



# Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

## 2021 Annual Results Presentation

16 March 2022



# 2021 Annual Results Highlights



## Revenue

RMB **10,013** m ▲ **22.5%**

## Operating profit

RMB **1,396** m ▲ **52.1%**

## Profit attributable to ordinary equity holders

RMB **908** m ▲ **77.1%**

## Core Xtep Brand Revenue

RMB **8,841** m ▲ **24.5%**

2H2021: ▲ 34.5% 1H2021: ▲ 12.4%

## Final dividend per Share

HK **13.5** cents<sup>1</sup> ▲ **80.0%**

Full year Payout ratio: 60.0%



**6,151**

Xtep branded stores  
in Mainland China and overseas  
as at 31 December 2021



<sup>1</sup> The proposed final dividend per Share will be subject to the approval of shareholders at the forthcoming annual general meeting

# Consolidated Financial Review



# Consolidated Income Statement

RMB m	2021	2020	YoY change
Revenue	10,013	8,172	+22.5%
Gross profit	4,178	3,198	+30.6%
Selling & distribution and general & administrative expenses (“SG&A”)	3,081	2,588	+19.1%
Operating profit	1,396	918	+52.1%
Profit attributable to ordinary equity holders	908	513	+77.1%
Basic earnings per Share	RMB 36.4 cents	RMB 20.8 cents	+74.5%
Gross profit margin	41.7%	39.1%	+2.6% pts
SG&A to revenue ratio	30.8%	31.7%	-0.9% pt
Operating profit margin	13.9%	11.2%	+2.7% pts
Net profit margin	9.1%	6.3%	+2.8% pts

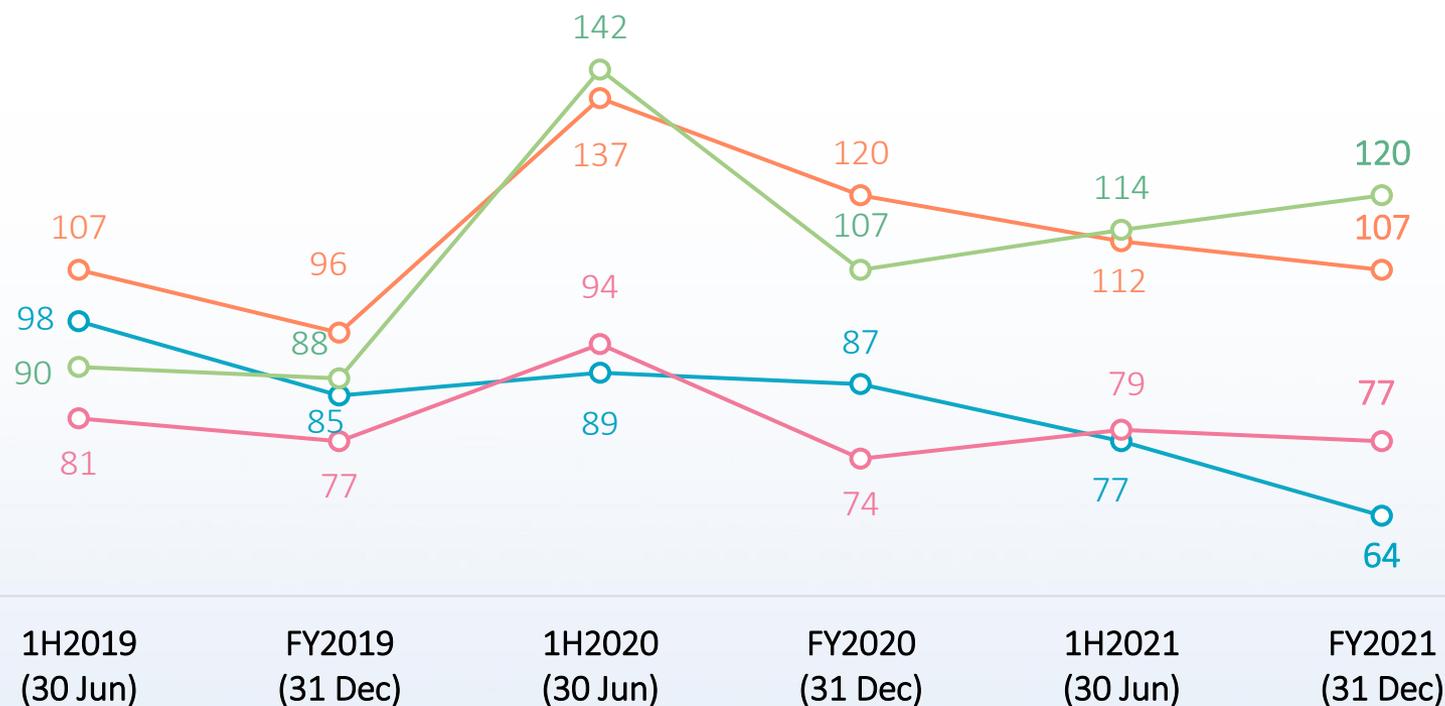
# Consolidated Balance Sheet

RMB m	31 Dec 2021	31 Dec 2020	YoY change
Current assets	10,432	9,027	+15.6%
Current liabilities	4,053	3,334	+21.6%
Cash and cash equivalents (A)	3,930	3,472	+13.2%
Pledged bank deposits and term deposits (B)	533	937	-43.1%
Bank borrowings (C)	1,780	2,158	-17.5%
Convertible bonds (D)	758	-	N/A
Net cash and cash equivalents = (A)+(B)-(C)-(D)	1,925	2,251	-14.5%
Net current assets	6,379	5,693	+12.1%
Current asset ratio (times)	2.6x	2.7x	-0.1x
Gearing ratio <sup>1</sup> (%)	17.4%	17.2%	+0.2% pt
Shareholders' equity	7,929	7,223	+9.8%
Net assets value per Share	RMB 3.03	RMB 2.87	+5.6%

