Company Update
Food and Healthy Living

2026/06/23
TruePulse Equity Research
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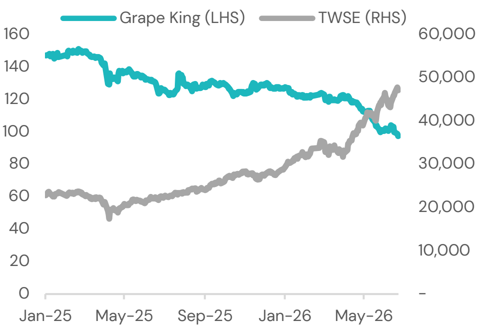
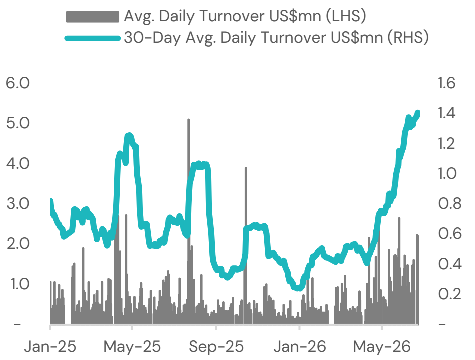
Key Statistics

Ticker:	1707.TW / 1707TT
Current Price:	TWD 87.3
52-Week Range:	TWD 97.0 – 138.0
Avg. Vol. (30-Day, k share)	440.2
Outstanding Shares (MN)	148.1
FINI Holding (%)	13.60
Market Cap (US$MN)	455.0

Price Performance





Financial Summary

NT$ mn	2024	2025	2026E	2027E
Revenue	11,160	10,252	10,948	12,563
Revenue YoY (%)	4.9	(8.1)	6.8	14.7
Gross Margin (%)	77.6	75.1	74.5	73.8
OP Margin(%)	22.4	20.9	20.8	21.5
Net Profit	1,448	1,218	1,305	1,594
Net Profit YoY (%)	(0.3)	(15.9)	7.1	22.2
Net Margin(%)	13.0	11.9	11.9	12.7
EPS (NT$)	9.78	8.22	8.81	10.76
BPS (NT$)	79.6	81.5	89.1	99.0
ROE (%)	14.5	11.9	12.3	14.3
Yield (%)	7.1	6.2	6.4	-
P/E (x)	10.0	11.8	11.0	9.0
P/B (x)	1.4	1.2	1.1	1.0
P/S (x)	1.3	1..4	1.3	1.1
EV/EBITDA (x)	4.2	4.6	4.2	3.5

Grape King Bio

A Clearer Path to Earnings Recovery, with Malaysia Emerging as a Second Growth Engine

Company Overview

Founded in 1969, Grape King Bio (1707.TW) is a leading Taiwan health-supplement company built on vertically integrated fermentation, branded products, and a fast-growing OEM/ODM platform. Its four business units—Taiwan own-brand, OEM/ODM, UVACO, and Shangh1ai—are supported by in-house R&D and decades of fermentation expertise. With a portfolio grounded in functional mushrooms, probiotics, and clinically supported actives, the company serves both domestic consumers and global brands. Backed by a solid balance sheet and steady cash flow, Grape King is focused on product innovation and international expansion to support long-term growth.

Key Points

Earnings recovery path becomes clearer, with gross margin improving from 2Q26: Management indicated that 1Q26 likely marked the least favorable earnings mix of the year. From 2Q26, recovery should be supported by a higher contribution from higher margin businesses, increased raw-material shipments, and improving utilization at Grape King Shanghai. Assuming input and packaging costs do not worsen further, consolidated gross margin is expected to recover to around 72% in 2Q26 and remain above that level in 3Q26 and 4Q26. With UVACO entering its peak season and Taiwan contract manufacturing seasonally stronger, 2H26 should outperform the first half.

