

Pou Sheng International 2022 9M Results



10 Nov 2022



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新光三越

YYSports

KUNSHAN
2020 MARATHON
海峡两岸（昆山）马拉松

胜道体育
SPORTS

9M22 Pou Sheng Operating Highlights



Prioritize Profitability

Y 3Q22 GPM **↑2pp** YoY **↑1.9pp** QoQ

Disciplined Discount

Y 9M22 Discount YoY slightly intensified

Y 3Q22 Discount QoQ & YoY **LSD Improvement**

Inventory and Membership
Integration ➤

Channel Diversification
Accelerate Sales Cycle ➤

Holistic Approach in Channel
Planning & Management ➤

Retail Refinement

Streamline and refine store network ➤ Closing underperforming stores

Y GFA of Directly-operated quality larger-format stores (>300m²) **↑MSD%** YoY, Larger-format stores account for **18%** of total stores

Y Average GFA **↑HSD%** YoY

Y UPT & ATV **↑MSD% - HSD%** YoY

Regional WeChat Stores ➤ Collective efforts from KOS

Y Solid growth on Pan-WeChat Stores, **↑95%** YoY

Y Pan-WeChat sales reached **~10%** of total sales, contributed **14.7%** of direct retail revenue

Digital Integration



Agenda



- | | | |
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Pou Sheng Financial Highlights (in RMB)

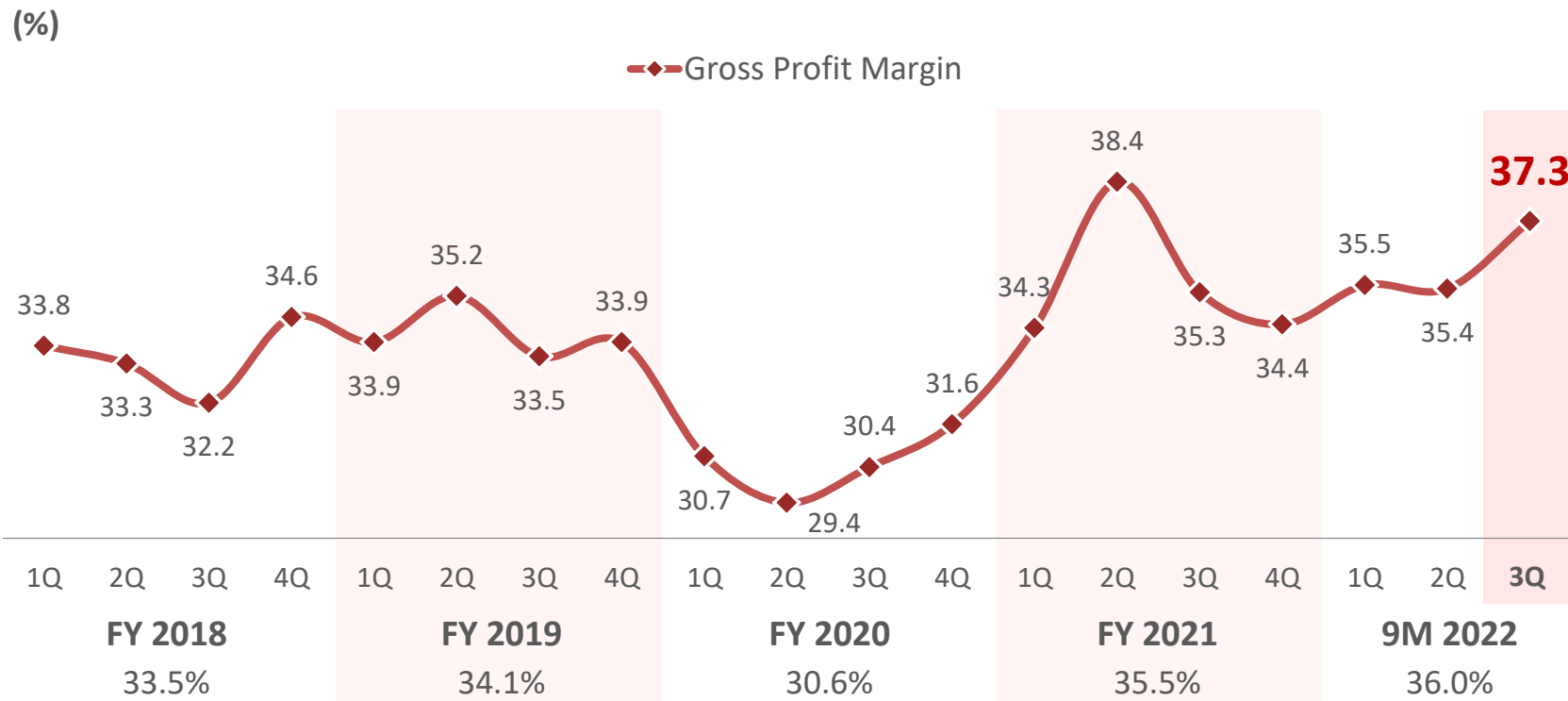


	9M 2022		9M 2021		YoY	
	RMB'mn	%	RMB'mn	%	%	ppt
Revenue	14,394	100.0	18,021	100.0	-20.1	--
Cost of Sales	(9,207)	-64.0	(11,553)	-64.1	-20.3	+0.1
Gross Profit	5,187	36.0	6,468	35.9	-19.8	+0.1
SG&A	(5,078)	-35.3	(5,795)	-32.2	-12.4	-3.1
Other Income & Expenses, net	234	1.7	324	1.8	-27.8	-0.1
Operating Profit	343	2.4	997	5.5	-65.6	-3.1
Finance Cost*, net	(117)	-0.8	(131)	-0.7	-10.7	-0.1
Share of Results of JV	--	--	(22)	-0.1	N/A	+0.1
Other Losses	(6)	-0.0	(10)	-0.1	-40.0	+0.1
Income Tax	(109)	-0.8	(224)	-1.2	-51.3	+0.4
Profit for the Period	111	0.8	610	3.4	-81.8	-2.6
Profit Attrib. to Owners of PS	99	0.7	594	3.3	-83.3	-2.6

