



# Pou Sheng International 2020 1Q Results

14 May 2020



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# Agenda

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- 01 Financial Highlights** p05-09
- 02 Business Update – Brick & Mortar** p11-14
- 03 Business Update – Omni-channel** p16-18
- 04 Summary and Outlook** p20-21

# Distinguished Partners and Sports Services



VISION

MAKE SPORTS YOUR LIFE!

Sports Events

Sports Services

Products



# Pou Sheng Financial Highlights



	RMB'mn			US\$'000		
	1Q 2020	1Q 2019	Y-o-Y	1Q 2020	1Q 2019	Y-o-Y
<b>Revenue</b>	<b>4,947</b>	6,597	-25.01%	<b>708,066</b>	976,120	-27.46%
<b>Gross Profit</b>	<b>1,521</b>	2,234	-31.92%	<b>217,718</b>	330,606	-34.15%
<i>Gross Profit Margin</i>	<b>30.75%</b>	33.87%	-3.12pp	<b>30.75%</b>	33.87%	-3.12pp
SG&A	<b>(1,635)</b>	(1,953)	-16.28%	<b>(233,742)</b>	(288,282)	-18.92%
<b>Operating (Loss) Profit</b>	<b>(44)</b>	356	N/A	<b>(6,326)</b>	52,637	N/A
<i>Operating (Loss) Profit Margin</i>	<b>-0.89%</b>	5.39%	-6.28pp	<b>-0.89%</b>	5.39%	-6.28pp
<b>(Loss) Profit attrib. to Owners of PS</b>	<b>(165)</b>	192	N/A	<b>(23,685)</b>	28,390	N/A
<i>(Loss) Profit attrib. to Owners Margin</i>	<b>-3.34%</b>	2.91%	-6.25pp	<b>-3.34%</b>	2.91%	-6.25pp

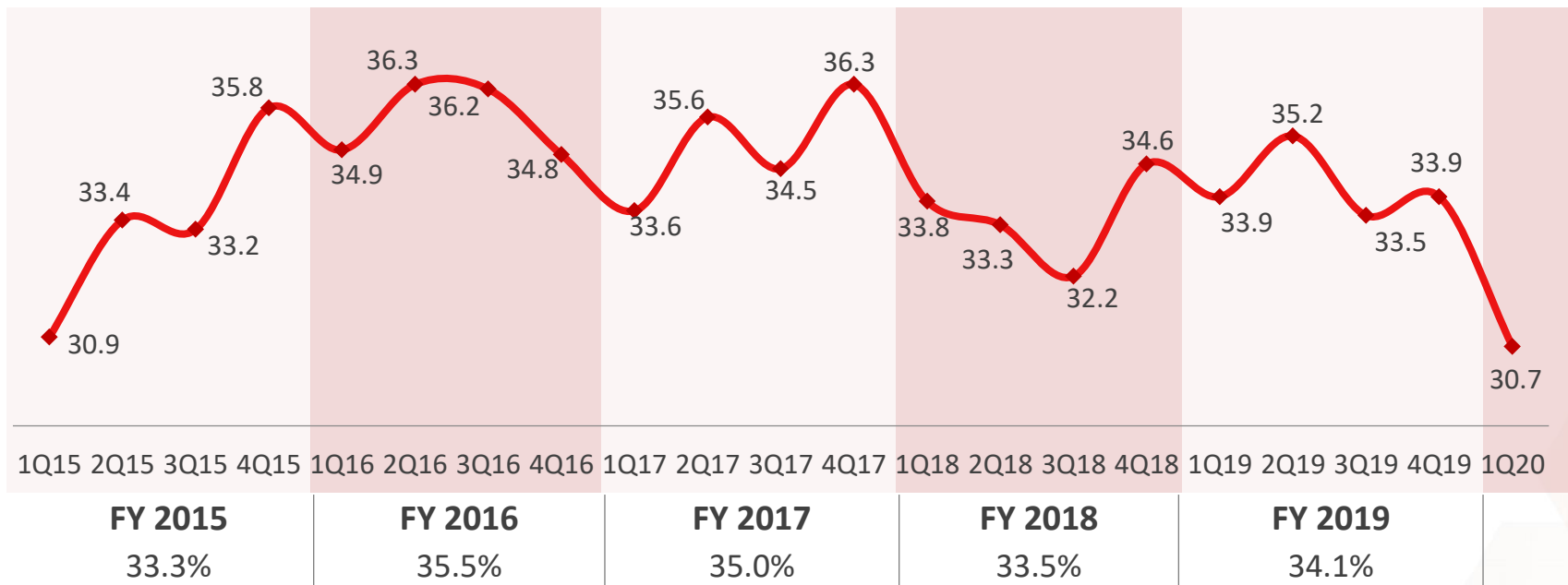
Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1Q2020 & 1Q2019  
For more details, please refer to Appendix

# Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

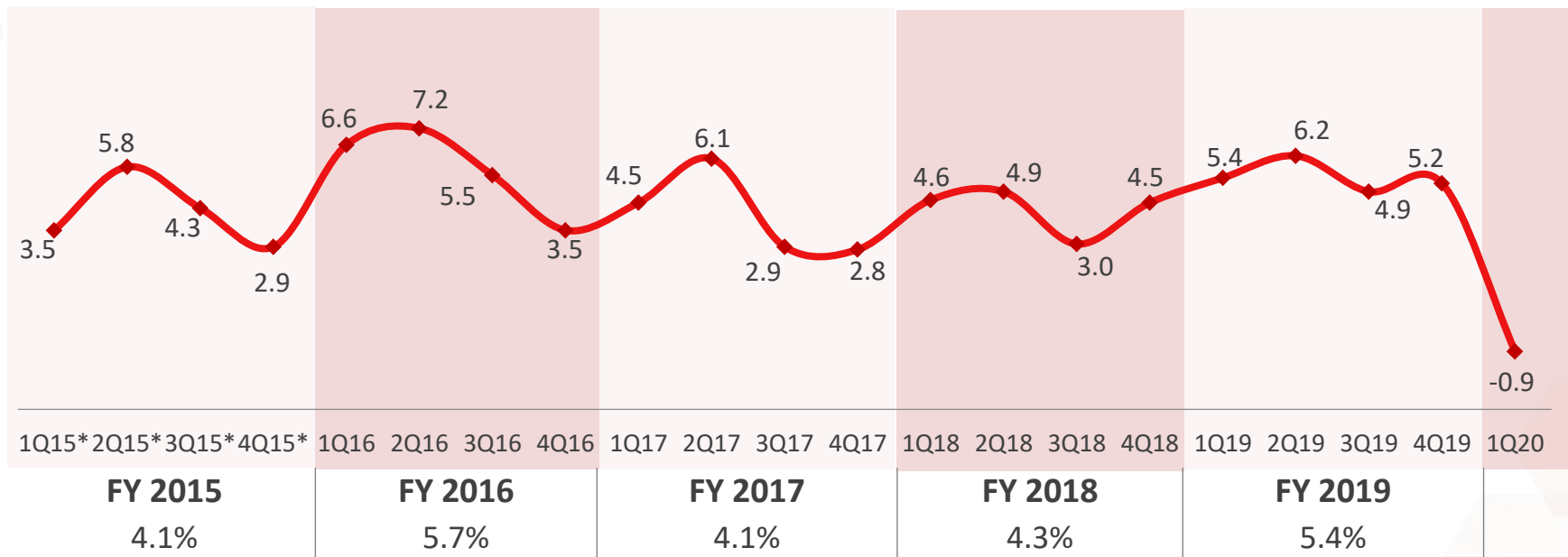


# Pou Sheng OP Margin Trend



(%)

◆ Operating Profit Margin



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

# Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	<u>1Q 2020</u>	<u>1Q 2019</u>
Depreciation of PPE & Amortization	163.0	131.0
Depreciation of ROUA	287.8	170.3
EBITDA	392.0	660.9
EBITDA minus Depreciation of ROUA	104.2	490.6
Capital Expenditure	66.4	78.7

	<u>31 March 2020</u>	<u>31 March 2019</u>
Total Borrowings*	3,704	3,181
Total Borrowings to Equity #	49.1%	43.9%

	<u>1Q 2020</u>	<u>1Q 2019</u>
Total Borrowings to EBITDA (X) <i>annualized</i>	2.4 X	1.2 X
Return on Owner's Equity <i>LTM</i>	6.4%	8.4%
Return on Asset <i>LTM</i>	3.1%	4.0%

Source: Internal analysis report (figures rounded)

