

Pou Sheng International 2023 1H Results

11 Aug 2023



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Pou Sheng Strategy & Operating Highlights



Prioritize Profitability

Y 1H23 OPM \uparrow 2.2pp YoY

Disciplined Discount

Y 1H23 Discount* YoY slightly intensified, while QoQ LSD% improvement \rightarrow partially offset against the negative impact from channel mix



Prioritizing Profitability \rightarrow
Strategic Partnership with Brands
Accelerating Sales \rightarrow
Facilitating a Virtuous Inventory Cycle
Holistic Approach in Channel
Planning & Management \rightarrow

1. Strategic Alliance with Business Partners

- Y **INVENTORY integration** \rightarrow **Omni-Hub programme** to efficiently share inventory with brand partners, together with PSP, PDA & other initiatives to enhance inventory efficiency & enhance cash conversion efficiency
- Inventory amount \downarrow 23% vs Dec 22, Days enhanced to 133 days
- Y **MEMBERSHIP integration** \rightarrow allowing consumers to access exclusive products and services in both PS & brands' directly operated stores
- UPT & ATV \uparrow HSD% YoY

2. Retail Refinement Strategy

- Y **STREAMLINE & right-size** retail network & enhance productivity
- Average monthly sales per door & sales per m² $>$ \uparrow DD% YoY
 - Larger-format stores account for 20% of total stores
 - Average GFA \uparrow HSD% YoY, while overall GFA \downarrow DD% YoY

3. Digital Acceleration

- Y **REGIONAL WeChat stores, store-level Douyin live-streaming with collective efforts from KOS** + offer a digitally-enabled experience
- Robust growth in Pan-WeChat Stores, \uparrow 56% YoY
 - Pan-WeChat sales reached 12.6% of total sales, contributed 19.2% of offline direct retail revenue

4. Solid Financial Management

- Improved working capital turnover yielded a good RMB 1.03bn jump in cash position vs 2022 year-end, to RMB 2.22bn
- **First interim dividend of** HKD 0.0185 per share since 1H16

Our Strategies

PSP: Product Sharing Platform PDA: Personal Digital Assistant

UPT: Units Per Transaction ATV: Average Transaction Value GFA: Gross Floor Area KOS: Key Opinion Staffs

* Offline direct retail discounts

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Pou Sheng Financial Highlights (in RMB)



	1H 2023		1H 2022		YoY	
	RMB'mn	%	RMB'mn	%	%	pp
Revenue	10,960	100.0	9,865	100.0	+11.1	--
Cost of Sales	(7,289)	-66.5	(6,369)	-64.6	+14.4	-1.9
Gross Profit	3,671	33.5	3,496	35.4	+5.0	-1.9
SG&A	(3,310)	-30.2	(3,452)	-35.0	-4.1	+4.8
Other Income & Expenses, net	112	1.0	164	1.7	-31.7	-0.7
Operating Profit	473	4.3	208	2.1	+127.4	+2.2
Finance Cost*, net	(35)	-0.3	(81)	-0.8	-56.8	+0.5
Other Losses	--	--	(6)	-0.1	N/A	N/A
Income Tax	(119)	-1.1	(97)	-1.0	+22.7	-0.1
Profit for the Period	319	2.9	24	0.2	+1,229.2	+2.7
Profit Attrib. to Owners of PS	305	2.8	17	0.2	+1,694.1	+2.6

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1H2023 & 1H2022

* Finance cost in 1H23 decreased by 84.3% YoY if excludes interest expenses on lease liabilities which amounted to RMB 44.2mn (1H22: RMB 57.7mn)

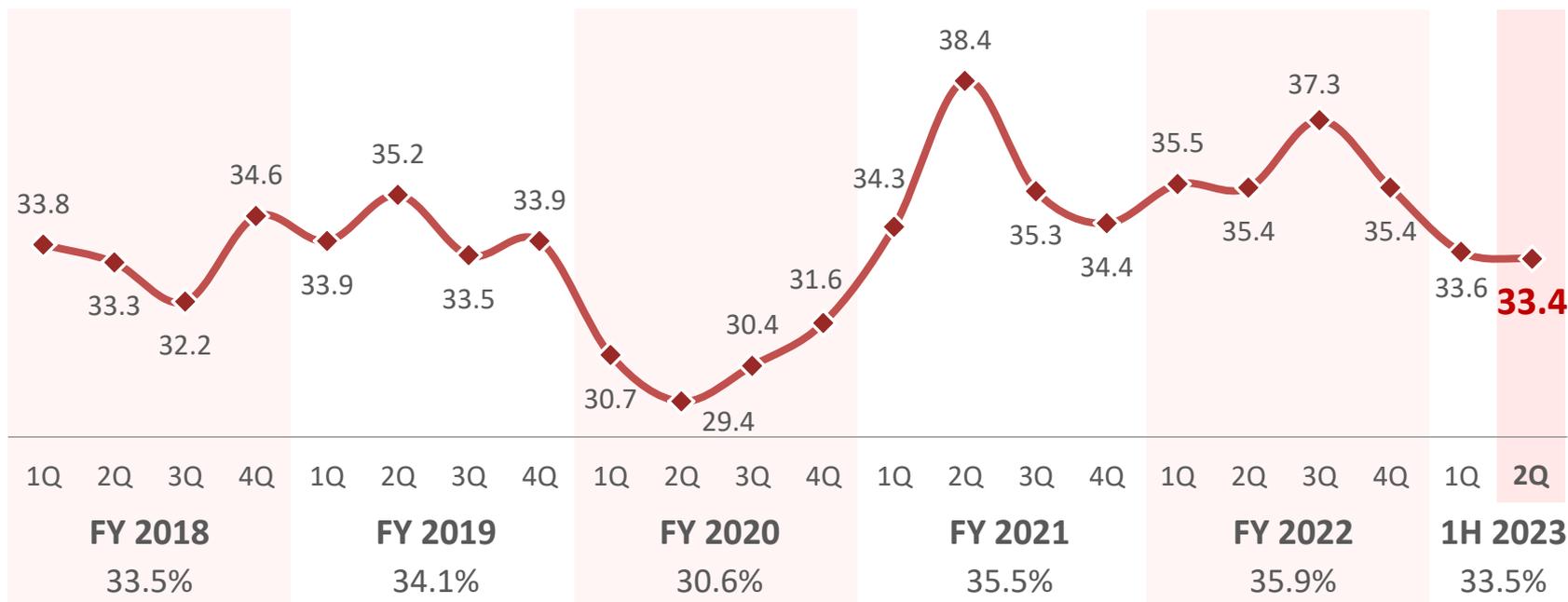
The company recorded net finance income of RMB 8.8mn in 1H23, as compared with net finance cost of RMB 23.2mn in 1H22

Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

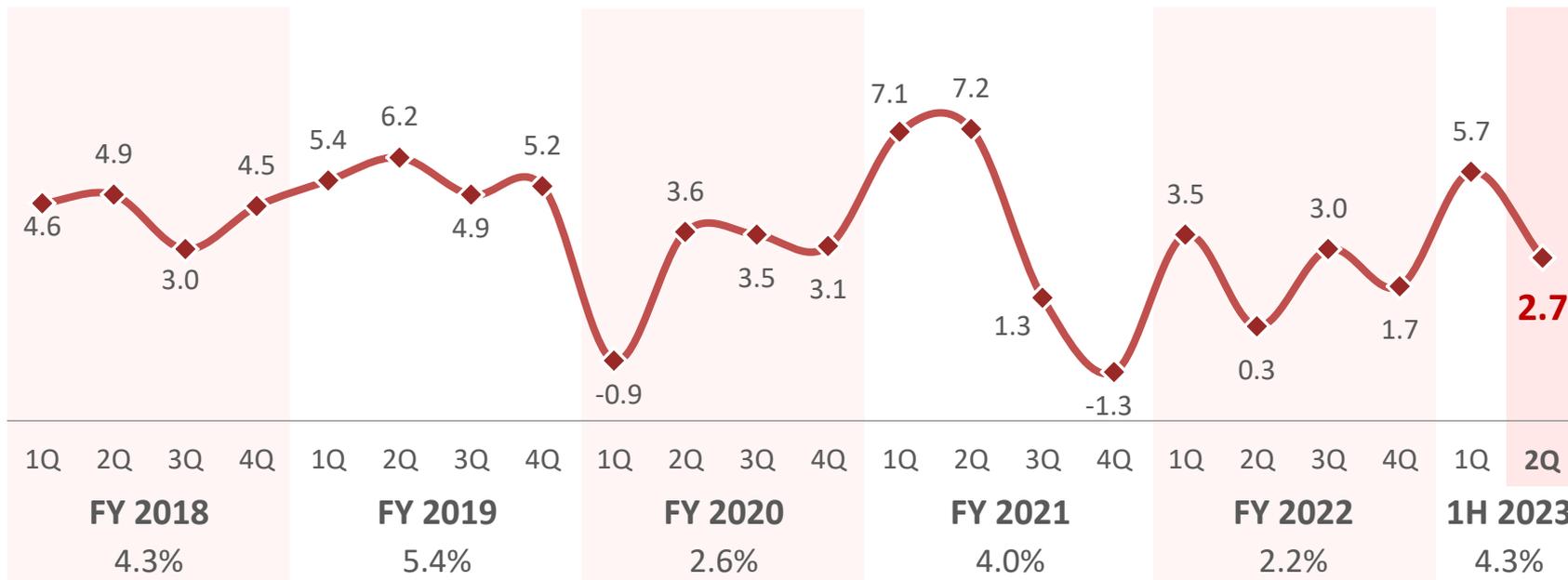


Pou Sheng OP Margin Trend



(%)

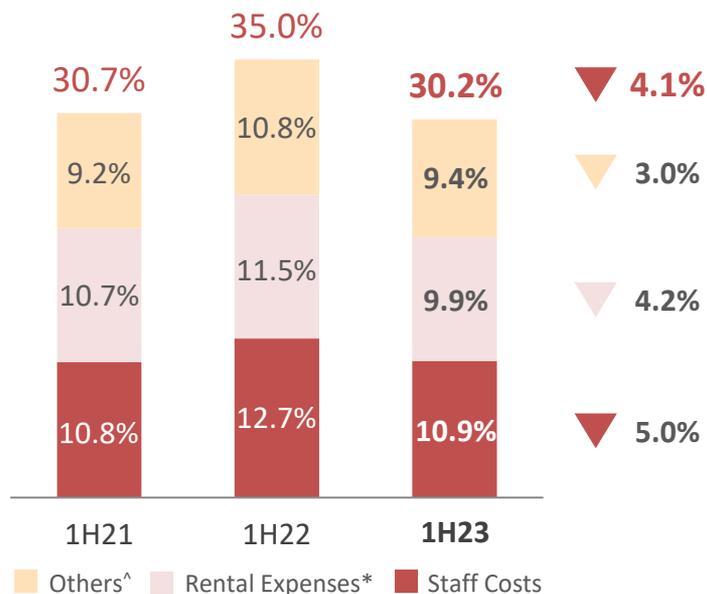
◆ Operating Profit Margin



Pou Sheng SG&A Expenses Breakdown

SG&A Ratio

% of Revenue



Amount (YoY)



Right-size Retail Network & Enhance Manpower Efficiency

- Holistic approach in channel planning to avoid low-efficiency store opening & closing
- Number of direct operated stores ↓ 16% YoY
- Sales/ door & sales/ m² ↑ DD% YoY



Operating Leverage Led by Sales ↑



Active Management on Rental & People Efficiency

- Lean Management: Pou Sheng's number of employees decreased from 28,600 to 23,700, ↓ 17% YoY

