



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2023 Annual Results Presentation

18 March 2024



2023 Annual Results Highlights

Group's revenue

RMB **14,346** m

▲ **10.9%**



Mainland China business demonstrated strong resilience



Core Xtep brand's revenue

7.4%

RMB **11,947** m



Professional sports segment's revenue

98.9%

RMB **796** m



Athleisure segment's revenue (Mainland China)

224.3%

RMB **465** m

Profit attributable to ordinary equity holders of the Company

RMB **1,030** m

▲ **11.8%**



Final dividend per Share

HK **8.0** cents¹

Full year payout ratio: 50.0%

Group's inventories

RMB **1,794** m

▼ **21.6%**

Net operating cash inflow

RMB **1,255** m

▲ **119.5%**



8,583 branded stores globally as at 31 December 2023

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

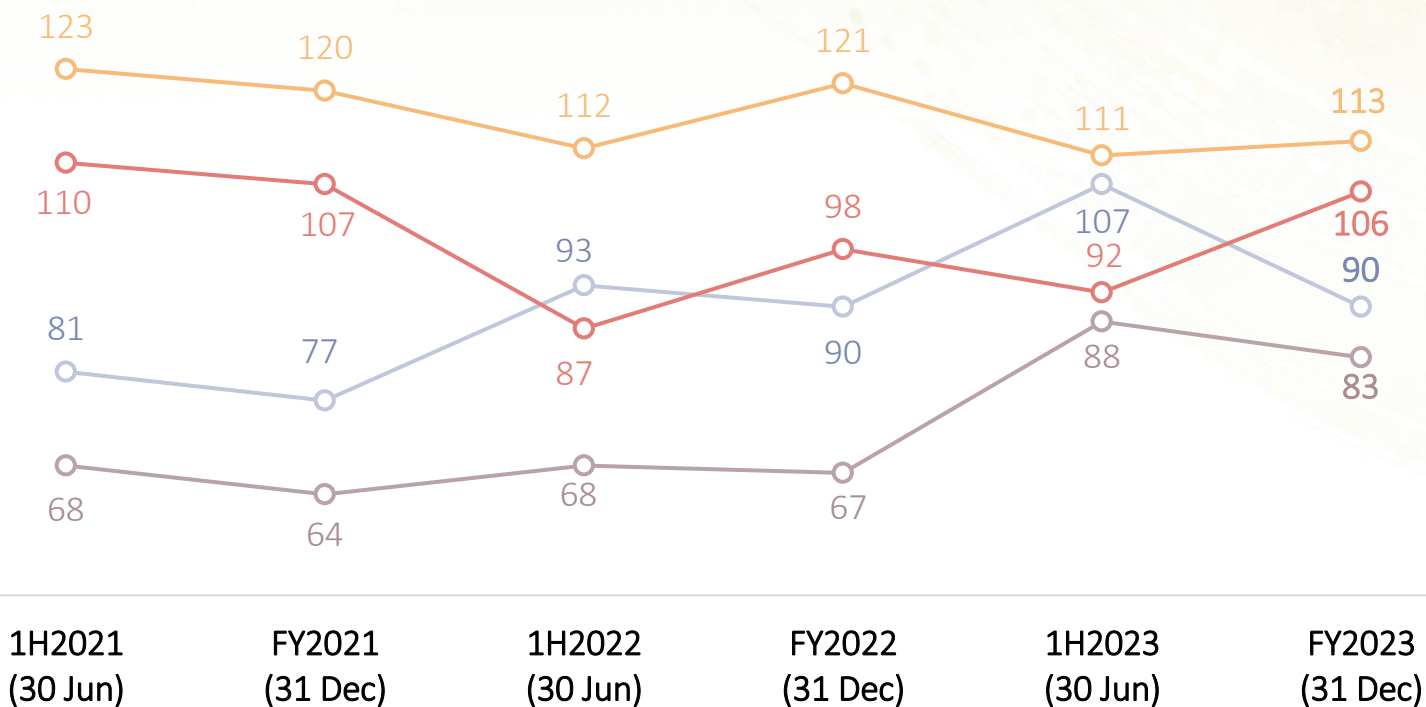
RMB m	2023	2022	YoY change
Revenue	14,346	12,930	▲ 10.9%
Gross profit	6,050	5,292	▲ 14.3%
Selling & distribution and general & administrative expenses (“SG&A”)	4,909	4,144	▲ 18.4%
Operating profit	1,580	1,464	▲ 7.9%
Profit attributable to ordinary equity holders	1,030	922	▲ 11.8%
Basic earnings per Share	RMB 40.8 cents	RMB 36.6 cents	▲ 11.3%
Gross profit margin	42.2%	40.9%	▲ 1.3% pts
SG&A to revenue ratio	34.2%	32.0%	▲ 2.2% pts
Operating profit margin	11.0%	11.3%	▼ 0.3% pt
Net profit margin	7.2%	7.1%	▲ 0.1% pt

Consolidated Balance Sheet

RMB m	31 Dec 2023	31 Dec 2022	YoY change
Current assets	12,044	12,338	▼ 2.4%
Current liabilities	5,851	6,645	▼ 12.0%
Cash and cash equivalents (A)	3,294	3,414	▼ 3.5%
Pledged bank deposits and term deposits (B)	1,162	1,047	▲ 10.9%
Bank borrowings (C)	2,645	2,424	▲ 9.1%
Convertible bonds (D)	879	812	▲ 8.3%
Net cash and cash equivalents = (A)+(B)-(C)-(D)	932	1,225	▼ 23.9%
Net current assets	6,194	5,693	▲ 8.8%
Current asset ratio (times)	2.1x	1.9x	▲ 0.2x
Shareholders' equity	8,863	8,244	▲ 7.5%
Net asset value per Share	RMB 3.38	RMB 3.15	▲ 7.3%

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

Segment Performance¹ (RMB m)

