

LEAP TO THE
NEXT
LEVEL

2019

ANNUAL RESULTS PRESENTATION

18 MARCH 2020



XTEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability) Stock code: 1368.HK

2019 Financial Highlights



Revenue

RMB **8,183** m ▲ **28%**



Operating profit

RMB **1,234** m ▲ **18%**



Profit attributable to ordinary equity holders

RMB **728** m ▲ **11%**



Net cash inflow from operating activities

RMB **778** m 2018:
RMB 154 m



Net cash and cash equivalents

RMB **2,132** m 2018:
RMB 2,438 m



Full year dividend per Share

HK **20.0** cents¹ Payout ratio:
60.0%



¹ Included an interim dividend of HK12.5 cents per Share and a proposed final dividend of HK7.5 cents per Share. The proposed final dividend per Share will be subject to the approval of shareholders at the forthcoming annual general meeting

2019 Operational Highlights



▲ 20%+

Retail sell-through growth of core Xtep brand

Low-teens

Same store sales growth¹



6,379 ▲ 149 in 2019

Xtep branded stores in Mainland China and overseas as at 31 December 2019

90%

of the total store count were redesigned and renovated in new images



Multi-brand strategy

under three market segments

Mass

Professional

MERRELL.

Athleisure



¹ Same store sales growth reflects sales performance of those physical Xtep brand stores in operation for longer than one year

Financial Review

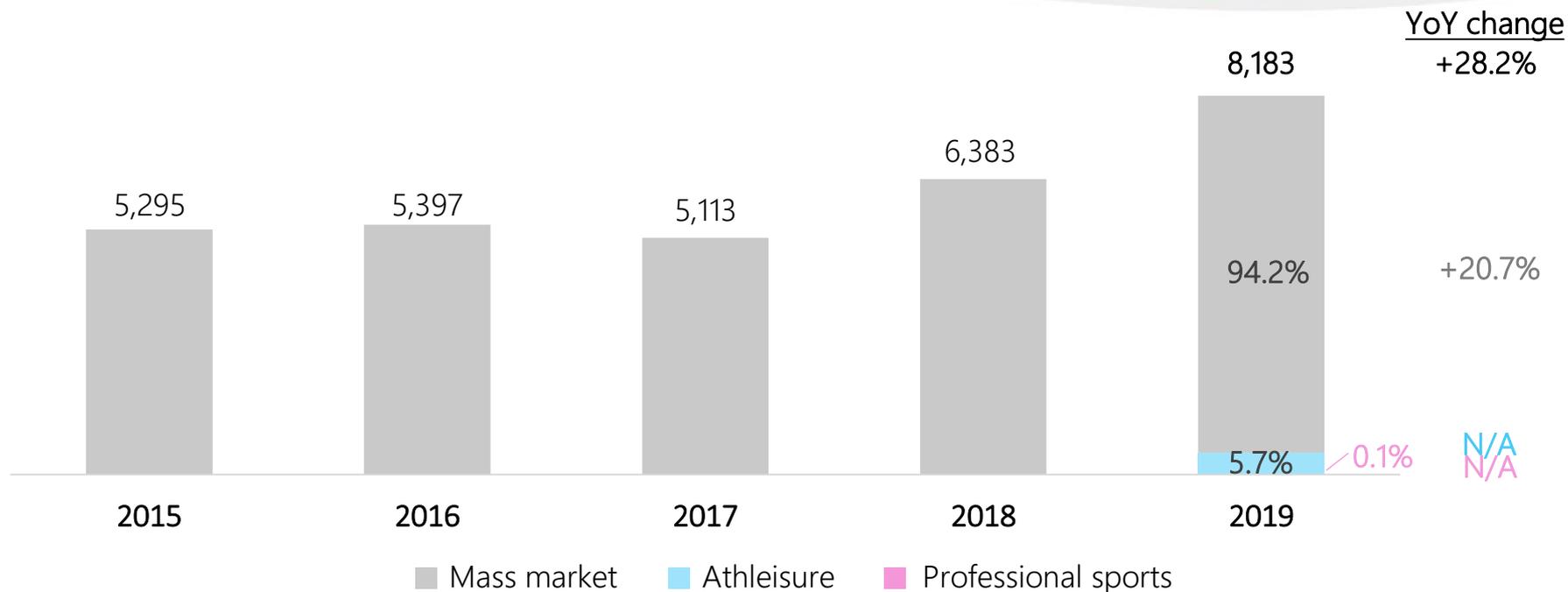
The XTEP logo is located in the bottom left corner of the slide. It features the brand name "XTEP" in a bold, italicized, white sans-serif font. The text is set against a circular background with a vibrant, abstract pattern of pink, purple, and magenta colors. The overall design is modern and dynamic, consistent with the athletic branding of XTEP.

XTEP

Consolidated Income Statement

RMB m	2019	2018	YoY change
Revenue	8,183	6,383	+28.2%
Gross profit	3,550	2,828	+25.5%
Selling & distribution and general & administration expenses ("SG&A")	2,625	1,980	+32.6%
Operating profit	1,234	1,044	+18.2%
Profit attributable to ordinary equity holders	728	657	+10.8%
Basic earnings per Share	RMB 30.7 cents	RMB 30.2 cents	+1.7%
Gross profit margin	43.4%	44.3%	-0.9% pt
SG&A to revenue ratio	32.1%	31.0%	+1.1% pts
Operating profit margin	15.1%	16.4%	-1.3% pts
Net profit margin	8.9%	10.3%	-1.4% pts

Revenue by Brand Nature (RMB m)

