



# 1H2019 Financial Highlights



Revenue

RMB 3,357 m ▲ 23%



Operating profit

RMB 717 m ▲ 21%



Profit attributable to ordinary equity holders

RMB 463 m ▲ 23%



Net cash inflow from operating activities

RMB 422 m 1H2018:  
RMB 225 m



Net cash and cash equivalents

RMB 3,618 m



Interim dividend per Share

HK 12.5 cents Payout ratio:  
59.3%



# 1H2019 Operational Highlights



6,312 ▲ 82 in 1H2019

Number of Xtep branded stores in Mainland China and overseas as at 30 June 2019



## Low-teens

Same store sales growth<sup>1</sup> in 1H2019

## Multi-brand portfolio

to expand market share



## Jeremy Lin

Xtep brand spokesperson and build new basketball business

<sup>1</sup> Same store sales growth reflects sales performance of those physical Xtep brand stores in operation for longer than one year

The background features a complex 3D geometric design. It consists of several overlapping, semi-transparent planes in various shades of light gray and white. These planes create a sense of depth and perspective, resembling a modern architectural interior or a stylized landscape. At the bottom of the image, there is a checkered floor pattern that recedes into the distance, further enhancing the three-dimensional effect. The overall aesthetic is clean, minimalist, and professional.

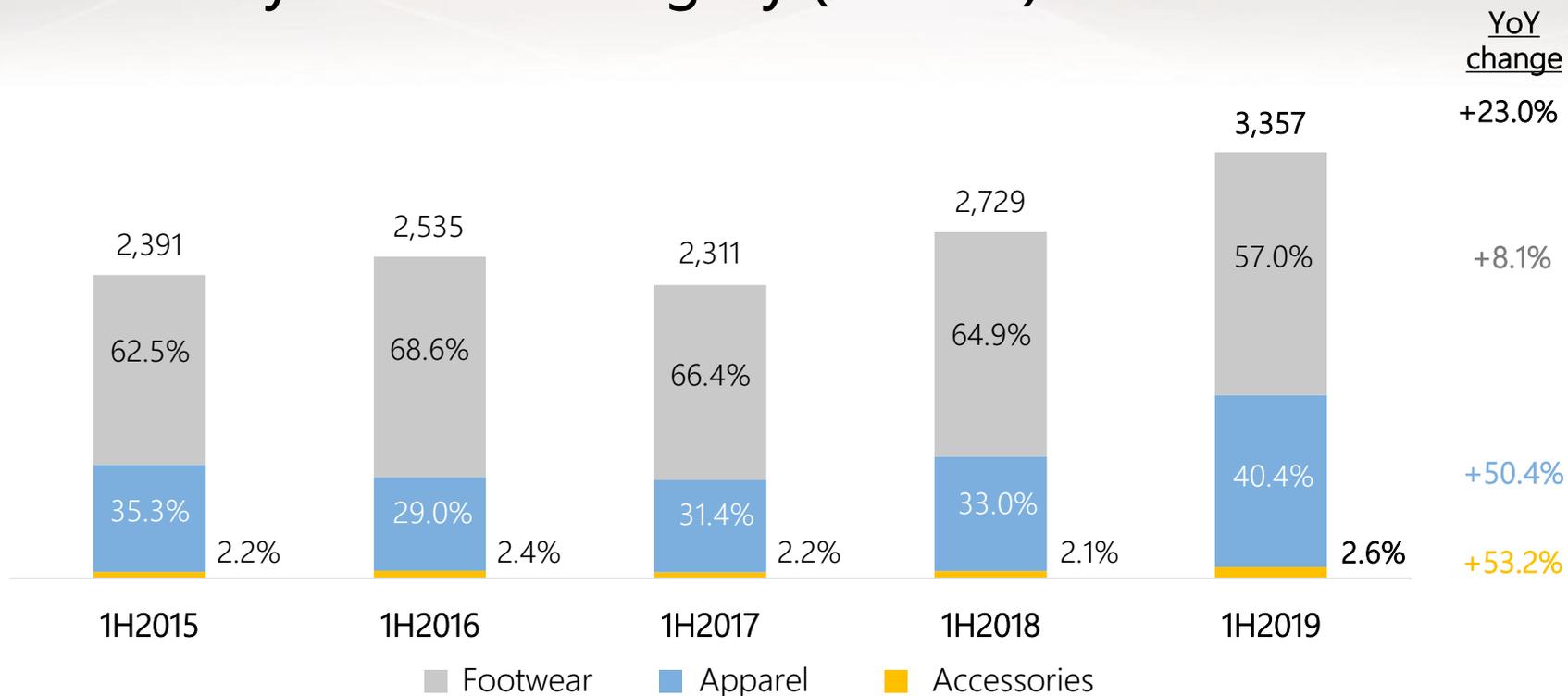
# Financial Review

# Income Statement

RMB m	1H2019	1H2018	YoY change
Revenue	3,356.9	2,729.0	+23.0%
Gross profit	1,497.3	1,193.1	+25.5%
Selling & distribution and general & administration expenses ("SG&A")	917.8	743.9	+23.4%
Operating profit	717.3	592.0	+21.1%
Profit attributable to ordinary equity holders	463.0	375.2	+23.4%
Basic earnings per Share	RMB 20.2 cents	RMB 17.3 cents	+16.8%
Gross profit margin	44.6%	43.7%	+0.9% pt
SG&A to revenue ratio	27.3%	27.3%	-
Operating profit margin	21.4%	21.7%	-0.3% pt
Net profit margin	13.8%	13.7%	+0.1% pt



