

Pou Sheng International 2024 1Q Results

13 May 2024



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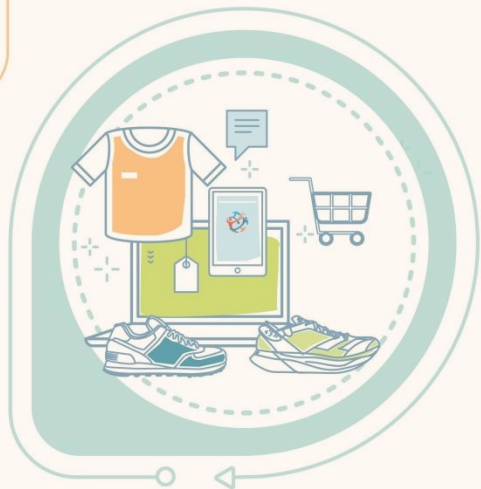
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MAKE SPORTS YOUR LIFE

— 让运动融入
你的生活 —



Pou Sheng Strategy & Operating Highlights



Focus on Cash Generation

✔ OCF reached RMB 471 mn while FCF reached RMB 383 mn

Disciplined Discount

✔ 1Q24 Discount* YoY improved **LSD%**, QoQ sequential improvement → largely offset unfavorable channel mix against GPM



Prioritizing Working Capital Efficiency ➤

Strategic Partnership with Brands ➤

Digital Transformation & Efficiency Enhancement ➤

① Strategic Alliance w/ Business Partners

- ✔ **Connected Inventory Programme** → share products with brand partners, together with PSP, PDA & other initiatives to enhance sales efficiency
- Inventory amount ↓ 16.9% YoY, Days enhanced to 119 days, aging inventory <9% out of total
- ✔ **Connected Membership Programme** → to allow consumers to access exclusive products and services in both PS & brands' direct stores
- UPT ↓ MSD% YoY offset by ASP ↑ → ATV Flat YoY

② Retail Refinement Strategy

- ✔ **Streamline & upgrade** retail network, partially offset volatile foot traffic
- Average monthly sales per door & sales per m² ↓ MSD-HSD% YoY, while ↑ >DD% QoQ
 - Average GFA ↑ MSD% YoY, while overall GFA ↓ MSD% YoY, Flat vs Dec 23

③ Resilient Omni-channel

- ✔ **WeChat stores, Douyin live-streaming via KOS** → digitally-enabled experience with a human touch
- Online contributed 26% of total sales, ↑ 2pp YoY
 - Pan-WeChat sales contributed 17.2% of offline direct retail revenue
 - Implemented SAP on 1/1/24 to seamlessly integrate business & finance

④ Solid Financial Management

- Increase of RMB 200 mn in cash position vs 23 year-end, to RMB 3.07bn

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)*



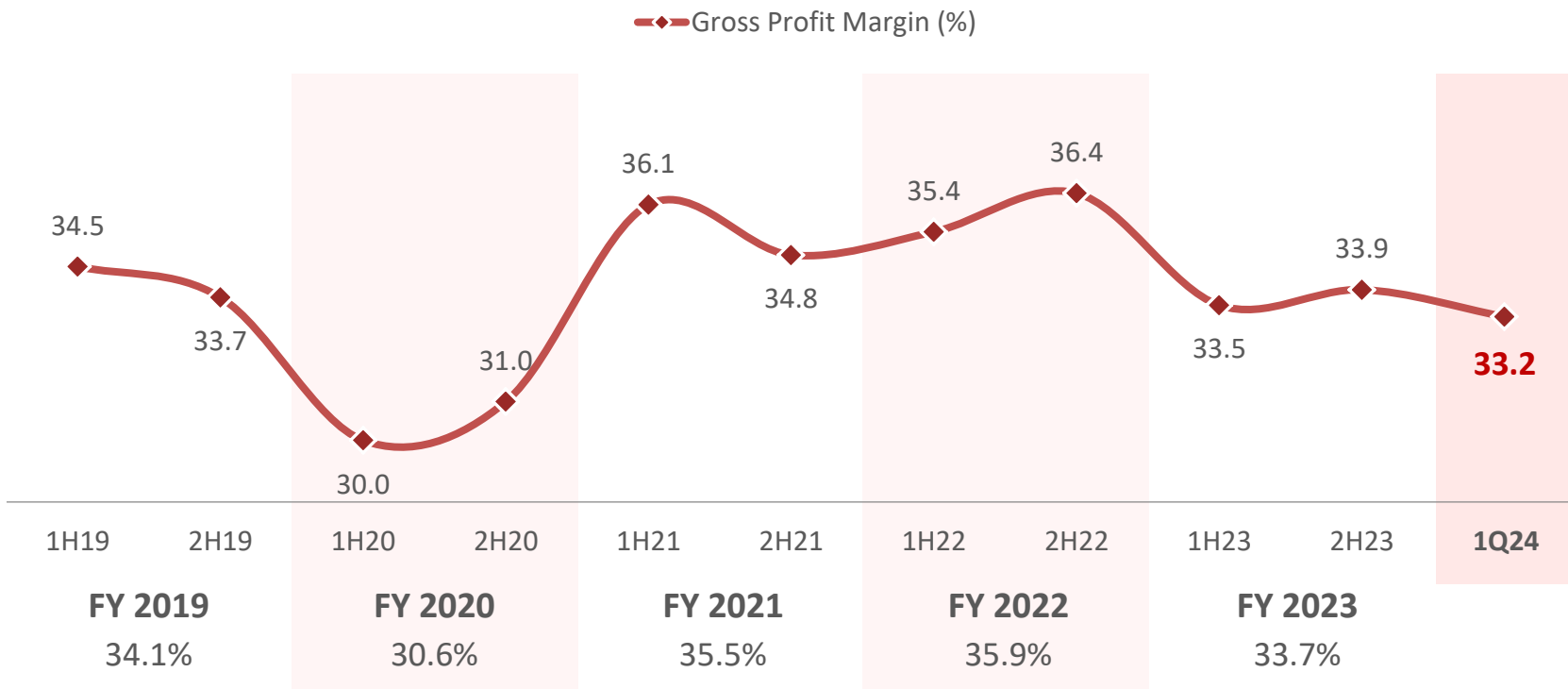
| | 1Q 2024 | | 1Q 2023 | | YoY | |
|---------------------------------------|----------------|--------------|---------|-------|-------|------|
| | RMB'mn | % | RMB'mn | % | % | pp |
| Revenue | 5,400 | 100.0 | 5,838 | 100.0 | -7.5 | -- |
| Cost of Sales | (3,606) | -66.8 | (3,878) | -66.4 | -7.0 | -0.4 |
| Gross Profit | 1,794 | 33.2 | 1,960 | 33.6 | -8.5 | -0.4 |
| SG&A | (1,571) | -29.1 | (1,688) | -28.9 | -6.9 | -0.2 |
| Other Income & Expenses, net | 54 | 1.0 | 61 | 1.0 | -11.5 | -- |
| Operating Profit | 277 | 5.1 | 333 | 5.7 | -16.8 | -0.6 |
| Finance Cost*, net | (4) | -0.0 | (19) | -0.3 | -78.9 | +0.3 |
| Other Gains (Losses) | -- | -- | -- | -- | N/A | N/A |
| Income Tax | (91) | -1.7 | (85) | -1.5 | +7.1 | -0.2 |
| Profit for the Period | 182 | 3.4 | 229 | 3.9 | -20.5 | -0.5 |
| Profit Attrib. to Owners of PS | 174 | 3.2 | 220 | 3.8 | -20.9 | -0.6 |

