

# AIDC Investor Conference (2634)

Aerospace Industrial Development Corporation  
November 25, 2020



# Disclaimer

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# Outline

- 1. Global Market Outlook**
- 2. Operational Focus**
- 3. Financial Performance**
- 4. Endeavors & Prospects**

## Update on 737Max Groundings

- The Federal Aviation Administration (FAA) allowed 737Max plane to resume commercial flights on Nov. 18<sup>th</sup>, lifting a ban for the past 20 months.
- The business opportunity of the plane will take time to be clear due to COVID-19 and more than 400 already-built 737Max waiting to be delivered.

The FAA had allowed 737Max plane to resume flight on Nov. 18.



(Boeing)

## Covid-19's Impact on the Aviation Industry



The International Air Transport Association (IATA) said that global passenger traffic will not return to pre-COVID-19 pandemic levels until 2024.

The Deloitte logo consists of the word "Deloitte" in a bold, black, sans-serif font, followed by a small green dot.

Deloitte updated its 2020 Global Aerospace and Defense Industry Outlook and lowered its forecast for global commercial aircraft deliveries in this year to 650-690.

# Global Market Outlook

## Commercial Market Outlook

Factoring the pandemic, Boeing released its Commercial Market Outlook 2020-2039, shown as below.



**Deliveries**  
43,110



**Traffic Growth**  
4%



**Services Market Value**  
US\$ 9,040 B

### Trend of Market Demand



# Global Market Outlook

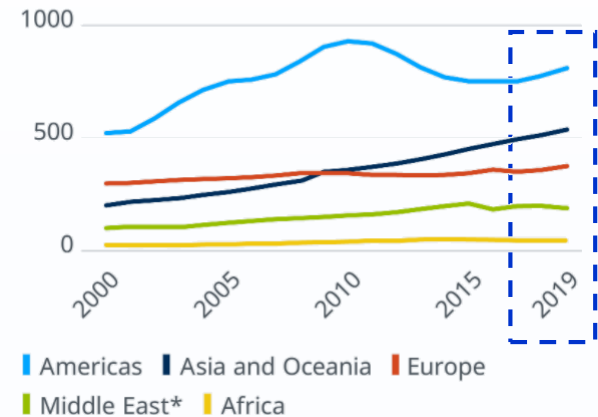
## Military Expenditure by Regions

- Over the past 20 years, the military spending of the Asia-Pacific region rose rapidly. Military spending by the United States peaked in 2010 and then grew again in 2019 (see the chart above).
- The military spending of the Asia-Pacific region was mainly driven by China (see the chart below). As China-Taiwan tensions build up, greater importance should be put on the enforcement of policies of self-reliant defense.

Source: SIPRI Military Expenditure Database

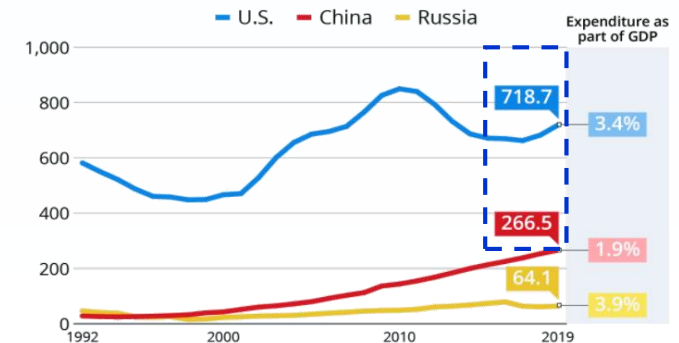
### Worldwide military spending

in US\$ billions



### China Steps Up Military Spending

Military expenditures by the U.S., China and Russia (in billion U.S. dollars)



At constant 2018 prices  
Source: SIPRI

# Operational Focus

## Three Strategies against the Crisis

- As the operations faced severe impact, AIDC combined suggestions from the management and staff to instantly impose measures of broadening sources of income, reducing expenditure and gaining strength.
- Meanwhile, various government financial assistance were applied to ease some pressure on the liquidity.



