

寶成   
國際集團
POUCHEN
GROUP



March 2019

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Pou Chen Group — *To be the best sports gear producer and distributor.*

- Founded in 1969; listed on the TWSE in 1990
- Paid in Capital: NT\$29,468 mn
- Market Cap.: NT\$96.1 bn (@NT\$32.60 as of 2018/12/28) (approx. US\$3.1 bn)
- Revenue: 9M2018 Consolidated Sales NT\$214,663 mn (approx. US\$7,166 mn)
- Product Mix: Footwear 60.2%, Retail 39.5%, Others 0.3% (as of 9M2018 Consolidated Sales)
- **Footwear Business:**
 - Volume: Made 236.5 million pairs in 9M2018; Made 324.6 million pairs in FY2017
 - Market Share: Approximately 20% of the combined wholesales value of the global branded athletic and causal footwear market (including JVs)
 - Customers: Leading international brands such as adidas, Asics, Nike, Salomon and Timberland
- **Retail Business:**
 - Target Market: The Greater China Region
 - POS: 8,982 POS (5,585 directly-operated and 3,397 sub-distributors) (as of 2018/09/30)

Group Structure



⁽¹⁾ Pou Chen through its 50.97% owned subsidiary Yue Yuen indirectly holds 31.77% ownership (=50.97% × 62.33%) of Pou Sheng..

⁽²⁾ Retailing of sporting goods & brand licensing business is via Yue Yuen's 62.33% owned subsidiary Pou Sheng to operate an integrated sportswear retail network in the Greater China Region.

⁽³⁾ Apparel Wholesale is via Yue Yuen's subsidiary TCHC to operate since April 2017.

Business Segment Mix

Pou Chen (Consolidated)	FY2015	FY2016	FY2017	9M2017	9M2018	YoY
	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)	(NT\$m; %)	(%)
Footwear	195,313 72.6%	194,830 70.9%	185,597 66.6%	138,206 67.1%	129,151 60.2%	-6.6%
Retail	72,927 27.1%	78,880 28.7%	92,102 33.1%	67,185 32.6%	84,898 39.5%	+26.4%
Others	841 0.3%	1,185 0.4%	933 0.3%	623 0.3%	614 0.3%	-1.5%
Total	269,081 100%	274,895 100%	278,632 100%	206,014 100%	214,663 100%	+4.2%

⁽¹⁾ Pou Chen has three reportable segments:

- Footwear business: manufacturing of shoes, and soles & components.
- Retail business: retailing of sporting goods & brand licensing, and apparel wholesale.
- Other business.

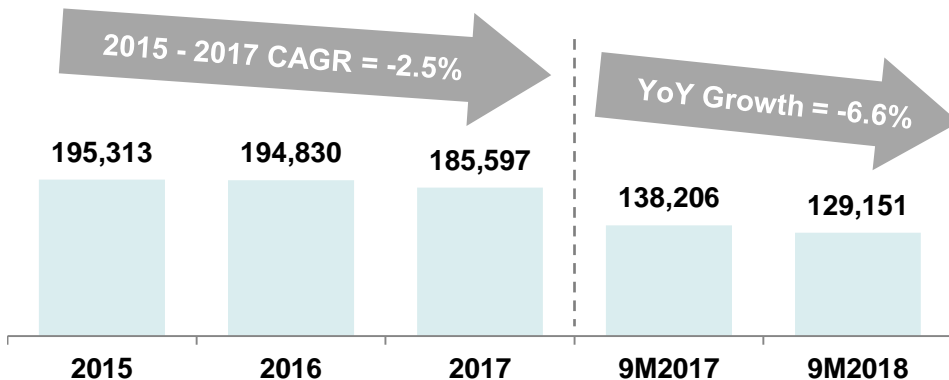
Business Overview



Pou Chen's 2M2019 unaudited consolidated sales ended 2019/02/28 increased Y-o-Y by 17.0% to NT\$49.4 bn.
 Pou Chen's FY2018 unaudited consolidated sales ended 2018/12/31 increased Y-o-Y by 5.3% to NT\$293.5 bn.

