



# Pou Sheng International 2020 1H Results

13 August 2020



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**MAKE  
SPORTS  
YOUR  
LIFE**

**—让运动融入你的生活—**

# Agenda

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# Pou Sheng Financial Highlights



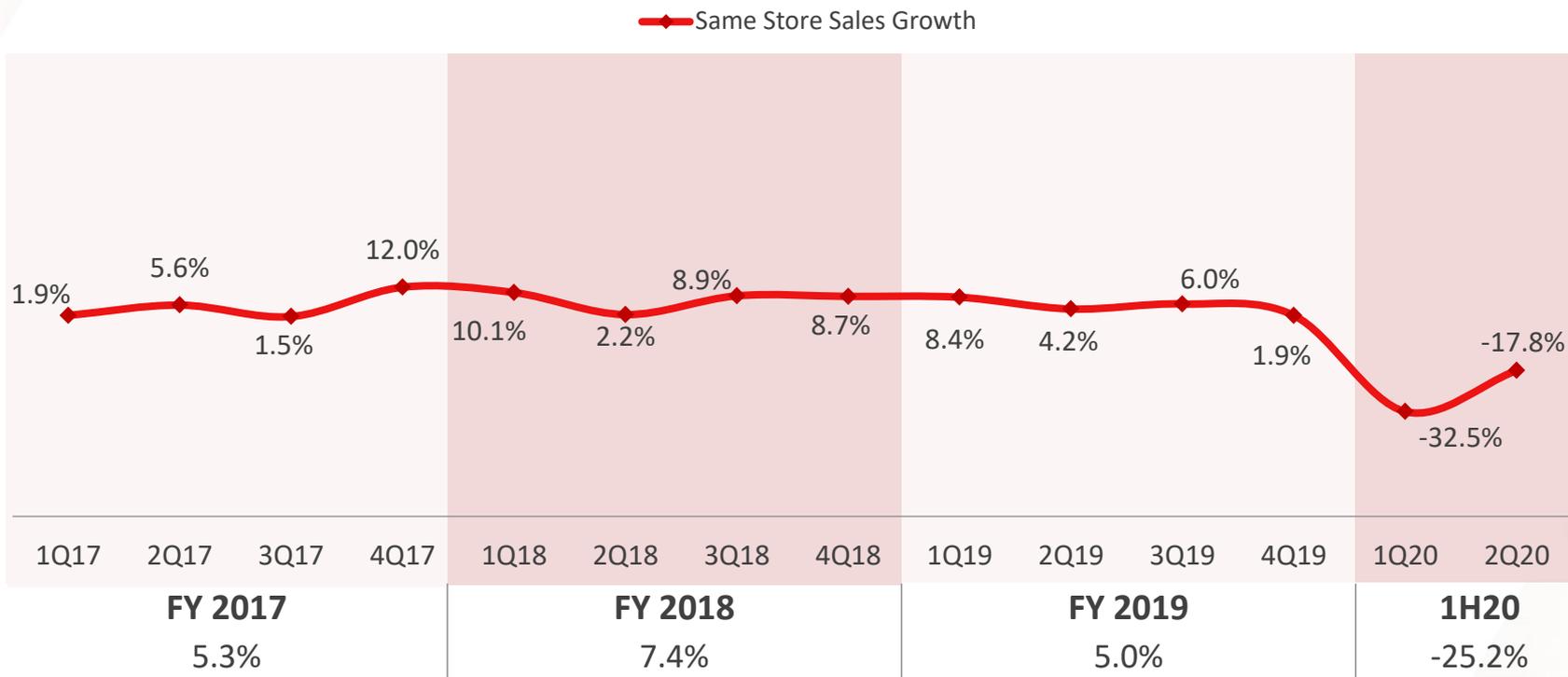
	1H 2020		1H 2019		Y-o-Y	
	RMB'mn	%	RMB'mn	%	%	ppt
<b>Revenue</b>	<b>11,740</b>	<b>100.0</b>	13,372	100.0	-12.2%	--
Cost of Sales	<b>(8,220)</b>	<b>-70.0</b>	(8,756)	-65.5	-6.1%	-4.5
<b>Gross Profit</b>	<b>3,520</b>	<b>30.0</b>	4,616	34.5	-23.7%	-4.5
Selling and Distribution Expenses	<b>(3,024)</b>	<b>-25.8</b>	(3,472)	-26.0	-12.9%	-0.2
Administrative Expenses	<b>(435)</b>	<b>-3.7</b>	(549)	-4.1	-20.8%	-0.4
Other Income & Expenses, net	<b>141</b>	<b>1.2</b>	179	1.3	-21.2%	-0.1
<b>Operating Profit</b>	<b>202</b>	<b>1.7</b>	774	5.8	-73.9%	-4.1
Finance Cost, net	<b>(125)</b>	<b>-1.1</b>	(113)	-0.8	+10.6%	+0.3
Share of Results of JV	<b>(10)</b>	<b>-0.1</b>	1	0.0	N/A	-0.1
Other Losses	<b>0</b>	<b>0.0</b>	(10)	0.1	N/A	-0.1
Income Tax	<b>(50)</b>	<b>-0.4</b>	(189)	-1.4	-73.5%	-1.0
<b>Profit for the Period</b>	<b>17</b>	<b>0.1</b>	463	3.5	-96.3%	-3.4
<b>Profit Attrib. to Owners of PS</b>	<b>12</b>	<b>0.1</b>	427	3.2	-97.2%	-3.1

