



# Bosideng International Holdings Limited

(3998.HK)

2015/16 Annual Results



# Disclaimer

The information contained in this presentation is intended solely for your personal reference. Such information is subject to change without notice, its accuracy is not guaranteed and it may not contain all material information concerning Bosideng International Holdings Limited (the “Company”). The Company makes no representation regarding, and assumes no responsibility or liability for, the accuracy or completeness of, or any errors or omissions in, any information contained herein.

In addition, the information contains projections and forward-looking statements that may reflect the Company’s current views with respect to future events and financial performance. These views are based on current assumptions which are subject to various risks and which may change over time. No assurance can be given that future events will occur, that projections will be achieved, or that the Company’s assumptions are correct. Actual Results may differ from projections. It is not the intention to provide, and you may not rely on this presentation as providing, a complete or comprehensive analysis of the Company's financial or trading position or prospects.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities or financial instruments or to provide any investment service or investment advice, and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto.

# Agenda

- Financial Review
- Business Review
- Future Development Plan

# Financial Review



# Financial Highlights

	For the year ended March 31		Change
(RMB mn)	2016	2015	
Revenue	5,787.3	6,292.6	-8.0%
Gross profit	2,609.2	2,870.0	-9.1%
Profit from operations	337.7	198.9	+69.8%
Profit attributable to equity holders of the Company	280.9	132.2	+112.5%
Earnings per share (RMB cents)			
– Basic	3.54	1.66	+113.3%
– Diluted	3.54	1.65	+114.5%
Dividend per share (HKD cents)			
– Interim	--	1.2	--
– Final	2.6	1.0	+160.0%
– Full year	2.6	2.2	+18.2%

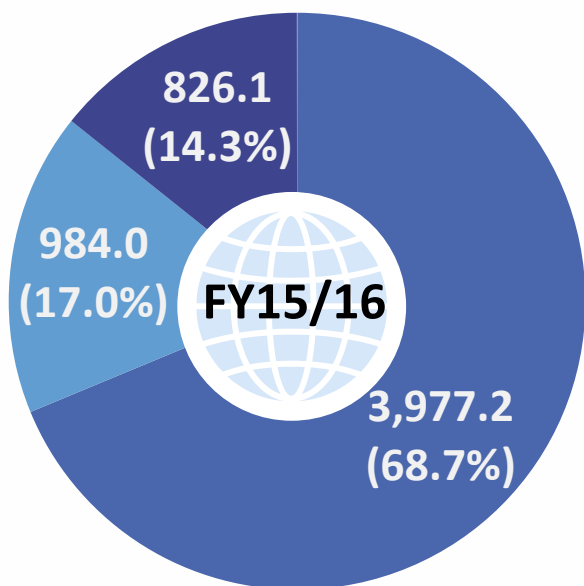
	For the year ended March 31		Change
	2016	2015	
Profitability ratios			
Gross margin	45.1%	45.6%	-0.5 ppt
Operating margin	5.8%	3.2%	+2.6 ppt
Net margin	4.9%	2.1%	+2.8 ppt
Effective tax rate	35.6%	42.1%	-6.5 ppt
Dividend payout ratio	62.1%	104.8%	-42.7 ppt



# Revenue Breakdown

**RMB5,787.3 mn**

(RMB million)



■ Branded down apparel

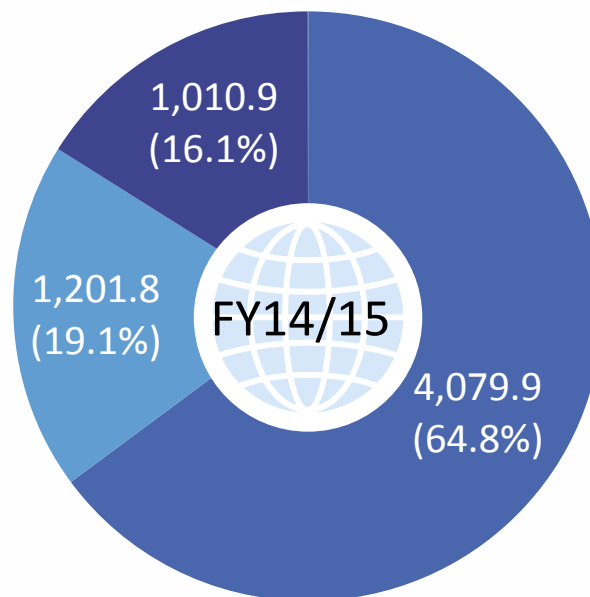
■ OEM Management

■ Non-down apparel

(% of revenue)

