



CONSCIENCE | INTEGRITY | LOYALTY

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

# Investor Presentation

2021 Annual Results

March 2022

# Table of contents



**P4**

## **2021 Financial Results**

**P12**

## **Operational Highlights**

**P16**

## **Strategic Outlook**

# Business Update



## Continued revenue growth, more resilient product portfolio:

- Our **revenue increased 15.9%** y-o-y\* to RMB13.15bn in 2021, despite the impact of COVID-19. We benefited from our highly resilient product portfolio amid volume-based procurement, the **pre-filled syringes increased by 35.2%**, the **anesthesia and surgical products increased by 28.3%**, both showing outstanding performance
- Overseas market achieved good results: overseas revenue recorded RMB 2.66bn, accounting for 20% of total revenue. Specifically, overseas exports (non-epidemic prevention products) increased by 25%; Argon's revenue increased by 20.8% based on fixed exchange rate
- We continue to optimize revenue structure and enhance risk resistance



## Completed acquisition of Rad Source:

- Rad Source is a blood x-ray irradiation medical device manufacturer and a leading x-ray technologies and solutions provider. The acquisition expanded the laboratory research market and further diversified our blood management product portfolio. **Rad Source's revenue increased by 28.6%** based on fixed exchange rate;

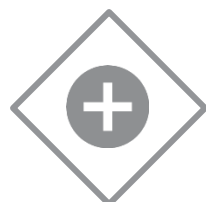
## Weigao Orthopedic was successfully listed on the SSE STAR Market on June 30, 2021:

- Weigao Orthopedic is the **leader in domestic orthopedics industry** and highly competitive in major sub-verticals. The spin-off provided Weigao Orthopedic with more diversified financing channels to better cope with the volume-based purchases, and seize the opportunity of industry integration to increase market share



## Continued increase in profitability :

- **EBITDA recorded RMB4.05bn** in 2021, growing 22.0% y-o-y\*. EBITDA margin increased to **30.8%**
- Net profit attributable to owners of the company excluding special items recorded 2.44bn, growing 20.3% y-o-y\*
- Accelerated overall turnover, and steadily increased ROE and ROA



## We strived to ensure product supply to defend COVID-19:

- Actively deployed products to meet clinical needs according to epidemic prevention
- Continued to expand the production capacity of prefilled syringes and small-size syringes

### Notes:

\* The acquisition of Ladesos in the first half of 2021 is a business combination under common control, and the 2020 financial statements are restated in accordance with accounting standards. Comparable basis, i.e. calculated before the 2020 accounting restatement

The acquisition of Rad Source in 1H2021 is a business combination under common control. The consolidated financial statements of 2020 have been restated accordingly