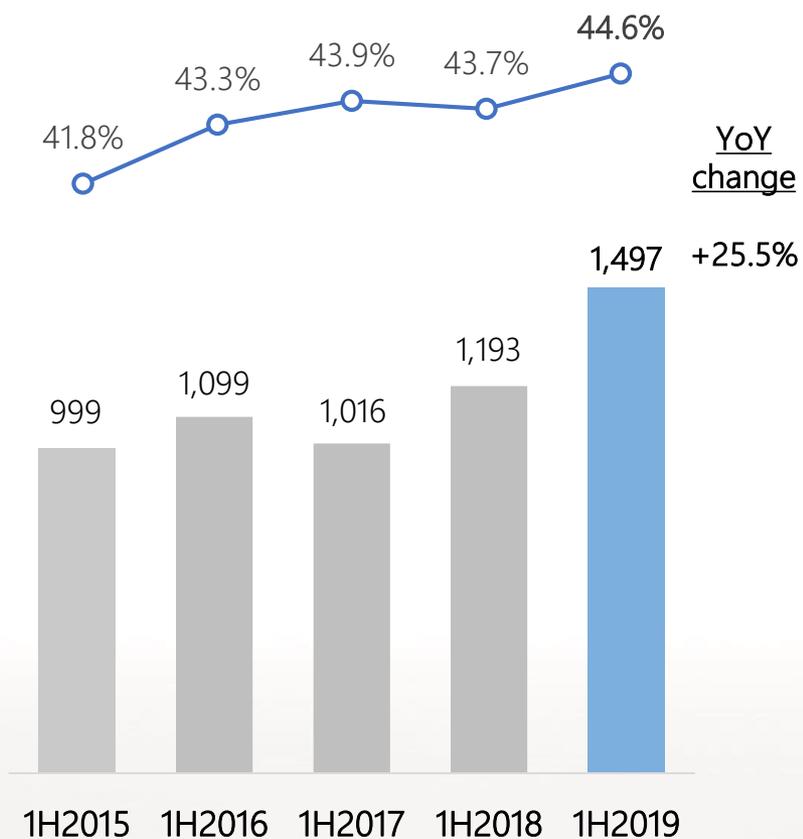
# Revenue by Product Category (RMB m)



RMB m	1H2019	1H2018	YoY change
Footwear	1,912	1,769	+8.1%
Apparel	1,356	902	+50.4%
Accessories	89	58	+53.2%
Overall	3,357	2,729	+23.0%

# Gross Profit and Gross Profit Margin

Gross profit (RMB m)



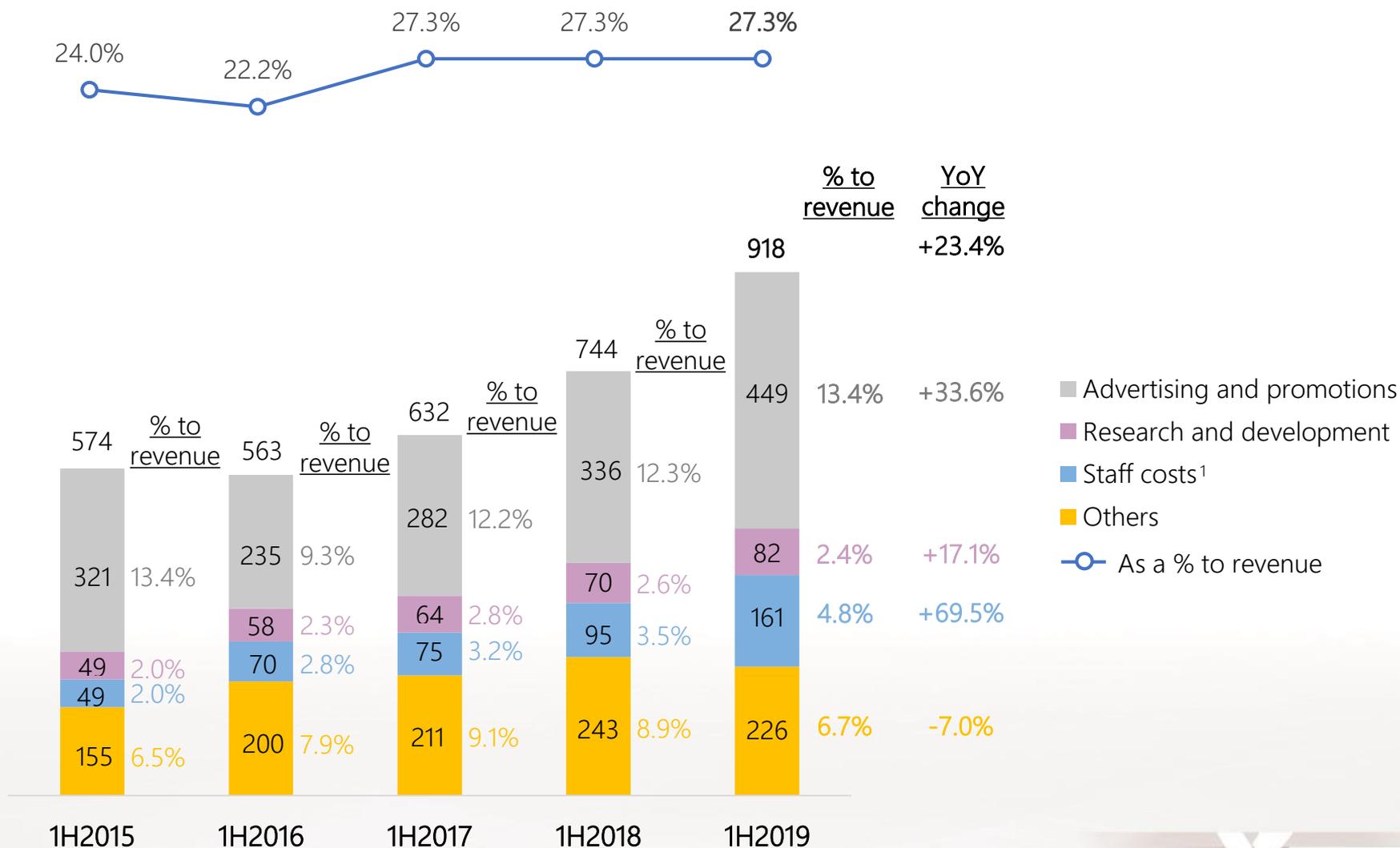
■ Gross profit  
○ As a % to revenue

Gross profit margin (%)

