



## Xtep International Holdings Limited

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

# Xtep Announces 2021 Annual Results Achieves Record-Breaking Revenue of RMB10,013 Million

### Highlights

- The Group's revenue climbed 22.5% and achieved record-breaking revenue of RMB10,013.2 million (2020: RMB8,171.9 million)
- Revenue of the core Xtep brand posted a record revenue of RMB8,841.3 million (2020: RMB7,101.1 million), a strong 24.5% increase mainly driven by a notable over 34% revenue growth in 2H2021 as compared to 12.4% in 1H2021
- Gross profit margin of the Group lifted to 41.7% (2020: 39.1%)
- Operating profit of the Group surged 52.1% to RMB1,396.2 million (2020: RMB918.2 million)
- Profit attributable to ordinary equity holders of the Company rose by 77.1% to RMB908.3 million (2020: RMB513.0 million)
- Proposed a final dividend of HK13.5 cents per Share (2020: HK7.5 cents per Share), with an option to receive scrip shares in lieu of cash. Together with the interim dividend of HK11.5 cents per Share, the full-year dividend payout ratio was approximately 60.0% (2020: 60.0%)
- As at 31 December 2021, there were 6,151 Xtep branded stores in Mainland China and overseas
- There were 44 and 57 self-operated stores for K-Swiss and Palladium in Asia-Pacific, respectively, as at 31 December 2021. Gradual improvement in the athleisure segment is expected in 2022 following the expansion of its footprint in Mainland China
- There were 44 and six self-operated stores for Saucony and Merrell in Mainland China, respectively, as at 31 December 2021. More store openings are expected in higher-tier cities in 2022

16 March 2022, 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 audited annual results for the year ended 31 December 2021 ("2021" or "the year").

Xtep is proud to wrap up 2021 with encouraging financial performance amid the COVID-19 pandemic and macro uncertainties. The Group achieved record-breaking revenue of RMB10,013.2 million (2020: RMB8,171.9 million), exceeding RMB10.0 billion for the first time and doubling the revenue of RMB5.1 billion in 2017. Revenue of the core Xtep brand posted a record revenue of RMB8,841.3 million (2020: RMB7,101.1 million), representing a strong 24.5% increase mainly driven by a notable over 34% revenue growth in 2H2021 as compared to 12.4% in 1H2021. Gross profit margin of the Group lifted to 41.7% (2020: 39.1%). Operating profit of the Group surged 52.1% to RMB1,396.2 million (2020: RMB918.2 million). Profit attributable to ordinary equity holders of the Company rose by 77.1% to RMB908.3 million (2020: RMB513.0 million). Basic earnings per Share was RMB36.4 cents (2020: RMB20.8 cents).

The Board has proposed a final dividend of HK13.5 cents per Share (2020: HK7.5 cents per Share), with an option to receive scrip shares in lieu of cash. Together with an interim dividend of HK11.5 cents per Share, the full-year dividend payout ratio was approximately 60.0% (2020: 60.0%).

**Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep International Holdings Limited**, said, "2021 marked the 20<sup>th</sup> anniversary of Xtep. Over the past two decades, Xtep has weathered the ups and downs of the sportswear industry in Mainland China and evolved into a renowned global sportswear industry player priding tremendous success. The effective rollout of its "4<sup>th</sup> Five-Year Plan (2016-2020)" had seen the Group transform from a domestic name into a full-fledged global enterprise. In 2021, Xtep unlocked another milestone by launching its "5<sup>th</sup> Five-Year Plan". Riding on its impressive growth trend ahead, the target revenue of the core Xtep brand would be RMB20.0 billion in 2025, while the four new brands will target to

achieve a revenue of RMB4.0 billion. With rising health consciousness as reflected in the exercise boom, plus the country's support for the sports industry, the sportswear sector in Mainland China is looking at rosy long-term prospects. The Group is optimistic about its business development in 2022 and beyond."

## **Business Review**

### **Mass Market**

#### **Xtep**

During the year, Xtep continued to solidify its running ecosystem, from fostering R&D capabilities in running and revitalizing the product design to strengthening ties with professional marathoners and cultivating the running community in Mainland China. With more than 1.3 million Xtep Runners Club members, the Group successfully maintained its "moat" in the running market. On the other hand, Xtep upheld its customer-centric philosophy and boosted brand equity through retail channel upgrade and integrating Chinese cultural elements into its products to appeal to the younger generation.

#### *Products*

The core Xtep brand offers value-for-money professional and stylish sportswear to consumers in the mass market. With running built into the fabric of the brand, the new professional carbon fiber-plated running shoe, "160X" Series, ranked first among all running shoe brands and surpassed international brands for the first time with a wear rate of over 50% in the World Platinum Label Race — the Xiamen Marathon in April 2021<sup>1</sup>. It has captured the attention of the entire running community and garnered several prestigious awards from Runner's World since its launch in March 2021. Unveiled in October 2021, the Xtep RC260 running shoe broke the sales record for professional running shoes with more than 5,000 pairs sold within 24 hours. Following the advocacy for building China into sports leader, the Xtep 100 Series was launched in December 2021 for adolescents to engage in a wide range of school physical activities.

