



Deer Consumer Products, Inc
(NASDAQ Global Select Market: DEER)
www.deerinc.com





Safe Harbor Statement

This presentation contains "forward-looking statements" within the meaning of the "safe-harbor" provisions of the Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to differ materially from the results expressed or implied by such statements, including changes from anticipated levels of sales, future national or regional economic and competitive conditions, changes in relationships with customers, access to capital, difficulties in developing and marketing new products, marketing existing products, customer acceptance of existing and new products, and other factors. Accordingly, although the Company believes that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The Company has no obligation to update the forward-looking information contained in this presentation.



Deer - Direct Beneficiary of Global Consumer Wealth Expansion

Deer is the world's largest manufacturer of juicers and blenders

Blenders



- **2009 sales: 51%**
- **Brands: over 300 sold in over 40 countries**
- **Number of designs and models available: 80**

Juicers



- **2009 sales: 21%**
- **Brands: over 100 sold in over 40 countries**
- **Number of designs and models available: 20**

Other Appliances



- **2009 sales: 28%**
- **Brands: over 20 sold into 40 countries**
- **Number of designs and models available: 90**



Market Leader With Access to Global Consumers

Deer researches, designs, manufactures and sells stylish, safe and convenient products, creating simpler and healthier lifestyles for consumers

Company Overview

- **A U.S. registered company:** 15 year corporate history, main operations in China with 2,000 employees
- **Highly profitable:** average net margin exceeds 15% ~ 4 times more profitable than comparable U.S companies
- **High operating efficiency:**
 - “production to market” model
 - vertically integrated operations with ODM/OEM capabilities
- **Direct access to Chinese consumers:** successful penetration into the rapidly growing China domestic market
- **Strong balance sheet:** \$74 million in cash (\$2.28 per share) without long term debt or bank credit needs
- **Global clientele:** strong established global customer base with premier global brands

Sample Products



Blender



Juicer



Soy Milk Maker



Chopper



Coffee Maker












Rice Cooker



Expanding Product Lines

Deer expands its offerings beyond blenders and juicers to become a leader in the small household appliance industry

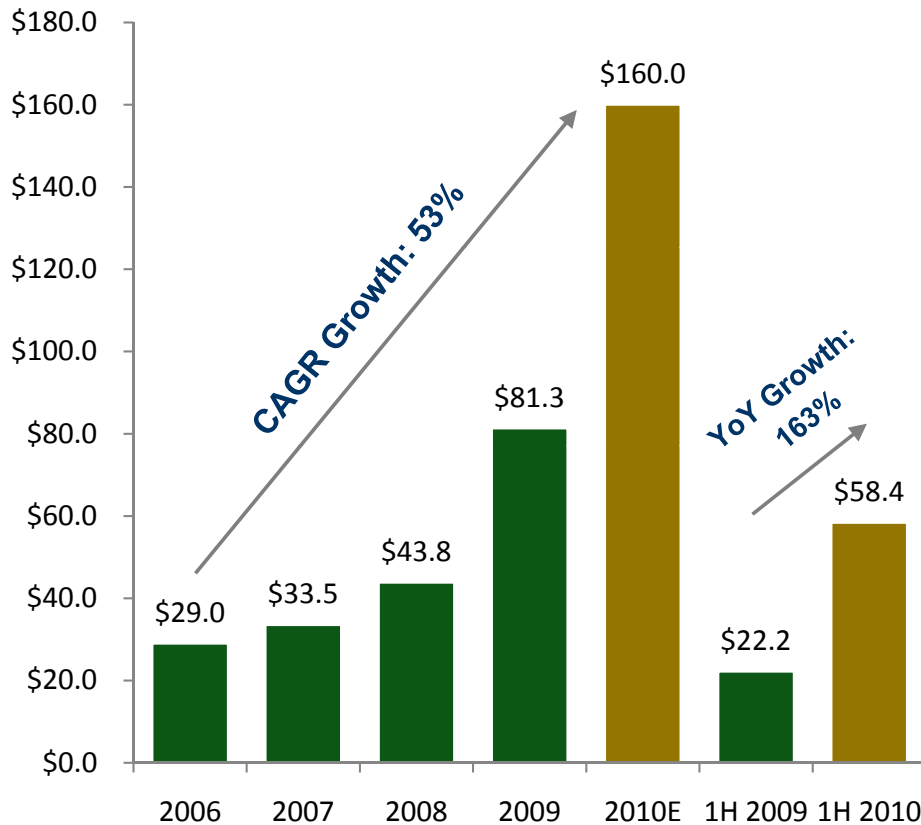
Product Line Extension	Existing Products	New Products	
<ul style="list-style-type: none">▪ Over 15 product lines: other than blenders and juicers▪ Introduce new products: such as soy milk makers and hot water kettles that are in demand by the Chinese consumers▪ Expand product categories through the leverage of<ul style="list-style-type: none">▪ existing channels and new clients▪ design and production capabilities▪ strong reputation in the market▪ Leverage in-house motor production capabilities: produce motorized products at competitive costs	 <p>Blender</p>  <p>Juicer</p>  <p>Food Processor</p>	 <p>Soy Milk Maker</p>  <p>Rice Cookers</p>  <p>Coffee Maker</p>	 <p>Electric Kettle</p>  <p>Meat Grinder</p>  <p>Egg Boiler</p>



