



**Xtep International Holdings Limited**

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

**Group's Revenue Up 14.8% to RMB6,522 Million in the First half of 2023  
Professional Sports Segment Turned a Profit for the First Time**

**Highlights**

- The Group's revenue increased by 14.8% to RMB6,522.4 million (1H2022: RMB5,683.6 million). Revenue from the core Xtep brand rose by 10.9% to RMB5,429.6 million (1H2022: RMB4,897.6 million)
- Profit attributable to ordinary equity holders of the Company increased by 12.7% to RMB665.4 million (1H2022: RMB590.4 million). Net profit of the core Xtep brand grew by 12.7% to RMB871.0 million (1H2022: RMB772.6 million)
- Proposed an interim dividend of HK13.7 cents per Share (1H2022: HK13.0 cents per Share), representing a dividend payout ratio of 50.0%
- Revenue of the professional sports segment rose 119.9% to RMB344.2 million (1H2022: RMB156.5 million). With Saucony becoming the first new brand to achieve profitability, the segment recorded an operating profit of RMB19.1 million for the first time<sup>1</sup>. There were 80 and five Saucony and Merrell stores in Mainland China, respectively, as at 30 June 2023
- Revenue of the athleisure segment increased by 18.9% to RMB748.6 million (1H2022: RMB629.5 million). There were 80 and 60 K-Swiss and Palladium stores in Asia-Pacific, respectively, as at 30 June 2023
- MSCI ESG rating upgraded to "BBB" in July, demonstrating outstanding progress in ESG practice
- As at 30 June 2023, there were 6,443 Xtep Adult branded stores and 1,588 Xtep Kids branded stores in Mainland China and overseas, respectively

23 August 2023, 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 2023 ("1H2023" ; "Period").

The Group's solid financial performance in the first half of 2023 is a testament to its resilience, adaptability, and keen understanding of the evolving Chinese market. The Group's revenue was up 14.8% to RMB6,522.4 million (1H2022: RMB5,683.6 million). Revenue of the core Xtep brand rose by 10.9% to RMB5,429.6 million (1H2022: RMB4,897.6 million). The Group's gross profit margin was 42.9% (1H2022: 42.0%). Operating profit of the Group climbed by 7.0% to RMB986.6 million (1H2022: RMB921.7 million). Operating profit of the core Xtep brand increased by 9.8% to RMB1,106.3 million (1H2022: RMB1,007.5 million). Profit attributable to ordinary equity holders of the Company increased by 12.7% to RMB665.4 million (1H2022: RMB590.4 million). Net profit of the core Xtep brand grew by 12.7% to RMB871.0 million (1H2022: RMB772.6 million). Basic earnings per Share was RMB26.4 cents (1H2022: RMB23.5 cents).

The Board has declared an interim dividend of HK13.7 cents per Share (1H2022: HK13.0 cents per Share), with an option to receive scrip shares in lieu of cash, which is equivalent to a dividend payout ratio of 50.0% (1H2022: 50.3%).

**Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep International Holdings Limited**, said, "Against a backdrop of increased public health awareness in the wake of the pandemic and ample government support for the sports industry to stimulate continued demand for sportswear, our expertise in running, the fastest-growing sport of all categories, and specialization in functional products for mass market consumers seeking value for money will enable us to navigate the economic uncertainty smoothly. We remain optimistic about the medium- to long-term prospects of the sportswear sector in Mainland China.

<sup>1</sup> On a non-GAAP basis

2023 marks the 15<sup>th</sup> anniversary of our listing on the Hong Kong Stock Exchange. As a constituent of the MSCI China Index and Hang Seng Composite Index Series, our market capitalization has exceeded RMB20 billion, on the back of a soaring 10-fold increase in revenue from 2008. In July, our MSCI ESG rating was upgraded to “BBB”, demonstrating our outstanding progress in ESG practices. The Group will remain committed to maintaining our competitive edge and strong governance to take the business to new heights.”

