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Vipshop Holdings Limited Investor Presentation

November 2014

A large pink circular graphic on the right side of the slide, containing the Vipshop logo and tagline in white.

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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



Massive retail opportunities in China



Total estimated retail sales of **US\$4.5 trn** in 2014⁽¹⁾

Total apparel retail sales were **US\$175.9 bn** in 2012⁽²⁾ ;
apparel inventory accounts for approximately **50%** of
total apparel market⁽³⁾

No large discount retail chains or branded outlets

Total discount retail was **US\$23.6bn** in 2012 with a
56.2% 12-15E CAGR⁽²⁾

Huge consumer
demand



Constant supply
of excess
inventory



Immature offline
discount retail
infrastructure



Massive
discount retail
opportunities

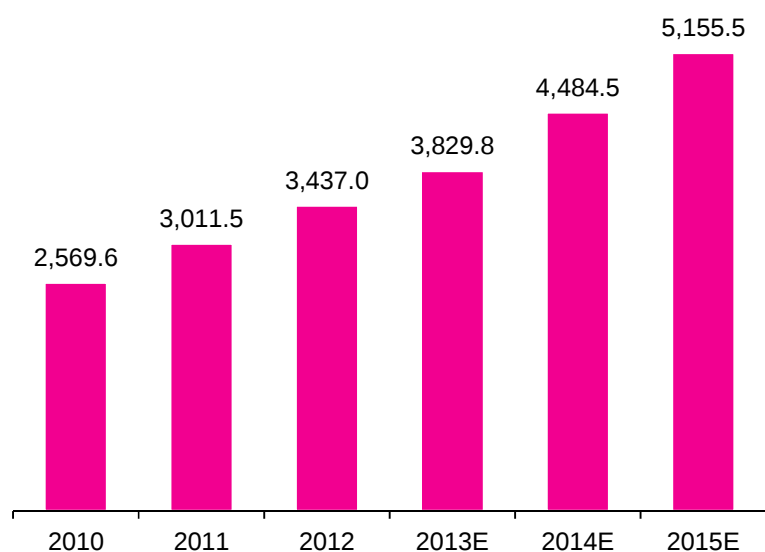
Note:

- (1) Data from iResearch report; assuming 1 US\$ = 6.11 RMB.
- (1) Data from Frost & Sullivan report; assuming 1 US\$ = 6.11 RMB.
- (2) Data from BCG report "The World's Next E-Commerce Superpower".

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

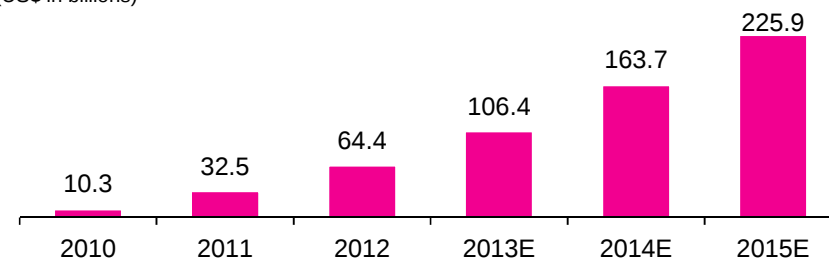
China's retail market ⁽¹⁾

(US\$ in billions)



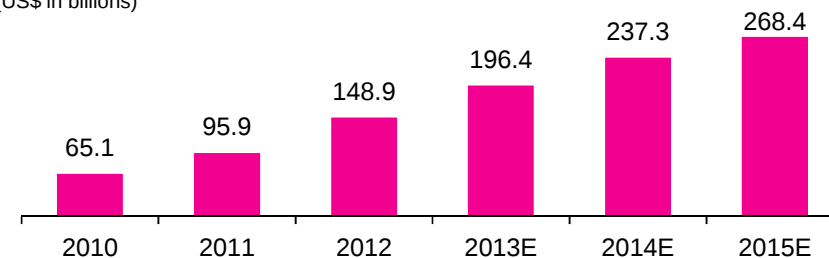
China's online B2C market ⁽¹⁾

(US\$ in billions)

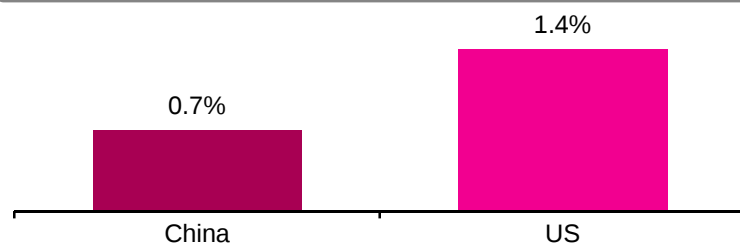


China's online C2C market ⁽¹⁾

(US\$ in billions)

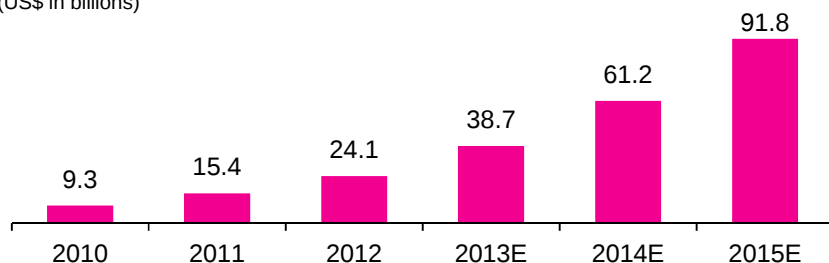


Discount retail as % of total retail (2012) ⁽²⁾



China discount retail sales ⁽²⁾

(US\$ in billions)



Note:

(1) Data from iResearch report, assuming 1 US\$ = 6.11 RMB

(2) Data from Frost & Sullivan report, assuming 1 US\$ = 6.11 RMB

Online: the future of discount retailing in China

China's offline discount retail is extremely underdeveloped



U.S.

