

Anta Sports (2020 HK)

Expecting a strong 2Q, driven by e-commerce

Maintain BUY and raised TP to HK\$ 95.55, based on 30x FY21E P/E (rolled over from 33x FY20E). We expect strong/ in-line performance from Anta/ FILA in 2Q20E and healthy recovery in 2H20E. Hence, we believe its current valuation of 25x FY21E P/E is still attractive, vs Li Ning/ Nike/ Adidas's 28x/ 30x/ 27x.

- **We foresee 1H20E sales to grow by 2% YoY and NP to fall by 28% YoY.** The flattish sales assumption in 1H20E is supported by strong recovery of Anta and FILA. Both had resumed positive offline growth in May and Apr 2020, on top of its robust e-commerce (e.g. 78% YoY group sales growth during 618 festival). We attributed 28% NP decline in 1H20E to: 1) weak GP margin due to greater rebates by Anta and higher retail discounts by FILA, 2) FILA's significant operating deleverage and 3) greater drags from Amer.
- **Both Anta and FILA had impressive online growth in 2Q20E.** According to our channel check, we believe Anta's e-commerce growth accelerated to ~40% YoY in 2Q20E (vs MSD in 1Q20), while that for FILA remained fast at ~60% YoY in 2Q20E (vs ~160% in 1Q20). Therefore, our overall retail sales growth estimates for Anta/ FILA are 6%/ 16% in 2Q20E, which is higher/ inline vs management guidance of MSD drop/ mid teen growth. **Looking ahead, we are positive on FILA's performance in 3Q20E**, as it will have: 1) a new spokesperson (*Auqust Cho/ 蔡徐坤*), 2) a Tmall Super Brand Day on 10 Jul 2020 and 3) more crossovers (e.g. FILA x *Mihara Yasuhiro/ 三原康裕*).
- **Channel inventory manageable and we expect a less promotional 3Q20E.** Generally speaking, 2Q20E was still very promotional, but we believe Anta/ FILA have reduced their inventory level to 5-6/ 6-7 months in 2Q20E (vs 5-6/ 8 months in 1Q20). Going forward, we believe inventory and discounting pressure for the industry will be less in 3Q20E, because Nike and Adidas had cleared a lot of inventory in 2Q20E, where cash flow was their priority.
- **Pressure exists for Amer, but still manageable.** 2Q20E was tough for Amer because of COVID-19 in overseas. However, 3Q20E shall be better given business reopening, more online sales and promotions. Nonetheless, we now expect ~20% sales drop and recurring losses in FY20E.
- **Maintain BUY and lift TP to HK\$ 95.55.** We cut our FY20E/ 21E/ 22E diluted EPS estimates by 7.0%/ 7.0%/ 3.3%, to factor in 1) slightly slower FILA sales, 2) lower GP margin led by higher retail discounts and 3) higher losses from Amer. We maintain BUY and lifted TP to HK\$ 95.55, based on 30x FY21E P/E (rolled over from 33x FY20E). The valuation is still undemanding at 25x FY21E P/E, given a 22% NP CAGR during FY19-22E.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	24,100	33,928	37,847	46,177	53,904
YoY growth (%)	44.4	40.8	11.6	22.0	16.7
Net income (RMB mn)	4,103	5,344	5,437	7,814	9,693
EPS (RMB)	1.525	1.917	1.950	2.803	3.476
YoY growth (%)	32.8	25.7	1.7	43.7	24.0
Consensus EPS (RMB)	n/a	n/a	2.119	2.940	3.602
P/E (x)	45.5	36.2	35.6	24.8	20.0
P/B (x)	11.8	9.3	7.8	6.5	5.7
Yield (%)	1.0	0.9	0.8	2.6	3.2
ROE (%)	27.8	29.8	24.7	29.6	31.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$95.55
(Previous TP)	HK\$77.39)
Up/Downside	+21.2%
Current Price	HK\$78.85

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	213,118
Avg 3 mths t/o (HK\$ mn)	613.21
52w High/Low (HK\$)	79.9/42.0
Total Issued Shares (mn)	2,702.8

Source: Bloomberg

Shareholding Structure

Mr. Ding Shizhong (CEO), Mr. Ding Shijia (V-Chairman), Mr. Lai Shixian (CFO) & Family	61.06%
Free Float	38.94%

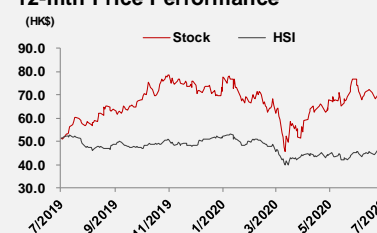
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	2.3%	-2.9%
3-mth	45.2%	33.2%
6-mth	9.5%	17.7%
12-mth	53.0%	65.9%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

