



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2020 Interim Results Presentation

28 August 2020



1H2020 Highlights



Revenue

RMB **3,679** m ▲ **10%**

Operating profit

RMB **501** m ▼ **30%**

Profit attributable to ordinary equity holders

RMB **248** m ▼ **47%**



6,124

Xtep branded stores
in Mainland China and
overseas as at 30 June 2020

Net cash and cash equivalents

RMB **2,163** m 31 Dec 2019:
RMB 2,132 m



Interim dividend per Share

HK **6.5** cents Payout ratio:
60.0%



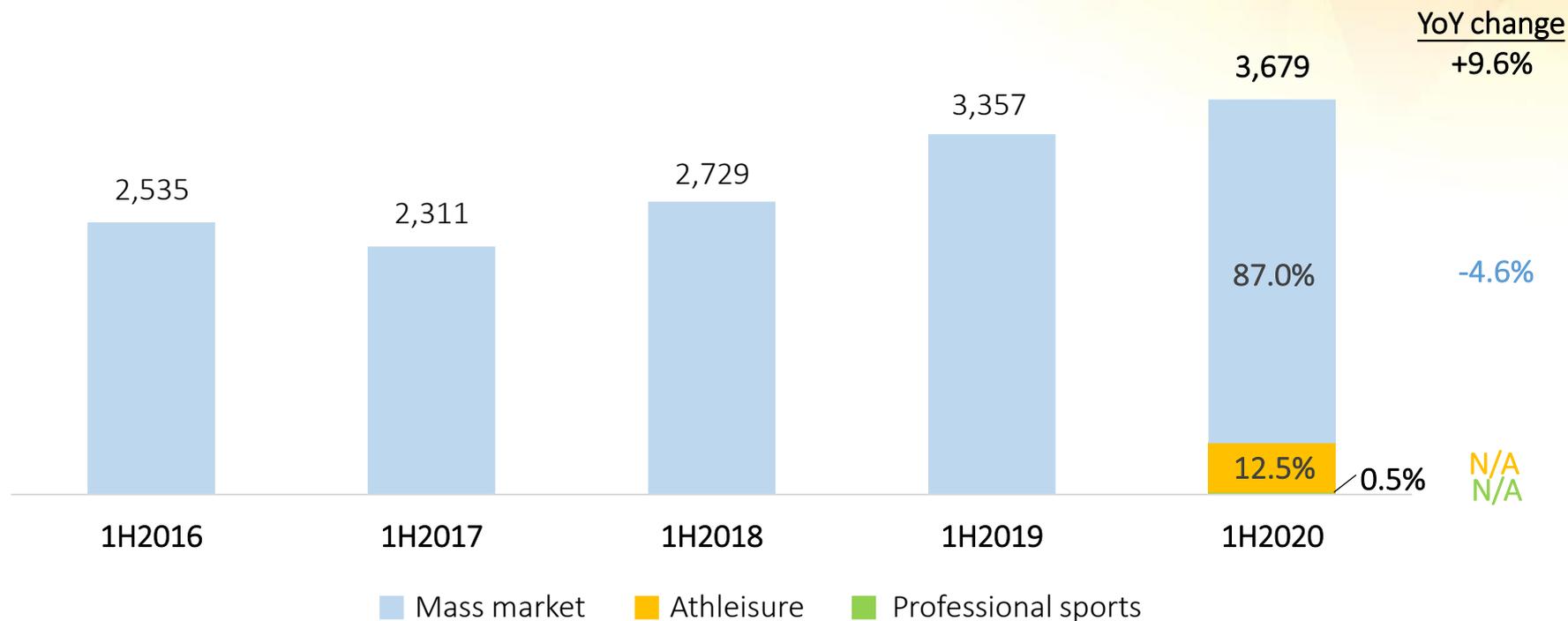


Financial Review

Consolidated Income Statement

RMB m	1H2020	1H2019	YoY change
Revenue	3,679	3,357	+9.6%
Gross profit	1,489	1,497	-0.5%
Selling & distribution and general & administration expenses ("SG&A")	1,198	918	+30.5%
Operating profit	501	717	-30.2%
Profit attributable to ordinary equity holders	248	463	-46.5%
Basic earnings per Share	RMB 10.1 cents	RMB 20.2 cents	-50.0%
Gross profit margin	40.5%	44.6%	-4.1% pts
SG&A to revenue ratio	32.6%	27.3%	+5.3% pts
Operating profit margin	13.6%	21.4%	-7.8% pts
Net profit margin	6.7%	13.8%	-7.1% pts

Revenue by Brand Nature (RMB m)



