Stock Code 1264

Tehmag Foods Co.,Ltd

Operating Analysis and Future outlook for 2023

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2024/04/09

把 世 界 帶 進 臺 灣　　將 德 麥 推 向 世 界

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Agenda

01 Company Profile

02 Business Performance

03 Industrial Trend

04 Business Strategy

05 Q&A

德麥

01 Company Profile

真誠勤關懷 · 烘焙好拍檔

Quick 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:** Improve service from product development to product marketing, constantly solve the pain points of baking companies, and keep stable growth of performance.
- **Mainland China market**: RM upgrade, back to rational consumption, pursue for cost-effective status ; 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 hot 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

- **Taiwan market:** Deepen the Taiwan market, continue to solve customers' pain points, , and meanwhile keep growth momentum driven by Japanese and Korean goods
- **Malaysian market**: Deep cultivation in Malaysian market, stable relationship with **top10 customers**, continue 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:** Successor in place, sprint customer numbers to increase own-produced volume and recover operation growth momentum.

德麥

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

Business Philosopy

Share

- Shareholder
- Employee
- Government

Win-Win

- Customer
- Supplier
- Employee
- Shareholder
- Bakery industry

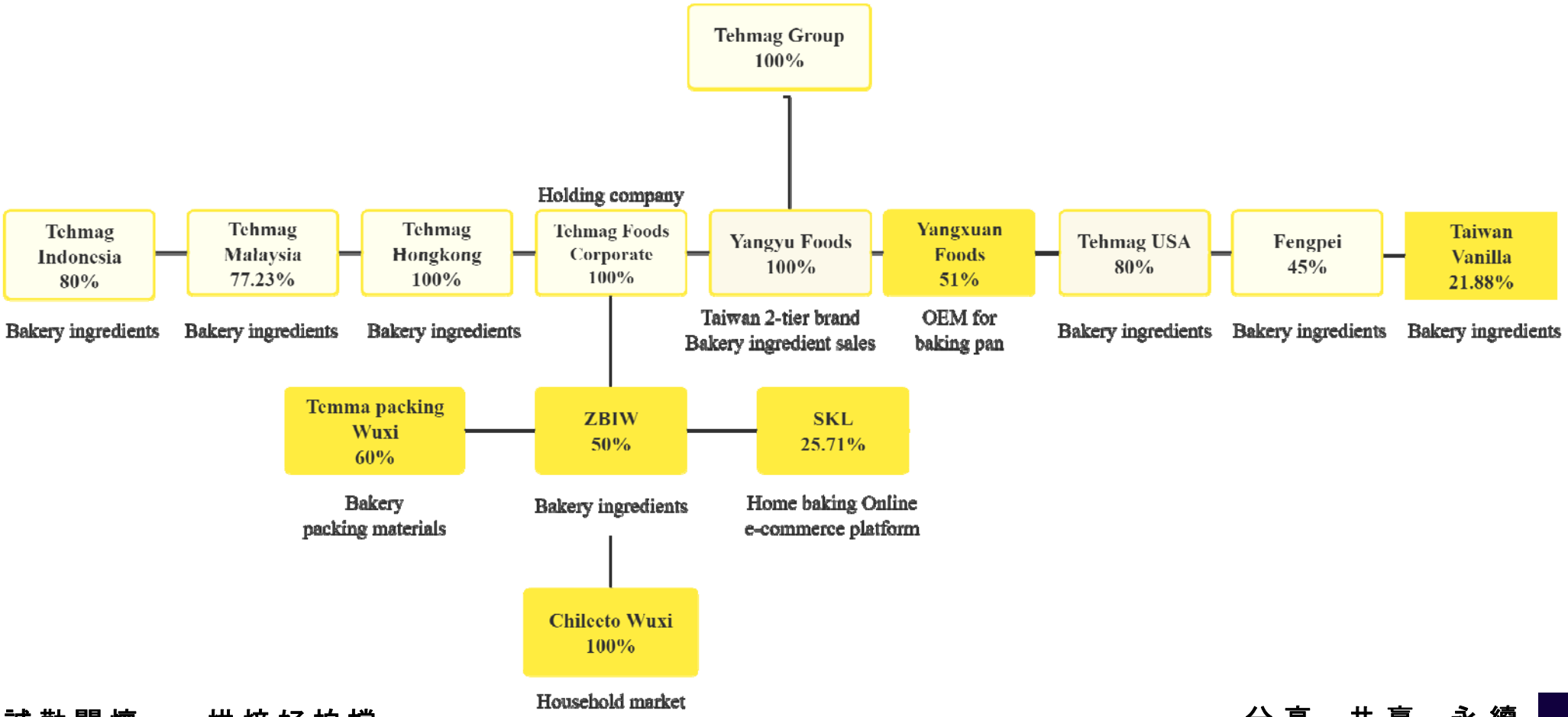
Sustainable

To become a century-old company

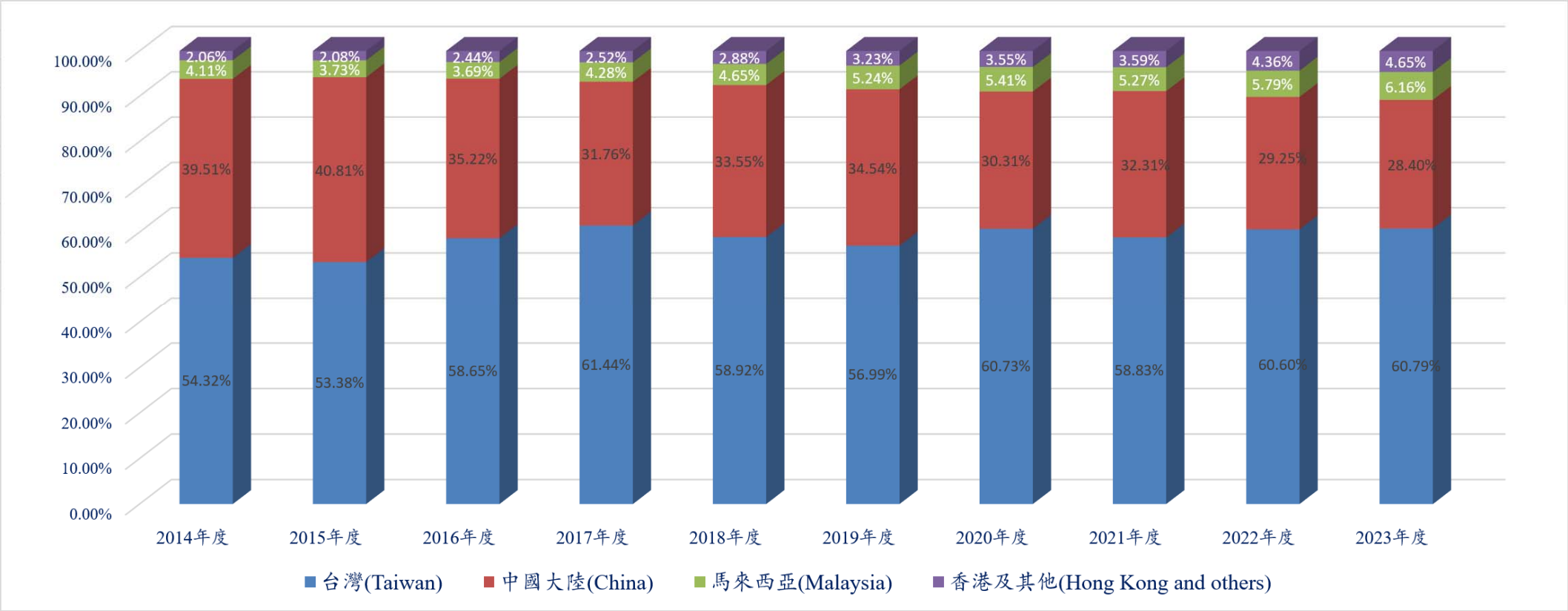
34th year currently

Build a Respectable Enterprise

Tehmag Group · Investment Structure



Tehmag Group·Sales % by Region in Recent 10 Years



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ZBIW

-Joint Venture， created in 2001

Paid-in capital	Active customers	Monthly transacted customer
2.33m$	8,000+	3,000+
Sales offices	**Bakers on-board**	**Employees**
44	39	330

