

# 新麥企業股份有限公司

1580TT

SINMAG

## SINMAG EQUIPMENT CORPORATION

### 3rd Quarter Operations Report

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# Agenda

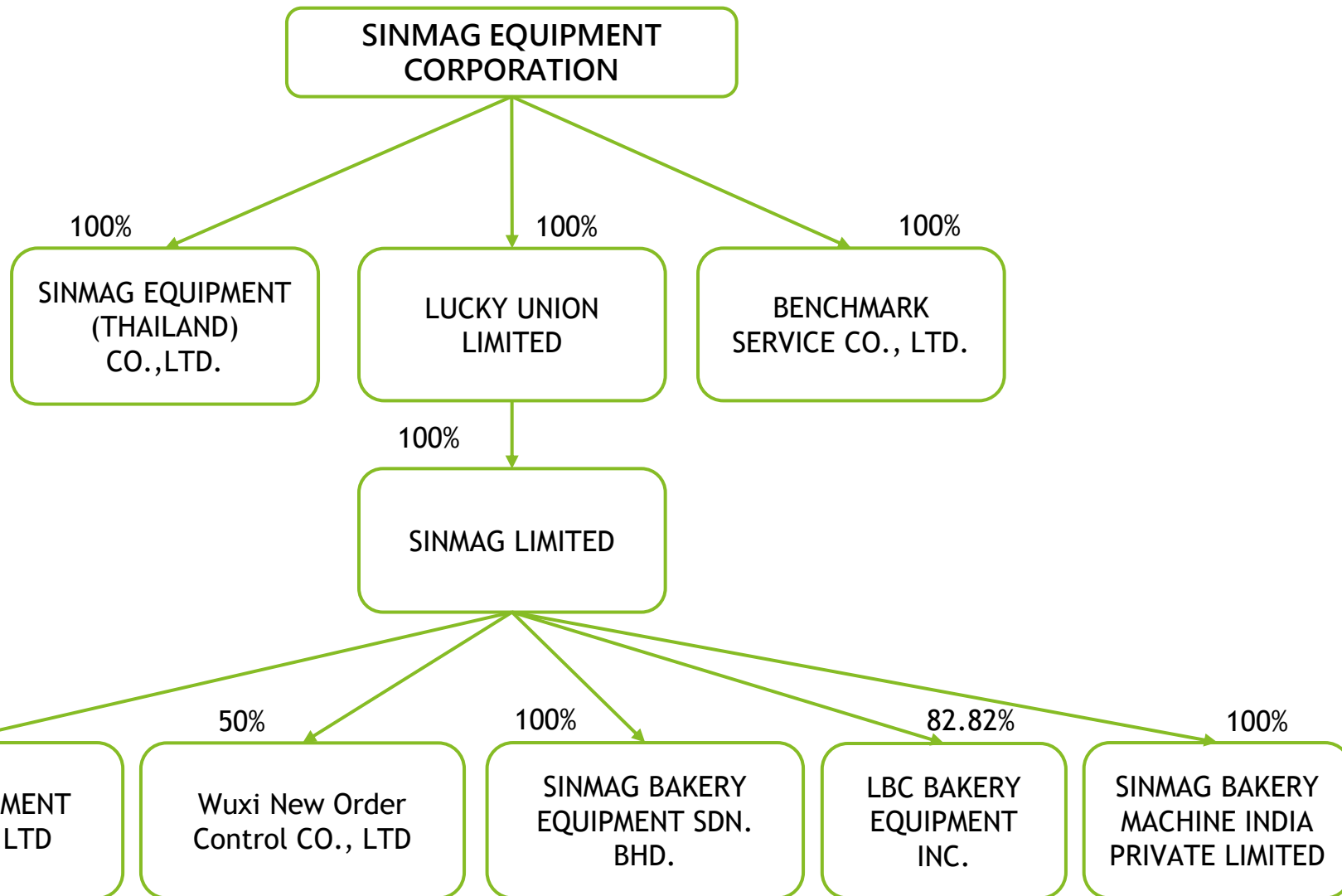
**SINMAG**

- 1 、 Overall Status Quo**
- 2 、 Markets**
  - China**
  - Overseas**
- 3 、 Financial Performance**
- 4 、 Development Plans**



# Overall Status Quo I-Group Structure

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# Overall Status Quo II-Sinmag Taiwan

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- **Company:** SINMAG EQUIPMENT CORPORATION
- **Location:** WUGU SINMAG FACTORY (R.O.C)
- **Date of Incorporation:** September 27, 1983
- **Chairman(General Manager):** Hsieh, Shun-ho
- **Paid-in capital:** NT\$ 502.302 million
- **Main business:** Researching and development, manufacturing and selling of bakery equipment
- **Number of employees:** 84
- **Land area:** 10,804.9 square feet(303.68坪)
- **Plant area:** 34,542.8 square feet(970.85坪)

# Overall Status Quo III-Sinmag Wuxi(1<sup>st</sup> Plant)

**SINMAG**



- **Company:** Sinmag Equipment (China) Co., Ltd.
- **Location:** Xishan Economic Development Zone, Wuxi, Jiangsu (China)
- **Date of Incorporation:** December 28, 1994
- **Chairman(General Manager):** Hsieh, Shun-ho
- **Paid-in capital:** US\$ 33.85 million
- **Main business:** Researching and development, manufacturing and selling of bakery equipment
- **Number of employees:** 1,200+
- **Land area:** 545,832.7 square feet (15,341坪)
- **Plant area:** 722,914.4 square feet (20,318坪)



