

寶成   
國際集團
POUCHEN
GROUP



December 2019

<http://www.pouchen.com>

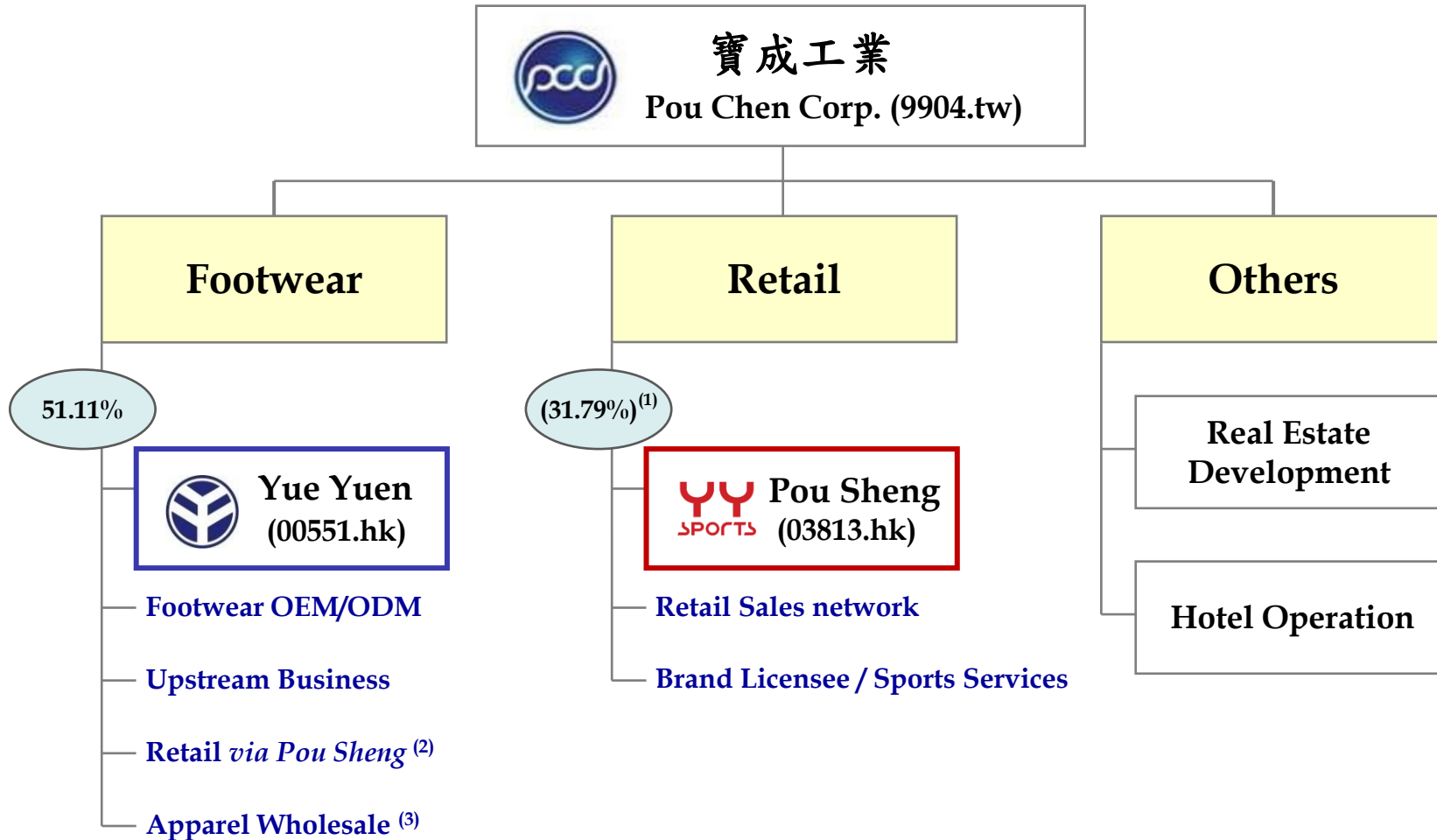
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Pou Chen Group — *To be the best sports gear producer and distributor.*

- Founded in 1969; listed on the TWSE in 1990
- Paid in Capital: NT\$29,468 mn
- Market Cap.: NT\$117.1 bn (@NT\$39.75 as of 2019/09/27) (approx. US\$3.8 bn)
- Revenue: 9M2019 Consolidated Sales NT\$234,127 mn (approx. US\$7,539 mn)
- Product Mix: Footwear 58.8%, Retail 40.9%, Others 0.3% (as of 9M2019 Consolidated Sales)
- **Footwear Business:**
 - Volume: Made 239.7 million pairs in 9M2019; Made 326 million pairs in FY2018
 - 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 Nike, adidas, Asics, New Balance, Timberland and Salomon.
- **Retail Business:**
 - Target Market: The Greater China Region
 - POS: 9,824 POS (5,955 directly-operated and 3,869 sub-distributors) (as of 2019/09/30)

Group Structure



⁽¹⁾ Pou Chen through its 51.11% owned subsidiary Yue Yuen indirectly holds 31.79% ownership (=51.11% × 62.20%) of Pou Sheng..

⁽²⁾ Retailing of sporting goods & brand licensing business is via Yue Yuen's 62.20% owned subsidiary Pou Sheng to operate an integrated sportswear retail network in the Greater China Region.

