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 2026 Interim 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
Thanks, Fiona.

Good afternoon, everyone. Thanks for joining our earnings call.

Fiscal year 2026 presents a challenging operating environment as global markets continue to adjust. Due to the fluctuating macroeconomic situation and continued conservative spending by clients and consumers, we reset the business and adopted a cautious strategy for the first half of the fiscal year, prioritizing long-term stability.

Our Group revenue saw a decline of 23% year-on-year to HK$279 million, with gross profit down 29% to HK$122 million.

This performance was characterized by two dynamics. First, our Media segment faced softness in North America and EMEA. This was due to the slower conversion of larger opportunities towards the latter part of the last fiscal year, though this impact was partially mitigated by consistent year-on-year growth in APAC. Secondly, the E-commerce and Retail business saw the expected revenue drop. This was a direct result of our strategic scale-down and the clear impact of, unfortunately, US tariffs, which increased costs and necessitated higher product prices or import surcharges. To counter this, we drove efficiency by rationalizing our workforce and automating administrative tasks, which is forging a significantly more solid and sustainable business structure.

Despite these short-term headwinds, we remain focused on strengthening our business fundamentals and advancing key long-term priorities. We have initiated decisive actions to drive efficiency, including optimizing our organizational structure and introducing process automation to accelerate execution.

This strategic improvement is already delivering significant operational improvements, resulting in enhanced execution and a structure that is far more streamlined and adaptable. As a result, both our Sales and Marketing and Admin and Operating expenses decreased substantially year-over-year, by 23% and 18%, respectively.

We ended the period with a net profit of HK$6 million.

Compared to a net profit of HK$25 million in the first half of fiscal year 2025, the Group's current profitability is primarily driven by rigorous cost efficiency actions to improve margins. Moving forward, we will continue implementing stringent cost controls and budgeting measures to maintain discipline across all operational expenditures in order to solidify long-term growth and stability, and strengthen our cultural relevance.

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

Patrick Wong - Chief Financial Officer
Thank you, Kevin.

Let me walk you through the Group's financial results for the period ended 30 September 2025. I'll begin with the consolidated performance before going through by business segment and then addressing our balance sheet and capital position at the end.

Group revenue for the interim period was HK$279 million, representing a 23% decline year-on-year from HK$360 million last period. 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 paused a number of key brand investments in our media and services, and also on the e-commerce side, a deliberate scale-down of our retail operations to adjust for risk.

Gross profit decreased by 29% to HK$122 million, down from HK$173 million the year prior. Gross profit margin declined to 44% from 48%, primarily due to lower media revenue and discounting activities on aged inventory within e-commerce business.

Despite the contraction, we acted quickly to adjust our cost base. Selling and marketing expenses fell by 23% to HK$51 million, reflecting more selective spending across performance and brand marketing channels alongside team restructuring, implanting payroll efficiencies. Administrative and operating expenses declined 18% to HK$69 million, due to reductions in headcount, office and retail space, and improved cost discipline across functions.

EBITDA decreased 58% year-on-year to HK$19 million, reflecting the decline in revenue and margins. As at the end of the interim period, we reported a net profit of HK$6 million for the period, compared to a profit of HK$25 million last year, given that cost discipline could not fully offset revenue declines in the period.

Now I'll walk through segment-level performance, starting with our Media business.

Revenue from the Media segment was HK$220 million, down 21% from HK$279 million last year. The decline stemmed from a slowdown in Media signings in Q3 and parts of Q4 of the prior fiscal year, particularly across North America and Europe. During that period, several agencies and brand partners paused or deferred campaign confirmations amid increased uncertainty tied to changes in US and global trade and economic policy. This shifted focus for many of our brand partners and led many advertisers to adopt a wait-and-see approach.

Because campaigns locked during that period flowed into Q1 this fiscal year, accounting revenues observed in Q1 2026 was correspondingly weak.

As economic uncertainty stabilized throughout Q4 of last year and Q1 and Q2 of this fiscal year, agencies and brand partners began confirming their campaigns and lifted signed revenues from Q3 2025 lows. Signed Media revenues for Q3 and Q4 2025 totaled approximately HK$187 million, compared to HK$265 million for Q1 and Q2 2026, which is an increase of 40%. Whilst actual revenue recognition will be dependent on delivery, this rebound in signed revenues signals a meaningful recovery in demand.

The rebound was also visible in our interim results - Q1 revenue was HK$88 million compared to Q2 revenue of HK$132 million, which is an increase of 50% quarter to quarter. As major partner bookings are expected to further convert in Q3 2025, we anticipate a near-term uplift in Media revenue as recovery in signings begin to flow through.

