

没滋味? 就
吃周黑鸭!

No appetite?

Let's eat Zhou Hei Ya!

Zhou Hei Ya International Holdings Company Limited 2020 Annual Results Announcement

March 2021



周黑鸭服务热线 400-1717-917

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Section 1

Results Review

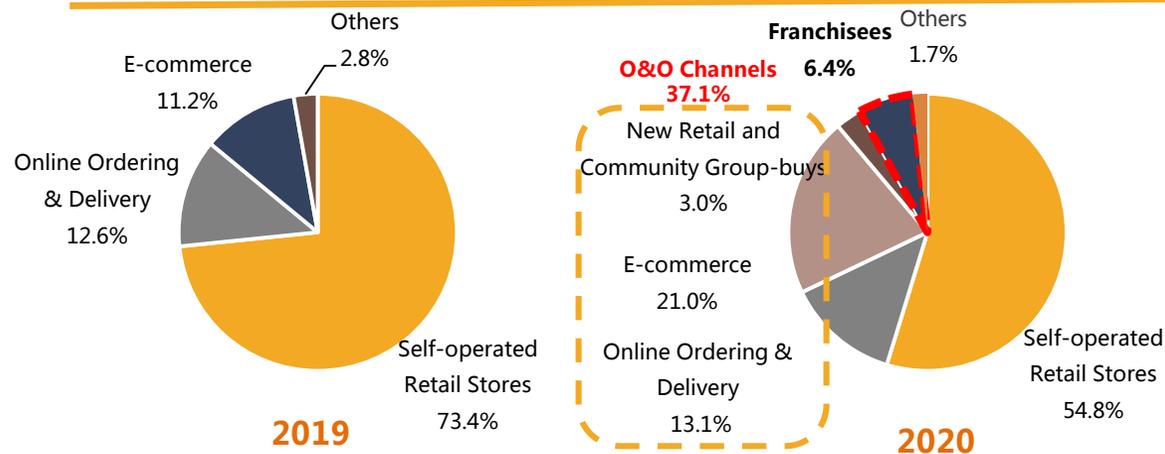


Key Financial Highlights

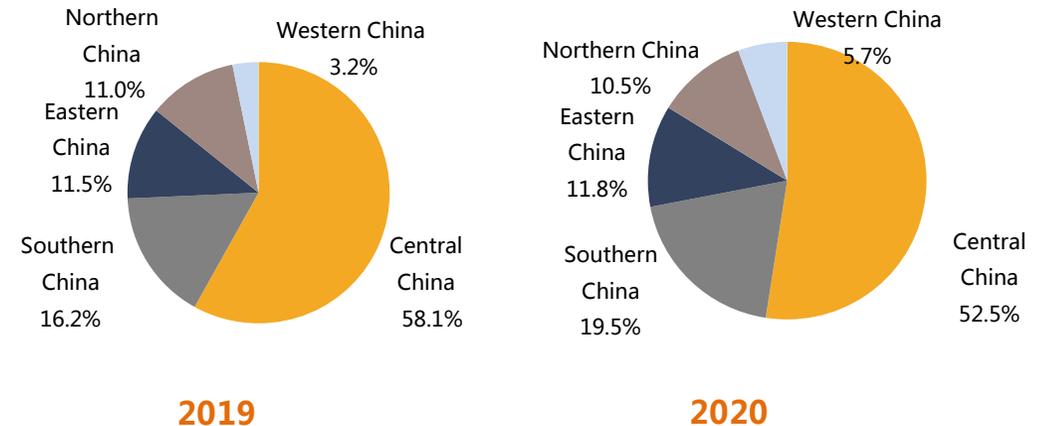
Financial summary

(RMB Thousand)	2019	2020	Y-o-Y growth (%)
Revenue	3,186,040	2,181,502	-31.5
Gross profit	1,801,400	1,210,156	-32.8
Profit before tax	545,210	200,058	-63.3
Net profit	407,448	151,221	-62.9
Adjusted net profit ⁽¹⁾	-	163,752	-
Total No. of retail stores	1,320	1,755	33.0
Including: No. of self-operated retail stores	1,301	1,157	-11.1
No. of franchised stores	19	598	3047.3

