



Xtep International Holdings Limited

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 1368.HK

2024 Interim Results Presentation

20 August 2024

2024 Interim Results Highlights



Group's revenue

RMB **7,203** m

▲ **10.4%**



Gross profit margin

46.0%

▲ **3.1% pts**



Profit attributable to ordinary equity holders of the Company

RMB **752** m

▲ **13.0%**



Net operating cash inflow

RMB **826** m

▲ **211.6%**



Interim dividend per Share

HK **15.6** cents

Payout ratio: 50.0%



MSCI ESG rating

Upgraded to **“A”**

China business
Core Xtep brand achieving steady performance and new brands sustaining high growth



Core Xtep brand's revenue

▲ **6.6%**

RMB **5,789** m



Professional sports segment's revenue

▲ **72.2%**

RMB **593** m

Financial Review



Consolidated Income Statement

RMB m	1H2024	1H2023	YoY change
Revenue	7,203	6,522	▲ 10.4%
Gross profit	3,314	2,797	▲ 18.5%
Selling & distribution and general & administrative expenses (“SG&A”)	2,495	2,147	▲ 16.2%
Operating profit	1,094	987	▲ 10.9%
Profit attributable to ordinary equity holders	752	665	▲ 13.0%
Basic earnings per Share	RMB 29.7 cents	RMB 26.4 cents	▲ 12.5%
Gross profit margin	46.0%	42.9%	▲ 3.1 % pts
SG&A to revenue ratio	34.6%	32.9%	▲ 1.7 % pts
Operating profit margin	15.2%	15.1%	▲ 0.1 % pt
Net profit margin	10.4%	10.2%	▲ 0.2 % pt

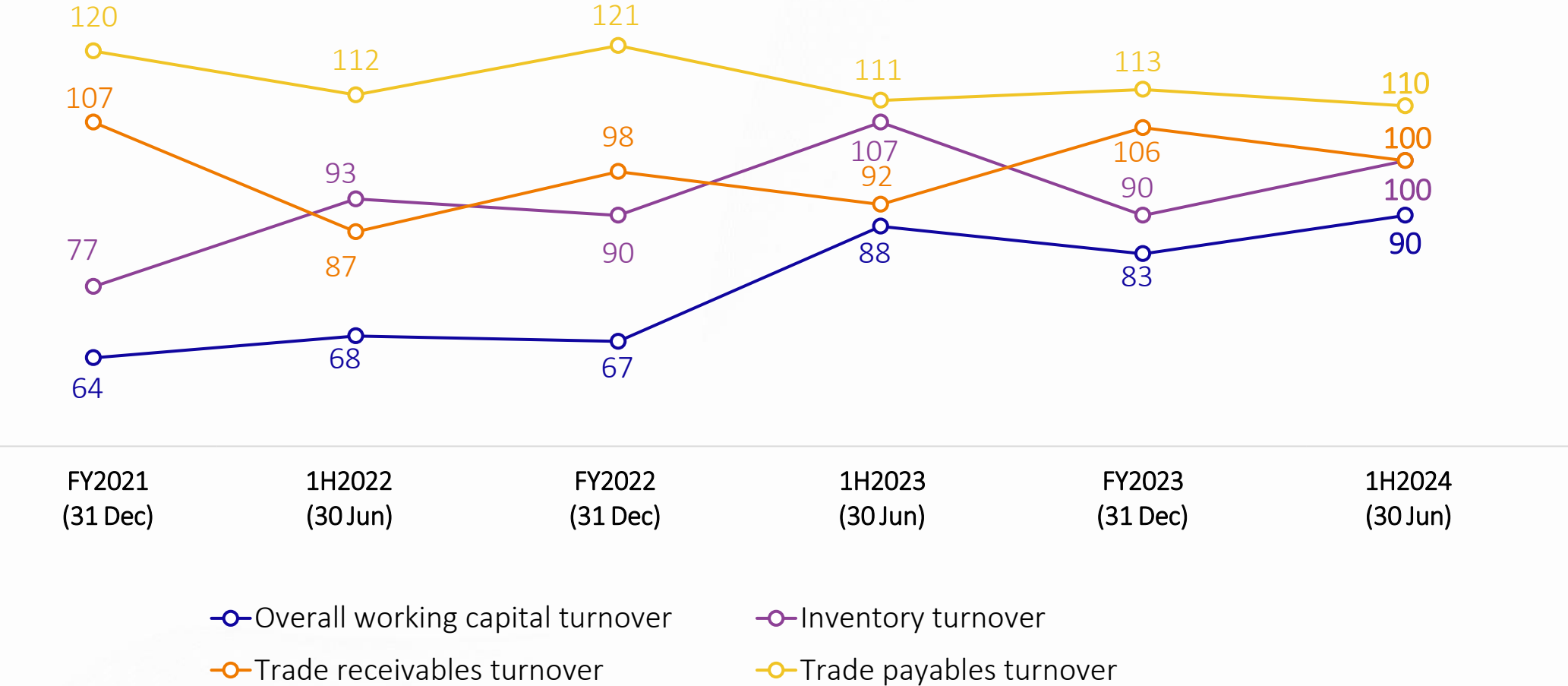
Consolidated Balance Sheet

RMB m	30 Jun 2024	31 Dec 2023	Change
Current assets	12,197	12,044	▲ 1.3%
Current liabilities	6,197	6,311*	▼ 1.8%
Cash and cash equivalents (A)	3,660	3,294	▲ 11.1%
Structured bank deposits, pledged bank deposits and term deposits (B)	700	1,162	▼ 39.7%
Bank borrowings (C)	2,047	2,645	▼ 22.6%
Convertible bonds (D)	899	879	▲ 2.2%
Net cash and cash equivalents = (A)+(B)-(C)-(D)	1,414	932	▲ 51.7%
Net current assets	6,000	5,733*	▲ 4.7%
Current asset ratio (times)	2.0x	1.9x*	▲ 0.1x
Shareholders' equity	9,441	8,863	▲ 6.5%
Net assets value per Share	RMB 3.57	RMB 3.38	▲ 5.6%

* Remark: The company amended its accounting policy in accordance with the Amendments to IAS 1, reclassifying its K-Swiss Convertible Bonds from non-current to current liabilities due to the bonds being convertible at the bondholder's option at any time. This reclassification increased current liabilities and reduced non-current liabilities by RMB466,273,000 as of 30 June 2024 and by RMB460,424,000 as of 31 December 2023, without affecting the company's earnings, cash flows, or equity attributable to shareholders.






Group's Working Capital Analysis¹

Working capital turnover (day)