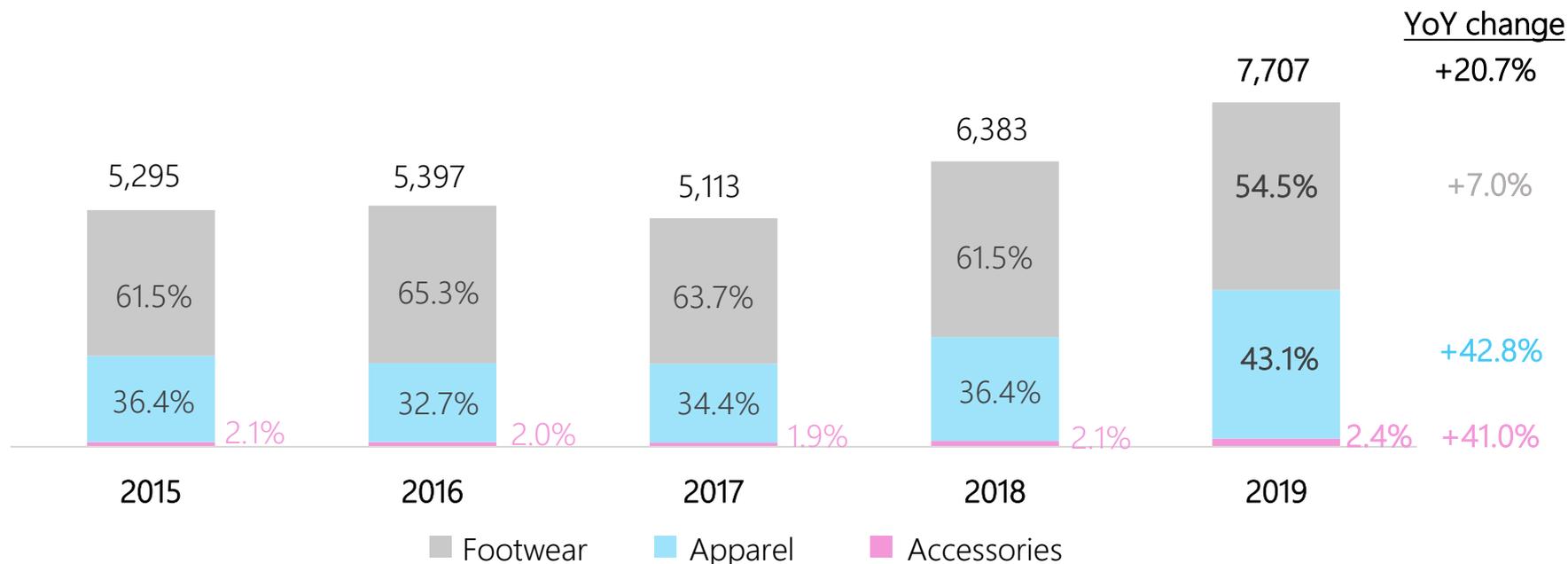


RMB m	2019	2018	YoY change
Mass market	7,707	6,383	+20.7%
Athleisure	466	-	N/A
Professional sports	10	-	N/A
Overall	8,183	6,383	+28.2%

Income Statement – Core Xtep Brand

RMB m	2019	2018	YoY change
Revenue	7,707	6,383	+20.7%
Gross profit	3,375	2,828	+19.3%
Selling & distribution and general & administration expenses ("SG&A")	2,371	1,980	+19.7%
Operating profit	1,288	1,044	+23.3%
Profit attributable to ordinary equity holders	786	657	+19.6%
Gross profit margin	43.8%	44.3%	-0.5% pt
SG&A to revenue ratio	30.8%	31.0%	-0.2% pt
Operating profit margin	16.7%	16.4%	+0.3% pt
Net profit margin	10.2%	10.3%	-0.1% pt

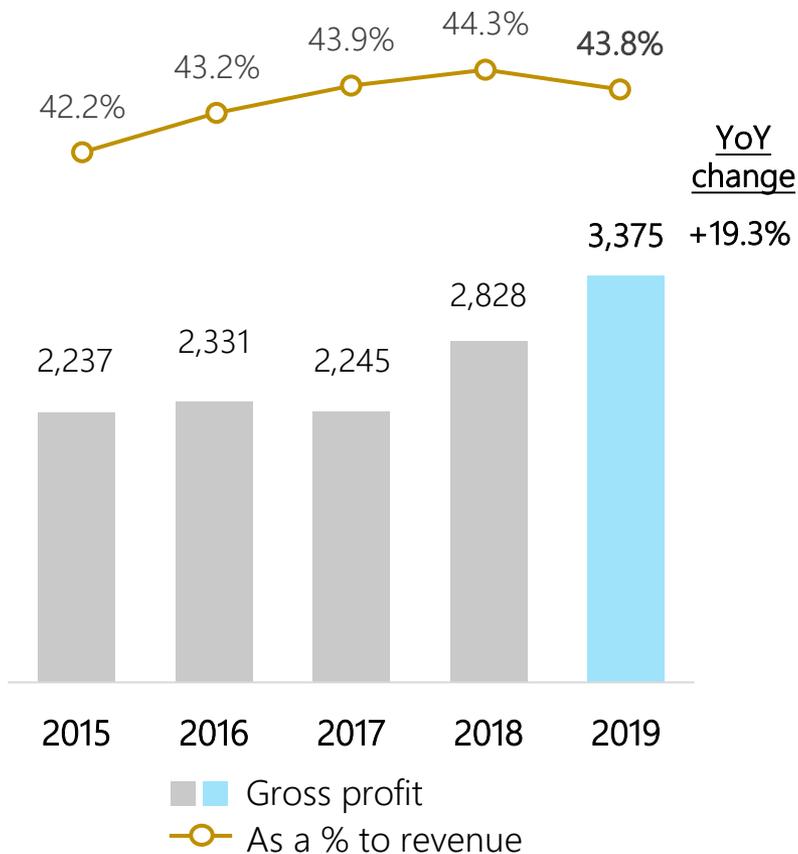
Revenue by Product – Core Xtep Brand (RMB m)



RMB m	2019	2018	YoY Change
Footwear	4,199	3,925	+7.0%
Apparel	3,323	2,327	+42.8%
Accessories	185	131	+41.0%
Overall	7,707	6,383	+20.7%

