



Zhou Hei Ya International Holdings Company Limited
2020 Interim Results Announcement

August, 2020



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01 Results Review

02 Progress of Six Key Strategies

03 Outlook

精选鸭桃谷鸭，
只为这一口弹韧！



Section 1

Results Review

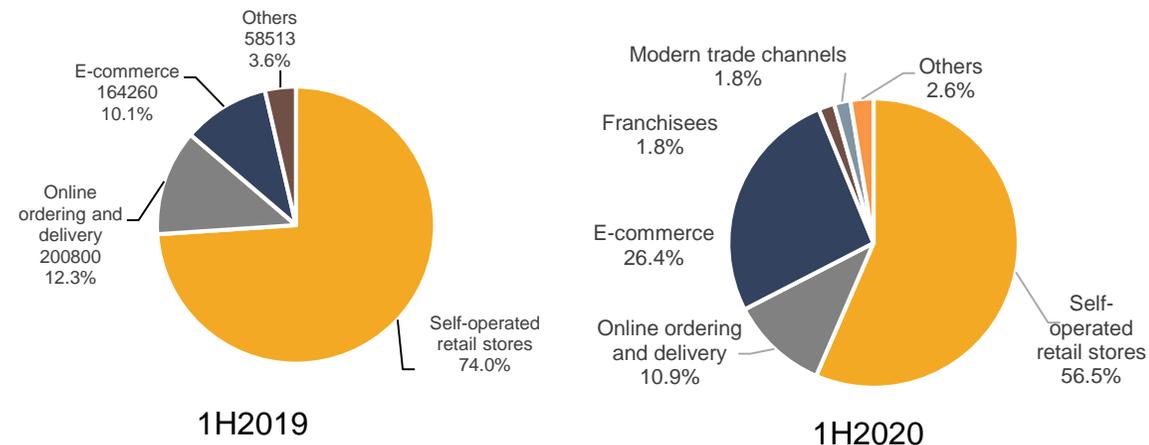


Key Financial Highlights

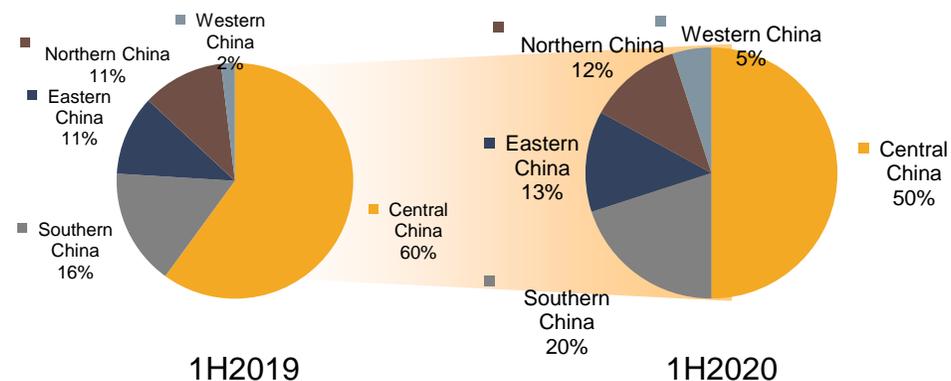
Financial summary

(RMB Thousand)	1H2019	1H2020	Y-o-Y growth (%)
Revenue	1,625,947	903,470	-44.4
Gross profit	908,633	492,928	-45.8
Profit/(loss) before tax	294,575	-51,531	-117.5
Net profit/(loss)	224,055	-42,194	-118.8
Adjusted net profit/(loss)	-	-28,101	-
Total no. of retail stores	1266	1367	8.0
Including: No. of self-operated retail stores	1255	1246	-0.7
No. of franchised stores	11	121	-

Revenue by sales channel



Revenue by region (Including self-operated stores and franchised stores)





