



Xtep International Holdings Limited

Incorporated in the Cayman Islands with Limited Liability (HKSE stock code: 1368)

**Xtep Buyouts 2019 Joint Venture and
Acquires 40% of Saucony's Intellectual Property Rights in China**

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Strengthening Competitiveness and Enhancing Leading Market Presence

17 December 2023, Hong Kong – **Xtep International Holdings Limited** (the “Company”, together with its subsidiaries, the “Group”) (Stock code: 1368.HK), a leading PRC-based professional sportswear enterprise, announced that the Company has entered into agreements with Wolverine World Wide, Inc. (“Wolverine”, together with its subsidiaries, the “Wolverine Group”), in relation to the acquisition of Wolverine Group’s interests in the joint venture entities established in 2019 (collectively the “2019 Joint Venture”) and the acquisition of 40% ownership interest in Gemini Asia Saucony, LLC (“Saucony Asia IP Holdco”), a limited liability company established for the purpose of holding, licensing and managing the intellectual property rights associated with the Saucony brand in the JV Territories. These strategic moves mark a significant step forward in Xtep’s growth strategy and position the company for further success in the China market.

Under the agreement, Xtep’s wholly owned subsidiary, XMS Sports Co. Limited (“XMS Sports”), will acquire a 40% of ownership interest in Saucony Asia IP Holdco, which holds the intellectual property rights associated with the Saucony brand in Mainland China, Hong Kong, and Macau. Furthermore, XMS Sports shall acquire the options to purchase an additional 35% or 60% ownership interest in Saucony Asia IP Holdco, in the event of global sale of the Saucony brand’s intellectual property or a change in control of Wolverine. In addition to the acquisition, Xtep Holdings Limited, a direct wholly owned subsidiary of the Company, will also acquire Wolverine Group’s interests in the 2019 Joint Venture entities to carry out the sale and distribution of products under the Saucony and Merrell brands. This move will result in these entities becoming wholly owned subsidiaries of Xtep, allowing for enhanced control and synergies in product innovation, marketing, and distribution channels.

The aggregate consideration payable by Xtep for these transactions amounts to approximately US\$61 million, fully funded by the Group’s internal cash resources. The completion of the transactions is expected to take place on or before 1 January 2024.

The transactions demonstrate Xtep’s confidence and commitment to the business development of Saucony and Merrell brands and their growth potential in China. Upon completion, these transactions will not only solidify Xtep’s leading multi-brand competitive position but also enhance its geographical diversification and penetration in the China market. Xtep’s operational excellence and capabilities, as demonstrated by the 2019 Joint Venture in managing the Saucony and Merrell brands, are evident. Saucony, in particular, became the first new brand under the Group to achieve profitability in the first half of 2023, highlighting its high brand awareness and increasing popularity in navigating the China market and capitalizing on the demand for professional sportswear.

With its exceptional design and superior performance, Saucony's running shoes have gained significant attention from both professional and the mass market runners in Mainland China. The brand's popularity was reflected in the wear rate of various largest-scale marathons. The Shanghai Marathon and Xiamen Marathon, both awarded the World Athletics Road Race Elite Platinum Label, have become the only marathons in China to receive this esteemed recognition. In these two prestigious marathons, as well as the Beijing and Wuxi Marathons, Saucony's wear rate ranked in the top three among international brands. Additionally, it also ranked in the top three among all brands in the Shanghai and Beijing Marathons, surpassing numerous international and domestic brands. This outstanding increase in popularity is a testament to Saucony's quality and performance, reinforcing its position as one of the preferred brands among runners participating in these highly competitive events.

Leveraging the capabilities and expertise of Xtep and Wolverine in product innovation, Xtep would source the products launched by Wolverine, while continue to design and develop our customized collections catered to the Chinese consumers ("China Line Products"). These China Line Products, which currently account for around half of the sales of the Saucony and Merrell brands in China, would provide the Group with the opportunities to explore the global markets and expand the business scale for the Saucony and Merrell brands. Looking ahead, Saucony aims to further develop its "Originals" and "Commuter" series to broaden its range of fashion and lifestyle offerings, in addition to its existing "Performance" series. This strategic expansion will cater to the increasing demand for personalized and versatile apparel across various scenarios throughout China.

Mr. Ding Shui Po, Chairman and CEO of Xtep International Holdings Limited, said, "The transactions underscore Xtep's confidence in the prospects of the Saucony and Merrell brands, and our commitment to unlocking their full business potential in China. The consolidation of ownership and management of the joint venture entities will not only maximize the synergies in product innovation, marketing and distribution channels between the core Xtep brand and the Saucony and Merrell brands, but also grant us enhanced control over the strategic direction and operational efficiency of these brands. The moves align with our expansion strategy and profitability drivers, fortifying our competitive position and establishing Xtep as a preeminent multi-brand portfolio group, capable of meeting the evolving demands of discerning customers in China."

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About Xtep International Holdings Limited

Xtep International Holdings Limited (SEHK stock code: 1368) is a leading multi-brand sportswear company listed on the Main Board of the Hong Kong Stock Exchange in 2008. The Group principally engages in the design, development, manufacturing, sales, marketing and brand management of sports products covering footwear, apparel and accessories for adults and children. With a diverse brand portfolio encompassing the core Xtep brand, K-Swiss, Palladium, Saucony and Merrell to strategically target the mass market, athleisure and professional sports segments, the Group has an extensive global distribution network and more than 8,200 stores in Asia-Pacific, North America and EMEA.

Xtep is a constituent of the MSCI China Index and Hang Seng Composite Index Series, and is an eligible stock under the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect. For more information, please visit Xtep's corporate website: www.xtep.com.hk or scan the Group's Wechat QR code below.



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