# Overall Status Quo IV-Sinmag Wuxi(2<sup>nd</sup> Plant)

**SINMAG**



- **Location:** Xishan Economic Development Zone, Wuxi, Jiangsu (China)
- **Land area:** 358,766.6 square feet (10,083.38坪)
- **Plant area:** 531,470.5 square feet (14,937.34坪)(Stage 1)
- **Plant Structure:** Basement 1、 4 stories
- **Start up production:** September 2019
- **Utilization rate:** 80%

# Overall Status Quo V-Seattle

**SINMAG**



- **Location:** Tulalip, Seattle, Washington (U.S.A)
- **Land area:** 169,433.3 square feet (4,762.04坪)
- **Plant area:** 29,104.4 square feet (818坪)
- **Plant Structure:** 2 stories of office、 1 story of warehouse
- **Start up production:** April 2016
- **Utilization rate:** 100%



# Overall Status Quo VI-Malaysia Warehouse

**SINMAG**



- **Location:** Puchong, Selangor (Malaysia)
- **Land area:** 20,280.6 square feet (570坪)
- **Plant area:** 14,836.86 square feet (417坪)
- **Plant Structure:** 3 stories of office、 1 story of warehouse
- **Start up production:** May 2019
- **Utilization rate:** 80%

# Overall Status Quo VII

The SINMAG logo is located in the top left corner of the slide. It consists of a blue square with a white 'S' inside, followed by the word 'SINMAG' in white capital letters on a blue background. The logo is positioned to the left of a horizontal bar that transitions from blue to light blue.

- The pandemic of COVID-19 in early 2020 has been affecting the whole world, all industries are turning conservative on Capex plans. Sinmag's baking equipments were affected. Up to now, the recovery in China has climbed back to 90% of same period last year, other markets' recoveries vary.
- Working capital levels are at pretty much safe levels and thus the expansion planned in late 2019 went as expected including cash injection in Thailand, renovations of plants and upgrades of equipment in China (i.e. purchase of decoiler machine and metalsmith processing center, painting equipment retrofits, waste air and water processing upgrades).
- To cope with market's product structure adjustments, we have deployed more production lines to increase efficiencies and qualities and meanwhile scrap part of low-margin or no-market products. In future, the focus still lies on China which is with higher growth and stability.

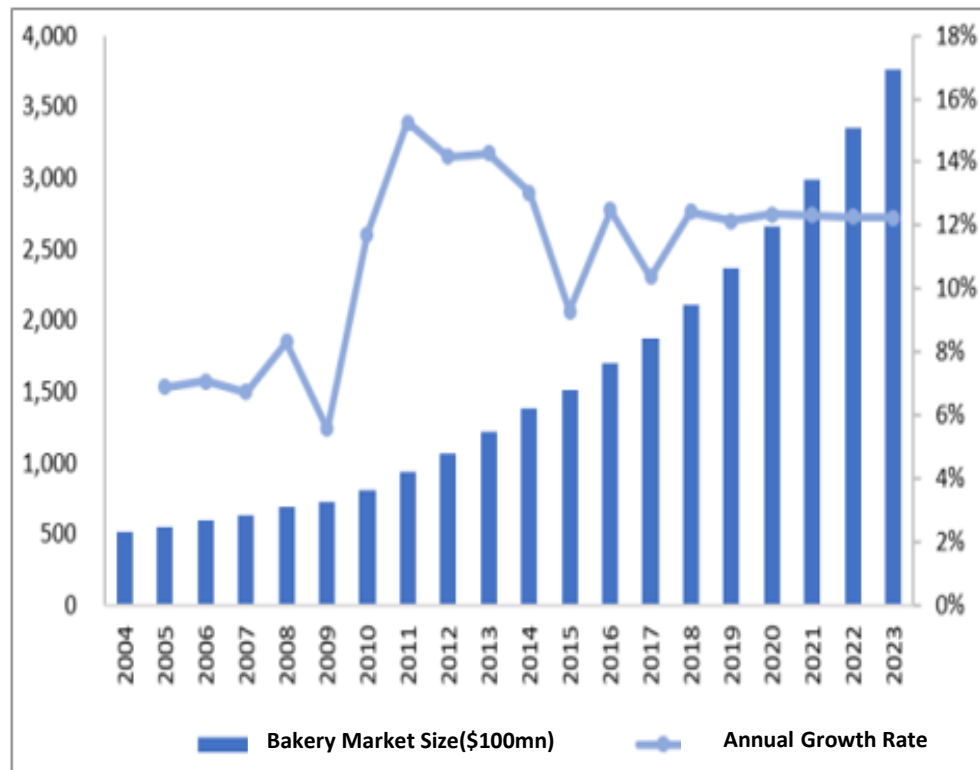
# Markets-China Market I

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## The baking equipment market size in China

(RMB\$100mn)

