



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

2024 Interim Results Presentation

August 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.



Table of Contents

- 1 1H2024 Overview
- 2 Financial Review
- 3 Business Review
- 4 Outlook





1H2024 Overview



Channel

- ✓ Actively promoted online and offline **omni-channels** construction;
- ✓ Continuously improved the capabilities of sales teams to serve the channels, while consolidating **the traditional channels**, the Company is actively developing new channels to seize the new **growth opportunities**.

Product

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

Brand

- ✓ Strengthened **brand investments and brand building** to enhance brand reputation and awareness;
- ✓ **Young consumers oriented**, stayed close to the lifestyles and consumption habits of the younger generation to continuously increase the Group’s brand vitality and attractiveness.

Efficiency Enhancement

- ✓ Continuously Improved efficiency of the **supply chain**;
- ✓ Proactively enhanced **the talent selection** and cultivation mechanism to enhance the **competitiveness** of the organization;
- ✓ Continued to enhance the construction of **digital-intelligentization** to improve the Group’s business efficiency.



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 per share data and ratios)

	1H2024	1H2023	YoY Change
 Revenue	2,938.6	2,327.3	26.3%
 Gross Profit	1,462.3	1,106.2	32.2%
 Net Profit	621.2	447.1	38.9%
 EBITDA*	963.6	718.9	34.0%
 Earnings per Share	0.27	0.19	42.1%

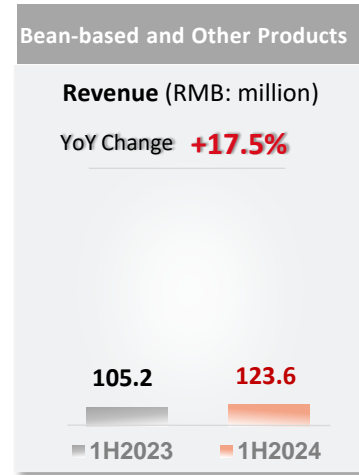
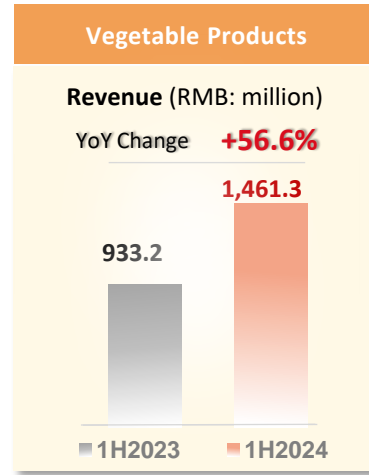
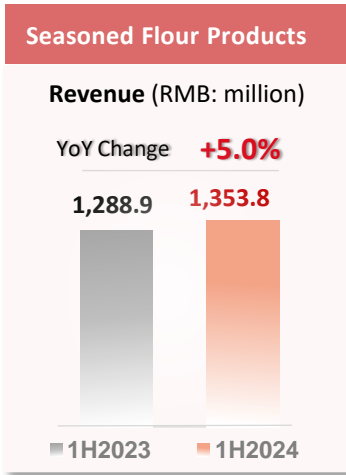
	1H2024	1H2023	YoY Change
 COGS	1,476.4	1,221.1	20.9%
 Gross Profit Margin	49.8%	47.5%	2.3p.p
 Net Profit Margin	21.1%	19.2%	1.9p.p
 EBITDA Margin	32.8%	30.9%	1.9p.p
 Interim Dividend per share	0.16	0.12	33.3%

Note: * Equals to net profit plus interest expense, income tax expense, and depreciation and amortization expense.

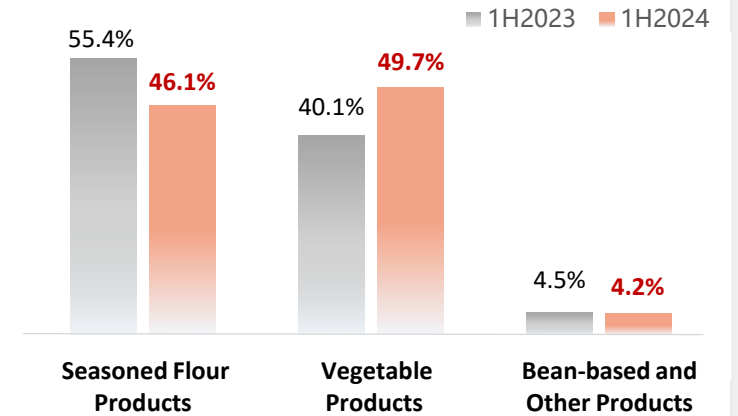


Revenue Breakdown by Product Category

Revenue by Product Categories:



Revenue by Product Categories as % of Total Revenue



Analysis of Revenue by Product Category:



Seasoned Flour Products

- The promotion of omni-channel construction in 1H2024 contributed to the steady growth of this category.



