

Company Name: HF Foods Group Inc. (HFFG)  
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<<Anna Kate Heller, ICR >>

Good morning, everyone. I'd like to welcome you to HF Foods Group's presentation. HF Foods is a leader in the Asian foodservice distribution market in the U.S. Today's presenters are Peter Zhang, HF Foods' Chief Executive Officer and Felix Lin, the Company's Chief Operations Officer.

And before we begin, I do need to turn your attention to this disclaimers page. And now, I'll turn it over to Peter.

<<Peter Zhang, Chief Executive Officer>>

Good morning, everyone. My name is Peter Zhang. I'm the CEO of HF Foods. HF Foods is a leading national player of Asian food distribution market. Our mission is to help local and regional Asian business owner to fulfill their dream. And also we're partnering with domestic and international suppliers to bring the most variety, high-quality selection of Asian ingredients to create one-stop shopping to our customer's needs.

With a history of strategic acquisitions, today we are a leading food distributor in Asian food restaurant across the country. Today, we have a total of 18 distribution and cross-docks around the nation. And also we have serving almost 13,000 of Asian and Chinese restaurant coast-to-coast. We also have almost 400 truck on the road delivered to all these restaurants every day. And also our distribution network has almost covered 95% of the United States. And our customer base is 98% as an independent restaurant, just like a Papa Mama restaurant.

And our management team, our workforce related to Asian community. Our management team and workforce related to Asian community has a very unique ability to understand the language and the culture. That we also have call center service who are in China and service the language and dialect to speak the restaurant owners dialect, that will allow us to provide solution and offer solution for fit each customer.

Yeah, HF Foods actually founded in 1997 and also continued the B&R Group Holding location in L.A. was founded in 1999. The year continued to merge and expand our business to Florida and also to Atlanta and also on East Coast and West Coast. B&R consolidated all the West Coast facility during 2014 and 2019. We merged with legacy HF, becoming public company. Then during the COVID, then we also have acquisition of Great Wall Seafood in 2021 and 2022, also we – also acquisition Sealand in Virginia becoming today we have 14 warehouse and four cross-docks total 18 distribution center around the nation.

Over the few years like four years, we've built a very strong management team. I just talked to a little bit about myself. You guys probably can see English is my second language. So over 20

some years, I'm becoming restaurant owner and also Founder of Best Foods Group in Chicago and becoming CEO of 2019 with the merge of a B&R Group. Then we got CFO, Carlos, who just joined the company a couple of years ago and Felix Lin, who's the COO, he's here today. He joined the company was a board member and becoming a manager – management. And Christine Chang, well, he's joined the company about three years ago, two and a half becoming general counselor and Chief Compliance Officer and our Chairman of the Board of Director, Russell Libby is also come from the food, come from the Cisco retired, so we build very strong management team within a few years.

Now I turn over to Felix can talk to more detail about our company.

<<Felix Lin, Chief Operations Officer>>

Thanks Peter. So I'm going to talk a little bit more about HF, how we're built, our transformation plan, specifically who we are, and then focus on where our growth is going to be for the coming years. So as Peter mentioned, the company was founded in the late 90s, started on the East Coast, HF. Peter is not only just our CEO, he's also the founder of our business specifically for the space that we play in. Peter is also considered one of the founders of the Asian food distribution space. So if you look at our business again, we're a leading Asian food distributor. We're a one-stop shop, considered a broadliner in this space. And our product offering consists of Asian specialty seafood, meat, poultry, fresh produce, packaging and certain key commodities.

Our customers, again, as Peter mentioned, we service about 15,000 independent restaurants across the country, coast-to-coast. Most of them rely on our specialty product for their cuisine. If you guys have ever been to a Chinese takeout restaurant, one of the things you probably notice is a variety of number of items on their menu.

And they can't do that without a company like HF. Specifically, if you look at our product mix, over 20,000 SKUs, nearly half of them are in the Asian specialty category. So again, some of these items, as you guys can see, quite familiar items that you got picked up from the menu. And there's a lot of specialty ingredients in there. Talking a little bit about the space, there's roughly about 94,000 Asian restaurants throughout the U.S. And HF had the capacity to service about 95% of them.

And out of the 94,000 restaurants, majority of them are considered independent restaurants. And historically, these have been underserved by your larger broadliners. So again, our focus have always been on the independent restaurant side. Specifically, if you look at our mix in that segment, roughly about 98% of the restaurant within the Asian category are considered independent. So the national chain restaurant that you historically see in the larger broad island business are considered a very small part of our business. So we like the space that we play in.

It means that there's significant margin opportunity with a focus on independence. So what's different between us and with our competitors? HF is really the only company within our space with a national reach. Again, we have the capacity to serve 95% of the contiguous U.S. We have a stickiness with our customer that is tied to our cultural connection with the customers. Our ease of communication, that's not something that the national players can replicate. So, specifically,

some of the competition that we do have is probably focused and limited to more of a local and regional area.

