



**Makalot Industrial Co., Ltd.**

**November , 2021**

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# A Glance at Makalot

Company Overview

A well known integrated coordinator of apparel supply chain in Asia

## Makalot's Strength







- ◆ **Strong management:** Creating best formula to stable margin through international production bases across 5 +1 countries with diversified production lines.
- ◆ **Value added service:** Providing our customers with one-stop shopping experience and high value add services in design, material sourcing and speed to market.
- ◆ **Vertical integration:** An addition of a fabric mill in Vietnam though JV in 2013 enables Makalot to upgrade its speed to market and lower production cost.

## 2021 Main Strategies



# Company outline

Company Overview

Product line	Customers	Production base
<ul style="list-style-type: none"><li>• Sportswear</li><li>• Ready to Wear</li><li>• Sleepwear</li><li>• Activewear</li><li>• Outdoor</li><li>• Uniform</li></ul>	<ul style="list-style-type: none"><li>• <u>Brands</u> </li><li>• <u>Mass Channels</u> </li><li>• <u>Department Stores</u> </li></ul>	<ul style="list-style-type: none"><li>• <u>Vietnam</u> </li><li>• <u>Indonesia</u> </li><li>• <u>Cambodia</u> </li><li>• <u>China</u> </li><li>• <u>Philippines</u> </li><li>• <u>Africa</u></li></ul>

## ■ Supply chains are moving out of China

- ◆ Production moving out of China due to wage growth and worker shortage.
- ◆ Avoid the risk of US-China trade war, buyer is looking for non China production base

## ■ Big vendors become bigger

- ◆ With buyer's vendor consolidation plan, big supplier would gain more market shares.
- ◆ Stronger co-operations benefitting vendors with stable finances and diversified production bases.
- ◆ Barrier to entry due to stronger demand for large scale productions and innovation capabilities.

## ■ Reduce supply chain lead-time

- ◆ In order to improve inventory management, customers require vendors to shorten lead-time.
- ◆ Vendors who are able to cut their lead-time will be the winner in the long run.

## ■ Implement ESG rule

- ◆ In order to control risk, customers ask vendors follow the high specification ESG rule.
- ◆ Clients will increase orders to the vendors who performed well in ESG .

# Competitive Advantage & Growth Driver

Company Overview

## ■ Competitive Advantage : Diversified & Flexible & Integrated

Diversified	Flexible	Integrated
<ul style="list-style-type: none"><li>• 6 production countries</li><li>• Customers from different segments</li><li>• Diversified product categories</li></ul>	<ul style="list-style-type: none"><li>• About 8% outsourcing</li><li>• Quick replenishments</li><li>• Inventory management</li></ul>	<ul style="list-style-type: none"><li>• Multiple Products</li><li>• Design services</li><li>• Material sourcing</li></ul>

In the next 3 years,

6 Key Growth Drivers = 3 N ( New markets, New customers, New products)

3V (Vendor consolidation + Vertical Integration+ Virtual design )

### ■ 3 N

- ◆ New markets
- ◆ New customers
- ◆ New products

### ■ 3 V

- ◆ Vendor consolidation : Makalot continues to gain market share in recent years.
- ◆ Vertical integration : cost and quality control, Makalot can provide buyers with attractive prices.
- ◆ Virtual design : the installation of 3 dimension printing technology allows Makalot to reduce lead-time.

# Corporate Social Responsibility

## Company Overview

1. The top 5% companies in the Sixth Taiwan Corporate Governance Evaluation in 2020
2. Appointing “Corporate Governance Officer” in 2019



Create **32,245** employment opportunities to help eradicate poverty.

Investing approximately **USD 116,604** to help people with low incomes in Taiwan / Cambodia / Vietnam / Indonesia / the Philippines to have a better life.



### Promote Economic Growth

Provide productive employment opportunities, and create job opportunities.

### Equal Pay

Provide a safe working environment and an equal system of equal pay for equal work.



### Natural Farming

Support and promote natural farming, protect cultivated land, and produce natural and healthy rice.



