

新麥企業股份有限公司

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SINMAG

SINMAG EQUIPMENT CORPORATION

Operations Report

Yu Tung, Huang, Spokesman

Tel: +886-2-22981148#14

Email: sinmag.tw@sinmag.com.tw



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Agenda

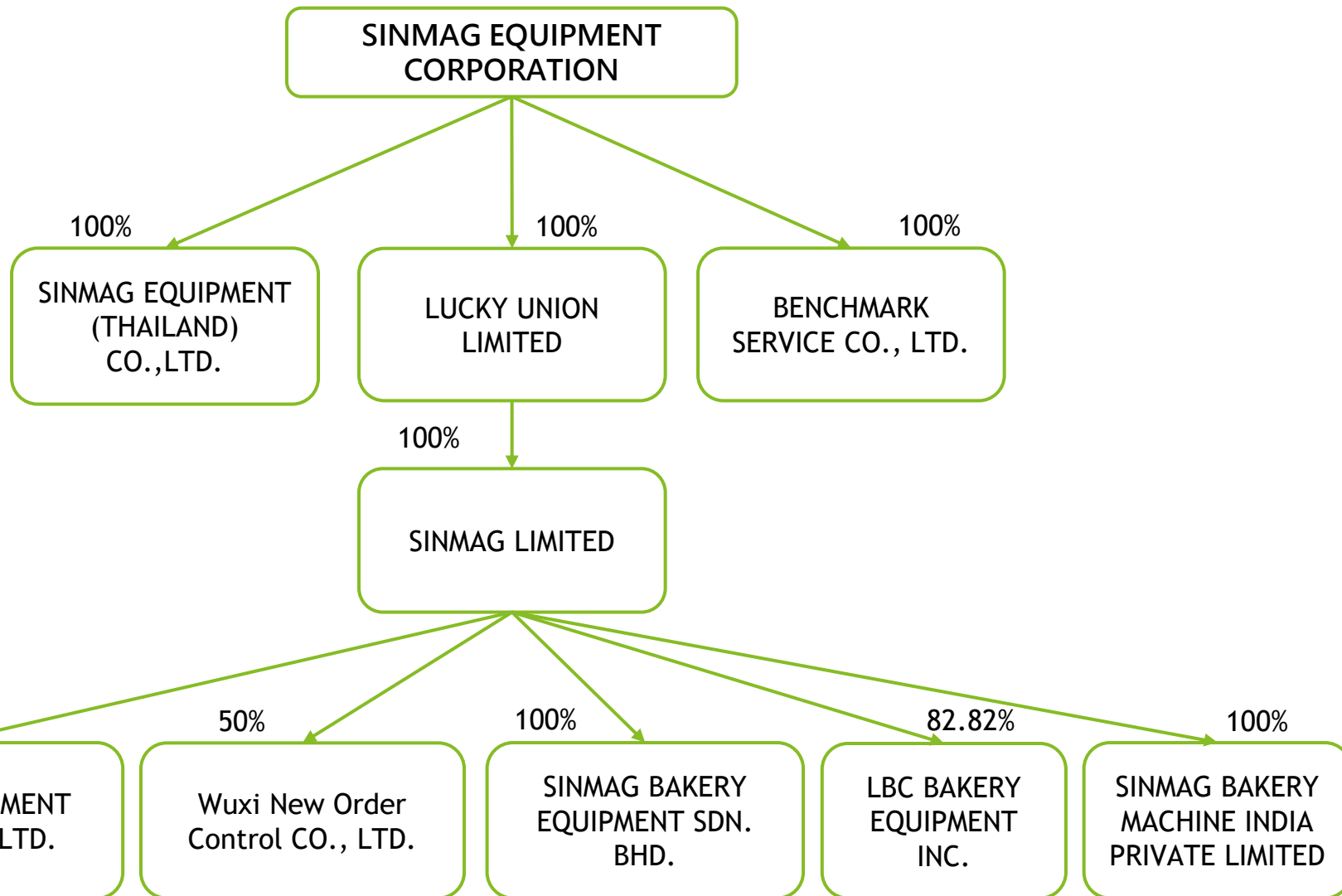
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- 1 、 Overall Status Quo**
- 2 、 Markets**
- 3 、 Financial Performance**
- 4 、 Development Plans**



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(1st Plant)

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- **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(2nd Plant)

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- **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

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- **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

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- **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

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- The pandemic of COVID-19 in early 2020 has been affecting the whole world, all industries are turning conservative on Capex plans, and the sales of bakery equipment were affected. While the epidemic situation is subsiding, the baking equipment market slowly saw recoveries. In particular, China has stricter control over pandemic and thus the baking market is still with huge potential. Most of the competitors in the industry were hit hard during the pandemic, 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.