Gross Profit and Gross Profit Margin – Core Xtep Brand

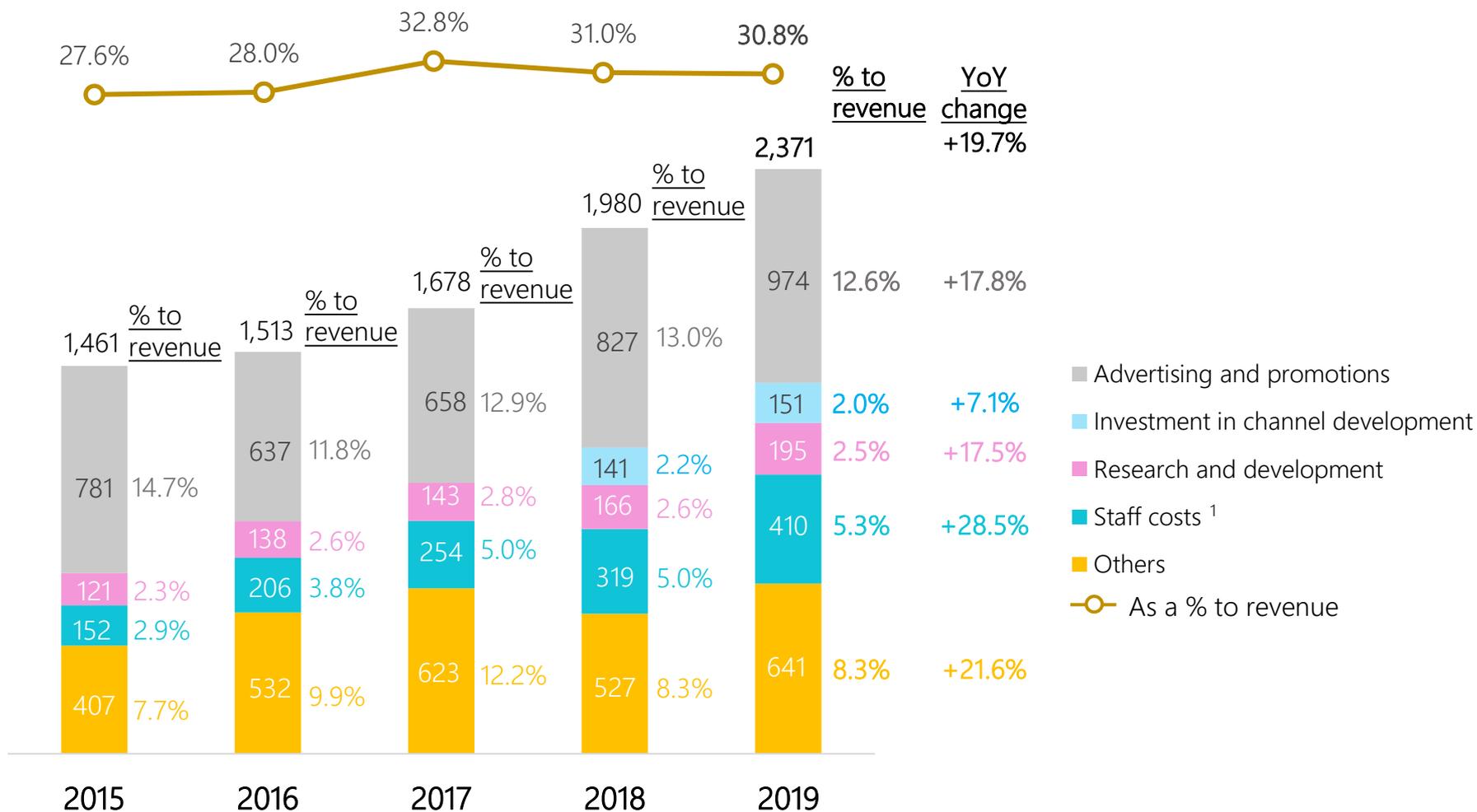
Gross profit (RMB m)



Gross profit margin by product (%)

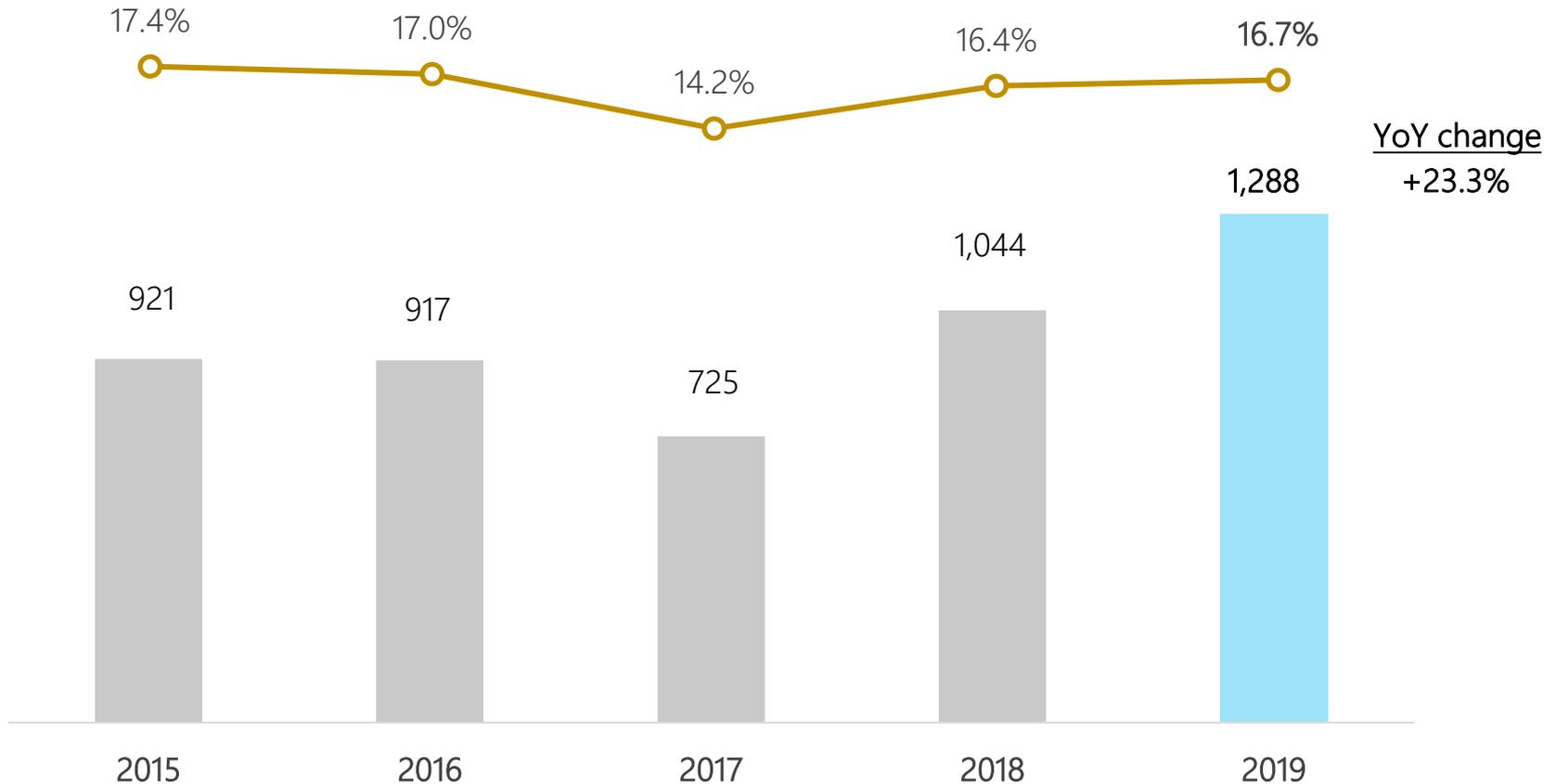
	2019	2018	YoY change
Footwear	44.0%	45.6%	-1.6% pts
Apparel	43.9%	42.6%	+1.3% pts
Accessories	37.3%	35.6%	+1.7% pts
Overall	43.8%	44.3%	-0.5% pt

