Makalot Industrial Co., Ltd.

September , 2022

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A Glance at Makalot

A well known integrated coordinator of apparel supply chain in Asia.

Makalot's Strengths

- **Strong management** : Creating best formula to stabilize 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-added 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.

Main Strategies

Company Outline

Product Line

- **Active & Sportswear**
  - Performance/Outdoor
  - Athleisure
- **Fashion Apparel**
  - Ready to Wear
  - Sleepwear/Loungewear
  - Underwear
- **Others**
  - Swimwear
  - Medical

Customer

- **Brands**

Gap Inc. FAST RETAILING

- **Mass Channels**

TARGET Walmart

- **Department Stores**

KOHL'S

Production Base

- **Vietnam**
- **Indonesia**
- **Cambodia**
- **China**
- **Philippines**
- **Africa**

2022 & Beyond

Supply chain relocation

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

Big vendors become bigger

- With the buyer's vendor consolidation plan, a 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 to follow the high specification ESG rule.
- Clients will increase orders to the vendors who perform well in ESG .

Competitive Advantage

Diversified	Flexible	Integrated
✓ 6 production countries ✓ Customers from different segments ✓ Diversified product categories	✓ About 7% outsourcing ✓ Quick replenishments ✓ Inventory management	✓ Multiple Products ✓ Design services ✓ Material sourcing

In the next 3 years, 6 Key Growth Drivers = 3 N + 3V

- **3 N**
  - New markets
  - New customers
  - New products
- **3 V**
  - Vendor consolidation : Makalot has continued to gain market shares in recent years.
  - Vertical integration : cost and quality control, Makalot can provide buyers with attractive prices.
  - Virtual design : the installation of 3 dimensional printing technology allows Makalot to reduce lead-time.

Corporate Social Responsibility

- Establish a “Sustainability Committee” under the Board of Directors in 2021
- Top 5% companies in the “Sixth Taiwan Corporate Governance Evaluation” in 2020
- Appoint “Corporate Governance Officer” in 2019

Help disadvantaged groups to improve their life

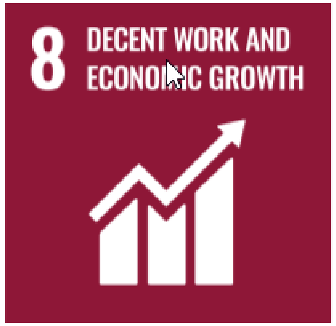
Natural farming
Farmland protection

Provide good benefits and takes care of employees’ health

Provide in-service training to prepare for future career growth

Construct a gender friendly work environment

Use energy-saving machinery and equipment



Create 30,000↑ job opportunities

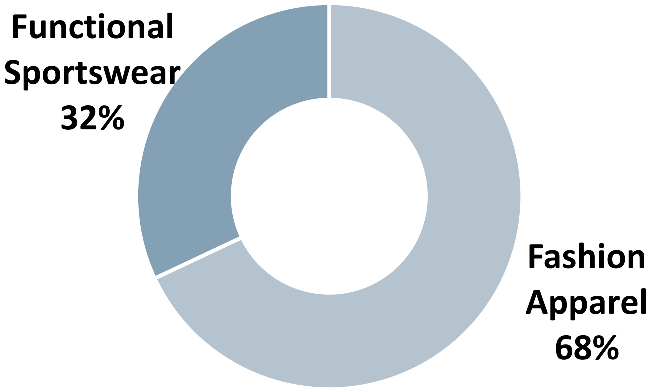
Purchase environmentally preferable products

