



XPD Soccer Gear Group Limited
ABN 96 169 695 283

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XPD Soccer Gear Group Limited 2016 Full Year Results

(28 February 2016, Melbourne) XPD Soccer Gear Group Limited (XPD or the Company and its subsidiaries, together called the Group or We, ASX Code: XPD) announced its full year results for the year ended 31 December 2016

Revenue increased 14% to \$116.8m

Gross Profit increased 14.4% to \$38.7m

Net Profit after Tax (NPAT) decreased 17.4% to \$13.4m

NPAT was impacted by a significant investment of \$7million in a retail display refurbishment program. (fully expensed)

Net cash of \$43.1m at 31st December 2016

Share buyback program cancelled

Highlights for the year ending 31 December 2016 compared to the previous corresponding period

- Revenue increased 14.2% from \$102.2m to \$116.8m
- Gross Profit increased 14.4% from \$33.8m to \$38.7m
- Gross Profit margin maintained at 33.1%
- Retail display refurbishment program costs of \$7m involving 600 retail outlets were fully expensed in the period under International Financial Reporting Standards (IFRS) requirements.
- Retail display refurbishment program costs were \$5.9m and \$1.1m in the first and second half respectively
- Net profit was \$4.7m and \$8.7m in the first and second half respectively
- Reported NPAT decreased 17.4% from \$16.2m to \$13.4m
- Earnings per Share of 3.23c
- Net Tangible Assets of 19.54c per share
- Strong balance sheet with \$43.1m cash (up \$5.3m)
- Financial Liabilities decreased \$10.4m to \$985t
- The number of Distributors in China increased from 237 to 241
- The number of Retail Outlets increased from 2010 to 2102
- Henan Yuanlong JV project makes significant progress, with five of the eight factories leased (two to XPD)
- XPD Henan factories are now in production
- The Chinese Soccer industry continues to grow, supported by Central



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Government Policy, demographic changes, and the continued urbanization and growth of the middle class.

Business Review

XPD continues to enjoy revenue growth fuelled by consumer demand for soccer sportswear. Most recently China's Football Association has reported that China plans to double the number of football academies by 2025 from 20,000 to 50,000.

Each school will be able to train 1,000 young players, thus fulfilling the goal of having 50 million competent young players in China

According to the association, the government has also ordered the construction of 70,000 football fields to fill in the gaps in their youth development program.

During 2016, sales of sportswear products increased 14% to \$116.8m. This growth is expected to continue, assisted by the policies of the Chinese Central Government to make soccer a compulsory part of the school curriculum to further promote soccer among the younger generation..

Gross profit increased 14.4% to \$38.7m, with margins remaining steady at around 33%.

Reported NPAT decreased 17.4% to \$13.4m. This was affected by the expensing of \$7m in retail display refurbishment expenses in 600 retail outlets.

The basic and diluted earnings per share for the full year was 3.23 cents.

Operation Highlights

XPD' continues its expansion of its distribution and retail network with an emphasis on its competitiveness in second, third and fourth tier cities in China. As of 31 Decemeber 2016, XPD sells through a network of 241 distributors and 2102 retail outlets.

In 2016, XPD commenced as important strategic initiative to roll out a consistant brand image. XPD commenced a retail display refurbishment program to upgrade its signage, product display and racking in retail outlets. XPD has now refurbished its product displays in 600 retail outlets.

To expand XPD's production capacity, the Company has entered into a 5-year lease agreement with Henan Yuanlong Industrial Co. Ltd (Yuanlong) for two manufacturing buildings and one dormitory in Henan Province, China. The two production lines were commissioned and commenced production on January 2017.



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XPD Share Buy Back Scheme

In September 2016, XPD announced to the market that it planned a Share Buy Back scheme. Following the announcement, XPD completed the required notification forms to ASX and ASIC. Furthermore XPD opened a Broker account to enable Share Buy Back transactions to be executed.

The final step was to apply to the State Administration of Foreign Exchange (SAFE) for funds to be transferred from China to Australia to settle trades under the Share Buy Back scheme.

Foreign exchange requests for payments under current account, such as trade and service related expenses and dividend payments are freely convertible, but for capital account items such as capital transfer, direct investment, investment in securities, derivative services or loan, restrictions apply.

XPD has not received a response from SAFE to this funds transfer application and Directors have decided to terminate the Buy Back scheme until there is further clarification or relaxation of capital controls implemented in China..

Growth Opportunities

The growth opportunities in the soccer sector in China are significant.

In 2016 the company developed a strategic plan to take advantage of this opportunity.

This has included strategic discussions with the local shoes component manufacturing companies who have both scale and strategic value to XPD. The companies in question have a shared vision with XPD of the significant opportunity facing the sector and have indicated interest in working with XPD to take full advantage of the market growth.

Discussions are progressing positively.

XPD considers these opportunities are so attractive that it wishes to preserve its capital at this stage to be in a position to move quickly and decisively should an acquisition crystallise.

Final Dividend

Given the acquisition strategy and opportunities facing the company, it has been decided to suspend the Dividend for the foreseeable future,

Commenting on the results, **Mr. Andrew Smith, Chairman**, said “Our results for the year build on 2014 and 2015, broadening our brand appeal, expanding our distribution and taking advantage of the growth in soccer throughout China. We have expanded our manufacturing base in line with sales demand, and have the capacity for further production expansion in our new facilities in Henan”



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“We were disappointed we were unable to execute the Buy Back, but that does not detract from a very strong financial result and a continued strengthening of our Balance Sheet”.

“The Company has previously indicated its strategy to grow both incrementally and by acquisition. We are excited by the opportunities that exist and are confident of executing one or more transactions in 2017.

Mr. Jiameng Zhang, CEO and Executive Director, commented, “China’s sports industry will further expand, and demand for professional sportswear, in particular soccer sportswear, will remain on a steady rise.

XPD is committed to product innovation and R&D to maintain its market position.

XPD will continue to improve our operational efficiency to achieve long-term profitability, whilst strengthen our sustainable business model.

From a long-term point of view, XPD has the confidence to seize the development opportunities and to implement company’s strategic acquisition plan, targeting both upstream and downstream companies, to promote the company’s integrated operations and to achieve even greater profits in the future.”

About XPD Soccer Gear Group Limited

XPD Soccer Gear Group Limited is a leading and fast-growing sportswear company in China. It listed on Australian Securities Exchange on 21 May 2015. The Group is primarily engaged in designing, developing, manufacturing, distributing and marketing sportswear under the “XPD” brand. XPD has a focused branding strategy on soccer products. XPD has established an extensive supply chain management system through in-house and sub-contracted manufacturing operations; and an extensive distribution network in China through distributors.

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