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 9M2022 & 9M2021

* Finance cost in 9M22 decreased by 8.3% if excludes interest expenses on lease liabilities which amounted to RMB 84.5mn (9M21: RMB 100.3mn)

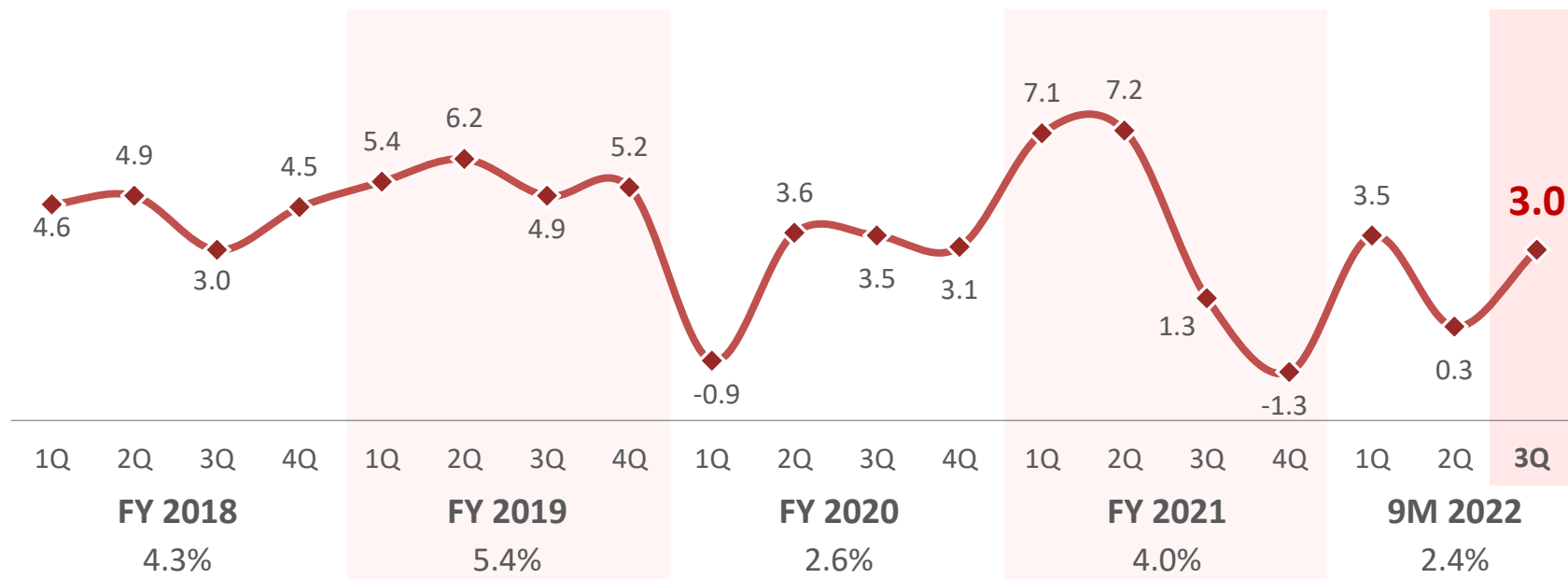
Pou Sheng GP Margin Trend



Pou Sheng OP Margin Trend

(%)

