



Pou Sheng International 2024 1H Results

12 Aug 2024



Disclaimer



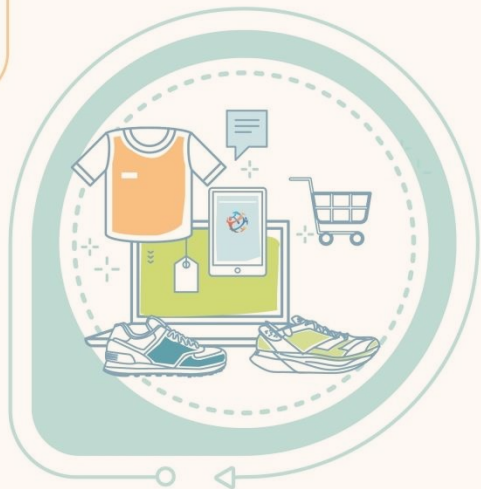
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MAKE SPORTS YOUR LIFE

— 让运动融入
你的生活 —



Pou Sheng Strategy & Operating Highlights



Prioritize Profitability

- ✓ 1H24 OPM ↑ 0.5pp YoY
- ✓ 1H24 NPM ↑ 0.5pp YoY, 2Q24 NP ↑ 74% YoY

Disciplined Discount

- ✓ 1H24 Discount* YoY improved LSD%,
QoQ sequential improvement
- ✓ 1H24 GPM ↑ 0.7pp YoY,
2Q24 GPM ↑ 2.0pp YoY, reached 35.4%



- Prioritizing Working Capital Efficiency ➔
- Strategic Partnership with Brands ➔
- Digital Transformation & Efficiency Enhancement ➔

① Strategic Alliance with Business Partners

- ✓ **Connected Inventory Programme** → share products with brand partners, together with PSP – to enhance sales efficiency
 - Inventory amount ↓ 0.5% YoY, Days was 130 days, aging inventory 8% out of total
- ✓ **Connected Membership Programme** → to allow consumers to access exclusive products and services in both PS & brands' direct stores
 - UPT ↓ LSD% 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 ↓ HSD-DD% YoY
 - Average GFA ↑ LSD% YoY, while overall GFA ↓ LSD% 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, ↑ YoY
 - Douyin ↑ 100% YoY

④ Solid Financial Management

- Increase of RMB 240 mn in cash position vs 23 year-end, to RMB 3.11bn
- Interim dividend & Special dividend of HKD 0.04 per share in total, with 60% payout ratio

Our Strategies

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Pou Sheng Financial Highlights *(in RMB)*



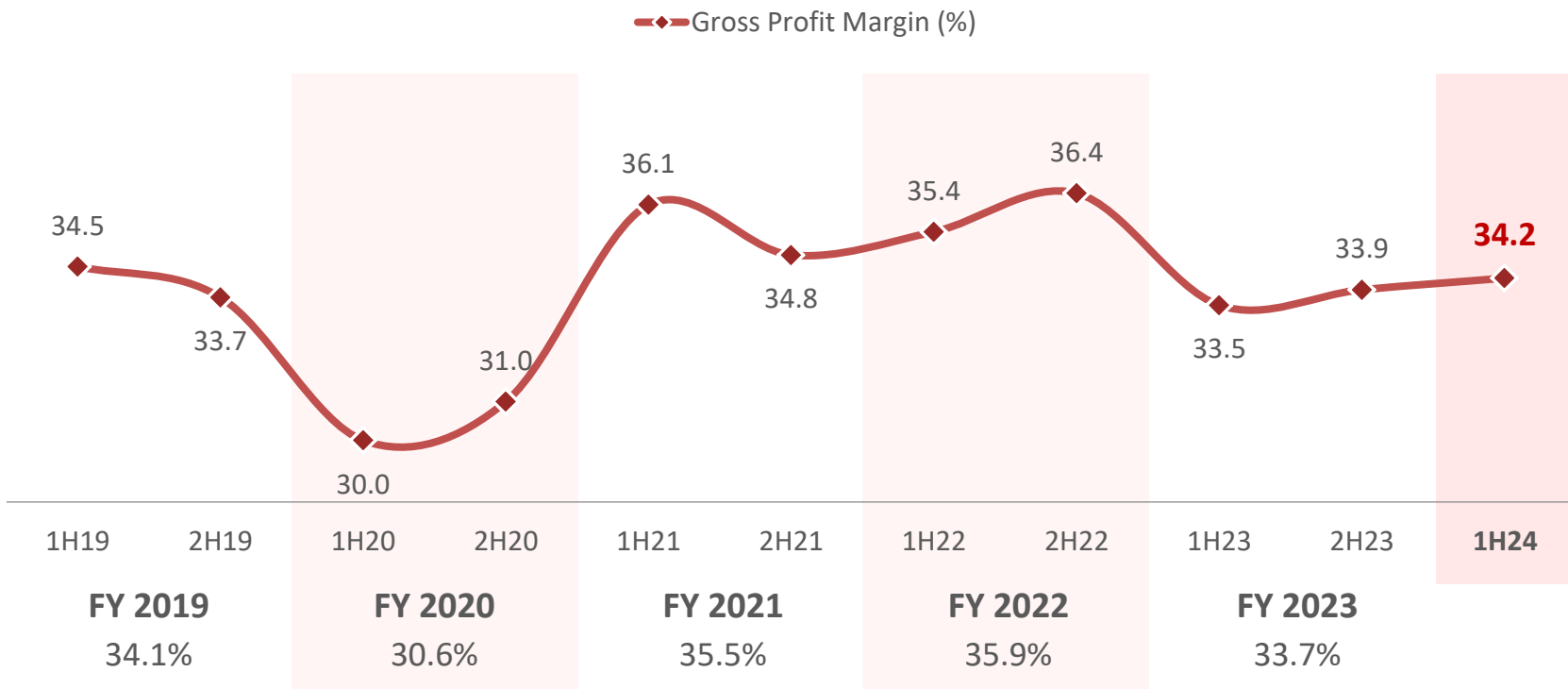
	1H 2024		1H 2023		YoY	
	RMB'mn	%	RMB'mn	%	%	pp
Revenue	9,983	100.0	10,960	100.0	-8.9	--
Cost of Sales	(6,567)	-65.8	(7,289)	-66.5	-9.9	+0.7
Gross Profit	3,416	34.2	3,671	33.5	-6.9	+0.7
SG&A	(3,052)	-30.6	(3,310)	-30.2	-7.8	-0.4
Other Income & Expenses, net	119	1.2	112	1.0	+6.3	+0.2
Operating Profit	483	4.8	473	4.3	+2.1	+0.5
Finance Cost*, net	(8)	-0.1	(35)	-0.3	-77.1	+0.2
Other Gains (Losses)	--	--	--	--	N/A	N/A
Income Tax	(137)	-1.3	(119)	-1.1	+15.1	-0.2
Profit for the Period	338	3.4	319	2.9	+6.0	+0.5
Profit Attrib. to Owners of PS	336	3.4	305	2.8	+10.2	+0.6

