



Intai Technology

TWSE: 4163

March 2014



RF Microwave
Precision Hardware
Medical Devices

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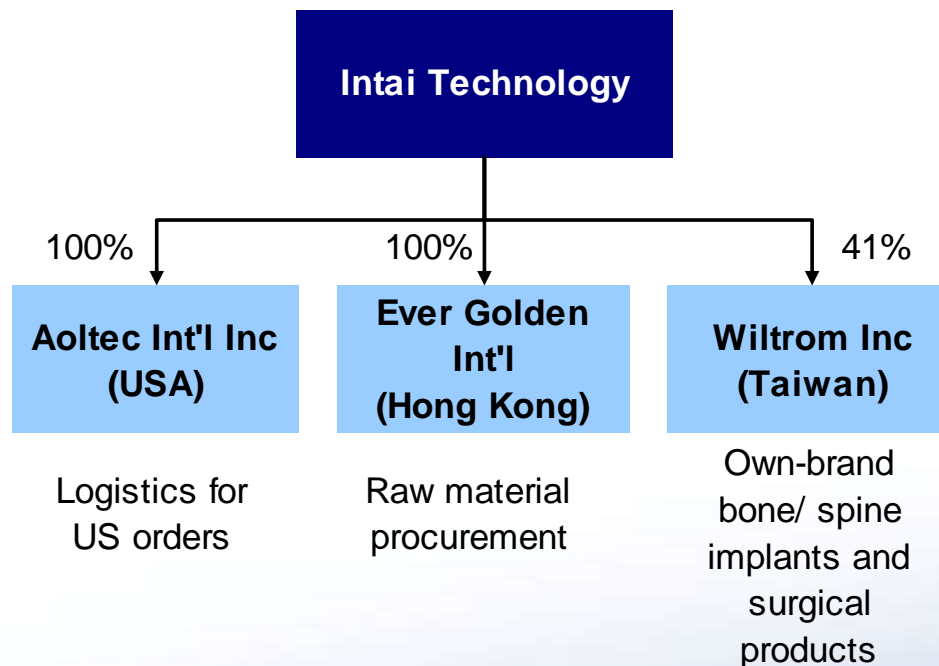
- 
- A collage of six images showing various medical device components, including catheters, probes, and surgical instruments, arranged in a grid-like pattern on the left side of the slide.
1. Company overview
 2. Product categories
 3. Medical devices prospect
 4. Future projects
 5. Financial highlights



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	515 (Dec 31, 2013)
HQs & facilities	Taichung (Taiwan)
OTC listing	Nov 15, 2012

Corporate structure



Major shareholders and management profile

	Shareholding (%)
Founder - Mr. Lin and family	22.0
GM - Mr. Chung and family	10.0
Chairman & CEO - Mr. Tsai	2.3
VP - Mr. Lin and CFO - Ms Su	5.8
Chinatrust Venture Capital	3.2
VP - Mr. Sun	1.5
Major shareholder Total	44.8



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



- GM: John Chung
- 40 years in the metalworking industry
- 25 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
- 19 years with Intai
- EMBA of National Chung Hsing University



- VP of Medical BU: Mark Wu
- 11 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
- 25 years with Intai
- MBA of Soochow University China



- VP of Switch BU: Richard Sun
- Director of Switch Dept at Teledyne
- 40 years in the microwave switches industry
- 10 years with Intai
- MS of University of California

