



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2022 Interim Results Presentation

23 August 2022



2022 Interim Results Highlights

Revenue

RMB **5,684** m
▲ **37.5%**



Core Xtep brand revenue

RMB **4,898** m
▲ **36.2%**



Operating profit

RMB **922** m
▲ **34.8%**



Profit attributable to ordinary equity holders

RMB **590** m
▲ **38.4%**



Interim dividend per Share

HK **13.0** cents
▲ **13.0%**
(Payout ratio: 50.3%)



6,251

Xtep branded stores
in Mainland China and
Overseas as at 30 June 2022



Consolidated Financial Review

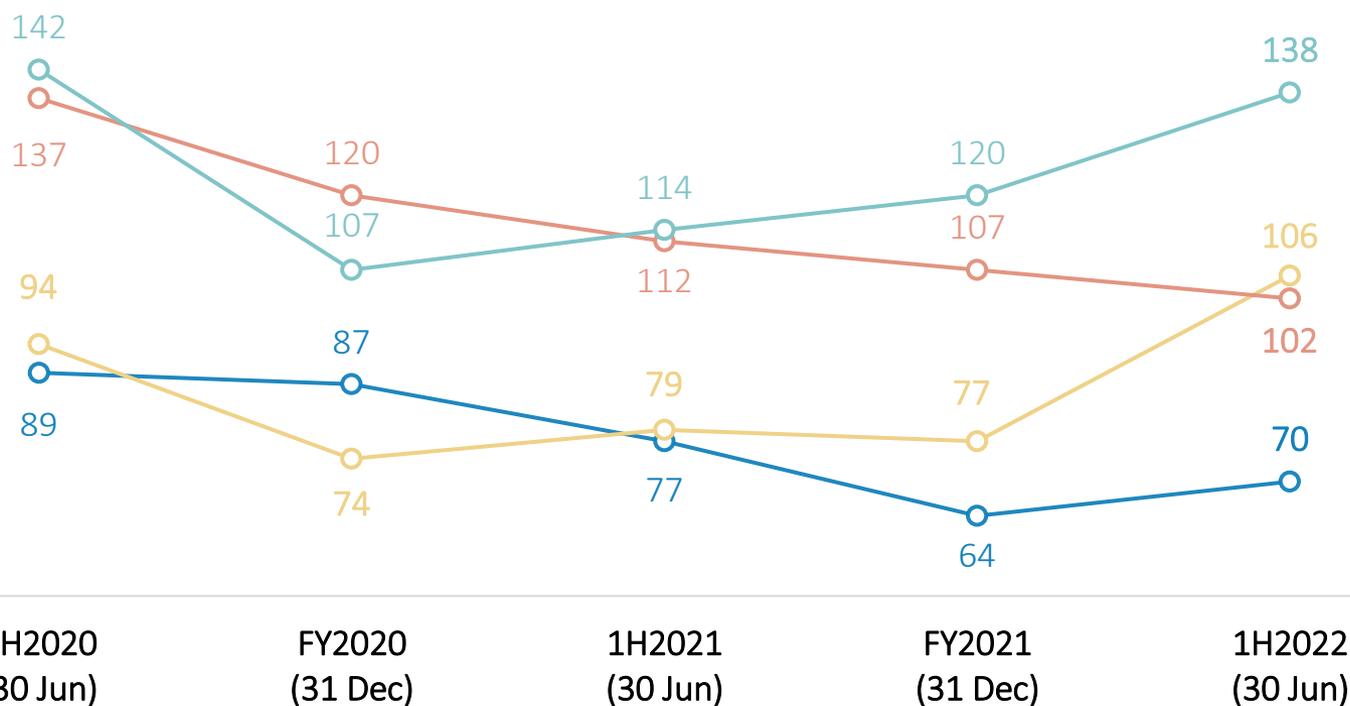


Consolidated Income Statement

RMB m	1H2022	1H2021	YoY change
Revenue	5,684	4,135	+37.5%
Gross profit	2,387	1,729	+38.0%
Selling & distribution and general & administrative expenses ("SG&A")	1,702	1,257	+35.5%
Operating profit	922	684	+34.8%
Profit attributable to ordinary equity holders	590	427	+38.4%
Basic earnings per Share	RMB 23.5 cents	RMB 17.1 cents	+37.3%
Gross profit margin	42.0%	41.8%	+0.2% pt
SG&A to revenue ratio	30.0%	30.4%	-0.4% pt
Operating profit margin	16.2%	16.5%	-0.3% pt
Net profit margin	10.4%	10.3%	+0.1% pt

Group's Working Capital Analysis

Working capital turnover (day)