24 square feet per capita⁽¹⁾

Top 20 retailers account for 24% market share⁽¹⁾

T.J. Maxx

2,241 stores⁽²⁾

ROSS

1,227 stores⁽³⁾

PREMIUM OUTLETS

67 outlets⁽⁴⁾

Tanger Outlets

43 outlets⁽⁵⁾



China

2 square feet per capita⁽¹⁾

Top 20 retailers account for 7% market share⁽¹⁾

None

百联奥特莱斯广场

3 outlets⁽⁶⁾

北京赛特奥莱

3 outlets⁽⁷⁾

❖ 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 2012 year end, including 1,867 Marmaxx stores and 374 HomeGoods stores in the US, from 2012 T.J. Maxx's company presentation

(3) As of May 2013, including 1,112 dress-for-less stores and 115 dd's DISCOUNTS stores in the US, from February 2013 Ross' company investor overview

(4) As of February 2014, from Premium Outlet's company website

(5) As of February 2014, from Tanger Outlet's company website

(6) From Balian Outlets Plaza company website

(7) 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

Market place

淘宝网
Taobao.com

Tmall.com 天猫

General B2C


JD.COM 京东

Online discount retailer

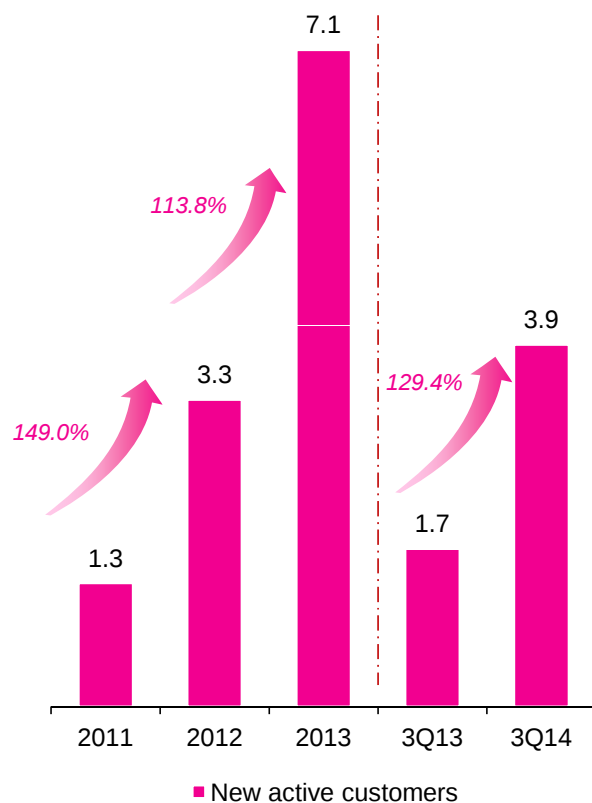
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- Partner with popular and well-known brands by selling their excess inventory at discount prices
- Core competency in merchandising, logistic distribution and customer service

Highly engaged and loyal customer base

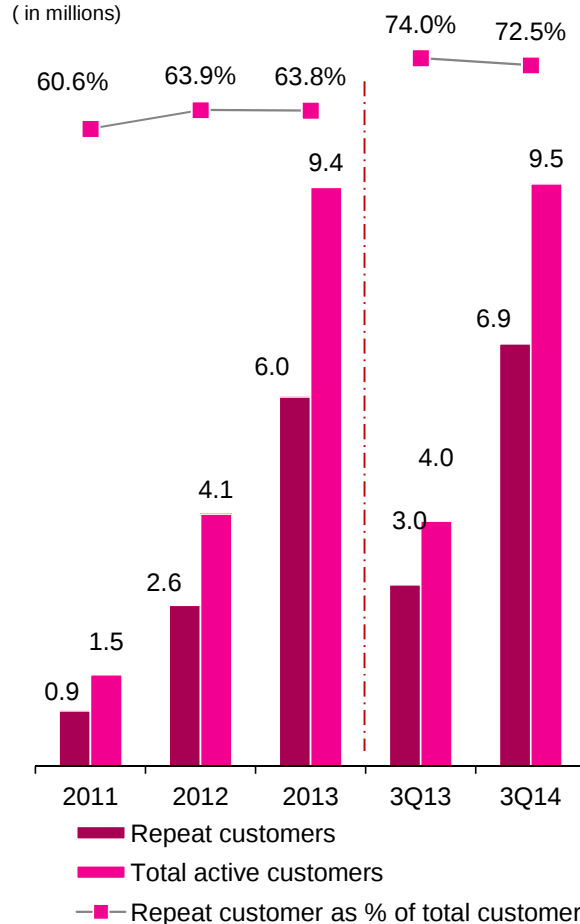
Rapid increase of new active customers⁽¹⁾

(in millions)



