

波司登
BOSIDENG

2017/18 Annual Results

29 June 2018



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Agenda

- Financial Review
- Business Review
- Future Development Plan

Financial Review



Financial Highlights

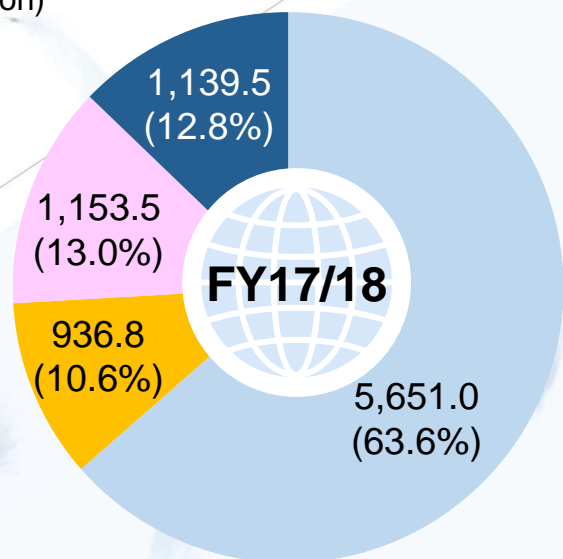
(RMB million)	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
Revenue	8,880.8	6,816.6	+30.3%
Gross profit	4,119.1	3,163.2	+30.2%
Profit from operations	923.4	660.0	+39.9%
Profit attributable to equity holders of the Company	615.5	391.8	+57.1%
Earnings per share (RMB cents)			
– Basic	5.82	4.22	+37.9%
– Diluted	5.80	4.22	+37.4%
Dividend per share (HKD cents)			
– Interim	1.5	1.0	+50.0%
– Final	3.5	0.5	+600.0%
– Special	2.5	-	N/A
– Full year	7.5	1.5	+400.0%

Ratios

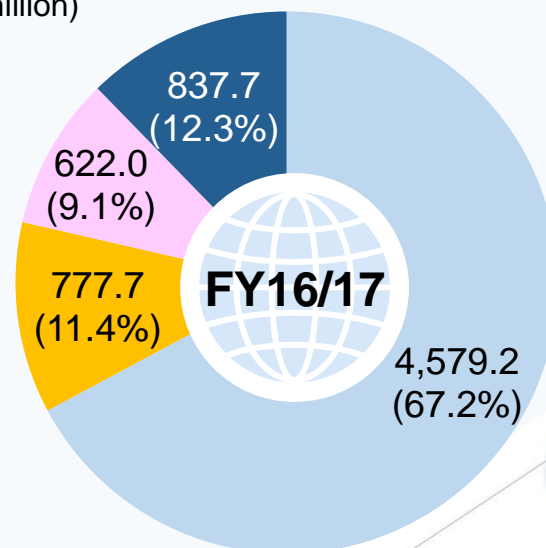
Gross margin	46.4%	46.4%	Unchanged
Operating margin	10.4%	9.7%	+0.7ppt.
Net margin	6.9%	5.7%	+1.2ppt.
Income tax rate	28.0%	35.6%	-7.6ppt.
Dividend payout ratio	107.7%	38.4%	69.3ppt.

Revenue Breakdown

RMB8,880.8 mn
(RMB million)



RMB6,816.6 mn
(RMB million)



■ Branded down apparels ■ OEM management ■ Ladieswear ■ Diversified apparels
(% of revenue)

- **The Group's revenue increased mainly due to:**

- revenue of down apparel business growth accelerated as the Group continued to promote product innovation, quality enhancement and brand rebuilding while capturing the market opportunities of consumption upgrade of apparel brands and stabilized development of apparel industry
- increase in orders from key customers in the OEM management business, growth in the existing business under its ladieswear brands, introduction of acquired ladieswear brands and increased contribution from the diversified apparels business

Revenue Breakdown by Business

Business (RMB million)	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
Branded down apparel	5,651.0	4,579.2	+23.4%
OEM management	936.8	777.7	+20.4%
Ladieswear	1,153.5	622.0	+85.4%
Diversified apparels	1,139.5	837.7	+36.0%
Total	8,880.8	6,816.6	+ 30.3%

Gross Margin

Business	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
Branded down apparel	51.5%	51.1%	+0.4 ppt
OEM management	17.3%	20.0%	-2.7 ppt
Ladieswear	76.4%	68.6%	+7.8 ppt
Diversified apparels	14.6%	28.7%	-14.1 ppt
The Group	46.4%	46.4%	Unchanged

