

五谷磨房

Natural Food International Holding Limited

五谷磨房食品國際控股有限公司

股份代號 Stock Code: 1837.HK

2018 Annual Results Announcement 二零一八年全年業績發佈

March 2019



- This presentation and the accompanying slides (the "Presentation") have been prepared by Natural Food International Holding Limited ("Natural Food" or the "Company") solely for information purposes.
- This Presentation does not constitute or form part of and should not be construed as, an offer or invitation to acquire, purchase or subscribe for any securities of the Company nor is it calculated to invite any such offer or invitation nor shall it constitute any offer or sale of such securities in any jurisdiction. No part of this Presentation shall form the basis of or be relied upon in connection with any investment decision, contract or commitment whatsoever.
- This Presentation has been prepared by the Company based on information and data which the Company considers reliable, but the Company makes no representation or warranty, express or implied, whatsoever, on the truth, accuracy, completeness, fairness and reasonableness of the contents of this Presentation. The Company reserves the right to amend or update all or any part of this Presentation at any time, but the Company shall not be under any obligation to provide the recipient of this Presentation with any such amended or updated information or correct any inaccuracies herein unless otherwise required by the Rules Governing The Listing Of Securities On The Stock Exchange Of Hong Kong Limited or any applicable law.
- This Presentation may not be all-inclusive and may not contain all of the information that you may consider material. Neither the Company nor any of its affiliates or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein or any other written or oral communication transmitted or made available to any recipient. The Company and its affiliates and representatives expressly disclaim any and all responsibility or liability based, in whole or in part, on any of the information contained herein, errors herein or omissions here from. In all cases, interested parties should conduct their own investigations and analyses of the Company, its businesses, assets, financial conditions and prospects, and of the information set forth in this Presentation.
- This Presentation contains statements that reflect the Company's intentions, beliefs or expectations about the future or future events (the "forward- looking statements"). These forward looking statements are based on a number of assumptions about the Company's operations, its future development plans, market (financial and otherwise) conditions, growth prospects and certain plans and objects of the management of the company, and are subject to significant risks, uncertainties and other factors beyond the Company's control, and accordingly, actual results may differ materially from these forward-looking statements. You should not take any forward-looking statements contained in this Presentation regarding past trends or activities as a representation that such trends or activities will continue in the future. The Company expressly disclaims any obligation to update these forward-looking statements.

Our Core Value

Naturally Made, No Additives Needed

Our Vision

Build China's Most Valuable Natural Health Food Brand

Our Mission

Commit to Providing Health Products that Both the Aged and the Young Can Enjoy the Most



Content

- 1 **Business Review**
- 2 **Financial Summary**
- 3 **Outlook in 2019**
- 4 **Q&A**
- 5

1. Business Review

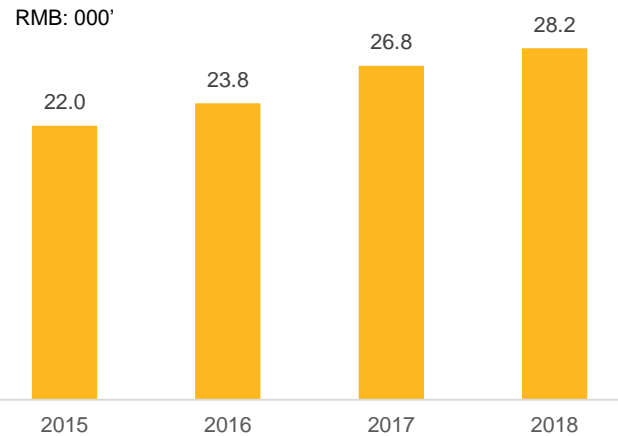


The overall economy remained stable and continued to drive the growth of health food consumption

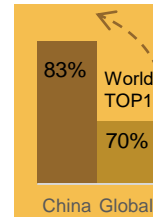
China's stable economy drove the market growth



Residents' disposable income continues to grow

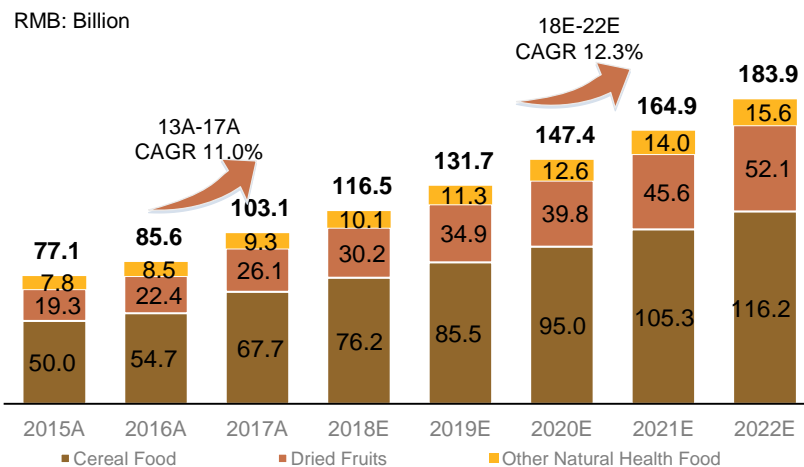


Rising income supports the improvement of consumers' understanding of health



Strong health awareness changed consumers' buying habits for F&B: 83% of China's residents actively adjust their diet to prevent health diseases

