

Pou Sheng International 2023 9M Results

13 Nov 2023



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MAKE SPORTS YOUR LIFE

——让运动融入你的生活——

Pou Sheng Strategy & Operating Highlights



Prioritize Profitability

Y 9M23 OPM \uparrow 0.9pp YoY

Disciplined Discount

Y 9M23 Discount* YoY slightly intensified, 2Q-3Q23 improved vs 1Q23 \rightarrow thanks to well-managed discount control



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 19% vs Dec 22, Days enhanced to 145 days
- Y **MEMBERSHIP integration** \rightarrow allowing consumers to access exclusive products and services in both PS & brands' directly operated stores
- UPT & ATV \uparrow LSD-MSD% 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 21% 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 44% YoY
 - Pan-WeChat sales reached 13.1% of total sales, contributed 20.3% of offline direct retail revenue

4. Solid Financial Management

- Improved working capital turnover yielded a good RMB 1.75bn jump in cash position vs 2022 year-end, to RMB 2.94bn

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)



	9M 2023		9M 2022		YoY	
	RMB'mn	%	RMB'mn	%	%	pp
Revenue	15,444	100.0	14,394	100.0	+7.3	--
Cost of Sales	(10,336)	-66.9	(9,207)	-64.0	+12.3	-2.9
Gross Profit	5,108	33.1	5,187	36.0	-1.5	-2.9
SG&A	(4,795)	-31.1	(5,078)	-35.3	-5.6	+4.2
Other Income & Expenses, net	203	1.3	234	1.7	-13.2	-0.4
Operating Profit	516	3.3	343	2.4	+50.4	+0.9
Finance Cost*, net	(46)	-0.3	(117)	-0.8	-60.7	+0.5
Other Gains (Losses)	0	0.0	(6)	-0.0	N/A	N/A
Income Tax	(142)	-0.9	(109)	-0.8	+30.3	-0.1
Profit for the Period	328	2.1	111	0.8	+195.5	+1.3
Profit Attrib. to Owners of PS	311	2.0	99	0.7	+214.1	+1.3

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 9M2023 & 9M2022

* Finance cost in 9M23 decreased by 87.9% YoY if excludes interest expenses on lease liabilities which amounted to RMB 65.8mn (9M22: RMB 84.5mn)

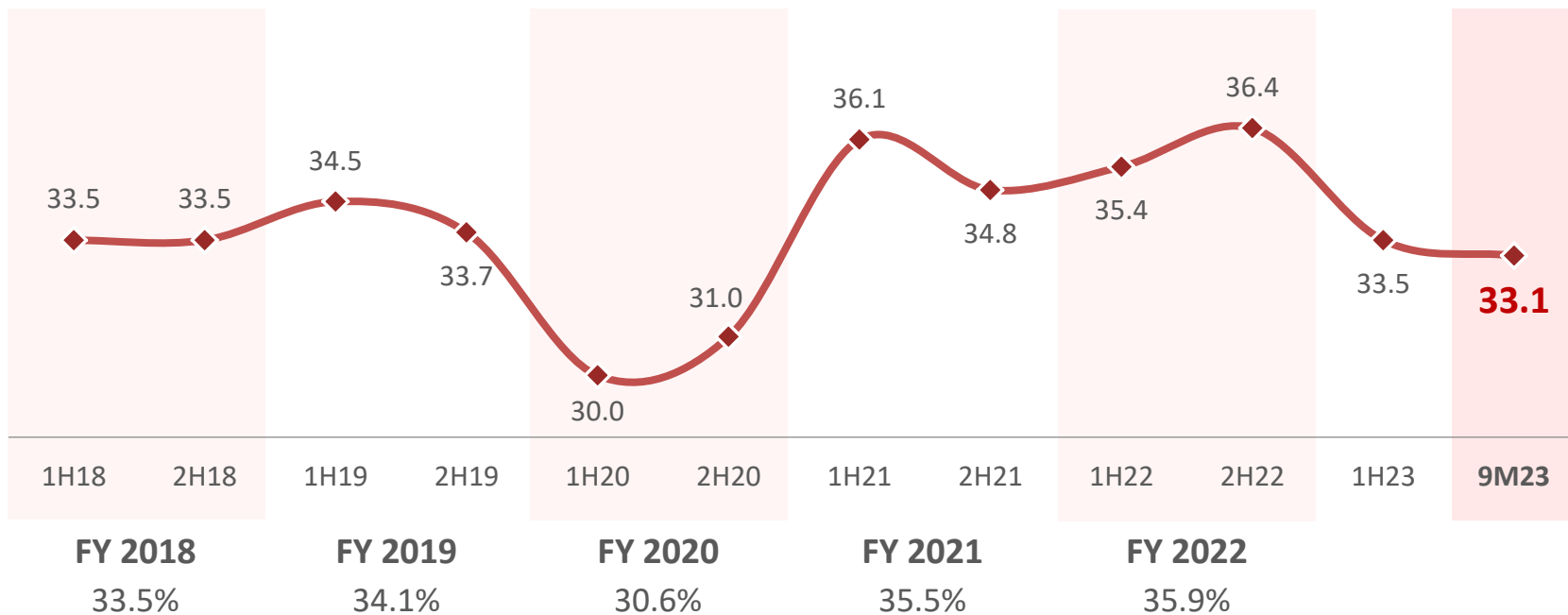
The company recorded net finance income of RMB 19.3mn in 9M23, as compared with net finance cost of RMB 32.3mn in 9M22

Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

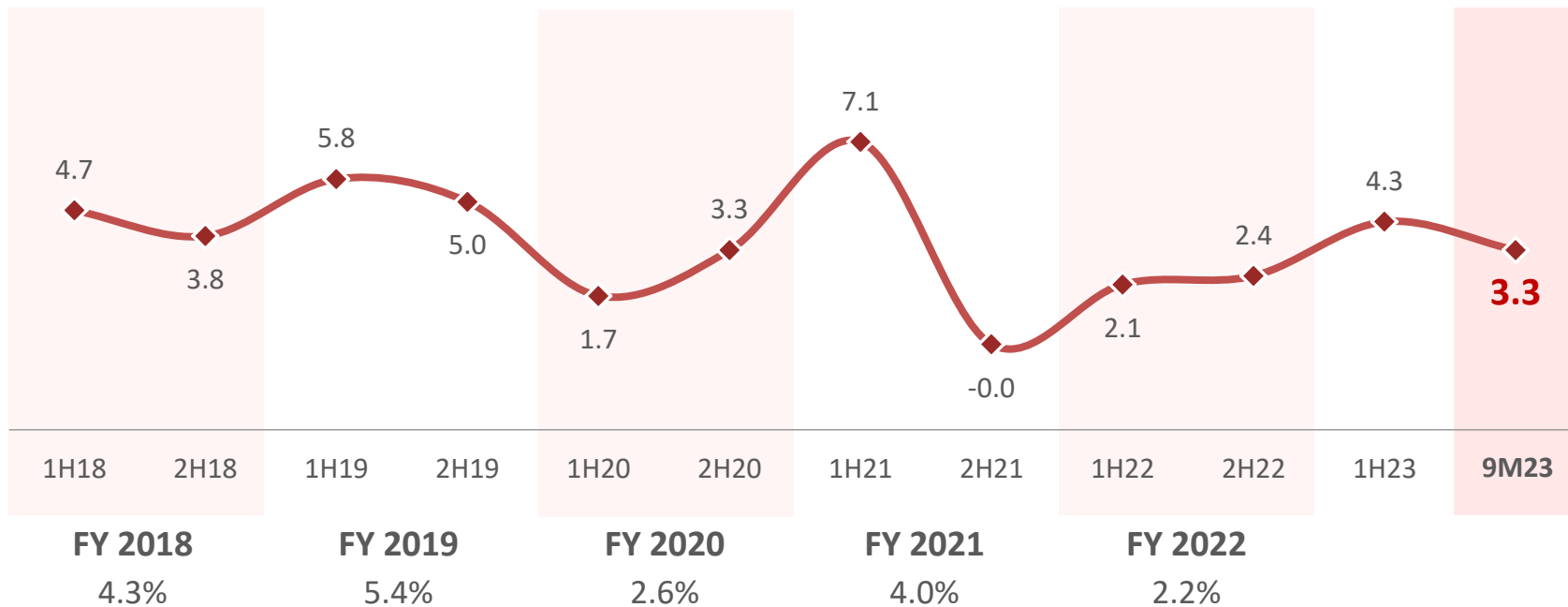


Pou Sheng OP Margin Trend



(%)

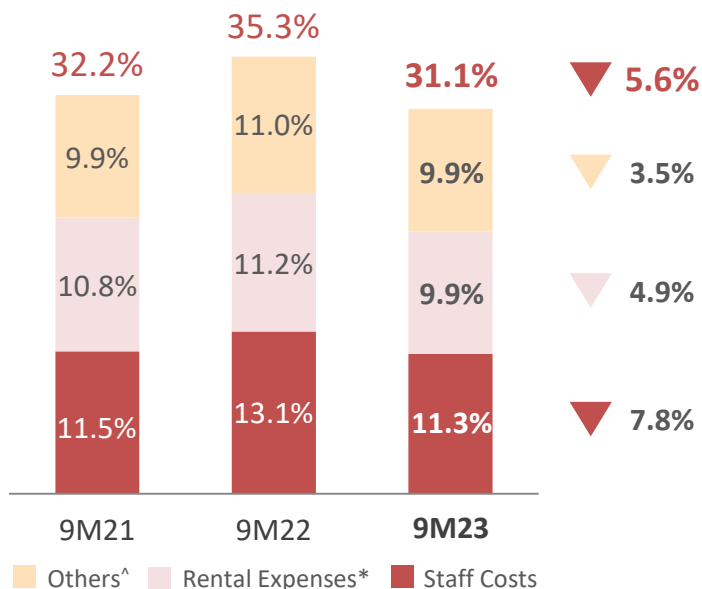
◆ Operating Profit Margin



Pou Sheng SG&A Expenses Breakdown

SG&A Ratio

% of Revenue

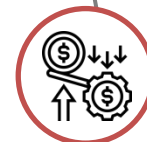


Amount (YoY)



Right-size Retail Network & Enhance Manpower Efficiency

- Holistic approach in channel planning to avoid low-efficiency store opening & closing
- Number of direct operated stores ↓ 17% 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 27,200 to 22,400 ↓ 18% YoY

