

# Pou Sheng International 2022 Annual Results



15 Mar 2023



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# MAKE SPORTS YOUR LIFE

—— 让运动融入你的生活 ——



新光三越

YYSports

KUNSHAN  
2020 MARATHON  
海峡两岸（昆山）马拉松

胜道体育  
SPORTS

# Pou Sheng Strategy & Operating Highlights



## Challenges

- Escalating COVID-19 control measures throughout most of the year
- Disrupted logistics and last-mile in some regions under immense pressure from the Pandemic
- Volatile in-store traffic and soft consumer sentiment
- Promotional retail environment
- Pressure on inventory levels
- Expecting recovery in 2023 despite near-term volatility



Prioritizing Profitability ➤

Strategic Partnership with Brands  
Accelerating Sales Cycle ➤

Holistic Approach in Channel  
Planning & Management ➤

### 1. Strategic Alliance with Business Partners

Y **INVENTORY integration** ➤ **Omni-Hub programme** to share inventory with brand partners, together with PSP & other initiatives to enhance inventory efficiency

- Inventory amount ↓ 19.9% YoY

Y **MEMBERSHIP integration** ➤ allowing consumers to access limited products and services in both PS & brands' directly operated stores

- UPT & ATV ↑ HSD% YoY

### 2. Retail Refinement Strategy

Y **STREAMLINE & right-size** retail network & enhance manpower efficiency

- Larger-format stores account for 19% of total stores
- Average GFA ↑ HSD% YoY

### 3. Digital Acceleration

Y **REGIONAL WeChat stores, Douyin live-streaming with collective efforts from KOS** + offer a digitally-enabled experience

- Robust growth in Pan-WeChat Stores, ↑ 83% YoY
- Pan-WeChat sales reached 10% of total sales, contributed ~16% of direct retail revenue

### 4. Prioritizing Profitability

Y **DISCIPLINED discount control** ➤ FY22 discount YoY slightly intensified

- FY22 GPM ↑ 0.4pp YoY

### 5. Solid Financial Management

- Net cash & solid cash position

## Our Strategies

# Agenda



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| <b>02</b> | <b>Business Highlights</b>          | <b>p 14-18</b> |
| <b>03</b> | <b>Future Target &amp; Strategy</b> | <b>p 20-21</b> |

# Pou Sheng Financial Highlights (in RMB)



	FY 2022		FY 2021		YoY	
	RMB'mn	%	RMB'mn	%	%	ppt
<b>Revenue</b>	<b>18,638</b>	<b>100.0</b>	23,350	100.0	-20.2	--
Cost of Sales	(11,950)	-64.1	(15,051)	-64.5	-20.6	+0.4
<b>Gross Profit</b>	<b>6,688</b>	<b>35.9</b>	8,299	35.5	-19.4	+0.4
SG&A	(6,616)	-35.5	(7,829)	-33.5	-15.5	-2.0
Other Income & Expenses, net	343	1.8	458	2.0	-25.1	-0.2
<b>Operating Profit</b>	<b>415</b>	<b>2.2</b>	928	4.0	-55.3	-1.8
Finance Cost*, net	(145)	-0.8	(175)	-0.8	-17.1	0.0
Share of Results of JV	--	--	(163)	-0.7	N/A	+0.7
Other Losses	(7)	-0.0	(16)	-0.1	-56.3	+0.1
Income Tax	(163)	-0.9	(198)	-0.8	-17.7	-0.1
<b>Profit for the Period</b>	<b>100</b>	<b>0.5</b>	376	1.6	-73.4	-1.1
<b>Profit Attrib. to Owners of PS</b>	<b>89</b>	<b>0.5</b>	357	1.5	-75.1	-1.0

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2022 & FY2021

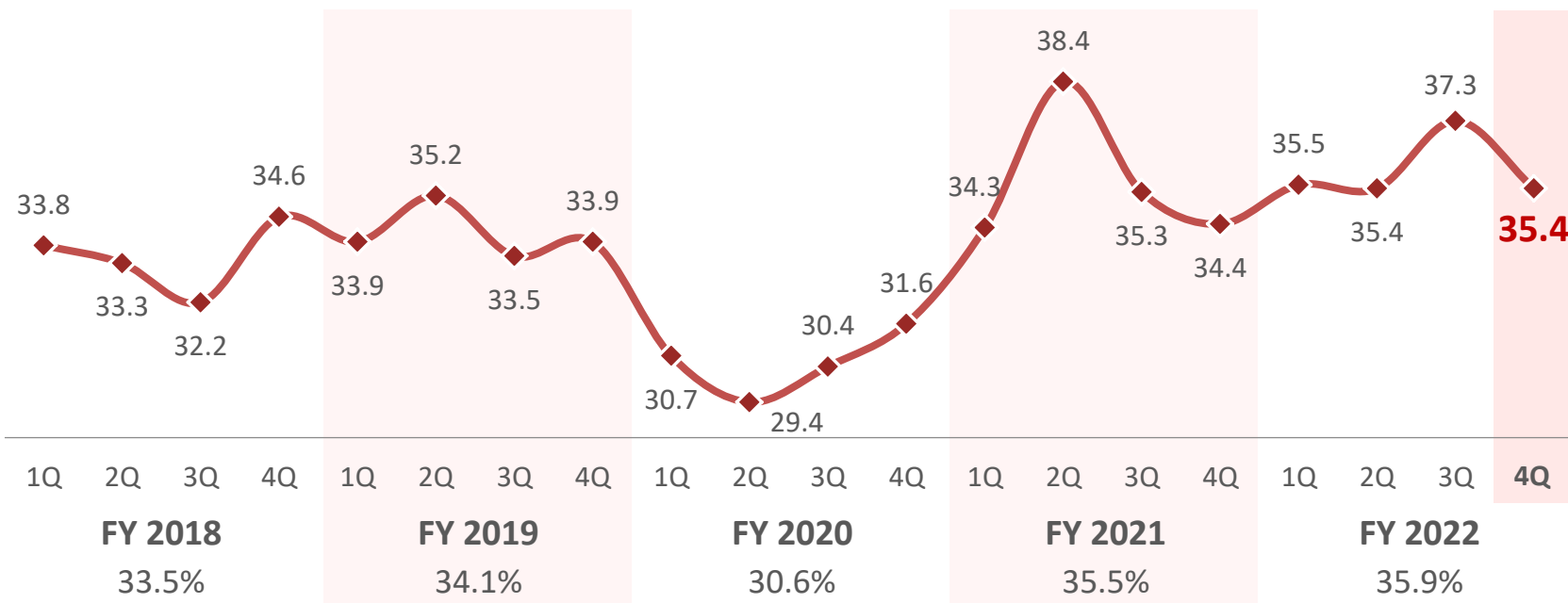
\* Net finance cost in FY22 decreased by 9.0% YoY if excludes interest expenses on lease liabilities which amounted to RMB 108.2mn (FY21: RMB 134.9mn)



