# MINISO Group June Quarter and Fiscal Year 2023 Earnings Conference Call Full Scripts

## CEO Scripts

Hello everyone, and welcome to our earnings conference call. Our overall performance once again reached new heights, as we achieved breakthroughs in both revenue and profitability. Total revenues exceeded the 3 billion milestone for the first time, increasing by 40% year over year to 3.25 billion. GP margin reached 39.8%, an increase of 6.5 percentage points year over year. Adjusted net profit surpassed 570 million, increasing by 156%. Adjusted net margin also hit a new high, reaching 17.6%, an increase of 8 percentage points year over year.

I will now walk you through business updates for our three major segments: MINISO China, MINISO Overseas, and TOP TOY.

MINISO China showed resilience despite the challenging consumption environment, offline sales of MINISO China achieved 40% year-over-year growth in this quarter, whereas according to National Bureau of Statistics of China, domestic retail sales increased by only 10% . Average transaction volume increased by 18%, while average transaction value increased by more than 5% year over year.

Entering July, nearly one third of MINISO stores in China achieved new sales record, marking a strong start to the September Quarter. GMV increased by over 25% year-over-year, with GMV per store increasing by 14%. Average transaction volume and average transaction value increased by 10% and about 3%, respectively. For the first seven months of 2023, GMV per store in China recovered to 2021 level and around 85% of pre-Covid level in the same period of 2019, in line with our expectations at the beginning of the year.

Notably, we opened a total of 221 new stores on a net basis in China during June quarter, including more than 90 of new stores in tier-1 and 2 cities. This not only set a quarterly record for store openings for the MINISO, but also represents the highest quarterly new store openings in tier-1 and 2 cities since the pandemic. Meanwhile, store closure rate in this quarter was only 1.0%, below historical average.

What these good signs in store opening and closing reflect is the high confidence of our retail partners. As of June, MINISO brand had over 1,000 MINISO Retail Partners, with nearly 50% of stores owned by top 50 franchisees. Among them, 40 have been cooperating with us for more than 6 years. In the past 4 fiscal years, about 50% of new stores in China are owned by top 50 partners. The average number of stores owned by them increased steadily from 27 to 33. We have been recruiting new partners as our store network penetrates into lower-tier cities. The total number of retail partners increased from 754 at the beginning of 2020 to 1,022 as of now. We are highly confident that we will achieve our target of opening 350-450 stores in China on net basis in 2023. We are also optimistic that we will be able to expand our network in different tiers cities across China. We now expect to have about 5,000 stores in China by 2027, compared to the 3,325 we had at the end of 2022.

Let's move on to overseas. Firstly, revenue was 1.11 billion, a 42% year-over-year increase from the high base of last year, exceeding even our most optimistic expectation and setting a new record for June Quarter. Revenue from directly operated markets increased by 85% accounting for more than 45% of overseas revenue, up from about 35% in the same period last year.

Secondly, GMV in overseas markets increased by 41% year over year, including a 69% growth in directly operated markets and a 32% growth in distributor markets. Overall, GMV per store in overseas markets increased by over 25% year over year, average store count increased by about 11%. Major overseas markets maintained rapid GMV growth momentum, including a 106% growth in North America, and a 46% growth in Latin

America.

Third, overseas GMV per store in the June quarter recovered to 92% of the same period in 2019. This is meaningfully higher than the 77% and 68% recovery rate we saw in the previous quarter and the same period of last year, respectively. The distributor markets recovered to 95% of pre-Covid levels while the directly operated markets recovered to 85%. In our top 5 overseas markets, GMV per store in North America was nearly twice the same period in 2019. GMV per store in Latin America, Europe, Middle East and North Africa all recovered to about 90% of 2019 levels. Asian markets recovered to 65%, which was the highest we have seen since the pandemic and the recovery is still fast.

Country wise, GMV per store in Mexico is 10% higher than pre-Covid level. In the first half of 2023, 4,000 new SKUs were launched in Mexico and became a major drive of local sales. GMV per store in the U.S. was twice the pre-Covid level. Since the grand opening of our first global flagship store at Times Square on May 20th, it has consistently been setting new sales records.

