

Test-Rite (2908:TT) 2021 IR Presentation

April 2022

 **TESTRITE**
特力集團

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- Beginning on January 1, 2013, the Company adopted International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the ROC Financial Supervisory Commission (FSC). Reporting of our annual and interim consolidated financial statements follow Taiwan IFRS requirements. However, given that there exists material differences between Taiwan IFRS and the Republic of China’s generally accepted accounting principles (ROC GAAP), selected comparison of financial results for 2013 may have material differences versus previously released financial information under ROC GAAP.

Presenter



Robin Ho
Test-Rite Group COO

As an important promoter of Test-Rite Group's successful digital transformation, she joined Test-Rite in 2000 to be responsible for project management, legal, human resources, trading operation management, digital commerce, etc. She led TLW retail business to establish "TR +," an online shopping platform which realized the online and offline integration, making a big step in the sustainable development of Test-Rite Group.

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EDUCATION :

- University of Southern California

EXPERIENCE:

- Director of Test-Rite
- Director of TLW
- COO of Test-Rite

SKILL :

- Enterprise Development Strategy
- Operations Management of Trading and Retail business
- Digit Commerce and Data mining
- Organizational Development and Adjustment

Agenda

- Introduction to Test Rite Group
- Financial Highlights
- Trading Business
- Retail Business
- Core capability and value creation

Introduction to Test Rite Group

The sustainable and tough Enterprise



Judy Lee
Chairwoman and
Chief Executive Officer

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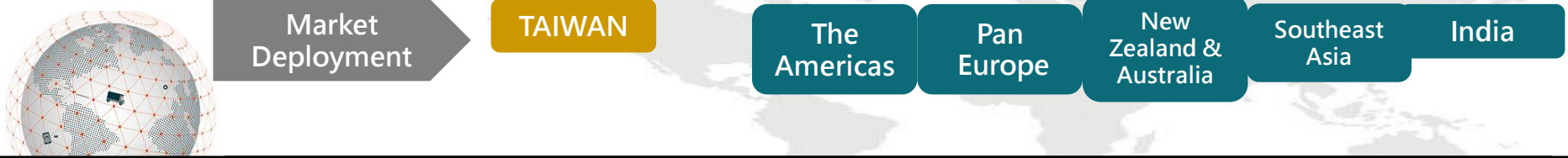
Day in and day out, Test Rite builds resilience to prepare for hard times. We constantly develop, improve and innovate ourselves. When adversity strikes, our strengths shine through.

Test Rite has been promoting sustainable development diligently and pragmatically. We take each and every step steadily and prudently, staying focused on our operations.

”

Focus on main Retail and Trading Business

Test Rite Retail Business Group		Test Rite Trading Business Group	
Home Decoration	HOLA (26) · HOLA Petite(6) · hoi!(8)	Hardline & Auto Hand tools, Hardware, Auto accessories, Auto parts, New business development	Home Furnishing Consumer electronics, Lighting, Kitchenware, Decoration, Christmas decoration, Sport equipment.
Home Improvement	TLW(26+25) · TR HOME SERVICE (1)		
Mattresses & Bedding	HOLA CASA(5) · WEDGWOOD (13) · FRETTE(1) · REVE(5)	Bath & Storage Storage, Bathroom products, Suitcase, Traveling utilities	Seasonal Outdoor furniture, BBQ rack/hearth, Gardening, North-East Asia projects
Comprehensive Home Integration Services	DÉCOR House		
Brand Agency	Crate & Barrel (3)	Stationery Indoor furniture, Office supplies, Stationery, PC peripherals	Agency



Other Investment Holdings

Creative Design/ Product Development
Theme Trend & Product Concept; Product Design; VI & Graphic Design; Packaging & Purchasing

Chung Cin Corp.
Shopping mall construction; Office building construction; Booth recruitment