**RMB6,292.6 mn**

(RMB million)

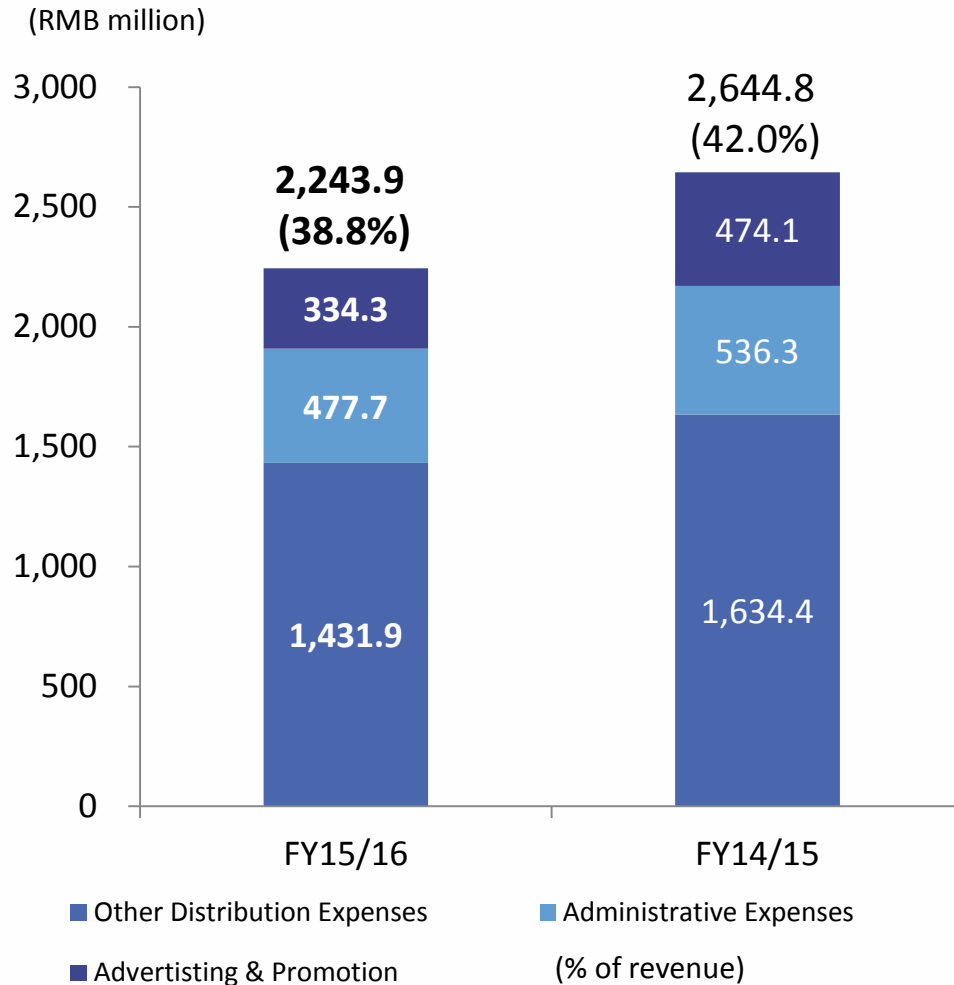


# Gross Margin

	For the year ended March 31		
	2016	2015	Change
<b>Down apparel business</b>	<b>50.0%</b>	53.4%	-3.4 ppt
<b>OEM management business</b>	<b>20.7%</b>	16.6%	+4.1 ppt
<b>Non-down apparel business</b>	<b>50.7%</b>	48.9%	+1.8 ppt
<b>The Group</b>	<b>45.1%</b>	45.6%	-0.5 ppt

- **Down apparel business:** Decrease in gross margin mainly due to the Group's continued efforts to clear inventory
- **Non-down apparel business:** Increase in gross margin mainly due to the increase in the proportion of new arrivals during the year
- **OEM management business:** Increase in gross margin mainly due to a one-off order with low profit margin in the previous financial year, which resulted in a lower comparable base

# Operational Expenditure



- Advertising and promotion expenses significantly dropped by 29.5%, as the Group made better use of promotion resources, reduced advertisements on traditional television stations and highway billboards, and increased the use of new media such as the Internet and social media.
- Administrative expenses decreased by 10.9%, mainly attributable to the downsizing of the Group.



