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## More International – Growth in China | Capital Market Days 2019

Jonathan Qu – President Jenoptik Asia | November 2019

# Jenoptik Asia current situation

## Comments

- Total >200 employees in Asia
- Jenoptik has 7 legal entities and 9 offices in whole Asia
- China takes almost 50% revenue share of whole Asia
- There are manufacturing and R&D teams in Shanghai, China for Asia
- Except China, all the other country teams are all commercial (sales, service and application)
- China Wai Gao Qiao FTZ company supports drop shipments in Asia

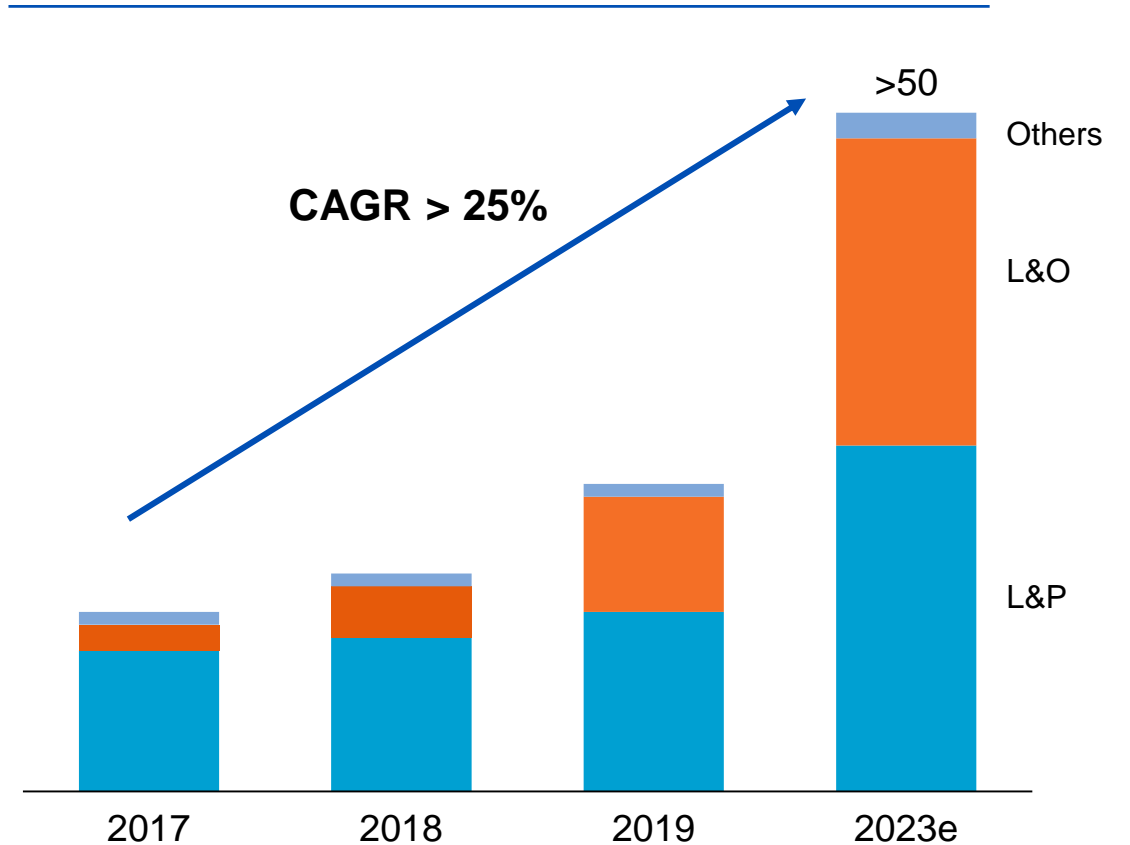


# Implementation of corporate strategy – Growth in China

## Jenoptik's strong exposure in China

- Jenoptik China started in 2006.
