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# Vipshop Holdings Limited Investor Presentation

February 2017

A large pink circle on the right side of the slide contains the Vipshop logo and tagline in white. The logo consists of the Chinese characters '唯品会' (Vipshop) in a stylized font, followed by 'vip.com' in a lowercase sans-serif font. Below this, the tagline '一家专门做特卖的网站' (A website specializing in flash sales) is written in a smaller, simpler font.

唯品会  
vip.com  
一家专门做特卖的网站

# Disclaimer

This presentation contains forward-looking statements. These statements are made under the “safe harbor” provisions of 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 business outlook and quotations from management in this announcement, as well as Vipshop’s strategic and operational plans, contain forward-looking statements. Vipshop may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission (“SEC”), in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about Vipshop’s beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statement, including but not limited to the following: Vipshop’s goals and strategies; Vipshop’s future business development, results of operations and financial condition; the expected growth of the online discount retail market in China; Vipshop’s ability to attract customers and brand partners and further enhance its brand recognition; Vipshop’s expectations regarding demand for and market acceptance of flash sales products and services; competition in the discount retail industry; fluctuations in general economic and business conditions in China and assumptions underlying or related to any of the foregoing. Further information regarding these and other risks is included in Vipshop’s registration statement on Form F-1, as amended, filed with the SEC. All information provided in this presentation is as of the date of this presentation, and Vipshop does not undertake any obligation to update any forward-looking statement, except as required under applicable law.

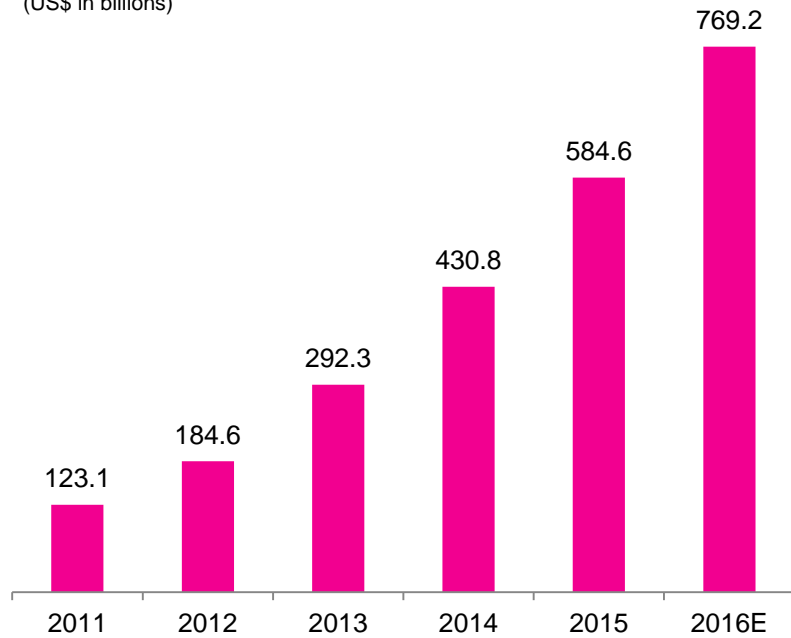
# Vipshop



# China's huge market potential in online discount retail and B2C market

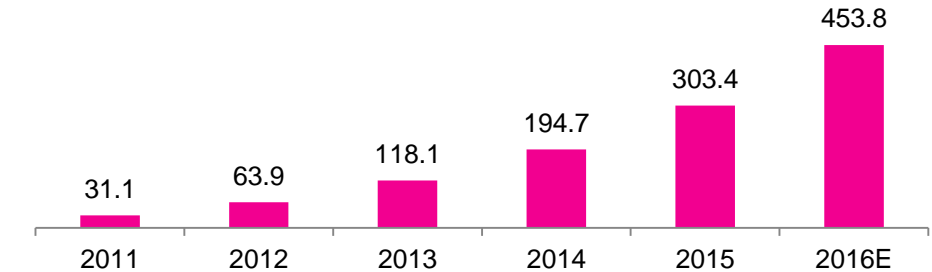
China's Online Shopping Market<sup>(1)</sup>

(US\$ in billions)



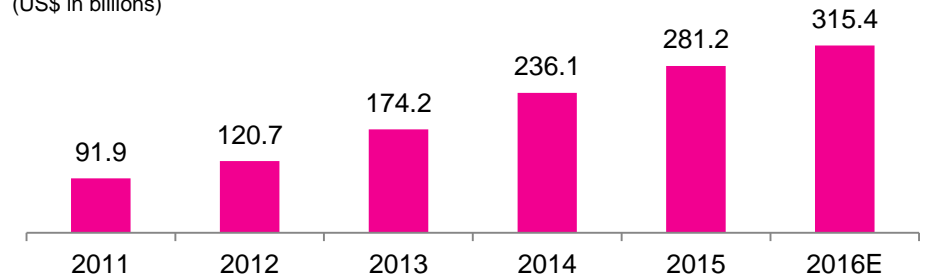
China's online B2C market <sup>(1)</sup>

(US\$ in billions)



China's online C2C market <sup>(1)</sup>

(US\$ in billions)



Huge consumer demand



Constant supply of excess inventory



Immature offline discount retail infrastructure



Massive discount retail opportunities

Note:

(1) Data from iResearch, assuming 1 US\$ = 6.5 RMB

# Online: the future of discount retailing in China

China's offline discount retail is extremely underdeveloped



U.S.

