Stock Code 1264.TW

Tehmag Foods Co.,Ltd

Corporate Briefing Session for Q3 of 2024

Embrace new opportunities for baking consumption and create new value for corporate advantages

Based in Taiwan, Deeply cultivate in China, Develop South East Asia

Reporter：CFO Willy Chiou

Dec. 5, 2024

Disclaimer

The information provided in this presentation including all forward-looking views will not be updated as a result of any new information, future events, or circumstances. Tehmag Foods Co., Ltd. (the “Company”) undertakes no obligation to update or amend the information contained in this presentation. The correctness, completeness or reliability of the information provided in this briefing material is not guaranteed, either expressed or implied, and it does not represent a complete statement of the company, the industry, or subsequent major developments.

Agenda

01 Company Profile

02 Business Performance

03 Industrial Trend

04 Business Strategy

05 Q&A

01 **Company Profile**

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.
- **Southeast Asian market**: With **Malaysia** as the strategic center, it is a beneficiary market under the conflict between China and the United States. Benefiting from the effective dual engine strategy of "Channels &Products", it has maintained double-digit growth since 2017 and has recently expanded into the **Indonesian and Singapore markets**

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 10,000+ 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

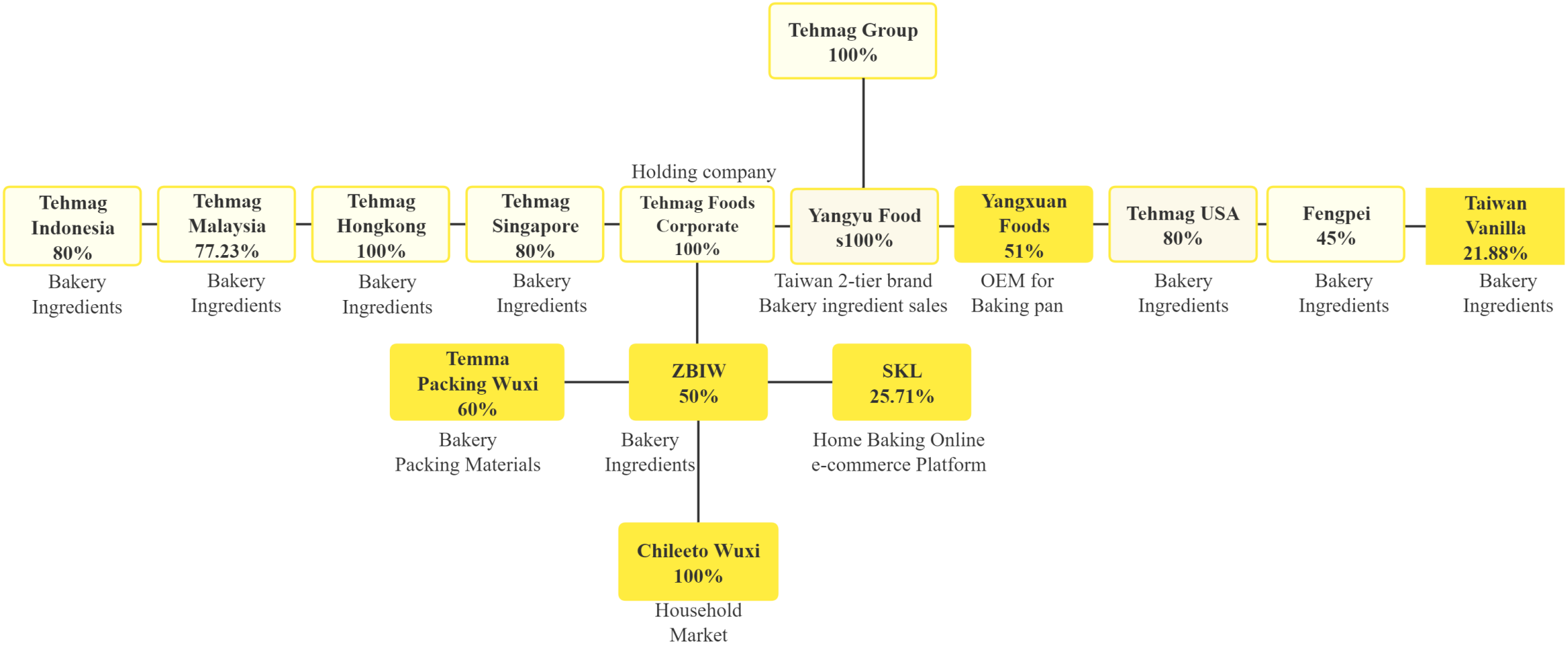
Sustainable

To become a century-old company

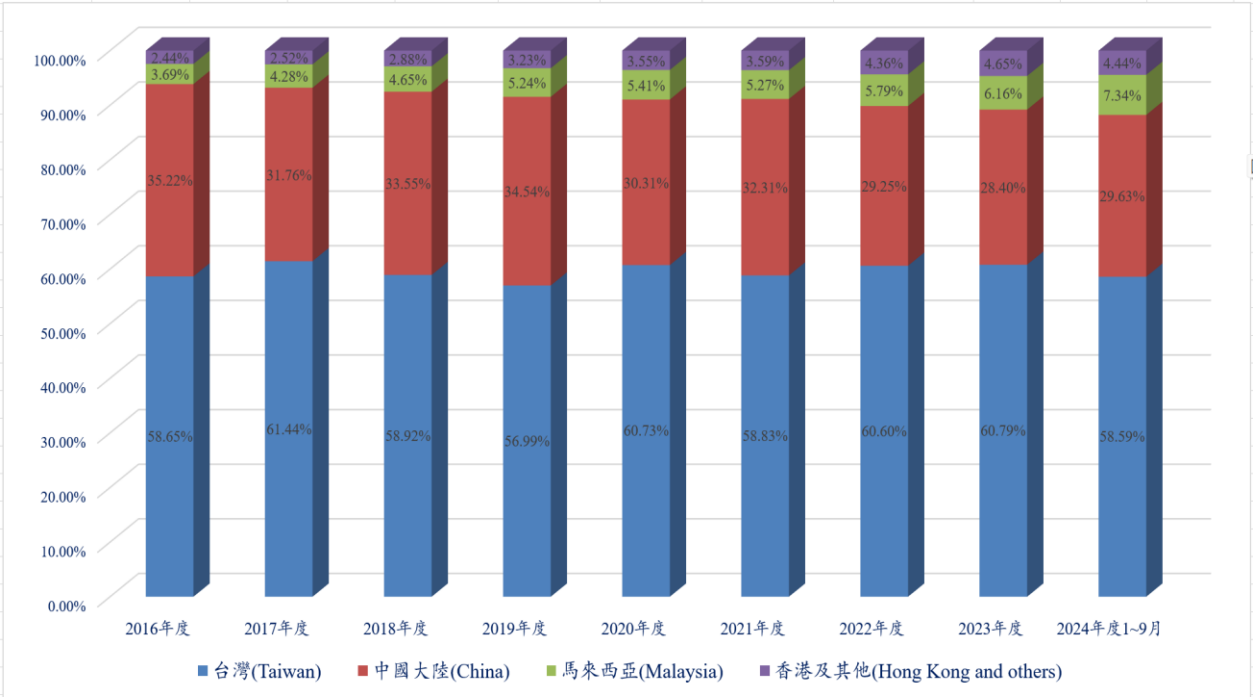
34th year currently

Build a Respectable Enterprise

Tehmag Group ·Investment Structure

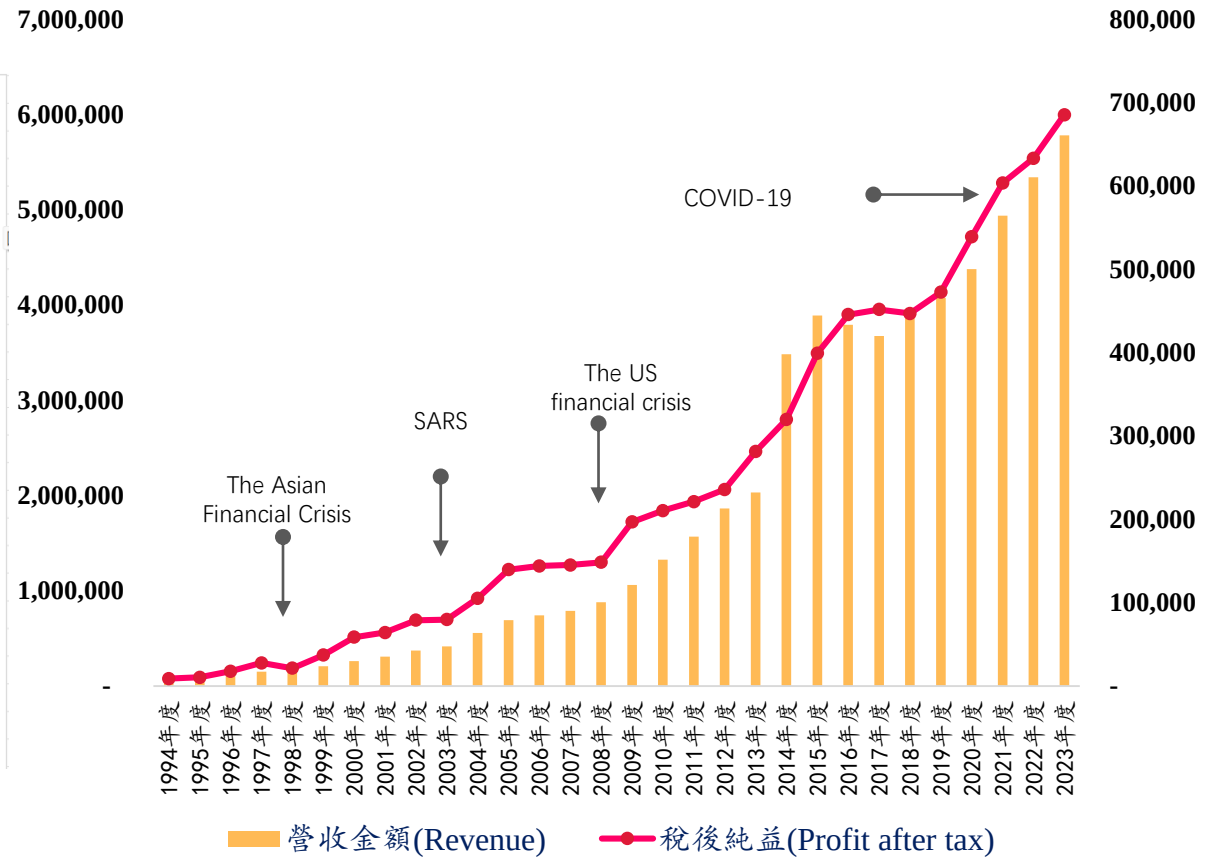


Regional Revenue Ratio For Tehmag Group



ZBIW ·Business Performance

(NTD Thousand)



