

What’s Hot Today:

► Xtep (1368 HK, HK\$6.15, HK\$17bn) 1H25 results inline

Xtep is the third largest domestic sportswear brand in China, with an estimated 5% market share. Revenue in 1H25 grew by 7% YoY to RMB6.8bn, in line with expectations. Net profit grew by 21% YoY to RMB914mn. Excluding the net loss from discontinued operations K-Swiss and Palladium, adjusted NP was up 7% YoY. GPM and adjusted NPM remained stable at 45% and 13.4%, respectively. The company declared an interim dividend of 18 HK cents per share, with a payout ratio of 50%.

Fig 1: 1H25 results preview

| | 1H24 | | 1H25 | | | Results comments |
|--------------------------------------|---------|----------|---------|----------|---------|------------------------------------|
| | RMB mn | % of Rev | RMB mn | % of Rev | YoY chg | |
| Revenue | 6,382 | | 6,838 | | 7% | Xtep+5% Professional+33% |
| Cost of sales | (3,506) | | (3,764) | | 7% | |
| Gross profit | 2,876 | 45.1% | 3,074 | 45.0% | 7% | Stable |
| Other revenue | 259 | | 354 | | 36% | |
| Selling and distribution expenses | (1,291) | -20.2% | (1,483) | -21.7% | 15% | |
| Administrative expenses | (648) | -10.2% | (639) | -9.4% | -1% | |
| Operating profit | 1,196 | 18.7% | 1,305 | 19.1% | 9% | |
| Finance costs | (61) | | (52) | | -15% | |
| Profit before income taxes | 1,151 | | 1,282 | | 11% | |
| Income tax expense | (292) | | (368) | | 26% | |
| Net profit from continuing operation | 858 | 13.5% | 914 | 13.4% | 6% | Stable |
| Loss from discontinued operation | 106 | | - | | | Sold K-Swiss and Palladium in FY24 |

Source: Company Data, Sunwah Kingsway Research

Solid core Xtep brand. Xtep generated revenue of RMB6.1bn in 1H25, up 5% YoY, accounting for 89% of total revenue. Operating profit rose 2% YoY to RMB1.2bn, while OPM dipped slightly by 0.6ppts YoY to 20%, primarily due to higher operating expenses of online business. As of June 30, 2025, Xtep had 7,924 stores globally, down by 42 HoH, including 6,360 adult outlets and 1,564 kid stores. Online sales posted robust HDD YoY growth, contributing over 30% of segment revenue. Looking forward, the brand will prioritize bestselling running products on its online channel to sustain growth.

Saucony remained the key driver. The professional sports segment, including Saucony and Merrell brand, saw revenue grow by 33% YoY to RMB785mn. Operating profit surged by 2.4x YoY to RMB78.6mn, driven by scale effects and strict cost control. Saucony became one of the most-worn international brands at China’s major marathons. To strengthen its premium position, the brand will open concept stores in prime locations and expand its apparel and lifestyle offerings in 2H25. As of 30 June 2025, Saucony had 155 stores in mainland China.

| China & HK Indices | CLOSE | 1D | YTD |
|--------------------|--------|-------|-------|
| HSI | 25,176 | -0.4% | 25.5% |
| HSCCI | 9,033 | -0.1% | 23.9% |
| HSCCI | 4,365 | -0.6% | 15.5% |
| CSI300 | 4,239 | 0.9% | 7.7% |
| Shanghai A | 3,908 | 0.8% | 0.9% |
| Shanghai B | 269 | 1.0% | 0.9% |
| Shenzhen A | 2,449 | 1.8% | 19.6% |
| Shenzhen B | 1,333 | 0.9% | 9.9% |

| Key Int'l Indices | CLOSE | 1D | YTD |
|-------------------|--------|-------|-------|
| Dow Jones | 44,911 | -0.1% | 5.6% |
| S&P 500 | 6,449 | -0.0% | 9.6% |
| Nasdaq | 21,629 | 0.0% | 12.0% |
| Nikkei Index | 43,750 | 0.1% | 9.7% |
| FTSE Index | 9,157 | 0.2% | 12.0% |
| CAC Index | 7,884 | -0.5% | 6.8% |
| DAX Index | 24,314 | -0.2% | 22.1% |