COVID-19 Outbreak— Unexpected, Devastating, Far-reaching and Highly Uncertain

01

Reduction in consumer traffic

Material adverse impacts in the transport hubs and Hubei



02

Interruption in supply chain and temporary production suspension

During the COVID-19 outbreak, facility in central China had been temporarily suspended for **49** days



03

Temporary closure of stores

Under the government's prevention guideline, approximately **1,000** retail stores were temporarily closed



Ultra-fast Response to the COVID-19 Outbreak

01 Donations over RMB 10 million



02 Strengthened and thorough employees' protections, NAT for all employees to ensure safety



03 Enhanced online campaigns



04 Various endorsements by the official medias



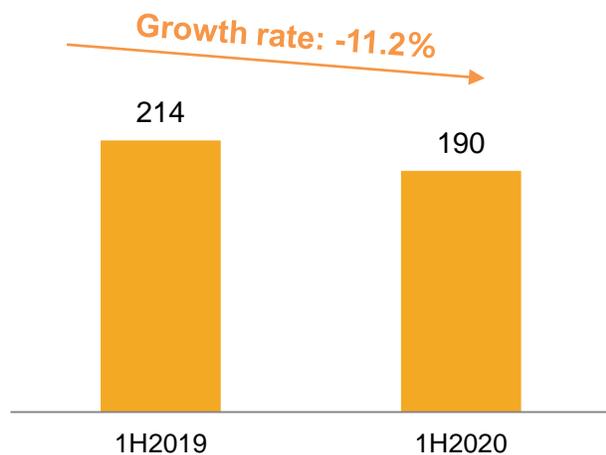
★ Addressing on six key strategies and pushing on the business model upgrade



Effective Cost Control During the COVID-19 Outbreak

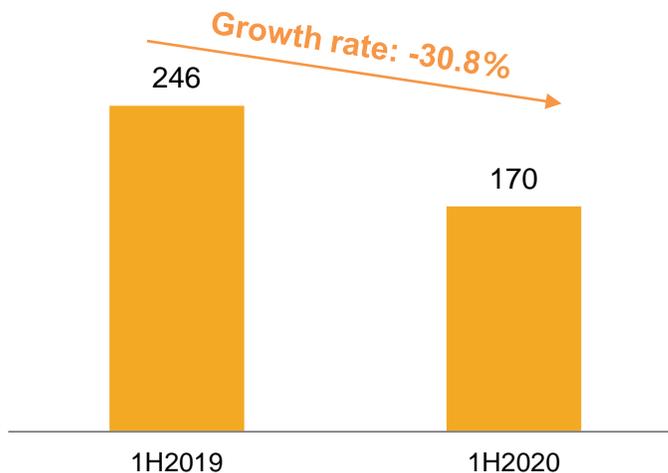
Rental Cost: ~24M

(RMB million)



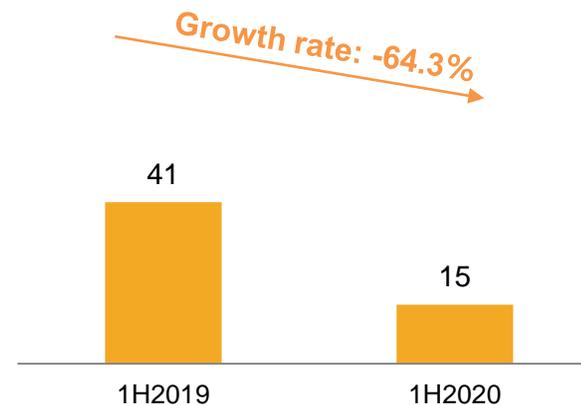
Labor Cost: ~76M

(RMB million)



A&P : ~26M

(RMB million)

