

# SUN ART

*Retail Group Limited*

高鑫零售有限公司

Stock code: 6808

*Advance Phygital  
Development across China*

2018 Interim Results Announcement



# Agenda



**Speakers**



**Business Review**



**Operating Environment**



**Financial Review**



**Business Strategy**



**Q&A**

# Speakers



**Ludovic Holinier**

Executive Director and  
Chief Executive Officer



**Peter Huang**

Chairman of  
RT-Mart China



**Jean Chausse**

Chief Financial Officer



**Nelson Hsu**

Chief Financial Officer  
of RT-Mart China



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## Business Review



# Business Review – Mortar Stores

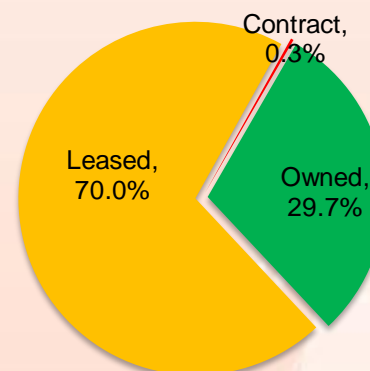


In 2018H1, the Group has opened 11 new stores,  
As of 30 June 2018, 472 hypermarkets and supermarket

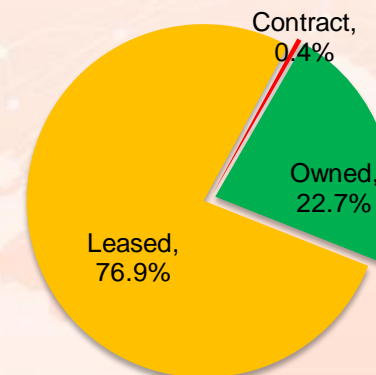


Region	No. of stores (as of 30 June 2018)			GFA (sqm) (as of 30 June 2018)		
			Total			Total
Eastern China	51	139	190	2,067,785	3,357,136	5,424,921
Northern China	5	44	49	151,064	1,089,868	1,240,932
N-Eastern China	1	49	50	32,033	1,361,428	1,393,461
Southern China	5	80	85	124,523	1,956,204	2,080,727
Central China	10	65	75	293,766	1,618,641	1,912,407
Western China	5	18	23	223,839	426,148	649,987
<b>Total</b>	<b>77</b>	<b>395</b>	<b>472</b>	<b>2,893,010</b>	<b>9,809,425</b>	<b>12,702,435</b>

GFA breakdown



Store no. breakdown



- Covering **228** cities cross **29** provinces, autonomous regions and municipalities
- Secured **56** sites to open hypermarket complexes, of which **48** were under construction

# Business Review

## *Digital Transformation of Bricks-and-Mortar Stores & Taoxiaoda Project*

- Digital transformation of bricks-and-mortar stores is one out of three key strategies of SUN ART in 2018
- Timeline of deployment: 2 pilot stores have commenced in March, 8 in April, 47 in May and 108 in June. As at the end of June 2018, 165 stores have rolled out the project. All stores are expected to launch the project by year end
- Taoxianda provides 1-hour delivery within 3-kilometer of designated stores
- Number of SKUs: approximately 10,000 SKUS including fresh, FMCG products and daily necessities
- Sales proportion of fresh products accounted for 55%~60%
- User's profile: female users accounted for 70%, nearly 40% users are young generation at the age of 20~30 years old
- Through Taoxiada project, the fresh products will be upgraded and adjusted and will in particular to meet the needs of young customers





