

Tam Jai International Co. Limited

譚仔國際有限公司

(Stock Code: 2217.HK)

FY23/24 Interim Results

November 2023



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Presentation Content

1. Results Snapshot
2. Business Overview
3. Financial Highlights
4. Development Plans & Future Strategies
5. Sustainable Development
6. IR Contacts
7. Appendix

1. Results Snapshot

Results Snapshot

<p>+10.0% Revenue YoY growth, reaching HK\$1,387 million</p>	<p>+153.1% Profit for the period, excluding government subsidies, reaching HK\$81 million</p>
<p>+19.3% Operating profit YOY growth</p>	<p>20.2% Operating profit margin in Hong Kong</p>
<p>-68.3% Narrowed operating loss outside Hong Kong</p>	<p>HK 3.0 cents Interim dividend per share</p>





ST GROUP
Enter Australia through JV & franchise model

SスUウ-YエEン
Made Local. Born Global.
Potential franchise in the Philippines

讃岐 釜揚げうどん
登録商標 丸亀製麺 認定商標
Brand diversification in Hong Kong

2. Business Overview

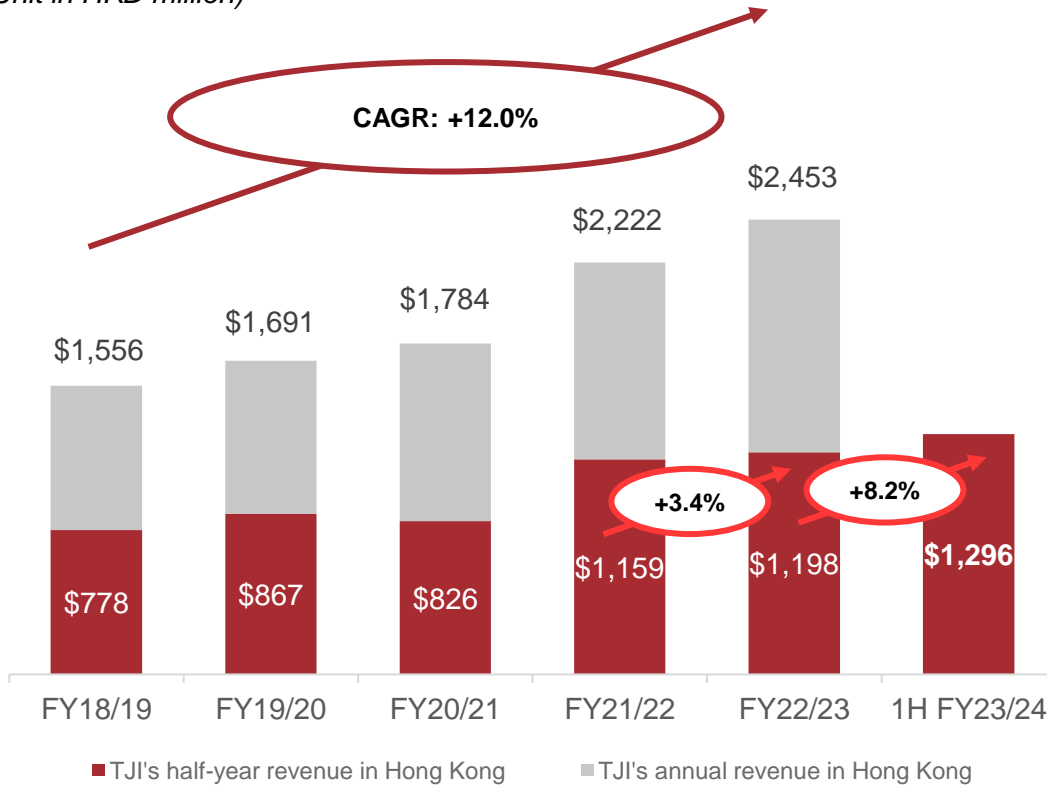


Hong Kong – Continuous Revenue Growth Despite Weak Sentiment



Revenue

(Unit in HKD million)



+5
new restaurants YOY

+2.9%
comparable restaurants**
revenue YOY

- ✓ **Slower** than expected post-pandemic industry **growth** due to softening economy
- ✓ More local residents traveling abroad
- ✓ Notable improvement in **commercial areas**, as commuters returning to physical offices

** - Comparable restaurants are defined as restaurants in full operation throughout the periods under comparison, which exclude restaurants that are newly-opened, closed or renovated for a period over 30 days during the periods concerned.