**24** square feet per capita<sup>(1)</sup>

Top **20** retailers account  
for **24%** market share<sup>(1)</sup>

**TJ-maxx**

**3,614** stores<sup>(2)</sup>

**ROSS**  
DRESS FOR LESS

**1,446** stores<sup>(3)</sup>

**SIMON**

**73** outlets<sup>(4)</sup>

**Tanger**  
Outlets

**42** outlets<sup>(5)</sup>



China

**2** square feet per capita<sup>(1)</sup>

Top **20** retailers account  
for **7%** market share<sup>(1)</sup>

**None**

**百联奥特莱斯广场**  
BAILIAN OUTLETS PLAZA

**5** outlets<sup>(6)</sup>

**北京赛特奥莱**  
BEIJING SCITECH  
PREMIUM OUTLET MALL

**1** outlets<sup>(7)</sup>

❖ Poor offline retail infrastructure in China

❖ Fragmented retail market in China

❖ Lack of large off-price retailer in China

❖ Underdeveloped offline outlet stores in China

**Consumers in China have to go online  
for branded discount products**

Note:

(1) According to Frost and Sullivan report

(2) As of January 2016, including 2,163 Marmaxx stores and 526 HomeGoods stores in the US, from T.J.Maxx's 10-K for the fiscal year ended January 30, 2016

(3) As of January 2016, including 1,1274 Ross stores stores and 172 dd's DISCOUNTS stores in the US, from Ross' 10-K for the fiscal year ended January 30, 2016





(4) As of May 2016, from Premium Outlet's company website

(5) As of May 2016, from Tanger Outlet's company website

(6) As of May 2016, from Balian Outlets Plaza company website

(7) As of May 2016, from Beijing Scitech company website

# China: A more attractive market opportunity

|                             |  U.S.                                                                                                                                                                         |  China |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Market positioning          | Mostly focused on high-end and luxury markets                                                                                                                                                                                                                   | Broad universe of popular brands for mass market                                          |
| Offline channels            | Discount / outlet retail channels saturated for mass market merchandise; full price retailers are establishing own outlets                                                                                                                                      | Lack of well-developed discount / outlet retail channel                                   |
| Online channels             | Brands have well established online presence and capabilities                                                                                                                                                                                                   | Brands have largely rely on third party platforms to build online presence                |
| Working capital requirement | Need to pay for inventory upfront;<br>Products can not be returned to suppliers                                                                                                                                                                                 | Limited upfront deposit;<br>Most products can be returned to suppliers                    |
| Conclusion                  |  <b>Broader and underpenetrated addressable market</b><br> <b>Better business model</b> |                                                                                           |

# A unique player in China's e-Commerce landscape

## Large scalable platforms

Market place

淘宝网  
Taobao.com

Tmall.com 天猫

General B2C

  
JD.COM 京东

Online discount retailer

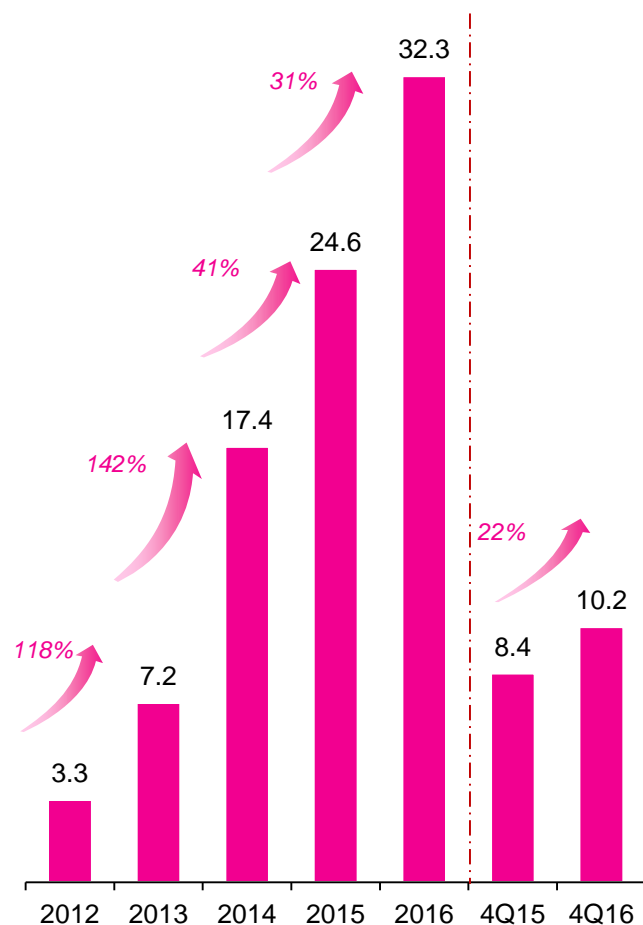
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- Partner with popular and well-known brands by selling their excess inventory and in season products at discount prices
- Core competency in merchandising, logistic distribution and customer service

# Highly engaged and loyal customer base

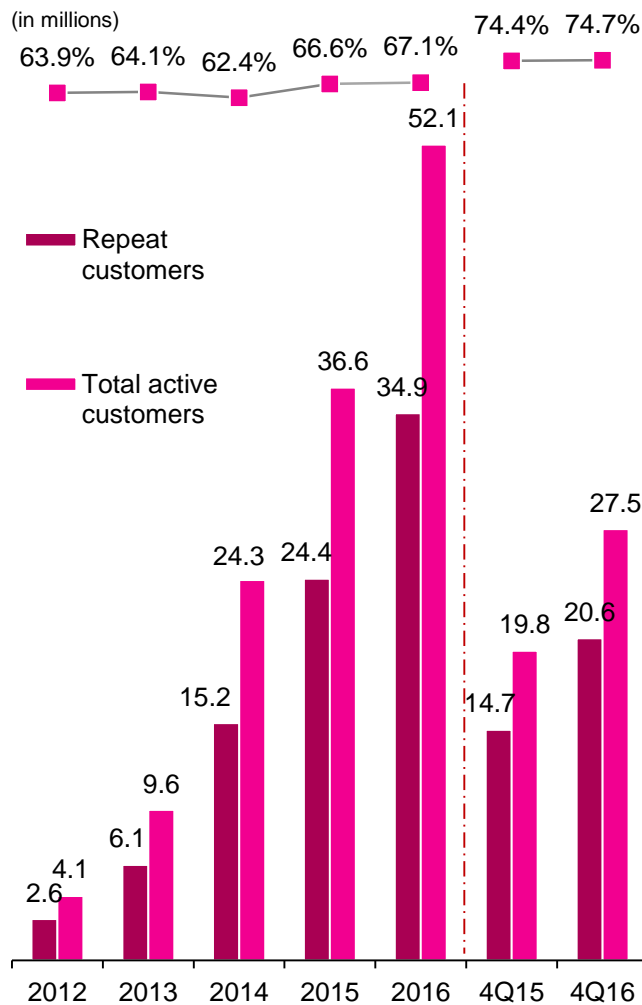
## Rapid increase of new active customers<sup>(1)</sup>

