# TEHMAG FOODS CORPORATION
# Operation Report 2018 H1

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2018/08/21

# Agenda

1 Information of Tehmag

2 Operation Report 2018H1

3 China Operation Report 2018H1

# Outlines

■產業趨勢(Trend) : Nibbling the market in a stable consumer industry

➢Bakery industry is a stable consumer industry relatively，Growth comes from population, income and urbanization development.

➢Taiwan market is strained by cross-strait relations, and tourists from mainland reduced, the market has been slightly affected in recent years. However, the baking industry is changing gradually, characterized by high price, cross operation and cross time.

➢China market has growing space benefited from consumption upgrading, urbanization, diversification of baking products and formats.

➢29 years development of Tehmag, gradually become the largest imported bakery ingredients supplier and facilitator in Taiwan. The station is relatively advantageous in the current qualitative change trend.

■商業模式(Model) : Creating value for customers by promoting commodities driven sale raw materials.

➢Tehmag Bakery Team continues to introduce popular products with good taste, low cost, high profit and easy operation. To help all region customers to promote performance by combining internet popular products from cross-strait.

➢Tehmag focus on the food safety not only have the import inspection report and the third part inspection report.

■成長機會(Growth) : The mainland adjustment reach a conclusion, and the operation has entered a growth period.

➢After three adjustments of mainland China, starting revenue to drive profit growth mode from 2018.

■營運表現 (Performance): The goal is long-term stable profits and high interest rates.

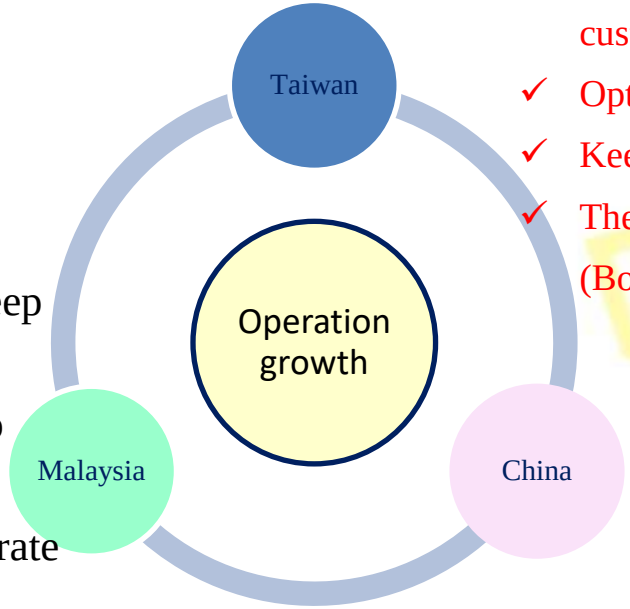
➢ 2012-2017, EPS>NTD10, net profit CAGR is about 16.37%

➢2014-2017, cash dividend>NTD10; The future dividend policy will be based on long-term stability.

# Major business highlights update

- The effect of butter is going to the END
- Internet celebrity economy(dirty chocolate bread、Burst milk cake、ancient taste cake .....)
- Improvement of product penetration (From top 200 high profit products)
- Focus on the OEM of the 4 big convenient stores and the 3 big hypermarkets
- Deepening cooperation with the よつ叶

- ✓ Revenue recovery stable growth.
- ✓ Strength the channel structure of the three major customers.
- ✓ Optimize mixproduct and hold GM
- ✓ Keep to manage expenses rate.
- ✓ The sales management strategy (Bonus/Promotion/Elimination/Tracking)




- Dawn of Malaysia operation
- Sales stability, sales performance keep growthing
- Setup warehouse in east Malaysia to improve logistics efficiency
- Better Malaysia currency exchange rate driving up GM
- The consumption tax will be reduced to zero tax rate, the cost of living will be reduced, the real purchasing power will be improved, and the retail industry will benefit from it.