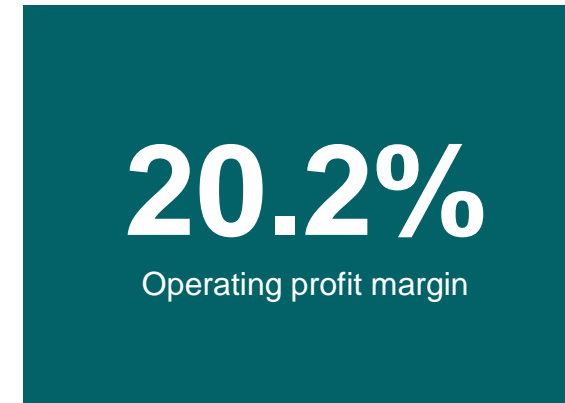


Hong Kong – Enhanced Operating Profit Margin



Revenue drivers

- ✓ **Afternoon tea sets:** drove comparable restaurant revenue growth and expanded market segments, debuted in July
- ✓ Engaged a new aggregator, **KeeTa**, in September
- ✓ **Continuous product innovations** to drive traffic: premium toppings, new snacks and special drinks



- Strategic price adjustments, products substitution and supplier network expansion to address food cost inflation
- Stable cost-to-revenue ratios for food, rental and staff expenses
- Operating profit margin enhanced to 20.2% from 19.4% YOY



Outside HK: Enhance Localisation, Branding and Communications



- ✓ Further localise products to cater to local customers, while enhancing value propositions
- ✓ Strengthen competitiveness through improvement of branding elements, communications tactics and channels
- ✓ Deepen market penetration and prepare for next phase of rapid expansion

CRM members increased by 219.7% YOY to 511,161 as of Sep 2023

Revamped food menu



Collaborated with local hotpot brand 八合里 for beef balls



New topping – Pork Liver



Served in popular hotpot style



Local KOL engagement



Revamped food menu



9

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Mainland China – Narrowed Operating Loss

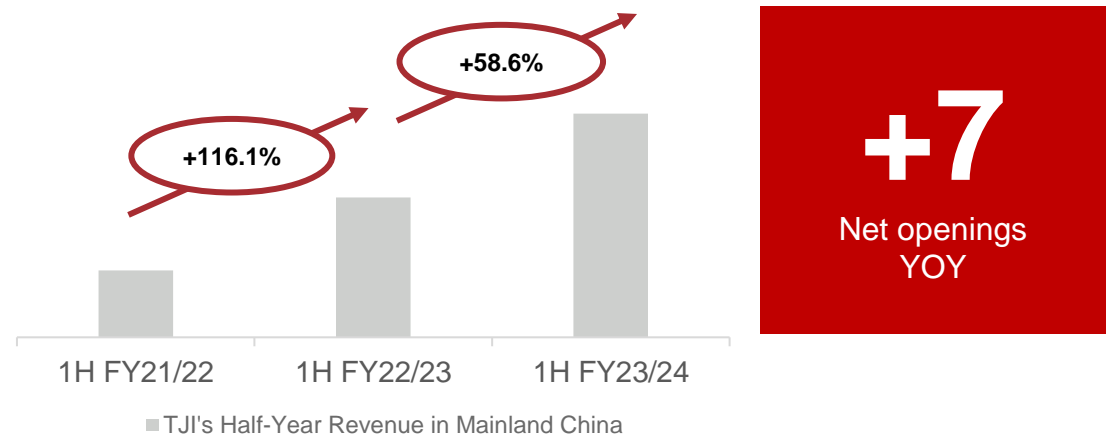
Strategic move to focus on ex-Shenzhen cities in GBA



24 restaurants
(as of 30 Sep 2023)

- ✓ Redirected focus to **Guangzhou** and other **tier-2 cities** in the **GBA**
- ✓ Lower operating costs and less impact from economy slowdown compared to Shenzhen
- ✓ Opened 7 new stores in Guangzhou, Dongguan, Zhongshan and Zhuhai, and closed 3 in Shenzhen in 1H
- ✓ New restaurants reported **satisfactory financial performance**

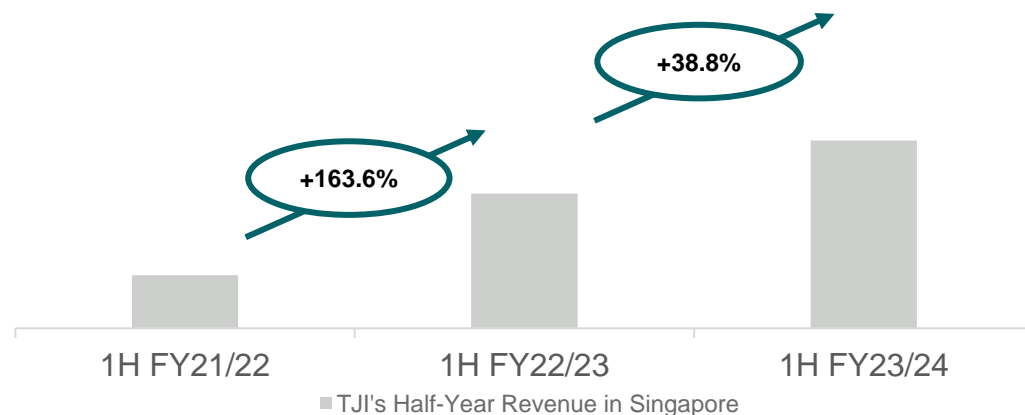
Revenue



- **Narrowed loss** due to larger revenue base and **improved operational efficiency**
- Strategically **slowing down expansion** amid economic slowdown
- Shift focus on **local adaptation and brand enhancement** this year

