



Pou Sheng International 2020 Annual Results

23 March 2021



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**MAKE
SPORTS
YOUR
LIFE**

— 让运动融入你的生活 —

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Pou Sheng Financial Highlights



	FY 2020		FY 2019		Y-o-Y	
	RMB'mn	%	RMB'mn	%	%	ppt
Revenue	25,611	100.0	27,190	100.0	-5.8%	--
Cost of Sales	(17,785)	-69.4	(17,915)	-65.9	-0.7%	-3.5
Gross Profit	7,826	30.6	9,275	34.1	-15.6%	-3.5
SG&A	(7,505)	-29.3	(8,181)	-30.1	-8.3%	+0.8
Other Income & Expenses, net	340	1.3	378	1.4	-9.8%	-0.1
Operating Profit	661	2.6	1,472	5.4	-55.1%	-2.8
Finance Cost*, net	(233)	-0.9	(239)	-0.9	-2.5%*	0.0
Share of Results of JV	16	0.1	1	0.0	+1,500.0%	+0.1
Other Losses	(11)	-0.1	(9)	-0.0	+22.2%	-0.1
Income Tax	(118)	-0.5	(345)	-1.3	-65.8%	+0.8
Profit for the Year	315	1.2	880	3.2	-64.2%	-2.0
Profit Attrib. to Owners of PS	303	1.2	833	3.1	-63.6%	-1.9

Source: Based on Pou Sheng's announcement on the HKEX website for the audited consolidated income statements of FY2020 & FY2019

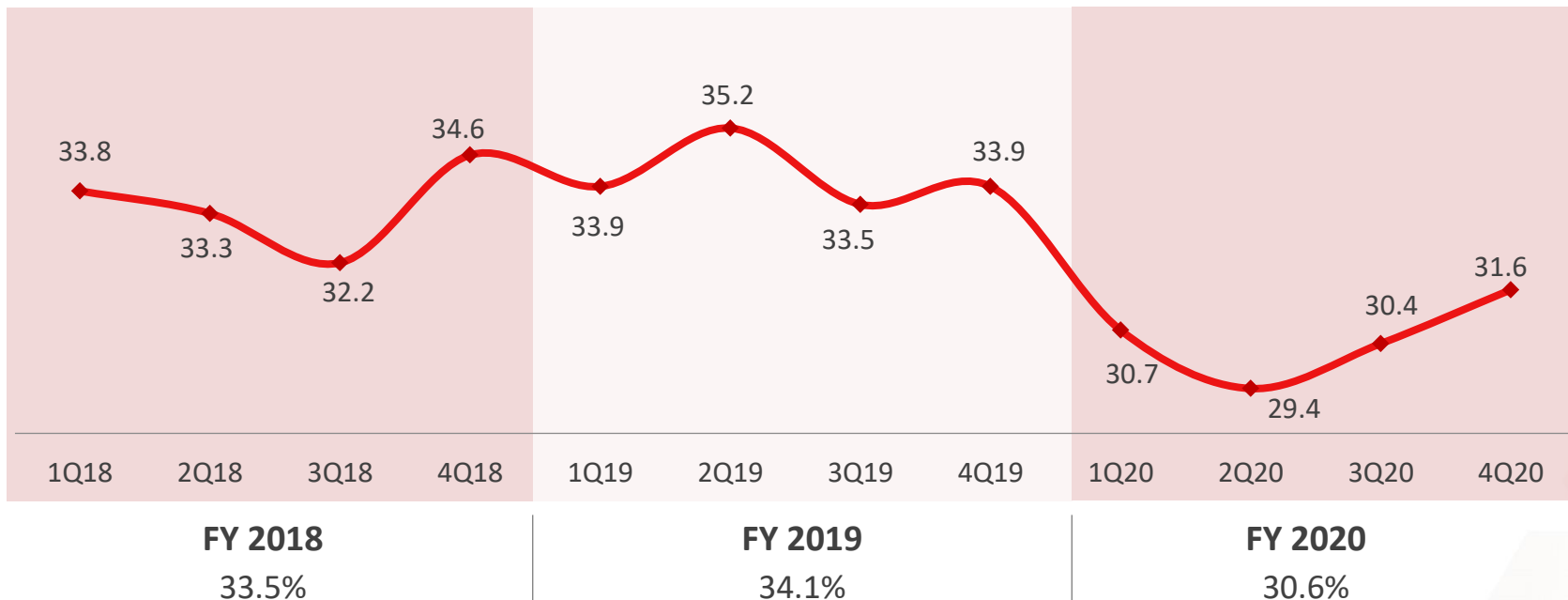
* Finance cost decreased by 23.5% if excludes interest expenses on lease liabilities