¹ Remark: Turnover days are calculated on a 12-month rolling basis

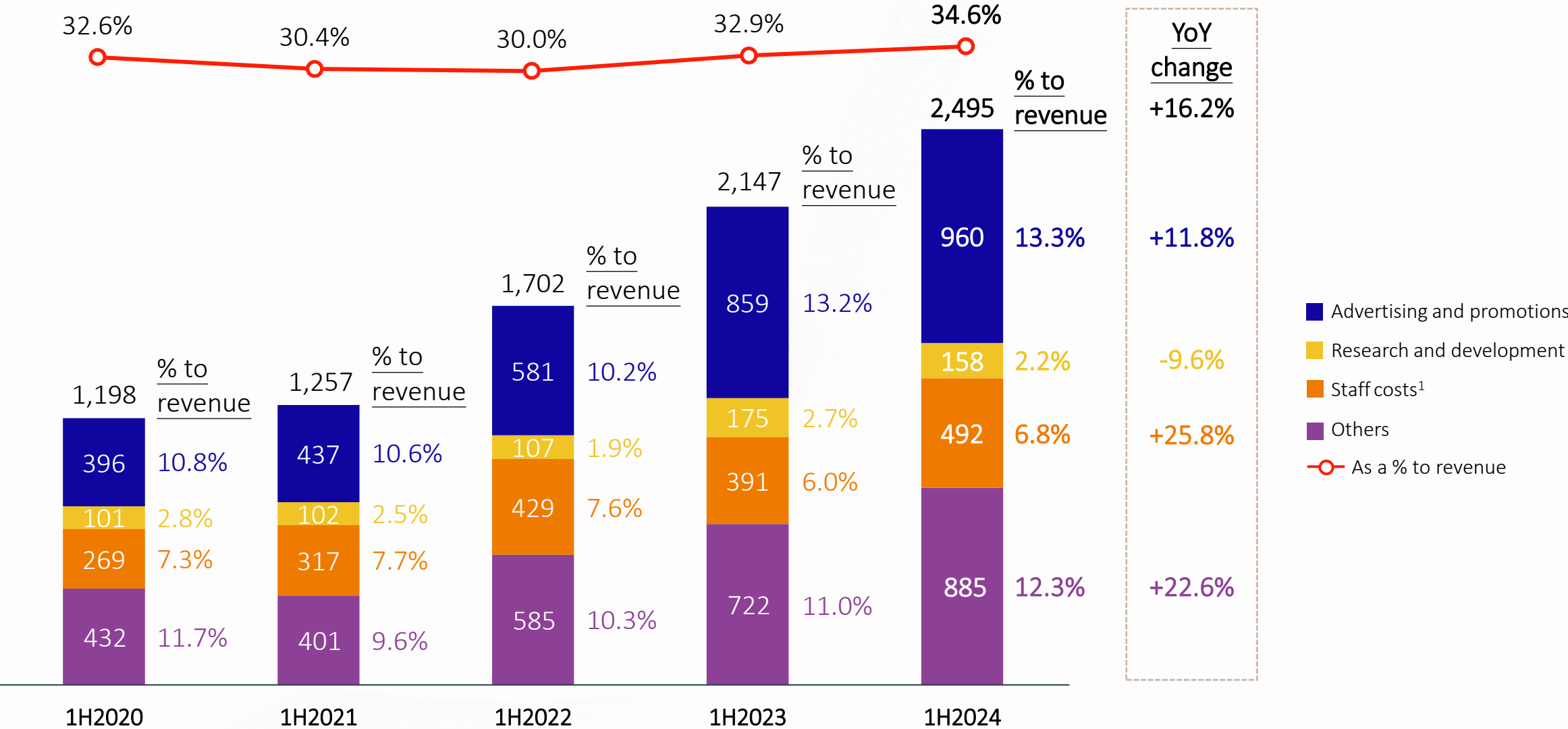
Segment Performance¹ (RMB m)

	Mass market			Professional sports ²			Athleisure		
				 			 		
	1H2024	1H2023	YoY change	1H2024	1H2023	YoY change	1H2024	1H2023	YoY change
Revenue	5,789	5,430	▲ 6.6%	593	344	▲ 72.2%	821	748	▲ 9.7%
Gross profit	2,539	2,338	▲ 8.6%	337	197	▲ 70.8%	439	314	▲ 39.6%
Gross profit margin	43.9%	43.1%	▲ 0.8% pt	56.8%	57.2%	▼ 0.4% pt	53.4%	42.0%	▲ 11.4% pts
Operating profit / (loss)	1,190	1,106	▲ 7.6%	23	19	▲ 22.4%	(99)	(66)	N/A
Operating profit margin	20.6%	20.4%	▲ 0.2% pt	3.9%	5.5%	▼ 1.6% pts	N/A	N/A	N/A
Net profit / (loss)	934	871	▲ 7.3%	32	19	▲ 65.8%	(104)	(73)	N/A
Net profit margin	16.1%	16.0%	▲ 0.1% pt	5.4%	5.6%	▼ 0.2% pt	N/A	N/A	N/A

¹ Excluding (i) corporate expenses, (ii) net financial costs and (iii) tax expenses amounted to RMB110 m and RMB142 m in 1H2024 and 1H2023, respectively

² For professional sports segment's GAAP financial highlights, please refer to P. 32 of the appendix section

Group's SG&A Analysis (RMB m)



