

**WEGO 威高**

CONSCIENCE | INTEGRITY | LOYALTY

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

# Investor Presentation

2021 Interim Results

August 2021

# Business Update



**Revenues continued to grow:** For the 6 months ended 30 June 2021, we continued to record revenue growth despite the impact of COVID-19, with revenues increasing 19.4% y-o-y to RMB6,230m.

- Recorded relatively strong revenue growth across all business units in 1H2021
- Our gross profit margins increased from 57.9% in 1H2020 to 58.8% in 1H2021 as a result of product mix changes.



**Completed acquisition of Rad Source:** Rad Source is a blood x-ray irradiation medical device manufacturer as well as the industry leader in x-ray technologies and solutions. The acquisition further expands our technology capabilities and our product portfolio.

**Orthopedics and pharma packaging segments recorded strong results in 1H2021:**

- Orthopedics segment grew by 30.6% y-o-y and recorded RMB1,084m in sales.
- Pharma packaging segment grew by 25.3% y-o-y and recorded RMB958m in sales.



**Continued increase in profitability :** Our net income attributable to owners of the Company grew 21.4% y-o-y to RMB1,209m in 1H2021.

- Despite the impact of the pandemic, we intend to continue fulfilling our commitment to provide consistent returns to our shareholders. For 1H2021, we have announced a total dividend of 7.7 cents, representing a 24.2% increase from 1H2020.



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

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

Notes:

The acquisition of Rad Source in 1H2021 is a business combination under common control. The consolidated financial statements of 1H2020 have been restated accordingly

# Table of contents



Section 1	<b>1H2021 Financial Results</b>	4
Section 2	<b>Operational Highlights</b>	11
Section 3	<b>Strategic Outlook</b>	15



Section 1

# 1H2021 Financial Results

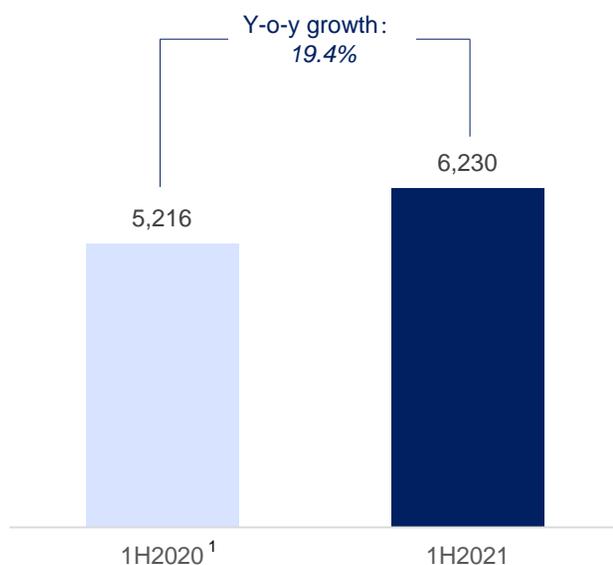
Notes:

In 1H2021, Weigao had a business combination under common control, the consolidated financial statements of 1H2020 have been restated accordingly.