	1H2019	1H2018	YoY change
Footwear	44.8%	44.8%	-
Apparel	44.7%	42.0%	+2.7% pts
Accessories	37.9%	37.0%	+0.9% pt
Overall	44.6%	43.7%	+0.9% pt

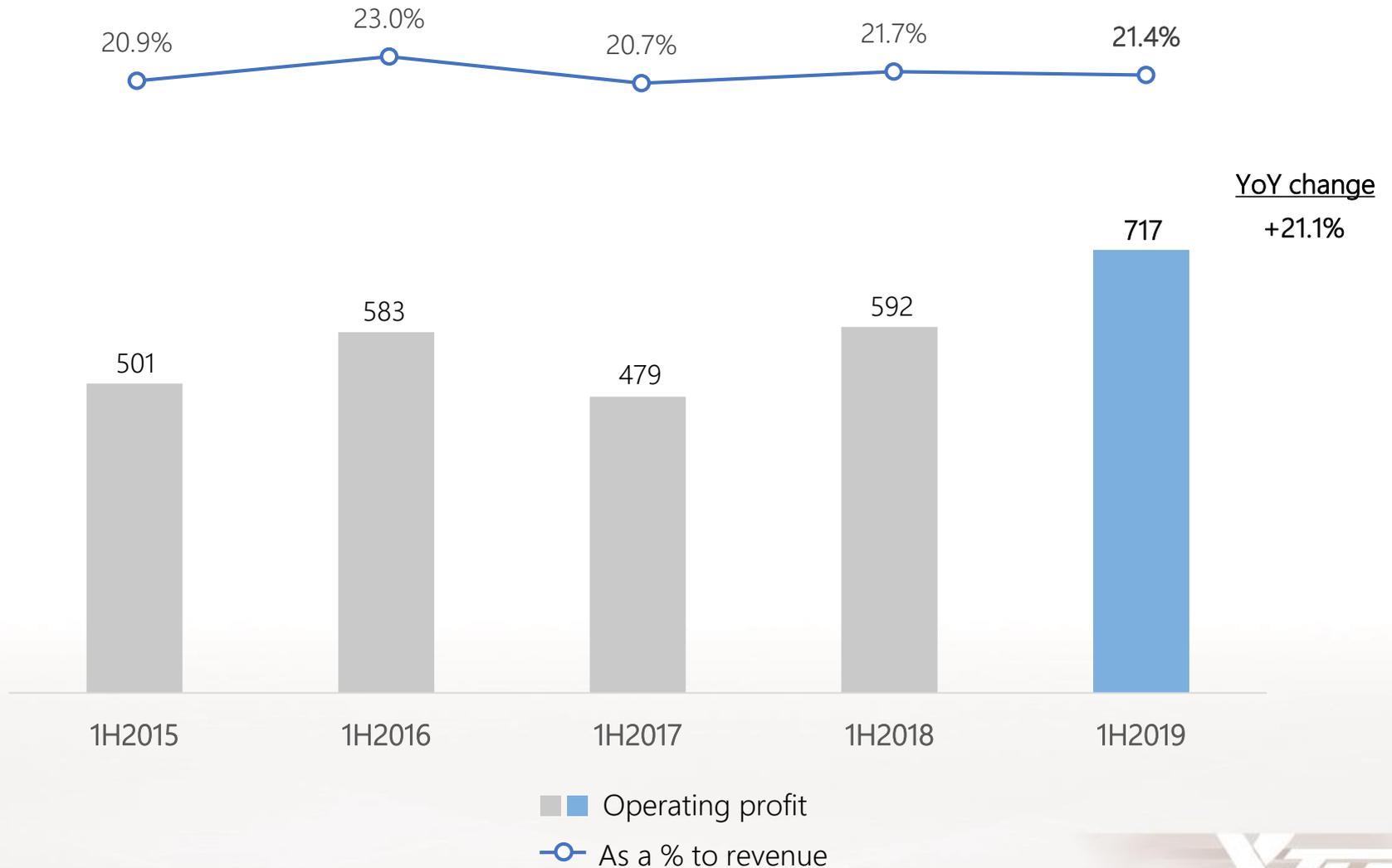


# SG&A Analysis (RMB m)



<sup>1</sup> Excluding the staff costs related to the cost of sales and R&D

# Operating Profit (RMB m)

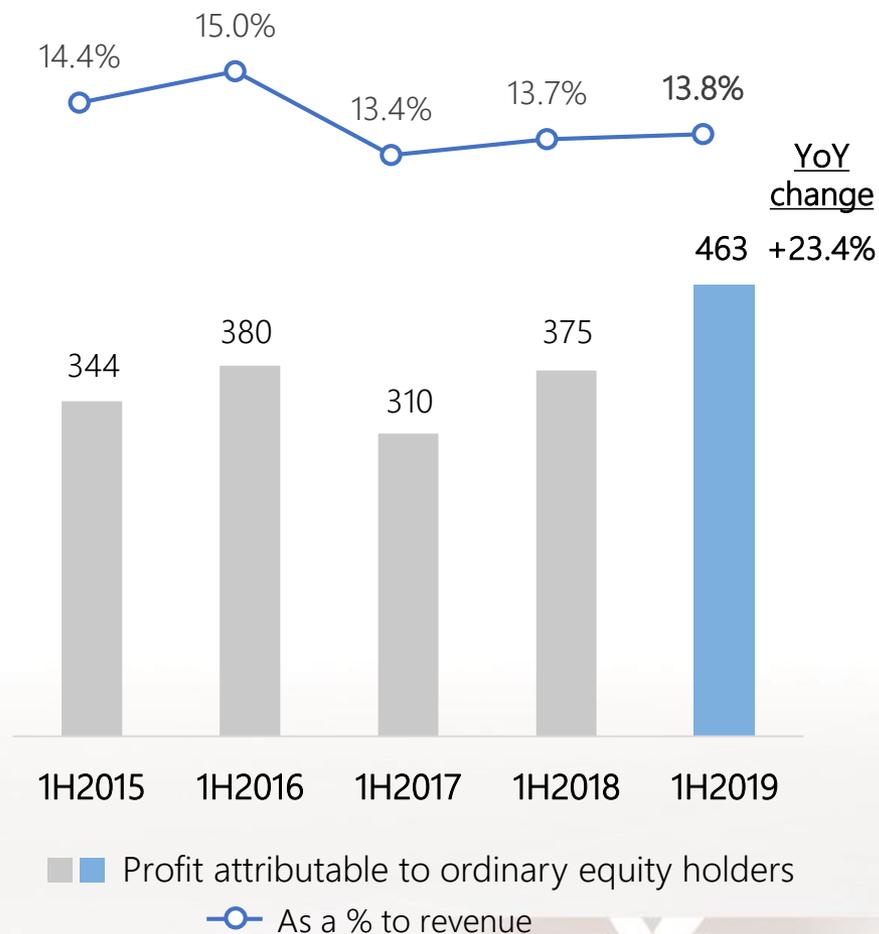


# Income Tax and Net Profit

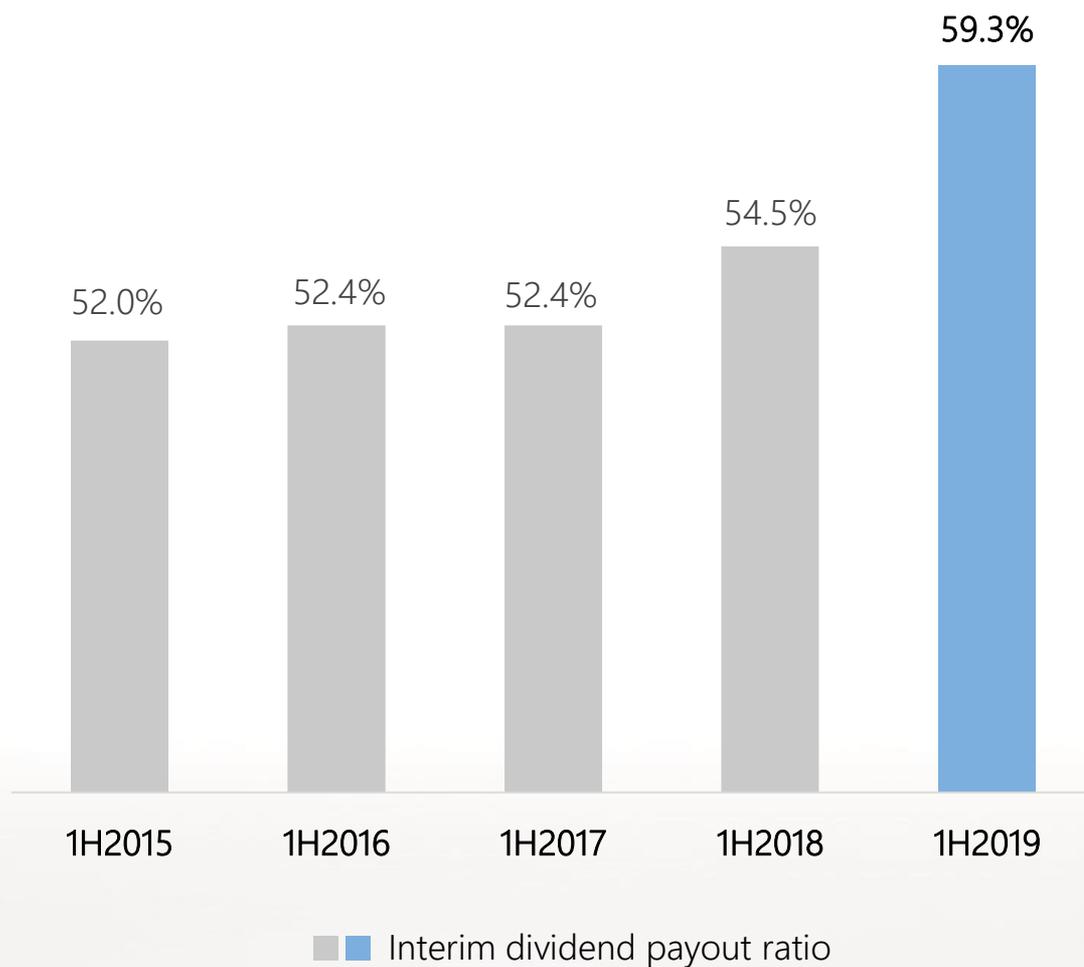
## Income tax breakdown (RMB m)

RMB m	1H2019	1H2018
Tax provision for the period	164.9	147.7
Under provision in prior periods	5.2	7.3