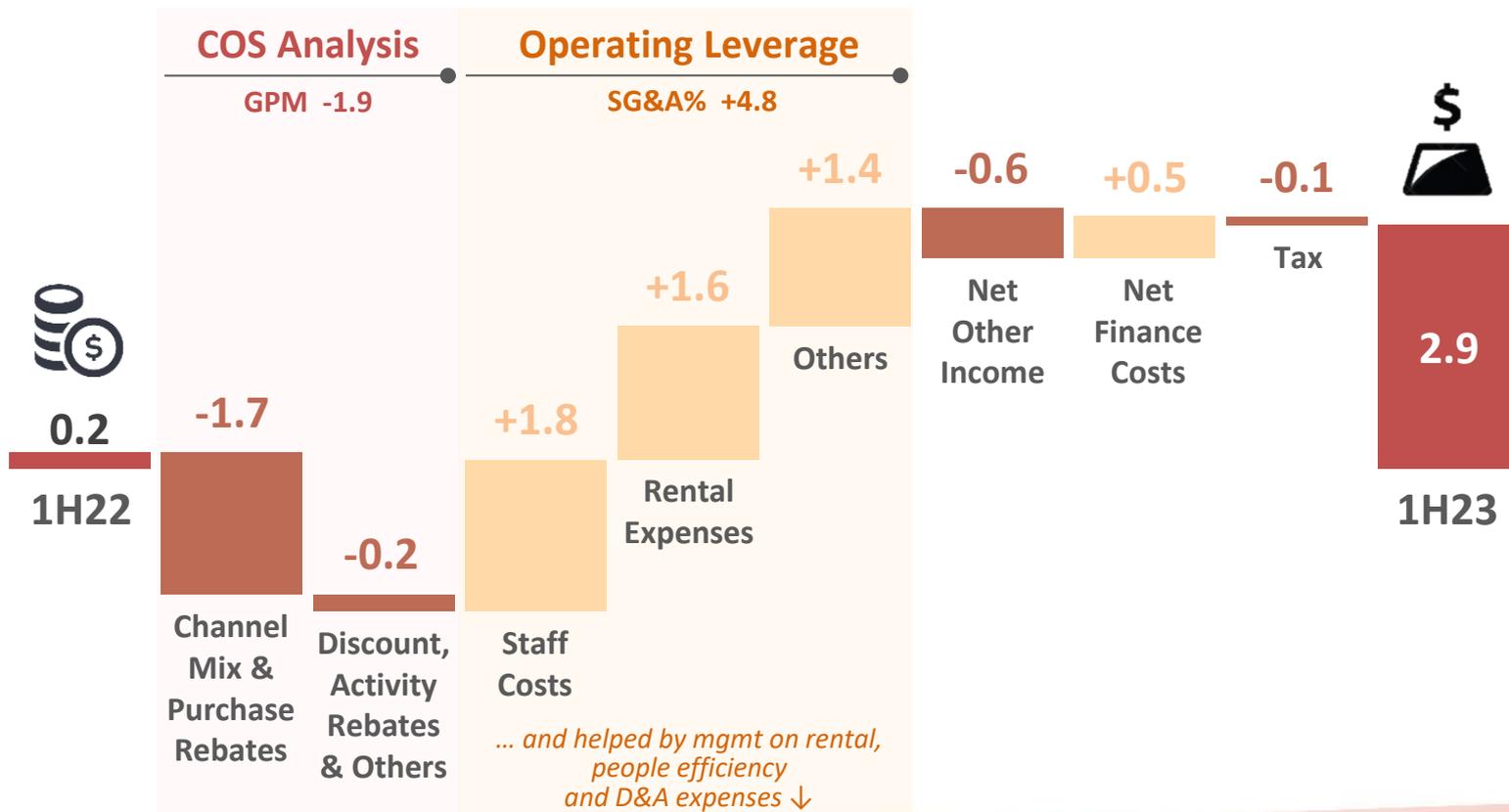
[^] Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

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

Pou Sheng – Net Profit Margin

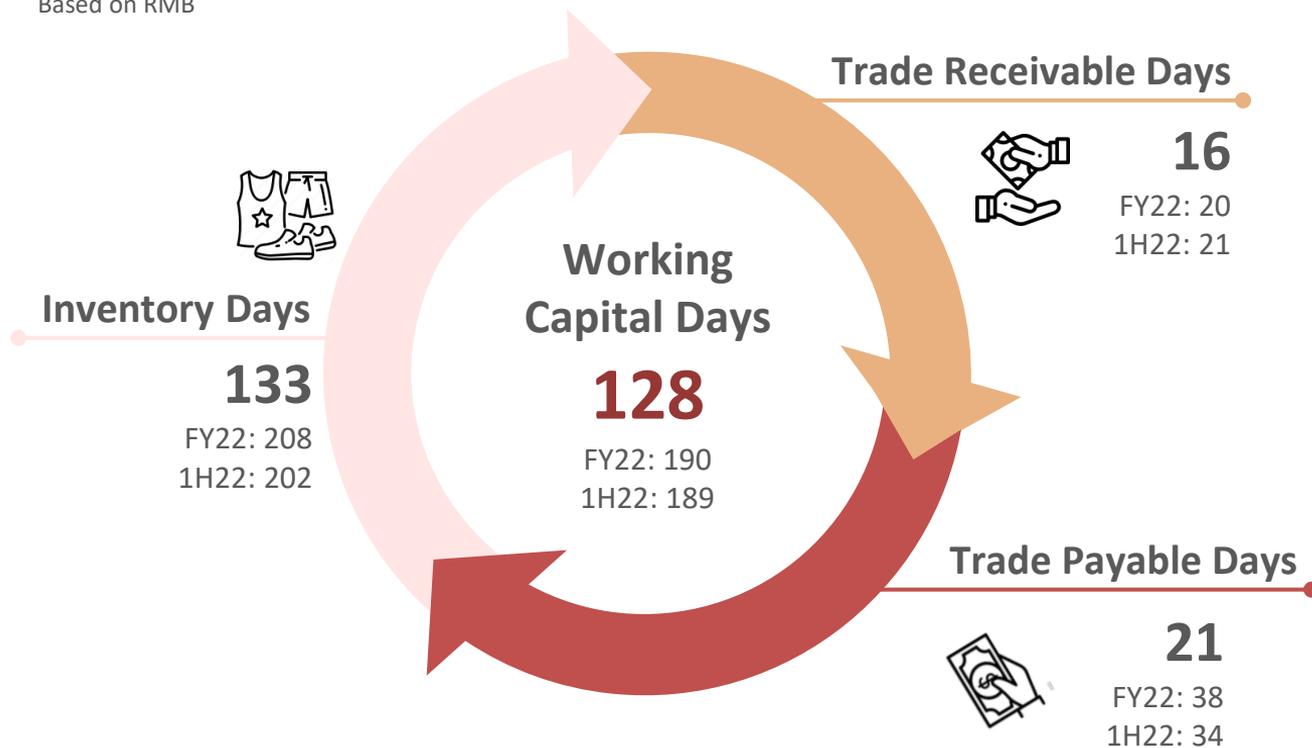


(%)



Operation Efficiency – 1H23

Based on RMB



Inventory Level

In RMB'mn



Working Capital

In RMB'mn



■ FY22 ■ 1H23

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	1H 2023	1H 2022	YoY
Depreciation of PPE & Amortization	193.4	258.7	-25.2%
Depreciation of ROUA	452.9	568.6	-20.3%
EBITDA	1,133.3	1,039.9	+9.0%
EBITDA minus Depreciation of ROUA	680.4	471.3	+44.4%
Capital Expenditure	157.3	143.8	+9.4%
Total Borrowings*	92.0	2,099.9	-95.6%
(Net Cash)/ Net Borrowings*	(2,132.9)	863.2	N/A
Total Borrowings to Equity#	1.1%	25.7%	-24.6pp
Net Borrowings to Equity#	Net Cash	10.6%	--
Total Borrowings* to EBITDA (X) annualized	0.0 X	1.0 X	--
Return on Owner's Equity LTM ^	4.5%	-3.3%	--
Return on Asset LTM ^	3.0%	-1.6%	--