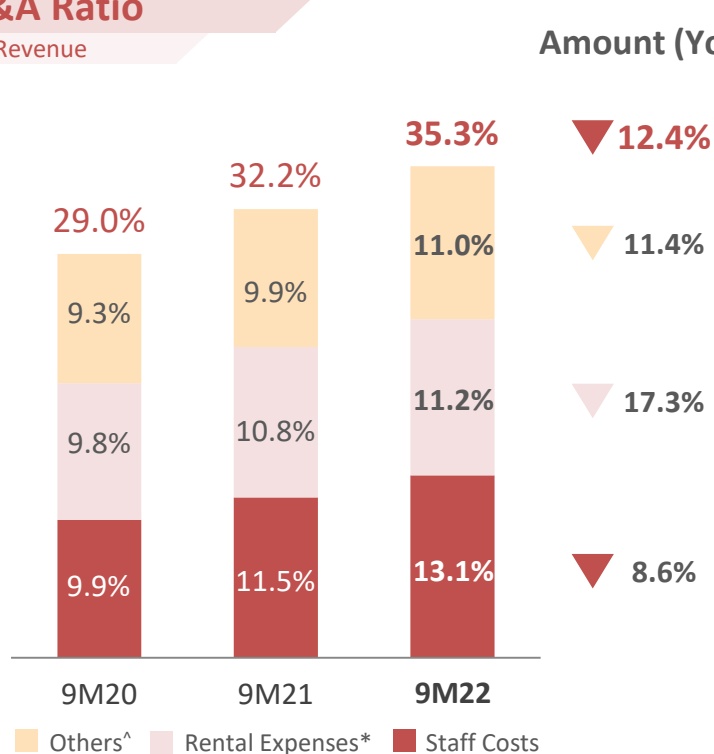
◆ Operating Profit Margin



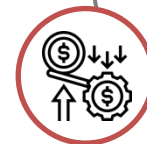
Pou Sheng SG&A Expenses Breakdown

SG&A Ratio

% of Revenue



Lack of rent concession and social security relief as compared with 9M20



Deleveraging due to sales ↓



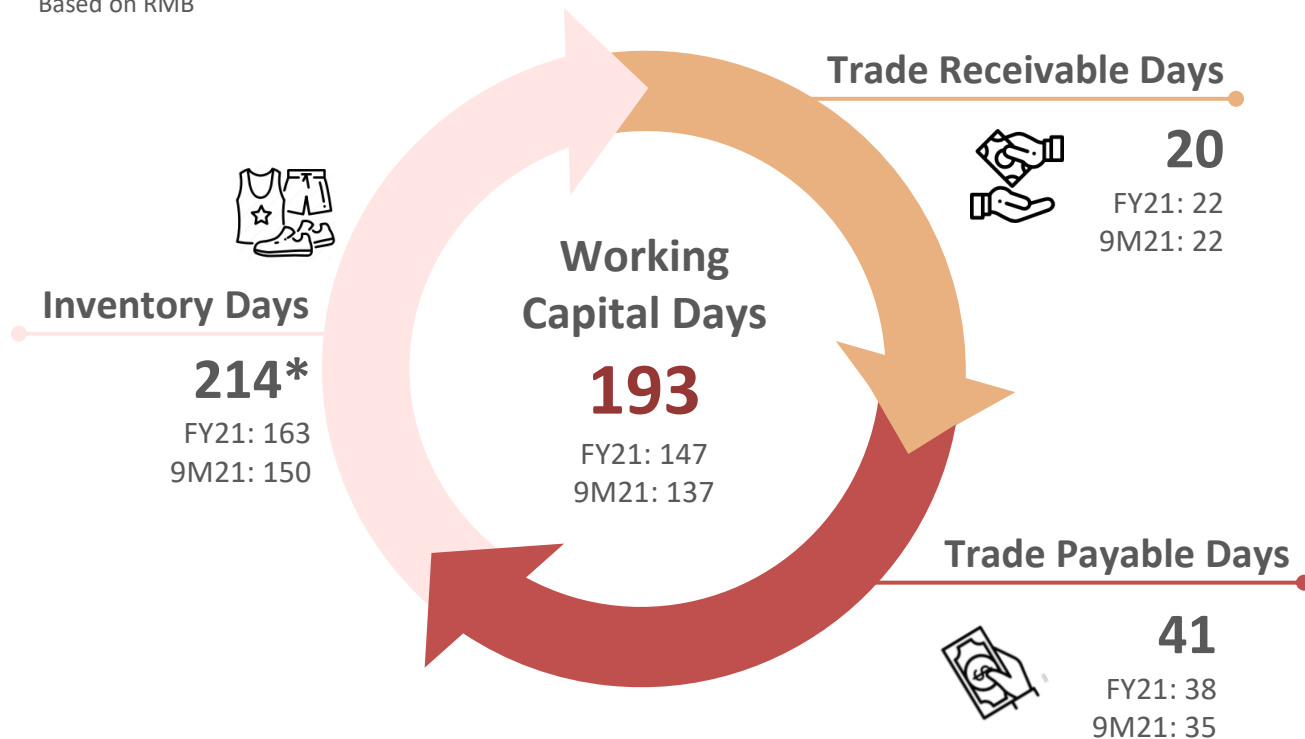
Offset by efforts of cost control & rent negotiations

[^] Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

* Rental Expenses include expense of operating leases, concession expenses and depreciation of right-of-use assets

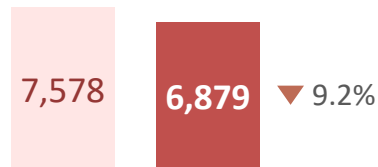
Operation Efficiency – 9M22

Based on RMB



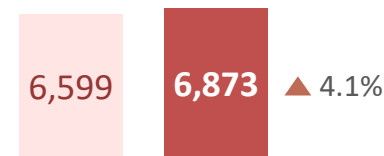
Inventory Level

In RMB'mn



Working Capital

In RMB'mn



FY21 Sep 22

* Inventory days increased by 51 days against 2021 year-end due to:

- 1) Weak sales amid Covid-19,
- 2) Acquisition of JV Baowei on 31 Dec 2021,
- 3) Partially offset by efforts to digest excess inventory and inventory return

Pou Sheng Financial Ratios (in RMB)



(RMB' mn)	9M 2022	9M 2021	YoY
Depreciation of PPE & Amortization	380.3	482.2	-21.1%
Depreciation of ROUA	847.2	908.1	-6.7%
EBITDA	1,580.7	2,377.2	-33.5%
EBITDA minus Depreciation of ROUA	733.5	1,469.1	-50.1%
Capital Expenditure	216.1	333.7	-35.2%
Total Borrowings*	1,218.9	1,686.0	-27.7%
(Net Cash)/ Net Borrowings*	(112.6)	624.6	N/A
Total Borrowings to Equity #	14.8%	19.9%	--
Net Borrowings to Equity #	Net Cash	7.4%	--
Total Borrowings* to EBITDA (X) annualized	0.6 X	0.5 X	--
Return on Owner's Equity LTM ^	-1.7%	8.6%	--
Return on Asset LTM ^	-0.8%	4.4%	--