# Pou Sheng GP Margin Trend

(%)

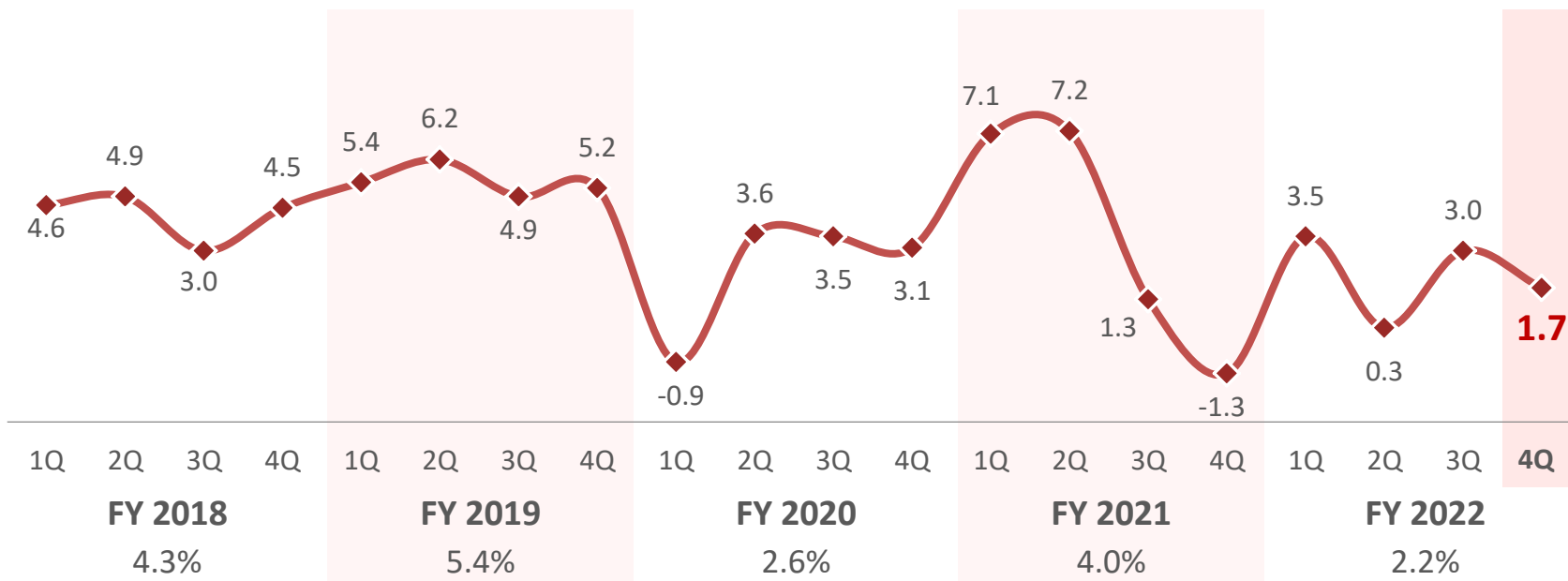
◆ Gross Profit Margin



# Pou Sheng OP Margin Trend

(%)

