

HAIMARROW FOOD SERVICE

(220630.KQ)



Boombata
 세상에 없던
 이탈리아 화덕 샌드위치

빵으로 만든 샌드위치와는 비교불가!
 화덕에서 갓 구운 수제 도우 속에
 신선한 채소와 맛있는 토핑이 가득!

●○○



MOM'S TOUCH
 CHICKEN & BURGER



치즈와
 베이컨의
 완벽한 조합!

치즈베이컨버거

두툽한 통가슴살패티와 바삭하고 스모키한 베이컨이,
 부드러운 화이트치즈소스가 어우러진 환상적인 조합의 프리미엄 버거.

베이지를 더욱 바삭한
 화이트치즈소스

비치와그 스테이크만
 베이지만

Boombata

화덕 샌드위치 & 피자

Disclaimer



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2. Business Department and Business Structure
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8. Investment point of Haimarrow Food Service Co., Ltd

1. About Haimarrow Food Service

HISTORY

2004 ~
2018

- 2017**
 - 04** Acquired Sugar Bubble
 - 03** Launched Boombata (Opend the first store)
 - 02** Established USA Office

- 2016**
 - 10** Listed on KOSDAQ stock market
 - 09** Opened the first Vietnamese Mom's Touch store in Ho Chi Minh City
 - 04** Opened the first Taiwanese Mom's Touch store in Tainan City

- 2015**
 - 12** Established Taiwan office
 - 10** Made exclusive contract for supply agency with Cavendish Farms, the biggest food distribution company in eastern Canada.
 - 04** Established Viet Nam office

- 2014**
 - 12** Constructed the distribution center and manufacturing factory in Jincheon, geographical center of Korea
 - 09** Opened the 500th Mom's Touch store

- 2012**
 - 12** Awarded as outstanding import corporation by the Ministry of Food and Drug Safety of Korea

- 2004**
 - 02** Established Haimarrow Food Service Co. Ltd.

Company Profile

Company Name	Haimarrow Food Service Co., LTD
CEO	Myungil Jun
Establishment	2004
Location	551-1 Seongnae-ro Gangdong-gu Seoul, S. Korea
Sales	USD 239.6 mil (2017)
Capital	USD 9.4 mil
Homepage	www.haimarrow.co.kr / www.momstouch.co.kr
Business	Fast Casual Franchise Business Department Food Materials Distribution Business Department
Number of Employees	188 (Mar 2018)

1. About Haimarrow Food Service_Chairman



The unique difference of MoM's Touch is our **ingredients**. Every order will be **made fresh to order**, to ensure maximum customer satisfaction. We serve products, which are not made of processed and frozen chicken but **fresh chicken**.

"What Haimarrow dreams is to make happier tomorrow with our food"

Haimarrow, HAPPY TOMORROW!

- 1986~1992 : Started working at Baskin Robbins
- 1993~2003 : Worked at TS Haimarrow(Popeyes)
- 2004~2017 : CEO of Haimarrow Food Service Co.,Ltd.
- Present : Chairman of Haimarrow Food Service Co.,Ltd

MISSION “To improve happiness by creating food business opportunities.”

VISION

- No.1 Chicken & Burger Brand in Korea
- Grow up as a Global Brand

CORE VALUE



Inner partners' happiness and improvement

The top priority is employees' happiness and improvement.



Business partners' growth

Business Partners' growth is Haimarrow's growth



Maximizing customer value

Maximizing customer value is the result of all our members' effort.



Comfort of society and country

We are here to contribute to society and nation, and ultimately to unification of Korea.



Sustainable growth

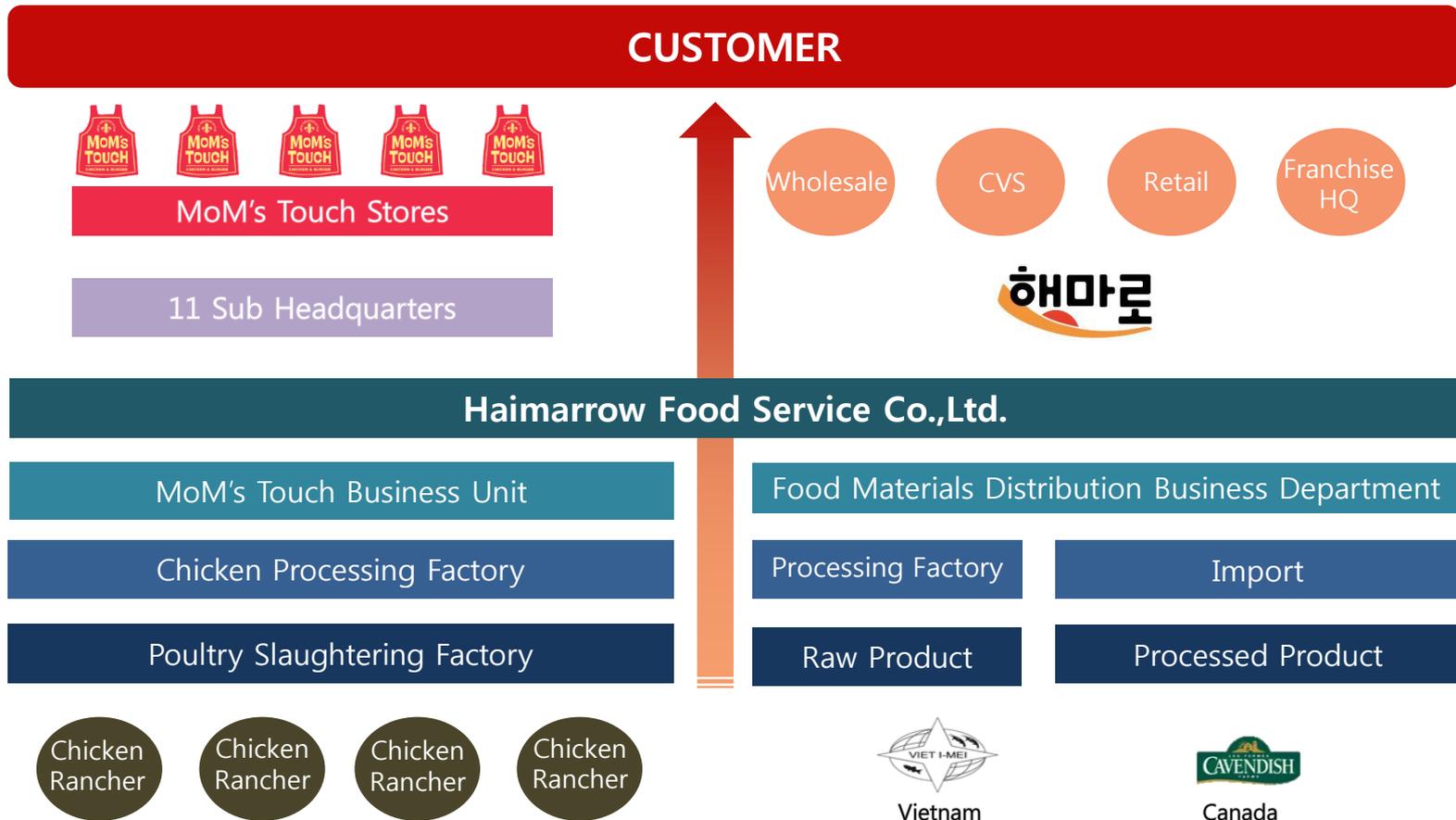
We offer fare value to our stockholders by keep developing the company.

