



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2021 Interim Results Presentation

23 August 2021



1H2021 Highlights



Revenue

RMB **4,135** m ▲ **12.4%**

Profit attributable to ordinary equity holders

RMB **427** m ▲ **72.0%**

Net cash and cash equivalents

RMB **2,580** m 31 Dec 2020:
RMB 2,251 m

Interim dividend per Share

HK **11.5** cents ▲ **76.9%**

Payout ratio: 60.0%



6,015

Xtep branded stores
in Mainland China and
overseas as at 30 June 2021



~4 months

Core Xtep brand
Retail channel inventory turnover
as at 30 June 2021



Financial Review



Consolidated Income Statement

RMB m	1H2021	1H2020	YoY change
Revenue	4,135	3,679	+12.4%
Gross profit	1,729	1,489	+16.1%
Selling & distribution and general & administration expenses (“SG&A”)	1,257	1,198	+4.9%
Operating profit	684	501	+36.5%
Profit attributable to ordinary equity holders	427	248	+72.0%
Basic earnings per Share	RMB 17.1 cents	RMB 10.1 cents	+69.2%
Gross profit margin	41.8%	40.5%	+1.3% pts
SG&A to revenue ratio	30.4%	32.6%	-2.2% pts
Operating profit margin	16.5%	13.6%	+2.9% pts
Net profit margin	10.3%	6.7%	+3.6% pts

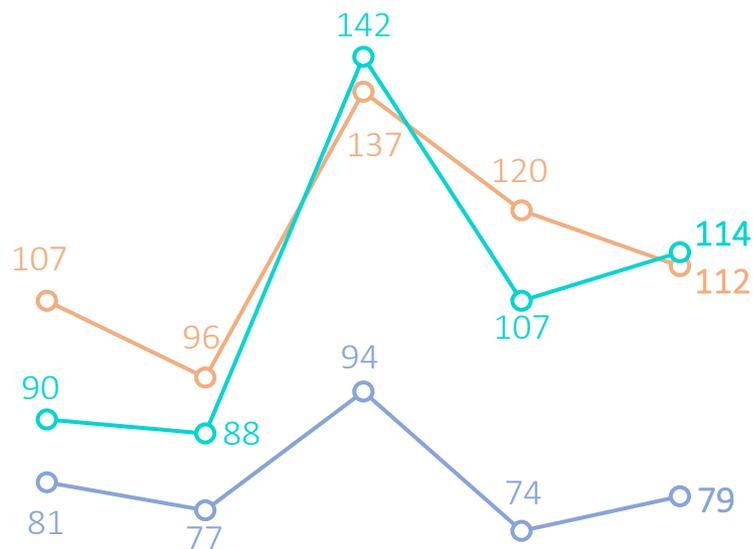
Consolidated Balance Sheet

RMB m	30 Jun 2021	31 Dec 2020	Change
Current assets	8,936	9,027	-1.0%
Current liabilities	3,296	3,334	-1.2%
Cash and cash equivalents (A)	3,758	3,472	+8.2%
Pledged bank deposits and term deposits (B)	760	937	-18.9%
Bank borrowings (C)	1,938	2,158	-10.2%
Net cash and cash equivalents = (A)+(B)-(C)	2,580	2,251	+14.6%
Net current assets	5,640	5,693	-0.9%
Current asset ratio (times)	2.7x	2.7x	No change
Gearing ratio ¹ (%)	15.4%	17.2%	-1.8% pts
Shareholders' equity	7,574	7,223	+4.9%
Net assets value per Share	RMB 2.91	RMB 2.87	+1.4%

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

Group's Working Capital Analysis

Working capital turnover (Day)



1H2019 (30 Jun) FY2019 (31 Dec) 1H2020 (30 Jun) FY2020 (31 Dec) 1H2021 (30 Jun)

- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

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



1H2019 (30 Jun) 2H2019 (31 Dec) 1H2020 (30 Jun) 2H2020 (31 Dec) 1H2021 (30 Jun)

