



Xtep International Holdings Limited

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

Xtep Announces 2024 Interim Results Group's Revenue Increased Steadily by 10.4% to RMB7,203 Million Professional Sports Segment Achieved Robust Growth

Highlights

- The Group's revenue increased by 10.4% to RMB7,203.2 million (1H2023: RMB6,522.4 million), primarily driven by the steady performance of the core Xtep brand and resilience of the new brands in Mainland China.
- Revenue of the core Xtep brand increased by 6.6% to RMB5,789.2 million (1H2023: RMB5,429.6 million). Revenue of professional sports segment rose 72.2% to RMB592.5 million with a net profit of RMB31.8 million.
- The Group's gross profit margin increased by 3.1 percentage points to 46.0% (1H2023: 42.9%).
- Profit attributable to ordinary equity holders of the Company grew 13.0% to RMB752.1 million (1H2023: RMB665.4 million).
- The Group's financial position remains strong, with net operating cash inflow surging by 211.6% to RMB826.4 million (1H2023: RMB265.3 million).
- Proposed an interim dividend of HK15.6 cents per Share (1H2023: HK13.7 cents per Share), representing a dividend payout ratio of 50.0%.
- The Group became the first sportswear company in China to receive "A" in MSCI ESG Ratings in July, showcasing exceptional advancements in our ESG practices.
- Following the proposed strategic divestiture of K-SWISS and Palladium ("KP") announced in May 2024, the Group will concentrate its resources on developing the highly profitable brands, including the core Xtep brand, Saucony and Merrell, with a strategic reorientation to focus on running.

20 August 2024, 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 2024 ("1H2024", "Period").

The Group's solid performance in the first half of 2024 attests to its financial stability and the robustness of its business model. The Group's revenue increased by 10.4% to RMB7,203.2 million (1H2023: RMB6,522.4 million). Revenue of the core Xtep brand increased by 6.6% to RMB5,789.2 million (1H2023: RMB5,429.6 million). The Group's gross profit margin increased by 3.1 percentage points to 46.0% (1H2023: 42.9%). Operating profit climbed by 10.9% to RMB1,094.1 million (1H2023: RMB986.6 million). Profit attributable to ordinary equity holders of the Company grew 13.0% to RMB752.1 million (1H2023: RMB665.4 million). Basic earnings per Share were RMB29.7 cents (1H2023: RMB26.4 cents). The Board has declared an interim dividend of HK15.6 cents per Share (1H2023: HK13.7 cents per Share), with an option to receive scrip shares in lieu of cash, representing a dividend payout ratio of 50.0% (1H2023: 50.0%).

Mr. Ding Shui Po, Chairman and Chief Executive Officer of Xtep International Holdings Limited, said, "Uncertainty in China's economy is expected to persist in the second half of 2024. However, our confidence in the Group's prospects remains unwavering, underpinned by the strong national policies to promote sports development. Following the proposed strategic divestiture of KP announced in May 2024, we will concentrate our resources on developing the highly profitable brands to enhance synergy and accelerate growth. In addition, we are delighted to be upgraded to 'A' in the MSCI ESG Ratings in July, showcasing exceptional

advancements in our ESG practices. Looking ahead, we will adopt a conservative operating approach to maintain operational excellence, resilient cash flows and strong governance to foster organic growth.”

Business Review

Strategic orientation to focus on running

Following the proposed strategic divestiture of KP announced in May 2024, Xtep will concentrate its resources on developing the highly profitable brands in the portfolio. The Group will continue to focus on running, with the core Xtep brand targeting the mass market; Saucony catering to the high-end sophisticated customers; and Merrell specializing in trail running and outdoor activities, enhancing synergy among these brands.

Core Xtep brand

As the most recognized running brand in China, Xtep has demonstrated excellence in product development and performance through the 408 marathon championships and national records achieved by its sponsored athletes in China. The endorsement of its professional running products by top athletes has reinforced the association between the brand and its expertise in running, successfully increasing the popularity of its mass market running shoes and securing the highest marathon wear rate in China.

Running products to target the mass market

Xtep launched the flagship championship running shoe series, including the “160X 5.0 PRO”, “160X 5.0”, “260X”, “360X” and “ULTRAFAST 5.0”, to cater to runners of all ability levels, from mass market runners to professional and elite runners. Equipped with “XTEP ACE” midsole technology, carbon fiber plate and TPU plate, the series provides runners with superior rebound, propulsion and cushioning to improve their race times and support their training. Moreover, Xtep continued to expand the product offerings and price range to provide mass market consumers with value-for-money professional sportswear products. The newly launched “XING YUN” running shoe has received positive reviews. The collection features a lightweight and breathable fly knit fabric upper that provides flexibility and ventilation for all-day comfort in multiple scenarios.