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1Q2024 & 1Q2023

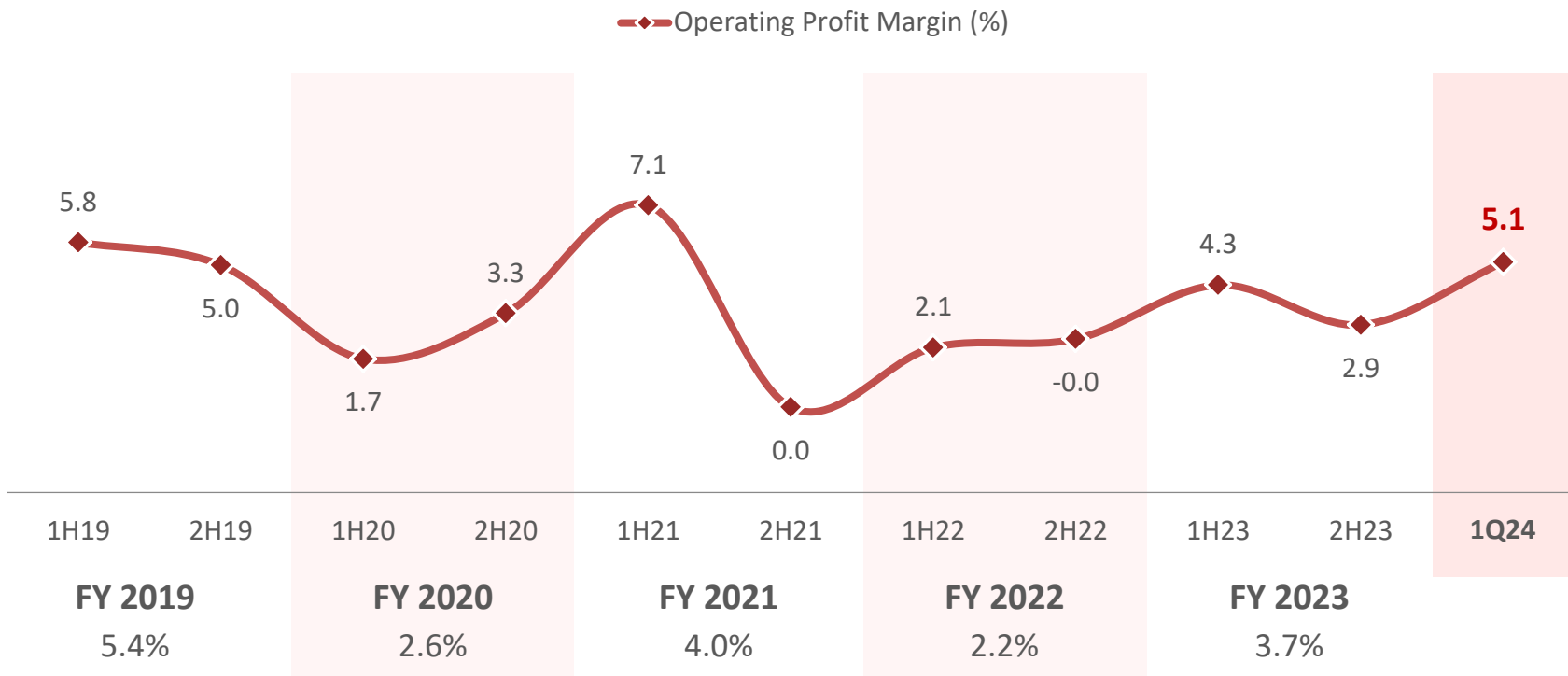
* Finance cost in 1Q24 decreased by 80.2% YoY if excludes interest expenses on lease liabilities which amounted to RMB 17.6mn (1Q23: RMB 22.3mn)

The company recorded net finance income of RMB 13.5mn in 1Q24 (1Q23: RMB 3.6mn)