Strong Earnings Growth

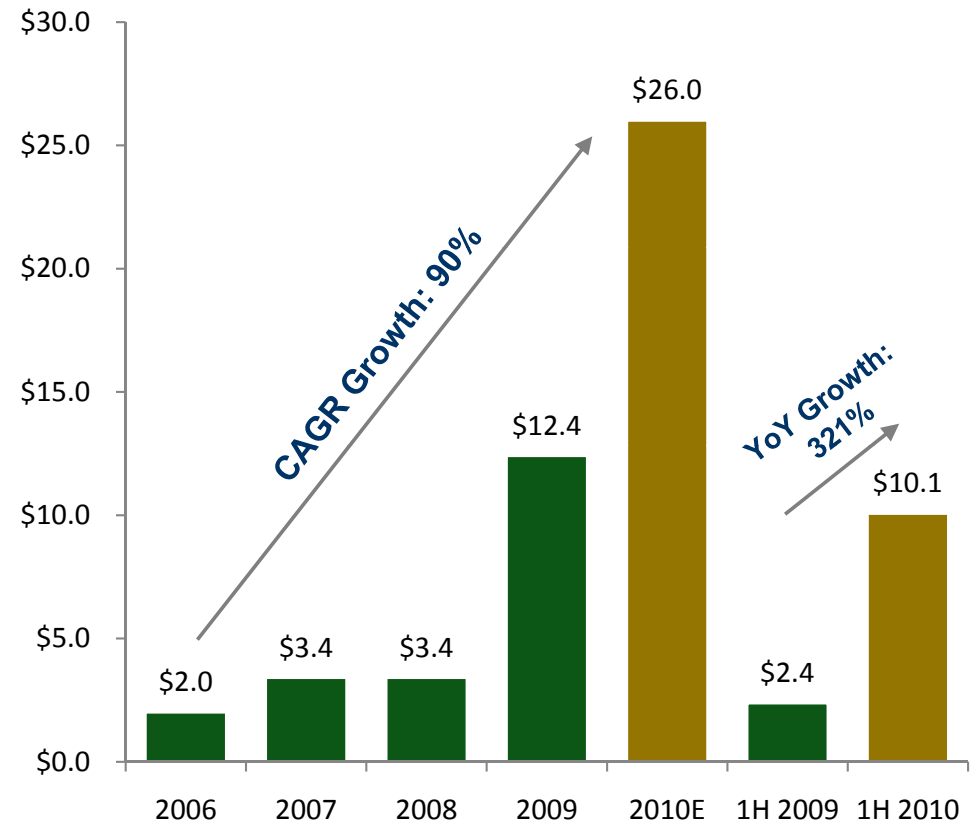
Revenue (US\$)

(\$ in millions)



Net Income (US\$)

(\$ in millions)



Source: SEC Filings and company guidance



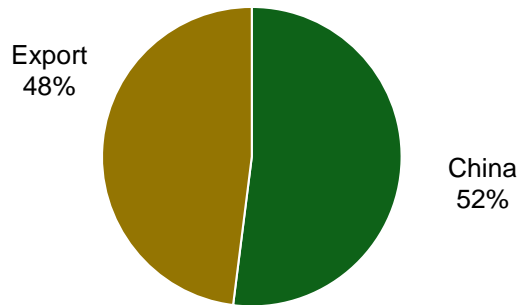
Extensive Global Customer Brands

Premier Global Customer Base

Reliable Customer Base

- Blue chip customers:
 - Decade-long relationships
 - high volume sales and expanding product lines
- Contractual and growing relationships with top Chinese retailers

