



GLOBALTEK

Unite as One

Investor Presentation
April 2019



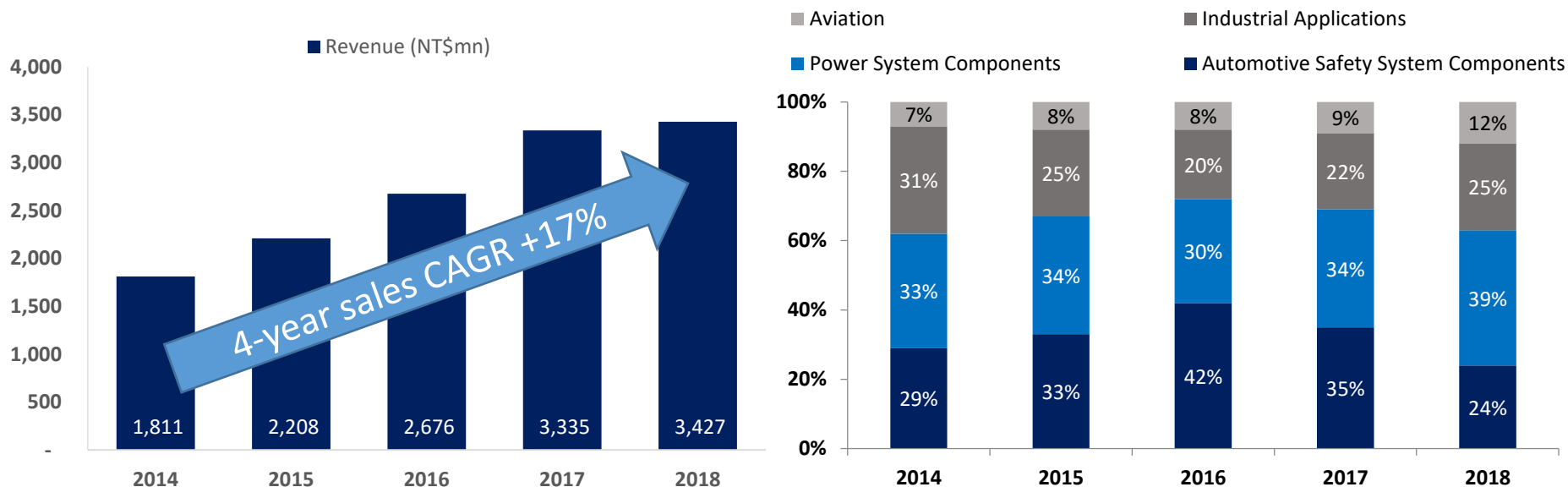
Differentiation & Collaboration

Executive Summary

- ◆ Global Tek manufactures precision-machined metal components for **automotive, industrial and aviation** applications. We attract and retain our customers through the total value proposition of the services we offer.
- ◆ We collaborate with OEM and Tier 1 customers worldwide to develop customized components amidst the **fuel efficiency trend within the Aviation and Automotive** industries. We also target **industrial applications with robust growth momentum**, including high-end bicycles and food & beverage equipment.
- ◆ We aim to be our world class customers' top strategic partner in each niche market, organically expanding our business through the '**Global Tek Alliance**' – a comprehensive program of vertical integration, horizontal collaboration and supply chain resource management.
- ◆ We will leverage the Global Tek Alliance to maximize synergies between Global Tek and our supply chain partners while strategically **investing in critical proprietary in-house machining capabilities**.
- ◆ With excellent employee quality and balanced resource allocation across Asia, we'll strive to attain annual sales growth **higher than industry growth** and we are committed to maintain a **50%** dividend payout ratio.

An Emerging Leader in The Precision Machining Industry

- Founded in 2000 & Listed on the TWSE on February 5th, 2018 (Ticker: 4566 TT)
- Employees: 900+
- Founders + management team shareholdings are more than 50%
- Revenue: NT\$3.4bn in 2018 with +17% 2014-18 sales CAGR
- Our business: Precision metal machining for automotive safety system components, powertrain system components, industrial applications and aviation



Source: TEJ and Global Tek

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Agenda

- 「01」 Target Niche Markets to Fuel Sales Growth
- 「02」 The Global Tek Alliance
- 「03」 Our Goals & Execution Plans
- 「04」 Robust Financial Performance
- 「05」 Appendix