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

# Group's Working Capital Analysis

Working capital turnover (day)



- Overall working capital
- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

# Mass Market - Core Xtep Brand



# Income Statement



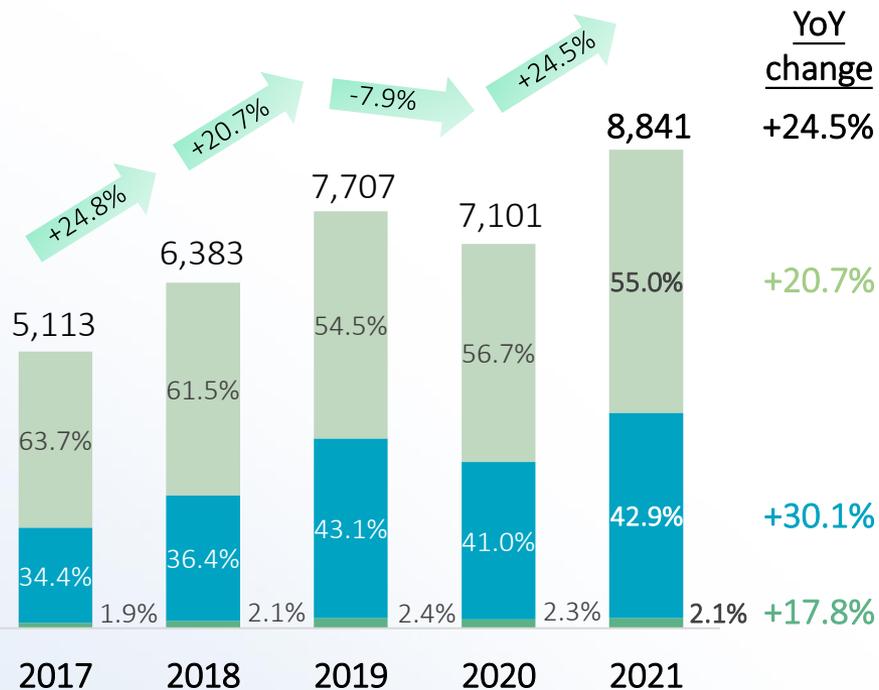
RMB m	2021	2020	YoY change
Revenue	8,841	7,101	+24.5%
Gross profit	3,664	2,762	+32.7%
Selling & distribution and general & administrative expenses ("SG&A") <sup>1</sup>	2,389	1,981	+20.6%
Operating profit	1,526	1,052	+45.1%
Net profit	1,049	643	+63.1%
Gross profit margin	41.4%	38.9%	+2.5% pts
SG&A to revenue ratio	27.0%	27.9%	-0.9% pt
Operating profit margin	17.3%	14.8%	+2.5% pts
Net profit margin	11.9%	9.1%	+2.8% pts

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

# Revenue and Gross Profit Analysis



Revenue by product (RMB m)

