



**Vinda International Holdings Limited
2020 Q3 Results Conference Call
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Speakers

Ms. Ms. Karen Li, CEO (KL)
Ms. Vicky Tan, CFO & Company Secretary (VT)
Ms. Josephine Wong, Senior IR Manager (JW)

Presentation

JW: Good morning ladies and gentlemen, welcome to Vinda International's 2020 third quarter results briefing call. On the line we have our CEO, Ms. Karen Li, and our CFO, Ms. Vicky Tan. Today's call will last for about 30 minutes. Karen will first present the results and then we will open for Q&A. Just a reminder, we have sent you a presentation deck this morning. Please check your email box or download it from our website. Now I would like to pass the time to Karen, Karen please.

KL: Thank you, Josephine. Good morning, everyone. Thank you for joining our 2020 quarter three results call. Before we start our presentation. As this is the first time that I'm speaking to all of you. I would like to take this opportunity to thank you in advance for your support in the past and I very much look forward to working with you in the future. And I would also like to address upfront that some of the questions you might have or might have raised in the past with my predecessor and that is regarding whether there will be a change of strategy with my appointments. And the simple answer is no. And I truly believe that we still have huge opportunities ahead of us. In both tissue and personal care in not only China, but also our overseas regions.

And in order to achieve our vision of being the leading hygiene company in Asia, it requires persistent building of innovation, branding and commercial capabilities, something that we have been doing as a very good job in the past and my job obviously is to continue that good momentum and execute the strategy well. What will change, however, is how do we get there and how we make that happen and that will of course depending on the competitive landscape and the change in the market as we speak. And this is something that's exactly what Vinda was good at

and we will definitely continue that good job by being very responsive to the markets. Of course, I'm more than happy to take on this topic in the separate discussions but without further delay, I would now start, our quarter three results presentation.

After a very challenging first half of 2020, we continue to operate in a very dynamic and challenging businesses environment in quarter three. For China, while the COVID situation is relatively well under controlled with a very low new infection cases. Competition within the China tissue market has intensified with the current low pulp price level that we are seeing. For our overseas regions in North Asia and Southeast Asia, the challenge was a bit different. For Hong Kong despite a relatively good virus control, the City is taking on quite a bit of inbound tourism heat as you know with very limited Economic rebound activities. For countries such as Malaysia spreading of COVID does not seem to be fully under control and the different movement control measures implemented by the local government has also brought some challenges to our business and our operations locally. However, we have continued to perform very strongly and we are cruising to execute our core strategies of premiumization, Personal Care developments and sustainable growth. For quarter three, we have recorded a revenue growth of minus 0.7% organically.

During this quarter, we are seeing quite a fierce price competition within the Chinese tissue markets with quite a bit of price promotion and deep discounts. We saw, not only from some of our key competitors, but also some of the smaller and local players in the market. However, with our unique product offering, our strong brand equity. We were able to maintain a relatively stable price level without engaging very aggressively in price competition especially during a traditionally quiet season like quarter three. Despite the heavy pricing competition in the market, we were able to continue our superior performance in premium tissue portfolio in China, such as the 4D Deluxe line, the Tempo line, our wet wipes products and even our B2B brand Tork under the very challenging away from home environment.

In China, tempo grew more than 30% in quarter three, which is a fantastic result and even apart from Tempo, all of our premium brands have recorded a double-digit growth in quarter three. And again, this is one of the very core strategies that we have been executing and it has been trending incredibly well, not only that the premium line provides us a better margin but they also tend to have much better price elasticity compared to other lower segments in the market, especially in a time like this. Apart from tissue, feminine care also continue its strong momentum quarter over quarter with a 80% growth in China that we saw for our Fempro products compared to the same period last year.

And again this is a fantastic result for a traditionally low season like quarter three. When it comes to e-commerce, we continue our strong momentum not only in China but also in our Overseas region in North Asia and Southeast Asia. For the nine months ended 2020, Vinda at the Group achieved the 25% growth on group level for our e-commerce sales, and it is now close to 34% of our total group business, 44% of our sales in China. However, our offline recovery is gradual and again we have tactically chosen not to overspend in offline in quarter three given the current difficult operating environment for the offline businesses. With the benefit of our ability to hold on to relatively stable pricing, our continuous product mix improvements and the relatively low material price, the quarter three gross profit increased by 17.6% to HKD1.4 billion and gross profit margin is at a very good level as 36.9%.

