

Sanyang Motor 2021
Taiwan CEO Week

April | Taipei



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Taiwan Leading Motorcycle and Automobile Manufacturer

Establishment:1961

Ticker: 2206 TT

Full Time Employees: 2300

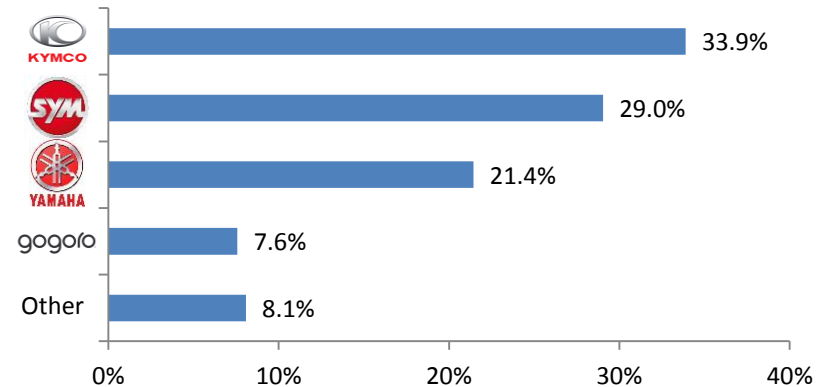
Dedicated in R&D, manufacturing and marketing of motorcycle, scooter, all terrain vehicle (ATV) and automobile

2020/3M2021 Revenue of NT\$ 40.8bn/ 9.9bn

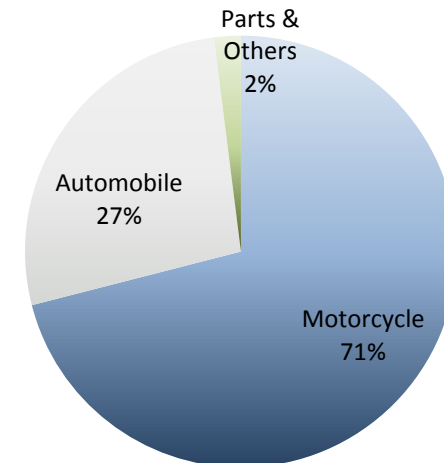
Market Cap: US\$ 870 mn (2020/04/06)

- Headquarters: Hsinchu, Taiwan
- Hsinchu Plant: 280,000 units (2 wheel); 12,000 units (4 wheel)/yr
- Xiamen Plant: 250,000 units (2 wheel)
- Vietnam Plant: 120,000 units (2 wheel)

2020 Taiwan Motorcycle Market Share



2020 Sanyang Product Mix



Value Creation – Sanyang Style



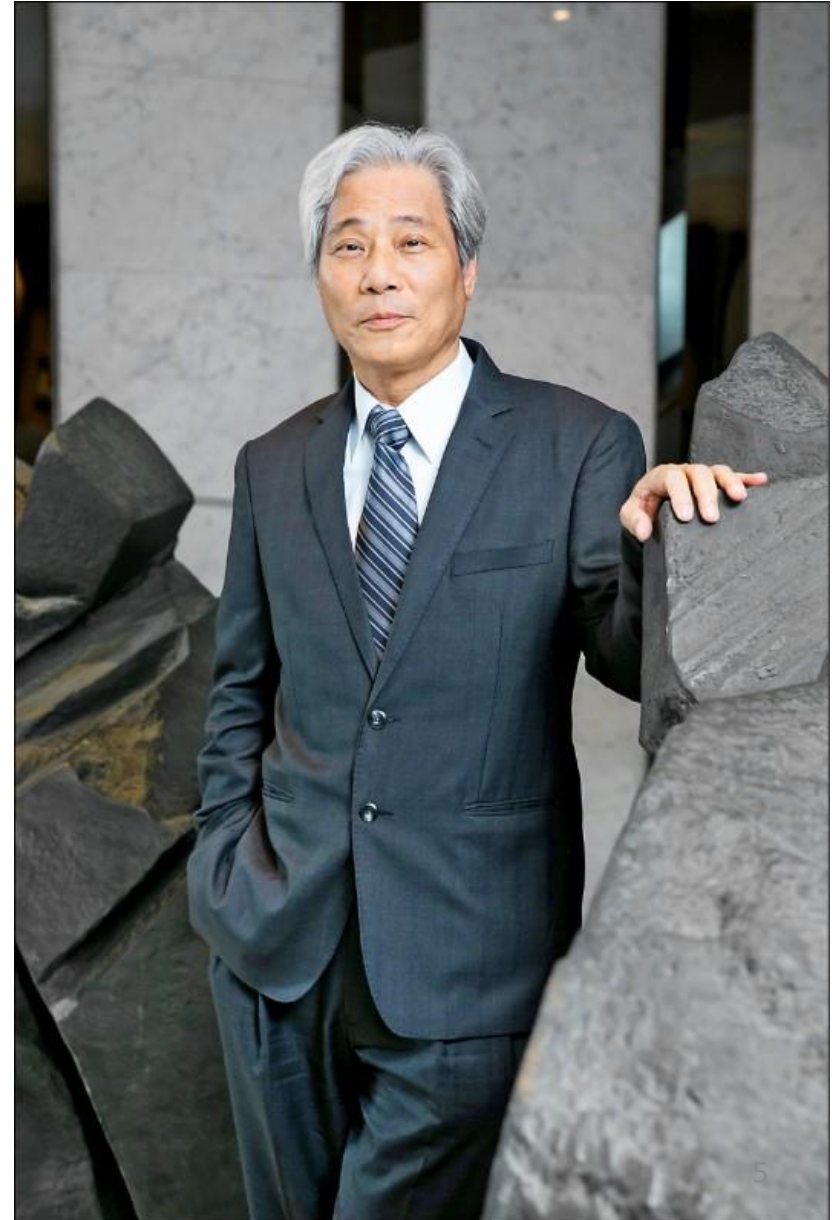
- Sanyang Motor's business across motorcycle and automobile. The motorcycle division manufactures and markets own brand (SYM) motorcycle in Taiwan, also own brand and OEM in overseas market. Current market share of SYM in Taiwan is 30%.
- The automobile division manufactures and imports Hyundai vehicles in Taiwan Market.
- After Mr. Wu, Ching-yuan was elected as the Vice Chairman of Sanyang Motor in 2014, he initiated a series of transformation plan for Sanyang to expand economies of scale and vertical integration.
- Sanyang's mid-term target: 1) return to #1 motorcycle brand in Taiwan market; 2) global motorcycle sales over 750,000 units; 3) Hyundai's market share improved to top 10 in Taiwan