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

Mass Market
Core Xtep Brand



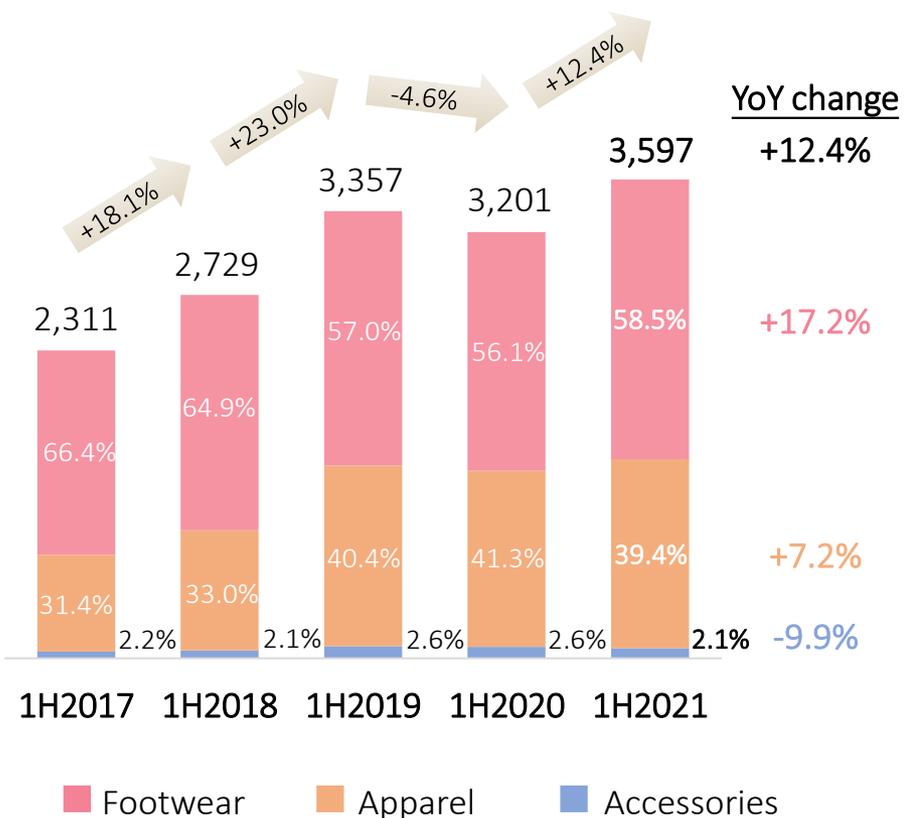
Core Xtep Brand – Income Statement

RMB m	1H2021	1H2020	YoY change
Revenue	3,597	3,201	+12.4%
Gross profit	1,494	1,296	+15.3%
Selling & distribution and general & administration expenses (“SG&A”) ¹	944	937	+0.8%
Operating profit	735	552	+33.0%
Net profit	485	311	+56.2%
Gross profit margin	41.5%	40.5%	+1.0% pt
SG&A to revenue ratio	26.2%	29.3%	-3.1% pts
Operating profit margin	20.4%	17.3%	+3.1% pts
Net profit margin	13.5%	9.7%	+3.8% pts

¹ SG&A included corporate expenses

Core Xtep Brand – Revenue and Gross Profit Analysis

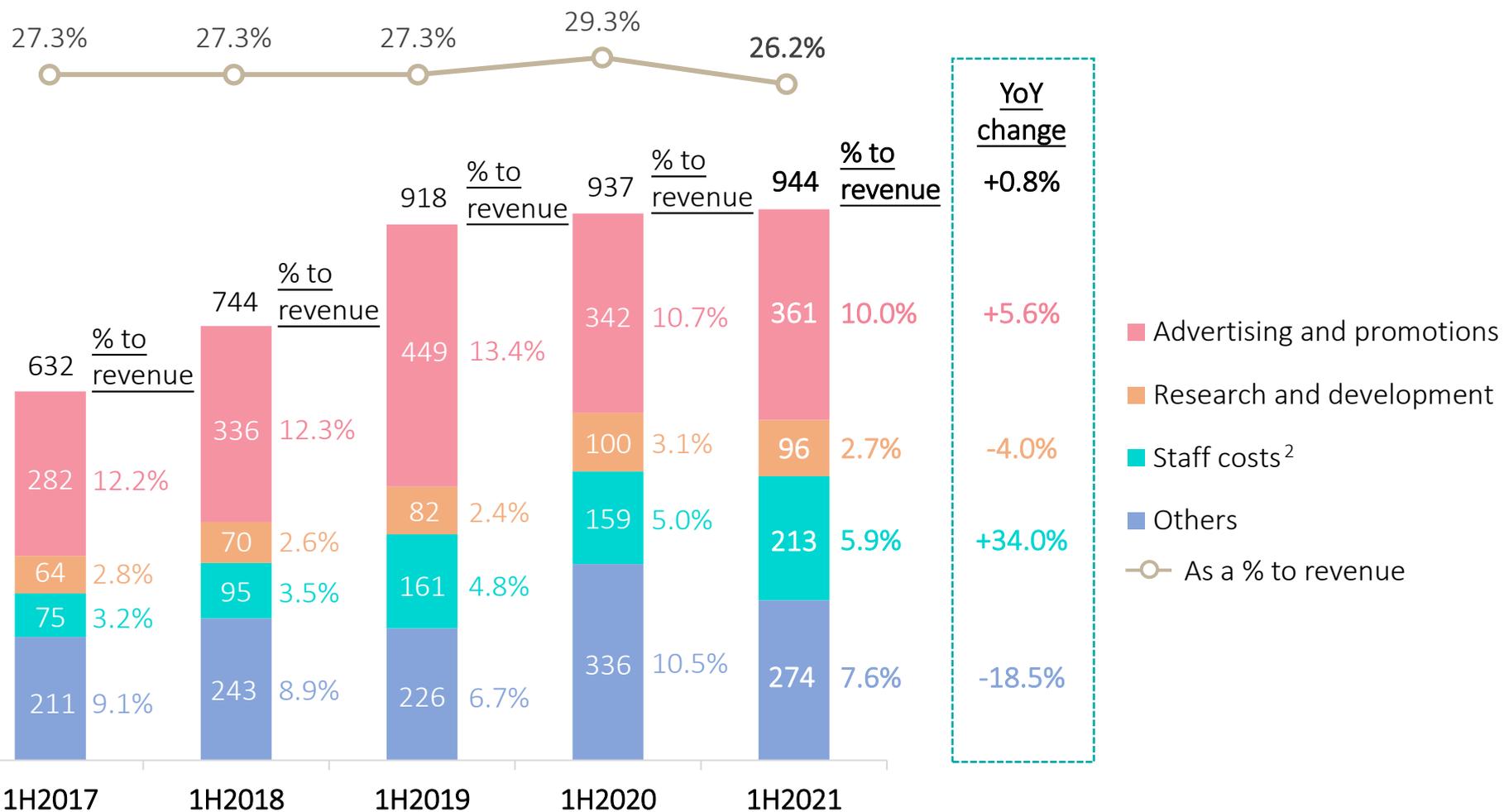
Revenue by product (RMB m)



