



YUNGTAY ENGINEERING



2019.11.25

YUNGTAY ENGINEERING INVESTORS PRESENTATION



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COMPANY BACKGROUND

FOUNDED	: 1966
LISTING YEAR	: 1989
TICKER NO.	: 1507.TT
PAID-IN CAPITAL	: 4.11 B
2018 REVENUE	: 14.8 B
NO. OF EMPLOYEES	: 5,249 (as of March 2019)
CORE PRODUCTS	: Elevators, Escalators, Moving Walkways





NEW MANAGEMENT TEAM

HSU TSO-MING
CHAIRMAN



Date of Appointment / Election
May 2019

Current Shares Held
0.5%

Past Experiences & Education

- CEO, Yungtai Elevator Equipment (China) Co., Ltd.
- Bachelor of Hydraulic Engineering, Tamkang University

TSAI SHANG-YU
CEO



Date of Appointment / Election
May 2019

Current Shares Held
0%

Past Experiences & Education

- Special Assistant to the CEO, Yungtai Elevator Equipment (China) Co., Ltd.
- Masters of Management, Shanghai Jiao Tong University



TOP 10 SHAREHOLDERS (2018 COMPANY ANNUAL REPORT)

		Quantity of Shares	Ratio
1	Herzu Investment Ltd.	59,175,175	14.40%
2	Hitachi, Ltd. Representative: President Toshiaki Higashihara	31,817,168	7.74%
3	UT Park View, Inc.	24,932,000	6.07%
4	Orchid Ventures Limited	21,918,253	5.34%
5	Tso Li Hsu	17,460,000	4.25%
6	Hitachi Building Systems Co., Ltd. Representative: President Hideaki Seki	15,908,571	3.87%
7	CTBC Bank Trust Account	15,241,944	3.71%
8	Marathon-London Group Trust for Employee Benefit Plans	9,382,000	2.28%
9	Norges Bank	7,118,000	1.73%
10	First Securities (HK) Nominee Limited	5,550,000	1.35%

* Hitachi Building Systems Co., Ltd. is a subsidiary of this entity

* Spouse or minor child-owned shares: 1,001 shares

* Hitachi, Ltd. is the parent company of this entity.

SOURCE: 2018 Company Annual Report



CORE PRODUCTS

“ Yungtay has a complete, comprehensive line of products in the elevator and lifts industry ”



Villa Elevator



Escalator



Freight Elevator



Passenger Elevator



Firefighter Elevator



Dumbwaiter



Room-less Elevator



Hospital Bed Elevator



Hydraulic Elevator



Panoramic Elevator



Moving Walkway



TOP10 GLOBAL ELEVATOR MANUFACTURERS (2015)



Rank	Company Name	Annual Sales 2015 (USD 100 Million)	YoY Change (%)
1	Otis Elevator Company	119.80	-7.72
2	KONE Corporation	93.96	5.78
3	Schindler Group	93.94	0.87
4	ThyssenKrupp Elevator Technology	78.33	0.81
5	Hitachi Elevator & Escalator	49.23	8.20
6	Mitsubishi Elevator & Escalator	45.72	3.31
7	Toshiba Elevator	20.06	2.61
8	Fujitec Co., Ltd.	14.72	6.68
9	Hyundai Elevator Co., Ltd.	12.32	3.03
10	Yungtay Engineering Co., Ltd.	7.03	-6.97

SOURCE: Elevator Magazine 2016-7



YUNG TAY (CHINA) FACTORIES

LAND AREA

Shanghai	112,189	m ²
Tianjin	63,937	m ²
Chengdu	60,000	m ²
Jiyi	28,661	m ²

FACTORY AREA

Shanghai	46,270	m ²
Tianjin	34,993	m ²
Chengdu	33,278	m ²
Jiyi	30,830	m ²

MAIN PRODUCTION LINE

Steel Board, Compound machining production line, Cold work, Motor process line, Painting process Line, Control cabinet assembly line, PCB assembly line



136 Sales Department/Branch Offices
380 Service Maintenance Stations



YUNG TAY (TAIPEI) FACTORY

TAOYUAN FACTORY

Land Area 40,507 m²
Factory Area 36,936 m²

MAIN PRODUCTION LINE

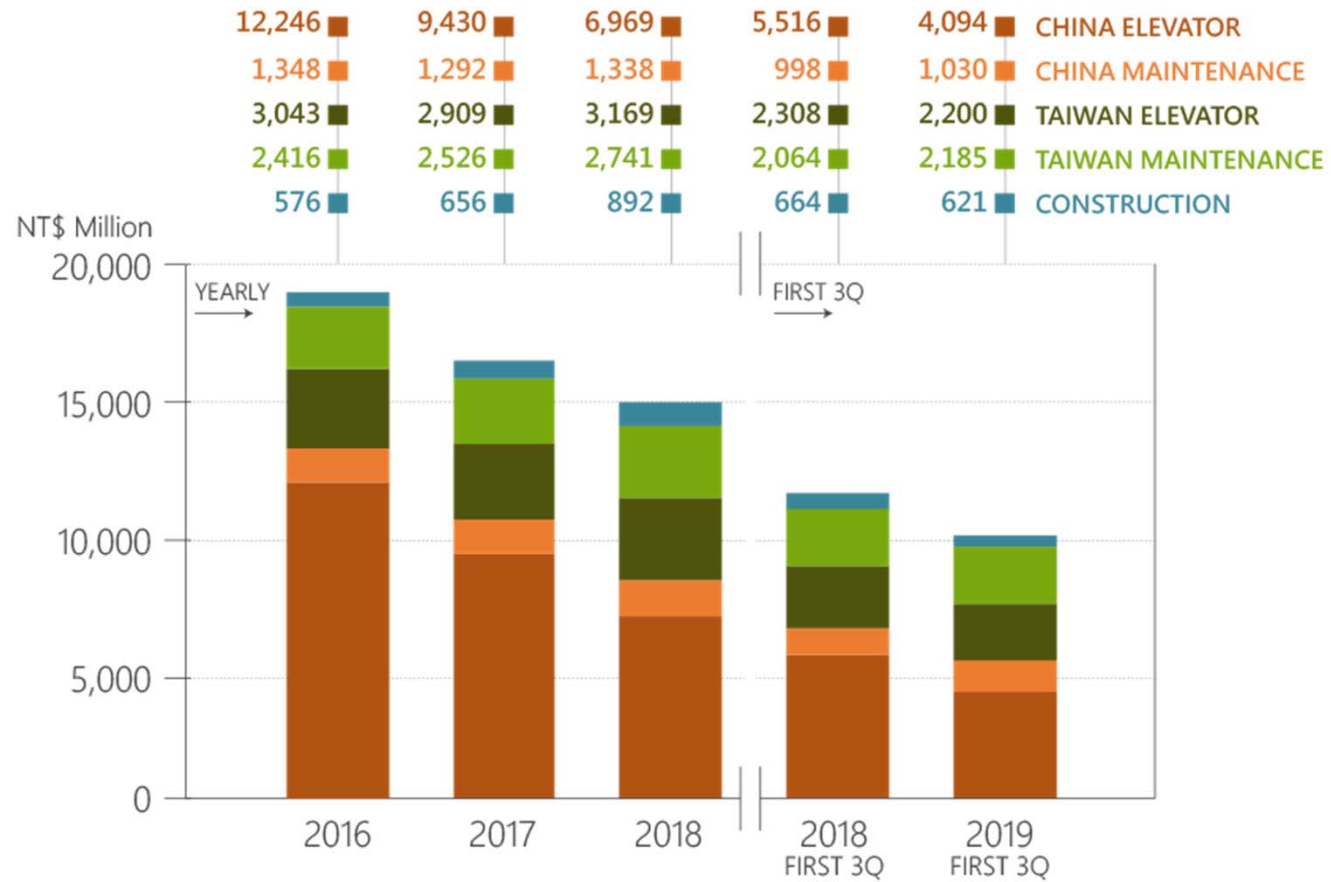
Steel Board, Compound
machining production line, Painting
process line, Motor process line, Welding
production line, Motor process line,
Electronics assembly production line