Xtep rolled out the new premium label "XDNA" which features high-end athleisure products with Chinese cultural elements. The label marked a bold move for Xtep to redefine the "new China chic" era and resonate with customers who are not contented with simply going with the flow. Ever since Dilraba has become its latest spokesperson in August 2021, the Group has strengthened collaboration with her to fuel its popularity among younger female consumers through the launch of the new women's collection "HALF-SUGAR".

#### *Retail management and E-commerce*

During the year, the Group stepped up efforts to upgrade retail channels while more enlarged flagship stores in the ninth-generation format were also launched. These ninth-generation stores with a larger gross floor area on average, extensive product assortment and immersive design helped boost store productivity and brand equity. As at 31 December 2021, there were 6,151 Xtep branded stores mainly operated by authorized distributors of the Group in Mainland China and overseas.

The digital shift in consumer behavior has accelerated during the pandemic. The Group swiftly diverted marketing and sales resources to social media platforms, such as Douyin and Xiaohongshu and harnessed the power of live commerce. Xtep's e-commerce business witnessed robust year-on-year growth and it accounted for over 30% of the core Xtep brand's revenue in 2021.

#### *Marathon and running event sponsorship*

While selective physical marathons and running events were resumed in 1H2021, many international and large-scale sporting competitions were canceled or postponed amid a new surge in coronavirus cases in 2H2021 in Mainland China. During the year, the Group sponsored seven marathons and running events to raise public health awareness and accelerate the sports development in the country. Among the events Xtep sponsored, the 2021 Xiamen Marathon was one of the most prestigious marathons in Mainland China and was honored with the Road Race Elite Platinum Label by World Athletics.

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<sup>1</sup> Source: Joyrun (Apr 2021) – footwear worn by participants who finished the 2021 Xiamen Marathon within three hours

### *Xtep Running Club and sports celebrities*

The Group accelerated the opening of its Xtep Running Clubs (“XRC”) to further strengthen Xtep’s running ecosystem. XRC provides one-stop professional running services, including running consultation and running group support, which also enables Xtep to perform targeted selling of its products. As at 31 December 2021, there were 30 Xtep Running Club and over 1.3 million Xtep Runners Club members in Mainland China.

The Group has sponsored 25 professional athletes engaging various sports in Mainland China to strengthen its influence in the sports industry, including Tokyo Olympic participation standards (marathon) achieving runners Dong Guojian, Peng Jianhua, Yang Shaohui and Bai Li (female).

### *Xtep Kids*

Building on a solid foundation supported by the successful restructuring from products to branding and retail network management, the Group has witnessed an accelerated growth in its Kids business since the partnership with Shaolin Temple to launch kids sportswear incorporating “China chic” elements. As at 31 December 2021, there were around 1,179 POS in Mainland China.

### **Athleisure**

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

In 2021, revenue from the athleisure segment amounted to RMB970.9 million, contributing to 9.7% of the Group’s revenue. It is expected that the overall performance of the athleisure segment will ameliorate in 2022 driven by the progressive mitigation of the negative impact of COVID-19 on the Group’s overseas business and the expansion of its footprint in Mainland China.

K-Swiss exerted its utmost efforts into its business restructuring and brand repositioning in Mainland China. The completion of its brand revamp was signaled by the launch of the K-Swiss Tmall flagship store and its first physical presence in Mainland China in January 2022. More signature stores in the provincial cities in Mainland China are scheduled to open in 2022. As at 31 December 2021, there were 44 self-operated stores for K-Swiss in Asia-Pacific.

In 2021, the Group persisted in optimizing the product portfolio and modifying the retail network for Palladium in Mainland China. Image stores for Palladium will continue to be rolled out in 2022 as the brand further fine-tunes its product assortment and design to increase store productivity. As at 31 December 2021, there were 57 self-operated stores for Palladium in Asia-Pacific, of which 25 were in Mainland China.

### **Professional Sports**

#### **Saucony and Merrell**

Revenue from the professional sports segment recorded a strong 180.2% year-on-year growth to RMB201.0 million. During the year, Saucony successfully demonstrated its growth potential in Mainland China with stunning store productivity and enhanced recognition among elite runners.

In 2021, Saucony continued to accelerate store openings in iconic and premium shopping malls in higher-tier cities in Mainland China, while Merrell also opened its first image store at HKRI Taikoo Hui, a new lifestyle destination and a premium business location in Shanghai. In 2022, more Saucony and Merrell stores will be rolled out in higher-tier cities in Mainland China. As at 31 December 2021, there were 44 and six self-operated stores for Saucony and Merrell in Mainland China, respectively.