# 1. Information of Tehmag

# Tehmag Company Information

**Company Name：Tehmag Foods Corporation**

**Date of Establishment：June 29, 1989 (28 years until now)**

**Date of stock listing：April 9, 2015**

**President：林雪嬌 女士**

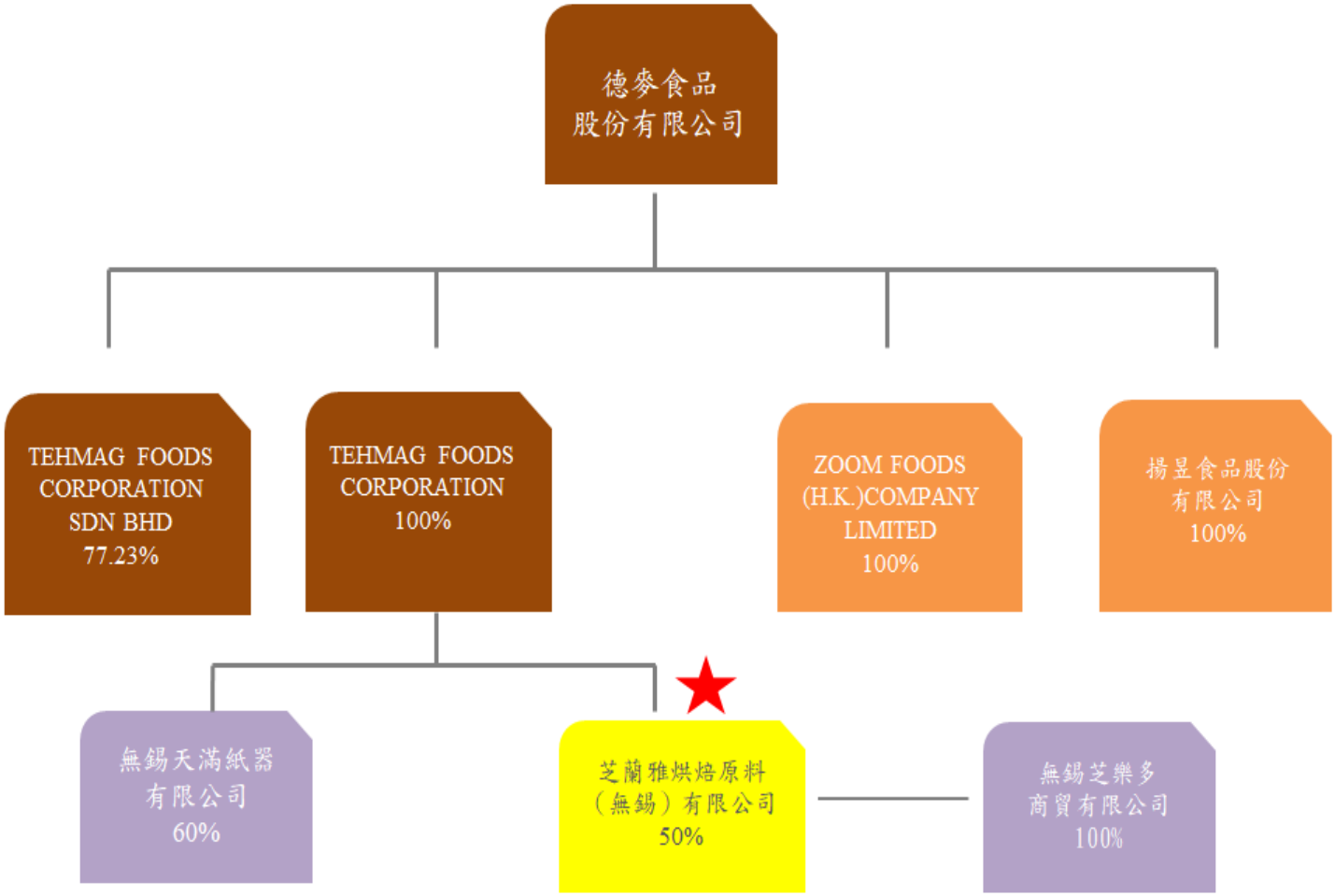
**General Manager：吳文欽 先生**

**Paid in capital：NTD 336,969 thousand**

**Main Business items：** Bakery、Food Ingredients、Dairy Products、Every kinds of Bakery Ingredient Premixed powder processing and manufacturing **etc**

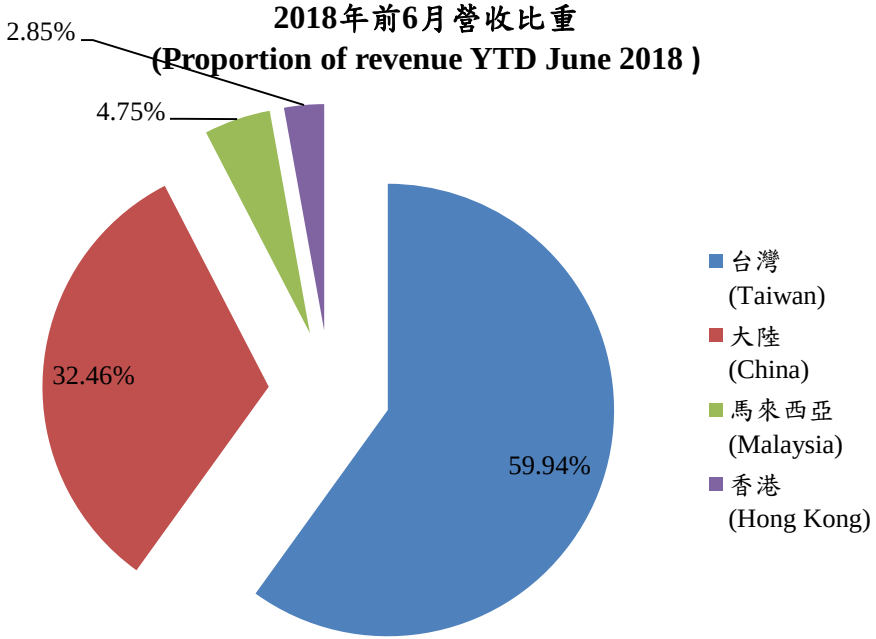
**Number of Employees：Group Employees 660 people (June 30, 2018)**

