



# Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)  
Stock Code: 1368.HK

## 2020 Annual Results Presentation

18 March 2021



# 2020 Annual Results Highlights



## Revenue

RMB **8,172** m ▼ **0.1%**

## Operating profit

RMB **918** m ▼ **25.6%**

## Net cash and cash equivalents

RMB **2,251** m **31 Dec 2019:**  
RMB 2,132 m

## Profit attributable to ordinary equity holders

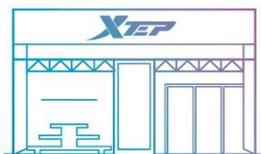
RMB **513** m ▼ **29.5%**

## On adjusted basis<sup>1</sup>

(1H2020: ▼ **46.5%** 2H2020: ▲ **23.9%**)

## Final dividend per Share

HK **7.5** cents<sup>2</sup> **Full year payout ratio:**  
**60.0%**



**6,021**

**Xtep branded stores**  
in Mainland China and overseas  
as at 31 December 2020



<sup>1</sup> Excluding the one-off gains arising from i) the disposal of subsidiary in 2H2019 and ii) the disposal of Supra brand in 2H2020

<sup>2</sup> The proposed final dividend per Share will be subject to the approval of shareholders at the forthcoming annual general meeting

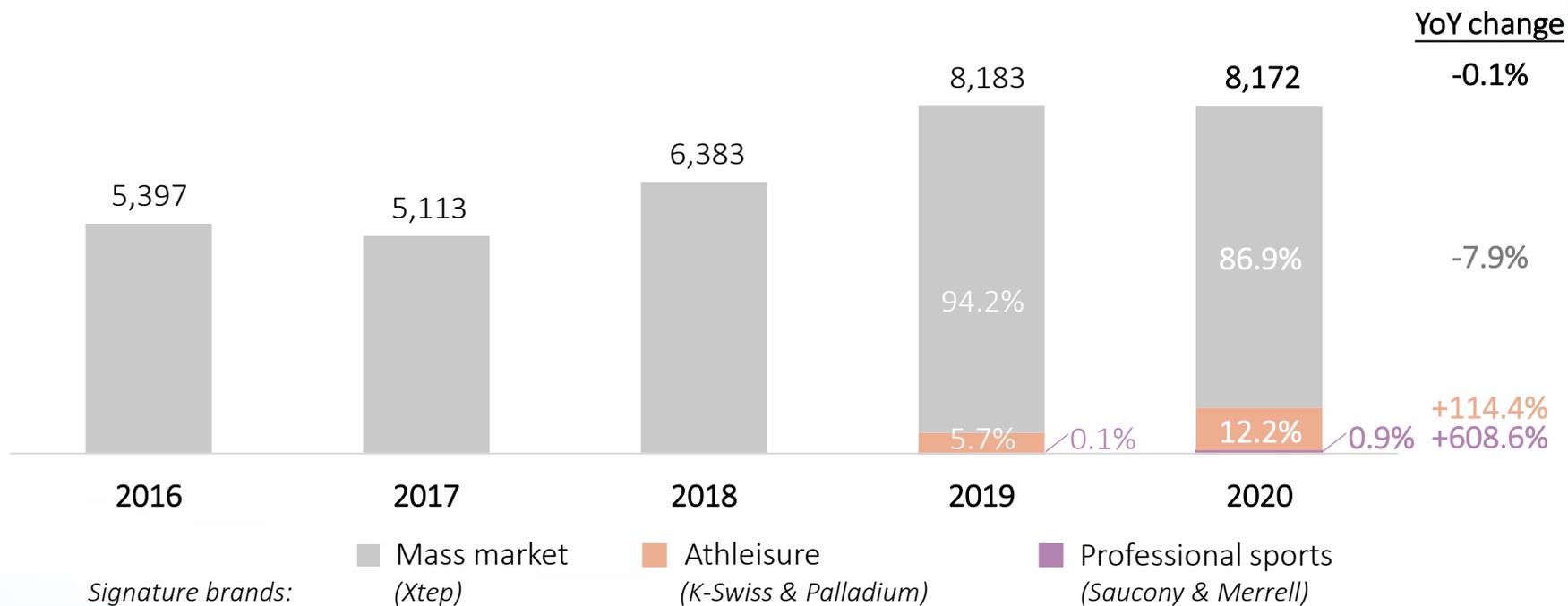
# Financial Review



# Consolidated Income Statement

RMB m	2020	2019	YoY change
Revenue	8,172	8,183	-0.1%
Gross profit	3,198	3,550	-9.9%
Selling & distribution and general & administrative expenses ("SG&A")	2,588	2,625	-1.4%
Operating profit	918	1,234	-25.6%
Profit attributable to ordinary equity holders	513	728	-29.5%
Basic earnings per Share	RMB 20.8 cents	RMB 30.7 cents	-32.2%
Gross profit margin	39.1%	43.4%	-4.3% pts
SG&A to revenue ratio	31.7%	32.1%	-0.4% pt
Operating profit margin	11.2%	15.1%	-3.9% pts
Net profit margin	6.3%	8.9%	-2.6% pts