Overall Status Quo VII

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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. Therefore, 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).

Overall Status Quo VII

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- 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.
- Currently, the country with better developments in overseas is US. In the pandemic, the supermarket has turned to the heart of consumptions. In 2021, Sinmag is continually working on a long-term tender cooperation method and expects US to contribute steady sales in the future.

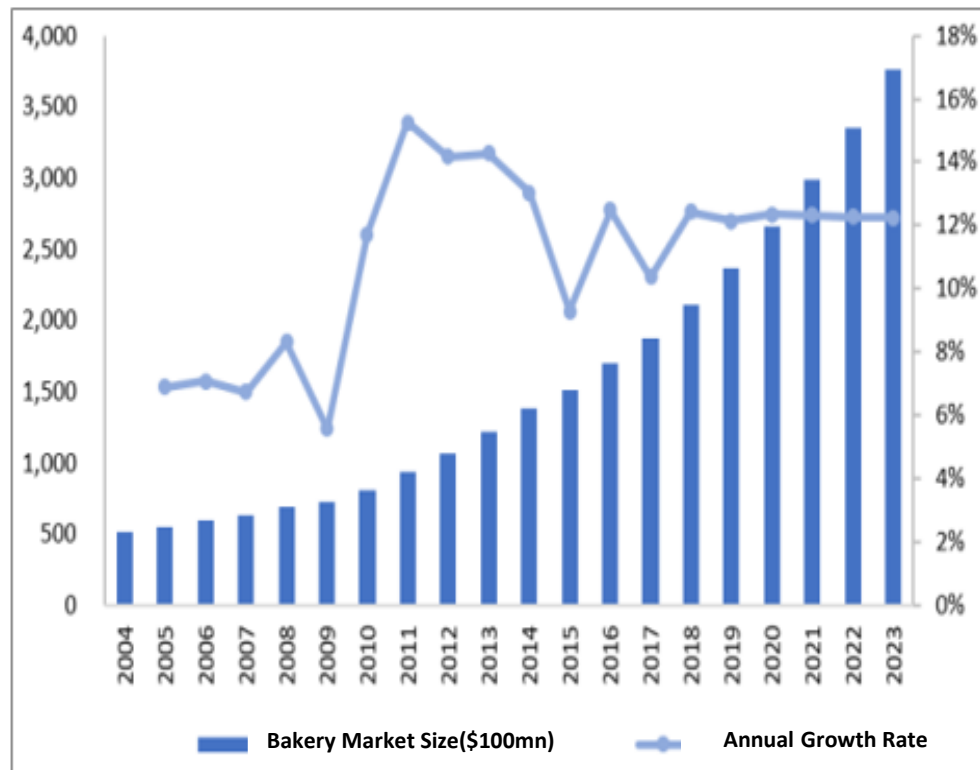
Markets-China Market I

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The baking equipment market size in China

(RMB\$100mn)