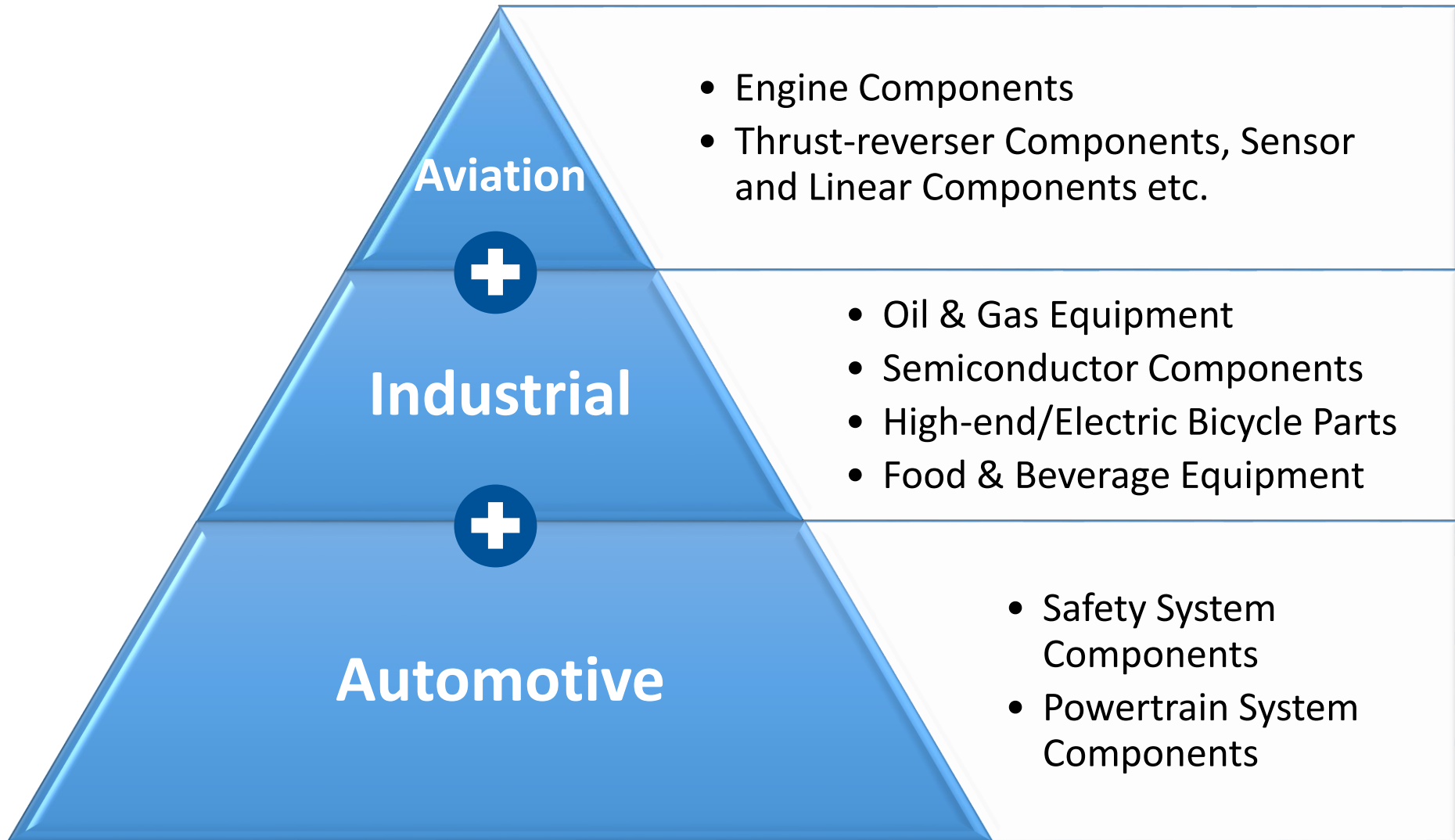
Automotive Safety Systems

Target Niche Markets to Fuel Sales Growth



Powertrain System
Components

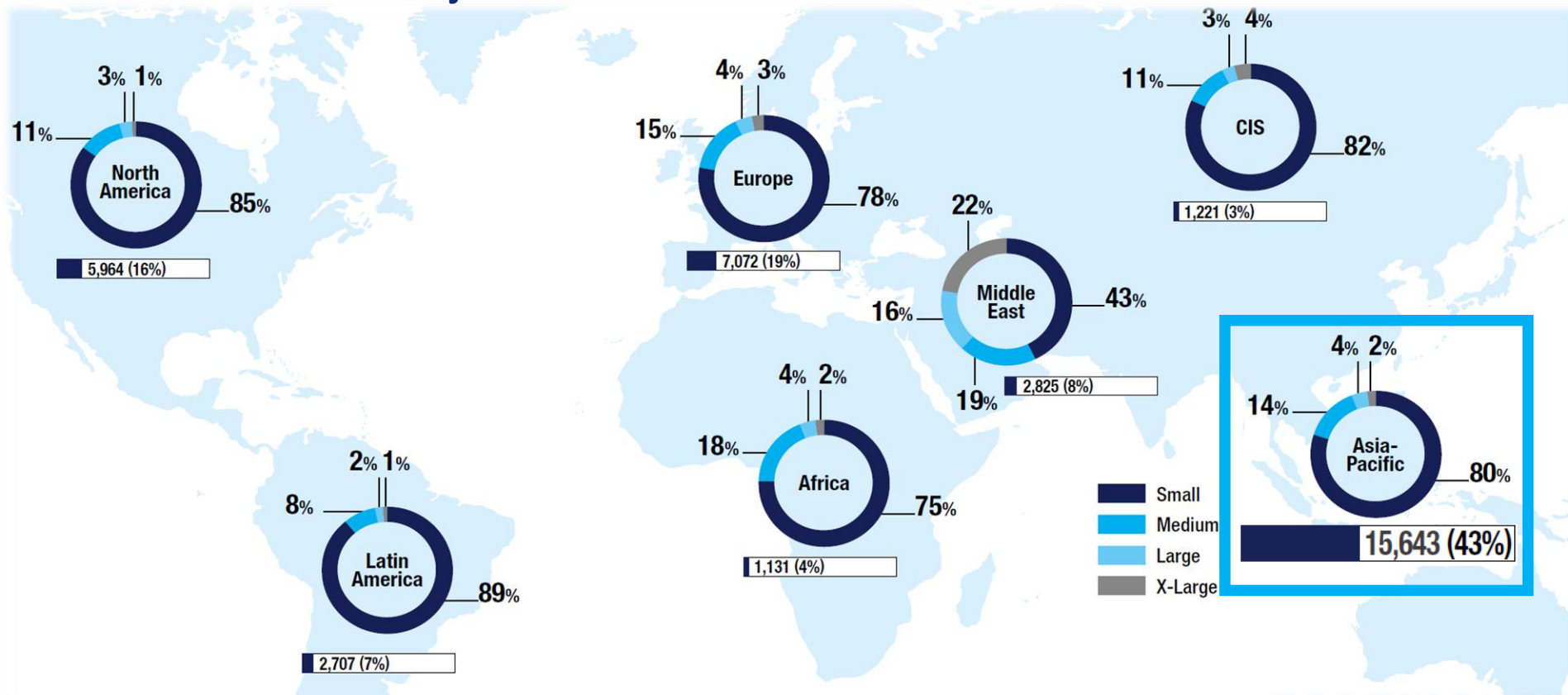
Solid Revenue Foundation



Asia-Pacific and Small Aircraft to Drive Fleet Growth Through 2037

- From 2018-37 global commercial passenger aircraft deliveries are expected to double to **36,563** aircraft per year (4.4% CAGR), reaching a market value of **US\$5.6 trillion**.
- **The Asia Pacific region is expected to account for 43% of the global fleet versus the current 33% while small aircraft are projected to account for nearly 80% of both the global and Asia-Pacific fleets.**

Airbus Projections for the 2037 Commercial Airline Fleet



Our Aviation Business Opportunity

- To benefit from the three major trends described below, Global Tek will focus on what big companies don't want to do and what small companies can't do.
- Due to our **strong track record, the word-of-mouth effect and competitive Quality-Cost-Delivery (QCD)**, our team has won crucial orders – including LEAP engine oil server & heat exchange system components and Jack Heads for B787 thrust reversers.

Tier 1 Outsourcing

- OEM cost-reduction initiatives have created pressure for Tier 1 suppliers:
- **Outsourcing increased:** 2011-17 OEM capex CAGR was 2% vs. 11% for key suppliers
- **Pricing Pressure also increased:** OEM gross margins rose while supplier margins have been flat
- **The Result:** Tier 1 continue to outsource to Tier 2/3/4 suppliers while **reducing supply sources**