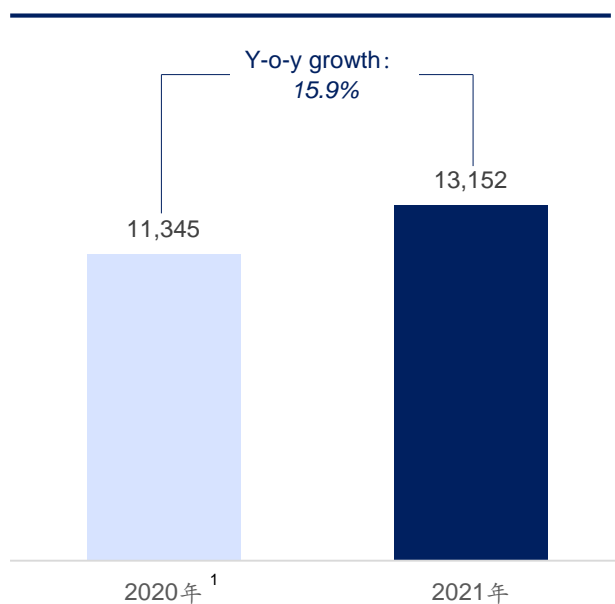
## 2021 Financial Results



# Results Summary



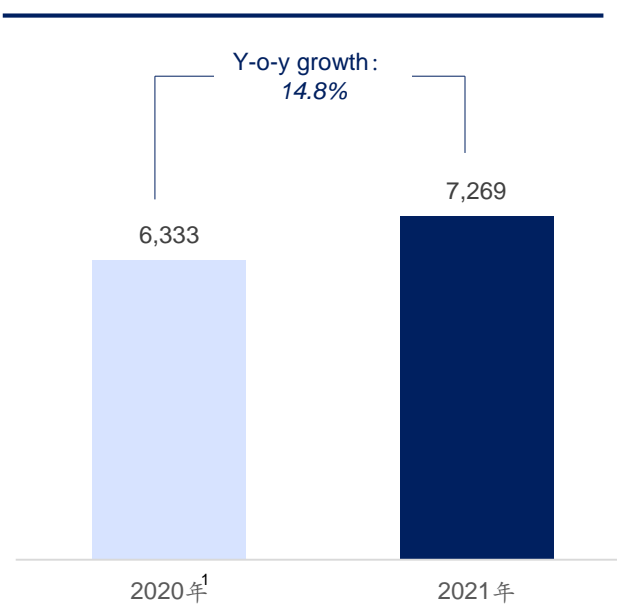
## Revenue



RMBmn	2020 <sup>1</sup>	2021	Growth (%)
Revenue	11,345	13,152	15.9%



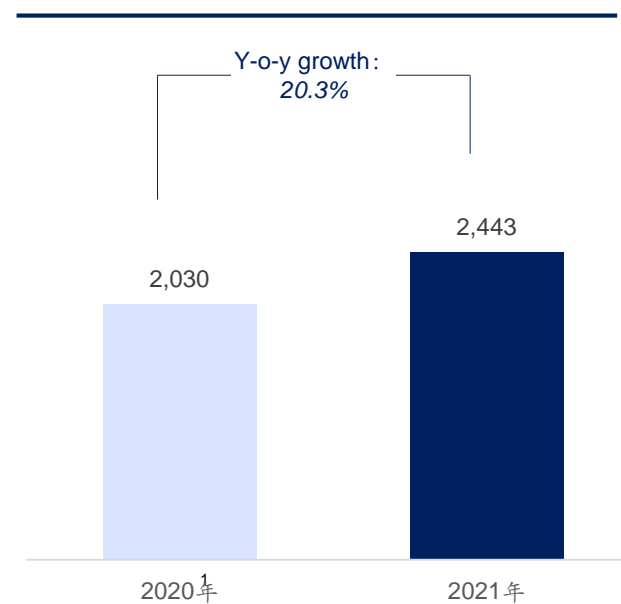
## Gross profit



RMBmn	2020 <sup>1</sup>	2021	Growth (%)
Gross profit	6,333	7,269	14.8%
Margin (%)	55.8%	55.3%	(0.5ppts)



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



RMBmn	2020 <sup>1</sup>	2021	Growth (%)
Net profit	2,030	2,443	20.3%
Margin (%)	19.0%	20.1%	1.1ppts

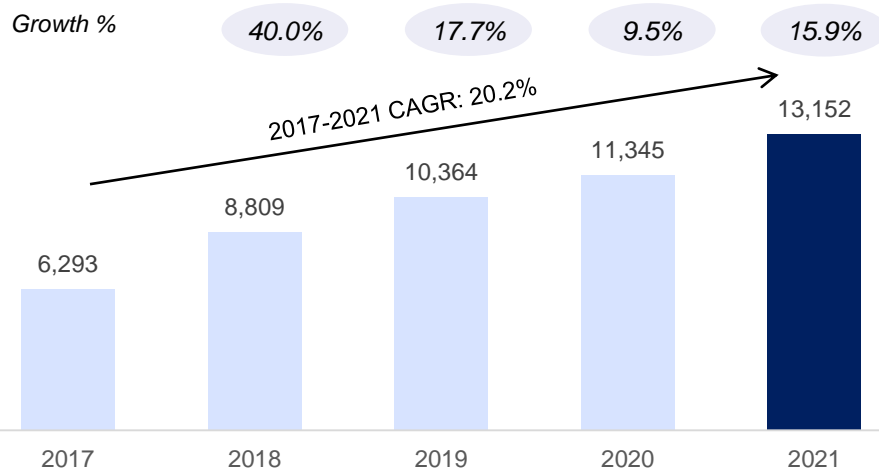
### Notes:

- 2020 financials without accounting restatement
- Adjusted for new share-based payments and litigation withholding costs in 2021
- The above figures are used to show trends at the operating level. Please refer to the performance disclosure in report for details