(in millions)



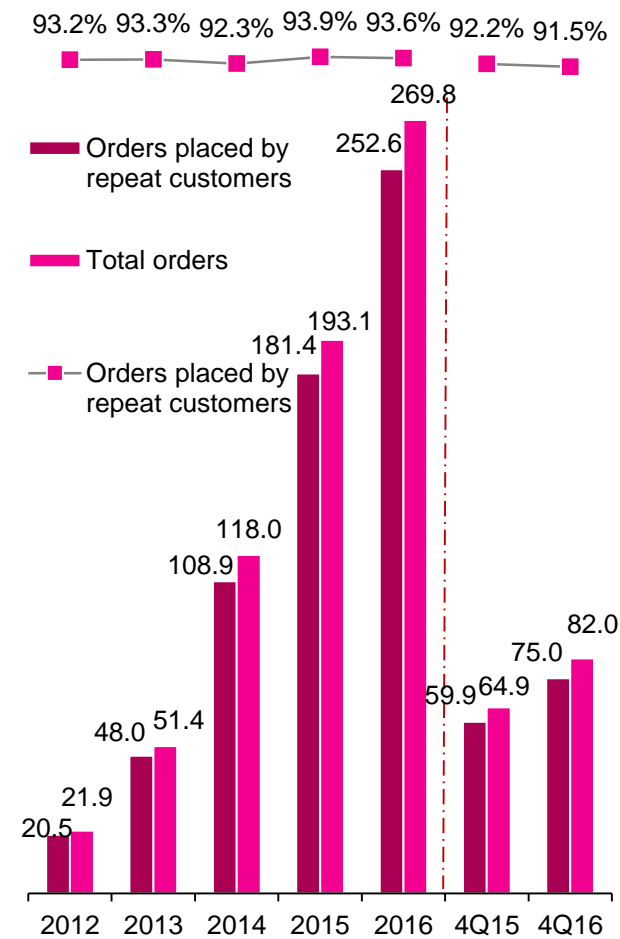
## Rapid increase of repeat customers<sup>(2)</sup>

(in millions)



## High and stable rate of orders from repeat customers

(in millions)



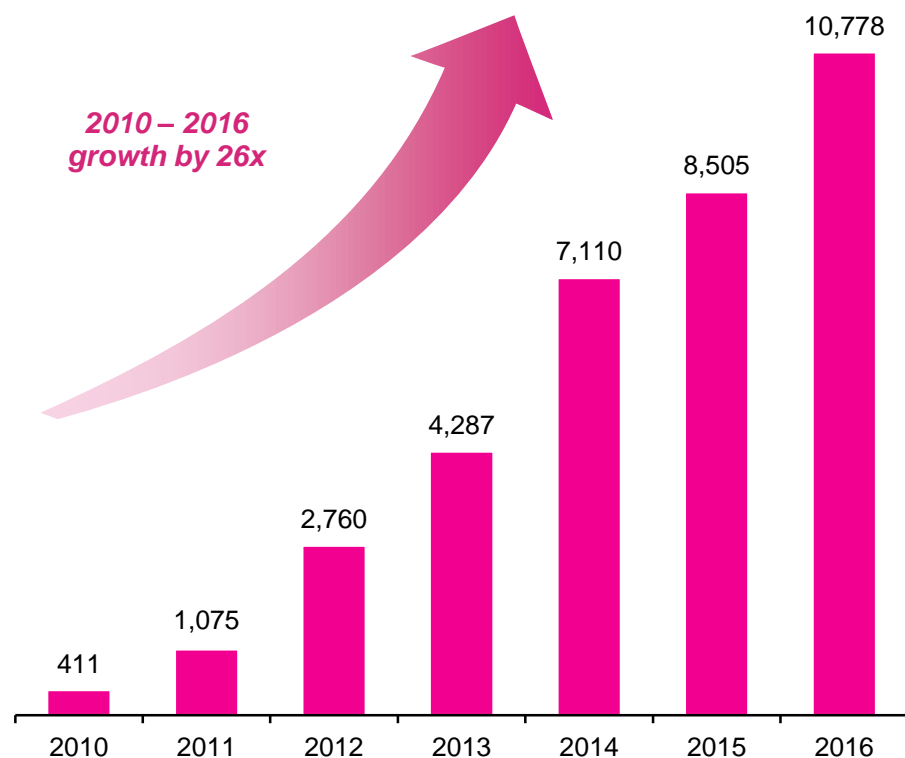
Note:

- (1) "Active customers" refer to registered members who have purchased from the Company or the Company's online marketplace platforms at least once during the relevant period.
- (2) A "repeat customer" for a given period refers to any customer who (i) is an active customer during such period, and (ii) had purchased products from us at least twice during the period from our inception on August 22, 2008 to the end of such period.