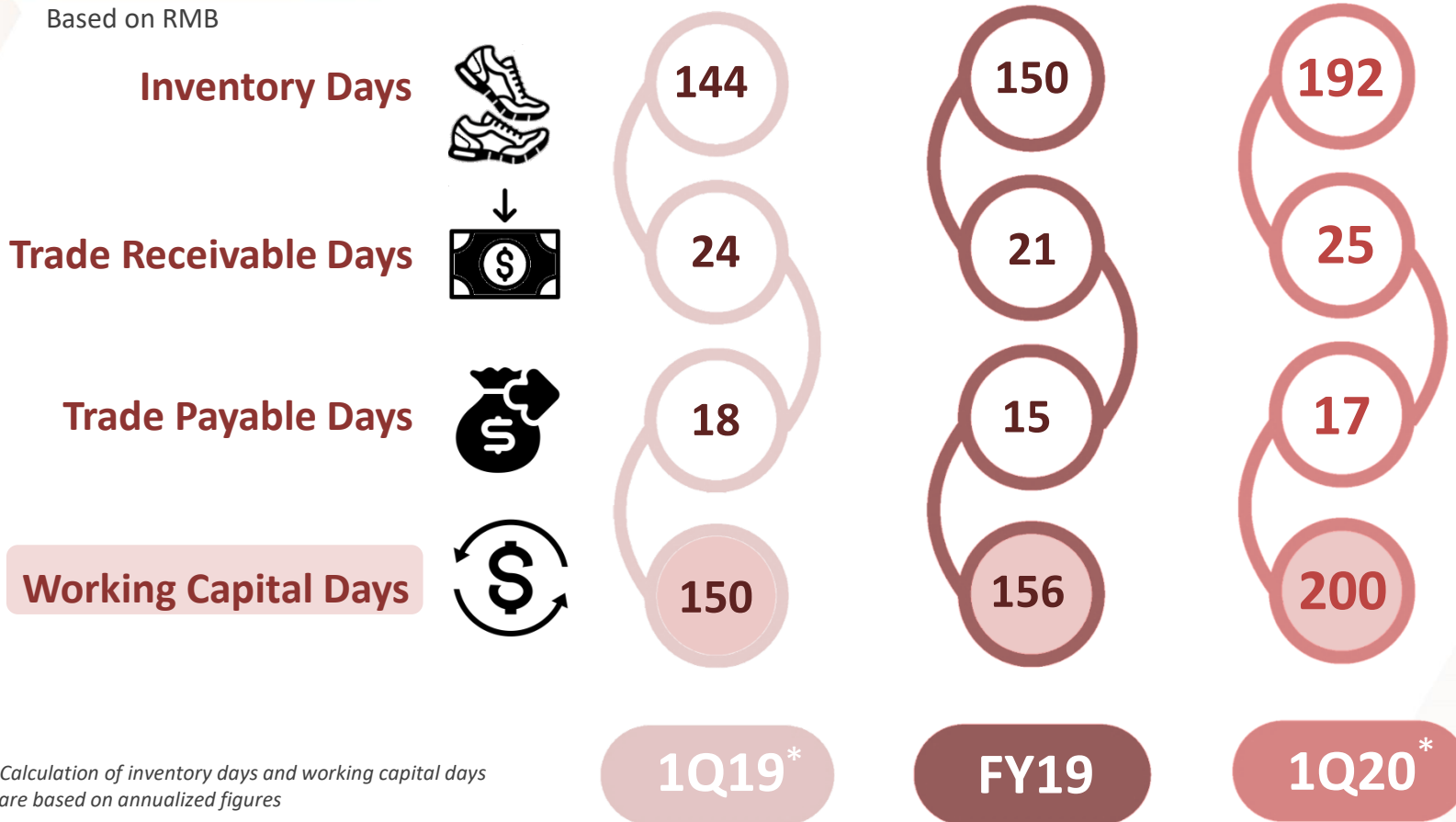
\* Total Borrowings exclude lease liabilities. Lease liabilities were RMB 2,557.5 mn and 1,743.1 mn as at Mar 31, 2020 and Mar 31, 2019 respectively.

# Total Debt to Equity (including lease liabilities) would be 83.0% (1Q2019: 68.0%) as at Mar 31, 2020.



# Operation Efficiency

Based on RMB



\* Calculation of inventory days and working capital days are based on annualized figures

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# Pou Sheng Retail Strategy

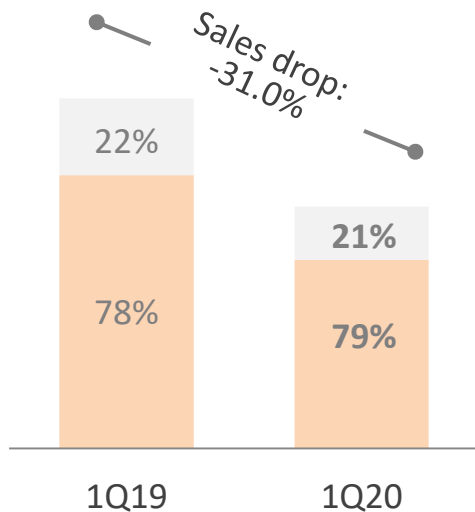


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

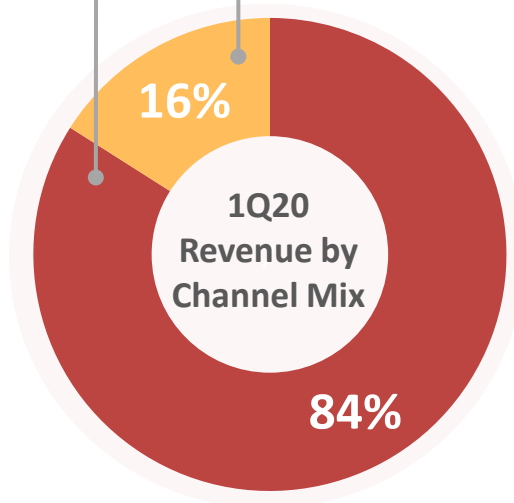
## Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 5,796 stores
- Multi-Brands Stores: 86 stores