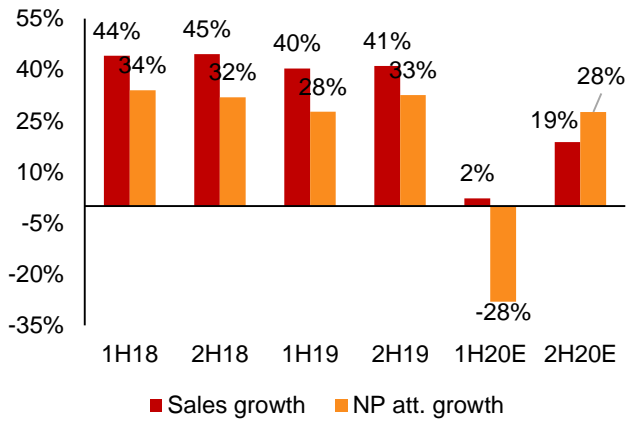
Related Reports

1. Anta Sports (2020 HK, BUY) - Strong beat in 1Q and likely turnaround in 2Q – 25 Apr 2020
2. Anta Sports (2020 HK, BUY) - More resilient than the industry and recovering – 25 Mar 2020

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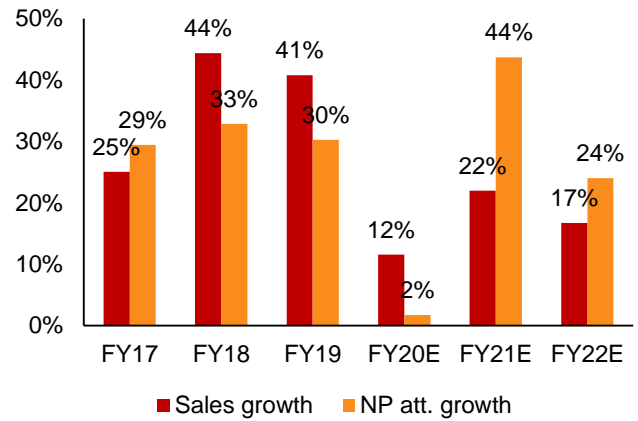
Focus Charts