6 Branch Offices
5 Sales Departments
24 Service Maintenance Stations



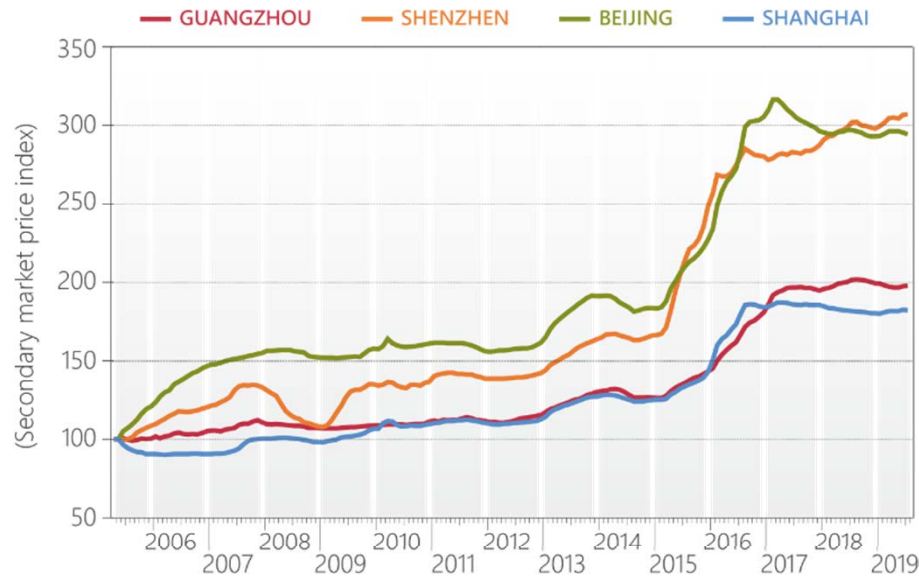
REVENUE BREAKDOWN





CHINESE PROPERTY MARKET

Secondary market price index



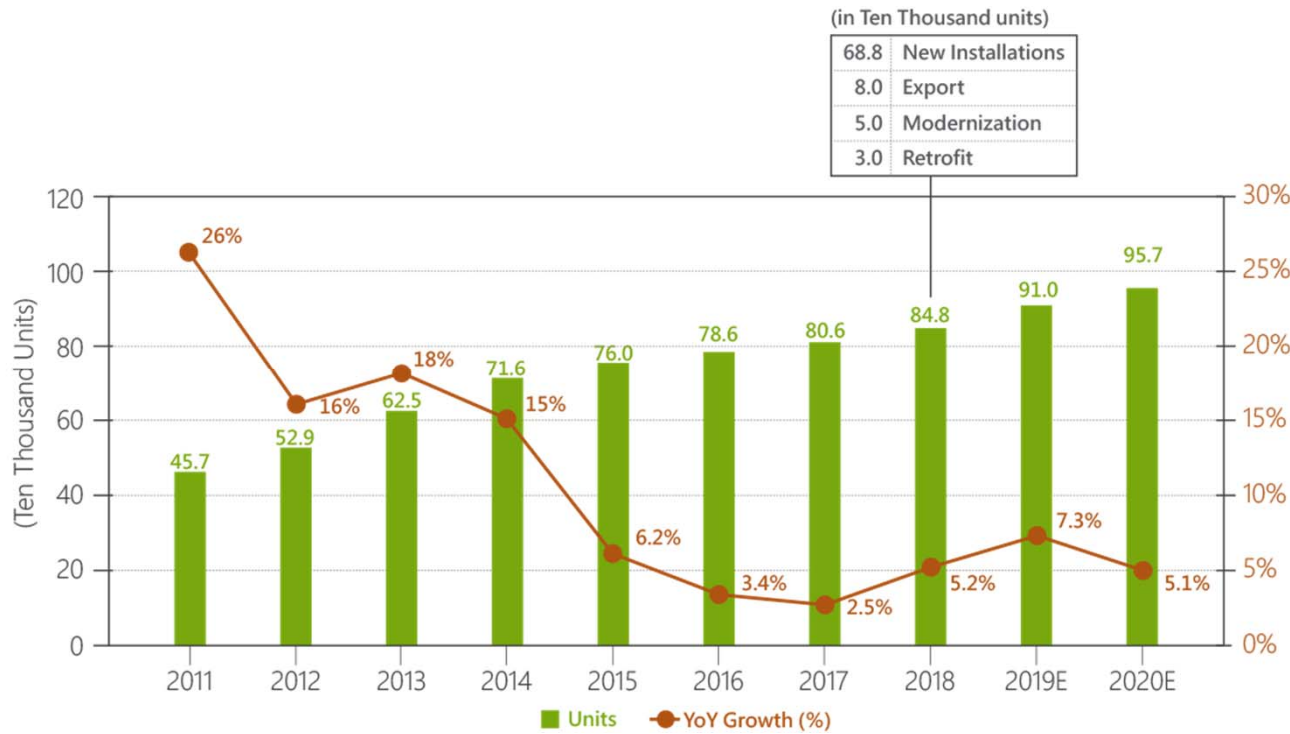
Recent slowdown of real estate investment

	YoY (%)							
	2012	2013	2014	2015	2016	2017	2018	2019 Jan~Sep
Real Estate Investment Amount	16.2	19.8	10.5	1.0	6.9	7.0	9.5	10.5
Housing Construction Area	13.2	16.1	9.2	1.3	3.2	3.0	5.2	8.7
Housing New Construction Area	-7.3	13.5	-10.7	-14.0	8.1	7.0	17.2	8.6
Housing Completion Area	7.3	2.0	5.9	-6.9	6.1	-4.4	-7.8	-8.6
Land Purchase Area	-19.5	8.8	-14.0	-31.7	-3.4	15.8	14.2	-20.2
Land Transaction Price	-16.7	33.8	1.0	-23.9	19.8	49.4	18.0	-18.2
Commercial Housing Transaction Area	1.8	17.3	-7.6	6.5	22.5	7.7	1.3	-0.1
Commercial Housing Sales Price	10.0	26.3	-6.3	14.4	34.8	13.7	12.2	7.1
Products for Sale Area	27.0	35.2	26.1	15.6	-3.2	-15.3	-11.0	-7.2



CHINA ELEVATOR MARKET

The percentage change in China elevator overall output and average unit price



Elevator average unit price declines of the local players narrowing in 2018.