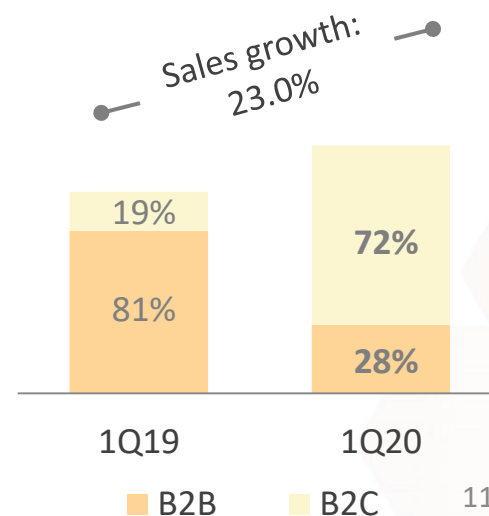
■ Directly Operated Stores ■ Sub-Distributors



## Omni-channel

B2C Channel:

- 3rd party platforms: T-Mall, JD, Vipshop, etc.
- WeChat stores (+ExP services)
- Shopping mall platforms



■ B2B ■ B2C

# Pou Sheng Store Performance

## Number of Stores



**Directly Operated  
(Own-Store)**

**5,883**



**1**



**5,882**



**Sub-Distributor  
(Franchisee)**

