



Xtep International Holdings Limited

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

Xtep Announces 2021 Interim Results Net Profit Manifested Exceptional Growth of 72% to RMB427 Million Exert Our Strength in Full Bloom amid Stable Recovery in Mainland China

Highlights

- Thanks to the multi-faceted restructuring completed in 2017 that expedited the Group's development and growth, along with the stable economic fundamentals in Mainland China and robust prospects for the sportswear sector, the Group's revenue rose by 12.4% to RMB4,135 million (1H2020: RMB3,679 million)
- Revenue of core Xtep brand also rose by 12.4% to RMB3,597 million (1H2020: RMB3,201 million)
- Profit attributable to ordinary equity holders ("Net profit") manifested exceptional performance and grew 72.0% to RMB427 million (1H2020: RMB248 million)
- Balance sheet remained strong, with net cash and cash equivalents of RMB2,580 million
- Proposed interim dividend of HK11.5 cents per Share (1H2020: HK6.5 cents), representing a year-on-year increase of 76.9%, with an option to receive scrip shares in lieu of cash, which is equivalent to a payout ratio of 60.0% (1H2020: 60.0%)
- As at 30 June 2021, there were 6,015 Xtep branded stores mainly operated by authorized distributors of the Group in Mainland China and overseas
- Core Xtep brand launched the signature "160X" professional series to solidify our leading position in running community; tapped the rise of "China chic" and rolled out new premium label "XNDA" to introduce fashionable high-end collections
- There were 36 and six self-operated stores for Saucony and Merrell in Mainland China, respectively, as at 30 June 2021, with more store openings expected in higher-tier cities in the second half of 2021
- Formed strategic partnership with Hillhouse Group in June 2021 to gear up the global development of K-Swiss and Palladium

23 August 2021, Hong Kong – Leading PRC-based professional sportswear enterprise **Xtep International Holdings Limited** (the "Company", together with its subsidiaries, the "Group") (Stock code: 1368.HK) today announced its unaudited interim results for the six months ended 30 June 2021 ("1H2021" or "the Period").

Mainland China started off with a positive sign in 2021 amid effective control of the COVID-19 pandemic, resulting in a remarkable turnaround and robust consumer sentiment. Meanwhile, the rise of "China chic" and patriotism especially among the younger generation further contributed to the bloom of the Chinese sportswear brands. During 1H2021, the Group's revenue rose by 12.4% to RMB4,135 million (1H2020: RMB3,679 million). Revenue of the core Xtep brand also increased by 12.4% to RMB3,597 million (1H2020: RMB3,201 million). The Group's gross profit margin improved 1.3% pts to 41.8% (1H2020: 40.5%). Profit attributable to ordinary equity holders of the Company delivered exceptional growth of 72.0% to RMB427 million (1H2020: RMB248 million). Basic earnings per Share amounted to RMB17.1 cents (1H2020: RMB10.1 cents).

The Board has declared an interim dividend of HK11.5 cents (1H2020: HK6.5 cents) per Share, representing a year-on-year increase of 76.9%, with an option to receive scrip shares in lieu of cash, which is equivalent to a payout ratio of 60.0% (1H2020: 60.0%).

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep International Holdings Limited, said, “Thanks to the multi-faceted restructuring completed in 2017 that expedited the Group’s development and growth, coupled with the stable economic fundamentals in Mainland China and robust prospects for the sportswear sector, core Xtep brand manifested exceptional resilience in 1H2021. Moreover, our strategic partnership with private equity firm Hillhouse Group in June 2021 provides the Group with more resources and experience to develop its global business, particularly K-Swiss and Palladium in Mainland China. Upon such cooperation and support, the Group will be in a better position than ever to go forward and gear up the development pace.”

Business Review

Mass Market

Xtep

Products

The core Xtep brand is committed to offering value-for-money professional and stylish sportswear products to the mass market. We continued to drive product and technology innovation in order to gauge the tastes and preferences of different customer groups.

During 1H2021, Xtep marked a significant milestone in its development. The brand surpassed all international running shoe brands and ranked first for the first time in the World Platinum Label Race – the Xiamen Marathon in Mainland China, with its wear rate of runners who finished the race within three hours leaping to over 50%¹. Its new professional running shoes series, “160X 2.0”, “160X PRO” and “300X 2.0”, have not only enabled runners to achieve breakthroughs in their top speed records, but “160X 2.0” also garnered the 2021 Editors’ Choice Award and Hot List Award in Mainland China from *Runner’s World* magazine. To further solidify our leading position in the running community, the Group created a running ecosystem via promoting Xtep Runners Club, which currently has approximately one million members, to offer various running services such as new product launches, trainings and events.