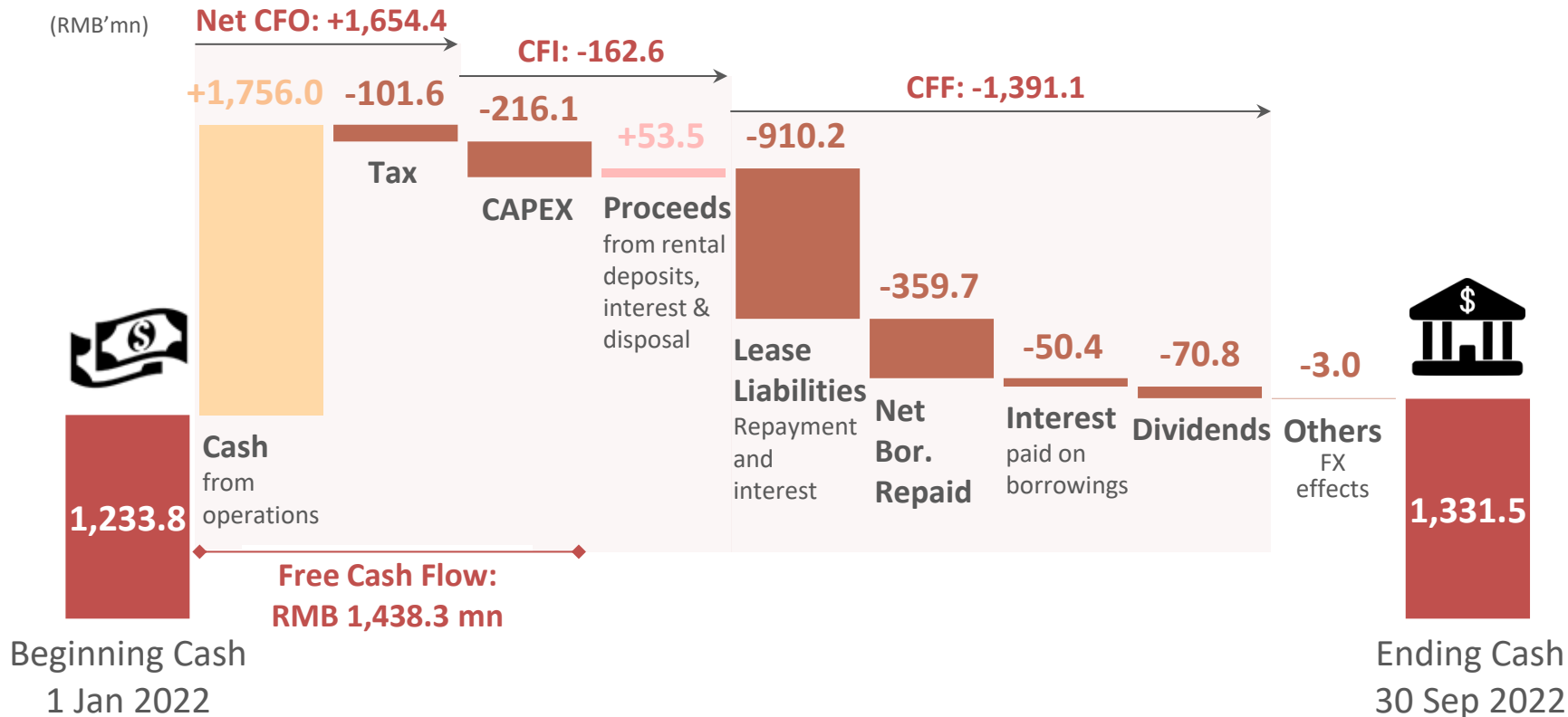
Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 2,393.1mn and 2,898.9mn as at 30 Sep 2022 and 2021 respectively

Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 43.8% (9M21: 54.2%) and 27.7% (9M21: 41.7%) as at 30 Sep 2022 respectively

^ ROE and ROA would be 1.6% and 1.0% if on annualized basis

Pou Sheng Sources and Uses of Fund



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Pou Sheng Retail Strategy

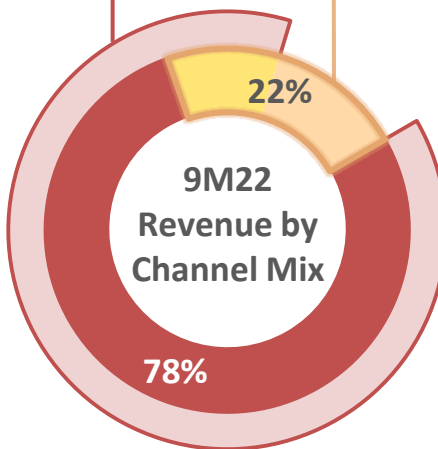
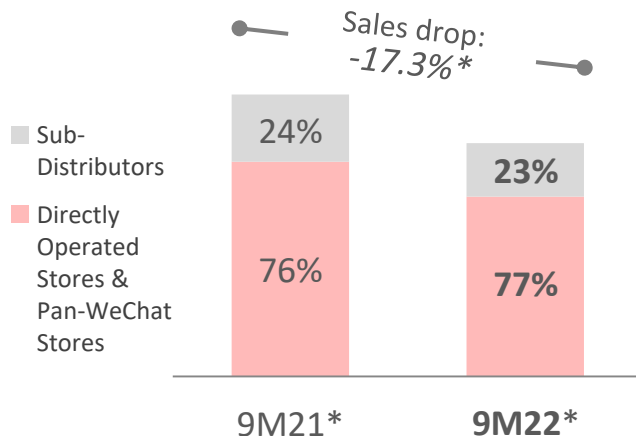


