



CONSCIENCE | INTEGRITY | LOYALTY

The Leading Total Solutions Provider in the PRC Medical Devices Sector

Investor Presentation

2019 Annual Results

March 2020

Business Update



Revenues surpassed RMB10bn: For the year ended 31 December 2019, we continued to record strong top-line results, with revenues increasing 17.7% y-o-y to RMB10,364m, marking the first time in our corporate history that we have exceeded the RMB10bn revenue milestone

- Our strong sales results was due to growth achieved across all of our business segments, headlined by:
 - Significant growth from our pharma packaging (+34.1%) and orthopaedic product (+31.8%) segments, and;
 - Consistent growth from our medical device products (+12.2%), interventional products (+14.6%) and blood management (+13.9%) businesses

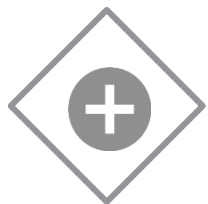


Continued expansion of Argon: Argon has continued to grow positively in FY2019, recorded total revenues and EBITDA of RMB1,433m and RMB505m for the year

- Argon China continued to make significant progress throughout the year
- Argon also completed an acquisition of a distributor in the UK, laying the foundations for further expansion in Europe



Continued increase in profitability : Our net income attributable to owners of the Company grew 25.3% y-o-y to RMB1,839m in FY2019 (21.2% y-o-y when excluding extraordinary items¹) in 2019



COVID-19 Update: While Weigao is still evaluating the full impact of COVID-19 to our business and financial condition, we expect to continue to record positive growth in FY2020 should the epidemic be contained globally in the next quarter

- Throughout the epidemic, the Weigao Group, including our employees, have collectively donated RMB50 million in medical products and funds in support of our country's front-line staff throughout our fight against COVID-19

Note: FY2019 represents unaudited figures

1. Extraordinary items include one-off expenses related to the early repayment of Argon's term loans in FY2019, as well as fair value appreciation of Argon's inventory and an one-off transaction expenses associated with the acquisition of Argon in FY2018

Table of contents



Section 1	FY2019 Financial Results	3
Section 2	Operational Highlights	10
Section 3	Strategic Outlook	15
Appendix A	Historical Reconciliation of Net Profit	19



Section 1

FY2019 Financial Results



Results Summary



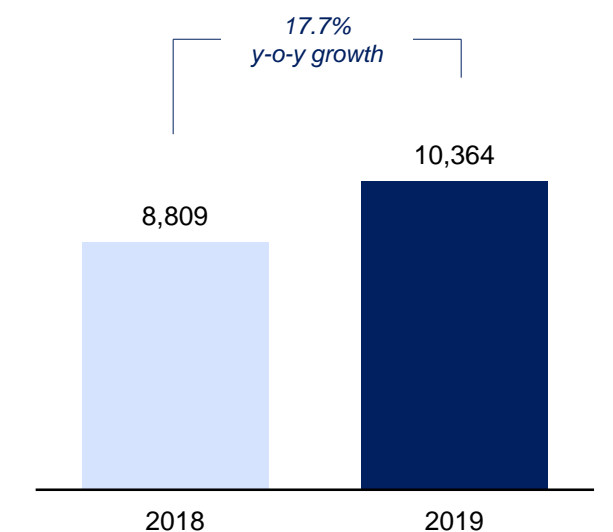
Revenue



Gross profit¹



Net profit attributable to owners of the Company^{1,2}



RMBm	FY2018	FY2019	Growth (%)
Revenue	8,809	10,364	17.7%

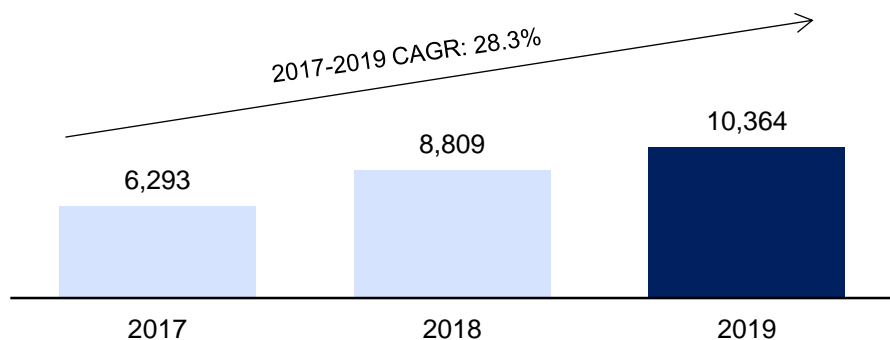
RMBm	FY2018	FY2019	Growth (%)
Gross profit	5,475	6,505	18.8%
Margin (%)	62.2%	62.8%	+0.6ppts