Pou Sheng GP Margin Trend



(%)

◆ Gross Profit Margin

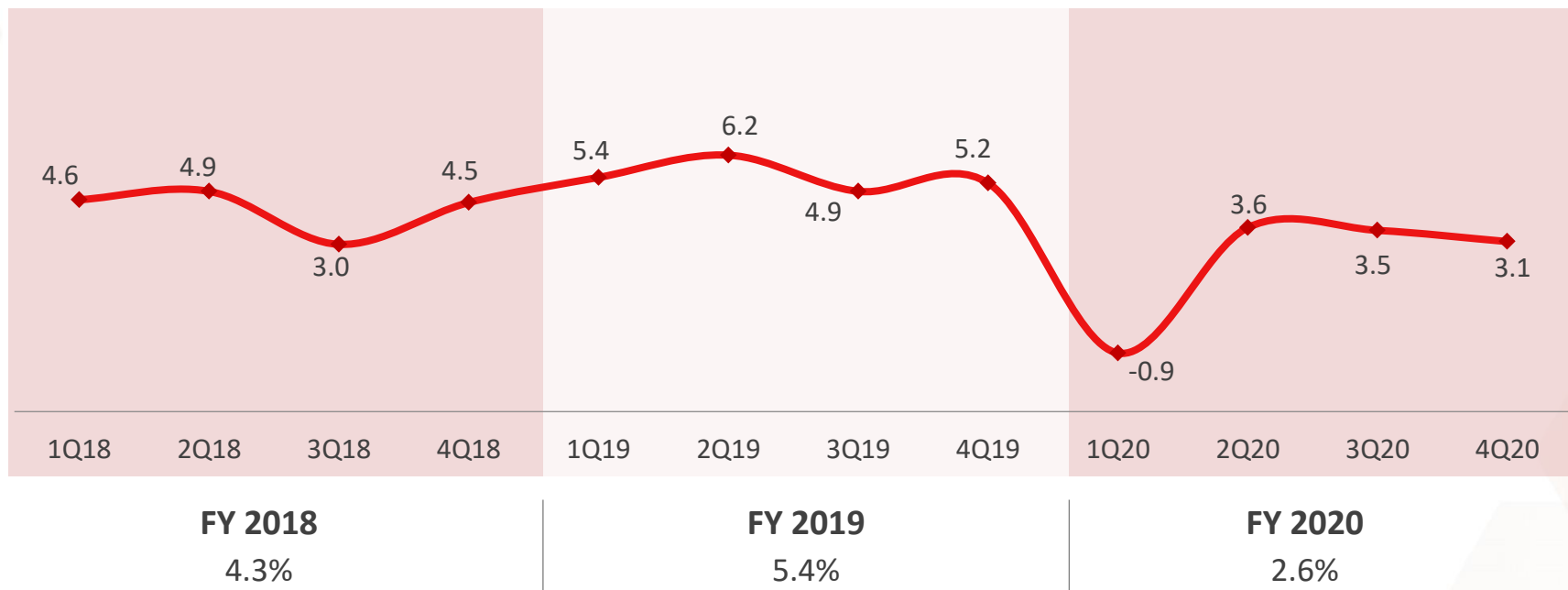


Pou Sheng OP Margin Trend



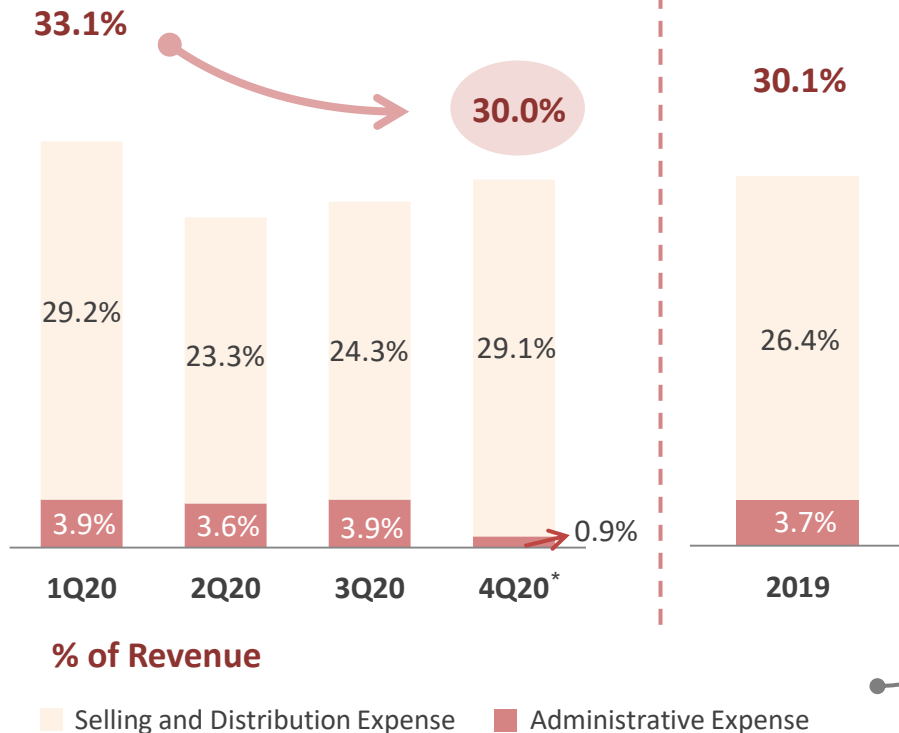
(%)

◆ Operating Profit Margin



Well-managed SG&A Expense

SG&A Ratio



Strict cost control measures

- FY20 SG&A dropped 8.3% yoy



Efficiency Improvement



Active negotiation with landlords

* There was an audit adjustment on the reclassification of certain expense as S&D than admin expenses

Pou Sheng Financial Ratios (in RMB)



(RMB'mn)	<u>FY 2020</u>	<u>FY 2019</u>
Depreciation of PPE & Amortization	644.1	578.6
Depreciation of ROUA	1,182.6	889.0
EBITDA	2,511.6	2,939.6
EBITDA minus Depreciation of ROUA	1,329.0	2,050.6
Capital Expenditure	585.0	807.1

	<u>31 Dec 2020</u>	<u>31 Dec 2019</u>
Total Borrowings*	1,949	3,546
Net Borrowings*	206	2,932
Total Borrowings to Equity #	24.7%	46.0%
Net Borrowings to Equity #	2.6%	38.1%

	<u>FY 2020</u>	<u>FY 2019</u>
Net Borrowings to EBITDA (X)	0.1 X	1.0 X
Return on Owner's Equity	3.9%	10.9%
Return on Asset	1.8%	5.1%

