
Test Rite Group (2908:TT) 1Q19~3Q19 IR Presentation

2019 December

Legal Disclaimer

- The information contained in this presentation, including all forward-looking statements, is subject to change without notice, whether as a result of new information, future events or otherwise. Test-Rite International Limited (the “Company”) undertakes no obligation to update or revise the information contained in this presentation.
- Actual results may differ materially from those expressed or implied in these forward-looking statements and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is the information intended to be a complete statement of the Company, markets or developments referred to in this presentation.
- 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.

Sophia Tong
Group CEO
TEL: 886-2-8791-5888

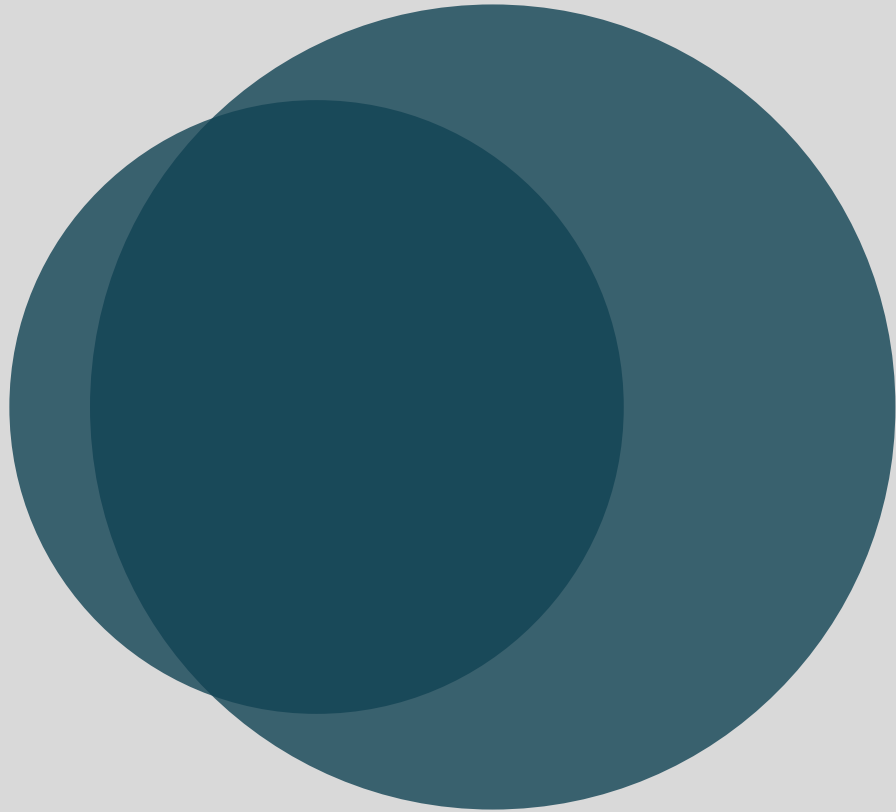
Eric Chang (*Please contact for further information*)
Deputy Spokesperson
Tel: 886-2-8791-5888 ext.5041

Linda Lin
CFO & Spokesperson
TEL: 886-2-8791-5888

Judy Chen
Investor Relations Principal Specialist
TEL: 886-2-8791-5888 ext.5936
Email : investor@testritegroup.com

Agenda

- Introduction of Test Rite Group
- Financial Highlights 1Q19~3Q19
- Trading Business
- Retail Business



INTRODUCTION TO TEST RITE GROUP

Management Team



Tony Ho

Group Chairman; Co Founder of Test-Rite Group

Tony played a critical role in Test-Rite's expansion into retail business and was instrumental in leading the company's IPO efforts. Tony recently completed the two-year Joint Executive MBA Program between Taiwan University and Fudan University and completed his graduation thesis: "How to pursue further growth by organization transformation-take large retail group for example."



Judy Lee

Chairwoman of Test-Rite Int'l (2908 TT/2908 TW); Co Founder of Test-Rite Group

Best known as the "Queen of Hardline", Judy is a seasoned veteran of the import/export trading business. With Judy at the helm, Test-Rite Trading consistently provides outstanding services to retail customers globally and has received multiple recognitions as "Best Partner/Supplier". Judy is also awarded by "EY Entrepreneur of the Year" in 2015.



Sophia Tong

Group CEO

Sophia joined Test-Rite in March 2009 to lead both the Trading and Retail businesses. Prior to Test-Rite, Sophia was the General Manager of IBM and with IBM for over 27 years. She attended the Management of Development Program of Harvard.

Milestones

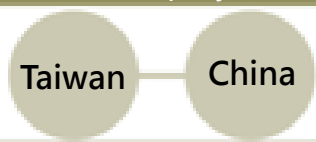


Group Structure

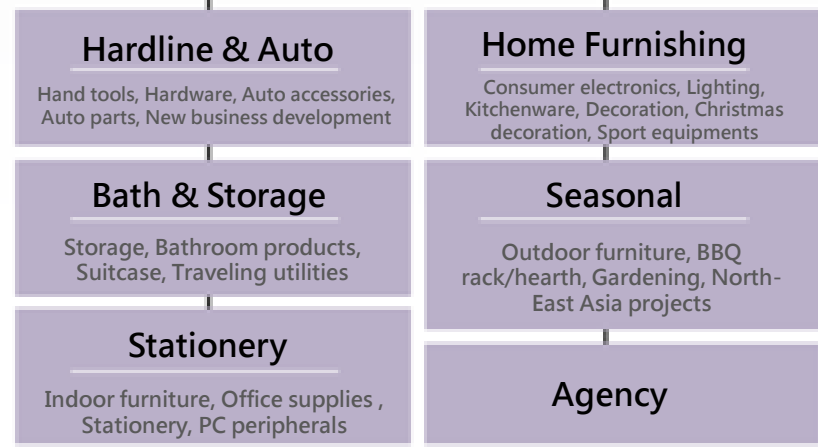
Test Rite Retail Business Group (2019YTD Revenue: ~NTD\$ 13 billion)

Home Decoration	HOLA Taiwan (26) Hoi! (8)
Home Improvement	TLW 特力屋 (30), TR HOME SERVICE (3), HISU(2)
Mattresses & Bedding	HOLA CASA (26), HOLA Petite(7), WEDGWOOD(14), FRETTE(6), Zucchi (2)
Comprehensive Home Integration Services	DÉCOR House
Brand Agency	Crate & Barrel (3)

Market Deployment



Test Rite Trading Business Group (2019YTD Revenue: ~NT\$15.1billion)