# Business Review

**SUN ART**  
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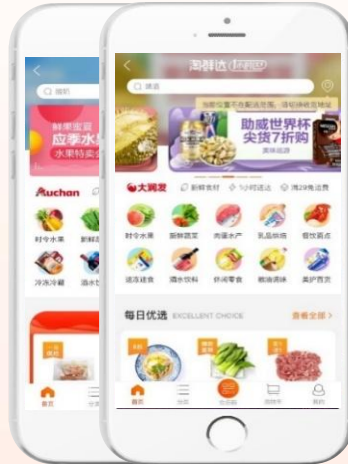
高鑫零售有限公司

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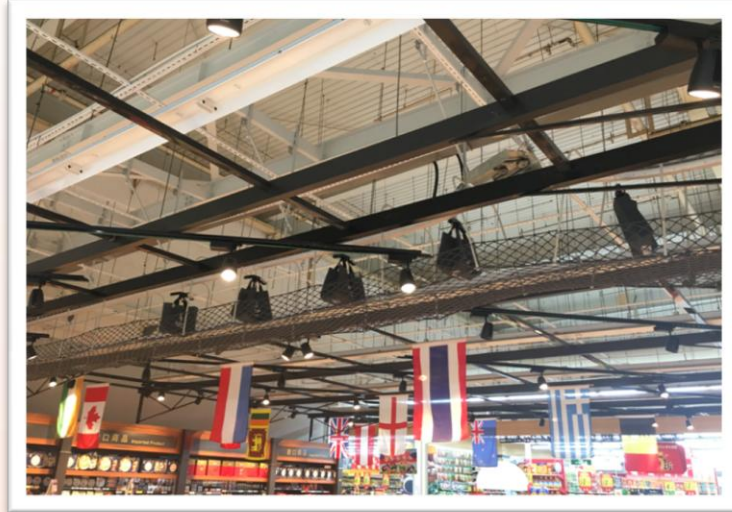
## Digital Transformation of Bricks-and-Mortar Stores & Taoxiaoda Project



Home page of Taobao APP



Version of Taoxianda page



## *Reposition of Hypermarket – Electronic Appliance*

### **Strategic Collaboration with Suning**

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- Redefinition of Hypermarket – We hope to become the expert in the field of each category in the hypermarket
- Therefore, a deep collaboration with Suning has been carried out in electronic appliance section which is in the form of consignment, to provide more professional products and services
- Opening plan: 287 stores under the RT-Mart banner are expected to complete the renovation before “8.18 Suning Festival”, the completion of the rest of the stores under the RT-mart banner will be finalized by the end of September
- On 27<sup>th</sup> July, 3 Nanjing stores have commenced the operation, the sales of the first 3 days have achieved RMB3.66 million and the result is over expectation
- Target to double the sales during the “8.18 Suning Festival”



# Business Review

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## Reposition of Hypermarket – Electronic Appliance Section



## Reposition of Hypermarket – Daily Necessities

### Taobao Xinxuan

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- The introduction of Taobao Xinxuan will upgrade and adjust the product range of daily necessities in RT-Mart stores
- On 28<sup>th</sup> June 2018, first pilot store has opened in RT-Mart Yangpu store with an area of more than 200 square meters
- First pilot store under the Auchan banner will be opened by the end of August
- Taobao Xinxuan exists as Taobao's private label
- Positioning: products which are well-designed, practical and value for money
- User's profile: female users accounted for 60%, the majority component is young customers aged from 25-year-old to 35-year-old with high purchasing power
- In the future, daily necessities will further upgrade the consumption and expand the selection by providing more private label products which are value for money





# Business Review

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## Reposition of Hypermarket – Daily Necessities



# Business Review

## Development of Multi-format and Omni-Channel

### He Xiao Ma

- One strategy in respect of the development of multi-format and omni-channel
- Leverage the advantages of RT-Mart's supply chain and Alibaba's technology and traffic
- Positioning: stores will be expanded in tier 4 and tier 5 cities, 500~3,000m<sup>2</sup>
- Expansion pattern will focus on franchise
- Expansion plan: already expanded 2 stores, expect to open 25 stores by the end of 2018

### Auchan Minute



- One strategy in respect of the development of multi-format and omni-channel
- Leverage the advantage of the supply chain of Auchan
- More convenient and closer to the customers with more shopping scenarios
- 270 boxes have been rolled out and 500 boxes will be deployed by year end





# Business Review

## Development of Multi-format and Omni-Channel - He Xiao Ma



## B2B business

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- As at the end of June 2018, the revenue generated from B2B achieved RMB2.5 billion, which has exceeded the full year revenue generated from B2B of 2017, accounted for more than 4% of total sales of goods
- The number of registered member is 400,000; currently providing 18,000 SKUs
- The deployment of B2B business to all stores under the Auchan banner has been completed by the end of July this year

## Joint Procurement with Hema

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- Share the advantage of Hema's supply chain and upgrade the fresh products
- At present, the products of "Daily Fresh" ("日日鲜") and DIFRESCO ("帝皇鲜") have been introduced in Eastern China, covering milk, vegetable, meat and seafood
- More cooperation will be expected in the future