# Inventories

(RMB'000)	As at March 31, 2016	As at March 31, 2015	Change
Raw materials	201,953	174,394	+15.8%
Work in progress	6,140	4,174	+47.1%
Finished goods	1,420,495	1,730,350	-17.9%
Total	1,628,588	1,908,918	-14.7%

# Working Capital Management

	For the year ended March 31		
	2016	2015	Change
<b>Average inventory turnover days<sup>(1)</sup></b>	<b>204</b>	211	-7
<b>Average trade and bills receivables turnover days<sup>(2)</sup></b>	<b>67</b>	80	-13
<b>Average trade and bills payables turnover days<sup>(3)</sup></b>	<b>60</b>	70	-10

(1) Calculated as average inventory divided by cost of sales and multiplied by 366 days

(2) Calculated as average trade and bills receivables divided by revenue and multiplied by 366 days

(3) Calculated as average trade and bills payables divided by cost of sales and multiplied by 366 days

# Financial Position

	As at March 31, 2016	As at March 31, 2015
(RMB million)		
<b>Cash</b>	<b>4,654.0</b>	3,473.1
<b>Interest-bearing borrowings</b>	<b>(3,393.9)</b>	(3,537.6)
<b>Available-for-sale financial assets/ other financial assets</b>	<b>1,258.5</b>	2,261.2
<b>Current ratio (times)</b>	<b>2.1x</b>	2.5x
<b>Gearing ratio (%)</b>	<b>45.5%</b>	47.7%
<b>Operating cash inflow</b>	<b>708.7</b>	387.8

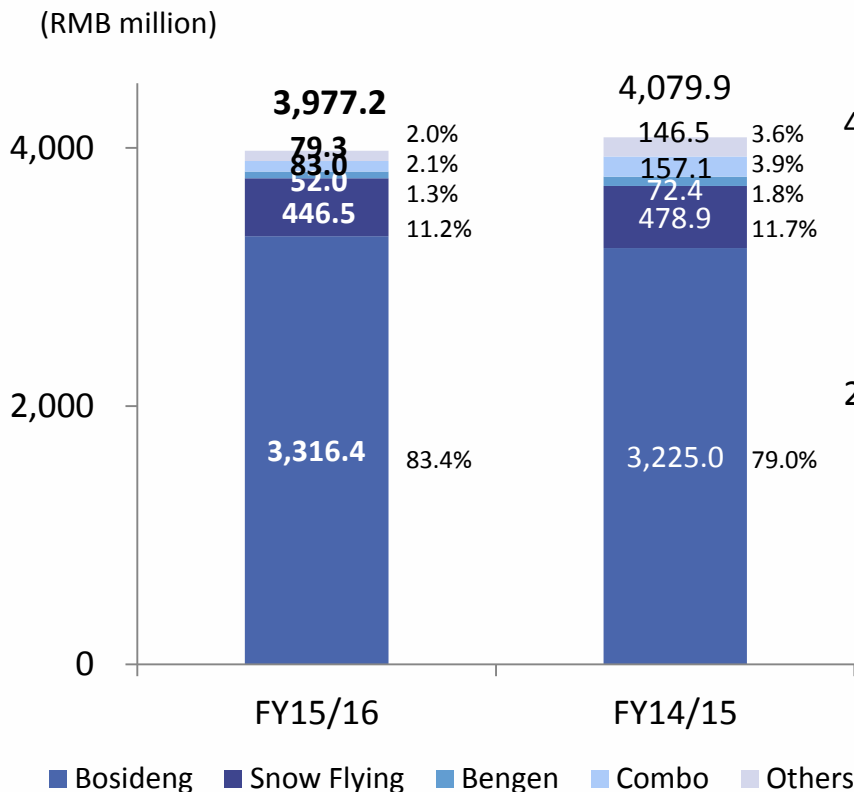
- Cash, available-for-sale financial assets/ other financial assets and bank borrowings aggregated RMB2,518.6 million, as compared to RMB2,196.7 million as at March 31, 2015