Great potential in China's natural health food market



Diversified drivers to consumer industry

Driver 1: Products Innovation

41%
Contribution of new products to consumer market's growth

50%
The proportion of non-new products

Driver 3: Physical Stores Growth

+10%
Total stores growth rate

50%
Changes in stores shut-down

Driver 2: Consumption Upgrade

84%
The proportion of contribution from consumption upgrade products

70%
The proportion of contribution from weakening consumption upgrade products

Driver 4: E-commerce development

+32%
Online sales growth rate

+194%
Non-integrated e-commerce monthly user growth rate Vs. integrated e-commerce

+14%
omni-channel growth rate in consumer market

Strong results in 2018

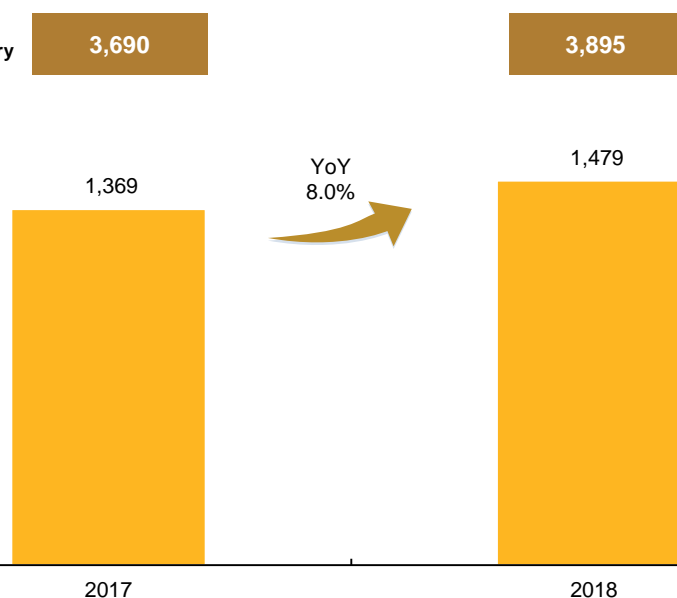
Financial Highlights

(RMB: million)	2017FY	2018FY	Changes
Revenue	1,576.1	1,818.1	+15.35%
Adjusted net profit¹	188.5	213.0	+13.0%
Final dividend (RMB: fen)	N/A	2	N/A

Numbers and revenue of concessionary counters

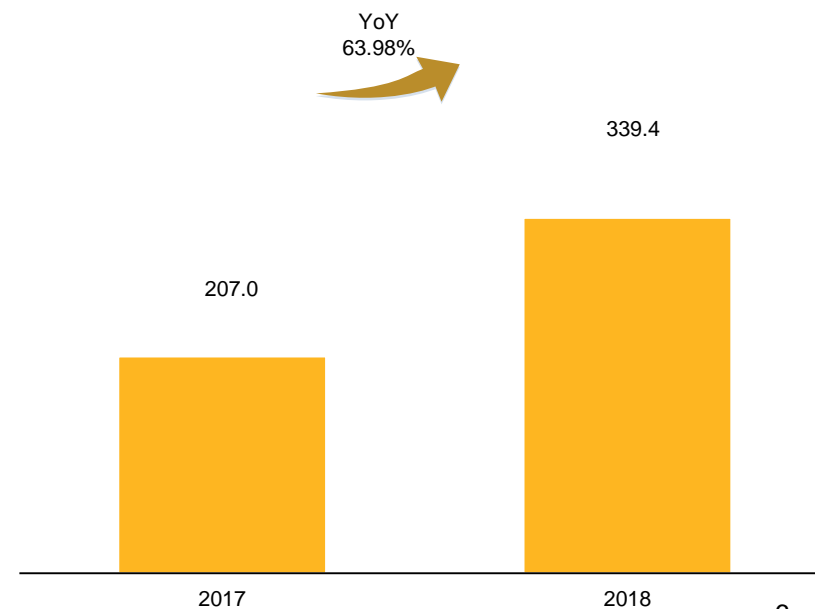
RMB: Million

No. of concessionary counters



Revenue from online channels

RMB: Million



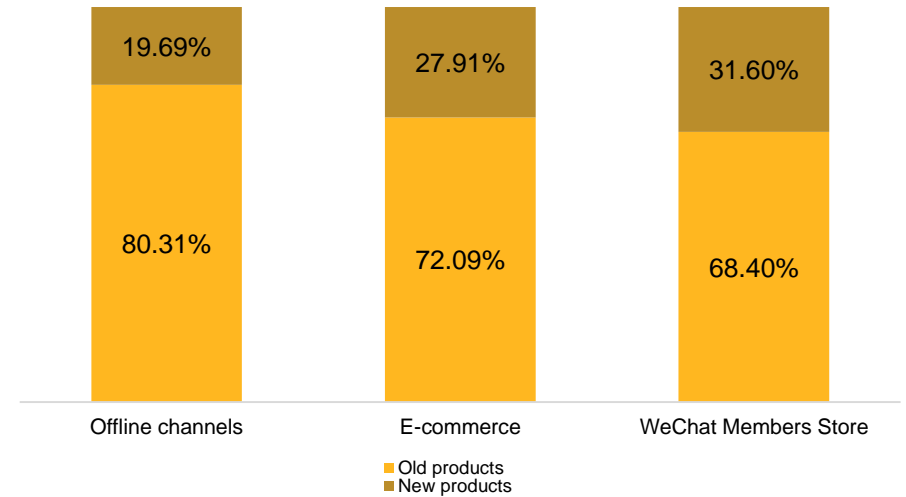
Note 1: Adjusted net profit represents profit for the year before loss on fair value changes of convertible and redeemable preferred shares and the expenses incurred in connection with the Global Offering.

