

# Vipshop Holdings Limited Investor Presentation

February 2018

# 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.

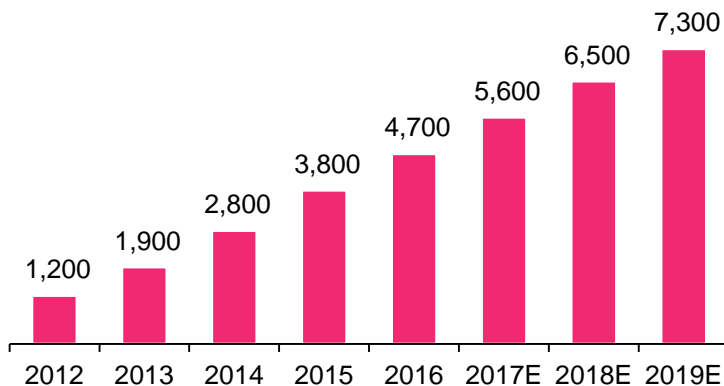
# Vipshop



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

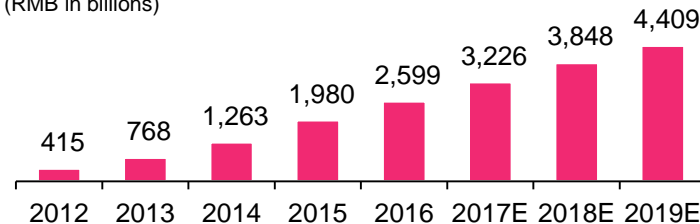
China's Online Shopping Market<sup>(1)</sup>

(RMB in billions)



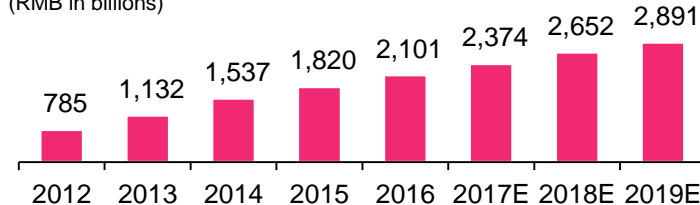
China's Online B2C Market<sup>(1)</sup>

(RMB in billions)



China's Online C2C Market<sup>(1)</sup>

(RMB in billions)



Huge  
consumer  
demand



Constant  
supply of  
excess  
inventory



Immature  
offline  
discount retail  
infrastructure



Massive  
discount  
retail  
opportunities

Note:  
(1)

Data from iResearch

# Online: the future of discount retailing in China

China's offline discount retail is extremely underdeveloped



U.S.



China

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

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

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

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

**T.J. maxx**

**ROSS**  
DRESS FOR LESS

3,812 stores<sup>(2)</sup> 1,533 stores<sup>(3)</sup>

None

**SIMON**

**Tanger**  
Outlets

74 outlets<sup>(4)</sup> 43 outlets<sup>(5)</sup>

**百联奥特莱斯广场**  
BAILIAN OUTLETS PLAZA

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

6 outlets<sup>(6)</sup> 5 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 2017, including 2,221 Marmaxx stores and 579 HomeGoods stores in the US, from T.J. Maxx's fourth quarter and fiscal year ended January 28, 2017 earnings release
- (3) As of January 2017, including 1,340 Ross Stores stores and 193 dd's DISCOUNTS stores in the US, from Ross' 10-K for the fiscal year ended January 28, 2017
- (4) As of May 2017, from Premium Outlet's company website
- (5) As of May 2017, from Tanger Outlet's company website
- (6) As of May 2017, from Balian Outlets Plaza company website
- (7) As of May 2017, 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; products can not be returned to suppliers