# Results Summary



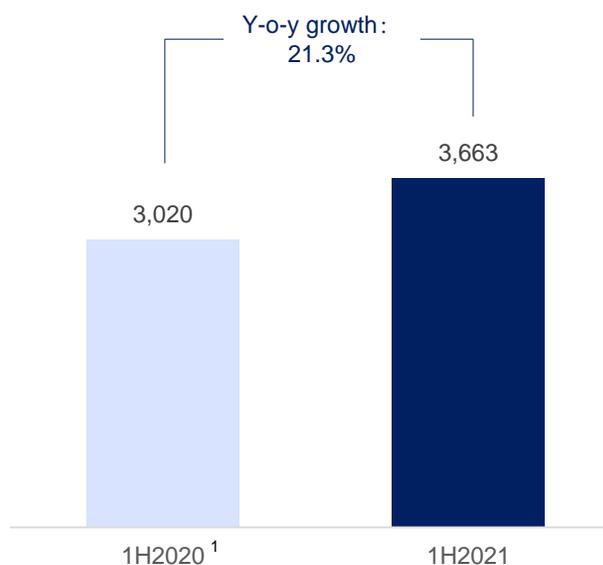
## Revenue



RMBm	1H2020 <sup>1</sup>	1H2021	Growth (%)
Revenue	5,216	6,230	19.4%



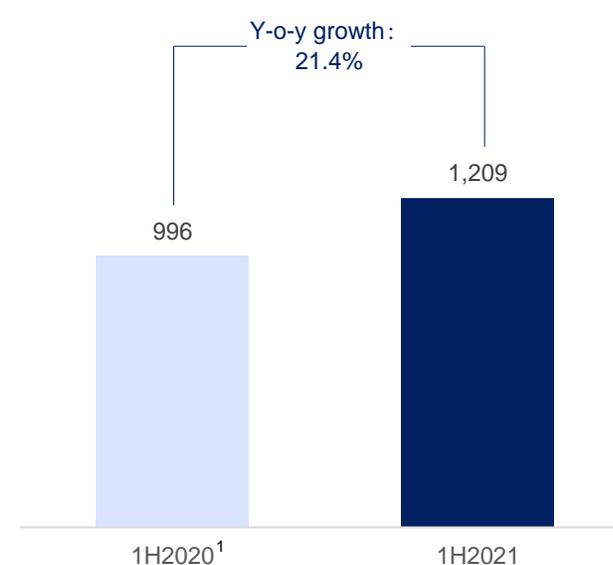
## Gross profit



RMBm	1H2020 <sup>1</sup>	1H2021	Growth (%)
Gross profit	3,020	3,663	21.3%
Margin (%)	57.9%	58.8%	0.9ppts



## Net profit attributable to owners of the Company



RMBm	1H2020 <sup>1</sup>	1H2021	Growth (%)
Net profit	996	1,209	21.4%
Margin (%)	20.1%	20.9%	0.8ppts

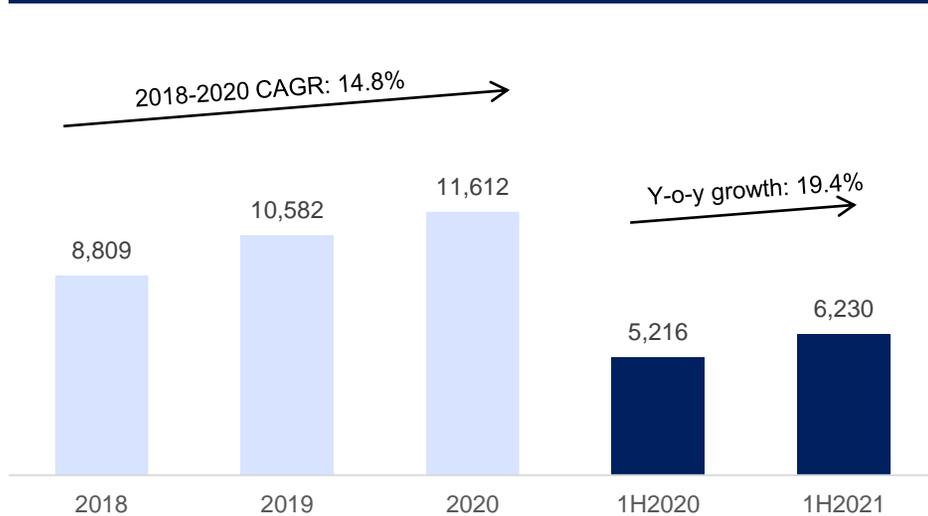
### Notes:

- The acquisition of Rad Source in 1H2021 is a business combination under common control. The consolidated financial statements of 1H2020 have been restated accordingly



# Key Financial Figures

## Revenue<sup>3</sup> (RMB million)



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



## EBITDA<sup>1,3</sup> (RMB million)



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



Notes:

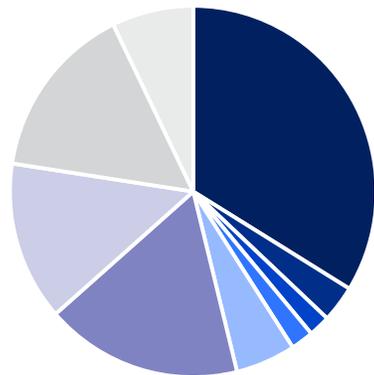
- Adjusted for extraordinary items in FY2018 including fair value appreciation of Argon's inventory and an one-off transaction expense associated with the acquisition of Argon
- Adjusted for one-off expenses related to the repayment of Argon's term loans in FY2019
- The acquisition of Rad Source in 1H2021 is a business combination under common control. The consolidated financial statements of 2019, 2020 and 1H2020 have been restated accordingly



# Revenue Breakdown By Products

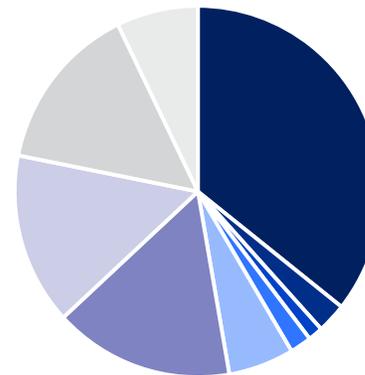
## Revenue Breakdown

### 1H2021



	% of sales
Clinical Care	33.8%
Wound Management	3.2%
Anesthesia and Surgery	1.9%
Medical Testing	2.0%
Other Consumables	5.2%
Orthopaedic Products	17.4%
Interventional Products	13.9%
Pharma Packaging	15.4%
Blood Management	7.2%

### 1H2020



	% of sales
Clinical Care	35.7%
Wound Management	2.5%
Anesthesia and Surgery	1.3%
Medical Testing	1.9%
Other Consumables	5.8%
Orthopaedic Products	15.9%
Interventional Products	15.0%
Pharma Packaging	14.7%
Blood Management	7.2%

### Segmental revenues (RMBm)

	Segmental revenues (RMBm)			% of revenues	
	1H2021	1H2020	% Change	1H2021	1H2020
Medical Device Products	2,872	2,463	16.6%	46.1%	47.2%
<i>Clinical Care</i>	2,105	1,861	13.1%	33.8%	35.7%
<i>Wound Management</i>	197	133	47.6%	3.2%	2.5%
<i>Anesthesia and Surgery</i>	118	65	80.8%	1.9%	1.3%
<i>Medical Testing</i>	126	99	27.0%	2.0%	1.9%
<i>Other Consumables</i>	327	305	7.4%	5.2%	5.8%
Orthopaedic Products	1,084	831	30.6%	17.4%	15.9%
Interventional Products	865	783	10.5%	13.9%	15.0%
Pharma Packaging	958	765	25.3%	15.4%	14.7%
Blood Management	450	374	20.2%	7.2%	7.2%
<b>Total</b>	<b>6,230</b>	<b>5,216</b>	<b>19.4%</b>	<b>100.0%</b>	<b>100.0%</b>