Strong Leadership

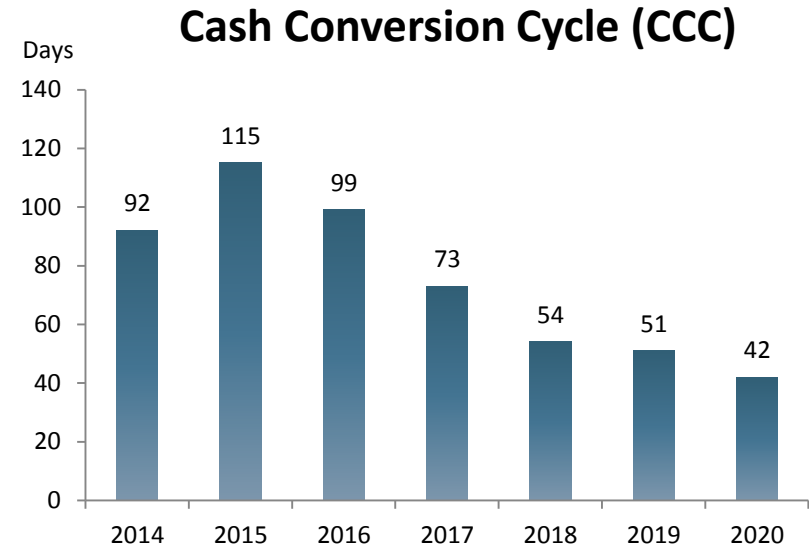
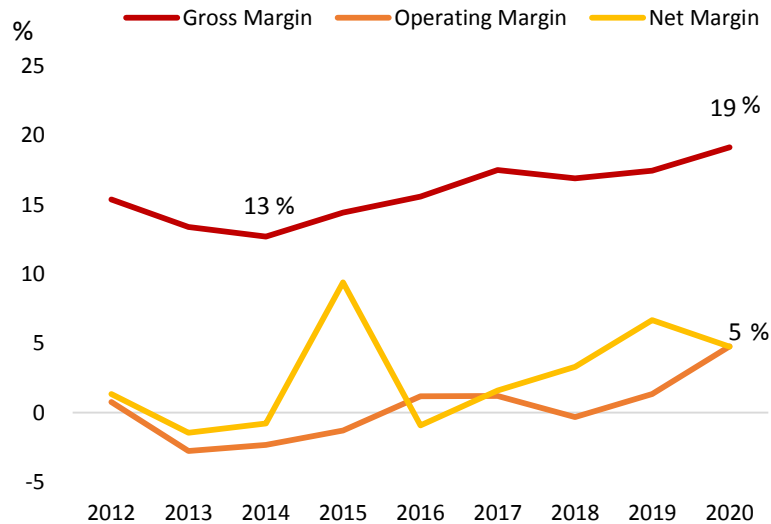


Chairman: Wu, Ching-Yuan

- Chairman Wu graduated from National Taipei University of Technology and hold the associate degree in Mechanical engineering, he also holds a Masters degree in architecture & Urban Planning from Chung Hua University.
- Mr. Wu was elected to be the Vice Chairman in 2014, and Chairman & CEO in 2017
- Chairman Wu initiated 3x3 year development plan in 2014, accelerating the transformation of Sanyang Motor, improved product quality and competitiveness
- Under his leadership, 2020 SYM motorcycle market share in Taiwan has tripled compare to 2014. 2020 operating profit reached historical high.

