



葡萄王生技

# Grape King Bio (1707 TT) Investor Presentation

Nov 2020

Confidential

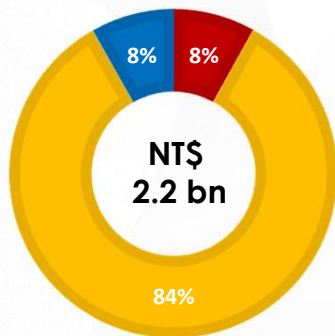
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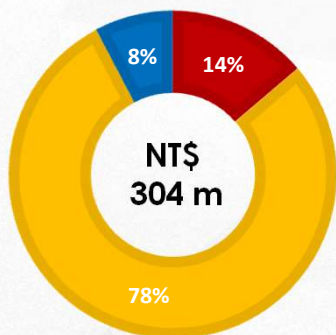
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# “ Revenue Breakdown (3Q20 v.s. 3Q19)

3Q20 REVENUE



3Q20 NET PROFIT



■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

## 1. Grape King Taiwan

NT\$ 175 m (+32% YoY)

Thanks to strong sales of our own brand products as well as higher ODM revenues.

## 2. Pro-Partner

NT\$ 1,814 m (-2% YoY)

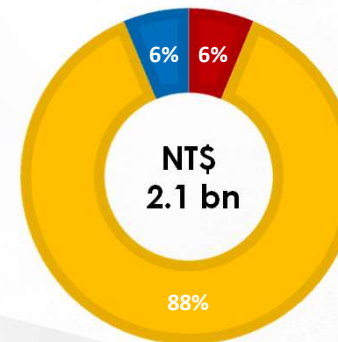
Members activities continue to normalize post pandemic while new products launched in 3Q20 are well-received by members.

## 3. Grape King Shanghai

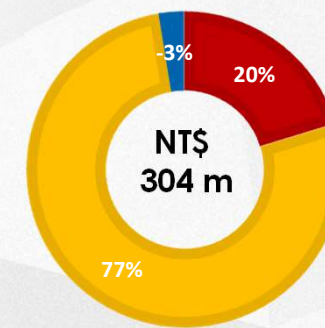
NT\$ 178 m (+35% YoY)

China consumption recovery has been slower-than-expected amid a low base from last year. Good order build ahead of Double 11 shopping festival.

3Q19 REVENUE



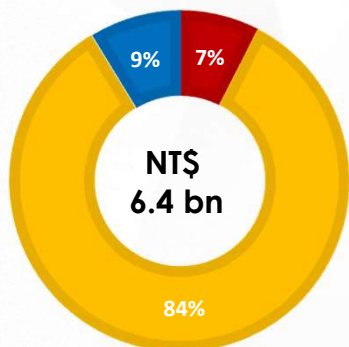
3Q19 NET PROFIT



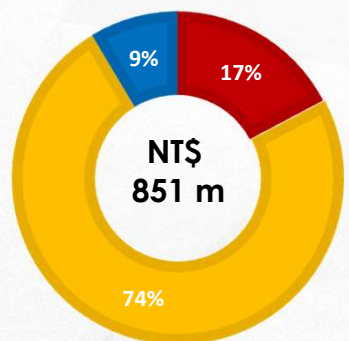
■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

# “ Revenue Breakdown (9M20 v.s. 9M19)

9M20 REVENUE



9M20 NET PROFIT



## 1. Grape King Taiwan NT\$ 484 m (+28% YoY)

Thanks to strong sales of our own brand products, with equally strong momentum coming from physical and e-commerce channels.

## 2. Pro-Partner

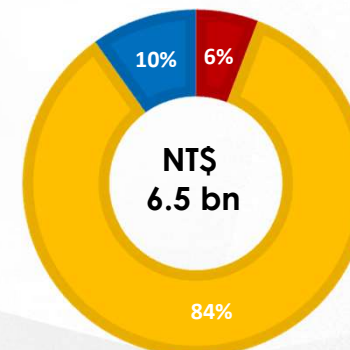
NT\$ 5,381 m (-2% YoY)

Members activities were mostly restricted in 1H20 but began to recover in 2H20.

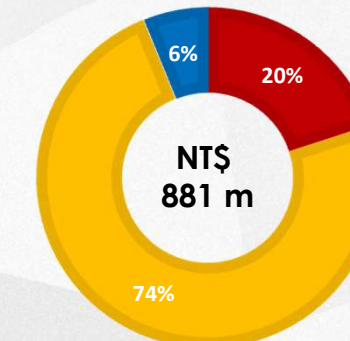
## 3. Grape King Shanghai NT\$ 561 m (-13% YoY)

1H20 shipments were mostly affected the pandemic. While China consumption recovery post pandemic was slower-than-expected.

9M19 REVENUE



9M19 NET PROFIT



■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

# “ 3Q20 Income Statement

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(NT\$m)	3Q20	3Q19	diff	YoY	2Q20	diff	QoQ	9M20	9M19	diff	YoY
<b>Net Sales</b>	<b>2,168</b>	<b>2,112</b>	<b>56</b>	<b>2.7%</b>	<b>2,248</b>	<b>(80)</b>	<b>-3.6%</b>	<b>6,425</b>	<b>6,526</b>	<b>(101)</b>	<b>-1.5%</b>
COGS	390	354	36	10.2%	428	(37)	-8.7%	1,152	1,187	(35)	-3.0%
<b>Gross Profit</b>	<b>1,778</b>	<b>1,757</b>	<b>20</b>	<b>1.1%</b>	<b>1,821</b>	<b>(43)</b>	<b>-2.4%</b>	<b>5,273</b>	<b>5,339</b>	<b>(66)</b>	<b>-1.2%</b>
Operating Expenses	(1,215)	(1,201)	(15)	1.2%	(1,310)	94	-7.2%	(3,733)	(3,755)	22	-0.6%
<i>Selling</i>	(1,008)	(1,012)	4	-0.4%	(1,122)	114	-10.2%	(3,164)	(3,227)	63	-2.0%
<i>Administrative</i>	(141)	(135)	(6)	4.2%	(125)	(15)	12.3%	(388)	(393)	5	-1.4%
<i>R&amp;D</i>	(67)	(54)	(13)	24.8%	(62)	(5)	7.7%	(180)	(134)	(46)	34.5%
<b>Operating Profit</b>	<b>562</b>	<b>556</b>	<b>6</b>	<b>1.0%</b>	<b>511</b>	<b>51</b>	<b>10.0%</b>	<b>1,541</b>	<b>1,584</b>	<b>(43)</b>	<b>-2.7%</b>
Net Non-Op gain/(loss)	18	31	(12)	-40.1%	10	9	92.1%	55	76	(21)	-27.6%
Profit before Tax	581	587	(6)	-1.1%	520	61	11.7%	1,595	1,660	(64)	-3.9%
Income Tax	(118)	(117)	(1)	0.7%	(107)	(12)	10.8%	(324)	(344)	20	-5.8%
Minorities	(159)	(166)	7	-4.1%	(129)	(30)	23.6%	(421)	(435)	15	-3.4%
<b>Net Income</b>	<b>304</b>	<b>304</b>	<b>(0)</b>	<b>-0.1%</b>	<b>285</b>	<b>19</b>	<b>6.6%</b>	<b>851</b>	<b>881</b>	<b>(30)</b>	<b>-3.4%</b>
<b>Basic EPS (NT\$)</b>	<b>2.23</b>	<b>2.24</b>	<b>(0.01)</b>	<b>-0.4%</b>	<b>2.09</b>	<b>0.14</b>	<b>6.7%</b>	<b>6.25</b>	<b>6.49</b>	<b>(0.24)</b>	<b>-3.7%</b>
Fully diluted EPS (NT\$)	2.22	2.23	(0.01)	-0.4%	2.09	0.13	6.2%	6.23	6.46	(0.23)	-3.6%
<b>Margins</b>											
Gross margin	82.0%	83.2%	-1.2%		81.0%	1.0%		82.1%	81.8%	0.3%	
Operating expenses ratio	56.1%	56.9%	-0.8%		58.3%	-2.2%		58.1%	57.5%	0.6%	
Operating margin	25.9%	26.4%	-0.4%		22.7%	3.2%		24.0%	24.3%	-0.3%	
Pretax margin	26.8%	27.8%	-1.0%		23.1%	3.7%		24.8%	25.4%	-0.6%	
Net margin	14.0%	14.4%	-0.4%		12.7%	1.3%		13.2%	13.5%	-0.3%	

