

Vaibhav Global Limited

Global Retailer of Fashion and Lifestyle Accessories
on Home TV and e-Commerce Platforms

Financial Results Presentation
Q2 & H1 FY2016

November 2015



Safe Harbor

Certain statements in this document may be forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties like regulatory changes, local political or economic developments, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Vaibhav Global Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.



Vaibhav Global – An Overview

Vertically-integrated electronic retailer

- End-to-end B2C business model in the electronic retail industry
- Proprietary TV home-shopping and e-commerce platforms

Liquidation Channel and The Jewellery Channel are strong brands

- 104 million (FTE) households on TV shopping in the US, UK and Canada
- Positive customer engagement metrics – customer base, retention rate, repeat purchases

Robust customer engagement

- Sizeable B2C franchise in developed markets
- Growing recognition of deep value enables scaling to adjacent categories

Hybrid supply chain infrastructure

- Outsourcing from China, Thailand, Indonesia and India, manufacturing operations in Jaipur, India
- Aggressive trend spotting initiatives

Solid infrastructure backbone

- Investments in customer interface, production, warehousing facilities, supply chain and CRM
- Scalable model with limited capex requirement

Strong management team

- Professional, experienced management team having in-depth knowledge and industry experience
- Talent pool across marketing, merchandising, operations, technical and strategy functions

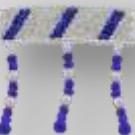


Table of Contents

Q2 & H1 FY16 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20



Key Highlights for Q2 & H1 FY16

Home TV Network Reaches Over 100 Million Households, FTE Increases 9%

- 104 million households on full time equivalent (FTE) basis
- 77 million households in the US
- 25 million households in the UK
- 2.4 million households in Canada

In Q2FY16, Retail Volumes at 2.1 Million Units

- Volume on Home TV shopping at 1.5 million units
- Volume on Web shopping at 0.6 million units
- Volumes driven by fashion jewelry
- Deeper customer engagement drives repeat purchases

Financial Performance

- Total Income at Rs. 298.4 crore
- EBITDA at Rs. 19 crore
- Gross Margin expansion to 66% from 65%
- PAT at Rs. 12 crore

Strong Return Ratios

- Return on Equity at 22%
- Return on Capital Employed at 24%

Operating Highlights

- EMI payments launched through Budget Pay in September
- Initiated launch of in-house jewelry and non-jewelry brands to target younger and more affluent customers
- Puru Aggarwal appointed as VGL's Group Chief Financial Officer
- Appointed Harsh Bahadur and Santiago Roces Moran on VGL's Board of Directors
- Expansion of portfolio and other customer-centric initiatives to aid stronger volumes in H2 FY16

Debt Repaid from Operating Cash Flows

- Continues to be cash surplus at net debt level despite some recent capex initiatives
- Gross Debt at Rs 92 crore



Chairman's Message

Commenting on Q2 & H1 FY16 performance, Mr. Sunil Agrawal, Chairman and Managing Director, Vaibhav Global said:



“Continuing to strengthen our customer experience, subsequent to the launch of our advanced mobile website on SAP/HYBRIS platform in the US, we have also launched Demandware mobile website platform in the UK which can be accessed from any desktop or mobile device.

We launched ‘Budget Pay’ EMI scheme in the US with positive response from customers. Prior to this, we had launched an easy returns policy. We have also undertaken a new initiative to develop a series of in-house brands in the jewelry and non-jewelry segments. These initiatives are bringing us closer to our customers and, after considering the related costs, are making a positive contribution to our business prospects.

To remain globally competitive, despite our smaller size of operations, we have invested in a strong core business base involving a fixed cost commitment that is built for robust future growth. We now see better momentum in H2 that may see revenues from our retail business in line with H2 last year. This will be a positive step-up from H1 performance, and we hope to increase the momentum further next year.”



Financials – Q2 & H1 FY16 Performance

(Revenues)

Revenues (Rs. crore)