Taiwan operations sustain growth as ODM/OEM broadens beyond dosage-form expansion: Grape King Taiwan's 1Q26 revenue rose 20.8% YoY to NT$382mn. Own-brand sales increased 3%, supported by proprietary e-commerce, livestreaming and new-product launches, while ODM/OEM revenue grew 39% to NT$219mn on new softgel and other dosage-form products for a major pharmaceutical customer. However, the customer's share of contract-manufacturing revenue increased to 56%, while raw-material sales fell to 18% of the mix. Management plans to expand proprietary fermentation ingredients, probiotics and overseas sales, supporting a more diversified and potentially higher-margin growth profile.

Malaysia opens a second membership market, with meaningful profit contribution expected from 2027: UVACO revenue declined 4.2% YoY in 1Q26, reflecting stagnant active membership in Taiwan and the initial reallocation of organizational resources toward Malaysia. The Kuala Lumpur operating center began trial operations on May 29 and will officially open on August 17. By end-May, around 16 training sessions had attracted more than 2,000 participants and several hundred new members. Management is targeting 10,000 members by year-end and breakeven operations in 2026. With recruitment and localization prioritized over near-term profitability, a more meaningful earnings contribution is expected from 2027.

Forecasts and Base Case valuation unchanged; medium-term operating leverage remains underappreciated: The analysts meeting broadly confirmed our existing assumptions. Taiwan ODM/OEM remains strong, additional beverage orders should improve Shanghai utilization, and Malaysia has entered a tangible membership and organizational build-out phase. We therefore maintain our 2026–2027 earnings forecasts. Under our Base Case, we apply 14–16x to average 2026–2027 EPS, implying a value range of NT$137–156. We believe the earnings upside from overseas expansion and the internationalization of the ODM/OEM business is not yet fully captured in the current valuation.

1Q26 Analyst Meeting Highlights

Earnings recovery should begin in 2Q26, driven by mix and utilization rather than cost relief
At its latest investor briefing, management indicated that 1Q26 likely represented the least favorable earnings mix of the year. The expected recovery from 2Q26 onward should be driven primarily by a higher contribution from UVACO, increased shipments of higher-margin raw materials, and improving utilization at Grape King Shanghai, rather than any meaningful easing in raw-material or packaging costs. Assuming input costs do not deteriorate further, management expects consolidated gross margin to recover to approximately 72% in 2Q26 and remain above that level in 3Q26 and 4Q26. With the second half historically accounting for a larger share of full-year earnings, operating momentum should remain notably back-end loaded.

Grape King Taiwan remain the clearest growth engine, led by ODM/OEM expansion
Grape King Taiwan delivered 20.8% YoY revenue growth in 1Q26. Own-brand sales increased 3%, supported by a shift away from telemarketing toward proprietary e-commerce, livestreaming and new-product launches, while ODM/OEM revenue rose 39% to NT$219mn. Growth was primarily driven by additional dosage forms and product lines for a major pharmaceutical customer, including softgel products, rather than by geographical expansion. However, the customer's share of ODM/OEM revenue increased from 30% to 56%, while raw-material sales declined from 26% to 18% of the mix. Management therefore aims to raise the contribution from proprietary probiotics and fermentation-derived ingredients, which should support a more diversified and margin-accretive growth profile.

In-house production and broader dosage-form capabilities should strengthen the ODM/OEM platform
The completion of the Pingzhen Yongfeng Phase I and Longtan Phase II facilities allows Grape King to bring previously outsourced drying processes in-house. This should improve quality consistency, production yields, lead-time control and raw-material margins. The company has also established capabilities across nine major dosage forms, providing a broader platform for full-service contract manufacturing. In parallel, it is developing overseas opportunities for proprietary ingredients such as probiotics, Antrodia cinnamomea, Cordyceps cicadae and lion's mane mushroom across Japan, Europe and the US. Some probiotic products can already be commercialized overseas, although regulatory approval for newer functional ingredients, particularly in Europe, will require a longer lead time.