Vegetable Products

- During 1H2024, the Group's continuous iteration of this category of products by actively exploring consumers' demand for such products; and continuous expansion of the production capacity for such products.
- The promotion of omni-channel construction and the continuous strengthening of brand building in 1H2024.

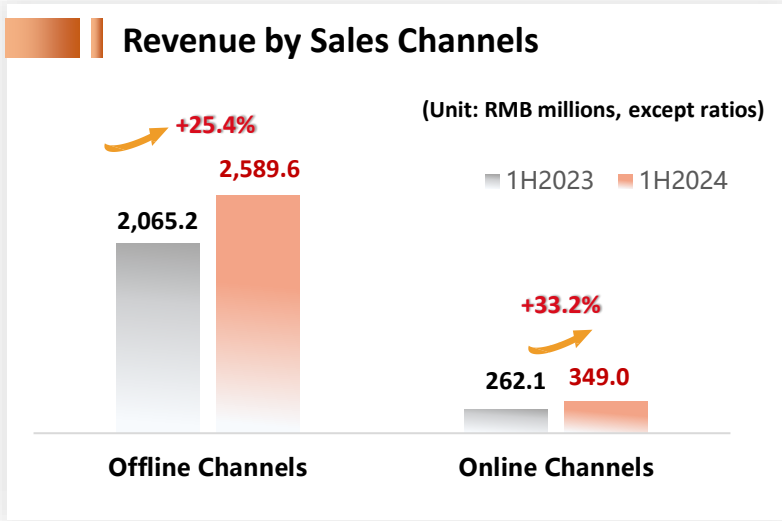


Bean-based and Other Products

- The promotion of omni-channel construction in 1H2024 contributed to the growth of this category.



Revenue Breakdown by Sales Channels / Geographical Locations



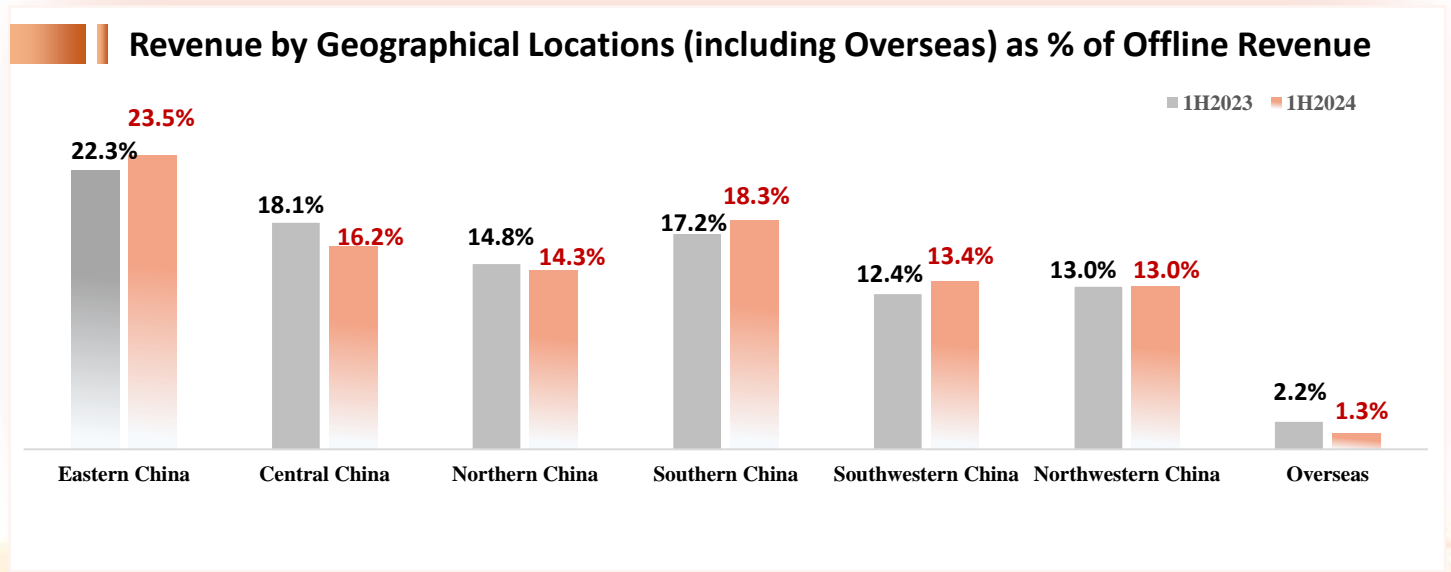
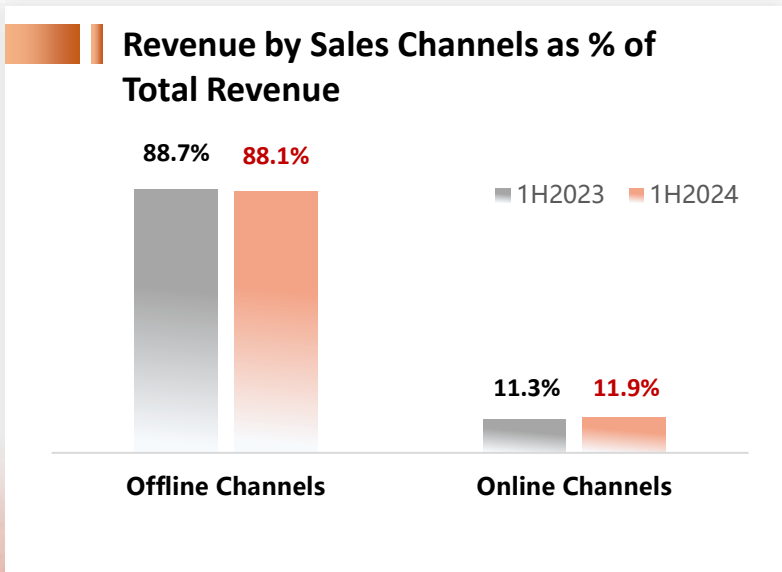
Analysis of Revenue by Sales Channels