Revenue by sales channel



Revenue by region (including self-operated retail stores and franchised stores)



(1) Adjusted net profit is calculated by deducting donations and anti-epidemic related expenses

COVID-19 Pandemic — Unexpected, Devastating, Far-Reaching and Highly Uncertain

01

Reduction in consumer traffic

Material adverse impacts on the transport hubs and Hubei



02

Temporary Closure of stores and interruption in supply chain

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



03

Difficulty in predicting the turning point of the pandemic

As it is difficult to achieve universal vaccine in the short term, the turning point of the pandemic still remains uncertain



Ultra-fast Response to the COVID-19 Outbreak

1 Adjusted marketing strategies and increased online investment



2 Firmly promoted the implementation of the six development strategies



3 Endorsed by the official media and society, promoted brand competitiveness



4 Donations over RMB 10 millions



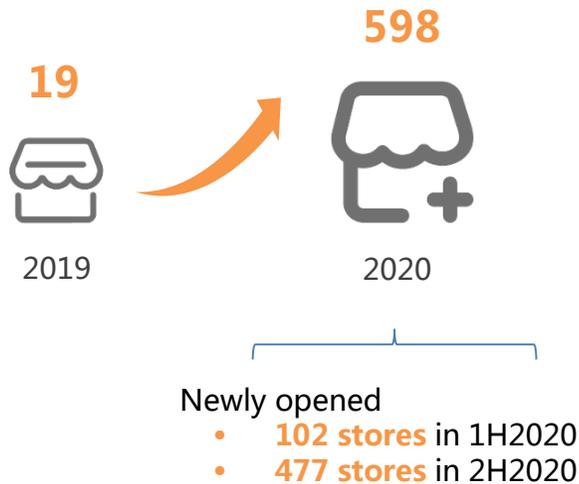


Strong Growth Despite Challenges



01 Number of franchised stores surged

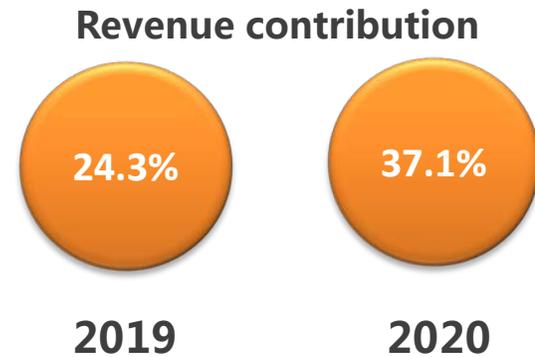
✓ **598** Franchised stores opened



03 Significant increase in the proportion of O&O channel

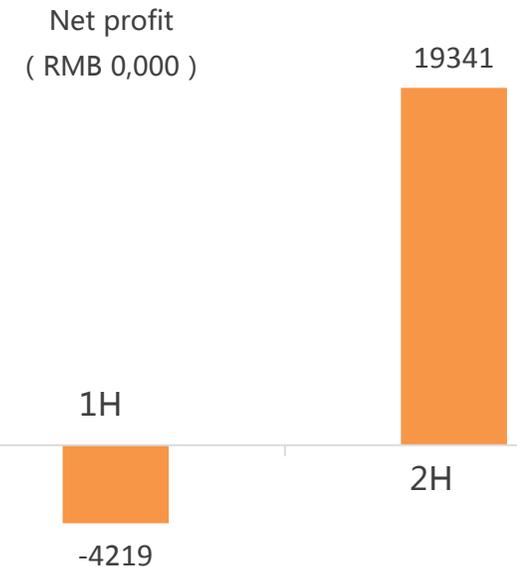
✓ E-commerce + Online Ordering & Delivery + New Retail + community group-buy

