

2017

ANNUAL RESULTS ANNOUNCEMENT

29 MAR 2018

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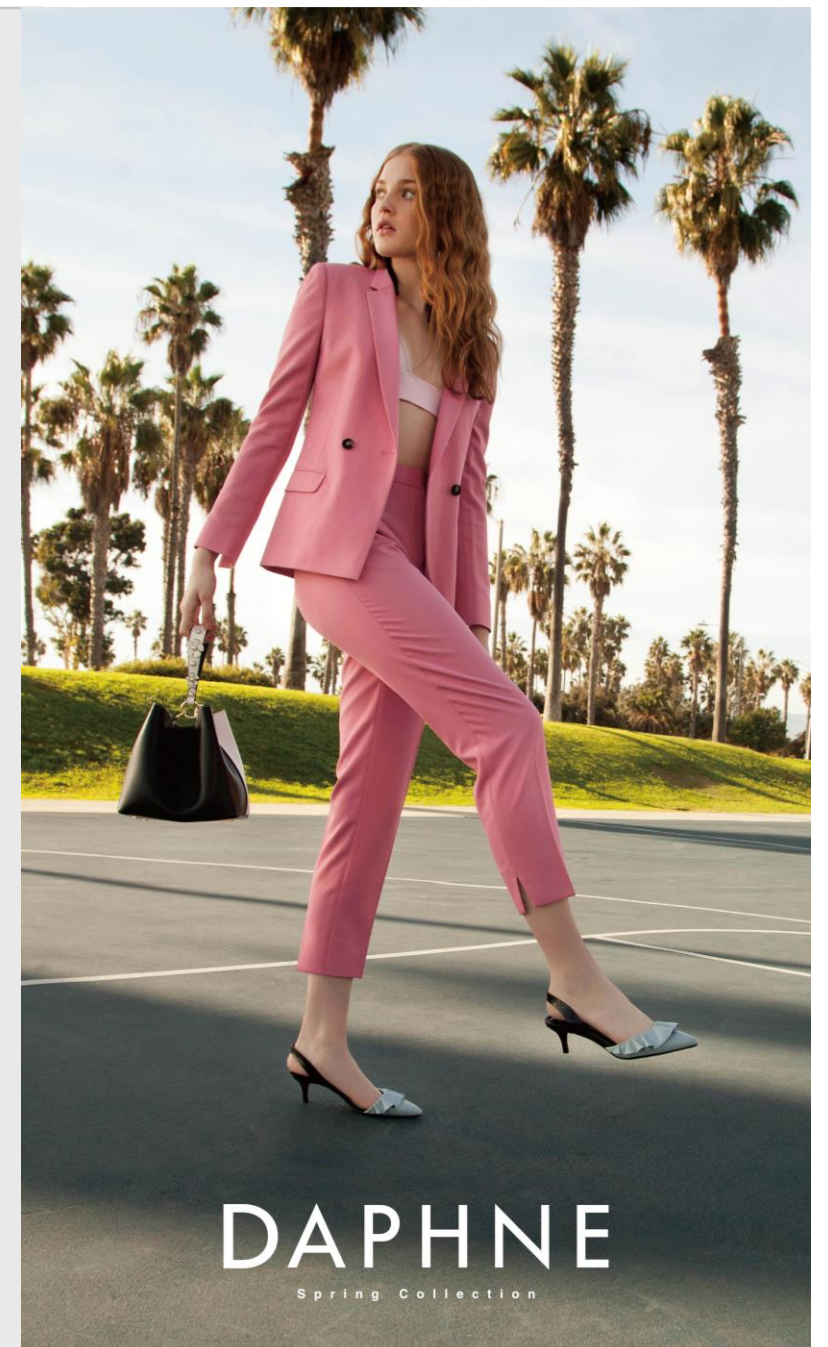
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Transformation in Progress

Business Highlights

- Women's footwear retail market became increasingly competitive as local peers (both offline and online) stepped up their discounting
- Efforts made for major brand revamp and product upgrade initiatives started to be reflected at consumer touch-points in late Q3
 - Brand revamp: Refreshed brand identities of Core Brands, including brand logos and opening of new image stores
 - Product upgrade: Energised the product design team which started contributing to autumn and winter 2017 collections
 - Channel adjustment: Started alignment of channel mix to complement the new brand image, and continued rationalisation of store network
 - Marketing revitalisation: Adopted a refreshed marketing approach including crossover project with a trendy U.S. brand "Opening Ceremony" for autumn and winter 2017 collections
 - Enhancement of brand management and sales efficiency: Initiated organisational restructuring in Q3



Transformation in Progress (Cont'd)

Business Highlights (Cont'd)

- Improved performance reflected in autumn and winter collections 2017
- Challenges faced in channel re-alignment which will take time to address
- Modification and fine-tuning of the new measures and systems required in the early stage of adoption



Transformation in Progress (Cont'd)

Performance Highlights

- Group turnover development (-19.9% YoY) in line with reduction of total POS (-21.7% YoY)
- Gross profit margin increased by 1.9ppt YoY to 52.8%
- Operational expense reduced by 17.2% broadly in line with the decrease in Group turnover
- Further reduction of aged inventory. Inventory level reduced by 11.8% to HK\$1,246.9 million from HK\$1,414.5 million
- Negative operating leverage
- Group's operating loss narrowed
- E-commerce remained profitable
- Stable financial position with a net cash position of HK\$330 million