2. Business Department and Business Structure



Business Structure

“ Pursuing the best quality, price competitive, and stable supply system ”





Brand Meaning

MoM's Touch means serving food with a mother's heart.

Our aim is to introduce healthy food that reflects mom's desire to provide the best food to her children. As if a mother prepares a meal for her family from the heart, MoM's Touch cooks the food not fast but in right way.

MoM's Touch is not a typical fast food but a hand-made food that keeps quality through made to order.



Product Strategy

- Made to order
- Not frozen but refrigerated
- Not grind but natural
- Hand made images
- Various burger and chicken sauces
- Release new products to meet the trend



Burger
SIGNATURE

NEW



Thigh Burger



Masala Burger



Cheese Bacon
Burger



Chicken Cutlet
Burger



Deep Cheese
Burger



White Garlic
Burger



Masala Chicken



Fried Chicken
with Soy Sauce



Chipao Chicken



Flake Hot
Chicken



Fried Chicken with
Sichuan Sauce



Onion Cheese
Sprinkled Chicken



Ricotta Salad



Onion Cheese
French Fries



Cheese Jalapeno
Nugget



Kimddukman



Popcorn
Dumplings



Cheese Stick

- Made to order
- Use chicken that are slaughtered on the day
(HACCP certified chicken meats from 140 chicken farms)
- Use vacuum tumbler method instead of general method and features deep taste and soft meat quality
- Create side menu items that increases the Average Sales Price(ASP)



Comparing price with competitors in Korea

(Unit : KRW, 1USD= 1,000KRW)

	Mom's Touch	Burgerking	Lotteria	MCD	KFC	Popeyes
Signature Burger	Thigh Burger	Original Long Chicken Burger	T-REX Burger	McSpicy Shanghai Burger	Black Label Classic Burger	Cajun Chicken Burger
Images						
Price	3,400(\$3.4)	4,900(\$4.9)	3,500(\$3.5)	5,100(\$5.1)	6,600(\$6.6)	5,000(\$5.0)
Set menu	5,600(\$5.6)	7,200(\$7.2)	5,600(\$5.6)	6,400(\$6.4)	8,500(\$8.5)	7,400(\$7.4)
Beverage	1,600(\$1.6)	2,000(\$2.0)	1,700(\$1.7)	1,600(\$1.6)	2,000(\$2.0)	1,700(\$1.7)

(Source: each company's homepage)

Unit: 1USD=1,000KRW

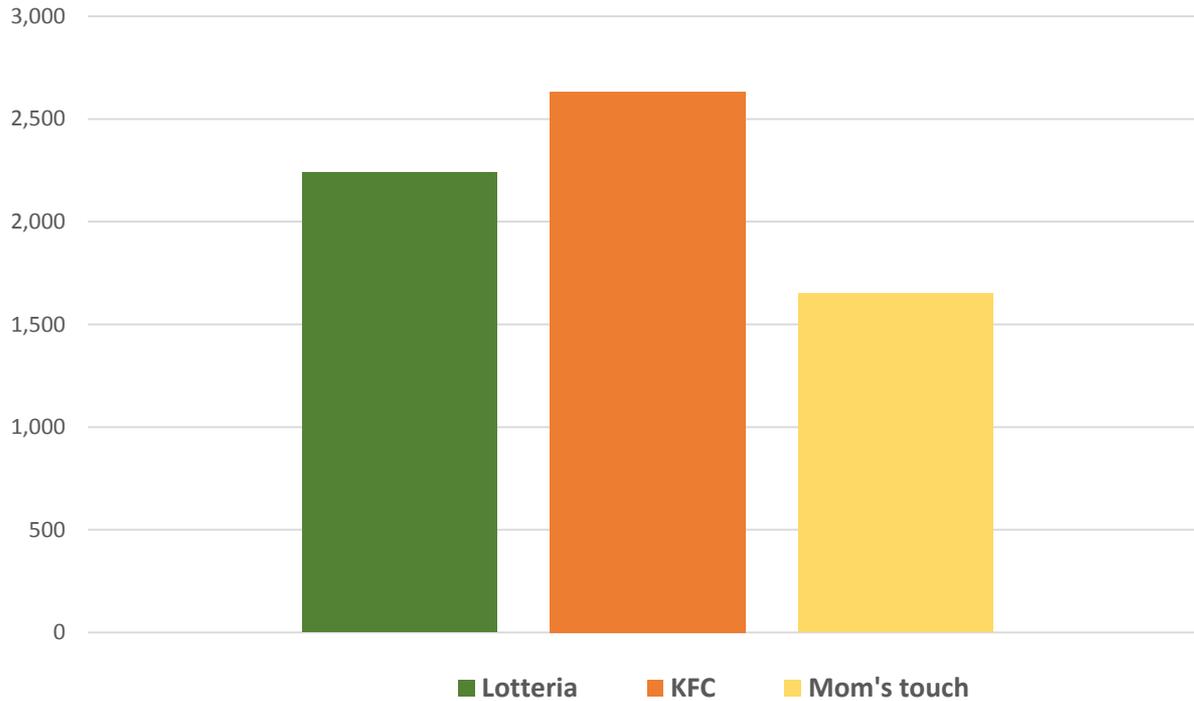
3. 1st Brand



Interior cost in comparison with competitors

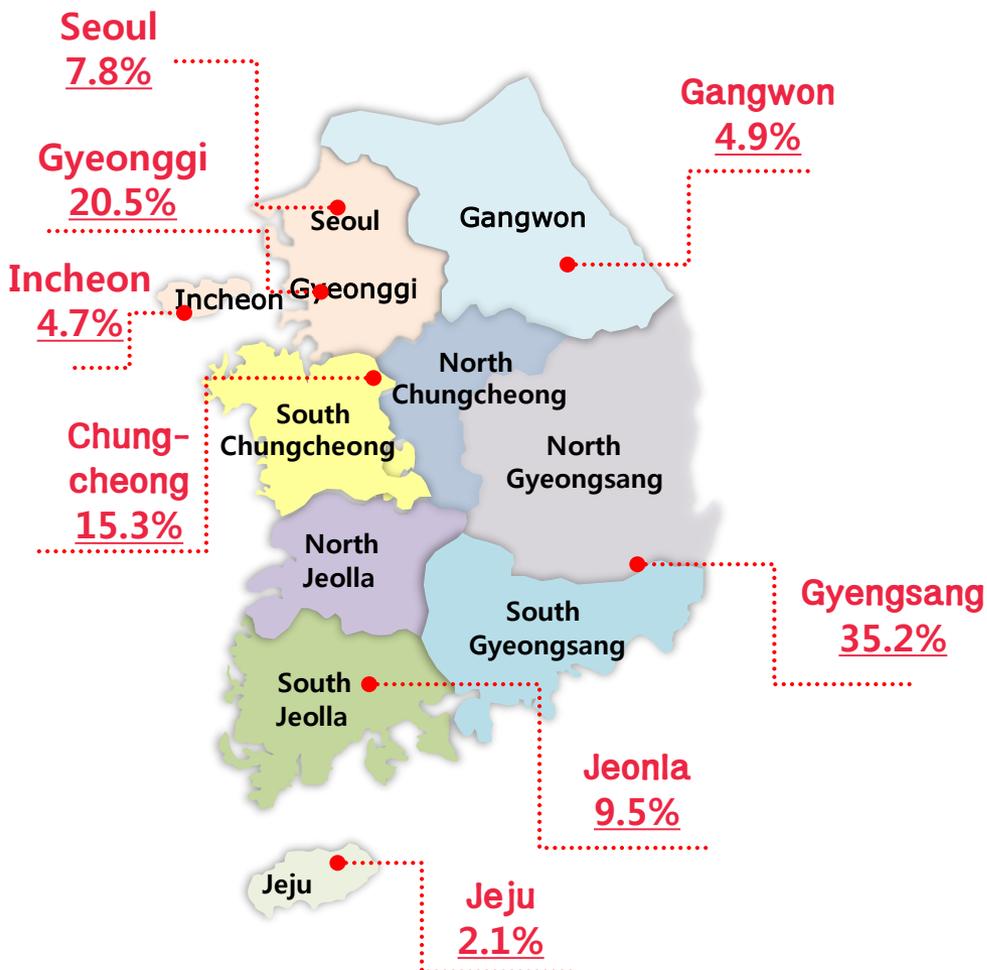
(Unit: KRW 1,000)