Rapid increase in product iterations, remarkable contribution from new products

Rapid increase in product iterations, remarkable contribution from new products

- Total **42** new products, **6** product categories, launched throughout the year, including:
 - 14 offline new products, contributed **20%** of total offline revenue.
 - 12 E-commerce new product, contributed **28%** of total revenue from E-commerce.
 - 16 new products for WeChat Members Store, contributed **32%** of total WeChat Members Store revenue.

Revenue contribution by new products in different channels



Strong R&D

- Jointly launched “Wugu Mofang Grain Nutrition Research Centre” with **China Nutrition Society** to ensure scientific matching and comprehensive nutrition of products

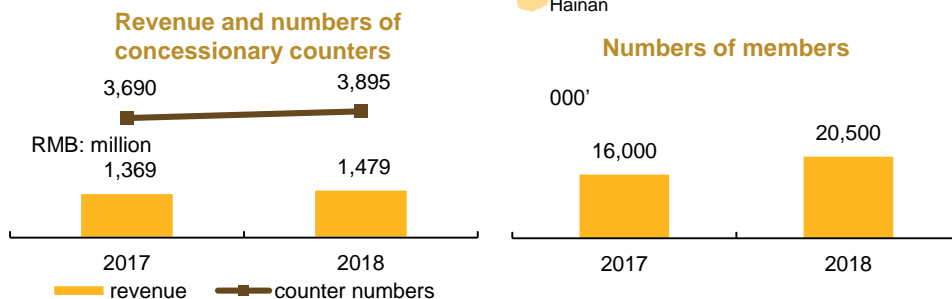
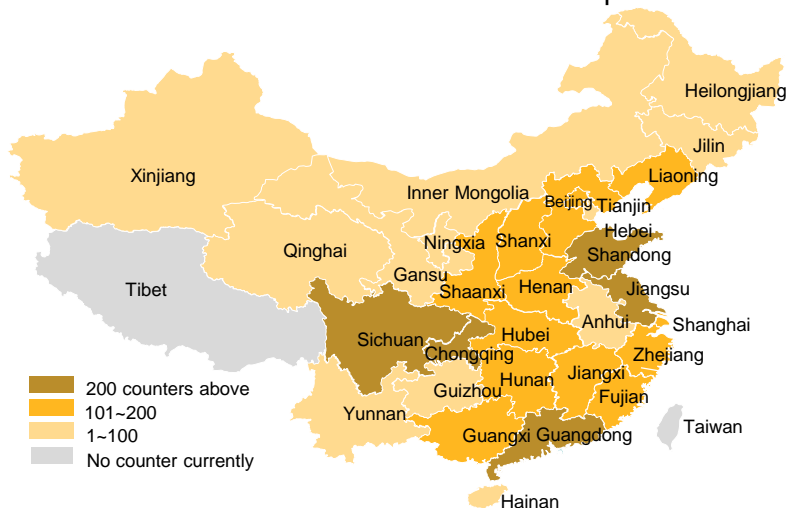
- Differentiation in R&D for different channels
- ~**150+** ready-to-launch new product



Continuously improved Market Penetration, stable sales growth from all channels

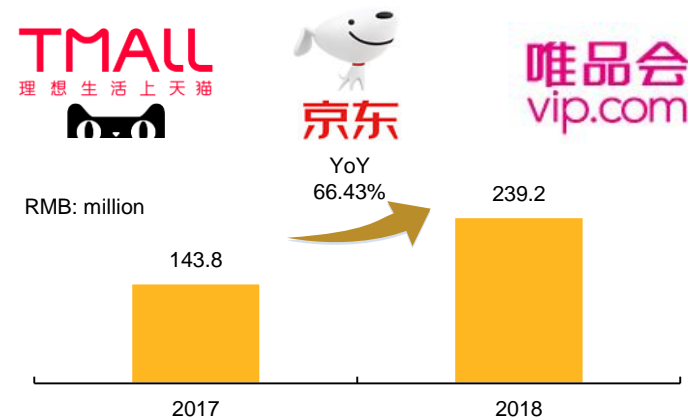
Stable expansion of offline channels


- Total **3,895** concessionary counters nationwide, covering **461** cities
- Upgrading strategic cooperation with key channels, opened **851** new counters throughout the year, **improved the store penetration rate**
- Gradually promoted **store management innovation**, implemented the **internal partner mechanism** to revitalize the offline operation