¹ Excluding the staff costs related to manufacturing and R&D

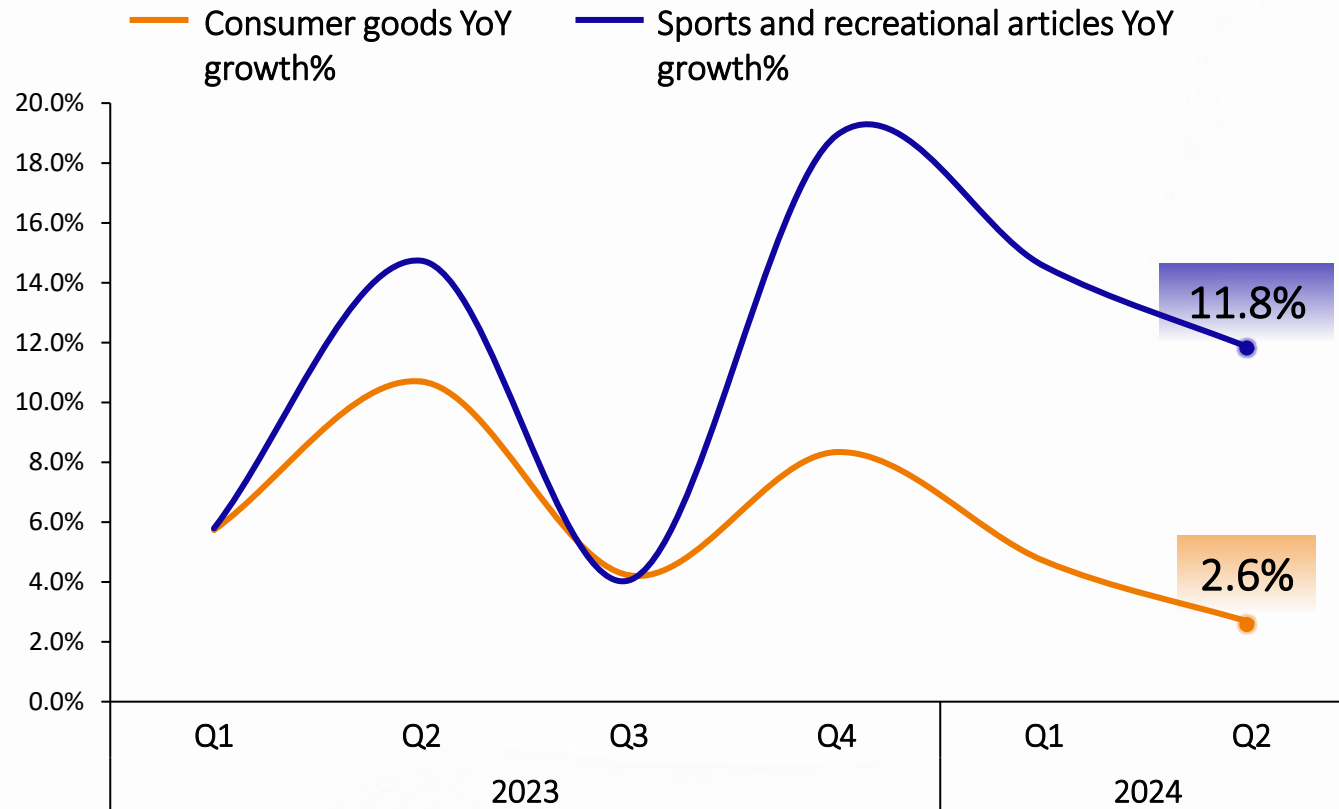
Market & Business Review



Market Development

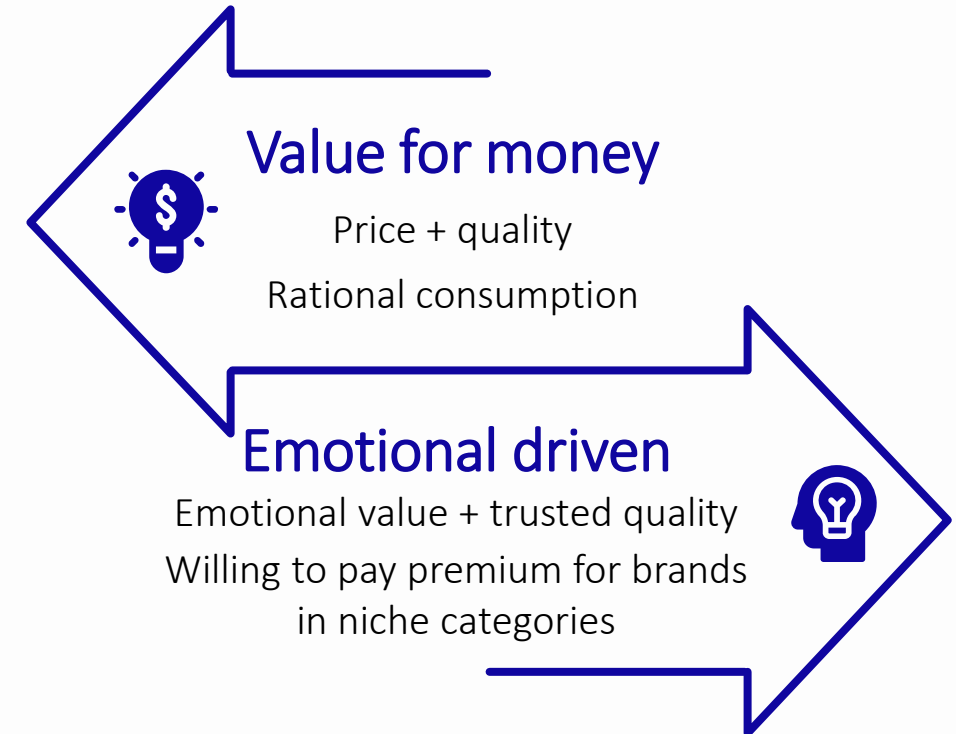
Sportswear outperformed consumer goods in retail sales growth

Retail sales growth for consumer goods and sports and recreational articles from 2023Q1 to 2024Q2¹



¹Source: National Bureau of Statistics

Consumption polarizing trend among Chinese consumers



Xtep capitalizes on the polarizing trend with its multi-brand strategy that complements the mass and premium markets

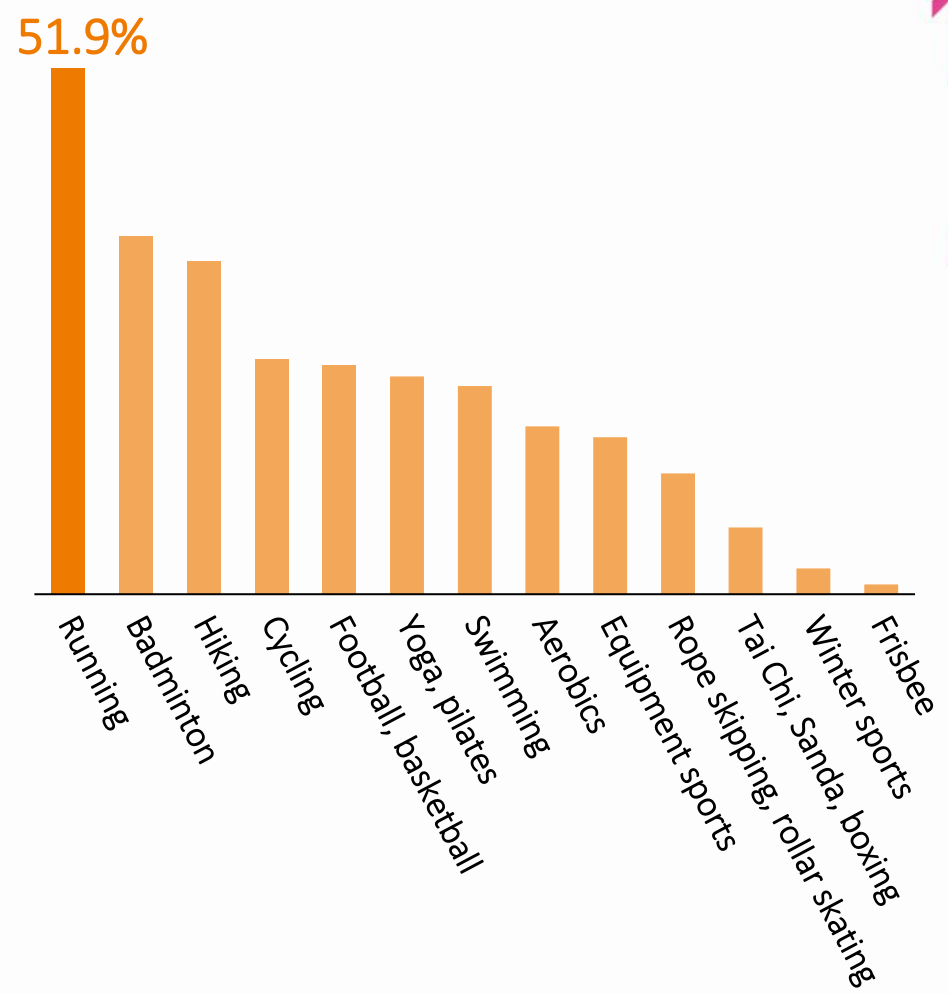
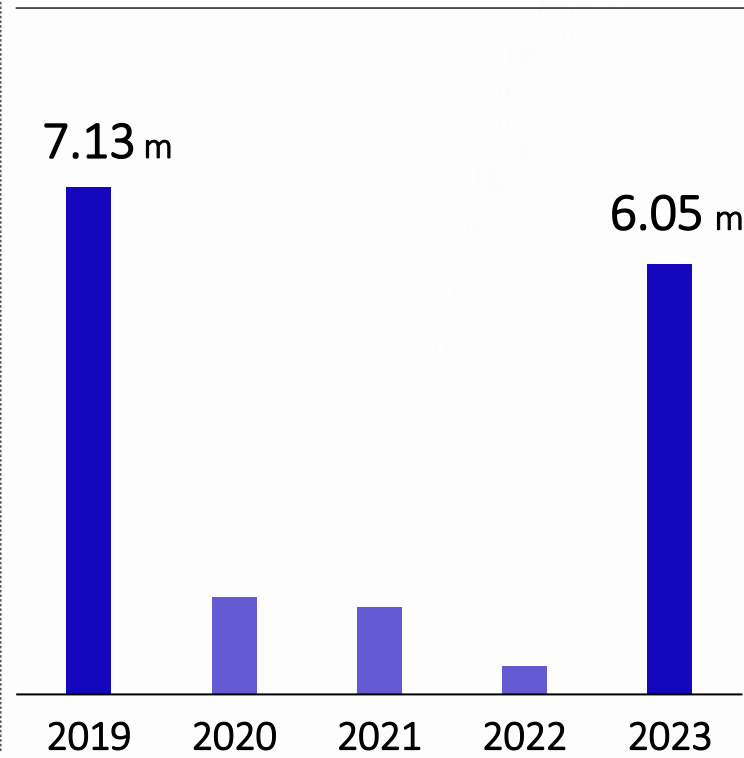
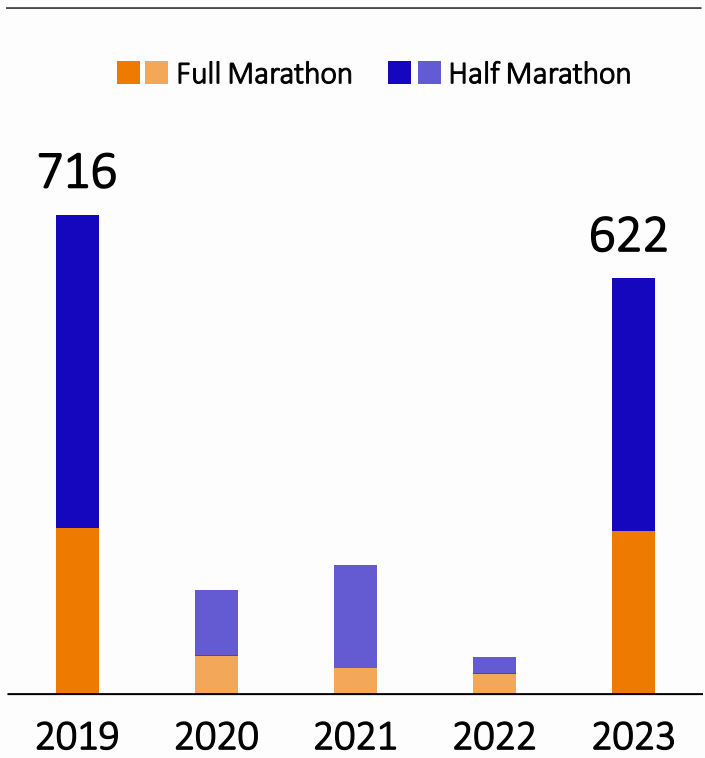
Market Development

