



Coaster International Co., Ltd.

Stock code: 2936

Transformation of Global Supply Chain: Year 2021 Prospect on US Furniture Industry

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Agenda

- Company Profile
- General US Political Environment
- 2021 Furniture Industry Prospect
- Introduction of Coaster Global Supply Chain and Its Core Business Model
- Appendix: 3Q 2020 Financial Results

Company Profile



COASTER IS AN INDUSTRY-LEADING IMPORTER AND DISTRIBUTOR OF FINE FURNITURE

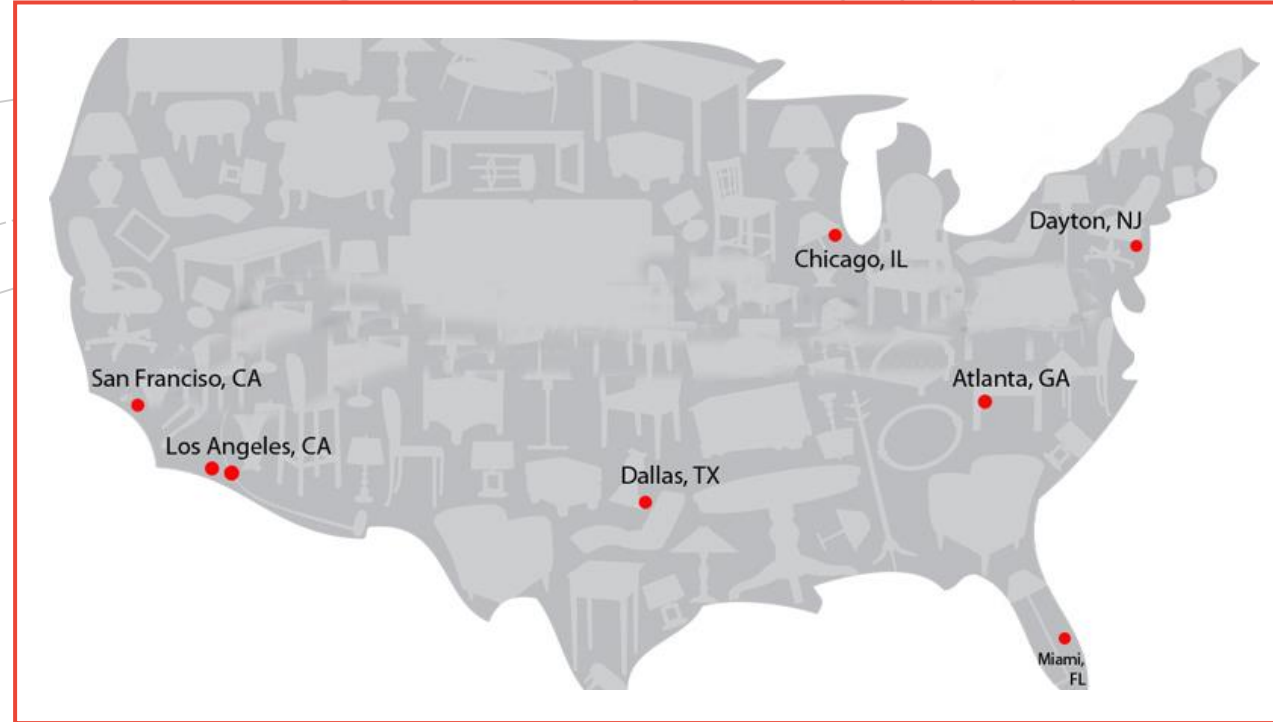
- ◆ INCORPORATED IN AUGUST 2013
- ◆ PAID-IN-CAPITAL : NT\$ 765,556,960
- ◆ CHAIRPERSON : LISA KAO
- ◆ PRESIDENT : MICHAEL P YEH
- ◆ NUMBER OF EMPLOYEES : 700 (AS OF APRIL, 2020)



COASTER IS AN INDUSTRY-LEADING IMPORTER AND DISTRIBUTOR OF FINE FURNITURE



Coaster established warehouses in U.S. to offer supply chain warehousing and distribution to more than 8,000 furniture dealers and Bricks & Mortar retailers, as well as the major Ecommerce clients.