Produce & Sell

Breadmix　Cakemix　Pastry

Fruitfilling　Chocolate　Mont blanc

Carlex spray　Other ingredients

真誠勤關懷 · 烘焙好拍檔

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

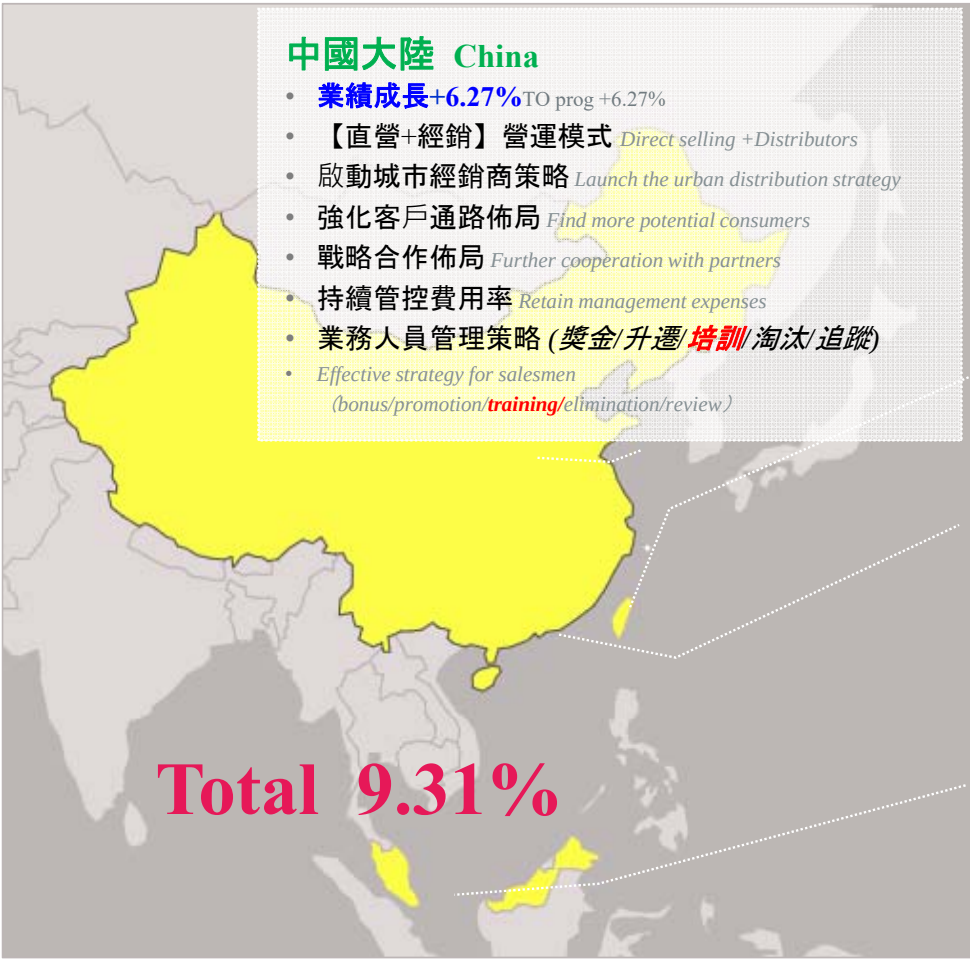
Workshop Packing line

Workshop Production Line

Wuxi Factory Overview

02 Business Performance

Latest Developments ·By 2023



中國大陸 China

- **業績成長+6.27%** TO prog +6.27%
- 【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+9.26%** TO prog +9.26%
- 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，從產品開發到產品行銷 *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+13.59%** TO prog +13.59%
- 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"*

馬來西亞 Malaysia

- **業績增長+15.90%** TO prog + 15.90%
- 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*

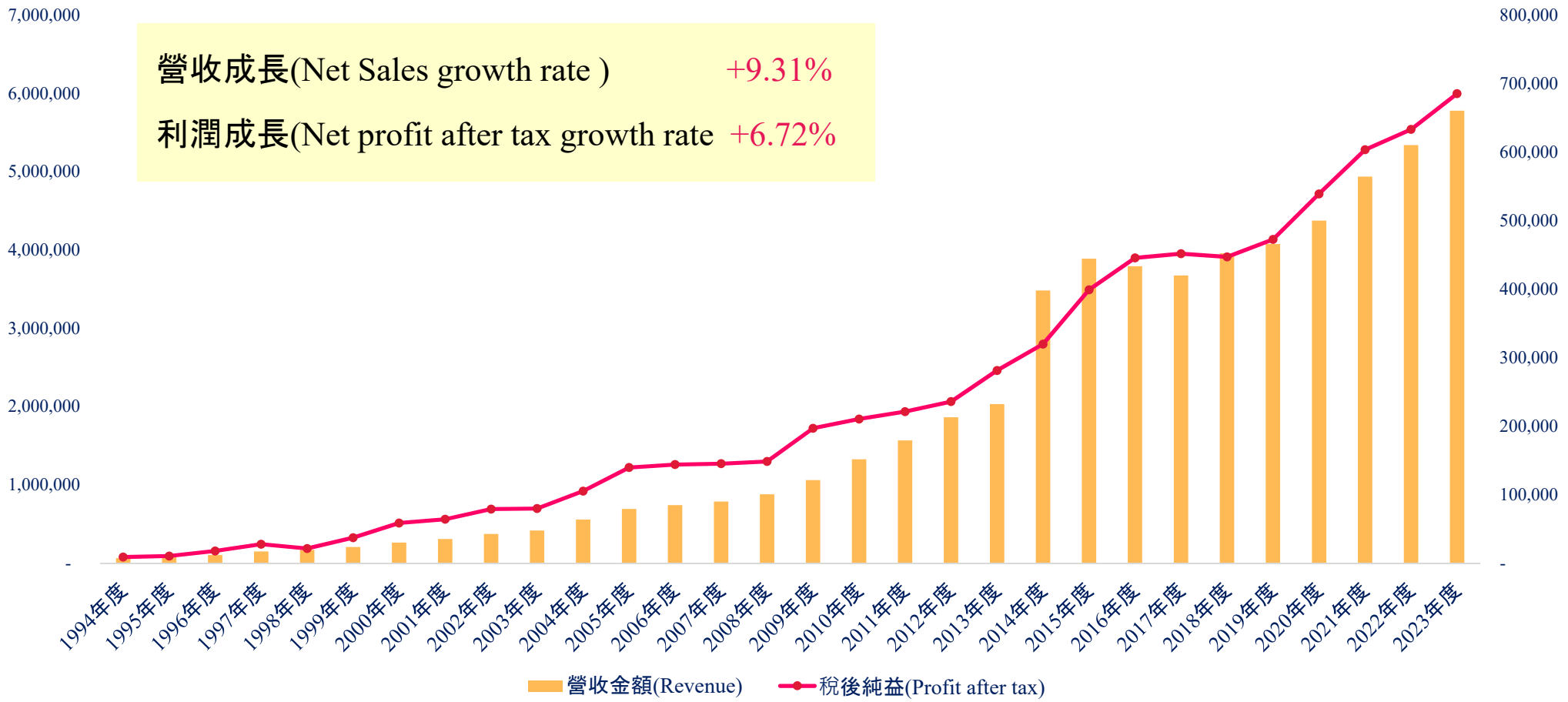
產品通路 Product route

Sales and Profit Trend Chart·Tehmag Group

單位：新台幣仟元
(NTD Thousand)