## **Business Highlights**

### ***Mass Market***

#### **Xtep**

The core Xtep brand continues to be the Group’s key growth driver, delivering solid growth every year after the completion of its restructuring in 2017. In the first half of 2023, the Xtep “160X” running shoe remained the first choice of footwear among the top 100 male athletes who participated in Chinese marathons during the period, with a wear rate of 42%<sup>2</sup>. The wear rate of Xtep running shoes worn by participants who finished the Xiamen Marathon and Wuhan Marathon also ranked top among all brands<sup>3</sup>.

#### *Products*

The new generation “160X 5.0 PRO” and “160X 5.0” under the “160X” championship running shoe series were announced in its product launch conference in August 2023. Equipped with the “XTEP ACE” midsole technology and T700 heterogeneous carbon plate, the “160X 5.0 PRO” is lighter in weight and provides professional runners with outstanding rebound capability and around 20% higher forefoot propulsion compared to “160X 3.0 PRO”. Both models in the new collection adopt new elastic materials with high intensity, offering elite runners with perfect cushioning and breathability. The “160X” carbon fiber plate running shoe series has seen the birth of champions since its launch in 2019. Thus far, the series has helped 60 Chinese athletes claim 292 championships and break national records.

#### *Marathon events and sports celebrities*

As the impact of COVID-19 has gradually diminished, we have witnessed the resumption of numerous marathons and running events. In the first half of 2023, the Group sponsored 10 marathons in total amidst the growing demand for running events in Mainland China.

Following the success in assisting Chinese runners to break the national marathon record at the 2023 Wuxi Marathon in March 2023 – a record that had stood for over 15 years, the “160X” series continued to be one of the best performing running shoe collections in domestic and international marathons, assisting runners in claiming men’s and women’s titles at the Beijing Half Marathon, the Wuhan Marathon, Taiyuan Marathon, Baotou Marathon, and the Hohhot Marathon. In April, He Jie, Yang Shaohui and Dong Guojian claimed the top three positions of the men’s marathon race in Wuhan, making it the first time that Chinese athletes and sports brand stepped on the winner’s podium at the Wuhan Marathon. The Group also witnessed male runners take the top three positions at the Beijing Half Marathon, with Brian Kwemoui Kirui breaking the domestic half-marathon record. In addition, Yang Dinghong set a match record while claiming the championship at the Hohhot Marathon in July.

#### *Retail management and branding*

Xtep’s ninth-generation stores with larger store size and vibrant visual merchandising, such as lighting control, AI robots, digital signage and rising stages, have drastically enhanced brand image and allowed the brand to have an increase in foot traffic and cross-selling ratio. Focusing on digital-first engagement with consumers, the new-format stores have also achieved remarkable results in attracting and connecting with younger consumers. As at 30 June 2023, there were 6,443 Xtep Adult branded stores mainly operated by authorized distributors of the Group in Mainland China and overseas (31 December 2022: 6,313).

<sup>2</sup> Source: 98 Run – footwear worn by top 100 male marathoners in Mainland China in the first half of 2023

<sup>3</sup> Source: Joyrun and RunYeah

## *Xtep Kids*

Following the comprehensive restructuring of Xtep Kids – spanning products to retail network management, and an announcement by the Chinese government to aggravate the weight of physical tests in the grading of children in primary and secondary schools, we have seen a significant rise in demand for children's sportswear in recent years, which in turn has enabled the Xtep Kids business to sustain strong growth momentum. As at 30 June 2023, there were 1,588 Xtep Kids stores mainly operated by authorized distributors of the Group in Mainland China (31 December 2022: 1,520).

## *Sustainability*

Aiming to reduce its carbon footprint as an effort for environment care, Xtep put carbon footprint label on the T-shirt series with 76% polyactic acid content, announcing its carbon footprint value. Xtep has also launched an eco-friendly T-shirt series made of recycled fibers that originate from plastic bottles as licensed products for the 2023 Wuhan Marathon. In July, Xtep exclusively provided equipment support to the Chengdu FISU World University Games to help young people realize their dreams. Furthermore, Xtep is dedicated to charitable works to facilitate the all-around healthy development of children. The Group established a strategic partnership with China Next Generation Education Foundation and announced that it would further donate RMB100 million worth of sportswear in the next four years to support youth athletics development in underprivileged areas.