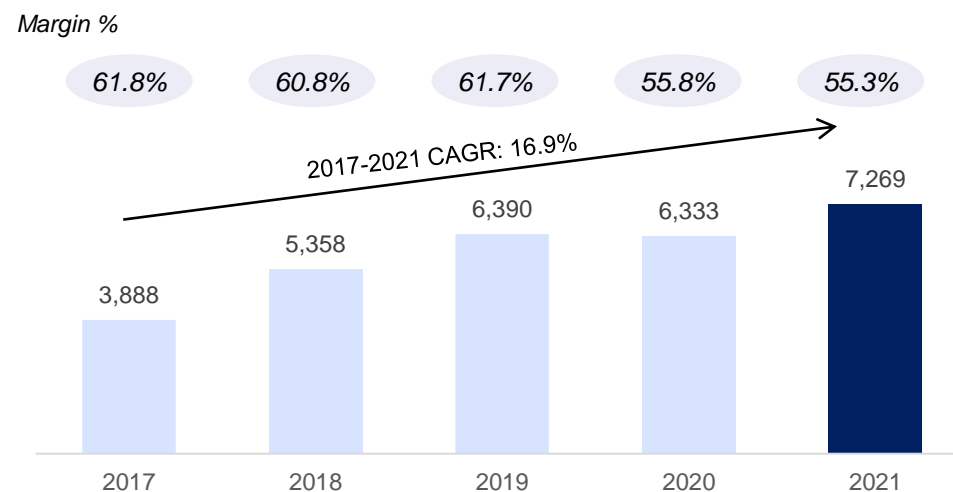
# Key Financial Figures



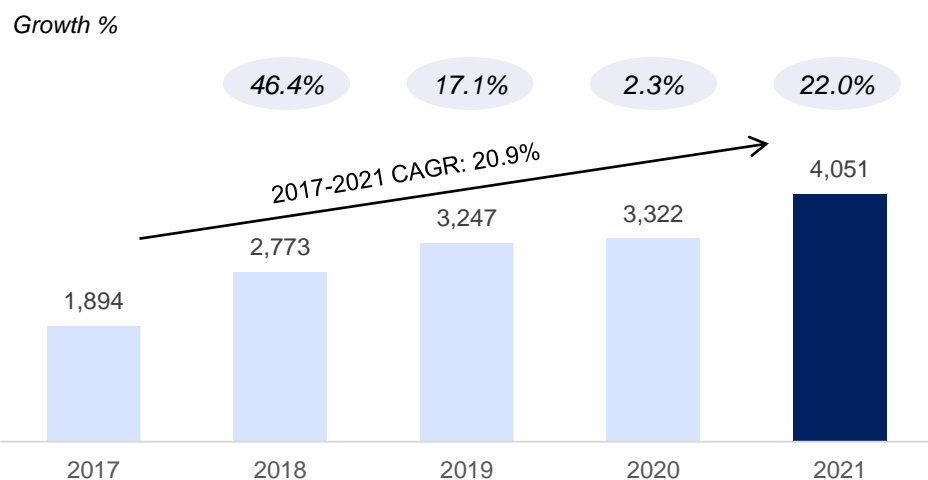
## Revenue<sup>3</sup> (RMBmn)



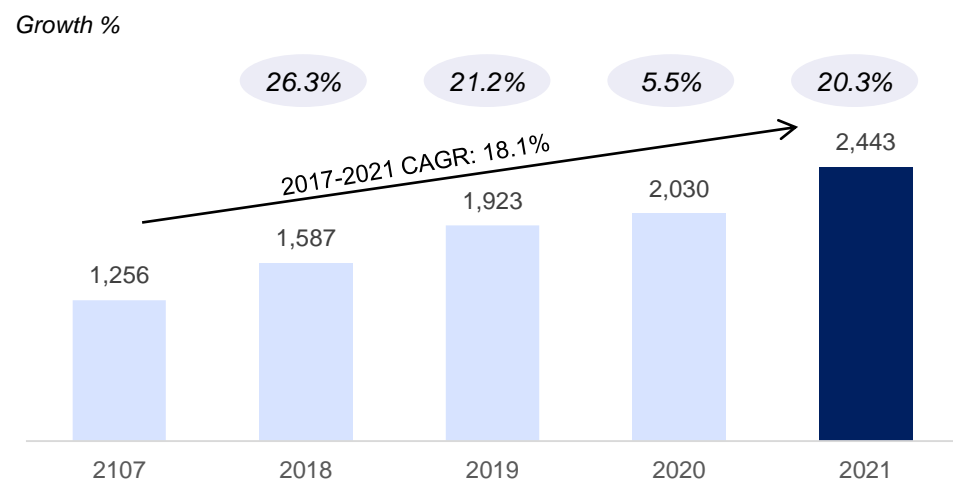
## Gross profit<sup>1,3</sup> (RMBmn)



## EBITDA<sup>1,2,3</sup> (RMBmn)



## Net profit attributable to owners of the Company<sup>1,2,3</sup> (RMBmn)



### Notes:

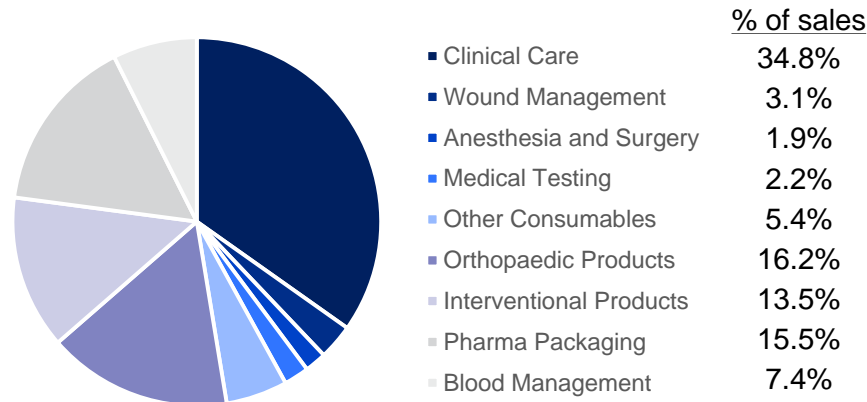
1. Adjusted for extraordinary items in FY2018 including fair value appreciation of Argon's inventory and an one-off transaction expense associated with the acquisition of Argon
2. Adjusted for one-off expenses related to the repayment of Argon's term loans in FY2019
3. No accounting restatement to 2019 and 2020 financials
4. The above figures are used to show trends at the operating level. Please refer to the performance disclosure in report for details