Growth Rate%



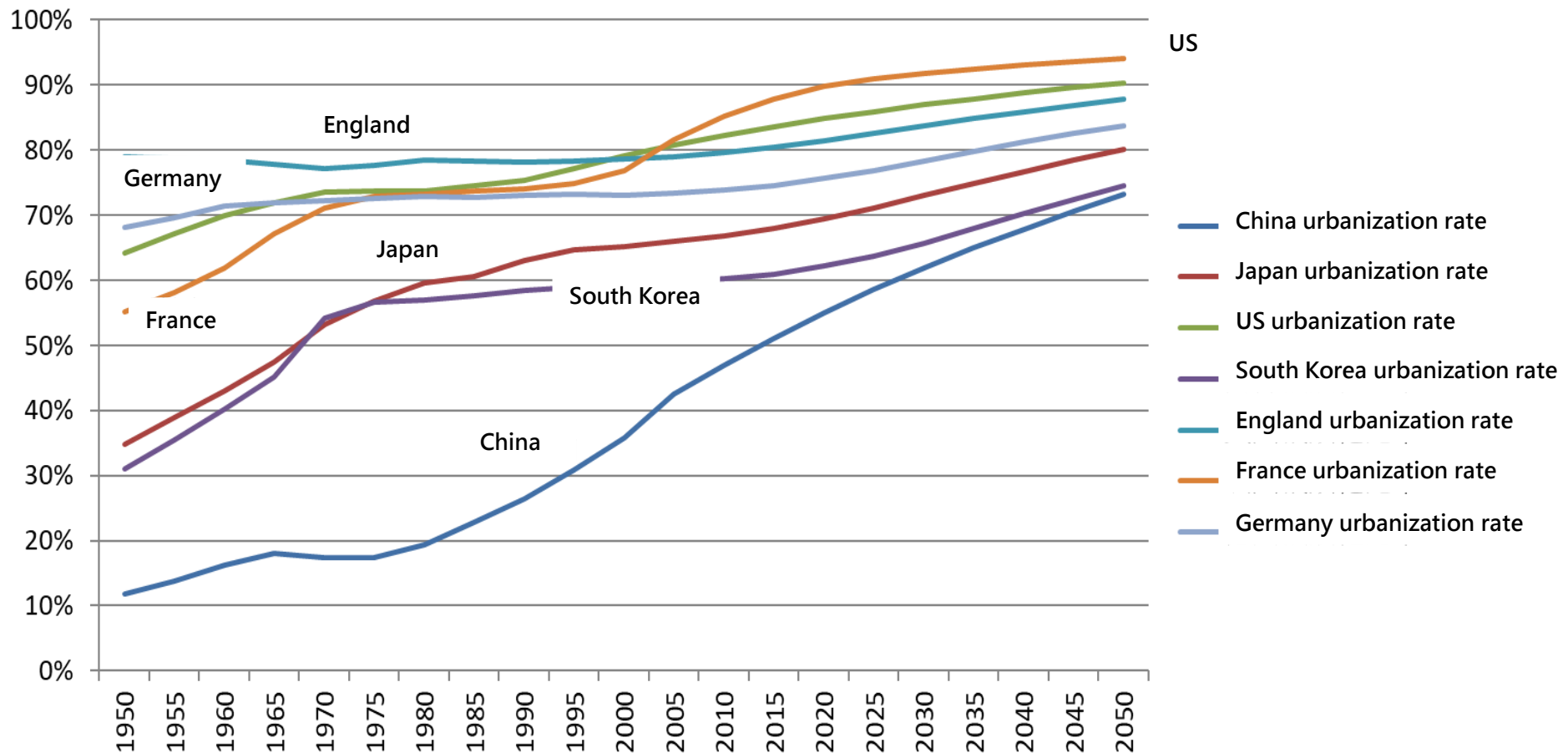
In recent years along with people's fast-changing life styles and the penetrations from Western foods, baking food is slowly making its mark on breakfast market, with more demands from dinner and casual occasions, baking food's market size will be further expanded. According to ZhiYan Consulting Organization, the baking food market will reach RMB 256.7bn in 2020.

Source : ZhiYan Consulting Organization 《2004-2023 The Market Competition and Investment Strategic Study for China Bakery Industry》

# Markets-China Market II

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## World's urbanization rate