### Wage Benefit

Provide employees with salary and benefits better than local average pay, and help increase the income of the employees in the bottom 40%.



### Free Medical Checkup

Provide free health checkups and regular care for employees' health.

### Basic Medical

Hire full-time nurses and part-time doctors at the factory to provide basic medical and counseling services, maintaining the health for all employees.



### GRI Standard

The CSR Annual Report is compiled according to GRI Standard and published on the company's official website for stakeholders.

### Energy Saving

Set up and implement energy saving policy to minimize energy consumption and environmental impacts.



### Employee Educational Training Practical and Online Courses

Jointed employees: **18,641** persons.

### Educational Project - P.A.C.E. in Cambodia, Vietnam, and Indonesia.

Total of **3,402** female employees participated.



### Higg Index Program

Total **21** factories has completed Higg index self-assessment. We will have plan to improve the score gradually.

### Five-year Zero Carbon Emission Action

Through energy conservation and plant **7,500** trees, the carbon emission from Makalot headquarters will be offset in 2020.



### Abide Various Anti-Discrimination Policy

Every employee in Makalot headquarters and the 17 factories over 5 countries will abide by various anti-discrimination policies such as anti-sexism, religious and racial discrimination.

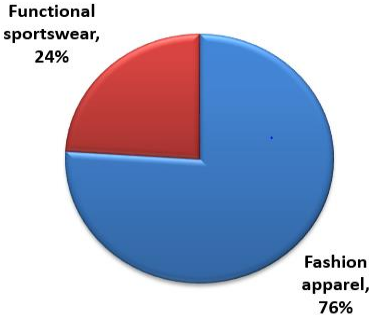


### Wetland Conservation

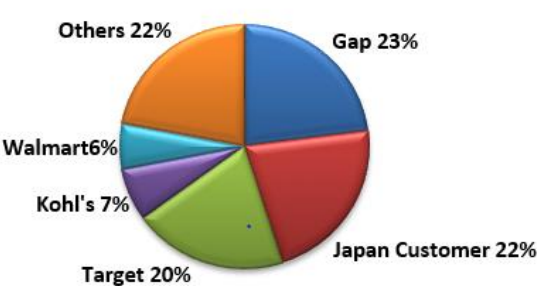
Wetland conservation and waterfowl protection. Support the promotion of natural farming to protect agricultural land.