Offline Channels

- During 1H2024, the Group actively promoted the construction of **offline omni-channel**, and continuously improved channel execution.

Online Channels

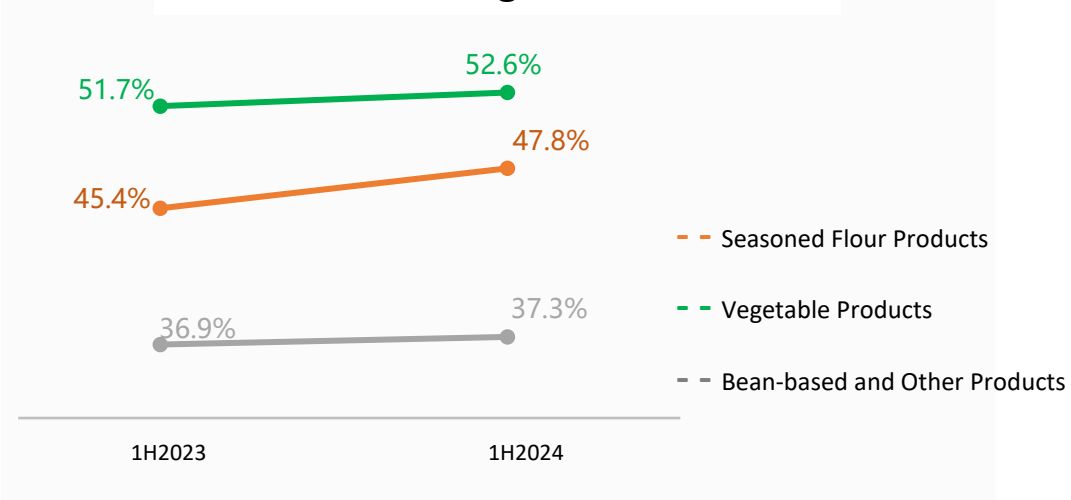
- During 1H2024, the Group actively promoted the construction of **online omni-channel**, especially active in embracing the development opportunities brought by various emerging channels.





COGS & Gross Profit Margin Analysis

Gross Profit Margin Track Record



Explanation

1H2024 VS 1H2023 Gross Profit Margin increased due to:



- Increase in utilization rate in 1H2024
- Decrease in the prices of certain raw materials in 1H2024

COGS Items as % of Total Revenue

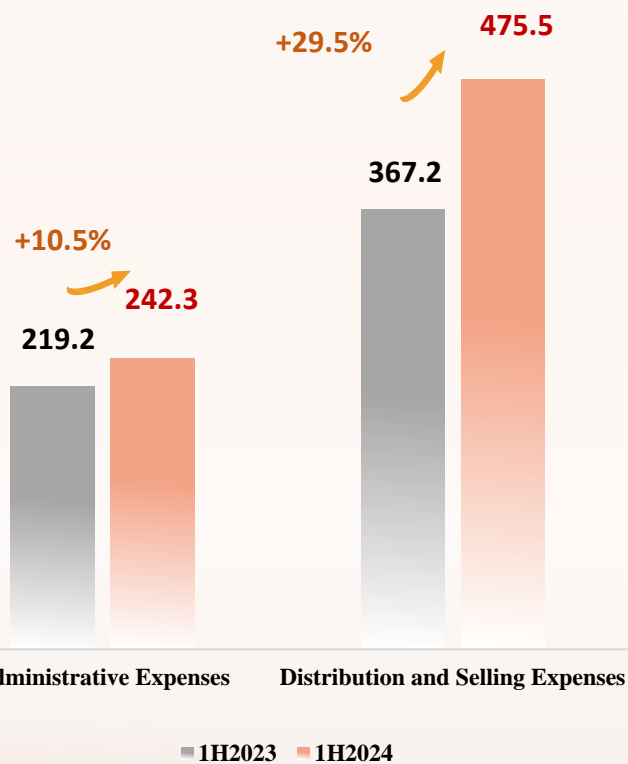
	1H2023	2023	1H2024
Raw materials	25.8%	25.3%	24.3%
Packaging materials	10.5%	11.2%	11.4%
Employee benefit expenses	6.6%	6.7%	6.0%
OEM	4.5%	3.8%	3.3%
Manufacturing overheads	4.2%	4.3%	4.4%
Tax surcharges and others	0.9%	1.0%	0.8%
Total cost of sales of goods	52.5%	52.3%	50.2%
Gross profit margin	47.5%	47.7%	49.8%