德麥

ZBIW -Joint Venture，created in 2001

Covering an area of	Maximum Capacity	Employees
40,733㎡	約2.3萬噸/年	300+
Branch offices	**Salesmen**	**Bakers**
44	110+	44+
Produce & Sell		

Breadmix　Cakemix　Pastry

Fruitfilling　Chocolate　Mont blanc

Carlex spray　Other ingredients

真誠勤關懷 • 烘焙好拍檔

02 **Business Performance**

2024年1-9月德麥集團營運成果

Financial results YTD September 2024 (Tehmag Group)

	營收Net sales			稅後純益Net profit after tax		
	2024Year 01-09	2023Year 01-09	增減%	2024Year 01-09	2023Year 01-09	增減%
臺灣德麥 Tehmag	2,884,652	2,612,293	10.43%	411,802	389,825	5.64%
芝蘭雅 ZBIW	1,429,882	1,148,877	24.46%	149,987	111,805	34.15%
馬來西亞 Malaysia	358,817	252,377	42.18%	50,389	32,628	54.43%
香 港 Hongkong	235,574	219,588	7.28%	54,346	41,170	32.00%
美 國 USA	34,597	37,361	-7.40%	(833)	4,763	-117.49%
印 尼 Indonesia	7,662	13,361	-42.66%	(871)	(1,262)	30.94%
合 併 Tehmag Group	4,924,107	4,254,717	15.73%	580,611	511,863	13.43%

Financial Status Report for 2024.Q1-Q3

單位：新台幣仟元

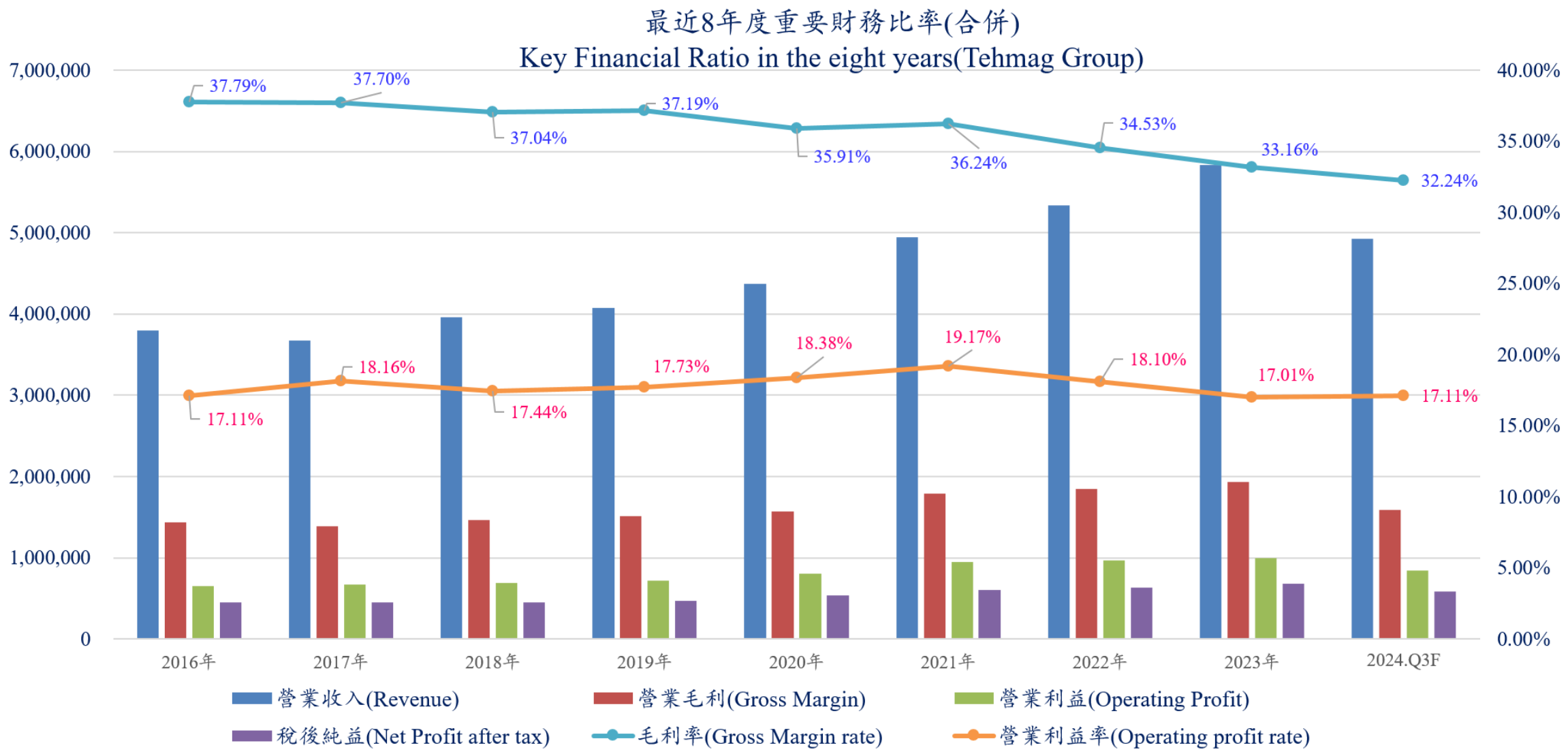
TEHMAG Group	2024年前三季		2023年前三季		Increase or decrease	
	Amount	%	Amount	%	Amount	%
營業收入 (Net sales)	4,924,106	100.00	4,254,717	100.00	669,389	15.73
營業毛利 (Gross margin)	1,587,677	32.24	1,426,469	33.52	161,208	11.30
營業費用 (Operating expense)	744,946	15.13	679,871	15.98	65,075	9.57
營業利益 (Operating profit)	842,731	17.11	746,377	17.54	96,354	12.91
營業外收支 (Non-operating items)	21,690	0.44	13,382	0.32	8,308	62.08
稅前純益(Net profit before tax)	864,421	17.55	759,759	17.86	104,662	13.78
所得稅費用(Income tax)	192,958	3.92	180,323	4.24	12,635	7.01
稅後純益 (Net profit after tax)	671,463	13.64	579,436	13.62	92,027	15.88
母公司淨利(Parent company net profit)	580,611	11.79	511,863	12.03	68,748	13.43
每股稅後盈餘(EPS)	15.67元		13.81元		1.86元	
毛利率(Gross margin rate)	32.24%		33.52%		(1.28%)	
費用率(Operating expense rate)	15.13%		15.98%		(0.85%)	
營業利益率(Operating profit)	17.11%		17.54%		(0.43%)	
母公司淨利率(Parent company net profit rate)	11.79%		12.03%		(0.24%)	

2024年Q1-Q3財務比率分析

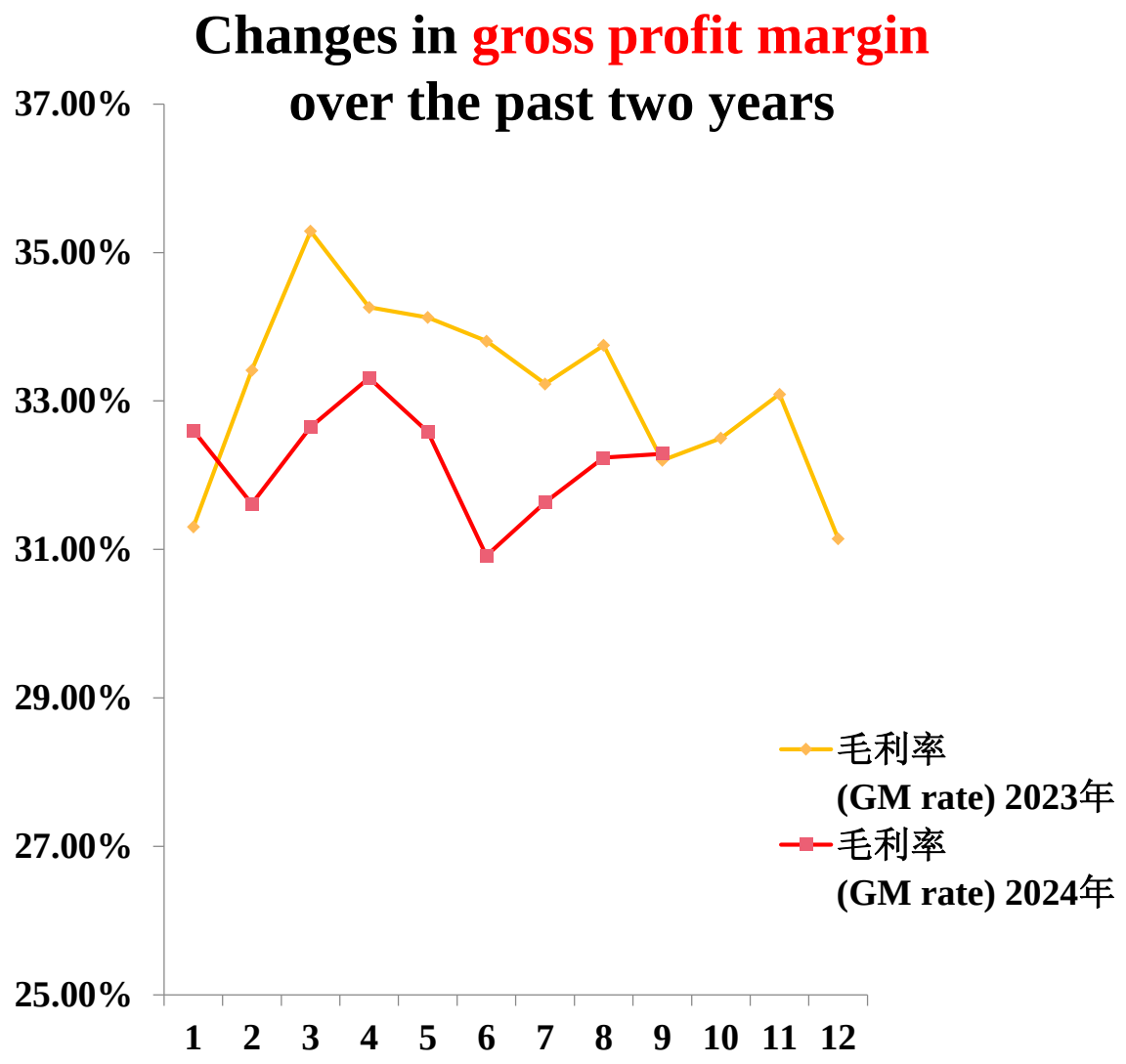
項 目			2024年 Q1-Q3	2023年 Q1-13
Financial structure	Debt-to-assets ratio		**24.4%**	**20.4%**
	Long-term funds to PPE ratio		**202.32%**	**252.69%**
Debts structure	Current ratio		**250.41%**	**326.94%**
	Quick ratio		**159.61%**	**216.87%**
Operation capability	AR turnover		**5.74**	**5.11**
	Average AR days		**63.58**	**71.42**
	Inventory turnover		**4.95**	**4.62**
	Inventory days		**73.73**	**79.00**
Profitability	Return on assets		**17.76%**	**16.53%**
	Return on equity		**22.63%**	**20.99%**
	% of paid-in capital	Operation profit	**303.16%**	**268.50%**
		PBT	**310.96%**	**273.31%**
	Net profit %		**13.64%**	**13.62%**
	EPS		**15.67**	**13.81**