Number of marathons and participants reach pre-pandemic levels

Running is the most preferred sport among Chinese people²

Number of marathons from 2019 to 2023¹

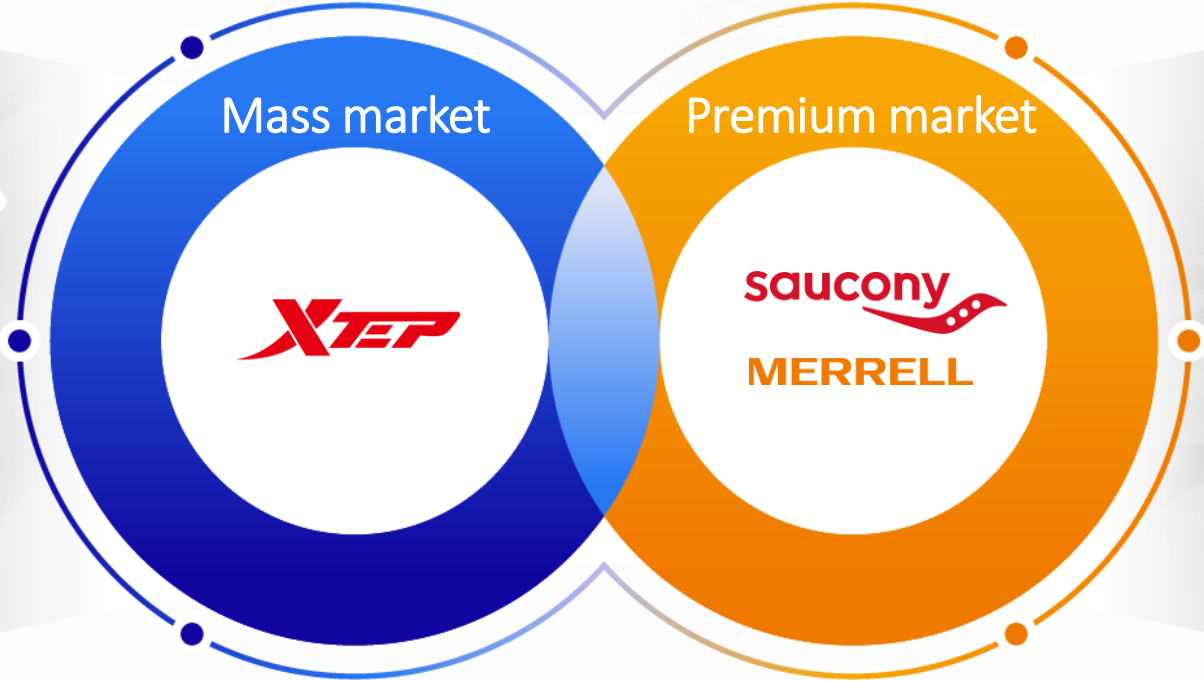
Number of participants in road races from 2019 to 2023¹



¹Source: Chinese Athletics Association

²Source: CCTV Finance 2023

Continuous focus on running



No. 1 running brand in China



Core Xtep Brand – Target the Mass Market with Running Focus

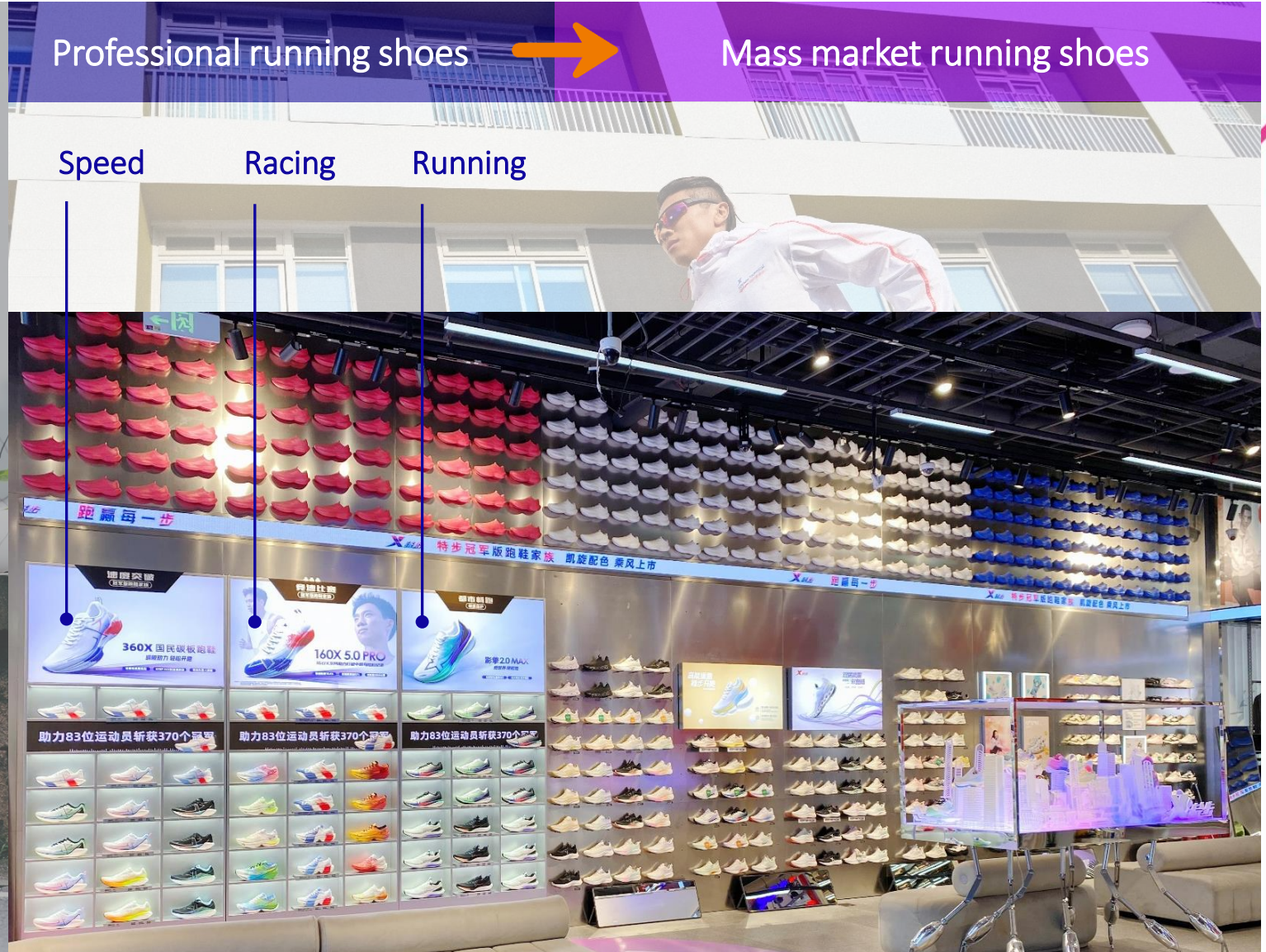


Championship Running Shoes

	160X 5.0 PRO	Sub-3:30 full-marathon runners Long-distance race
	160X 5.0	Sub-4:30 full-marathon runners Speed training
	260X	Marathon Long-distance running
	360X	Running within 15km Physical examinations
	ULTRA FAST 5.0	Running within 10km Exercise and fitness

Professional running shoes → Mass market running shoes

Speed Racing Running



The image shows a retail store interior with a large wall display of shoes. The display is organized into three columns labeled 'Speed', 'Racing', and 'Running'. The shoes are arranged in rows, with some shoes highlighted in red, white, and blue. Below the wall display are several digital screens and more shoe displays. The store is well-lit and modern.