Expenses Analysis

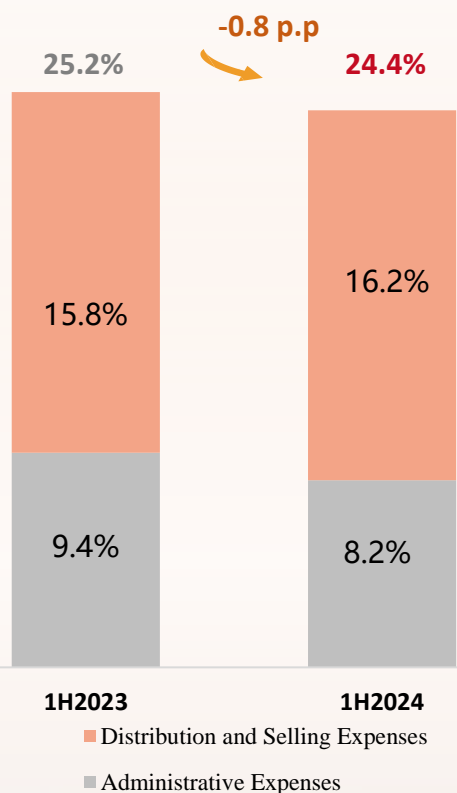
Major Expenses Items

(Unit: RMB million, except ratios)



Proportion

As % of Revenue



Explanation

1. Increase in Distribution and Selling Expenses:



(i) An increase in employee benefit expenses:

- primarily due to the active promotion of omni-channel construction, the Group's sales team is constantly expanding

(ii) An increase in promotion and advertising expenses:

- Increased online and offline media advertising and promotion activities
- Increased promotion of emerging online channels such as content e-commerce and social e-commerce

2. Increase in Administrative Expenses:



- An increase in employee benefit expenses

3. Changes in Expenses ratio



- Due to the increase of the Group's revenue, **the total expense ratio declined year-on-year** despite the increase in overall expenses



Key Indicators in Consolidated Balance Sheet

(Unit: RMB million)

	As at 30 June, 2024	As at 31 December, 2023	Change	As at 30 June, 2023
Current assets	2,326.6	2,874.7	- 19.1%*	3,382.7
Non-current assets	4,998.3	4,178.9	+ 19.6%	3,864.8
Total assets	7,324.9	7,053.6	+ 3.8%	7,247.5
Current liabilities	969.7	908.0	+ 6.8%	1,288.5
Non-current liabilities	470.9	439.7	+ 7.1%	433.6
Total liabilities	1,440.6	1,347.7	+ 6.9%	1,722.1
Net assets	5,884.3	5,705.9	+ 3.1%	5,525.4

Note: *In the first half of 2024, the Group repurchased term deposits with maturities of more than one year after certain term deposits expired



Key Financial Metrics

	1H2024	1H2023	2023
Gross profit margin	49.8%	47.5%	47.7%
EBITDA margin ¹	32.8%	30.9%	29.3%
Net profit margin ²	21.1%	19.2%	18.1%
Return on assets ³	17.3%	12.6%	12.6%
Return on equity ⁴	21.4%	16.2%	15.7%
Inventory turnover days	51.4 days	76.5 days	73.0 days
Trade receivables turnover days	3.3 days	3.9 days	4.4 days
Trade payable turnover days	21.5 days	21.4 days	25.2 days
Current Ratio ⁵	2.4	2.6	3.2
Quick Ratio ⁶	2.0	2.3	2.7
Gearing ratio ⁷	3.0%	3.2%	3.2%
Liability-to-asset ratio ⁸	19.7%	23.8%	19.1%
Adjusted cash flow ratio of operating activities ⁹	1.2	1.1	1.3

Notes:

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

5. Equal to current assets divided by current liabilities as at the same date

6. Equal to current assets less inventory divided by current liabilities as at the same date

7. Equal to total interest-bearing borrowings divided by total equity, multiplied by 100%

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

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



Business Review

- 1 Industry: Structural opportunities brought by new trends in consumption and emerging channels
- 2 Product: Adhere to the "multiple categories and large single product" strategy, accelerate innovation, and lead the new trend of spicy snack foods
- 3 Channel: Actively promote omni-channel construction, and continually enhance the execution and level of service of the sales team
- 4 Brand: Enhance brand investment and brand building, improve brand reputation and awareness
- 5 Supply Chain: Emerging channels develop flourishingly, actively promote the reform and efficiency improvement of the Supply Chain
- 6 Digitalization & Organizational Development: Empower the business and improve the efficiency of business operations
- 7 ESG: Focusing on the long-term sustainable