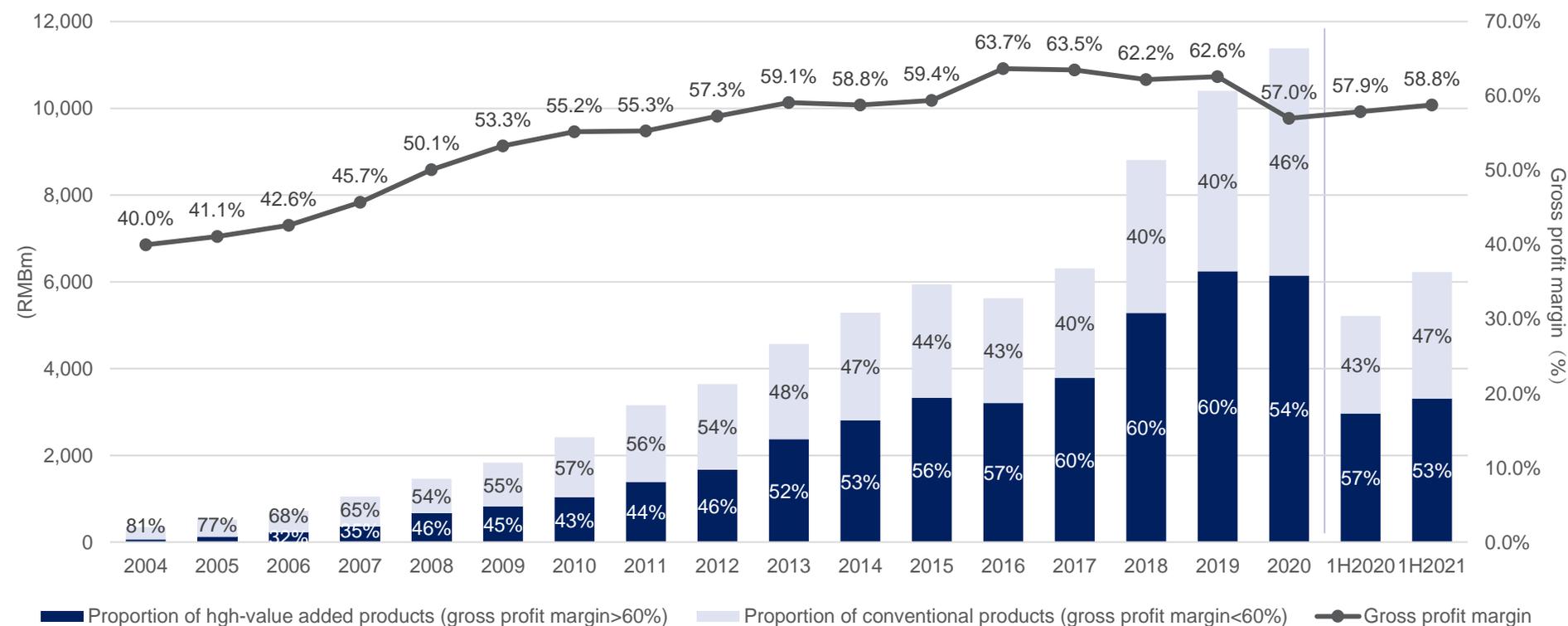
# A Track Record of Sustainable and Steady Growth



## Turnover and margin evolution

1H2021, 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.

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



Historical Financials

Restated without blood purification

Consolidation of Argon

Notes:

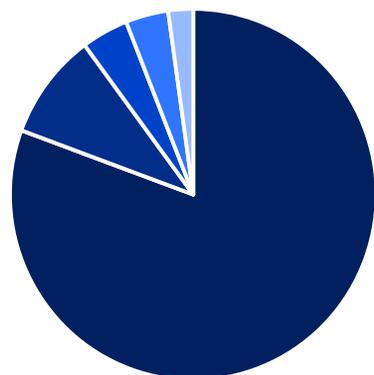
The acquisition of Rad Source in 1H2021 is a business combination under common control. The consolidated financial statements of 2019, 2020 and 1H2020 have been restated accordingly

# Geographic Information



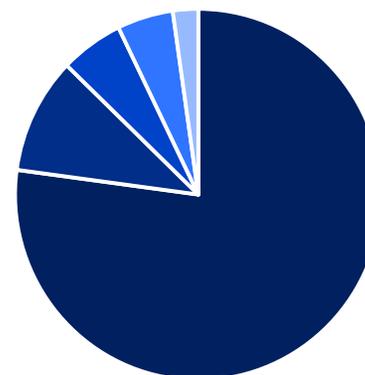
## Geographic breakdown

1H2021



	% of sales
■ PRC	80.6%
■ United States	9.3%
■ EMEA	4.1%
■ Asia	3.8%
■ Others	2.2%

1H2020



	% of sales
■ PRC	77.1%
■ United States	10.1%
■ EMEA	5.6%
■ Asia	5.0%
■ Others	2.2%