Core Xtep Brand – Largest Running Ecosystem in China



67

Xtep Running Clubs



2,100,000+

Xtep Runners Club members



5,700+

Xtep Runners Groups



56

Elite athletes sponsorships



Core Xtep Brand – Retail Network and Xtep Kids



Enlarged store area with image upgrade

6,578 adult branded stores in Mainland China and overseas



Store in Harbin, Heilongjiang province (623 sqm)



Xtep Kids as expert in child growth and development in sports

1,706 kids branded stores in Mainland China

Core Xtep Brand – E-commerce



E-commerce revenue saw robust growth



▲ 20%+

E-commerce business revenue contribution



30%+

New sales channels developing rapidly



▲ 80%+

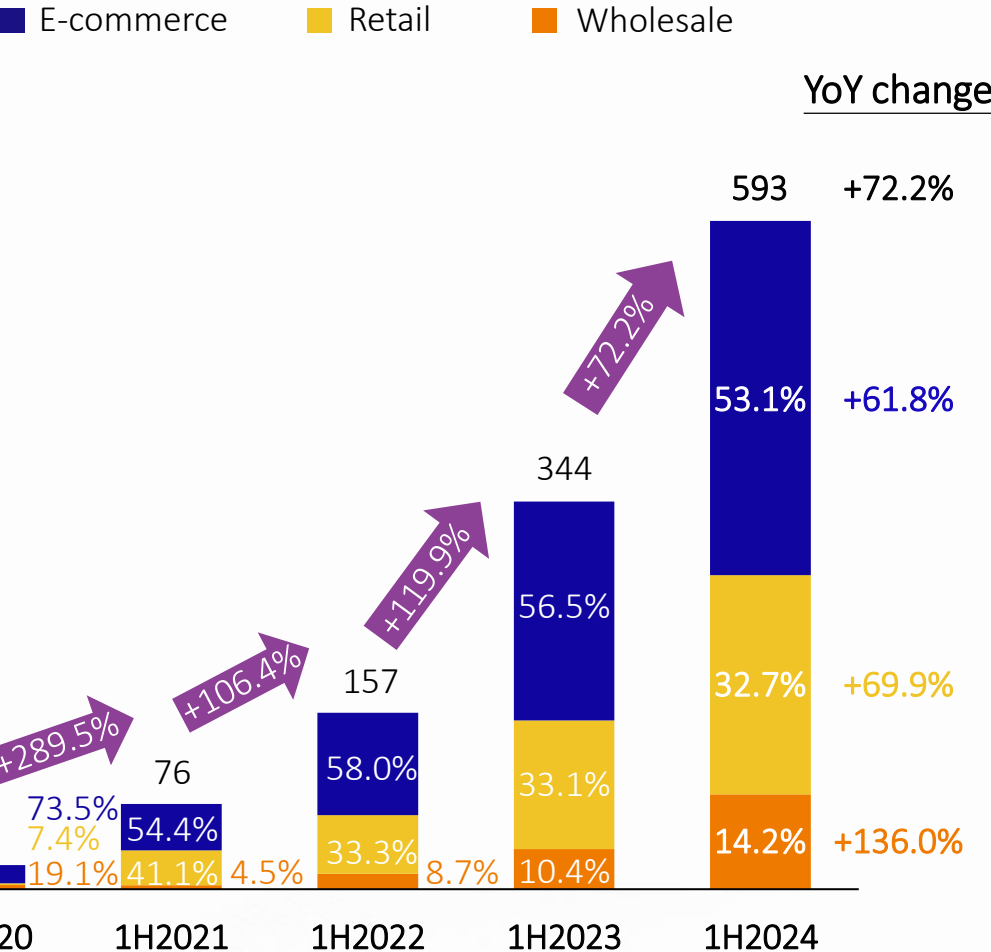
618 Shopping Festival

Core Xtep brand's GMV (online) ▲ 40%+



Saucony & Merrell – Business Update

Revenue breakdown by business model (RMB m)



Group's second growth driver demonstrating resilient growth
128 branded stores in Mainland China

Saucony – Brand Upgrade with “Dual Elite” Positioning



Brand positioning for “Dual Elite”
Running elites + social elites

Mainland China
No.3 among
all runners

Boston
No.2 among
all runners

London
No.3 among
all runners



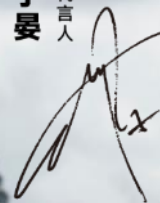
Brand strategy and upgrade

Marketing
campaign

New product
launch
Triumph 22

Channel
upgrade

SAUCONY 索康尼 品牌代言人
彭于晏



Merrell – Professional Outdoors Sports Focus

MERRELL

Expand product line for various outdoor scenarios
Strengthen trail running and outdoor products



Adopt sales-driven approach to enhance supply chain flexibility



Focus on e-commerce to sustain strong momentum

K·SWISS & Palladium – Business Update



Athleisure segment's revenue



Revenue growth from Mainland China



Revenue contribution from Mainland China



K·SWISS

105

Branded stores in Asia Pacific



114

Branded stores in Asia Pacific



Sustainability



Sustainability – Key Achievements in 1H2024

Sustainability ratings and collaborating institutions



MSCI ESG Ratings **upgraded to "A"**



Ranked **above 80%** of peers in textiles, apparel, and luxury goods



Joined United Nations Global Compact (UNGC)

Governance

Published "Supplier Corporate Social Responsibility Management Handbook" and "Anti-fraud Management System"



Environmental



160X 5.0 and 260X eco-friendly racing shoe
Replace petroleum-based materials with bio-based materials

Carbon reduction
11.6 - 13.1g per pair



Sponsored over 30,000 participants with recycled fibers T-shirts in Xiamen Marathon

Carbon reduction
1.8kg per 1kg

Solar power production at Hunan Factory

Solar power
210,000 kWh

Social



Female staff
56%

Female in management
35%

Charity donations
RMB 28.8 m

Marathon sponsorships
13 events



Prospects



Prospects

Continuous focus on running

No.1 running brand in China

Target the mass market with running focus

Xtep to expand product portfolio and offer value-for-money products



Prioritize resources and strategies

Strategic divestiture of K·SWISS and Palladium to unlock the Group's synergies and growth potentials