Gross profit margin by product (%)

	1H2021	1H2020	YoY change
Footwear	42.5%	40.1%	+2.4% pts
Apparel	40.7%	41.5%	-0.8% pt
Accessories	32.5%	33.5%	-1.0% pt
Overall	41.5%	40.5%	+1.0% pt

Core Xtep Brand – SG&A Analysis¹ (RMB m)



¹ SG&A included corporate expenses

² Excluding the staff costs related to manufacturing and R&D

Core Xtep Brand – Retail Network as at 30 June 2021



6,015

Xtep branded stores
in Mainland China
and overseas



Baotou,
Inner Mongolia,
Mainland
China
(226 m²)



428

9th generation stores
in Mainland China



Mile,
Yunnan Province,
Mainland China
(518 m²)

Xtep Run Club



13 Run Clubs in Mainland China
~1,000,000 runners club members



Xiamen, Fujian Province, Mainland China (560 m²)



Chengdu, Sichuan Province, Mainland China (600 m²)



Core Xtep Brand – Performance Sports Products

Award-winning professional running shoes –
160X series



160X PRO

160X 2.0



- ✦ First domestic brand to have ranked first (runners' wear rate: over 50%) in the World Platinum Label Race – the Xiamen Marathon in April 2021
- ✦ 160X 2.0 garnered **2021 Editors' Choice Award** and **Hot List Award** in Mainland China from Runner's World

Advanced runners



160X PRO
RMB1,199



160X 2.0
RMB999



300X 2.0
RMB999

Intermediate runners



DYNAMIC FOAM
RMB499



REACTIVE COIL
RMB469

Beginner runners



COMFYCUBES
RMB369



X-FLOW
RMB439

Core Xtep Brand – Lifestyle Products

New premium label “XDNA”
unveiled in May 2021



A high end product line which heralds
a “**New China chic**” era launched on
Tmall Super Brand Day in May 2021



Xtep biodegradable T-shirt
launched in June 2021



- ✦ Polylactic acid fiber T-shirts with PLA content increased from 19% to 60%
- ✦ The polylactic acid in the cloth is completely biodegradable when buried in a specific condition within one year

Core Xtep Brand – Advertising & Promotion

Marathons sponsorships & sports celebrities



6

physical marathons and races sponsored in Mainland China in 1H2021



Xiamen Marathon (April 2021)



Beijing Half Marathon (April 2021)



Gong Lijiao

Peng Jianhua



Yang Shaohui



Dong Guojian



Yang Jiayu

Core Xtep Brand – Advertising & Promotion Celebrity Spokespersons



Dilraba



Nicholas Tse



Jeremy Lin



Fan Chengcheng



Jiro Wang



Jing Tian (Contract expired on 15 July 2021)

Core Xtep Brand – Outlook and Strategies

- ✦ Continue to be the Group's **stable growth driver**
- ✦ Maintain **leading position in running** through product innovations and technology advancement
- ✦ Ride on “**China Chic**” to integrate Chinese aesthetics into sportswear products
- ✦ Roll out **9th generation stores** to boost customer experience and store productivity
- ✦ Foster **omnichannel retailing**; drive online sales and tighten collaborations with celebrities and KOLs on major social media platforms