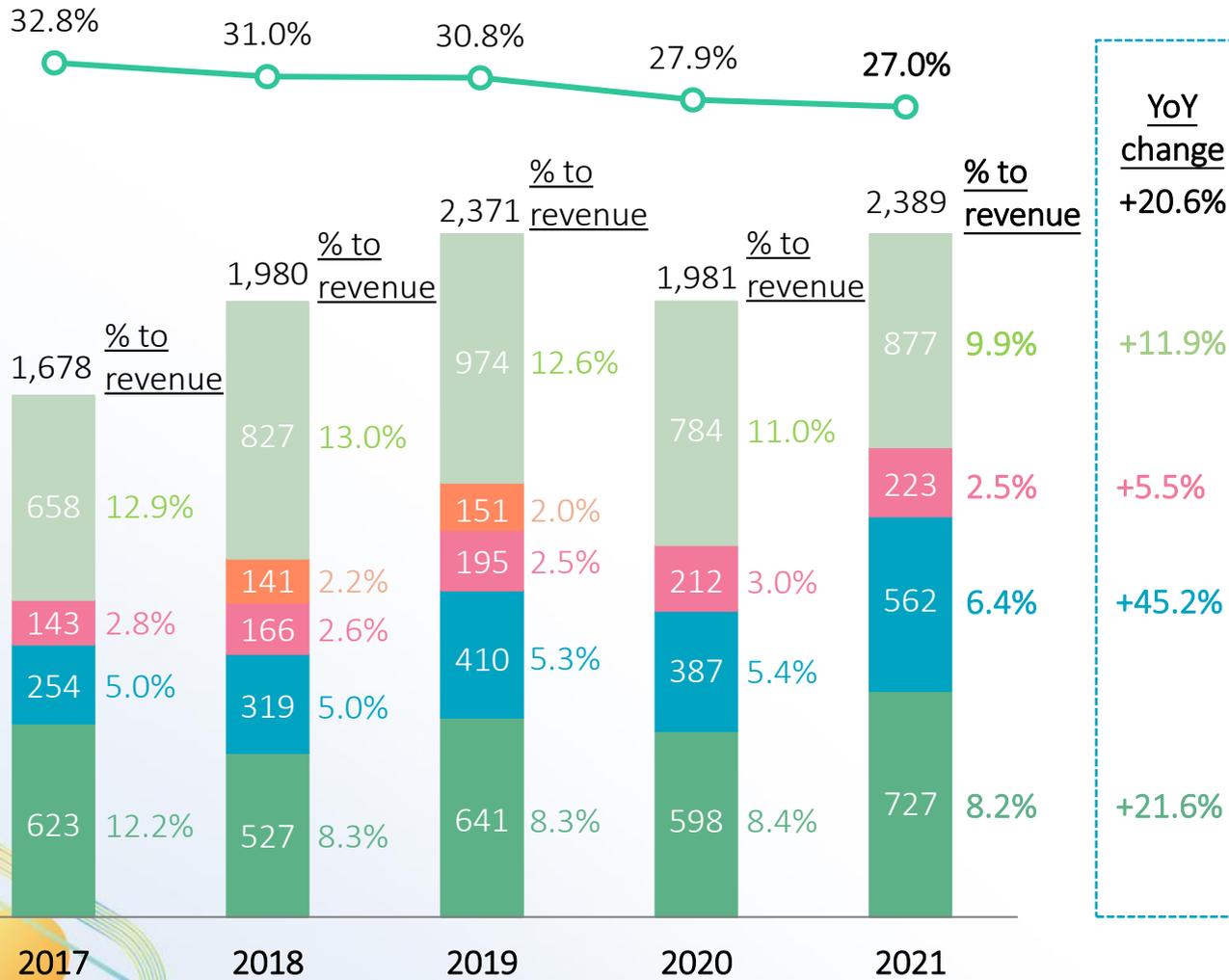


- Footwear
- Apparel
- Accessories

Gross profit margin by product (%)

	2021	2020	YoY change
Footwear	42.2%	39.4%	+2.8% pts
Apparel	40.9%	38.5%	+2.4% pts
Accessories	33.2%	32.9%	+0.3% pt
Overall	41.4%	38.9%	+2.5% pts

# SG&A Analysis<sup>1</sup> (RMB million)



- 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

# The Largest Running Ecosystem in Mainland China

## Awards-winning running shoes



160X PRO



160X 2.0



300X 2.0



7

Sponsored Marathons and running events in 2021<sup>1</sup>

25

Sponsored athletes



Xtep Running Club, Shanghai



30

Xtep Running Clubs in Mainland China



Dong Guojian (董国建)



Peng Jianhua (彭建华)

1,300,000+

Xtep Runners Club members



<sup>1</sup> Physical marathons and running events were disrupted by the pandemic in 2021

# Lifestyle Products Catering to the Younger Generations



- Premium label “XDNA” launched in May 2021



- New women’s collection “HALF-SUGAR” introduced in August 2021



XDNA store, Harbin, Heilongjiang province, Mainland China (113 m<sup>2</sup>)



HALF-SUGAR collection



## Celebrity spokespersons



Dilraba



Jeremy Lin



Nicholas Tse



Jiro Wang



Fan Chengcheng

# Retail Channel Upgrade



6,151

Xtep branded stores  
in Mainland China  
and overseas

Ninth-generation stores



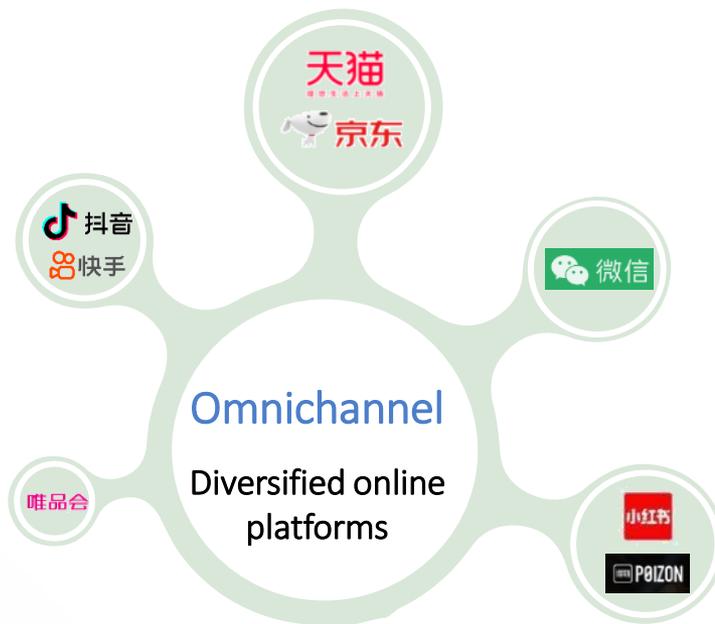
Harbin,  
Heilongjiang province,  
Mainland China  
(623 m<sup>2</sup>)



Changchun,  
Jilin province,  
Mainland China  
(1,365 m<sup>2</sup>)



E-commerce business contribution  
**30%+**  
of the core Xtep brand's revenue



# Outlook and Strategies

- **Dual strategy** to maintain our “moat” in running and captivate younger consumers
- Solidify our **running ecosystem** by fostering R&D capabilities and cultivating the running community
- Keep up with the prevailing **China chic trend** with more innovative lifestyle products for the new “**XDNA**” label
- Optimize distribution channels and roll out more “**ninth-generation stores**”



