



Bosideng International Holdings Limited (3998.HK)

2013/14 Annual Results

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Agenda

- Financial Review
- Business Review
- Future Plan
- Q&A Session

FINANCIAL REVIEW



Financial Highlights

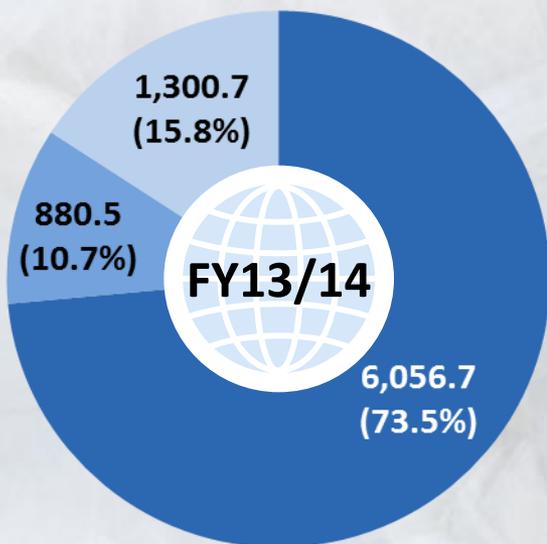
	For the year ended March 31		Change
(RMB mn)	2014	2013	
Revenue	8,237.9	9,324.5	-11.7%
Gross profit	4,115.5	4,720.5	-12.8%
Profit from operations	865.5	1,271.7	-31.9%
Profit before tax	982.3	1,456.9	-32.6%
Profit attributable to equity holders of the Company	694.7	1,078.7	-35.6%
Earnings per share (RMB cents)			
– Basic	8.73	13.55	-35.6%
– Diluted	8.72	13.55	-35.6%
Dividend per share (cents)			
– Interim	RMB2.9/HKD3.7	RMB4.9/HKD6.0	-38.3%
– Final	RMB1.6/HKD2.0	RMB5.2/HKD6.5	-69.2%
– Full year	RMB4.5/HKD5.7	RMB10.1/HKD12.5	-54.4%

	For the year ended March 31		Change
	2014	2013	
Profitability ratios			
Gross margin	50.0%	50.6%	-0.6ppts
Operating margin	10.5%	13.6%	-3.1ppts
Net margin	8.4%	11.6%	-3.2ppts
Effective tax rate	28.5%	27.8%	+0.7ppts
Dividend payout ratio	51.5%	74.5%	-23.0ppts

Revenue Breakdown

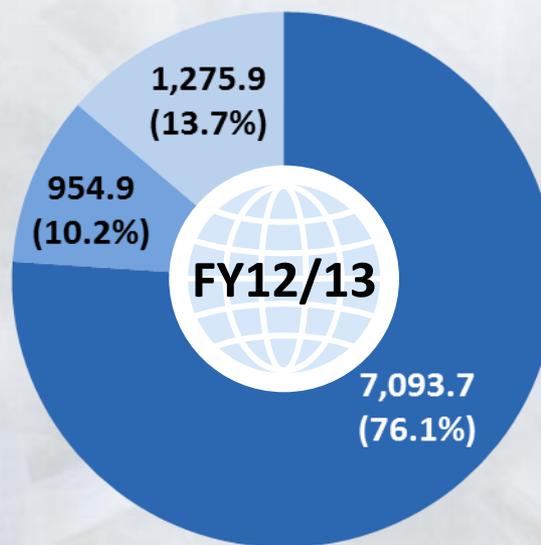
RMB8,237.9 mn

(RMB million)



RMB9,324.5 mn

(RMB million)