⁽³⁾ Apparel Wholesale is operated by Yue Yuen's subsidiary TCHC since April 2017. Yue Yuen has disposed all of its interest in TCHC on 2019/05/31 to remain focused on its core business.

Business Segment Mix

Pou Chen (Consolidated)	FY2016		FY2017		FY2018		9M2018		9M2019		YoY
	(NT\$m; %)		(NT\$m; %)		(NT\$m; %)		(NT\$m; %)		(NT\$m; %)		(%)
Footwear	194,830	70.9%	185,597	66.6%	177,557	60.5%	129,151	60.2%	137,794	58.8%	+6.7%
Retail	78,880	28.7%	92,102	33.1%	114,951	39.2%	84,898	39.5%	95,698	40.9%	+12.7%
Others	1,185	0.4%	933	0.3%	808	0.3%	614	0.3%	635	0.3%	+3.4%
Total	274,895	100%	278,632	100%	293,316	100%	214,663	100%	234,127	100%	+9.1%

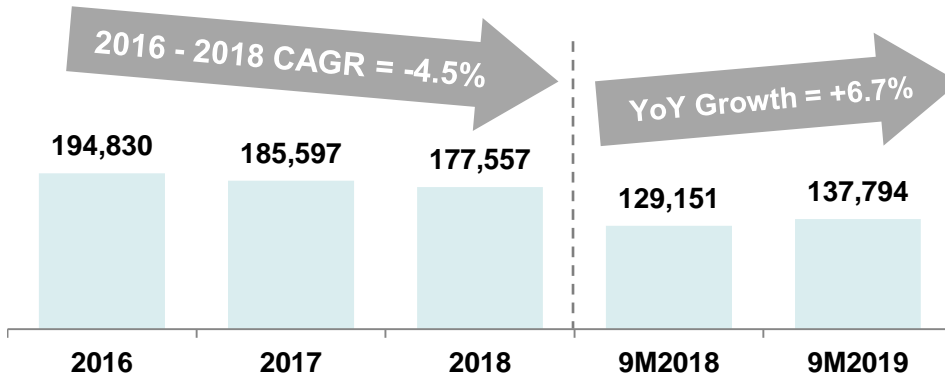
⁽¹⁾ Pou Chen has three reportable segments:

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

Pou Chen's 10M2019 unaudited consolidated sales increased Y-o-Y by 8.0% to NT\$261.0 bn.

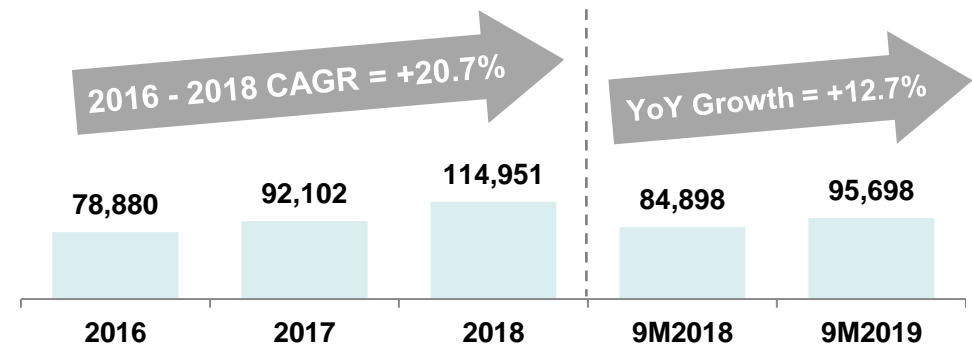
Revenue - Footwear

(NT\$mn)



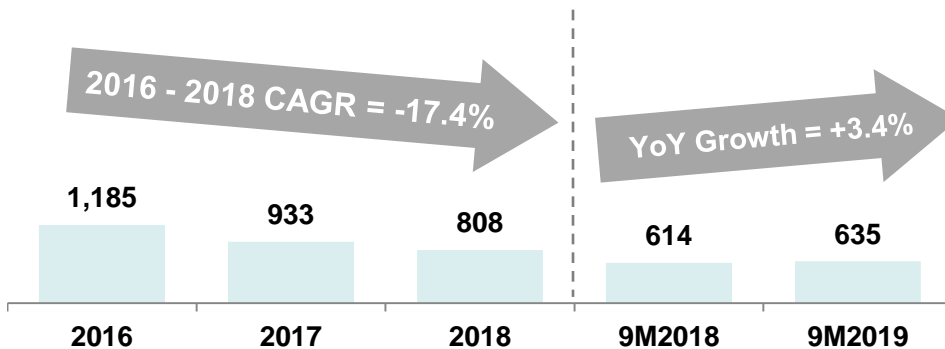
Revenue - Retail

(NT\$mn)



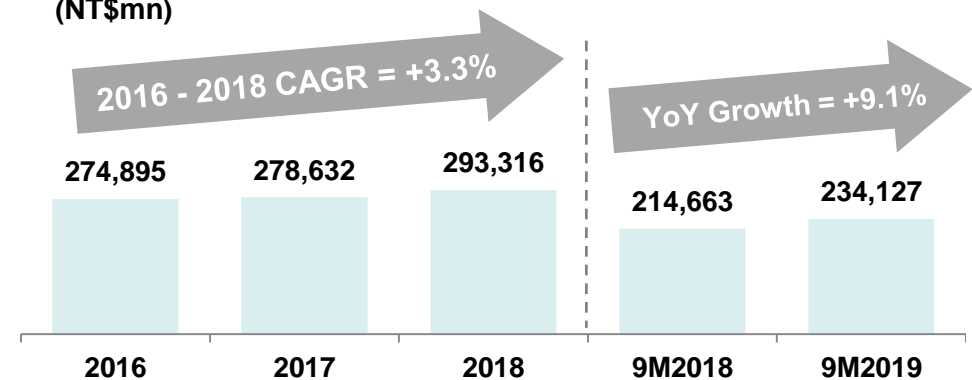
Revenue - Others

(NT\$mn)