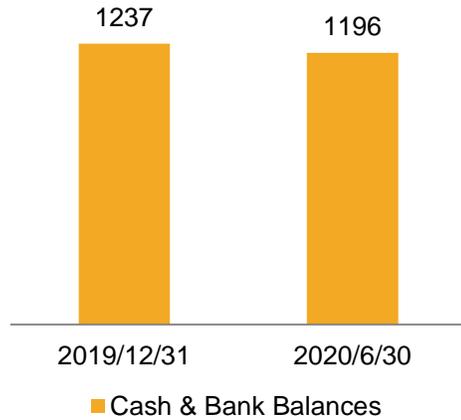




Strong Balance Sheet and Cash Flow

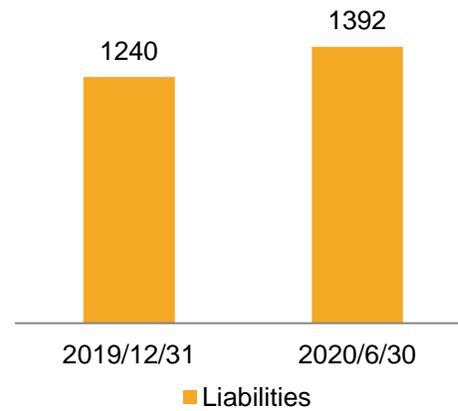
Cash & Bank Balances

(RMB million)

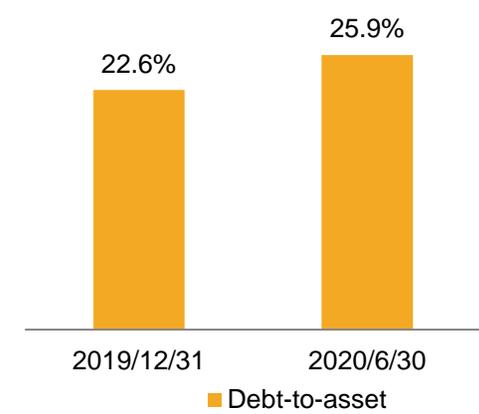


Liabilities

(RMB million)



Gearing Ratio



Cash and the bank balances are sufficient, which roughly equal the total liabilities of the Group.

没滋味? 就
吃周黑鸭!

No appetite?
Let's eat Zhou Hei Ya.



Section 2

Progress of Six Key Strategies

周黑鸭服务热线 400-1717-917

官方网站: www.zhouheiya.cn 关注周黑鸭官微分享快乐资讯



Challenges along with Opportunities

Challenges in short-term



- Severely impacted disposable income and consumption ability
- Highly uncertainty on the recovery of economic activities



- Adverse impacts on traditional offline consumption scenarios
- Pressure on fixed costs and cash flow



- Adverse impacts on transportation hubs and Hubei area
- Slowly recovery on consumer traffic