Pou Sheng GP Margin Trend



Pou Sheng OP Margin Trend

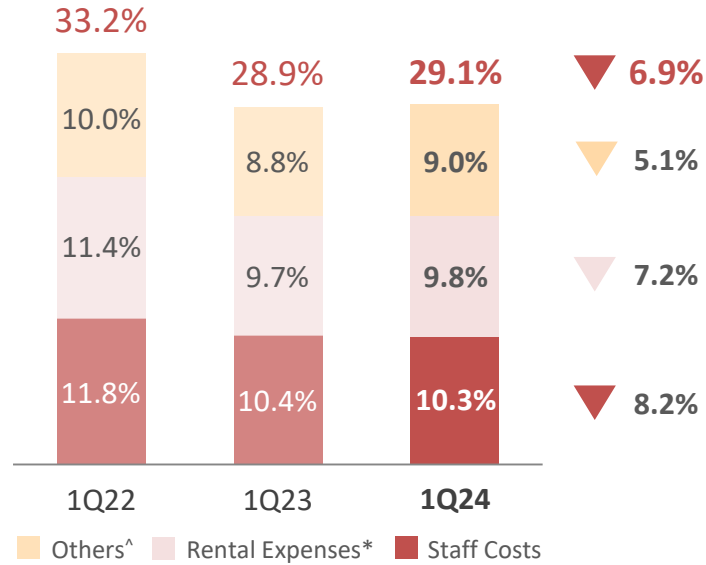




Pou Sheng SG&A Expenses Breakdown

SG&A Ratio

% of Revenue



Amount (YoY)



Strategically Right-size Retail Network

- Holistic approach in channel planning to avoid low-efficiency store opening & closing
- Number of direct operated stores ↓ 11% YoY
- Sales/ door & sales/ m2 ↑ DD% QoQ



Continuous Expenses Control to counter Operating Deleverage



Active Management on Rental & People Efficiency

- Lean Management: Pou Sheng's no. of employees ↓ 14% YoY from 24,700 to 21,300

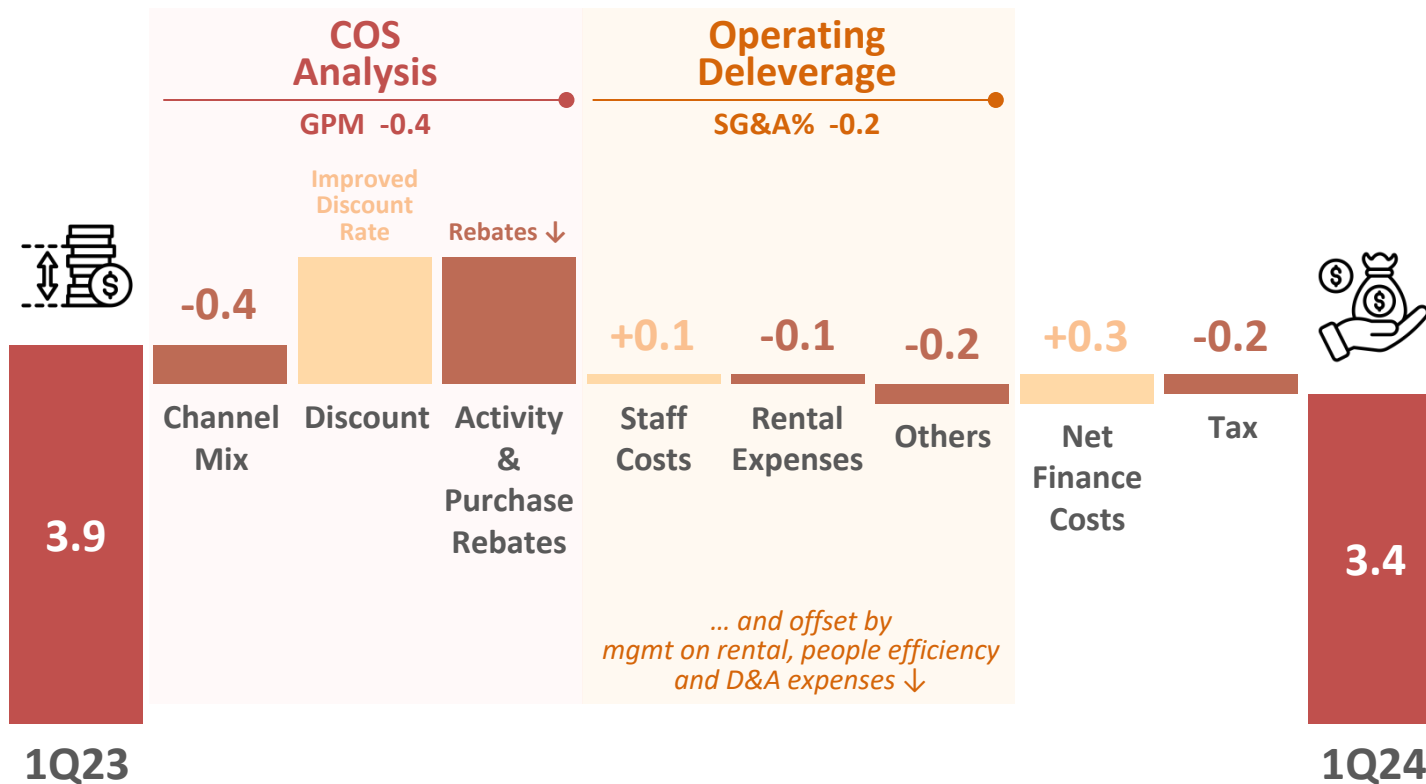
[^] Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