Athleisure K-Swiss & Palladium



Athleisure (K-Swiss & Palladium) – Financial Highlights

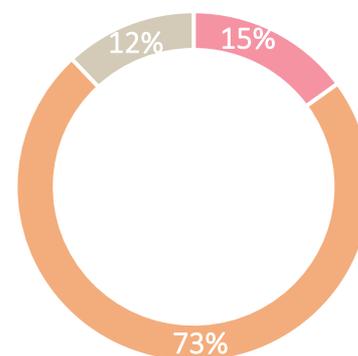
- ★ K-Swiss and Palladium take time to navigate uncertainties in the overseas business environment due to the COVID-19 pandemic

RMB m	1H2021	1H2020	YoY change
Revenue	462	459	+0.7%
Gross profit	201	186	+8.1%
Gross profit margin	43.5%	40.5%	+3.0% pts
Operating profit / (loss)	(41)	(48)	-15.0%

Revenue contribution to the Group:

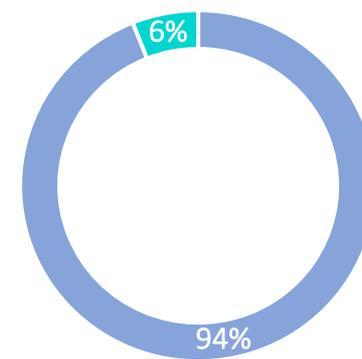
11.2% in 1H2021

Revenue by business model



- Retail
- Wholesale
- E-commerce

Revenue by product



- Footwear
- Apparel and accessories

Athleisure (K-Swiss & Palladium) – Business Update

Self-operated stores

As at 30 June 2021



44

in Asia Pacific



60

in Asia Pacific
and Europe



Palladium store, New World Daimaru, Shanghai (99 m²)



Palladium ECO-FRIENDLY equipment collection



K-Swiss
Court 66



K-Swiss
Ambassador Elite

Strategic plan

- ✦ **Strategic partnership with Hillhouse** to provide more resources and experience to develop the global business
- ✦ **K-Swiss' self-operated store** to debut in early 2022 in Mainland China
- ✦ Optimize **Palladium's retail network** and increase store productivity, accelerate its expansion plan in 2022 in Mainland China

Professional Sports Saucony & Merrell



Professional Sports (Saucony & Merrell) – Financial Highlights

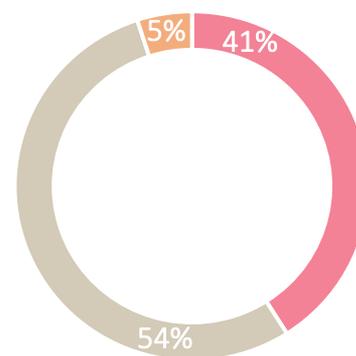
- ★ Saucony and Merrell have seen rising popularity among Chinese consumers after their considerable progress in store expansion in Mainland China

RMB m	1H2021	1H2020	YoY change
Revenue	76	20	+289.5%
Gross profit	34	8	+357.0%
Gross profit margin	45.4%	38.7%	+6.7% pts
Operating profit / (loss)	(11)	(4)	+170.2%

Revenue contribution to the Group:

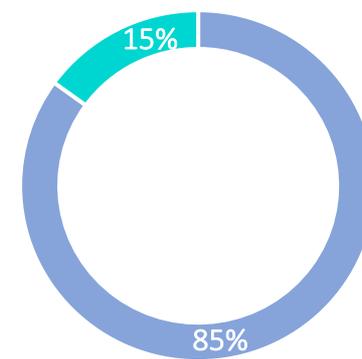
1.8% in 1H2021

Revenue by business model



- Retail
- E-commerce
- Wholesale

Revenue by product



- Footwear
- Apparel and accessories

Professional Sports (Saucony & Merrell) – Business Update

Self-operated stores

saucony **MERRELL.**

36

6

in tier I and II cities in Mainland China
as at 30 June 2021



Saucony store, Grand Gateway 66, Shanghai, Mainland China (84 m²)



Merrell Hydro Moc



Saucony sustainability collection - Jazz Court RFG

Strategic plan

- ✦ Expedite **store opening** in higher-tier cities in Mainland China
- ✦ Raise **brand awareness** via diversified marketing campaigns and running event sponsorships
- ✦ Increase **apparel and localized products offerings**



Prospects



Prospect

Market outlook

- ✦ **Stable fundamentals** of China's economic development due to the effective pandemic control
- ✦ **“National Fitness Program (2021-2025)”** issued by the State Council of China in August 2021 to promote public health and a life-long exercise habit
 - Expect to have **38.5%** of the population exercising regularly by 2025
 - Sports industry to reach **RMB5 trillion**
- ✦ **Optimistic** about the prospects of the Group and the sportswear market in Mainland China