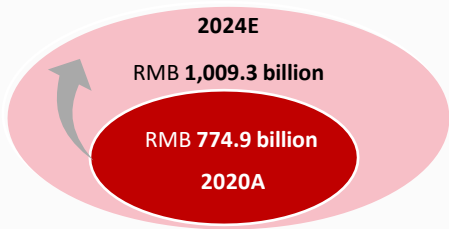




Industry: Structural opportunities brought by new trends in consumption and emerging channels

China's snack food market is tremendous Structural opportunities brought by diversified and individualised consumer demands

China snack food market size ⁽¹⁾



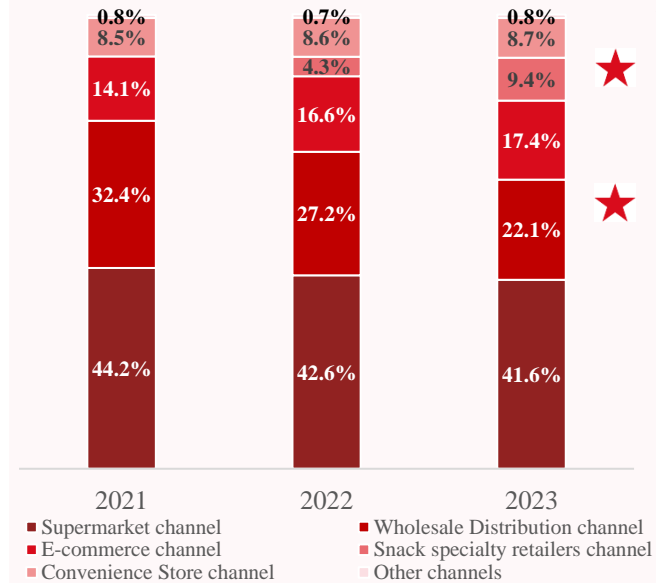
China snack food industry growth rate ⁽¹⁾

2020-2024E compound annual growth rate : 6.8%

- ★ China's snack food industry market size is expected to exceed RMB **one trillion** by 2024, continues to maintain **steady growth**.
- ★ The growth was mainly attributable to the increase in **diversified and personalised consumer demands**, as well as the enhancement of the pursuit of quality of life and the demand for emotional release and stress relief.
- ★ **The young group represented by Generation Z has a more optimistic consumer sentiment** ⁽²⁾.

The rise of emerging channels online and offline is reshaping the snack food industry

China snack food channels distribution, 2021-2023 ⁽³⁾



- ★ The share of traditional supermarkets and wholesale distribution channels continues to decline
- ★ Rapid growth in the shares of snack specialty retailers channel and e-commerce channels, slight growth in the share of convenience store channel
- ★
 - Offline channel is still the dominant channel for casual food sales in China under the **diversified and segmented development trend**
 - Further innovation in online channels, **rapid development of new e-commerce formats** such as O2O, content e-commerce, live-streaming e-commerce, etc.

Enterprises: Product innovation, channel expansion, brand building, and supply chain optimization to seize more market shares

Data/Source: Frost&Sullivan, Askci, McKinsey's "China Consumer Trends Survey 2024: Cautious Expectations, Potential Exists", Euromonitor Data

Note: (1) Frost & Sullivan, Askci; (2) McKinsey's "China Consumer Trends Survey 2024: Cautious Expectations, Potential Exists"; (3) Euromonitor Data.



Product: Adhere to the "multiple categories and large single product" strategy, accelerate innovation, and lead the new trend of spicy snack foods

Product portfolio of large single products :

Existing products: Continue to deepen and upgrade



Accelerate innovation to meet the taste and emotional needs of young consumers

"XIAO MO NV" upgrade and iteration



【Konjac vegetarian tendon】
【Spicy barbecue-flavored】



【Vegetarian tripe】
【Sesame paste hot pot flavored】



【Vegetarian tripe】
【Hot and sour hotpot-flavor】

Continuously innovating, enriching the product matrix.

"CUI HUO HUO" gradually gains popularity



【CUI HUO HUO】
【Spicy flavor】



【CUI HUO HUO】
【Lime flavor】

Following the spicy flavor, the **lime flavor** was launched in Feb. Continue to increase production capacity and strengthen product distribution.

Upgraded "Soft-Boiled Egg"



78° braised eggs upgraded to **soft-boiled eggs**, magnifying the "soft-boiled" characteristics.

Collaboration with the trendy mobile game "Eggy Party"



【Eggy Party Co-branded Products】



Brand: Enhance brand investment and brand building, improve brand reputation and awareness

【Branding & Marketing campaign – core products and consumer insight】

Brand and topic marketing communication

◆ Konjac Shuang



The ad received widespread exposure both online and offline

Focusing on "lower calories, more enjoyable", emphasize consumer communication and ongoing mental development, covering 32 core cities.