SG&A Analysis – Core Xtep Brand (RMB m)



¹ Excluding the staff costs related to manufacturing and R&D

Operating Profit – Core Xtep Brand (RMB m)



■ Operating profit
○ As a % to revenue

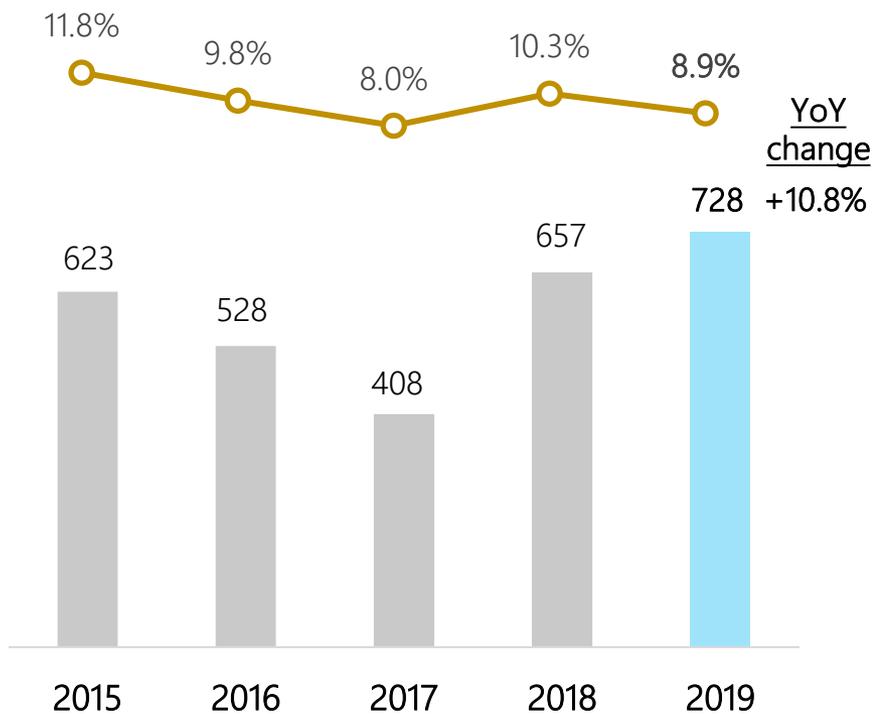


Income Tax Breakdown (RMB m)

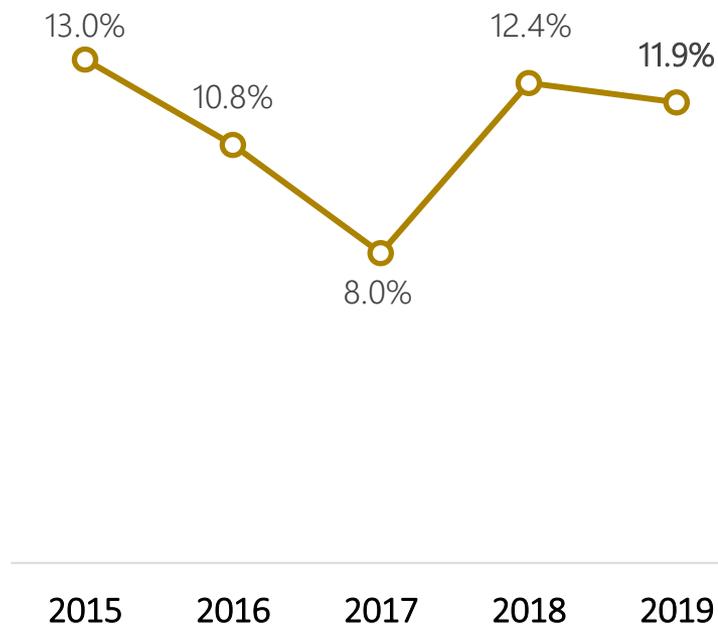
RMB m	2019	2018
Tax provision for the year	337	275
Under provision in prior years	6	7
Deferred tax	47	24
Total income tax (A)	390	306
Profit before tax (B)	1,121	976
Effective tax rate = (A) / (B)	34.8%	31.4%

Net Profit and Return on Equity

Profit attributable to ordinary equity holders (RMB m)