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

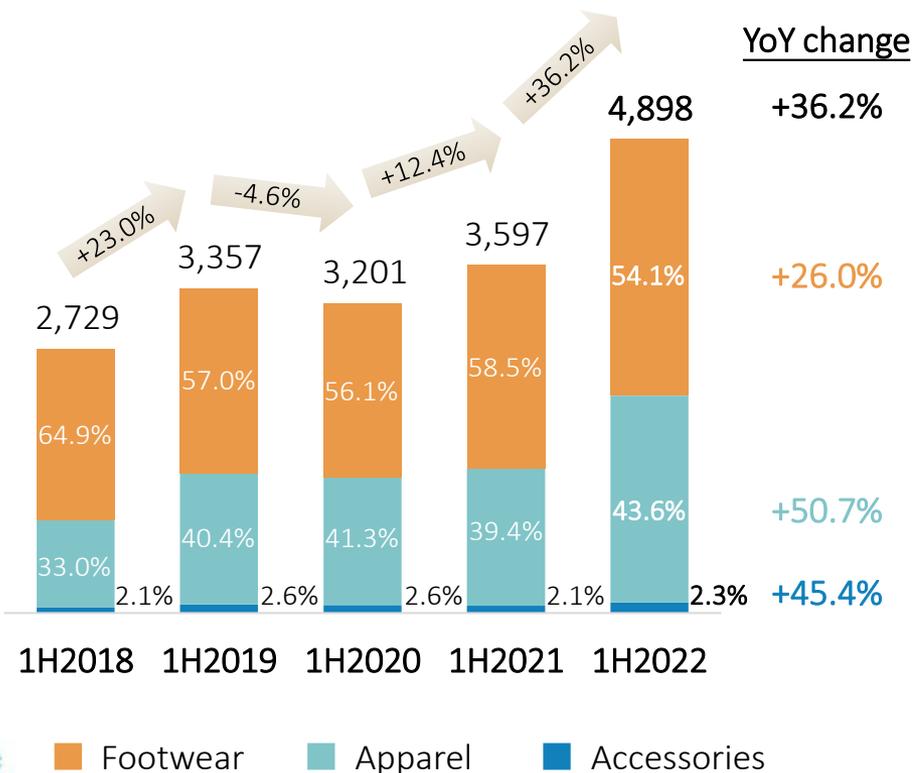
Mass Market - Core Xtep Brand



Revenue and Gross Profit Analysis



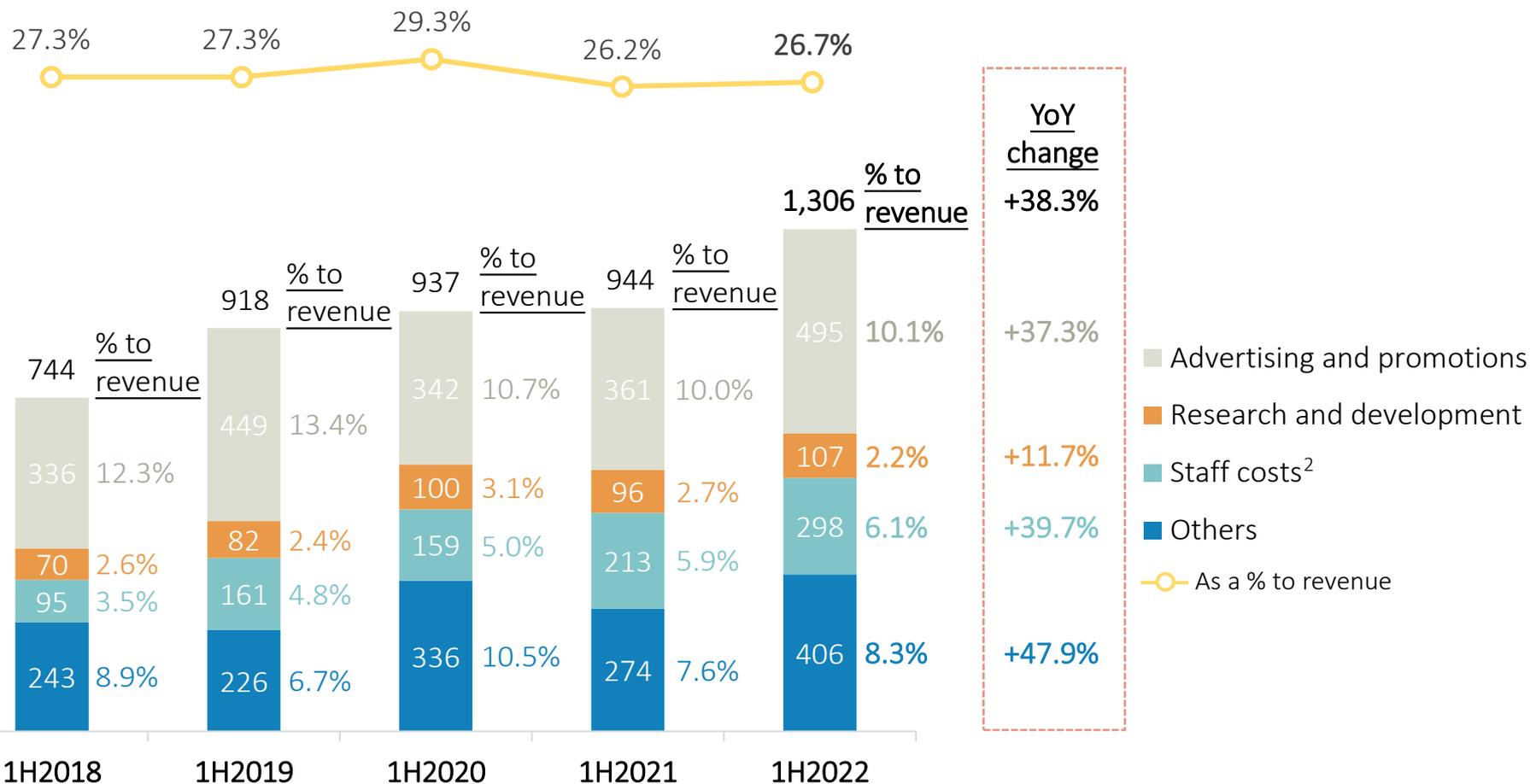
Revenue by product (RMB m)



Gross profit margin by product (%)

	1H2022	1H2021	YoY change
Footwear	42.1%	42.5%	-0.4% pt
Apparel	42.8%	40.7%	+2.1% pts
Accessories	31.8%	32.5%	-0.7% pt
Overall	42.2%	41.5%	+0.7% pt

SG&A Analysis¹ (RMB million)



¹ SG&A included corporate expenses

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

Xtep Running Ecosystem in Mainland China



160X Series
Best records in competition

RC160X

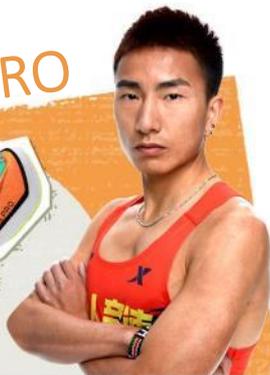


Dong Guojian

Best record among Chinese active professional marathoners

2:08:28 2019 Berlin Marathon (Germany)

160X PRO



Peng Jianhua

Best men's marathon record in China in 2020

2:08:50 2020 Nanjing Marathon & National Marathon Championships (China)

Best men's half marathon record in China in 2020

1:03:03 2020 Xiamen Huangdong Half Marathon (China)