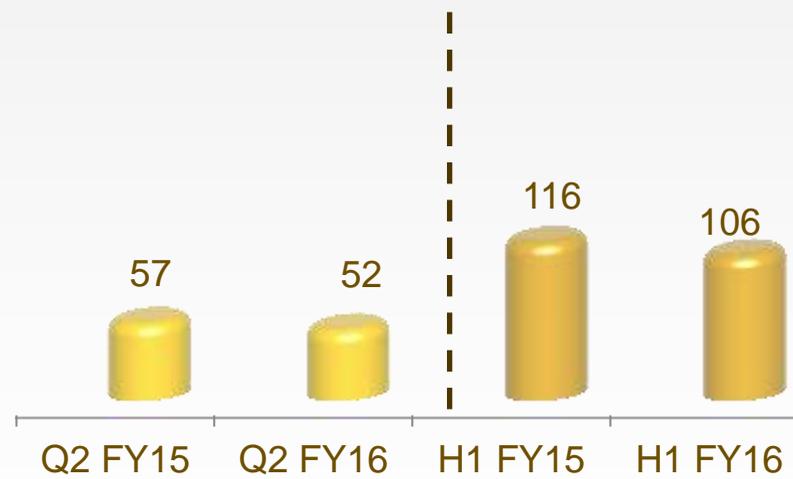


Jewelry & Lifestyle Products

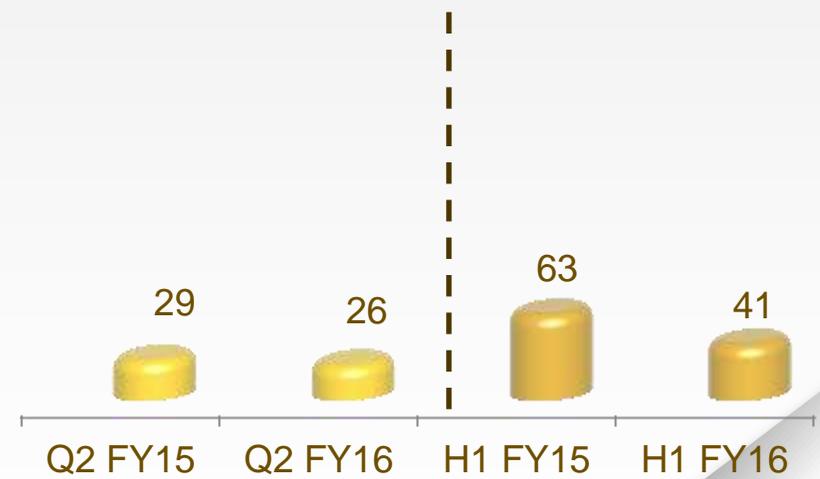
TV Sales



Web Sales

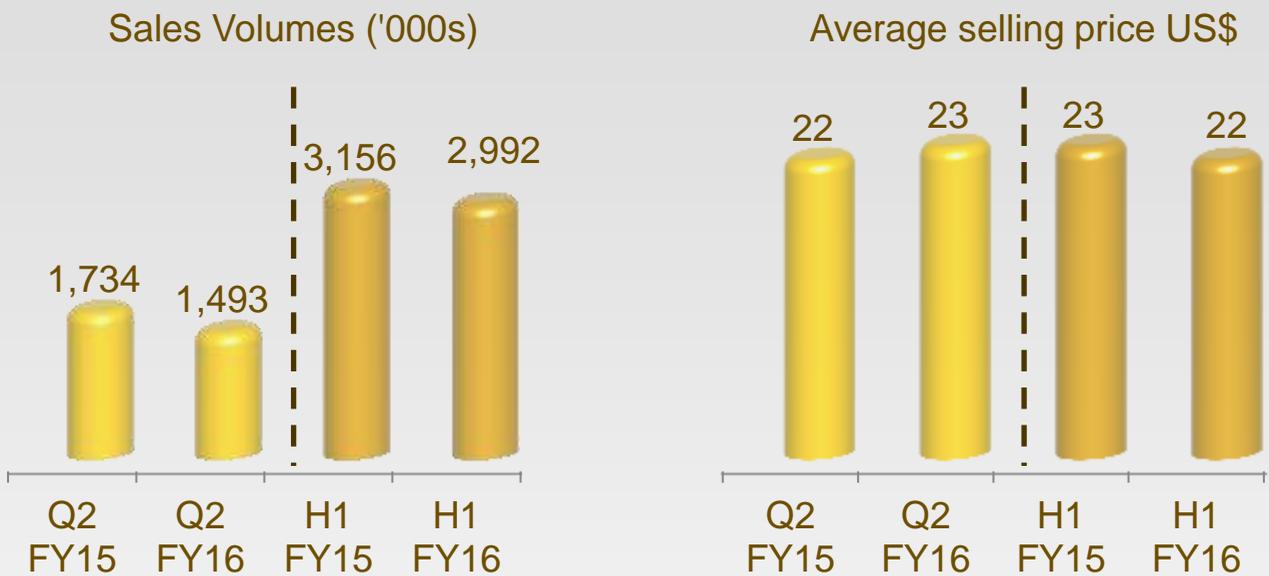


B2B Sales

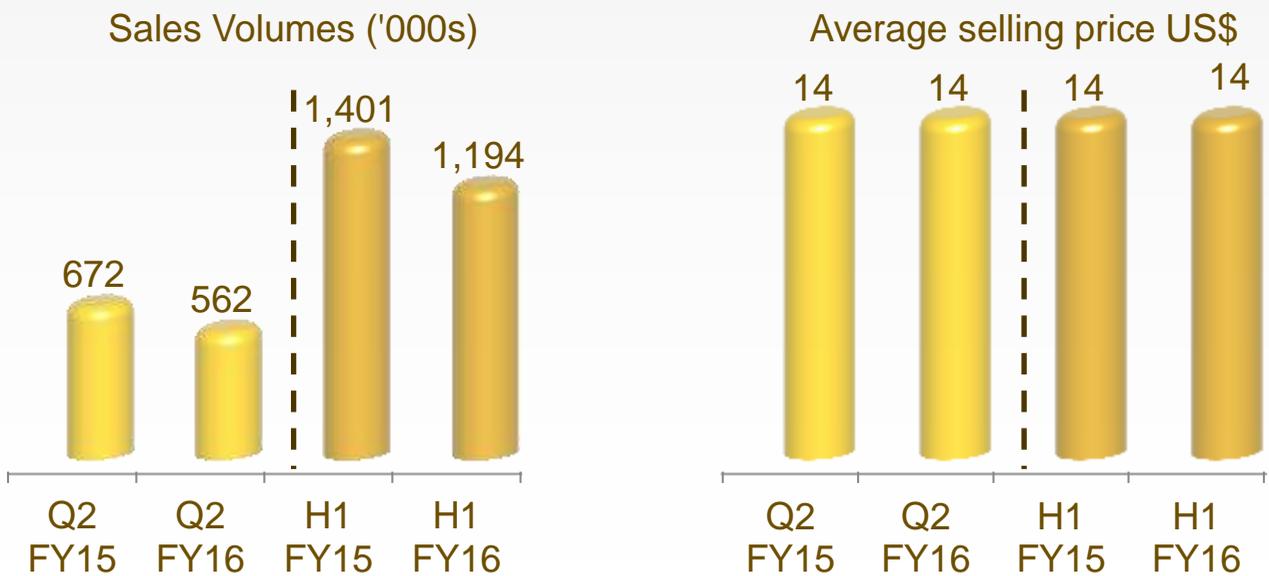


Retail Performance Trends

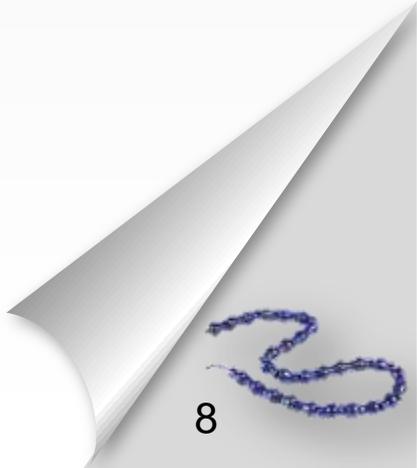
TV Sales



Web Sales

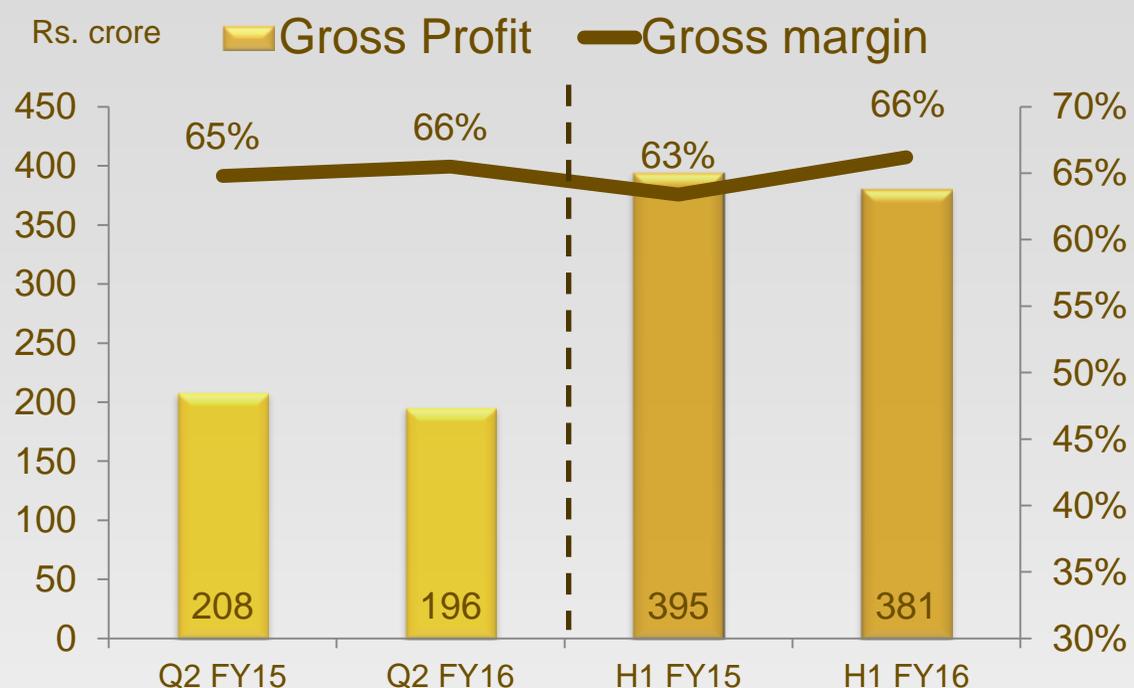


- Q2 volume lower by 14% in TV and 16% in Web on yoy basis.
- Web sales contribute 30% of sales volume.



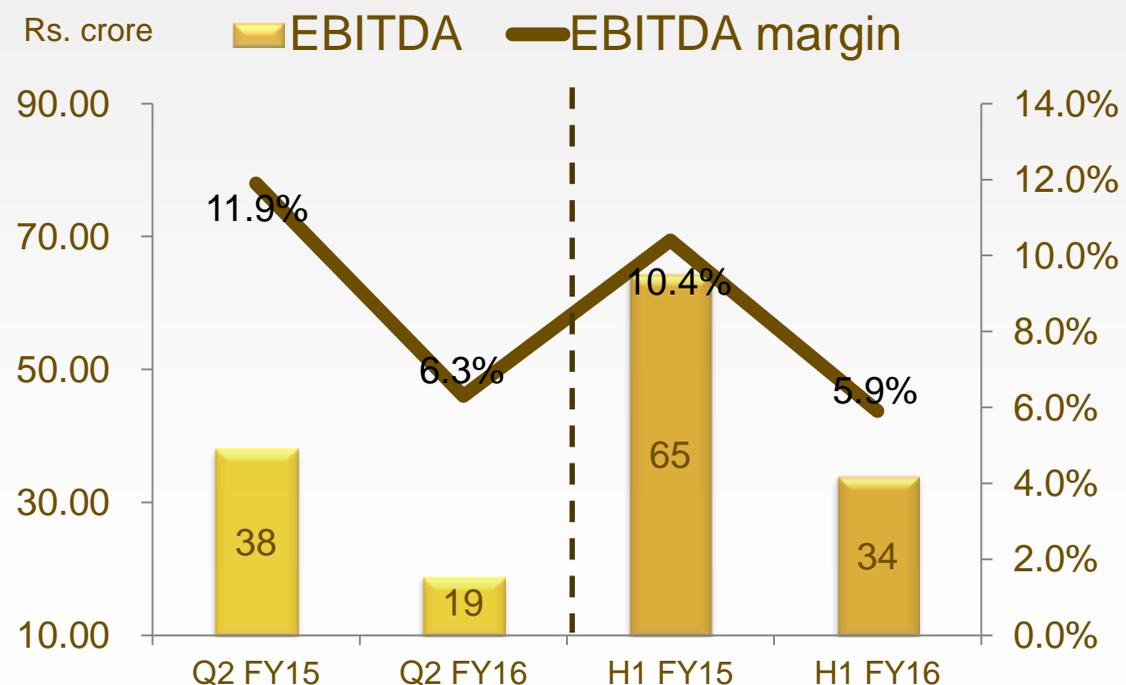
Financials – Q2 & H1 FY16 Performance

(Margins)



- Gross margins improved yoy due to improved margins at channels towards costs of returns and Budget Pay, and operational efficiencies at VGL India.