Improve the capacity of environmental protection based on the Higg Index

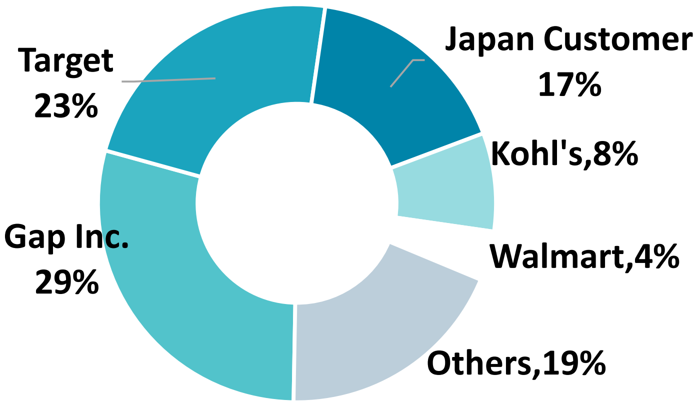
Wetland and environmental protection

2021 Operating Highlight

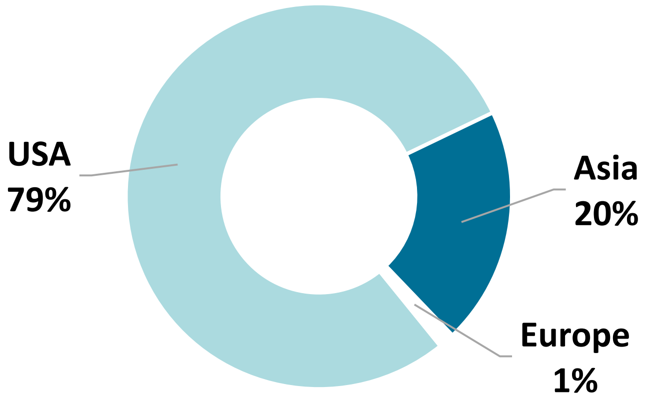
Revenue by Product Line



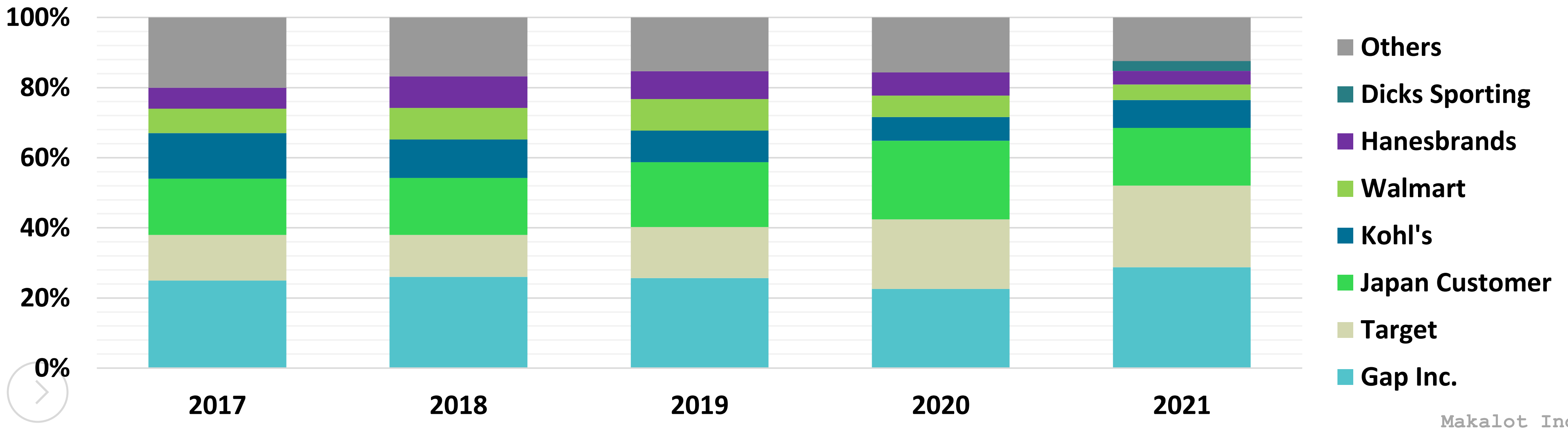
Revenue by Customer



Revenue by Region

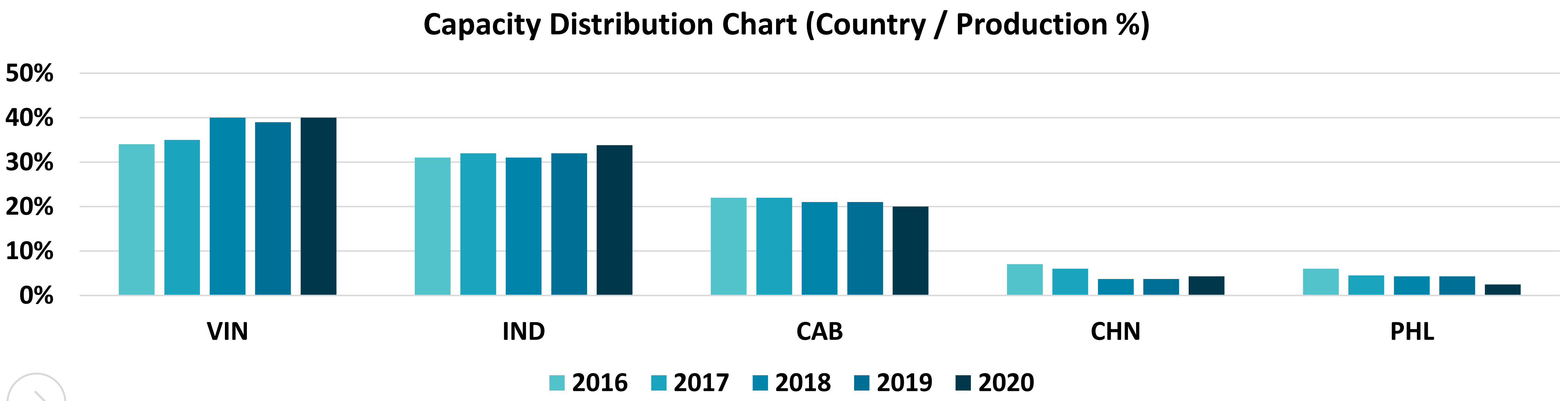


Top Client Revenue Proportion Diagram



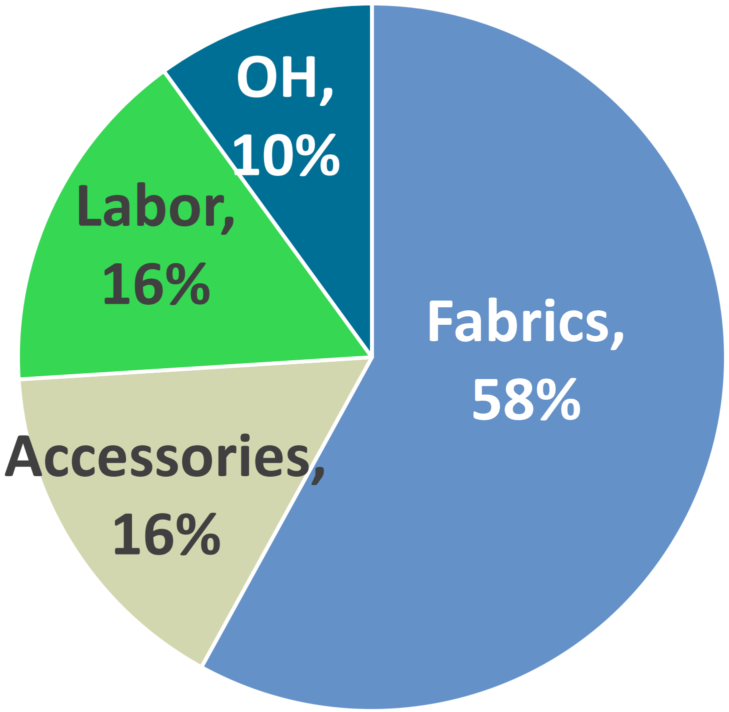
Global Network

Site	Function	2021 Capacity (dozens)	%	2022E Capacity (dozens)	%	2021 Min. wages (US$/Month)	2022E Min. wages (US$/Month)	Growth
Taipei, Taiwan	Headquarters							
Shanghai, China	Office/ Sourcing Center							
Vietnam	Factory	5,980,000	36%	7,100,000	39%	\$170 ~ \$218	\$175 ~ \$225	3%
Indonesia	Factory	6,310,000	38%	6,550,000	36%	\$160 ~ \$196	\$160 ~ \$200	1%
Cambodia	Factory	3,320,000	20%	3,640,000	20%	\$192	\$194	1%
China	Factory	500,000	3%	460,000	3%	\$721	\$736	3%
Philippines	Factory	490,000	3%	450,000	2%	\$190	\$209	8%
Total		**16,600,000**	**100%**	**18,200,000**	**100%**			