Excellent Distribution Locations in U.S.

COASTER IS AN INDUSTRY-LEADING IMPORTER AND DISTRIBUTOR OF FINE FURNITURE



To ensure the stability of supply chain and the quality of products, Coaster established overseas procurement offices in Asia, including China, Malaysia, Vietnam and Taiwan. The diversified product sources reduce the risk of shortage.



Diversified Product Sources in Asia

General US Political Environment



General US Political Environment

--Domestic

- General US Political Environment - Post Election of Nov 3rd 2020
 - Consensus of Two Parties on Major Challenges Facing US, but
 - Polarized on Approaches and Setting Priorities in Dealing Challenges
- President Elected (Joe Biden) and His Core Team
 - Re-Building a Senior Professional Leadership Team
 - Attempting to Re-Industrialize US Economy
 - Diversity on Minority Talents within Key “Cabinet” Members
 - Fiscal Policy vs. Monetary Policy Driven Incentives
 - Foreign Policy – Sticks vs. Carrots

- Balancing of Power (Two Parties) – Distribution of Congress and Senate Seats.
 - 2021 Budget Spending: Infrastructure, Social Warfare, Defense, Health, etc.
 - Proposed New US Tax Legislations
 - Incentivizing of Domestic Production and Discouraging Offshore Investment.

General US Political Environment

--Global

- US-China Conflicts on Trade, Technology, Geo-Political Confrontation
 - Tarif War vs. Technology War.
 - Competing on Geo-Political Influence (US, China, Russia and EU).

- Disruption and Re-Stabilization of Global Supply Chain on Non-Technology Sectors
 - Supply Chain Reposition: An Enterprise Has to Weight Multiple Factors; Including Tariff Cost, Availability of Local Resource, Tax Incentive, and the Enterprise's Business Strategies.

2021 Furniture Industry Prospect



2021 Furniture Industry Prospect

➤ US Economy Prospect in General

- Pandemic - Damage Control
- Employment – Job Creation
- Budget Deficit – Back Burner?

○ Proposed Tax Law Legislation on US Corporation (Biden's Proposal)

- US Domestic Tax Rate to Increase from 21% to 28% (likely at 25%)
- US Company's Foreign Sub (GILTI) Effective Tax Rate at 21%
- Proposed to Imposing 10% Surtax on Foreign Profit on Enterprises
 - ❖ For Off-Shoring Production and Importing Finished Goods Back to US.
 - ❖ Might Impose on Offshore Call Centers that Support US Market.
- Incentive to On-Shoring Production – “Manufacturing Tax Credit” to promote revitalizing, renovating and modernizing existing or recently closed down-facility.
- The passing of these proposed tax legislations will depend on which party controls the 2 Senate of the Jan 2021 Georgia Senate Run-off Election

2021 Furniture Industry Prospect

➤ US Furniture Industry - 2021 Prospect

- Consumer Spending – Pandemic Factor
 - Working from Home
 - Reduction of Travel and Entertainment Spending
 - Stimulus Program: 2nd Package Pending at Senate
 - Uncertainty in 2021, Long Term Still Depends on Recovery of Economy
- Global Supply Chain – Challenges
 - Foreign Sourcing Reposition – This Is Not An Easy Task
 - Shipping and Logistic Equipment Shortage Might Last at Least to The End of Q1, 2021
- US Housing Market – Now, Attractive Financing Cost; Long Term: Economy Recovery.
- Foreign Exchange - US Currency Devaluation and Effect?

- New Retailing Environment – US Furniture Retailers
 - Ecommerce Retailers and Shopping Experience of Consumers
 - Traditional Brick-and-Mortar (B&M) Retailers are Challenged by both Ecommerce and Covid-19
 - B&M Furniture Retailers to Provide Consumers with
 - Simple and Seamless E-Commerce Experience.
 - Elevated In-Person Customer Service
- US Furniture Retailing:
 - Pandemic shifts consumer shopping preference.
 - With the combination of the additional cost on tariff, product sourcing and logistics, these will eventually lead to the paradigm shift of US furniture industry.