Note: Direct costs for calculation of gross profit includes material cost, job work charges and manufacturing cost



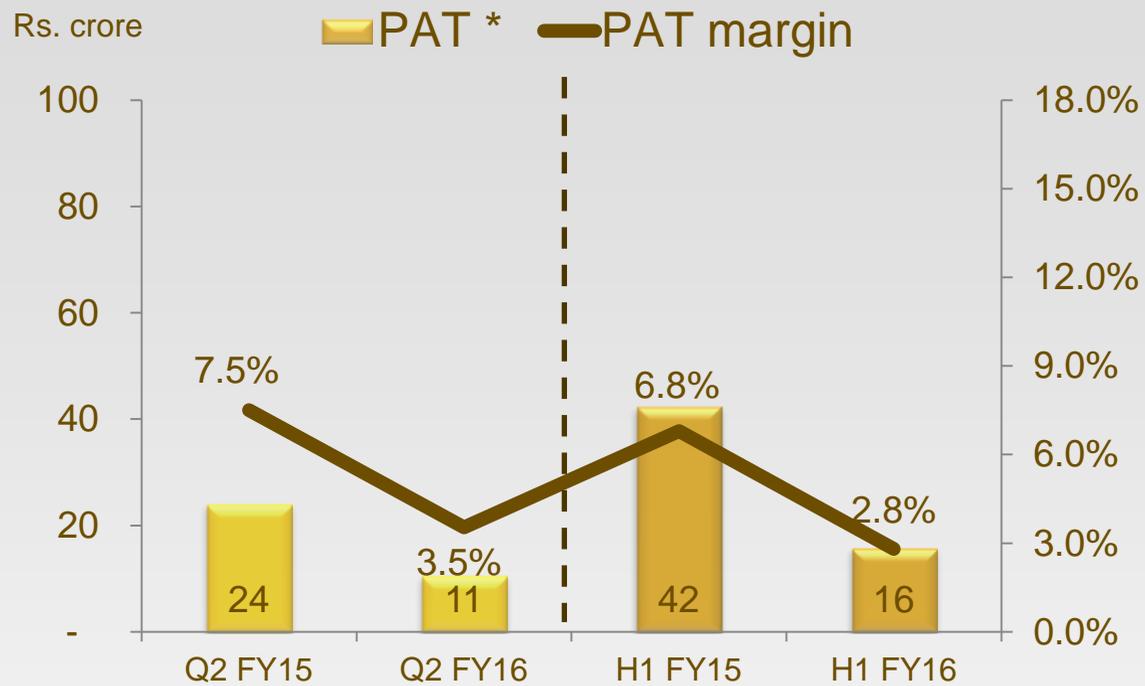
- EBITDA margin impacted by investments committed to drive future growth momentum. Stronger business visibility in H2 and thereafter may expand margins.

Note:
 EBITDA excludes exchange gain/loss;
 EBITDA margin including exchange gain/loss stood at 6.5% in H1 FY16 v/s 11.1% in H1 FY15
 EBITDA margin including exchange gain/loss stood at 6.8% in Q2 FY16 v/s 12.2% in Q2 FY15

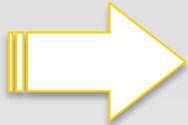


Financials – Q2 & H1 FY16 Performance

(Profits)

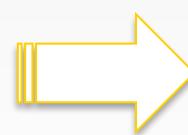
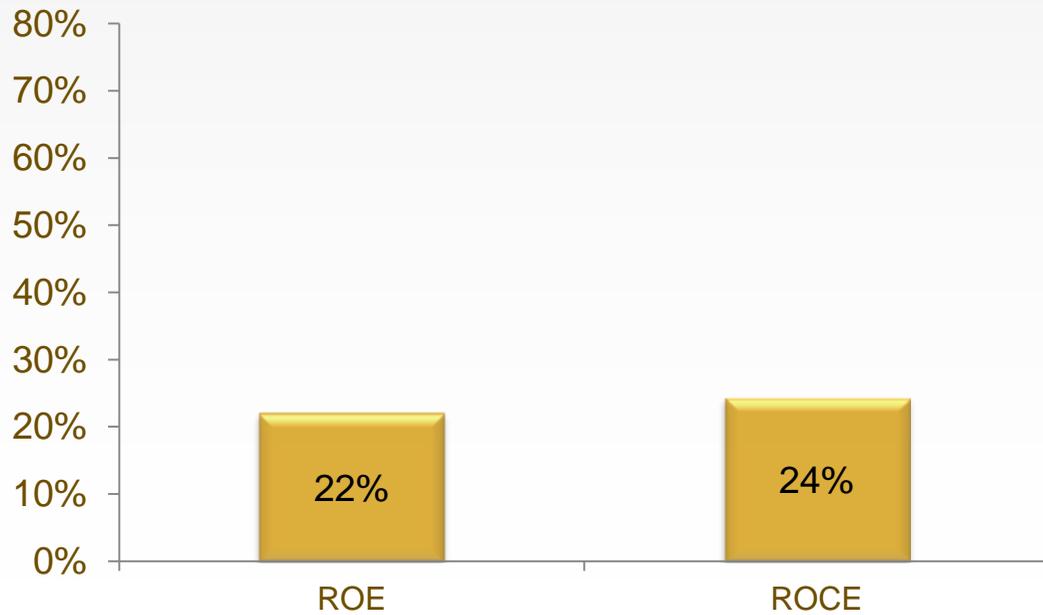


* Profit after tax without exchange gain(loss) fluctuation.



- PAT impacted by lower EBITDA and higher depreciation.

Return Ratios – H1 FY16



- Good returns on capital employed and shareholders' equity.



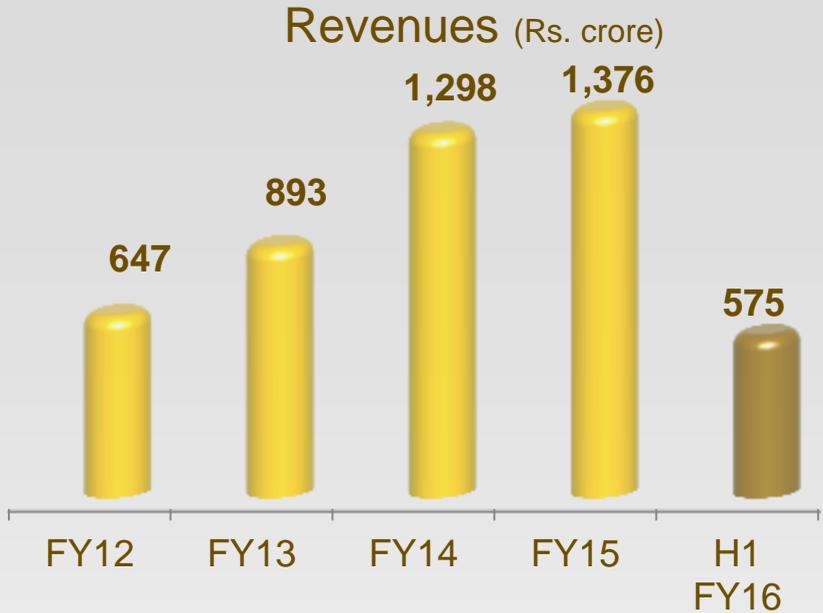
Table of Contents

Q2 & H1 FY16 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20



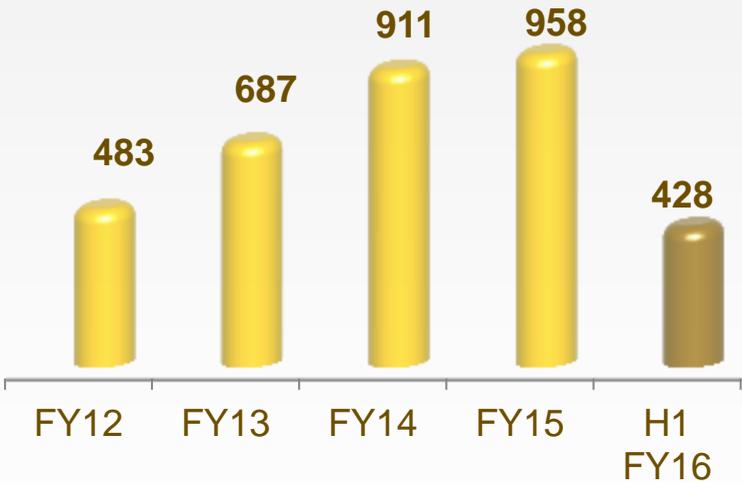
Financials Performance Trends

(Revenues)



