

# Li & Fung Announces 2019 Interim Results

- Temasek's US\$300M investment in LF Logistics at US\$1.4B valuation to accelerate the growth of our logistics business and strengthen capital structure of the Group
- Group turnover declined 8.4% but stabilizing as a result of improvement in operations and customer engagement
- Core Operating Profit at US\$105M; Net profit swung back to positive
- Restructured global sourcing network enabling prompt action to minimize tariffs and business development focus yielding solid customer wins
- 3D virtual design disrupting traditional supply chain and starting to generate revenue
- Complex global trading environment presents the biggest opportunity for Li & Fung's business model in 20 years

**Hong Kong, 22 August 2019** – Li & Fung Limited (“Li & Fung”, “the Group” or “the Company”; SEHK: 494), the world's leading supply chain solutions partner for brands and retailers, today announced its interim results for the six months ended 30 June 2019.

On a like-for-like basis, turnover decreased 8.4% to US\$5,356 million mainly due to ongoing destocking, customer turnover and customer bankruptcies as brands and retailers continued to face pressure on sales and margins. These factors were offset by increased market share for certain key customers and new customer wins. Core operating profit (“COP”) decreased 18.6% to US\$105 million due to a decrease in turnover and total margin in the Supply Chain Solutions business, and continued investment in digitalization in line with the Company's long-term plan. With management's clear focus on operational and customer KPIs, Group turnover is showing early signs of stabilization.

Total margin as a percentage of turnover was 10.9% in the first half of 2019 (2018 Interim: 10.5%). Operating costs decreased 1.4% to US\$478 million as gains made from rightsizing the Supply Chain Solutions business and efforts to enhance operating efficiency were offset by digitalization investment and increased operating costs associated with the growth of the Logistics business (“LF Logistics”). Operating costs of the Onshore Wholesale business decreased by 9.0% due to the Company's ongoing restructuring efforts, particularly in the United Kingdom. Turnover and COP of the Logistics business increased 3.8% and 6.4% to US\$563 million and US\$43 million, respectively. On a constant currency basis, COP increased by 10.8%. Profit attributable to shareholders swung back to positive and recorded US\$21 million (2018 interim: US\$86 million loss) on a reported basis. The Board of Directors declared an interim dividend of 1 HK cent per share (2018 interim: 3 HK cents per share).

Commenting on the first half results, Spencer Fung, Group CEO of Li & Fung, said, “The new management team has been focused on restructuring the company and all operational KPIs are now improving for both our customers and suppliers. We are starting to gain momentum and winning market share and new customers due to our operational excellence, global diversified network and 3D virtual design services. As a result, turnover decline is stabilizing and beginning to bottom out.”

The focus of Li & Fung new management team on accelerating the Company's turnaround and digital transformation is already producing positive results. During the period under review, through a thorough review of its customer base and focused customer account management, Li & Fung has driven increased wallet share with certain customers and improved customer satisfaction. On the business development side, the Company's leadership in digital services, including end-to-end 3D virtual design, and the geographic diversity of its more than 50-economy-strong sourcing network have generated an encouraging momentum of new customer wins.

The Company's digitalization transformation has continued to make significant progress. More customers are approaching Li & Fung for digital services and assistance in integrating digital product development into their work processes. With Li & Fung's help, brands and retailers are taking their own digital leap with digital design and development, digital planning and assortment, and digital selling. By exploring and adopting flexible pricing models, the Company has been able to satisfy specific, individual business needs of its customers and is beginning to gradually ramp up the monetization of the service, which will continue into its next Three-Year Plan (2020 - 2022).

The Logistics business continued its profitable growth momentum in the first six months of 2019. In-country logistics services had strong top-line and bottom-line double-digit growth. China continued to lead the way, supported by an upsurge of domestic consumption, especially via e-commerce for which LF Logistics enjoyed first-mover advantage due to its early investment in e-logistics. Accelerated development in LF Logistics' ASEAN operations contributed to high growth rates and the new markets of Korea, Japan and India also recorded impressive results. Testament to LF Logistics' speedy business growth momentum and long-term prospects, Temasek completed its US\$300 million investment to take a 21.7% stake, which values LF Logistics at approximately US\$1.4 billion on a post money basis. The transaction proceeds will be used to further accelerate business growth initiatives and have enhanced the capital structure of the Group.

Group Chairman William Fung added, "We are facing increasing geo-economic instability and uncertainty. Regardless of other factors, the acceleration of the migration of production out of China will continue given China's upgrading of its industrial base from a manufacturing exporter to a high-technology service provider. With Li & Fung's long history, we appreciate that there is constant fluctuation in global trade. That is why we continued to maintain a well-diversified sourcing network spanning more than 50 economies and avoided over-reliance on any single market, even when the environment appeared benign. This continues to be the right approach. Our ability to leverage this extensive network puts Li & Fung in the best position to help our customers optimize their sourcing and production and minimize tariff impact. The proliferation of bilateral free trade agreements has become the new norm, and this presents Li & Fung with opportunities not seen for the past 20 years."

*For details of Li & Fung's 2019 Interim Results, please refer to the announcement posted on the HKExnews website <http://www.hkexnews.hk/> and the Li & Fung website [www.lifung.com](http://www.lifung.com).*

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#### **About Li & Fung Limited**

Li & Fung (SEHK: 494), the Hong Kong-headquartered multinational group, is the world's leading supply chain solutions partner. It specializes in responsibly managing supply chains of high-volume, time-sensitive goods for leading retailers and brands worldwide, with over 230 offices across key production markets globally. Its goal is to create the supply chain of the future to help its customers navigate the digital economy and to improve the lives of one billion people in the supply chain.

For more information, please visit [www.lifung.com](http://www.lifung.com)

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