



Intai Technology

TWSE: 4163

March 2015



RF Microwave
Precision Hardware
Medical Devices

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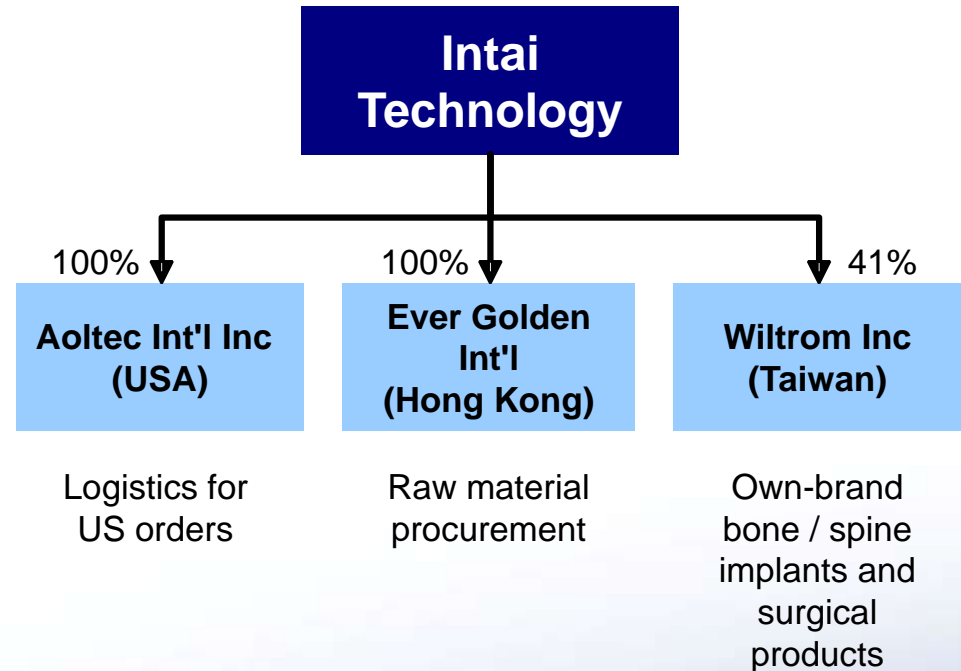
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2. Product categories
3. Medical devices prospect
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5. Financial highlights



Company facts

Founded	1988 (name changed from Intai Hardware in 2004)
Chairman & CEO	Tsai Yung-Fang
GM	Chung Chao-Yun
Registered capital	NT\$402 mn
Industry; Product	Precision metal works; OEM/ODM for medical device components/assemblies, fasteners, radio frequency & microwave switches
Employee	558 (Feb.28, 2015)
HQs & facilities	Taichung (Taiwan)
OTC listing	Nov 15, 2012

Corporate structure





Major shareholders and management profile (2014/4/30)

	Shareholding (%)
Founder - Mr. Lin and family	23.1
GM - Mr. Chung and family	10.2
Chairman & CEO - Mr. Tsai	4.6
VP - Mr. Lin and CFO - Ms Su	9.4
Chinatrust Venture Capital	2.5
VP - Mr. Sun	1.4
Major shareholder Total	51.2



- Chairman&CEO : Simon Tsai
- 30 years in the metalworking industry
- 19 years with Intai
- BS of National Taiwan University of Science and Technology



- GM: John Chung
- 40 years in the metalworking industry
- 26 years with Intai
- BS of Air Force Institute of Technology (Taiwan)



- CSO: Paul Lin
- Founder of Intai
- 40 years in the metalworking industry
- BS from National Taipei University of Technology



- CFO: Lily Su
- 20 years with Intai
- EMBA of National Chung Hsing University



- VP of Medical BU: Mark Wu
- 12 years in the metalworking and Bike assembly industry
- 8 years with Intai
- BS of National Chung Hsing University of Soil and Environmental Science



- VP of Fastener BU: Patrick Lin
- 30 years in the metalworking industry
- 26 years with Intai
- MBA of Soochow University China



- VP of Switch BU: Richard Sun
- 40 years in the microwave switches industry
- 11 years with Intai
- MS of University of California

