



MINISO Group September Quarter 2023 Earnings Conference Call

Full Scripts

Operator Script

Ladies and gentlemen, thank you for standing by and welcome to MINISO's Earnings Conference Call for the September quarter of 2023 that ended September 30, 2023. At this time, all participants are in a listen-only mode. After the management's prepared remarks, we will conduct a question-and-answer session. Before joining the question-and-answer session, please mark your name and institution, and be kindly noted that this event is being recorded.

We have announced our quarterly financial results earlier today. An earnings release is now available on our investor relations website at ir.miniso.com. Joining us today are our founder and CEO Mr. Jack Ye and our CFO Mr. Eason Zhang.

Before we continue, I would like to refer you to the Safe Harbor Statement in our earnings press release which also applies to this call as we will be making forward-looking statements. Please also note that we will discuss non-IFRS financial measures today, which we have explained and reconciled to the most comparable measures reported under the International Financial Reporting Standard in the Company's earnings release and filings with the U.S. SEC and Hong Kong Stock Exchange.

In addition, we have prepared a PowerPoint presentation for today's call, which contains financial and operational information for this quarter, if you are using Zoom meeting, you should be seeing it right now. You can also revisit it on our IR website later.

Now, I'd now like to hand the conference over to Mr. Ye, and the Operator will translate for Mr. Ye. Please go ahead, Sir.



CEO Scripts

Hello, everyone, and welcome to MINISO Group's September quarter 2023 earnings conference call. Our overall performance once again reached new heights during this quarter, as both of our revenue and profitability maintained high-quality growth, based on the breakthrough we achieved in previous quarters. Total revenue hit RMB3.79 billion and set a new record, increasing by 37% year over year. Gross margin exceeded 40% for the very first time, reaching 41.8% with an increase of 6.1 percentage points compared to the same period last year. Adjust net profit exceeded RMB640 million, representing a year-over-year increase of 54%. Adjust net profit margin reached 16.9%, increasing by about 2 percentage points compared to the same period last year.

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

Let's start with MINISO China. During the peak season of summer vacation, GMV of MINISO offline stores in China achieved RMB3.6 billion, refreshed its historical record, compared with a year-over-year increase of 5% in domestic retail sales of consumer goods, according to National Bureau of Statistics of China. On a per-store basis, average transaction volume increased by over 17%, and average transaction value increased by more than 3% year over year.

During the first ten months in 2023, GMV per store of MINISO China recovered to 100% of 2021 level and around 85% of pre-Covid level in the same period of 2019, consistent with our expectation at the beginning of the year. Entering into the fourth quarter of calendar year 2023, some investors worried more about the weak domestic consumption environment. However, MINISO has maintained resilience as always. According to our weekly sales data, the trend of per-store sales since July to date this year was consistent with the normalized pattern in the same period of 2019, no weakness was noticed, it's more about seasonality. We will keep tracking this trend, staying alert and taking positive measures to cope with the macro headwind.

We opened a total of 198 new MINISO stores on a net basis in China during September Quarter, continuing on the trend of our store expansion, including 80 new stores in tier-1 and tier-2 cities, and around 60% new stores in tier-3 and lower-tier cities. While the number of stores is growing rapidly, we



continued to focus on unit economics of our operating stores, proven by a healthy closure rate of MINISO stores of only 1.4% in this quarter, below historical average. As of September 30, we had accomplished our target of opening 350-450 stores in China on a net basis in CY2023. Meanwhile, we celebrated the milestone of 6,000th MINISO store worldwide in this quarter. We do value both speed and quality in growing a healthy global store network for MINISO brand. Going forward, we currently expect to add another 100-200 new stores in China in the remaining of CY2023 on a net basis.

Moving on to our progress on the international front. Firstly, overseas revenue was about RMB1.3 billion, representing a year-over-year increase of nearly 41% from a high base of last year and setting a new record. Notably, revenue from directly operated markets increased around 89% year over year, contributing around 46% of overseas revenue, compared to around 34% in the same period last year.

Secondly, GMV in overseas markets increased by 48% year over year, including an 80% year-over-year growth in directly-operated markets and 39% year-over-year growth in distributors markets. Overall, GMV per store in overseas markets increased by over 27% year over year, and average store counts increased by about 13%. Major overseas markets maintained rapid growth momentum, including a 160% growth in North America, a 60% growth in Latin American, and a 85% growth in Europe.

