



卫龙美味全球控股有限公司

WEILONG Delicious Global Holdings Ltd

Stock Code: 9985.hk

2022 Annual Results Presentation

March 2023





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## 2022 Overview

### Improve offline distribution network coverage and Points of Sale ("POS") output, expand online and overseas sales

- ✓ Strengthen the operational capabilities of distributors
- ✓ Improve the Company's capabilities in distributor management
- ✓ Increase POS output
- ✓ Deepen online development through full-platform channel coverage and refined operation
- ✓ Strengthen overseas capabilities, and expand the distribution network to overseas

### Expand production capacity and improve efficiency

- ✓ Commencement of new production lines to expand production capacity
- ✓ Upgrade production lines and equipment to improve production efficiency



Continuously optimize the consumer experience, upgrade product formulas and production techniques

- ✓ Formulas upgrade
- ✓ Production techniques upgrade
- ✓ Launch *Latiao* sharing pack and new product "Ma La Ma La" (麻辣麻辣)

Build a "reliable and safety" brand image, improve brand reputation and expand the consumer base

- ✓ Published *Latiao* industry standards
- ✓ CCTV Factory Visits
- ✓ WEILONG's First *Latiao* Festival

Improve the organization, introduce professionals and talents, and strengthen core management capabilities

- ✓ All departments, including sales, marketing, research and development ("R&D"), procurement, supply chain, human resources, and finance, have introduced core management personnel





## Financial Review

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- Key Financial Metrics





## Key Indicators in Consolidated Statements of Profit or Loss

(in RMB million, except Ratios)

	2022	2021	YoY Change		2022	2021	YoY Change
 Revenue	4,632.2	4,800.2	-3.5%	 COGS	2,672.6	3,007.2	-11.1%
 Gross Profit	1,959.6	1,793.0	9.3%	 Gross Profit Margin	42.3%	37.4%	4.9pp
 Net Profit	151.3	826.7	-81.7%	 Net Profit Margin	3.3%	17.2%	-13.9pp
 Adjusted Net Profit(1)	913.1	907.8	0.6%	 Adjusted Net Profit Margin	19.7%	18.9%	0.8pp
 Adjusted EBITDA (2)	1,322.8	1,289.6	2.6%	 Adjusted EBITDA %	28.6%	26.9%	1.7pp

Notes:

(1) Equal to net profit plus share-based compensation paid to employees, listing expenses and a one-time share-based payment related to the Pre IPO.

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



## Adjusted Net Profit Analysis

(in RMB million)

	2022	2021
<b>Reconciliation of net profit to adjusted net profit (non-IFRS measure)</b>		
<b>Net Profit</b>	<b>151.3</b>	826.7
<b>Add:</b>		
<b>Share-based payments to employees(1)</b>	<b>98.1</b>	50.6
<b>Listing expenses(2)</b>	<b>34.9</b>	30.5
<b>Share-Based Payments Related to Pre-IPO Investments(3)</b>	<b>628.8</b>	-
<b>Adjusted net profit (non-IFRS measure)</b>	<b>913.1</b>	907.8

Notes:

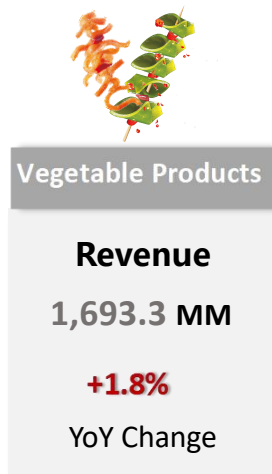
(1) Share-based payments (non-cash) to employees mainly presents the arrangement in which the Group receives services from employees as consideration for equity instruments.

(2) Listing expenses are mainly related to the Global Offering.