Growth Rate%



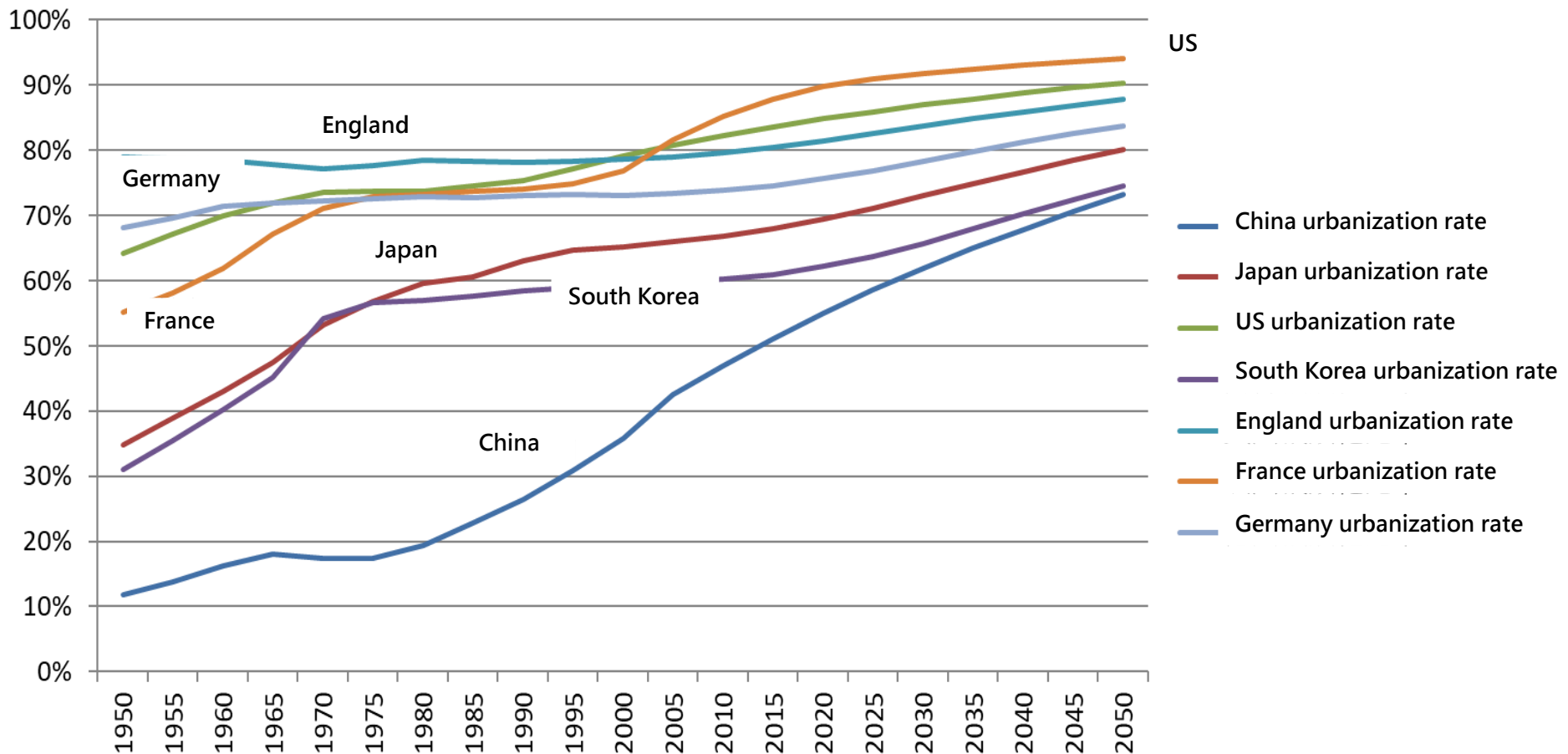
In recent years along with people's fast-changing life styles and the penetrations from Western foods, baking food is slowly making its mark on breakfast market, with more demands from dinner and casual occasions, baking food's market size will be further expanded. According to ZhiYan Consulting Organization,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