2011P Sales by Region⁽¹⁾



(1) Management outlook

Existing Global Customers

Export - International



China Domestic





Vertically Integrated Production Captures Expanding Margins

Highly Efficient Production

- **Vertically integrated:** in-house productions of motors and moldings ensure quality and capture higher profit margins
- **Significantly lower production costs than competitors due to manufacturing efficiency and location**
- **Manufacturing location advantages:**
 - proximity to ports and major consumer markets
 - local tax benefits (15% income tax)
 - rural location minimizes employee turnover
- **Doubled production capacity in 2010 to support up to \$320 million in annual revenues**
- **Quality control:** in house production enables stringent quality control
- **Global product quality certifications:** international certified standards including ISO9001-2000, CCC, UL/CUL, ETL/cETL, CE/GS, Rohs, CB





Robust New Product R&D Capabilities

Deer is recognized for its leading design and engineering

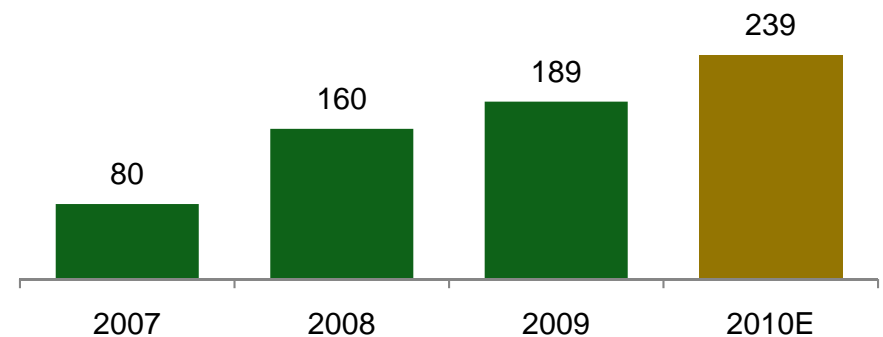
Strong R&D Efforts

- **Low cost, strong internal R&D capabilities**
- **Broad external R&D network:** former head of product design at Jarden Corporation leads external R&D efforts for new SKUs
- **Localized products:** new models' features and functions tailored to local customer
- **Extensive IP and design patents:** owns over 90 functional and design patents (China)
- **Innovative design and quality products:** collaborates with buyers from concept to finished product

85% of Deer Sales are ODM in 2009

- **Strong customer loyalty:** ODM capabilities create high switching costs for Deer's clients
- **Strong product pipelines** - over 189 products released, 50 products in the pipeline and 20 new products each year

