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**Stock Code 1264**

# Tehmag Foods Co.,Ltd
# 2023 Q1 Earnings Conference

**Reported by Willy Chiou**
**Apr 17th 2023**

把 世 界 帶 進 臺 灣　　將 德 麥 推 向 世 界

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# 目 錄
## Agenda


01. 公司概況Company Profile

02. 經營實績 Business Performance

03. 營運策略 Business Strategy

04. 分享與討論 Share & Discussion

# 01.公司概況

## Company Profile

# One minute briefing on Tehmag

## ■ Industry Trend: A stable and growing consumer industry

- **Industrial growth drivers: population, income level, and urbanization**
- **Product development trends**: attractiveness, taste, health, convenience and safety
- **Taiwan Market:** With the relaxation of COVID policy, catering has regained its vitality, and there has been retaliatory consumption in the baking market.
- **Mainland China market**: After the COVID policy is lifted, the market has returned to normal. The **consumption upgrade** together with the **pursuit of the ultimate cost-effective parity consumption** coexist in the market. As the consumer group is dominated by the young generation, bakery products tend to be **healthy, snack, fun and diversified** to meet the changing consumer needs, and there is still a large room for future growth.

## ■ Business Model: To create value for customers with concept of "Commodity driven raw material sales"

- Continue to launch popular products with **good flavor, low cost, high profit for customers and easy to operate**, and assist customers in various regions to create business by combining the Internet celebrity products of Taiwan, Hongkong and mainland market.
- Tehmag is a supplier **focusing on food safety**. In addition to its own and international original factory inspection report, Tehmag also strengthens the inspection of cooperating manufacturers.
- Devote to bakery development and a solution expert.

## ■ Growth opportunities

- **Taiwan market:** Deepen the Taiwan market, continue to solve customers' pain points, and meanwhile regain the business growth with the help of two strong brands, **Elle & Vire professionnel** and **LESCURE**.
- **Malaysian market**: Deep cultivation in Malaysian market, stable relationship with three major customers, sustained growth momentum driven by "number of customers" and "new products"
- **Hong Kong Market:** Deeply cultivates the market in Hong Kong and Macao, keeps warming up the relationship with local major customers, and enjoys remarkable business growth under the help of "hot products"
- **Mainland market:** After the release of COVID, the market returned to normal, sprint customer numbers to recover operation growth momentum.

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1

- Listed, stock code 1264
- Created in 1989
- Taiwan's largest importer of baking ingredients
- 15,000+ customers
- Monthly transactions of 9,500+ customers

2

- 「Commodities drive raw material sales」 as business model
- 3200+ baking ingredients

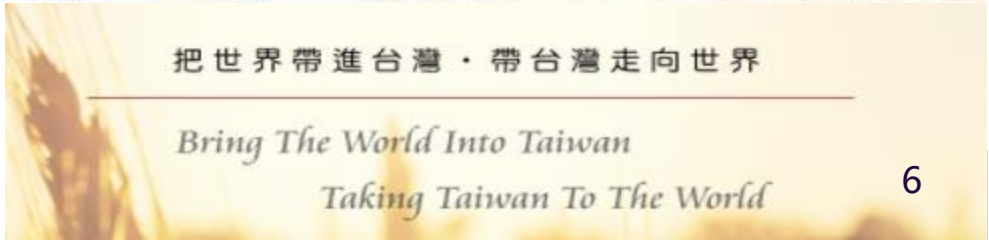
3

- Has the strongest bakery team in Taiwan
- Has the largest commercial team in Taiwan
- Has 40+ multi - temperature layer logistics fleet

4

660+ employees worldwide

Companies located in Taiwan, mainland China, Malaysia, Hong Kong, Indonesia and the United States



# 經營理念
# Business Philosopy

## Share

- Shareholder
- Employee
- Government

## Win-Win

- Customer
- Supplier
- Employee
- Shareholder
- Bakery industry

## Sustainable

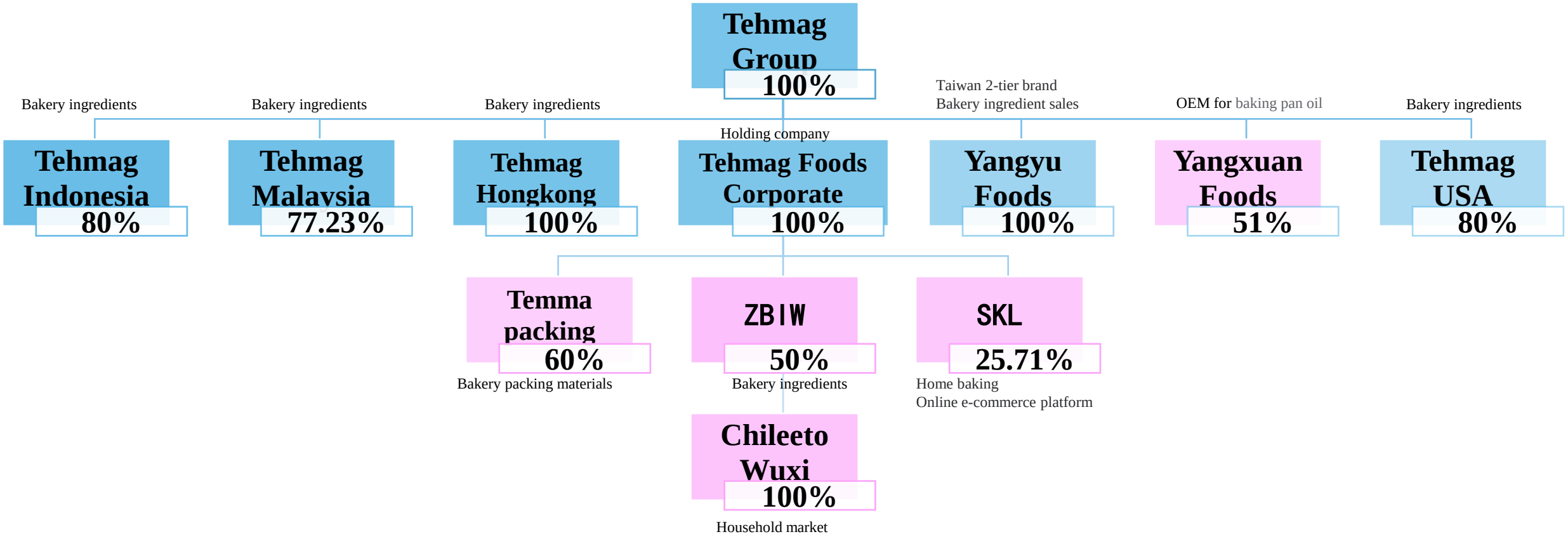
To become a century-old company

34th year currently

**打造一個令人尊敬的企業**

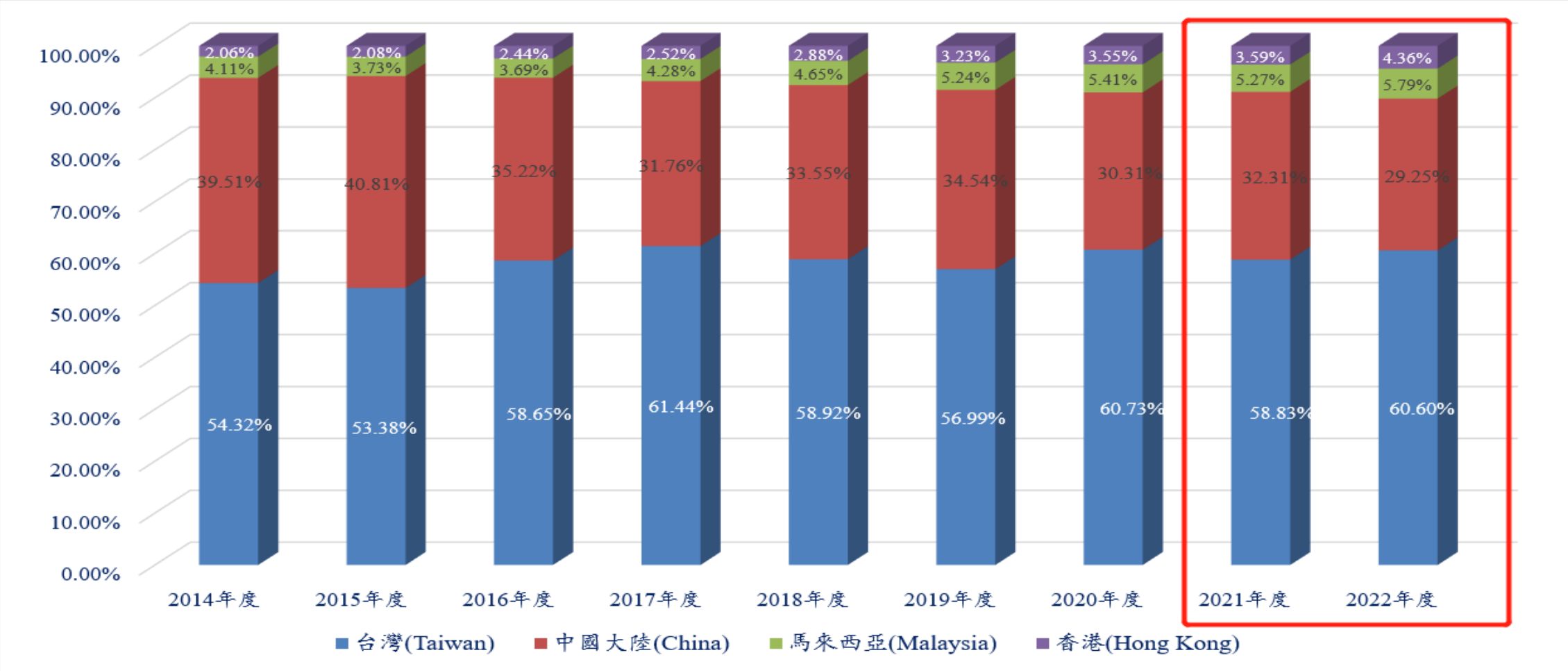
# 德麥集團·投資架構

# Tehmag Group · Investment Structure



# 最近八年德麥集團區域別營收比重

## Sales % by region in recent 8 years



# 競爭優勢

## Competitive advantage

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|
| Daily delivery | Multi-temperature | Introduce high-quality materials | Popular commodity | R&D | Product promotion plan | Marketing programs |
| Logistics | | 3200+ | Bakery Team | Commercial Team | | Marketing |

