



Xtep International Holdings Limited

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

2023 Interim Results Presentation

23 August 2023



2023 Interim Results Highlights

Group's revenue

RMB **6,522** m

▲ **14.8%**



Profit attributable to ordinary equity holders of the Company

RMB **665** m

▲ **12.7%**



Interim dividend per Share

HK **13.7** cents

Payout ratio: 50.0%



Core Xtep brand's revenue

RMB **5,430** m

▲ **10.9%**



Core Xtep brand's net profit

RMB **871** m

▲ **12.7%**



MSCI ESG rating

Upgraded to **"BBB"**



8,031

Core Xtep branded stores
in Mainland China and overseas
as at 30 June 2023








Financial Review



Consolidated Income Statement

RMB m	1H2023	1H2022	YoY change
Revenue	6,522	5,684	▲ 14.8%
Gross profit	2,797	2,387	▲ 17.2%
Selling & distribution and general & administrative expenses (“SG&A”)	2,147	1,702	▲ 26.1%
Operating profit	987	922	▲ 7.0%
Profit attributable to ordinary equity holders	665	590	▲ 12.7%
Basic earnings per Share	RMB 26.4 cents	RMB 23.5 cents	▲ 12.3%
Gross profit margin	42.9%	42.0%	▲ 0.9% pt
SG&A to revenue ratio	32.9%	30.0%	▲ 2.9% pts
Operating profit margin	15.1%	16.2%	▼ 1.1% pts
Net profit margin	10.2%	10.4%	▼ 0.2% pt

Segment Performance¹ (RMB m)

	Mass Market			Athleisure			Professional Sports (Non-GAAP)		
				 			 		
	1H2023	1H2022	YoY change	1H2023	1H2022	YoY change	1H2023	1H2022	YoY change
Revenue	5,430	4,898	▲ 10.9%	748	629	▲ 18.9%	344	157	▲ 119.9%
Gross profit	2,338	2,067	▲ 13.1%	314	251	▲ 25.3%	197	90	▲ 120.0%
Gross profit margin	43.1%	42.2%	▲ 0.9% pt	42.0%	39.8%	▲ 2.2% pts	57.2%	57.2%	No change
Operating profit / (loss)	1,106	1,008	▲ 9.8%	(66)	(54)	N/A	19	(12)	N/A
Operating profit margin	20.4%	20.6%	▼ 0.2% pt	N/A	N/A	N/A	5.5%	N/A	N/A
Net profit / (loss)	871	773	▲ 12.7%	(73)	(52)	N/A	19 ²	(10)	N/A
Net profit margin	16.0%	15.8%	▲ 0.2% pt	N/A	N/A	N/A	5.6%	N/A	N/A

¹ Excluding corporate expenses, net finance costs and tax expenses amounted to RMB142 m and RMB124 m in 1H2023 and 1H2022, respectively

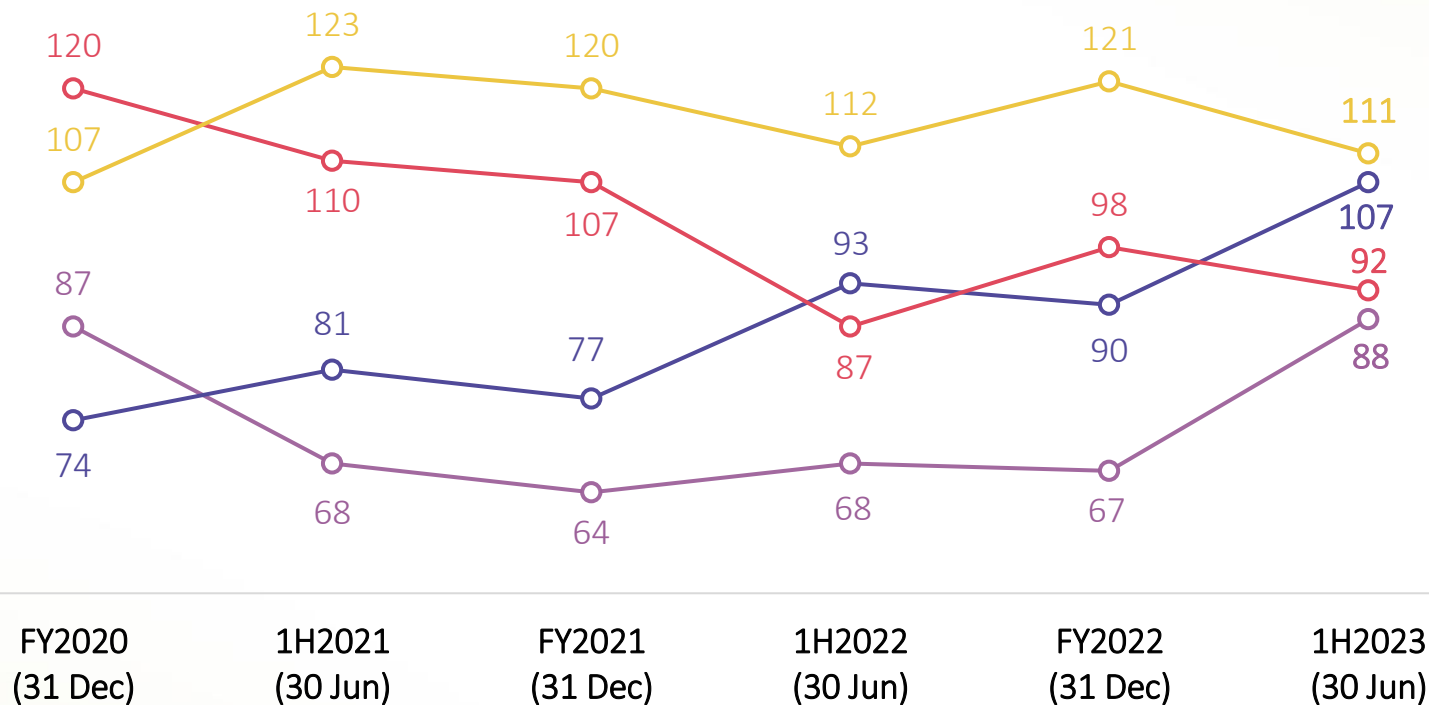
² For Professional Sports segment's GAAP financial highlights, please refer to P.30 of the appendix section