Deer Product (SKU) Growth





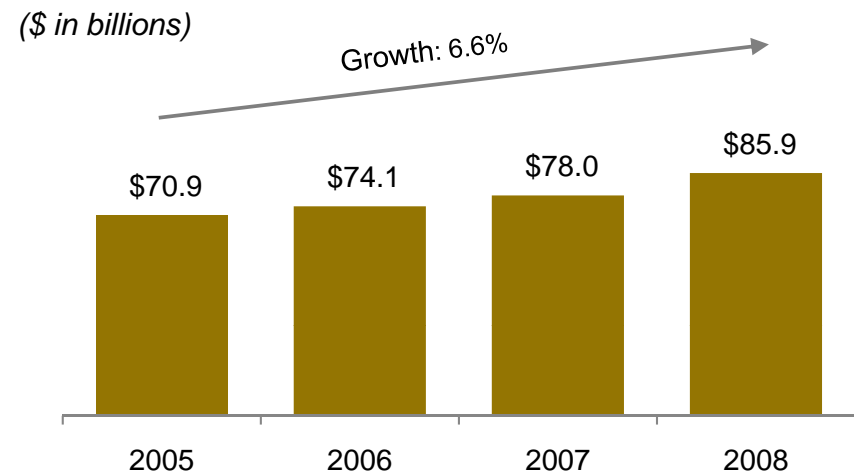
Expanding Global Product Market Size

Deer's addressable global market is large and growing

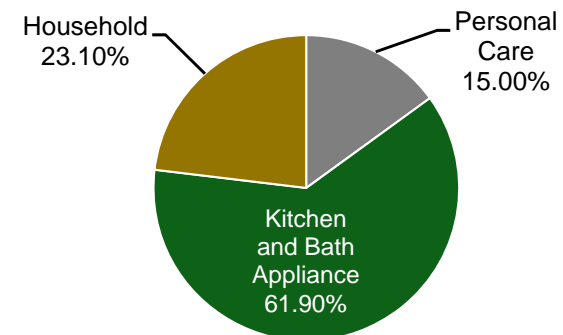
Growing Industry Trends

- **Global market for small household electrical appliance: \$85.9 billion in 2008**
- **Minimal impact from the financial crisis:** due to lower price points
- **Strong growth in the emerging markets:** especially in China
- **Emergence of the middle class:** increased purchasing power and demand for better life style
- **Mature markets in North America and Europe:** sales generated from replacements and new product introductions

Global Small Home Appliances Market



Market by Type of Appliance (2008)



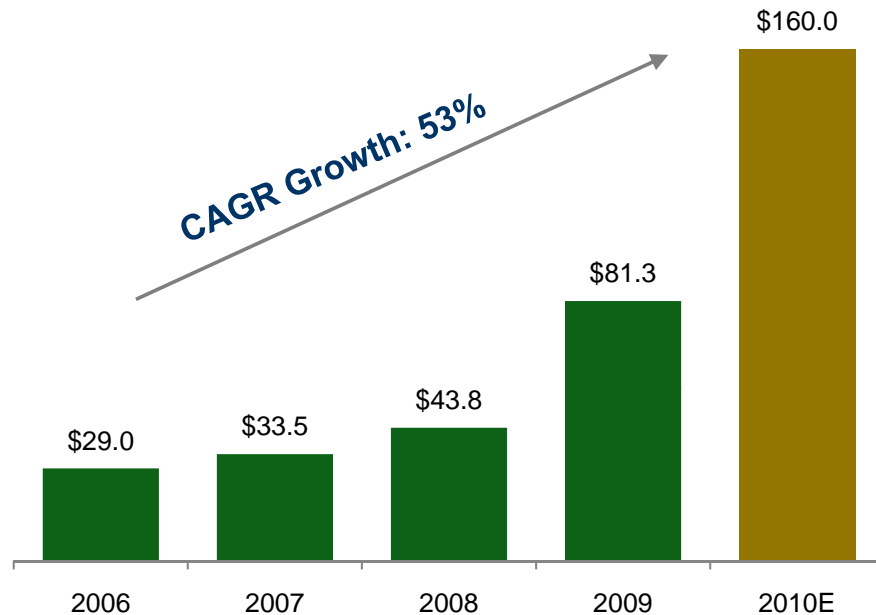


Growth Strategies - Global Markets

Deer's revenue has been fueled by strong organic growth

Strong Revenue Growth

(\$ in millions)



Continued Export Growth Momentum

- **Emerging markets represent high growth opportunities:**
 - expand into fast growing BRIC countries, Middle-East, Southeast Asia and South America
 - continued international ODM and OEM expansion in the emerging markets
- **Expanding market share in U.S and Europe:** offer high quality, innovative products with competitive cost base
- **Global M&A opportunities:** potential acquisition of global brands and downstream distribution channels



Growth Strategies - High Margin China Markets

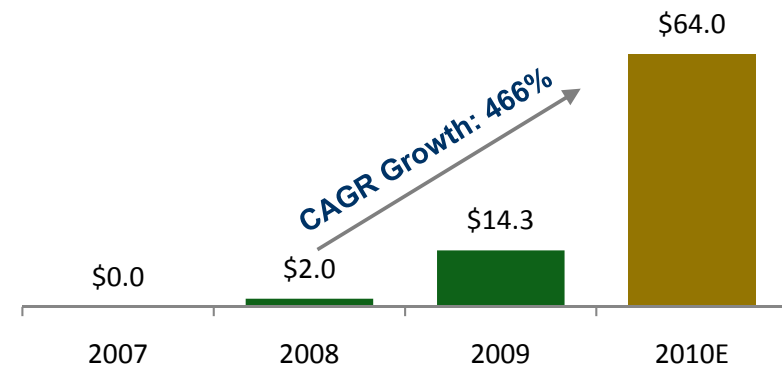
Continue expansion into China domestic markets - high growth and high margins