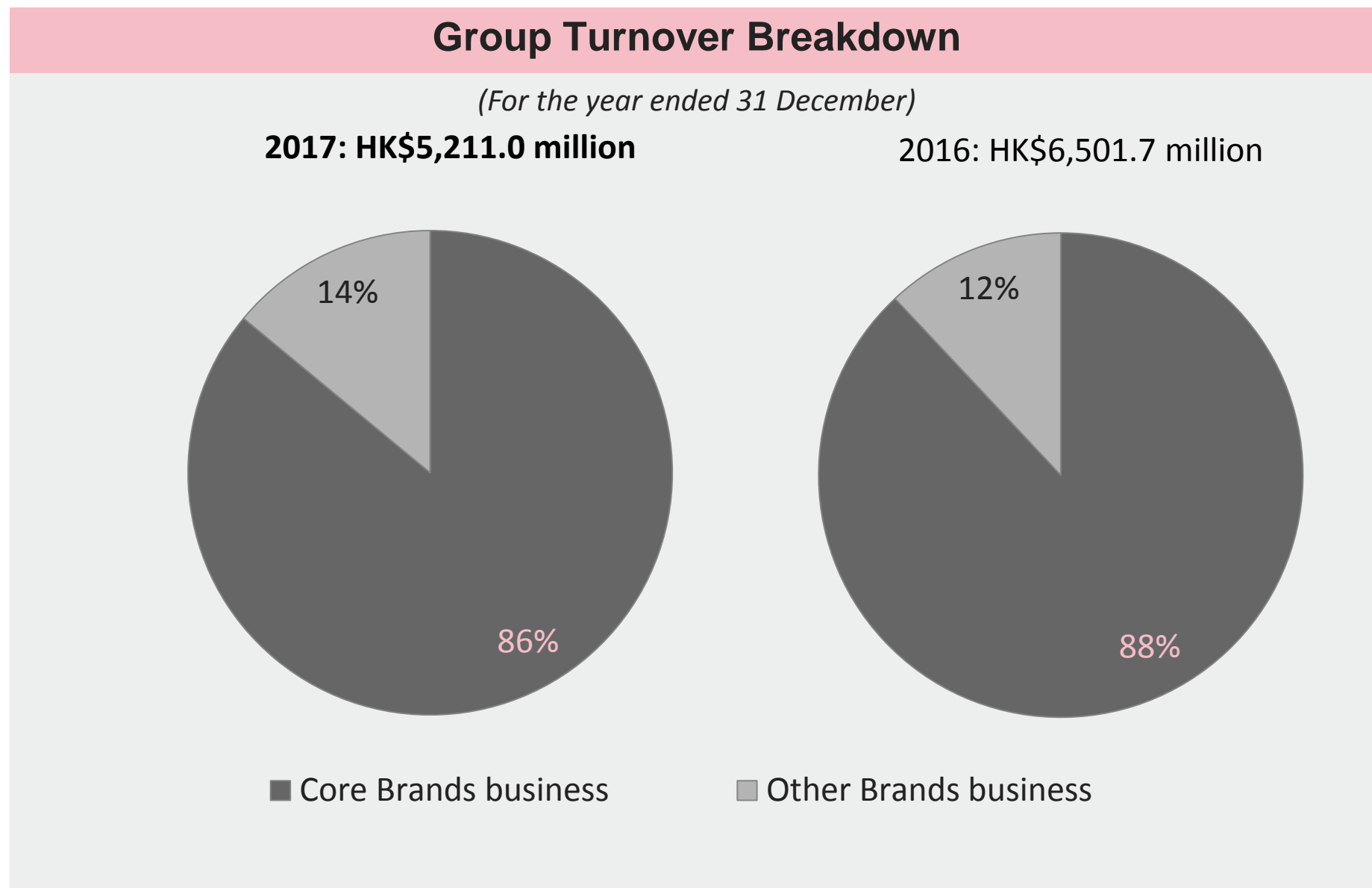
Financial Review

Group Financial Highlights

<i>(HK\$ million)</i>	2017	2016	Change
Turnover	5,211.0	6,501.7	-19.9%
Gross profit	2,753.0	3,311.7	-16.9%
Operating loss	(688.8)	(819.5)	-15.9%
Loss attributable to shareholders	(734.2)	(819.1)	-10.4%
Basic loss per share <i>(HK cents)</i>	(44.5)	(49.7)	-10.5%
Dividend per share <i>(HK cents)</i>	Nil	Nil	-
Gross margin	52.8%	50.9%	+1.9ppt
Operating margin	-13.2%	-12.6%	-0.6ppt
Net margin	-14.1%	-12.6%	-1.5ppt

(For the year ended 31 December)

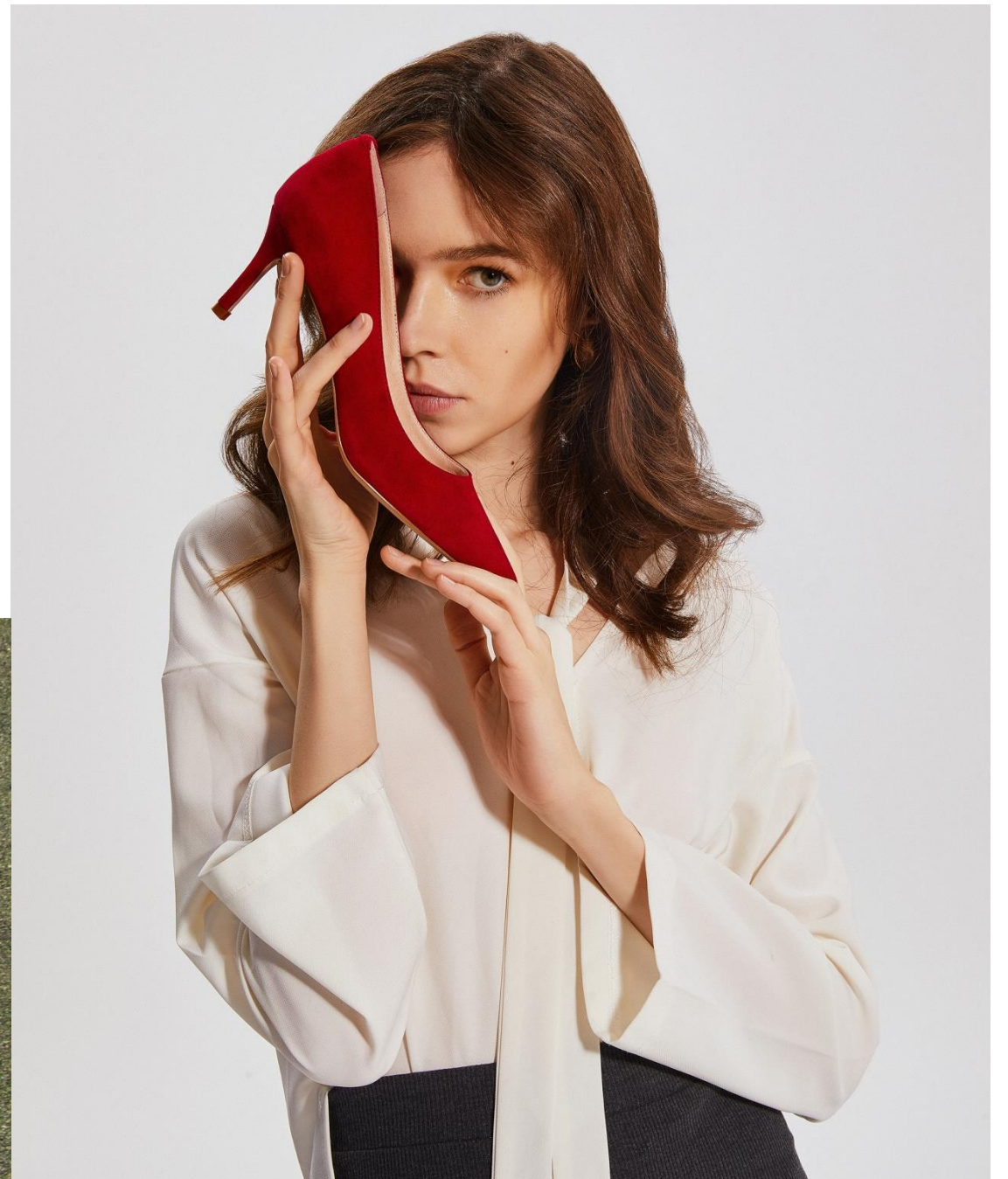
Group Turnover Breakdown



*Note: Core Brands business refers mainly to the operations under the brands “Daphne” and “Shoebox” in Mainland China
Other Brands business refers mainly to the Group’s e-commerce and operation under mid- to high-end brands*