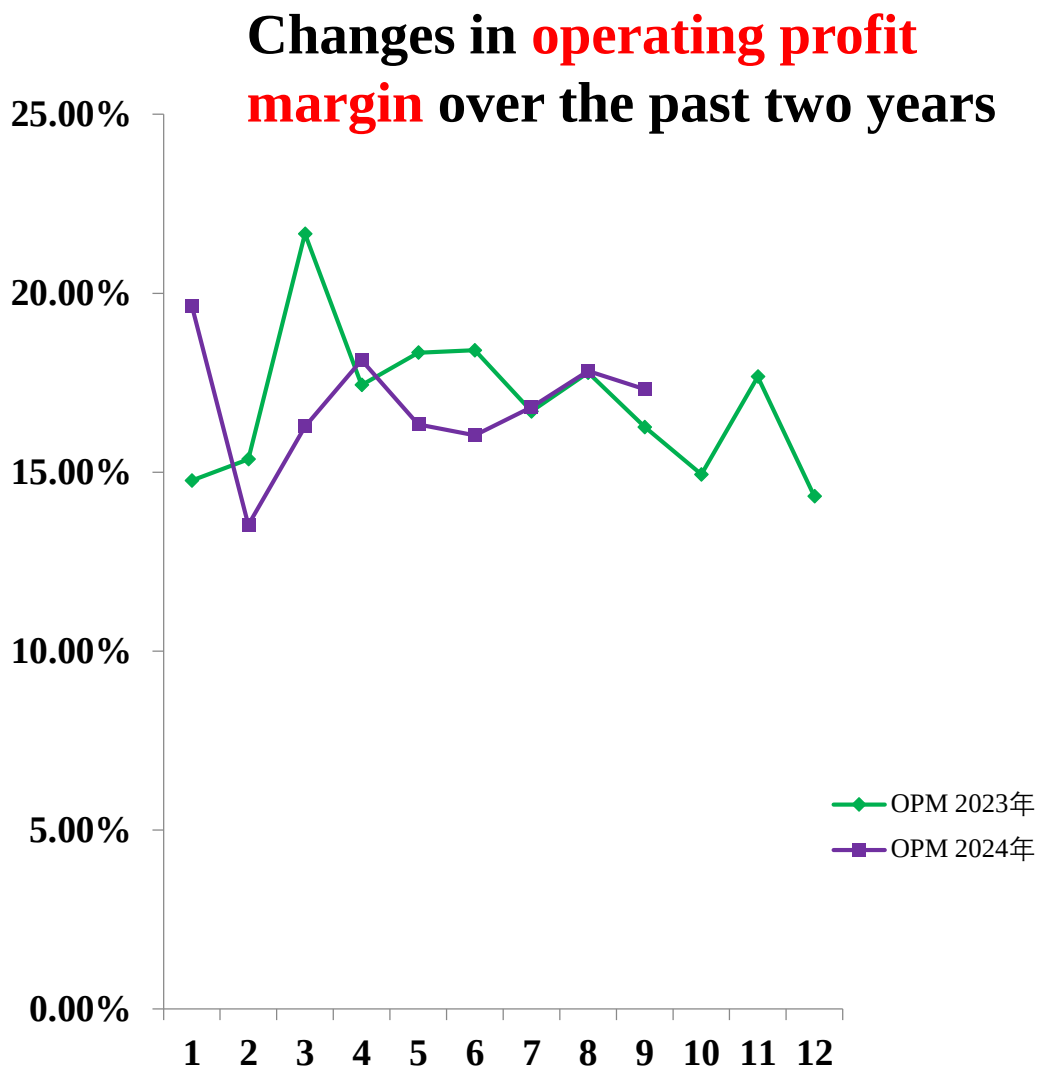
Financial structure	The debt ratio was 24.04% at the end of Sep 2024, which was higher than last year, mainly due tothe increase of bank loan. However, the debt ratio was lower than 30%, and the long-term funds toFinancial sfixed assets ratio was 202.32%, which was lower than last year, but higher than 100%, indicating asound financial structure.
Debts structure	At the end of September 2024, the Company's current ratio and quick ratio were 250.41% and159.61%, respectively, among which the current ratio and quick ratio were lower than that of theprevious year due to the increase of short-term borrowings resulting in an increase in currentliabilities. However, the ratio still above 100% indicates that the liquidity and solvency of the asset isquite good.
Operation capability	The average collection days and average sales days of the Company are 64 days and 74 daysOperating respectively, and have been improved slightly. in the future, we will strengthen inventory controland turnover to optimize the operating capability.
Profitability	The company's ROE was 22.63%-an increase vs last year-and was above 20% during the past 10Profitabilityyears, among the high-quality companies that Buffett considers to be valuable investments

單位：新台幣仟元


最近8年度重要財務比率(合併)
Key Financial Ratio in the eight years(Tehmag Group)
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
40.00%
35.00%
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
37.79%
37.70%
37.04%
37.19%
35.91%
36.24%
34.53%
33.16%
32.24%
17.11%
18.16%
17.44%
17.73%
18.38%
19.17%
18.10%
17.01%
17.11%
2016年
2017年
2018年
2019年
2020年
2021年
2022年
2023年
2024.Q3F
營業收入(Revenue)
營業毛利(Gross Margin)
營業利益(Operating Profit)
稅後純益(Net Profit after tax)
毛利率(Gross Margin rate)
營業利益率(Operating profit rate)

Changes in financial ratios for the past two years (consolidation)





The main ingredients of delicious bakery products include **flour, dairy**, sugar, eggs, fat, yeast, etc. The quality of flour and dairy products lays the cornerstone of the quality of bakery products. **Therefore, when consumers pay attention to the ingredients of bakery products, they will force the bakery/baker to select the raw materials with cleaner formula and better quality.**

01 FLOUR

Flour is the basic structural material of baking products, it provides the structure and texture of the dough, and builds the skeleton of the products.

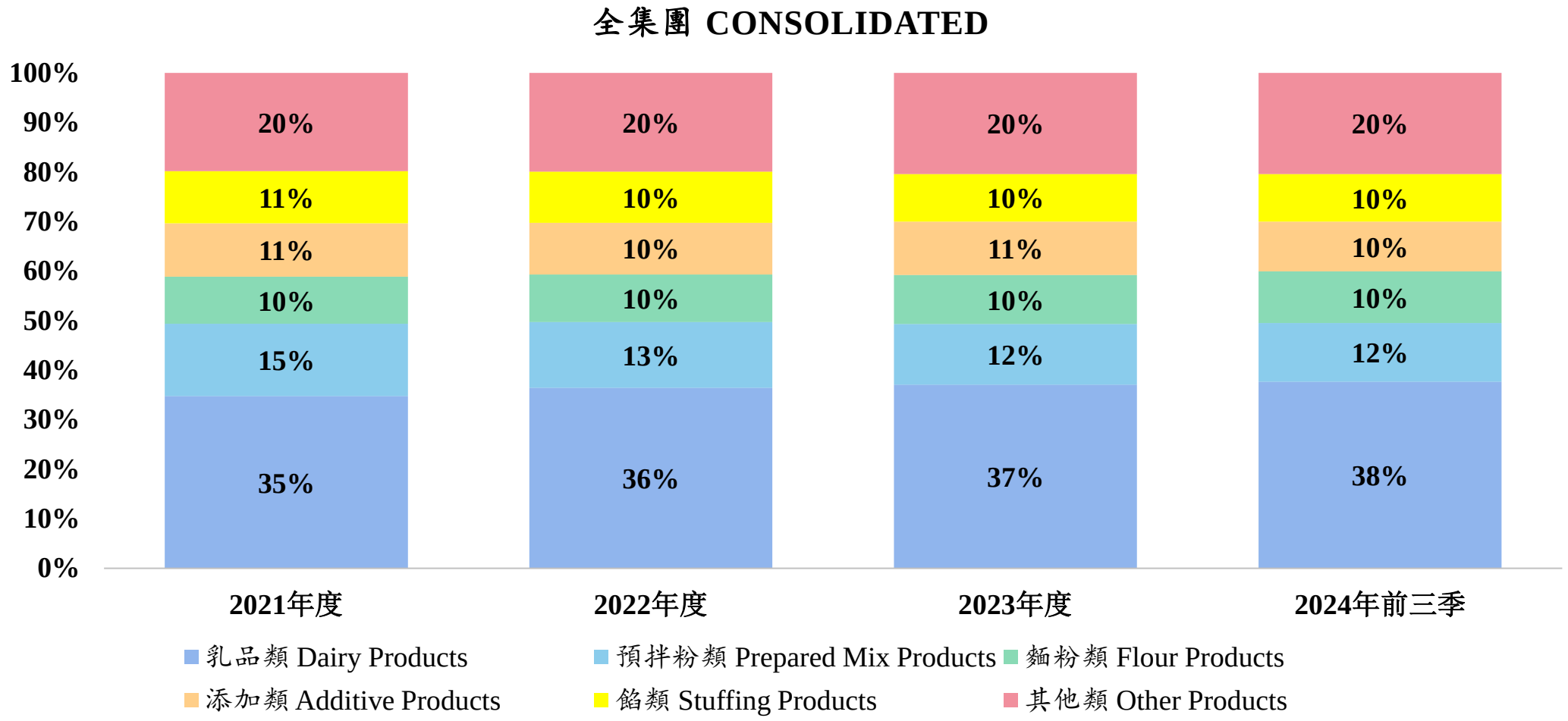
02 Dairy products

Dairy products endow baked goods with rich flavors and tastes. High quality dairy products not only optimize the quality of the products, but also contain a variety of nutrients, playing a crucial role in baking

Unlike flour, the price of dairy products is more susceptible to fluctuations in market conditions, but the main reason for the fluctuation is closely related to the milk source. Because of the scarcity of good milk sources, dairy manufacturers with good milk sources have trump cards.

