

Tam Jai International Co. Limited
譚仔國際有限公司
(Stock Code: 2217.HK)

Interim Results Presentation

FY22/23 – Nov 2022



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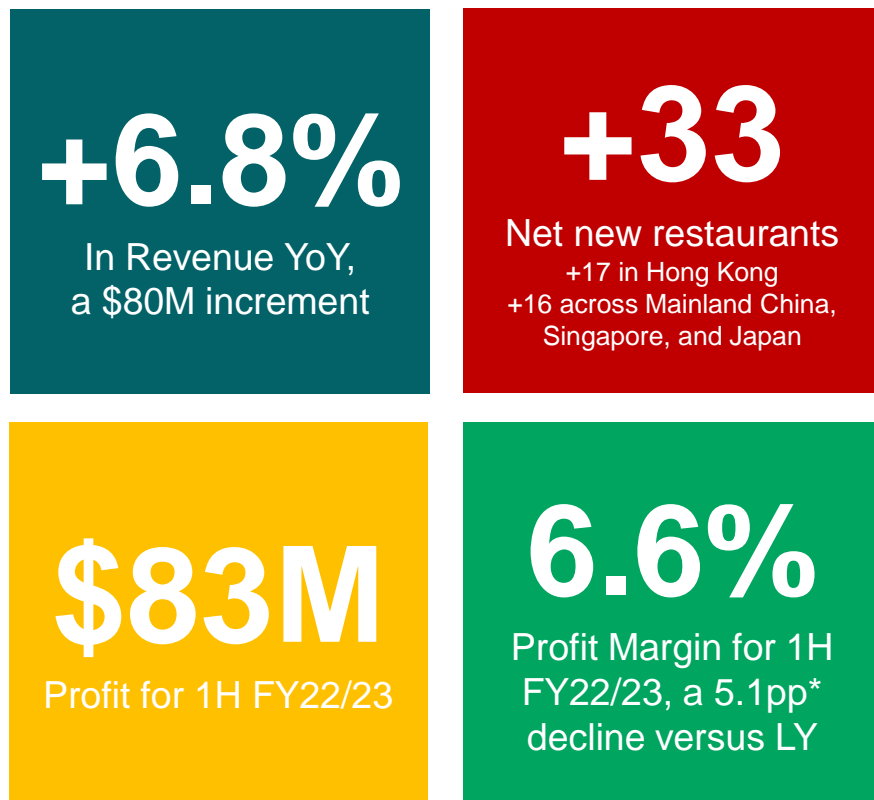
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1. Results Highlights

Results Highlights

Hong Kong continued to deliver stable profits in light of the inflation headwind and COVID-19 complications.



Magnified Profit Margin decline due to:

<p>Revenue Shortfall</p>	<ul style="list-style-type: none"> • Hit by the lingering effect of the 5th wave of COVID-19 in Hong Kong. • Lockdowns and policies of mandatory PCR tests in Mainland China.
<p>Rising Expenses</p>	<ul style="list-style-type: none"> • Rising ingredients costs resulted from the worldwide supply chain disruption amid the ongoing conflict in Ukraine and the general cost inflation. • Labour costs were climbing because of the general labour shortage in the industry.
<p>Pre-opening Expenses</p>	<ul style="list-style-type: none"> • Capital expenditures and market entry expenses incurred in Japan were higher than expected as a result of the delay in the opening of 2 restaurants.

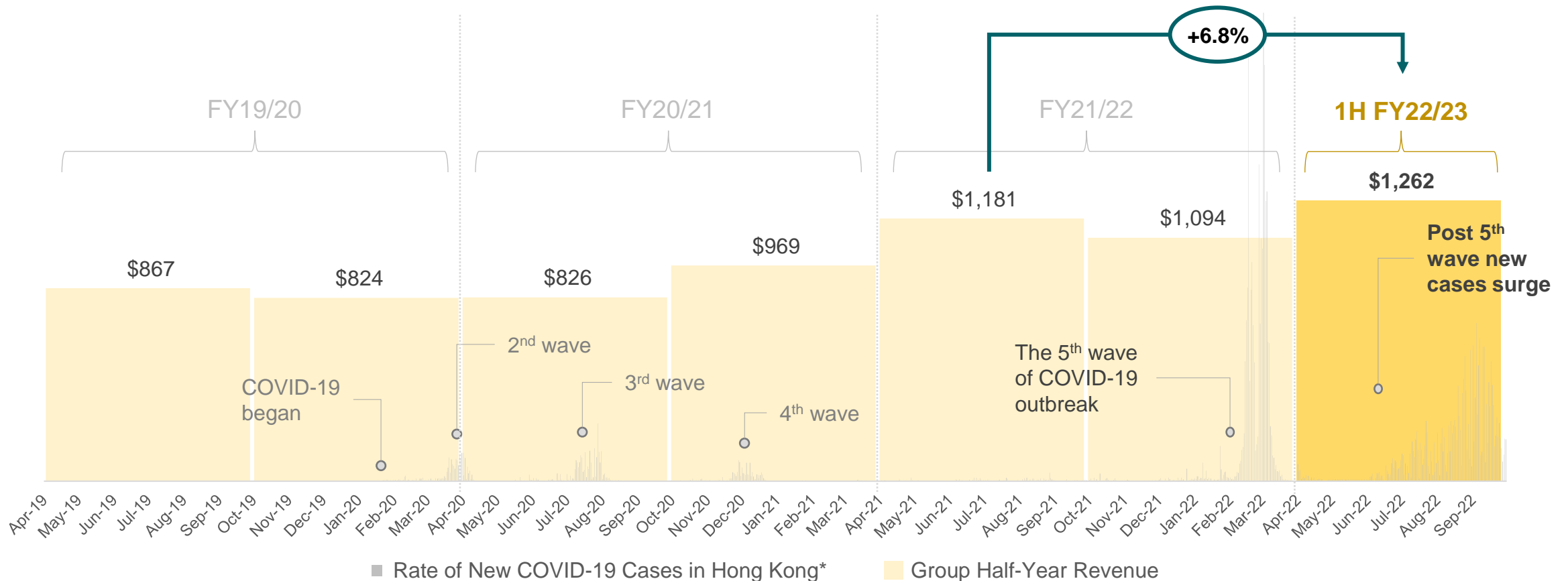
** - Percentage points ("pp") can be referred as the unit for the difference between two percentages.