## “ 3Q20 Balance Sheet

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(NT\$ m)	3Q20	3Q19	diff	YoY	2019	Diff (v.s. 3Q20)
<b>Total Assets</b>	<b>11,991</b>	<b>10,531</b>	<b>1,460</b>	<b>13.9%</b>	<b>11,359</b>	<b>632</b>
Cash	1,671	1,186	485	40.9%	2,146	(475)
AR & NR	244	279	(35)	-12.5%	202	42
Inventories	720	584	136	23.3%	546	174
Fixed Assets	7,343	6,458	885	13.7%	6,454	889
<b>Total Liabilities</b>	<b>4,659</b>	<b>3,674</b>	<b>985</b>	<b>26.8%</b>	<b>3,888</b>	<b>771</b>
AP & NP	239	215	24	11.2%	223	16
Total Borrowing	2,034	1,349	685	50.8%	1,177	857
<b>Total Equity</b>	<b>7,332</b>	<b>6,857</b>	<b>475</b>	<b>6.9%</b>	<b>7,471</b>	<b>(139)</b>
<b>Ratios</b>						
A/R Turnover Days	11.0	8.8			7.3	
Inventory Turnover Days	152.8	134.3			119.3	
A/P Turnover Days	53.2	64.8			52.2	
Cash Conversion Days	110.6	78.3			74.4	
ROE (%)	19.0	21.2			22.0	
ROA (%)	10.1	11.6			11.9	
Net debt (cash)/Equity %	4.9	2.4			-13.0	

## “ 3Q20 Cash Flow Statement

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(NT\$ m)	3Q20	3Q19	diff	YoY	9M20	9M19	diff	YoY
<b>Cash Flow From Operations</b>	<b>357</b>	<b>295</b>	<b>62</b>	<b>21%</b>	<b>1,300</b>	<b>965</b>	<b>335</b>	<b>35%</b>
Capex	(88)	(173)	85	-49%	(1,165)	(573)	(593)	103%
<b>Cash Flow From Investing</b>	<b>(96)</b>	<b>(232)</b>	<b>136</b>	<b>-59%</b>	<b>(1,183)</b>	<b>(633)</b>	<b>(550)</b>	<b>87%</b>
Net increase (decrease) in short-term borrowing	<b>600</b>	<b>150</b>	<b>450</b>	<b>300%</b>	<b>(450)</b>	<b>250</b>	<b>(700)</b>	<b>-280%</b>
Net increase (decrease) in long-term borrowing	238	593	(356)	-60%	680	607	73	12%
<b>Cash Flow From Financing</b>	<b>(20)</b>	<b>(114)</b>	<b>94</b>	<b>-83%</b>	<b>(592)</b>	<b>(1,183)</b>	<b>592</b>	<b>-50%</b>
<b>Cash at the End</b>	<b>1,671</b>	<b>1,186</b>	<b>485</b>	<b>41%</b>	<b>1671</b>	<b>1,186</b>	<b>485</b>	<b>41%</b>
<b>Free Cash Flow</b>	<b>269</b>	<b>122</b>	<b>147</b>	<b>121%</b>	<b>135</b>	<b>392</b>	<b>(257)</b>	<b>-66%</b>



## Our Goal

**To become a global leading health and wellness company that promotes a healthier living and a more sustainable future**



# “ Our Product Development Focus

## Probiotics

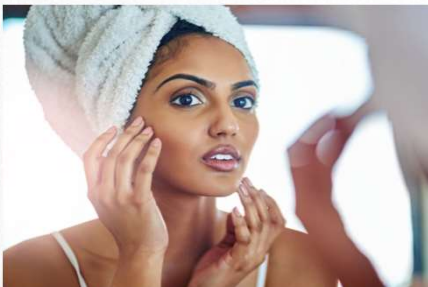
Mood Improvement



Weight Management



Skincare



Respiratory Health/Anti-Bacterial



## Medicinal Mushrooms

Lower risks factor (Antrodia)



Memory Improvement (Lionsmane)



Eye Health (Cordyceps Sobolifera)



Sleeping Quality (Armillaria mellea)



# “ Our Growth Strategies



Key Objectives	Levers
<p><b>Grape King Taiwan</b></p> <ul style="list-style-type: none"> <li>• Market share gain</li> <li>• Expanding through new adjacencies</li> <li>• Accelerate overseas ODM &amp; raw materials businesses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Market share gain through products upgrade and deeper channels penetration</li> <li>✓ Business expansion through penetrating new product categories</li> <li>✓ Continue to promote Grape King’s raw material and R&amp;D capabilities in probiotics and medicinal mushrooms.</li> </ul>
<p><b>Pro-Partner</b></p> <ul style="list-style-type: none"> <li>• Unlock growth ceiling</li> <li>• Improving demand forecast, sales visibility, and products time to market</li> </ul>	<ul style="list-style-type: none"> <li>✓ Accelerate new product launches from only 1-2 new products to 3-5 products per year.</li> <li>✓ Focus on growing younger members.</li> <li>✓ Duplicate Taiwan success in new geographies</li> </ul>
<p><b>Grape King Shanghai</b></p> <ul style="list-style-type: none"> <li>• Clients diversification</li> <li>• Prepping for the probiotics boom</li> </ul>	<ul style="list-style-type: none"> <li>✓ Cultivate 10 new customers with the potential of each contributing Rmb 10mn sales per annum</li> <li>✓ Develop non-direct/WeChat customers</li> <li>✓ Capture more business opportunities through local strategic partnerships and alliances</li> </ul>

# “ Unleash growth potential through expanding into new adjacencies

Now

**Functional  
Drinks &  
Health  
Supplements**

Enlarged target  
addressable  
markets (TAMs)

Future

**Functional F&B**

**Health  
Supplements**  
(Core Offerings)

**Personal Products**

**Pet Health**

Consumers are looking for healthier, functional, delicious products for modern lifestyles

Consumers are looking for a healthier approach to beauty and personal care

Significant physiological similarities between humans and pets

# “ Growing on Giant’s Shoulder



## Channels & Distribution Collaboration

- Physical Channels : Taiwan~6,000 stores/ China~ 400 stores / Southeast Asia ~ 3,000 stores  
*(including convenience stores, pharmacies, department stores)*
- Virtual Channels



葡萄王生技  
GRAPE KING BIO



統一企業

## Production Resource Collaboration

- Taiwan/overseas mutual OEM production



## R&D Collaboration

- New adjacencies (such as F&B) expansion
- R&D collaboration, joint product development
- Products agency
- Food safety enhancement



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Q&A

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# Company Background

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# “ Investment Highlights



## We are industry leader

- ✓ We are a leading health food manufacturer in Greater China, specializing in probiotics, mushroom and other herbal-based supplements. We command No. 1 position in probiotics and medicinal mushrooms supplements with 31% and 45% market share, respectively in 2019.
- ✓ We operate the second largest direct-selling company – Pro-Partner in Taiwan (2019 market share: 8.3%).



## Strong R&D capabilities

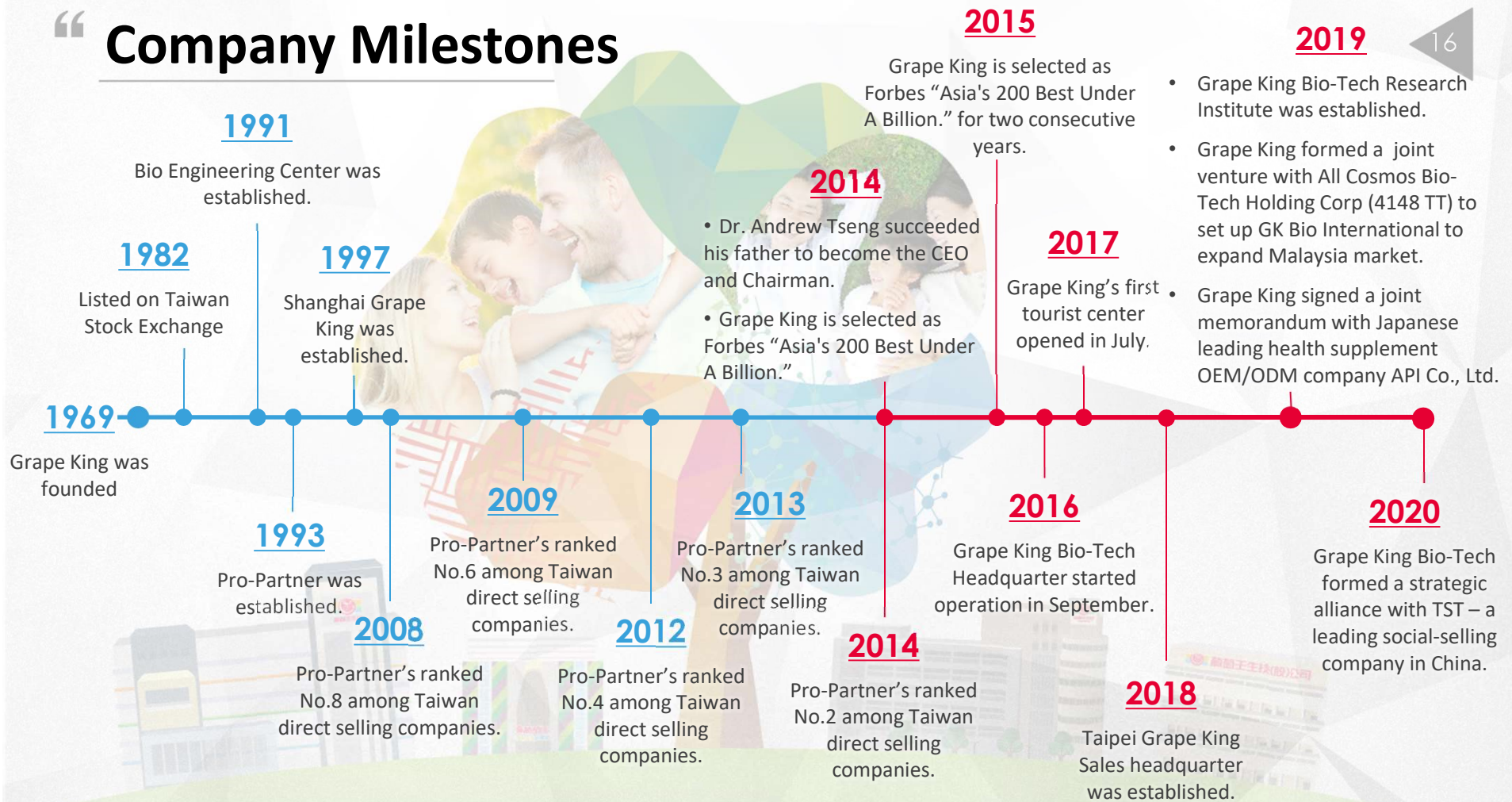
- ✓ We are one of the few health food companies in Taiwan that possess the capability to produce our own raw materials, manufacture products and distribute through own brands and channels.
- ✓ Our expertise in raw materials allow us to develop health supplements serving different benefits. Therefore, many of our products are TFDA approved for different health benefits.
- ✓ We are also a frequent winner of major international conventions/competitions in respect to new product design/concept.