Market deployment



Other Investment Holdings

Creative Design/ Product Development

Theme Trend & Product Concept; Product Design; VI & Graphic Design; Packaging & Purchasing

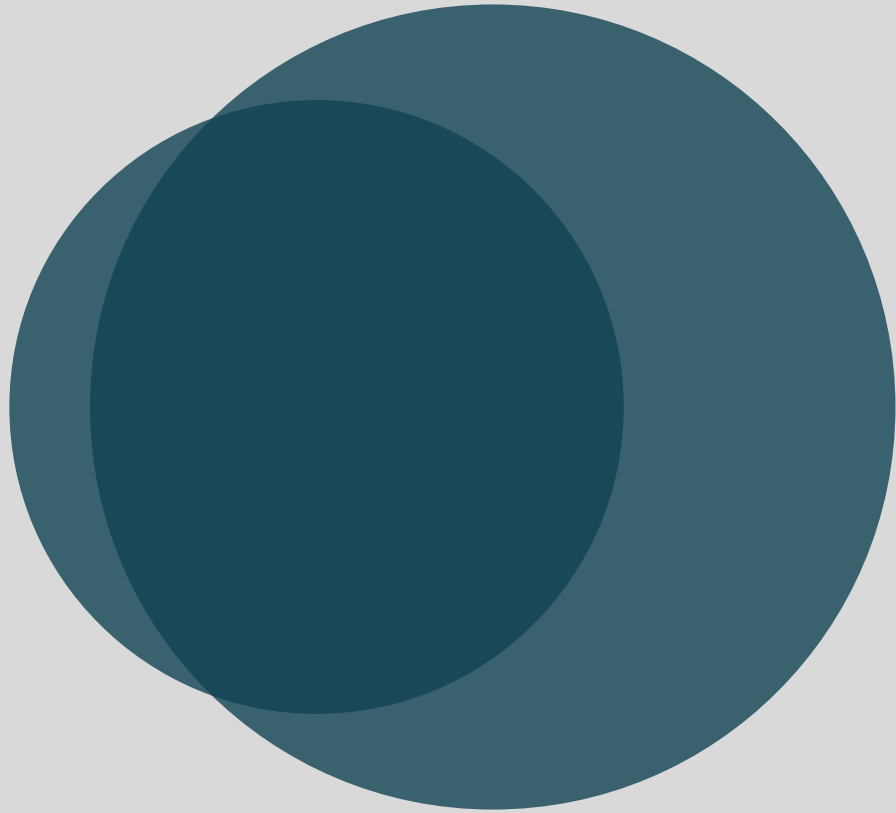
Chung Cin Corp.

Shopping mall construction; Office building construction; Booth recruitment

Logistics/ Warehousing Services

China Taiwan
USA Europe

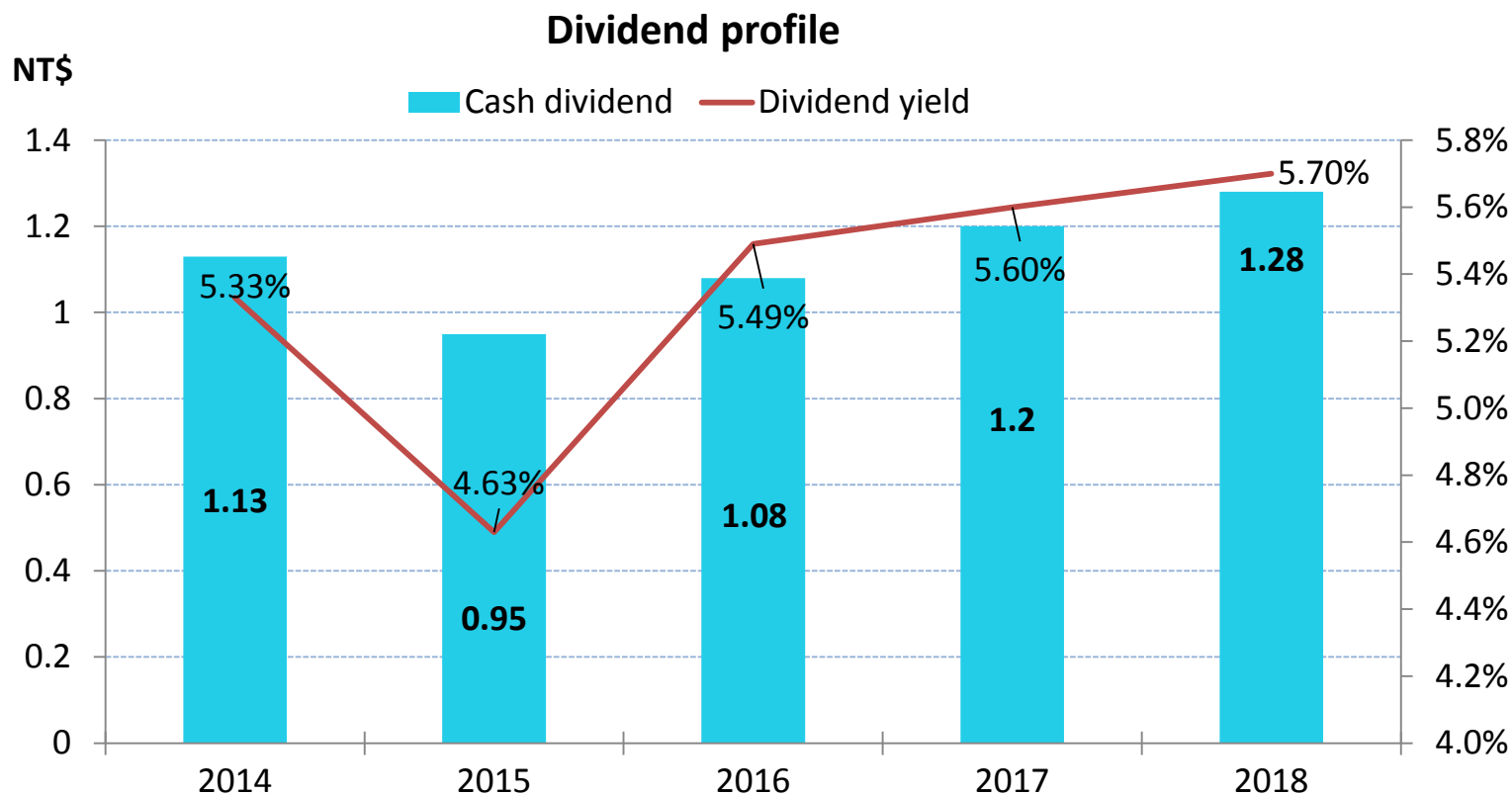
Note: store numbers updated as on September 30th, 2019



FINANCIAL HIGHLIGHTS

Stable Cash Div. and Div. Yield

NT\$	2014	2015	2016	2017	2018
Cash dividend	1.13	0.95	1.08	1.20	1.28
Dividend yield	5.33%	4.63%	5.49%	5.60%	5.7%



Long-term Investment Value



Only 13 companies in the service industry have remained in the top 100 list for over 30 years.