Cost Breakdown

Cost of good sold breakdown



Cost Structure based on ASP

- Material 57%
- Labor 13%
- Overheads 8%
- Gross Margin 22%

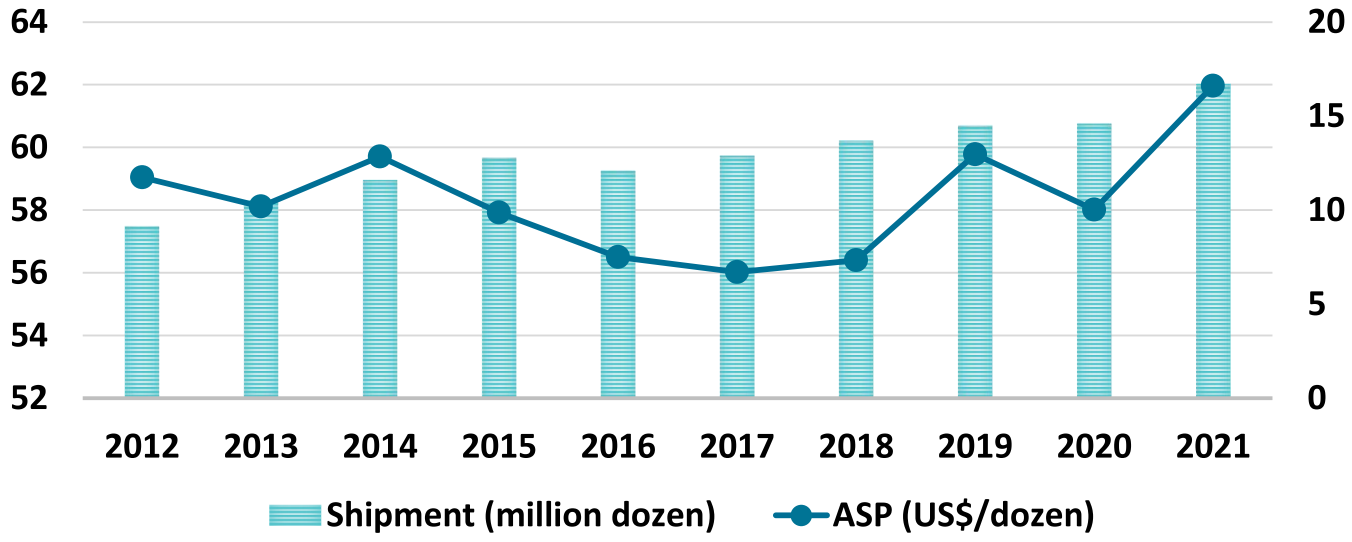
Regional Peers

Code	Company	Products	Customers	Production Sites
1477.TW	**Makalot Industrial**	**Active & Sportswear, Fashion apparel , Sleepwear …**	**Gap, Japan customer , Kohl's, Target, Hanesbrands**	**Vietnam, Indonesia, Cambodia, China, Philippines, Africa**
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
1476.TW	Eclat	Active & Sportswear, Performance, Seamless	Nike, Target, Under Armour, Lululemon	Vietnam, Cambodia, Africa
2232.HK	Crystal	Lifestyle wear, denim, intimate, sweater and sportswear and outdoor apparel	Uniqlo, H&M, Marks & Spencer, Abercrombie & Fitch, Gap, Levi's, Target	Vietnam, China, Cambodia Bangladesh, Sri Lanka
016450.KS	Hansae	Shirts, women's formal dress and casual wears	Gap, Target, Kohl's, Walmart, Nike, Under Armour	Vietnam, Nicaragua ,Guatemala, , Indonesia, Haiti, 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