# Revenue Breakdown By Products

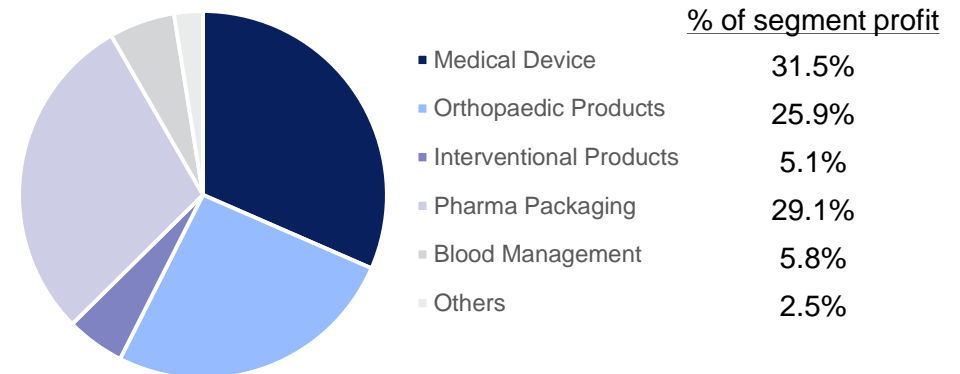
## Revenue Breakdown

2021



## Segment Profit Breakdown

2021



	Segmental revenues (RMBmn)			% of revenues	
	2021	2020	% Change	2021	2020
Medical Device Products	6,235	5,748	8.4%	47.4%	49.4%
<i>Clinical Care</i>	4,575	4,266	7.2%	34.8%	36.6%
<i>Wound Management</i>	412	347	19.0%	3.1%	3.0%
<i>Anesthesia and Surgery</i>	248	193	28.3%	1.9%	1.7%
<i>Medical Testing</i>	295	276	6.9%	2.2%	2.4%
<i>Other Consumables</i>	705	666	6.0%	5.4%	5.7%
Orthopaedic Products	2,127	1,748	21.7%	16.2%	15.0%
Interventional Products <sup>1</sup>	1,773	1,611	10.0%	13.5%	13.9%
Pharma Packaging	2,040	1,694	20.4%	15.5%	14.6%
Blood Management	977	821	19.0%	7.4%	7.1%
<b>Total</b>	<b>13,152</b>	<b>11,622</b>	<b>13.2%</b>	<b>100.0%</b>	<b>100.0%</b>

Notes:

1. Interventional product grew by 16.8% Y-o-y in 2021 at fixed exchange rate

2. No accounting restatement for 2020 financials

3. The above figures are used to show trends at the operating level. Please refer to the performance disclosure in report for details



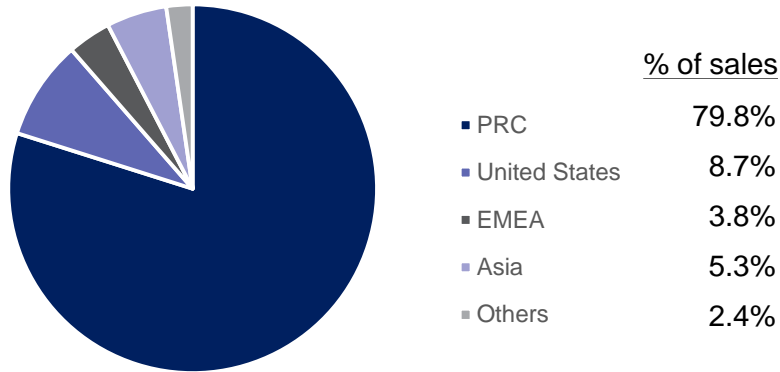
# Geographic Information

## Geographic breakdown

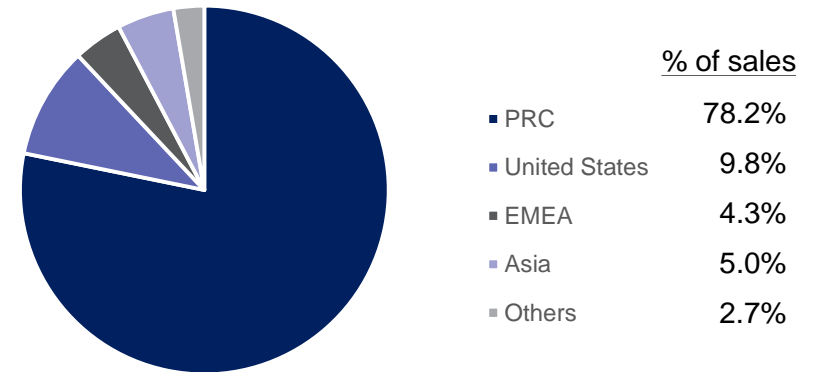
Overseas revenue recorded 2.66bn, accounting for 20% of total revenue.

Overseas exports (non-epidemic prevention products) increased by 25%; Argon's revenue increased by 20.8% based on fixed exchange rate;

**2021**



**2020**



	Segmental revenues (RMBmn)			% of revenues	
	2021	2020	% Change	2021	2020
PRC	10,495	9,090	15.5%	79.8%	78.2%
United States	1,146	1,140	0.5%	8.7%	9.8%
Europe, the Middle East and Africa	502	503	(0.2%)	3.8%	4.3%
Asia	701	579	21.1%	5.3%	5.0%
RoW	308	310	(0.6%)	2.4%	2.7%
<b>Total</b>	<b>13,152</b>	<b>11,622</b>	<b>13.2%</b>	<b>100.0%</b>	<b>100.0%</b>