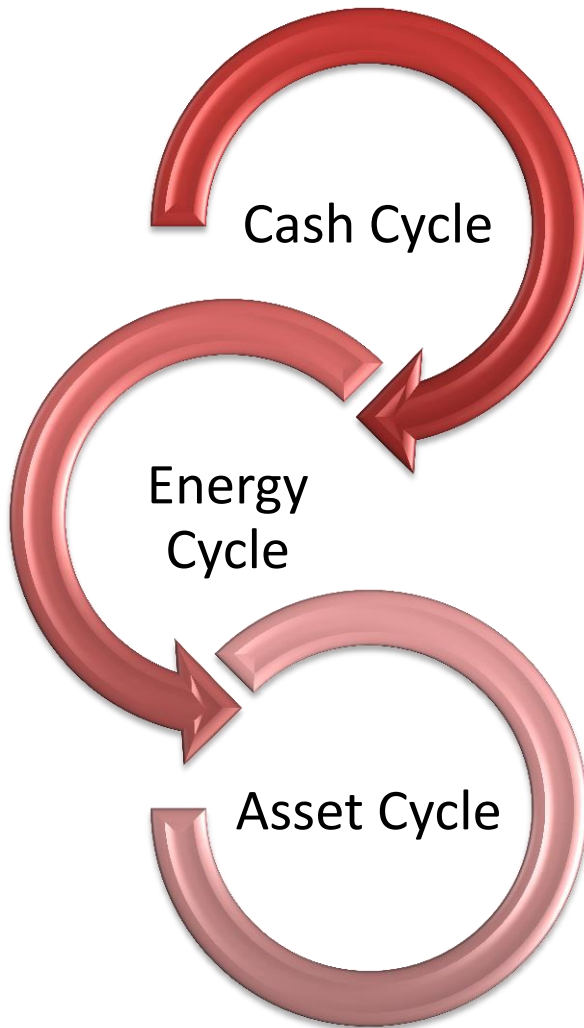


Improved Profitability and Efficiency after Transformation



- Under Chairman Wu's leadership, the Company re-focused on the core business. Sanyang developed a series of fuel-efficient and low emission engine –with more power output. Using high quality parts and electronic control unit in all models of products. Competitors without innovative products and no price advantage, Sanyang grabbed more market share and far ahead of YAMAHA by 12.7 ppt, and only 3.5 ppt behind KYMCO in Dec. 2020.
- Gross margin was improved from 13% in 2014 to 19% in 2020
- Sanyang is pledged to return to #1 brand in Taiwan market.