Singapore – Sustained Labour Shortage

Revenue



+2

Net openings
YOY

11

Restaurants
as of 30 September 2023

Operation highlights

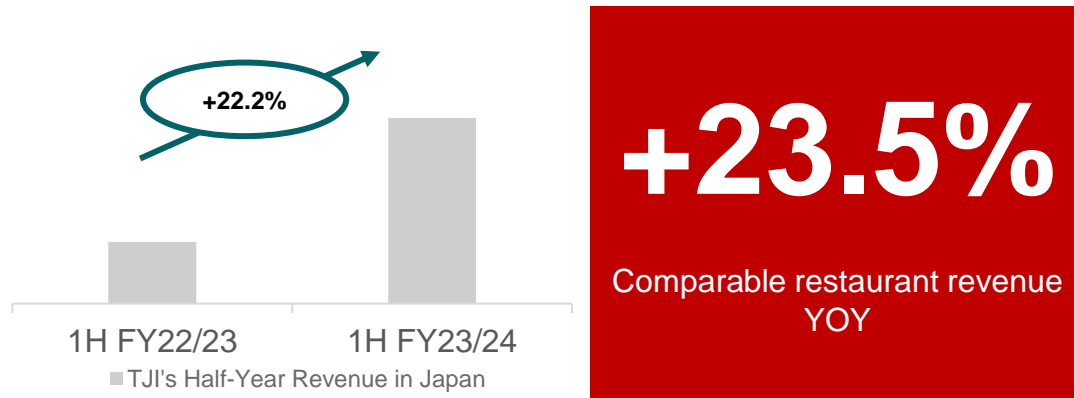


- ✓ Comparable restaurants revenue decline YOY due to sustained labour shortage
- ✓ **Scaled back expansion plan** to put priority on stabilising local management and tackling manpower issues
- ✓ Continue to **strengthen localisation and operational efficiency**
- ✓ Remains a stepping stone for Southeast Asian expansion



Japan – New Aggregators Increased Revenue

Revenue



Operating margin improved



- 2 new aggregators, Uber Eats and Demaecon, contributed to 16.7% of revenue in 1H2024

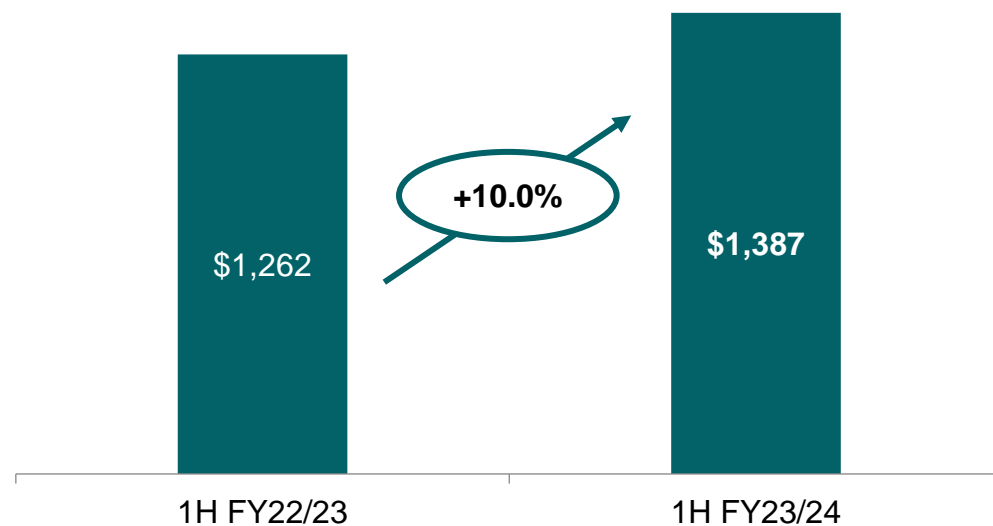
- ✓ New local management team
- ✓ Successful launch of localised menu with more local favourite toppings, and create the curiosities to the locals through highlighting “**Hong Kong No. 1 Noodle**”
- ✓ Benefited from improved efficiencies and quality of products and services

3. Financial Highlights

Results for the Period

Revenue year-on-year increased by 10.0%

(Unit in HKD million)



Revenue Drivers:

- +2.6% total comparable restaurants* revenue growth
- +14 net additions of restaurants

* Comparable restaurants are defined as restaurants in full operation throughout the periods under comparison, which exclude restaurants that are newly-opened, closed or renovated for a period over 30 days during the periods concerned. Comparable restaurants of Mainland China and overseas markets located in Mainland China, Singapore and Japan.

