



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2022 Annual Results Presentation

22 March 2023



2022 Annual Results Highlights



Group's revenue

RMB **12,930** m ▲ **29.1%**



Core Xtep brand's revenue

RMB **11,128** m ▲ **25.9%**



Group's operating profit

RMB **1,464** m ▲ **4.9%**



Core Xtep brand's operating profit

RMB **1,759** m ▲ **9.4%**



Profit attributable to ordinary equity holders of the Company

RMB **922** m ▲ **1.5%**



Core Xtep brand's net profit

RMB **1,345** m ▲ **10.7%**



Final dividend per Share

HK **7.1** cents¹

Full year payout ratio: 50.0%

6,313

Core Xtep Adult branded stores
in Mainland China and overseas
as at 31 December 2022



¹ 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

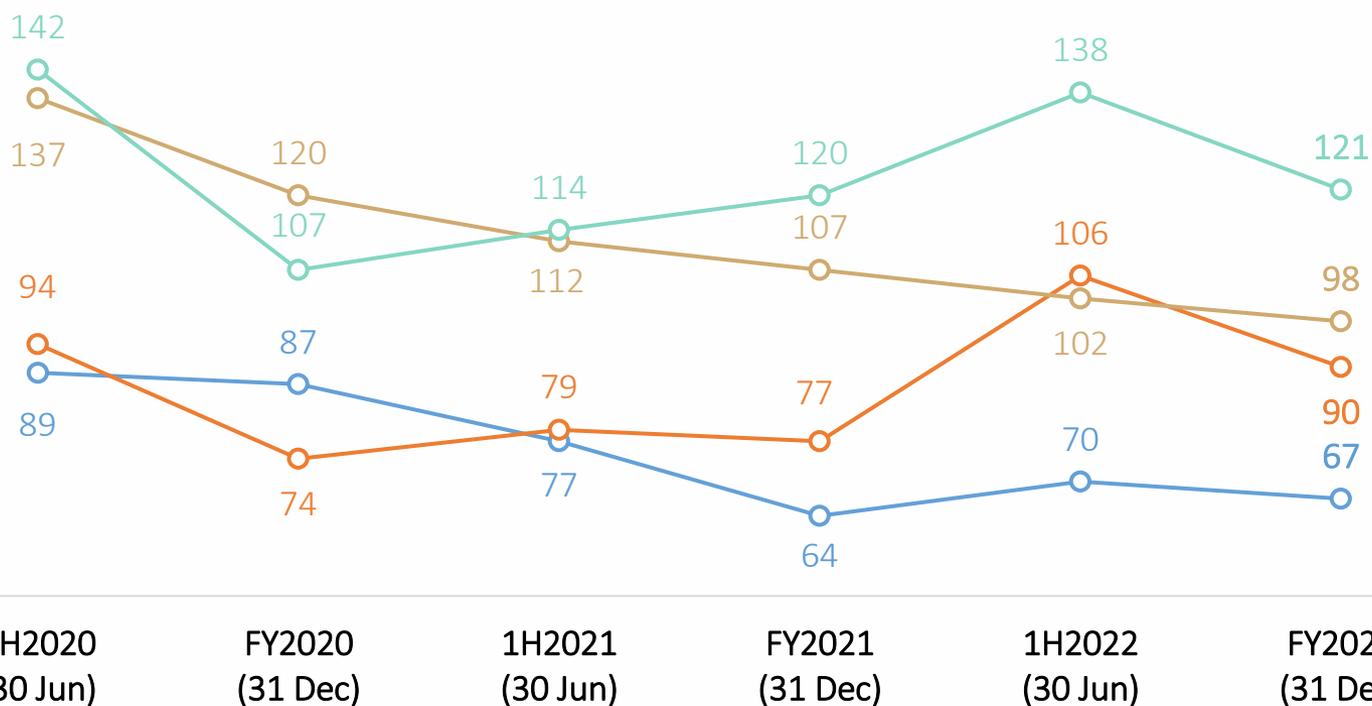
RMB m	2022	2021	YoY change
Revenue	12,930	10,013	+29.1%
Gross profit	5,292	4,178	+26.7%
Selling & distribution and general & administrative expenses (“SG&A”)	4,144	3,081	+34.5%
Operating profit	1,464	1,396	+4.9%
Profit attributable to ordinary equity holders	922	908	+1.5%
Basic earnings per Share	RMB 36.6 cents	RMB 36.4 cents	+0.7%
Gross profit margin	40.9%	41.7%	-0.8% pt
SG&A to revenue ratio	32.0%	30.8%	+1.2% pts
Operating profit margin	11.3%	13.9%	-2.6% pts
Net profit margin	7.1%	9.1%	-2.0% pts

Consolidated Balance Sheet

RMB m	31 Dec 2022	31 Dec 2021	YoY change
Current assets	12,338	10,432	+18.3%
Current liabilities	6,645	4,053	+63.9%
Cash and cash equivalents (A)	3,414	3,930	-13.1%
Pledged bank deposits and term deposits (B)	1,047	533	+96.4%
Bank borrowings (C)	2,424	1,780	+36.2%
Convertible bonds (D)	812	758	+7.2%
Net cash and cash equivalents = (A)+(B)-(C)-(D)	1,225	1,925	-36.3%
Net current assets	5,693	6,379	-10.8%
Current asset ratio (times)	1.9x	2.6x	-0.7x
Shareholders' equity	8,244	7,929	+4.0%
Net assets value per Share	RMB 3.15	RMB 3.03	+4.0%

Group's Working Capital Analysis

Working capital turnover (day)