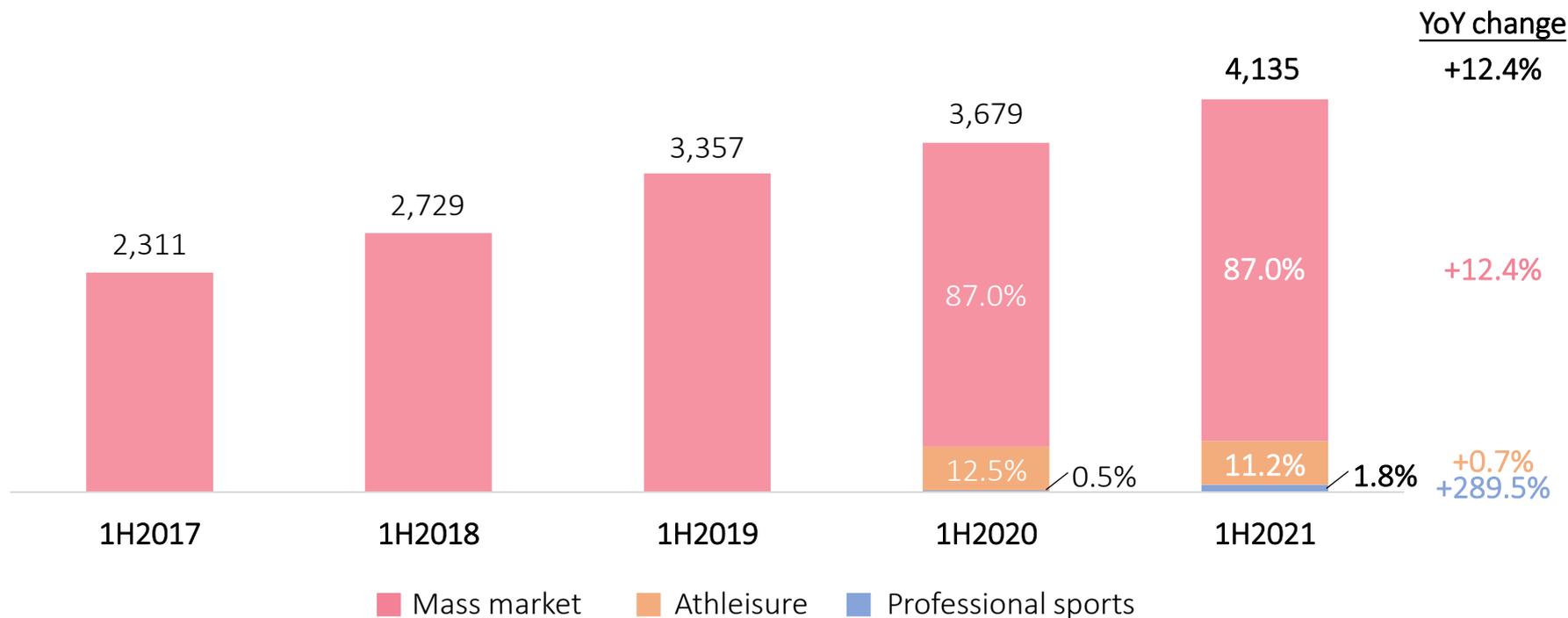
- ☆ **Five-year plan** of the Group: **core Xtep brand’s** revenue to reach **RMB20 billion in 2025**; **new brands’** revenue to achieve **RMB4 billion in 2025**
- ☆ 2021 is an important milestone for the Group as it marks the **20th anniversary** of the **core Xtep brand**
- ☆ **Multi-brand strategy** to fully cater to different customer segments
- ☆ Confident in the **long-term sustainable growth** of the Group and its market share



Appendix



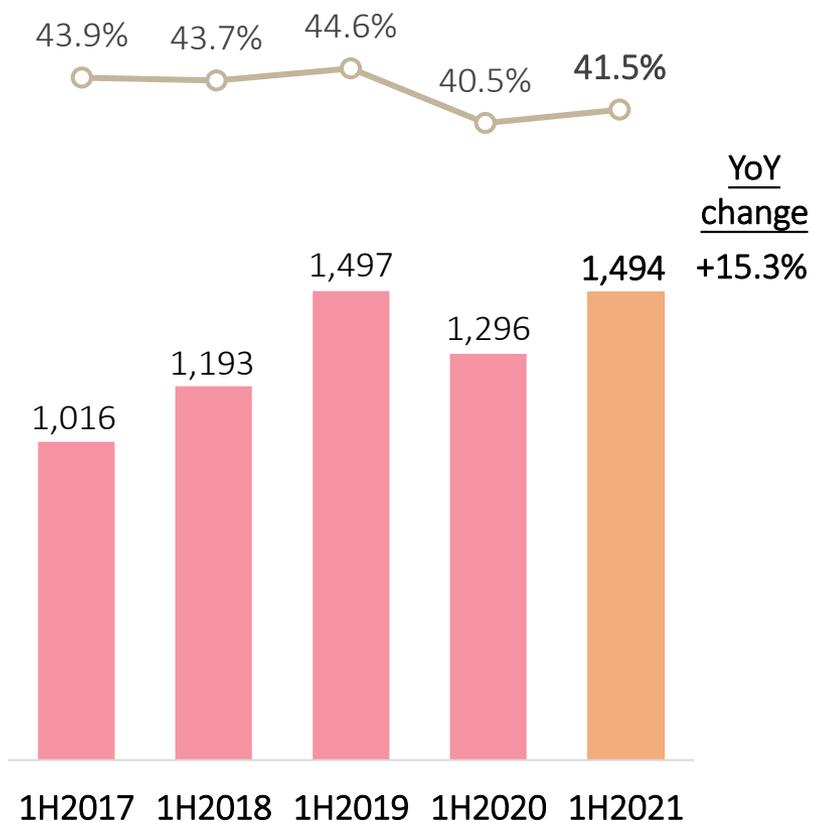
Revenue by Brand Nature (RMB m)