Company overview

Product categories

Medical devices prospect

Future projects

Financial highlights

Precision metal works at the core

Medical Devices



Precision Fasteners



Radio Frequency & Microwave Switches



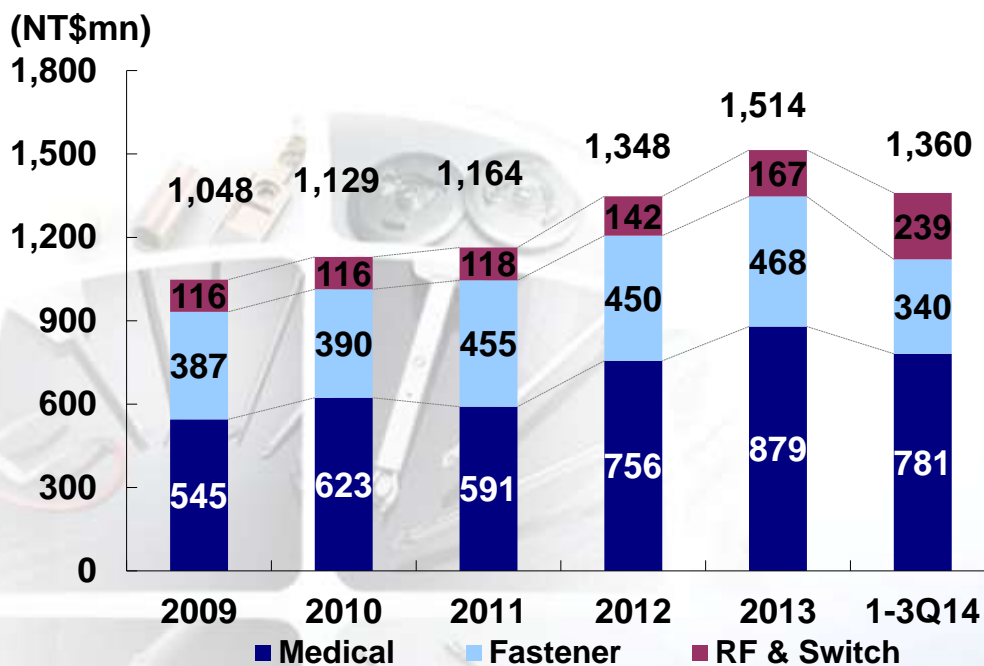
Intai products

Applications

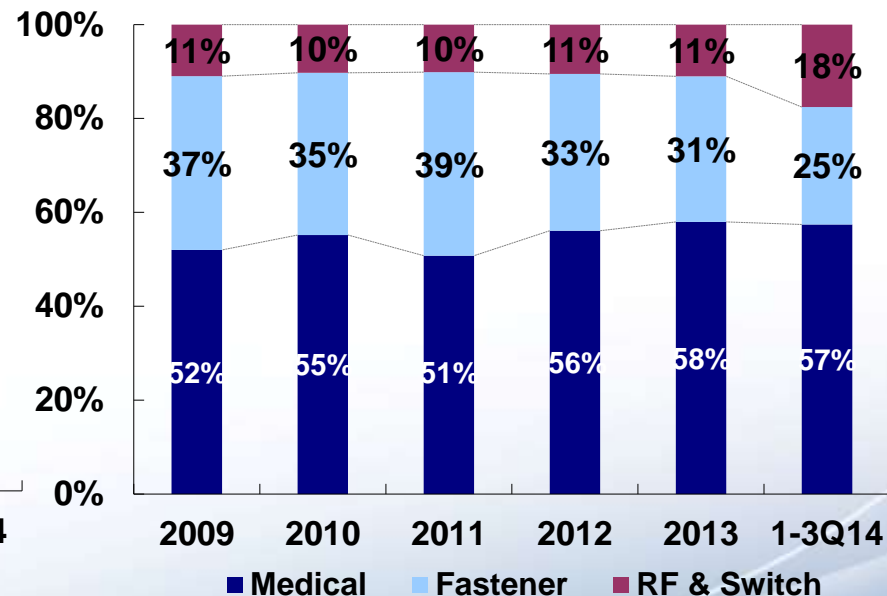




Total sales by product category



Total sales breakdown by product category





Intai's competitive advantages

- Decades of experience combining capabilities across medical and metal-working sectors and acquired international certifications
- Client relationships spanning over 20 years
- Innovative and non-conventional metal-working techniques to produce complex precision shapes
- One-third in-house developed tools and equipment
- R&D capabilities with early-stage product development with customers
- Capacity optimization combining high mix, low volume with higher volume, mass value-added products
- Co-development with Industrial Technology Research Institute (ITRI)

Vision and plan

■ OEM

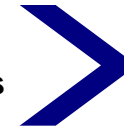
- Increase market share in our major client
- Establish relationship with other subsidiaries within our major client's group

■ ODM

- Explore more opportunities in product co-design/co-development with clients based on our past successful experience
- Further leverage current capability in innovative product design and development

■ OBM

- Continue to develop own-brand dental and orthopedic implants launched in 2013
- Develop presence in China/SE Asia markets within 3 years

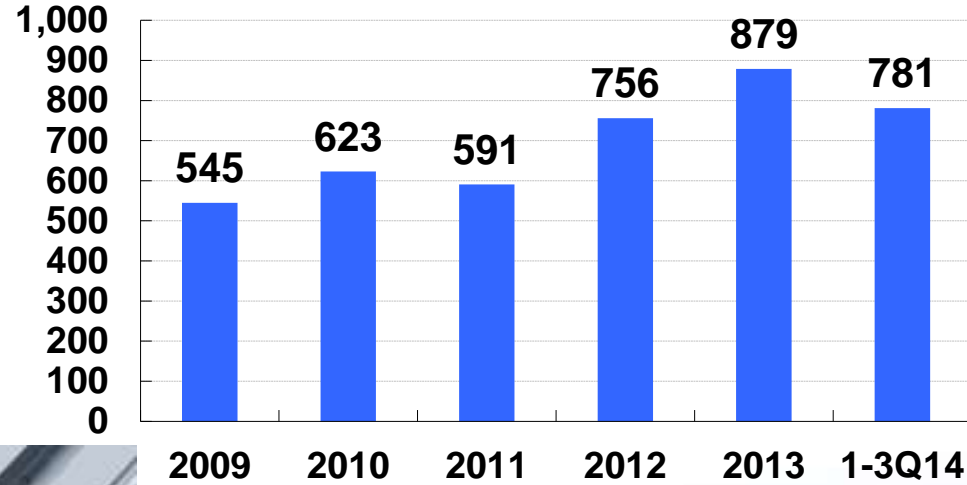


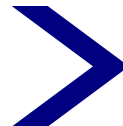
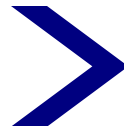
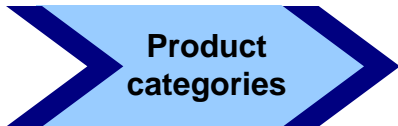
1. Medical component/assembly

- Major metal components supplier for global leading endoscopic surgery instrument brand (half of Intai's 2014 total sales)
- One of few qualified suppliers in Asia, with most peers in the US
- Also supplier of orthopedic/dental implants and other medical components

Intai sales in Medical component/ assembly

(NT\$ mn)

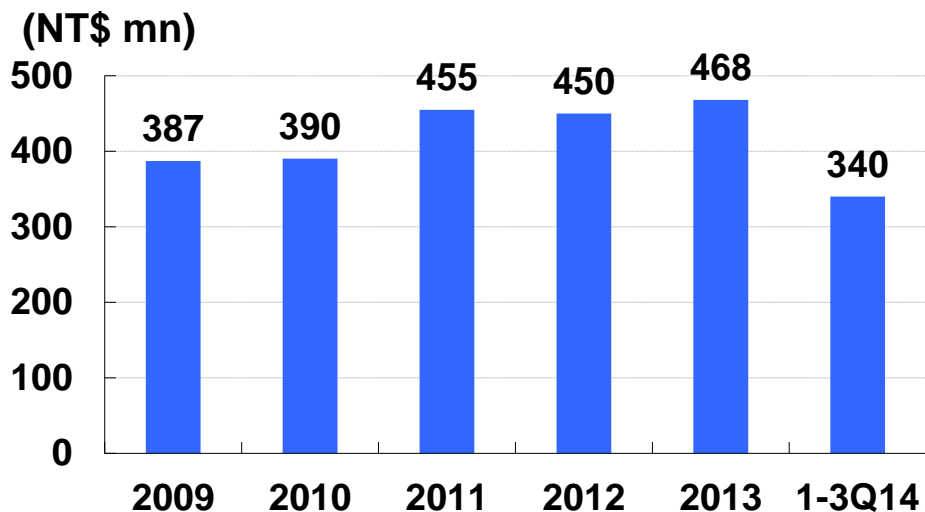


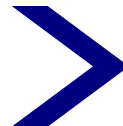
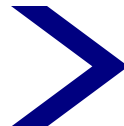
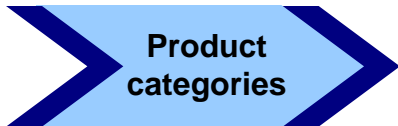