營收成長(Net Sales growth rate) +9.31%

利潤成長(Net profit after tax growth rate +6.72%



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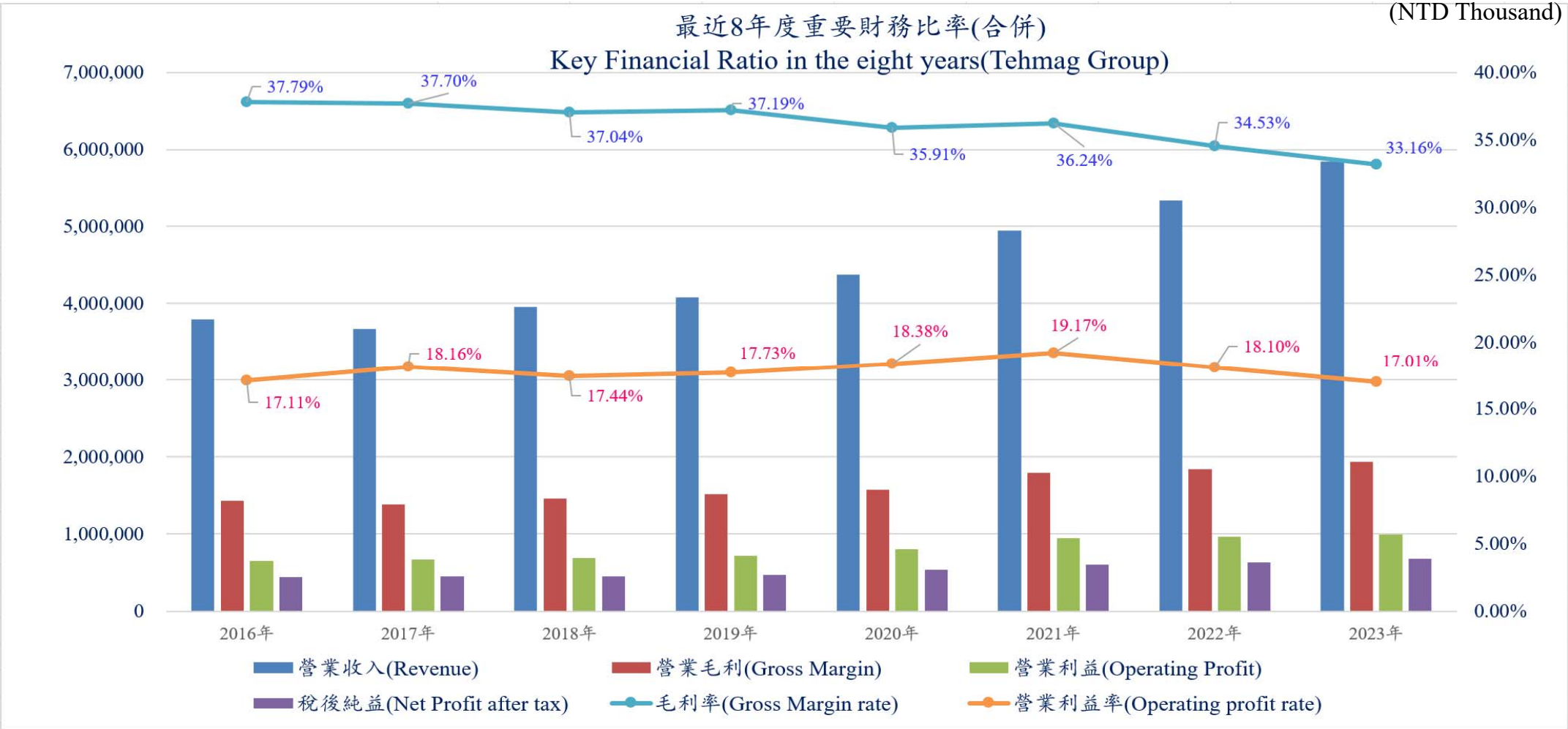


Financial Status Report for 2023

單位：新台幣仟元

TEHMAG Group	2023年		2022年		Increase or decrease	
	Amount	%	Amount	%	Amount	%
營業收入 (Net sales)	5,838,363	100.00	5,340,996	100.00	497,367	9.31
營業毛利 (Gross margin)	1,935,771	33.15	1,844,455	34.53	91,316	4.95
營業費用 (Operating expense)	942,408	16.14	877,891	16.43	64,517	7.35
營業利益 (Operating profit)	993,363	17.01	966,564	18.10	26,799	2.77
營業外收支 (Non-operating items)	19,684	0.34	(19,651)	(0.37)	39,335	200.17
稅前純益(Net profit before tax)	1,013,047	17.35	946,913	17.73	66,134	6.98
所得稅費用(Income tax)	239,215	4.10	215,751	4.04	23,464	10.88
稅後純益 (Net profit after tax)	773,832	13.25	731,162	13.69	42,670	5.84
母公司淨利(Parent company net profit)	675,756	11.57	633,184	11.86	42,572	6.72
每股稅後盈餘(EPS)	18.24元		17.09元		1.15元	
毛利率(Gross margin rate)	33.15%		34.53%		(1.38%)	
費用率(Operating expense rate)	16.14%		16.43%		(0.29%)	
營業利益率(Operating profit)	17.01%		18.10%		(1.09%)	
母公司淨利率(Parent company net profit rate)	11.57%		11.86%		(0.29%)	

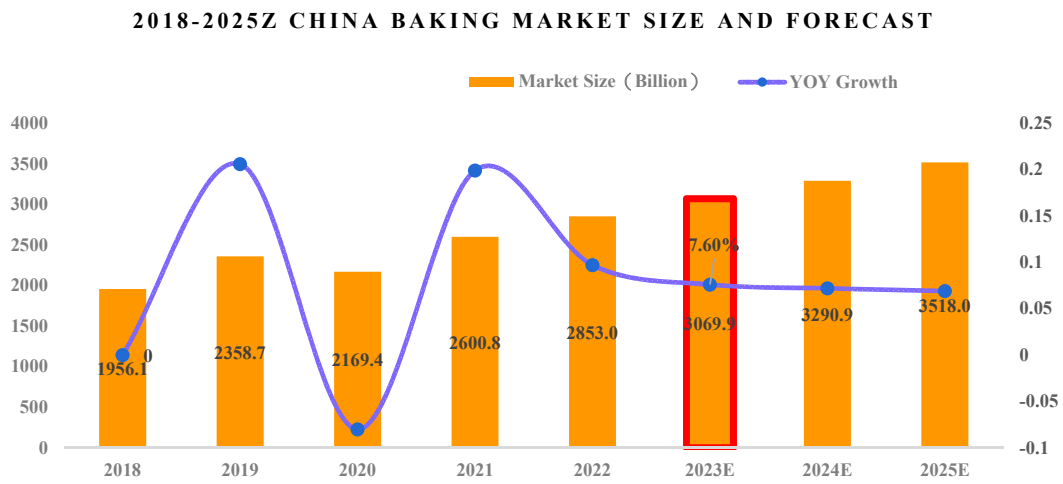
2023 Financial Ratio Analysis

Item			2023	2022
Financial structure	Debt-to-assets ratio		19.45%	22.64%
	Long-term funds to PPE ratio		266.34%	246.13%
Debts structure	Current ratio		353.10%	296.76%
	Quick ratio		242.33%	213.36%
Operation capability	AR turnover		5.22	4.95
	Average AR days		70	74
	Inventory turnover		4.80	5.41
	Inventory days		76	67
Profitability	Return on assets		16.34%	16.37%
	Return on equity		20.62%	20.85%
	% of paid-in capital	Operation profit	268.01%	260.78%
		PBT	273.32%	255.48%
	Net profit %		13.25%	13.69%
	EPS		18.24	17.09