| Commodities | CLOSE | 1D | YTD |
|----------------------|-------|-------|--------|
| GOLD (US\$/oz.) | 3,332 | -0.1% | 27.1% |
| STEEL (US\$/oz.) | 2,087 | -1.0% | 16.8% |
| SILVER (US\$/oz.) | 38 | 0.1% | 31.8% |
| CRUDE OIL (US\$/bbl) | 63 | 1.0% | -11.8% |
| COPPER (US\$/oz.) | 9,733 | -0.3% | 11.0% |
| ALUMINIUM (US\$/oz.) | 2,588 | -1.2% | 1.5% |
| PLATINUM (US\$/oz) | 1,329 | -0.9% | 46.5% |
| ZINC (US\$/oz.) | 2,777 | -2.5% | -6.8% |
| WHEAT (US\$/bu) | 502 | -0.7% | -9.1% |
| CORN (US\$/bu) | 406 | 0.3% | -8.7% |
| SUGAR (US\$/lb) | N/A | N/A | |
| SOYBEAN (US\$/bu) | 1,041 | -0.1% | 1.8% |
| PVC (US\$/t.) | N/A | N/A | -10.1% |
| CRB | 296 | 0.3% | 3.0% |
| BDI | | | 105.0% |

| Exchange Rates | USD | HKD | EUR | JPY | CHF | RMB |
|----------------|-------|-------|-------|---------|--------|-------|
| USD | | 7.820 | 0.858 | 147.890 | 0.808 | 7.185 |
| HKD | 0.128 | | 0.110 | 18.912 | 10.326 | 0.919 |
| EUR | 1.166 | 9.119 | | 172.450 | 1.062 | 8.378 |
| JPY | 0.007 | 5.288 | 0.580 | | 0.546 | 0.049 |
| CHF | 1.238 | 9.684 | 1.062 | 183.151 | | 8.902 |
| RMB | 0.139 | 1.088 | 0.119 | 20.578 | 0.112 | |

| Market Sentiment | CURRENT | 5D |
|-------------------------|---------|-------|
| CDS Monitor - USD SR 5Y | | |
| Greece | N/A | N/A |
| Ireland | 83 | -2.4% |
| Italy | 139 | -0.6% |
| Portugal | 207 | -0.0% |
| Spain | 108 | 0.3% |
| VIX | 14 | -7.8% |

Source: Bloomberg

Takeaway from earnings call. 1) Adopt a DTC model of core Xtep brand in 2H25. Xtep plans to acquire 100-200 distributor-operated stores in FY25 and 300-400 in FY26. While this strategic shift is expected to drive topline growth, it may face short-term pressure on margins. 2) Xtep brand strengthens channel management. Xtep brand will continue to grow its retail network by opening in shopping malls and outlet malls While phasing out inefficient small-scale stores in favor of larger-format locations. Meanwhile, online channels will strategically reduce high-discount product offerings to improve profitability. 3) QTD sales performance remained robust. As 2H typically the seasonal peak for the running sector and Xtep will introduce multiple new footwear products during this period. The Mgt is confident to sustain the growth momentum. The company reiterated its FY25 guidance, projecting Saucony to deliver some 30-40% YoY revenue growth. Net profit of the company is expected to increase by more than 10% YoY.