# A Track Record of Sustainable and Steady Growth

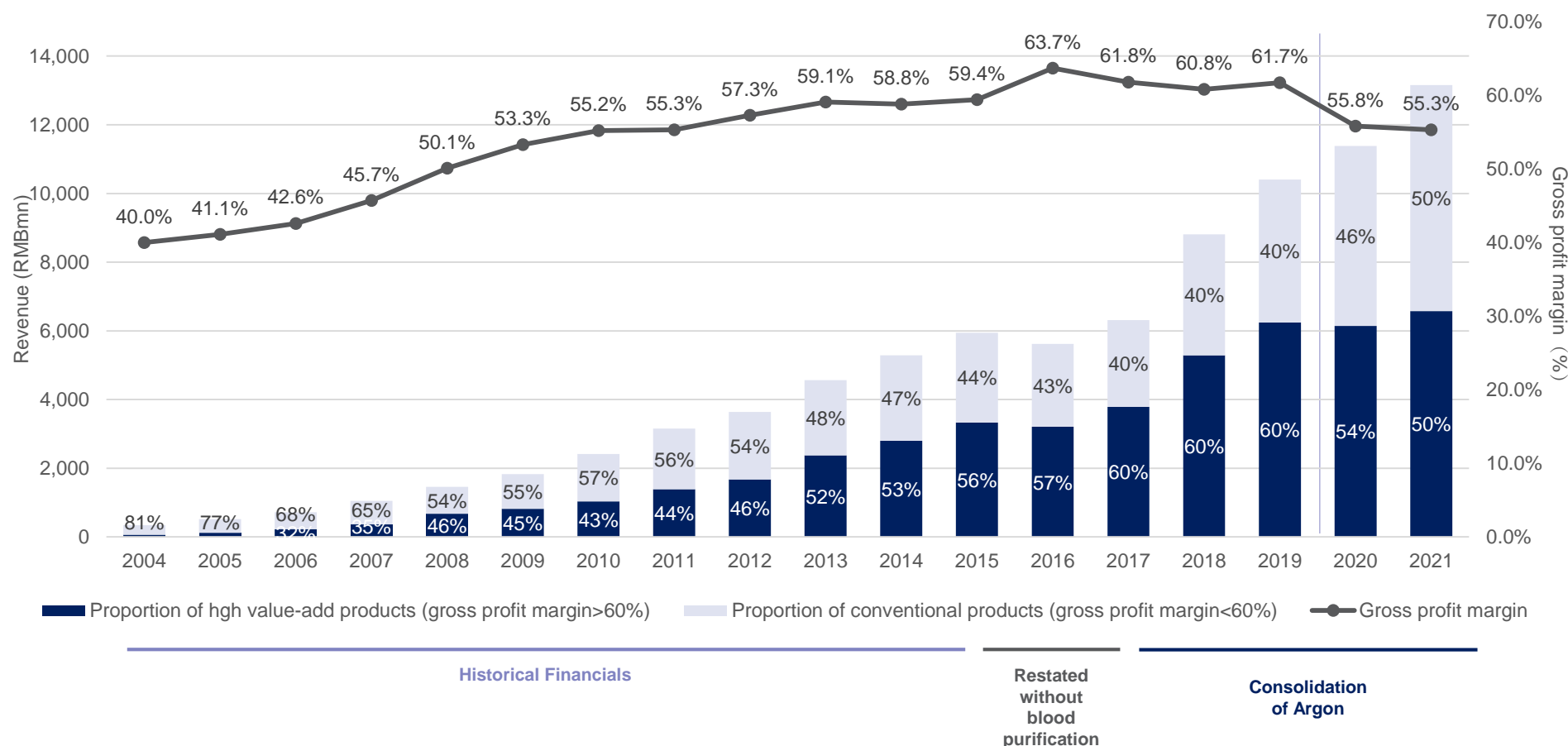


## Turnover and margin evolution

We effectively withstood the impact of volume-based purchases with our broad product portfolio and achieved sustained growth of revenue and profit.

Our gross profit margin decreased from 55.8% in 2020 to 55.3% in 2021 as a result of product mix changes.

## High value-add product contributions and historical gross profit margins





# Cashflow has Experienced Strong Growth

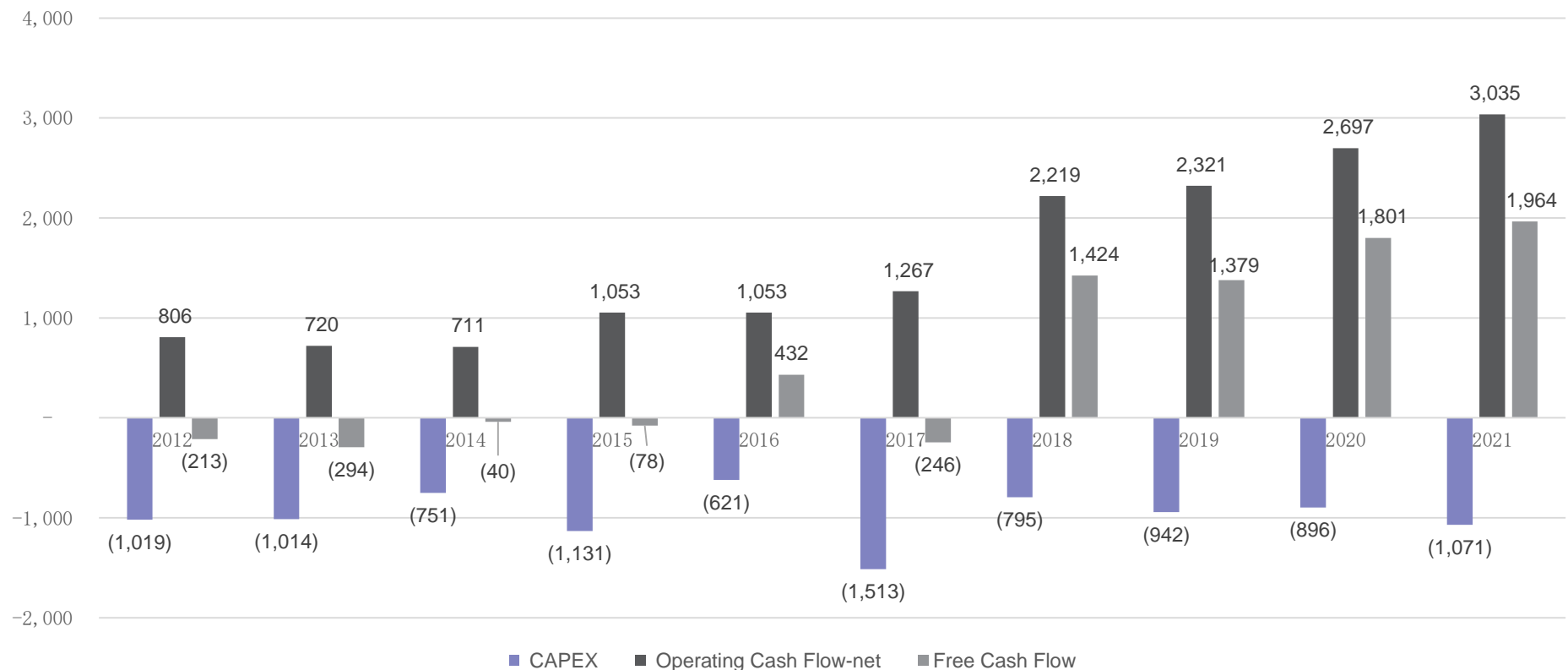
## Cashflow and capital expenditure situation

