



# Bosideng International Holdings Limited

3998.HK

2012/13 Annual Results  
Corporate Presentation

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# Agenda

-  **Financial Review**
-  **Business Review**
-  **Development Plan**

# Financial Review

# Financial Highlights

	<i>For the year ended March 31</i>		Change
(RMB mn)	<b>2013</b>	<b>2012</b>	<b>(%)</b>
Revenue	9,324.5	8,376.1	11.3
Gross profit	4,720.5	4,188.6	12.7
Profit from operations	1,271.7	1,621.4	(21.6)
Profit before tax	1,456.9	1,721.7	(15.4)
Profit attributable to equity holders of the Company	1,078.7	1,436.6	(24.9)
Earnings per share (RMB cents)			
– Basic and diluted	13.55	18.29	(25.9)
Dividend per share (cents)			
– Interim	RMB4.9/HKD6.0*	RMB3.8	28.9
– Final	RMB5.2/HKD6.5#	RMB9.8	(46.9)
– Full year	RMB10.1/HKD12.5	RMB13.6	(25.7)

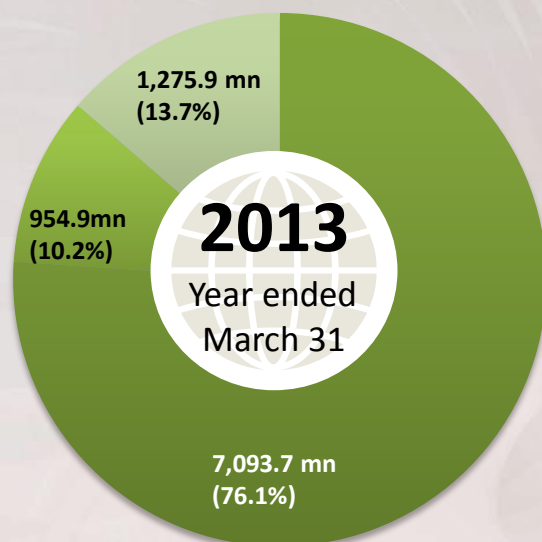
Profitability ratios			
	<i>For the year ended March 31</i>		Change
	<b>2013</b>	<b>2012</b>	
Gross profit margin (%)	50.6	50.0	0.6pp
Operating margin (%)	13.6	19.4	(5.8pp)
Net margin(%)	11.6	17.2	(5.6pp)
Effective tax rate (%)	27.8	15.7	12.1pp

\* Based on the exchange rate of The People's Bank of China on November 23, 2012

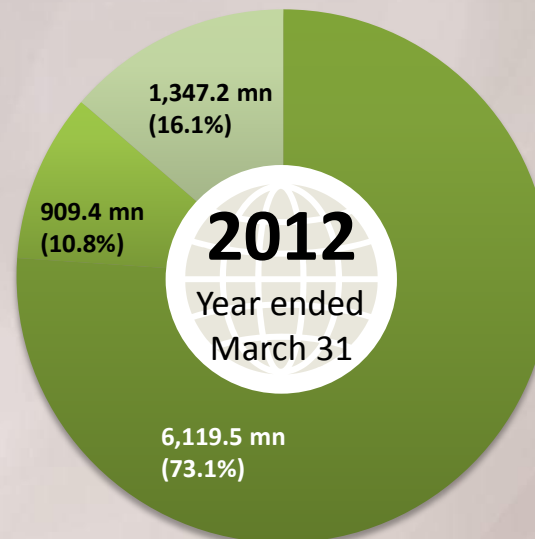
# Based on the exchange rate of The People's Bank of China on June 19, 2013

# Revenue Analysis

Revenue: RMB9,324.5mn



Revenue: RMB8,376.1 mn



■ Branded down apparel   ■ OEM Management   ■ Non-down apparel

## Down apparel:

- Fueled by volume growth, revenue grew by 15.9%

## OEM management:

- Full utilization of the Group's resources during the off-peak season period of down apparel