2010 Growth Initiatives

- **Expanding retail footprint:**
 - targeting 1,500 retail locations in 2010
 - 20,000 retail locations in the next 3-5 years
- **Expanding e-commerce channels:**
 - sales through Taobao.com (equivalent of eBay in China)
 - targeting triple digit growth
- **Expanding commercial channels:**
 - increase sales of commercial grade appliances
 - increase sales of products for use in hotel rooms
- **Expand operating margins:** increase sales in the higher margin domestic China markets (40% gross margins)
- **Introduce new products:** as demanded by the Chinese consumers
- **Expand SKUs in existing stores**

Domestic Revenue Growth

(\$ in millions)



Deer's Own Brands

德尔



BarTec[®]
COMMERCIAL



Growth Drivers in the High Margin China Markets

Chinese consumers offer a highly compelling growth opportunity

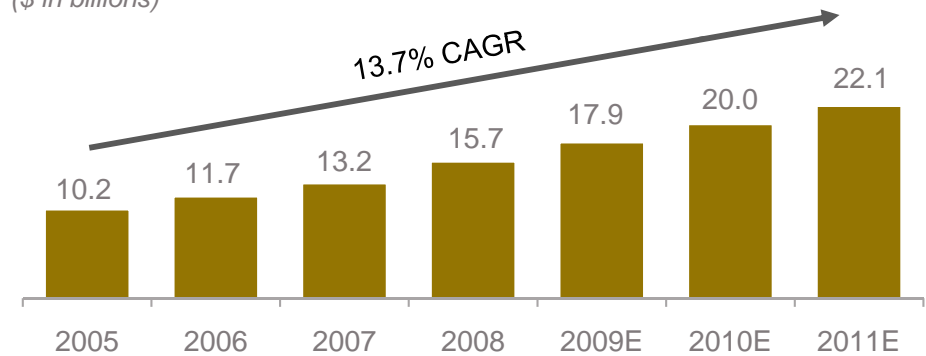
Favorable Market Dynamics

- **Significant market opportunity compared to developed economies:**
 - average Chinese owns 5 home appliances versus 30 in the U.S.
 - demand for blenders, juicers, coffee makers, grills and ovens in the emerging growth stage
- **Expanding China domestic consumption:**
 - government policies encourage domestic consumption to balance economy
- **Rapid urbanization continues to drive demand:**
 - rapidly expanding home ownerships
 - increasing consumer spending
 - demand for modern home conveniences (household appliances)
- **Expanding consumer base:**
 - 1.3 billion population, expected to reach 1.4 billion by 2026
 - rapidly growing middle-class demanding better life style products

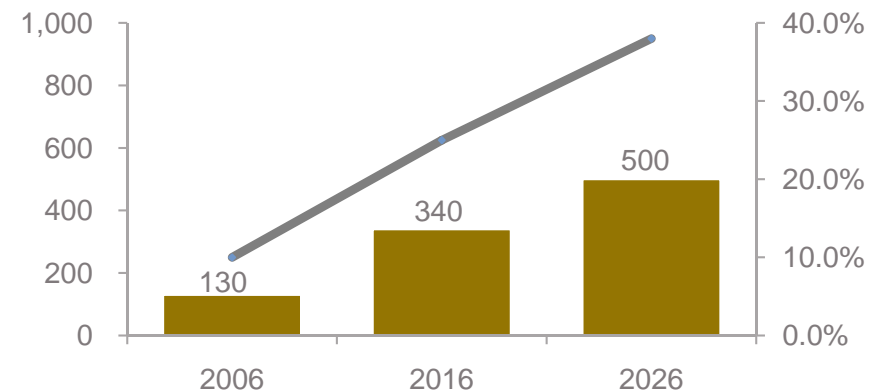
China Growth Opportunities

China Small Household Appliance Market

(\$ in billions)



Rapidly Growing Middle Class



Source: Global Demographics, PRC State Council Development Research Center, and Monitor Group.



