Les Enphants Co., Ltd
Company Strategies

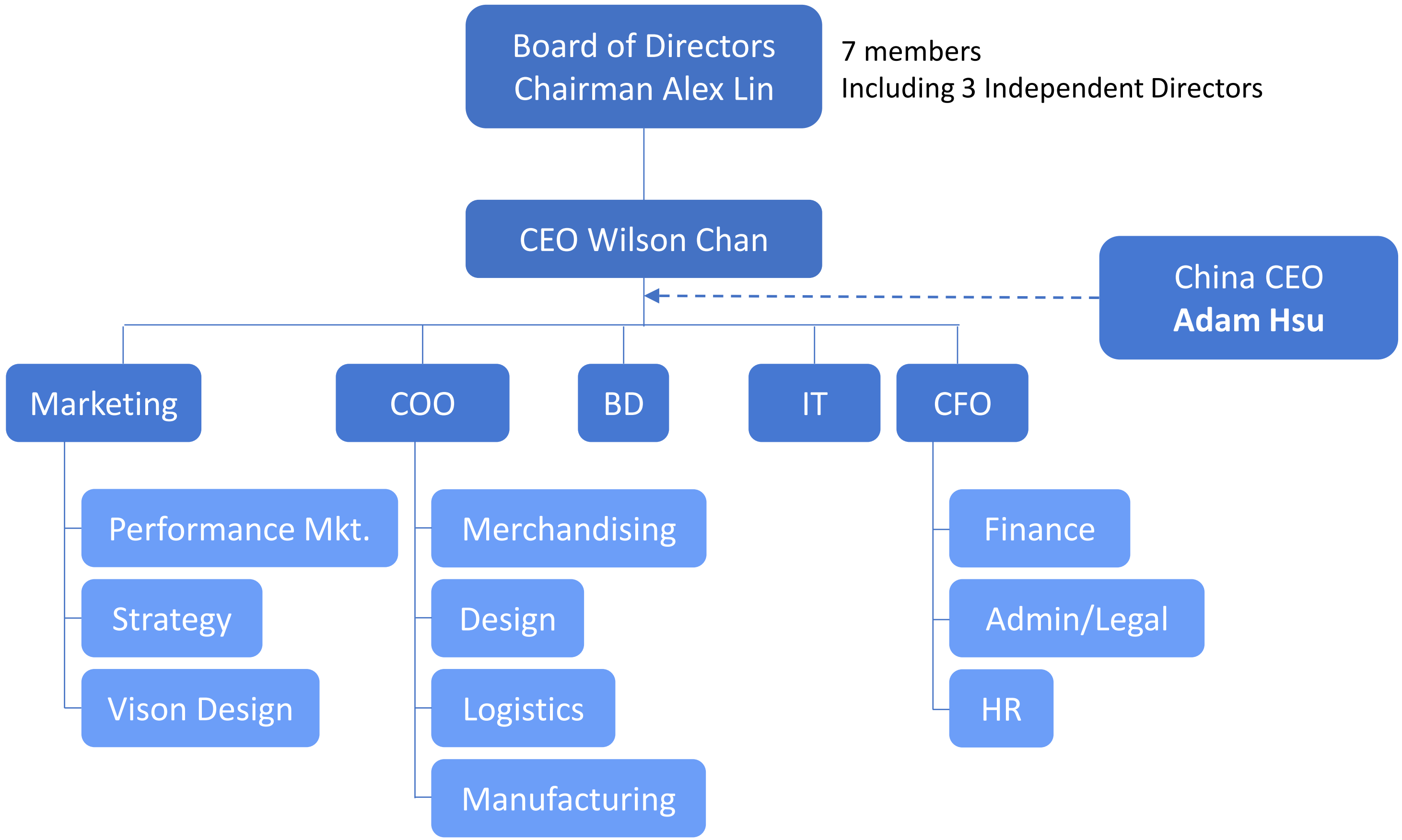
Roadshow June 2023

穿在身上的祝福

les enphants

Company Overview

Company Organization

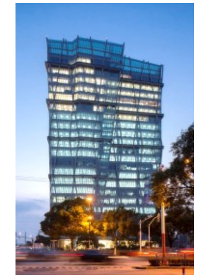


Total Employees: 1,545 (762 in TW & 783 in Mainland China)

- TWSE code: 2911
- Headquarter：Neihu, Taipei City

History and Milestones

- **1971** — Established; First Store Opened in Taipei
- **1991** — Brand Launched nac nac
- **1992** — First Public Offering of Stocks
- **1993** — Entered China Retail Market
- **1997** — Stock Listed on TWSE
- **2004** — New Channel Launched – OPEN for Kids
- **2013** — Shanghai LE Building Completed