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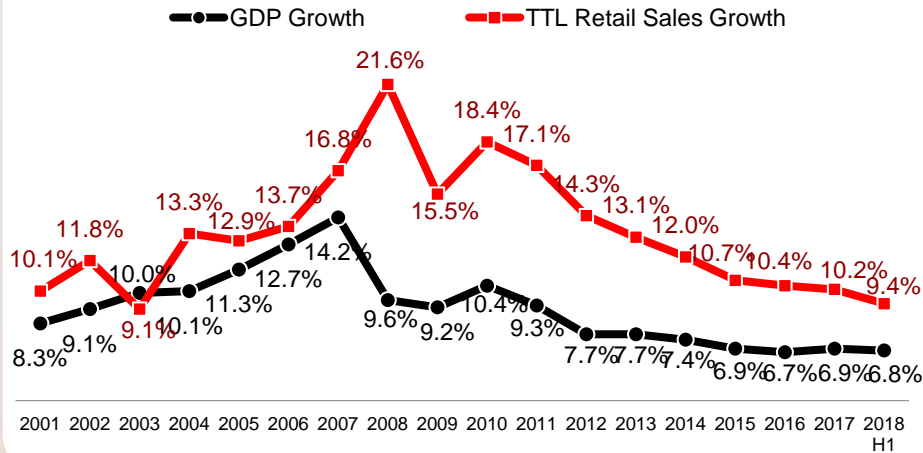
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## Operating Environment

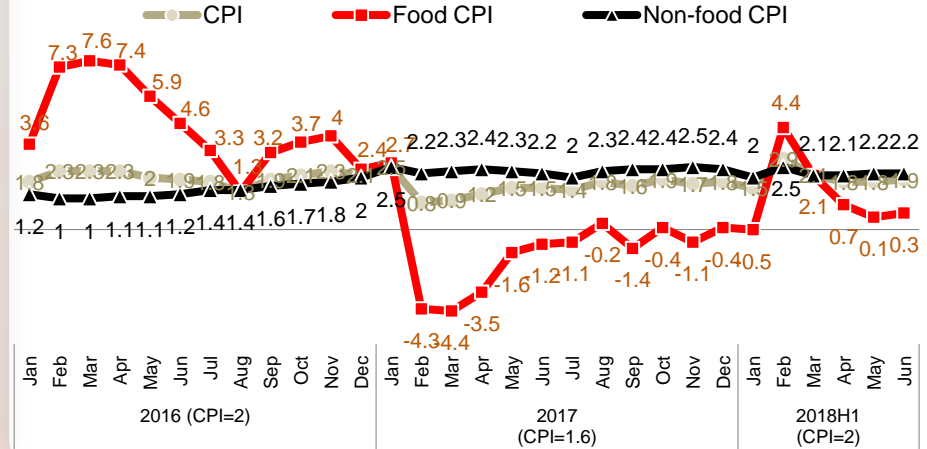


# Operating Environment

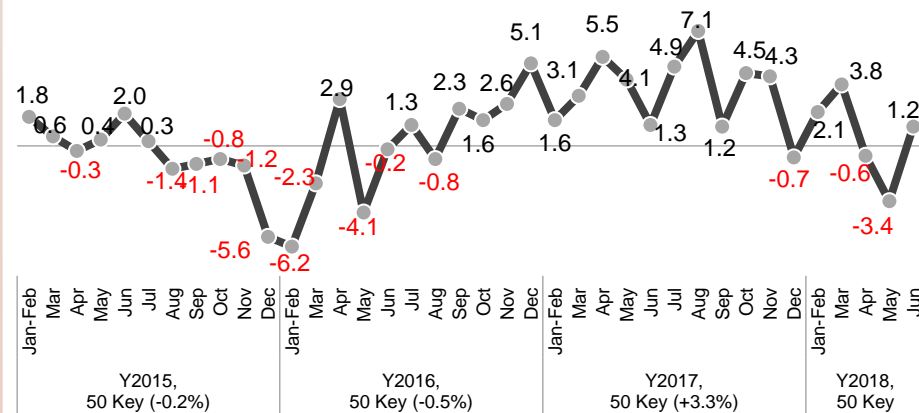
(1) Growth of GDP  
& Total Retail Sales of Consumer Goods



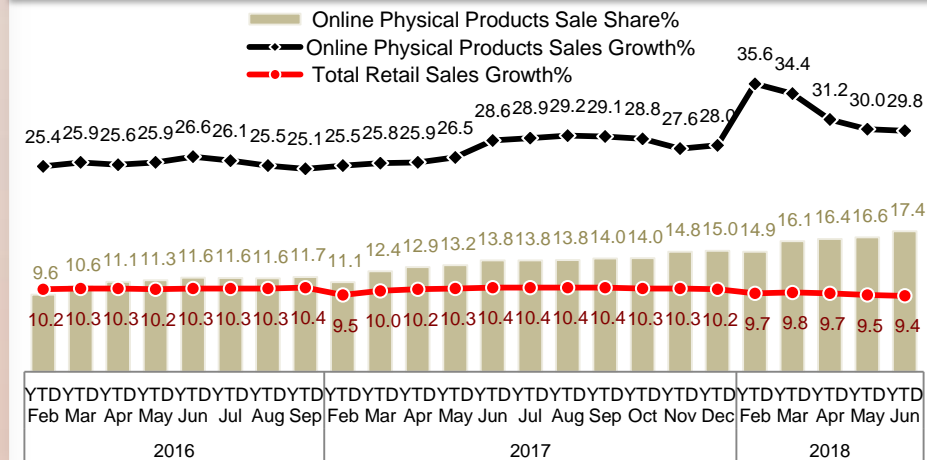
(2) 2018H1: CPI 2%  
(Food CPI 1.2%, Non Food CPI 2.2%)