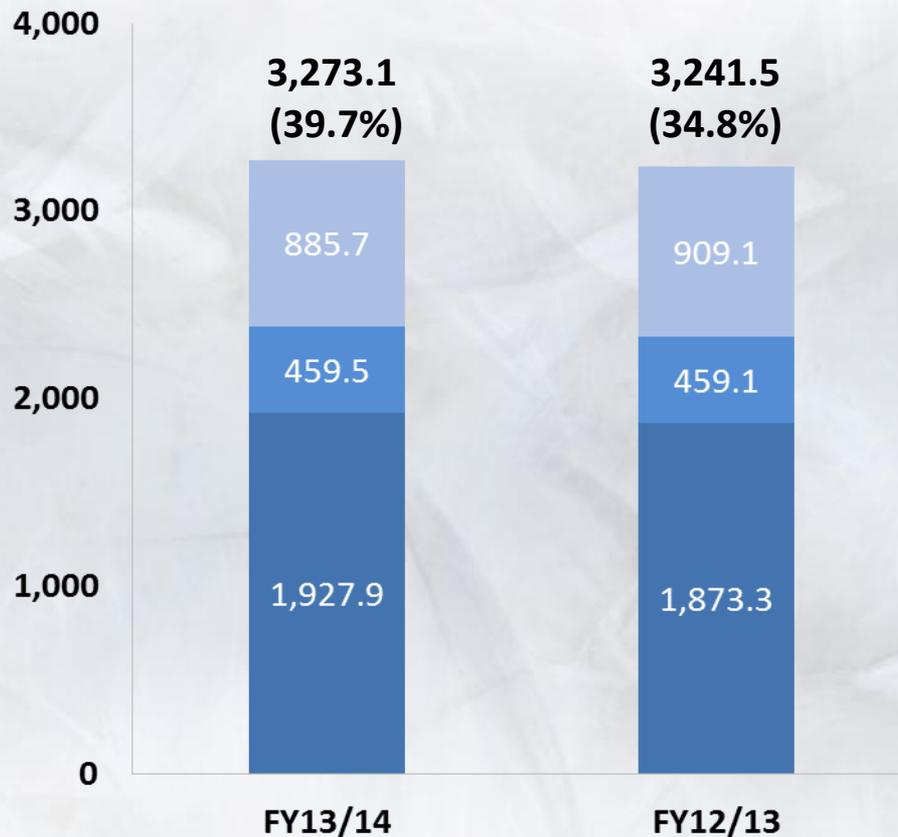
■ Branded down apparel ■ OEM Management ■ Non-down apparel
(% of revenue)

Gross Margin

	For the year ended March 31		
	2014	2013	Change
Down Apparel Business	54.4%	55.5%	-1.1ppts
OEM Management Business	21.0%	20.9%	+0.1ppts
Non-down Apparel Business	49.0%	45.7%	+3.3ppts
The Group	50.0%	50.6%	-0.6ppts

Operational Expenditure

(RMB million)



■ Distribution Expenses
■ Advertising & Promotion

■ Administrative Expenses
(% of revenue)

- Operational expenses slightly increased by 1.0% as a result of stringent cost control
- Distribution expenses increased by 2.9% as the Group opened more self-operated stores during the year, therefore had a higher expenses on rental and concessionary fee during the year
- Operating expenses went up to 39.7% of sales due to weaker sales

Inventories

(RMB'000)	As at March 31, 2014	As at March 31,2013	Change
Raw materials	157,183	153,948	+2.1%
Work in progress	17,061	98,478	-82.7%
Finished goods	1,868,471	1,718,567	+8.7%
Total	2,042,715	1,970,993	+3.6%

Working Capital

	For the year ended March 31		Change
	2014	2013	
Average Inventory Turnover Days⁽¹⁾	178	134	+44
Average Trade and Bills Receivables Turnover Days⁽²⁾	55	36	+19
Average Trade and Bills Payables Turnover Days⁽³⁾	55	40	+15

- Inventory turnover days increased by 44 days due to the expansion of self-operated business and decline of sales