- **The Benefit:** The Global Tek total solution is attracting more orders from new and existing customers

Asia Manufacturing

- Tier 1/2 shifted manufacturing clusters eastward, emphasizing **technological capabilities, quality, cost and delivery**
- Rolls-Royce, Safran, Meggitt and UTC have Manufacturing/MRO facilities in Singapore, Malaysia and China
- Direct material spend in Asia is projected to rise in the next 3~5 years
- Global Tek has certified manufacturing facilities in **China, Taiwan and Malaysia**, as well as a strong track record in aviation component production

LEAP Engine Ramp-Up

- Commercial airlines focus on fuel efficiency to compete with regional low-cost carriers
- Installed on the A320neo and C919, the LEAP engine is the **best selling engine** in aviation history, and is projected to reach annual production of 2k units by 2020
- LEAP engines rank No.1 in new engine deliveries in Asia-Pacific with a greater than **40% market share**
- Global Tek's superior QCD capabilities are resulting in increased order volumes

Source: Bloomberg and Global Tek

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Our Aviation Strategy Roadmap



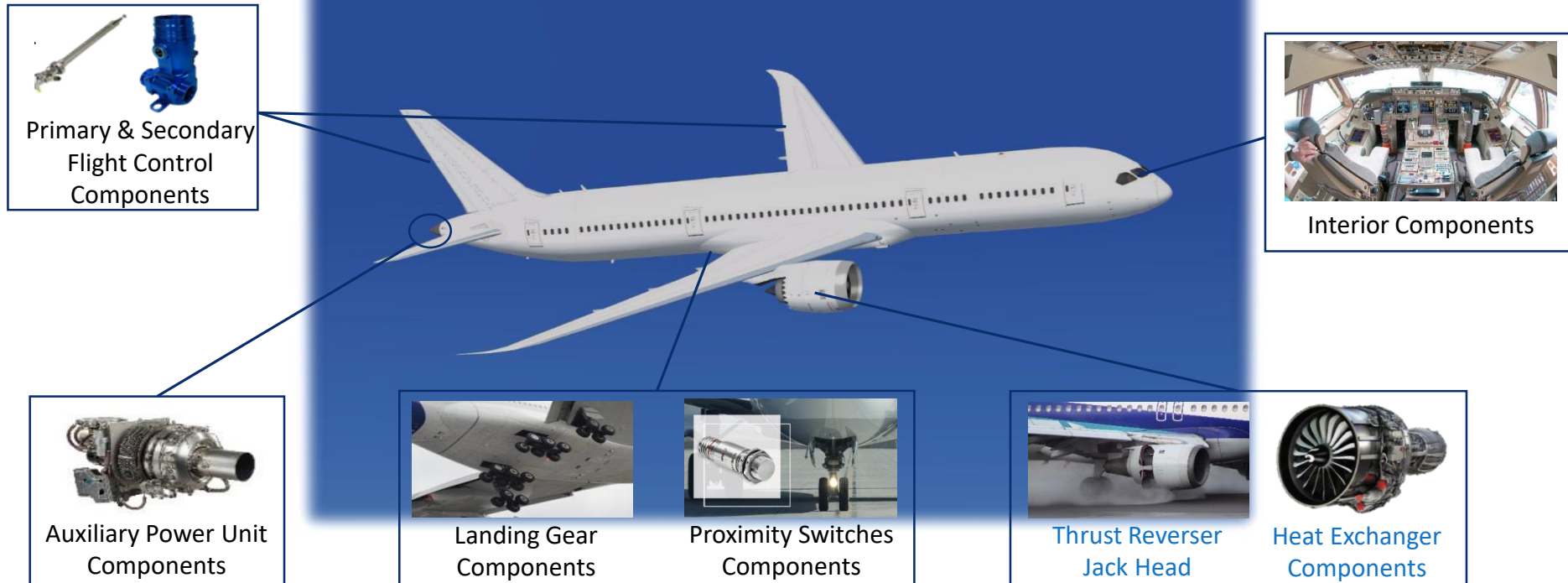
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Targeting Orders for More Key Aviation Components

Our current aviation products enhance aircraft **operation safety and fuel efficiency**:

- **The thrust reverser Jack Head** is a key component in the deceleration system
- **Heat exchanger components for LEAP engines** help improve fuel economy by 15%.