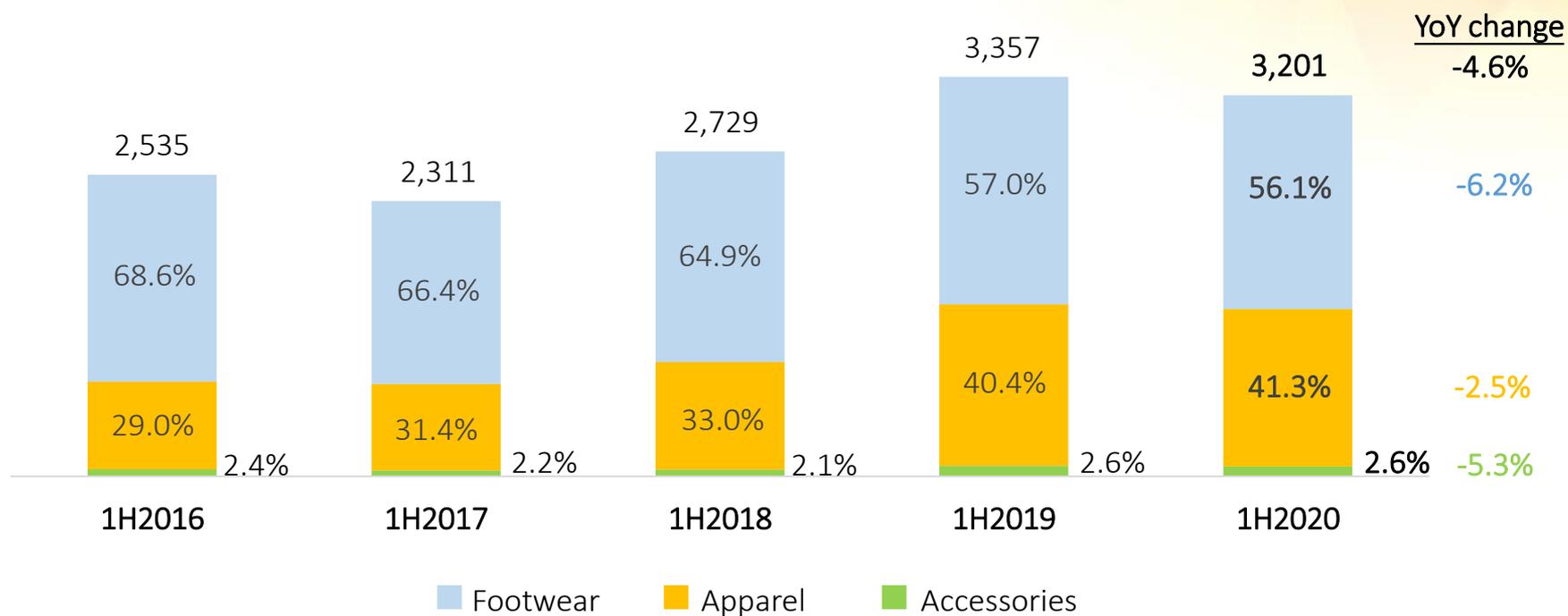
RMB m	1H2020	1H2019	YoY change
Mass market	3,201	3,357	-4.6%
Athleisure	459	-	N/A
Professional sports	19	-	N/A
Overall	3,679	3,357	+9.6%

Income Statement – Core Xtep Brand

RMB m	1H2020	1H2019	YoY change
Revenue	3,201	3,357	-4.6%
Gross profit	1,296	1,497	-13.4%
Selling & distribution and general & administration expenses (“SG&A”) ¹	937	918	+2.0%
Operating profit	552	717	-23.0%
Profit attributable to ordinary equity holders	311	463	-32.9%
Gross profit margin	40.5%	44.6%	-4.1% pts
SG&A to revenue ratio	29.3%	27.3%	+2.0% pts
Operating profit margin	17.3%	21.4%	-4.1% pts
Net profit margin	9.7%	13.8%	-4.1% pts

¹ SG&A included corporate expenses

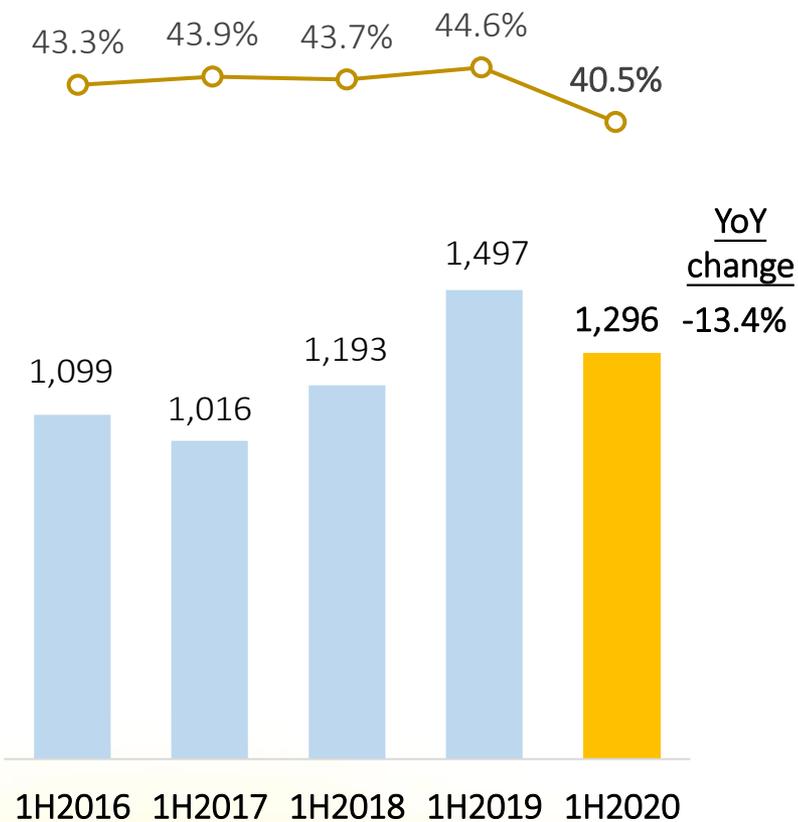
Revenue by Product – Core Xtep Brand (RMB m)



RMB m	1H2020	1H2019	YoY change
Footwear	1,794	1,912	-6.2%
Apparel	1,323	1,356	-2.5%
Accessories	84	89	-5.3%
Overall	3,201	3,357	-4.6%

Gross Profit Analysis – Core Xtep Brand

Gross profit (RMB m)