Financial Highlight

NT$mn	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	22-1H
Net Sales	**15,123**	**15,867**	**17,911**	**20,889**	**23,359**	**22,128**	**22,375**	**23,930**	**27,048**	**24,924**	**28,931**	**15,313**
Sales growth (%)	6.99%	4.92%	12.88%	16.63%	11.82%	-5.27%	1.12%	6.95%	13.03%	-7.85%	16.07%	18.36%
COGS	11,966	12,706	14,344	16,362	17,847	17,611	18,050	19,187	21,622	19,353	22,396	11,397
Gross profit	**3,157**	**3,155**	**3,567**	**4,527**	**5,512**	**4,517**	**4,325**	**4,742**	**5,425**	**5,571**	**6,535**	**3,916**
Operating profit	**1,449**	**1,484**	**1,624**	**2,087**	**2,650**	**1,949**	**1,767**	**1,977**	**2,490**	**2,666**	**3,381**	**2,081**
Net profit	**1,112**	**1,177**	**1,342**	**1,705**	**2,177**	**1,543**	**1,297**	**1,522**	**1,929**	**2,079**	**2,678**	**1,627**
Net profit growth (%)	21.21%	5.78%	14.08%	27.06%	27.65%	-29.14%	-15.95%	17.39%	26.73%	7.77%	28.83%	35.50%
Basic EPS (NT$)	**6.92**	**7.17**	**8.02**	**9.62**	**10.9**	**7.39**	**6.18**	**7.2**	**8.66**	**9.35**	**11.2**	**6.73**
Gross margin	20.88%	19.89%	19.92%	21.67%	23.60%	20.42%	19.33%	19.82%	20.06%	22.35%	22.59%	25.57%
Operating margin	9.58%	9.35%	9.07%	9.99%	11.35%	8.81%	7.90%	8.26%	9.21%	10.70%	11.69%	13.59%
Net margin	7.35%	7.42%	7.49%	8.16%	9.32%	6.97%	5.79%	6.36%	7.13%	8.34%	9.26%	10.63%
ROE	27.09%	25.88%	26.83%	25.17%	25.20%	17.29%	15.05%	17.51%	21.34%	21.47%	22.36%	
ROA	16.02%	15.00%	14.69%	15.44%	17.04%	11.56%	10.09%	11.61%	13.58%	12.45%	13.11%	