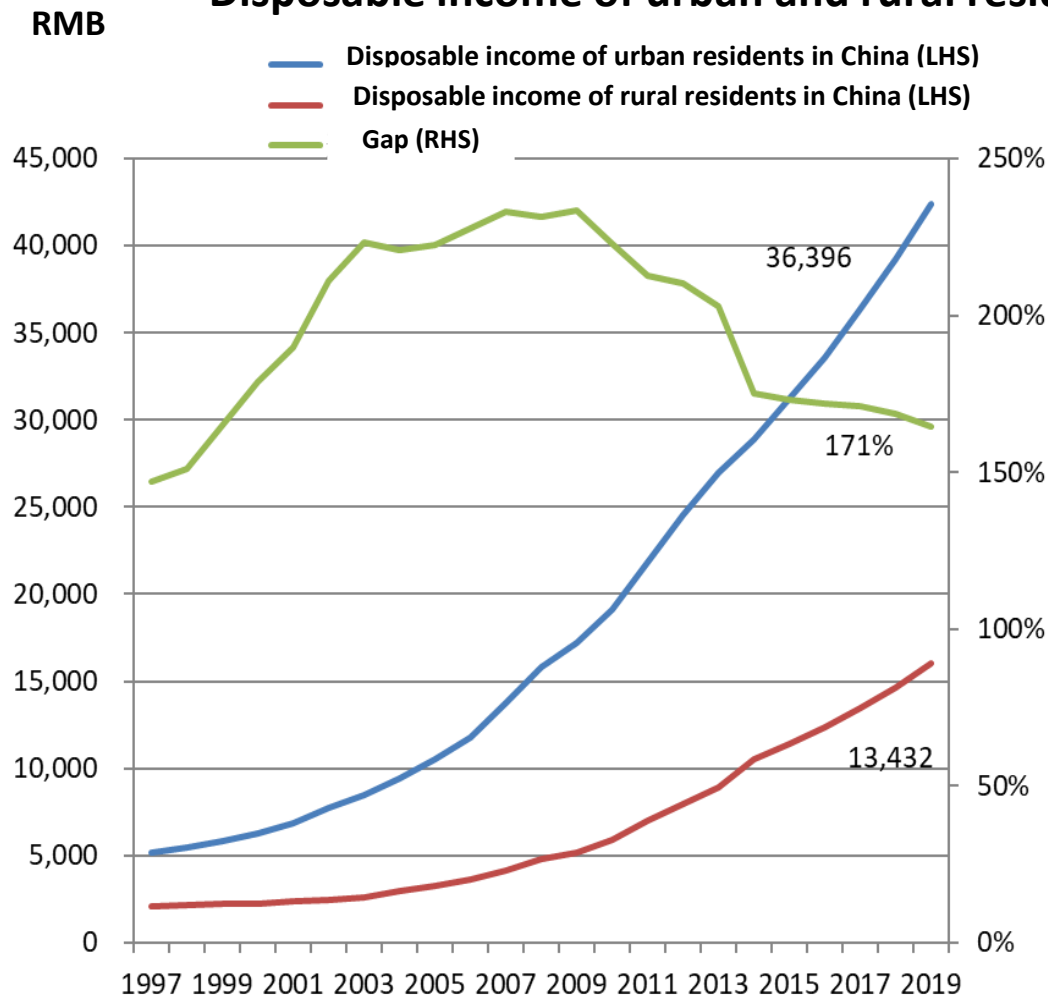


Source: IMF 、 UN 、 Bloomberg

# Markets-China III

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## Disposable income of urban and rural residents in China



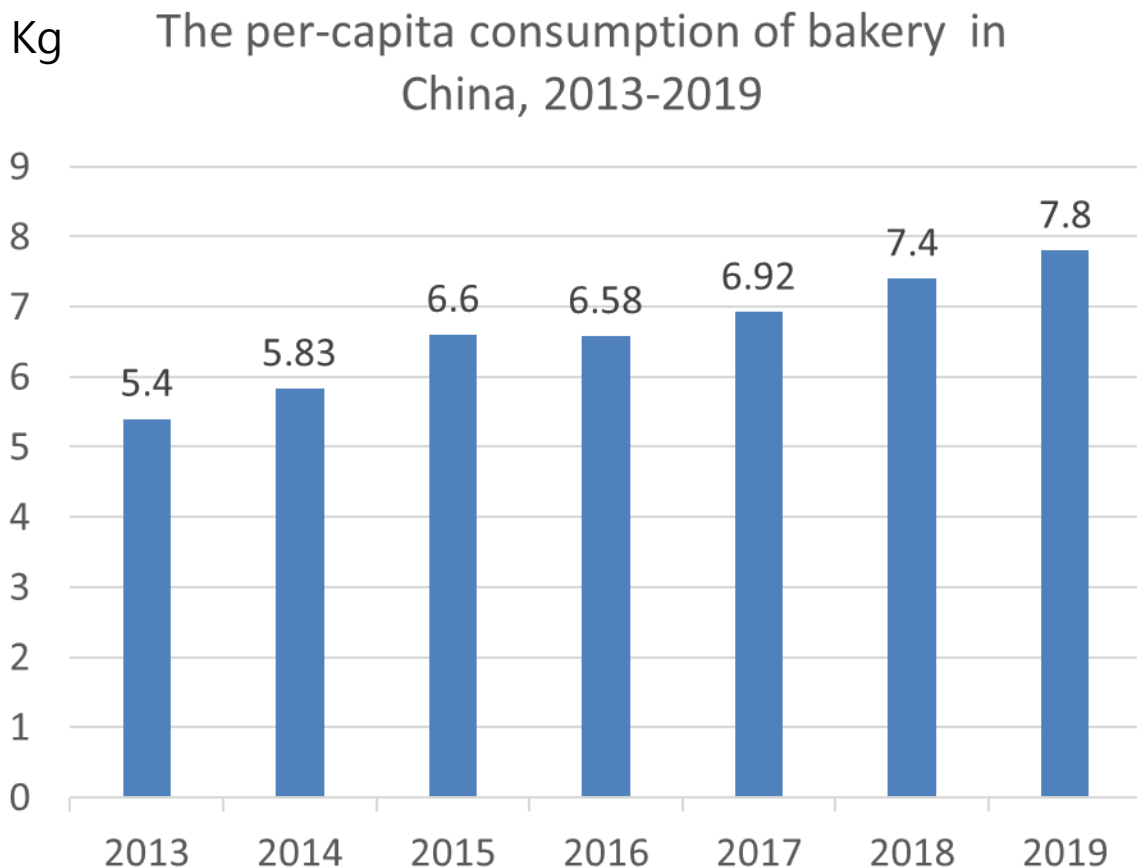
Source: National Bureau of Statistics

- The consumer power in the 2<sup>nd</sup>, 3<sup>rd</sup>-tier cities in China differs from that in 1<sup>st</sup>-tier cities (Beijing, Shanghai). Along with the growths of economy developments and consumer's awareness on baking foods, the market potential is enormous.
- The population in undeveloped provinces is about 50% of whole country and thus with the development of cities and e-commerce, the consumption of baking foods in 2<sup>nd</sup>, 3<sup>rd</sup>-tier cities' is expected to increase.