Consolidated statement of profit or loss

(Unit in HKD million)

	6-months ended 30 September	
	FY23/24	FY22/23
Revenue	\$1,387	\$1,262
Profit before taxation	\$102	\$101
Profit for the period	\$82	\$83
Profit for the period, excluding government subsidies [#]	\$81	\$32
Profit margin	5.9%	6.6%
Profit margin, excluding government subsidies [#]	5.9%	2.6%

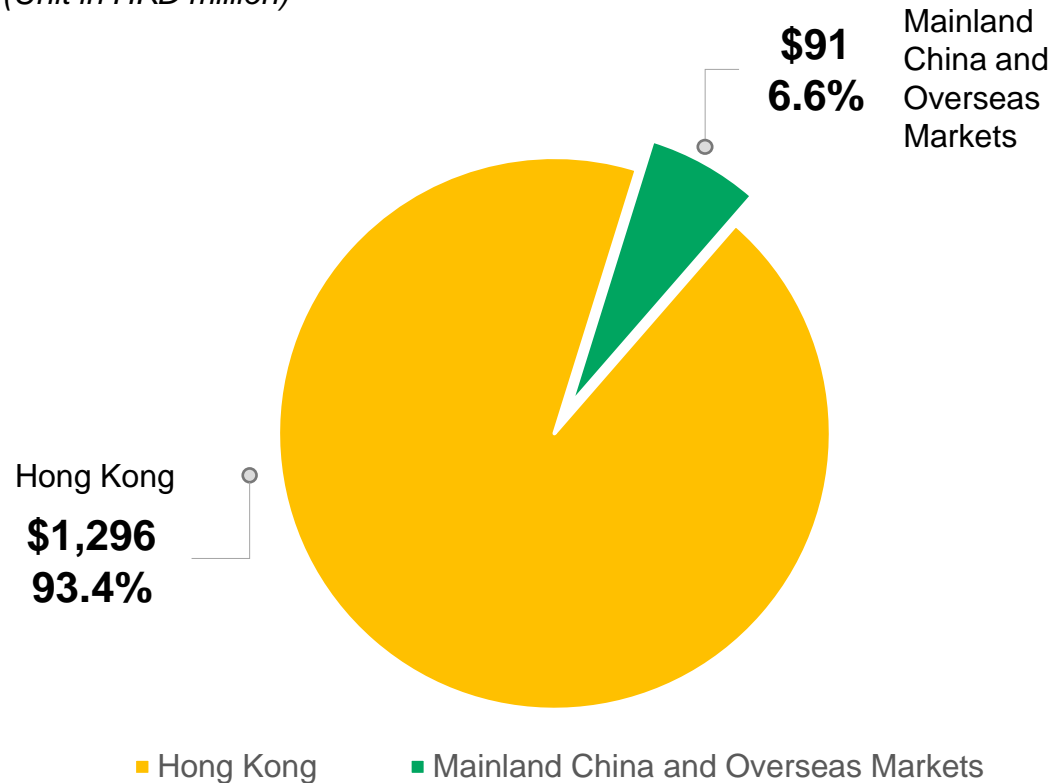
[#]We exclude government subsidies because it is non-recurring income.

Revenue by Geographic Location & Order Type



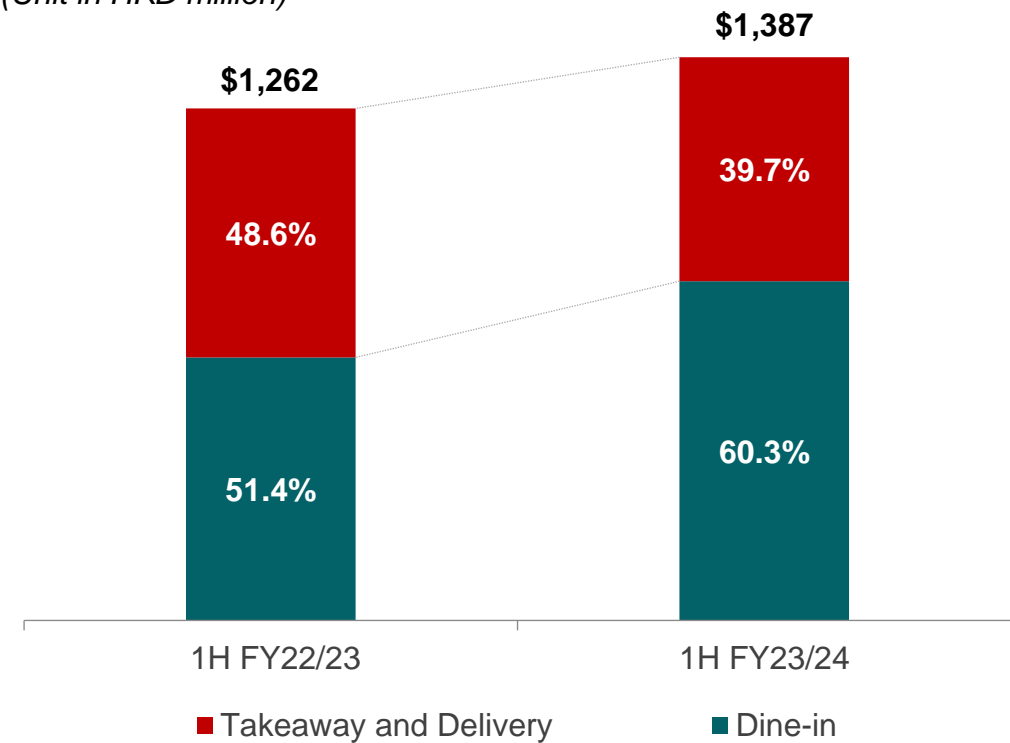
Majority contribution from Hong Kong

(Unit in HKD million)



Takeaway & delivery revenue remained significant

(Unit in HKD million)



Takeaway & delivery comprises takeaway orders made at the restaurants and delivery orders fulfilled through online delivery platforms.