## Non-down apparel:

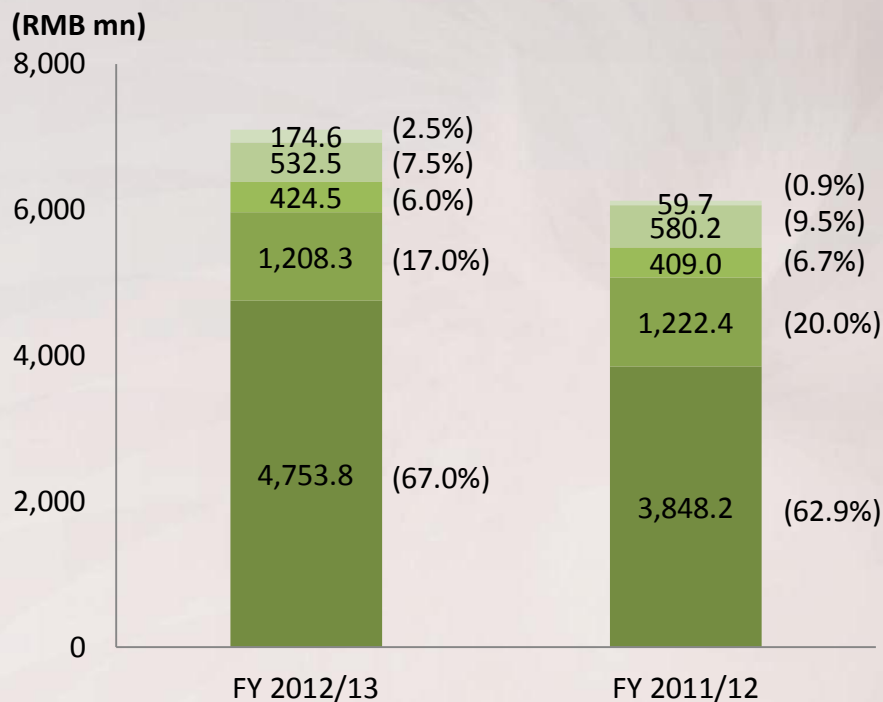
- Revenue dropped 5.3% due to declined domestic demand and close down of underperforming stores

# Revenue Breakdown by Brands

## Down Apparel Business

Revenue:  
RMB7,093.7mn

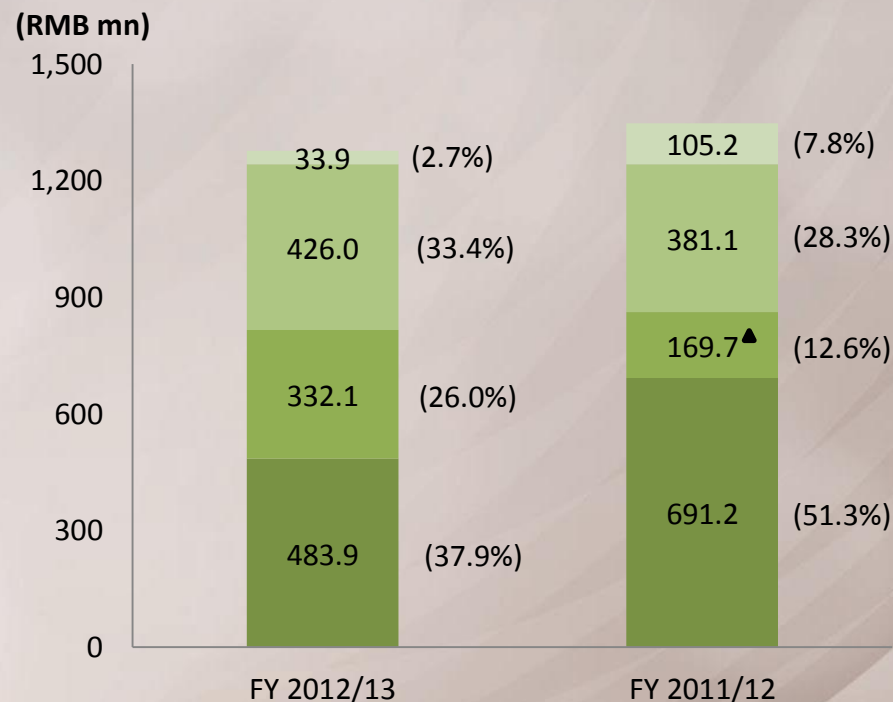
Revenue:  
RMB6,119.5 mn



## Non Down Apparel Business

Revenue:  
RMB1,275.9 mn

Revenue:  
RMB 1,347.2 mn



■ Bosideng ■ Snow Flying ■ Bengen ■ Combo ■ Others\*  
(As % of branded down apparel sales)

