

# Fourth Quarter and Full Year 2023 Investor Presentation

Yatsen Holding Limited

## Disclaimer



This presentation has been prepared by Yatsen Holding Limited (the "Company") solely for information purpose. By viewing or accessing the information contained in this material, you hereby acknowledge and agree that no representations, warranties or undertakings, express or implied, are made by the Company or any of its directors, shareholders, employees, agents, affiliates, advisors or representatives as to, and no reliance should be placed upon, the accuracy, fairness, completeness or correctness of the information or opinions presented or contained in this presentation. None of the Company or any of its directors, shareholders, employees, agents, affiliates, advisors or representatives accept any responsibility whatsoever (in negligence or otherwise) for any loss howsoever arising from any information presented or contained in this presentation or otherwise arising in connection with the presentation. The information presented or contained in this presentation is subject to change without notice and its accuracy is not guaranteed.

This presentation does not constitute an offer to sell or issue or an invitation or recommendation to purchase or subscribe for any securities of the Company for sale in the United States or anywhere else. No securities of the Company may be sold in the United States without registration with the United States Securities and Exchange Commission (the "SEC") or an exemption from such registration pursuant to the Securities Act of 1933, as amended (the "Securities Act") and the rules and regulations thereunder. No part of this presentation shall form the basis of or be relied upon in connection with any contract or investment decision in relation to any securities or otherwise. This presentation does not contain all relevant information relating to the Company or its securities, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company. Nothing contained in this presentation shall be relied upon as a promise or representation as to the past or future performance of the Company. Past performance does not guarantee or predict future performance. You acknowledge that any assessment of the Company that may be made by you will be independent of this presentation and that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the business of the Company.

Certain statements in this presentation, and other statements that the Company may make, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. These statements reflect the Company's intent, beliefs or current expectations about the future. These statements can be recognized by the use of words such as "expects," "plans," "will," "estimates," "projects," "intends," "anticipates," "believes," "confident" or words of similar meaning. These forward-looking statements are not guarantees of future performance and are based on a number of assumptions about the Company's operations and other factors, many of which are beyond the Company's control, and accordingly, actual results may differ materially from these forward-looking statements. The Company or any of its affiliates, advisers or representatives has no obligation and does not undertake to revise forward-looking statements to reflect future events or circumstances.

This presentation also contains non-GAAP financial measures, the presentation of which is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). In addition, the Company's calculation of these non-GAAP financial measures may be different from the calculation used by other companies, and therefore comparability may be limited. The reconciliation of those measures to the most comparable GAAP measures is contained within this document or available at the Company website http://ir.yatsenglobal.com/.