Strategies to Sustainable Growth

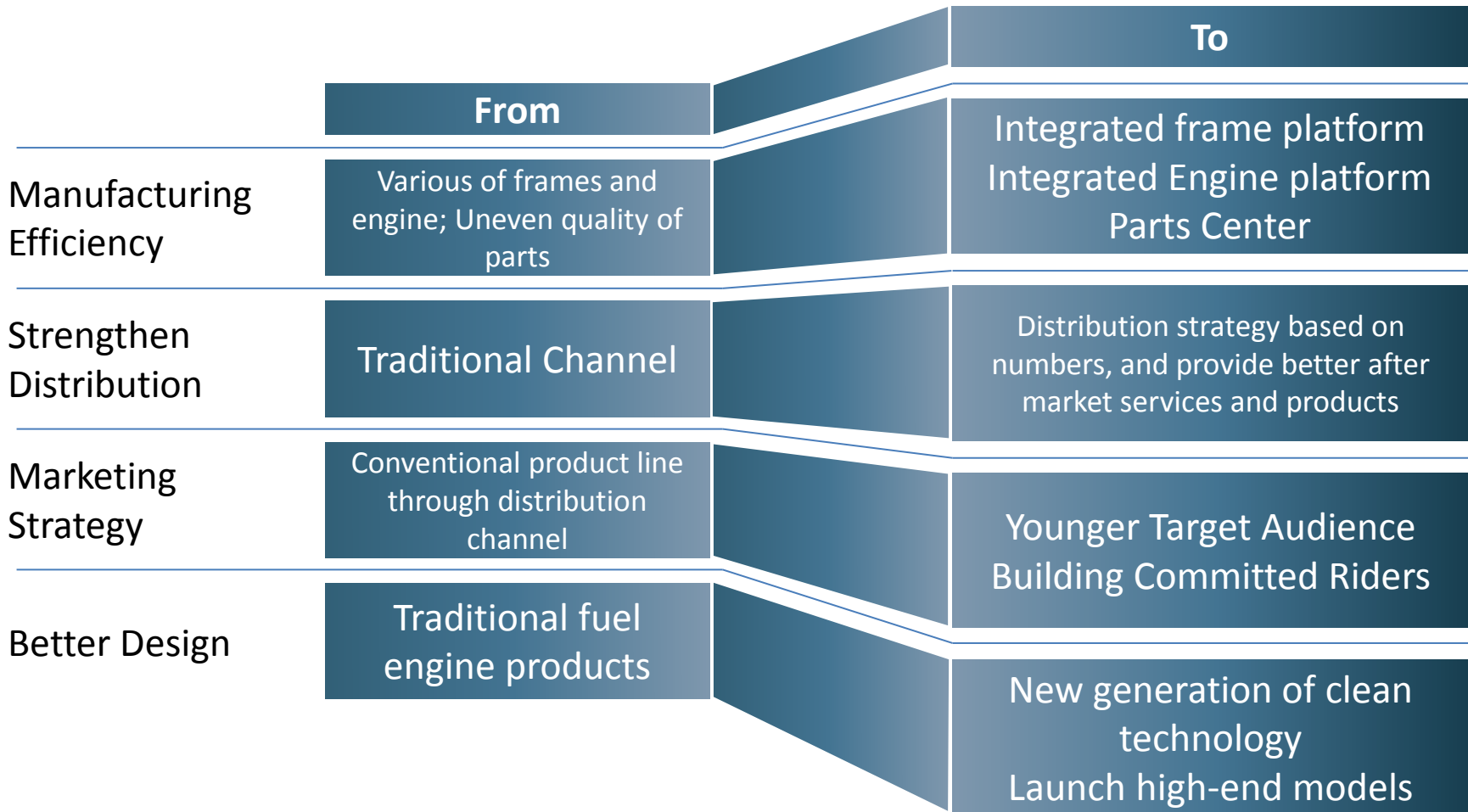


- Focus on core business, improve revenue, margin and ROE. Targeting sustainable ROE over 15%
 - Expand market share of SYM and Hyundai, Strengthen brand image
-
- Develop multiple battery technologies for different application
 - Leverage the next generation Aluminum battery technology to develop a sustainable energy business to become a new revenue stream for Sanyang
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- Reactivate land asset of Sanyang, and re-invest profit back to core business.
 - Targeting ROI >20% from each project