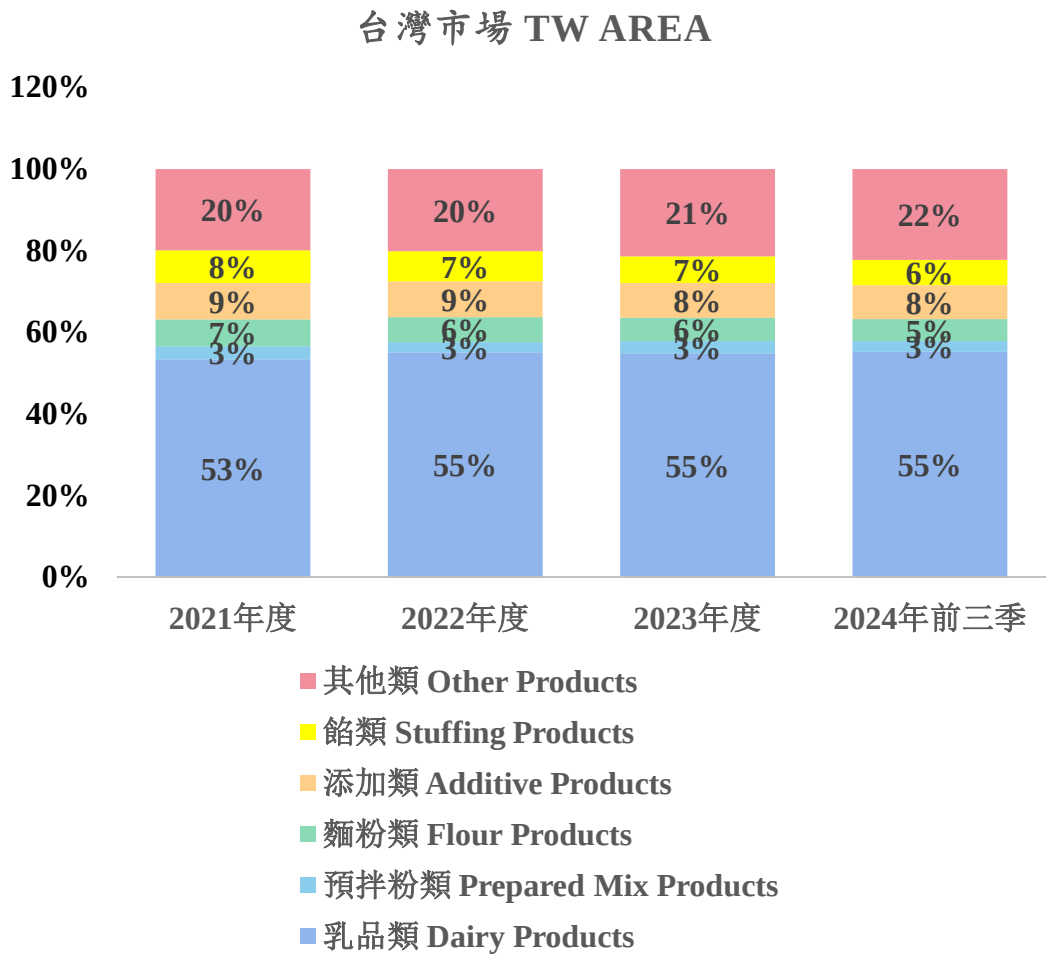
Tehmag Group

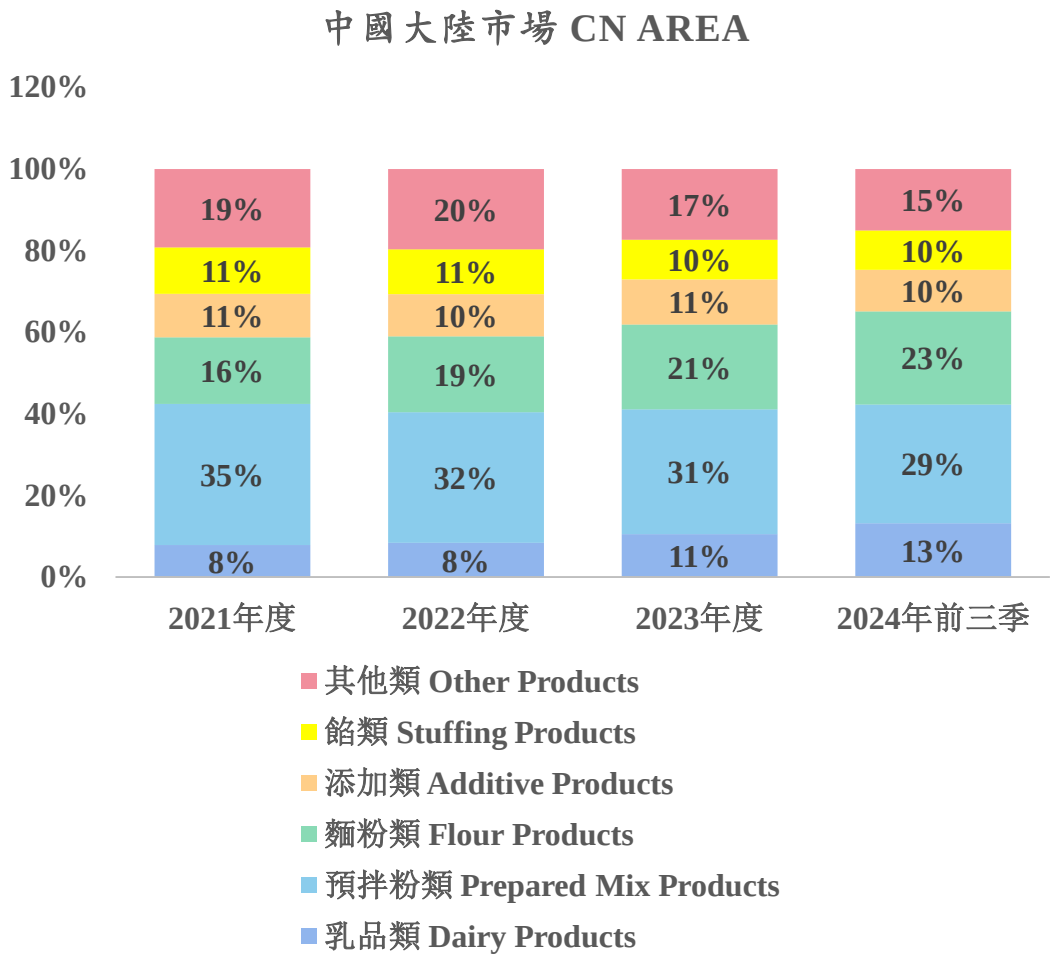
Proportion of product portfolio in each year



Taiwan& Mainland China

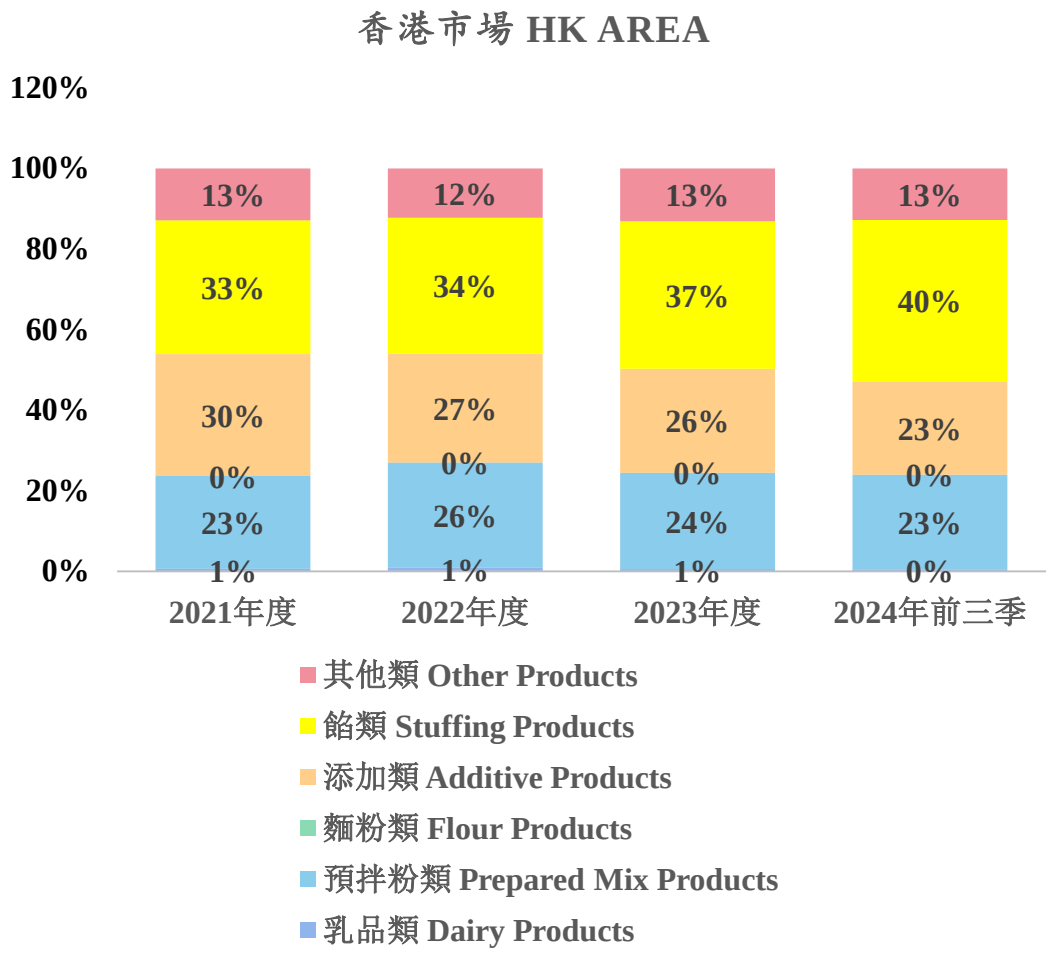
Proportion of product portfolio in each year