# Revenue by Brand Nature (RMB m)



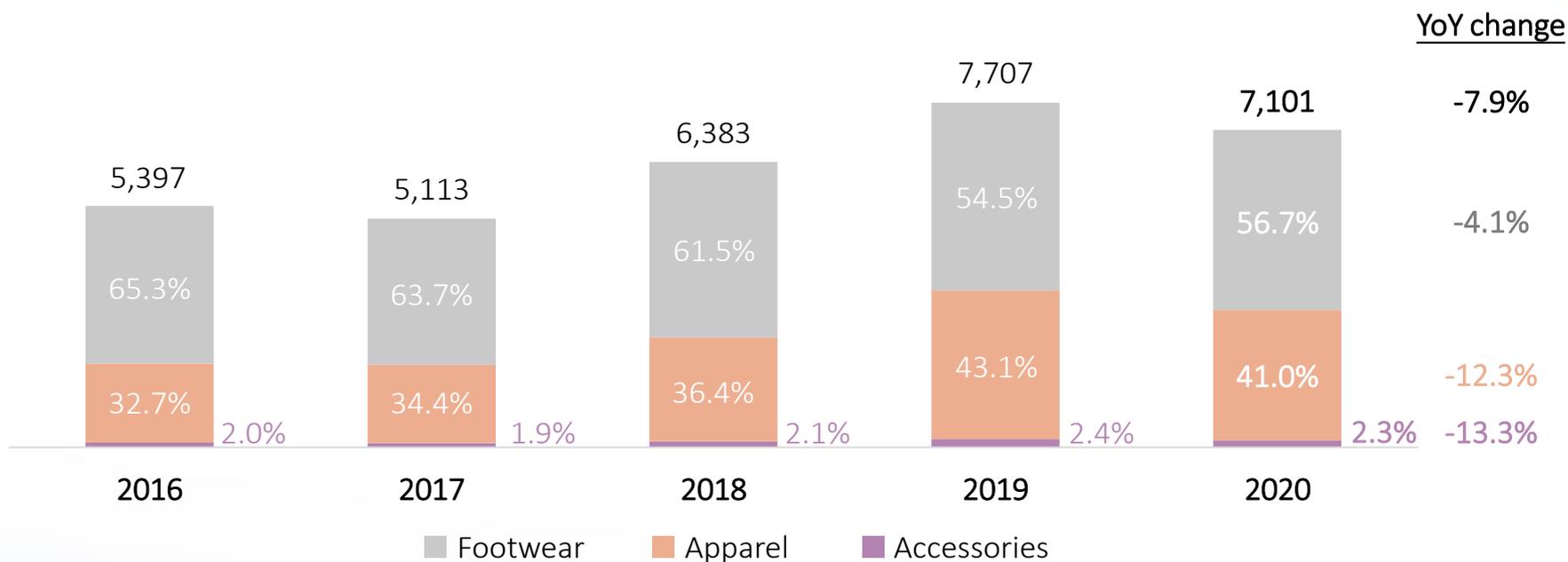
RMB m	2020	2019	YoY change
Mass market	7,101	7,707	-7.9%
Athleisure	999	466	+114.4%
Professional sports	72	10	+608.6%
Overall	8,172	8,183	-0.1%

# Income Statement – Core Xtep Brand

RMB m	2020	2019	YoY change
Revenue	7,101	7,707	-7.9%
Gross profit	2,762	3,375	-18.2%
Selling & distribution and general & administrative expenses (“SG&A”) <sup>1</sup>	1,981	2,371	-16.5%
Operating profit	1,052	1,288	-18.3%
Net profit	643	786	-18.2%
Gross profit margin	38.9%	43.8%	-4.9% pts
SG&A to revenue ratio	27.9%	30.8%	-2.9% pts
Operating profit margin	14.8%	16.7%	-1.9% pts
Net profit margin	9.1%	10.2%	-1.1% pts

<sup>1</sup> SG&A included corporate expenses

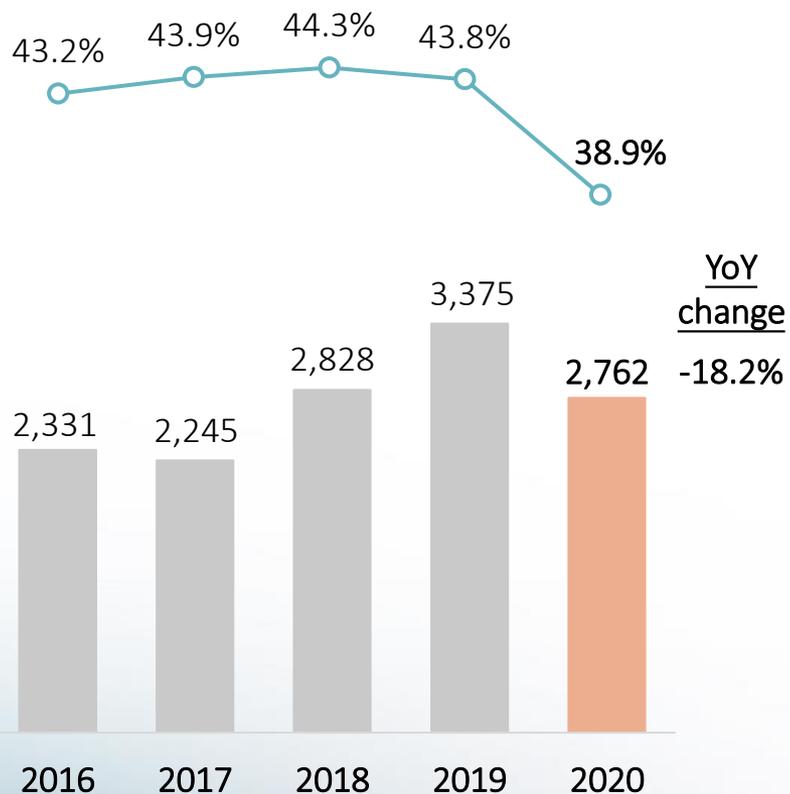
# Revenue by Product – Core Xtep Brand (RMB m)



RMB m	2020	2019	YoY change
Footwear	4,027	4,199	-4.1%
Apparel	2,913	3,323	-12.3%
Accessories	161	185	-13.3%
<b>Overall</b>	<b>7,101</b>	<b>7,707</b>	<b>-7.9%</b>

# Gross Profit and Gross Profit Margin – Core Xtep Brand

Gross profit (RMB m)