## **Athleisure**

### **K-Swiss and Palladium**

While geopolitical uncertainties and high inflation continued to cast a shadow over the overseas business growth of K-Swiss and Palladium, China's reopening has provided a silver lining to the performance of the domestic business. In the first half of 2023, revenue from the athleisure segment increased by 18.9% to RMB748.6 million, accounting for 11.5% of the Group's revenue.

The insightful market data collected from the K-Swiss pilot stores on customer preferences has provided a clear operational direction for the Group's future growth plans. K-Swiss and Palladium underwent a complete rebranding in Mainland China, upgrading their product portfolios and shop layouts, successfully raising brand awareness and significantly increasing shop productivity. During the Period, we continued to accelerate store openings in higher-tier cities in Mainland China. As at 30 June 2023, there were 80 K-Swiss stores in Asia-Pacific, including Mainland China.

The unremitting efforts made by Palladium to improve its product offering and retail network have enhanced its appeal to the younger generation. Targeting the high-end consumer segment in Mainland China, the brand opened more stores in premium shopping malls. As at 30 June 2023, there were 60 Palladium stores in Asia-Pacific, including Mainland China.

## **Professional Sports**

### **Saucony and Merrell**

Possessing solid product capability and synergy with the core Xtep brand, Saucony contributed significantly to the robust growth of the professional sports segment, becoming the first new brand of the Group to achieve profitability. In the first half of 2023, revenue from the professional sports segment realized a year-on-year growth of 119.9% to RMB344.2 million, accounting for 5.3% of the Group's total revenue. The segment also recorded an operating profit of RMB19.1 million for the first time<sup>4</sup>.

Over the past four years, Saucony has overcome dire challenges brought by the pandemic and achieved brilliant results that exceeded expectations. With impressive store performance and increasing recognition among elite runners, Saucony has demonstrated strong growth potential in Mainland China. To facilitate rapid business expansion, Saucony became the first brand under the Group to utilize the newly opened Xtep Shanghai Operation Center in May. This strategic move enables us to better reach its target consumers in

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<sup>4</sup> On a non-GAAP basis

higher-tier cities, stay up to date with the latest market trends, and provide better working experiences and career development opportunities for employees.

We have also continued to expand Saucony's retail network while unveiling its store revamp model in Mainland China. The first third-generation image store was opened at Shanghai Super Brand Mall in June, reflecting an evolution of the store layout from a professional sports image that emphasizes technology and functionality to a comprehensive sports venue that provides consumers with multi-scenario experiences, immersing them in culture and life. As at 30 June 2023, there were 80 Saucony stores and five Merrell stores in Mainland China.

## **Prospects**

Witnessing a running boom gradually gaining momentum in Mainland China, the Group has strategically focused on running since the establishment of the core Xtep brand in 2001. During the COVID-19 pandemic, individuals in China have paid increasing attention to the pursuit of spiritual satisfaction through sports. As a result, the resumption of marathon races following Mainland China's reopening has further accelerated the running craze sweeping the country, bringing hope for the prosperity of the running industry. Although the economic uncertainty has led us to remain cautiously optimistic about the industry outlook in the second half of 2023, the suspension of discretionary spending of the consumers in favor of mass market brands that offer value-for-money products will allow the core Xtep brand to reap the maximum benefit. Our foresight in focusing on running and the favorable market trends is strengthening our confidence in the Group's future growth in the long run.

Leveraging its leading position in professional running products, the core Xtep brand has extended its reach to mass market consumers by offering a comprehensive range of value-for-money products. Its outstanding wear rate in major marathons is expected to continue to increase, which will further enhance its market share in the running segment. We will remain committed to consolidating its running ecosystem and building the largest running community in Mainland China. At the same time, the Group will continue to maximize the synergy between the core Xtep brand and Saucony, from product innovation and the retail network to marketing. As the first of all the Group's new brands to turn a profit, we are hopeful about Saucony's ability to drive growth and capitalize on the growing demand for professional sportswear by accelerating new store openings.