(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

Financial Position

(RMB million)	As at March 31, 2014	As at March 31, 2013
Cash	2,734.3	3,581.4
Bank borrowings	(3,259.2)	(2,656.1)
Available-for-sale financial assets/ other financial assets	2,502.9	2,102.8
Current ratio	3.5x	2.7x
Gearing ratio	44.2%	36.5%
Operating cash inflow/(outflow)	(150.6)	632.5

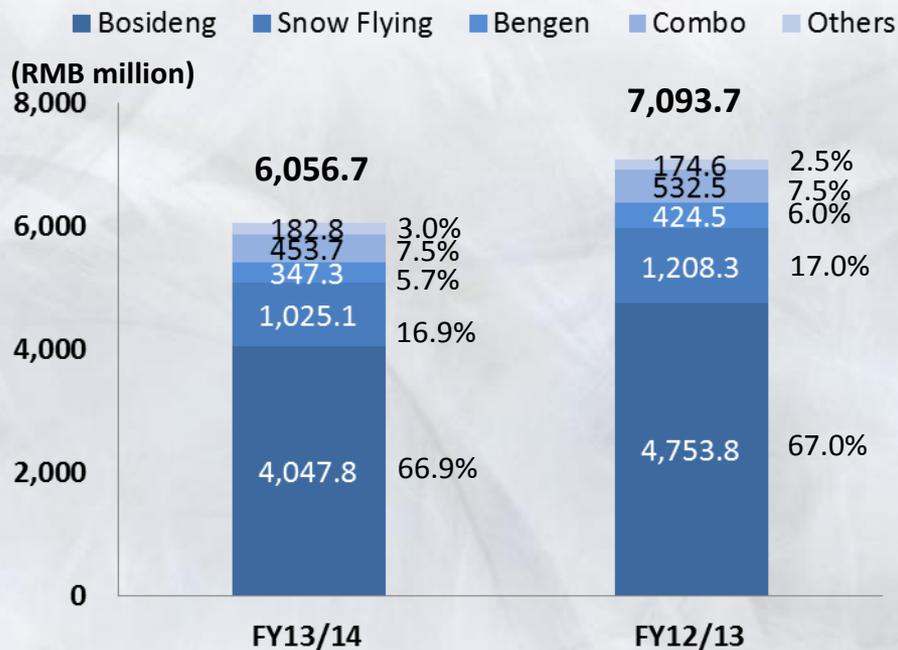
- Cash, available-for-sale financial assets/ other financial assets and bank borrowings aggregated RMB1,978.0 million, as compared to RMB3,028.1 million as at March 31, 2013