# Operating Highlight

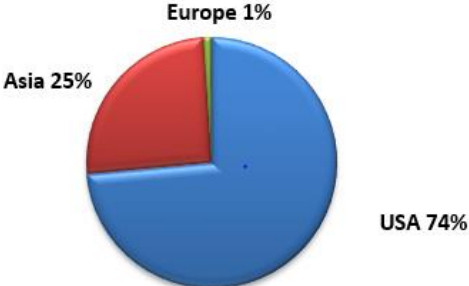
Revenue by Product Line 2020



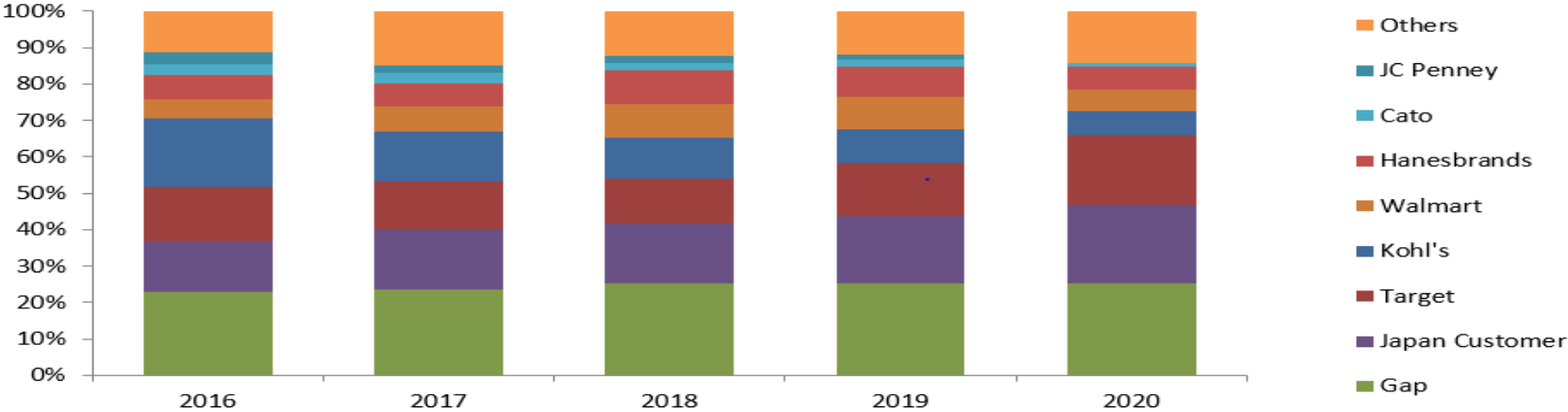
Revenue by Customer 2020



Revenue by Country 2020



Top clients revenue proportion diagram



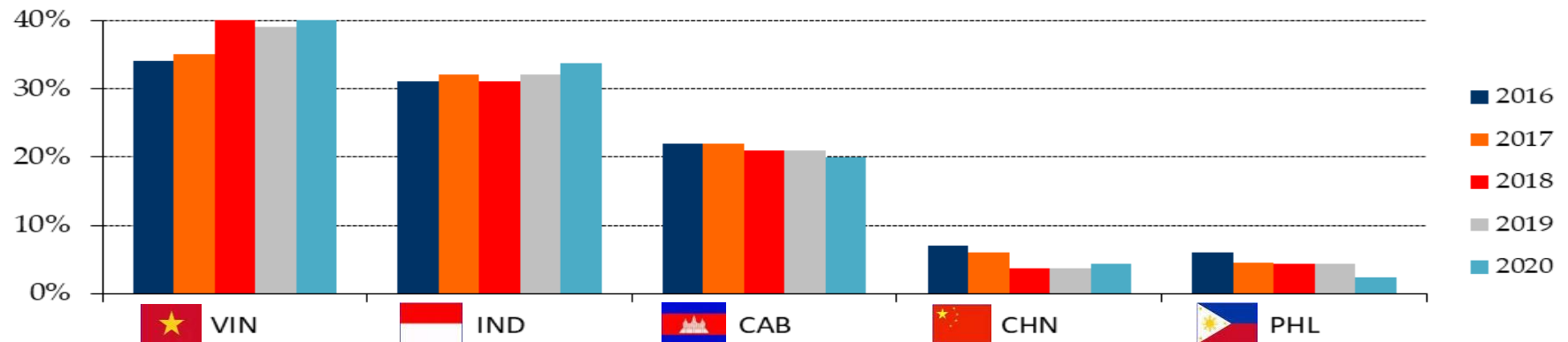


# Global Network/Production Sites

## Company Overview

Site	Function	2020 Capacity (dozens)	%	2021E Capacity (dozens)	%	2020 Min. wages (US\$/Month)	2021E Min. wages	Growth
Taipei, Taiwan	Headquarters							
Shanghai, China	Office/ Sourcing Cente							
Vietnam	Factory	5,790,000	40%	7,040,000	40%	\$159 ~ \$206	\$159 ~ \$206	0%
Indonesia	Factory	4,940,000	34%	6,020,000	34%	\$142 ~ \$313	\$146 ~ \$322	3%
Cambodia	Factory	2,880,000	20%	3,250,000	19%	192	193	1%
China	Factory	630,000	4%	760,000	4%	367	378	3%
Philippines	Factory	360,000	2%	430,000	2%	215	215	0%
Total		14,600,000	100%	17,500,000	100%			

Capacity Distribution Chart (Country / Production %)