The decline in discretionary spending by consumers in the US and Europe amid rising interest rates has clouded the outlook for the overseas athleisure business. However, the strong growth momentum of K-Swiss and Palladium in Mainland China has boosted our confidence in the sustainable development of the segment. We will continue to accelerate the opening of new stores in higher-tier cities and adjust the product mix according to their respective brand attributes. K-Swiss will launch professional tennis sportswear to emphasize the brand's tennis DNA, while Palladium will launch products reflecting the preferences of younger consumers.

The Chinese government's pledge to stimulate consumption and economic recovery provides new impetus to the retail sector. Encouraged by the measures to revive consumption, we continue to hold a positive view for the long-term prospect of the sportswear sector in Mainland China. As we seek to capitalize on the opportunities presented by the economic recovery, we will also remain committed to advancing our sustainability management and making a positive impact on the environment and the communities in which we operate. As sustainability becomes a top priority in our business planning and strategies, it will guide us towards a sustainable future and help generate higher returns for shareholders.

- End -

**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 in 2008. The Group principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products covering footwear, apparel and accessories for adults and children. With a diverse brand portfolio encompassing the core Xtep brand, K-Swiss, Palladium, Saucony and Merrell to strategically target the mass market, athleisure and professional sports segments, the Group has an extensive global distribution network and more than 8,200 stores in Asia-Pacific, North America and EMEA.

Xtep is a constituent of the MSCI China Index and Hang Seng Composite Index Series, and is an eligible stock under the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect. For more information, please visit Xtep's corporate website: [www.xtep.com.hk](http://www.xtep.com.hk) or scan the Group's Wechat QR code below.



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## Appendix

### 2023 Interim Results Financial Highlights

For the Six Months Ended 30 June	1H2023	1H2022	YoY Change
<b>Profitability Data (RMB million)</b>			
Revenue	6,522.4	5,683.6	+14.8%
Gross Profit	2,797.1	2,386.8	+17.2%
Operating Profit	986.6	921.7	+7.0%
Profit Attributable to Ordinary Equity Holders	665.4	590.4	+12.7%
Basic Earnings per Share (RMB cents)	26.4	23.5	+12.3%
<b>Profitability Ratios</b>			
Gross Profit Margin	42.9%	42.0%	+0.9% pt
Operating Profit Margin	15.1%	16.2%	-1.1% pts
Net Profit Margin	10.2%	10.4%	-0.2% pt
	As at 30 June 2023	As at 31 December 2022	Change
Net cash and cash equivalents	1,177.3	1,225.7	-3.9%

### Group Revenue & Gross Profit Margin Breakdown

#### By product

For the Six Months Ended 30 June	1H2023	1H2022	YoY Change
<b>Footwear</b>			
Revenue (RMB million)	3,889.3	3,379.8	+15.1%
Gross Profit Margin	41.7%	41.8%	-0.1% pt
<b>Apparel</b>			
Revenue (RMB million)	2,497.0	2,186.5	+14.2%
Gross Profit Margin	45.0%	42.8%	+2.2% pts
<b>Accessories</b>			
Revenue (RMB million)	136.1	117.3	+16.1%
Gross Profit Margin	37.8%	33.2%	+4.6% pts

#### By brand nature

For the Six Months Ended 30 June	1H2023	1H2022	YoY Change
<b>Mass Market</b>			
Revenue (RMB million)	5,429.6	4,897.6	+10.9%
Gross Profit Margin	43.1%	42.2%	+0.9% pt
<b>Athleisure</b>			
Revenue (RMB million)	748.6	629.5	+18.9%
Gross Profit Margin	42.0%	39.8%	+2.2% pts
<b>Professional Sports</b>			
Revenue (RMB million)	344.2	156.5	+119.9%
Gross Profit Margin	42.0%	44.2%	-2.2% pts