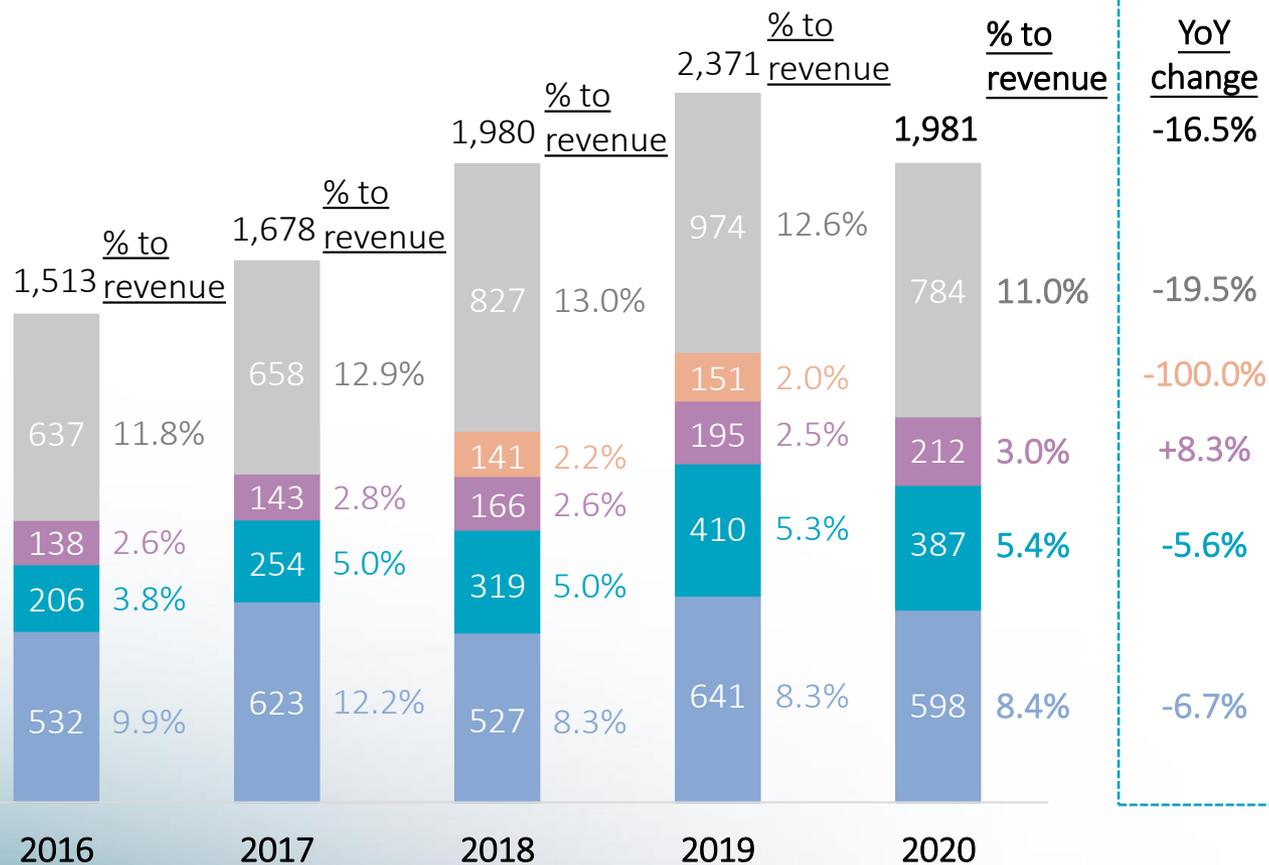


■ Gross profit  
○ As a % to revenue

Gross profit margin by product (%)

	2020	2019	YoY change
Footwear	39.4%	44.0%	-4.6% pts
Apparel	38.5%	43.9%	-5.4% pts
Accessories	32.9%	37.3%	-4.4% pts
Overall	38.9%	43.8%	-4.9% pts

# SG&A Analysis – Core Xtep Brand<sup>1</sup> (RMB m)



- Advertising and promotions
- Investment in channel development
- Research and development
- Staff costs<sup>2</sup>
- Others
- As a % to revenue

<sup>1</sup> SG&A included corporate expenses

<sup>2</sup> Excluding the staff costs related to manufacturing and R&D

# Operating Profit – Core Xtep Brand (RMB m)



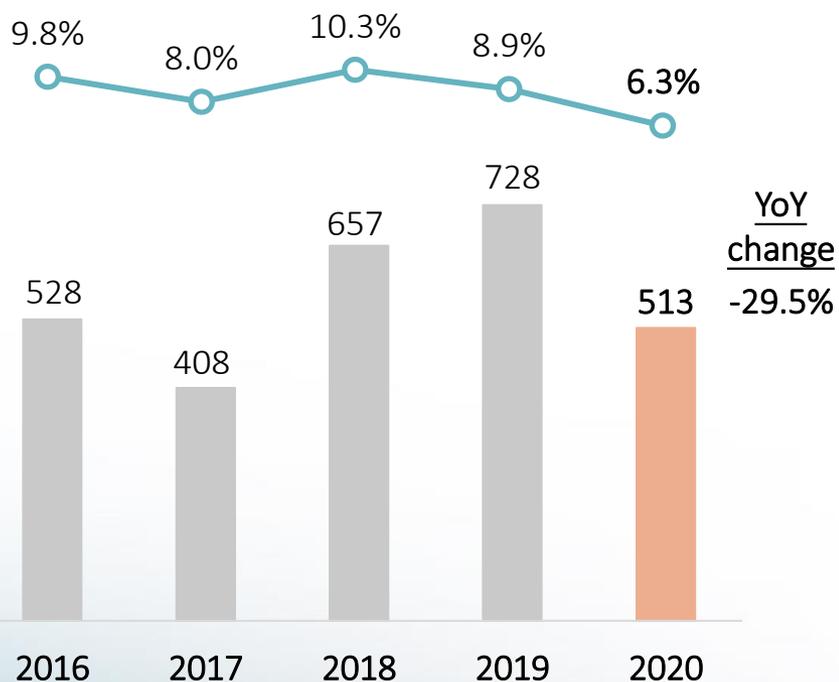
## Income Tax Breakdown (RMB m)