Interior cost in comparison with competitors (per 3.3m²)





The Number of Stores



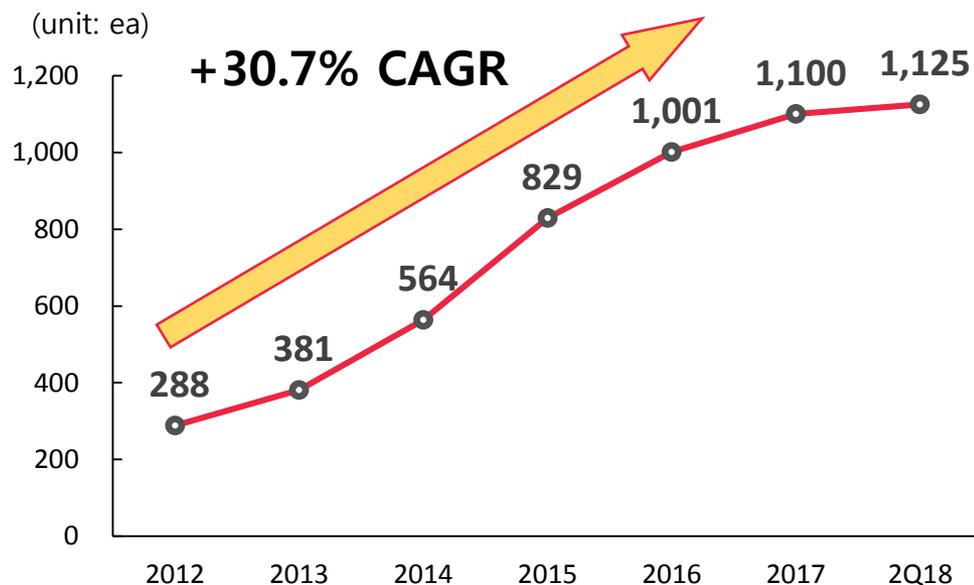
| The Number of Stores as of June. 2018 |

Year	# of Stores	%
Seoul	88	7.8
Gyeonggi	230	20.5
Incheon	53	4.7
Chung-cheong	172	15.3
Jeonla	107	9.5
Gyeng-sang	396	35.2
Gangwon	55	4.9
Jeju	24	2.1
Total	1,125	100



Increasing Number of Stores

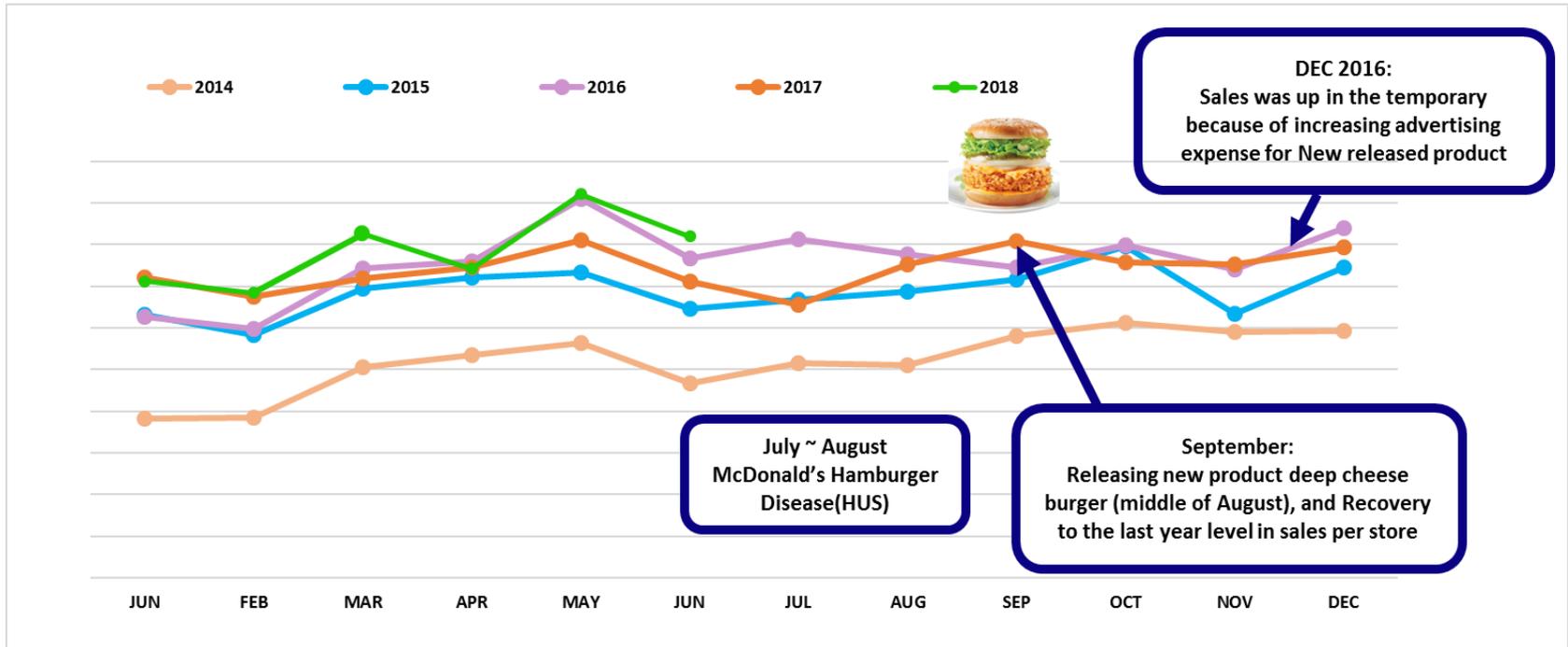
Year	Number of Stores
2012	288
2013	381
2014	564
2015	829
2016	1,001
2017	1,100
2Q18	1,125



- The number of stores has increased continuously and substantially
- 5 Years CAGR(Compound annual growth rate) 30.7% (2017)
- As of June 2018, the number of stores is 1,125



Monthly Average Sales Per Restaurant (GMV : Gross Merchandise Value)



- Increased brand awareness (Viral, SNS) → The sales per store increased
- The sales per store is more than doubled compared to 2014
- Expect this trend to continue (due to increased number of stores in Seoul metropolitan areas)
- 1) March to April: Brazilian chicken crisis, 2) In the first half of 2017: Reduced outdoor activity due to fine dust, 3) June: Franchisee-Franchisor relationship issue
- 1) October: Slightly decreased sales due to long weekend, 2) December: Reduced advertising expense year on year