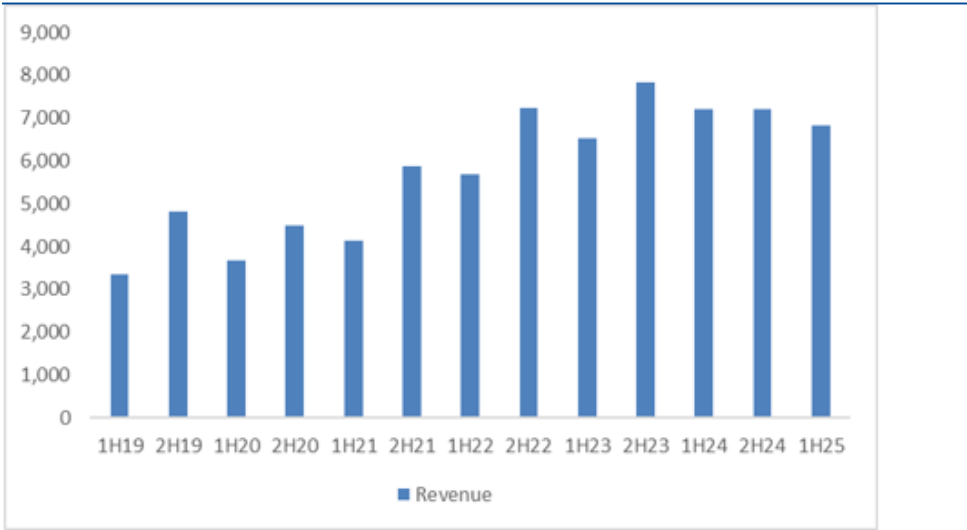
Our view: Through sustained R&D, event sponsorships, and runner community development, Xtep has differentiated itself in the professional running sector. The core Xtep brand targets the mass market, while Saucony focuses on the premium segment. These strategies are likely to strengthen brand equity and provide full coverage across all product tiers from entry-level to high-end. Currently, the market share of Xtep and Saucony worn in China's major marathon events exceeds 45%, far higher than other domestic brands. Despite the fierce competition in sportswear industry, Xtep is expected to maintain solid momentum in the near term, driven by the ramp up of Saucony. The counter is trading at 11x FY25E P/E. (Ensley LIU)

Fig 2: Revenue Breakdown

| | 1H19 | 2H19 | 1H20 | 2H20 | 1H21 | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | 1H24 | 2H24 | 1H25 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| Mass Market | | | | | | | | | | | | | |
| Revenue | 3,357 | 4,349 | 3,201 | 3,900 | 3,597 | 5,244 | 4,898 | 6,230 | 5,430 | 6,518 | 5,789 | 6,538 | 6,053 |
| Gross Profit | 1,497 | 1,878 | 1,298 | 1,468 | 1,494 | 2,170 | 2,087 | 2,527 | 2,338 | 2,875 | 2,539 | 2,812 | 2,641 |
| | 45% | 43% | 40% | 38% | 42% | 41% | 42% | 41% | 43% | 41% | 43.86% | 39.95% | 43.83% |
| Professional Sports | | | | | | | | | | | | | |
| Revenue | 0 | 10 | 20 | 52 | 76 | 125 | 157 | 244 | 344 | 451 | 593 | 658 | 785 |
| Gross Profit | 0 | 4 | 8 | 22 | 34 | 47 | 69 | 102 | 145 | 174 | 337 | 378 | 433 |
| Gross Margin (%) | | 44% | 38% | 43% | 45% | 37% | 44% | 42% | 42% | 39% | 57% | 58% | 55% |

Source: Company Data, Sunwah Kingsway Research

Fig 3: Revenue (RMB'mn)



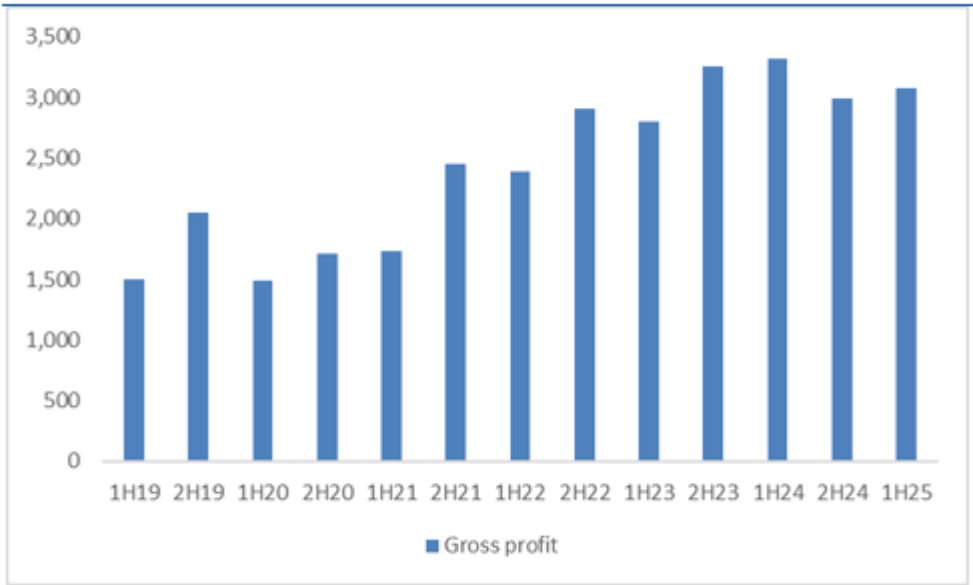
Source: Company Data, Sunwah Kingsway Research