✓ Full-year revenue **812 million** in O&O channel



02 Profits increase significantly in 2H2020

✓ Full-year profit **151 million**

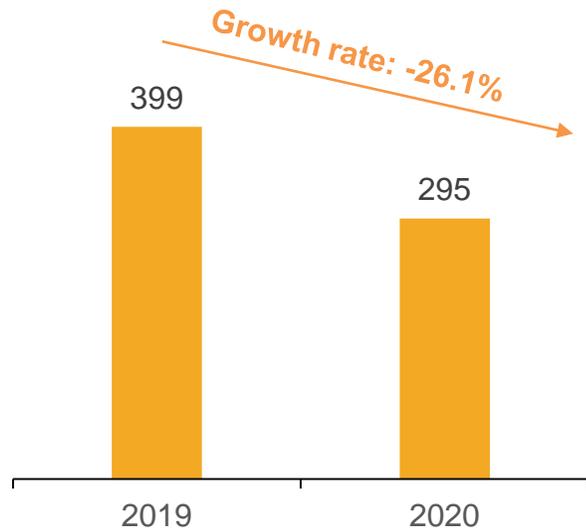




Effective Cost Control During the Pandemic

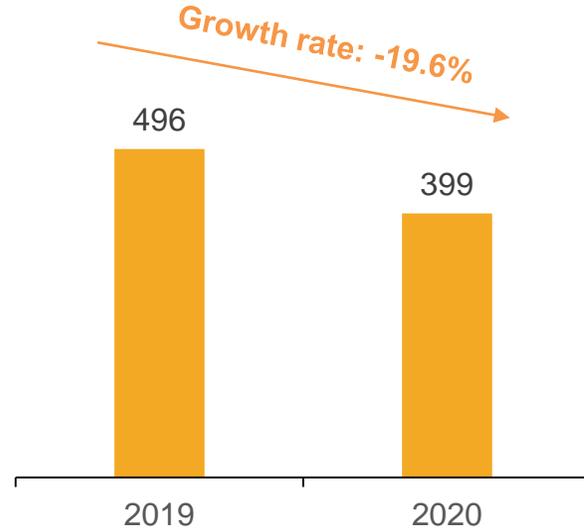
Rental Cost : -100M

(RMB million)



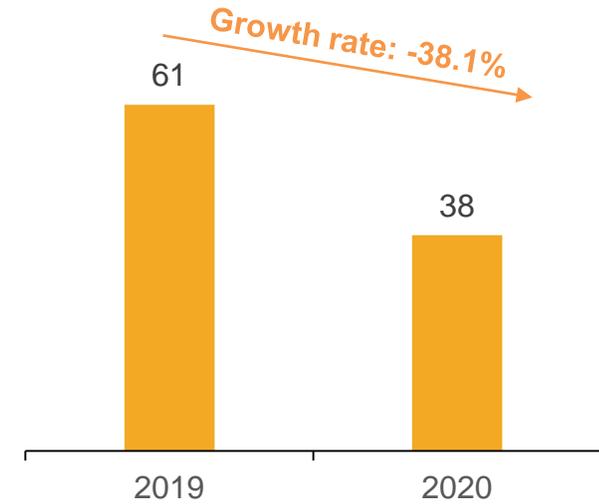
Labor Cost: -98M

(RMB million)



A&P: -23M

(RMB million)