Help the bakery industry development

Become a good helper of the bakery industry

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# 強大品牌陣容

## Strong brand lineup

法國愛樂薇
**Elle & Vire professionnel**

法國萊思克
**LESCURE**

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# ZBIW

Joint Venture，created in 2001

- Wuxi new factory 40 000m²
- Total investment 135mRMB

**2.33m$**
Paid-in capital

**8,000+**
Active customers

**3,000+**
Customers transacted monthly

**44**
Sales offices

**39**
Bakers on-board

**350**
Employees

nippn
Sole agency for Nippon powder

## Produce & Sell

- Breadmix
- Cakemix
- Fruit filling
- Chocolate
- Mont blanc
- Carlex spray
- Other ingredients

# ZBIW new factory · Designed capacity 23,000 tons/year

R&D and administrative office

1F Multifunctional baking classroom

1F Baking classroom Teaching area

2F HQ office area

3F R&D, quality control laboratory

Cargo flow platform

Multi-temperature warehouse

Workshop packing line

Workshop production line

Wuxi factory overview

# 02.經營實績

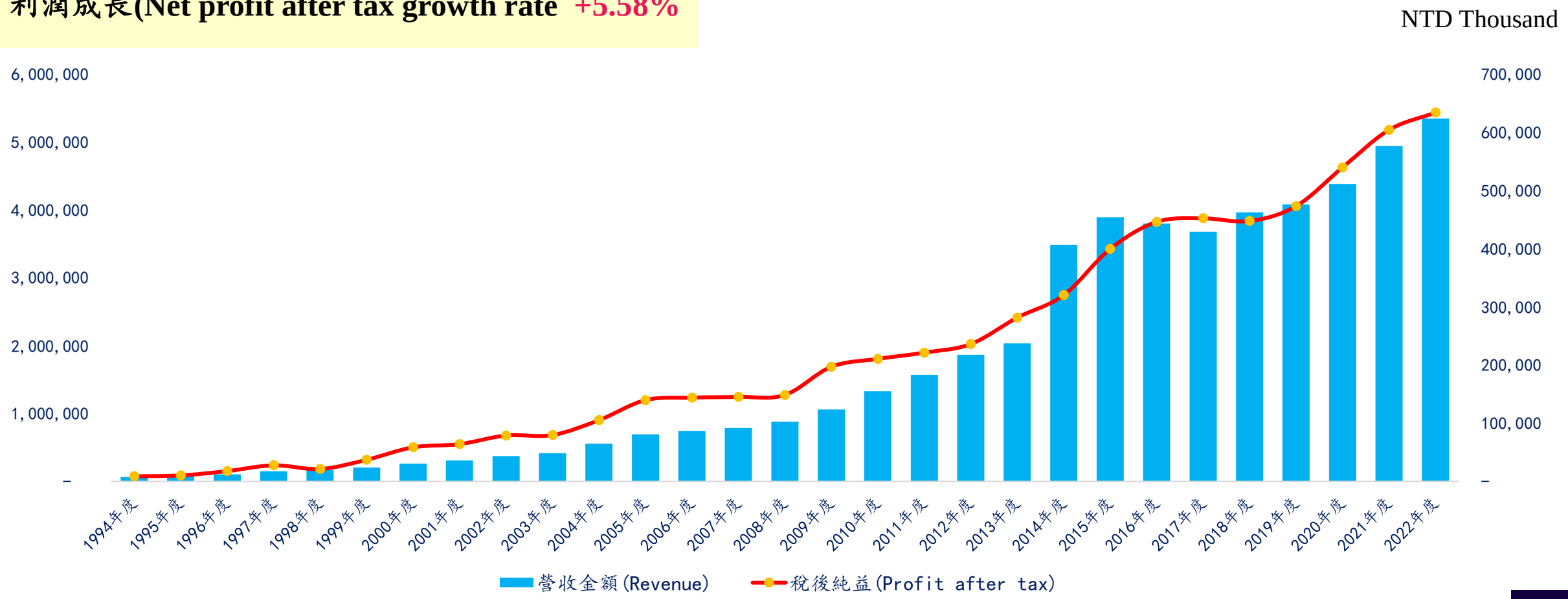
## Business Performance

# 德麥集團歷史經營實績

## Tehmag Group’s business performance

**營收成長(Net Sales growth rate )** **+7.93%**

**利潤成長(Net profit after tax growth rate** **+5.58%**



# 2022 Financial Report

Unit:'000Nt Yuan

| TEHMAG Group | 2022年度 | | 2021年度 | | Increase or decrease | |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| 營業收入 (Net sales) | 5,340,996 | 100.00 | 4,948,371 | 100.00 | 392,625 | 7.93 |
| 營業毛利 (Gross margin) | 1,844,455 | 34.53 | 1,793,277 | 36.24 | 51,178 | 2.85 |
| 營業費用 (Operating expense) | 877,891 | 16.44 | 844,708 | 17.07 | 33,183 | 3.93 |
| 營業利益 (Operating profit) | 966,564 | 18.10 | 948,569 | 19.17 | 17,995 | 1.90 |
| 營業外收支 (Non-operating items) | (19,651) | (0.37) | 1,556 | 0.03 | (21,207) | (1362.92) |
| 稅前純益(Net profit before tax) | 946,913 | 17.73 | 950,125 | 19.20 | (3,212) | (0.34) |
| 所得稅費用(Income tax) | 215,751 | 4.04 | 228,205 | 4.61 | (12,454) | (5.46) |
| 稅後純益 (Net profit after tax ) | 731,162 | 13.69 | 721,920 | 14.59 | 9,242 | 1.28 |
| 母公司淨利(Parent company net profit) | 633,184 | 11.86 | 599,726 | 12.12 | 33,458 | 5.58 |
| 每股稅後盈餘(EPS) | 17.09元 | | 16.19元 | | 0.9元 | |
| 毛利率(Gross margin rate) | 34.53% | | 36.24% | | (1.71%) | |
| 費用率(Operating expense rate) | 16.44% | | 17.07% | | (0.63%) | |
| 營業利益率(Operating profit) | 18.10% | | 19.17% | | (1.07%) | |
| 母公司淨利率(Parent company net profit rate) | 11.86% | | 12.12% | | (0.26%) | |

# 2022 Financial Ratio Analysis

| Item | | | 2022 | 2021 |
|---|---|---|---|---|
| **Financial structure** | Debt-to-assets ratio | | **22.64%** | **20.87%** |
| | Long-term funds to PPE ratio | | **246.13%** | **366.41%** |
| **Debts structure** | Current ratio | | **296.76%** | **307.34%** |
| | Quick ratio | | **213.36%** | **229.57%** |
| **Operation capability** | AR turnover | | **4.95%** | **5.15%** |
| | Average AR days | | **73** | **71** |
| | Inventory turnover | | **5.42** | **6.02** |
| | Inventory days | | **67** | **61** |
| **Profitability** | Return on assets | | **16.37%** | **17.49%** |
| | Return on equity | | **20.85%** | **22.10%** |
| | % of paid-in capital | Operation profit | **259.32%** | **255.92%** |
| | | PBT | **255.48%** | **256.34%** |
| | Net profit % | | **13.69%** | **14.59%** |
| | EPS | | **17.09** | **16.19** |

| | |
|---|---|
| **Financial structure** | In 2022, the company's debt ratio is 22.64%, which is higher than last year, mainly due to the increase of bank loan. However, the debt ratio is 30% lower, and the ratio of long-term funds to fixed assets is 246.13%, higher than 100%, indicating a sound financial structure. |
| **Debts structure** | In 2022, the company's current ratio and quick ratio reached 296.76% and 213.36% respectively, among which, the current ratio was slightly lower than that of last year due to the increase of current liabilities caused by the increase of short-term borrowings. In addition, because the ending inventory balance was higher than that of the previous year, the quick ratio was slightly lower, but the ratios were both greater than 100%, indicating that the liquidity and solvency of the assets were quite good. |
| **Operation capability** | The average AR days and average inventory days are 73 days and 67 days respectively, which are longer than last year. In the future, we will strengthen AR collection and inventory control, so as to optimize the of operating capability. |
| **Profitabilit y** | The Company's return on equity is 20.85%, lower than last year, but still above 15% for the last 10 years. |

