



卫龙美味全球控股有限公司

WEILONG Delicious Global Holdings Ltd

股票代码 Stock Code: 9985.HK

2023 Annual Results Presentation

March 2024





Disclaimer

This introduction is prepared by WEILONG Delicious Global Holdings Limited (the “Company”) and is for reference only. The information contained in this introduction has not been independently verified. The Company makes no representation, warranty or undertaking, express or implied, as to the fairness, accuracy, suitability, completeness or correctness of the information or opinions contained in this introduction. Any summary may not be complete or accurate. Neither the Company nor its affiliates nor its respective directors, employees or representatives shall be responsible for any loss arising from the use of this introduction or its contents or otherwise in connection therewith.

This introduction contains forward-looking statements. These statements include the Company's or its management's ideas, views or current expectations regarding the Company and its related industry. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that may cause actual performance to differ materially from any future performance, expressed or implied, by such statements. The Company has no obligation to update or revise any forward-looking statements to reflect future events or circumstances.

This introduction does not constitute an offer or invitation to sell or issue any securities of the Company in any jurisdiction or an invitation or inducement to engage in any investment activity. No part of this introduction constitutes the basis of any contract or commitment whatsoever.



1

FY2023 Overview

2

Financial Review

3

Business Review

4

Outlook





2023 Overview



To Let the World Fall in Love with Chinese Flavors

Channel

- ✓ Accelerated the **omni-channel** construction;
- ✓ Actively embraced the development opportunities brought by **emerging sales channels**.

Product

- ✓ Focused on “**multiple categories and large single product**” strategy;
- ✓ Continued to consolidate R&D capabilities, **deepened upgrading and enhancement of existing products**;
- ✓ Launched **new products and new categories** to enrich product portfolio.

Brand

- ✓ Continued to strengthen online&offline **brand building activities** to enhance brand awareness;
- ✓ **Young consumers oriented**, enhanced consumer research and interaction and gained in-depth insight into consumer needs.

Organization

- ✓ Improved the organization and enhance its **overall synergy**;
- ✓ Continued to cultivate internal talents and Strengthened the training and development of talents to improve the construction of the **entire talent echelon**.



Financial Review

1

Key Indicators in Consolidated Statements of Profit or Loss

2

Revenue Breakdown by Product Categories

3

Revenue Breakdown by Sales Channels / Geographical Locations

4

COGS and Gross Profit Margin Analysis

5

Expenses Analysis

6

Key Indicators in Consolidated Balance Sheet

7






Key Financial Metrics










Key Indicators in Consolidated Statements of Profit or Loss

(Unit: RMB million, except ratios)

	2023	2022	YoY Change
 Revenue	4,871.7	4,632.2	5.2%
 Gross Profit	2,322.7	1,959.6	18.5%
 Net Profit	880.4	151.3	481.9%
 Adjusted Net Profit⁽¹⁾	970.3	913.1	6.3%
 Adjusted EBITDA⁽²⁾	1,519.2	1,322.8	14.8%

	2023	2022	YoY Change
 COGS	2,549.0	2,672.6	-4.6%
 Gross Profit Margin	47.7%	42.3%	5.4pp
 Net Profit Margin	18.1%	3.3%	14.8pp
 Adjusted Net Profit Margin	19.9%	19.7%	0.2pp
 Adjusted EBITDA Margin	31.2%	28.6%	2.6pp

Notes: (1) 2023 adjusted net profit = net profit (RMB 880.4 million) + share-based compensation paid to employees⁽³⁾ (RMB 89.9 million).

2022 adjusted net profit = net profit (RMB 151.3 million) + share-based compensation paid to employees⁽³⁾ (RMB 98.1 million) + listing expenses (RMB 34.9 million) + Share-based payments related to Pre-IPO Investments⁽⁴⁾ (RMB 628.8 million).

(2) Equal to adjusted net income plus interest expense, income tax expense and depreciation amortization expense.

(3) Share-based payment (non-cash) to employees mainly represents the arrangement that the Group receives services from employees as consideration for equity instruments.

(4) Share-based payments related to Pre-IPO Investments refer to the supplemental agreement of share purchase agreement the Company entered into with certain Pre-IPO investors, pursuant to which the Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US\$0.00001 of each share, for a consideration of US\$1,576.2689 in April 2022.



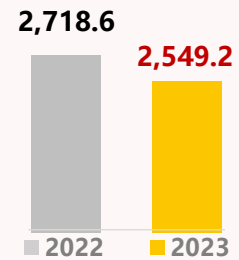
Revenue Breakdown by Product Category

Revenue by Product Categories:

Seasoned Flour Products

Revenue (RMB million)

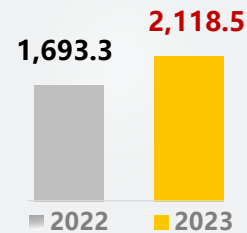
YoY Change **-6.2%**



Vegetable Products

Revenue (RMB million)

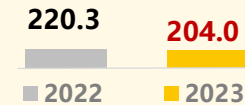
YoY Change **+25.1%**



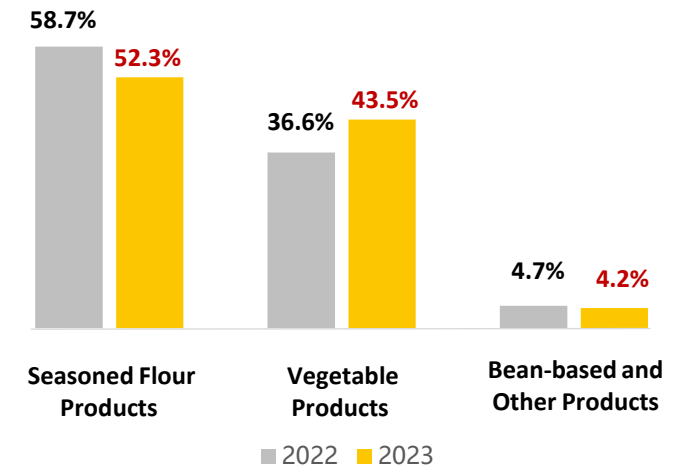
Bean-based and Other Products

Revenue (RMB million)