Jewelry & Lifestyle Products

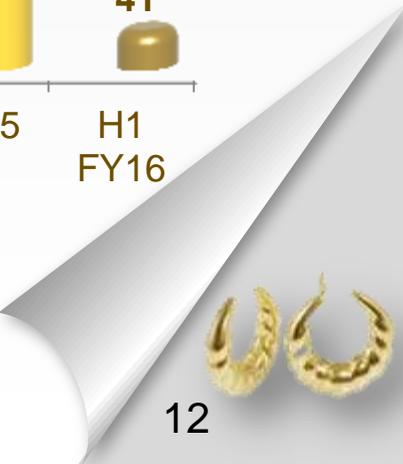
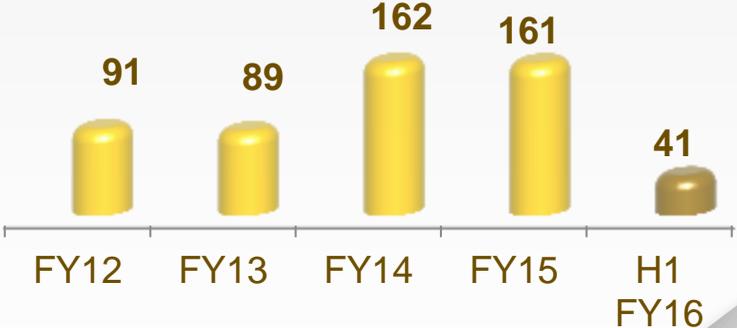
TV Sales



Web Sales



B2B Sales



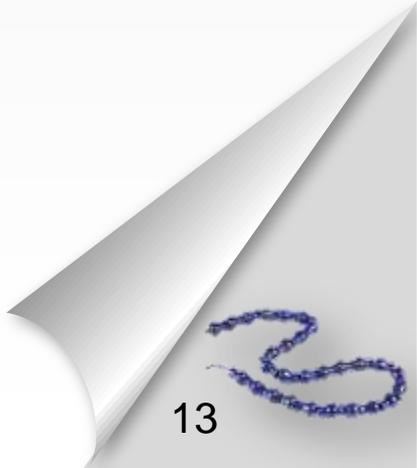
Retail Performance Trends

TV Sales



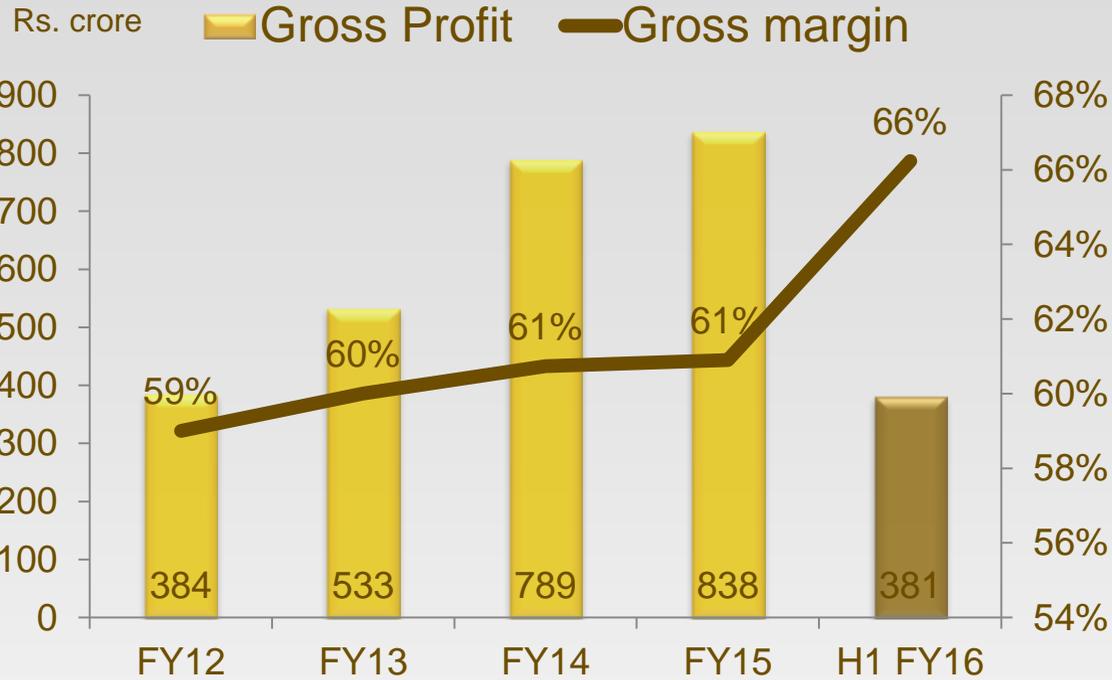
- TV ASP reduced slightly in H1 but is expected to improve in H2 with introduction of Budget Pay.

Web Sales

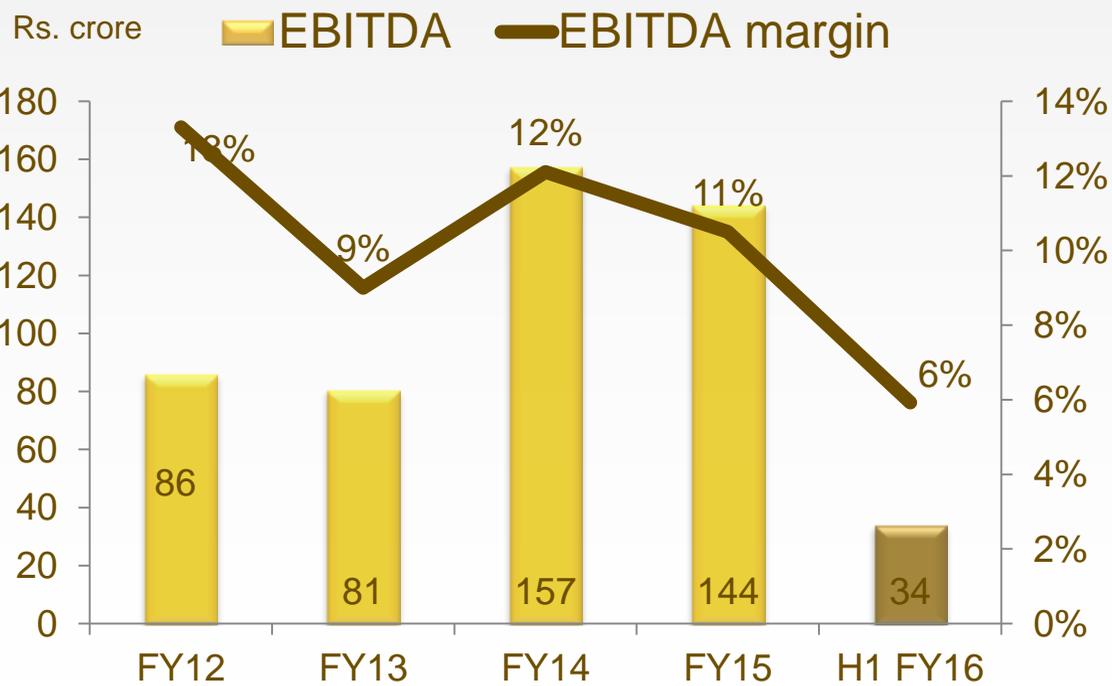


Financials Performance Trends

(Margins)



- Gross margins increased in H1 due to lower B2B sales, addition of import duty in stock value at channels, improved margins at channels towards costs of returns and Budget Pay, and operational efficiencies at VGL India.