# Markets-China Market IV

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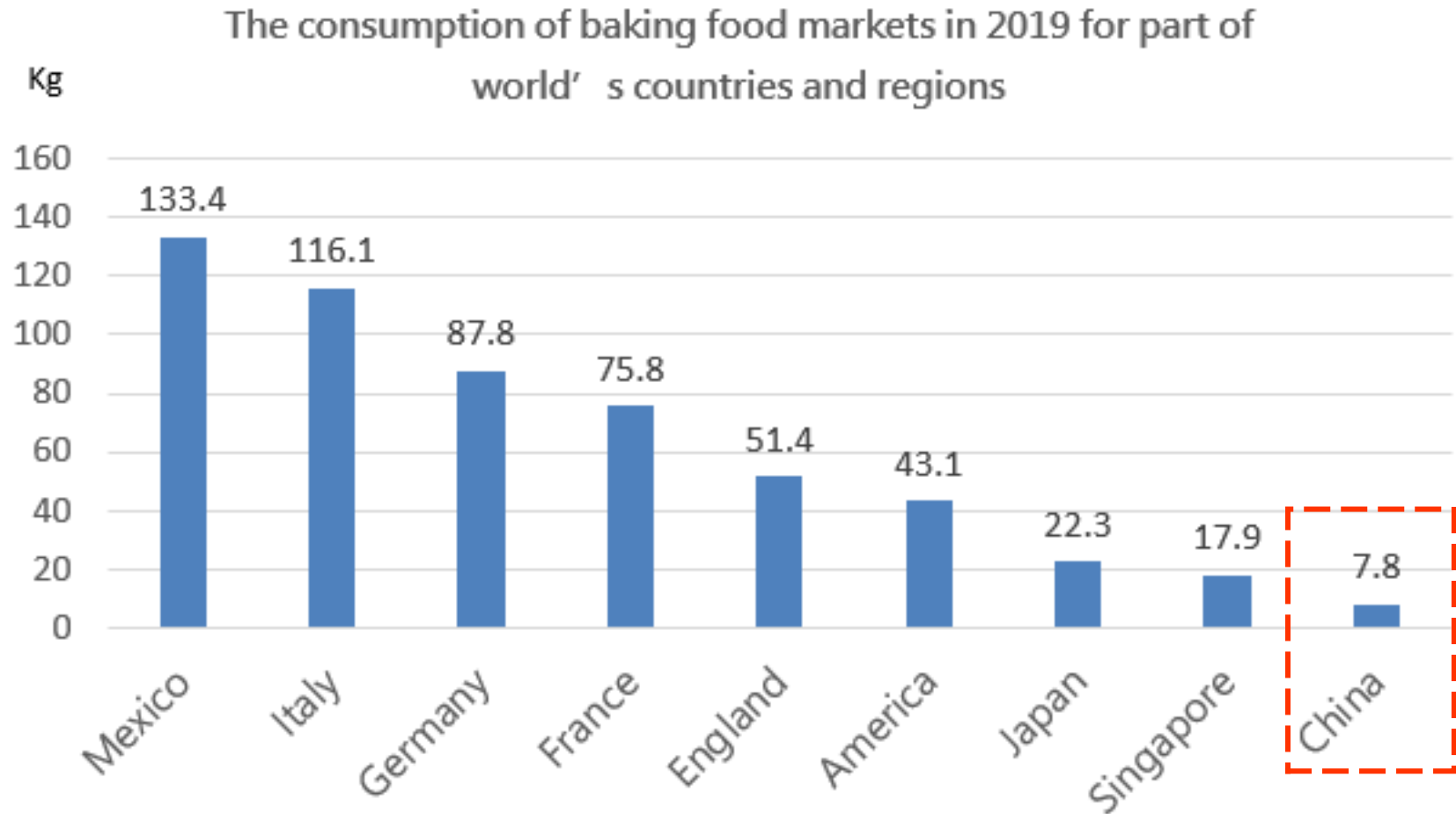


Due to different living habits and ways on diets from Western countries, the baking foods in Pan Asia region are usually taken as refreshments rather than meals. According to the stats from China Food Industry Association Bakery Specialized Committee, the per-capita consumption is 7.8k grams. In recent years, the baking food per-capita consumption is increasing every year but is still in evident difference from western countries. The room for growth is large.

Source : China Food Industry Association Bakery Specialized Committee/Summary by Prospect Industry Research Institute

# Markets-China Market V

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Source : Euromonitor/Summary by Prospect Industry Research Institute

## ➤ The Pandemic of COVID-19

- The impact from the pandemic is pushing the injections of capital goods to subordinate, directly affecting the baking equipments.
- Baking equipment players with smaller scales are facing difficulties in continuing their qualities and after-sales services, this is pushing a lot of customers to switch to SINMAG.
- SINMAG's advantages are emerging in the pandemic environment. Its comprehensive product lines and excellent after-sales system is grabbing the business opportunities in post-pandemic markets, slowly making up the sales gap caused in pre-pandemic period.
- Due to delayed resumption and consumption is restricted, 1Q in China market dropped by 56.51% and sales started recovering by seeing 2Q drop by 16.82%, 3Q by 6.11%, the declines have significantly shrunk.

# Markets-China Market VII

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- Expansions for large supermarkets slowed due to mild growths for property markets and e-commerce.
- The new retail sales mode created by the integrations of on and off line logistics.
- The emergence of fresh food + F&B mode.
- Corporate mergers.
- Light scale convenient stores for fresh foods, community supermarkets.
- The products of mid-long expiration for guaranteed quality are slowly turning into short expiration for guaranteed quality.
- The new mode created by the integration of on and off line central factory + e-commerce + Cold chain logistics.



- The complexity stores offering perfect experiences and services.
- Bread / Cakes + tea / coffee are becoming mainstreams.
- The characteristics of social means.
- The emergence of baking training institutes, baking schools.
- The brands from Youtubers, personal baking stores with strong characteristics.
- The joy from DIY.

# Markets-China Market VIII

The logo for SINMAG, featuring a stylized blue and white square graphic to the left of the word "SINMAG" in white capital letters on a dark blue background.

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## ➤ Types of customers in China market

	2017	2018	2019	2020Q1-Q3
Supermarkets	15.16%	18.75%	13.22%	10.74%
Chain stores	39.28%	36.25%	37.71%	36.14%
Single stores	19.58%	17.41%	16.31%	16.02%
Wholesalers	7.90%	8.70%	7.98%	8.33%
Kitchen equipment Dealer	14.08%	14.95%	19.01%	19.89%
F&B	2.50%	2.75%	1.20%	3.07%
Complexity stores	1.03%	0.80%	0.46%	0.38%
Others	0.46%	0.39%	4.11%	5.43%



# Markets-China Market IX

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## ➤ **Changes of customer types**

- Supermarkets
  - ✓ During pandemic, online transaction is integrating with physical, online sales outpaced physical stores.
  - ✓ The corporate mergers (RT-Mart + Auchan), significant reduction in store opening.
  - ✓ The consolidations for existing stores with less purchases of whole-set equipments but single machine instead.
  - ✓ New models for supermarkets, developments of community stores, fresh food and F&B services.
- Single stores and Chain stores
  - ✓ The largest influences were from lowering consumption activities dragging down significantly the investments on new store openings.

