



Exceed Company Ltd. Fourth Quarter & Full Year 2012 Results Presentation

March 28, 2013



喜得龙



全民健身万里行 官方合作伙伴

Official Partner of *Fitness for All*

Safe Harbor Statement



This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and future performance of Exceed Company Ltd (“Exceed”). These statements are based on management’s current expectations or beliefs. Actual results may vary materially from those expressed or implied by the statements herein. This information is qualified in its entirety by cautionary statements and risk factor disclosure contained in certain of Exceed's Securities and Exchange Commission filings. For a description of certain factors that could cause actual results to vary from current expectations and forward-looking statements contained in this presentation, please refer to documents that Exceed files from time to time with the Securities and Exchange Commission. Exceed is under no obligation to, and expressly disclaims any obligation to, update or alter its forward looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.



Agenda



- **Company Overview**
- **Results Overview**
- **Financial Highlights**
- **Operational Updates**
- **Strategy & Outlook**



Company Overview



NASDAQ listing:	October 2009
Ticker:	NASDAQ: EDS (Global Select Market)
Market Cap:	US\$47.1 Million, as of March 28, 2013
Shares Outstanding:	Approximately 33.0 Million, as of December 31, 2012

About Exceed:

Headquarters: Fujian, China

Business Profile The owner and operator of “Xidelong” brand, one of the leading domestic sportswear brands in China with strengths in 2nd and 3rd tier cities

Investor Information: www.ir.xdlong.cn



Q4 2012 Results Overview



Proactively executed a number of tactical and strategic initiatives to mitigate the impact of the market downturn

- **Revenue: RMB373.7 million (US\$60.0 million), 48.8% year-over-year decrease**
- **Gross profit: RMB101.9 million (US\$16.4 million), 52.8% year-over-year decrease**
- **Gross margin: 27.3%, 2.3 percentage point year-over-year decrease**
- **Operating profit: RMB13.3 million (US\$2.1 million), 83.6% year-over-year decrease**
- **Net profit: RMB10.6 million (US\$1.7 million), 75.0% year-over-year decrease**
- **Results Highlights:**
 - Results impacted by the weakening consumer demand across our main product categories resulting from the ongoing macroeconomic uncertainties and tepid domestic economic growth
 - Continue to effectively align inventory levels with consumer demand to minimize the volume of off-season inventory in our distribution network
 - Continue our efforts to maintain our gross margin by balancing product pricing and production cost to eliminate the impact of the increase in outsourcing cost



FY2012 Results Overview



Challenging year with continued significant long-term growth opportunities

- **Revenue: RMB2,383.5 million (US\$382.6 million), 27.5% year-over-year decrease**
- **Gross profit: RMB675.7 million (US\$108.5 million), 31.9% year-over-year decrease**
- **Gross margin: 28.3%, 1.9 percentage point year-over-year decrease**
- **Operating profit: RMB231.8 million (US\$37.2 million), 53.5% year-over-year decrease**
- **Net profit: RMB198.9 million (US\$31.9 million), 57.7% year-over-year decrease**
- **Results Highlights:**
 - In light of the expected impact that market headwinds would have on the Chinese sportswear industry and Exceed specially in 2012, we have enacted a number of strategic initiatives throughout the year
 - Continue to effectively align inventory levels with consumer demand to minimize the volume of off-season inventory in our distribution network
 - The strategy will help to strengthen our competitive positioning over the mid- to long-term and allow us to maintain our pricing power



Financial Highlights



FY2012 Financial Highlights (Audited)



<i>(In millions, except EPS data)</i>	2012 US\$ ¹	2012 RMB	2011 RMB	Y-o-Y %
Total Net Revenue	382.6	2,383.5	3,288.6	-27.5%
Gross Profit	108.5	675.7	992.3	-31.9%
Operating Profit	37.2	231.8	498.2	-53.5%
Net Profit	31.9	198.9	470.1	-57.7%
Basic EPS ²	0.97	6.03	15.83	-61.9%
Diluted EPS ³	0.97	6.03	13.72	-56.0%
		2012	2011	Y-o-Y
Gross Margin		28.3%	30.2%	-1.9pts
Operating Margin		9.7%	15.1%	-5.4pts
Net Margin		8.3%	14.3%	-6.0pts