Access to Extensive China Retail Presence

There are currently over 20,000 ideal retail locations for Deer's products and these store counts are increasing rapidly





Access to Extensive Retail Channels in China

#	China Domestic Retailers	Store Count
1	Nong Gong	2,500
2	VanGuard	2,148
3	Gome Electronics	1,170
4	Suning Electronics	941
5	SG Supermarkets	800
6	Wen Feng Great World	800
7	Wuhan Zhong Bai	648
8	Wu Mart	600
9	Chongqing General Trading	313
10	Wal-Mart China	279
11	Jin Ke Long	242
12	Five Stars Electronics	160
13	Carrefour	156
14	RT-Mart	121
15	Chongqing Department Stores	101
16	Tesco	88
17	Beijing Chao Shi Fa	70
18	Wu Shang	47
19	Metro	33
20	Guangzhou Department Stores	20

Current Status and Expansion Plan



- **Suning:**
 - Initiated sales middle of 2009
 - Signed major contract in Dec 2009
 - Products currently sold in about 700 stores
 - Plan to increase SKUs per store and total store count
- **Gome:**
 - Signed major contract in Jan 2010
 - Products shipped to distribution center in April 2010
 - Products currently sold in about 140 stores
 - Plan to expand total store count to 400 by end of year
- **Wal-Mart China:**
 - Sold out 5,000 units of a single SKU in 36 Wal-Mart stores within 2 weeks in Feb 2010
 - Plan to expand SKUs per store and increase store count to 100 by end of 2010
- **Other Retailers:**
 - Aggressively expand retail locations and increase per store product offerings
 - Plan to expand into 300 stores by the end of 2010 and 20,000 locations in the next 3-5 years



High Entry Barriers in the China Markets for Foreign Brands

Not a single U.S. based global brand has any meaningful sales presence in China, U.S. brands have tried and failed in China:

Deer



Foreign Brands



No Brand Differentiation	Chinese consumers do not differentiate between Deer branded products and any other US based global brands	
Personnel Costs	Low – low cost but also experienced hands-on local labor force	High - high management and marketing expenses – expatriates and other expensive laborers, many are not hands-on operators
Local Knowledge	Broad - understand local preferences; create innovative designs that are tailored to the local Chinese consumers' taste	Limited - slow in adapting to changes in local preferences; often utilize existing designs that are unsuited for Chinese consumers – toasters and coffee makers are not widely used by local consumers
Direct Manufacturing Advantages	Numerous - in-house production: lower costs, direct control over quality and delivery schedule; speedy product innovations and introductions in response to changes in market conditions	None - outsource production to third party OEM/ODM manufacturers: minimal control over quality and design; lack of flexibility in adjusting to market demand
Product Offering	Extensive - offers full line of products in demand by customers; constant introduction of new products	Incompatible - existing product lines not suitable for the Chinese markets unless significant design changes are made
Distribution	Strong - excellent relationships with major retailers, agents and distributors	Weak - lack of understanding of the cultural and business practices in China's unique product distribution channels
R&D Costs	Low - design and produce high quality, innovative products at much lower R&D costs	High – high upfront R&D expenses require significant unit volume to justify product introduction, high SG&A costs difficult to bear



Conclusion



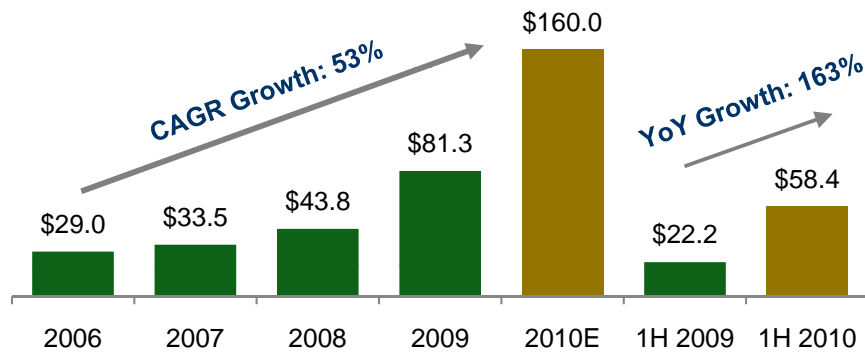


Deer - Strong Financial Growth Momentum

Solid financial results

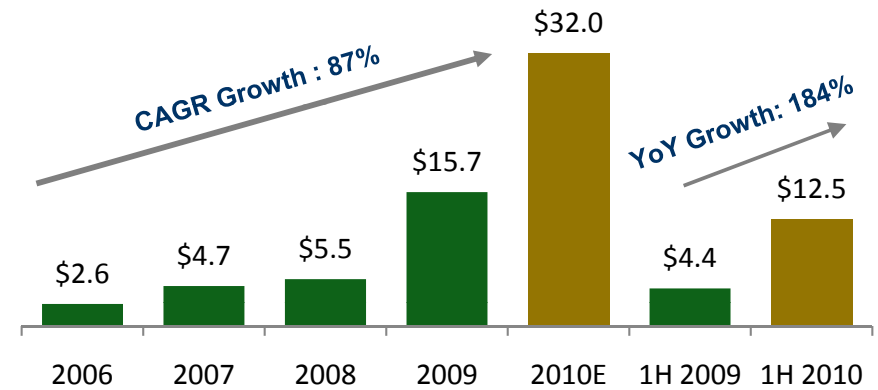
Revenue

(\$ in millions)