# Markets-China Market X

The logo for SINMAG, featuring the word "SINMAG" in white capital letters on a dark blue rectangular background. To the left of the text is a graphic consisting of several small squares in shades of blue and grey, arranged in a grid-like pattern.

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- The Wholesalers
  - ✓ During pandemic, food factories were less affected
  - ✓ Equipment in old factories were replaced, products of short expiration for guaranteed quality were increased.
  - ✓ Developing various sales channels, integrating online and physical, delivery to door.
  
- The F&B
  - ✓ Affected by the pandemic, the F&B habits have been changing in the 1<sup>st</sup> and 2<sup>nd</sup> tier cities. The pizza sales grew and developed new franchises and thus demands for some specific products increased, i.e. pizza equipment.
  
- The Complexity Stores
  - ✓ Affected by the pandemic, sales in stores decreased and thus the customers' store expansions slowed down.

# Markets-US Market

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- The world outside China --- the pandemic has its outbreak a lot later than China and has not seen any sign of slowdown.
  - Social distancing is affecting the power of public's consumer expenditure.
  - The import purchase strategies of equipment is affected by currencies.
  - Overseas markets developments are affected by various factors, we are adjusting different sales strategies on different countries.
  
- US
  - Affected by the pandemic, restaurants are seriously hurt, supermarkets relatively ran better.
  - Markets in the US targeting at supermarkets are less affected.
  - PUBLIX and WAL-MART, heavily involved in supermarkets, saw increasing demands.

# Markets-Southeast Asia Market

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## ➤ Affected by the pandemic, decline generally

### ■ Malaysia

- After the lockdown ended in May, monthly sales continued to grow.
- Wholesalers' growths made up the declines in other regions.

### ■ Thailand

- Successfully made it to win several big customers after years of efforts and meanwhile promoted new equipments. The follow-up situation in Thailand is more optimistic.

### ■ India

- The pandemic in India is severe and has a great impact on the entire bakery industry and the economy. There are still many cities that are on red areas and cannot open stores.
- SINMAG's distributors in central India have not been able to expand its business for several years. Currently, the central Indian market has been opened up for other distributors with no exclusive distributors.

# Financial Performance I Statement Of Comprehensive Income

**SINMAG**

NT\$(thousand)/EPS

	2015	2016	2017	2018	2019	2020Q1-Q3
Revenue	4,108,932	4,297,545	4,614,233	4,312,015	4,164,628	2,278,257
<i>Growth Rate%</i>	-4.55%	4.59%	7.37%	-6.55%	-3.42%	-24.98%
Gross Profit	1,644,482	1,810,713	1,897,745	1,718,306	1,705,525	926,264
<i>Gross Profit Margin%</i>	40.02%	42.13%	41.13%	39.85%	40.95%	40.66%
Profit From Operations	674,740	777,282	828,198	657,300	662,080	302,404
<i>Operating Profit Margin%</i>	16.42%	18.09%	17.95%	15.24%	15.90%	13.27%
Profit Before Income Tax	680,496	790,768	790,236	689,261	687,551	307,541
<i>Earning Before Tax Margin%</i>	16.56%	18.40%	17.13%	15.98%	16.51%	13.50%
Net Profit	471,817	546,858	534,153	473,613	503,361	212,036
<i>Net Profit Margin%</i>	11.48%	12.72%	11.58%	10.98%	12.09%	9.31%
EPS	9.72	11.27	10.63	9.43	10.02	4.22



# Financial Performance II Balance Sheet

**SINMAG**

## Solid Balance Sheet can cope with the impact of the pandemic

NT\$(thousand)/EPS

September 30  
2020

	2015	2016	2017	2018	2019	September 30 2020
<b>Assets</b>						
Cash and cash equivalents	443,152	770,584	848,267	816,499	845,718	813,704
Trade receivables	808,278	703,854	727,270	611,712	484,490	382,259
Inventories	660,917	626,997	703,672	669,144	631,628	604,436
Property, plant and equipment	718,530	688,534	736,700	843,929	1,065,760	1,016,571
Other assets	298,033	327,334	289,022	290,683	273,851	312,570
	2,928,910	3,117,303	3,304,931	3,231,967	3,301,447	3,129,540
<b>LIABILITIES</b>						
Short-term borrowings	105,000	125,000	209,314	150,000	113,391	203,145
Trade payables	288,178	280,186	297,382	257,649	243,259	218,016
Other payables	252,690	316,733	256,556	258,506	288,970	196,741
Current tax liabilities	82,015	132,378	138,802	115,731	78,527	157,682
Current portion of long-term borrowings and bonds payable	1,438	1,683	5,968	6,121	5,906	4,103
Long-term borrowings	67,269	65,061	93,659	89,615	81,866	22,101
Other liabilities	274,048	260,279	258,598	235,870	254,150	163,037
Total liabilities	1,070,638	1,181,320	1,260,279	1,113,492	1,066,069	964,825
Debt to Total Assets%	36.55%	37.90%	38.13%	34.45%	32.29%	30.83%
Total equity	1,858,272	1,935,983	2,044,652	2,118,475	2,235,378	2,164,715
ROE%	26.56%	29.53%	27.49%	23.31%	23.68%	13.36%