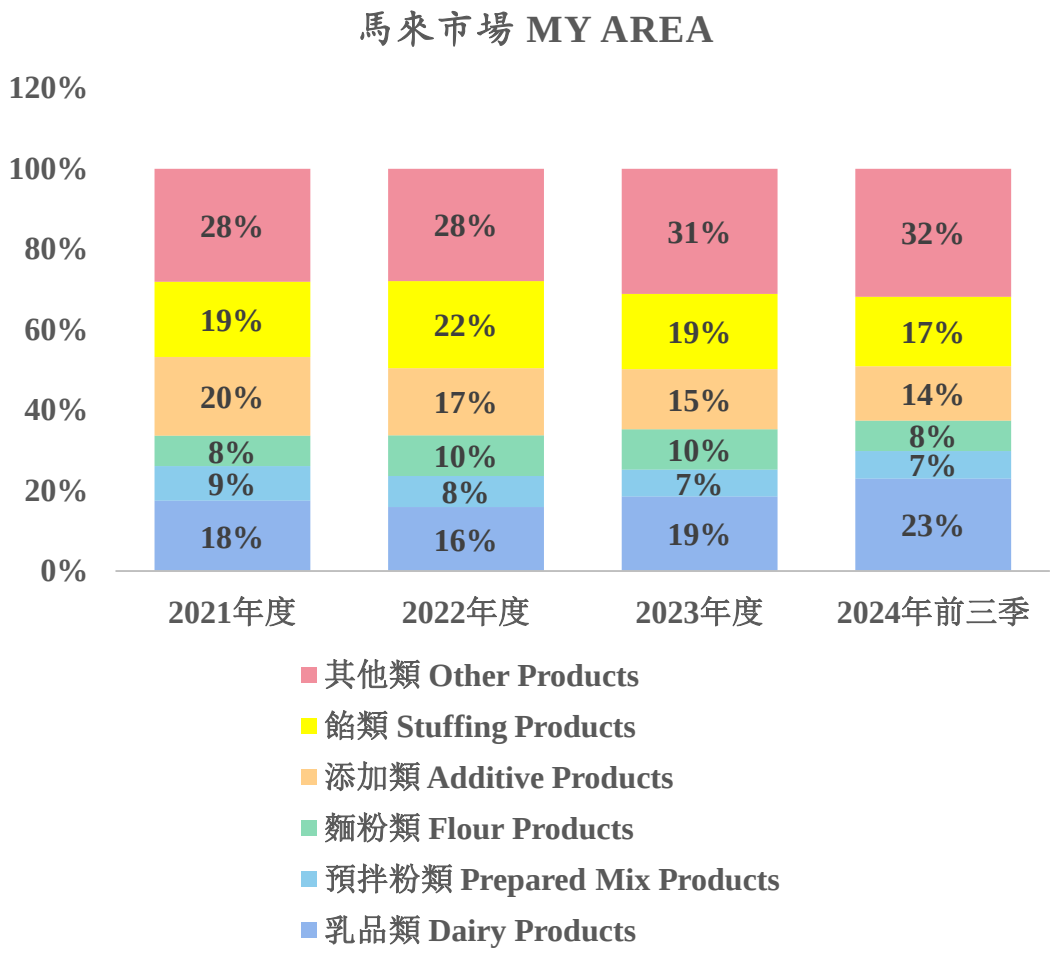




Hong Kong & Malaysia

Proportion of product portfolio in each year



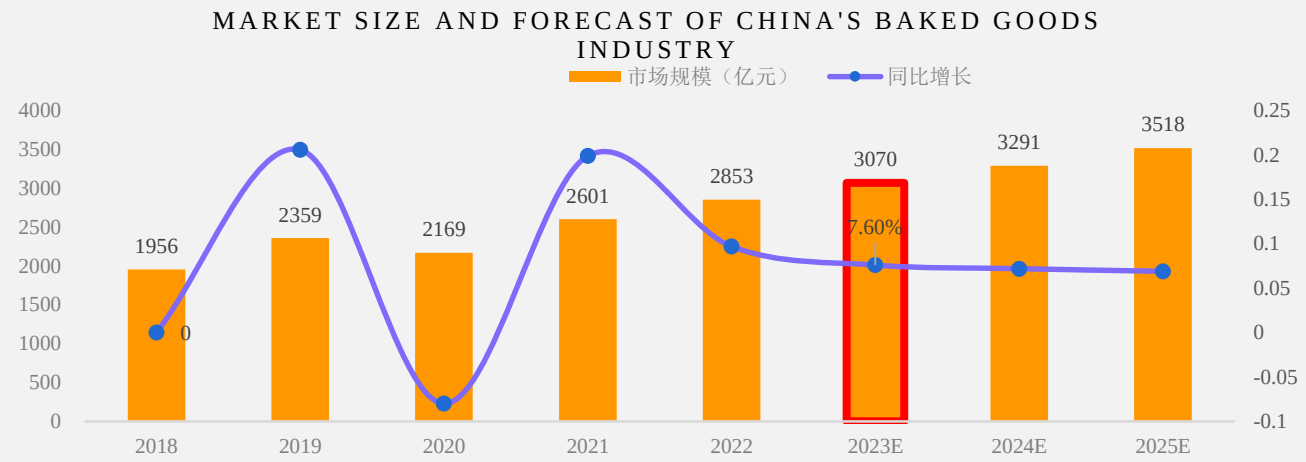


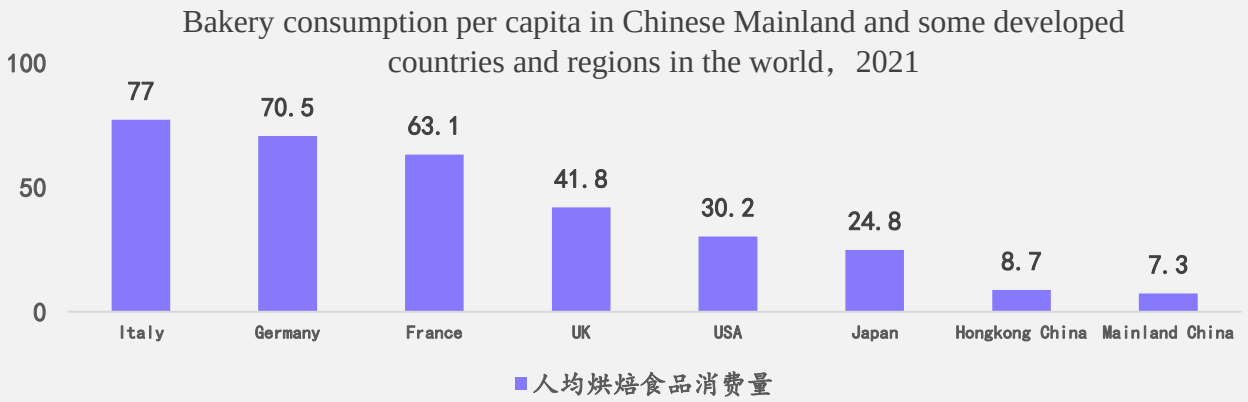
03 **Baking Industry Trends**

德麥

The market size of the baking industry in mainland China continues to grow

The market size of the baked goods industry in mainland China is expected to reach 351.8 billion yuan by 2025, demonstrating a strong overall growth momentum of the industry. Driven by the urbanization process and the improvement of residents' income levels, the increase in the number of middle and high-income households will further stimulate the demand for baked goods consumption





資料來源：國家統計局、中國連鎖經營協會

Main Consumer Group in China

Female is majority

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

Young and middle-aged

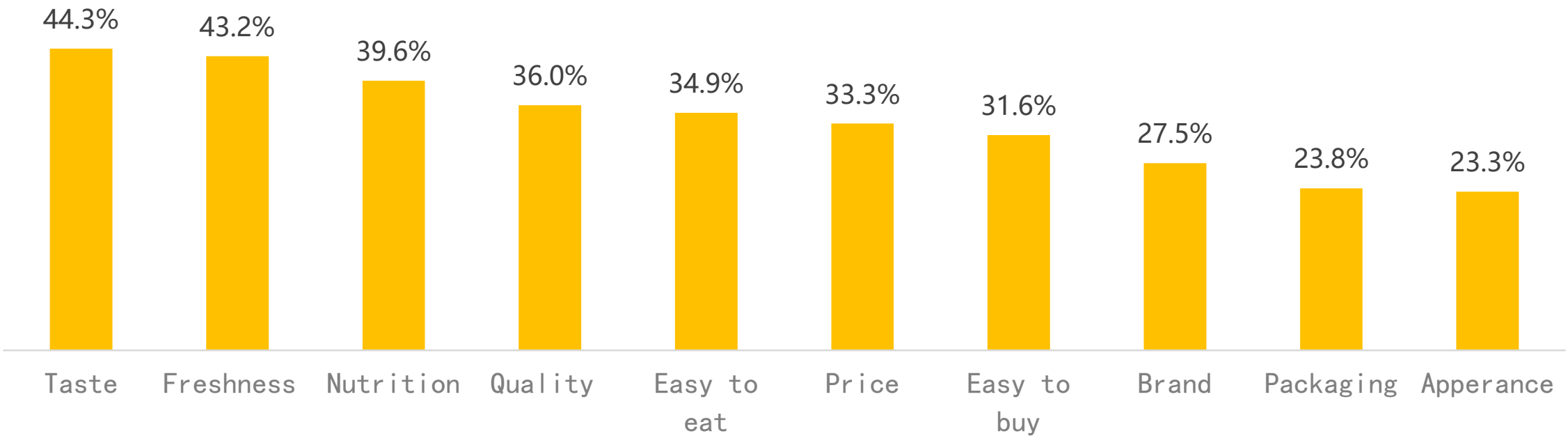
22-40 years old
Up to 88.1% of users.