Company Name	1986 Ranking	2016 Ranking	2017 Ranking	2018 Ranking
Chunghwa Telecom Co.	1	1	1	1
China Airlines Co	2	7	8	10
Evergreen Marine Co.	3	13	13	13
YangMing Marine Co.	4	14	14	14
Taiwan Railways Co.	7	16	15	16
Taiwan Water Co.	8	61	59	62
Far Eastern Department Stores Co.	13	54	53	56
Ho Tai Motor Co.	14	35	38	41
CTCI Construction	17	10	11	11
Wan Hai Lines Co.	33	24	25	28
Test-Rite	37	31	29	25

In a fast-changing market, most of the survivors are state-owned companies.

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.** Since 2016, Test-Rite's ranking continues to move forward year by year.

2018 Snapshot

2018 GROUP OVERVIEW

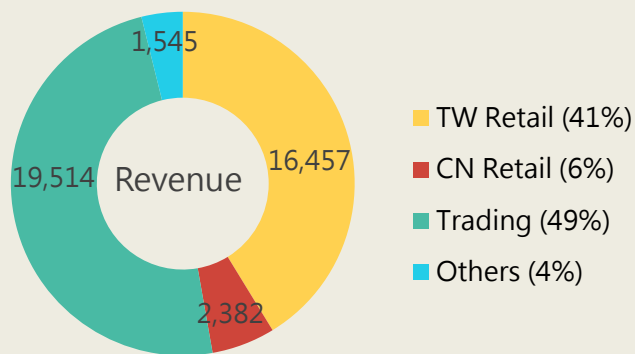
NT\$39,898 M
Revenue

NT\$10,261 M
Gross Profit

NT\$461 M
Operating Profit

NT\$419M
Net Profit

NT\$0.8
EPS



TLW (TW)
27 stores

HOLA (CN)
21 stores

HOLA (TW)
26 stores

Brand Agency
18 brands

TLW Private Label
18%

HOLA (TW) Private Label
33.1%

Total Retail Revenue
NT\$18,839 M

Total Trading Shipment
NT\$ 32,409 M

N. America Shipment
88.5%

Europe Shipment
6.6%

Global Presence
8 countries / 11 offices

Warehouse
4 countries

Global Employees
5,539 staff

Financial Highlights 2019 YTD

Revenue (YoY)

2019YTD: -3.7%

2018YTD: 6.5%

Gross Margin Rate

2019YTD: 27.1%

2019YTD: 26%

Gross margin rate increased due to lower raw material costs and new products.

