

# Li Ning (2331 HK)

## Value is distressed but end demand is key

Thanks to the rather distressed valuation at just 14x FY24E P/E (our TP is based on 19x P/E, even 1 s.d. below its 5-year average of 28x), we maintain BUY on Li Ning. We are still cautious about its retail sales growth trend (because the brand popularity might have declined recently and its products are not as value as before) but we do appreciate Li Ning's efforts to de-stock its inventory in both the channel and trade fair orders, in order to reset the channel health and investors' expectations.

- **Li Ning reported fairly weak retail sales growth in 3Q23.** Retail sales growth was MSD in 3Q23, slowing down from the mid-teens in 2Q23 and missing CMBI est. of 9%. In terms of channel, wholesales growth was sluggish, at LSD while e-commerce sales even declined, by LSD, only direct retail sales maintained at low 20% growth. We believe this miss was mainly due to: 1) weakness on macro environment (consumption trade down is not favourable for high-end series within the Li Ning brand), 2) drop in interest on domestic fashion or casual wear (evidenced by weak China Li Ning sales) and 3) limp demand on basketball shoes, etc. More importantly, the slow SSSG (esp. the massive decline in wholesale channel) is totally inline with CMBI est. but could be a big shock to the street consensus.
- **Based on such a weak 3Q23, management become far more conservative on 4Q23E and revised down the FY23E guidance.** Even with a low base ahead, Li Ning's management are still highly cautious about its retail end demand in 4Q23E and expected to carry out actions to de-stock the excessive inventory, in order to maintain a healthy channel, which can be a foundation for better growth in FY24E. In other words, they have: 1) revised down the trade fair orders in 3Q23E, 4Q23E and 1Q23E, 2) launched many campaigns to clear inventories on both online and offline, as well as direct retail and wholesale channel during the double 11 festival. Moreover, management have also cut their FY23E guidance and now expect sales growth of below 10% (cut from mid-teens) and a drop in NP margin YoY, (cut from staying flattish at mid 10%-20%). In the same vein, we have also turned even more cautious on FY24E and expect only 10% sales and 9% net profit growth.
- **Maintain BUY but cut TP to HK\$ 32.93, based on a 19x FY24E P/E (1 s.d. below 5-year average of 28x and cut from 25x), a rather conservative valuation.** We have revised down our FY23E/ 24E/ 24E net profit forecasts by 11%/ 19%/ 18%, in order to factor in: 1) cuts in trade fair orders, 2) surprisingly high retail discounts for de-stocking and 3) operating leverage due to slow SSSG. Since our estimates have already factored in a rather distressed scenario, current valuation of 14x is cheap enough (way lower than the 5-year average of 28x), we will maintain BUY on Li Ning.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	22,572	25,803	28,313	31,129	35,099
YoY growth (%)	56.1	14.3	9.7	9.9	12.8
Operating profit (RMB mn)	5,136	4,887	4,486	5,005	5,916
Net profit (RMB mn)	4,010.9	4,063.8	3,794.8	4,147.6	4,961.6
EPS (Reported) (RMB)	1.58	1.54	1.81	1.55	1.85
YoY growth (%)	133.6	(2.3)	17.0	(14.3)	19.6
P/E (x)	12.4	13.9	15.1	13.8	11.6
P/B (x)	2.4	2.3	2.2	1.9	1.7
Yield (%)	0.7	0.8	2.4	2.4	2.9
ROE (%)	26.9	17.9	15.1	15.1	16.2
Net gearing (%)	69.7	30.9	35.4	42.2	49.4

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** **HK\$32.93**  
 (Previous TP) **HK\$52.97**  
**Up/Downside** **37.5%**  
**Current Price** **HK\$23.95**

### China Consumer Discretionary

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### Stock Data

Mkt Cap (HK\$ mn)	62,666.3
Avg 3 mths t/o (HK\$ mn)	645.5
52w High/Low (HK\$)	81.00/23.95
Total Issued Shares (mn)	2616.5
Source: FactSet	

### Shareholding Structure

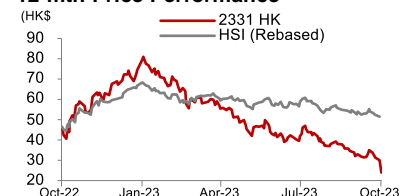
Viva China Holdings	10.4%
Fidelity Management & Research Co.	4.4%
Source: HKEx	