	Segmental revenues (RMBm)			% of revenues	
	1H2021	1H2020	% Change	1H2021	1H2020
PRC	5,022	4,022	24.9%	80.6%	77.1%
United States	577	528	9.3%	9.3%	10.1%
Europe, the Middle East and Africa	258	291	(11.2)%	4.1%	5.6%
Asia	235	258	(9.0)%	3.8%	5.0%
RoW	137	117	17.5%	2.2%	2.2%
<b>Total</b>	<b>6,230</b>	<b>5,216</b>	<b>19.4%</b>	<b>100.0%</b>	<b>100.0%</b>

# Other Financial Figures



## Other financial figures

		1H2021	1H2020
<b>Working capital</b>	Inventory turnover (days) <sup>1</sup>	104 days	112 days
	Accounts receivable (days) <sup>1</sup>	131 days	134 days
	Accounts payable (days) <sup>1</sup>	78 days	69 days
<b>Leverage</b>	Debt / LTM EBITDA (x)	1.2x	1.3x
	Net debt / LTM EBITDA (x)	Net cash	Net cash
	Interest coverage ratio <sup>2</sup> (x)	28.9x	16.0x
<b>Ratio and returns analysis</b>	Current ratio	2.9x	3.2x
	Return on equity (ROE)	12.6%	11.4%
	Return on assets (ROA)	8.1%	7.5%
<b>Dividend</b>	Interim dividend (RMB/share)	7.7 cents	6.2 cents

Notes:

1. Represents average working capital days
2. Interest coverage ratio = EBITDA / finance costs

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Section 2

# Operational Highlights





# Nationwide Sales Network

## Distribution Network in China

We have established an extensive sales network comprising of 35 sales branches, 48 customer service centers and 2,768 sales representatives across 226 cities in China



- Headquarter
- 35 sales branches
- 2,768 sales representatives in 226 cities

## Number of customers (as of 30 June 2021)

	Newly added	China Total	Overseas Total
Hospitals	254	2,908	3,478
Blood stations	-	414	-
Other medical units	17	1,002	1,584
Distributors	451	3,072	1,649
<b>Total</b>	<b>722</b>	<b>7,396</b>	<b>6,711</b>

## 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

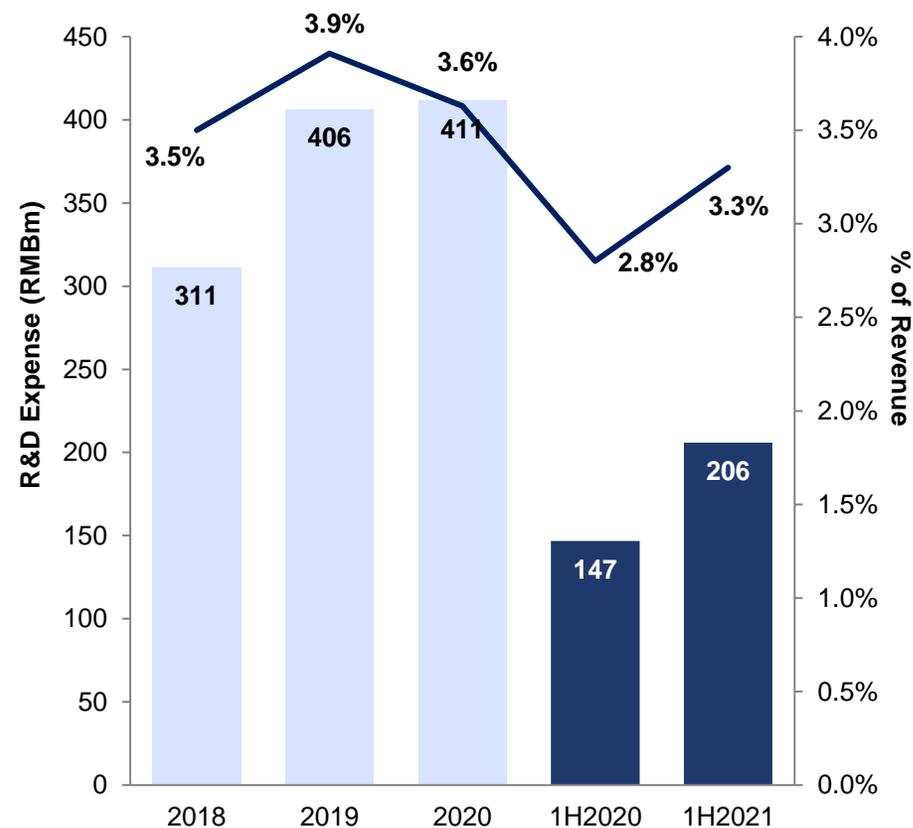
As of 30 June 2021

	China	Overseas
With product registration certificates	532	714
Under application for product registration certificates	33	190
Patented products	595	172
Under patented application	142	16