# Preferred discount channel for popular brands

Brand partners growth over time<sup>(1)</sup>



Clear industry leader<sup>(2)</sup>



Fast inventory monetization



Minimal brand dilution



One-stop solution for brands



Professional team with deep brand knowledge

## Product categories

Apparel

Cosmetics

Footwear

Handbags

Sports wear

Accessories

Home goods

Children

Shoppers are loyal and so are our brand partners

Substantially all of our brand partners have returned to pursue additional sales opportunities with us

Note:

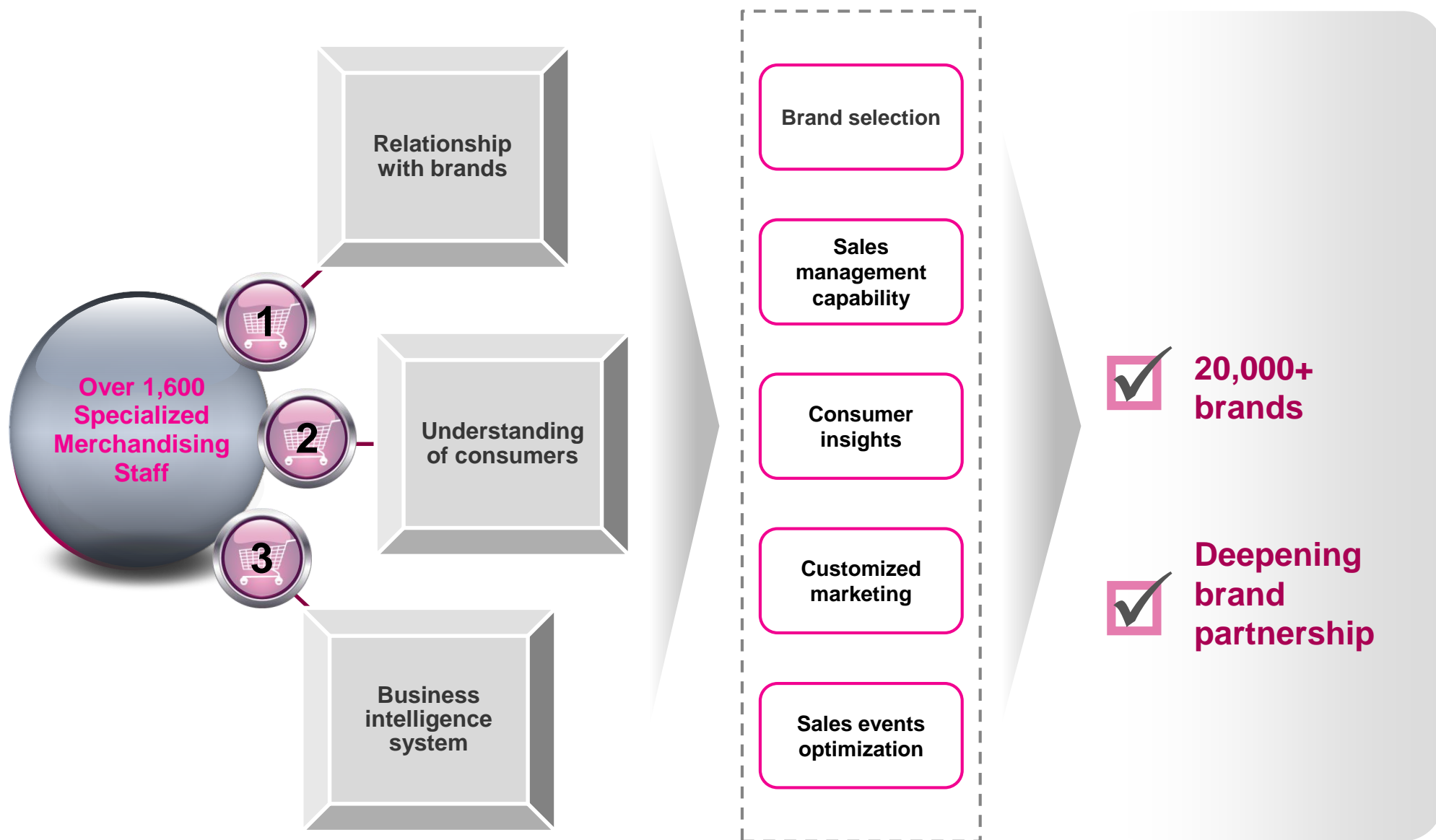
(1) Number of our brand partners is a cumulative number since 2010, which includes primarily brand owners, and to a lesser extent, brand distributors and resellers.

(2) According to the iResearch Report.



Operational Expertise

# Excellent merchandising



# Flash sale requires differentiated logistics system

Additional capabilities on top of traditional B2C e-Commerce<sup>(1)</sup>

|                      | Flash sale | Traditional B2C e-Commerce |
|----------------------|------------|----------------------------|
| Market positioning   | Short      | Long                       |
| Sales process        | Fast       | Slow                       |
| No. of SKUs handled  | Large      | Moderate                   |
| Volume of throughput | Large      | Small                      |
| Reverse logistics    | Large      | Small                      |

Snapshot of our warehouses

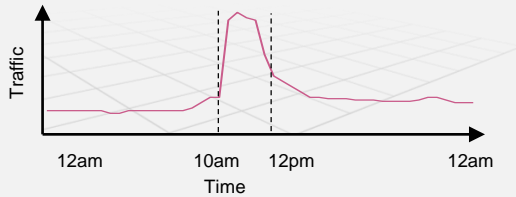


Vipshop has successfully established customized and sophisticated logistics and warehouse systems to cater to flash sale needs

Note:

(1) Comparison on per same-size warehouse basis.

# Highly customized and seamlessly integrated IT system for flash sales



**Support huge traffic spikes during peak hours**



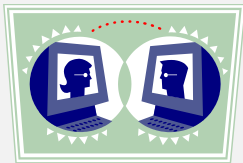
**Expanding and cross-regional warehouse management system**



**CRM system**



**Big data and business intelligence**



**Merchant platform**

# High entry barriers



**Economies of scale**



**First Mover Advantage**



**Business model**



**Operational expertise**

**Vipshop has  
established a dominant  
leadership position  
in China's online  
discount retail market**

# Visionary management team with strong execution



**Eric Ya Shen**

*Co-Founder, Chairman, CEO*

- 18+ years experience in consumer electronic products distribution
- Previously Chairman of Guangzhou NEM Import and Export Co., Ltd.
- EMBA from Cheung Kong Graduate School of Business



**Arthur Xiaobo Hong**

*Co-Founder, Vice Chairman, COO*

- 12+ years experience in consumer electronic products distribution
- Previously Chairman of Societe Europe Pacifique Distribution