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 4,271 stores
- Multi-Brands Stores: 25 stores



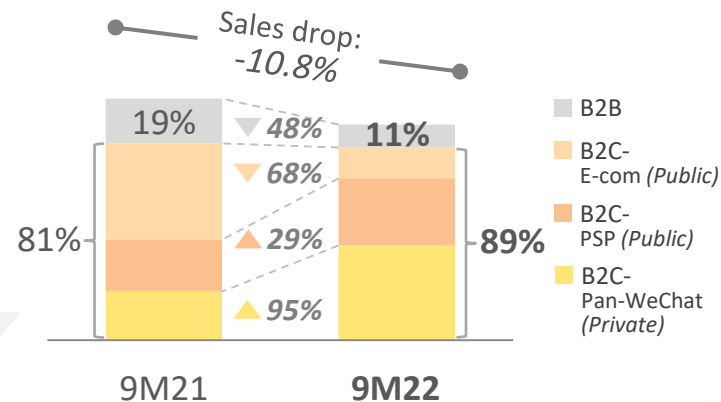
Top 5 brands account for ~96% of our revenue

Omni-channel

Omni-channel consisted of B2B and B2C, and reached 22% of total sales

B2C contains:

- Public Domain: 3rd party platforms with growing PSP product support
- Private Domain: Pan-WeChat Ecosphere + member services

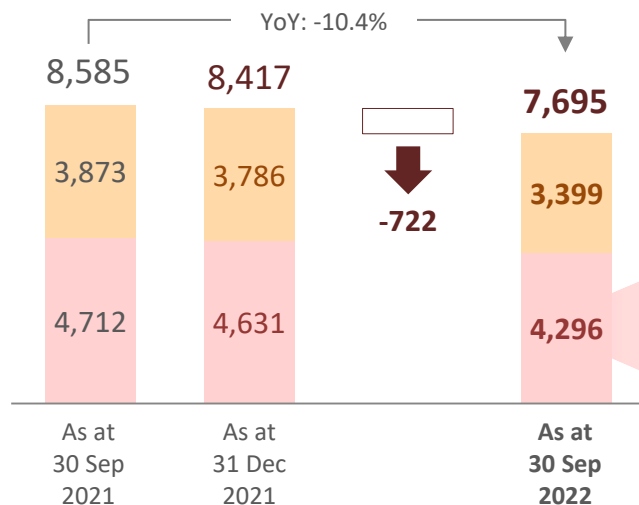


* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales, 9M21 data were reclassified
Sales dropped by 23.0% if excludes Pan-WeChat

Solid B&M Network *(Number of Stores)*



Total Stores



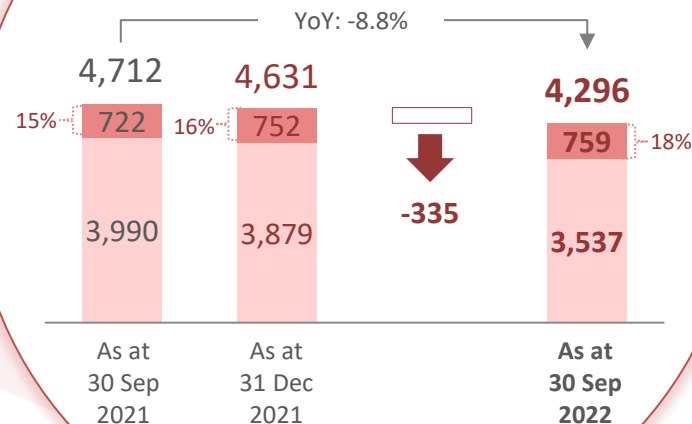
Directly Operated Stores (Own-Store)

Sub-Distributors (Franchisee)