## PERFECT DIARY





# Fourth Quarter and Full Year 2023 Review

## Fourth Quarter 2023 Snapshot

**Total Net Revenues** 

RMB 1.07B

+6.7% YoY

**Gross Margin** 

73.7%

+2.6 percentage points YoY

**GAAP Net Loss Margin** 

46.1%

**Expanded by 40.6 percentage** points YoY

Non-GAAP Net Loss Margin

8.7%

Compared with non-GAAP net income margin of 3.4% for the prior year period

Net Cash Generated from Operating Activities

RMB 90.5M



## Full Year 2023 Snapshot

**Total Net Revenues** 

RMB 3.41B

-7.9% YoY

**Gross Margin** 

73.6%

+5.6 percentage points YoY

**GAAP Net Loss Margin** 

22.0%

Narrowed by 0.2 percentage points YoY

Non-GAAP Net Loss Margin

8.7%

Narrowed by 3.6 percentage points YoY

Cash, Restricted Cash and Short-term Investments<sup>1</sup>

RMB 2.08B

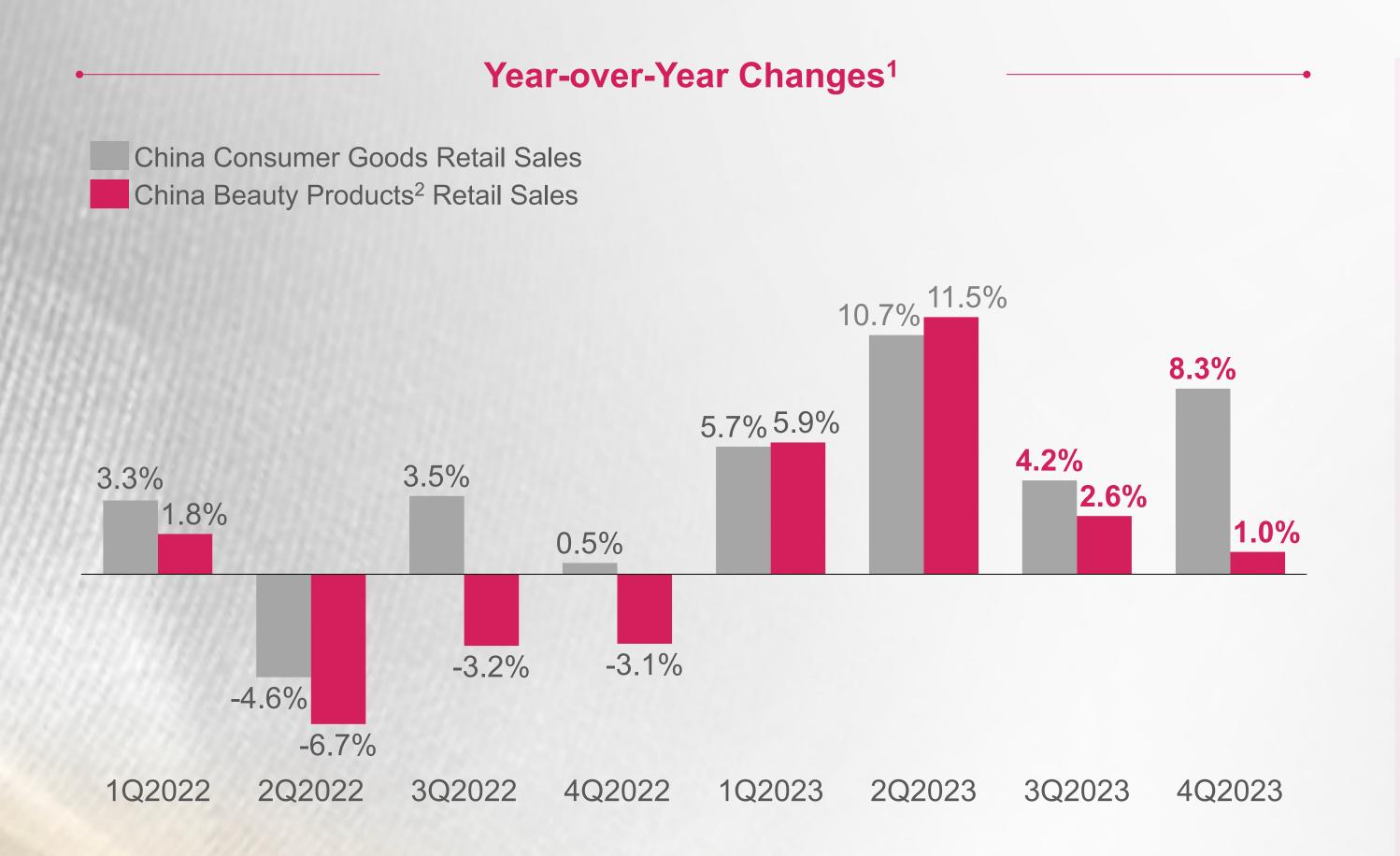
Notes:

<sup>1</sup> As of December 31, 2023.



## Modest Recovery Post-COVID





Total retail sales of consumer goods increased by 8.3% and 7.2% year over year for the fourth quarter and full year of 2023, respectively...

...while total beauty retail sales increased by 1.0% and 5.1% year over year for the fourth quarter and full year of 2023, respectively.

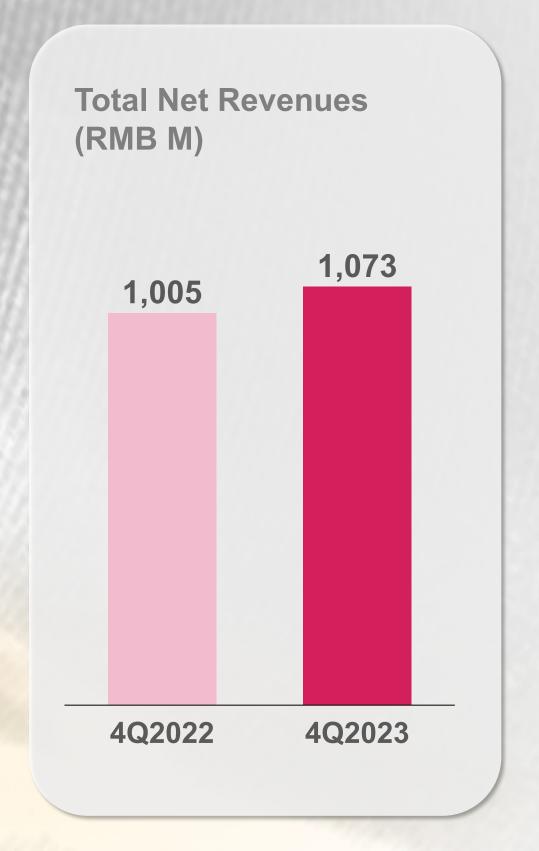
<sup>&</sup>lt;sup>1</sup> Based on the adjusted data published by China National Bureau of Statistics ("CNBS").

<sup>&</sup>lt;sup>2</sup> Beauty products include color cosmetics and skincare products.

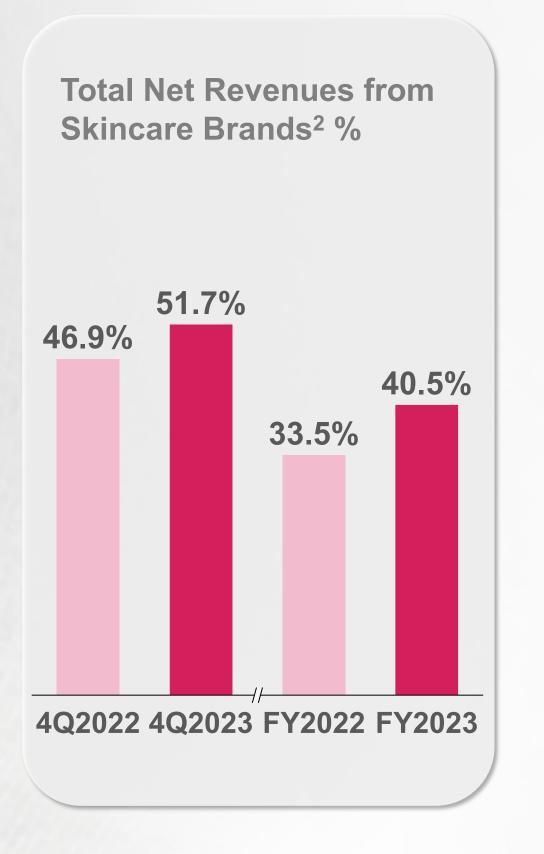
## Our Strategic Transformation on Track