As of
30 Jun

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 1,970.4mn and 2,477.3mn as at 30 Jun 2023 and 2022 respectively

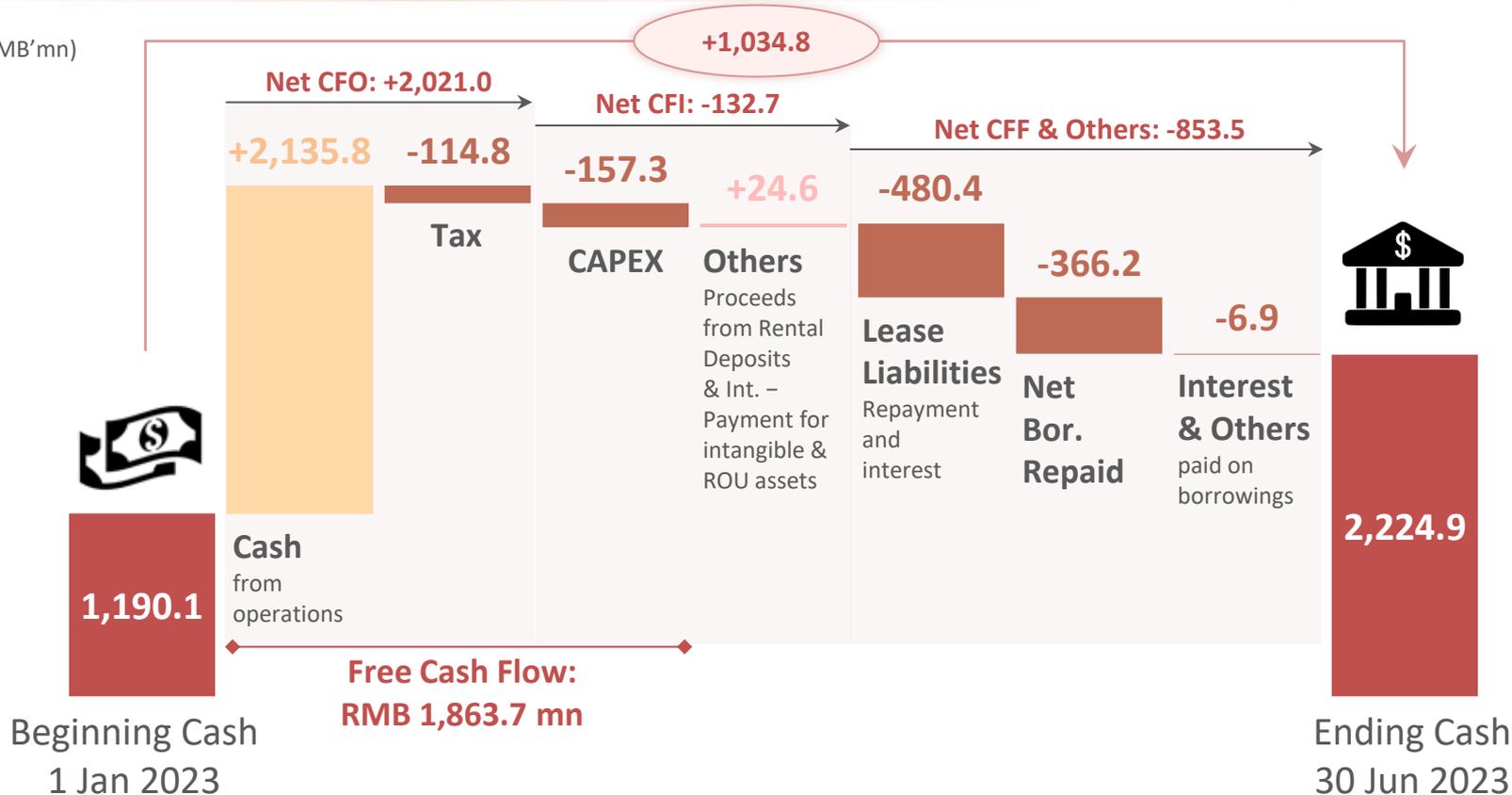
Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 24.2% (1H22: 56.1%) and Net Cash (1H22: 41.0%) as at 30 Jun 2023 respectively

^ ROE and ROA would be 7.3% and 4.8% if on annualized basis

Pou Sheng's turnover efficiency continues to improve, contributing strong cash flow



(RMB'mn)



Net CFO: Net cash from/(used in) Operating Activities

Net CFI: Net cash from/(used in) Investing Activities Net CFF: Net cash from/(used in) Financing Activities

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Pou Sheng Retail Strategy

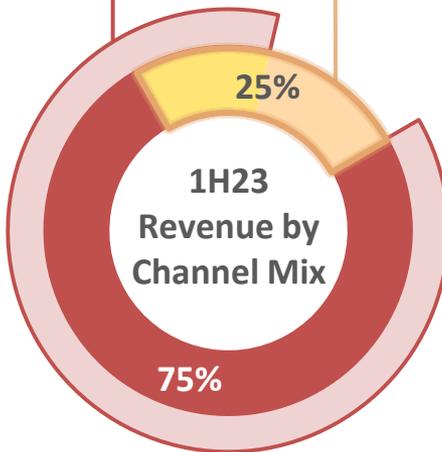
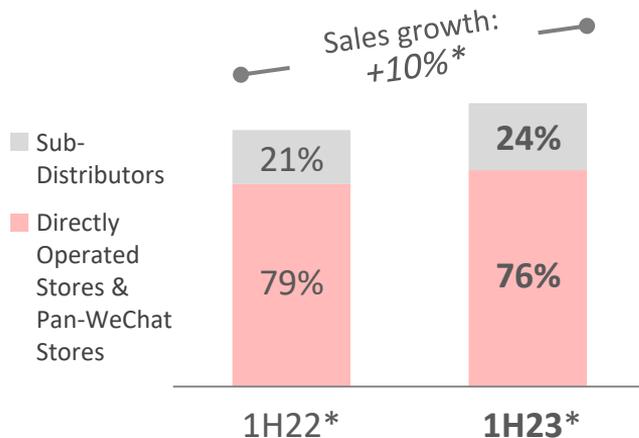


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 3,703 stores
- Multi-Brands Stores: 20 stores