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1H2024 & 1H2023

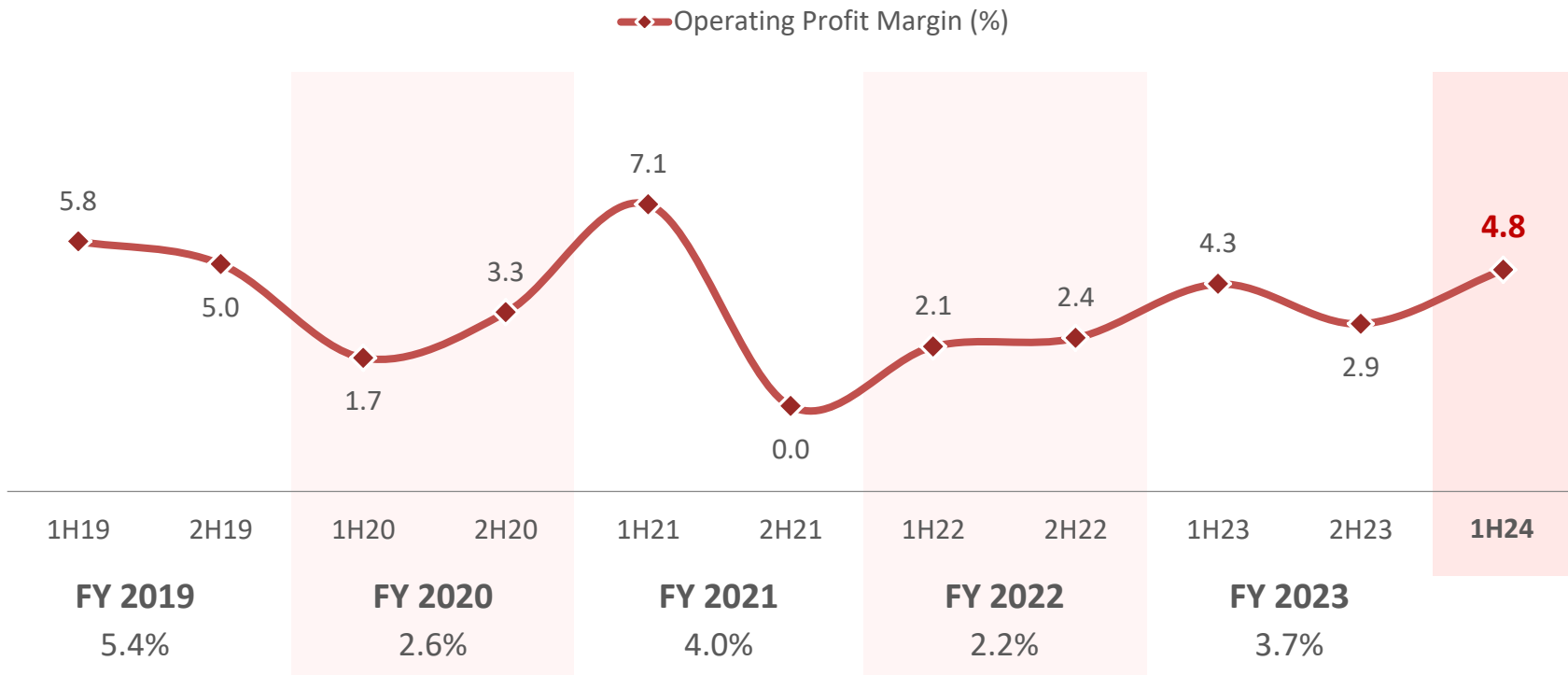
* Finance cost in 1H24 decreased by 76.7% YoY if excludes interest expenses on lease liabilities which amounted to RMB 34.1mn (1H23: RMB 44.2mn)

The company recorded net finance income of RMB 26.5mn in 1H24 (1H23: RMB 8.8mn)