◆ Launch of Durian Latiao



Full network exposure: **200mn+**
Interaction: **235w+**

Artists' creative videos: special Durian Latiao; the pop-up store opens in Shanghai CBD with phenomenon-level topic marketing; and has been listed many times on Sina Weibo and Bilibili's trending topics.

◆ Brand/IP crossover



Pizza Hut's Co-branded Pizza Full network exposure: **1000w+**

Eggy Party Co-branded Products Full network exposure: **100mn+**

【Offline activities – engage with offline consumers to promote purchases】

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



WL Delicious x Shoo Loong Kan Joint Restaurant

The hot topic "Weilong #Weilong opened a hot pot restaurant#" effectively reaches consumers

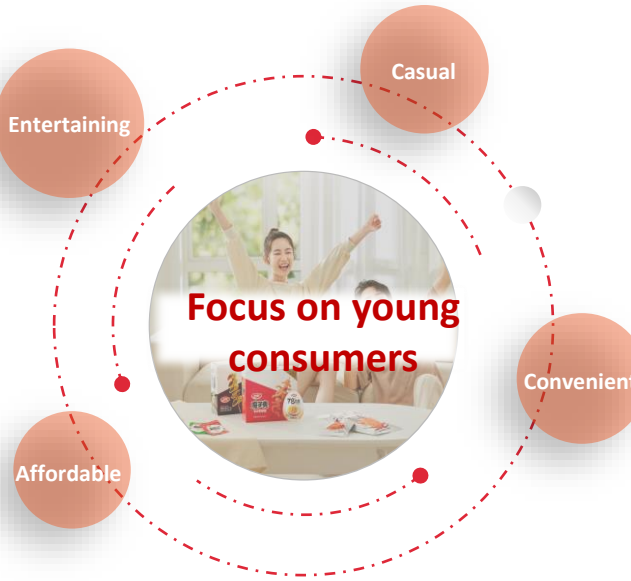


WL Delicious New Year Goods Festival offline POS

1,000 outlets nationwide
10,000+ consumer promotion activities



Hundreds of colleges jointly distribute product samples to promote consumption among young consumers
Covering **43 cities**, nearly **800 colleges**
4000+ distribution & promotion activities



- ◆ Focus on major media platforms with more marketing and branding events, PR communicating, and offline branding
- ◆ Take the official platforms as the matrix to create an omni-platform integrated communication
- ◆ Continuously interact with consumers to increase brand exposure and consumer engagement



【Media platforms communication – increase brand awareness with Ten billion-level exposures】

Focus on core drama and variety show scenes, supplemented by selecting premium advertising resources, to achieve a wide coverage



Collaboration with popular dramas, the released dramas took the top four spots in effective broadcast volume in 1H2024 (Enlightent data)



First variety show collaboration
Billions of brand exposures
Equity reached 160%+



High-quality advertising cooperation with Weibo, WeChat and other platforms

【Brand communication - enhance brand image and preference】

Endorsement by public welfare organizations and authoritative media to consolidate brand reputation and increase brand awareness



Multi-dimensional PR communication, endorsed by the core authoritative media in China, with ten million level exposures on the network



Collaboration with Henan Culture and Tourism Group
Practicing corporate social responsibility and deepening emotional connections with consumers



Awards:

During 1H2024, the Group has won

- the FBIF WOW Food Award "Best Snack Award" (FBIF WOW食品创新奖「年度创新休闲零食奖」), and
- "Hurun Top 100 National Brands" award (胡润国潮品牌百强榜).



Channel (1) : Actively promote omni-channel construction, and continuously enhance the execution and level of service of the sales team

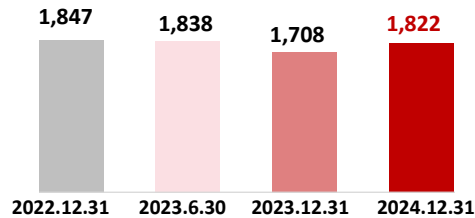
88.1%
of Revenue

Further penetration in **offline** distribution network



The number of distributors is stable, laying the foundation for omni-channel construction

- As of June 30, 2024, we have 1,822 offline distributors.
- Customer First, **Good service to distributors** is the key to promoting our omni-channel construction.



Emerging channels:

- The **O2O Channel** effectively combined the demands of online and offline consumers. In 1H2024, we actively capture the needs of this part of consumers to **seize the business growth brought by the Channel**.
- We are also actively embracing the **snack specialty retailers**. In 1H2024, we have reached cooperation with **major snacks specialty retailers, covering almost all stores of major snack specialty retailers** and covering major product categories.
- We are actively deploy **warehouse clubs and other special channels** to establish the foundation for seizing new growth opportunities.