	2015	2016	2017	2018
SH Mech	-6.3%	-10.4%	-10.1%	-1.1%
Canny	6.1%	-9.9%	-8.8%	-0.6%
Guangri	0.4%	-3.7%	-15.8%	-6.0%
Meilun	-0.8%	-4.0%	-3.4%	-8.4%
IFE	-13.0%	6.8%	-0.9%	-4.9%

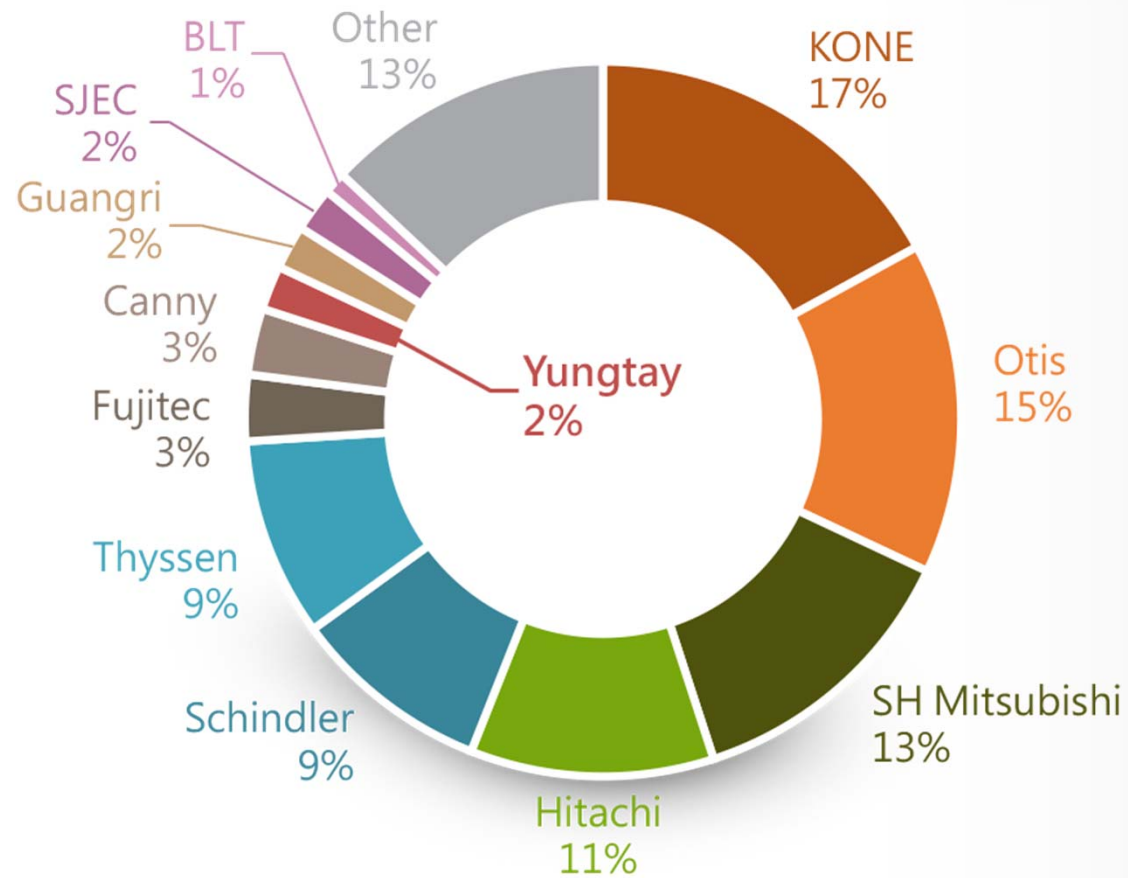
SOURCE: China Elevator Association

SOURCE: Company Annual Report
(average selling price, using sales from elevator/escalator and divided it by total number of elevator/escalator units sold)



CHINA ELEVATOR MARKET SHARE

1	KONE	17%
2	Otis	15%
3	SH Mitsubishi	13%
4	Hitachi	11%
5	Schindler	9%
6	Thyssen	9%
7	Fujitec	3%
8	Canny	3%
9	Yungtay	2%
10	Guangri	2%
11	SJEC	2%
12	BLT	1%



SOURCE: Credit Suisse Research 2016



YUNG TAY'S NEW CHINA STRATEGY (1)

Restructure Sales Team, Respond to Market Demands

FIRST STAGE (2018 Q4 ~ 2019 Q3)

- ◆ Increase Sales Staff by 20%
- ◆ Expand Marketing Channels (Distributors) by 30%~40%

SECOND STAGE (2019 Q4 ~ 2020 Q3)

- ◆ Increase Sales Staff by 5%
- ◆ Increase Marketing Channels (Distributors) by 20%

- Penetrate Tier 2 and Tier 3 cities presence due to small form-factor elevators' 30% YoY growth for 5~7years from 20,000 in 2019, and prepare for new rural construction needs.
- Forecasted total demand of 1mn units of retrofitting elevators for old buildings in Tier 1 and Capital Cities , with a YoY growth of 30% from 30-50k in 2020 (for 5 consecutive years).



YUNG TAY'S NEW CHINA STRATEGY (2)

China Strategy for New Elevators

Before : Commercial Housing and Commercial building elevators are bundled under General Elevators
After : Differentiate and Segment according markets



Residential Elevators

The core of the Company's product offering is Residential Elevators, while taking an "Over Design" approach in the past, Yungtay will implement a "Fit Design" approach to reduce costs and thus increase volume



Commercial Elevators

More technical, with emphasis in anti-vibration, noise prevention, grouping control, predictive hailing, facial recognition, smart security systems



High Speed and Super High Speed Elevators (above 7m/s)

Directly purchase strategic shareholder's core component, Yungtay saves on R&D expenditures.



Home Elevators

In response to the aging of the population and the establishment of new rural developments, there will be an increase in demand for low-level home elevators. Yungtay will release 2 competitive drivetrain products to establish first-movers advantage



Retrofitting Old Buildings

China's 2018 government policy is not to demolish or relocation, but to refurbish and retrofit elevators to cater for the needs of the elderly, this is one of the biggest growth markets for 2020~2025, and Yungtay will be committed to establishing an early presence



YUNG TAY'S NEW PRODUCT STRATEGY (1)

New Products Introduced for 2020

CTP Elevator

- ◆ Light, thin and small, thus saving on shaft space and increasing steel rope longevity.
- ◆ Enhances Yungtay's competitiveness for General Elevators (< 2m/s, 1,000kg)

6m/s High Speed Elevator

- ◆ Develop 6m/s, 2,000kg loading elevators, and increase market penetration for high-end residential, and commercial buildings
- ◆ Increase product quality and competitiveness, import core and safety components

3.5tonne, 3m/s High-capacity, High-speed Freight Elevators

- ◆ High loading and speed compared with normal Freight Elevators
- ◆ Suitable for Dumbwaiters and maid elevators for high-end developments

Home Elevator

- ◆ Develop shallow-pit Traction Type and Room-less Elevators for home use
- ◆ Lowers barrier to installation, with advantages such as lower height and shallower pit requirements