Figure 1: Anta's sales/ NP att. growth – half year



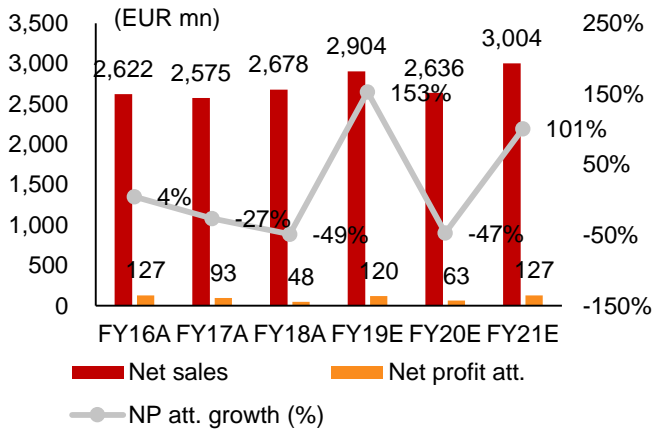
Source: Company data, CMBIS estimates

Figure 2: Anta's sales/ NP att. growth – full year



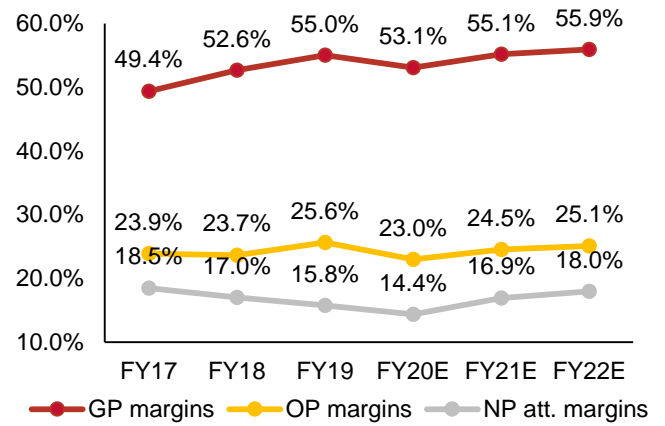
Source: Company data, CMBIS estimates

Figure 3: Amer sales/ NP att. growth - full year



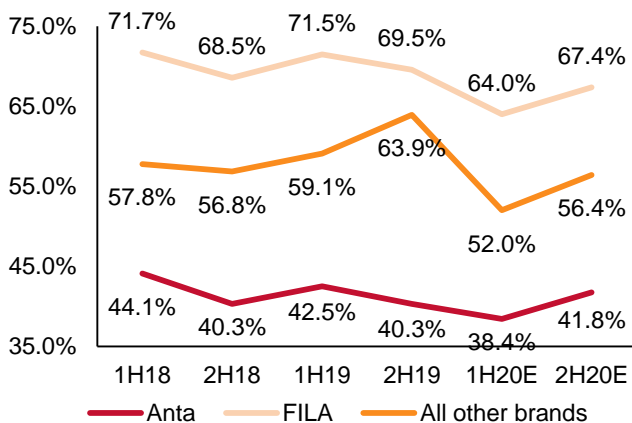
Source: Company data, CMBIS estimates

Figure 4: GP/ OP/ NP att. margins



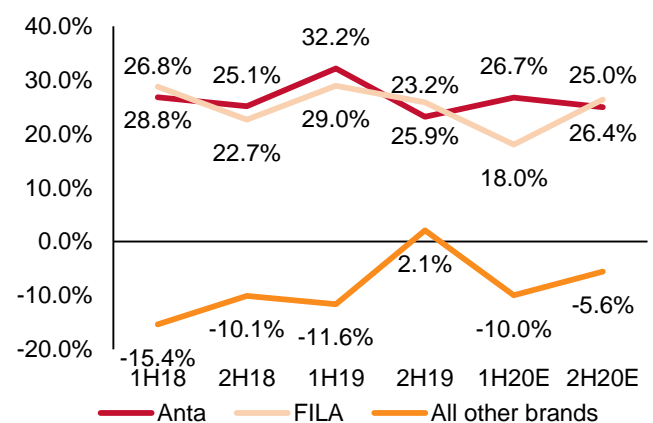
Source: Company data, CMBIS estimates

Figure 5: Anta/ FILA's GP margins



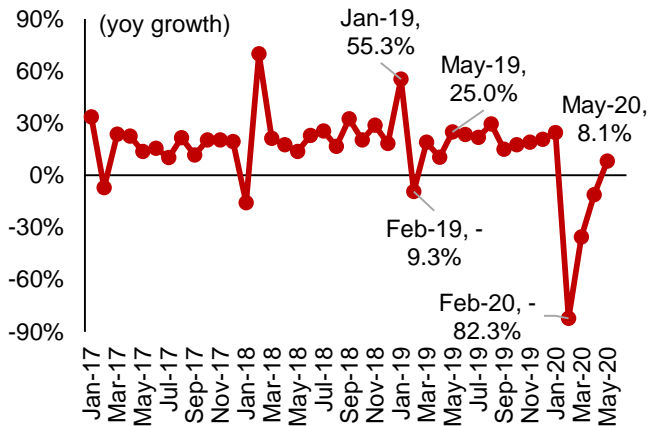
Source: Company data, CMBIS estimates

Figure 6: Anta/ FILA's OP margin



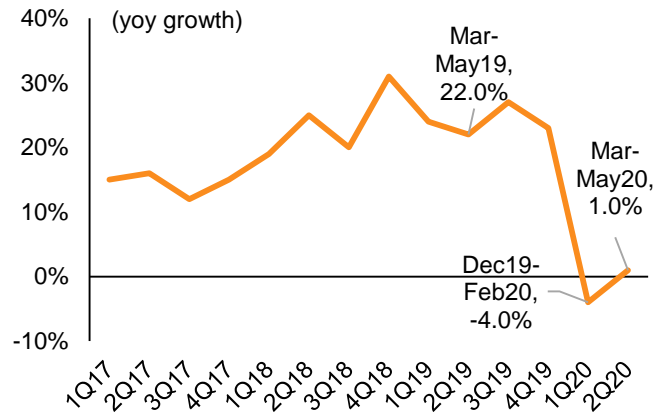
Source: Company data, CMBIS estimates

Figure 7: Pou Sheng's sales growth turned to positive in May 2020



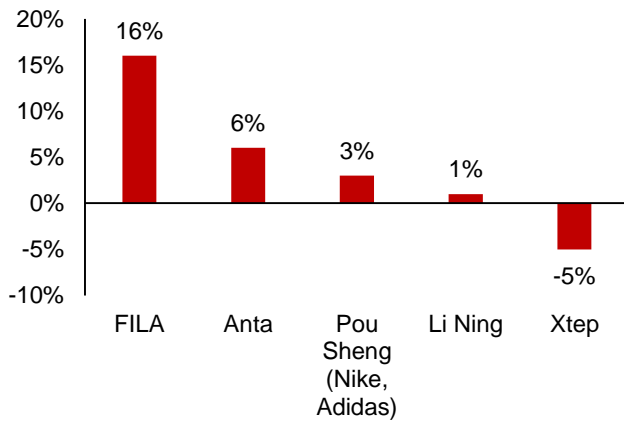
Source: Company data, CMBIS estimates

Figure 8: Nike's sales growth in 4Q20 (ending May) also turned to positive



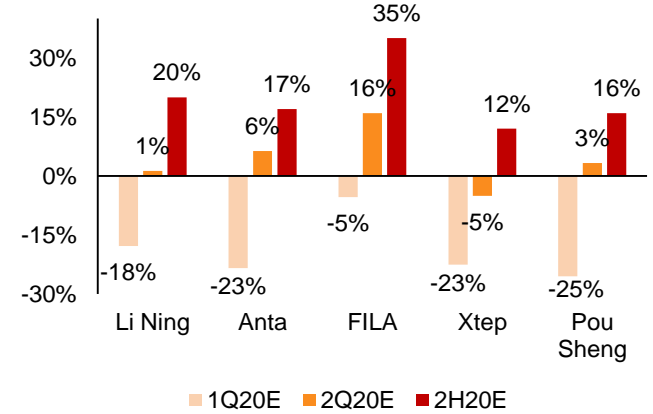
Source: Company data, CMBIS estimates

Figure 9: 2Q20E retail sales performance, by brand



Source: Company data, CMBIS estimates

Figure 10: Retail sales forecast in FY20E, by brand



Source: Company data, CMBIS estimates

Figure 11: August Cho/ 蔡徐坤 & Super Brand Day



Source: Tmall, CMBIS estimates

Figure 12: FILA x Mihara Yasuhiro/ 三原康裕 Shoes



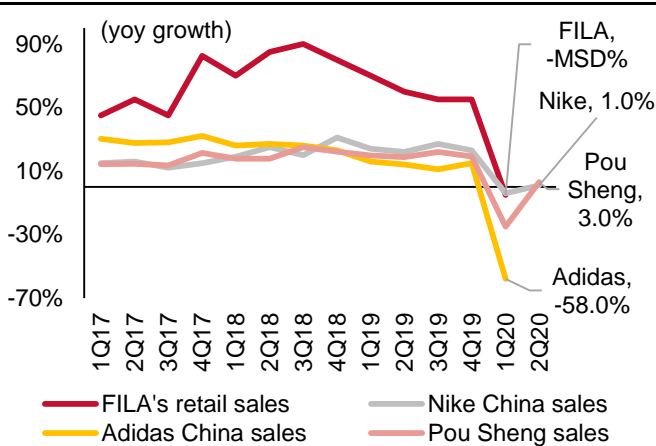
Source: PR Newswire, CMBIS estimates

Figure 13: Anta group's ranks during 2020 Tmall 618 festival



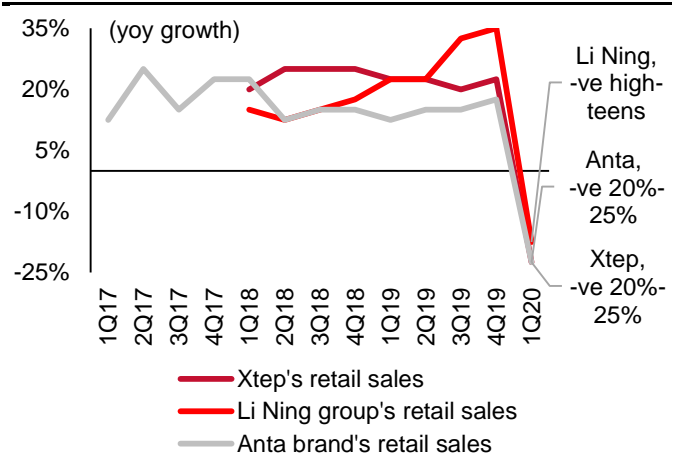
Source: Tmall, CMBIS estimates

Figure 14: Retail sales growth – foreign bands



Source: Company data, CMBIS estimates

Figure 15: Retail sales growth – domestic bands



Source: Company data, CMBIS estimates

Figure 16: Sportswear brands retail sales growth trend

Retail sales growth (Management comments at annual result)									
Period	4Q19	1Q20E	Apr20E	May20E	Jun20E	2Q20E	1H20E	2H20E	FY20E
Li Ning	30-40%					90% of budget (May)			
Anta	15-20%	20-30% drop				0-10% drop	Mid teen drop	Double digit up	Mid single digit drop
FILA	50-55%	10-20% drop				10-20% up	Flat	30% plus	20% plus
Xtep	20% plus	25-30% drop							
Pou Sheng	19.0%	60%-65% of budget				80% of budget			
Retail sales growth (Actual or CMBIS estimates)									
Period	4Q19	1Q20E	Apr20E	May20E	Jun20E	2Q20E	1H20E	2H20E	FY20E
Li Ning	35%	-18%	-13%	7%	10%	1%	-8%	20%	6%
Anta	18%	-23%	-8%	14%	13%	6%	-9%	17%	4%
FILA	53%	-5%	10%	17%	21%	16%	5%	35%	20%
Xtep	23%	-23%	-14%	-5%	4%	-5%	-14%	12%	-1%
Pou Sheng	19%	-25%	-11%	8%	13%	3%	-11%	16%	2%

Source: Company data, CMBIS estimates

Figure 17: Sportswear brands sales growth trend

Operating numbers	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20E	3Q20E	4Q20E