Financial structure	In 2023, the company's debt ratio was 19.45%, down from last year, mainly due to the decrease in the balance of bank loans, the debt ratio was 30% lower, and the ratio of long-term funds to fixed assets was 266.34%, up from the same period last year, and higher than 100%, indicating a sound financial structure.
Debts structure	In 2023, the Company's current ratio and quick ratio reached 353.10% and 242.33% respectively, among which the current liabilities decreased due to the reduction of short-term borrowings, so the current ratio and quick ratio were better than last year. It shows that the liquidity and solvency of the assets are quite good.
Operation capability	The Company's average DSO and average DIO were 70 days and 76 days respectively, and the receivables collection situation was slightly improved, but the inventory level rose last year, resulting in inventory days longer than last year, will strengthen the inventory turnover and control to optimize business capacity.
Profitability	The Company's return on shareholders' equity was 20.62%, slightly lower than the same period last year, but still above 15% in the last 10 years.

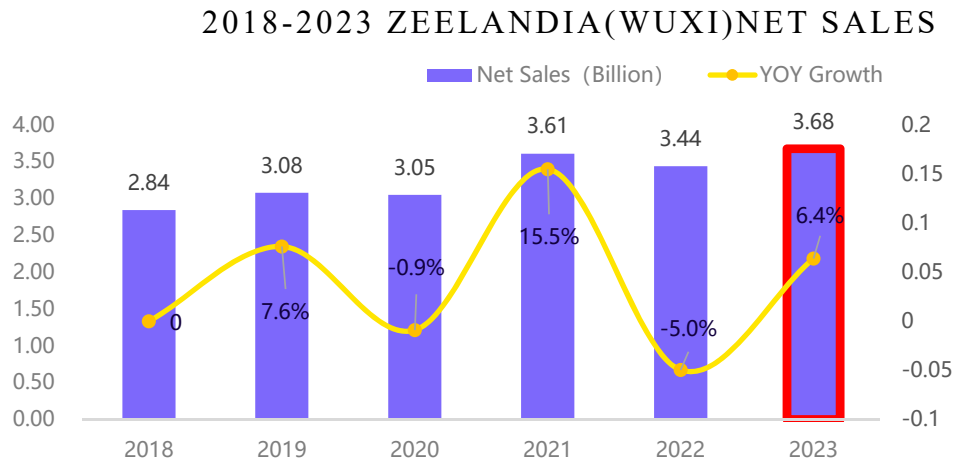
03 **Baking Industry Trends**

Bakery Market Size



The market size for bakery in China mainland is expected to exceed 300 billion RMB in 2023, +7.6% YoY. With the increase of per capita consumption level and adj of catering consumption structure, the demand for bakery products is strong, the upstream and downstream industries developed rapidly, the market will expand further, reaching 351.8 billion RMB by Y2025.

ZBIW Net Sales Analysis



Since 2018, the net sales of ZBIW have gradually exceeded 300mRMB, showing an upward trend. Although there are slight fluctuations due to COVID impact, the overall development is optimistic.

Main Consumer Group in China

Female is majority

Purchase main products for baked goods
Accounting for approximately 60.1%.

Young and middle-aged

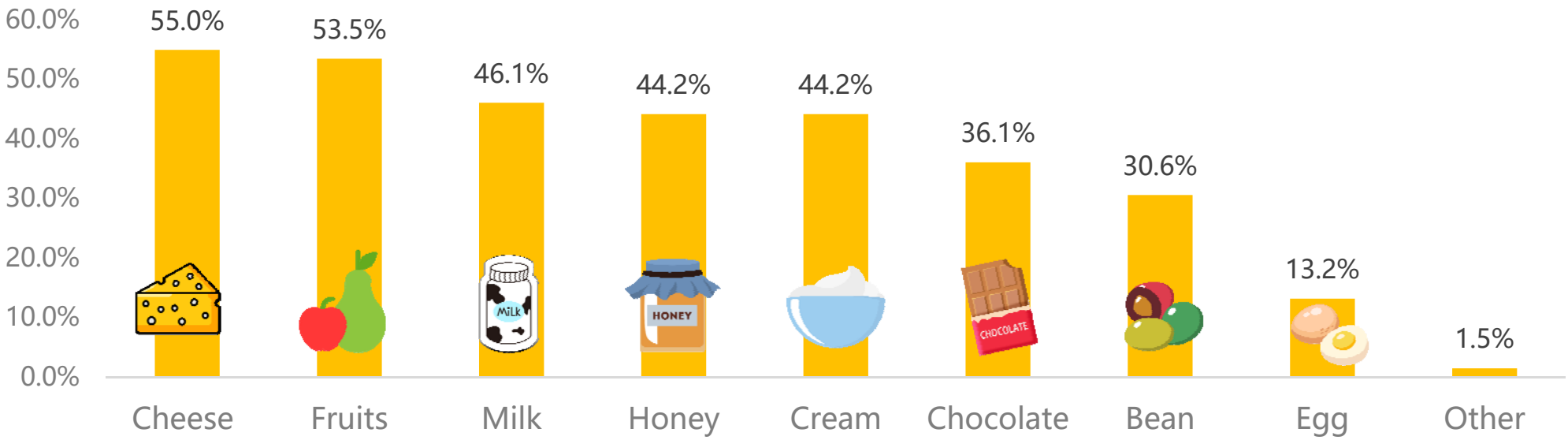
22-40 years old
Up to 88.1% of users.

Tier 1 & 2 cities

More than 70% of users in first and second tier cities

Higher volume from east China customer

Flavor Preferences of Chinese Baking Food Consumers



According to the survey, more than 50% of consumers choose cheese flavor and fruit flavor when buying baked goods, and about 40% choose milk flavor, honey flavor and cream flavor. Consumers have diversified taste preferences for baked goods, and enterprises can adjust product tastes or carry out taste innovations to meet the diversified taste needs of consumers.