Precision metal works at the core

Medical Devices



Precision Fasteners



Radio Frequency &
Microwave Switches



Intai
products

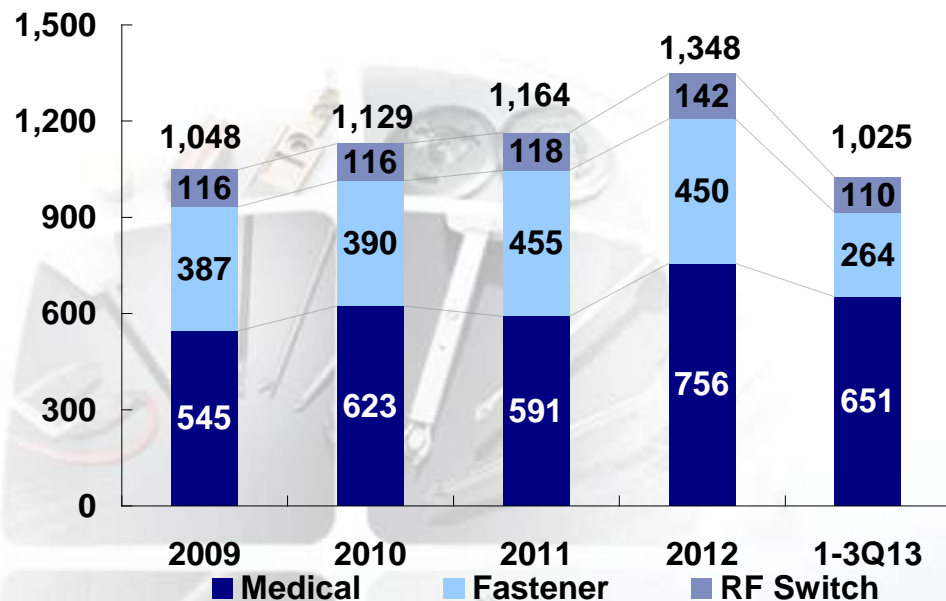
Applications



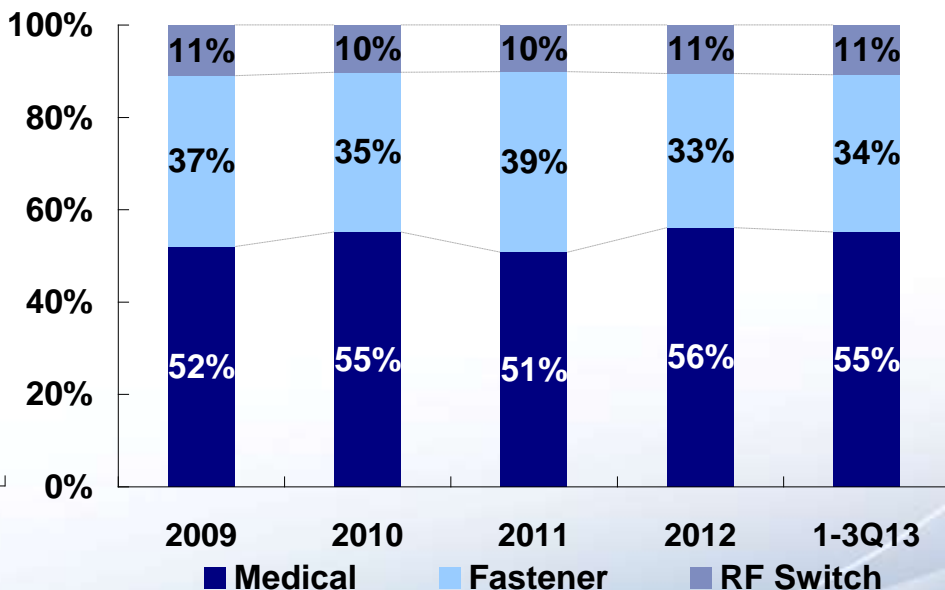


Total sales by product category

(NT\$m)



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

- Double market share in our major client to 5% within 3 years
- Establish relationship with other subsidiaries within our major client's group to increase 3 more accounts within 3 years

■ 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

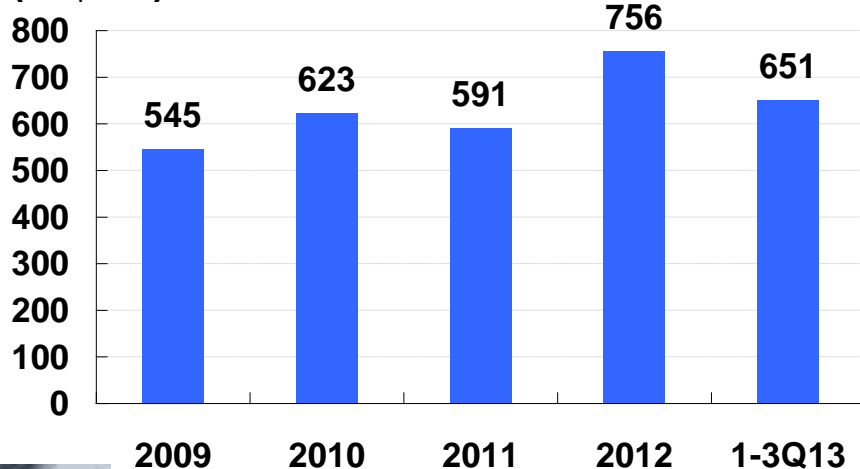
- Continue to develop own-brand dental and orthopedic implants launched in 2013
- China/SE Asia sales to account for 10% of revenues within 3 years

1. Medical component/assembly

- Major metal components supplier for global leading endoscopic surgery instrument brand (half of Intai's 2012 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
- Over 35% blended gross margin in 2013

Intai sales in Medical component/ assembly

(NT\$ mn)

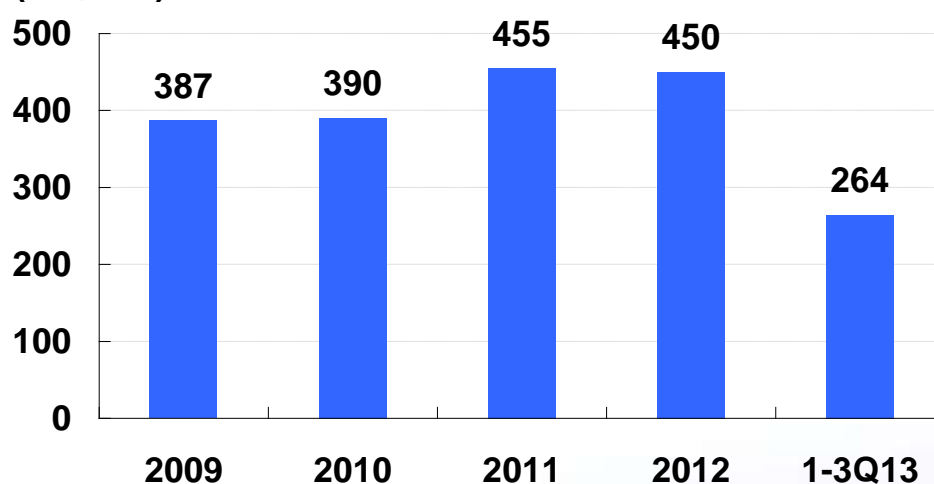


2.Precision Fasteners

- Standard and customized fasteners with applications in automotive, construction, aerospace, furniture industries and etc...
- Over 20% blended gross margin in 2013
- Focus on high value-added metal components

Intai sales in Precision Fasteners

(NT\$ mn)