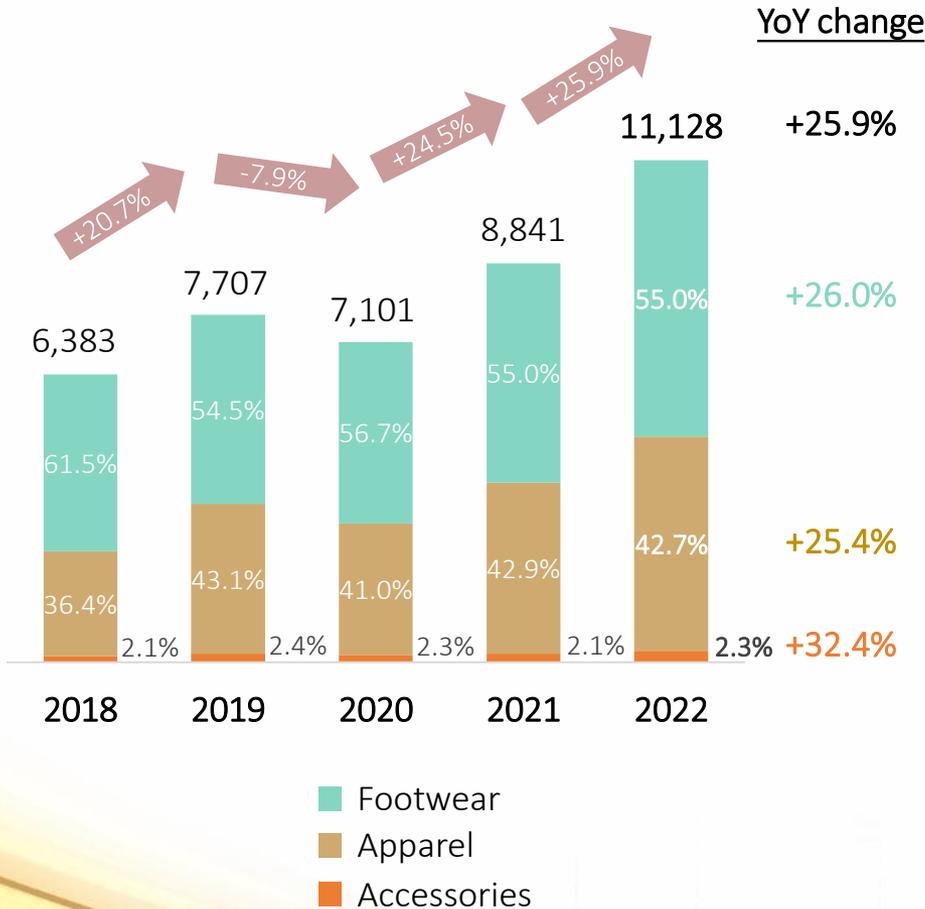


- Overall working capital turnover
 ○ Inventory turnover
- Trade receivables turnover
 ○ Trade payables turnover

Core Xtep Brand – Revenue and Gross Profit Analysis



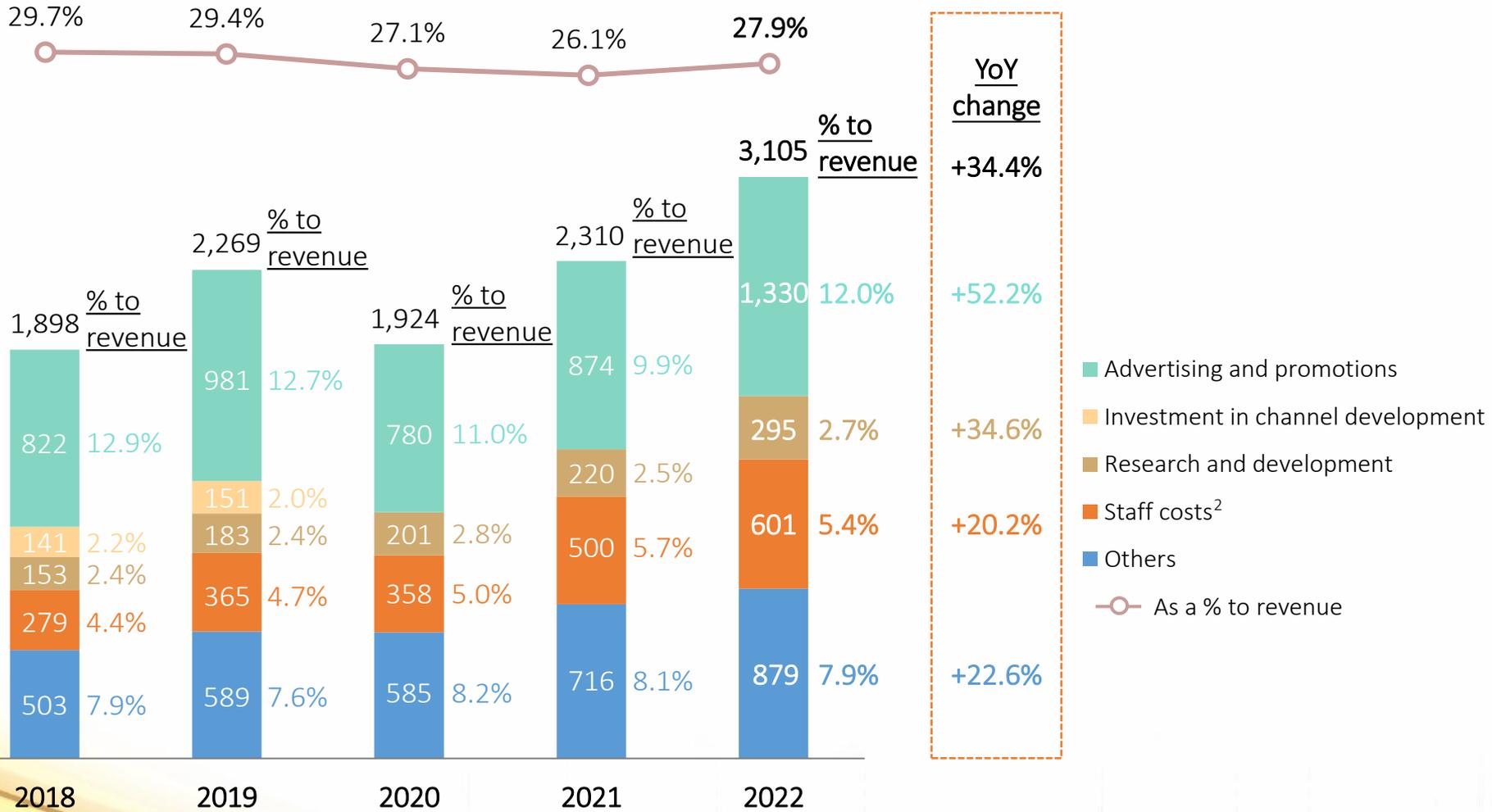
Revenue by product (RMB m)



Gross profit margin by product (%)

	2022	2021	YoY change
Footwear	41.6%	42.2%	-0.6% pt
Apparel	41.3%	40.9%	+0.4% pt
Accessories	32.1%	33.2%	-1.1% pts
Overall	41.3%	41.4%	-0.1% pt

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



¹ SG&A excluded corporate expenses

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

Business Review

Mass Market – Core Xtep Brand



Core Xtep Brand – Running Ecosystem in Mainland China



Marathon sponsorships



Award-winning running shoes



160X 3.0 PRO

160X 3.0

260 2.0

360

The “160X” carbon fiber plate running shoes series has helped **49** Chinese athletes win **228** championships