Traditional channels:

- Sales Support (辅销)** : Continuously improve the internal sales team's capabilities to serve distributors, expand new channels and POS
- Through internal sales team to assist distributors in central cities to **expand POS coverage, improve service capabilities of key channels and POS, and increase POS productivity**
- Sales Assistant(助销)** : Continuously assist distributors and their salespersons in improving the coverage and execution capabilities of POS

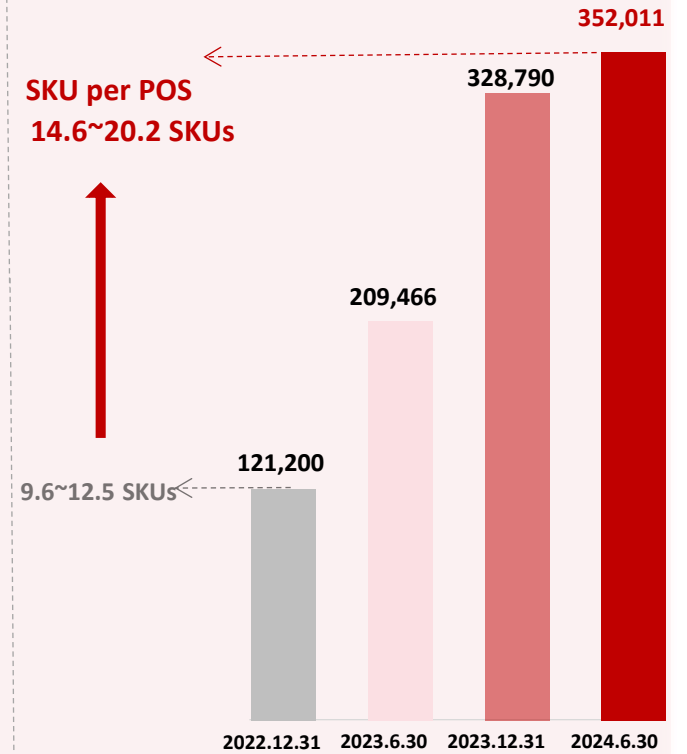
Select well-established distributors and assist them in hiring sales professionals covering POS, **effectively managing channel expense usage, promoting POS coverage and enhancing POS productivity**

- As of June 30, 2024, we covered over **35w+** POS *. The SKU displayed on the store shelf has continued to improve, and single-point sales have continued to grow.

- 300+** Sales Support Representatives
- 30+** Cities
- 840+** Sales Assistance Distributors
- 110+** Sales Support Distributors

No. of POS covered*

(Unit: piece)



Note: * The No. of POS is measured in terms of the company's sales management system which recorded visits by sales personnel in 1H2024, excluding the number of POS which we can't collect from the wholesale distribution channels.



Channel (2) : Actively promote omni-channel construction, and continuously enhance the execution and level of service of the sales team

In-depth development of **online** channels:

11.9%
of Revenue

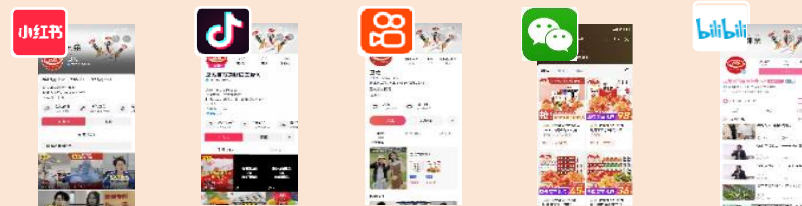


Full coverage of traditional e-commerce and emerging e-commerce channels



◆ Through core star products and refined operations to improve product penetration

◆ Cover more online user scenarios



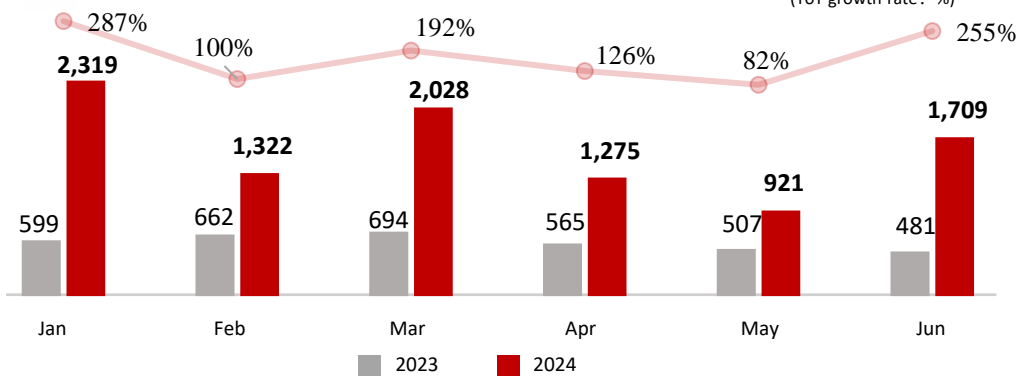
Expand online sales through Self live streaming, influencers live streaming and promotion



Emerging e-commerce represented by Douyin is developing rapidly

Monthly sales data of Douyin in 1H2023 and 1H2024

(Unit: RMB'0000)
(YoY growth rate: %)



Source: chanmama.com



Provide a differentiated product mix to cover more consumption scenes

Provide differentiated products through different channels



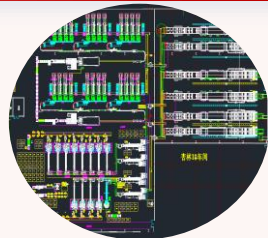


Supply Chain: Emerging channels develop flourishingly, actively promote the reform and efficiency improvement of the Supply Chain

Production technology upgrade and model innovation



- **Develop automated detection technology to reduce production cycles** and improve quality and efficiency.