# Athleisure - K-Swiss & Palladium

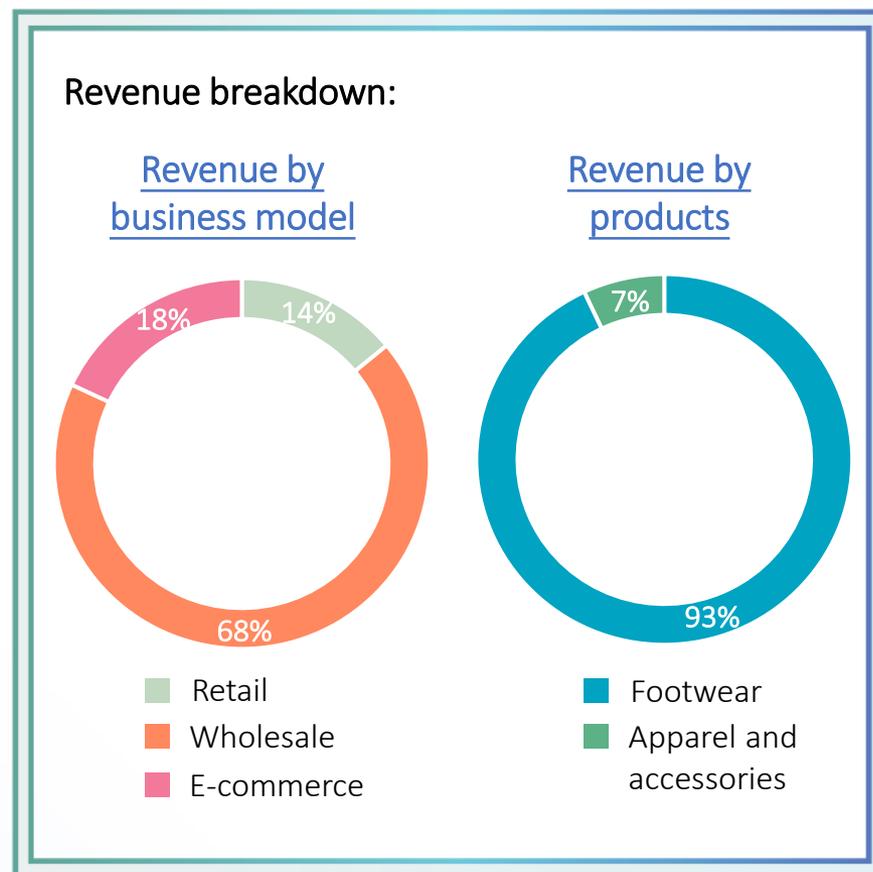


# Financial Highlights



- Expect gradual improvement to be seen in the athleisure segment in 2022 following the **expansion of our footprint in Mainland China**

RMB m	2021	2020	YoY change
Revenue	971	999	-2.8%
Gross profit	433	407	+6.3%
Gross profit margin	44.6%	40.7%	+3.9% pts
Operating profit / (loss)	(90)	(104)	N/A



## Self-operated stores



44



57

in Asia Pacific

As at 31 December 2021



Palladium store, Xi'an, Shaanxi province, Mainland China (137 m<sup>2</sup>)

## Strategic plan

- Open **signature stores for K-Swiss in provincial and higher-tier cities in Mainland China**
- Adjust **store layout, product assortment and design** for K-Swiss according to customer preference
- Optimize **product portfolio and retail network for Palladium in Mainland China**



K-Swiss Classic 66



K-Swiss store, Harbin, Heilongjiang province, Mainland China (300 m<sup>2</sup>)

# Professional Sports - Saucony & Merrell



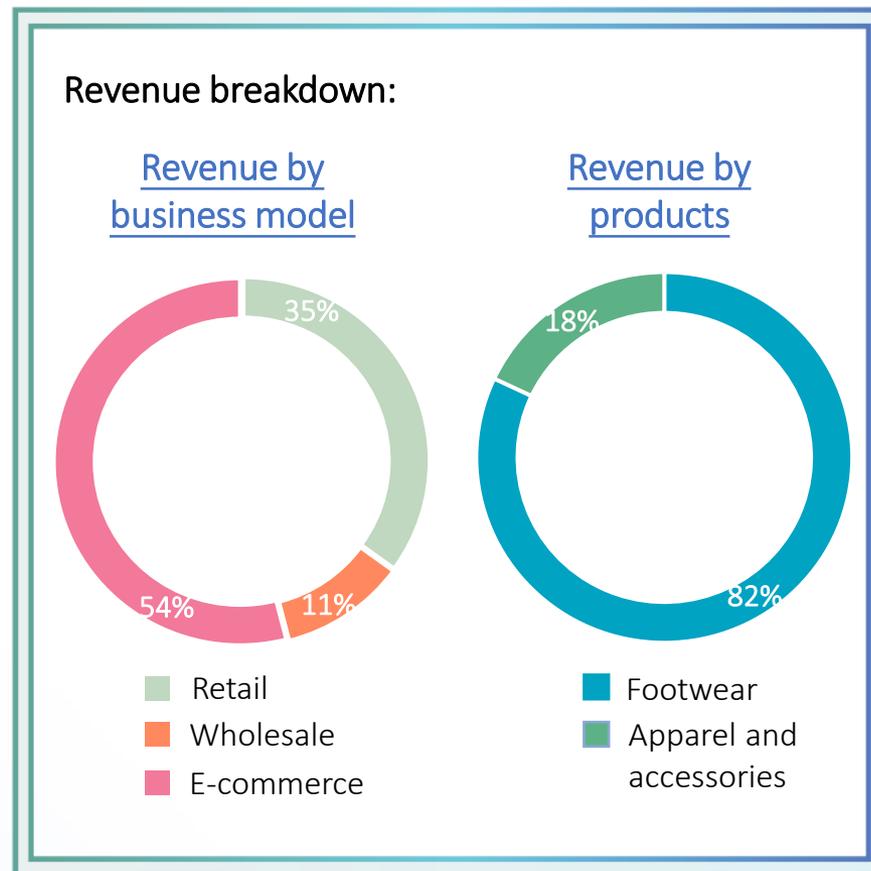
**MERRELL.**



# Financial Highlights

- Saucony successfully increased its brand awareness and demonstrated its growth potential in Mainland China