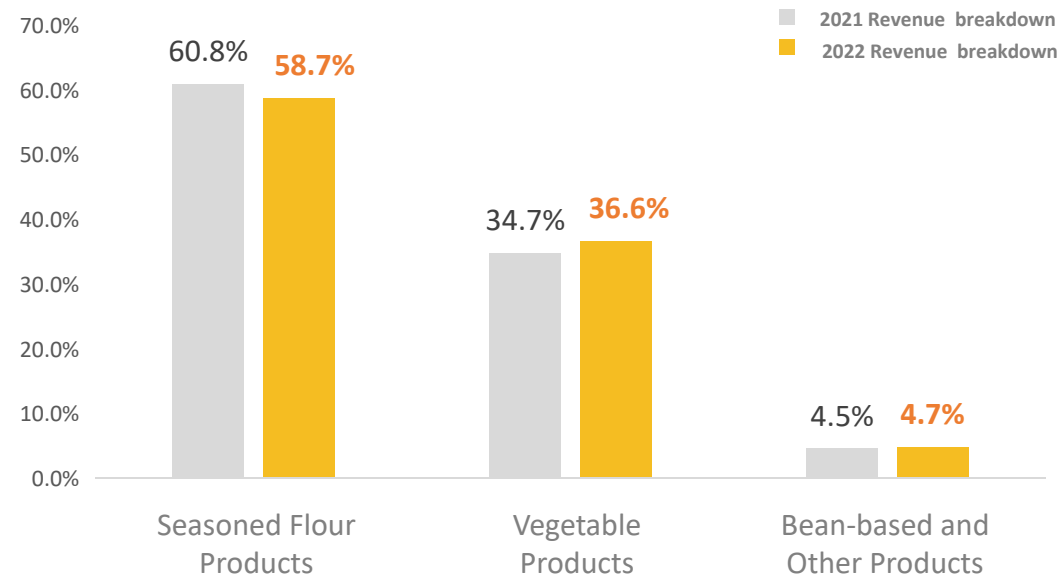
(3) Share-based payments related to Pre-IPO Investments refer to the supplemental agreement of share purchase agreement the Company entered into with certain Pre-IPO investors, pursuant to which the Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value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



## Revenue Breakdown by Product Categories



Revenue Breakdown by Category as % of Revenue



- The resurgence of the COVID-19 has had an impact on our production and delivery.
- Sales volume was temporarily affected as customers took time to adapt to a recent price adjustment due to product upgrade in major product categories with new packages, production techniques, ingredients or specifications.



2022:

**Two of our major product categories:**  
annual retail sales value reached **over RMB 1Bn**  
**Four best-selling products:**  
annual retail sales reached **over RMB 500MM**





# Revenue Breakdown by Sales Channels/ Geographical Locations



## Offline Channels

Revenue  
**4,080.4 MM**  
**-3.5%**  
YoY Change



## Online Channels

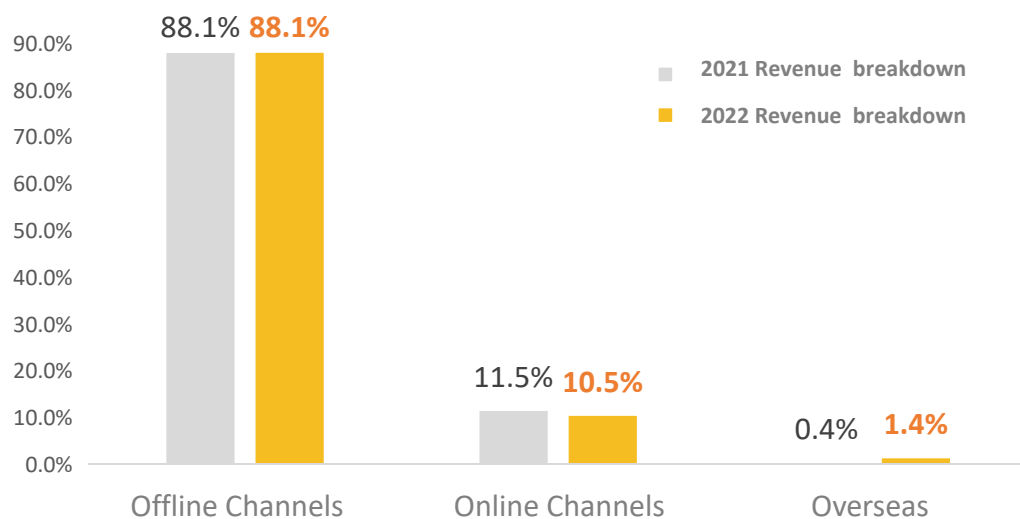
Revenue  
**486.3 MM**  
**-12.2%**  
YoY Change