RMBm	FY2018	FY2019	Growth (%)
Net profit	1,587	1,923	21.2%
Margin (%)	18.7%	19.4%	0.7ppts

Key Financial Figures



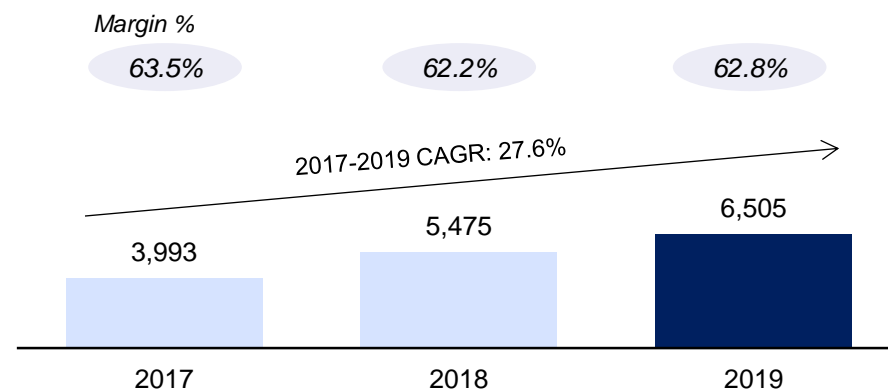
Revenue (RMB million)



Restated after the
deconsolidation of Weigao
Blood Purification

Consolidation of Argon

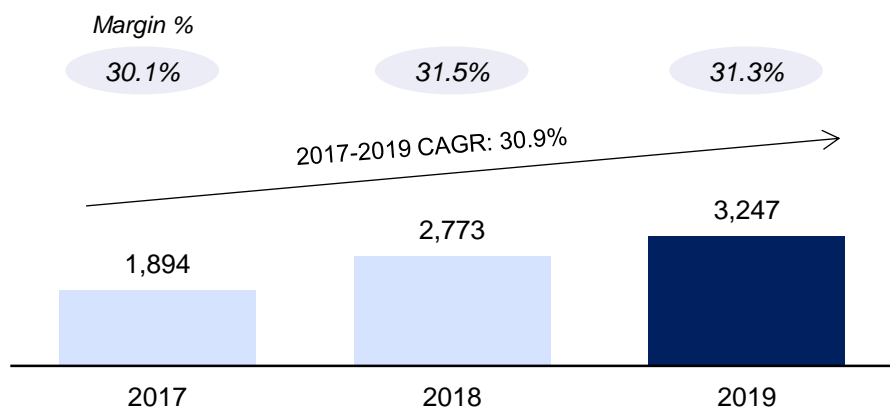
Gross profit¹ (RMB million)



Restated after the
deconsolidation of Weigao
Blood Purification

Consolidation of Argon

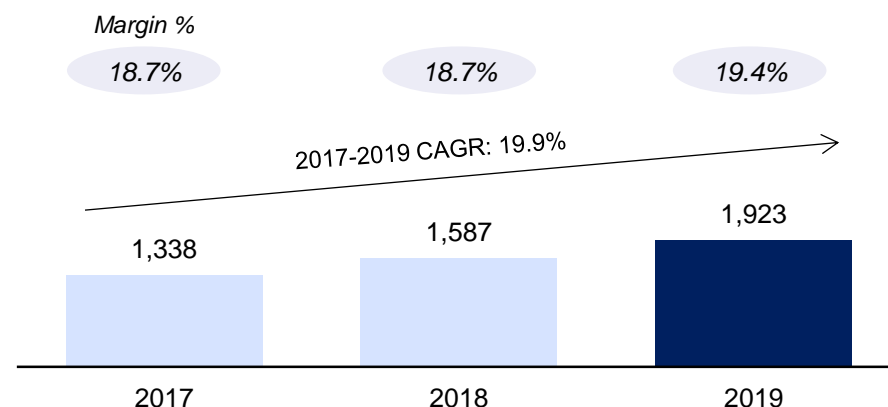
EBITDA¹ (RMB million)