Introduction of Coaster Global Supply Chain and Its Core Business Model



Coaster Driving for Excellence:

Challenges and Opportunities

➤ Challenges:

- Disruption of Global Supply Chain: Rising Cost of Tariff, Unstable Logistics Resource, Exposure to Foreign Exchange Risk
- Disruption of Ecommerce Channels on US Furniture Retail Stores.

➤ Opportunities:

- Leveraging and Enhancing Coaster Role as the Supply Chain Manager and Adopting Innovative Tools and Methodologies Available Under Industrial 4.0.
- Extending Coaster Role from B2B Marketing to B2C Marketing and
- Consolidate Our Existing Independent US Furniture Retailer Base to Create an US Service Network with Enhanced Consumers Experience Focused (CCN: Coaster Community Network)

Our Vision and Commitments:

- Direction of Our Core Competency Development: Investing in Digital Capabilities
- New Retailing Initiatives - Leveraging Industry 4.0 Methodologies on:
 - *Buy*: Supply Chain & Procurement Management (RP2),
 - Real-time inventory management, predictive analytics,
 - *Sales*: Elevating to “O2O” Business Core Competency - Connecting On-Line Marketing to Off-Line Community-Service Network Resource (e.g., “O2O” Initiative)
- *Technology*: Sale Automation Initiatives: On-Line Sales and Order Placing Platform Enhancement (CC3)
- *Digitalization*: Marketing IP Deposit Digitalization - Creation and Utilization
- *Coaster CCN Initiative (Coaster Community Network)*

Appendix: 3Q 2020 Financial Results

Financial Information- Consolidated Statements of Comprehensive Income



The “Operating revenue” of 2020 1Q~3Q was lower than the it of the same period of 2019, the “Gain after tax” of 2020 1Q~3Q increased NTD 173,240 thousand compared to the same period of 2019.

Unit: NTD \$1000; %

Year	2020 1Q ~ 3Q	2019 Q1 ~ Q3	YoY	2019	2018	YoY
Operating Revenue	7,684,102	8,872,045	-13.39%	11,737,383	12,013,456	-2.30%
Operating Cost	5,309,926	6,279,723	-15.44%	8,374,047	8,694,921	-3.69%
Gross Profit	2,374,176	2,592,322	-8.42%	3,363,336	3,318,535	1.35%
Gross Margin Ratio	30.90%	29.22%	-	28.65%	27.62%	-
Operating Expenses	2,145,150	2,563,822	-16.33%	3,360,756	3,321,003	1.20%
Gain (Loss) from Operations	229,026	28,500	7.036	2,580	(2,468)	-
Non-operating Income and Expenses	(81,390)	(83,954)	-3.05%	(122,188)	(47,171)	159.03%
Income Tax Expenses (Benefit)	13,808	(16,042)	-	(47,382)	(27,689)	-71.12%
Gain (loss) after Tax	133,828	(39,412)	-	(72,226)	(21,950)	-
Earnings per Share (NTD \$1)	1.76	(0.52)	-	(0.95)	(0.29)	-