\* Represents sales primarily of raw materials related to down apparel products

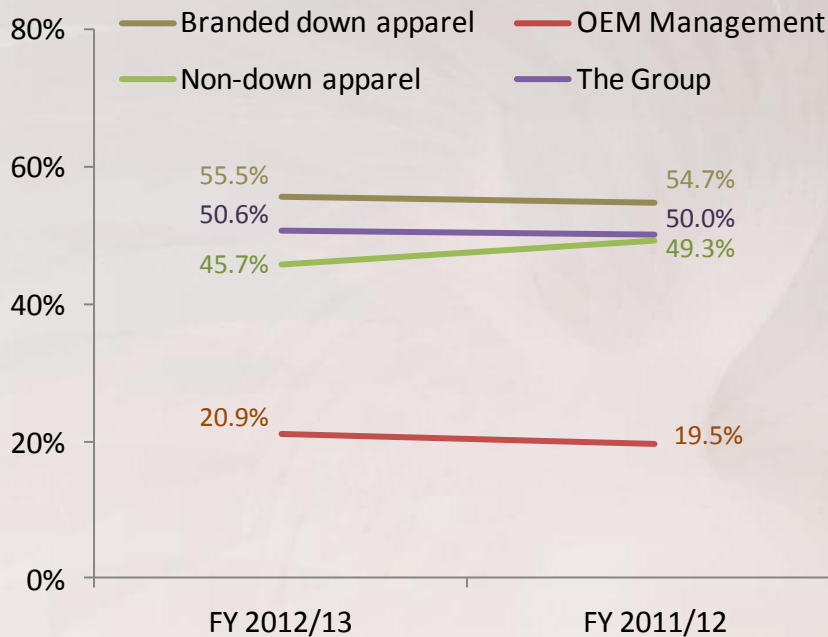
■ Bosideng MAN ■ JESSIE ■ Mogao ■ Others#  
(As % of non-down apparel sales)

# Represents revenue from rental income and other franchise fees

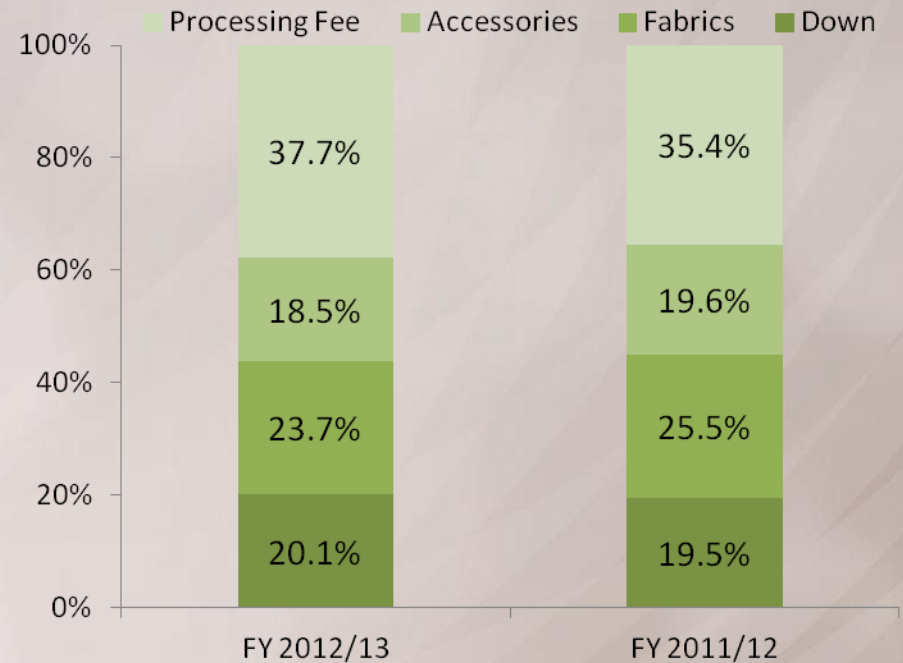
▲ Jessie was acquired in Nov 2011, therefore contributed approximately five months sales to the Group