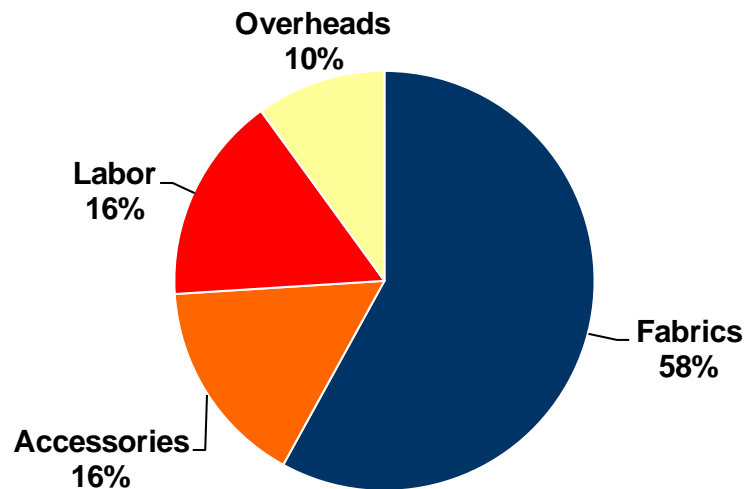


- We can quickly adjust capacities among these sites to capture low-cost advantages.

# Cost Breakdown

Company Overview

## Cost of good sold breakdown



## Cost Structure based on ASP

■ Material	60%
■ Labor	13%
■ Overheads	7%
■ Gross Margin	20%

# Regional Peers

## Company Overview

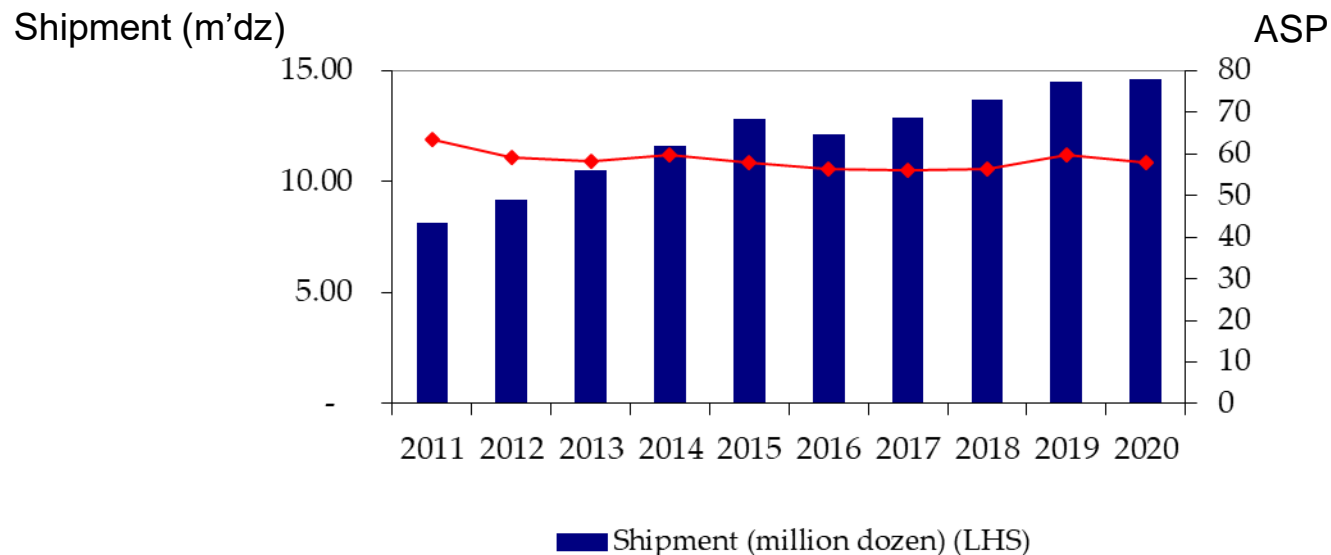
Code	Company	Products	Customers	Production Sites
1477.TW	Makalot Industrial	Fashion apparel , Functional Sportswear, Sleepwear , Activewear , Others	Gap, Japan customer , Kohl's, Target, WalMart, Hanesbrands , Others.	Vietnam, Indonesia, Cambodia, China, Philippines
1473.TW	Tainan Enterprise	Casual wear on OEM and OBM	Gap, Mast, Ann Taylor, Macy, Talbots, ESPIRT, Levis, Target, Sears, and Macy's	Cambodia, Indonesia, China, Taiwan
016450KS	Hansae	Shirts, women's formal dress and casual wears	A&F, Gap, H&M, Muji, Target, Hollister, NY&Co, Federated, Kohl's, Nike, Uniqlo, Under Armour, and	Nicaragua & Guatemala, , Vietnam, Indonesia, Myanmar
NA	Sae-A	Swimwear, activewear, jacket, infantwear, pants	adidas, AEO, A&F, Banana Republic, Carter's, Express, Gap, Kohl's, Levi's, Mango, Target, Tommy, Uniqlo, and Zara	Indonesia, Vietnam, Cambodia, Guatemala, Nicaragua, Haiti
0311.HK	Luen Thai	Casual wear, ladies' wear (career, intimate and fashion wear), sports and activewear, sweaters, outerwear, children's wear and laptop bags, luxury and fashionable bags	adidas, Coach, Dillard's, Esprit, Fast Retailing, Limited Brands, Polo Ralph Lauren, and Targus	China, Philippine, Indonesia, India and Bangladesh
2313.HK	Shenzhou	Sport wear, causal wear, lingerie and other knitting products	Uniqlo, adidas, Nike, Puma, A&F, CK, and Lativ	China (Ningbo, Quzhou and Anqing), Vietnam, and Cambodia