Deferred tax	48.0	20.0
<b>Total income tax (A)</b>	<b>218.2</b>	<b>175.0</b>
<b>Profit before tax (B)</b>	<b>681.0</b>	<b>550.6</b>
<b>Effective tax rate = (A) / (B)</b>	<b>32.0%</b>	<b>31.8%</b>

## Profit attributable to ordinary equity holders (RMB m)



# Dividend Payout Ratio



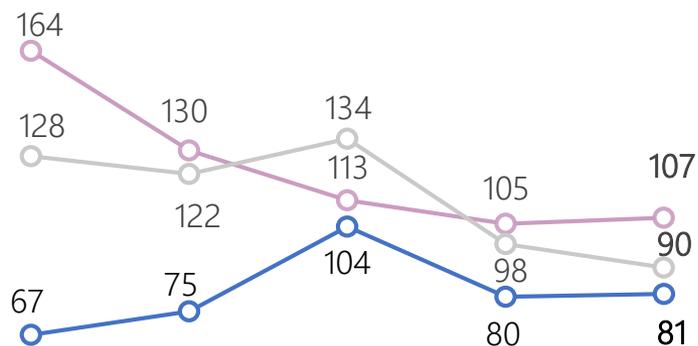
2019 interim dividend per Share

HK 12.5 cents ▲ 19%

(1H2018: HK 10.5 cents)

# Working Capital Analysis

## Working capital turnover (day)



1H2017 (30 Jun)    FY2017 (31 Dec)    1H2018 (30 Jun)    FY2018 (31 Dec)    1H2019 (30 Jun)