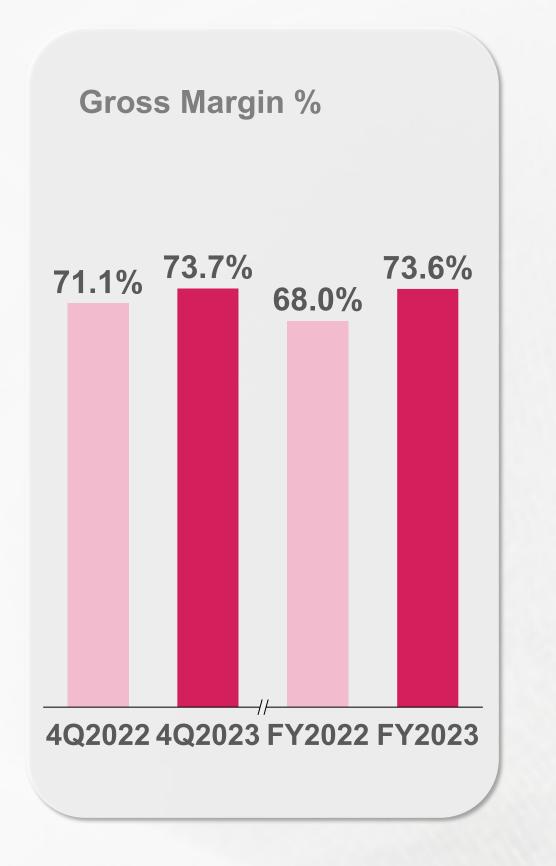
# Return to Revenue Growth in the Fourth Quarter of 2023



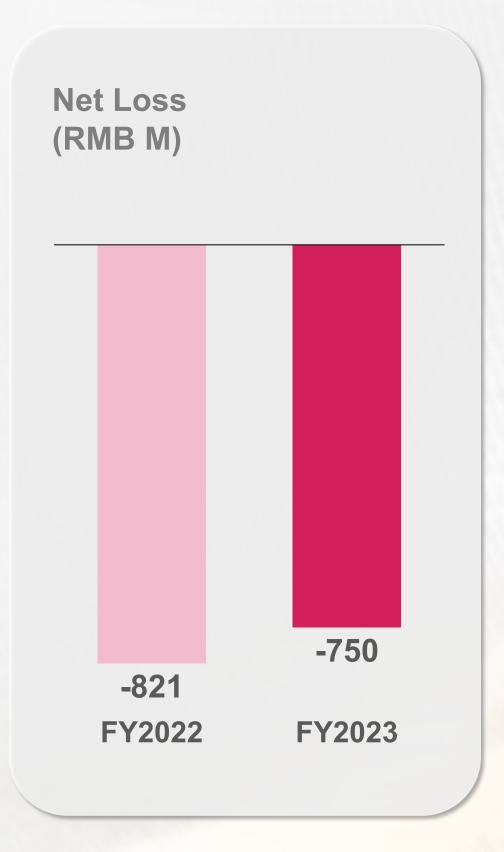
#### Higher Revenue Contribution from Skincare Brands<sup>1</sup>



## Improved Gross Margin



Narrowed
Net Loss for Full Year
2023



<sup>&</sup>lt;sup>1</sup>As a percentage of total net revenues

<sup>&</sup>lt;sup>2</sup> Include net revenues from Galénic, DR.WU (its mainland China business), Eve Lom, Abby's Choice and other skincare brands of the Company.