Restated after the
deconsolidation of Weigao
Blood Purification

Consolidation of Argon

Net profit attributable to owners of the Company^{1,2} (RMB million)



Restated after the
deconsolidation of Weigao
Blood Purification

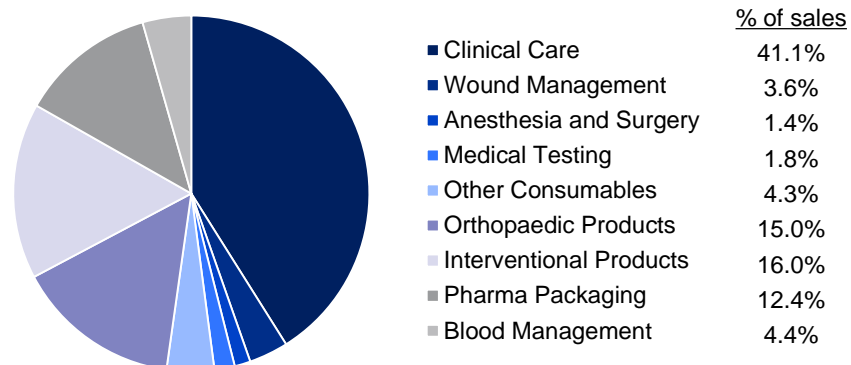
Consolidation of Argon



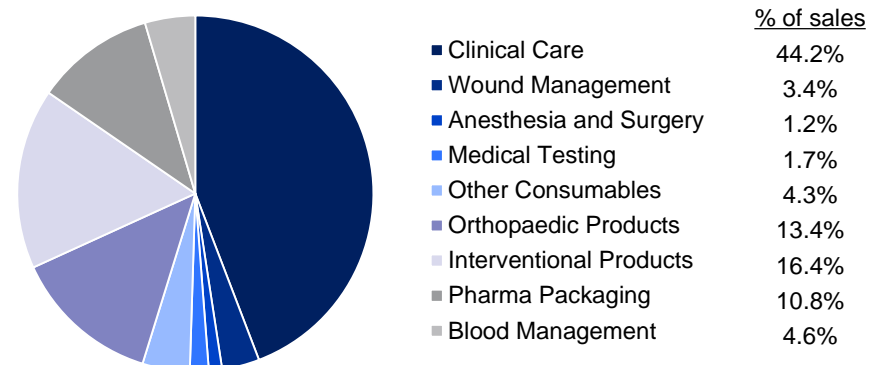
Revenue Breakdown By Products

Revenue Breakdown

FY2019



FY2018



	Segmental revenues (RMBm)			% of revenues	
	FY2019	FY2018	% Change	FY2019	FY2018
Medical Device Products	5,414	4,826	12.2%	52.2%	54.8%
<i>Clinical Care</i>	4,256	3,892	9.4%	41.1%	44.2%
<i>Wound Management</i>	370	300	23.3%	3.6%	3.4%
<i>Anesthesia and Surgery</i>	150	106	41.2%	1.4%	1.2%
<i>Medical Testing</i>	191	151	27.1%	1.8%	1.7%
<i>Other Consumables</i>	448	378	18.3%	4.3%	4.3%
Orthopaedic Products	1,556	1,181	31.8%	15.0%	13.4%
Interventional Products	1,656	1,444	14.6%	16.0%	16.4%
Pharma Packaging	1,281	956	34.1%	12.4%	10.8%
Blood Management	458	402	13.9%	4.4%	4.6%
Total	10,364	8,809	17.7%	100.0%	100.0%