Fourth, profit margin of overseas business is substantially improving thanks to the operating leverage. In this quarter, overseas markets contributed more than 40% of total operating profit, meaningfully higher than the approximately 25% in last quarter. Margin expansion was especially apparent in U.S. market, along with a rapid revenue growth and a refined unit economics, about 90% of our stores there was already profitable in June, significantly driving up the operating profit margin for overseas directly operated markets.

In the first half of 2023, 72 new stores were opened in overseas markets on a net basis. The second half of calendar year tends to be the peak season for store openings and sales. Recently, store openings have accelerated. In July we added 38 overseas stores. We are still positive with the target of 350-450 addition in overseas in 2023.

Since the beginning of 2023, I have spent the majority of my time in overseas markets. During this period, I had a lot of deep thinking about the MINISO's value proposition, and I'd like to take the opportunity today to share with you. In the past 10 years since our inception, MINISO leveraged China's unmatched supply chains. We used to position our products as three Highs and three Lows, meaning "High appeal, high-quality, high-frequent" and "low cost, low markup, low prices." We relied on this cost leadership strategy for a very rapid growth.

2023 marks the first year of MINISO's brand upgrade. Its value proposition has never been clearer in my mind. Facing new changes and new trends both at home and abroad, we can not survive by relying solely on cost advantages. In addition to that, we will also need to differentiate our product offerings as much as we can to engage in global competition . So I have renewed MINISO's brand positioning to "a global value retailer offering lifestyle products featuring IP design." So, how should we think about this positioning?

The first message I want to deliver is that, we attach great importance to the design of every single product. We have developed a lot of trendy lifestyle products that resonate with young customers by focusing on creating more "interest-driven" content, just like NIKE has been doing in promoting better design in sportswear.

In addition to that, we should become IP powerhouses such as Disney, and make lifestyle products more fashion by featuring IPs. By leveraging consumer demand to guide product design, we can develop products that are truly "unique" or are believed to offer more value than similar IP products. Only in this way can we continuously design best-selling products that also resonate with our customers. We are now cooperating with 80 IP licensors, compared with 17 when we listed in the U.S. 3 years ago. Take the recent blockbuster Barbie series as an example. A half of related SKUs we had in stock were sold out within the first 5 days of launch. The collaboration generated immense buzz on social media platforms including Xiaohongshu, where related topics received over 13 million comments, as well as Weibo, where the topic accumulated nearly 300 million views, as it became another phenomenal IP co-branding event for us.

Third, we will stick to value-for-money proposition. MINISO believes in our "Happy Philosophy", as we offer creative and high-quality products to global consumers at affordable prices. This is in-line with our commitment to make it easy for consumers to enjoy a happy and quality life. Leveraging China's efficient supply chains and the design capabilities we have accumulated during the past ten years, MINISO is able to offer global consumers budget-friendly products and build our customer-friendly image. This value-for-money proposition enables us great advantages in navigating through economic cycles.

We have identified two product strategies for the overseas market: globalization and IP strategy. To accomplish these two strategies successfully, we need to consistently drive product and design innovations. That means we need to offer emotional resonance to consumers by providing “good-looking, fun and useful” products, among which we believe three categories will be key to our success, these are “Big beauty”, “Big toys” and “Big IPs” products. In 2023, Perfumes, IP related plush toys and IP related Blind Boxes acted as our killer categories and have generated explosive growth in overseas markets, opening up new avenues for our future growth.

Lastly, we will implement "Super Store" strategy. I believe “Super Stores” play a key role in growing mindshare among consumers and strengthening our brand as they contribute larger sales. For example, our recently opened flagship store on Beijing Road of Guangzhou refreshed the sales record of single store in China for years. This is particularly impressive given the ongoing weakness of consumption in China. In particular, the opening performance of Times Square store was unbelievably strong and it has upgraded our understanding of our business, including for me and the whole management team, it helped us have a better knowledge of the market potential in the U.S., and strengthened our confidence in further developing and making investments there. The "Super Stores" concept is potentially a new path towards improving per-store sales for us.

Now, let me brief you on recent developments from TOP TOY. Quarterly revenue increased by 81% year over year, with an increase of 46% year over year in per-store sales and an increase of 24% of average store count.

I believe that high-quality growth is just ahead of us. In the June quarter, TOP TOY’s product mix has been optimized, as our exclusive products accounted for one third of total sales, reaching the goal we set about two years ago. Merchandise GP margin was about 46%, 5 percentage points higher than the same period of last year. Accounting GP margin continued to increase to a comparable level of MINISO China one year ago, this is a reasonable comparison as both businesses employ an asset-light business model where we mainly attract partners to invest in stores. So when sales reach a certain scale, operating leverage will kick in and drive up profit.