Award-winning running shoes



160X 3.0



XRC 特步跑步俱乐部

41

Xtep Running Clubs in Mainland China

~1,500,000

Xtep Runners Club members

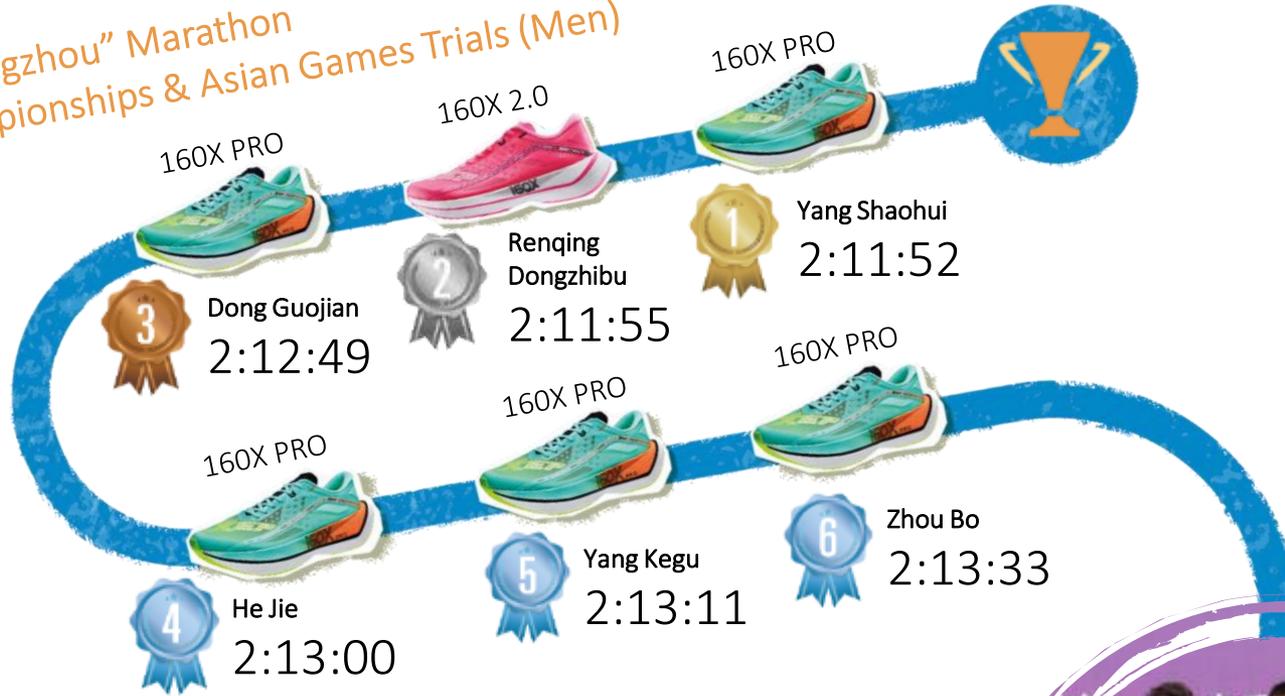


Guangzhou Xtep Running Club (231 sqm)

Sports Celebrities



“Exciting Hangzhou” Marathon World Championships & Asian Games Trials (Men)



“Exciting Hangzhou” Marathon World Championships & Asian Games Trials (Women)



* Participants who wore Xtep running shoes and achieved remarkable results

Lifestyle and Sustainable Products



- 1 Premium label “XTEP-XDNA”
- 2 “HALF-SUGAR” women’s collection
- 3 Biodegradable windbreaker made of 100% polylactic acid fiber



Retail Channel Upgrade



Ninth-generation store in Kunming, Yunnan province (231 sqm)



Ninth-generation store in Taiyuan, Shanxi province (660 sqm)



6,251

Xtep branded stores in Mainland China and overseas

- **Xtep Kids' revenue** increased by **84%** to **RMB721 million**, accounting for approximately **15%** of the core Xtep brand's revenue as of 30 June 2022
- **Dedicate efforts to R&D** on campus sports products to empower adolescents to engage in school sports
- **Increase investment in A&P** to expand into the school community through sports event sponsorships and marketing campaigns
- **New store format launches** to drive better store productivity and cross-selling opportunities



1,480

POS
in Mainland China



Outlook and Strategies



- Solidify our **running ecosystem** through enhancement on our R&D capability in running and upgrade on product design and quality
- Cooperate with national distributors to roll out more “**ninth-generation stores**”, especially in the prime shopping malls in the tier 1 & 2 cities
- **Scale up the Xtep Kids’ business** by reinforcing R&D innovation and formulating targeted marketing strategies which are aligned with government policies