RMB m	1H2021	1H2020	YoY change
Mass market	3,597	3,201	+12.4%
Athleisure	462	459	+0.7%
Professional sports	76	19	+289.5%
Overall	4,135	3,679	+12.4%

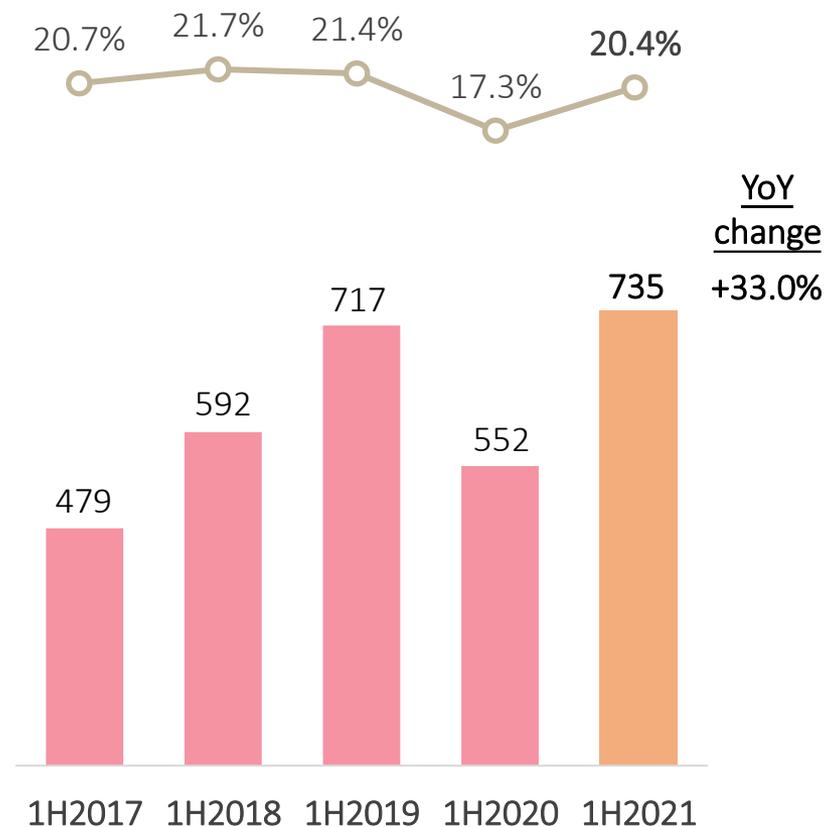
Core Xtep Brand – Profitability Analysis

Gross profit (RMB m)



■ Gross profit
■ As a % to revenue

Operating profit (RMB m)