(3) Downtrend of 50 Key Retailers Sales Growth



(4) Online physical products sales accounted for 17.4%  
of total retail sales in 2018H1, up by 29.8%





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## Financial Review



# Financial Highlights

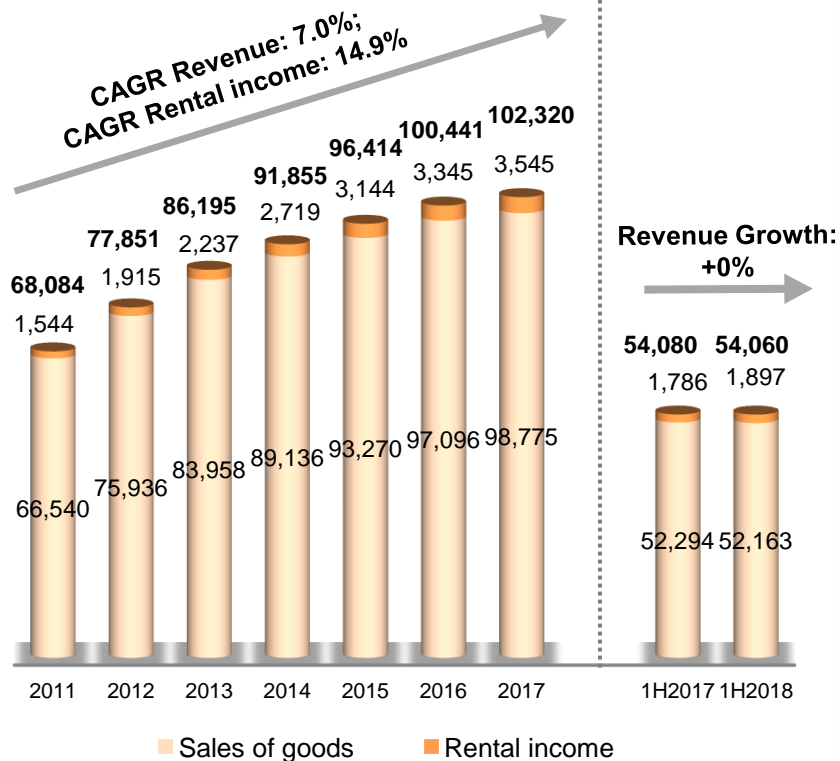
For the six months ended 30 June (RMB in million)	2017	2018	Change
Revenue	54,080	54,060	-0.0%
Gross Profit	12,582	12,922	2.7%
Gross Profit Margin	23.3%	23.9%	+ 60 bps
Profit from Operations	2,925	2,699	-7.7%
Operating Margin	5.4%	5.0%	- 40 bps
Profit for the period	1,898	1,914	0.8%
Net profit margin	3.5%	3.5%	+ 0 bps
Profit attributable to equity shareholders	1,757	1,758	0.1%
Earnings per share -Basic and diluted (RMB) <sup>(1)</sup>	0.18	0.18	

(1) The calculation of basic and diluted EPS for the six months ended 30 June 2018 and 2017 is based on the weighted average number of 9,539,704,700 ordinary shares in issue during the year.

