

Pou Sheng International 2023 Annual Results

13 Mar 2024



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 ——

Pou Sheng Strategy & Operating Highlights



Prioritize Profitability

- Y FY23 OPM **↑ 1.5pp** YoY
- Y FY23 Net Profit **↑ 403%** YoY

Disciplined Discount

- Y FY23 esp. 4Q Discount* YoY improved
- Y 4Q23 GPM 35.7%; OPM 4.8%



Prioritizing Profitability ➤

Strategic Partnership with Brands
Accelerating Sales & Inventory Turns ➤

Digital Transformation
& Efficiency Enhancement ➤

1. Strategic Alliance with Business Partners

- Y **Connected Inventory Programme** ➤ to efficiently share products with brand partners, together with PSP, PDA & other initiatives to enhance inventory & cash efficiency
 - Inventory amount **↓ 22.5%** vs Dec 22, Days enhanced to **148 days**, aging inventory **<8%** out of total
- Y **Connected Membership Programme** ➤ to allow consumers to access exclusive products and services in both PS & brands' direct stores
 - UPT **Flat** YoY & ATV **↑ MSD%** YoY

2. Retail Refinement Strategy

- Y **Streamline & upgrade** retail network & enhance productivity
 - Average monthly sales per door & sales per m² **> ↑ DD%** YoY
 - Average GFA **↑ HSD%** YoY, while overall GFA **↓ HSD%** YoY

3. Digital Acceleration

- Y **WeChat stores, Douyin live-streaming via KOS** ➤ digitally-enabled experience with a human touch
 - Robust growth in Pan-WeChat Stores, **↑ 40%** YoY
 - Pan-WeChat sales reached **13.4%** of total sales, contributed **20.9%** of offline direct retail revenue
 - Implemented **SAP** on 1/1/24 to seamlessly integrate business & finance

4. Solid Financial Management

- Improved working capital turnover yielded a good RMB 1.68bn jump in cash position vs 2022 year-end, to **RMB2.87bn**
- **Final dividend of HKD 0.012 per share**, with **30% full year payout ratio**

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

Agenda



- | | | |
|-----------|-------------------------------------|----------------|
| 01 | Financial Summary | p 6-13 |
| 02 | Business Highlights | p 15-20 |
| 03 | Future Target & Strategy | p 22-23 |

Pou Sheng Financial Highlights *(in RMB)*



	FY 2023		FY 2022		YoY	
	RMB'mn	%	RMB'mn	%	%	pp
Revenue	20,064	100.0	18,638	100.0	+7.7	--
Cost of Sales	(13,308)	-66.3	(11,950)	-64.1	+11.4	-2.2
Gross Profit	6,756	33.7	6,688	35.9	+1.0	-2.2
SG&A	(6,340)	-31.6	(6,616)	-35.5	-4.2	+3.9
Other Income & Expenses, net	320	1.6	343	1.8	-6.7	-0.2
Operating Profit	736	3.7	415	2.2	+77.3	+1.5
Finance Cost*, net	(55)	-0.3	(145)	-0.8	-62.1	+0.5
Other Losses	(24)	-0.1	(7)	-0.0	+242.9	-0.1
Income Tax	(154)	-0.8	(163)	-0.9	-5.5	+0.1
Profit for the Period	503	2.5	100	0.5	+403.0	+2.0
Profit Attrib. to Owners of PS	490	2.4	89	0.5	+450.6	+1.9

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2023 & FY2022

* Finance cost in FY23 decreased by 88.5% YoY if excludes interest expenses on lease liabilities which amounted to RMB 85.6mn (FY22: RMB 108.2mn)

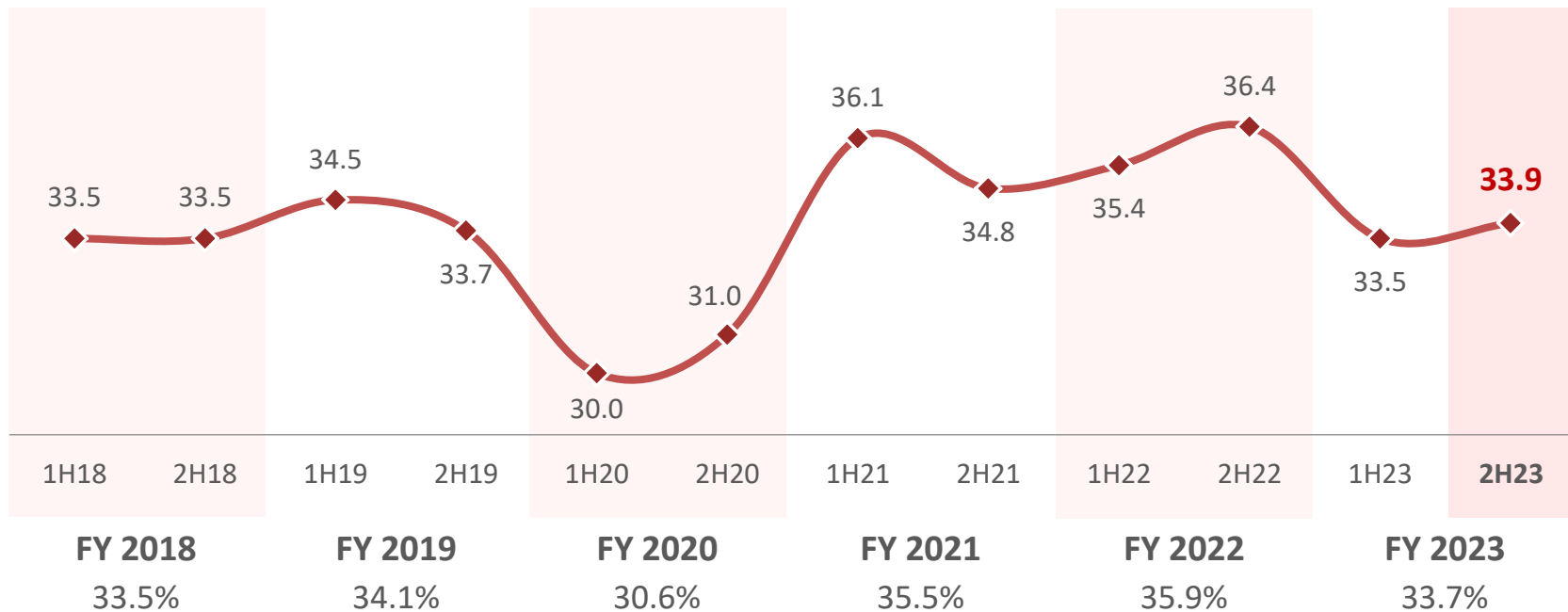
The company recorded net finance income of RMB 30.9mn in FY23, as compared with net finance cost of RMB 36.3mn in FY22

Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

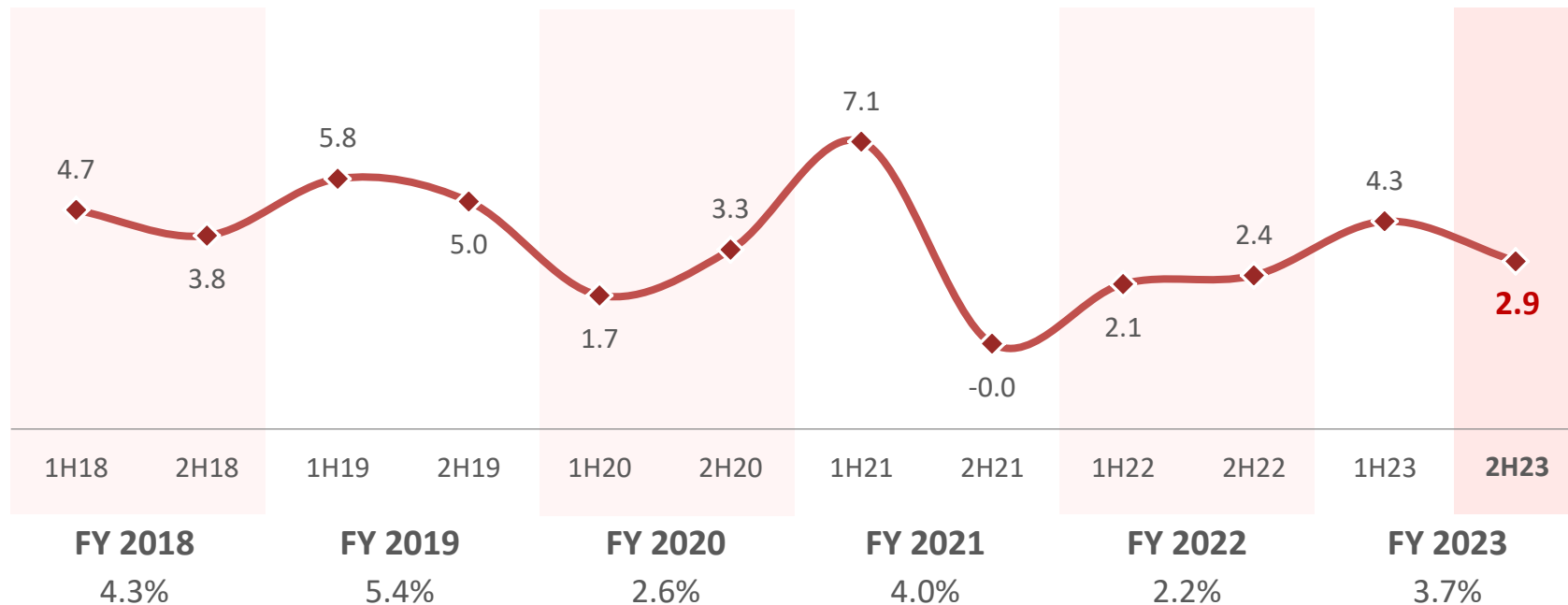




Pou Sheng OP Margin Trend

(%)

◆ Operating Profit Margin

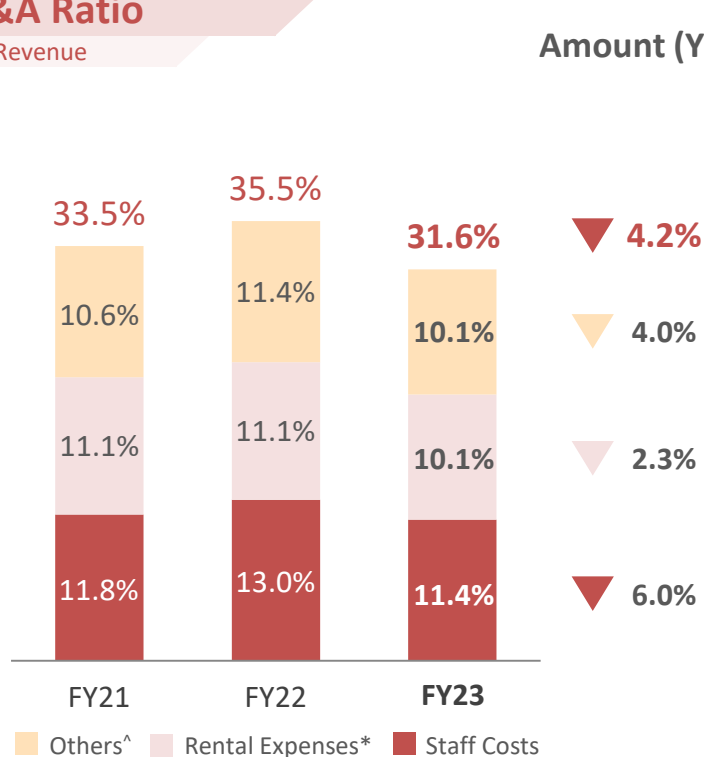




Pou Sheng SG&A Expenses Breakdown

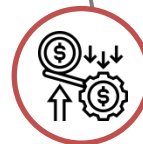
SG&A Ratio

% of Revenue



Right-size Retail Network & Enhance Manpower Efficiency

- Holistic approach in channel planning to avoid low-efficiency store opening & closing
- Number of direct operated stores ↓ 14% 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 25,800 to 22,100 ↓ 14% YoY