- Inventory turnover
- Trade receivables turnover
- Trade payables turnover

## Working capital balance breakdown (RMB m)

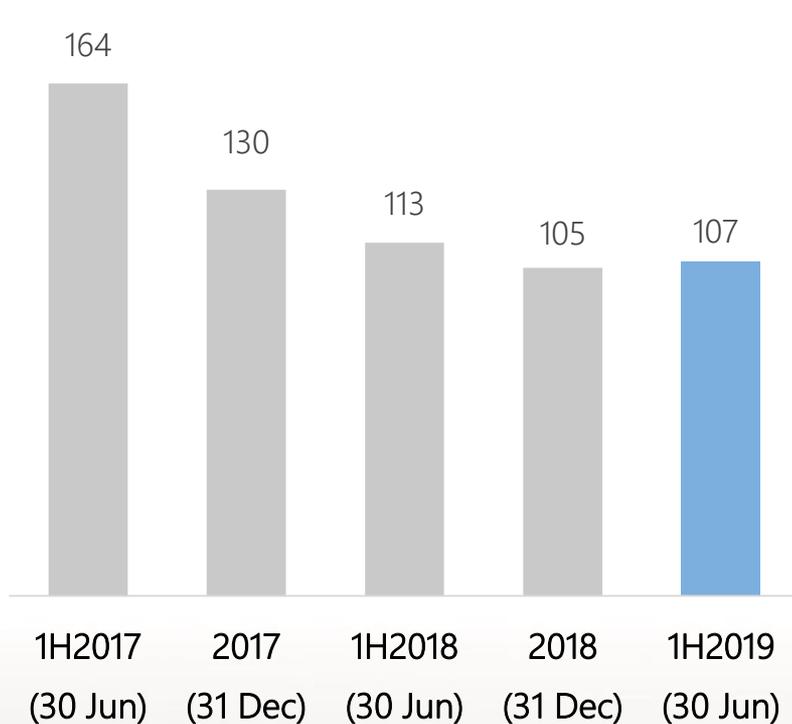
RMB m	30 Jun 2019	31 Dec 2018	Change
Inventories	806	836	-3.6%
Trade receivables	1,989	1,953	+1.8%
Trade payables	960	879	+9.2%

Inventory turnover at retail channel: About 4 months in 1H2019



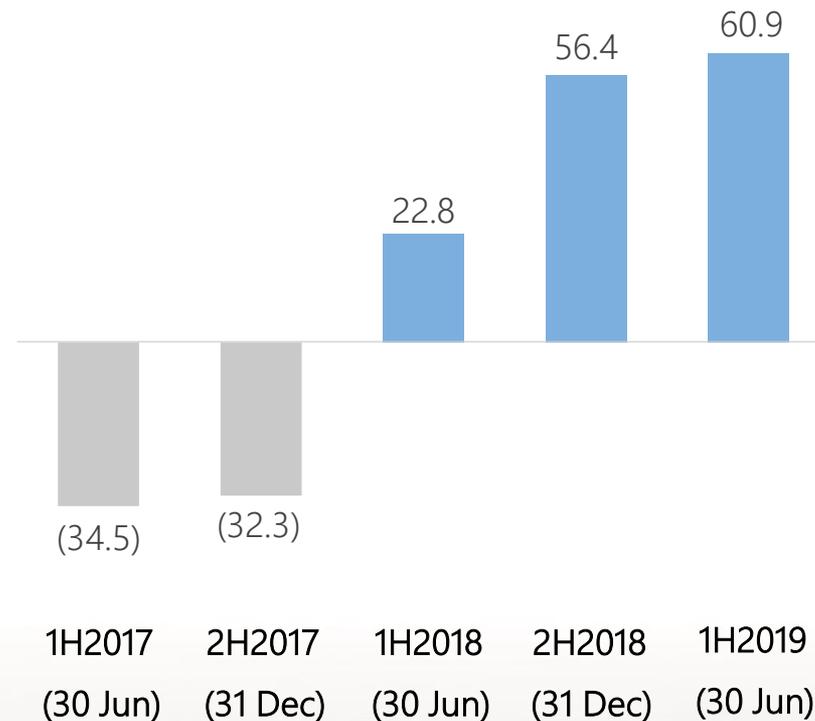
# Trade Receivables

Trade receivables turnover (day)



■ Trade receivables turnover

Write-back of provision / (provision) of trade receivables (RMB m)



■ (Provision) of trade receivables  
 ■ Write-back of provision of trade receivables