# TEHMAG Group Organization

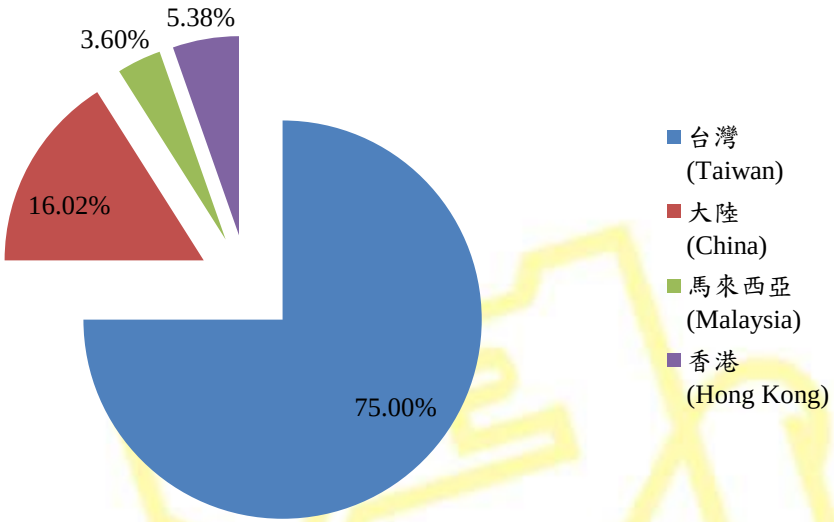


# Proportion of Revenue and Profit

**2018年前6月營收比重**
**(Proportion of revenue YTD June 2018 )**

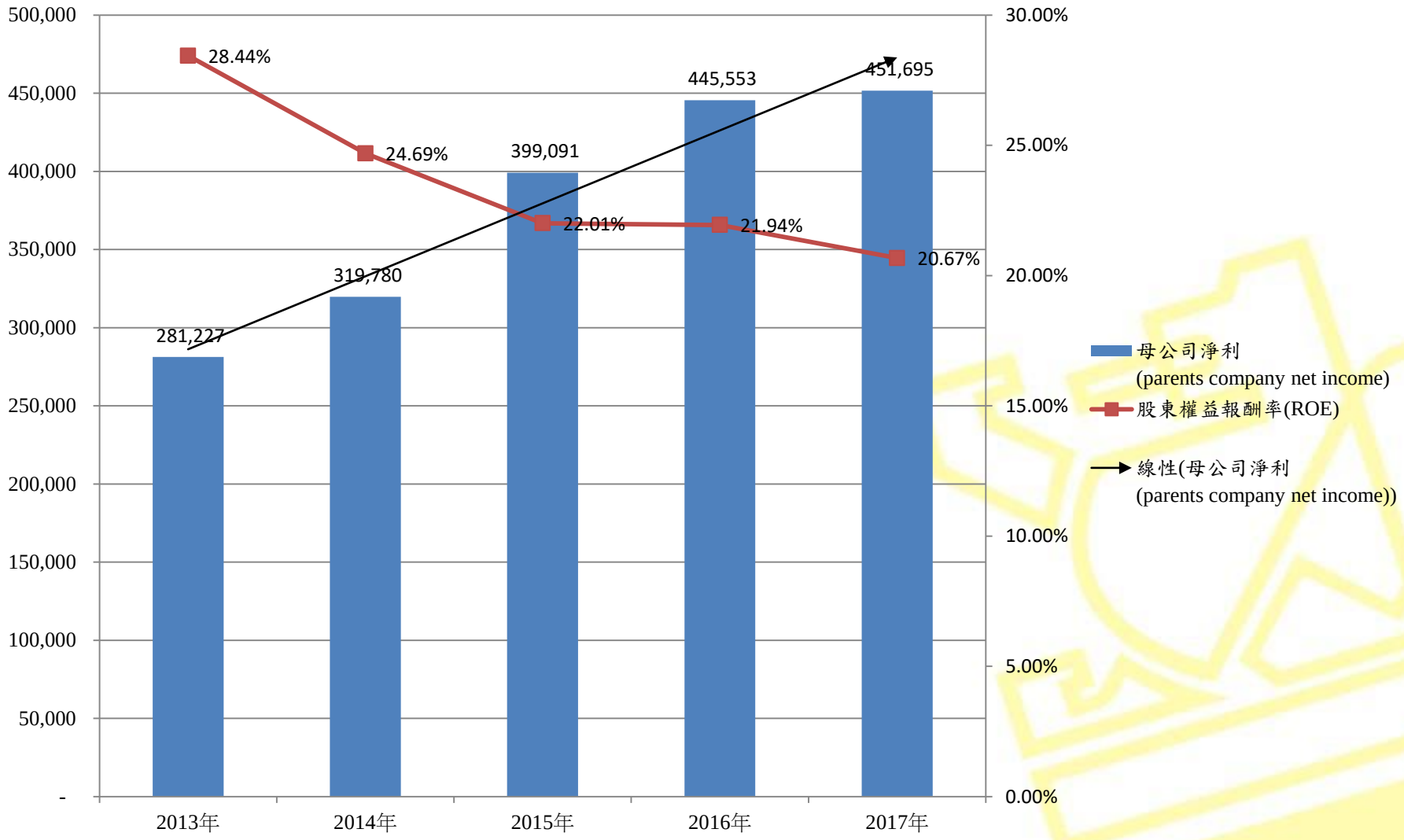



**2018年前6月利潤比重**
**(Proportion of net profit YTD June 2018)**

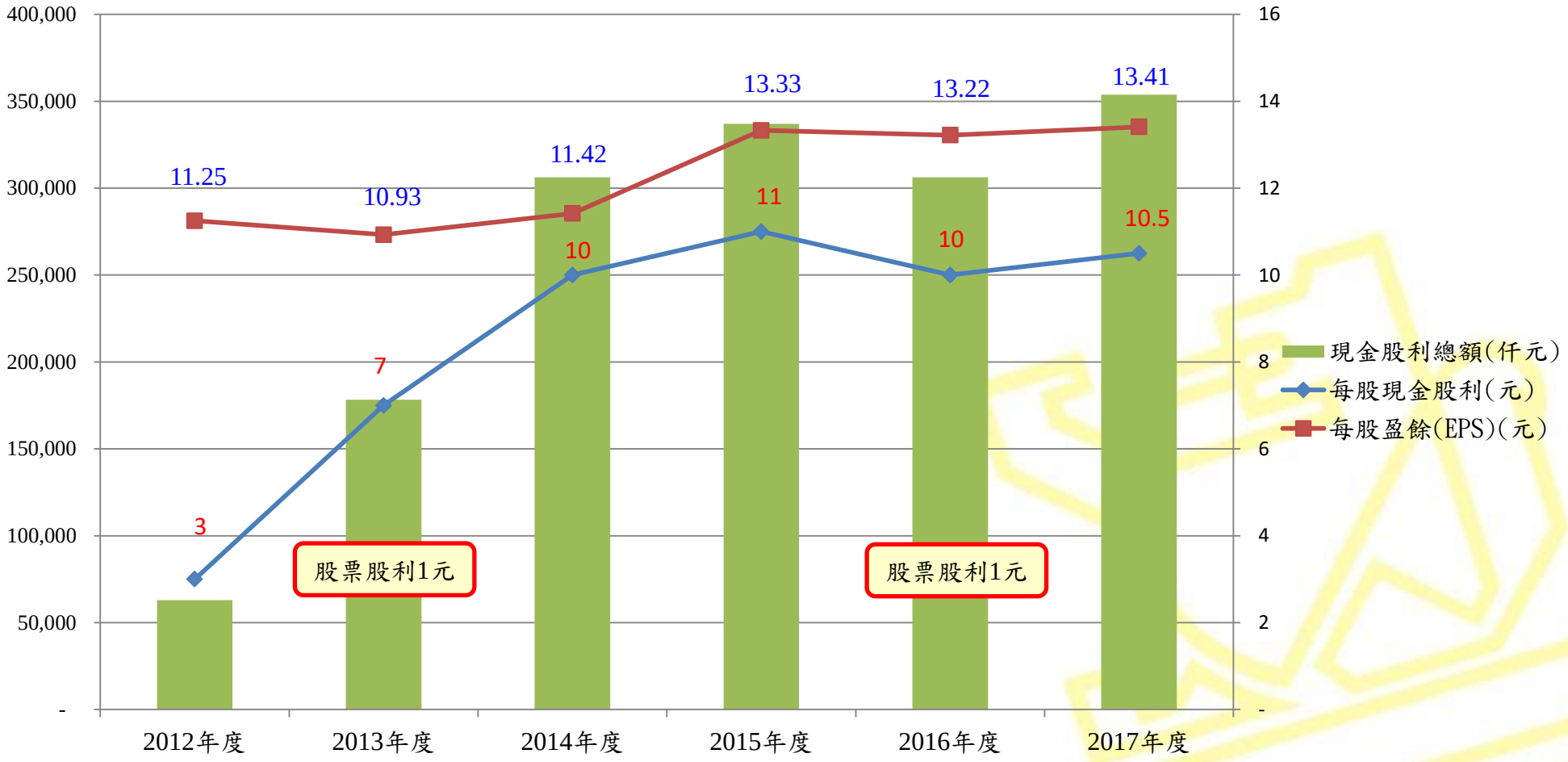



| | 德麥 (Tehmag) | 無錫芝蘭雅 (ZBIW) | 馬來西亞 (Malaysia) | 香港 (Hong Kong) | 天滿 (TMIW) | 合併 (Group) |
|---|---|---|---|---|---|---|
| 2018年前6月營收成長率(原幣) 【Revenue growth rate YTD June 2018 (original currency)】 | 3.99% | 14.58% | 17.03% | 1.37% | 12.28% | 8.35% |
| 匯率影響 【Influence of exchange rate 】 | - | 3.80% | 7.86% | -4.35% | 3.80% | 1.53% |
| 2018年前6月營收成長率 【Revenue growth rate YTD June 2018 】 | 3.99% | 18.91% | 26.23% | -3.21% | 16.68% | 9.88% |

# Return on Equity TEHMAG(**ROE**)



# Cash Dividend Policy



# 2. Operation Analysis 2018H1

# Operating Performance(Group)

NTD Ten thousand

| 合併(Group) | 2018 H1 | | 2017 H1 | | 增減金額 (Increase or decrease) | % |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | | |
| 營業收入(sales) | 1,918,781 | 100.00 | 1,746,237 | 100.00 | 172,544 | 9.88 |
| 營業毛利(Gross margin) | 713,224 | 37.17 | 663,573 | 38.00 | 49,651 | 7.48 |
| 營業費用(Operating expenses) | 387,372 | 20.19 | 344,681 | 19.74 | 42,691 | 12.39 |
| 營業利益(Operating profit) | 325,852 | 16.98 | 318,892 | 18.26 | 6,960 | 2.18 |
| 稅前純益(Net profit before tax) | 330,267 | 17.21 | 315,155 | 18.05 | 15,112 | 4.80 |
| 所得稅費用(Income tax) | 81,579 | 4.25 | 66,290 | 3.80 | 15,289 | 23.06 |
| 稅後純益(Net profit after tax ) | 248,688 | 12.96 | 248,865 | 14.25 | (177) | (0.07) |
| 歸屬於母公司淨利 (parents company net income) | 213,060 | 11.10 | 222,332 | 12.73 | (9,272) | (4.17) |
| 每股稅後盈餘(EPS)(元) | 6.32元 | | 6.60元 | | (0.28元) | |
| 毛利率(Gross margin rate) | 37.17% | | 38.00% | | (0.83%) | |