# Financial Highlights

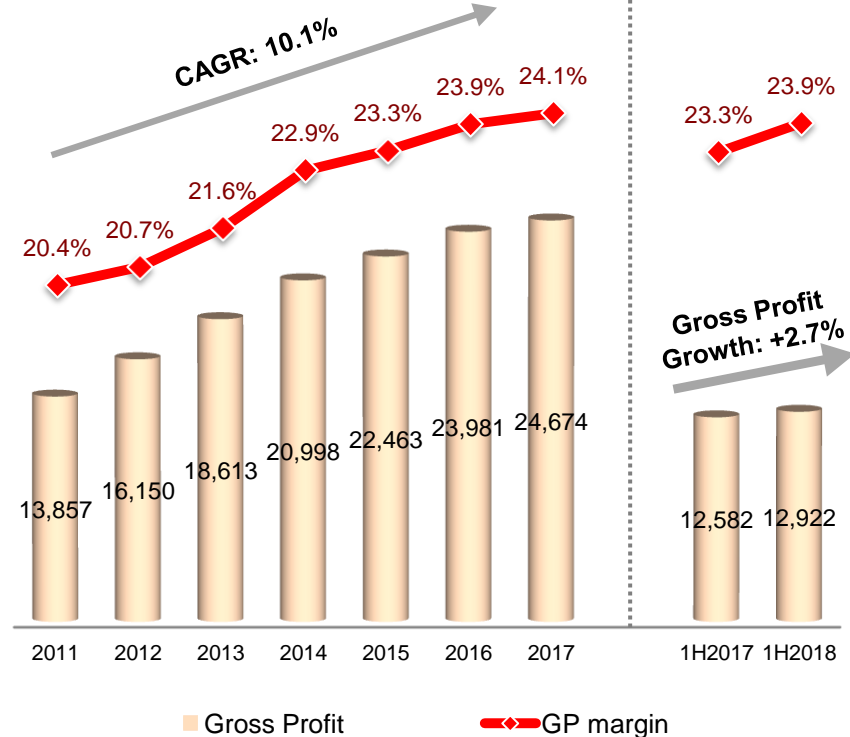
## Revenue

RMB (million)



## Gross Profit & Margin

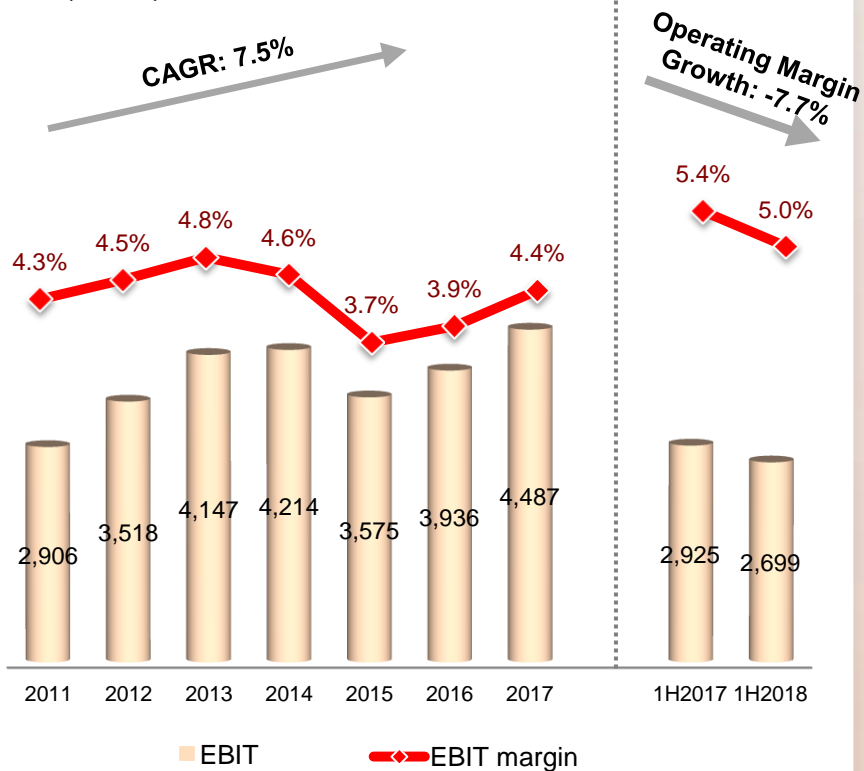
RMB (million)