Pou Sheng GP Margin Trend



Pou Sheng OP Margin Trend

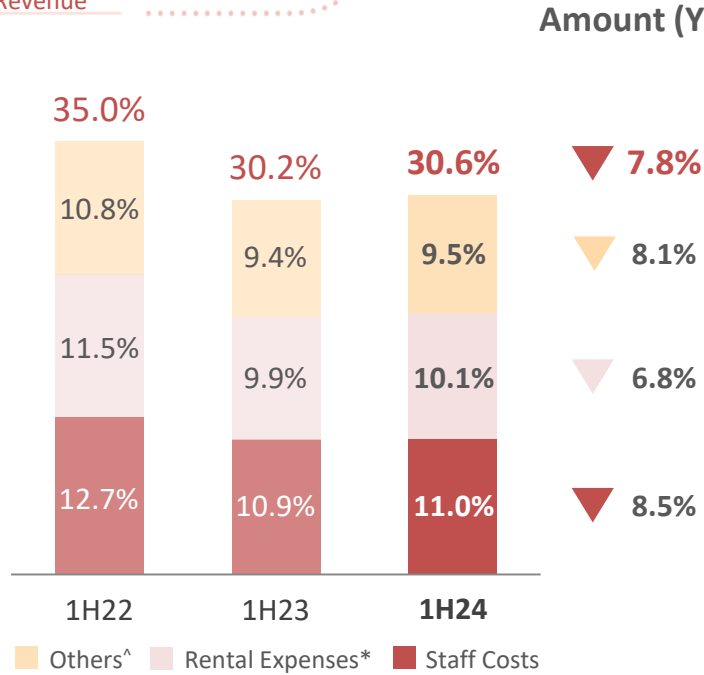




Pou Sheng SG&A Expenses Breakdown

SG&A Ratio

% of Revenue



Strategically Right-size Retail Network, Optimize Rental Expenses

- Holistic approach in channel planning to avoid low-efficiency store opening & closing
- Number of direct operated stores ↓ 7% YoY
- Facilitate rental saving & reduction programme



Continuous Expenses Control to counter Operating Deleverage



Active Management on People Efficiency

- Lean Management: Pou Sheng's no. of employees ↓ 13% YoY from 23,700 to 20,700

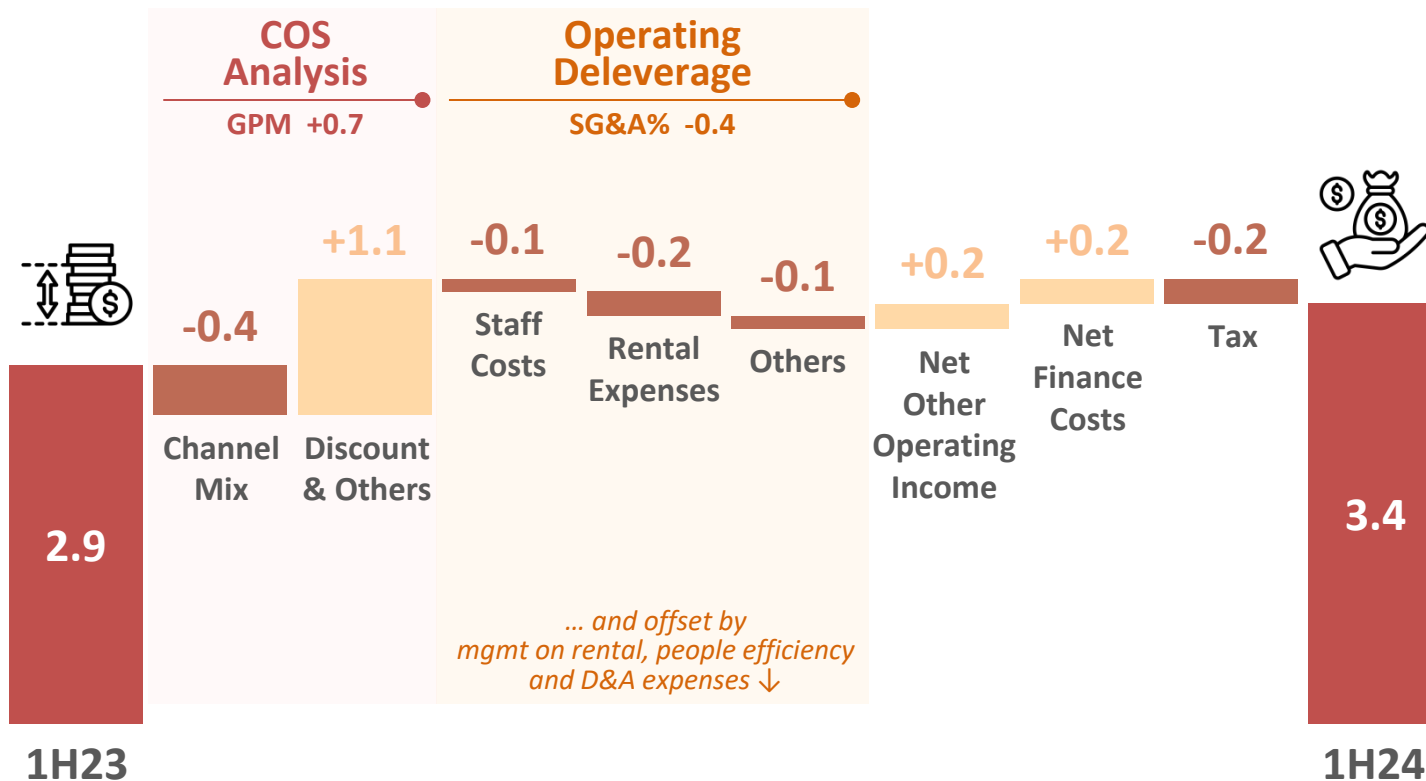
^ Others include shopping mall expenses, logistic expenses, depreciation of PPE and amortization, etc.