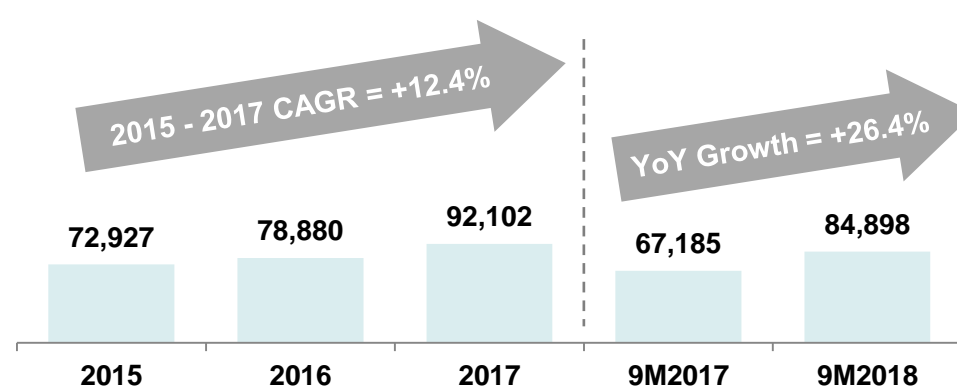
Revenue - Footwear

(NT\$m)



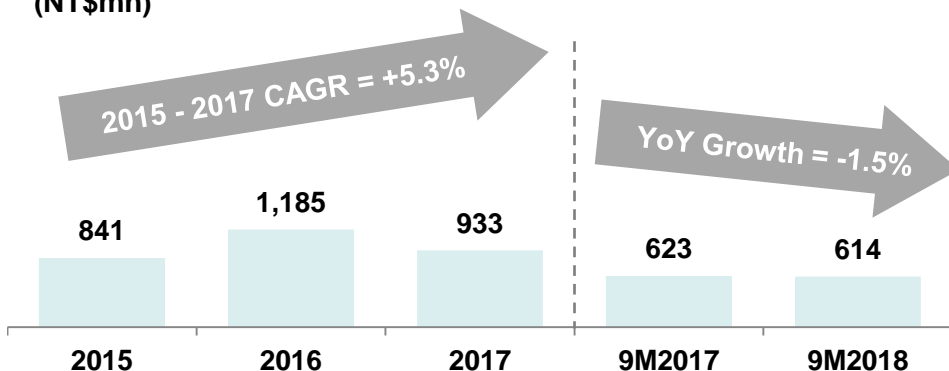
Revenue - Retail

(NT\$m)



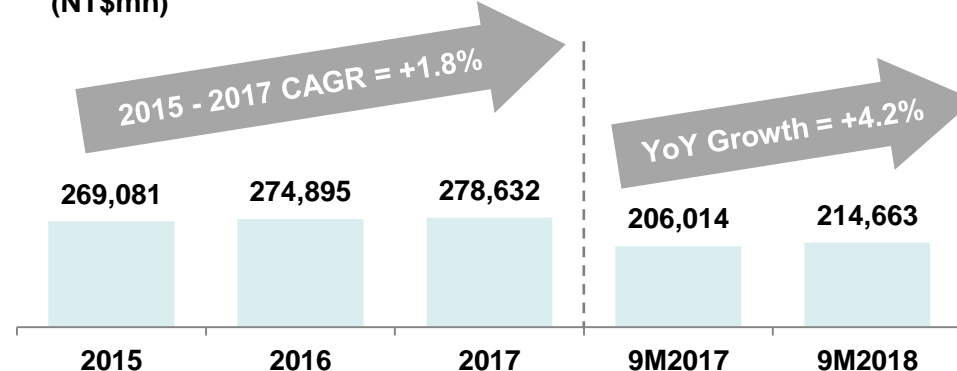
Revenue - Others

(NT\$m)



Revenue - Total

(NT\$m)



Product Mix

Category	FY2015		FY2016		FY2017		9M2017		9M2018		YoY (%)
	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)	(US\$mn; %)		
Athletic Shoes	4,016	47.6%	4,110	48.5%	4,204	46.1%	3,102	46.2%	3,089	43.2%	-0.4%
Casual/Outdoor Shoes	1,366	16.2%	1,231	14.5%	1,192	13.1%	885	13.2%	782	10.9%	-11.6%
Sports Sandals	94	1.1%	94	1.1%	79	0.8%	58	0.8%	59	0.8%	+1.6%
Soles, Components, Others	661	7.8%	605	7.1%	617	6.8%	472	7.0%	383	5.4%	-18.9%
Apparel Wholesale	-	-	-	-	254	2.8%	170	2.5%	292	4.1%	+71.9%
Retail & Brand Licensee	2,298	27.3%	2,441	28.8%	2,775	30.4%	2,031	30.3%	2,547	35.6%	+25.4%
Total	8,435	100.0%	8,481	100.0%	9,121	100.0%	6,718	100.0%	7,152	100.0%	+6.5%