Gross Margin – Branded Down Apparel

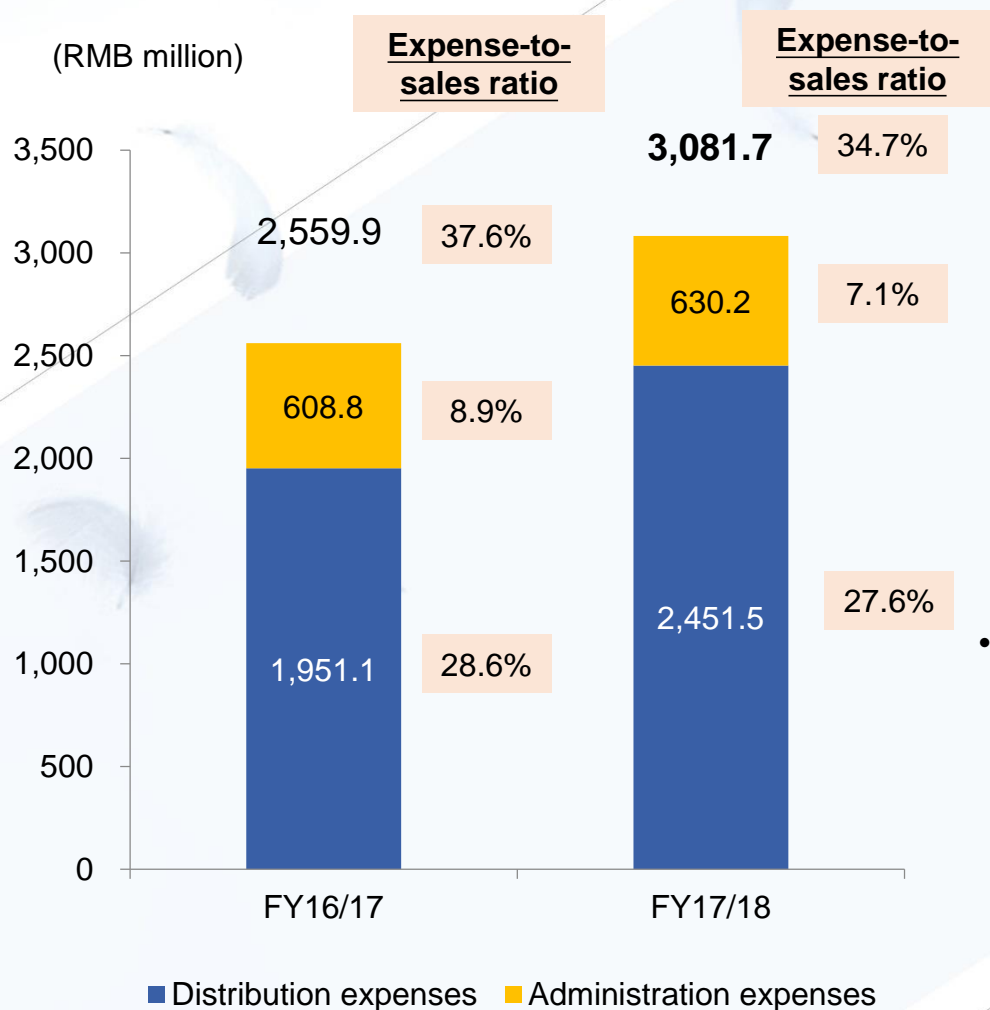
Branded Down Apparel	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
Bosideng	56.4%	53.6%	+2.8ppt.
Snow Flying	42.4%	47.4%	-5.0ppt.
Bengen	19.3%	28.4%	-9.1ppt.
Total	51.5%	51.1%	+0.4ppt.

Gross Margin – Ladieswear

Ladieswear	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
JESSIE	73.6%	73.7%	-0.1ppt.
BUOU BUOU	70.7%	63.0%	+7.7ppt.
KOREANO *	82.6%	-	N/A
KLOVA *	86.3%	-	N/A
Total	76.4%	68.6%	+7.8ppt.

* KOREANO and KLOVA became subsidiaries of the Group since April 2017.

Operation Expenditure



During the year during review, the Group's operation expenditure increased mainly due to:

- significant growth in down apparel business and non-down apparel business; and
- an appropriate increase in consultant expenses for the continuous advancement of the Group's strategic transformation
- the administrative expenses for acquisition increased correspondingly

- **Ratio of operation expenditure accounted for total revenue decreased mainly due to:**
 - faster growth of revenue than growth of operation expenditure
 - effective expenditure management and control

Inventories

(RMB'000)	As at March 31, 2018	As at March 31, 2017	Change
Raw materials	332,835	265,424	+25.4%
Work in progress	17,621	9,413	+87.2%
Finished goods	1,104,384	1,161,663	-4.9%
Total	1,454,840	1,436,500	+1.3%

Working Capital Management

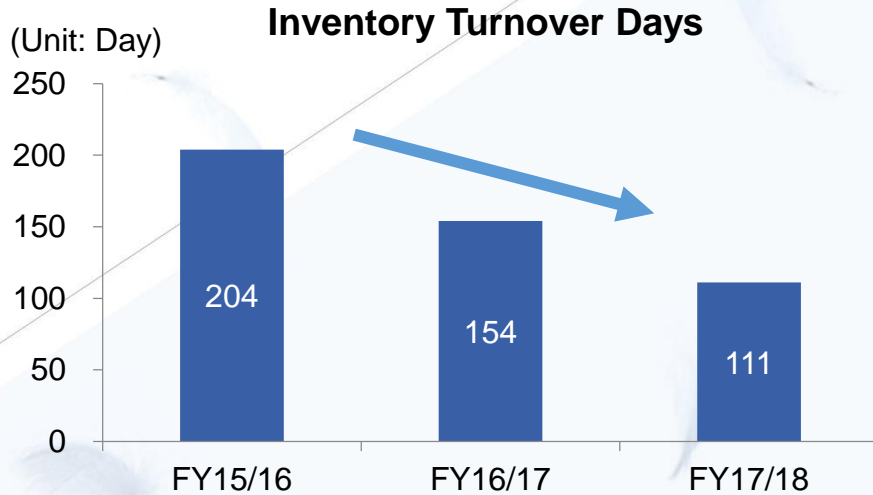
	For the year ended March 31, 2018	For the year ended March 31, 2017	Change
Average inventory turnover days⁽¹⁾	111	154	-43 days
Average trade and bills receivables turnover days⁽²⁾	33	39	-6 days
Average trade and bills payables turnover days⁽³⁾	39	47	-8 days