### Share Performance

	Absolute	Relative
1-mth	-25.3%	-23.4%
3-mth	-41.5%	-33.6%
6-mth	-57.5%	-50.7%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Recent Reports:

[Topspots \(6110 HK\) – Turnaround is on track despite bumpy sales](#)  
 (24 Oct 23)

[Anta Sports \(2020 HK\) – 2023 Investor Day and the new 3 years targets: excited about Anta brand's new strategies](#)  
 (19 Oct 23)

[Xtep \(1368 HK\) – An inline 3Q23 and strong FY24E guidance](#)  
 (18 Oct 23)

[Anta Sports \(2020 HK\) – Earnings cut and de-rating may end here](#)  
 (13 Oct 23)

- **3Q23 inventory condition missed amid roughly inline retail discounts.** Li Ning's inventory to sales ratio has surged to about 5 months in 3Q23, compared to just 3.8 months in 1H23, we believe this could attribute to both sluggish demand and strong trade fair order growth. The retail discounts for direct retail/ wholesale in the offline channel were roughly at 30% off/ 25% off, both have improved by LSD YoY. However, the retail discount for online channel was still weak, and had widened by LSD YoY. All in All, the blended retail discounts should be similar to that in 2Q23 and 3Q22, roughly inline with CMBI est..

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	28,313	31,129	35,099	29,335	33,498	37,775	-3.5%	-7.1%	-7.1%
Gross profit	13,500	14,968	16,969	14,220	16,374	18,565	-5.1%	-8.6%	-8.6%
EBIT	4,486	5,005	5,916	5,157	6,160	7,207	-13.0%	-18.7%	-17.9%
Net profit att.	3,795	4,148	4,962	4,325	5,071	6,013	-12.3%	-18.2%	-17.5%
Diluted EPS (RMB)	1.42	1.55	1.85	1.61	1.89	2.24	-12.3%	-18.2%	-17.5%
Gross margin	47.7%	48.1%	48.3%	48.5%	48.9%	49.1%	-0.8ppt	-0.8ppt	-0.8ppt
EBIT margin	15.8%	16.1%	16.9%	17.6%	18.4%	19.1%	-1.7ppt	-2.3ppt	-2.2ppt
Net profit att. margin	13.4%	13.3%	14.1%	14.7%	15.1%	15.9%	-1.3ppt	-1.8ppt	-1.8ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	28,313	31,129	35,099	28,987	33,264	38,188	-2.3%	-6.4%	-8.1%
Gross profit	13,500	14,968	16,969	14,255	16,641	19,328	-5.3%	-10.1%	-12.2%
EBIT	4,486	5,005	5,916	4,979	6,094	7,302	-9.9%	-17.9%	-19.0%
Net profit att.	3,795	4,148	4,962	4,275	5,120	6,114	-11.2%	-19.0%	-18.8%
Diluted EPS (RMB)	1.42	1.55	1.85	1.60	1.93	2.30	-11.6%	-19.6%	-19.4%
Gross margin	47.7%	48.1%	48.3%	49.2%	50.0%	50.6%	-1.5ppt	-1.9ppt	-2.3ppt
EBIT margin	15.8%	16.1%	16.9%	17.2%	18.3%	19.1%	-1.3ppt	-2.2ppt	-2.3ppt
Net profit att. margin	13.4%	13.3%	14.1%	14.7%	15.4%	16.0%	-1.3ppt	-2.1ppt	-1.9ppt