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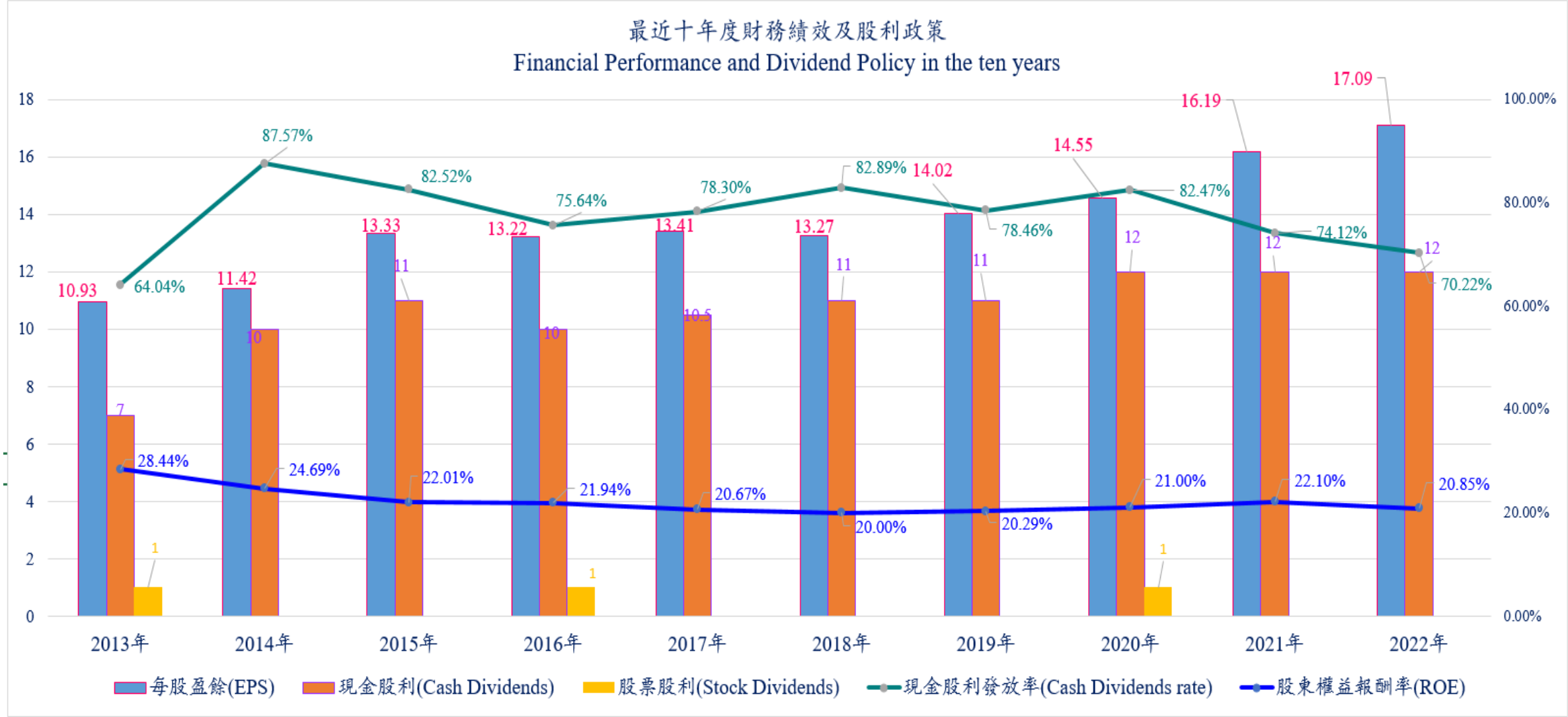

最近十年度財務績效及股利政策
Financial Performance and Dividend Policy in the ten years
18
16
14
12
10
8
6
4
2
0
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
10.93
11.42
13.33
13.22
13.41
13.27
14.02
14.55
16.19
17.09
64.04%
87.57%
82.52%
75.64%
78.30%
82.89%
78.46%
82.47%
74.12%
70.22%
7
10
11
10
10.5
11
11
12
12
12
1
1
1
28.44%
24.69%
22.01%
21.94%
20.67%
20.00%
20.29%
21.00%
22.10%
20.85%
2013年
2014年
2015年
2016年
2017年
2018年
2019年
2020年
2021年
2022年
每股盈餘(EPS)
現金股利(Cash Dividends)
股票股利(Stock Dividends)
現金股利發放率(Cash Dividends rate)
股東權益報酬率(ROE)

# Latest Developments·2022

## 中國大陸 China

- **業績衰退(2.95%)**TO prog (-2.95%)
- 【直營+經銷】營運模式 *Direct selling +Distributors*
- 啟動城市經銷商策略 *Launch the urban distribution strategy*
- 強化客戶通路佈局 *Find more potential consumers*
- 戰略合作佈局 *Further cooperation with partners*
- 持續管控費用率 *Retain management expenses*
- 業務人員管理策略 *(獎金/升遷/**培訓**/淘汰/追蹤)*
- *Effective strategy for salesmen*
  *（bonus/promotion/**training**/elimination/review）*

## 臺灣市場 Taiwan

- 業績增長**+10.66%** TO prog +10.66%
- 落實【商品帶動原物料銷售】的商業模式*Implement the business model of "commodity-driven sales of raw materials"*
- 深化服務層次，從產品開發到產品營銷*Deepen the service level, from product development to product marketing*
- 獨家代理兩大強勢品牌***愛樂薇、萊思克***，推升臺灣業績增長，並新增客戶數
  *Achieved the sole agency of Elle &Vire、LESCURE that assisted turnover and number of cusomers in increasing*

## 香港 Hong Kong

- **業績增長+29.89%** TO prog + 29.89%
- 耕耘港澳市場，開發大客戶*Expand Hong Kong and macau market,find strong consumers*
- 美心、大班、聖安娜 、Yamasaki *Maxims、Taipan、Cake Easy、 A1、Yamasaki*
- 執行【商品帶動原物料銷售】的商業模式*Follow the business model of "commodity-driven sales of raw materials"*

**Total 7.93%**

## 馬來西亞 Malaysia

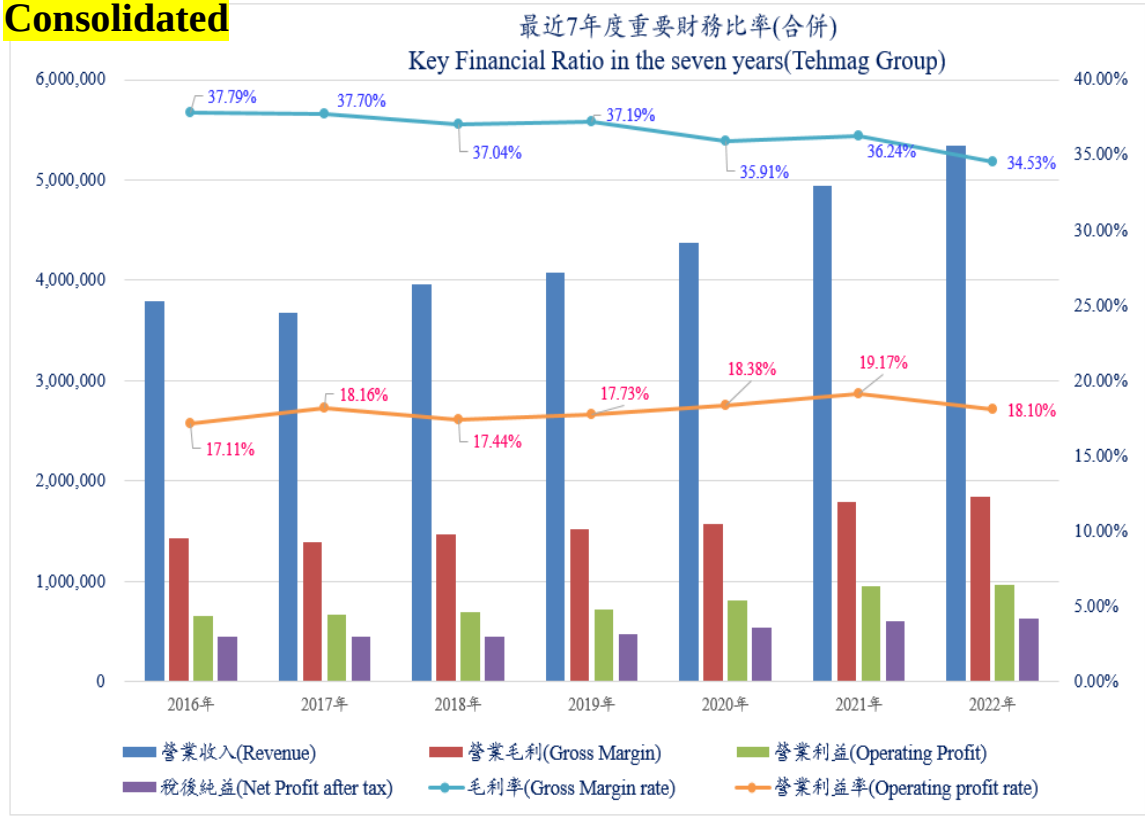
- **業績增長+17.90%** TO prog + 17.90%
- 主要客戶穩定成長*Our main customers served new products*
- 原料店的生意因為疫情關係而成長 *Material shop caught the opportunity during status of the Covid-19*