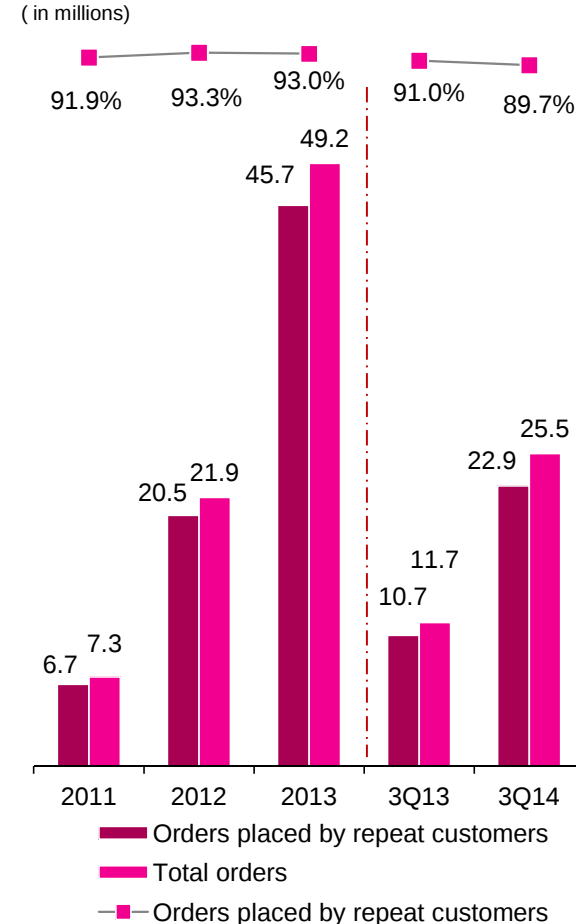
Rapid increase of repeat customers⁽²⁾

(in millions)



High and stable rate of orders from repeat customers

(in millions)

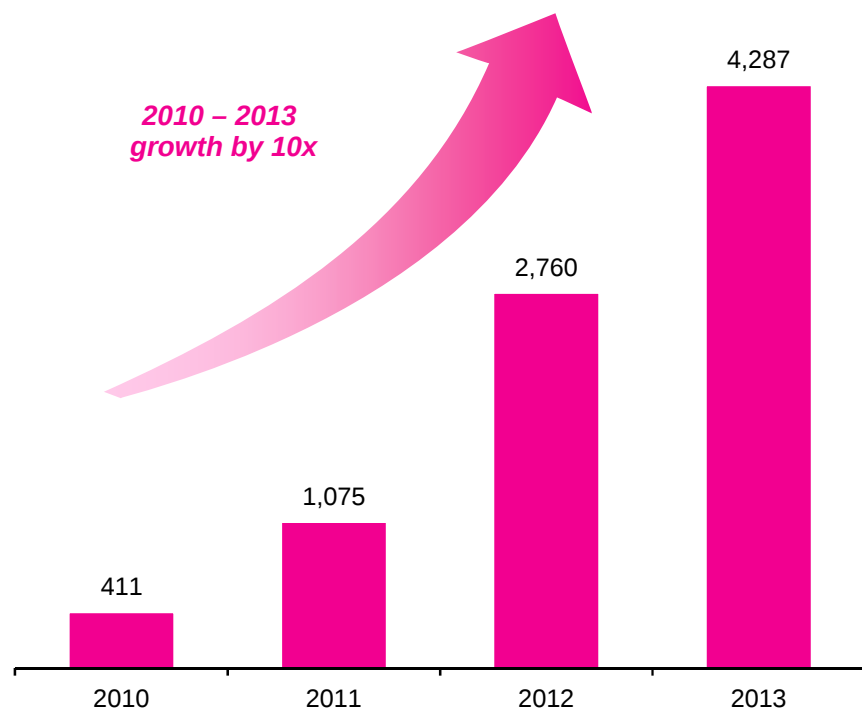


Note:

- (1) An "active customer" for a given period refers to any registered member on vip.com who has purchased products from us at least once during such period. The active customer figure in 2014 includes active Lefeng customers after the Lefeng acquisition was completed in February 2014.
- (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. The repeat customer figure in 2014 includes repeat Lefeng customers after the Lefeng acquisition was completed in February 2014.

Preferred discount channel for popular brands

Brand partners growth over time⁽¹⁾



Clear industry leader⁽²⁾

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.