And that's of course has translated into our operating profits and with the SG&A remains stable, despite the slightly high promotion level compared to the same period last year. When it comes to quarter three our operating profit was up by 48% to HKD545 million, and that is equivalent to an increase of 80% for the nine months ended 2020. I will not go into details with EBITDA because that's pretty much the same story with the operating profits. And as you know, for quarter three, we only announced our top line P&L numbers. And with that, I think I will stop here and we will open the floor for any questions you might have.

Q&A Session

Carol Xia (CX) from CLSA

CX: Thanks management for taking my questions, and my first question is for Karen. It is got to know that your answer is no for the strategy change. I would like to follow up on what would be your top 3 priorities for Vinda, if you look at it perhaps from a 3 to 5 years landscape. That's my first question. And my second question is regarding the 4th quarter outlook because I understand that the third quarter might be a low season, and Vinda did not achieve a sales growth, despite a very good bottom line performance. But for the upcoming 4th quarter, especially for the double eleven, what would be your target in terms of your top line, and also the profitability, and I understand that for the third quarter the pricing of Vinda product was kind of held well, but for the fourth quarter, how much would you expect to lower to adjust your price in the upcoming quarter. And also regarding the competition, for the first quarter compared to the 618(shopping festival) in this year, and the double-11 in last year, do you see that the competition getting more intensified? Or how do you see that trend going. Thank you so much.

KL: Thank you, that's quite a big question, I will start and Vicky please jump in if you have anything to add. I think your question was what are our priorities when it comes to next few years. There are a few things, as I have mentioned before, our overall direction has not changed and will not change mainly due to the fact that I think we still have a lot of opportunities ahead of us in order to achieve, not only as a leading player in China, but also when it comes to personal care in China, and also our presence in regions outside of China. So, we still have a lot to do when it comes to achieving that.

And of course, we believe that as you know, within Vinda, our strategy has always focused a lot in branding, innovation, and also mix improvement and channel improvement. So that definitely would not change, I think that would give us a really superior position compared to other competitors who have a little bit more focused on the pricing and things like that. I think our results have also proven that such strategy doesn't really work, especially for the premium sector, it is a lot less susceptible to price decrease and price pressure because the value, the branding proposition that we have brought to the consumers is much stronger than the other lower segments in the market. And premium portfolio is already quite a significant portion of our business. As we have communicated before, we would definitely continue to improve that. As this business continue to grow, we believe that we will further not only strengthen our performance, but also our presence in terms of market share and things like that.

And another important trend that we saw is that e-commerce development was already increasing as everyone knows in China. And basically with the COVID coming in, this pre-existing trend has accelerated quite a bit, and that is perhaps quite different in China versus other countries, at basically because the consumer experience is far more superior in China with infrastructure and with the services that are provided by the e-commerce platform. So, and that is also as shown in our result as well that e-commerce is continuing to trending very well.

And that of course has a consequences of how we execute our strategy better in the future by putting into more resources and also more commercial capabilities in areas such as and lets takes and big data and digitalization and things like that. So these are only the few things that we would definitely focus in but like I mentioned before, our overall direction and our core strategies have not changed and what would change obviously is how we always try to make things better and how we ensure that we execute in a better way. When it comes to our fourth quarter outlook. And, yes, you're absolutely right. And we have tactically again chosen not to overspend in quarter three mainly because, you know we are actually seeing quite a bit of price competition coming through this, even after 618.

We simply don't believe in over-investing in a quarter like quarter three will give us the maximum return. And that is exactly why we have been very prudent and very selective when we run our promotions, especially when it comes to tissue. But coming into quarter four, obviously, it's a different quarter and even historically quarter four has already been a more very important quarter for all the players and even more so this year with the e-commerce taking a more significant developments in the market. So we definitely have, you know, quite a bit of ambition for quarter four.

