

FLASH REPORT

SKECHERS (SKX) 4Q15 RESULTS: STRONG PRODUCT DEMAND AND IMPACTFUL MARKETING

- Skechers reported 4Q15 EPS of \$0.19 versus the consensus estimate of \$0.20.
- Total revenue was \$722.7 million, an increase of 26.8% year over year, versus expectations of \$693.5 million. Domestic wholesale sales increased at a high-single-digit rate, while international wholesale sales and retail segment sales both increased at a double-digit rate. Growth was driven by sales across men's, women's and kids' categories.
- Management provided 1Q16 guidance for EPS of \$0.50–\$0.55 versus consensus of \$0.52. Total revenue is expected to be \$885–\$920 million versus consensus of \$895.7 million. According to the company, 1Q16 started off strong; January sales were up 35% and the first week of February was strong, too. Company-owned retail stores are on track to achieve mid- to high-single-digit comps in January.

Figure 1. Skechers Key Metrics

	4Q15	4Q14	YoY Change
Revenues (USD Mil.)	\$722.7	\$569.7	26.8%
Gross Margin	45.6%	45.2%	40 b.p.
SG&A/Sales	38.6%	39.8%	(120) b.p.
Operating Margin	7.6%	5.8%	180 b.p.
EPS (USD)	\$0.19	\$0.14	35.7%

Source: Company reports

Skechers reported 4Q15 EPS of \$0.19 versus the consensus estimate of \$0.20.

Total revenue was \$722.7 million, an increase of 26.8% year over year, versus expectations of \$693.5 million. Domestic wholesale sales increased at a high-single-digit rate, while international wholesale sales and retail segment sales both increased at a double-digit rate. Growth was driven by sales across men's, women's and kids' categories. During the period, international sales represented 41% of total sales. The figure edged the company closer to its goal of international accounting for half its business over the next two to three years.

Sales have been driven by increased shelf space at existing retailers and growth in the retail channel to 1,300 stores, which are a combination of company-owned and third-party-owned outlets. The company's strategy has centered on continued product innovation and expansion into new categories. Skechers believes it will have 1,650 stores by the end of 2016.

Backlog orders were up 9.5% as of the end of December, and were impacted by some distributors pulling forward orders from January to December.

Management provided 1Q16 guidance for EPS of \$0.50–\$0.55 versus consensus of \$0.52. Total revenue is expected to be \$885–\$920 million versus consensus of \$895.7 million. According to the company, 1Q16 started off strong; January sales were up 35% and the first week of February was also strong. Company-owned retail stores are on track to achieve mid- to high-single-digit comps in January.



FLASH REPORT

Deborah Weinswig, CPA

Executive Director—Head of Global Retail & Technology
Fung Business Intelligence Centre
New York: 917.655.6790
Hong Kong: 852 6119 1779
China: 86 186 1420 3016
deborahweinswig@fung1937.com

Filippo Battaini
filippobattaini@fung1937.com

Marie Driscoll, CFA
mariedriscoll@fung1937.com

John Harmon, CFA
johnharmon@fung1937.com

Aragorn Ho
aragornho@fung1937.com

John Mercer
johnmercer@fung1937.com

Shoshana Pollack
shoshanapollack@fung1937.com

Kiril Popov
kirilpopov@fung1937.com

Jing Wang
jingwang@fung1937.com

Steven Winnick
stevenwinnick@fung1937.com

HONG KONG:

10th Floor, LiFung Tower
888 Cheung Sha Wan Road, Kowloon
Hong Kong
Tel: 852 2300 2470

NEW YORK:

1359 Broadway, 9th Floor
New York, NY 10018
Tel: 646 839 7017

LONDON:

242–246 Marylebone Road
London, NW1 6JQ
United Kingdom
Tel: 44 (0)20 7616 8988

FBICGROUP.COM