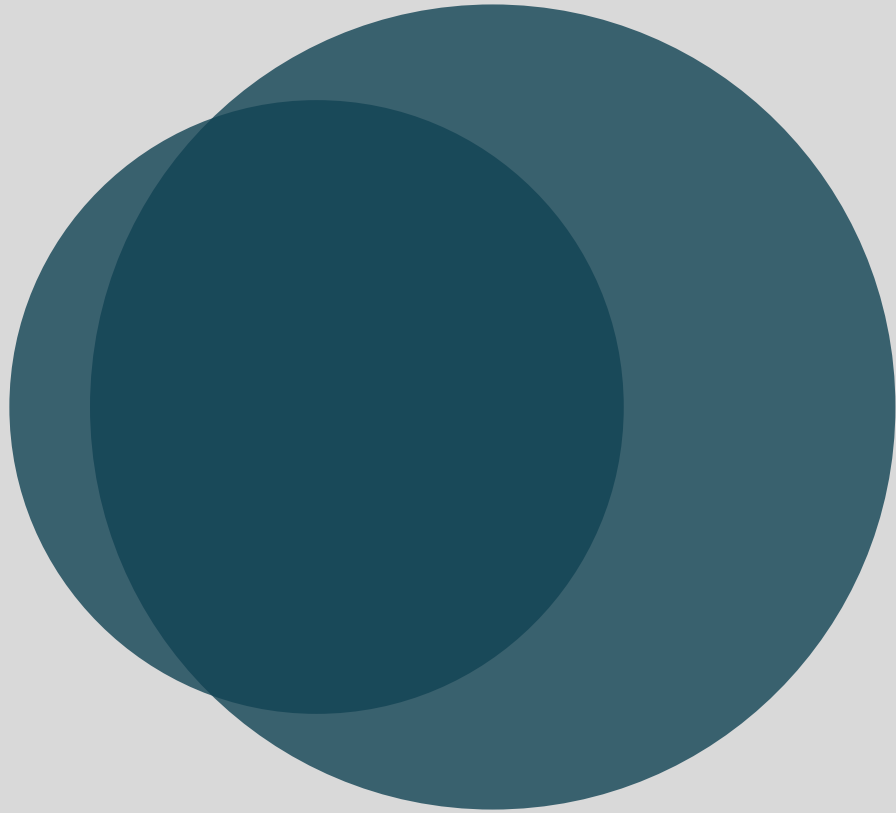
Operating Profit Rate

2019 YTD: 2.2%

2018 YTD :1.9%

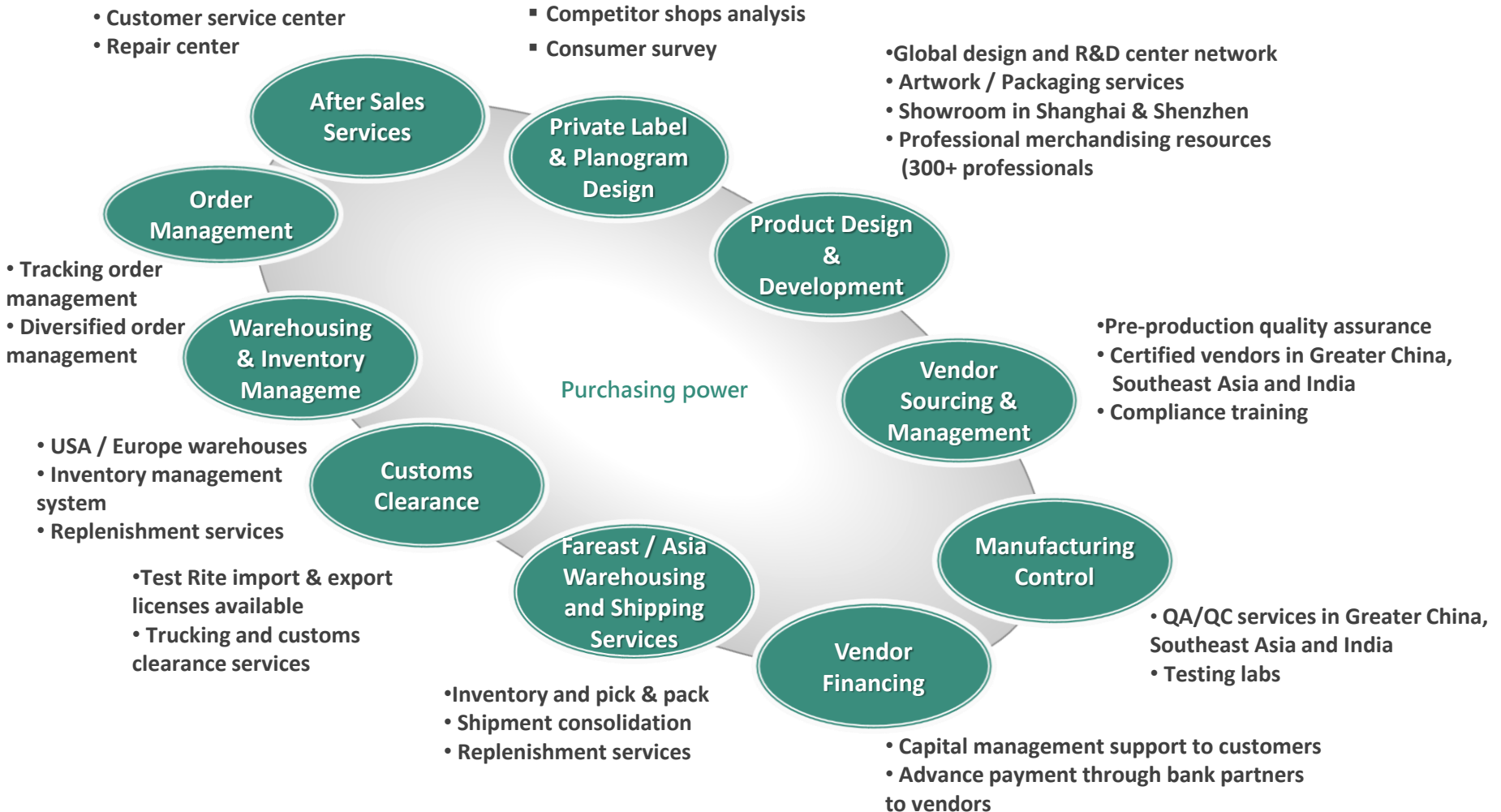
Operating profit rate was benefited higher gross margin rate in 2019 YTD

(NT\$ mn)	3Q19	3Q18	YoY% chg	FY2019	FY2018	YoY% chg
Revenue	9,781	9,837	-0.6%	28,994	30,106	-3.7%
COGS	(7,315)	(7,304)	0.1%	(21,135)	(22,288)	-5.2%
Gross profit	2,466	2,533	-2.7%	7,859	7,818	0.5%
Operating Expense	(2,298)	(2,369)	-3.0%	(7,227)	(7,235)	-0.1%
Operating profit	168	164	2.3%	632	583	8.4%
Non-operating income/loss	(46)	22	NA	(677)	23	NA
Pre-tax profit	122	186	-34.2%	(45)	606	-107.5%
Net profit	166	165	0.8%	(37)	609	-104.8%
Other net profit	(93)	(71)	31.0%	(106)	(47)	125.5%
Total net profit	73	94	-23.1%	(143)	562	-121.4%
Net profit attribute to TRIC shareholders	166	165	0.8%	(37)	609	-106.2%
(NT dollar) (After Tax)						
Basic EPS	0.33	0.32	3.1%	(0.07)	1.19	-106.2%
Diluted EPS	0.33	0.32	3.1%	(0.07)	1.19	-106.2%
Gross margin	25.2%	25.8%	-0.5%	27.1%	26.0%	1.1%
Operating margin	1.7%	1.7%	0.0%	2.2%	1.9%	0.2%
Pretax margin	1.3%	1.9%	-0.6%	-0.2%	2.0%	-2.2%
Net margin	1.7%	1.7%	0.0%	-0.1%	2.0%	-2.2%



Trading Business

Repositioning-Total Solutions Provider



Global Worldwide Network



- 11 offices in 8 countries/regions, logistic centers in China, Taiwan, Germany, and the U.S.
- U.S. warehouse provides logistics and warehousing services to customers for principal trading.



Partnerships with Global Retail Giants

Principal trading value-added services and supply chain management



Growth of Agency Trading



Shipments Growing Rapidly

2019YTD

The Growth in trading business was driven mainly by sales in North America. Our trading shipment amount has an increase of 5.6% YoY and 1.3%YOY in 2019 Q3 and 2019 YTD.



2019年目標

- Principal Trading sustain momentum.
- Agency Business: double-digit growth in shipments.
- Order Management: push shipment growth to a new record high.

Shipment Volume (NT\$ '000)	2019	2018	年增(減)率%
Principal trading shipment – 3Q19	5,171,282	4,908,267	5.4%
Agency business shipment – 3Q19	3,577,651	3,379,408	5.9%
Total Shipment – 3Q19	8,748,933	8,287,675	5.6%
Principal trading shipment – Accumulated	14,731,199	14,735,807	0.0%
Agency business shipment – Accumulated	11,216,618	10,891,386	3.0%
Total Shipment – Accumulated	25,947,817	25,627,193	1.3%

N. America Driving Growth

2019YTD

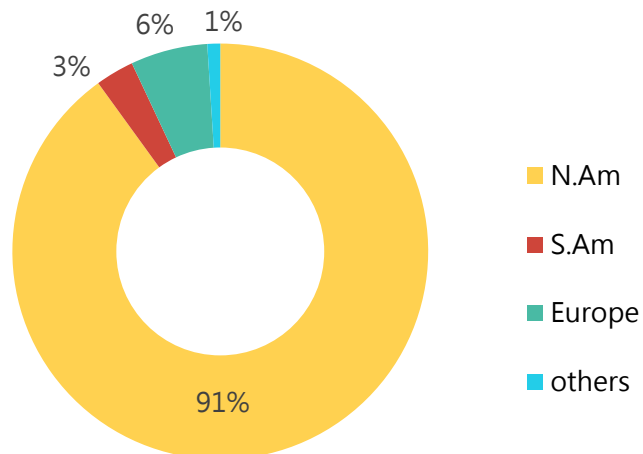
- N. America remained the fastest-growing market
- Hardline products outperformed