2. Precision Fasteners

- Standard and customized fasteners with applications in automotive, construction, aerospace, furniture industries and etc...
- Focus on high value-added metal components

Intai sales in Precision Fasteners

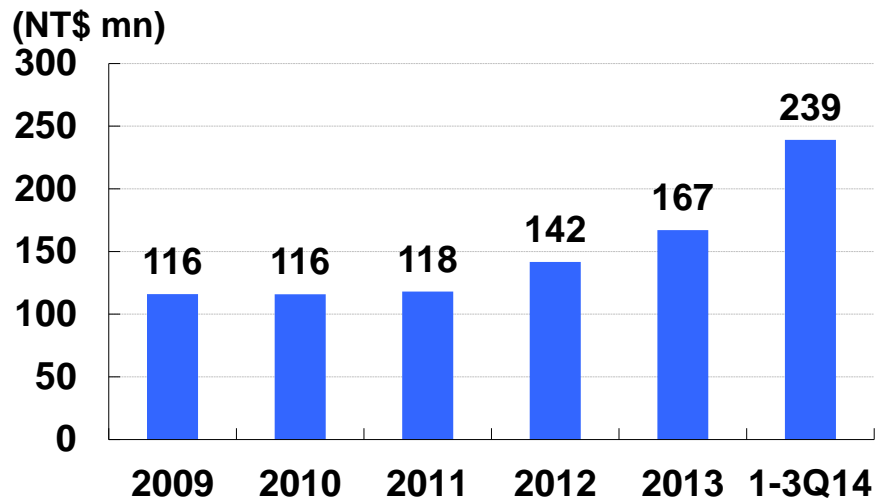




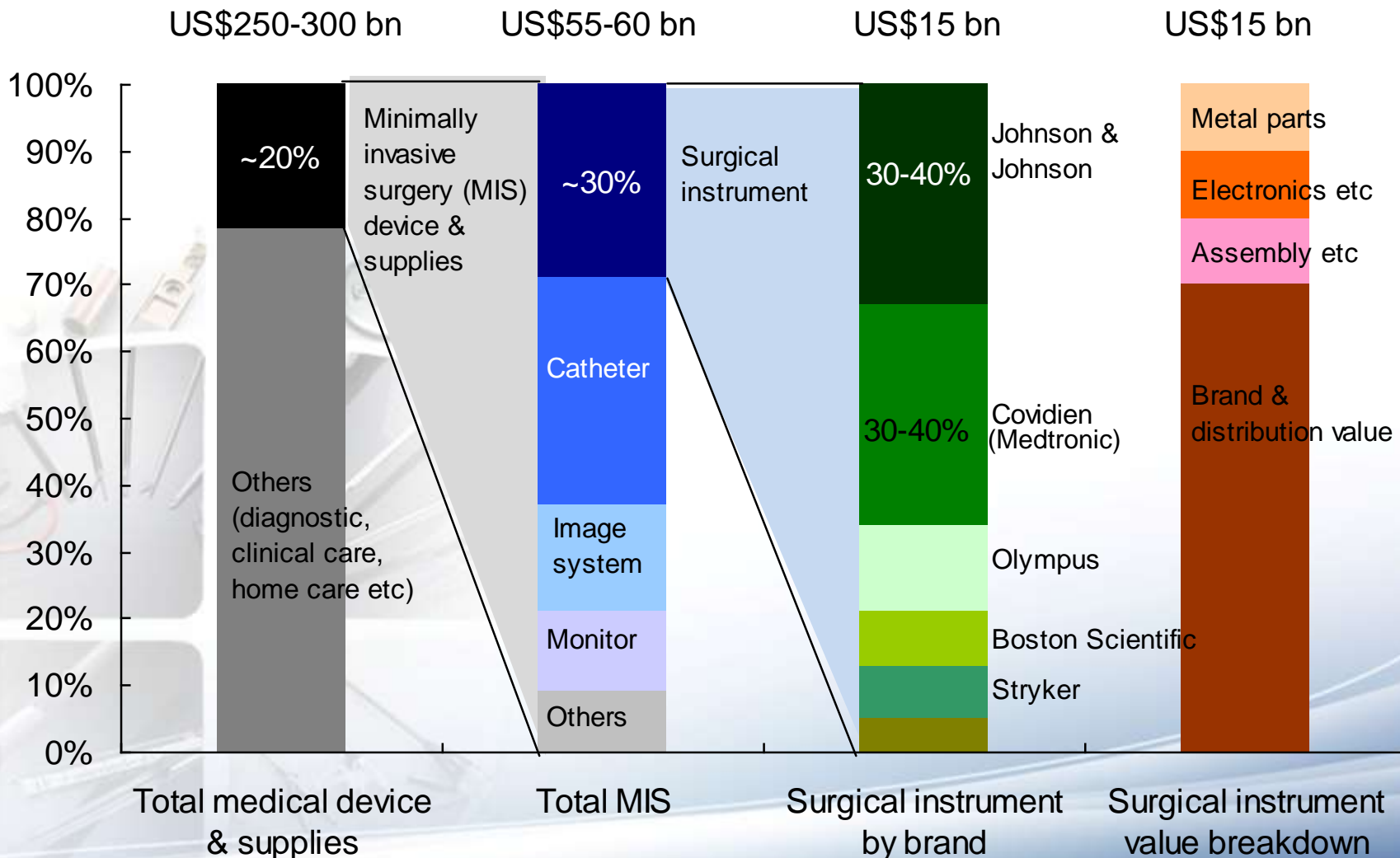
3. RF & Microwave Switches

- Customized and niche radio frequency and microwave switches with applications in automobile, wireless telecommunication (ex: aviation, mobile phone base station, military...etc)
- Major clients are top 2 players in the world

