

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 26-year overall track record of investing in companies, working to make them better and serving our investors' needs.



Carlyle professionals worked with Xtep's management team to smoothly transform the company from a traditional, family-owned business into an international public company.

About Xtep and the Transaction

XTEP is a China-based professional sports brand providing stylish and functional products. It is principally engaged in the design, development, manufacturing, sales and marketing, and brand management of sportswear products, including footwear, apparel and accessories. Since Carlyle's investment, Xtep has been actively implementing its sports marketing strategy with a focus on running and football. The Company boasts an extensive distribution network of approximately 7,000 stores nationwide covering 31 provinces, autonomous regions and municipalities across China. Xtep is headquartered in Quanzhou, Fujian Province and has approximately 8,100 employees as of December 31, 2015.

Carlyle acquired a 9.6% stake in Xtep in 2007 and 2008 through two tranches of investment. In 2015, Carlyle fully exited the investment in the open market.

During Carlyle's holding period, Xtep's revenues and net profits grew by 288% and 180%, respectively. The number of retail outlets grew by 64% and the number of employees grew by more than 36% during the same period.



AT A GLANCE

Xtep (China) Company Limited

Industry: Consumer & Retail

Region/Country: China

Fund: Carlyle Asia Growth Partners III

Acquired: September 2007

Status: Exited

\$285 million

In June 2008, Xtep executed a successful IPO on the Hong Kong Stock Exchange, raising \$285 million of new capital. The funds helped bolster the company's growth, enabling Xtep to expand its franchise outlets by 40%.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$176 billion of assets under management across 127 funds and 164 fund of funds vehicles as of June 30, 2016. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,650 people in 35 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

Key Value Creation Metrics

Transformed the Business

Carlyle professionals worked closely with Xtep's management to seamlessly transform Xtep from a traditional, family-owned business into an international public company. Carlyle assisted Xtep in setting up the board and referred a number of high caliber candidates for the independent director positions. Carlyle also introduced a number of candidates for senior positions at Xtep to enhance the management bench.

Achieved a Successful IPO

With Carlyle's support, Xtep successfully executed an IPO on the Hong Kong Stock Exchange in June 2008 to raise capital to fund its further growth. Carlyle was deeply involved in the pre-IPO restructuring and preparation, as well as the selection of advisors for the IPO. Carlyle oversaw the complete IPO process and helped expedite the timetable.

Provided Ongoing Strategic Support to Management

Carlyle professionals introduced various business development and brand building opportunities to Xtep, including generating positive media coverage and creating brand awareness in the international capital markets. For example, Carlyle introduced Forbes to Xtep resulting in a comprehensive article about the company.

Strengthened Industry Position

During Carlyle's holding period, Xtep enhanced its industry position among its listed peers.

- #2 in market cap in 2015
 - #2 in net profit in 2015
 - #3 in revenue in 2015
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