Fig 4: Gross profit (RMB'mn)



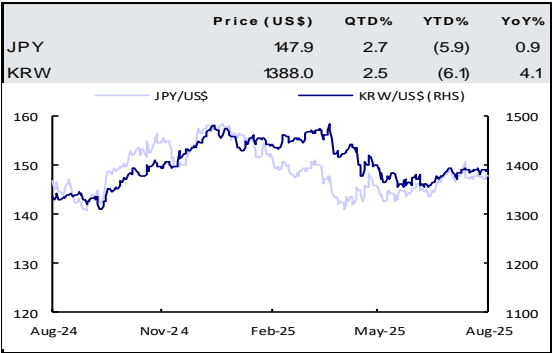
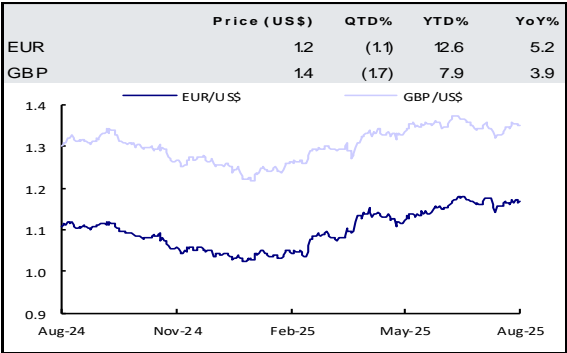
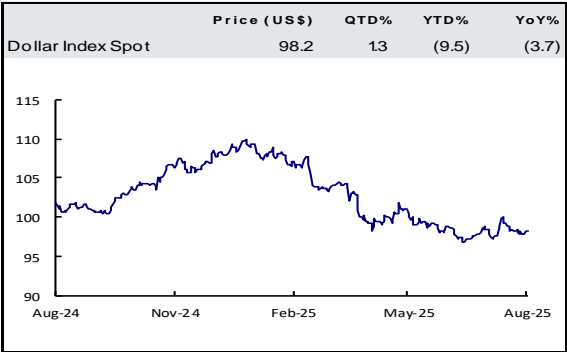
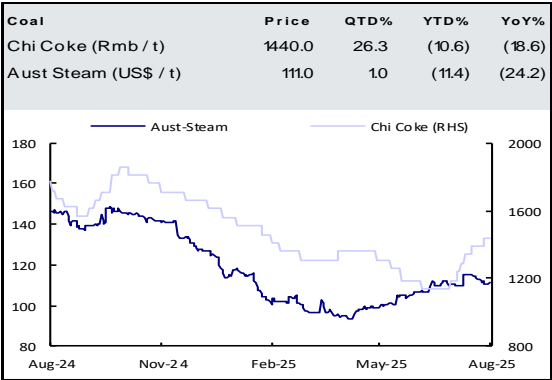
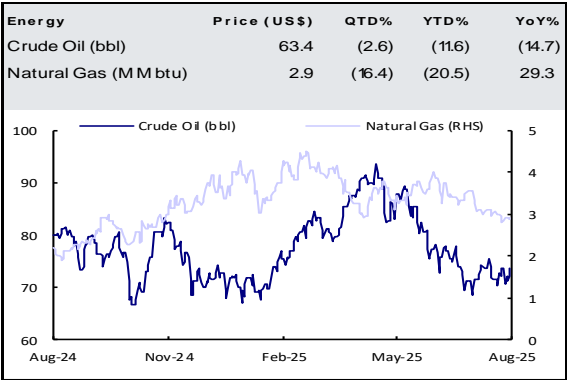
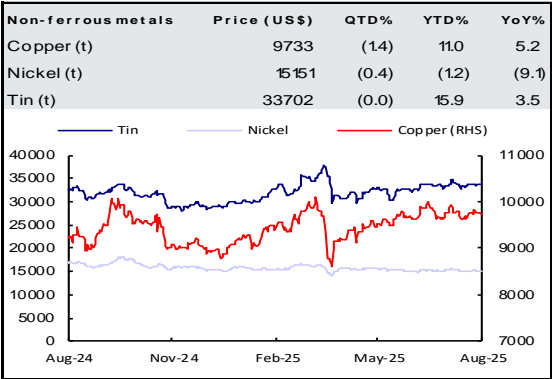
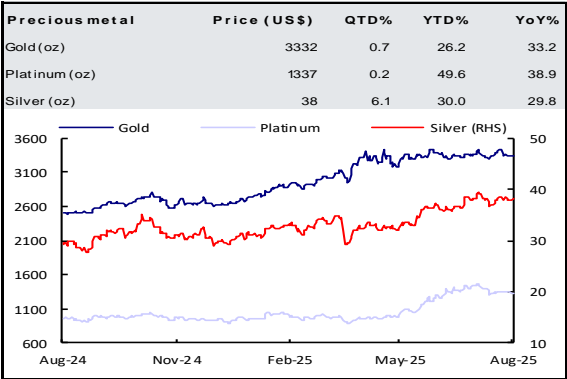
Source: Company Data, Sunwah Kingsway Research