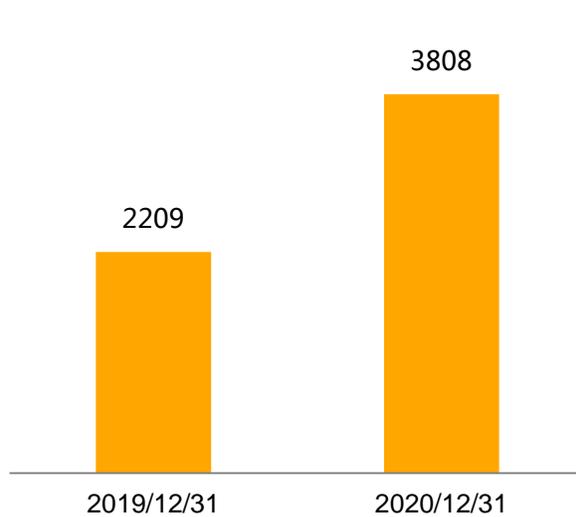




Strong Balance Sheet and Cash Flow

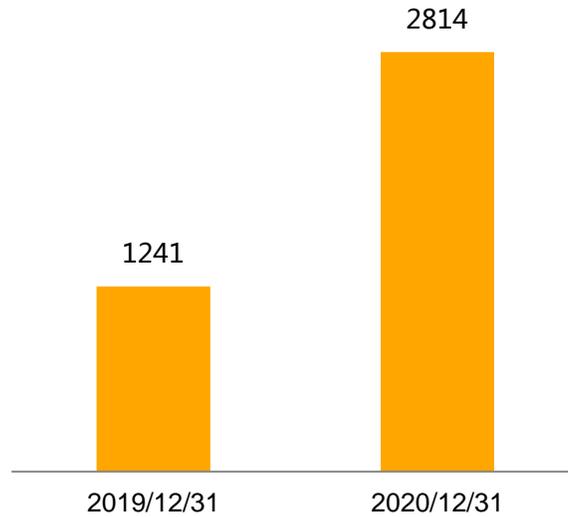
Cash & Bank Balances, Structured Deposits, and Short-term Financial Product

(RMB million)

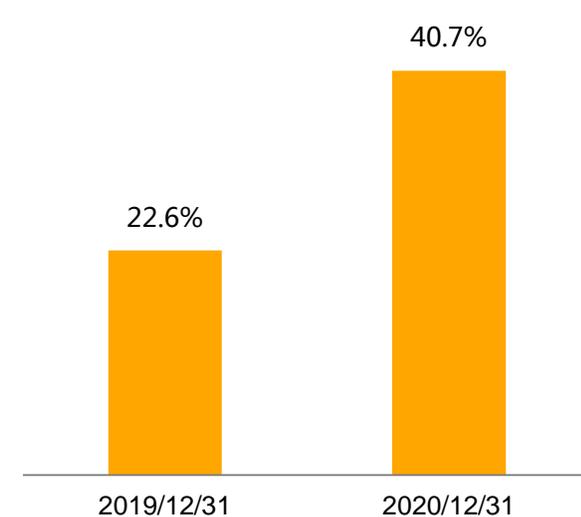


Liabilities

(RMB million)



Gearing Ratio



- ✓ Completed the issuance of HKD 155 million convertible bonds, strengthening the capital adequacy
- ✓ Still maintained strong balance sheet and cash flow during the pandemic



网红新品

椒麻鸡到底新

Section 2

Progress of

Six Development Strategies



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Challenges Along with Opportunities

Macro-environment

- 1 Personal income and consumption ability were greatly affected
- 2 As it still takes time to achieve universal vaccination, the duration of the epidemic is difficult to predict, and there are uncertainties in the economy resumption

Industry situation

- 1 Consumer and retail industries faced difficulties such as declining customers, lower willingness to consume, and shifting consumption scenarios.
- 2 Severe impacts on transportation hubs and Hubei area, and a slow recovery of consumer traffic.