Intai sales in RF/ Microwave Switches

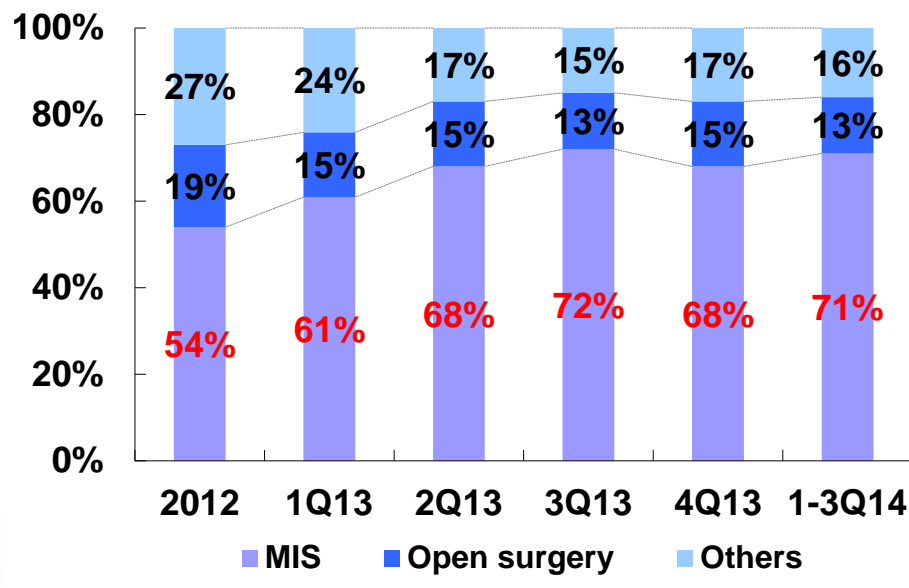


Intai's addressable market in the global medical device industry



Global trend from open surgery to Minimally Invasive Surgery (MIS)

Intai Medical sales breakdown by application



Smaller incision

Less complications

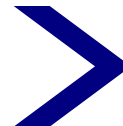
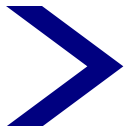
Reduced pain

Faster recovery

Increased safety

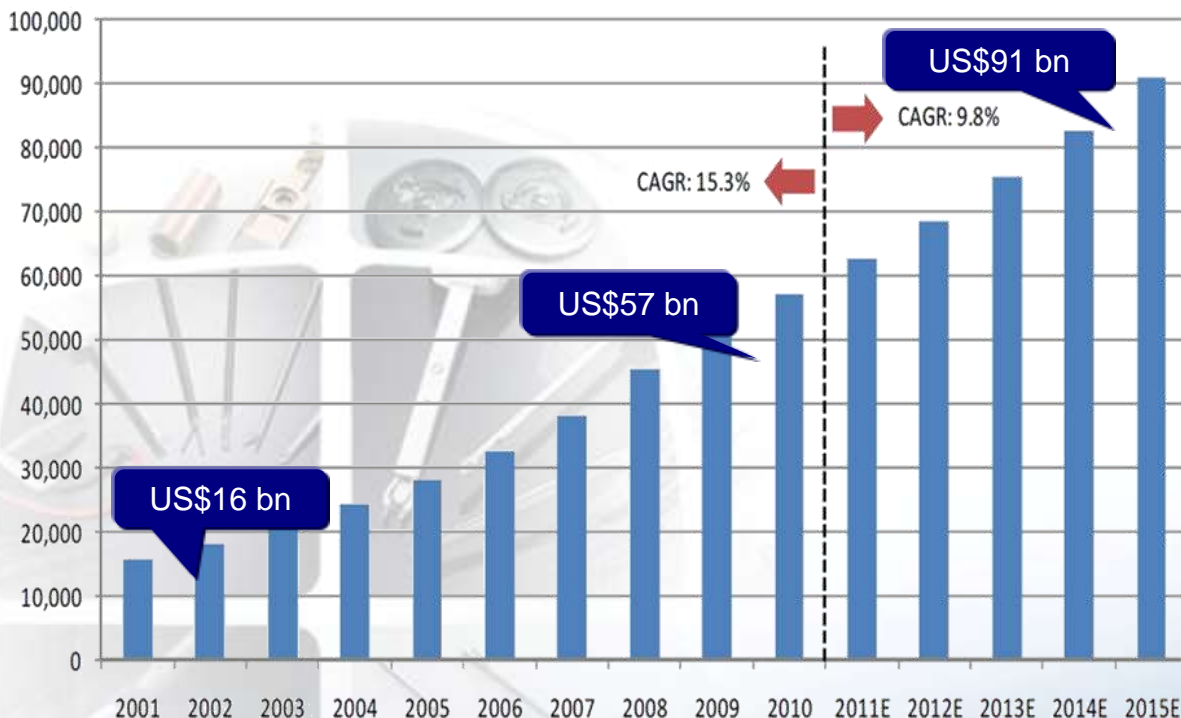
Shorter hospital stay

Cost saving

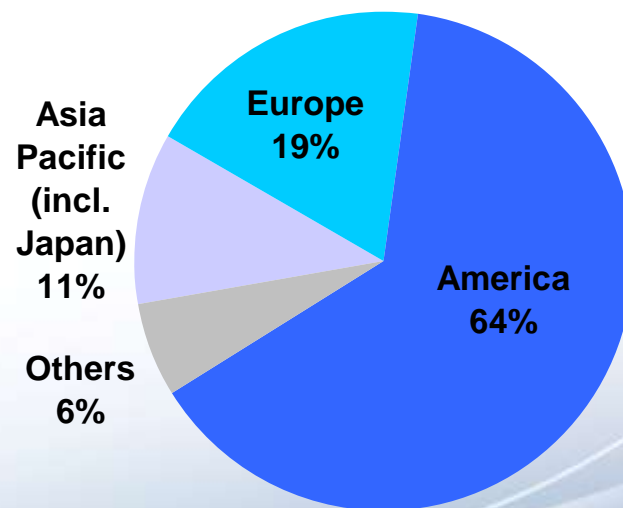


Global MIS device market to grow 10% annually, with greater potential in emerging Asia

(US\$ mn)