◆ Operating Profit Margin

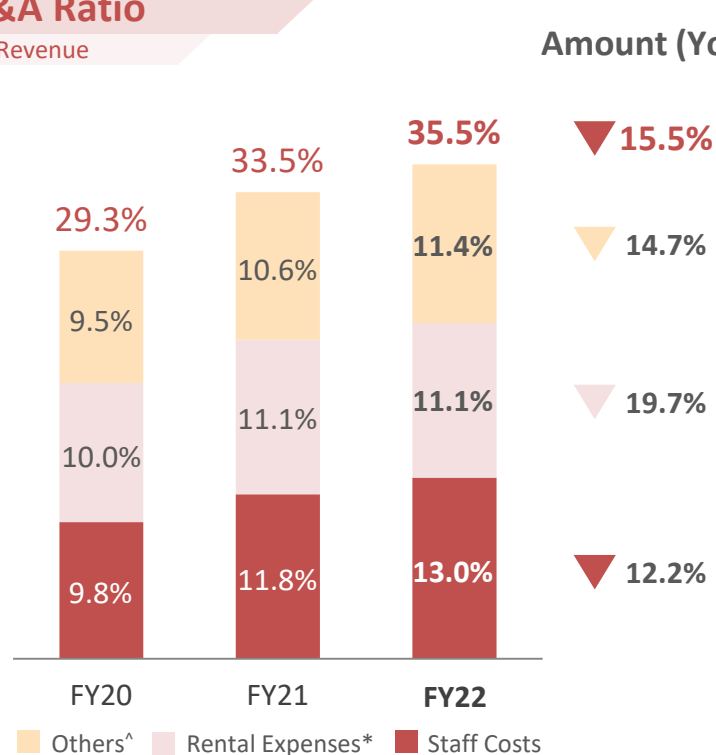




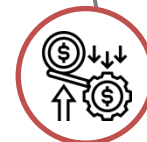
# Pou Sheng SG&A Expenses Breakdown

## SG&A Ratio

% of Revenue



Lack of rent concession and social security relief as compared with FY20



Deleveraging due to sales ↓



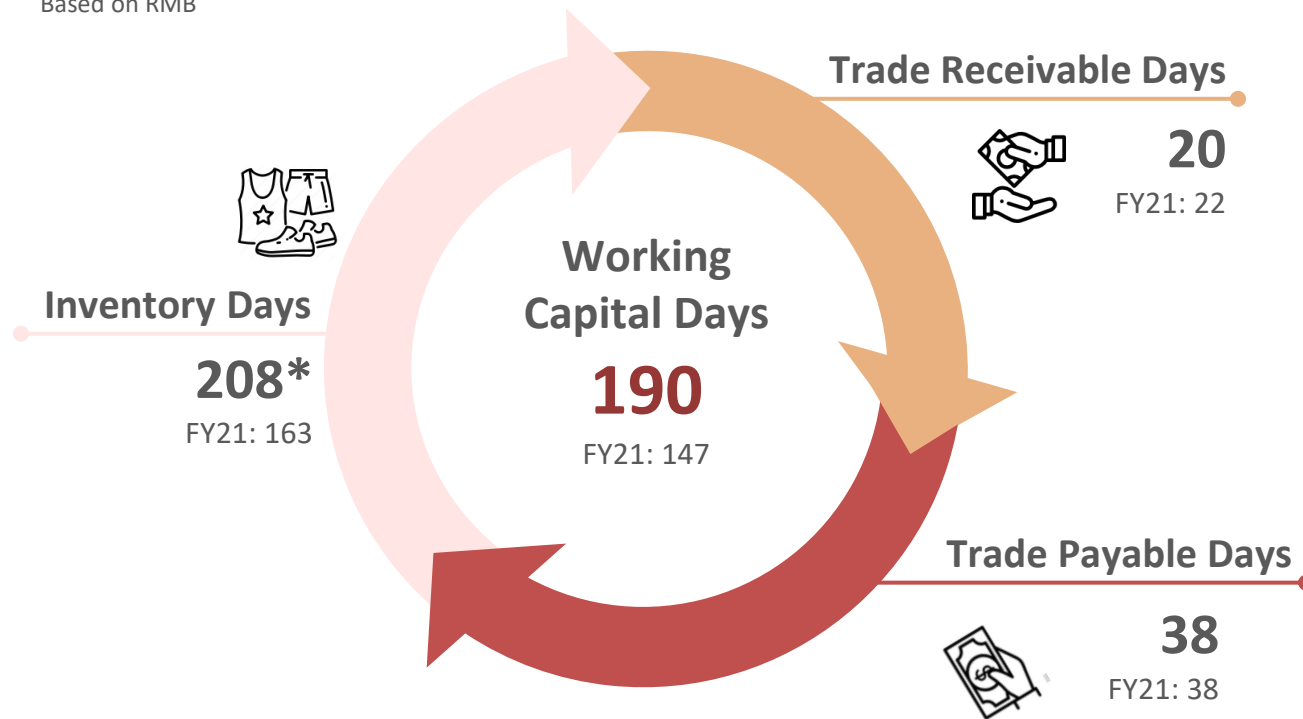
Offset by efforts of cost control & rent negotiations

^ 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

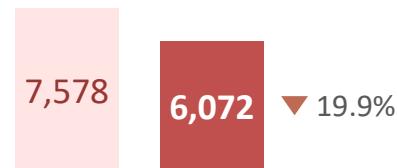
# Operation Efficiency – FY22

Based on RMB



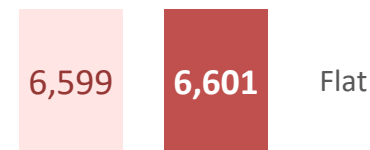
## Inventory Level

In RMB'mn



## Working Capital

In RMB'mn



FY21 FY22

\* Inventory days increased by 45 days against 2021 year-end due to:

- 1) Weak sales amid Covid-19,
- 2) Acquisition of JV Baowei on 31 Dec 2021,
- 3) Partially offset by efforts to digest excess inventory and inventory return