## Solid growth with sustainable payout ratio

- ✓ We have delivered a solid earnings during 2008-2019 (CAGR of 21%/average ROE 20%).
- ✓ We have maintained more than 60% dividend payout in the past five years.
- ✓ On the back of a growing health and wellness market in Asia, we strive to deliver double digit topline growth through different growth catalysts from our individual business unit.

# “ Company Milestones





## “ Company Overview : Three core business units



### 1. Grape King Taiwan (Parent Co)

Taiwan own brand & global OEM & ODM

*Locus of all key ingredient design, formulation, and production for the whole Group.*



### 2. Pro-Partner (60%-own)

Taiwan direct selling distribution

*A differentiated distribution channel with products sold through direct-selling by members under the Pro-Partner brand.*

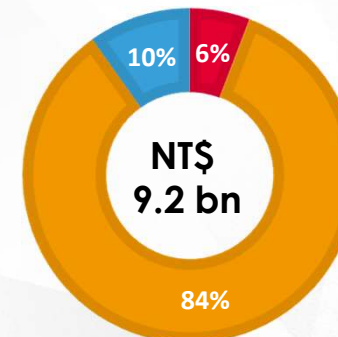


### 3. Grape King Shanghai (100%-own)

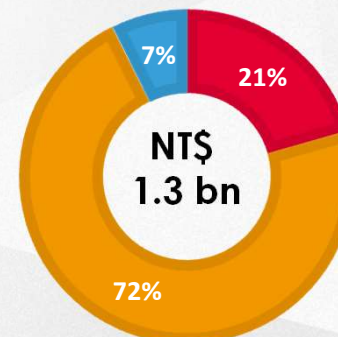
China OEM & ODM

*Our manufacturing in China that focuses on OEM and ODM for domestic and global health food companies.*

2019 Revenue



2019 Net profit



*Notes: Net profit breakdown is based on our financial report.*

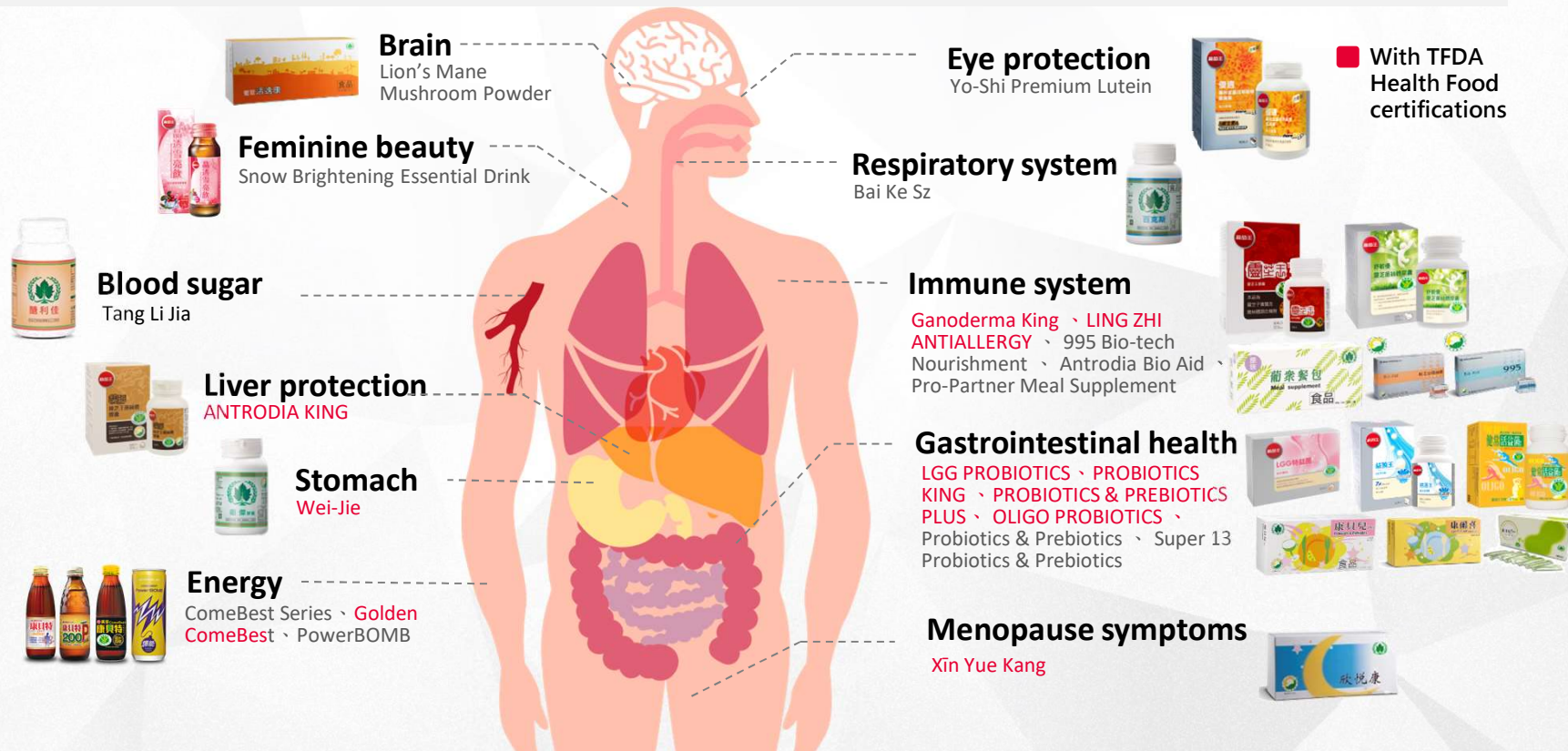
■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

# “ Complete Product Range ”



# “ Competitive Strengths - Strong Products Capabilities

We acquired more than **72 patents** and published over **21 research papers**.  
 Also, we acquired more than **10 TFDA Health Food certifications** on our products.



# Grape King Biotech Research Institute

Product Innovation backed by Science

**Fermented *Cordyceps cicadae* mycelia extracts ameliorate dry eye symptoms in the mouse dry eye model**

Dry eye risks

Cordyceps Cicadae → Liquid fermentation → Extraction of active components → Eye care

The infographic illustrates the scientific process of producing Cordyceps Cicadae mycelia extracts. It starts with Cordyceps Cicadae, followed by liquid fermentation, extraction of active components, and finally eye care. The process is supported by a grid of petri dishes showing microbial growth and a diagram of the eye. The infographic also includes a QR code and a logo for the Grape King Biotech Research Institute.

**GRAPE KING BIO** **MTE 2019**

**Weight Management Probiotic**

**GKM3**  
A new probiotic for weight management

Reduces overall body weight and body fat

Decrease adipocyte sizes

The infographic for GKM3 probiotic features a product box, a hand holding a small container, and various charts and images. It highlights the probiotic's ability to reduce overall body weight and body fat, and decrease adipocyte sizes. The infographic includes a QR code and a logo for the Grape King Biotech Research Institute.