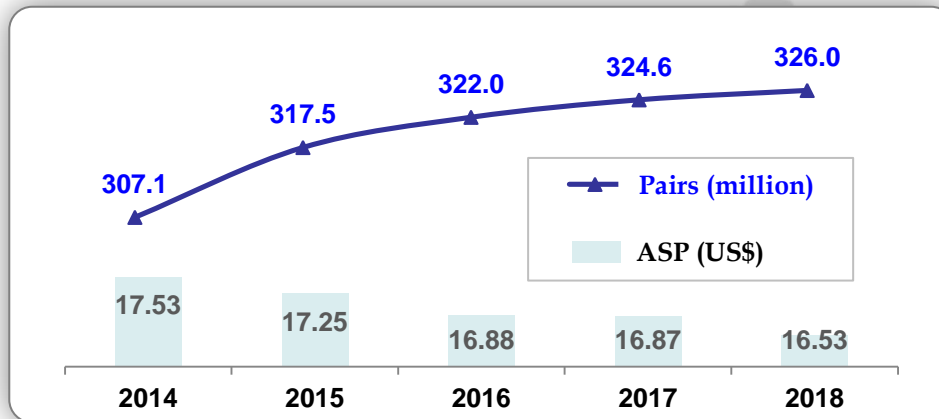
Revenue - Total




(NT\$mn)

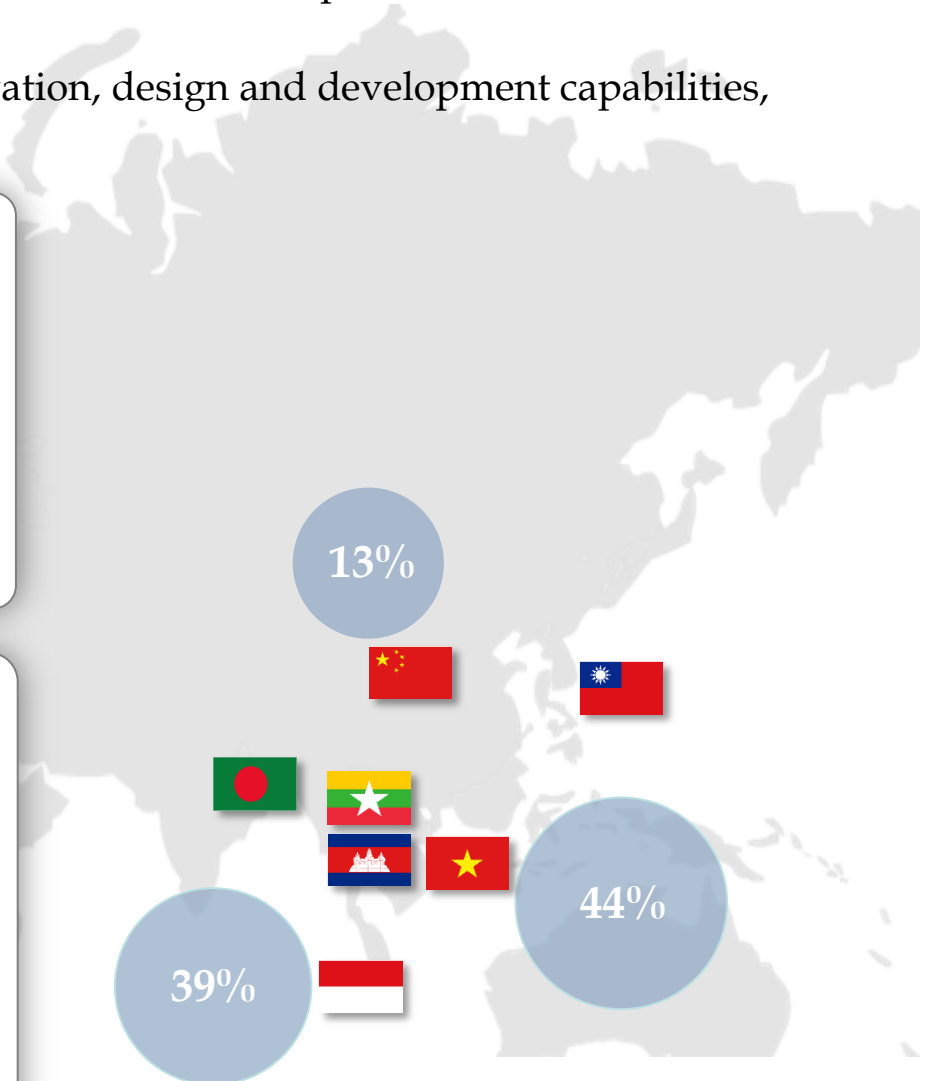


Footwear Business – Yue Yuen

- The world's largest branded footwear manufacturer with a diversified portfolio of brand customers and production sites.
- Core Competences: responsiveness, flexibility, innovation, design and development capabilities, and superior quality.