Notes:

1. RMB to US\$ conversions were made using the exchange rate of US\$1.00=RMB6.2301.
2. The weighted average basic shares outstanding for the year ended December 31, 2012 was 32,997,441; the weighted average basic shares outstanding for the year ended December 31, 2011 was 29,700,010.
3. The weighted average diluted shares outstanding for the year ended December 31, 2012 was 32,997,441 the weighted average diluted shares outstanding for the year ended December 31, 2011 was 34,273,028.

Q4 2012 Financial Highlights (Unaudited)



<i>(In millions)</i>	Q4 2012 US\$ ¹	Q4 2012 RMB	Q4 2011 RMB	Y-o-Y %
Total Net Revenue	60.0	373.7	729.9	-48.8%
Gross Profit	16.4	101.9	215.7	-52.8%
Operating Profit	2.1	13.3	80.9	-83.6%
Net Profit	1.7	10.6	42.4	-75.0%
		Q4 2012	Q4 2011	Y-o-Y
Gross Margin		27.3%	29.6%	-2.3pts
Operating Margin		3.6%	11.1%	-7.5pts
Net Margin		2.8%	5.8%	-3.0pts

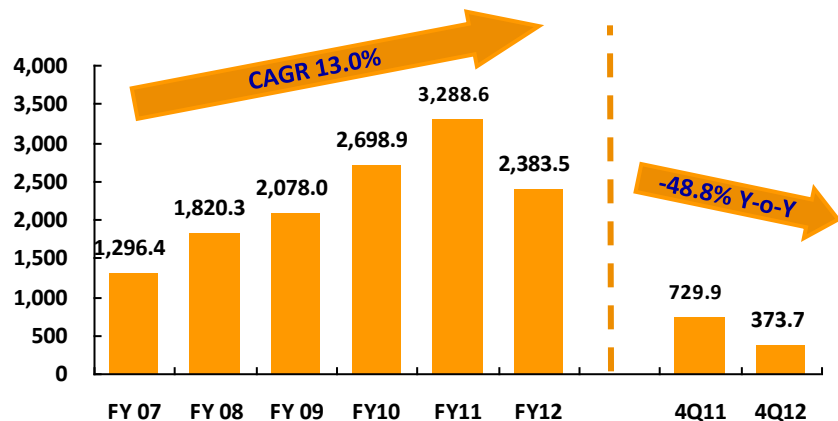
Notes:

1. RMB to \$US conversions were made using the exchange rate of US\$1.00=RMB6.2301.

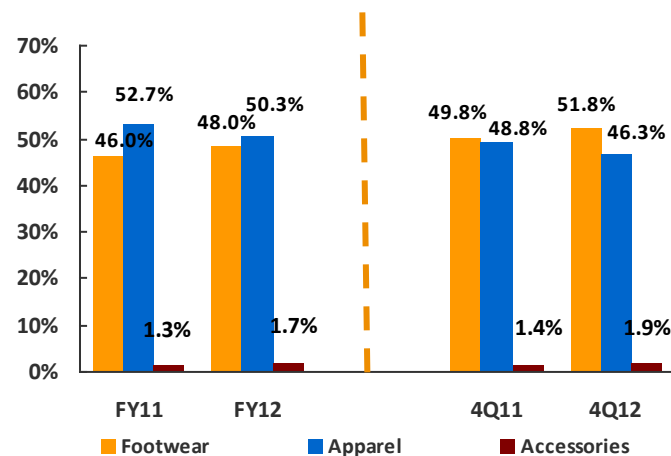
Revenue – Effectively Manage Business through this Cyclical Downturn