2. Business Overview

Steady Revenue Growth

Despite the COVID-19 shadow, 6-month revenue increased by 6.8% versus LY.

With a 95.0% contribution from Hong Kong, 1H FY22/23 revenue was HK\$1,262M



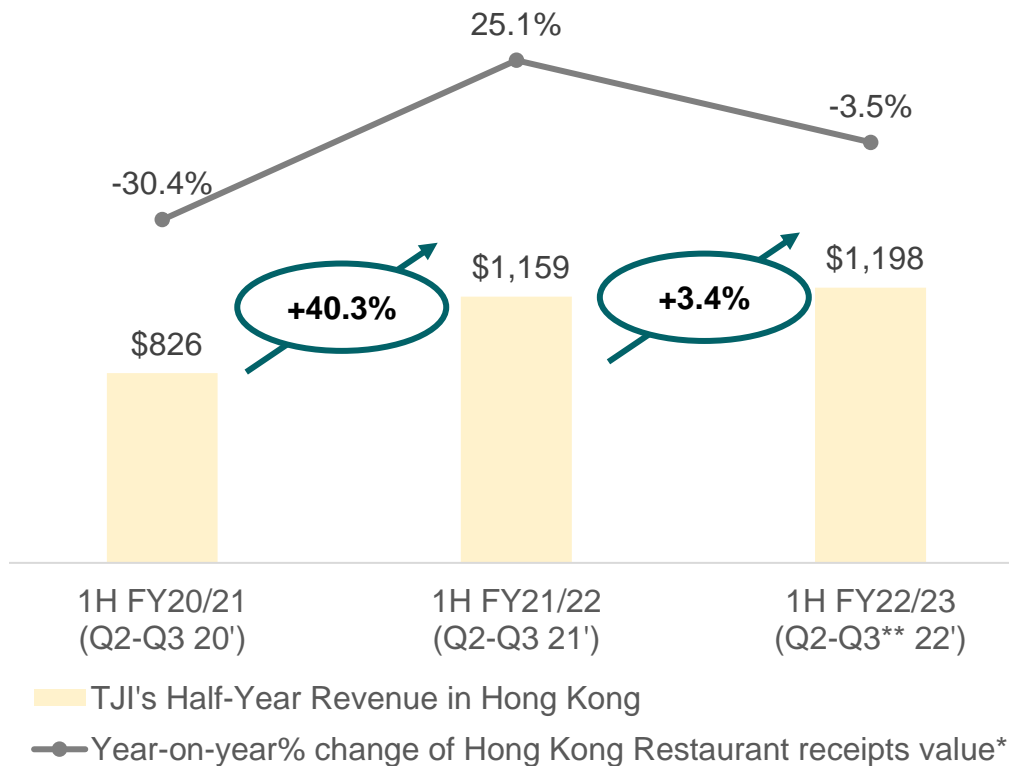
* - Source: The Government of the Hong Kong SAR



Hong Kong – Stable Profit Contribution

Continued to be profit-generating for the Group's global development plan.

Revenue growth continued to exceed the market



Stable profit contribution to the Group

19.4%
Operating profit margin, \$232.4M in 1H FY22/23

Despite the following challenges:

Food & labour cost inflation

- Caused by the global supply chain disruption and a shrinking labour supply.

Increasing delivery costs

- Higher handling charges imposed by delivery platforms.

-9.0%
Comparable Restaurants* in Revenue

Social distancing rules relaxed on 21st April 2022:

Gradual improvement

- Our comparable restaurants* revenue performance in Q2 of FY22/23 had recovered to approximately the pre-5th wave of COVID-19 level.

* - Source: The Census and Statistics Department of the Government of the Hong Kong SAR