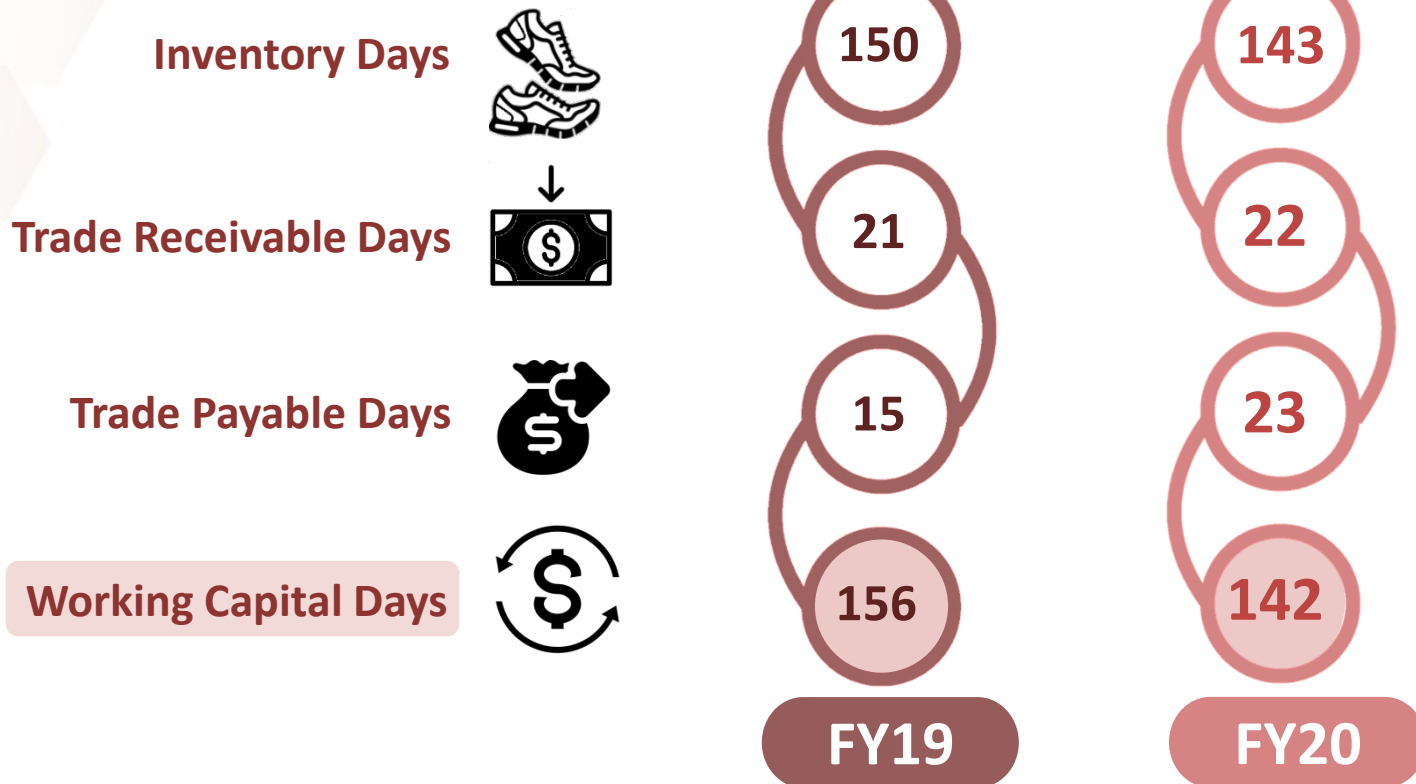
Source: Internal analysis report (figures rounded)

* Total Borrowings and Net Borrowings exclude lease liabilities. Lease liabilities was RMB 3,131.3mn and 2,715.0mn as at Dec 31, 2020 and 2019 respectively.

Total Debt to Equity and Net Debt to Equity (including lease liabilities) would be 64.5% (FY19: 81.2%) and 42.4% (FY19: 73.3%) as at Dec 31, 2020 respectively.

Operation Efficiency

Based on RMB



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Pou Sheng Retail Strategy

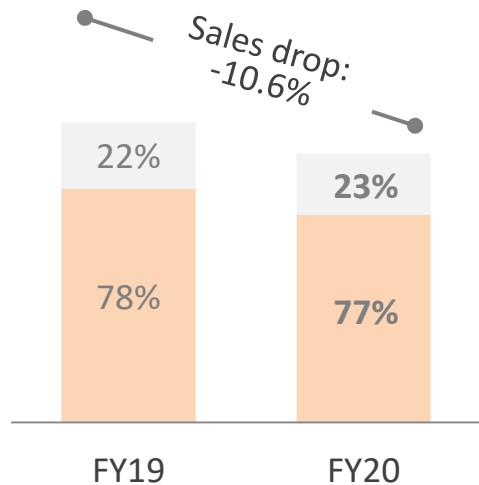


Y Pou Sheng is one of the largest retailers and sports services providers for world renowned sportswear brands in the Greater China region

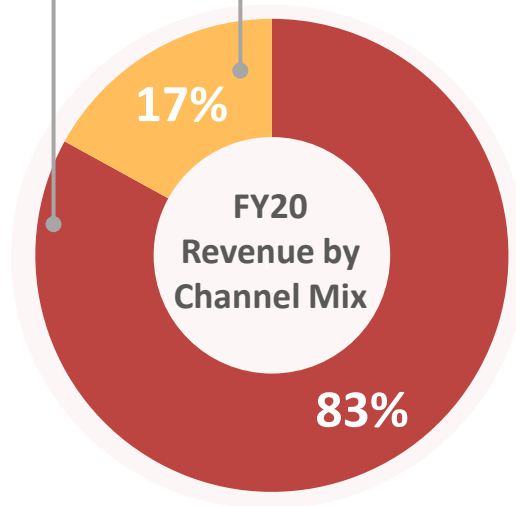
Brick & Mortar Retail

Directly Operated Stores:

- Mono-Brands Stores: 5,175 stores
- Multi-Brands Stores: 65 stores



Directly Operated Stores Sub-Distributors

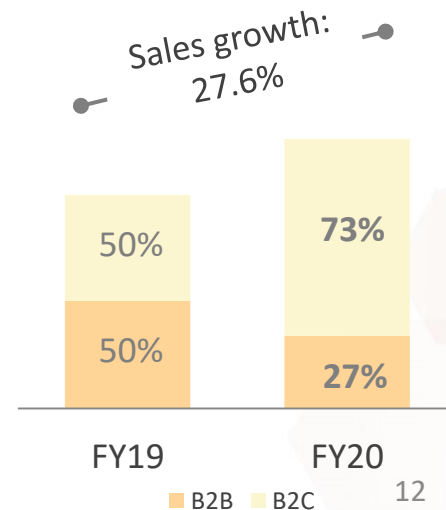


Top 5 brands account for over 90% of our business

Omni-channel

B2C Channel:

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



B2B B2C

Overview: Solid B&M Network



Number of Stores



Directly Operated
(Own-Store)

5,883

>300m² : 520(9%)



643



5,240

>300m² : 682(13%)



Sub-Distributor
(Franchisee)

3,950



115



3,835



Total Store

9,833

-758

9,075

As at
December 31, 2019

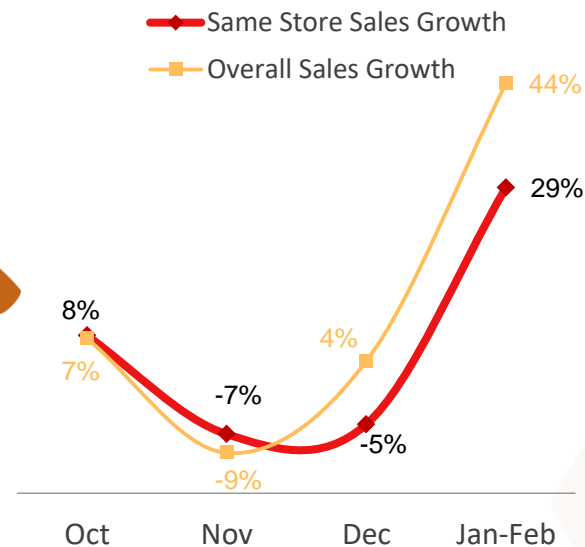
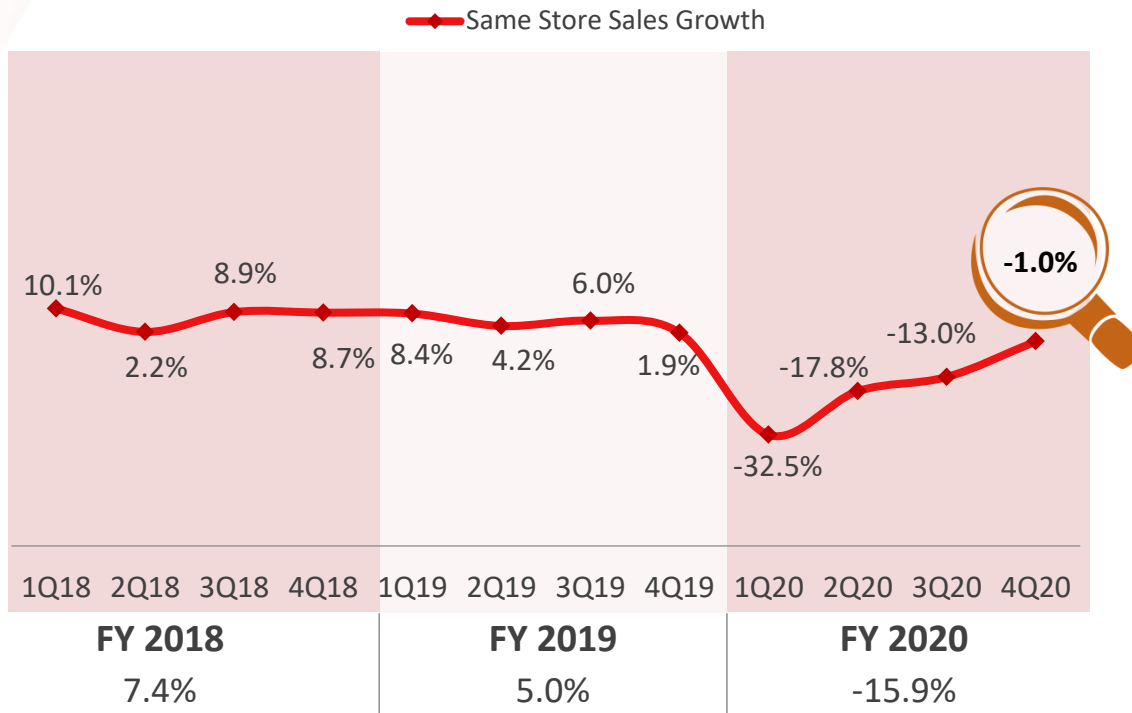
Net New Store +/-