Financial Highlights

(US\$mn)	FY2015	FY2016	FY2017	9M2017	9M2018	YoY (%)
Revenue	8,435	8,481	9,121	6,718	7,152	+6.5%
Gross Profit	1,972	2,133	2,351	1,705	1,787	+4.8%
Gross Margin	23.4%	25.2%	25.8%	25.4%	25.0%	
Net Income ⁽¹⁾	390	535	519	396	205	-48.3%
Net Margin	4.6%	6.3%	5.7%	5.9%	2.9%	

⁽¹⁾ Net profit attributable to owners of the Company, excluding “non-controlling interests”

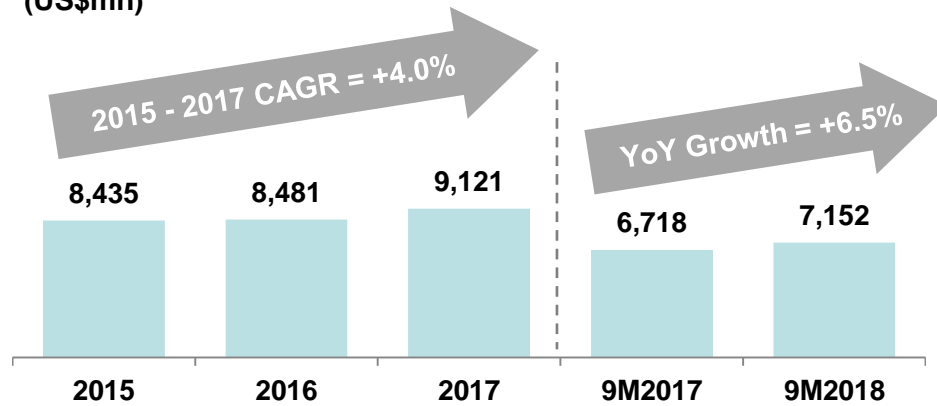
Financial Highlights – Yue Yuen



Yue Yuen's 2M2019 unaudited sales ended 2019/02/28 increased Y-o-Y by 11.6% to US\$1.6 bn.
 Yue Yuen's FY2018 unaudited sales ended 2018/12/31 increased Y-o-Y by 6.4% to US\$9.7 bn.

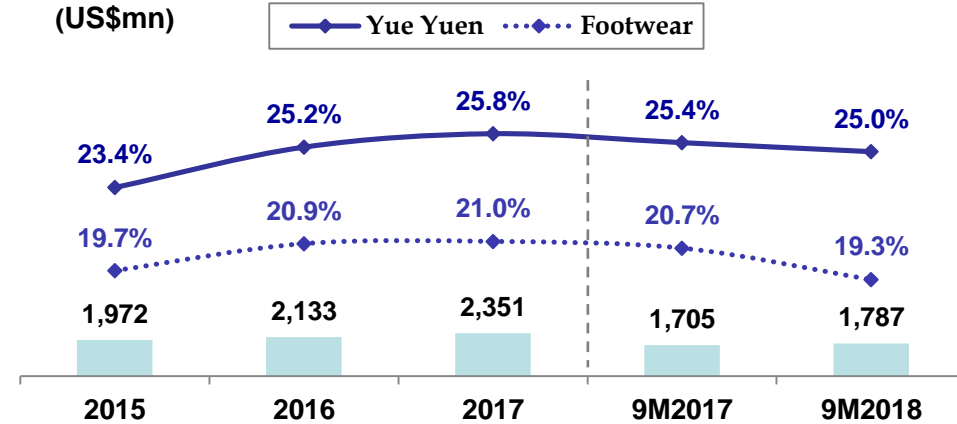
Revenue

(US\$mn)



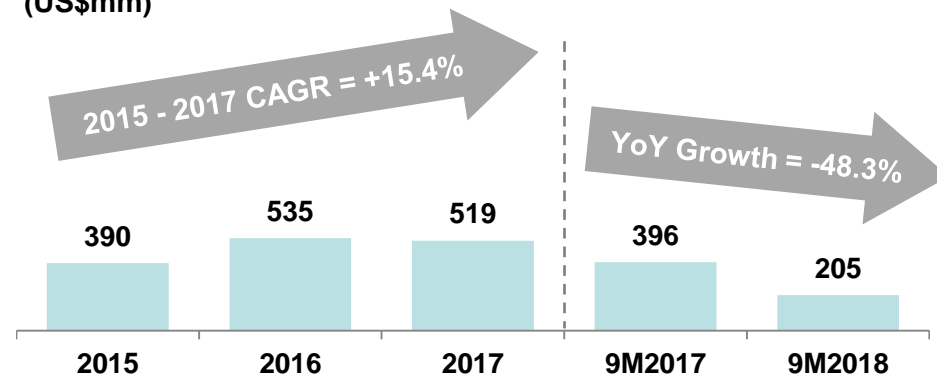
Gross Margin

(US\$mn)