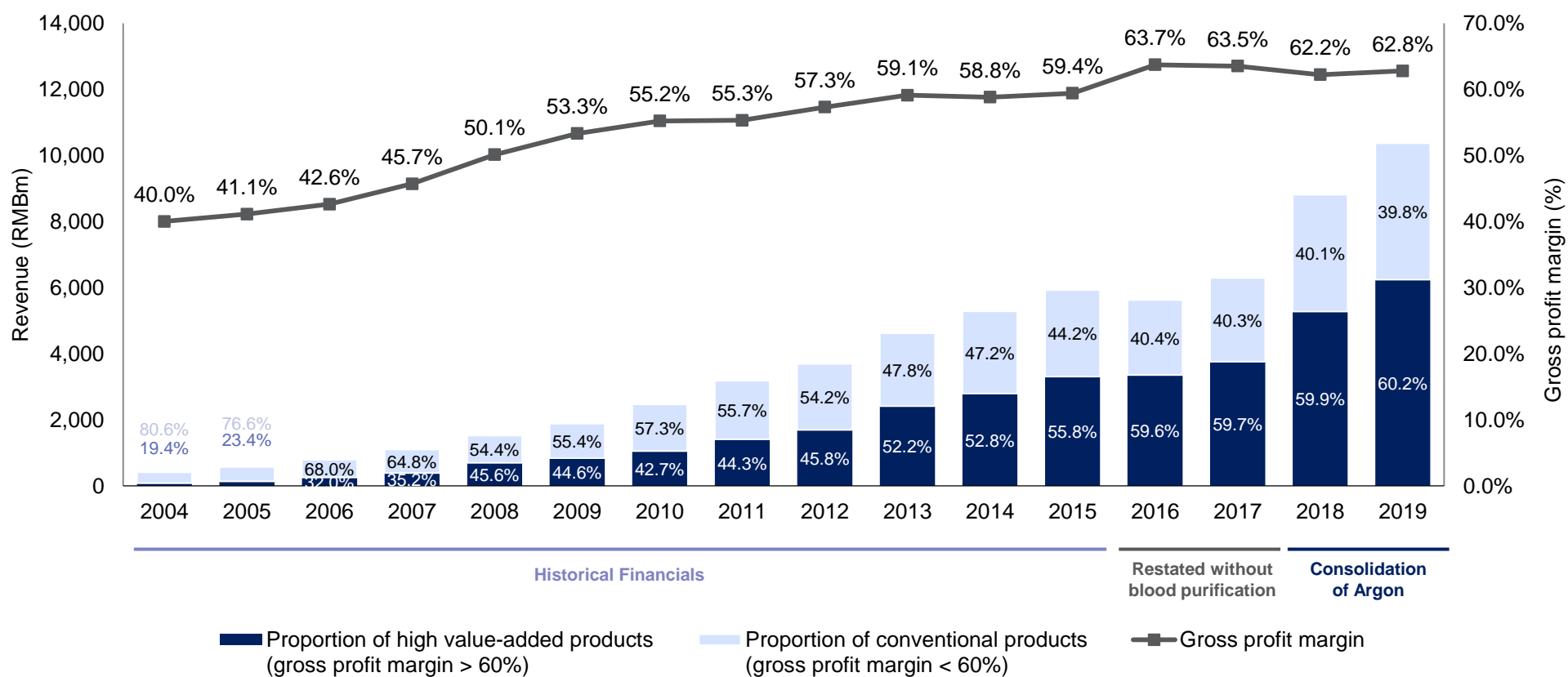
A Track Record of Sustainable and Steady Growth