Revenue by Key Performance Indicators



Geographic location	Average spending per customer (in HKD) ^[1]			Average daily # of bowls served per seat ^[2]			Average daily revenue per restaurant (in HKD) ^[3]		
	2023	2022	2021	2023	2022	2021	2023	2022	2021
For the six months ended 30 September									
Hong Kong	\$61.6	\$61.1	\$59.5	6.1	6.0	6.8	\$39,137	\$38,581	\$43,546
Mainland China	\$41.5	\$49.1	\$61.8	3.3	3.1	6.4	\$10,017	\$11,540	\$30,643
Singapore	\$88.8	\$82.7	\$85.0	3.1	4.4	2.4	\$19,970	\$25,511	\$19,494
Japan	\$65.7	\$64.1	-	5.5	5.2	-	\$22,020	\$20,265	-
Overall	\$61.3	\$61.2	\$59.6	5.8	5.9	6.7	\$35,015	\$36,213	\$42,889

[1] Calculated by dividing the revenue generated from our restaurants by the total number of customers served. We use the number of bowls of mixian sold as a proxy for the number of customers served.

[2] Calculated by dividing the total number of bowls served (including dine-in, takeaway and delivery orders) by the total seating capacity calculated with reference to the number of seats in the respective floor area of our restaurants by total operation days divided by the total number of restaurants.

[3] Calculated by dividing the revenue generated from our restaurants by the total restaurant operation days.

Operating Profit Analysis

(Unit in HKD million)

	6 months ended 30 September	
	FY23/24	FY22/23
Revenue	\$1,387	\$1,262
Restaurant and central kitchen operating costs:		
- Cost of food and beverages consumed	\$328	\$302
- Staff costs ^[1]	\$360	\$327
- Depreciation of right-of-use assets, rental and related expenses ^[1]	\$255	\$234
- Consumables and packaging	\$33	\$41
- Utilities expenses	\$45	\$35
- Handling charges	\$45	\$41
- Advertising and promotion	\$23	\$25
- Cleaning expenses	\$12	\$11
- Repair and maintenance	\$10	\$8
- Other expenses ^[1]	\$19	\$21
Operating profit	\$257	\$215
Operating profit margin	18.5%	17.1%

[1] Represent relevant costs attributable to our restaurants and central kitchens and exclude any costs attributable to headquarters and office.

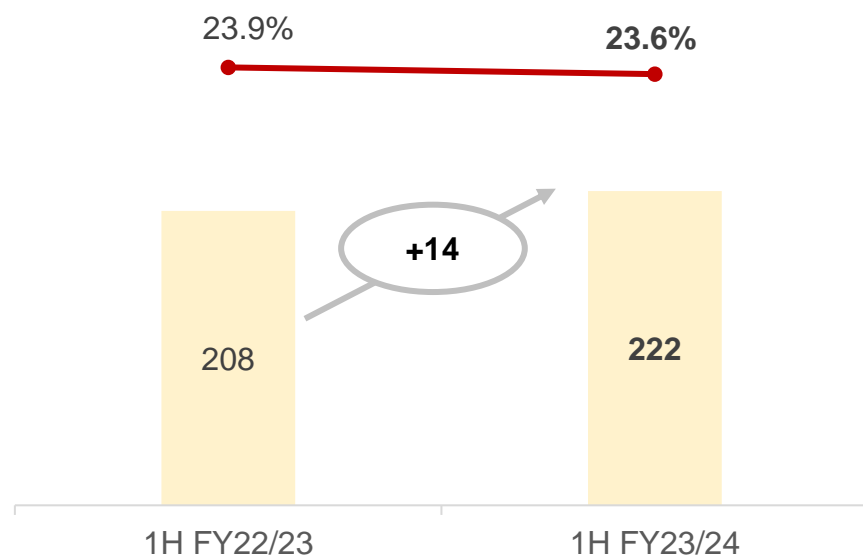
Breakdown by geographic location

Hong Kong	6 months ended 30 September		
	FY23/24	FY22/23	Change in %
Revenue	\$1,296	\$1,198	+8.2%
Operating profit	\$262	\$232	+12.9%
Operating profit margin	20.2%	19.4%	+0.8 p.p.*
Mainland China and Overseas Markets	6 months ended 30 September		
	FY23/24	FY22/23	Change in %
Revenue	\$91	\$63	+44.1%
Operating loss	-\$5	-\$17	-68.3%
Operating loss margin	-5.9%	-26.6%	-20.7 p.p.*

* - Percentage points ("pp") can be referred as the unit for the difference between two percentages.