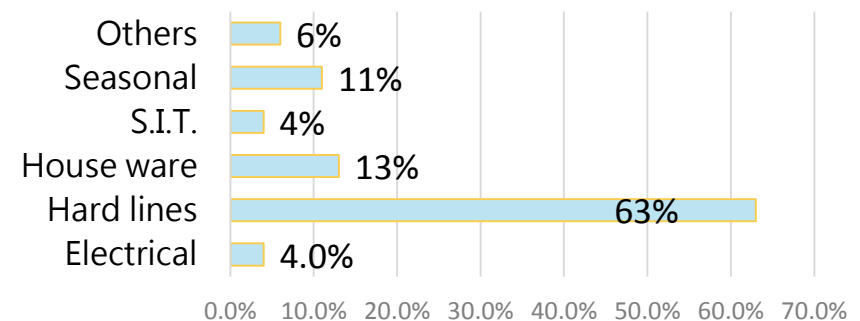
2019 Goal

- Maintain momentum in Hardline and House Wares.
- Work closely with strategic partner, Hillman, to increase traditional trading shipments.
- Strengthen self-development and design capabilities and transform into a product company.
- Agency new customer development.

Trading by Region



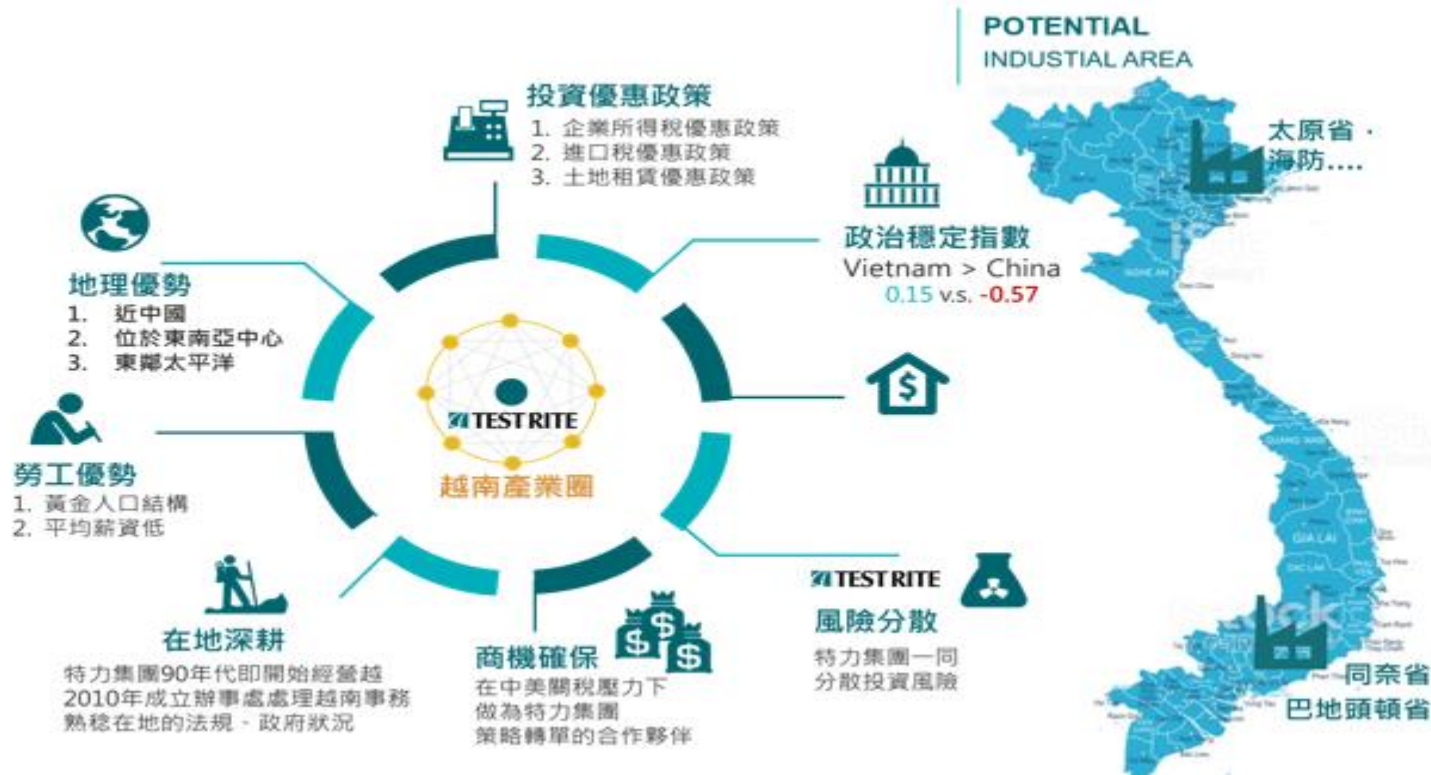
Trading by Category



Supply chain head southward

In response to U.S.-China trade war, building the strategic alliance with vendors

- Besides Vietnam, continuing to evaluate and accelerate the allocation to Southeast Asia
- Vietnam and India provide service of QA/QC
- Vietnam plant area : 30,000 square meters , office area: 1200 square meters



Product innovation and design won international recognition

2019 
reddot award 2019
winner packaging design

Chinese Zodiac Phone Charging Line



2019 
reddot award 2019
winner packaging design

Holiday Lights



2019 
reddot award 2019
winner packaging design

Magic Harley Wire Screw Box



2019 

Portable LED Light

















2019 















Home Maintenance Toolbox



Product innovation and design won international recognition

2018		reddot design award	Sunny Homey Solar Garden Light Package Design	
2018		reddot design award	EcoPro Hand Tools Package Design	
2018		reddot design award	Christmas Lights LED Light Package Design	
2018		DESIGN AWARD 2018	Lid-Lite Solar Light Bottle Lid	
2018		DESIGN AWARD 2018	Bubble Aroma Diffuser	
2018		DESIGN AWARD 2018	Cloudfall Aroma Diffuser	
2018		reddot design award product design	Lid-Lite Solar Light Bottle Lid Product Design	