RMB m	2021	2020	YoY change
Revenue	201	72	+180.2%
Gross profit	81	30	+171.1%
Gross profit margin	40.3%	41.6%	-1.3% pts
Operating profit / (loss)	(40)	(30)	N/A



## Self-operated stores



44

6

in tier I and II cities in Mainland China  
as at 31 December 2021



Saucony store,  
Beijing,  
Mainland China  
(120 m<sup>2</sup>)



Merrell store,  
Shanghai,  
Mainland China  
(60 m<sup>2</sup>)

## Strategic plan

- Accelerate **store openings** in premium shopping malls in higher-tier cities in Mainland China
- Raise brand recognition via **running event sponsorships** and omnichannel marketing
- Increase **apparel and localized products offerings**



2021 BMW Hood to Coast China Relay sponsored by Saucony

# Prospects



# Prospect

## Market outlook



- **Optimistic about the long-term prospects** of the sportswear sector in Mainland China
- National policies that set to **spur long-term domestic demand** will release prodigious business opportunities in Mainland China
- **Rising health consciousness** as reflected in the exercise boom, the **country's support** for the sports sector and the widespread **favoritism toward home-grown brands** among the younger generations will reshape the sportswear market landscape

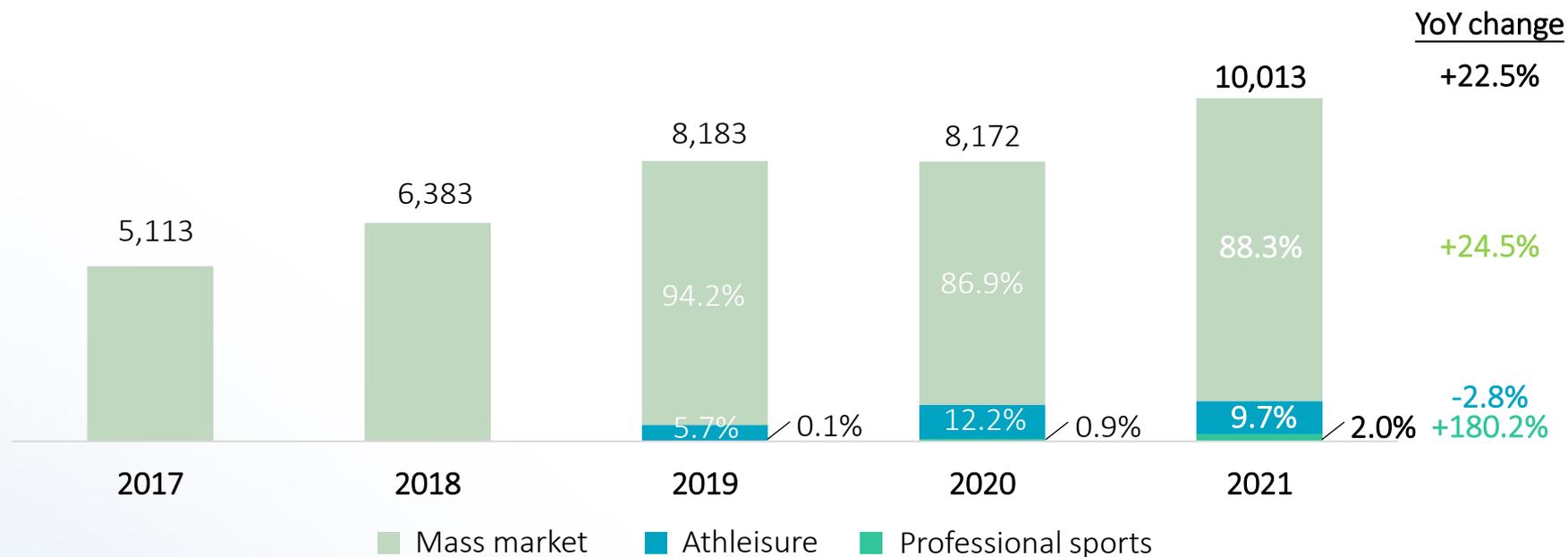


- **Five-year plan** of the Group: target revenue of the **core Xtep brand** would be **RMB20 billion in 2025**; **new brands** will target to achieve **RMB4 billion in 2025**
- **Growth momentum** of the **core Xtep brand** in the second half of 2021 **sustained into the opening months of 2022**
- **Multi-brand strategy** to fully cater to sophisticated customers
- Confident in the **long-term sustainable growth** of the Group and its market share