Net Revenue



Revenue Contribution by Product

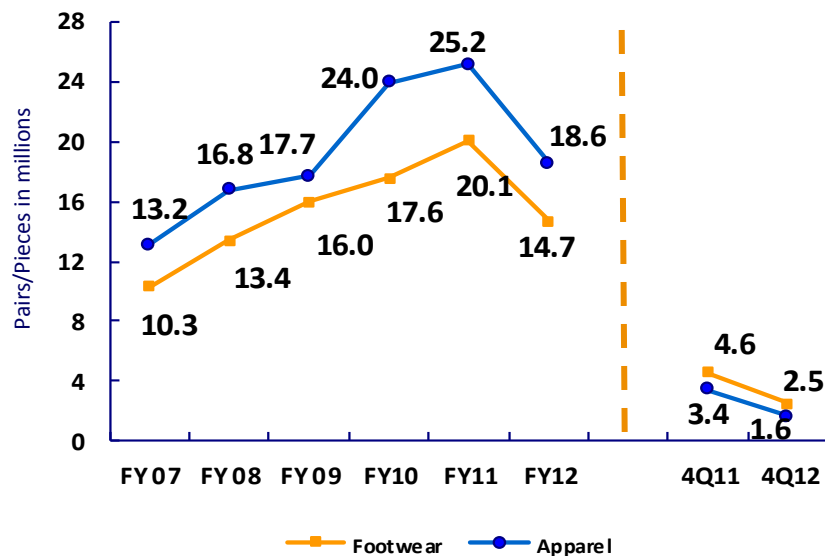


(RMB In millions)	Q4 2012	Q4 2011	Y-o-Y %	2012	2011	Y-o-Y %
Footwear	193.7	363.4	-46.7%	1,144.8	1,514.1	-24.4%
Apparel	173.1	355.9	-51.4%	1,198.2	1,731.5	-30.8%
Accessories	6.9	10.6	-34.3%	40.5	43.0	-5.8%