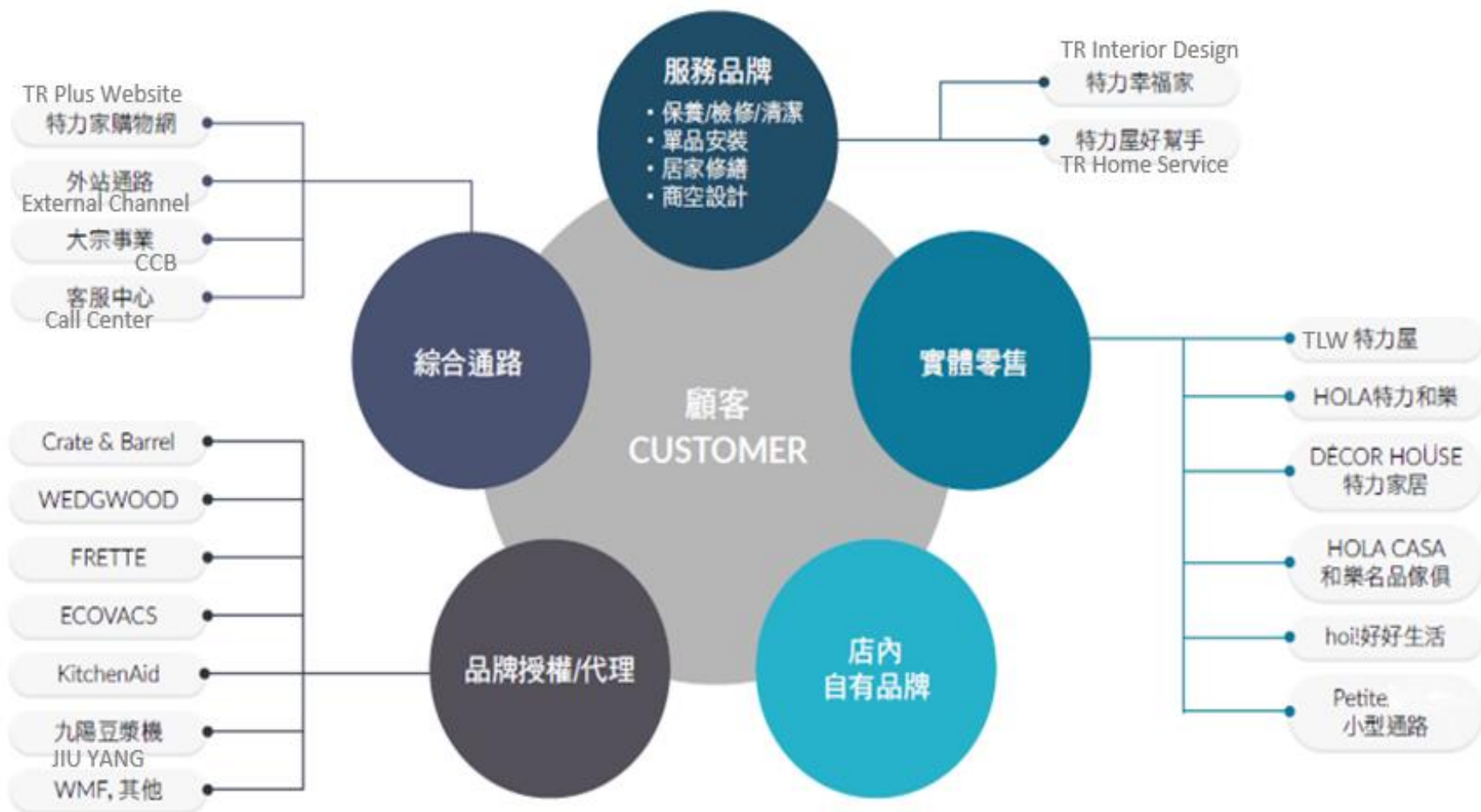
Product innovation and design won international recognition

2017		Omni-Lumi Portable Lighting System	
2017		Solar Crackle Glass Ball Package Design	
2016		Auto Lifting Tools All-in-One Trolley Jack	
2016		Garden Tools Garden Goody	
2016		Garden Tools One Thumb Spray Design	
2016	 reddot award 2016 winner	Solar Crackle Glass Ball Package Design	
2014	 reddot design award	Lighting Solar Light Package Design	



Retail Business

Retail's layout based on customers



Building the Best "Home-related" Channel

Store #	2013A	2014A	2015A	2016A	2017A	2018A	2019Q3
TLW	26	26	26	27	27	27	27
HOLA TW	22	23	24	25	25	26	26
TLW-Commodity Store	-	-	-	-	-	-	3
Avg. selling space(m ²)	2013A	2014A	2015A	2016A	2017A	2018A	2019Q3
TLW	92,060	92,072	92,072	95,435	95,435	98,109	97,228
HOLA TW	53,117	52,979	54,476	55,443	52,760	52,760	50,876



Store Locations



Comprehensive home service

HOLA and DÉCOR HOUSE was awarded the top prize at the

“2019 Global Views Five-Star Service Award”.



居家生活 業態平均成績 **65.54**

調查標準 國內店數前7大，共7家

名次	企業名稱	得分	去年名次
1	HOLA特力和樂	84.15	1
2	特力屋	81.05	3
3	無印良品	65.83	5
4	台隆手創館	62.08	4
5	生活工場	60.00	2

百貨/購物中心 業態平均成績 **60.43**

調查標準 6000坪以上的百貨公司及購物中心，共27家

名次	企業名稱	得分	去年名次
1	特力家居	72.5	5
2	環球購物中心	70.42	未入榜
3	大江購物中心	70	未入榜
4	誠品生活	69.38	未入榜
5	比漾廣場	69.21	未入榜