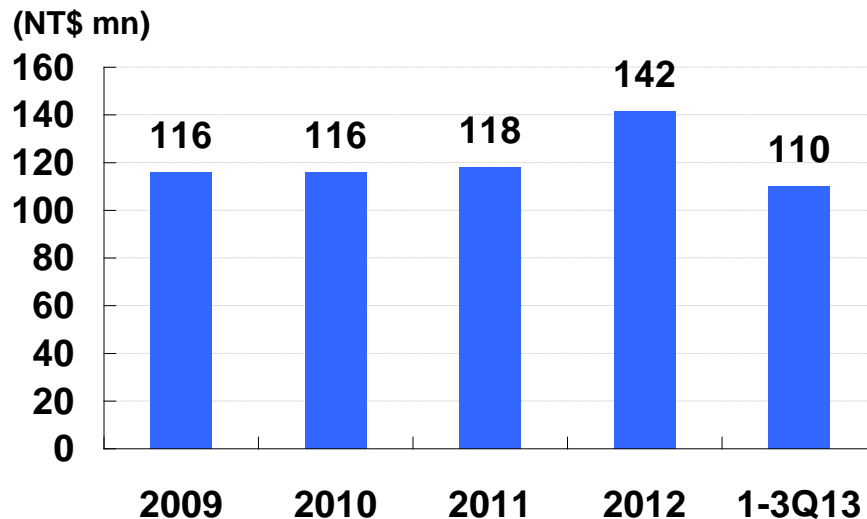


3.RF & Microwave Switches

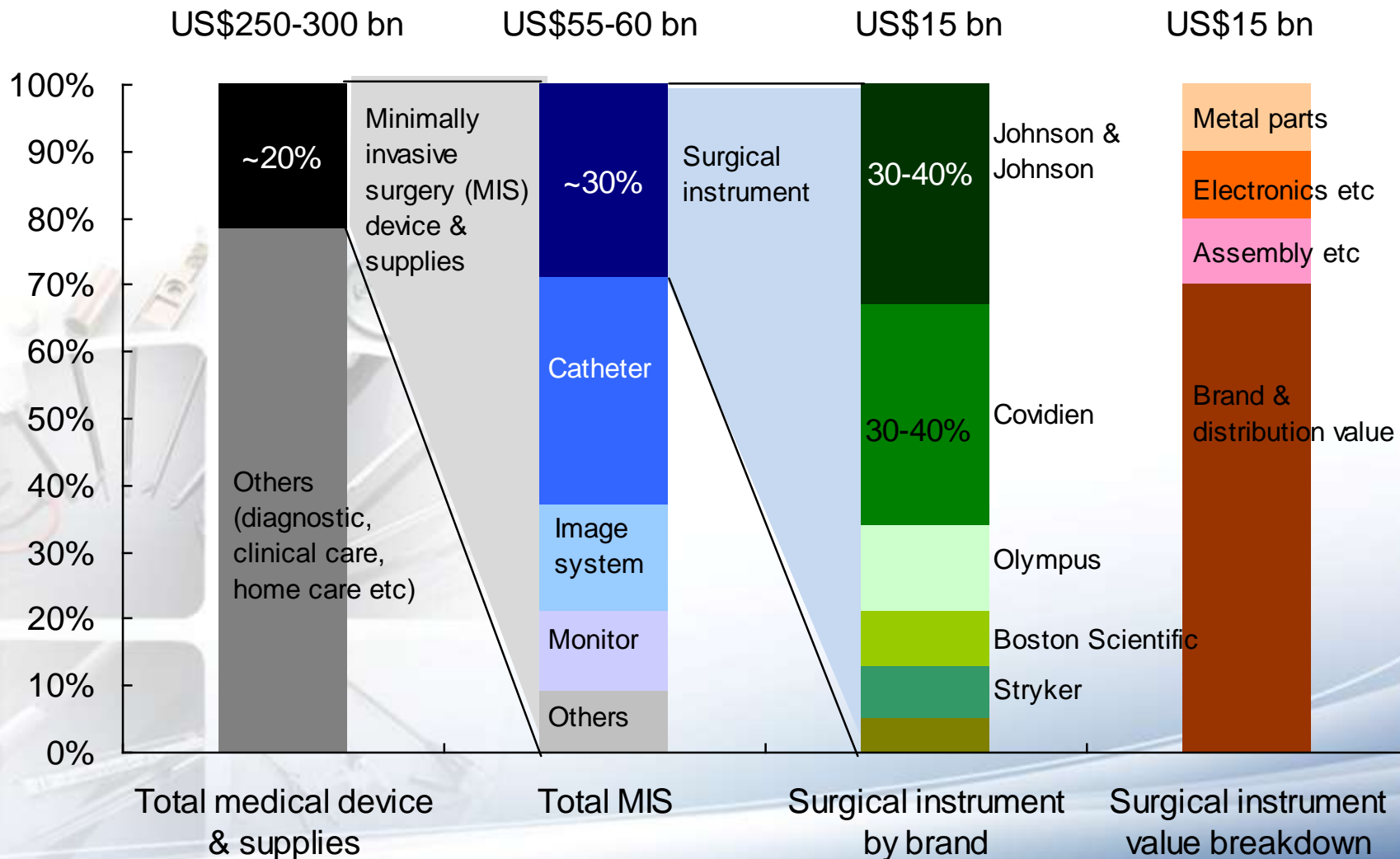
- Customized and niche radio frequency and microwave switches with applications in automobile, wireless telecommunication (ex: aviation, mobile phone base station, military...etc)
- Major clients are top 2 players in the world
- Over 40% blended gross margin in 2013
- Capacity expansion plan by 4Q13 to cater client demand; will launch OBM products in 3Q14