Fig 5: Net profit (RMB'mn)



Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

| Indicators | Freq | Obs Date | Expected Release Date |
|-----------------------------------|------|----------|-----------------------|
| Housing Starts / Building Permits | MoM | | 19-Aug-25 |
| Initial Jobless Claims | WoW | | 21-Aug-25 |
| Existing Home Sales | MoM | | 21-Aug-25 |
| New home Sales | MoM | | 25-Aug-25 |
| Durable Goods Orders | MoM | | 26-Aug-25 |
| Consumer Confidence | MoM | | 26-Aug-25 |
| GDP | QoQ | | 28-Aug-25 |
| Wholesale Inventories | MoM | | 29-Aug-25 |
| Personal Income & Spending | MoM | | 29-Aug-25 |
| ISM Manufacturing PMI | MoM | | 2-Sep-25 |
| Factory Orders | MoM | | 3-Sep-25 |
| Trade Balance | MoM | | 4-Sep-25 |
| Employment Report | MoM | | 5-Sep-25 |
| PPI | MoM | | 10-Sep-25 |
| CPI | MoM | | 11-Sep-25 |
| Business Inventories | MoM | | 16-Sep-25 |
| Retail Sales | MoM | | 16-Sep-25 |
| Industrial Production | MoM | | 16-Sep-25 |
| Auto Sales | MoM | | |

China Economic Calendar

| Indicators | Freq | Obs Date | Expected Release Date |
|---------------------------|------|----------|-----------------------|
| PMI Manufacturing | MoM | | 31-Aug-25 |
| Foreign Exchange Reserves | QoQ | | 7-Sep-25 |
| Trade Balance | MoM | | 8-Sep-25 |
| Money Supply - M2 | MoM | | 9-Sep-25 |
| PPI | MoM | | 10-Sep-25 |
| CPI | MoM | | 10-Sep-25 |
| Retail Sales | MoM | | 15-Sep-25 |
| Industrial Production | MoM | | 15-Sep-25 |
| GDP | YoY | | 20-Oct-25 |

Hong Kong Economic Calendar

| Indicators | Freq | Obs Date | Expected Release Date |
|--------------------------|------|----------|-----------------------|
| Unemployment Rate | MoM | | 19-Aug-25 |
| CPI | MoM | | 21-Aug-25 |
| Trade Balance | MoM | | 26-Aug-25 |
| Money Supply - M2 | MoM | | 29-Aug-25 |
| Retail Sales | MoM | | 1-Sep-25 |
| PMI | MoM | | 3-Sep-25 |
| Foreign Currency Reserve | MoM | | 5-Sep-25 |
| Producer Prices Index | QoQ | | 15-Sep-25 |
| Industrial Production | QoQ | | 15-Sep-25 |
| GDP | QoQ | | 31-Oct-25 |
| Composite Interest Rate | MoM | | |

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