Limited upfront deposit; most products can be returned to suppliers

**Conclusion**

🌿 Broader and underpenetrated addressable market  
🌿 Better business model

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

## Large scalable platforms

Marketplace

淘宝网  
Taobao.com

Tmall.com 天猫

General B2C

  
JD.COM 京东

Online discount retailer

唯品会  
全球精选 正品特卖

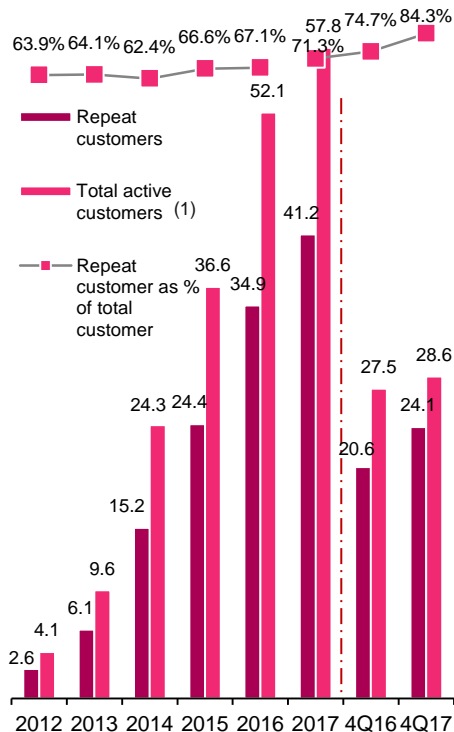
Partner with popular and well-known brands by selling their excess inventory and in-season products at discounted prices

Core competency in merchandising, logistic distribution, and customer service

# Highly engaged and loyal customer base

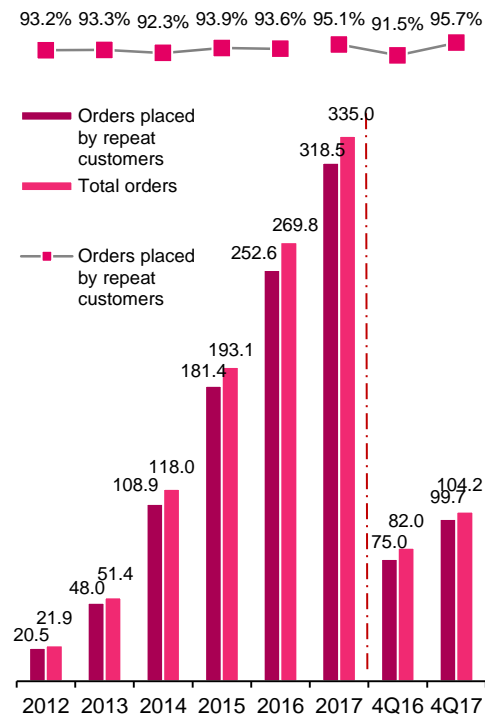
## Rapid increase of repeat customers<sup>(2)</sup>

(in millions)



## High and stable rate of orders from repeat customers

(in millions)



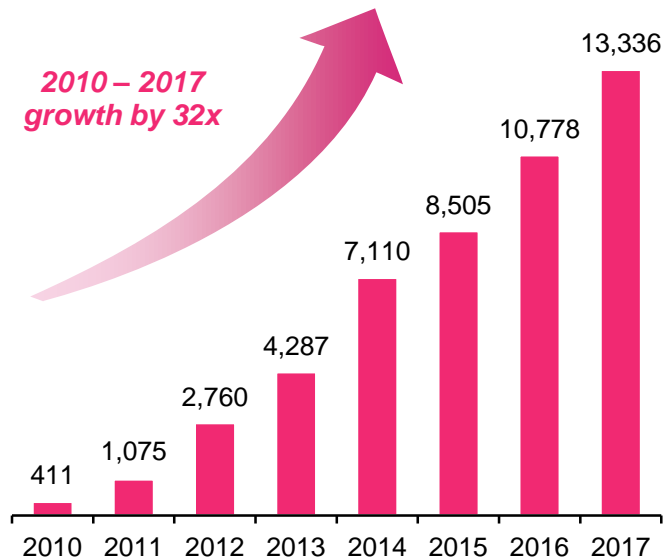
Note:

- (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

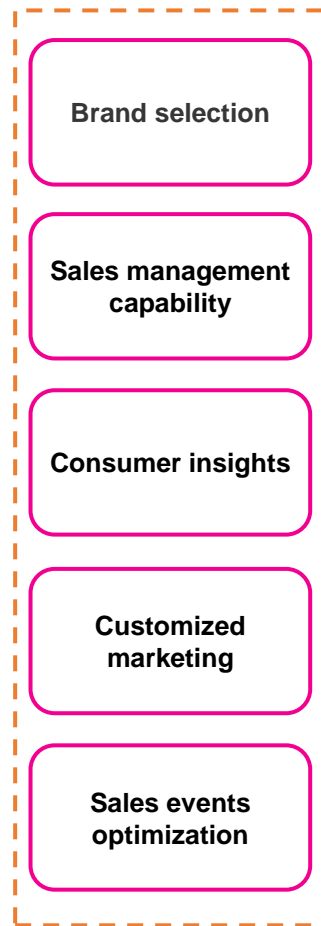
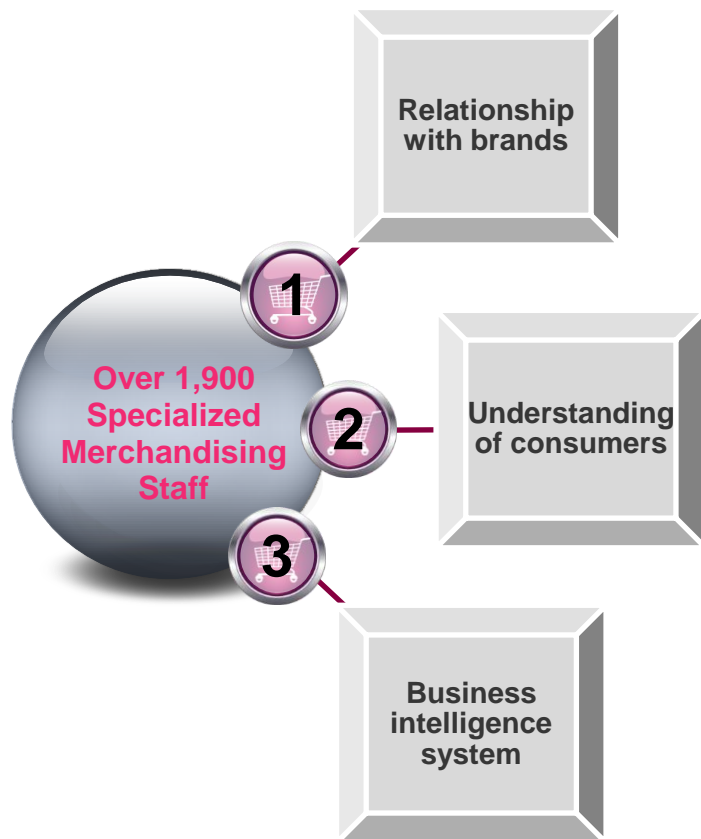
Note:

(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



23,000+ brands

Deepening brand partnership

# 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

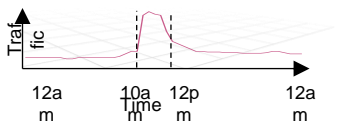


Vipshop has successfully established customized and sophisticated logistics and warehouse systems to cater to flash sale needs

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*

- 20+ years of 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*

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



**Donghao Yang**

*Chief Financial Officer*

- 14+ years of 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 of experience with leading Internet companies in the U.S. 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 of experience in the 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