Largest running ecosystem

To solidify its leadership in running and the largest running ecosystem in China, the core Xtep brand provides one-stop professional running services to over 2.1 million Xtep Runners Club members through the 67 Xtep Running Clubs (XRCs). Through regular running events organized by the XRCs and over 5,700 affiliated running groups, Xtep increases community penetration and further strengthens the running ecosystem.

Xtep sponsored marathons and running events in the first half of 2024 to raise public health awareness. These events included the 2024 Xiamen Marathon — a highly prestigious World Athletics Platinum Label marathon, and Gold Label marathons such as Chongqing Marathon and Yangzhou Jianzhen Half Marathon.

Retail network management

By integrating technology and digital tools into the retail stores, Xtep has created an immersive shopping experience that engages consumers on a personal level. With a larger average gross floor area and a more comprehensive product assortment, the ninth-generation stores have continuously boosted average transaction values and store productivity. As at 30 June 2024, there were 6,578 Xtep Adult branded stores mainly operated by authorized distributors in Mainland China and overseas (31 December 2023: 6,571).

E-commerce

Consumers have returned to online shopping in 2024. Supported by strong reputation and specialization in running products, revenue of Xtep’s e-commerce business recorded robust growth of over 20% in the first

half of 2024, accounting for over 30% of the revenue of the core Xtep brand. Among all e-commerce platforms, livestreaming and social e-commerce platforms have gained significant traction and become the fastest growing retail channels. Retail sales from Douyin, DeWu and WeChat Channels surged over 80% year on year.

Xtep Kids

By collaborating with sports experts to provide professional sportswear for Chinese children and encouraging them to participate in sports, the Kids business enjoyed remarkable success and continued to fuel the growth of the core Xtep brand in the first half of 2024. As at 30 June 2024, there were 1,706 Xtep Kids stores in Mainland China (31 December 2023: 1,703), predominantly operated by the Group's authorized distributors.

Saucony and Merrell

As one of the most sought-after international sportswear brands in China, Saucony's revenue now represents an important contribution to the professional sports segment. Revenue from the professional sports segment achieved robust and consistent year-on-year growth of 72.2% to RMB592.5 million, accounting for 8.2% of the Group's revenue in the first half of 2024. The segment also recorded a net profit of RMB31.8 million.

The success of Saucony's strategic brand positioning, targeting the running and social elites in China's higher-tier cities, has been reflected in rapid sales growth and an increase in market share. In order to sustain Saucony's future growth and expand its target market, more new image stores will be launched in higher-tier cities in Mainland China. As at 30 June 2024, there were 128 Saucony stores in Mainland China.

Saucony intensified its branding efforts in various areas to drive growth, including spokesperson engagement, product innovation, channel enhancement and event sponsorship. In July 2024, Saucony appointed well-known actor Eddie Peng as its brand spokesperson to promote Saucony's entire product line, including the newly launched "TRIUMPH 22", "ENDORPHIN PRO 4" and "ENDORPHIN SPEED 4" series.

Following the launch of the "HYDRO NEXT GEN MOC VENOM 3.0" shoe in March 2024 to provide consumers with the best possible outdoor experience, Merrell collaborated with Palladium to add a stylish element to the shoe which has gained widespread attention from outdoor enthusiasts.

K-SWISS and Palladium

Sluggish demand due to high inflation and economic uncertainty has dampened overseas growth for KP. Meanwhile, business development in Mainland China continued to accelerate. In the first half of 2024, revenue from the athleisure segment increased by 9.7% to RMB821.5 million, accounting for 11.4% of the Group's revenue. Revenue from Mainland China grew rapidly by 85.7%, representing 39.2% of revenue contribution.

In June 2024, K-SWISS opened its first tennis concept store in Shanghai to showcase the tennis-inspired signature and classic collections, reinforcing its brand identity as a tennis athleisure sportswear brand. The brand continued to increase its presence and maintain store openings in higher-tier cities in Mainland China. As at 30 June 2024, there were 105 K-SWISS stores in Asia-Pacific, including Mainland China.

Palladium's solid business growth in Mainland China is a testament to its success in optimizing the product portfolio and enhancing the brand image. In the first half of 2024, the brand continued to roll out new image stores infused with a trendy French aesthetic and a comprehensive selection of the brand's core and star product lines to cater to high-end consumers. As at 30 June 2024, there were 114 Palladium stores in Asia-Pacific, including Mainland China.