Country	% of Volume		
	FY2018	9M2018	9M2019
 China	14%	15%	13%
 Vietnam	46%	46%	44%
 Indonesia	37%	36%	39%
Others	3%	3%	4%
Million pairs of shoes made	326.0	236.5	239.7



Financial Highlights – Yue Yuen



Product Mix

Category	FY2016		FY2017		FY2018		9M2018		9M2019		YoY
	(US\$mn; %)		(US\$mn; %)		(US\$mn; %)		(US\$mn; %)		(US\$mn; %)		(%)
Athletic Shoes	4,110	48.5%	4,204	46.1%	4,268	44.0%	3,089	43.2%	3,242	43.1%	+5.0%
Casual/Outdoor Shoes	1,231	14.5%	1,192	13.1%	1,031	10.6%	782	10.9%	766	10.2%	-2.1%
Sports Sandals	94	1.1%	79	0.8%	92	1.0%	59	0.8%	78	1.0%	+33.4%
Soles, Components, Others	605	7.1%	617	6.8%	491	5.1%	383	5.4%	351	4.7%	-8.3%
Apparel Wholesale	-	-	254	2.8%	392	4.0%	292	4.1%	172	2.3%	-41.2%
Retail Sales	2,441	28.8%	2,775	30.4%	3,421	35.3%	2,547	35.6%	2,911	38.7%	+14.3%
Total	8,481	100.0%	9,121	100.0%	9,695	100.0%	7,152	100.0%	7,520	100.0%	+5.1%

Financial Highlights

(US\$mn)	FY2016	FY2017	FY2018	9M2018	9M2019	YoY (%)
Revenue	8,481	9,121	9,695	7,152	7,520	+5.1%
Gross Profit	2,133	2,351	2,446	1,787	1,867	+4.5%
Gross Margin	25.1%	25.8%	25.2%	25.0%	24.8%	
Net Income ⁽¹⁾	535	519	307	205	229	+12.1%
Net Margin	6.3%	5.7%	3.2%	2.9%	3.1%	

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

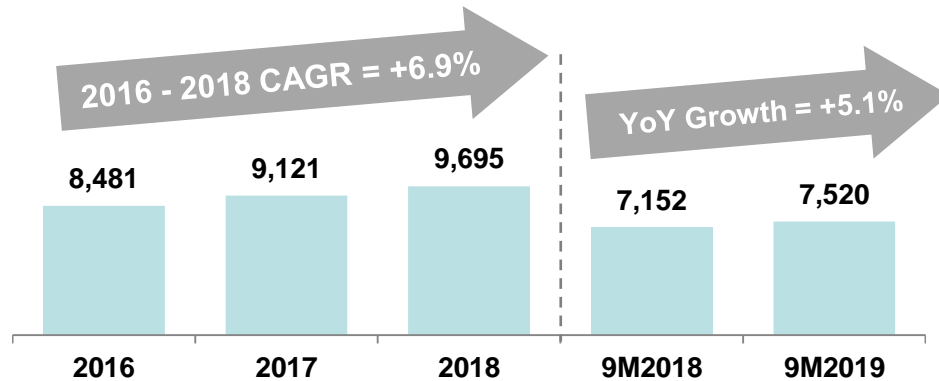
Financial Highlights – Yue Yuen



Yue Yuen's 10M2019 unaudited sales increased Y-o-Y by 4.6% to US\$8.4 bn.

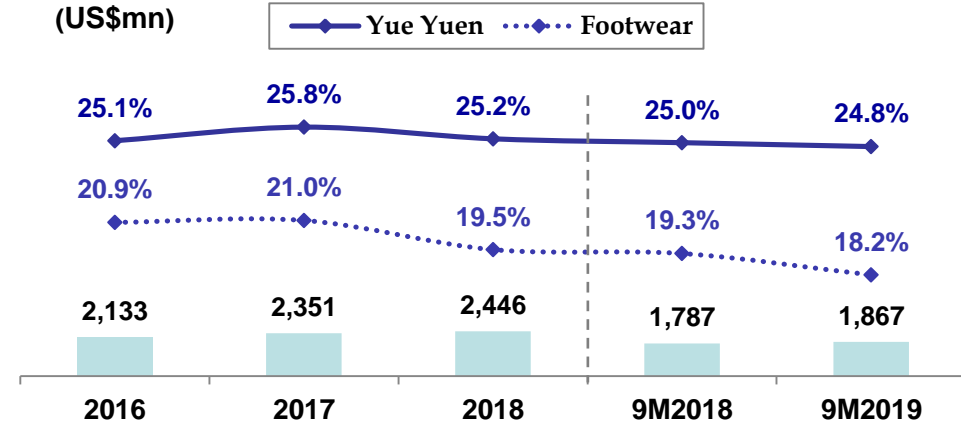
Revenue

(US\$mn)



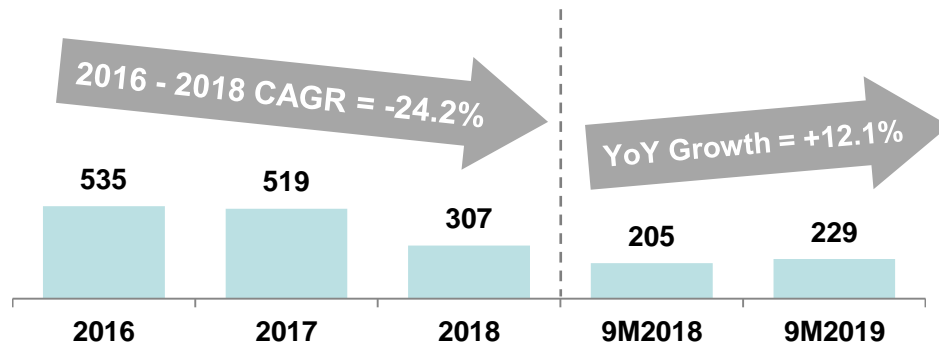
Gross Margin

(US\$mn)