RMB m	2020	2019
Tax provision for the year	255	337
(Over) / under provision in prior years	(1)	6
Deferred tax	3	47
Total income tax (A)	257	390
Profit before tax (B)	762	1,121
Effective tax rate = (A) / (B)	33.7%	34.8%

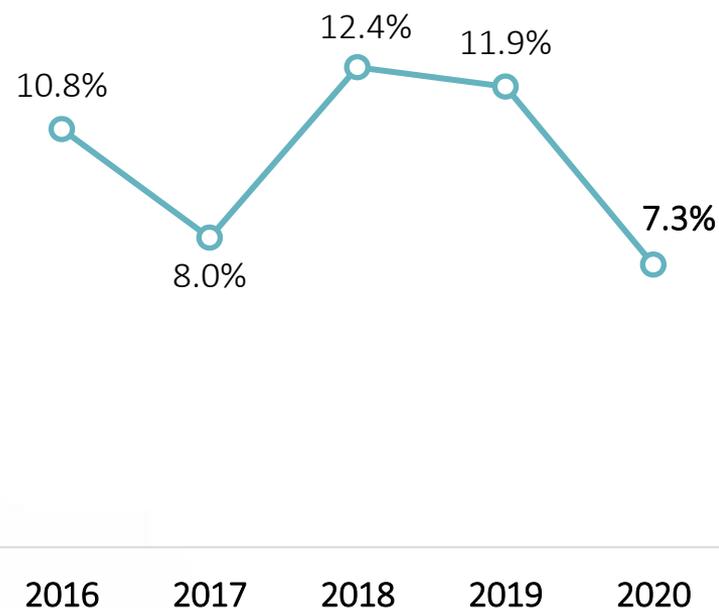
Remark: Tax-related government subsidies in 2019 and 2020 were RMB126 m and RMB171 m, respectively

# Net Profit and Return on Equity

Profit attributable to ordinary equity holders (RMB m)



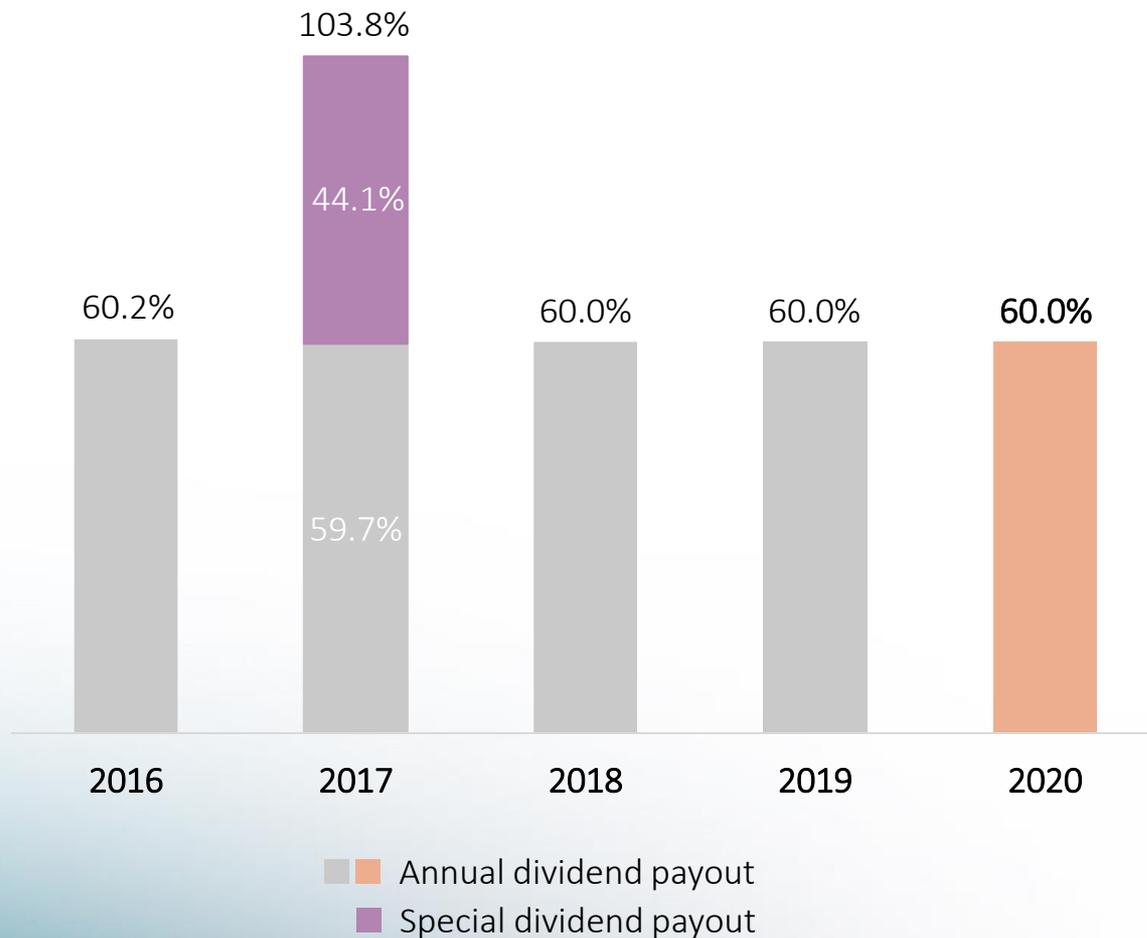
Return on equity (%)



