



Pou Sheng International 2020 9M Results

12 November 2020



Disclaimer



Yue Yuen and Pou Sheng have taken every reasonable care in preparing this presentation. However, please be reminded that the information, materials, opinions and statements contained or referred to in this presentation are all provided on an "as is" basis. None of the aforesaid information, materials, opinions and statements constitutes or will be viewed as investment advice or an offer, or a solicitation, recommendation or suggestion by Yue Yuen or Pou Sheng to deal in any investment products including securities, or other financial products and instruments.

If there is any forward-looking statements contained or referred to in this presentation, these forward-looking statements are based on current expectations and assumptions, of which many are beyond our control. In addition, these statements are subject to a number of risks, uncertainties and factors and if any of these risks or uncertainties materialize, or if underlying expectations not occur or assumptions prove incorrect, actual results, performance or achievements of Yue Yuen and/or Pou Sheng may vary materially from those described explicitly or implicitly in the relevant forward-looking statement. Neither Yue Yuen nor Pou Sheng intends or assumes any obligation, to update or revise these forward-looking statements in light of any difference from those anticipated.

Yue Yuen and Pou Sheng including their respective subsidiaries, associated or affiliated companies, or any of their respective directors, employees, agents, representatives or associates accepts no liability for and shall not be responsible or liable for any loss or damage of whatever kind or nature, directly or indirectly, arising from action taken, or not taken, in reliance on, or resulting from access to or use of the aforesaid information, materials, opinions and statements (including forward-looking statements, if any) contained or referred to in the presentation.

**MAKE
SPORTS
YOUR
LIFE**

—让运动融入你的生活—

Agenda



01 Financial Summary p 5-11

02 Business Highlights p 13-16

03 Future Target p 18

Pou Sheng Financial Highlights



	9M 2020		9M 2019		Y-o-Y	
	RMB'mn	%	RMB'mn	%	%	ppt
Revenue	18,341	100.0	19,996	100.0	-8.3%	--
Cost of Sales	(12,812)	-69.9	(13,160)	-65.8	-2.6%	-4.1
Gross Profit	5,529	30.1	6,836	34.2	-19.1%	-4.1
Selling and Distribution Expenses	(4,625)	-25.2	(5,202)	-26.0	-11.1%	+0.8
Administrative Expenses	(696)	-3.8	(787)	-4.0	-11.6%	+0.2
Other Income & Expenses, net	226	1.3	253	1.3	-10.7%	0.0
Operating Profit	434	2.4	1,100	5.5	-60.5%	-3.1
Finance Cost, net	(172)	-0.9	(169)	-0.8	+1.8%	-0.1
Share of Results of JV	8	0.0	1	0.0	+700.0%	0.0
Other Gains and Losses	1	0.0	(10)	-0.1	N/A	N/A
Income Tax	(81)	-0.5	(268)	-1.3	-69.8%	+0.8
Profit for the Period	190	1.0	654	3.3	-70.9%	-2.3
Profit Attrib. to Owners of PS	180	1.0	606	3.0	-70.3%	-2.0