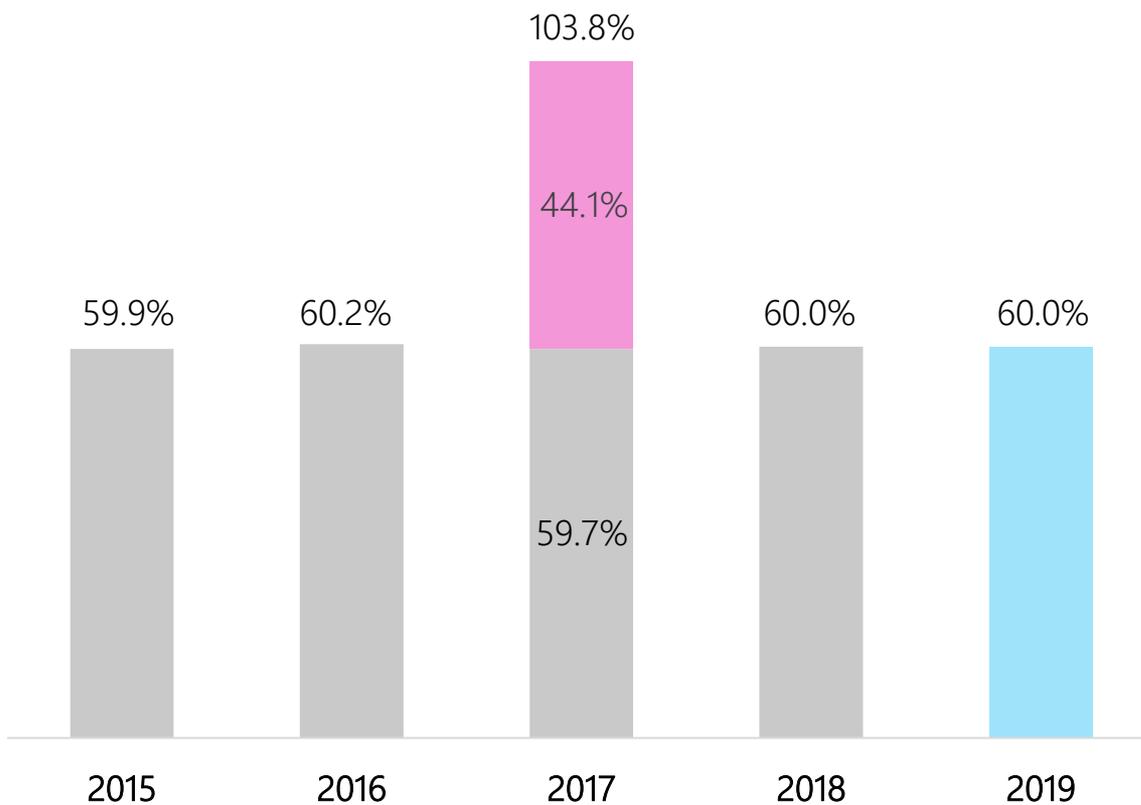
Return on equity (%)



■ Profit attributable to ordinary equity holders
—○ As a % to revenue

—○ Return on equity

Dividend Payout Ratio



2019 full year dividend
per Share

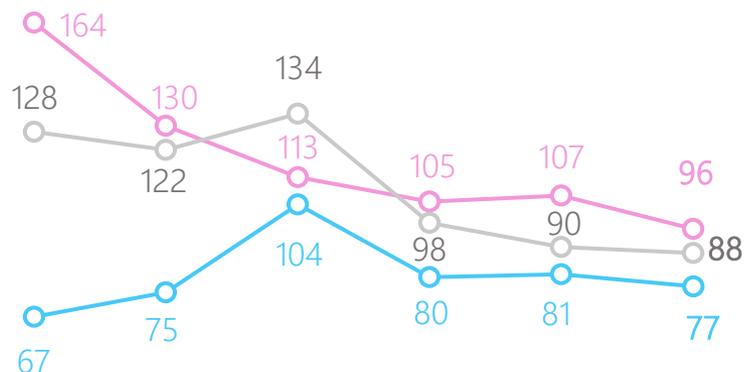
HK 20.0 cents

(2018: HK 20.0 cents)

■ Annual dividend payout
■ Special dividend payout

Working Capital Analysis

Working capital turnover (day)



1H2017 (30 Jun) FY2017 (31 Dec) 1H2018 (30 Jun) FY2018 (31 Dec) 1H2019 (30 Jun) FY2019 (31 Dec)

- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

Working capital balance breakdown (RMB m)

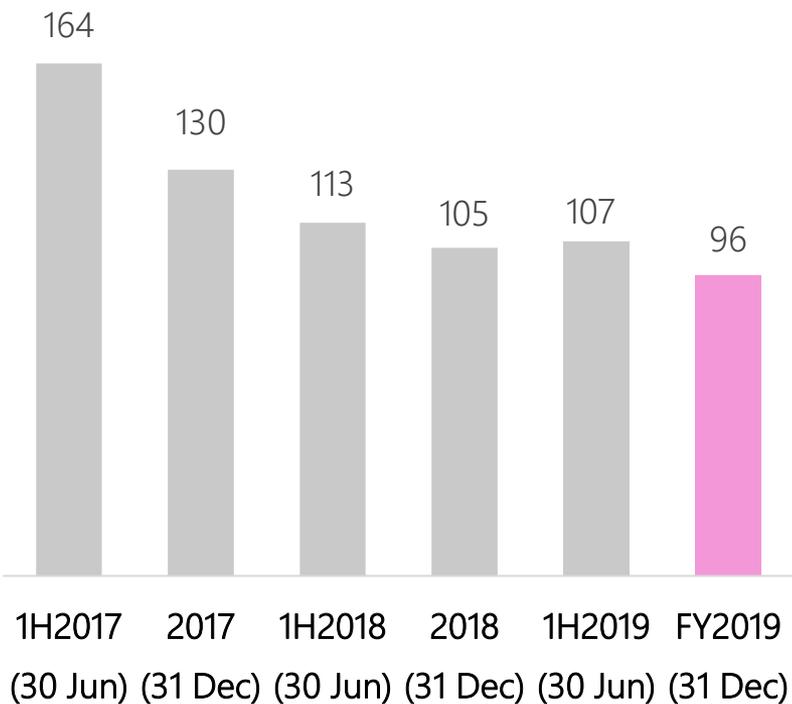
RMB m	31 Dec 2019	31 Dec 2018	YoY change
Inventories	1,046	836	+25.1%
Trade receivables	2,596	1,953	+32.9%
Trade payables	1,420	879	+61.5%

Retail channel inventory turnover in 2019

About **4 months**

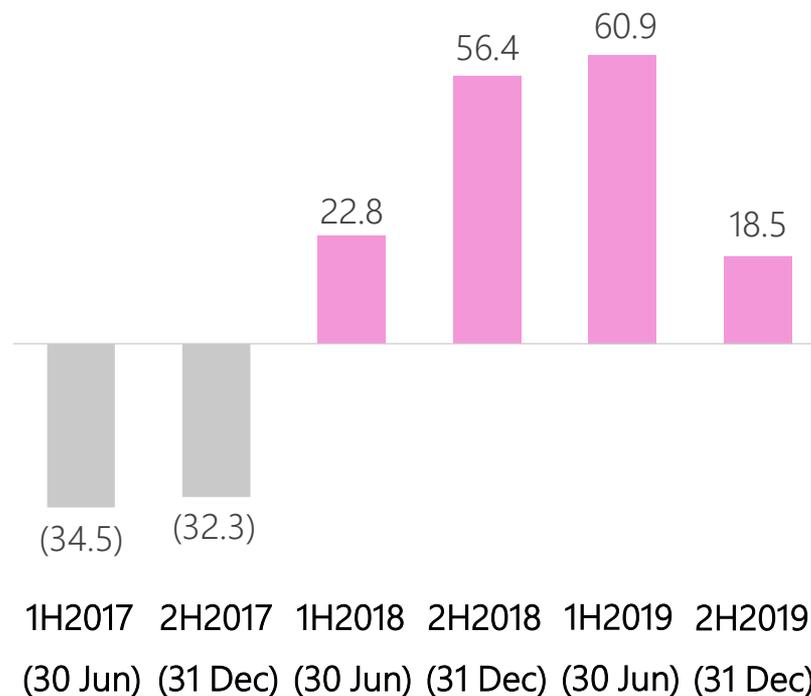
Trade Receivables

Trade receivables turnover (day)