Source: Company data, CMBIGM estimates

## Operating numbers

Figure 3: Historical sales growth trend, by brand

Operating numbers	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	4Q23E
Nike China sales	-4%	1%	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%
Adidas China sales	-58%	0%	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	5%	20%
<b>Anta brand's SSSG</b>																
Anta brand's retail sales	-ve 20%-25%	-ve LSD	+ve LSD	+ve LSD	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	19%
Core brand	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	
Kids	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	
Online	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	
<b>FILA brand's retail sales</b>																
Classic/ Core brand	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	
Kids	-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD	
Fusion	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	
Online	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	
<b>Other brands</b>																
Descente	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens	70%-75%	60%-65%	40%-45%	
Kolon	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	-ve High-teens	100%	100%	60%-65%	
<b>Li Ning group's SSSG</b>																
Direct retail	n/a	-ve High-teens	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	
Wholesales	n/a	-ve Low-teens	-ve MSD	+ve MSD	n/a	+ve Low 70%	+ve Mid 20%	+ve High-teens	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD	-ve Low-teens	
E- Commerce	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Low 30%	+ve High 20%	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	
<b>Li Ning group's retail sales</b>																
Direct retail	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%	
Wholesales	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD	
E- Commerce	+ve Low-teens	+ve High 20%	+ve Low 40%	+ve Mid 30%	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD	
<b>Xtep brand's SSSG</b>																
Xtep brand's retail sales	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%
<b>361 Degree brand's SSSG</b>																
361 Degree brand's retail sales	-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD	+ve High-teens	15%-20%	+ve Low-teens	+ve High-teens	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat	+ve Low-teens	+ve Low-teens		15.0%
Kids						20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	
E- Commerce									35%-40%	50%	40%	45%	25%	35%	30%	30%
<b>Pou Sheng's SSSG</b>																
Pou Sheng's sales	-33%	-18%	-13%	-1%	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%		
Topsports' retail sales	-25%	0%	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	20%
<b>Dong Xiang's SSSG</b>																
Dong Xiang's retail sales	-ve Low to Mid SD	-ve MSD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid-teens	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	
Direct retail	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%											
E- Commerce	-ve Low-teens	+ve 30%-35%	+ve 30%-35%	+ve 20%-30%	35%-40%											

Source: Company data, CMBIGM estimates, \*Nike's year end is at May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