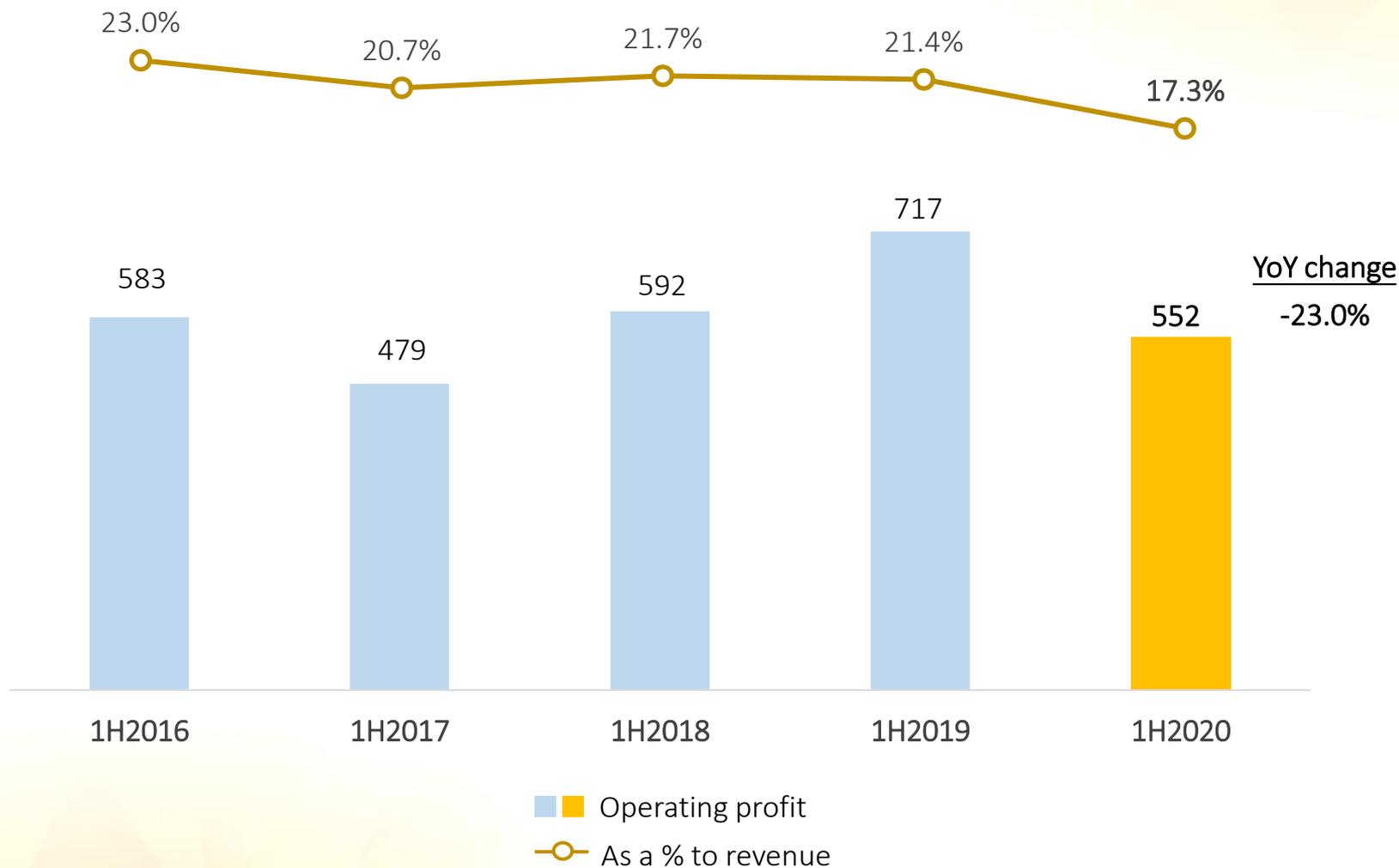


■ Gross profit
—○ As a % to revenue

Gross profit margin by product (%)

	1H2020	1H2019	YoY change
Footwear	40.1%	44.8%	-4.7% pts
Apparel	41.5%	44.7%	-3.2% pts
Accessories	33.5%	37.9%	-4.4% pts
Overall	40.5%	44.6%	-4.1% pts

Operating Profit – Core Xtep Brand (RMB m)