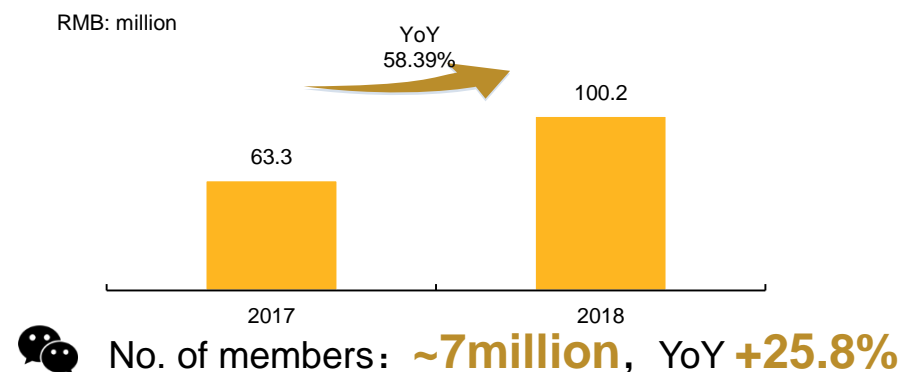
Outstanding results of online channels

Revenue from E-commerce channels



 **2018 Top Brand in Sales¹** among instant mixture products

Revenue from WeChat Members Store



Note 1: Ranked in Tmall and Taobao

High international standard for safe production and supply chain



Strictly selected suppliers



Ingredients sourced from place of origin



Case

Procurement of fresh walnuts from China, US and Australia by seasons



Major raw materials



Professional procurement team ensuring raw materials quality



Offline concessionary counters



Online platform

online-exclusive products help test marketing in new products

Sales estimation directly sends back to the factory



Highly efficient inventory management system elevating inventory turnover rate

Wugu Mofang Food Industrial Park

PC15,000ton/year, utilization ratio of 93%

+

Guangxi Yam Processing Facility

PC1,421ton/year, utilization ratio of 90%

+

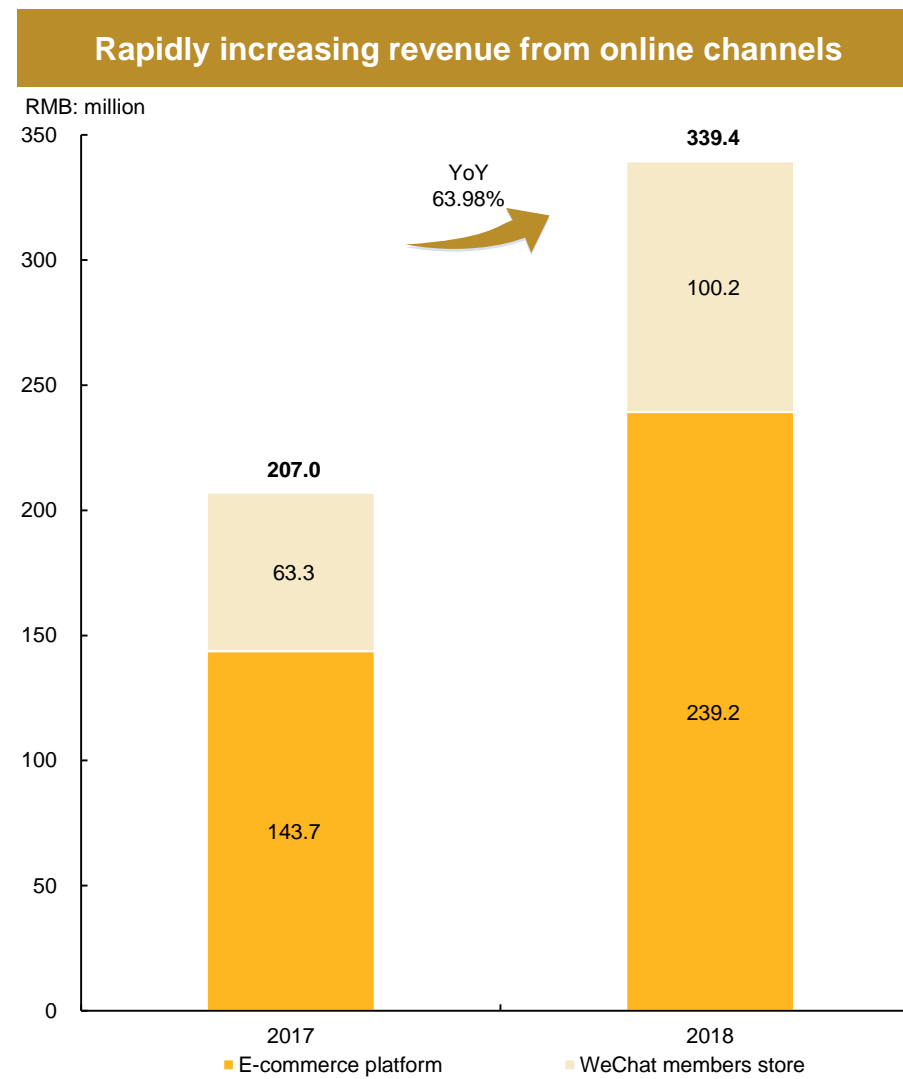
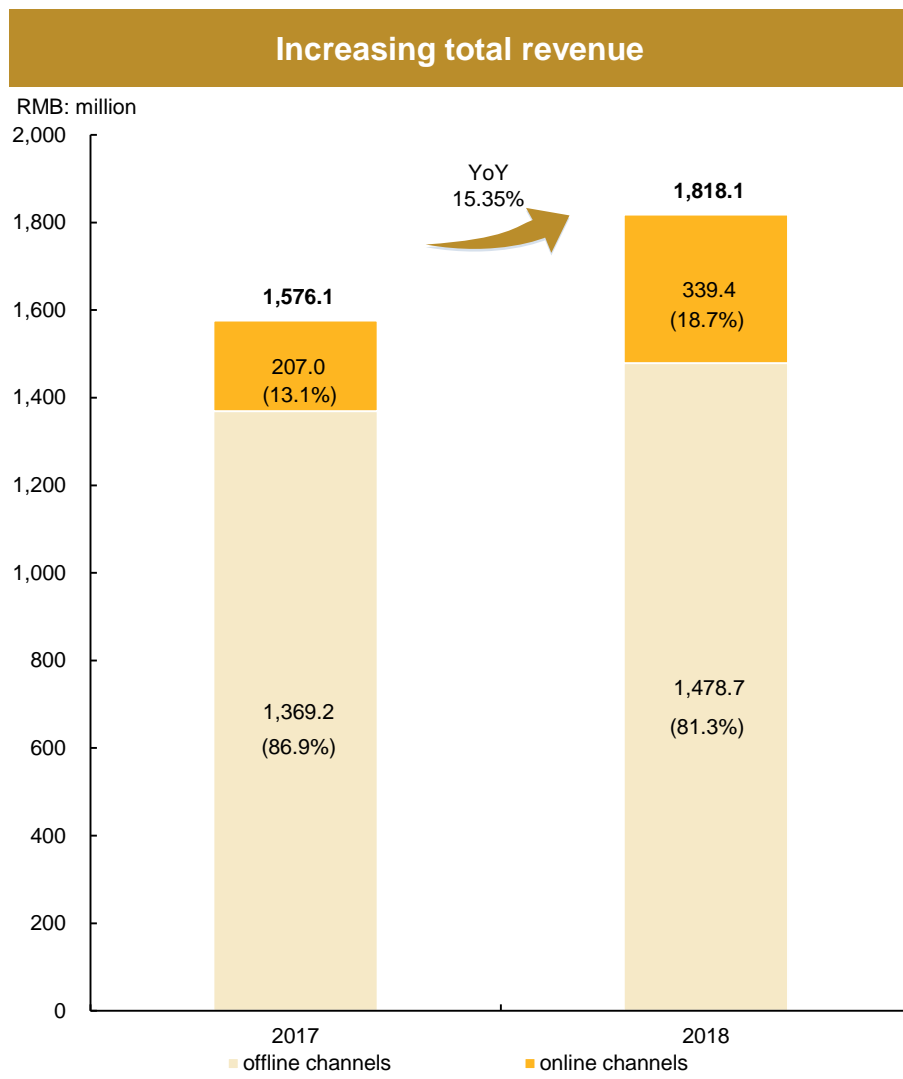
Nansha Manufactory Facility (under construction)