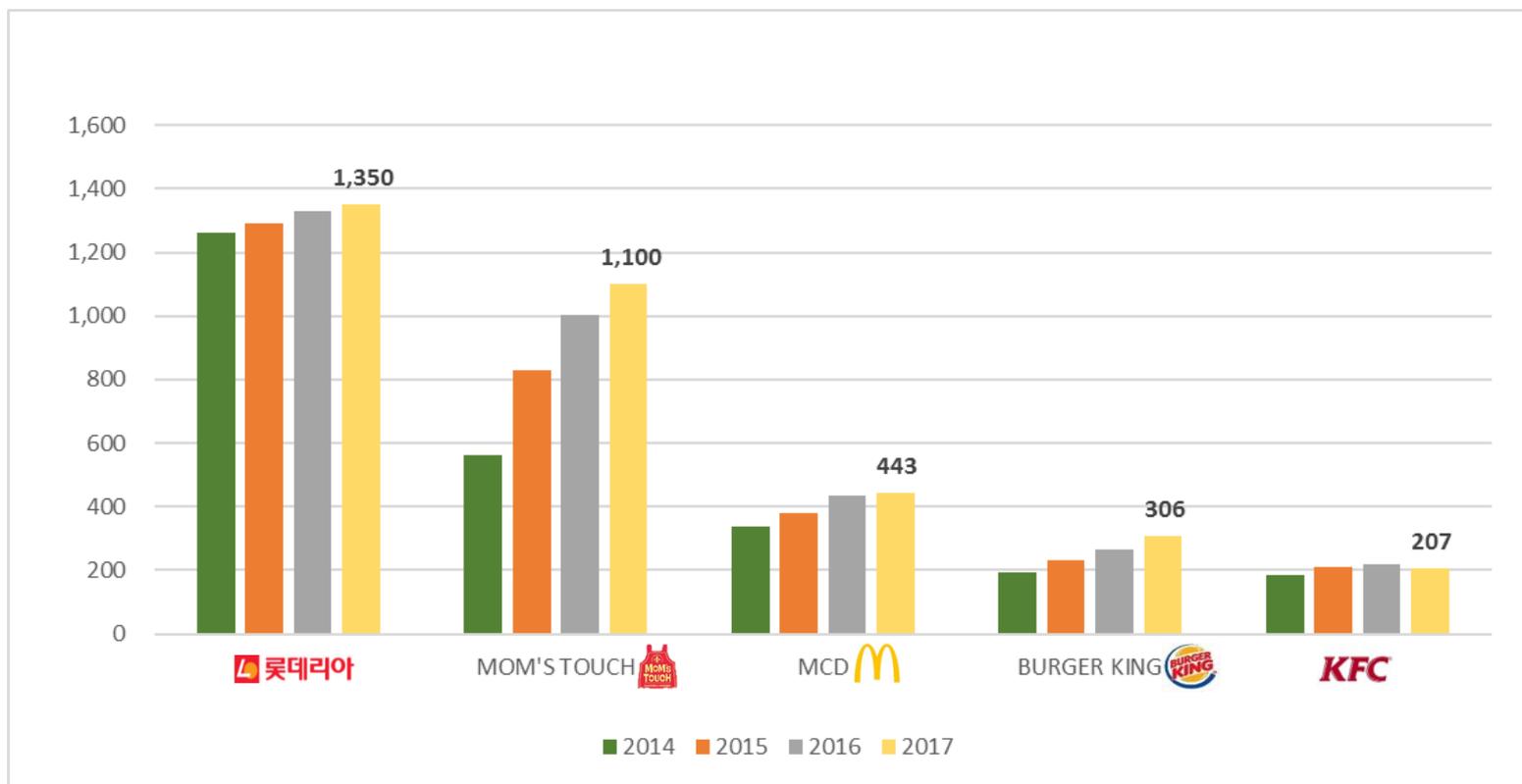
Brand Strategy

LOW Investment, HIGH Efficiency for Franchisees

Marketing Mix	Peer Group (McDonalds, KFC, BKR, Lotteria)	Mom's Touch
Store Size	Big, wide (300m ² ↑)	Small, medium (100m ² ↓)
Store Interior	Fast Food Store	Cafe Style Store
Store Site	Open at Main Road Site	2 nd Road, School, University
Menu	Diversified Menu	Diversified, but Simple Materials
Equipment	Big, Expensive System	Small, Cheap System
Operation Way	Pre-cooking, Fast Food	After order-cooking, Slow Food
Image	Junk Food	Health Friendly Food, Hand made
Investment (ROI)	High Investment (1,000,000\$)	Low Investment (100,000\$)
	Low ROI (over 5years)	High ROI (1year)
Potential Franchisee	Limited Target	Broad Target



Comparison of the number of stores

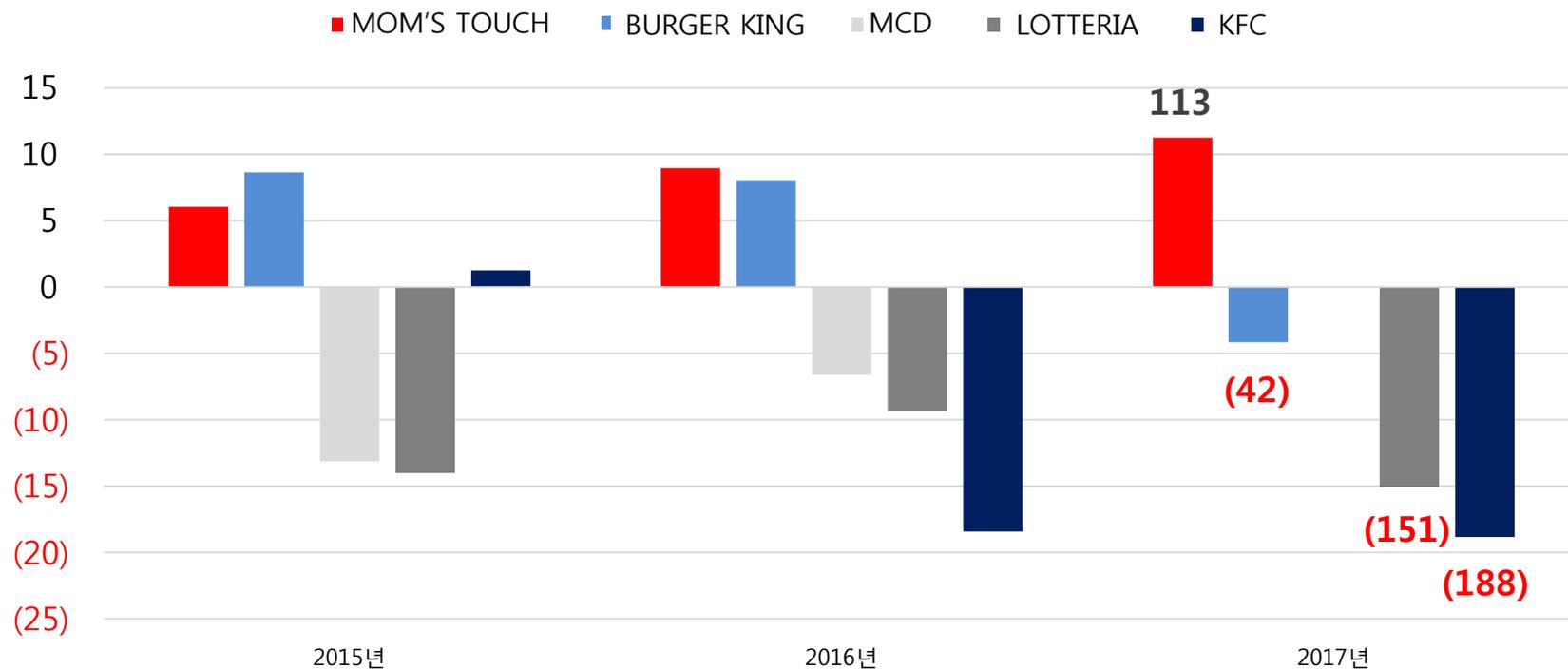


Source: Franchise business report from Fair Trade Commission, Industry data of Franchise