# Appendix



# Revenue by Brand Nature (RMB m)

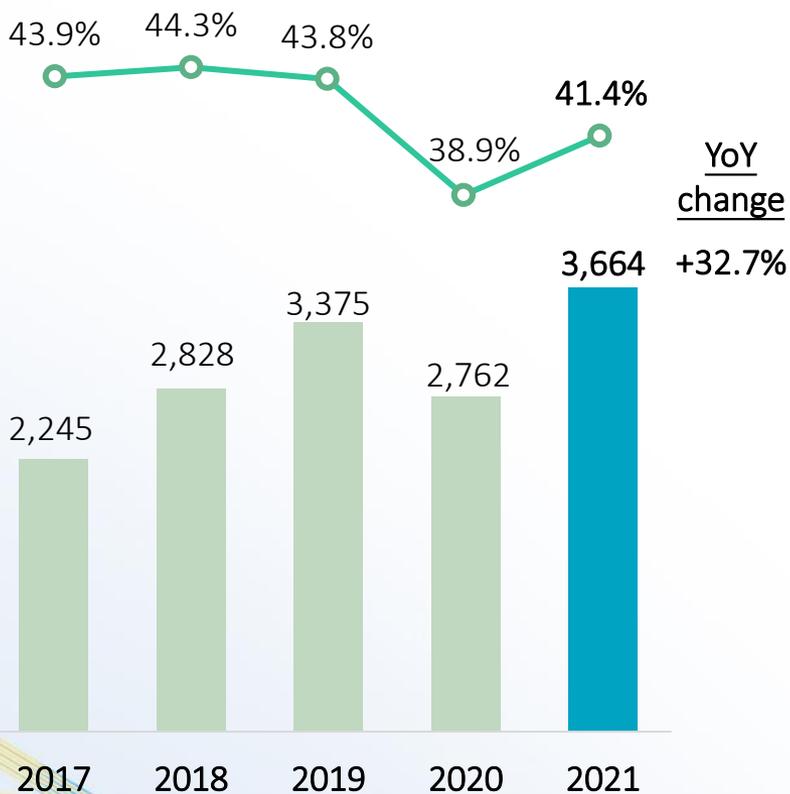


RMB m	2021	2020	YoY change
Mass market	8,841	7,101	+24.5%
Athleisure	971	999	-2.8%
Professional sports	201	72	+180.2%
<b>Overall</b>	<b>10,013</b>	<b>8,172</b>	<b>+22.5%</b>

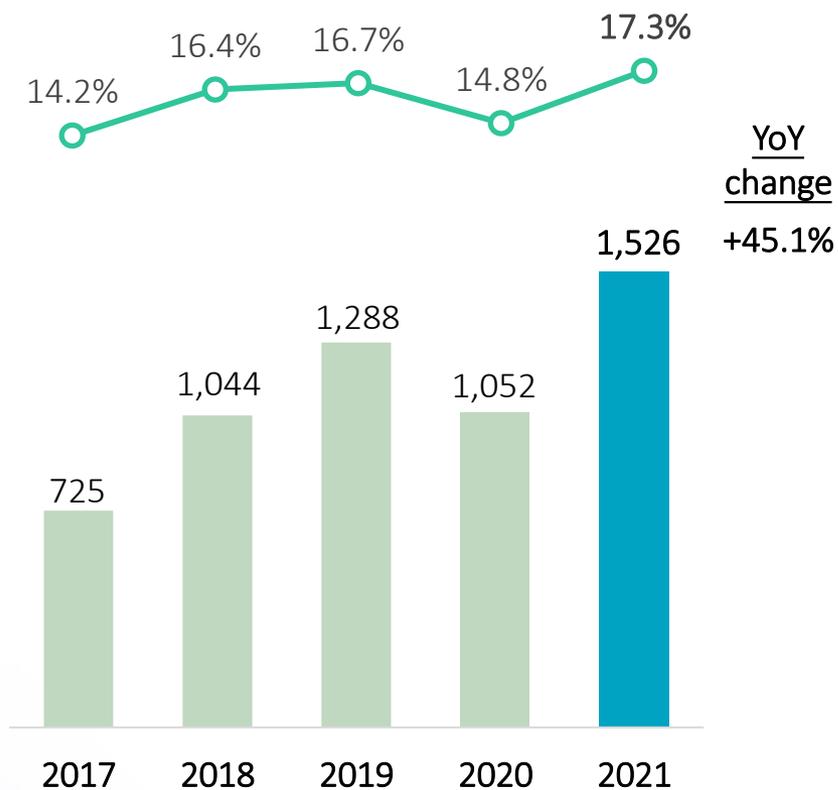
# Core Xtep Brand – Profitability Analysis



Gross profit (RMB m)



Operating profit (RMB m)

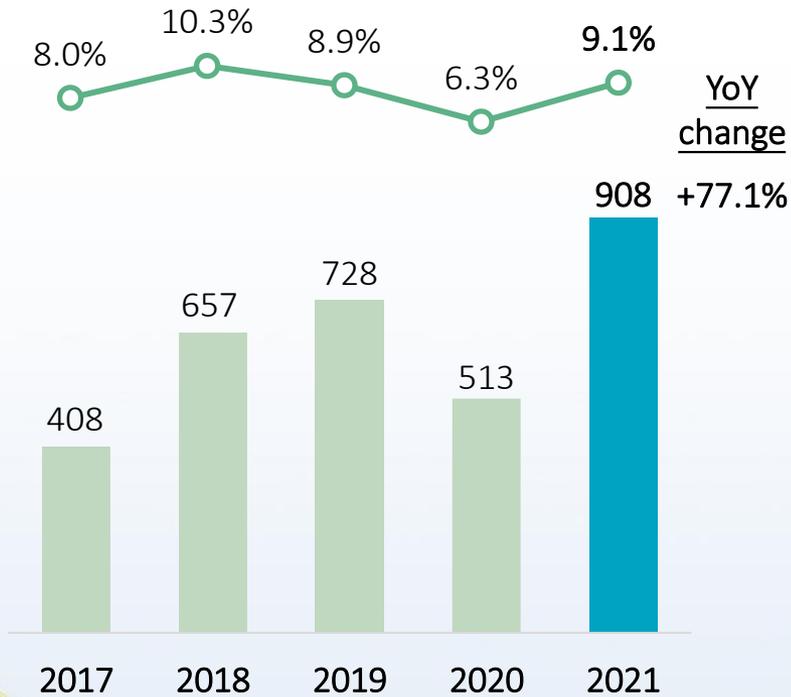


■ Gross profit  
○ As a % to revenue

■ Operating profit  
○ As a % to revenue

# Net Profit and Return on Equity

Profit attributable to ordinary equity holders (RMB m)



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

Return on equity (%)