Room-less High-capacity Elevators

- ◆ Develop 2,000kg loading, 2m/s Room-less elevators to satisfy market demand





YUNG TAY'S NEW PRODUCT STRATEGY (2)



New Products Introduced for 2020

Escalator Automatic Detection Safety System

- ◆ Develop main components for automatic detection, and detection of irregular passenger activities
- ◆ Combined with Remote Surveillance System, can pre-emptively identify malfunctions and potential risks, to ensure escalator safety

Public Transport Type Escalator

- ◆ Standardized Escalators, Moving Walkways for Public Transport, for use in conjunction with railway systems, airports and traffic hubs
- ◆ Increase product precision and quality, increase product longevity, incorporate Remote Surveillance Systems, to ensure comfort and safety

3rd Gen Wireless Remote Surveillance System

- ◆ Satisfy local regulations, and implement connections with local government backend platforms
- ◆ Incorporate elevator operational data, analyze big data to achieve hazard prevention and pre-emptive maintenance

Retrofitting

- ◆ Currently have developed 450~1,000kg, 1m/s Retrofitting-specific Elevators
- ◆ Develop shallow-pit models, which can reduce the need for pipeline migration and construction engineering, in-turn reducing construction period
- ◆ Develop "Integrated Car-and-Shaft" Hoisting Type Elevator, to reduce amount of on-site construction and lower installation and calibration time