# Pou Sheng Financial Ratios (in RMB)



As of  
31 Dec

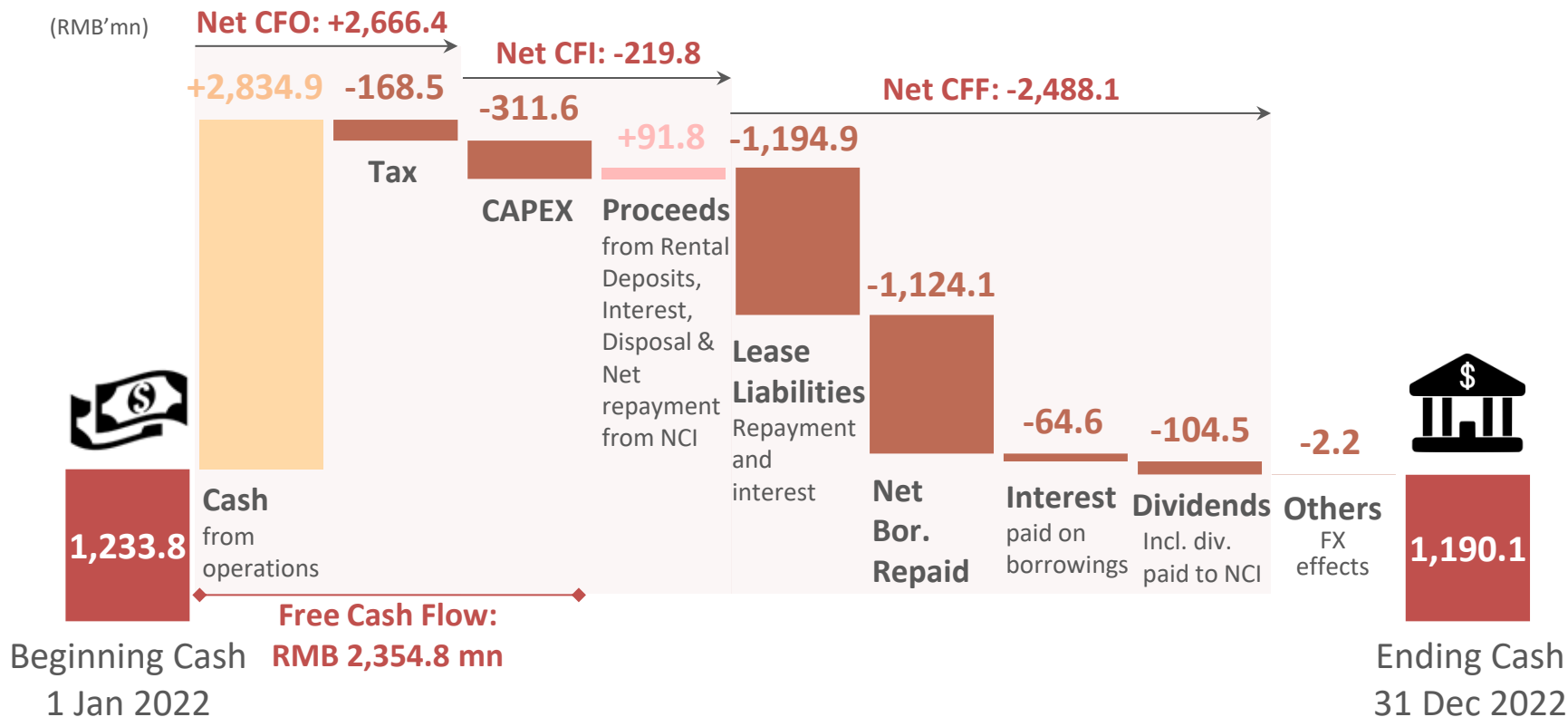
(RMB'mn)	FY 2022	FY 2021	YoY
Depreciation of PPE & Amortization	490.1	640.6	-23.5%
Depreciation of ROUA	1,082.6	1,234.6	-12.3%
EBITDA	2,002.3	2,652.2	-24.5%
EBITDA minus Depreciation of ROUA	919.7	1,417.6	-35.1%
Capital Expenditure	311.6	452.4	-31.1%
Total Borrowings*	456.2	1,581.6	-71.2%
(Net Cash)/ Net Borrowings*	(734.0)	347.9	N/A
Total Borrowings to Equity <sup>#</sup>	5.6%	19.3%	-13.7pp
Net Borrowings to Equity <sup>#</sup>	Net Cash	4.2%	--
Total Borrowings* to EBITDA (X)	0.2 X	0.6 X	--
Return on Owner's Equity	1.1%	4.4%	--
Return on Asset	0.7%	2.3%	--

Source: Internal analysis report (figures rounded)

\* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 2,213.8mn and 2,820.9mn as at 31 Dec 2022 and 2021 respectively

<sup>#</sup> Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 32.6% (FY21: 53.7%) and 18.1% (FY21: 38.6%) as at 31 Dec 2022 respectively