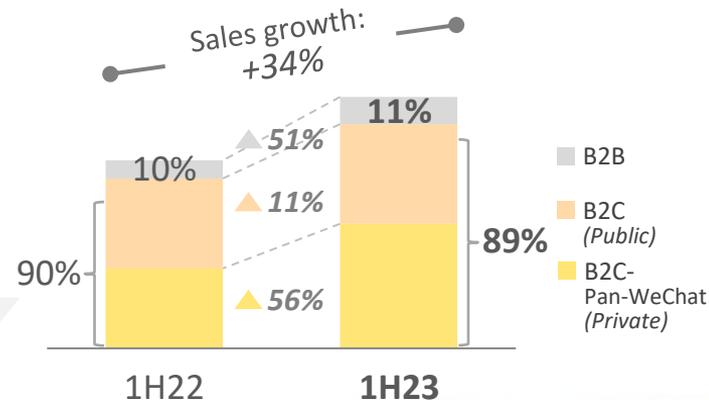
Top 5 brands account for ~96% of our revenue

Omni-channel

Omni-channel consisted of B2B and B2C, and reached 25% of total sales

B2C contains:

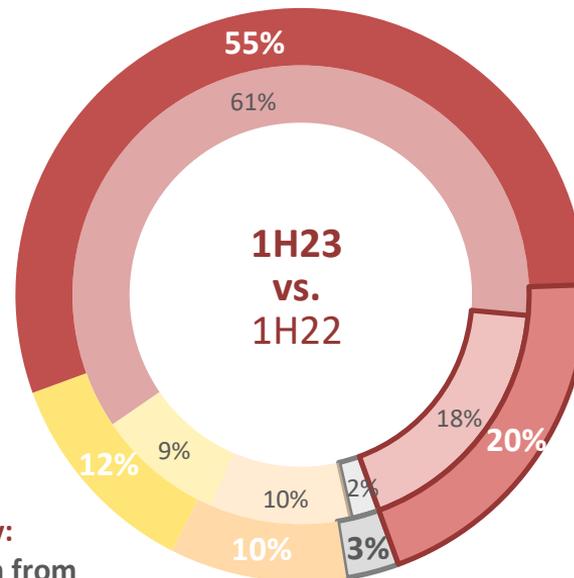
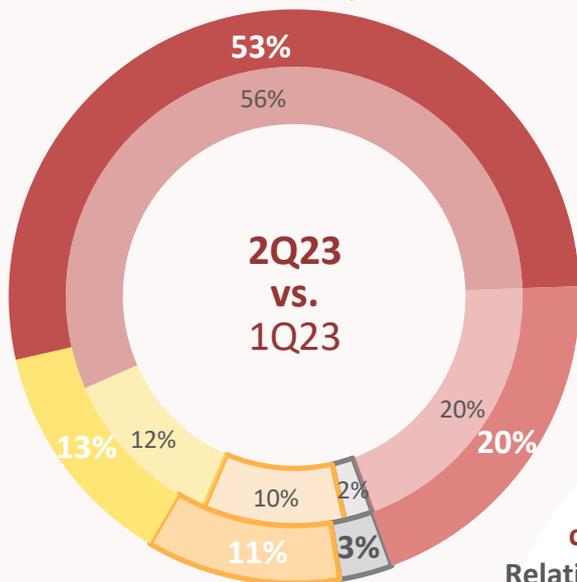
- Public Domain: 3rd party platforms with growing PSP product support
- Private Domain: Pan-WeChat Ecosphere + member services



* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales
Sales increased by 5% if excludes Pan-WeChat

Channel Mix To Be Improved

Temp. lower contribution from better-margin channels
Committed to optimising channel mix in the future



Short-term strategy of clearing excess inventory:
Relatively higher contribution from lower-margin Sub-distributors, B2B & B2C (Public domain) channels

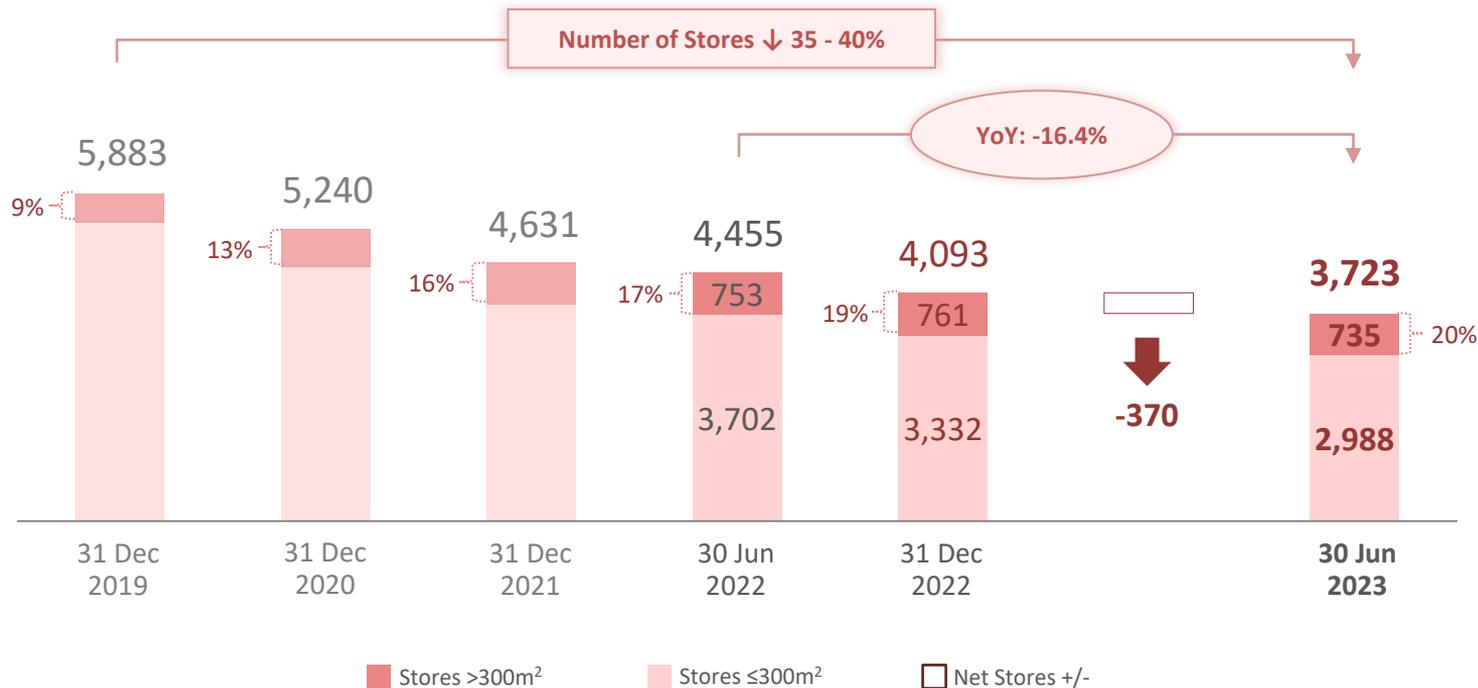
■ Directly Operated Stores & Others
 ■ B2C - Pan-WeChat (Private)
 ■ B2C (Public)
 ■ B2B
 ■ Sub-Distributors