RECENT TREND OF YUNG TAY (CHINA) ORDERS & DEPOSITS

2018 JAN - OCT

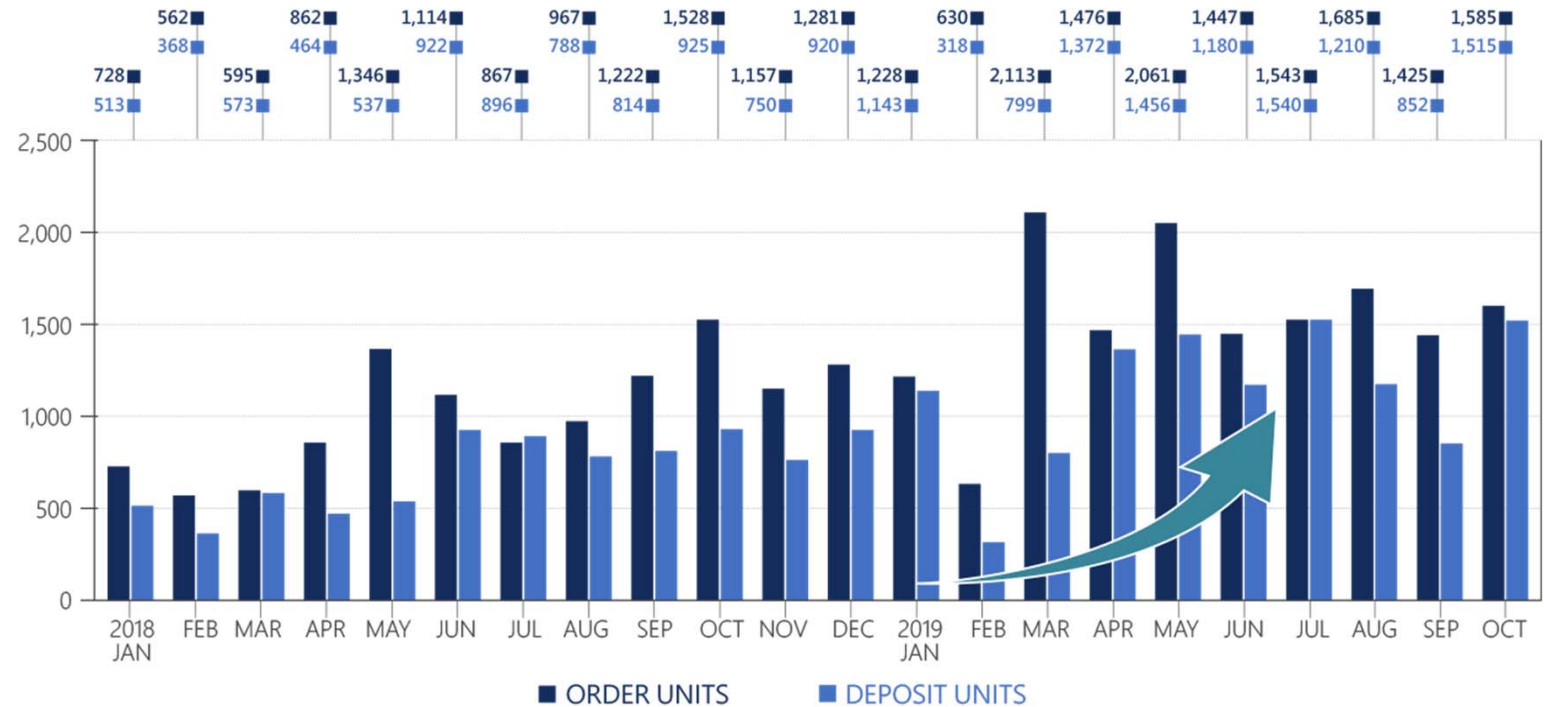
AVERAGE ORDERS 979 UNITS/MONTH
DEPOSIT UNITS 680 UNITS/MONTH

2019 JAN - OCT

AVERAGE ORDERS 1,519 UNITS/MONTH
DEPOSIT UNITS 1,139 UNITS/MONTH

YoY GROWTH

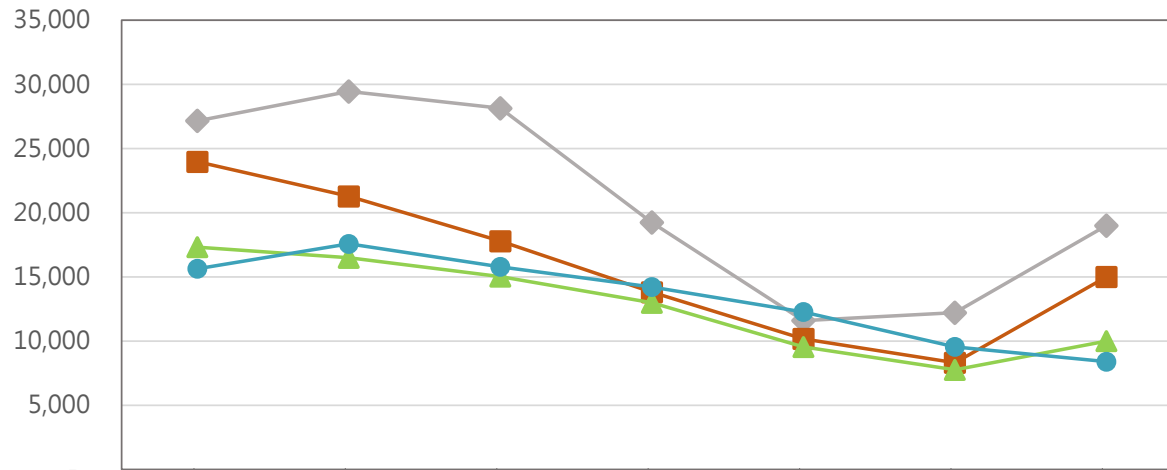
ORDERS: 64% DEPOSITS: 68%



SOURCE: Company Data

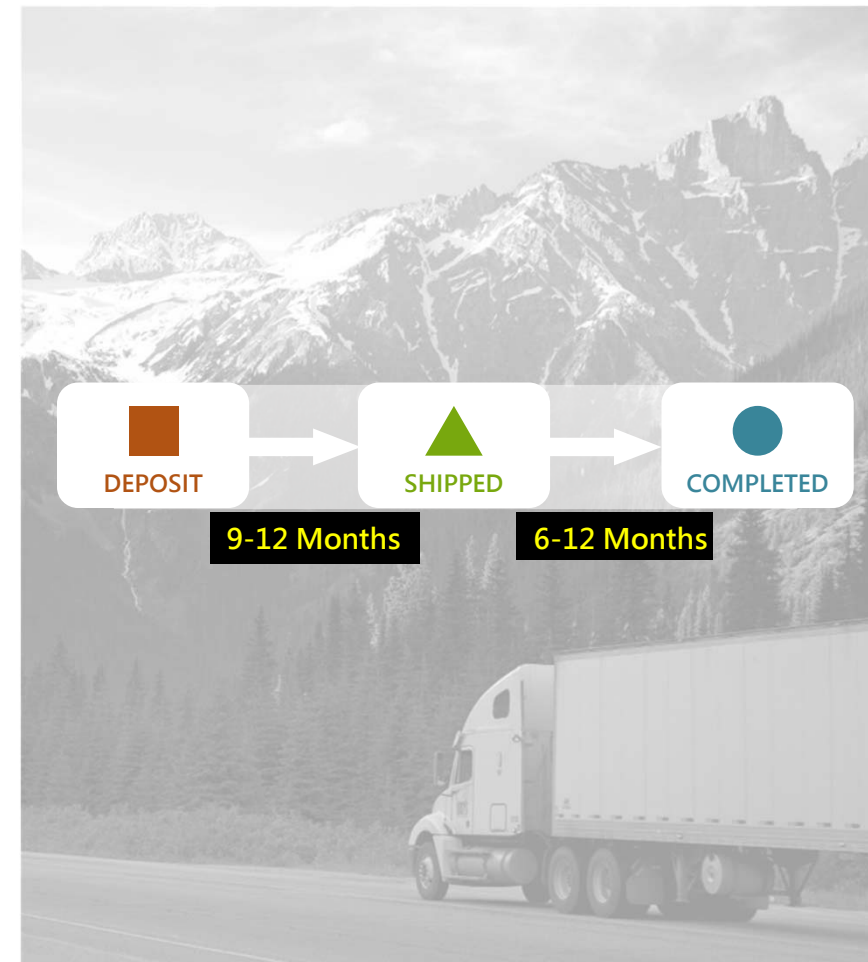


RECENT YUNG TAY (CHINA) ORDERS - SHIPPED & COMPLETED



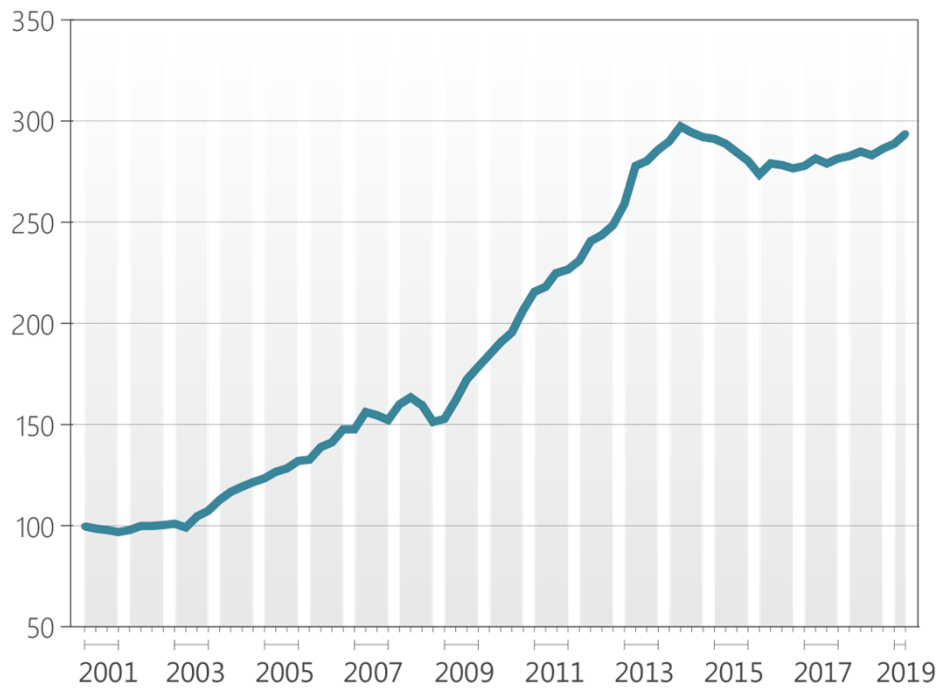
TYPE	2013	2014	2015	2016	2017	2018	2019
ORDERED	27,165	29,451	28,142	19,244	11,598	12,218	19,000
DEPOSIT	23,977	21,284	17,788	13,811	10,180	8,318	15,000
SHIPPED	17,320	16,491	15,025	12,990	9,547	7,763	10,000
COMPLETED	15,638	17,577	15,785	14,214	12,274	9,554	8,400

SOURCE: Company Data



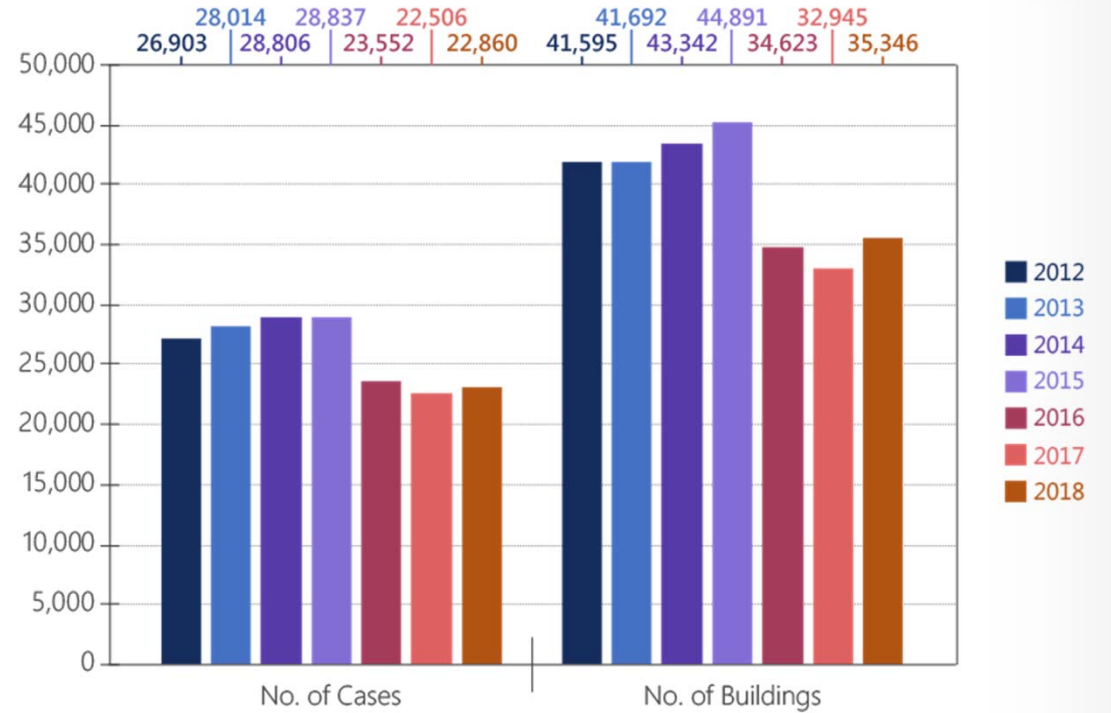
TAIWAN PROPERTY MARKET

Sinyi Housing Price Index



SOURCE: Sinyi Real estate Planning and Research

Buildings Licensed for Use



SOURCE: Construction and Planning Agency Ministry of the Interior, R.O.C.