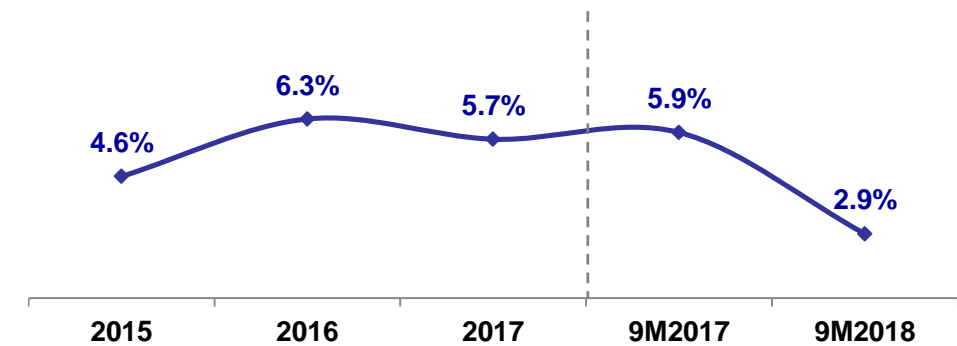


Net Income⁽¹⁾

(US\$mm)



Net Margin



⁽¹⁾ Net profit attributable to owners of the Company, excluding "non-controlling interests"

Financial Highlights

(RMB mn)	FY2015	FY2016	FY2017	9M2017	9M2018	YoY (%)
Revenue	14,466	16,236	18,833	13,883	16,636	+19.8%
Gross Profit	4,818	5,768	6,594	4,797	5,505	+14.8%
Gross Margin	33.3%	35.5%	35.0%	34.6%	33.1%	
Operating Profit	599	924	770	632	694	+9.9%
Operating Margin	4.1%	5.7%	4.1%	4.6%	4.2%	
Net Income ⁽²⁾	397	561	394	337	389	+15.5%
Net Margin	2.7%	3.5%	2.1%	2.4%	2.3%	

⁽¹⁾ Pou Sheng has adopted RMB as its presentation currency from USD starting from 1H2016.

⁽²⁾ Net profit attributable to owners of the Company, excluding “non-controlling interests”.

Store Network

(POS)	Directly-Operated	Sub-Distributor	Total
2017/12/31	5,465	3,313	8,778
Net Increase	120	84	204
2018/09/30	5,585	3,397	8,982

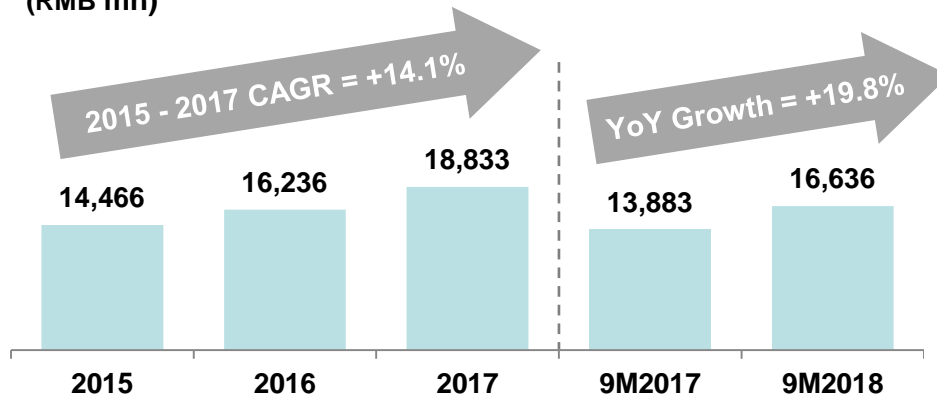
Financial Highlights – Pou Sheng



Pou Sheng's 2M2019 unaudited sales ended 2019/02/28 increased Y-o-Y by 20.1% to RMB 4.2 bn (US\$0.6 bn).
 Pou Sheng's FY2018 unaudited sales ended 2018/12/31 increased Y-o-Y by 20.4% to RMB 22.7 bn (US\$3.4 bn).