Cost Analysis

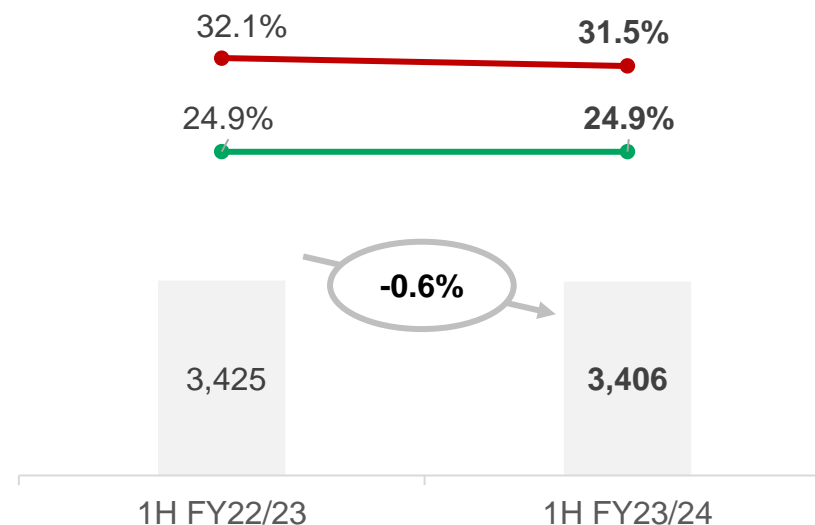
Food cost as a percentage of revenue decreased by 0.3 p.p.**



Number of Restaurants (as of 30 Sep)

Cost of food and beverages consumed with central kitchen production costs* as a percentage of revenue

Managed to maintain Group staff cost % to revenue at 31.5%



Employee count

Group staff cost as a percentage of revenue

Restaurant staff cost as a percentage of revenue

* - Central Kitchen Production Cost is a sum of 1) central kitchen staff cost, 2) central kitchen's depreciation of right-of-use assets, rental and related expenses, and 3) other expenses incurred at central kitchen.

** - Percentage points ("pp") can be referred as the unit for the difference between two percentages.

Other Key Financial Data



Key financial metrics		1H FY23/24	1H FY22/23
Earnings per share (HK cents)	<i>Basic</i>	6.1	6.2
	<i>Diluted</i>	6.1	6.2
Interim dividend per share (HK cents)		3.0	-
Dividend payout ratio ^[1]		49.2%	-
Cash and cash equivalents (HK\$' million) ^[2]		1,339.0	1,326.3
Current ratio ^[3]		2.3	2.3
Quick ratio ^[4]		2.2	2.3
Return on assets ^[5]		6.1%	6.4%
Return on equity ^[6]		10.8%	10.9%

[1] Calculated by dividing the proposed interim dividend per share for the period by earning per share and multiplying by 100%.

[2] Represents the cash and bank balances

[3] Calculated based on our total current assets as at the end of the relevant periods divided by our total current liabilities as at the end of the corresponding years.

[4] Calculated based on our total current assets less inventories as at the end of the relevant periods divided by our total current liabilities as at the end of the corresponding years.

[5] Calculated based on our annualised profit for the relevant periods divided by our average total assets as at the beginning and the end of the corresponding periods and multiplied by 100%.

[6] Calculated based on our annualised profit for the relevant periods divided by our average total equity attributable to our equity shareholders as at the beginning and the end of the corresponding periods and multiplied by 100%.

4. Development Plans & Future Strategic Initiatives

Expand into Australia through JV and Franchise



Established a JV with ST Group

- JV Company was set up, in which TJI holds 49%. JV Company will serve as a **Master Franchisee** for TJI in Australia and New Zealand
- JV Company will **open stores directly and expand further through sub-franchising**, leveraging ST Group's local franchise network
- The success of this model in Australia will serve as a blueprint for the Group's future expansion into other Western markets

Leveraging ST Group's expertise

- **ST Group**, an established F&B group in Australia listed on the Singapore Exchange (SGX: DRX)
- Holds exclusive franchise and license rights to **9 internationally popular brands**
- Operates a total of **173 outlets** in Australia, New Zealand and UK



Leverages ST Group's expertise & connections

- ✓ Supply chain management, central kitchen, logistics support
- ✓ Identify restaurant locations and premises
- ✓ Local government liaison and licensing
- ✓ Food sourcing and people management

Higher success rate at lower cost

- ✓ Reduce capital input
- ✓ Minimise operational risks
- ✓ Foster a scalable business model for rapid expansion and market penetration



Entry into the Philippines through Franchise



Potential Franchise with Suyen Corporation



- Entered into a **memorandum of understanding** and **heads of terms** with a subsidiary of Suyen Corporation regarding proposed entry into the Philippines through **franchising arrangement**



Leveraging Suyen Corporation's expertise

- Suyen Corporation** is a Philippines-based conglomerate with strong presence in in the fashion and retail sector.
- Operates business in the F&B industry, managing the Philippine operations of the Japanese chains and the other restaurant brands.