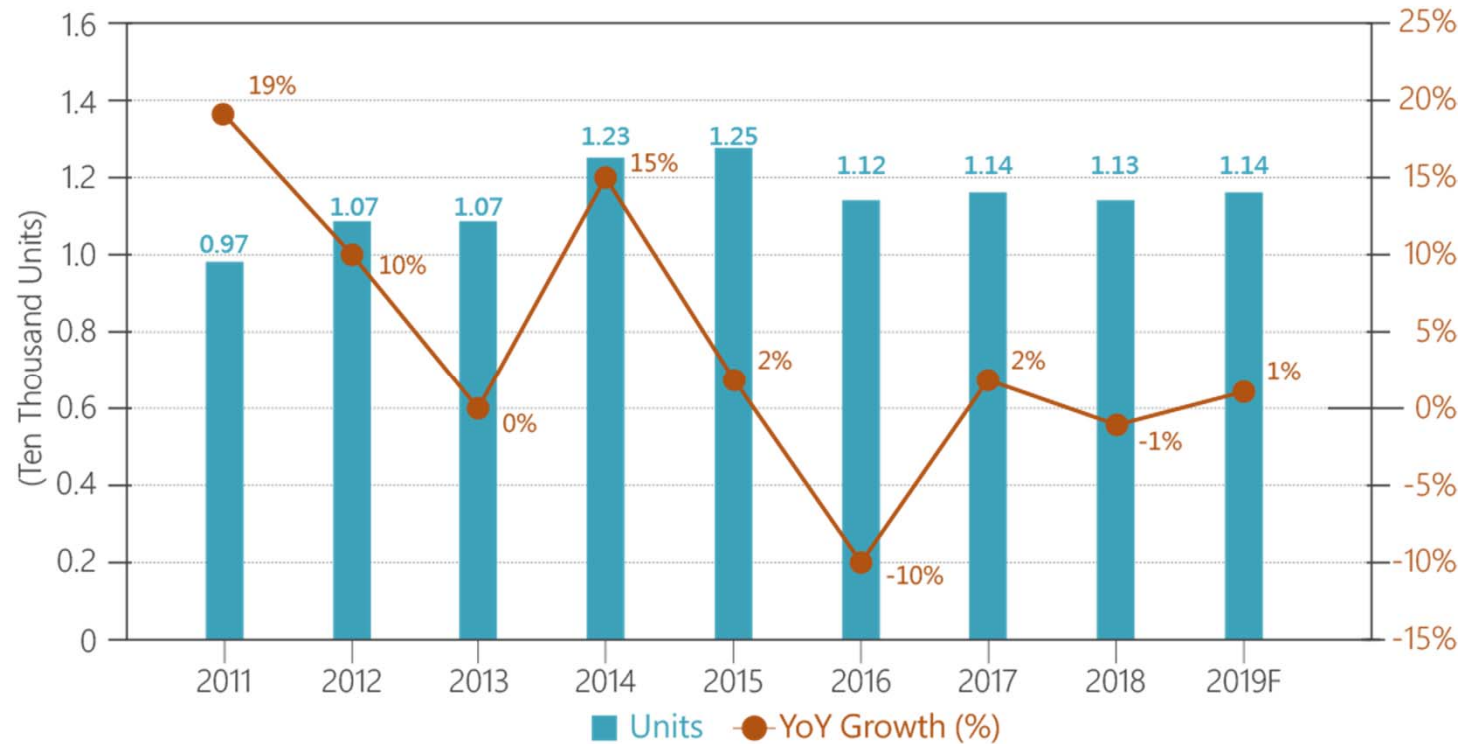
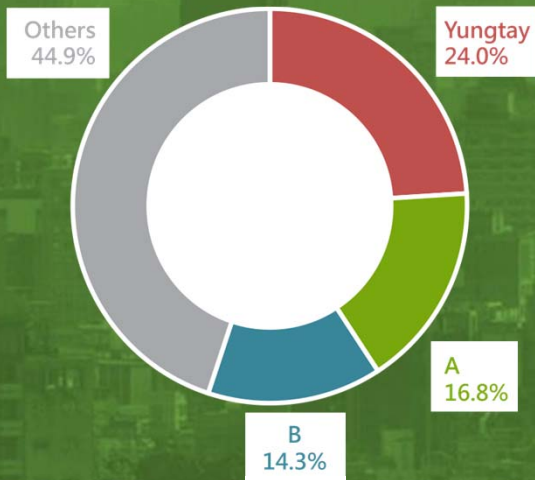


TAIWAN ELEVATOR MARKET SHARE

2016 – 2018 Average Market Share

(Completed Units)