# Financial Highlights

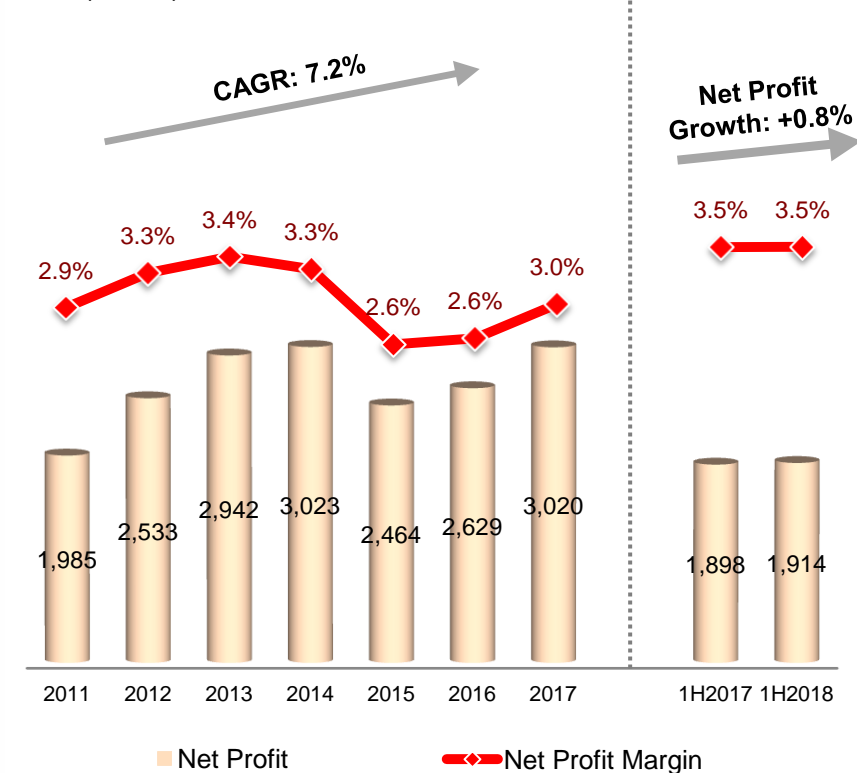
## Operating Margin

RMB (million)



## Net Profit<sup>(1)</sup> and Margin

RMB (million)



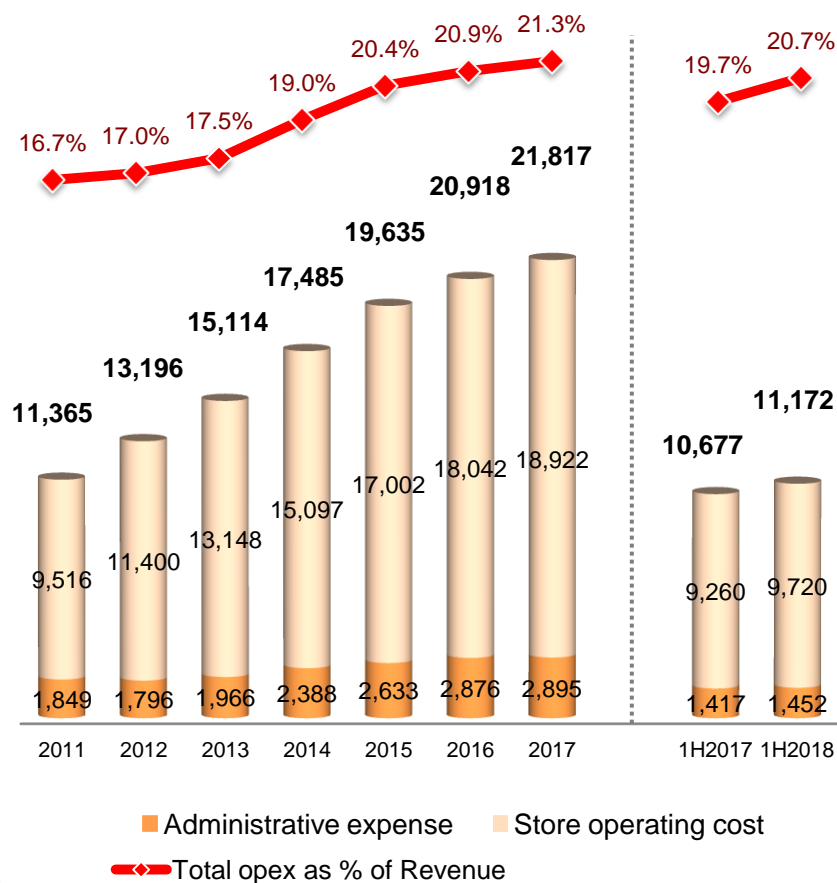
Note: (1) Showing profit for the year, i.e. including the non-controlling interests



# Financial Highlights

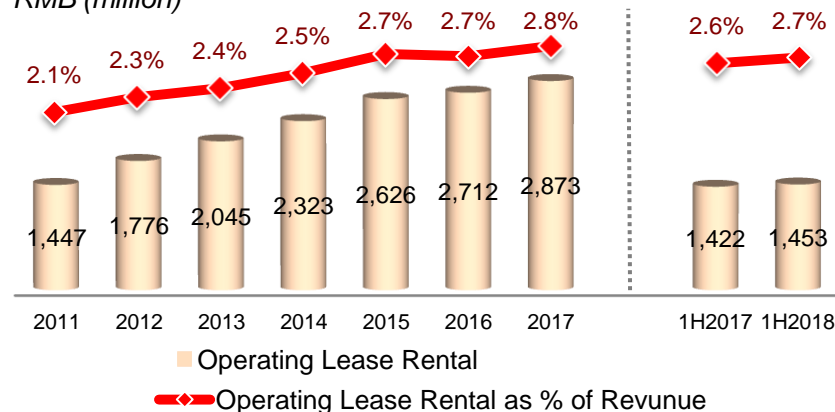
## Expenses

RMB (million)