YoY Change **-7.4%**



Revenue by Product Categories as % of Total Revenue



Analysis of Revenue by Product Category:



Seasoned Flour Products



Vegetable Products



Bean-based and Other Products

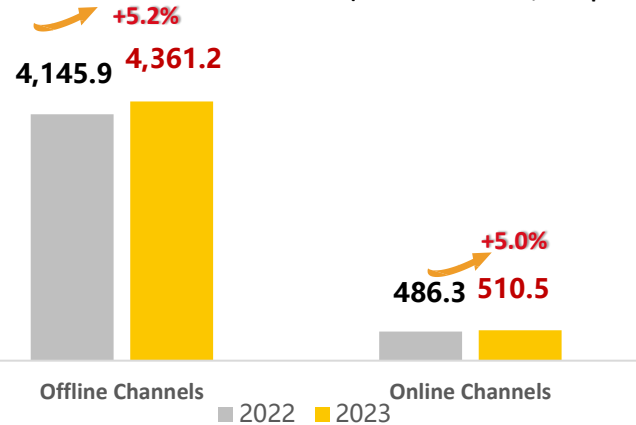
- The impact on a drop in the consumer flow of offline traditional channels in 2023.
- (i) The Group actively tapped into consumers' demand for such products and continuously upgraded such products;
(ii) the Group continued to expand our production capacity for such products in 2023.
- The sales of the Group's bean-based products decreased in 2023.



Revenue Breakdown by Sales Channels / Geographical Locations

Revenue by Sales Channels

(Unit: RMB million, except ratios)



Analysis of Revenue by Sales Channels



Offline Channels

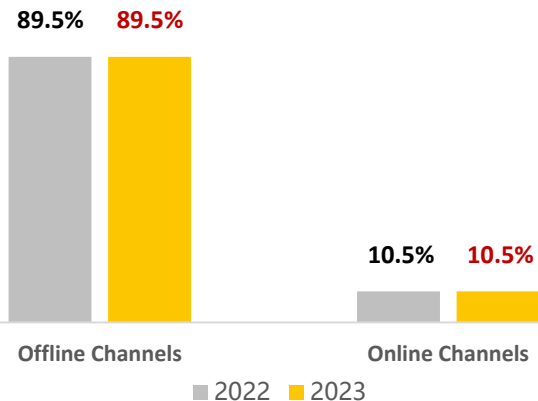
- An increase in the sales from the emerging channels such as O2O, snack specialty retailers partially offset by a decrease in the sales from traditional offline channels, which was caused by a drop in the consumer flow in 2023.



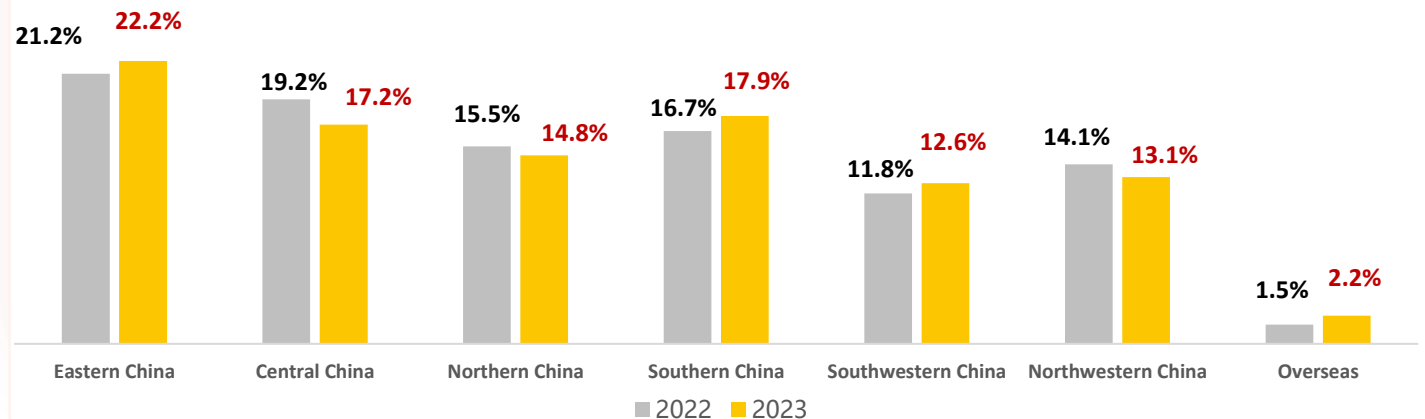
Online Channels

- Closely follows the traffic change trend of online platforms and actively captures the revenue growth opportunities brought by online traffic ports such as content e-commerce represented by Douyin in 2023.

Revenue by Sales Channels as % of Total Revenue



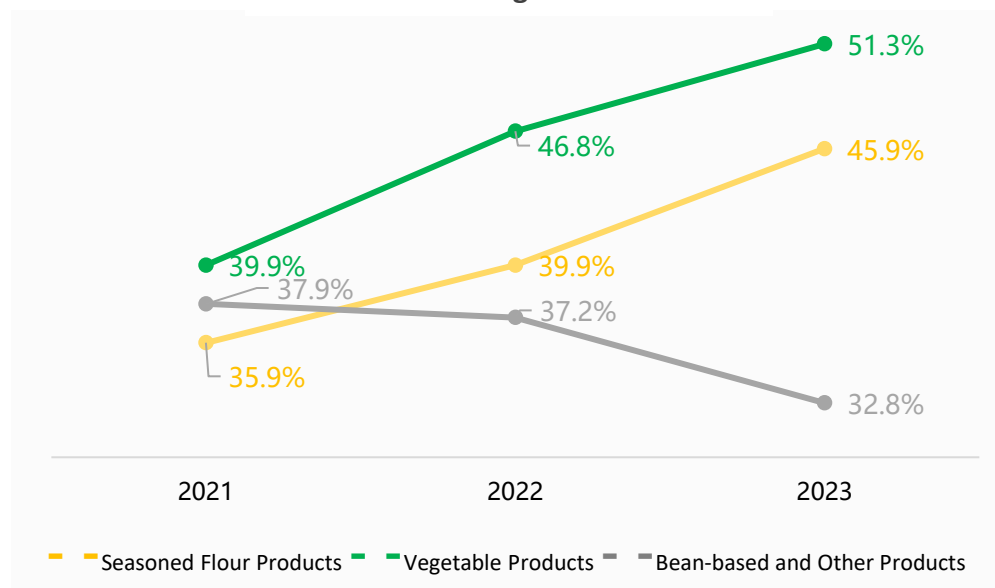
Revenue by Geographical Locations (including Overseas) as % of Offline Revenue