| 營業利益率(Operating profit rate) | 16.98% | | 18.26% | | (1.28%) | |
| 歸屬於母公司淨利率 (Belong mother company Net profit rate) | 11.10% | | 12.73% | | (1.63%) | |

Reasons of profit decline in the first half of 2018:：

- Gross margin slipped：Taiwan is suffering from rising international dairy prices, and the main competitor Anchor has not raised terminal price. And some small manufacturers disrupt the domestic dairy market at a low price. Substantial reduction of dairy profit margins made the ross margin slipped (2.55%) in Taiwan.
- Income tax increased：Taiwan income tax rate from 17% up to 20%. Plus the high tax rate of Zeelandia(Wuxi), and the Malaysia increase in huge profits.

# Operating Performance (Taiwan)

NTD Ten thousand

| 台灣 (Taiwan) | 2018 H1 | | 2017 H1 | | 增減金額 (Increase or decrease) | % |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | | |
| 營業收入(Sales) | 1,171,043 | 100.00 | 1,126,144 | 100.00 | 44,899 | 3.99 |
| 營業毛利 (Gross margin) | 403,987 | 34.50 | 417,214 | 37.05 | (13,227) | (3.17) |
| 營業費用(Operating expenses) | 196,540 | 16.78 | 189,052 | 16.79 | 7,488 | 3.96 |
| 營業利益(Operating profit) | 207,447 | 17.71 | 228,162 | 20.26 | (20,715) | (9.08) |
| 稅前純益(Net profit before tax) | 265,888 | 22.71 | 268,516 | 23.84 | (2,628) | (0.98) |
| 所得稅費用(Income tax) | 52,829 | 4.51 | 46,184 | 4.10 | 6,645 | 14.39 |
| 稅後純益(Net profit after tax ) | 213,059 | 18.19 | 222,332 | 19.74 | (9,273) | (4.17) |
| 每股稅後盈餘(EPS)(元) | 6.32 | | 6.60 | | (0.28) | |
| 毛利率(Gross margin rate) | 34.50% | | 37.05% | | (2.55%) | |
| 費用率(Operating expense rate) | 16.78% | | 16.79% | | (0.01%) | |
| 營業利益率(Operating profit rate) | 17.71% | | 20.26% | | (2.55%) | |
| 歸屬於母公司淨利率 (Belong mother company Net profit rate) | 18.19% | | 19.74% | | (1.55%) | |