Designed PC20,000ton/year

2. Financial Summary



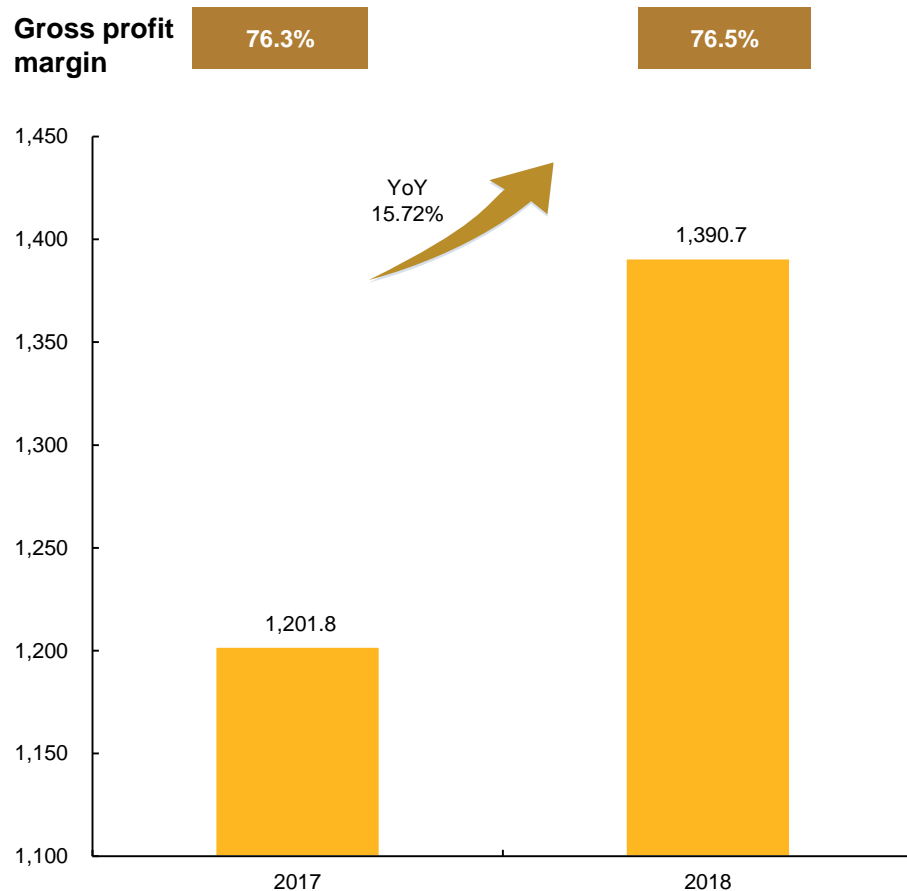
Continuously increased revenue



Increasing gross profit and adjusted net profit with stabilized high margin

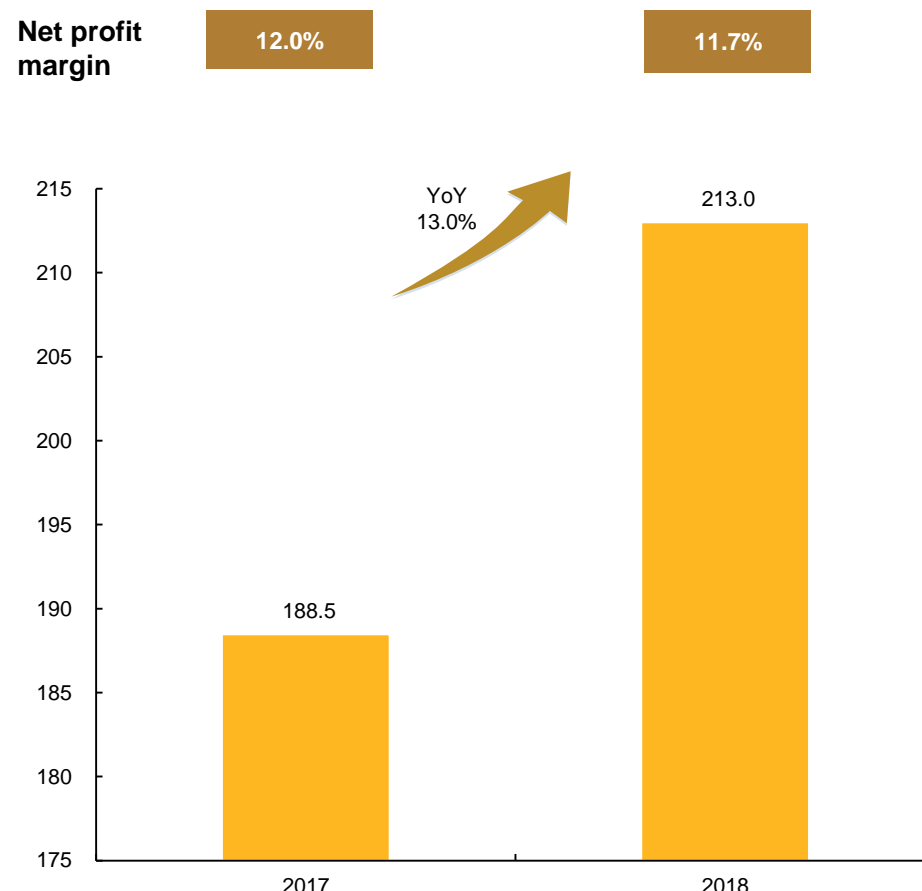
Increasing gross profit with stabilized margin

RMB: million