# Gross Profit Margin Analysis & COGS Breakdown

## Gross Profit Margin Analysis



## COGS Breakdown of Branded Down Apparel Business



### Down apparel :

- Benefited from stringent cost control measures and economies of scale in purchasing , slightly increased by 0.8 pp

### OEM management :

- Slightly increased by 1.4 pp

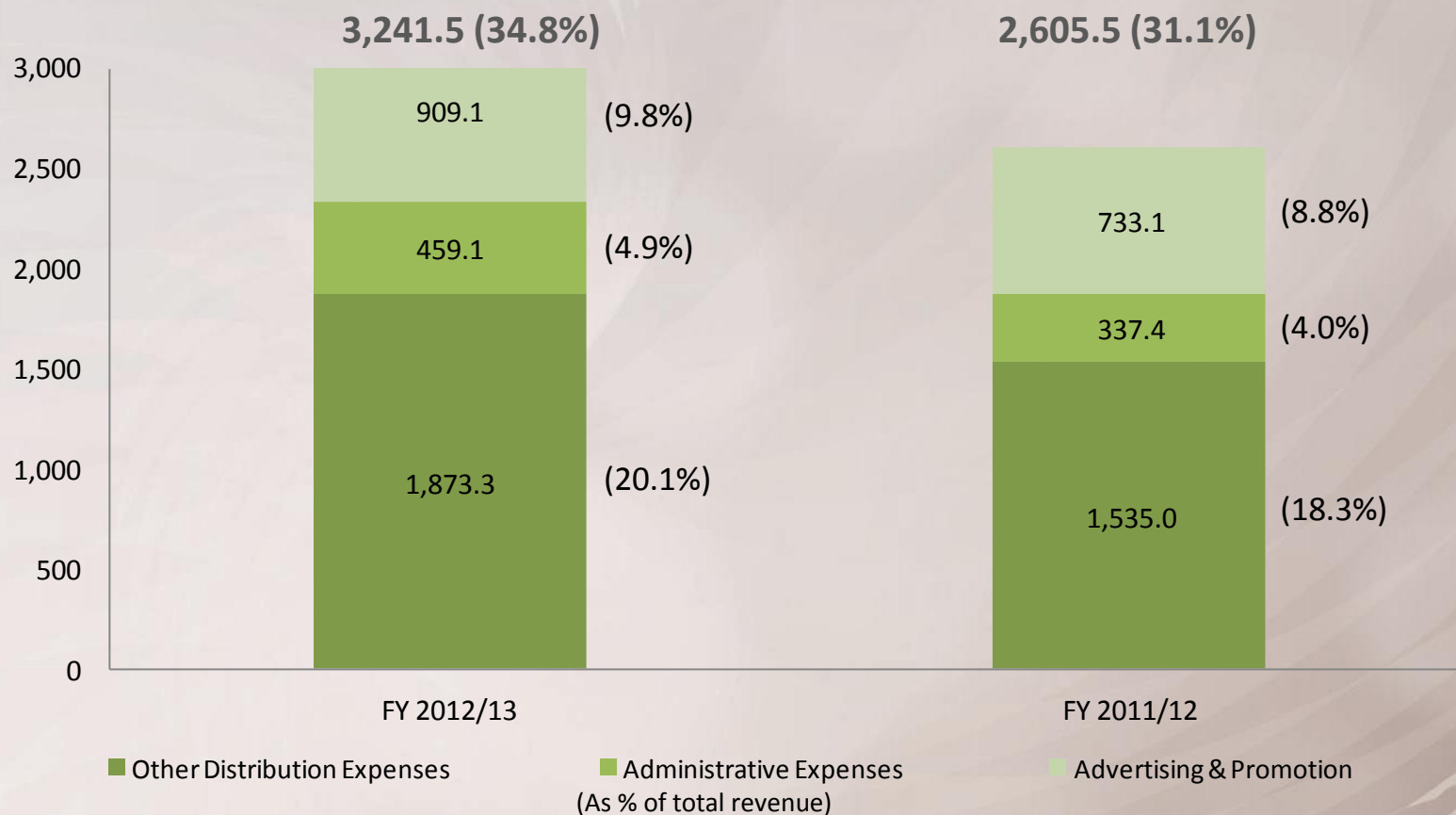
### Non-down apparel :