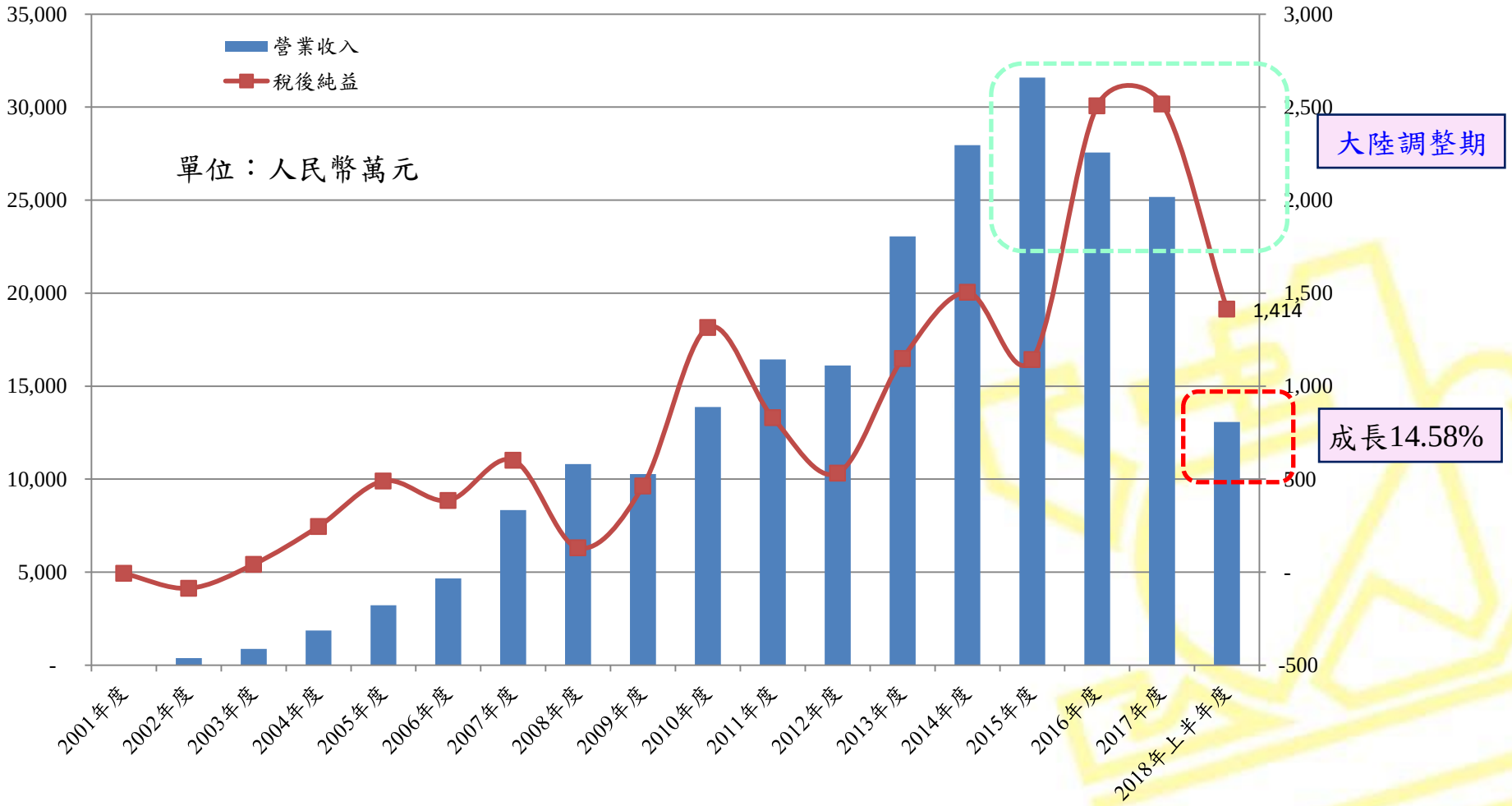
# Operating Performance (ZBIW)

