

Xtep International Holdings(1368 HK)

Core Xtep Brand's Offline Sell-Through Remains Under Pressure; Reiterates Full-year Targets

Highlights

- In 3Q26, the core Xtep brand's offline sell-through remained under pressure while the e-commerce and kids businesses stayed relatively steady. Saucony's sell-through picked up in 3Q26, driven by premiumisation strategy and category expansion.
- Management reiterated its full-year guidance for a low single-digit decline in group revenue, with Saucony and Merrell expected to deliver around 10% revenue growth, alongside a high single-digit net margin. Management also expects full-year gross margin to improve yoy.
- Maintain BUY but cut target price by 4% to HK\$5.40.

Analysis

- Core Xtep brand's offline sell-through remained under pressure while e-commerce and kids businesses stayed restively steady.** In 3Q26, the core Xtep brand recorded a mid-single-digit yoy decline in retail sell-through (vs a mid-single-digit yoy decline in 2Q26). By channel, e-commerce and the kids businesses maintained relatively steady growth, while offline channels remained under pressure. Street stores faced greater challenges due to weaker traffic, whereas shopping mall stores and outlets were relatively stable. As of 3Q26, the company had reclaimed around 200 stores (vs around 100 in 1H26), and management plans to reclaim another 400 stores in 4Q26, bringing the total number to around 600 stores for the year.
- Saucony's sell-through picked up in 3Q26 driven by premiumisation strategy and category expansion.** In 3Q26, Saucony achieved mid-single-digit yoy growth in retail sell-through (vs low single-digit yoy growth in 2Q26), mainly supported by its premiumisation strategy and category expansion. The opening of new image stores continued to gain traction, supporting double-digit growth in offline sales. Meanwhile, apparel recorded double-digit growth, particularly the wool series, whose retail sell-through increased by more than 40%.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	13,577	14,151	13,701	13,980	14,268
EBITDA	2,224	2,316	1,950	2,166	2,302
Operating profit	1,966	2,019	1,711	1,897	2,006
Net profit (rep./act.)	1,238	1,372	1,159	1,267	1,318
Net profit (adj.)	1,238	1,372	1,159	1,267	1,318
EPS (Fen)	46.6	46.6	39.4	43.0	44.8
PE (x)	6.7	6.7	7.9	7.3	7.0
P/B (x)	0.9	0.8	0.8	0.8	0.7
EV/EBITDA (x)	3.4	2.7	3.0	2.7	2.5
Dividend yield (%)	19.7	7.8	7.1	7.8	8.1
Net margin (%)	9.1	9.7	8.5	9.1	9.2
Net debt/(cash) to equity (%)	(10.8)	(29.8)	(27.6)	(26.4)	(25.7)
Interest cover (x)	22.8	23.2	20.0	16.9	14.1
ROE (%)	13.7	14.2	10.9	11.4	11.2
Consensus net profit	-	-	1,166.9	1,310.8	1,414.5
UOBKH/Consensus (x)	-	-	0.99	0.97	0.93

Source: Xtep Int'l Holdings, Bloomberg, UOB Kay Hian

Analyst(s)

Stella Guo

stella.guo@uobkh.com
+852 2236 6798

Ejann Hiew

hejann@uobkh.com
+603 2147 1995

BUY (Maintained)

Share Price	HK\$3.67
Target Price	HK\$5.40
Upside	+47.1%
Previous TP	HK\$5.60

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	1368 HK
Shares issued (m)	2,815.1
Market cap (HK\$m)	10,331.4
Market cap (US\$m)	1,317.4
3-mth avg daily t'over (US\$m)	4.6

Price Performance (%)

52-week high/low	HK\$6.05/HK\$3.28			
1mth	3mth	6mth	1yr	YTD
4.3	(1.1)	(18.3)	(36.1)	(30.9)

Major Shareholders (%)

Ding Shui Po	47.12
--------------	-------

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.87
FY26 Net Cash/Share (Rmb)	1.03

Price Chart



Source: Bloomberg

Company Description

Xtep International Holdings is a leading multi-brand sportswear company in China. With a diverse brand portfolio encompassing the core Xtep brand, Saucony and Merrell, Xtep strategically targets the mass market and professional sports segments.