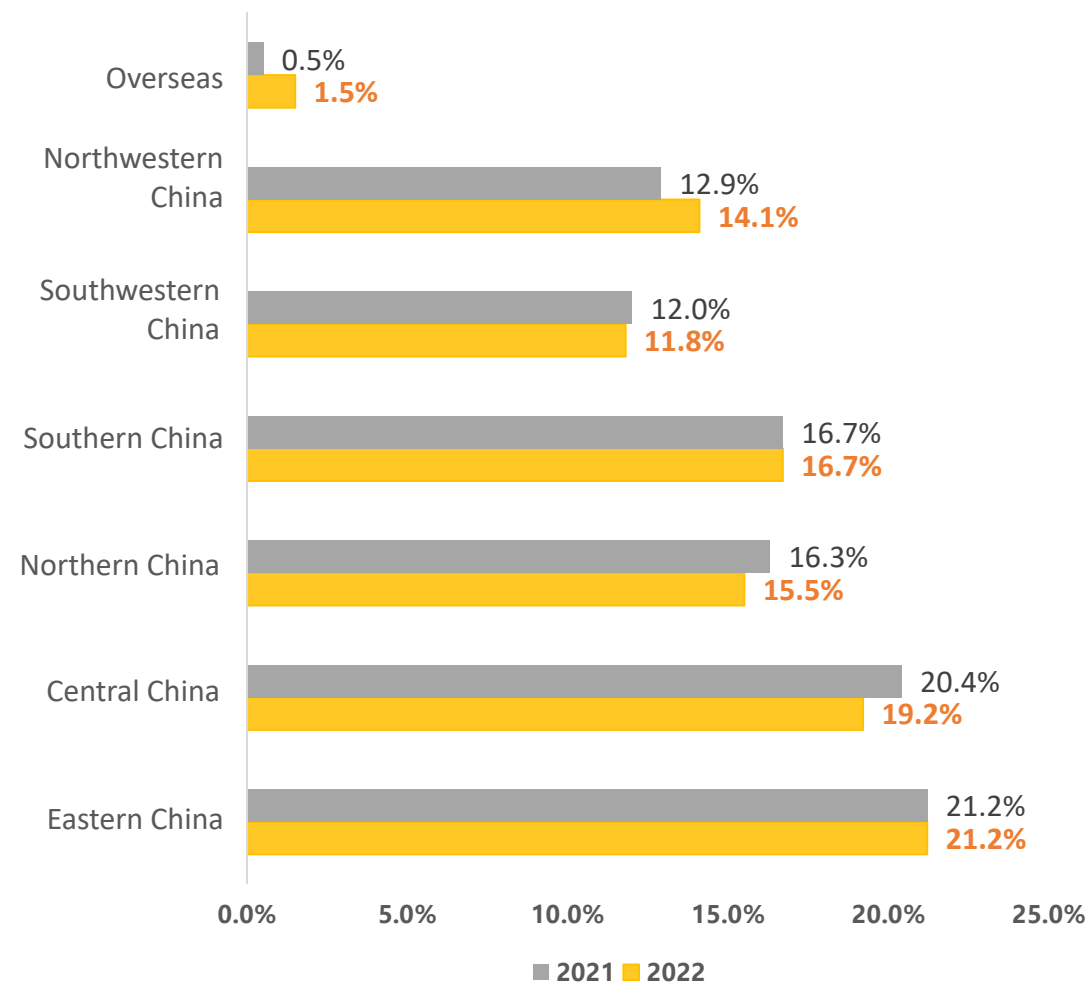
## Overseas

Revenue  
**65.5 MM**  
**+230.7%**  
YoY Change

Revenue Breakdown by Sales Channels as % of Total Revenue



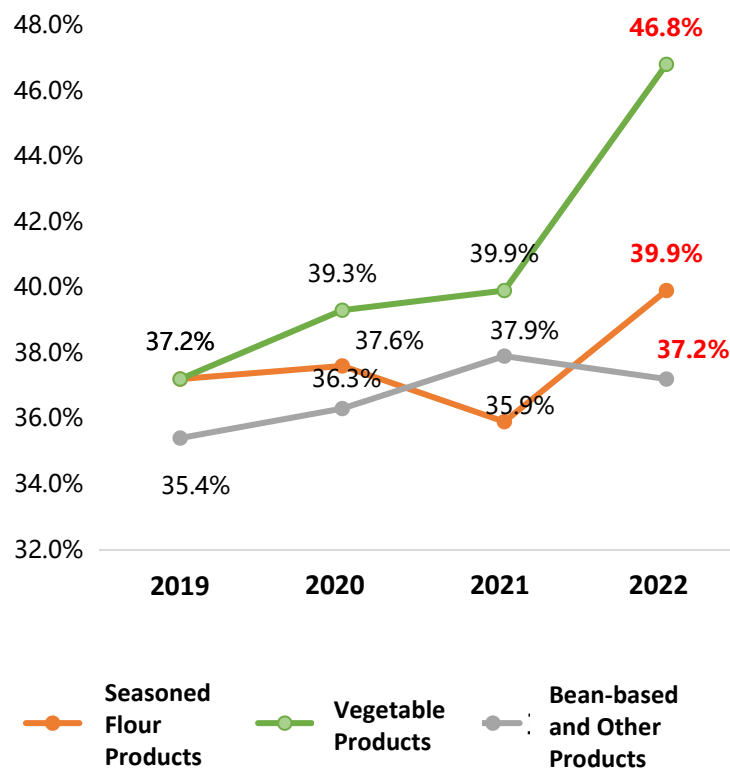
Revenue Breakdown by Geographical Locations (including Overseas) as % of offline Revenue