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

Pou Sheng – Net Profit Margin



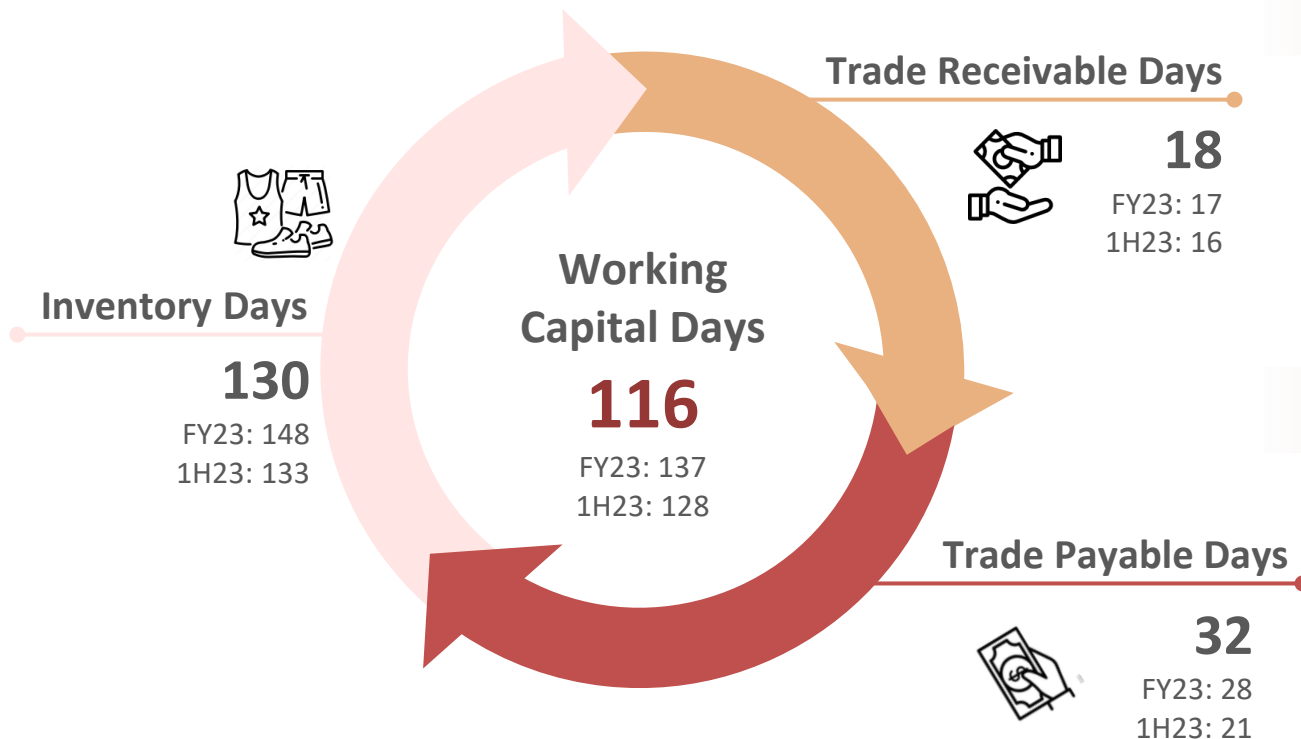
(%)



Operation Efficiency – 1H24



(Based on RMB)



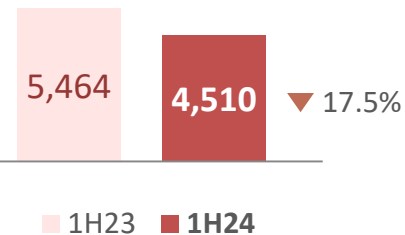
Inventory Level

In RMB'mn



Working Capital

In RMB'mn



Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	1H 2024	1H 2023	YoY
Depreciation of PPE & Amortization	167.0	193.4	-13.7%
Depreciation of ROUA	389.6	452.9	-14.0%
EBITDA	1,066.9	1,133.3	-5.9%
EBITDA minus Depreciation of ROUA	677.3	680.4	-0.5%
Capital Expenditure ^Δ	190.8	170.6	+11.8%
Total Borrowings*	37.0	92.0	-59.8%
Net Cash*	3,071.5	2,132.9	+44.0%
Total Borrowings to Equity[#]	0.4%	1.1%	-0.7pp
Net Borrowings to Equity[#]	Net Cash	Net Cash	--
Total Borrowings* to EBITDA (X) annualized	0.0 X	0.0 X	--
Return on Owner's Equity LTM [^]	5.9%	4.5%	--
Return on Asset LTM [^]	4.0%	3.0%	--

As of
30 Jun

Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Cash exclude lease liabilities. Lease liabilities was RMB 1,518.9mn and 1,970.4mn as at 30 Jun 2024 and 2023 respectively

Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 17.5% (1H23: 24.2%) and Net Cash (1H23: Net Cash) as at 30 Jun 2024 respectively

