



XPD Soccer Gear Group Limited

(ASX: XPD)

September 2015 | FY 2015 INTERIM RESULTS





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Agenda

China's Soccer Boom

Overview

Financial Analysis

Business Review

Outlook & Strategies

Model No. : CD-C716
Colour : RED / WHITE
Size : 36#-45#
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-C716

Model No. : CD-1109

Model No. : CD-1109
Colour : BLACK/GREY
Size : 36#-45#
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-D858
Colour : GREY / GREEN
Size : 30#-45#
Upper material : MESH
Outsole : TPU

Model No. : CD-D858
Colour : BLUE / ORANGE
Size : 30#-45#

Model No. : CD-2189
Colour : BLACK / GOLD
Size : 36#-45#

Model No. : CD-2189
Colour : ORANGE
Size : 36#-45#
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-D660
Colour : BLUE / GREEN
Size : 36#-45#
Upper material : PU
Outsole : TPU

Model No. : CD-D660
Colour : BLUE / GREEN
Size : 36#-45#
Upper material : PU
Outsole : TPU

Model No. : CD-AA01
Colour : BLACK / BLUE
Size : 30#-45#
Upper material : PU
Outsole : RB

Model No. : CD-AA01
Colour : PURPLE
Size : 30#-45#
Upper material : PU
Outsole : RB



China's Soccer Boom

- Tim Cahill Clip





Company Snapshot

- XPD Soccer Gear Group Limited is a leading and fast-growing sportswear company in China.
- XPD formed in 1992 as an OEM manufacturer to top European and US brands.
- XPD listed on the Australian Securities Exchange, 21 May 2015.
- XPD is primarily engaged in designing, developing, manufacturing, distributing and marketing sportswear under the “XPD” brand with a focus on soccer products.
- XPD has an extensive supply chain management system through in-house and sub-contracted manufacturing operations; and an extensive distribution network throughout China.

Corporate	ASX Code	XPD
	Share Price	A\$0.19
	Shares on Issue	383,075,500
	Market Cap	A\$72.8m
	Net Debt	-A\$16.4m
	Cash	A\$29.6m

Board of Directors	Mr Jiameng Zhang	CEO, Executive Director
	Mr Jiashun Zhang	COO, Executive Director
	Mr Shui-Chiao Chang	Non-Executive Chairman
	Mr Andrew L Smith	Deputy Chairman
	Mr Andrew J Plymton	Non-Executive Director
	Mr Ben J Meikle	Non-Executive Director



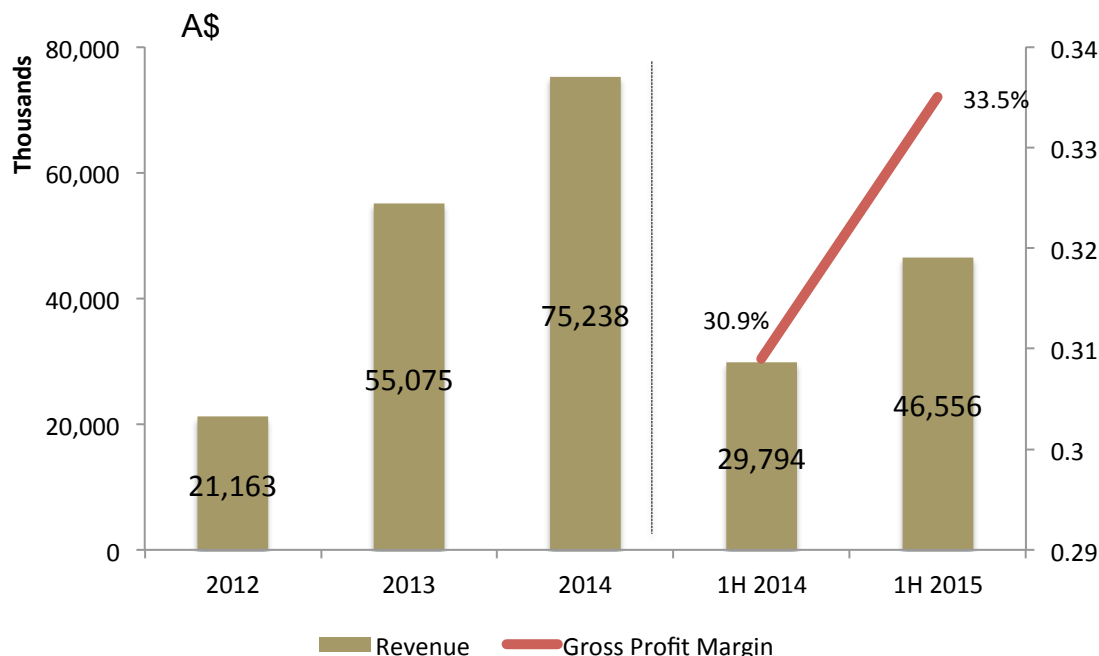


Result Highlights

	For the six months ended 30 June		
A\$ million	2015	2014	Change
Revenue	46.6	29.8	+56.3%
Gross profit	15.6	9.2	+69.6%
Profit before tax	10.1	7.8	+29.5%
Net profit for the period	7.2	5.9	+22.0%
Gross profit margin	33.5%	30.9%	+2.6pp
Net profit margin	15.5%	19.8%	-4.3pp
Basic earning per share (A\$ cents)	2.73	2.29	+19.2%