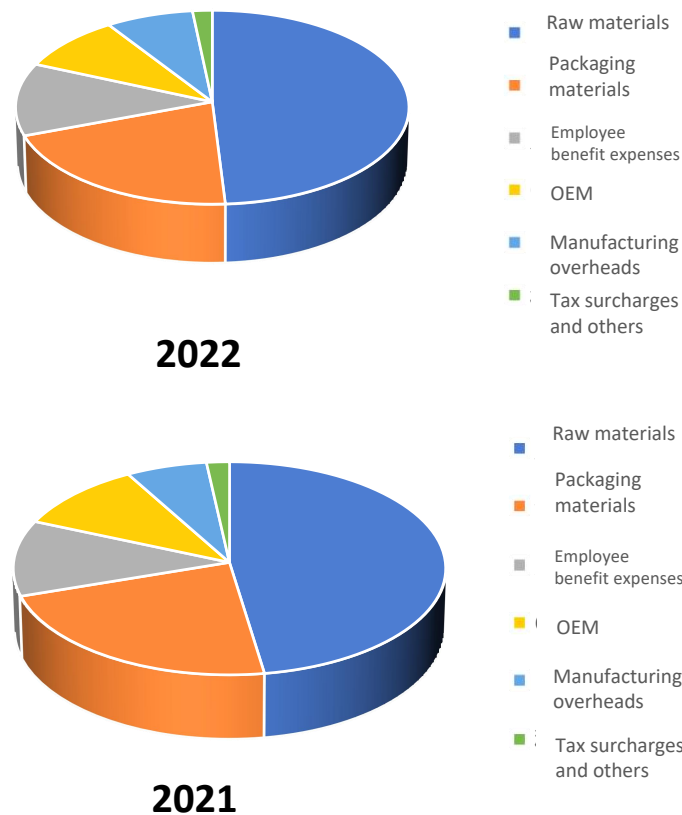


# Gross Margin Analysis

Solid Gross Margin Level



COGS Breakdown



COGS Items as % of Total Revenue

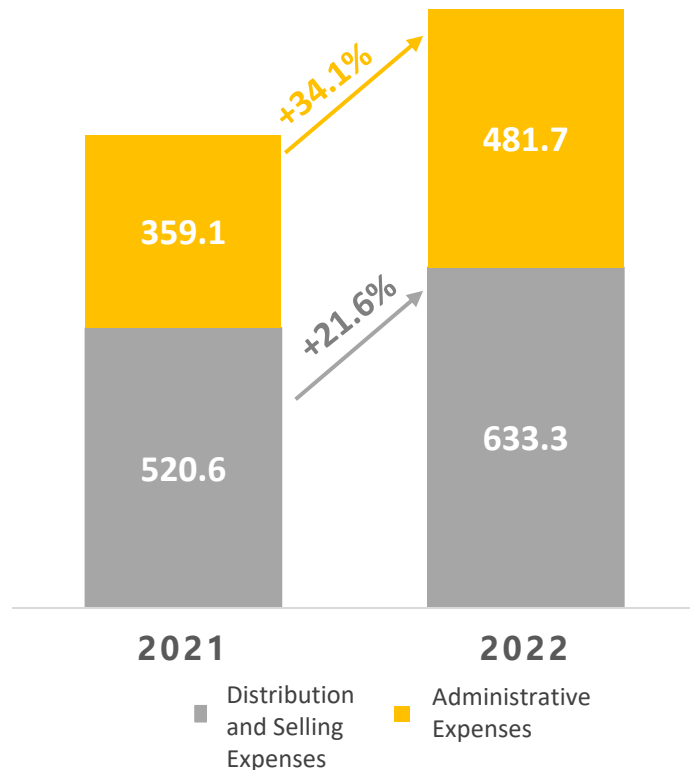
	2022	2021	2020	2019
Raw materials	28.3%	29.8%	27.8%	29.8%
Packaging materials	11.8%	14.0%	13.5%	14.7%
Employee benefit expenses	7.0%	7.2%	8.7%	8.4%
OEM	5.3%	6.5%	7.3%	5.8%
Manufacturing overheads	4.4%	4.0%	3.4%	2.9%
Tax surcharges and others	0.9%	1.1%	1.3%	1.3%
Total cost of sales of goods	57.7%	62.6%	62.0%	62.9%
Gross profit margin	42.3%	37.4%	38.0%	37.1%



## Expenses Analysis

(in RMB million)