Increased Net Profit

(Unit: KRW 100mil, 1USD=1,000 KRW)



Source: Franchise business report from Fair Trade Commission, Industry data of Franchise

Financial Performance of Local F/C Brands (FY 2017)

(Unit : KRW, 1USD= 1,000KRW)

(Unit: 1 billion won)	Haimarrow	Haimarrow	Burger Franchisors			
	(2Q18)	(2017)	MCD	Burgerking	KFC	Lotteria
Revenue	138	240	691	346	161	1,090
Operating Profit	12	16	4	2	(17)	(8)
Net Income	11	11	(7)	(4)	(19)	(15)
Asset	116	105	758	313	72	1,237
Liability	50	48	364	166	61	643
Equity	65	57	394	147	11	595
Number of Units	1,125	1,100	436	306	219	1,350
Number of Franchised Chains	1,125	1,100	128	95	219	1,216
Percentage of Franchised Chains (%)	100	100	29	31	100	90
Number of employees	197	189	28,389	5,429	61	10,422
Sales per person	699	1,268	24	64	2,646	105

Source: HFS and MPK financials are from annual report, Lotteria is from press release and other brands are from audit report and franchise report from Fair Trade Commission
MCD financials are based on 2016 annual report, Number of units, and employees of Lotteria, Burger king, KFC are based on 2016 annual report

- The revenue of Burger King and Lotteria decreased in 2016. And McDonald turned net loss in 2015 and in M&A market for sales
- KG Group, a PG and VAN transaction company, bought KFC Korean entity for USD 50M
- MPK, one of the KOSDAQ listed FC brands along with Haimarrow, is in deficit for last three consequent years

Records of the Top 5 Hamburger Brands for 3yrs. In KOR

(Unit: USD 100thousand, 1USD=1,000KRW)

Franchise Headquarters	2015			2016			2017		
	Revenue	OP	NI	Revenue	OP	NI	Revenue	OP	NI
Lotteria	11,232	(19)	(140)	11,249	65	(94)	10,896	(77)	(151)
MCD	6,033	20	(131)	6,913	42	(66)	n/a	n/a	n/a
Burger King	2,785	121	86	2,532	108	80	3,459	15	(42)
KFC	1,747	25	12	1,770	(126)	(184)	1,614	(173)	(188)
Mom's Touch	1,486	88	60	2,019	169	90	2,396	155	113
Total	23,283	236	(112)	24,483	258	(174)	18,364	(81)	(268)

(Unit: %)

Franchise Headquarters	Growth Rate (2016 YoY%)			Growth Rate (2017 YoY%)			For 3Years CAGR		
	Revenue	OP	NI	Revenue	OP	NI	Revenue	OP	NI
Lotteria	0.2	Deficit to surplus	Deficit	(3.1)	Surplus to deficit	Deficit	(1.0)	60.0	2.5
MCD	14.6	109.8	Deficit	n/a	n/a	n/a	n/a	n/a	n/a
Burger King	(9.1)	(11.4)	(7.0)	36.6	(86.3)	Surplus to deficit	7.5	(50.5)	(178.4)
KFC	1.3	Surplus to deficit	Surplus to deficit	(8.8)	Deficit	Deficit	(2.6)	(290.2)	(347.7)
Mom's Touch	35.9	92.0	48.1	18.6	(8.5)	25.8	17.2	20.7	23.1

 **Launched HMR Ginseng Chicken Soup (Samgyetang)**

가정 간편식
집에서도 맛있고 간편하게
맘스터치 삼계탕

구매 시, 직원에게 말씀해주세요

대중삼계탕 800g (800cal) | 6,900
소중삼계탕 600g (600cal) | 4,900

※ HMR 삼계탕은 상온보관 제품입니다.
※ HMR 삼계탕은 가정에서 조리하여 드시는 제품입니다.



- June of 2018, In to Home Meal Replacement Market
- The first batch, 60,000 packs, sold out within 8 days
- Popular hit among housewives and single-person households

1) Launching on March 2017

- Launch Date: March 2017
- The 1st Boombata store located at Songpa-gu, Seoul
- Opened 2 directly managed stores and 3 franchisees stores



Chicken&Ssam Plate
\$11.9~\$17.9



Italian Oven Sandwich
\$3.3~\$5.5



PIZZA
\$6.9~\$9.9

2) Boombata Strategy

- The best quality of fired oven pizza and Sandwich is made of naturally fermented refrigerated dough offered at a affordable price.
- Growth of middle-low priced pizza brands, while the fall of the big 3 pizza brands in the pizza market
- The sandwich market has a current value of \$1 billion. The market is smaller than pizza market, but it is growing
- Sandwich market is expected to 20% growth in 2018
- Better cost competitiveness and unit economics than MoM's Touch
- IF) More than 500 Boombata restaurants... (30 restaurants opened spontaneously under the franchise operating system)

Boombata

화덕 샌드위치 & 피자

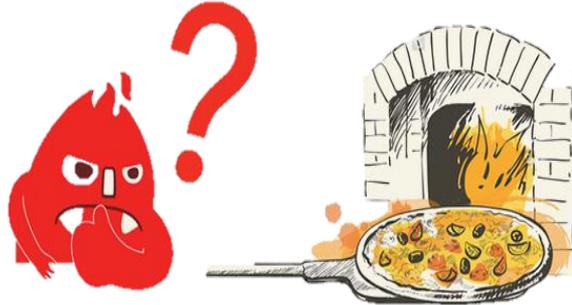
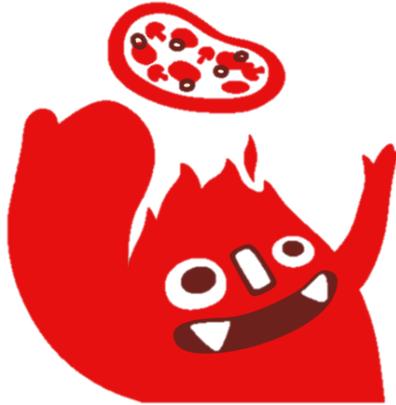