(1) Calculated as average inventory divided by cost of sales, multiplied by 365 days

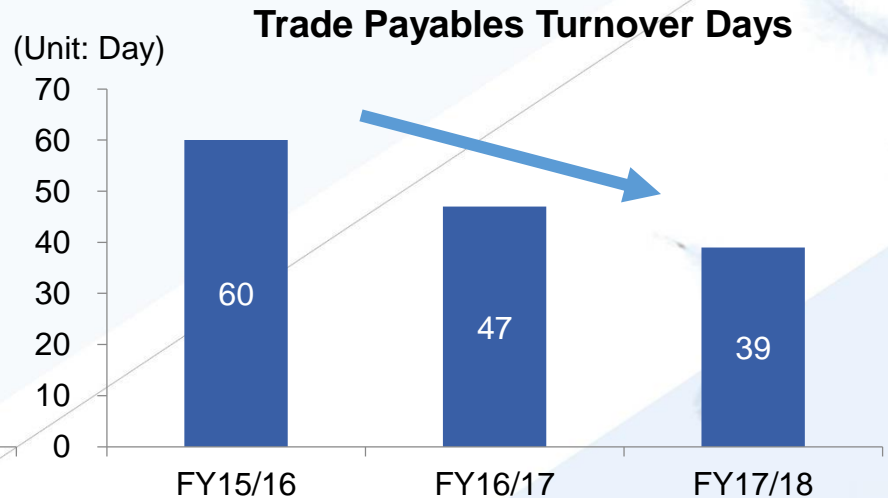
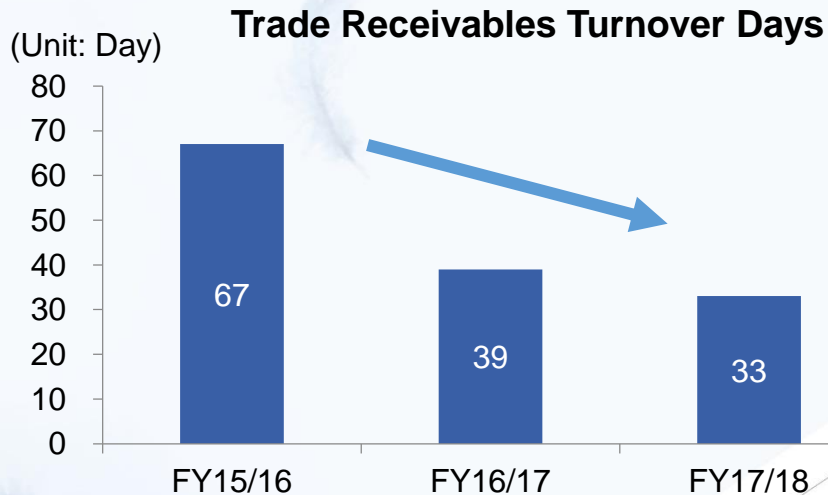
(2) Calculated as average trade and bills receivables divided by revenue, multiplied by 365 days

(3) Calculated as average trade and bills payables divided by cost of sales, multiplied by 365 days

Working Capital Management (con't)



- Significant improvement in inventory turnover with enhancing operations management;
- Gradual decrease in trade receivables turnover days, which is now at a low level;
- Abundant cash with consistently stable trade payables turnover days; did not owe capital to suppliers for long term in order to reduce merchandising cost



Total Cash and Net Cash

(RMB million)	As at March 31, 2018	As at March 31, 2017	Change
Cash and cash equivalents	1,794.1	2,835.00	-36.7%
Time deposits with maturity over 3 months	271.6	266.5	+1.9%
Pledged bank deposits	904.6	1,441.5	-59.3%
Available-for-sale financial assets	4,513.9	2,610.2	+42.2%
Total cash	7,484.1	7,153.2	+4.6%
Minus: Bank borrowings	(2,338.4)	(2,984.9)	-27.6%
Net cash	5,145.7	4,168.3	+19.0%

Cash Flow (con't)

(RMB million)	As at March 31, 2018	As at March 31, 2017
Net cash inflow/(outflow) from operating activities	1,032.7	1,109.2
Net cash inflow/(outflow) from investment activities	(1,863.9)	(1,577.2)
Net cash inflow/(outflow) from financing activities	(183.2)	265.6
Net increase/(decrease) in total cash	(1,014.4)	(202.4)
Liquidity (times)	2.5x	2.4x
Gearing ratio(%)	23.9%	31.9%

- Operating activities: including inventory, trades and other receivables, prepayment, etc.
- Investment activities: including acquisition/sale of financial assets, other financial assets, fixed assets, etc.
- Financing activities: including financing, dividends, pledged bank deposits, etc.