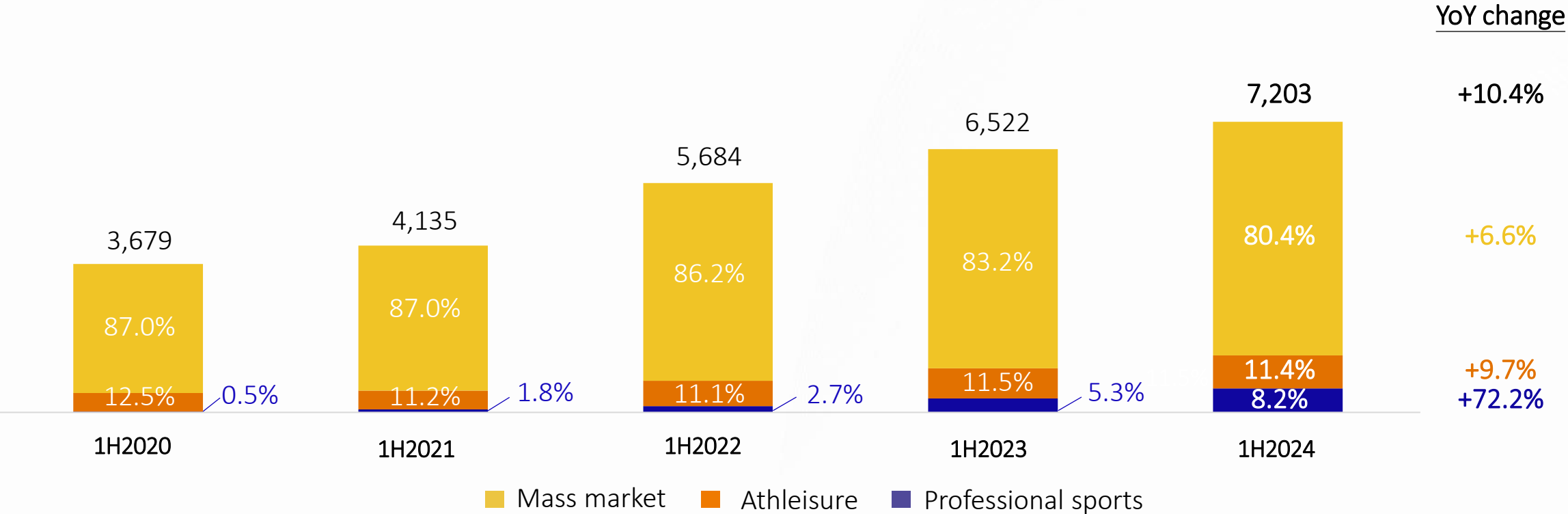
The second growth driver

Saucony to maintain its resilience with brand strategy

Appendix



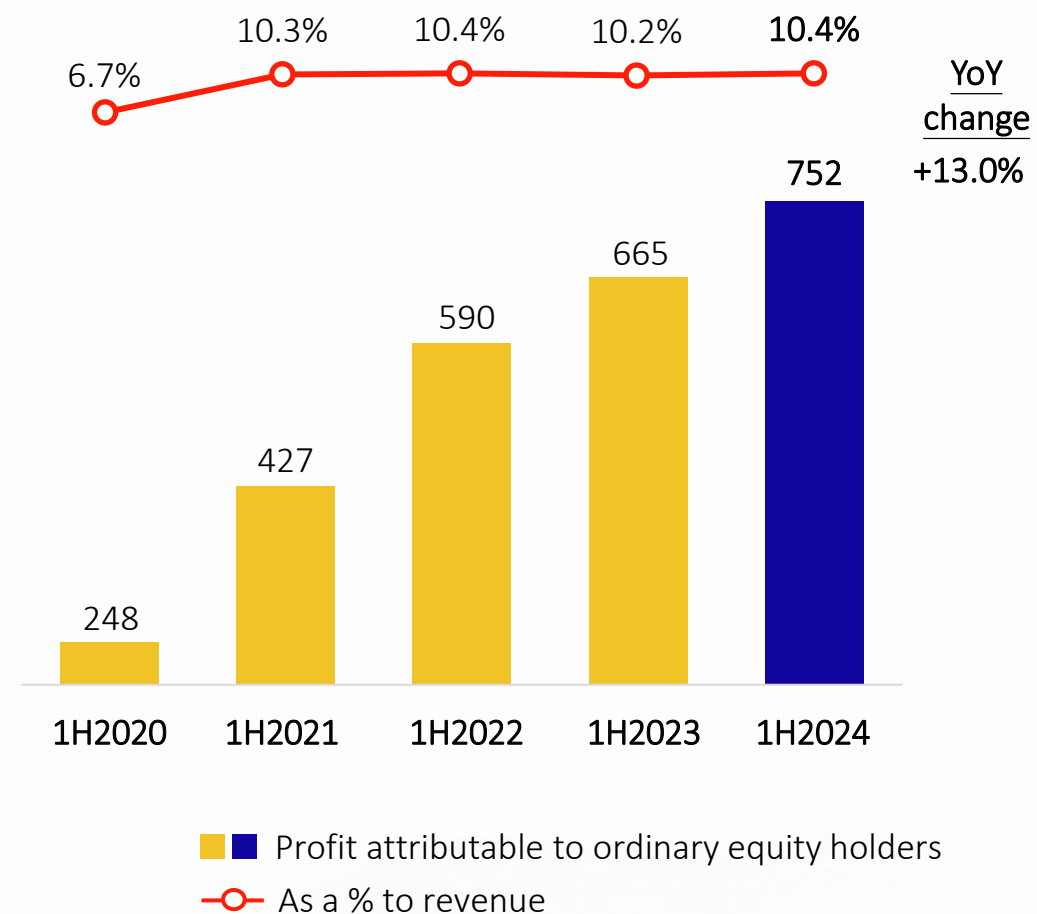
Group's Revenue by Brand Nature (RMB m)



RMB m	1H2024	1H2023	YoY change
Mass market	5,789	5,430	▲ 6.6%
Athleisure	821	748	▲ 9.7%
Professional sports	593	344	▲ 72.2%
Overall	7,203	6,522	▲ 10.4%

Group's Net Profit and Income Tax Breakdown

Profit attributable to ordinary equity holders (RMB m)



Income Tax Breakdown (RMB m)

RMB m	1H2024	1H2023
Tax provision for the period	257	233
(Over) / under provision in prior periods	4	(3)
Deferred tax	33	16
Total income tax (A)	294	246
Profit before tax (B)	1,046	917
Effective tax rate = (A) / (B)	28.1%	26.8%

Core Xtep Brand – Income Statement



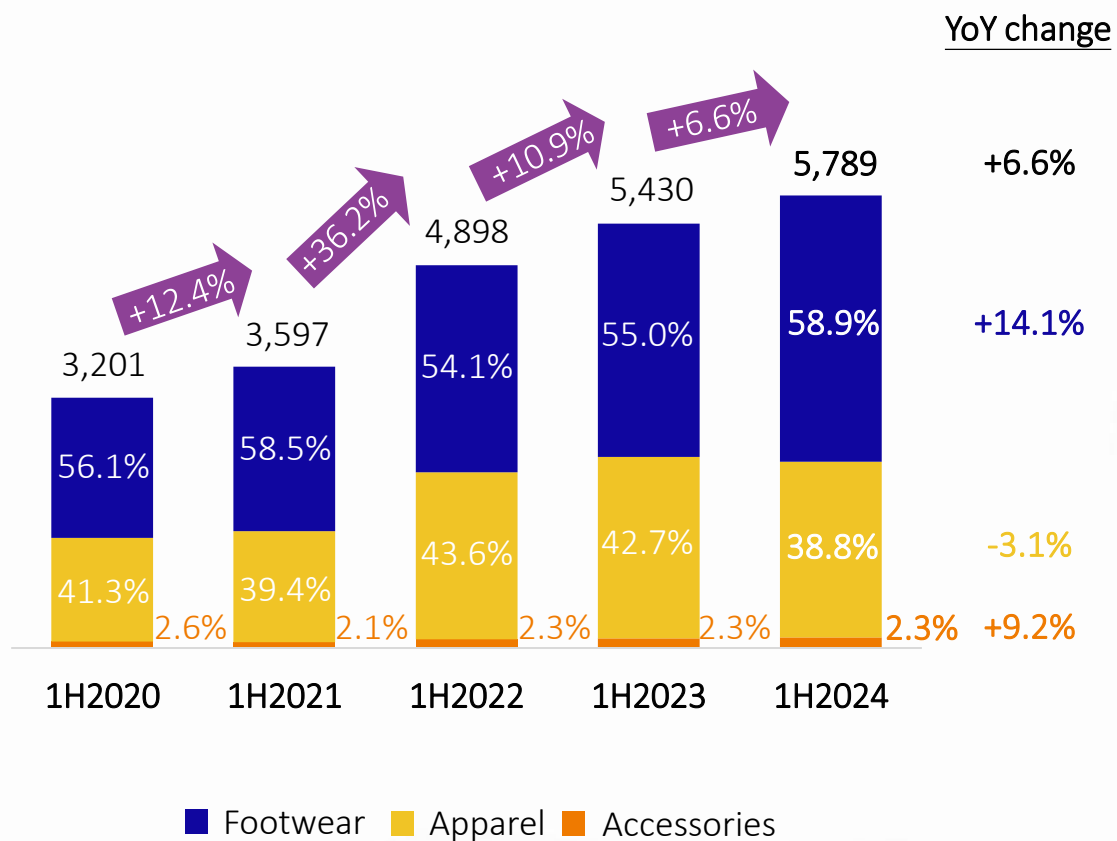
RMB m	1H2024	1H2023	YoY change
Revenue	5,789	5,430	▲ 6.6%
Gross profit	2,539	2,338	▲ 8.6%
Selling & distribution and general & administrative expenses (“SG&A”) ¹	1,629	1,568	▲ 3.9%
Operating profit	1,190	1,106	▲ 7.6%
Net profit	934	871	▲ 7.3%
Gross profit margin	43.9%	43.1%	▲ 0.8% pt
SG&A to revenue ratio	28.1%	28.9%	▼ 0.8% pt
Operating profit margin	20.6%	20.4%	▲ 0.2% pt
Net profit margin	16.1%	16.0%	▲ 0.1% pt