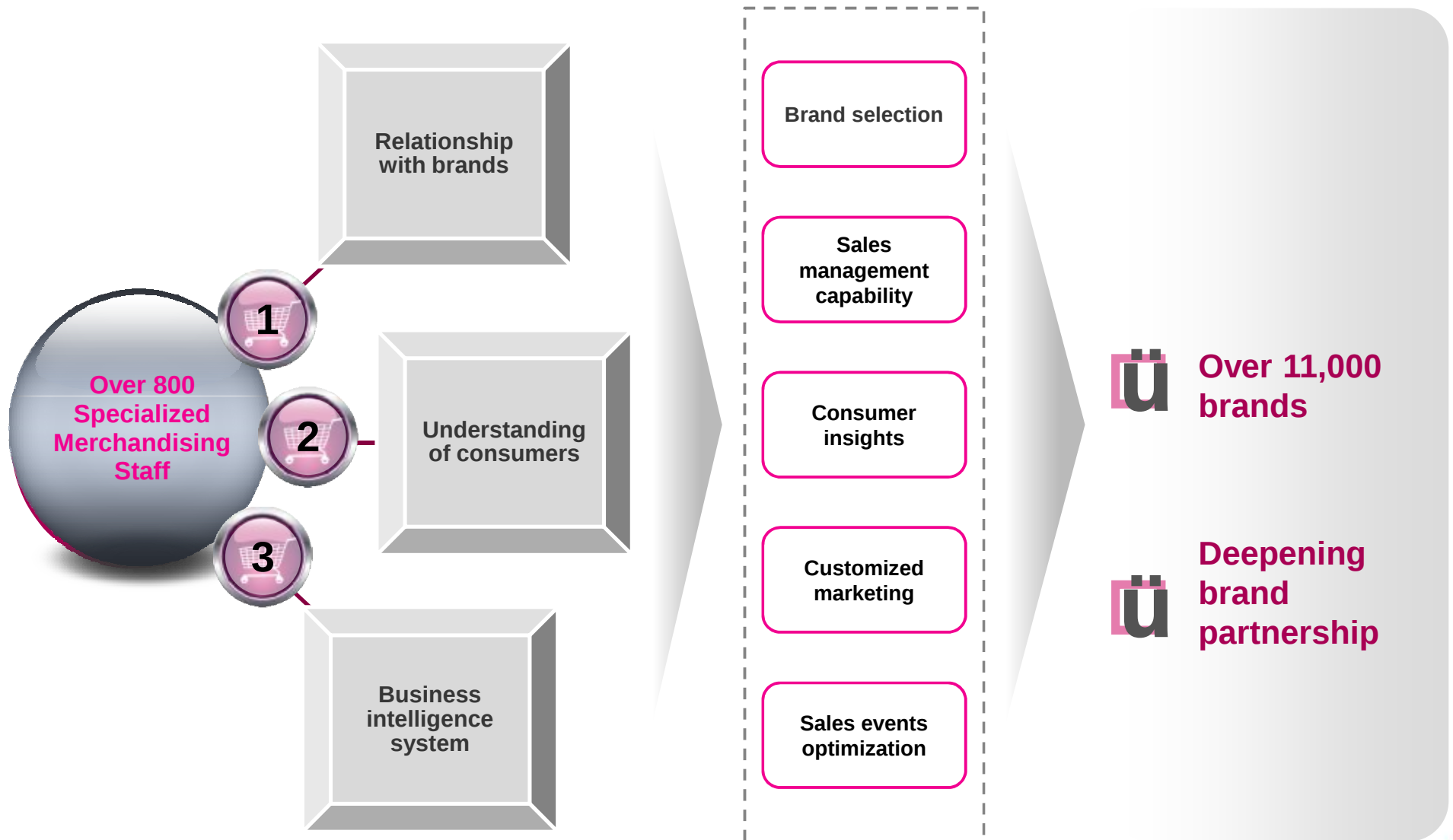
(2) According to the iResearch Report.



Operational expertise

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Excellent merchandising



Flash sale requires differentiated logistics system

Additional capabilities on top of traditional B2C e-Commerce ⁽¹⁾

	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

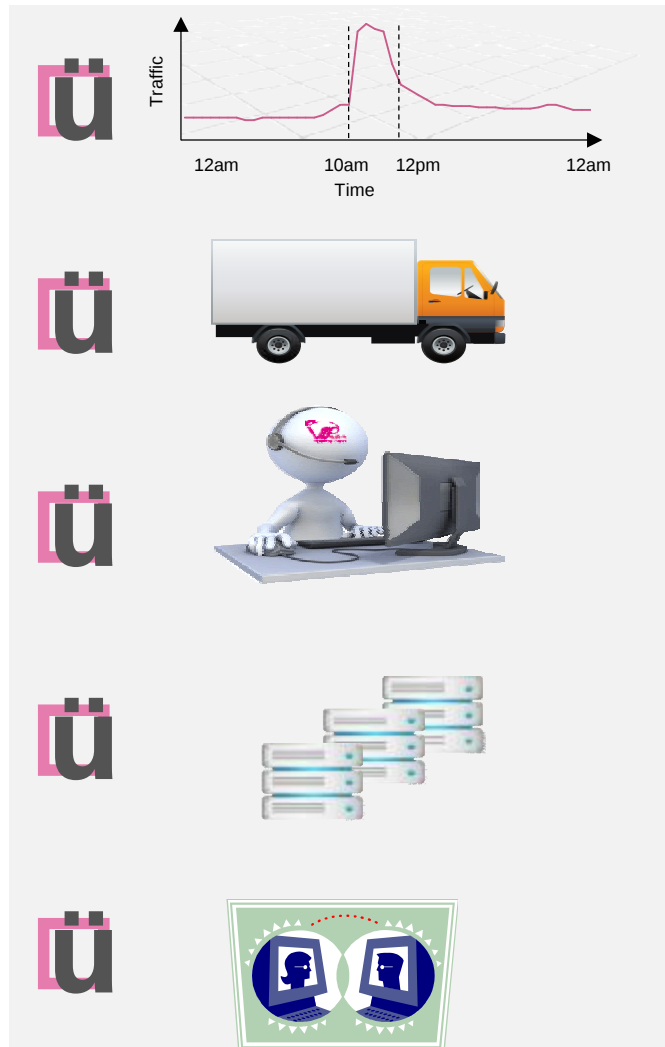
Snapshot of our warehouses



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



Mr. Daniel Kao
Chief Technology Officer

- 16 + years experience with leading e-commerce and Internet companies in the US and China
- Previously director of site operation and quality engineering at eBay Inc
- Bachelor's degree in computer science from Iowa State University



Maggie Hung
Senior VP, Merchandising

- 20+ years experience in merchandise retail
- Previously VP of Grand Pacific Mall and GM of Grand Ocean Department Store in Nanjing
- Bachelor's degree from Ling Tung University



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



Alex Jiang
Senior VP, Business Intelligence & Customer Relationship Management (CRM)

- 20+ years of experience in China's retail sector
- Previously VP of Dangdang.com (NYSE: DANG) and Founder / Director of E-elephant Consulting Company Limited
- Bachelor's degree from Chongqing Business School



Xian Feng Cai
VP & GM, Shanghai Branch

- 19+ years experience in retail industry
- Previously GM of IGA Distribution PTY LTD
- Bachelor's degree from University of Melbourne