BUSINESS REVIEW

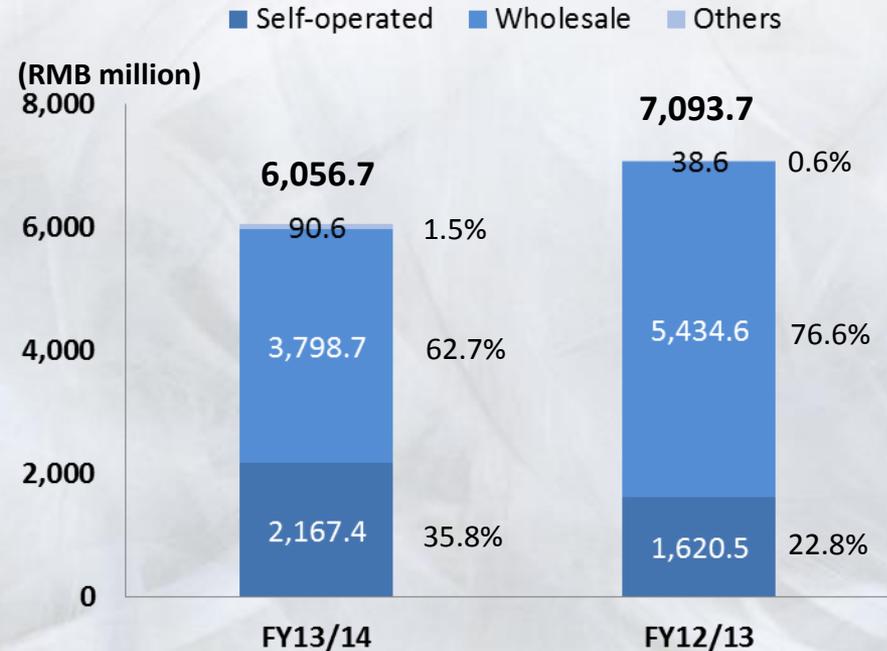


Down Apparel Business

Revenue Breakdown by Brand



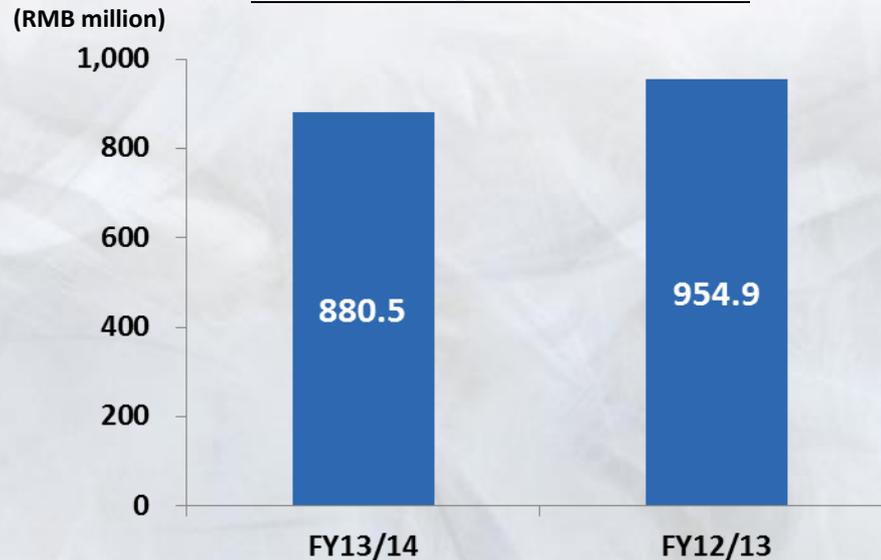
Revenue Breakdown by Business



- No. 1 player with a combined market of 37.8%*
- Revenue dropped by 14.6% due to the exceptionally high temperature and weak consumption sentiment
- Self-operated business increased by 33.7%: net increase of 726 self-operated stores to prepare the Group for retail transformation
- Wholesale business declined by 30.1%: net closure of 2,083 distributor stores which were non-performing or in less desired location