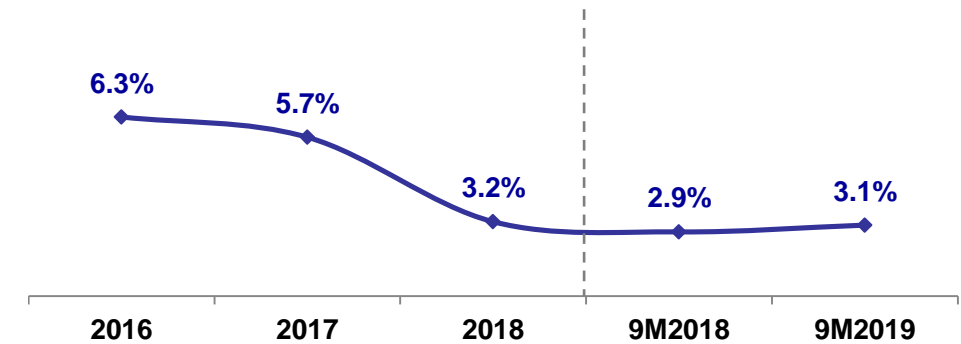


Net Income⁽¹⁾

(US\$mm)



Net Margin



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

- One of the leading distributors for a number of well-known international brands in the Greater China Region.
- The Group started Brand Licensee Business in 1992 and Retail Business in 2001.
- **Retail Business**
 - Business Model: Distribution of world-renowned sportswear brand products including footwear, apparel and accessories for Nike, adidas, etc., with quality services
 - Brink and Mortar Stores: Directly-Operated & Sub-Distributors
 - Online Channels: Penetration into Omni-Channel
- **Other Business**
 - Brand Licensee: For certain international brands in China and Taiwan.
 - Sports Service Platform: Full range of sports services in China and Taiwan.



YY SPORTS – Shanghai



YY SPORTS Mall –Shenyang



YY Kids– Beijing

Financial Highlights

(RMB mn)	FY2016	FY2017	FY2018	9M2018	9M2019	YoY (%)
Revenue	16,236	18,833	22,677	16,636	19,996	+20.2%
Gross Profit	5,768	6,594	7,599	5,505	6,836	+24.2%
Gross Margin	35.5%	35.0%	33.5%	33.1%	34.2%	
Operating Profit	924	770	967	694	1,100	+58.5%
Operating Margin	5.7%	4.1%	4.3%	4.2%	5.5%	
Net Income ⁽²⁾	561	394	543	389	606	+55.6%
Net Margin	3.5%	2.1%	2.4%	2.3%	3.0%	

⁽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”.

Number of Stores

	Directly-Operated	Sub-Distributor	Total
2018/12/31	5,648	3,551	9,199
Net Increase	307	318	625
2019/09/30	5,955	3,869	9,824

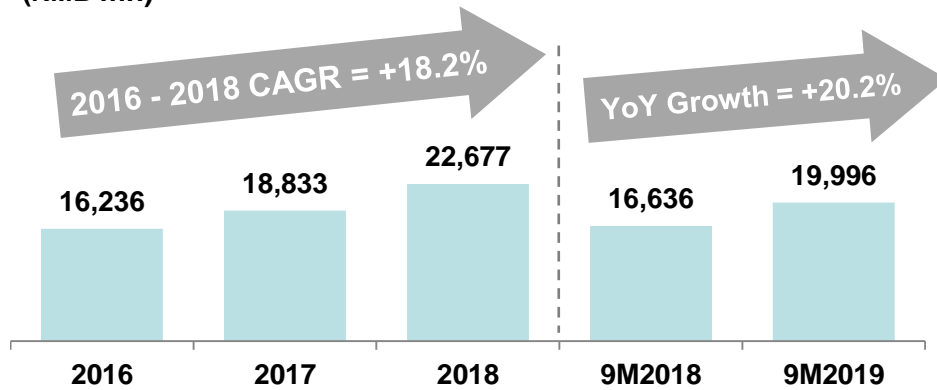
Financial Highlights – Pou Sheng



Pou Sheng's 10M2019 unaudited sales increased Y-o-Y by 19.9% to RMB 22.5 bn (US\$3.3 bn).