Sports celebrities

Dong Guojian



Peng Jianhua



49

Xtep Running Clubs
in Mainland China

1,700,000+

Xtep Runners Club members

Core Xtep Brand – Sports Celebrities and Marathon Sponsorships

Record performance in the most prestigious marathons in Mainland China

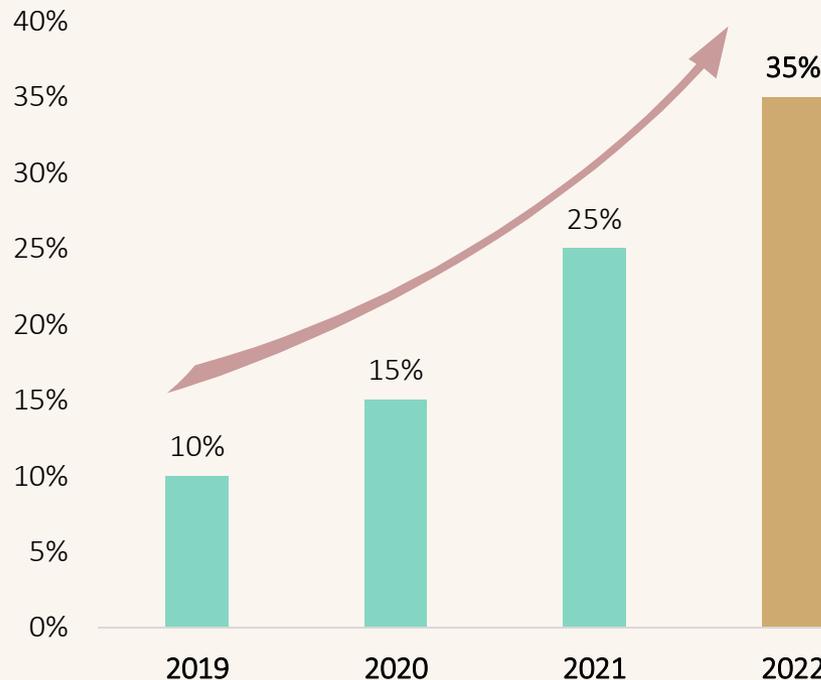


	Wuxi Marathon He Jie 02:07:30
	Xiamen Marathon Feng Peiyu 02:13:53
	Shanghai Marathon Yang Shaohui 02:16:04
	Beijing Marathon Anubaike Kuwan 02:14:34

Sponsored marathons in 2022

Guizhou Tongren Fanjingshan Marathon	6 November 2022
Xiamen Haicang Half Marathon	13 November 2022
Chengdu Marathon	20 November 2022
Xiamen Marathon	27 November 2022
Xiamen Huandong Half Marathon	18 December 2022

2019-2022 Xtep running shoes wear rate among the top 100 male athletes in Chinese marathons



- Xtep running shoes **ranked first** among the top 100 male athletes in Chinese marathons of all brands in overall wear rate
- Xtep running shoes **ranked first** among domestic brands in overall wear rate for **four consecutive years**, surpassed international brands and **ranked first among all brands** for the first time

Core Xtep Brand – Other Signature and Sustainable Products



Basketball
collection



“XTEP-XDNA”
premium label



“HALF-SUGAR”
female collection



“360-ECO”
Mass Balance
low-carbon running
shoes

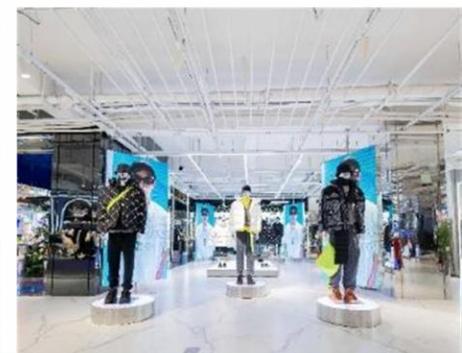
Core Xtep Brand – Retail Channel Upgrade



Ninth-generation store in Chengdu, Sichuan province (2,400 sqm)



Ninth-generation store in Changsha, Hunan province (1,050 sqm)



6,313

Xtep Adult branded stores in Mainland China and overseas



- Xtep Kids' revenue increased by 52% to RMB1,671 million, accounting for 15% of the core Xtep brand's revenue in 2022
- Strategic partnership with China Space Museum and China Hip-Hop Union Committee to raise brand awareness among teenagers in Mainland China and provide comprehensive support for youth sports development
- Increase investment in R&D and A&P to expand into the school community through campus sports products, sports event sponsorships and marketing campaigns



1,520

Xtep Kids branded stores
in Mainland China



Cross training



Rope skipping



Long jumping



1,000-meter run

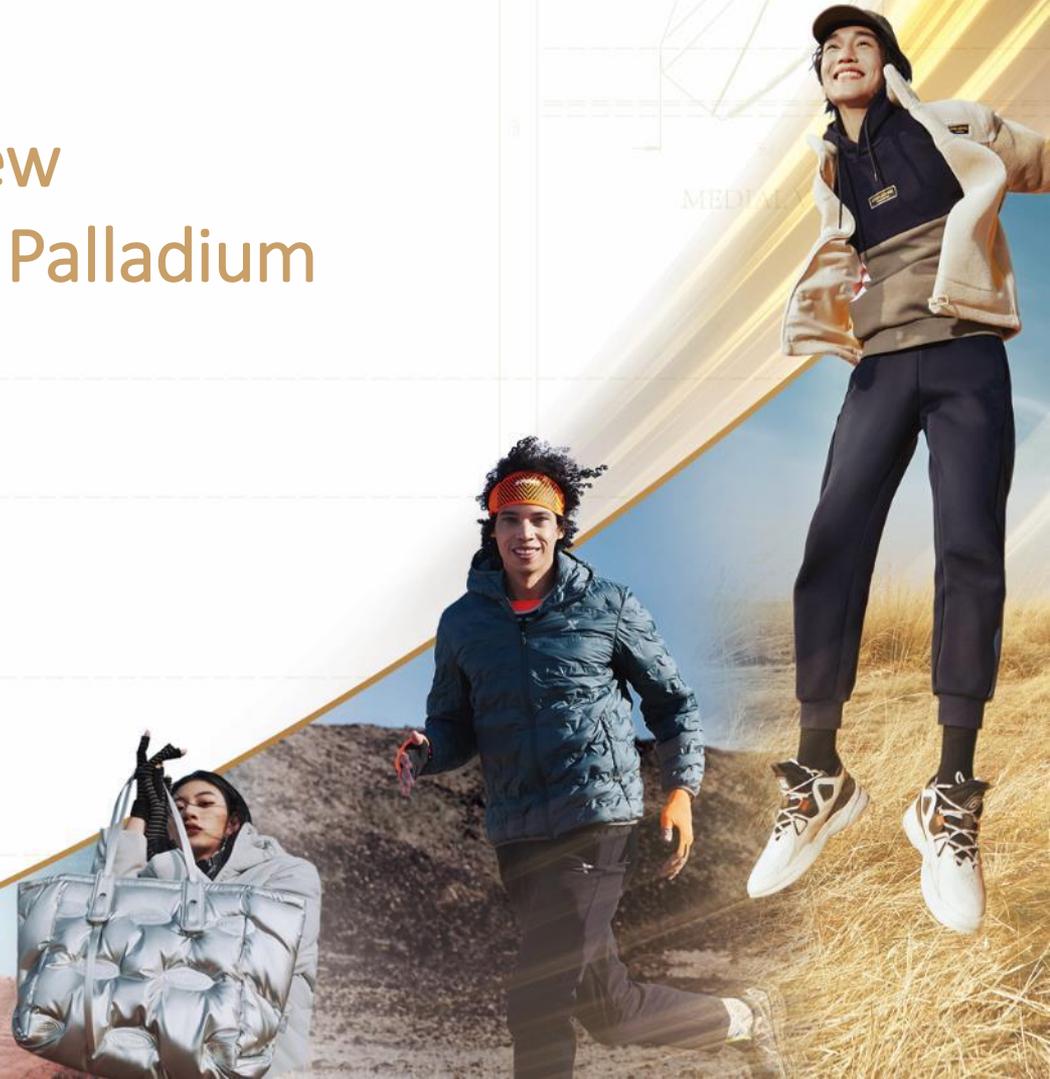
Core Xtep Brand – Outlook and Strategies