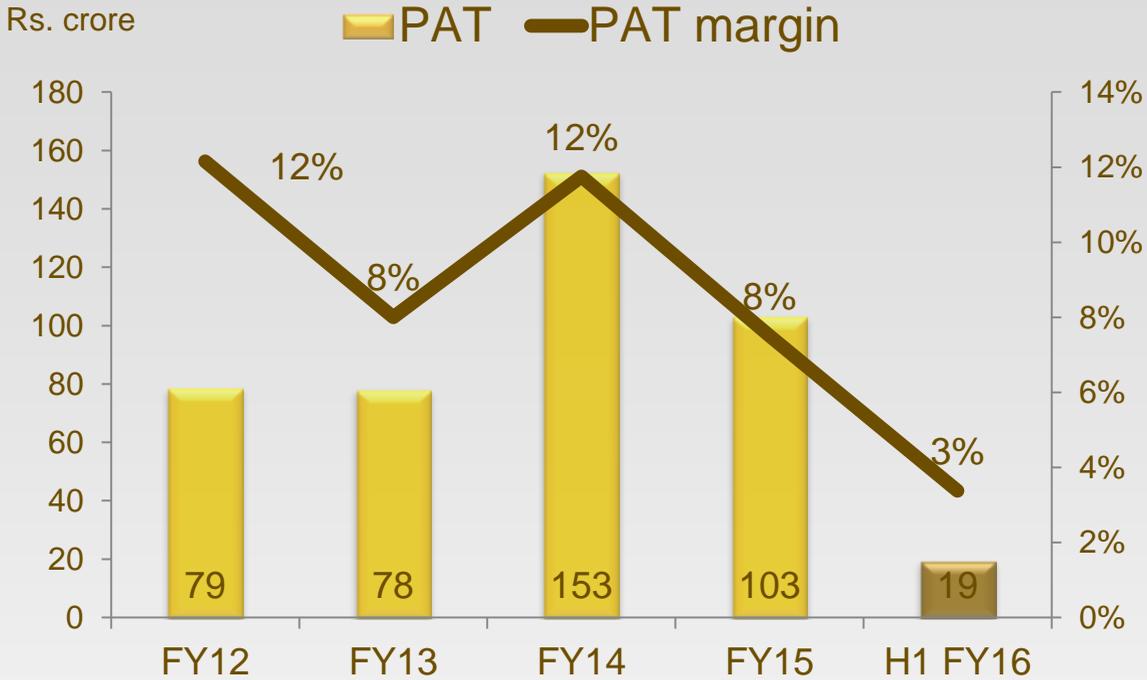
- EBITDA impacted due to lower topline, net of returns, more household coverage in US, larger resource base in planning, sales and merchandising in US and UK

Note:
EBIDTA excludes exchange gain/loss;



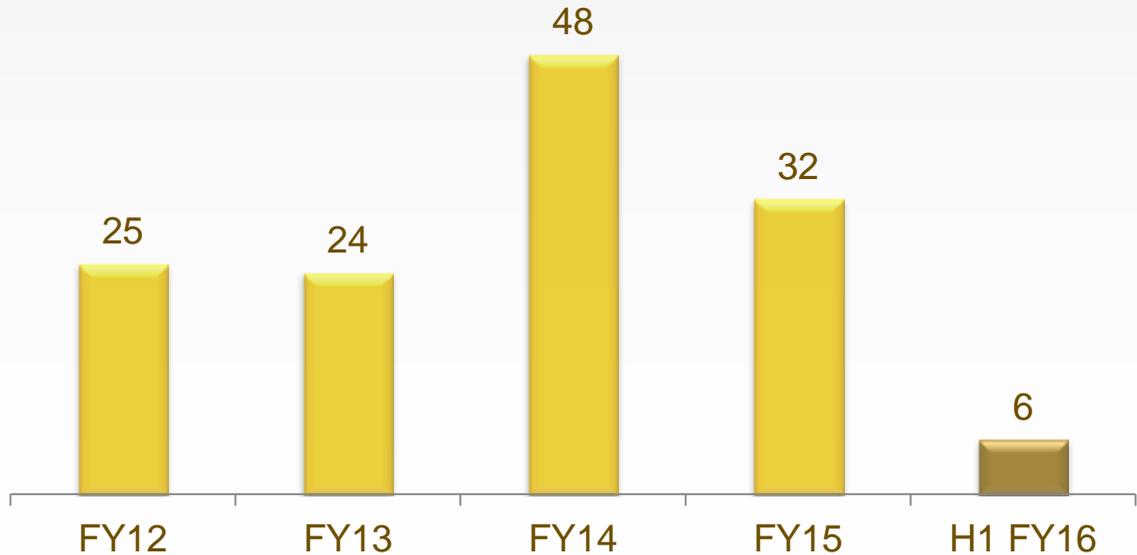
Financials Performance Trends

(Profits)



Rs. per share

EPS



Financials Performance Trends

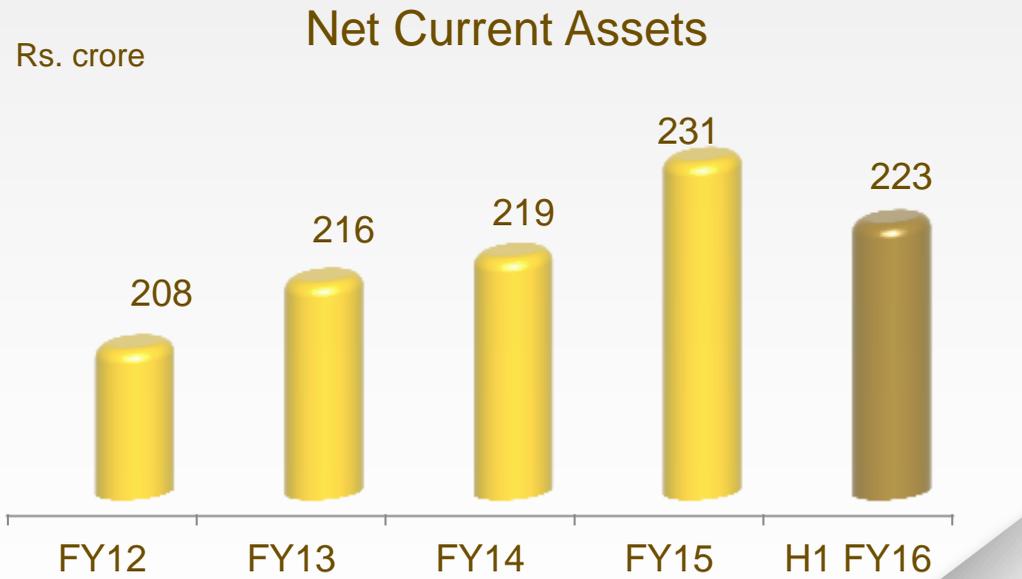
(Balance Sheet)



* During FY13, Shareholders' Equity was adjusted lower by Rs. 163.7 crore due to goodwill written off (Rs. 151.1 crore), provision for CDR recompense interest (Rs. 11.2 crore) and write off on liquidation of subsidiary (Rs. 1.5 crore)



- During FY13 fixed assets were adjusted lower by Rs. 151.1 cr due to goodwill written off
- Includes 11 crore for New channel in UK and around 28 crores for HYBRIS which were lying in work in progress.



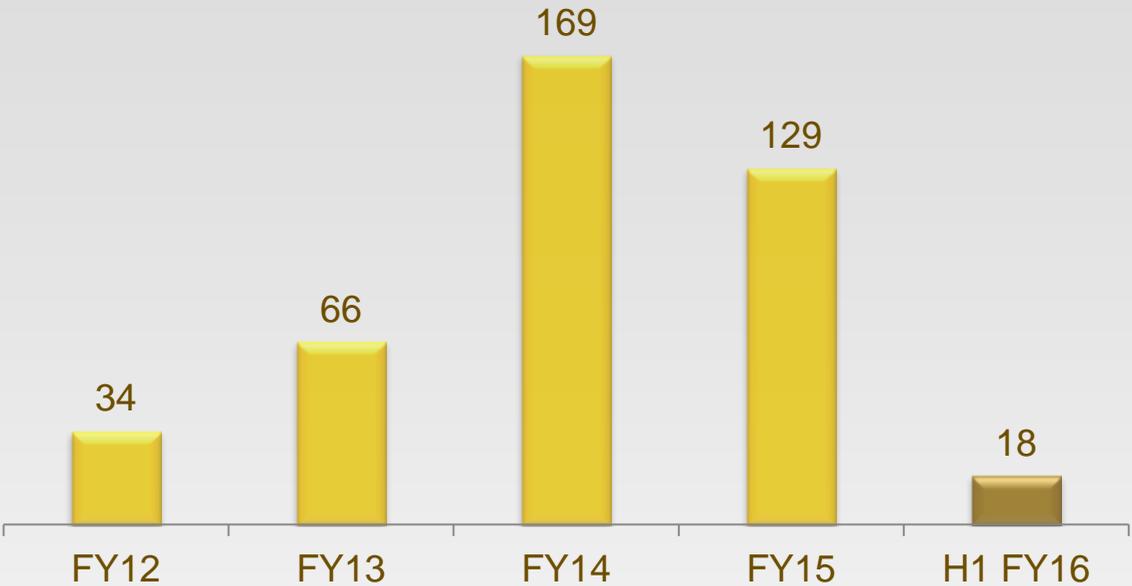
- Net current Assets are impacted due to capital advances against new channel in UK and SAP based software got capitalized in current quarter.