產品通路 Product route

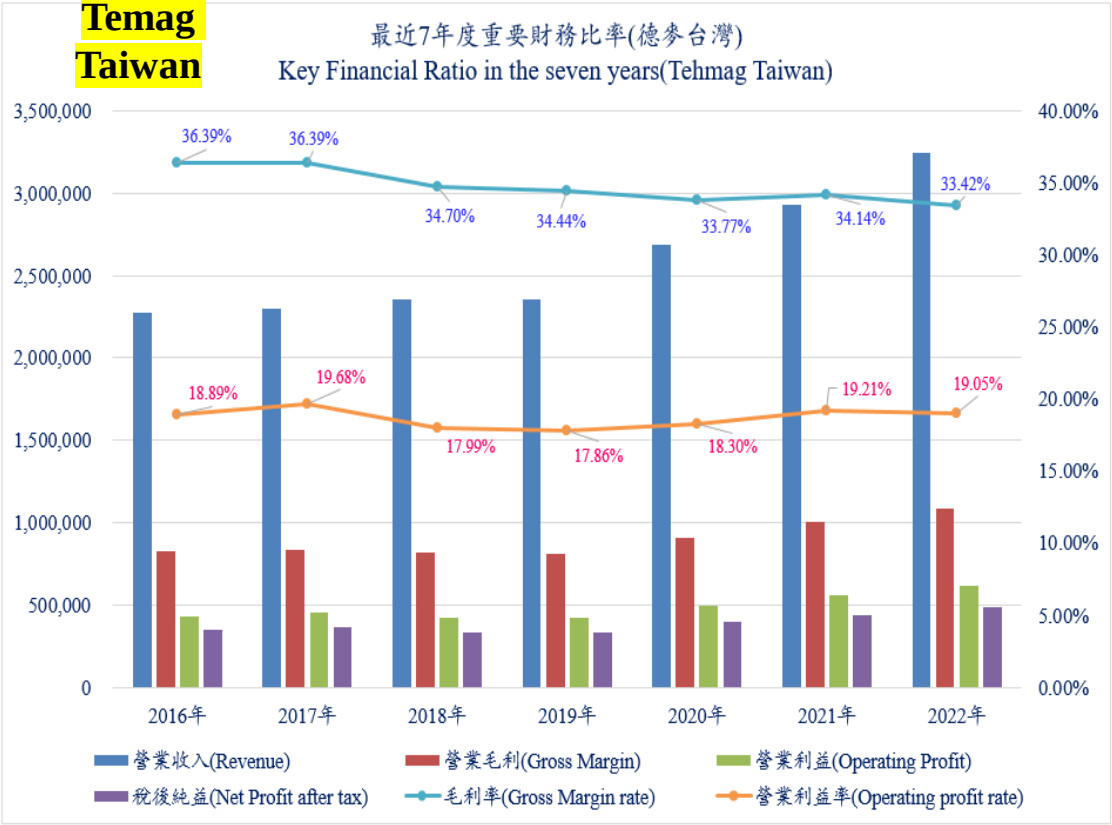
# 最近七年德麥集團重要財務比率

# Key Finance Ratio-Tehmag Group

**Consolidated**



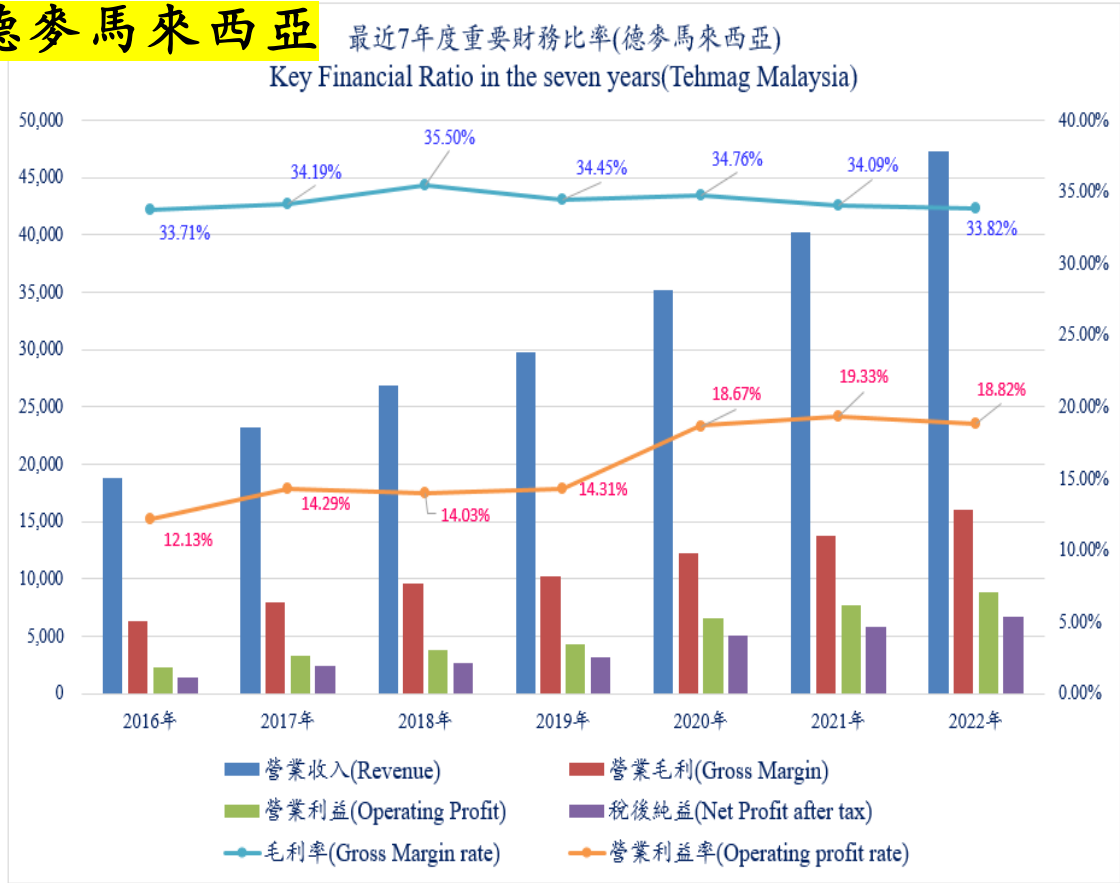

**Temag Taiwan**



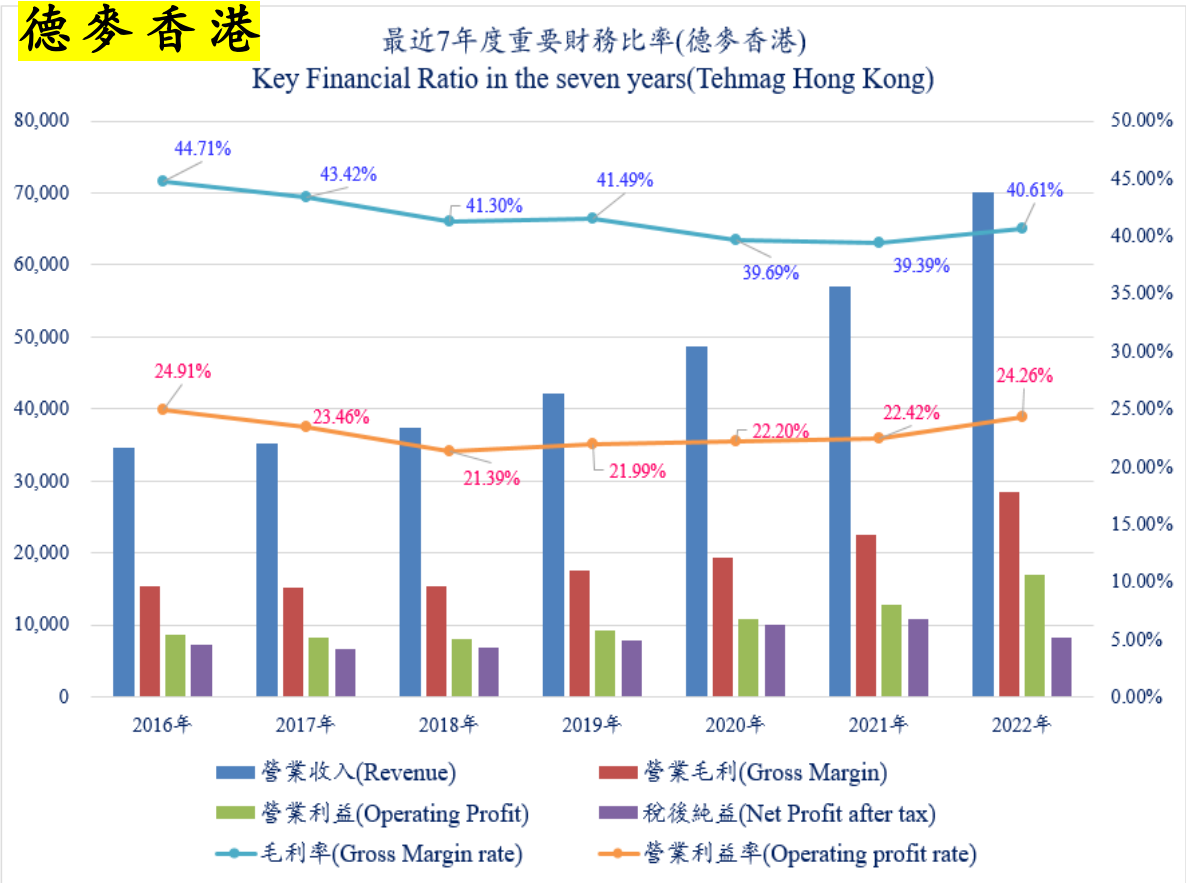
# 最近七年德麥集團重要財務比率

# Key Finance Ratio-Tehmag Group

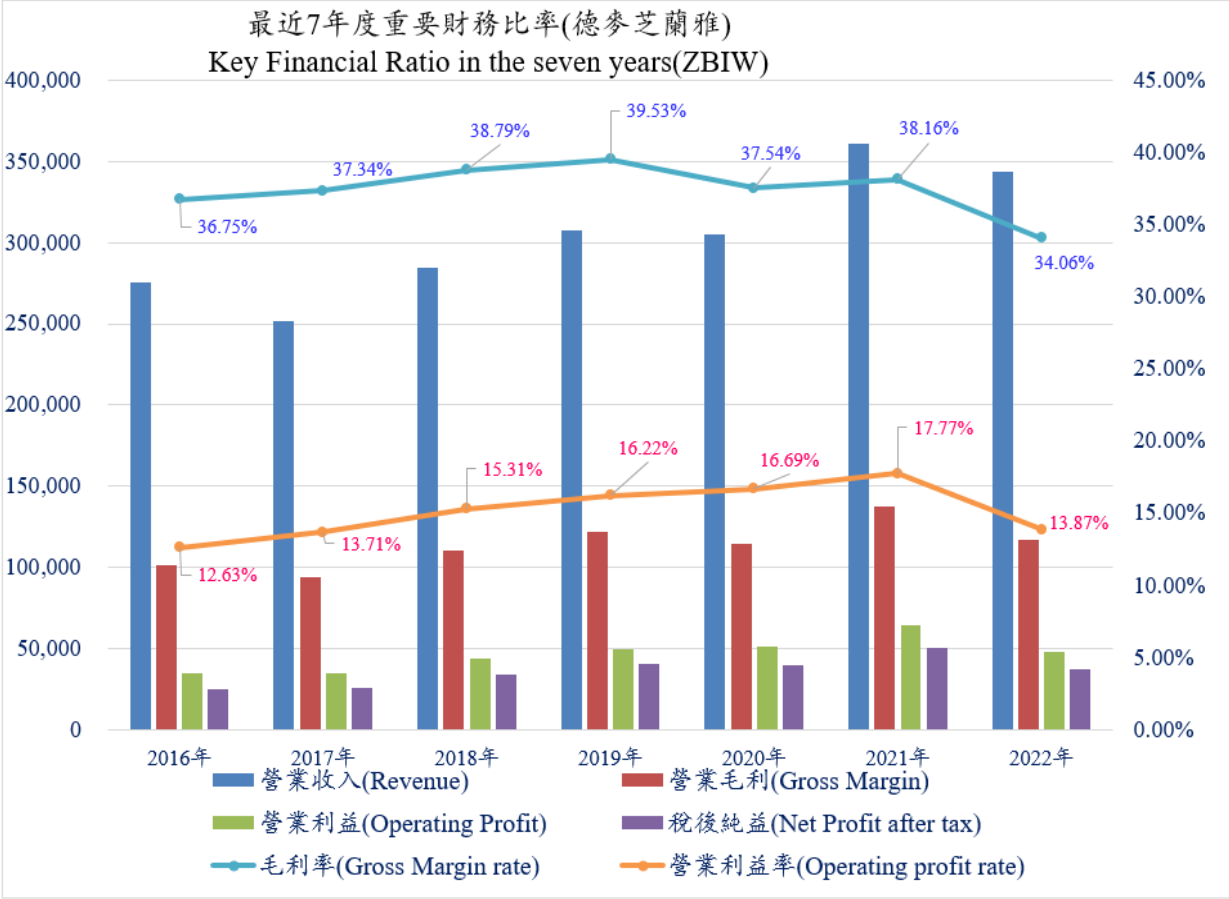
**德麥馬來西亞**




**德麥香港**



# Key Finance Ratio·ZBIW




## Reason for gross margin reduction

- Production volume decrease nearly 20%. Depreciation for new factory and utility cost increase leads to higher unit cost

## Action plan

- Adjust selling price according market situation；
