



XPD Soccer Gear Group Limited



2015 Annual Results

March 2016



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Agenda



Company Snapshot



Financial Results



Business Review



2016 Goals and Objectives

About Us

- ASX listed, XPD Soccer Gear Group Limited is a leading and fast-growing sportswear company in China with a history back to 1992
- XPD has developed a vertically integrated business model, through which it designs, develops, manufactures, markets and distributes sportswear products under the “XPD” brand
- XPD has 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
- XPD strives to consistently build shareholder value through the timely and efficient execution of its strategies



Company Snapshot

Corporate

ASX Code	XPD
Share Price	A\$0.165
Shares on Issue	383,408,833
Market Cap	A\$63.2m

Board of Directors

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

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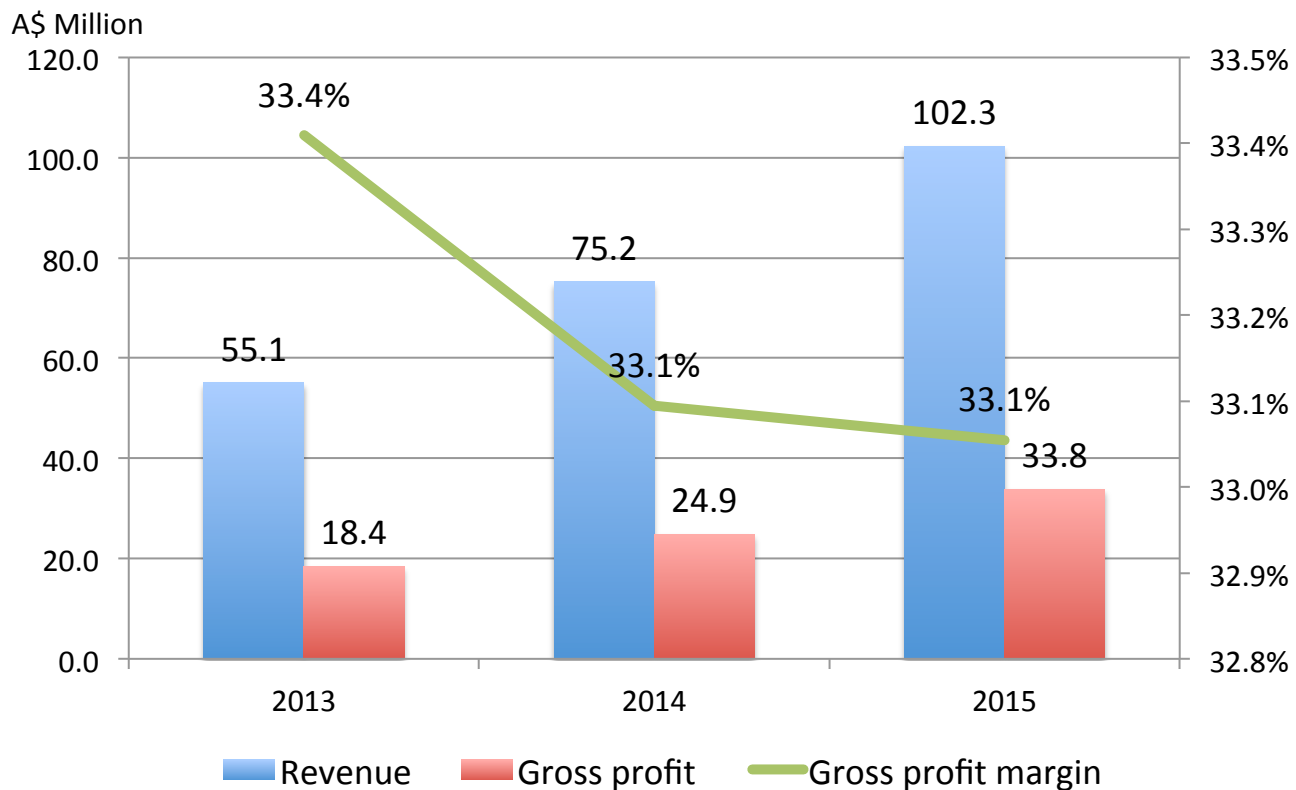