UVACO's Taiwan membership base remains soft, making Malaysia a strategically necessary expansion
UVACO revenue declined 4.2% YoY in 1Q26, reflecting a broadly stagnant active-member base in Taiwan and the initial reallocation of organizational resources toward Malaysia. Management acknowledged that the overseas build-out may temporarily dilute operating momentum in Taiwan, as senior distributors and key member groups devote greater time to market development and training activities abroad. Nevertheless, Malaysia is viewed as a necessary step to break through the structural constraints of Taiwan's mature direct-selling market. Meanwhile, skincare products continued to outperform, with 1Q26 revenue rising 15% YoY to NT$122mn and accounting for 7.6% of UVACO sales. The category should gradually expand from personal care into a broader lifestyle-product portfolio.

Malaysia prioritizes membership scale in 2026, with earnings contribution expected from 2027
UVACO's Kuala Lumpur operating center began trial operations on May 29 and is scheduled to officially open on August 17. By the end of May, approximately 16 training sessions had attracted more than 2,000 participants, while several hundred new members had already joined across Malaysia's major states. Close to 1,000 member visits are planned for July to support training and organizational development. Management is targeting 10,000 members by year-end, although it acknowledged that localization and cultural differences make this an ambitious goal. The priority through 1H27 will remain membership recruitment and network development, with Malaysia targeted to operate around breakeven in 2026 and make a more visible positive contribution from 2027.

Grape King Shanghai's recovery depends on utilization, not a broad China demand rebound
Grape King Shanghai generated 11.5% YoY revenue growth in 1Q26, but still accounted for a negative 4% of group net profit despite contributing 13% of consolidated revenue. Management attributed the loss primarily to low utilization. From 2Q26, additional beverage orders from strategic partner Uni-President should help fill available capacity and narrow losses following the necessary production-line modifications. Nevertheless, China's underlying demand environment remains weak, with longer ordering intervals and smaller order sizes among existing customers. The planned cross-border e-commerce initiative for Taiwan-made products has also been suspended due to regulatory, tax and customs constraints.

Capex supports medium-term margin improvement and broader contract-manufacturing opportunities
Grape King plans capital expenditure of NT$653mn in 2026. In addition to bringing the drying process in-house, the company expects to invest approximately NT$100mn in 4Q26 to renew its liquid-product line and add Slim can capacity. The new line will allow Grape King to internalize previously outsourced production and broaden its addressable contract-manufacturing market, with discussions already underway with Japanese customers. Management expects the new capacity to begin contributing revenue from 2Q27. Despite the higher capex program, the company continues to target a dividend payout ratio of approximately 70% and maintains a sound balance sheet, with no borrowings and a substantial net-cash position.

Forecasts unchanged; valuation continues to overlook medium-term operating leverage
The operating outlook was broadly consistent with our existing assumptions. Strong Taiwan ODM/OEM growth, improving Shanghai utilization and tangible progress in Malaysia provide a clearer path to medium-term earnings recovery. However, persistent input-cost pressure, weak membership growth in Taiwan and upfront spending in Malaysia are likely to limit near-term earnings upside. We therefore leave our 2026–2027 earnings forecasts unchanged. Under our Base Case scenario, we apply 14–16x to average 2026–2027 EPS, suggesting an implied value range of NT$137–156.

Exhibit 1.1: Grape King's Implied Value Scenario Analysis

Scenario	Applied P/E (x)	Implied Value (NT$)	Underlying Assumptions
Bear Case	11–13x	108–127	Slower OEM/ODM scaling; delayed overseas execution; prolonged consumer softness
Base Case	14–16x	137–156	OEM/ODM expansion on track; UVACO normalization; gradual overseas contribution
Bull Case	17–19x	166–186	Strong OEM/ODM momentum; successful overseas ramp, improved earnings visibility