Italian Oven Sandwich

A Sandwich with hot baked dough from Italian oven, fresh vegetable and toppings

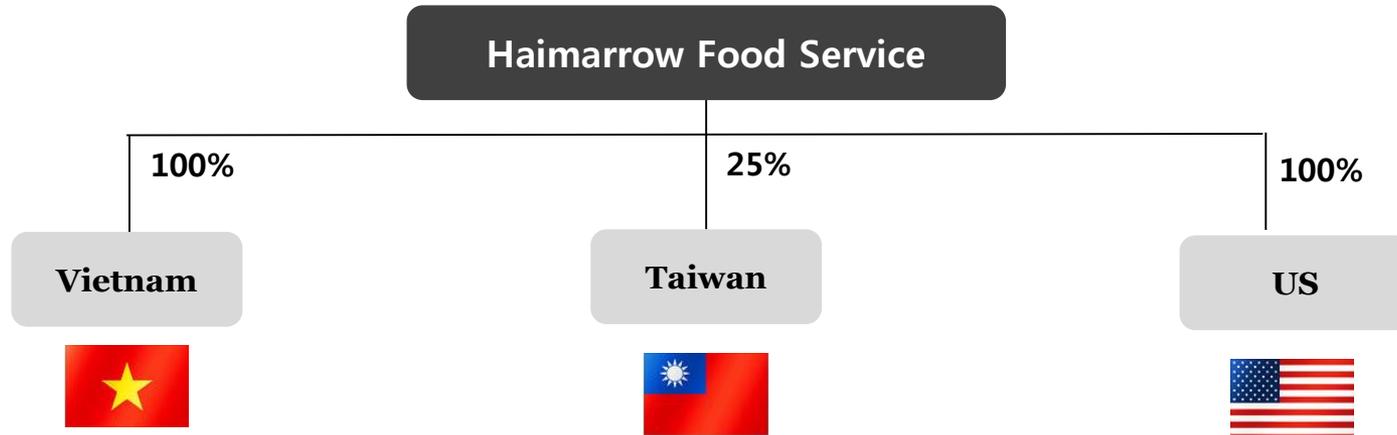
Comparison with Competitors					
Brand	Fast Casual	Sandwich shop		Bakery	
	Boombata	Subway	Quiznos	TOUS les JOURS	PARIS BAGUETTE
Images					
Signature Menu	Herb Chicken	BLT	Double Bacon BLT	BELT	BELT
Price (KRW)	4,300(\$4.3)	5,100(\$5.1)	5,500(\$5.5)	5,000(\$5.0)	6,000(\$6.0)

Why is the oven pizza expensive?



Comparison with Competitors

Brand	Fast Casual	Oven Pizza		Delivery		Take-out
	Boombata	The Place	Mad for Garlic	Domino's Pizza	Pizza Hut	Pizza School
Images						
Signature Menu	Gorgonzola	Gorgonzola	Gorgonzola	Super Supreme -Medium	Super Supreme -Medium	Combination
Price (KRW)	6,900(\$6.9)	18,900(\$18.9)	21,800(\$21.8)	18,500(\$18.5)	18,900(\$18.9)	7,000(\$7.0)

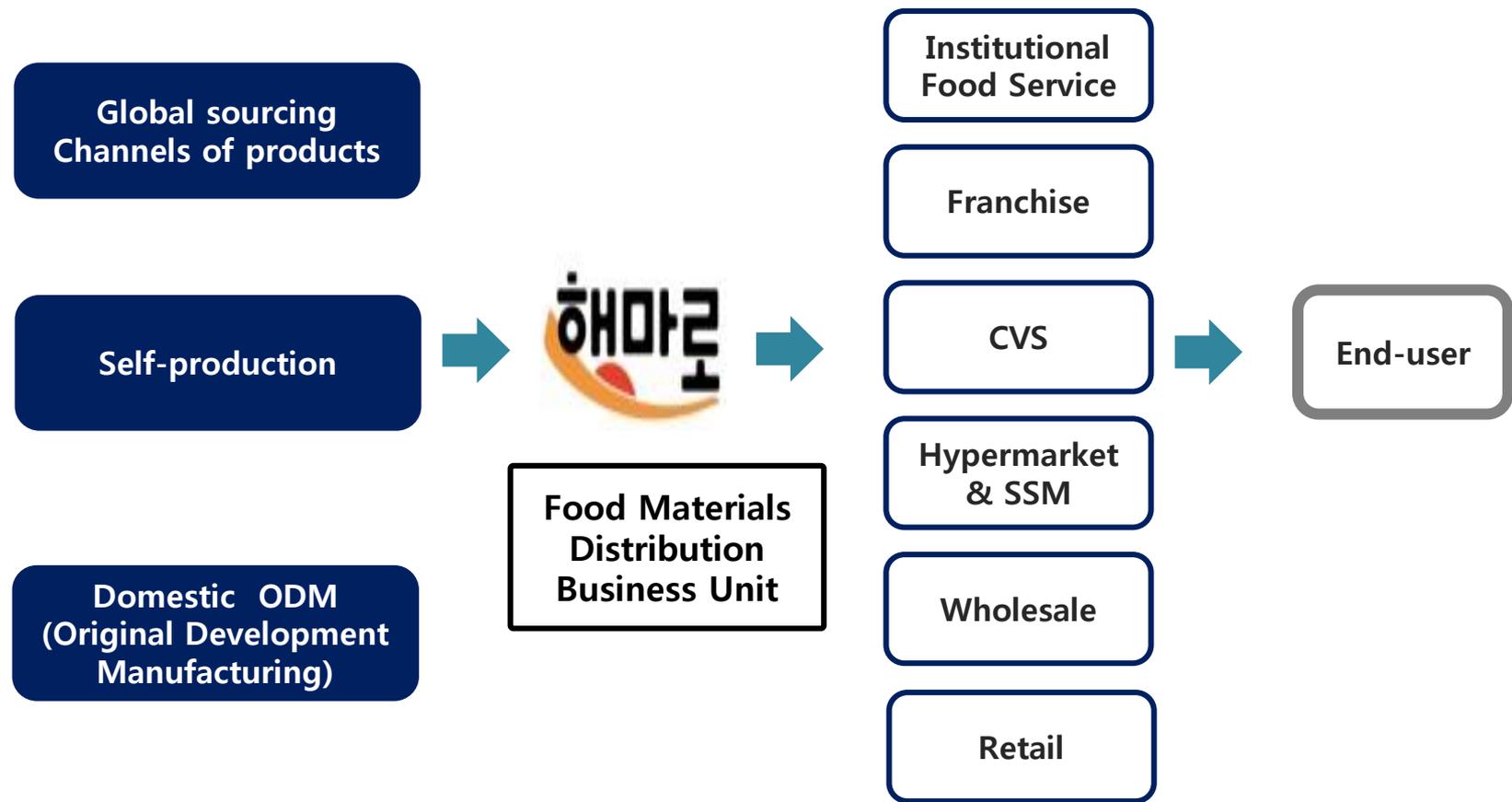


- Expanded into 3 countries
- Vietnam: Opened the 1st store in 2016, the 2nd store in 2018 and 3rd store are in the process
- Taiwan: Opened the 6th store in Feb. 2018