Chinese Consumers' Baking Dietary Habits

Tasty

Healthy

Artistic

Portable

- Easy to buy
- Easy to carry
- Easy to store

The Future Development Shows an M-shaped Trend

Raw Material Upgrading

Rational Consumption

Emotional Value

New Retail Channel

- To solve the shortage of technical personnel(Frozen dough)
- Supermarket (Hema, Sam)

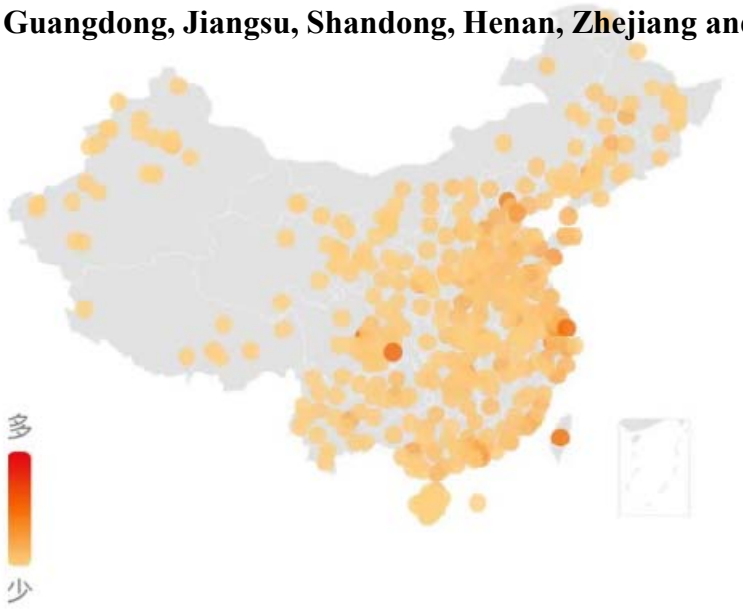
Boutique Bakery

- Fun
- Brand
- Show Self

Baking Industry Basic Information

Stores Nationwide Distribution Map

From the perspective of regional distribution across the country, bakery stores are concentrated in Coastal and North China: Guangdong, Jiangsu, Shandong, Henan, Zhejiang and Sichuan



Number of Stores Changing Trend

In 2023, the growth rate of the total number of bakery stores in the country is only 1%, and the registration cancellation ratio shows a fluctuating downward trend.

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Top3 Skills Needed for Bakery Brand Operation

Enhance marketing
01

- Diversified marketing
- Commodity scenarios construction
- Emotional value creation
- Enhance shopping experience

R&D
02

- Master a solid foundation of knowledge
- Consilient application
- Cross-border integration of multiple fields
- Understand market trends and consumer preferences

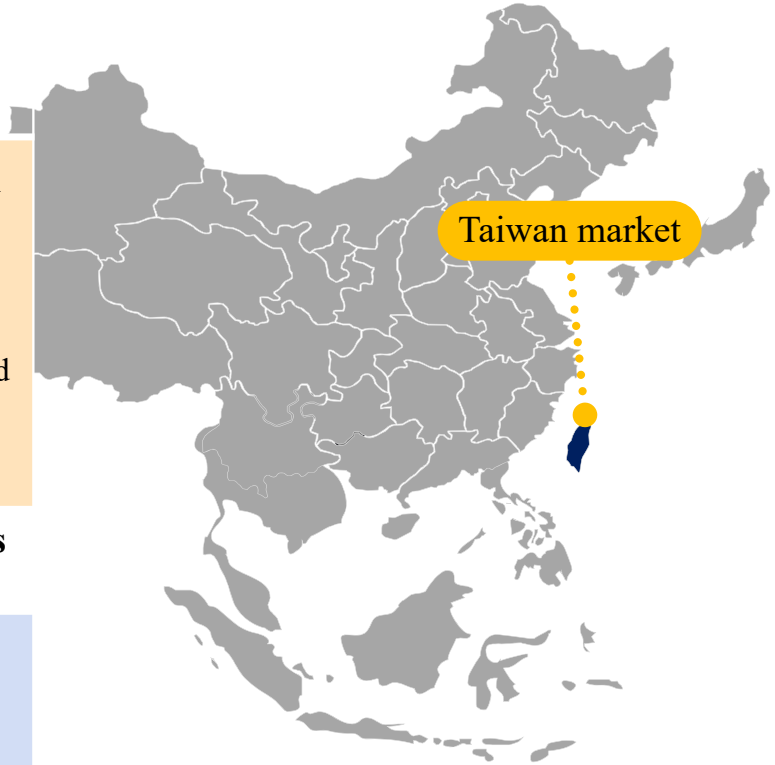
Cost control
03

- Upgrading and in-depth research and development of raw materials
- Optimize production efficiency and reduce losses
- Control marketing cost and R&D cost
- Personnel cost control

04 **Operation Strategy**

Taiwan Market-*Deep cultivation*

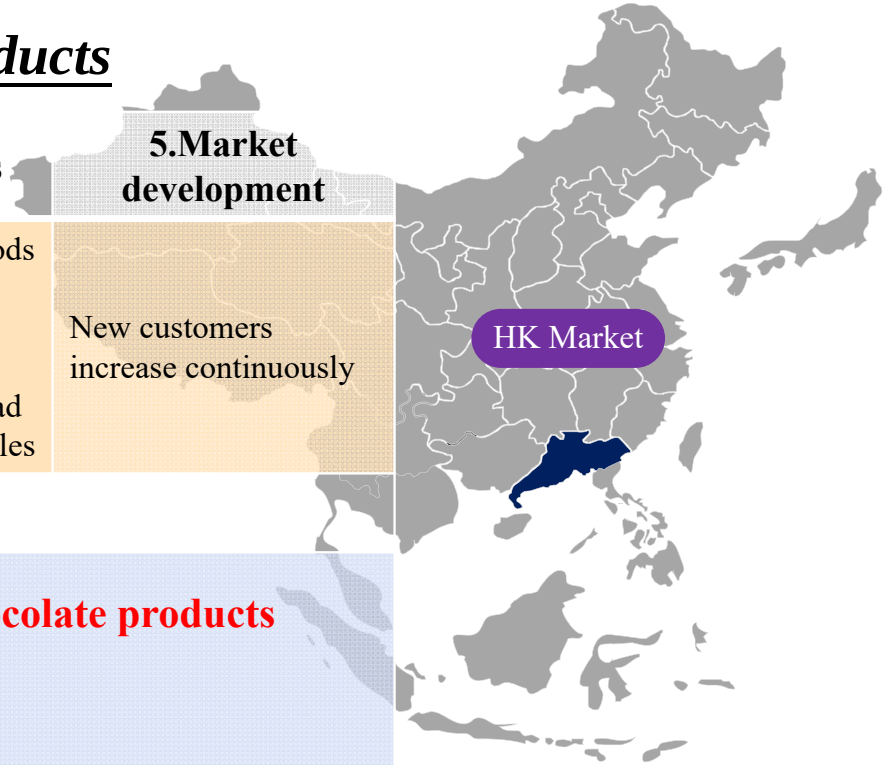
1.Product line	2.Business logic	3.Business mode	4.Multi-channel pipeline
• Product line • Width: cost • Depth: profit	• **Sales=customer numbers*selling price** • Keep increasing customer numbers and product references	• **「Commodity driven raw material sales」** • Turn weaknesses into strengths and form the Moat in the Taiwan market	• **15000+customer** in Taiwan market • **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 • High transferability	• Introduce high-quality materials • R&D ability • Assist customer in marketing • Continue to solve customer pain points	• Elle & Vire professionnel and LESCURE • Direct infusion of performance • Cross-selling to new customers	• Establishment of catering business unit • Create a second growth curve



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 Master customer's new product plan	1300+active customers 700+customers with sales monthly	Hold workshops continuously Commodities drive raw material sales	Internet celebrity goods brings more sales 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**