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1H2020 & 1H2019

# Pou Sheng Same Store Sales Growth (SSSg)



(%)



# Pou Sheng OP Margin Trend



(%)

◆ Operating Profit Margin



\* The figures have been restated due to the application of merger accounting

# Pou Sheng Financial Ratios



(RMB'mn)	<u>1H 2020</u>	<u>1H 2019</u>
Depreciation of PPE & Amortization	324.9	270.2
Depreciation of ROUA	567.8	368.9
EBITDA	1,091.4	1,408.9
EBITDA minus Depreciation of ROUA	523.6	1,040.0
Capital Expenditure	163.3	290.7

	<u>30 June 2020</u>	<u>30 June 2019</u>
Total Borrowings*	2,742	3,266
Net Borrowings*	1,126	2,625
Total Borrowings to Equity #	35.5%	43.7%
Net Borrowings to Equity #	14.6%	35.1%

	<u>1H 2020</u>	<u>1H 2019</u>
Net Borrowings to EBITDA (X) <i>annualized</i>	0.5 X	0.9 X
Return on Owner's Equity <i>LTM</i>	5.5%	9.2%
Return on Asset <i>LTM</i>	2.7%	4.6%

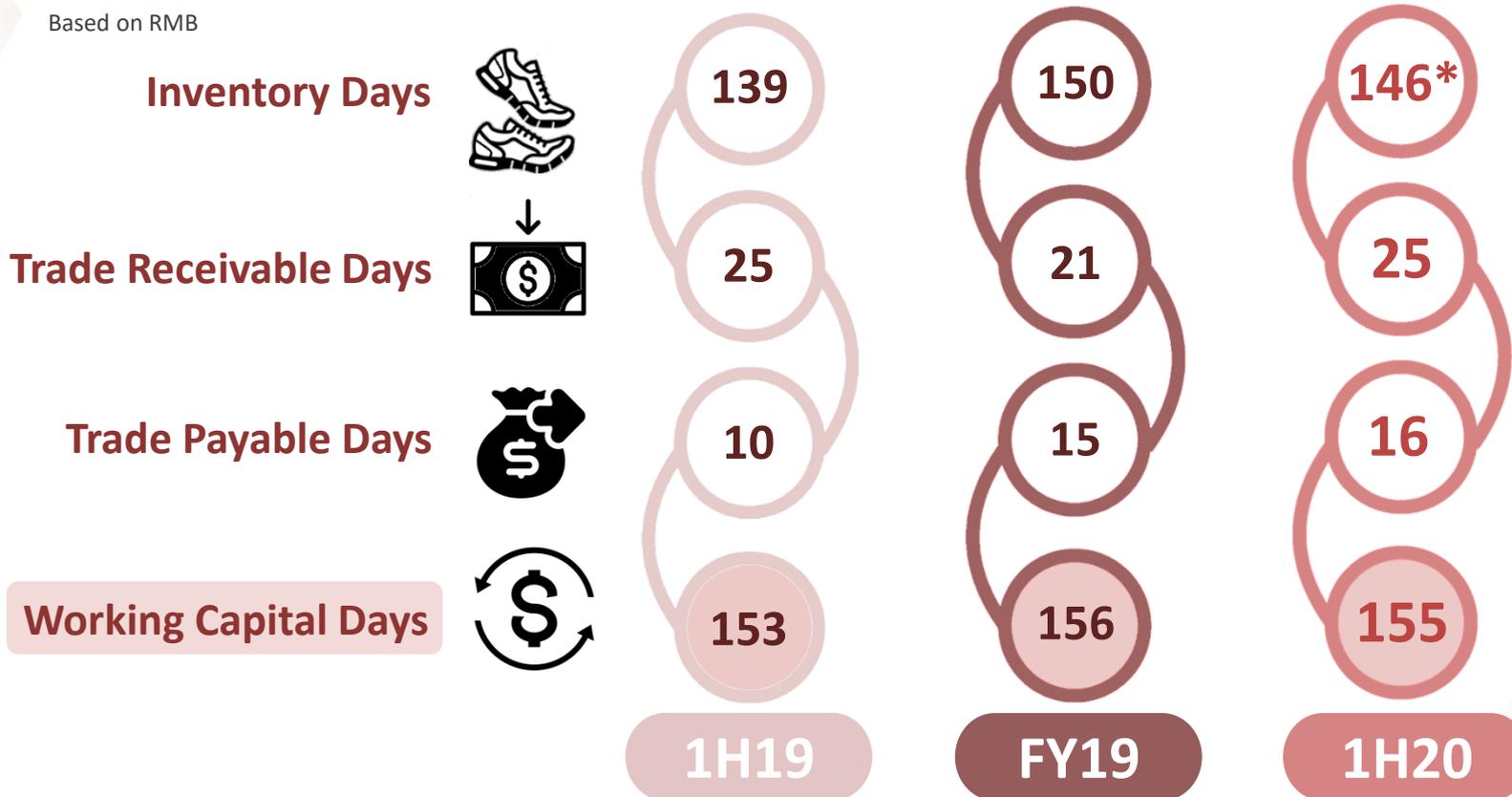
Source: Internal analysis report (figures rounded)

\* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 2,493.0mn and 1,948.0mn as at Jun 30, 2020 and Jun 30, 2019 respectively.

# Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 67.8% (1H19: 69.7%) and 46.9% (1H19: 61.1%) as at Jun 30, 2020 respectively.

# Operation Efficiency

Based on RMB



\*Inventory turnover days for the period = Average of the beginning and ending inventory for that period divided by cost of sales for that period and multiplied by 182 days

# Agenda

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**01 Financial Summary** p 5-9

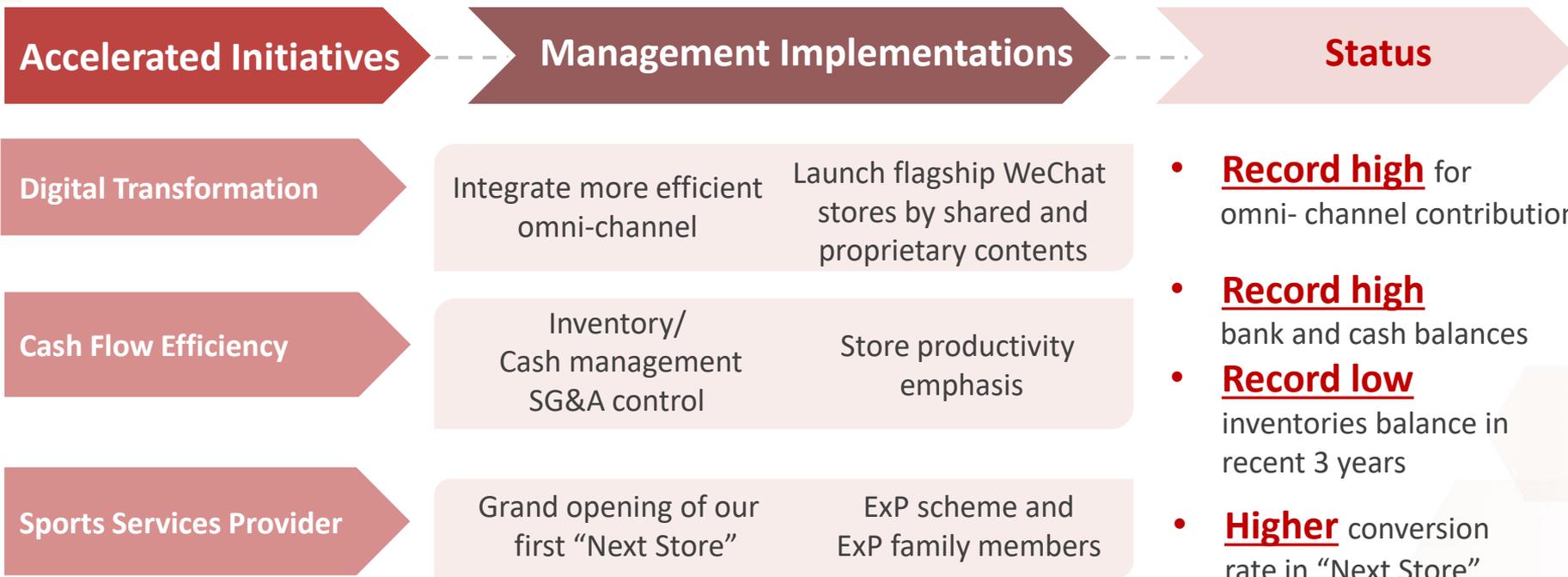
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# COVID-19 is a Catalyst to accelerate transformation