COGS & Gross Profit Margin Analysis

Gross Profit Margin Track Record



Explanation

2023 VS 2022 Gross Profit Margin increased due to:



- (i) the Group's structural adjustment of main products in 2022;
- (ii) A decrease in the price of raw materials;
- (iii) The optimization of cost management by optimising production process flow continuously.

COGS Items as % of Total Revenue

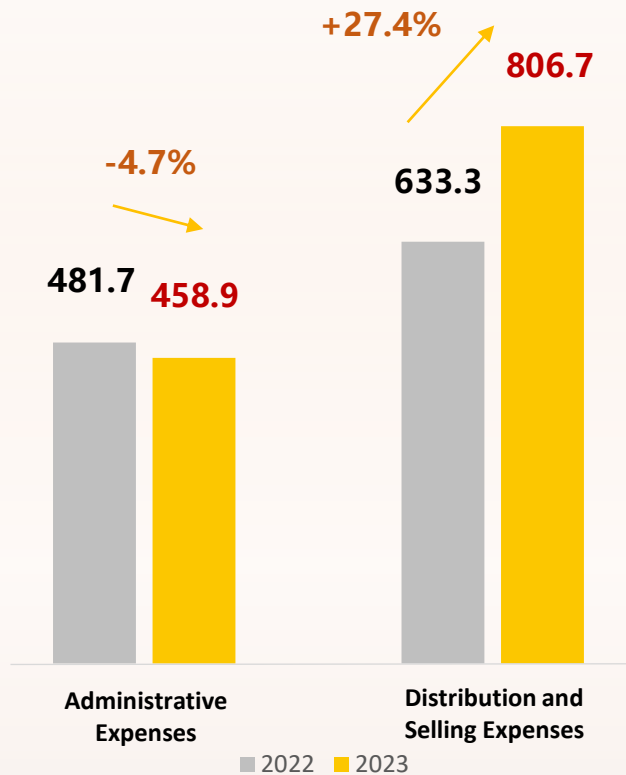
	2021	2022	2023
Raw materials	29.8%	28.3%	25.3%
Packaging materials	14.0%	11.8%	11.2%
Employee benefit expenses	7.2%	7.0%	6.7%
OEM	6.5%	5.3%	3.8%
Manufacturing overheads	4.0%	4.4%	4.3%
Tax surcharges and others	1.1%	0.9%	1.0%
Total cost of sales of goods	62.6%	57.7%	52.3%
Gross profit margin	37.4%	42.3%	47.7%



Expenses Analysis

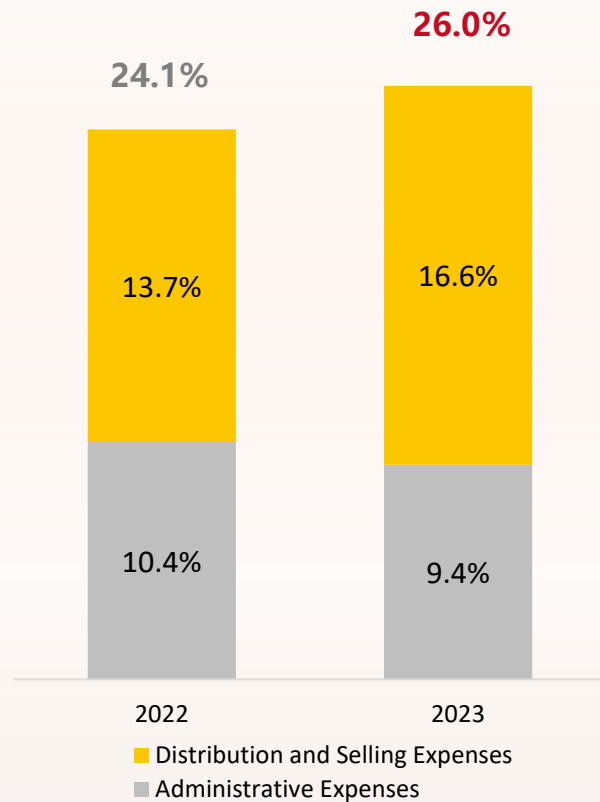
Major Expenses Items

(Unit: RMB million, except ratios)




Proportion

As % of Revenue




Explanation

1. Increase in Distribution and Selling Expenses :

-  (i) An increase in promotion and advertising expenses;
- (ii) An increase in the employee benefit expenses due to the continuous expansion of the Group's sales team;
- (iii) A decrease in professional fees.

2. Decrease in Administrative Expenses:

-  (i) An increase in the employee benefit expenses ;
- (ii) A decrease in professional fees and Listing expenses.