# 2017~2020 : 8 countries, 125 Awards



# “ Competitive Strengths - State-of-the-Art Production Facilities



Shaker

150 Liters Freeze-Dryer

Fermentor

*We have the largest fermentation capacity (386 tons) among all the health food companies in Asia.*

Sachet Packaging Line

Glass Bottle Packaging Line

“

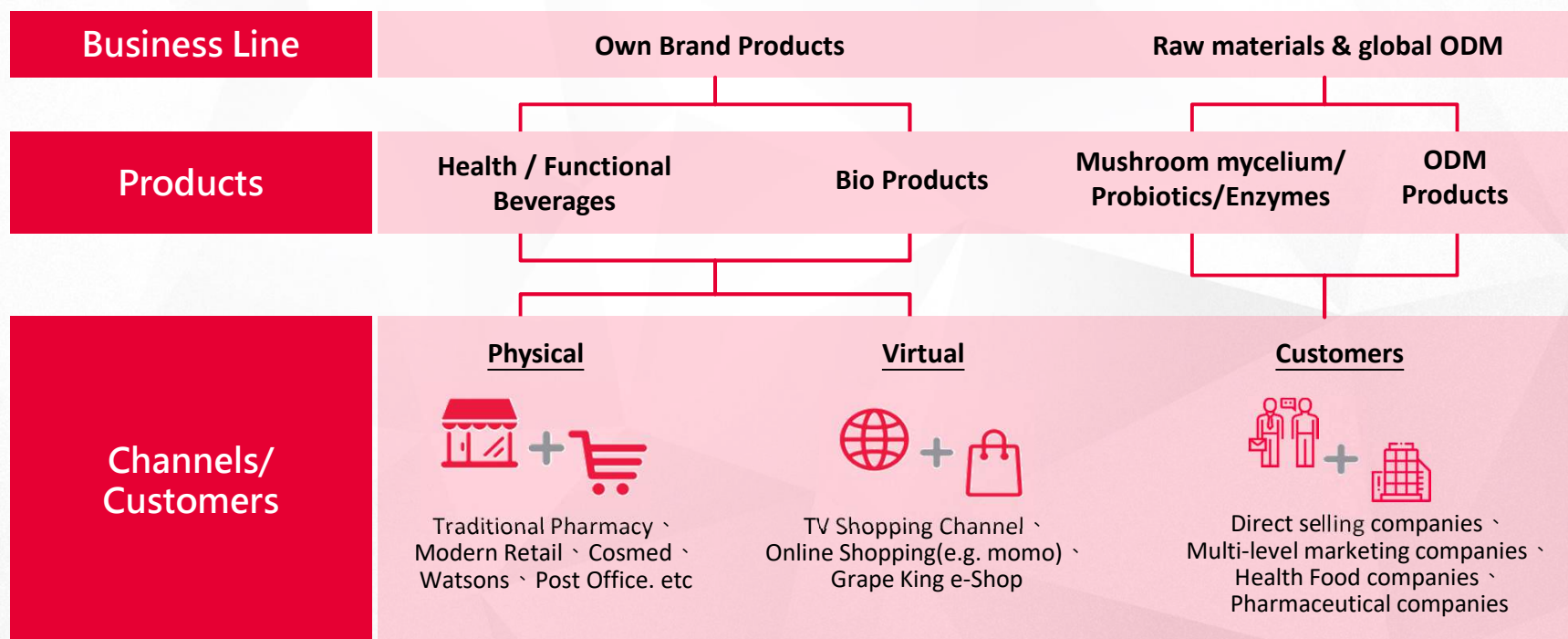
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# 1. Grape King Taiwan



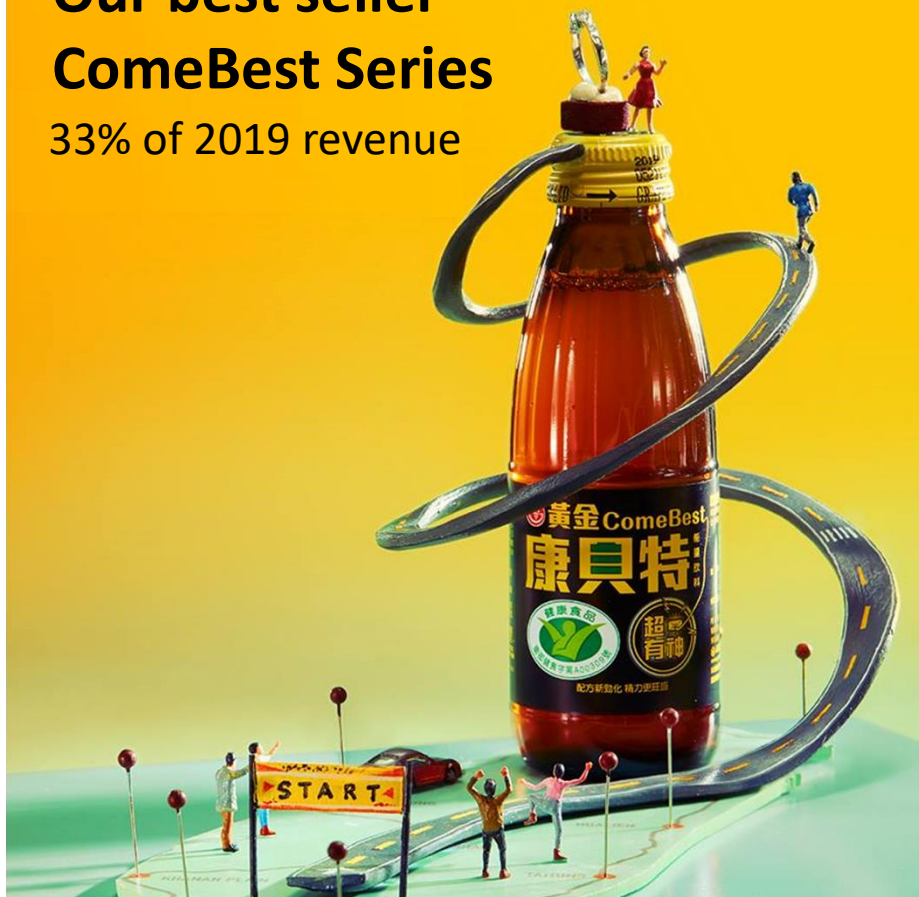
# “ Taiwan - Grape King Brand Sales Channels





## Our best seller – ComeBest Series

33% of 2019 revenue



Energy drinks that restore energy and provides necessary vitamins

## Our second best seller – Slim Turmeric Complex

17% of 2019 revenue

### 挑戰美人力 雙向輔助

\*95%高含量薑黃  
X  
獨家GKC6益生菌

葡萄王生技獨家研發益生菌複方薑黃  
成份創新再升級。



Metabolism promotion and digestion/defecation improvement



**Our third best seller –  
Probiotics King**  
11% of 2019 revenue

*Improves digestion and defecation*



**Our fourth best seller –  
Antrodia King**  
9% of 2019 revenue

*Liver protection and hangover prevention and alleviation*

“

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## 2. Pro-Partner



## “ Pro-Partner Overview

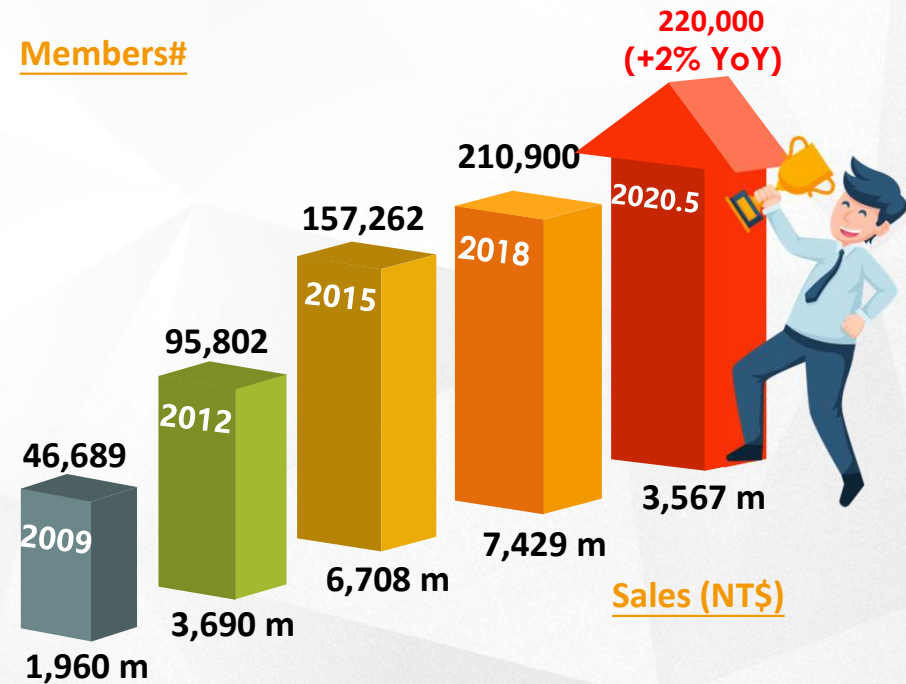
### 4 key numbers of Pro-Partner

- 1
  - Largest local direct selling company in Taiwan based on revenue.
  - One of the fastest growing direct selling companies in Taiwan (17% sales CAGR from 2008 to 2019)
- 2
  - Second largest overall direct selling company in Taiwan. (2019 market share: 8.3%)
- 28
  - Smallest product range – 28 Health and Beauty products among the top 5
- 49
  - No. 49 in the worldwide direct selling company rankings for 2018

(Source: 2019 DSN Global 100- based on 2018 revenues)

### Growing sales and members#

#### Members#



**Our best seller – Probiotics & Prebiotics**  
22% of 2019 revenue



*Promote healthy digestive system and suppress allergy*

**Our second best seller – Bio Aid 995**  
16% of 2019 revenue



*Post operative convalescence*

## Bai Yi Jie (Toothpaste)



- **Grape King's Lactobacillus pentosus GK4**  
→ Inhibit 13 kinds of oral bacteria & Prevent cavities
- **Xylitol**  
→ Anti-plaque
- **Sodium fluoride**  
→ Prevent enamel erosion
- **Mint**  
→ Sooth teeth