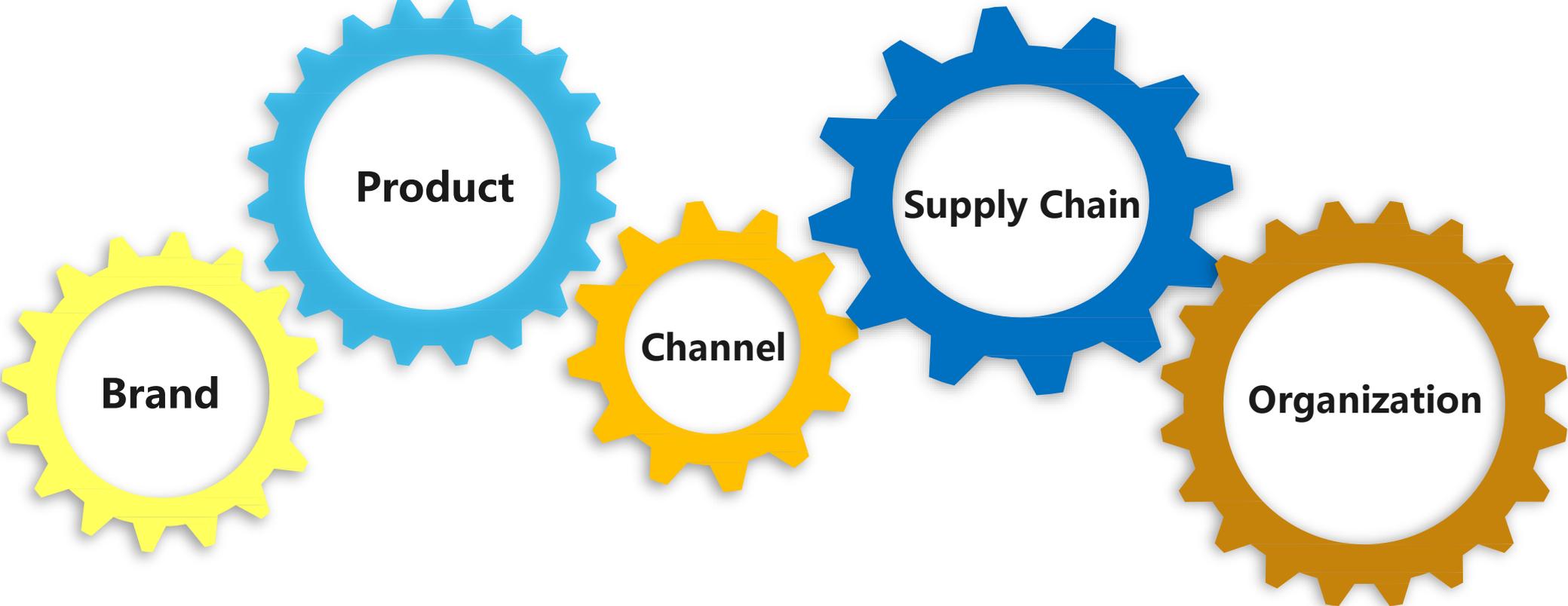


Challenges along with opportunities

- 1 After the pandemic, small and medium businesses were increasingly weeded out, and industry concentration further increased.
- 2 Online channels led the growth of the consumer industry, and new consumption models such as livestreaming and community group-buy emerged.
- 3 The new generation became the major consumption group, and they had huge consumption potentiality.
- 4 Consumers paid more attention to food safety, and rational consumption took over.
- 5 Development of the digital economy promote the upgrade of the consumer industry.