Business strategy : Virtual integration meets new retail

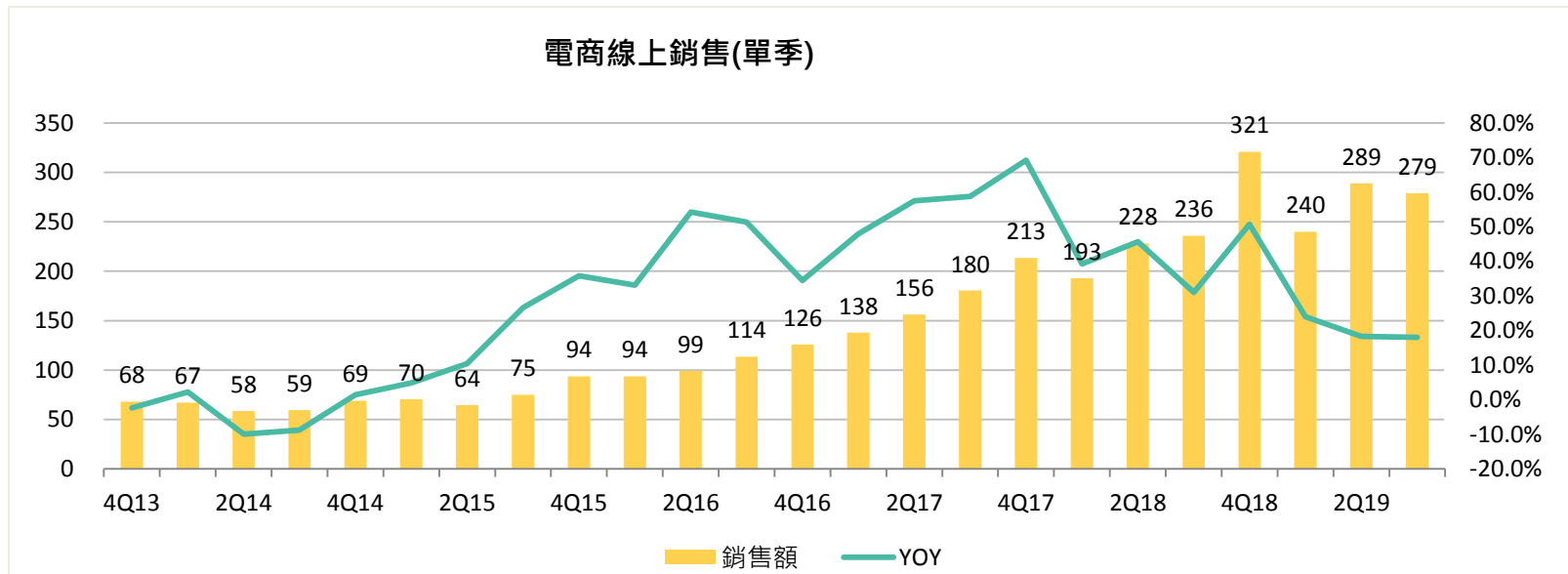
3Q2019

- TLW EC sales mix 7.6%
Sales amount YoY + 16.3%
- HOLA EC sales mix 7.4 %
Sales amount YoY + 23.6%



2019 Goal

- Breaking the boundary between online & offline through the integration of POS systems.
- Improving the customer experience in physical stores and providing a unified solution for home improvement/renovation services.
- Putting the "New Retail" concept into action.

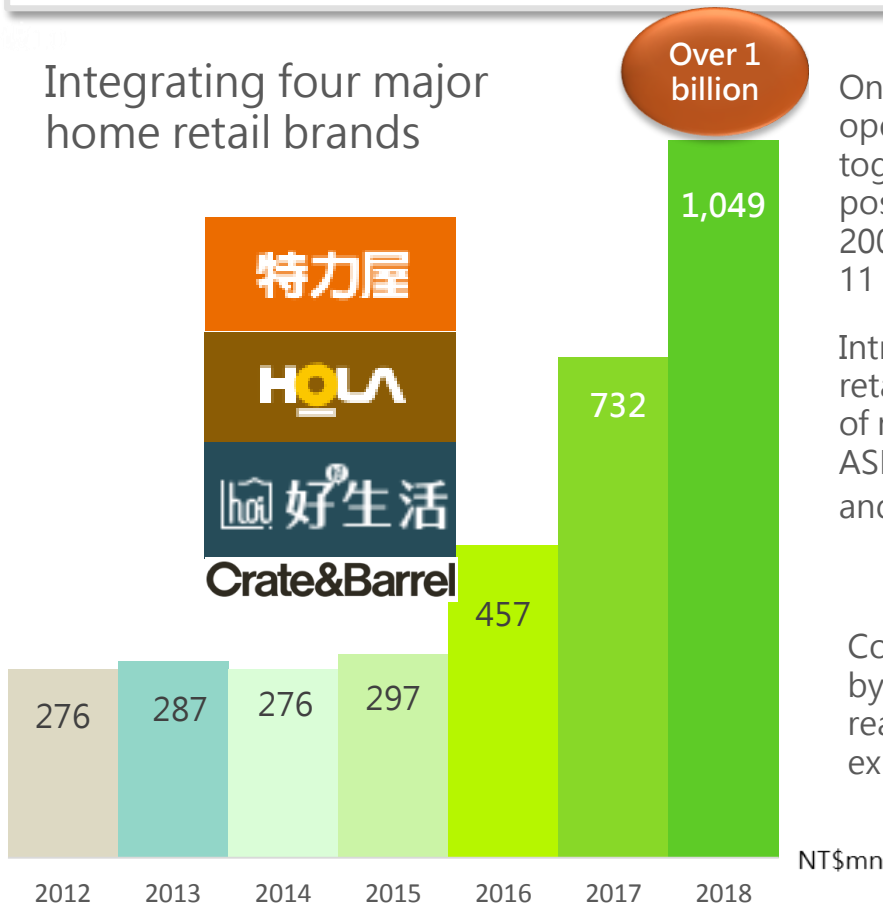


註:不含線上發放於實體店使用之折價券業績

Critical task : Omni-Channel Strategy

Our retail business developed online marketing and offline experience full channel integration to expand on line sales vigorously and introduce the new retail technology in stores. After building the new retail model, sales of TR PLUS website continued to growth.

Integrating four major home retail brands



Online and offline operated marketing together, the sales met the positive momentum over 200 million on November 11 2018.

Introducing the new retail digital technologies of new retail including ASM, electronic price tag and digital shelves, etc.

Consumption is not limited by inventories items and reaches the new shopping experience.



New retail technology experience-TLW and HOLA

TLW and HOLA made another milestone to create the first smart store "Dadun store" which increased the proportion of situational display in mere one thousands square meter and strengthened the product experience. Consumption is not limited by inventories items and reaches the new shopping experience.



HOLA Physical Channels-customer's experience



HOLA physical store committed to experience. It launched HOLA kitchen and HOLA living space on 2018 which has the cooking and diversified hand-made courses.

TLW Physical Channels-customer's experience



To meet consumer's requirement and create the good life , TLW opened the exclusive classroom "handcrafted space " on 2016. It has expanded more handcrafted classrooms outside Taipei City gradually.