Nike China sales	12.0%	15.0%	19.0%	25.0%	20.0%	31.0%	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%		
Adidas China sales	28.0%	32.0%	26.0%	27.0%	26.0%	23.0%	16.0%	14.0%	11.0%	15.0%	-58.0%			
Anta brand's SSSG														
Anta brand's retail sales	+ve Mid-teens	+ve 20%-25%	+ve 20%-25%	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	-ve 20%-25%	6.0%	12.0%	18.0%
Core brand	+ve MSD	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%			
Kids	over 30%	over 40%	over 40%	over 25%	Over 25%	Over 25%	Over 20%	30%	Over 25%	25%	-ve 20%-25%			
Online	over 50%	over 40%	over 40%	over 25%	Over 20%	Over 25%	+ve Mid-teens	25%	35%	Over 40%	+ve MSD			
Non-Anta brands (FILA)	+ve 40%-50%	+ve 85%-90%	+ve 80%-85%	+ve 90%-95%	+ve 90%-95%	+ve 80%-85%	+ve 65%-70%	+ve 55%-60%						
FILA brand's retail sales														
Classic/ Core brand									50%-55%	50%-55%	-ve MSD	16.0%	30.0%	40.0%
Kids										Over 40%	-ve 20%-25%			
Fusion										Over 100%	+ve MSD			
Online										Over 70%	160%			
Other brands									30%-35%	25%-30%	-ve HSD			
Li Ning group's SSSG														
Li Ning group's retail sales	-ve LSD	+ve Low-teens	+ve Low-teens	+ve HSD	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-twentieths	n/a			
Direct retail	-ve MSD	+ve Low-teens	+ve Low-teens	+ve HSD	+ve HSD	+ve MSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	n/a			
Wholesales	-ve MSD	+ve HSD	+ve MSD	+ve LSD	+ve HSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	n/a			
E- Commerce	Low 30%	+ve High-teens	+ve High 30%	+ve Mid 30%	+ve High 30%	+ve Mid 50%	+ve High 30%	+ve Mid 30%	+ve Mid 50%	+ve Low 40%	n/a			
Li Ning group's retail sales														
Direct retail			Low 20%-30%	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve Mid-teens	+ve High-teens	-ve High-teens	1.0%	15.0%	25.0%
Wholesales			+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-ve High-teens			
E- Commerce			+ve High 30%	+ve High 30%	+ve Low 30%	+ve Mid 50%	+ve Low 40%	+ve High 20%	+ve Low 50%	+ve Low 40%	+ve Low-teens			
Xtep's SSSG														
Xtep's retail sales	+ve MSD	+ve HSD	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens				
361 Degrees' SSSG														
361 Degree's retail sales	+ve HSD	+ve HSD	+ve HSD	+ve HSD	+ve MSD	Flat	+ve LSD	+ve LSD	+ve LSD	+ve LSD	-ve 20%-25%	-5.0%	8.0%	16.0%
Pou Sheng's SSSG														
Pou Sheng's sales	1.5%	12.0%	10.1%	2.2%	8.9%	8.7%	8.4%	4.2%	6.0%	1.9%				
Dong Xiang's SSSG														
Dong Xiang's retail sales	-ve MSD	+ve LSD	+ve Mid to High	-ve Mid to High	+ve MSD	+ve LSD	-ve LSD	+ve MSD	+ve Mid to High	+ve Mid to High	-ve Mid-Low SD			
Direct retail			+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve Low-teens	-ve LSD			
E- Commerce							+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%	-ve Low-teens			