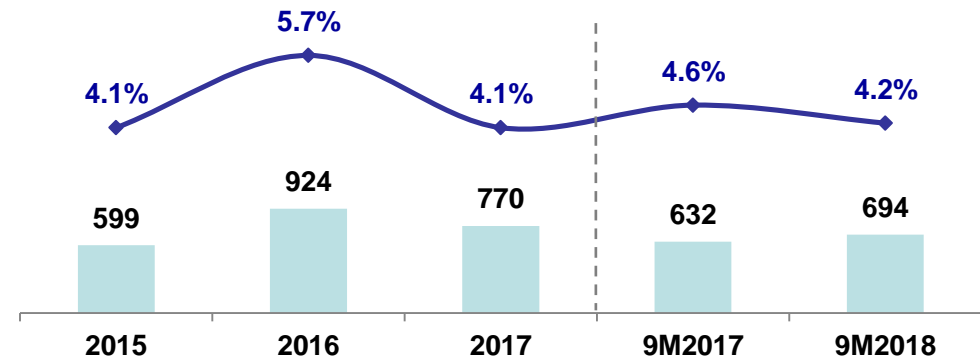
Revenue

(RMB mn)



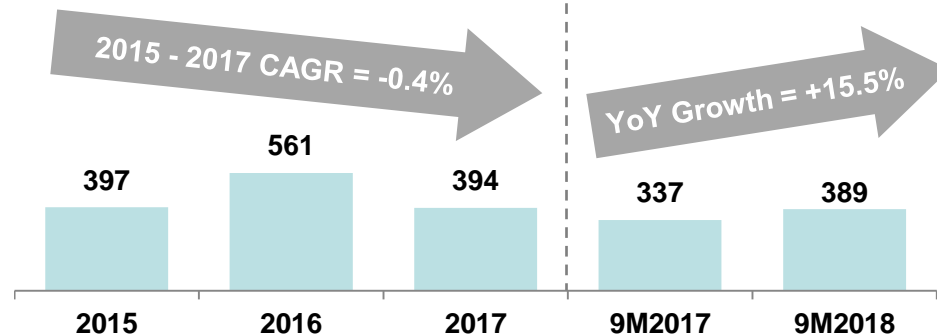
Operating Margin

(RMB mn)

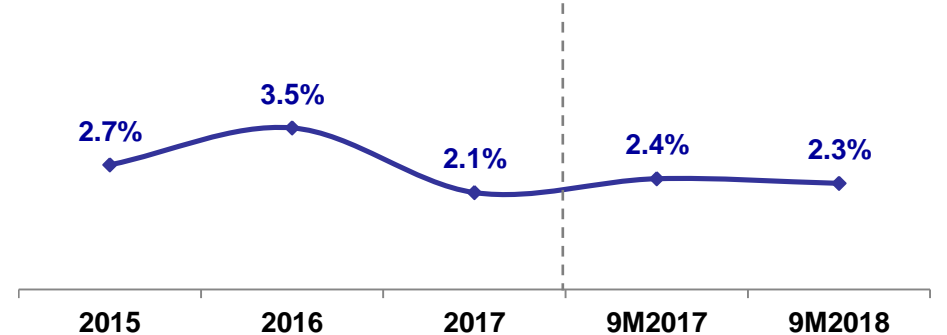


Net Income⁽¹⁾

(RMB mn)



Net Margin



⁽¹⁾ Net profit attributable to owners of the Company, excluding "non-controlling interests"

Financial Highlights – Pou Chen (Consolidated)



(NT\$m)	FY2015	FY2016	FY2017
Revenue	269,081	274,895	278,632
Gross Profit	64,505	70,383	73,068
Gross Margin	24.0%	25.6%	26.2%
Operating Income	12,353	17,785	17,068
Operating Margin	4.6%	6.4%	6.1%
Non-operating Income, net	7,887	8,495	7,750
Profit before taxation	20,240	26,280	24,818
Income Tax Expense	3,639	3,278	3,087
Net Income ⁽¹⁾	9,531	13,057	12,922
Net Margin	3.5%	4.8%	4.6%
EPS (NT\$)	3.24	4.43	4.38

⁽¹⁾ Net profit attributable to owners of the Company, excluding “non-controlling interests”

Financial Highlights – Pou Chen (Consolidated)



(NT\$m)	9M2017	9M2018	YoY (%)
Revenue	206,014	214,663	+4.2%
Gross Profit	53,247	54,701	+2.7%
Gross Margin	25.8%	25.5%	
Operating Income	12,138	9,680	-20.3%
Operating Margin	5.9%	4.5%	
Non-operating Income, net	6,416	5,342	-16.8%
Profit before taxation	18,554	15,022	-19.0%
Income Tax Expense	2,680	2,733	+2.0%
Net Income ⁽¹⁾	9,081	8,472	-6.7%
Net Margin	4.4%	3.9%	
EPS (NT\$)	3.08	2.88	-6.5%