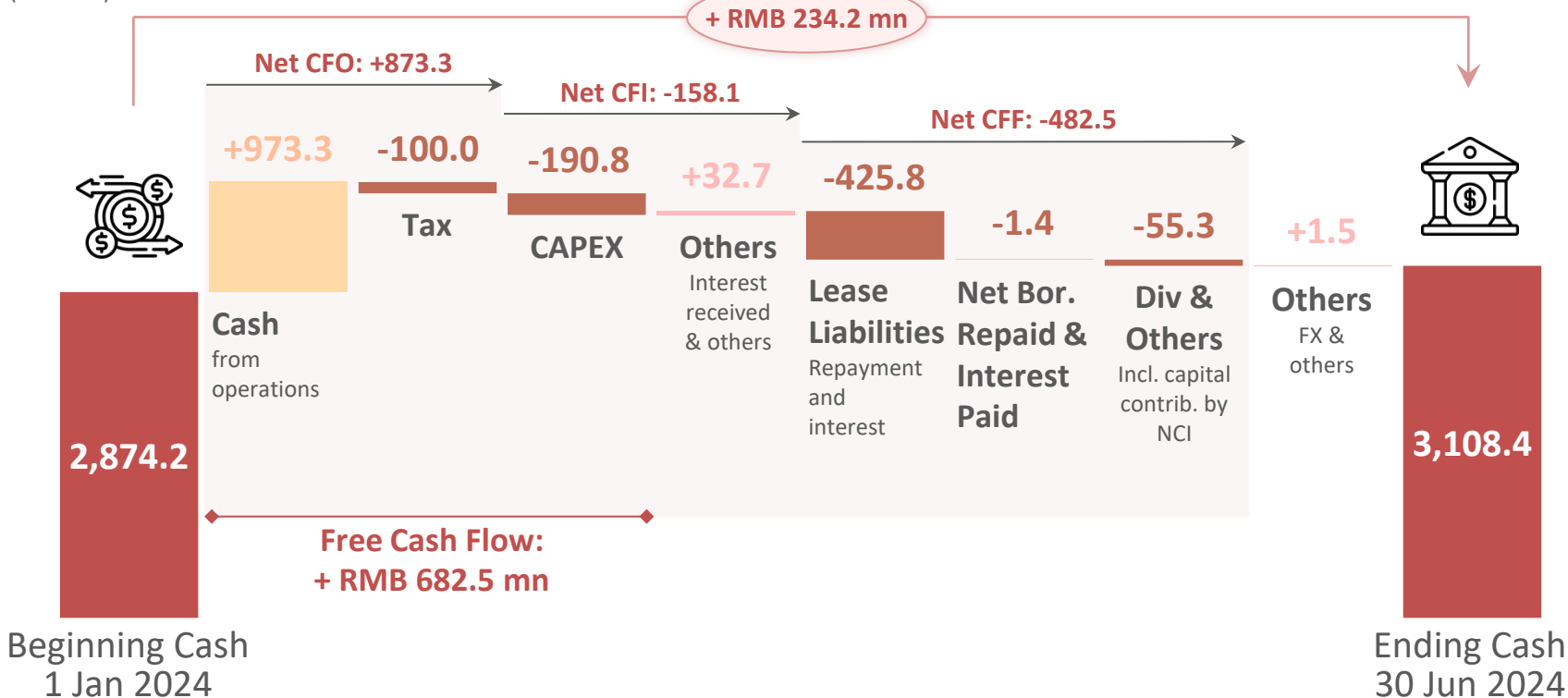
[^] ROE and ROA would be 7.6% and 5.1% if on annualized basis

^Δ Including SAP ERP-related capital expenditure

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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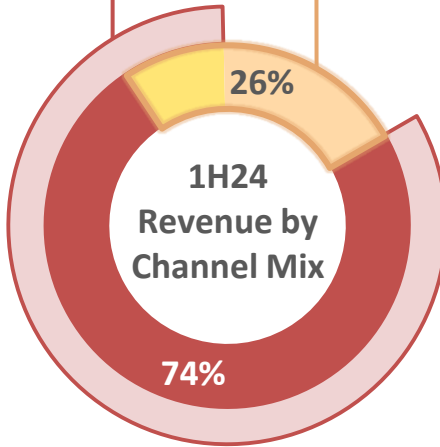
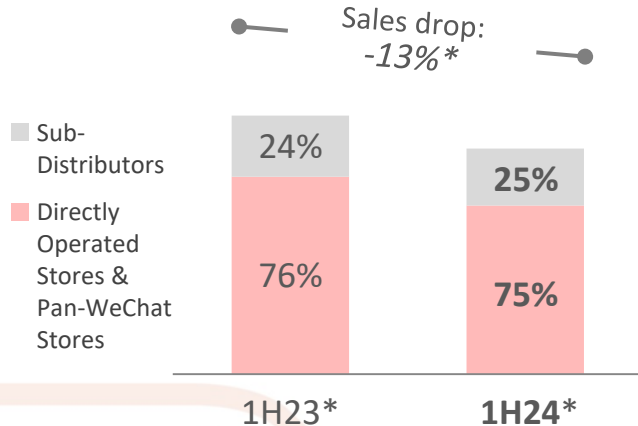
Pou Sheng Retail Strategy

👉 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: 3,458 stores
- Multi-Brands Stores: 20 stores



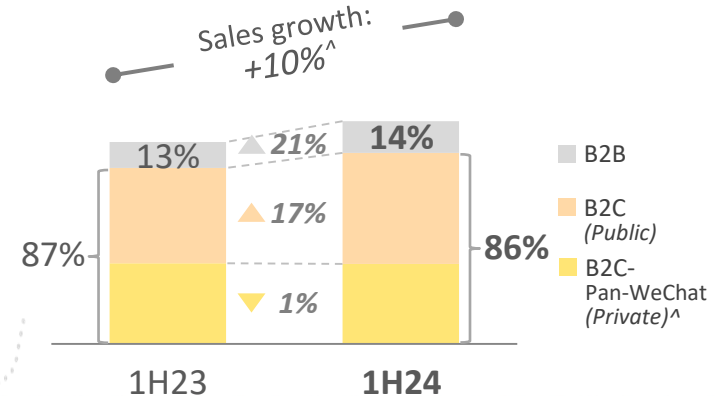
Top 5 brands account for ~95% of our revenue

