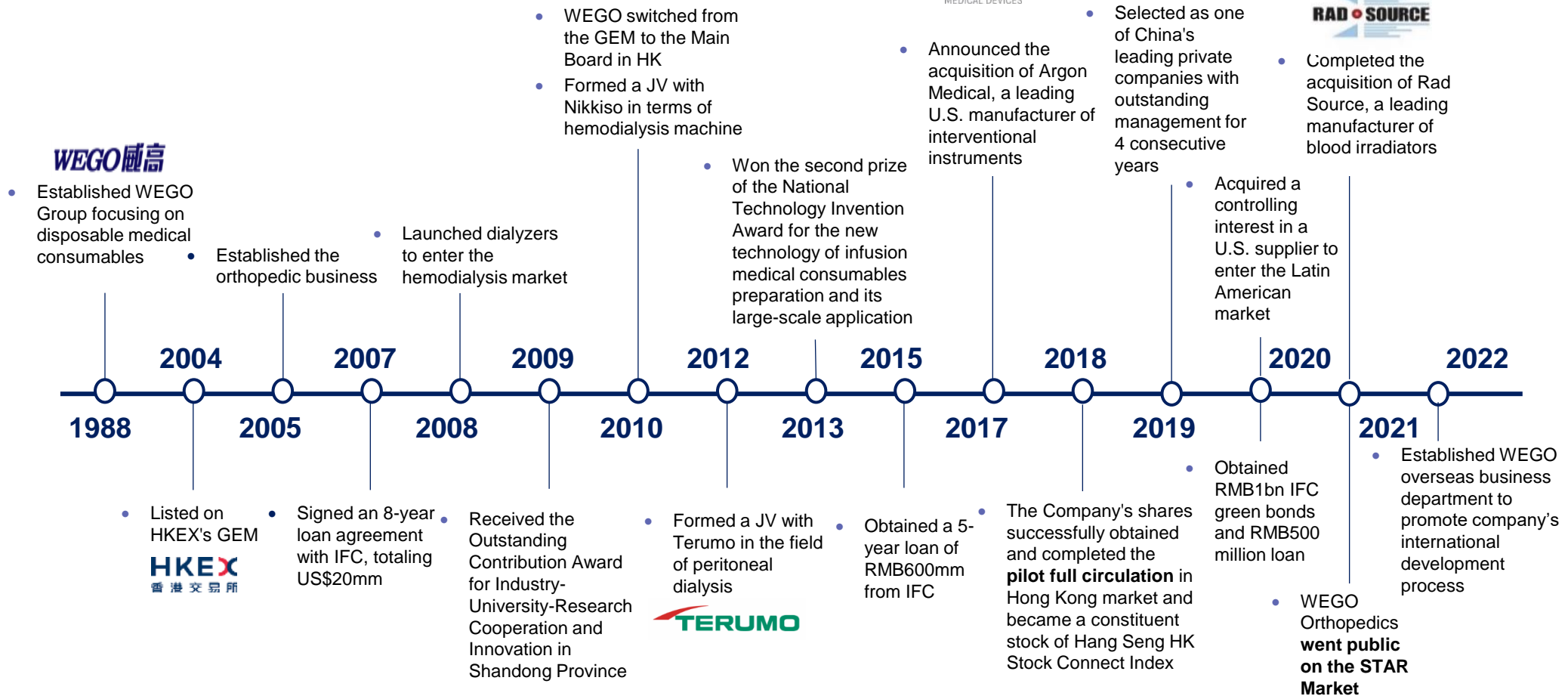
WEGO 威高

NIKKISO

ARGON
MEDICAL DEVICES

**BEST
MANAGED
COMPANIES**
最佳管理公司

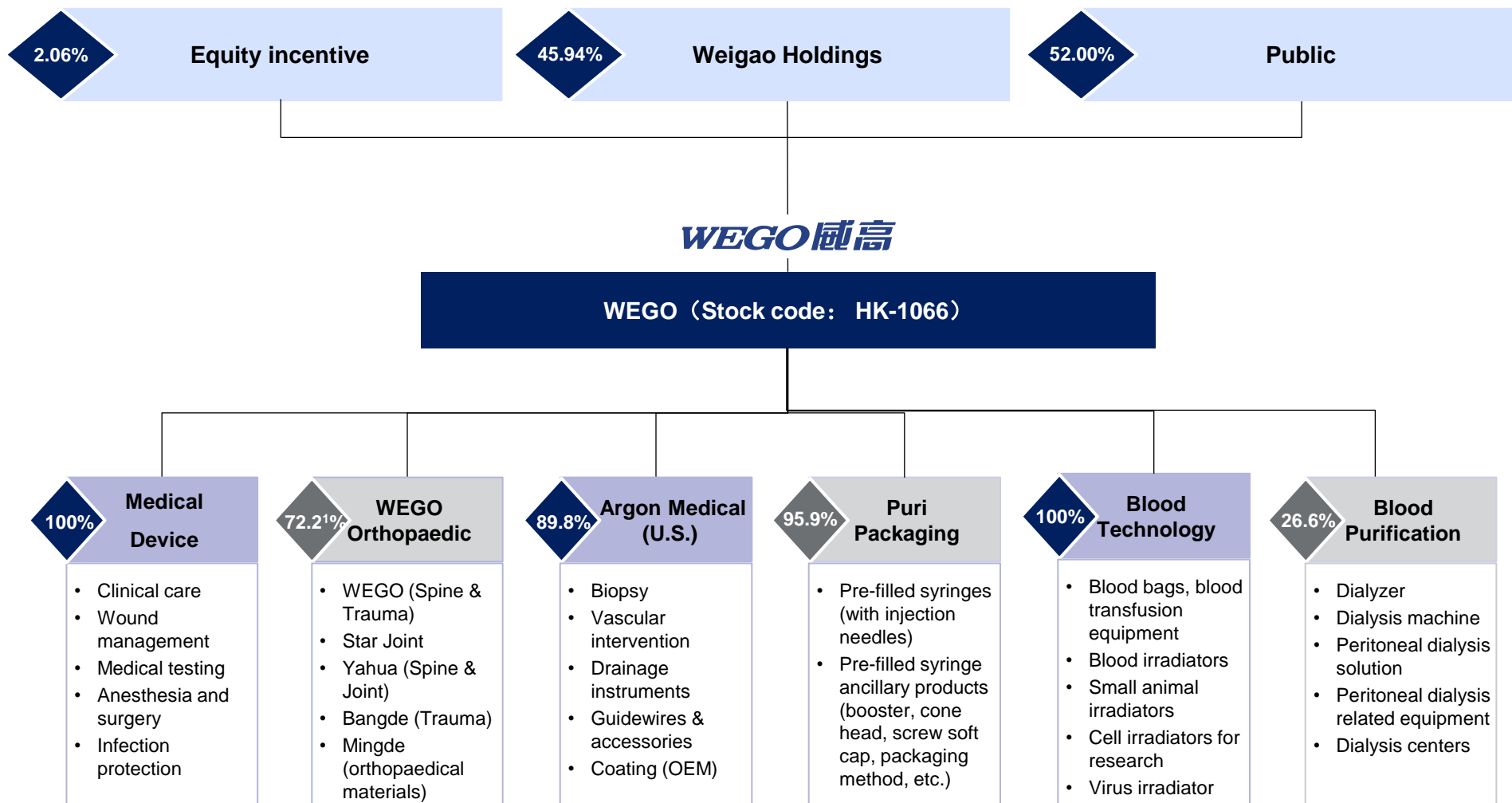
RAD • SOURCE



WEGO 威高



WEGO's corporate structure



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