I will now turn the call over to Eason for a review of our financial performance in June quarter and fiscal year 2023.

**CFO Scipts**

Thank you Jack. Hello everyone, thank you again for joining us today. I will walk you through our financial results for the June quarter. Please note that all numbers are in RMB unless otherwise stated, and I will also refer to some non-IFRS measures, which have excluded share-based compensation expenses.

Revenue was RMB3.25 billion, representing an increase of 40% year over year.

Revenue from China was RMB2.14 billion, up 39% year over year. The increase was driven by a growth of 42% in revenue from MINISO's offline stores and (ii) a growth of 81% in revenue from TOP TOY.

The 42% year-over-year growth of MINISO offline business was the result of a 9% growth in average store count and a 31% growth in per-store sales, on a more comparable basis, per-store sales increased by 25% excluding the impact of store closure last year. The 81% year-over -year growth of TOP TOY was the result of a 24% growth in average store count and a 46% growth in per-store sales, on a more comparable basis, per-store sales increased by 30% excluding the impact of store closure last year.

Revenue from overseas markets was RMB1.11 billion, up 42% year-over-year, driven by an increase of 11% in average store count and a growth of 28% in average revenue per MINISO store in overseas markets. Revenue from distributor markets was RMB609 million, an increase of 19% year over year. Revenue from directly-operated markets was RMB506 million, an increase of 85% year over year, accounting for 45% of overseas revenue, as compared to 35% last year.

For the full fiscal year 2023, revenue was RMB11.5 billion, up 14% year over year. Of this, revenue from overseas markets was RMB3.82 billion, up 45% year over year.

Gross profit in the June quarter was RMB1.3 billion, up 67.9% year over year. Gross margin was 39.8%, compared to 33.3% in the same period of 2022. The year-over-year increase was due to three reasons, (i) GP margin in China increased by about 6 percentage points, thanks to our continuous effort in brand upgrade, (ii) GP margin in overseas markets increased by another 6 percentage points thanks to product optimization and higher revenue contribution from directly operated markets, and (iii) GP margin of TOP TOY increased by 10 percentage points due to product optimization.

SG&A expenses as a percentage of revenue was 19%, down from 22.7% in the same period of last year.

Selling and distribution expenses were 458 million, increasing by 33% year over year, driven by (i) increased IP licensing expenses, (ii) increased personnel-related expenses and (iii) increased marketing expenses mainly in connection with the strategic brand upgrade of MINISO in China. Going forward, we will continue to see marketing expense increase for a while, but we are highly confident to make sure total SG&A expense maintained at a reasonable level of revenue.

G&A expenses were 161 million, decreasing by 10% year over year.

Turning to profitability.

Operating profit was 690 million, increasing by 154%, op margin in this quarter was 22%, the first time ever for us to reach such a high level. For fiscal year 2023, op margin has reached nearly 20%, too.

Adjusted net profit in the June quarter was RMB571 million, increasing by 156% year over year. For the full fiscal year, adjusted net profit was about RMB1.85 billion, up 155% year over year.

Adjusted net margin in the June quarter was 17.6%, compared to 9.6% in the same period of 2022. For the full fiscal year, adjusted net margin was 16.1%, compared to 7.2% in fiscal year 2022.

As of June 30, 2023, we had a strong cash position of 7.3 billion, compared to RMB5.8 billion one year ago.

Turning to capital allocation strategy, we have established a dividend policy of paying out no less than 50% of adjusted net profit in the future, for fiscal year 2023, the board of directors approved a cash dividend in the amount of US$0.412 per ADS, about 50% of adjusted EPS of US$0.81, the aggregate amount of cash to be paid is approximately US$128.5 million or RMB931.7 million, MINISO aim to be a world-class company, our capital allocation strategy in the future will balance new growth opportunities and our commitment to bringing stable return to shareholders.

June quarter has witnessed too many breakthroughs and new heights in each major aspects of our operations. Looking forward into the September quarter, we expect our sales will continue to grow strongly on a year-over-year basis, driven by better store-level performance and store network expansion. Meanwhile, our margin profile will continue to optimize on a year-over-year basis.