Opportunities coexist in long-term



- Accelerated industry consolidation



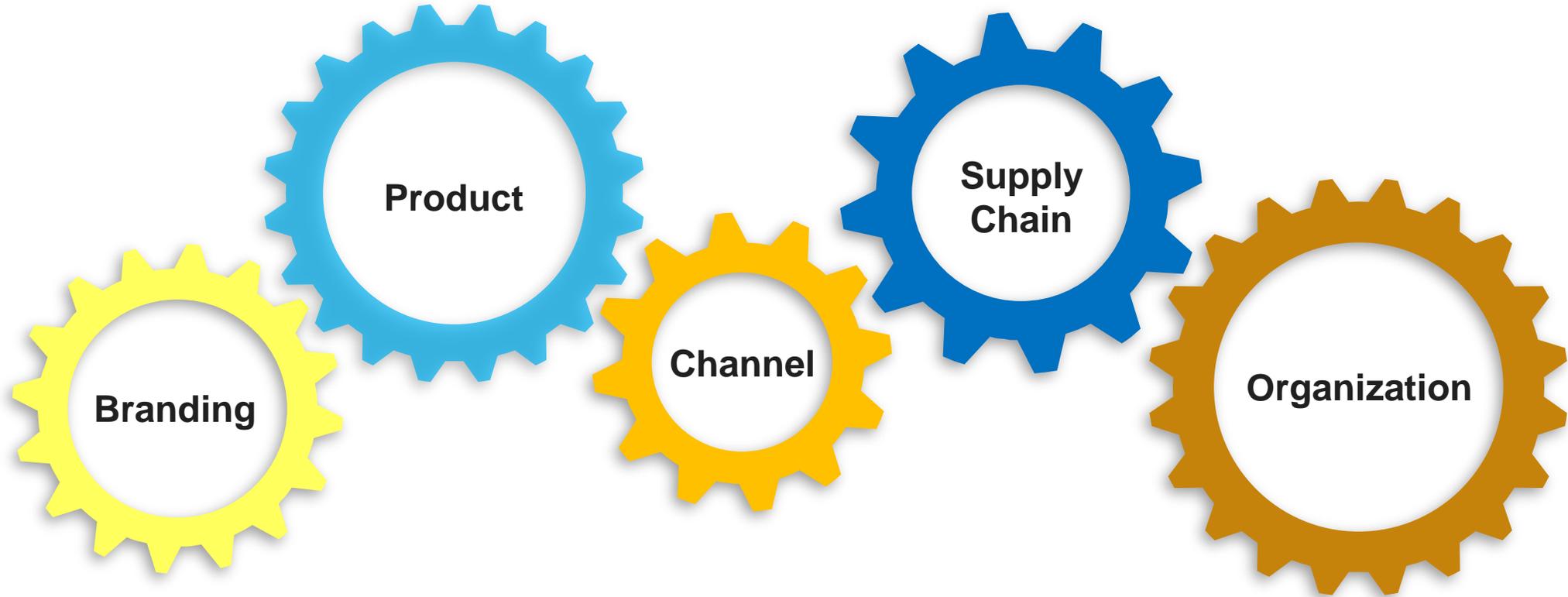
- Consumption scenarios diversified
- New retail channels emerged