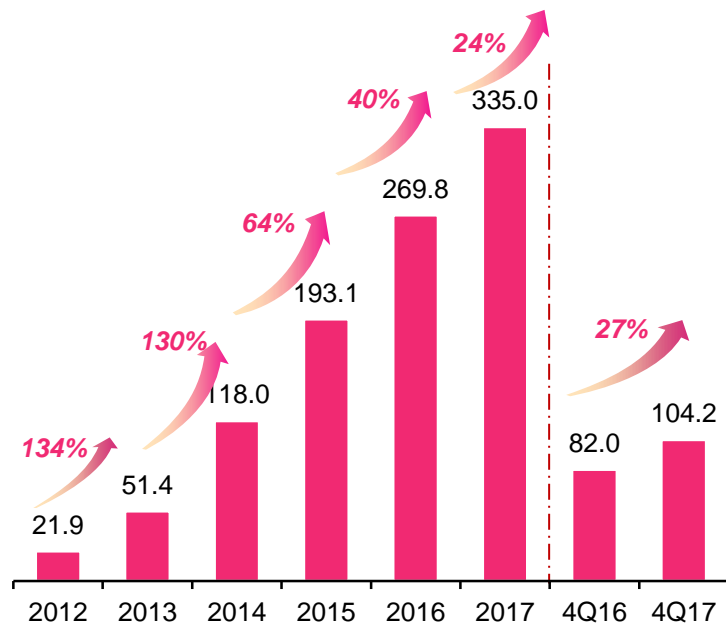
# Financial Highlights



# Solid growth

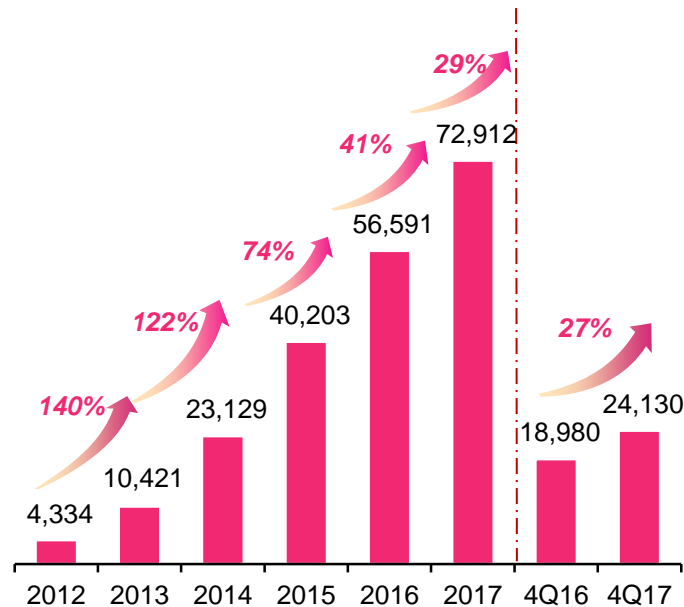
## Total orders <sup>(1)</sup>

(in millions)



## Total net revenue

(RMB in millions)