Profit attributable to ordinary equity holders  
As a % to revenue

Return on equity

# Dividend Payout Ratio

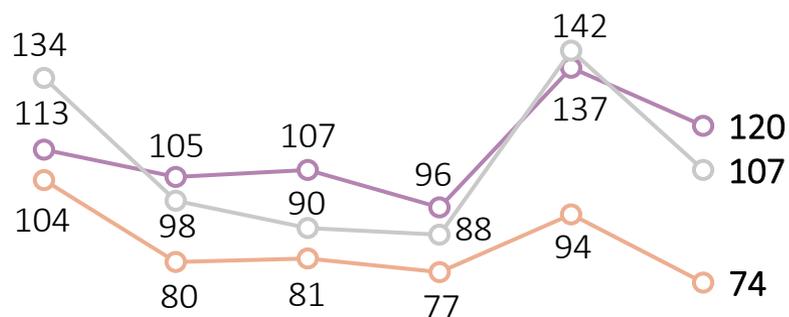


2020 final dividend per Share  
HK 7.5 cents<sup>1</sup>  
(2019: HK 7.5 cents)

<sup>1</sup> Including an interim dividend of HK6.5 cents per Share and a proposed final dividend of HK7.5 cents per Share, the full year dividend amounted to HK14.0 cents per Share

# Working Capital Analysis

## Working capital turnover (day)



1H2018 (30 Jun) FY2018 (31 Dec) 1H2019 (30 Jun) FY2019 (31 Dec) 1H2020 (30 Jun) FY2020 (31 Dec)

- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

## Working capital balance breakdown (RMB m)

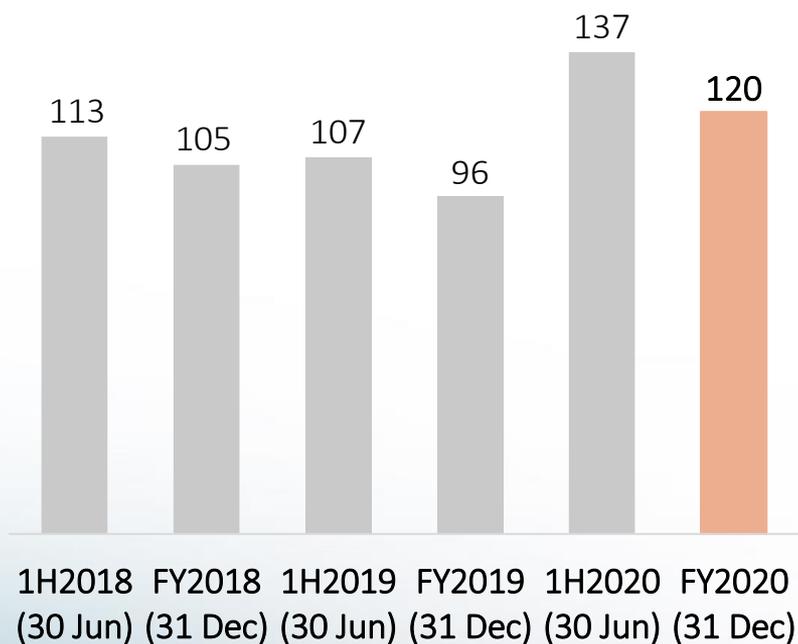
RMB m	31 Dec 2020	31 Dec 2019	YoY change
Inventories	975	1,046	-6.8%
Trade receivables	2,760	2,596	+6.3%
Trade payables	1,479	1,420	+4.2%