- Increase production volume and efficiency to dilute fixed costs

## Reasons for expense ratio increase

- Social insurance base increase, leads to higher social insurance cost, housing fund and labor union fees；
- Depreciation for power distribution room and whs racks；
- Additional safety guarding fee

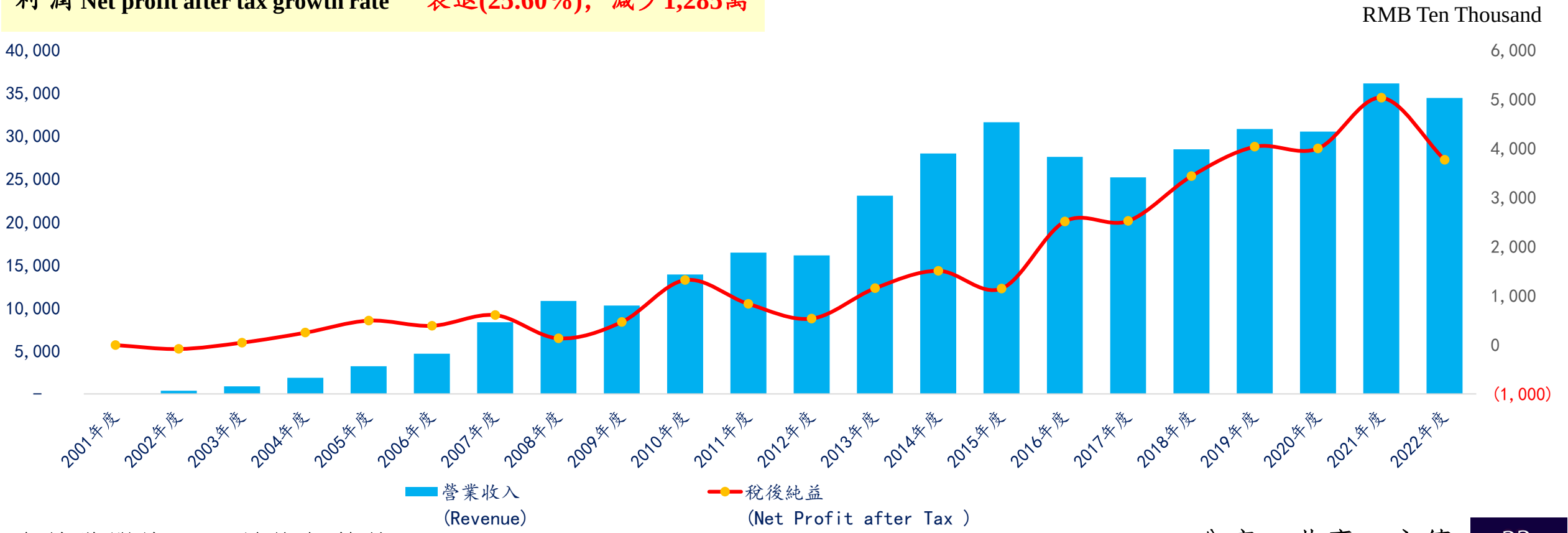
## Action plan

- Increase volume to generate economics of scale；
- Implement cost control

# 德麥芝蘭雅·歷史經營實績

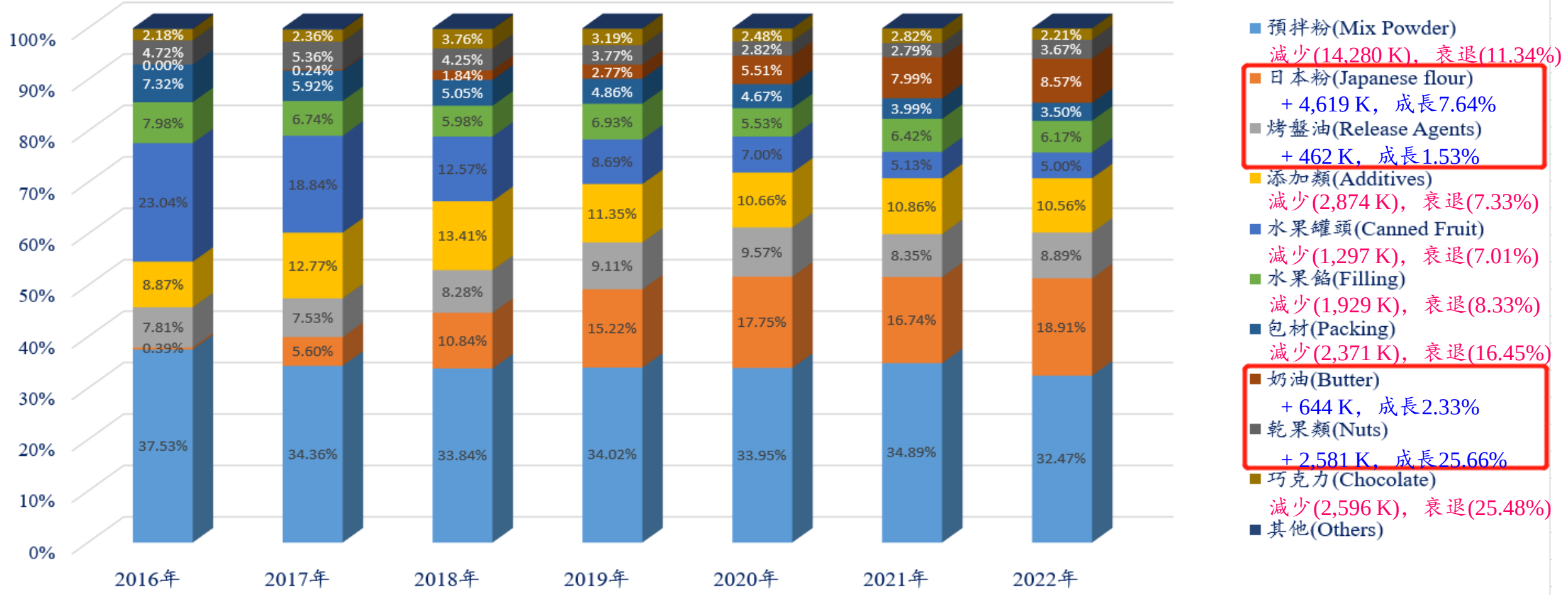
# ZBIW· Business Performance

| | |
|---|---|
| 營 收 Net Sales growth rate | 衰退(4.72%)，減少1,705萬 |
| 利 潤 Net profit after tax growth rate | 衰退(25.60%)，減少1,285萬 |