Intai sales in RF/ Microwave Switches



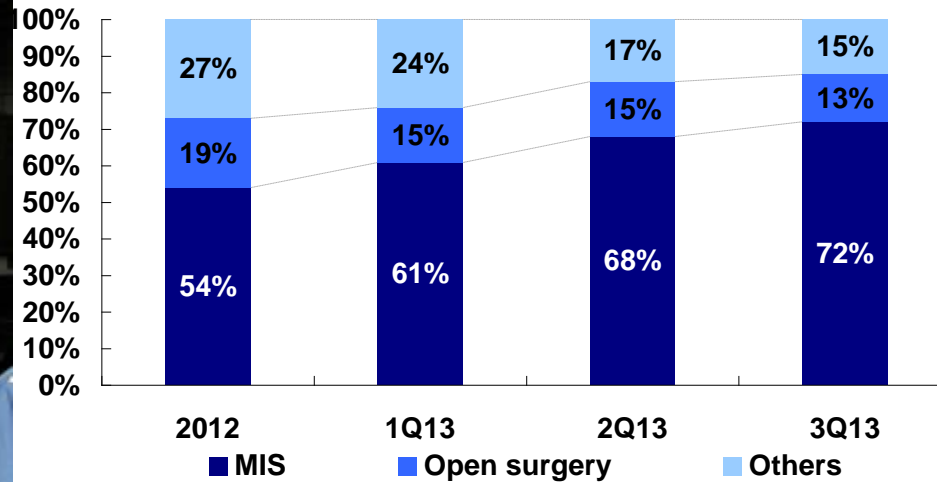
Intai's addressable market in the global medical device industry