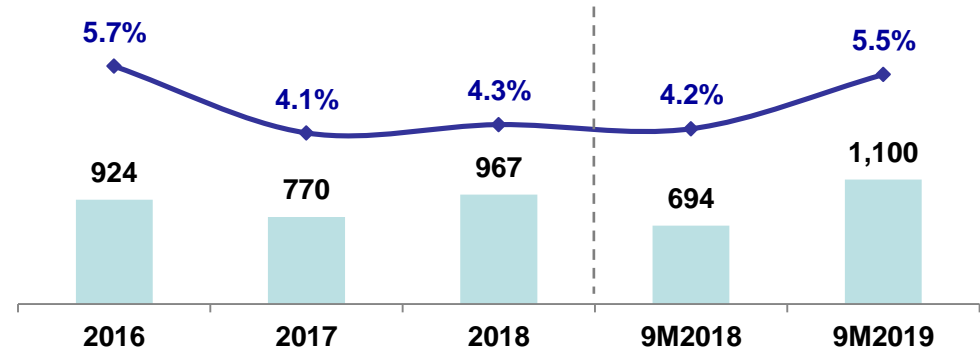
Revenue

(RMB mn)



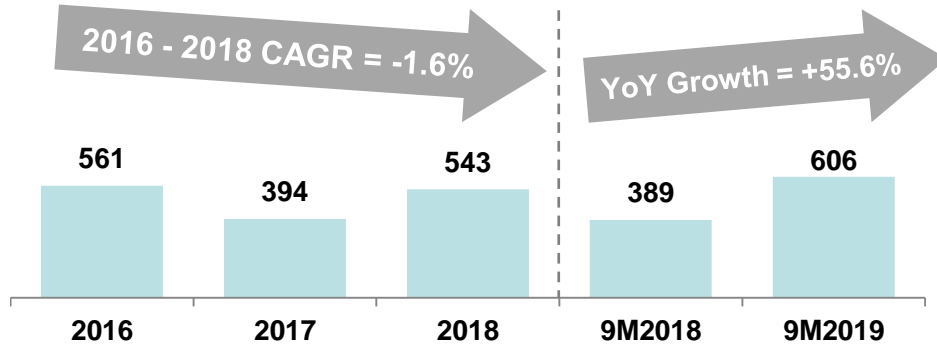
Operating Margin

(RMB mn)

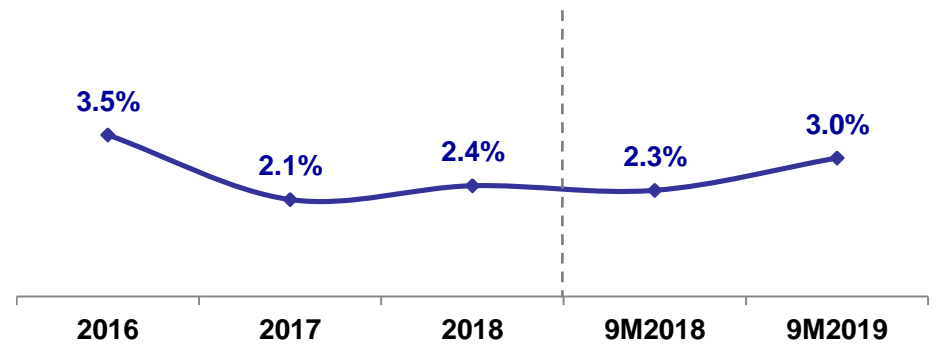


Net Income⁽¹⁾

(RMB mn)



Net Margin



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

Financial Highlights – Pou Chen (Consolidated)



(NT\$m)	FY2016	FY2017	FY2018
Revenue	274,895	278,632	293,316
Gross Profit	70,383	73,068	75,471
Gross Margin	25.6%	26.2%	25.7%
Operating Income	17,785	17,068	13,809
Operating Margin	6.4%	6.1%	4.7%
Non-operating Income, net	8,495	7,750	6,451
Profit before taxation	26,280	24,818	20,260
Income Tax Expense	3,278	3,087	3,888
Net Income ⁽¹⁾	13,057	12,922	10,709
Net Margin	4.8%	4.6%	3.7%
EPS (NT\$)	4.43	4.38	3.63

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

Financial Highlights – Pou Chen (Consolidated)



(NT\$m)	9M2018	9M2019	YoY (%)
Revenue	214,663	234,127	+9.1%
Gross Profit	54,701	59,344	+8.5%
Gross Margin	25.5%	25.3%	
Operating Income	9,680	10,330	+6.7%
Operating Margin	4.5%	4.4%	
Non-operating Income, net	5,342	8,277	+54.9%
Profit before taxation	15,022	18,607	+23.9%
Income Tax Expense	2,733	2,518	-7.9%
Net Income ⁽¹⁾	8,472	11,342	+33.9%
Net Margin	3.9%	4.8%	
EPS (NT\$)	2.88	3.85	+33.7%

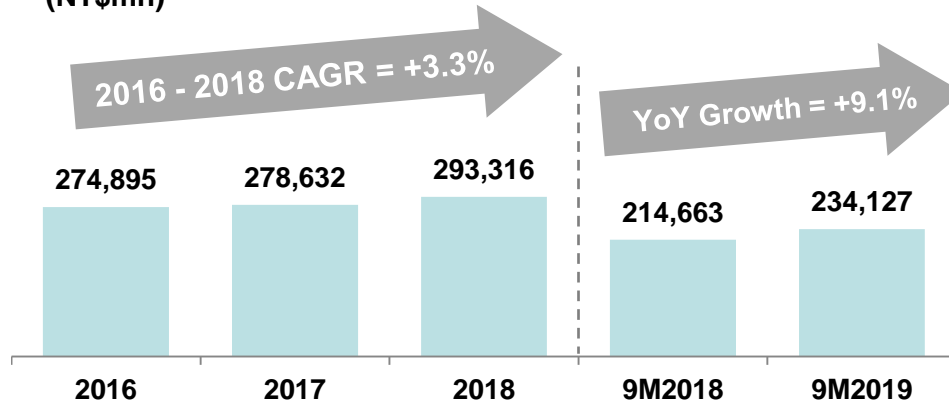
⁽¹⁾ Net profit attributable to owners of the Company, excluding “non-controlling interests”