Net Stores +/-



Directly Operated Large Store Mix



Stores >300m²

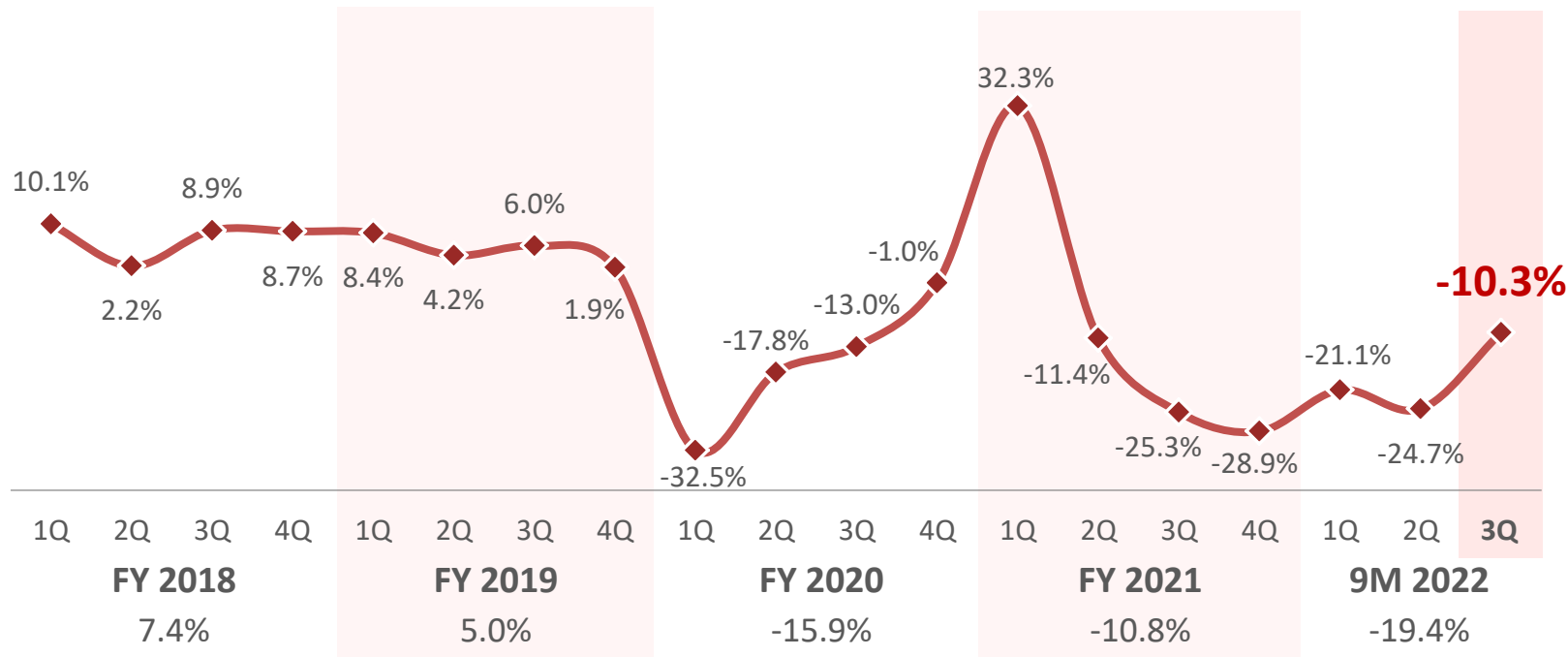
Stores ≤300m²

Pou Sheng Same Store Sales Growth (SSSg)



(%)

—◆— Same Store Sales Growth

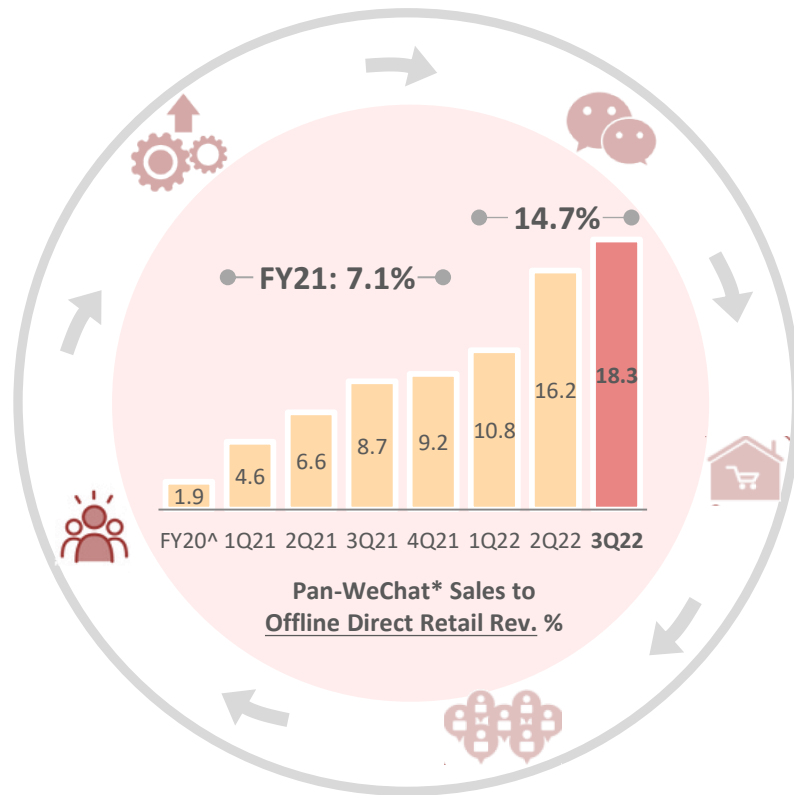


Note: Same-store sales measures revenue of full-price directly-operated stores (incl. WeChat stores' contribution) that have been operated over one year

Our Customized Pan-WeChat Ecosphere



- Stable and solid foundation with much better conversion, return rate and full-price in-season sales
- Better ASP** than 3rd party platform e.g. T-Mall, JD, Vipshop, etc.
- Digitally-enabled experience stores and membership integration to enhance seamless consumer experience
- Account for 14.7% of direct retail revenue (or ~10% of overall) in 9M22, with more than 90% inventory pool connected across different regions



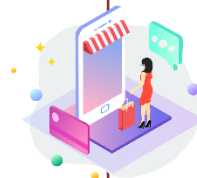
[^] WeChat store was launched in February 2020

* Pan-WeChat Ecosphere consists of private domain channels including WeChat stores, Douyin live-streaming shopping events and shopping mall members platforms

Our Customized Pan-WeChat Ecosphere (Cont.)