■ Trade receivables turnover

Write-back of provision / (provision) of trade receivables (RMB m)



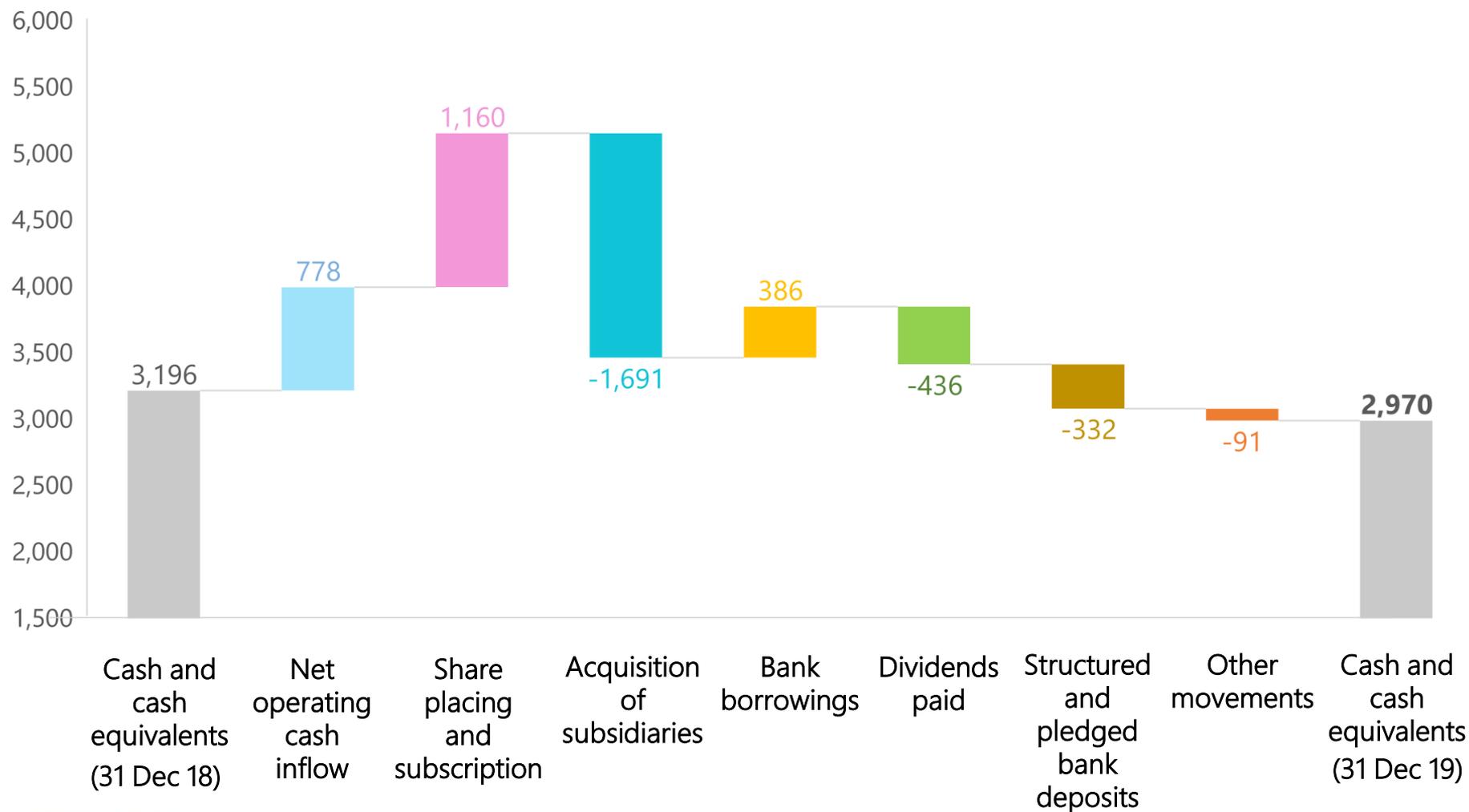
■ (Provision) of trade receivables
 ■ Write-back of provision of trade receivables

Balance Sheet

RMB m	31 Dec 2019	31 Dec 2018	YoY change
Current assets	9,266	8,060	+15.0%
Current liabilities	3,671	3,278	+12.0%
Cash and cash equivalents (A)	2,970	3,196	-7.1%
Structured bank deposits and pledged bank deposits (B)	1,517	1,186	+28.0%
Bank borrowings (C)	2,355	1,944	+21.1%
Net cash and cash equivalents = (A)+(B)-(C)	2,132	2,438	-12.6%
Net current assets	5,595	4,782	+17.0%
Current asset ratio (times)	2.5x	2.5x	-
Gearing ratio ¹ (%)	19.1%	21.1%	-2.0% pts
Shareholders' equity	6,891	5,326	+29.4%
Net assets value per Share	RMB 2.77	RMB 2.38	+16.4%

¹ Defined as the total bank borrowings divided by the Group's total assets

Cash Flows Analysis (RMB m)



Financial Highlights – Other Brands

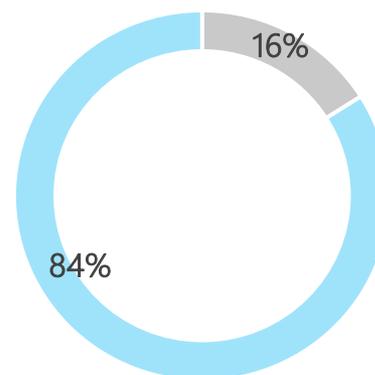
For the period 1 August – 31 December 2019