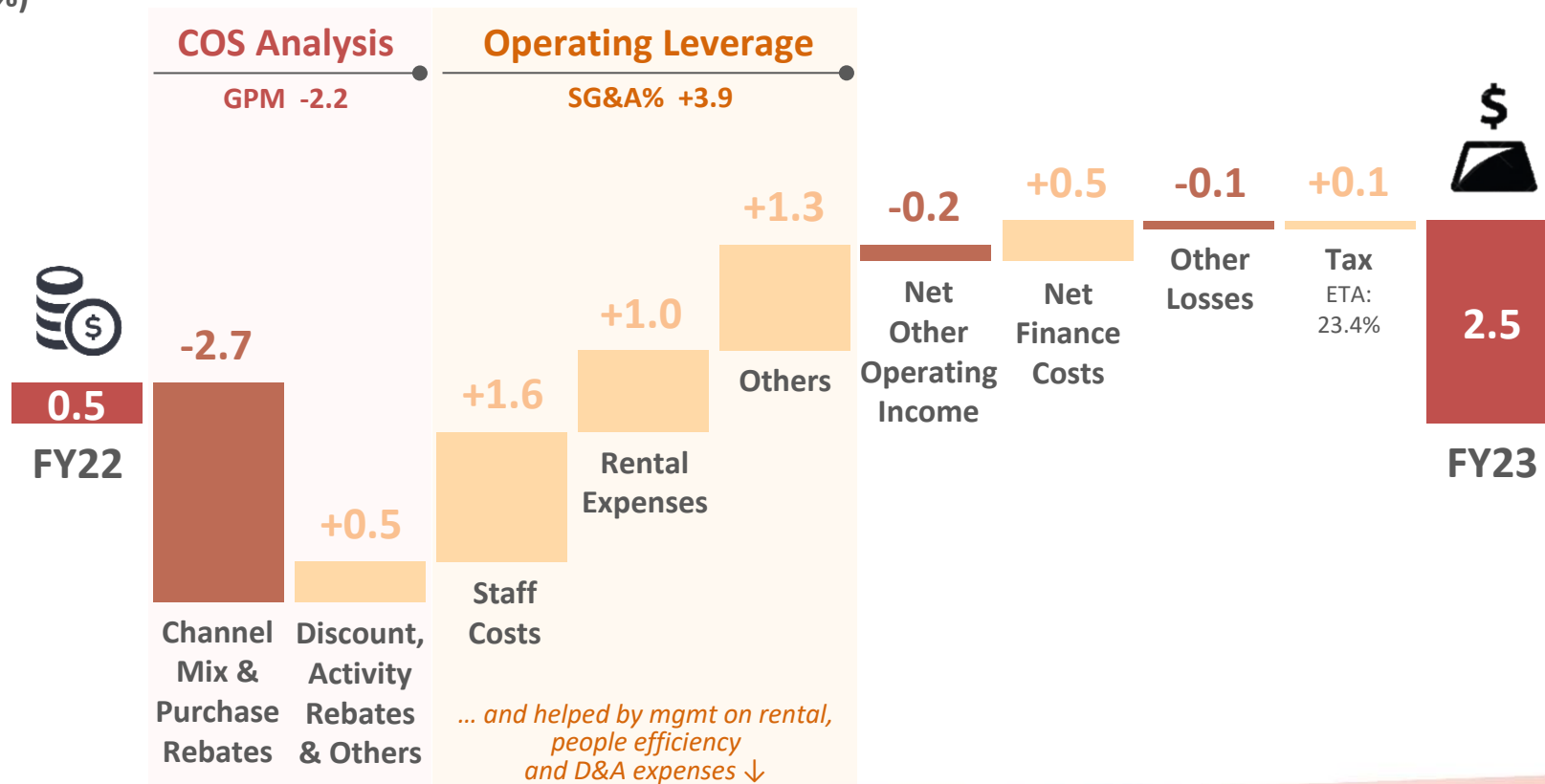
[^] Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

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



Pou Sheng – Net Profit Margin

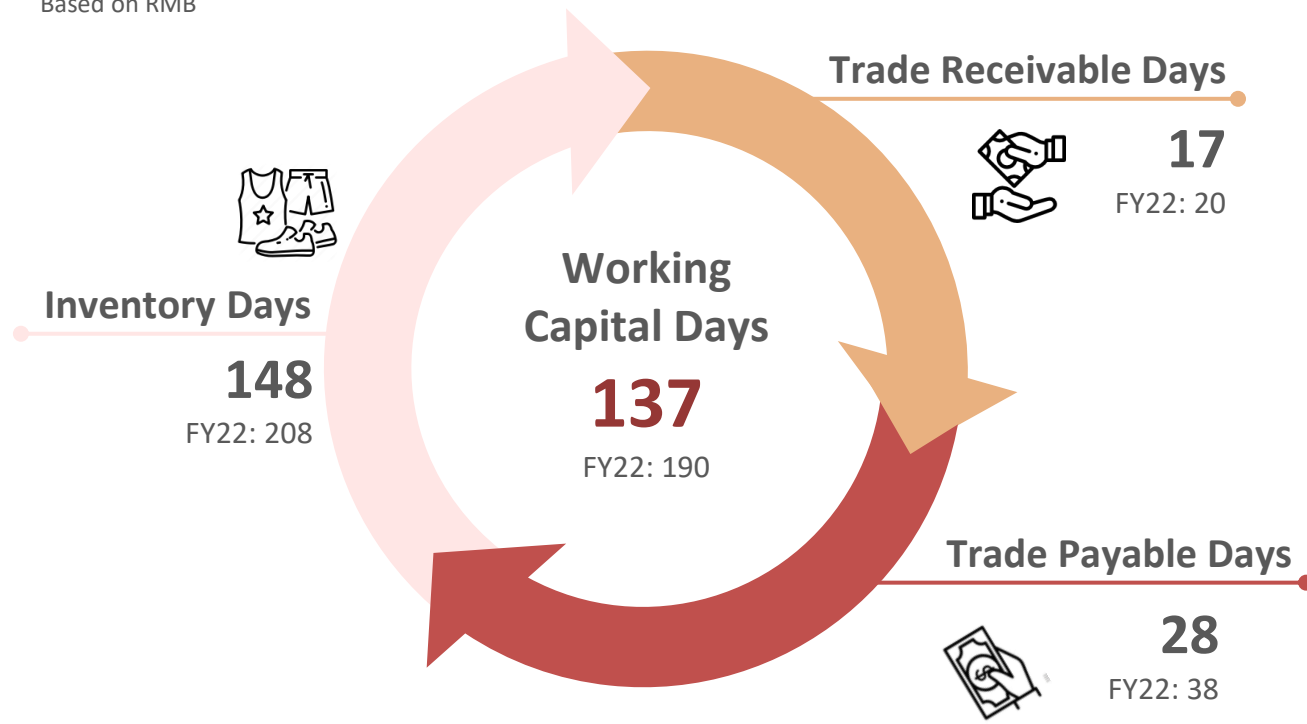
(%)