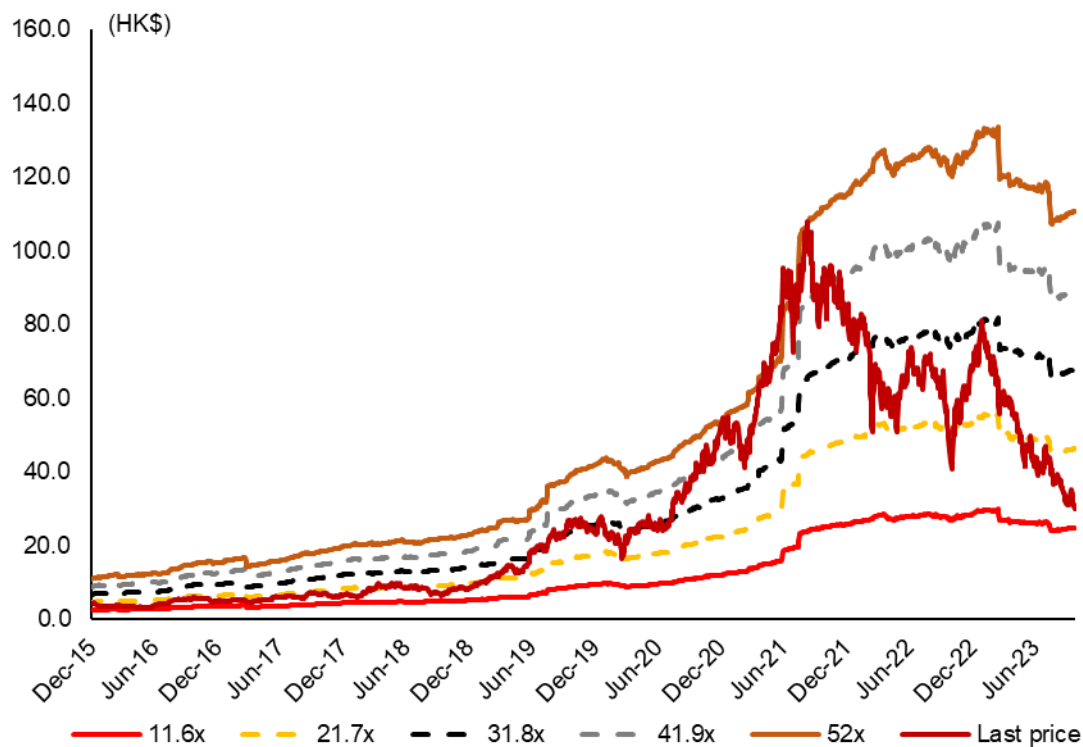
## Valuation

Figure 4: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. (%)	
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E	
H shares Sportswear															
Li Ning	2331 HK	BUY	32.93	23.95	37%	63,133	Dec-22	15.1	13.8	2.2	16.7	2.4	2.5	(64.6)	
Anta Sports	2020 HK	BUY	109.99	85.95	28%	243,464	Dec-22	22.9	19.2	5.2	21.8	1.3	2.0	(16.0)	
Xtep Intl	1368 HK	BUY	11.41	6.80	68%	17,942	Dec-22	14.5	11.8	1.8	11.7	0.8	3.6	(21.7)	
361 Degrees	1361 HK	NR	n/a	3.84	n/a	7,940	Dec-22	7.9	6.7	0.8	10.9	0.5	4.0	15.3	
Topsports	6110 HK	BUY	9.23	6.47	43%	40,122	Feb-23	15.7	13.3	3.5	20.4	0.9	5.7	7.0	
Pou Sheng	3813 HK	NR	n/a	0.63	n/a	3,355	Dec-22	6.2	5.1	0.4	4.6	0.1	n/a	(16.0)	
China DX	3818 HK	NR	n/a	0.26	n/a	1,531	Mar-23	4.9	4.1	0.1	1.2	0.0	16.4	(16.1)	
								Avg.	12.4	10.6	2.0	12.5	0.8	5.7	(16.0)
								Med.	14.5	11.8	1.8	11.7	0.8	3.8	(16.0)
International Sportswear															
Nike Inc	NKE US	NR	n/a	103.54	n/a	1,232,548	May-23	27.8	23.8	10.8	33.9	1.8	1.4	(11.5)	
Adidas	ADS GY	NR	n/a	167.94	n/a	249,073	Dec-22	n/a	39.1	6.2	(2.2)	0.0	0.4	31.8	
Puma	PUM GY	NR	n/a	53.76	n/a	66,808	Dec-22	23.3	16.9	3.0	10.8	1.3	1.5	(5.2)	
Under Armour	UAA US	NR	n/a	7.28	n/a	24,329	Mar-23	14.6	11.7	1.5	20.8	(2.8)	0.0	(28.3)	
Lululemon	LULU US	NR	n/a	396.70	n/a	392,646	Jan-23	32.7	28.5	12.1	31.5	1.0	0.0	23.8	
Skechers	SKX US	NR	n/a	47.96	n/a	58,053	Dec-22	14.0	11.7	1.7	13.1	0.5	0.0	14.3	
On Holding	ONON US	NR	n/a	24.77	n/a	61,607	Dec-22	48.7	33.0	6.3	6.3	0.4	n/a	44.3	
Decker Outdoor	DECK US	NR	n/a	492.40	n/a	100,656	Mar-23	21.8	18.9	6.1	32.7	1.4	0.0	23.4	
Vf Corp	VFC US	NR	n/a	17.95	n/a	54,598	Apr-23	9.1	7.9	2.3	3.9	0.1	6.5	(35.0)	
Columbia	COLM US	NR	n/a	70.25	n/a	33,700	Dec-22	15.6	13.5	2.1	16.2	3.1	1.7	(19.8)	
Wolverine	WWW US	NR	n/a	8.43	n/a	5,243	Dec-22	18.1	5.6	1.8	(56.5)	(0.1)	4.8	(22.9)	
Mizuno Corp	8022 JP	NR	n/a	4355.00	n/a	6,020	Mar-23	11.1	10.2	1.0	9.0	2.6	1.7	54.8	
Asics Corp	7936 JP	NR	n/a	4659.00	n/a	46,009	Dec-22	27.6	23.7	4.7	15.8	1.2	1.2	59.9	
								Avg.	22.0	18.8	4.6	10.4	0.8	1.6	10.0
								Med.	19.9	16.9	3.0	13.1	1.0	1.3	14.3