Thirdly, we are encouraged that GMV per store in overseas markets during September Quarter recovered to 103% of 2019 level and achieved a 27% year-over-year increase. The distributor markets recovered to 107% of pre-Covid 2019 level while the directly operated markets recovered to 93%. In our major overseas markets, GMV per store in North America nearly doubled that of the same period in 2019. GMV per store in Latin America and Europe recovered to about 110% and over 100% of 2019 levels, respectively.

We focus on key overseas markets. 80% of overseas GMV were generated in top 20 markets, hence their performance largely represents the overall business performance of our overseas markets, let me tell you three things about it.

Firstly, in terms of GMV, per-store sales in the top 20 markets increased by an average of 34% year over year, outpacing the average of 27% year over year growth for overseas market as a whole; compared with the same period in 2019, per-store sales in the top 20 markets have recovered to 98%;



Secondly, 18 of the top 20 markets achieved positive same-store sales growth in the quarter, with an average growth rate of 41%, outpacing the average growth rate of 34% for overseas market as a whole; among top 20 markets, 15 had comparable stores in 2019. Among them, six markets including the U.S., Mexico, Canada, Spain, Kazakhstan and Vietnam have recovered to more than 100% same-store sales, for Southeast Asian countries such as Indonesia, India, the Philippines and Thailand, SSSG number was better than per-store sales number.

Thirdly, top 20 overseas markets accounted for nearly 70% of total overseas stores, and contributed nearly 75% of new store year to date.

Entering the second half of calendar year 2023, store opening in overseas markets has accelerated. During September quarter, we added 126 stores in overseas markets on a net basis, making it the best quarter since 2020. As of September 30, 2023, we accumulated 198 new stores in overseas markets on a net basis. We will strive to deliver our target of opening 350 to 450 stores in overseas markets.

In September, MINISO cooperated with Disney to create the "Disney Theme Train" to celebrate the 100th anniversary of Disney, by decorating the carriages with the Disney's four famous IPs and integrating MINISO super symbol - "MINISO Wink" - to create immersive environment to the passengers. We also launched a market campaign to promote awareness of our flagship fragrance and perfume products, which combined the Master Fragrance series products with the traditional festival culture to cater for social behaviors and consumption preferences of our young target consumers. As the industry-leading IP powerhouse, the key differences between our IP strategy from other companies' lie in our continuous efforts in developing IP products to elevate our brand equity and capitalize on cultural phenomena or influential trends by featuring their elements in our product design and adding exciting diversity to our products, which is different from the occasional marketing efforts of other players. Meanwhile, with more favorable margin profile of IP products, we are positioned well to leverage their huge fan base to grow both our topline and bottom line.

Meanwhile, by leveraging our capabilities in capturing consumer insights and our fast supply chain, our highly refreshed assortments and continuous innovation have created huge sales opportunities. During this quarter, we have witnessed the birth of a 100-million-sales product and a new batch of best-



selling products with more than 10 million sales. For example, we seized the trend of offline travel recovery to quickly launch a new disposable travel category, generating more than 100 million sales in this quarter. In addition, about 60% of our best-selling products came from strategic categories such as our "Interest-driven products" with improved hit rate.

In this quarter, MINISO also made progress in "Super Stores" initiative. Our newly opened Xi'an Datang All-Day Mall Store and Wuhan Chuhe Hanjie Wanda Store gained positive responses from consumers. In the future, we will encourage and prepare for more "Super Stores" to test different store formats and improve store unit economics. With initial success in China, we tested the water in some overseas markets. In this quarter, the very first MINISO's "Blind Box Store" in UK grandly opened in Chinatown, with more than 50 kinds of IP related blind boxes co-branding with Disney, Sanrio, Winnie-the-Pooh and other popular IPs. Although only 30 square meters, its total sales and sales per square meter on its first day far exceeded our expectations. MINISO's first "Sanrio-themed IP Store" opened in one of the most popular shopping centers in Indonesia, featuring a spacious Sanrio IP co-branding display area. The sales on its first day set a new record in Southeast Asia. We expect that with the implementation of the "super store" strategy, it will strongly promote overseas performance and enhance the global influence of the MINISO brand.