Strong Revenue Growth



Group's revenue increased by 56.3% to A\$ 46.6 million (1H 2014: A\$ 29.8 million) mainly due to:

1. Increased in sale of XPD brand footwear in particular soccer footwear
2. Expansion of sales channels and network
3. Continuous growth in average selling price

Stripping out the impact of exchange rate between A\$ and RMB, revenue rose 33.3%.

Gross profit margin improved by 2.6 pp to 33.5% (1H 2014: 30.9%) due to:

1. Increased sales of higher margin soccer footwear. Soccer footwear margin improved to 41.2% (1H 2014: 43.1%)
2. Higher average selling price

	For the six months ended 30 June		
RMB Million	2015	2014	Change
Revenue	223.1	167.4	+33.3%
Gross profit	74.7	51.9	+43.9%

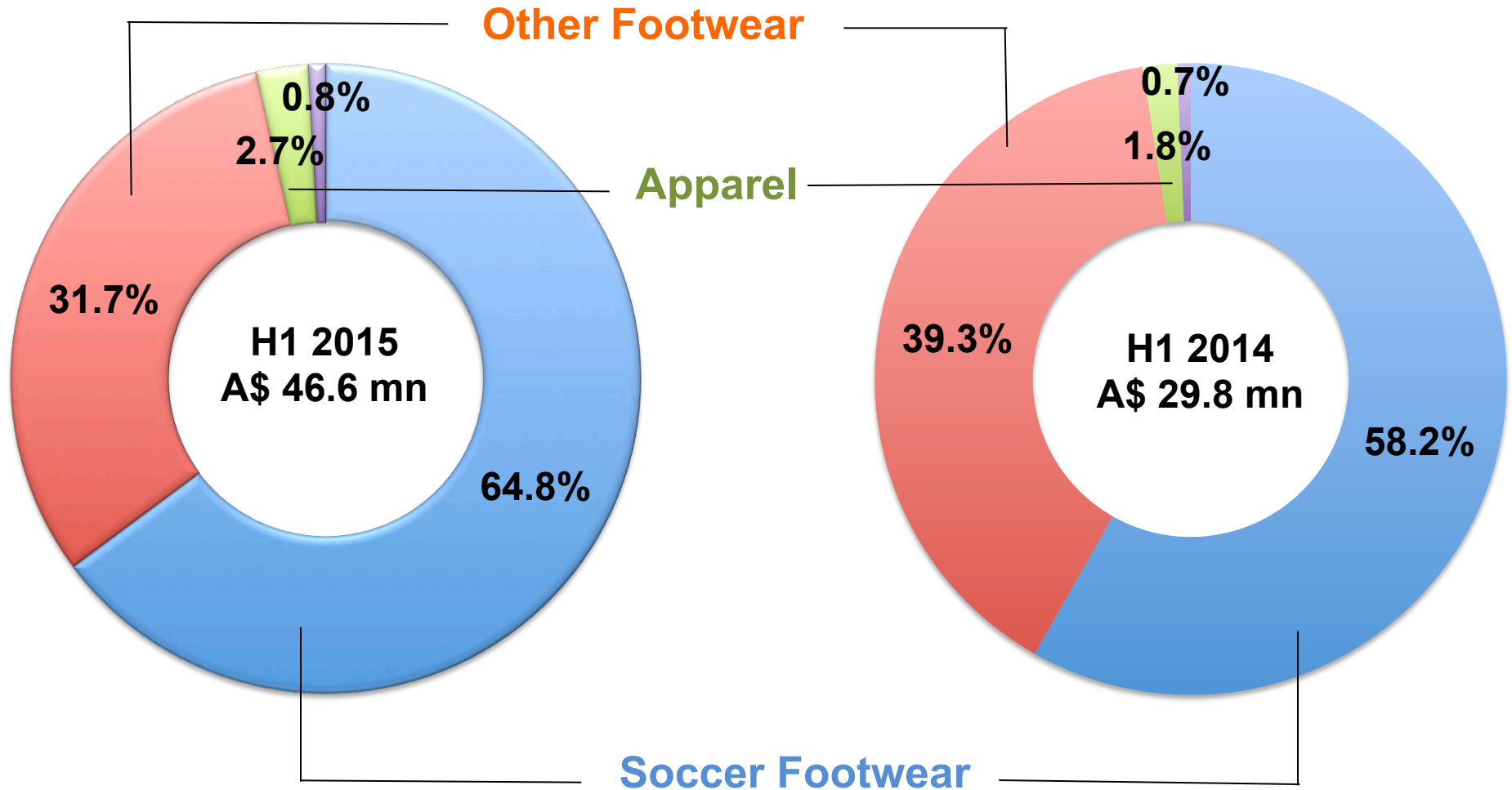
Exchange rate:

30 June 2015 average rate RMB:A\$=0.2087

30 June 2014 average rate RMB:A\$=0.1780



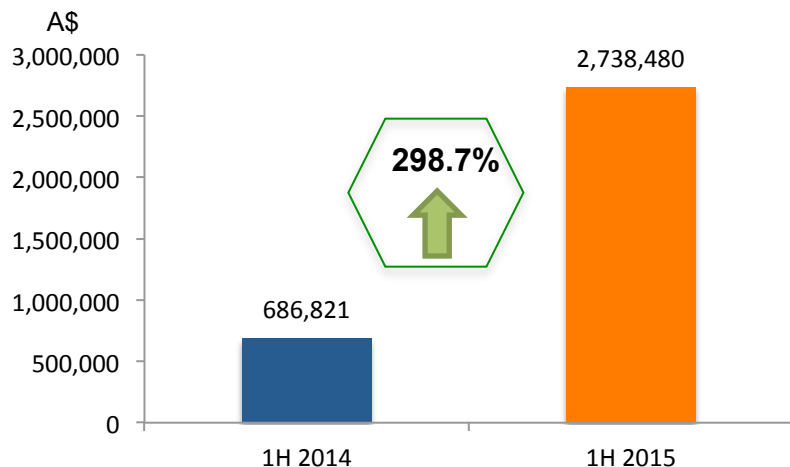
Revenue – by Product Categories





Operating Expenses Analysis

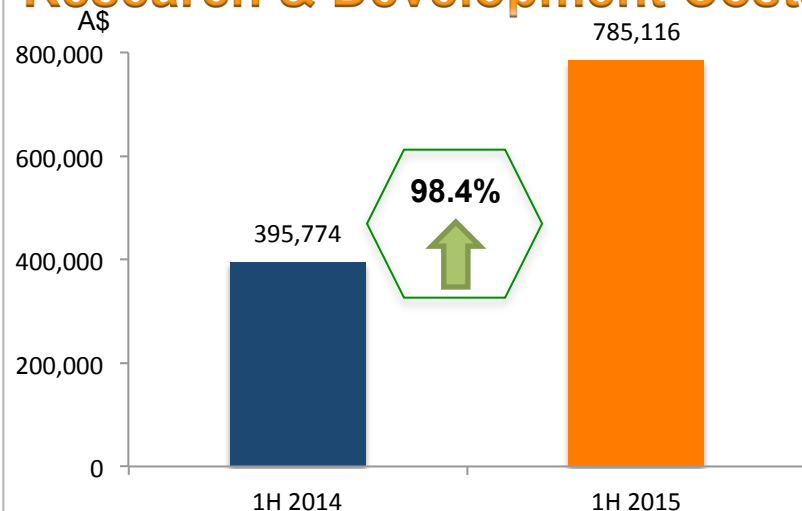
Advertising & Promotional Costs



	For the six months ended 30 June		
Operating ratio	1H 2015	1H 2014	Change
As % of revenue	5.8%	2.3%	+3.5pp

- Strengthened marketing and promotion in soccer through various sponsorships at school, college, university and professional levels in PRC
- Other means of advertising