Turnover and margin evolution since IPO

In FY2019, 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

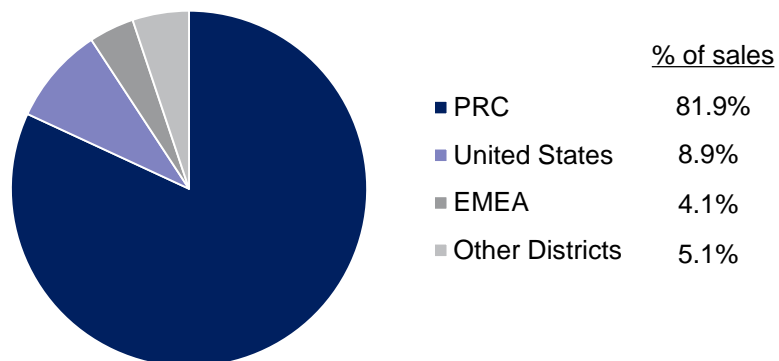


Geographic Information

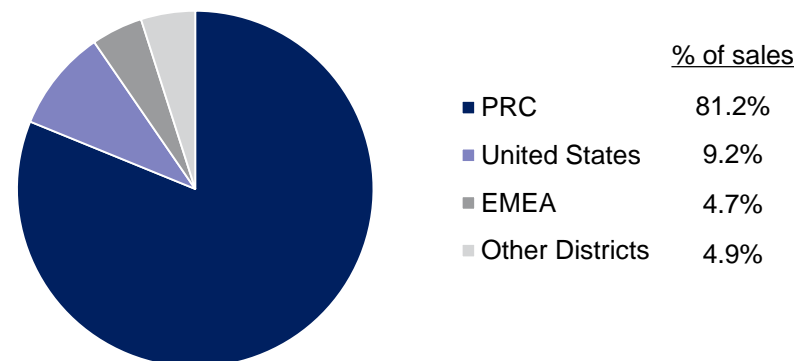


Geographic breakdown

FY2019



FY2018



	Segmental revenues (RMBm)			% of revenues	
	FY2019	FY2018	% Change	FY2019	FY2018
PRC	8,488	7,150	18.7%	81.9%	81.2%
United States	918	815	12.8%	8.9%	9.2%
Europe, the Middle East and Africa	426	411	3.6%	4.1%	4.7%
Other Districts	532	434	22.7%	5.1%	4.9%
Total	10,364	8,809	13.1%	100.0%	100.0%

Other Financial Figures



Other financial figures

		FY2019	FY2018
Working capital	Inventory turnover (days) ¹	111 days	115 days
	Accounts receivable (days) ¹	128 days	132 days
	Accounts payable (days) ¹	68 days	64 days
Leverage	Debt / LTM EBITDA (x)	1.7x	1.9x
	Net debt / LTM EBITDA (x)	0.4x	0.6x
	Interest coverage ratio ² (x)	10.2x	9.7x
	Gearing ratio ³ (%)	33.9%	36.8%
Ratio and returns analysis	Current ratio	2.8x	3.2x
	Return on equity (ROE)	12.5%	11.4%
	Return on assets (ROA)	8.0%	8.1%

Notes: FY2019 represents unaudited figures

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 36 sales offices, 28 customer service centers and 2,566 sales representatives across 238 cities in China



Number of existing clients in China and corresponding coverage ratios (as of 31 December 2019)

	# covered	Total # in China	Coverage ratio
Grade III hospitals	1,306	2,681	48.7%
Grade II hospitals	1,251	9,478	13.2%
Distributors	1,904	—	—

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, acquired in 2018, has a highly professional sales team based in US

Product Portfolio



Product Development

	Number of products as of 31 December 2019	
	China	Overseas
With product registration certificates	511	569
Under application for product registration certificates	15	34
Patented products	488	157
Under patented application	110	13

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

In addition, Argon has capitalized on the growth opportunity in China in FY2019, recording strong results over the year, with more visible growth potential on the horizon

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



Financial Performance

- Argon's revenues and EBITDA continued to grow steadily in FY2019
- Argon's core products continued to maintain its leading positions in the US, while its global operations continued to achieve consistent growth



