



**Xtep International Holdings Limited**

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

**Xtep Announces Impressive 2018 Annual Results  
Revenue Up 25% to a Record High of RMB6,383 Million  
Profit Attributable to Ordinary Equity Holders Surged 61% to RMB657 Million**

Financial Highlights
<ul style="list-style-type: none"> <li>Revenue increased by 24.8% year-on-year to RMB6,383.2 million, thanks to the strengthened foundation as a result of the successful three-year strategic transformation of the Group</li> <li>Revenue jumped 30.4% year-on-year in the second half of 2018, exhibiting a faster pace of growth as compared to 18.1% year-on-year increase in the first half</li> <li>Operating profit increased by 44.1% to RMB1,044.3 million, operating profit margin climbed 2.2 percentage points to 16.4%</li> <li>Profit attributable to ordinary equity holders was up by 60.9% year-on-year to RMB656.5 million</li> <li>Trade receivables turnover days further reduced to 105 days (31 December 2017: 130 days)</li> <li>Balance sheet remained very healthy, with net cash and cash equivalents of RMB2,437.6 million, equivalent to 45.7% of net assets</li> <li>Proposed final dividend of HK9.5 cents per Share (2017: HK4.5 cents), together with the interim dividend of HK10.5 cents per Share, full year dividend increased by 53.8% to HK20.0 cents per Share (excluded the special dividend of HK10.0 cents per Share in 2017), equivalent to a dividend payout ratio of 60.0%</li> </ul>
Operational Highlights
<ul style="list-style-type: none"> <li>The year 2018 marked the beginning of a new era for Xtep, with the Group's three-year strategic transformation starting to bear fruit</li> <li>Widely recognized as the "Chinese Runners' Favorite Brand", Xtep continued to rank first among all domestic brands and fourth among global sports brands in international class marathons held in Beijing, Shanghai, Guangzhou and Xiamen in 2018<sup>1</sup></li> <li>Same store sales across the Group's retail network boasted strong growth at mid-teens level</li> <li>A total of 6,230 stores spanning across China and overseas markets, with approximately 200 net openings during the Year</li> <li>To uplift customer experience, the Group introduced six Xtep Run Clubs as at 31 December 2018, and continued to launch new store format and flagship stores</li> <li>Thanks to Xtep's stronger brand and product portfolio, coupled with O2O initiative with the exclusive distributors, e-commerce business registered a robust performance with its revenue contribution continued to be over 20% in 2018</li> <li>Xtep-branded products are driven by two distinctive directions: performance sports and lifestyle</li> </ul>

12 March 2019, Hong Kong – Leading PRC-based professional sportswear enterprise **Xtep International Holdings Limited** (the "Company", together with its subsidiaries, the "Group") (Stock code: 1368) today announced its audited annual results for the year ended 31 December 2018 (the "Year").

The Group's three-year strategic transformation pinpointing such key areas as brand positioning, product innovation, retail network and operations management has begun to bear fruit. The Group's revenue increased by 24.8% year-on-year to RMB6,383.2 million in 2018 (2017: RMB5,113.4 million). Gross profit

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

margin increased to 44.3% (2017: 43.9%). Profit attributable to ordinary equity holders of the Company grew significantly by 60.9% to RMB656.5 million (2017: RMB408.1 million). Basic earnings per share amounted to RMB30.2 cents (2017: RMB18.8 cents).

The Board has proposed a final dividend of HK9.5 cents per Share (2017: HK4.5 cents), together with the interim dividend of HK10.5 cents per Share (2017: HK8.5 cents), dividend payout ratio for the full year was approximately 60.0% (2017: 103.8% which included a special dividend of HK10.0 cents per share for celebrating the Group's 10<sup>th</sup> anniversary of listing). Excluding the special dividend incurred in 2017, full year dividend in 2018 increased by 53.8% to HK20.0 cents per Share.

As at 31 December 2018, the Group's net cash and cash equivalents remained plentiful at approximately RMB2,437.6 million (31 December 2017: RMB2,933.8 million), equivalent to 45.7% of net assets.

**Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep International Holdings Limited**, said, "I am delighted to see that the year 2018 opened a new era for Xtep and that we now have a fortified foundation as a result of our three-year transformation. Our retail sales totalled at around RMB12.2 billion in 2018, solidifying our leading position as one of the top three Chinese sportswear brands and one of the top five global sportswear brands in China. We are now well-placed as a brand management company with a clear brand image – focusing on professional running, hence effectively transformed Xtep into a Chinese runners' favorite brand. Looking forward, we will stick to our two-pronged strategy of actively expanding our presence in Asian markets and evolving from a single brand company into one that owns a multi-brand portfolio in the next phase of our development to empower us for capturing new opportunities."