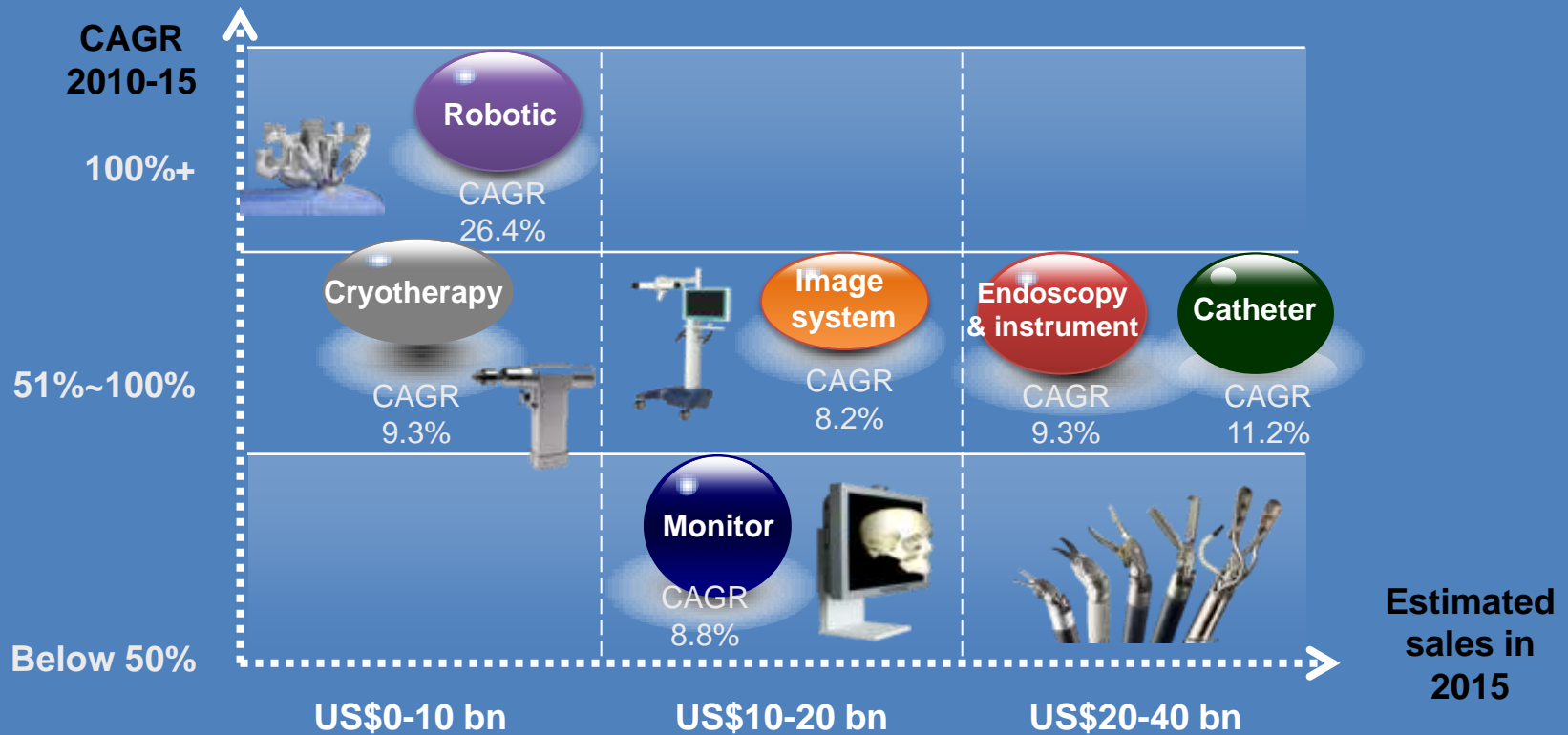


Global MIS device sales geographic breakdown in 2010



Source: MarketsandMarkets, MIRDC

Global MIS device market: Value and growth by segment



- Abdominal (gynecology + gastroenterology) is the largest MIS sector (10.8 million cases or 35% share) in 2010
- Orthopedics MIS had 4 million cases in 2010 with strong momentum

Otorhinolaryngology

Thoracic cavity

Cardiology

Abdominal cavity

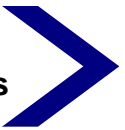
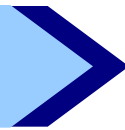
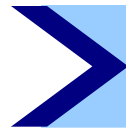
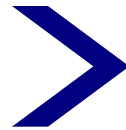
Gynecology

Gastroenterology

Neurosurgery

Orthopedics

Cosmetic Surgery



US\$14.5 bn market in 2011 with 6-9% projected CAGR through 2016

Unit: US\$ mn

Products	2009	2010	2011	2016	CAGR% (2011-2016)
Orthobiologics	3,894.5	4,143.2	4,437.5	6,208.1	6.9
Joint reconstruction	12,944.6	13,681.4	14,463.7	19,173.8	5.8
Spinal devices	7,033.3	7,803.6	8,660.5	13,529.5	9.3
Trauma fixation devices	5,183.2	5,505.3	5,845.0	7,929.7	6.3
Arthroscopic devices	3,381.7	3,607.8	3,849.6	5,343.5	6.8
Orthopedic accessories	2,307.7	2,355.6	2,405.1	2,678.8	2.2
Orthopedic braces and support system	1,958.6	2,571.7	2,640.3	3,021.7	2.7
Total	36,703.6	39,668.6	42,301.7	57,885.1	6.5

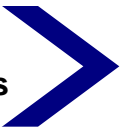
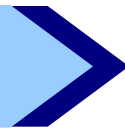
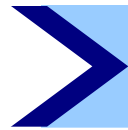
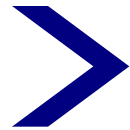
Source: Global Orthopedics Devices Market (2011-2016)

Projects for the next 2 years

Own-brand dental implants

- Launched own-brand Royal Dent for dental implant products in 2013, with positive feedback from clinical sales in Taiwan
- Received Taiwan FDA, US FDA, and CE approvals and one from China FDA in 2014.
- Expect to receive Singapore HSA in 4Q14 and the 2nd approval from China FDA in before 2Q15