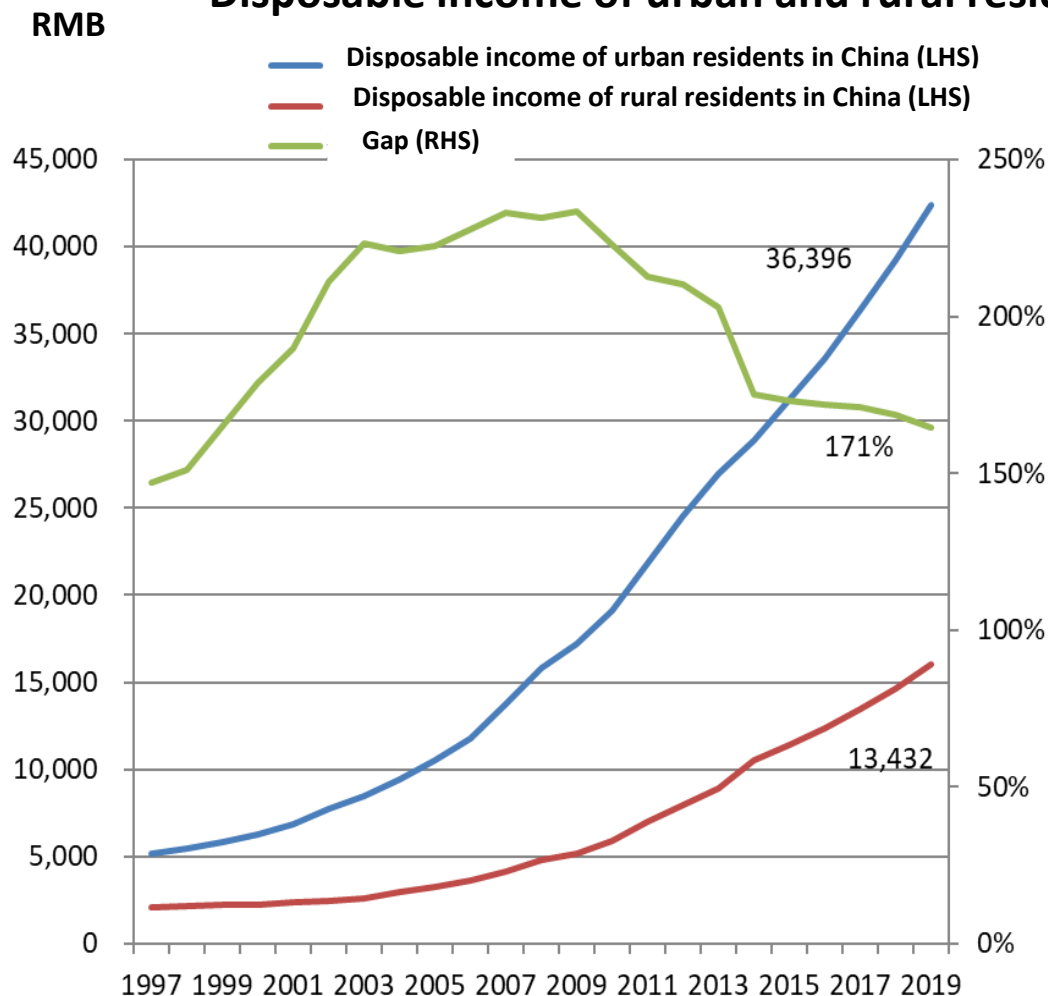


Source: IMF 、 UN 、 Bloomberg

Markets-China III

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Disposable income of urban and rural residents in China