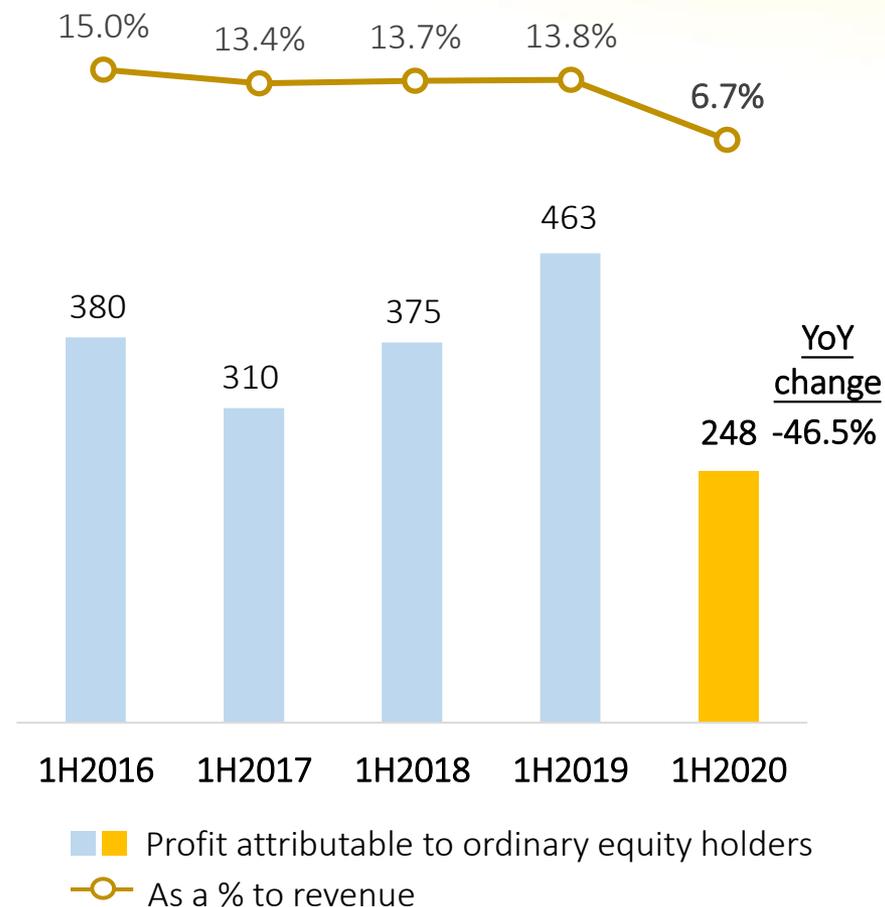


Income Tax and Net Profit

Income tax breakdown (RMB m)

RMB m	1H2020	1H2019
Tax provision for the year	166	165
(Over) / under provision in prior years	(4)	5
Deferred tax	4	48
Total income tax (A)	166	218
Profit before tax (B)	418	681
Effective tax rate = (A) / (B)	39.6%	32.0%

Profit attributable to ordinary equity holders (RMB m)



Dividend Payout Ratio



■ Interim dividend payout

2020 interim dividend
per Share

HK **6.5** cents

(1H2019: HK 12.5 cents)

Working Capital Analysis

Working capital turnover (Day)



1H2018 (30 Jun) FY2018 (31 Dec) 1H2019 (30 Jun) FY2019 (31 Dec) 1H2020 (30 Jun)

- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

Working capital balance breakdown (RMB m)

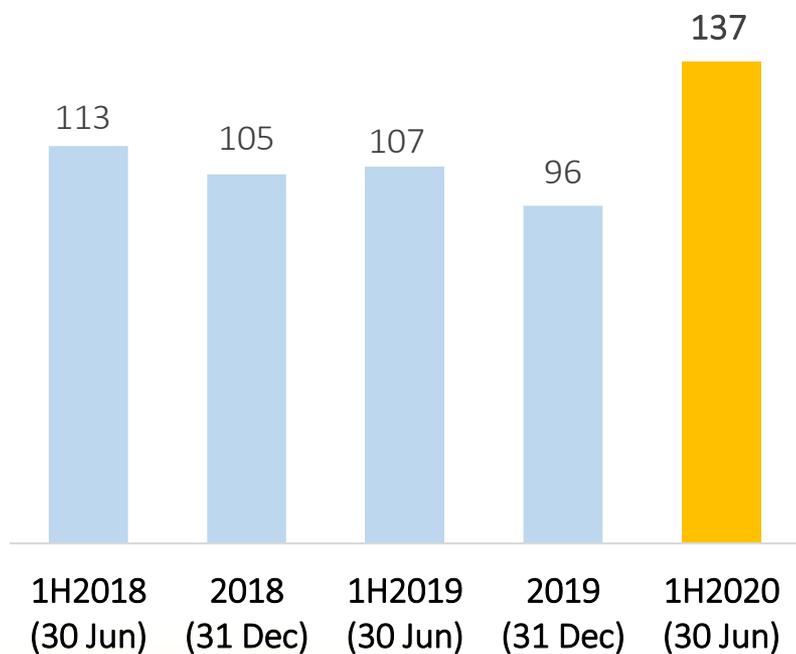
RMB m	30 Jun 2020	31 Dec 2019	Change
Inventories	1,208	1,046	+15.5%
Trade receivables	2,903	2,596	+11.8%
Trade payables	1,974	1,420	+39.0%

Retail channel inventory turnover in 1H2020

5.0 – 5.5 months

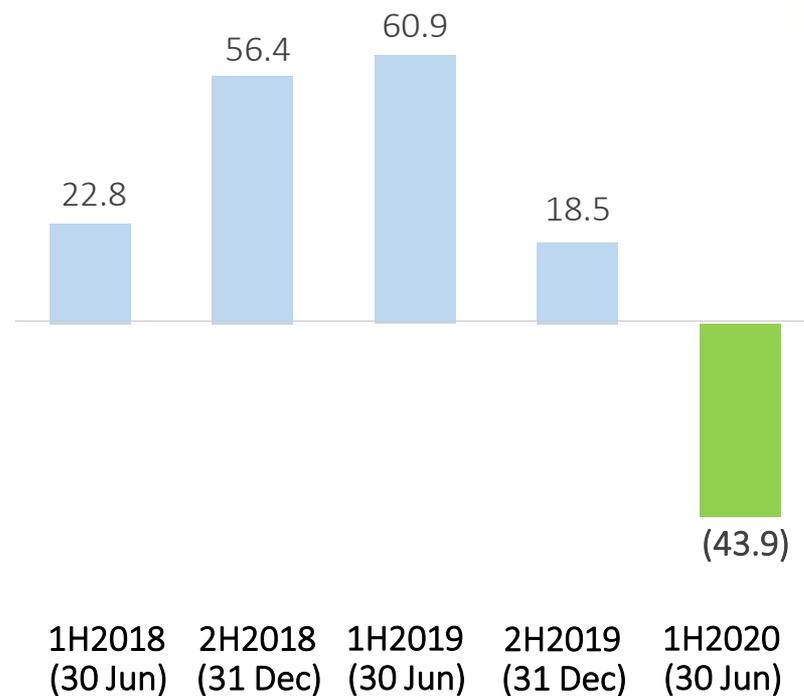
Trade Receivables Analysis

Trade receivables turnover (Day)