## Key Business Initiatives for 2023



## Revenue Mix Optimization

Drive growth of skincare brands

Reshape color cosmetics business model

Invest in R&D for robust new hero product pipeline

## **Cost Cutting**

Implement more disciplined pricing and discount policies

**Optimize supply chain** 

Improve operating efficiencies

## **Growing Skincare Brands**



4Q2023 Net Revenues from Skincare Brands<sup>1</sup>

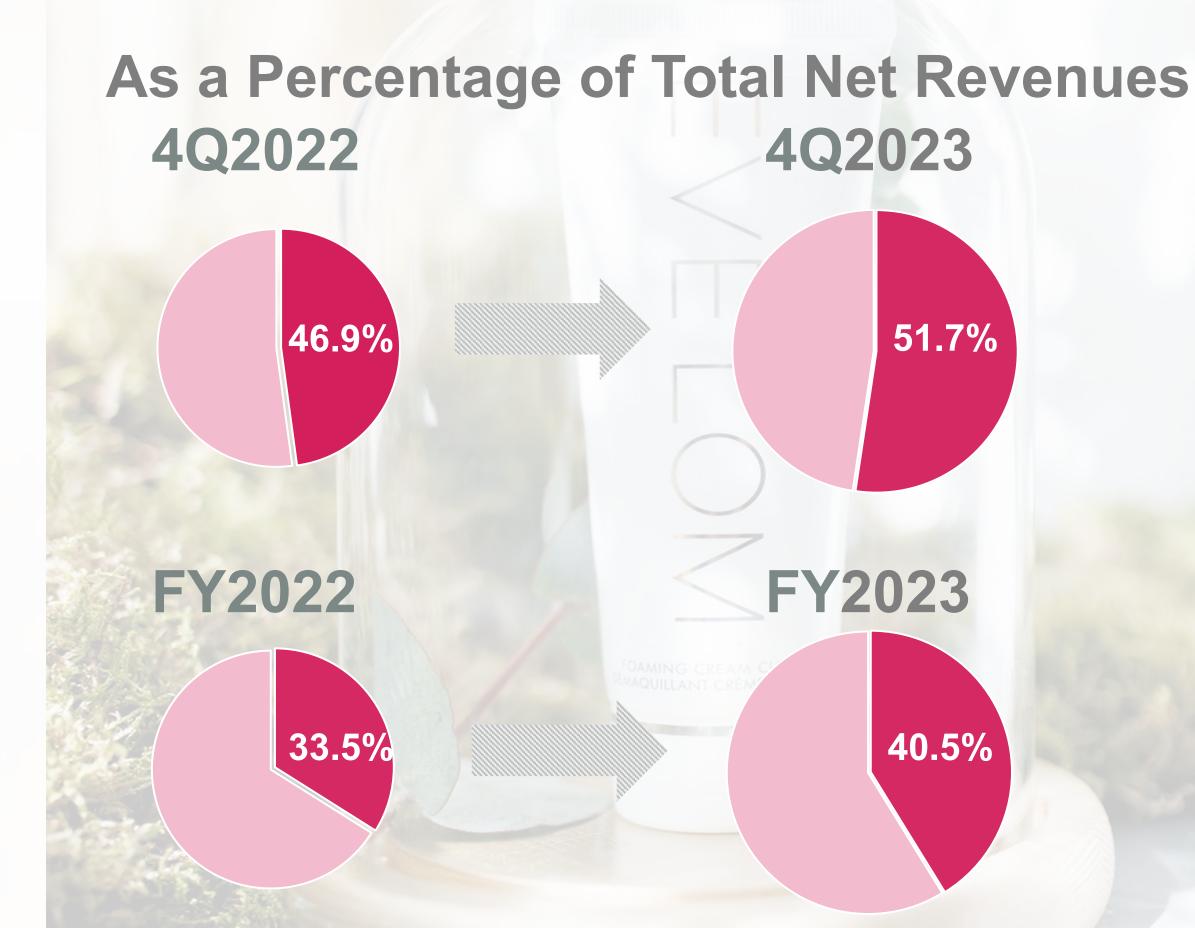
RMB 554.8M

+17.6% YoY

FY2023 Net Revenues from Skincare Brands<sup>1</sup>

RMB 1.38B

+11.4% YoY



<sup>&</sup>lt;sup>1</sup> Include net revenues from *Galénic*, *DR.WU* (its mainland China business), *Eve Lom, Abby's Choice* and other skincare brands of the Company.



## Solid Clinical and Premium Skincare Brands Performance



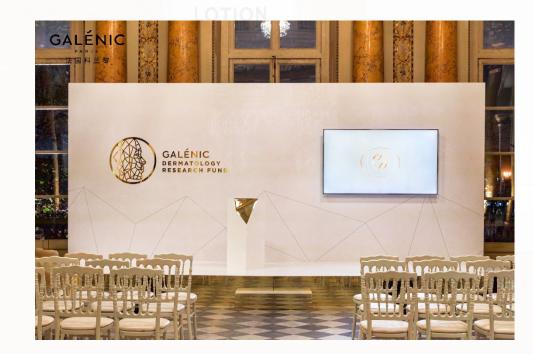




Mainland China Business

+23% YoY for 4Q2023 and +22% YoY for FY2023 in combined net revenues for Galénic, DR.WU<sup>1</sup>, and Eve Lom

The Galénic Dermatology Research Fund was established to award prizes for research in dermatology.



Galénic Dermatology Research Fund

DR.WU Acne Research Fund announced its first batch of pioneering research projects at the 2023 National Congress of Cosmetic Dermatology.



DR.WU at the 2023 National Congress of Cosmetic Dermatology

Eve Lom opened its first offline store in Southern China in January 2024, bringing its tactile experience to a broader customer base.



**Eve Lom Offline Store** 

## **Perfect Diary Brand Upgrade**









デース PERFIECT IDIARY 完美日记 首创「「仿生膜」精华口红 大猫口红热销榜 NO.1<sup>2</sup>

No.1 selling lipstick product on Tmall<sup>1</sup> from September 16 to October 30, 2023



No.1 selling lipstick brand on Douyin<sup>1</sup> during the Double 12 Shopping Festival 2023

We introduced Biolip Essence Lipstick, the new hero product of Perfect Diary, at our grand product launch in September 2023.

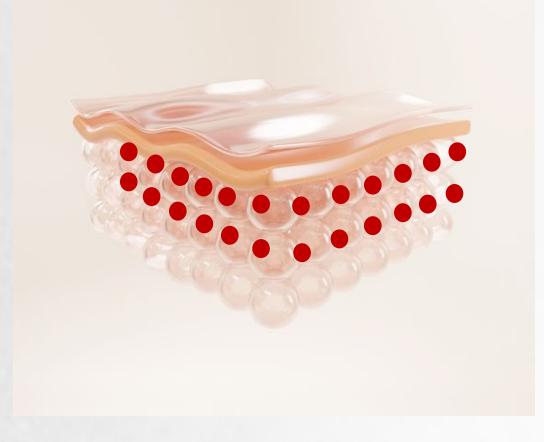
Powered by the newly-launched lipstick, Perfect Dairy has been gaining market share in the lipstick category on both Tmall and Douyin.

