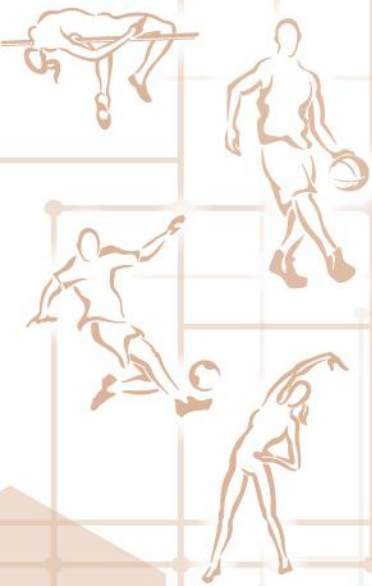




# Pou Sheng International 2019 9M Results

13 November 2019



# Disclaimer

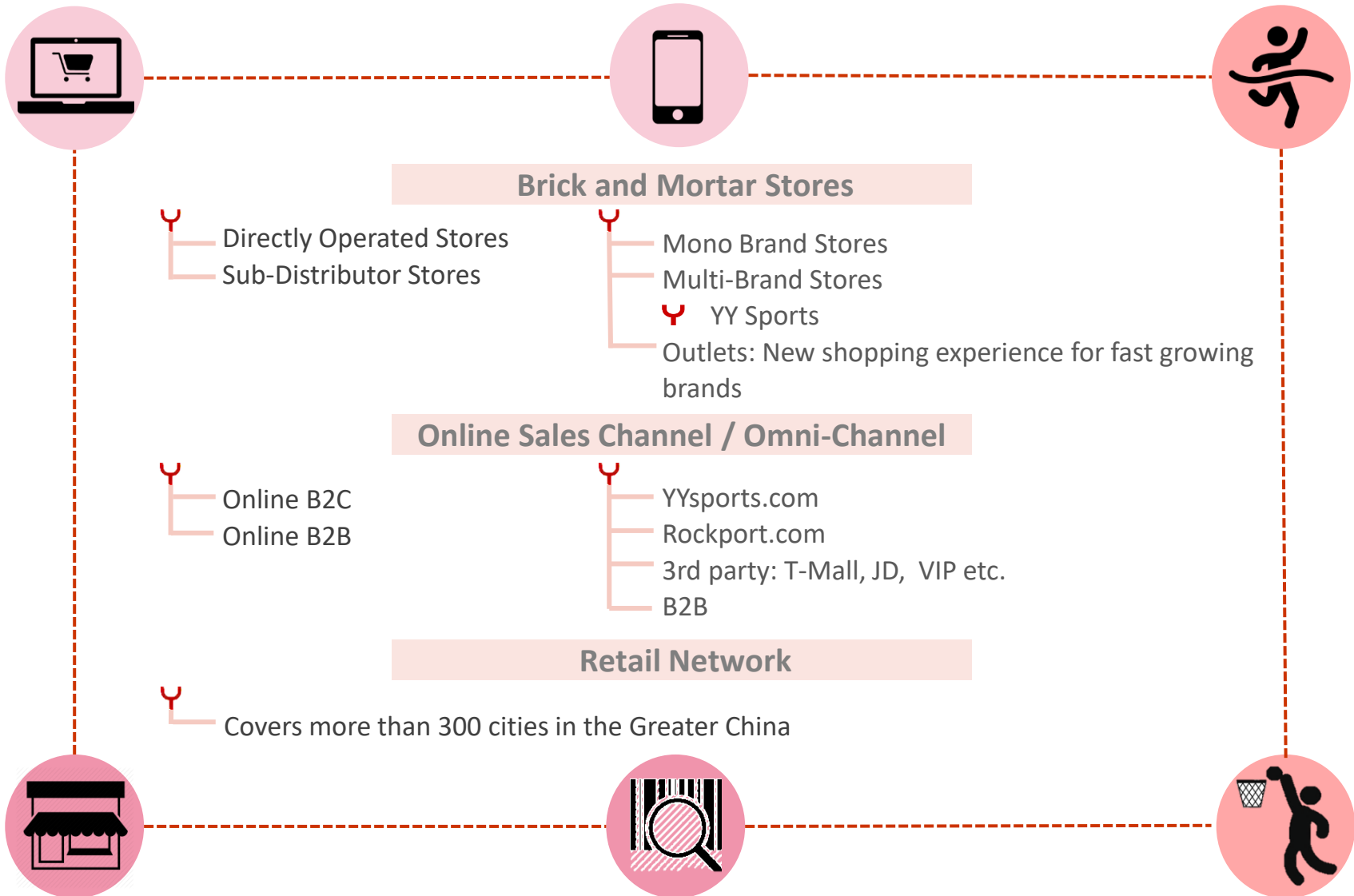


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# Pou Sheng Retail Strategy Across China



# Distinguished Partners and Events



**VISION** Make sports your life!

**MISSION** Discover your persistent passion for sports by providing convenient and fun sports experiences via unique channels full of quality services and products you can access everyday.



# Pou Sheng Financial Highlights



	RMB'mn			US\$'000		
	9M 2019	9M 2018	Y-o-Y	9M 2019	9M 2018	Y-o-Y
<b>Revenue</b>	<b>19,996</b>	16,636	+20.20%	<b>2,910,494</b>	2,547,446	+14.25%
<b>Gross Profit</b>	<b>6,836</b>	5,505	+24.18%	<b>995,027</b>	843,018	+18.03%
<i>Gross Profit Margin</i>	<b>34.19%</b>	33.09%	+1.10pp	<b>34.19%</b>	33.09%	+1.10pp
<b>Operating Profit</b>	<b>1,100</b>	694	+58.50%	<b>160,015</b>	106,312	+50.51%
<i>Operating Profit Margin</i>	<b>5.50%</b>	4.17%	+1.33pp	<b>5.50%</b>	4.17%	+1.33pp
<b>Profit attrib. to Owners of PS</b>	<b>606</b>	389	+55.78%	<b>88,035</b>	59,618	+47.67%
<i>Profit attrib. to Owners Margin</i>	<b>3.03%</b>	2.34%	+0.69pp	<b>3.03%</b>	2.34%	+0.69pp