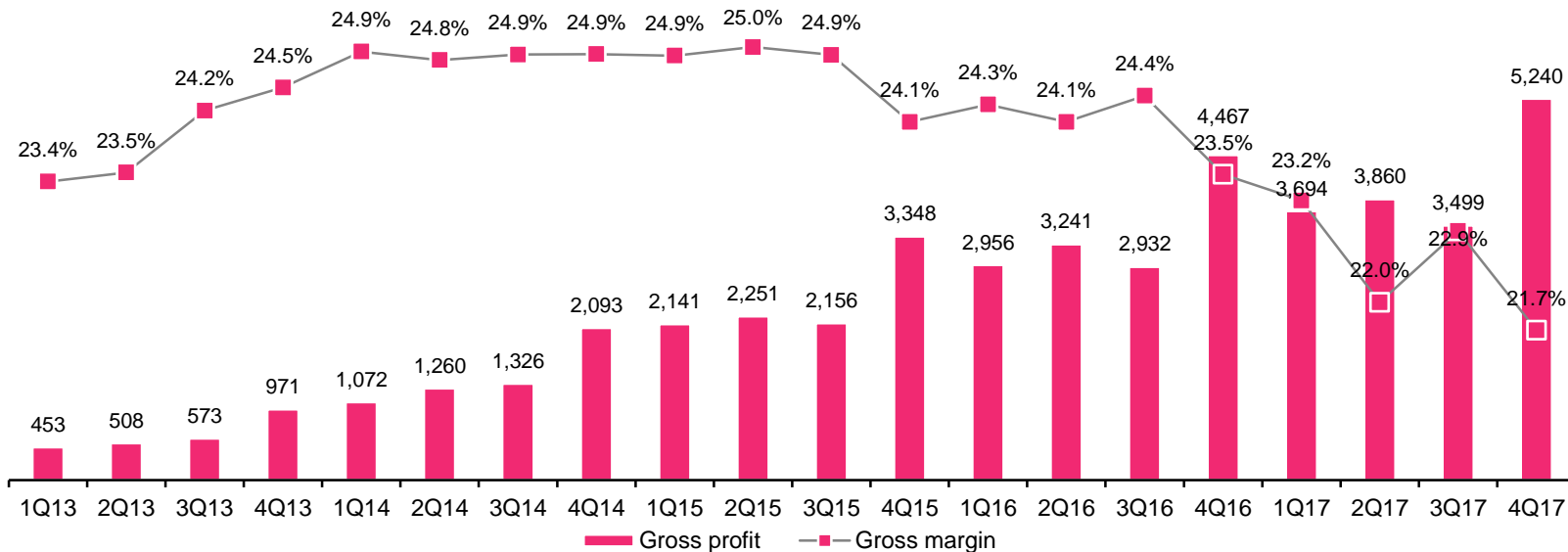
Note:

(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

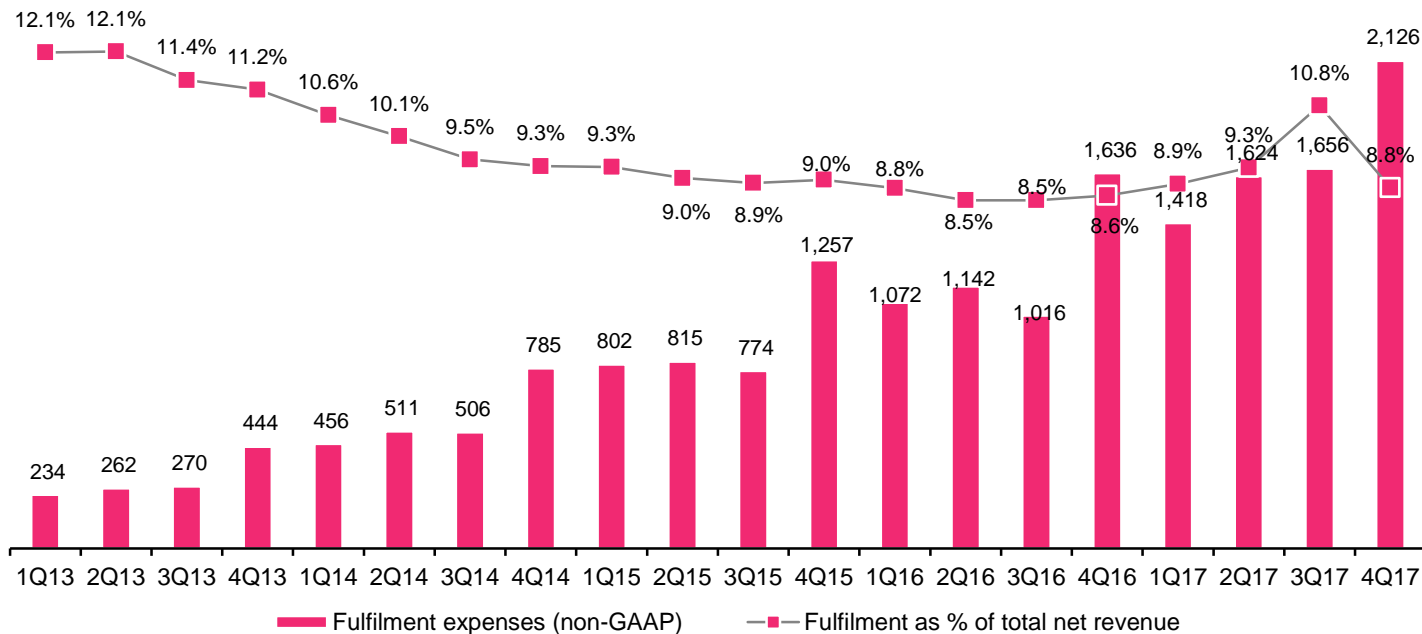
Customers' inability to price shop

Little price sensitivity

# Investment in logistics infrastructure to improve user experience

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

(RMB in millions)



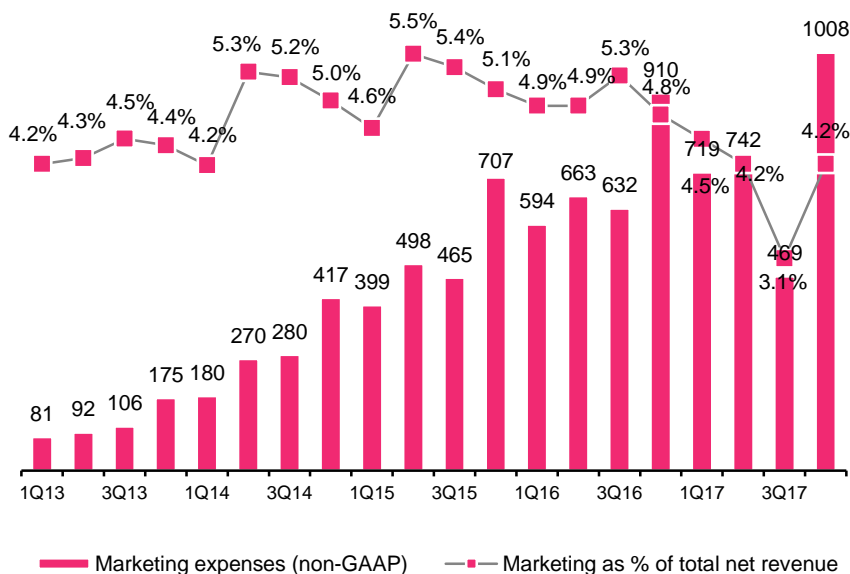
Note:

(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.

# Operating leverage due to the economy of scale

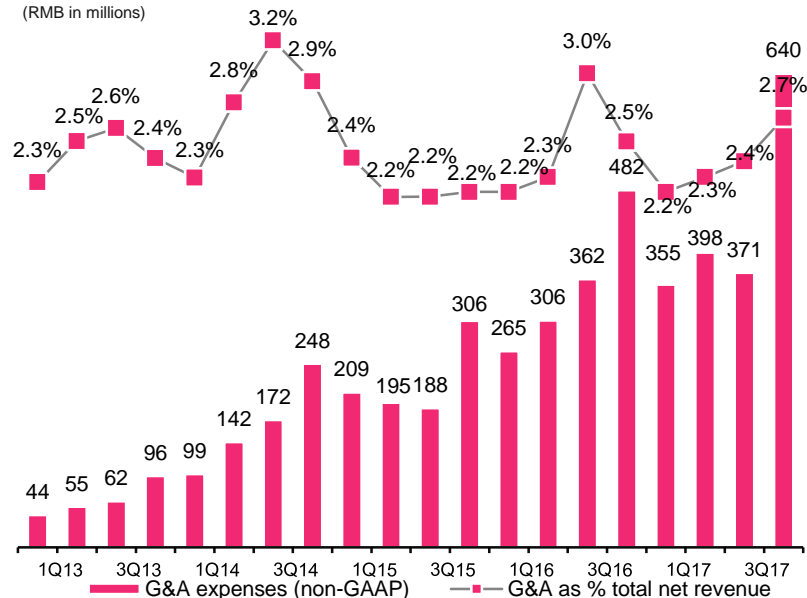
## Marketing expenses (Non-GAAP)<sup>(1)</sup>