Consolidated Balance Sheet

RMB m	30 Jun 2023	31 Dec 2022	Change
Current assets	11,974	12,338	▼ 2.9%
Current liabilities	5,833	6,645	▼ 12.2%
Cash and cash equivalents (A)	3,731	3,414	▲ 9.3%
Pledged bank deposits and term deposits (B)	716	1,047	▼ 31.7%
Bank borrowings (C)	2,398	2,424	▼ 1.1%
Convertible bonds (D)	872	812	▲ 7.3%
Net cash and cash equivalents = (A)+(B)-(C)-(D)	1,177	1,225	▼ 3.9%
Net current assets	6,142	5,693	▲ 7.9%
Current asset ratio (times)	2.1x	1.9x	▲ 0.2x
Shareholders' equity	8,728	8,244	▲ 5.9%
Net assets value per Share	RMB 3.34	RMB 3.15	▲ 6.0%

Group's Working Capital Analysis¹

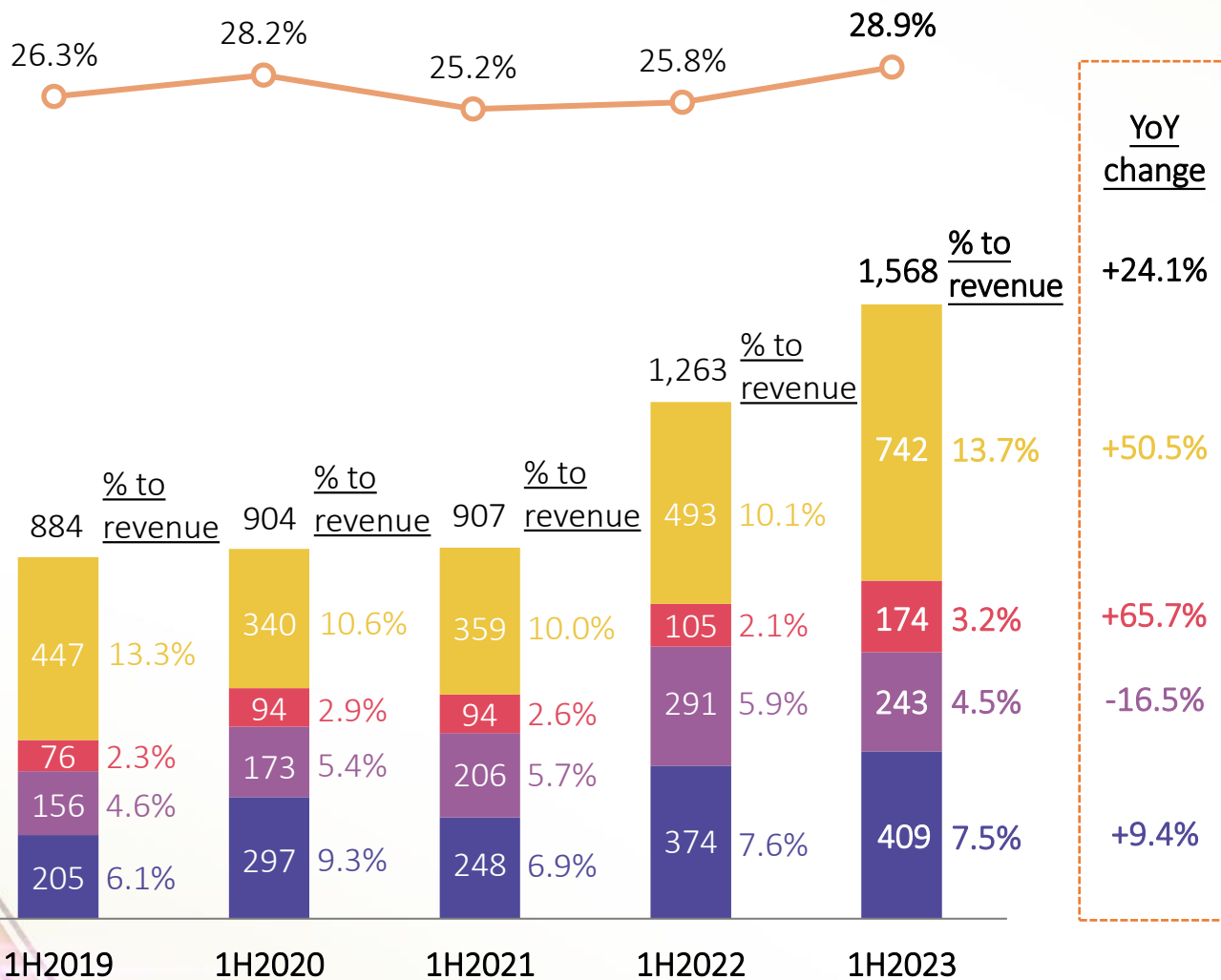
Working capital turnover (day)