**3,950**



**90**



**3,860**



**Total store**

**9,833**

**-91**

**9,742**

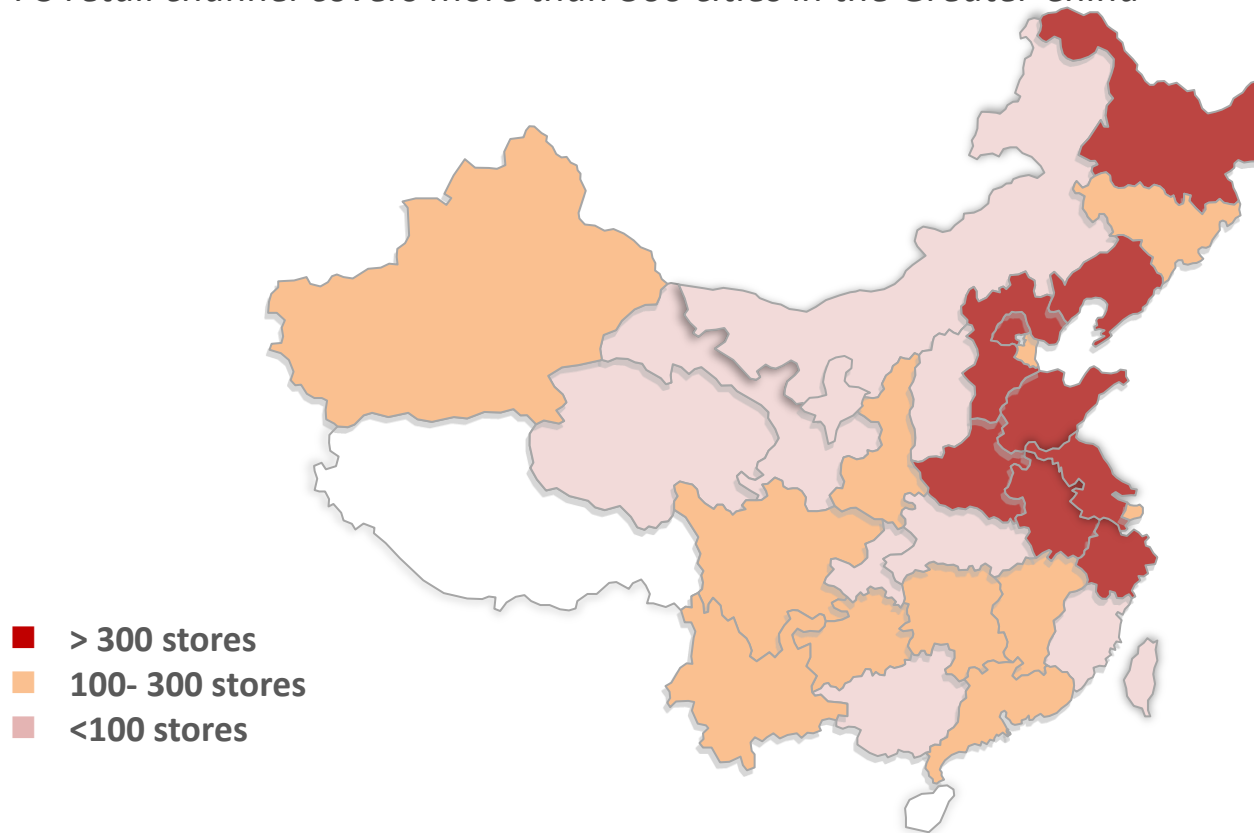
As at December 31, 2019

Net New Store +/-

As at March 31, 2020

# Pou Sheng Retail Coverage

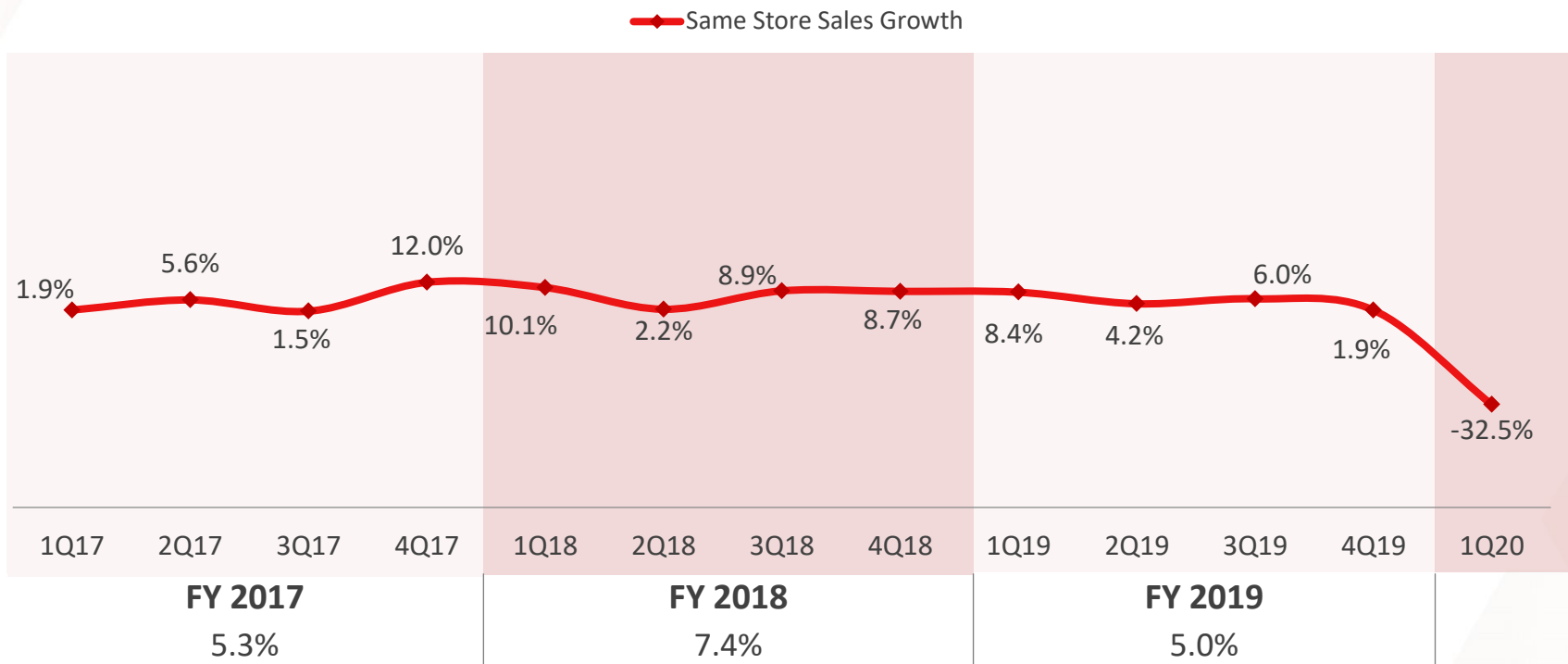
Y PS retail channel covers more than 300 cities in the Greater China



# Pou Sheng Same Store Sales Growth (SSSg)



(%)