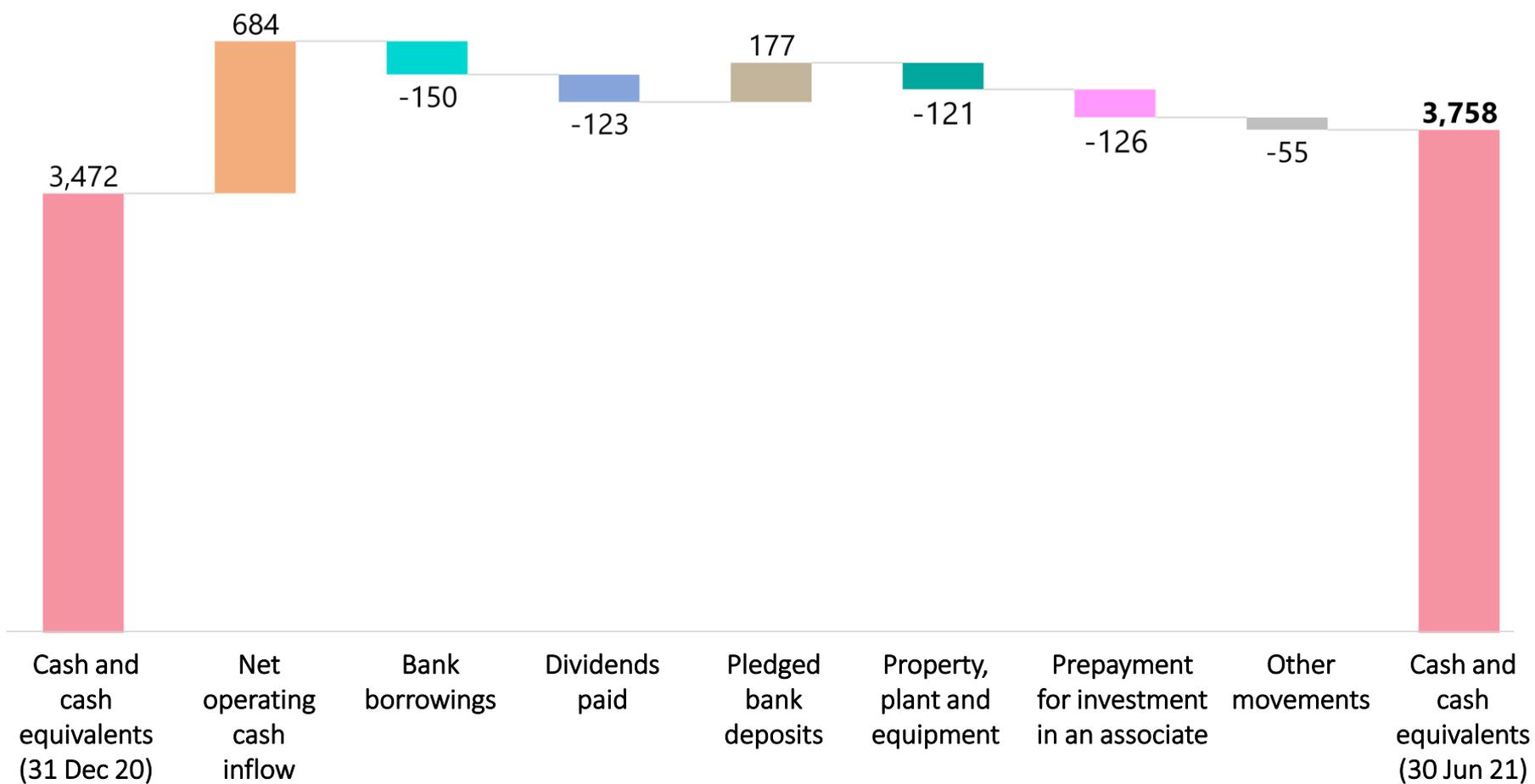
■ Operating profit
■ As a % to revenue

Consolidated Income Tax breakdown (RMB m)

RMB m	1H2021	1H2020
Tax provision for the period	183	166
(Over) / under provision in prior periods	4	(4)
Deferred tax	37	4
Total income tax (A)	224	166
Profit before tax (B)	646	418
Effective tax rate = (A) / (B)	34.7%	39.6%

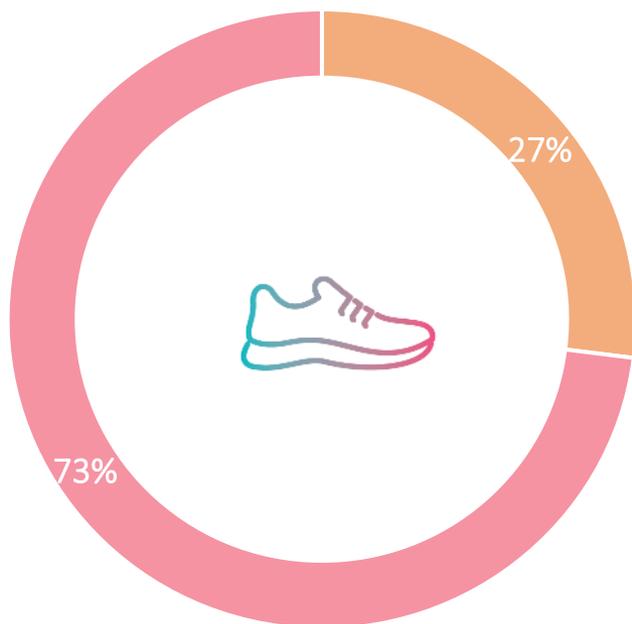
Remark: Tax-related government subsidies in 1H2020 and 1H2021 were RMB139 m and RMB145 m, respectively

Group's Cash Flow Analysis (RMB m)