Tier 1 & 2 cities

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

Higher volume from east China customer

Factors that Chinese consumers pay attention to when purchasing baked goods



Nowadays, consumers are most concerned about the taste and freshness of products. With improving health awareness, interest on nutrition and material quality is inceasing as well. Consumers passionate about product ingredients have more stringent requirement on bakery ingredients

數據來源：艾媒數據中心

Current situation of dairy products in mainland

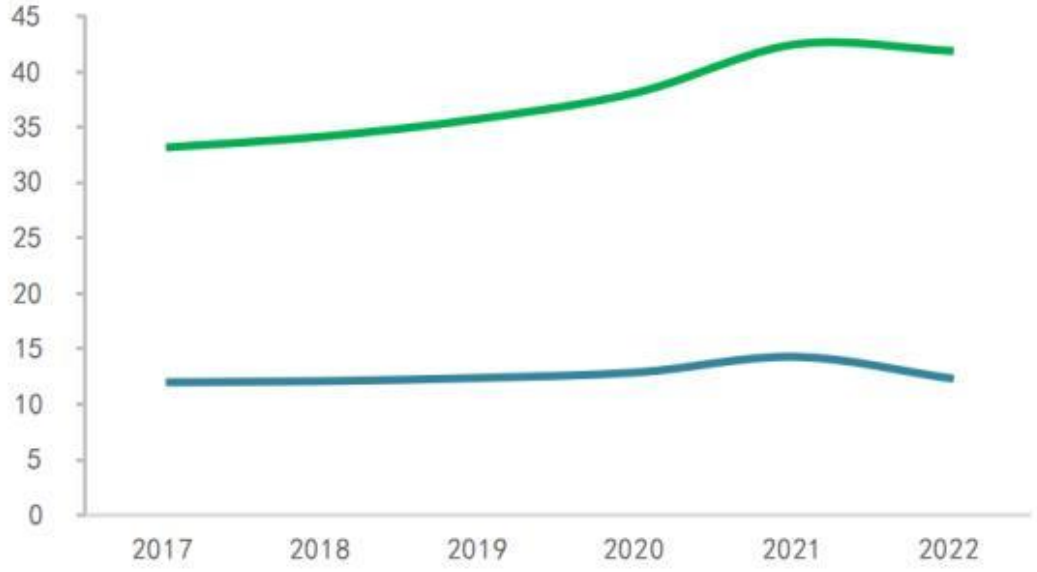
In addition to flour, dairy products deserve to be the most concerned category in the baking market. Despite some challenges, such as fierce market competition and fluctuating milk source costs, its overall market demand is still growing.

Market situation of dairy products

中國大陸人均乳製品年消費量長期保持增長態勢（KG）

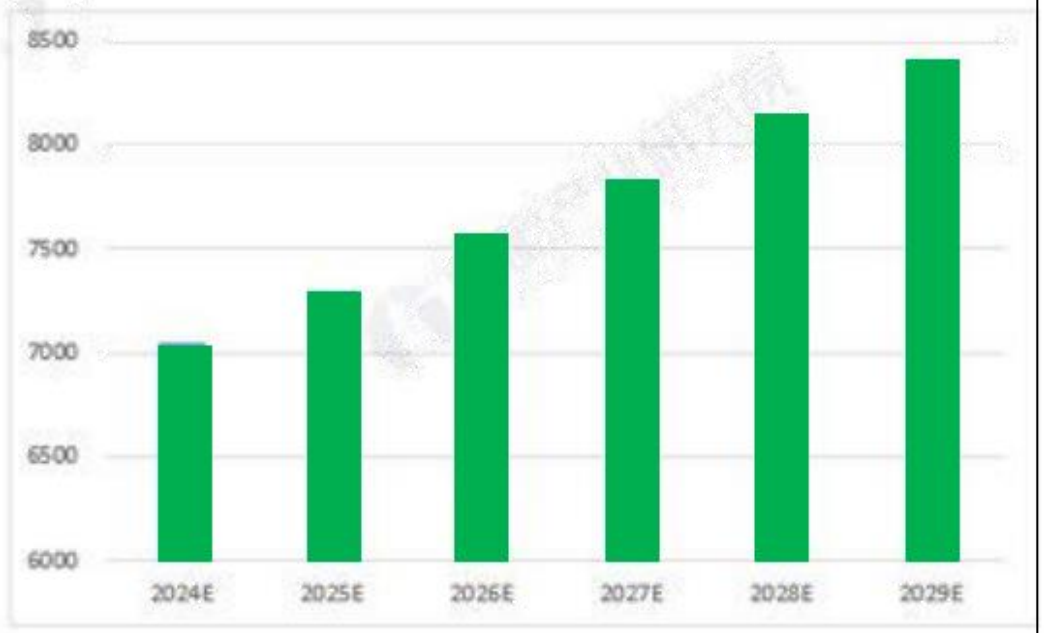
人均乳製品消費量　人均奶類消費量

The per capita annual consumption of dairy products in mainland China has maintained a long-term growth trend



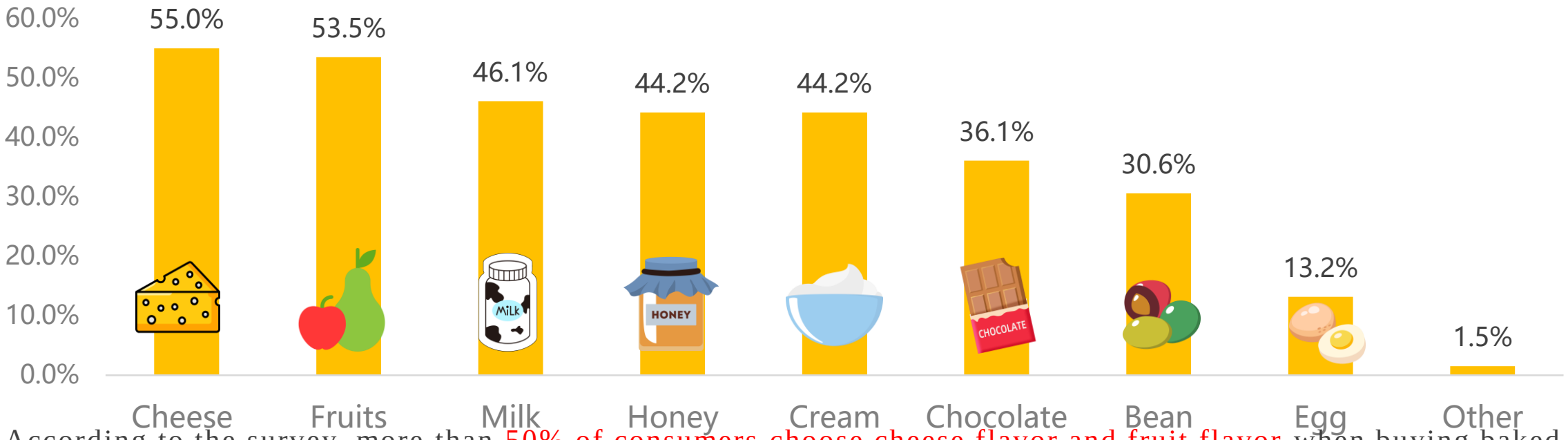
2024-2029中國大陸乳製品市場規模預測（單位： 億元）

Market Size Forecast of Dairy Products in Mainland China from 2024 to 2029



數據來源：國家統計局，中國奶業協會，聯儲證券研究院、前瞻產業研究院

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.**Cream cheese**, as the preferred cheese flavor for merchants, is an immature full fat cheese that has become a delicacy in the cheese family due to its silky smooth texture and deep milk aroma.

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

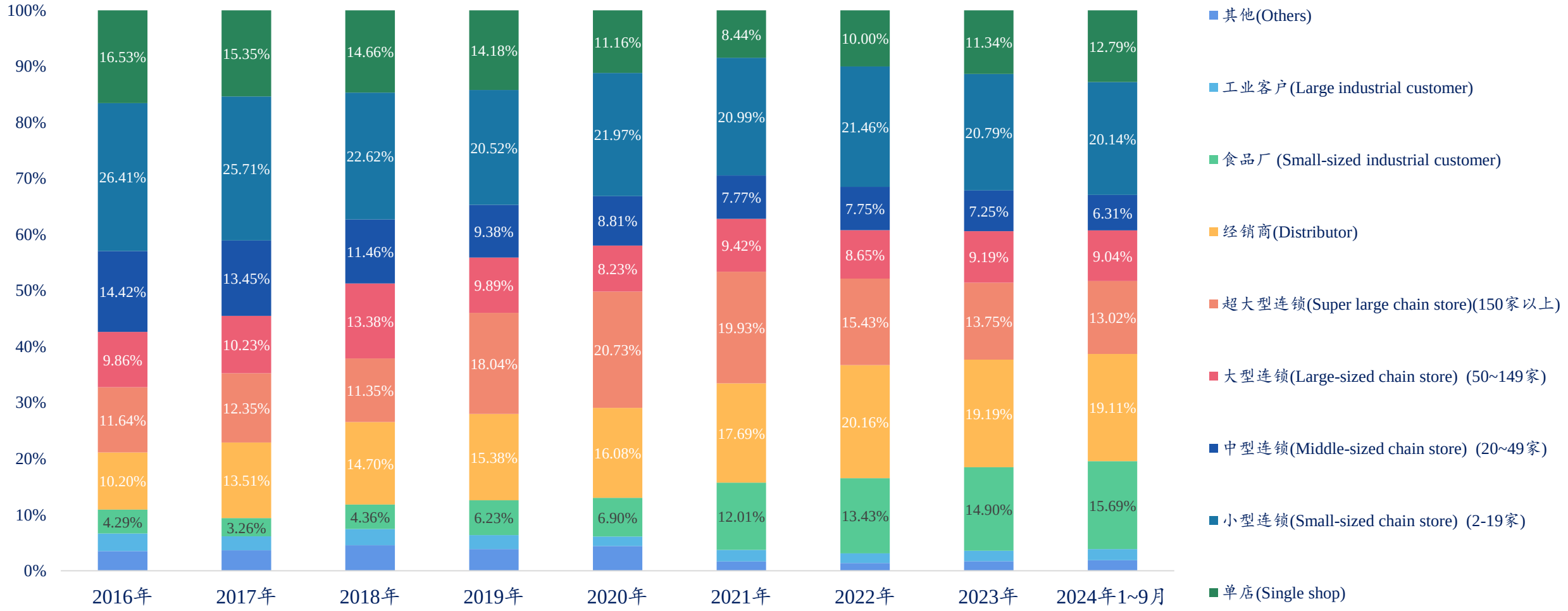
New Retail Channel

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

Boutique Bakery

- Fun
- Brand
- Show Self

Overview of ZBIW Customer Channel



德麥

Branding, high-end, cost-effective

Consumer loyalty to the brand has increased, and the market demand for mid to high end baked goods continues to grow. The brand concentration in the baking industry will gradually increase, and consumers are more inclined towards well-known brands and high-quality products. In terms of product prices, they pursue cost-effectiveness