From a geographical standpoint, the impact of the slowdown was most pronounced in North America and Europe, stemming from pauses in global marketing budgets as our partners shifted focus to addressing global economic and trade policy and impact on their business, and many brands adopted a wait-and-see approach.

By contrast, the APAC markets remained relatively more stable as regional budgets remained relatively unaffected by global uncertainties. The revenue increase in the region was supported by stronger partnerships in the fashion, sports, and lifestyle space.

Gross profit from Media was HK$100 million, down from HK$145 million a year earlier, and gross profit margin declined to 46% from 52%. The decline in gross margin primarily reflects lower revenues recorded in the period, along with a shift in the mix of campaign executions in the period to physical campaigns which have higher demands on production costs.

Looking ahead, we anticipate recovery in Media campaign executions and activities into the second half. Whilst the shift to more comprehensive Media campaigns will likely increase demands on production costs, larger Media contract sizes and stronger relationships built with brands across recurring investments are expected to support Media campaign margins in the medium and long term.

Moving on to E-commerce. Commerce revenue declined 27% year-on-year to HK$60 million, down from HK$82 million in the first half of 2025.

Revenue was largely stable across the first half of this fiscal year, totaling HK$32 million in Q1 and HK$28 million in Q2. A number of factors drove the decline in revenue observed, compared to the same period of last year. First, U.S. tariffs placed significant pressure on the U.S. market sales, necessitating a shift in focus on APAC and other high performing markets to mitigate some of the impact. Further, improved discipline in product buys and smaller purchase volumes also drove a managed reduction in business size compared to the prior year. The planned relocation closure of our Landmark store in Central, Hong Kong in the first half also contributed to year-over-year revenue declines in the segment as the store remained closed during the transition period.

Looking ahead, with a refreshed focus on non-tariff impacted regions in APAC, we expect meaningful momentum in e-commerce sales in Q3 and also the rest of the year, largely from seasonal uplift due to holiday demand, year-end gifting, and a stronger Fall/Winter product pipeline. The reopening of the new Landmark store in December 2025 is expected to further boost retail sales in the second half.

Further ahead, a number of cross-channel commerce-driven Media activations will also come online in the second half. These campaigns are high-attention yet low lift operationally, providing high marketing value and attractive incremental margins. Whilst these projects are still early in scope and exploratory in nature, the level of attention received from brand partners is encouraging and will continue developing this line of activations.

Let me expand on the Commerce performance by looking at some of our underlying operating metrics.

Total orders for the first half of this fiscal year were 25,106, just over 37,237 last year, reflecting a 33% year-on-year decline.

This movement aligns with the factors we talked about earlier — namely, the pressure on demand in U.S. markets from tariff policies, planned downsizing of the business and more disciplined buying approach to improve inventory health, as well as the temporary closure of our Landmark store during relocation. All these factors reduced overall transaction volume.

Order conversion rate was 0.89%, compared to 0.94% last year, a slight decrease of 5 basis points. Conversion remained broadly stable despite lower traffic, supported by continued optimisation across category mix and onsite experience.

Encouragingly, Average Order Value increased 14% year-on-year to HK$2,079, driven by a more curated product mix, stronger brand curation, and improved ticket size across key categories.

Average Unit Value declined 5% to HK$928, largely reflecting a deliberate shift toward better-margin, higher-velocity SKUs, while reducing exposure to slow-moving or higher-price legacy inventory.

Combined, these metrics reflect an E-commerce business that is purposely operating with tighter assortment discipline, setting a cleaner and healthier base for the second half.

Gross profit for the segment was HK$22 million, compared with HK$28 million last year.

Despite the lower revenue base, gross margin improved meaningfully from 34% to 38%. This was driven by three factors: More disciplined purchasing, as we talked before, which reduced markdown exposure and improved intake margins. A healthier inventory position compared to last year, helped by targeted clean-up actions and the one-time impairment we recognised in the period prior. A stronger contribution from high-margin categories within apparel and accessories.

Looking ahead, we expect E-commerce performance to strengthen in Q3, supported by seasonal holiday demand, better assortments, and the benefit of the new Landmark store coming back online. Combined with recent cross-channel commerce-driven activations successes, we expect an improved operating environment and the margin space for the E-commerce segment in the second half and moving forward.