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



Intai Medical sales breakdown by application



Smaller
incision

Less
complications

Reduced
pain

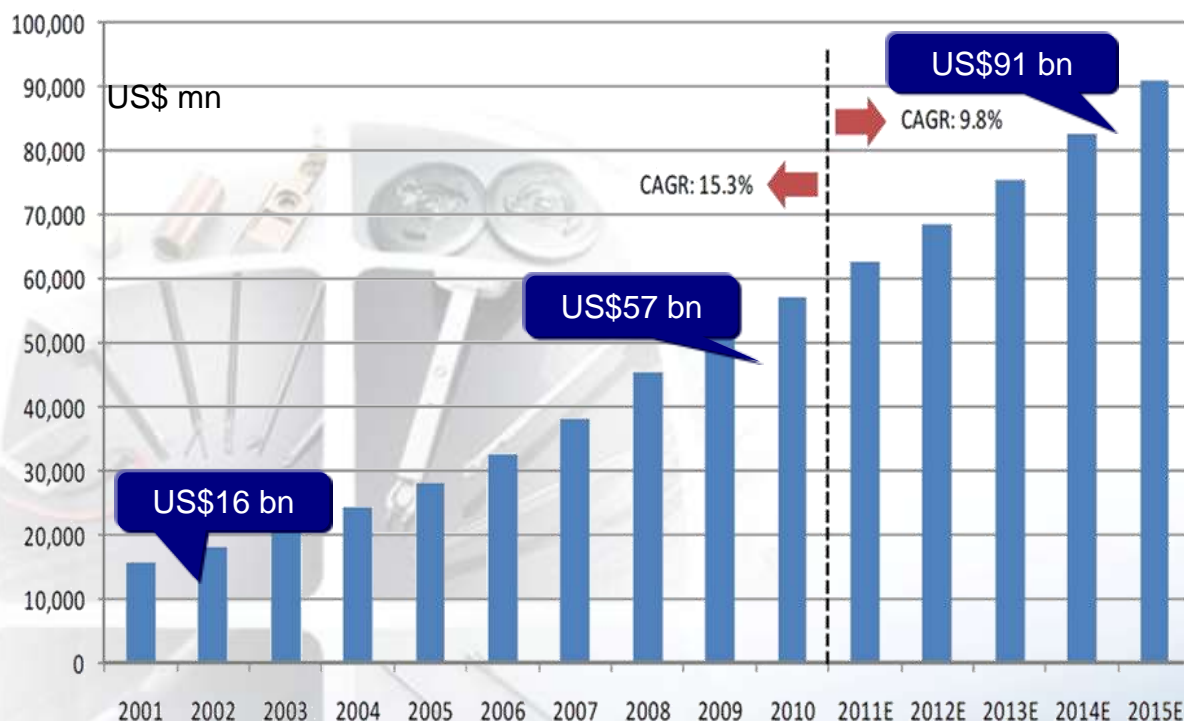
Faster
recovery

Increased
safety

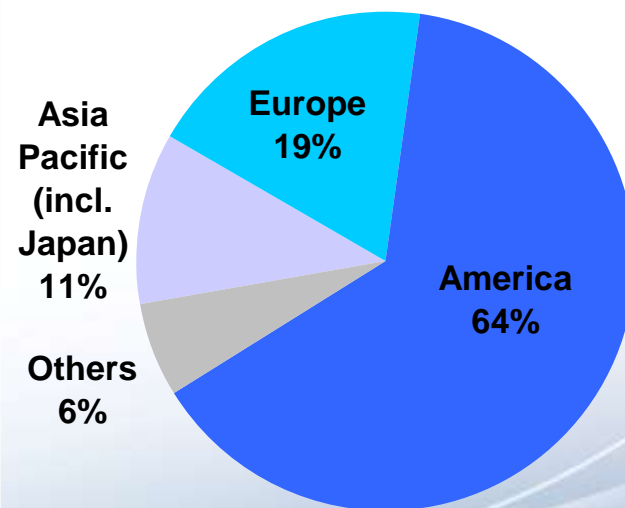
Shorter
hospital stay

Cost saving

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

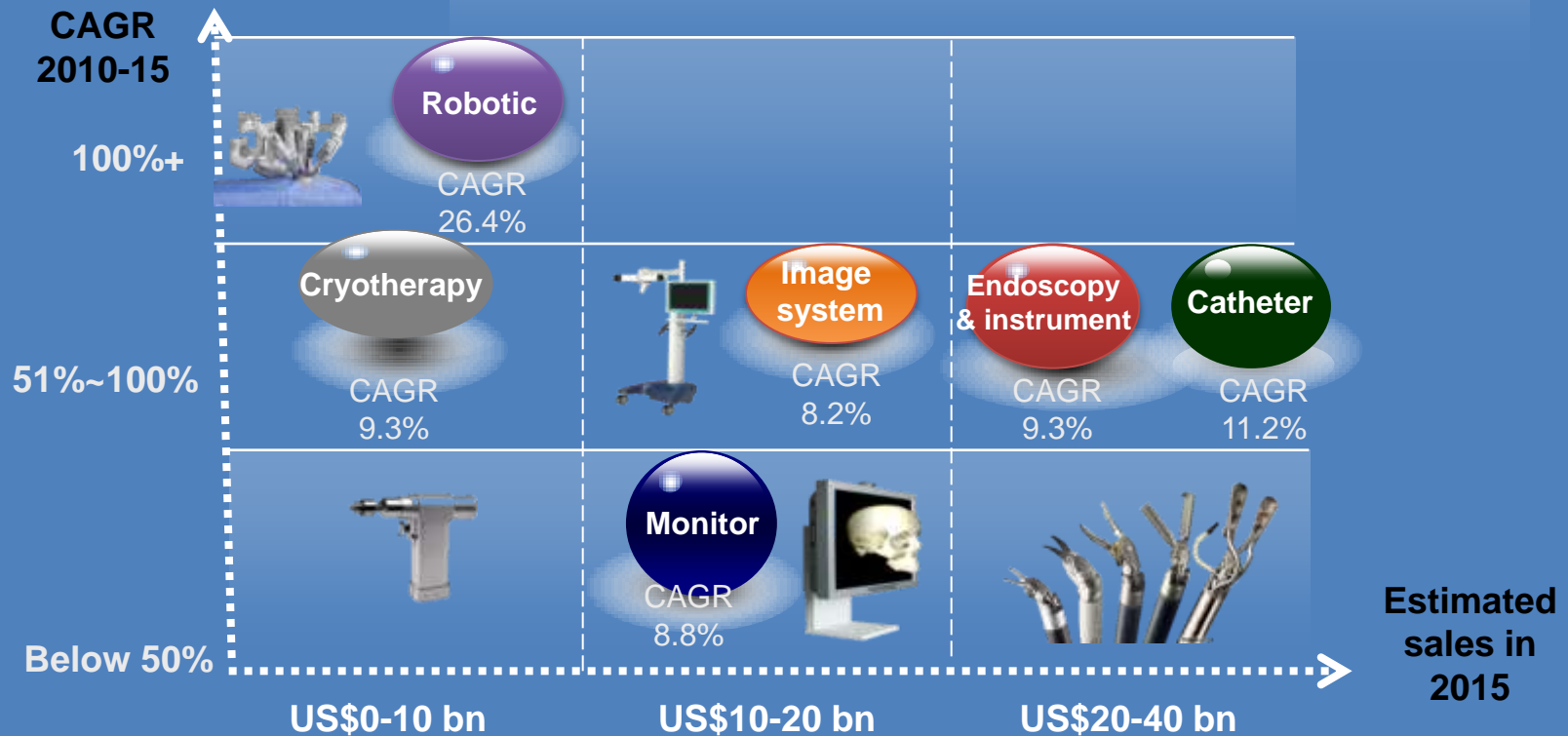


Global MIS device sales
geographic breakdown in 2010



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

Projects next 2 years

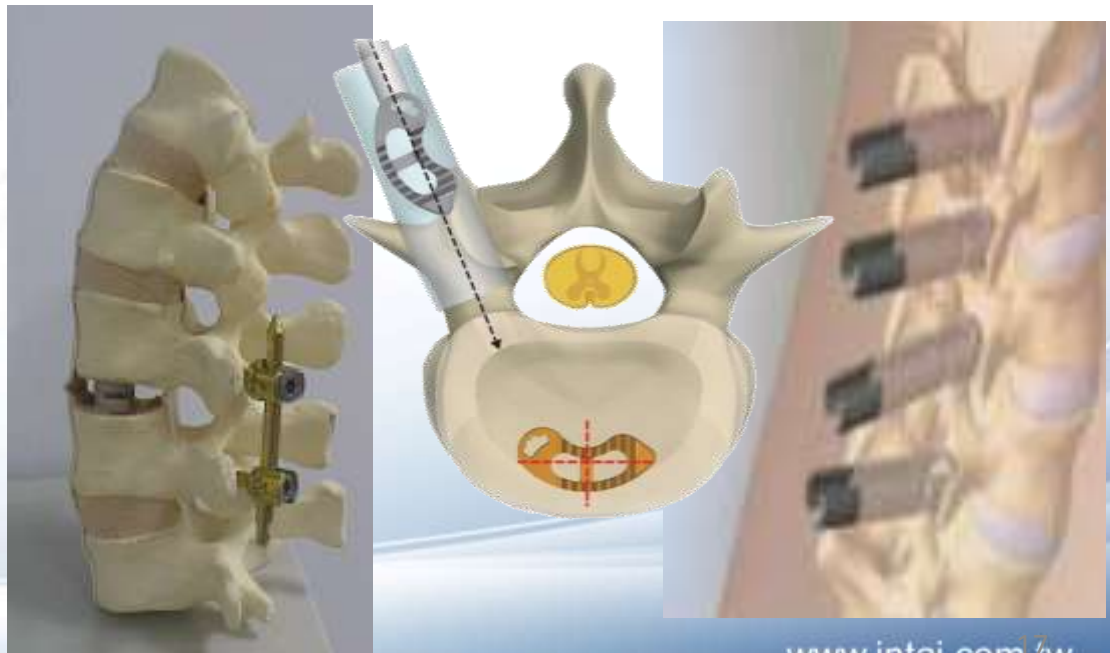
Own-brand dental implants

- 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. Target China FDA approval in 3Q14