After Pou Sheng's rapid growth in 2017 to 2019, COVID-19 **accelerated** further Pou Sheng's ongoing transformations into an integrated omni-channel sports good distributor and sports services provider.



# Pou Sheng Retail Strategy

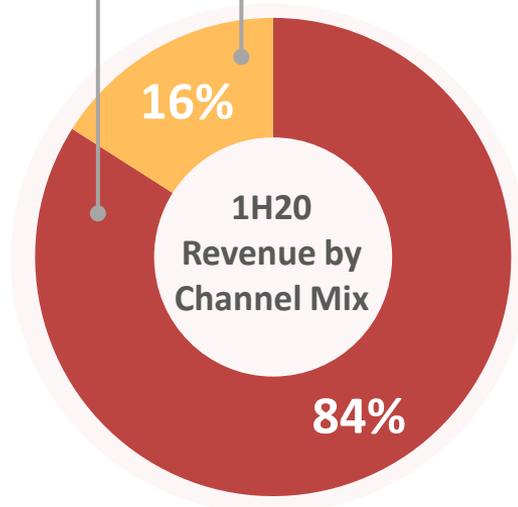
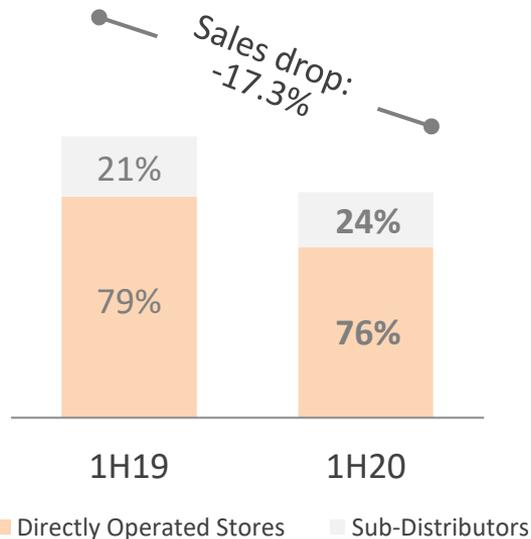


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

## Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 5,526 stores
- Multi-Brands Stores: 71 stores

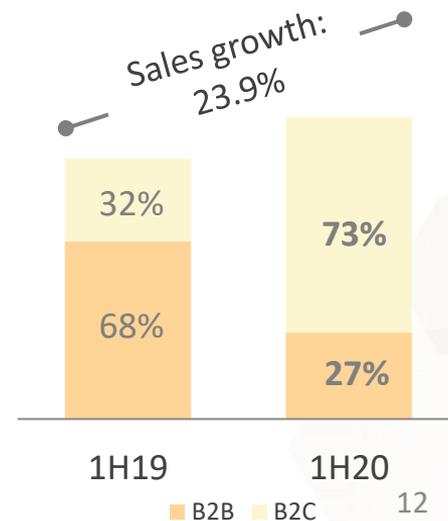


Top 5 brands account for over 90% of our business

## Omni-channel

B2C Channel:

- 3rd party platforms: T-Mall, JD, Vipshop, etc.
- WeChat stores (+ExP services)
- Shopping mall platforms