Solid B&M Network



Directly Operated Stores

Large Store Mix

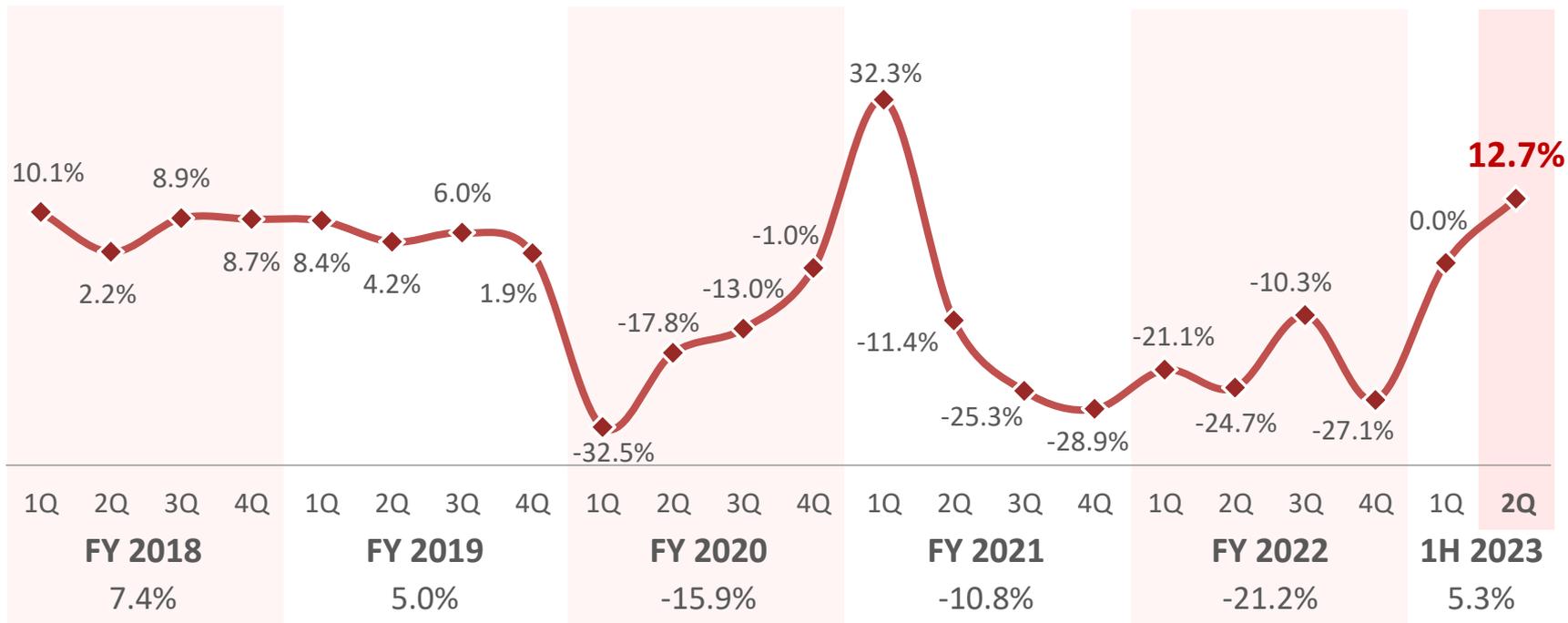


Pou Sheng Same Store Sales Growth (SSSg)



(%)

◆ Same Store Sales Growth

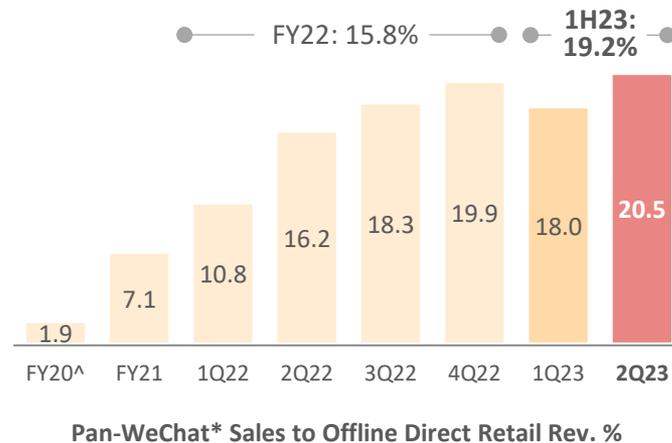
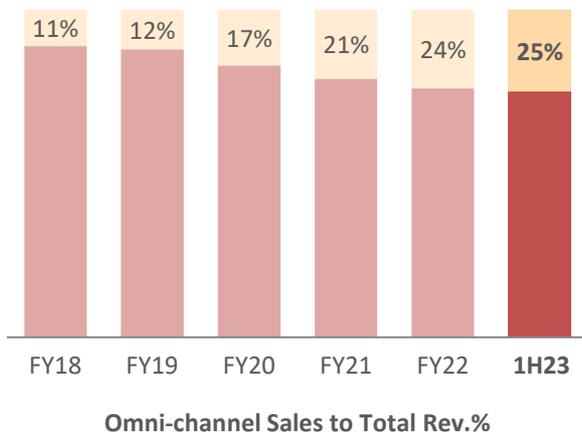


Note: Same-store sales measures revenue of full-price directly-operated stores that have been operated over one year

Our Customized Omni-channel & Pan-WeChat Ecosphere



- Stable and solid foundation of Pan-WeChat stores with much better conversion, return rate and full-price in-season sales
- All-round membership integration to enhance seamless consumer experience
- Account for 19.2% of offline direct retail revenue (or 12.6% of overall) in 1H23, with inventory 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 Omni-channel & Pan-WeChat Ecosphere (Cont.)