# Pou Sheng Sources and Uses of Fund



Net CFO: Net Cash from/(to) Operation

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

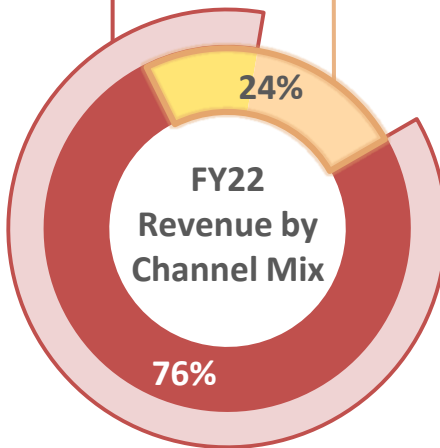
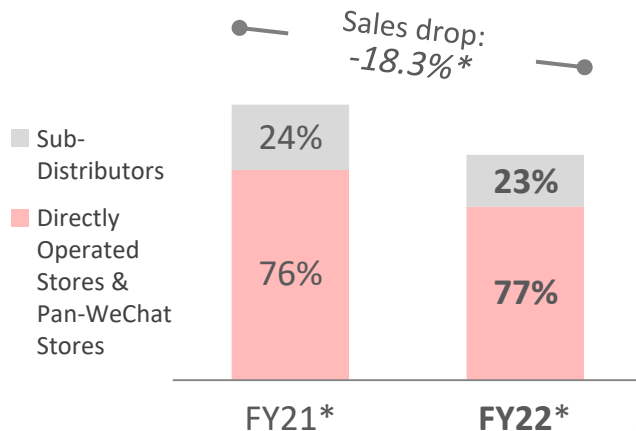


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

## Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 4,067 stores
- Multi-Brands Stores: 26 stores



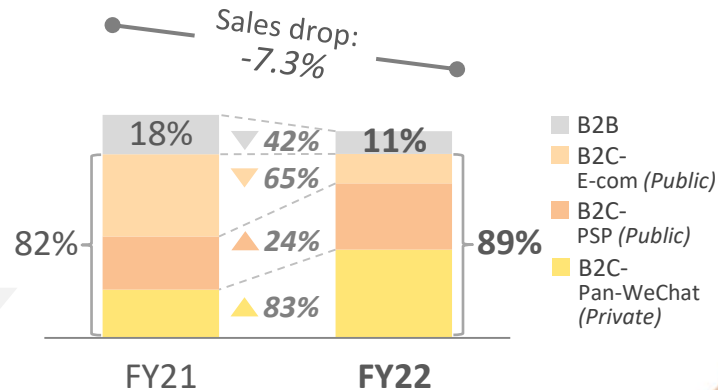
Top 5 brands account for ~95% of our revenue

## Omni-channel

Omni-channel consisted of B2B and B2C, and reached 24% of total sales

B2C contains:

- Public Domain: 3<sup>rd</sup> party platforms with growing PSP product support
- Private Domain: Pan-WeChat Ecosphere + member services

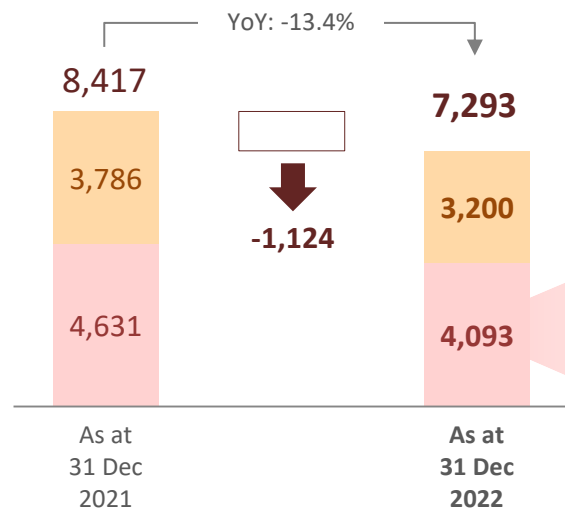


\* Contribution analysis dimensions: including Pan-WeChat Ecosphere, without Other Sales, FY21 data were reclassified  
Sales dropped by 24.1% if excludes Pan-WeChat

# Solid B&M Network *(Number of Stores)*



## Total Stores



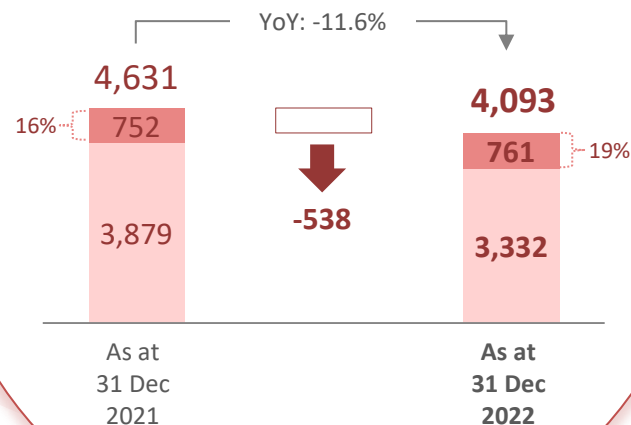
Directly Operated Stores (Own-Store)

Sub-Distributors (Franchisee)