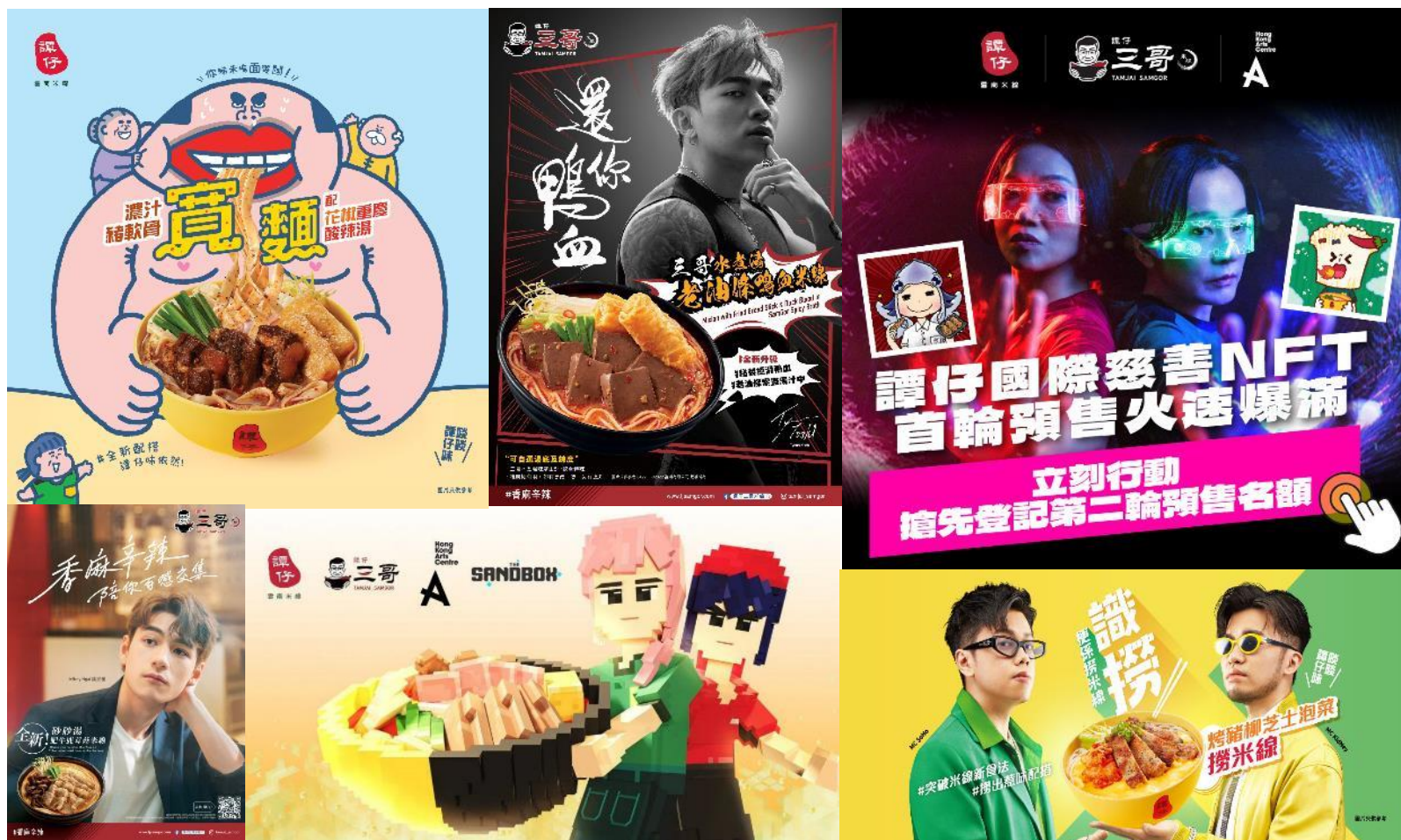
** - Q3 2022 is provisional data provided by the Census and Statistics Department of the Government of the Hong Kong SAR as of 5th November 2022.



Product Innovation & Brand Building



Time-tested love and support by loyal customers in Hong Kong, especially the young generation.



Awareness & brand equity

Constant innovative marketing & branding campaigns

- Sustaining high brand awareness and equity, relevance, and stickiness

Product innovation

- Drive higher spending and visitation with new or limited-time offers.

Stay relevant

- Participating in new technology such as NFTs and Metaverse to create new experiences.



Mainland China – Mitigate the Losses

High-potential market adversely impacted by lockdowns and mandatory PCR test policies.

Restaurant dining scene in Mainland China



Situation in 1H FY22/23

Realizing the Plan

The IPO growth plan

- Infrastructure and talents were ready to realize the IPO growth plan from the start of the financial year.

Adjusting Development Plan

Considering COVID-19 and related policies

- Reviewed restaurant pipelines - selected to only open in strategic locations, such as Guangzhou and other second tier cities.

New Restaurants

Our brand was well recognised

- Encouraging performance from newly opened restaurants in Guangzhou and other second-tier cities despite the shadow of mandatory PCR test policies.

Singapore – Strong Revenue Rebound

Strong revenue rebound continued, and demonstrated viable operation model.

New restaurant at Food Republic Parkway Parada



Situation in 1H FY22/23

Encouraging Revenue Rebound

The relaxation of dining restrictions

- Under the “Living with COVID-19 policy”, there was a noticeable improvement in overall consumer sentiment.

The brand-building effort started to pay-off

- The increased brand awareness translated to new customers and an improved visitation rate.

Labour Challenges

Low supply of F&B labour

- Hinder business development.

High competition

- Pushed up the staff salary requirement and turnover, causing extra efforts in recruitment and maintaining overall standards.



Japan – Pre-opening & Incubation

Focus on incubating the brand and foster mixian into the Japanese dining culture.

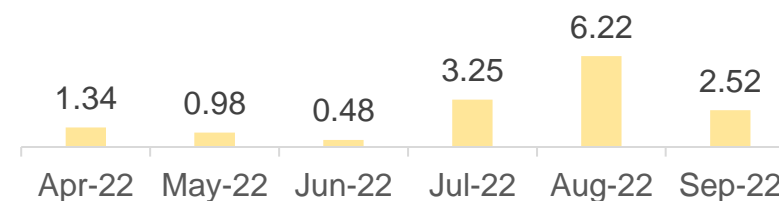
Shinjuku restaurant opening period in April 2022



Situation in 1H FY22/23

COVID-19 Spike

(million new COVID-19 cases in Japan)



Ramp-up period hit by COVID-19

- Footfall significantly reduced in shopping and working districts where our restaurants are located during COVID-19 spikes in July and August 2022.