Xiaohui Ma
VP, Online Marketing

- 10+ years experience in marketing and media
- Previously editor-in-chief of SINA
- Bachelor's degree from Communication University of China



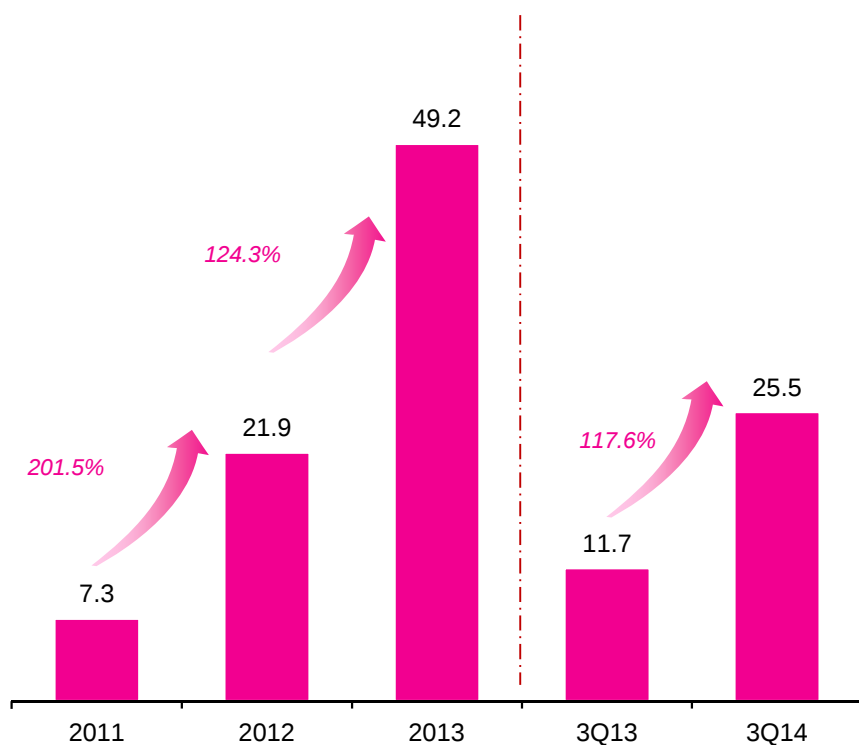
Financial highlights

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Phenomenal growth

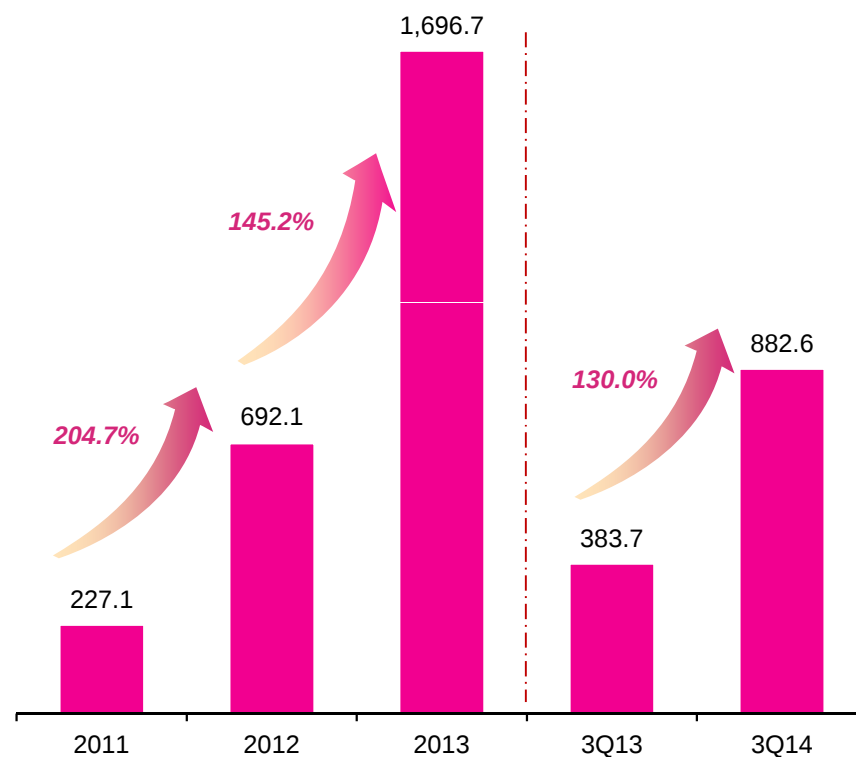
Total orders ⁽¹⁾

(in millions)



Total net revenues

(US\$ in millions)