## Hi Spray (Oral Spray)








- **Grape King's Lactobacillus pentosus GK4**  
→ Inhibit 13 kinds of oral bacteria & Prevent cavities
- **Sorbitol**  
→ Anti-plaque
- **Thyme**  
→ Freshen breath
- **Mint**  
→ Sooth teeth



## “ How is Pro-Partner different from other direct selling companies? ”

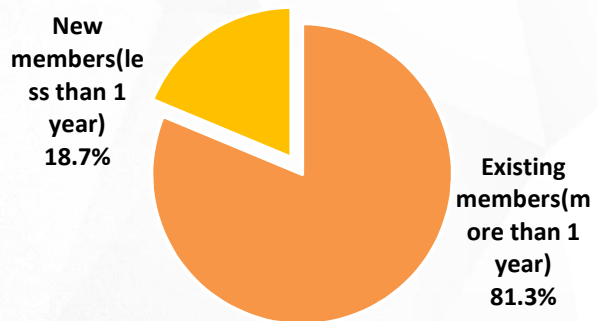
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Products purchase	Products' uniqueness	Support	Training	Compensation
 <ul style="list-style-type: none"><li>✓ No minimum purchase requirement.</li><li>✓ No inventory pressure. (Members buy products directly from the company)</li></ul>	 <ul style="list-style-type: none"><li>✓ Higher entry barrier for Products (bio-researched and engineered).</li><li>✓ Symbol of national certifications.</li><li>✓ Products are mostly manufactured in-house rather than outsourced.</li></ul>	 <ul style="list-style-type: none"><li>✓ Managed by Grape King, a well-respected health food company in Taiwan, so we can offer dedicated customer service and support.</li></ul>	 <ul style="list-style-type: none"><li>✓ All the trainings and venues are held by the company, so we can have consistent training quality.</li><li>✓ All the trainings are free to members.</li></ul>	 <ul style="list-style-type: none"><li>✓ Transparent compensation structure.</li><li>✓ All purchases can be accumulated.</li><li>✓ All compensation are paid to sales contribution and directly to the members by the company.</li></ul>

# “ How is Pro-Partner different from other direct selling companies? ”

Nearly 80% of Pro-Partner’s sales are contributed by old members

**Pro-Partner sales contribution(2019)**

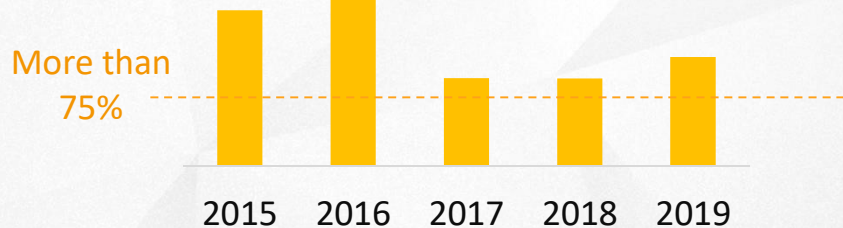


Healthy membership growth

The growth rate of our executive distributors are similar to the growth rate of our members in the past years. This implies that our members are proportionally promoted each year based on their contribution to the group.

Our member retention rate is remarkably high number among peers

**Member retention rate**



**Pro-Partner member growth rate**





“

33

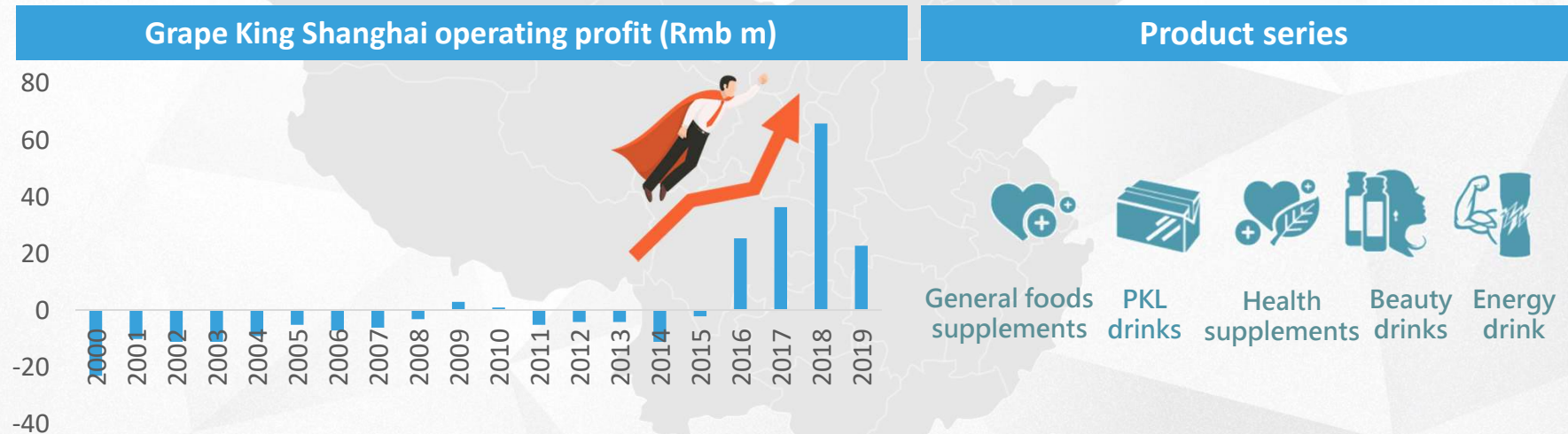


## 3. Grape King Shanghai



## “ Grape King Shanghai Overview

- Established in 1993, Grape King Shanghai was initially targeted as the production base for Grape King's own brand products in China.
- A change in strategy steered by the new management to an OEM/ODM model has reversed several years of losses and turned the operation profitable.
- We see tremendous growth potential for Grape King Shanghai as it continues to acquire more ODM clients locally in China.



*\*In 2019, the overall demand was impacted by China government's tightening on direct-selling and healthcare industry.*



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# **Our Goals and Strategies**

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## “ Growing our online sales channel



Besides our existing physical retail channels, we are increasing our virtual channel penetration.

### Our Virtual channel

- ✓ Grape King online store
- ✓ Online B2C stores
- ✓ TV shopping channels
- ✓ Social Media

# Creative Brand Building



**Grape King Antrodia King** (liver protection)

Stress causes high blood pressure but also harms liver

# Creative Brand Building



## Grape King Probiotics

Probiotics like a golden warrior who protects your digestion

# “ Our Capacity and Expansion Plan

## Grape King Specialist Fermentation & Manufacturing Site\*



Production Line	Monthly Capacity	
	2019	2020
Capsules	7 M capsules	7 M capsules
Fine Granule	2 M pack	2 M pack
Liquids-Big CC	4.2 M bottles	4.2 M bottles
Liquids-Small CC	1 M bottles	1 M bottles
PKL	1.4 M bottles	1.4 M bottles
PIC/S	0.8 M packs	0.8 M packs

Production Line	Capacity	
	2019	2020
Lactobacilli	25 tons	25 tons
Mushroom	161.5 tons	161.5 tons
PKL Liquids	80 tons	80 tons

## Grape King Shanghai Headquarters



Production Line	Monthly Capacity	
	2019	2020
Liquids(Glass)	18 M bottles	18 M bottles
Liquids (Retort Pouch)	3 M packs	3 M packs
Powder	15 M pack	15 M pack
Capsules	7 M capsules	7 M capsules
Troches	63 M capsules	63 M capsules

## Grape King Bio-Tech Headquarter



Production Line	Monthly Capacity		Start
	2019	2020	
Capsules	13M capsules	13M capsules	-
Fine Granule	15M pack	15M pack	-
Powder	1.8M packs	1.8M packs	-
Jelly foil	-	7.2M packs**	3Q20

## Grape King Biotech Research Institute



Production Line	Capacity	
	2019	2020
Lactobacilli	40 tons	40 tons
Mushroom	60 tons	60 tons

\*\*Monthly capacity =30,000 packs/hr x 12 hrs/day x 20 working days/month



\*Our Specialist Fermentation & Manufacturing Site (Zhongli plant) will relocated to Pinzhen Industrial Zone due to city development plan, expansion for PKL and different forms production line. The new plant construction is schedule to begin in the second half of 2020 with production expected to start in 2023. The relocation won't impact our operating and we expect that once the new facility is fully completed and 100% utilized, it is able to contribute additional NT\$10bn in revenue for Grape King.