OEM Management Business

Revenue from
OEM Management Business

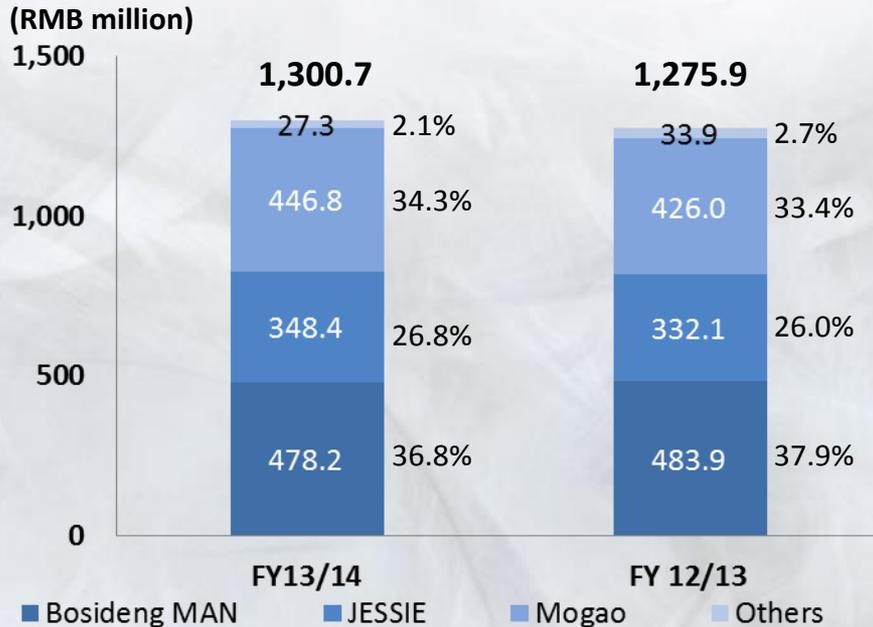


- Revenue dropped by 7.8%
- Weaker orders due to slow economic recovery in Europe and the US
- Certain OEM orders were shifted to Southeast Asian countries for lower production cost and tariff exemption

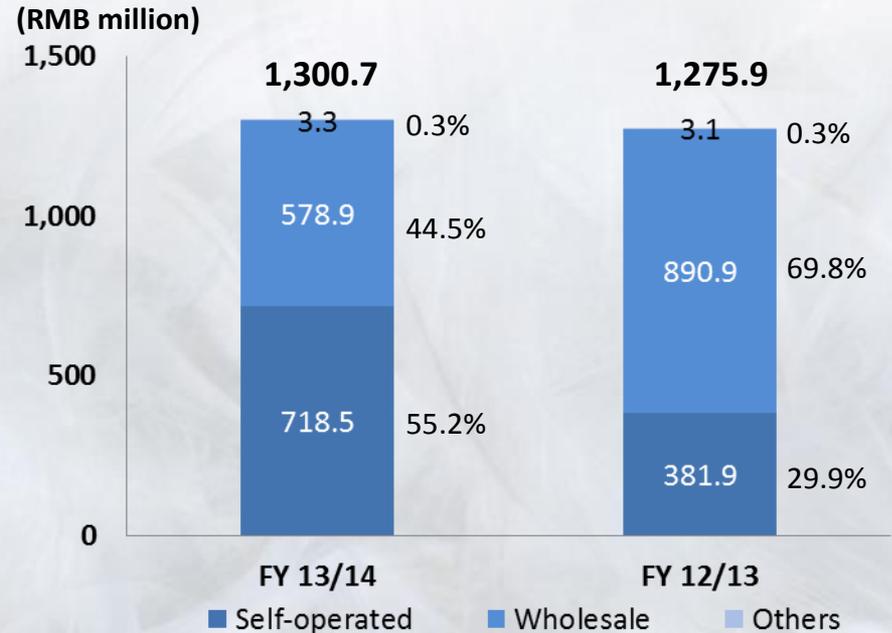
- Meanwhile, the Group began export sales of self-owned brand products to 480 stores in Germany and neighboring countries through well-known European retail operator

Non-down Apparel Business

Revenue Breakdown by Brand



Revenue Breakdown by Business



- Revenue increased by 1.9%
- **Bosideng MAN:** adjusted product positioning; narrowed price range; reduced 50% SKUs; rationalized retail network
- **JESSIE & Mogao:** shut down a number of non-performing stores, enhanced store efficiency and profitability

Enhance Retail Capabilities



Effective Procurement & Production Management

Procurement

- Low season procurement
- Prepayment to lock up raw material price
- Strategic partnership with suppliers to fend off speculation on down

Production

- Adjusted procurement and production plan according to actual sales, reduced production volume by 15%

Logistics

- Integrated the POS, EPR and WMS system for accurate and real-time information sharing
- Logistics management to boost efficiency and improve system accuracy

Enhance IT Management

ERP

- ERP 2.0 to support retail operation in the next 1-2 years
- Provide training to distributors on the use of ERP system, over 75% usage
- Network portal to supervise and ensure the accuracy of the systems



POS

- Self-developed nationwide POS system with higher flexibility that best fit our business needs
- Encourage the installation and usage of the POS system, approx. 80% coverage