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

Results Preview

Figure 18: Results preview – Half Year

Half yearly (RMB mn)	1H18	2H18	1H19	2H19	1H20E	2H20E	1H19 YoY	2H19 YoY	1H20 E YoY	2H20 E YoY
Revenue	10,554	13,547	14,811	19,117	15,148	22,699	40%	41%	2%	19%
COGS	(4,827)	(6,586)	(6,509)	(8,760)	(7,413)	(10,352)				
Gross profit	5,726	6,961	8,302	10,357	7,735	12,347	45%	49%	-7%	19%
GP margins	54.3%	51.4%	56.1%	54.2%	51.1%	54.4%				
Other income & gains	245	515	538	531	530	575				
S & D expenses	(2,765)	(3,760)	(4,123)	(5,598)	(4,489)	(6,508)	49%	49%	9%	16%
S & D exp / sales	-26.2%	-27.8%	-27.8%	-29.3%	-29.6%	-28.7%				
Admin expenses	(518)	(705)	(460)	(853)	(555)	(945)	-11%	21%	21%	11%
Admin exp / sales	-4.9%	-5.2%	-3.1%	-4.5%	-3.7%	-4.2%				
Other opex	0	0	0	0	0	0				
Operating profit (EBIT)	2,689	3,011	4,257	4,437	3,222	5,468	58%	47%	-24%	23%
OP margins	25.5%	22.2%	28.7%	23.2%	21.3%	24.1%				
Other items	0	0	0	0	0	0				
Net finance income	72	(5)	9	(62)	(45)	(102)				
Net fin. income / sales	0.7%	0.0%	0.1%	-0.3%	-0.3%	-0.4%				
Profit after financing costs	2,761	3,007	4,267	4,375	3,176	5,366				
Associated coms	0	0	0	0	0	0				
Jointly controlled coms	0	0	(492)	(141)	(550)	(127)				
Pre-tax profit	2,761	3,007	3,774	4,234	2,626	5,240	37%	41%	-30%	24%
Tax	(759)	(774)	(1,193)	(1,192)	(775)	(1,428)				
Tax / sales	-7.2%	-5.7%	-8.1%	-6.2%	-5.1%	-6.3%				
Effective tax rate	-27.5%	-25.7%	-31.6%	-28.1%	-29.5%	-27.2%				
Minority interests	57	74	99	181	65	162				
Net profit att.	1,945	2,158	2,483	2,861	1,787	3,650	28%	33%	-28%	28%
NP margins	18.4%	15.9%	16.8%	15.0%	11.8%	16.1%				
Sales										
Anta	6,417	7,905	7,590	9,860	7,410	11,005	18%	25%	-2%	12%
FILA	4,137	5,642	7,221	9,257	7,738	11,694	75%	64%	7%	26%
GP margins										
Anta	71.7%	68.5%	71.5%	69.5%	64.0%	67.4%				
FILA	57.8%	56.8%	59.1%	63.9%	52.0%	56.4%				
OP margins										
Anta	26.8%	25.1%	32.2%	23.2%	26.7%	25.0%				
FILA	28.8%	22.7%	29.0%	25.9%	18.0%	26.4%				