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

¹ Remark: Turnover days are calculated on a 12-month rolling basis

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 – Professional Running



“160X” carbon fiber plate running shoes series



160X 5.0 PRO
(Launched in August 2023)

60 Chinese athletes won
292 championships



Top 10 Chinese male marathon athletes in 1H2023¹

Ranking	Athlete	Results	Xtep running shoe
1	He Jie	2:07:30	160X PRO 
2	Yang Shaohui	2:07:49	160X 3.0 PRO 
3	Feng Peiyong	2:09:21	160X 3.0 PRO 
4	Dong Guojian	2:09:29	160X 3.0 PRO 
6	Wu Xiangdong	2:10:02	160X 3.0 PRO 
7	Huang Yongzheng	2:10:29	160X 3.0 PRO 

42% of the top 100 Chinese male marathon athletes wore Xtep running shoes in 1H2023¹

Stunning marathon performance



Wuhan Marathon

Top three titles in male and female races



Beijing Half Marathon

Broke the record of domestic half marathon



Huhhot Marathon

Championships in male and female races



¹ Source: 98 Run

Core Xtep Brand – Mass Market Running



Fluorescent “160X” collection



Douyin Night Run Challenge
May 2023



“2,000 KM” running shoe



“Runners never graduate” collection



Xtep x Blacktoes
crossover collection

Core Xtep Brand – Basketball and Sustainability



Basketball



“SKY01” basketball shoe

Malik Beasley



Jeremy Lin signing tour

Zhang Zhenlin



Sustainability



Collaboration with China Next Generation Education Foundation



FISU World University Games sponsorship



First Carbon Footprint Label PLA T-shirt and Recycled Fibers T-shirt

Core Xtep Brand – Retail Network and Xtep Kids



Retail network



Ninth-generation store in Kunming, Yunnan province (567 sqm)

 6,443

Adult branded stores
in Mainland China and overseas



Xing Ren 1.0



Xtep Kids store in Urumqi, Xinjiang Uygur Autonomous Region (243 sqm)

 1,588

Kids branded stores
in Mainland China

Core Xtep Brand – Strategic Focus



- ▶ **Solidify leadership in running** through enhancing our running ecosystem and building the largest running community in Mainland China
- ▶ **Extend its reach from professional to mass market consumers** by offering a comprehensive range of value-for-money products
- ▶ **Deliver immersive customer experiences** to showcase the brand DNA in running and raise brand awareness among younger consumers



Business Review

Athleisure & Professional Sports



K-SWISS



saucony

MERRELL

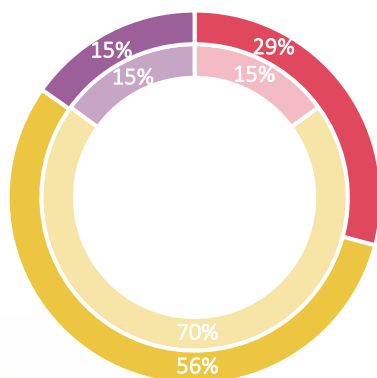


K-Swiss & Palladium – Business Update



Revenue breakdown

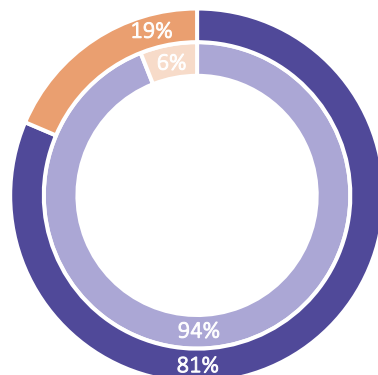
Revenue by business model



1H2023 1H2022

- Retail
- Wholesale
- E-commerce

Revenue by products



1H2023 1H2022

- Footwear
- Apparel and accessories
- Footwear



80



60

Branded stores in Asia Pacific
as at 30 June 2023



K-Swiss store, Guangzhou, Guangdong Province (260 sqm)

Strategies

- ▶ Strong growth momentum of K-Swiss and Palladium in Mainland China has boosted our confidence in the sustainable development of the segment
- ▶ Weakened discretionary spending by consumers in the US and Europe amid rising interest rate has clouded the outlook of the overseas athleisure business
- ▶ Accelerate the opening of new stores in higher-tier cities and adjust the product mix



- ▶ K-Swiss spokesperson Zhang Zhizhen set new records for China's men's singles in tennis

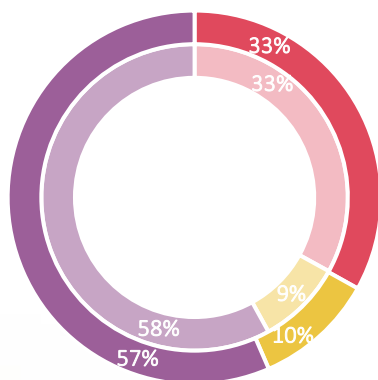
- ▶ "Palladium × Jeremy Lin" No.7 capsule collection