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



[^] Reclassification has been made

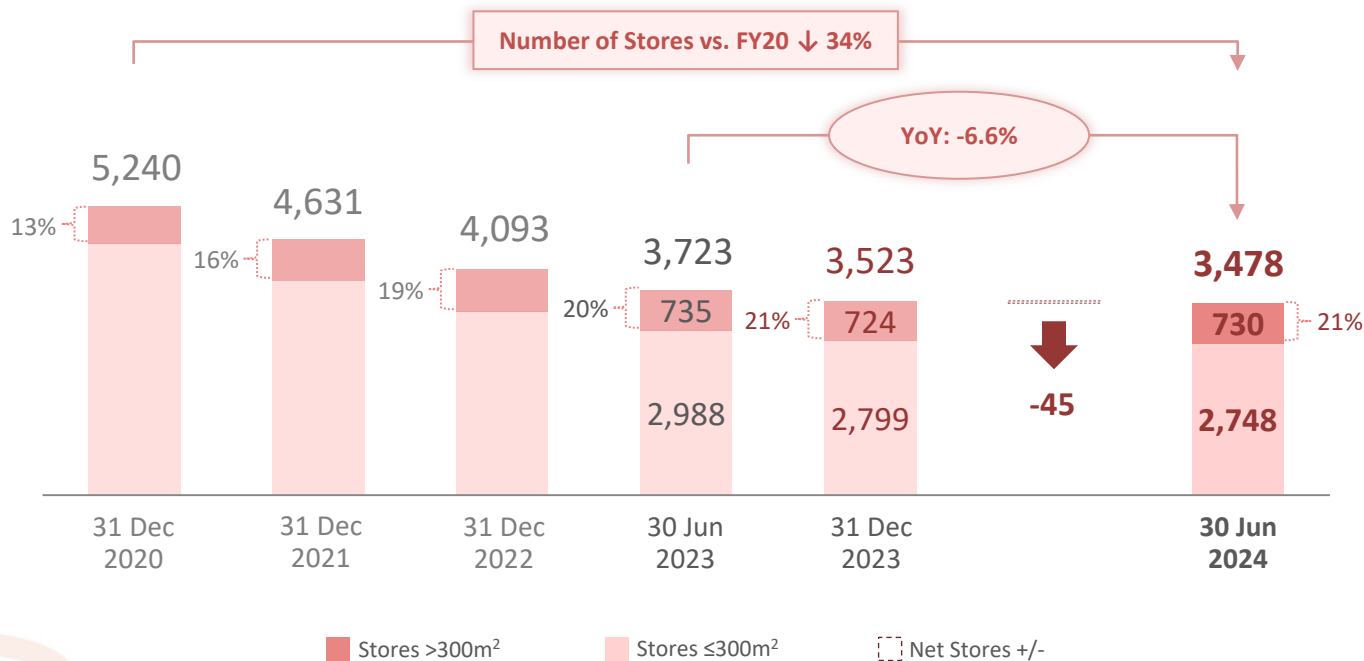
* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales
Sales decreased by 14% YoY if excludes Pan-WeChat

Right-Sizing B&M Network



Directly Operated Stores

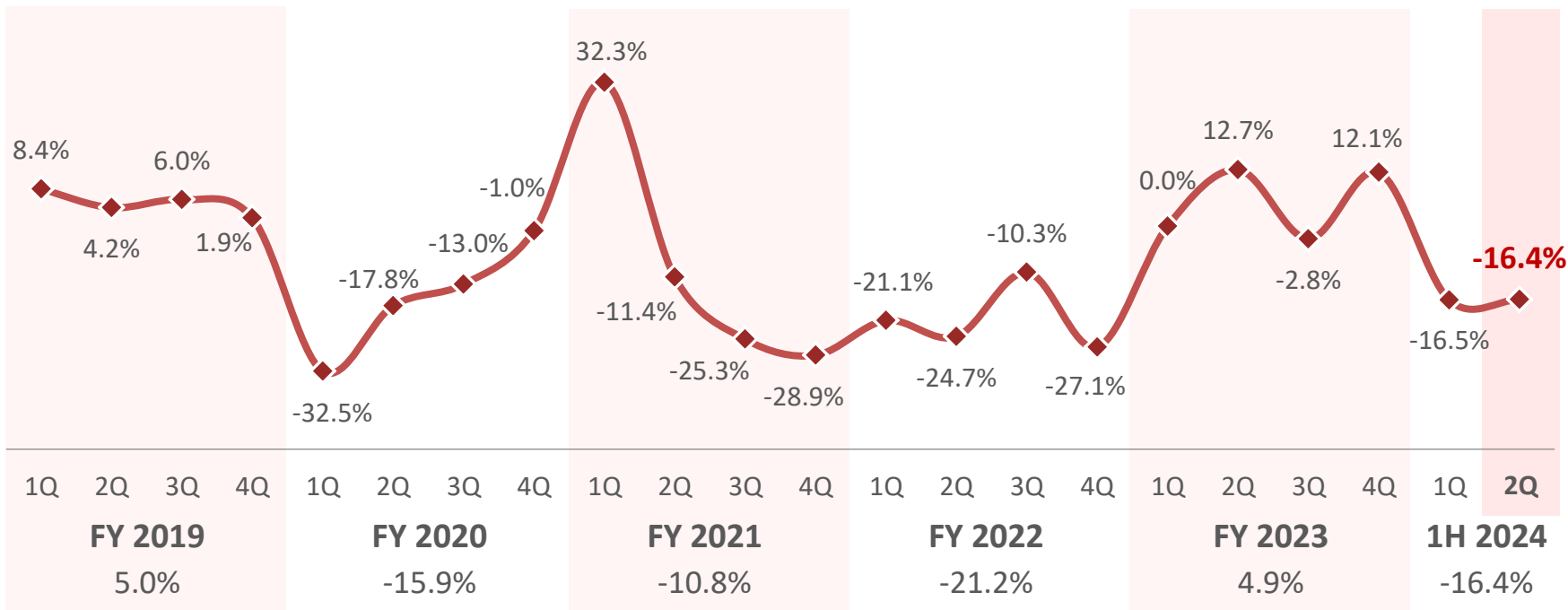
Large Store Mix



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

Customized Omni-channel & Pan-WeChat Ecosphere



- 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



~59.4m YYsports members (as of 30 Jun 2024)