Based on our strong track record, we are now targeting more engine, actuator & sensor system components



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Our Powertrain Products Echo Auto Industry Trends

Our powertrain products enhance **fuel efficiency** and are used in **enhanced ICE and electrified drivetrain automobiles**:

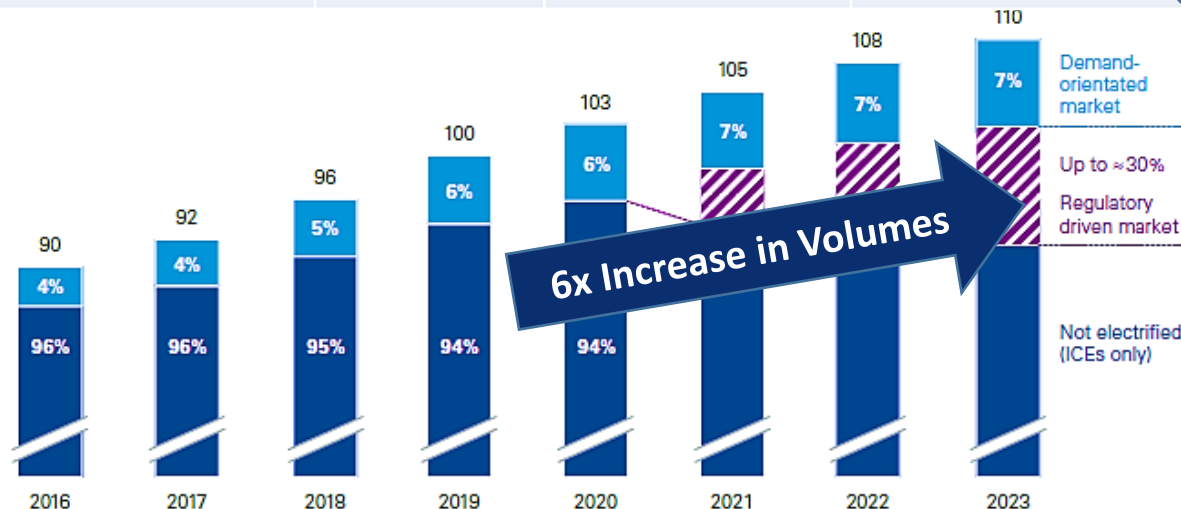
- Dual Clutch Transmissions (DCT) improve fuel economy by 5~15%
- Overrunning Alternator Decoupling (OAD) Systems improve fuel economy by 5%
- Crankshaft vibration dampers are used in three-cylinder engines and hybrid cars

Government Mandated Fuel Consumption Targets for Passenger Cars

Liters per 100km	EU	US	China
2015	5.6	7.4	6.9
2025	3-3.4	4.7	4

Avg. 5% reduction per year

[in m units]



● Internal combustion engines (ICEs) only ● All electrified drivetrains (FCEVs, BEVs, PHEVs, HEVs) ≡ Adjusted scale for better visibility

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Multiple Niche Markets to Fuel Our Sales Growth

Automotive Safety System Components



- Average # of airbags per car to increase to 5.2 by 2020 from 3.5 in 2014.
- Global Airbag market to grow at 4% annually, reaching US\$5bn by 2021
- Includes knee, side, frontal, external and curtain airbags

Powertrain System Components



- Emission reduction
- Engine downsizing
- Increasing clean energy vehicles
- Out of 2023's 110mn global vehicles, **30%** are expected to be Advanced ICEs (down-sized w/turbo)
- **7%** are expected to be clean energy vehicles vs. 5% in 2018

Industrial Applications



- Rising capex at IC Fabs & Oil Refineries
- High end/electric bikes
- F&B Equipment
- Global Semi capex for $\leq 10\text{nm}$ to grow at a **21%** CAGR from 2020-25
- WW bicycle mkt to grow at a **4% CAGR** from 2018-26

Aviation



- LEAP engine is the World's Best-Selling Engine
- Huge new aircraft demand
- Global aircraft volume to grow at a **4.4% CAGR** between 2018 and 2037

We target annual sales growth higher than industry growth

Source: GIA, IHS, SEMI, Persistence Market Research, Airbus and Boeing

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Our Product Portfolio

Automotive Safety System Components (24% of 2018 sales)

Key components, including Airbag igniter, diffuser and sealing & inflator subassembly



Powertrain System components (39% of 2018 sales)

Hybrid and Three-Cylinder Engine Compatible:

- OAD and basfilter
- Crankshaft damper/pulley
- Vacuum pump component
- DCT: Dual-Clutch Transmission components
- Modular camshaft head and tailstock



Industrial Applications (25% of 2018 sales)

- Oil refinery industrial instruments
- Semiconductor wafer fab instruments
- High-end bicycle suspension and transmission systems



Aviation (12% of 2018 sales)

- Landing gear parts
- Engine accessories
- Flight control actuator components
- Proximity sensor components



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Tier 1 Customer Portfolio

Automotive Safety System Components

In-plant integration



Our customers have a 65%+ share of the global airbag market

Powertrain System components

In-house capacity



Industrial Applications

In-plant integration



Aviation

In-house capacity



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The Global Tek Alliance

“All for one, one for all”
- Alexandre Dumas, The Three Musketeers



In-House + In-Plant = GLOBALTEK Alliance

Growth Engine #1 : In-House Capability

- ◆ Targeting complex and critical components
- ◆ Powertrain and aviation product manufacturing