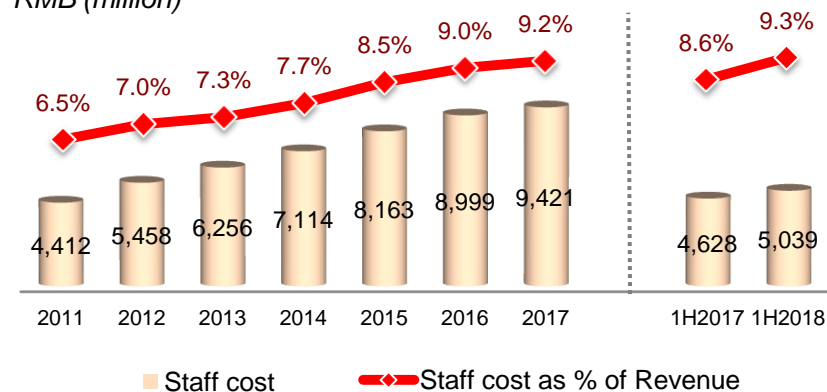
## Operating Lease Charges

RMB (million)



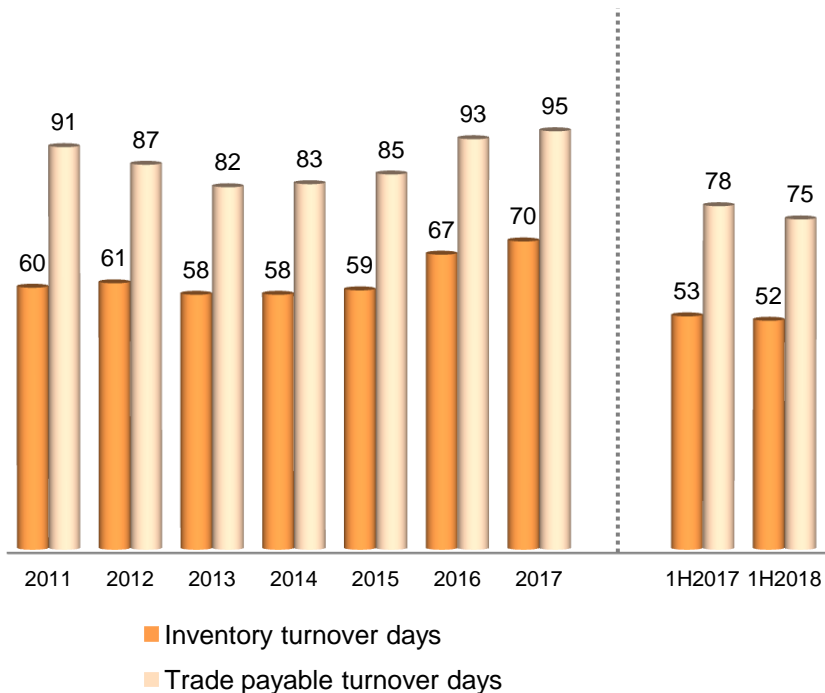
## Staff Cost

RMB (million)



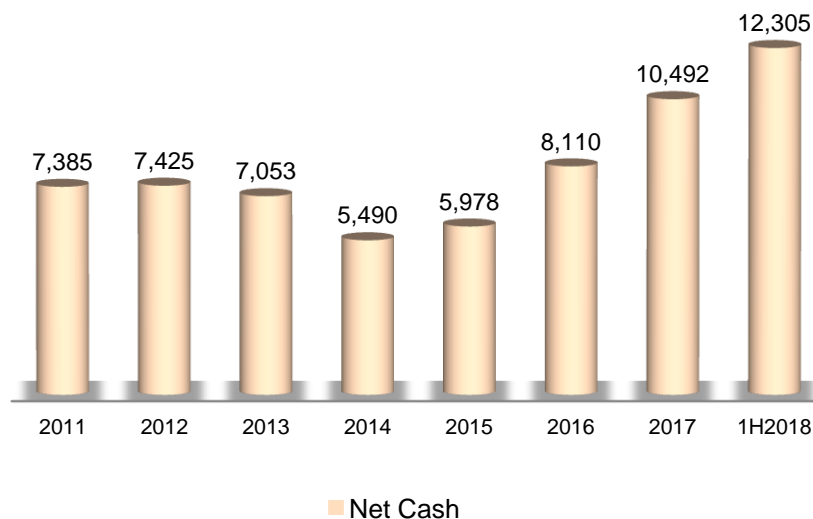
# Balance Sheet

## Working Capital Days



## Net Financial Position

RMB (million)