SAP

- Replace existing NC system and ERP 2.0 with SAP system by early 2015
- Integrate the Group's supply chain, finance, retail and operation functions
- To support the Group's development in retail transformation, non-down apparel business and internationalization

FUTURE PLAN



Development Plan for FY14/15

Down Apparel Business

Brand Reshaping

- Rejuvenate the brands to maintain market leading position
- Bosideng and Snow Flying will remain focus on offline business
- Combo and Bengen will focus on regional sales and online business

Retail Transformation

- Rationalize retail network
- Enhance data management to improve retail efficiency

Enhance Supply Chain Efficiency and Reduce Inventory

- New product: Strictly limit first batch of order to 30%, increase replenishment frequency to weekly ordering during peak season
- Flexible and effective supply chain to allow quick response to market demand
- Old inventory: new pricing and offer bigger discount in Autumn to clear inventory

Promote Online/Offline Interaction

- mobile commerce and interaction with physical stores
- CRM and VIP program for collection and analysis of customers data, both online and offline
- O2O program to generate synergies on channels

Development Plan for FY14/15

Non-Down Apparel Business

Enhance Operational Capability

- Recruit professional talents
- Enhance product
- Rationalize retail network
- Terminate unprofitable brands
 - RICCI ladies wear
 - Small down brand Slim

Organization Structure

Optimize Human Resources System

- Streamline manpower
- Recruit professional talents
- Optimize performance evaluation system
- Offer training to enhance technical and managerial capability

Future Growth Driver

Mid-to Long-Term Development Plan

1. Enhance non-down apparel business, focus on ladies wear, business and casual menswear
2. Capital operation with stringent due diligence and in-depth analysis
3. International expansion via various channels

To become an international renowned
multi-brand apparel operator

APPENDIX

Retail Network of Down Apparel Business

As at Mar 31, 2014	Bosideng		Snow Flying		Combo		Bengen		Others		Total	
	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area
Specialty stores												
By the Group	389	70,603	175	17,609	28	2,663	19	1,154	2	194	613	92,223
Third party distributors	2,435	289,759	718	55,825	470	34,380	692	42,678	363	20,574	4,678	443,216
Sub-total	2,824	360,362	893	73,434	498	37,043	711	43,832	365	20,768	5,291	535,439
Concessionary retail outlets[#]												
By the Group	1,235	94,601	932	58,996	837	18,414	203	6,085	3	128	3,210	178,224
Third party distributors	712	84,726	533	41,441	989	72,344	709	43,727	208	11,789	3,151	254,027
Sub-total	1,947	179,327	1,465	100,437	1,826	90,758	912	49,812	211	11,917	6,361	432,251
Total	4,771	539,689	2,358	173,871	2,324	127,801	1,623	93,644	576	32,685	11,652	967,690

The unit of sales area is square meter

The Group's concessionary retail outlets are mainly counters in department stores, which are normally operated only during peak season for down apparel to cope with the seasonality of its core products.

Retail Network of Non-down Apparel Business

As at Mar 31, 2014	Bosideng MAN		JESSIE		Mogao		RICCI		Total	
	Store	Area	Store	Area	Store	Area	Store	Area	Store	Area
Specialty stores										
By the Group	32	5,025	3	322	0	0	1	120	36	5,467
Third party distributors	288	30,818	43	4,541	109	9,731	0	0	440	45,090
Sub-total	320	35,843	46	4,863	109	9,731	1	120	476	50,557
Concessionary retail outlets										
By the Group	76	4,965	106	8,530	209	25,447	23	143	414	39,085
Third party distributors	196	13,834	74	6,464	0	0	3	212	273	20,510
Sub-total	272	18,799	180	14,994	209	25,447	26	355	687	59,595
Total	592	54,642	226	19,857	318	35,178	27	475	1,163	110,152

The unit of sales area is square meter

波司登
BSD
BOSIDENG
世界名牌

Q&A