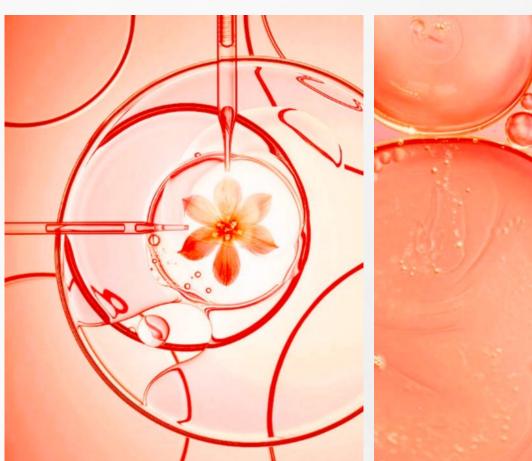
<sup>&</sup>lt;sup>1</sup> In terms of retail sales value

# Our Exclusive Biolip Technology and Patented Pomegranate YSG 逸仙 Peptide Complex

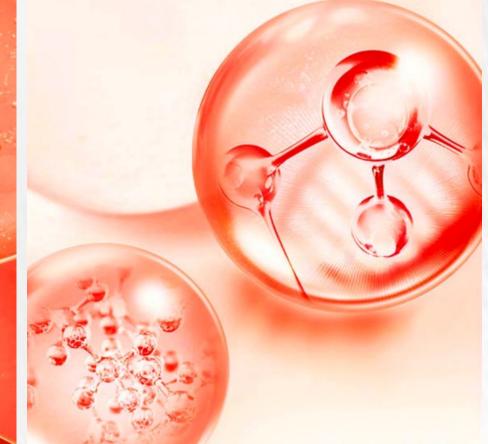
# [Vibrant color when applied, maintains its radiant quality over time]











#### The Biolip Technology

Protects the delicate skin barrier of the lips by forming a bionic sebum film.

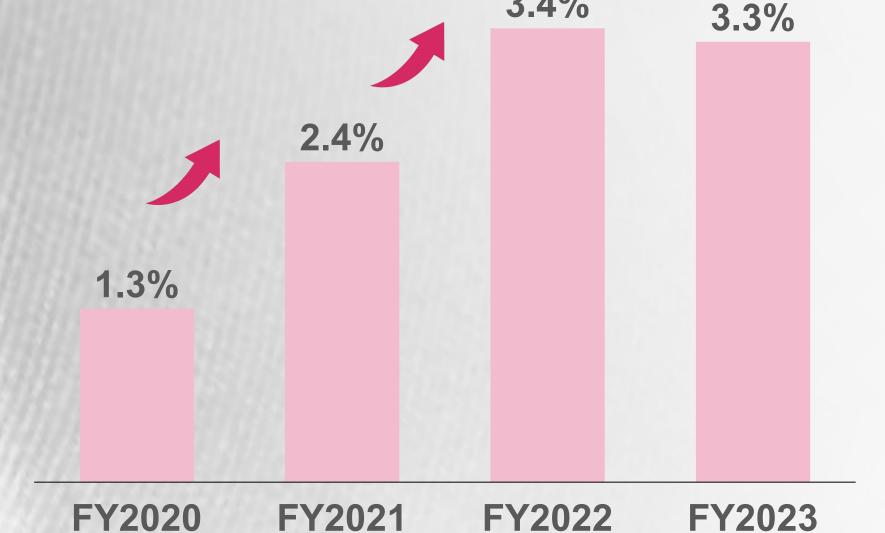
#### The Pomegranate Peptide Complex

Contains a diverse assortment of active molecules extracted from pomegranates that simulate microcirculation and promote collagen renewal.

## Ongoing Investment in R&D







RMB 112M in FY2023

RMB 447M since FY2020

#### **R&D Milestones**

2023.03	Ms. Jing Cheng was appointed our Chief Scientific Officer					
2023.06	The Yatsen-Ruijin Medical Skincare Joint Laboratory officially launched					
2023.07	We sponsored the World Congress of Dermatology and attended with DR.WU and Galénic					
2023.09	We brought Galénic's patented ALGAE-TIDE to the IFSCC Congress					
2023.09	We debuted Perfect Diary's Biolip Essence Lipstick, showcasing our exclusive Biolip technology					
2023.12	DR.WU's Acne Research Fund announced its first batch of pioneering research projects at the 2023 National Congress of Cosmetics Dermatology					