Key Indicators in Consolidated Balance Sheet

(Unit: RMB million, except data per share)

	As at 31 December, 2023	As at 31 December, 2022	YoY Change
Current assets	2,874.7	3,557.2	- 19.2%
Non-current assets	4,178.9	3,373.1	+23.9%
Total assets	7,053.6	6,930.3	+1.8%
Current liabilities	908.0	1,000.2	- 9.2%
Non-current liabilities	439.7	405.7	+8.4%
Total liabilities	1,347.7	1,405.9	- 4.1%
Net assets	5,705.9	5,524.4	+3.3%
Working capital	1,966.7	2,557.0	- 23.1%



Key Financial Metrics

	2023	2022	YoY Change
Gross profit margin	47.7%	42.3%	+5.4pp
Adjusted EBITDA margin ¹	31.2%	28.6%	+2.6pp
Adjusted net profit margin ²	19.9%	19.7%	+0.2pp
Adjusted annualized return on assets ³	13.9%	15.1%	- 1.2pp
Adjusted annualized return on equity ⁴	17.3%	19.9%	- 2.6pp
Inventory turnover days	73 days	82 days	- 9 days
Trade receivables turnover days	4.4 days	4.9 days	- 0.5 day
Trade Payables Turnover days	25 days	26 days	- 1 day
Gearing Ratio ⁵	3.2%	2.9%	+0.3pp
Liability-to-asset Ratio ⁶	19.1%	20.3%	-1.2 pp
Adjusted cash flow ratio of operating activities ⁷	1.2	1.3	-0.1

Notes:

1. Equal to adjusted net profit plus depreciation and amortization expenses, interest expenses, income tax expenses divided by revenue, then multiplied by 100%.
2. Equal to adjusted net profit divided by revenue, multiplied by 100%.
3. Equal to the adjusted net profit divided by the average balance of total assets at the beginning and end of the period, and then multiplied by 100%.
4. Equal to the adjusted net profit divided by the average balance of total equity at the beginning and end of the period, and then multiplied by 100%.

5. Equal to the interest-bearing loans divided by the equity, and then multiplied by 100%.

6. Equal to total liabilities divided by total assets, then multiplied by 100%.

7. Equal to the amount of cash generated from operating activities divided by the adjusted net profit.



Business Review

1

Industry: The reconstruction of consumer consumption logic and sales channels brings new opportunities and challenges

2

Product: Focus on “multiple categories and large single product” strategy; continue to launch new products to expand product matrix

3

Channel: Consolidate existing channels, embrace emerging channels, accelerate the construction of omni-channel construction

4

Brand: Strengthen brand building, enhance brand reputation and awareness

5

Supply chain: Continue to build a supply chain service framework focusing on customer satisfaction

6

Digitalization & Organizational Development: Empower the business and improve the efficiency of business operations

7

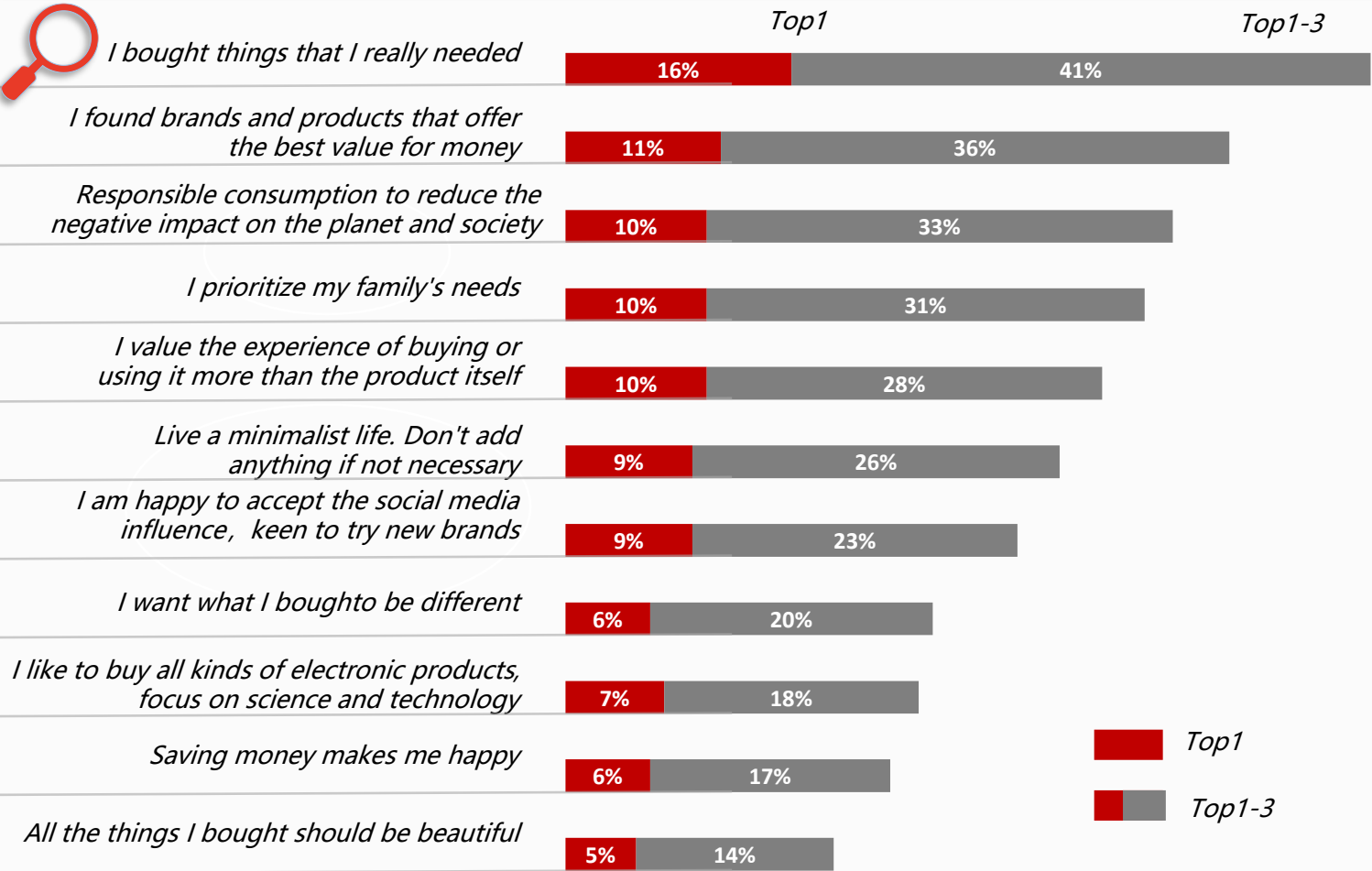
ESG: Emphasize on the long-term sustainable development of enterprise





Industry(1): The reconstruction of consumer consumption logic and sales channels brings new opportunities and challenges