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 9M2019 & 9M2018  
For more details, please refer to Appendix

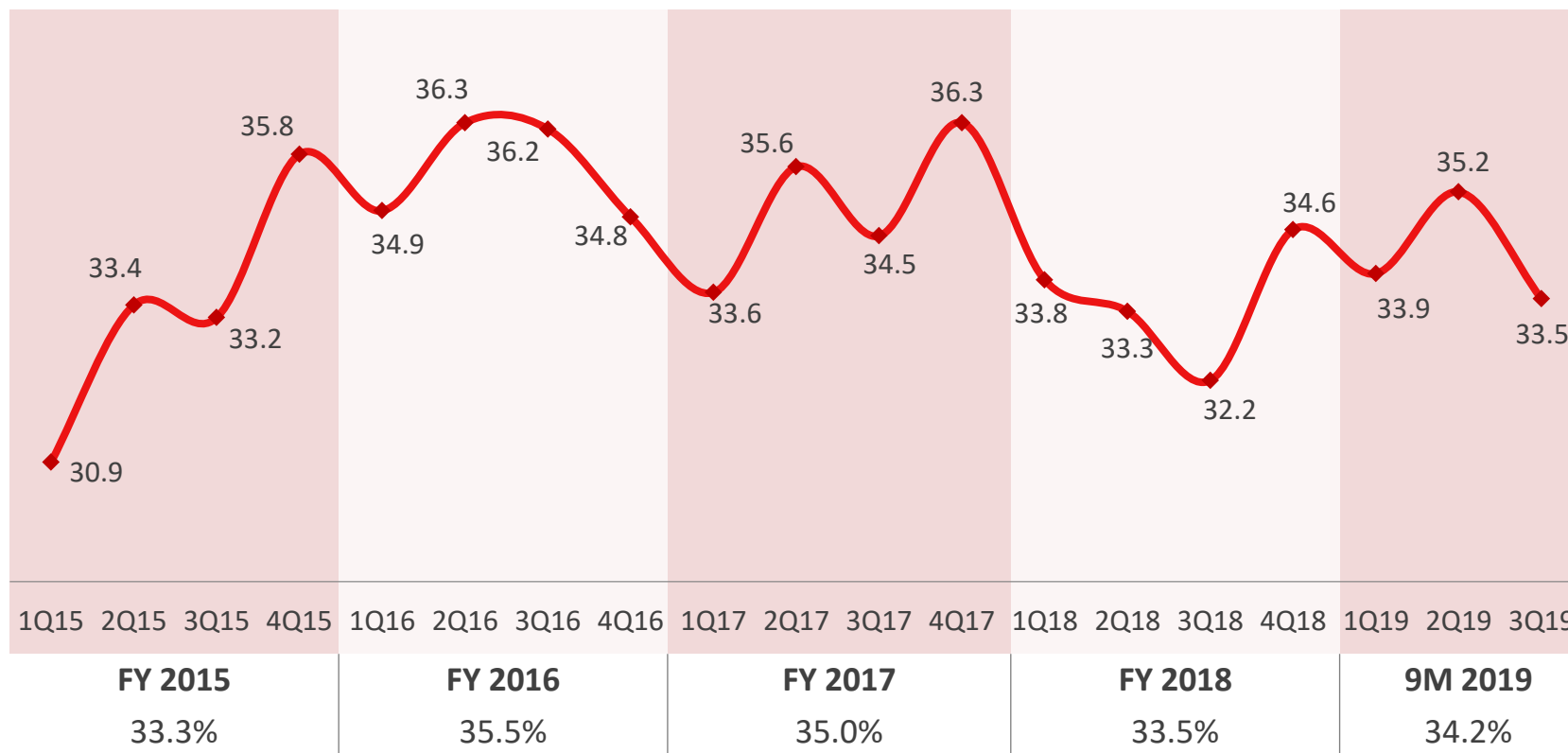
For 9M 2019, the profit for the period decreased by RMB41.6 million due to the application of HKFRS16.

# Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

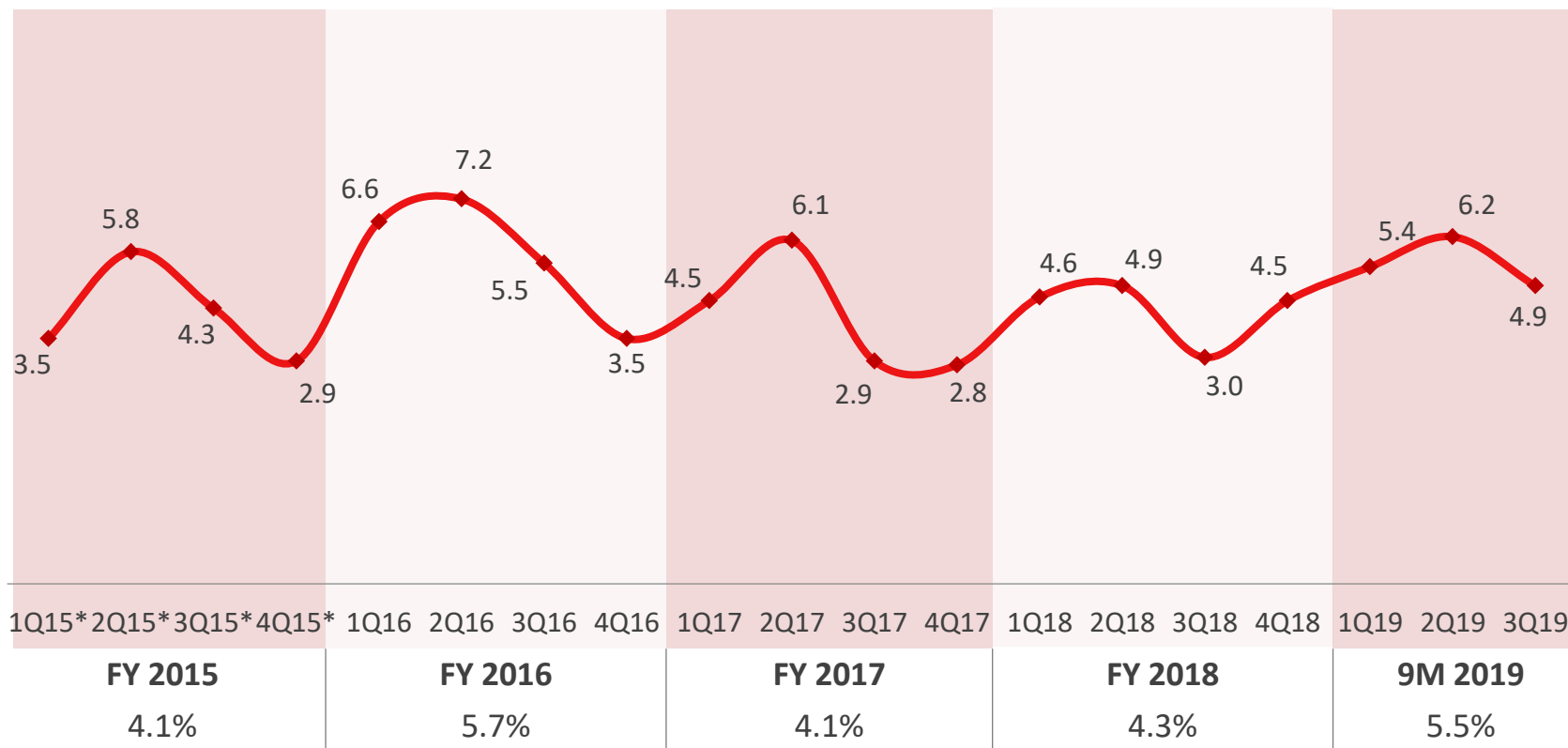


# Pou Sheng OP Margin Trend



(%)

Operating Profit Margin



\* The figures have been restated due to the application of merger accounting

# Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	<u>9M 2019</u>	<u>9M 2018</u>
Depreciation & Amortization <sup>^</sup>	1,041.5	380.1
EBITDA	2,141.5	1,079.8
Capital Expenditure	505.0	356.0

	<u>30 September 2019</u>	<u>30 September 2018</u>
Total Borrowings*	3,491	3,368
Net Borrowings*	3,132	2,857
Total Borrowings to Equity #	45.5%	49.7%
Net Borrowings to Equity #	40.8%	42.1%

	<u>9M 2019</u>	<u>9M 2018</u>
Total Borrowings to EBITDA (X) annualized	1.2 X	2.3 X
Net Borrowings to EBITDA (X) annualized	1.1 X	2.0 X
Return on Owner's Equity LTM	10.3%	6.7%
Return on Asset LTM	4.8%	3.4%

Source: Internal analysis report (figures rounded)

<sup>^</sup> Depreciation & Amortization would have been relatively stable if excluding HKFRS16 impact.

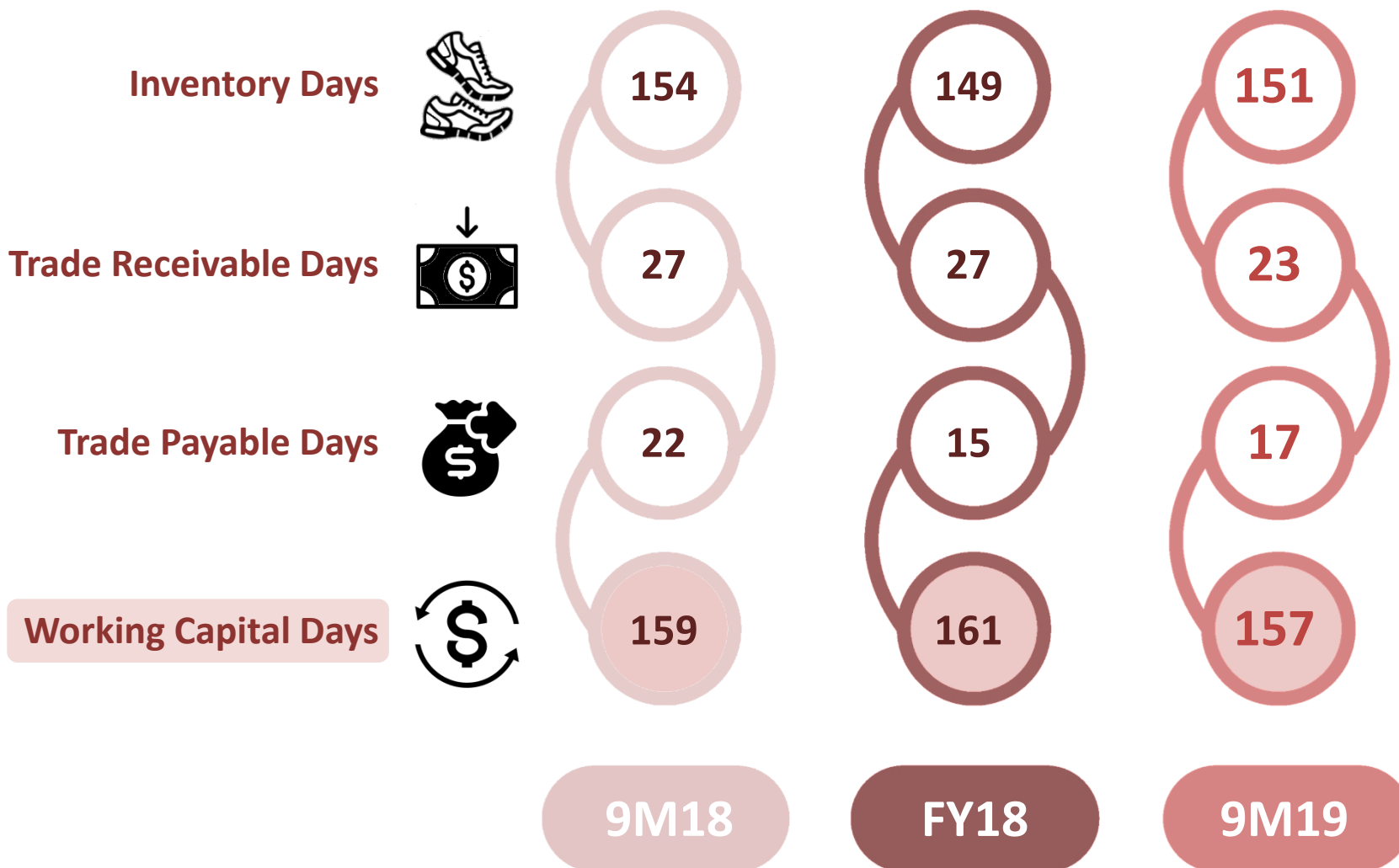
\* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 2,433.6 mn as at Sep 30 2019

# Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 77.2% and 72.5% as at Sep 30 2019 respectively



# Operation Efficiency

Based on RMB

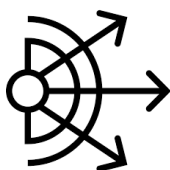


# Pou Sheng Store Performance

## Number of Stores



Directly operated



Sub-distributor



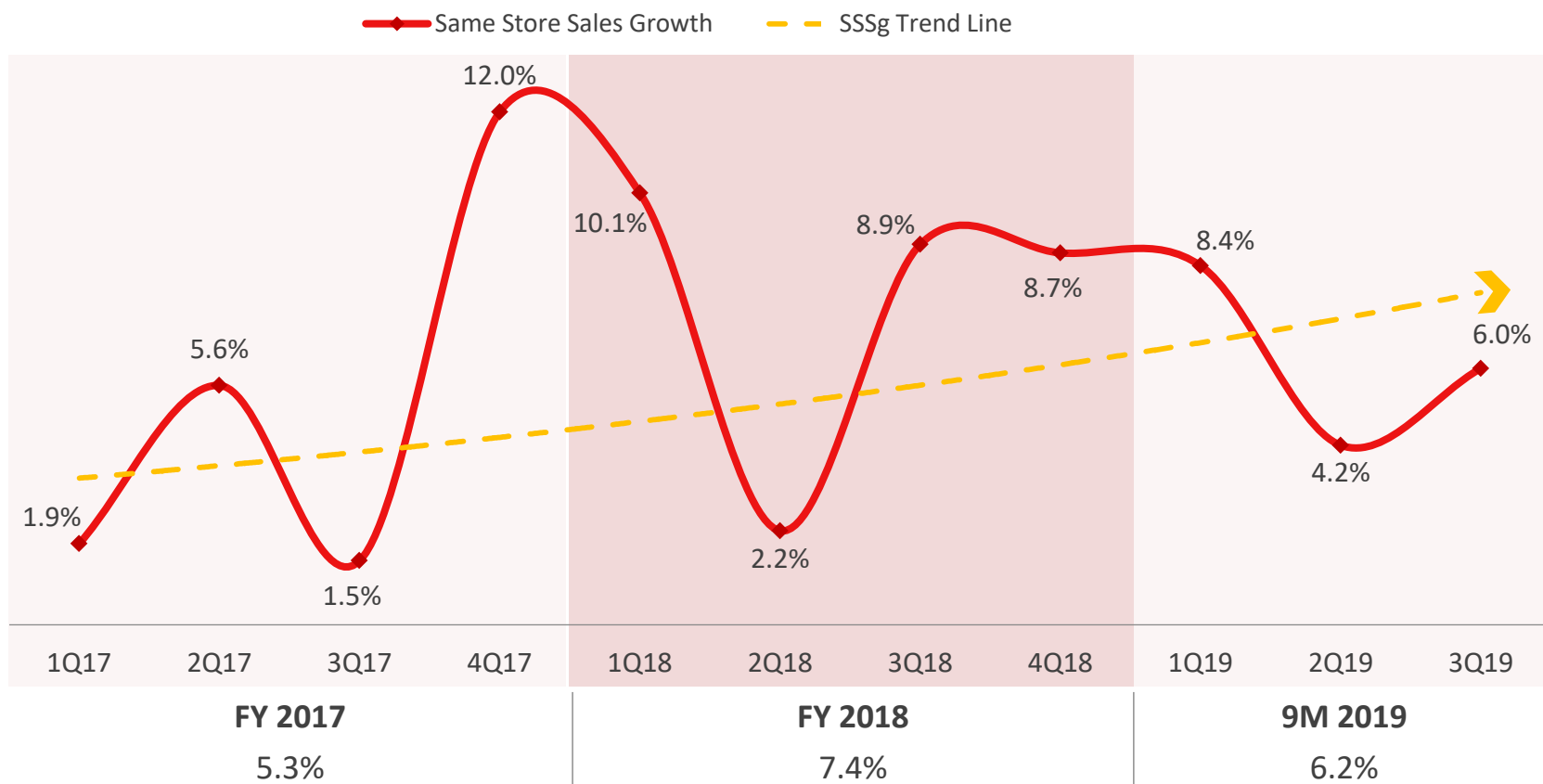
Total store



# Pou Sheng Same Store Sales Growth (SSSg)



(%)