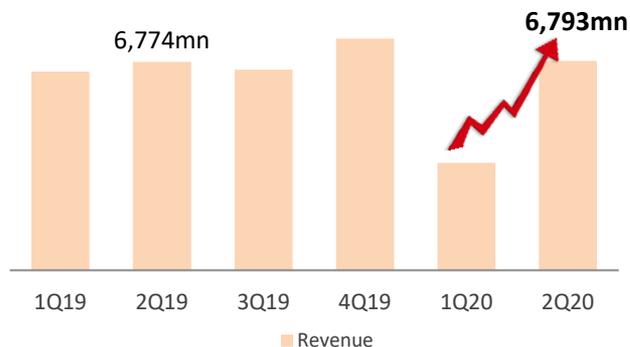


# Strengthening Cash Flow Generation



## Revenue

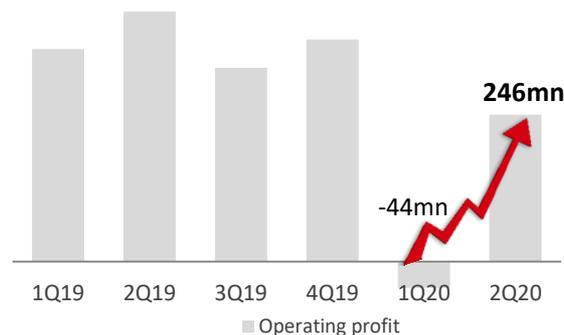
- Quick rebound from 1Q
- Grow RMB 19mn compare to 2Q 19



- ✔ More efficient omni-channel operations
- ✔ Seize the windows of consumption recovery
- ✔ Encouraging initial results of WeChat store

## Operating profit

- Turnaround from loss to profit



- ✔ Improved sales discount in Q2 and continued promotion subsidies
- ✔ Implementation of strict SG&A cost control
- ✔ Government subsidy
- ✔ Active rent negotiation with landlords

# Strengthening Cash Flow Generation

1H 19  
1H 20



**Inventories**

6,632mn

➔ **5,167mn**

**Decreased by**

**1.5bn**

**-22.1%**

**Lowest in 3 years**



**Bank and cash**

641mn

➔ **1,616mn**

**Increased by**

**1.0bn**

**+152.1%**

**Historical High**



**Borrowings**

3,266mn

➔ **2,742mn**

**Decreased by**

**0.5bn**

**-16.0%**

**Lowest in 2.5 years**

# Agenda

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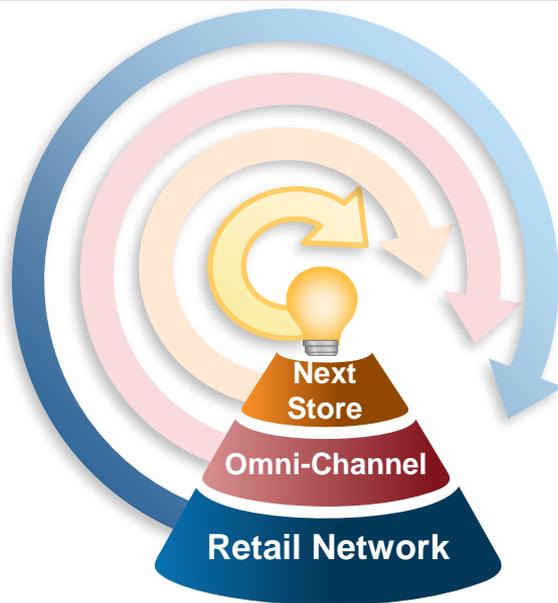
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# Future Target: Profitable Growth

## Future Target

- **Total revenue** growth in mid-teens, with **omni-channel** contributing 20% of total revenue
- **More in-season sales** and **more effective off-season** products sales through various 3<sup>rd</sup> party channels
- Integrating the **Service Hub model** into our strong brick and mortar stores foundation
- Turnaround of **emerging brands** and **licensee brands**
- **Operating margin** target: 7%