- Margin change due to the inventory provision of Bosideng MAN business



# Operational Expenditure

(RMB million)



# Inventories

	As at March 31, 2013	As at March 31, 2012	Change
(RMB'000)			
Raw materials	<b>153,948</b>	<b>97,719</b>	+57.5%
Work in progress	<b>98,478</b>	<b>67,742</b>	+45.4%
Finished goods	<b>1,718,567</b>	<b>1,233,400</b>	+39.3%
Total	<b>1,970,993</b>	<b>1,398,861</b>	+40.9%

- Starting from early 2013, the Group produced approximately 2 million pieces of new down apparel (around 9.2% of FY13 total sales volume) for next financial year during production off season in order to lower production costs

# Working Capital Management

	For the year ended March 31		Change
	<b>2013</b>	<b>2012</b>	
Average Inventory Turnover Days <sup>(1)</sup>	134	114	+20
Average Trade and Bills Receivables Turnover Days <sup>(2)</sup>	36	33	+3
Average Trade and Bills Payables Turnover Days <sup>(3)</sup>	40	35	+5

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

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

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

# Strong Financial Position

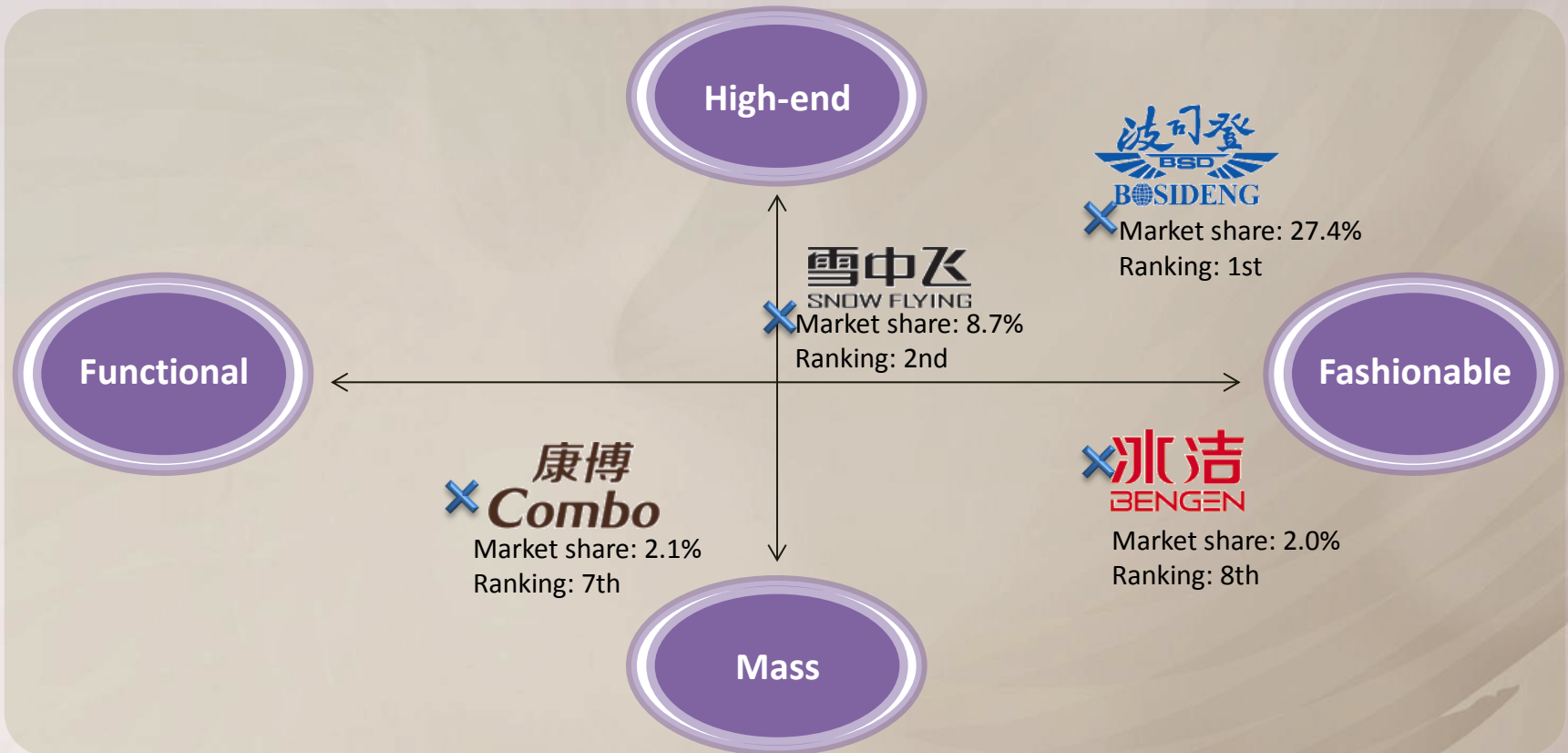
	As at March 31, 2013	As at March 31, 2012
(RMB million)		
Cash	3,581.4	3,240.7
Bank borrowings	(2,656.1)	(1,740.7)
Available-for-sale financial assets/ other financial assets	2,102.8	2,222.6
Current ratio (times)	2.7	2.7
Gearing ratio (%)	36.5%	23.7%
Operating cash inflow	658.8	1,315.8