Financial Highlights

A\$ million	2015	2014	Change
Revenue	102.3	75.2	+36.0%
Gross profit	33.8	24.9	+35.7%
Profit before tax	22.5	20.4	+10.2%
Net profit for the period	16.2	15.3	+5.9%
Gross profit margin	33.1%	33.0%	+0.1pp
Net profit margin	15.9%	20.3%	-4.4pp
Basic earning per share (A\$ cents)	7.12	6.71	+6.1%
Final dividend per share(A\$ cents)	1	-	-



Revenue & Gross Profit



Exchange rate used
 2015 average rate RMB:A\$=0.2137
 2014 average rate RMB:A\$=0.1806



Revenue growth continues the trend of the past 3 years.



Gross Profit margin maintained

RMB Million	2015	2014	Change
Revenue	478.5	416.6	+14.8%
Gross profit	158.2	137.6	+14.9%

Net Profit

A\$ million	2015	2014	Change	2013
Profit before income tax	22.5	20.4	+10.2%	16.4
NPAT	16.2	15.3	+5.9%	11.9
Net Profit Margin	15.9%	20.3%	-4.4%	21.6%

Net profit margin decrease mainly due to increases expenses associated with advertising and promotion activities for XPD brand and increase in administration costs



Operating Expenses

Advertising & Promotion Expenses

	2015	2014	Change
Expense (A\$ million)	6.1	2.6	134.6%
As % of revenue	6.0%	3.5%	2.5%

- Advertising and promotion expenses comprise costs of sponsorship of events, media advertisements
- Significant expenditures in advertising & marketing campaigns
- Advertising & promotion expenses are under control and lower compared to peers

Administration Expenses

	2015	2014	Change
Expense(A\$ million)	3.0	0.9	233%
As % of revenue	2.9%	1.2%	1.7%

- The increase was mainly caused by increased staff costs, consulting costs, donations made to schools and community and listing related expenses (one-off IPO cost of A\$818,000)

Sale Volume & ASP

Footwear	FY 2015	FY 2014	Change
Revenue (RMB million)	460.8	407.3	+13.1%
Revenue (A\$ million)	98.5	73.6	+33.8%
Volume (million pairs)	8.3	7.5	+10.7%
ASP at wholesale level (RMB)	55.6	54.2	+2.6%

Apparel and Accessories	FY 2015	FY 2014	Change
Revenue (RMB million)	17.7	9.3	+90.3%
Revenue (A\$ million)	3.8	1.6	+137.5%
Volume (million pieces)	0.58	0.29	+100%
ASP at wholesale level (RMB)	35.0	31.9	+9.7%



Solid Balance Sheet

A\$ million	2015	2014	Change
Current Assets	64.5	35.2	+83.2%
Current Liabilities	17.6	17.4	+1.1%
Net Current Assets	46.9	17.8	+163.5%
Net tangible assets per share (A\$ cents)	18.25	-	-
Current Ratio	3.7	2.0	+1.7
Gearing Ratio*	11.8%	17.7%	-5.9%
Shareholders' Equity	70.0	40.6	+72.4%



* The calculation of gearing ratio is based on the total bank loans divided by the equity

Net Cash & Operating Cash Flow

As at 31 December

Net Cash & Bank Balances

A\$ million	2015	2014	Change
Cash and bank deposits (including pledged deposits)	37.7	12.6	+199.2%
Bank loans	(8.3)	(7.2)	+15.3%
Notes payable	(3.2)	(5.0)	-56.2%
Net cash & bank balances	26.2	0.4	+645%

Operating Cash Flow

A\$ million	2015	2014
Net cash flow generated from operating activities	13.0	14.5

- Cash balances as at 31 December 2015 have increased from \$12.6million to AUD37.7million. This increase is primarily caused by the capital raising in 2015 and positive net cash inflow from operations.
- XPD remain financially strong and conservative



Dividend – Key Milestone

XPD has declared its maiden dividend in 2016.