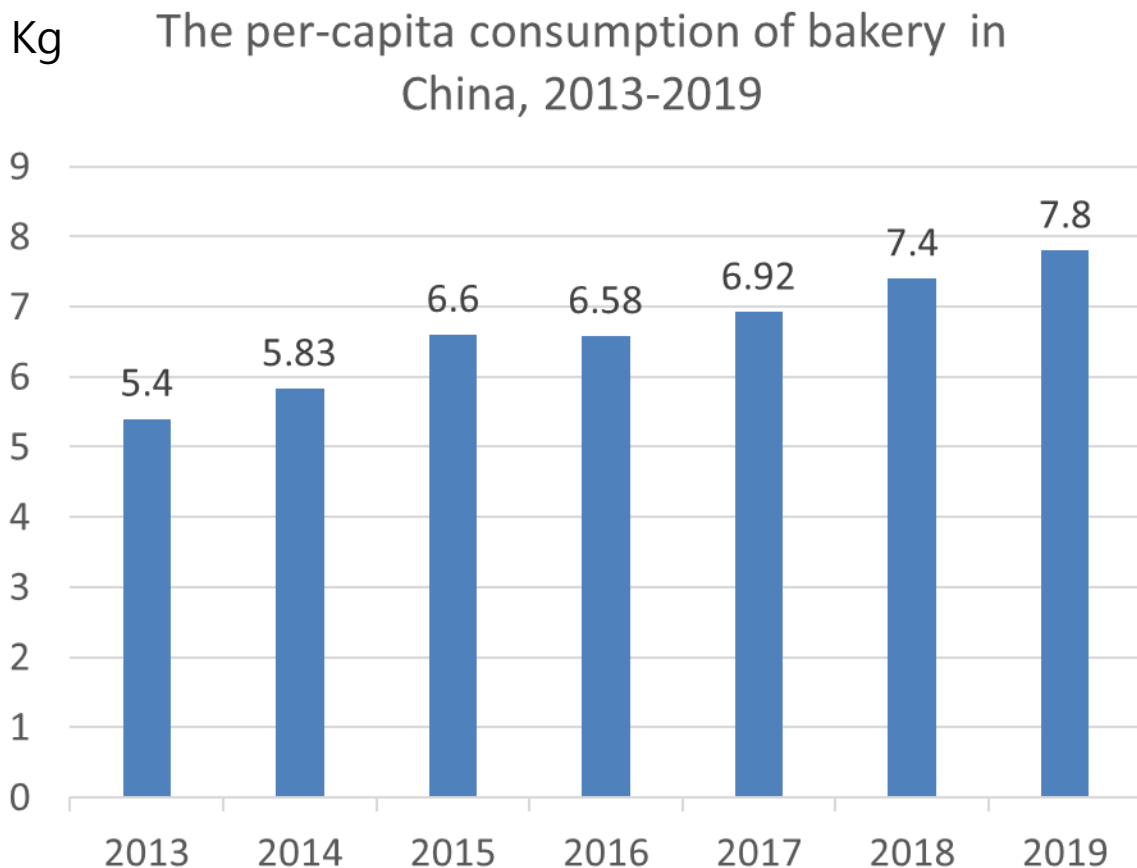


Source: National Bureau of Statistics

- The consumer power in the 2nd, 3rd-tier cities in China differs from that in 1st-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 2nd, 3rd-tier cities' is expected to increase.

Markets-China Market IV

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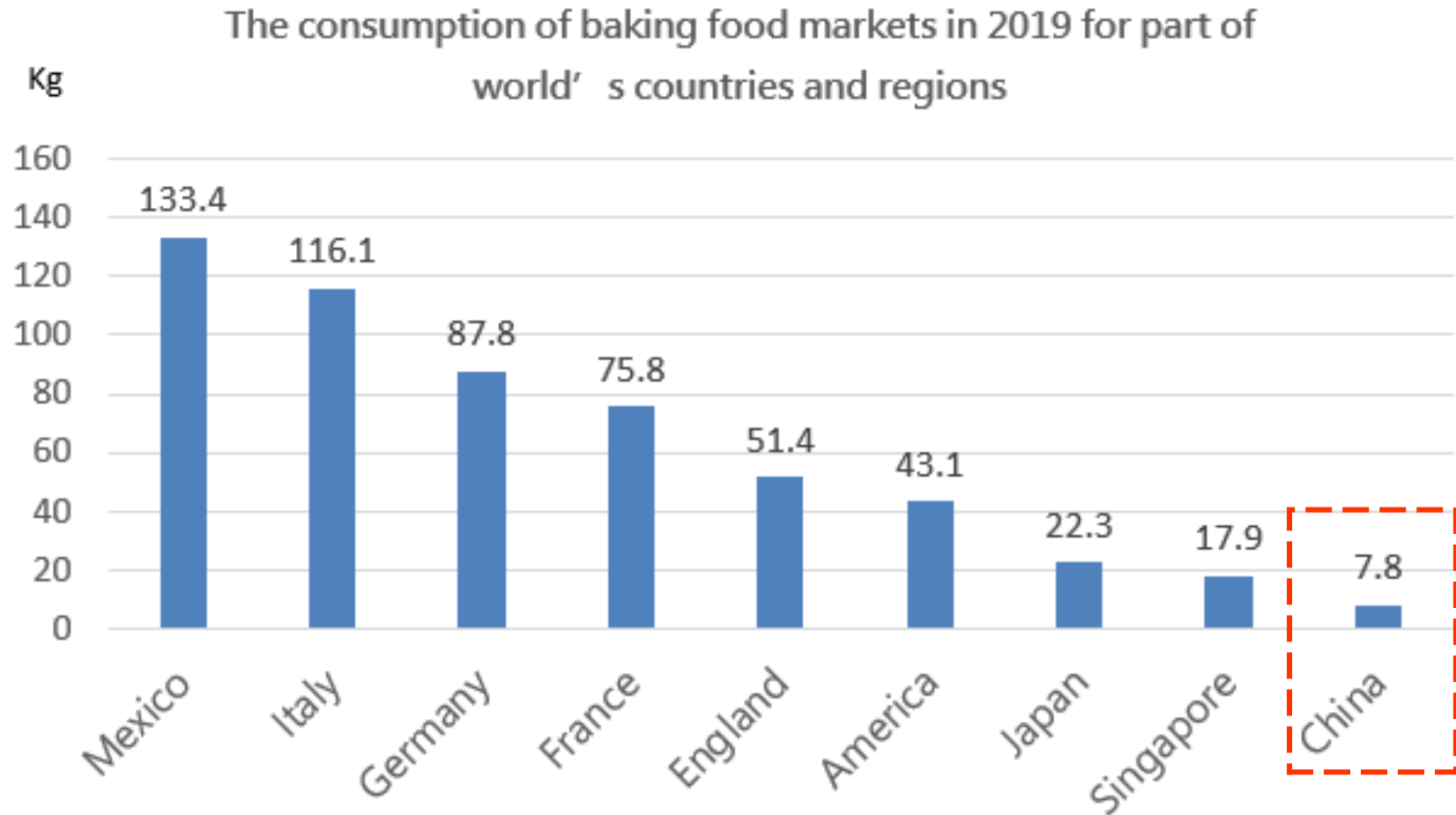