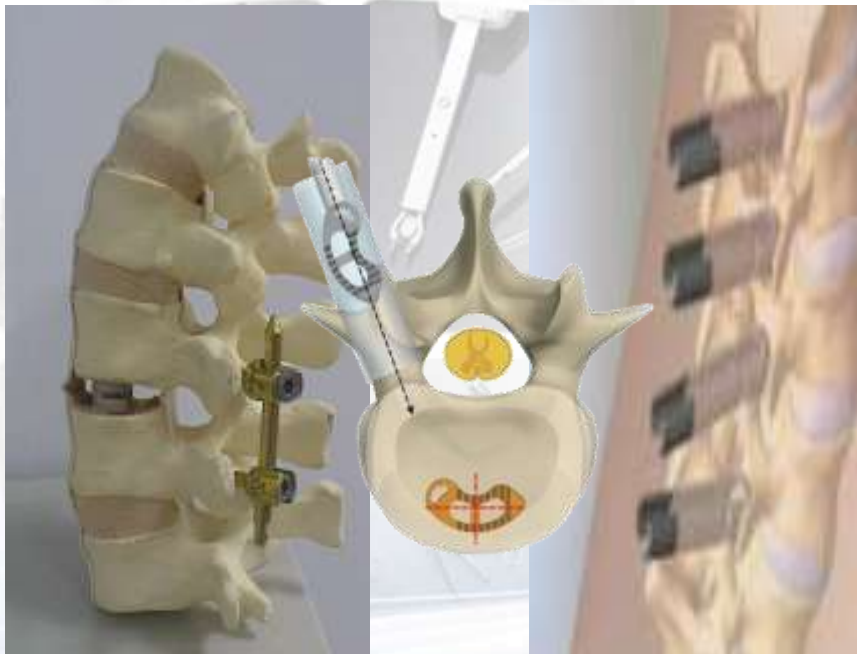




Longer-term projects

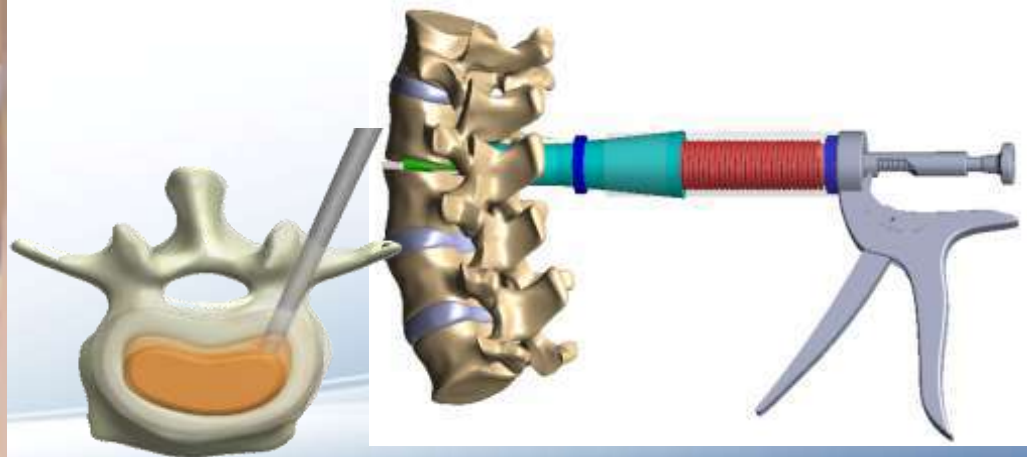
1. Orthopedic implants

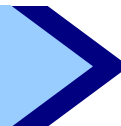
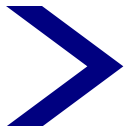
- 500,000 patients receive spine fusion surgery in the US every year
- MIS orthopedic surgery contributes to reduction of incision and recovery time
- Intai manufactures related components including screws, cage, fixation system.



2. Thermal Injection fusion

- The thermal injectable bone graft for spinal fusion is injected and spread out evenly in lumbar disc, while in traditional fusion surgery it's difficult to confirm whether the fusion is placed optimally
- The wound size of the thermal injectable fusion is under 1cm, while wound size of traditional MIS ranges 3-5 cm
- To enter animal testing in 4Q14





MIS Spinal Navigation System

The diagram illustrates the MIS Spinal Navigation System. It features a central image of a surgical procedure with an instrument and reference points. Red arrows connect these points to a large optical tracker unit on the right. The tracker is labeled 'Optical Tracker' and 'Reflective Marker Spheres'. The system is used for MIS spinal surgery.

Instrument

Reference

Reflective Marker Spheres

Optical Tracker

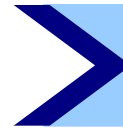
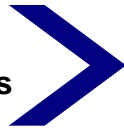
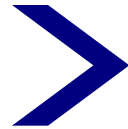
BENEFITS

- Reduced X-Ray exposure
- Visualized pre-calibrated instruments in 3D geometry
- Increased surgery precision with computer assisted