- There are >110 employees in whole China. We are continuing investing sales feet to expand coverage.
- The business has gained significant momentum in recent years. China sales expected to continue to grow with a CAGR of around 25% to reach over 50m EUR by 2023
- All divisions in China: L&P (Metrology, Laser Processing), L&O (Semi & Advanced Manufacturing, Biophotonics, Industrial Solutions), L&S and VINCORION
- 2 offices, in Shanghai and Beijing
- China R&D center for China & Asia; China manufacturing for China & Asia; China application and service team for China and Asia; China project integration team for China & Asia
- Wai Gao Qiao FTZ company to strengthen the drop shipments for China and Asia

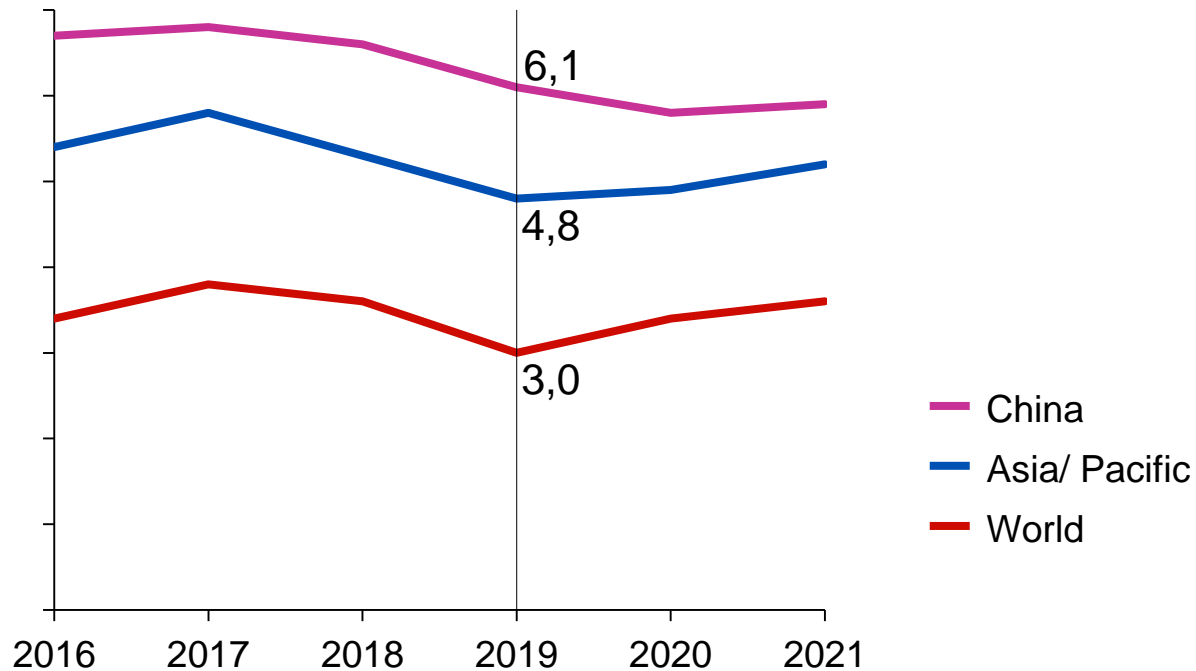
China revenue split (COO in mill. EUR)