Athleisure - K-Swiss & Palladium

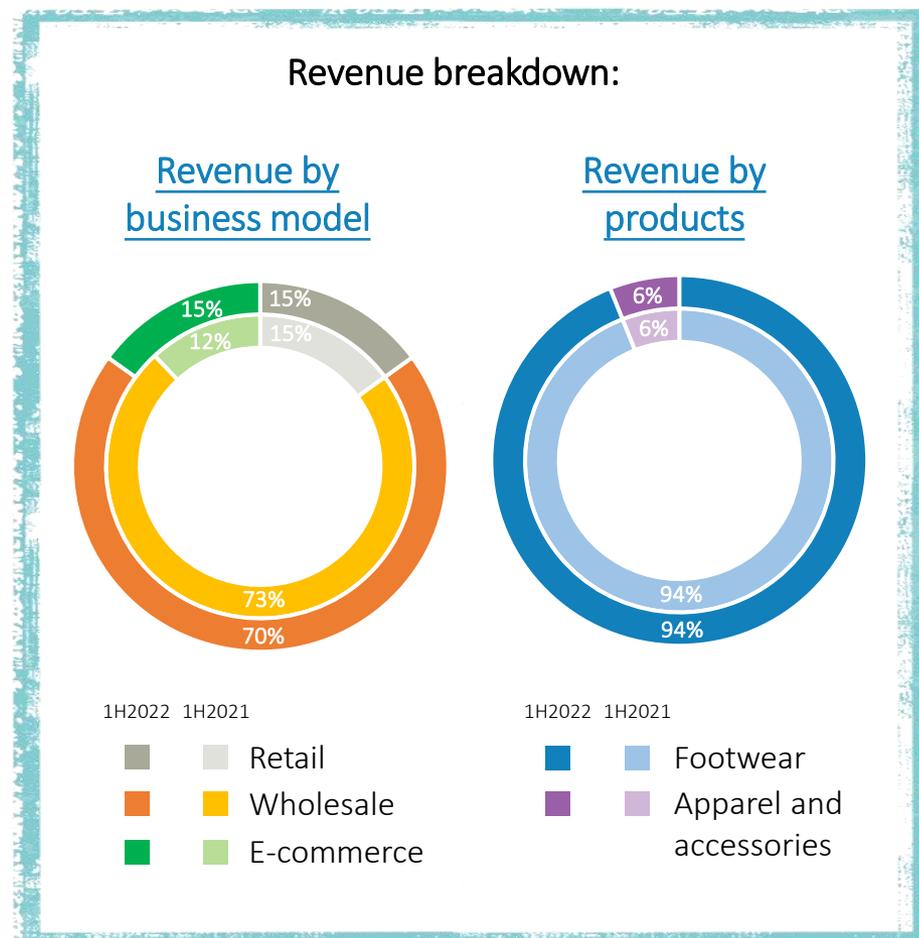


Financial Highlights



- The overseas business operations of K-Swiss and Palladium has shown an improvement due to progressive resolution of supply chain

RMB m	1H2022	1H2021	YoY change
Revenue	629	462	+36.3%
Gross profit	251	201	+24.9%
Gross profit margin	39.8%	43.5%	-3.7% pts
Operating profit / (loss)	(54)	(41)	N/A



Business Update and Strategies



- Remain **cautious about the business outlook of the athleisure segment in the short term** due to impacts of COVID-19 pandemic, geopolitical risks and slowing economic growth in the global market
- **Pilot stores for K-Swiss in Mainland China** to test operational systems and consumer preferences
- Adjust **brand positioning, product assortment, supply chain and retail network** for K-Swiss in Mainland China
- Enhance **product offering** and optimize **retail network** to sustainably scale **Palladium** for the long haul

Self-operated stores



50



71

in Asia Pacific as at 30 June 2022



Professional Sports - Saucony & Merrell

saucony **MERRELL**

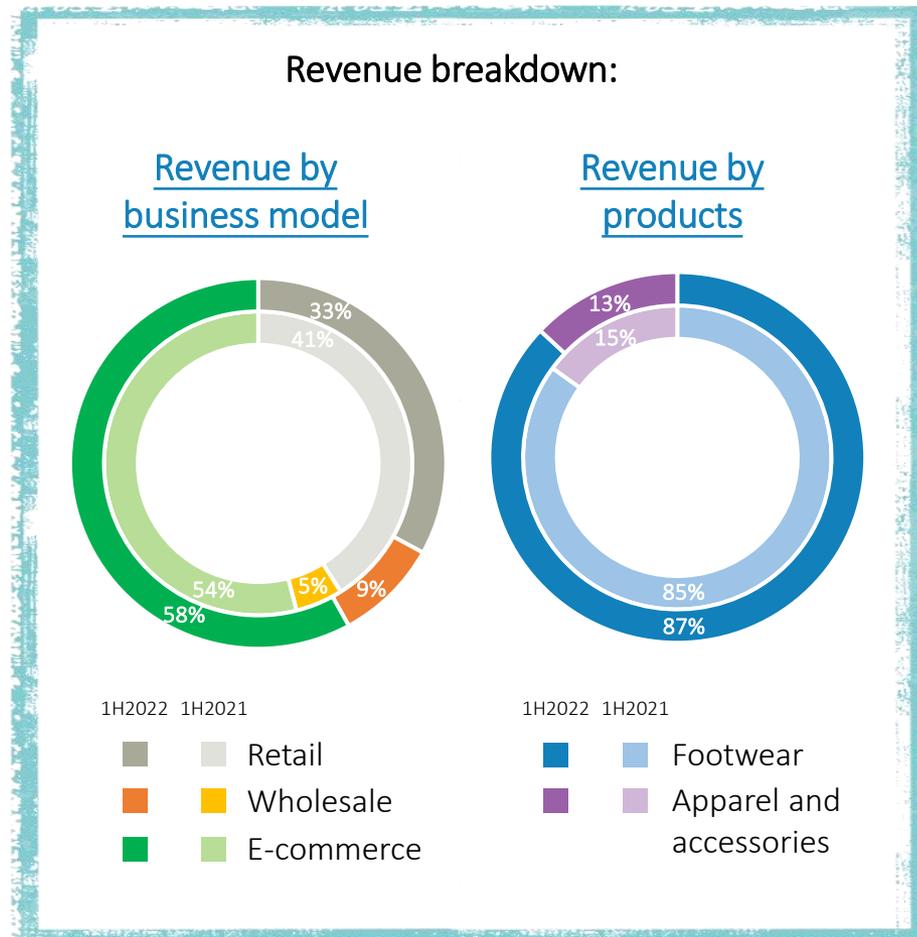


Financial Highlights

- Saucony successfully increased its brand awareness and demonstrated a resilient growth amid worsening COVID-19 outbreak in Mainland China

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

RMB m	1H2022	1H2021	YoY change
Revenue	157	76	+106.4%
Gross profit	90	43	+109.0%
Gross profit margin	57.2%	56.5%	+0.7% pt
Operating profit / (loss)	(12)	(34)	N/A



¹ For GAAP financial highlights, Please refer to P.31 of the appendix section

Business Update and Strategies

- Accelerate new store openings particularly for Saucony in higher-tier cities in Mainland China
- Expand Saucony's exposure through the Xtep Running Clubs in other cities in Mainland China
- Devote more effort to driving e-commerce expansion
- Increase apparel and localized product offerings

Self-operated stores

saucony

MERRELL

46

7

in tier I and II cities in Mainland China
as at 30 June 2022



Prospects



Prospects

- Remain **optimistic about the long-term prospects of the sportswear industry** in Mainland China, supported by favorable national policies and market trends to fuel the expansion of the Group's business
- **The remarkable success in the first year of the "5th Five-Year Plan"** boosted our confidence in accomplishing the revenue target for the core Xtep brand in 2022 and beyond
- **Core Xtep brand** will continue to be the stable growth driver, the **four new brands** will inject new impetus into the Group to steer us toward **sustainable growth**