Logistics/ Warehousing Services
China · Taiwan · USA · Europe

Note: store numbers updated as December 31st, 2021

Leading home industry

- 2013** Acquired 100% shares of International Art
- 2012** Sold 69% stake in Tong Lung Metal; Acquired 49% TRPC' s shares
- 2011** Décor House grand opening
- 2010** Successfully integrated 4 retail channels in Taiwan
Acquired 50% of B&Q TW' s shares from Kingfisher plc
- 2004** Established HOLA China
- 2001** Nominated "The Best 200 Small Companies" by Forbes
- 1998** Established HOLA Taiwan – Home Decoration
- 1995** Established B&Q Taiwan – Home Improvement
- 1993** Listed on TWSE, became a listed company (2908TT)
- 1987** Test Rite Group established as a trading company that specialized in tool products
- 2021** TLW channel moved into the offshore islands firstly
- 2020** Open TLW community stores
- 2019** HOLA China withdrew China, layout supply chain of South Asia strength layout of logistics in USA.
- 2018** Launched new retail brand, hoi! good living
- 2017** Launched TR Plus website, combining all our retail channels
- 2016** TLW new concept store in XiTun Taichung
- 2015** First Crate & Barrel store in Taiwan
- 2014** Establish a Distribution Center in Shanghai Free Trading Zone ; Acquired German operations

Financial Performance

Best Interests of Shareholders

The stable ROE of our shareholders

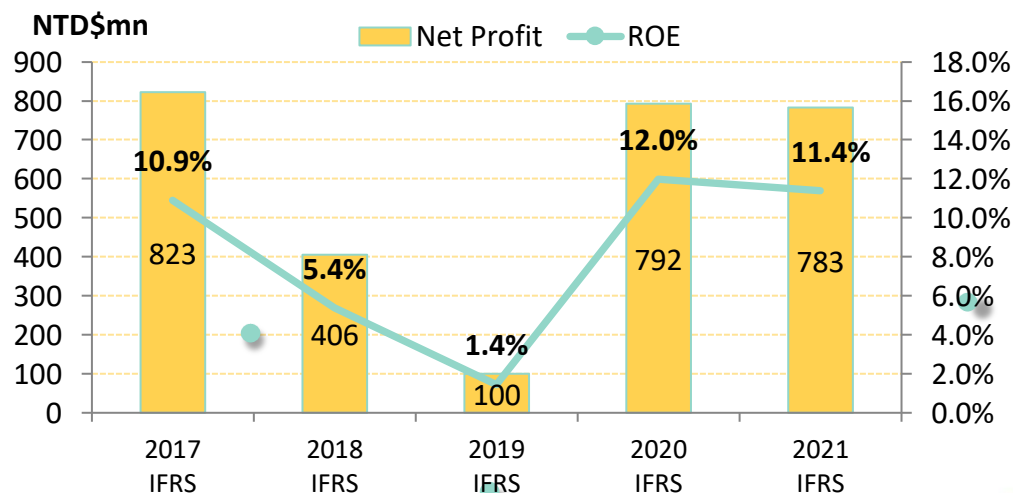
- Test-Rite group's profitability is stable for the best interest of shareholders in the long term.
- Although the profitability was affected by the HOLA withdrawal from China in 2018 and 2019, we continued to invest in our own industry to respond to shareholders' expectations.

Improving the corporate governance and strengthen the transparency of information disclosure.

Test Rite is ranked by the TWSE in the 6%-20% of public companies with best corporate governance practices in 2020.

(The total class interval is 7 and we are in second class interval)

TR Group ROE & Net profit



100%

All employees and suppliers of Trading and retail business completed to sign the Letter of Undertaking of Integrity to carry out Ethical Corporate Management.

Long-term Investment Value

In the top 100 list for over 30 years. Our trading business was topped in Trading industry.



In a fast-changing market, most of the survivors are state-owned companies. Only 12 companies in the service industry have remained. Our endurance is a reflection of our stability and sustainable corporate management. It also reflects our continuous efforts to deliver long-term investment value to our investors.

Company Name	1986 Ranking	2017 Ranking	2018 Ranking	2019 Ranking	2020 Ranking
Taiwan Power Co	1	1	1	1	2
Chunghwa Telecom Co	2	8	10	11	11
China Airlines Co.	3	13	14	14	17
Evergreen Marine Co.	4	14	12	12	12
Yang Ming Marine Co.	7	15	16	15	13
Taiwan Railways Administration Co.	8	59	62	62	72
Taiwan Water Co.	13	53	56	55	54
Far Eastern Department Store Co.	14	38	41	44	45
Hotai Co.	17	11	11	10	9
CTCI Co.	33	25	28	30	33
Wan Hai Co.	37	29	25	22	22
Test-Rite	43	41	40	43	40

Financial Highlights 2020 brilliant performance

Revenue (YoY)

2020: 9.8%

2019: -4.6%

With the benefits of customers' strong demand in the U.S. and Europe, and COVID-19 pandemic slowdown, revenue increased significantly.