# Business Review

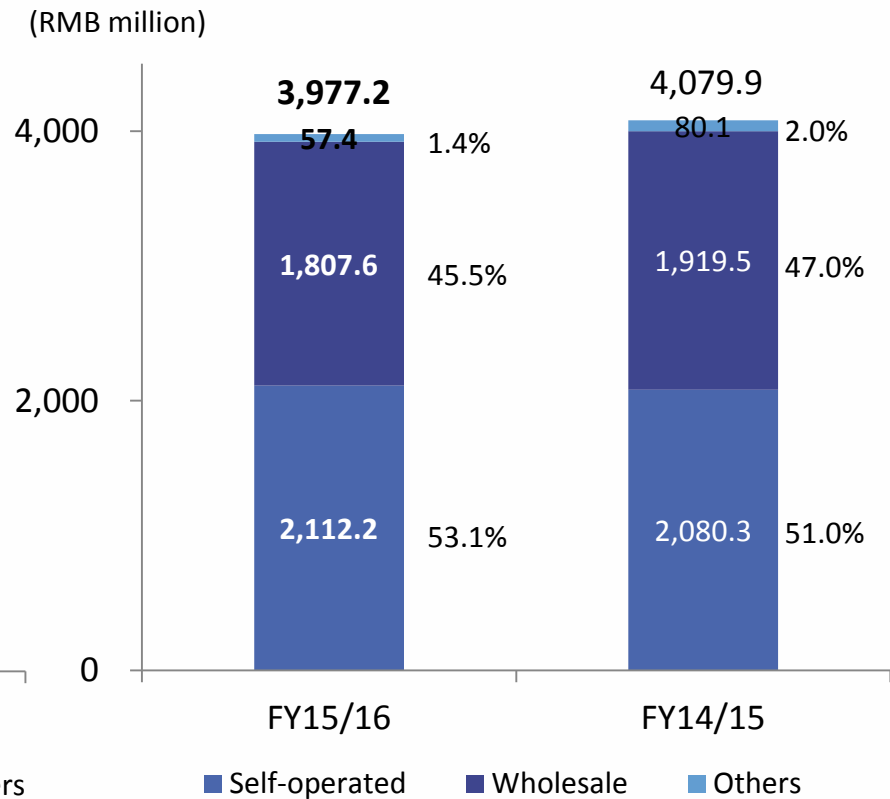


# Down Apparel Business

Revenue breakdown by brand



Revenue breakdown by business



- Revenue dropped by 2.5%, affected by the macro-economic environment in China and coupled with the Group's efforts to clear inventory, adjust sales network and enhance brand portfolio of its down apparel business

# Inventory Management

## By brand



- Implemented stringent production planning
- Thoroughly analysed retail data to arrange production precisely



- Only developed a few new styles



- Only developed a few new styles
- Prepared for the brand restructuring in future years



- Focused on inventory clearance; no new styles developed during the year
- Prepared for the brand restructuring in coming years

- Proactively cleared inventory through specific sales channels such as temporary outlets, large-sized chain supermarkets and factory stores to avoid overlapping with new arrivals
- Carried out trial marketing of some flagship products and styles in physical stores to test and understand the market reaction, so as to able to formulate the corresponding production and sales plans to avoid unnecessary inventory



# Rationalize Retail Network

Store no.	Mar 31 2016	Mar 31 2015	changes
Bosideng	<b>3,839</b>	4,197	-358
Snow Flying	<b>738</b>	1,314	-576
Combo	<b>229</b>	673	-444
Bengen	<b>465</b>	415	+50
<b>Total</b>	<b>5,271</b>	6,599	-1,328

- Continued to optimize the retail network actively and shut down underperforming stores to enhance store quality
- Gradually combined some of the quality sales outlets of Snow Flying under Bosideng brand, in line with the Group's brand restructuring strategy
- The self-operated and third-party distributor-operated retail outlets as a percentage of the overall retail network were 32.1% and 67.9%, respectively