FASCINO

LUXIHE

BUTTERFUL CREAMOROUS

Sam's Club

德麥

Diversified consumer demands

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

Healthy

Small package portable light food
Focus on social interaction and sharing

Snacking

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

Fun

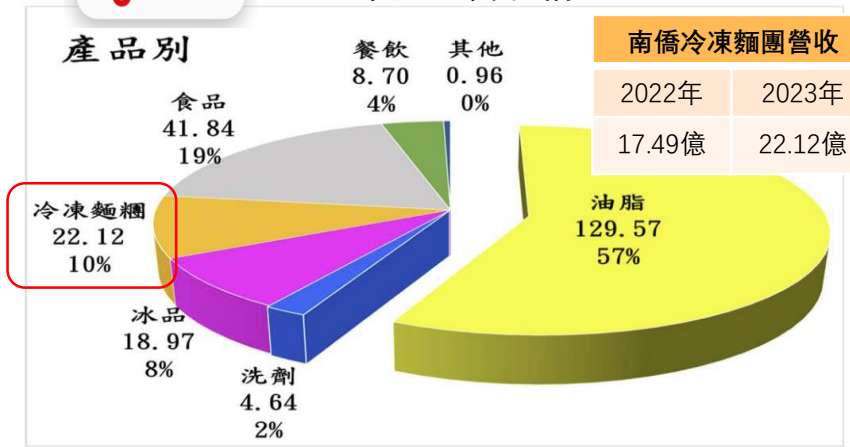
Mouthfeel
- **Taste**
- **Flavor**

Diversified

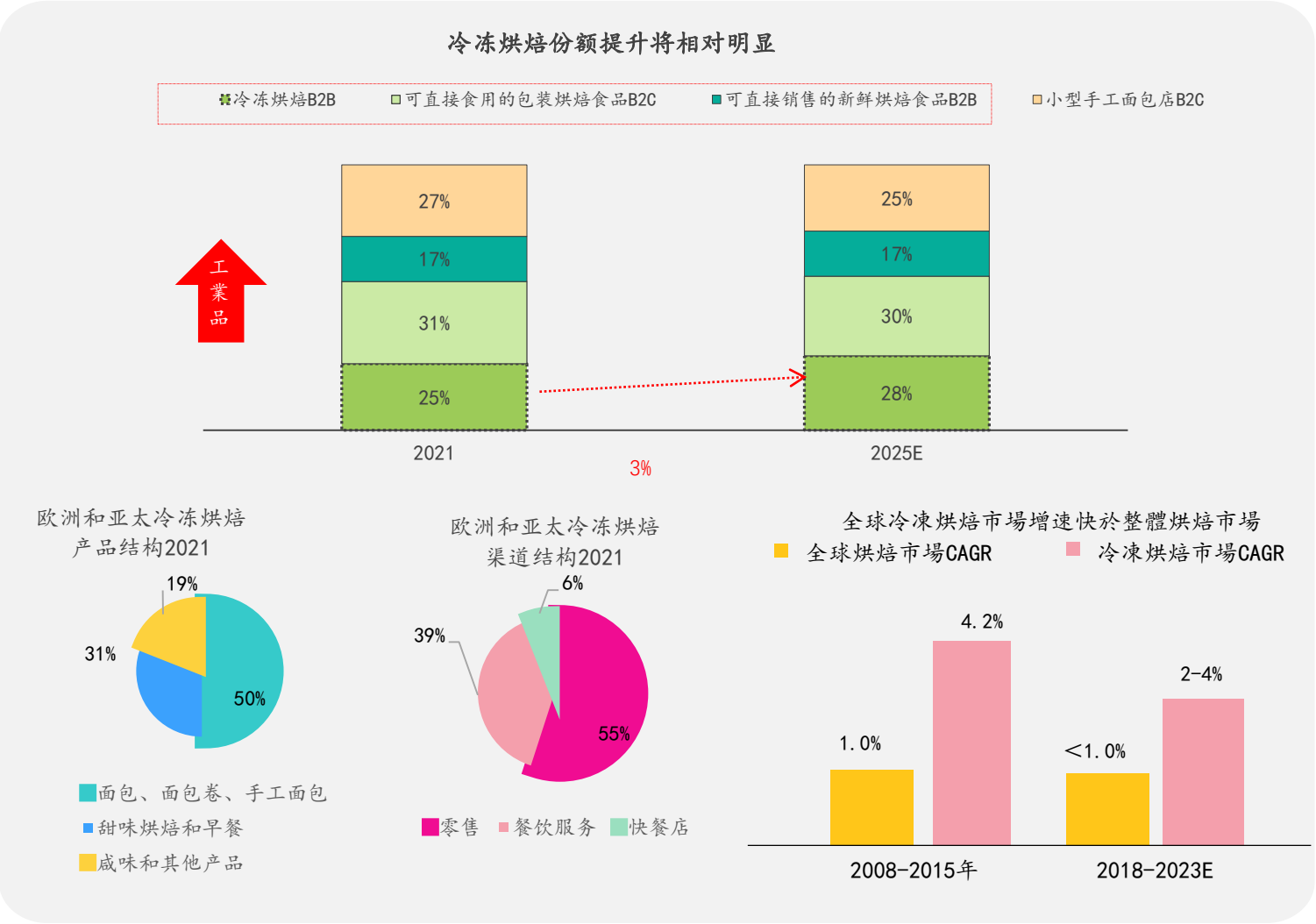
The Rise of Frozen Baking Products

The frozen baking industry in mainland China started relatively late compared to overseas markets, with a market penetration rate of about 5%. The B-end frozen baking industry has a scale of about 10 billion yuan. With the recent capital intervention in the baking industry, the industry is emitting new vitality, and it is expected that the compound annual growth rate of the market will be between 22% and 51% in the future

南僑 2023年產品營收情況



南僑冷凍麵團營收	
2022年	2023年
17.49億	22.12億



資料來源：：Aryzta 公告、Gira、光大證券研究所、華經產業研究院、南僑

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**

Operational Strategy

Based in Taiwan

1. Cultivate the Taiwan market and highlight the advantages of customer relationship
2. Expand sales channels and increase transactional customers
3. Deepen service level and solve customer pain points
4. Seminar across the province, Promotion on Japanese and Korean commodities

Deeply cultivate in China

1. Adjust organization and deepen regional operation
2. Sprint customer numbers and stabilize business growth
3 In response to M-shaped development, strengthen operations of industrial customers and boutique bakery
4. Strength logistical support and optimize supply chain
5. Carry out seminars in order and promotion on popular commodities
6. Continue to introduce raw materials that meet market demand
7. Set up key account team to develop industrial customers
8. Continuous promotion of strategic alliance

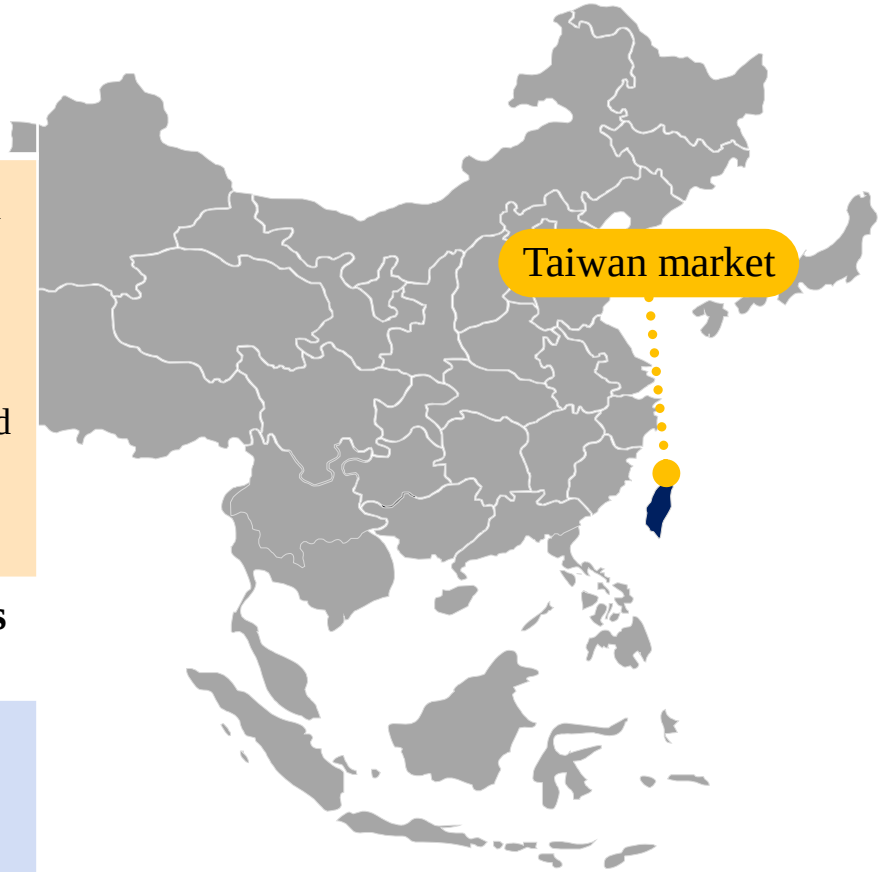
Develop South East Asia

1. Market input step by step
2 Build and develop commercial team
3. Continuously increase customer numbers
4 Introduce new ingredients in an orderly manner
5. Develop catering channels and strengthen the business team lineup
6. Set up key account team to develop industrial customers

