

# HYPEBEAST

## FISCAL YEAR 2025 ANNUAL RESULTS EARNINGS CALL

### Attendees

Kevin Ma, Chairman and Chief Executive Officer

Patrick Wong, Chief Financial Officer

Fiona Chan, Communications Manager/Host

### Fiona Chan - Communications Manager/Host

Hello, and thank you for joining Hypebeast Limited's fiscal year 2025 Annual Results Earnings Call. I'm Fiona Chan, Communications Manager. Joining me are Kevin Ma, our CEO, and Patrick Wong, our CFO. We'll begin with remarks from Kevin on the year's performance and broader business context, followed by Patrick's detailed financial review. Kevin will then return to share strategic priorities for the year ahead. We will conclude with a Q&A session.

Before we begin, I want to remind you that today's discussions contain forward-looking statements, including statements related to future strategy, products and overall long-term growth prospects of the company. These statements are subject to risks and uncertainties, and do not intend to be a complete and comprehensive analysis or overview of Hypebeast. All matters, explanations, financials and any information set out in this presentation is subject to change at any time with or without notice. As such, no reliance should be placed on the fairness, accuracy, completeness or correctness of the information presented today. Any statements included simply aim to provide an outline and cover the basic information of Hypebeast for informative purposes only.

Kevin — over to you.

### Kevin Ma - Chairman and CEO

Thank you, Fiona.

FY2025 was a difficult year for Hypebeast, as we encountered broad-based macroeconomic pressure and more cautious spending from both advertisers and consumers, particularly in the second half of the year.

Our Group revenue declined 26% year-on-year to HK\$667 million, with gross profit down 35% to HK\$268 million. The decline was most visible in our Media segment in North America, where market sentiment weakened significantly from mid-year onwards. Meanwhile, the E-commerce and Retail business experienced lower transaction volume, which we expected following our rationalisation of the HBX retail structure.

While the results reflect short-term headwinds, I want to emphasise that we've taken concrete steps to improve our business fundamentals and made progress on several long-term priorities. We streamlined our internal teams and systems and introduced select automation processes that are helping us improve executional speed. These are foundational steps in how we want to operate going forward — leaner, more agile, and more focused on execution.

# HYPEBEAST

As a result of such Group-wide pursuit of efficiency, both Sales and Marketing and Admin and Operating expenses decreased significantly from last year, by 29% and 24% respectively.

We ended the year with a net loss of HK\$21 million. While we are not immune to the broader environment, we remain confident in the strength of our brand, our balance sheet, and the long-term relevance of our cultural positioning and are confident we are setting the company in the right direction for a rebound.

I'll now hand over to Patrick to go through the financials in more detail.

## **Patrick Wong - Chief Financial Officer**

Thank you, Kevin. Thank you everyone for joining the earnings call today.

Let me walk you through the Group's financial results for the year ended 31 March 2025. I'll begin with the consolidated performance first and then dive into the business segment and I'll finish my section by addressing our balance sheet and capital positioning.

Group revenue for FY2025 was HK\$667 million, representing a 26% decline year-on-year from HK\$896 million. This decline reflects the dual impact of a weakening advertising environment towards the second half of the fiscal year, particularly in North America, where economic headwinds and uncertainties caused by policy and other changes caused a number of key brand investments to stall, pause or be deferred of our media and other services. On our e-commerce side, a deliberate scale-down of our retail operations as a risk adjustment procedure led to the declines in revenues in HBX.

Gross profit decreased by 35% to HK\$268 million, down from HK\$413 million the year prior. Gross profit margin declined to 40% from 46%, primarily due to lower media revenue and discounting activities on aged inventory within commerce.

Despite the revenue contraction as Kevin mentioned, we acted quickly to adjust our cost base. Selling and marketing expenses fell by 29% to HK\$122 million, reflecting more selective spending patterns across performance and brand marketing channels during the fiscal year. Further, we embarked on a journey of team restructuring within the sales and marketing team to achieve payroll efficiencies. Administrative and operating expenses declined 24% to HK\$163 million, due to reductions in headcount, office and retail space consolidation, and improved cost discipline and management across different functions on a broad basis. EBITDA decreased 83% year-on-year to HK\$12 million, and it reflects the decline in revenue and margins and we reported a net loss of HK\$21 million for the year, compared to a profit of HK\$22 million in FY2024, given that cost discipline was unable to offset revenue declines in full during the year.