(RMB in millions)



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

(RMB in millions)



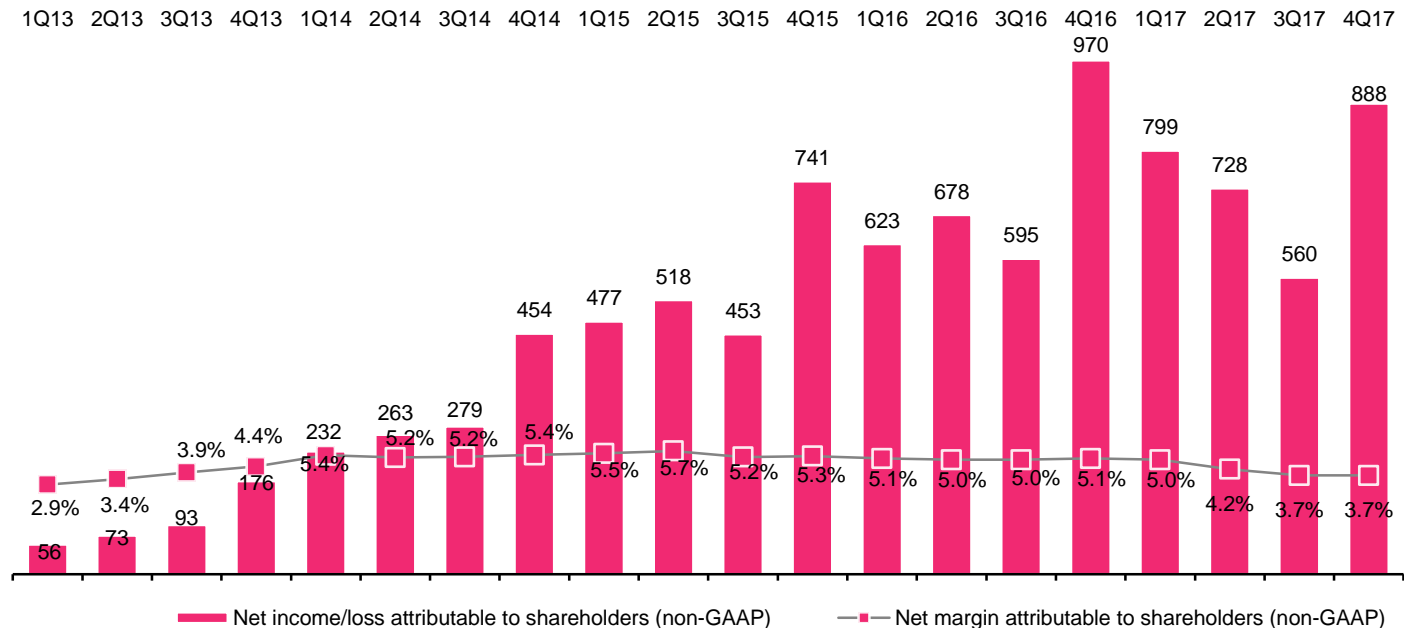
Note:

(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.

# 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, 2017	December 31, 2017
Cash and Cash Equivalents, Restricted Cash, and Held-to-Maturity Securities	3,933	10,468
Current Assets	14,625	25,916
Total Assets	26,250	37,983
Current Liabilities	13,988	19,258
Total Liabilities	18,529	23,732
Total Stockholder's Equity	7,721	14,251
Current Ratio	1.0	1.3

# 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



THANK YOU!