Increasing adjusted net profit¹ with stabilized margin

RMB: million

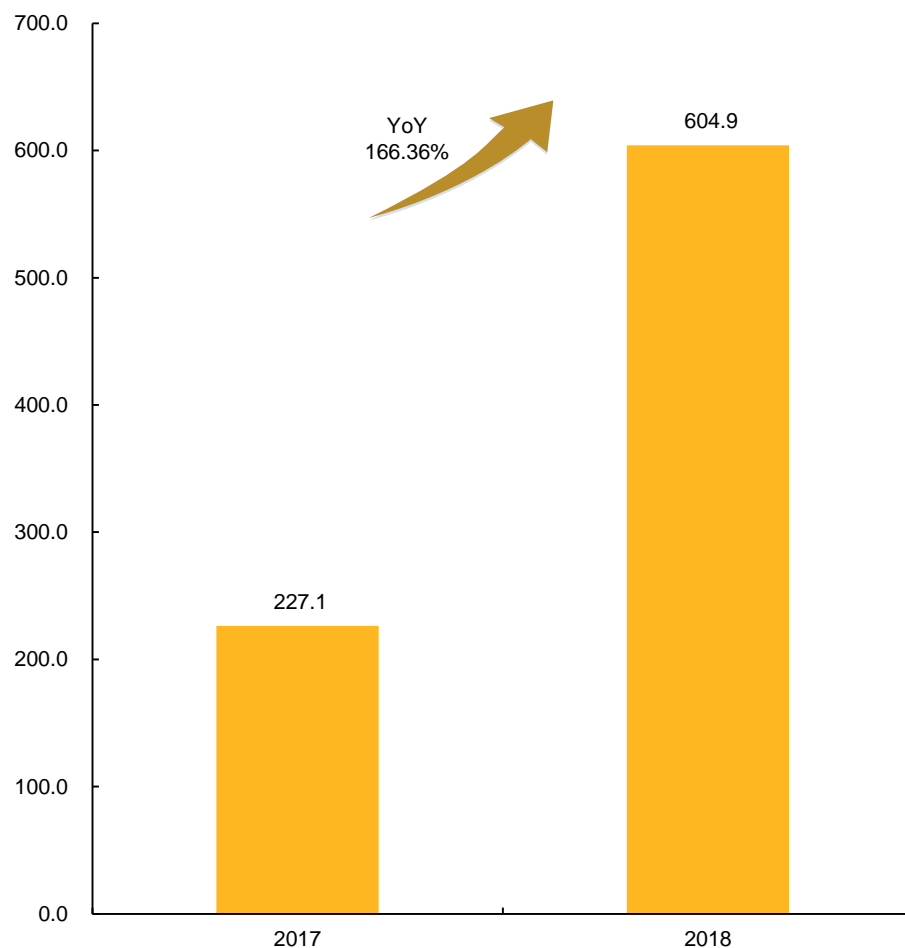


Notes: 1. Adjusted net profit represents profit for the year before loss on fair value changes of convertible and redeemable preferred shares and the expenses incurred in connection with the Global Offering.