Growth Engine #2 : In-Plant Integration

- ◆ Targeting less complex components
- ◆ Industrial and automotive safety system products
- ◆ Supply chain resource management

Total Machining Solutions:

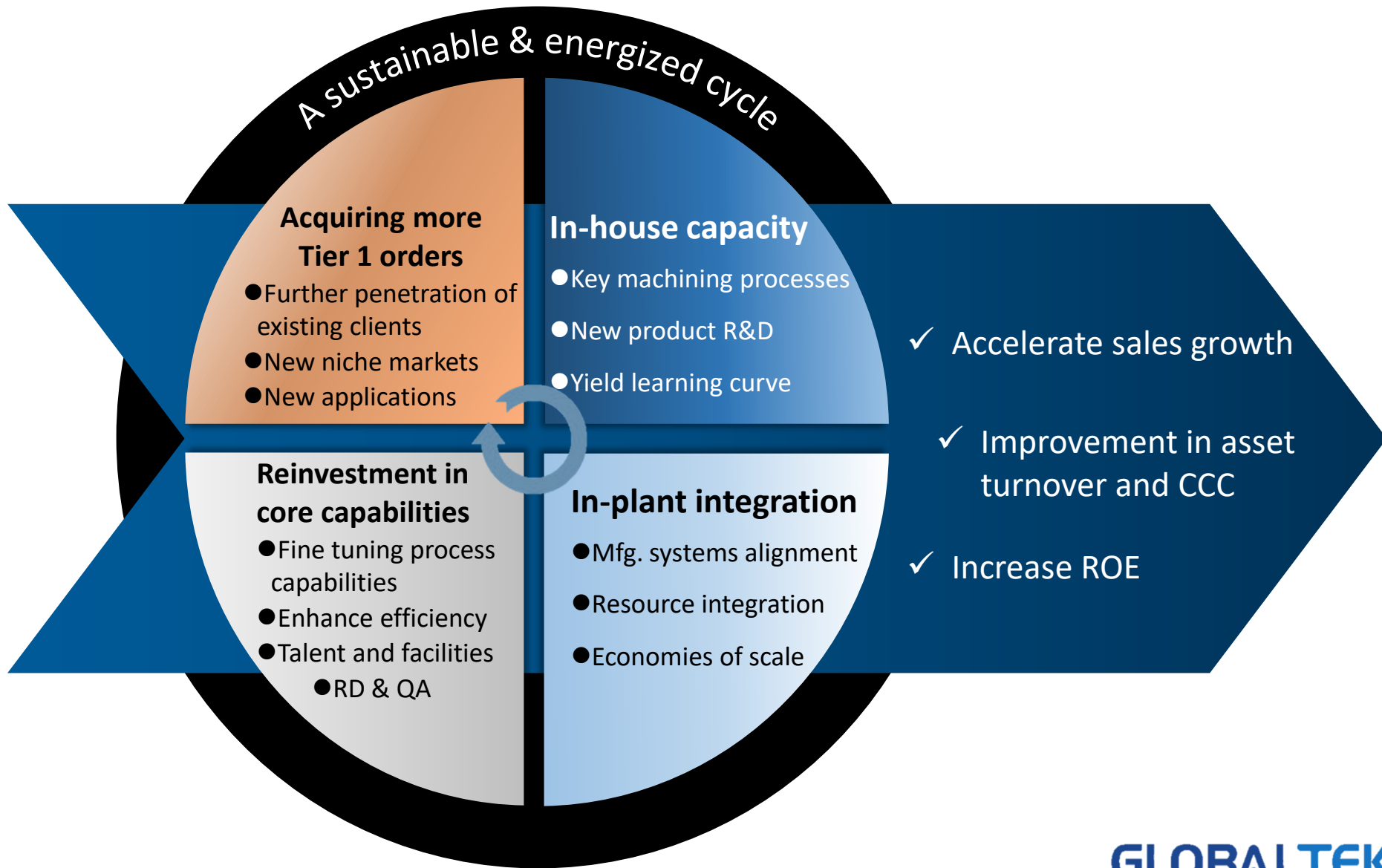
- Material forming
- Precision machining
- Stamping
- Surface treatment
- Sub-assembly
- Functional testing

For Strategic Applications:

Automotive
Industrial
Aviation

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Synergies of the GLOBALTEK Alliance



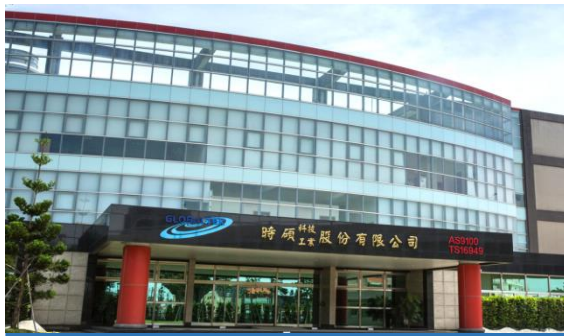
Balanced Deployment of Manufacturing Resources

In-plant integration

Taiwan – Xinwu Factory

46% total sales (2018)

354 employees



Quality system:



Specialization:

Automotive
Industrial
Aviation

Core processes:

Dewaxing casting
CNC machining

In-house capacity

China – Wuxi Factory

45% total sales (2018)

434 employees



Quality system:



Specialization:

Automotive

Core processes:

Forging / Bar stock
CNC machining

China – Xi'an Factory

9% total sales (2018)

134 employees



Quality system:



Specialization:

Industrial
Aviation

Core processes:

CNC machining

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Our Goals & Execution Plan



Industrial Instrumentation

Global Tek Vision 2023

Top Line Growth Target

Higher Than Industry Growth

Improve Efficiency, Product Mix
and Reduce OPEX Rate

Target
**20-25% Gross Margin and
5-10% Operating Margin**

After CAPEX, Establish Supply
Chain Campus and M&A

Target
50% Dividend Payout Ratio

Global Tek Execution Plan



*Cross Functional Team integrates sales, engineering, manufacturing, quality and logistics

GLOBALTEK Winning Formula



Investment in Superior Human Resources

41% of employees are college graduates, R&D staff are 5% of total work force and 11% of R&D staff have a Master's degree or above



Replicate In-Plant Supply Chain Cluster in Central Taiwan

Build a big campus zone in the Central Taiwan Science Park that will include in-house capacity and which will integrate and share resources with supply chain partners. The project will be completed over the next 3 years.



Establish a Competitive Framework with Smart Manufacturing (Industry 4.0)

We'll continue to improve accurate quotation, timely sample, production quality and manufacturing efficiency. These are our advantages to form long-term strategic partnerships across global niche markets.



Build a Defendable Niche in Our Focus Markets

Form strategic partnerships with top-five clients in each niche market and support them with the cross function team structure and agility

Experienced Leadership Team

Name and Position	Function	Years in Industry	Education/Experience
 Donald Huang Chairman and CEO	Pursue lean spirit and learning organization culture, embed company's vision and strategy	40	■ National Taiwan University EMBA ■ Co-Founder & Associate General Manager of Primax (4915 TT)
 Jonathan Lo Executive VP	Xinwu Factory General Manager	30	■ Taiwan Feng Chia University, MS in Mechanical Engineering ■ VP of Snap-On, Zhejiang (SNA US)
 Ken Liu Auto Group GM	Wuxi Factory General Manager	16	■ Taiwan Chung Yuan Christian University, MS in Biomedical Engineering
 Yong Yang Director	Xi'an Factory plant Head	29	■ China Xi'an Jiaotong University, BS in Mechanical Engineering
 Mike Chang Director	Automotive Division Head	30	■ Taiwan Chang Gung University, MBA ■ Manager, Global PMX (4551 TT)
 Ari Chang Director	Aviation Division Head	20	■ Lawrence Technological University, USA MS in Automotive engineering ■ Manager of FOX factory, Tung Pei Industrial
 David Chan Director	Industrial Division Head	20	■ Imperial College of Medicine, UK MS in Mechanical Engineering ■ VP of Lorom Industrial
 Tim Gau CFO	Financial Division Head	30	■ National Taiwan University EMBA ■ University of Rochester MBA ■ Experience as CFO in the Bio and IT industries