Delayed Openings

Higher-than-expected costs

- In 1H FY22/23, the capital expenditures and market entry expenses incurred were higher than expected as a result of the delay of the opening of 2 restaurants.

Labour Shortage





High staff costs

- Unanticipatedly high initial recruitment cost to compete in a market with low labour availability.

Restaurant Network Expansion

Remain prudent and disciplined in delivering over 210 self-owned restaurants by the end of Mar-2023.

208 restaurants in operation and 33 net new restaurants

Geographic location	Mar-22	Sep-22	Net change
 Hong Kong	162	179	+17
 Mainland China	8	17	+9
 Singapore	4	9	+5
 Japan	1	3	+2
Total:	175	208	+33

2H FY22/23 expectations

Mar-23	Net change
181 (176)	+2
18 (34)	+1
10 (15)	+1
3 (9)	+0
212	+4

Target according to IPO prospectus

Management expectations

Mainland China

- Prudent & cautious – only commit to sites with high potential or strategic value.

Singapore

- Prudent & disciplined – Tackling the labour challenges and sustaining the encouraging revenue growth.

Japan

- Pausing the expansion – focusing on incubating the brand and adjusting our operation model.

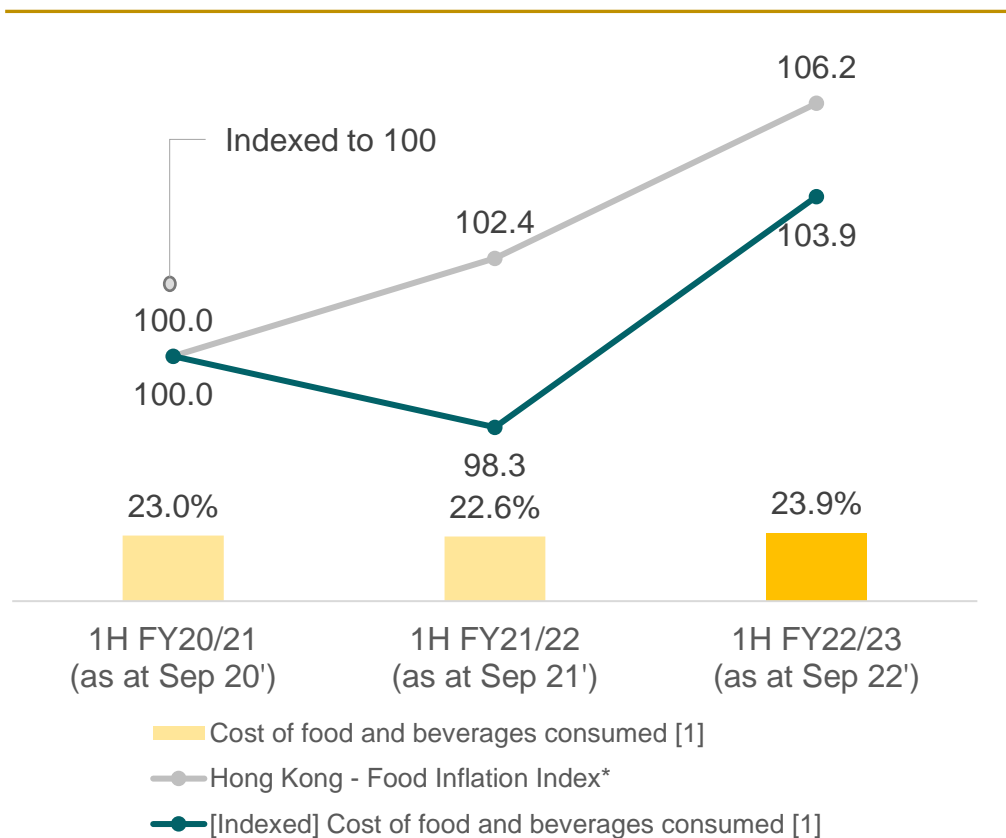
Australia

- Delayed – target to enter the country in Q2 FY23/24 in light of the uncertain economic environment.