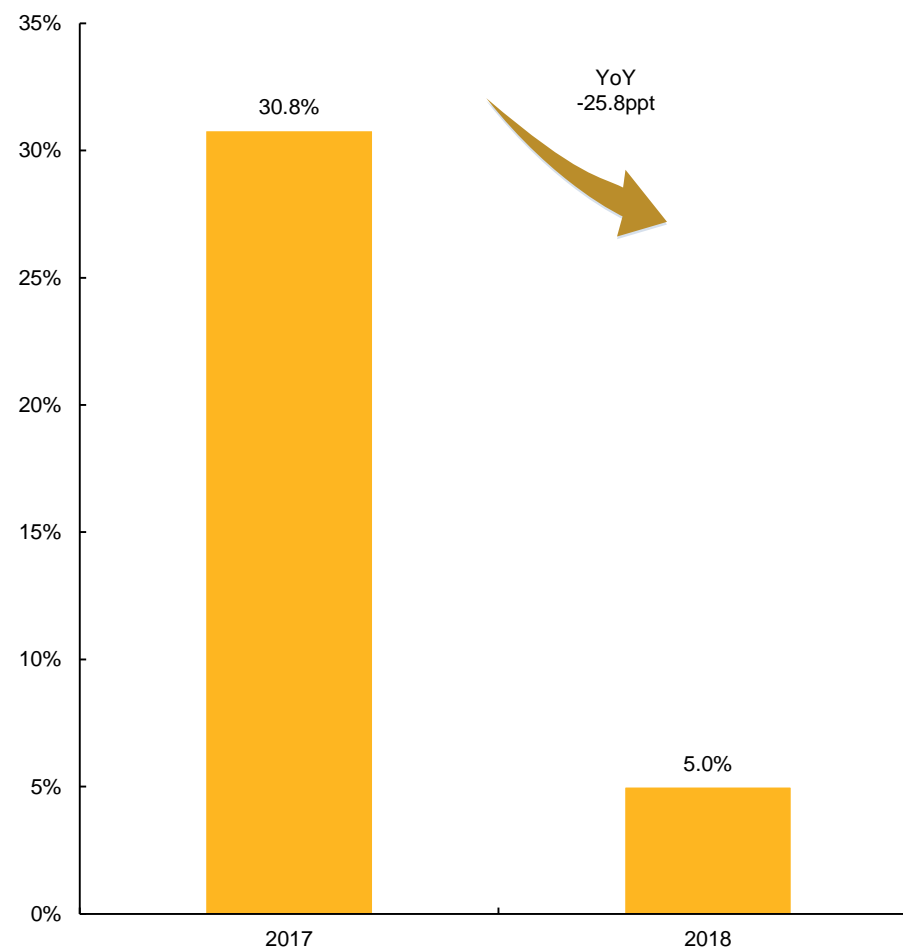
Strong cash with declining gearing ratio