Cashflow experienced robust growth in 2021 with operating cashflow reached nearly RMB3.0bn.

Supported by continuous CAPEX, we have forged a solid manufacturing foundation, including outstanding capacity, automation, supply chain management, and cost-control ability.

Free cashflow grew steadily.

## Cashflow and CAPEX (RMBmn)



# Other Financial Figures



## Other financial figures

We kept optimizing our operational efficiency in 2021, maintaining solid balance sheet and improving ROA

		2021	2020
Working capital	Inventory turnover (days) <sup>1</sup>	101 days	99 days
	Accounts receivable (days) <sup>1</sup>	133 days	135 days
	Accounts payable (days) <sup>1</sup>	84 days	79 days
Leverage	Debt / LTM EBITDA (x)	1.0x	1.3x
	Net debt / LTM EBITDA (x)	Net cash	Net cash
	Interest coverage ratio <sup>2</sup> (x)	28.9x	18.6x
Current ratio and returns analysis	Current ratio	3.2x	3.1x
	Return on equity (ROE)	13.1%	12.0%
	Return on assets (ROA)	9.1%	8.0%

### Notes:

1. Represents average working capital days
2. Interest coverage ratio = EBITDA / finance costs
3. The accounting restatement in 2020 is not taking into account
4. The above figures are used to show trends at the operating level. Please refer to the performance disclosure in report.



## Operational Highlights



# Core Competitiveness



## Corporate culture, reputation and impact

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

## Solid Manufacturing Foundation

- Clear 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 digitalization 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 sectors, stimulating the 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. To improve channel advantages through continuous channel integration.
- Continue to diversify product portfolio through R&D, cooperation with global parties, mergers and acquisitions, etc., and aim to fully utilize the channel advantages.

# Nationwide Sales Network



## Distribution Network in China

We have established an extensive sales network comprising of 35 sales branches, 48 customer service centers and 2,846 sales representatives across 224 cities in China



## Number of customers (as of 31 Dec 2021)

	Newly added	China Total	Overseas Total
Hospitals	461	3,115	3,540
Blood stations	-	414	-
Other medical units	116	1,101	1,631
Distributors	731	3,552	1,921
<b>Total</b>	<b>1308</b>	<b>8,182</b>	<b>7,092</b>

## Extensive distribution network across the globe

*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



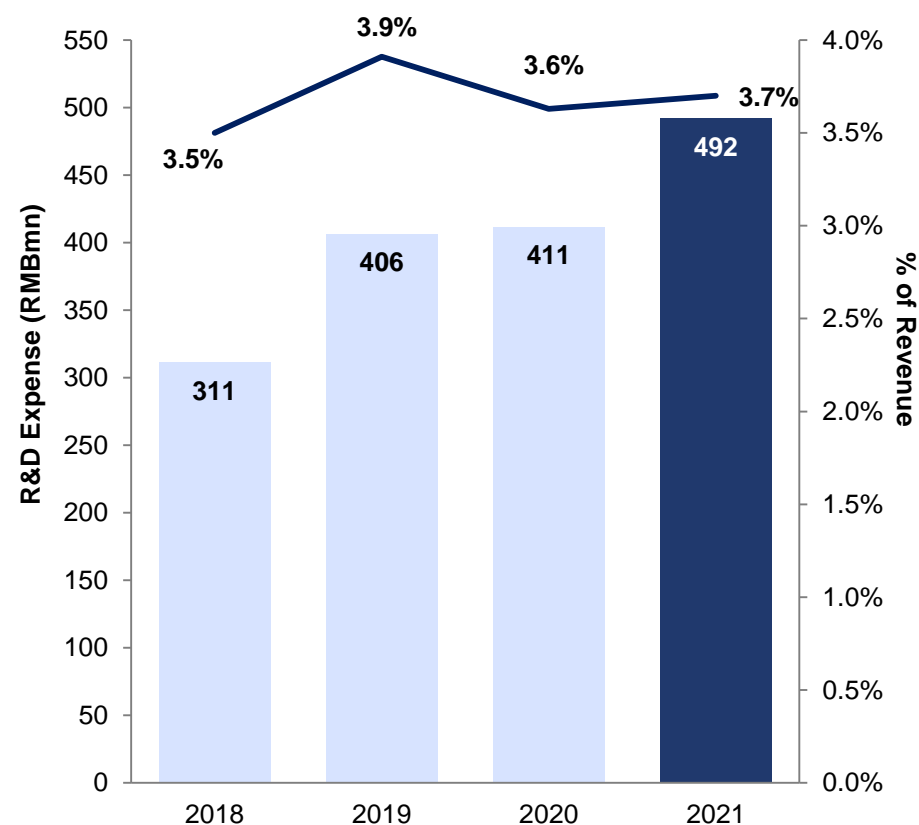
## Product development

	As of 31 Dec 2021	
	China	Overseas
Registered products	554	742
Registration application in progress	29	181
Patented products	652	193
Patent application in progress	161	13