- Adopted prudent funding and treasury management policies while maintaining a healthy overall financial position:
  - Cash position of approximately RMB 3,581.4 million
  - Bank borrowings amounted to approximately RMB 2,656.1 million
- Cash, available-for-sale financial assets/ other financial assets and bank borrowings aggregated RMB3,028.1million, as compared to RMB3,722.6 million as at March 31, 2012 and RMB2,065.8 million as at September 30, 2012

# **Business Review**

# Down Apparel – Separate Brand Operation

- Revenue grew by 15.9% with 5.6% ASP growth and 9.6% volume growth
- Combined market share went up from 34.5% in 2011 to 40.1% in 2012\*
- Store separation project turns all point of sales into mono-brand store, which has enhanced the brand identity and product differentiation, and also expanded customer reach



\* According to China Industrial Information Issuing Center

# Down Apparel – Retail Network

As at Mar 31, 2013	Bosideng	Snow Flying	Combo	Bengen	Others*	Total
<b>Specialty stores</b>						
By the Group	62	238	22	--	--	<b>322</b>
Third party distributors	3,023	1,026	499	827	193	<b>5,568</b>
Sub-total	3,085	1,264	521	827	193	<b>5,890</b>
<b>Concessionary retail outlet<sup>#</sup></b>						
By the Group	1,074	963	735	1	2	<b>2,775</b>
Third party distributors	943	602	1,300	944	555	<b>4,344</b>
Sub-total	2,017	1,565	2,035	945	557	<b>7,119</b>
<b>Total</b>	<b>5,102</b>	<b>2,829</b>	<b>2,556</b>	<b>1,772</b>	<b>750</b>	<b>13,009</b>

*\*Others include Shangyu and Bingfei*

*# Concessionary retail outlets are mainly counters in department stores, which are normally operated only during peak season to match up the seasonality of down apparel products*

- The down apparel business had a total of 13,009 outlets as at March 31, 2013
- Sales network of down apparel business increased by 4,665 outlets or 55.9% as a results of the division of sales channels which transformed the multi-brand stores into mono-brand stores. Actual GFA of down apparel business increased to 1,037,000 sqm. (872,000 sqm as at March 31, 2012)