Appendix

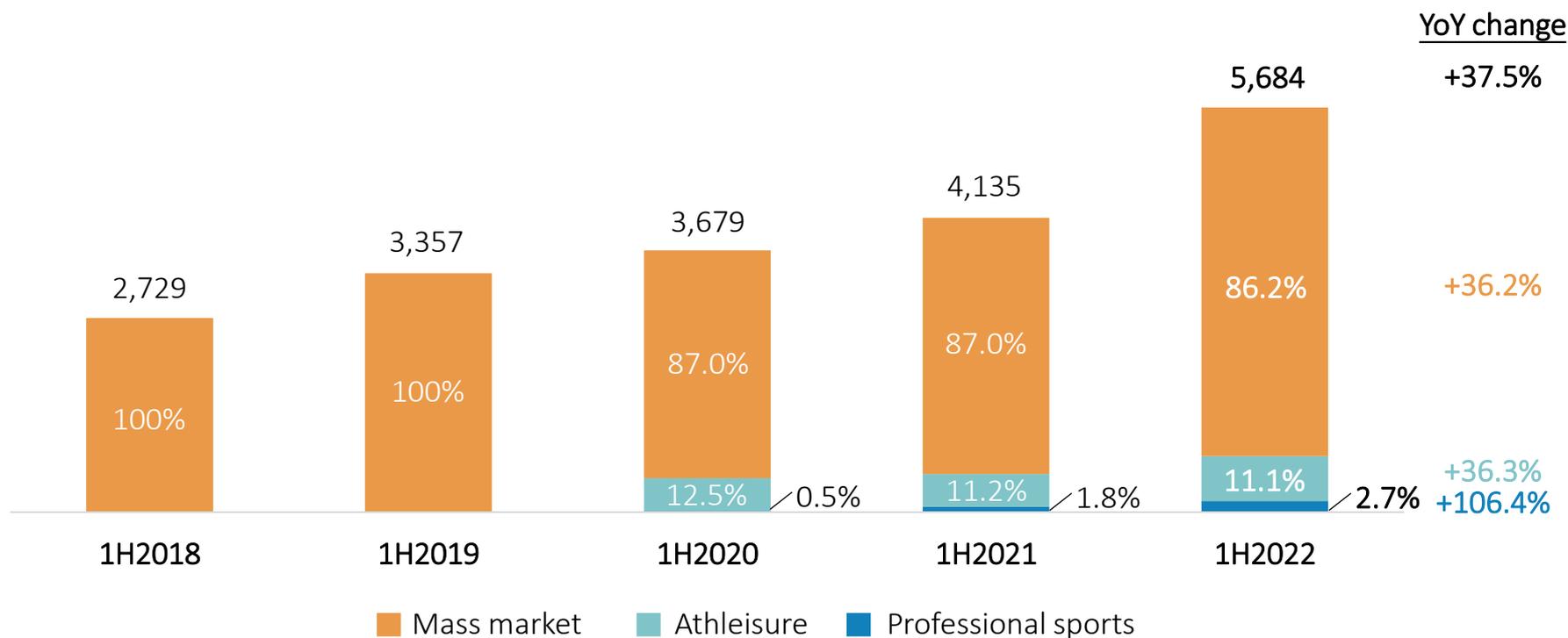


Consolidated Balance Sheet

RMB m	30 Jun 2022	31 Dec 2021	Change
Current assets	11,891	10,432	+14.0%
Current liabilities	4,917	4,053	+21.3%
Cash and cash equivalents (A)	3,303	3,930	-15.9%
Pledged bank deposits and term deposits (B)	756	533	+41.7%
Bank borrowings (C)	2,204	1,780	+23.8%
Convertible bonds (D)	776	758	+2.4%
Net cash and cash equivalents = (A)+(B)-(C)-(D)	1,079	1,925	-43.9%
Net current assets	6,975	6,379	+9.3%
Current asset ratio (times)	2.4x	2.6x	-0.2x
Gearing ratio ¹ (%)	18.9%	17.4%	+1.5% pts
Shareholders' equity	8,277	7,929	+4.4%
Net assets value per Share	RMB 3.16	RMB 3.03	+4.3%

¹ Defined as the total bank borrowings divided by the Group's total assets

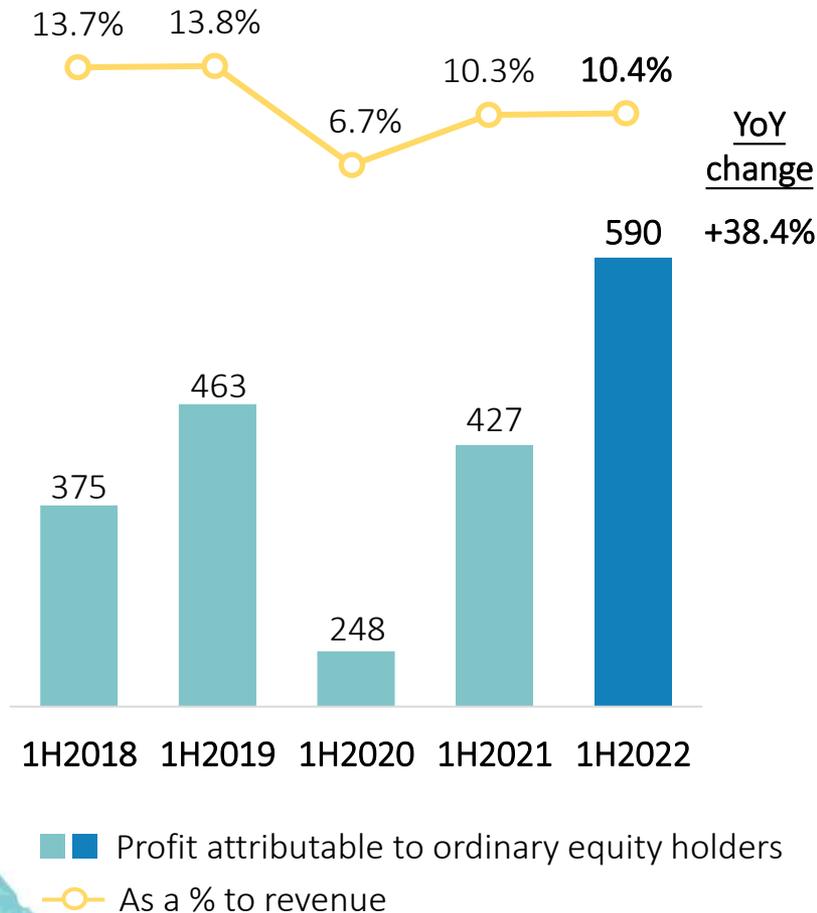
Revenue by Brand Nature (RMB m)