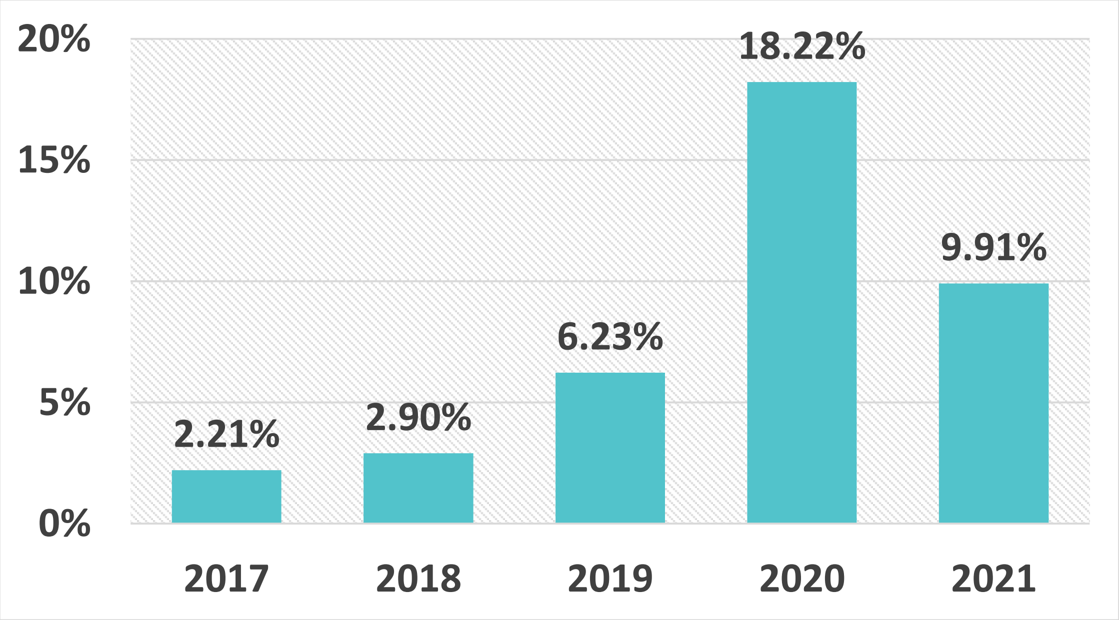
ASP/Shipment



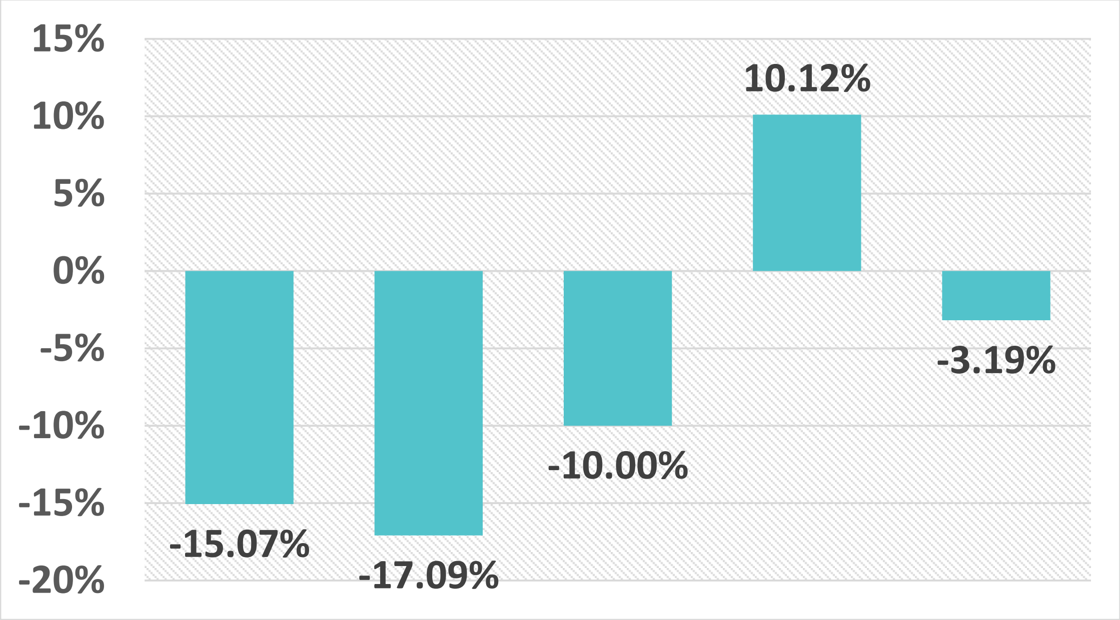
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Shipment (million dozen)	9.16	10.5	11.6	12.8	12.1	12.9	13.7	14.5	14.6	16.6
Growth	12%	15%	10%	10%	-5%	7%	6%	6%	1%	14%
ASP (US$/dozen)	59	58.1	59.7	57.9	56.5	56	56.4	59.8	58	62
Growth	-7%	-2%	3%	-3%	-2%	-1%	1%	6%	-3%	7%

Debt Ratio

Total Debt / Total Assets



Net debt to equity

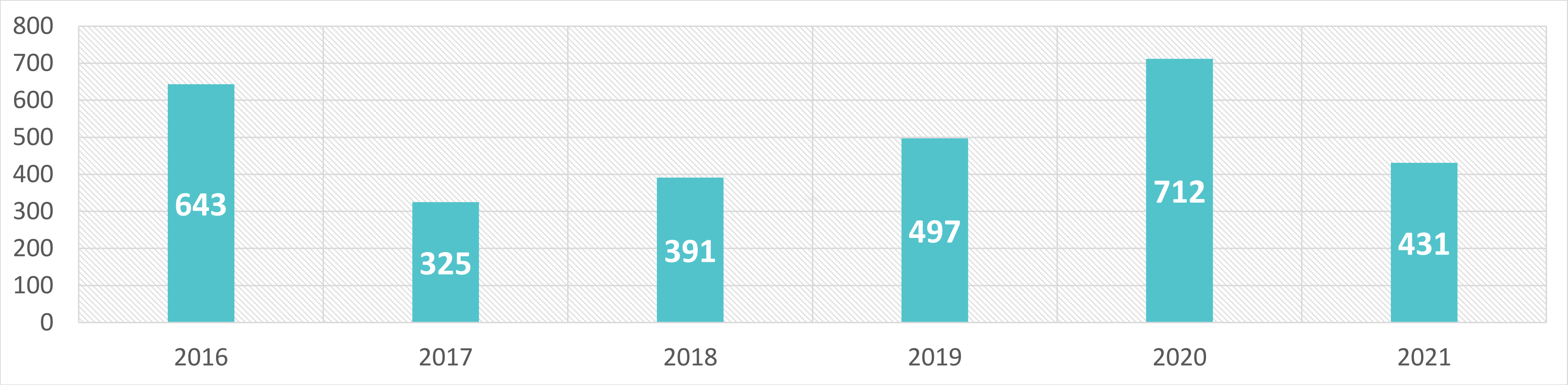


2021 Net Cash position NT$ 440 million

- NT$ 2,642 million cash on hand
- NT$ 2,202 million debt

Capital Expenditure

Million NT$



- 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)
- 2021 capex was about US$ 15.5 million (NT$ 431 million)