# Four-seasons Product for Down Apparel Brands

- Developed and launched 932 SKUs basic four-seasons products under down apparel brands in 50 self-operated stores with an aim to expand income especially in low season to enhance store efficiency
- Received positive market response from the performance of four-seasonal products with sales of RMB59.2 million





# Non-Down Apparel – Retail Network

As at Mar 31, 2013	Bosideng MAN	JESSIE	Mogao	RICCI	Total
<b>Specialty stores</b>					
By the Group	24	3	--	22	49
Franchise agreement	119	--	--	--	119
Third party distributors	252	53	186	--	491
Sub-total	395	56	186	22	659
<b>Concessionary retail outlet</b>					
By the Group	99	120	209	--	428
Franchise agreement	86	--	--	--	86
Third party distributors	175	78	--	--	253
Sub-total	360	198	209	--	767
<b>Total</b>	<b>755</b>	<b>254</b>	<b>395</b>	<b>22</b>	<b>1,426</b>

- Bosideng MAN had 755 sales outlets, representing a net decrease of 146 outlets y-o-y
- JESSIE had 254 sales outlets, representing a net decrease of 23 outlets y-o-y. JESSIE had 123 self-operated outlets and 131 distribution outlets, the proportion of self-operated outlets has increased to over 48.4%
- Mogao had 395 sales outlets, representing a net decrease of 37 outlets y-o-y

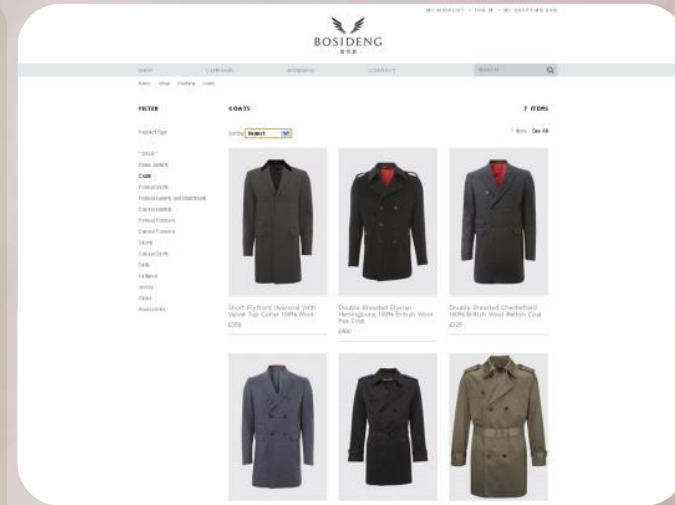
# Non-Down Apparel

- Jessie recorded RMB332.1 million of revenue, accounting for 26.0% of non-down apparel revenue
- Bosideng MAN recorded RMB483.9 million of revenue, representing a 30% decrease over last year, accounted for 37.9% of non-down apparel revenue
- Mogao recorded RMB426.0 million of revenue, representing a growth of 11.8%, accounted for 33.4% of non-down apparel revenue



# London Flagship Store

- The first flagship store in Europe commenced trial operation on July 26, 2012 in London and officially launched on October 12, 2012.
- Menswear product are mostly manufactured in Europe, and designed by Nick Holland and Ash Gangotra, famous designers in the UK
- The flagship store is located at the center of London West End, the renowned central district for high-end luxury brands and one of the largest commercial districts in Europe.
- The London store opening has gained attention from media around the world as well as the support from the governments of China and the UK.
- Received the “Chinese Investor of the Year” award from the British Business Awards organized by the British Chamber of Commerce in China.
- Begin e-commerce in December 2012 to increase sales and expand customer reach through UK via [www.bosidenglondon.com](http://www.bosidenglondon.com)



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**Chinese brands in Britain**  
**Down in town**  
 A Chinese giant dips a toe into the British retail market

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EARLIER this month a United States senator, angry that America's Olympic games uniforms were made in China, suggested piling them up and setting fire to them. Bosideng, a large Chinese clothing retailer, does not seem too keen on the "Made in China" label either. On July 26th the firm will launch a new flagship menswear store near Bond Street, a posh shopping district in London. Fewer than 10% of the clothes will be manufactured in China—a lower share than in many West End shops.