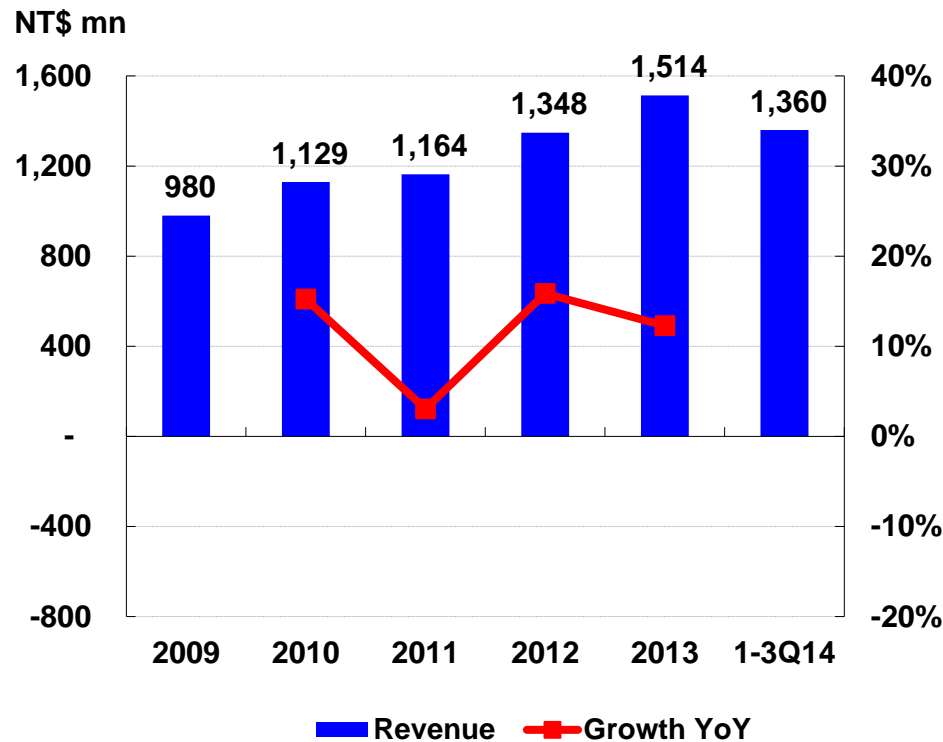
FEATURES

- Use the same world-class tracking technology
- Tracker accuracy 0.25 mm RMS

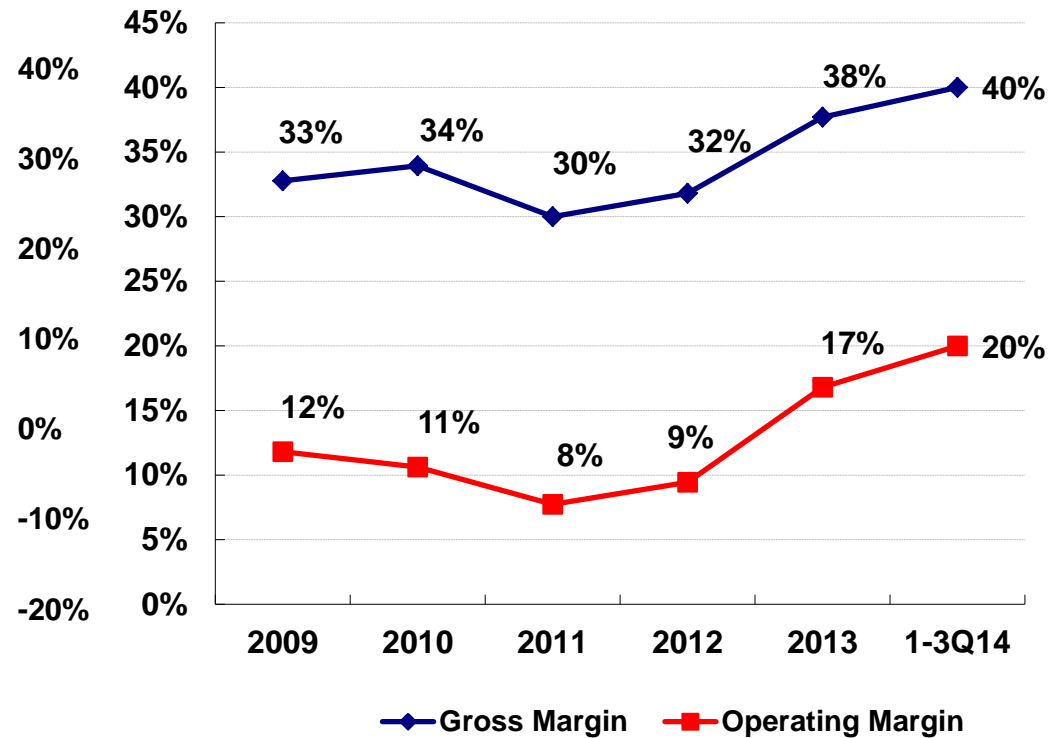
Provide a total solution for MIS spinal surgery
Navigation system integration to easily adapt to our own brand implants and instrument for MIS Pedicle Screw, MIS TLIF Cage

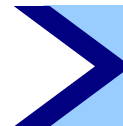
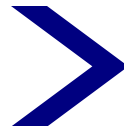
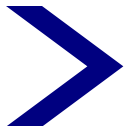