During the year, Saucony strived to boost its e-commerce expansion and leverage various e-commerce platforms to engage with diversified customer groups. Aided by the expeditious growth of the emerging e-commerce platforms, Saucony and Merrell achieved approximately 140% and 138% year-on-year GMV growth, respectively.

## **Prospects**

The national-level support for the sportswear sector and the widespread favoritism toward home-grown brands among the younger generations have fortified its confidence in the outlook for the Group's business in 2022 and beyond.

The core Xtep brand will continue to fuel the growth of the Group in the coming years. The Group will continue to progress steadily towards its long-term goal through staying agile in product innovation and actively promoting the Xtep Running Clubs in Mainland China to strengthen its running ecosystem. Optimization of the distribution channels and more openings of the "ninth-generation stores" will be simultaneously executed to boost store productivity and increase market share. The Group will also keep up with the prevailing "China chic" trend to offer more innovative lifestyle and athleisure products for the core Xtep brand and the new "XDNA" label.

The four new brands remain as the sustainable growth drivers of the Group. For Saucony and Merrell, the Group will continue to increase their brand recognition in Mainland China through expediting store openings in prime shopping malls in higher-tier cities and increasing apparel and localized product offerings. The Group anticipates that the rollout of pilot stores in provincial cities in 1H2022 for K-Swiss will serve as a stout pillar for its expansion in higher-tier cities in the future. The Group will also strive to achieve continuous improvement in its assortment planning in accordance with the market response to fully unleash the DNA of K-Swiss. The optimization of Palladium's e-commerce business and retail network will be carried out uninterruptedly to maximize O2O synergies, and together with image store launches with new product lines, is expected to yield a positive result.

The Group remains optimistic about the long-term prospects of the sportswear sector in Mainland China. Supported by its multi-brand strategy which caters to the diversified needs of customers from the mass market to professional segments, its solid and robust "5<sup>th</sup> Five-Year Plan" will lead the Group on the right track for enduring growth at an optimal pace in the long term.

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## **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 on 3 June 2008. The Group engages mainly in the design, development, manufacturing, sales, marketing and brand management of sports products, including footwear, apparel and accessories. Established since 2001, its own signature brand "Xtep" is a leading professional sports brand with an extensive distribution network of over 6,100 stores covering 31 provinces, autonomous regions and municipalities across the PRC and overseas. In 2019, the Group has further diversified its brand portfolio which now includes four internationally acclaimed brands, namely K-Swiss, Palladium, Saucony and Merrell.

Xtep is a constituent of the MSCI China Small Cap Index, Hang Seng Composite Index Series, Shanghai-Hong Kong Stock Connect 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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## Appendix

### 2021 Annual Results Financial Highlights

For the Year Ended 31 December	2021	2020	Change
<b>Profitability Data (RMB million)</b>			
Revenue	10,013.2	8,171.9	+22.5%
Gross Profit	4,177.9	3,198.4	+30.6%
Operating Profit	1,396.2	918.2	+52.1%
Profit Attributable to Ordinary Equity Holders	908.3	513.0	+77.1%
Basic Earnings per Share (RMB cents)	36.4	20.8	+74.5%
<b>Profitability Ratios</b>			
Gross Profit Margin	41.7%	39.1%	+2.6% pts
Operating Profit Margin	13.9%	11.2%	+2.7% pts
Net Profit Margin	9.1%	6.3%	+2.8% pts
Dividend Payout Ratio	60.0%	60.0%	No change
	As at 31 December 2021	As at 31 December 2020	Change
Net cash and cash equivalents	1,925.4	2,251.4	-14.5%
Gearing Ratio (Note)	17.4%	17.2%	+0.2% pt

Note: Gearing ratio is defined as the total borrowings divided by the Group's total assets

### Group Revenue & Gross Profit Margin Breakdown

#### By product

For the Year Ended 31 December	2021	2020	Change
<b>Footwear</b>			
Revenue (RMB million)	5,928.2	5,046.7	+17.5%
Gross Profit Margin	42.8%	39.6%	+3.2% pts
<b>Apparel</b>			
Revenue (RMB million)	3,887.4	2,963.9	+31.2%
Gross Profit Margin	40.6%	38.7%	+1.9% pts
<b>Accessories</b>			
Revenue (RMB million)	197.6	161.3	+22.5%
Gross Profit Margin	31.6%	32.9%	-1.3% pts

#### By brand nature

For the Year Ended 31 December	2021	2020	Change
<b>Mass Market</b>			
Revenue (RMB million)	8,841.3	7,101.1	+24.5%
Gross Profit Margin	41.4%	38.9%	+2.5% pts
<b>Athleisure</b>			
Revenue (RMB million)	970.9	999.1	-2.8%
Gross Profit Margin	44.6%	40.7%	+3.9% pts
<b>Professional Sports</b>			
Revenue (RMB million)	201.0	71.7	+180.2%
Gross Profit Margin	40.3%	41.6%	-1.3% pts