Net Stores +/-



## Directly Operated Large Store Mix



Stores >300m<sup>2</sup>

Stores ≤300m<sup>2</sup>

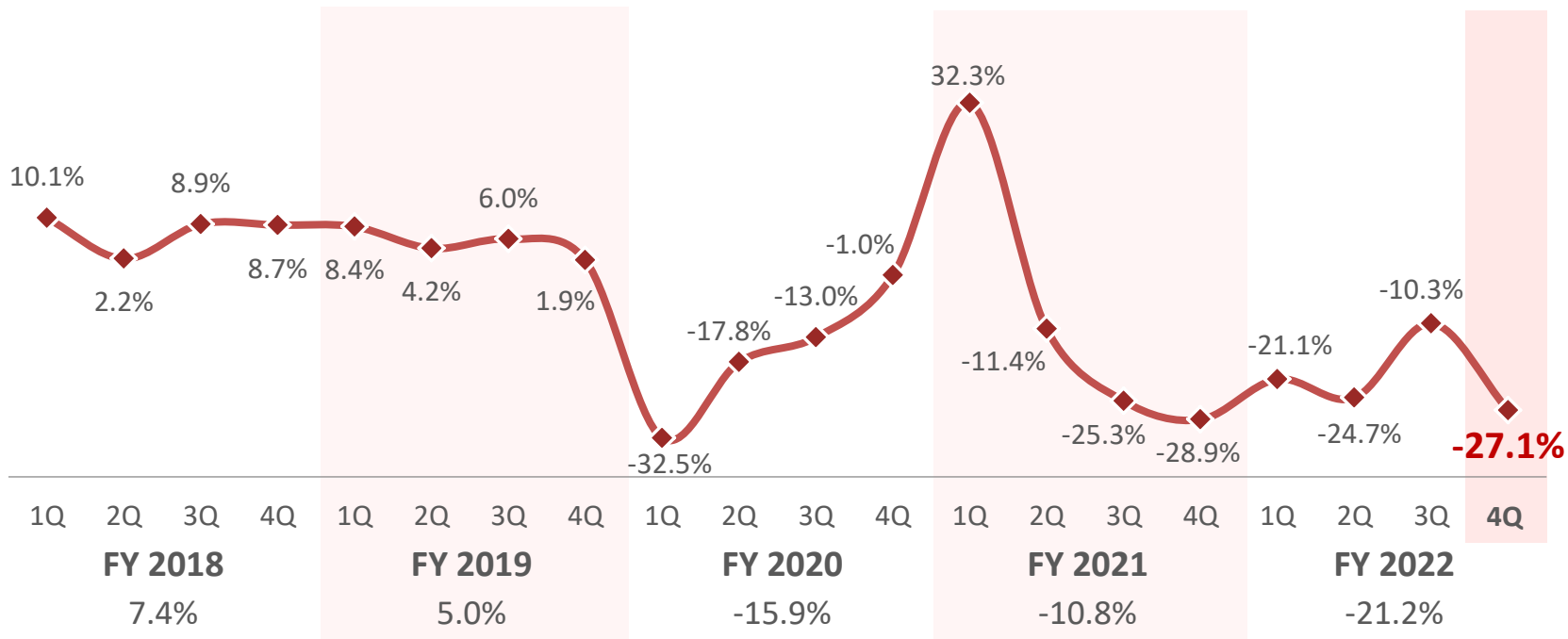


# Pou Sheng Same Store Sales Growth (SSSg)



(%)

—◆— Same Store Sales Growth

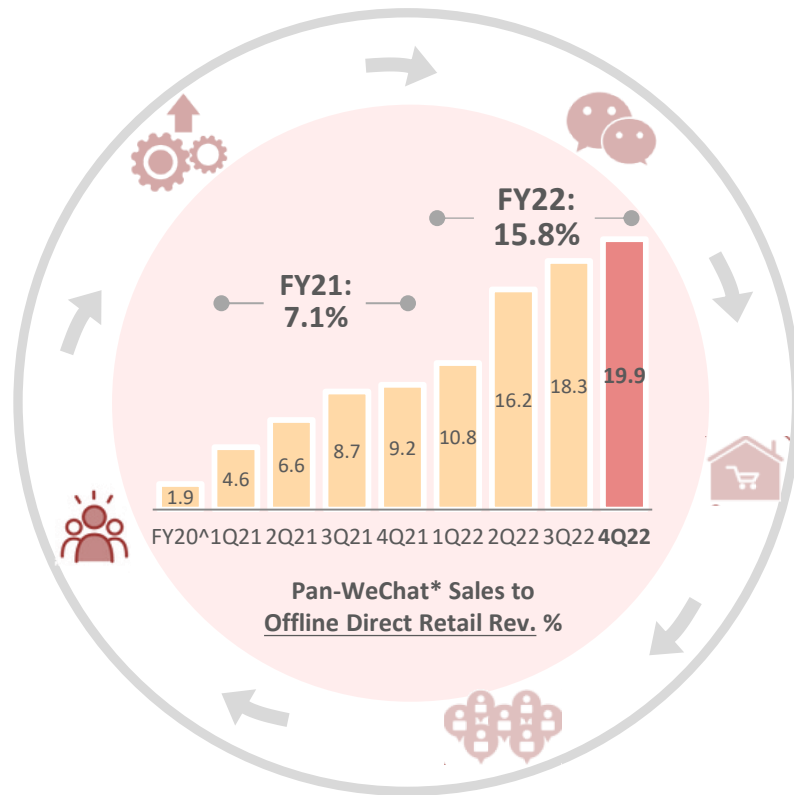


Note: Same-store sales measures revenue of full-price directly-operated stores (incl. WeChat stores' contribution) that have been operated over one year

# Our Customized Pan-WeChat Ecosphere



- Y Stable and solid foundation with much better conversion, return rate and full-price in-season sales
- Y Better ASP than 3<sup>rd</sup> party platform e.g. T-Mall, JD, Vipshop, etc.
- Y Digitally-enabled experience stores and membership integration to enhance seamless consumer experience
- Y Account for 15.8% of direct retail revenue (or ~10% of overall) in FY22, with more than 90% inventory pool 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 Pan-WeChat Ecosphere (Cont.)