- Requirements on food safety
- Preference on mature brand



Long-term Core Values of Consumer Goods Companies





A New Journey - Six Key Strategies



Upgrade of Business Model



Omni-Channel Coverage



Products Diversification



Integrated Branding and Marketing



Supply Chain Optimization



Organization and Incentive Enhancement





1. Upgrade Business Model - Franchising On Regardless of the Pandemic Situations

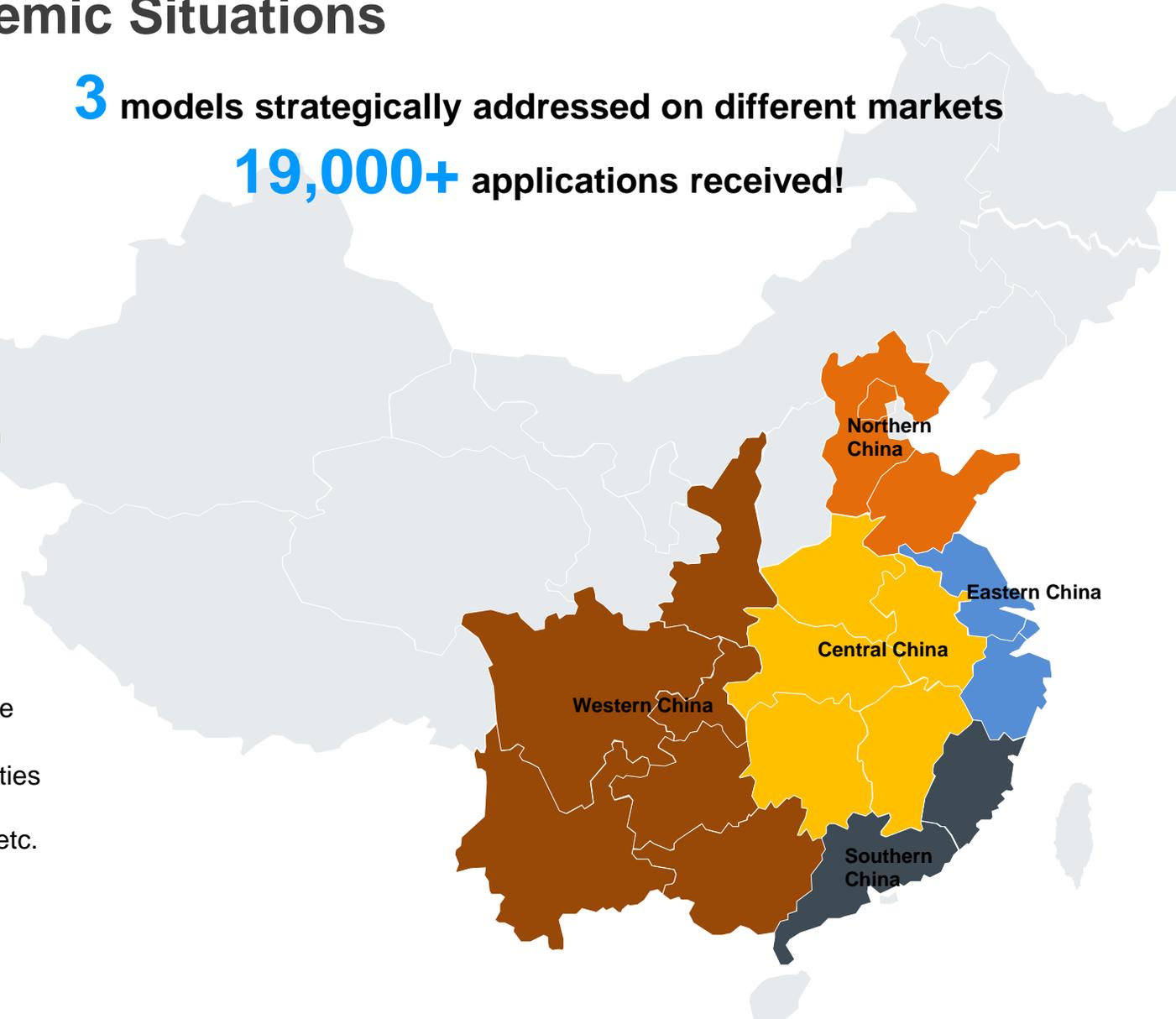
3 models strategically addressed on different markets

19,000+ applications received!

Focus on New Markets



➤ As of June 30, **70** stores in the form of development-based franchise were opened in 10 cities including Nanning, Guiyang, Ganzhou, Huaihua, Kunming, etc.



Focus on further penetration in existing market



➤ As of June 30, **51** stores in the form of single-store franchise or Employee-franchisee were opened in 20+ cities including Beijing, Shanghai, Shenzhen, Suzhou, etc.

1. Upgrade Business Model - Joint Efforts between Franchisees and the Company



Zhou Hei Ya Nanning Press Conference



Campaigns in Puyang Station



First franchised store opening in Haikou



Advertising boards in Kunming

8大政策

- 1 疫情突发期间
产品损耗
100%
公司承担
- 2 1月25日-3月15日
物流费
100%
公司承担
- 3 1月25日-3月15日
供货价
8折
供货
- 4 2020年2月份
店铺租金
10%
公司协助承担
- 5 资源共享
及时提供《防疫指南》
确保人员健康、产品安全
共享人力资源/税务/媒体
等资源
- 6 员工关怀
员工身心健康辅导
免费发放防疫物资
至一线
- 7 认准**锁鲜**[®]
安全有保障
周黑鸭全链条品质安全保障
优质原料 卤煮熟透 喷淋灭菌
冷链运输 自动生产 减少人力接触
冷链存储 新鲜安全
- 8 大力度的定向
品牌支持

Support policies from the Company

2. Omni-Channel Coverage - Enhanced Brand Visibility and Awareness

01

E-commerce channels



02

Online ordering & delivery



03

Offline retail stores



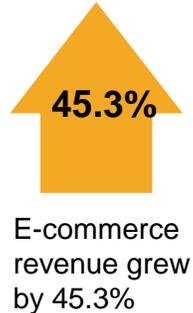
04

Modern trade channels



Fast Growth on Revenue

- ✓ Heavy impacts on offline business, Consumption scenarios gradually shifted to online
- ✓ Followed the changes and adjusted marketing strategies promptly, stimulated the growth of e-commerce revenue by channel expansion, product development, etc