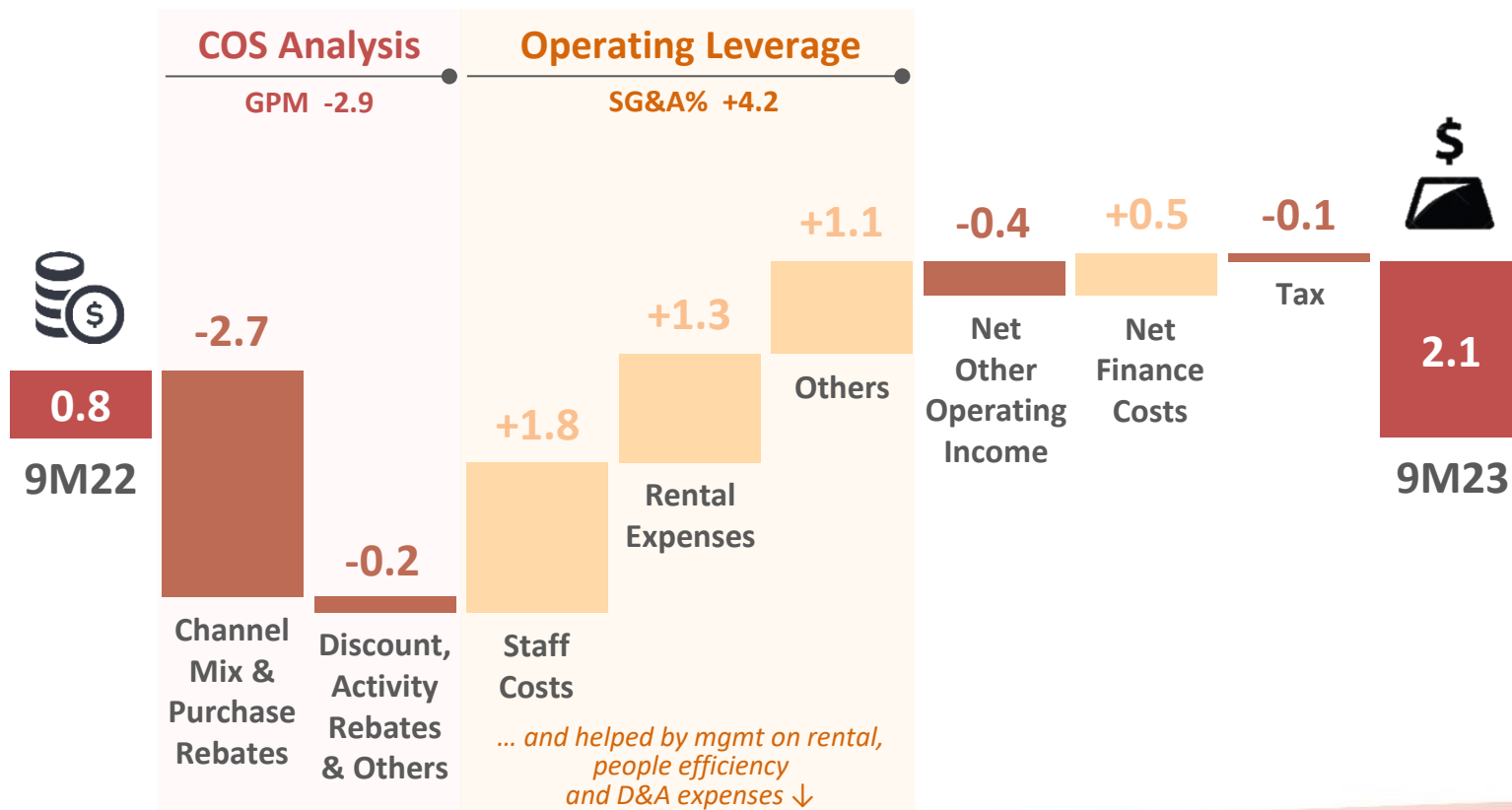
[^] Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

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

Pou Sheng – Net Profit Margin

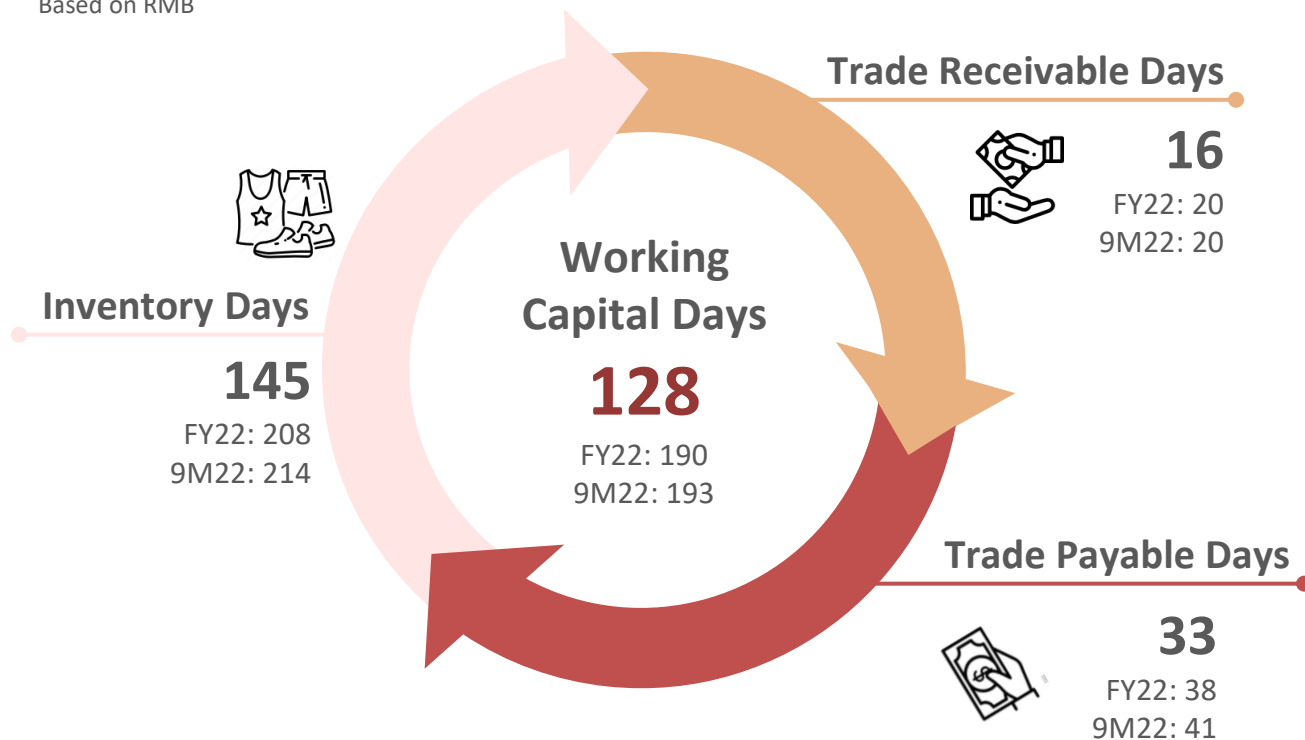


(%)