Looking at a bit of inventory, at the end of the period, our inventory balance was HK$43 million, compared to HK$46 million at the end of last fiscal year. The modest reduction reflects our more disciplined purchasing strategy, tighter sell-through management, and a shift toward fresher, faster-moving assortments.

As a result of improvements in inventory management over the past few quarters, our current inventory profile is in good shape, and we don't anticipate further material impairments in inventory moving forward. With the reopening of the Landmark store and the holiday trading period ahead, we expect improved turnover and more balanced inventory levels moving into the second half.

Turning our attention now to the balance sheet. On liquidity and treasury, the Group maintains a very strong and diversified cash position.

We ended the period with a combined balance of cash, bank deposits, time deposits and digital assets totaling HK$262 million. This includes HK$220 million in time deposits and HK$42 million in digital assets, predominantly in major cryptocurrencies which we continue to classify as intangible assets under IFRS. These digital assets were acquired previously through the course of our Media activities and projects. They remain fully unencumbered and continue to be managed prudently as part of our broader treasury framework.

The bulk of our cash is invested in time deposits with original maturities of between one week to three months.

Overall, the Group's liquidity position remains highly robust. We carry no gearing, maintain substantial working capital headroom, and have more than sufficient funding to support operating requirements.

Inventory turnover remained broadly stable in the first half of 2026. The slight year-on-year movement reflects our more disciplined purchasing strategy and tighter assortment planning, which have helped improve inventory age and reduce reliance on markdowns.

Further, the Landmark store relocation temporarily limited retail sell-through during the period, contributing to a slightly lengthening of inventory turnover cycles. With the reopening of the new Landmark store in December and the seasonal uplift expected in Q3 across our e-commerce business, we anticipate a normalisation of turnover in the second half as sell-through accelerates against a cleaner and a more managed inventory base.

Turning to AR receivables.

Accounts receivable at period-end reflected longer payment cycles within the Media business, with receivable days at roughly 105 days, compared with 88 days at the end of last fiscal year. This movement is consistent with the softer advertising environment in Q3 and Q4 of last fiscal year, during which some brand partners and agencies extended payment schedules as they adjusted budgets and timing, which we have mitigated through tighter collection policies, more follow-ups, and working closely with some of our agency partners.

This is not a credit quality issue. Collections remain healthy, and we have not observed elevated defaults or disputes. Rather, the extension probably relates to timing and the macro environment of the previous signing cycle. And again, our collection policy is being tightened to address this. Heading into the second half, we expect campaign activity to normalize. As Q3 bookings convert, we expect receivable days to gradually improve in these metrics in the second half. We continue to actively manage working capital, with enhanced collection efforts as I have mentioned and closer coordination with key partners across our global networks.

I'll now pass it back to Kevin to discuss our priorities for the second half of 2026.

Kevin Ma - Chairman and CEO
Thanks, Patrick.

Moving into the second half of fiscal year 2026, our strategy is very cautious and with sharp focus.

Looking ahead to the second half, we will prioritize product enhancement across the board. This includes the return of Digital Covers and a lineup of high-value offline activations to drive both loyalty and revenue.

Separately, after integrating the unified login, we will significantly upgrade our HYPE App to improve user experience. We plan to roll out valuable new features like our maps functions and our drops functions to better serve our users moving forward.

Crucially, this entire digital development—featuring personalization and interactive functions, will be powered by our data—not only will it provide greater utility but will also significantly boost user engagement and make our products more appealing.

For the E-commerce and Retail segment, we successfully drove significant efficiency improvements, and saw a better ROI from paid marketing. For the second half, our focus is strategically shifting towards high-end offerings and deepening customer relationships. This transition will be led by the relaunch of the Landmark store with a more exclusive, high-value offering.

Also, we will further enhance our CRM and Personal Shopping services using our data and insights to cultivate deeper relationships with high-spending customers. This will also be supported by global activations to expand our customer base, drive sustained revenue, and maximize market awareness.

Operationally, we are fundamentally shifting towards deep automation and using AI. This strategic investment makes our team smarter and faster, freeing them up to focus on higher-value activities. This is driving sustainable efficiency gains. We will keep integrating advanced tools and technology to further reduce our cost and ensure we deliver best-in-class operational performance.

With a healthy capital base and a strong branding, I believe that we are able to operate with more agility and a very clear strategy for the second half. This puts us in a confident position for a positive trajectory in the second half of the year and beyond.

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.

We are now reaching the end of today's earnings call. Thank you, everyone for attending the fiscal year 2026 Interim 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 feel free to send us an email at investors@hypebeast.com. Thank you everyone.