## **Business Review**

### ***Continued to be "Chinese Runners' Favorite Brand"***

Xtep has developed a clear brand image focusing on professional running that distinguishes it from its industry peers. During the Year, Xtep continued to rank first among all domestic brands and fourth among all global sports brands in international class marathons<sup>1</sup>. In 2018, the Group was again the official partner of "Run China" recognized by the Chinese Athletic Association, as well as the sportswear sponsor of the highest number of marathons in China for the fourth consecutive year with a total of 42 major marathons and running events in 2018.

For sports marketing, the Group launched Xtep Run Clubs across the runner communities to elevate Xtep as a professional running brand. Currently, there are six Xtep Run Clubs in China, with most of them located in popular running places. The Clubs had a total of over 123,000 members as at 31 December 2018.

As for entertainment marketing, to increase brand awareness among youngsters, Xtep was the official designated sports brand sponsor of "The Rap of China" Season 2, leveraging the show to attract the new generation and promote its "Street" lifestyle products. The Group also organized the second annual "Xtep Storming the Streets", a trendy street sports event, in 2018. Famous Chinese rappers were invited to perform and it attracted over one million participants, allowing Xtep to boost brand exposure among the young customers.

### ***Committed to Product Innovation***

Xtep-branded products are driven by two distinctive directions: performance sports and lifestyle. With a dedicated designer team consisted of international design talents and combined solid expertise in global sportswear brands, the Group's performance sports products are centered around running and feature technology for enhancing their functionality and performance. During the Year, the Group designed and manufactured one of the most popular running shoes in China, and more than one million pairs were sold within two months after launch. Collaborating with leading international fiber material developers such as 3M, the Dow Chemical Company and INVISTA, the Group will continue to work on new proprietary technologies for improving footwear products.

In addition, the Group retailed its fashion sports products to match international athleisure styles and reposition them as lifestyle products, with three distinctive style series, namely “Urban”, “Street” and “Active”, to cater different customer needs. It also collaborated with its celebrity spokespersons and third-party IPs to launch various crossover collections, such as “The Rap of China” products, Smiley® Series and “Transformer” Series, etc., to appeal to the younger generation.

### ***Embracing New Retail Concepts to Enhance Store Productivity and Customer Experience***

As at 31 December 2018, the Group had a total of 6,230 stores in China and overseas markets, with about 200 net openings in 2018. The number of exclusive distributors remained stable at 40, with their directly-operated stores accounting for around 60% of the total store count. In 2018, same store sales in the Xtep retail network surged at mid-teens level, signifying the success of the Group in transforming and boosting development of its business.

During the Year, 75% of Xtep’s stores were refurbished into new international-style sports store format. These stores have gross floor area of over 100 m<sup>2</sup> on average with the design emphasizing running features and collections from head-to-toe to boost cross-selling opportunities.

In addition, the Group directly operates six Xtep Run Clubs as at 31 December 2018 to provide runners a one-stop professional service from events and facilities to other running-related services and elevate Xtep as a running professional brand. New initiatives and features have been gradually implemented in Xtep’s flagship stores, aiming to strengthen customer experience and enable them to enjoy the convenience of an omni-channel retail environment that efficiently links e-commerce and physical stores together. Embracing the new retail trend, the Group’s new retail team started strategic collaboration with Alibaba Group in June 2018 to explore a new way of customer-centric retail marketing covering branding, e-commerce, omni-channel, community marketing, etc. The Group will continue to collaborate with Alibaba Group and other business partners to conduct in-depth research on new retail models and ride the wave of transformation from traditional retail into a new era fueled by big data and technological innovations.

### ***Reinforcing E-commerce and O2O Business***

The Group’s e-commerce business has been gaining strength, with its contribution to the Group’s revenue continued to be over 20% in 2018. Thanks to its stronger brand and product portfolio, Xtep topped the list in sales volume of running and casual footwear products on Tmall.com again in 2018, and achieved record-breaking growth of around 50% YoY in 2018 Double 11 Global Shopping Festival.