¹ SG&A excluded corporate expenses

Core Xtep Brand – Revenue and Gross Profit Analysis



Revenue by product (RMB m)



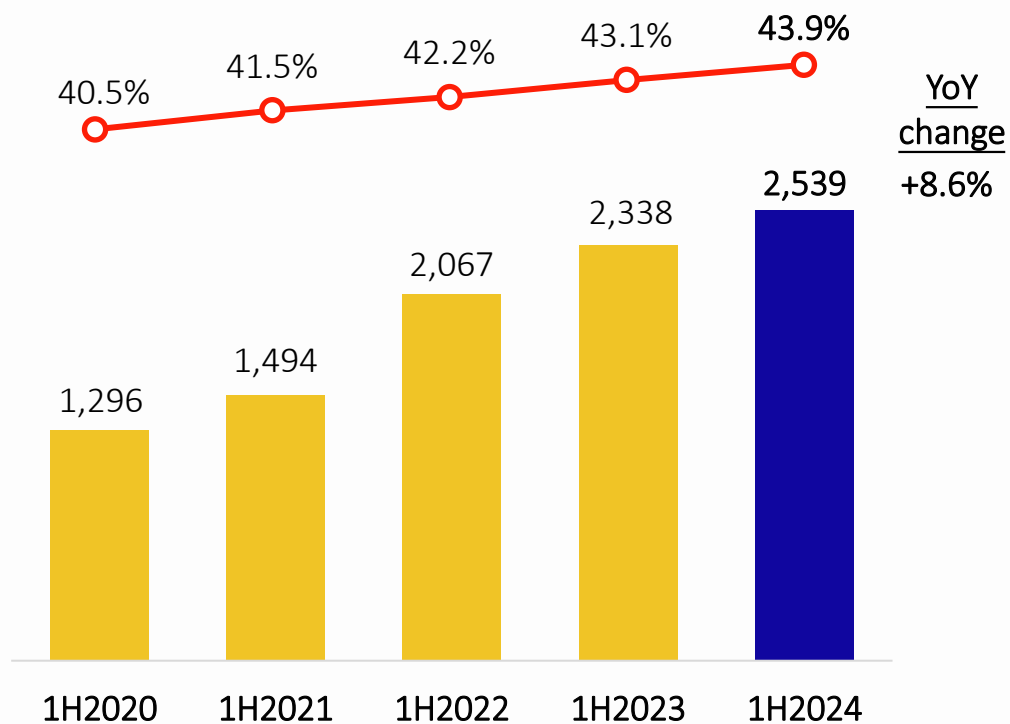
Gross profit margin by product (%)

	1H2024	1H2023	YoY change
Footwear	44.0%	42.4%	▲ 1.6% pts
Apparel	44.3%	44.3%	No change
Accessories	33.7%	35.8%	▼ 2.1% pts
Overall	43.9%	43.1%	▲ 0.8% pt

Core Xtep Brand – Profitability Analysis

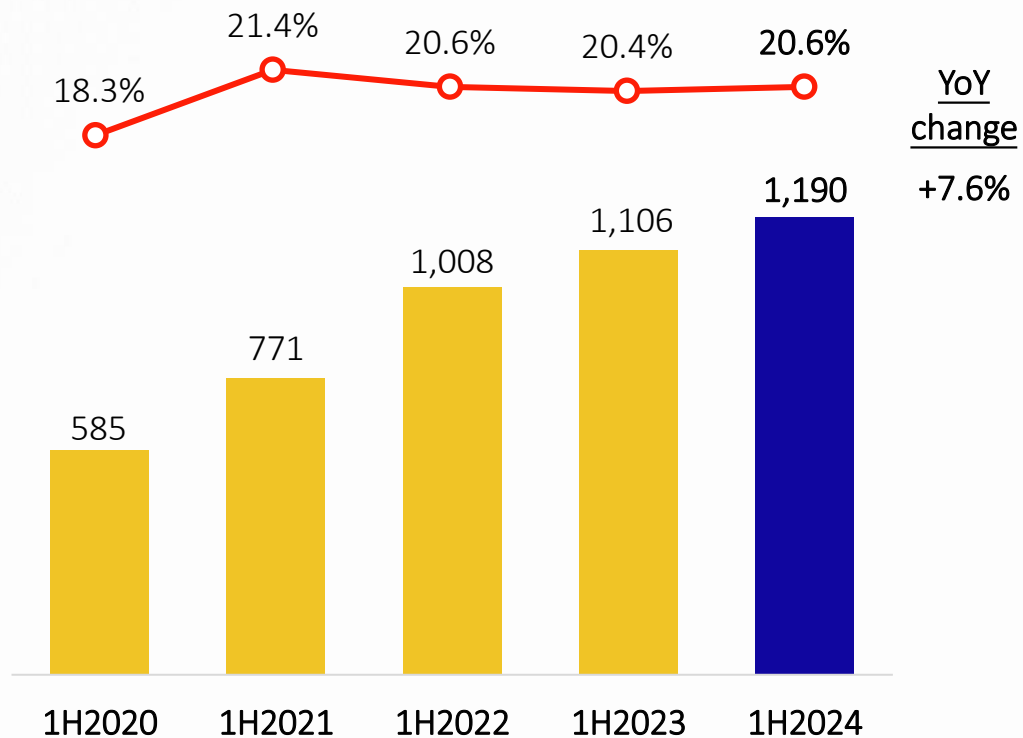


Gross profit (RMB m)



■ Gross profit
○ As a % to revenue

Operating profit¹ (RMB m)



■ Operating profit
○ As a % to revenue

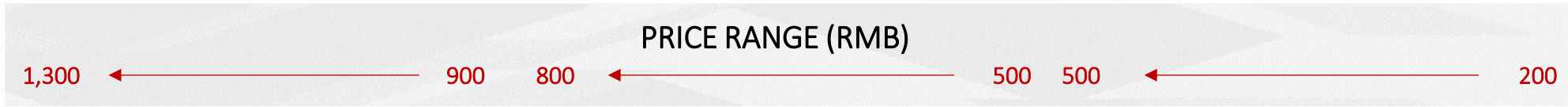
¹ Operating profit excluded corporate expenses

Saucony & Merrell – GAAP Income Statement



RMB m	1H2024	1H2023	YoY change
Revenue	593	344	▲ 72.2%
Gross profit	337	145	▲ 132.6%
Gross profit margin	56.8%	42.0%	▲ 14.8% pts
Operating profit	23	13	▲ 75.5%
Operating profit margin	3.9%	3.9%	No change
Net profit	32	9	▲ 251.5%
Net profit margin	5.4%	2.6%	▲ 2.8% pts

Core Xtep Brand – Mainstream Performance Products



Elite series

Professional series

Mass market series

	160X 6.0 PRO RMB1,299	
	160X 5.0 PRO RMB1,299	
	160X 3.0 PRO RMB1,299	
	160X 6.0 RMB999	
	160X 5.0 RMB999	
	160X 3.0 RMB999	
	160X 2.0 RMB999	

	260X RMB799	
	XTEP 100 2.0 PRO RMB799	
	260 2.0 RMB699	
	260 RMB699	
	REACTIVE COIL 10 PRO RMB699	
	FEATHER FOAM MAX RMB599	
	360X RMB599	

	ULTRA FAST 5.0 RMB499
	2,000KM RMB499
	REACTOVE COIL 11 RMB499
	FEATHER FOAM RMB439
	LIU YUN RMB439
	ULTRA FAST LITE RMB399
	XING YUN RMB299