Source: Bloomberg, CMBIGM estimates

Figure 5: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 6: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales by segment (RMB mn)</b>					
Shoes	9,506	13,479	14,987	16,291	18,612
Clothes	11,824	10,709	11,565	12,953	14,507
Equipment	1,242	1,616	1,762	1,885	1,979
Others	0	0	0	0	0
Total	22,572	25,803	28,313	31,129	35,099
<b>Sales by segment growth (%)</b>					
Shoes	50.0%	41.8%	11.2%	8.7%	14.2%
Clothes	60.5%	-9.4%	8.0%	12.0%	12.0%
Equipment	64.9%	30.1%	9.0%	7.0%	5.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	56.1%	14.3%	9.7%	9.9%	12.8%
<b>Sales by channel growth (%)</b>					
Franchises	56.7%	15.7%	8.0%	9.0%	12.0%
Self-owned	53.5%	6.4%	16.0%	13.0%	14.0%
E-commerce	58.4%	16.4%	6.0%	10.0%	14.0%
International	34.9%	53.9%	45.0%	0.0%	0.0%
Total	56.1%	14.3%	9.7%	9.9%	12.8%
<b>Sales network by segment</b>					
Self-owned	1,165	1,430	1,500	1,560	1,620
Franchise	4,770	4,865	4,905	4,935	4,965
Sub-total	5,935	6,295	6,405	6,495	6,585
LN Young	1,202	1,308	1,458	1,558	1,658
Total	7,137	7,603	7,863	8,053	8,243
GP margins	53.0%	48.4%	47.7%	48.1%	48.3%
<b>Opex breakdown</b>					
A & P/ sales	7.9%	8.8%	8.9%	9.1%	9.1%
Labour/ sales	8.0%	7.7%	8.1%	8.0%	7.8%
Rental/ sales	5.1%	5.6%	6.1%	6.1%	5.9%
D & A/ sales	2.8%	3.0%	3.8%	3.9%	3.9%
R & D/ sales	1.8%	2.1%	2.2%	2.2%	2.2%
Provision/ sales	0.0%	0.0%	0.0%	0.0%	0.0%
Selling & distribution costs / sales	27.2%	28.3%	29.3%	29.6%	29.2%
Admin expenses / sales	4.9%	4.3%	4.5%	4.5%	4.3%
<b>OP margins</b>	<b>22.8%</b>	<b>18.9%</b>	<b>15.8%</b>	<b>16.1%</b>	<b>16.9%</b>
Effective tax rate	24.7%	25.0%	24.0%	24.0%	24.0%
<b>Net profit margins</b>	<b>17.8%</b>	<b>15.7%</b>	<b>13.4%</b>	<b>13.3%</b>	<b>14.1%</b>
<b>Net profit att. growth (%)</b>	<b>136.1%</b>	<b>1.3%</b>	<b>-6.6%</b>	<b>9.3%</b>	<b>19.6%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	14,457	22,572	25,803	28,313	31,129	35,099
Cost of goods sold	(7,363)	(10,603)	(13,319)	(14,814)	(16,161)	(18,129)
Gross profit	7,094	11,969	12,485	13,500	14,968	16,969
Operating expenses	(5,230)	(7,249)	(8,428)	(9,580)	(10,586)	(11,755)
Selling expense	(4,425)	(6,138)	(7,314)	(8,306)	(9,199)	(10,239)
Admin expense	(482)	(697)	(579)	(651)	(702)	(744)
R&D expense	(323)	(414)	(534)	(623)	(685)	(772)
Operating profit	2,196	5,136	4,887	4,486	5,005	5,916
Other income	331	416	829	566	623	702
Share of (losses)/profits of associates/JV	83	159	201	170	187	211
EBITDA	2,772	5,767	5,668	5,557	6,215	7,266
Depreciation	(534)	(589)	(732)	(1,023)	(1,169)	(1,319)
Other amortisation	(42)	(41)	(49)	(48)	(41)	(30)
Interest income	35	145	448	493	421	557
Interest expense	(66)	(112)	(121)	(156)	(156)	(156)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,248	5,328	5,415	4,993	5,457	6,528
Income tax	(549)	(1,317)	(1,351)	(1,198)	(1,310)	(1,567)
Minority interest	0	0	0	0	0	0
Net profit	1,698	4,011	4,064	3,795	4,148	4,962

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,777	18,672	12,395	14,523	17,947	22,430
Cash & equivalents	7,187	14,745	7,382	9,049	12,016	15,841
Account receivables	659	903	1,020	1,120	1,231	1,388
Inventories	1,346	1,773	2,428	2,701	2,946	3,305
Prepayment	584	849	920	1,009	1,110	1,251
ST bank deposits	1	402	644	644	644	644
Other current assets	0	0	0	0	0	0
Non-current assets	4,817	11,603	21,252	21,396	21,523	21,681
PP&E	1,065	1,626	3,235	3,344	3,420	3,505
Investment in JVs & assos	0	0	0	84	175	279
Intangibles	191	188	217	170	129	97
Other non-current assets	3,562	9,789	17,800	17,799	17,799	17,800
Total assets	14,594	30,275	33,647	35,919	39,470	44,110
Current liabilities	5,015	7,704	7,241	7,893	8,592	9,688
Short-term borrowings	0	0	0	0	0	0
Account payables	1,227	1,599	1,584	2,029	2,214	2,483
Tax payable	592	1,308	1,037	884	996	1,253
Other current liabilities	3,196	4,797	4,619	4,979	5,383	5,952
Non-current liabilities	889	1,467	2,074	2,074	2,074	2,074
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	889	1,467	2,074	2,074	2,074	2,074
Total liabilities	5,904	9,171	9,315	9,966	10,666	11,762
Share capital	228	239	240	240	240	240
Retained earnings	3	3	2	327	3,058	6,324
Other reserves	8,459	20,863	24,089	25,386	25,506	25,784
Total shareholders equity	8,689	21,104	24,332	25,953	28,804	32,349
Minority interest	0	0	0	0	0	0
Total equity and liabilities	14,594	30,275	33,647	35,919	39,470	44,110