**Donghao Yang**

*Chief Financial Officer*

- 12+ years experience in finance
- Previously CFO of Synutra International Inc (NASDAQ: SYUT) and Tyson Foods (NYSE: TSN) Greater China
- MBA from the Harvard Business School



**Bill Huang, Ph.D.**

*Chief Technology Officer*

- 13+ years experience with leading Internet companies in the US and China
- Previously Chief Technology Officer and SVP of Sina Corporation (NASDAQ: SINA) and PPTV
- Master's degree from The University of Virginia and PhD from The State University of New York at Buffalo



**Yizhi Tang**

*Senior VP, Logistics*

- 10+ years experience in logistics industry
- Previously logistics department head of Tesco in northern China, and Senior Director of logistics department of Dangdang.com (NYSE: DANG)
- Master's degree from Sun Yat-Sen University



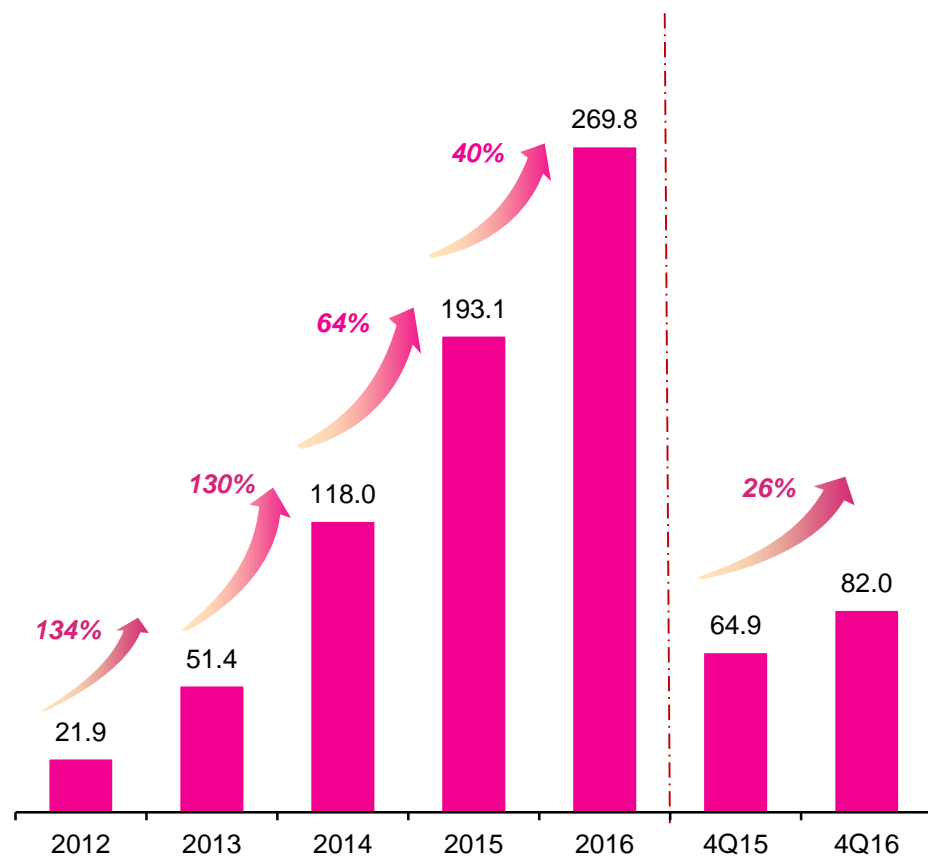
## Financial highlights



# Phenomenal growth

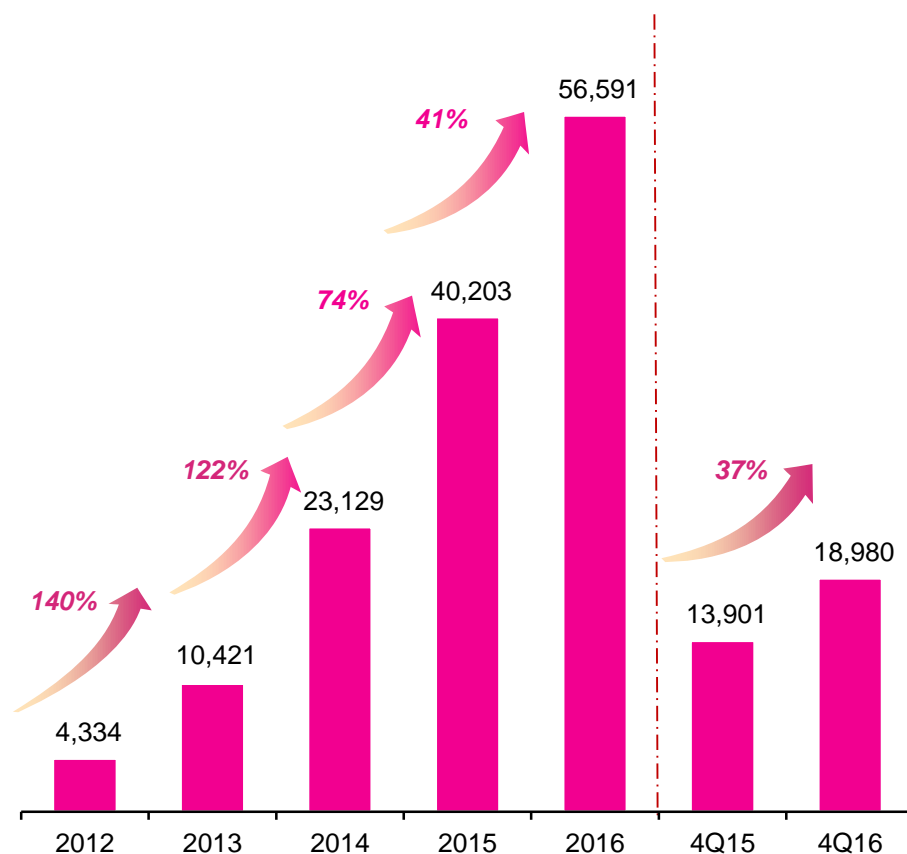
## Total orders <sup>(1)</sup>

(in millions)