And we aim to obviously be the leading player when it comes to the double 11 as we have always had in the past few years. When it comes to profitability outlook for quarter four, I mean we don't believe that it will have any significant impact, we aim to stay at a relatively stable level and of course with that we have to balance our volume and our promotion activities and things like that. But this is something that we have always been very good at and adjusting promotion activities does not mean a straight price cut and this has not been this strategy that Vinda has been used in the past and we will not do that then and that is also evidence in our quarter three results, that we did not engage in any heavy pricing promotions. As I said before that we don't believe that this will basically give us better return.

Specifically, when it comes to the competition side. And it's always competitive, either 618 or double 11 and it will remain that way and of course with the current relatively low pulp price level that we are seeing in the market. Some players might feel like they have a little bit more room to play with when it comes to the pricing side. Again, consumers don't just look for price, it's the whole package is how well you run your brand and how well you bring that proposition to the consumers, how do you work with your e-commerce players and all of that.

And so that's why we are very confident with our quarter four, we believe that with the promotional plan that we have right now for quarter four. We are quite confident that we will achieve a relatively good outcome. I don't know if you have anything to add on that, Vicky.

VT: Hi, Carol. I think for quarter four, while we do we will add on our sales growth like Karen said, we also have some upside because quarter four, in terms of scale is usually bigger than quarter three. While we do plan for some promotion activities for Double 11, we do expect in terms of absolute sales amount, it should be higher than quarter three. And you see that when it comes to higher scale, we will have some upside comes on the gross margin side, for example in quarter two because of a higher production and sale volume that gross margin will be improved because

of higher scale. So just like Karen said, even though we do plan for some promotion events for quarter four, there will be not a direct straight transfer to the bottom line because there will be some upside and some downside, I mean some discount during the promotion.

CX: Thank you so much. Karen, Vicky.

Tiffany Feng (TF) from Citi

TF: Hi, thank you management and Hi Karen, nice to speak to you here. I have three questions, the first two are quite simple. The first one is can you give us a breakdown of the mainland China top line growth and overseas top line growth for the third quarter and also for the mainland China market, what is the industry growth level for the third quarter. And second question is what's the premium product sales contribution in the third quarter this year and last year and the impact from the product, and the margin from the product exchange. My last question is a bit harder. Can you help us understand why the increase of promotion in the third quarter didn't drive up sales revenue. As we understand the top line growth in the margin is kind of a trade-off either you sacrifice the top line growth to protect a very strong profitability or sacrifice the margin to drive revenue. But in the third quarter, we see both margin and top line growth were weaker than those in the first half. So I want to know what's the difficulty here now and also given the situation, do you still maintain our double-digit growth target for the fourth quarter and next year and how do you see the OP margin for the fourth quarter and next year. Thank you.

KL: Yeah. I will start Tiffany. For our top line growth, I think we wouldn't break it down like that, for quarter three. But, like I said before, in the different regions, have under pressure for top line growth for kind of a different reasons and of course, being in mainland China being the majority of emphasis has the most of significant impact on our top line growth. But, and that is kind of correlated to your third question as well, I mean as Vicky have mentioned that quarter three has always been a relatively low and quiet season and the amount of promotion and discounts that we saw in the market even after 618 was a bit more than what we have expected and also more than what we call within a normal norm if we compared to the previous years. And that's why we took a very calibrated approach, I mean and of course if lowering the prices, it's relatively simple. But we have chosen not to do that then. Yet, we had to already won some promotional campaigns. Of course, you cannot outprice the market too much and we have to run some of that, but if you compare to, the price at the promotional level that we had versus at the players or even compared to the other small playmates the extent is lot less. We have practically chosen not to overspend simply because we don't believe that that will give us a good return.

And we have to look at our performance from a full-year perspective and as I have mentioned before, quarter four, especially with the double 11 it requires quite a bit of investment and not only from the promotional perspective, but also from some of the branding and communication and investment perspective, especially when it comes to the even more competitive intensity a situation with e-commerce players and with them as much more demand from the place this day, so we have chosen to focus our resources and our promotional strength for quarter four. And by doing that we believe that it will give us the best return as possible and as you can also see from the results that despite we are quite flat when it comes to growth but we have had a very good momentum. When it comes to our premium line premium portfolio within China, as we mentioned before Tempo grew more than 30%. Yeah. And even with Libresse, we're growing 80% and all the other wet wipes and things like that they are all in a double-digit growth territory.