- **Retail discounts and inventory turnover remained stable.** In 3Q26, the core Xtep brand maintained stable retail discounts at 25-30% off, with e-commerce discounts continuing to improve yoy. As of end-3Q26, channel inventory turnover remained stable at 4.5-5.0 months.
- **Full-year guidance maintained; gross margin expected to improve yoy.** October-to-date, the core Xtep brand's retail sell-through trend has remained broadly in line with that of 3Q26, as warmer-than-usual weather weighed on winter apparel sales, while e-commerce and Xtep Kids continued to grow. Saucony maintained healthy offline growth. Management reiterated its full-year guidance for a low single-digit decline in group revenue, with Saucony and Merrell expected to deliver around 10% revenue growth, alongside a high single-digit net margin. Management also expects full-year gross margin to improve yoy, supported by stable discounting, flagship-led online growth and the expansion of the direct-to-consumer (DTC) business for the core Xtep brand, as well as stricter discount control and operating leverage for Saucony.
- **Overseas business expected to turn profitable this year; targets 5-10% of sales contribution in 3-5 years.** Overseas sales maintained strong growth across both online and offline channels in 3Q26 (vs nearly doubling in 1H26), and currently accounts for around 2-3% of total sales. Management expects the overseas business to turn profitable this year, with Southeast Asia remaining its key focus. As of 3Q26, the company operated around 14 overseas stores and plans to open additional stores in Malaysia by year-end. Looking ahead, the company is confident in increasing the overseas business contribution to around 5-10% of total sales over the next 3-5 years.

Core Xtep Brand Retail Sell-Through Growth Rate (yoy)

	Retail sell-through growth	Retail discount (% off)	Retail inventory turnover
1Q22	(+) 30-35%	~ 25%	4 months
2Q22	(+) Mid-teens	25-30%	~4.5 months
3Q22	(+) 20-25%	25-30%	4.5-5 months
4Q22	(-) High-SD	~ 30%	~5.5 months
1Q23	(+) ~ 20%	25-30%	<5 months
2Q23	(+) High teens	~ 25%	<5 months
3Q23	(+) High teens	25-30%	4.5-5 months
4Q23	(+) >30%	~ 30%	4-4.5 months
1Q24	(+) High-SD	25-30%	4-4.5 months
2Q24	(+) 10%	~ 25%	~4 months
3Q24	(+) Mid-SD	~ 25%	~4 months
4Q24	(+) High-SD	25-30%	~4 months
1Q25	(+) Mid-SD	25-30%	~4 months
2Q25	(+) Low-SD	25-30%	4-4.5 months
3Q25	(+) Low-SD	25-30%	4-4.5 months
4Q25	Flat	25-30%	~4.5 months
1Q26	(+) Low-SD	25-30%	~4.5 months
2Q26	(-) Mid-SD	25-30%	4.5-5 months
3Q26	(-) Mid-SD	25-30%	4-4.5 months

Source: Xtep Int'l Holdings, UOB Kay Hian

Earnings Revision/Risk

- **We lower our 2026/27 earnings forecasts by 6%/5%, respectively.** We trim our 2026/27 revenue forecasts slightly by 0.5%/0.4%, respectively. We lower our 2026/27 selling and distribution expenses ratio estimates by 0.2ppt/0.4ppt to reflect improving operations. Thus, our 2026/27 earnings forecasts are cut by 6%/5%, respectively.

Valuation/Recommendation

- **Maintain BUY but trim target price by 4% to HK\$5.40.** We roll over our DCF-based target price to 2027 and lower our target price by 4% to HK\$5.40. Our new target price implies 10.1x 2026F PE and 9.3x 2027F PE. The stock currently trades at 7.9x 2026F PE and 7.3x 2027F PE.