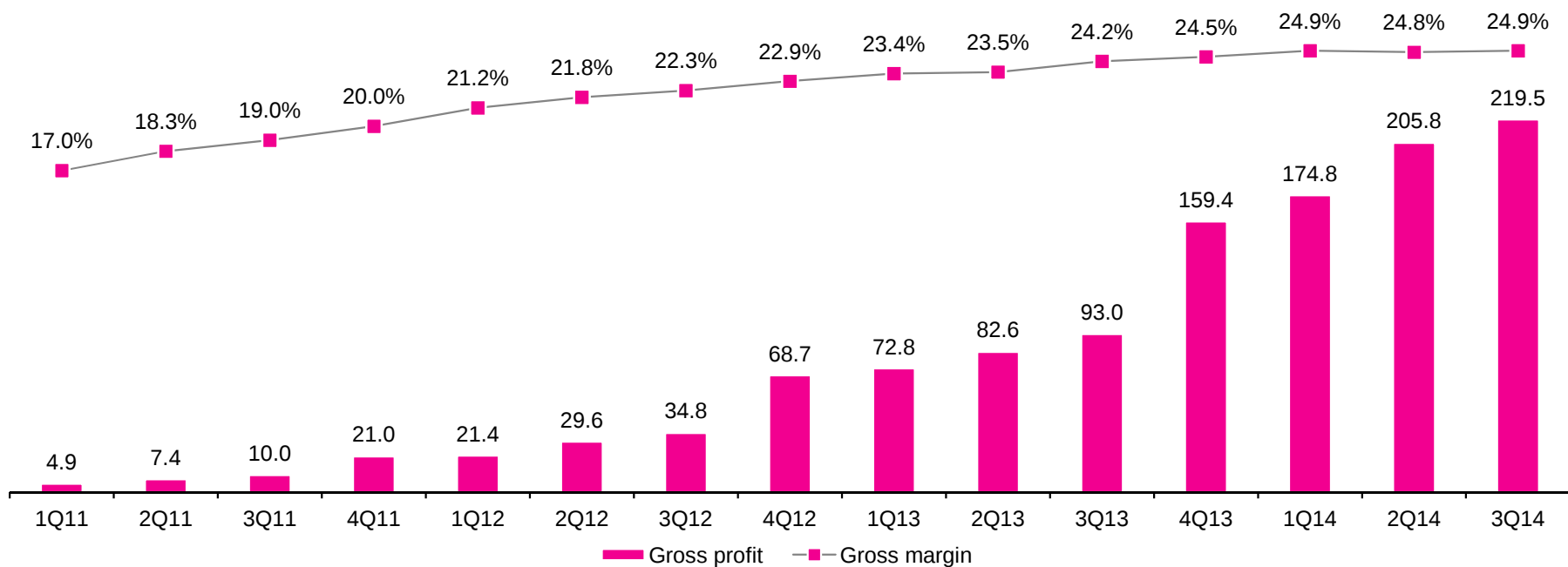
Note:

(1) Total orders are defined as the total number of orders placed during the period. The total order figure in 2014 includes orders attributable to Lefeng after the Lefeng acquisition was completed in February 2014.

Steady margin expansion

Quarterly gross profit and gross margin

(US\$ in millions)



Greater bargaining power

More exclusive deals

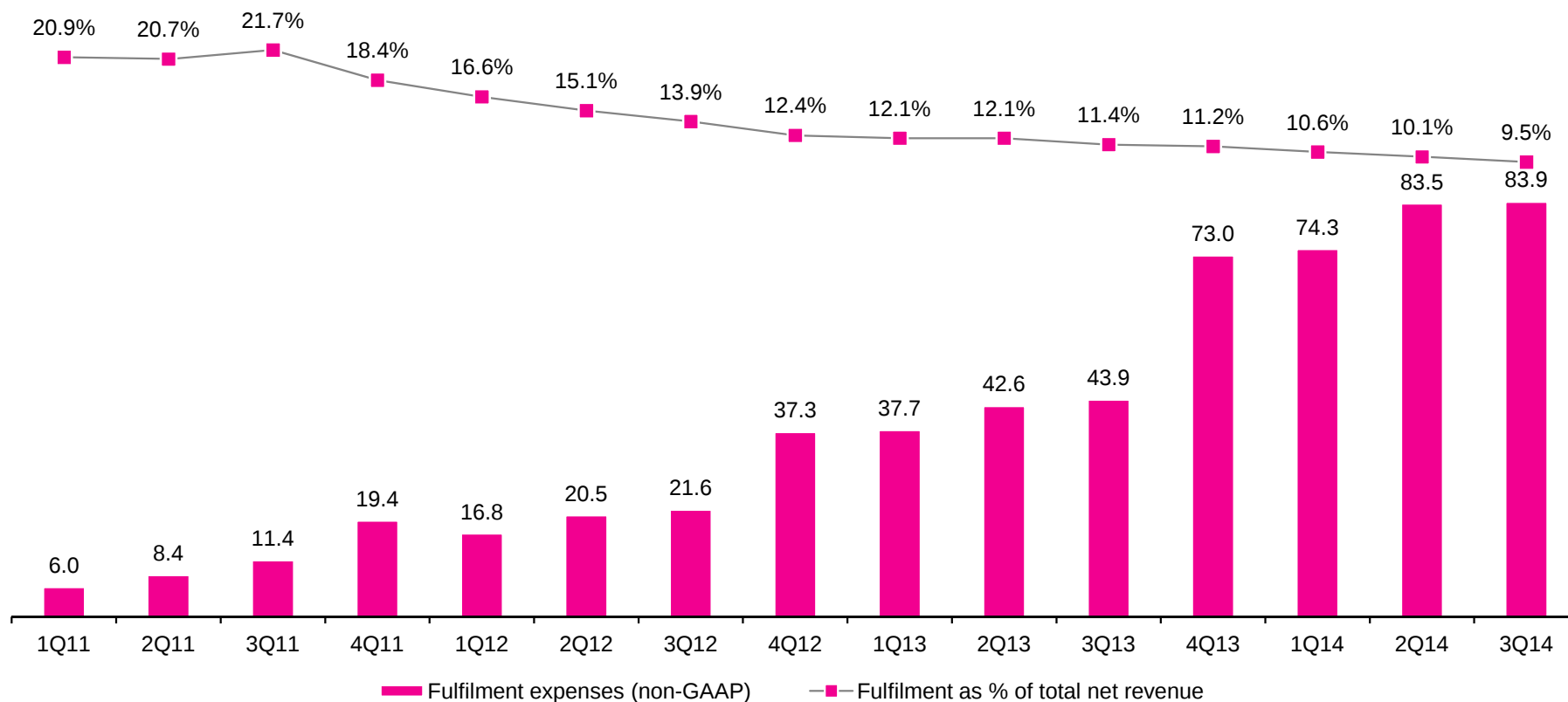
Customers' inability to price shop

Little price sensitivity

Continuous investment in logistics infrastructure to reduce fulfillment expenses

Fulfillment expenses (Non-GAAP) ¹

(US\$ in millions)