And that is much more sustainable than giving a huge promotional activity resources into the different channels in the quarter like quarter three that's because simply it's more quiet season and of course we had to do more observation and see how the market price trending and that is not saying that we are outpricing the market and that is exactly why that we will fine tune some our activities come into quarter four to make sure that not only we sustain our leadership position, but we also continue to gain our market share and as you know that Vinda has always not a company not only just focus on growth, but we are focusing on a more sustainable growth that we believe that will give us a more balanced return, especially on the profitability line. Did I answer all the questions? Or Vicky, do you have anything to add?

VT: Maybe on more specific one like how is the premium sales contribution in the quarter. I think for China's case, we still see the contribution is still moving up, for example in quarter three last year, we have about 23% of the sales come from the premium portfolio which including Tempo, 4D Deluxe, Tork and our wet wipe products. And in this year's quarter three the contribution is around 28%. So this is still our core strategy to drive the growth of the premium products and on the margin and top line growth question, Tiffany. I think if we compare quarter three with the first half year gross margin or EBIT margin, yes is moving down a bit. I think there's some complications behind that. If we look at the gross margin in first half, I think up to May because of COVID and also because of the channel restocking, we actually did not have much promotion activity up to May and we only be a little bit promotion for 618. So that's one reason. And the second is also because you see in quarter two, our sales growth was very good especially for China is close to around 20%. So that's why also the scale impact if gave some upside to the gross margin side. So while our SG&A and also A&P expense levels

stay very stable in quarter three. Our gross margin was affected actually by higher promotion and also a lower sales volumes in quarter three.

TF: Okay, do you see the double-digit top line growth targets a bit challenging going forward or still a comfortable target for you?

KL: No, I think for the mid and long term targets that has definitely not changed. Specially for China because as you can see this the consolidation is basically not there and even with COVID we actually saw a bit of a decrease in concentration for the top player as well. I think that's partially due to the fact that some of the smaller players are driving quite a bit of a deep pricing discount the locally and also with some of the smaller e-commerce platform rising up locally this kind of thing. We will of course continue and need to have a very comfortable level of growth momentum in order to continuously to gain market shares and I think that's ambition and that mid to long-term target has not changed. However, when it comes to quarter four like I mentioned before I mean for China, we still have a very high ambition for double 11. I think we are quite comfortable that we will achieve that what is a bit uncertain on a Group level is the situations for COVID, especially for a country like Malaysia, I mean when it was, I remember when it was June, July and August and it was actually trending quite well and it was very much under control and now it seems like everything is stepping back again.

So that's kind of a puts a bit of uncertainty ahead of us for quarter four because of course with the lockdown and things like that, there would be some minor impact to our business despite with the previous experience. So, we're quite comfortable that we will do with that in a good way, but obviously that is something that is not really within our control and also with our North Asia business, basically the economic outlook for Hong Kong and Taiwan and Korea, are relatively weak. So that is, I guess a bit of uncertainty when it comes to our quarter four outlook on the Group level, but for China and for our longer-term target and ambition that has not changed.

TF: Okay, thank you Karen and Vicky.

Zhang Xiao (ZX) from Great Wall Securities

ZX: Hi management, Zhang Xiao from China Great Wall Securities. Thank you for your call. Few questions basically. The first question is can you share with us the growth rate of the personal care sector in China market in the quarter three. The second question is that we see a retreated market share in the third quarter compared with that last year and that of the previous quarter, so do you believe that it was purely caused by a temporary issue or a long-term trend that we haven't noticed behind it. My third question is about the e-commerce channel because in e-commerce channel the market concentration in Vinda is much higher compared to five years ago. And there was much fierce competition in the e-commerce channel as well. So can you show us what is the stabilized growth rate in the e-commerce channel that we can expect? Thank you.

VT: Sorry. Can you repeat the second question? Because the line was not very clear.

ZX: My second question is that we see a retreated market share in the third quarter compared to last year and the previous quarter. So do you believe that it was due to a temporary issue or there is a long-term trend that we haven't noticed behind it. Thank you.