Mass Market



	2023	2022	YoY change
Revenue	11,947	11,128	▲ 7.4%
Gross profit	5,013	4,593	▲ 9.1%
Gross profit margin	42.0%	41.3%	▲ 0.7% pt
Operating profit / (loss)	1,891	1,759	▲ 7.5%
Operating profit margin	15.8%	15.8%	No change

Professional Sports (Non-GAAP)²



	2023	2022	YoY change
Revenue	796	400	▲ 98.9%
Gross profit	443	226	▲ 95.6%
Gross profit margin	55.6%	56.5%	▼ 0.9% pt
Operating profit / (loss)	8	(67)	N/A
Operating profit margin	1.0%	N/A	N/A

Athleisure

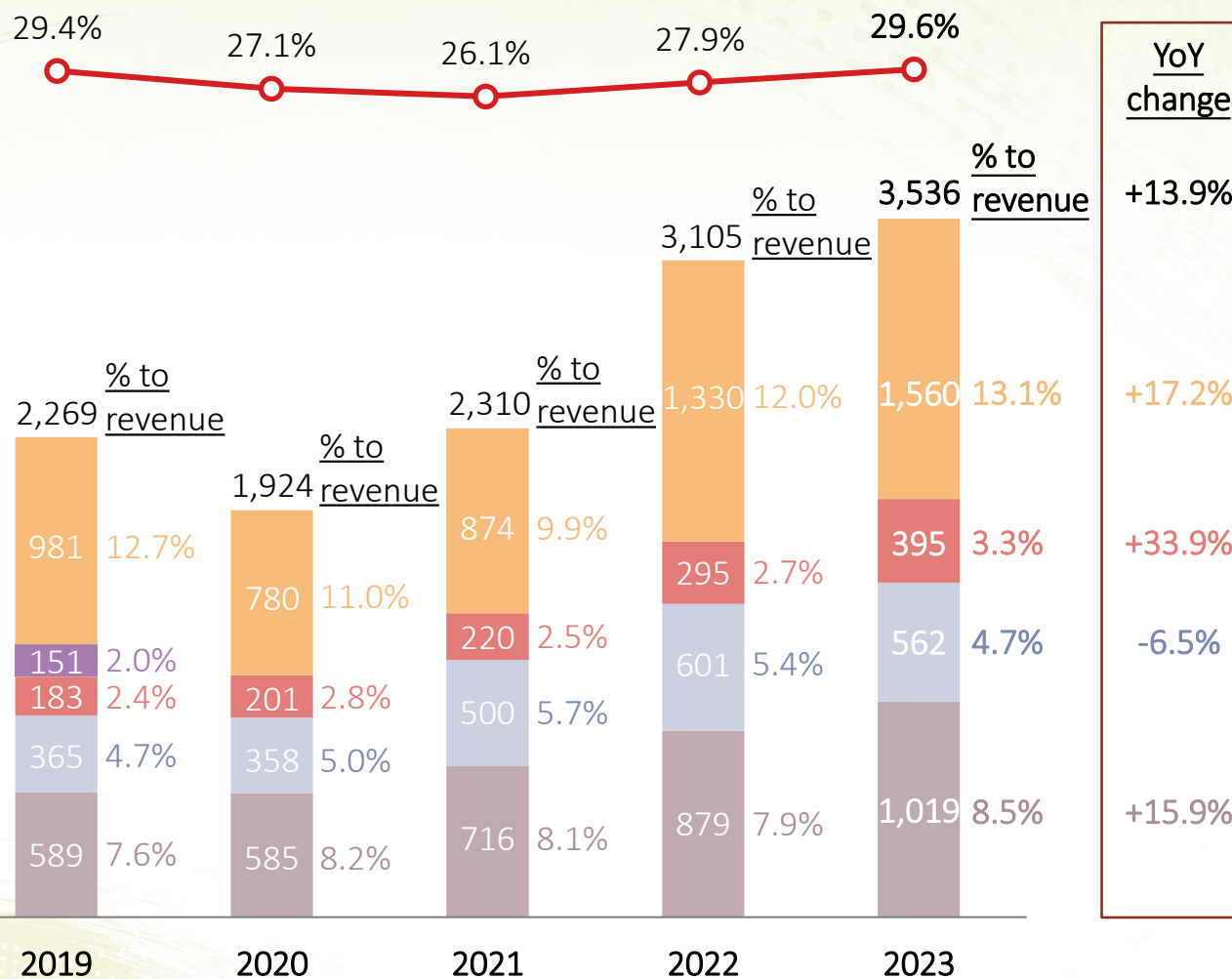


	2023	2022	YoY change
Revenue	1,603	1,402	▲ 14.3%
Gross profit	718	527	▲ 36.2%
Gross profit margin	44.8%	37.6%	▲ 7.2% pts
Operating profit / (loss)	(184)	(189)	N/A
Operating profit margin	N/A	N/A	N/A

¹ Excluding (i) corporate expenses, (ii) net finance costs and (iii) tax expenses amounted to RMB269 m and RMB212 m in 2023 and 2022, respectively

² For Professional Sports segment's GAAP financial highlights, please refer to P.31 of the appendix section

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



¹ SG&A excluded corporate expenses

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

Business Review

Mass Market – Core Xtep Brand



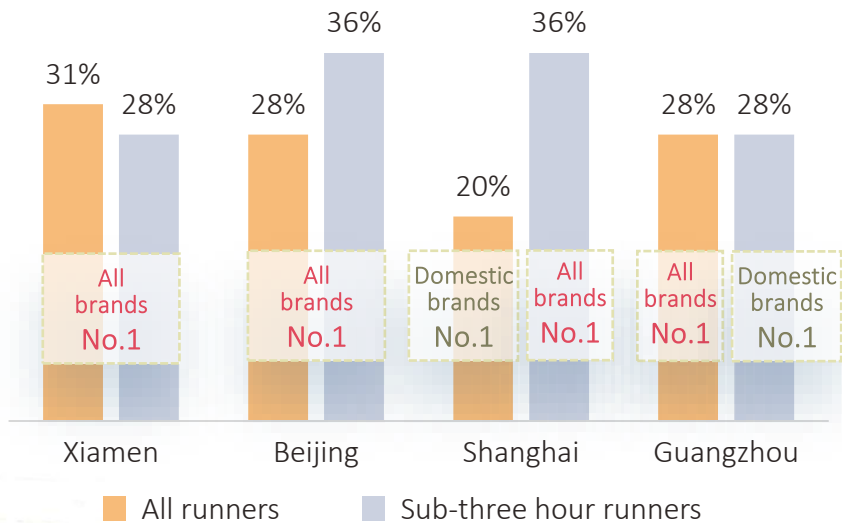
Core Xtep Brand – Leading Position in Running