# Implementation of corporate strategy – Growth in China

## Update relevant markets – macro/ political data

### Real GDP growth (in %)



Source:  
World Economic Outlook, April 2019;  
Straitsimes.com, June 2019

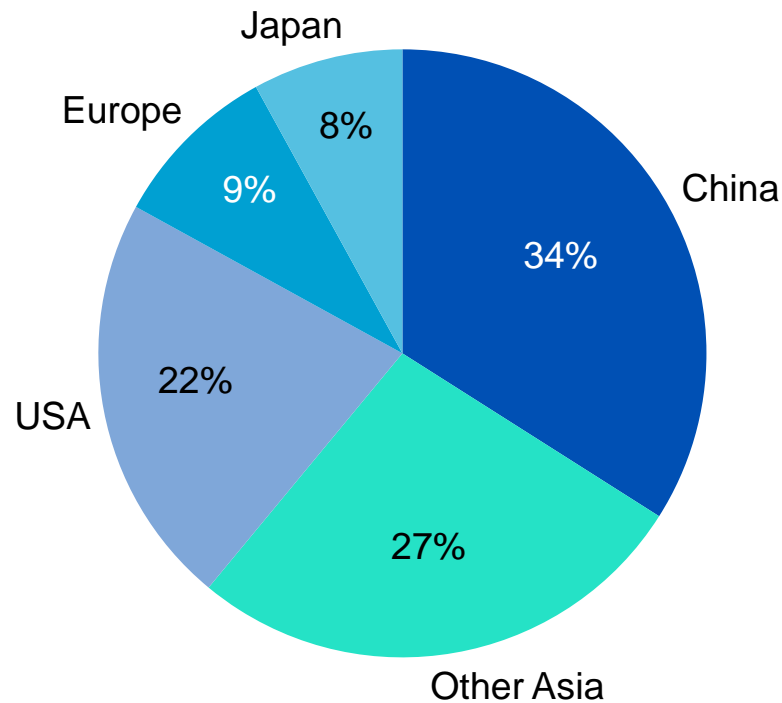
### Comments

- China's GDP growth:
  - 6.6% in 2018
  - Projected 6.1% in 2019; est. further decrease beyond 2019: ~6.0%
- Major slow-down trend due to trade policy impacts
- China vs. U.S. tariffs conflict
- Increasing challenges within China manufacturing environment
- Investments in new energy, automotive, AI, manufacturing, Industry 4.0, life science, aviation and defense are significantly booming
- Chinese government strongly encourages high tech investments
- Continuously improving competition environment via Anti-Corruptions Auditing

# Implementation of corporate strategy – Growth in China

## Update relevant markets – SEMI industry

### 2018 Global Semi Business Revenues



Sources: China Semi Association, iiMedia Research

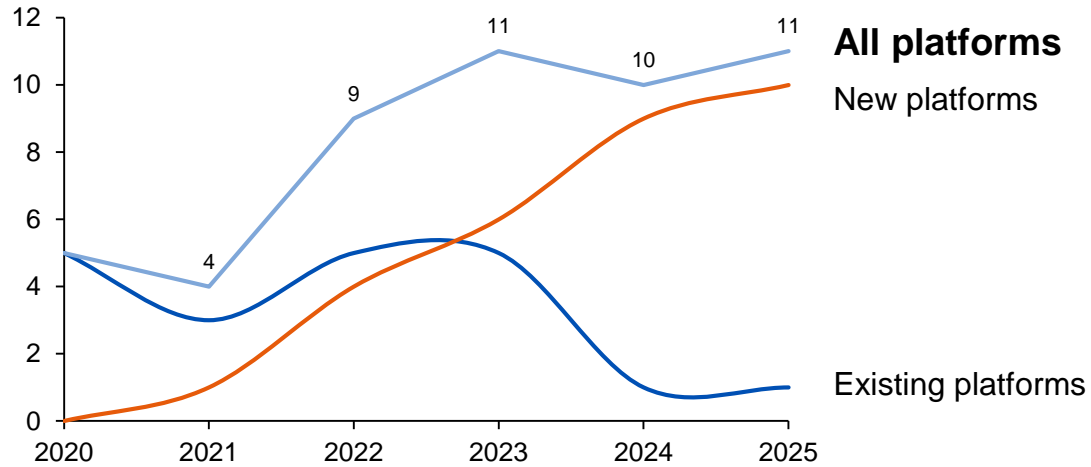
### Comments

- Among 2018 global Semi business revenue of 478.4B US\$, **China takes 158.4bn US\$ (growth at +15%)**, Japan takes 40bn US\$ (growth at +9.2%); Whole Asia takes 322.9bn US\$ (growth at +11.5%)
- **Chinese Government** plans to **invest 150bn US\$** on the Integration Circuit Chips Industry in the next 10 years
- From 2017 to 2020, globally there are about 62 new invested wafer design and manufacturers; **42% of these new wafer manufacturers are from China**
- Chinese Government strengthens and speeds up the investment after the China-US tariff conflicts
- Chinese Semi customers are more willing and encouraged to work with German (or European) suppliers