NTD Ten thousand

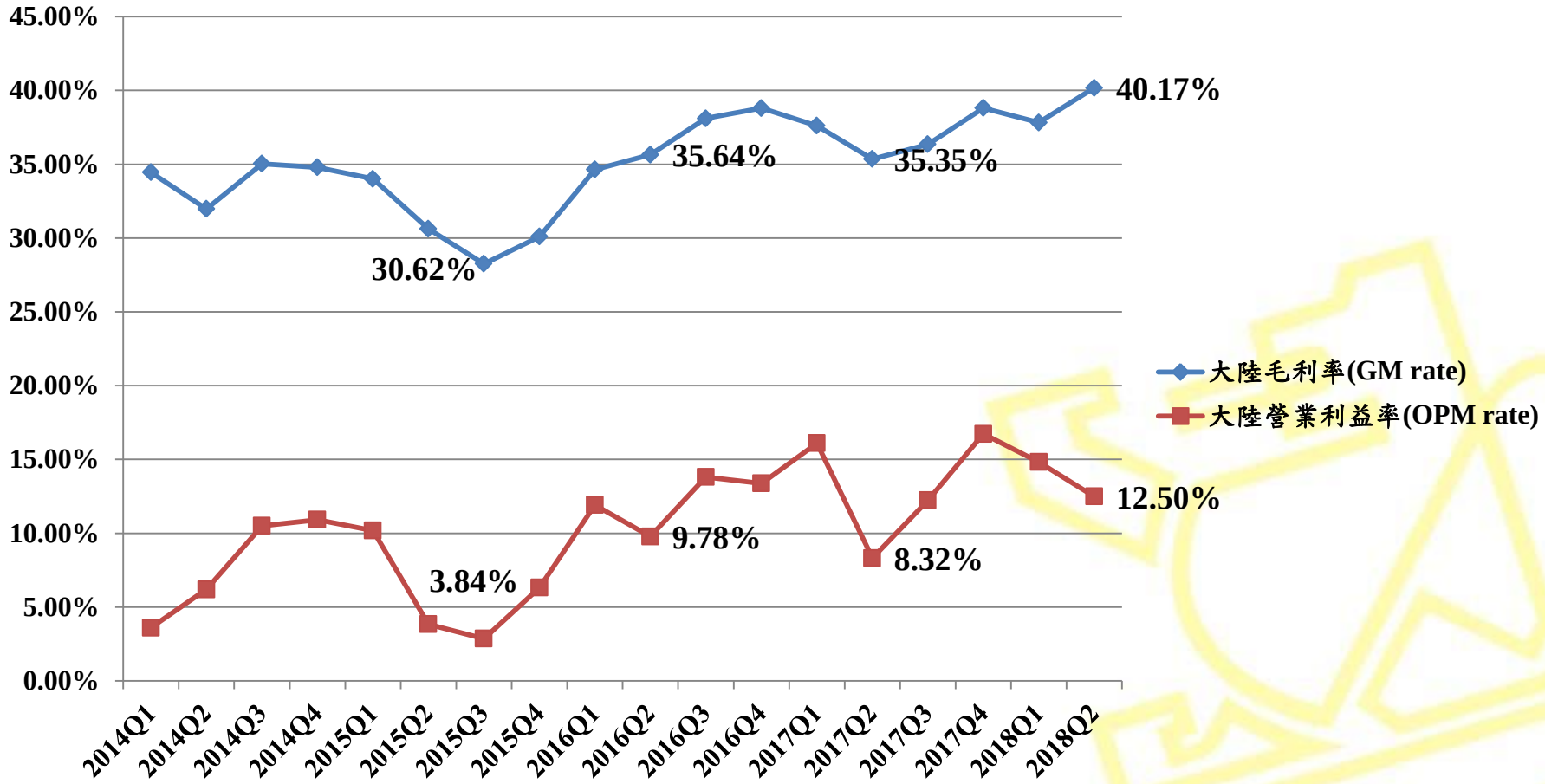
| 芝蘭雅(ZBIW) | 2018 H1 | | 2017 H1 | | 增減金額 (Increase or decrease) | % |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | | |
| 營業收入(Sales) | 606,643 | 100.00 | 510,072 | 100.00 | 96,571 | 18.93 |
| 營業毛利(Gross margin) | 236,241 | 38.94 | 186,949 | 36.65 | 49,292 | 26.37 |
| 營業費用(Operating expenses) | 153,055 | 25.23 | 123,989 | 24.31 | 29,066 | 23.44 |
| 營業利益(Operating profit) | 83,186 | 13.71 | 62,960 | 12.34 | 20,226 | 32.13 |
| 稅前純益(Net profit before tax) | 87,274 | 14.39 | 63,970 | 12.54 | 23,304 | 36.43 |
| 所得稅費用(Income tax) | 21,664 | 3.57 | 15,180 | 2.98 | 6,484 | 42.71 |
| 稅後純益(Net profit after tax ) | 65,610 | 10.82 | 48,790 | 9.57 | 16,820 | 34.47 |
| 營收成長率(revenue growth rate ) | 18.93% | | | | | |
| 毛利率(Gross margin rate) | 38.94% | | 36.65% | | 2.29% | |
| 費用率(Operating expense rate) | 25.23% | | 24.31% | | 0.92% | |
| 營業利益率 (Operating profit rate) | 13.71% | | 12.34% | | 1.37% | |
| 稅後純益率(Net profit rate after tax ) | 10.82% | | 9.57% | | 1.25% | |