Retail channel inventory turnover  
as at 31 December 2020

**< 5 months**

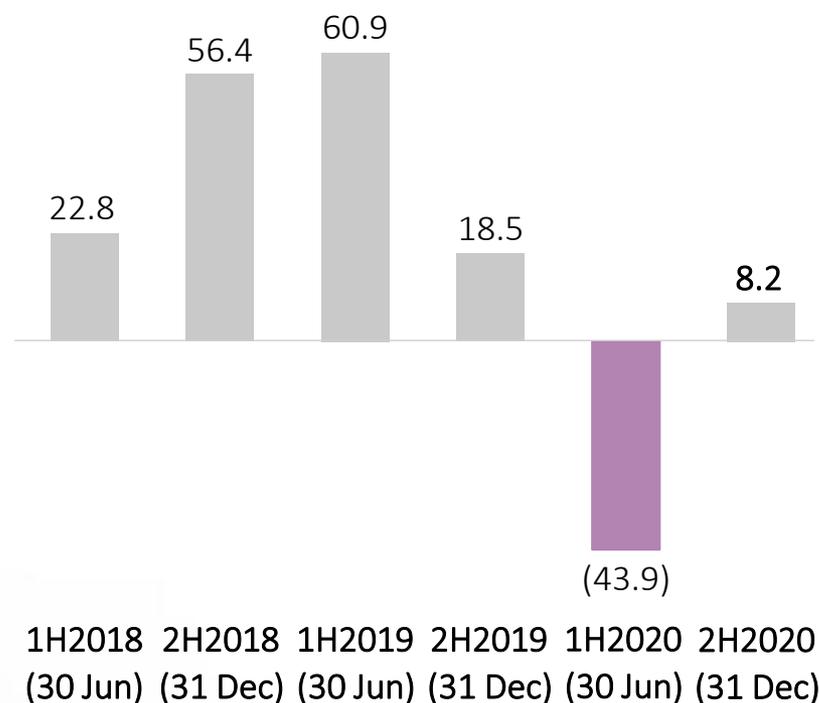
# Trade Receivables Analysis

## Trade receivables turnover (day)



Trade receivables turnover

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



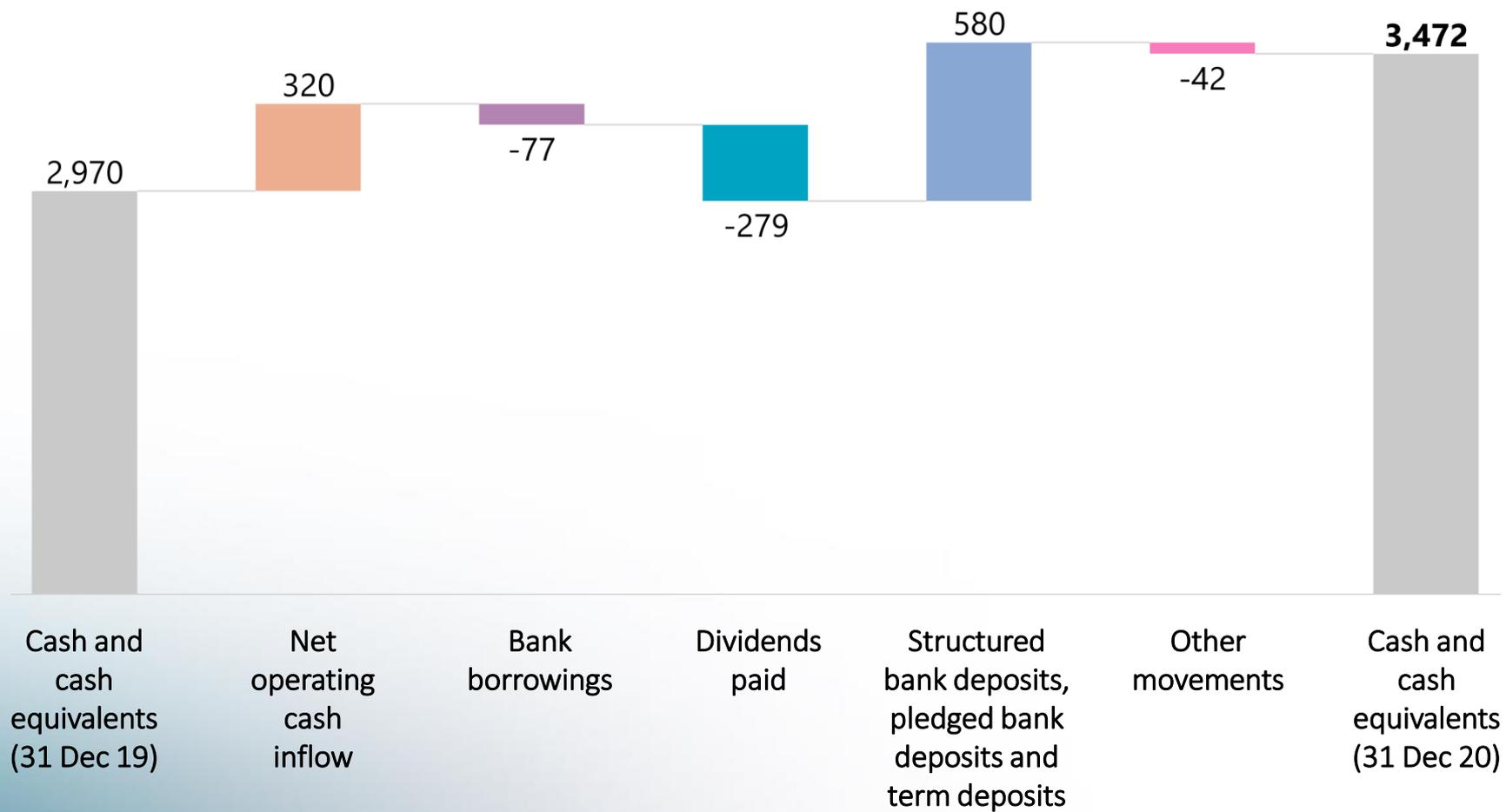
Write-back of provision of trade receivables  
(Provision) of trade receivables

# Balance Sheet

RMB m	31 Dec 2020	31 Dec 2019	YoY change
Current assets	9,027	9,266	-2.6%
Current liabilities	3,334	3,671	-9.2%
Cash and cash equivalents (A)	3,472	2,970	+16.9%
Structured bank deposits, pledged bank deposits and term deposits (B)	937	1,517	-38.2%
Bank borrowings (C)	2,158	2,355	-8.4%
Net cash and cash equivalents = (A)+(B)-(C)	2,251	2,132	+5.6%
Net current assets	5,693	5,595	+1.8%
Current asset ratio (times)	2.7x	2.5x	+0.2x
Gearing ratio <sup>1</sup> (%)	17.2%	19.1%	-1.9% pts
Shareholders' equity	7,223	6,891	+4.8%
Net assets value per Share	RMB 2.87	RMB 2.77	+3.6%

<sup>1</sup> Defined as the total bank borrowings divided by the Group's total assets

# Cash Flow Analysis (RMB m)



# Financial Highlights – Athleisure

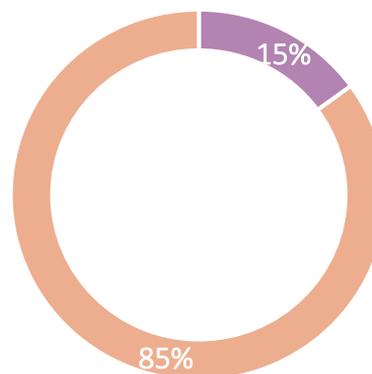
- COVID-19 pandemic has been impeding the business operations of K-Swiss and Palladium in the Americas and Europe since mid-March 2020

RMB m	2020
Revenue	999
Gross profit	407
Gross profit margin	40.7%
Operating loss	(104)

Revenue contribution to the Group:

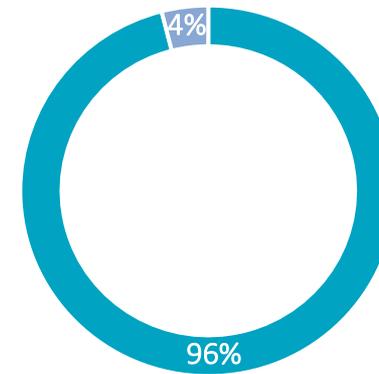
**12.2%** in 2020

Revenue by business model



■ Retail  
■ Wholesale and others

Revenue by products



■ Apparel and accessories  
■ Footwear

# Business Review



# Core Xtep Brand – Retail Network



6,021 ▼ 358

Xtep branded stores  
in Mainland China and overseas  
as at 31 December 2020



9<sup>th</sup> generation  
new retail store format



Dongmen, Shenzhen,  
Mainland China  
(989 m<sup>2</sup>)