Research & Development Costs

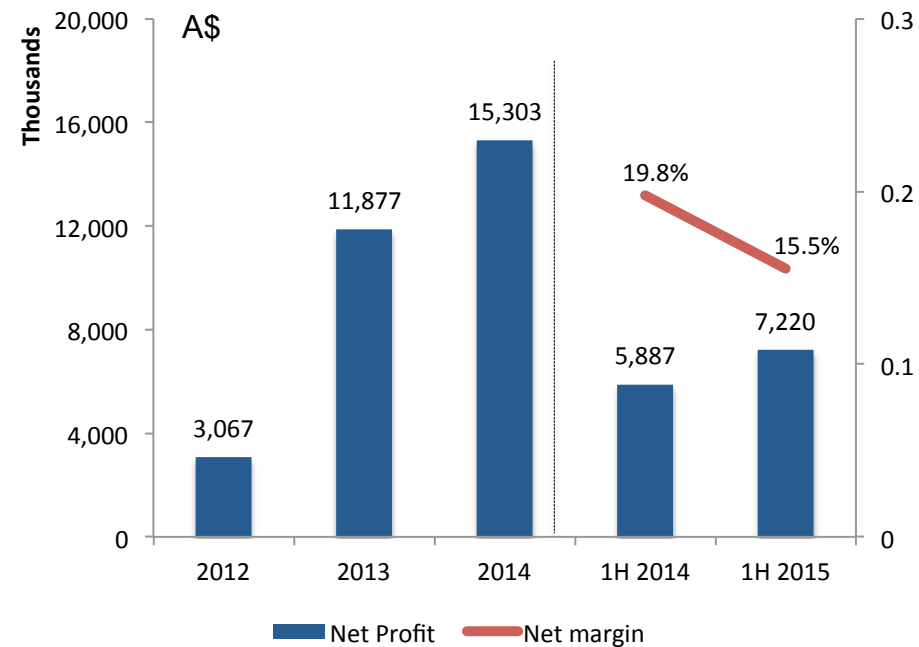
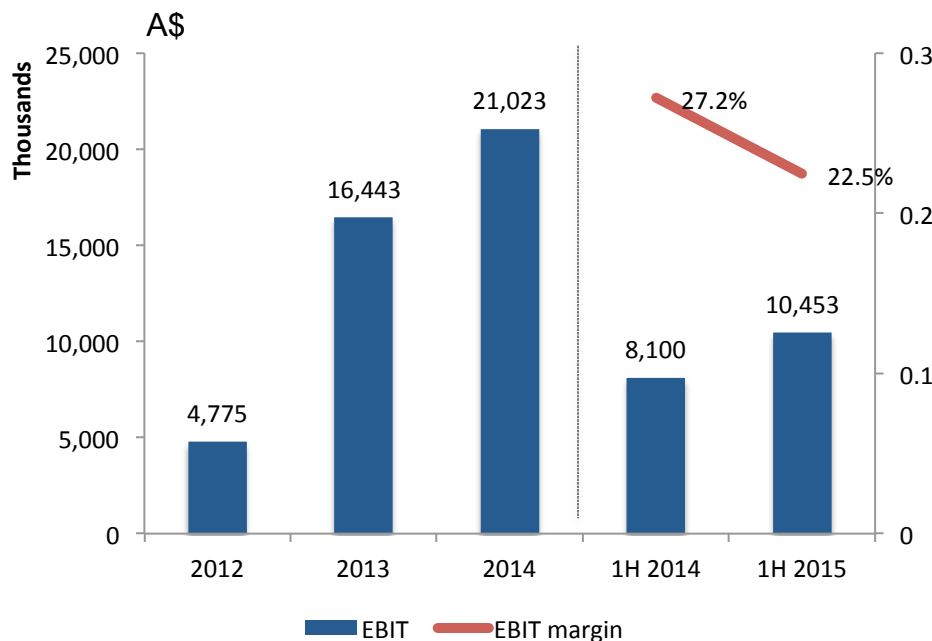


	For the six months ended 30 June		
Operating ratio	1H 2015	1H 2014	Change
As % of revenue	1.7%	1.3%	+0.4pp

- R&D in new materials and new print technology
- recruit additional design and development personnel to improve design and functionality



EBIT & Net Profit



- EBIT and Net Profit continues to increase
- EBIT margin and Net margin decrease due to costs associated with IPO and increases in operating cost associated with listing and marketing expenses.
 - One-off IPO expenses of A\$791,783
 - Ongoing costs associated with listing on ASX