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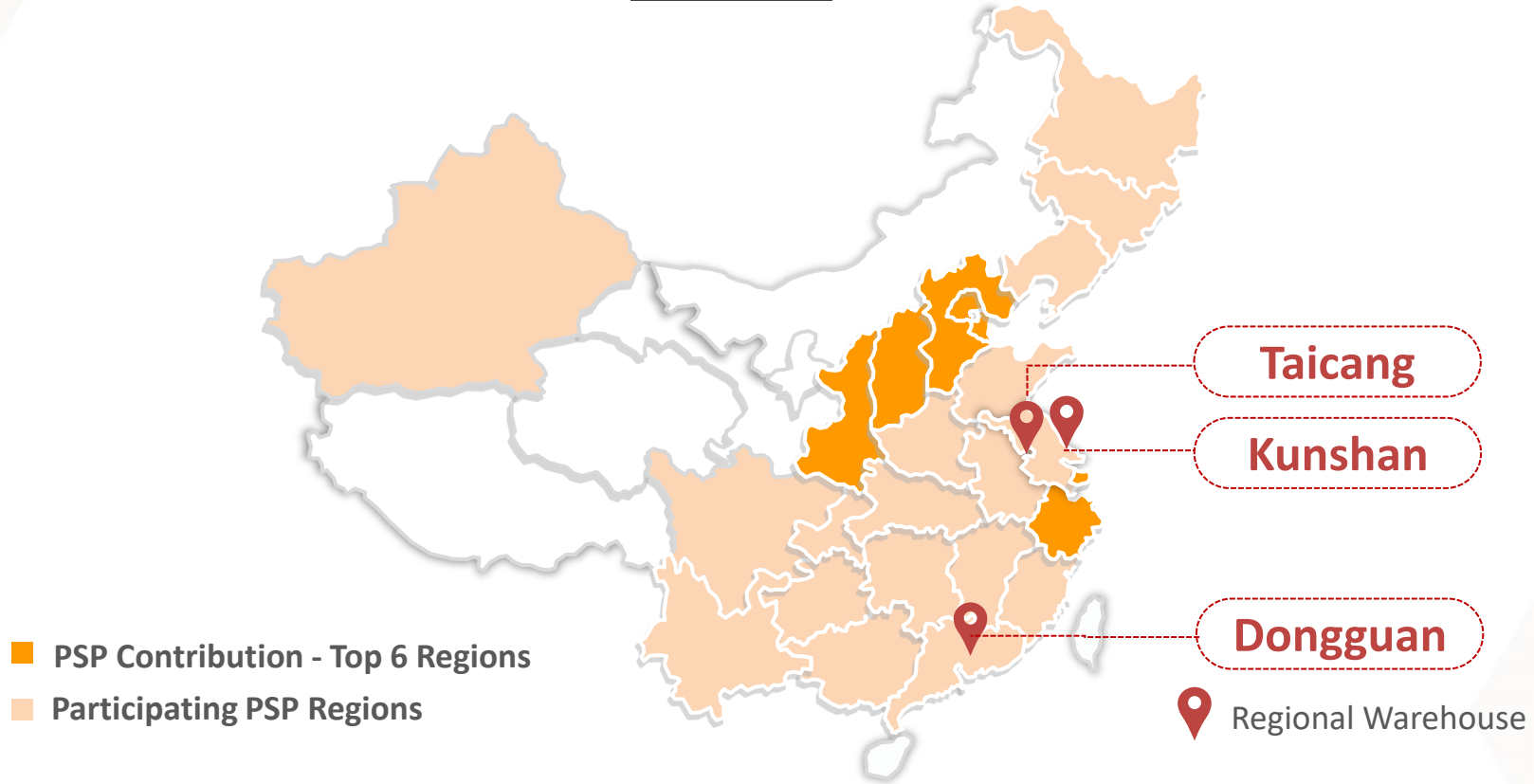




# Pou Sheng Product Sharing Platform (PSP)



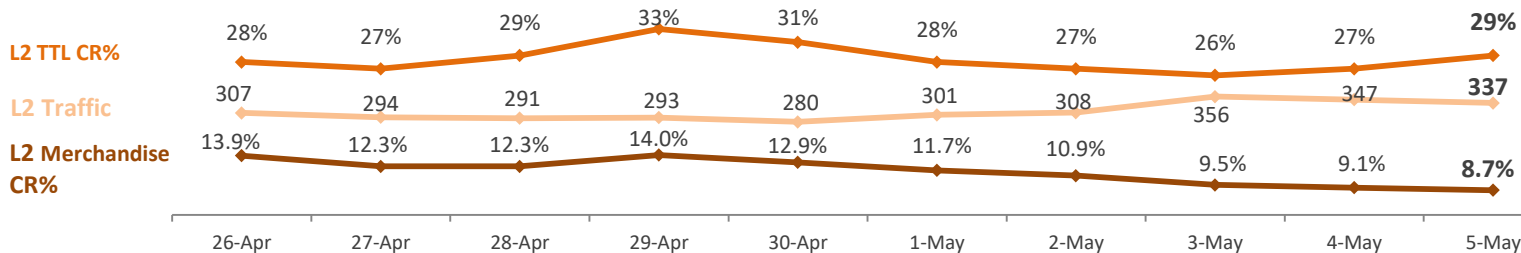
Y Participation rate: more than 60% Direct B&M stores participate PSP at 1Q2020



# New Service Hub to Enhance Omni-channel Capability



## Next Store



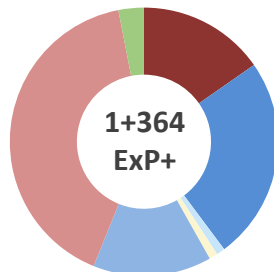
## Offline



## Online



"Omni Contacts"