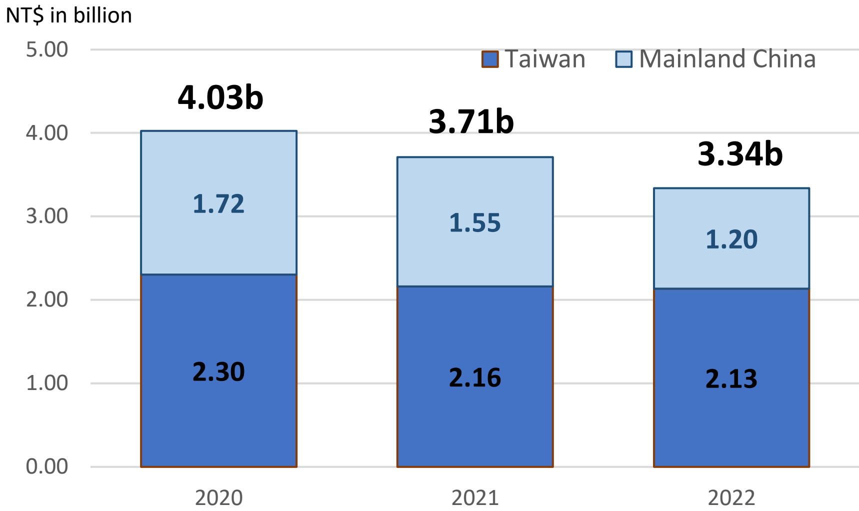


Stores om Great China

	Mainland China	Taiwan	Total
les enphants Stores			
- Own Stores	263	124	387
- Franchise	157	-	157
Brand Agency	-	79	79

註：門市數係統計至2023年3月31日

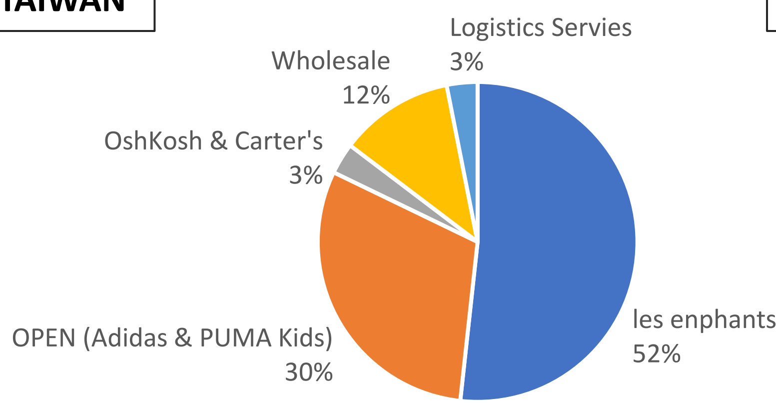
Performance in Recent Years



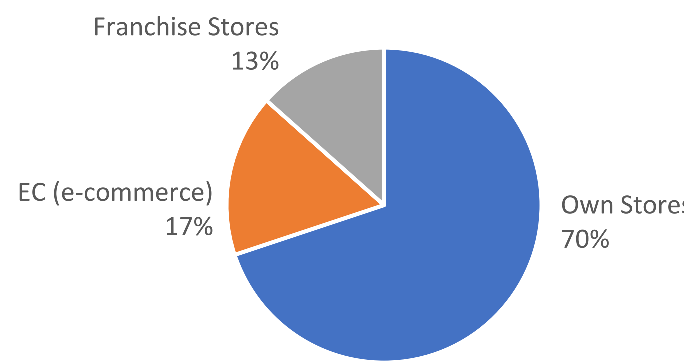
- Our sales dropped **8% in 2021**, and **10% in 2022**, due to the huge impact of COVID. Especially in mainland China.
- Apart from COVID, we also closed stores under performance in this period. Comparing to beginning of 2020, we had closed **12% stores in Taiwan**, and **16% self-owned stores in mainland China**.
- EPS reported from 2020 to 2022 is **NT$(1.72)**, **NT$(1.32)** and **NT$(3.42)** respectively.

Sales Breakdown (Year 2023)

TAIWAN



MAINLAND CHINA



note: E-commerce sales was less than 10% of all retail sales in Taiwan.
(les enphants + OPEN + OshKosh & Carter's)

Advantages and Company Strengh

Children's Fashion

- Largest children's chain retailer in Taiwan with 10% total market share
- **2 in-house brands (les enphants, YUAN) and 2 third-party brands (Carter's, Oshkosh)**
- 544 retail outlets across Taiwan and China
- Full capabilities from product development through retail

Children's Athletics

- Top children's athletic retailer in Taiwan, with 10% market share
- 3 third-party brands (Adidas, Puma, Kangol)
- 80 retail outlets in Taiwan
- Handle all business activities including merchandising, marketing, logistics, and retail

Accessories

- Major retailer of children's accessories, with 7% market share
- 2 in-house brands (les enphants, nac nac) and 50+ third-party brands
- 544 retail outlets across Taiwan and China
- Full capabilities from product development through retail