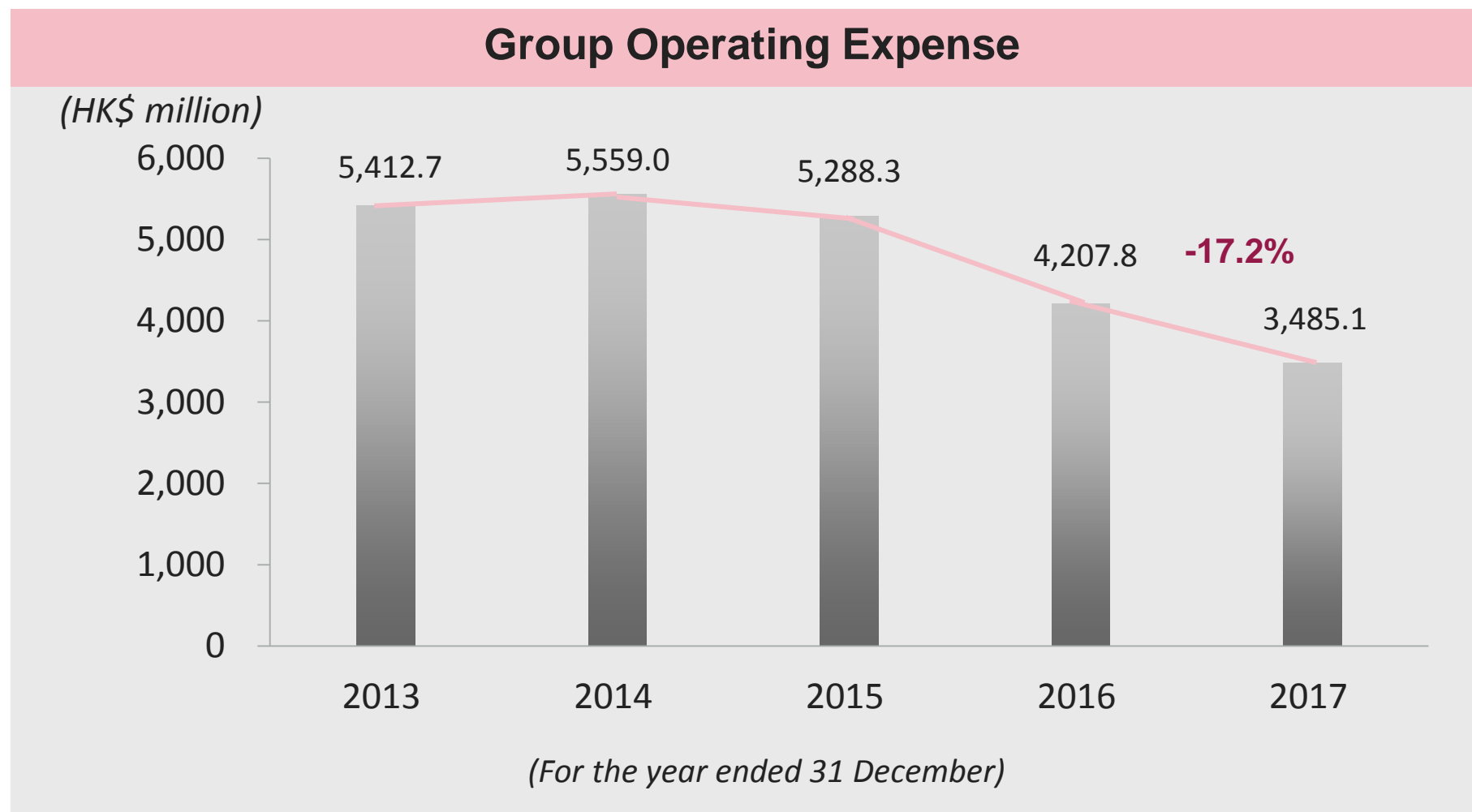
Group Gross Margin

- Group's gross margin increased by 1.9ppt YoY, mainly due to:
 - Increased weighting of new products in the sales mix
 - Adherent to stable pricing
 - Improvement in sales efficiency