Source: Company data, CMBIS estimates

Figure 19: Results preview - Full Year

Full yearly (RMB mn)					FY19	FY20E	FY21E
	FY18	FY19	FY20E	FY21E	YoY	YoY	YoY
Revenue	24,100	33,928	37,847	46,177	41%	12%	22%
COGS	(11,413)	(15,269)	(17,766)	(20,713)			
Gross profit	12,687	18,659	20,082	25,464	47%	8%	27%
GP margins	52.6%	55.0%	53.1%	55.1%			
Other income & gains	760	1,070	1,105	1,478			
S & D expenses	(6,525)	(9,721)	(10,997)	(13,890)	49%	13%	26%
S & D exp / sales	-27.1%	-28.7%	-29.1%	-30.1%			
Admin expenses	(1,223)	(1,313)	(1,500)	(1,717)	7%	14%	14%
Admin exp / sales	-5.1%	-3.9%	-4.0%	-3.7%			
Other opex	0	0	0	0			
Operating profit (EBIT)	5,700	8,695	8,690	11,334	53%	0%	30%
OP margins	23.7%	25.6%	23.0%	24.5%			
Other items	0	0	0	0			
Net finance income	68	(53)	(147)	(1)			
Net fin. income / sales	0.3%	-0.2%	-0.4%	0.0%			
Profit after financing costs	5,767	8,642	8,543	11,333			
Associated coms	0	0	0	0			
Jointly controlled coms	0	(633)	(677)	(183)			
Pre-tax profit	5,767	8,008	7,866	11,151	39%	-2%	42%
Tax	(1,533)	(2,384)	(2,202)	(3,011)			
Tax / sales	-6.4%	-7.0%	-5.8%	-6.5%			
Effective tax rate	-26.6%	-29.8%	-28.0%	-27.0%			
Minority interests	131	280	227	326			
Net profit att.	4,103	5,344	5,437	7,814	30%	2%	44%
NP margins	17.0%	15.8%	14.4%	16.9%			
Sales							
Anta	14,321	17,450	18,415	21,887	22%	6%	19%
FILA	9,779	16,478	19,432	24,290	69%	18%	25%
GP margins							
Anta	42.0%	41.3%	40.4%	42.7%			
FILA	69.9%	70.4%	66.0%	67.0%			
OP margins							
Anta	25.9%	27.1%	25.7%	27.1%			
FILA	25.3%	27.2%	23.0%	24.5%			

Source: Company data, CMBIS estimates

Earnings revision

Figure 20: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	37,847	46,177	53,904	38,586	46,504	52,698	-1.9%	-0.7%	2.3%
Gross profit	20,082	25,464	30,136	20,737	25,970	29,812	-3.2%	-1.9%	1.1%
EBIT	8,546	11,251	13,425	8,825	11,828	13,790	-3.2%	-4.9%	-2.6%
Net profit att.	5,437	7,814	9,693	5,754	8,246	9,845	-5.5%	-5.2%	-1.5%
Diluted EPS (RMB)	1.950	2.803	3.476	2.064	2.958	3.531	-5.5%	-5.2%	-1.5%
Gross margin	53.1%	55.1%	55.9%	53.7%	55.8%	56.6%	-0.7ppt	-0.7ppt	-0.7ppt
EBIT margin	22.6%	24.4%	24.9%	22.9%	25.4%	26.2%	-0.3ppt	-1.1ppt	-1.3ppt
Net profit att. margin	14.4%	16.9%	18.0%	14.9%	17.7%	18.7%	-0.5ppt	-0.8ppt	-0.7ppt

Source: Company data, CMBIS estimates

Figure 21: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	37,847	46,177	53,904	36,604	46,059	55,526	3.4%	0.3%	-2.9%
Gross profit	20,082	25,464	30,136	19,476	25,534	31,266	3.1%	-0.3%	-3.6%
EBIT	8,546	11,251	13,425	8,710	11,584	13,968	-1.9%	-2.9%	-3.9%
Net profit att.	5,437	7,814	9,693	5,629	8,006	9,984	-3.4%	-2.4%	-2.9%
Diluted EPS (RMB)	1.950	2.803	3.476	2.119	2.940	3.602	-8.0%	-4.7%	-3.5%
Gross margin	53.1%	55.1%	55.9%	53.2%	55.4%	56.3%	-0.1ppt	-0.3ppt	-0.4ppt
EBIT margin	22.6%	24.4%	24.9%	23.8%	25.1%	25.2%	-1.2ppt	-0.8ppt	-0.3ppt
Net profit att. margin	14.4%	16.9%	18.0%	15.4%	17.4%	18.0%	-1ppt	-0.5ppt	0ppt