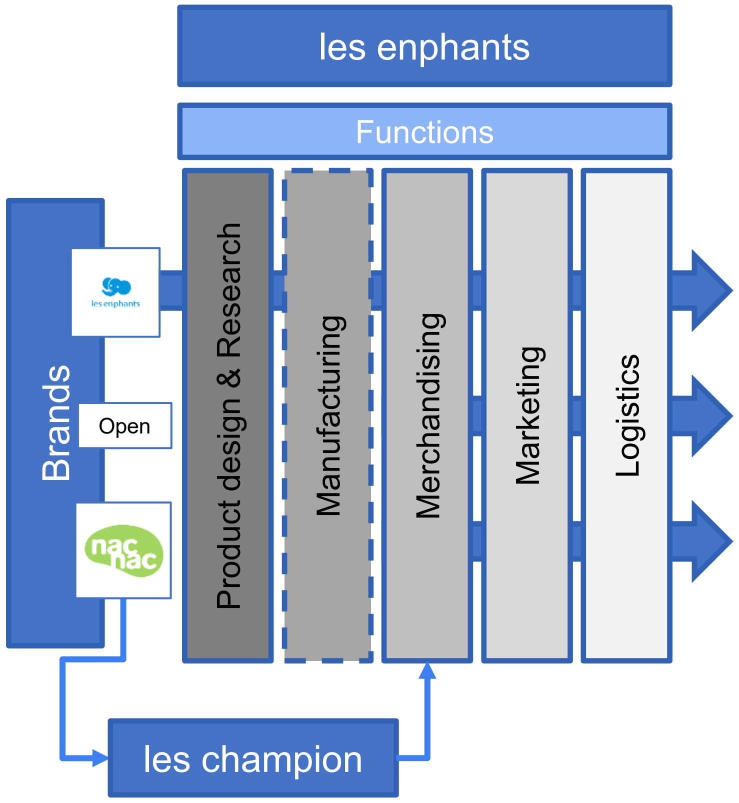
Children's Fashion 47% | Children's Athletics, 32% | Accessories, 21%