Let's move on to TOP TOY. Quarterly revenue achieved a 46% year-over-year increase, with an about 30% year-over-year strong growth in GMV per store and a 17% year-over-year growth in average store count.

TOP TOY will celebrate its 3rd anniversary next month, although most of the past three years was covered by the pandemic, TOP TOY managed to be a unicorn with annual GMV approximated to one billion and enlarged influence in this sector. During its Partner Conference in September, TOP TOY renewed its cooperation relationship with important partners such as Bandai Namco and 52TOPYS, which laid a solid foundation to further optimize its product structure. Meanwhile, the grand opening of TOP TOY store in Shanghai Disney, becoming the only new consumer brand to settle here in 2023.

I will now turn the call over to Eason for a review of our financial performance in September Quarter of 2023.



CFO Scripts

Thank you, Jack. Hello everyone, thank you again for joining us today. I will walk you through our financial results for the September 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 RMB3.79 billion, representing an increase of 37% year over year.

Revenue from China was RMB2.50 billion, up 35% year over year. The increase was driven by (i) a growth of 41% in revenue from MINISO's offline stores and (ii) a growth of 46% in revenue from TOP TOY.

The 41% year-over-year growth of MINISO offline business was the result of a 14% growth in average store count and a 24% growth in per-store sales. The 46% year-over-year growth of TOP TOY was the result of a 17% growth in average store count and a 25% growth in per-store sales.

Revenue from overseas markets was RMB1.30 billion, up 41% year-over-year, driven by an increase of low-teens in average store count and a growth of mid-twenties in per-store sales in overseas markets. Revenue from distributor markets was RMB703 million, an increase of 16% year over year. Revenue from directly operated markets was RMB592 million, an increase of 89% year over year, accounting for 46% of overseas revenue, as compared to 34% during the same period of last year.

Gross profit in the September quarter was RMB1.60 billion, up 60.2% year over year. Gross margin was 41.8%, increasing by about 6 percentage points in the same period of 2022. The year-over-year increase was due to three reasons, (i) GP margin in China increased by low single digits percentage points, thanks to continuous growth of merchandize GP margin and a better control of promotional discount, (ii) GP margin in overseas markets increased as we made meaningful progress in optimizing our product structure and saw revenue contribution from IP products increased from less than 30% to more than 40%, in addition to that, GP margin in overseas markets in this quarter benefited from increasing revenue contribution from our directly operated markets, which contributed 46% of overseas revenue, as we enter the peak season of our directly operated markets, we may expect its revenue



contribution surpassing 50% for the first time in the coming December quarter and (iii) GP margin of TOP TOY continued to increase as planned.

SG&A expenses as a percentage of revenue was around 20.8%, up from 19.3% in the same period of last year.

Selling and distribution expenses were RMB621 million, increasing by 67% year over year, driven by (i) increased personnel-related expenses, (ii) increased marketing expenses related to brand upgrade projects, as we mentioned in our last earnings call, as we are executing our brand upgrade strategy both in China and overseas markets, we expect to see marketing expense increase a little bit for a while, but it's totally controllable, marketing expense as a percentage of total revenue just increase by one percentage points in this quarter compared to the same period of 2022; and (iii) increased IP licensing expenses, licensing expense is more variable cost, as we offer more IP products, IP licensing expense as a percentage of revenue increase by less than one percentage points in this quarter compared to the same period of 2022.

G&A expenses were RMB167 million, flat year over year.

Turning to profitability. Operating profit in the September quarter was RMB788 million, representing an increase of 55% year over year. Operating margin was 21%, compared to 18% in the same quarter of last year.

Adjusted net profit in the September quarter was RMB642 million, increasing by 54% year over year. Adjusted net margin was 16.9%, compared to 15% in the same period of 2022.

On a quarter-over-quarter basis, our margin profile improved, because we enjoyed a significant foreign exchange gain in June quarter but incurred a minor foreign exchange loss in September quarter, if we exclude FX impact, adjusted net margin in June quarter would be 15.5%, compared to 17.1% in September quarter.

Turning to cash position. As of September 30, we had strong cash position of RMB6.7 billion.



September quarter has once again witnessed breakthroughs and new heights in each major aspects of our operations. Looking forward into the December 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.

Thank you and this concludes our prepared remarks. Operator, we are now ready to take questions.