	2021
	China
Newly registered products	40
Newly patented products	144

## R&D expense & percentage of total revenues



Notes:

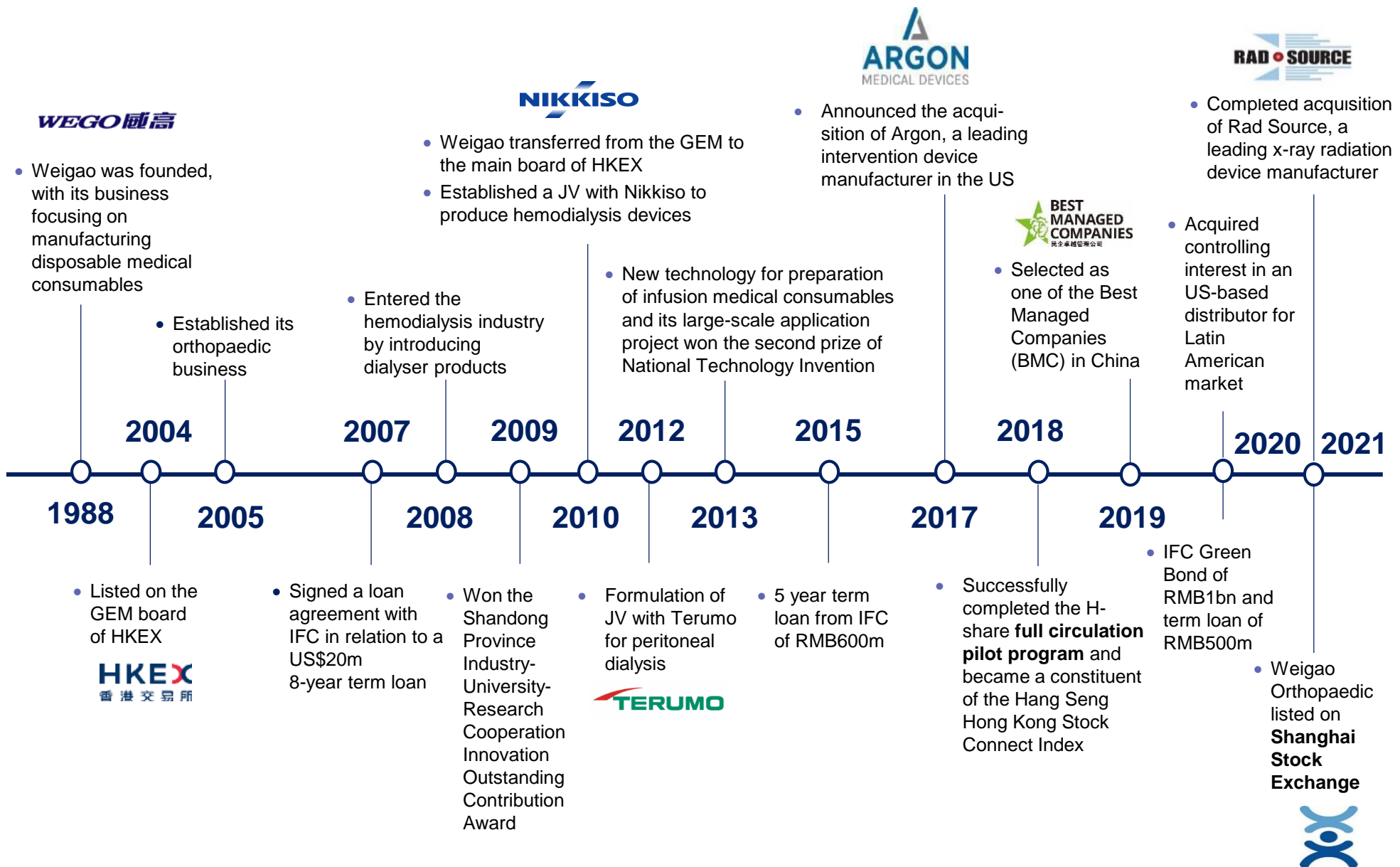
The restatement of accounting in 2020 is not taking into account



# Strategic Outlook



# Corporate Milestones



# Management Vision



**In response to the policy changes, competition landscape, clinical demands and the accumulation of in-house resources, WEGO proposed three operational strategies – “platform-oriented”, “international” and “digitization”, and two guarantee strategies – “talents” and “innovation”.**



## Take advantage of the open, inclusive and shared platform

- Build diversified product ecosystem and coordinate organizational system, achieving large-scale operation;
- Meet or exceed customer needs with complete product solutions. Widen the product line and refine the single product.



## Maintain leading position in China and achieve coordinated development globally

- Maintain the leading position in China's medical device industry;
- Actively promote the company's global resource sharing, realize the coordinated development of domestic and foreign markets.



## Digital Strategy to improve management excellence and explore new growth drivers

- Continue to promote digitalization in to enhance competitiveness in manufacturing, R&D and marketing;
- Digital products, such as Mobile Nursery Management Software, are also new growth drivers.