KL: Yeah. Okay, maybe I'll start. I think your first question was asking what is our growth momentum for personal care in China in quarter three and we had a fantastic performance in quarter three when it comes to our personal care in China. It is way above our average growth for our top line and that's mainly due to the fact that we had good performance not only for incontinence but for our feminine products like Via and Libresse. Like we mentioned before, we have recorded growth of 80% of sales for Via and Libresse in quarter three in China, we have shown a very strong performance of the brand despite quite a low season for quarter three and that growth is coming from all the channels, but especially when it comes to e-commerce and that I think really sends us an indication that this category is trending incredibly well despite the higher price proposition and of course, I mean, with the superior branding position and also product performance, we are very comfortable that this growth will continue to come and the good momentum will continue into quarter four.

When it comes to our market share development. Yes, I mean our market share was the peak in July. I think that is really a post impact for tissue. I think our market share has peaked in July that impact of 618 and I think that again is an indication of a very successful campaign that we ran in 618 and we have always been the

champion when it comes to competing in big festivals such as 618 and Double-11.

It has come down a little bit in August and September and again that is mainly due to the fact that there is quite a bit of a price pressure coming through in the market and a little bit more than what we saw in the previous year compared to 618, so that is something that's of course the pricing level as such is not something that we would have liked and the volume gain as a result of that is at a relatively low level, and of course as a consequence of that our market share when it comes to tissue did come down a little bit for August and September.

If you look at the competitive perspective, I think both Hengan and APP, I think Hengan was quite stable, APP came down a little bit. And within the big four players, the C&S has come up quite a bit of the majority taking some shares especially online from APP. So, but again, I mean the level of discount and promotion that we saw in the market for a player like C&S is a little bit more than of course what we have offered and like I have emphasized a few times before that from Vinda's perspective, this is basically not the tactical, not the right tactical approach that we believe for us to take in quarter three and that's why we were very prudent when it comes to running our promotional activities in quarter three and really focused in delivering great results for quarter four to end 2020 the good way. So I'm sure that, as you know, our market share will come back to a good level, and this was a temporary decrease that we see from the market share perspective, and with the plan that we have in place for quarter four to pick up the growth momentum again, I'm sure that we are not only, we will be able to maintain our market leader position, but we would definitely aim to gain market share in not only quarter four but also next year.

When it comes to e-commerce, it is always competitive, and I think it will be even more so after COVID. Like I have mentioned before, the trend was always there for China and basically with COVID we actually saw that there is much deeper penetration of e-commerce into the lower-tier cities, but also with an older target group of population and basically in the group that we saw is that consumers who did not have access to e-commerce before or they didn't know how to do it before were forced to use the e-commerce to buy groceries and things like that. And, of course, with the experience that they have, basically it became the normal way of shopping right now and that implied that the e-commerce trends will be accelerated, and this is exactly how we see the development of e-commerce in China and that is also reflected in the results as well. That is taking a much more significant contribution compared to the same period last year.

I think the dominant players will remain there and with people like Tmall and

JD.com that will not change as those are really the major players in the market and that is exactly one of our strategies as well to make sure that we win at those platforms. Like I mentioned before, we are also seeing some of the rising of some of the smaller players' platforms and even also through other means such as social commerce and even within the supermarkets, there is a lot of development on the O2O side. So I think the competition will intensify. But it's also different according to what regions we are at and of course because they have quite different strategy as well when it comes to running coastal cities versus running lower-tier cities.

So from Vinda's perspective and of course we as being at the forefront of e-commerce in the market, we are being very close to the market and apart from winning at the major platforms, we are also looking at how do we make sure that we keep up with the development of these adjacent e-commerce development in China. So I think there is no doubt that e-commerce will continue to grow and will be more important for the market going into the future and the line between online and offline probably will also blurred out in the future as well that it's as a whole. Yeah. So that's how we see the development of e-commerce is going to the future and again this is one of the core channels that we will focus on a lot and this is more than just pricing as I mentioned. It's a lot of internal capabilities. It's how to run campaigns online. It's how to work with different brands that you have, work with different platforms that you have and this is exactly that an area that we are very comfortable in and we believe that we have more advantages compared to other players in the market.

ZX: Thank you very much. I have no further question. Thank you.