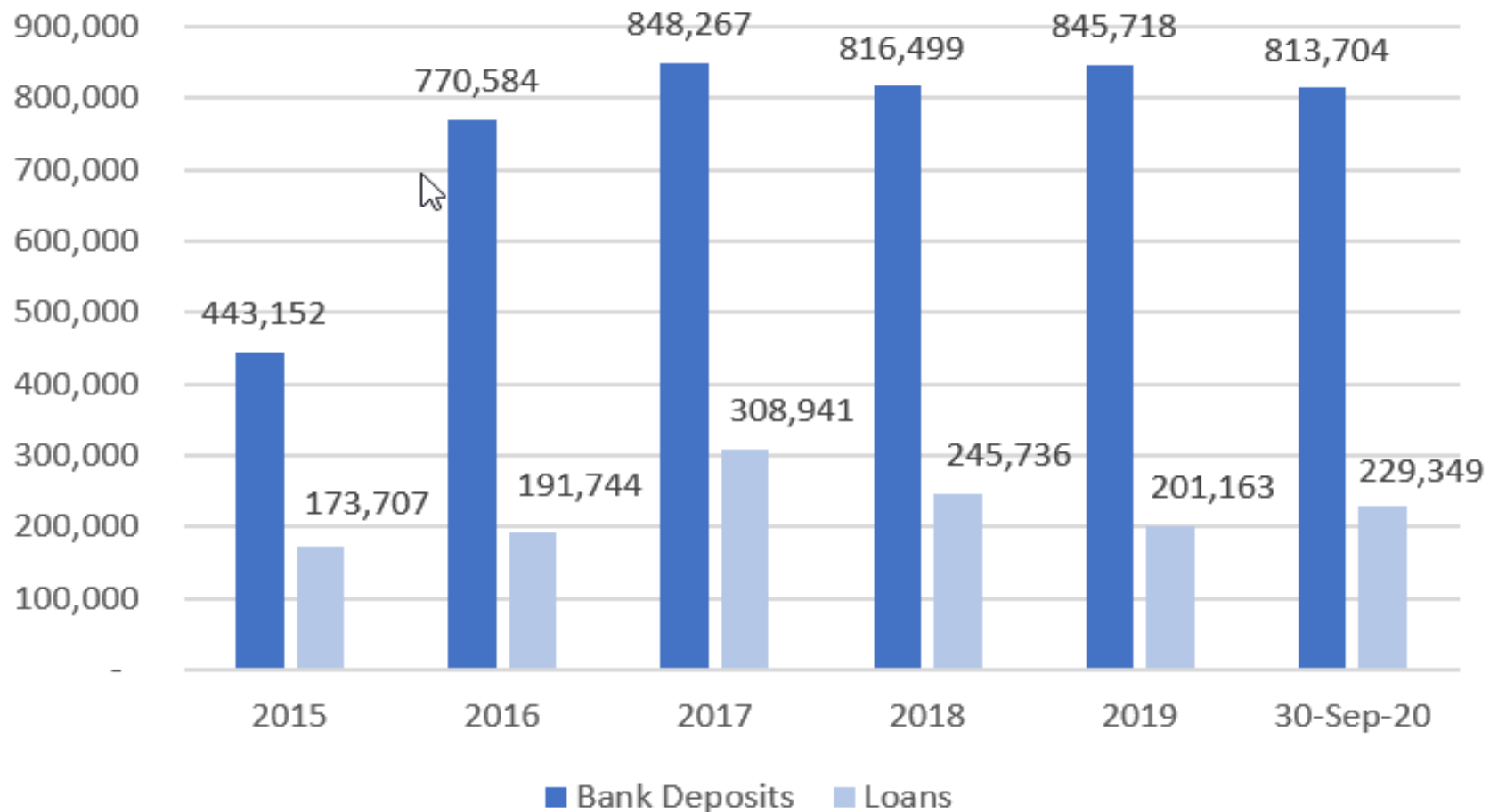
Note : Cash and cash equivalents include other financial assets (i.e Time deposits with original maturities over 3 months from the date of acquisition, financial products)

# Financial Performance III Bank Deposits V.S Loans

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## Sufficient cash can support sustainable development