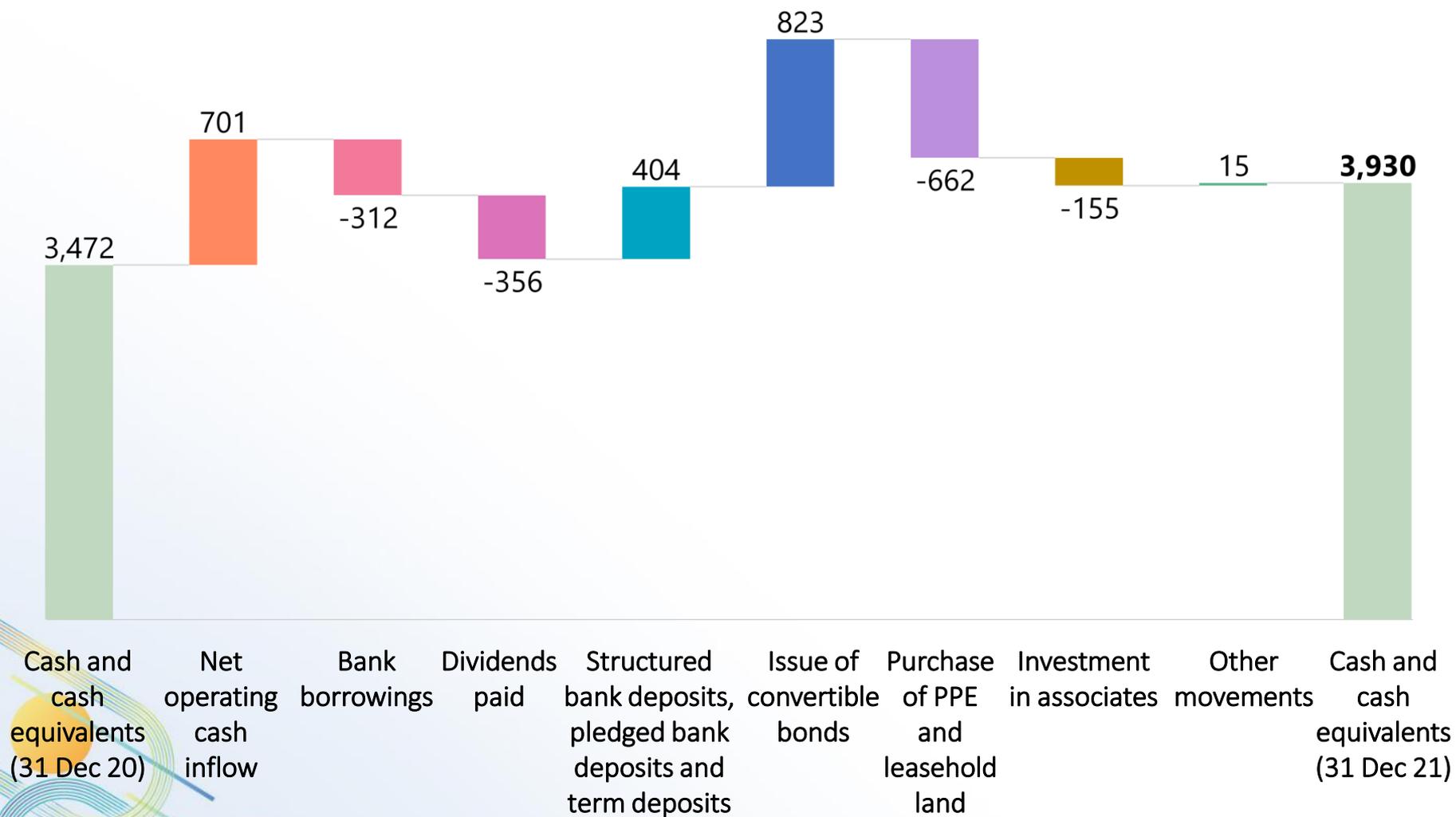
—○ Return on equity

## Consolidated Income Tax Breakdown (RMB m)

RMB m	2021	2020
Tax provision for the year	378	255
(Over) / under provision in prior years	(16)	(1)
Deferred tax	35	3
Total income tax (A)	397	257
Profit before tax (B)	1,287	762
Effective tax rate = (A) / (B)	30.9%	33.7%

Remark: Tax-related government subsidies in 2020 and 2021 were RMB171 m and RMB171 m, respectively