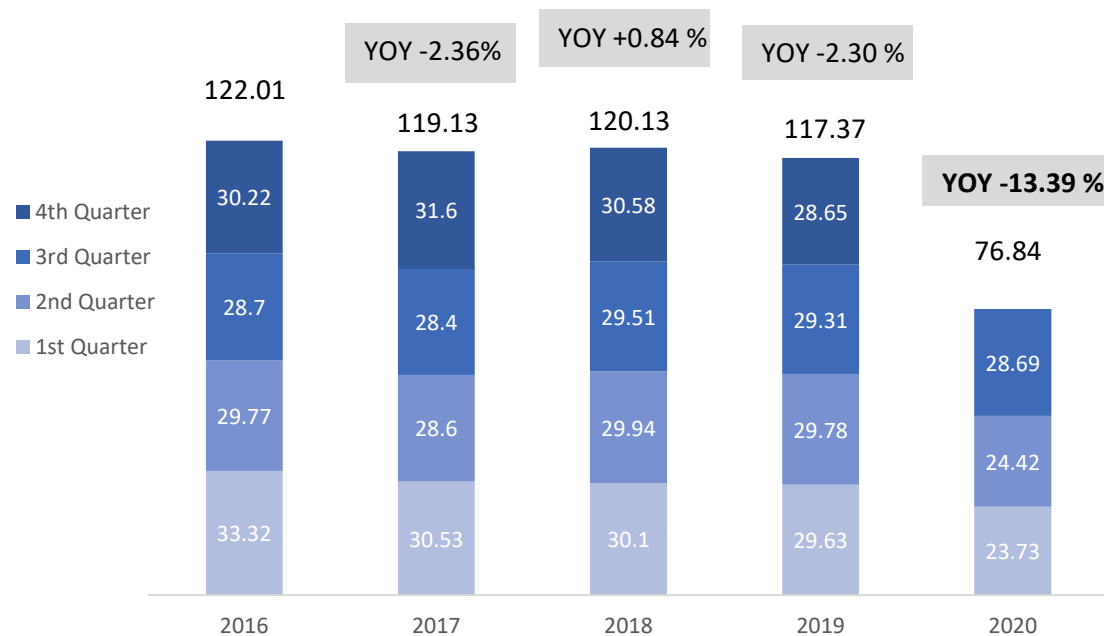
Financial Information- Operation Revenue in Recent 4 Years



The operating revenue not varied much over the past 4 years (Year 2016 to 2019). In 2020, the operating revenue of the first 3 quarters decreased slightly, the company focused on building Coaster brand and strengthen its efficiency in procurement.