Revenue growth

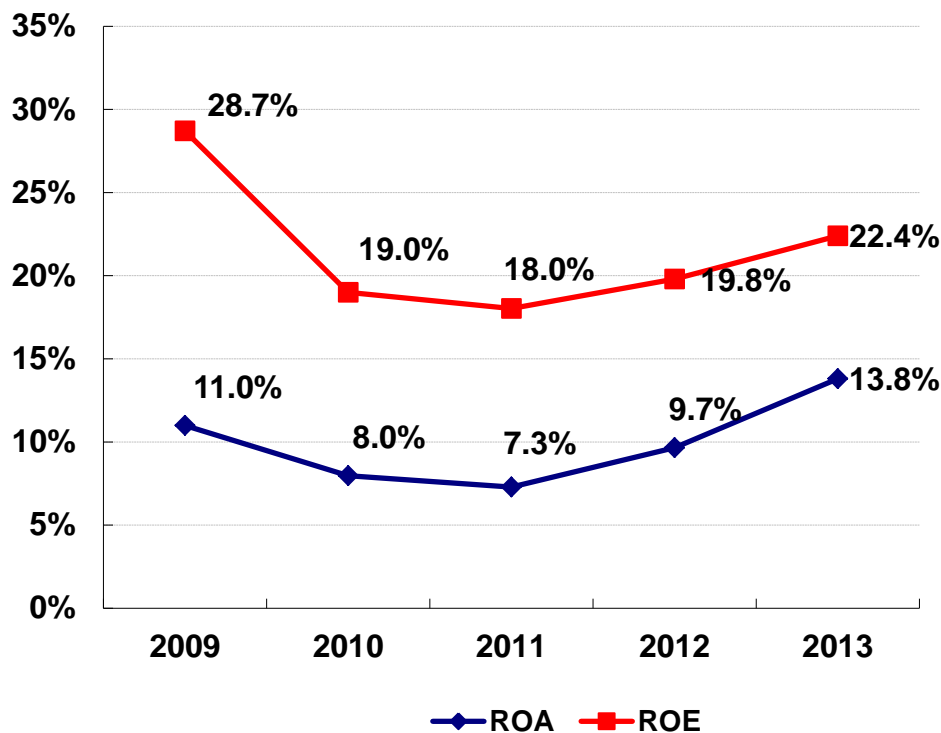


Margins



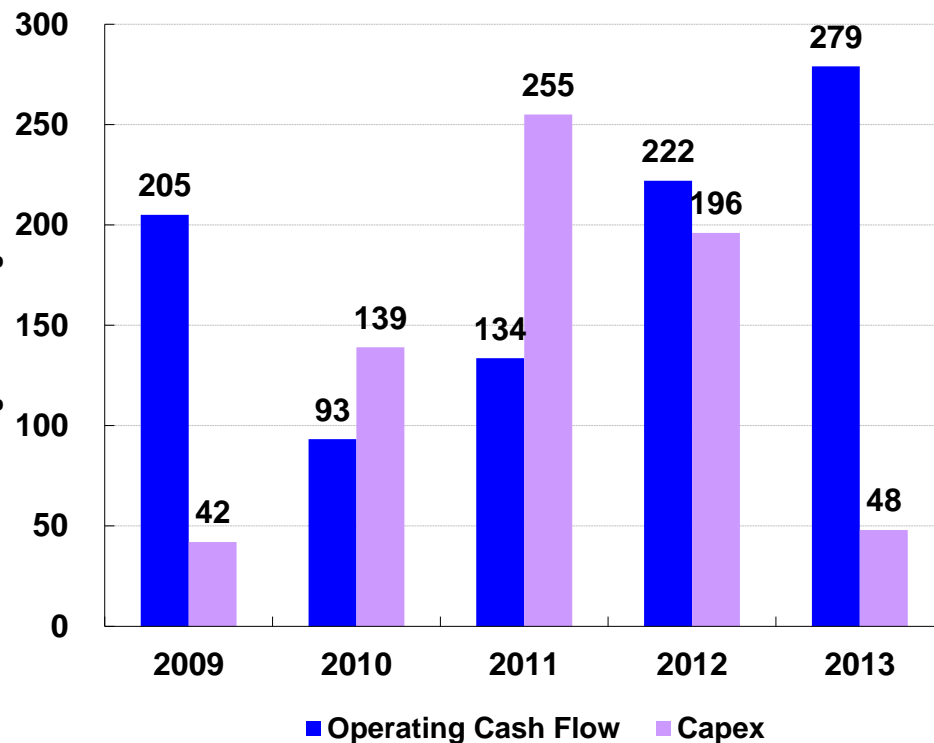


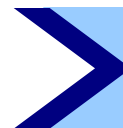
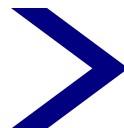
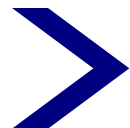
ROE and ROA



Operating cash flow & Capex

(NT\$ mn)

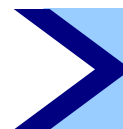
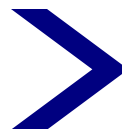
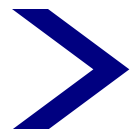




Dividend policy

	2009	2010	2011	2012	2013
EPS (NT\$)	3.95	2.88	3.27	4.68	6.05
Cash DPS (NT\$)	2.0	1.5	2.0	3.0	5.0
Payout ratio (%)	50.6	52.2	61.1	64.0	82.6
Cash yield (%)*	-	-	3.3	2.7	2.5

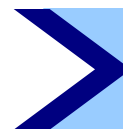
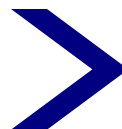
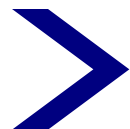
* Based on share price on following year's closing before ex-dividend day.



Consolidated income statement highlights

NT\$ mn	2009	2010	2011	2012*	2013*	1-3Q14*
Revenue	980	1,129	1,164	1,348	1,514	1,360
Gross Profit	321	383	349	429	571	537
<i>Gross Margin (%)</i>	33	34	30	32	38	40
Operating Profit	116	120	90	127	254	265
<i>Operating Margin (%)</i>	12	11	8	9	17	20
Income before Tax	127	99	134	205	288	286
Net Income	115	95	114	175	243	248
<i>Net Margin (%)</i>	12	8	10	13	16	18
EPS (NT\$)	3.89	2.88	3.23	4.67	6.05	6.17
YoY (%)	2009	2010	2011	2012	2013	
<i>Revenue</i>		15.2	3.1	15.8	12.3	
<i>Gross Profit</i>		19.3	(8.9)	22.9	33.1	
<i>Operating Profit</i>		3.4	(25.0)	41.1	100.0	
<i>Net Income</i>		(17.4)	20.0	53.5	38.9	

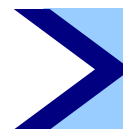
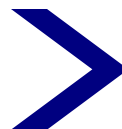
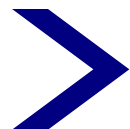
* Based on IFRS



Consolidated balance sheet highlights

NT\$ mn	2009	2010	2011	2012*	2013*	3Q14*
Cash & cash equivalent	158	229	256	395	237	495
Inventories	334	297	391	377	461	497
Total current assets	673	766	904	941	875	1,208
Long-term investments	17	16	16	16	37	36
Net fixed assets	350	470	858	789	786	819
Total assets	1,086	1,294	1,825	1,785	1,728	2,119
Short-term borrowings	148	278	226	0	160	0
Total current liabilities	415	509	690	298	516	369
Long-term debts	146	231	343	401	0	456
Long-term liabilities	185	272	386	63	69	67
Total liabilities	599	782	1,076	761	585	892
Retained earnings	117	134	183	258	375	422
Shareholders' equity	486	512	749	1,024	1,143	1,227
Total liabilities & Shareholders' equity	1,086	1,294	1,825	1,785	1,728	2,119

* Based on IFRS



Consolidated cash flow highlights

NT\$ mn	2009	2010	2011	2012*	2013*	1-3Q14*
Net profit	115	95	114	205	288	286
Depreciation & amortization	29	25	26	54	49	40
Change in working capital	23	40	(28)	(55)	(36)	(61)
Others	39	(67)	22	(18)	(22)	(59)
Operating cash flow	205	93	134	222	279	206
Capex	(42)	(139)	(255)	(196)	(48)	(52)
Change in investments	(6)	0	0	0	(22)	0
Change in other assets	(1)	(31)	(27)	164	(14)	(31)
Investment cash flow	(49)	(169)	(282)	(32)	(84)	(83)
Change in share capital	80	0	175	224	0	0
Net change in debt	0	214	61	(169)	(241)	495
Other adjustments	(138)	(66)	(55)	(74)	(121)	(361)
Financing cash flow	(58)	148	181	(19)	(362)	0
Free cash flow	163	(45)	(121)	26	231	134

* Based on IFRS