Saucony & Merrell – Business Update

Revenue breakdown

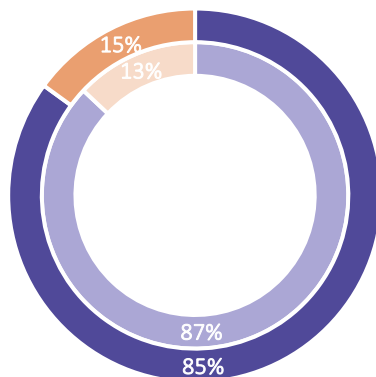
Revenue by business model



1H2023 1H2022

- Retail
- Wholesale
- E-commerce

Revenue by products



1H2023 1H2022

- Footwear
- Apparel and accessories

saucony

MERRELL

80

5

Branded stores in Mainland China
as at 30 June 2023



Saucony store, Shanghai (213 sqm)

Strategies

- ▶ Saucony is the first of all new brands among the Group to turn a profit
- ▶ Maximize synergy between the core Xtep brand and Saucony from product innovation and the retail network to marketing
- ▶ Drive growth and capitalize on the growing demand for professional sportswear by accelerating new store openings



- ▶ Saucony became the first brand under the Group to utilize the newly opened Xtep Shanghai Operation Center

- ▶ Wear rate of Saucony ranked among top three in Wuxi Marathon, Xiamen Marathon and Wuhan Marathon among all international brands



- ▶ “KINVARA 14” collection

Prospects



Prospects

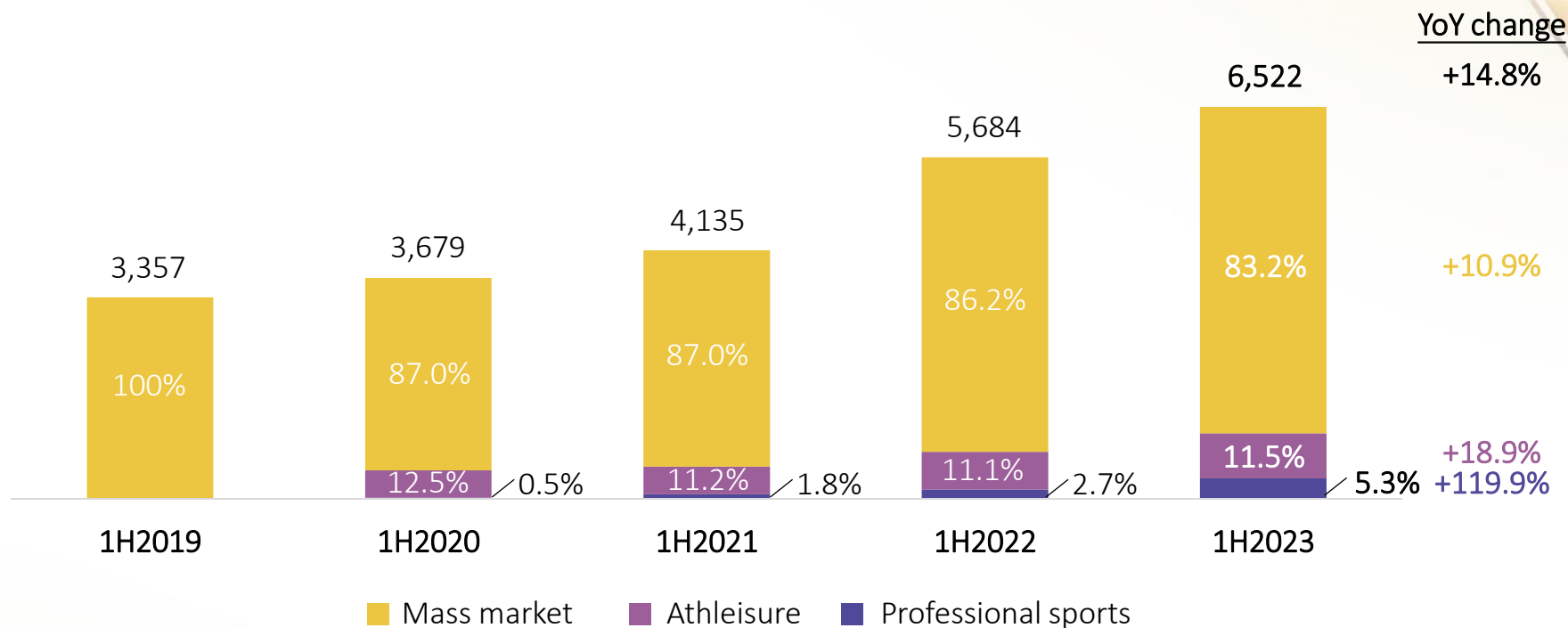
- ▶ Remain **cautiously optimistic about the industry outlook in the second half of 2023** amid economic uncertainties. However, consumers are suspending most of their discretionary spending in favor of mass market brands that offer value-for-money products, allowing the core Xtep brand to reap the maximum benefit
- ▶ **Our foresight to focus on running**, the fastest-growing sport of all categories, coupled with **favorable market trends and national policies have reinforced our optimism** in the long-term prospect of the sportswear sector and the Group's future growth
- ▶ The **strong growth momentum of the new brands in Mainland China has boosted our confidence** in the sustainable development of the athleisure and professional sports segments