Long-term Core Competence of Consumer Goods Companies





Steadily Advancing Six Development Strategies



Upgrade of Business Model



Integrated Branding and Marketing



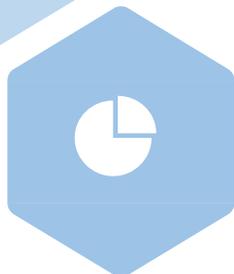
Omni-Channel Coverage



Supply Chain Optimization



Products Diversification



Organization and Incentive Enhancement



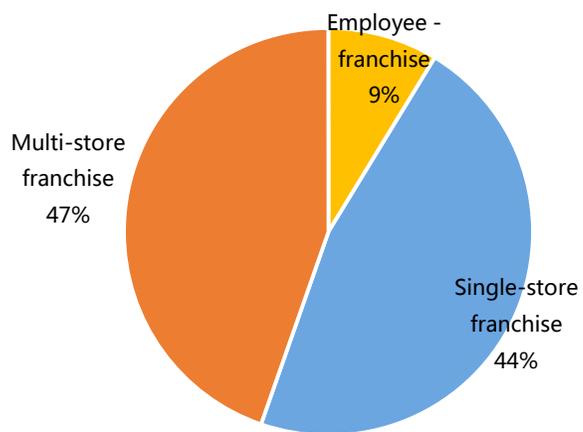


1. Upgraded Business Model – Fully Launched Franchised Business, with 598 Franchised Stores Opened

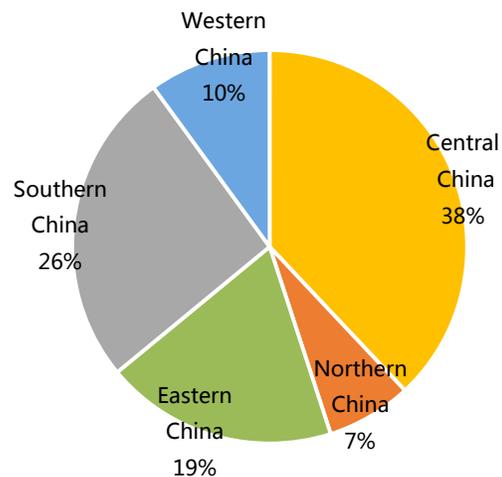


Over 29,000 applications

Proportion of stores of three different models



Geographical distribution of franchised stores



- **Multi-store franchise:** 267 stores opened in 40 cities including Nanning, Guiyang, Haikou, Taiyuan, and etc.
- **Single-store franchise:** 279 stores opened in 72 cities including Beijing, Shanghai, Guangzhou, Ningbo, and etc.
- **Employee-franchisee:** 52 stores opened in 18 cities



- Zhou Hei Ya gradually grows into a true national brand
- Self-operated and franchised stores cover 151 cities in 25 provinces, autonomous regions and municipalities in China.



1. Upgraded Business Model — All-round Support & Guidance and Growing Together with Franchisees

Investment & Project Planning



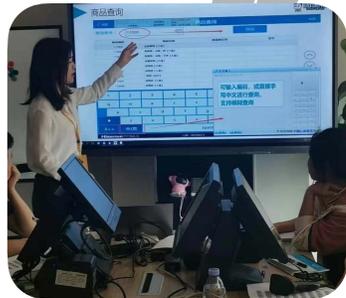
Location Selection



Service Training



Construction And Renovation



System Supporting



Delivery & Supply Chain Management



Brand Promotion



Policy Supports



Periodical Operational Analysis

Sustainable Development



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

Offline Retail Stores



- ✓ Continued to expand the "self-operated + franchise" model
- ✓ Strengthened the distribution of stores nationwide

E-commerce Channels



- ✓ Online live-streaming channels
- ✓ Increased online traffic and sales

Online Ordering & Delivery



- ✓ Focus on leading platforms
- ✓ Launched Online Ordering & Delivery CRM

New Retail and Community Group-buy



- ✓ Upgraded to vacuum-package 2.0
- ✓ Launched customized packages

★ O&O Channels (E-commerce, Online Ordering & Delivery + New Retail + Community Group-buy): **37.1%** of total sales



2.1

Significant Growth on O&O Business

Actively Explored Live-streaming

Actively explore on live-streaming business:

- ✓ Newly entered **12** platforms such as TikTok and Kuaishou
- ✓ Total live broadcast over **10,000**, the number of views exceeded **100 million**
- ✓ Live-streaming sales exceeded **110 million RMB**



Digital Operation Capabilities

Digital insights on omni-channel, and precise marketing

- ✓ Broaden channel networking
- ✓ Branding enhancement on live-streaming platforms
- ✓ Operational efficiency improvement



O&O Business

Emerging and enormous opportunities

- ✓ In-store group-buying platforms: Meituan, Koubei
- ✓ Online ordering & delivery platforms: Ele.me, Meituan, JD.COM
- ✓ Fresh-food e-commerce platforms, such as Xingsheng Youxuan, Dingdong Maicai, PuPu