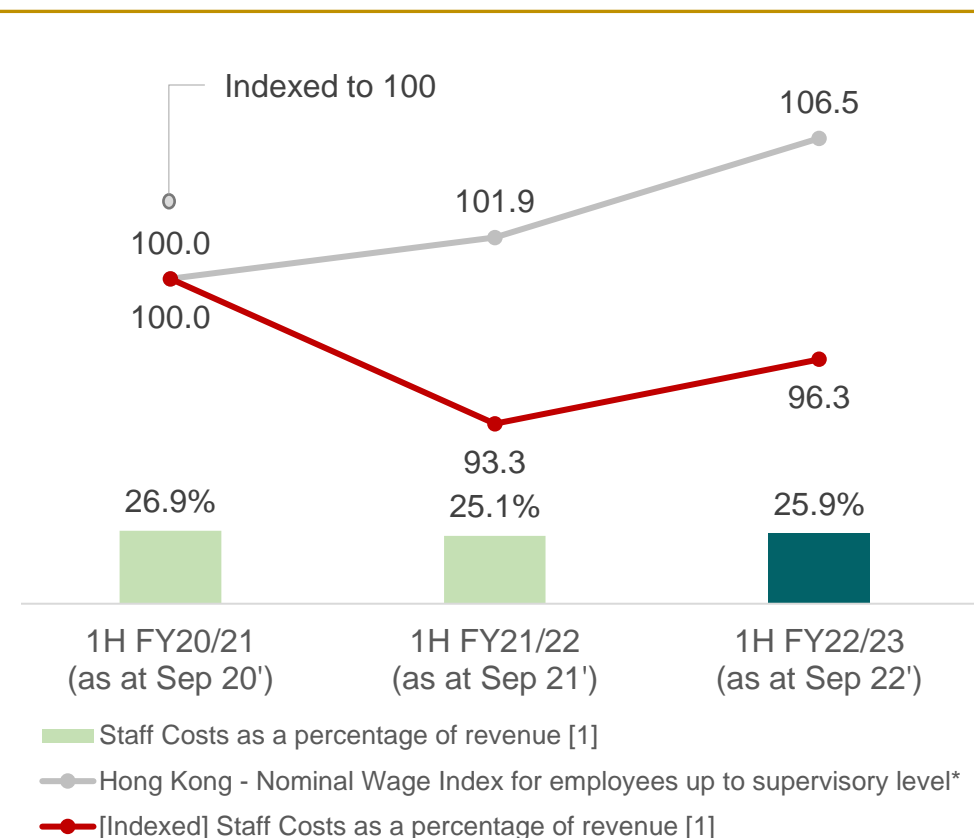
Tackling Inflation Headwind

Minimizing the profit impact from food and labour cost inflation.

Managing a steep food inflation



Minimal staff cost increment



* - Source: The Census and Statistics Department of the Government of the Hong Kong SAR

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

3. Strategic Initiatives

Overseas Brand Awareness Building

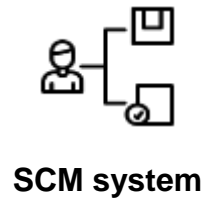


Generate viral impressions and educate customers about our food.



Technology Investments

Launched the 2nd phase of the Supply Chain Management (“SCM”) system.



Key functions & benefits

Reducing paperwork logistics

- Automation and centralization of procurement activities, enhancing payment and approval efficiency

Enforcing control & transparency

- Provided full transparency and traceability on purchase activities; allowed proper management control usage and price movement

Stock forecast

- The master production schedule and material planning functions provide accurate forecasts that secure a continuous supply

Other major projects



ERP system

- Improve efficiency and report automation for multi countries expansion



IT infrastructure

- Implement data management system



Proprietary equipment

- Standardizing kitchen tools for rapid expansion

Strengthening the headquarters' infrastructure and extend the support to overseas business units.

4. Financial Highlights

Results for the Period

Profit for the period demonstrated our resilience despite the challenges.

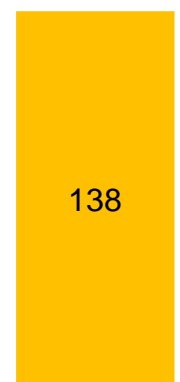
Profit for the Period

(Unit in HKD million)

Profit margin%

11.7%

6.6%



1H FY21/22

1H FY22/23

Consolidated statement of profit or loss

6-months ended 30-Sep

FY22/23

FY21/22

(Unit in HKD million)

Revenue

\$1,262

\$1,181

Profit before taxation ("PBT")

\$101

\$169

Profit for the period

\$83

\$138

Profit margin

6.6%

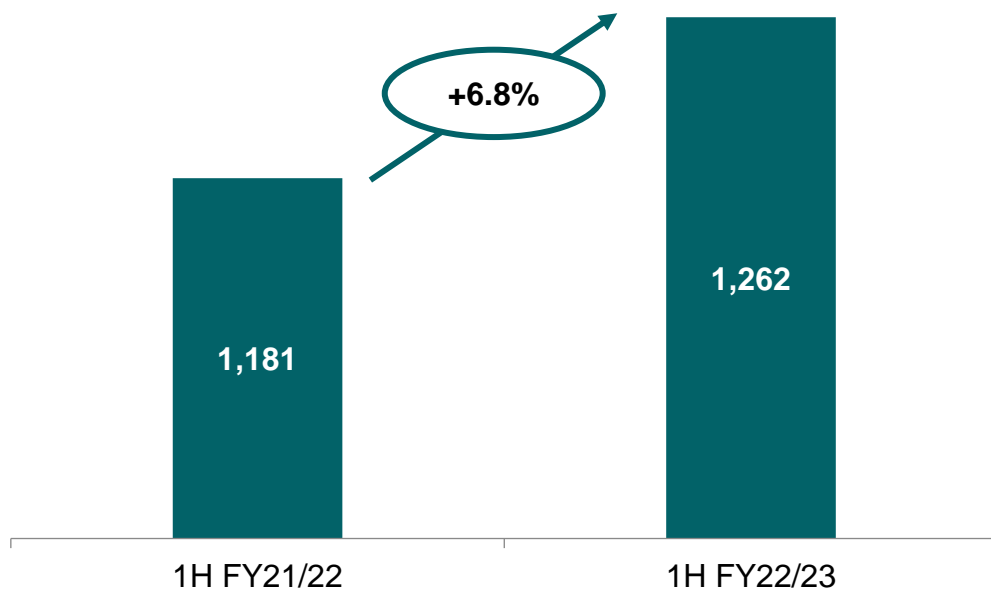
11.7%

Revenue Drivers

New restaurants contributed to the revenue growth in 1H FY22/23.