Argon China

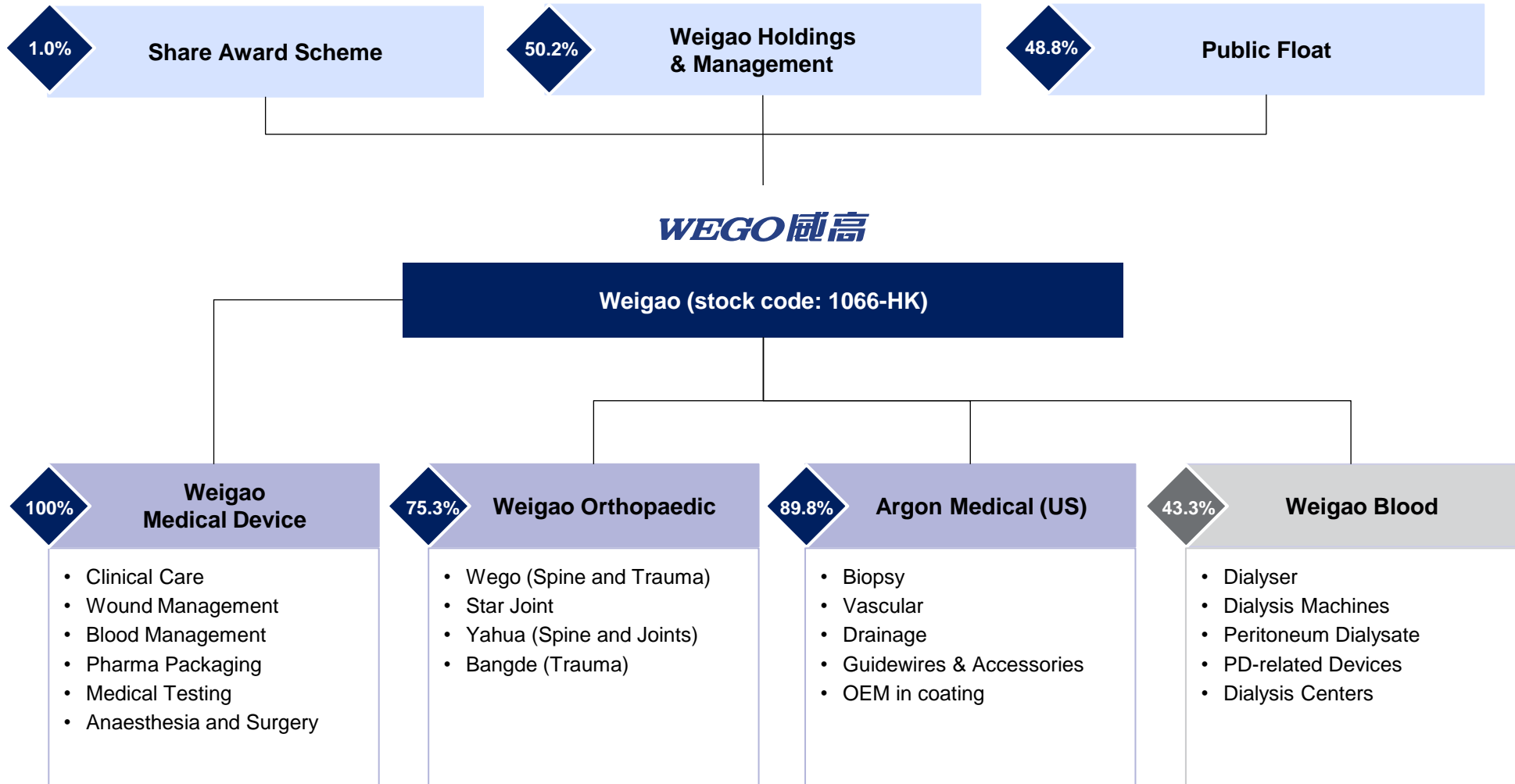
- China has been pinpointed as one of Argon's key growth regions going forward; Argon aims to utilize Weigao's vast network and local expertise to rapidly grow its presence in China in the coming years
- In 2019, Argon continued to make strides in establishing its sales & distribution network, laying the foundations for future rapid growth