# 3.China Operation Analysis 2018H1

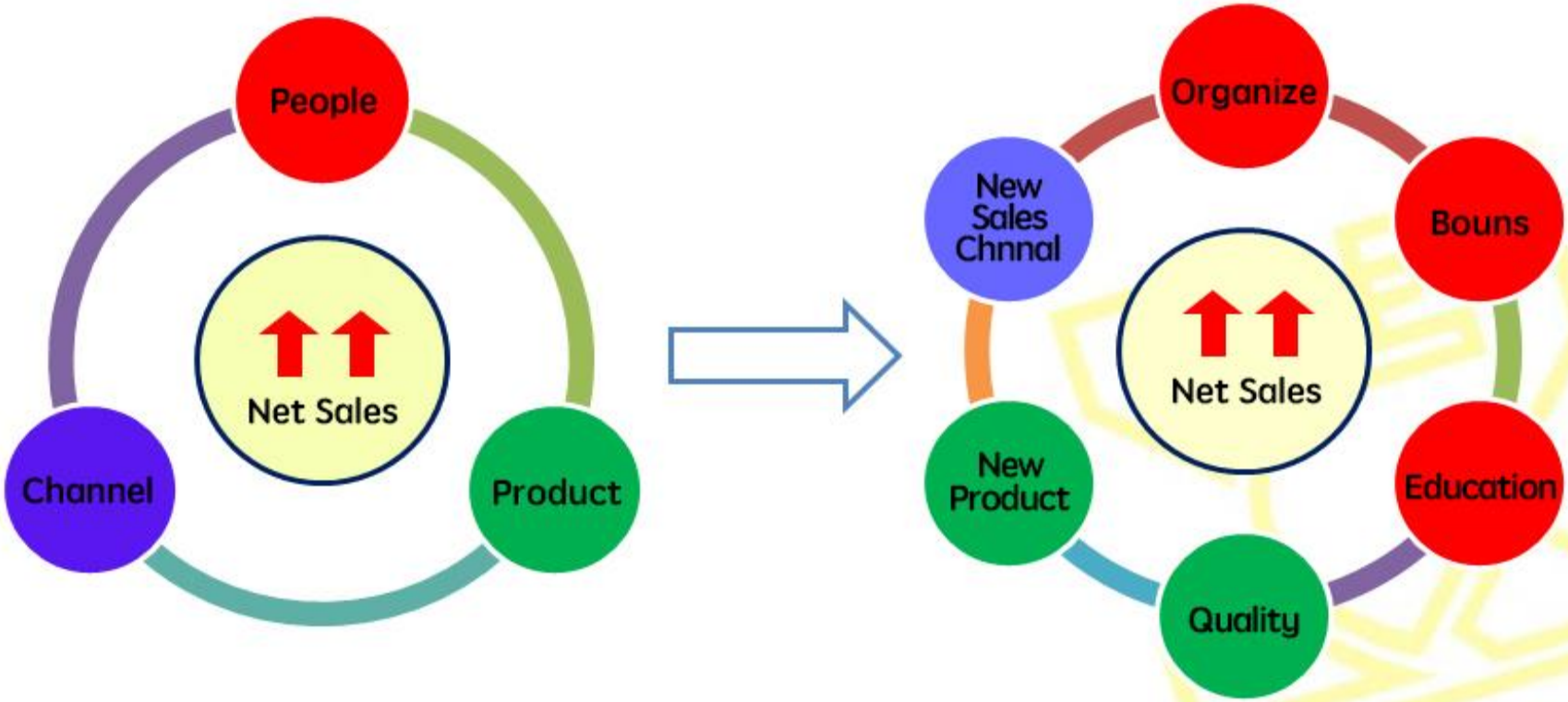
# Sales and Profit Trend Chart (2001~2018H1)



# GM、OPM by Quarter (ZBIW)



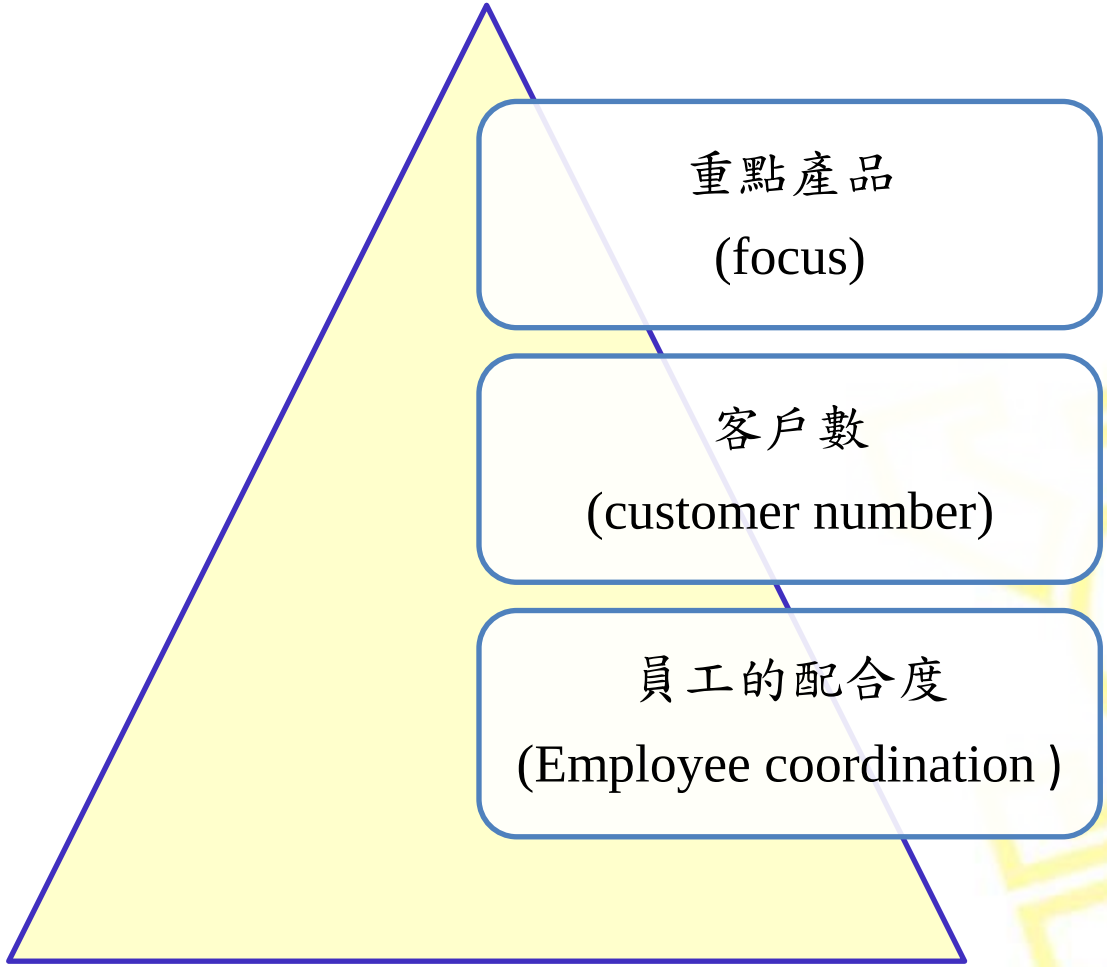
# Three Stages of Operation Adjustment



# Three Stages of Operation Adjustment

| 2016.01~2016.08 | 2016.09~2017.08 | 2017.09~2017.12 |
| --- | --- | --- |
| • Product line adjustment<br>• Bounds system adjustment<br>• The new & old manager team replace<br>• Cost(transport, communication, sample) control<br>• Purchasing policy adjustment<br>Improve the AR<br>Improve cash flow | • customer structure adjustment<br>• Improve overdue payment<br>• Organize adjustment<br>• Improve factory<br>• Headquarters staff improve | • Diligence organize<br>• Improve sec manager team intergration<br>• Training of sales person and chef<br>• Operating bonus policy<br>• new customer structure(Wechat reward) |
| • increase gross margin & OPM<br>• improve cash flow & Net profit | • Overdue payment getting low<br>• Distributor policy<br>• Staff getting stable | • Make three big area and four small area<br>• new customer pay in advance<br>• headquart and sales office match well<br>• Increase the revenue. |