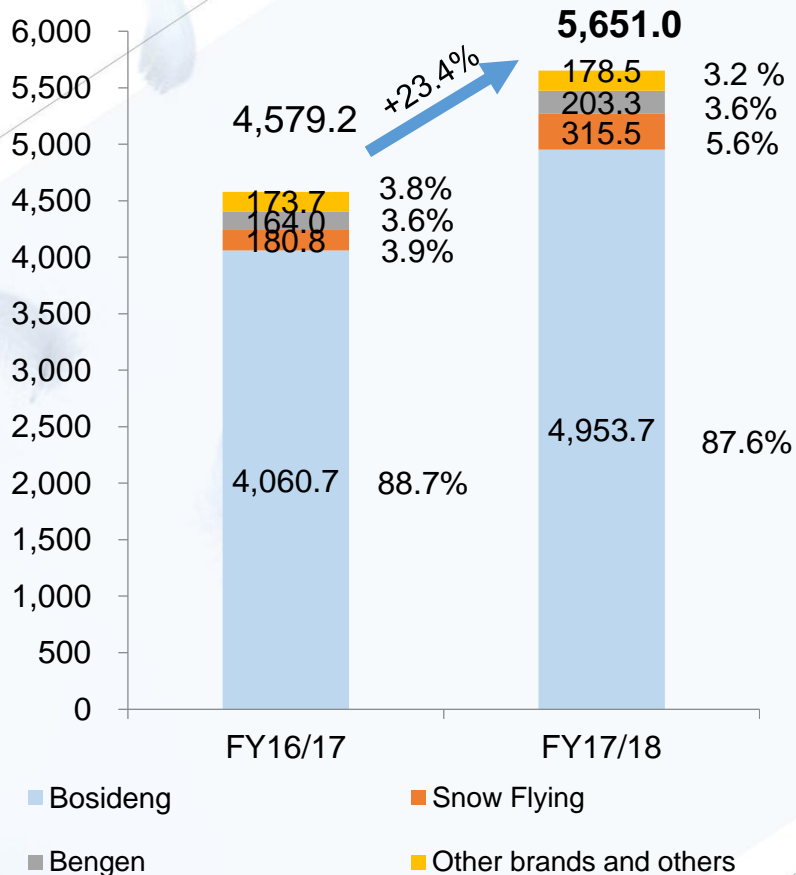
Business Review



Down Apparel Business

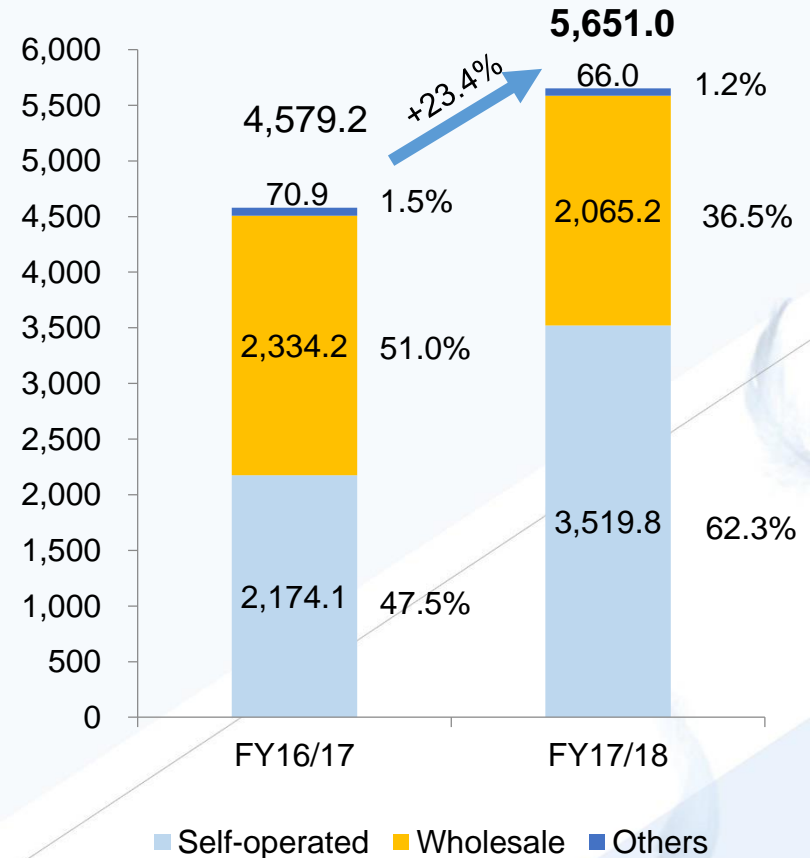
Revenue breakdown by brand

(RMB million)



Revenue breakdown by sale category

(RMB million)



R&D of Products

Anti-Cold series

- Working with IQIYI.COM, a leading video website in China, the Group became the title sponsor of Run! Gaiason (翻滚吧！地球), a documentary film which describes the life under an extreme temperature of -30°
- Perfect blend of the products with the film created widespread appreciation and brought hot sales to the Anti-Cold series with an overall sell-through rate of over 90%



Wind Breaker series

- Achieved an excellent balance between the function of heat preservation and a fashionable, slim design which has won the favor of consumers