Trade receivables turnover

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



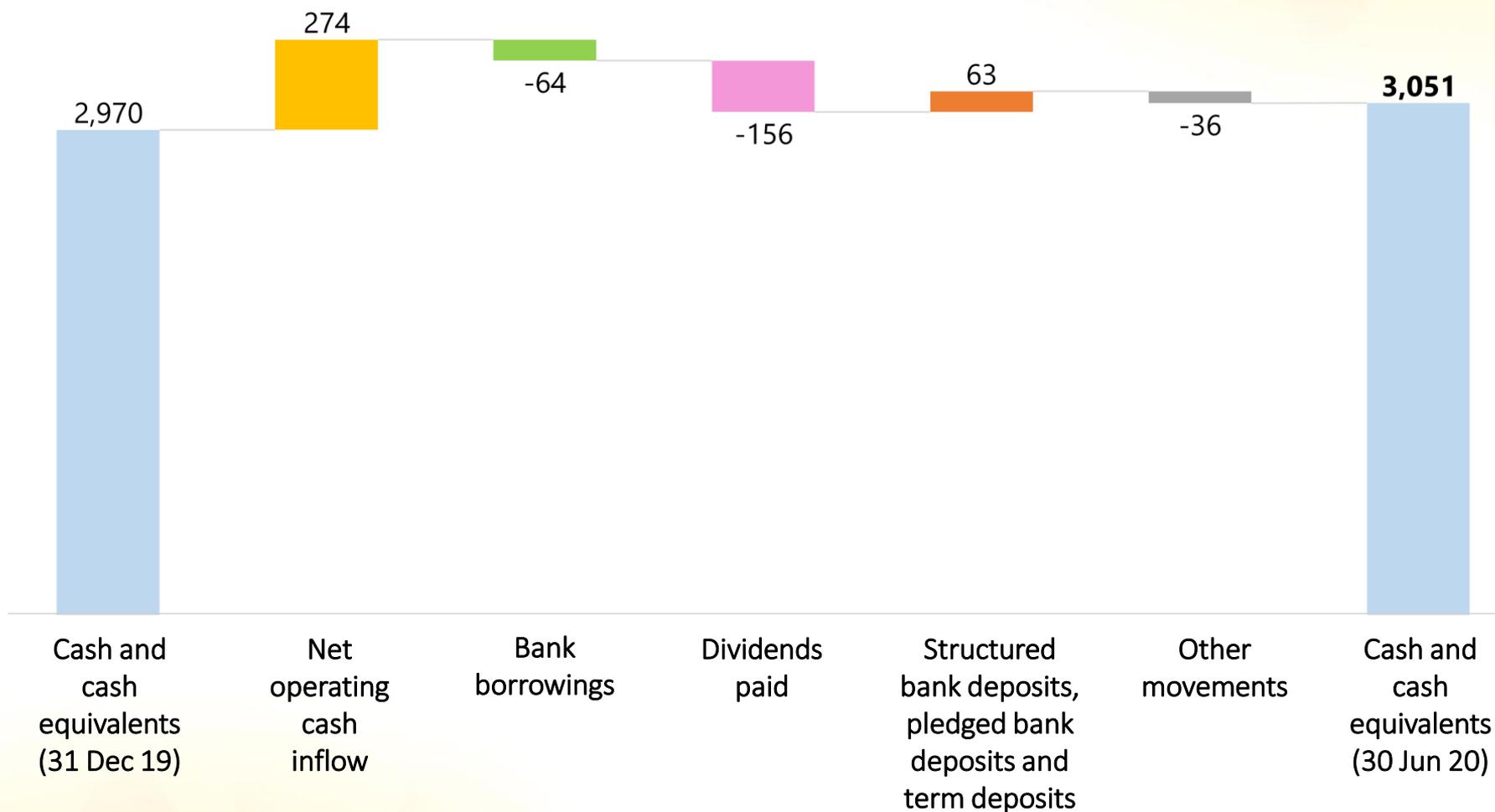
Write-back of provision of trade receivables
(Provision) of trade receivables

Balance Sheet

RMB m	30 Jun 2020	31 Dec 2019	Change
Current assets	9,311	9,266	+0.5%
Current liabilities	3,811	3,671	+3.8%
Cash and cash equivalents (A)	3,051	2,970	+2.8%
Structured bank deposits, pledged bank deposits and term deposits (B)	1,454	1,517	-4.2%
Bank borrowings (C)	2,342	2,355	-0.5%
Net cash and cash equivalents = (A)+(B)-(C)	2,163	2,132	+1.5%
Net current assets	5,500	5,595	-1.7%
Current asset ratio (times)	2.4x	2.5x	-0.1x
Gearing ratio ¹ (%)	18.1%	19.1%	-1.0% pt
Shareholders' equity	6,998	6,891	+1.6%
Net assets value per Share	RMB 2.81	RMB 2.77	+1.4%

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

Cash Flow Analysis (RMB m)



Financial Highlights – Athleisure

- Business operations of K-Swiss and Palladium were hit by the suspension of business in the America and Europe due to the coronavirus pandemic since mid-March

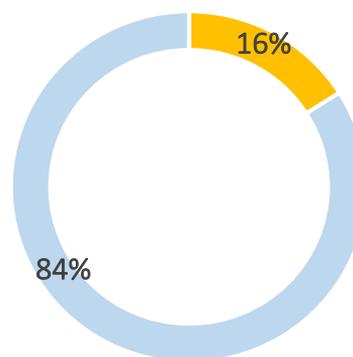
For the period 1 Jan 2020 - 30 Jun 2020

RMB m	30 Jun 2020
Revenue	459
Gross profit	186
Gross profit margin	40.5%
Operating loss	(48)

