

Topsports (6110 HK)

More time is needed despite the attractive yield

1H25 results were inline with the profit warning, but the underlying was more fragile than we previously thought. Given the worsening outlook in 2H25E and time Nike may take to turn around (might be 1 to 2 years), we downgrade Topsports' rating to HOLD, even though it has a 8% FY2/25E yield.

■ **Topsports (6110 HK) reported inline 1H25 results.** Topsports sales dropped by 8% YoY to RMB 13.1bn while net profit tanked by 35% YoY to RMB 874mn in 1H25, completely inline with the pro-announced profit warning. To recap, such unpleasant results were mainly due to: 1) massive drop in offline traffic and hence operating deleverage and 2) drop in margin led by higher retail discounts and higher share of lower-margin e-commerce sales. However, the fall in GP margin to 41.1% (by 3.6ppt) was bigger than expected but was offset by stronger-than-expected cost control (perhaps due to more-than-expected store closures). On the other hand, net cash generated from operations increased by 3% YoY and DPS of RMB 16.0 was declared, implying a close to 100% payout ratio (vs 74% last year).

■ **We think the outlook for 2H25E is still grim, likely due to Topsports' offline distributor nature and Nike reforms.** Very rarely, management has provided a guidance for FY25E, expecting sales to drop by HSD YoY and net profit to plunge by 35% to 45% YoY (implying a 35% to 61% YoY drop in 2H25E). And we do concur with that view, because: 1) despite mild improvements in early Oct 2024, momentum could fade easily given Topsports' offline store nature (online demand is way more robust recently), 2) of Topsports' heavy exposure to Nike brand, and in our view, it would take at least 1 to 2 years for Nike to successfully turn around (we may easily refer to Adidas's case back in 2021), 3) of the industry-wise destocking risks (brands like Nike, Li Ning and others are targeting to do more promotions during the Double 11). Margin-wise, we do think it is worrying as well, due to: 1) limited rebates & supports from principal brands, 2) likely increases in retail discounts to de-stock, 3) operating deleverage led by weak offline traffic, 4) potential provisions or impairment and 5) an unfavorable channel mix (greater sales from the lower-margin e-commerce business).

■ **Downgrade to HOLD with TP of HK\$ 2.82, based on 12x FY2/25E P/E (unchanged).** We have adjusted FY25E/ 26E/ 27E net profit by -11%/ -13%/ -11%, in order to factor in: 1) weaker-than-expected sales, 2) more store closures, 3) increase in retail discounts and drop in GP margin and 4) higher-than-expected provisions and impairments. We do agree that the FY25E yield is still high at 8%, but given a worsening outlook in 2H25E and the time Nike may take to turn around (might be 1 to 2 years), we downgrade Topsports' rating to HOLD. The name is trading at 12x FY2/25E P/E, vs 5-year average of 14x. The yield was high but upside is limited.

Earnings Summary

(YE 28 Feb)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,073	28,933	26,693	27,665	29,841
YoY growth (%)	(15.1)	6.9	(7.7)	3.6	7.9
Operating profit (RMB mn)	2,430.9	2,786.5	1,710.1	1,991.9	2,390.9
Net profit (RMB mn)	1,836.6	2,213.0	1,313.7	1,532.6	1,841.3
EPS (Reported) (RMB)	0.30	0.36	0.21	0.25	0.30
YoY growth (%)	(24.9)	20.5	(40.6)	16.7	20.1
P/E (x)	8.7	7.2	12.2	10.4	8.7
P/B (x)	1.6	1.6	1.7	1.7	1.6
Yield (%)	12.8	14.0	8.2	8.2	9.8
ROE (%)	18.0	22.5	13.7	16.3	18.9

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Down)

Target Price	HK\$2.58
(Previous TP)	HK\$2.89)
Up/Downside	(8.2%)
Current Price	HK\$2.81

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Stock Data

Mkt Cap (HK\$ mn)	17,425.4
Avg 3 mths t/o (HK\$ mn)	82.7
52w High/Low (HK\$)	6.74/2.23
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