Major Expenses Structure



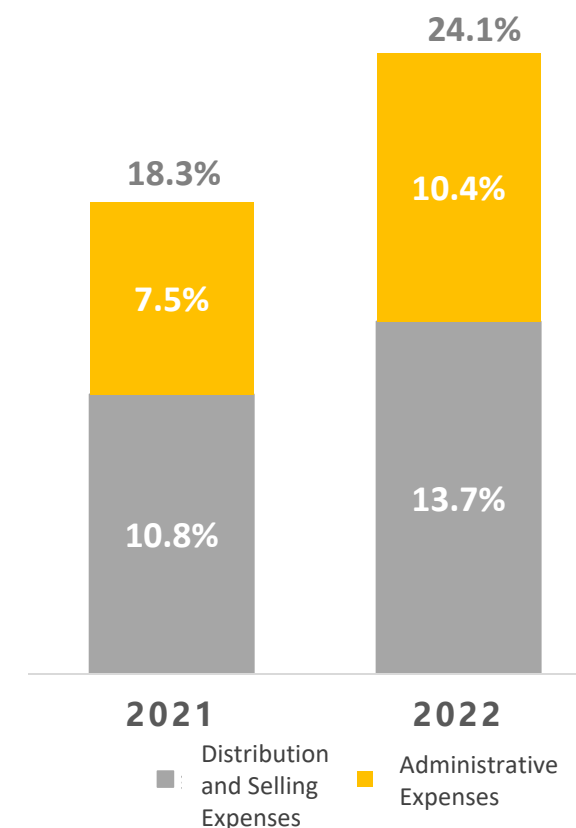
### Increase in Administrative Expenses

- (i) Increase in employee benefit expenses (including share-based Restricted Shares Unit ("RSU") expenses);
- (ii) Increase in depreciation and amortization.

### Increase in Distribution and Selling Expenses

- (i) **Increase in promotion and advertising expenses:** increased advertisements placements in outdoor media and online advertising activities, such as live streaming, carried out on e-commerce platforms as well as other online media platforms
- (ii) **Increase in employee benefit expenses:** mainly due to the continuous expansion of the Group's sales force (including share-based RSU expenses);
- (iii) **Professional consultant fees and other increases.**

As % of Revenue





## Key Indicators in Consolidated Balance Sheet

(in RMB million)

As at 31 December	2022	2021	Change
Current assets	3,557.2	2,986.3	19.1%
Non-current assets	3,373.1	2,204.3	53.0%
<b>Total assets</b>	<b>6,930.3</b>	<b>5,190.6</b>	<b>33.5%</b>
Current liabilities	1,000.2	1,255.5	(20.3%)
Non-current liabilities	405.7	265.1	53.0%
<b>Total liabilities</b>	<b>1,405.9</b>	<b>1,520.7</b>	<b>(7.5%)</b>
<b>Net assets</b>	<b>5,524.4</b>	<b>3,669.9</b>	<b>50.5%</b>
<b>Working capital</b>	<b>2,557.0</b>	<b>1,730.8</b>	<b>47.7%</b>



## Key Financial Metrics

	2022	2021	Change
Gross profit margin	42.3%	37.4%	4.9pp
Net profit margin (adjusted)	19.7%	18.9%	0.8pp
Return on assets (adjusted) <sup>1</sup>	15.1%	22.3%	(7.2)pp
Return on equity (adjusted) <sup>2</sup>	19.9%	34.2%	(14.3)pp
Inventory turnover days	82 days	70 days	12 days
Trade receivables turnover days	4.9 days	3.7 days	1.2 days
Trade payables turnover days	26 days	21 days	5 days
Gearing ratio <sup>3</sup>	2.9%	12.5%	(9.6)pp
Asset-liability ratio <sup>4</sup>	20.3%	29.3%	(9.0)pp
Operating cashflow ratio(adjusted) <sup>5</sup>	1.3	1.0	0.3

Notes:

1. Equal to annual net profit (adjusted) (non-IFRS measure) divided by the average balance of total assets at the beginning and end of the period, multiplied by 100%
2. Equal to the balance of annual net profit (adjusted) (non-IFRS measure) divided by the average of total equity at the beginning and end of the period, multiplied by 100%
3. Equal to total interest-bearing loans divided by total equity, then multiplied by 100%
4. Equal to total liabilities divided by total assets, then multiplied by 100%
5. Equal to net cash from operating activities divided by net profit (adjusted)





## Business Review

01

- **Product:** Focus on large single-product strategy, continuous product upgrade, and new product development

02

- **Channel:** Continuously improve channel execution and POS coverage quality

03

- **Brand:** Attract more young consumers, and increase repurchase rate and conversion rate