Motorcycle



Sanyang's Transformation

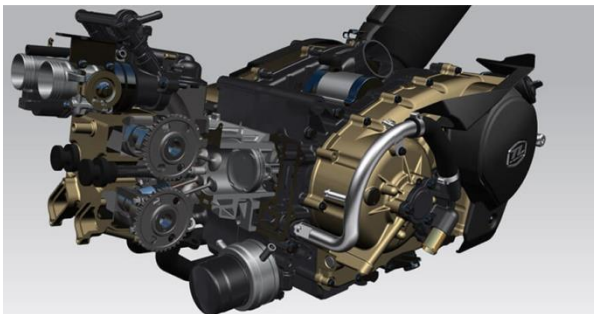


Improved Manufacturing Efficiency

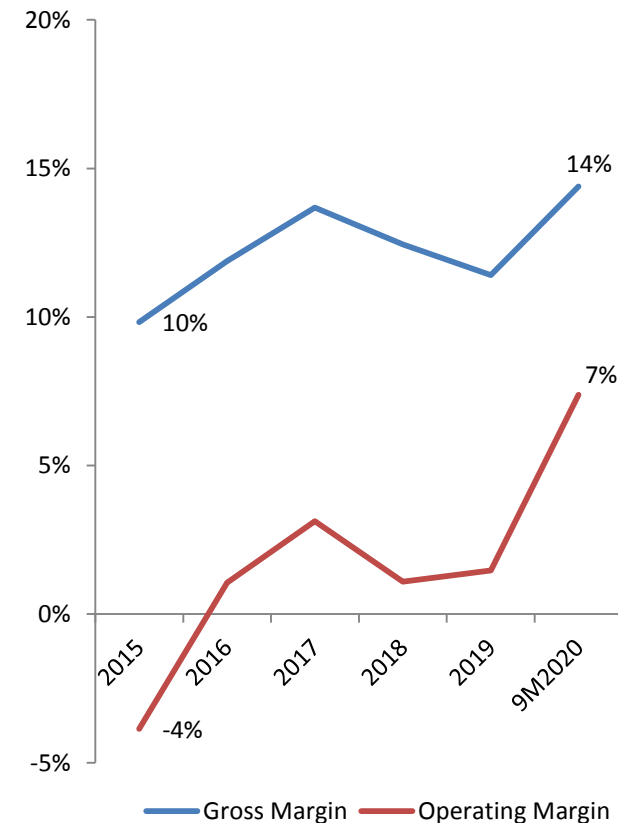


Leaner, Faster, Better

- Integrated motorcycle frame and engine platform: Develop new models with shared frame and engine, to centralize procurement, improve production efficiency and fast response to market needs. The initiative also reduce manufacturing cost, operating expenses, CAPEX and R&D cost, to improve margin.
- Set up Parts Center which belongs to Sanyang, unify the quality of original parts and aftermarket parts. Increased quality has elevated customer satisfaction, and increase profit.



Improving Motorcycle Business Profitability



Strengthen Distribution Channel



Easier Access, Higher Satisfaction



Leveraging social media, quick respond to the market: Sanyang collected rider's feedback through comments on the internet or social media, and its distribution channels as well as repair shops. Find out rider's problem and integrate the solutions into new models.



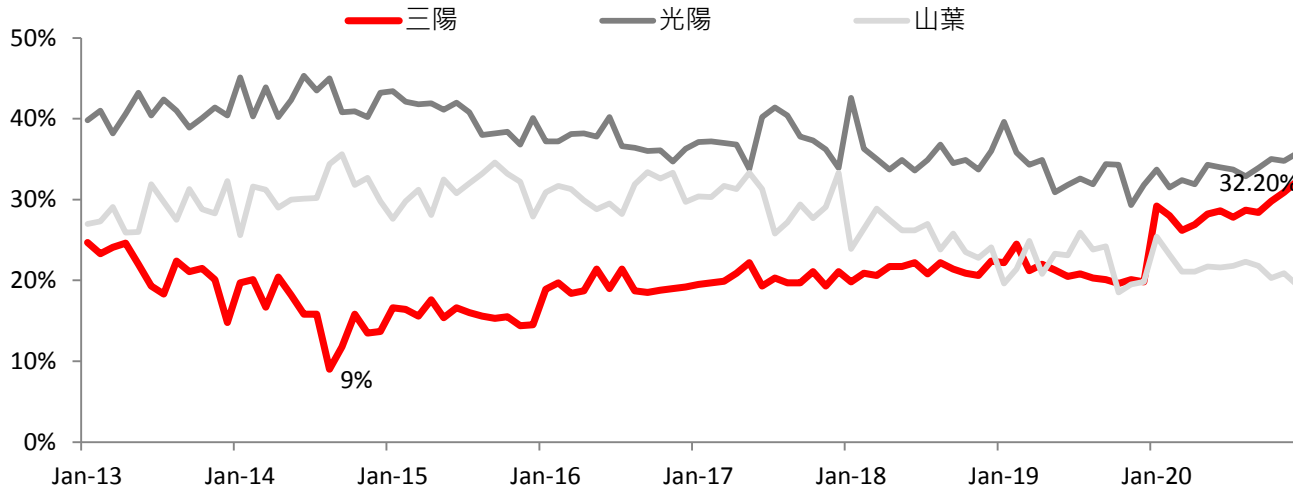
More dealer and Sanyang specialty store: focused on territories with weaker sales channel coverage, increase more dealer and specialty store to expand access and appeal to more potential customers



Better training: provides new product training programs to dealer/ specialty store and repair shop, ex. Jet engine, electrical parts and wiring, latest engine model repair...etc. The program improved the brand loyalty to channels, improved customer satisfaction of aftermarket services and strengthen the commitment of riders.

Creative Marketing Strategy

Younger, Stickier, More Conversion



- We are developing a younger SYM brand name, and targeting 18-35 year old riders
- We have a wide range of promotion campaign, ex. Collaboration with video games, participated in TSR* championship to boost our sales; We also paid a lot of efforts building SYM rider's community, to serve current over 4 million SYM Riders in Taiwan
- The new marketing initiative increased test ride rate, conversion rate and commitment of the riders to SYM brand



* TSR=TAIWAN SPIRIT RIDERS ASSOCIATION

Better Design



Stronger, Faster, More Spectacular

- **Shortened new product development:** Design based on shared frame and engine, improve quality and largely shortened R&D timeline, from 18 months per model down to as short as 8 months
- **Quality design improved ASP:** Develop more powerful fuel efficient engine and high-end motorcycle, to elevate ASP
- **SYM Re-brand:** Design younger model, includes JET SR, 4 sacred beasts series to forge the brand name
- **Agility of competition:** Fast react to the latest regulation of emission and fuel consumption