RMB m	1H2022	1H2021	YoY change
Mass market	4,898	3,597	+36.2%
Athleisure	629	462	+36.3%
Professional sports	157	76	+106.4%
Overall	5,684	4,135	+37.5%

Net Profit and Income Tax Breakdown (RMB m)

Profit attributable to ordinary equity holders (RMB m)

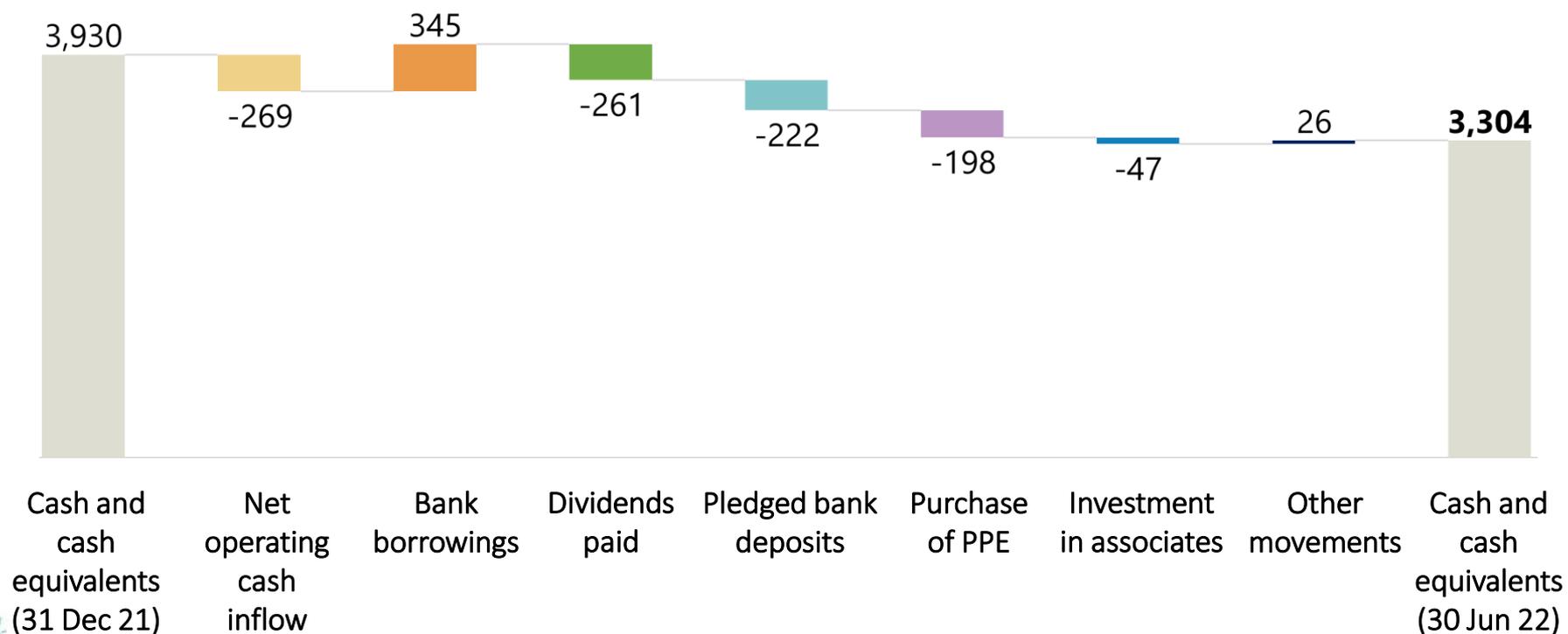


Income Tax Breakdown (RMB m)

RMB m	1H2022	1H2021
Tax provision for the period	224	183
(Over) / under provision in prior periods	(5)	4
Deferred tax	74	37
Total income tax (A)	293	224
Profit before tax (B)	882	646
Effective tax rate = (A) / (B)	33.2%	34.7%

Remark: Tax-related government subsidies in 1H2021 and 1H2022 were RMB145 m and RMB159 m, respectively

Cash Flow Analysis (RMB m)



Core Xtep Brand – Income Statement



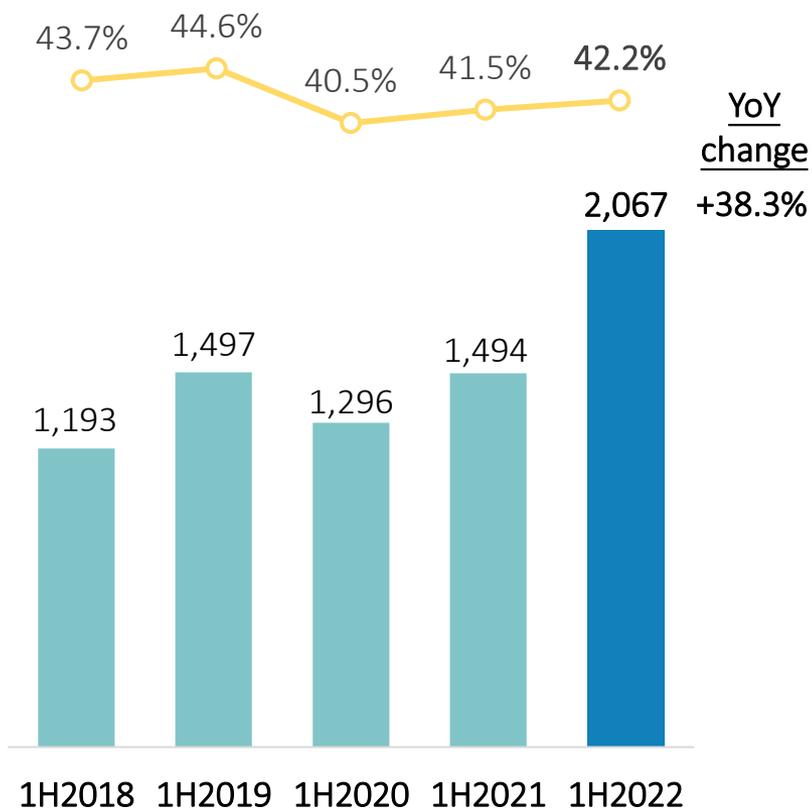
RMB m	1H2022	1H2021	YoY change
Revenue	4,898	3,597	+36.2%
Gross profit	2,067	1,494	+38.3%
Selling & distribution and general & administrative expenses (“SG&A”) ¹	1,306	944	+38.3%
Operating profit	979	735	+33.2%
Net profit	648	485	+33.6%
Gross profit margin	42.2%	41.5%	+0.7% pt
SG&A to revenue ratio	26.7%	26.2%	+0.5% pt
Operating profit margin	20.0%	20.4%	-0.4% pt
Net profit margin	13.2%	13.5%	-0.3% pt