# 德麥芝蘭雅·產品績效分析

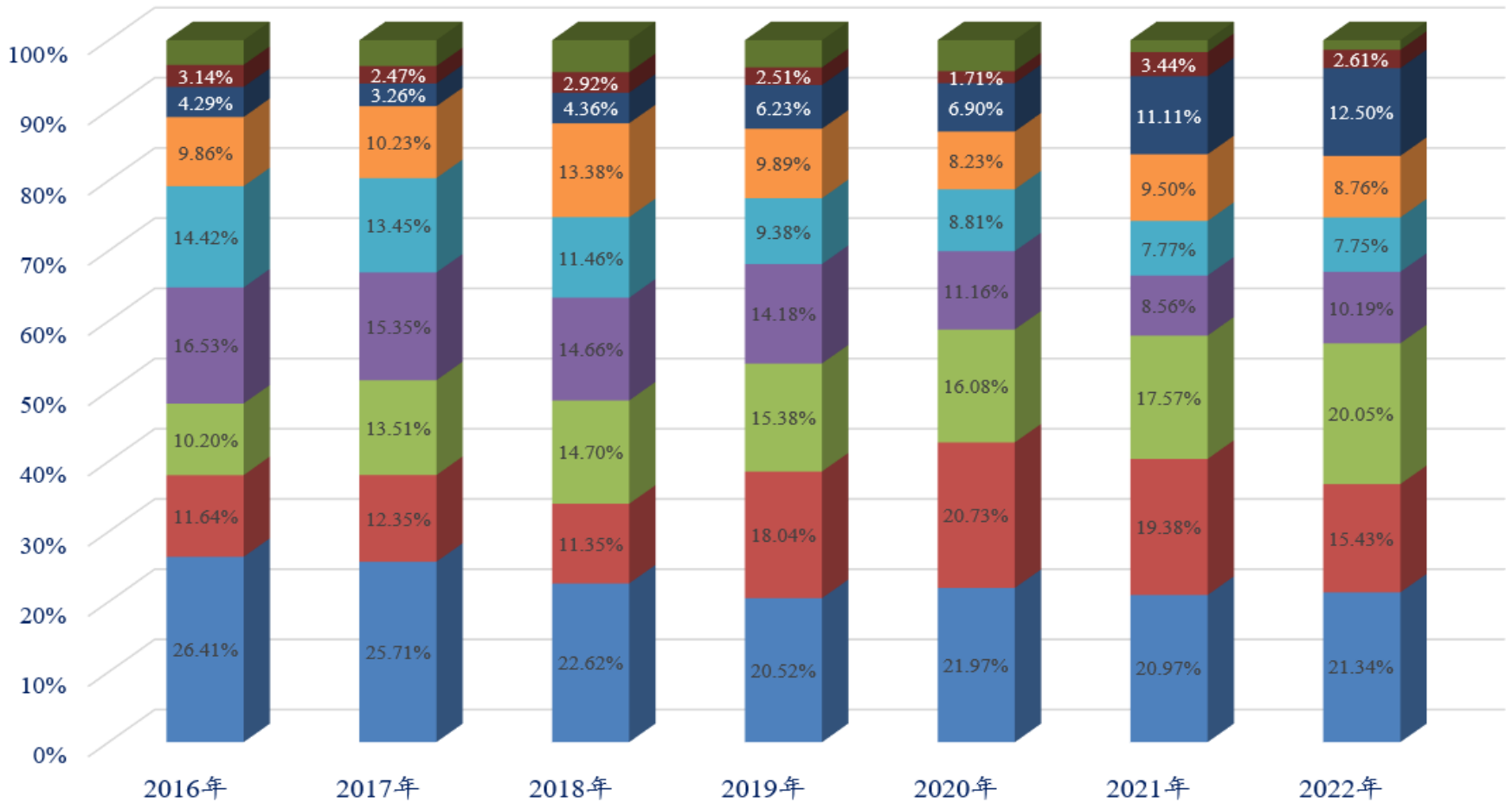
# ZBIW · Product Performance Analysis



# 德麥芝蘭雅·銷售管道分析

# ZBIW· Sales Channel Analysis

- 小型連鎖 02-20家門店
- 中型連鎖 21-50家門店
- 大型連鎖51-150家門店
- 超大型連鎖＞150家門店




■ 小型连锁(Small-sized chain store)
减少(2,264 K)，衰退(2.99%)

■ 超大型连锁(Super large chain store)
减少(18,884K)，衰退(26.25%)

■ 经销商(Distributor)
+ 5,392 K，成長8.48%

■ 单店(Single shop)
+ 4,207 K，成長13.64%

■ 中型连锁(Middle-sized chain store)
减少(1,402 K)，衰退(5.00%)

■ 大型连锁(Large-sized chain store)
减少(4,160 K)，衰退(12.13%)

■ 食品厂 (Small-sized industrial customer)
+ 3,002 K，成長7.51%

■ 工业客户(Large industrial customer)
减少(1,546 K)，衰退(14.71%)

■ 其他(Others)

# 03.營運策略

## Operation Strategy

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## Taiwan Market

Deep cultivation

## Hongkong Market

Deeply cultivates KA customers

Internet celebrity products

## Malaysia Market

Deeply cultivates KA customers

Commodity driven raw material sales

## Mainland China

Increase customer numbers

Regain operation growth

# 臺灣市場·深耕策略

# Taiwan Market ·Deep cultivation

| 1.Product line | 2.Business logic | 3.Business mode | 4.Multi-channel pipeline |
|---|---|---|---|
| • Product line<br>• Width: cost<br>• Depth: profit | • **Sales=customer numbers*selling price**<br>• Keep increasing customer numbers and product references | • **「Commodity driven raw material sales」**<br>• Turn weaknesses into strengths and form the Moat in the Taiwan market | • 在臺灣市場擁有<br>• **15000+customer** in Taiwan market<br>• **9,500+ customers transacted per month** Less affected by a single pipeline |

| 5.Leading firm strengh | 6.Value-added service | 7.Strong brands | 8.Catering business unit |
|---|---|---|---|
| • Strong brand<br>• High transferability | • Introduce high-quality materials<br>• R&D ability<br>• Assist customer in marketing<br>• Continue to solve customer pain points | • Elle & Vire professionnel and LESCURE<br>• Direct infusion of performance<br>• Cross-selling to new customers | • Establishment of catering business unit<br>• Create a second growth curve |

# 香港市場HK Market

Deep cultivation of KA customers, with the help of internet celebrity products

| 1.New product plan | 2.Customer number | 3.Business mode | 4.Star products | 5.Market development |
|---|---|---|---|---|
| Good relationship with KA customers such as MX美心&大班<br>Master customer's new product plan | 1300+active customers<br>700+customers with sales monthly | Hold workshops continuously<br>Commodities drive raw material sales | Internet celebrity goods brings more sales<br>Products such as Pudding bread and pineapple mochi bread drive raw material sales | New customers increase continuously |

## Future Direction

1. Add agent brand for **cocoa powder** and **chocolate products**
2. Promote ZBIW's **fruit fillings**
3. Additional **salesman**

# 馬來西亞市場Malaysia Market

Deep cultivation of KA customers+ Commodity driven raw material sales

| 1. Deep cultivation of KA customers | 2.Customer numbers | 3.Business Mode | 4.Add product line |
|---|---|---|---|
| Deep cultivation of top10 customers<br>Stable growth of sales | 1490+active customer<br>860+customers with sales monthly | Hold workshops continuously<br>Commodities drive raw material sales | With a stable customer base, add new product line |

## Future Direction

1. Exclusive agent for **Dobla Chocolate decorative chips**, **Fisher cream** and **animal whipped cream**
2. Promote **Black Forest black cherry filling**, **Taiwan Lien Hwa flour** and **ZBIW's fruit filling**
3. Develop **catering channels** and strengthen the commercial team lineup
4. Set up **key account team**, responsible for developing large bakery factories

# 中國大陸烘焙市場規模

# Scale of baking market in mainland China

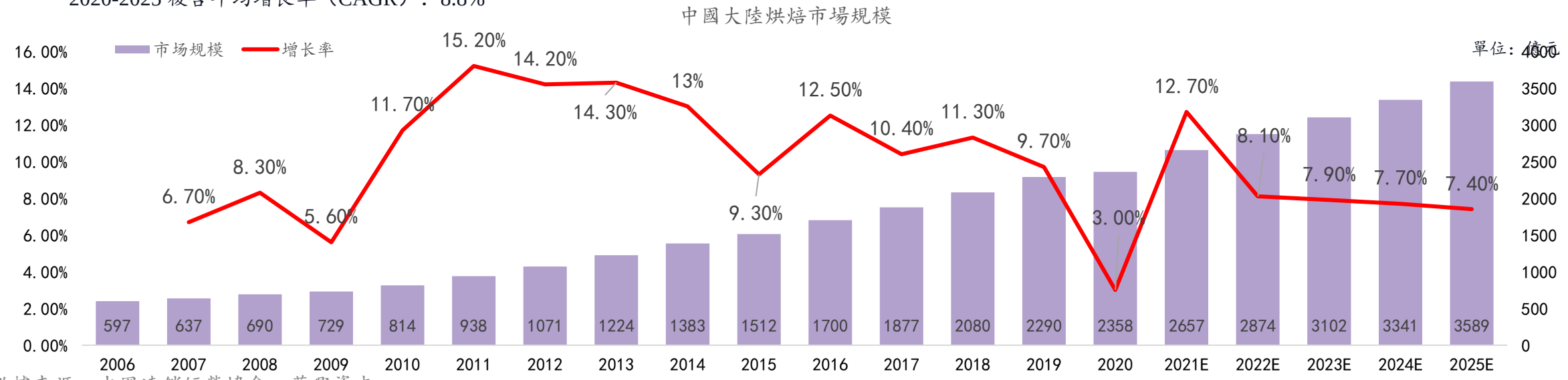
The chain stores in the bakery market in mainland China further has attracted the attention of consumers, especially the Chinese-style bakery stores experienced good development during this stage. Meanwhile, new brands of Chinese-fashion store/product design also began to emerge.

**In 2023, the scale of baking market in mainland China is expected to exceed 300 billionRMB, and it is expected to maintain an 8% growth rate in 5 years.**

At present, it has entered a new stage of the rise of Chinese-style baking and the emergence of new brands. The baking industry in mainland China will continue to diversify and expand the consumption modes and scenes.