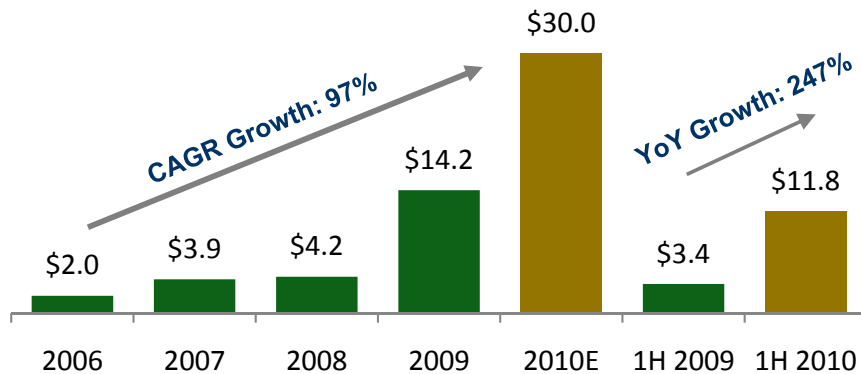
EBITDA

(\$ in millions)



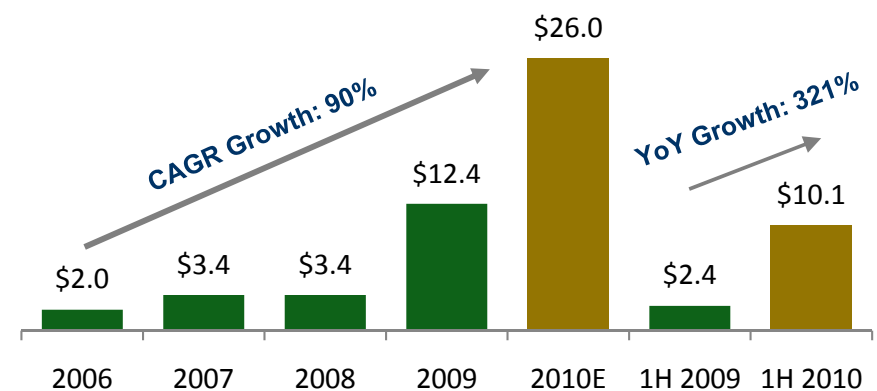
EBIT

(\$ in millions)



Net Income

(\$ in millions)



Source: Sec Filings, Management outlook and BMO Research



Capital Market Profile

Strong Financial Profile

(\$ in millions)

	2009	2010E	2011E	CAGR
Revenue	\$81.3	\$160.0	\$245.4	74%
Operating Income	14.2	29.9	47.1	82%
Operating Margin	17.5%	18.7%	19.2%	-
Net Income	12.4	26.0	40.0	80%
Net Margin	15.2%	16.3%	16.3%	-
P/E Multiple*	14.5x	9.9x	6.4x	-
Long Term Growth	30.0%	30.0%	30.0%	-
PEG Ratio	0.48x	0.33x	0.21x	-

*Stock priced used: \$7.66 (8/25/2010 closing)

High Liquidity: Average Trading Volume 329,000

Broad Institutional Holders Base

	Shares	%
Total Management / Insiders	16,862,322	51.1%
Institutional Investors		
Wall Street Associates	874,500	2.6%
Janus Capital Management	806,535	2.4%
Mason Street Advisors	419,681	1.3%
MD Witter Investments	376,536	1.1%
Vanguard Group	219,776	0.7%
Bank Delen SA	180,000	0.5%
Northwestern Mutual Life Insurance	171,151	0.5%
Munder Capital Management	168,895	0.5%
American Century Companies	157,868	0.5%
Smith Barney Fund Management	140,800	0.4%
Flood Gamble Associates	138,100	0.4%
Frank Russell Trust	130,634	0.4%
Penn Capital Management	127,722	0.4%
Raymond James & Associates	114,400	0.3%
William Blair & Co	112,232	0.3%
Other	1,068,081	3.2%
Total Institutional Investors	5,206,911	15.8%
Total Shares Outstanding	33,019,662	100.0%