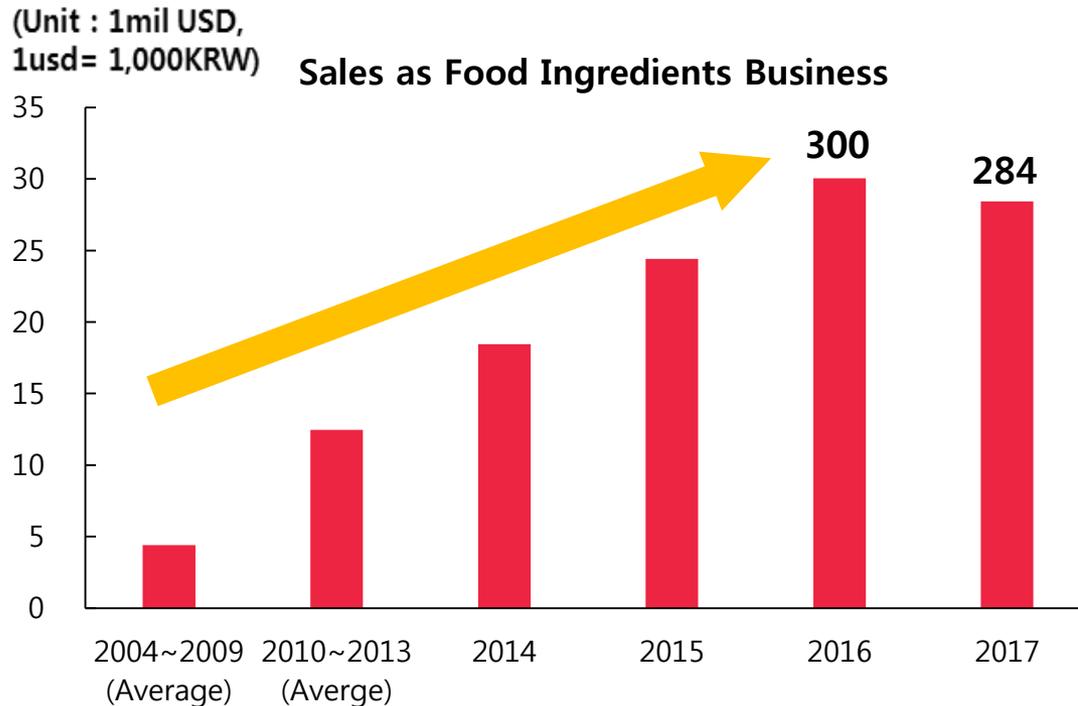
6. Food Materials Distribution Business Department



해마루 Value Chain



The increase trend of sales in Haimarrow Distribution Sales Division



- The number of B2B customers is constantly increasing every year
- As of the end of 2017, sales was 284mil. USD
- Credit rating hiked after IPO in October 2016 (borrowing rate is adjusted to 1% level, advantageous in securing new B2B customers)

6. Food Materials Distribution Business Department



해마로 Main B2B Customers

Convenience stores



Top CVS brand in KOR



2nd CVS brand in KOR



3rd CVS brand in KOR



4th CVS brand in KOR

Hypermarket OEM/ODM



JV brand with Tesco



Top Hypermarket brand in KOR



3rd Hypermarket in KOR



Best Known Brand in HMR

Franchisor and F&B Co.



No.1 M/S of institutional food Service in KOR



A world best food distributor and food service company



B2B food distributor and food service company



Sushi and Roll franchise restaurant in KOR

Global Counterparty



Vietnam- The biggest food company



The biggest potato producer in North America

6. Food Materials Distribution Business Department

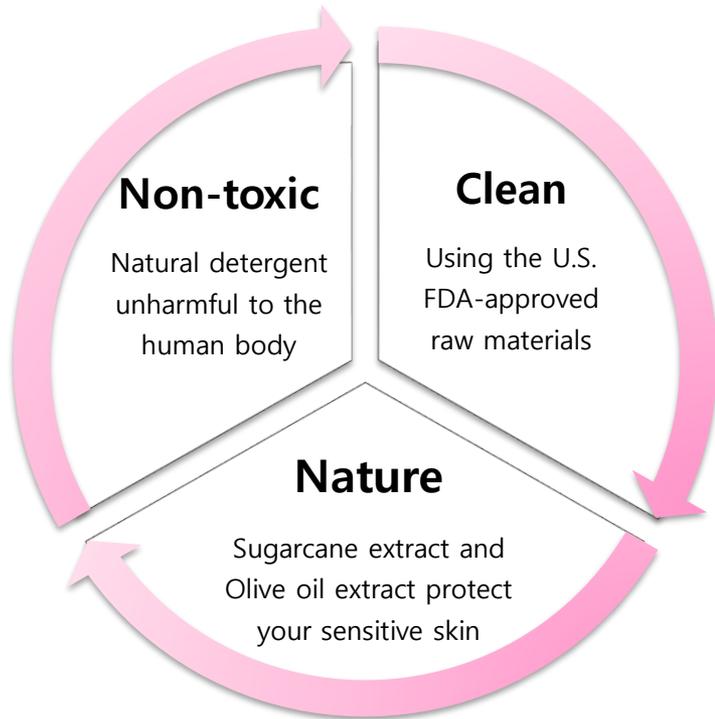


Haimarrow Jincheon Logistics Center foreground



7. Subsidiary

Eco-friendly Household Chemicals



Location

○ **Seoul office**

58, Seongnae-ro, Gangdong-gu, Seoul,
Republic of Korea
☎ 02-790-6681

○ **Head office&Factory**

13-1, Donghae-daero 2315beon-gil,
Cheongha-myeon, Buk-gu, Pohang-si,
Gyeongsangbuk-do, Republic of Korea
☎ 054-251-4611

○ **Gwangyang factory**

50, Jikdong 1-gil, Gwangyang-
eup, Gwangyang-si, Jeollanam-
do, Republic of Korea
☎ 061-762-9340



- Established in March, 1999
- Number of Employees : 60 (June,2018)
- Sales: 20 billion KRW (2016)
- A safe detergent made of sugarcane and olive oil (The Kitchen, Laundry Detergent and Baby Detergent)
- Haimarrow pays 8.1 billion KRW to acquire the 100% shares of Sugar Bubble Co., Ltd on April, 2017.
- Homepage: www.sugarbubble.com

About **Sugar Bubble**

- 1999. 03** Established Green Chemical Co., Ltd.
- 1999. 08** A Certificate of Venture Company was issued by the Ministry of SMEs and Startups
- 2000. 02** Appointed as an INNO-BIZ company by the Ministry of SMEs and Startups
- 2000. 07** Opened a branch office in Gwangyang
- 2002. 10** Won a grand prize of Venture Company Award(received a presidential citation)
- 2006. 09** Received a President Award in the 7th New Tech Korea.
Ranked on the top KS-WCI(Korean Standards-Wellbeing Consumer Index)
in the Cleaning Department at a Kitchen Detergent.
- 2008. 04** Changed the company name from "Green Chemical Co., Ltd" to "Sugar Bubble Co., Ltd"
- 2008. 06** Acquired a Environmentally Sustainable Product Certification by KEITI
(Korea Environmental Industry & Technology Institute)
- 2011. 06** Went under the court receivership
- 2011. 04** Acquired a Australia LOHAS Certification for a dishwashing detergent
- 2014. 06** Lunched a Baby Detergent
- 2016. 01** Started to export Sugar Bubble products to Sams Club in China
- 2017. 04** Ended the court receivership process on April 4th
Acquired by the Haimarrow Food Service., Ltd
- 2018. 06** Launched Hair and Bath Brand

7. Subsidiary



Kitchen Detergent



Laundry Detergent



Baby Detergent



H&B

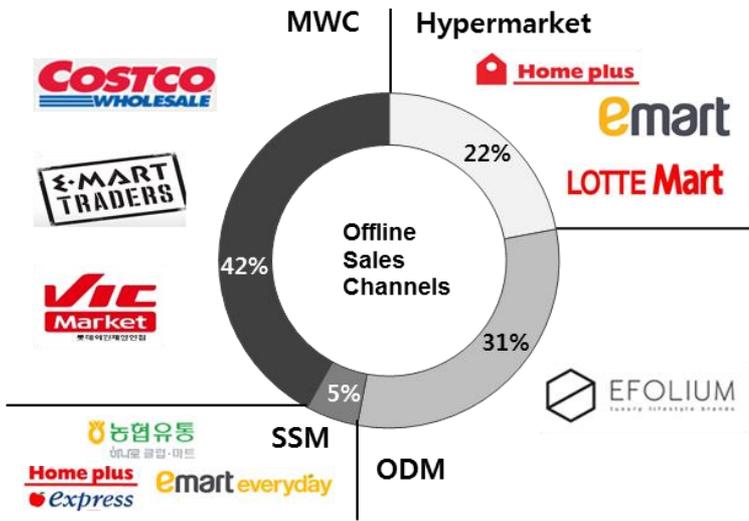


- Sugar Bubble Co., Ltd produced a natural detergent combining sugarcane with olive oil.
- According to the test for acute oral toxicity conducted by Korea Testing&Research Institute, Sugar Bubble is safer than salt. It's products are less toxic and unharmed to the body.
- Developed premium product line following the trend toward using natural materials.