- Brand upgrade to solidify our **running ecosystem** by fostering R&D innovation and running groups
- Enhance brand equity by launching **“ninth-generation stores”** to strengthen emotional connections between Xtep and customers
- Ride on favorable policies to **expand Xtep Kids' business** through technological enhancement on campus sports products and marketing campaigns to empower adolescents to participate in school sports

Business Review

Athleisure – K-Swiss & Palladium



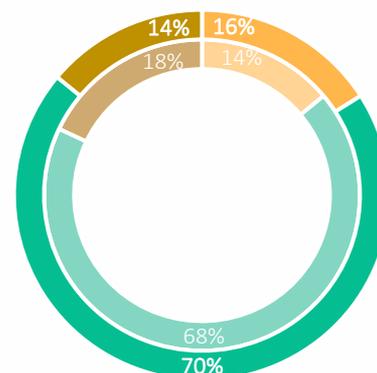
K-Swiss & Palladium – Financial Highlights



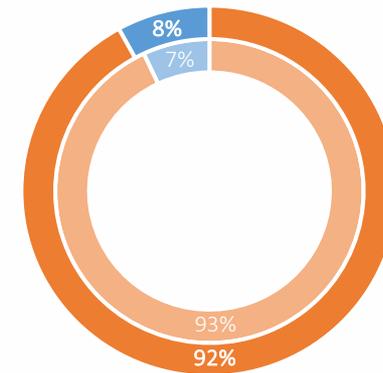
RMB m	2022	2021	YoY change
Revenue	1,402	971	+44.4%
Gross profit	527	433	+21.9%
Gross profit margin	37.6%	44.6%	-7.0% pts
Operating profit / (loss)	(189)	(88)	N/A

Revenue breakdown:

Revenue by business model



Revenue by products



FY2022 FY2021

- Retail
- Wholesale
- E-commerce

FY2022 FY2021

- Footwear
- Apparel and accessories

K-Swiss & Palladium – Business Update and Strategies



- Remain cautious about the overseas business outlook of the athleisure segment in the short term due to impacts of geopolitical instability and inflation
- Accelerate K-Swiss store openings in Mainland China, continue to enhance brand positioning and product portfolio
- Optimize retail network and product portfolio to sustainably scale Palladium for the long haul

Branded stores



72



56

in Asia Pacific as at 31 December 2022



K-Swiss store, Changchun, Jilin province (300 m²)

Business Review

Professional Sports – Saucony & Merrell



MERRELL



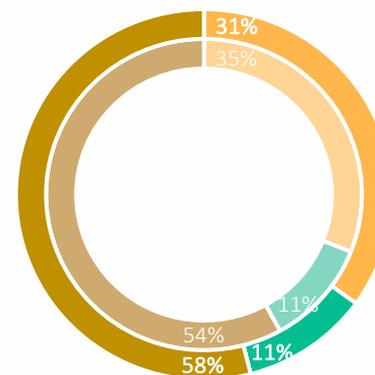
Saucony & Merrell – Financial Highlights

Financial highlights of the whole JV operations¹ (Non-GAAP financial measures)

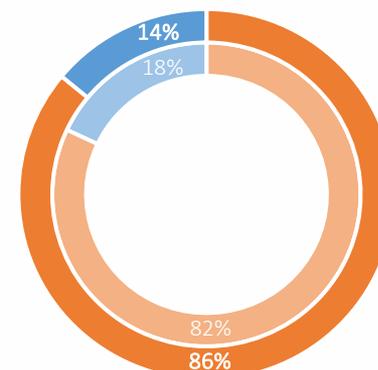
RMB m	2022	2021	YoY change
Revenue	400	201	+99.0%
Gross profit	226	109	+108.2%
Gross profit margin	56.5%	54.1%	+2.4% pts
Operating profit / (loss)	(67)	(98)	N/A

Revenue breakdown:

Revenue by business model



Revenue by products



FY2022 FY2021

- Retail
- Wholesale
- E-commerce

FY2022 FY2021

- Footwear
- Apparel and accessories

¹ For GAAP financial highlights, please refer to P.32 of the appendix section

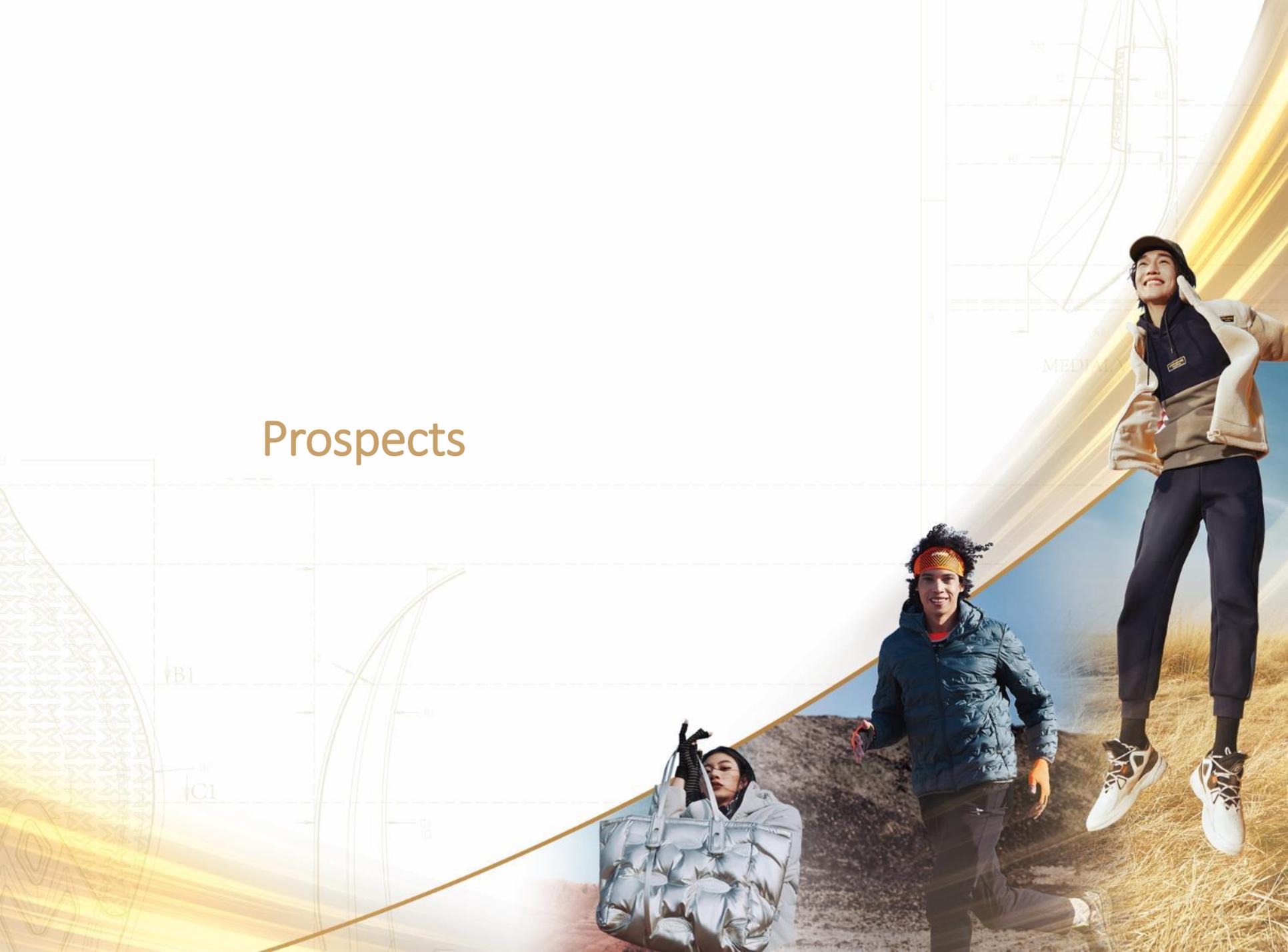
Saucony & Merrell – Business Update and Strategies