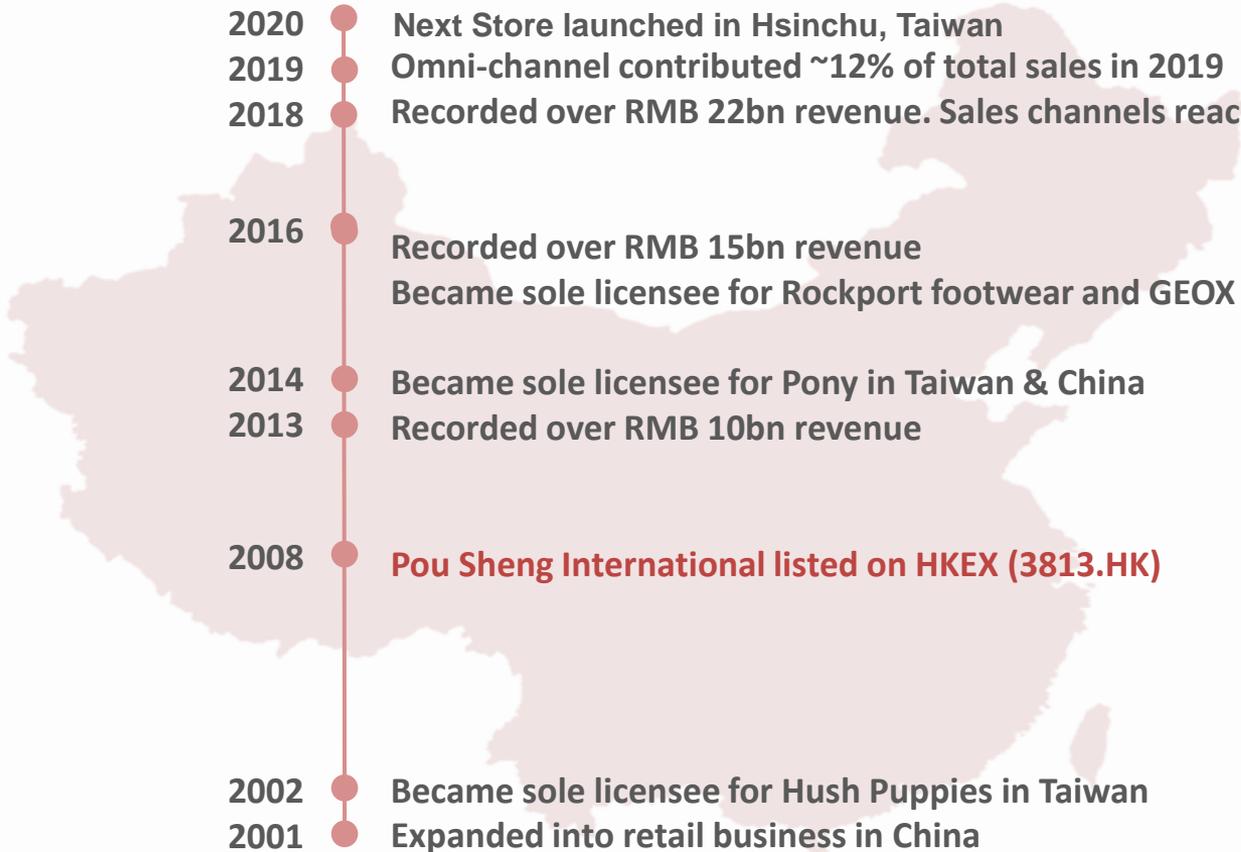
*“Creating Value-added Services and Quality Experiences to Customers”*

# Appendix



# Company Milestones



- 
- 2020 ● Next Store launched in Hsinchu, Taiwan
  - 2019 ● Omni-channel contributed ~12% of total sales in 2019
  - 2018 ● Recorded over RMB 22bn revenue. Sales channels reached over 9,000
  - 2016 ● Recorded over RMB 15bn revenue  
Became sole licensee for Rockport footwear and GEOX in China
  - 2014 ● Became sole licensee for Pony in Taiwan & China
  - 2013 ● Recorded over RMB 10bn revenue
  - 2008 ● **Pou Sheng International listed on HKEX (3813.HK)**
  - 2002 ● Became sole licensee for Hush Puppies in Taiwan
  - 2001 ● Expanded into retail business in China