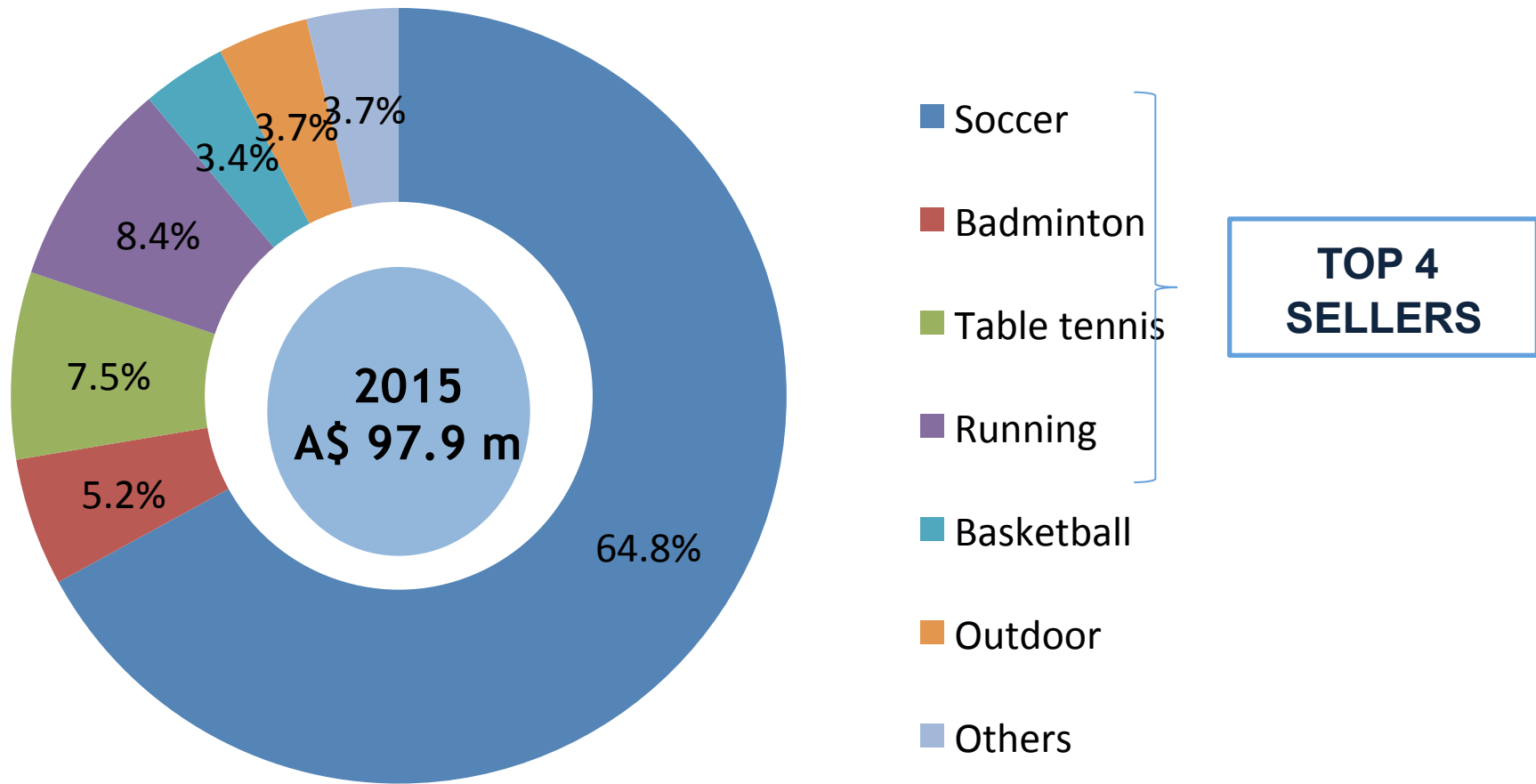
Dividend
1 cent per share.