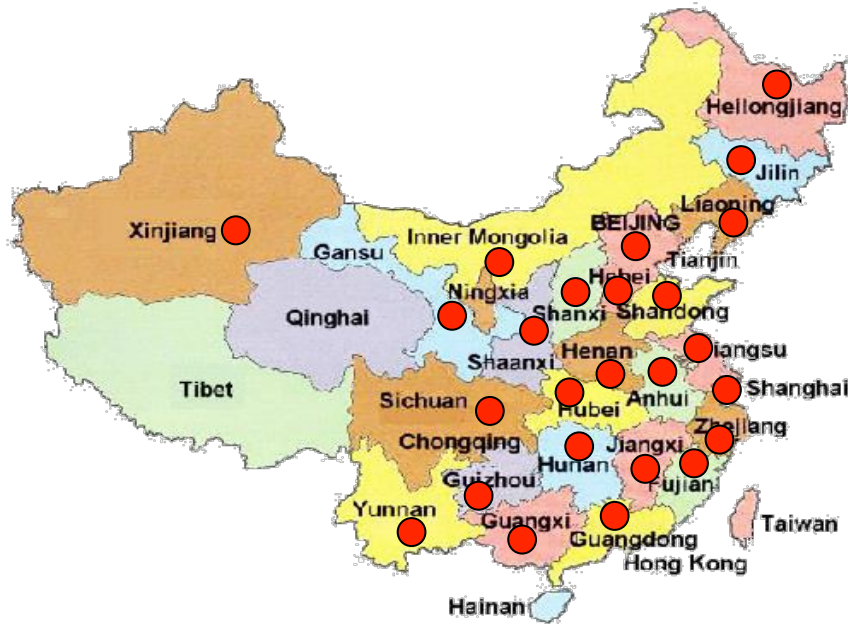


Solid Balance Sheet

A\$ mn	30 Jun 2015	31 Dec 2014	Change
Current Assets	57.7	35.2	+63.9%
Current Liabilities	19.6	17.4	+12.6%
Net Current Assets	38.1	17.8	+114%
Current Asset Ratio	2.9x	2.0X	+0.9x
Gearing Ratio	14.9%	17.7%	-2.8%
Shareholders' Equity	61.7	40.6	+52.0%



Business - Distribution



- Number of distributors in China increased to 237 from 226 at the end of 2014
- Number of retail outlets for XPD reached 2,010, representing a net increase of 72 outlets from the end of 2014



Tmall XPD Online Store



JD XPD Online Store



Business - Brand Management

- Soccer Focused
- Sponsored Huaqiao University and Quanzhou Technology and Science University Soccer League
- Sponsored Pearl River Delta Indoor Soccer League
- Sponsored Queensland under 15 soccer teams travelling to Japan to compete
- Advertising through television commercials, outdoor media, online advertising, newspapers and magazines





Business - Campus Soccer

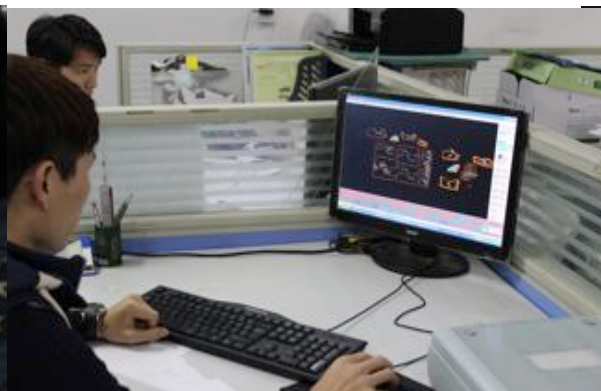
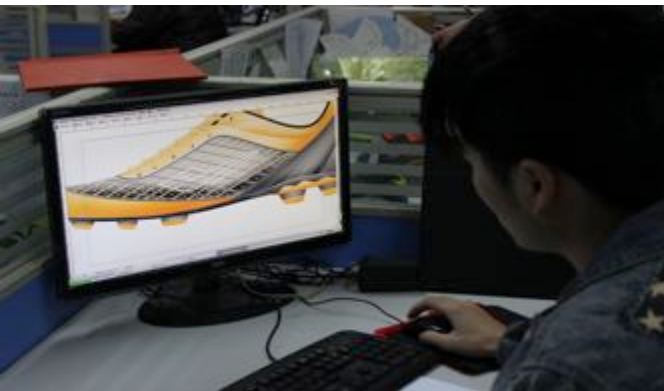
- Introduced the concept of “Campus Soccer”
- Rolled out a “School + XPD + Soccer club” model where students in schools are encouraged to participate in campus soccer and in doing so gain access to XPD soccer products





Business – R&D

- In-house R&D team, comprising of 45 research and design professionals
- Maintain cooperative relationships with external studios and research institutions
- 218 new footwear
- Applied new print technology into production of shoe surfaces





Business - Production

1H2015 Production Volume

	Footwear
Self-production	2.3m pairs
Outsourced	2.1m pairs
Total	4.4m pairs

	Apparel and Accessories
Outsourced	0.3m pieces





Outlook – Macro Environment

New opportunities for growth

PRC Government target to develop sportswear industry into a RMB 5 trillion (approximately A\$ 1.1 trillion) business sector

Soccer sector is expected to benefit the most due to growing passion for soccer across communities in China and unprecedented government support by Chinese Governments

Soccer Reform is one of China's long-term strategy: increasing soccer school from 5,000 to 50,000 in 10 years

Chinese economy is transiting from export-led economy to domestic consumption driven economy