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

Pou Sheng – Net Profit Margin



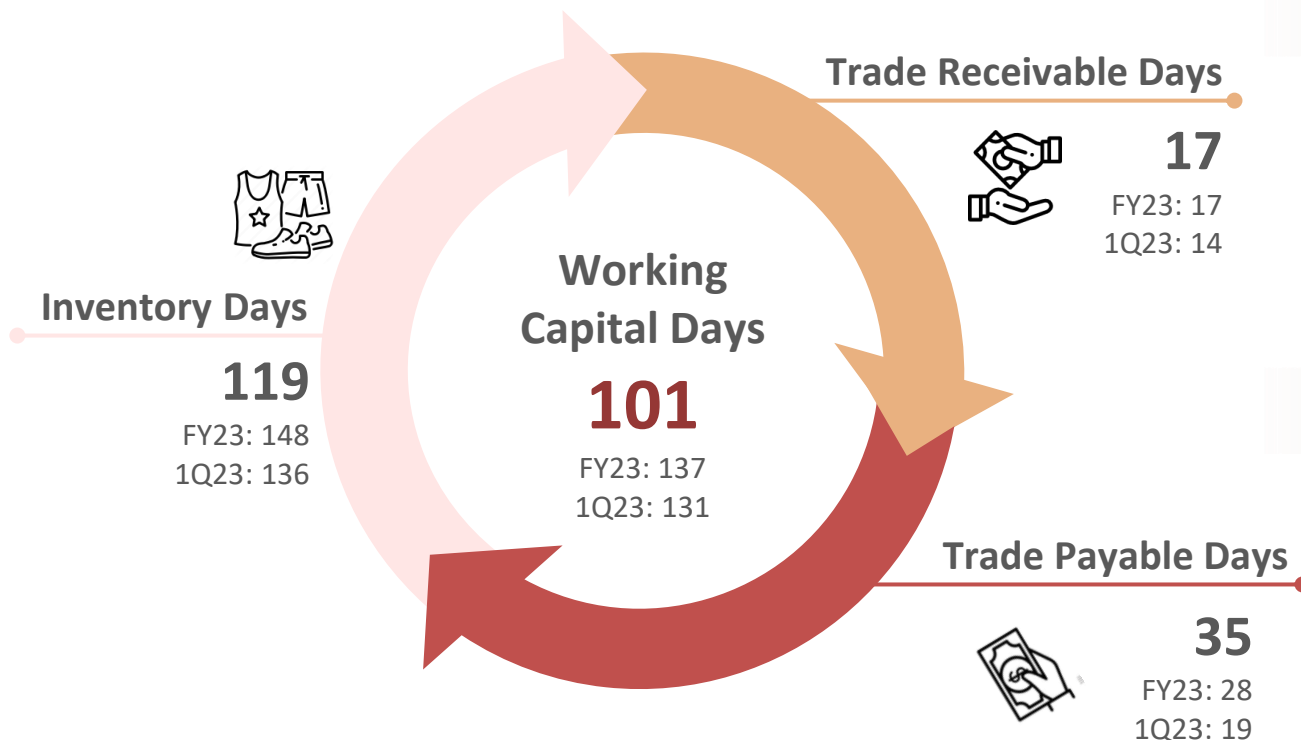
(%)



Operation Efficiency – 1Q24



(Based on RMB)



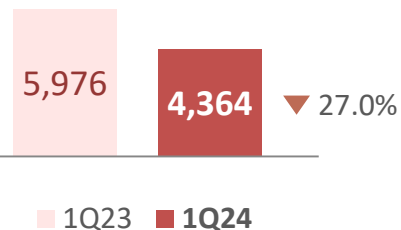
Inventory Level

In RMB'mn



Working Capital

In RMB'mn



Pou Sheng Financial Ratios (in RMB)



| (RMB'mn) | 1Q 2024 | 1Q 2023 | YoY |
|---|-----------------|----------|---------|
| Depreciation of PPE & Amortization | 82.4 | 97.7 | -15.7% |
| Depreciation of ROUA | 191.1 | 230.2 | -17.0% |
| EBITDA | 565.0 | 667.6 | -15.4% |
| EBITDA minus Depreciation of ROUA | 373.9 | 437.4 | -14.5% |
| Capital Expenditure | 88.5 | 69.6 | +27.2% |
| Total Borrowings* | 38.3 | 210.9 | -81.8% |
| Net Cash* | 3,027.9 | 1,055.7 | +186.8% |
| Total Borrowings to Equity# | 0.4% | 2.5% | -2.1pp |
| Net Borrowings to Equity# | Net Cash | Net Cash | -- |
| Total Borrowings* to EBITDA (X) annualized | 0.0 X | 0.1 X | -- |
| Return on Owner's Equity LTM ^ | 5.1% | 2.5% | -- |
| Return on Asset LTM ^ | 3.3% | 1.6% | -- |

As of
31 Mar

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Cash exclude lease liabilities. Lease liabilities was RMB 1,623.7mn and 2,064.5mn as at 31 Mar 2024 and 2023 respectively