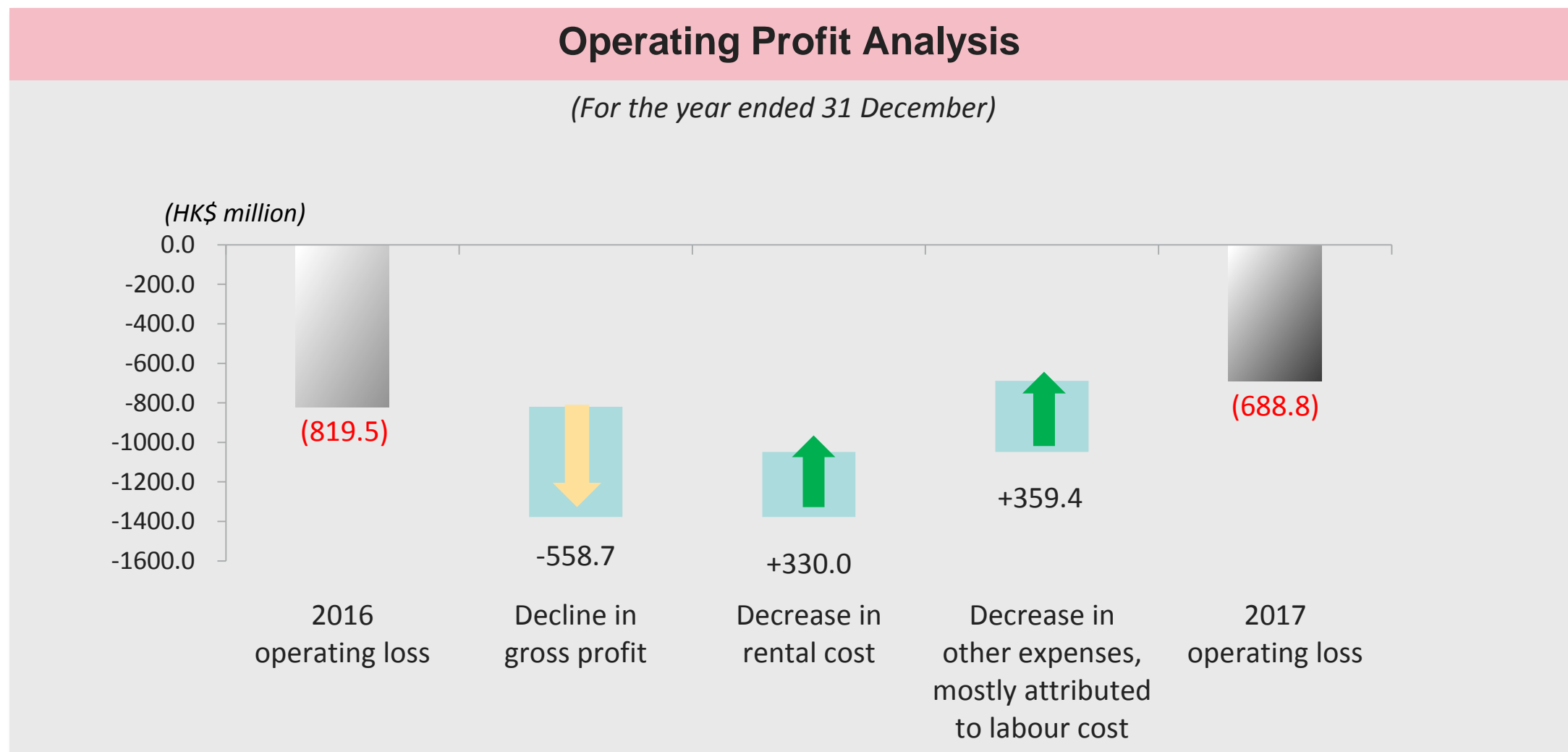
Group Operating Expense

- Decreased by HK\$722.7 million (-17.2% YoY)
- Achieved reduction in operating expense that was broadly in line with the decline in turnover, despite investment in new initiatives and inflationary operating environment



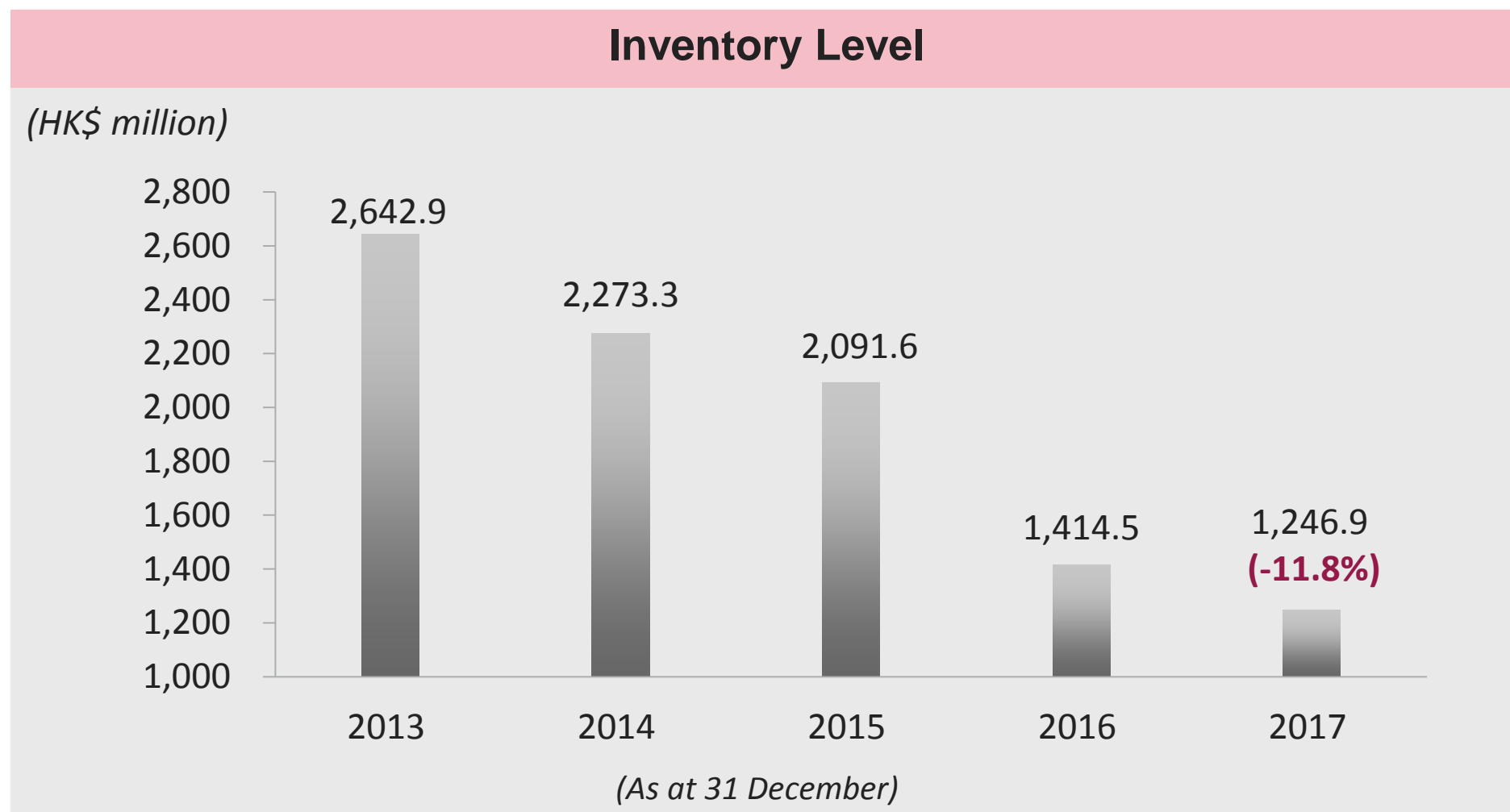
Group Operating Profit Analysis

- Group gross margin increased by 1.9ppt YoY
- Group operating margin dropped by 0.6ppt YoY