# “ Our Sustainability Initiatives

2019

40



**4 th**  
Taiwanese participation  
in RE100

**100%**  
Internal product  
traceability



**+20% YoY**  
Employee training  
hours

**97% → 99%**  
Training participation rate



**+43% YoY**  
Volunteer  
Participants

**+17% YoY**  
Invested in social &  
community engagement



**100%**  
All employees have free  
health examinations

**0**  
Major occupational  
accidents

**TWSE corporate governance score (0-100)**

**2015**

**62.14**

(Rank: 81%~100%)



**2019**

**96.23**

(Rank: 6%~20%)





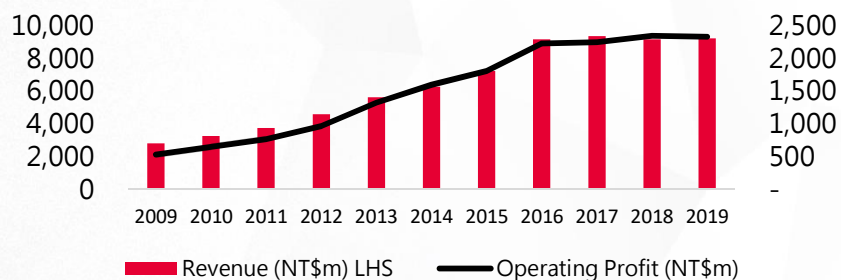
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# Financial Performance

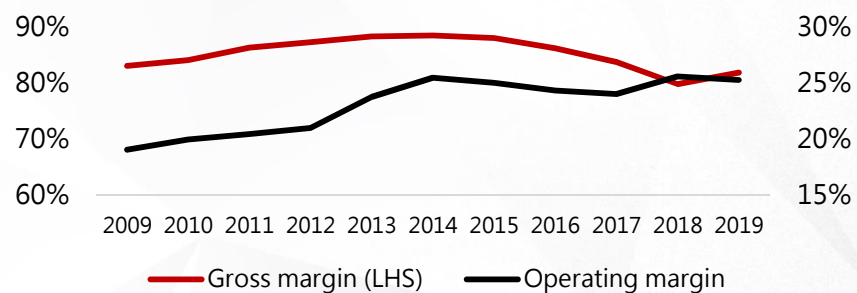
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# “ Financial Highlights

### Historical revenue vs. operating profit

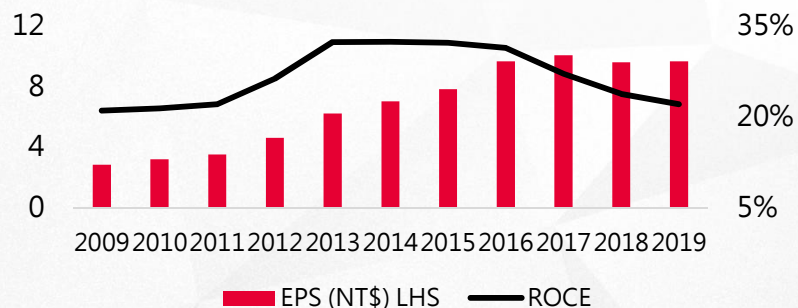


### Historical gross margin vs. operating margin

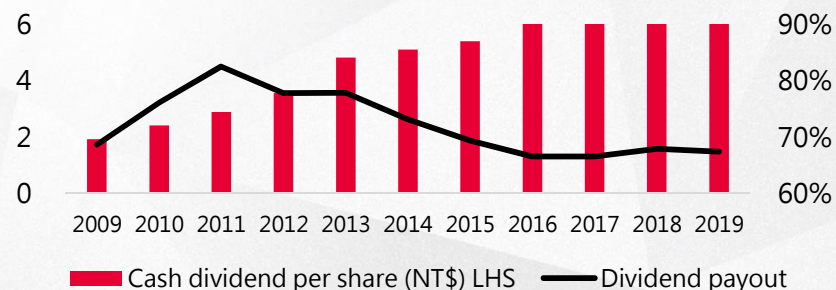


Note: The drop in gross margin is due to higher contribution from Shanghai Grape King with lower gross margin from ODM, but operating margin is around the same.

### Historical EPS vs. ROCE



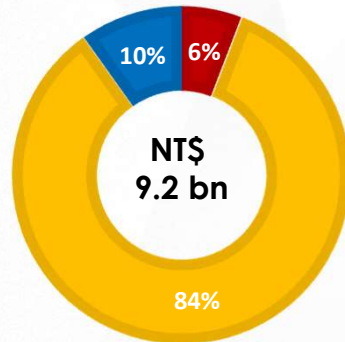
### Historical cash dividend payout



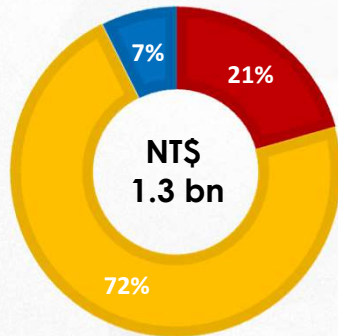
Notes: The payout ratio declined in the past three years due to capacity expansion in Taiwan and Shanghai.

# “ Revenue Breakdown (2019 v.s. 2018)

2019 REVENUE



2019 NET PROFIT



■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

## 1. Grape King Taiwan NT\$ 538 m (+33% YoY)

Thanks to successful marketing from our online distribution channels. Also, our overseas ODM shipments increased made contributions.

## 2. Pro-Partner

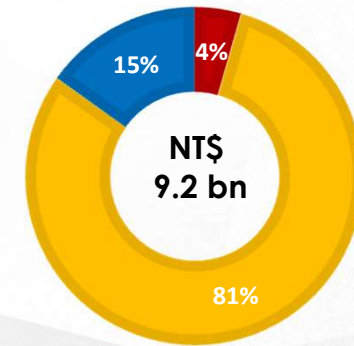
NT\$ 7,791 m (+5% YoY)

Sales momentum further improved on the back of membership growth and new product launches.

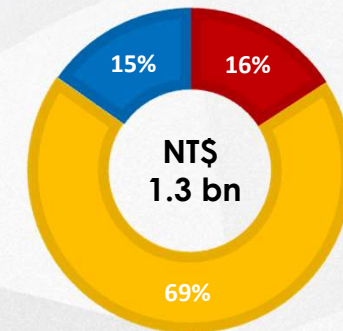
## 3. Grape King Shanghai NT\$ 910 m (-34% YoY)

The overall demand was still impacted by government's tightening on direct-selling industry. However, the decline in 4Q19 has significantly narrowed on a QoQ basis.

2018 REVENUE



2018 NET PROFIT



■ Grape King Taiwan ■ Pro-Partner ■ Grape King Shanghai

## “ Five-Year Income Statement

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(NT\$ m)	2015	2016	2017	2018	2019	9M20	YoY (%)					
							2015	2016	2017	2018	2019	9M20
<b>Revenue</b>	<b>7,248</b>	<b>9,185</b>	<b>9,388</b>	<b>9,183</b>	<b>9,239</b>	<b>6,425</b>	<b>15.4</b>	<b>26.7</b>	<b>2.2</b>	<b>(2.2)</b>	<b>0.6</b>	<b>(1.5)</b>
Gross Profit	6,385	7,919	7,865	7,329	7,566	5,273	14.8	24.0	(0.7)	(6.8)	3.2	(1.2)
Operating Expenses	(4,573)	(5,685)	(5,610)	(4,979)	(5,231)	(3,733)	15.4	24.3	(1.3)	(11.2)	5.0	(0.6)
<b>Operating Profit</b>	<b>1,812</b>	<b>2,234</b>	<b>2,254</b>	<b>2,350</b>	<b>2,335</b>	<b>1,541</b>	<b>13.3</b>	<b>23.3</b>	<b>0.9</b>	<b>4.2</b>	<b>(0.6)</b>	<b>(2.7)</b>
Non Operating Income/(Loss)	70	78	151	77	105	55	(21.5)	11.8	92.6	(49.2)	36.8	(27.6)
Pretax Income	1,883	2,312	2,405	2,427	2,440	1,595	11.4	22.8	4.0	0.9	0.6	(3.9)
Tax Expenses	(336)	(426)	(471)	(537)	(502)	(324)	10.9	26.8	10.6	14.0	(6.5)	(5.8)
Minority interest	(495)	(590)	(583)	(595)	(630)	(421)	11.5	19.2	(1.3)	2.1	5.9	(3.4)
<b>Net Income to Parent</b>	<b>1,052</b>	<b>1,297</b>	<b>1,352</b>	<b>1,295</b>	<b>1,309</b>	<b>851</b>	<b>11.6</b>	<b>23.3</b>	<b>4.3</b>	<b>(4.2)</b>	<b>1.1</b>	<b>(3.4)</b>
<b>Basic EPS (NT\$)</b>	<b>8.07</b>	<b>9.82</b>	<b>10.03</b>	<b>9.57</b>	<b>9.63</b>	<b>6.25</b>	<b>11.5</b>	<b>21.7</b>	<b>2.1</b>	<b>(4.6)</b>	<b>0.6</b>	<b>(3.7)</b>
<b>Key Financial Ratios (%)</b>												
Gross Margin	88.1	86.2	83.8	79.8	81.9	82.1						
Operating Expense Ratio	63.1	61.9	59.8	54.2	56.6	58.1						
Operating Margin	25.0	24.3	24.0	25.6	25.3	24.0						
Effect Tax Rate	17.8	18.4	19.6	22.1	20.6	20.3						
Net Margin	14.5	14.1	14.4	14.1	14.2	13.2						