## First multi-brand collection store - X-STREET



Xiamen, Fujian Province, Mainland China (1,500 m<sup>2</sup>)



# Core Xtep Brand – Performance Sports Products

## Signature professional running shoes – 160X



- 26 championships in marathons and running events by eight sponsored athletes who wore the shoes
- Facilitate professional athletes to break through previous speed



## Jeremy Lin's first signature basketball shoes – XTEP JLIN ONE

- ☆ Launched on **Poizon App** and well-known sneaker store **WZK Shop** in Beijing Sanlitun in October 2020
- ☆ All limited-edition shoes were sold out promptly on the launch day



# Core Xtep Brand – Lifestyle and Crossover Products

## Collaboration with Shaolin Temple (少林寺)

Tap into the China chic trend as the first sportswear brand to cooperate with Shaolin Temple



“Xtep x Shaolin” collection



Pop-up store in Shanghai Xintiandi (October 2020)



Sneaker Con in (December 2020)



Shanghai Fashion Week (October 2020)

## Crossover collection – Xtep x Jiang Ziya (姜子牙)



Encapsulated Chinese traditional culture in modernistic athleisure wear

# Core Xtep Brand – Advertising & Promotion Marathons and Sponsorships



Chongqing  
Marathon  
(November 2020)



Nanjing Marathon  
(November 2020)

Electronic certificate of  
Chongqing Marathon (Virtual)  
(November 2020)



21

physical and virtual marathons  
and races sponsored in  
Mainland China in 2020



1,500,000+

participants joined the  
marathons or virtual races

# Core Xtep Brand – Advertising & Promotion Spokespersons and Entertainment



## Celebrity Spokespersons



Nicholas Tse



Jeremy Lin



Fan Chengcheng



Jing Tian



Jiro Wang

## Entertainment marketing



“Tebufu 3.0” campaign to promote “Street” series



Official designated apparel sponsor of “Boys and Girls Run Forward”

# Saucony & Merrell – Business Update

Self-operated stores

**saucony** **MERRELL.**

32

6

in tier I and II cities in Mainland China  
as at 31 December 2020



Saucony store,  
INCITY, Shanghai,  
Mainland China (156 m<sup>2</sup>)



Merrell store,  
New Yansha Mall, Beijing,  
Mainland China (77 m<sup>2</sup>)



- ☆ **Saucony** ranked **4th and 7th** among international brands in Shanghai Marathon<sup>1</sup> and Guangzhou Marathon<sup>2</sup>

E-commerce –

2020 Double 11 Global Shopping Festival



- ☆ **Saucony** registered a **threefold** YoY increase in online sales
- ☆ **Merrell** achieved **38%** YoY online sales growth

<sup>1</sup> Source: Joyrun (December 2020) - footwear worn by participants who finished the 2020 Shanghai Marathon within five hours

<sup>2</sup> Source: Joyrun (December 2020) - footwear worn by participants who finished the 2020 Guangzhou Marathon

# K-Swiss & Palladium – Business Update

## Self-operated stores



43

in Asia Pacific

as at 31 December 2020



57

in Asia Pacific  
and Europe



Palladium store, tmtplaza,  
Hong Kong (64 m<sup>2</sup>)



Palladium x  
FINISTERRE



K-Swiss store, tmtplaza,  
Hong Kong (90 m<sup>2</sup>)

K-Swiss x  
Matrix



## E-commerce



- ★ Employed extensive **online marketing campaigns** for K-Swiss and Palladium during the pandemic
- ★ Online retail sales of two brands in 2020:  
**Americas** grew by **45% YoY**  
**EMEA** grew by **52% YoY**

# Business Outlook and Strategies



# Business Outlook and Strategies

## Market outlook

- ☆ Remain optimistic about the long-term development of the sportswear sector in Mainland China
- ☆ Consumer sector will benefit from the economic growth in Mainland China and the national policies that aim at boosting household incomes and consumptions in 2021
- ☆ Increase in health awareness and participation in sports of the Chinese people will result in higher sportswear consumption post pandemic



- ☆ Continue to be the stable growth driver of the Group
- ☆ Improve brand awareness among the mass market and appeal to the younger generation
- ☆ Embrace product innovations and increase investment in R&D
- ☆ Strengthen store productivity through store image upgrade and exceptional customer experience



# Business Outlook and Strategies

**saucony** **MERRELL.**

- ☆ Enticing prospect for Saucony and Merrell with stronger demand for professional and premium sportswear products in Mainland China
- ☆ Increase the proportion of apparel and localized products
- ☆ More store openings for the two brands in Mainland China in 2021



- ☆ Recovery of the overseas business of K-Swiss and Palladium will be a gradual process
- ☆ Business focus in Asia Pacific especially Mainland China with increasing apparel product offerings
- ☆ Expedite Palladium's store openings in Mainland China in 2021
- ☆ Focus on brand makeover for K-Swiss and its store opening by early 2022