Financials Performance Trends

(Cash Flow)

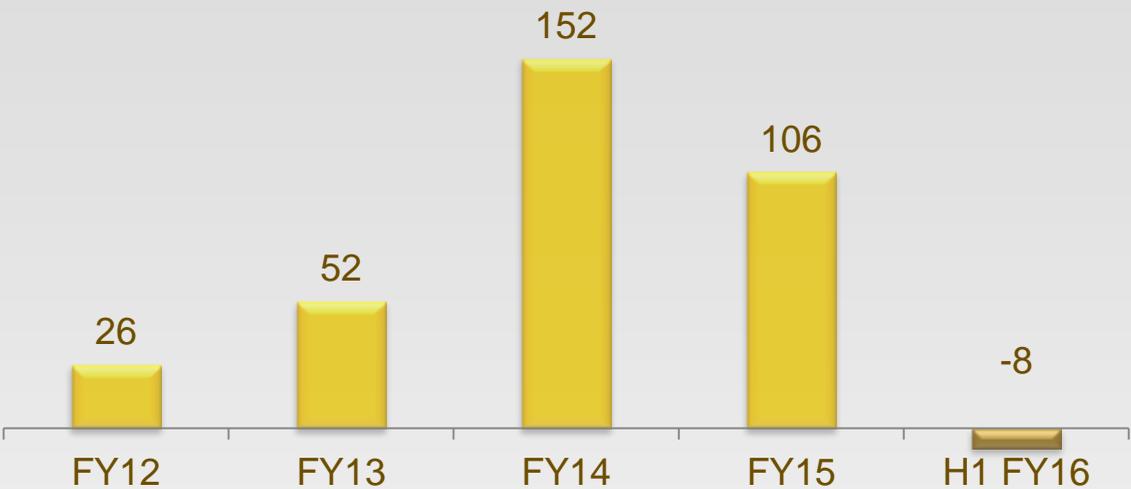
Operating Cash flow Rs. crore



**Includes Foreign Currency Transaction Reserve*

Operating cash flow impact of lower sales volumes and increased fixed cost structure

Free Cash Flow * Rs. crore



**Includes Foreign Currency Transaction Reserve*

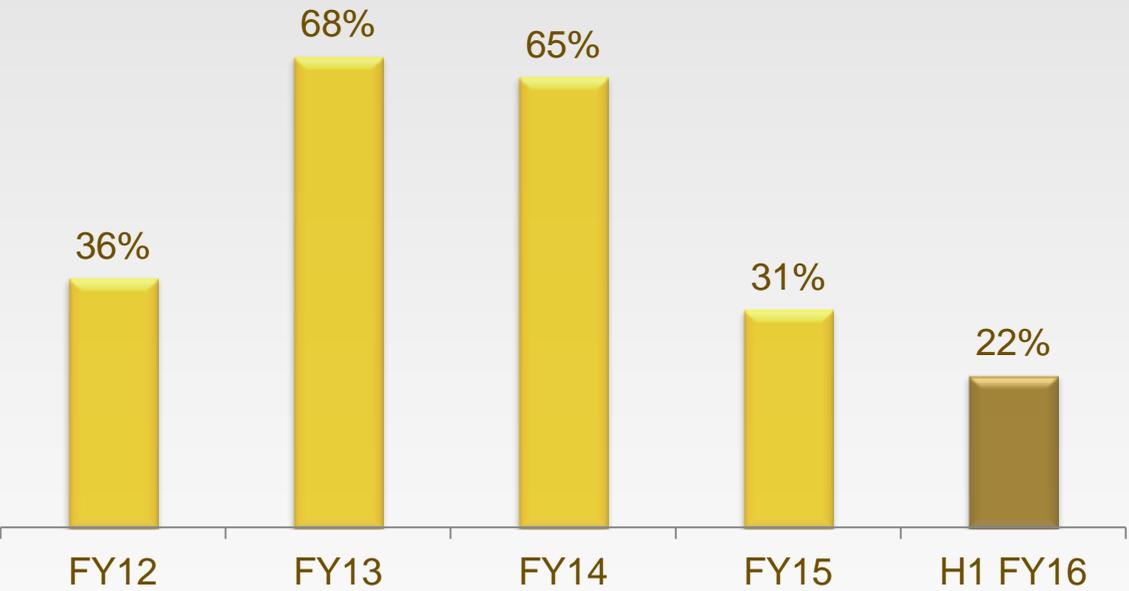
Free cash flow impacted by investments in improved channel positioning in UK (Sky652 Rs. 11 crore) and new SEZ facility (Rs. 6 crore)



Financials Performance Trends

(Key Ratios)

ROE



ROCE

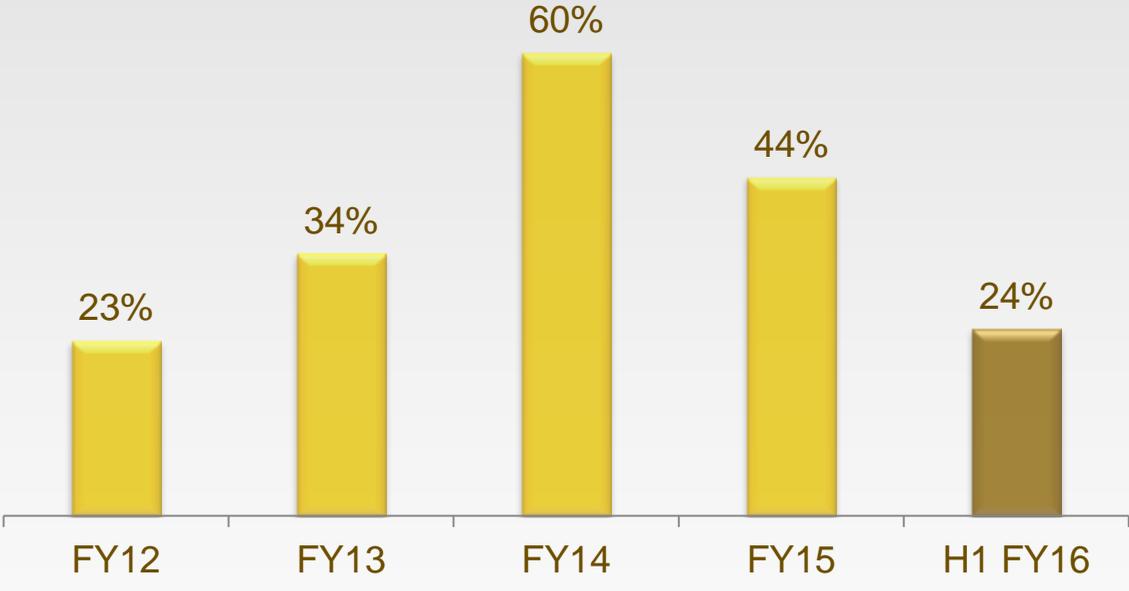


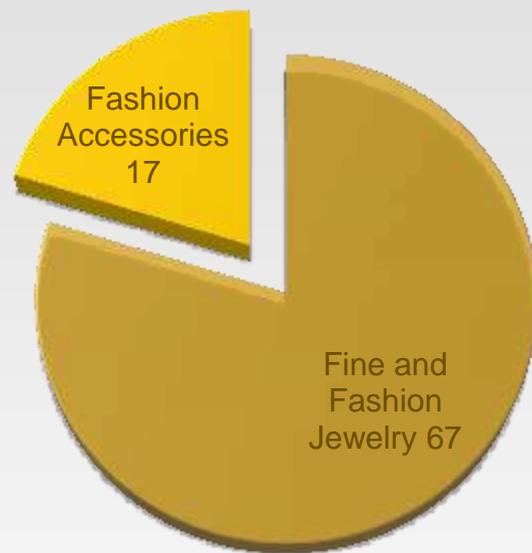
Table of Contents

Q2 & H1 FY16 Financial Performance	5
Financial Performance Trends	12
Business Background Details	20