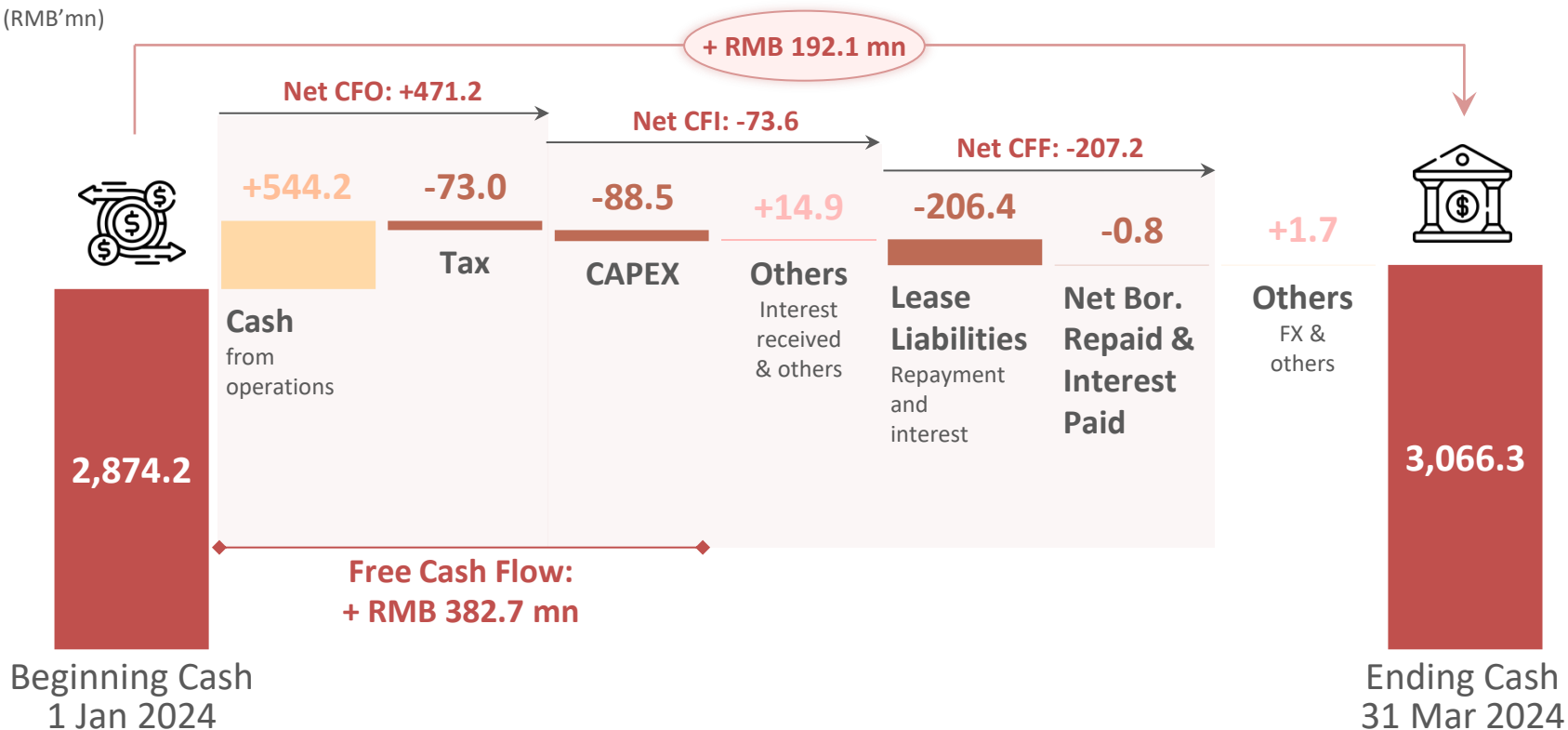
Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 18.9% (1Q23: 27.0%) and Net Cash (1Q23: 12.0%) as at 31 Mar 2024 respectively

^ ROE and ROA would be 8.0% and 5.3% 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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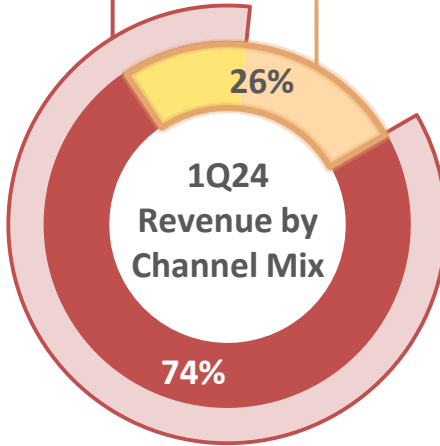
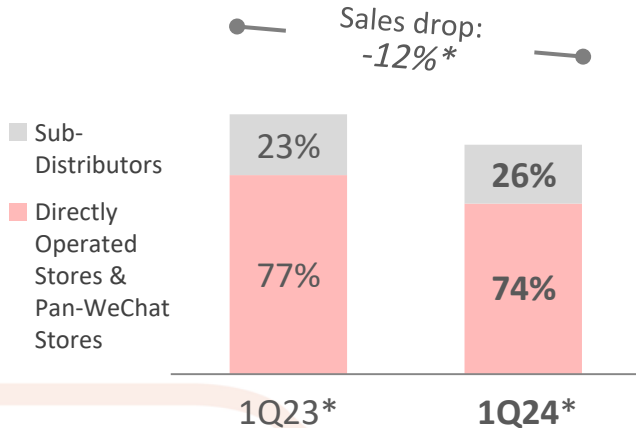
Pou Sheng Retail Strategy

👉 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: 3,461 stores
- Multi-Brands Stores: 20 stores



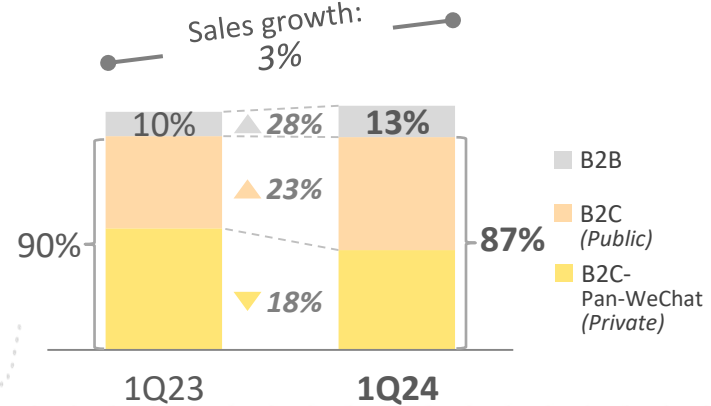
Top 5 brands account for ~98% of our revenue

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

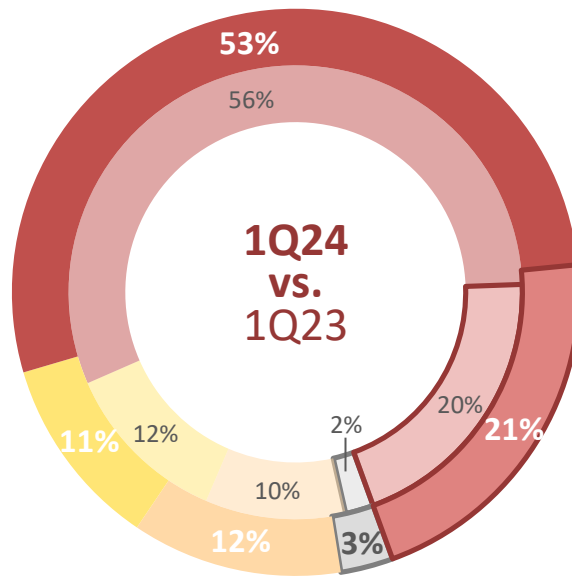


* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales
Sales decreased by 11% YoY if excludes Pan-WeChat