# Financial Highlight

Financial Highlight											
NT\$mn	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Q1~Q3
Net Sales	15,123	15,867	17,911	20,889	23,359	22,128	22,375	23,930	27,048	24,924	21,234
Sales growth (%)	6.99%	4.92%	12.88%	16.63%	11.82%	-5.27%	1.12%	6.95%	13.03%	-7.85%	
COGS	11,966	12,706	14,344	16,362	17,847	17,611	18,050	19,187	21,622	19,353	16,526
Gross profit	3,157	3,155	3,567	4,527	5,512	4,517	4,325	4,742	5,425	5,571	4,708
Operating profit	1,449	1,484	1,624	2,087	2,650	1,949	1,767	1,977	2,490	2,666	2,587
Net profit	1,112	1,177	1,342	1,705	2,177	1,543	1,297	1,522	1,929	2,079	2,005
Net profit growth (%)	21.21%	5.78%	14.08%	27.06%	27.65%	-29.14%	-15.95%	17.39%	26.73%	7.77%	
Basic EPS (NT\$)	6.92	7.17	8.02	9.62	10.90	7.39	6.18	7.20	8.66	9.35	8.43
Gross margin	20.88%	19.89%	19.92%	21.67%	23.60%	20.42%	19.33%	19.82%	20.06%	22.35%	22.17%
Operating margin	9.58%	9.35%	9.07%	9.99%	11.35%	8.81%	7.90%	8.26%	9.21%	10.70%	12.18%
Net margin	7.35%	7.42%	7.49%	8.16%	9.32%	6.97%	5.79%	6.36%	7.13%	8.34%	9.44%
ROE	27.09%	25.88%	26.83%	25.17%	25.20%	17.29%	15.05%	17.51%	21.34%	21.47%	
ROA	16.02%	15.00%	14.69%	15.44%	17.04%	11.56%	10.09%	11.61%	10.71%	9.12%	