# Penetration into Omni-Channel

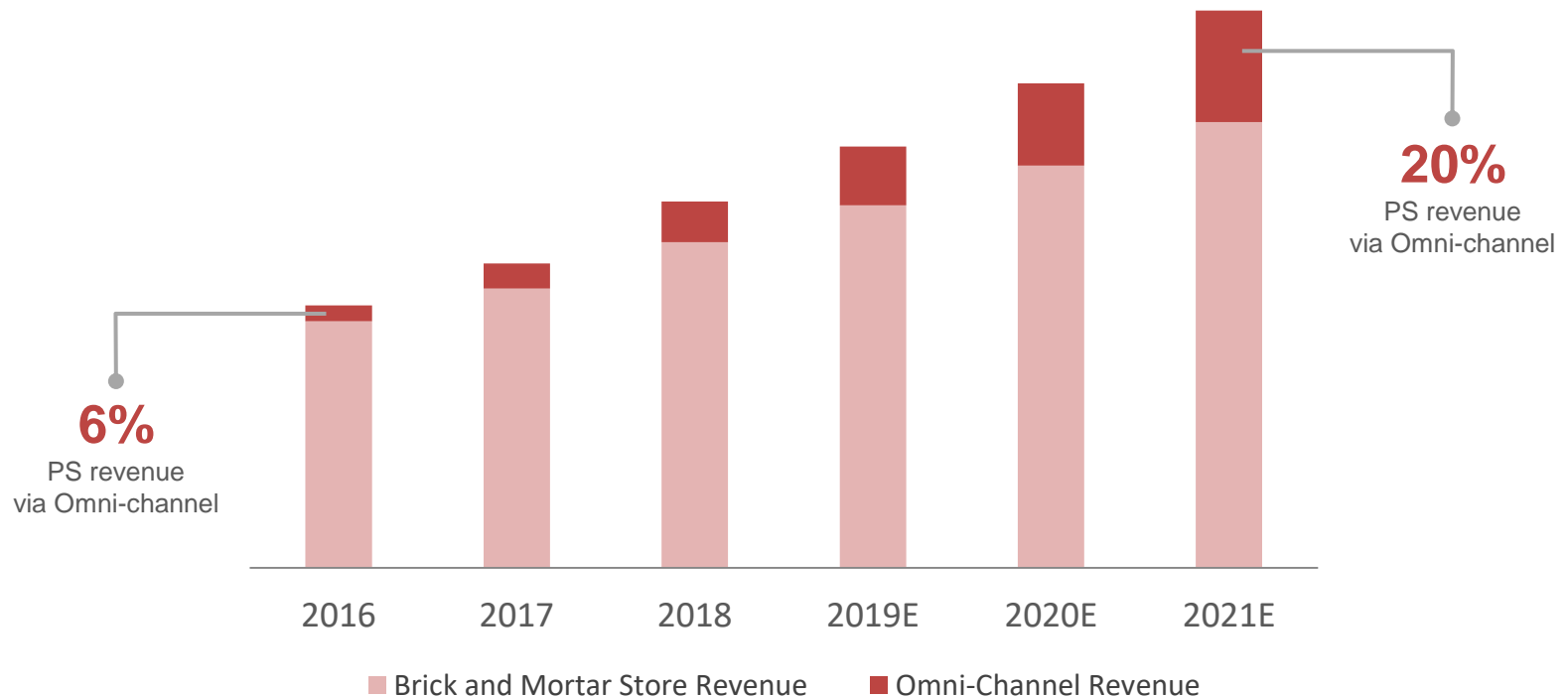


## PS expanded into online business in 2013

Y Omni-channel business contributed 11% of total revenue in FY 2018

## 2021 Target for PS Omni-channel

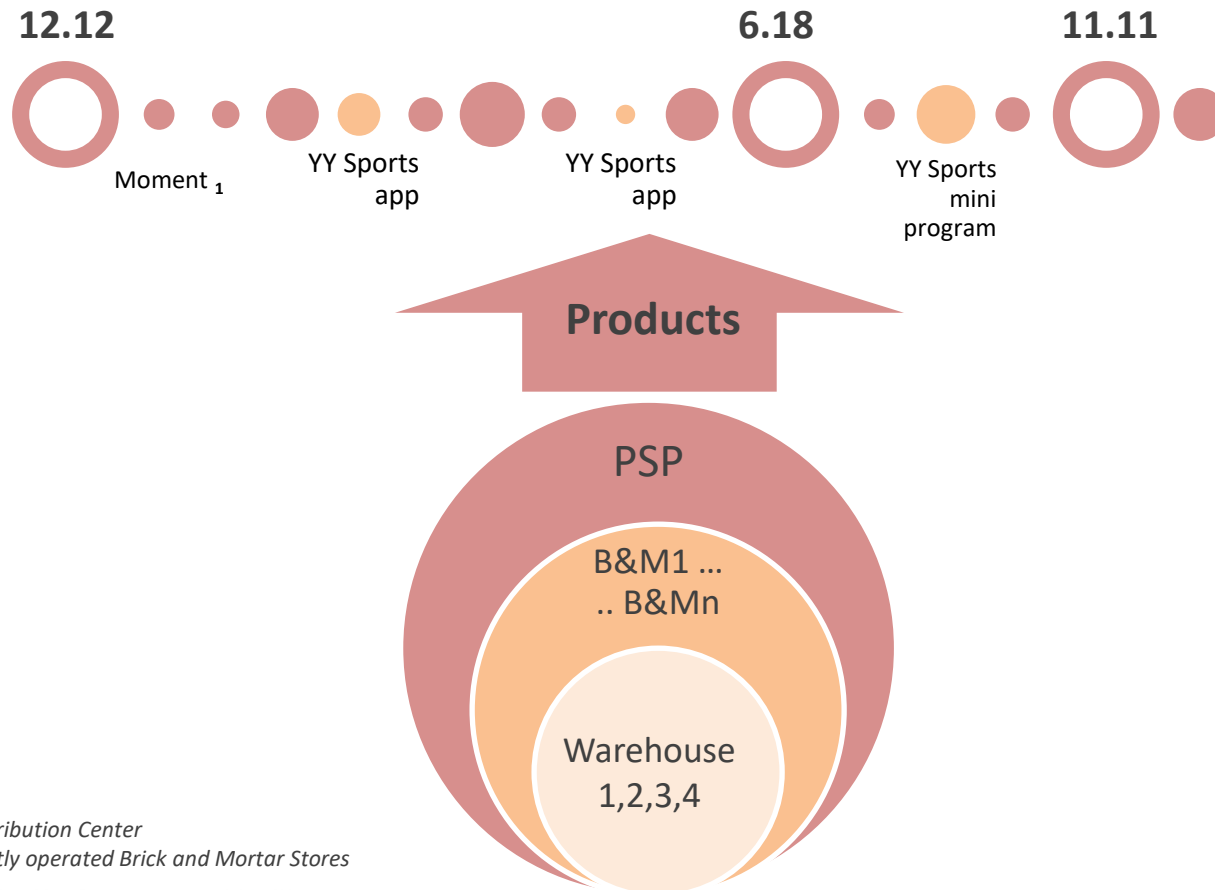
- Y More in-season sales and more effective off-season products through various 3<sup>rd</sup> party channels
- Y Product Sharing Platform between online and brick and mortar stores
- Y Enhancing e-commerce business via YYSports platform and cooperating with strategic partners
- Y Enhanced Operating Margin of Omni-channel