Due to different living habits and ways on diets from Western countries, the baking foods in Pan Asia region are usually taken as refreshments rather than meals. According to the stats from China Food Industry Association Bakery Specialized Committee, the per-capita consumption is 7.8k grams. In recent 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

Markets-China Market VI

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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 VII

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➤ Types of customers in China market

	2017	2018	2019	2020
Supermarkets	15.16%	18.75%	13.22%	11.93%
Chain stores	39.28%	36.25%	37.71%	36.13%
Single stores	19.58%	17.41%	16.31%	14.58%
Wholesalers	7.90%	8.70%	7.98%	7.92%
Kitchen equipment Dealer	14.08%	14.95%	19.01%	20.02%
F&B	2.50%	2.75%	1.20%	2.46%
Complexity stores	1.03%	0.80%	0.46%	0.34%
Others	0.46%	0.39%	4.11%	6.61%

Financial Performance I Statement Of Comprehensive Income

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NT\$(thousand)/EPS

	2015	2016	2017	2018	2019	2020
Revenue	4,108,932	4,297,545	4,614,233	4,312,015	4,164,628	3,300,489
<i>Growth Rate%</i>	-4.55%	4.59%	7.37%	-6.55%	-3.42%	-20.75%
Gross Profit	1,644,482	1,810,713	1,897,745	1,718,306	1,705,525	1,339,739
<i>Gross Profit Margin%</i>	40.02%	42.13%	41.13%	39.85%	40.95%	40.59%
Profit From Operations	674,740	777,282	828,198	657,300	662,080	488,841
<i>Operating Profit Margin%</i>	16.42%	18.09%	17.95%	15.24%	15.90%	14.81%
Profit Before Income Tax	680,496	790,768	790,236	689,261	687,551	492,790
<i>Earning Before Tax Margin%</i>	16.56%	18.40%	17.13%	15.98%	16.51%	14.93%
Net Profit	471,817	546,858	534,153	473,613	503,361	340,940
<i>Net Profit Margin%</i>	11.48%	12.72%	11.58%	10.98%	12.09%	10.33%
EPS	9.72	11.27	10.63	9.43	10.02	6.79

Financial Performance II Balance Sheet

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Solid Balance Sheet can cope with the impact of the pandemic

NT\$(thousand)/EPS

	2015	2016	2017	2018	2019	2020
Assets						
Cash and cash equivalents	443,152	770,584	848,267	816,499	845,718	993,154
Trade receivables	808,278	703,854	727,270	611,712	484,490	477,393
Inventories	660,917	626,997	703,672	669,144	631,628	624,587
Property, plant and equipment	718,530	688,534	736,700	843,929	1,065,760	1,020,344
Other assets	298,033	327,334	289,022	290,683	273,851	331,257
	2,928,910	3,117,303	3,304,931	3,231,967	3,301,447	3,446,735
LIABILITIES						
Short-term borrowings	105,000	125,000	209,314	150,000	113,391	202,119
Trade payables	288,178	280,186	297,382	257,649	243,259	265,898
Other payables	252,690	316,733	256,556	258,506	288,970	242,497
Current tax liabilities	82,015	132,378	138,802	115,731	78,527	169,814
Current portion of long-term borrowings and bonds payable	1,438	1,683	5,968	6,121	5,906	4,155
Long-term borrowings	67,269	65,061	93,659	89,615	81,866	21,346
Other liabilities	274,048	260,279	258,598	235,870	254,150	208,881
Total liabilities	1,070,638	1,181,320	1,260,279	1,113,492	1,066,069	1,114,710
Debt to Total Assets%	36.55%	37.90%	38.13%	34.45%	32.29%	32.34%
Total equity	1,858,272	1,935,983	2,044,652	2,118,475	2,235,378	2,332,025
ROE%	26.56%	29.53%	27.49%	23.31%	23.68%	15.48%