Appendix



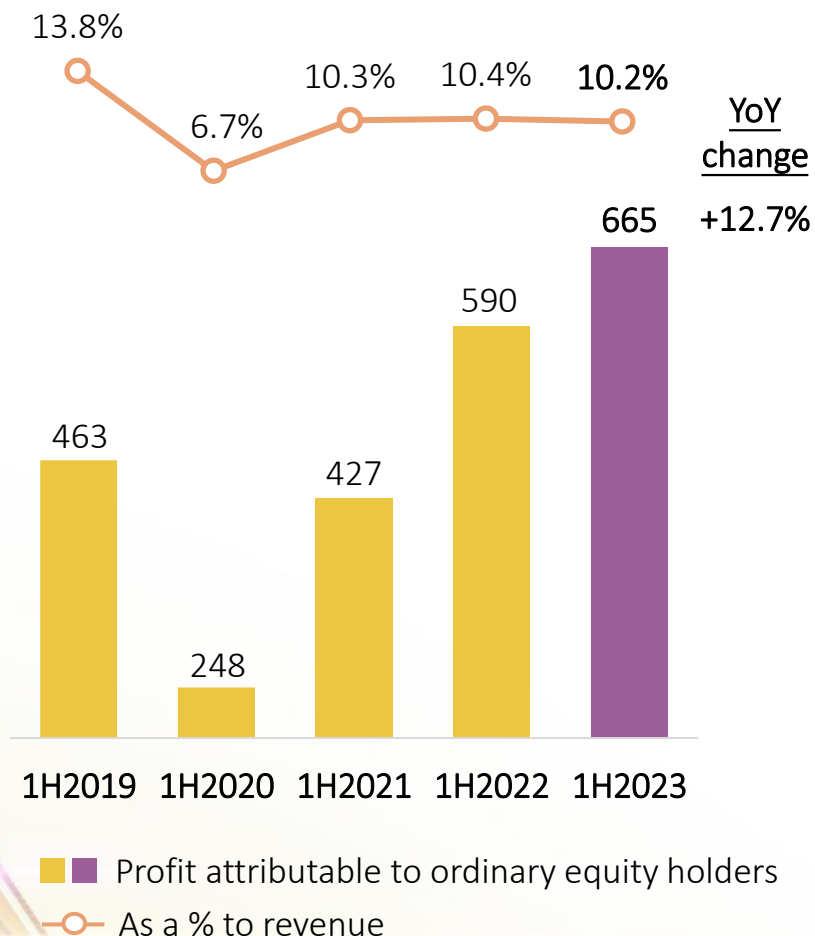
Group's Revenue by Brand Nature (RMB m)



RMB m	1H2023	1H2022	YoY change
Mass market	5,430	4,898	▲ 10.9%
Athleisure	748	629	▲ 18.9%
Professional sports	344	157	▲ 119.9%
Overall	6,522	5,684	▲ 14.8%

Group's Net Profit and Income Tax Breakdown

Profit attributable to ordinary equity holders (RMB m)



Income Tax Breakdown (RMB m)

RMB m	1H2023	1H2022
Tax provision for the period	233	224
Over provision in prior periods	(3)	(5)
Deferred tax	16	74
Total income tax (A)	246	293
Profit before tax (B)	917	882
Effective tax rate = (A) / (B)	26.8%	33.2%

Remark: Tax-related government subsidies in 1H2022 and 1H2023 were RMB159 m and RMB230 m, respectively

Core Xtep Brand – Income Statement



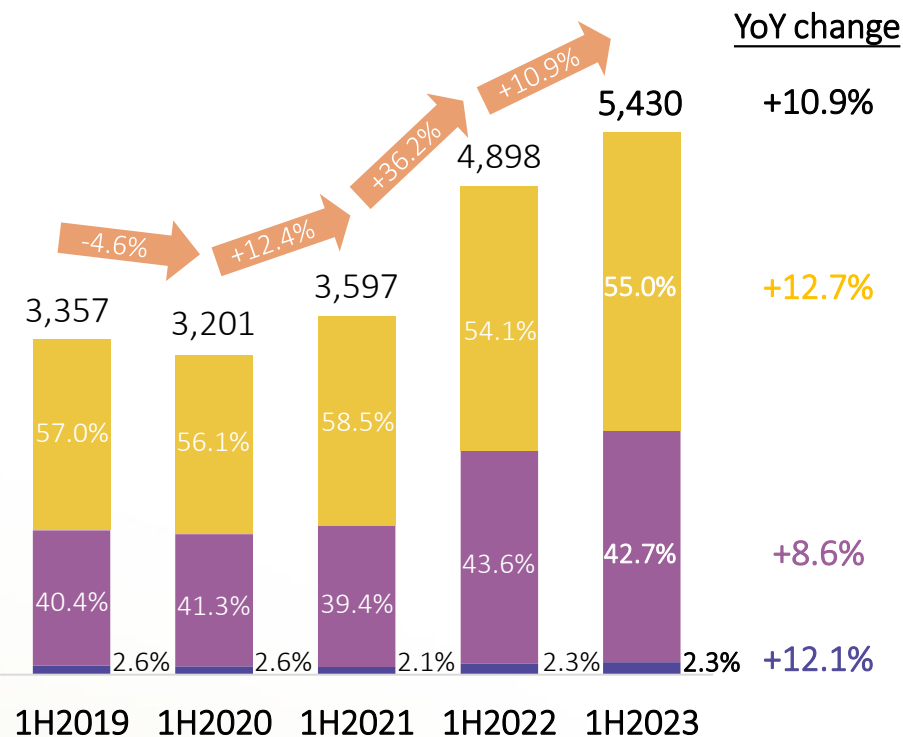
RMB m	1H2023	1H2022	YoY change
Revenue	5,430	4,898	▲ 10.9%
Gross profit	2,338	2,067	▲ 13.1%
Selling & distribution and general & administrative expenses (“SG&A”) ¹	1,568	1,263	▲ 24.1%
Operating profit	1,106	1,008	▲ 9.8%
Net profit	871	773	▲ 12.7%
Gross profit margin	43.1%	42.2%	▲ 0.9% pt
SG&A to revenue ratio	28.9%	25.8%	▲ 3.1% pts
Operating profit margin	20.4%	20.6%	▼ 0.2% pt
Net profit margin	16.0%	15.8%	▲ 0.2% pt