Revenue contribution to the Group:

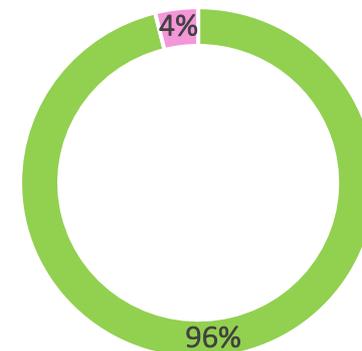
12.5% in 1H2020

Revenue by business model



- Retail
- Wholesale and others

Revenue by product



- Footwear
- Apparel and accessories



Business Review

Core Xtep Brand – Retail Network as at 30 June 2020



6,124 ▼ 255

Xtep branded stores
in Mainland China
and overseas



Lanzhou,
Gansu Province,
Mainland
China
(166 m²)



Shenyang, Liaoning Province, Mainland China
(170 m²)

Xtep Run Club



9 Run Clubs in Mainland China

750,000+ runners' club members



Quanzhou Straits Sports Center, Mainland China (620 m²)

Core Xtep Brand – Performance Sports Products

Award-winning professional running shoes – RC160X



- ✦ First carbon fiber professional running shoes launched in December 2019
- ✦ 2020 Editors' Choice & Best Buy Awards in Mainland China from Runner's World magazine



New signature running collection -Ultra Fast launched in June 2020



Ultra Fast160X
Professional running

- Full-length arc-shaped carbon fiber plate
- Dynamic Foam PB midsole
- Flyknit upper



Ultra FastX
Running and cross training

- Full-length arc-shaped TPU plate
- A double-layer midsole of X-Dynamic Foam and Dynamic Foam Lite



Ultra Fast
Running and cross training

- Full-length TPU plate
- Dynamic Foam Lite midsole

Core Xtep Brand – Lifestyle Products

Collaboration with Shaolin Temple at Mount Song in June 2020

First sportswear brand to cooperate with Shaolin Temple to preserve and promote China's intangible cultural heritage



Biodegradable Xtep-eco windbreaker launched in June 2020



- ✦ Polylactic acid woven fabric extracted from corn and straw
- ✦ The polylactic acid in the cloth is completely biodegradable when buried in soil within one year

Core Xtep Brand – Advertising & Promotion

Marathons and Sponsorships



6

physical and virtual marathons
and races sponsored in
Mainland China in 1H2020



~700,000

participants joined marathon
or virtual races



Xiamen Marathon (January 2020)



Electronic
certificate of
Jiangsu Virtual
Cloud Run
(June 2020)



Live streaming at Chengdu
Virtual Marathon
(June 2020)

Core Xtep Brand – Advertising & Promotion Spokespersons and Entertainment



Jeremy Lin

Our Spokespersons



Jing Tian



NEXT (Contract expired in June 2020)



Jiro Wang



Nicholas Tse

Entertainment sponsorship

- ★ Official designated footwear and apparel sponsor of “Me to Us”, featuring Nicholas Tse as mentor in the program



Saucony – Business Update

Retail network update

★ 12 stores in tier I and II cities in Mainland China as at 30 June 2020

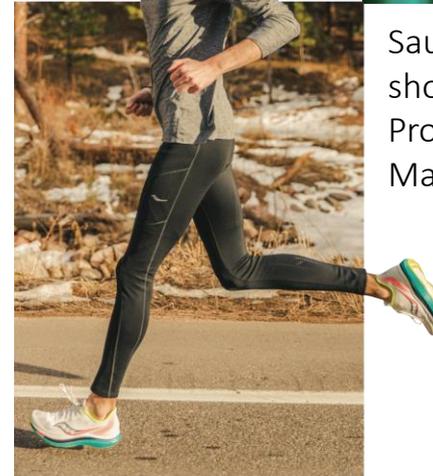


Dalian, Liaoning province, Mainland China (80 m²)



Grand opening at Super Brand Mall, Shanghai, Mainland China (115 m²)

Product innovation



Saucony's fastest shoe - Endorphin Pro, launched in May 2020

Merrell – Business Update

Retail network update

- ✦ Store openings in April and July 2020 in Beijing, Mainland China



New Yansha Mall, Beijing, Mainland China (77 m²)

Product innovation



Signature hiking boot MOAB (“Mother of all boots”)

K-Swiss – Business Update

Retail network update

- ✦ **42** self-operated stores in Asia-Pacific as at 30 June 2020
- ✦ Wholesale distribution network covered North America, Europe and Asia-Pacific



K11 Art Mall, Hong Kong
opened in July 2020
(99 m²)

Rebranding process in the pipeline

- ✦ Target to debut its brand new standalone store in tier I cities in Mainland China upon completion of the rebranding process



Product collections



K-Swiss x
Breaking Bad
Crossover



Boyz N
the Hood
Crossover

Palladium – Business Update

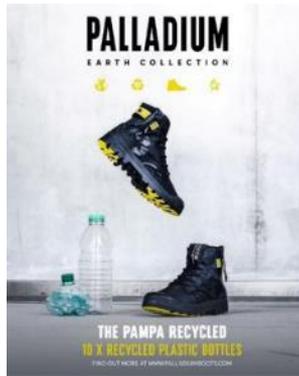
Retail network update

- ✦ **34** self-operated stores in Asia-Pacific and Europe as at 30 June 2020
- ✦ Wholesale distribution network covered Mainland China, Asia-Pacific, Europe, Middle East, Africa and North America

Product collections



Organic collection



Recycled collection



Pampa X Tech Crossover

Store opening



Harbour City, Hong Kong opened in June 2020 (50 m²)