# ASP/ Shipment

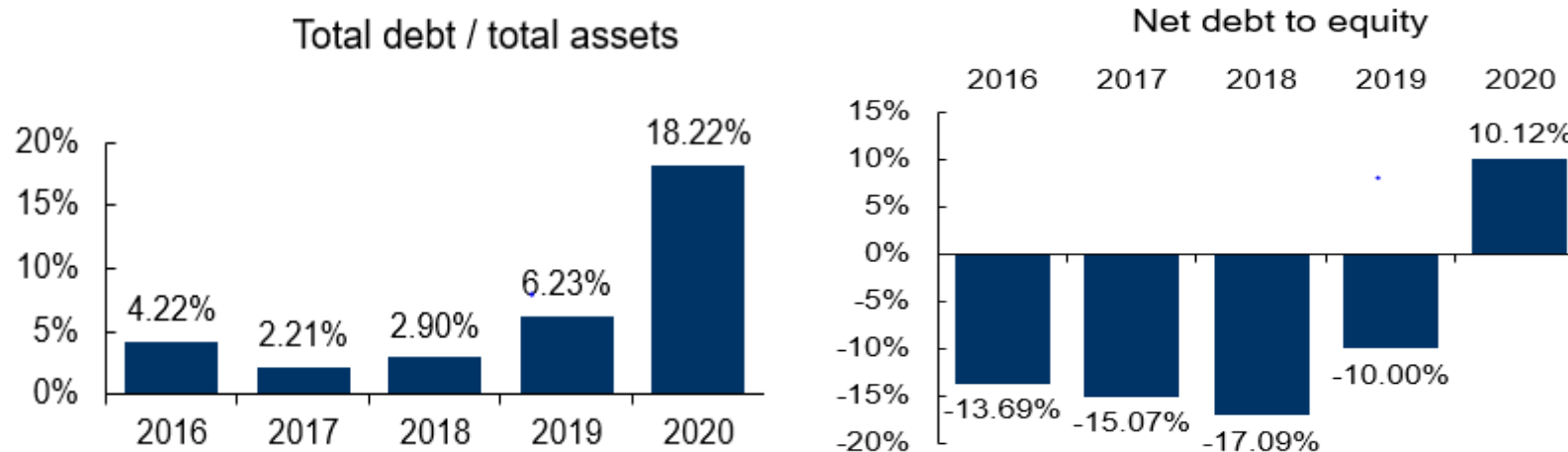
Financial Highlight



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Shipment (million dozen)	8.16	9.16	10.51	11.60	12.80	12.10	12.90	13.70	14.50	14.60
Growth	0%	12%	15%	10%	10%	-5%	7%	6%	6%	1%
ASP (US\$/dozen)	63.34	59.04	58.11	59.71	57.92	56.50	56.02	56.40	59.78	58.01
Growth	15%	-7%	-2%	3%	-3%	-2%	-1%	1%	6%	-3%