¹ SG&A excluded corporate expenses

Core Xtep Brand – Revenue and Gross Profit Analysis



Revenue by product (RMB m)



- Footwear
- Apparel
- Accessories

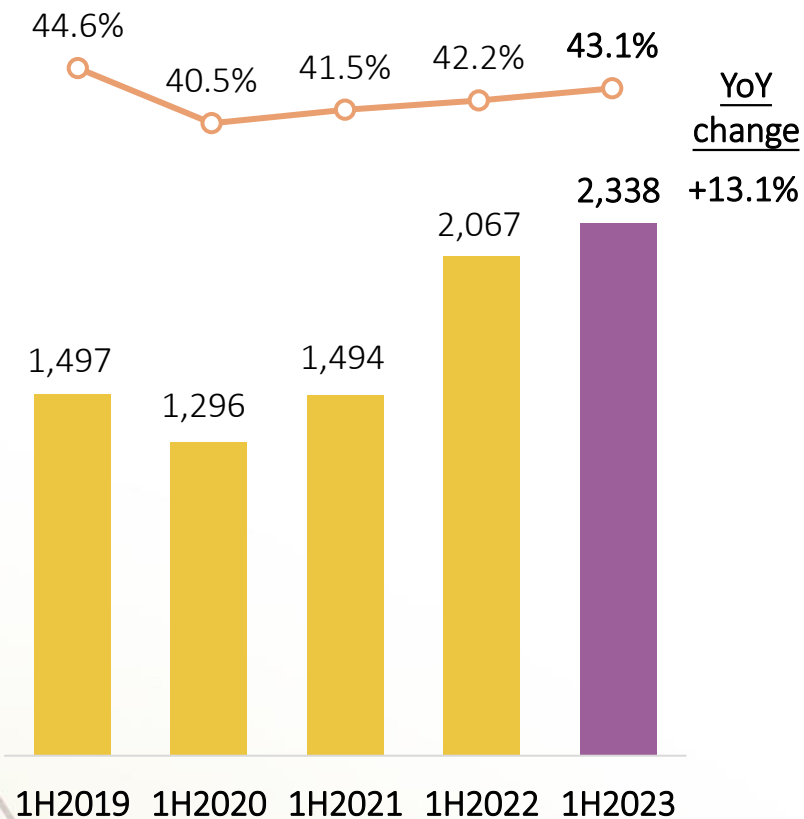
Gross profit margin by product (%)

	1H2023	1H2022	YoY change
Footwear	42.4%	42.1%	▲ 0.3% pt
Apparel	44.3%	42.8%	▲ 1.5% pts
Accessories	35.8%	31.8%	▲ 4.0% pts
Overall	43.1%	42.2%	▲ 0.9% pt

Core Xtep Brand – Profitability Analysis

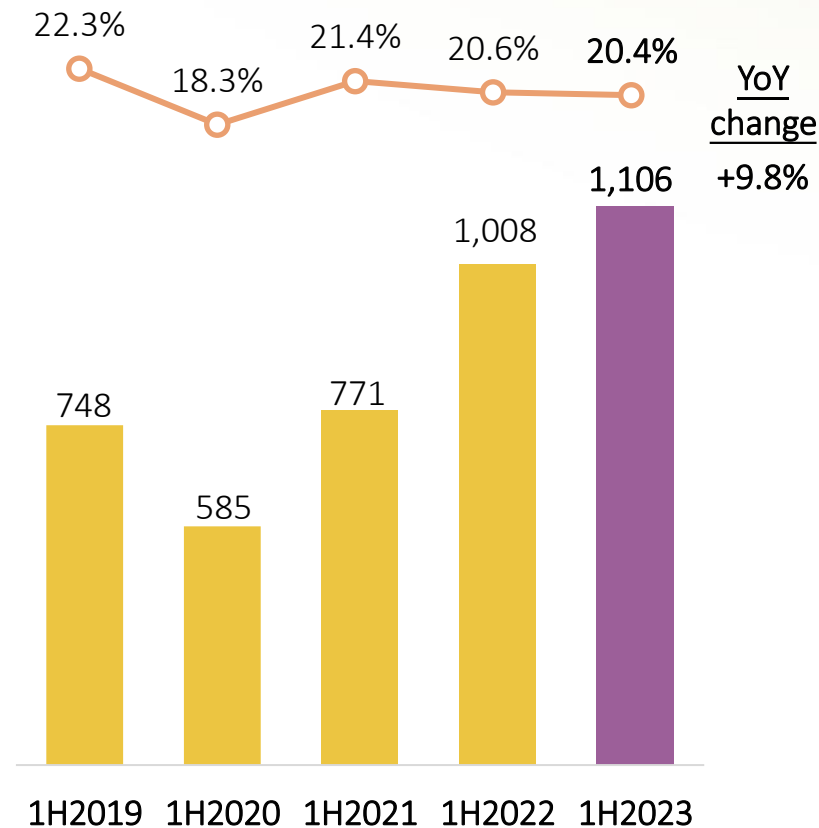


Gross profit (RMB m)



■ Gross profit
○ As a % to revenue

Operating profit¹ (RMB m)



■ Operating profit
○ As a % to revenue

¹ Operating profit excluded corporate expenses

Core Xtep Brand – Mainstream Performance Products



PRICE RANGE (RMB)