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	14,151.1	13,701.0	13,980.1	14,268.4
EBITDA	2,316.3	1,950.0	2,166.1	2,302.4
Deprec. & amort.	297.5	239.3	269.2	296.9
EBIT	2,018.8	1,710.8	1,897.0	2,005.5
Associate contributions	54.4	54.4	54.4	54.4
Net interest income/(expense)	(99.8)	(97.7)	(128.3)	(163.7)
Pre-tax profit	1,973.4	1,667.5	1,823.2	1,896.2
Tax	(601.8)	(508.6)	(556.0)	(578.3)
Minorities	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0
Net profit	1,371.6	1,159.0	1,267.1	1,317.9
Net profit (adj.)	1,371.6	1,159.0	1,267.1	1,317.9

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	952.4	1,461.1	1,425.3	1,528.2
Pre-tax profit	1,973.4	1,667.5	1,823.2	1,896.2
Tax	(601.8)	(508.6)	(556.0)	(578.3)
Deprec. & amort.	297.5	239.3	269.2	296.9
Working capital changes	(805.0)	62.9	(111.0)	(86.6)
Non-cash items	(48.7)	0.0	0.0	0.0
Other operating cashflows	38.5	0.0	0.0	0.0
Investing	(19.4)	(285.5)	(746.6)	(746.6)
Capex (growth)	(264.1)	(550.0)	(550.0)	(550.0)
Investments	345.4	0.0	0.0	0.0
Proceeds from sale of assets	43.8	0.0	0.0	0.0
Others	(144.4)	264.5	(196.6)	(196.6)
Financing	(454.7)	(344.7)	(223.1)	(362.6)
Dividend payments	(636.7)	(645.3)	(664.2)	(702.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	767.4	1,141.1	1,141.1	1,141.1
Loan repayment	(1,686.7)	(840.5)	(700.1)	(801.5)
Others/interest paid	1,101.3	0.0	0.0	0.0
Net cash inflow (outflow)	478.3	831.0	455.6	419.0
Beginning cash & cash equivalent	2,979.2	3,457.1	4,288.1	4,743.7
Changes due to forex impact	(0.4)	0.0	0.0	0.0
Ending cash & cash equivalent	3,457.1	4,288.1	4,743.7	5,162.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	1,759.8	2,221.8	2,660.7	3,077.7
Other LT assets	2,916.7	2,962.0	3,000.5	3,033.3
Cash/ST investment	3,457.1	4,288.1	4,743.7	5,162.7
Other current assets	8,765.2	8,057.5	8,245.0	8,410.4
Total assets	16,898.9	17,529.5	18,650.0	19,684.1
ST debt	840.5	700.1	801.5	879.6
Other current liabilities	4,310.7	4,127.0	4,203.5	4,282.3
LT debt	256.3	697.3	1,036.9	1,298.4
Other LT liabilities	1,288.8	1,288.8	1,288.8	1,288.8
Shareholders' equity	10,335.7	10,849.3	11,452.3	12,068.0
Minority interest	(133.1)	(133.1)	(133.1)	(133.1)
Total liabilities & equity	16,898.9	17,529.5	18,650.0	19,684.1

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.4	14.2	15.5	16.1
Pre-tax margin	13.9	12.2	13.0	13.3
Net margin	9.7	8.5	9.1	9.2
ROA	8.3	6.7	7.0	6.9
ROE	14.2	10.9	11.4	11.2
Growth				
Turnover	4.2	(3.2)	2.0	2.1
EBITDA	4.2	(15.8)	11.1	6.3
Pre-tax profit	3.8	(15.5)	9.3	4.0
Net profit	10.8	(15.5)	9.3	4.0
Net profit (adj.)	10.8	(15.5)	9.3	4.0
EPS	(0.1)	(15.5)	9.3	4.0
Leverage				
Debt to total capital	9.8	11.8	14.4	15.8
Debt to equity	11.3	13.2	16.5	18.5
Net debt/(cash) to equity	(29.8)	(27.6)	(26.4)	(25.7)
Interest cover (x)	23.2	20.0	16.9	14.1

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."