04

- **Supply Chain:** Continuously focus on quality through establishing an industry leading production system and strict quality assurance system

05

- **Digitalization:** Empower the business to improve operational efficiency

06

- **ESG:** Focus on long-term sustainable development





# Product: Focus on large single-product strategy, continuous product upgrade, and new product development

## New Formulas

High quality raw materials



Upgrade product content:

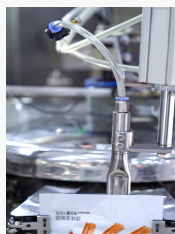
**[ Sucralose free and TFA free ]**

Adopt non-frying technology and low-temperature sterilization technology

To present the original flavour of the food and retain the nutritional value

**Adjust the product formulas** to increase the dietary fibre content in the product

## New Techniques



**[ Nitrogen Flush ]** technology

Adopt aluminized nitrogen-filled packaging

Preserving fresh flavour

To well-preserve the delicious flavor and taste for the consumers

## New Packages



**[ Latiao Sharing Pack ]**



**Bag-in-bag small package**  
Easy to carry, expand the consumption scenarios



Named after **[ Latiao ]** to showcase WEILONG's industry status as a synonym for Latiao to strengthen brand awareness

## New Products



**[ Hen Ma Hen La ]**



**[ 78° Braised Eggs ]**



**[ Xiao Ma Xiao La ]**



**[ New Product Reserve ]**

## Large single-product portfolio





## Channel: Continuously improve channel execution and POS coverage quality

*Further Penetration in Offline Distribution Network*  
*Increase Brand Awareness and Channel Operation via Sales Support*



### Sales Support (「辅销」)

Local Sales Offices in Tier-1 and -2 Cities to Support Operational Capabilities

Build internal sales team to assist distributors in tier-1 and -2 cities to **expand POS coverage, increase operational capability in major channels and POS, increasing efficiency and performance**

✓ 1,840+ Offline Distributors

✓ 32 Local Sales Offices

✓ 288 Sales Support Representatives



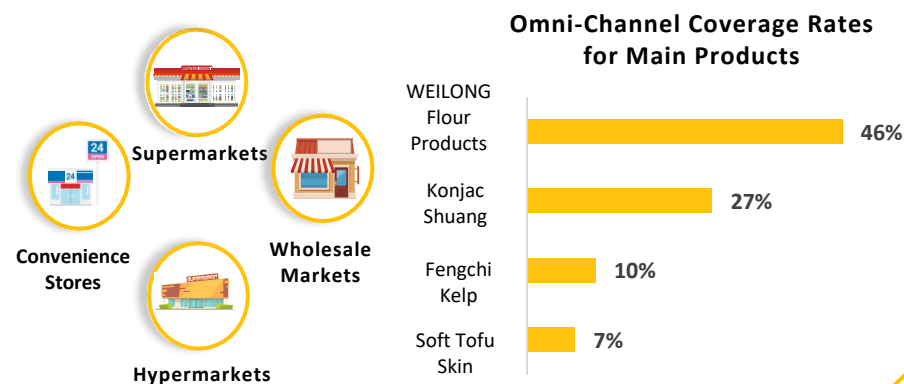
### Sales Assistance (「助销」)

Enhance Coverage and Unit Productivity in Lower tier Cities

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

## 88.1% Offline Channels

Realized **Omni-Channel Distribution Network** such as supermarkets, convenience stores, hypermarkets, wholesale markets and etc.



Note: Omni-Channel coverage rates from Nielsen data





## Omni-Channel distribution network effectively reaching customers; Expand POS coverage and performance through channel upgrade

### 10.5% Online Channel

Online Business Bolstered by Omni-Channel Coverage and Refined Operations



New Products Testing Platform to guide new products development

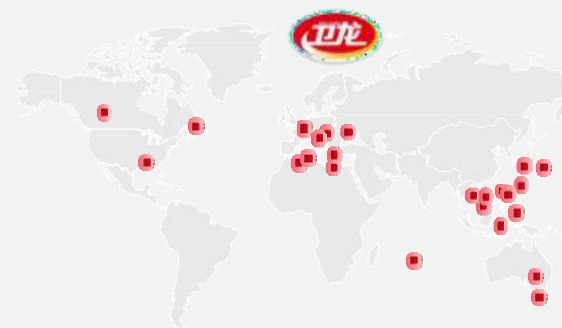


Coverage of major e-commerce and content-based platforms to form a strong complement to offline channels

Increased interaction with customers to build connections, to increase brand and products exposure