Gross Margin Rate

2020: 25.5%

2019: 27.1%

Gross margin rate decline 1.6% compared to the same period last year due to higher raw material costs.

Pretax Margin

2020: 2.3%

2019: 0.2%

Due to the good performance of revenue, pretax margin increase 2.3% compared with 2019.

(NT\$ mn)	4Q20	4Q19	YoY% chg	2020	2019	YoY% chg
Revenue	10,997	9,067	21.3%	41,791	38,061	9.8%
COGS	(8,417)	(6,616)	27.2%	(31,130)	(27,752)	12.2%
Gross profit	2,580	2,451	5.3%	10,661	10,309	3.4%
Operating Expense	(2,391)	(2,226)	7.4%	(9,512)	(9,453)	0.6%
Operating profit	189	225	-16.0%	1,149	856	34.2%
Non-operating income/loss	(93)	(88)	5.5%	(190)	(765)	-75.2%
Pre-tax profit	96	137	29.8%	959	91	953.8%
Net profit	163	141	15.6%	807	112	620.5%
Other net profit	(25)	(83)	69.8%	(98)	(189)	48.1%
Total net profit	138	58	137.9%	709	(77)	1020.8%
Net profit attribute to TRIC shareholders	158	138	14.7%	792	100	688.8%
(NT dollar) (After Tax)						
Basic EPS	0.31	0.27	14.7%	1.60	0.20	700.0%
Diluted EPS	0.31	0.27	14.7%	1.60	0.20	700.0%
Gross margin	23.5%	27.0%	-3.6%	25.5%	27.1%	-1.6%
Operating margin	1.7%	2.5%	-0.8%	2.7%	2.3%	0.5%
Pretax margin	0.9%	1.5%	-0.6%	2.3%	0.2%	2.1%
Net margin	1.4%	1.5%	-0.1%	1.9%	0.3%	1.6%

2021 stable and brilliant performance

Revenue (YoY)

2021: 4.7%

2020: 9.8%

With the benefits of the flexible procurement strategies and rigid demand in the post-pandemic era, revenue increase continuously.

Gross Margin Rate

2021: 24.5%

2020: 25.1%

Gross margin rate decline compared to the same period last year due to higher raw material costs.

Pretax Margin

2021: 2.3%

2020: 2.3%

Due to the good performance of revenue, pretax margin in 2021 is the same 2020.

(NT\$ mn)	4Q21	4Q20	YoY% chg	2021	2020	YoY% chg
Revenue	11,233	10,997	2.1%	43,757	41,791	4.7%
COGS	(8,523)	(8,417)	1.3%	(33,051)	(31,130)	6.2%
Gross profit	2,710	2,580	5.0%	10,706	10,661	0.4%
Operating Expense	(2,618)	(2,391)	9.5%	(9,946)	(9,512)	4.6%
Operating profit	92	189	-51.3%	760	1,149	-33.9%
Non-operating income/loss	118	(93)	226.9%	252	(190)	232.6%
Pre-tax profit	210	96	118.8%	1,012	959	5.5%
Net profit	142	163	-12.9%	818	807	1.4%
Other net profit	7	(26)	126.9%	(71)	(99)	28.3%
Total net profit	149	137	8.8%	747	708	5.5%
Net profit attribute to TRIC shareholders	135	221	-38.9%	783	792	-1.1%
(NT dollar) (After Tax)						
Basic EPS	0.27	0.32	-15.6%	1.58	1.6	-1.3%
Diluted EPS	0.27	0.32	-15.6%	1.58	1.6	-1.3%
Gross margin	24.1%	23.5%	0.7%	24.5%	25.5%	-1.0%
Operating margin	0.8%	1.7%	-0.9%	1.7%	2.7%	-1.0%
Pretax margin	1.9%	0.9%	1.0%	2.3%	2.3%	0.0%
Net margin	1.2%	2.0%	-0.8%	1.8%	1.9%	-0.1%

Trading Business

Global Layout and strengthen the supply chain



Supply chain layout crosses Europe, America and Asia and with the flexible and stable shipping capabilities

- 11 offices in 8 countries/regions, logistic centers in China, Taiwan, Germany, and the U.S.
- We have devoted more 40 years in America and 30 years in Europe.
- Supply chain head southward to strength our global sourcing.