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

Corporate Structure





Section 3

Strategic Outlook



Corporate Milestones



WEGO 威高

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

- Established its orthopaedic business

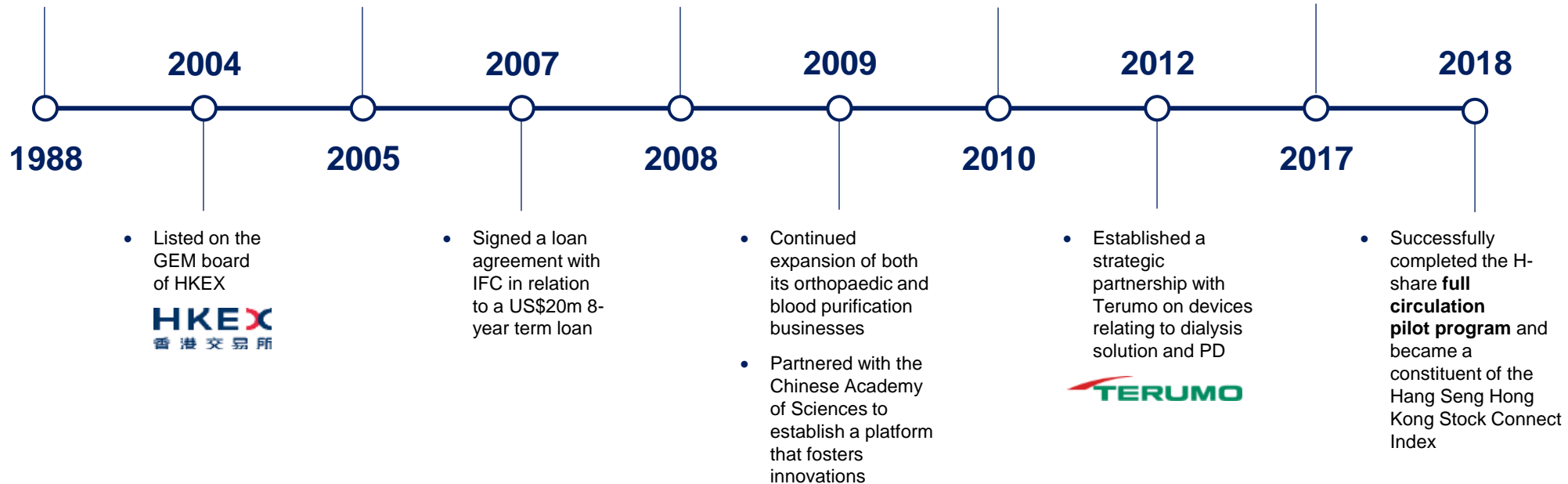
- Entered the hemodialysis industry by introducing dialyser products

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



HKEX
香港交易所

TERUMO

WEGO 威高

Source: Public information

Management Vision



Market Positioning

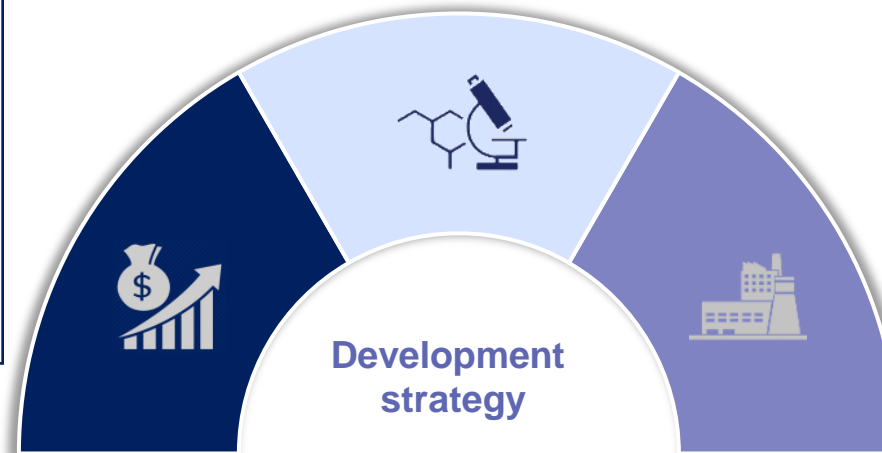
- To continue maintaining our position as the **pre-eminent player in the Chinese medical devices industry** with a view to grow into one of the world's leading medtech players
- **To continue to be the solutions provider and innovator of choice** for customers within our 3 core segments (consumables, orthopaedics and interventional products)

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+3 strategy, (8 product lines + 3 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





Appendix A

Historical Reconciliation of Net Profit



Historical Reconciliation of Net Profit

	12 months ended 31 Dec 2018 RMB'000	12 months ended 31 Dec 2019 RMB'000	Change (%)
Profit for the Year	1,516,784	1,919,964	26.6%
Less: Non-controlling interest	43,849	75,081	
Profit for the year attributable to owners of the Company	1,472,935	1,844,883	25.3%
Add: Argon acquisition expenses	36,937	-	
Add: Increase in COGS as a result of Argon inventory revaluation	76,962	-	
Add: One-off expenses related to the early repayment of Argon term loans	-	78,509	
Net profit excluding extraordinary items	1,586,834	1,923,392	21.2%

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.