### 1.4% Overseas Markets

Expansion of Global Distribution Network



40 Overseas Distributors

- Identify regional markets with **growth potential**
- Strengthen cooperation with **high-quality overseas partners**
- Build fan base for **Chinese spicy snack food** in overseas markets



## Brand: Attract more young consumers, and increase repurchase rate and conversion rate

### Youthfulness

#### Focus on Young Consumers

Based on the strategy of **Entertaining, Casual, Convenient** and **Affordable**

Brand-product-price-channel-promotion integration and interaction



#### Brand awareness

- The No. 1 snack food brand in terms of brand awareness among those aged at or under 25
- Awarded 2022 GEN-Z's Annual Favourite Award "Inspirational Vitality Brand" and won Titanium Media's 2022 Global Innovation Award "Consumer Brand of the Year".

#### Increased interaction with customers via Video clips, live streaming and Internet celebrities



Omni-channel social platforms to boost promotion



#### Cross-sector co-branding to attract more young consumers



Konjac Shuang and iced tea co-branding, "CP debut"

Cooperate with clothing brands + beauty brands on marketing

#### Topical content-based and holidays-based marketing

##### Fancy holiday marketing cases



Double 11 "Foxi" marketing

"Latiao" New Year festival



#### Offline activities combined with online marketing



In two days, offline consumers reached

20W+

→ Consumer interaction

5W+

Total online exposure

1800W+

The first **Latiao Festival** was held in Shanghai





# Supply Chain: Continuously focus on quality through establishing an industry leading production system and strict quality assurance system

## Lifecycle quality control

### Procurement



- ★ Establish long-term relationships with quality suppliers
- ★ Establish strict supplier screening and assessment mechanism
- ★ Establish supplier grading management system to enhance safety stock and decentralized supply location strategy to continuously control supply chain risks

### Production



- ★ Full process monitoring
- ★ Most production lines are automated

### Testing



- ★ Establish quality assurance center to monitor routine indicators throughout the entire production process

### Services



- ★ Diversified communication channels for timely and effective customer complaint handling
- ★ E-commerce customer service platform; 400 hotlines; city manager for customer relationship management.



### Traceability

- ★ Item-specific Serial Code Information System
- Achieve backward traceability and record distribution paths to end customers to avoid cannibalization

- **Full-chain food safety management** A food safety risk assessment team has been established to control food safety risks from source to end.
- In compliance with the HACCP and FSSC 22000 food safety system certifications
- Jointly published **the Industry Standards for Seasoned Flour Products** with a Consortium led by the Chinese Institute of Food Science and Technology



## Partial production lines in Xinglin Plant put into operation

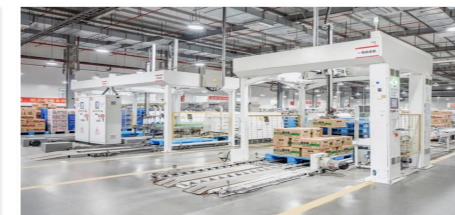
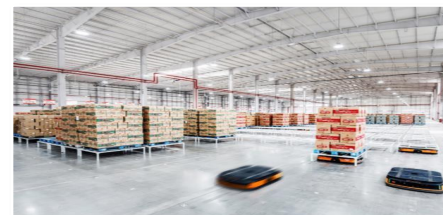