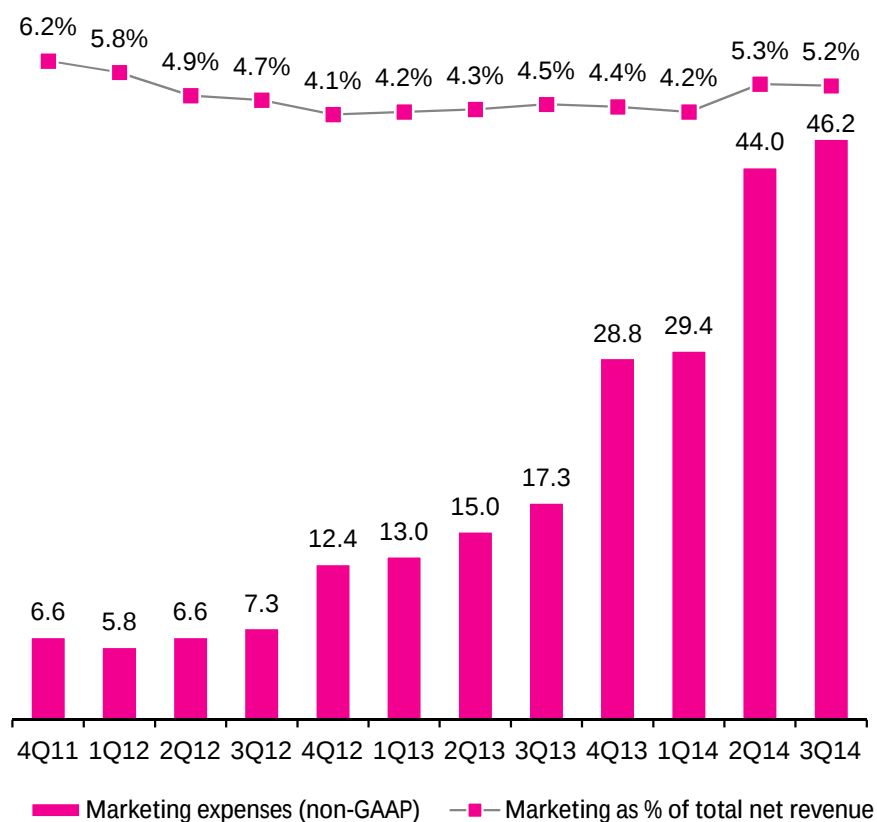


Note:
(1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses and amortization of intangible assets resulting from the Lefeng acquisition

Tremendous operating leverage

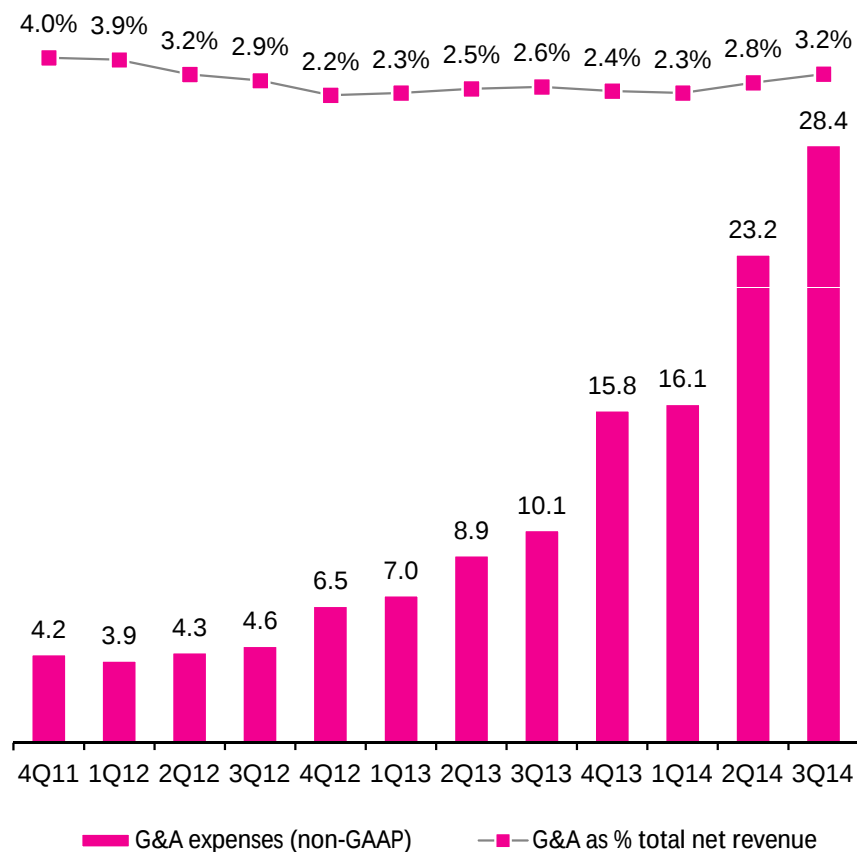
Marketing expenses (Non-GAAP) ⁽¹⁾

(US\$ in millions)



General and administrative expenses (Non-GAAP) ⁽¹⁾

(US\$ in millions)