## Total net revenue

(RMB in millions)



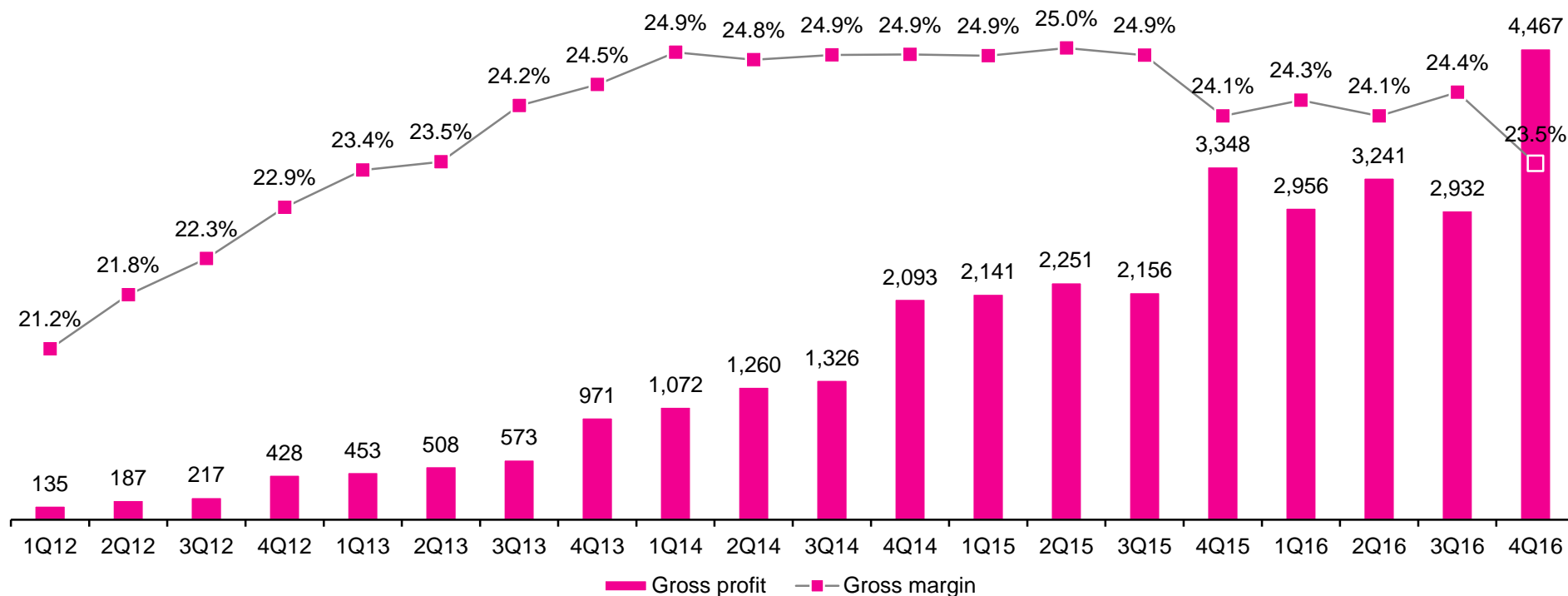
Note:

- (1) "Total orders" refer to the total number of orders placed during the relevant period, including the orders for products and services sold in the Company's online sales business and on the Company's online marketplace platforms, net of orders returned.

# Steady gross profit growth

## Quarterly gross profit and gross margin

(RMB in millions)