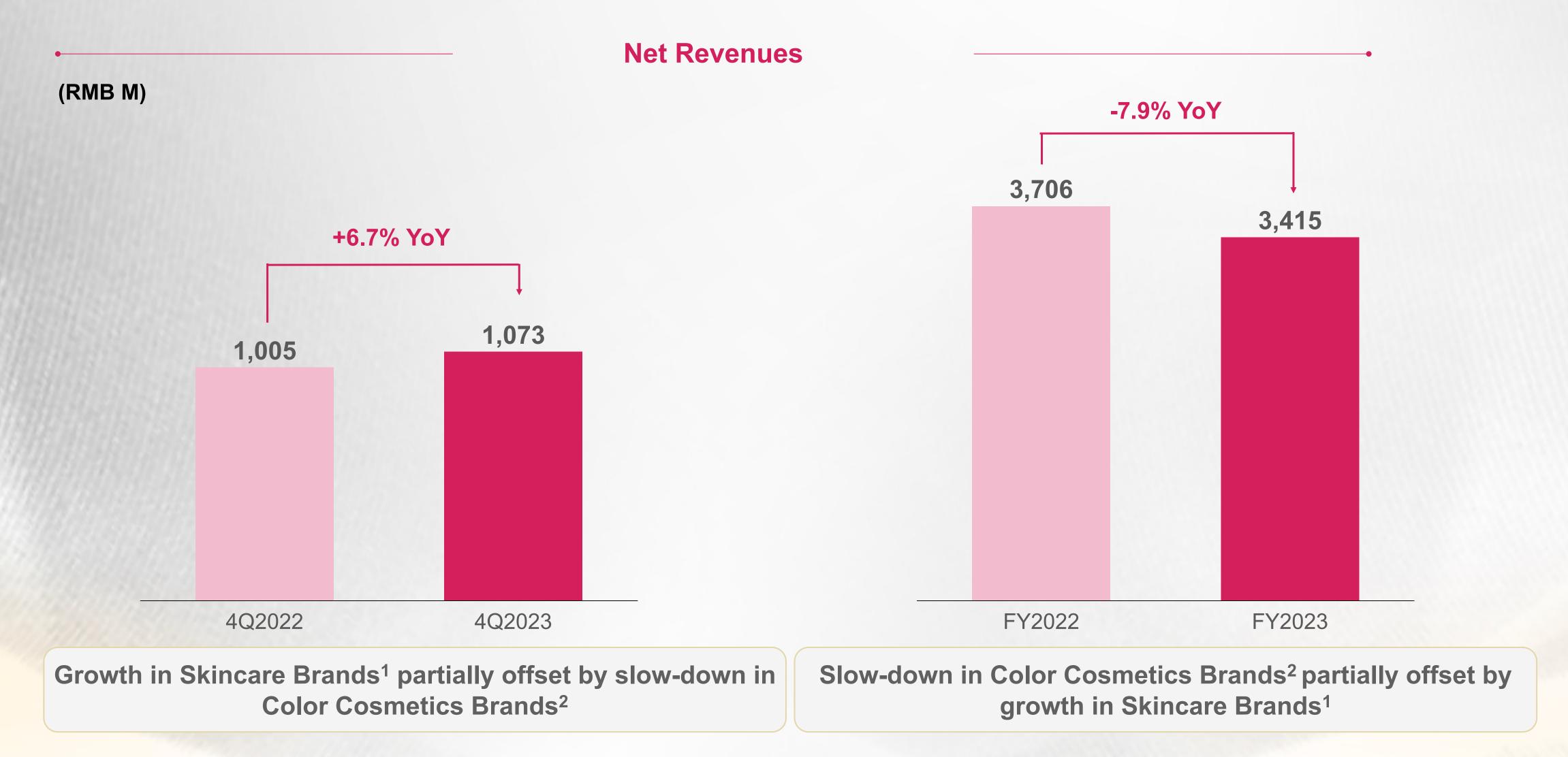




## Financial Review

### Revenue



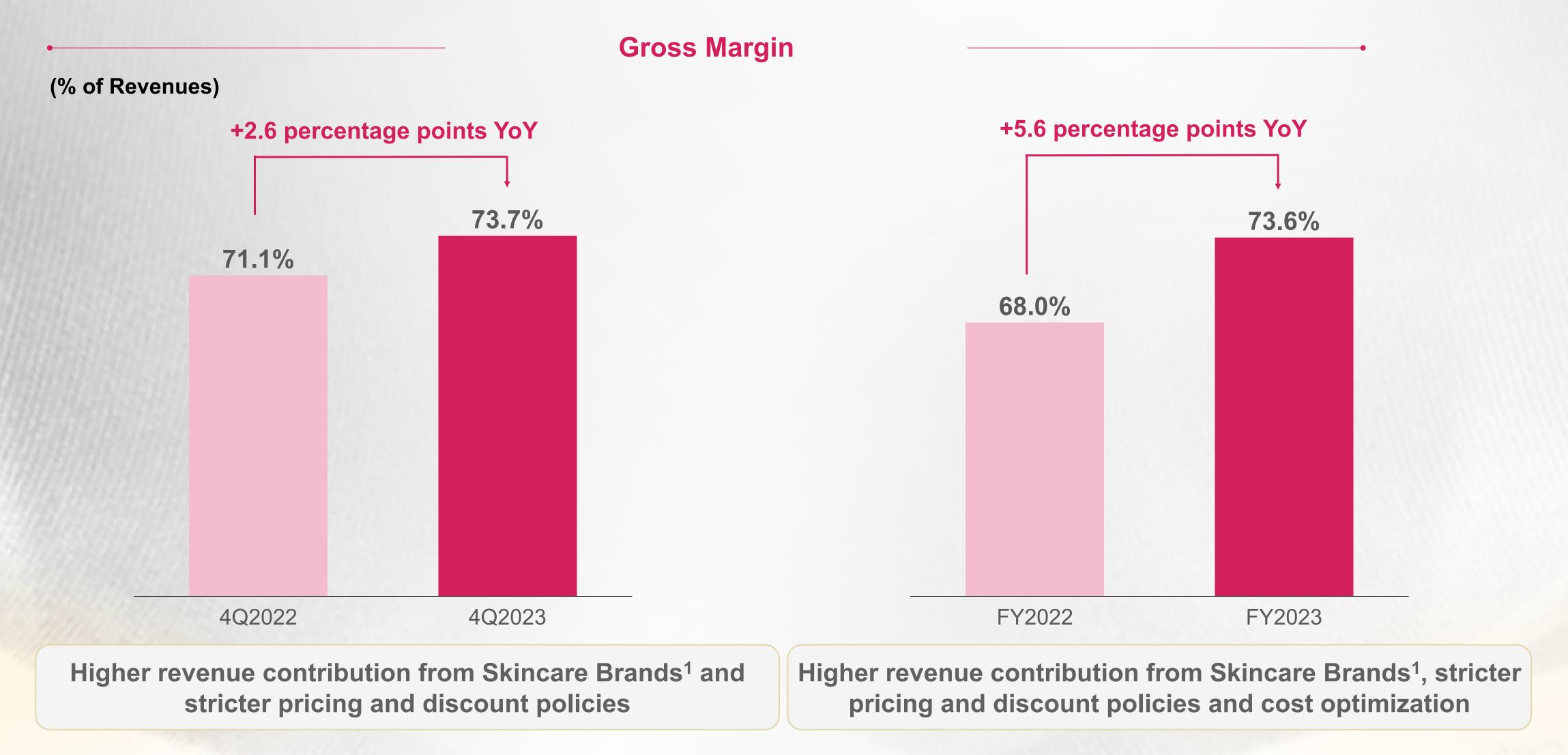


<sup>&</sup>lt;sup>1</sup> Include net revenues from Galénic, DR.WU (its mainland China business), Eve Lom, Abby's Choice and other skincare brands of the Company.