Source: Company Data, TruePulse Equity Research

Key Risks and Challenges

- **OEM/ODM execution risk:** While OEM/ODM is a key growth engine, project-based revenue can be subject to timing delays, longer development cycles, and customer launch schedules, which may introduce short-term volatility despite strong medium-term demand visibility.
- **Direct-selling product-cycle and engagement risk:** UVACO's performance depends on sustained member engagement and successful product launches. Shifts in purchasing patterns, competitive offerings, or slower-than-expected adoption of new categories could affect near-term revenue momentum.
- **Overseas expansion and regulatory complexity:** International growth requires navigating diverse regulatory frameworks, product registrations, and localization efforts. Delays in approvals or higher compliance costs could affect the pace of expansion.
- **China consumption and channel execution:** Shanghai Grape King operates in a highly competitive and price-sensitive environment. Prolonged consumer downtrading, slower channel ramp-up, or execution challenges in new distribution partnerships could limit near-term recovery.
- **Market competition and pricing pressure:** Taiwan's supplement market remains crowded, with increasing online competition and private-label offerings. Maintaining brand positioning and pricing discipline while defending market share remains an ongoing challenge.

Grape King's Income Statement

NT$mn	2023	2024	2025	2026E	2027E
Net Sales	10,635	11,160	10,252	10,948	12,563
COGS	2,099	2,502	2,555	2,790	3,290
Realized profit (loss) from sales	-2	-0	1	1	0
Gross Profit	8,536	8,658	7,697	8,158	9,273
Selling Expenses	5,046	5,140	4,615	4,883	5,448
G&A Expenses	702	726	667	705	792
R&D Expenses	290	292	275	289	332
Other Operating Expenses	0	0	0	0	0
Operating Profit	2,499	2,500	2,141	2,282	2,701
EBITDA	2,959	3,013	2,698	2,967	3,487
Net Interest Income (Expenses)	48	50	46	42	54
Other, Net	0	0	0	21	42
EBT Excl. Unusual Items	2,547	2,550	2,188	2,346	2,797
Gain (Loss) on Sales of Investments	0	0	0	0	0
Gain (Loss) on Sale of Assets	-1	1	-1	0	0
Gain (Loss) on FX	1	7	-1	3	0
Other Unusual Items, Total	117	116	112	98	111
EBT Incl. Unusual Items	2,663	2,673	2,298	2,447	2,908
Income Tax Expense	519	502	437	479	565
Earnings from Cont. Ops.	2,144	2,171	1,861	1,968	2,343
Discontinued Operations	0	0	0	0	0
Net Income to Company	2,144	2,171	1,861	1,968	2,343
Minority Interest	689	723	643	663	750
Preferred stock dividends	0	0	0	0	0
Net Income to Parent	1,455	1,448	1,218	1,305	1,594
EPS (NT$)	9.82	9.78	8.22	8.81	10.76

Source: Company Data, TEJ TruePulse Equity Research

Grape King's Cashflow Statement

NT$mn	2023	2024	2025	2026E	2027E
Net Income	1,455	1,448	1,218	1,305	1,594
Minority Interest	689	723	643	663	750
D & A, Total	434	475	514	631	724
Amortization of Deferred Charges	26	39	42	54	62
Change in Net Operating Assets	-87	-51	-575	-137	-168
Other Non-Cash Items, Total	5	-757	338	75	0
Other Non-Cash Items, Total (incl. minority profit)	693	-35	980	186	0
Cash Flow-Operating	2,522	1,876	2,180	2,590	2,962
Capital Expenditure	-587	-627	-446	-654	-588
Sales of PP&E	0	1	1	12	30
Other Investing Activities	-68	-36	-161	-28	0
Cash Flow-Investment	-655	-662	-606	-670	-558
Issue/(Retire) of Debt	0	0	0	0	0
Bank Revolver Draw/(Paydown)	0	0	0	0	0
LT Debt (Paydown)	0	0	0	0	0
Issue/(Retire) of Common Equity	0	0	0	0	0
Issue/(Retire) of Preferred Equity	0	0	0	0	0
Cash dividends paid	-1,664	-1,670	-1,703	-889	-913
Other Financing Activities	-45	-54	-69	-17	0
Increase (decrease) in Minority	0	6	26	0	0
Cash Flow-Financing	-1,709	-1,717	-1,745	-906	-913
Foreign Exchange Effects	-10	27	-6	37	42
Change in Cash Flow	148	-476	-178	1,051	1,532
Beginning Cash	4,673	4,819	4,343	4,165	5,215
Ending Cash	4,821	4,343	4,165	5,215	6,747