6 months revenue increased by 6.8% versus LY

(Unit in HKD million)



Revenue drivers

-8.5%
Comparable
Restaurant* in
Revenue Growth

- **Decrease in the average daily number of bowls served per seat**
 - Hit by the lingering effect of the wave of COVID-19
 - Lockdowns & mandatory PCR testing policy in Mainland China
- **Increase in average spending per customer**
 - Menu price adjustment in February 2022
 - New products and premium topping offers

+33
Net new
restaurants

- **Hong Kong**
 - +17 net new restaurants in Hong Kong in 1H FY22/23
- **Mainland China and Overseas Markets**
 - +9 in Mainland China, +5 in Singapore, and +2 in Japan in 1H FY22/23

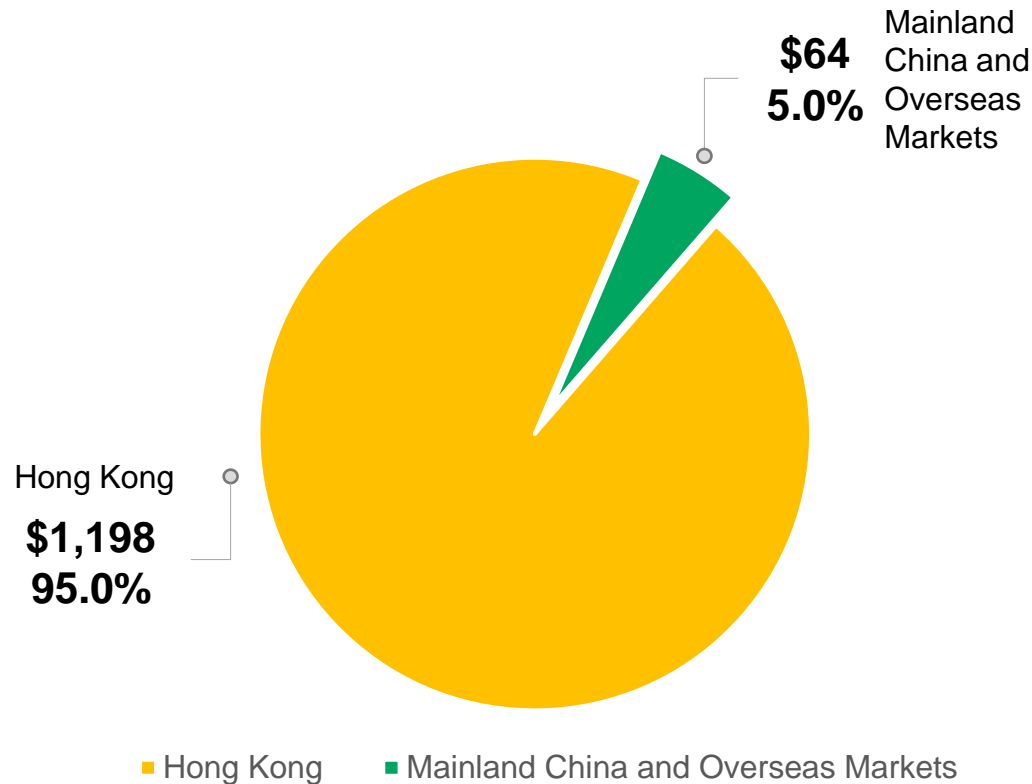
* - Comparable restaurants are defined as restaurants in full operation throughout the periods under comparison, which exclude restaurants that are newly-opened, closed or renovated for a period over 30 days during the years concerned.

Revenue by Geographic Location & Order Type

Majority revenue contributed by Hong Kong with a significant amount from takeaway & delivery orders.

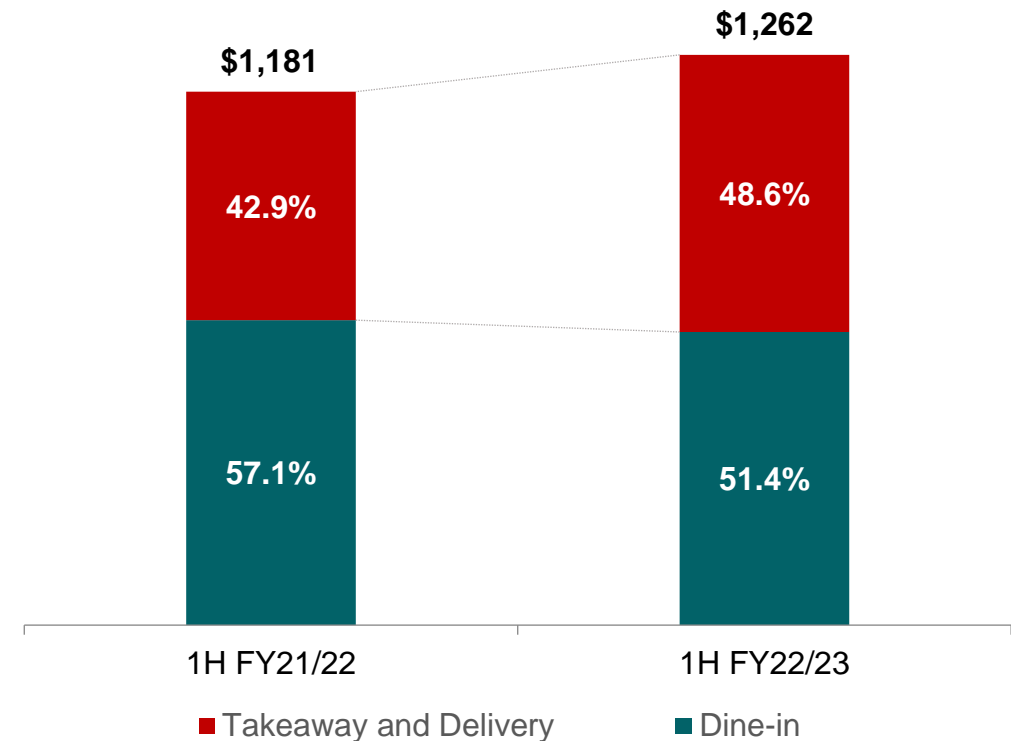
Majority contribution from Hong Kong during the Period

(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 Operation Metrics

Stable performance in Hong Kong and made progress in Mainland China and Overseas Markets.