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

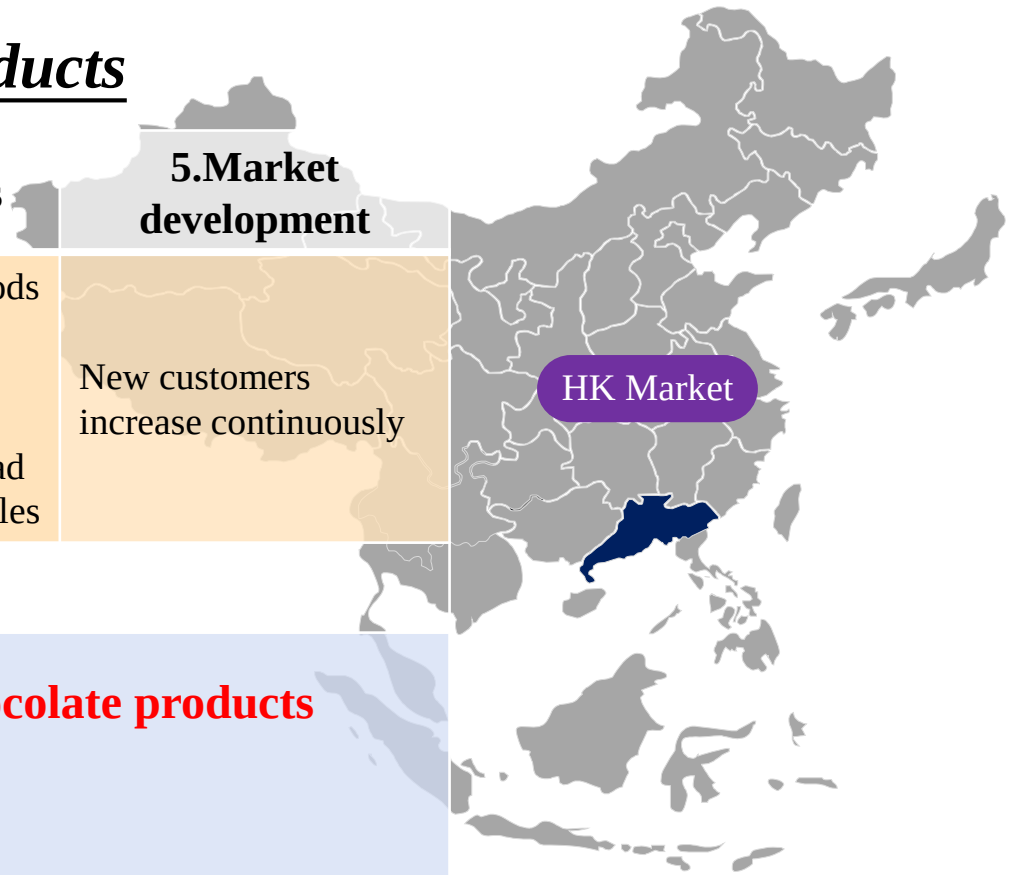
5.Leading firm strengh	6.Value-added service	7.Strong brands	8.Catering business unit
• Strong brand • High transferability	• Introduce high-quality materials • R&D ability • Assist customer in marketing • Continue to solve customer pain points	• Elle & Vire professionnel and LESCURE • Direct infusion 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

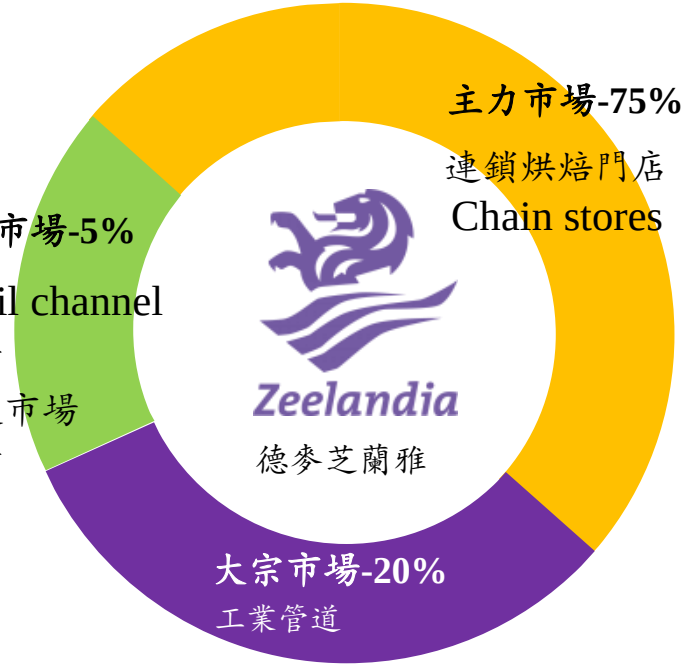
1. Exclusive agent for **Dobla Chocolate decorative chips**, **Fisher cream** and **animal whipped cream**
2. Promote **Black Forest black cherry filling**, **Taiwan Lien Hwa flour** and **ZBIW's fruit filling**
3. Develop **catering channels** and strengthen the commercial team lineup
4. Set up **key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

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

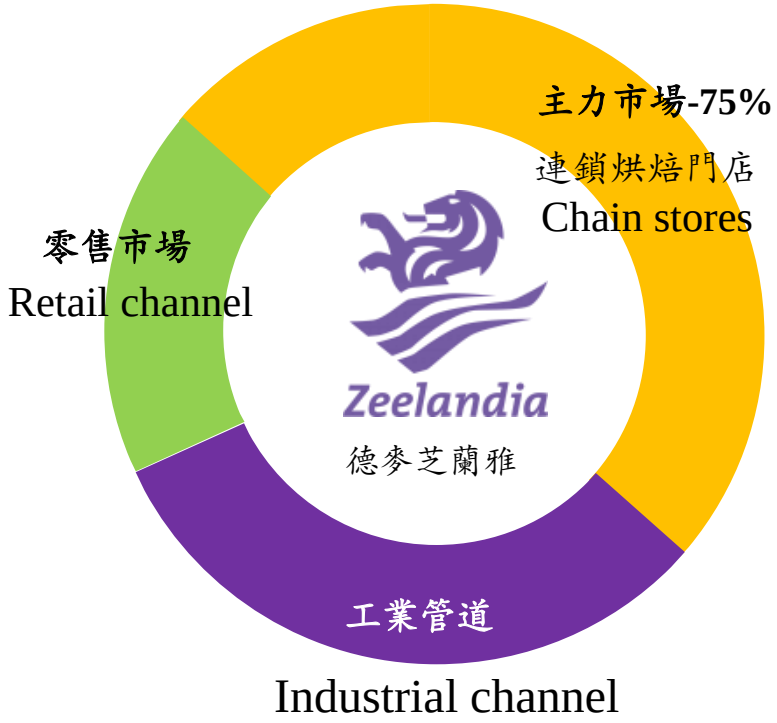
E-commerce/Home bakery/Private bakery

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

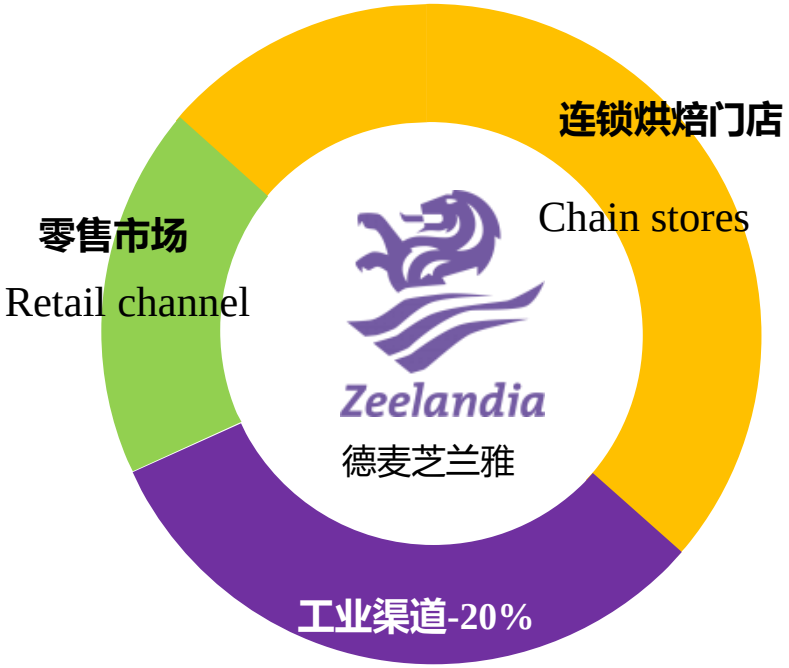
1. Improve material knowhow and implement trainings达
2. Master the application of basic materials
3. Develop in operation area, maintain existing customers and develop new customers

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

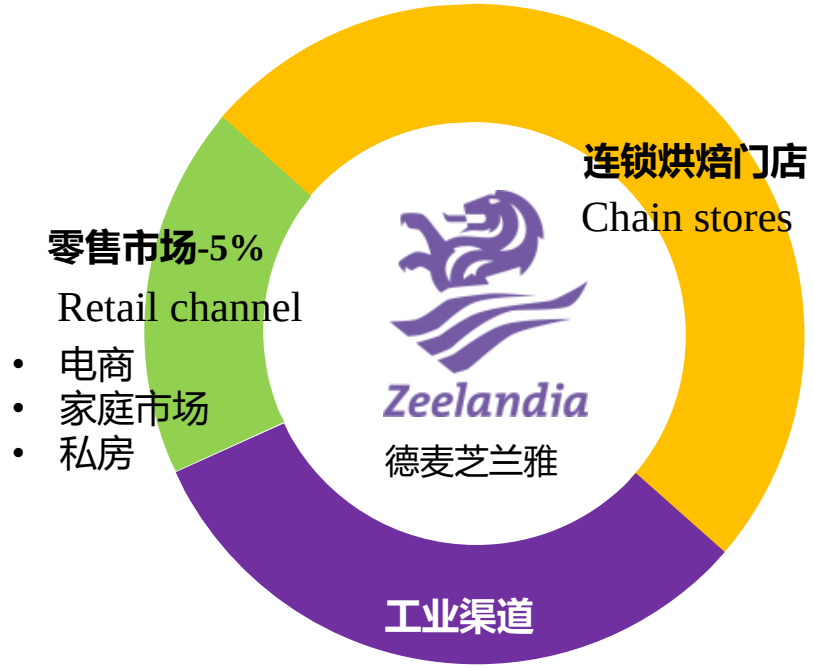
Commercial、R&D、Purchasing

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

05 **Q&A**