# Implementation of corporate strategy – Growth in China

## Market for automotive equipment is slowing down in 2019-2020 (estimated it would pick-up in 2021 and beyond)

### Manufacturing equipment for automotive in CN (lines with output >100k units/year)



2019	2020	2021	2022	2023	2024
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JENOPTIK equipment business happens prior to start of production

Source: IHS Markit, August 2019

#### Take aways

- The reference China market is dropping by ~8% in 2019, the absolute size is still about 26mn units
- We expect **above average investments into production equipment for 2021 and beyond** because OEMs postpone needed investments

### Comments

- CN government is trying to influence and regulate the automotive market:
  - VAT tax reduced for car manufacturers
  - Because of air pollution and traffic, car sales got limited in coast cities
  - Highly encourage the NE Vehicles (+62% in 2018, est. +33% in 2019)
  - GB VI of new emission standards
- CN is still a fragmented market with no dominant automotive players (OEM and production equipment suppliers)
- The overall size (China light vehicle production) is still about 26mn units although it is dropping by -8% in 2019

# Implementation of corporate strategy – Growth in China

## Strategy implementation – Business expansion via more sales feet on the street

### Focus during 2019-2020

- Invest more sales feet in the market: double sales HCs of L&O:
  - contact more key accounts
  - develop more pipelines and customized requirements
- With China life science and medical market growth, increase Biophotonics local exposure in China
- Build up L&O R&D center in China for Asia
  - closer to the customers in Asia
  - sell the premium of Jenoptik
  - build up customers' confidence in Jenoptik's innovation and technology
- Policy deployment to drive daily management

Shanghai Office



>4,500 square meters office building space in Pudong, Shanghai



Beijing Office

# Implementation of corporate strategy – Growth in China

## Strategy implementation – Business expansion via increasing coverage, new segments and new solutions

### Dealer network expansion

- Build up dealers network (segmented and regional) to expand the coverage
- In-depth Jenoptik technology trainings for dealers' sales / service team
- Each dealer should strictly go through compliance training and checking (by outside 3rd party company), before signing the agreement



### Besides automotive, develop new solutions (non-automotive)

- While continuing penetrating and expanding in automotive segment, develop and build up the competences in new targeted strategic segments (non-automotive), via China R&D and manufacturing
- Build up dedicated technology team to investigate and dig deeper for these new strategic solutions (hydraulic, machine tool, medical and civil aviation), via Jenoptik global resources





# Implementation of corporate strategy – Growth in China

## Strategy implementation – Developing China organization





### Focus 2019-2020:

- Launching the new Jenoptik branding programs in whole China to build up confidence on Jenoptik
- More end users technology seminars
- Compliance trainings (by Internal Officer and outside professional lawyer) for whole Jenoptik team and the all dealers team

### Developing China team

- More internal promotions
- More educations for young talents
- More motivation to build up the winning spirit
  - Annual kick-off meeting and town hall meeting
- On time recognition

Our work drives photonic solutions forward



**Inspired by you.**  
Jenoptik focuses on our customers' primary challenges. We apply our inventiveness.

**Invented for you.**  
Applying broad photonic expertise, Jenoptik drives unique, dedicated solutions.

**Putting you in the lead.**  
Solutions based on Jenoptik's optical technologies have realized improvements in speed and cost and opened new frontiers.

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Thank you