Orthopedic implants

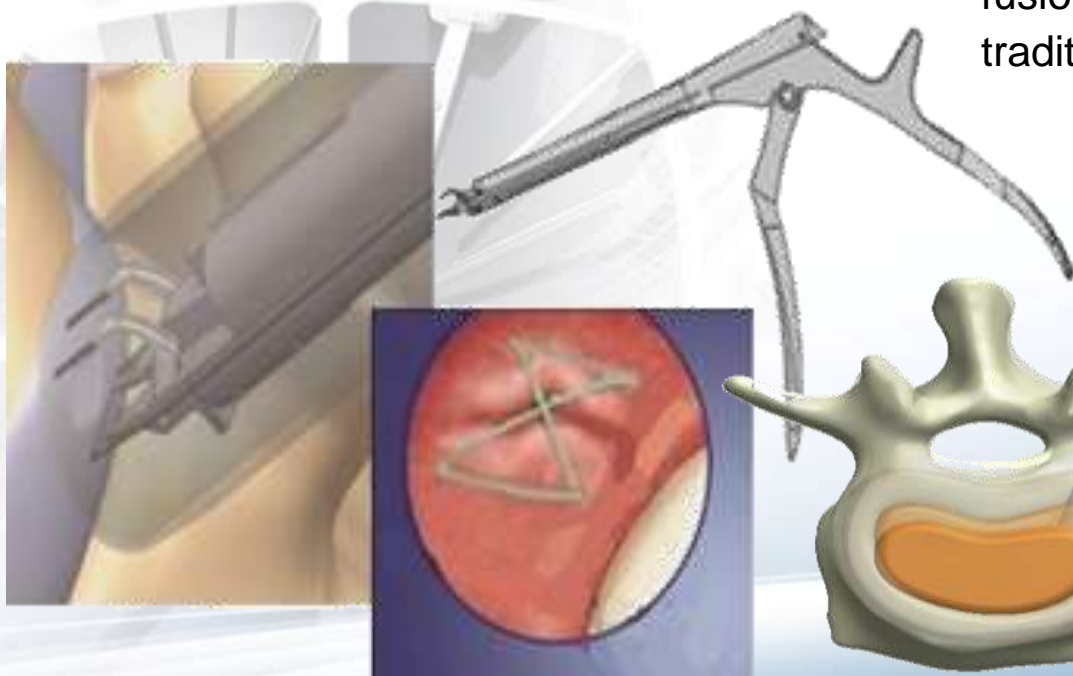
- 500,000 patients receive spine fusion surgery in the US every year
- MIS orthopedic surgery contributes to reduction of incision and recovery time
- Intai manufactures related components including screws, cage, fixation system.



Longer-term projects

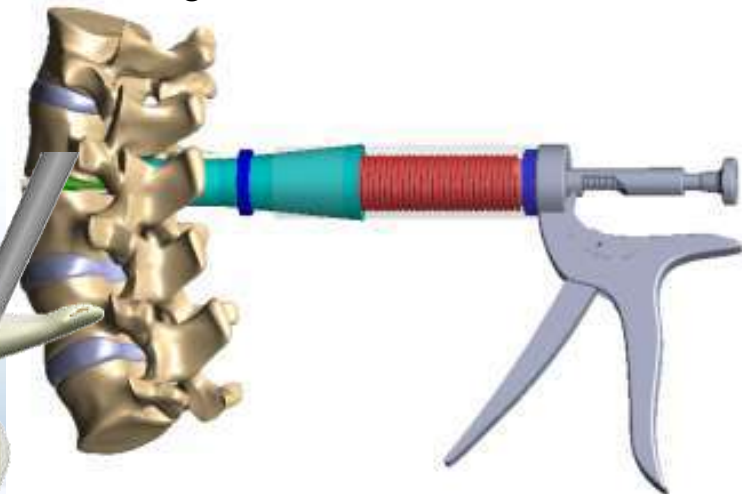
Annulus Repair device

- Annulus Repair Device for Non-Fusion Spinal Reconstruction : Co-development with Taiwan's Industrial Technology Research Institute
- Removal of unwanted tissues and stitching in early treatment, with minimal scarring
- Undergoing animal testing