Robust Financial Performance



Aviation

2018 Review and 2019 Outlook

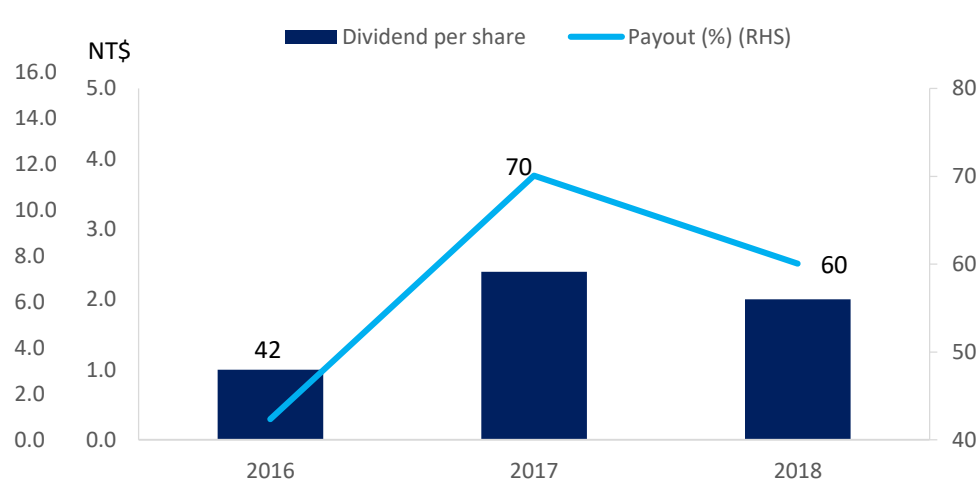
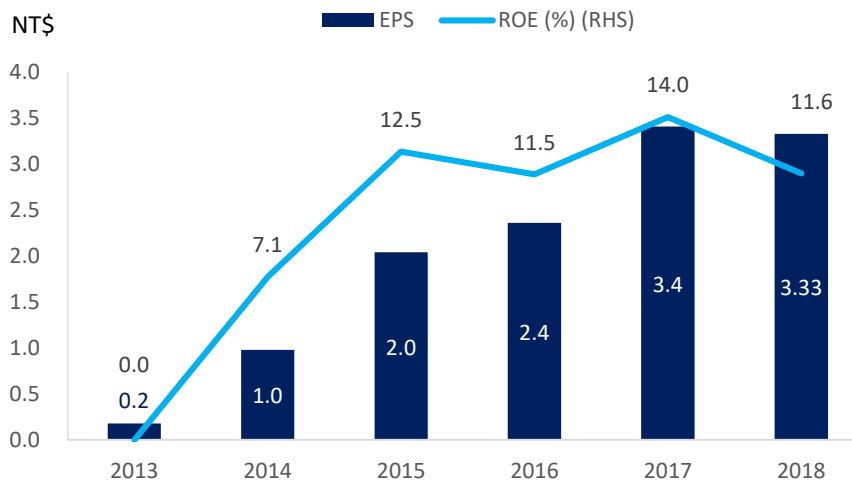
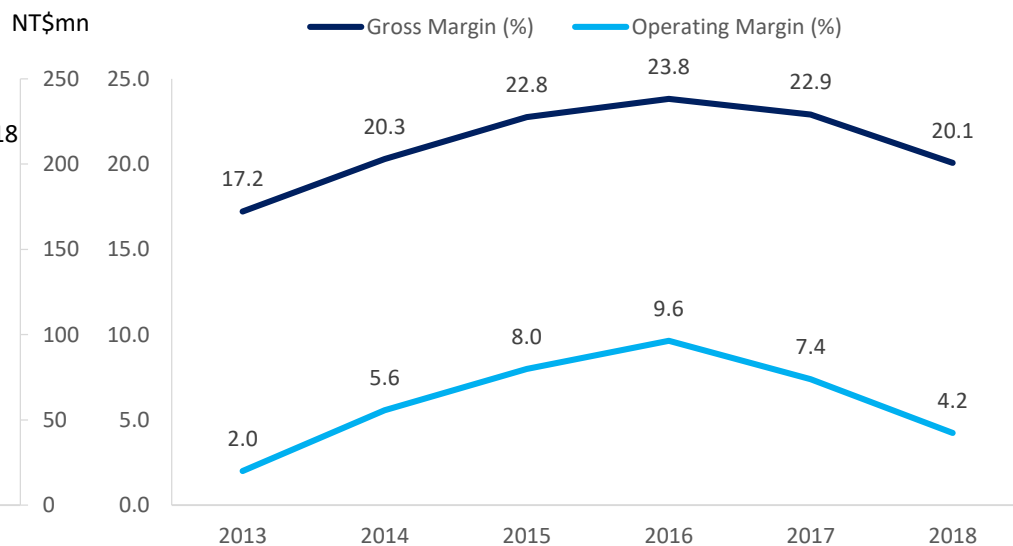
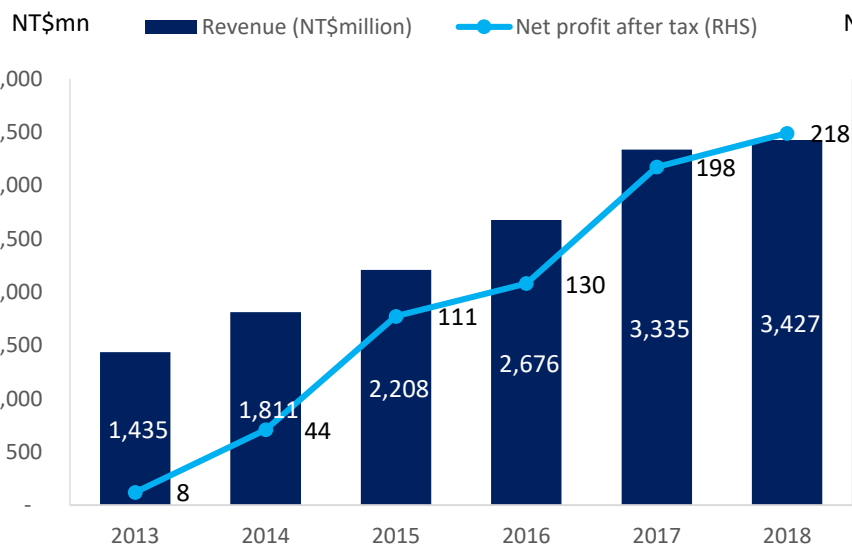
2018 Review

- Revenue was NT\$3.4bn., up 2.8% YoY.
 - Automotive safety system sales declined 31% YoY, due to a higher 2017 base (Takata recall-related demand) and due to Takata/KSS order adjustments in 2018.
 - Sales from Powertrain Systems, Industrial Applications and Aviation **grew 16%, 18% and 53% YoY** respectively.
- Gross margin decreased to 20% from 2017's 23%, due to NT\$ and RMB strength vs the US\$, rising raw material prices and changes in product mix.
- Operating margin decreased to 4% from 2017's 7%, due to the lower gross margin and set up expenses for the Germany office (future EU sales HQ).
- Non-op income was NT\$170mn, up 287% YoY, due to land assets disposal & FX gain.
- Net income was NT\$218mn, up 10% YoY. EPS was NT\$3.33.
- BoD meeting has approved cash dividend of NT\$2.0, implying 60% payout ratio.

2019 Outlook

- Revenue growth to be driven by strong demand from Industrial and Aviation business units
- Annual sales growth to be higher than industry growth.
- Acquisition of Allied Advantage (Malaysia) for NT\$170mn to enhance our forging, stamping and machining capabilities.
- Kick off Phase I construction of supply chain cluster campus in Central Taiwan Science Park

Financial Highlights



Source: TEJ and Capital IQ

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2018 Income Statement

NT\$m	2013	2014	2015	2016	2017	2018	YoY (%)				
							2014	2015	2016	2017	2018
Revenue	1,435	1,811	2,208	2,676	3,335	3,427	26.3	21.9	21.2	24.6	2.7
Gross Profit	247	368	502	637	764	688	48.8	36.6	26.9	19.9	-10.0
Operating Expenses	-218	-267	-326	-379	-517	-543	22.3	22.0	16.4	36.4	4.9
Operating Profit	29	101	177	258	247	145	248.8	75.3	46.1	-4.4	-41.2
Pretax Income	38	69	142	205	291	315	84.0	104.6	44.1	41.9	8.3
Tax Expenses	-31	-26	-31	-75	-92	-97	-14.5	19.6	138.2	23.4	4.8
Net Income to Parent	8	44	111	130	198	218	476.8	150.0	17.4	52.5	10.0
Basic EPS (NT\$)	0.18	0.98	2.04	2.36	3.41	3.33	444.4	108.2	15.7	44.5	-2.3
Key Financial Ratios (%)											
Gross Margin	17.2	20.3	22.8	23.8	22.9	20.1					
Operating Expense Ratio	15.2	14.7	14.8	14.2	15.5	15.8					
Operating Margin	2.0	5.6	8.0	9.6	7.4	4.2					
Effect Tax Rate	81.3	37.8	22.1	36.5	31.8	30.7					
Net Margin	0.5	2.4	5.0	4.9	5.9	6.4					