台灣 64% | 中國 35%

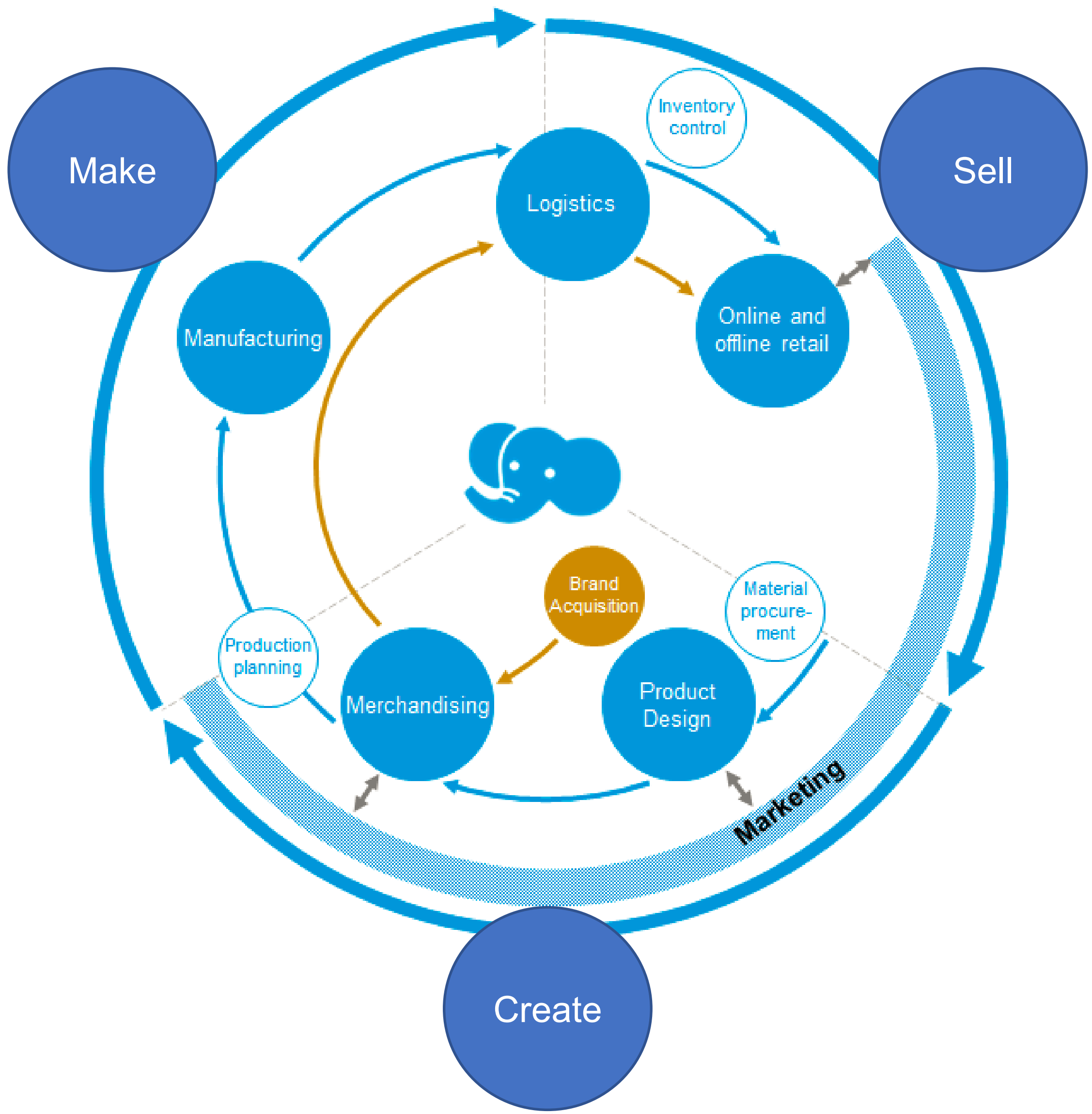
Mid-tern Strategies

Initiative 1 : Stabilization activities – restructuring the companies

- Integrating manufacturing, supply chain, R&D, and design globally to help build synergy
- Increasing cross-functional communication by integrating the business units by function instead of by brand
- Building on core strengths from our history, standardizing our merchandising, marketing and logistics capabilities across all brands and regions to extend the best practices