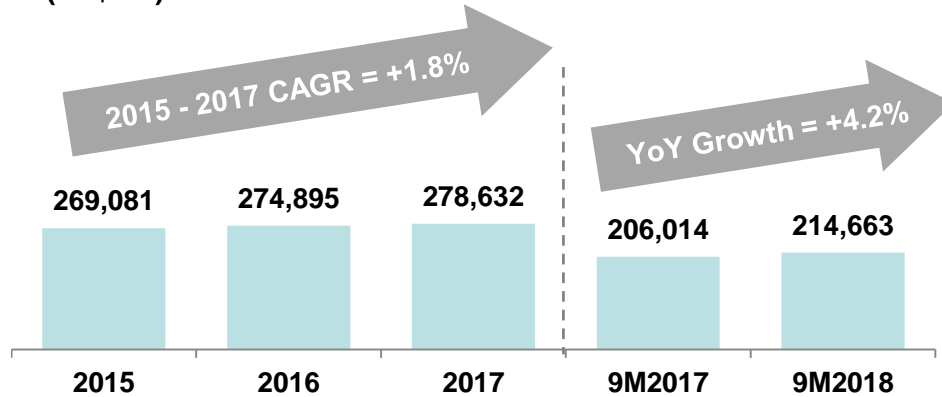
⁽¹⁾ Net profit attributable to owners of the Company, excluding “non-controlling interests”

Financial Highlights – Pou Chen (Consolidated)



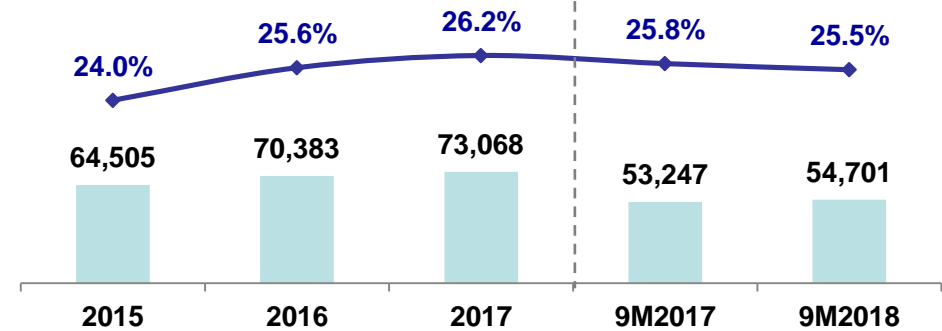
Revenue

(NT\$mn)



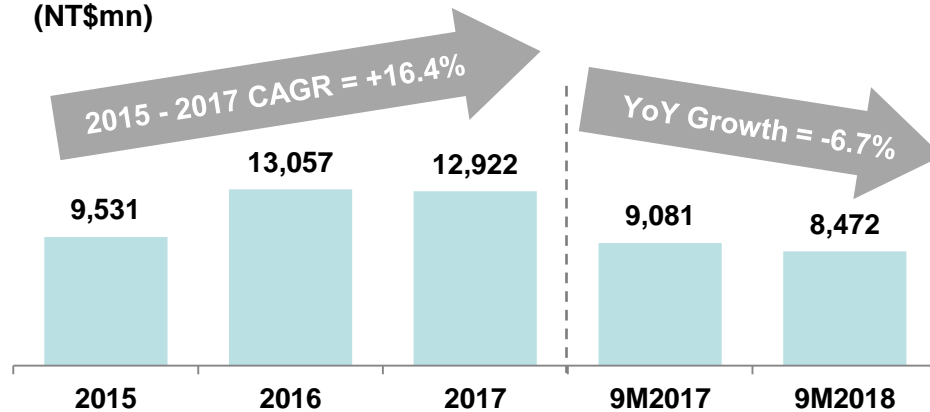
Gross Margin

(NT\$mn)



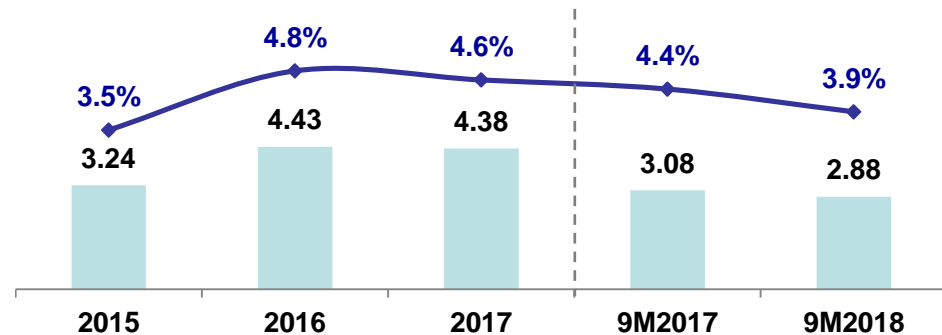
Net Income⁽¹⁾

(NT\$mn)