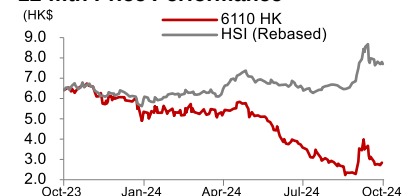
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	15.2%	7.0%
3-mth	-20.6%	-34.4%
6-mth	-46.5%	-55.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,693	27,665	29,841	26,936	27,925	30,125	-0.9%	-0.9%	-0.9%
Gross profit	10,441	11,003	11,911	10,702	11,272	12,197	-2.4%	-2.4%	-2.3%
EBIT	1,710	1,992	2,391	1,910	2,275	2,666	-10.5%	-12.5%	-10.3%
Net profit att.	1,314	1,533	1,841	1,469	1,753	2,057	-10.6%	-12.6%	-10.5%
Diluted EPS (RMB)	0.212	0.247	0.297	0.237	0.283	0.332	-10.6%	-12.6%	-10.5%
Gross margin	39.1%	39.8%	39.9%	39.7%	40.4%	40.5%	-0.6ppt	-0.6ppt	-0.6ppt
EBIT margin	6.4%	7.2%	8.0%	7.1%	8.1%	8.9%	-0.7ppt	-0.9ppt	-0.8ppt
Net profit att. margin	4.9%	5.5%	6.2%	5.5%	6.3%	6.8%	-0.5ppt	-0.7ppt	-0.7ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,693	27,665	29,841	26,834	27,990	29,553	-0.5%	-1.2%	1.0%
Gross profit	10,441	11,003	11,911	10,615	11,252	12,002	-1.6%	-2.2%	-0.8%
EBIT	1,710	1,992	2,391	1,745	2,121	2,410	-2.0%	-6.1%	-0.8%
Net profit att.	1,314	1,533	1,841	1,412	1,706	1,942	-7.0%	-10.2%	-5.2%
Diluted EPS (RMB)	0.212	0.247	0.297	0.239	0.293	0.326	-11.5%	-15.6%	-8.9%
Gross margin	39.1%	39.8%	39.9%	39.6%	40.2%	40.6%	-0.4ppt	-0.4ppt	-0.7ppt
EBIT margin	6.4%	7.2%	8.0%	6.5%	7.6%	8.2%	-0.1ppt	-0.4ppt	-0.1ppt
Net profit att. margin	4.9%	5.5%	6.2%	5.3%	6.1%	6.6%	-0.3ppt	-0.6ppt	-0.4ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25E	1H24 YoY	2H24 YoY	1H25 YoY	2H25E YoY	1H25E CMBIG M	Actual vs CMBIGM
Revenue	14,177	14,757	13,055	13,638	7%	7%	-8%	-8%	13,293	-2%
COGS	-7,836	-9,017	-7,692	-8,560					-7,577	
Gross profit	6,341	5,740	5,362	5,079	5%	9%	-15%	-12%	5,716	-6%
GP margin	44.7%	38.9%	41.1%	37.2%					43.0%	
Other income & gains	48	129	75	88					40	89%
S & D expenses	-4,110	-4,246	-3,822	-4,059	0%	7%	-7%	-4%	-3,988	-4%
S & D exp / sales	-29.0%	-28.8%	-29.3%	-29.8%					-30.0%	
Admin expenses	-553	-563	-495	-519	-4%	7%	-10%	-8%	-598	-17%
Admin exp / sales	-3.9%	-3.8%	-3.8%	-3.8%					-4.5%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	1,726	1,061	1,121	589	9%	25%	-35%	-44%	1,170	-4%
OP margin	12.2%	7.2%	8.6%	4.3%					8.8%	
Other items	0	0	0	0					0	
Net finance income	-18	-9	-13	6					-13	-6%
Net fin. income / sales	-0.1%	-0.1%	-0.1%	0.0%					-0.1%	
Profit after financing costs	1,708	1,052	1,108	596					1,156	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,708	1,052	1,108	596	13%	31%	-35%	-43%	1,156	-4%
Tax	-371	-177	-235	-157					-289	
Tax / sales	-2.6%	-1.2%	-1.8%	-1.2%					-2.2%	
Effective tax rate	-21.7%	-16.8%	-21.2%	-26.4%					-25.0%	
Minority interests	0	0	0	0					0	
Net profit att.	1,337	875	874	438	17%	27%	-35%	-50%	867	1%
NP margin	9.4%	5.9%	6.7%	3.2%					6.5%	

Source: Company data, CMBIGM estimates

Figure 4: Results preview - full year

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY25E YoY	FY26E YoY
Revenue	28,933	26,693	27,665	-8%	4%
COGS	-16,852	-16,252	-16,662		
Gross profit	12,081	10,441	11,003	-14%	5%
GP margin	41.8%	39.1%	39.8%		
Other income & gains	177	163	169		
S & D expenses	-8,356	-7,881	-8,125	-6%	3%
S & D exp / sales	-28.9%	-29.5%	-29.4%		
Admin expenses	-1,115	-1,014	-1,056	-9%	4%
Admin exp / sales	-3.9%	-3.8%	-3.8%		
Other opex	0	0	0		
Operating profit (EBIT)	2,787	1,710	1,992	-39%	16%
OP margin	9.6%	6.4%	7.2%		
Other items	0	0	0		
Net finance income	-27	-6	-4		
Net fin. income / sales	-0.1%	0.0%	0.0%		
Profit after financing costs	2,759	1,704	1,988		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	2,759	1,704	1,988	-38%	17%
Tax	-548	-392	-457		
Tax / sales	-1.9%	-1.5%	-1.7%		
Effective tax rate	-19.9%	-23.0%	-23.0%		
Minority interests	0	0	0		
Net profit att.	2,211	1,312	1,531	-41%	17%
NP margin	7.6%	4.9%	5.5%		