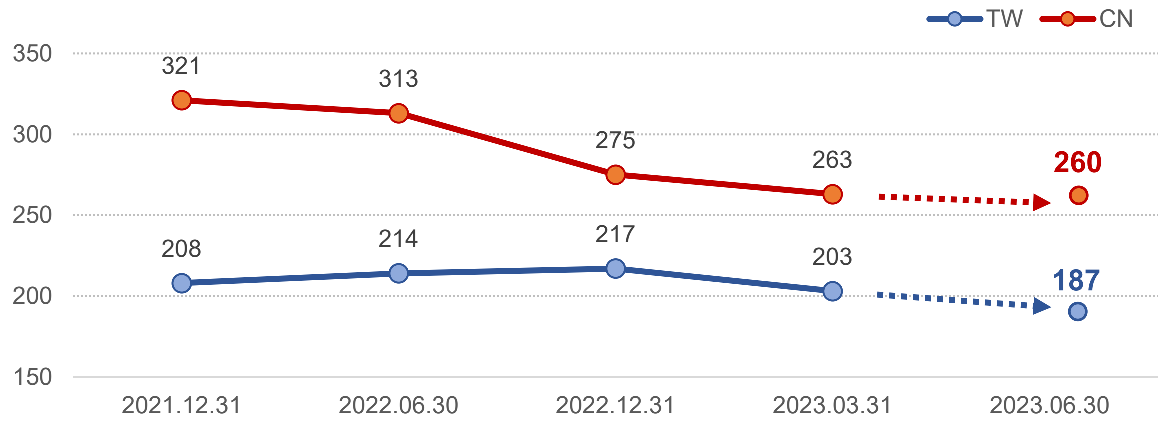


Initiative 1 : Stabilization activities – restructuring the companies

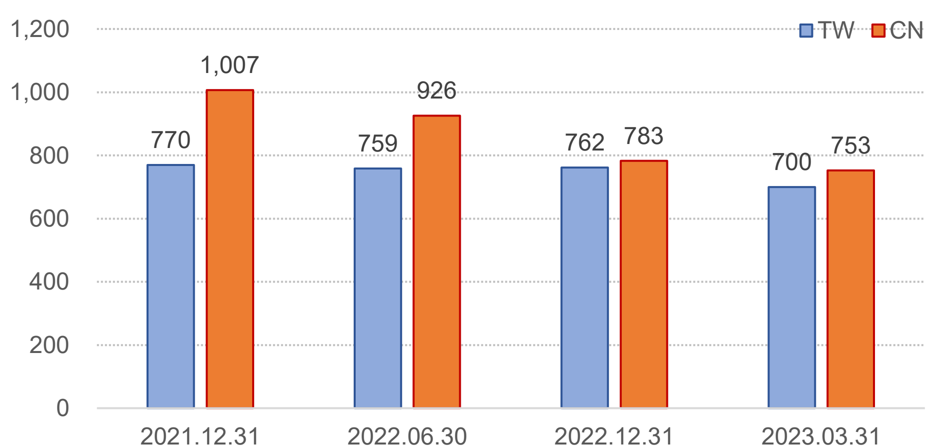


Initiative 1 : Stabilization activities – Store and Headcount Reduction

Elimination of Under-performance Stores



Headcount Downsizing



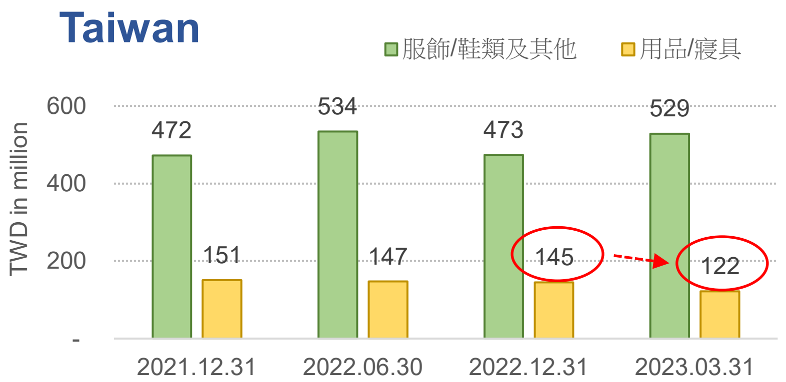
Taiwan

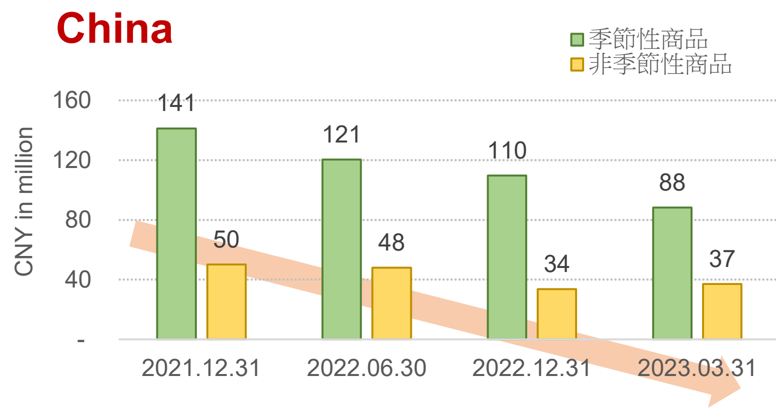
From 2022 December
Salary expenditure -5%
Headcounts -16%
(-12% in HQ & -8% in Stores)

China

From 2022 March
Salary expenditures -29%
Headcounts -25%
(-35% in HQ & -22% in Stores)

Initiative 1 : Stabilization activities – Inventory Control





- The special sales had decreased our consumable inventories by 16% in 1st quarter.

- Procurements in second half of 2022 were halted due to the cash flow concern.

Short term priority:

- Increase product bundling and incentivizes “+1 piece” sales through exploration of previous sales patterns at a store level
- Limit small scale outlet events, to save resources for larger scale VIP member outlet sale events that are inclusive of extracurricular activities for children to increase AOV

Mid-term priority

- Use our consumer datasets to plan more curated collections for inventory
- Shift to a shorter inventory cycle with more flexible supply chain solutions

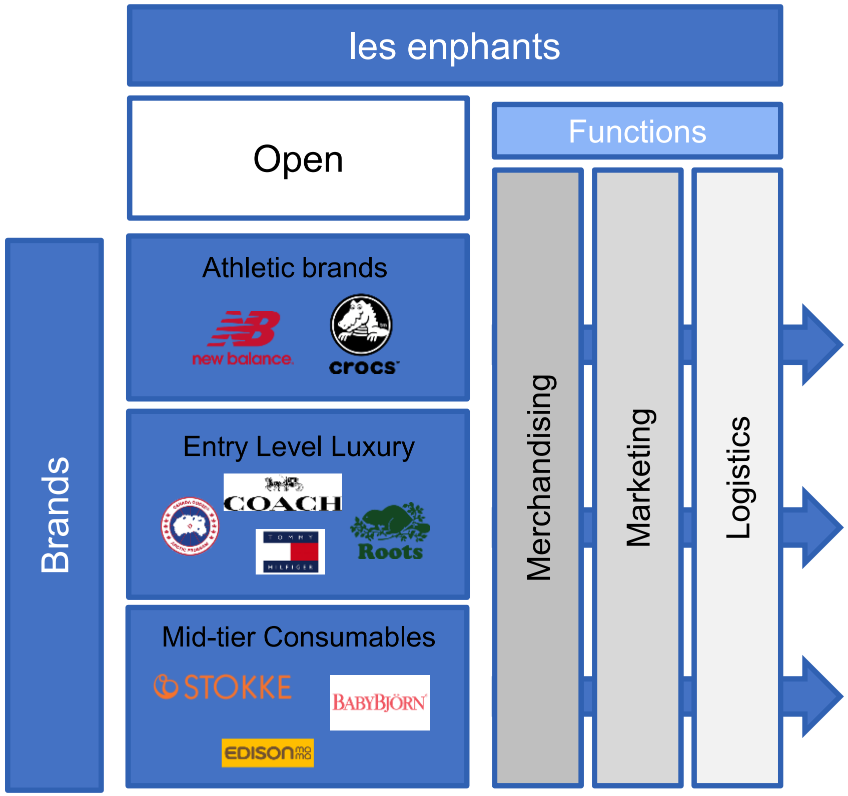
Initiative 1 : Growth Plan in TW and Mainland China

EC	• Focus on Quality of revenue, removing lower throughput channels that do not add to gross profit at target • Prioritizing self-owned channel EC in both Taiwan and China, providing more content and SEO prowess to drive both organic and inorganic traffic • Retooling product mix on each EC channel
Data driven merchandising and curation	• Using both internal and external data sources to provide data insight on product colors, designs, and styles • Upgrade supply chain capabilities to include more low volume productions at faster rates to create prototypes for sampling in the market throughout each region • Create a more unique digital experience for each user based on browsing and purchasing history on the website with simple functions such as recommendations to more advanced functions such as community based polling for production
Retail footprint rationalization	• Focus on gathering consumer movements and consumption patterns, where are our consumers now, where do they buy things, what are they looking for when they go into each store • Replace lower performing stores to spare resources to open new stores in locations where traditionally we would have not considered before based on the information gathered • Experimentation of store concepts, to be inclusive of the needs of our consumers to help create traffic such as playrooms, product demo stores, or learning facilities