Nicolas Wang (NW) from Haitong International

NW: Okay. Yes, thank you. Thank you for the presentation. I have a few questions. Firstly, it's about the inventory level of wood pulp. What kind of level and what's your expectation about the wood pulp price, looking forward to Q4 and likely next year? And second question, I would like to check the channel inventory level. Has it evened out for the tissue paper? So, the third question is could you give us some color of the performance during the past National Day holidays. Any change during that period? Particularly as you have just mentioned, like you said, is there any change to the consumption of tissue paper? Thank you.

KL: I'll probably start with the first and second question first. When it comes to wood pulp, the wood pulp price is sitting at quite a relatively low level compared to what we saw previously in the last year and the year before. I think when it comes to the pulp price movement, well, no one can really have a clear glance of what's

going to happen in the future, but from the fundamental and from the economic outlook and from the demand-supply equation that we see right now, we believe that for the rest of 2020 it will remain at the relatively stable level and coming into the year 2021, again, that is difficult to say, but I think the consensus in the market is that if COVID is control in a good way and there will be some economic rebound coming through in 2021 and that will of course have an impact on the pulp price. So our perspective is that it will remain low for 2020 and it might increase gradually in 2021. I think that's also what the market consensus is indicating to us too.

The question really is how much it will increase and how long does it take for us to get there. And I think that is a million-dollar question. But our perspective is that the increase will come, but it might come in a very gradual level. What we saw in quarter three was that despite that the pulp price level is relatively low, we only saw some small increase in September, I think that it's mainly due to the fact that we saw some strengthening of currency versus the US dollar. We saw some speculative buying among the different traders in China, and there is some potential disruptions in softwood pulp as well, and we also saw that some players, some suppliers in the market are looking for some momentum to push through the price increase, but so far, we are seeing this scenario despite the little increase. It did come down after that small increase and, like I mentioned for the rest of 2020, we believe that it will remain at a relatively low. When it comes to our pulp inventory, I think there's no dramatic difference compared to our inventory level at the end of June. Of course, we want to remain flexible when it comes to pulp buying things that depending on how the market develops and things change all the time with COVID these days anyway.

Channel inventory, I think you asked that question. For China at least, I mean there is actually really little consumer stocking or destocking and channel stocking and destocking this kind of thing. If we were to compare China to the rest of the world, something that we saw to a more certain extent in Europe and in the North America, but of course in quarter two, I mean, we already finished that with basically customers. We have been dealing with their orders, that was relatively quick and that it's over and basically life is back to normal now in China. So there is no significant changes on the channel inventory perspective. And I'm sorry I missed out the third question. Maybe Vicky can take on the third question.

VT: For the national holidays performance, we actually have implemented our, you know, the Q4 A&P Plan and the new strategy, not the new strategy, sorry, the new plan already. So we see a good sales momentum in October so far. But I guess it's quite early now to tell, but it's actually, for our case, for national holidays in China, we've seen a recovery, not only for Vinda but also the overall economy is

recovering so well. So, for example, in September we already see our away-from-home brand Tork and she had a really good recovery since September. So that's why we think that the quarter four will go with our plan.

KL: Yeah, sorry, I missed on that. Yes exactly like Vicky said, this actually brings us a lot of confidence, especially when it comes to the B2B side, which was obviously under a bit of pressure for the first half of 2020 due to the lockdown and things like that, but we are seeing that in the different to the rest of the world, China had quite a strong and robust rebound, coming out from the COVID, and we saw more than half billion of people traveling and spending domestically in China and that's why we believe that with our B2B business, we will continue to see some recovery, and we are already seeing that in quarter three.

NW: Okay, thank you very much, Karen. Very helpful.

Dustin Wei (DW) from Morgan Stanley

DW: Thank you, Karen, and thank you Vicky. My first question is try to understand a little more about the third quarter. So in terms of sales, I think, if you assume the e-commerce still has a good growth and the KA may be more stable because they are skewed towards the premium products. So I guess, can we assume like traditional trade in the quarter decline the most, maybe in the double-digit territory? And you talk about the market share numbers for a few major players, but do you think that who is or is that major players doing the price competition or more from the so-called smaller players? And this smaller player is the so-call regional players who are actually more regulated. That type of the player or that even the lower in sellers that we probably see a lot in the platform like Pinduoduo. So try to understand which part of the players are being more aggressive in pushing the pricing and can you sort of quantify that impact. How much sort of price cut on that they were doing in third quarter? And also I think the wood pulp price has been staying low for a very long time and I think the economy reopened probably starting from May or June, but why we only see this price competition in third quarter. So what sort of change versus, I say like, second quarter?