- Comprehensive relations with members by designated **Key Opinion Staff (KOS)** and **interesting contents** to develop a holistic consumer experience



YYsports & membership program



WeChat stores



24-hr digital interface by designated KOS



~50.1m YYsports members (as of 30 Jun 2023)

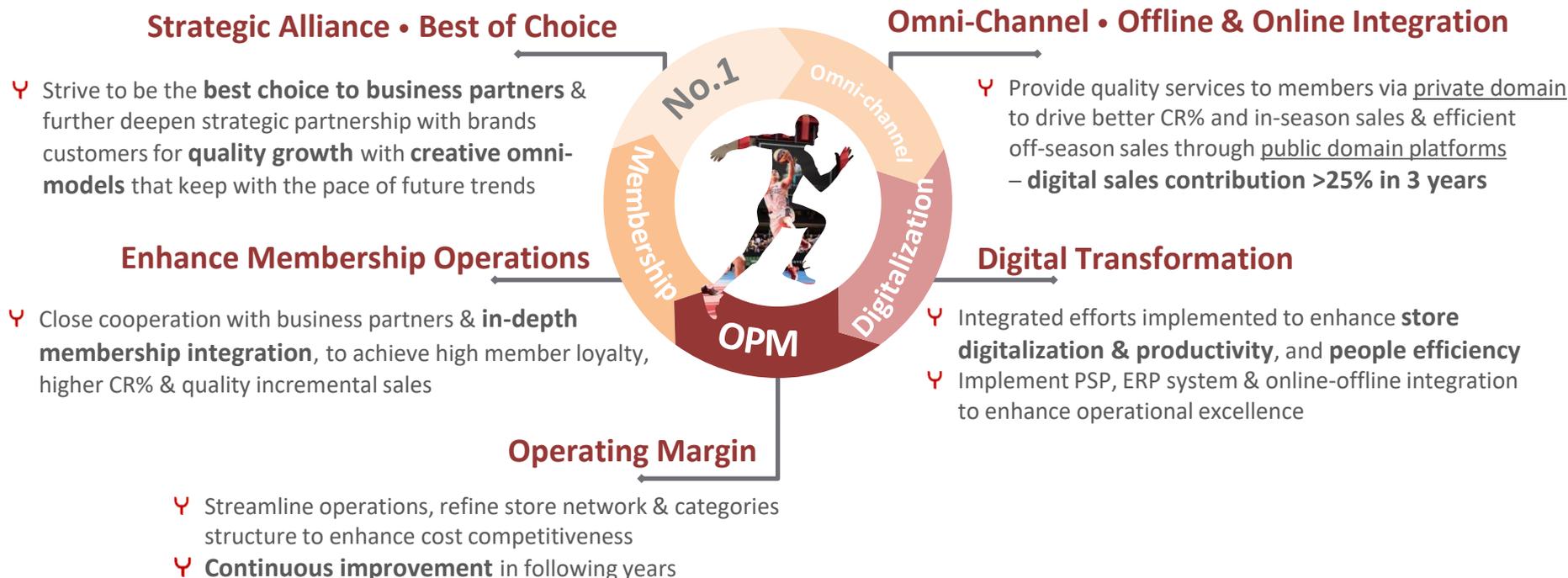
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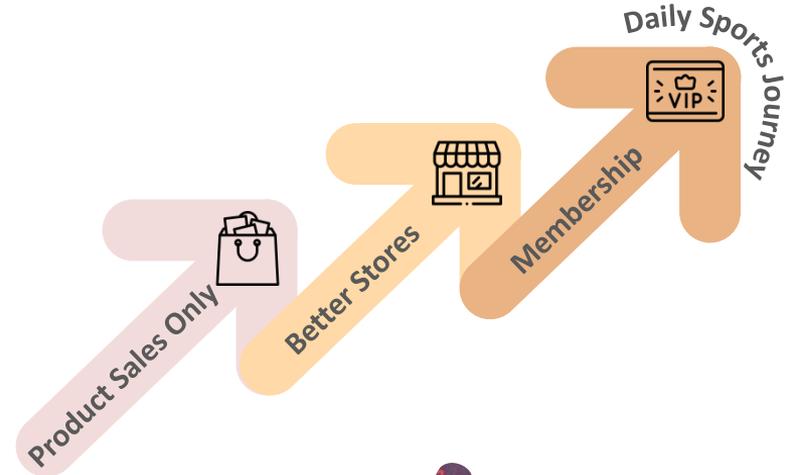
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Critical Missions in 3 Years

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



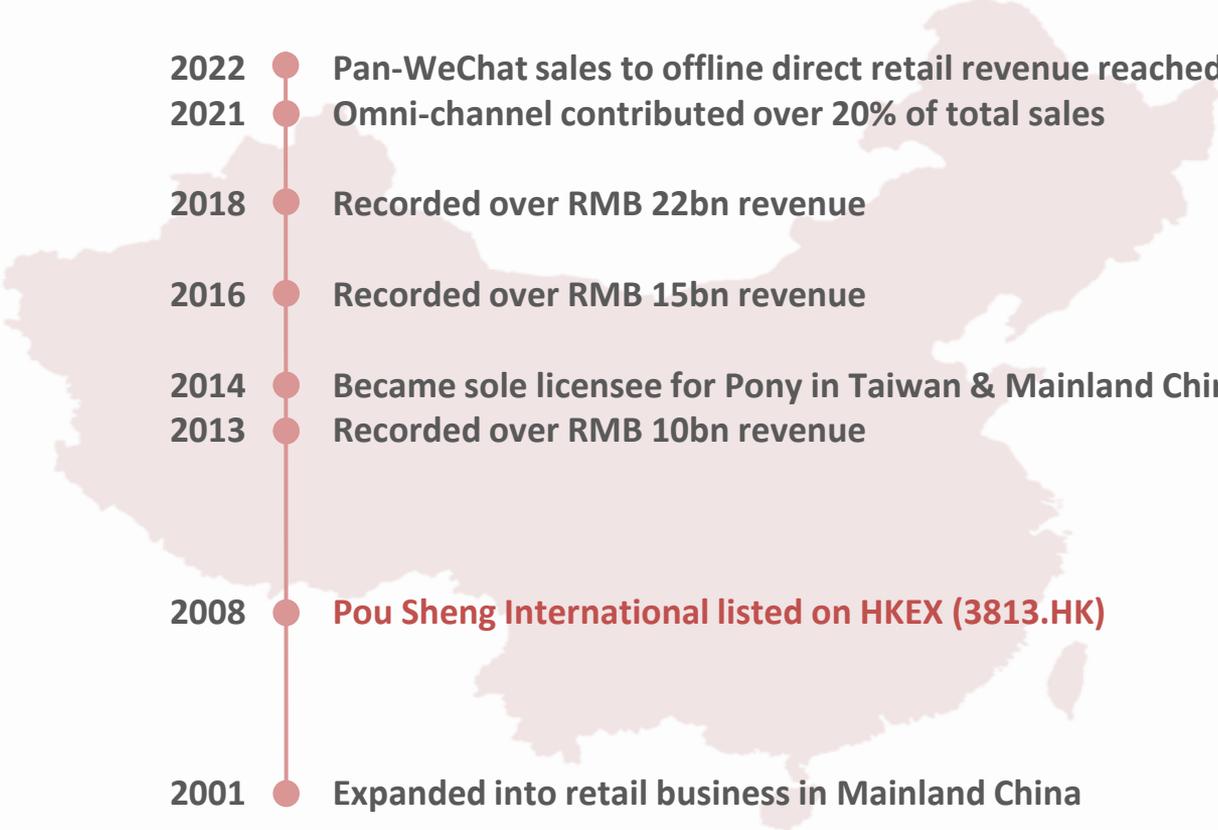
Growth by Digital, Membership & Store Efficiency