3. Products Diversification – Innovating and Upgrading



1) Focused on top category



3) Differentiated price ranges



2) Diversified products mix



4) Diversified scenarios



✓ Vegetarian series and duck cutlet were launched in 2H2020. A total of **20** new products were launched throughout the year

✓ Revenue from new products in 2H contributed **RMB 188 million**

✓ **14.5%** of sales of 2H



4. Integrated Branding and Marketing – Addressing on Brand Image and Consumer Mind

Unified Theme

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



Clear Position

- ✓ New Slogan : “No appetite? Let’s eat Zhou Hei Ya”
- ✓ Package upgrade
- ✓ New store image



Hot Topics

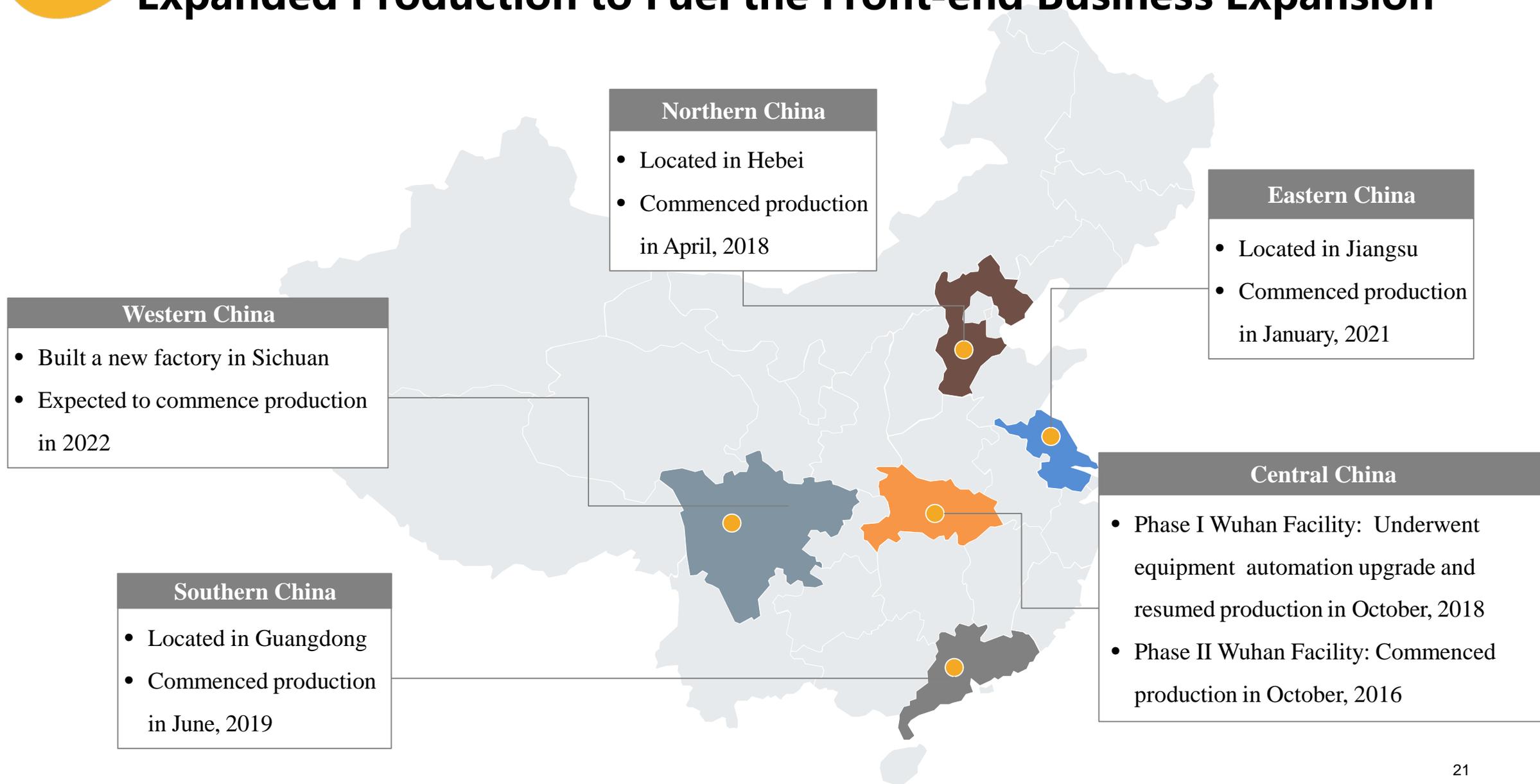
- ✓ Sold **1.7 million** boxes via “Public Welfare” livestreaming with **100 million** views
- ✓ Lay's co-branded potato chips,