Xtep was one of the first sportswear brands in China to initiate O2O with its exclusive distributors starting from late 2016. To foster O2O, e-commerce inventory pool were shared between the Group and the distributors, where products are available online and offline at the same time with identical prices and promotions. Popular offline items that were also available online recorded high online sales volumes as well. In 2018, the O2O system was fully rolled out to the retail network directly operated by the Group’s exclusive distributors and created a win-win situation where Xtep products could be aligned online and offline, coupled with synergies in branding and promotions. Profitability for the Group and the exclusive distributors could thus be maximized, while inventory turnover at retail level could stay at a healthy level of around four months.

### ***Expansion in Overseas Markets and Transformation into a Multi-brand Portfolio Group***

During the Year, Xtep started extending its reach to other Asian markets including store opening in Vietnam and India, where consumers share similar background or culture with the Chinese people. The Group will continue to expand in 2019 and explore opportunities in the Middle East and Central Asia, seeking to leverage the network of local business partners to launch its brand and capture opportunities in those markets. Meanwhile, Xtep looks into developing a multi-brand portfolio group via collaborations with international brands for the sustainable growth in 2020 and beyond.

### **Business Outlook and Strategies**

The Group is gratified to witness the strong growth momentum of its business during the Year, to the credit of its successful strategic transformation. Despite the economic uncertainties in China, the Group remains

confident of the prospects of the sportswear market in 2019 and beyond, powered by the fitness boom and pursuit of a healthier lifestyle among people in the country and worldwide.

Looking ahead, the Group will continue to strive for excellence and capture market opportunities capitalizing on its well-established brand and professional product portfolio. The Group is committed to strengthening its brand image by focusing on professional running and fashion athleisure products for mass market consumers, while continuing to invest in product technologies and innovations to sharpen its competitive edge.

In the meanwhile, the Group will continue to lift store productivity and enhance customer experience via its new international-style store image, the introduction of flagship stores and the Xtep Run Club, and centralized retail network management with the complement of full ERP-system coverage and big data analytics. On top of offering exclusive products online, the Group will continue to reinforce O2O business and omni-channel retailing by collaborating with its exclusive distributors to make popular offline items also available on its e-commerce platforms.

The Group's vision is to transform from a single brand company into one with a multi-brand portfolio in the next phase of its development. Xtep will step up efforts in expanding its business footprint to cover more overseas markets while extending its reach to new areas in China. At the same time, the Group will also strive for the development into a multi-brand portfolio group via collaborations with international brands to support its sustainable growth in 2020 and beyond.

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#### **About Xtep International Holdings Limited**

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading PRC-based professional sports brand with over 15 years of history, listed on 3 June 2008 on the Main Board of the Hong Kong Stock Exchange. Xtep is a leading PRC-based professional sports brand, principally engaged in the design, development, manufacturing, sales and marketing, and brand management of sports products, including footwear, apparel and accessories. It boasts an extensive distribution network of over 6,200 stores nationwide covering 31 provinces, autonomous regions and municipalities across the PRC. Xtep is a constituent of MSCI China Small Cap Index, Hang Seng Composite Index Series 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 (or search by: xtepholdings or 特步控股).



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## Xtep International Holdings Limited

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### 2018 Annual Results Highlights

(For the Year Ended 31 December)

Financial Highlights			
	2018	2017	Change
<b>Profitability Data (RMB million)</b>			
Revenue	6,383.2	5,113.4	+24.8%
Gross Profit	2,828.3	2,244.5	+26.0%
Operating Profit	1,044.3	724.5	+44.1%
Profit Attributable to Ordinary Equity Holders	656.5	408.1	+60.9%
Basic Earnings per Share (RMB cents)	30.2	18.8	+60.6%
<b>Profitability Ratios (%)</b>			
Gross Profit Margin	44.3	43.9	+0.4% pts
Operating Profit Margin	16.4	14.2	+2.2% pts
Net Profit Margin	10.3	8.0	+2.3% pts
Dividend Payout Ratio	60.0	103.8 <sup>2</sup>	-43.8% pts
<b>Cash flows (RMB million)</b>			
Net cash and cash equivalents	2,437.6	2,933.8	-16.9%

Group Revenue & Gross Profit Margin Breakdown By Product Category			
	2018	2017	Change
<b>Footwear</b>			
Revenue (RMB million)	3,925.0	3,257.8	+20.5%
Gross Profit Margin (%)	45.6	45.0	+0.6% pts
<b>Apparel</b>			
Revenue (RMB million)	2,326.9	1,759.4	+32.3%
Gross Profit Margin (%)	42.6	42.2	+0.4% pts
<b>Accessories</b>			
Revenue (RMB million)	131.3	96.2	+36.5%
Gross Profit Margin (%)	35.6	39.2	-3.6% pts