

**Operator:**

Ladies and gentlemen, good day everyone and welcome to Vipshop Holdings Limited's first quarter 2021 earnings conference call.

At this point, I would like to turn the call to Ms. Jessie Fan, Vipshop's Director of Investor Relations. Please proceed.

**Jessie Fan:**

Thank you, operator. Hello everyone and thank you for joining Vipshop's first quarter 2021 earnings conference call. Before we begin, I will read the Safe Harbor Statement. During this conference call, we will make "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are based on our current expectations, assumptions, estimates and projections about Vipshop Holdings Limited and its industry. All statements other than statements of historical fact we may make during this call are forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "is/are likely to," "may," "plan," "should," "will," "aim," "potential," or other similar expressions. These forward-looking statements speak only as of the date hereof and are subject to change at any time, and we have no obligation to update these forward-looking statements.

Joining us on today's call are Eric Shen, our co-founder, chairman, and CEO, and David Cui, our CFO. At this time, I would like to turn the call over to Mr. Eric Shen.

**Eric Shen:**

Good morning and good evening, everyone. Welcome and thank you for joining our first quarter 2021 earnings conference call.

We delivered another quarter of strong financial and operational results in the first quarter of 2021, driven by the continued robust growth momentum in our number of active customers. During the quarter, our total number of active customers grew by 54% year over year to 45.8 million from 29.6 million in the prior year period. As a result, our GMV for the quarter increased by 59% year over year to 46.1 billion from 28.9 billion in the same period last year. GMV for apparel-related categories, which are our bread-and-butter, grew even faster by 70% year over year.

These successes are the result of our focus on the execution of our merchandising strategy. We have long-term, collaborative relationships with our suppliers, particularly in our core categories. Leveraging those relationships, we aim to deepen our partnerships with them to increase contribution from our Made-for-Vipshop products. As we continue to offer value to our customers through differentiated offerings from marketplace platforms, we believe we will acquire more new customers while increase the stickiness of our existing customers.

Going forward, we remain committed to continuing to strengthen our leadership in China's discount retail market, aiming to generate sustainable value for our customers and suppliers.

At this point, let me hand over the call to our CFO, David Cui, so that he may discuss our strategies in more detail and go over our operational and financial results.

**David Cui:**

Thanks Eric and hello everyone.

We are pleased to have delivered another quarter of solid topline growth coupled with strong profitability. During the quarter, our total net revenue continued to see strong growth, increasing by 51% year over year to 28.4 billion from 18.8 billion in the prior year period. In addition, our profitability improved on a year-over-year basis. Our non-GAAP net income attributable to Vipshop's shareholders for the quarter increased by 74% year over year to 1.7 billion from 986 million in the prior year period, and our non-GAAP net margin attributable to Vipshop's shareholders for the quarter increased to 6.0% from 5.2% in the same period last year.

Looking ahead, we aim to grow our topline as fast as possible while keeping our margins stable. Through offering diversified, desirable products carefully procured by our strong merchandisers on a daily basis, we will attract new customers and retain existing customers while growing their ARPU over time. We are committed to delivering long-term, sustainable value to all of our shareholders.

Now moving on to our quarterly financial highlights. Before I get started, I would like to clarify that all the financial numbers presented today are in Renminbi amounts and all the percentage changes refer to year-over-year changes unless otherwise noted.

**Total net revenue** for the first quarter of 2021 increased by 51.1% year over year to 28.4 billion from 18.8 billion in the prior year period, primarily driven by the growth in the number of total active customers.

**Gross profit** for the first quarter of 2021 increased by 54.7% year over year to 5.6 billion from 3.6 billion in the prior year period. **Gross margin** for the first quarter of 2021 increased to 19.7% from 19.2% in the prior year period.

**Total operating expenses** for the first quarter of 2021 were 4.4 billion, as compared with 3.0 billion in the prior year period. As a percentage of total net revenue, total operating expenses for the first quarter of 2021 decreased to 15.4% from 15.9% in the prior year period.

- **Fulfillment expenses** for the first quarter of 2021 were 1.8 billion, as compared with 1.4 billion in the prior year period. As a percentage of total net revenue, fulfillment expenses for the first quarter of 2021 decreased to 6.3% from 7.4% in the prior year period.
- **Marketing expenses** for the first quarter of 2021 were 1.3 billion, as compared with 412.3 million in the prior year period. As a percentage of total net revenue, marketing expenses for the first quarter of 2021 were 4.6%, as compared with 2.2% in the prior year period, primarily attributable to increased investment in advertising activities relating to customer acquisition and retention.
- **Technology and content expenses** for the first quarter of 2021 decreased to 337.5 million from 338.4 million in the prior year period. As a percentage of total net revenue, technology and content expenses for the first quarter of 2021 decreased to 1.2% from 1.8% in the prior year period.

- **General and administrative expenses** for the first quarter of 2021 were 956.7 million, as compared with 839.2 million in the prior year period. As a percentage of total net revenue, general and administrative expenses for the first quarter of 2021 decreased to 3.4% from 4.5% in the prior year period.

Our **income from operations** for the first quarter of 2021 increased by 93.2% year over year to 1.5 billion from 782.2 million in the prior year period. **Operating margin** for the first quarter of 2021 increased to 5.3% from 4.2% in the prior year period.

**Non-GAAP income from operations**, which excluded share-based compensation expenses and amortization of intangible assets resulting from business acquisitions, increased by 66.0% year over year to 1.7 billion from 1.0 billion in the prior year period. Non-GAAP operating income margin for the first quarter of 2021 increased to 6.1% from 5.6% in the prior year period.

Our **net income attributable to Vipshop's shareholders** for the first quarter of 2021 increased by 125.7% year over year to 1.5 billion from 684.8 million in the prior year period. **Net margin attributable to Vipshop's shareholders** for the first quarter of 2021 increased to 5.4% from 3.6% in the prior year period. Net income attributable to Vipshop's shareholders per diluted ADS for the first quarter of 2021 increased to 2.18 RMB from 1.00 RMB in the prior year period.

**Non-GAAP net income attributable to Vipshop's shareholders** for the first quarter of 2021, which excluded share-based compensation expenses; impairment loss of investments, amortization of intangible assets resulting from business acquisitions; tax effect of amortization of intangible assets resulting from business acquisitions; investment gain and revaluation of investments excluding dividends; tax effect of investment gain and revaluation of investments excluding dividends, and share of loss (gain) in investment of limited partnerships that are accounted for as equity method investees, increased by 73.7% year over year to 1.7 billion from 986.1 million in the prior year period. **Non-GAAP net margin attributable to Vipshop's shareholders** for the first quarter of 2021 increased to 6.0% from 5.2% in the prior year period. Non-GAAP net income attributable to Vipshop's shareholders per diluted ADS for the first quarter of 2021 increased to 2.41 RMB from 1.44 RMB in the prior year period.

As of March 31, 2021, our company had cash and cash equivalents and restricted cash of 15.1 billion and short term investments of 3.7 billion. For the first quarter of 2021, net cash used in operating activities was 439.0 million.

Looking at our business outlook for the second quarter of 2021, we expect our total net revenue to be between 28.9 billion RMB and 30.1 billion RMB, representing a year-over-year growth rate of approximately 20% to 25%. These forecasts reflect our current and preliminary view on the market and operational conditions, which is subject to change.

With that, I would now like to open the call to Q&A.

#### **Closing Remarks – David Cui:**

Thank you for taking the time to join us and we look forward to speaking with you next quarter.