The London store is not Bosideng's first shop outside China. The firm owns Greenwoods, a Yorkshire-based clothing retailer, and between 2009 and 2011 it tested the waters with three pilot stores in small British towns (it concluded that larger cities were likely to be more receptive to



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**Retail Shake-Up: Hugo Boss, Marc Jacobs and...Bosideng?**

Published Thursday, 26 Jul 2012 6:43 AM ET | Text Size


By Lisa Jansen, special for CNBC.com

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With a seemingly never-ending debt crisis which has prompted a slowdown in consumer spending, investing in Europe might not appear particularly attractive right now. But Bosideng, a Chinese fashion brand specializing in down-filled clothing, thinks differently.

**The company** [3998JHK 2.37 ▲ 0.01 (+0.42%)] will open a brand new flagship store near Bond Street, London's posh shopping district, on Thursday, just in time to catch a wave of Olympic tourists.

The launch signals a change in China's clothing retail market. While international retail players like H&M [HSMB:DE Unavailable ()], Uniqlo and Zara are looking to further explore the Chinese mainland, China's retail powerhouses are starting to look across the border to



Bosideng's new London store

# E-commerce

- Online sales in FY13 amounted to 346.7million, representing a 76.7% y-o-y growth and accounted for 3.7% of total revenue
- The Group currently adopts three internet sales systems: official flagship store on TMALL (天猫), authorized stores on taobao.com, and third party e-commerce trading platforms including TMALL (天猫), 360buy (京东商城), Amazon, Dangdang (当当网), Paipai (拍拍网), VIP Shop (唯品会) and Yougou (优购).
- Online stores can effectively extend the sales network to rural areas and complement the incomplete product portfolio of certain regions.



<http://bosideng.tmall.com>



360buy  
<http://bosideng.jd.com/>

# Development Plan

# “3+1” Strategy



Become a World-renowned Integrated Apparel Brand Operator

# Dominant Multi-Apparel Brand Operator

**Enlarge brand and product portfolio  
by actively identifying non-down apparel brands with strong growth potential**

## Acquisition considerations

Revenue Structure Enhancement	Brand Reputation and Potential Growth	Management Expertise	Competitive Advantages	Complementary Fit
<ul style="list-style-type: none"> <li>Immediate earning contributions to enhance revenue diversification</li> </ul>	<ul style="list-style-type: none"> <li>Acquired brand with a strong brand reputation and image</li> <li>In development stage with strong growth prospects</li> </ul>	<ul style="list-style-type: none"> <li>An experienced, dedicated, and cohesive management team whose interests are aligned with those of the Group after acquisition through share exchanges, and can provide expertise to other brands under the Group</li> <li>Acquisition of majority stake at initial stage to retain core management team</li> </ul>	<ul style="list-style-type: none"> <li>A sustainable competitive advantage through innovation, quality, and customer service</li> </ul>	<ul style="list-style-type: none"> <li>No interference with the acquired firm's daily operations</li> <li>Strengthen other product team's expertise, provide an integrated selection of products targeting different consumer groups</li> </ul>



## Synergies

Preferential Accesses	Financial Support	Resources Sharing	Diversified Product Mix
<ul style="list-style-type: none"> <li>Utilize the Group's resources to access better sales channel and better store locations, which speeds up each brand's store opening plans</li> </ul>	<ul style="list-style-type: none"> <li>The Group's strong financial position to help realize and speed up expansion plans</li> </ul>	<ul style="list-style-type: none"> <li>Benefit from the economies of scale of the Group's buying power in order to reduce the administrative expenses including marketing and raw materials</li> </ul>	<ul style="list-style-type: none"> <li>Leverage on the competitive edges of each brand to integrate the style positioning and to lower the seasonality of the Group's merchandises with a mix of functional and stylish product lines all year round</li> </ul>

**To become a multi-apparel brand operator that covers customers from different age group and purchasing power, as well as demand for different apparel products**



Thank You!