- Comprehensive relations with members by designated **Key Opinion Staff (KOS)** and **interesting contents** as first step to elevate our services to consumers



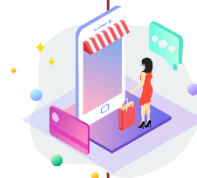
Sports services-related & membership program



WeChat stores



24-hr digital interface by designated KOS



~48.7m YYsports members (as of 31 Dec 2022)

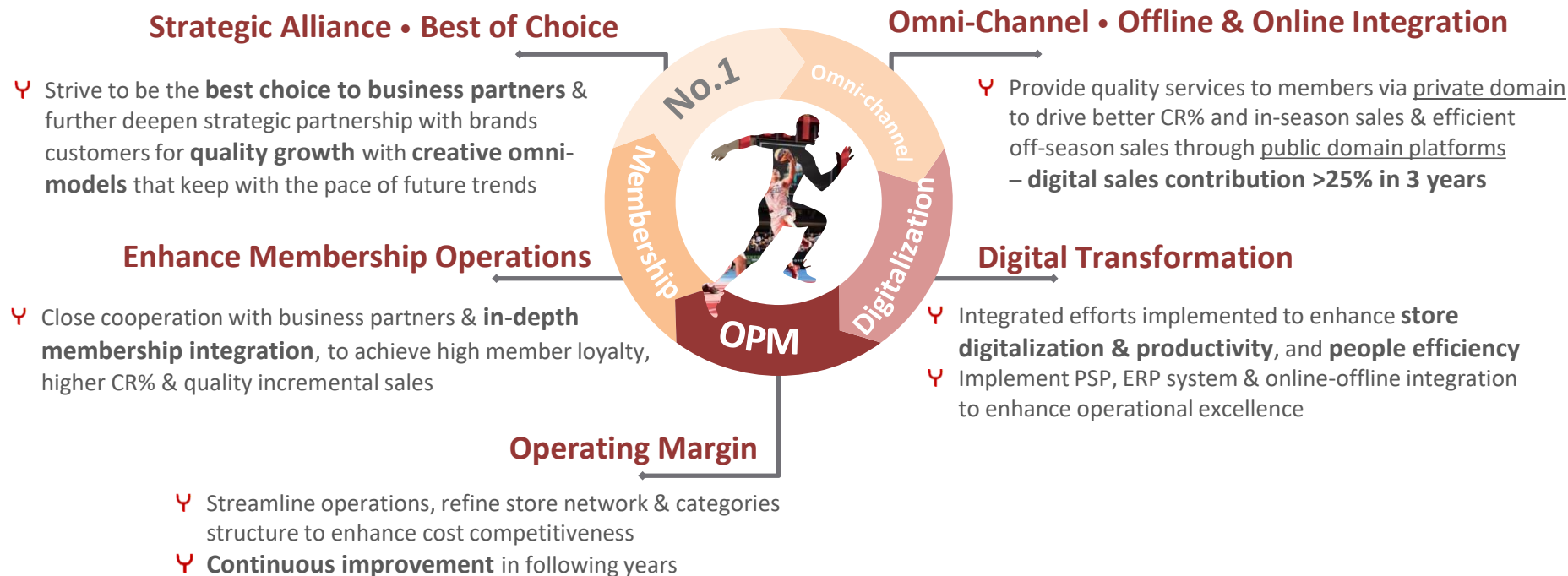
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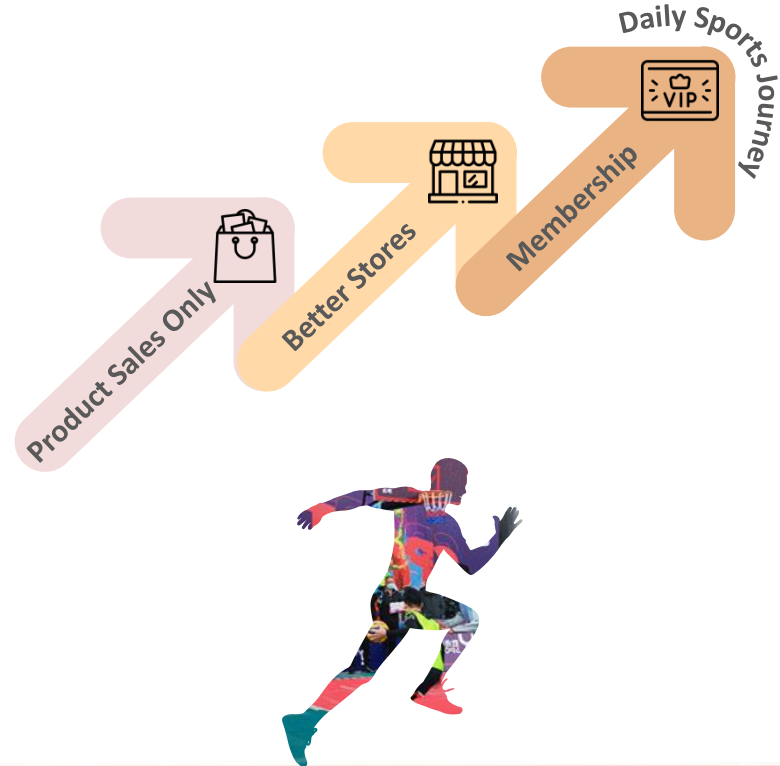
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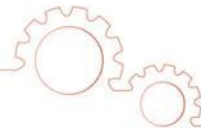
# Critical Missions in 3 Years