2015-2020 複合年均增長率（CAGR）：9.3%

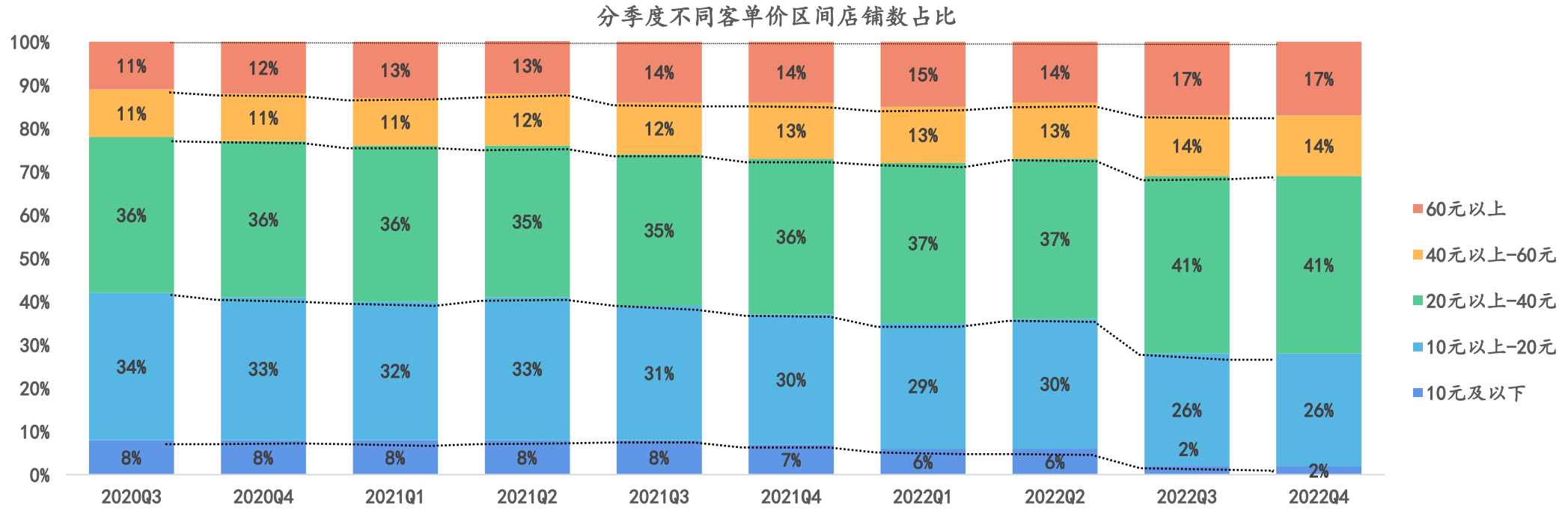
2020-2025 複合年均增長率（CAGR）：8.8%




數據來源：中國連鎖經營協會、華興資本

# Consumption upgrading VS superb cost performance

During the COVID period, the number of mid-to-high-level stores with customer unit price >60RMB and stores with a daily comprehensive unit price of 20-40RMB are both increasing. **To meet contemporary consumers' demand for quality and health, the baking market in mainland China is upgrading.** It is a fact that consumers are eating out less frequently and becoming more price sensitive. Although the number of stores below 20RMB showed a decreasing trend during the epidemic, those survived and still resilient stores were not affected by the epidemic, relying on their cost-effective products. Instead, "cost-effective" became the accelerator of their development and gained a larger market capacity. **The superb cost performance, providing similar products at lower prices, can eliminate consumers' concerns about price, lower the threshold of decision-making to gain favor, with parity to break out of the track will become the mainstream direction of the store in the near future.**




資料來源：伊利大數據雷達平臺

# Four characteristics of consuming products in bakery market

The consumer products in the bakery market show four characteristics: **healthy** with low sugar, clean label and other concepts, **snacking** with small packaging and portable light food, **fun** with nice appearance & national-fashion, and **diversified** with vertical & horizonal development, catering to young consumers' pursuit of change and philanthropism. Young consumers inject sufficient impetus for the growth of the bakery industry, resulting in diversified and high-end development of bakery food consumption, and promoting continuous innovation and improvement of the industry.

Low sugar, clean label
RM upgrade, short shelf-life

健康化Healthy

Small package portable light food
Focus on social interaction and sharing

零食化Snacking

Leading firms focus on product appearance upgrade, IP joint & national-fashion favored by consumers

趣味化Fun

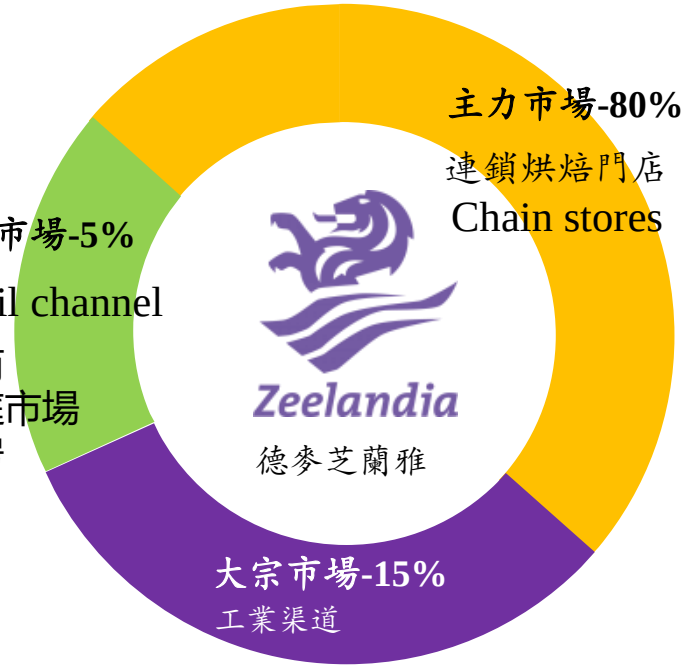
- Mouthfeel
- Taste
- Flavor

多樣化Diversified

| Flavor characteristics of bakery products 2022 | | |
|---|---|---|
| Soft | Crispy | Rich |
| Light | Smooth | Chewy |
| ↑in Q3 | Taste | Flavor |
| 麵包Bread | Butter/cheese/red beans | Frankincense/caramel/coffee |
| 蛋糕Cake | Cheese/chocolate/cream | Blueberries/brownies/matcha |
| 西點Pastry | Cheese/Portuguese/milk flavor | Oreos/chocolate/taro |
| 糕點Pastry | Cream/mung bean/durian | Floral/creamy/strawberry |

數據來源：Frost & Sullivan、Cargill

# 中國大陸市場-三大板塊
# Mainland China Market-3 sectors




## 連鎖烘焙門店

客情、品質＞價格＞服務

Relationship、Quality＞Price＞Service

## 工業渠道（預製烘焙/代工廠）

價格、服務＞品質＞客情

Price、Service＞Quality＞Relationship

## 電商/家庭市場/私房

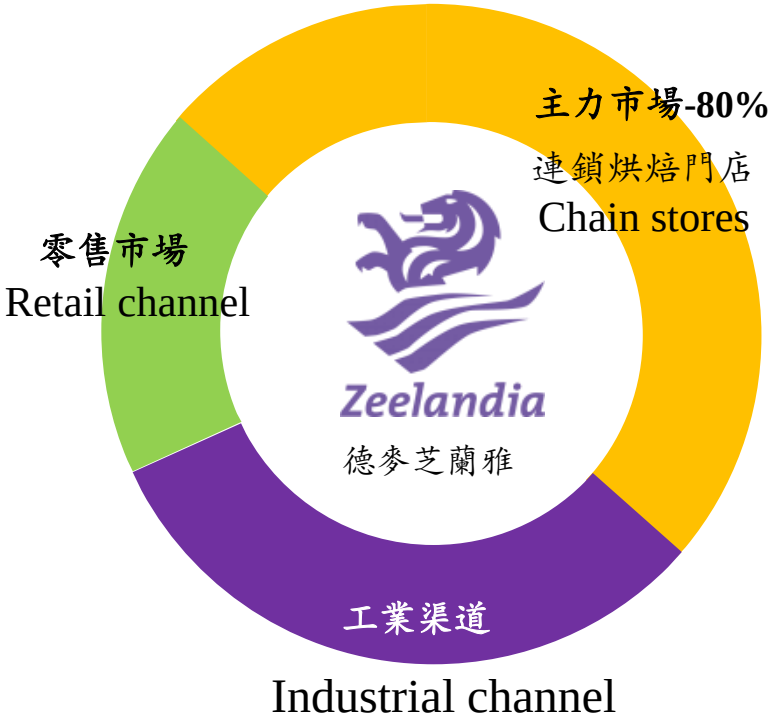
E-commerce/Home bakery/Private bakery

渠道滲透、便捷性、穩定性

Channel penetration, convenience and stability

# 中國大陸烘焙市場Mainland China

**Increase customer numbers, regain the growth**




## Chain stores · Situation

**Strict COVID control caused customer flow decline**

**Direction: Strenghen on marketing, increase customer number**

**Relationship、Quality＞Price＞Service**

**Commercial Team**

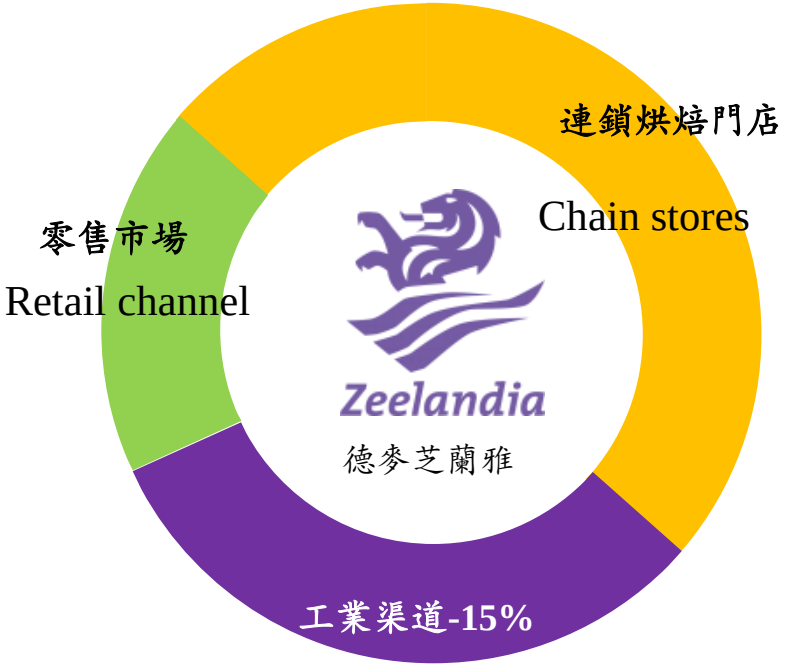
1. Improve material knowhow and implement trainings達
2. Master the application of basic materials
3. Develop in operation area, maintain existing customers and develop new customers

**Bakers & Marketing**

Commercialization of bakery products
Commodities drive material sales

- Big customers need commodities rather than products
- SME need both products & commodities

# 中國大陸烘焙市場
# Mainland China




## Industrial channel · Situation

Benefiting from the rise of supermarkets & convenience stores, OEM business is growing.