Product Mix Enrichment

- ✓ Scientifically reasonable online product selection process
- ✓ In 1H2020, introduced **9** ODM new products



Active Expansion to New Channels

- ✓ captured the consumption trends, deployed livestreaming method to acquire consumers

Livestreaming on Ali's platforms



Livestreaming on content platforms



Livestreaming on Tencent + JD's platforms



Focused on Community-based Fresh Delivery

- ✓ Strategically cooperated with mainstream take-out platforms, and actively developed new platforms
- ✓ Commenced the new form of community group



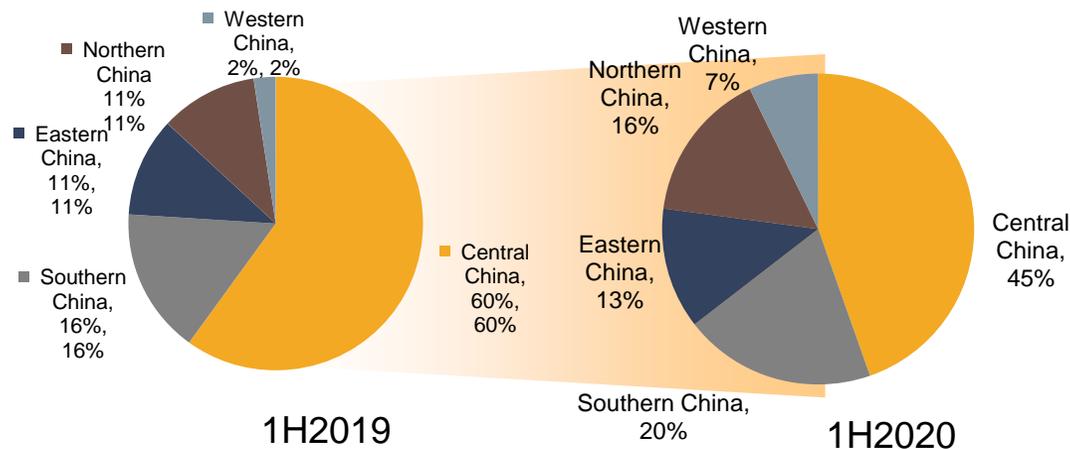
02

Offline Stores Sales Plummeted

Material adverse impacts on “transportation hubs” + Hubei



Revenue of self-operated stores by region



Optimized self-operated store network

- As of June 30, 2020, **1246** self-operated retail stores, in **17** provinces and municipalities, **105** cities
- Newly opened **89** stores, and closed **144** stores

Launched franchise model

- 121** franchised stores

03

Penetrated Modern Trade Channels

Capability building & pilot testing

Product

Launched customized packages to meet the needs of different consumers



Place

Various modern trade channels: new retail fresh takeout platform, supermarkets and convenience stores



Price

Differentiated pricing based on target customers

Promotion

Benchmarking against leading competitors

As of June 30, 2020, modern trade channel contributes approx. 2% of total revenues

3. Products Diversification - Meet the Market Trends and Young Tastes

Focused on top flavor, and created full-category Zhou Hei Ya product system

New Flavors



Non-spicy and green peppercorn spicy series contributed revenue of over RMB 50,000,000 and accounted for approx. 6.4% of the sales.