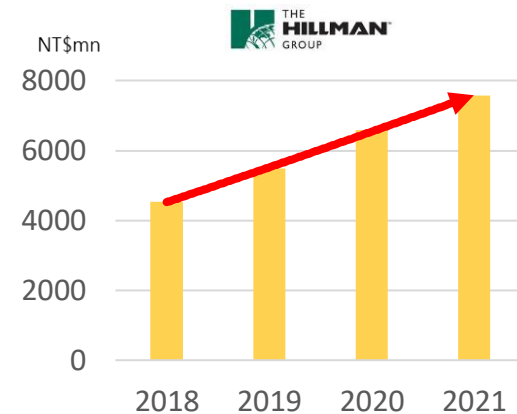
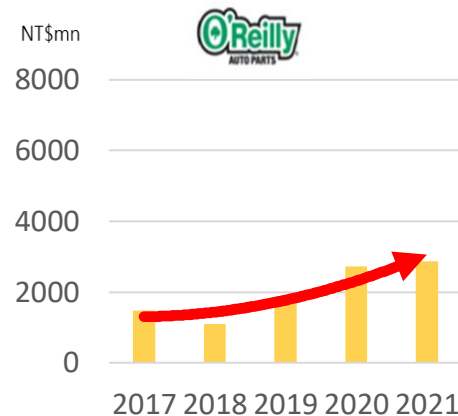
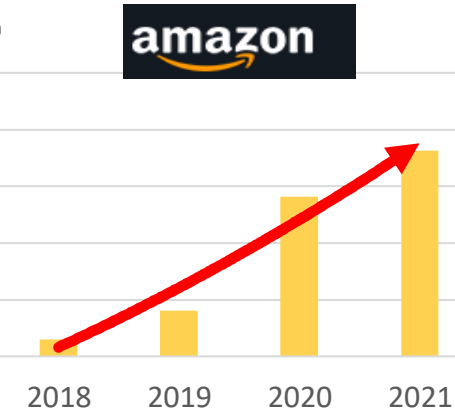
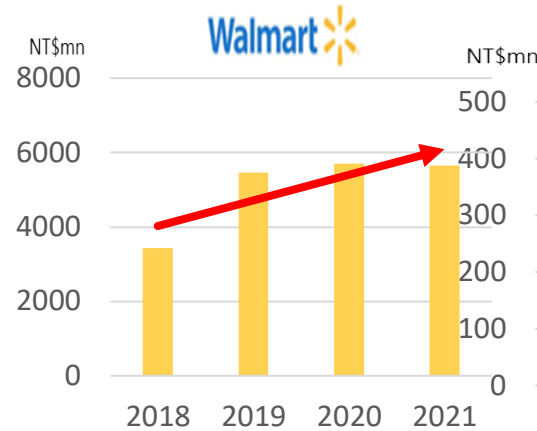
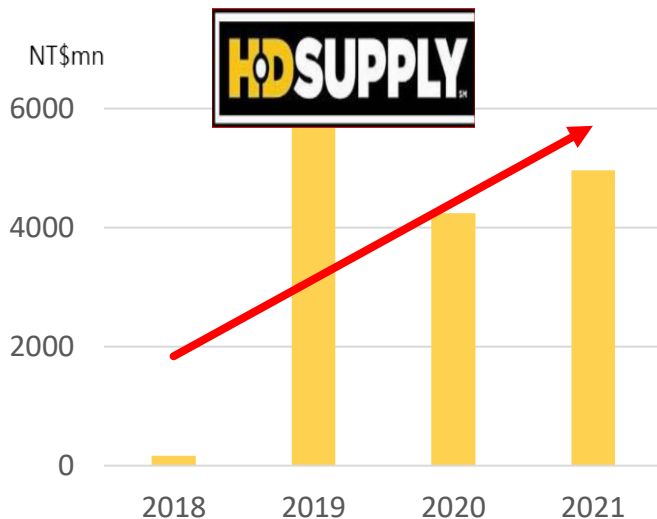


Serving the global retailer

Establish the long-term and stable service relationship to provide all-around service to conclude the strategic partnerships with our customers.