Net Margin / EPS

(NT\$)

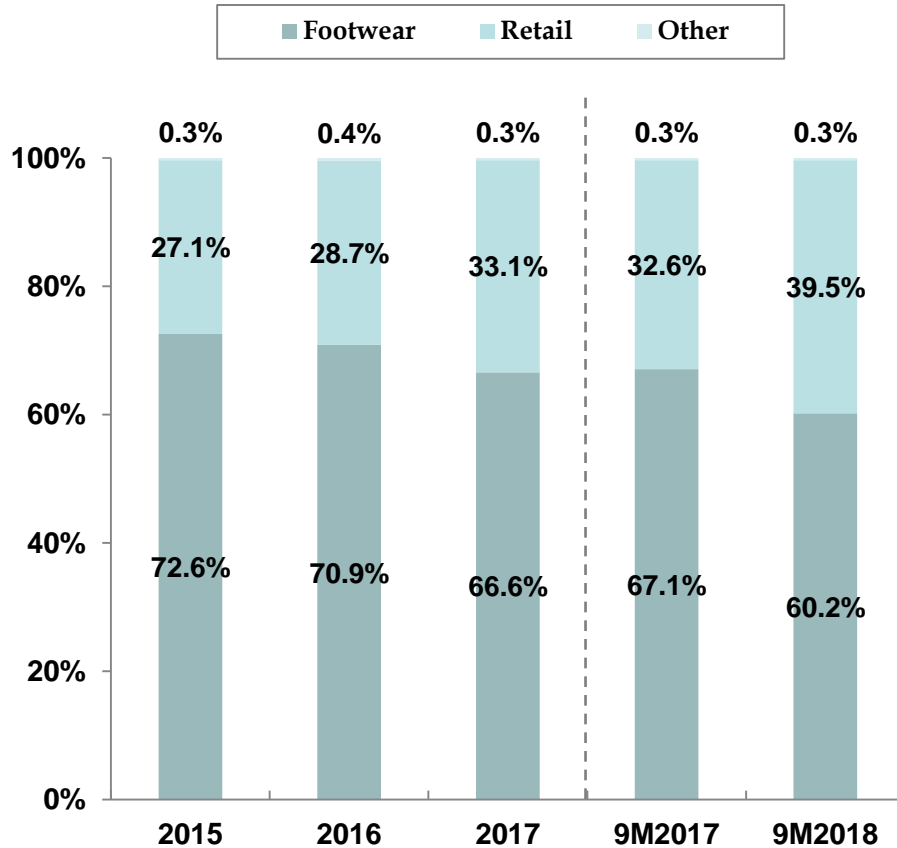


⁽¹⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

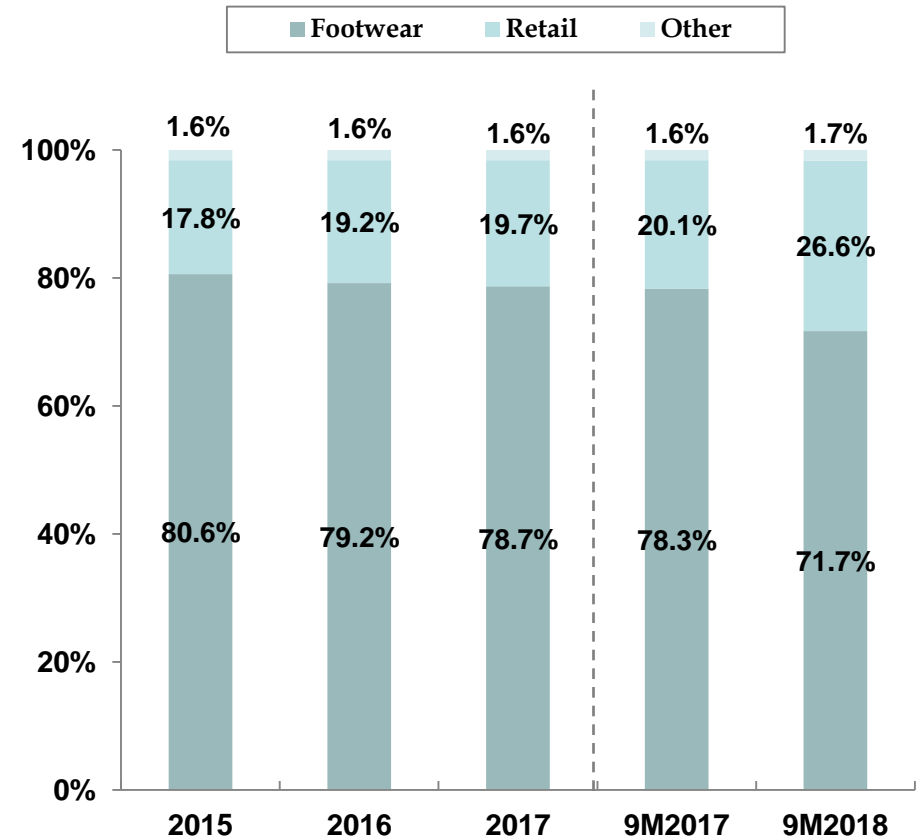
Financial Highlights – Pou Chen (Consolidated)