- Continue to **penetrate into higher-tier cities** in Mainland China particularly for Saucony
- Increase Saucony's brand awareness through the Xtep Running Clubs and marathon sponsorships
- Increase **apparel and localized product offerings**



Saucony store, Shanghai (95 m²)

Prospects

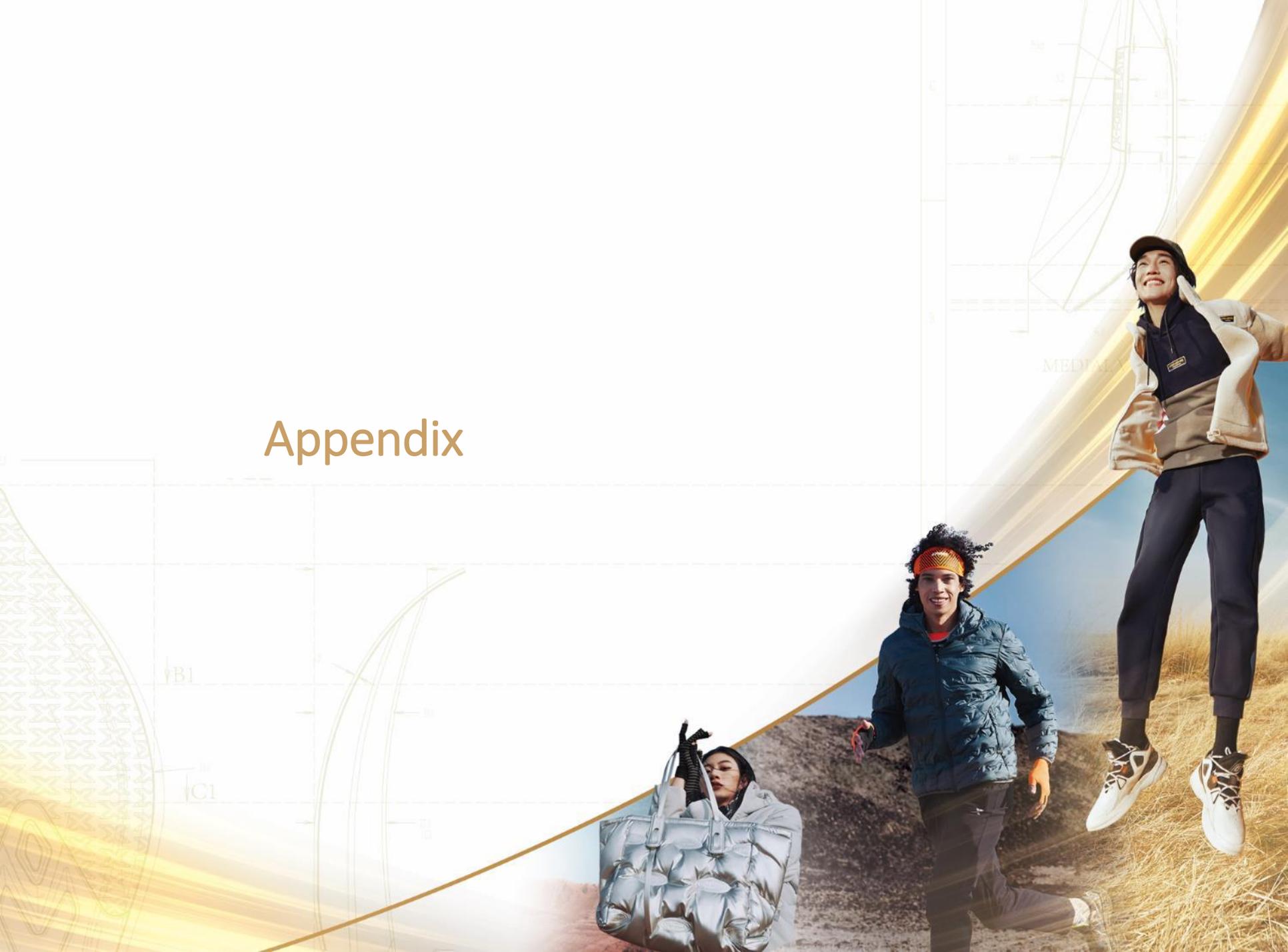


Prospects

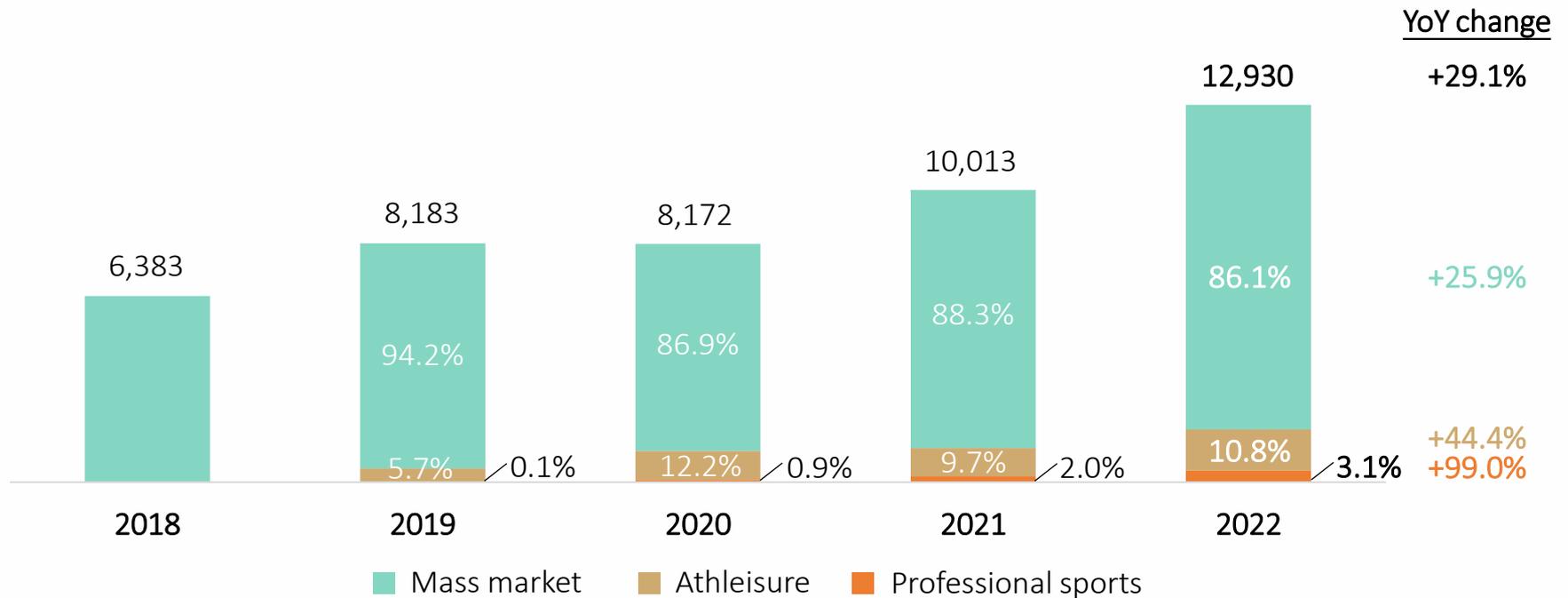
- Remain **optimistic about the long-term prospects of the sportswear industry** in Mainland China, supported by favorable national policies and market trends as well as gradual recovery of consumer confidence to fuel the expansion of the Group's business
- **Confident to achieve the goals in the "Fifth Five-Year Plan"** with the **Core Xtep brand** continuing to be the stable growth driver, and the **four new brands** leading the Group to achieve accelerated business growth
- **Elevate our efforts in sustainable innovation**, build a green supply chain, be socially responsible and contribute to a sustainable future for the world