Malaysia Market

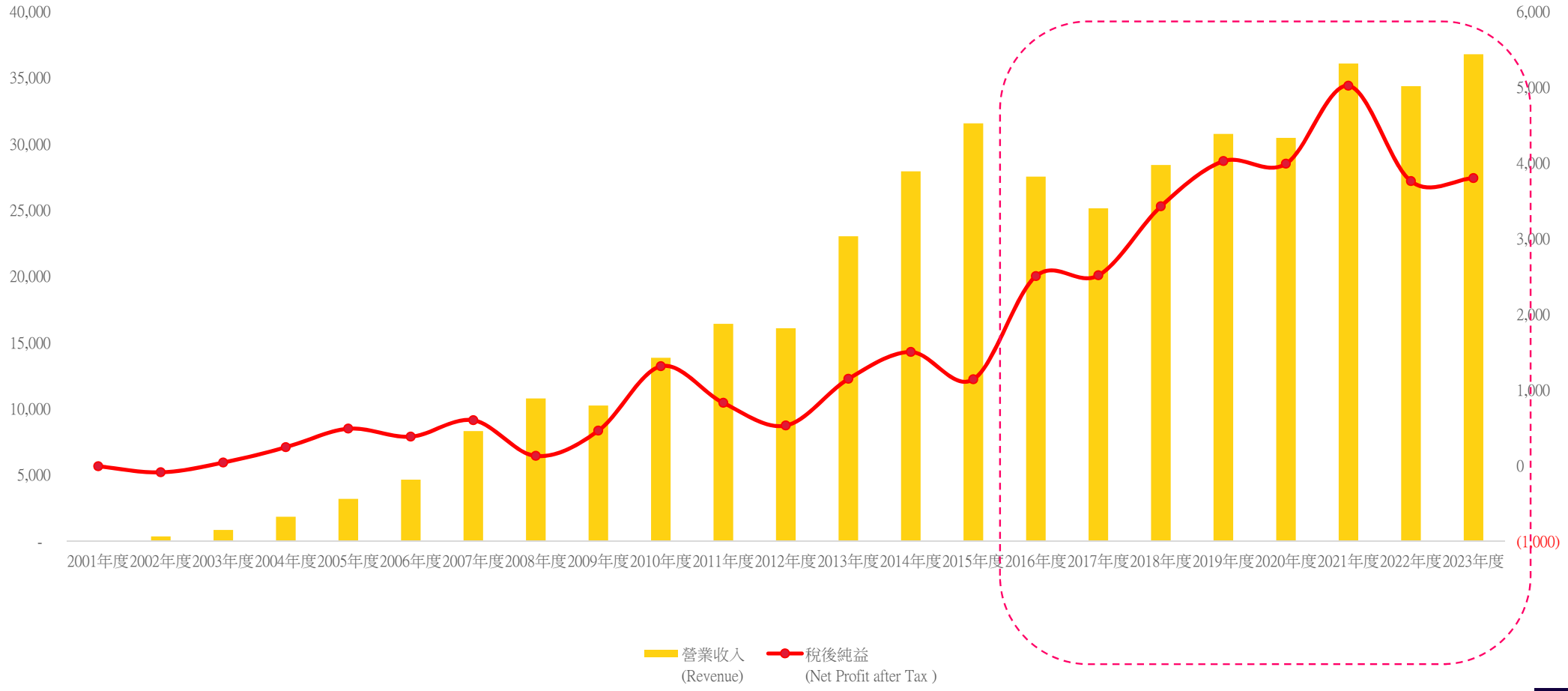
Deep cultivation of KA customers+ Commodity driven raw material sales

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

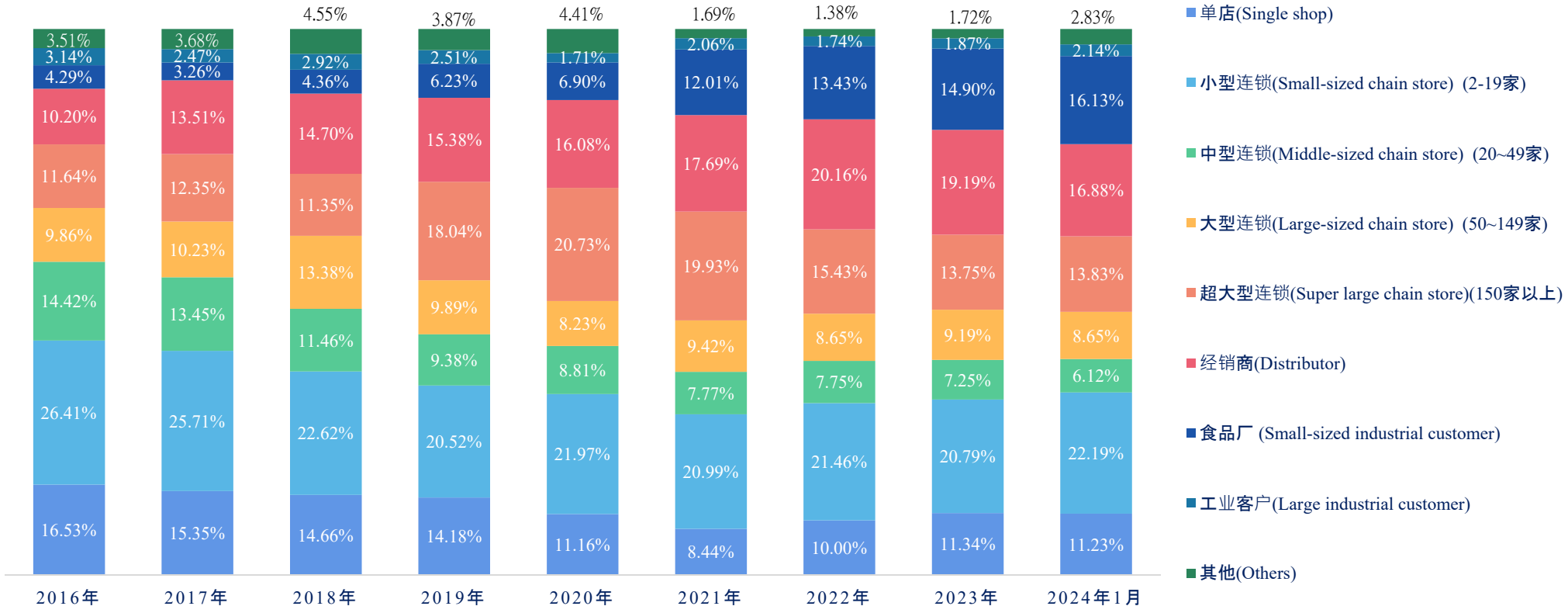
Future Direction

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

ZBIW Performance Trend



Overview of ZBIW Customer Channel

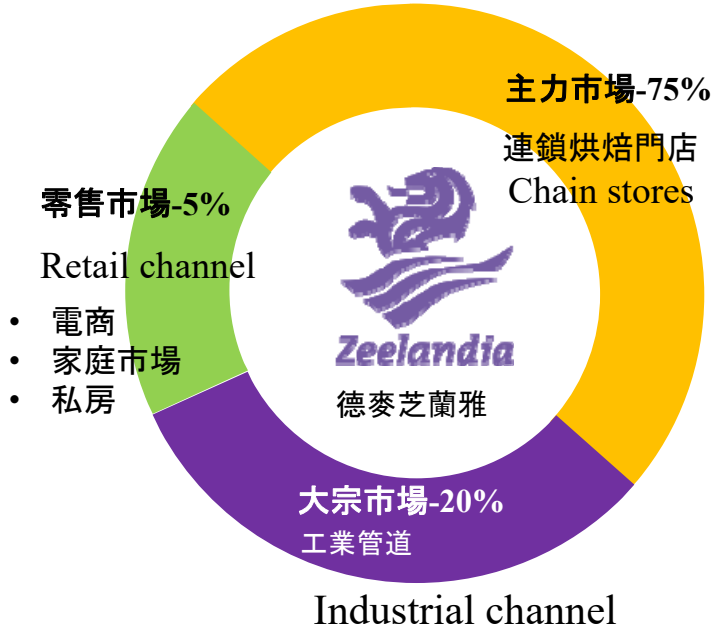


Mainland China

Increase customer numbers, increase own-produced volume

1.Chain stores	2.Industrial channel	3.Retail channel
Enhance marketing, increase customer numbers	Profession + Team collaboration Cooperate with Hundred machinery to improve machine ability	E-commerce Home bakery Private bakery