# PS Product Sharing Platform (PSP)

- YY **Logistics of omni-channel** will be facilitated through all-rounded channels: RDC, YYsports.com, 3<sup>rd</sup> party online platform, 26-Zone inventory sharing and Direct B&M

## 365-day O2O, earlier sales, higher price, VIA PSP

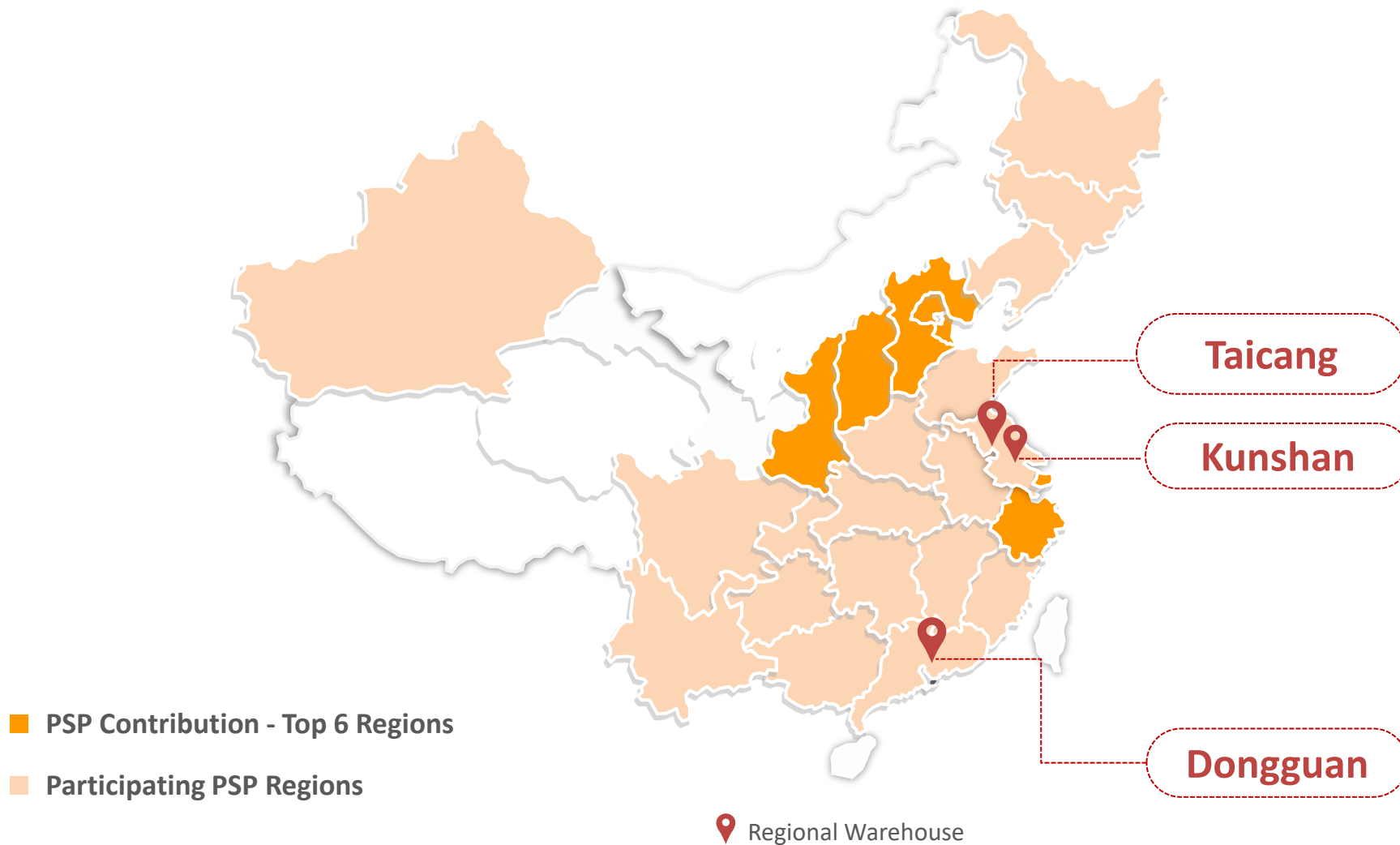


RDC: Regional Distribution Center  
Direct B&M : Directly operated Brick and Mortar Stores