### Broaden Income

- Military business
- Services derived from aerospace technology



### Reduce Expenditure

- Employee adjustment
- Expenditure saving and postponement



### Gain Strength

- On-the-job training
- Aero technology development

# Operational Focus

## Advanced Jet Trainer Took to the Sky

- Utilizing large amounts of composite materials and having 55% of its components made in Taiwan.
- Leading domestic companies to participate in the aerospace industry and to form a national team of the industry.
- Passing down the know-hows and skills to develop talents and to lay a solid foundation for the development of aerospace industry of the next generation.

《June 22, 2020 the Brave Eagle Advanced Jet Trainer (AJT) made its maiden test flight》



# Operational Focus

## Opening of F-16 Maintenance Center

- Being selected as the main operator of the F-16 Maintenance Center, AIDC will lead domestic manufacturers to fight for production and maintenance opportunities of relevant projects with the aim of realizing self-sufficiency and localization of maintenance.



# Operational Focus

## Awards



**Bombardier  
Diamond  
Supplier**

(Jul. 2020)



**Gold Medal of  
CommonHealth  
Magazine  
Corporate Health  
Responsibility  
Awards**

(Aug. 2020)



**CommonWealth  
Magazine  
Corporate  
Social  
Responsibility  
Awards**

(Aug. 2020)



**SGS CSR  
Awards**

(Sep. 2020)

# Operational Focus

## Awards



**Gold Medal of  
Taiwan Train-  
Quality System  
Awards, Ministry  
of Labor**

**(Nov. 2020)**



**Taiwan  
Corporate  
Sustainability  
Awards**

**(2017~2019)**



**ROC  
Enterprise  
Environmental  
Protection  
Award**

**(Nov. 2020)**



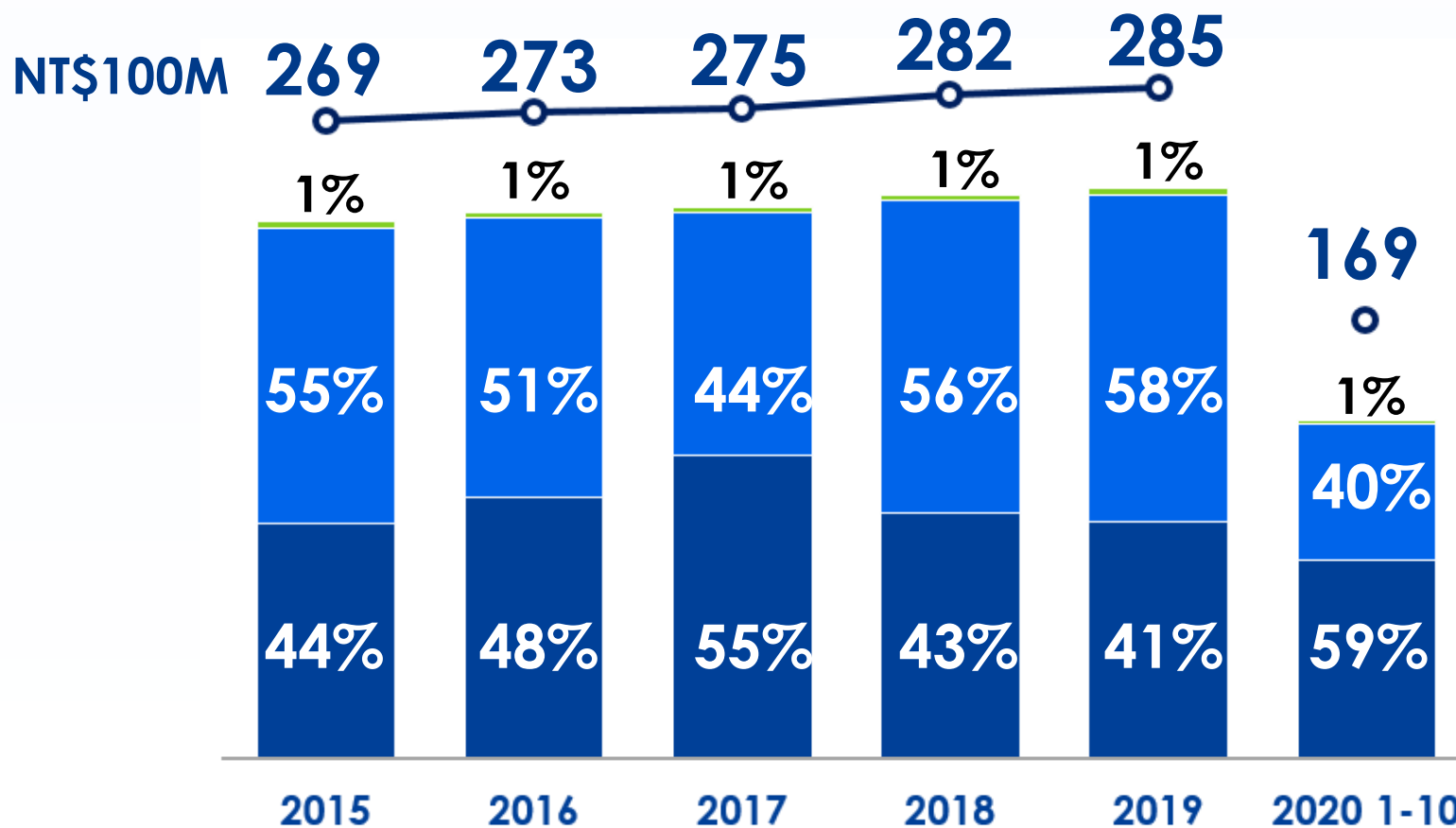
**ROC  
Enterprise  
Environmental  
Protection  
Award**