# Promote Company Performance at Current Stage



# 2018 Promote Performance Measure

ZBIW

TEHMAG TAIWAN

Customer Number × Product Unit Price = Net Sales

- Sales Dept Incharge
- New Customer Number
- Reorder Customer Number
- Whole Seller Customer Number
- Loyalty Customer Number
- Industry Customer Number
- Top 30 Products Customer Number

**STAFF, CHANNEL**

- PGM Leader Marketing Incharge
- Competitive Edge Products

**PRODUCT**

# Action Plan of Promote Self-Manufacturing

巧克力 (Chocolate) → 水果餡 (Friut filling) → 預拌粉 (Pre-mix)

◎ 人員逐漸穩定後，在毛利高的外購商品基礎下，將焦點轉向自製品

After gradually stabilizing personnel, the focus will be shifted to self-manufacturing on the basis of high-margin externally purchased goods.

◎ 全面性爭取訂單，提升產能

Fully fight for orders, increase production capacity.

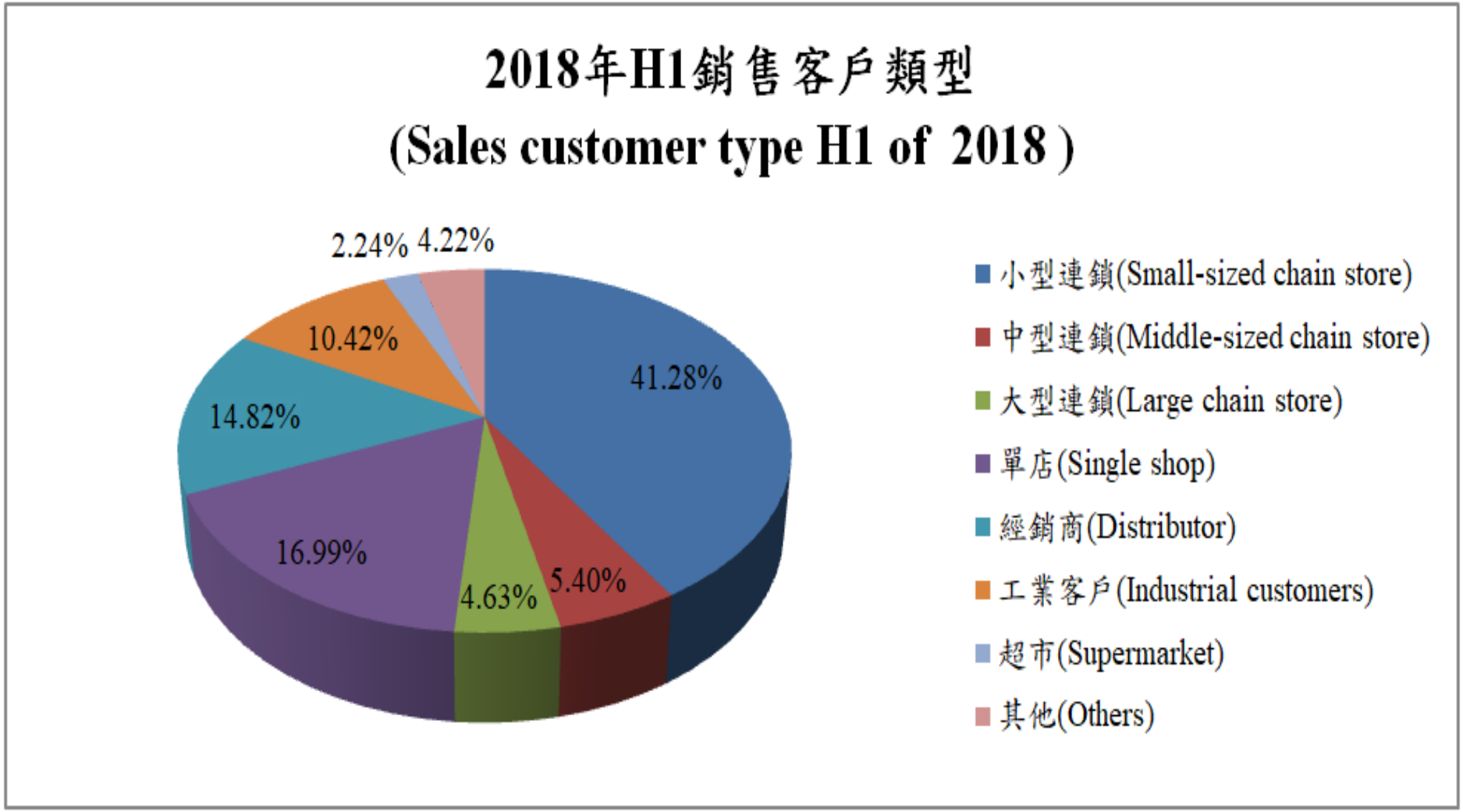
◎ 提供高額促銷獎金

Provide high promotional bonuses.

◎ 淘汰不配合政策的業務

Eliminate saleman who does not meet policy.

# 2018 H1 Sales Channel Analysis



# Thank You