# PS Product Sharing Platform (PSP)



Participation rate: 60% Direct B&M stores participate PSP by the end of 2019



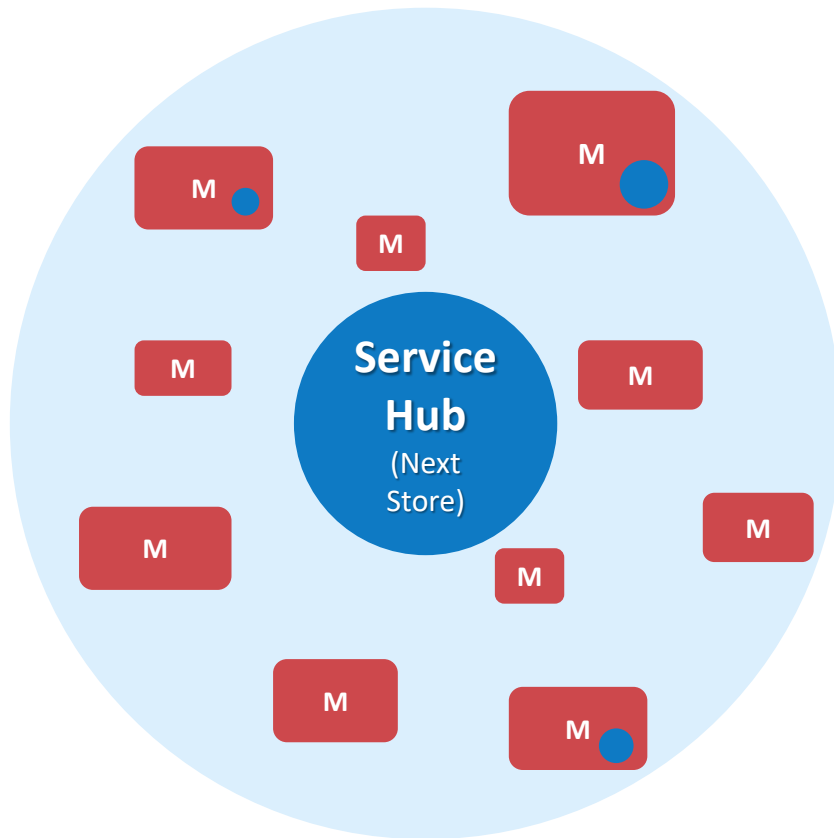
# New Service Hub to Enhance Omni-channel Capability



“Low Conversion Offline Network”  
+  
“Discount Online Network”



“Normal price + premium services” by omni-platform connecting to efficient retail network



## ● Service Hub (Next Store)

- ☪ Series of **1-day** event
- ☪ **364 days** fun services
- ☪ **Products** with stories & outfit consultations



## Online 24/7 Communication Platform

- ☪ **Magazine-like** contents to “Make sports your life”
- ☪ Partnering with **strategic resources** to enact inactive target audiences

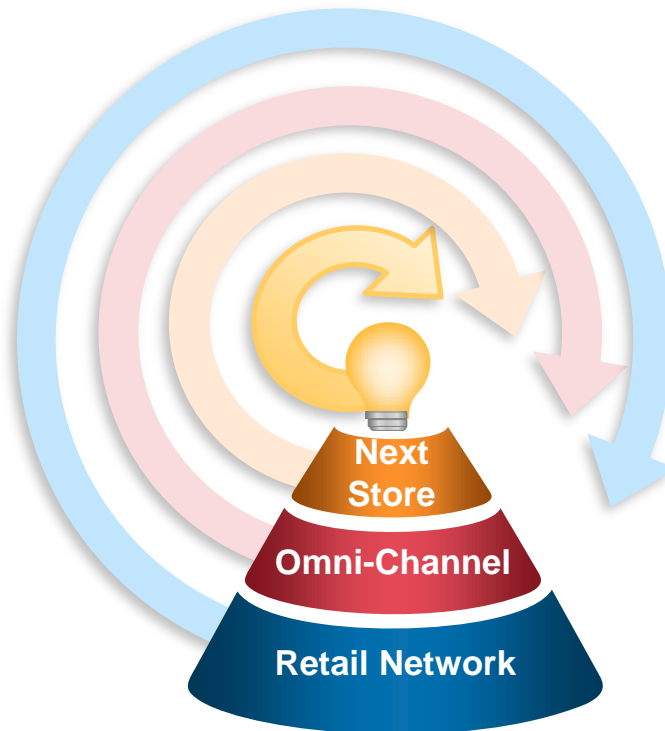
## M Mono Brand Stores

- ☪ Convert shoppers into loyal members  
**(Less stores more sales)**
- ☪ Membership w/ privilege to Service Hub  
**(Higher sales conversion rate)**
- ☪ Modularized services in mono brand stores  
**(Uniqueness)**

# Year 2021 Target: Profitable Growth

## 2021 Target

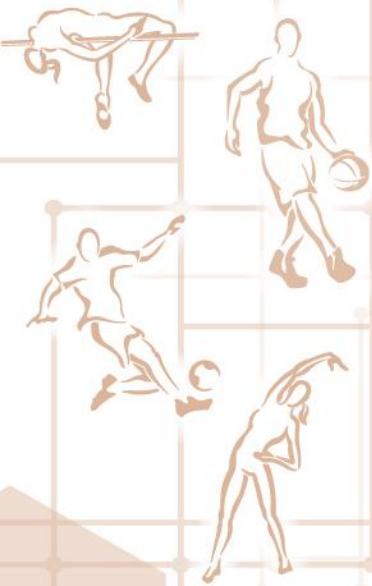
- **Total revenue** growth in mid-teens, with **omni-channel** contributing 20% of total revenue
- Integrating the **Service Hub model** into our strong brick and mortar stores foundation
- Turnaround of **emerging brands** and **licensee brands**
- Better ROI of **sports events platform (PCG Bros)**
- **Operating margin** improving by 2 percentage points



*“Creating Value-added Services and Quality Experiences to Customers”*



# Appendix



# Company Milestones



- 
- A vertical timeline of company milestones is overlaid on a light pink map of China. The timeline consists of a vertical red line with circular markers at each year. The milestones are listed as follows:
- 2019** ● Omni-channel contributed ~12% of total sales in 9M19
  - 2018** ● Recorded over RMB 22bn revenue. Sales channels reached over 9,000
  - 2016** ● Recorded over RMB 15bn revenue  
Became sole licensee for Rockport footwear and GEOX in China
  - 2014** ● Became sole licensee for Pony in Taiwan & China
  - 2013** ● Recorded over RMB 10bn revenue
  - 2008** ● **Pou Sheng International listed on HKEX (3813.HK)**
  - 2002** ● Became sole licensee for Hush Puppies in Taiwan
  - 2001** ● Expanded into retail business in China