# Overview: Solid B&M Network

## Number of Stores



**Directly Operated  
(Own-Store)**

**5,883**



**286**



**5,597**



**Sub-Distributor  
(Franchisee)**

**3,950**



**111**



**3,839**



**Total Store**

**9,833**

**-397**

**9,436**

As at December 31, 2019

Net New Store +/-

As at June 30, 2020

# Pou Sheng Financial Highlights (in USD)



	1H 2020		1H 2019		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>1,667,168</b>	<b>100.00</b>	1,968,064	100.00	-15.29%
Cost of Sales	<b>(1,167,291)</b>	<b>-70.02</b>	(1,288,678)	-65.48	-9.42%
<b>Gross Profit</b>	<b>499,877</b>	<b>29.98</b>	679,386	34.52	-26.42%
SG&A	<b>(489,699)</b>	<b>-29.46</b>	(587,851)	-29.87	-16.70%
Other Income & Expenses, net	<b>18,473</b>	<b>1.20</b>	22,411	1.14	-17.57%
<b>Operating (Loss) Profit</b>	<b>28,651</b>	<b>1.72</b>	113,976	5.79	-74.86%
Finance Cost, net*	<b>(17,632)</b>	<b>-1.06</b>	(16,599)	-0.85	+6.22%
Share of Results of JV	<b>(1,415)</b>	<b>-0.09</b>	158	0.01	N/A
Other Gains and Losses	<b>0</b>	<b>0.00</b>	(1,470)	-0.08	N/A
Income Tax	<b>(7,136)</b>	<b>-0.43</b>	(27,857)	-1.41	-74.38%
<b>Profit for the Period</b>	<b>2,468</b>	<b>0.14</b>	68,208	3.46	-96.38%
<b>Profit Attrib. to Owners of PS</b>	<b>1,749</b>	<b>0.10</b>	62,911	3.20	-97.22%

Source: Internal analysis report (figures rounded); various accounting **reclassification** and **adjustments** are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

\* Finance Cost in 1H20 grew by 6.2% due to the increase of interest expense on lease liability (1H20: 8.7mn 1H19: 6.3mn )

# Pou Sheng Financial Highlights (in RMB)



	FY 2019		FY 2018		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
<b>Revenue</b>	<b>27,190</b>	<b>100.00</b>	22,677	100.00	+19.90%
Cost of Sales	(17,915)	-65.89	(15,078)	-66.49	+18.81%
<b>Gross Profit</b>	<b>9,275</b>	<b>34.11</b>	7,599	33.51	+22.06%
SG&A	(8,181)	-30.09	(6,913)	-30.49	+18.34%
Other Income & Expenses, net	377	1.39	281	1.24	+34.16%
<b>Operating Profit</b>	<b>1,472</b>	<b>5.41</b>	967	4.26	+52.22%
Finance Cost, net*	(239)	-0.88	(144)	-0.64	+65.97%
Share of Results of JV	1	0.01	(1)	-0.00	N/A
Other Losses	(9)	-0.03	-	N/A	N/A
Income Tax	(345)	-1.27	(261)	-1.15	+32.18%
<b>Profit for the Year</b>	<b>880</b>	<b>3.24</b>	561	2.47	+56.86%
<b>Profit Attrib. to Owners of PS</b>	<b>833</b>	<b>3.06</b>	543	2.39	+53.41%

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2019 & FY2018

\* Finance Cost in FY19 grew by 66.0% due largely to the RMB 101.1mn effects of the application of HKFRS16

# Pou Sheng Financial Highlights *(in USD)*



	FY 2019		FY 2018		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>3,932,965</b>	<b>100.00</b>	3,421,657	100.00	+14.94%
Cost of Sales	<b>(2,591,280)</b>	<b>-65.89</b>	(2,275,156)	-66.49	+13.89%
<b>Gross Profit</b>	<b>1,341,685</b>	<b>34.11</b>	1,146,501	33.51	+17.02%
SG&A	<b>(1,178,146)</b>	<b>-29.96</b>	(1,038,884)	-30.37	+13.40%
Other Income & Expenses, net	<b>49,397</b>	<b>1.26</b>	38,270	1.12	+29.07%
<b>Operating Profit</b>	<b>212,936</b>	<b>5.41</b>	145,887	4.26	+45.96%
Finance Cost, net*	<b>(34,598)</b>	<b>-0.88</b>	(21,665)	-0.64	+59.70%
Share of Results of JV	<b>158</b>	<b>0.01</b>	(140)	-0.00	N/A
Other Losses	<b>(1,378)</b>	<b>-0.03</b>	-	N/A	N/A
Income Tax	<b>(49,840)</b>	<b>-1.27</b>	(39,452)	-1.15	+26.33%
<b>Profit for the Year</b>	<b>127,278</b>	<b>3.24</b>	84,630	2.47	+50.39%
<b>Profit Attrib. to Owners of PS</b>	<b>120,533</b>	<b>3.06</b>	81,913	2.39	+47.15%

Source: Internal analysis report (figures rounded); various accounting **reclassification** and **adjustments** are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

\* Finance Cost in FY19 grew by 59.7% due largely to the US\$14.6mn effects of the application of HKFRS16