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]		
	2022*	2021*	2020*	2022*	2021*	2020*	2022*	2021*	2020*
Hong Kong	\$61.1	\$59.5	\$57.9	6.0	6.8	5.8	\$38,581	\$43,546	\$35,961
Mainland China	\$49.1	\$61.8	-	3.1	6.4	-	\$11,540	\$30,643	-
Singapore	\$82.7	\$85.0	-	4.4	2.4	-	\$25,511	\$19,494	-
Japan	\$64.1	-	-	5.2	-	-	\$20,265	-	-
Overall	\$61.2	\$59.6	\$57.9	5.9	6.7	5.8	\$36,213	\$42,889	\$35,961

[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.

* - six months ended 30 September of the year

Operating Profit Analysis

Operating profit decreased by 29.0% versus LY with operating profit margin maintained at 17.1%.

(Unit in HKD million)

Consolidated – Income statement items	6-months ended 30-Sep	
	FY22/23	FY21/22
Revenue	\$1,262	\$1,181
Restaurant and central kitchen operating costs:		
- Cost of food and beverages consumed	\$302	\$268
- Staff costs [1]	\$327	\$297
- Depreciation of right-of-use assets, rental and related expenses [1]	\$234	\$190
- Consumables and packaging	\$41	\$29
- Utilities expenses	\$36	\$27
- Handling charges	\$41	\$19
- Advertising and promotion	\$25	\$18
- Cleaning expenses	\$11	\$8
- Repair and maintenance	\$9	\$7
- Other expenses[1]	\$21	\$15
Operating profit	\$215	\$303
Operating profit margin	17.1%	25.7%

Breakdown by geographic location

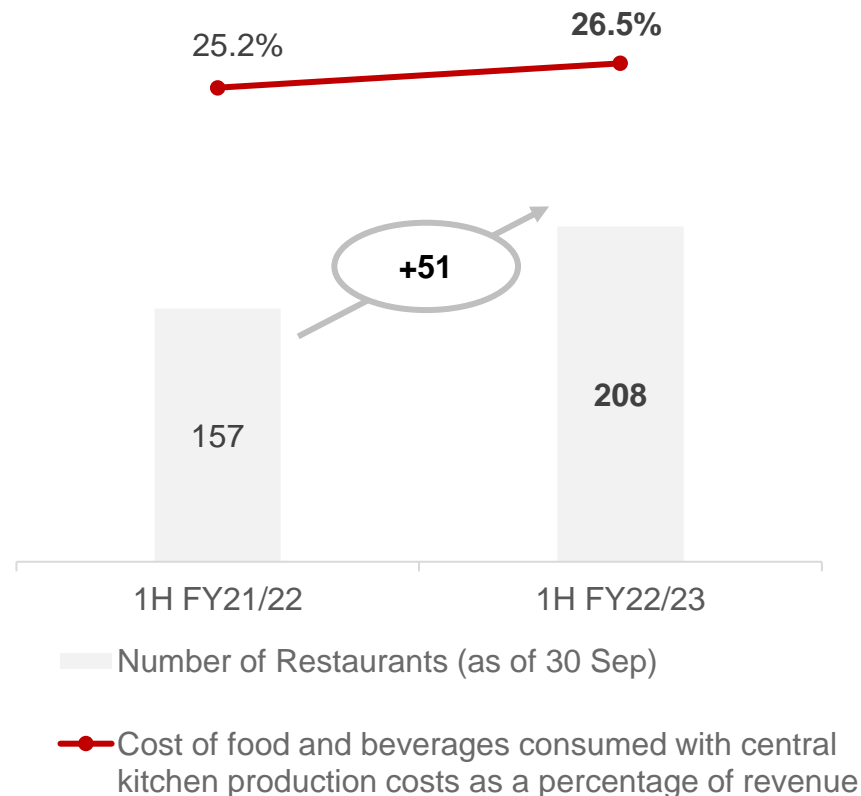
Hong Kong	6-months ended 30-Sep	
	FY22/23	FY21/22
Revenue	\$1,198	\$1,159
Operating profit	\$232	\$306
Operating profit margin	19.4%	26.4%
Mainland China and Overseas Markets	6-months ended 30-Sep	
	FY22/23	FY21/22
Revenue	\$64	\$22
Operating profit	-\$17	-\$3
Operating profit margin	-26.6%	-13.4%

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

Cost of Food and Beverages Consumed with Central Kitchen Production Cost*

Cost as a percentage of revenue increased caused by cost inflation.

Cost as a percentage of revenue increased by 1.3 pp**



Management analysis

Direct sourcing, ingredients localisation, and OEM suppliers

- Largely mitigated the inflated ingredients cost through direct sourcing, ingredients localisation, and partnering with selected OEM suppliers for better efficiencies in high-volume purchases.
- This helped to minimize logistics hiccups and costs and mitigated the risk of supply chain disruption.