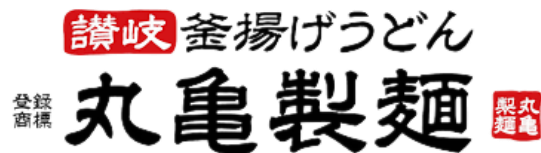
F&B Portfolio of Suyen Corporation

MAISEN



Brand Diversification in Hong Kong

Franchising for Marugame Seimen



- Entered into a Master Franchise Agreement with Toridoll in November 2023



Realise synergy with Toridoll, the Group's controlling shareholder

- ✓ TJI's proven success and management expertise in Hong Kong
- ✓ Leverage Toridoll's knowhow and best practices to ensure successful operations



Paves the way for further exploration of brand portfolio diversification with support from Toridoll

Toridoll's brand portfolio








Prudent Restaurant Network Expansion



Looking Ahead – Reaching approximately 230+ restaurants across regions as at 31 Mar 2024



-  Hong Kong
-  Mainland China
-  Singapore
-  Japan
-  Australia
-  Philippines

- ▶ Continue to explore “empty zones”
- ▶ Adjust the pace of expansion with a focus on Guangzhou and tier-2 cities in GBA
- ▶ Focus on adjusting the model for next wave of growth
- ▶ Focus on adjusting the model for next wave of growth
- ▶ Debut expected in FY2024/25 the earliest

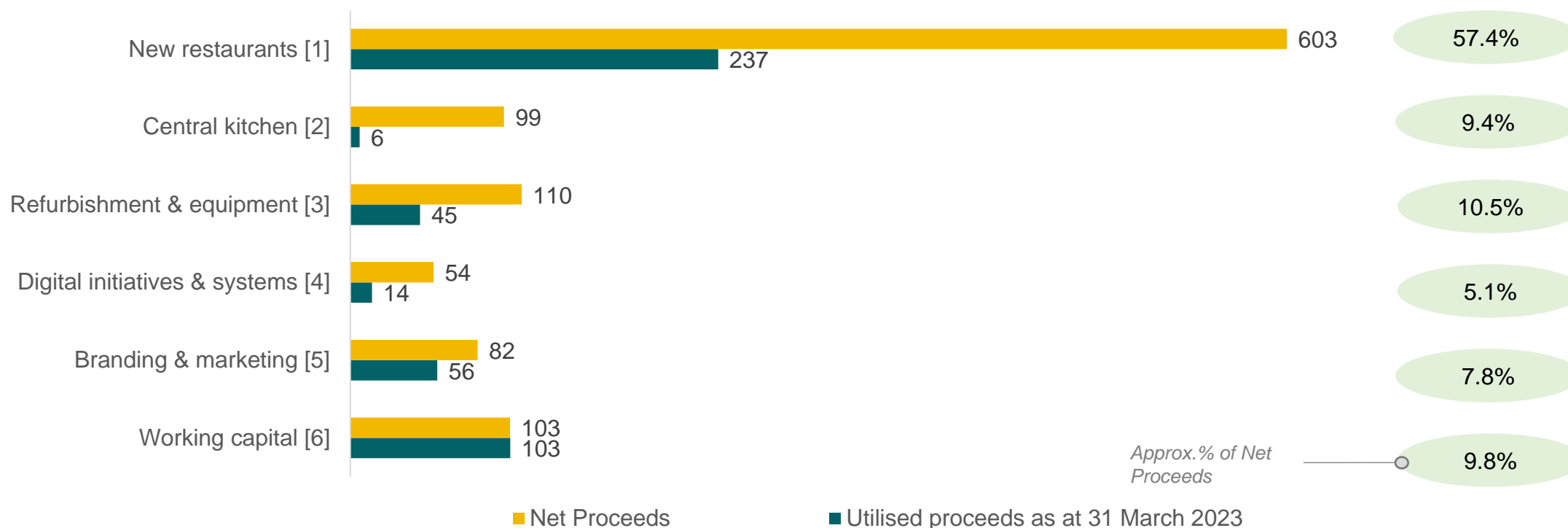
Use of Proceeds

Net Proceeds for Expansion of the Restaurant Network comprising self-operated restaurants only will be expanded to include the opening of restaurants in selected overseas markets through joint venture and/or franchising arrangements.

HK\$461.2 million out of HK\$1,051 million net proceeds were utilised as at 30 September 2023

(Unit in HKD million)

Expected timeline of full utilisation: before 31 March 2024



[1] New restaurants - expansion of the restaurant network.

[2] Central kitchen - Expanding the central kitchen in Hong Kong and establishing new central kitchens in Mainland China, Singapore, and Australia.

[3] Refurbishment & equipment - Refurbishment of the restaurants and enhancing the operating equipment.

[4] Digital initiatives & systems - Implementing a CRM system, a voice ordering system, an ERP system, and upgrading the information and technology infrastructure.