# Cash Flow Analysis (RMB m)



# Core Xtep Brand – Mainstream Performance Products



## Elite series



160X PRO  
RMB 1,199



160X 2.0  
RMB 999



300X 2.0  
RMB 999

## Professional series



RC260  
RMB 699



Xtep 100  
RMB 599

## Mass market series



DYNAMIC  
FOAM  
RMB 499



REACTIVE  
COIL  
RMB 499



X-FLOW  
RMB 499



ENEGETEX  
RMB 439



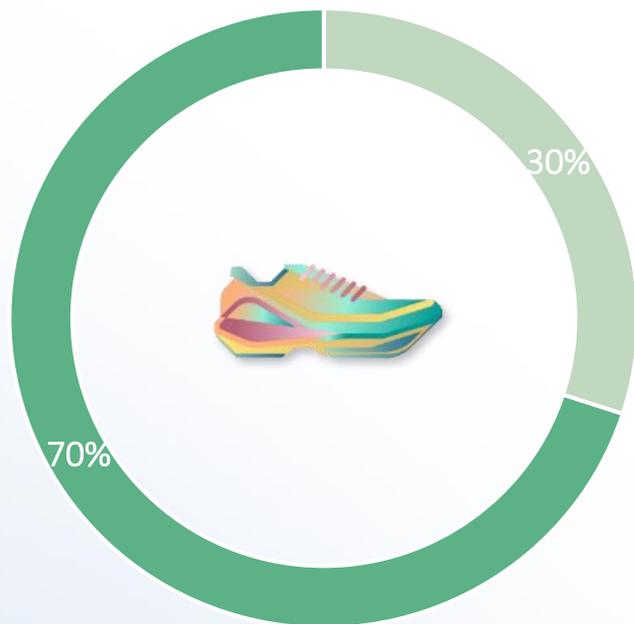
AIR  
MEGA  
RMB 439



COMFY  
CUBES  
RMB 339

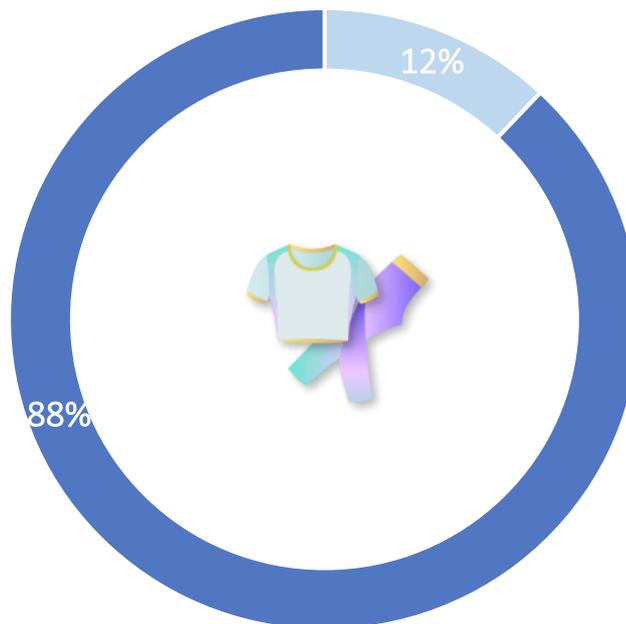
# Group's Production Capacity Allocation

## Footwear



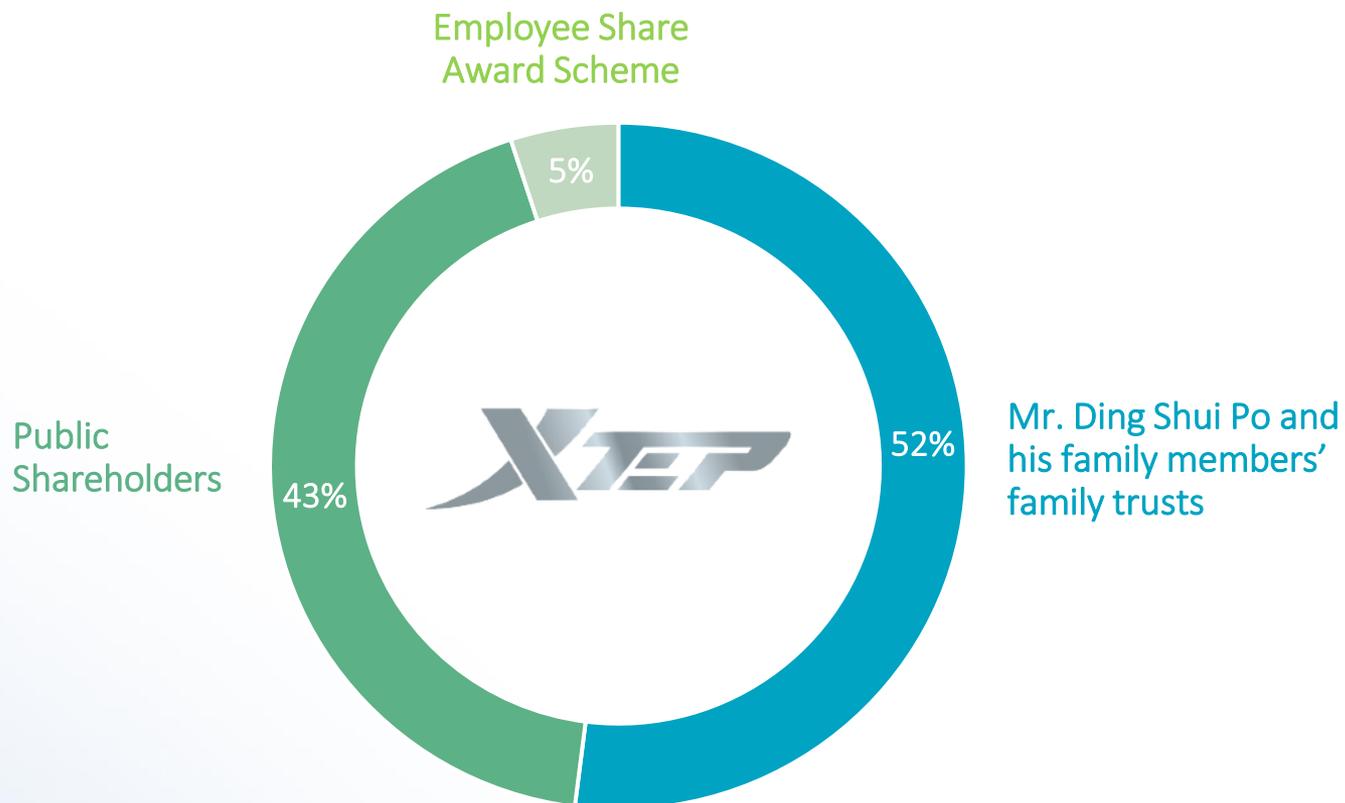
- In-house
- Outsourced

## Apparel



- In-house
- Outsourced

# Shareholding Structure as at 31 December 2021



Total no. of issued shares as at 31 December 2021: 2,630,318,746

# Disclaimer

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