Disney series

- With a breakthrough in material selection, design, cutting and innovation, customized printing, attachment of ribbons and etc., the series fully demonstrates the elements of Disney
- Number of Disney promotional stores has increased to 306 stores nationwide from 42 stores in the last financial year



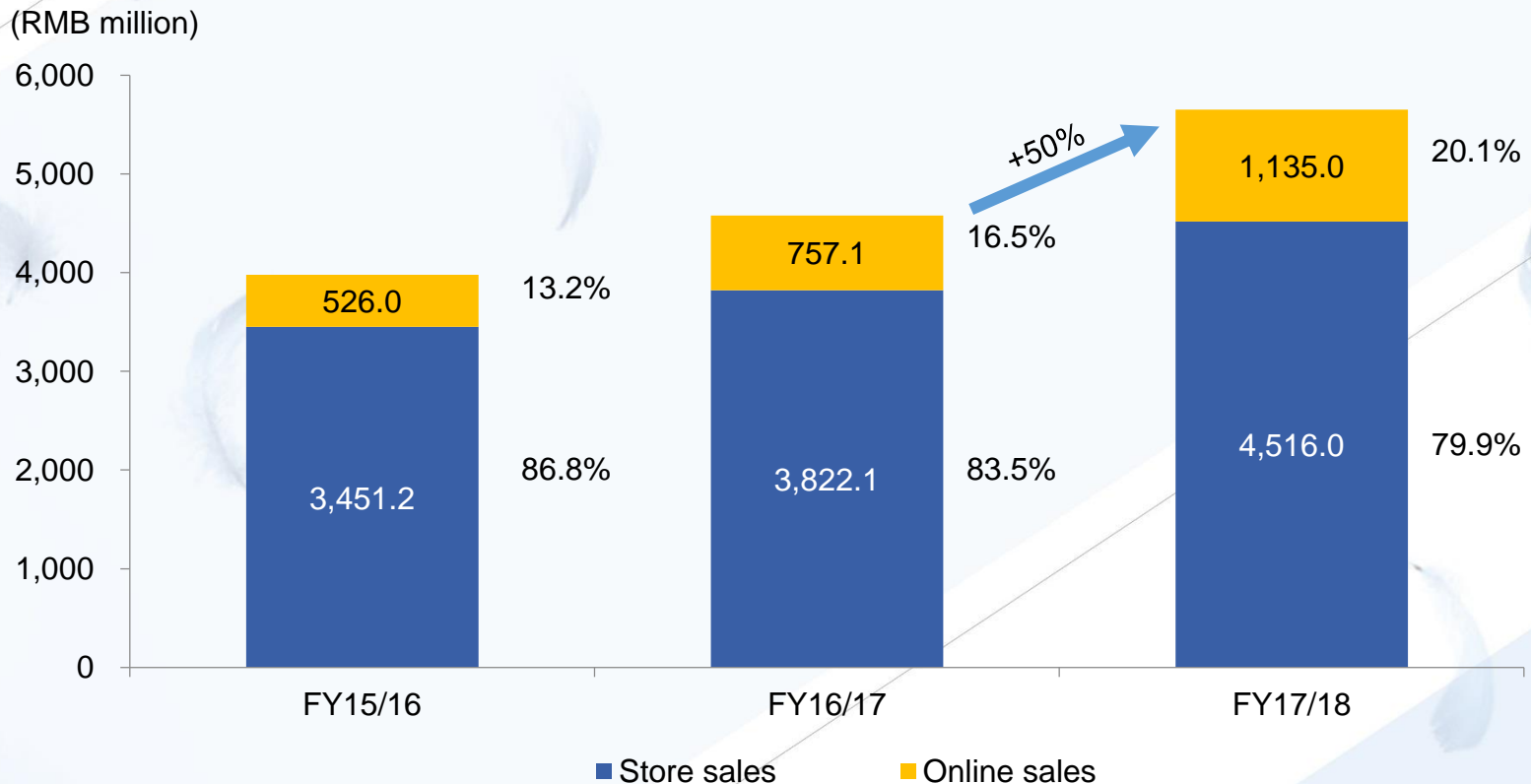
Brand Promotion

- During the Singles Day Festival (Double 11), we launched crossover with the nine finalists at The Rap of China (《中国有嘻哈》) through pre-sale online, which attracted a snap-up
- Created our own MV 《潮级暖的波司登》 and made broadcasting via various channels, the online activities during Double 11 brought a revenue of RMB568 million
- Developed our own traffic base through the model of “General Membership Management”, which maintains social interaction via Wechat to gain in-depth understanding of needs of consumers by providing offline and online marketing services exclusively for members
- In 2017, the Group had over 7.7 million members which brought a significant increase in retail sales and recurring purchases as compared to that for the previous year



Online Sales

- Online sales revenue from branded down apparel business for the year amounted to approximately RMB1,135.0 million, representing 20.1% of aggregate revenue from the branded down apparel business, with a year-on-year growth of approximately 50%
- Proportion of online sales revenue from branded down apparel business gradually increased to 13%, 17%, 20% in the recent 3 years



Retail Network

As at March 31, 2018	<i>Bosideng</i>		<i>Snow Flying</i>		<i>Bengen</i>		Total	
	Store	Change	Store	Change	Store	Change	Store	Change
Specialty stores								
By the Group	552	+100	7	-35	6	+6	565	+71
Third party distributors	1,743	-18	170	+110	403	+92	2,316	+184
Sub-total	2,295	+82	177	+75	409	+98	2,881	+255
Concessionary retail outlets								
By the Group	646	-72	187	+25	25	+25	858	-22
Third party distributors	396	-65	80	+13	251	-7	727	-59
Sub-total	1,042	-137	267	+38	276	+18	1,585	-81
Total	3,337	-55	444	+113	685	+116	4,466	+174

Change: as compared to that as of March 31, 2017.