Continuously Upgrading Pan-WeChat Ecosphere 1-2-3



Better conversion rate



Full-price in-season sales

Higher repeat purchases

③ Shopping Mall Membership Platforms



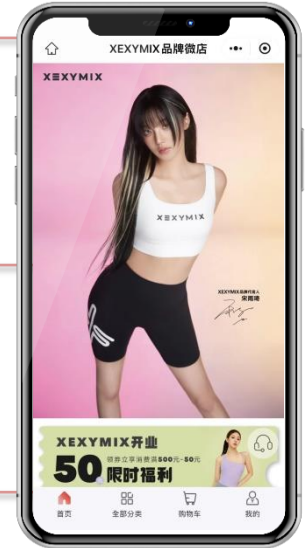
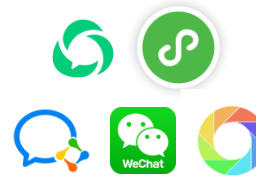
② Douyin Livestreaming

- Localized operations by integrating regional and store level accounts
- Exclusively-authorized YYsports Douyin accounts with selected brand partners



① WeChat Stores

- Regional operation with multi-faceted approach and multi-brands by designated KOS



[^] 1H24 Pan-WeChat Sales to Offline Direct Retail Revenue (%)

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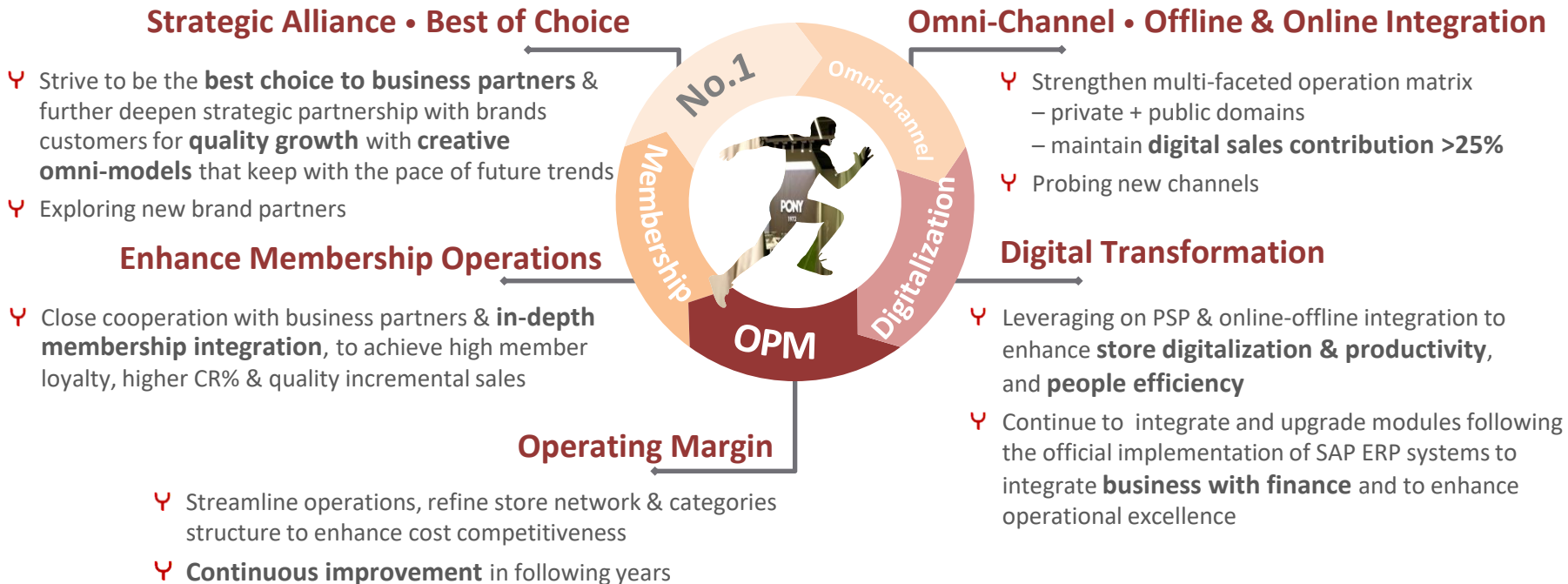
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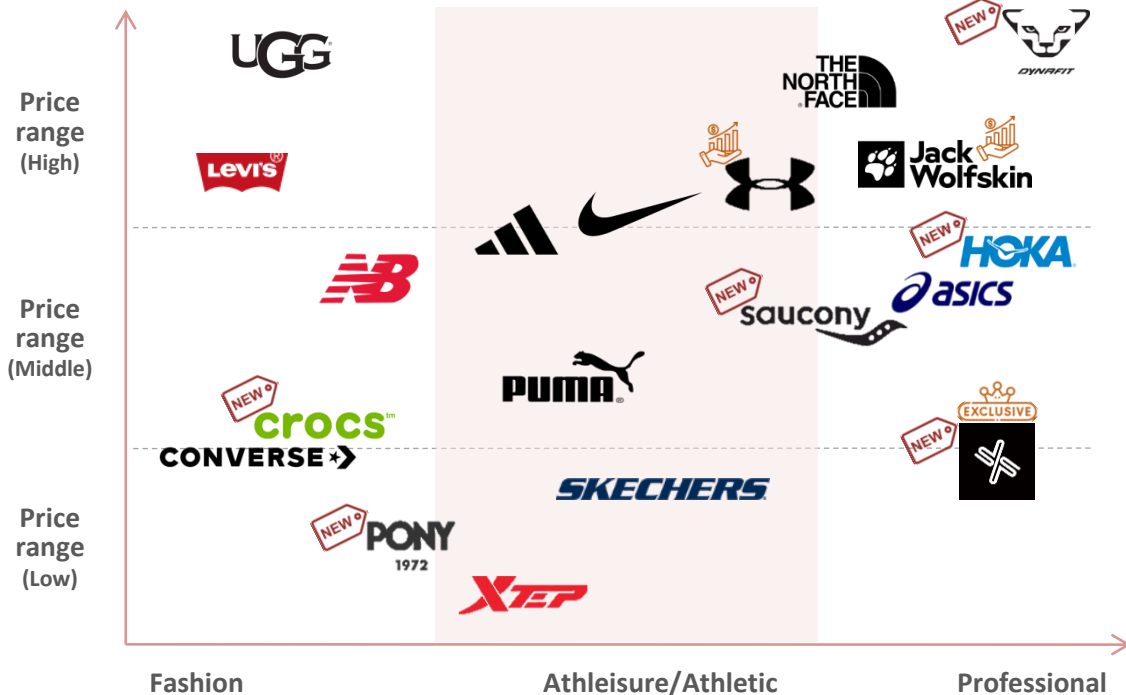
Critical Missions in 3 Years