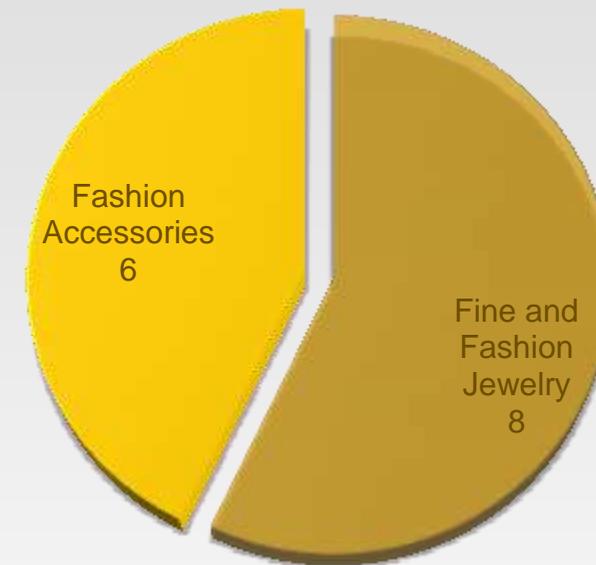


Market Opportunity

US market size (US\$ Bn)



UK market size (US\$ Bn)



Market share gains through expanded distribution network and introduction of collections/designs mapping market trends