Trading business

- The shipment amount of major trading customers have continued to grow steadily in recent years, even under severe challenges of the COVID 19 epidemic.
- The shipment amount of existing customers continue to grow steadily and the shipment growth momentum of new customers will be activated.
- We became the Walmart sales consultant .
- We have the Strategic alliance with Hillman.
- We were selected as Supplier of the Year by O'Reilly.

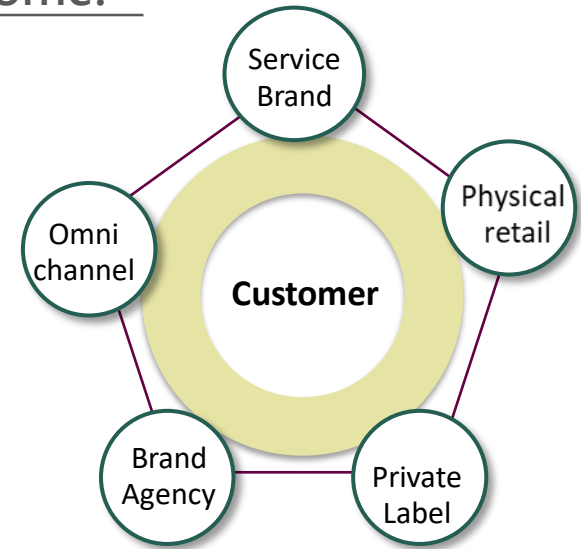


Retail Business

Retail's layout based home

We'll always be here to take care of you and your home.

Store #	2016A	2017A	2018A	2019A	2020	2021A
TLW	27	27	27	27	27	26
HOLA TW	25	25	26	26	26	26
TLW-community store					15	25
hoi!				9	11	8



Development Strategy

- ▶ Develop the community store to approach customers' life.
- ▶ Enhance customer's experience and promote healthy home life.
- ▶ Integrate online and offline and develop omni-channel.
- ▶ Introduce the global brands and explore the CO-branding business.



Develop the community stores to approach customers' life

Developing community stores actively with 25 stores and expanding sales performance.

Deeping into the community

- Management APP
- Butler style service
- Professional cleaning service

Convenience Valet

- Valet installation
- Up to 5KM free shipping
- Buying and installation within 8 hours
- Monster are stationed

Repair and Remodel

- Mature home modification
- Paint renewal
- Decoration design



Tool rental service

DIY class

Gardening/Cooking/
Hydropower/Woodworking

Horizontal Alliances

Delivery platform



Note: store numbers updated as on December 31st, 2021

Enhance customer's experience and promote healthy home life

TLW : Fun and creative DIY

- **Learning firstly then buy :**

Create a "bathroom, paint, curtains, tool hardware" DIY experience zone and guide consumers to personally operate.



- **Optimized in-store display with smart life :**

Expand the home display area and combine smart accessories to make the home smarter.



- **DIY HOME ACTIVITY:**

Stay at home for a long-time, focus more on how to elevate quality, and promote the core of DIY.

HOLA : Design life, experience firstly

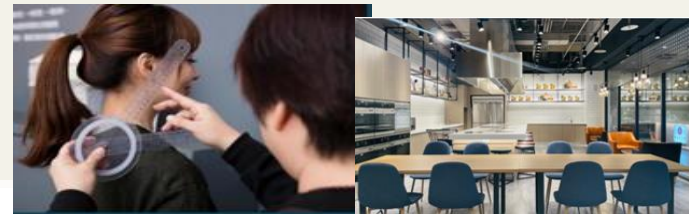
- **Differentiated shopping experience:**

Provide a shopping experience, meet the them needs of life proposals, and bring consumers a sense of ritual.



- **Creating a moving moment :**

A surprise private kitchen service and HOLA class continuing to develop and manage.



- **Smart pillow selection:**

Provide completed products for customers' requirement, strengthen the professional image of the brand and deepen the memory of consumers.

Integrate online and offline and develop Omni-channel

Cross-channel integration of superior services, Our online sales in excess of NT\$2.14 billion in 2021, up by 22% YoY.

- Improve group's digit strength and the home furnishing platform meets market demand.
- Integrate the resources and requirement of each retail department to improve the digital synergy.
- Synchronize the three major online and offline promotions, channel websites and product classification to make up the brand and positioning of physical channels.