Significant increase in new cash flow

单位：人民币百万元



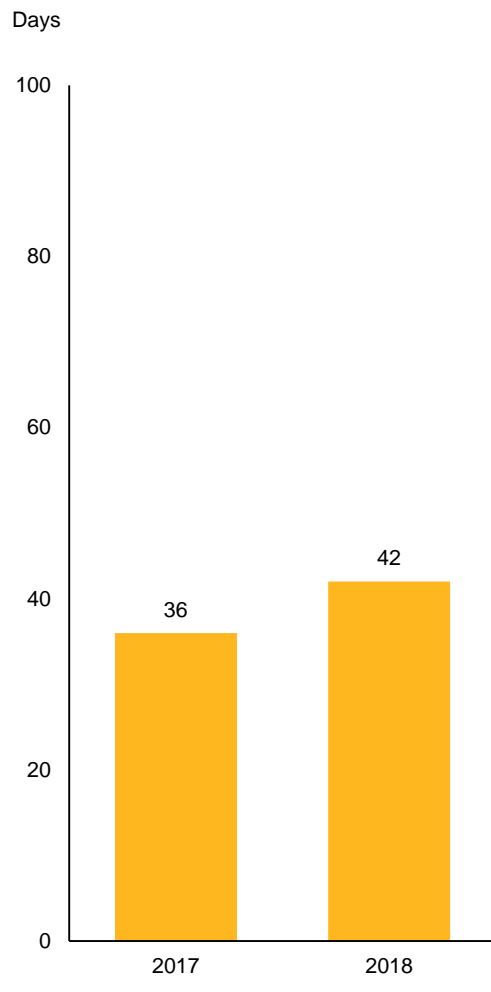
Declining gearing ratio



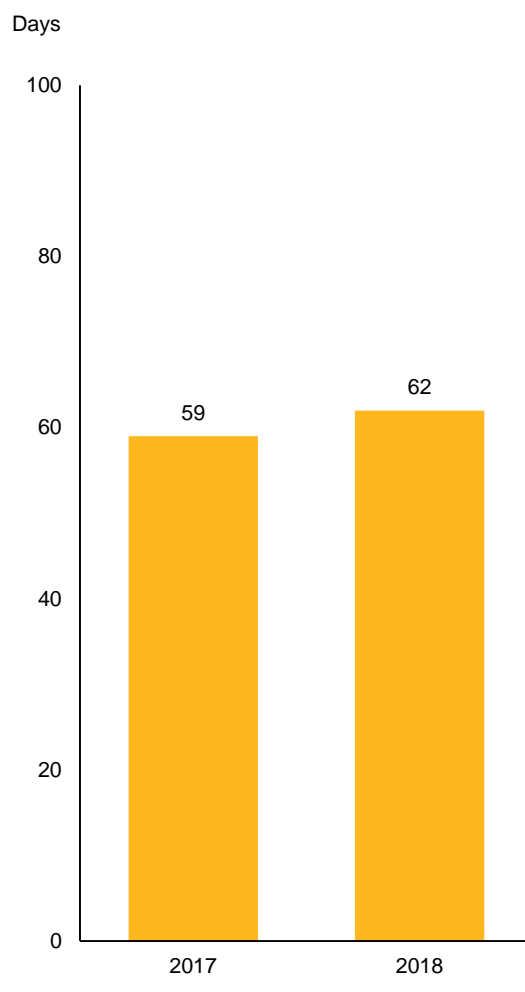
Notes: 1. Gearing ratio = Total debt(including accounts payables to directors and connected parties, bank loans, convertible debt and callable preferred stock)/ total assets

Stable turnover days of trade receivables, trade payables and inventory

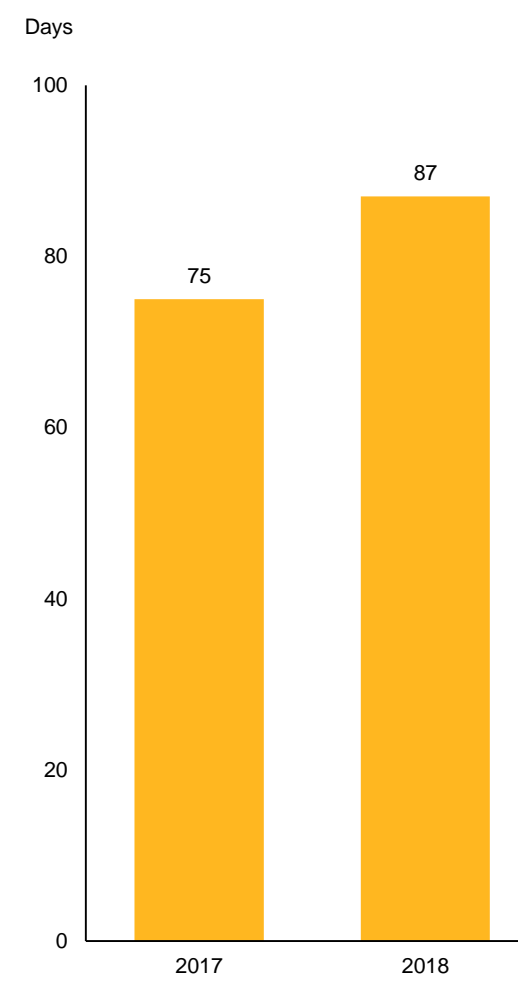
Trade receivables turnover days¹



Trade payables turnover days²



Inventory turnover days³



Note 1: Trade receivables turnover days = 365 days x (average balance of trade receivables at the beginning and at the end of the relevant period)/revenue in the reporting period.

Noted 2: Trade payables turnover days = 365 days x (average balance of the trade payables at the beginning and at the end of the relevant period)/cost of sales in the reporting period.

Noted 3: Inventory turnover days = 365 days x (average balance of inventory at the beginning and at the end of the relevant period)/cost of sales in the reporting period.

3. Outlook in 2019



Development plan for 2019

Offline Channels

- Introduce a serial of **natural and health ingredients** in existing concessionary counters to enrich product lines, and continue to expand the coverage of this introduction to enhance single store contribution
- Continue to **enrich the product price range**, expand the high, medium and low-end products portfolio, in order to attract new customers
- Continue to promote **store management reform**, and manage stores with a more advanced and effective internal partner system, in order to increase single store contribution
- Continue to **open new high-quality concessionary counters**

Online Channels

- Increasing offline customers will lead to an increase in WeChat members, **number of WeChat members will increase from million to tens of million.**
- Continue to develop products with location advantages including powered products and health breakfast products, and new products including **health tea and casual snacks** to meet with customers' different health needs.

Brand Promotion

- **Win-win co-operation with Forbidden City** to jointly launch new projects, to increase the Group's brand value and reputation

On-the-go

- Introduce fresh, convenient, health grain nutrition breakfast in **instant consumption channels** including convenient stores, which is expected to be launched in the fourth quarter of 2019

4. Q&A





Thank you!