Operation Efficiency – FY23

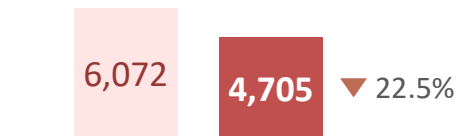


Based on RMB



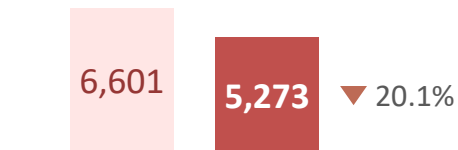
Inventory Level

In RMB'mn



Working Capital

In RMB'mn



FY22 FY23

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	FY 2023	FY 2022	YoY
Depreciation of PPE & Amortization	372.7	490.1	-24.0%
Depreciation of ROUA	882.5	1,082.6	-18.5%
EBITDA	2,004.2	2,002.3	+0.1%
EBITDA minus Depreciation of ROUA	1,121.7	919.7	+22.0%
Capital Expenditure [^]	344.2	311.6	+10.5%
Total Borrowings*	39.2	456.2	-91.4%
Net Cash*	2,835.0	734.0	+286.2%
Total Borrowings to Equity [#]	0.5%	5.6%	-5.1pp
Net Borrowings to Equity [#]	Net Cash	Net Cash	--
Total Borrowings* to EBITDA (X)	0.0 X	0.2 X	--
Return on Owner's Equity	5.8%	1.1%	--
Return on Asset	3.8%	0.7%	--

As of
31 Dec

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Cash exclude lease liabilities. Lease liabilities was RMB 1,778.3mn and 2,213.8mn as at 31 Dec 2023 and 2022 respectively

[#] Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 21.1% (FY22: 32.6%) and Net Cash (FY22: 18.1%) as at 31 Dec 2023 respectively

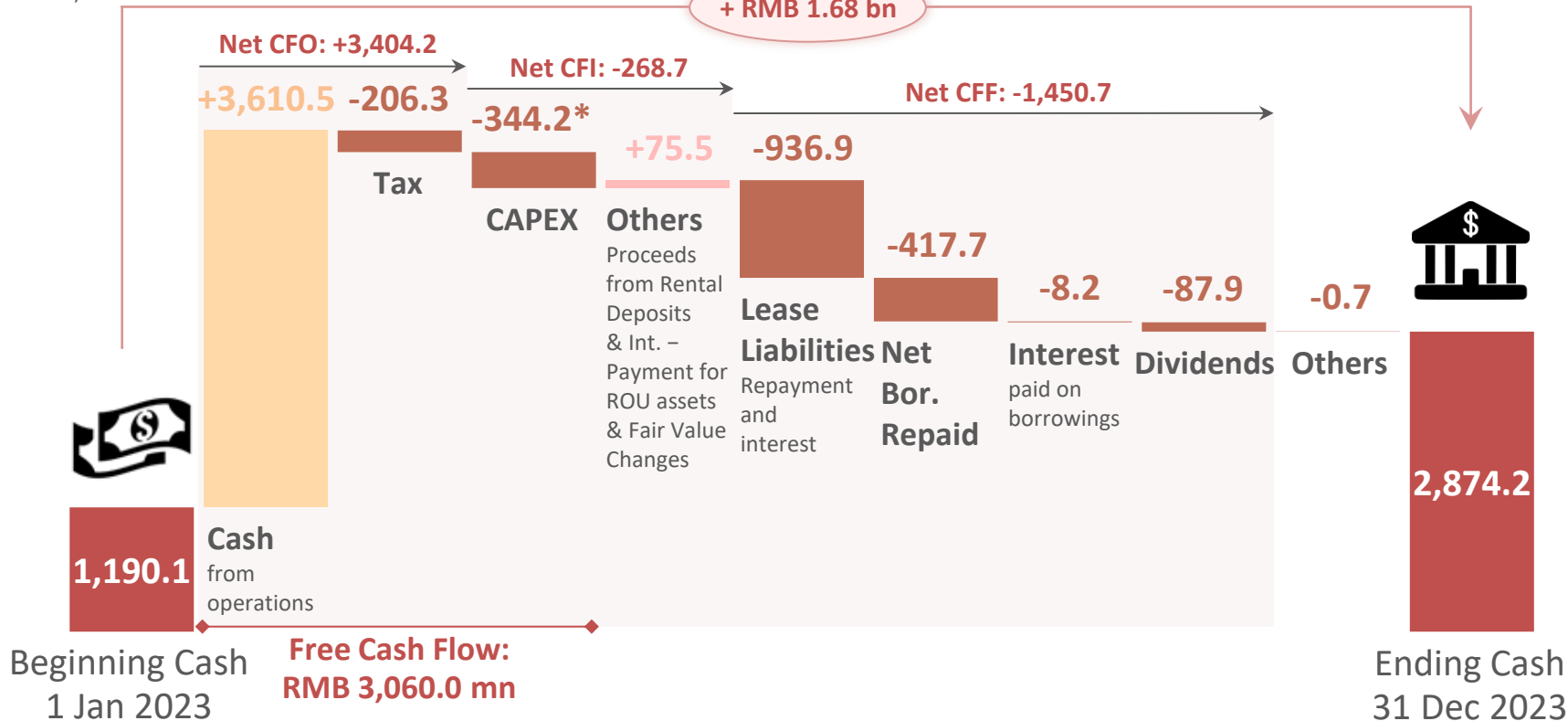
[^] Including SAP -related capital expenditure