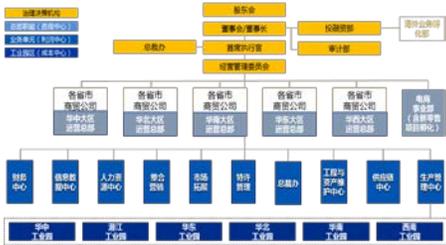
- ★ “China’s 500 Most Valuable Brands” by the World Brand Lab
- ★ A&P decreased by **38.1%** YOY



5. Supply Chain Optimization – Deployed 5 Production Centres, and Expanded Production to Fuel the Front-end Business Expansion



6. Organization – Drove Sustainability Development



Organizational Capability

1

Organization Optimization

- Shifted to a strong matrix organizational structure from a vertical one
- Downsizing 1000 redundant staffs

2

Talent introduction and Training

- Continued to introduce outstanding talents
- Empowered training for different ranks

3

System Optimization

- Talent Review
- Employee competence model and management banding and qualification system

✓ **Won CHIRC China “Best Employer Award” and SHL “Best Practice in Talent Acquisition Award”**

Organizational Incentives

1

Share-based Incentive

- Expand to 160 staffs

2

Store staff Incentive

- Diversified incentive plan
- Incentive award base on MoM performance growth

3

Employee-franchisee

- Excellent front-line store staff eligible to apply for employee-franchisee



Section 3

Outlook





Strategic Development Theme in 2021

"Strengthen Capability Building to Promote Sustainable Growth"

Long-term sustainable growth

Investment in Capability Building

Brand

Product

Channel

Organization

Supply Chain

Integrated Brand
Marketing
and
Store Image Upgrade

Retail
Lean
Management

Product
Innovation

Consumer
Digitalization
and
Lean Operation

Organizational
Improvement
and
Talent
Optimization

Supply Chain
Integration
and
Capacity Expansion



Accelerated the Development of Franchised Business, Improved Single Store Quality

Accelerate Store Opening



Upgrade promotion mechanism, establish a standard profile of franchisees, and improve efficiency of promotion



Upgrade reward and punishment mechanism of store opening



Strengthen incentives and encourage franchisees to continue to open stores

Improve Single Store Quality



Duplicate success case and optimize store location model



Optimize store operations cost, and improve investment return



Lean management on retail end, launch franchise management system



Enhancing Digital and Intelligent Operations Capabilities to Support O&O Business Growth

Consumer End

- **Build user data system, empower and improve efficiency**
 - Establish the full cycle system for data management
 - Label the user data
- **Customer precise marketing**
 - New customers: conversion
 - Regular customers: ticket size and frequency

Supply End

- **New product expansion in the digital economy era**
 - Digital empowerment establish full cycle management system for new products
- **Multi-directional empowerment of wisdom supply chain**
 - While the construction of WMS and TMS system, improve the efficiency of multi-scenarios such as production and sales coordination

Retail End

- **Omni-channel expansion**
 - Establish own livestreaming system for online and offline stores, touching consumers in ubiquitous scene
- **E-commerce opportunities**
 - Strengthen the brand's ability to acquire customers in multiple scenarios and multiple dimensions

★ Continued to develop O&O business, and led industry's growth!

THANK YOU