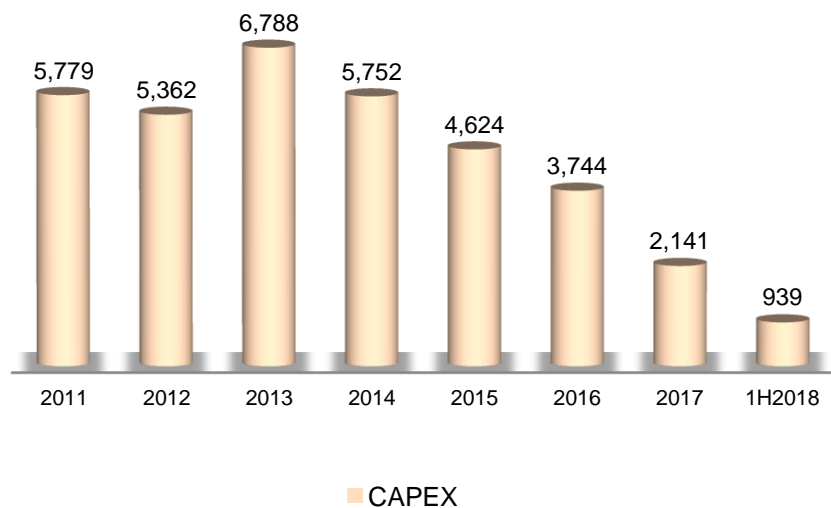
### Note:

- (1) Turnover days of inventory is calculated as the average inventory for the year, divided by cost of inventories charged to P/L for the year, and multiplied by 365 days for 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 180 day for 2018H1.
- (2) Turnover days of accounts payable is derived by dividing the average of opening and closing balances of trade payables, for the relevant year by cost of inventories charged to P/L and multiplying by 365 days for 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 180 day for 2018H1.
- (3) Turnover days of accounts receivable is insignificant for the Company. It is derived by dividing the arithmetic mean of opening and closing balances of trade receivables, for the relevant period by turnover and multiplying by 365 days for 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 180 day for 2018H1.
- (4) The balance of net financial position is calculated as the sum of cash and cash equivalents and investment and time deposits minus bank loans.

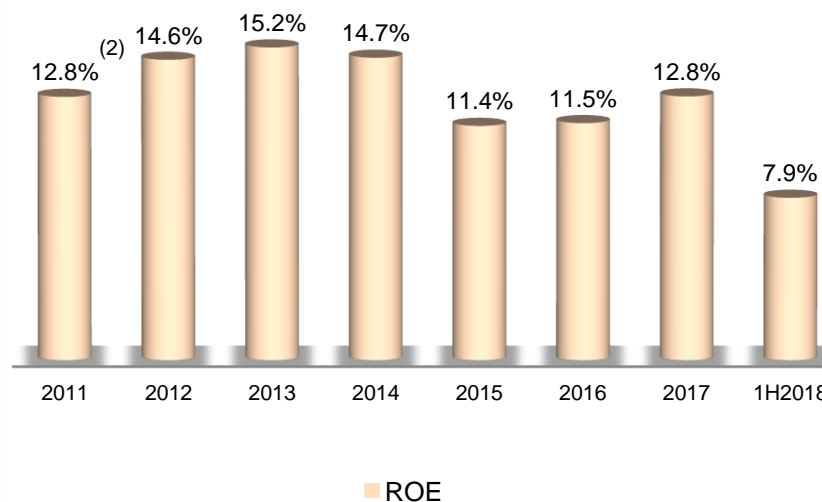
# Investment Return

## CAPEX

RMB (million)



## ROE<sup>(1)</sup>



Note:

(1) ROE is calculated by dividing net profit for the year by total equity amounts as at the end of the year

(2) Excluding effect of initial public offering of equity, ROE for 2011 is 25.2%

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## Business Strategy





# 3 Priorities & 2 Necessities

Develop new format



Reinvent hypermarket



O2O



Common back office



Get the best team



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## Q&A