¹ SG&A included corporate expenses

Core Xtep Brand – Profitability Analysis

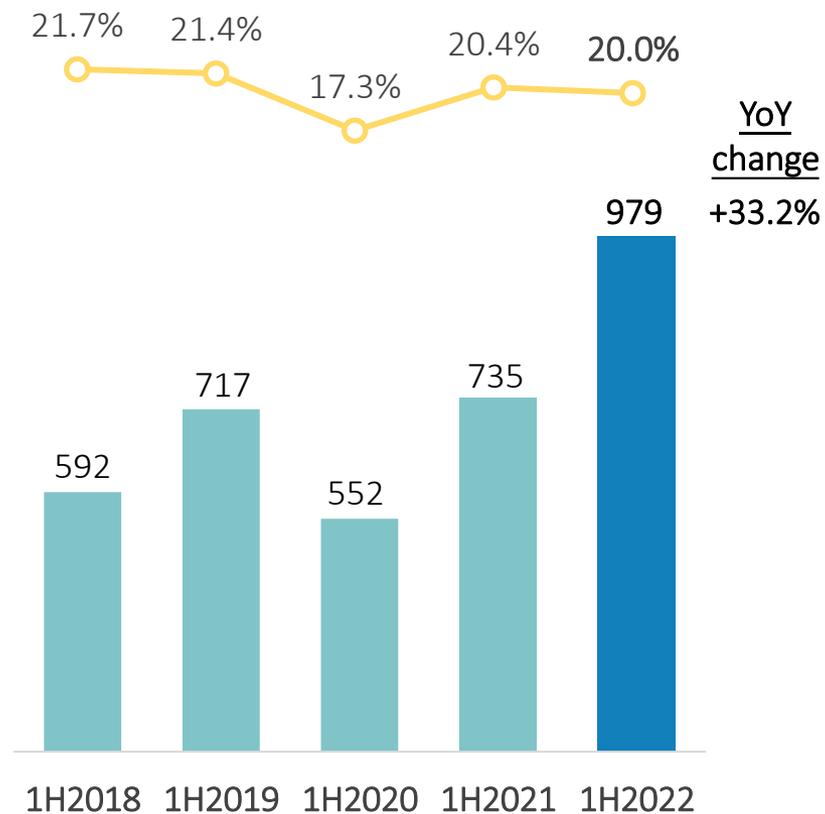


Gross profit (RMB m)



■ Gross profit
○ As a % to revenue

Operating profit (RMB m)



■ Operating profit
○ As a % to revenue

Core Xtep Brand – Mainstream Performance Products



DYNAMIC FOAM
RMB499



REACTIVE COIL
RMB499



X-FLOW
RMB499



ENERGETEX
RMB469



COMFY CUBES
RMB439



CHI FENG
RMB399



RC260
RMB699



REACTIVE COIL PRO
RMB799



FEATHER FOAM PRO
RMB599



ULTRA FAST
RMB539



160X PRO
RMB1,199



160X 3.0
RMB999



160X 2.0
RMB999



300X 2.0
RMB999

Mass market series

Professional series

Elite series

300 ————— 500 500 ————— 800 900 ————— 1,200

PRICE RANGE (RMB)

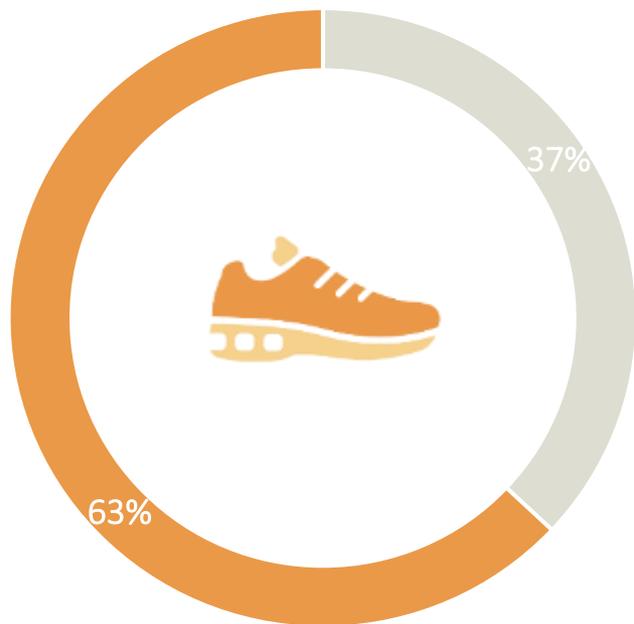
Professional Sports

Saucony & Merrell – GAAP Financial Highlights

RMB m	1H2022	1H2021	YoY change
Revenue	157	76	+106.4%
Gross profit	69	34	+101.4%
Gross profit margin	44.2%	45.4%	-1.2% pts
Operating profit / (loss)	(3)	(11)	N/A
Share of profit / (loss) of associates	(4)	(8)	N/A