# Debt Ratio

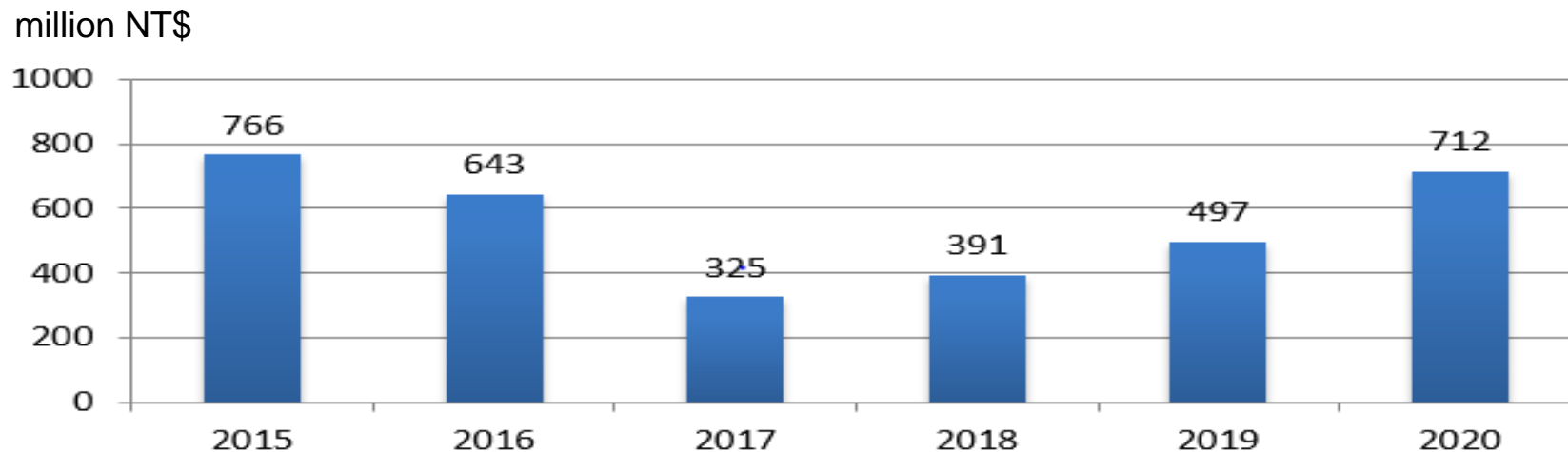
Financial Highlight



- 2020 Net Debt position = NT\$ 1,028 million = NT\$ 2,367 million cash on hand - NT\$ 3,395 million debt

# Capital Expenditure

Financial Highlight



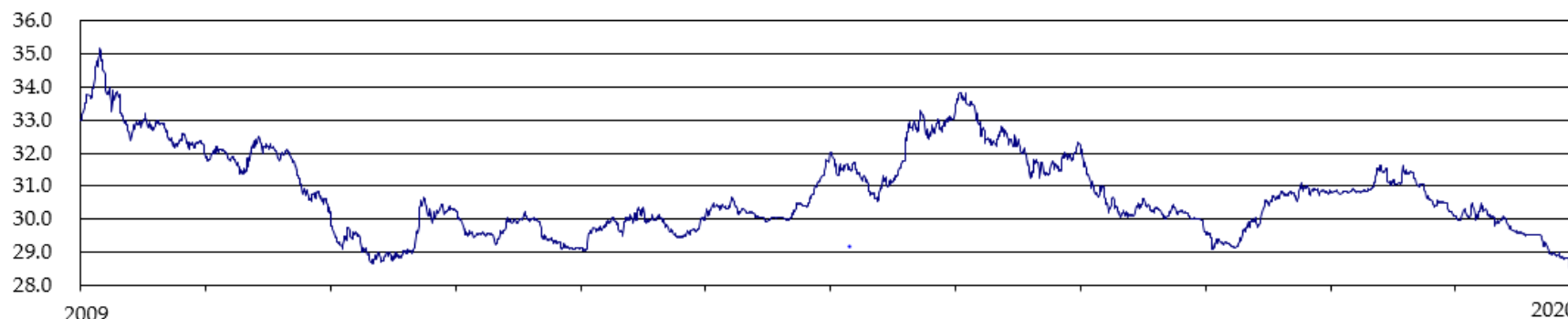
- 2017 capex was about US\$ 10.69 million (NT\$ 325 million)
- 2018 capex was about US\$ 13.00 million (NT\$ 391 million)
- 2019 capex was about US\$ 16.50 million (NT\$ 497 million)
- 2020 capex was about US\$ 24.13 million (NT\$ 712 million)

# FX gain/loss

## Financial Highlight

NT\$mn	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
FX gain/( loss)	(45.1)	(49.8)	(26.3)	(62.7)	33.1	42.8	83.9	23.4	(64.2)	39.5	(8.7)	(22.4)
Total sales	13,311	14,135	15,123	15,867	17,911	20,889	23,359	22,128	22,375	23,930	27,048	24,924
% to total sal	-0.34%	-0.35%	-0.17%	-0.40%	0.18%	0.20%	0.36%	0.11%	-0.29%	0.16%	-0.03%	-0.09%