As at
December 31, 2020

Pou Sheng Same Store Sales Growth (SSSg)



(%)

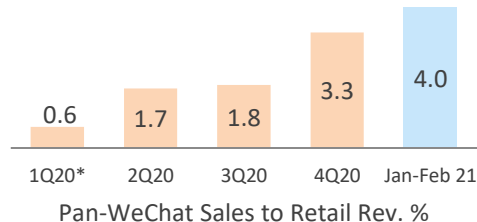


Note: Same-store sales measures revenue of full-price directly-operated stores (incl. WeChat stores' contribution) that have been operated over one year

Our customized Pan-WeChat Ecosphere



- Y Stable and solid foundation with much better **conversion** and **return rate**
- Y **Better ASP** than 3rd party platform e.g. T-Mall, JD, Vipshop, etc.
- Y Account for 1.9% of retail revenue in FY20 with “**Less stores** (<7% store counts), **more sales** (connecting >70% inventory pool)” infrastructure
- Y Comprehensive relations with members by designated **Key Opinion Staff (KOS)** & **interesting contents (Exp)** as first step to elevate our services to consumers



Sports services and membership program

YYsports My ExP mini-program
(As of Mar 4, 2021, 6.9m ExP members out of >38m YY members)



WeChat stores



24-hr digital interface by designated KOS



YY Douyin

* WeChat store was launched in February 2020

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Future Target: Profitable Growth

2021 Target

- **Total revenue** growth in high-teens, with **omni-channel** contributing high-teens of total revenue
- **More in-season sales** and **more effective off-season** products sales through owned and 3rd party channels
- Integrating the **Service Hub model** into our strong brick and mortar stores foundation
- Turnaround of **emerging brands** and **licensee brands**
- **Operating margin** target: 7%



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

Appendix



Company Milestones



-
- 2020 ● Next Store launched in Hsinchu, Taiwan
- 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 USD)



	FY 2020		FY 2019		Y-o-Y
	US\$'000	%	US\$'000	%	+ / -
Revenue	3,709,231	100.00	3,932,965	100.00	-5.69%
Cost of Sales	(2,575,756)	-69.44	(2,591,280)	-65.89	-0.60%
Gross Profit	1,133,475	30.56	1,341,685	34.11	-15.52%
SG&A	(1,077,385)	-29.05	(1,178,146)	-29.96	-8.55%
Other Income & Expenses, net	39,702	1.07	49,397	1.26	-19.63%
Operating Profit	95,792	2.58	212,936	5.41	-55.01%
Finance Cost, net	(33,753)	-0.91	(34,598)	-0.88	-2.44%
Share of Results of JV	2,225	0.06	158	0.01	+1,308.23%
Other Gains and Losses	(1,545)	-0.04	(1,378)	-0.03	+12.12%
Income Tax	(17,147)	-0.46	(49,840)	-1.27	-65.60%
Profit for the Year	45,572	1.23	127,278	3.24	-64.19%
Profit Attrib. to Owners of PS	43,860	1.18	120,533	3.06	-63.61%

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