Now I'll walk through our media segment-level performance. Revenue from the Media segment was HK\$502 million, down 17% from HK\$605 million in FY2024.

On a geographic basis, the performance was a bit uneven. North America experienced a pronounced decline in the second half of the year, with revenue declining significantly due to reduced brand and

# HYPEBEAST

agency spending during the second half amid macroeconomic uncertainty, and this was mostly pronounced in Q3. By contrast, despite the decline in year-on-year performance, APAC and EMEA both regions remained relatively more stable, supported by stronger partnerships in the fashion, sports, and lifestyle space.

Gross profit from Media was HK\$224 million, which is down from HK\$327 million a year prior, and gross profit margin declined to 45% from 54%. The margin compression primarily reflects softer yields on global campaigns and lower revenue recognized in the period.

While the segment experienced a contraction, our media business continues to serve as the cultural backbone of our brand and is a key pillar in our long-term strategy. We remain confident that the actions we took in the fiscal 2024/25 stage and position the business for a rebound and growth.

Commerce revenue — primarily from HBX — declined 43% year-on-year to HK\$165 million, from HK\$287 million in FY2024.

This drop reflects several deliberate actions from management — We reduced our SKU account and streamlined vendor partnerships. We made the decision to exit several underperforming product lines, focusing on high-performing, high-margin delivery brands. We also operated with more conservative inventory commitments, pivoting more to consignment arrangement and mitigating obsolescence risk and preserving capital through these actions. The result was lower transaction volume and reduced average order value, particularly in the second half of the year comparatively.

However, gross margin for e-commerce was about 26%, down marginally from 30%. Despite the decline, this is a positive indicator that the strategy to focus on higher-margin items and avoiding excess inventory was effective, despite a challenging consumer environment. Part of the lower margins also relate to older inventory and our actions in liquidating those products.

As part of those actions including our view on inventory optimization, the Group recognised a non-cash, one-time impairment charge of HK\$12 million on legacy inventory to reflect its net realisable value of such inventories. While this adjustment impacted reported profitability for the reporting period, it strengthens our balance sheet and positions the Group for improved inventory efficiency going forward.

In other words, we expect e-commerce gross margins to improve from 26% due to our actions around mitigating older inventory, which is primarily dealt with the inventory adjustments and liquidation actions done in the fiscal.

Turning now to the balance sheet — we ended the year with HK\$233 million in cash and bank balances, an increase of 11% from HK\$213 million in FY2024. This reflects disciplined cash flow management and a conservative capital expenditure posture during the year. It was also done in the backdrop of revenue declines during the year.

Our cryptocurrency balance was HK\$26 million at the year end on valuation, reflecting an increase in the value of the underlying BTC and ETH assets held. Our Group remains debt-free, with no long-term

# HYPEBEAST

borrowings and minimal lease liabilities. This gives us maximum flexibility in responding to external shocks or seizing growth opportunities in the future.

Rounding out with a bit of an overview on inventory and AR. Inventory turnover improved slightly to 222 days, from 231 days the year prior. This was driven by more prudent purchasing practices, better sell-through of seasonal inventory, and a reduction in aged inventory overall.

Trade receivables turnover stood at 88 days, broadly in line with our historical performance, and we continue to closely monitor credit exposure across different markets, which is insignificant in terms of media assets.

We've taken additional steps to tighten working capital across both business segments. Capital allocation remains cautious, with a continued focus on cash preservation, disciplined investment, and selective use of our share buyback to support long-term shareholder value.

To summarise and to echo Kevin's sentiments, FY2025 was a challenging year for Hypebeast. Impacted by macroeconomic headwinds and strategic restructuring, we believe the changes we've made this year laid the foundations and set the scene for improved operating leverage and margin expansion once revenue recovers, which we see signs of heading into this current fiscal year. Our balance sheet remains strong, and our cost base is now better aligned with realistic near-term revenue scenarios.