**(Nov. 2020)**

# Financial Performance

## Composition of Revenue

○ Revenue ■ Commercial  
■ Defense ■ Tech. Service



# Financial Performance

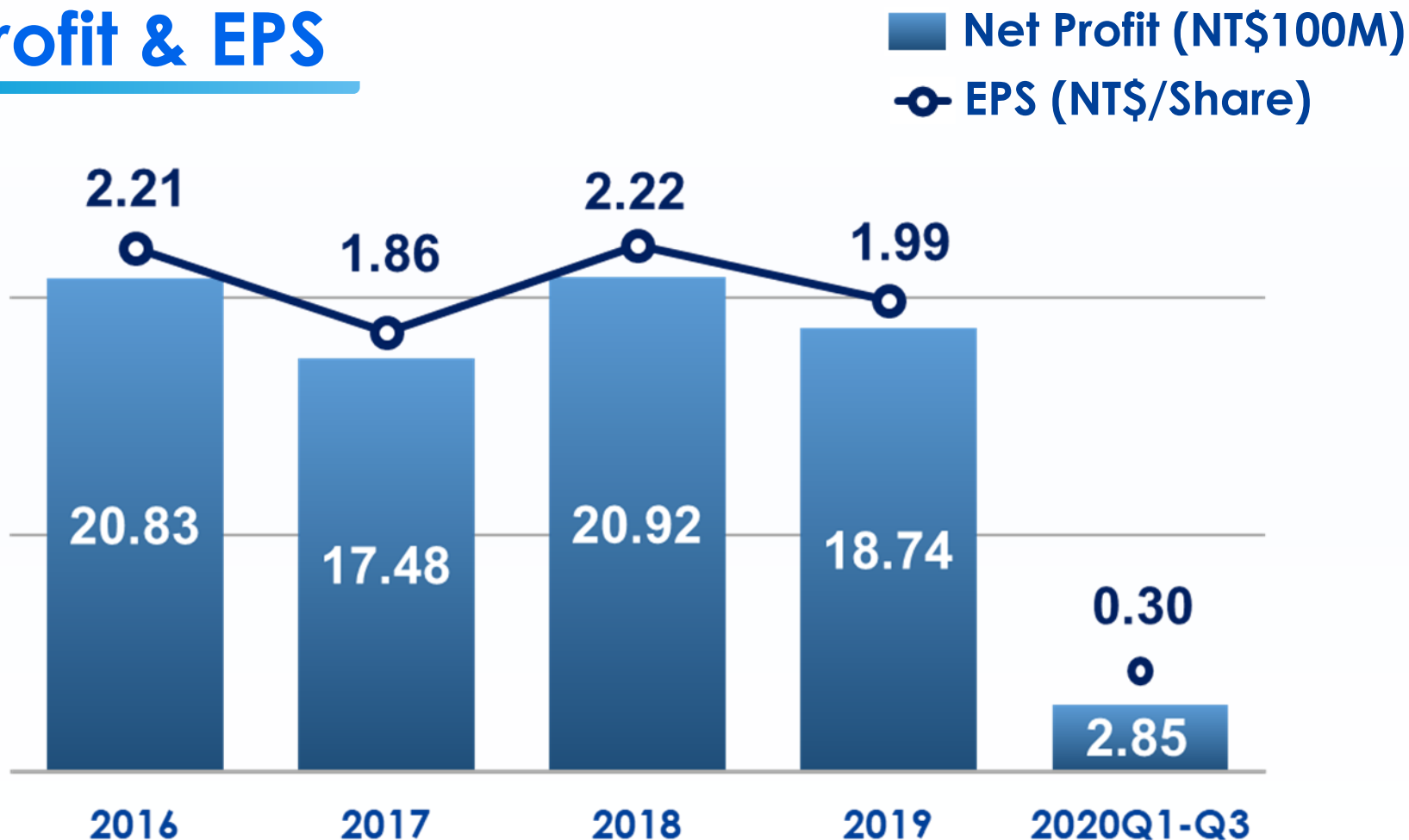
## 2020Q2 & 2019Q2 Comparison

in 100M NTD

ITEM	Q3				Q1~Q3			
	2020		2019		2020		2019	
<b>Sales</b>	<b>48.6</b>	100%	<b>74.6</b>	100%	<b>150.0</b>	100%	<b>205.8</b>	100%
Cost Of Goods Sold	45.8	94%	63.8	85%	139.6	93%	179.0	87%
<b>Gross Profit</b>	<b>2.8</b>	6%	<b>10.8</b>	15%	<b>10.4</b>	7%	<b>26.8</b>	13%
Operating Expenses	2.4	5%	3.6	5%	8.4	5%	9.7	5%
<b>Profit From Operations</b>	<b>0.4</b>	1%	<b>7.3</b>	10%	<b>2.0</b>	2%	<b>17.0</b>	8%
Non-operating Income And Expenses	0.0	0%	0.2	0%	1.9	1%	1.4	1%
<b>Profit Before Income Tax</b>	<b>0.4</b>	1%	<b>7.5</b>	10%	<b>3.9</b>	3%	<b>18.4</b>	9%
<b>Net Profit For The Year</b>	<b>-0.1</b>	0%	<b>5.9</b>	8%	<b>2.9</b>	2%	<b>14.4</b>	7%

# Financial Performance

## Net Profit & EPS



Remarks: Denominator of 2017 EPS includes stock dividend. 2016 were retrospectively adjusted.

# Endeavors & Prospects

## Backed by Defense Demand & Aiming for Transformation

- While international commercial aviation might not recover in the short term, the military business has been backing the Company. AIDC has also been trying to expand business with the National Chung-Shan Institute of Science & Technology(NCSIST), planning the production of the AJT, promoting the project of a new primary trainer and has established the F-16 Maintenance Center to seize the fighter jet MRO business opportunities of the next 30 years.



Backed by  
Defense Demand

- Production of AJT
- New project of primary trainer
- F-16 logistics and MRO

# Endeavors & Prospects

## Improving Technology across the Industry & Promoting Sustainable Development

- AIDC focuses on fostering key technologies across the industry through military business operations and leading domestic businesses to transformation so as to enter the advanced level of international aerospace supply chain.
- Following, AIDC will strive for the win-win situation of meeting the national defense needs and creating economic benefits to move the industry to a new chapter of sustainability.



Improve  
Technology across  
the Industry

- Greater level of private participation
- Conversion of military technology into civil application
- Advancement of the aerospace industry

The background features a dynamic blue motion blur effect with several white gear icons of varying sizes and orientations, suggesting a mechanical or industrial theme.

**Thank you**

漢翔航空工業股份有限公司  
Aerospace Industrial Development Corporation