Integrating four major home retail brands



digital experience and synergy-hoi

- Development of the channel is toward the dual lines of furniture + daily groceries, and the store type is divided into medium and large furniture-type stores + small-sized department store stores.
- The online store is the largest store, covering all products, and serves as an extended shelf for recommended products in the physical store.
- Continue to promote the co-brand development strategy and cooperate with CAFE ACME to launch the first "CAFE ACME" x "hoi! Good life".



cross-border innovation, Create the co-branding business and expand X power

Cross-border joint efforts to break through the stratosphere, tap new customer segments, and expand influence.

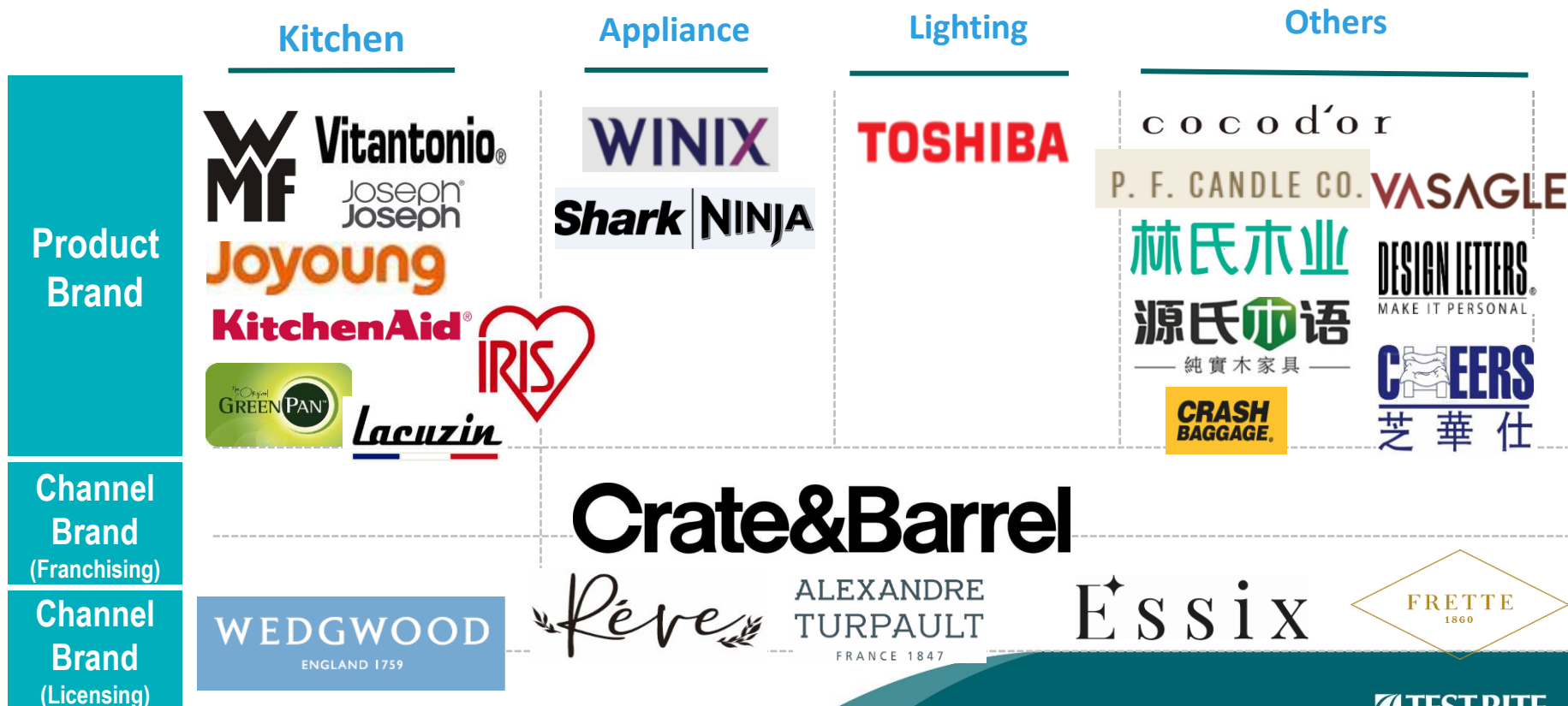
Through cross-industry joint names, such as image role, blessing co-brands and public welfare joint names, etc., it opened new markets, found new customers momentum successfully and expand the influence of the group's home life profession.



TR HOME Introduce the global brands

Acting and promoting international home furnishings, promoted the quality of life at home in Taiwan successfully.