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



(RMB'mn)

+ RMB 1.68 bn



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

* Including SAP -related capital expenditure

Agenda



- | | | |
|-----------|-------------------------------------|----------------|
| 01 | Financial Summary | p 6-13 |
| 02 | Business Highlights | p 15-20 |
| 03 | Future Target & Strategy | p 22-23 |

Pou Sheng Retail Strategy

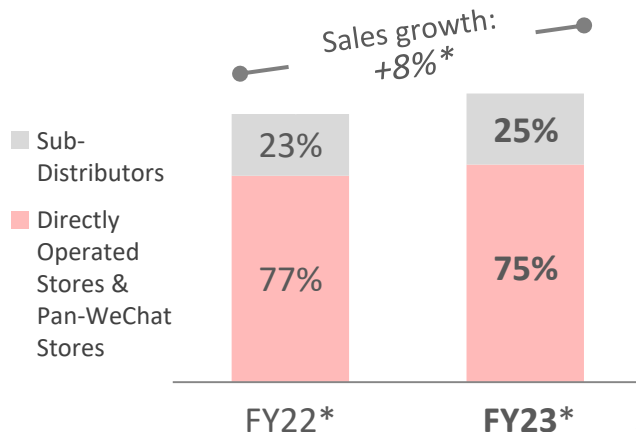


- Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 3,506 stores
- Multi-Brands Stores: 17 stores



FY23
Revenue by
Channel Mix

73%

27%

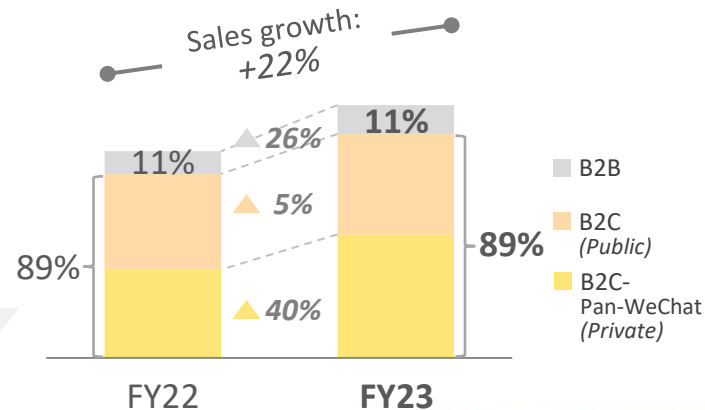
Top 5 brands account for ~96% of our revenue

Omni-channel

Omni-channel consisted of B2B and B2C, and reached 27% of total sales

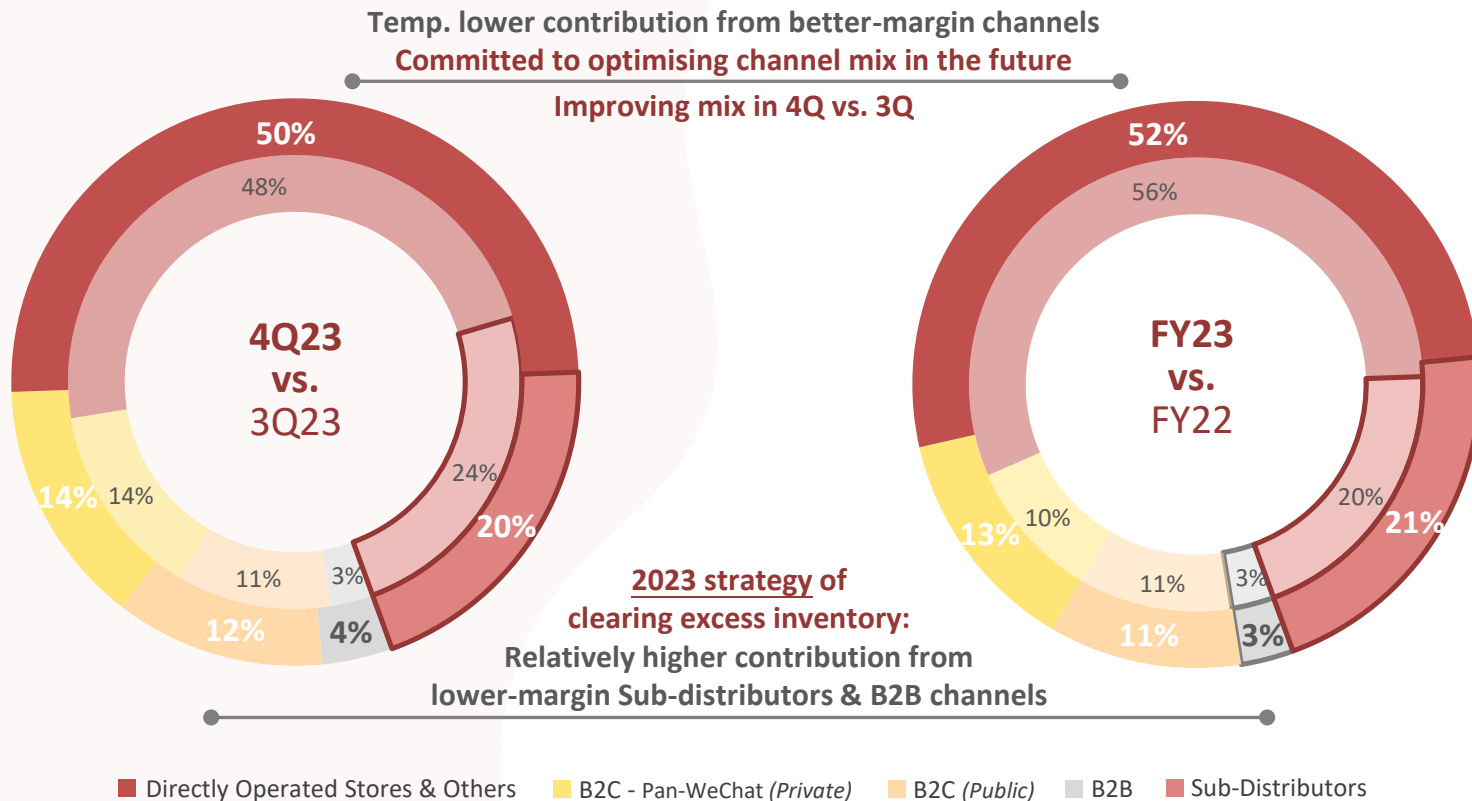
B2C contains:

- 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 3% if excludes Pan-WeChat

Channel Mix To Be Improved

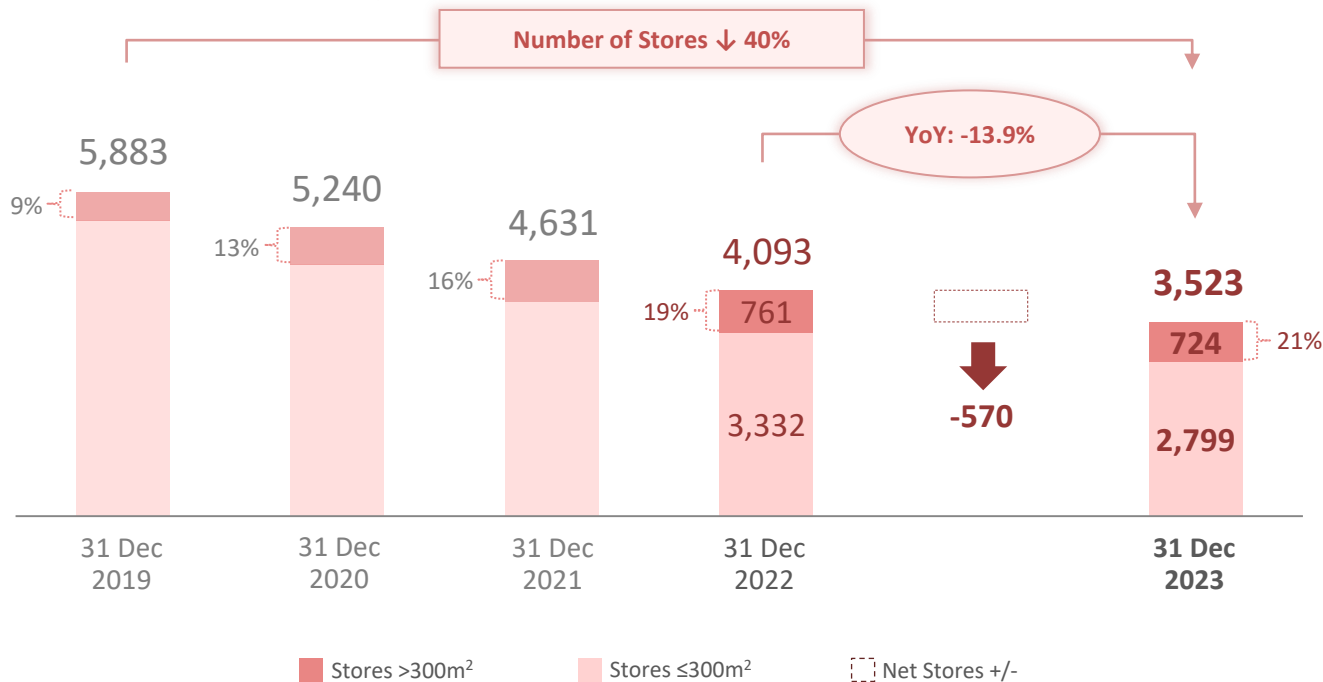


Right-Sizing B&M Network



Directly Operated Stores

Large Store Mix

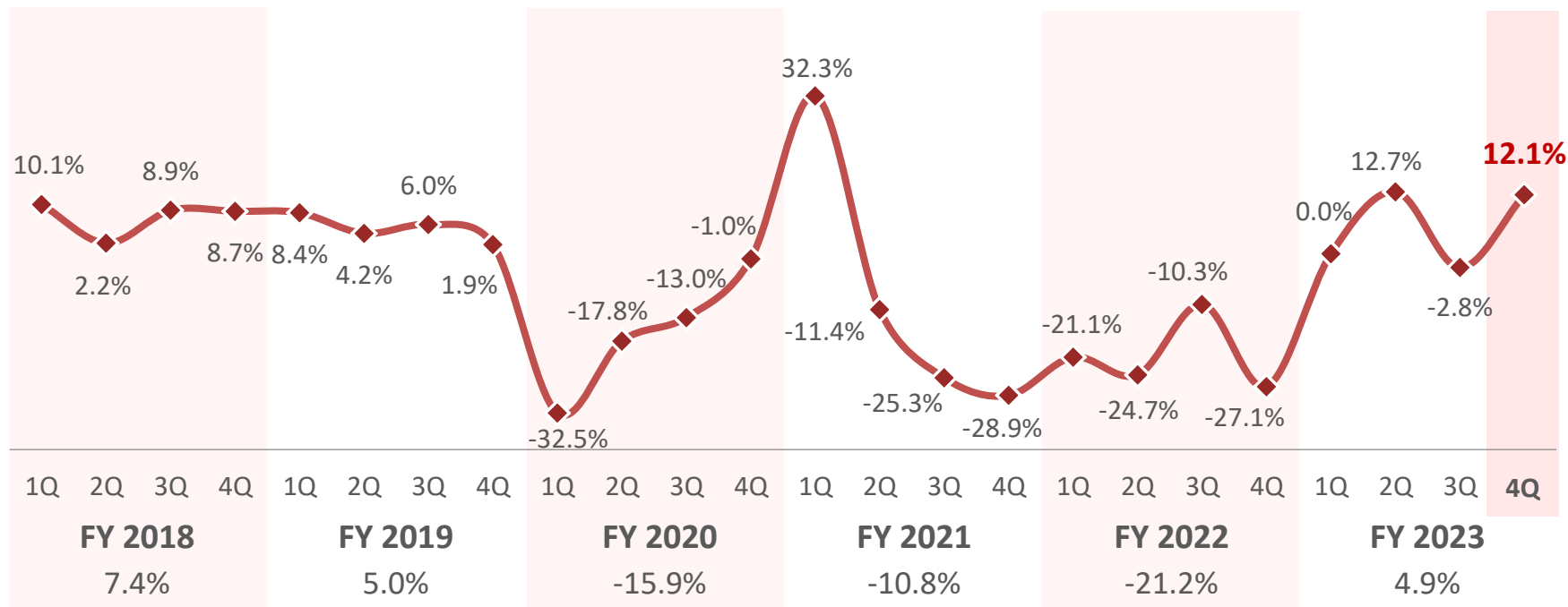


Pou Sheng Same Store Sales Growth (SSSg)



(%)

Same Store Sales Growth

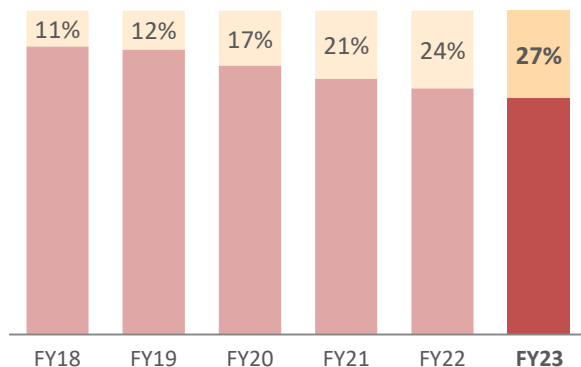


Note: Same-store sales measures revenue of full-price directly-operated stores that have been operated over one year

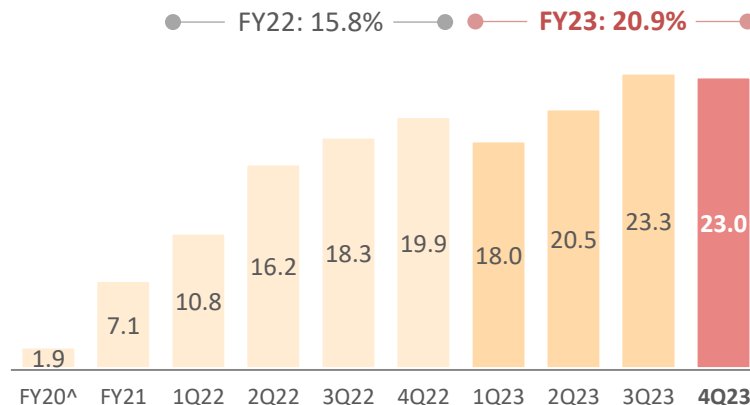


Our Customized Omni-channel & Pan-WeChat Ecosphere

- ✓ 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 20.9% of offline direct retail revenue (or 13.4% of overall) in FY23, with inventory connected across different regions



Omni-channel Sales to Total Rev. %



Pan-WeChat* Sales to Offline Direct Retail Rev. %

^ 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.)



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



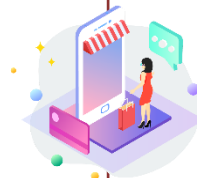
YYsports & membership program



WeChat stores



24-hr digital interface by designated KOS



~51.4m YYsports members (as of 31 Dec 2023)