Riding on the wave of “China chic”, Xtep also deepened its collaboration with Shaolin Temple and unveiled the new premium label “XDNA” in May 2021 following the successful debut of the collection last year. “XDNA” retained the “X” element of Xtep to offer premium collections that showcased the beautiful elements of Chinese culture.

Retail management and branding

To further lift store productivity and brand equity, Xtep intensified its efforts to ushering in new retail store design. As at 30 June 2021, there were 6,015 Xtep branded stores mainly operated by authorized distributors of the Group in Mainland China and overseas, among which 428 stores were in the latest ninth-generation design. With a larger gross floor area on average and trendy design, the ninth-generation stores offered a more comprehensive product assortment and exceptional customer experience.

Celebrity spokespersons were crucial for Xtep to raise brand awareness as well as to promote its positive and stylish image among the younger generation. In August 2021, we were delighted to have Dilraba, one of the most popular actresses in China, to become the new spokesperson of our core Xtep brand. Apart from this, Xtep also engaged more than 15 professional athletes to promote the brand in different sports. Supported by our performance products with enhanced technologies, our sports celebrities, including gold medalist Gong Lijiao, Tokyo Olympic participation standards achievers Peng Jianhua, Yang Shaohui and Dong Guojian, etc, achieved extraordinary performances in various competitions.

In addition, selected physical marathons and road races were resumed in Mainland China in 1H2021 amid the restrictions on outdoor activities due to the COVID-19 pandemic. Xtep has sponsored six marathons and

¹ Source: Joyrun (Apr 2021) — footwear worn by participants who finished the 2021 Xiamen Marathon within three hours

running events during the Period. Among these events, the 2021 Xiamen Marathon was awarded the Road Race Elite Platinum Label by World Athletics.

E-commerce and Xtep Kids

Thanks to a significant shift in consumer behavior towards online shopping during and after the pandemic, coupled with the Group's ongoing efforts in fostering an omni-channel retailing strategy to provide an enhanced customer experience, the e-commerce business enjoyed an accelerated growth during 1H2021 and it accounted for over 30% of the core Xtep brand's revenue. During the 618 Shopping Festival, the online sales of the core Xtep brand reached RMB300 million, driven by year-on-year growth of 40% and 300% in the Xtep Tmall flagship store and JD.com official store, respectively.

Xtep Kids business also enjoyed a remarkable growth in 1H2021 after its successful business restructuring. As at 30 June 2021, there were around 1,000 POS in Mainland China. Its e-commerce business achieved tremendous progress, with the year-on-year online sales growth reaching 150% during the 618 Shopping Festival in 2021.

Athleisure

K-Swiss and Palladium

The overseas business operations of K-Swiss and Palladium continued to be clouded by uncertainties against the backdrop of the global pandemic situation, and would take time to recover. In 1H2021, revenue from the athleisure segment amounted to RMB462 million, contributing 11.2% of the Group's revenue.

During the Period, brand revamp and business restructuring of K-Swiss continued to take place. As at 30 June 2021, there were 44 self-operated K-Swiss stores in Asia-Pacific. The first self-operated store in Mainland China for K-Swiss is expected to be launched in early 2022. Palladium, on the other hand, focused on its retail network optimization in Mainland China and increase in store productivity. As at 30 June 2021, there were 57 and three self-operated stores for Palladium in Asia-Pacific and Europe, respectively, of which 25 stores were in Mainland China.

In June 2021, the Group formed a strategic partnership with Hillhouse Group, with a US\$65 million strategic investment in both brands. With the support from Hillhouse, the Group is confident in the global business development of K-Swiss and Palladium, which are both expected to create enormous growth potential in the future.

Professional Sports

Saucony and Merrell

Revenue from the professional sports segment remained minimal in 1H2021 at RMB76 million, contributing 1.8% of the Group's revenue. Nonetheless, with our dedicated efforts to develop Saucony and Merrell in Mainland China, the two global leading brands have successfully lifted their recognition among Chinese customers.

As at 30 June 2021, there were 36 and six self-operated stores for Saucony and Merrell in tier one and two cities in Mainland China, respectively. Notably, our second-generation store was debuted in Grand Gateway 66, known as one of Shanghai's prime and luxury shopping malls in May 2021. The Group will continue to roll out new stores for the two brands in higher-tier cities in the second half of 2021. At the same time, both brands proactively expanded its e-commerce presence during the Period. In the 618 Shopping Festival, Saucony and Merrell achieved over 257% and 221% year-on-year online sales growth, respectively.