Source: Company Data, TEJ, TruePulse Equity Research

Grape King's Balance Sheet

NT$mn	2023	2024	2025	2026E	2027E
Cash & Equivalent	4,819	4,343	4,165	5,215	6,747
Trading Asset Securities	80	41	21	21	21
Short-Term Investment	71	49	92	94	94
AR & NR	291	305	337	347	414
Inventories	688	754	829	881	1,070
Prepaid Expenses	64	73	182	132	132
Other Current Assets	26	32	35	22	22
Total Current Assets	6,039	5,596	5,661	6,713	8,500
Long-term Investment	89	193	352	384	384
Total property plant and equipment	7,539	7,699	7,841	7,724	7,558
Goodwill	0	0	0	0	0
Other intangibles	125	119	108	60	0
Other Non-Current Assets	1,721	1,717	1,776	1,760	1,760
Total Assets	15,512	15,324	15,738	16,640	18,202
AP & NP	290	309	364	386	474
Accrued Expenses	3,122	2,778	2,782	2,571	2,582
Other Current Liabilities	235	235	275	250	250
Total Current Liabilities (excl. ST Debt)	3,647	3,323	3,421	3,207	3,305
Working Capital Revolver (ST Debt)	0	0	0	0	0
Total Debt (excl. Working Capital Revolver+incl. LT Debt within 1 yr)	0	0	0	0	0
Other Liabilities	235	210	251	236	236
Total Liabilities	3,882	3,533	3,672	3,444	3,542
Total Common Equity	9,978	10,056	10,342	10,809	11,522
Common Stock	1,481	1,481	1,481	1,481	1,481
Capital Reserve	2,876	2,879	2,882	2,882	2,882
Retained Earnings	5,700	5,730	6,003	6,411	7,083
Other Adjusted Items	-80	-35	-24	34	76
Total Preferred Equity	0	0	0	0	0
Minority Interest	1,652	1,735	1725	2,388	3,138
Total Equity	11,630	11,791	12,066	13,197	14,660

Source: Company Data, TEJ TruePulse Equity Research

Grape King's Financial Ratios

NT$mn / % / Days	2023	2024	2025	2026E	2027E
Margins					
Gross margin	80.3%	77.6%	75.1%	74.5%	73.8%
Op expense ratio	56.8%	55.2%	54.2%	53.7%	52.3%
Operating margin	23.5%	22.4%	20.9%	20.8%	21.5%
EBITDA margin	27.8%	27.0%	26.3%	27.1%	27.8%
Pretax margin	25.0%	24.0%	22.4%	22.3%	23.2%
Net margin	13.7%	13.0%	11.9%	11.9%	12.7%
Balance sheet ratios					
Receivables	291	305	337	347	414
Inventory	688	754	829	881	1,070
Payables	290	309	364	386	474
Net working capital	689	750	802	842	1,010
Receivable days	9.6	9.7	11.4	11.4	11.1
Inventory days	119.7	105.2	113.1	111.9	108.2
Payable days	50.8	43.7	48.1	49.1	47.7
Cash conversion cycle	78.5	71.2	76.4	74.2	71.6
Liquidity ratios					
Operating cash flow	2,522	1,876	2,180	2,590	2,962
Capex	-587	-627	-446	-654	-588
Free cash flow	1,935	1,249	1,734	1,936	2,374
Cash & Cash equivalent	4,819	4,343	4,165	5,215	6,747
Gross debt	0	0	0	0	0
Net debt	-4,890	-4,391	-4,257	-5,310	-6,842
Gross debt/equity	0%	0%	0%	0%	0%
Net Debt/Equity	-42%	-37%	-35%	-40%	-47%
Liabilities/Equity	33%	30%	30%	26%	24%
Liabilities/Assets	25%	23%	23%	21%	19%
Return ratios					
ROAE	14.9%	14.5%	11.9%	12.3%	14.3%
ROAA	9.5%	9.4%	7.8%	8.1%	9.1%

Source: Company Data, TEJ TruePulse Equity Research

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