# Pop-up Store

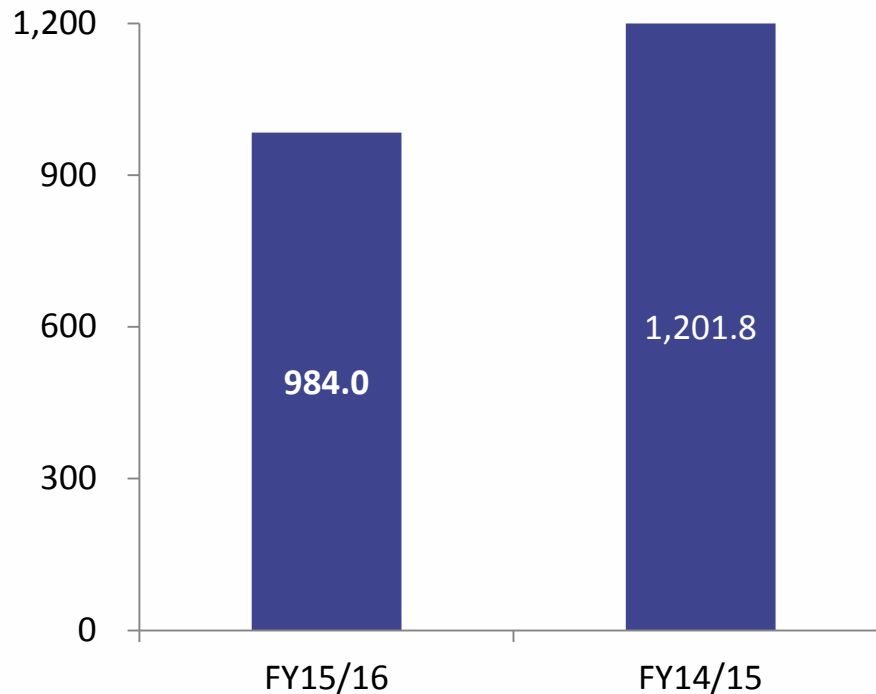
- Organised six pop-up stores at the prime shopping locations in the key markets in China during the peak sales season to introduce the Group's new down apparel products
- Innovative display and eye-catching designs to attract customer flow, and with various live events, performance and games introduced to increase interaction with consumers, thus enhancing brand recognition
- Received favourable market response with widespread media coverage, driving up sales performance



# OEM Management Business

## Revenue from OEM management business

(RMB Million)

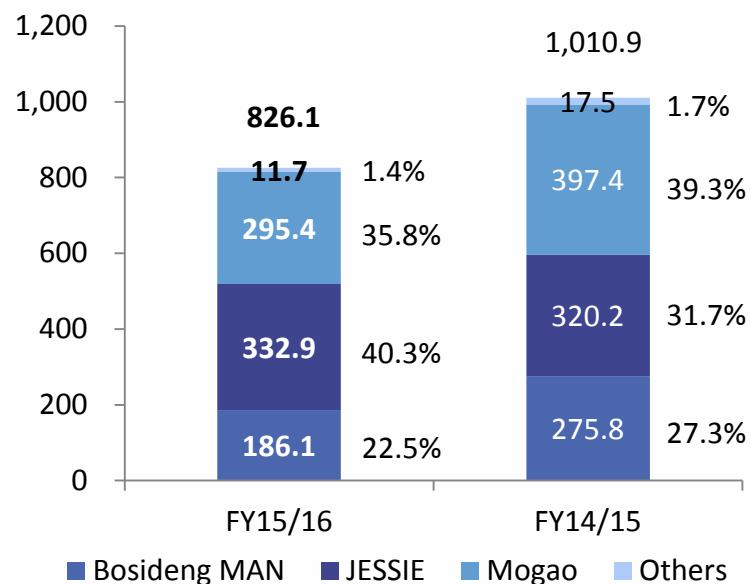


- Revenue decreased by 18.1%, mainly due to a one-off order secured last financial year when assisting a major client to develop a new product series, which resulted in a higher comparable base

# Non-down Apparel Business

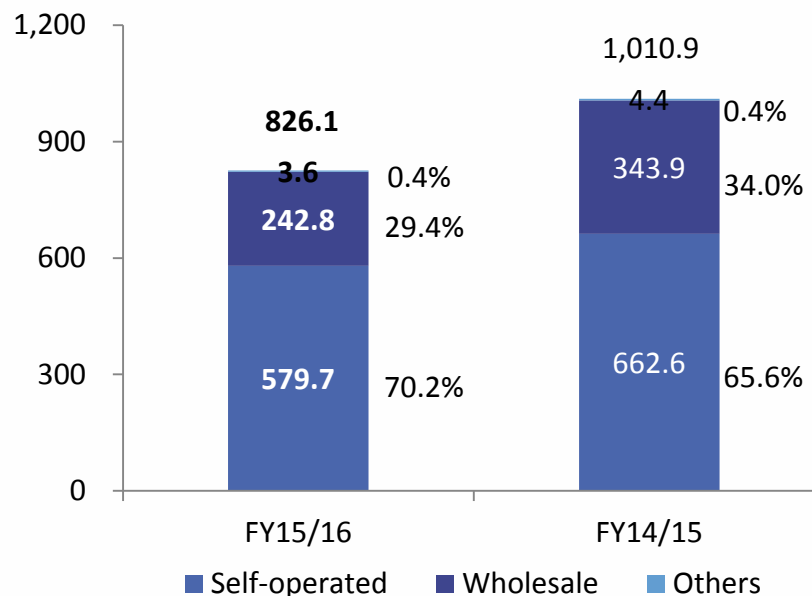
**Revenue breakdown by brand**

(RMB million)