No.1 brand in wear rate in Chinese marathons¹

➤ Wear rate in major marathons in China in 2023

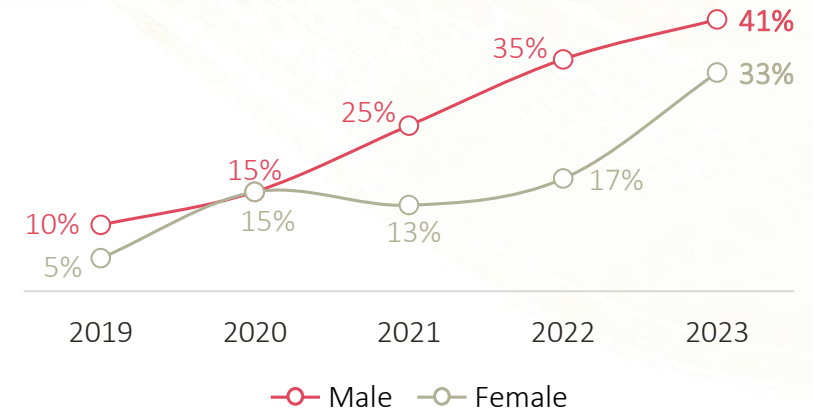
No.1 among all brands



Stunning marathon performance

➤ Wear rate among the top 100 Chinese male and female athletes

No. 1 among all brands in 2022 and 2023



Fukuoka Marathon 2023
Yang Shaohui **Broke Chinese record**

Hangzhou sports event in 2023
He Jie **China's first men's marathon gold at the Asian games**

Sydney Marathon 2023
Othmane El Goumri **Champion**

¹ Source: Frost & Sullivan

Core Xtep Brand – From Professional to Mass Market



Comprehensive running collections

Racing series



160X 5.0 PRO



260X



360X

Protection series

Cushioning rebound



REACTIVE COIL

Stable support



TAN CHENG

Lightweight cushioning



FEATHER FOAM

Comfort series



LIU YUN



CHI FENG

Active series



FENG HUO



ACE

Trail running series



KUN WU



KUN WU ELEMENT

Fluorescent “160X” collection



Douyin Night Run Challenge



Xtep Running Club in Xiamen

65

Xtep Running Clubs

2,000,000+

Xtep Runners Club members

Core Xtep Brand – Basketball, Lifestyle & Sustainability



Basketball



➤ Malik Beasley, Xtep Basketball Spokesperson



LING REN 1.0



Jeremy Lin signing tour in Chengdu, Zhengzhou, Wuhan, Shenzhen and Changsha



Lifestyle



“NEW D BALL” series in collaboration with Wang Hedi



“Xtep x Shaolin” series

Sustainability



Sponsored over 30,000 participants with eco-friendly T-shirts at the 2024 Xiamen Marathon



Recycle fibers T-shirt

Core Xtep Brand – Retail Network and Xtep Kids



Retail Network



New image store in Changsha, Hunan Province (291 sqm)



6,571

Adult branded stores
in Mainland China and overseas



Official partner of the 2023 Public Athletic Fitness
Qualification Campus Series Competition



Xtep Kids store in Changchun, Jilin Province (300 sqm)



1,703

Kids branded stores
in Mainland China

Business Review

Professional Sports & Athleisure



MERRELL



K-SWISS



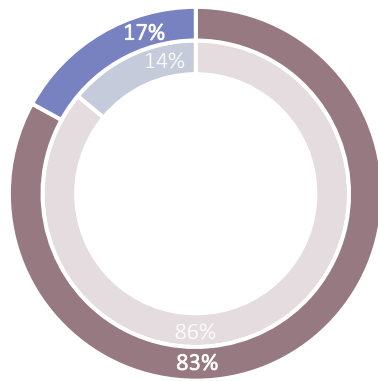
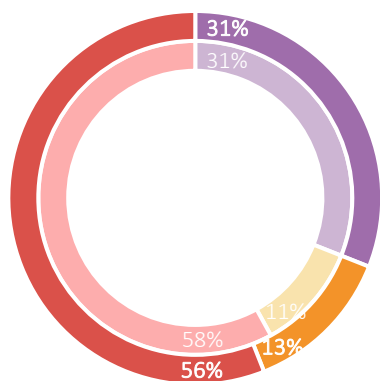
Saucony & Merrell – Business Update



Revenue breakdown

Revenue by business model

Revenue by products



FY2023 FY2022

- Retail
- Wholesale
- E-commerce

FY2023 FY2022

- Footwear
- Apparel and accessories



110

4

Branded stores in Mainland China
as at 31 December 2023



Saucony store, Beijing (111 sqm)

- > Saucony became the first new brand to achieve profitability in 2023
- > Wear rate ranked in the top three among all brands in the major marathons in Mainland China in 2023
- > Acquisition of Wolverine's interests in the 2019 joint venture, making it our 100% wholly-owned subsidiaries
- > Maximize synergies in product innovation, marketing and distribution channels with the core Xtep brand

Strategies



- > Expand customized collections that are catered for Chinese consumers (China Line Products) and explore international expansion opportunities