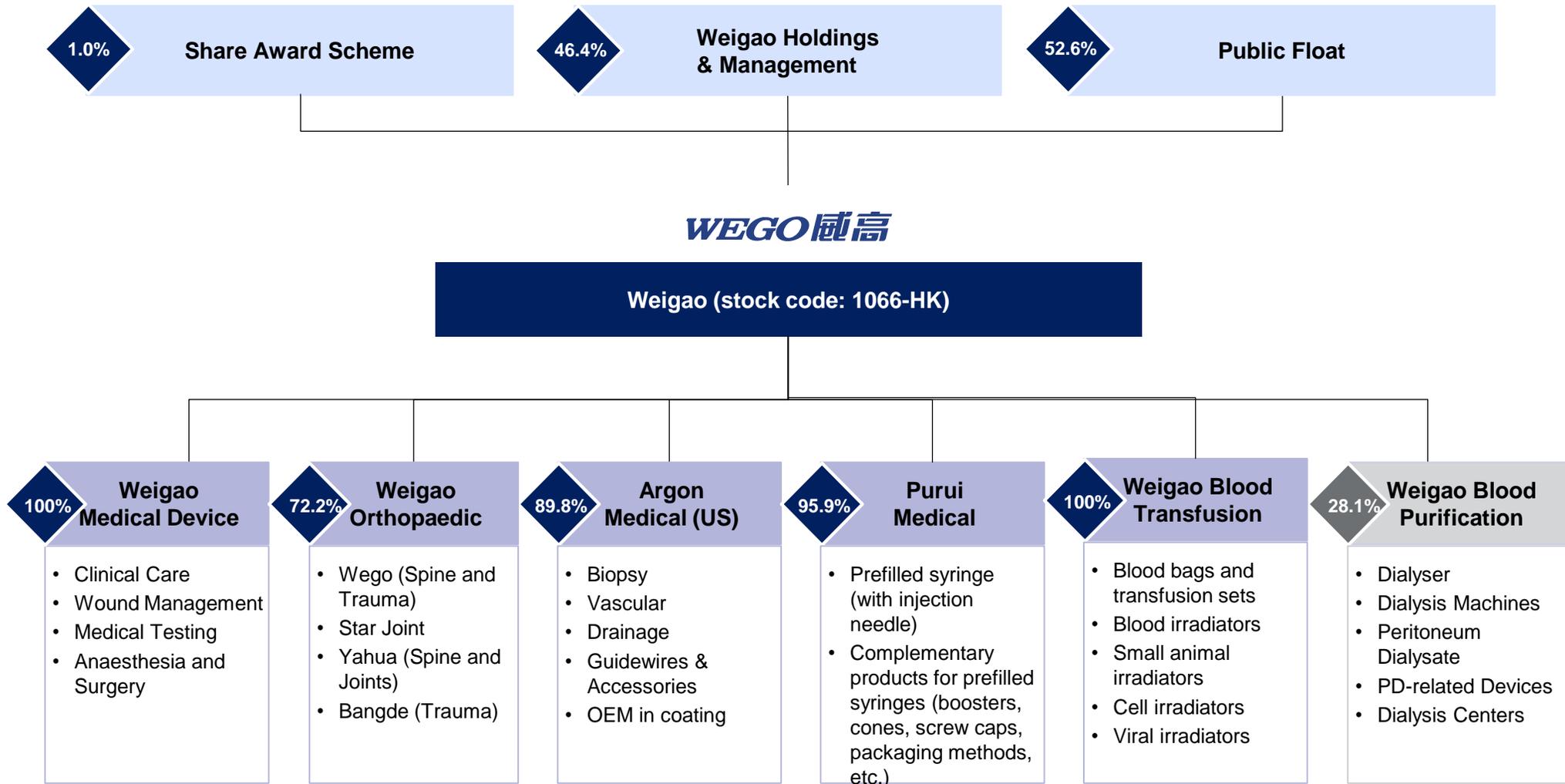
1H2021

	China	Overseas
Newly obtained product registration certificates	43	130
Newly obtained patented products	66	10