Channel Mix To Be Improved



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



- 1Q23 1Q24
- Directly Operated Stores & Others
 - B2C - Pan-WeChat (Private)
 - B2C (Public)
 - B2B
 - Sub-Distributors

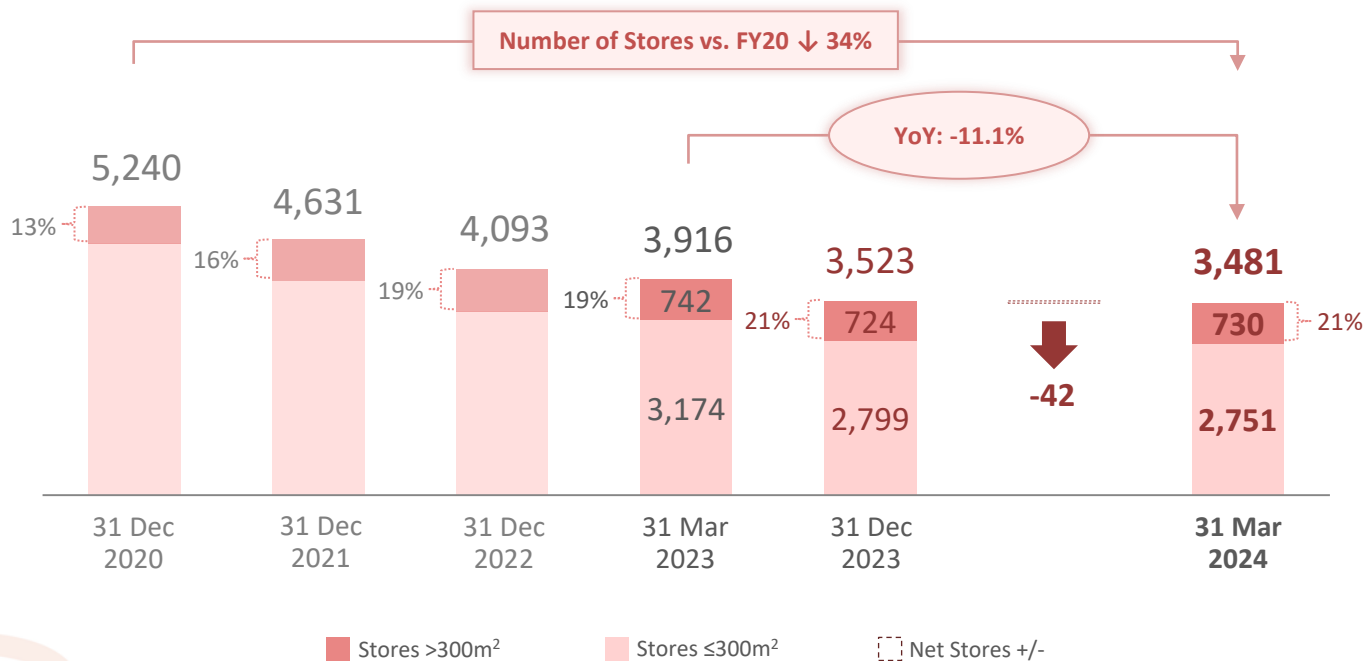
Relatively higher contribution from lower-margin channels