# Pou Sheng Financial Highlights (in RMB)



	9M 2019		9M 2018		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
<b>Revenue</b>	<b>19,996</b>	<b>100.00</b>	16,636	100.00	+20.20%
Cost of Sales	<b>(13,160)</b>	<b>-65.81</b>	(11,131)	-66.91	+18.23%
<b>Gross Profit</b>	<b>6,836</b>	<b>34.19</b>	5,505	33.09	+24.18%
SG&A	<b>(5,989)</b>	<b>-29.95</b>	(5,019)	-30.17	+19.33%
Other Income & Expenses, net	<b>253</b>	<b>1.26</b>	208	1.25	+21.63%
<b>Operating Profit</b>	<b>1,100</b>	<b>5.50</b>	694	4.17	+58.50%
Finance Costs, net*	<b>(169)</b>	<b>-0.85</b>	(102)	-0.61	+65.69%
Share of Results of JV	<b>1.1</b>	<b>0.01</b>	0.3	0.00	+266.67%
Other Losses	<b>(10)</b>	<b>-0.05</b>	-	N/A	N/A
Income Tax	<b>(268)</b>	<b>-1.34</b>	(188)	-1.13	+42.55%
<b>Profit for the Period</b>	<b>654</b>	<b>3.27</b>	404	2.43	+61.88%
<b>Profit Attrib. to Owners of PS</b>	<b>606</b>	<b>3.03</b>	389	2.34	+55.78%

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 9M2019 & 9M2018

\*Finance Costs, net in 9M19 grew by 65.7% due largely to the RMB 69.1mn effects of the application of HKFRS16

# Pou Sheng Financial Highlights *(in USD)*



	9M 2019		9M 2018		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>2,910,494</b>	<b>100.00</b>	2,547,446	100.00	+14.25%
Cost of Sales	<b>(1,915,467)</b>	<b>-65.81</b>	(1,704,428)	-66.91	+12.38%
<b>Gross Profit</b>	<b>995,027</b>	<b>34.19</b>	843,018	33.09	+18.03%
SG&A	<b>(866,314)</b>	<b>-29.77</b>	(765,748)	-30.06	+13.13%
Other Income & Expenses, net	<b>31,302</b>	<b>1.08</b>	29,042	1.14	+7.78%
<b>Operating Profit</b>	<b>160,015</b>	<b>5.50</b>	106,312	4.17	+50.51%
Finance Costs, net*	<b>(24,675)</b>	<b>-0.85</b>	(15,692)	-0.61	+57.25%
Share of Results of JV	<b>156</b>	<b>0.01</b>	46	0.00	+239.13%
Other Losses	<b>(1,454)</b>	<b>-0.05</b>	-	N/A	N/A
Income Tax	<b>(38,968)</b>	<b>-1.34</b>	(28,759)	-1.13	+35.50%
<b>Profit for the Period</b>	<b>95,074</b>	<b>3.27</b>	61,907	2.43	+53.58%
<b>Profit Attrib. to Owners of PS</b>	<b>88,035</b>	<b>3.03</b>	59,618	2.34	+47.67%

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

\*Finance Cost in 9M19 grew by 57.2% due largely to the US\$10.1 mn effects of the application of HKFRS16

# Pou Sheng Financial Highlights (in RMB)



	FY 2018		FY 2017		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
<b>Revenue</b>	<b>22,677</b>	<b>100.00</b>	18,833	100.00	+20.41%
Cost of Sales	(15,078)	-66.49	(12,239)	-64.99	+23.20%
<b>Gross Profit</b>	<b>7,599</b>	<b>33.51</b>	6,594	35.01	+15.24%
SG&A	(6,913)	-30.49	(6,052)	-32.13	+14.23%
Other Income & Expenses, net	281	1.24	228	1.21	+23.25%
<b>Operating Profit</b>	<b>967</b>	<b>4.26</b>	770	4.09	+25.58%
Finance Costs, net	(144)	-0.64	(100)	-0.53	+44.00%
Share of Results of JV	(1)	-0.00	(4)	-0.02	-75.00%
Other Losses	-	N/A	(9)	-0.05	N/A
Income Tax	(261)	-1.15	(242)	-1.29	+7.85%
<b>Profit for the Year</b>	<b>561</b>	<b>2.47</b>	415	2.20	+35.18%
<b>Profit Attrib. to Owners of PS</b>	<b>543</b>	<b>2.39</b>	394	2.09	+37.82%

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2018 & FY2017

# Pou Sheng Financial Highlights *(in USD)*



	FY 2018		FY 2017		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>3,421,657</b>	<b>100.00</b>	2,775,400	100.00	+23.29%
Cost of Sales	<b>(2,275,156)</b>	<b>-66.49</b>	(1,803,726)	-64.99	+26.14%
<b>Gross Profit</b>	<b>1,146,501</b>	<b>33.51</b>	971,674	35.01	+17.99%
SG&A	<b>(1,038,884)</b>	<b>-30.37</b>	(886,324)	-31.93	+17.21%
Other Income & Expenses, net	<b>38,270</b>	<b>1.12</b>	28,163	1.01	+35.89%
<b>Operating Profit</b>	<b>145,887</b>	<b>4.26</b>	113,513	4.09	+28.52%
Finance Costs, net*	<b>(21,665)</b>	<b>-0.64</b>	(14,814)	-0.53	+46.25%
Share of Results of JV	<b>(140)</b>	<b>-0.00</b>	(526)	-0.02	-73.38%
Other Losses	-	<b>N/A</b>	(1,321)	-0.05	N/A
Income Tax	<b>(39,452)</b>	<b>-1.15</b>	(35,690)	-1.29	+10.54%
<b>Profit for the Year</b>	<b>84,630</b>	<b>2.47</b>	61,162	2.20	+38.37%
<b>Profit Attrib. to Owners of PS</b>	<b>81,913</b>	<b>2.39</b>	58,110	2.09	+40.96%

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

**Thank you**  
**Q&A**