I'll now pass it back to Kevin to discuss our priorities for FY2026.

## **Kevin Ma - Chairman and CEO**

Thanks, Patrick.

Heading into FY2026, our approach remains cautious. We want to be cautious about what we do but focused.

In our Media business, we are concentrating our efforts on driving more client demand and cultural and community engagement. Advertising sentiment continues to improve, and we continue to explore ways to enhance our commercial offerings and better align our content strategy with our readers and clients.

In E-commerce and Retail, our focus is on maintaining a tight, and a very curated retail model. The changes we made in FY2025 — including, in particular, improved stock controls — were necessary, and we will continue to evaluate opportunities to enhance margin and reduce operational drag. Once we have cleared up a lot of the issues from before, I believe that we're on a better path of growth.

On the operational side, we've made strong progress in embedding workflow automation, AI and improving internal tooling. These efforts represent an important shift in how we intend to scale without proportional increases in cost, and are already demonstrating their effectiveness by way of significant efficiencies realized on the below-the-line costs.

Short-term results were impacted unfortunately. These structural steps we've taken this year, I believe

# HYPEBEAST

will strengthen our long-term position. Our brand remains strong, our balance sheet is healthy, and we are now focused on executing with a lot of clarity. We are confident we are poised for a comeback.

Thank you. With that, we'll now open the floor for any questions.

## Host

Thank you, Kevin and Patrick, for your presentations. Please send through all your questions using the on-screen messaging function if you would like to present a question to the management.

The first question is, can you comment on the business environment in April to June 2025?

## Patrick Wong - Chief Financial Officer

Thanks, Fiona, I'll answer that question. The operating environment was a bit mixed across our different geographies. Especially within Media, there are broad signs of recovery and improvement. So, let's dive into detail in terms of the different regions.

North American and APAC showed signs of stabilization and positive momentum, particularly in Hypemaker and media campaign executions for those regions. Signings for both regions in the quarter are actually right where we want it to be relative to target. Whilst EMEA signings are pacing a little bit behind, a number of larger deals are coming down the pipeline. We're optimistic that with the finalization of such deals in late June and early July, the region will pick up pace relative to targets for the year.

In addressing our performance and reviewing some of our prior historical performance, particularly in North America, performance in the third quarter of 2024 (which is October to December) actually represents a bit of a trough. Signings during that period had a significant dip coming off normal deal conversions in Q2 of that year. It was approximately only about 50% of the normal quarterly signing levels for the U.S., which typically ranges from between USD5 to 10 million, depending on seasonality. Signings are recovered to within a normal range for Q4 when we look at the patterns, and continue that upward momentum from that point on leading to the current April to June period.

Reflecting further on deal successes and losses in Q3 of 2024, we actually noted a number of those signing decisions were a bit deferred or delayed by the brands themselves. We think a lot of the budget realignments happened on the client's end with a bit of uncertainty in terms of the U.S. economics, particularly driven by policy changes and a number of different factors impacting. Once the picture stabilized into Q4 and Q1 calendar year. The picture stabilized significantly. Deal with signings began to recover from the region.

With these different optics, with these different viewpoints, and our current performance, we remain optimistic that the lackluster performance in Q3 2024 represents a bounce-off point from which recovery continues to be underway. And as Kevin said, I think in FY2024/2025, we made a lot of different changes to policies and processes within both media and e-commerce. I think those are quite foundational in terms of how we want to position things, and how we want to run things going forward. I think a lot of the impact financially, at least from a cost basis, you've seen in terms of positive benefits to the

# HYPEBEAST

financials. And once things stabilize in terms of revenues - as I mentioned, recovery looks to be underway - we are optimistic that margins will also improve as well.

## Host

Thank you, Patrick. The second question is, the U.S. Media revenue dropped significantly in the second half of the fiscal year 2024. How do you reconcile this with Meta's 18% year-on-year advertising growth in the U.S. and Canada?