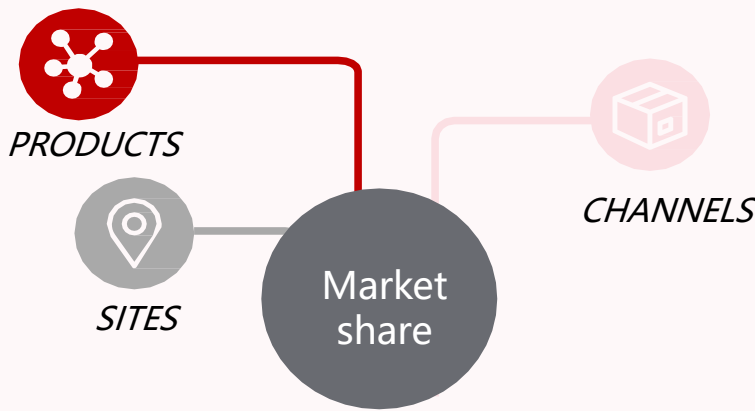
Rational, cost-effective, diversified, personalized consumptions become the mainstream



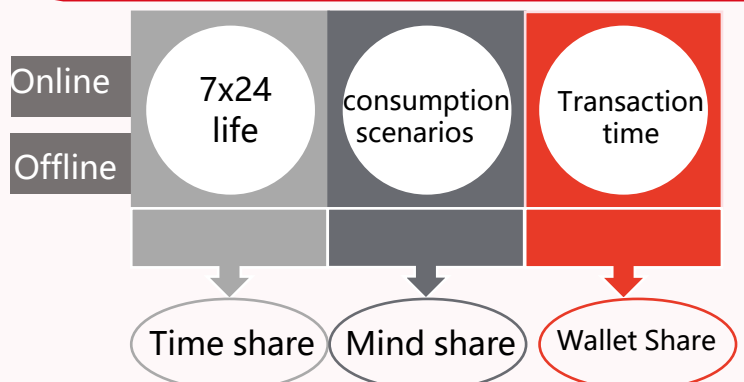
Data/Source: "2023 Chinese Consumer Insights and Market Outlook White Paper" by Deloitte Consulting;
Deloitte Survey: Of the above descriptions, which 1-3 best fit your consumption concept? Please click the corresponding description in the order of first match, second match, and third match.

New consumption models optimize and iterate

Traditional competition mode



Current competition mode



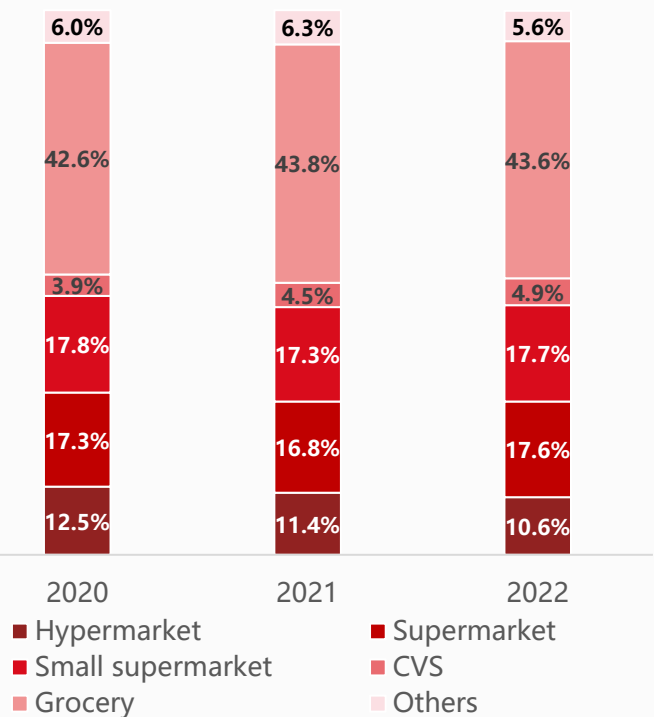


Industry(1): The reconstruction of consumer consumption logic and sales channels brings new opportunities and challenges

Supply and demand changes drive channel remodeling

- The hypermarkets operation is under pressure. Supermarket chains/convenience stores are leading modern chain channels growth.
- Grocery stores are approaching own-iteration, the enrichment of products and upgrades of facilities better meeting the near-field consumption scenarios.

Channel Importance %- FMCG overall



Type	Store Num	Store Efficiency	5 year store num trend
Hyper market	3k	194.5	▼
Chain supermarket	17k	28.6	▲
Chain small supermarket	120k	3.0	▼
CVS	120k	2.3	▲
Individual supermarket	22k	23.4	▲
Individual small supermarket	253k	2.6	▲
Grocery	4850k	0.5	▲

Data/Source: Nielsen "2023 China Retail Market Trilogy: Channel Transformation"; Nielsen Retail Census 2022, Retail Research 202211 data covers the offline market: liquid milk, beverage alcohol, personal care, home, snacks, staple food industry a total of 61 categories. Channel efficiency index: The average FMCG sales index of the average store in each channel is calculated based on the overall capacity of the single store in the country.

Enterprises

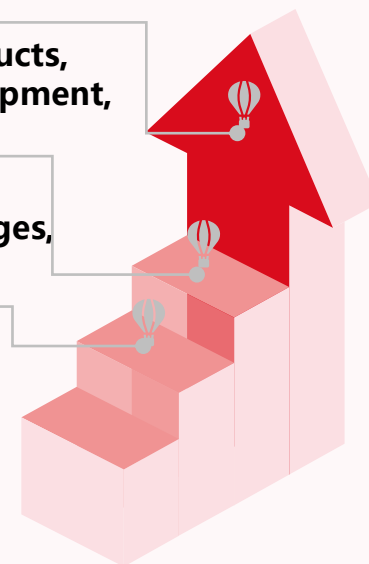


? How to deal with

Omni-channel development, seize opportunities in a challenging environment

Invest more in products, research and development, supply chain, etc

Responsive to changes, open innovation





Product: Focus on “multiple categories and large single product” strategy; Continue to consolidate R&D capabilities and launch new products

We have **two R&D centers** and a professional R&D team with specialties covering food engineering, food safety and nutrition, polymer chemistry, biology, inspection and testing and other fields.