7. Subsidiary



Offline Sales Channels(2Q18)



Status before and after being the major subsidiaries in 2017

(Unit: mil. KRW)	2016	2Q17	3Q17	4Q17	1Q18	2Q18	QoQ (%)
Sales	19,925	5,035	5,705	5,082	4,916	6,340	29.0
Gross Profit	5,245	1,742	2,162	1,525	1,804	2,093	16.0
GPM(%)	26.3	34.6	37.9	30	36.7	33	-10.1
SG&A	3,891	1,193	1,402	1,314	1,137	1,648	44.9
Operating Profit	1,354	549	760	211	667	445	-33.3
OPM(%)	6.8	10.9	13.3	4.2	13.56	7.02	-48.2

Source: Haimarrow Food Servie Co., Ltd

Source1: Haimarrow Food Servie Co., Ltd

Source2: Consolidated Statements of 'Sugar Bubble Co., Ltd.'

- Sugar Bubble Co., Ltd had already repaid all debt. During the 2th quarter, it reduced COGs by 4.5%p QoQ.
- Currently, Sales are composed of offline (69%), special sales and overseas sales (24%), and online (8%) (as of 2Q18)
- Sugar Bubble Co., Ltd targets massive and nature-oriented detergent market.
- 2016 Sales: approximately KRW 20 billion, net income of one billion, net asset value exceeding KRW 6 billion. Property value is over KRW 4 billion.
- 4Q17, OPM was decreased because of offer the first incentive (one-time cost)

1) Cost Structure

(Unit: ₩RW 100 million) □	2012	2013	2014	2015	2016	2017	2Q18
Sales	351	489	795	1,486	2,019	2,396	1,378
Gross Profit	84	116	217	396	525	677	410
SG&A	76	94	150	308	356	522	286
Operating profit	8	23	68	88	169	155	124
Net Income	6	18	54	60	90	113	107

- COGS Rate : Gradually declined from 76.1% in 2012 to 70.27% in 2Q18 (buying power and efficiency improved)
- SG&A Expense : Decreased from 21.7% in 2012 to 17.6% in 2016 (logistics efficiency improved)
- Cost Structure in the Future : Improved in buying power and logistics efficiency due to increased restaurants, resulting decreased SG&A ratio (One-off expenses of about KRW 20 billion due to the share-based compensation and employee stock options in 2Q, 2017)
- 2016 : Temporary cost raised during the IPO due to merger costs (4.6 billion) with SPAC
- Decrease in COGS-to-sales ratio due to the drop in exchange rates (Based on the standardized sales ratio KRW 1,205.00 (Dec. 30 2016) → KRW 1,063.00 (Mar. 31 2018))

2) Peer Valuation

Division	Index	The date of listing	Base Value	Mkt cap. (KRW bil.)	P/E Ratio
Composite index	KOSDAQ	1996.07	1,000	286,916	33.45
Industry Group Index	KOSDAQ Food Beverage	1996.07	1,000	5,616	32.20
Listed on NYSE	McDonald's	1965.01	USD 0.01	137,962	22.51
Listed on KOSDAQ	Haimarrow Food Service Co., Ltd.	2016.09	KRW 100	210	18.75
Listed on OTCMKTS	JOLLIBEE FOODS	1993.7	PHP 1	6,400	43.69

Note 1: Above Base Date is the opening date of the index or listed date

Note 2: P/E Ratio is based on the closing price on Jan. 02, 2018 (McDonald's=USD 173.22, Haimarrow=2,310 KRW)

3) Dividend Policy

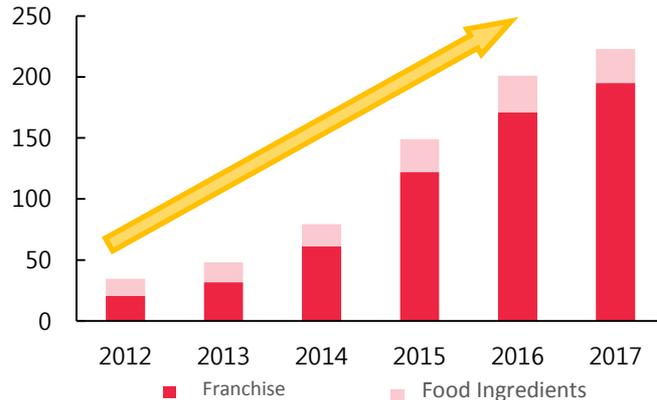
- Price-dividend ratio in 2017 was 1.40%, and 25% of Net income was paid as dividend
- As a company with high dividend, it is 1.8 times higher than KOSDAQ average of 0.79%
- With 24.5% of dividend payout ratio, it is 1.7 times higher than the market average of 14.6%
- Will continue to focus on returning profits to the shareholders with high dividend yielding policy

8. Investment point of Haimarrow Food Service Co., Ltd



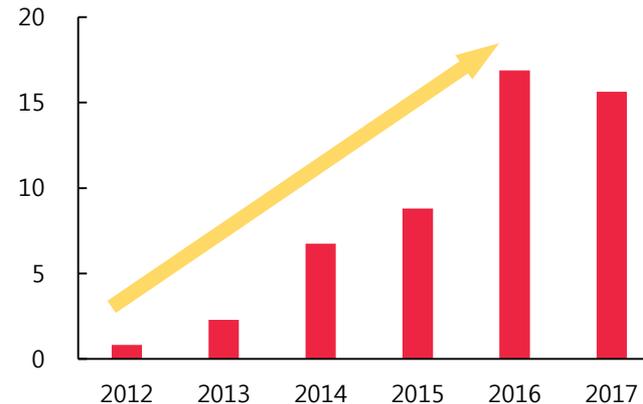
Net Revenue Increase

Unit : 1mil USD, 1usd= 1,000KRW)



Operating Profit Increase

Unit : 1mil USD, 1usd= 1,000KRW)



- Increasing brand value known for its affordability
- Constant increase in sales per restaurant and the number of restaurants
- The growth will be sustainable in 2017
- Possible improvement in profitability and logistics efficiency due to increase in the number of stores in existing brand and new brand
- Sugar Bubbles revenue and profit will be consolidated in 2H 2017
- Possible decline in cost ratio by enjoying synergy effects at SG&A level among Sugar Bubble, Boombata and MoM's Touch and increased buying power.
- MoM's Touch restaurants located in Seoul account for about 7.8% of the total, but the 20% of total population live in the capital. Seoul is the top of the sales per restaurant (the area with the highest purchasing power)
- MoM's Touch is 100% franchise business, so do not have risk from the direct investment
- Expect to generate additional revenue from the mobile service and HMR

Thank you

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