## Supply chain automation upgrade

### Production Line Upgrade

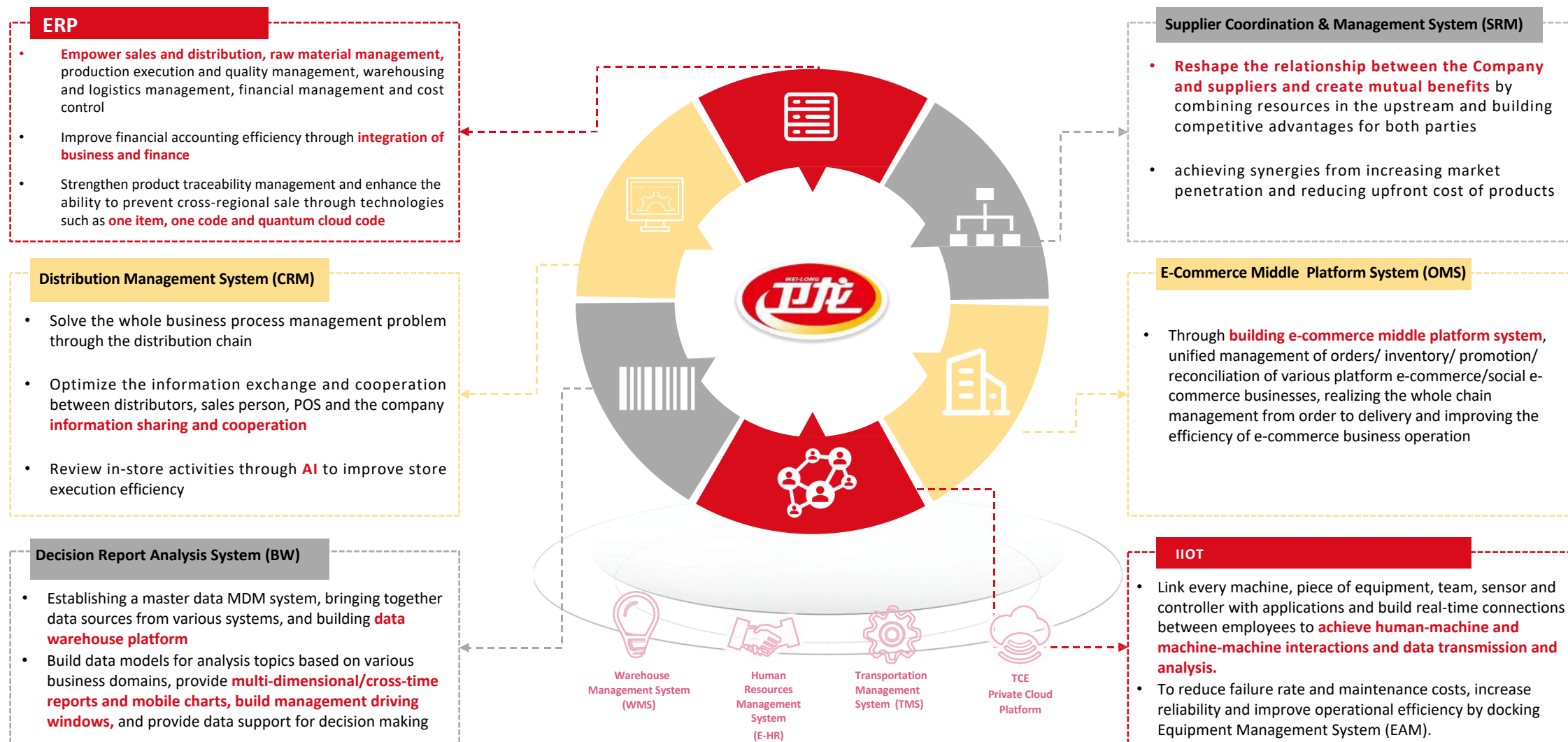


### Plant Automation





## Digitalization: Empower the business to improve operational efficiency





# ESG: Focus on long-term sustainable development

## Environment

### Biogas Boiler Project

Use of biogas boilers to produce steams during the production process to recycle the energy and reduce the external purchase of steam.



### Photovoltaic Power Generation Project

Construction of photovoltaic power plants to reduce purchase of external power and reduce CO2 emission.



## Social

### Rural revitalization

Support for the development of industries in the villages. Drive the development of chili pepper, peppercorns and other planting industries as a large amount of crop raw materials demand to improve income of farmers.



### Employee Together

Cultivate a dedicated, earnest and vigorous management team. Provide employees with promotion opportunities, welfare subsidies, skills training and other welfare policies to promote employee diversity.



## Governance

### Comprehensive Risk Management

Establish a comprehensive risk management structure and cross-departmental risk management collaboration mechanism. Regular meetings to review the Company's annual risk assessment and monitor the implementation of risk mitigation measures.



### Business Ethics Management

Develop internal systems such as Management Measures of Rewards and Punishments to regulate the behaviors of employees. Organize regular anti-corruption activities for employees and enhance the normalization of integrity culture.





# Outlook

## ➤ Efficiently cultivate existing product categories and nurture new ones

- Continuously invest in product category and quality assurance on the basis of existing product categories to enhance **products' core competitiveness**;
- Develop **new products** (new packaging, new specifications, new categories, etc.) in terms of different channels and sales scenes.

### Products



## ➤ Strengthen channel execution

### Channel



- Fully enhance **POS coverage**;
- Fully enhance in-store execution quality, especially the coverage **level of essential SKUs**.

## ➤ Increase brand awareness, core image and brand penetration

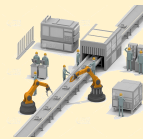
- Through the young brand building initiatives to expand the consumer group fast (focusing on Gen- Z, urban white-collar workers and other young groups);
- Through the KOL and daily content marketing activities among the online platforms to expand exposure and interest of the customers.

### brand



## ➤ Enhance end-to-end quality management system

### Supply chain



- Comprehensive improvement of product quality;
- Enhance **automation and intelligence**, reduce production costs







# THANK YOU

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