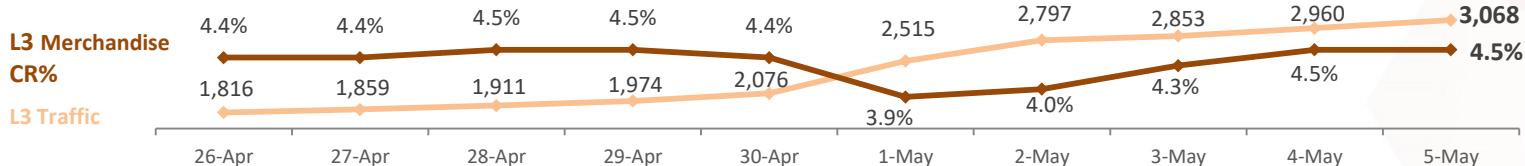


Grow Your Exp  
"Convenient" + "FUN"

	(棒球/籃球客群)	(跑團/訓練客群)
LV1	直接來對參與 (免費參與) 球空兒聚會 (100元禮品券) 電競比賽-ZK/棒球 (免費參與)	YY竹竹跑團 (免費參與) YTC (免費參與)
LV2-5	優惠買一送一 (LVS買主餐+10元送原裝奶茶+50元飲料券) 免費咖啡 50元飲料券 滿惠贈送買一送一	單單的補給 (免費參與) PIT STOP50元餐券 跑空者禮券200元
LV6-8	LV6以上優先選位 LV6以上優先選位 LV6以上優先選位	PIT STOP50元餐券 跑空者禮券100元 名師優先
LV10-18	LV10以上抽球類商品 LV10以上抽球類商品 LV10以上抽OOD/棒球商品	買一送一 LV16-LV20 *送鞋券一張 名師一對一10分鐘 及鞋券一張
LV20-28		
LV30+	免費簽名掛牌 免費簽名掛牌 免費簽名掛牌	LV21以上 * L2 800元抵用券 /賽車優先報名

Exp Collection  
"Attractive Sport Packages"

## Mono Brand Stores



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# Pou Sheng Contingency Plans and Accelerated New Initiatives During COVID-19



## Contingency Plans

- Timely cash inflow by shipment cuts, inventory takeback, effective promotions
- Cost saving by government subsidies, rental negotiations, SG&A cuts
- Extended cash outflow by extended payments to brands, delayed CAPEX

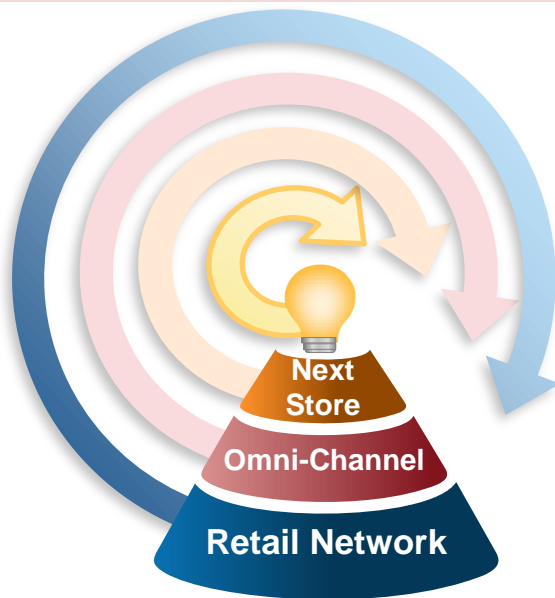
## New Initiatives

- Accelerated growth via “Product Sharing Platform”
- Effective new channel by WeChat stores
- Initial operating results of Sports Services Store in line with expectations

# Future Target: Profitable Growth

## Future Target

- **Total revenue** growth in mid-teens, with **omni-channel** contributing 20% of total revenue
- **More in-season sales** and **more effective off-season** products sales through various 3<sup>rd</sup> party channels
- Integrating the **Service Hub model** into our strong brick and mortar stores foundation
- Turnaround of **emerging brands** and **licensee brands**
- **Operating margin** improving by 2 percentage points



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

# Appendix



# Company Milestones



- 
- 2019 ● Omni-channel contributed ~12% of total sales in 2019
  - 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)*



	1Q 2020		1Q 2019		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
<b>Revenue</b>	<b>4,947</b>	<b>100.00</b>	6,597	100.00	-25.01%
Cost of Sales	(3,426)	-69.25	(4,363)	-66.13	-21.48%
<b>Gross Profit</b>	<b>1,521</b>	<b>30.75</b>	2,234	33.87	-31.92%
SG&A	(1,635)	-33.05	(1,953)	-29.62	-16.28%
Other Income & Expenses, net	70	1.41	75	1.14	-6.67%
<b>Operating (Loss) Profit</b>	<b>(44)</b>	<b>-0.89</b>	356	5.39	N/A
Finance Cost, net*	(67)	-1.35	(57)	-0.86	+17.54%
Share of Results of JV	(17)	-0.34	2	0.04	N/A
Income Tax	(39)	-0.79	(96)	-1.46	-59.38%
<b>(Loss) Profit for the Period</b>	<b>(167)</b>	<b>-3.37</b>	205	3.11	N/A
<b>(Loss) Profit Attrib. to Owners of PS</b>	<b>(165)</b>	<b>-3.34</b>	192	2.91	N/A