FX Gain/Loss

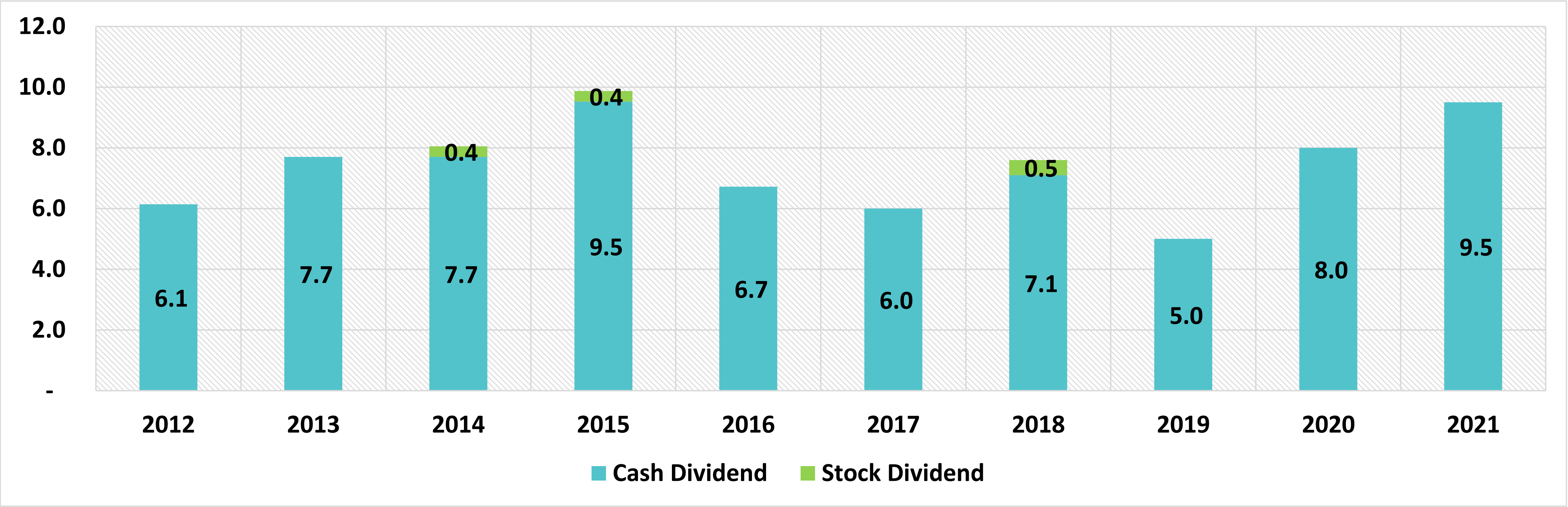
NT$mn	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
FX gain/(loss)	-62.7	33.1	42.8	83.9	23.4	-64.2	39.5	-8.7	- 23.7	- 3.6
Total sales	15,867	17,911	20,889	23,359	22,128	22,375	23,930	27,048	24,924	28,931
% to total sales	-0.40%	0.18%	0.20%	0.36%	0.11%	-0.29%	0.16%	-0.03%	-0.09%	-0.01%

NTD/USD

Hedging strategies

- Set conservative FX budget forecasts for the upcoming year.
- Cash flow hedges to reduce the exposure to variability in certain expected future cash flows.
- Natural hedge = 80% and net exposure position= 20%. Use USD/NTD forwards to hedge this 20% net position risk.

Dividend Policy



- Cash dividend payout ratio will be maintained around 70% and 90%.

[Appendix] 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

1997
- Developed diversified product strategy

1998
- Started global production strategy

2000
- Established a production facility in Indonesia

2003
- Publicly Listed On TWSE (TPE:1477)

2004
- Established a production facility in Cambodia

2005
- Turnover exceeded NT$10 billion
- Established the North Vietnam production facility

2007
- Established the South Vietnam and China production facility

2011
- Established Ecolot Textile Co., Ltd

2013
- Purchased the headquarter building
- Invested in Namtex Co., Ltd., Vietnam

2014
- Turnover exceeded NT$20 billion

2015
- New Green Sportswear Plant in Vietnam

2017
- Established Innovative R&D Center

Q&A

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HAVE

ANY

QUESTION