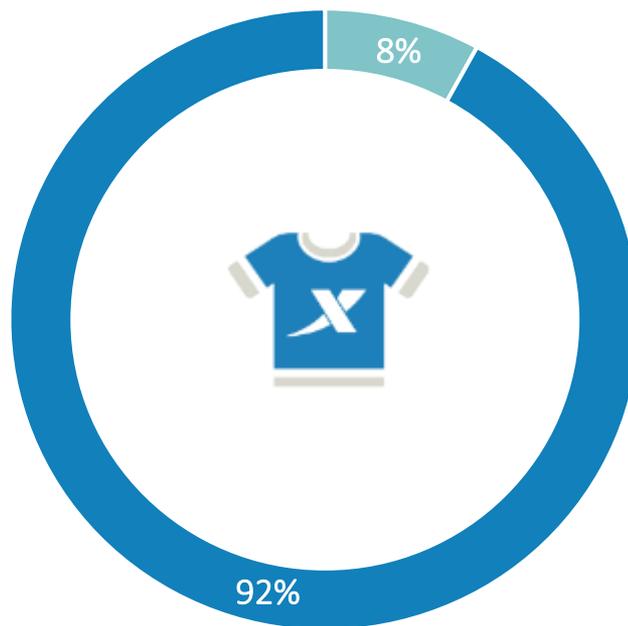
Group's Production Capacity Allocation

Footwear



- In-house
- Outsourced

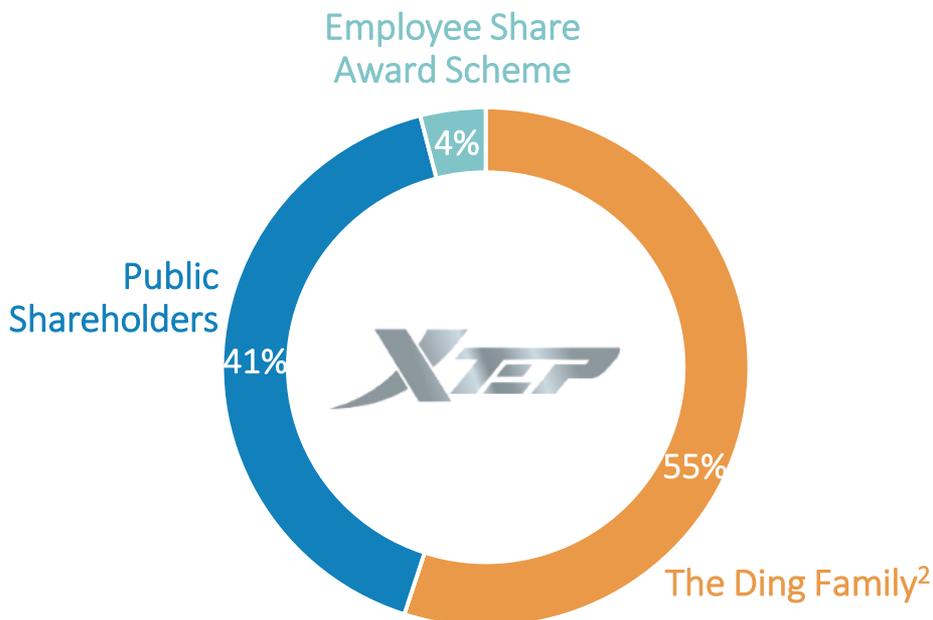
Apparel



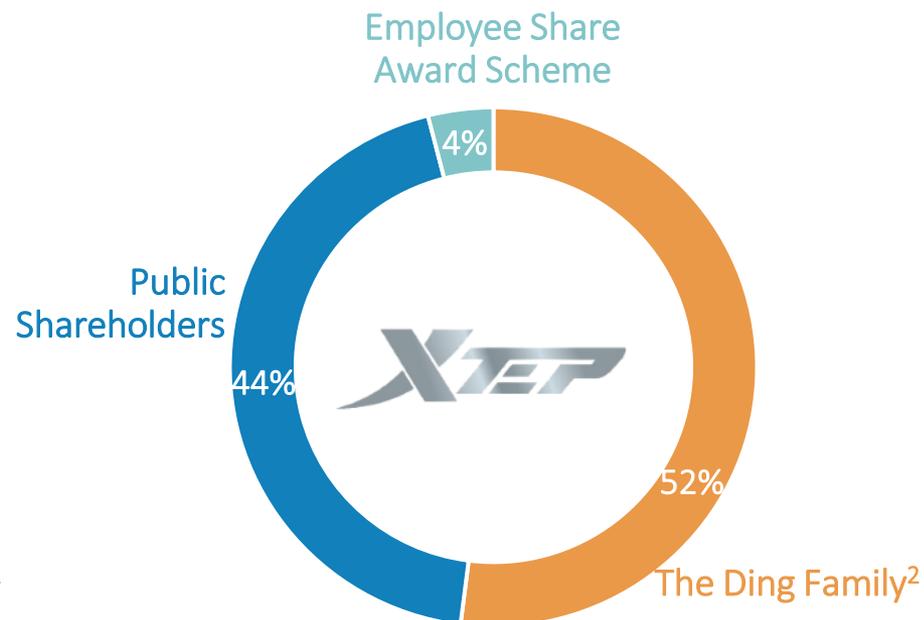
- In-house
- Outsourced

Shareholding Structure

As at 30 June 2022



As at 23 August 2022¹



Total no. of issued shares as at 30 June 2022 and 23 August 2022: 2,634,842,743

¹ Shareholding structure as of 23 August 2022 post the placing of existing shares by controlling shareholder

² Including Mr. Ding Shui Po and his family members' family trusts and related parties

Disclaimer

This presentation is prepared by Xtep International Holdings Limited (the “Company”) and is solely for the purpose of corporate communication and general reference only. The presentation is not intended as an offer to sell, or to solicit an offer to buy or form any basis of investment decision for any class of securities of the Company in any jurisdiction. All such information should not be used or relied on without professional advice. The presentation is a brief summary in nature and do not purport to be a complete description of Company, its business, its current or historical operating results or its future prospects.

This presentation is provided without any warranty or representation of any kind, either expressed or implied. The Company specifically disclaims all responsibilities in respect of any use or reliance of any information, whether financial or otherwise, contained in this presentation.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company. These forward-looking statements represent the Company’s expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, such as those that include the words “potential”, “estimated”, “expect”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Company’s results of operations are described in the “Financial Analysis”, “Business Review” and “Future Plans”.