Financial Highlights – Pou Chen (Consolidated)



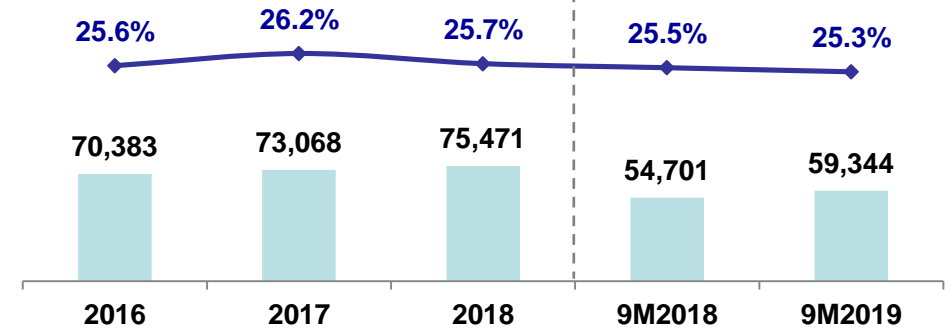
Revenue

(NT\$mn)



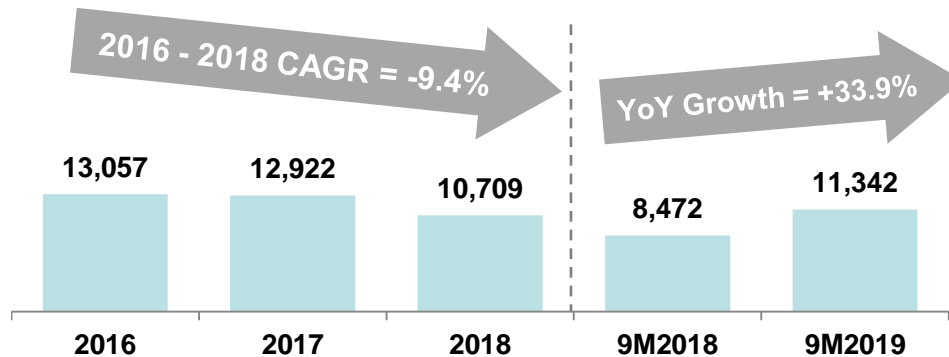
Gross Margin

(NT\$mn)



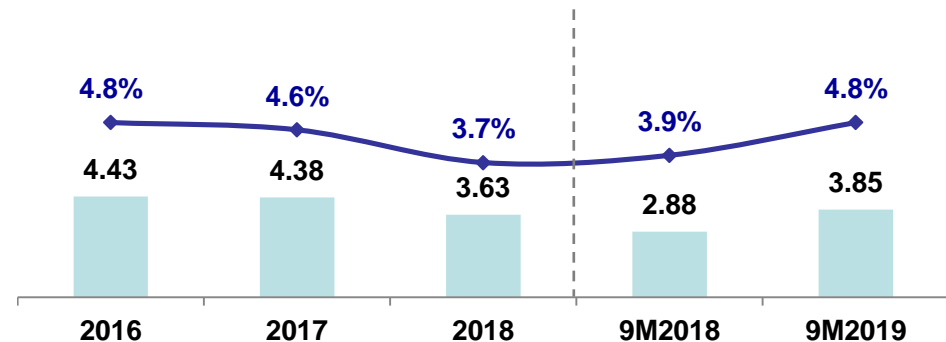
Net Income⁽¹⁾

(NT\$mn)