Prospects

It is expected that the proposed strategic divestiture of KP to focus resources on developing the running business will strengthen Xtep's leadership in this sport segment. By leveraging the absolute advantage of the core Xtep brand in the running sector, supported by the largest running ecosystem in China and the synergies between the core Xtep brand, Saucony, and Merrell, the Group will be able to further increase market penetration and identify untapped customer segments. As a result, the Group is well positioned to meet the needs of customers from all socio-economic backgrounds amid the expanding running sector in China.

As macroeconomic headwinds make consumers in China more cost-conscious, the core Xtep brand has unleashed the values of its main competencies as a mass market brand offering value-for-money professional running products. Currently the most recognized running brand in China with the highest marathon wear rate in the country, the core Xtep brand will continue to make steady progress toward its long-term goal of strengthening the running ecosystem.

Capitalizing on the evolving demand of sophisticated customers for emerging international sportswear brands in China, the Group will continue its efforts to realize the growth potential of the professional sports segment. By leveraging the synergy of the core Xtep brand in terms of product innovation, marketing and retail network, Saucony will be able to convey its brand positioning to top runners and social elites by offering premium professional running products. Saucony will continue to broaden its product offerings, increase marketing efforts and accelerate the opening of new-image stores in higher-tier cities. Meanwhile, Merrell will expand its product line to support outdoor athletes who enjoy tackling various terrains, and adopt a demand-driven supply approach to achieve sustainable business growth.

The global economic landscape is expected to remain challenging and complex in the second half of 2024. Nonetheless, the increase in sports participation in China has enhanced the Group's confidence in the outlook for the sportswear sector. Its foresight in focusing on running, as well as a resilient and diversified brand portfolio, will continue to enable it to benefit from changing consumer behaviour, paving the way for long-term sustainable growth.

- 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 with more than 8,600 stores in Asia-Pacific, North America and EMEA.

Xtep is a constituent of the MSCI China Small Cap 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 or scan the Group's Wechat QR code below.



For further information, please contact:

Xtep International Holdings Limited
Investor Relations
Tel: (852) 2152 0333
Email: ir@xtep.com.hk

Strategic Financial Relations Limited
Shelly Cheng / Vivienne Leung / Katrina Hui
Tel: (852) 2864 4857 / (852) 2864 4862 / (852) 2114 4318
Email: sprg_xtep@sprg.com.hk

Appendix

2024 Interim Results Financial Highlights

For the Six Months Ended 30 June	1H2024	1H2023	YoY Change
Profitability Data (RMB million)			
Revenue	7,203.2	6,522.4	+10.4%
Gross Profit	3,314.3	2,797.1	+18.5%
Operating Profit	1,094.1	986.6	+10.9%
Profit Attributable to Ordinary Equity Holders	752.1	665.4	+13.0%
Basic Earnings per Share (RMB cents)	29.7	26.4	+12.5%
Profitability Ratios			
Gross Profit Margin	46.0%	42.9%	+3.1% pts
Operating Profit Margin	15.2%	15.1%	+0.1% pt
Net Profit Margin	10.4%	10.2%	+0.2% pt
Cash Flow (RMB million)			
Net Operating Cash Inflow	826.4	265.3	+211.6%

Group Revenue & Gross Profit Margin Breakdown

By product

For the Six Months Ended 30 June	1H2024	1H2023	YoY Change
Footwear			
Revenue (RMB million)	4,446.0	3,889.3	+14.3%
Gross Profit Margin	46.1%	41.7%	+4.4% pts
Apparel			
Revenue (RMB million)	2,605.0	2,497.0	+4.3%
Gross Profit Margin	46.5%	45.0%	+1.5% pts
Accessories			
Revenue (RMB million)	152.2	136.1	+11.8%
Gross Profit Margin	34.4%	37.8%	-3.4% pts

By brand nature

For the Six Months Ended 30 June	1H2024	1H2023	YoY Change
Mass Market			
Revenue (RMB million)	5,789.2	5,429.6	+6.6%
Gross Profit Margin	43.9%	43.1%	+0.8% pt
Athleisure			
Revenue (RMB million)	821.5	748.6	+9.7%
Gross Profit Margin	53.4%	42.0%	+11.4% pts
Professional Sports			
Revenue (RMB million)	592.5	344.2	+72.2%
Gross Profit Margin	56.8%	42.0%	+14.8% pts