KL: Yeah thank you. I would take on these few questions. And again, Vicky, please jump in if you want. When it comes to our channel performance, you are absolutely right that e-commerce we are cruising well, very well into, and this is the channel that obviously has performed the best, and again this is, I think, a success of our strategy to continue our momentum and invest in e-commerce because this is basically the channel that, despite the COVID, is trending very well. So if you don't win in e-commerce basically you cannot win the market.

With offline developments we already mentioned about B2B. It is under pressure on a YTD perspective, but we are already seeing some recovery as we just talked about with people traveling already domestically in China and things like that. You're right that when it comes to GT and key accounts, we are seeing some recovery. However, the recovery is quite slow and gradual, and I think that for a couple of reasons. Again, one, e-commerce is really putting a lot of pressure on these offline channels as offline channels from time to time are expensive to operate for distributors and supermarkets. And the second reason is that despite COVID it's pretty much cleaned in China, we saw some very proactive sporadic cases in places like Qingdao and previously in Xinjiang, things like that. I think there is still a bit of fear of lingering of COVID which prevents people from going into physical stores and buy things on a frequent basis. And that of course has the pressure especially for some of the smaller supermarket and distributors as well as they might have pressure with the financial situation.

So, having said that, we are seeing some recovery and we believe that this recovery will also come through with, again, quite a robust rebound in the economic activities that we saw in China. When it comes to the pricing side, we already saw some price pressure in 618 but that is quite normal. I mean, just like I mentioned, big shopping festivals such as 618 and Double-11 are basically the time that you have to win in order to gain market share and things like that. So it's understandably that everyone invested quite a bit in those shopping festivals. The pricing was not there. Before that, basically everyone just came out from COVID and the same thing happened for April and May. Basically everyone was just refilling the channel and, basically, including afterward we were able to push out quite a bit of product without running a lot of promotions and things like that, because basically the channel was in a place where they demand the refilling.

Like I mentioned before, I mean, traditionally, in the previous year, the price would bounce back to a certain extent after a big shopping festival such as 618. However, for this year, the promotional intensity is a little bit bigger compared to the previous year, and that is why we had some pressure on the volume growth side. The pulp, I think you touched on the question on the pulp price. And like we have mentioned before, I think it will remain low for the rest of 2020. But eventually pulp price will go up and that's and again with the economy opening up, which I think it will fall globally for next year, it will increase. It's a matter of again how much and when and for us, we do what we can control, and we need to stay competitive to the market. However, we don't do that by price cutting. As you know, I mean we do it tactically, we continuously to improve our performance with the premium line which again showed a very good price elasticity especially in a time like this and we run

tactically with selective SKUs and promotional activities like that.

So I think the pricing pressure will definitely also be there for quarter four as well, as we mentioned, not only because the pulp price is still low but also with the Double-11 that even for the previous years that it is a time when everyone invested a lot and run a lot of promotions. And for us, we are quite comfortable that without being engaged aggressively in the pricing side, we are in a very comfortable position to compete with, again, the unique offering that we have, and also with our very good track record and relationships with the e-commerce platforms.

VT: Hi Dustin, It's Vicky here. I think you also asked why the price competition came late not in May and June. The reason we are seeing here is because in quarter two, there was a lot of restocking in the channel. So people are still put it this way, wait and see. So after 618, we see not only in e-commerce but offline, people want to catch up for the first half. And also because the pulp price remained on the low side for such a long time. So we do see a really significant discount level especially for some competitors, they are trying to push up the offline sales and pushing a lot of stock to the distributor channels offering really a discount level we haven't seen for a few years. Of course, for some competitors, they may say they have the room to do it because of the low price environment. So I guess the competition will remain for a while because of the pulp price outlook Karen just talked about.

JW: Okay, thank you for all your questions, and this now draws our presentation to a close today. Thank you again for your support to Vinda. Stay safe and healthy always. Bye.

KL: Thank you. Bye-bye.