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 9M2020 & 9M2019

Pou Sheng Financial Highlights



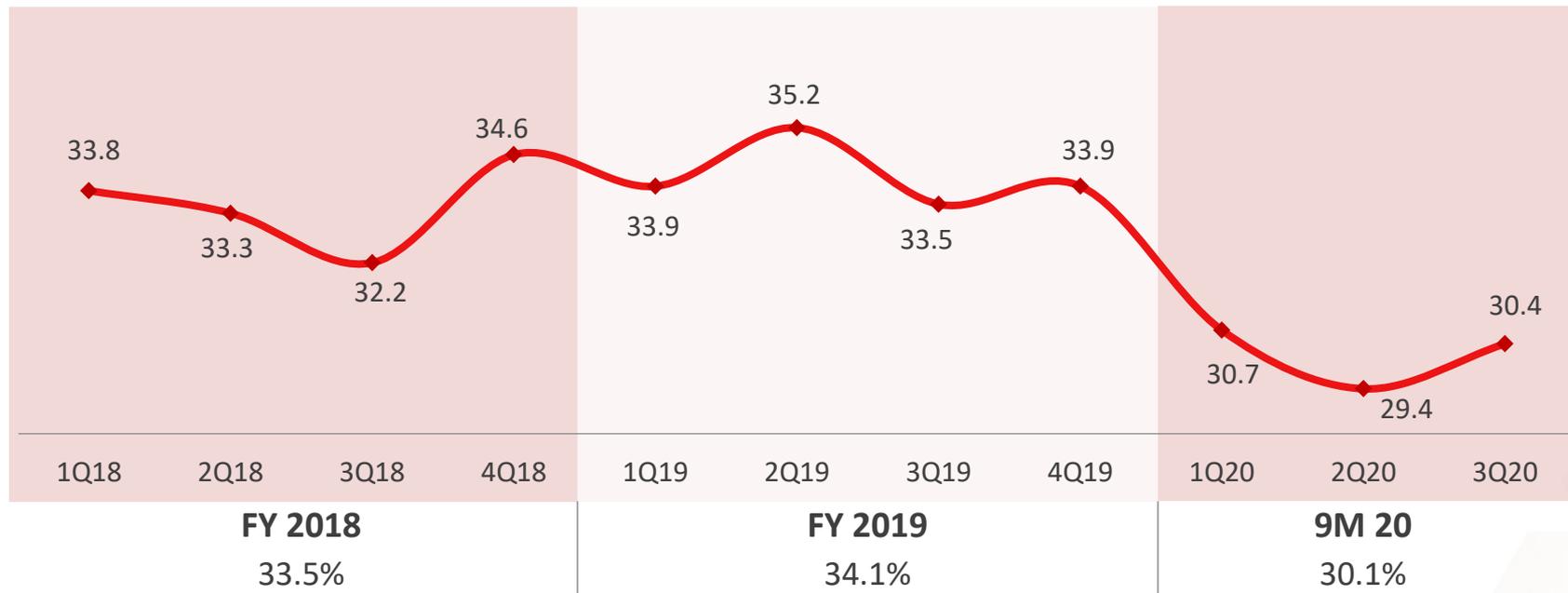
	3Q 2020		3Q 2019		Y-o-Y	
	RMB'mn	%	RMB'mn	%	%	ppt
Revenue	6,601	100.0	6,624	100.0	-0.3%	--
Cost of Sales	(4,592)	-69.6	(4,404)	-66.5	+4.3%	-3.1
Gross Profit	2,009	30.4	2,220	33.5	-9.5%	-3.1
Selling and Distribution Expenses	(1,601)	-24.3	(1,730)	-26.1	-7.5%	+1.8
Administrative Expenses	(261)	-3.9	(238)	-3.6	+9.7%	-0.3
Other Income & Expenses, net	85	1.3	74	1.1	+14.9%	+0.2
Operating Profit	232	3.5	326	4.9	-28.8%	-1.4
Finance Cost, net	(47)	-0.7	(56)	-0.8	-16.1%	+0.1
Share of Results of JV	18	0.3	0	0.0	N/A	+0.3
Other Gains and Losses	1	0.0	0	0.0	N/A	0.0
Income Tax	(31)	-0.5	(79)	-1.2	-60.8%	+0.7
Profit for the Period	173	2.6	191	2.9	-9.4%	-0.3
Profit Attrib. to Owners of PS	168	2.5	179	2.7	-6.1%	-0.2

Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

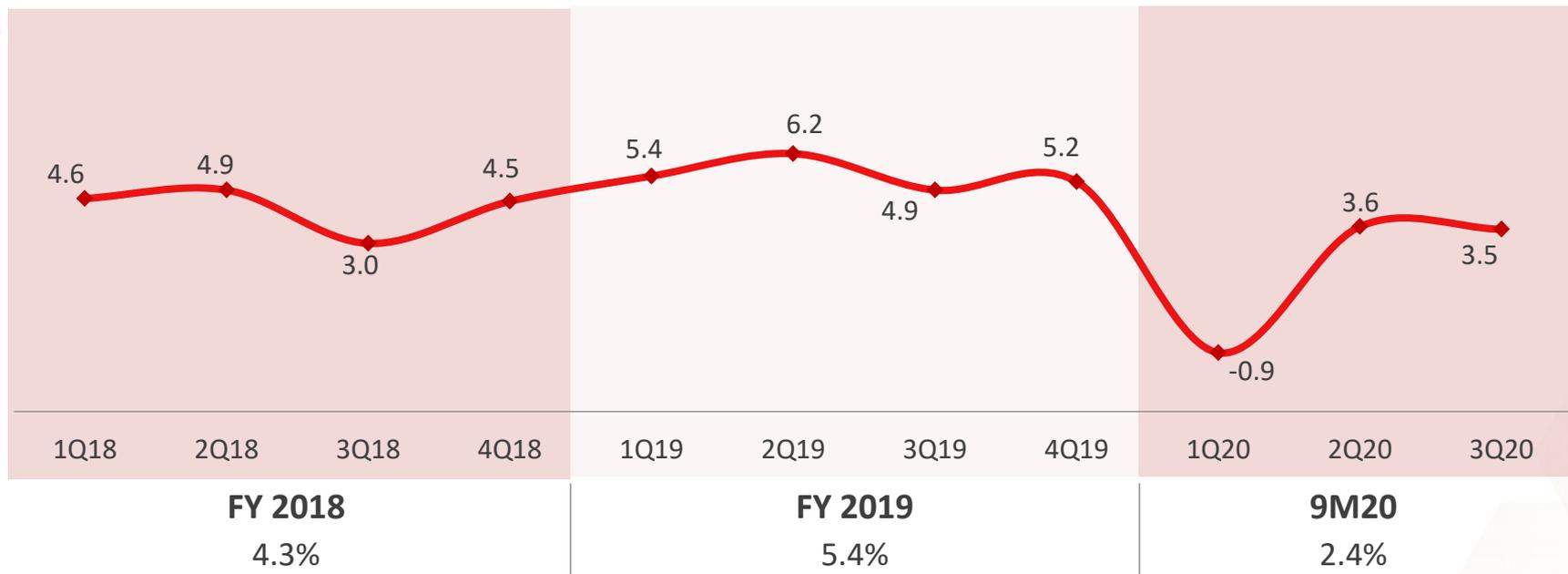


Pou Sheng OP Margin Trend

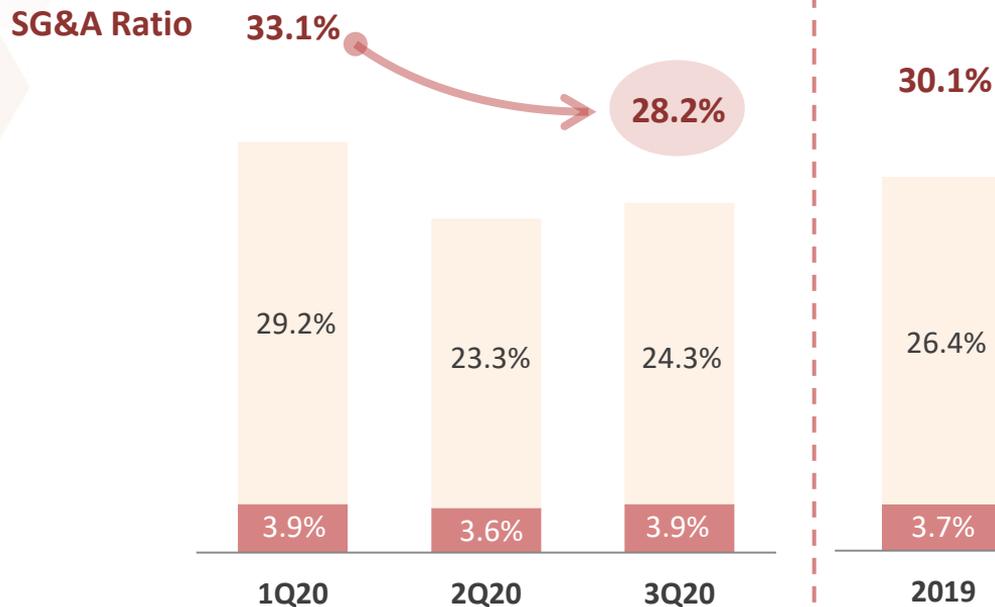


(%)