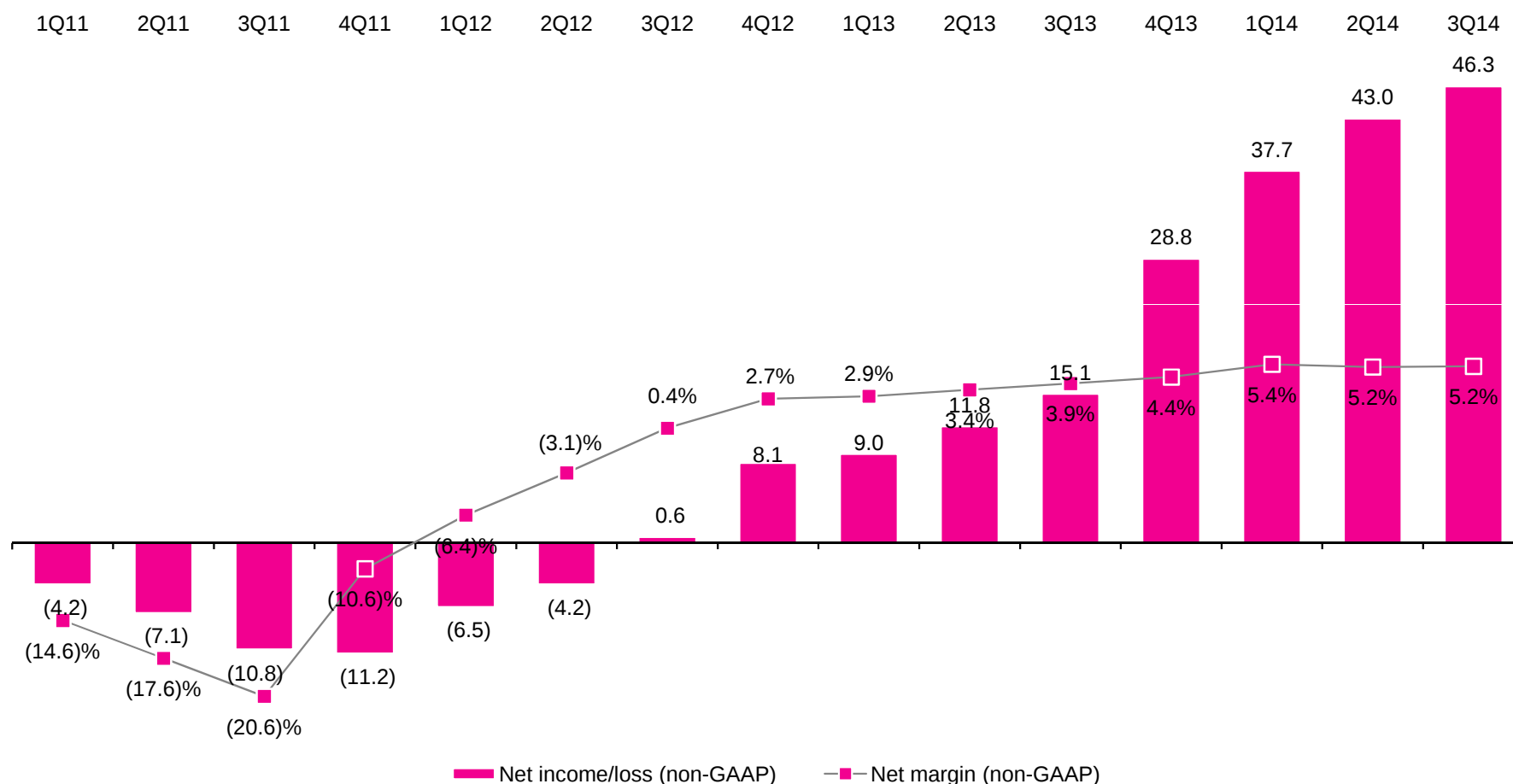


Note:
(1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses and amortization of intangible assets resulting from the Lefeng acquisition

Sustainable net margin attributable to shareholders

Net margin (Non-GAAP) ⁽¹⁾

(US\$ in millions)



Note:
 (1) All numbers are shown on a non-GAAP basis and excludes the impact from share-based compensation expenses and amortization of intangible assets resulting from the Lefeng acquisition

Balance sheet highlights

(in \$ thousands)	June 30, 2014	September 30, 2014
Cash and Cash Equivalents, Restricted Securities, and Held-to-Maturity Securities	1,194,351	1,159,268
Current Assets	1,618,082	1,744,356
Total Assets	1,980,913	2,237,731
Current Liabilities	975,295	1,196,051
Total Liabilities	1,640,252	1,859,801
Total Stockholder's Equity	340,661	377,930
Current Ratio	1.7	1.5



Growth strategies

Our future growth strategy

Enlarge customer base

- ✎ Leverage social media and word-of-mouth to achieve better marketing ROI, attract more customers and strengthen the Vipshop brand
- ✎ Recommendation/personalization, better fulfillment service, improve customer care programs, better customer retention and repeat purchase rate

Enhance the quantity and quality of offers

- ✎ Better brand and product portfolio
- ✎ Increase sales per brand, purchase per order

Geographical expansion

- ✎ Expand warehouse capacities to accommodate increasing customer demand
- ✎ Greater penetration in additional cities in China and selectively expand into overseas market such as Hong Kong and Macau etc

Key investment highlights

- 
- 1 Strong industry growth fundamentals
 - 2 Market leadership position
 - 3 Highly engaged and loyal customer base
 - 4 Superior operational expertise
 - 5 Strong management team consistently delivering superior results

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Thank you!

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