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



# Growth by Digital, Membership & Store Efficiency





# Appendix



# Company Milestones

- 
- 2022 ● Pan-WeChat sales to offline direct retail revenue reached 16%
  - 2021 ● Omni-channel contributed over 20% of total sales
  - 2020 ● Launched WeChat store operation
  - 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

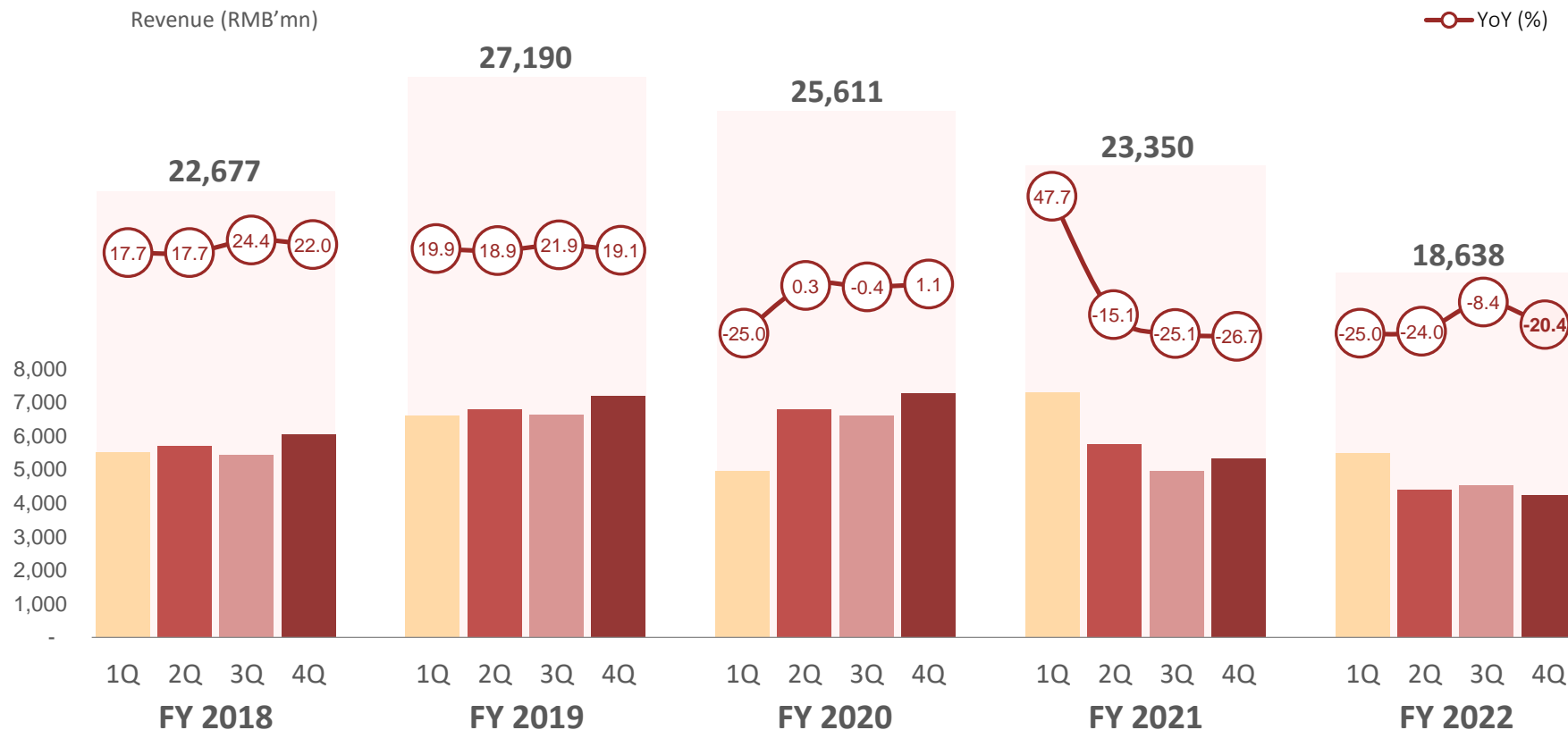
# Pou Sheng Financial Highlights (in USD)

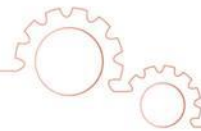


	FY 2022		FY 2021		YoY
	US\$'000	%	US\$'000	%	%
<b>Revenue</b>	<b>2,767,091</b>	<b>100.00</b>	3,619,294	100.00	-23.55
Cost of Sales	(1,774,152)	-64.12	(2,332,902)	-64.46	-23.95
<b>Gross Profit</b>	<b>992,939</b>	<b>35.88</b>	1,286,392	35.54	-22.81
SG&A	(974,357)	-35.21	(1,202,076)	-33.21	-18.94
Other Income & Expenses, net	42,961	1.55	59,588	1.65	-27.90
<b>Operating Profit</b>	<b>61,543</b>	<b>2.22</b>	143,904	3.98	-57.23
Finance Cost, net	(21,457)	-0.77	(27,102)	-0.75	-20.83
Share of Results of JV	--	--	(25,344)	-0.70	N/A
Other Losses	(1,077)	-0.04	(2,469)	-0.07	-56.38
Income Tax	(24,144)	-0.87	(30,747)	-0.85	-21.48
<b>Profit for the Period</b>	<b>14,865</b>	<b>0.54</b>	58,242	1.61	-74.48
<b>Profit Attrib. to Owners of PS</b>	<b>13,221</b>	<b>0.48</b>	55,271	1.53	-76.08

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





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