RMB m	2019
Revenue	476
Gross profit	175
Gross profit margin	36.8%
Operating loss	(54)
Acquisition consideration	1,792
Intangible assets arising upon acquisition	789
Goodwill arising upon acquisition	834

Revenue contribution to the Group:

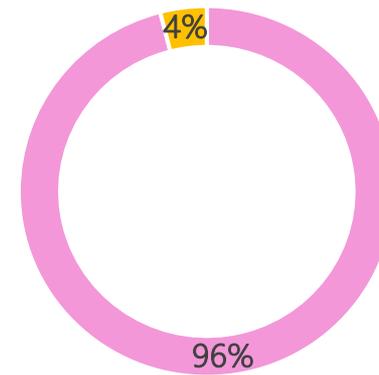
5.8% in 2019

Revenue by business model



■ Retail
■ Wholesale and others

Revenue by products



■ Footwear
■ Apparel

Business Review

The XTEP logo is located in the bottom-left corner of the slide. It features the brand name "XTEP" in a bold, italicized, white sans-serif font. The logo is set against a circular background with a vibrant, abstract pattern of pink, purple, and blue colors, which is partially obscured by a green and yellow curved graphic element.

Core Xtep Brand - Retail Network



6,379 ▲ **149** net openings

Xtep branded stores in Mainland China and overseas as at 31 December 2019



90%

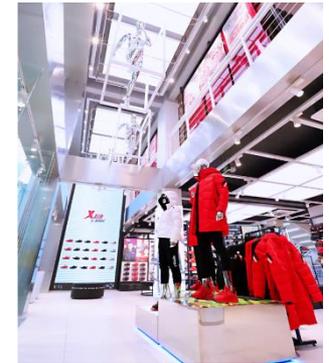
of the total store count are in international style format



Changsha, Hunan Province, Mainland China (1,554 m²)



Fuzhou, Fujian Province, Mainland China (507 m²)



Jinan, Shandong Province, Mainland China (352 m²)



Core Xtep Brand - Retail Network

Xtep Run Club



8

Run Clubs in
Mainland China
as at 31 December 2019



200,000+
members

430+
running events¹
organized



Xiamen, Fujian Province,
Mainland China
(400 m²)

Xiamen Island Ring Boulevard



¹ Included but not limited to marathon training camps, technical analysis courses and festive sports events

Core Xtep Brand Products – Performance Sports

Running

RC160X
launched in
December 2019



- Carbon fibre propulsive cushioning technology
- Ultra-lightweight
- Superior shock absorption, rebound and traction performance
- Built to enhance Asian fit

Basketball



Jeremy Lin's basketball shoes debut in November 2019



Core Xtep Brand Products – Lifestyle and Crossover

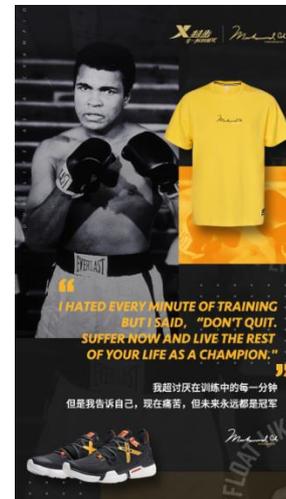
“City Runner” Collection - House of Holland



1st Chinese sportswear brand to debut at London Fashion Week



Xtep x Batman



Xtep x Muhammad Ali



Xtep x Tom & Jerry

Core Xtep Brand Advertising & Promotion – Marathon and Sponsorships



53

marathons and running events sponsored in Mainland China and Vietnam in 2019



No. 1

domestic brand in marathon's market share¹ in Mainland China



KOL set the best Chinese marathon results in last 12 years in Berlin Marathon (September 2019)



Xtep Penguin Run in Suzhou (July 2019)

Hengshui Lake International Marathon (September 2019)



¹ Source: Joyrun – footwear worn by participants who finished the full marathon within three hours

Core Xtep Brand Advertising & Promotion – Spokesperson and Entertainment



Jing Tian

Spokespersons



Jeremy Lin



Nicholas Tse



Nex7



Jiro Wang

Entertainment sponsorships



"Street Dance of China"



"The Coming One"

Updates on Other Brands - Saucony & Merrell

Saucony

First localized design
"Kinvara11 – Xiamen Edition"
(November 2019)



Saucony pop-up store at
China Marathon Expo
in Xiamen (January 2020)



Merrell



Capture
outdoor market
and Chinese
tourism



Merrell Tmall flagship store
launched in March 2020

Updates on Other Brands - Palladium

Retail network as at 31 December 2019

- 29 self-operated stores in Hong Kong and Taiwan
- Distribution network covers Mainland China, Asia-Pacific, Europe, Middle East, Africa and North America



Crossover with KENZO
"PALLADIUM Pallashock
by KENZO"

Crossover collections



Collaborated with
Bungie "PLALLABROUSE
Baggy Moon"

Sustainable collection



Organic cotton collection

Updates on Other Brands - K-Swiss

Retail network as at 31 December 2019

- 40 self-operated stores in Hong Kong and Taiwan
- Wholesale business mainly in North America, Europe and Asia-Pacific

Rebranding process

From brand positioning, product innovation to marketing and distribution



Crossover shoes with Lil Jupiter and LuisaViaRoma



Showcased in Milan and Paris' Fashion Week (January 2020)

Business Outlook and Development

The logo for XTEP, featuring the brand name in a stylized, italicized font. The letters are white with a slight shadow, set against a background of vibrant, overlapping colors including pink, purple, and green. The logo is positioned in the bottom-left corner of the slide.

XTEP

Business Outlook and Development



Novel coronavirus outbreak – Operational update

- The majority of our stores and production facilities have resumed normal operations as of mid-March 2020
- Proactively diverge the sales to e-commerce platforms and cost control initiatives
- Reduction in orders and replenishments from distributors inevitably hit profitability in the short term, but would enable a more sustainable and healthier business operation in the long run
- Credit period will be lengthened for selective distributors to allow more flexibility in cash flow management
- Remain confident in long term business development of the Chinese sportswear market as health awareness level among Chinese people would further increase in the aftermath of the outbreak

Business Outlook and Development



Other brands' development plan

saucony



- First opening postponed to 3Q2020

- Extract synergies – economies of scale in supply chain and resources sharing
- Customized design according to Chinese tastes and preferences
- Increase investment in apparel products

MERRELL.