1,300 ← 900 800 ← 500 500 ← 300

Elite series

Professional series

Mass market series



160X 5.0 PRO
RMB1,299



260 2.0
RMB699



ULTRA FAST 4.0
RMB499



160X 3.0 PRO
RMB1,299



260
RMB699



REACTIVE COIL 10
RMB499



160X PRO
RMB1,199



REACTIVE COIL 10 PRO
RMB699



X-FLOW
RMB499



160X 5.0
RMB999



360
RMB599



2,000 KM
RMB499



160X 3.0
RMB999



FEATHER FOAM PRO
RMB599



FEATHER FOAM
RMB439



160X 2.0
RMB999



XTEP 100
RMB599



CHI FENG
RMB399



300X 2.0
RMB999

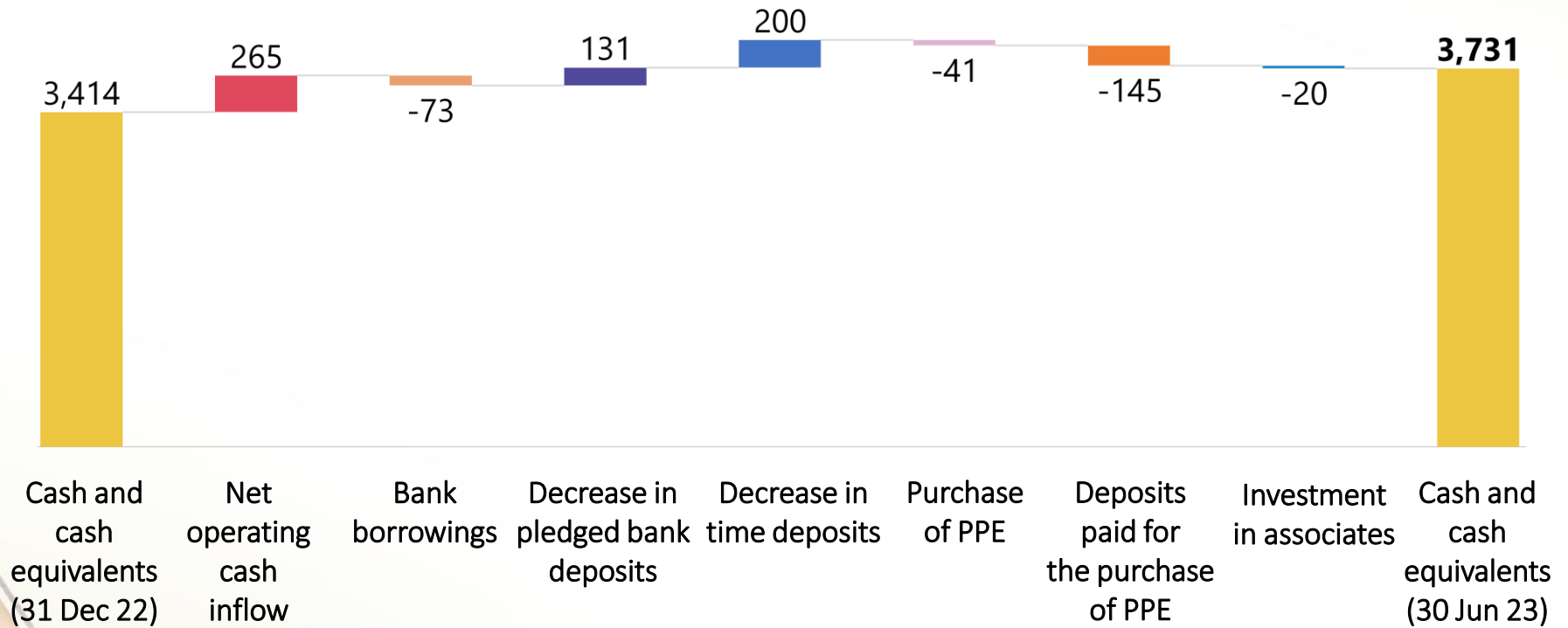


ULTRA FAST TURBO
RMB569



SHU RAN
RMB339

Cash Flow Analysis (RMB m)

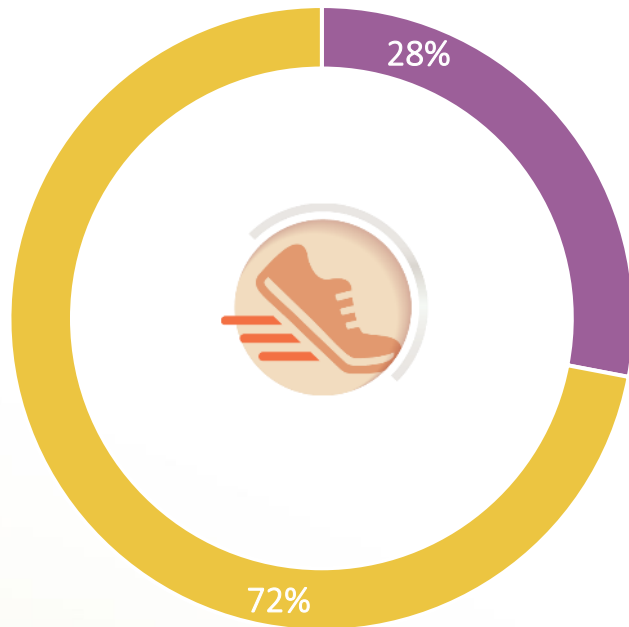


Saucony & Merrell – GAAP to Non-GAAP Measures Reconciliation of Income Statement

RMB m	1H2023 GAAP	Adjustments	1H2023 Non-GAAP
Revenue	344	N/A	344
Gross profit	145	52	197
Gross profit margin	42.0%	N/A	57.2%
Operating profit	13	6	19
Operating profit margin	3.9%	N/A	5.5%
Net profit	9	10	19
Net profit margin	2.6%	N/A	5.6%