Revenue – Maintained Profitability throughout Market Downturn

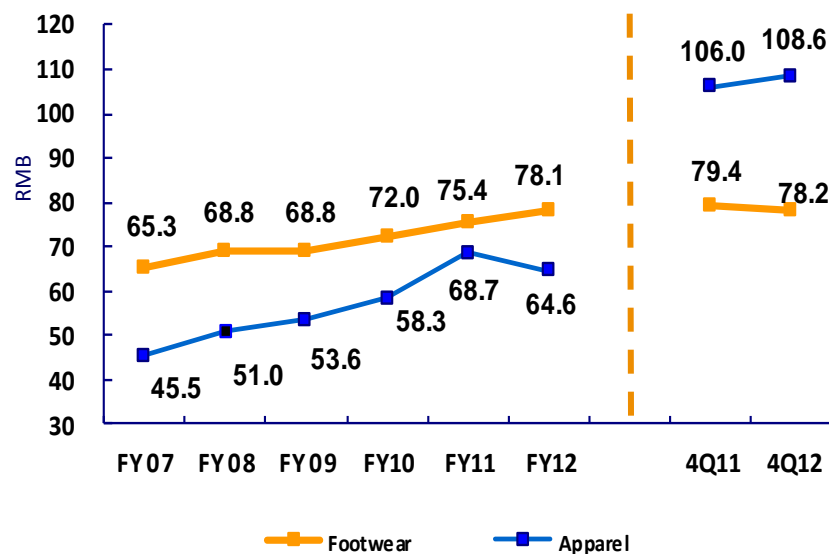


**Sales Volume Growth:
Footwear & Apparel**



Y-o-Y growth:	4Q12	2012
Footwear:	-45.7%	-26.9%
Apparel:	-52.9%	-26.2%

**Wholesale Average Selling Price (ASP) Growth:
Footwear & Apparel**

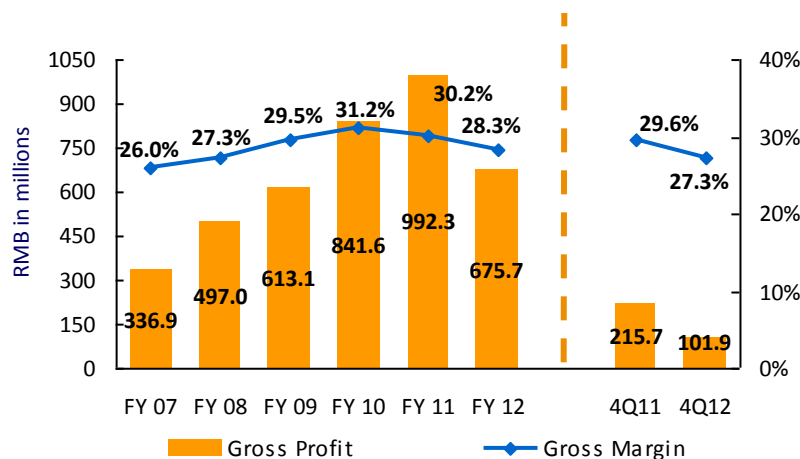


Y-o-Y growth:	4Q12	2012
Footwear:	-1.5%	3.6%
Apparel:	2.5%	-6.0%

Gross Margin Impacted by Increased Outsourcing Costs

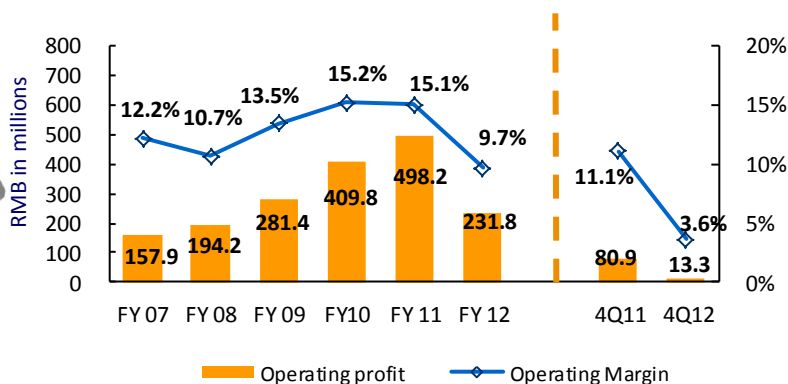


Gross Profit and Gross Margin

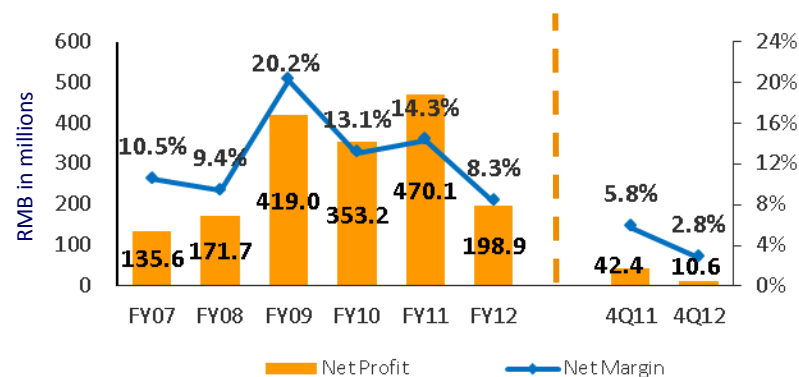


- Gross margin impacted by increasing outsourcing cost due to inflationary impact on raw materials and labor
- Continue to maintain our gross margin by balancing product pricing and production cost