New products, combo menus, and ingredient substitution

- Development of new products and combo menus was in full swing to enable upselling and costs mitigation.
- Ingredients substitution at lower costs whilst offering the same or higher quality.

Menu enhancement and price adjustments

- The Group carried out menu price adjustments and enhancement to mitigate the pressure from inflation.

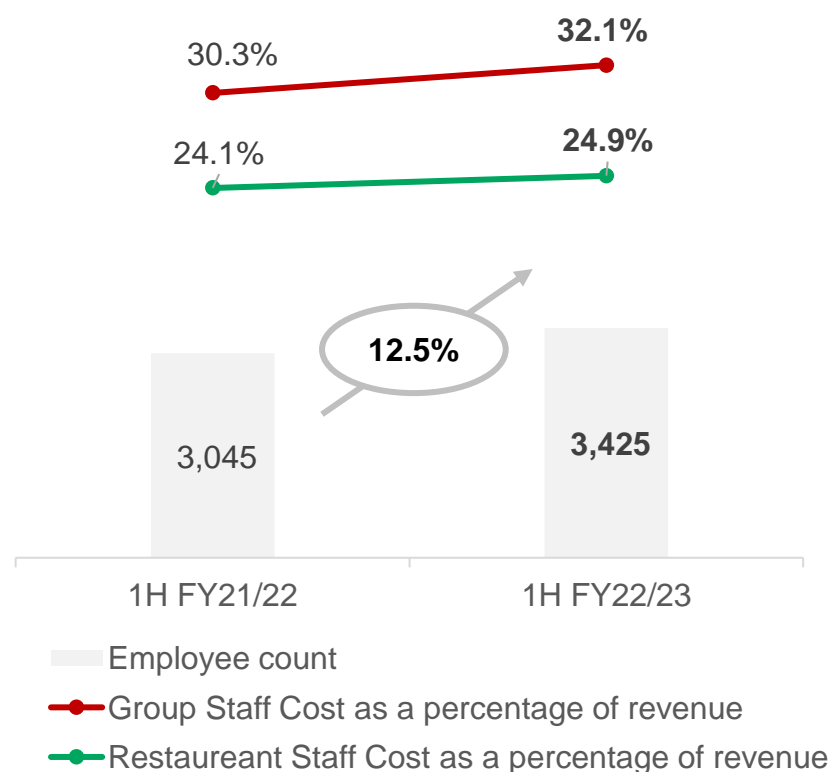
* - Central Kitchen Production Cost is a sum of 1) central kitchen staff cost, 2) central kitchen's depreciation of right-of-use assets, rental and related expenses, and 3) other expenses incurred at central kitchen.

** - Percentage points ("pp") can be referred as the unit for the difference between two percentages. For this case, the difference between 26.5% and 25.2% shall be 1.3pp.

Staff Cost and Employee Count

Staff cost% increased by 1.8pp* as the Group invested in the new markets and headquarters management team.

Group staff cost% increased by 1.8pp*



Management analysis

Productivity remained high

- We have managed to maintain a stable staff cost as a percentage of revenue in 1H FY22/23 as compared to 1H FY21/22, despite the revenue declined in comparable restaurants and the increased staff pay and benefits.

An agile staffing arrangement

- During 1H FY22/23, the pressure on the rostering was high with the COVID-19-related sick leaves taken by our employees.
- Our smart rostering system allowed us to manage the situation effectively.

Investment in new markets and headquarter management team

- Increase in the investment in talents in new markets, i.e., Singapore, Mainland China and Japan, and headquarter management team as our operations scaled up across the markets.

* - Percentage points ("pp") can be referred as the unit for the difference between two percentages. For this case, the difference between 32.1% and 30.3% shall be 1.8pp.

Other Key Financial Ratio

Healthy financial situation.



Key financial metrics		6-months ended 30-September	
		2022	2021
Earnings per share (HK cents)	Basic	6.2	13.8
	Diluted	6.2	13.8
		As at 30 September 2022	As at 31 March 2022
Current ratio [1]		2.3	2.6
Quick ratio [2]		2.3	2.6
Return on assets [3]		6.4%	10.2%
Return on equity [4]		10.9%	19.3%

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

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

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

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

5. Sustainable Development

Tam Jai Goodness Trust – Education Support Scheme



- Recognize employees for their contributions
- Promote harmonious family relationships
- Encourage the next generations to give back to society upon completion of their higher education.
- Expanded to include employees of all local businesses under the Group
- Granted a total of around HK\$1.2 million in scholarships to the children of 35 employees

Appendix

Awards and Recognitions

Brand awards



Service and marketing awards



香港服務名牌
HONG KONG TOP
SERVICE BRAND

Food awards



CSR awards



New Restaurants in Hong Kong

譚仔
雲南米線



Metropolis Mall, Hung Hom



Far East Finance Centre, Admiralty



Metropolis Plaza, Sheung Shui



Rockpool, Des Voeux Road West



Sun Kwai Hing Plaza, Kwai Chung



Ngau Chi Wan, Choi Wan

New Restaurants in Hong Kong



Metro Town



Flora Plaza



Nam Cheong Plaza



Chi Fu Landmark



New Jade



Langham Place

New Restaurants in Mainland China



Futian Macheng TimeSquare, Shenzhen



Nanshan Kexing Science Park, Shenzhen



Haizhu Rock Square, Guangzhou



Panyu Teemall, Guangzhou

New Restaurants in Singapore



Lot One



Seletar



Junction 8



Funan



Parkway Parade

New Restaurants in Japan



Ebisu, Tokyo



Kichijoji, Tokyo

Thank You