Inventory Level and Turnover Days

- Group inventory turnover days was 198 days (2016: 201 days)
- Group inventory level continued to decrease to HK\$1,246.9 million, a reduction of HK\$167.6 million, as compared to that of 2016 year end
- After reviewing inventory level, the Group reversed provision for inventories of HK\$25.8 million (2016: provision HK\$34.2 million)



Working Capital and Capital Expenditure

- Capital expenditure increased due to increased store renovations resulted from the launch of new brand image

	2017	2016	Change
Average Inventory Turnover (days)	198	201	-3
Average Debtors Turnover (days)	14	13	+1
Average Creditors Turnover (days)	121	130	-9
Cash Conversion Cycle (days)	91	84	+7
Capital Expenditure (HK\$ million)	123.6	110.9	+11.4%

(For the year ended 31 December)

Other Key Financial Indicators

- The Group maintained its net cash position

	As at 31 Dec 2017	As at 31 Dec 2016	Change
Cash and bank balances (HK\$ million)	486.3	989.5	-50.9%
Bank loans (HK\$ million)	156.3	296.7	-47.3%
Equity attributable to shareholders (HK\$ million)	2,874.9	3,371.4	-14.7%
Current ratio (times)	2.5	2.4	+0.1
Net gearing ratio (%)	Net cash	Net cash	-

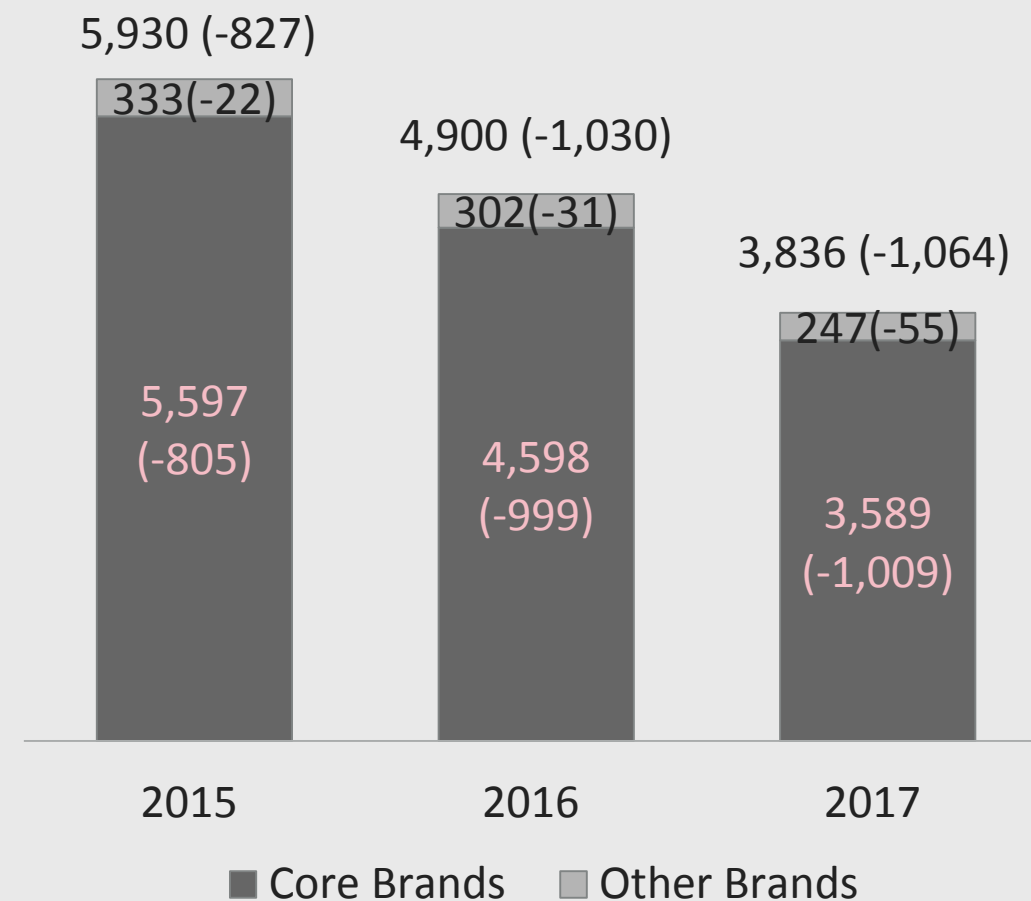
Operational Highlights

Group Sales Network



- Core Brands had a net reduction of 1,009 POS, bringing the total to 3,589
- Other Brands had a net closure of 55 POS
- Due to channel re-alignment to reflect refreshed brand image, and continued store rationalisation

Number of Points-of-Sales (POS) of the Group



(As at 31 December)

Core Brands Sales Network

- Net reduction of 1,009 POS (including 943 directly-managed stores and 66 franchised stores)

Number of POS

	As at 31 Dec 2017	As at 31 Dec 2016	Change	% Change
Directly-managed POS	3,303 (92%)	4,246 (92%)	-943	-22.2%
Franchised POS	286 (8%)	352 (8%)	-66	-18.8%
Core Brands Total	3,589	4,598	-1,009	-21.9%

Quarterly change in POS

	1Q 17	2Q 17	3Q 17	4Q 17	FY 17
Directly-managed POS	-88	-171	-367	-317	-943
Franchised POS	-36	-11	-8	-11	-66
Core Brands Total	-124	-182	-375	-328	-1,009

Core Brands Sales Network (cont'd)

- Maintained greater representation in lower tier cities

	As at 31 Dec 2017		As at 31 Dec 2016		Change	% Change
	No.	%	No.	%		
Tier 1 Cities	364	10%	514	11%	-150	-29.2%
Tier 2 Cities	877	25%	1,125	25%	-248	-22.0%
Tier 3 Cities	680	19%	890	19%	-210	-23.6%
Tier 4-6 Cities	1,668	46%	2,069	45%	-401	-19.4%
Total	3,589	100%	4,598	100%	-1,009	-21.9%

Core Brands Business - Performance

(HK\$ million)	2017	2016	Change
Turnover	4,703.2	5,936.0	-20.8%
Gross profit	2,314.9	2,808.2	-17.6%
Gross margin	49.2%	47.3%	+1.9ppt
Operating loss	(667.6)	(744.1)	-10.3%
Operating margin	-14.2%	-12.5%	-1.7ppt

(For the year ended 31 December)

- **Core Brands' turnover decreased by 20.8%**

- YoY reduction of 21.9% POS under Core Brands
- YoY SSSG -12.4%

- **Gross margin increased by 1.9ppt**

- Increased weighting of new products in sales mix
- Upheld the stable pricing policy to complement the refreshed brand image
- Improved sales efficiency