Operation Efficiency – 9M23

Based on RMB



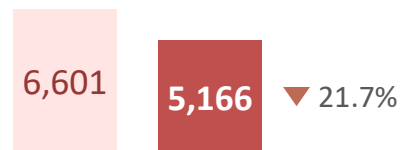
Inventory Level

In RMB'mn



Working Capital

In RMB'mn



■ FY22 ■ 9M23

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	9M 2023	9M 2022	YoY
Depreciation of PPE & Amortization	285.9	380.3	-24.8%
Depreciation of ROUA	673.5	847.2	-20.5%
EBITDA	1,500.8	1,580.7	-5.1%
EBITDA minus Depreciation of ROUA	827.3	733.5	+12.8%
Capital Expenditure	211.8	216.1	-2.0%
Total Borrowings*	79.2	1,218.9	-93.5%
Net Cash*	2,864.7	112.6	+2,444.1%
Total Borrowings to Equity#	0.9%	14.8%	-13.9pp
Net Borrowings to Equity#	Net Cash	Net Cash	--
Total Borrowings* to EBITDA (X) annualized	0.0 X	0.6 X	--
Return on Owner's Equity LTM ^	3.6%	-1.7%	--
Return on Asset LTM ^	2.3%	-0.8%	--

As of
30 Sep

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Cash exclude lease liabilities. Lease liabilities was RMB 1,898.9mn and 2,393.1mn as at 30 Sep 2023 and 2022 respectively

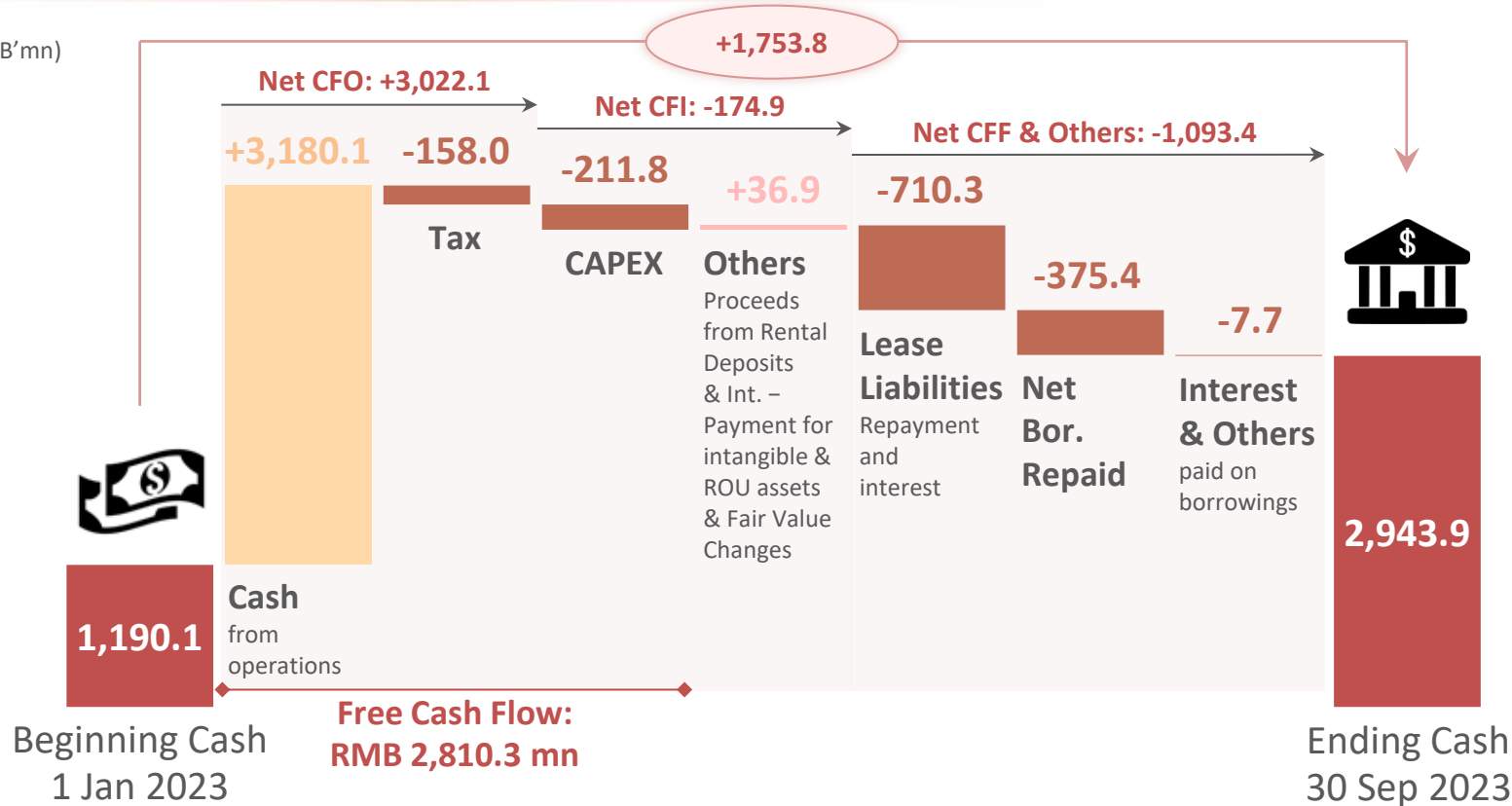
Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 23.5% (9M22: 43.8%) and Net Cash (9M22: 27.7%) as at 30 Sep 2023 respectively