NTD/USD



## Hedging strategies

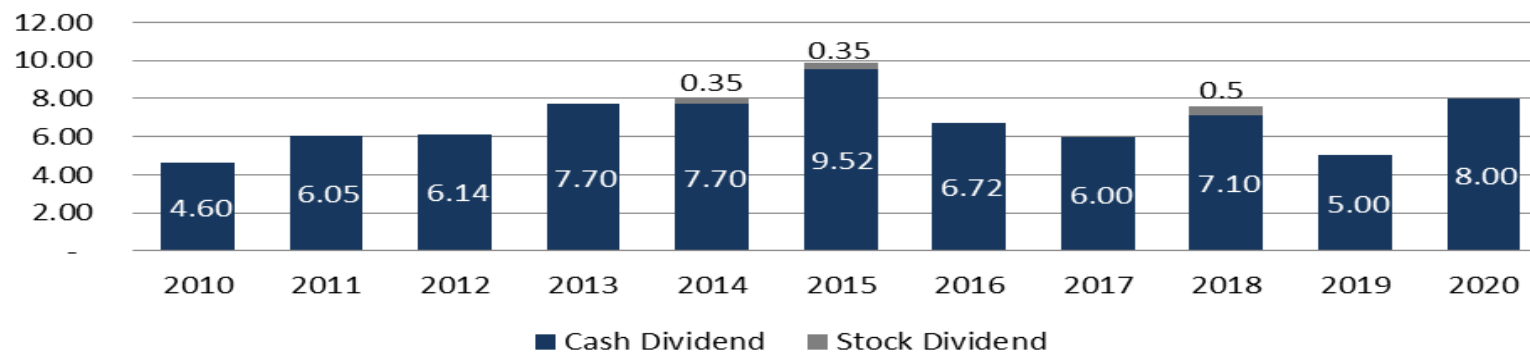
1. Put in place much more conservative FX budget forecasts for the upcoming year.
2. Cash flow hedges to reduce the exposure to variability in certain expected future cash flows.  
Natural hedge = 80%, and net exposure position= 20%. Using USD/NTD forwards to hedge this 20% net position risk.



# Dividend Policy

Financial Highlight

NT\$

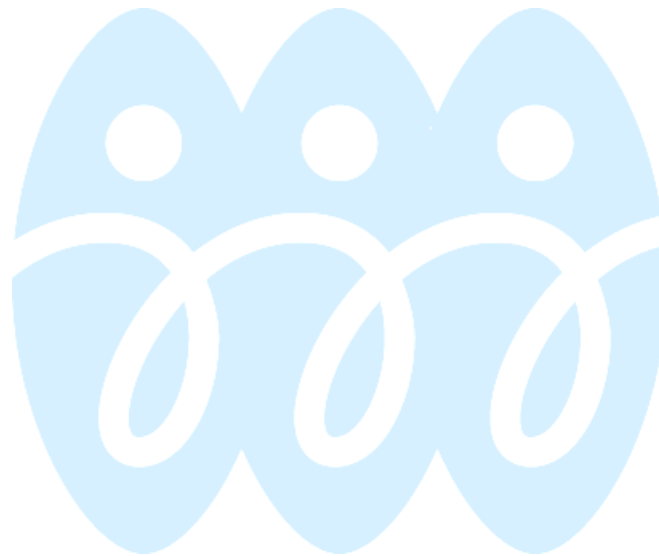


- Mainly cash dividend payout ratio will be maintained between 70% and 90%.

# Makalot's History

- 1990**
  - Founded in Taipei with woven apparel as the primary business
  - Established a production facility in the Philippines and forged an OEM strategic alliance in Taiwan
- 1994**
  - Ventured into the knitted apparel production industry
- 1997**
  - Established an IT Department to promote computerized operation in the firm
  - Developed diversified product strategy
- 1998**
  - Started global production strategy
- 2000**
  - Established a production facility in Indonesia
- 2001**
  - Expanded the Cambodia apparel production
- 2002**
  - Expanded the apparel production strategic alliance in Vietnam
- 2003**
  - Established the Design Planning Department to enhance ODM service capability
- 2004**
  - Turnover exceeded NT\$10 billion
- 2005**
  - Expanded the apparel production strategic alliance in Vietnam
- 2006**
  - Established the South Vietnam and China production facility
- 2010**
  - Established Ecolot Textile Co., Ltd
- 2013**
  - Purchased the headquarters building
  - Established Demak production factory in Indonesia
  - Invested in Namtex Co., Ltd., Vietnam
- 2015**
  - New Green Sportswear Plant in Vietnam

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