- **Operating margin decreased by 1.7ppt**

- Significant decrease in sales
- Decrease in gross profit
- Negative operating leverage
- Inflationary pressure from operating costs

- **Average selling price was RMB159 (2016: RMB159)**





Other Brands Business - Performance

(HK\$ million)	2017	2016	Change
Turnover	733.5	813.0	-9.8%
Gross profit	426.8	480.1	-11.1%
Gross margin	58.2%	59.0%	-0.8ppt
Operating (loss)/profit	(7.1)	7.8	N/A
Operating margin	-1.0%	1.0%	-2.0ppt

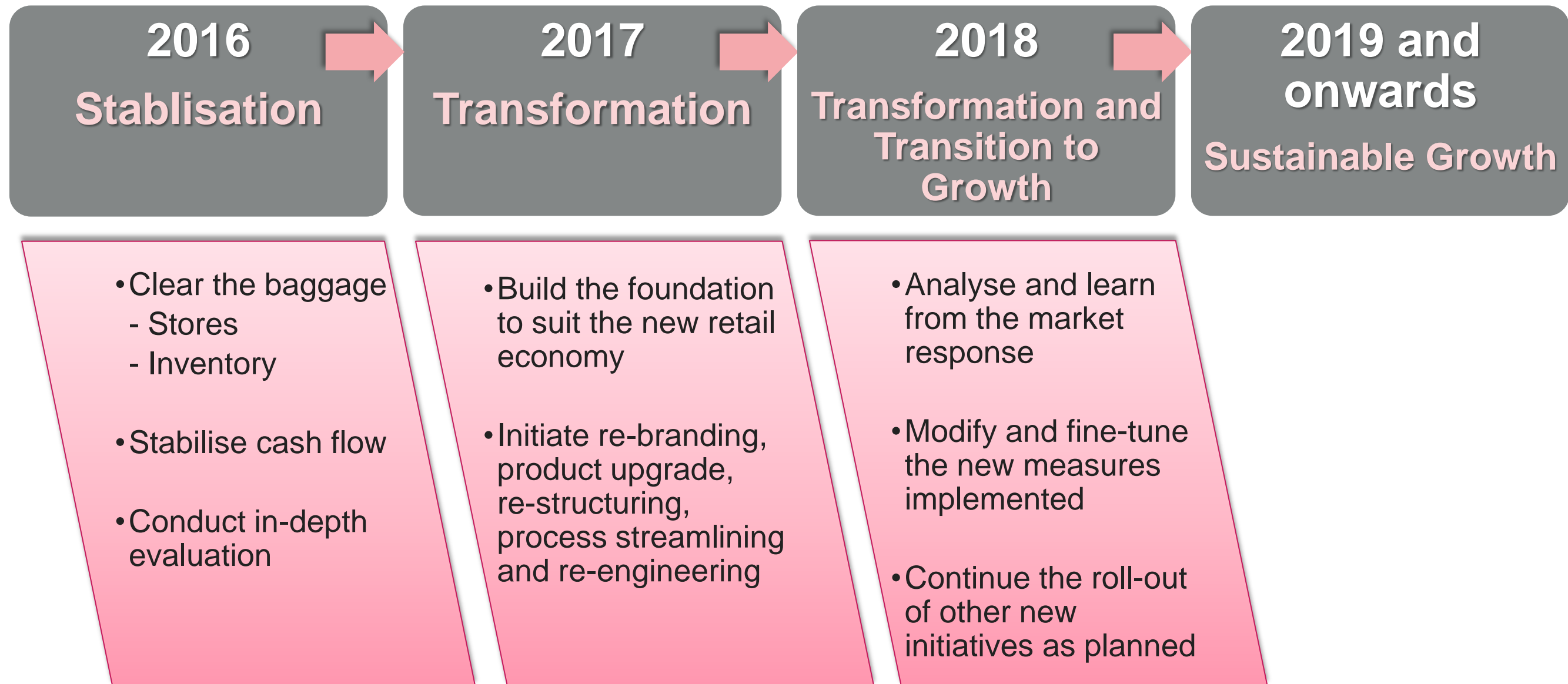
(For the year ended 31 December)

- **Turnover of Other Brands business decreased by 9.8%**
 - A net YoY reduction of 18.2% POS
- **Overall gross margin of Other Brands business dropped by 0.8ppt**
 - Increased weighting of e-commerce sales
- **E-Commerce increased its contribution to the Group's turnover and remained profitable**
- **Other Brands business recorded an operating loss of HK\$7.1 million**



Outlook

Update of Strategic Business Plan 2016 - 2019



Progress and Next Steps

Item	Progress made in 2017	Next Step
Brand Image	<ul style="list-style-type: none"> Launched new logo and new brand identity in Q2 2017 Designed and opened new image stores 	<p>➤ Will broaden its reach to more consumers as the plan for store renovation and opening of new image stores continue in 2018</p>

DAPHNE



Progress and Next Steps

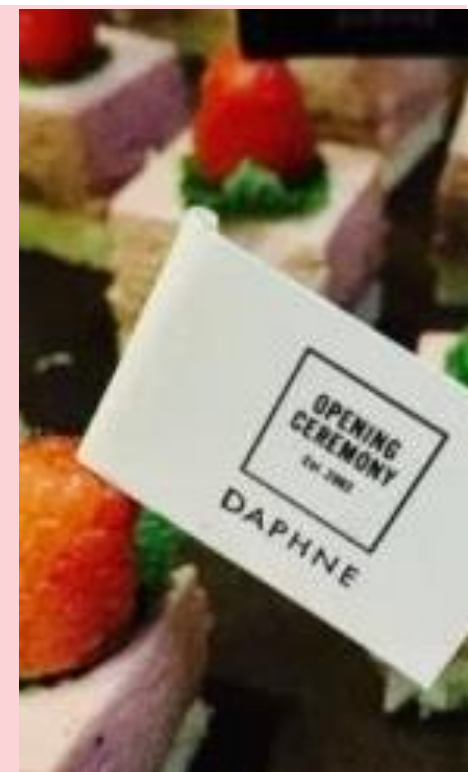
Item	Progress made in 2017	Next Step
Brand Marketing	<ul style="list-style-type: none"> First wave of crossover projects rolled out – “Opening Ceremony”, a hip and cool U.S. fashion brand Shifted the emphasis to online marketing, social media and others 	<ul style="list-style-type: none"> ➤ Continue the crossover with “Opening Ceremony” for spring & summer collections 2018 ➤ The next major crossover project in 2018 under planning



DAPHNE X OPENING CEREMONY

- Launch Event -

Aug 2017 • Shanghai Times Square



#PiNkCrush



DAPHNE X OPENING CEREMONY

- Pop-up Stores -

Aug – Oct 2017

Shanghai Times Square, Global Harbour



DAPHNE X OPENING CEREMONY

- Media Coverage -



时尚快讯

达芙妮和OC联乘 这会让前者的转型之路更加顺利吗?