- Comprehensive relations with members by designated **Key Opinion Staff (KOS)** and **interesting contents** as first step to elevate our services to consumers



Sports services and membership program

WeChat stores

24-hr digital interface by designated KOS



~48.0m YYsports members (as of 30 Sep 2022)

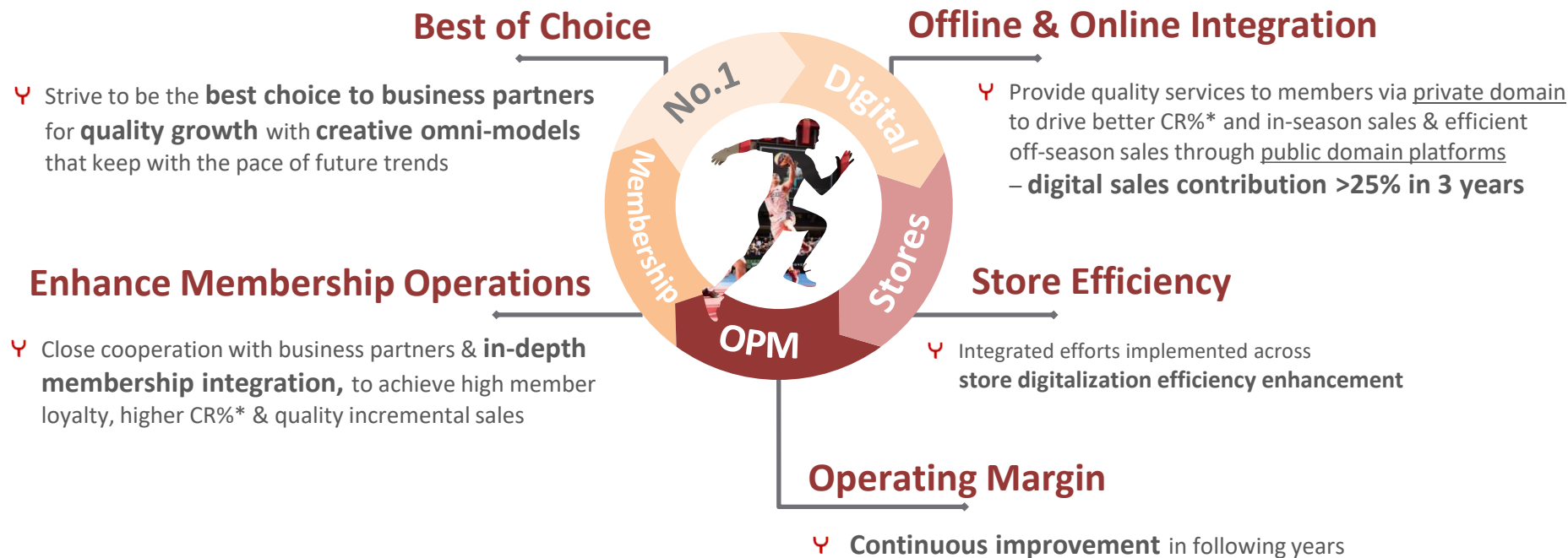
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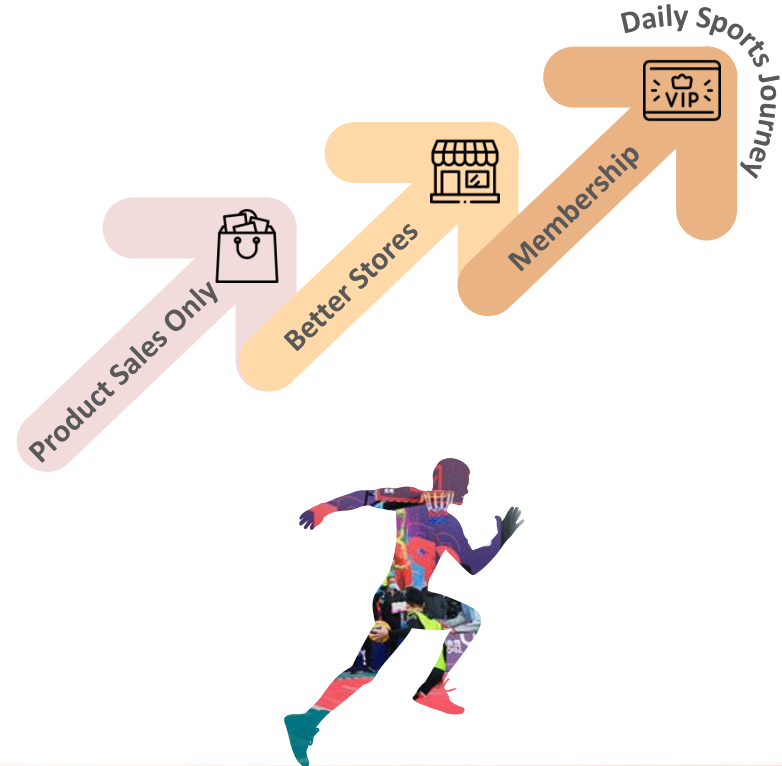
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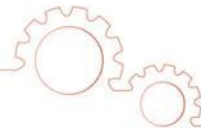
Critical Missions in 3 Years

“Creating Value-added Services & Quality Experiences to Customers”