**Direction:Profession+Teamwork**

**Price/Service＞Quality＞Relationship**

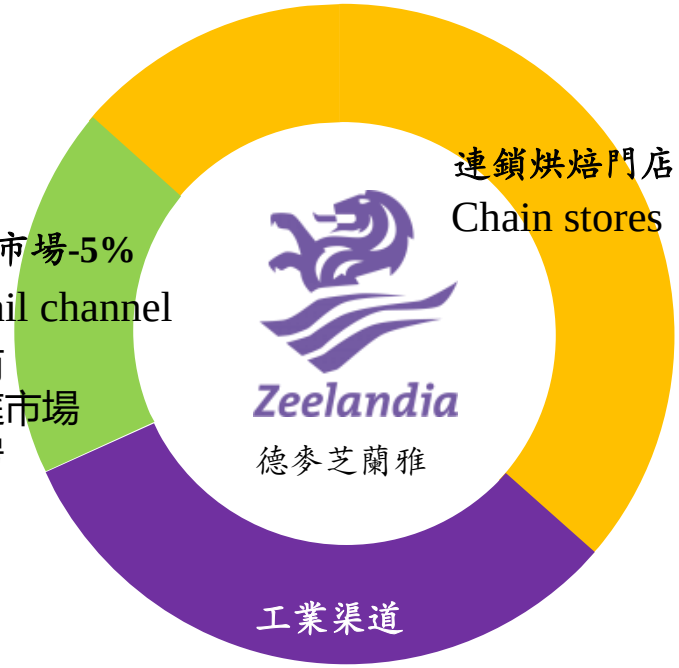
**Commercial、R&D、Purchasing**

1. Clear responsibility, good cooperation
2. Price ladder for materials, cost reduction plus efficiency improve
3. Cooperate with customers for tests

**Bakers & Marketing**

Professional personnel to dig into the actual needs of customers

# 中國大陸烘焙市場
# Mainland China




## Retail channel · Situation

Home consumption rise and E-commerce develop fast

**Future direction： Channel penetration**

Channel penetration, convenience and stability

**Internal**

1. Build new retail channel(Tiktok, Taobao)
2. Production line for small packaging
3. Pre-baked products(pineapple cake)

**External**

1. Channel coverage for both online and offline
2. Explore small package market
3. To B run in parallel with To C
4. Move toward to pre-baked products

# Business overview for dealers

1.Deals in Xiamen, Nanchang, Foshan contributes 3.5m sales in 2022
2.Solve cold chain delivery issue by combining dealers. Cream customers are gradually established
3. Self-produced products still have large room for growth

Growth% per city
（Direct sales+dealers）

Sales staff: stable
Good cooperation

**2022**

**2023**

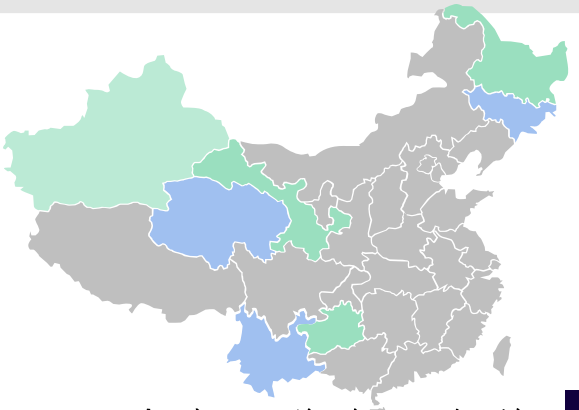
① Priority for remote cities
② Select top5 dealers for the area
（Customers/service/Financial）
③ Technical assistance from bakers
Mentor 7-10 dealers
④ Workshop implementation and promotion of products developed by headquarters
⑤ Exact cultivation per dealer type
（self-produced/JP flour/Cream）
⑥ Select regional key chain customers as the target
⑦ Keep direct sales mode for regional key customers
（≥50k/month）

Execution focus

**Y2023 Plan**

Target setting

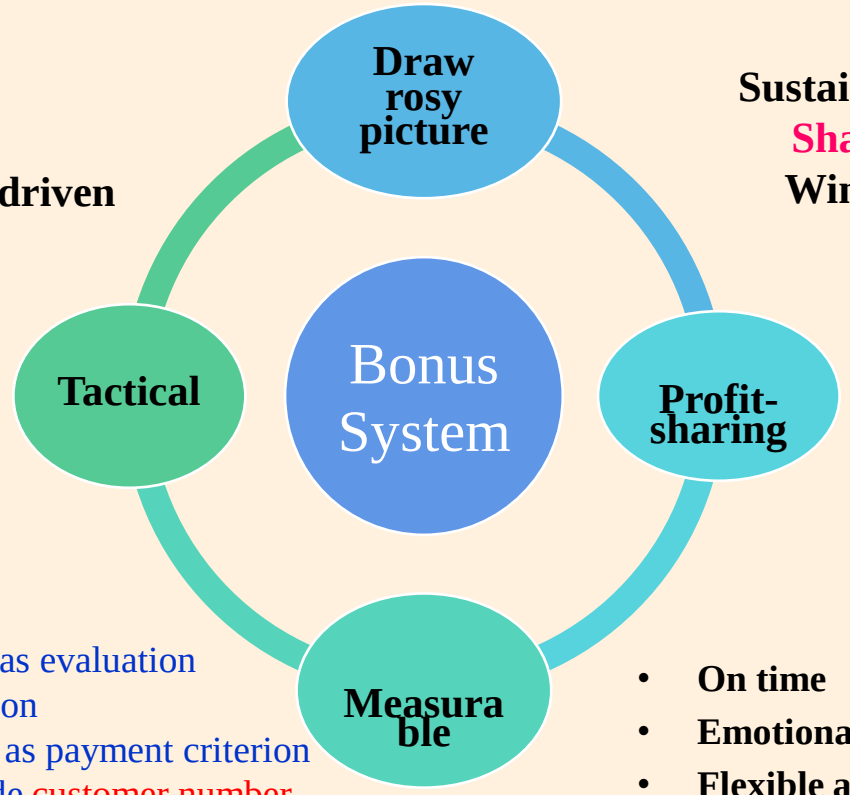
① Sales revenue grow to 10mRMB
② Targeted cities
① Northeast(Ha'erbin/Changchun/Shenyang/Dalian)
② Northwest(Lanzhou/Xining/Wulumuqi)
③ Southwest(Guiyang/Kunming/Dali)
③ 1salesman coaching 2~3 dealers
The dealer's sales target is ≥300k/month



# 制定以利益驅動的獎金分享機制

## Set a interest-driving bonus sharing system

**Logical on bonus system**



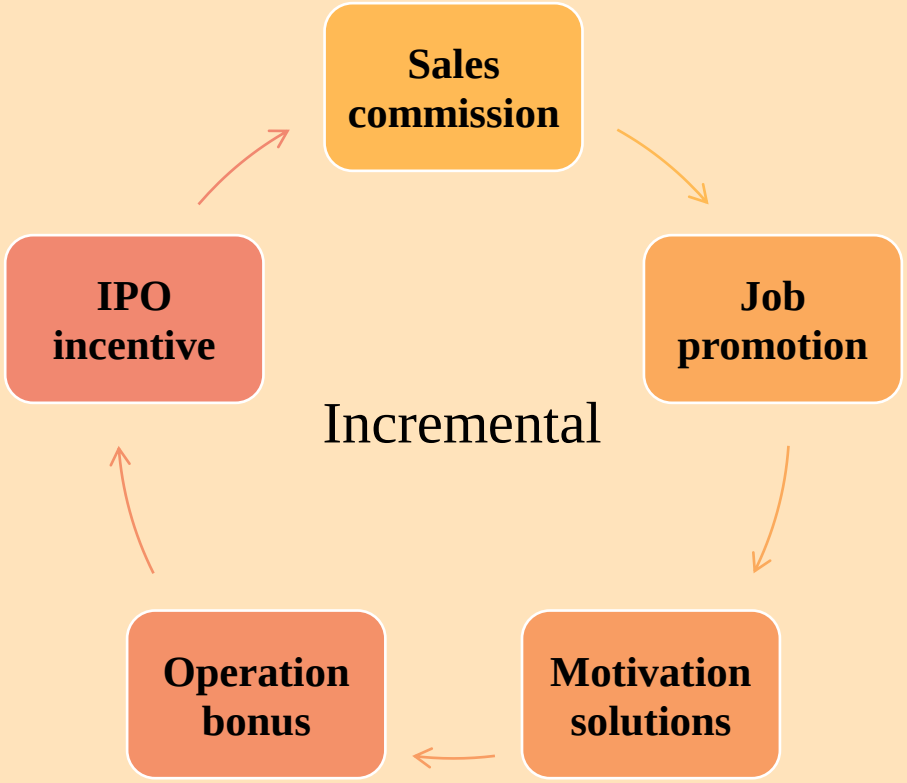

**Result driven**

**Sustainability**
**Sharing**
**Win-win**

- Sales as evaluation criterion
- Profit as payment criterion
- Include customer number into evaluation

- **On time**
- **Emotional**
- **Flexible adjustment**
- **Uncapped**

**Incentive mode for commercial system**



# 分享與討論
# Q&A

德麥

# 掃碼獲取公司最新資訊

# More information pls scan the QR code

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keep**exploring.**