Directors are satisfied XPD can invest in the future development of the company whilst also rewarding shareholders.

Alongside the Dividend, XPD will introduce a Dividend Reinvestment Program, enabling loyal shareholders to convert their dividend into shares.



Footwear Revenue



2015 Review

- 1 ASX Listing in May 2015
- 2 Build production capacity, in house and outsourced
- 3 Appoint additional distributors and retailers
- 4 Brand management
- 5 Campus Soccer
- 6 Sales revenue of FY2015 increased by 35.9% to \$102.3million
- 7 Strong cash position of \$37.7million as at 31 December 2015. Net cash \$26 mill.



**Building a platform
for growth**

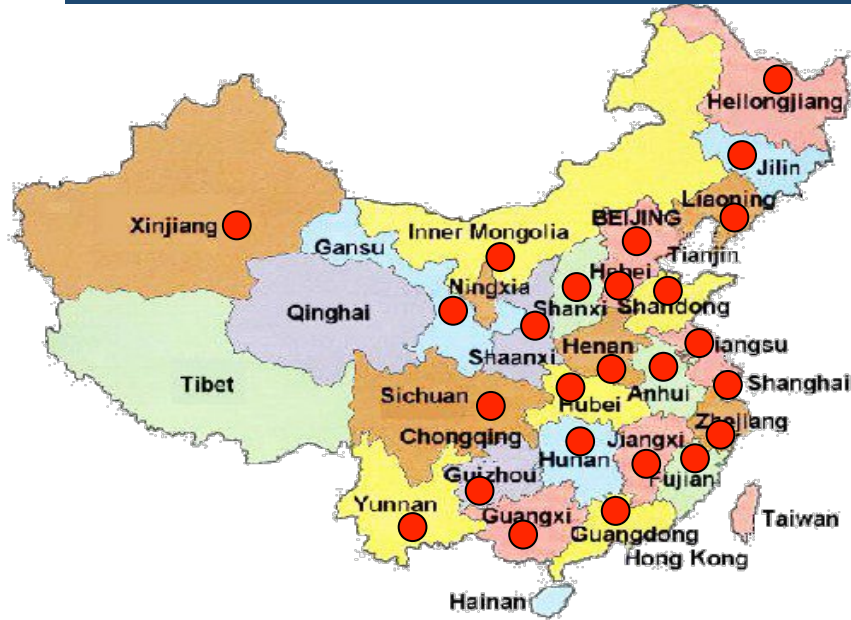
Supply Chain Management & Production

- Responsive to market changes through strategic mix of in-house and outsourced production
- Self-production ratios in 2015: footwear 67% (2014: 62%)
- Apparel 100% outsourced
- Adjust production schedules and fulfill replenishment orders in a timely and cost-effective manner
- XPD currently has 4 shoe lines in Jinjiang and employs about 650 staff



Distribution

Distribution network



- Utilise a wholesale distributor model
- Number of distributors in China increased from 226 to 240
- Number of retail outlets for XPD reached 2,062 representing a net increase of 124 outlets from 31 December 2014
- Sales fair was held in November 2015