- Strengthen online platform and TV shopping sales.
- The overall digital channel layout is successful.
- Focus on kitchen and electric cookware, introduce different prices with brands, and expand synergy.



Core capability
&
Value creation

Continuing to design and develop new products

Combining both trade and retail industries and continuing to invest in new product design to provide innovative and differentiated value.

Test-Rite started to participate since 2014 and win International Design Awards. It has won 27 international design awards, including 19 packaging design awards and 8 product design awards.

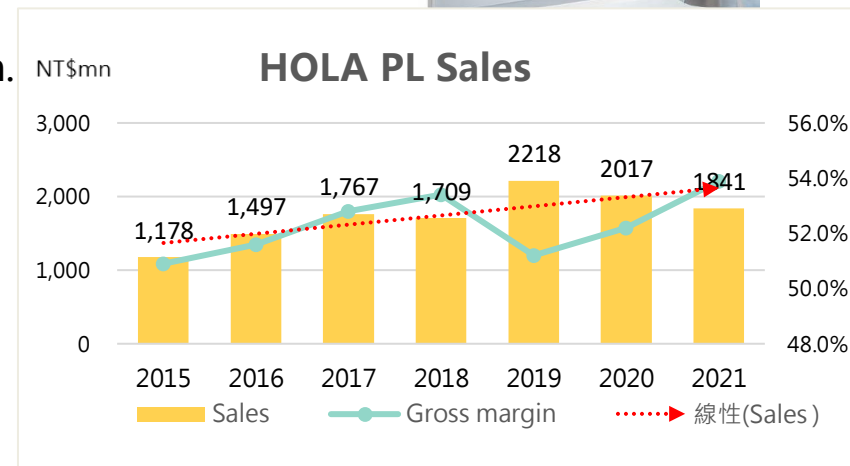
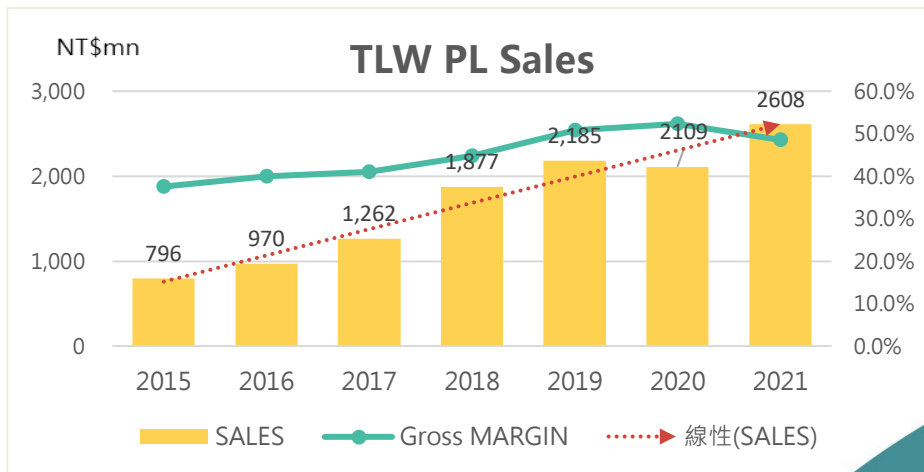


- Top 100 among companies in Greater China
- Top 50 among companies in Taiwan
- Top 25 among companies with Dieline Awards

Use the advantages of the group to develop exclusive products

With the Group's abundant resources and professional development capabilities

- **Continuing to develop TLW's Private label** : The main products are lighting, bathroom, storage furniture, and will continue to develop its own brand of water purification.
- **Continuing to develop HOLA's Private label** : The main products are bedding, home furnishings, and tea glass, and the uniqueness of the products is improved through joint cooperation.
- **Introduce exclusive products and integrate internal and external resources** : Providing one-stop service of sales, installation and maintenance; expand the category and channel layout of kitchen and bedroom.



Protect IP, Cultivate Talent and fulfill the ESG responsibility

Test-Rite completed the introduction and verification of the Taiwan Intellectual Property Management Regulations (TIPS) in 2020

Test Rite has the rich intelligence properties and hopes to have the professional management of intellectual property standards such as patents, trademarks, trade secrets, and copyrights.



100%

With emphasis on the occupational Health and security



2021 TCSA永續報告
貿易百貨類-銅獎



178%

With growth of digital course in 2020

THANK YOU