Initiative 1 : Business Development

Foundational Element

- Core backend process that has been cultivated over the last 50 years, including merchandising, manufacturing, design, marketing, and logistics
- Offering services in piece-wise fashion to difference brands we see fitting in the portfolio
- Building stronger leverage in the retail distribution channels with a larger range of product offerings, lowering the overall commission paid



Initiative 2 : eCommerce – Transition from Traditional

	Retail Shop	O2O	Online
Product Exploration • UI/UX focus • Showcasing products for different TA's	• New experience store setup to better facilitate the needs for the community around each store	• Adding offline to online ordering, as we as online to offline pickups to help drive traffic both ways	• Using the flexibility and speed of the eCommerce site, testing more products at a faster rate to see how to merchandise
Guidance and Test Trial • Knowledge/ experience to be passed to new parents	• Standardize SOP of foundational customer service strategies in each brand we represent	• Bringing online the store clerks and managers feedback so showcase more expert information people have come to rely on	• Adding more virtual classes and events to help gather more audience for subject matters experts, while also curating topics for viewing
Community support • Like-minded parents peer review products, questions and answers	• Using retail locations as a community center to help centralize services and support in one location	• Partnering with local business partners to help enhance the suite of solutions available as a membership service or a directory for our customers	• Having a forum and community leaders to lead discussion and keep topics fresh and relevant for the community at hand

Cycle of feedback of consumers from online to offline

- Using resources from our experience with consumer needs, we are developing an internal system to bridge the user experience and user interface of the offline setting and bringing it online
- Creating more opportunities to drive traffic both directions to help unify the experience of the consumer such that the entry barrier and use of the stores/website can increase overtime

Initiative 2 : eCommerce – channel differentiation

	Product Mix	Average Order	Target Margin
Self operated eCommerce site	Complete collection, limited edition products, broad brand overview	$1300-1600 NTD per transaction, 2-5 transaction per year	45-55% Gross margin
3rd party eCommerce sites	Core collection, best sellers, high volume products	$600-800 NTD per transaction, 3-4 transaction per year	20-30% Gross margin

Differentiation and limiting the overlap of products from the 3rd party platforms to our own platforms

- Creating unique bundles on the 3rd party eCommerce sites will help differentiate each platform for each other, lower the ability to cannibalize on the exact same product mix
- Limiting the pricing discounts of 3rd party website to site specific rebates instead of price reduction on the MSRP
- Using limited edition products and brands to feature on the website to help drive more traffic
- Self operated eCommerce shop will focus on the UI/UX specific to les enphants, that will help drive the brand value while also increase elements of community, knowledge libraries and overall helpfulness to new parents

Initiative 2 : eCommerce – Expansion Overseas

Priority of Expansion:

Stage 1:	Stage 2:	Stage 3:	Stage 4:
Using 3rd party platforms as a method for driving brand awareness	Adding cross-border eCommerce functions on Taiwan Site	Bring down pricing and introduce new lines of business into the EC site	Physical flagship store presence

Tier 1: Singapore and Malaysia (large Chinese speaking populations)

Launch 1H 2024	Launch 2H 2024	Launch 1H 2025	TBD

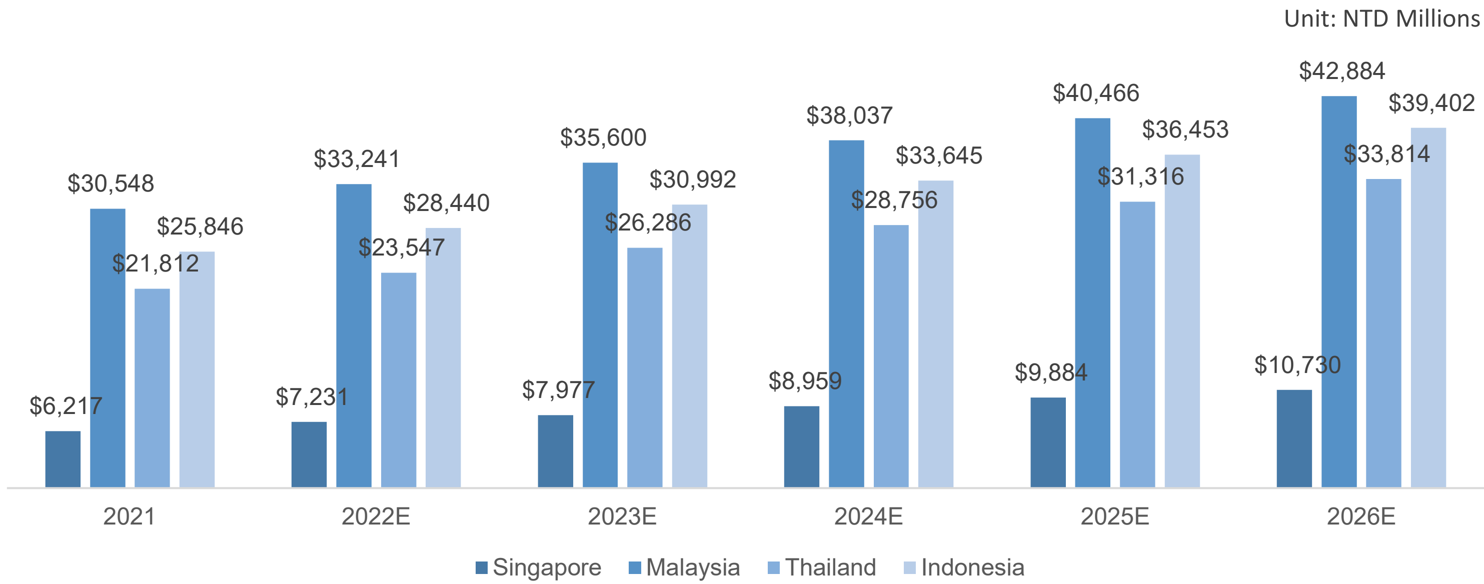
Tier 2: Thailand, Philippines, Indonesia (High spending power relative to living)