## R&D expense & percentage of total revenues



# Company Structure



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Section 3

# Strategic Outlook



# Corporate Milestones



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

- Established its orthopaedic business

- Entered the hemodialysis industry by introducing dialyser products

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

- New technology for preparation of infusion medical consumables and its large-scale application project won the second prize of National Technology Invention

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

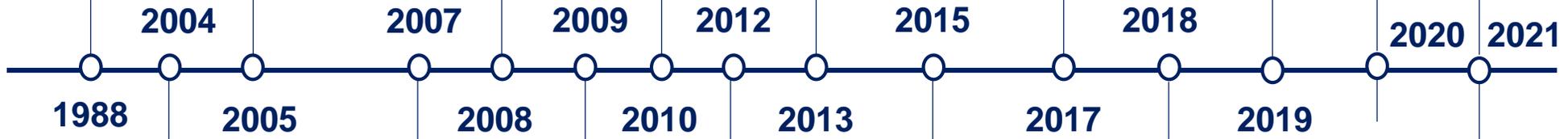


- Completed acquisition of Rad Source, a leading x-ray radiation device manufacturer



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

- Acquired controlling interest in an US-based distributor for Latin American market



1988

2004

2005

2007

2008

2009

2010

2012

2013

2015

2017

2018

2019

2020

2021

- Listed on the GEM board of HKEX



- Signed a loan agreement with IFC in relation to a US\$20m 8-year term loan

- Won the Shandong Province Industry-University-Research Cooperation Innovation Outstanding Contribution Award

- Formulation of JV with Terumo for peritoneal dialysis



- 5 year term loan from IFC of RMB600m

- Successfully completed the H-share **full circulation pilot program** and became a constituent of the Hang Seng Hong Kong Stock Connect Index

- IFC Green Bond of RMB1bn and term loan of RMB500m

- Weigao Orthopaedic listed on **Shanghai Stock Exchange**





# Management Vision

## Market Positioning

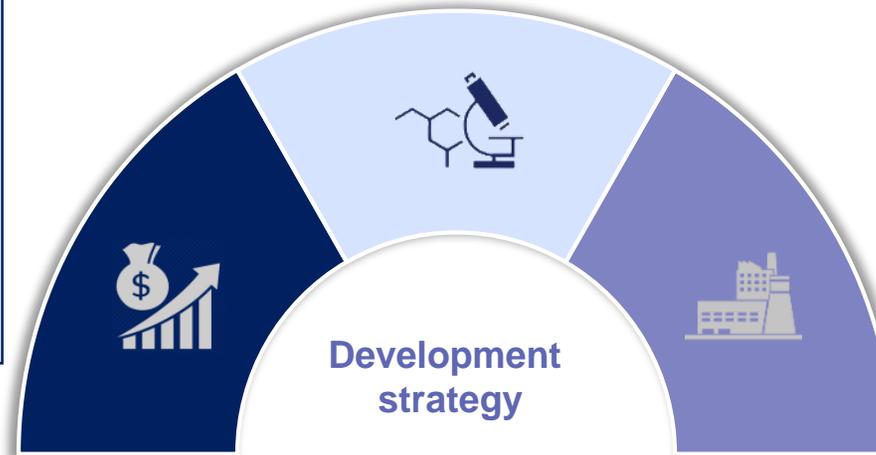
- To continue maintaining our position as the **pre-eminent player in the Chinese medical devices industry** with a view to grow into one of the world's leading medtech players
- **To continue to be the solutions provider and innovator of choice** for customers

## 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



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