Appendix

Company Milestones



- 
- 2022 ● Pan-WeChat sales to offline direct retail revenue reached 16%
 - 2021 ● Omni-channel contributed over 20% of total sales
 - 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 – 1H23 (in USD)



	1H 2023		1H 2022		YoY
	US\$'000	%	US\$'000	%	%
Revenue	1,581,073	100.00	1,520,893	100.00	+3.96
Cost of Sales	(1,051,546)	-66.51	(981,911)	-64.56	+7.09
Gross Profit	529,527	33.49	538,982	35.44	-1.75
SG&A	(474,826)	-30.03	(529,620)	-34.82	-10.35
Other Income & Expenses, net	13,507	0.85	22,756	1.49	-40.64
Operating Profit	68,208	4.31	32,118	2.11	+112.37
Finance Cost, net	(5,100)	-0.32	(12,467)	-0.82	-59.09
Other Losses	--	--	(967)	-0.06	N/A
Income Tax	(17,094)	-1.08	(14,955)	-0.98	+14.30
Profit for the Period	46,014	2.91	3,729	0.25	+1,133.95
Profit Attrib. to Owners of PS	44,066	2.79	2,685	0.18	+1,541.19

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 – FY22 (in USD)



	FY 2022		FY 2021		YoY
	US\$'000	%	US\$'000	%	%
Revenue	2,767,091	100.00	3,619,294	100.00	-23.55
Cost of Sales	(1,774,152)	-64.12	(2,332,902)	-64.46	-23.95
Gross Profit	992,939	35.88	1,286,392	35.54	-22.81
SG&A	(974,357)	-35.21	(1,202,076)	-33.21	-18.94
Other Income & Expenses, net	42,961	1.55	59,588	1.65	-27.90
Operating Profit	61,543	2.22	143,904	3.98	-57.23
Finance Cost, net	(21,457)	-0.77	(27,102)	-0.75	-20.83
Share of Results of JV	--	--	(25,344)	-0.70	N/A
Other Losses	(1,077)	-0.04	(2,469)	-0.07	-56.38
Income Tax	(24,144)	-0.87	(30,747)	-0.85	-21.48
Profit for the Period	14,865	0.54	58,242	1.61	-74.48
Profit Attrib. to Owners of PS	13,221	0.48	55,271	1.53	-76.08

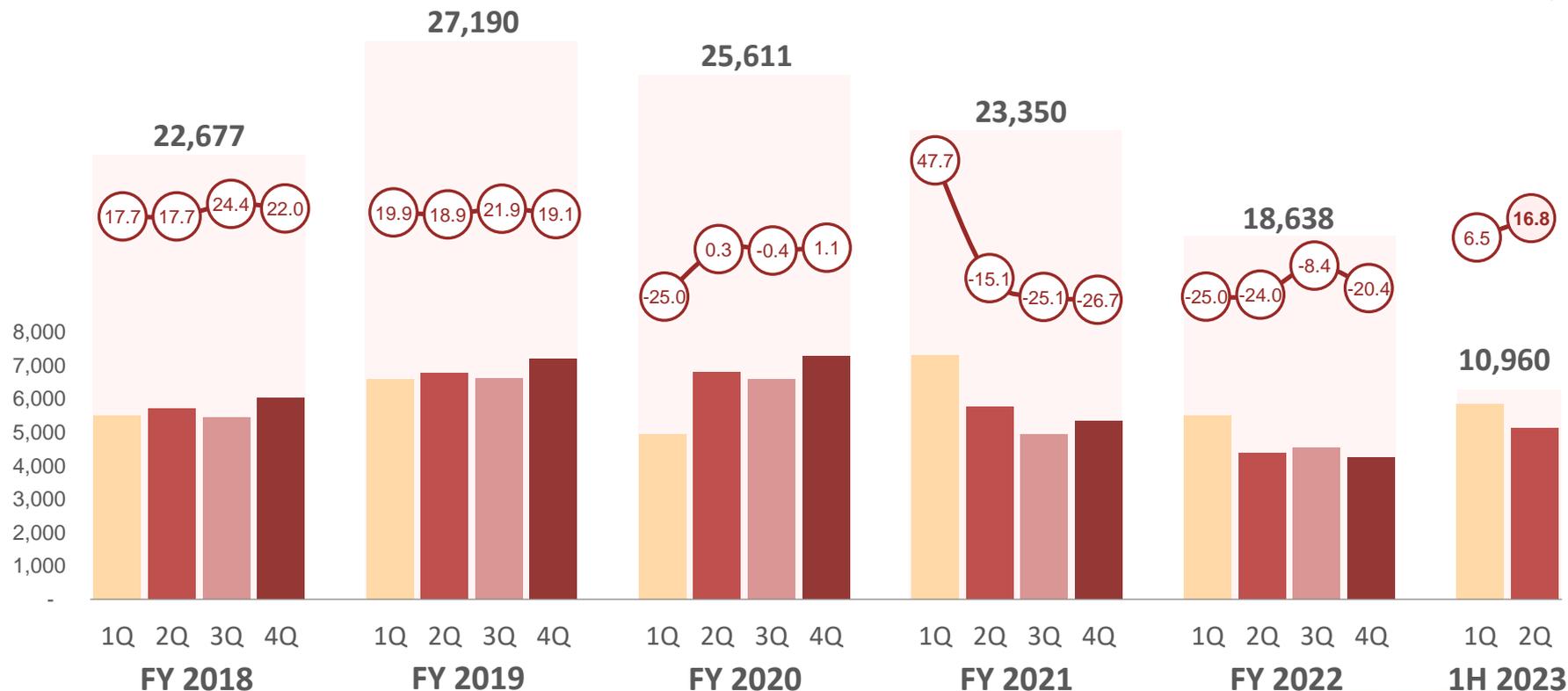
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Pou Sheng Revenue Trend



Revenue (RMB'mn)

YoY (%)



**Thank you
Q&A**