Launch 1H 2025	Launch 2H 2025	Launch 2H 2025	TBD

Tier 3: Vietnam, Cambodia (EC growing very rapidly)

Launch 2H 2025	Launch 1H 2026	Launch 2H 2026	TBD

Initiative 3 : SEA Expansion - Macros



Bigger Market Size with High Growth

Primary focus:

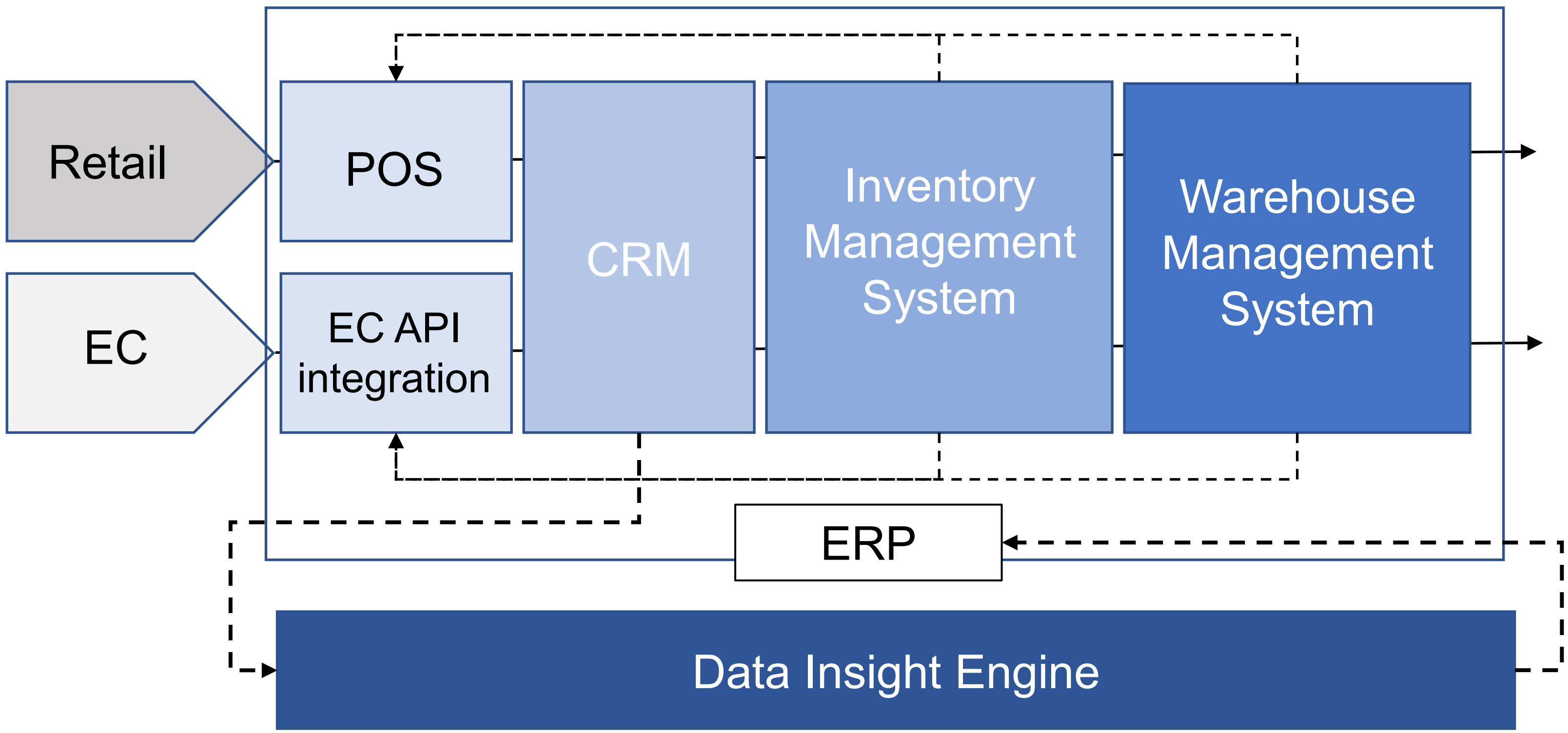
- Address Chinese speaking populations in the target Singapore, Malaysia and Thailand Markets with a side entry into Hong Kong
- Rationale: brand accessibility and speed would be increased if language was not changed across regions, access to translation programs would be added on to the EC cites if consumer demand pushes