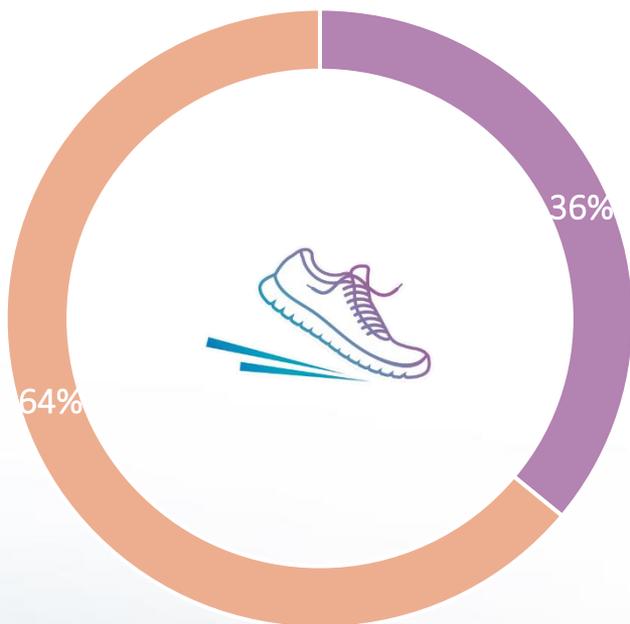


# Appendix



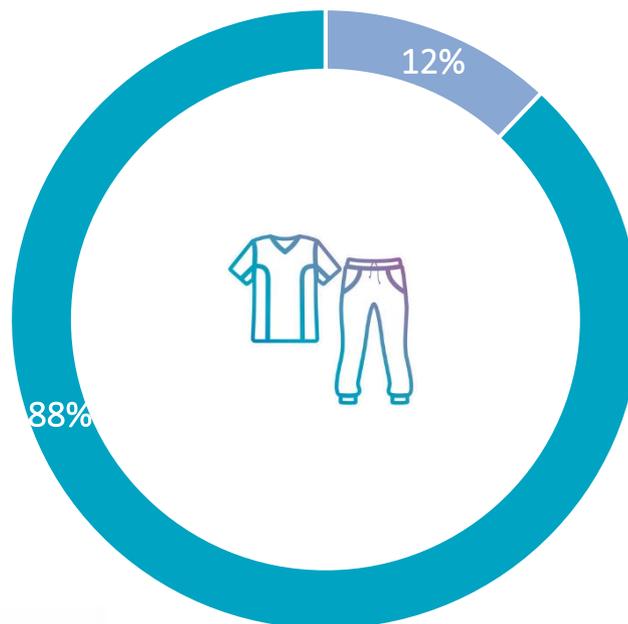
# Group's Production Capacity Allocation

## Footwear



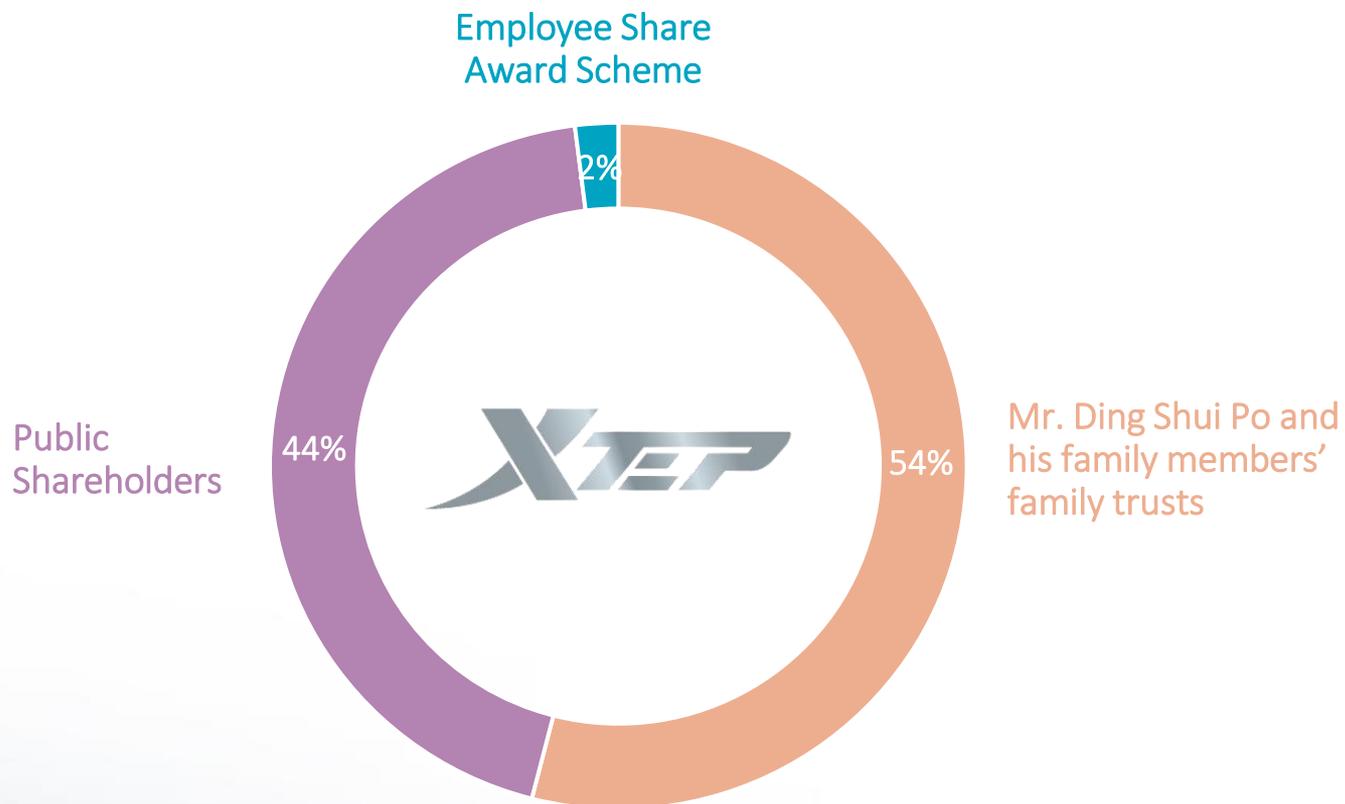
- In-house
- Outsourced

## Apparel



- In-house
- Outsourced

# Shareholding Structure as at 31 December 2020



Total no. of issued shares as at 31 December 2020: 2,546,965,472

# Disclaimer

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