- **Improved flexible production capacity**
 - ✓ Optimized production lines, supported on-demand production of multiple SKUs on the same production line
 - ✓ Achieved rapid switching among different specifications



- **Innovative logistics and distribution model**
 - Direct delivery by dedicated vehicles in certain channels to shorten delivery cycle

Multi-party collaboration and win-win cooperation

- **Demand-driven customer collaboration mechanism**

Quickly respond to the needs of market terminals and achieve long-term "win-win" cooperation among all parties

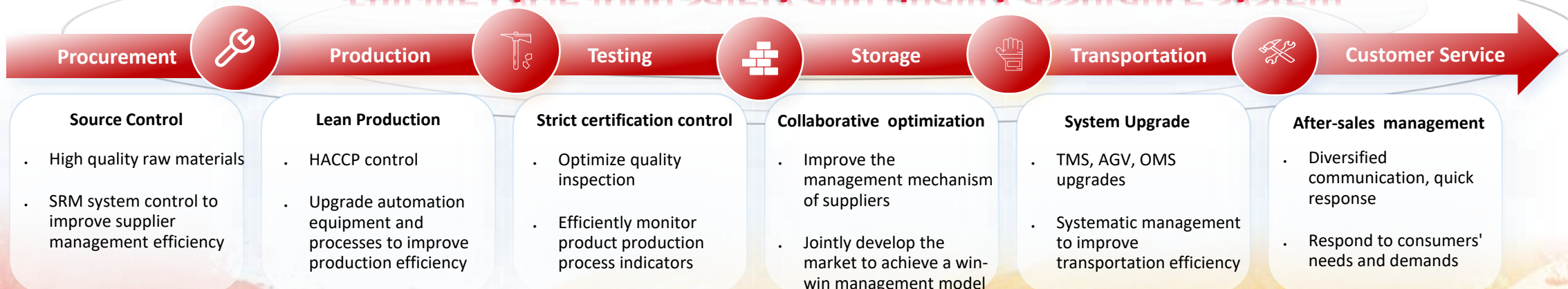
- **Change the supply model**

Order + estimated inventory production

Organizational change and service upgrade

- **Service-oriented supply chain organizational reform**, tracking orders' full-link end-to-end efficiency and service

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 sales, research and development, supply chain, HR and other processes

- ↳ Channel budget and expense control platform
- ↳ Warehousing and transportation system
- ↳ R&D project management system
- ↳ Supplier relationship management system
- ↳ Human resources performance management system
- ↳ Smart manufacturing park system
- ↳ BI self-service analysis platform
- ↳ AIGC Application

WL Delicious Digital Collaboration



Employee-oriented, create an attractive employer brand

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 1H2024, we **integrated training resources** to empower multiple centers.



Promote common growth for staff and enterprise

- ↳ We also focus on the growth and development of talents, in 1H2024, we established a coaching mentality among middle managers and laid a team foundation for creative organization building, we carried out a team management process of "selection, employment, training, and retention" among junior managers.



Enhance the stability and competitiveness of the Company 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 valued the stability of our employees and teams to enhance the synergy and competitiveness of the Company.





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 the use of purchased power, and optimize the energy consumption structure.

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 values

Actively provide more jobs to the community while generating more tax revenue. On 3 July 2024, the Company actively responded to the flood relief initiative by donating RMB1.5 million of relief funds and the Company's products to provide support for the flood relief in Pingjiang, Hunan Province.



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

● Enhance the Cultivation of 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, grasp consumer preferences and enrich product matrix
- Explore new categories and establish new advantages



02

Brand Building

Continue to strengthen brand building

- Enhance brand reputation and awareness
- Capture insights into industry trends and young consumers' preferences
- Strengthen interaction and communication to achieve deep connections and occupy minds of consumers

03

Omni-channel Development

Strengthen Omni-channel Construction

- Adhere to the online and offline omni-channel strategy
- Actively developing new channels and embrace the development opportunities brought by online and offline emerging channels
- Continuously improve the professional capabilities of the sales team to serve various channels

04

Overseas Expansion

Continuously explore and expand overseas sales network

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

05

Organizational Efficiency

Enhance overall operational efficiency

- Comprehensively improve the quality of products and efficiency of the supply chain
- Strengthen the development of organizational talents and the construction of digital intelligence



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