^ ROE and ROA would be 5.0% and 3.1% 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

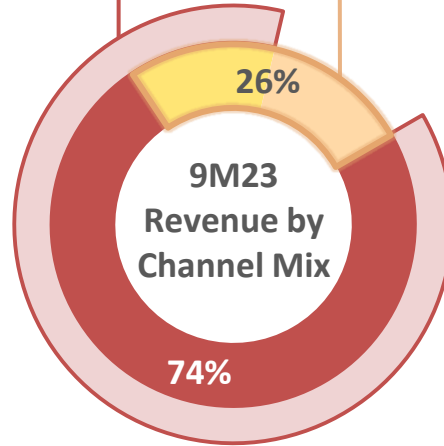
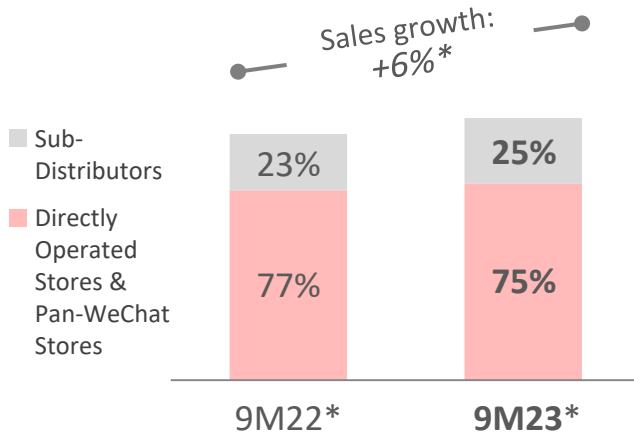


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 3,536 stores
- Multi-Brands Stores: 20 stores



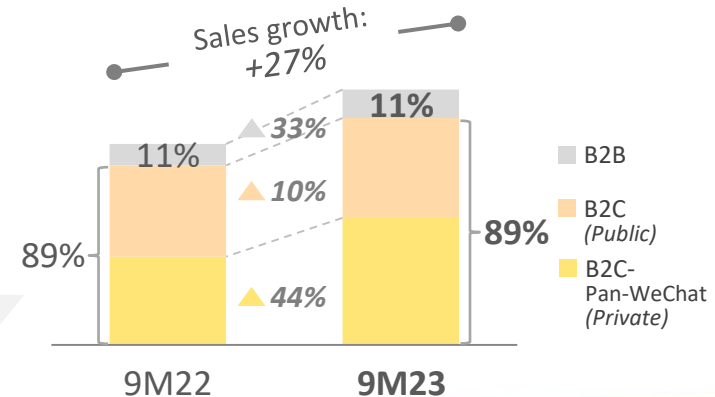
Top 5 brands account for ~96% of our revenue

Omni-channel

Omni-channel consisted of B2B and B2C, and reached 26% of total sales

B2C contains:

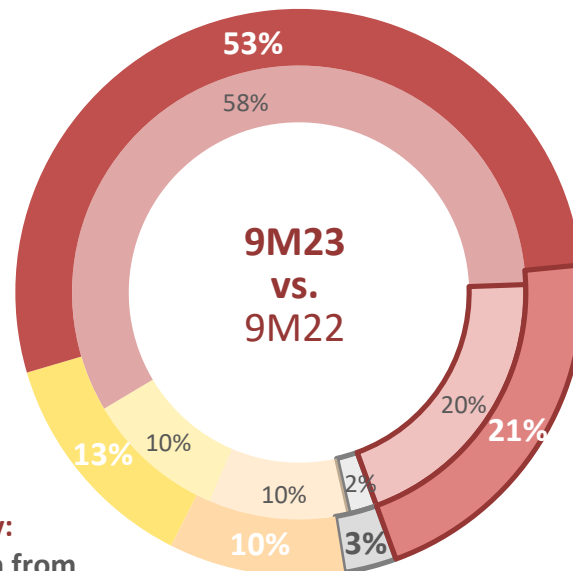
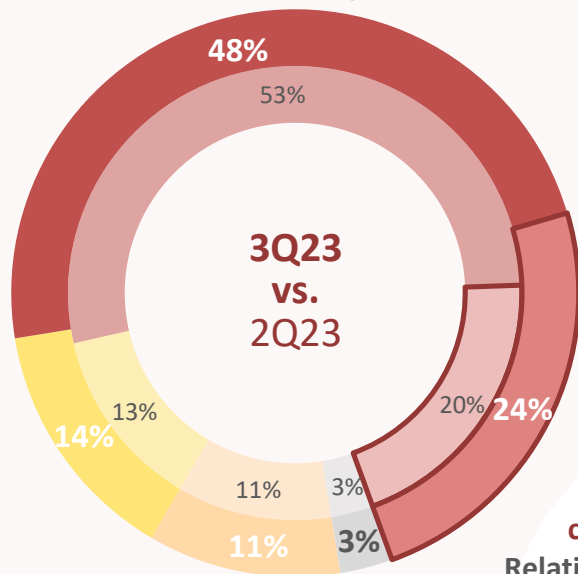
- Public Domain: 3rd party platforms with growing PSP product support
- Private Domain: Pan-WeChat Ecosphere + member services



* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales
Sales increased by 2% 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 channels