Strategies in E-motorcycle

Greener, Cleaner, More Sustainable



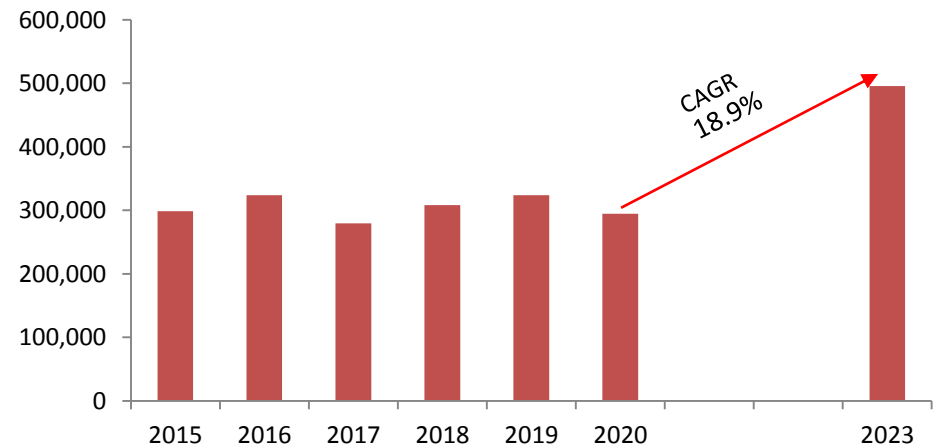
- **Robust strategies in E-motorcycle:** continuously develop battery technology toward dual battery system, can support both charging and battery switch system
- **Aluminum battery:** tolerate wide temperature range, low manufacturing pollutions, long life cycle, fast charging/ discharging, can replace lead-acid batteries and apply to budget models. The battery is also good for energy storage
- **lithium-ion ternary+ battery:** high energy density, long life cycle and fast charging/ discharging, will be used in high-end models. The project also leverages the advantage of over 2,000 service stations of CPC Taiwan.
- **Strategic partners:** Aph ePower(aluminum battery) 、 CPC Corporation(soft carbon lithium ion shared battery system)

Global Market



- Sanyang had set up a new International Business Development Sector to centralize resources and coordinate capacity in Hsinchu, Xiamen and Vietnam for global motorcycle market.
- Current footprints across China, ASEAN countries, Northeast Asia, Europe and the Americas
- Other than own brand products, Sanyang also signed OEM contract with Lambretta (Italy) and Peugeot (France)