中國大陸市場-三大板塊



Chain stores

客情、品質＞價格＞服務

Relationship、Quality＞Price＞Service

Industrial channel

價格、服務＞品質＞客情

Price、Service＞Quality＞Relationship

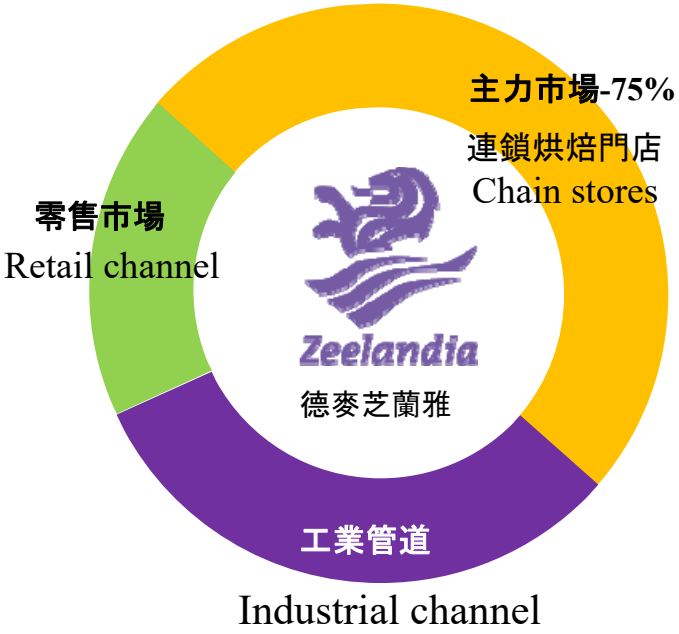
E-commerce/Home bakery/Private bakery

渠道滲透、便捷性、穩定性

Channel penetration, convenience and stability

中國大陸烘焙市場

衝刺成交客戶數，提升自製品產量



Chain stores · Situation

Direction: Strenghen on marketing, increase customer number

Relationship、Quality > Price > Service

Commercial Team

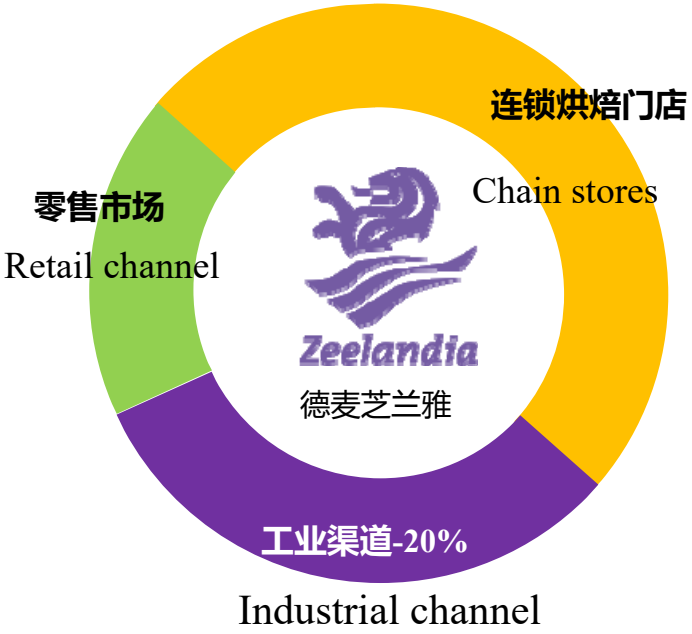
1. Improve material knowhow and implement trainings达
2. Master the application of basic materials
3. Develop in operation area, maintain existing customers and develop new customers

Bakers & Marketing

Commercialization of bakery products
Commodities drive material sales

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

Mainland China



Industrial channel · Situation

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

Direction:Profession+Teamwork

Price/Service > Quality > Relationship

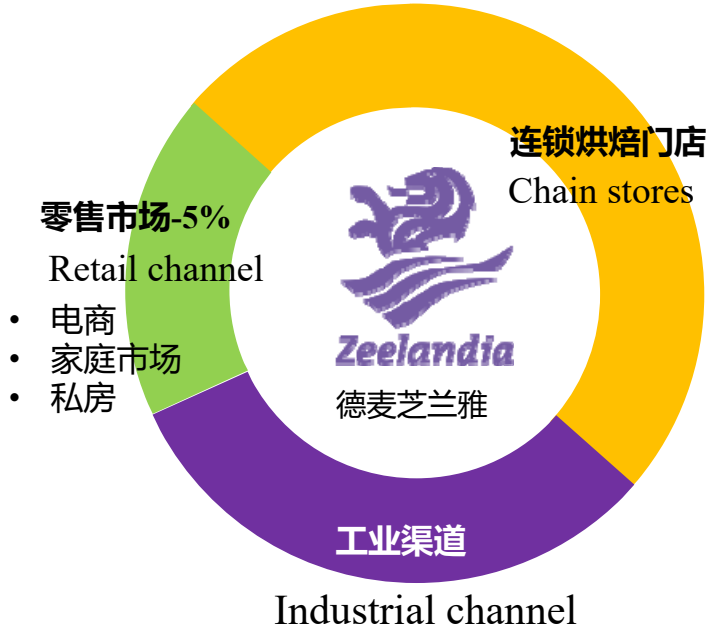
Commercial、R&D、Purchasing

1. Clear responsibility, good cooperation
2. Price ladder for materials, cost reduction plus efficiency improve
3. Cooperate with customers for tests
4. **Combining with equipment manufacturers to achieve efficient production on the machine**

Bakers & Marketing

Professional personnel to dig into the actual needs of customers

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

Strategy adjustment in the post-COVID era

1. Management : ZBIW officially appointed Frank Wu as GM in Y2023, who is based in the mainland from Y2024

(1) Started from the grassroots, rich experience in warehouse management, commercial, product management and HK subsidiary management experience

(2) Keep 2 digits growth from Y2019

(3) Create nearly 80mHKD sales & 15mHKD profit in Y2023 within HK market with a population of only 7m.