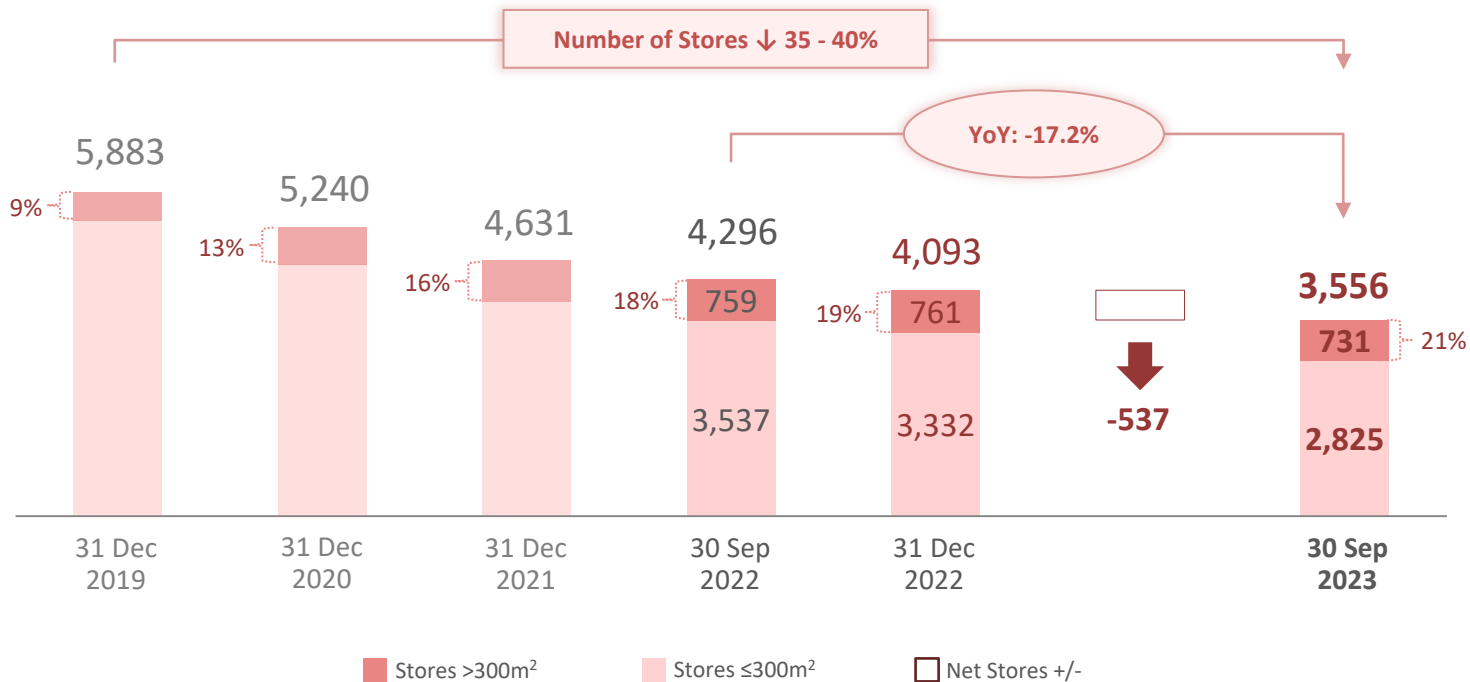
■ Directly Operated Stores & Others
 ■ B2C - Pan-WeChat (Private)
 ■ B2C (Public)
 ■ B2B
 ■ Sub-Distributors

Solid B&M Network



Directly Operated Stores

Large Store Mix

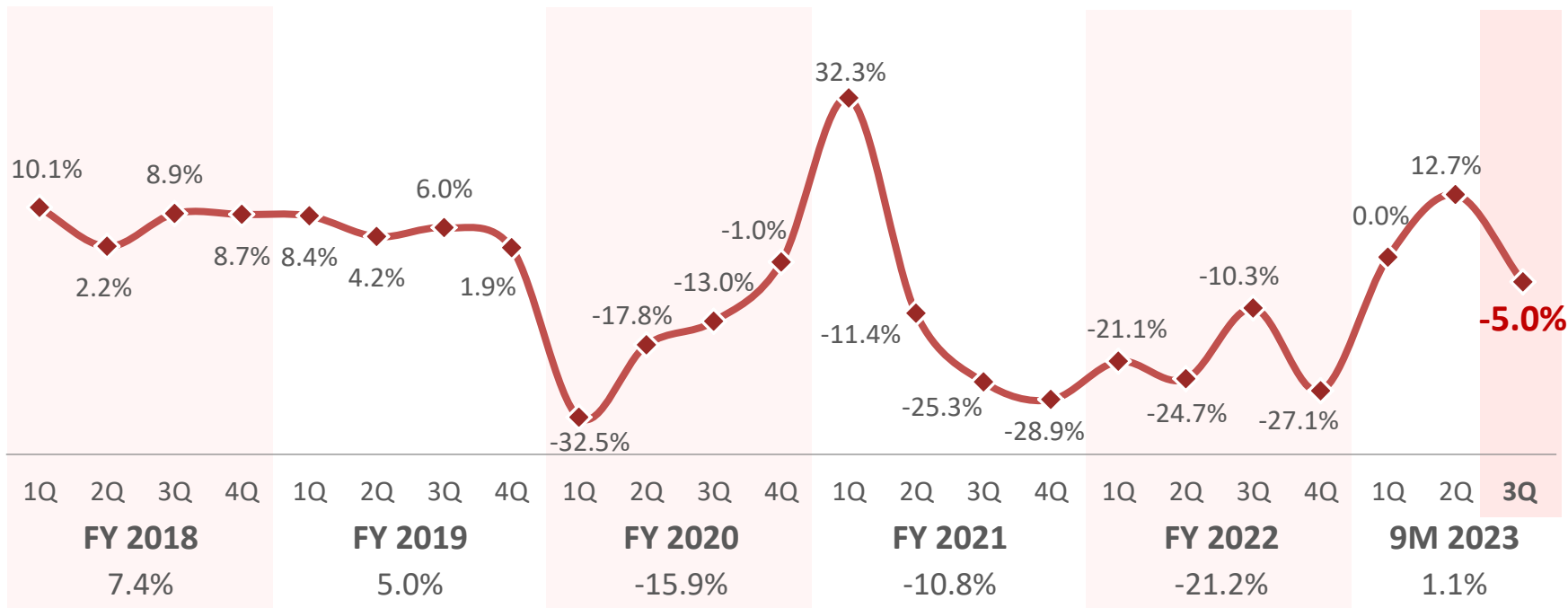


Pou Sheng Same Store Sales Growth (SSSg)