## Establish a talent incentivization system

- Establish well-structured talent incentivization system to stimulate the creativity of employees.



## Improve innovation capabilities to achieve sustainable development

- Existing products upgrades: upgrade of existing products, functional improvements, application of new materials and cost control by product lines.
- New product: set up R&D centers in Shanghai and Suzhou, bring in professional R&D talents, and focus on key technical bottlenecks and the R&D work of major product.

# Growth Initiatives

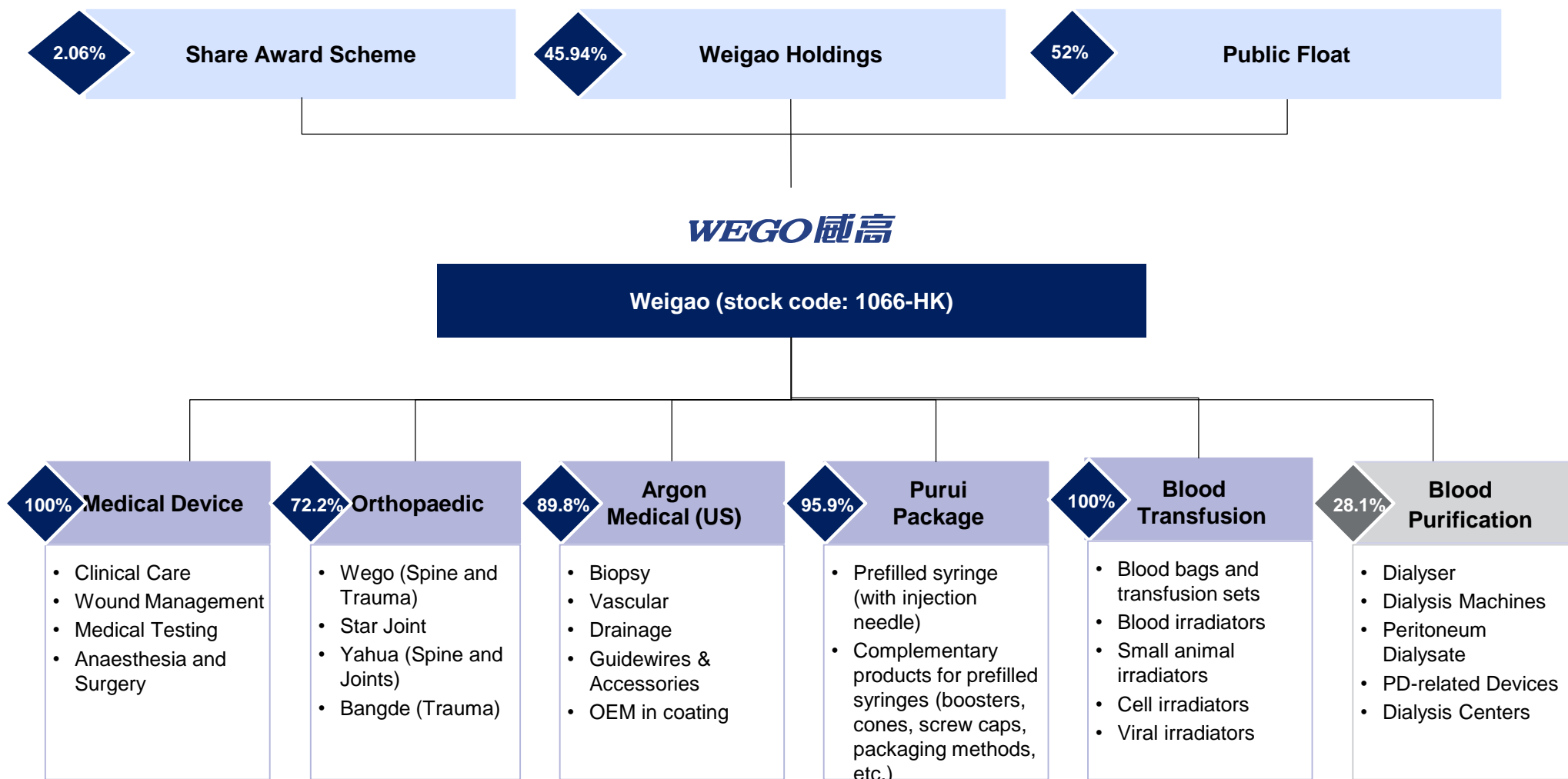


## Growth Strategies

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



# Corporate Structure



# Disclaimer



This document does not constitute, or form part of any offer for subscription or sale of, or solicitation of any offer to subscribe for or sale of any securities of Shandong Weigao Group Medical Polymer Company Limited ("Weigao Group"), nor shall it be construed as calculated to invite any such offer, nor shall it form the basis of, nor can it be relied on in connection with, or act as an inducement to enter into any contract or commitment whatsoever.

## **Forward-Looking Statements**

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Weigao Group, and certain of the plans and objective of the management of Weigao Group. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Weigao Group to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such forward-looking statements were based on assumptions regarding Weigao Group's present and future business strategies and the political and economic environment in which Weigao Group and its subsidiaries will operate in the future. Reliance should not be placed on these forward-looking statements, which reflect the view of Weigao Group's management as of the date of this presentation only.

## **Confidentiality**

This document is given to you on a confidential basis and must not be passed to, or their contents disclosed to, any other person and no copy shall be taken hereof.