Operating Profit and Operating Margin



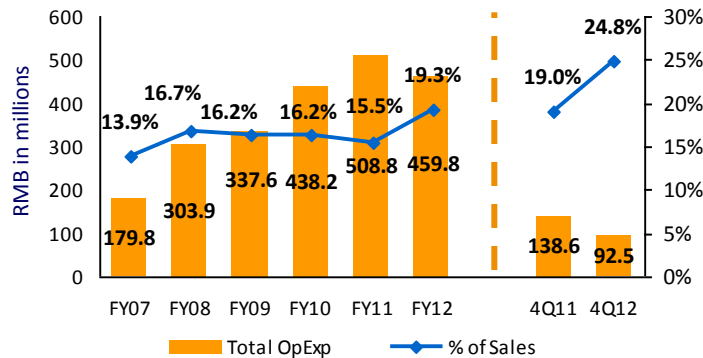
Net Profit and Net Margin



Effectively Managing Costs

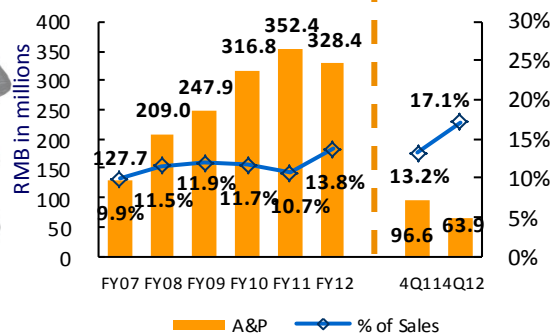


Total Operating Expenses

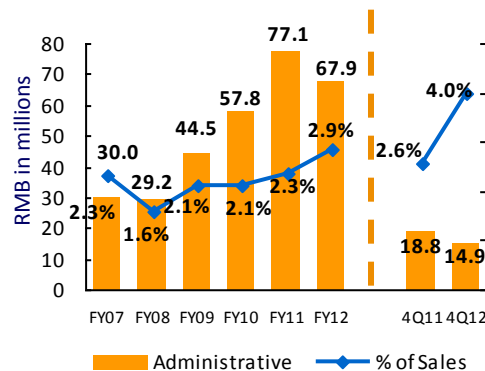


- Both 4Q and FY Total Operating Expenses decreased due to effective cost control
- A&P Expenses decreased as fewer retail selling locations were opened during 2012
- Administrative Expenses decreased due to the decrease in Urban Maintenance and Construction Tax and Education Surcharge for the decline in revenue
- Decrease in R&D Expenses due to improved efforts to increase the efficiency of our research and development activities

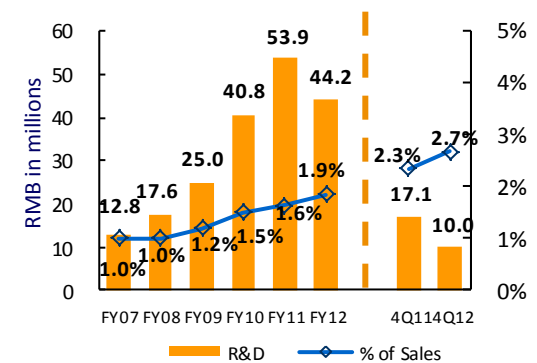
A&P Expenses



Administrative Expenses



R&D Expenses



Tax Expenses



<i>(in millions)</i>	4Q 12 US\$	4Q 12 RMB	4Q 11 RMB	Y-o-Y %	2012 US\$	2012 RMB	2011 RMB	Y-o-Y %
Tax Expenses	0.4	2.4	11.1	-78.4%	5.2	32.2	65.9	-51.1%
Profit Before Tax	2.1	13.0	53.6	-75.7%	37.1	231.2	536.0	-56.9%
Effective Tax Rate (%)	18.5%		20.7%	-2.2pts	13.9%		12.3%	1.6pts

- Tax expense decrease primarily due to the decrease in operating profit.



Net Income Growth



<i>(in millions, except for EPS)</i>	2012 US\$	2012 RMB	2011 RMB	Y-o-Y %
Net Profit	31.9	198.9	470.1	-57.7%
Basic EPS	0.97	6.03	15.83	-61.9%
Diluted EPS	0.97	6.03	13.72	-56.0%
Non-GAAP Net Profit (excluding gain from change in fair value of contingent share liability)	31.9	198.9	431.4	-53.9%
Non-GAAP Basic EPS	0.97	6.03	14.53	-58.5%
Non-GAAP Diluted EPS	0.97	6.03	12.59	-52.1%
Basic weighted average number of shares outstanding		32,997,441	29,700,010	-
Diluted weighted average number of shares outstanding		32,997,441	34,273,028	-