Rising interest in sports with China winning 2022 Beijing Winter Olympics



Strategies - Focus on Key Markets

- Continue to focus on soccer sector
- Continue to invest in sports sponsorships to enhance brand recognition
- Replicate “School + XPD + Soccer Club” model to drive sales of campus soccer sportswear
- Badminton, table tennis and running are also important segments for growth
- Maintain competitive pricing mechanism
- Enhance R&D capabilities and enrich product mix





Strategies - Expansion of Distribution Channels

- Increase the number of distributors
- Encourage distributors to open more of their own retail outlets
- Enhance per store profitability and efficiency
- Expansion to overseas markets i.e. Australia and South Eastern Asian Countries





Strategies - Production Capacity

- Board to consider a plan to increase in-house production capacity to keep pace with demands for XPD products, including
 - taking up an offer to lease premises owned by the joint venture Yuanlong Limited (XPD has 26% interest in it) in Henan Province
 - purchasing machineries for two production lines at the first stage
 - commencing production by 1st quarter of 2016
- Strategically located – lower labor and logistics costs
- Local Government support – want to build a second shoe and apparel city in the North of China
- Industrial conglomeration efforts – Anta is building the second manufacturing premise in the same city





Dividend Policy

- Board committed to pay dividends to shareholders ASAP
- Immediate priority to expand production to meet growing demand and expand distribution
- Available capital in 2015 will be directed to new factories expansion; thereafter dividend policies will be revisited



Products

AG

Model No. : CD-C76
Colour : BLUE / GREEN / ORANGE
Size : 36-45
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-C76
Colour : RED / WHITE
Size : 36-45
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-C76
Colour : BLACK / GRAY
Size : 36-45
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-C88
Colour : GREY / GREEN
Size : 36-45
Upper material : MESH
Outsole : TPU

Model No. : CD-C88
Colour : BLUE / ORANGE
Size : 36-45
Upper material : MESH
Outsole : TPU

Model No. : CD-C88
Colour : BLUE / GREEN
Size : 36-45
Upper material : PU
Outsole : TPU

Model No. : CD-C88
Colour : GREEN / ORANGE
Size : 36-45
Upper material : PU
Outsole : TPU

HG series

Model No. : CD-109
Colour : BLUE / WHITE
Size : 36-45
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-109
Colour : BLACK / GREY
Size : 36-45
Upper material : GARMENT PVC
Outsole : TPU

Model No. : CD-289
Colour : BLACK / GOLD
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-289
Colour : ORANGE
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-A20
Colour : BLACK / BLUE
Size : 36-45
Upper material : PU
Outsole : RB

Model No. : CD-A20
Colour : PURPLE
Size : 36-45
Upper material : PU
Outsole : RB

TF series: Current floor PVC floor tiles Artificial grassland

Model No. : CD-C45-3
Colour : RED / YELLOW
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-C45-3
Colour : YELLOW / BLUE
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-9830
Colour : WHITE
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-9830
Colour : BLACK
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-2-6000
Colour : WHITE
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

Model No. : CD-2-6000
Colour : BLACK
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

TF series: Current floor PVC floor tiles Artificial grassland

Model No. : CD-C83
Colour : BLACK
Size : 36-45
Upper material : GARMENT PVC
Outsole : RB

FG series: Natural grassland

Model No. : CD-1059
Colour : RED / BLACK
Size : 36-45
Upper material : HAND
Outsole : TPU

Model No. : CD-1059
Colour : YELLOW / BLACK
Size : 36-45
Upper material : HAND
Outsole : TPU

Soccer jerseys series

Model No. : 1103
Colour : GREEN / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : ORANGE / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : BLACK / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : BLUE / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : WHITE / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : YELLOW / BLACK
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : RED / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : WHITE / RED
Size : S-4XL
Material : 100% POLYESTERFIBER

Soccer jerseys series

Model No. : 1103
Colour : GREEN / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : ORANGE / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : BLACK / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : BLUE / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : WHITE / BLUE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1103
Colour : YELLOW / BLACK
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : RED / WHITE
Size : S-4XL
Material : 100% POLYESTERFIBER

Model No. : 1105
Colour : WHITE / RED
Size : S-4XL
Material : 100% POLYESTERFIBER

Badminton shoes series

Model No. : CD-C411
Colour : RED / SILVER
Size : 36-45
Upper material : PU-MESH
Outsole : MD-HB-TPU

Model No. : CD-C411
Colour : YELLOW / BLUE
Size : 36-45
Upper material : PU-MESH
Outsole : MD-HB

Model No. : CD-9838
Colour : WHITE / RED
Size : 36-45
Upper material : PU-MESH
Outsole : MD-HB-TPU

Model No. : CD-9838
Colour : WHITE / GRAY
Size : 36-45
Upper material : PU-MESH
Outsole : MD-HB-TPU