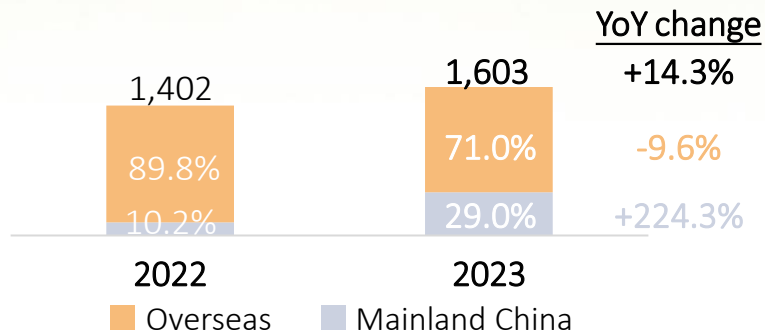
- > Further develop “Originals” and “Commuter” series for Saucony to broaden its range of fashion and lifestyle offerings



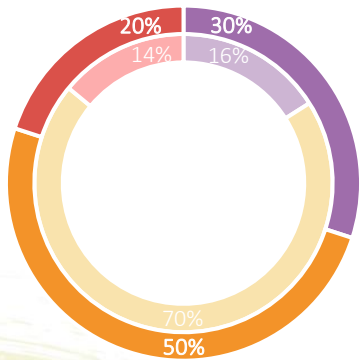
K·SWISS & Palladium – Business Update



Revenue by region (RMB m)



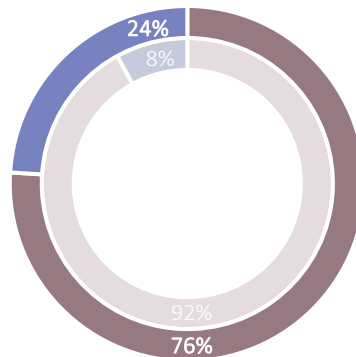
Revenue by business model



FY2023 FY2022

- Retail
- Wholesale
- E-commerce

Revenue by products



FY2023 FY2022

- Footwear
- Apparel and accessories



K·SWISS store, Xi'an, Shanxi Province (198 sqm)

101

Branded stores
in Asia Pacific



Palladium store, Chongqing (180 sqm)

94

Branded stores
in Asia Pacific

K·SWISS & Palladium – Business Update



- > Revenue of the athleisure segment from Mainland China increased by 224.3%
- > Robust growth trajectory of K·SWISS and Palladium in Mainland China has bolstered our confidence in the sustainable development of the segment
- > Growth acceleration through new store openings in higher-tier cities and product mix optimization



- > Sponsor of the Oakley Hong Kong Open Pickleball Championships 2023

Strategies

- > Broaden K·SWISS' influence in the professional tennis arena and take an active role in promoting pickleball



Sponsor of the Zhuhai Championships 2023 and the Hong Kong Tennis Open 2024

- > Collaborations with famous brands and celebrities to launch crossover collections for Palladium

Tan Jianci, Palladium < spokesperson



Prospects



Prospects

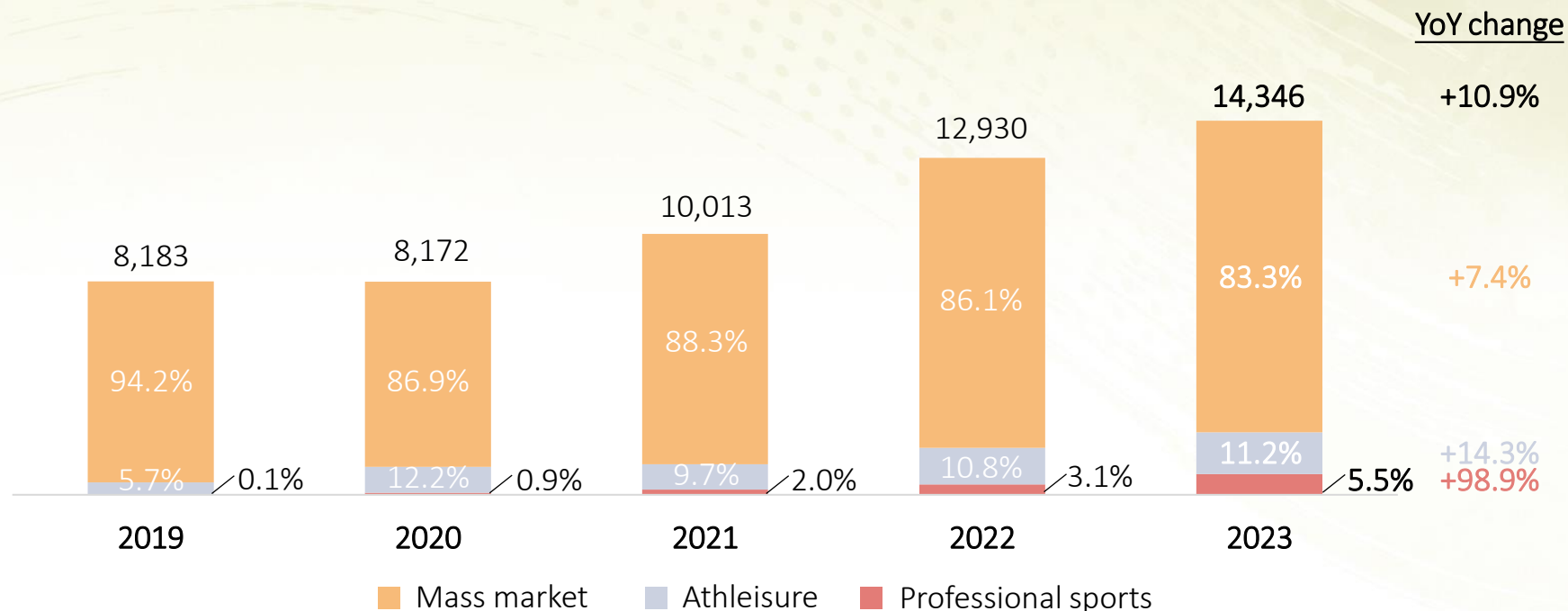
- > Strengthen our **leading position in running** through enhancing our **running ecosystem** and establishing the **most extensive running community in Mainland China**
- > Refine our product mix to offer a comprehensive range of **value-for-money products** to mass market consumers
- > Upgrade the **channel network** to provide consumers with an **exceptional digital experience** and **amplify our expertise in running**
- > Committed to **maximizing synergies between the core Xtep brand and Saucony** to maintain a leading position in the running segment, while **exploring business opportunities in the global markets**
- > Despite the sluggish growth in the overseas business, the **strong growth momentum of K-SWISS and Palladium in Mainland China** has heightened our optimism in the sustainable development of athleisure segment