Appendix



Group's Revenue by Brand Nature (RMB m)

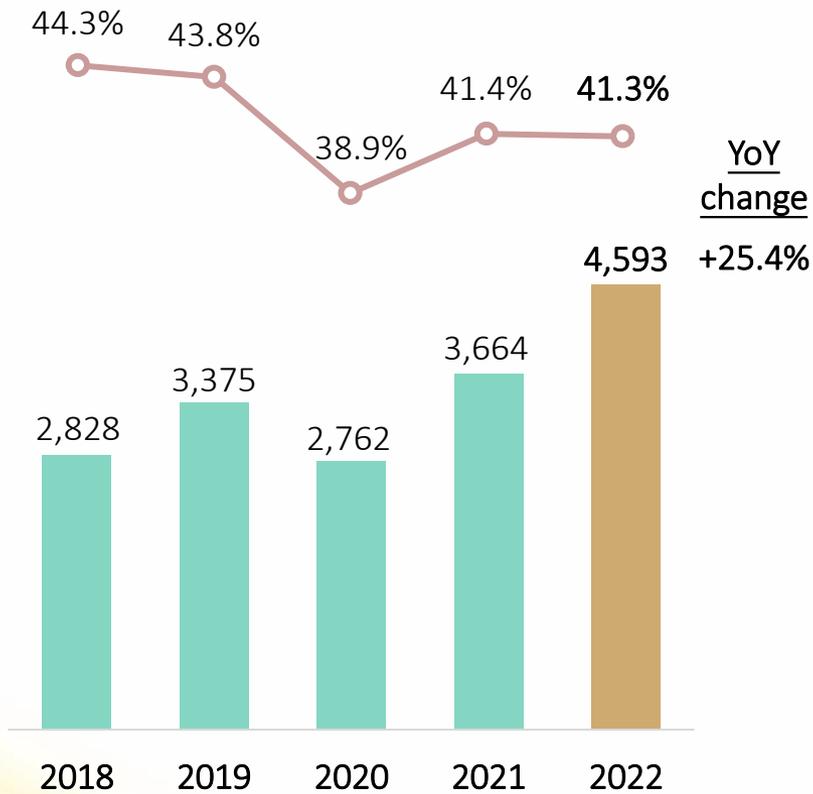


RMB m	2022	2021	YoY change
Mass market	11,128	8,841	+25.9%
Athleisure	1,402	971	+44.4%
Professional sports	400	201	+99.0%
Overall	12,930	10,013	+29.1%

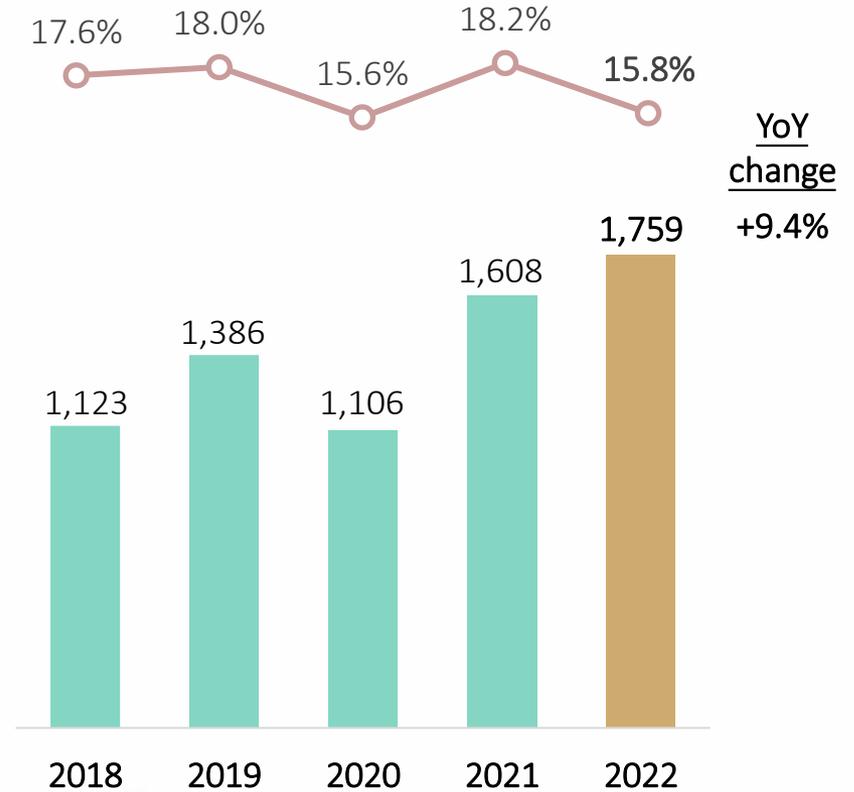
Core Xtep Brand – Profitability Analysis



Gross profit (RMB m)



Operating profit¹ (RMB m)