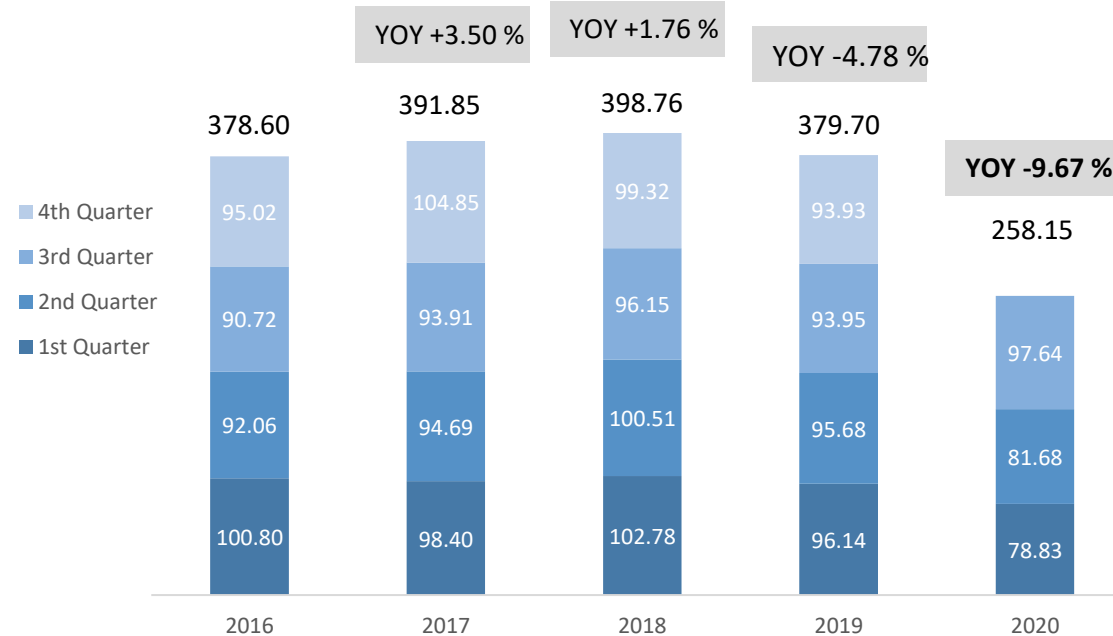
Operating Revenue

Unit: NTD\$ 100 million



Operating Revenue

Unit: USD \$ million

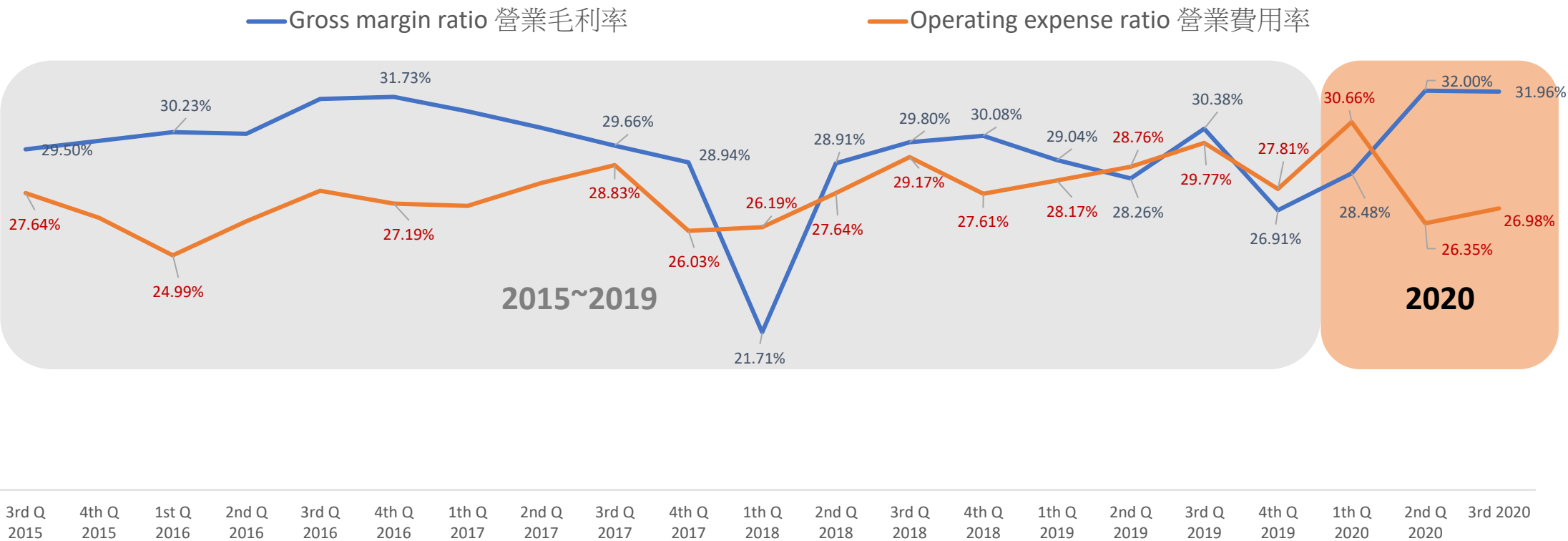


Financial Information- Gross Profit Ratio and Operating Expense Ratio



The gross margin ratio of 2020 2Q and 2020 3Q raised to 32.00% and 31.96%.