Appendix



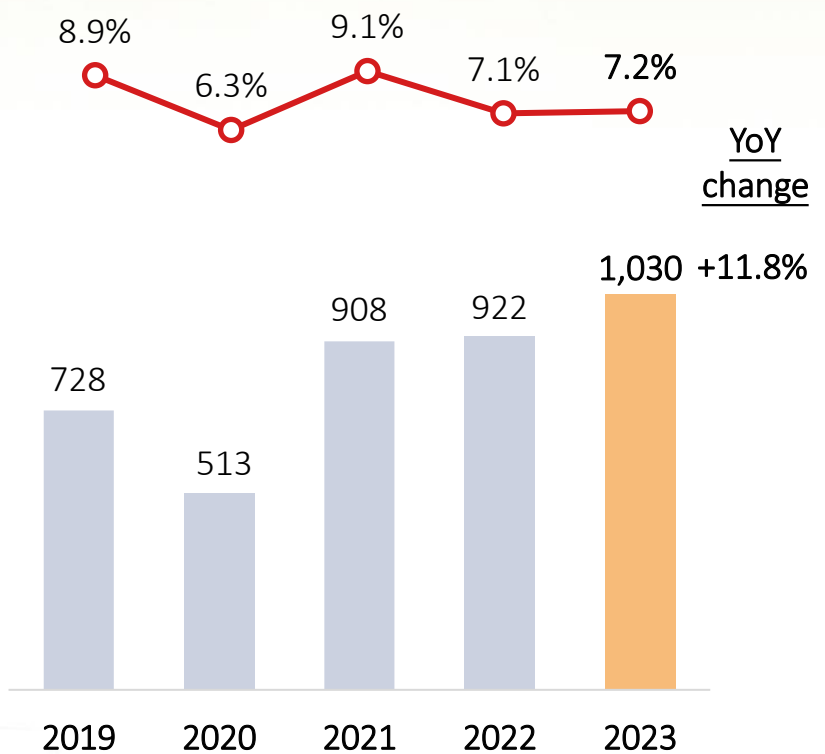
Group's Revenue by Brand Nature (RMB m)



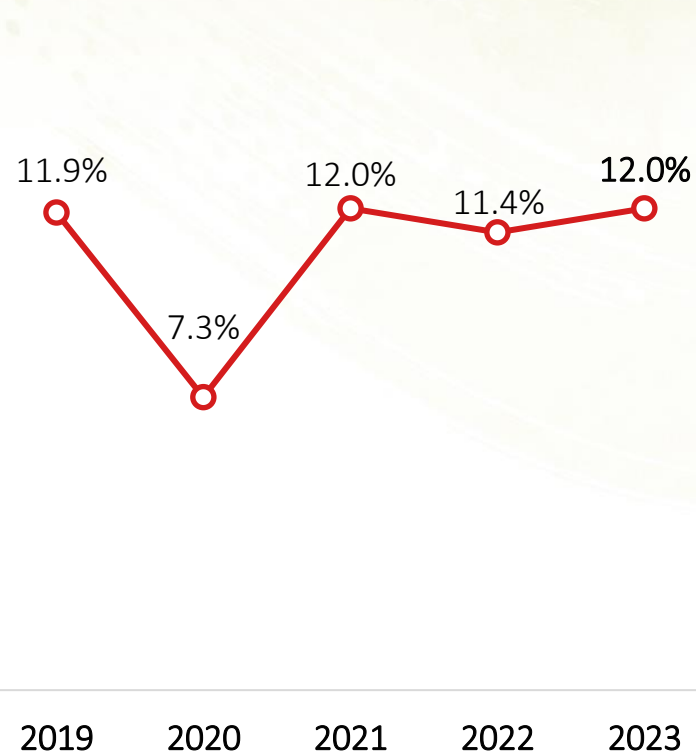
RMB m	2023	2022	YoY change
Mass market	11,947	11,128	▲ 7.4%
Athleisure	1,603	1,402	▲ 14.3%
Professional sports	796	400	▲ 98.9%
Overall	14,346	12,930	▲ 10.9%