The shoes are equipped with carbon fiber plate

Saucony – Comprehensive Collection



Professional series

Commuter & lifestyle series

Original series

Racing

RMB 2,099 ← RMB 1,699



ENDORPHIN ELITE 4
RMB 2,099



ENDORPHIN PRO 4
RMB 1,699



ENDORPHIN PRO 3
RMB 1,699

Training

RMB 1,399 ← RMB 890

Speed Cushion Stability



ENDORPHIN SPEED 4
RMB 1,399



SLAY 2
RMB 990



KINVARA 15
RMB 890



TRIUMPH 22
RMB 1,390



IDLING 2
RMB 1,099



RIDE 17
RMB 999



TEMPUS
RMB 1,399



GUIDE 17
RMB 999

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

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



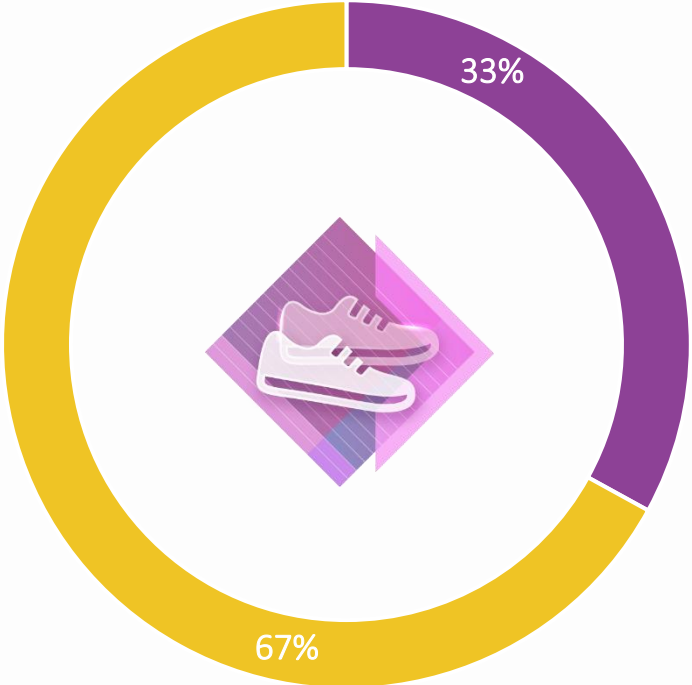
CHILLTIME
RMB 699



JAZZ RENEW
RMB 599

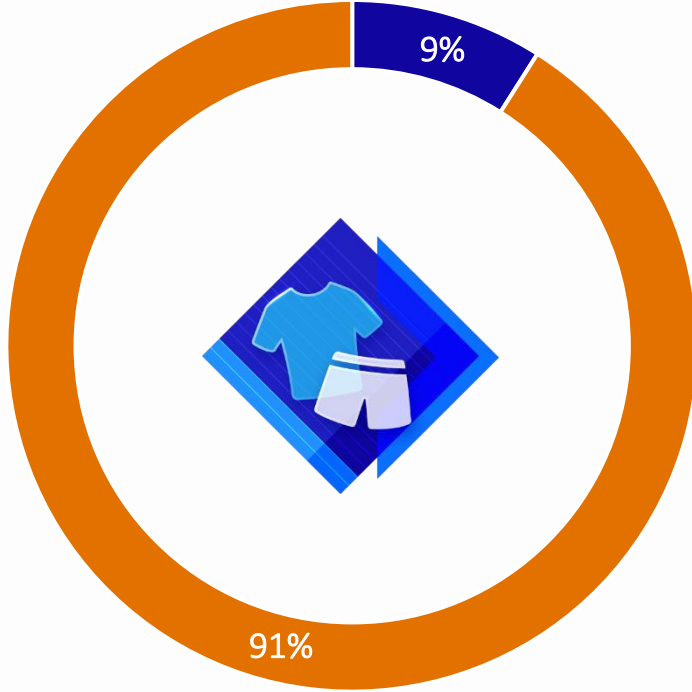
Group's Production Capacity Allocation

Footwear



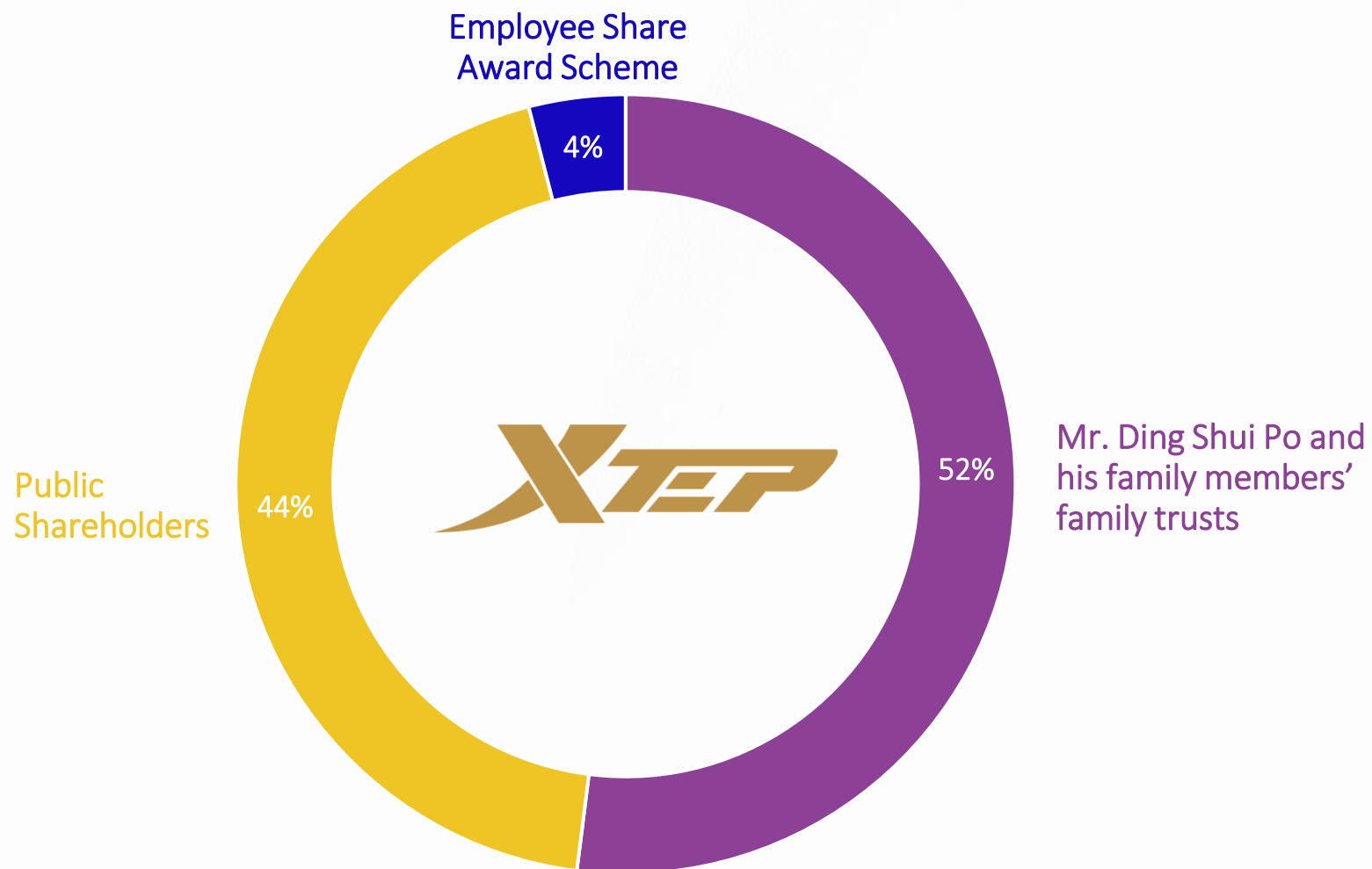
- In-house
- Outsourced

Apparel



- In-house
- Outsourced

Shareholding Structure as at 30 June 2024



Total no. of issued shares as at 30 June 2024: 2,644,517,925

Disclaimer

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