(%)

◆ Same Store Sales Growth

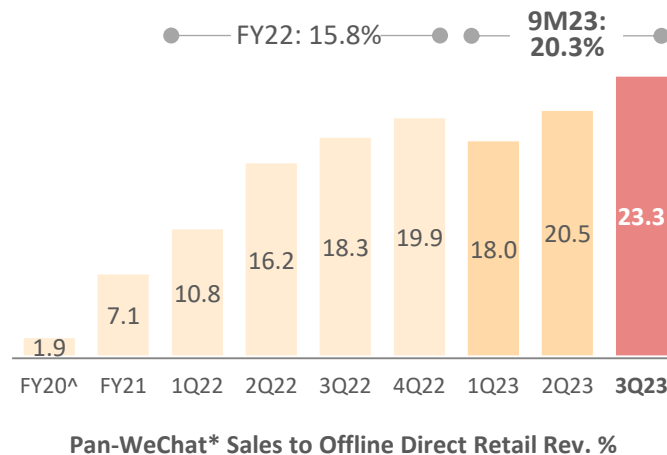
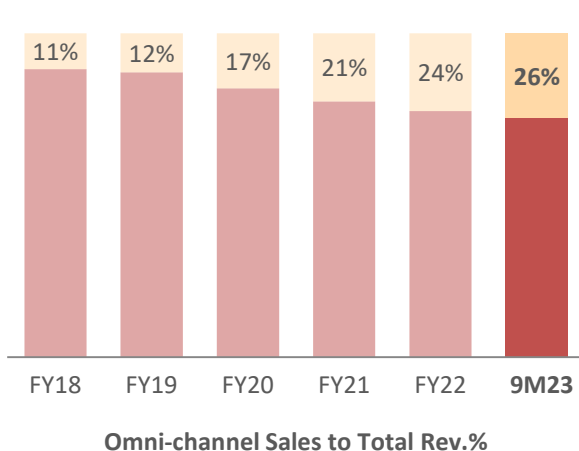


Note: Same-store sales measures revenue of full-price directly-operated stores that have been operated over one year

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 20.3% of offline direct retail revenue (or 13.1% of overall) in 9M23, 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



~50.9m YYsports members (as of 30 Sep 2023)

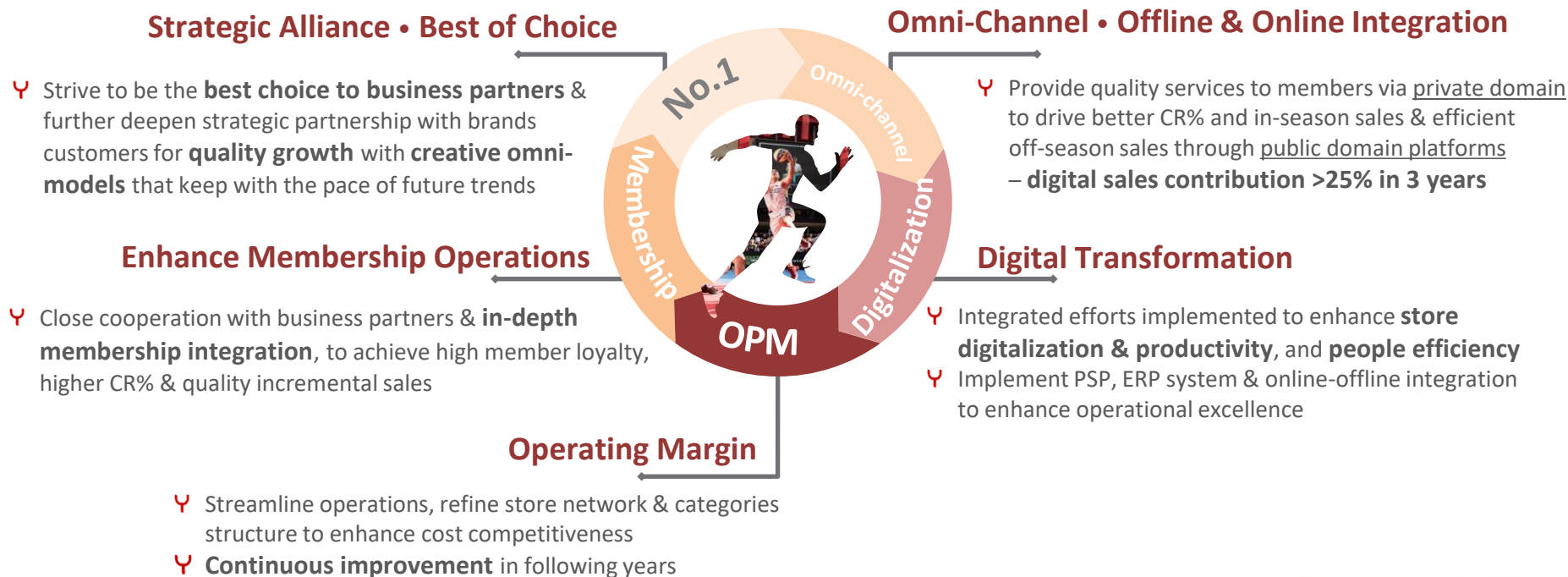
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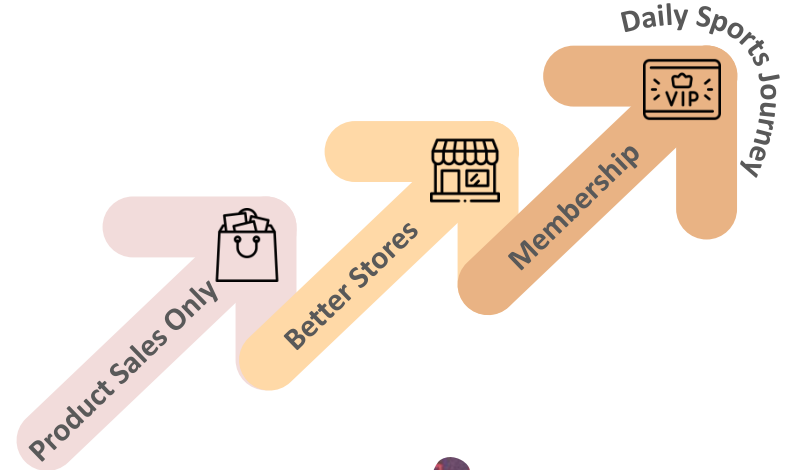
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Critical Missions in 3 Years