R & D Concept: “maximizing the intrinsic value of nature with an industrialized approach.”



Latiao products remains market leadership,
Konjac products grows rapidly

Core products: Continuous optimization and upgrading

Seasoned
Flour
Products



Vegetable
Products



Bean-based
and Other
Products



Launch products to satisfy consumer preferences and to enrich
product matrix

New Products: Obtain profound consumer insights, and react swiftly by launching new products and new flavors

[BADA O PANDA] position for spicy and hot Latiao market.



[CUI HUO HUO] position for extrusion market, follows the spicy flavor, the lime flavor has been launched in February 2024.



[XIAO MO NV] Following star product Konjac Shuang, it offers big and crisp slices. Based on the good performance of the spicy hot pot flavor, the sesame hot pot flavor has been quickly launched in February 2024, serving as a differentiation from Konjac Shuang.





Brand: Strengthen brand building, enhance brand reputation and awareness

[PR communication-enhancing brand image and preference]

Endorsed by China's major authoritative media, the documentary's online exposure exceeded 250 million times



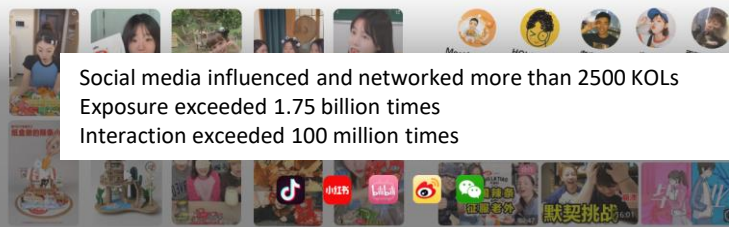
Trace the birth of Latiao
Reveal the secret of Weilong
and creat a new era of Latiao



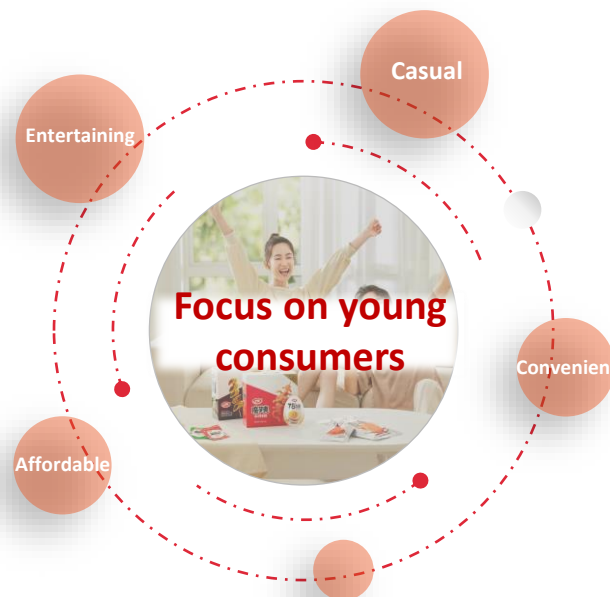
Adopt pandas, practice corporate social
responsibility through charity activities,
and enhance brand image

[Official accounts & Influencers /KOLs] - Content Marketing and Fun Marketing

Leverage the communication power of social platform
influencers to create creative content marketing



Social media influenced and networked more than 2500 KOLs
Exposure exceeded 1.75 billion times
Interaction exceeded 100 million times



- ◆ Take the official platform as the matrix to create an omni-platform integrated communication
- ◆ Continuously interact with consumers to increase brand exposure and consumer engagement



[Campaign Marketing-Capture emotional values and points of interest]

Co-branding and IP crossover collaboration

Full network
exposure:
7551W+
Network-
wide
interaction:
31W+



- ◆ Co-branded
- Re-engraved pure gold
"kiss burn"



◆ Weilong Brand peripherals
Hundreds of millions of full network exposures
with **200W+** network-wide interaction
"Weilong XBag" became the phenomenon-
level topic that triggered crazy online sales
and sold out within seconds

Full network
exposure:
3013W+
Network-
wide
interaction:
13W+



- ◆ IP joint collaboration
- Launched cute peripherals
activities on June 1, Children's
Day

[Offline activities-engage with offline consumers to promote purchases]

Innovation on Campus/New Year Festival/Tourism, create new and diversified consumption scenarios

Topic interaction
No. of participants
80 million+
New products
reached
Core universities:
300+



Connected with hundreds of colleges
and millions of college students to
stimulate young consumers with
multi-city resonance.



2,000 store channels across
the country promoted
large-packages.



In 2023 Q3 Konjac Shuang
Tourism Season, we
created a new model for
tourism consumption
scenario from distributors
to consumers



Brand Awareness:

- Achieved **1.75 billion** exposures in 2023 and triggered interaction of **100 million**. Top 10 brands on Douyin's trending article list and the TOP 3 talked about snack food on Xiaohongshu. The high quality content on Bilibili has repeatedly become the hot lists over the entire site
- Won the "Top Digital Innovative Marketing Award Content E Commerce Special Award", Tiger Roar Award "Social Media Marketing (Bronze Award)". Weilong XBag campaign was nominated as the 2023 case study by more than 100 media and We Media



Channel (1): Consolidate existing channels, embrace emerging channels, accelerate the construction of omni-channel construction

Further penetration in offline distribution network
(1,708 offline distributors)

87.3%
Of Revenue



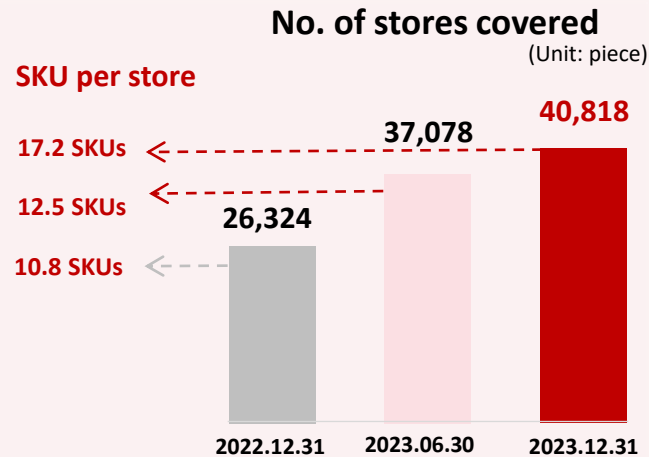
Sales Support(辅销):

Establish sales offices in first- and second-tier cities to improve POS execution

Establish internal sales team to assist distributors in central cities to **expand POS coverage, improve execution capabilities of key channels and POS, and increase efficiency and performance**

✓ **353**
Sales Support
Representatives

✓ **117**
Sales Support
Distributors



Consolidate traditional wholesale distribution channels

✓ Increase the quantity of konjac products without increasing the price, thus driving sales

✓ Customize peripherals products in New Semester/CNY/festival marketing.