◆ Operating Profit Margin



Well-managed SG&A Expense



% of Revenue

■ Selling and Distribution Expense ■ Administrative Expense



Strict cost control measures

- 9M20 SG&A dropped 11.2% yoy



Efficiency Improvement



Active negotiation with landlords

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	<u>9M 2020</u>	<u>9M 2019</u>
Depreciation of PPE & Amortization	484.7	418.6
Depreciation of ROUA	869.3	622.8
EBITDA	1,809.3	2,141.5
EBITDA minus Depreciation of ROUA	940.0	1,518.7
Capital Expenditure	372.2	505.0

	<u>30 Sep 2020</u>	<u>30 Sep 2019</u>
Total Borrowings*	2,127	3,491
Net Borrowings*	1,466	3,132
Total Borrowings to Equity #	27.2%	45.5%
Net Borrowings to Equity #	18.7%	40.8%

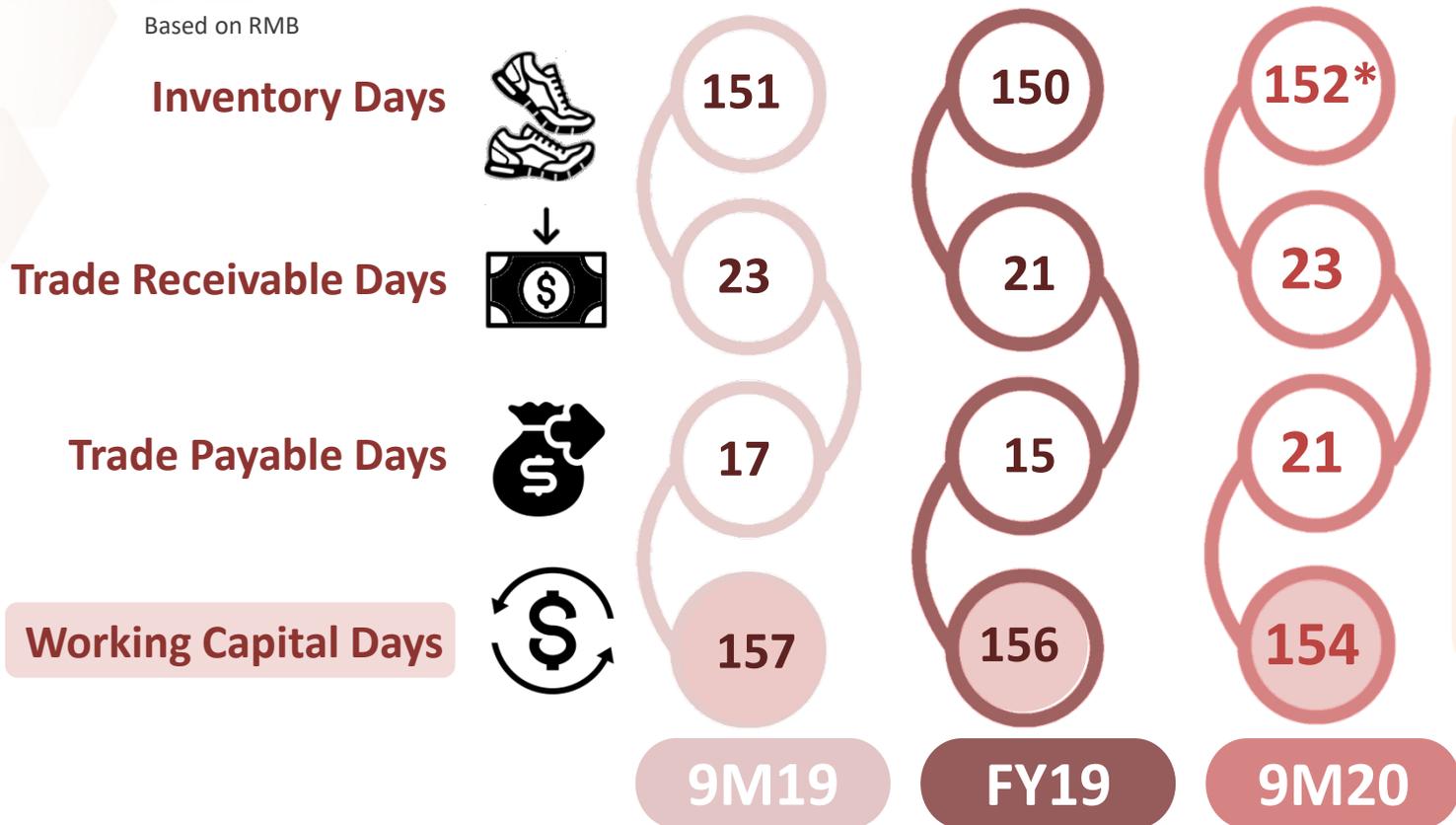
	<u>9M 2020</u>	<u>9M 2019</u>
Net Borrowings to EBITDA (X) <i>annualized</i>	0.6 X	1.1 X
Return on Owner's Equity <i>LTM</i>	5.3%	10.3%
Return on Asset <i>LTM</i>	2.6%	4.8%