Model No. : CD-XA13
Colour : WHITE / RED
Size : 36-45
Upper material : MICROFIBER-PU-MESH
Outsole : MD-HB-TPU

Model No. : CD-XA13
Colour : WHITE / BLUE
Size : 36-45
Upper material : MICROFIBER-PU-MESH
Outsole : MD-HB-TPU

Badminton shoes series

Model No. : CD-BB19
Colour : WHITE / BLUE
Size : 36-45
Upper material : MICROFIBER-MESH
Outsole : MD-HB-TPU

Model No. : CD-BB19
Colour : WHITE / GREEN
Size : 36-45
Upper material : MICROFIBER-MESH
Outsole : MD-HB-TPU

Running shoes series

Model No. : CD-C401
Colour : BLUE / WHITE
Size : 36-45
Upper material : PU-MESH
Outsole : EVA

Model No. : CD-C421
Colour : GREY / GREEN
Size : 36-45
Upper material : PU-MESH
Outsole : EVA

Model No. : CD-D657
Colour : ORANGE
Size : 36-45
Upper material : MESH
Outsole : EVA

Model No. : CD-D657
Colour : BLUE
Size : 36-45
Upper material : MESH
Outsole : EVA



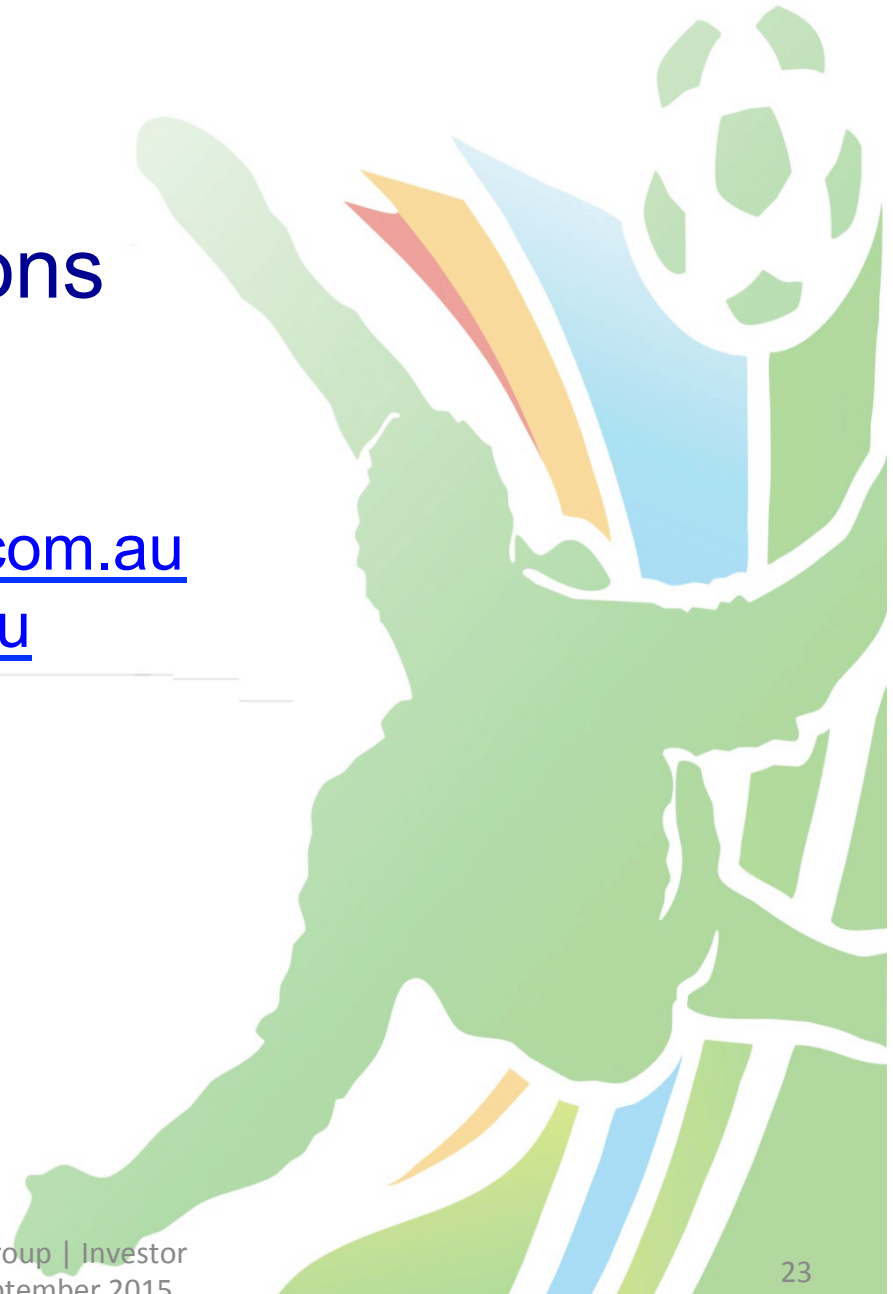
Contacts

XPD – Investor Relations

Tel: (03) 9909 7412

Email: andrew.s@xpdsoccer.com.au
ting@xpdsoccer.com.au

Thank you!