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 22: Anta's key assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment growth (%)					
Shoes	22.5%	32.2%	9.0%	19.0%	13.0%
Apparels	61.4%	45.5%	13.0%	24.4%	18.8%
Accessories	43.9%	47.5%	10.0%	6.0%	12.0%
Total	44.4%	40.8%	11.6%	22.0%	16.7%
Sales by brand growth (%)					
Anta	8.7%	9.2%	-15.0%	10.0%	7.0%
Anta Kids	29.0%	27.0%	-10.0%	25.0%	18.0%
FILA	100.0%	73.8%	20.0%	25.0%	19.0%
Descente & Others	155.9%	33.3%	0.0%	25.0%	23.0%
E-commerce	45.0%	45.0%	45.0%	25.0%	18.0%
Total	44.4%	40.8%	11.6%	22.0%	16.7%
Sales network					
Anta	7,271	7,341	7,191	7,271	7,321
Anta Kids	2,786	3,175	3,200	3,350	3,500
FILA	1,652	1,951	2,051	2,201	2,401
Descente & Others	479	476	501	696	891
Total	12,188	12,943	12,943	13,518	14,113
GP margins					
Anta	42.0%	41.3%	40.4%	43.5%	44.1%
FILA	69.9%	70.4%	66.0%	66.0%	66.4%
Total	52.6%	55.0%	53.1%	55.1%	55.9%
Opex breakdown					
A&P Expenses / sales	12.1%	10.6%	10.2%	11.6%	11.6%
Labour costs / sales	10.9%	11.7%	12.0%	11.8%	12.2%
R & D expenses / sales	5.2%	5.2%	5.1%	5.2%	5.3%
Rental expenses/ sales	7.2%	8.8%	9.3%	9.5%	9.5%
Selling & distribution costs / sales	27.1%	28.7%	29.1%	30.1%	30.4%
Admin expenses / sales	5.1%	3.9%	4.0%	3.7%	3.8%
OP margin					
Anta	25.9%	27.1%	25.7%	27.1%	27.5%
FILA	25.3%	27.2%	23.0%	24.5%	25.2%
Total	23.7%	25.6%	23.0%	24.5%	25.1%
Effective tax rate	26.6%	29.8%	28.0%	27.0%	26.0%
NP att. margin	17.0%	15.8%	14.4%	16.9%	18.0%
NP att. growth (%)	32.9%	30.3%	1.7%	43.7%	24.0%

Source: Company data, CMBIS estimates

Valuation

Figure 23: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
H shares Sportswear															
Anta Sports	2020 HK	BUY	95.55	78.85	21%	213,118	Dec-19	35.6	24.8	7.9	6.4	29.8	1.6	1.0	
Li Ning Co	2331 HK	BUY	24.43	26.55	-8%	65,692	Dec-19	37.8	28.0	7.1	5.8	23.2	2.0	0.8	
Xtep Intl	1368 HK	BUY	2.90	2.70	7%	6,802	Dec-19	11.4	8.3	0.8	0.8	11.9	3.7	5.2	
361 Degrees Intl	1361 HK	NR	n/a	1.16	n/a	2,398	Dec-19	5.2	4.4	0.3	0.3	7.2	0.7	8.6	
Topsports Intl	6110 HK	NR	n/a	10.24	n/a	63,501	Feb-20	22.9	17.9	4.7	4.1	36.9	1.7	2.1	
Pou Sheng Intl	3813 HK	NR	n/a	1.85	n/a	9,910	Dec-19	19.2	8.1	1.1	1.0	11.5	1.1	0.7	
China DX	3818 HK	NR	n/a	0.88	n/a	5,180	Mar-20	10.6	9.3	0.4	0.4	n/a	0.7	6.3	
								Avg.	20.4	14.4	3.2	2.7	20.1	1.6	3.5
								Med.	19.2	9.3	1.1	1.0	17.5	1.6	2.1
International Sportswear															
Nike	NKE US	NR	n/a	96.59	n/a	1,164,132	May-20	41.5	29.9	20.0	17.2	29.7	1.3	1.1	
Adidas	ADS GY	NR	n/a	235.00	n/a	412,464	Dec-19	82.1	27.1	6.5	5.8	20.2	40.5	1.1	
Puma	PUM GY	NR	n/a	69.24	n/a	91,457	Dec-19	104.8	36.0	5.3	4.8	10.8	8.2	0.4	
Under Armour	UAA US	NR	n/a	9.15	n/a	30,466	Dec-19	n/a	81.7	2.7	2.6	(28.9)	0.0	0.0	
Lululemon	LULU US	NR	n/a	307.31	n/a	310,112	Feb-20	71.4	49.0	17.1	14.9	36.1	4.9	0.0	
Skechers	SKX US	NR	n/a	27.21	n/a	33,266	Dec-19	44.8	13.9	1.6	1.5	13.0	(12.2)	0.0	
Vf Corp	VFC US	NR	n/a	58.49	n/a	176,589	Mar-20	54.2	23.5	7.3	7.3	17.7	2.8	3.4	
Columbia	COLM US	NR	n/a	75.23	n/a	38,550	Dec-19	41.9	18.9	2.7	2.2	15.0	190.8	0.6	
Wolverine	WWW US	NR	n/a	20.63	n/a	12,981	Dec-19	16.0	10.1	2.3	2.0	12.1	1.1	1.9	
Mizuno Corp	8022 JP	NR	n/a	1992.00	n/a	3,826	Mar-20	7.8	7.1	0.5	0.5	4.7	0.0	2.5	
Asics Corp	7936 JP	NR	n/a	1226.00	n/a	16,821	Dec-19	n/a	30.6	1.6	1.5	1.6	0.0	2.1	
								Avg.	51.6	29.8	6.1	5.5	12.0	21.6	1.2
								Med.	44.8	27.1	2.7	2.6	13.0	1.3	1.1