Quarterly Gross Margin Ratio and Operating Expense Ratio

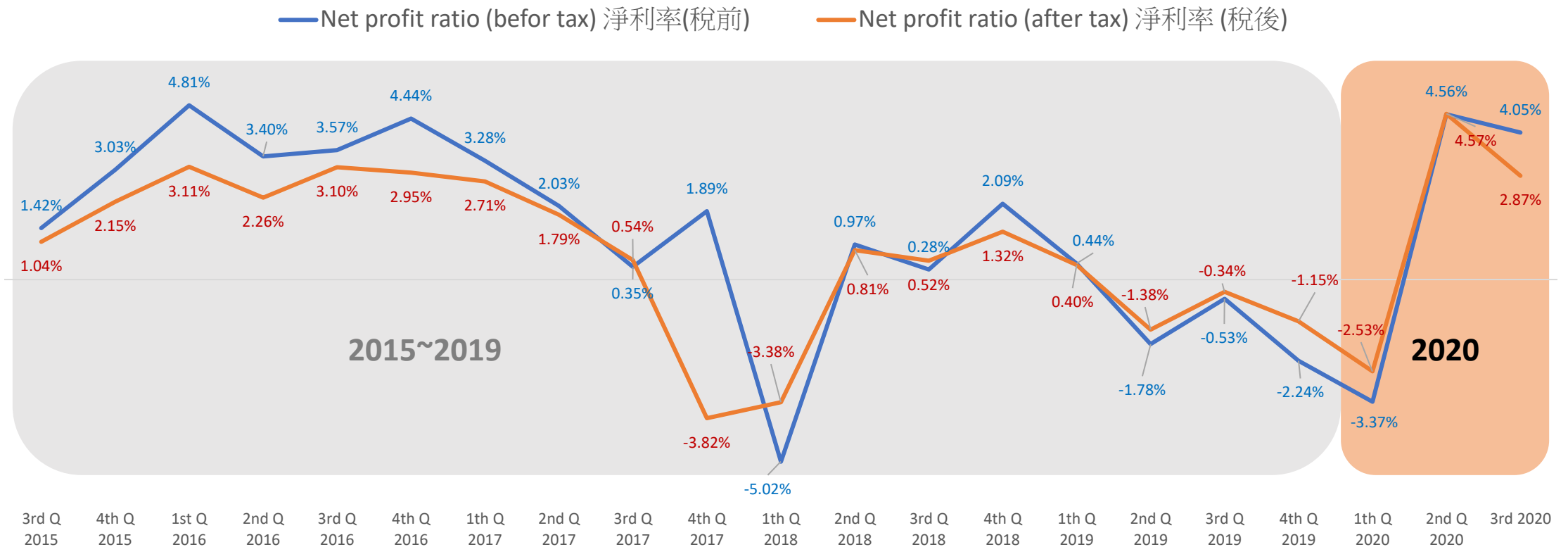


Financial Information- Net Profit Ratio



The net profit ratio of 2020 2Q and 3Q are positive.