## “ Five-Year Balance Sheet

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(NT\$ m)	2015	2016	2017	2018	2019	9M20	YoY (%)					
							2015	2016	2017	2018	2019	9M20
<b>Total Assets</b>	<b>8,612</b>	<b>9,550</b>	<b>9,892</b>	<b>10,648</b>	<b>11,359</b>	<b>11,991</b>	<b>60.4</b>	<b>10.9</b>	<b>3.6</b>	<b>7.6</b>	<b>6.7</b>	<b>13.9</b>
Cash	1,433	1,899	1,920	2,050	2,146	1,671	4.3	32.6	1.1	6.8	4.7	40.9
AR & NR	97	204	160	171	202	244	(1.9)	111.6	(21.5)	6.8	18.0	(12.4)
Inventories	359	435	492	563	546	720	34.0	21.0	13.1	14.4	(2.9)	23.3
Fixed Assets	5,597	6,084	6,355	5,927	6,454	7,343	170.6	8.7	4.5	(6.7)	8.9	13.7
<b>Total Liabilities</b>	<b>4,393</b>	<b>3,767</b>	<b>3,564</b>	<b>3,715</b>	<b>3,888</b>	<b>4,659</b>	<b>165.9</b>	<b>(14.3)</b>	<b>(5.4)</b>	<b>4.2</b>	<b>4.7</b>	<b>26.8</b>
AP & NP	153	198	323	262	223	239	19.2	29.6	63.2	(18.9)	(15.1)	11.0
Total Borrowing	2,439	1,206	1,022	1,119	1,177	2,034	-	(50.6)	(15.2)	9.5	5.2	50.7
<b>Total Equity</b>	<b>4,220</b>	<b>5,783</b>	<b>6,328</b>	<b>6,933</b>	<b>7,471</b>	<b>7,332</b>	<b>13.5</b>	<b>37.1</b>	<b>9.4</b>	<b>9.6</b>	<b>7.8</b>	<b>6.9</b>
<b>Key Financial Ratios (%)</b>												
A/R Turnover Days	4.8	5.9	7.0	6.5	7.3	11.0						
Inventory Turnover Days	131.0	113.0	109.5	102.4	119.3	152.8						
A/P Turnover Days	58.6	49.9	61.6	56.8	52.2	53.2						
Cash Conversion Days	77.2	69.0	54.9	52.1	74.4	110.6						
ROE (%)	32.1	31.3	27.0	23.7	22.0	19.0						
ROA (%)	15.0	14.3	13.9	12.6	11.9	10.1						
Net debt (cash)/Equity %	23.9	(12.0)	(14.2)	(13.4)	(13.0)	4.9						

## “ Dividend Payout and Capex

46

(NT\$ m)	2014	2015	2016	2017	2018	2019
Net profit	942	1,052	1,297	1,352	1,295	1,309
Cash dividend	690	730	862	903	883	884
DPS (NT\$)	5.3	5.6	6.4	6.7	6.5	6.5
Payout ratio	73.2%	69.4%	65.2%	66.6%	67.9%	67.4%
Cash yield	2.4%	2.6%	3.2%	2.9%	3.0%	3.3%
Capex	187	2,635	736	772	1,116	630

Notes:

1. The big spike in capex in 2015-2017 is largely due to the investment of 1) Pro-Partner's new headquarter building, 2) the new factory and tourist factory in Pingzhen (Grape King Headquarter), 3) the new factory in Longtan (Grape King Bio-Tech Research Institute), and 4) additional production lines for Grape King Shanghai.
2. The capex for 2019 is mainly used for 1) Grape King Bio-Tech Research Institute, and 2) various upgrade and new production lines projects.



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# Appendix: Industry Trends

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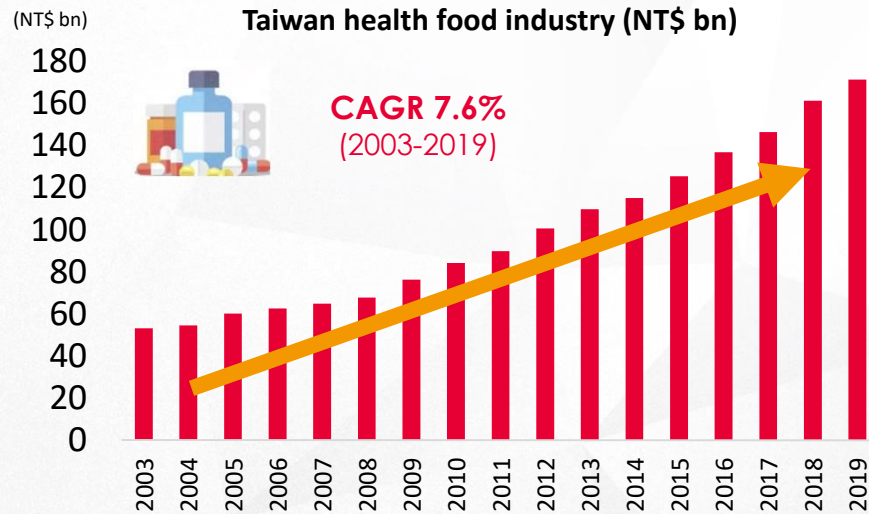
# “ Taiwan health food industry

## Taiwan's health food industry is growing

Taiwan health food industry continues to be driven by consumers' increasing interest in healthier lifestyles as a cost-effective way to combat ageing and prevent modern illness.

## We keep gaining market share in Taiwan

We have been gaining market share in Taiwan's health food industry and we are also the industry leader in both mushroom-based supplements and probiotics.



Source: AC Nielsen

## Grape King's market share in Taiwan health food industry

	<b>2013</b>	<b>2019</b>
<b>Taiwan health food</b>	<b>4.90%</b>	<b>5.60%</b>
<b>Mushroom</b>	<b>32.06%</b>	<b>44.93%</b>
<b>Probiotics</b>	<b>13.89%</b>	<b>30.64%</b>
<b>Energy drink</b>	<b>12.23%</b>	<b>11.22%</b>

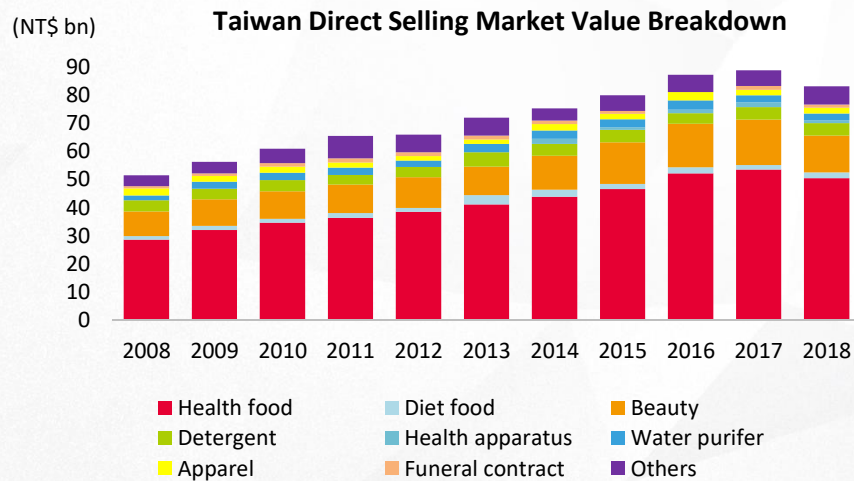
Source: AC Nielsen, Company data



# “ Taiwan direct selling industry

## Health food takes up ~60% of direct selling industry in Taiwan

According to Taiwan FTC, health food takes up 60% of the direct selling market share, which shows that direct selling is an important channel for health food products.



**2010-2018 CAGR** Taiwan market **4%** v.s. Pro-Partner **14%**

## Taiwan direct selling industry is strictly regulated with entry barrier



### Sales incentive system

- 1) Reasonable product price (mark-up on pricing);
- 2) Reasonable compensation structure (distribution of profit)

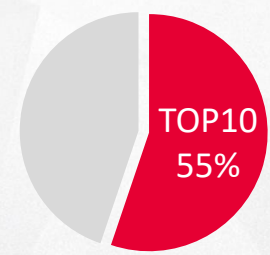


### Member's system

According to Taiwan's regulation, it is illegal to produce earnings by simply introducing new participants instead of engaging in promotion & selling goods or services. Companies in violation may be subject to imprisonment and/or fines.