Operations Management

Order Management

Regulated and adjusted order mix
Order subject to timely adjustment to market changes

Quality Quick-response System

Strengthened development of competitiveness of supply chain
Achieve production for 40% of goods ordered

Inventory Management

Returned to a healthy level
Implement a three-year product clearance policy

Development of IT system

Established Bosideng innovative retail management cloud platform
Named "Pilot enterprise for Integration of Informatization and Industrialization Management System 2017"

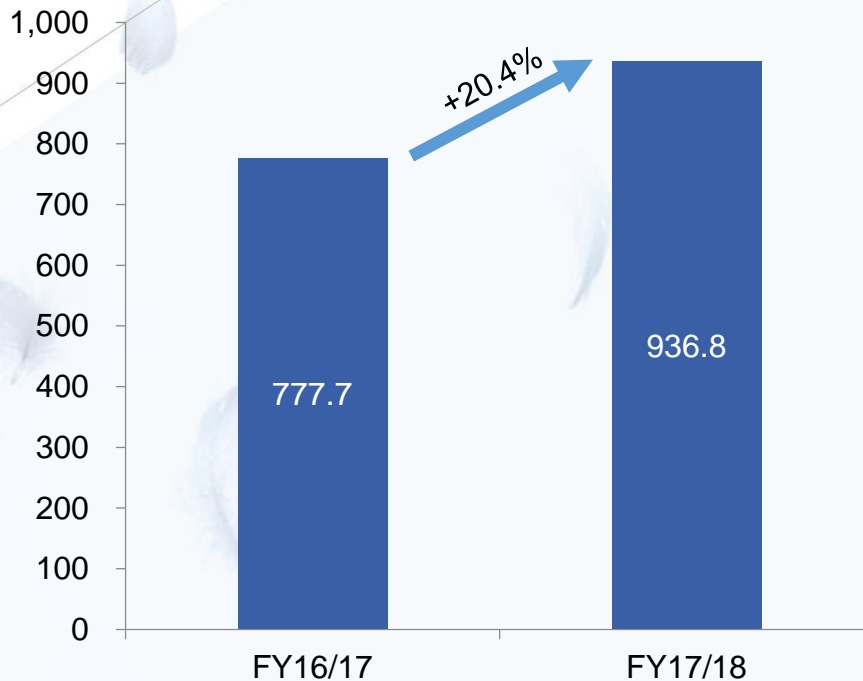
Logistics and Delivery

Renovated the Smart Delivery Centre in Changshu
Established Southwest Region branch warehouse in Chengdu

OEM Management Business

Revenue from OEM management business

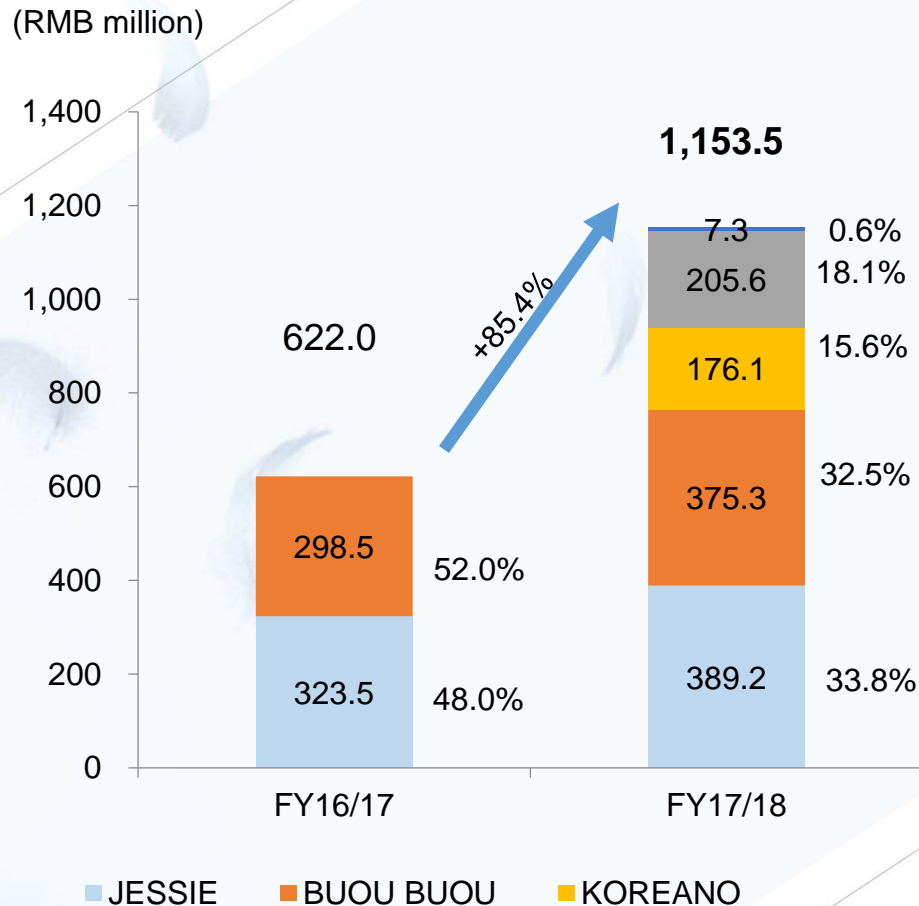
(RMB million)