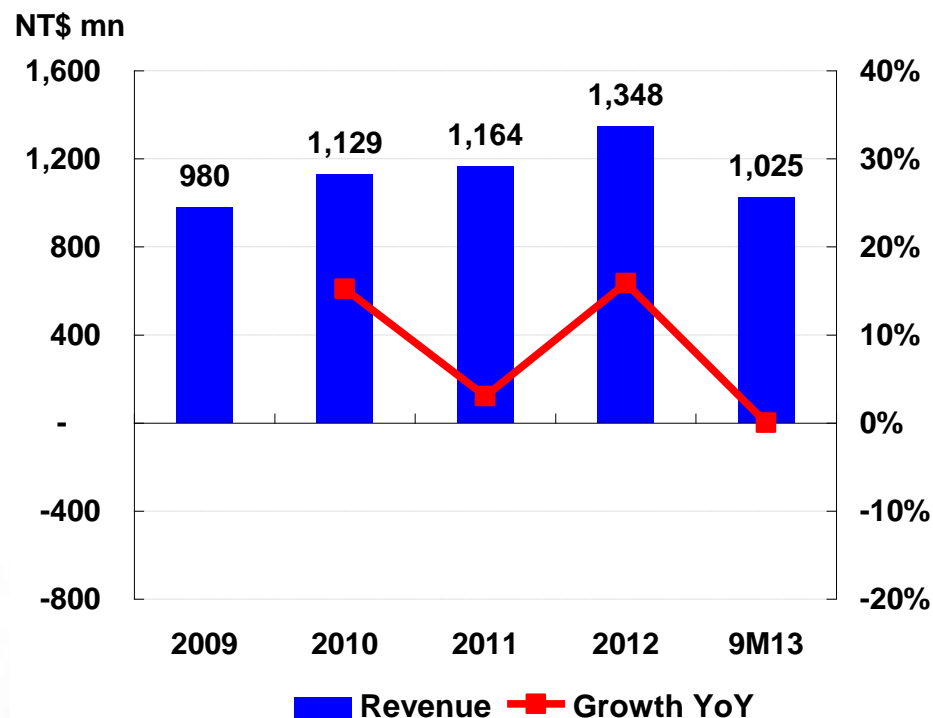


Thermal Injector Fusion

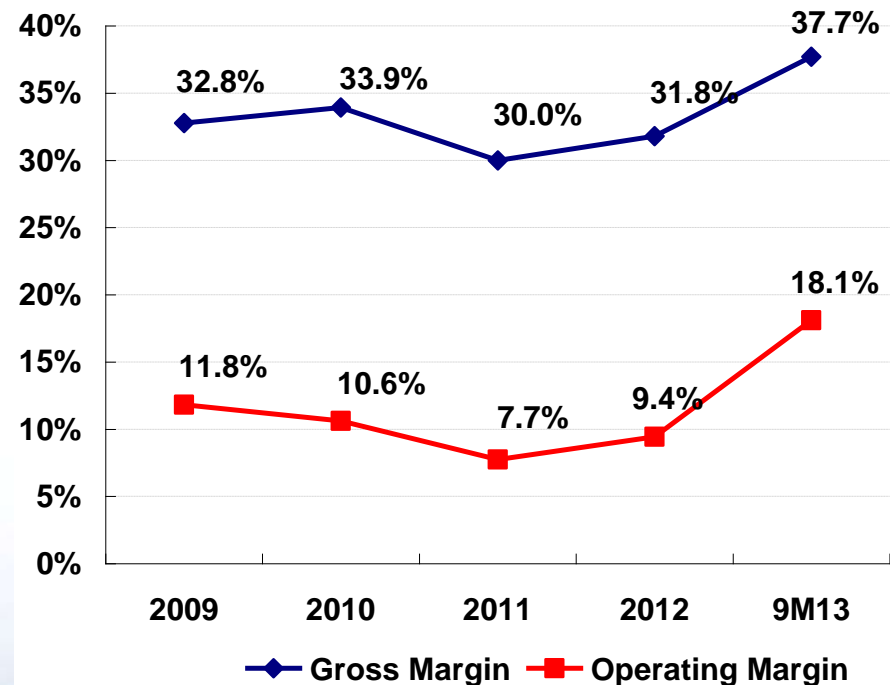
- The thermal injectable bone graft for spinal fusion is injected and spread out evenly in lumbar disc, while in traditional fusion surgery it's difficult to confirm whether the fusion is placed optimally
- The wound size of the thermal injectable fusion is under 1cm, while wound size of traditional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