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 2,716.3mn and 2,433.6mn as at Sep 30, 2020 and Sep 30, 2019 respectively.
 # Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 61.9% (9M19: 77.2%) and 53.5% (9M19: 72.5%) as at Sep 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 274 days

Agenda



01 Financial Summary

p 5-11

02 Business Highlights

p 13-16

03 Future Target

p 18

Pou Sheng Retail Strategy

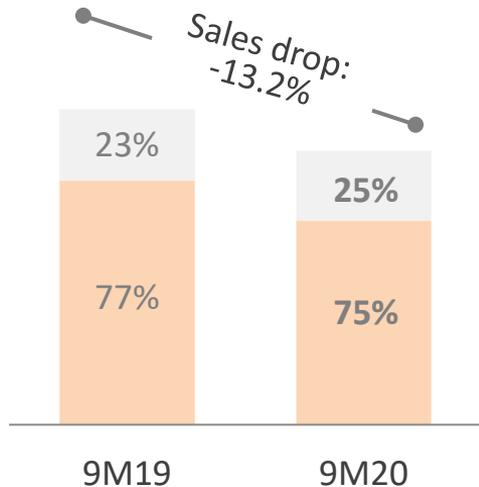


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

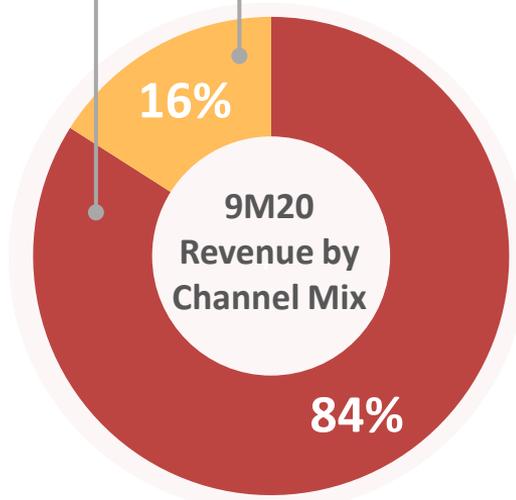
Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 5,322 stores
- Multi-Brands Stores: 69 stores



■ Directly Operated Stores ■ Sub-Distributors

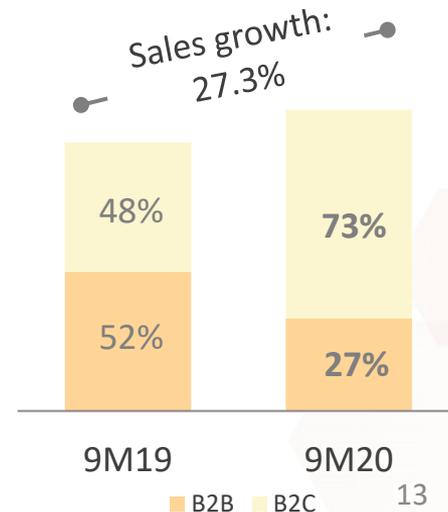


Top 5 brands account for over 90% of our business

Omni-channel

B2C Channel:

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



Overview: Solid B&M Network

Number of Stores



**Directly Operated
(Own-Store)**

5,883



492



5,391



**Sub-Distributor
(Franchisee)**

3,950



49



3,901



Total Store

9,833

-541

9,292

As at
December 31, 2019

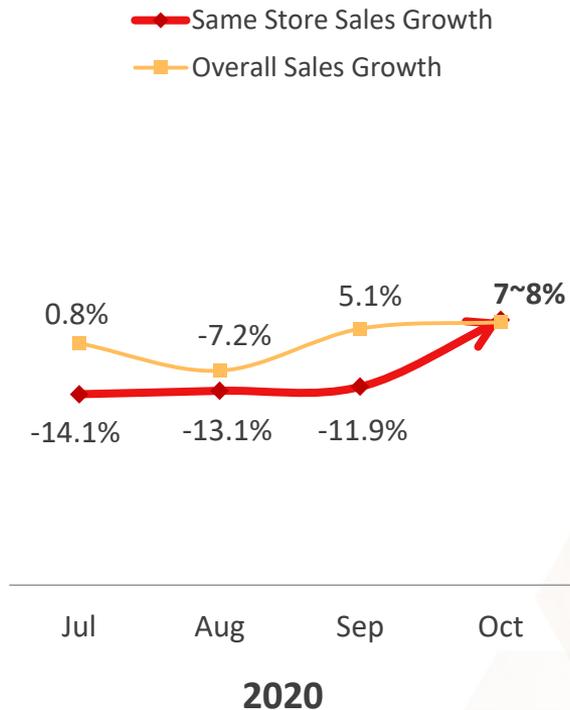
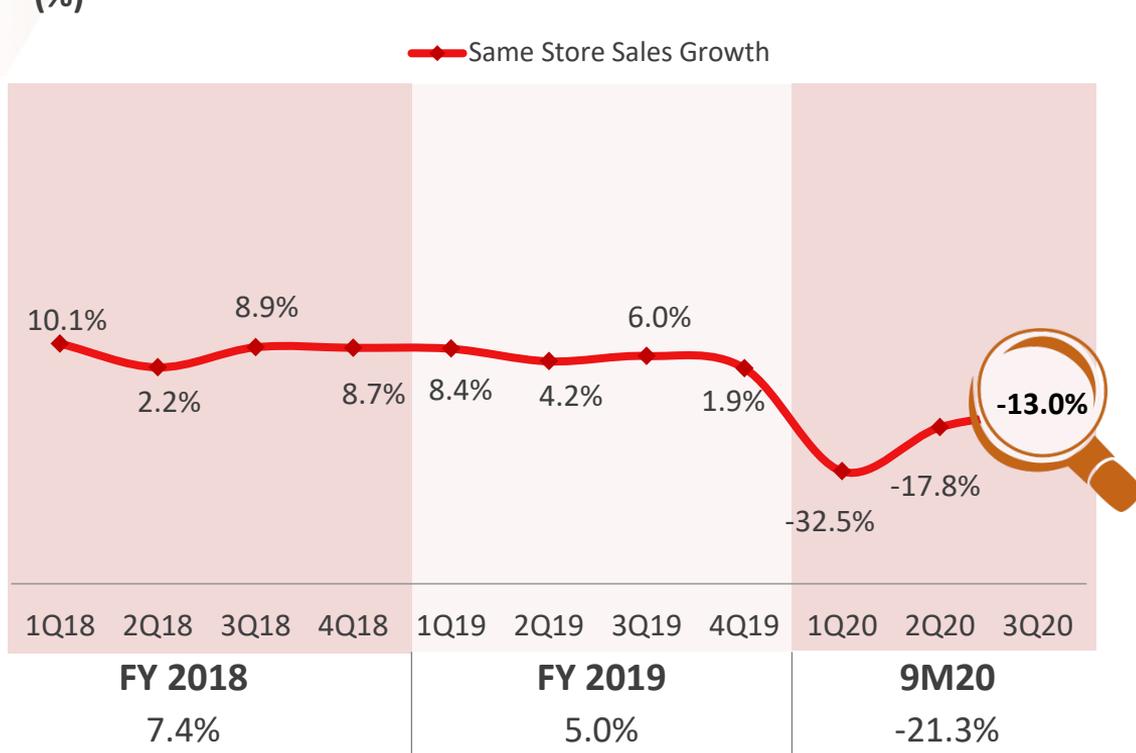
Net New Store +/-(-)

As at
September 30, 2020

Pou Sheng Same Store Sales Growth (SSSg)



(%)



Note: Same-store sales measures revenue of full-price directly-operated stores (incl. WeChat stores' contribution) that have been operated over one year