## Pro-Partner is the only domestic direct selling company in Top 10

Top 10 players have high market concentration



Pro-Partner has highest sales per product among top 3 players

	Rank & Market shares (%)	Members ('000)	Sales contribution	
			Per member (NT\$)	Per product (NT\$m)
Pro-Partner	2 (9.8%)	200	43,300	288.7
Nu Skin	3 (5.5%)	120	40,000	21.9
Amway	1 (13.4%)	350	33,857	41.0

Source: Company data, FTC, Taiwan Association of Direct Selling

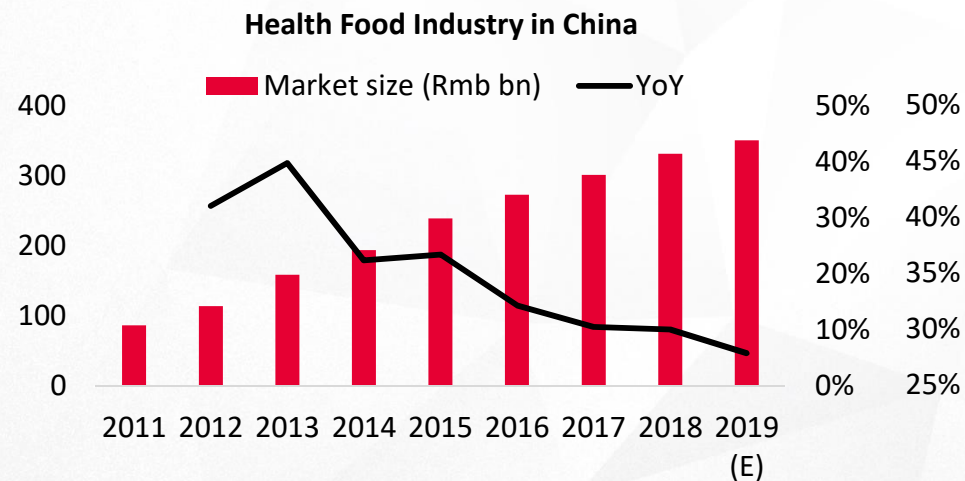
# “ China health food industry

## China's health food industry grew 21% CAGR between 2011-2018

China's health food industry mainly driven by economic growth, disposable income, and rising health awareness. The industry has been growing for the past 7 years.

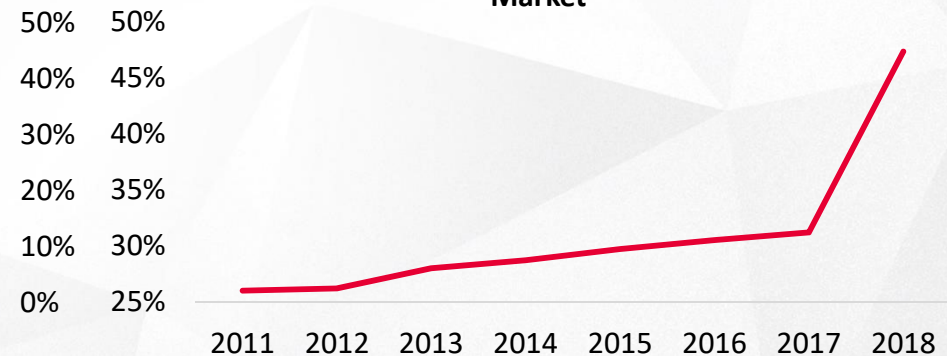
## China direct selling has significant growth from 2011-2018

Direct selling has become an important distribution channel as sales from direct selling has grown from 26% in 2011 to 47% in 2018.



Source: Forward Business and Intelligence

## Direct Selling as % of Total China Consumer Health Market



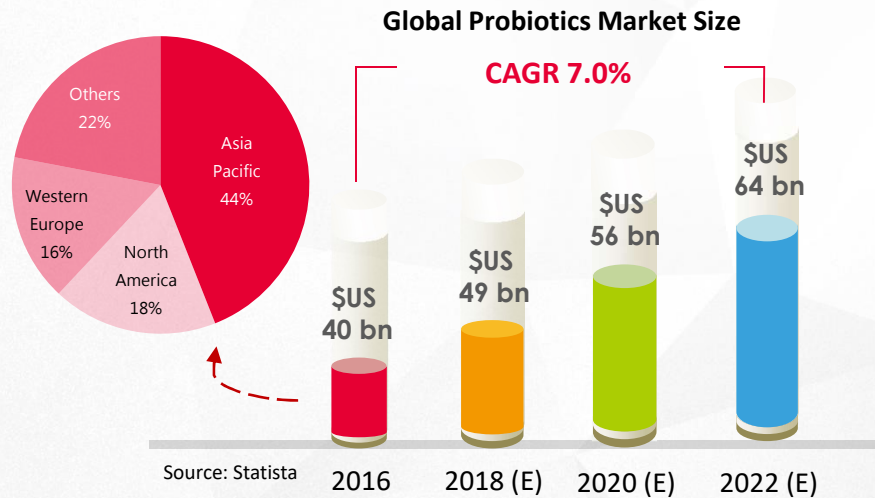
Source: Euromonitor

Despite the latest Administrative Measure of Health Food Registration and Filing having streamlined the certification process for vitamins and minerals, other products still need to go through the “Blue Hat” certification process by the CFDA.

# “ China health food industry

## Global probiotics market is still growing

According to Statista, global probiotics market has reached US\$40 bn with Asia Pacific region being the largest of all. The market is still increasing and is estimated to grow 7.0% CAGR between 2016-2022.



Source: Statista

\*Notes: Global probiotics market includes probiotics supplement, probiotic yoghurt, and sour milk products.

## Grape King is the 7<sup>th</sup> largest distributor globally

We are ranked as the 7<sup>th</sup> largest probiotics supplement company globally, this also makes us the largest player in Greater China. Grape King is known for its capability in developing different strains of probiotics that target different health benefits.

Rank	Company	Brand
1		Align
2		Enterogermina
3		Shin Biofermin S
...		
7		Probiotics & Prebiotics 、 Super 13 Probiotics & Prebiotics

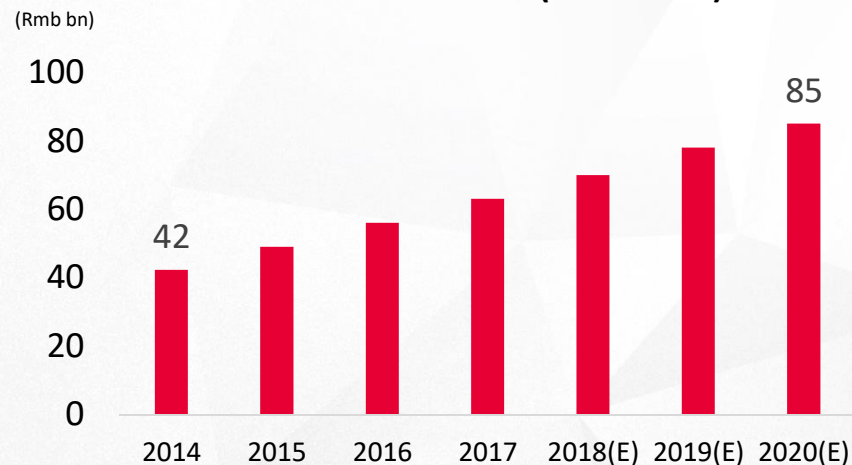
Source: Euromonitor

## “ China probiotics market

### China probiotics market is expected to reach Rmb 85 bn in 2020

China's probiotic consumption remains at a relatively early stage and the supply is mostly dependent on import. According to ASKCI, China probiotics market is forecasted to reach RMB 85 bn dollars by 2020.

### China Probiotics Market (2014-2020)

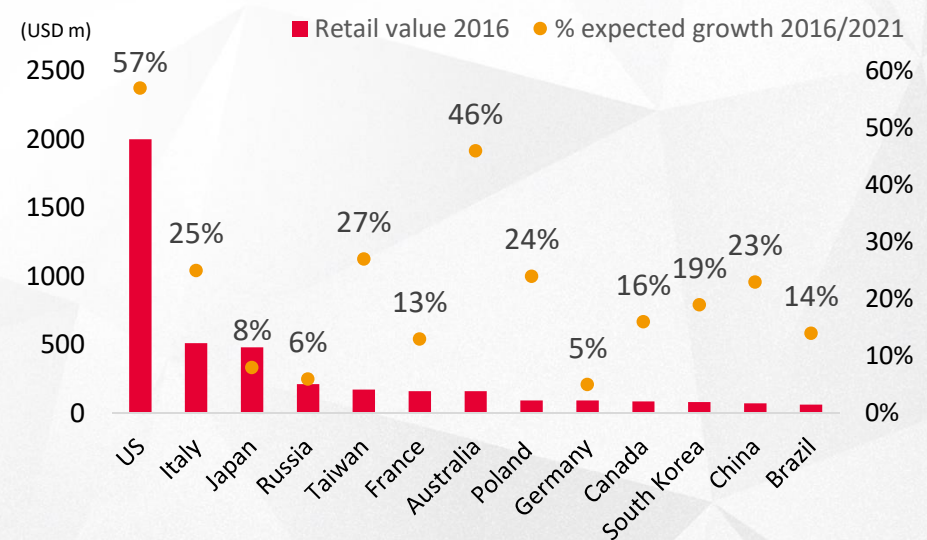


Source:ASKCI \*Notes: China probiotics market includes probiotics supplement, probiotic yoghurt, and sour milk products.

### Taiwan and China probiotic supplement market are expected

According to Euromonitor, both Taiwan and China's probiotic supplement market are expected to deliver 27% and 23% of growth in 2016-2021, respectively.

### Probiotics Supplements Retail Value (2016-2021)



Source: Euromonitor



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Thank You

For more information,  
please visit our company website at  
[www.grapeking.com.tw](http://www.grapeking.com.tw)