Source: TEJ and Capital IQ

2018 Balance Sheet

NT\$m	2013	2014	2015	2016	2017	2018	YoY (%)				
							2014	2015	2016	2017	2018
Total Assets	1,745	2,208	2,422	3,002	4,052	4,478	26.5	9.7	24.0	35.0	10.5
Cash	103	200	279	502	670	902	93.8	39.6	80.4	33.4	34.7
AR & NR	434	616	606	732	936	902	41.9	-1.6	20.8	28.0	-3.7
Inventories	290	384	426	484	714	897	32.4	11.1	13.5	47.5	25.7
Fixed Assets	811	739	820	800	844	856	-9.0	11.0	-2.4	5.5	1.5
Total Liabilities	1,176	1,528	1,335	1,837	2,395	2,374	30.0	-12.6	37.6	30.4	-0.9
AP & NP	371	412	389	733	692	633	11.0	-5.6	88.4	-5.6	-8.5
Total Equity	569	680	1,087	1,166	1,658	2,104	19.4	59.9	7.3	42.2	26.9
Key Financial Ratios											
A/R Turnover Days	-	104.3	99.6	90.0	90.0	96.6					
Inventory Turnover Days	-	84.0	85.5	80.4	83.8	105.9					
A/P Turnover Days	-	97.7	84.5	99.1	99.7	87.1					
Cash Conversion Days	-	90.6	100.5	71.3	74.1	115.4					
ROE (%)	-	7.1	12.5	11.5	14.0	11.6					
ROA (%)	-	2.2	4.8	4.8	5.6	5.1					

Source: TEJ and Capital IQ

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Appendix



Superior Track Record of Client Satisfaction



Best Supplier
Award
2001-2008



Group Annual
Supplier Award
for 10 straight
years
2002-2012



Best Supplier
Award
2009-2010

DELPHI

Outstanding
Supplier Award
2009



Annual
Performance
Supplier Award
2011



Annual Merit
Supplier Award
2012



Outstanding
Quality Award
2012



Approved as a
Supplier of
Control Systems
2012



Best Supplier,
Drive
Line Systems
2013



Best Supplier,
Drive
Line Systems
2013



Annual
International
Excellent Service
Award
2013



Outstanding
Supplier Award
2013



Outstanding
Progress Award
2015



Outstanding
Cooperation
Award
2015



Outstanding
Quality
Award
2016

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The Global Tek Collaboration Model

Resources provided by supply chain partners	Facilitated by Global Tek	Global Tek Core Competency
• Plant facilities & machining expertise • Forging, stamping, deep drawing, surface and heat treatment capabilities	• Lean manufacturing management • Quality Assurance system alignment (IATF 16949/AS 9100) • Supply chain resource management: leverage capabilities of small & mid-sized machine shops • Industry 4.0 model shop and R&D	• Value Engineering • Investment in key equipment, R&D and Quality Assurance • Strategic partnerships with global Tier 1 OEMs • Accumulate industry and customer certifications

Global Tek is leveraging the cluster of advanced machining providers

Global Tek Milestones

- **2000** - Established [Xinwu factory](#) in Taiwan.
- **2001** - Established [Wuxi factory](#) in China.
- **2002** - Obtained BSI QS9000.
- **2004** - Received the international [automotive quality certification TS16949](#).
- **2004** - Promoted lean production management.
- **2005** - Established [Xi'an factory](#) in China, focusing on industrial instrumentation. Passed [AS9100 aviation certification](#).

- [China Steel](#) and [Primax Electronics](#) both become our shareholders.
- In house NADCAP certified FPI line.

- Opportunities for new products arise
- Gradual increase in both profits and revenue

- The company is listed on Taiwan OTC stock market
- Revenue record of nearly NT\$3.3bn.

- **2008** - We were recommended by the Ministry of Economic Affairs as a SME, and we were the topic of an episode of the TV show New Money which focused on cluster activities.
- Global Tek Fabrication was founded.

- Global Tek went public with ticker: 4566
- Revenue record of nearly NT\$2.3bn.

- The company is [listed on the TWSE](#).

Allied Advantage (AA) Profile and Milestones

➤ 2017/18 revenue was US\$14mn, and came mainly from:

1. Metal Cold Forging
2. Progressive Cold Forging
3. Stamping
4. Progressive Stamping
5. Machining (CNC, NC etc.)

➤ Industry Specializations:

1. Home Entertainment
2. Automotive industry

1983

- Founded in Taiwan as "Audio Yoke Co. Ltd."

1996

- Moved to Sungai Petani, Malaysia; renamed "Allied Advantage Sdn Bhd"
- Mass Production in March

2004-08

- 2004: Achieved ISO/TS 16949:2002 QMS Certification
- 2008: Achieved ISO 14001:2004 EMS Certification

2010

- Sony Green Partner Certification

2015-17

- 2015: Renewal of ISO/TS 16949:2009 Certification
- 2016: Renewal of Sony Green Partner Certification
- 2017: Upgraded to ISO 14001:2015 Certification