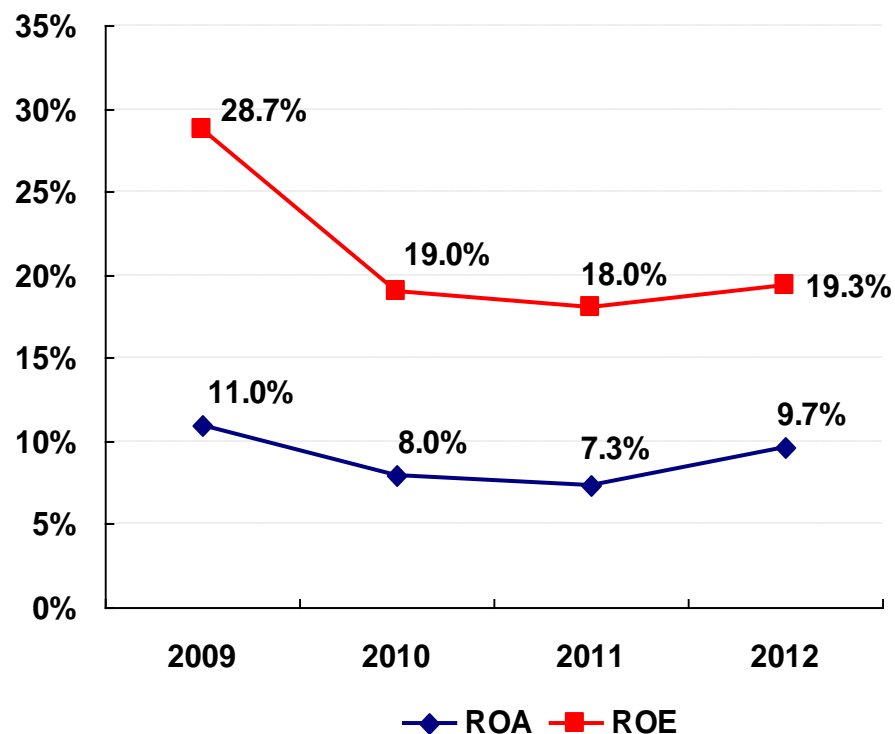
Revenue growth



Margins

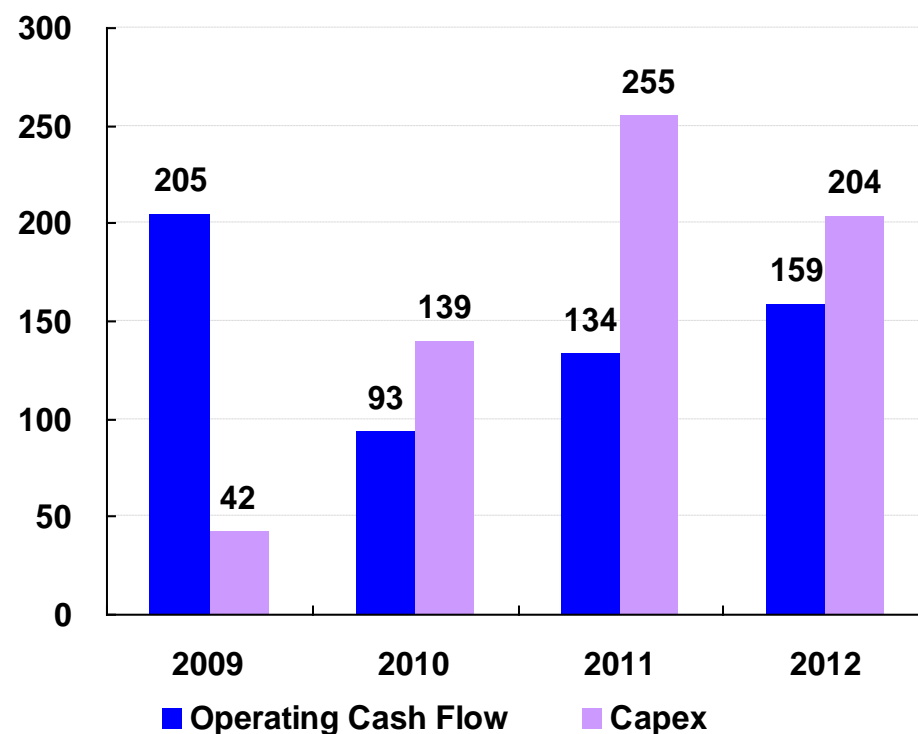


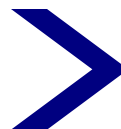
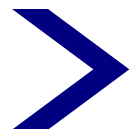
ROE and ROA



Operating cash flow & Capex

(NT\$ mn)

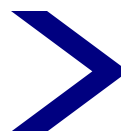
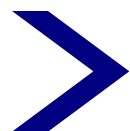




Dividend policy

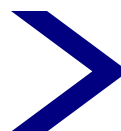
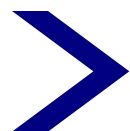
	2009	2010	2011	2012
EPS (NT\$)	3.95	2.88	3.27	4.68
Cash DPS (NT\$)	2.0	1.5	2.0	3.0
Payout ratio (%)	50.6	52.2	61.1	64.0
Cash yield (%)*	-	-	3.3	2.7

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



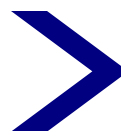
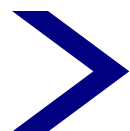
Consolidated income statement highlights

NT\$ mn	2009	2010	2011	2012	9M13
Revenue	980	1,129	1,164	1,348	1,132
Gross Profit	321	383	349	429	426
<i>Gross Margin (%)</i>	32.8	33.9	30.0	31.8	37.6
Operating Profit	116	120	90	127	204
<i>Operating Margin (%)</i>	11.8	10.6	7.7	9.4	18.1
Income before Tax	127	99	134	206	230
Net Income	115	95	114	175	193
<i>Net Margin (%)</i>	11.7	8.4	9.8	13.0	17.1
EPS (NT\$)	3.89	2.88	3.23	4.69	4.81
YoY (%)	2009	2010	2011	2012	
<i>Revenue</i>		15.2	3.1	15.8	
<i>Gross Profit</i>		19.3	(8.9)	22.9	
<i>Operating Profit</i>		(3.4)	25.0	(41.1)	
<i>Net Income</i>		(17.4)	20.0	53.5	



Consolidated balance sheet highlights

NT\$ mn	2009	2010	2011	2012	9M13
Cash & cash equivalent	158	229	256	395	223
Inventories	334	297	391	377	428
Total current assets	673	766	904	949	858
Long-term investments	17	16	16	16	16
Net fixed assets	350	470	858	799	784
Total assets	1,086	1,294	1,825	1,809	1,693
Short-term borrowings	148	278	226	0	137
Total current liabilities	415	509	690	290	532
Long-term debts	146	231	343	401	0
Long-term liabilities	185	272	386	450	64
Total liabilities	599	782	1,076	740	596
Retained earnings	117	134	183	273	270
Shareholders' equity	486	512	749	1,069	1,097
<i>Net debt/equity (%)</i>	<i>28</i>	<i>55</i>	<i>42</i>	<i>1</i>	<i>(Net cash)</i>
<i>Current ratio (X)</i>	<i>1.6</i>	<i>1.5</i>	<i>1.3</i>	<i>3.3</i>	<i>1.6</i>
<i>BVPS (NT\$)</i>	<i>14.7</i>	<i>15.5</i>	<i>20.2</i>	<i>26.6</i>	<i>27.3</i>



Consolidated cash flow highlights

NT\$ mn	2009	2010A	2011	2012	9M13
Net profit	115	95	114	175	193
Depreciation & amortization	29	25	26	54	37
Change in working capital	23	40	(28)	(64)	(21)
Others	39	(67)	22	(7)	(21)
Operating cash flow	205	93	134	159	188
Capex	(42)	(139)	(255)	(204)	(37)
Change in investments	(6)	0	0	0	0
Change in other assets	(1)	(31)	(27)	204	1
Investment cash flow	(49)	(169)	(282)	0	(36)
Change in share capital	80	0	175	224	0
Net change in debt	0	214	61	(169)	(204)
Other adjustments	(138)	(66)	(55)	(74)	(121)
Financing cash flow	(58)	148	181	(19)	(324)
Free cash flow	163	(45)	(121)	(46)	151