Agenda

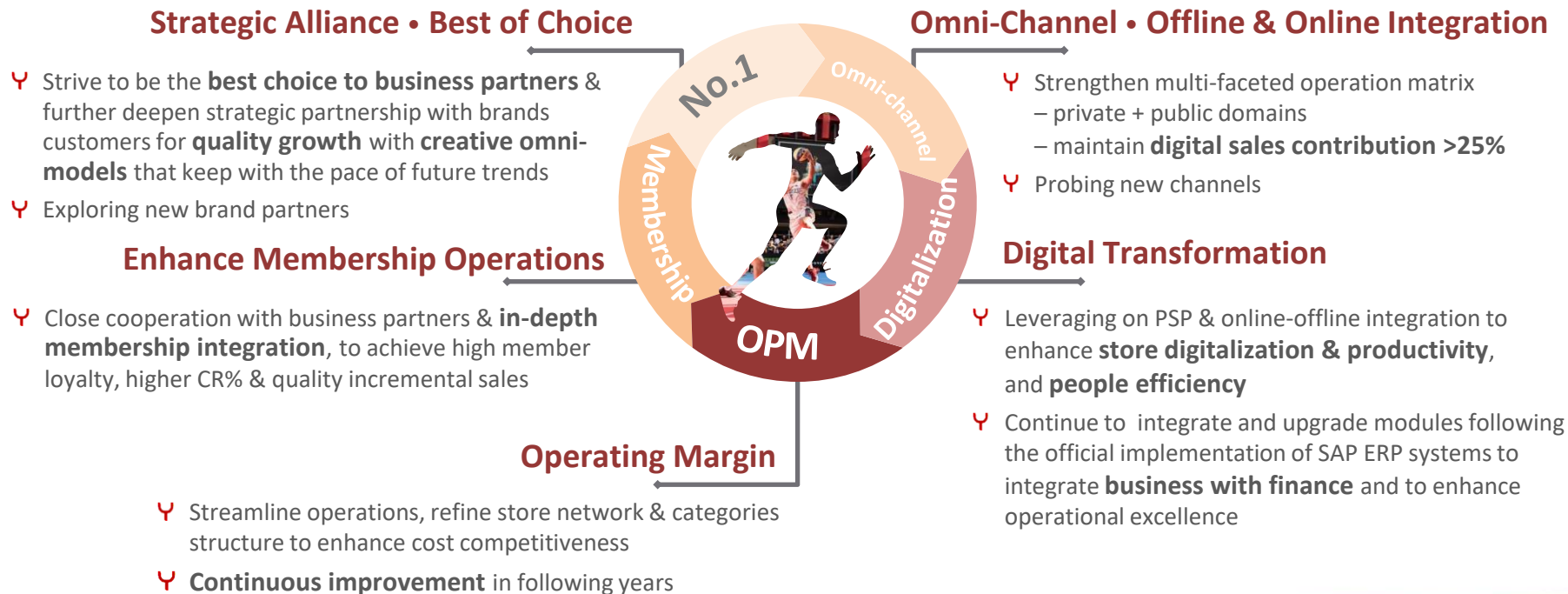


- | | | |
|-----------|-------------------------------------|----------------|
| 01 | Financial Summary | p 6-13 |
| 02 | Business Highlights | p 15-20 |
| 03 | Future Target & Strategy | p 22-23 |

Critical Missions in 3 Years



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



Growth by Multi-faceted Operation Matrix



Athletic / Athleisure



Outdoor & Yoga



胜道仓
YYQUALITY

仓储式购物体验



Appendix

Company Milestones



-
- 2024 ● SAP ERP system went live
 - 2023 ● Pan-WeChat contributed over 13% of total sales
 - 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 (in USD)



	FY 2023		FY 2022		YoY
	US\$'000	%	US\$'000	%	%
Revenue	2,830,730	100.00	2,767,091	100.00	+2.30
Cost of Sales	(1,877,586)	-66.33	(1,774,152)	-64.12	+5.83
Gross Profit	953,144	33.67	992,939	35.88	-4.01
SG&A	(887,443)	-31.35	(974,357)	-35.21	-8.92
Other Income & Expenses, net	38,115	1.35	42,961	1.55	-11.28
Operating Profit	103,816	3.67	61,543	2.22	+68.69
Finance Cost, net	(7,720)	-0.27	(21,457)	-0.77	-64.02
Other Losses	(3,447)	-0.12	(1,077)	-0.04	+220.06
Income Tax	(21,656)	-0.77	(24,144)	-0.87	-10.30
Profit for the Period	70,993	2.51	14,865	0.54	+377.58
Profit Attrib. to Owners of PS	69,190	2.44	13,221	0.48	+423.33

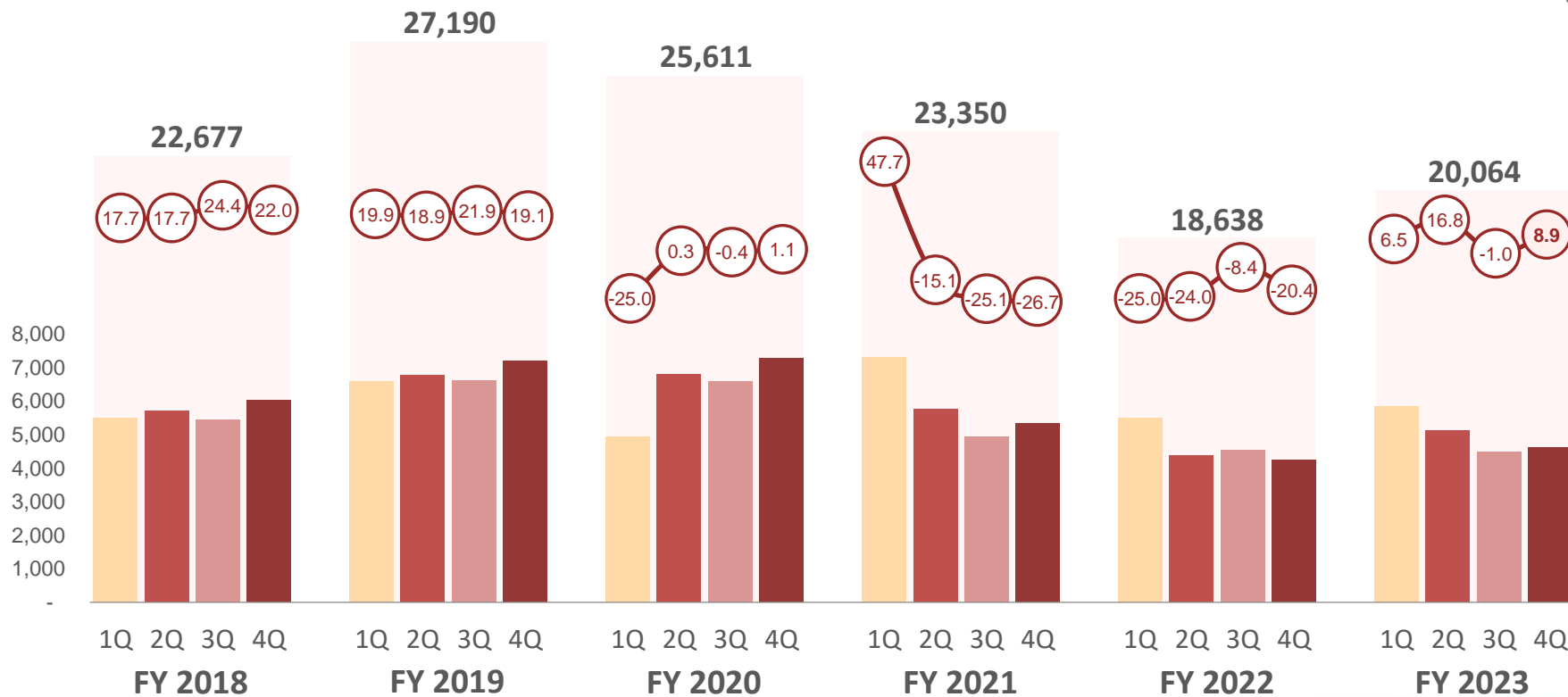
Source: Internal analysis report (figures rounded); various accounting reclassification and adjustments are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

Pou Sheng Revenue Trend



Revenue (RMB'mn)

—○— YoY (%)



**Thank you
Q&A**