邵卉 · 2017/06/23 14:59 收藏[2] 11.8W 字体: 宋

来源: 界面新闻

继3月发布颠覆品牌固有形象的2017年春夏系列大片之后,达芙妮最近对外宣布,将正式宣布联手美国顶尖时尚潮流品牌OPENING CEREMONY (简称“OC”),推出跨界合作系列。

時尚COSMOPOLITAN

DAPHNE x OPENING CEREMONY正式发布跨界合作系列时尚大片及合作单品,开启一场#PINK CRUSH为主题的时尚风潮。跨界合作系列共呈现21款鞋履和3款多功能手袋,由OPENING CEREMONY创始人、KENZO创意总监Humberto Leon和Carol Lim亲自设计。镜头用积极而具有冲击力的视觉语言诠释DAPHNE女孩们独特的风格和个性化态度,展现出属于DAPHNE女孩的时尚品味。时尚COSMO的秒拍视频



返回 Bomoda摩登系

不过这次想秀出你的粉红态度并不需要飞到纽约,只要**8月19日-8月25日**来到大上海时代广场·连卡佛室外广场的DAPHNE与OPENING CEREMONY 携手打造的粉色Pop-up Store, 就可以!



嘉人marie claire

DAPHNE #PINK CRUSH 号潜艇 引领都市女孩的粉色时尚风潮

来源: 嘉人网

导读: 8月18日,中国知名时尚女鞋品牌DAPHNE联手美国顶尖时尚潮流品牌OPENING CEREMONY,在上海时代广场·连卡佛室外广场举行了备受瞩目的DAPHNE x OPENING CEREMONY跨界合作系列上市发布活动。

8月18日,中国知名时尚女鞋品牌DAPHNE联手美国顶尖时尚潮流品牌OPENING CEREMONY,在上海时代广场·连卡佛室外广场举行了备受瞩目的DAPHNE x OPENING CEREMONY跨界合作系列上市发布活动。DAPHNE首席执行官张智凯先生、执行董事张智乔先生,以及OPENING CEREMONY的两位主人Carol Lim和Humberto Leon共同出席了此次发布活动,一起见证跨界合作系列的正式发布。



时尚芭莎BAZAAR

#PINK CRUSH号潜艇,领航时尚的粉色风潮 DAPHNE X OPENING CEREMONY跨界合作系列上市发布

时间: 2017-08-15 14:35

来源: 时尚芭莎



DAPHNE X OPENING CEREMONY

- Fashion KOL Endorsements -

Mizuhara Kiko: Model, actress

Weibo followers: 2.85 million



Eve Zhang: Model, KOL

Weibo followers: 5.83 million



Yvonne Ching: Fashion blogger

Weibo followers: 3.24 million



Sophia Shao: Model, fashion blogger

Weibo followers: 3.23 million



Zhang Jiayi: Fashion Designer

Weibo followers: 1.15 million



Tian Yuan: Actress

Weibo followers: 830k



Ci Heshang: Fashion blogger

Weibo followers: 560k



Yilin Li: Fashion blogger

Weibo followers: 220k



Progress and Next Steps

Item	Progress made in 2017	Next Step
Product Upgrade	<ul style="list-style-type: none"> Autumn and winter collection 2017 included the first batch of shoes designed by the energised shoe design team Made efforts in elevating the comfortability and quality of shoes 	<ul style="list-style-type: none"> ➤ Analyse sales data and customer feedback during 2H17 to prepare the 2018 autumn and winter collections ➤ Start making adjustments in supporting elements and functions to achieve optimum product portfolio ➤ Continue implementation of changes in the supply chain to support the product upgrade, including the fast-to-market production



Progress and Next Steps

Item	Progress made in 2017	Next Step
Sales Channel Development	<ul style="list-style-type: none"> • Optimise the retail network with selective openings and closings of non-performing stores • Channel mix adjustment to complement the refreshed brand image has been separated into phases 	<ul style="list-style-type: none"> ➤ Accelerate strategic opening of new image stores ➤ Improve cost efficiency in building new image stores and store remodelling ➤ Continue the renovation plan of existing stores along with lease renewals ➤ Move into the 2nd phase of channel mix adjustment <ul style="list-style-type: none"> - Speed up the swap in store locations with selective store openings in desirable channel and closures at unwanted locations
Sales Operation Efficiency	<ul style="list-style-type: none"> • Initiated organisational restructuring in Q3, with emphasis on brand management • Initial benefits reflected in improvement in sales efficiency in Q4 	<ul style="list-style-type: none"> ➤ Take time to complete the large-scale internal restructuring and have it settled, not to mention some modification will be required after its initial run. The Group expects benefits will be reflected in 2018

Progress and Next Steps

Item	Progress Made in 2017	Next Step
E-commerce Business	<ul style="list-style-type: none"> Improved the online shopping experience, including enhanced image of online stores, product visuals and descriptions, customer service and after-sale service Strengthened online marketing including social media channels and engagement of KOLs 	<ul style="list-style-type: none"> ➤ Continue the pursuit of omni-channel by enabling more interactions between online and offline and improve the related efficiency ➤ Extend the coverage of shop-pick-up service <ul style="list-style-type: none"> - Improve online sales with better inventory support - Enhance gross profit margin of online business - Improve the Group's overall inventory management ➤ Expand online sales distribution network ➤ Strengthen partnership with both major and emerging online shopping platforms