[5] Branding & marketing - International brand building and new market entry promotion.

[6] Working capital - General corporate purposes and working capital.

5. Sustainable Development

Reinforced Our ESG Core Pillars

Echoing our motto “Giving back to society (取諸社會，用諸社會)”.

Nourishing Communities



Providing nutritionally balanced and quality food to nourish bodies and minds of our customers and communities



Uplifting People



Uplifting and creating shared values with our employees and partners



Preserving Nature



Managing and reducing our impact on the climate to preserve our natural environment



ESG Pillar: Preserving Nature



Food Waste Disposal reduced by 23% in FY22/23



Founding member of **WWF “Sustainable Seafood Membership Programme”**



Plastics-free cutlery for takeaway in all restaurants in HK since Oct 2023



WWF-Hong Kong



ESG Pillar: Uplifting People



Staff Training

~20,000 hours per year FY22/23



TJI Education Support Scheme for Employees' Children
180+ employees benefited since 2015



Sustainability Week

encourage staff to embed ESG into daily practices



ESG Pillar: Nourishing Communities



“Go-Green” menu
Plant-based meat and
more veggie offerings

So Green
is tasty
系!



First NFT Souper Hero
promote **charitable**
NFTs to support local
artists



Mixian For the Good
(「線」有善報):
3,400+ bowls of noodles
donated last year





Company Website:

<https://tamjai-intl.com/en/>



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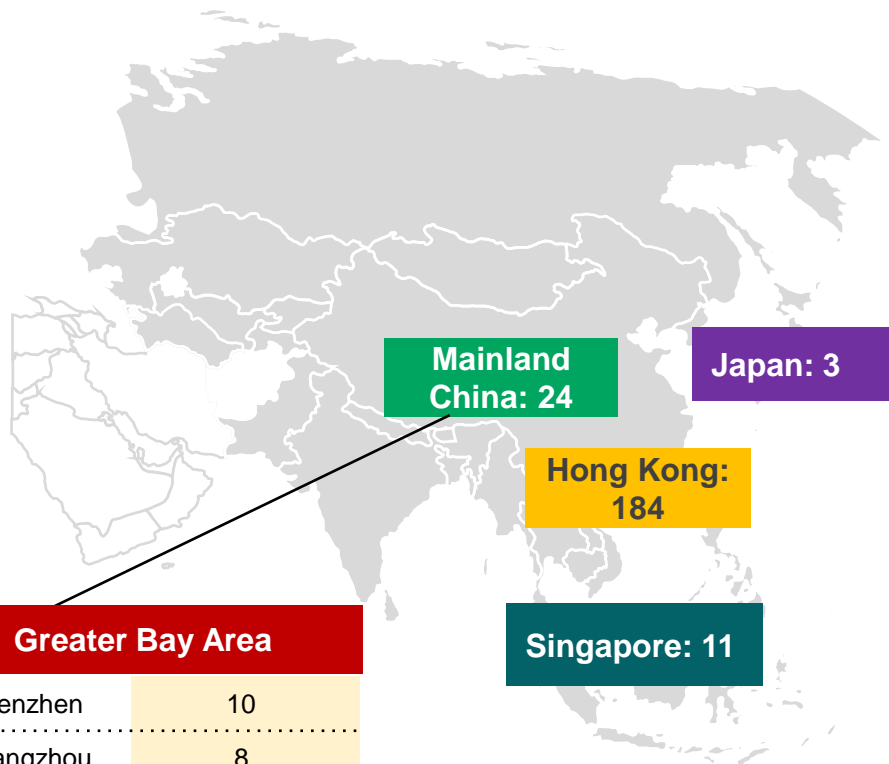
tamjai@dlkadvisory.com



Appendix

Our Restaurant Network

As at 30 September 2023



Greater Bay Area	
Shenzhen	10
Guangzhou	8
Dongguan	2
Zhongshan	2
Zhuhai	2
Sub-total	24



Geographic Location	Sep-22	Sep-23	Net Change	Aggregators
Hong Kong	179	184	+5	<ul style="list-style-type: none"> • Deliveroo • Foodpanda • KeeTa
Mainland China	17	24	+7	<ul style="list-style-type: none"> • Meituan • Ele.me
Singapore	9	11	+2	<ul style="list-style-type: none"> • Foodpanda • Grab
Japan	3	3	+0	<ul style="list-style-type: none"> • Uber Eats • Demaecan
Total:	208	222	+14	

Marketing Campaigns in Hong Kong



Marketing Campaigns in Mainland China and Overseas Markets



Store Layout and Design



Science Park, HK



Huafa Mall, Zhuhai



Clementi, Singapore



Shinjuku, Japan

Awards and Recognitions



Corporate Awards



BDO ESG AWARDS
環境、社會及管治大獎 2023



Service & Marketing Awards



香港服務名牌
HONG KONG TOP
SERVICE BRAND



Quality, Health & Safety Awards



CSR Awards





Tam Jai International Co. Limited
譚仔國際有限公司

Thank You