Quarterly Net Profit Ratio



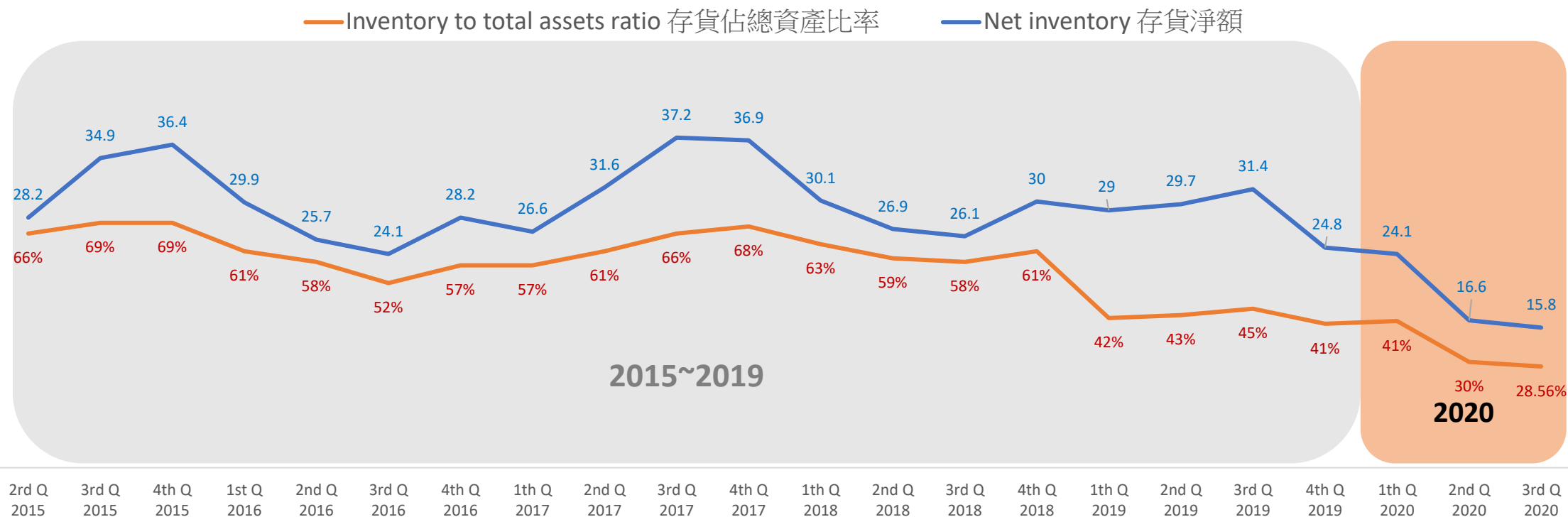
Financial Information- Net Inventory



Compared to the beginning of year 2020, the coronavirus pandemic disrupted the company's inventory procurement strategy, led to a 36.46% decrease of net inventory of 3Q 2020.

Net Inventory Value

Unit: NTD\$ 100 million

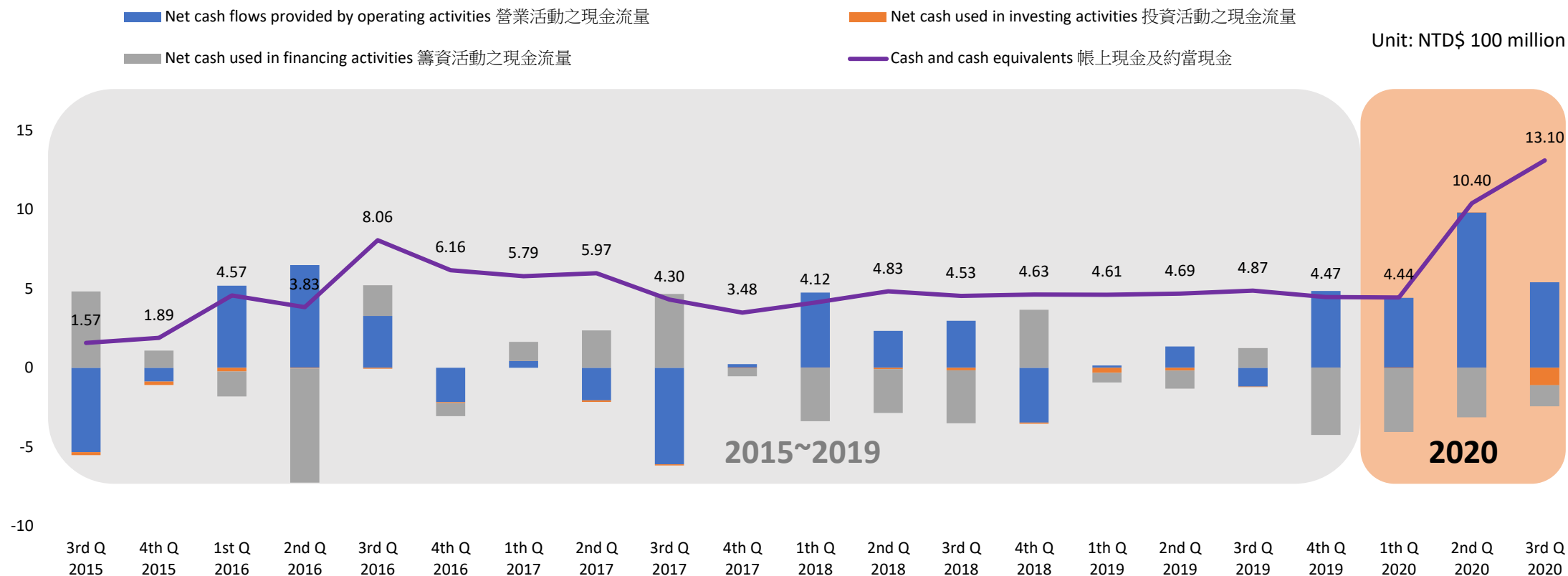


Financial Information- Cash Flow in Recent Five Years



The company maintains an adequate level of cash on hand, the “cash and cash equivalent” on book was NTD 1,310 million at the end of 3Q 2020.

Cash Flow Analysis





Q&A

Thank you!