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



Growth by Multi-faceted Operation Matrix



XEXYMIX



胜道仓
YYQUALITY

仓储式购物体验



NEW New Brands: Crocs, DYNAFIT, HOKA, Pony 1972, Saucony, XEXYMIX

NEW Scaling up Brands: Jack Wolfskin, UA

EXCLUSIVE Sale Distribution Brand in Mainland China: XEXYMIX

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Company Milestones



- 
- 2024 ● Sole distribution rights for XEXYMIX brand (Mainland China)
SAP ERP system went live
 - 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) – 1H24



	1H 2024		1H 2023		YoY
	US\$'000	%	US\$'000	%	%
Revenue	1,381,003	100.00	1,581,073	100.00	-12.65
Cost of Sales	(908,503)	-65.79	(1,051,546)	-66.51	-13.60
Gross Profit	472,500	34.21	529,527	33.49	-10.77
SG&A	(418,844)	-30.33	(474,826)	-30.03	-11.79
Other Income & Expenses, net	13,096	0.95	13,507	0.85	-3.04
Operating Profit	66,752	4.83	68,208	4.31	-2.13
Finance Cost, net	(1,057)	-0.08	(5,100)	-0.32	-79.27
Other Gains (Losses)	--	--	--	--	N/A
Income Tax	(18,938)	-1.37	(17,094)	-1.08	+10.79
Profit for the Period	46,757	3.38	46,014	2.91	+1.61
Profit Attrib. to Owners of PS	46,441	3.36	44,066	2.79	+5.39

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

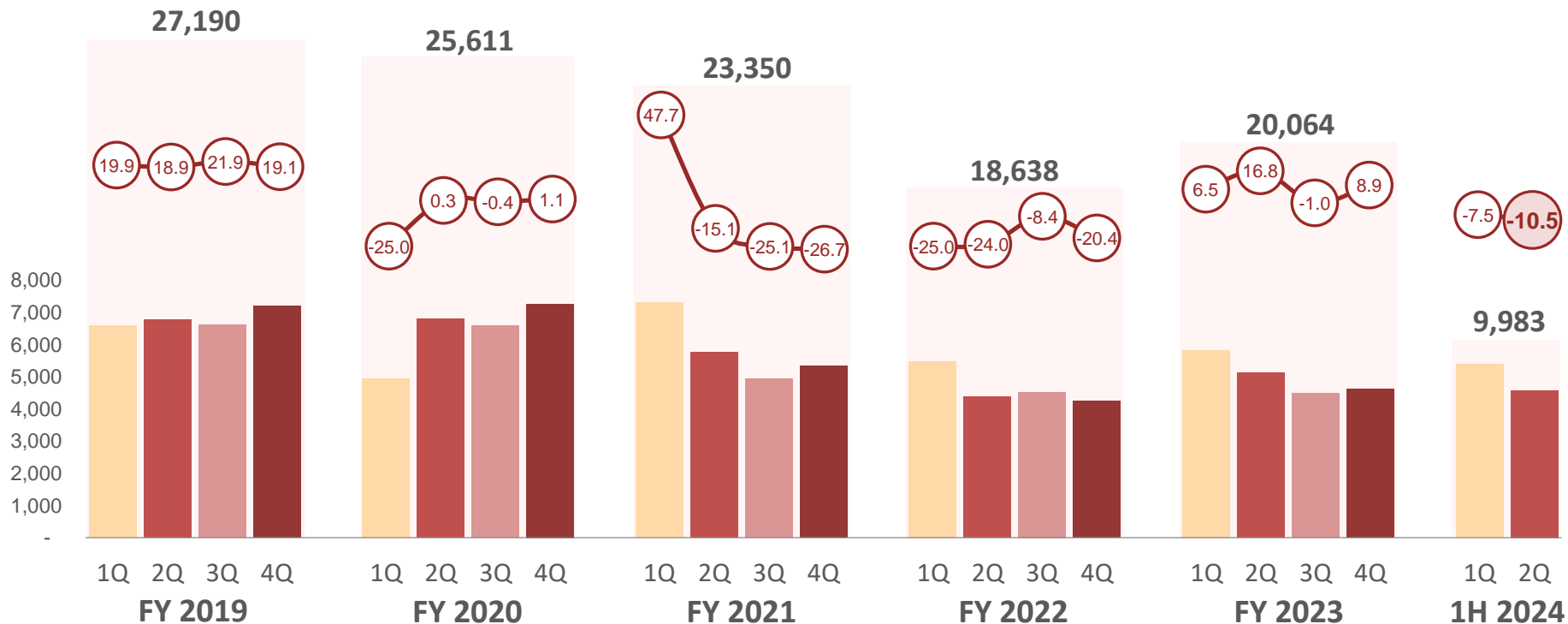
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Pou Sheng Revenue Trend



—○— YoY (%)

Revenue (RMB'mn)



**Thank you
Q&A**