- Increase of sales was mainly attributable to:
 - Further automatic, standardized and intelligent production development across factories, which enhanced productivity and quality of products
 - Mobilizing key resources to the existing key OEM clients and negotiate medium-to-long term planning of developing, which brought significant increase in orders from major customers

Ladieswear Business

Revenue by brand



- Revenue from the Group's ladieswear business recorded a significant increase, mainly due to the maintained good momentum of growth in the four major ladieswear brands JESSIE, BUOU BUOU, KOREANO and KLOVA

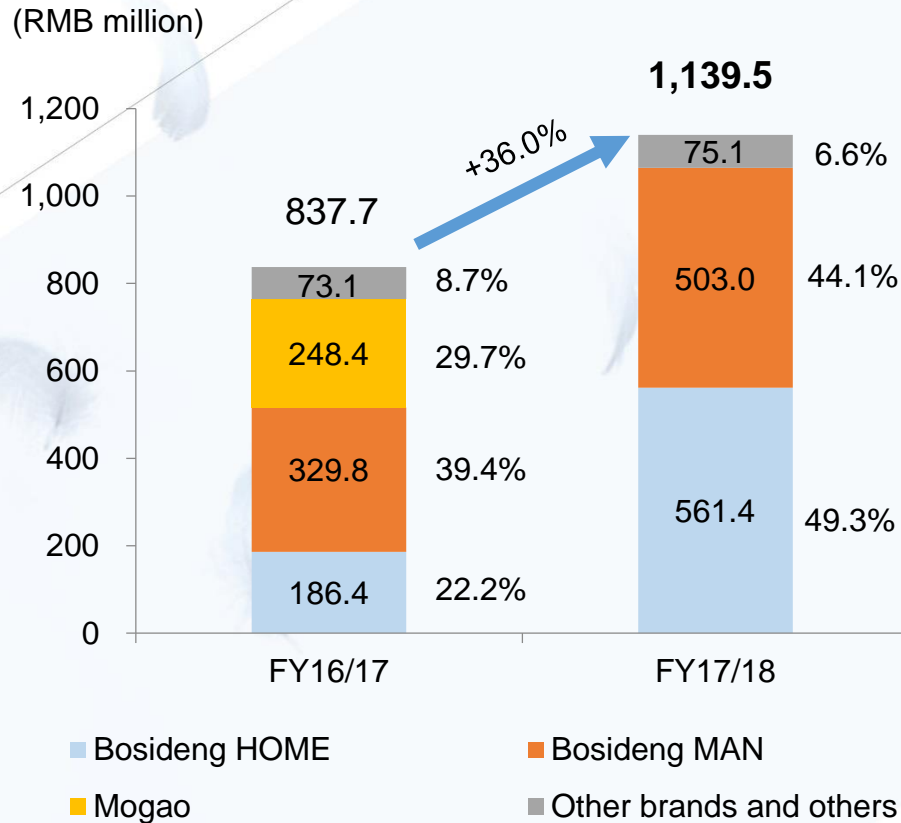
Retail Network

As at March 31, 2018	JESSIE		BUOU BUOU		KOREANO	KLOVA	Other	Total	
	Store	Change	Store	Change	Store	Store	Store	Store	Change
Specialty stores									
By the Group	4	+1	19	+5	–	–	–	23	+6
Third party distributors	23	-	13	+7	–	–	–	36	+7
Sub-total	27	+1	32	+12	–	–	–	59	+13
Concessionary retail outlets									
By the Group	109	+3	120	-19	57	66	6	358	+113
Third party distributors	67	+3	34	-26	-	-	4	105	-19
Sub-total	176	+6	154	-45	57	66	10	463	+94
Total	203	+7	186	-33	57	66	10	522	+107

Change: as compared to that as of March 31, 2017.

Diversified Business

Revenue by brand



- Revenue increased significantly as benefited from an increase in the value of Bosideng brands and improvement in operating efficiency of retail outlets for Bosideng MAN and Bosideng HOME