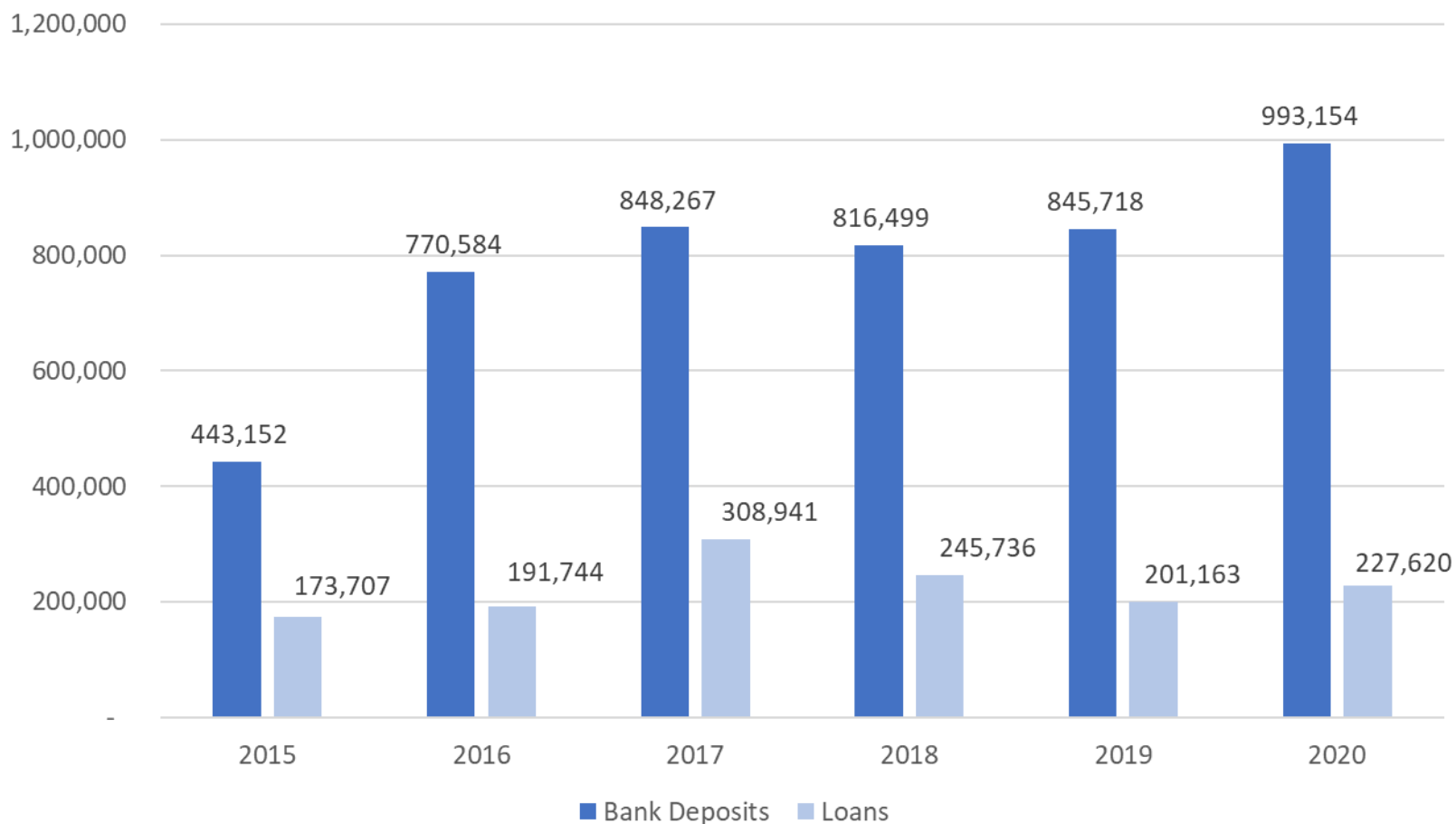
Note : Cash and cash equivalents include amortized cost financial assets (i.e Time deposits with original maturities over 3 months from the date of acquisition, financial products)