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

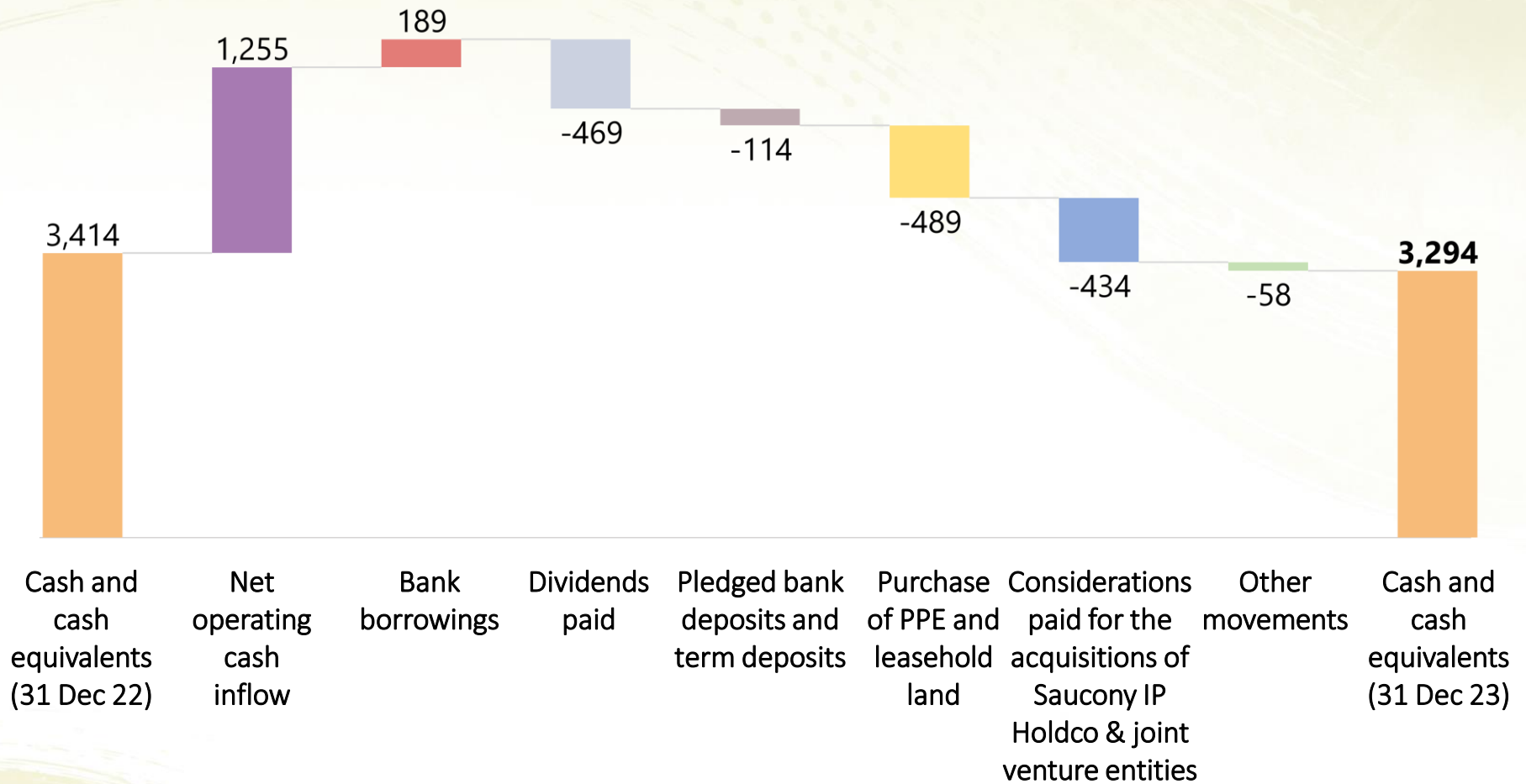
—○— Return on equity

Consolidated Income Tax Breakdown (RMB m)

RMB m	2023	2022
Tax provision for the year	406	406
Over provision in prior years	(3)	(15)
Deferred tax	13	58
Total income tax (A)	416	449
Profit before tax (B)	1,449	1,361
Effective tax rate = (A) / (B)	28.7%	33.0%

Remark: Tax-related government subsidies in 2023 and 2022 were RMB284 m and RMB178 m, respectively

Cash Flow Analysis (RMB m)



Core Xtep Brand – Income Statement



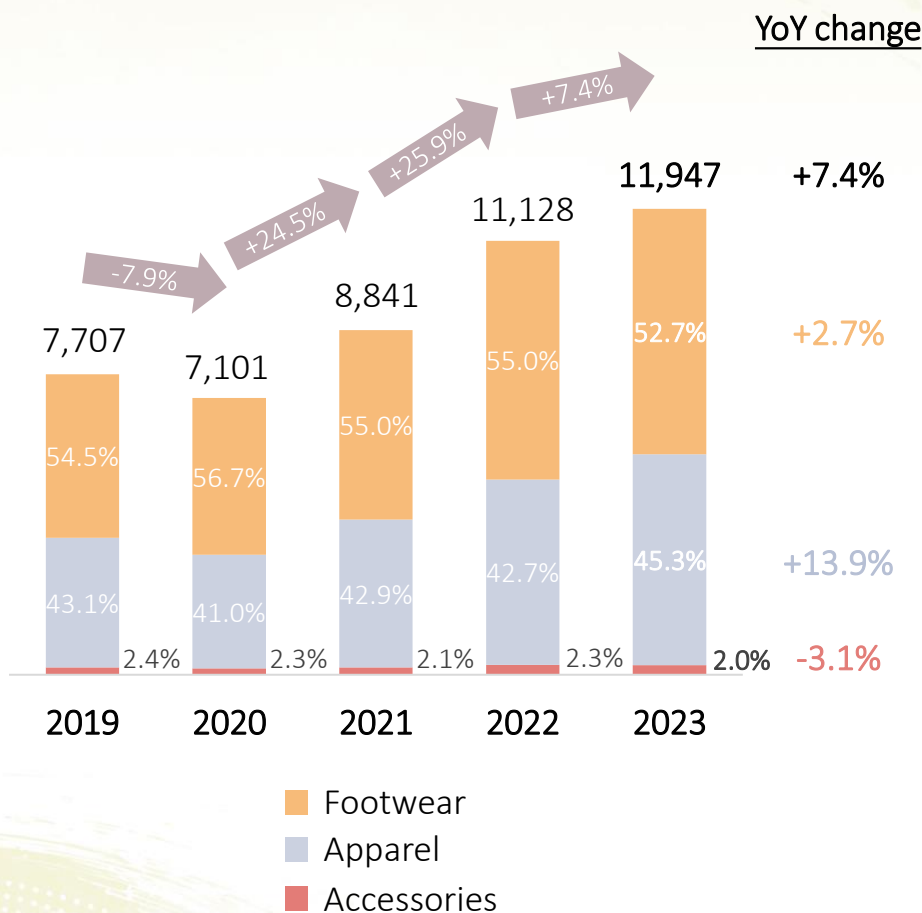
RMB m	2023	2022	YoY change
Revenue	11,947	11,128	▲ 7.4%
Gross profit	5,013	4,593	▲ 9.1%
Selling & distribution and general & administrative expenses (“SG&A”) ¹	3,536	3,105	▲ 13.9%
Operating profit	1,891	1,759	▲ 7.5%
Net profit	1,486	1,345	▲ 10.4%
Gross profit margin	42.0%	41.3%	▲ 0.7% pt
SG&A to revenue ratio	29.6%	27.9%	▲ 1.7% pts
Operating profit margin	15.8%	15.8%	No change
Net profit margin	12.4%	12.1%	▲ 0.3% pt