Total # of Institutional Holders: 48

Source: Bloomberg, Sec Filings and management outlook August 2010



High Growth, Deep Value - Peer Comparison

Deer has significantly higher margins than industry average

	Description	Margins (TTM)		P/E Multiple		
		Operating	Net	TTM	2010E	2011E
Deer Consumer Products	Small Electric Kitchen Appliances (Vertically Integrated)	19.24%	16.01%	11.1	9.9	6.4
China						
Joyoung	Small Electric Kitchen Appliances	14.89%	13.17%	19.2	17.3	16.0
Zhejiang Supor	Small Electric Kitchen Appliances	9.27%	7.71%	29.6	26.8	21.3
GD Midea Holding	White Goods/Small Household Appliances	5.12%	4.33%	17.8	16.6	13.6
Qingdao Haier	White Goods	3.80%	3.57%	19.0	18.8	15.6
China Average:		8.27%	7.19%	21.4	19.9	16.6
Deer's Discount				48%	50%	62%
U.S.						
Middleby	Commerical Food Preparation Appliances	17.57%	9.72%	15.9	14.9	13.2
iRobot	Cleaning Robots	8.36%	3.35%	24.0	33.8	25.7
Jarden	Consumer Products	7.14%	1.17%	11.6	9.6	8.4
Whirlpool	White Goods/Small Household Appliances	5.95%	2.38%	7.8	7.7	7.9
U.S. Average:		9.76%	4.16%	14.8	16.5	13.8
Deer's Discount				25%	40%	54%

Deer trades at a steep discount to peers while growing at a much faster rate



Results Driven Management – Managers Are Founders

Strong industry experience combined with extensive local knowledge



<u>Name</u>	<u>Title</u>	<u>Experience</u>
Ying (Bill) He	Founder, Chairman and CEO	<ul style="list-style-type: none">▪ Age 42, Co-founded Deer in 1994▪ Former CEO – Hong Kong Dongjiang Group and Dongguan Molding▪ MBA degree – Zhongshan University▪ Fluent in written English



Yongmei (Helen) Wang	President	<ul style="list-style-type: none">▪ Joined in 2001▪ Former Head of International Sales – Deer▪ Bachelor degree in International Trade – Xi'an Foreign Language Institute▪ Fluent in spoken and written English
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James Chiu	Head of Asia Pacific	<ul style="list-style-type: none">▪ Joined in 2007▪ Former Sourcing Director – Hamilton Beach Proctor-Silex▪ Bachelor degree in law – University of London▪ MBA degree – Australia Charles Stuart University▪ B.S in Accounting & Economics – Hong Kong University▪ Fluent in spoken and written English
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Zongshu Nie	CFO and Director	<ul style="list-style-type: none">▪ Joined in 2008▪ Former CFO – Xian Tai Plastics Co., Ltd▪ Bachelor's degree in Accounting – ShaanXi College of Finance and Economic▪ Fluent in written English
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Recent 2010 Updates – Raised Earnings Guidance

Deer Consumer Products, Inc. is on track for solid earnings growth in 2010

Total Commitment to Shareholders' Success

- **Non-deal road show arranged by Wells Fargo during the week of September 20, 2010**
- **Record Q2/2010 financial results:**
 - Revenue of \$34.5 million (125% increase from Q2 2009)
 - Net income of \$6.0 million (251% increase from Q2 2009)
- **Announced \$20 million share buyback (May 2010), already executed approximately \$7 million of share buyback**
- **Sees no negative sales trend or currency risks from European customers; sees positive impact to Deer's business from China's pro-consumption economic policy**
- **3 year insider share lockup:** insiders own approximately 50% of Deer. Insiders/management entered into 3 year share lockup, prohibiting the sale of stocks to the general public until January 2013
- **2010 financial guidance: \$160 million in revenue and \$26 million in net income**
- **Strong balance sheet: \$74 million in cash with no long term debt or bank credit needs**
- **Strong 2009 financial results:**
 - Revenue of \$81.3 million (86% increase from 2008);
 - Net Income of \$12.4 million (268% increase from 2008)
- **\$76 million equity capital raise to fund China domestic expansion** – William Blair & BMO Capital Markets as underwriters (December 2009)