DAPHNE

TMALL
COLLECTION
天猫双11全球潮流盛典
2017

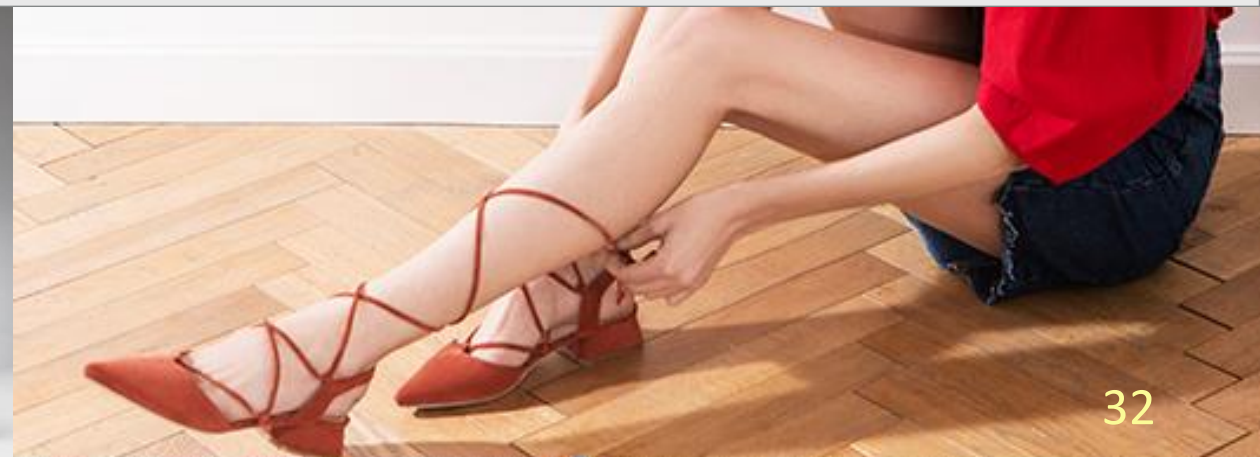
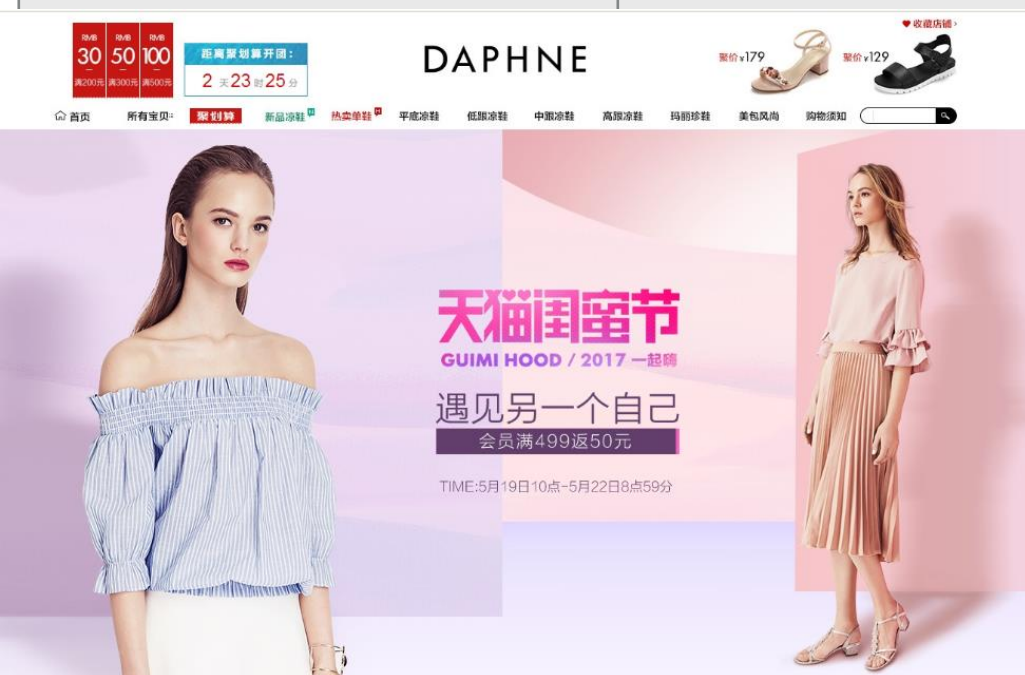
BIBI ZHOU 周笔畅
时尚偶像/特邀嘉宾

DAPHNE携手时尚Icon周笔畅，引爆
2017“天猫双11全球潮流盛典”！



Progress and Next Steps

Item	Progress Made in 2017	Next Step
E-commerce Business	<ul style="list-style-type: none"> Introduced the shop-pick-up service for online orders 	<ul style="list-style-type: none"> ➤ Build relationship with online customers (e.g. more frequent communication) ➤ Continue to improve the online shopping experience by : <ul style="list-style-type: none"> - Adding exclusive styles and SKUs - Adjusting the online product portfolio and promotions to suit the shopping behavior of young online consumers - Dedicating more efforts in its study of online sales data to learn the evolving preferences of online consumers and competitive online landscape



Progress and Next Steps

Item	Progress made in 2017	Next Step
Customer Relations Management (“CRM”)	<ul style="list-style-type: none"> Completed the first round of upgrade with its updating of customer data, and new recruitment exercise Increased members to more than 40 million in 2017 	<ul style="list-style-type: none"> ➤ Launch the 2nd round of upgrade by strengthening the recruitment of members: <ul style="list-style-type: none"> - Simplify the joining process by partnering with payment gateway - Restructure the membership scheme to encourage more repeat sales - Enrich members’ exclusive privileges and promotions ➤ The Group will apply the refreshed customer data onto its future online and offline promotions and therefore be able to yield better returns ➤ Updated customer database can allow the brands offer better customer service and encourage repeat sales ➤ Developing the platform that enables the Group to offer more effective customer targeting in long term



Transition to Sustainable Growth

The Group saw 2017 a transition year for its transformation steering towards a pathway to sustainable growth

- Efforts of major initiatives were only reflected at customer touch-points in autumn and winter seasons in 2017
- Take time to roll out the transformation measures across the vast China market, and take time for these measures to yield results
- Patience required for these interlocking measures to synchronize and give the full effect
- Responding to changing customer preferences and the evolving market environment by modifying the measures along the implementation process

The Group is confident in its future:

- Same-store sales performance of Q4 was the best quarter in 2017
- Autumn and winter 2017 collections were well-received by customers

Awards in 2017 (women's footwear category)

Daphne

- ✓ #1 brand customers recommend to friends ("China Net Promoter Score")
- ✓ #1 in "China Brandpower Index" for 7th year
- ✓ #3 in "China Customer Satisfaction Index"

Shoebox

- ✓ #1 in "China Customer Satisfaction Index" for 2nd year

Source: Chnbrand

TARGET

Revive the growth path and
achieve turnaround ASAP

VISION

To be the most popular mass-fashion brand
with leading market share and customer reputation ,
whilst creating superior shareholder's return



A woman with long red hair, wearing yellow-tinted sunglasses, a grey short-sleeved top with black trim, a black pleated skirt, black sheer tights with black bands, and grey high-heeled sandals with yellow accents. She is holding a small black handbag with a yellow clasp and yellow handles. She is posing on a green lawn next to a large palm tree, with a road and a hedge in the background under a blue sky with light clouds.

Thank You

Q&A session