Segment Revenue



Segment Income⁽¹⁾



⁽¹⁾ Pou Chen identified "Footwear business", "Retail business" and "Others" as its three reportable segments. Besides, "Segment Income" represented the profit before income tax earned by each segment without allocation of administration costs, remuneration to directors and supervisors, other income, other gains and losses, finance costs and share of the profit of associates and joint ventures.

Dividend Policy



	FY2015	FY2016	FY2017
Dividend/ Per Share			
- Pou Chen (NT\$)	1.50 (Cash 1.50)	1.50 (Cash 1.50)	2.00 (Cash 2.00)
- Yue Yuen (HK\$)	1.20 (Interim 0.40 / Final 0.80)	1.40 (Interim 0.40 / Final 1.00)	1.50 + 3.50 ⁽³⁾ (Interim 0.40 / Final 1.10 / special 3.50)
- Pou Sheng (HK\$)	-	0.04 (Interim 0.02 / Final 0.02)	0.02 (Final 0.02)
Cash Dividend Yield⁽²⁾			
- Pou Chen	3.5% (@NT\$43.10)	3.7% (@NT\$40.20)	5.2% (@NT\$38.55)
- Yue Yuen	4.6% (@HK\$26.35)	5.0% (@HK\$28.15)	4.9% ⁽⁴⁾ (@HK\$30.70)
- Pou Sheng	-	1.8% (@HK\$2.23)	1.8% (@HK\$1.13)
Cash Dividend Payout Ratio			
- Pou Chen	46.3%	33.9%	45.7%
- Yue Yuen	65.4%	55.7%	61.1% ⁽⁴⁾
- Pou Sheng	-	32.1%	21.0%

⁽¹⁾ The dividends for 2015, 2016 and 2017 were distributed in next years.

⁽²⁾ The cash dividend yield was divided by the market closing price at the end of 2015, 2016 and 2017.

⁽³⁾ Except 2017 interim & final dividend, Yue Yuen declared HK\$3.50 per share as one-time special dividend in 2017.

⁽⁴⁾ Excluding Yue Yuen's one-time special dividend.

⁽⁵⁾ Yue Yuen declared an interim dividend of HK\$0.40 per share for 1H2018.

“As the leader in the footwear manufacturing industry, Pou Chen Group is dedicated to CSR practice, and was highly recognized by FLA’s accreditation of its Social Compliance Program, which make Pou Chen Group the only FLA-accredited footwear supplier globally. We will continue to uphold the highest workplace standards and regularly conduct internal audits to ensure workers’ interests. Looking forward, the Group will further expand its communication channels between the Group and local employees to more regions, especially Cambodia and Myanmar.”

— Patty Tsai, CEO of Pou Chen Group



Pou Chen Group is **The First** FLA Accredited Footwear Manufacturer globally. The FLA Board of Directors voted on June 20, 2018 to approve the accreditation of the Group’s social compliance program.

What is the FLA (Fair Labor Association) ?



FLA is a non-profit organization dedicated to protecting workers’ rights around the world. "The FLA Workplace Code of Conduct" defines labor standards that aim to achieve decent and humane working conditions.

FLA Accreditation

Pou Chen Group affiliated with the FLA as a Participating Supplier in 2011 and began the accreditation process in 2016. The Group was granted FLA accreditation in June 2018, which will be reviewed every three years. For more details, please refer to: <http://www.fairlabor.org/report/accreditation-pou-chens-social-compliance-program>



Pou Chen Corporation was ranked **The Top 5%** of listed companies in Corporate Governance ranked by the Taiwan Stock Exchange in 2014, 2016, and 2017.



Pou Chen Corporation is a constituent of **FTSE4Good Emerging Index** as of today and the first time was included in the index in June 2015. The Company is also a constituent of **FTSE4Good TIP Taiwan ESG Index**, which is jointly issued by Taiwan Index Plus Corporation and FTSE Russell in December 2017.