Source: Based on Pou Sheng's announcement on the HKEX website for the unaudited consolidated income statements of 1Q2020 & 1Q2019

\* Finance Cost in 1Q20 grew by 17.5% due to the increase of interest expense on lease liability (1Q20: 30.9 mn 1Q19: 19.9 mn)



# Pou Sheng Financial Highlights (in USD)



	1Q 2020		1Q 2019		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>708,066</b>	<b>100.00</b>	976,120	100.00	-27.46%
Cost of Sales	<b>(490,348)</b>	<b>-69.25</b>	(645,514)	-66.13	-24.04%
<b>Gross Profit</b>	<b>217,718</b>	<b>30.75</b>	330,606	33.87	-34.15%
SG&A	<b>(233,742)</b>	<b>-33.01</b>	(288,282)	-29.54	-18.92%
Other Income & Expenses, net	<b>9,698</b>	<b>1.37</b>	10,313	1.06	-5.96%
<b>Operating (Loss) Profit</b>	<b>(6,326)</b>	<b>-0.89</b>	52,637	5.39	N/A
Finance Cost, net*	<b>(9,507)</b>	<b>-1.35</b>	(8,430)	-0.86	+12.78%
Share of Results of JV	<b>(2,365)</b>	<b>-0.33</b>	396	0.04	N/A
Income Tax	<b>(5,639)</b>	<b>-0.80</b>	(14,254)	-1.46	-60.44%
<b>(Loss) Profit for the Period</b>	<b>(23,837)</b>	<b>-3.37</b>	30,349	3.11	N/A
<b>(Loss) Profit Attrib. to Owners of PS</b>	<b>(23,685)</b>	<b>-3.34</b>	28,390	2.91	N/A

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 1Q20 grew by 12.8% due to the increase of interest expense on lease liability (1Q20: 9.8 mn 1Q19:8.6 mn )

# Pou Sheng Financial Highlights (in RMB)



	FY 2019		FY 2018		Y-o-Y
	RMB'mn	%	RMB'mn	%	+ / -
<b>Revenue</b>	<b>27,190</b>	<b>100.00</b>	22,677	100.00	+19.90%
Cost of Sales	(17,915)	-65.89	(15,078)	-66.49	+18.81%
<b>Gross Profit</b>	<b>9,275</b>	<b>34.11</b>	7,599	33.51	+22.06%
SG&A	(8,181)	-30.09	(6,913)	-30.49	+18.34%
Other Income & Expenses, net	377	1.39	281	1.24	+34.16%
<b>Operating Profit</b>	<b>1,472</b>	<b>5.41</b>	967	4.26	+52.22%
Finance Cost, net*	(239)	-0.88	(144)	-0.64	+65.97%
Share of Results of JV	1	0.01	(1)	-0.00	N/A
Other Losses	(9)	-0.03	-	N/A	N/A
Income Tax	(345)	-1.27	(261)	-1.15	+32.18%
<b>Profit for the Year</b>	<b>880</b>	<b>3.24</b>	561	2.47	+56.86%
<b>Profit Attrib. to Owners of PS</b>	<b>833</b>	<b>3.06</b>	543	2.39	+53.41%

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2019 & FY2018

\* Finance Cost in FY19 grew by 66.0% due largely to the RMB 101.1 mn effects of the application of HKFRS16

# Pou Sheng Financial Highlights (in USD)



	FY 2019		FY 2018		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
<b>Revenue</b>	<b>3,932,965</b>	<b>100.00</b>	3,421,657	100.00	+14.94%
Cost of Sales	(2,591,280)	-65.89	(2,275,156)	-66.49	+13.89%
<b>Gross Profit</b>	<b>1,341,685</b>	<b>34.11</b>	1,146,501	33.51	+17.02%
SG&A	(1,178,146)	-29.96	(1,038,884)	-30.37	+13.40%
Other Income & Expenses, net	49,397	1.26	38,270	1.12	+29.07%
<b>Operating Profit</b>	<b>212,936</b>	<b>5.41</b>	145,887	4.26	+45.96%
Finance Cost, net*	(34,598)	-0.88	(21,665)	-0.64	+59.70%
Share of Results of JV	158	0.01	(140)	-0.00	N/A
Other Losses	(1,378)	-0.03	-	N/A	N/A
Income Tax	(49,840)	-1.27	(39,452)	-1.15	+26.33%
<b>Profit for the Year</b>	<b>127,278</b>	<b>3.24</b>	84,630	2.47	+50.39%
<b>Profit Attrib. to Owners of PS</b>	<b>120,533</b>	<b>3.06</b>	81,913	2.39	+47.15%

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 FY19 grew by 59.7% due largely to the US\$14.6 mn effects of the application of HKFRS16

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