Business Outlook and Development

Business Outlook and Development

Market outlook

- ✦ Gradual improvement of the Group's business in second half of 2020 and in 2021
- ✦ Optimistic in long term development of sportswear industry in Mainland China, supported by favourable government policies and increasing health awareness of Chinese people especially in the aftermath of the COVID-19 pandemic
- ✦ Expect intensified consolidation in sportswear market in Mainland China



- Continue to be the stable growth driver of the Group
- Invest in R&D to develop more innovative and sustainable products
- Uplift store image and optimise retail network to increase store productivity
- Increasingly promote omnichannel retailing following the shifting of consumer behaviour



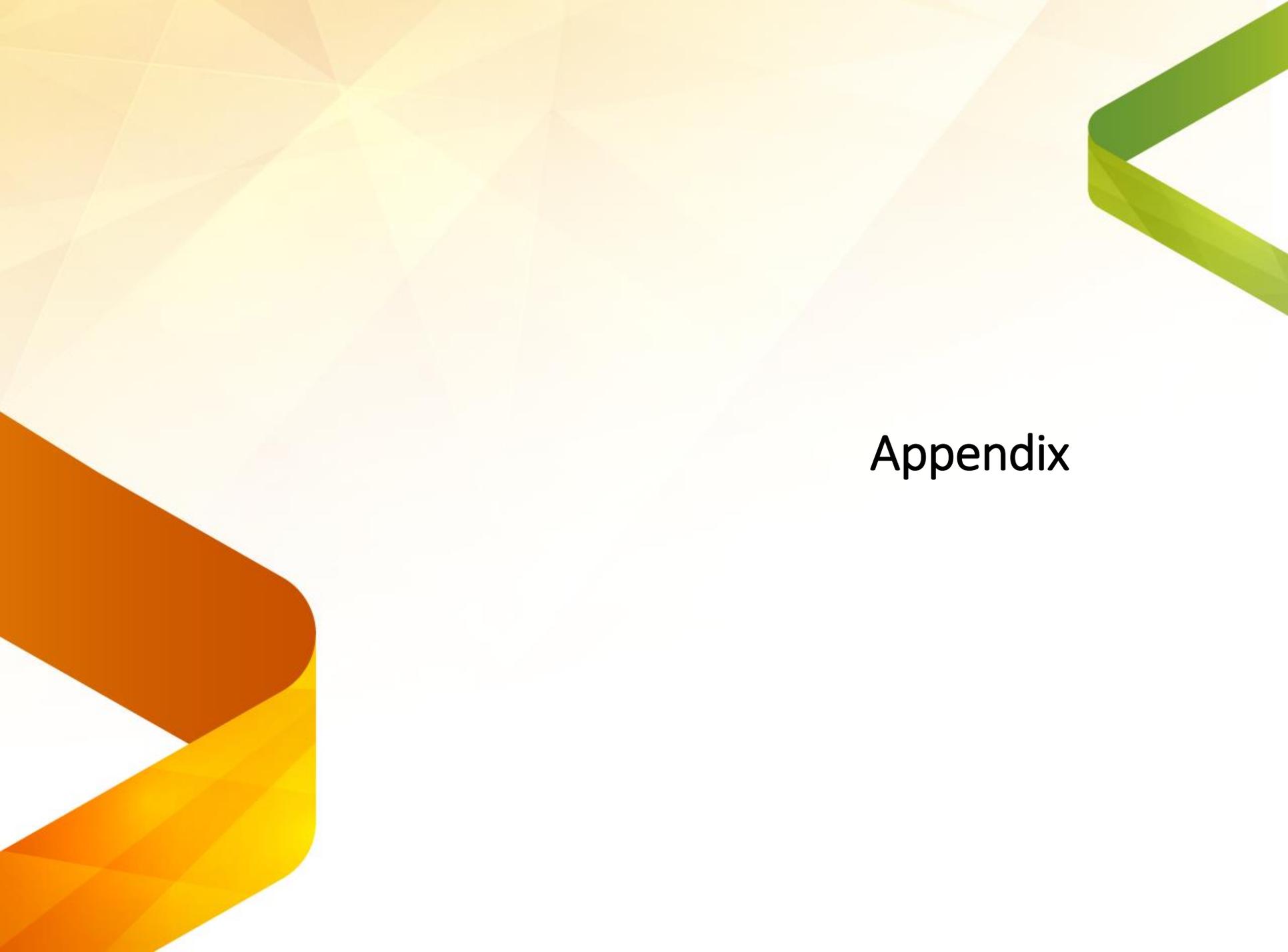
Business Outlook and Development



- Enticing prospect for professional and premium sportswear products
- Target to open 30 to 50 stores in higher tier cities in Mainland China in 2020
- Increase the proportion of apparel and localised products to tap into the growing number of elite athletes and affluent upper-middle class consumers



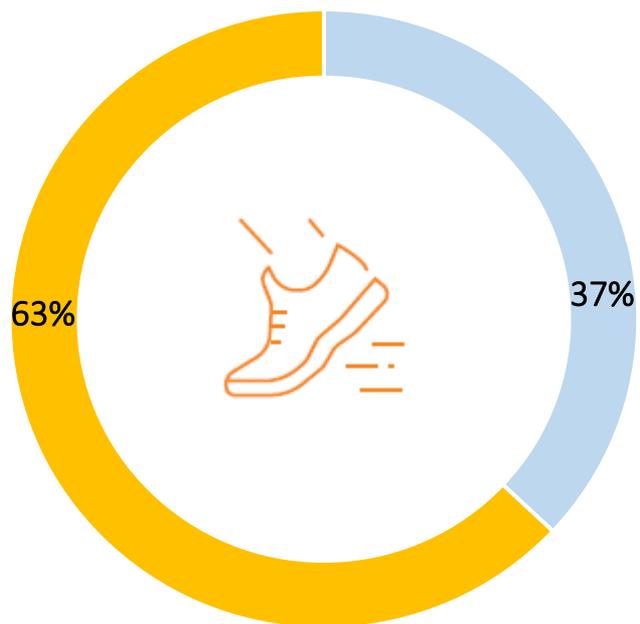
- Business recovery of the Americas and Europe will take time
- Shift business focus to the Asia-Pacific region particularly Mainland China
- Store openings in both self-operated and distribution models
- Enhance product innovations and increase apparel product offerings
- K-Swiss' rebranding process is on track