Embrace emerging channels such as O2O and snack specialty retailers

✓ The **O2O channel** effectively combines online and offline channels, leading Chinese snack industry growth with its advantages of efficient service and diversified categories. In 2023, we actively captured the needs of this part of consumers, so as to seize the business growth.

✓ In 2023, we actively embraced **Snack Specialty Retailers** channels. As of the end of December, 2023, we cooperated with all mainstream snack specialty retailers with **20,000+** stores covering all major product categories. In 2024, we will continue to strengthen the management of snack specialty retailers channel stores, so as to maintain rapid growth.

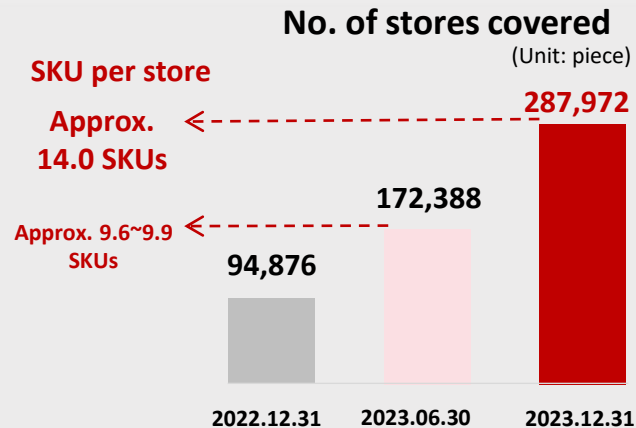


Sales Assistance(助销):

Enhance POS coverage and unit productivity in **Lower-tier cities**

Select well-established distributors and assist them in hiring sales professionals covering POS, **effectively managing channel expense usage, promoting POS coverage and enhancing POS productivity**

✓ **800**
Sales Assistance Distributors





Channel (2): Consolidate existing channels, embrace emerging channels, accelerate the construction of omni-channel construction

In-depth development of online channels:

10.5% of Revenue



Traditional e-commerce: refine operations to increase product penetration



- ◆ Penetrate the consumer flow pool through core star products to improve product penetration
- ◆ Cover more online user scenarios, improve online product market share
- ◆ Combine with emerging online channels to expand consumer groups and improve conversion



Content e-commerce Platforms: enhance traffic conversion



Expand online sales through Self live streaming, influencers live streaming and promotion, as well as festival and life scenarios marketing

Actively expand overseas business:

2.2% of Revenue

Covering 40 countries and regions



Overseas Market Strategy

- ◆ Strengthen cooperation with **quality overseas distributors and retailers**
- ◆ Establish a customer base for **Chinese spicy snacks** in overseas markets



Export version



Big Latiao



Konjac Shuang



Fengchi Kelp



Supply chain: Continue to build a supply chain service framework focusing on customer satisfaction

01 Procurement

Source Control



- High-quality raw materials, direct procurement from the base
- **The Supplier Collaborative Management System (SRM)** carries out full life cycle systematic management of suppliers, optimizing the function and process design from the four stages of registration, potential, qualification and elimination to improve efficiency.
- Establish long-term or strategic partnerships with **quality suppliers**.

02 Production

Lean Production



- HACCP hazard analysis controls the production process, and sophisticated testing equipment strictly monitors video additives and other indicators.
- **Automation equipment and process upgrades**, benchmark line project construction, through the introduction of TPM management system, increase the unit time production capacity of each production process point, thereby improving production efficiency.

03 Testing

Strict certification control



- **The quality inspection center continues to develop and optimize and achieves high-efficiency monitoring of indicators throughout the entire production process.**
- 100% coverage of FSSC22000 food safety system certification
- 100% coverage of HACCP hazard analysis and critical control point system

04 Storage

Collaborative optimization



- **Improve new management mechanisms between the enterprise and suppliers**
- Integrate the upstream resources of both parties and expand competitive advantages
- Jointly develop markets and reduce high initial costs of products to achieve a win-win management model
- Establish an e-commerce fulfillment center

05 Transportation

System Upgrade



- Transportation management system (TMS), AGV automatic transportation process, and e-commerce middle-end system (OMS) upgrade
- Systematic management of mainline automobile, transit distribution, shipping containers and online courier.

06 Customer Service

After-sales control



- Diversify communication channels, follow-up mechanism with dedicated personnel to ensure timely and effective handling of customer complaint.
- Establish national customer service hotline, BLACK CAT platform, dealer feedback and other channels to collect customer complaints in a timely manner.