■ Gross profit
—○ As a % to revenue

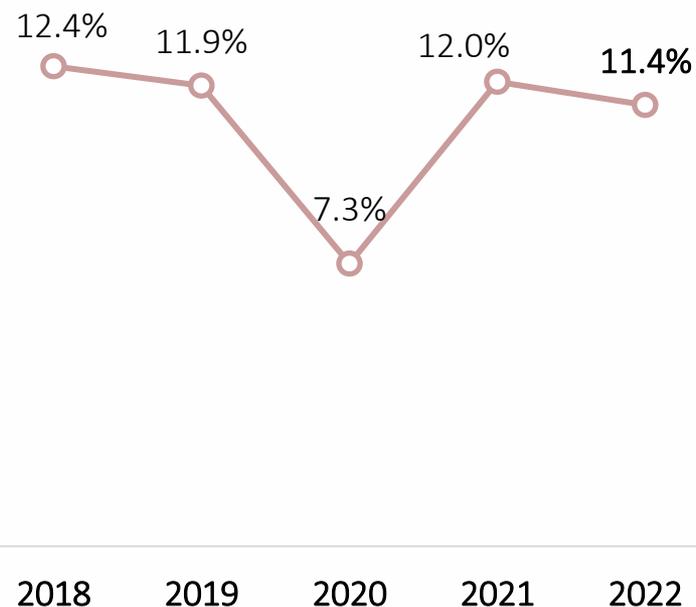
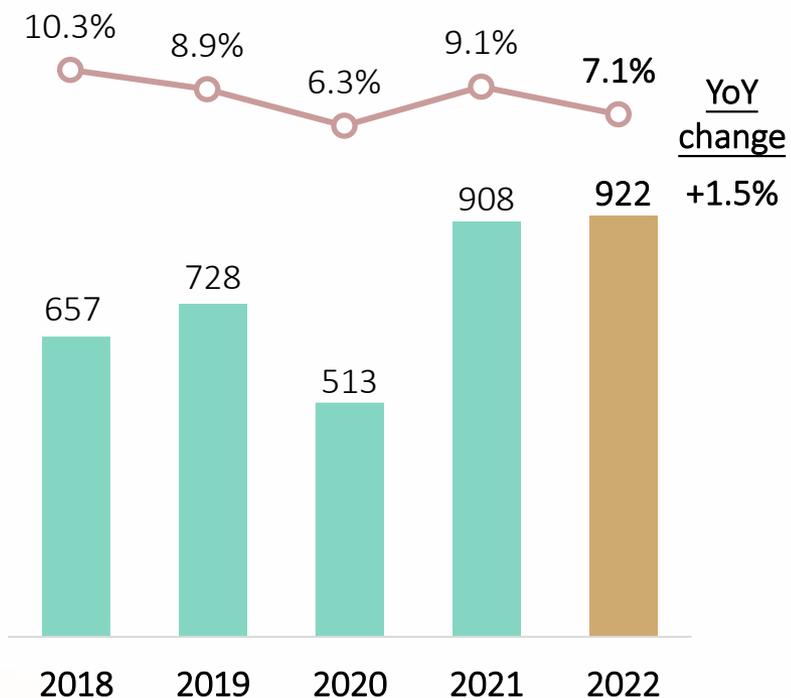
■ Operating profit
—○ As a % to revenue

¹ Operating profit excluded corporate expenses

Group's 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

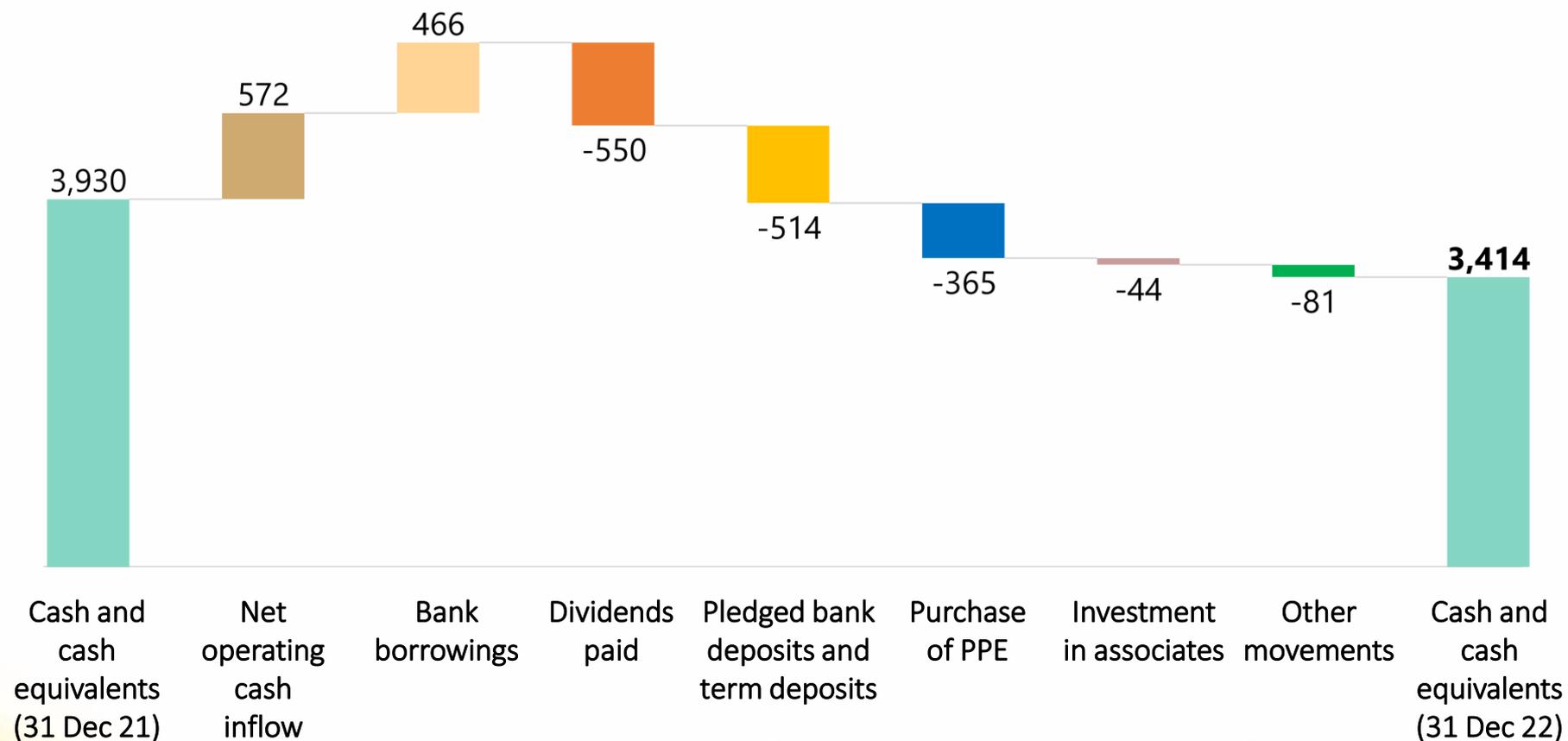
○ Return on equity

Consolidated Income Tax Breakdown (RMB m)

RMB m	2022	2021
Tax provision for the year	406	378
(Over) / under provision in prior years	(15)	(16)
Deferred tax	58	35
Total income tax (A)	449	397
Profit before tax (B)	1,361	1,287
Effective tax rate = (A) / (B)	33.0%	30.9%

Remark: Tax-related government subsidies in 2022 and 2021 were RMB178 m and RMB171 m, respectively

Cash Flow Analysis (RMB m)



Core Xtep Brand – Income Statement

RMB m	2022	2021	YoY change
Revenue	11,128	8,841	+25.9%
Gross profit	4,593	3,664	+25.4%
Selling & distribution and general & administrative expenses (“SG&A”) ¹	3,105	2,310	+34.4%
Operating profit	1,759	1,608	+9.4%
Net profit	1,345	1,215	+10.7%
Gross profit margin	41.3%	41.4%	-0.1% pt
SG&A to revenue ratio	27.9%	26.1%	+1.8% pts
Operating profit margin	15.8%	18.2%	-2.4% pts
Net profit margin	12.1%	13.7%	-1.6% pts