1	Yungtay	24.0%
2	A	16.8%
3	B	14.3%
	Others	44.9%



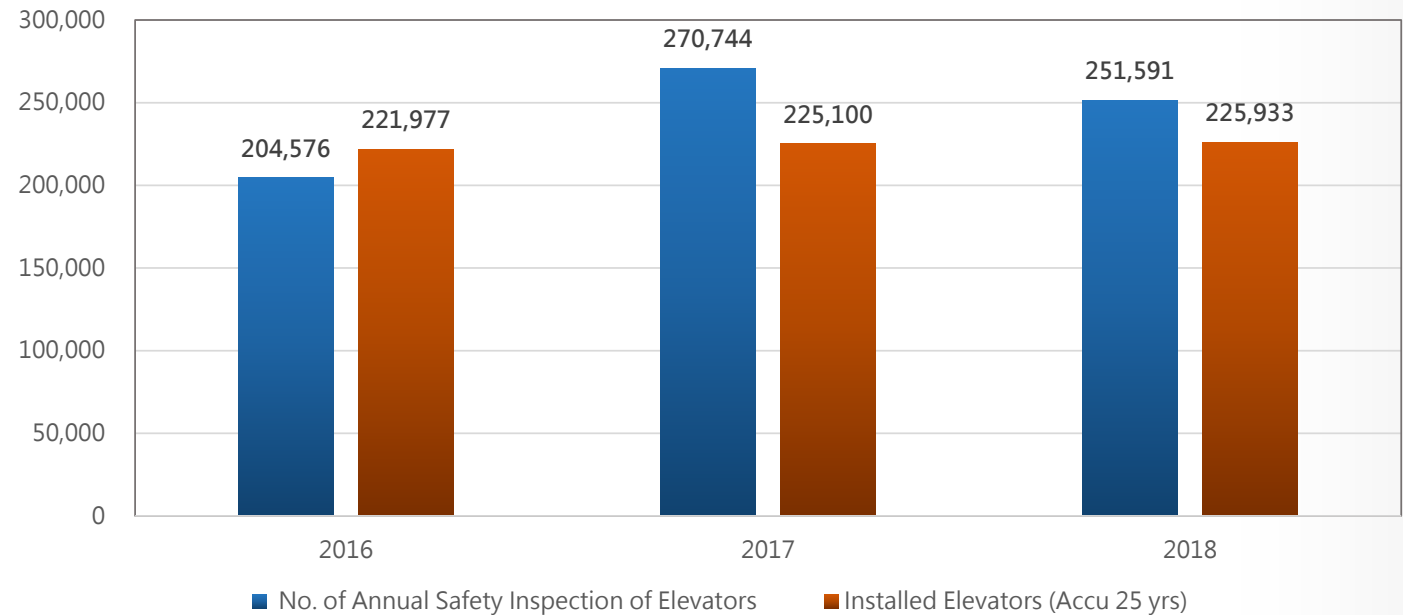
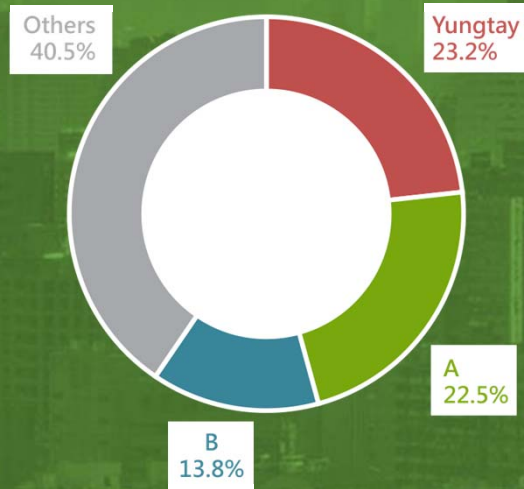
SOURCE: MOEA Economics Statistics



TAIWAN ELEVATOR HOLDING VOLUME

Average Inspection Market Share
2016-2018

1	Yungtay	23.2%
2	A	22.5%
3	B	13.8%
	Others	40.5%



Given the implementation of new regulations (2 safety inspections per annum for elevators over 15 years of service), the number of annual safety inspection of shipments was higher than accumulated shipments over the past 25 years.

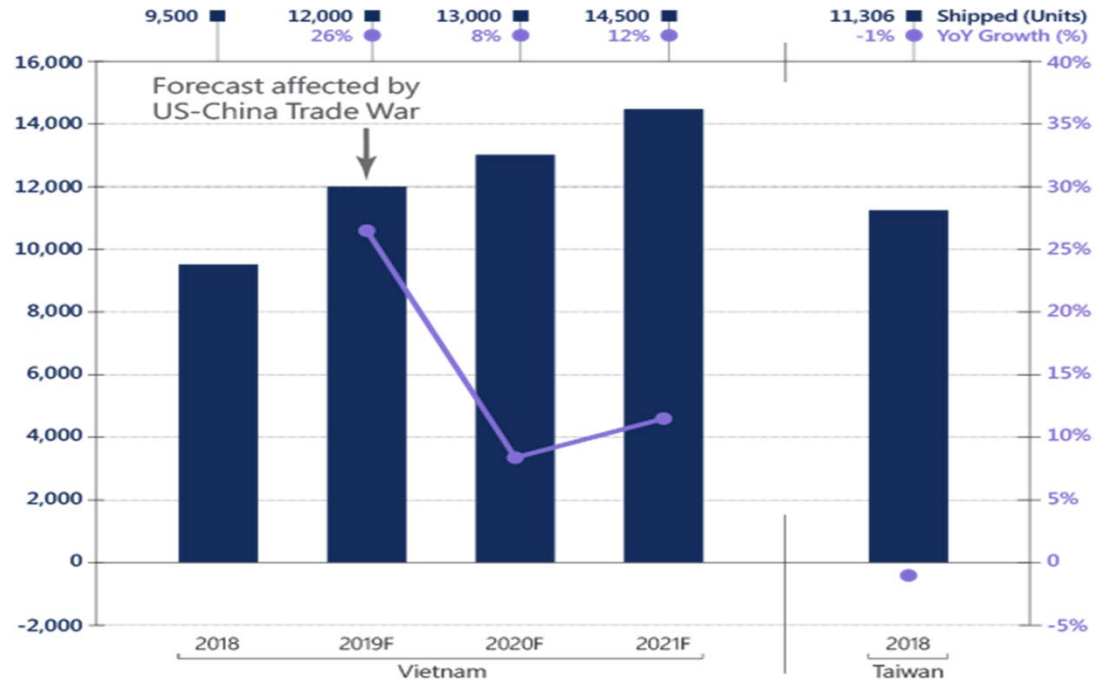
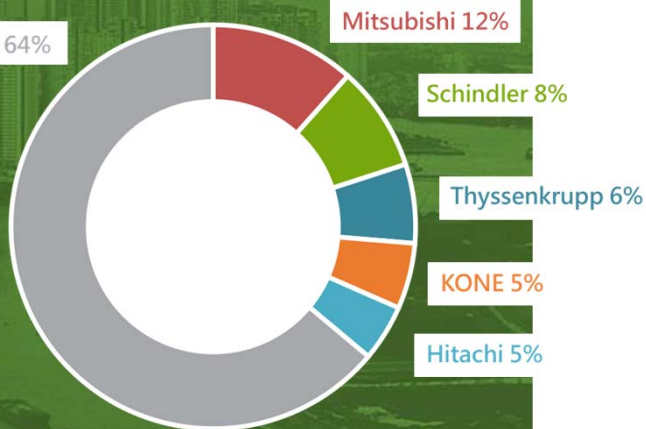
SOURCE: MOEA Economics Statistics ; CPAMI statistics



VIETNAM ELEVATOR MARKET

2018 Market Share

1	Mitsubishi	12%
2	Schindler	8%
3	Thyssenkrupp	6%
4	KONE	5%
5	Hitachi	5%
	Others	64%



The overall market size in Vietnam could reach roughly 800k units at full capacity, according to its population of 90mn. Thus, in the coming 15 years, its annual shipments of new elevators could increase to the range of 10-15K.



YUNG TAY'S STRATEGY IN THE VIETNAM / SEA MARKETS

STRATEGY

- ◆ Brand marketing as Taiwan Yungtay Products
- ◆ Develop Elevators fit for local regulations
- ◆ Establish sales team, Managerial Team and Engineers are assigned from Taiwan / China to support
- ◆ Develop sales strategies with local distributor focus
- ◆ Establish autonomous local Yungtay installation & maintenance team
- ◆ Prudently assess establishing a small-scale assembly plant in Vietnam in second half of 2020 (~50Are, 36,000m²)
- ◆ Strive for 500 units in 2020, and a target of 8% market share in 3 to 5 years

Vietnam as a platform to advance towards Malaysia, Cambodia, Indonesia, etc.