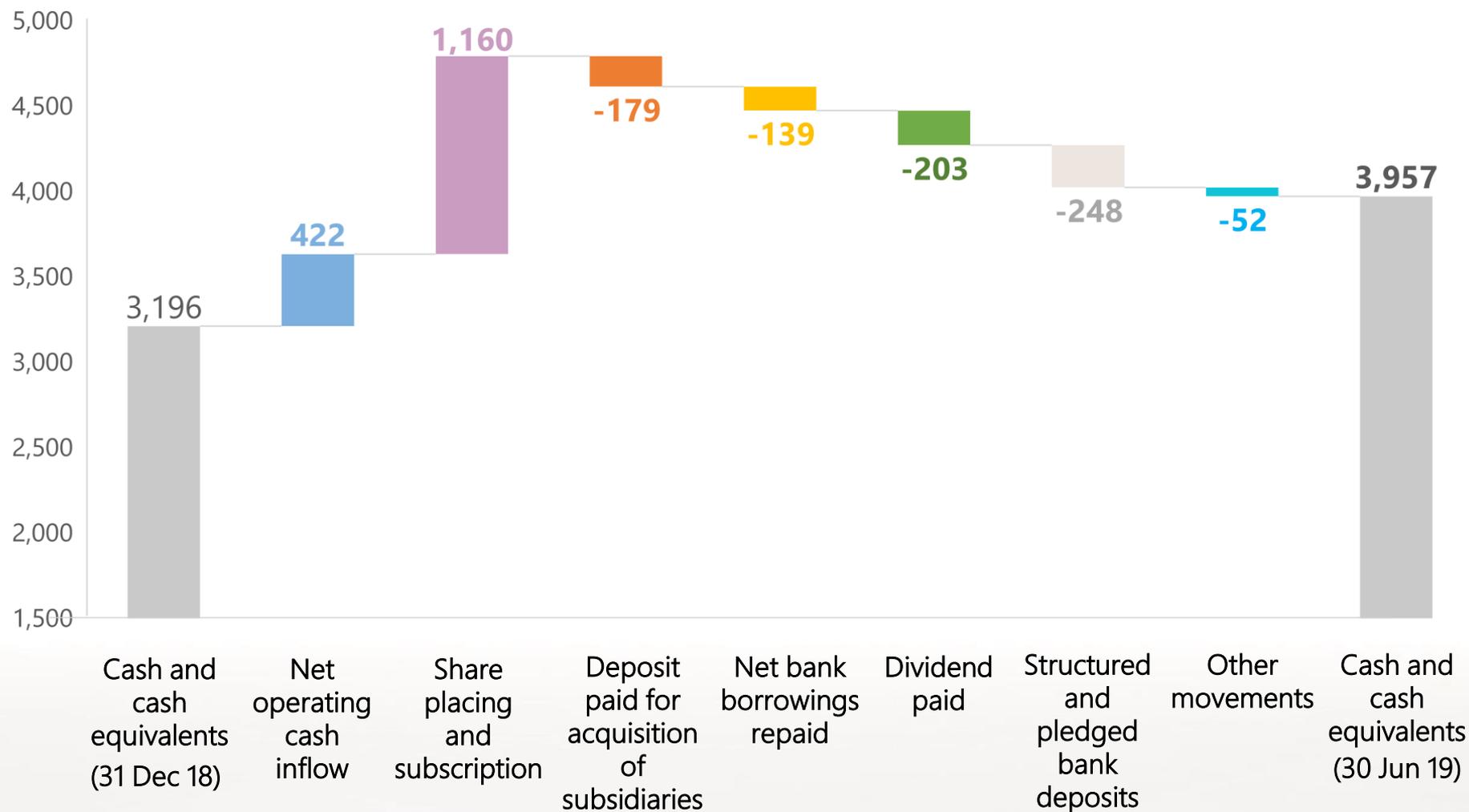


# Balance Sheet

RMB m	30 Jun 2019	31 Dec 2018	Change
Current assets	9,238.7	8,059.6	+14.6%
Current liabilities	3,458.3	3,277.8	+5.5%
Cash and cash equivalents (A)	3,956.9	3,195.8	+23.8%
Structured bank deposits and pledged bank deposits (B)	1,444.7	1,185.5	+21.9%
Bank borrowings (C)	1,783.6	1,943.7	-8.2%
Net cash and cash equivalents = (A)+(B)-(C)	3,618.0	2,437.6	+48.4%
Net current assets	5,780.4	4,781.8	+20.9%
Current asset ratio (times)	2.7x	2.5x	+0.2x
Gearing ratio <sup>1</sup> (%)	16.7%	21.1%	n/a
Shareholders' equity	6,833.8	5,326.3	+28.3%
Net assets value per Share	RMB 2.76	RMB 2.38	+16.0%

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

# Cash Flows Analysis (RMB m)



The background features a complex 3D geometric composition. It consists of several overlapping, semi-transparent planes in various shades of light gray and white. These planes create a sense of depth and perspective, with some appearing to recede into the distance. At the bottom of the frame, there is a floor with a subtle checkered or grid pattern, which also recedes into the distance, enhancing the three-dimensional effect. The overall lighting is soft and diffused, creating a clean, modern aesthetic.

# Business Review

# Our Multi-brand Portfolio



**saucony**



**MERRELL®**



# Xtep Retail Network Update – 1H2019



 Xiamen, Fujian Province,  
Mainland China (262 m<sup>2</sup>)



Anqing, Anhui Province,  
Mainland China (342 m<sup>2</sup>)



6,312 ▲ 82 net openings

number of Xtep stores in  
Mainland China and overseas



80%

of the total store count are in  
international style store format



# Xtep Retail Experience – Run Clubs



7

Run Clubs in Mainland China  
as at 30 June 2019



## Xtep Run Club highlights



200,000+ members



430+ running events<sup>1</sup> organized



~20km running tracks<sup>2</sup>



14 rest stops



Run Club in Wuhan East Lake, Hubei  
Province, Mainland China (270 m<sup>2</sup>)

<sup>1</sup> Included but not limited to marathon training camps, technical analysis courses and festive sports events

<sup>2</sup> Running tracks are located in Beijing, Changsha and Xiamen

# Xtep Retail Experience – New Store Layout & E-commerce

## New store layout



Shenyang, Liaoning Province,  
Mainland China (307 m<sup>2</sup>)



Jilin, Jilin Province,  
Mainland China (292 m<sup>2</sup>)



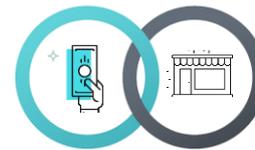
## E-commerce and O2O



**20%+**  
of the Group's revenue



**No. 1**  
running footwear seller by  
volume on Tmall platform  
in 1H2019



Strengthen omni-channel  
retail with more offline  
products available online



Xtep Tmall  
flagship store

# Xtep Branding and Marketing

## – Marathon & Sports Sponsorships



**No. 1**

domestic brand in marathon's market share<sup>1</sup> in Mainland China



**21**

marathons sponsored in Mainland China



Xtep Penguin Run in Hangzhou (June 2019)



Nanjing Pukou International Women's Half Marathon (March 2019)



Xtep Changan College Town Half Marathon (May 2019)



<sup>1</sup> Source: Joyrun – footwear worn by participants who finished the full marathon within three hours