Liquidity and Balance Sheet



<i>(in millions)</i>	Dec 31, 2012 US\$	Dec 31, 2012 RMB	Dec 31, 2011 RMB	Change %		
Cash and Cash Equivalents	102.3	637.2	964.3	-33.9%		
Inventory	1.9	11.7	31.6	-63.0%		
Trade Receivables	174.1	1,084.5	699.9	55.0%		
Total Current Assets	282.1	1,757.8	1,700.6	3.4%		
Trade and Bills Payables	1.4	8.8	59.9	-85.3%		
Total Current Liabilities	16.5	102.9	123.3	-16.5%		
Total Equity	347.2	2,162.9	1,962.4	10.2%		
<i>(in millions)</i>	FY 2012 US\$	FY 2012 RMB	FY 2011 RMB	Change %		
Net Cash Inflow/(Outflow) from Operating Activities	-36.8	-229.3	320.4	-171.6%		
	4Q12	4Q11	Y-o-Y Change	2012	2011	Y-o-Y Change
Inventory Turnover Days	7	8	-1	5	6	-1
Trade Receivables Turnover Days	274	93	181	137	73	64
Trade Payables Turnover Days	9	17	-8	7	14	-7



Operational Updates

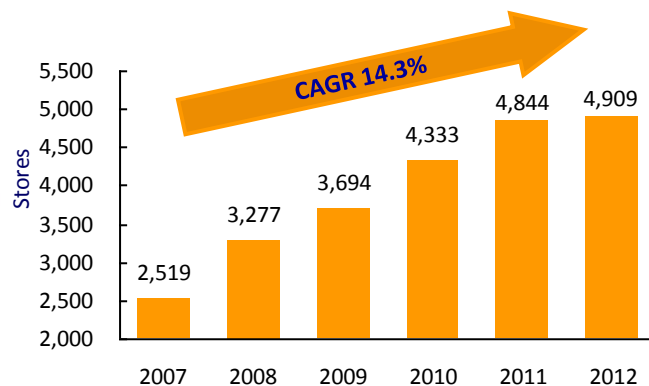


Sales Network – Measured & Prudent Expansion



- Xidelong retail selling locations are operated by our distributors and authorized third party retailers
- Prudent expansion of nationwide sales network:
 - Approximately 4,909 retail locations at the end of December 2012
 - Approximately 65 new retail selling locations were opened from December 31, 2011 to December 31, 2012
- Deepening penetration into new areas:
 - Focus in 3rd tier cities in Guangdong, Jiangsu, and Zhejiang provinces
 - Selective expansion into 2nd tier cities

Number of Retail Stores



Marketing Initiatives Continue to Enhance Brand Awareness & Value



- **“Happy Lifestyle” promotional activities and product offerings campaign continued in 2012**
 - Enhancing brand image and driving consumer demand
- **Reaching younger generations through engaging marketing**
 - Continue to engage By2, a popular Taiwan-based musical group, as a product spokesperson
- **Support of the “Fitness for All” program**
 - Selected in 2012 for third consecutive year as official partner of “Fitness for All” campaign



Initiatives to improve and enhance the Xidelong “happy lifestyle” brand profile



Strategy and Outlook



Growth Strategy



Deepen Market Penetration


Capitalize on high growth potential of 2nd and 3rd tier cities, deepen penetration to drive acquisitive growth

Strengthen Market Position

Focused marketing efforts to strengthen brand profile and improve store traffic

Enhance Brand Equity

Elevate “XIDELONG” brand equity to achieve higher ASPs and margin expansion



Focused three-pronged strategy to drive organic and acquisitive growth and to improve profitability

2013 Business Outlook



- Exceed expects that net revenues in 2013 will be adversely affected by sluggish economic conditions and industry-wide inventory level correction.
- This forecast reflects the Company's current and preliminary view, and is subject to change.





Q and A