E-commerce

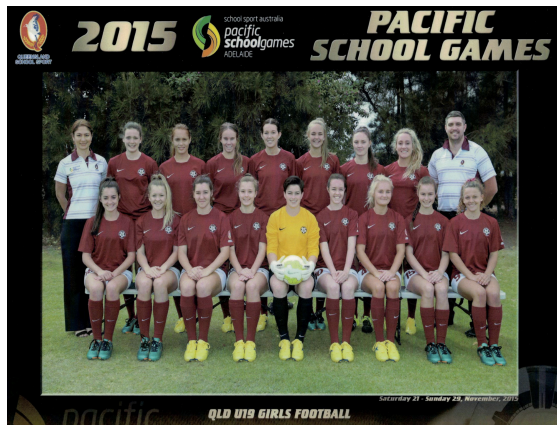


- XPD has self-operated webstores on leading online platforms in China, namely Tmall, JD & Paixie
- XPD authorises 3rd party online retailers to sell our products on their webstores
- Low single digit of total sales revenue, but expected to grow



Brand Management

- Soccer focused marketing campaign
- Media advertisement and sponsorship of events, leagues and individual soccer clubs
 - Sponsored Pearl Rive Delta Indoor Soccer League and Fujian Provincial Universities League
 - Sponsored Fujian Exceed FC for national leagues and 1st National Youth Games
- XPD endeavours to establish its brand recognition and reputation in Australia by targeting school sponsorships since listing
 - Sponsored Queensland U15 Soccer Tour to Japan in September 2015
 - Sponsored Queensland U19 Soccer Team for the Pacific School Games in Adelaide in November 2015.
- XPD supports the growth in its brand through social media promotion activities
 - Launched “I love soccer, I am a captain” campaign on social media to encourage amateur soccer
 - Launched soccer cheer squad recruitment campaign on social media



Campus Soccer

In 2015 XPD introduced the concept of “Campus Soccer” to capture growth opportunities in junior soccer

Contribution to sales

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



XPD launched soccer collections for children/teenager.



Strategies for 2016

- Further enhancing XPD brand awareness and image
 - Marketing and promotion expenses expected to be in the range of 5-6% of revenue
 - Corporate mission expanded to embrace XPD customer loyalty
 - Sponsorship and brand ambassador
 - Identifying opportunities for international distribution of XPD products
- Increasing distribution networks in China
- Focusing on soccer sector while increasing sales in sportswear for other sports categories in particular badminton and table tennis
- Ramping up in-house production capacity



Yuanlong Investment



XPD holds 26% equity interest in Henan Yuanlong Industrial Co Ltd and invested approx. **A\$15 million** in Yuanlong since 2013

Yuanlong purchased a land of 324,000 square meters in the Sui County of Shangqiu City, Henan Province. The land is under development in 3 stages. Yuanlong finished construction of 8 factory buildings and 2 dormitories in stage 1

XPD can lease the buildings from Yuanlong for the purposed of installing shoe/boot manufacturing lines.

XPD Board is considering the parameters for investment in new production capacity

Yuanlong Production Facility

The company initially plans to install **2** shoe manufacturing lines, each with a capacity of 1 million pairs per annum.

The cost of each line is **approximately A\$2.2 million (RMB10 million)**, plus working capital

The company aims to increase this to five manufacturing lines in 3 years and employ approximately 1500 staff.

Labor costs in Henan are lower than eastern coastal areas in Fujian Province



Research and Development

R & D 1

**In-house R&D team,
comprising of 45
research and design
professionals**

R & D 2

**Maintain cooperative
relationships with
external studios and
research institutions**

R & D 3

**Increase Investment
in R & D**

R & D 4

**Emphasis on shoe
construction,
design and comfort**



Market Overview

- Chinese Government has targeted the development of the sportswear industry into a RMB 5 trillion (approximately A\$ 1.1 trillion) business sector.
- Chinese government takes measures to accelerate the sports industry development & to boost sport-related consumption
- China Football Association at its National Congress to work with Minister of Education to provide facilities, training and expertise for school teachers.
- Education Ministry has now selected 8627 schools to teach mandatory soccer courses throughout China.
- China's long-term strategy is to roll out facilities, coaches and compulsory soccer to 50,000 schools by 2025
- XPD market share may plateau or even fall as new players enter market, but compensated by growth in overall market size



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THANKS

