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# China Nepstar Chain Drugstore Ltd.

(NYSE: NPD)

1Q 2014 Earnings Conference Call  
May 29, 2014





This presentation contains forward-looking statements. These statements constitute “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the quotations from management in this press release and the Company’s strategic operational plans, contain forward-looking statements. Such statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Further information regarding these and other risks is included in the Company’s filings with the U.S. Securities and Exchange Commission, including its annual report on Form 20-F. The Company does not undertake any obligation to update any forward-looking statement as a result of new information, future events or otherwise, except as required under applicable law.

# Conference Call Presenters



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**Mr. Fuxiang Zhang**  
*Chief Executive Officer*



**Mr. Zixin Shao**  
*Chief Financial Officer*

# Conference Call Agenda



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Quarterly Result Overview

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Q&A (Mr. Fuxiang Zhang, Mr. Zixin Shao)

# Company Overview



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## Who We Are

- We are a leading drugstore chain with a network of 2,057 directly operated stores across China

## Our Retail Network\*

- Nepstar has a total of 2,057 stores in operation
- National presence in 77 cities

*(\*As of March 31, 2014)*

## Our Business Model

- Neighborhood drugstore of 80-120sqm in size
- Directly operated stores to ensure consistent service standard
- Optimized product offerings including private label products

## Our Key Strategies

- Broaden product offerings and bring convenience to customers
- Grow store productivity to drive customer spending per visit
- Improve operation efficiency and service quality



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# First Quarter 2014 Results



# 1Q 2014 Revenue by Segment



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	Three-Month Period Ended	
	March 31, 2014	March 31, 2013
Total revenue	RMB 678M	RMB 627M
Same-store sales growth YoY	7.9%	6.1%
Prescription drugs	23.3%	22.1%
OTC drugs	40.3%	40.0%
Nutritional supplements	14.8%	14.9%
Herbal products	4.5%	4.1%
Convenience and Other products	17.1%	18.9%

# Private-Label Products (PLPs)



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Private-label products offer high margin contribution, flexibility in pricing and more control over product quality

<b>First PLP Launched:</b>	<b>Sept. 2005</b>
<b># of PLPs at end of 1Q 2014:</b>	<b>2,120</b>
<b>PLPs as % of revenue in 1Q 2014:</b>	<b>20.8%</b>
<b>PLPs as % of gross profit in 1Q 2014:</b>	<b>29.9%</b>



# 1Q 2014 Income Statement



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*(in Millions of RMB, except % analysis)*

	Three-Month Period Ended	
	March 31, 2014	March 31, 2013
Revenue	678	627
Store counts	2,057	2,094
Gross Margin	41.0%	46.4%
Gross Profit	278	291
Selling & Mkting / Rev	39.9%	40.2%
G&A / Rev	5.4%	4.4%
Income (loss) from Operations	(28.8)	11.3
Interest Income	2.5	4.1
Net income (loss)	(18.2)	7.1

# Strong Balance Sheet



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*(in Millions of RMB)*

**March 31, 2014**

**December 31, 2013**

<b>Cash &amp; cash equivalents &amp; Rst Cash</b>	<b>282</b>	<b>398</b>
<b>Short-term &amp; long-term Bank Deposits</b>	<b>118</b>	<b>224</b>
<b>Amount due from Related Parties</b>	<b>1.5</b>	<b>0.4</b>
<b>Accounts Receivable</b>	<b>113</b>	<b>132</b>
<b>Inventories</b>	<b>546</b>	<b>552</b>
<b>Dividend Payable</b>	<b>-</b>	<b>191*</b>
<b>Total current liabilities</b>	<b>596</b>	<b>808</b>
<b>Shareholders' equity</b>	<b>827</b>	<b>846</b>

- On November 26, 2013, the Company announced a cash dividend of US\$0.32 per ADS. Approximately US\$31.6 million was subsequently paid to shareholders during January 2014.

# 1Q 2014 Highlights



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**Revenue increased 8.1% to RMB678 million (US\$109.1 million) compared to RMB627 million in 1<sup>st</sup> quarter 2013**

**Same Store Sales: 7.9%**

**Gross Margin: 41.0%**

**Net loss: RMB18.2 million (US\$2.9 million)**

**Net cash outflow from operations: RMB22.6 million (US\$3.6m)**



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# Questions and Answers



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# Thank you!

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