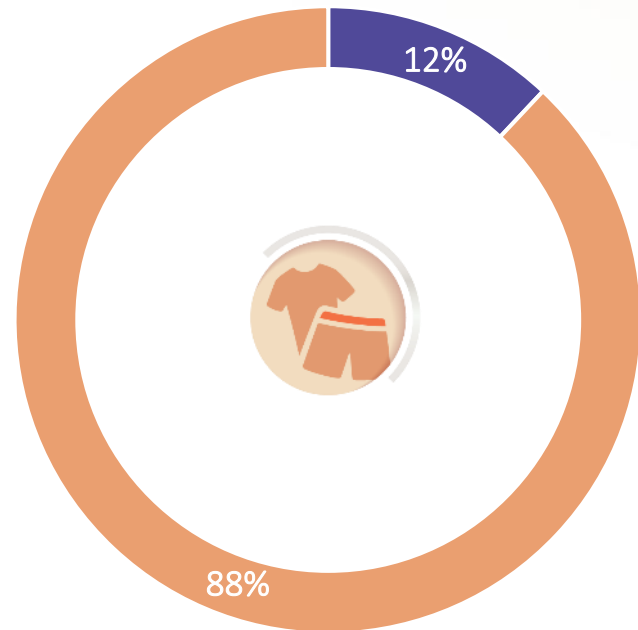
Group's Production Capacity Allocation

Footwear



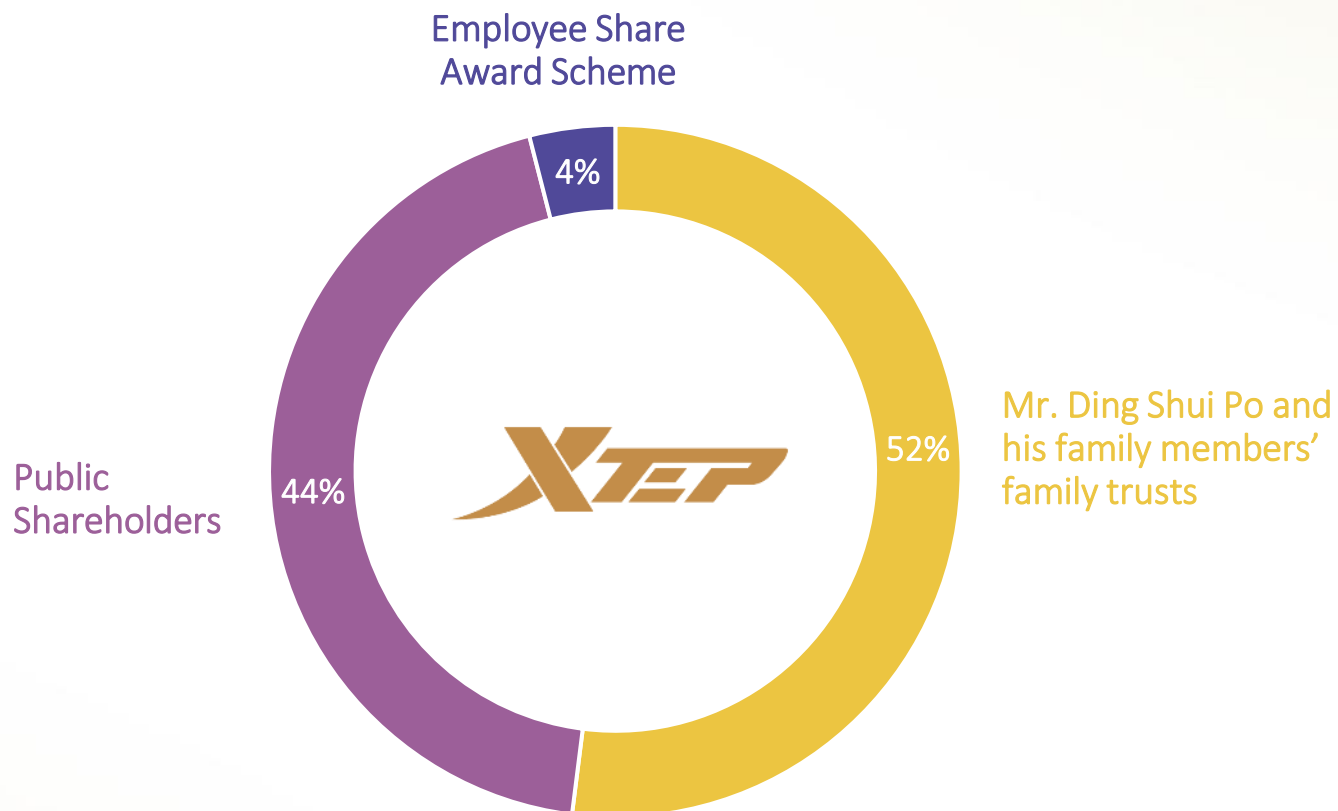
- In-house
- Outsourced

Apparel



- In-house
- Outsourced

Shareholding Structure as at 30 June 2023



Total no. of issued shares as at 30 June 2023: 2,636,716,923

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