## Patrick Wong - Chief Financial Officer

Yeah, and that's a good question, and it's a new nuanced question as well. U.S. Media revenue did face a sharp decline. As I mentioned, it had to do a lot with brand budgeting decisions in that period in face of what was happening in the U.S.

In discussing comparisons with Meta's business model, it's fundamentally very different in terms of what we do, even though both are related to advertising. When we look at Meta, a lot of their revenue streams come from performance-based, programmatic, and SME-driven demand at a massive scale. These are deals that are much more programmatic and self-served in terms of infrastructure and nature, and it's a deep integration onto the Meta-social platforms.

Conversely, if you looked at Hypebeast, a lot of our deals that we currently serve are 360 deals. By that we mean it's an all-encompassing marketing solution that is bespoke to clients, and this envelops media, our typical distribution through our different social and other channels. The value proposition is that [media] is being enveloped in our creative, advertising and creative agency services. So we're not only offering a vanilla media distribution deal, and rarely does that happen nowadays. It's a collective and consolidated solution for brand partners. And how we position ourselves is this - we're a premium, socially anchored media and creative business. We are anchored on top of Hypebeast - the channel and the community itself - which is much more intimate and much more engaged in terms of connectivity with the brand itself compared to Meta. And a lot of the campaign-based outputs are tied to seasonal launches and different aspects of marketing that are quite bespoke to the brand itself. So, fundamentally, the business model is a little bit different if you try to compare Meta's results with our results.

Having said that, and addressing the first question, I did mention that the way we see things in terms of the market overall, I think the U.S. region in particular, and APAC as well, we're trending quite well compared to the targets. A lot of the deals that we're a little bit stuck in Q3 and Q4, hopefully are coming to fruition now. We're seeing that in our numbers in terms of signings early in the year. Not to say that we're not cautious, or we're not careful around how we do things, but I think there's a lot of deal optimization, team engagement and team performance management that we have done and will continue to do. So, I think it's a consolidated effort on all ends to stage that comeback, which optimistically looks feasible with the numbers we're gunning for.

## Host

Thank you, Patrick. The next question is, what specific operating cost savings are expected from your FY2025/2026 efficiency efforts?

# HYPEBEAST

## **Patrick Wong - Chief Financial Officer**

I think the first few steps we took were, really, a lot of consolidation in terms of teams and processes. I think we mentioned that in previous earnings calls, and also that's broadly reflected in the results. A lot of headcount consolidation occurred, having to do with streamlining our global creative and back-end teams. A lot of the functionalities overlap as we see ourselves and position ourselves as a global platform and a global agency. It's a lot of these efficiencies across regions that we really took advantage of and we're able to reduce our footprint significantly to generate cost savings.

Another aspect is automation and AI. I know AI is an often-touted buzzword when you do the rounds in terms of earnings calls, but for us, fundamentally, it has changed the game. We consider ourselves to be early in terms of adoption - we believe we're early adopters in terms of automation and AI. One particular example is our editorial franchise. A lot of our news is written or word-based content. Historically, it has been done much more mechanically and manually. With the adoption of AI-enabled tools internally developed, we're able to automate a lot of those processes in terms of copywriting, drafting, and even information consolidation, so that has enabled us to work faster. A lot of our resources and headcounts are now diverted to more high-engaging and high return aspects of editorial: so these would be short-form video, more client-enabled assets that go through different social and media platforms. Even from the e-commerce end, a lot of the inventory management, a lot of the enabling of just internal processes in terms of automation have allowed us to reduce our footprint, and allowed us to put in the headcounts, and the creativity and the strengths of our talent, to better use. So, lots to come in terms of what we're doing around automation and AI, but those are some key examples in terms of early adoption that have made a real impact internally.

We also made the move at HBX to reduce inventory footprint. I think the reset was a bit of a necessity, given the higher inventory level coming off in 2022 to 2023, and you guys have seen that in the balance sheet and the reporting. We spent about 2 or 3 seasons going through that in terms of liquidation, in terms of reducing the impact of that. Unfortunately, part of that has gone to write-offs, but we believe that the overhang is behind us. In that process, we're able to reduce office to warehousing footprint and reduce the size of risk exposure in terms of capex and lease liabilities, so those are other aspects we were able to turn down the costs on.