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Appendix

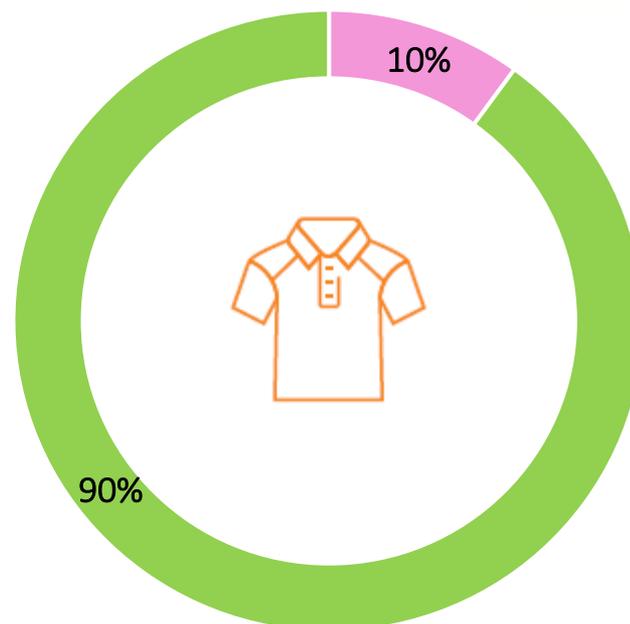
Production Capacity Allocation

Footwear



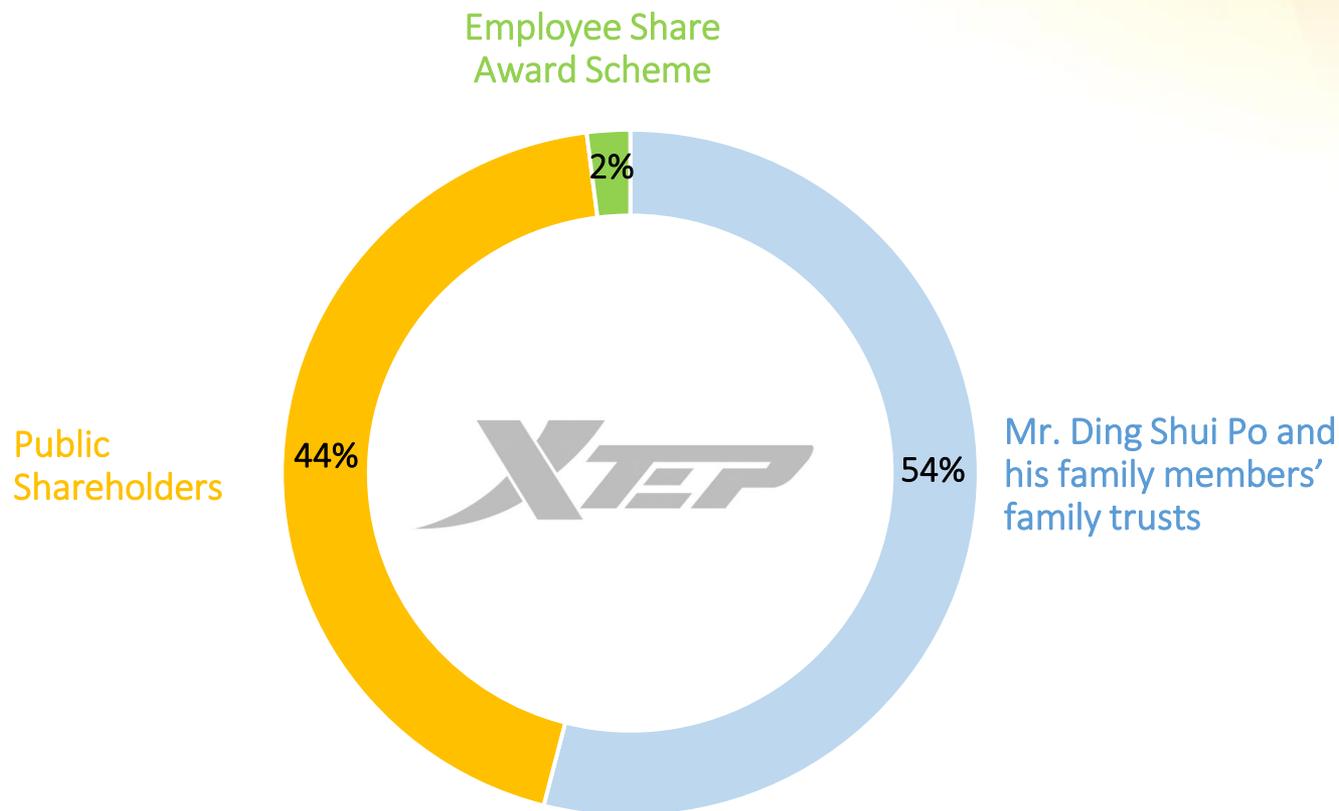
- In-house
- Outsourced

Apparel



- In-house
- Outsourced

Shareholding Structure as at 30 June 2020



Total no. of issued shares as at 30 June 2020: 2,519,440,501

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