Right-Sizing B&M Network

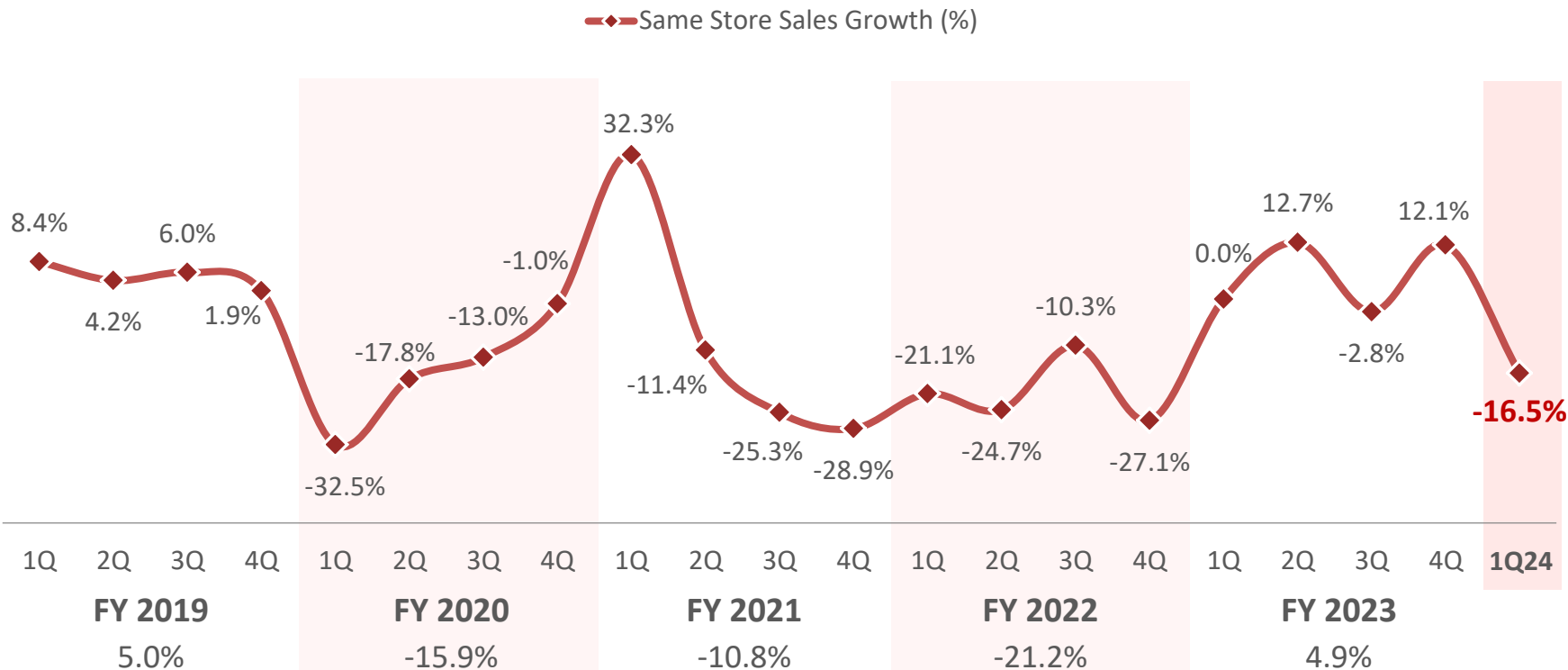


Directly Operated Stores

Large Store Mix



Pou Sheng Same Store Sales Growth (SSSg)

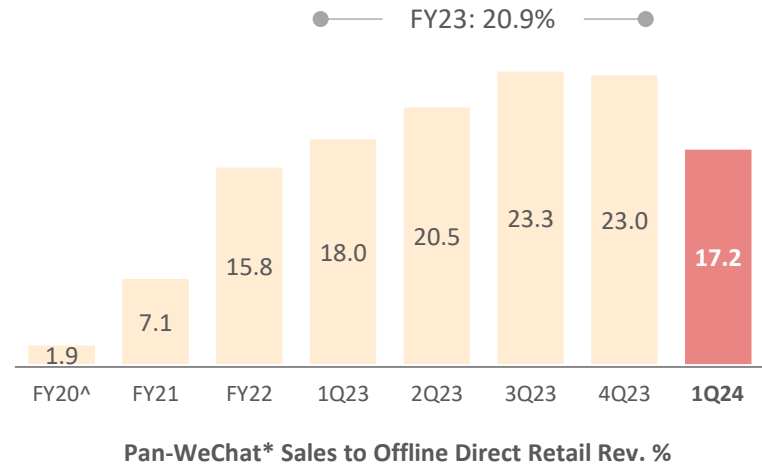
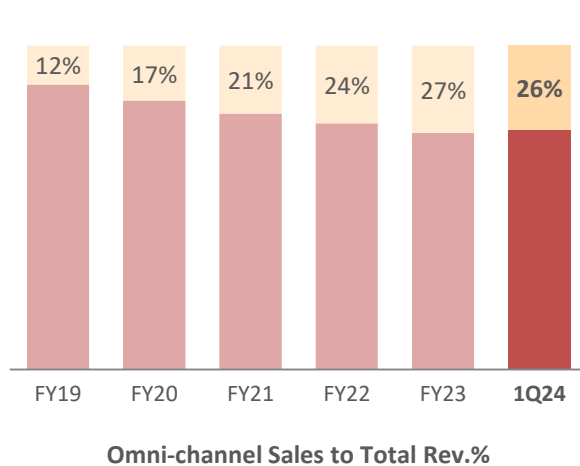


Note: Same-store sales measures revenue of full-price directly-operated stores that have been operated over one year



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 17.2% of offline direct retail revenue (or 10.7% of overall) in 1Q24, 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.)



- 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

Seamless digital
interface by
designated KOS



~52.1m YYsports members (as of 31 Mar 2024)

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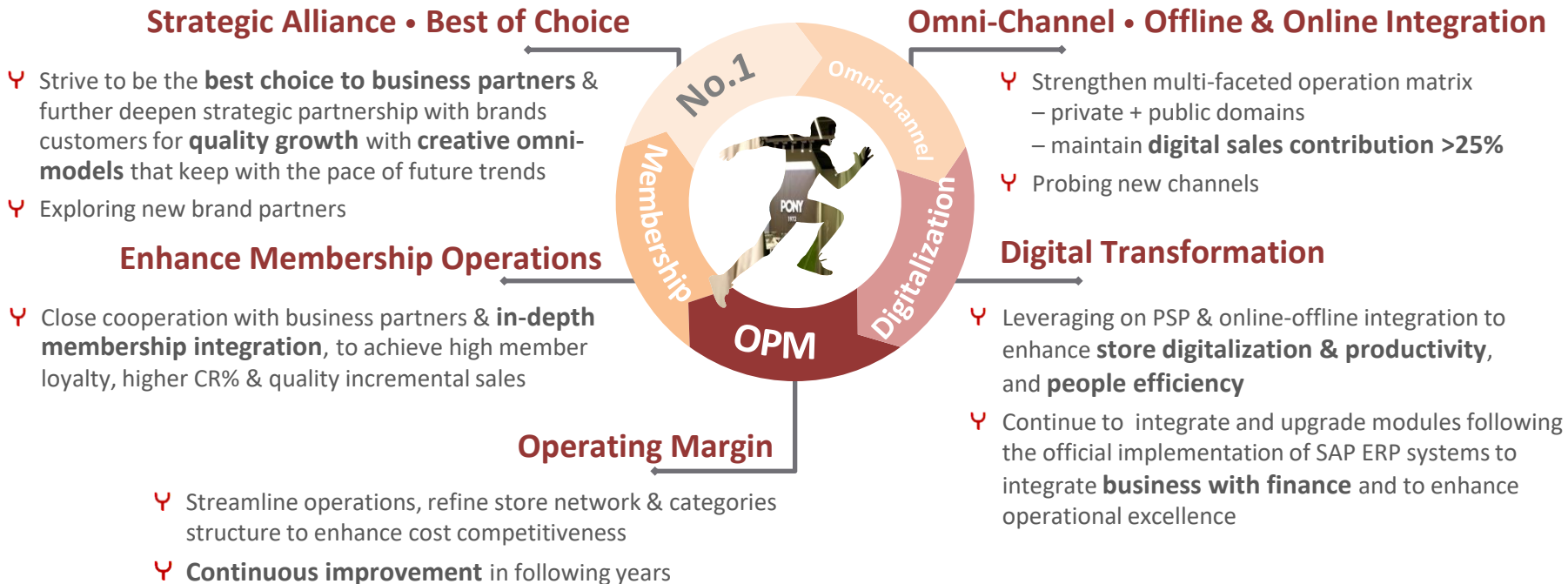
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Critical Missions in 3 Years