- First opening expected in 4Q2020
- Tmall flagship store launched in Mar 2020



Business Outlook and Development



Other brands' development plan



- Focus the expansion in Asia-Pacific region
- Store openings in both self-operated and distribution models
- Increase in apparel product offerings



- Re-branding process in the pipeline
- Increasing R&D resources on both footwear and apparel items
- Store openings mainly in self-operated model

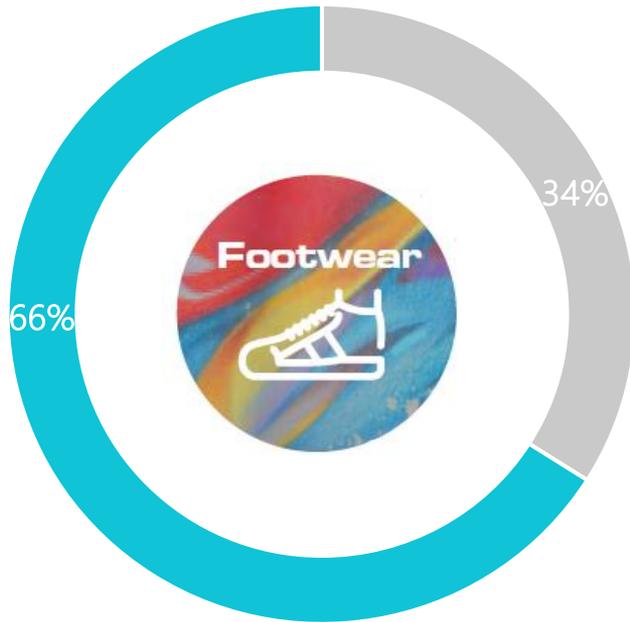
Appendix

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XTEP

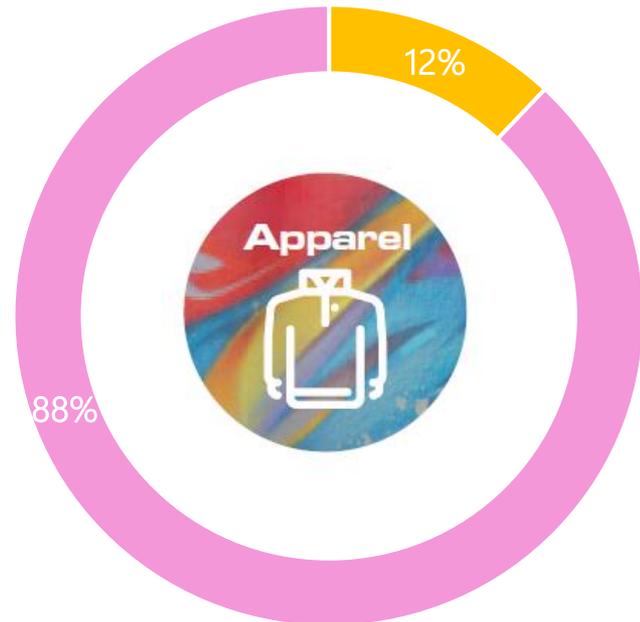
Production Capacity Allocation

Footwear



- In-house
- Outsourced

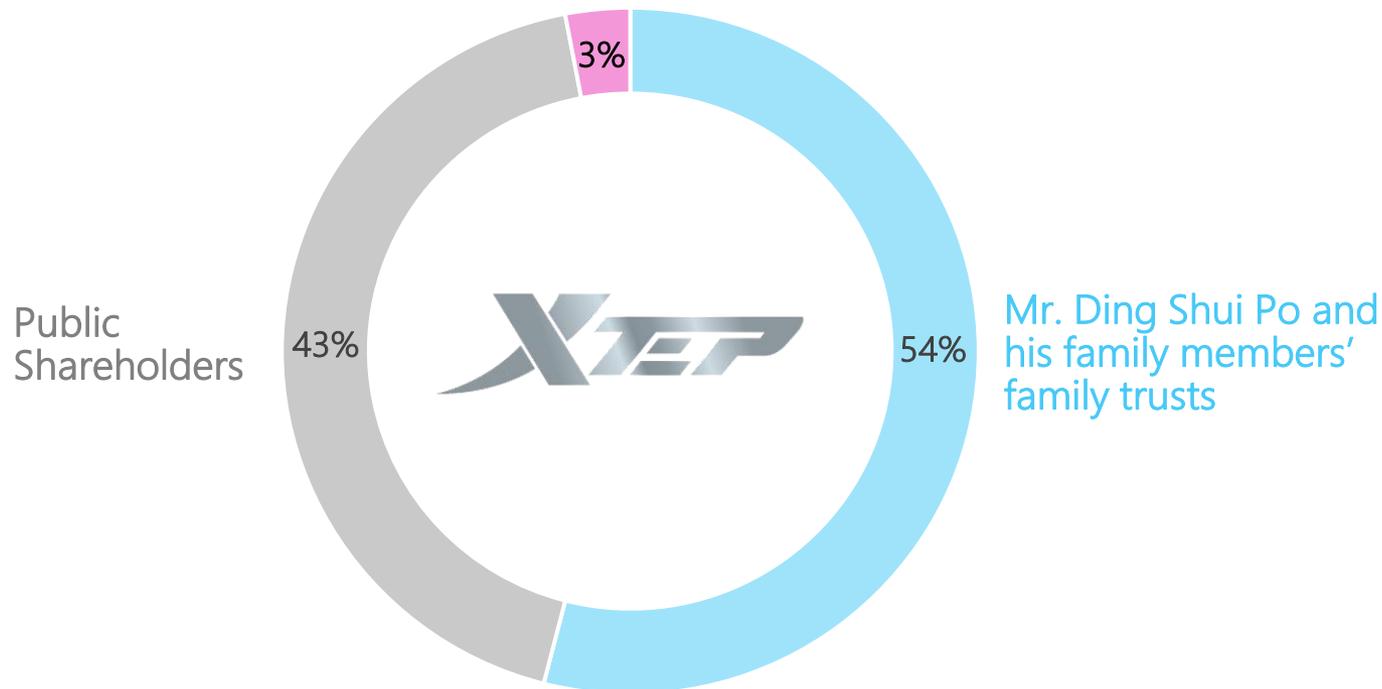
Apparel



- In-house
- Outsourced

Shareholding Structure as at 31 December 2019

Employee Share Award Scheme



Total no. of issued shares as at 31 December 2019: 2,512,444,722

Disclaimer

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