SALES BREAKDOWN BY SEGMENT

Revenue of elevator business in both China and Taiwan from 3Q19 has improved or turned positive in terms of the YoY growth

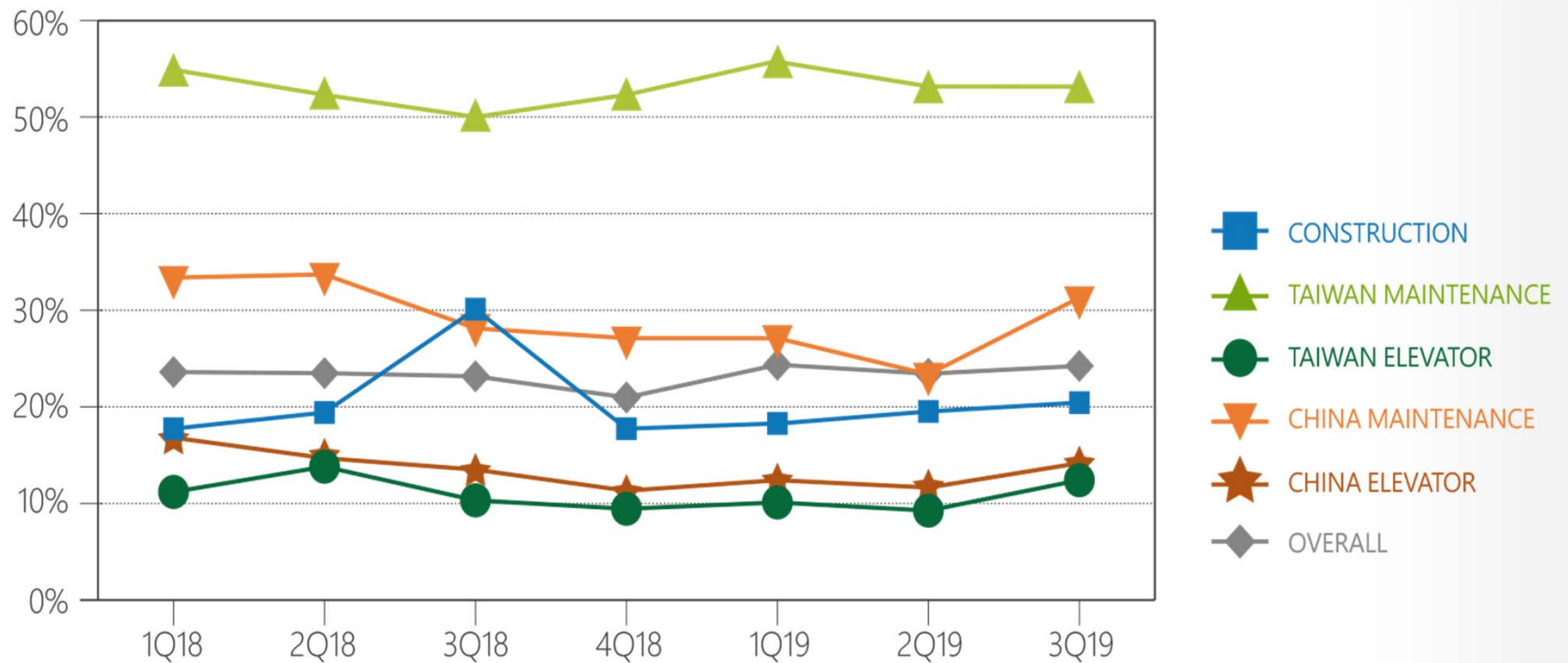
(Unit: NT\$ millions)	3Q19	(%)	Q on Q Change	Y on Y Change	FIRST 3Q19	(%)	Y on Y Change
CHINA	1,856	52%	18%	-2%	5,124	51%	-21%
Elevator	1,495	42%	19%	-5%	4,094	41%	-26%
Maintenance	362	10%	12%	13%	1,030	10%	3%
TAIWAN	1,587	44%	9%	14%	4,385	44%	0%
Elevator	847	24%	15%	22%	2,200	22%	-5%
Maintenance	740	21%	3%	7%	2,185	22%	6%
Others							
Construction	200	6%	-18%	-21%	621	6%	-6%
Total	3,571	100%	10%	3%	9,981	100%	-12%





QUARTERLY GROSS MARGIN TREND

Gross margin of elevator and maintenance business in both China and Taiwan for 3Q19 was flat-to-up, compared with those in 1Q and 2Q 2019.





CONSOLIDATED INCOME STATEMENT

Operating income, non-operating income, and net income in 3Q19 all improved sequentially from 2Q19 and year-over-year from 3Q18.

(Unit: NT\$ millions)

	3Q19	%	2Q19	%	Q on Q Change	3Q18	%	Y on Y Change
Operating Revenue	3,571	100.0%	3,234	100.0%	10%	3,478	100.0%	3%
Gross Profit	876	24.5%	748	23.1%	17%	810	23.3%	8%
Operating Expenses	(614)	-17.2%	(630)	-19.5%	-3%	(604)	-17.4%	2%
Income from Operations	262	7.3%	118	3.6%	123%	206	5.9%	27%
Non-Operating Income and Expenses	314	8.8%	45	1.4%	598%	54	1.6%	481%
Income before Income Tax	576	16.1%	163	5.0%	254%	260	7.5%	122%
Net Income	498	13.9%	108	3.3%	361%	160	4.6%	211%
EPS (NT Dollar)	1.22		0.24			0.39		

	FIRST 3Q19	%	FIRST 3Q18	%	Y on Y Change
Operating Revenue	9,981	100.0%	11,381	100.0%	-12%
Gross Profit	2,392	24.0%	2,695	23.7%	-11%
Operating Expenses	(1808)	-18.1%	(1858)	-16.3%	-3%
Income from Operations	584	5.9%	837	7.4%	-30%
Non-Operating Income and Expenses	389	3.9%	39	0.3%	897%
Income before Income Tax	973	9.7%	876	7.7%	11%
Net Income	732	7.3%	590	5.2%	24%
EPS (NT Dollar)	1.79		1.44		



CONSOLIDATED BALANCE SHEET

(Unit: NT\$ millions)	3Q19	%	2Q19	%	3Q18	%
Cash and cash equivalents	3,669	17%	3,669	17%	2,067	10%
Financial asset at fair value through profit or loss	1,076	5%	1,274	6%	1,856	9%
Accounts receivable, net inventories	3,352	15%	3,213	15%	3,416	16%
Inventories	5,308	24%	5,392	24%	5,461	25%
Investments accounted for using the equity method	344	2%	352	2%	384	2%
Property, plant and equipment	5,093	23%	5,278	24%	5,488	25%
Others	3,030	14%	2,978	13%	3,065	14%
Total assets	21,872	100%	22,156	100%	21,737	100%
Accounts payable	1,912	9%	1,886	9%	1,823	8%
Current contract liabilities/Advanced received	6,369	29%	6,354	29%	6,328	29%
Others	2,275	10%	2,881	13%	2,286	11%
Total liabilities	10,556	48%	11,121	50%	10,437	48%
Total equity	11,317	52%	11,035	50%	11,300	52%



DIVIDEND POLICY