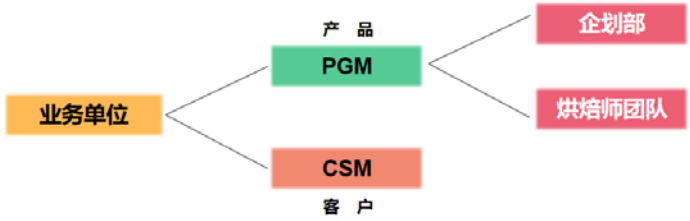
(4) Shorten the management radius and improve management efficiency

(5) The success of enterprise management lies in people. Establish the management group

Strategy adjustment in the post-COVID era

MKT

市场营销体系



2. Clear assignment of responsibility

(1) The continuous deepening of cultivation strategies

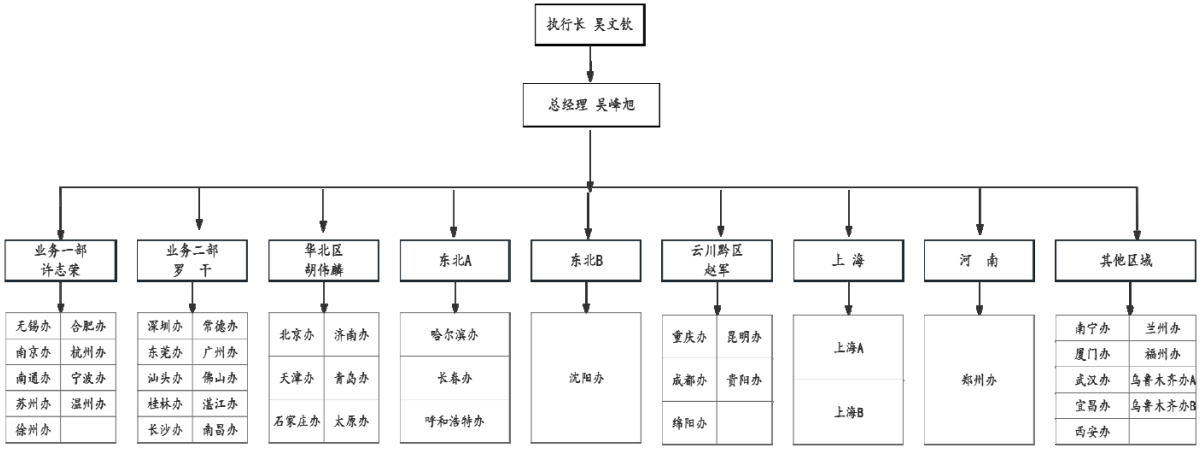
(2) Set a interest-driving bonus sharing syste***m***

(3) Build ambitious team

(4) Digital management

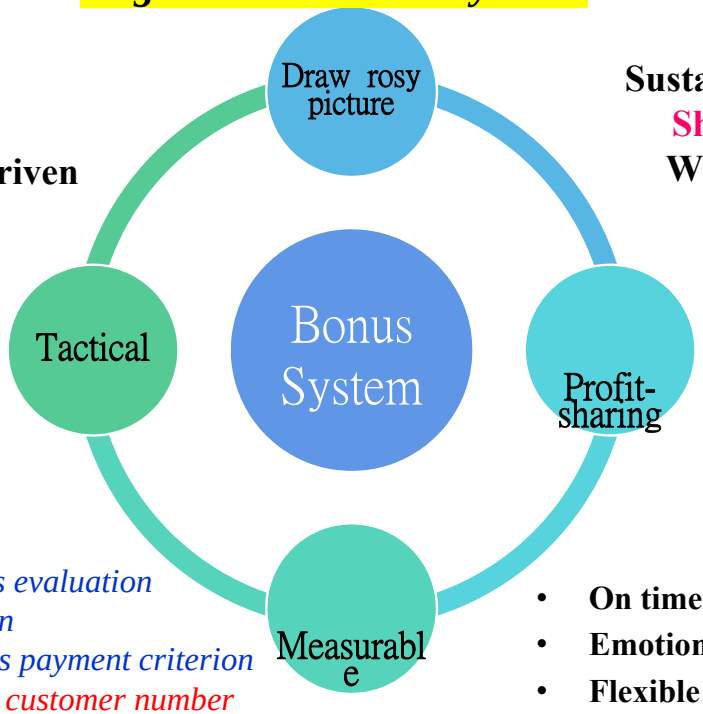
(5) Place people in the position that best exploits their talents and potential, based on their knowledge, skills, expertise, and characteristics

Sales organizational structure



Set a interest-driving bonus sharing system

Logical on bonus system



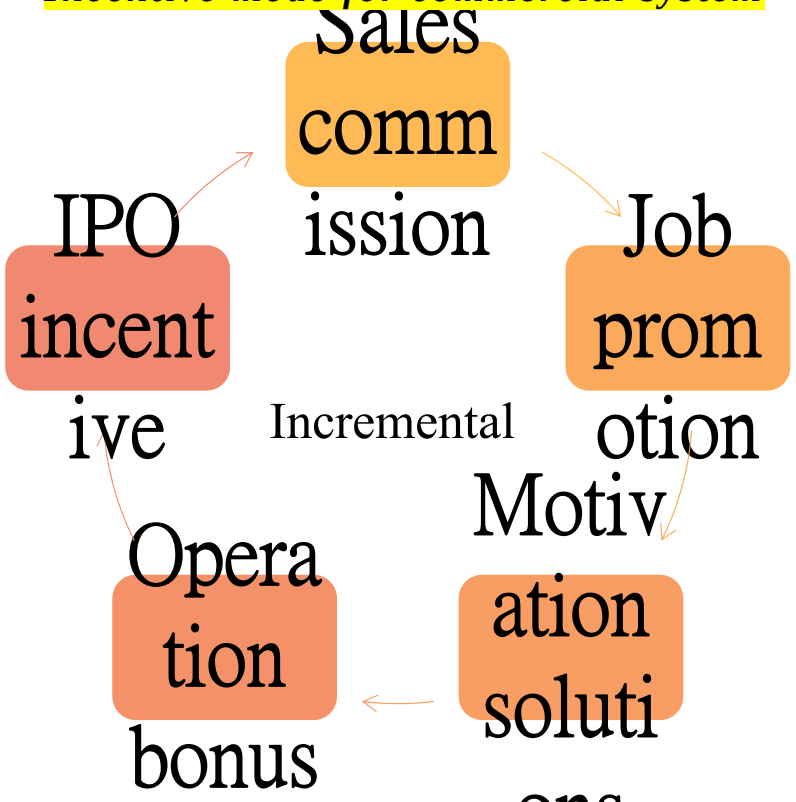
Result driven

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



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Strategy adjustment in the post-COVID e

3 Return to the winning equation of Tehmag operation

(1) Increase the number of customers and expand sales channels

(2) Orderly introduction of raw materials that meet market deman

(3)Promote on workshops as planned

(4) Implement the business model of commodity driven raw mate

Strategy adjustment in the post-COVID era

4. Increase strategic alliance cooperation

(1)Enhance cooperation with Sanneng

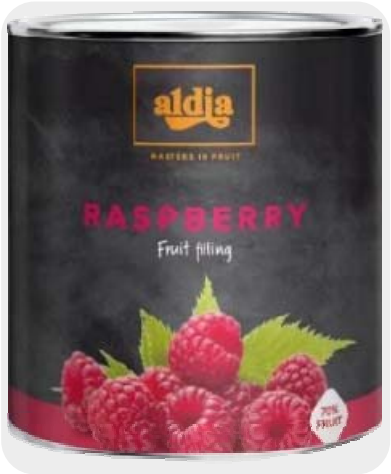
(2) Joint operations with equipment manufacturers

(Sinmag, 100 machinery, Yarus)

(3) Cooperate with beverage raw material manufacturers

Boutique Bakery

With the endorsement of Aldia's products and brands, we can more easily enter into boutique baking, cooperate with co-branding and other forms to increase our exposure in boutique baking, and develop corresponding product for promotion.



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Industrial Customers

Continue to cooperate with automation equipment customers for learning and collaboration, work together to promote products, develop frozen dough products and raw materials. Understand the industrial production of products and realize the industrial application of products

Continue to increase new customers

With an estimated total of 390,000 customers in China, there is still a lot of room for us to grow

Develop New Flavors

Cheese: High melting point cheese

Fruit:Aldia

Cream: Fisher

Chocolate: Add buttons and drops lines

05 Q&A