¹ SG&A excluded corporate expenses

Core Xtep Brand – Mainstream Performance Products



Elite series



Professional series



Mass market series

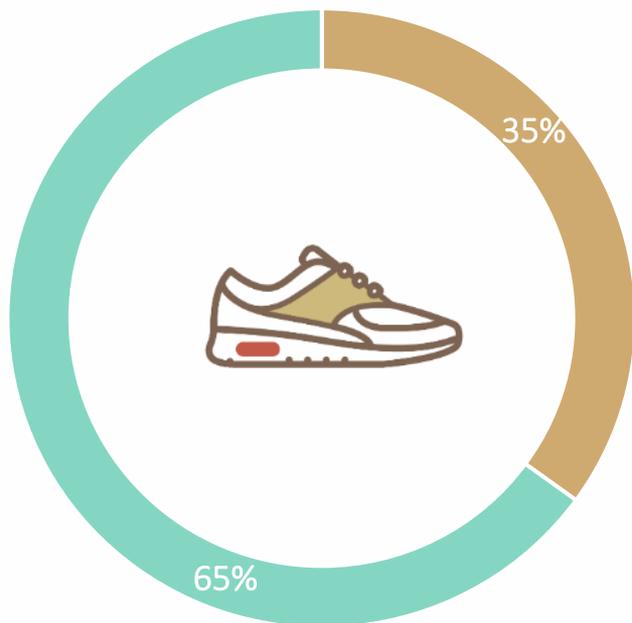


Saucony & Merrell – GAAP Financial Highlights

RMB m	2022	2021	YoY change
Revenue	400	201	+99.0%
Gross profit	171	81	+111.2%
Gross profit margin	42.7%	40.3%	+2.4% pts
Operating profit / (loss)	(20)	(40)	N/A
Share of profit / (loss) of associates	(14)	(22)	N/A

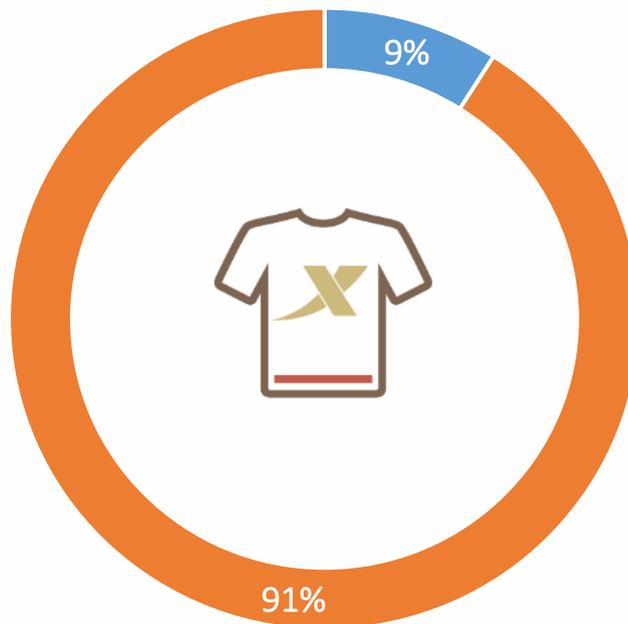
Group's Production Capacity Allocation

Footwear



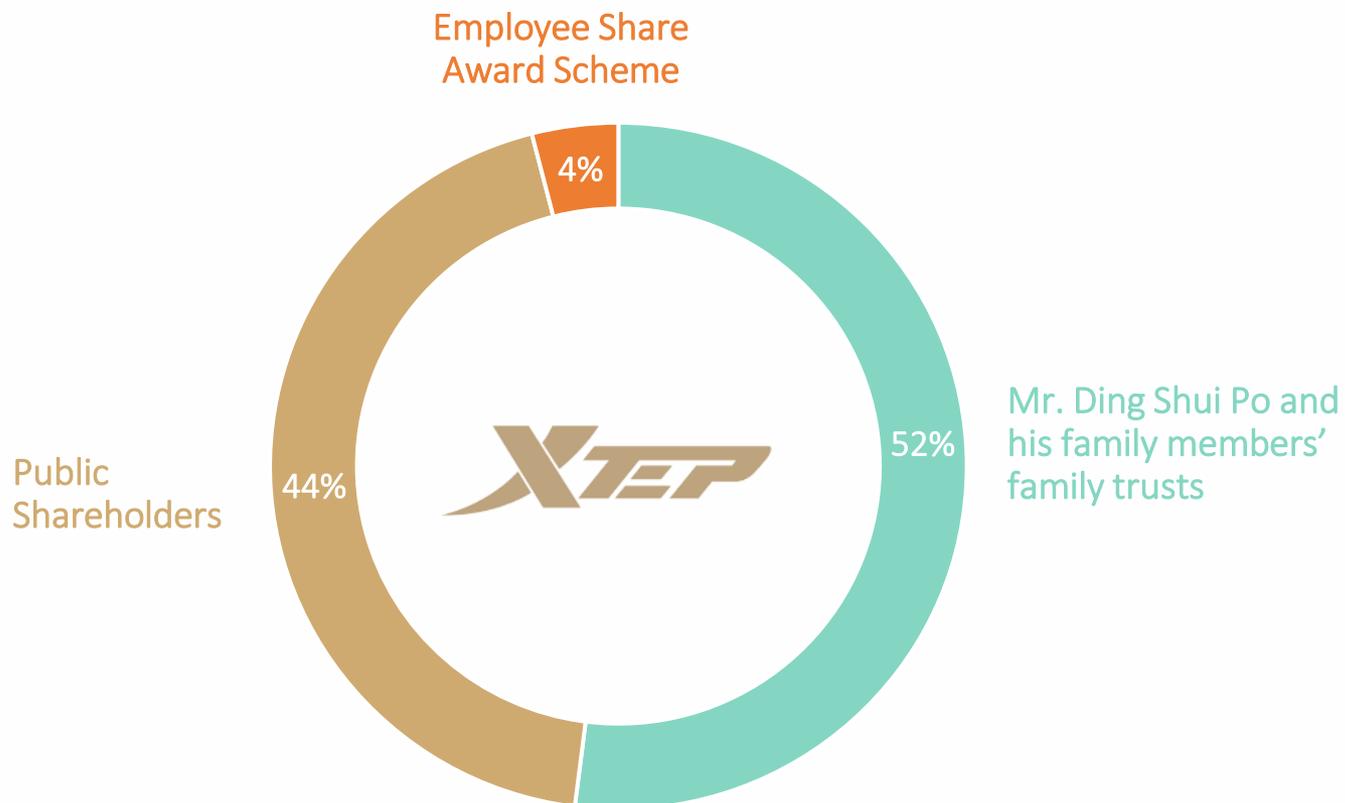
- In-house
- Outsourced

Apparel



- In-house
- Outsourced

Shareholding Structure as at 31 December 2022



Total no. of issued shares as at 31 December 2022: 2,636,716,923

Disclaimer

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