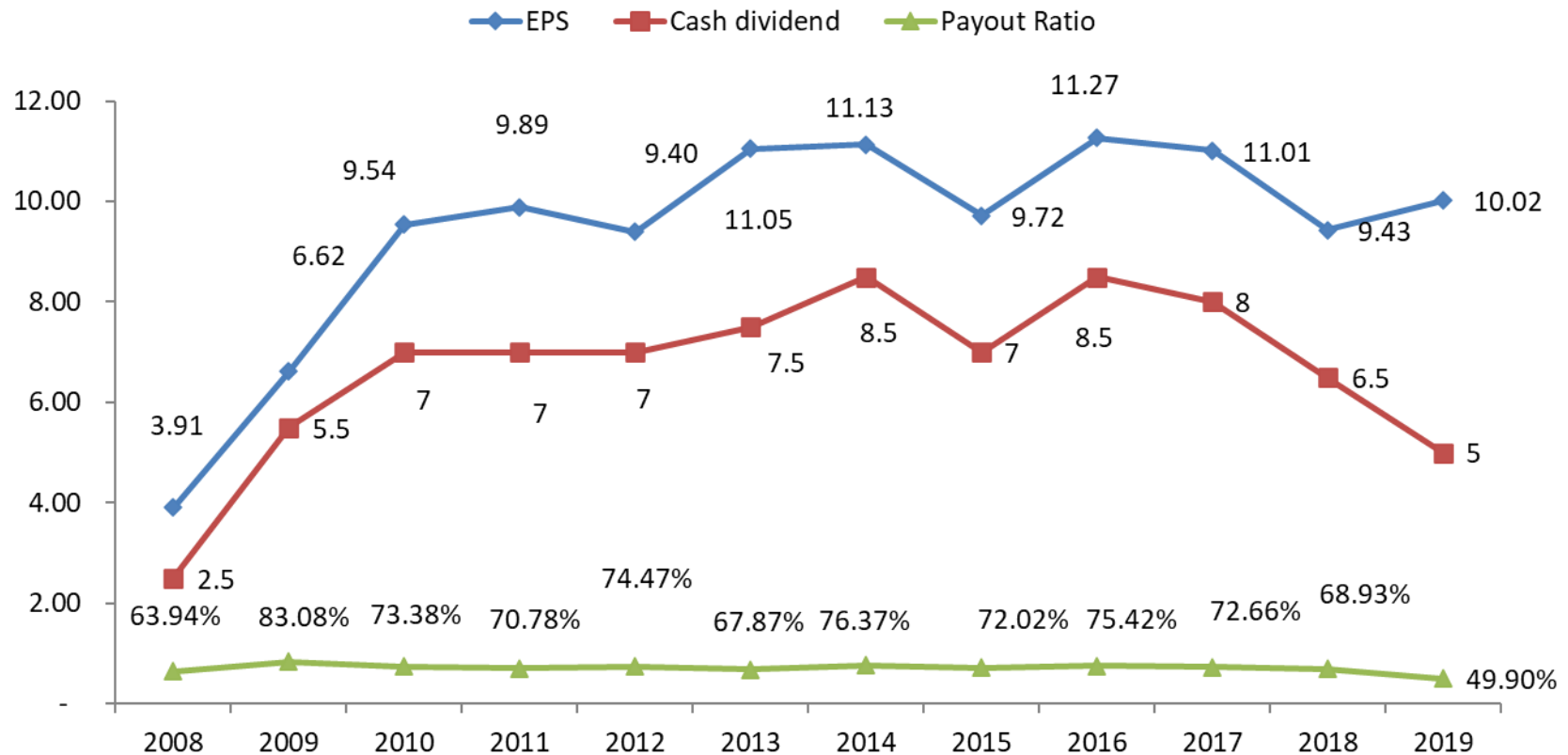
NT\$(thousand)



# Financial Performance IV Payout Ratio

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NT\$/Share/EPS



# Development Plans-Overall

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## ➤ The deployments of production lines

- The production line adjustments after new plant started running
  - ✓ The second plant in Wuxi, started in September 2019, readjusted the flow lines of the production lines to increase efficiency.
  - ✓ New decoiler machine joined the contribution in 2020, significantly decreasing the losses and wastes of boards materials and speeding up the flow lines.
  - ✓ Expected to add four precision processing machines to lift the capacity and lower the defective rate in 2020. It is expected to be put into production by the end of the year.
  - ✓ To introduce concepts of safe production and environmental protection, setting the base of long-lasting corporate operations.
  
- The retrofit for painting workshop
  - ✓ On the environmental protection issue, in recent years China has been focusing on the improvements on smog and valuing the air pollution issues.
  - ✓ In the past, the paints that Sinmag has been adding thinner which increase VOCs emission. Started in 2016, those thinner solutions were banned due to high VOCs emission and meanwhile the flammable and explosible issues are bringing over industrial safety issues.
  - ✓ After three long years' R&D, in 2020 Sinmag finally has confirmed to switch to water-based paints, officially recognized by government, to replace original paints.
  - ✓ The reforms on the plants adopting water-based paints, line of automatic spraying paints and waste water processing, with a total of RMB 20M investments, expected to launch in spring of 2021.

# Development Plans-China Market

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- **Cooperation with training institutes, promotions of products to all newcomers**
  - WangSen Baking School, Breadlabo
  - New Oriental Education & Technology Group Inc.
  - Sweet Time
  
- **Enforcing the ties with kitchenware partners, attracting all those potential customers that were not touched directly**
  - Century Catering Equipment
  - Guang Long Kitchen
  
- **To promote central factory market, provide customized production lines and automation design proposals**
  - Fujian Dali Group Co., Ltd
  - Uni-President Enterprises Corporation



# Development Plans-Overseas Markets

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## ■ US

- ✓ The continue the supermarket tender method and strive for long term projects.
- ✓ Strengthens the layout of chain stores and single stores.

## ■ Malaysia

Utilizing the advantage in after sales to promote small workshops and small wholesale markets.

## ■ Thailand

Keep cultivating on the supply chain in factories, complete more equipment sales.

## ■ India

Develop new distributor in Central India, cooperate with distributor to launch on line sales and equipment consultants to develop new customers.

# Conclusion

The logo for SINMAG, featuring the word "SINMAG" in white capital letters on a blue rectangular background. To the left of the text is a decorative graphic consisting of several overlapping squares in shades of blue and grey.

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- Not being affected by the pandemic of COVID-19, follow the original plan, continue to plough deep, optimize the production efficiency, increase the capacity and lift the product quantities and qualities. Introducing the concept of safe production and environmental protection, in order to make a layout for the company's sustainable operation.
- After the pandemic getting eased, the baking equipment markets slowly saw recoveries, especially in China, where the government control over pandemic was extremely strict and thus the baking market is still with huge potential. Competitors were mostly hurt in the pandemic period, part of them might not be able to come back to the market and thus China is still the core of the deployments over next few years.
- Currently, the country with better developments in overseas is US. In the pandemic, the supermarket has turned to the heart of consumptions with a very high possibility to continue to 2021. Sinmag is working on a long-term tender cooperation method and expects US to contribute steady sales in the future.

**SINMAG**



**Putting great efforts in technology innovations and pushing SINMAG's equipment to give birth to delicious bread and ultimately filling everybody with joy and happiness**