Greater bargaining power

More exclusive deals

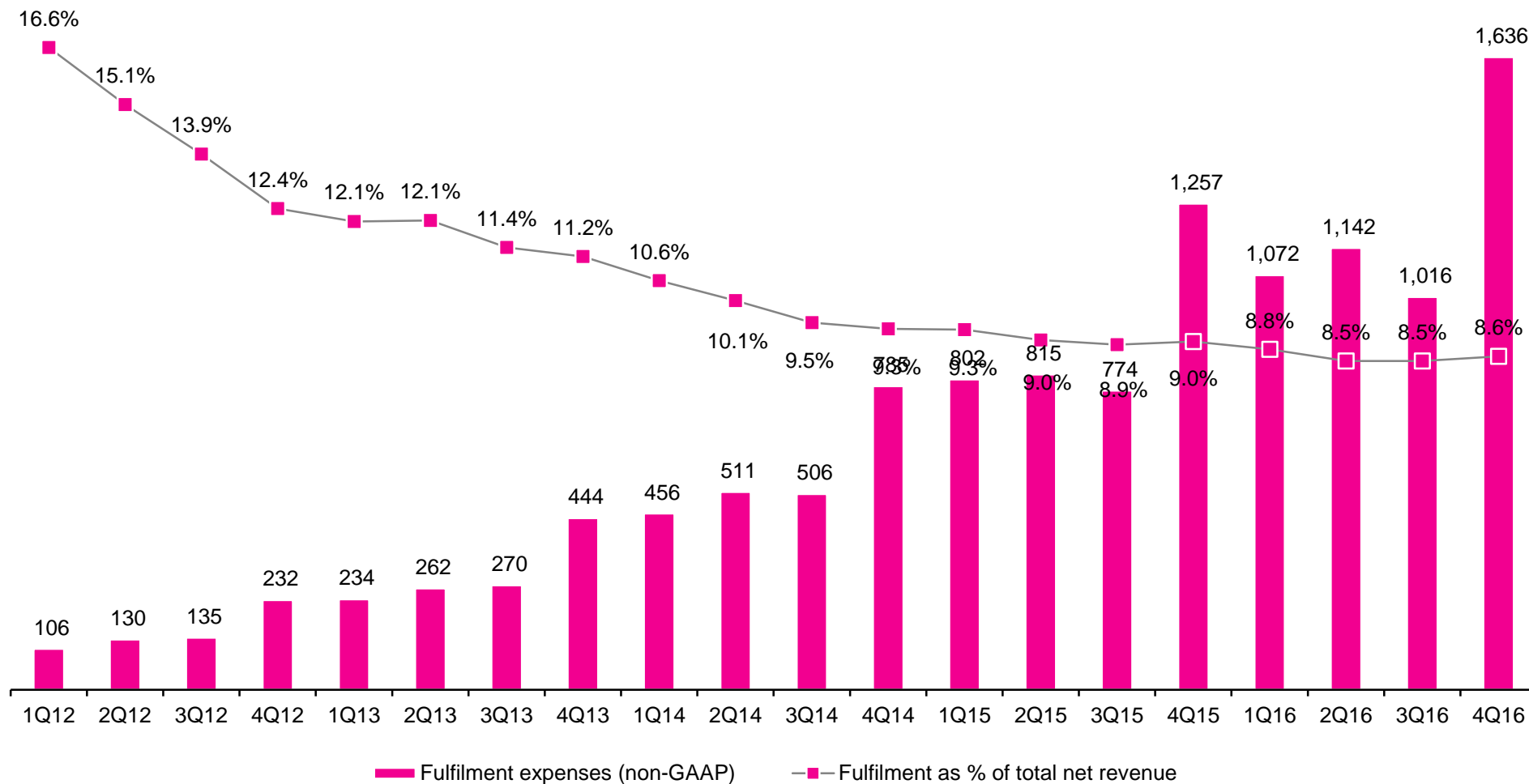
Customers' inability to price shop

Little price sensitivity

# Continuous investment in logistics infrastructure to reduce fulfillment expenses

## Fulfillment expenses (Non-GAAP)<sup>(1)</sup>

(RMB in millions)



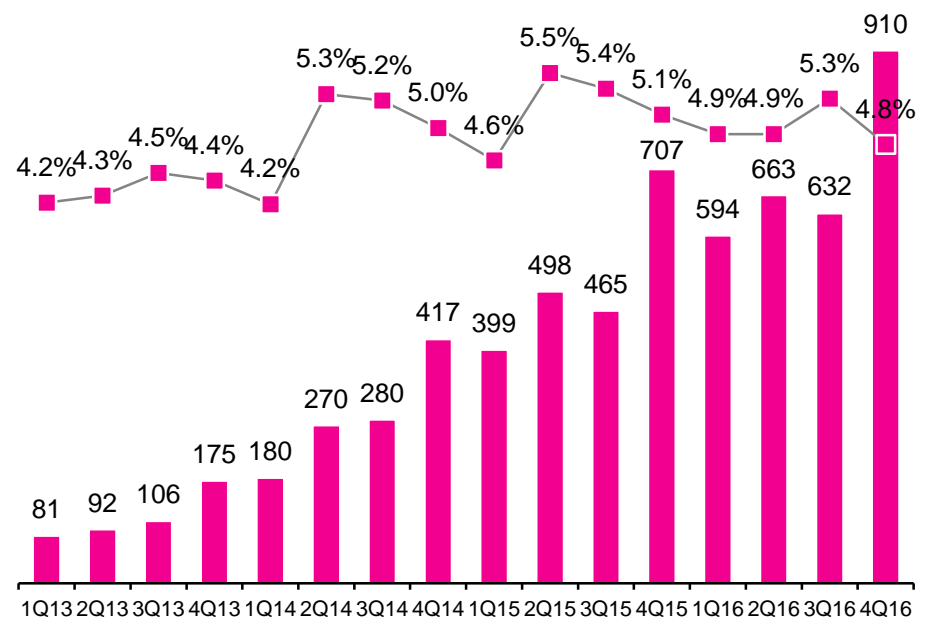
Note:

(1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses, impairment loss in investments, and amortization of intangible assets resulting from a business acquisition.

# Solid operating leverage

## Marketing expenses (Non-GAAP)<sup>(1)</sup>

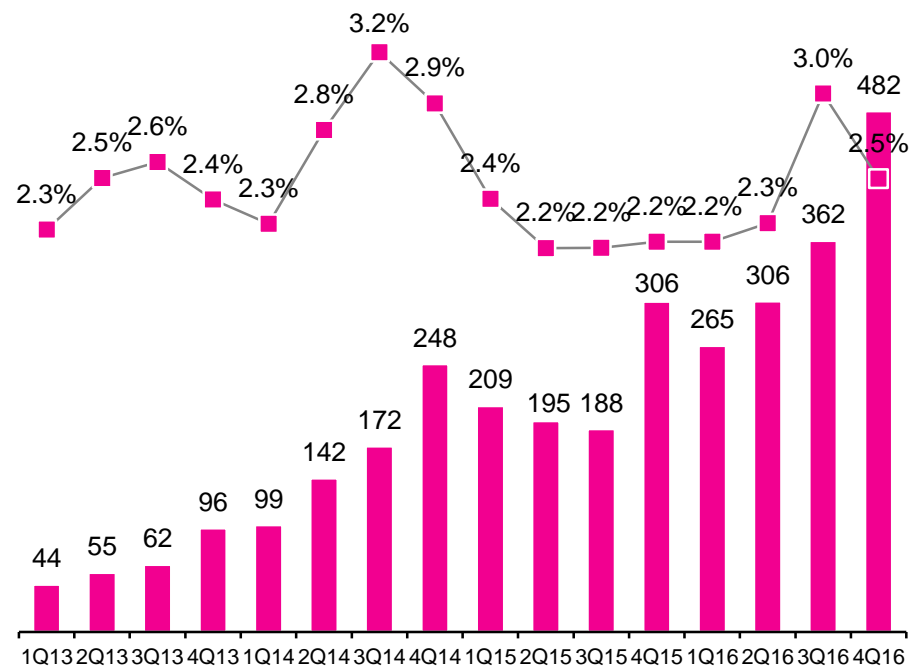
(RMB in millions)



Marketing expenses (non-GAAP) — Marketing as % of total net revenue

## General and administrative expenses (Non-GAAP)<sup>(1)</sup>

(RMB in millions)