Prospects

The Group remains optimistic about the prospects of its business, in particular in Mainland China, supported by the country's basically recovered economy and the favorable sportswear market, as well as its higher

domestic consumption towards the local brands on the rise of “China chic” that serves as a catalyst to the Group’s growth.

Our core Xtep brand that fosters product advancement and technology innovation, will continue to offer breakthrough products to the mass market. The brand will also focus on opening the “ninth-generation stores” with enlarged store area and exceptional customer experience, aiming to boost store productivity and enhance its brand positioning. We are confident that the core Xtep brand will continue to be a leading driver of growth to the Group.

On the other hand, our four new brands will lead us to a sustainable business development in the coming years. Saucony and Merrell, under the professional sports segment, will mainly focus on brand building in Mainland China. Store opening will continue and we will increase its apparel and localized product offerings to build up their brand awareness and recognition.

Our strategic partnership with Hillhouse Group also gives us a big boost to build K-Swiss and Palladium, our two new brands in athleisure segment, globally. K-Swiss’s first self-operated store in Mainland China is expected to be launched in early 2022, while Palladium will focus its effort on retail network optimization this year, and plan to accelerate store openings in higher-tier cities in Mainland China in 2022 to further lift its brand awareness and exposure among the younger generation.

Against the backdrop of stable economic fundamentals and resilient market demand in sportswear sector in Mainland China, our multi-brand strategy can further ride on such advantages to fully cater to different customer groups from the mass market to the sophisticated customer base, and addressing their diverse needs from professional sportswear to athleisure products. We are confident to pursue a long-term sustainable growth to the Group and drive the market share with our robust strategies, as well as to solidify the Group’s position as one of the leading sportswear companies in Mainland China.

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About Xtep International Holdings Limited

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2008. The Group engages mainly in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories. Established since 2001, its own signature brand “Xtep” is a leading professional sports brand with an extensive distribution network of over 6,000 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. In 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.

Xtep is a constituent of the MSCI China Small Cap Index, Hang Seng Composite Index Series and Shenzhen-Hong Kong Stock Connect. For more information, please visit Xtep’s corporate website: www.xtep.com.hk or scan the Group’s Wechat QR code below (or search by: [xtepholdings](http://xtepholdings.com.hk) or 特步控股).



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Appendix

2021 Interim Results Financial Highlights

For the Six Months Ended 30 June	1H2021	1H2020	Change
Profitability Data (RMB million)			
Revenue	4,135	3,679	+12.4%
Gross Profit	1,729	1,489	+16.1%
Operating Profit	684	501	+36.5%
Profit Attributable to Ordinary Equity Holders	427	248	+72.0%
Basic Earnings per Share (RMB cents)	17.1	10.1	+69.2%
Profitability Ratios (%)			
Gross Profit Margin	41.8%	40.5%	+1.3% pts
Operating Profit Margin	16.5%	13.6%	+2.9% pts
Net Profit Margin	10.3%	6.7%	+3.6% pts
Dividend Payout Ratio	60.0%	60.0%	No change
	As at 30 June 2021	As at 31 December 2020	Change
Net cash and cash equivalents	2,580	2,251	+14.6%
Gearing Ratio (%) (Note)	15.4%	17.2%	-1.8% pts

Note: Gearing ratio is defined as the total borrowings divided by the Group's total assets

Group Revenue & Gross Profit Margin Breakdown

By product

For the Six Months Ended 30 June	1H2021	1H2020	Change
Footwear			
Revenue (RMB million)	2,604	2,254	+15.5%
Gross Profit Margin	42.7%	40.0%	+2.7% pts
Apparel			
Revenue (RMB million)	1,452	1,339	+8.4%
Gross Profit Margin	40.8%	41.7%	-0.9% pt
Accessories			
Revenue (RMB million)	79	86	-8.0%
Gross Profit Margin	33.3%	33.9%	-0.6% pt

By brand nature

For the Six Months Ended 30 June	1H2021	1H2020	Change
Mass Market			
Revenue (RMB million)	3,597	3,201	+12.4%
Gross Profit Margin	41.5%	40.5%	+1.0% pt
Athleisure			
Revenue (RMB million)	462	459	+0.7%
Gross Profit Margin	43.5%	40.5%	+3.0% pts
Professional Sports			
Revenue (RMB million)	76	19	+289.5%
Gross Profit Margin	45.4%	38.7%	+6.7% pts