¹ SG&A excluded corporate expenses

Core Xtep Brand – Revenue and Gross Profit Analysis



Revenue by product (RMB m)



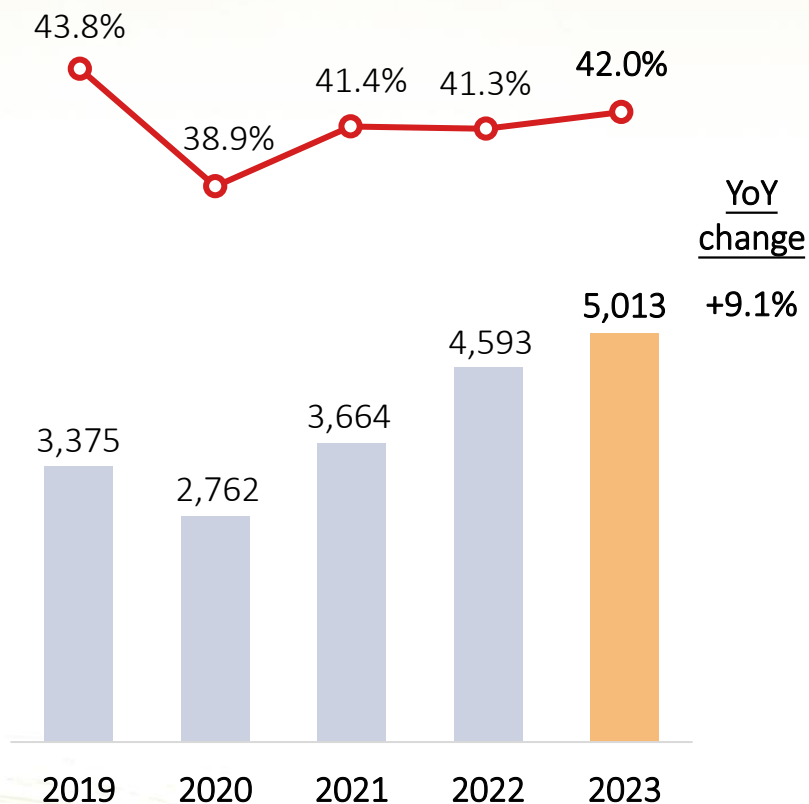
Gross profit margin by product (%)

	2023	2022	YoY change
Footwear	42.2%	41.6%	▲ 0.6% pt
Apparel	42.0%	41.3%	▲ 0.7% pt
Accessories	34.6%	32.1%	▲ 2.5% pts
Overall	42.0%	41.3%	▲ 0.7% pt

Core Xtep Brand – Profitability Analysis



Gross profit (RMB m)



■ Gross profit
■ Gross profit
○ As a % to revenue

Operating profit¹ (RMB m)



■ Operating profit
■ Operating profit
○ As a % to revenue

¹ Operating profit excluded corporate expenses

Core Xtep Brand – Mainstream Performance Products



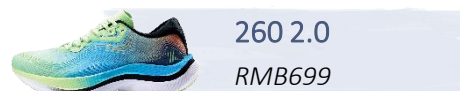
PRICE RANGE (RMB)

1,300 ← 900 800 ← 500 500 ← 200

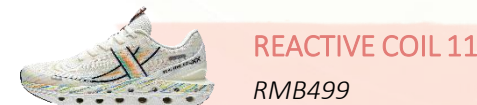
Elite series



Professional series



Mass market series



The shoes are equipped with carbon fiber plate.

Saucony – Comprehensive collection



Elite series Performance series

Racing

RMB 2,099 ← RMB 1,699



ENDORPHIN
ELITE
RMB 2,099



ENDORPHIN
PRO 3
RMB 1,699



ENDORPHIN
PRO 2
RMB 1,699

Training

RMB 1,699 ← RMB 899

Speed



ENDORPHIN
SPEED 3
RMB 1,699



SLAY
RMB 1,099



KINVARA 14
RMB 899

Cushion



TRIUMPH 21
RMB 1,399



IDLING
RMB 1,099



RIDE 16
RMB 899

Stability



TEMPUS
RMB 1,399



GUIDE
RMB 899

Commuter & Lifestyle series

Commuter

RMB 1,299 ← RMB 899



TRIUMPH CMT
RMB 1,299



SLAY ICON
RMB 999



SHIFT FLOW
RMB 899

Lifestyle

RMB 999 ← RMB 699



SURGE
RMB 999



PHOENIX
INFERNO 3
RMB 799



PUFF
RMB 699

Original series

Heritage

RMB 1,199 ← RMB 649



3D GRID
HURRICANE
RMB 1,199



GRID SHADOW 2
RMB 1,099



PROGRID TRIUMPH 4
RMB 1,099



SHADOW 6000
RMB 1,099



JAZZ 81
RMB 649

Classic revamp

RMB 899 ← RMB 599



CROSS 90
RMB 899



SHADOW 5000X
RMB 799



2K CAVALRY
RMB 799



CHILLTIME
RMB 699



JAZZ RENEW
RMB 599

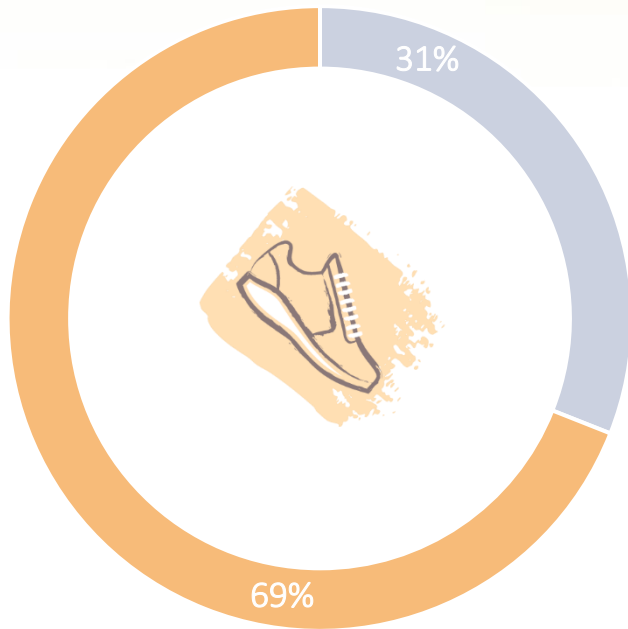
Saucony & Merrell – GAAP to Non-GAAP Measures Reconciliation of Income Statement