# Xtep Branding & Marketing

## – Celebrities & Other Entertainment Marketing

### Celebrity spokesperson



林书豪 特步品牌代言人



Lin Gengxin to promote "Urban" series



Jing Tian to promote cross-training products



Jeremy Lin as our brand spokesperson



### TV show sponsorship

"The Coming One" official designated footwear & apparel sponsor



"Street Dance of China" official designated apparel sponsor



# Xtep Products – Performance Sports

## First running research laboratory in Mainland China



40+

International scientists and engineers



Proprietary technology via collaboration with 3M, The Dow Chemical and INVISTA



RC160



Dynamic Foam



Reactive Coil



Air Mega

# Xtep Products – Lifestyle and Crossover



Jiro Wang for  
"Combat" and  
"Transformers"  
collections



Xtep x NEX7 - "Volcano" series



Xtep x Smiley®

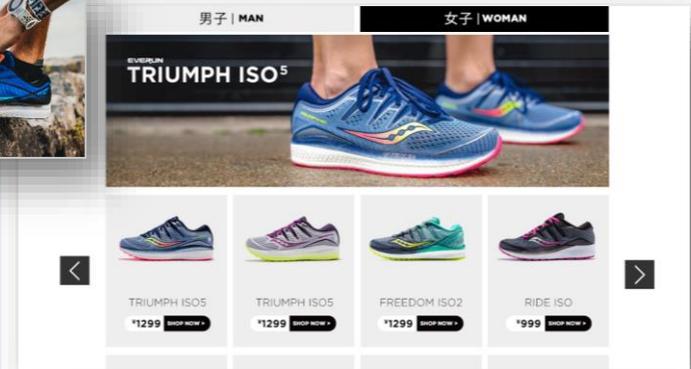


Xtep x A.FOUR Labs

# Updates on Saucony & Merrell



- ◆ Products debut on Tmall flagship store since July 2019
- ◆ First standalone store expected to be opened in 2Q2020 in tier I cities in Mainland China
- ◆ Perfect synergies in R&D and marketing
- ◆ Harness our sales network to cater more sophisticated customers



Saucony Tmall flagship store launched in July 2019



## MERRELL®

- ◆ Tmall flagship store to be kicked-off in early 2020
- ◆ New standalone stores to be opened in 2H2020 in tier I and II cities in Mainland China
- ◆ Enrich our product offerings to unleash the outdoor market potential in Mainland China



# Acquisition of K-Swiss & Palladium



## Acquisition factsheet

- ★ Acquisition of 100% of K-Swiss Holdings Inc. was completed on 1 August 2019, on a debt-free basis
- ★ Cash consideration of US\$260 million funded internally
- ★ Sales of US\$210 million and adjusted EBITDA of US\$1.7 million in 2018, respectively
- ★ Operations of K-Swiss and Palladium will continue to run on a standalone basis under separate management teams
- ★ Leverage Xtep's sales network, R&D and supply chain resources to engage with different customer segments



# Acquisition of K-Swiss & Palladium



## K-Swiss' background



- ◆ Heritage athletic shoe brand founded in California in 1966
- ◆ Product offerings include performance tennis, lifestyle and fitness footwear
- ◆ Around 40 self-operated stores in Asia-Pacific region, with North America being its largest wholesale market
- ◆ Sales of US\$98m and US\$109m in 2017 and 2018, respectively
- ◆ Majority of the business in wholesale and distribution model



## Development plan

- ◆ Business focus shifts to Asia-Pacific region
- ◆ Integration with Xtep's supply chain with increasing investment in R&D
- ◆ Increase apparel product offerings
- ◆ Brand re-positioning and new product design in pipeline



# Acquisition of K-Swiss & Palladium

## Palladium's background



- ★ One of the best-known global boot brands established in France in 1947
- ★ Over 25 self-operated stores globally, coupled with more than 150 stores operated in wholesale and distribution models in Mainland China
- ★ Sales of US\$71m and US\$78m in 2017 and 2018, respectively
- ★ Majority of the business in wholesales and distribution model across more than 60 countries



## Development plan

- ★ Undergoing integration with Xtep's supply chain
- ★ Increase apparel product offerings
- ★ Business focus in Asia-Pacific region, with store openings in both self-operated and distribution models



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# Business Outlook and Strategies

# Business Outlook and Strategies



- ★ Moderate growth in 2H2019 due to high base and macroeconomic uncertainties arising from US-China trade war
- ★ Remain optimistic about the long-term prospect of Xtep and the sportswear market in Mainland China



## Multi-brand portfolio

Being a global multi-brand sportswear player and expand our market share



## Branding & products

Collaborations with popular artists, celebrities and international sports stars on crossover collections



## Research & development

Continuous improvement in product design and technology



## Network expansion and store revamp

Expand retail network, revamp & enlarge our stores to maximize productivity



## Overseas expansion

Capitalize on global market opportunities

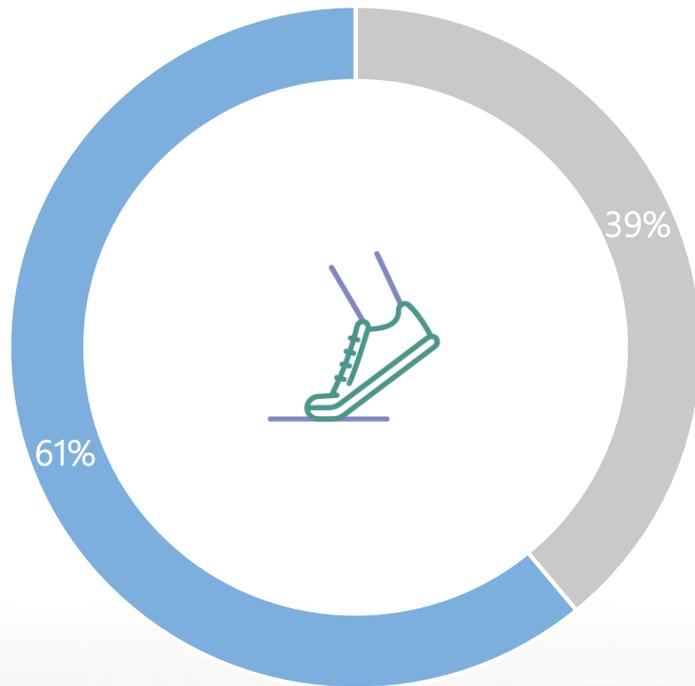


# Appendix

The background features a complex 3D geometric composition. It consists of several overlapping, semi-transparent white and light gray planes that create a sense of depth and perspective. The planes are arranged in a way that suggests a large, open space with architectural elements. At the bottom of the image, there is a floor with a subtle checkered or grid pattern, which adds to the three-dimensional feel. The overall lighting is soft and diffused, highlighting the edges and surfaces of the planes.