<sup>&</sup>lt;sup>2</sup> Include net revenues from *Perfect Diary*, *Little Ondine*, *Pink Bear* and other color cosmetic brands of the Company.

## Gross Margin

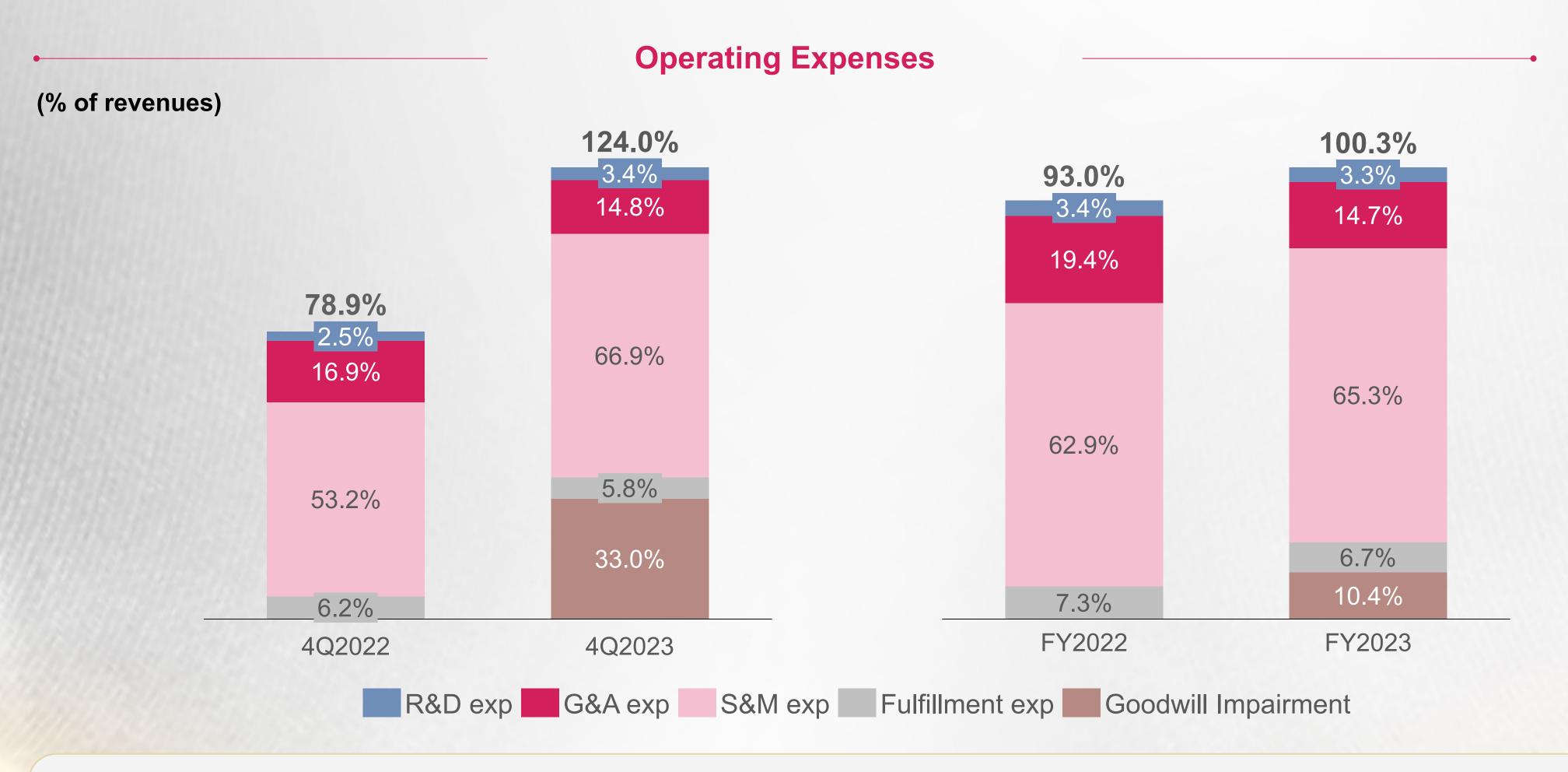




<sup>&</sup>lt;sup>1</sup> Include net revenues from Galénic, DR.WU (its mainland China business), Eve Lom, Abby's Choice and other skincare brands of the Company.