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



Growth by Multi-faceted Operation Matrix



Athletic / Athleisure



Outdoor & Yoga



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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) – 1Q24



| | 1Q 2024 | | 1Q 2023 | | YoY |
|---------------------------------------|----------------|---------------|-----------|--------|--------|
| | US\$'000 | % | US\$'000 | % | % |
| Revenue | 749,733 | 100.00 | 852,454 | 100.00 | -12.05 |
| Cost of Sales | (500,672) | -66.78 | (566,279) | -66.43 | -11.59 |
| Gross Profit | 249,061 | 33.22 | 286,175 | 33.57 | -12.97 |
| SG&A | (217,140) | -28.96 | (245,273) | -28.77 | -11.47 |
| Other Income & Expenses, net | 6,583 | 0.88 | 7,678 | 0.90 | -14.26 |
| Operating Profit | 38,504 | 5.14 | 48,580 | 5.70 | -20.74 |
| Finance Cost, net | (571) | -0.08 | (2,724) | -0.32 | -79.04 |
| Other Gains (Losses) | -- | -- | -- | -- | N/A |
| Income Tax | (12,707) | -1.70 | (12,418) | -1.46 | +2.33 |
| Profit for the Period | 25,226 | 3.36 | 33,438 | 3.92 | -24.56 |
| Profit Attrib. to Owners of PS | 24,209 | 3.23 | 32,121 | 3.77 | -24.63 |

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 USD) – FY23



| | 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 |

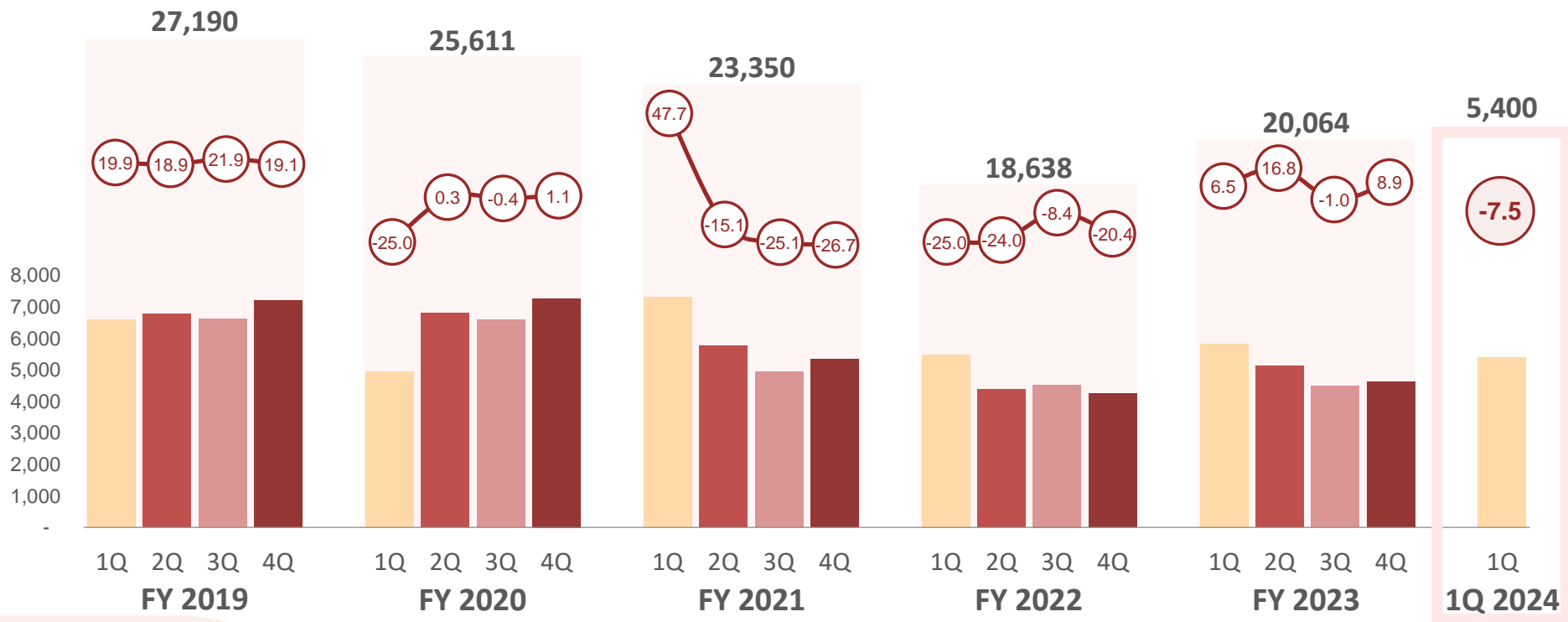
Source: Internal analysis report (figures rounded); various accounting reclassification and adjustments are made to some of the figures when consolidating Pou Sheng numbers into the Yue Yuen Group in order to comply with the requirements of accounting standards

Pou Sheng Revenue Trend



Revenue (RMB'mn)

YoY (%)



**Thank you
Q&A**