New Categories



Zhou-Xiao-Ban Series



4. Integrated Branding and Marketing – One Voice and Improved Marketing Efficiency

Diversified marketing recognized

- ✓ **1.70 million boxes** were sold via "Public Welfare" livestreaming during the outbreak, with **100 million** viewers
- ✓ The only braised food brand selected as the "**China's 500 Most Valuable Brands**" in 2020 by the World Brand Lab



Unified publicity theme

- ✓ One voice, One image and One Zhou Hei Ya



Explored community groupon

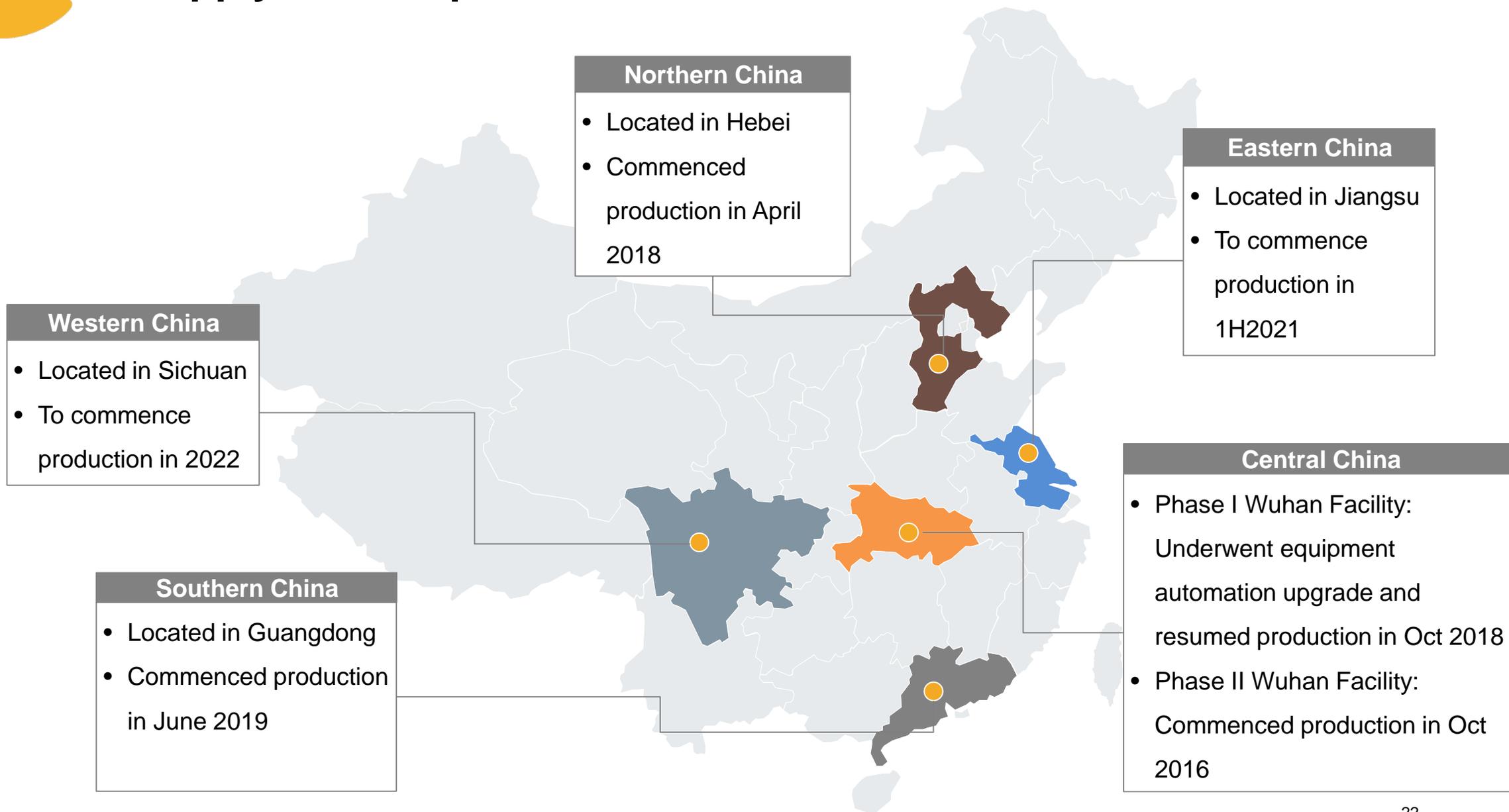
- ✓ Launched community groupon, sales over **RMB 10 million**