## **Operating Expenses**





- Impairment of Goodwill representing the amount by which the carrying value of the Eve Lom reporting unit exceeded its fair value
- Higher S&M expenses as a percentage of total net revenues primarily due to the Perfect Diary brand upgrade as well as investments in new product launches across our brands

## Net Income (Loss) Margin



Reconciliation of Non-GAAP Net Income (Loss)<sup>1</sup>

(RMB M)	4Q2022	4Q2023	FY2022	FY2023		
Net Income (Loss)	(55)	(495)	(821)	(750)		
Share-based compensation expenses	76	44	341	78		
Amortization of intangible assets resulting from assets and business acquisitions	13	15	49	54		
Revaluation of investments on the share of equity method investments	2	(10)	(13)	(22)		
Impairment of Goodwill	-	354	-	354		
Tax effects on non-GAAP adjustments	(2)	(3)	(8)	(9)		
Non-GAAP Net Income (Loss)	35	(94)	(453)	(296)		

#### Reconciliation of Non-GAAP Net Income (Loss) Margin

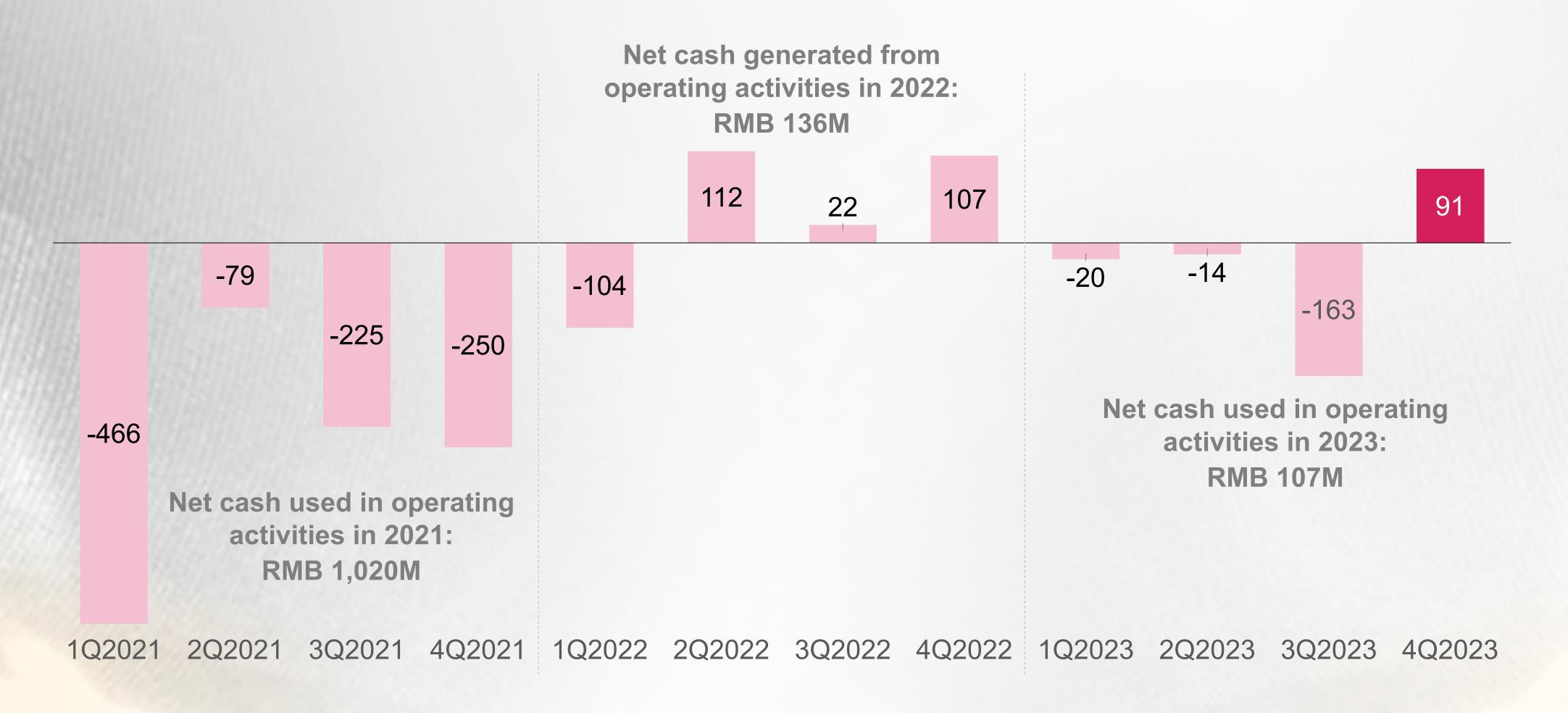
(%)	4Q2022	4Q2023	FY2022	FY2023
Net Income (Loss) Margin	( 5.5% )	(46.1%)	(22.2%)	(22.0%)
Share-based compensation expenses	7.6%	4.1%	9.2%	2.3%
Amortization of intangible assets resulting from assets and business acquisitions	1.3%	1.4%	1.3%	1.6%
Revaluation of investments on the share of equity method investments	0.2%	(1.0%)	( 0.3% )	(0.7%)
Impairment of Goodwill	-	33.0%	-	10.4%
Tax effects on non-GAAP adjustments	(0.2%)	(0.2%)	(0.2%)	(0.3%)
Non-GAAP Net Income (Loss) Margin	3.4%	(8.7%)	(12.2%)	(8.7%)

<sup>&</sup>lt;sup>1</sup> Non-GAAP net income (loss) is a non-GAAP financial measure. Non-GAAP net income (loss) is defined as net income (loss) excluding (i) share-based compensation expenses, (ii) amortization of intangible assets resulting from assets and business acquisitions, (iii) revaluation of investments on the share of equity method investments, (iv) impairment of goodwill and (iv) tax effects on non-GAAP adjustments. Non-GAAP net income (loss) for the prior year period presented in this document is also calculated in the same manner.

## **Operating Cashflow**



(RMB M)





## Thank You