Our customized WeChat Stores

- Y Stable and solid foundation with much better **conversion** and **return rate**
- Y **Better ASP** than 3rd party platform e.g. T-Mall, JD, Vipshop, etc.
- Y Good initial results of **“Less stores (<7% store numbers), more sales (connecting >70% inventory pool)”** infrastructure
- Y Comprehensive relations with members by designated **Key Opinion Staff(KOS)** & **interesting contents (ExP)** as first step to elevate our services to consumers



Sports services and membership program

YYsports My ExP mini-program

(As of 5 Nov 2020, 3.9m ExP members out of >30m YY members)



WeChat stores



24-hr digital interface by designated KOS

* WeChat store was launched in February 2020

Agenda



01 Financial Summary

p 5-11

02 Business Highlights

p 13-16

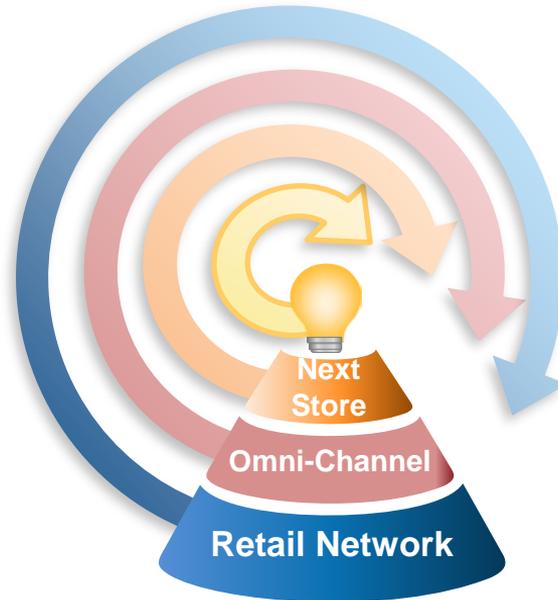
03 Future Target

p 18

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 owned and 3rd 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

Pou Sheng Financial Highlights (in USD)



	9M 2020		9M 2019		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
Revenue	2,619,287	100.00	2,910,494	100.00	-10.01%
Cost of Sales	(1,829,687)	-69.85	(1,915,467)	-65.81	-4.48%
Gross Profit	789,600	30.15	995,027	34.19	-20.65%
SG&A	(756,548)	-28.88	(866,314)	-29.77	-12.67%
Other Income & Expenses, net	28,970	1.10	31,302	1.08	-7.45%
Operating Profit	62,022	2.37	160,015	5.50	-61.24%
Finance Cost, net	(24,534)	-0.94	(24,675)	-0.85	-0.57%
Share of Results of JV	1,050	0.04	156	0.01	+573.08%
Other Gains and Losses	73	0.00	(1,454)	-0.05	N/A
Income Tax	(14,970)	-0.57	(38,968)	-1.34	-61.58%
Profit for the Period	23,641	0.90	95,074	3.27	-75.13%
Profit Attrib. to Owners of PS	22,228	0.85	88,035	3.03	-74.75%

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

Pou Sheng Financial Highlights (in RMB)



	FY 2019		FY 2018		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
Revenue	27,190	100.00	22,677	100.00	+19.90%
Cost of Sales	(17,915)	-65.89	(15,078)	-66.49	+18.81%
Gross Profit	9,275	34.11	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%
Operating Profit	1,472	5.41	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%
Profit for the Year	880	3.24	561	2.47	+56.86%
Profit Attrib. to Owners of PS	833	3.06	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	%	+ / -
Revenue	3,932,965	100.00	3,421,657	100.00	+14.94%
Cost of Sales	(2,591,280)	-65.89	(2,275,156)	-66.49	+13.89%
Gross Profit	1,341,685	34.11	1,146,501	33.51	+17.02%
SG&A	(1,178,146)	-29.96	(1,038,884)	-30.37	+13.40%
Other Income & Expenses, net	49,397	1.26	38,270	1.12	+29.07%
Operating Profit	212,936	5.41	145,887	4.26	+45.96%
Finance Cost, net*	(34,598)	-0.88	(21,665)	-0.64	+59.70%
Share of Results of JV	158	0.01	(140)	-0.00	N/A
Other Losses	(1,378)	-0.03	-	N/A	N/A
Income Tax	(49,840)	-1.27	(39,452)	-1.15	+26.33%
Profit for the Year	127,278	3.24	84,630	2.47	+50.39%
Profit Attrib. to Owners of PS	120,533	3.06	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