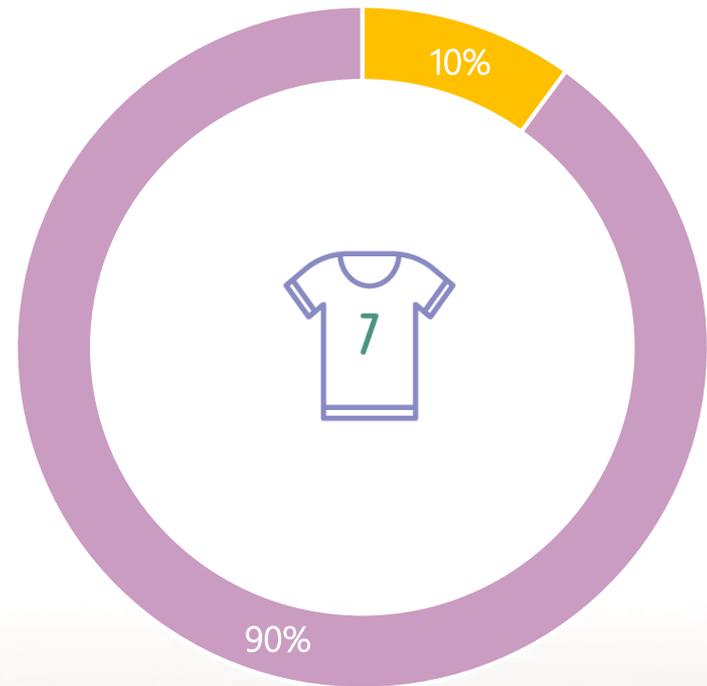
# Production Capacity Allocation

## Footwear



- In-house
- Outsourced

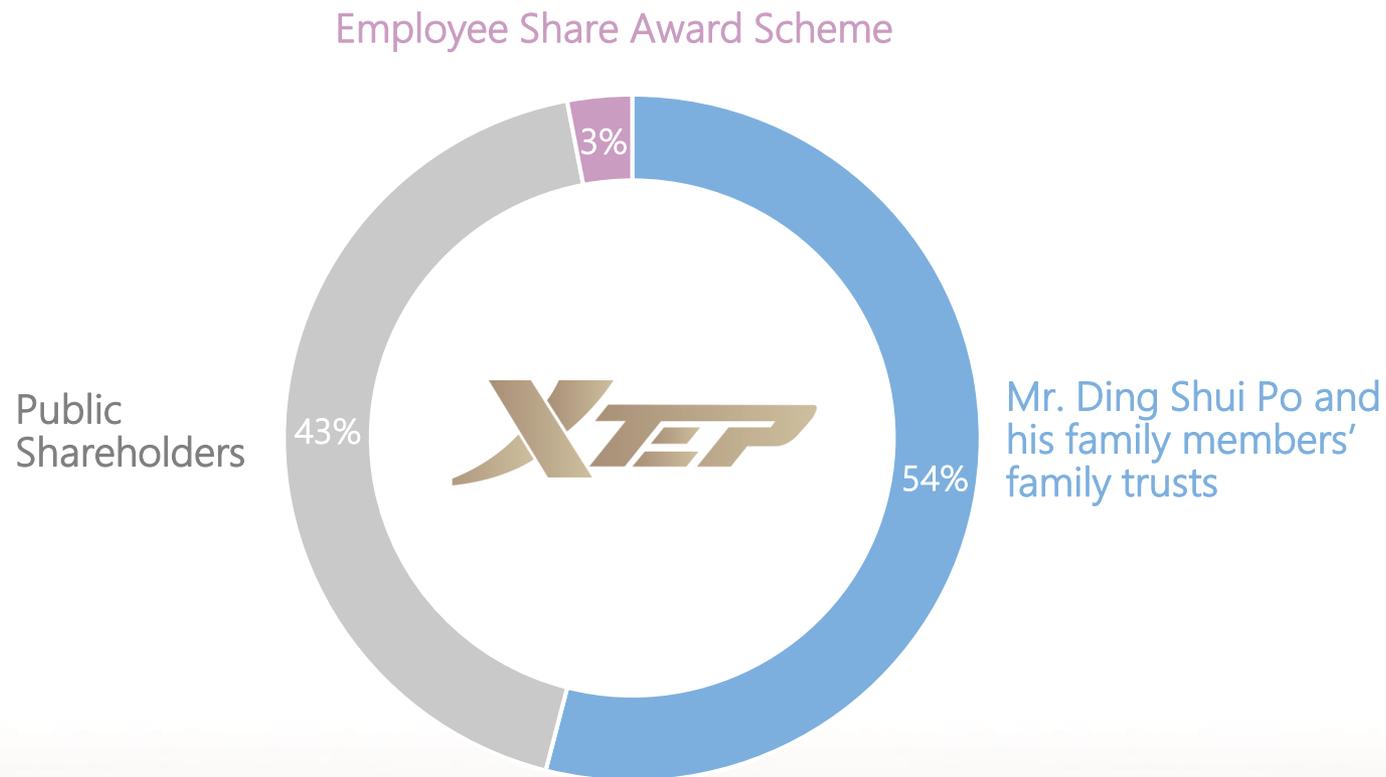
## Apparel



- In-house
- Outsourced



# Shareholding Structure as at 30 June 2019



Total number of shares issued as at 30 June 2019: 2,498,503,000



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