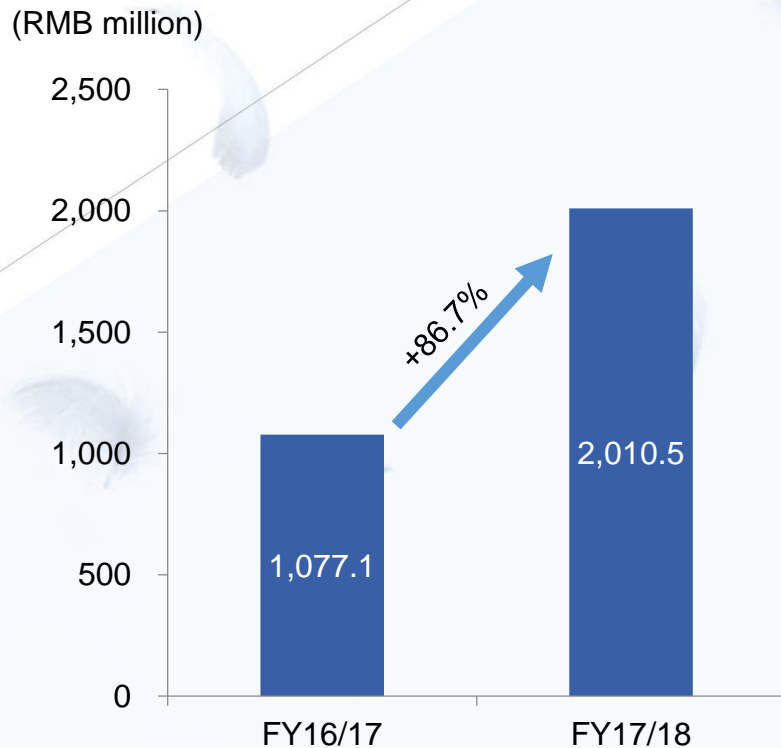
Retail Network

As at March 31, 2018	<i>BOSIDENG HOME</i>	<i>BOSIDENG MAN</i>		Total	
	Store	Store	Change	Store	Change
Specialty stores					
By the Group	21	84	+8	105	+29
Third party distributors	51	88	-77	139	-26
Sub-total	72	172	-69	244	+3
Concessionary retail outlets					
By the Group	4	47	+1	51	+5
Third party distributors	19	63	-13	82	+6
Sub-total	23	110	-12	133	+11
Total	95	282	-81	377	+14

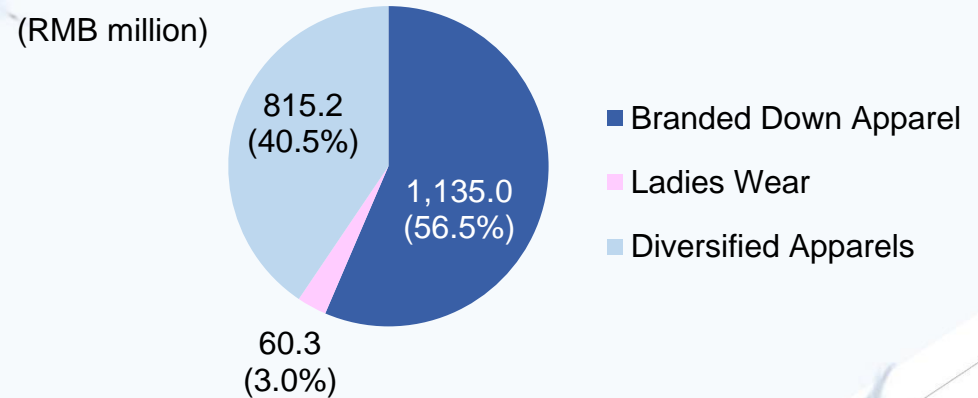
Change: as compared to that as of March 31, 2017.

Online Sales

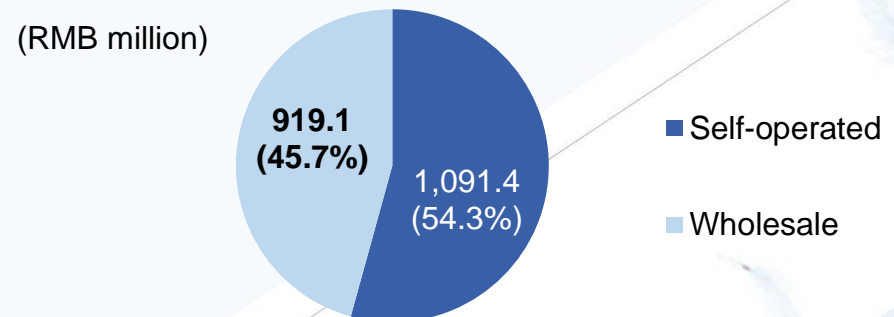
Online Sales Revenue



Revenue by business type



Revenue by sale category



- The Group will continue to increase the investment in its online business and strengthen the proportion of online sales, while facilitating the integration of its online and offline businesses, so as to continuously enhance consumers' shopping experience.

Future Development Plan



Future Development Plan

Down apparel business

- Position as “expert in best sellers of down apparel around the world”
- Mobilize premium resources to comprehensively rebuild Bosideng brand series to continuously enhance influence and performance of its brands

OEM management business

- Continue to extend the strategic cooperation with its existing key OEM customers as well as increase its investment in upgrading of equipment and environmental protection
- Make reasonable use of ITOCHU’s resources to enhance techniques and skills across the factories in Southeast Asia

Fashionable ladieswear business

- Improve efficiencies of its internal operation and management
- Integrate its ladieswear resources to improve the synergy effects, and expand premium channels appropriately

Diversification

- Launch new plans for the development of its menswear, underwear and homewear businesses
- Expand school uniform business through existing sales channels
- Actively extend its research to children’s wear and outdoor apparel, etc.

Focus on principal business while offering diversified products

Proceed with the JVs to upgrade OEM management business

Explore potential brands to further develop the platform

Launch new plans to achieve sustainable development

Thank you!