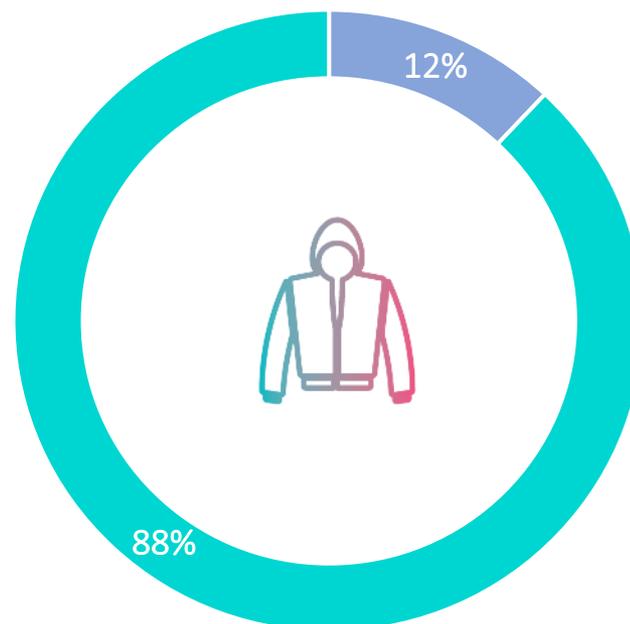
Group's Production Capacity Allocation

Footwear



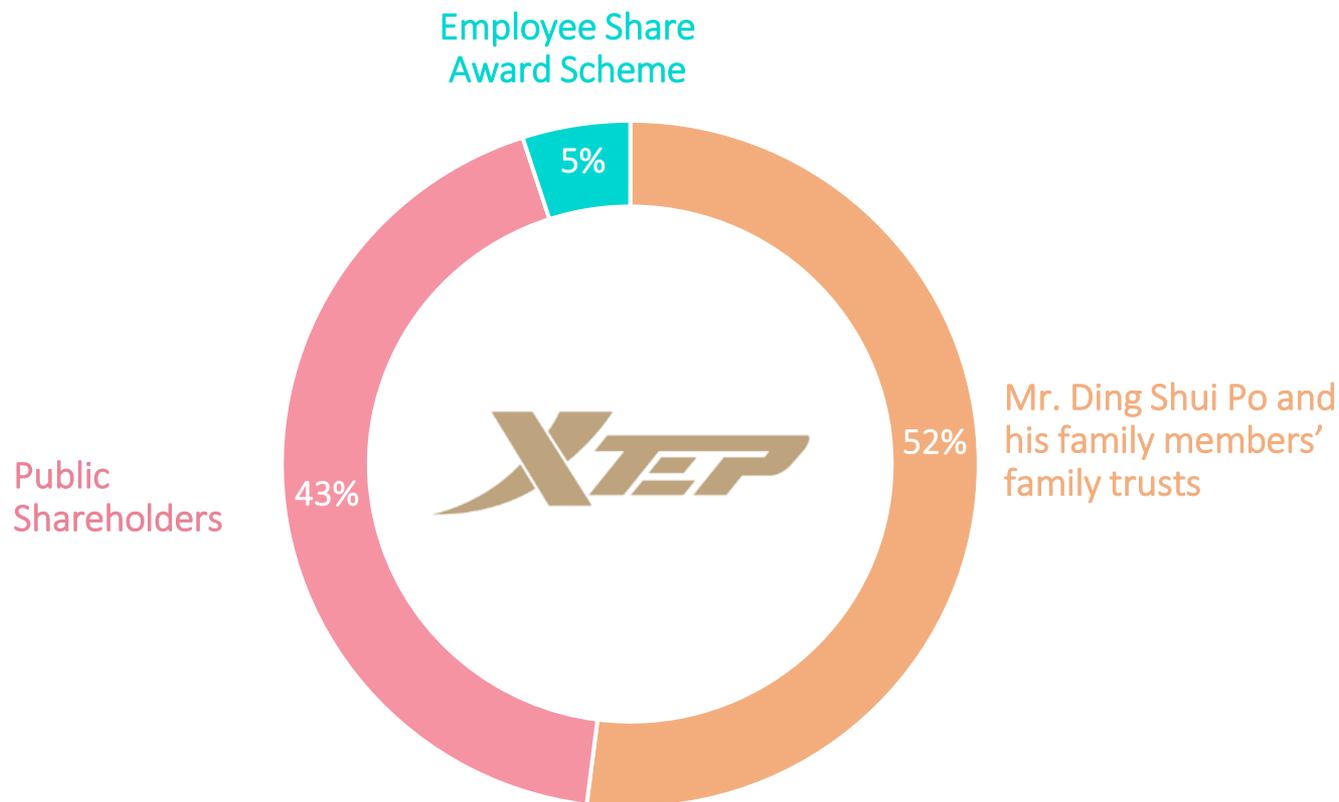
- In-house
- Outsourced

Apparel



- In-house
- Outsourced

Shareholding Structure as at 30 June 2021



Total no. of issued shares as at 30 June 2021: 2,628,843,069

Disclaimer

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