Integrated branding and marketing improved the marketing efficiency, yet the marketing expenses in H1 declined by 64.4% YoY

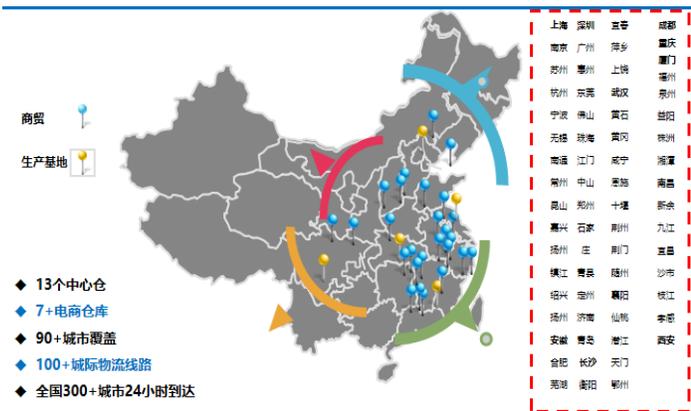


5. Supply Chain Optimization – 5 Production Centers





5. Supply Chain Optimization – Better Served Front-end Business Expansion



1. Overall planning capacity

- Group level scheduling plans
- More efficient logistics routes designed

2. Optimized purchase procedures

- Centralized purchasing process, lower cost, faster decision making and stronger bargaining power

3. Improved turnover

- Re-engineered ordering process to improve efficiency
- Classification management to inventories



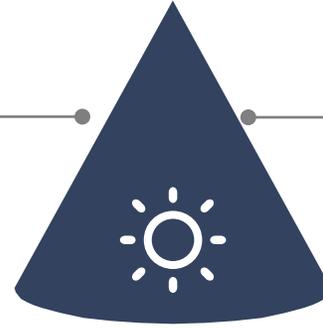
6. Organization – Drive the Sustainability Development of the Organization



01

Organization optimization

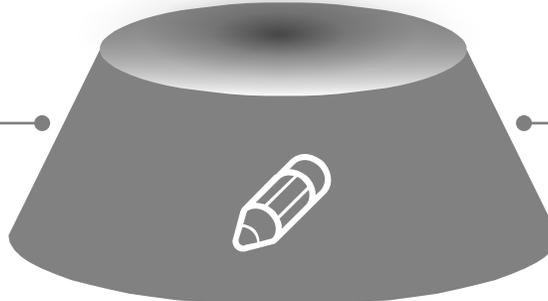
Shifted to a strong matrix organizational structure



02

Empowerment training

Boots camp for different level employees



03

Talent system

Launched capability model and completed talent review



Share-based incentive

RSUs launched and granted to the 1st batch of awardees

04



05

Bonus mechanism for salesforces

Bonus: focus on month-on-month improvement



06

Employee-franchisee

Top staff eligible to apply for employee-franchisee



新品

鲜香嫩滑

每盒仅售 **9.9** 元

卤海带

150g/盒



卤腐竹

150g/盒



Section 3 Outlook

卤木耳

120g/盒



卤毛豆

150g/盒



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2020 2H Outlook

Channel

Continue to accelerate the development of franchise business, and to optimize the self-operated retail store network adaptive to the new market environment post the COVID-19 outbreak



Maintain the rapid growth of online operation, and continue the exploration in new retail modern trade channels capitalizing on technologies



Product

Focus on new product R&D and marketing, and facilitate multi-channel distribution



Brand

Upgrade product packaging, emphasize on main theme brand marketing, and enhance marketing efficiency



Supply Chain

Continue to optimize and streamline supply chain management, and better control supply chain costs



Organization

Expand the scope of incentive awards and enhance employees' capability development



THANK YOU