Financial Performance III Bank Deposits V.S Loans

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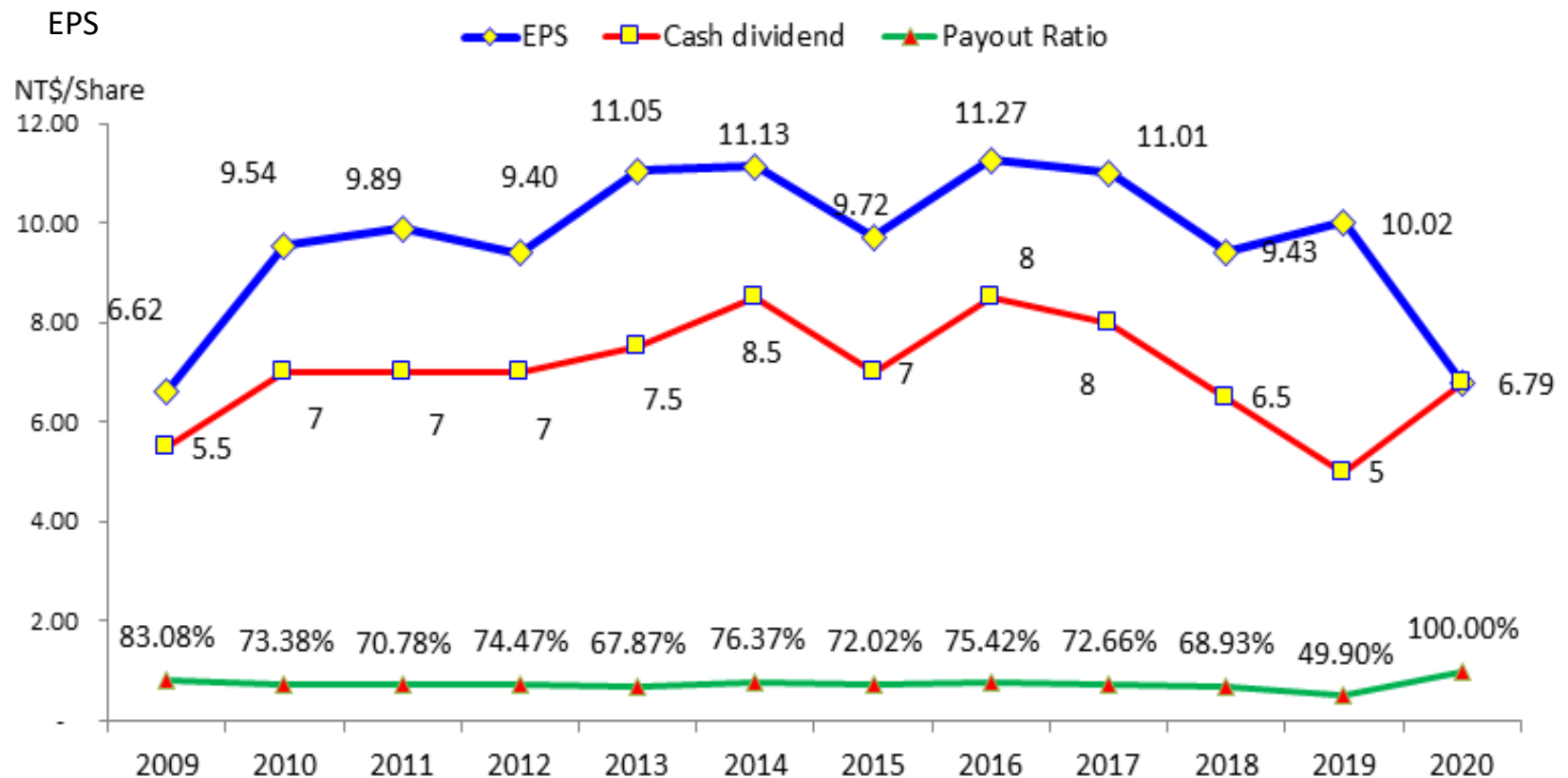
Sufficient cash can support sustainable development

NT\$(thousand)



Financial Performance IV Payout Ratio

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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.