**Revenue breakdown by business**

(RMB million)



- Revenue decreased by 18.3% as the Group continued to adjust sales channels, clear inventories and strengthen retail capability
- **Bosideng MAN:** Decrease in revenue due to the continued efforts in adjusting the retail network and eliminating less competitive retail outlets. *Bosideng MAN* strengthened retail sales management and optimized product mix. As inventory clearance progressed well, the proportion of new products in sales at the retail outlets increased
- **JESSIE:** Focused on enhancing the profitability of self-operated stores through refined management and further optimized product mix. In respect of wholesale business, *JESSIE* optimized the ordering system at the trade fairs, increased the mix and match options, and provided more guidelines to distributors so as to increase orders
- **MOGAO:** After specialising in menswear, brand awareness and recognition were aligned, which boosted the confidence of distributors



# Future Development Plan



# Future Development Plan

## Down apparel business

- Implement a rebranding strategy through brand repositioning and redeployment that better meets market needs
- ✓ *Bosideng*: continue to position as a mid- to high-end trendy design retailer
- ✓ *Bengen*: gradually shift focus to online sales
- ✓ *Snow Flying*: develop into a comprehensive outfitter brand
- ✓ *Combo*: withdraw from the down apparel market

## Innovative management

- Simplify the group structure, rationalize functions of various departments and responsibilities of senior management
- Increase the participation of various departments in the decision-making process and facilitate the coordination between departments

## Diversified development

- Fully make use of the operational experience of various strategic investors
- Explore more potential apparel businesses and brands to further strengthen the Group's capability in different apparel business segments

Enhance brand and product differentiation

Enhance capabilities in decision-making and management

To become an integrated multi-brands apparel operator



# Appendix



# Retail Network of Down Apparel Business

As at Mar 31, 2016	Bosideng		Snow Flying		Combo		Bengen		Total	
	Store	Change	Store	Change	Store	Change	Store	Change	Store	Change
<b>Specialty stores</b>										
By the Group	311	-79	40	-44	4	-10	-	-2	355	-135
Third party distributors	1,778	-290	185	-220	14	-90	143	-39	2,120	-639
<b>Sub-total</b>	<b>2,089</b>	<b>-369</b>	<b>225</b>	<b>-264</b>	<b>18</b>	<b>-100</b>	<b>143</b>	<b>-41</b>	<b>2,475</b>	<b>-774</b>
<b>Concessionary retail outlets<sup>#</sup></b>										
By the Group	856	-234	353	-195	130	-170	-	-99	1,339	-698
Third party distributors	894	245	160	-117	81	-174	322	190	1,457	144
<b>Sub-total</b>	<b>1,750</b>	<b>11</b>	<b>513</b>	<b>-312</b>	<b>211</b>	<b>-344</b>	<b>322</b>	<b>91</b>	<b>2,796</b>	<b>-554</b>
<b>Total</b>	<b>3,839</b>	<b>-358</b>	<b>738</b>	<b>-576</b>	<b>229</b>	<b>-444</b>	<b>465</b>	<b>50</b>	<b>5,271</b>	<b>-1,328</b>

Change: as compared to that as of March 31, 2015

<sup>#</sup> 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, 2016	BOSIDENG MAN		JESSIE		Mogao		Total	
	Store	Change	Store	Change	Store	Change	Store	Change
<b>Specialty stores</b>								
By the Group	24	–	1	-2	–	–	25	-2
Third party distributors	194	-67	28	-9	64	-33	286	-109
<b>Sub-total</b>	<b>218</b>	<b>-67</b>	<b>29</b>	<b>-11</b>	<b>64</b>	<b>-33</b>	<b>311</b>	<b>-111</b>
<b>Concessionary retail outlets</b>								
By the Group	32	-14	112	+2	180	-28	324	-40
Third party distributors	142	-94	62	+1	–	–	204	-93
<b>Sub-total</b>	<b>174</b>	<b>-108</b>	<b>174</b>	<b>+3</b>	<b>180</b>	<b>-28</b>	<b>528</b>	<b>-133</b>
<b>Total</b>	<b>392</b>	<b>-175</b>	<b>203</b>	<b>-8</b>	<b>244</b>	<b>-61</b>	<b>839</b>	<b>-244</b>

Change: as compared to that as of March 31, 2015

**Thank you!**