Growth by Digital, Membership & Store Efficiency





Appendix

Company Milestones

- 
- 2021 ● Omni-channel contributed over 20% of total sales
 - 2020 ● Launched WeChat store operation
 - 2018 ● Recorded over RMB 22bn revenue
 - 2016 ● Recorded over RMB 15bn revenue
 - 2014 ● Became sole licensee for Pony in Taiwan & Mainland China
 - 2013 ● Recorded over RMB 10bn revenue
 - 2008 ● **Pou Sheng International listed on HKEX (3813.HK)**
 - 2001 ● Expanded into retail business in Mainland China

Pou Sheng Financial Highlights (in USD)



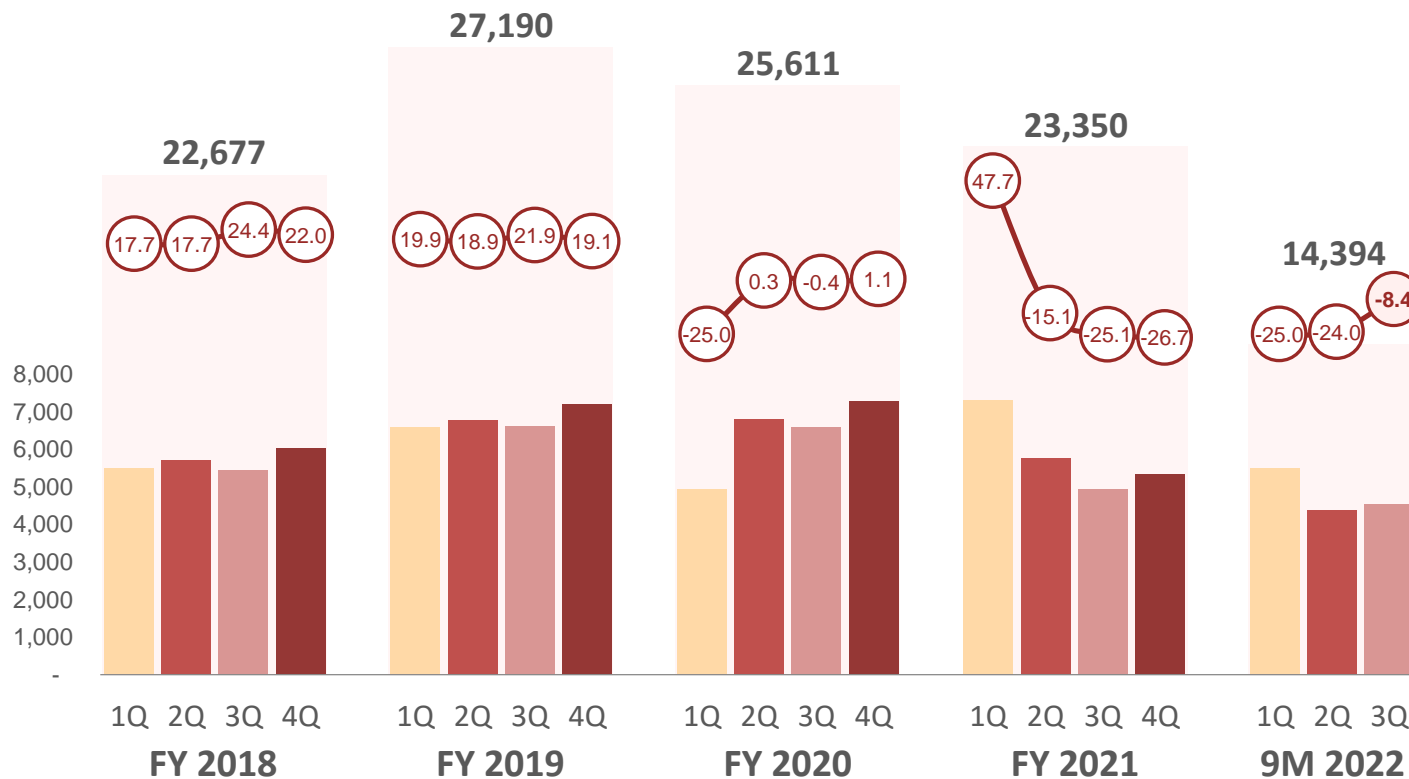
	9M 2022		9M 2021		YoY
	US\$'000	%	US\$'000	%	%
Revenue	2,178,410	100.00	2,785,230	100.00	-21.79
Cost of Sales	(1,393,373)	-63.96	(1,785,514)	-64.11	-21.96
Gross Profit	785,037	36.04	999,716	35.89	-21.47
SG&A	(764,217)	-35.08	(889,604)	-31.94	-14.09
Other Income & Expenses, net	31,035	1.42	43,926	1.58	-29.35
Operating Profit	51,855	2.38	154,038	5.53	-66.34
Finance Cost, net	(17,688)	-0.81	(20,300)	-0.73	-12.87
Share of Results of JV	--	--	(3,379)	-0.12	N/A
Other Losses	(899)	-0.04	(1,570)	-0.06	-42.74
Income Tax	(16,512)	-0.76	(34,531)	-1.24	-52.18
Profit for the Period	16,756	0.77	94,258	3.38	-82.22
Profit Attrib. to Owners of PS	14,931	0.69	91,847	3.30	-83.74

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 Revenue Trend

Revenue (RMB'mn)

YoY (%)





**Thank you
Q&A**