So again, the competition is very, very fragmented in nature. So we're the only one that's with a national reach and this stickiness with the customer.

Talking a little bit about how we're built. Again, we have 18 distribution centers and cross dock operations throughout the country, specifically all the way from East Coast to the West Coast. And with the recent acquisitions back in 2022 with the Great Wall Group, we now have presence in the Virginia market, Illinois, and Texas as well. Serve – we have roughly about 400 trucks.

Now what's different between our model and the larger broadliner is our routes are typically a little bit longer as we go out because a lot of our customers are located in more remote and rural areas in the country, and that's also one of our advantages, right? As an example, again, this space has just been very, very underserved. Peter himself has been spend about 30 years within the space, about 10 years of that as a restaurant owner, and he's opened up shops throughout the country in very rural areas. And how this business kind of got started is because he couldn't find the supply that he need. And then eventually, I'm just going to open up my own distribution company. And so, really, there's a strong connection between our business and the Asian – the growth of Asian restaurants throughout the last two or three decades within the U.S.

Our sales model is a little bit different as well. Again, we rely heavily on our multilingual sales team. We have call centers, which speaks the native tongue of our customers. Frequently they order, whether it's in Mandarin, Cantonese or other local dialects, Korean as well, so depending on what our customer, specifically the type of restaurants that they operate. And again, this is one of the special unique part about HF, and then different from the other broadliners, the space that we play in.

Not only do we have a culture and language advantage that's hard to replicate, again, given where our customers have come from, a lot of them are first-generation. Sometimes they also treat this as one of the social events that they have on a weekly basis as they communicate and place orders with our sales team.

Our supplier base is very fragmented as well. It's made up of large number of smaller suppliers. Again, a significant portion of it is from focus on the Asian Specialty segment. Again, we have a long tenure, long relationship with our supply base, average about 6.2 years. But a significant number of them have actually grown over the years with HF, and we're considered strategic partners to many of them. There's a number of them, in fact, there are probably 10 or 20 years though from a supplier tenure standpoint.

Now focus a little bit on our transformation plan. So 2024 and beyond, really, there's four significant buckets of our transformation plan. One is centralized purchasing, two, fleet and transportation, three, around digital and four, facility. Again on centralized purchasing, with the Great Wall acquisition in 2022 we piloted seafood – a number of seafood SKUs in 2023 and have seen significant progress in margin expansion there. I think there's a significant amount of opportunities still left for us to nationalize some of the categories there.

On fleet and transportation, again, it's all about how do we reduce costs and get more efficient at what we do. One of the things I mentioned about our service routes is different than the others long distance routes. We're looking to cut down on our cost of serve. Again, we're going through pretty significant digital transformation, starting with a new ERP system that we're going to launch this year, get all the companies on the same platform to improve better decision making process and drive efficiency as well.

We've recently undertaken a network – facility network study to get an understanding of, again, in the future where the investment should be from a facility standpoint. And again, cutting down on our cost of serve and also tap into some white space that's still out there.

Talk a little bit about growth opportunity. Again, if you look at this slide, this is kind of a slide of where the concentration of Asian restaurants are located within the U.S., and again, most of the region we have coverage today, but there's still significant amount of white space for us left to tackle. If you look at – just do a simple math, there are roughly 94,000 restaurants, and today we service about 15,000 of them. So in our existing market, there's opportunity to expand organically, but certainly there's other territories that we can get into.

Margin expansion is part of our plan to increase or share the wallet with customers. As we know, pricing and quality – and service is going to be the key. As we centralize our purchasing, our aim is to reduce our cost structure and try to utilize that and expand a little bit more of our share.

Peter mentioned the Great Wall acquisition in 2022. And those were effectively 100% seafood businesses that we purchased a couple of years ago. So that gives us a lot of cross selling opportunities in those markets, specifically Illinois, Texas and Virginia. Now we have added several thousand seafood customers. Our aim is, again, through our facility upgrades and whatnot to expand product mix in those areas, so again, a significant amount of cross selling opportunities. Same with the other distribution business that we have both in the Southeast and the West Coast, which historically we sold seafood but not a significant part of our mix. We're looking to expand our seafood offering there.

M&A, again, over through our 20-plus year of history, M&A has always been part of our DNA. I think in this business, it's always a combination of organic growth M&A. And given Peter's relationship and reputation within the space, we are the acquirer of choice within our space. If you look at, talk about our competition in the smaller regional and local areas, most of them are first-generation operators. As they look to exit, as they look to scale, they're looking for partners and potential acquirers like HF to do that. So we're excited about what our pipeline looks like and focus on continuing to do that. And it's going to be another way of us getting into some of the white space I mentioned.

So to kind of sum it up, HF, I think we offer an extremely strong value proposition. We are focused on our transformation plan in 2024 and beyond. We're very proud of what we have achieved so far and build the business to \$1.1 billion net revenue a year business. I think we look forward to showing some of the results here in the coming quarters financially.

Okay. Thanks for having us.