G&A expenses (non-GAAP) — G&A as % total net revenue

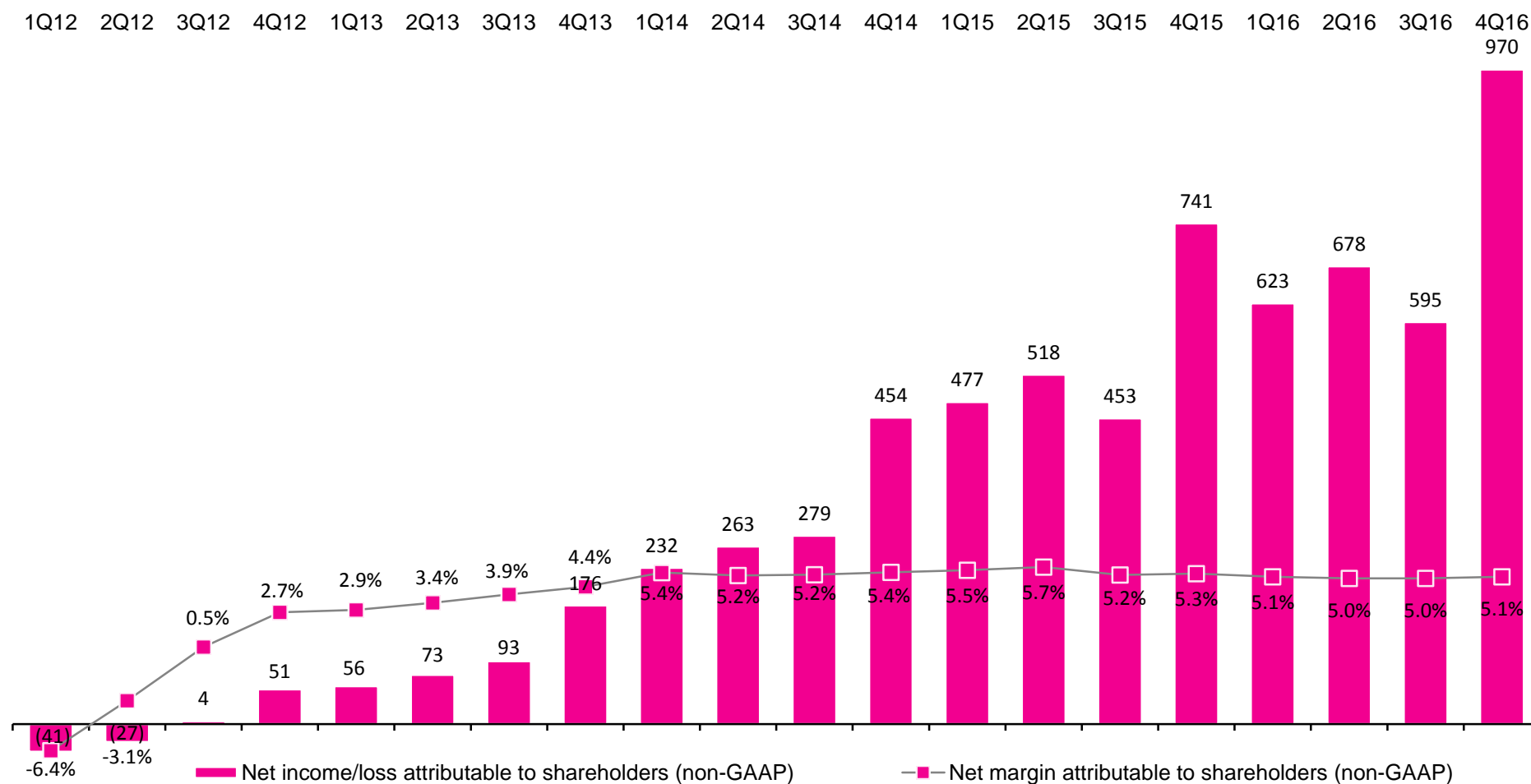
Note:

(1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses, impairment loss in investments, and amortization of intangible assets resulting from a business acquisition.

# Sustainable net margin attributable to shareholders

## Net margin attributable to shareholders (Non-GAAP)<sup>(1)</sup>

(RMB in millions)



Note:

(1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses, impairment loss in investments, and amortization of intangible assets resulting from a business acquisition.

# Balance sheet highlights

| (in RMB millions)                                                 | September 30, 2016 | December 31, 2016 |
|-------------------------------------------------------------------|--------------------|-------------------|
| <b>Cash and Cash Equivalents, and Held-to-Maturity Securities</b> | <b>5,010</b>       | <b>4,781</b>      |
| <b>Current Assets</b>                                             | <b>12,275</b>      | <b>14,581</b>     |
| <b>Total Assets</b>                                               | <b>22,151</b>      | <b>25,094</b>     |
| <b>Current Liabilities</b>                                        | <b>12,480</b>      | <b>14,583</b>     |
| <b>Total Liabilities</b>                                          | <b>17,027</b>      | <b>19,313</b>     |
| <b>Total Stockholder's Equity</b>                                 | <b>5,124</b>       | <b>5,782</b>      |
| <b>Current Ratio</b>                                              | <b>1.0</b>         | <b>1.0</b>        |



## Growth strategies

# Our future growth strategy

## Enlarge customer base

- ✎ Leverage social marketing channels to: 1) expand customer base; 2) increase market share; 3) strengthen the Vipshop brand
- ✎ Recommendation/personalization, better fulfillment service, customer care programs improvement, higher customer retention and repeat purchase rate

## Enhance the quantity and quality of offers

- ✎ Better brand and product portfolio
- ✎ Increase sales per brand and purchase per order
- ✎ Introduce high quality and popular international brands to grow cross border business

## Fulfillment capacity expansion

- ✎ Expand warehouse capacities to include customized semi-automation for mega warehouses
- ✎ Flexible warehousing solutions, including just-in-time, fast-in-fast-out, third party logistics, and co-location
- ✎ Scale up nationwide last mile delivery network

## Strategic investment in Internet finance

- ✎ Support core retail business
- ✎ Deliver additional value for suppliers and customers
- ✎ Strengthen overall ecosystem



# Key investment highlights



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Thank you!

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