SYM Ex-Taiwan Shipment



Automobile



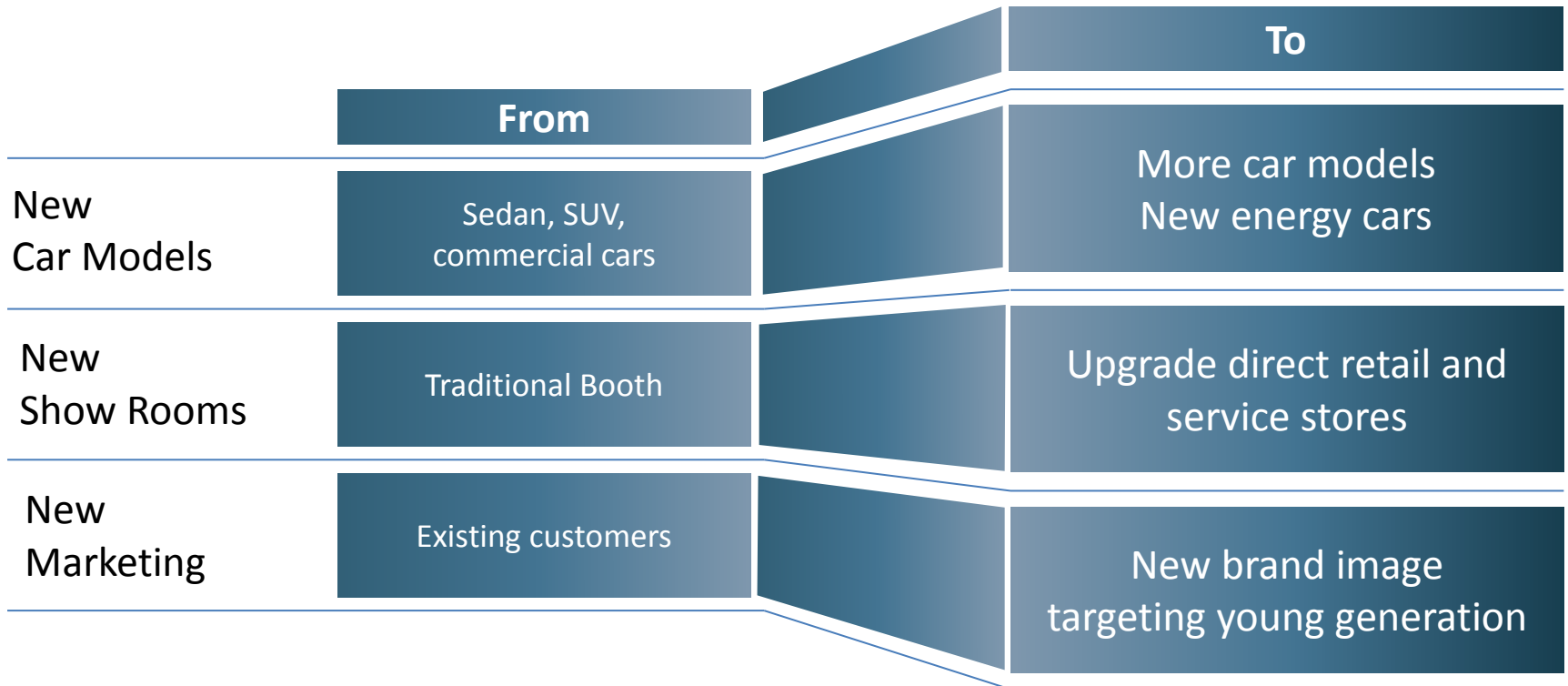
Expand Market Share

- Hyundai's sales volume was 12,331 cars in 2020, account for 2.7% of market share
- 2025 sales volume target: 16k, accounting for 3.5% of market share

Hyundai Automobile Sales Volume at Taiwan



Rank	Brand	2020 Market share	2025 Market share target
1	Toyota	27.7%	
2	Mitsubishi	10.7%	
3	Nissan	7.7%	
4	Honda	6.7%	
5	M.Benz	6.5%	
6	Ford	6.3%	
7	Lexus	5.0%	
8	BMW	4.0%	
9	Mazda	3.6%	
10	VW	2.9%	
11	Hyundai	2.7%	3.5%
12	Suzuki	2.1%	
13	Volvo	1.5%	
14	Skoda	1.5%	
15	Tesla	1.3%	



- Sedan and full SUV family:



- Enrich A-B segment car models to increase market share
 - Increase brand loyalty
- Introducing new generation model and N Brand High Performance Cars: New Elantra & Tucson



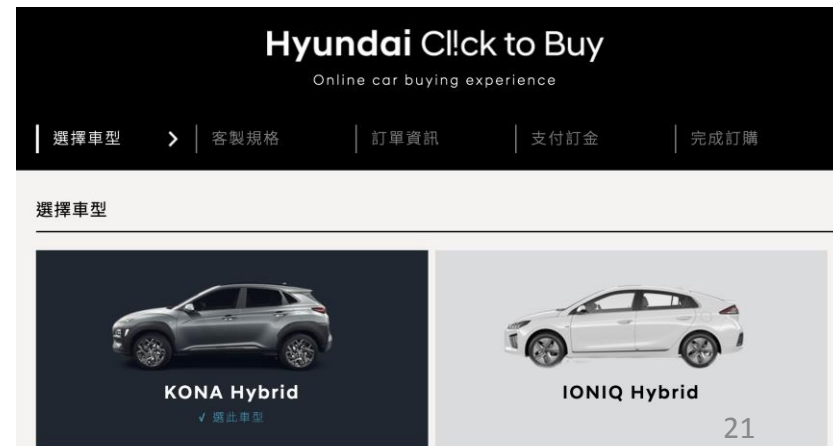
- Commercial Cars:
 - 4k sales volume in 2020
 - Introduce new 3.5 ton models



- Follows Hyundai’s “Strategy 2025” project that committed to become top three EV manufacturer by 2025, accelerated introducing EV
 - Smart Mobility Solution Provider initiative will invest US\$ 52bn, to design 44 new EV models and sell **1 million** BEVs and FCEVs annually; become **top three** EV manufacturer with **10%** EV market share by 2025
- Sanyang will introduce domestic produced Tucson Hybrid in 2021 to become the 2nd company in Taiwan producing hybrid vehicles. Sanyang introduced Kona Hybrid, Ioniq Hybrid in 2020, and will introduce Santa Fe Hybrid, Kona EV, Ioniq EV in 2021. Sanyang will introduce more EVs when the local infrastructure becomes more common



- Next generation show rooms:
 - 2019 initiated show room upgrade plan and introduced “fast service” and “24-7 service reservation”. Now 54 show rooms have grand opened
 - 2020-22 investing NT\$1.5 billion for land procurement, constructing delivery center and flagship 3S stores at Northern, Central and Southern Taiwan
 - Mega self-owned show rooms will enhance regional dealer stores sales and services
- New brand image for younger generations
 - Hyundai Motor Company marketing resource
 - Hyundai EV APP: Buyers can search for the closest charging station through Hyundai EV APP (more than 2,300 stations)
 - First in the industry – online payment: Hyundai drivers can use LinePay in Hyundai service center and for the down pay of buying new car
 - “Click to Buy” on-line platform