Business strategy : Margin Improvement through Private Label

2019YTD

- Sales Mix of PL Products

TLW: 22.1%

HOLA : 33.4%

- Gross margin rate

TLW: 50.6%

HOLA: 53.5%



Long-term Goal

TLW- 25%

HOLA-45%

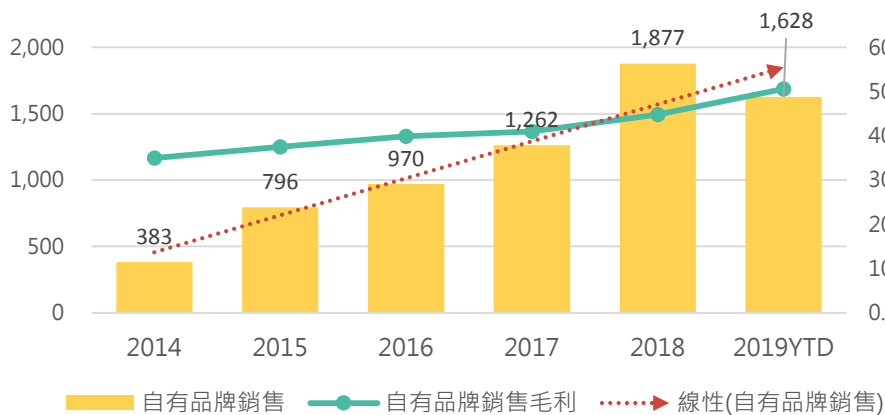
- Leading home décor trend by strengthening brand design ability



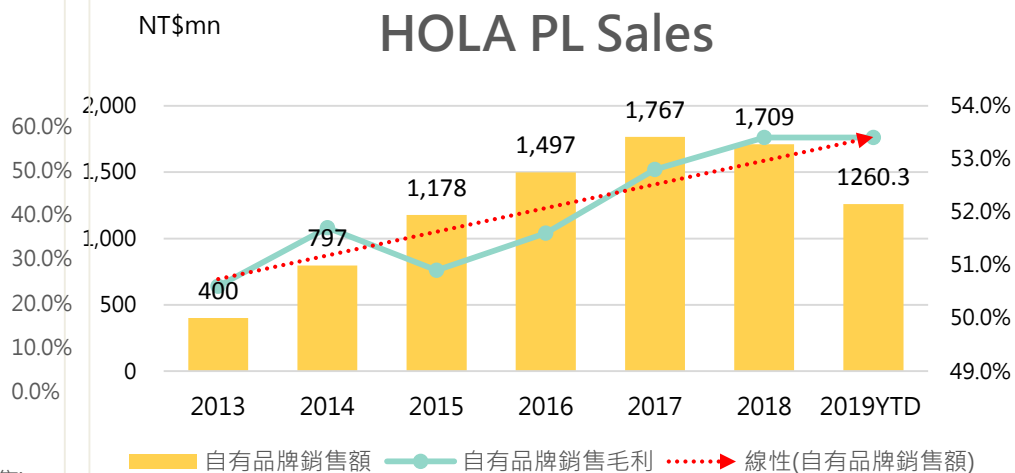
HOLA
特力和樂



TLW PL Sales



HOLA PL Sales



Critical task : Private Label development



HOLA's casting iron pan won 2018 Red dot design award as it solved consumer's pain point and has the insight into the requirement from customers'.

TLW launched the private label "TLW SMART WASH TOILET SEAT " which appealed high price-performance ratio and help people to improve their quality of without the burden.



Business strategy: Brand Agency

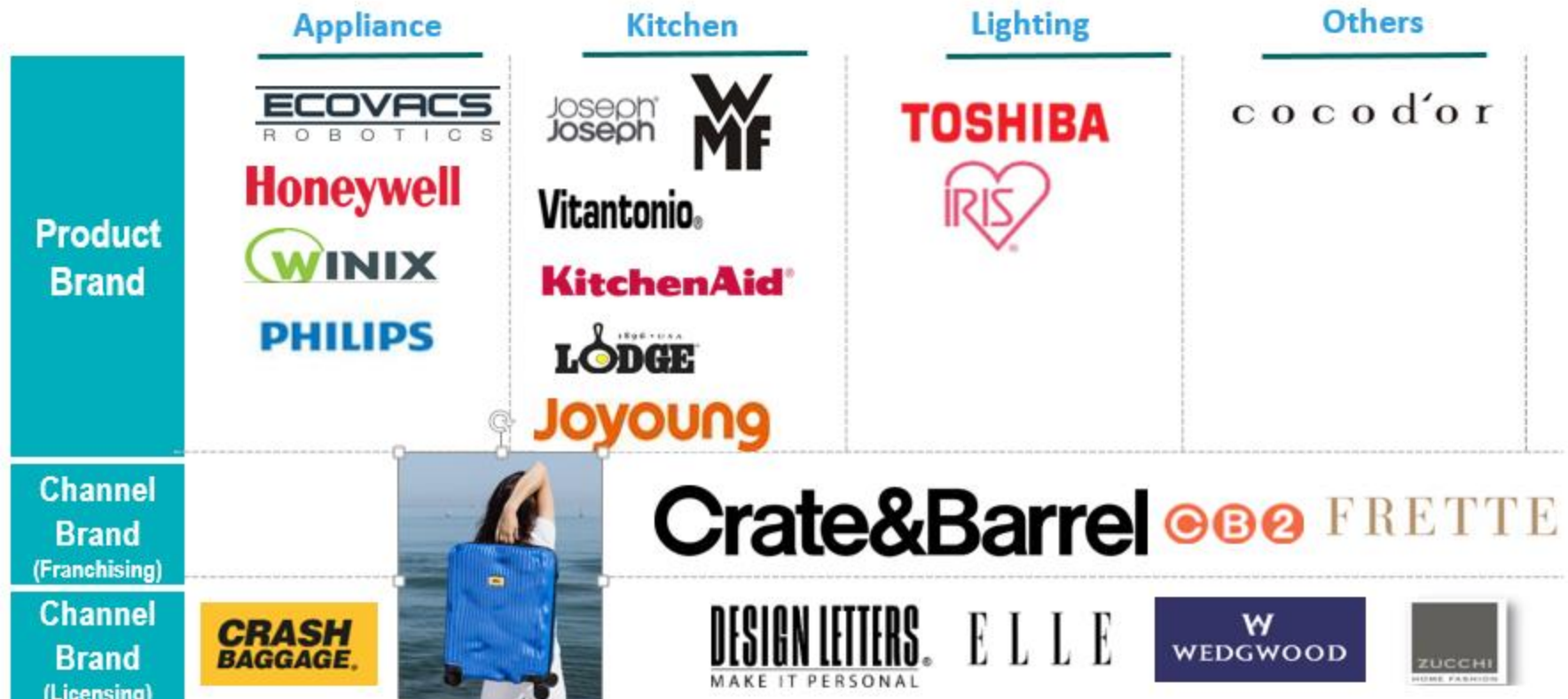
3Q2019

Total 21 brands in Agency Business



2019 Goal

- Increasing brand awareness in the market.
- Expanding sales channels.



THANK YOU

For Watching