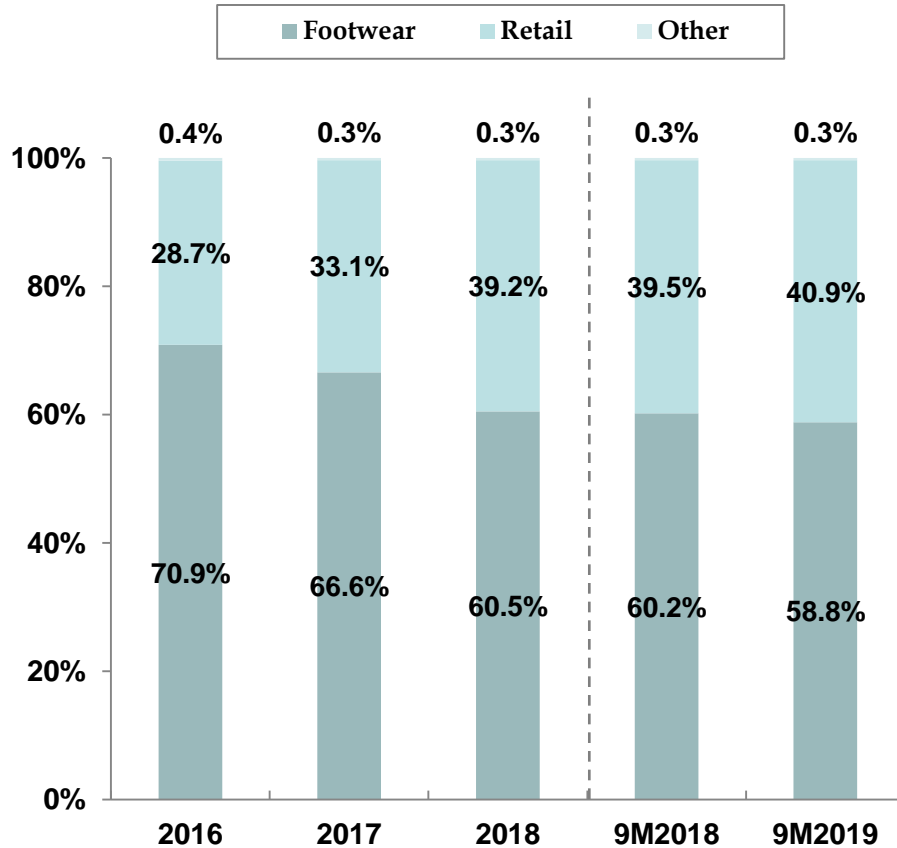
Net Margin / EPS

(NT\$)

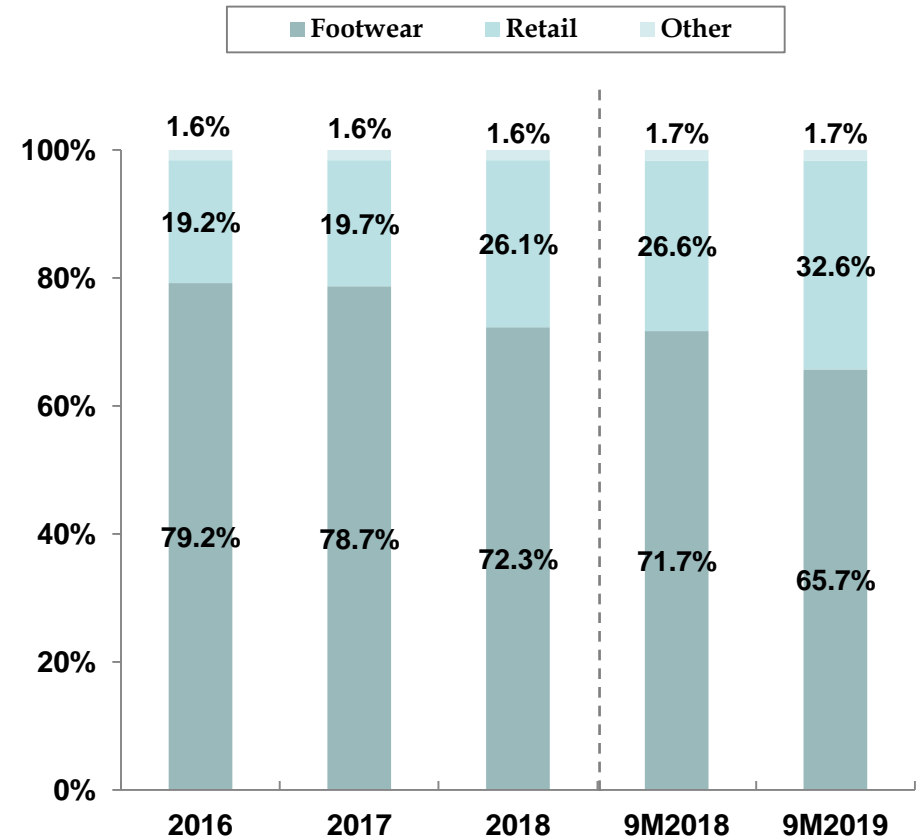


⁽¹⁾ Net profit attributable to owners of the company, excluding "non-controlling interests".

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, other income, other gains and losses, finance costs and share of the profit of associates and joint ventures.

	FY2016	FY2017	FY2018
Dividend/ Per Share			
- Pou Chen (NT\$)	1.50 (Cash 1.50)	2.00 (Cash 2.00)	1.50 (Cash 1.50)
- Yue Yuen (HK\$)	1.40 (Interim 0.40 / Final 1.00)	1.50 ⁽²⁾ (Interim 0.40 / Final 1.10)	1.50 (Interim 0.40 / Final 1.10)
- Pou Sheng (HK\$)	0.04 (Interim 0.02 / Final 0.02)	0.02 (Final 0.02)	0.025 (Final 0.025)
Cash Dividend Yield⁽¹⁾			
- Pou Chen	3.7% (@NT\$40.20)	5.2% (@NT\$38.55)	4.6% (@NT\$32.60)
- Yue Yuen	5.0% (@HK\$28.15)	4.9% ⁽³⁾ (@HK\$30.70)	6.0% (@HK\$25.05)
- Pou Sheng	1.8% (@HK\$2.23)	1.8% (@HK\$1.13)	1.7% (@HK\$1.51)
Cash Dividend Payout Ratio			
- Pou Chen	33.9%	45.7%	41.3%
- Yue Yuen	55.7%	61.1% ⁽³⁾	101.4%
- Pou Sheng	32.1%	21.0%	20.6%

⁽¹⁾ The cash dividend yield was divided by the market closing price at the end of 2016, 2017 and 2018.

⁽²⁾ Except 2017 interim & final dividend, Yue Yuen declared HK\$3.50 per share as one-time special dividend in 2017.

⁽³⁾ Excluding Yue Yuen's one-time special dividend.

⁽⁴⁾ Yue Yuen declared an interim dividend of HK\$0.40 per share for 1H2019.

“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 Only** 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 in **The Top 5%** of listed companies in Corporate Governance Evaluation conducted by the Taiwan Stock Exchange in 2014, 2016, 2017 and 2018.



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 since December 2017.