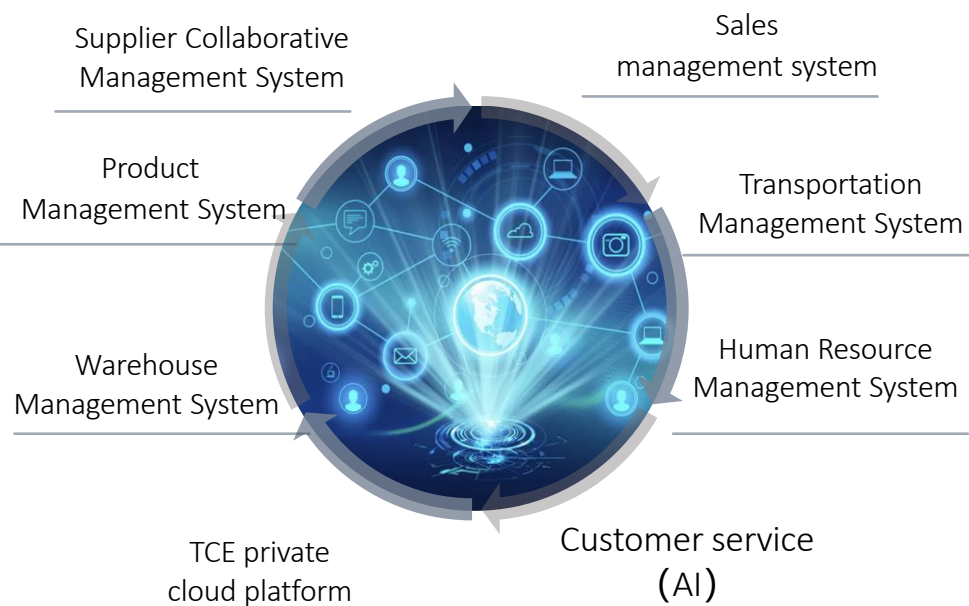
Full life cycle food safety and quality assurance system



Digitalization & Organizational Development: Empower the business and improve the efficiency of business operations

Promote digital construction, improve the quality and efficiency of business operations

Full coverage of the supply chain, research and development, sales, HR and other processes



Employee-oriented, enhance team collaboration and competitiveness

Build an all-round talents training system

We value talents, the training covers the management skills, the knowledge and skills training, *Century-old Weilong people* (“百年卫龙人”), and *Weilong Lecture hall* (“卫龙大讲堂”) .

In 2023, our employee training coverage is 100%.



Staff and enterprise common growth

We also pay attention to the growth of talents, and strive to provide employees with sufficient opportunities, promote employees to improve their business capabilities and competitiveness, and fully mobilize the enthusiasm of employees.



Enhance the synergy and competitiveness of the group and team

We promote the construction of corporate culture, promote the team's recognition of corporate values, and enhance the cohesion and execution of the team.

We define the goals and roles of the team, establish open communication channels, and enhance inter-team cooperation, so as to enhance the synergy and competitiveness of the team.





ESG: Emphasize on long term sustainable development



Environmental

Benchmark project construction

The TPM management system was introduced to improve the production capacity per unit time of the production process point and achieve a significant reduction in product water, electricity and steam consumption.

Photovoltaic power generation project

We continued to deploy and build photovoltaic power stations, reduce purchased power, and optimize the energy consumption structure. We achieved a CO2 emission reduction of 6,671.65 tons in 2023.

Biogas boiler project

Promote the application of biogas boiler projects, use the biogas generated by the sewage anaerobic system for workshop use, reduce the consumption of outsourced steam, and improve energy efficiency.



Social

R&D Innovation

Focusing on consumer needs, paying attention to nutrition and health, and through actions such as practicing "three reductions and one control" and developing food preservation systems, we will bring safer and more diversified products to consumers.

Employee Growth

Create a training system covering four major areas: management skills training, knowledge and skills training in each center, *Century-old Weilong people*, and *Weilong Lecture Hall*, to promote the common growth of employees and the company.

Social Welfare

Explore diverse and innovative ways to participate in social welfare, and contribute in areas such as animal protection and intangible cultural inheritance by participating in national health activities, giant panda adoption, Shanghai Fashion Week and other activities.



Governance

Comprehensive risk control

The risk management organizational structure has been improved, a comprehensive risk management system has been established, and risk management work has been carried out around "finding loopholes" and "promoting rectification", conducting audits on possible risks, following up on progress in a timely manner, and improving rectification efficiency.

Business Ethics Management

Update a series of business ethics systems including anti-money laundering, reporting rewards, supplier anti-corruption and other topics, actively carry out internal anti-corruption education within the enterprise, promote anti-corruption culture, smooth reporting channels and improve reporting mechanisms.

Sound corporate governance

Continuously strengthen the optimization of internal management systems, improve the governance level of the board of directors, and protect the rights and interests of shareholders and stakeholders. We value the opinions of our stakeholders and continue to maintain close communication and contact with them.



Outlook

Adhere to corporate culture, continuously to build a leading spicy snack food enterprise centered on consumer experience, and achieve long-term, sustainable and healthy development of the Company

Mission

To Let the World Fall in Love with Chinese Flavors

Vision

Make authentic Chinese gourmet more entertaining, casual, convenient and affordable, embrace digital-intelligentization and ultimately build a great business that brings joy and happiness to people for 123 years

Core Value

Customer First, Employee Oriented, Operating Business with Integrity and Creating Changes

01

Category Innovation

Continuously launch new products and categories

- Develop new products and new flavors, grasp consumer preferences and enrich product matrix
- Explore new categories and establish new advantages



02

Brand Building

Enhance brand awareness and reputation

- Enhance brand awareness and reputation
- Strengthen interaction and communication with young consumers in their preferred ways

03

Omni-Channel Development

Strengthen channel execution

- Adhere to the omni-channel distribution network strategy and comprehensively enhance the scope of POS coverage
- Embrace emerging channels such as O2O, snack specialty retailers, content e-commerce platforms and social e-commerce platforms
- Continuously enhance consumers' experience and services

04

Overseas Expansion

Continuously explore and expand overseas sales network

- Actively connect with overseas distributors and retailers
- Explore and expand overseas sales network

05

Organizational Efficiency

Enhance overall operational efficiency

- Clear job responsibilities and targets, optimize collaboration processes, and improve organizational efficiency
- Refined management and control of costs and expenses



THANK YOU

Contact us:



<https://www.weilongshipin.com/>



ir@wlsplt.com



TB-East Building, MIXC Park, No. 6, Lane 206, Haojing Road, Minhang District, Shanghai, PRC

Southwest Corner Intersection of Dongfanghong Road and
Zhongshan Road, Shaoling District, Luohe, Henan, PRC
Phase II Industrial Park of Weilong Delicious