US Market Access on Liquidation Channel



Channel #274



Channel #399 & 1399



Channel #159



Channel #75 & 226



*



*



*

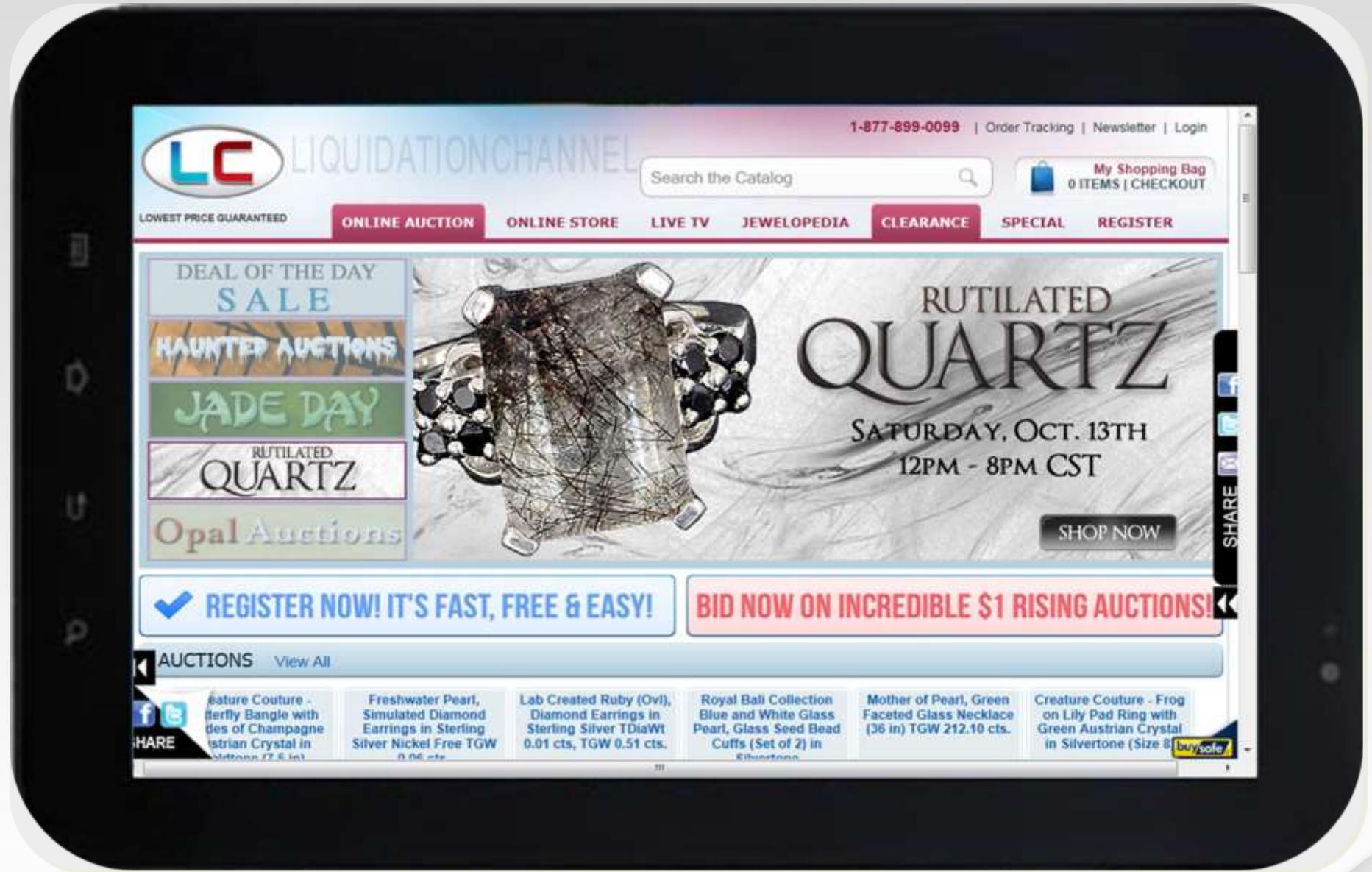


*



*

* Different channel # across various locations



<https://www.liquidationchannel.com>

Access to 77 million (FTE) of the 116 million households in the US



UK Market Access on The Jewellery Channel



Channel #49



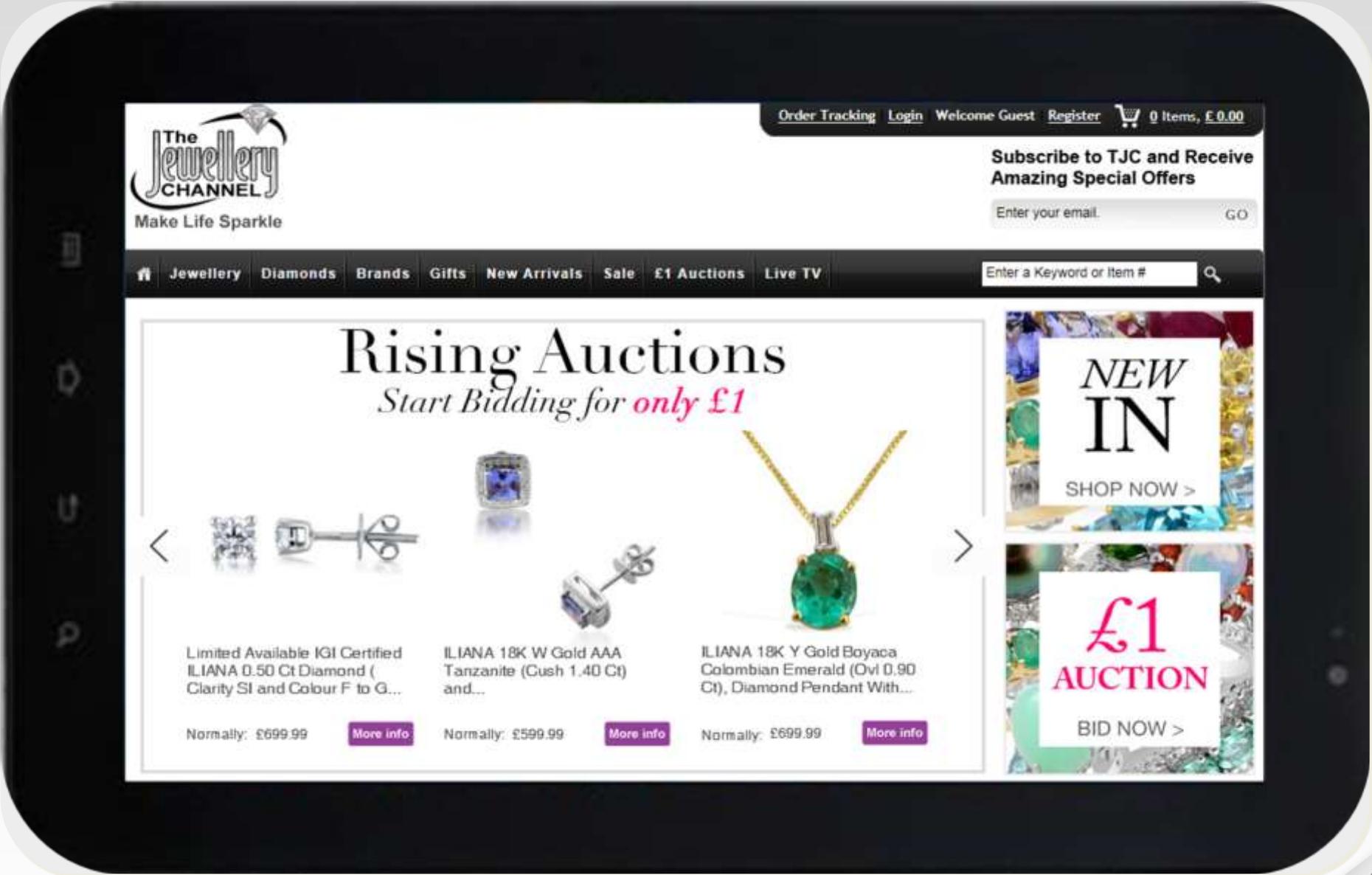
Channel #650 & #652



Channel #815



Channel #757



www.thejewellerychannel.tv

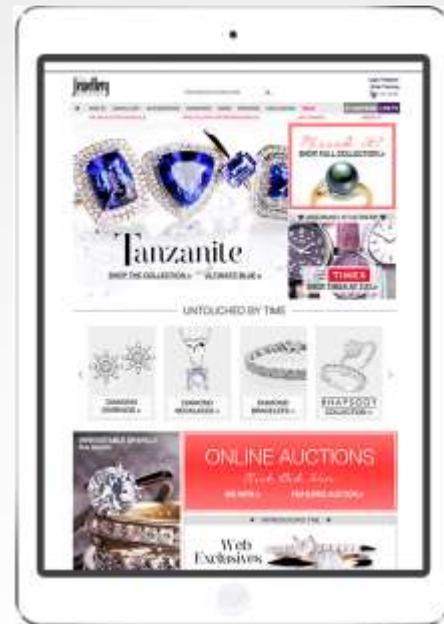
Access to 25 out of the total 25 million households



E-Commerce



- Digital presence through liquidationchannel.com and thejewellerychannel.tv
- Retail formats:
 - Catalog
 - Rising Auctions
- Technology enhancements:
 - Hybris (a SAP company) platform implemented in US.
 - Mobile app started for TJC UK
 - IPTV apps developed for Google TV, LG TV, Samsung TV
 - CRM and marketing analytics framework



Increased Focus and Contribution from E-commerce Retail



Sourcing Markets

Manufacturing facility in Jaipur, India

*Production Capacity (3 units)
Additional Capacity*

- 4 million pieces p.a. ISO 9001:2008 manufacturing facilities
- SEZ Green Building with Gold Level facility of 65,000 sq ft

Over 2,600 people in India across corporate, manufacturing, design, sales & marketing, customer service, logistics etc



Sourcing operations from fashion centric micro markets of Asia *Global supply chain capability of 12 million pieces, continuously expanding*

Over 200 people in purchase/ procurement and ancillary functions across Asia

China	Thailand	Indonesia	India
<ul style="list-style-type: none"> Guangzhou, Haifeng, Hauadu Shenzhen, Dongguan, Zhuji, Wenzhou, Wuzhou, Yiwu, Hunan 	<ul style="list-style-type: none"> Bangkok, Chang Mai, Mae Sai, Kanchanaburi, Chanthburi 	<ul style="list-style-type: none"> Bali, Yogyakarta, Sumatra, Madura Surabaya 	<ul style="list-style-type: none"> Noida, Jaipur, Nagaland, Kashmir,

Global network for trend spotting and merchandising



Consumption Markets

Access to over 100 million (FTE) households on TV homeshopping in the US, UK and Canada

- Affiliate agreements with major cable, satellite providers
- Improved product presentation by investing into studio facilities

The Jewellery Channel



UK

- The Jewellery Channel and e-commerce
- UK head quarters – Hampton, Middlesex
- Reaching all 25 million households across the U.K.
- Over 90 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions

Liquidation Channel



USA

- Liquidation Channel and e-commerce
- US head quarters – Austin, Texas
- Access to 77 million (FTE) of the 116 million households in the US, covering all states
- Over 600 people in sales & marketing, customer service, logistics, TV production, e-commerce and support functions



Sourcing Methodology

- Competitive Pricing
- Mapping latest fashions
- Rapid turnaround
- Low investment
- Scale flexibility
- Access to latest manufacturing technologies

Sourcing from appropriate micro-markets in China/Asia

Focus on best price to customer

Vendor evaluation process

Assessing value perception – design / fashion trend / price in target markets

Sourcing price to deliver excellent value

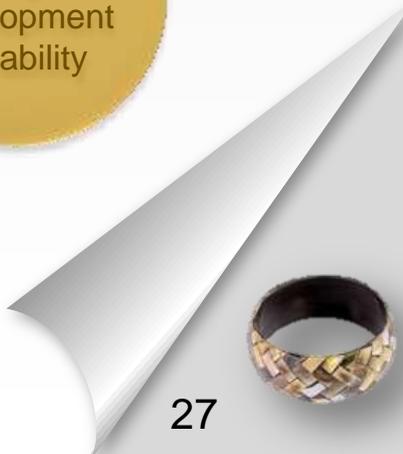
Multi-vendor quotes to gauge bottom price discovery

Size of product line/ capacity

Proprietary design/ development capability

Delivery/ quality/ timeliness

Core competency of vendor



Management Team

Sunil Agrawal

Chairman and Managing Director



- Established Vaibhav in 1980 as a first generation entrepreneur and has led the company's transition into a leading brand for fashion jewelry and lifestyle accessories
- Travels extensively across the world, overseeing operations, sourcing raw material globally and representing the company at major trade shows and jewelry fairs in the US, Europe and Asia

Puru Aggarwal

Group CFO



- 23 years of rich experience in business modeling, financial strategy & planning, business development, procurement, supply chain & distribution, budgeting, taxation, cost control, legal compliances and mergers & acquisitions
- Previously worked with Teva Pharmaceuticals India as Director & Country CFO for 11 years. Has also worked with Coca-Cola India and E&Y India.

Charlie Curnow

Group Chief Information Officer



- Extensive experience across EMEA, Asia-Pac and South America in IT leadership roles at both public and private sector companies including A.H. Belo Corporation, Bear Stearns, Blockbuster, Coca-Cola, Computer Sciences, Dell, and General Electric
- Focused on leading the expansion of VGL's global IT capabilities



Management Team

Jeff Allar

Senior Vice President, Group HR



- 30 years of work experience at major international companies including IBM, Unilever and the Stonyfield Farm unit of Groupe Danone
- Tremendous Organization development and senior level HR experience having worked with brands like ACS, Stonyfield and Good Humor – Breyers Ice Cream

Colin Wagstaffe

Managing Director, The Jewellery Channel UK



- Previously led retail marketing and ecommerce initiatives at UK and Ireland operations of Signet Jewellers, the largest specialty retail jeweler by sales in the US and UK
- Over two decades in leadership marketing roles in major UK businesses – J Sainsbury plc, one of the UK's leading supermarket companies and BAA, the UK's largest, airport operator

Nitin Dugar

Vice President , Strategy – Liquidation Channel USA



- Over 12 years at VGL, rich experience in business development, customer services and network affiliate management.
- Part of core team that successfully implemented organizational turnaround strategies

Pushpendra Singh

Vice President , Human Resources Asia



- 19 years of experience in HR with a range of Indian companies such as NTPC, Jindal Steel and Power, Kalpataru and Reliance Communications, successfully implementing many talent acquisition, management and retention initiatives



Contact Information

For more information on Vaibhav Global Limited, please contact:

Puru Aggarwal

Vaibhav Global Limited

+91-141-2770648

Puru.Aggarwal@vlggroup.com

Ghanshyam Gupta

Vaibhav Global Limited

+91-141-2770648

Ghanshyam.Gupta@vlggroup.com

Shiv Muttoo / Karl Kolah

CDR India

+91 22 6645 1207/1220

shiv@cdr-india.com

karl@cdr-india.com





**Thank
You**