“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 – 9M23 (in USD)



	9M 2023		9M 2022		YoY
	US\$'000	%	US\$'000	%	%
Revenue	2,193,763	100.00	2,178,410	100.00	+0.70
Cost of Sales	(1,468,106)	-66.92	(1,393,373)	-63.96	+5.36
Gross Profit	725,657	33.08	785,037	36.04	-7.56
SG&A	(676,646)	-30.84	(764,217)	-35.08	-11.46
Other Income & Expenses, net	24,238	1.10	31,035	1.42	-21.90
Operating Profit	73,249	3.34	51,855	2.38	+41.26
Finance Cost, net	(6,600)	-0.30	(17,688)	-0.81	-62.69
Other Gains (Losses)	52	0.00	(899)	-0.04	N/A
Income Tax	(20,178)	-0.92	(16,512)	-0.76	+22.20
Profit for the Period	46,523	2.12	16,756	0.77	+177.65
Profit Attrib. to Owners of PS	44,114	2.01	14,931	0.69	+195.45

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

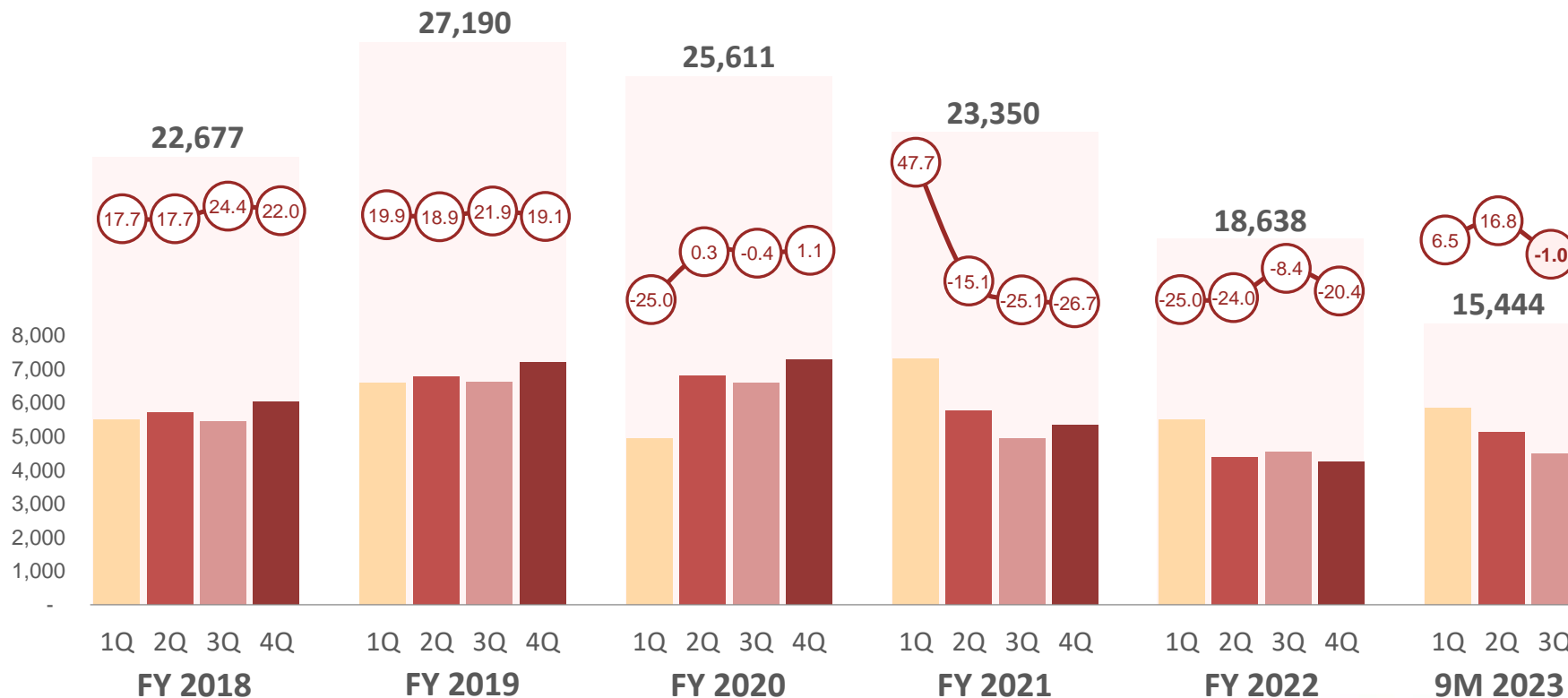
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Pou Sheng Revenue Trend



Revenue (RMB'mn)

YoY (%)



**Thank you
Q&A**