Lastly, from a campaign management aspect, as we get more consistent, and as we get more recurring revenues from different partners, there are incentives for us to continue improving our processes, which we have in terms of campaign delivery. AI-enabled tools are starting to make an impact there in terms of creative content preparation, pitch preparation, mood board, draft creative assets, etc. Those are key go-to-market assets that, historically, the team spends a lot of time on. I think from a generation or creation process, AI is starting to make the process more efficient, so our team can focus on more creative aspects of these campaigns, and in turn, that would translate to potential cost savings from a campaign margin perspective. So, I think collectively, these cost savings will continue to benefit the company in terms of growth and operating margins as we move forward.

## **Host**

Thank you, Patrick. The next question is, what is your current position on Bitcoin, Ethereum, and other crypto holdings?

# HYPEBEAST

## **Patrick Wong - Chief Financial Officer**

Our crypto holdings are primarily just Bitcoin and Ethereum, and this was a position that we've accumulated through our operations. Bitcoin was collected through e-commerce channels. As you know, we are, within E-commerce, Bitcoin and crypto-enabled. In the past, we also embarked on different beta projects that were compensated in part through cryptocurrencies, and hence, we accumulated those positions from our operating projects and our operating processes. These aren't really our financial centerpiece, although with the valuation increasing, it does represent an increase in terms of our core assets and our net assets. We do track valuations and developments in terms of the valuation of these crypto assets. Also from a broader cultural alignment, strategic perspective, we're still optimistic in terms of what cryptocurrency can do for youth culture and culture overall, so maintaining these cryptocurrency also has an operational and cultural leaning for us as well as financial.

We don't hold any other significant portfolios of cryptocurrencies other than Bitcoin and Ethereum. We believe these cryptocurrencies, these two in particular, are much more stable. I think our holdings are a sufficient size of a portfolio to maintain for the business. Importantly, as I mentioned, we'll continue to manage and monitor the valuations and developments in the market to better manage our portfolio overall.

## **Fiona Chan - Communications Manager/Host**

Thank you, Patrick. The next question is, the share price is near IPO levels despite strategic initiatives. What is the market missing?

## **Patrick Wong - Chief Financial Officer**

Yeah, and thank you for the honest question. From management's perspective, we completely understand investor frustration. We also feel it as shareholders and operators of the company. If you're looking at really what management's thoughts are around our market capitalization. I think the market may be a bit over-indexing short-term volatility in terms of revenues, and underappreciating several aspects the company is engaged in.

The repositioning that we mentioned a couple of times during our call just now, are a bit of a miss in terms of investors' positioning. I think a lot of the structural changes we've made, both on media and e-commerce, have particular impact below the line, and even above the line costs. And that is permanent in terms of the impact of profitability, once revenue stabilizes. So, a lot of the positioning and a lot of the actions we've taken may not be completely understood or absorbed by shareholders currently.

If you look at Hypemaker in particular, as I mentioned, the momentum in terms of 360 activations is really what's capturing the attention and the continued support from brand partners, and that is what our value proposition is as an organization. Earlier questions around Meta, I think, really explains and clarifies where our market position is relative to these other players within the advertising space. What we are is an organization that has built a long-term moat. I think if you looked at us as an agency, no other agency on the planet has a sustainable, engaged, and a very focused community that is owned internally.



# HYPEBEAST

The Hypebeast platform and editorial channels, our community, and our followers really represent something that is unique to us. What is accretive in value in terms of the brand partnerships that we do engage in is that everything that we do revolves around that core community. That gives us a point of validation. That gives us credibility, and that is really what the brands are asking for.