RMB m	2023 GAAP	Adjustments	2023 Non-GAAP
Revenue	796	N/A	796
Gross profit	319	124	443
Gross profit margin	40.0%	N/A	55.6%
Operating profit	8	-	8
Operating profit margin	1.1%	N/A	1.0%

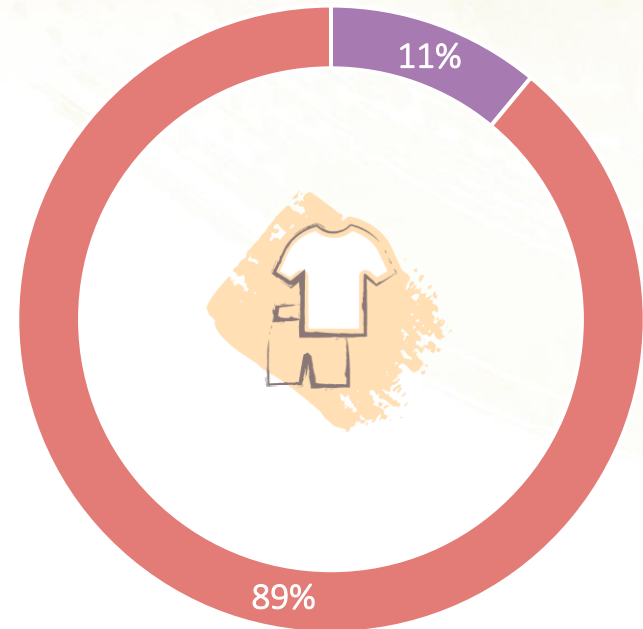
Group's Production Capacity Allocation

Footwear



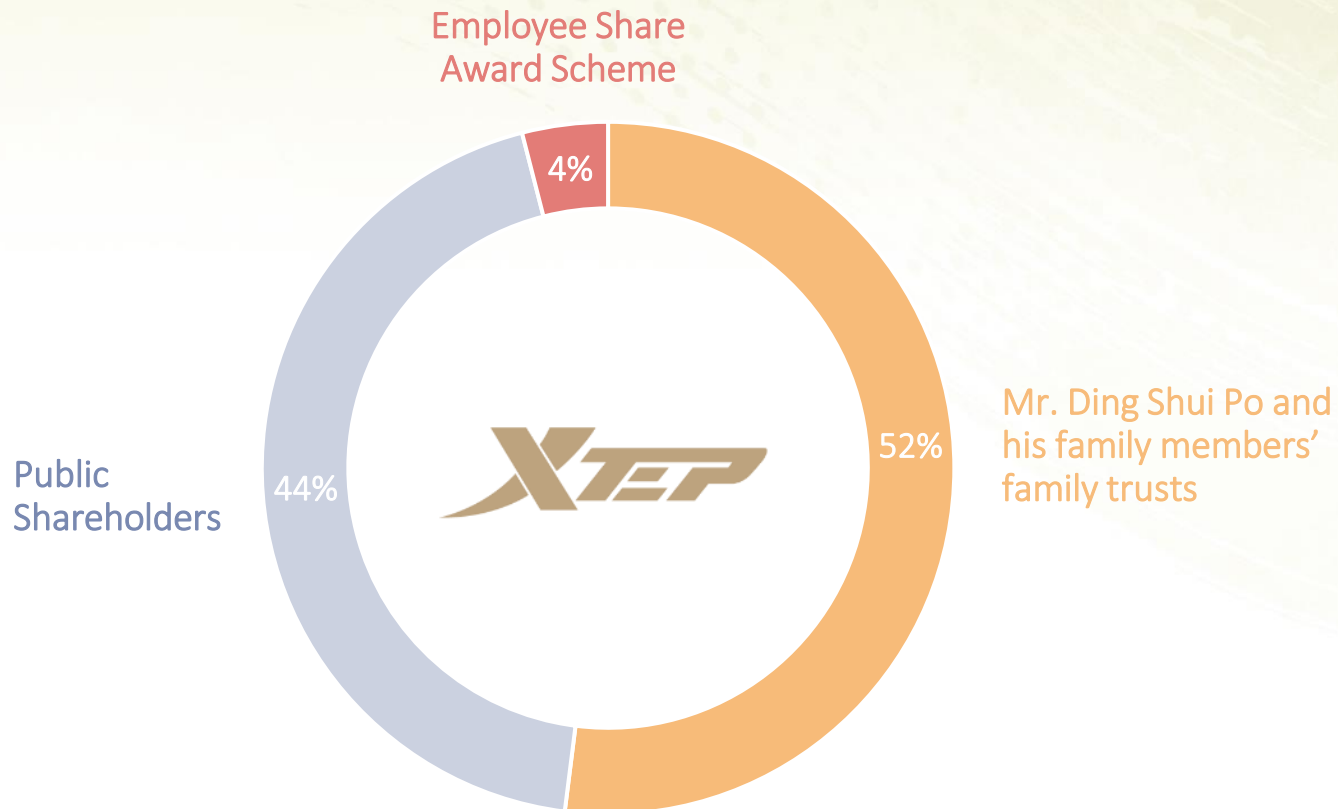
■ In-house
■ Outsourced

Apparel



■ In-house
■ Outsourced

Shareholding Structure as at 31 December 2023



Total no. of issued shares as at 31 December 2023: 2,641,457,207

Disclaimer

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