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	2,248	5,328	5,415	4,993	5,457	6,528
Depreciation & amortization	576	630	782	1,072	1,210	1,350
Tax paid	(589)	(456)	(1,316)	(1,351)	(1,198)	(1,310)
Change in working capital	142	826	(1,133)	343	131	181
Others	387	197	167	(507)	(452)	(612)
<b>Net cash from operations</b>	<b>2,763</b>	<b>6,525</b>	<b>3,914</b>	<b>4,550</b>	<b>5,148</b>	<b>6,138</b>
<b>Investing</b>						
Capital expenditure	(594)	(985)	(1,757)	(1,133)	(1,245)	(1,404)
Acquisition of subsidiaries/ investments	(152)	(43)	(74)	0	0	0
Others	(246)	(5,511)	(7,651)	579	516	664
<b>Net cash from investing</b>	<b>(992)</b>	<b>(6,539)</b>	<b>(9,481)</b>	<b>(553)</b>	<b>(729)</b>	<b>(740)</b>
<b>Financing</b>						
Dividend paid	(378)	(515)	(1,195)	(2,174)	(1,297)	(1,417)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	189	8,667	97	0	0	0
Share repurchases	0	0	(159)	0	0	0
Others	(703)	(1,071)	(1,826)	(2,329)	(1,452)	(1,573)
<b>Net cash from financing</b>	<b>(891)</b>	<b>7,081</b>	<b>(3,082)</b>	<b>(4,503)</b>	<b>(2,749)</b>	<b>(2,990)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	5,961	7,187	14,745	7,382	9,049	12,016
Exchange difference	(33)	(25)	93	0	0	0
Others	1,258	7,583	(7,455)	1,667	2,967	3,825
<b>Cash at the end of the year</b>	<b>7,187</b>	<b>14,745</b>	<b>7,382</b>	<b>9,049</b>	<b>12,016</b>	<b>15,841</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	4.2%	56.1%	14.3%	9.7%	9.9%	12.8%
Gross profit	4.2%	68.7%	4.3%	8.1%	10.9%	13.4%
Operating profit	42.3%	133.9%	(4.9%)	(8.2%)	11.6%	18.2%
EBITDA	38.3%	108.0%	(1.7%)	(2.0%)	11.8%	16.9%
Net profit	13.3%	136.1%	1.3%	(6.6%)	9.3%	19.6%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	49.1%	53.0%	48.4%	47.7%	48.1%	48.3%
Operating margin	15.2%	22.8%	18.9%	15.8%	16.1%	16.9%
EBITDA margin	19.2%	25.5%	22.0%	19.6%	20.0%	20.7%
Return on equity (ROE)	21.5%	26.9%	17.9%	15.1%	15.1%	16.2%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.8	0.7	0.3	0.4	0.4	0.5
Current ratio (x)	1.9	2.4	1.7	1.8	2.1	2.3
Receivable turnover days	16.6	14.6	14.4	14.4	14.4	14.4
Inventory turnover days	66.7	61.0	66.5	66.5	66.5	66.5
Payable turnover days	60.8	55.1	43.4	50.0	50.0	50.0
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	29.8	12.4	13.6	15.1	13.8	11.6
P/E (diluted)	29.8	12.4	13.9	15.1	13.8	11.6
P/B	5.8	2.4	2.3	2.2	1.9	1.7
P/CFPS	24.2	24.2	37.4	13.2	11.7	9.8
Div yield (%)	0.8	0.7	0.8	2.4	2.4	2.9
EV	52,529.4	47,946.3	55,158.5	53,491.5	50,525.0	46,699.6
EV/Sales	3.6	2.1	2.1	1.9	1.6	1.3
EV/EBITDA	19.0	8.3	9.7	9.6	8.1	6.4

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.



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