Source: "Premium Apparel and Premium Children's and Baby's Fashion Retailing in South Korea, Taiwan, Singapore and Select Southeast Asia Countries", EUROMONITOR International, 2023

Initiative 3 : SEA expansion – Priorities

EC	• Work with 3rd party platforms to create brand recognition, with the model of fulfilment from Taiwan or China depending on the product line • After conversion from 3rd party website, focus on retargeting and retention to self-operated EC site and work on a cross-border eCommerce approach to fulfilment and sales to increase margin
Flagship Retail	• Based on our internal milestones, if traffic or volume starts to reach critical mass, we will start to expand a physical retail presence • Focus on the experience of the store and the brand showcase more than the sales amount • Store count will be minimal and focus on areas with the most addressable market versus prime real estate in city centers
Distributor/ Franchise	• Following the expansion to key markets, using them as a showcase to attract distribution and franchisees in other SEA markets to operate retail footprint • Self-operated EC will always be held by HQ, but potentially distribution and fulfilment in 3rd party EC will be franchised out depending on the minimum guarantee

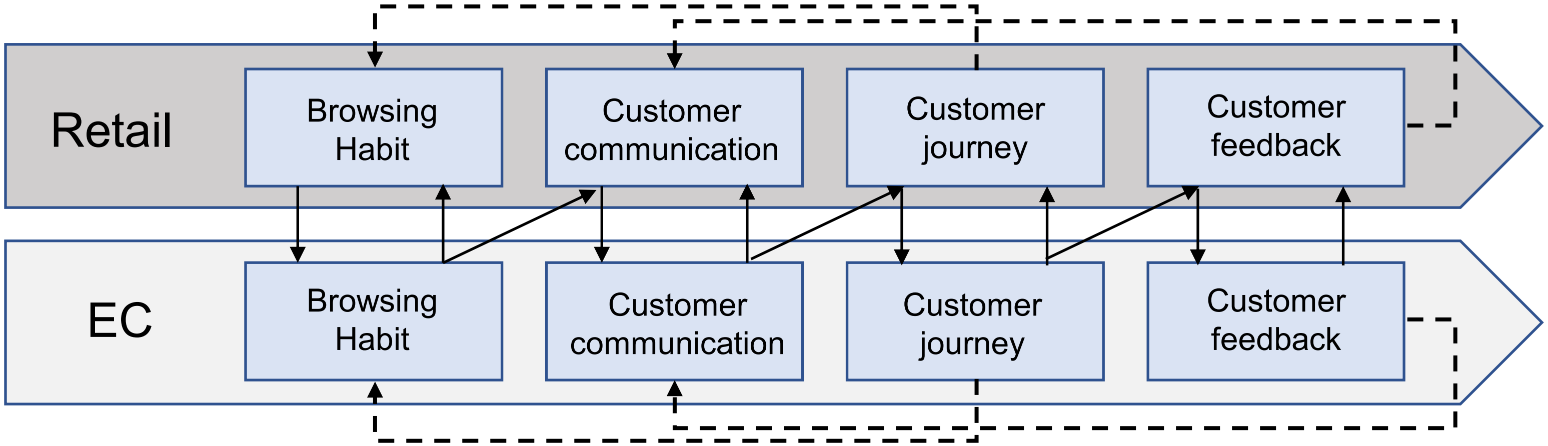
Initiative 4 : Tech-enabled Business Processes – ERP/CRM/WMS



Main Focus:

- Digitalize all legacy processes and documentation, in order to visual and reference data more reliably and consistently
- Data Insight Engine is a combination of external vendors predictive analytics as well as internal built data model to help rationalize and speed up decision making processes for product mix and pricing

Initiative 4 : Tech-enabled Business Processes – Big Data



Key differentiation: physical retail data to supplement online data

- Using our physical store network, we will be re-evaluating how consumers consume information and make purchasing decisions
- Online behavior can be understood with heatmaps and CTA protocols, but in the physical stores, we have not yet implemented the same rigor
- Pushing these online tactics offline, we are able to better differentiate each customer profile in store and track to see the online/offline consumer journey
- Setting up experimental stores and O2O experiments, we will be driving traffic both directions to enhance the conversion rate of which consumers purchase
- Increase the community aspect, as the core principals of les enphants is creating value for parents and children, so we will also increase the amount of services we offer along side products in the mid term

Thank you