A lot of the engagement when brands come to us, they have other options in terms of looking at just distribution alone. One of our shareholders mentioned Meta, right? And Google and other kinds of platforms are really kind of dominating that side of the market. But if you want engaged communication with your target audience, if you want credibility in this space, and if you want a bespoke solution to marketing solutions - in the youth market, we are the player. So, that is really something of a long-term moat that we've created, and we believe all three aspects of our business, editorial, e-commerce and media and agency franchise, are a good flywheel in terms of this space. This is something that is not easily replicable. So I think on this point, maybe a bit of further communication with investors relative to our market cap is necessary.

Lastly, if you look at our financial position, we don't have any long-term debt, we don't have any significant liabilities. Conversely, we have a strong cash position. We have stable assets that are generating returns for the business overall. I think even relative to the market cap, if you look at our cash position as of March 2025, our market cap hovers between a little bit over \$300 million. If you look at the market cap overall, I don't know if it is currently reflective fully of the organization - our net assets, plus the efficiency in our operating model, plus the business itself and its profit and cash flow generating capabilities.

But, in general, we're not naive. I think market confidence is something that we need to earn, and it's not just about speaking and messaging around it. As I mentioned, the company is very much focused on recovery and picking back up in terms of performance overall, and that is something that will speak volumes over anything from an IR perspective that we can engage on. And as I mentioned, there are signs that recovery is happening across the regions. We're actively managing in terms of how we deliver for our brand partners - improving on those activations and those successes every day.

So - let's see. We are waiting on that recovery and rebound to speak from a numerical and financial perspective, and after that, we can follow up on some of the congruencies with shareholders or the market overall through other IR actions.

## **Fiona Chan - Communications Manager/Host**

Thanks, Patrick. The last question for today is, Kevin mentions a few times that the brand remains strong, and he is confident. What are some of the signs that he sees the brand strong?

## **Kevin Ma - Chairman and CEO**

I can take this one. I think starting with our content and our following, if you look at our different websites or social media platforms. Actually, our engagement is actually higher than ever. We've been making a lot of improvements on focusing on, not only trying to get more users, but more importantly, trying to get our users to engage, which we have to alter our strategy for our content, which we have been doing. Like Patrick mentioned, we have started, utilizing AI to help with the content production. This way, it frees up

# HYPEBEAST

our teams, our content teams, to really focus their energies on higher engagement, or things that AI can't do. So, for example, short-term videos, like TikTok, Instagram Reels. Those are areas we want to focus on, and those areas have also been pretty, engaging as well.

In terms of offline events, experiential events. If you look at all our events last year, Hypebeast Flea in China, Hypefest last year, the engagement was very strong, and a lot of people attended these events, so I believe our brand is still very relevant to the community. Especially nowadays, people want something that they can be in touch with. There's so much content out there. People want that real life experience. We have attracted people to come into our events, so I think that's a sign that our brand is still strong and relevant to the community.

Thirdly, we're building different products to help engage with our community. We recently relaunched our app from the Hypebeast app to the Hype app. We believe that this will be the centerpiece of where our community will live, and will interact with each other. We were going to develop many functions within the Hype app. So, check that out when you guys have time. That's gonna be a place where we want to invest our cash balance.

Lastly, I think our brand is strong, because recently we've also been exploring in-house private label products. So, we recently launched the Hypebeast label. We also have the Hypegolf Label, which has been selling very well. Overall, we're trying to take our brand, continue to grow our brand, but also figure out ways to connect with the community so they will continue visiting our different content, or buying products from us. So, that's kind of the plan with developing our brand moving forward.

Last, lastly. HBX, we've also taken a step back. Last year, we reduced our inventory, so we can really focus on the key message, which is bringing very nice, very well-curated brands to our audience. Recently, it has been turning around, actually. Cross fingers, we're just trying to do things with more focus and I think it's going to pay off.

## **Fiona Chan - Communications Manager/Host**

Thank you, Kevin. We are now reaching the end of today's earnings call. Thank you, everyone for attending the fiscal year 2025 Annual Results Earnings Call. The call recording and the presentation will be uploaded to the corporate website shortly. If you have any follow-up questions or requests, please send us an email at [investors@hypebeast.com](mailto:investors@hypebeast.com). Thank you everyone.