Financials



Historical Cash Dividend 2013-19



NT\$ mn	2013	2014	2015	2016	2017	2018	2019
Net Income	\$-474	\$-279	\$3,093	\$-322	\$509	\$1,038	\$2,226
Cash Dividend	\$0	\$0	\$880	\$880	\$841	\$826	\$811
DPS (NT\$/share)	\$0.00	\$0.00	\$1.00	\$1.03	\$1.02	\$1.00	\$1.01
Cash Yield (%)⁽¹⁾	-	-	4.4%	4.9%	4.7%	4.4%	4.7%
Payout Ratio (%)	0%	0%	29%	-	171%	79%	37%
Ex-div Date	-	-	<i>2016/8/30</i>	<i>2017/7/18</i>	<i>2018/7/24</i>	<i>2019/7/19</i>	<i>2020/7/21</i>

Source: TEJ, Capital IQ

Note 1 : Stock price based on closing price the day before Ex-div date

5-year Income Statement



NT\$ Million	2015	2016	2017	2018	2019	2020	YoY (%)					
							2015	2016	2017	2018	2019	2020
Sales Revenue	32,884	35,451	31,679	31,351	33,383	40,775	(9.8)	7.8	(10.6)	(1.0)	6.5	22.1
Gross Profit	4,742	5,522	5,541	5,298	5,823	7,807	2.5	16.4	0.3	(4.4)	9.9	34.1
Operating Profit	-419	423	385	-100	451	1,959	-	-	(9.0)	(125.9)	-	334.4
Income before Tax	3,597	-15	544	1,168	2,410	2,494	-	(100.4)	-	114.7	106.3	3.5
Net Income to Parent	3,093	-322	509	1,038	2,226	1,938	-	(110.4)	-	104.0	114.4	(12.9)
EPS (NT\$)	3.48	-0.37	0.60	1.26	2.71	2.41	-	(110.6)	-	111.3	115.0	(11.1)

Key Financial ratio (%)

Gross Margin	14.4	15.6	17.5	16.9	17.4	19.1
Operating Margin	(1.3)	1.2	1.2	(0.3)	1.4	4.8
Opex ratio	15.7	14.4	16.3	17.2	16.1	14.3
Net Margin	9.4	(0.9)	1.6	3.3	6.7	4.8

5-year Balance Sheet



NT\$ Million	2015	2016	2017	2018	2019	2020	YoY (%)					
							2015	2016	2017	2018	2019	2020
TOTAL ASSETS	42,948	40,282	36,629	37,397	41,122	44,018	6.7	(6.2)	(9.1)	2.1	10.0	7.0
Cash	3,961	3,827	3,396	7,420	3,983	4,861	(17.8)	(3.4)	(11.3)	118.5	(46.3)	22.0
NR & AR	2,336	4,460	2,359	2,477	2,284	2,136	4.2	90.9	(47.1)	5.0	(7.8)	(6.5)
Inventory	9,497	5,206	4,155	4,085	4,635	5,657	12.8	(45.2)	(20.2)	(1.7)	13.5	22.1
Fixed Asset	11,304	11,367	11,194	10,884	12,050	12,711	(11.3)	0.6	(1.5)	(2.8)	10.7	5.5
TOTAL LIABILITIES	24,438	23,665	21,993	23,296	25,881	27,951	2.0	(3.2)	(7.1)	5.9	11.1	8.0
Bank Loans	15,228	13,680	13,472	14,998	16,656	15,662	3.8	(10.2)	(1.5)	11.3	11.1	(6.0)
NP & AP	2,265	2,449	2,411	2,469	2,809	4,114	1.5	8.2	(1.6)	2.4	13.8	46.4
TOTAL EQUITY	18,510	16,617	14,637	14,101	15,241	16,067	13.8	(10.2)	(11.9)	(3.7)	8.1	5.4
A/R turnover days	28	38	42	31	29	23						
Inventory turnover days	116	90	65	57	57	57						
A/P turnover days	29	29	34	34	35	38						
ROE (%)	17.23	(1.67)	3.21	5.05	14.94	13.11						
ROA (%)	7.96	(0.08)	1.81	2.45	6.06	5.24						

Appendix



About Taiwan Tea Corp. (2913)



- Sanyang bought 8.01% stakes of Taiwan Tea Corp. (2913 TT) through its solely owned subsidiary Shang Yang Asset Management and became the biggest shareholder in 2018. Currently Shang Yang owns 18.77% (as of Mar. 2021) of TTC.

Rationale:

- Replicate the successful experiences in Sanyang, to rebuild Taiwan Tea Corp.
- Rejuvenate the Company and the brand, to achieve sustainable profitability
- Optimize the utilization of its abundant land asset