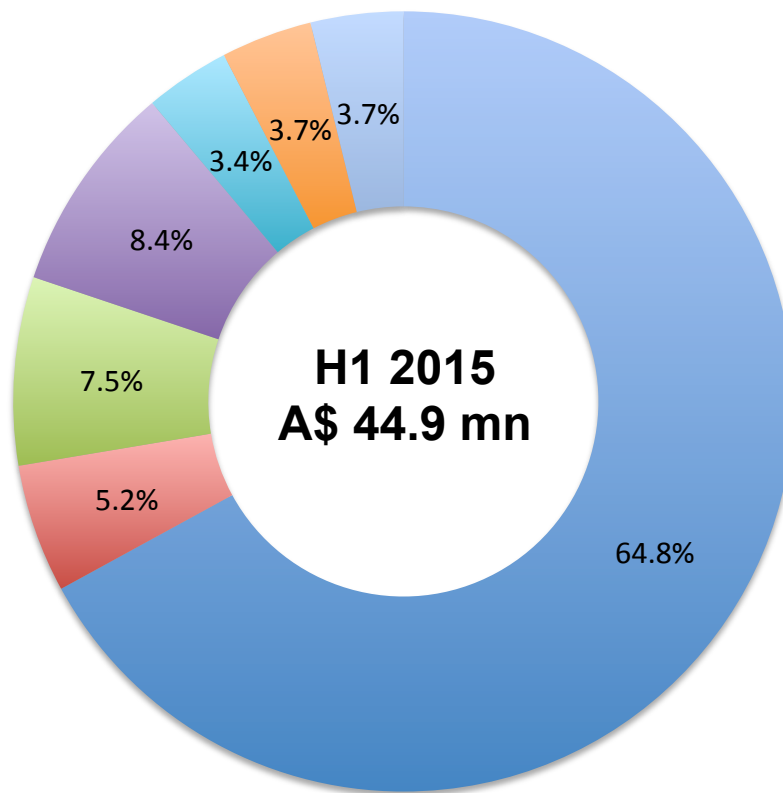


Appendix





Footwear Revenue



Soccer, running, table tennis and badminton shoes are top 4 sellers.

■ Soccer ■ Badminton ■ Table tennis ■ Running ■ Basketball ■ Outdoor ■ Others



Sales Volume & ASP

Footwear	1H 2015	1H 2014	Change
Revenue (RMB million)	215.6	163.2	+32.1%
Revenue (A\$ million)	45.0	29.1	+54.6%
Volume (million pairs)	3.87	2.98	+29.9%
ASP at wholesale level (RMB)	55.7	54.7	+1.8%

Apparel and Accessories	1H 2015	1H 2014	Change
Revenue (RMB million)	7.5	4.2	+78.6%
Revenue (A\$ million)	1.6	0.7	+128.6%
Volume (million pieces)	0.23	0.14	+64.3%
ASP at wholesale level (RMB)	32.6	30.0	+8.7%



Working Capital

As at the period/year end date

RMB million	30 Jun 2015	31 Dec 2014	30 Jun 2014
Inventories	52.1 (A\$11.1m)	30.1 (A\$6.0m)	48.9 (A\$8.4m)
Trade and bills receivable	79.1 (A\$16.5m)	80.2 (A\$16.0m)	67.7 (A\$11.6m)
Trade and bills payable	46.0 (A\$9.6m)	41.6 (A\$8.3m)	45.6 (A\$7.8m)

For the period/year ended

(Days)	30 Jun 2015	31 Dec 2014	30 Jun 2014
Avg inventory turnover	51	62	64
Avg trade and bills receivable turnover	65	81	77
Avg trade and bills payable turnover	54	69	70
Overall	62	74	71



Net Cash & Operating Cash Flow

As at the period/year end date

Net Cash & Bank Balances

A\$ million

	30 Jun 2015	31 Dec 2014	Change
Cash and bank deposits (including pledged deposits)	27.8	9.6	+189.6%
Less: Bank loans	(9.2)	(7.2)	+27.8%
Net cash & bank balances	18.6	2.4	+675%

For the period

Operating Cash Flow

A\$ million

	30 Jun 2015	30 Jun 2014	Change
Net cash flow generated from operating activities	3.4	2.1	+61.9%