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	24,100	33,928	37,847	46,177	53,904	EBIT	5,592	8,752	8,546	11,251	13,425
Footwear	8,631	11,410	12,437	14,800	16,723	D & A	278	331	415	509	586
Apparel	14,70	21,39	24,17	30,07	35,71	Change in working capital	866	1,178	(561)	125	(492)
Accessories	759	1,120	1,232	1,306	1,463	Income tax paid	(1,288)	(2,133)	(2,202)	(3,011)	(3,548)
						Others	(1,008)	(642)	418	(418)	230
Cost of goods sold	(11,413)	(15,269)	(17,766)	(20,713)	(23,767)	Net cash from operating	4,440	7,485	6,616	8,456	10,201
Gross profit	12,687	18,659	20,082	25,464	30,136	Capex & investments	(1,319)	(11,282)	(1,611)	(1,504)	(1,540)
Other income	652	1,127	961	1,395	1,682	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
Operating expenses	(7,748)	(11,034)	(12,497)	(15,607)	(18,393)	Others	118	(1,783)	-	-	-
D & A	(175)	(212)	(268)	(324)	(372)	Net cash from investing	(1,201)	(13,06)	(1,611)	(1,504)	(1,540)
Staff costs	(1,238)	(1,859)	(2,134)	(2,561)	(3,090)	Equity raised	4	709	-	-	-
S & D costs (ex-staff, D&A)	(5,639)	(8,441)	(9,483)	(11,977)	(14,069)	Net change in bank loans	1,165	7,733	(5,000)	-	-
Admin exp. (ex-staff, D&A)	(440)	(247)	(305)	(371)	(425)	Dividend paid	(2,425)	(1,417)	(1,549)	(3,020)	(5,373)
Other operating expenses	(256)	(275)	(307)	(374)	(437)	Others	119	(2,356)	(155)	(85)	(85)
EBIT	5,592	8,752	8,546	11,251	13,425	Net cash from financing	(1,136)	4,670	(6,703)	(3,105)	(5,458)
Finance costs, net	175	(110)	(4)	82	132	Net change in cash	2,102	(910)	(1,699)	3,847	3,203
JVs & associates	-	(633)	(677)	(183)	88	Beginning cash balance	6,968	9,284	8,221	6,255	10,687
Exceptional	-	-	-	-	-	Exchange difference	214	(153)	-	-	-
Pre-tax profit	5,767	8,008	7,866	11,151	13,645	Cash at the end of the year	9,284	8,221	6,522	10,103	13,891
Income tax	(1,533)	(2,384)	(2,202)	(3,011)	(3,548)						
Less: Minority interests	131	280	227	326	404						
Net profit	4,103	5,344	5,437	7,814	9,693						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	5,090	17,898	18,417	19,230	20,272	Sales mix (%)					
Fixed asset	1,787	2,148	2,855	3,248	3,491	Footwear	35.8	33.6	32.9	32.0	31.0
Intangible assets & goodwill	1,170	421	909	1,512	2,223	Apparel	61.0	63.1	63.9	65.1	66.3
Prepaid lease payments	367	53	53	53	53	Accessories	3.2	3.3	3.3	2.8	2.7
Interest in joint ventures	-	10,551	9,874	9,692	9,780	Total	100.0	100.0	100.0	100.0	100.0
Other non-current assets	1,766	4,725	4,725	4,725	4,725						
Current assets	19,284	23,321	23,276	29,618	35,253	P&L ratios (%)					
Cash and cash equivalents	9,284	8,221	6,255	10,687	13,877	Gross margin	52.6	55.0	53.1	55.1	55.9
Inventories	2,892	4,405	5,597	5,959	6,967	Operating margin	23.2	25.8	22.6	24.4	24.9
Trade and other receivables	4,638	6,309	7,037	8,586	10,023	Pre-tax margin	23.9	23.6	20.8	24.1	25.3
Prepayments	-	-	-	-	-	Net margin	17.0	15.8	14.1	16.6	17.7
Other current assets	2,470	4,386	4,386	4,386	4,386	Effective tax rate	26.6	27.6	25.8	26.6	26.2
Current liabilities	7,548	12,412	13,772	15,806	17,760	Balance sheet ratios					
Bank loans	1,244	1,359	1,359	1,359	1,359	Current ratio (x)	2.6	1.9	1.7	1.9	2.0
Trade payables	1,792	2,963	3,650	4,256	4,884	Quick ratio (x)	2.2	1.5	1.3	1.5	1.6
Accruals & other payables	3,841	5,821	6,493	7,922	9,248	Cash ratio (x)	123	66	45	68	78
Tax payables	650	1,225	1,225	1,225	1,225	Inventory turnover days	93	105	115	105	107
Others	21	1,044	1,044	1,044	1,044	Trade receivables days	70	68	68	68	68
Non-current liabilities	306	7,746	2,746	2,746	2,746	Trade payables days	57	71	75	75	75
Bank loans	70	6,644	1,644	1,644	1,644	Total debt / total equity ratio (%)	8	40	13	11	9
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred tax	236	256	256	256	256	Returns (%)					
Others	-	846	846	846	846	ROE	26.0	26.6	22.7	27.2	29.3
Minority Interest	743	979	1,206	1,532	1,935	ROA	16.8	13.0	13.0	16.0	17.5
Total net assets	15,777	20,082	23,970	28,764	33,084	Per share					
Shareholders' equity	15,777	20,082	23,970	28,764	33,084	EPS (RMB)	1.53	1.92	1.92	2.75	3.41
						DPS (RMB)	0.68	0.61	0.53	1.79	2.22
						BVPS (RMB)	5.87	7.43	8.87	10.6	12.2

Source: Company data, CMBIS estimates

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