Source: Company data, CMBIGM estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-5%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	11%	13%
Anta brand's SSSG																
Anta brand's retail sales	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	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	16%
Core brand	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	25%-30%	+ve LSD	+ve LSD	-ve LSD	
Kids	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	
Online	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	
FILA brand's retail sales																
FILA brand's retail sales	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	+ve HSD	+ve High-teens	+ve Low-teens	25%-30%	+ve HSD	+ve MSD	-ve LSD	10%
Classic/ Core brand	80% Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD		
Kids	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	30%-35%	-ve LSD	-ve LSD	-ve Low-teens		
Fusion	150% Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD		
Online	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	
Other brands																
Other brands	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%	40%-45%	45%-50%	30%
Descente	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20%-25%	35%-40%	35%-40%	
Kolon	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	
Li Ning group's SSSG																
Li Ning group's SSSG	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD	-ve HSD	
Direct retail	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	+ve High 30%	-ve LSD	-ve MSD	-ve MSD	
Wholesales	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	+ve MSD	-ve Mid-teens	-ve High-teens	-ve HSD	
E- Commerce	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	+ve MSD	+ve Low 20%	+ve Low-teens	+ve MSD	
Li Ning group's retail sa																
Li Ning group's retail sa	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve Low 30%	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-ve MSD	7%
Direct retail	+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%	+ve Low 50%	+ve MSD	Flat	-ve MSD	
Wholesales	+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	+ve High-teens	-ve MSD	-ve HSD	-ve HSD	
E- Commerce	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	+ve MSD	+ve Low 20%	+ve HSD	+ve MSD	
Xtep brand's SSSG																
Xtep brand's retail sales	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%-35%	+ve HSD	10%	+ve MSD	10%
361 Degree brand's SSSG																
361 Degree brand's offli	+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%	20.0%	+ve High-teens	10.0%	10.0%	14%
Kids	20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	
Pou Sheng's SSSG																
Pou Sheng's SSSG	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%	-16%		
Pou Sheng's sales	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-11%	-8%
Topsports' retail sales																
Topsports' retail sales			-ve 20%-25%	-ve High-teens	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low-20%	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-ve Low-teens	-8%
Dong Xiang's SSSG																
Dong Xiang's SSSG	+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	25% to 30%	-ve HSD	-ve MSD	-ve HSD	
Dong Xiang's retail sale	60%-70%	+ve Low to Mid-teens	-ve Mid to High-teens	-ve Mid-teens	-ve MSD	-ve Mid to High-teens	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low 10% to 20%	-ve LSD to MSD	-ve Low 10% to 20%	
Direct retail	70%-75%															
E- Commerce	35%-40%															

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

Assumptions

Figure 6: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)						
Retail operations	26,420	22,741	24,742	22,687	23,739	25,754
Wholesale operations	5,220	4,158	4,022	3,861	3,778	3,929
Concessionaire fee income	236	175	170	145	148	158
Total	31,877	27,073	28,933	26,693	27,665	29,841
Sales by segment growth (%)						
Retail operations	-14%	-14%	9%	-8%	5%	8%
Wholesale operations	5%	-20%	-3%	-4%	-2%	4%
Concessionaire fee income	-2%	-26%	-3%	-14%	1%	7%
Total	-11%	-15%	7%	-8%	4%	8%
Number of stores						
	7,695	6,565	6,144	5,779	5,694	5,793
Total sales area (sq m)	1,683	1,568	1,556	1,507	1,522	1,585
Growth (%)	5%	-7%	-1%	-3%	1%	4%
Average store size (sq m)	219	239	253	261	267	274
Growth (%)	10%	9%	6%	3%	3%	2%
Retail sales (offline) per store						
	2.8	2.7	3.0	2.7	2.8	3.0
Growth (%)	-13%	-6%	13%	-9%	3%	5%
Retail sales (online)						
	4,491	5,117	6,185	6,804	7,620	8,535
Growth (%)	-1%	14%	21%	10%	12%	12%
GP margins	43.4%	41.7%	41.8%	39.1%	39.8%	39.9%
Rental expenses/ sales	-13.9%	-13.2%	-13.5%	-13.4%	-13.1%	-12.9%
Staff costs/ sales	-10.9%	-10.7%	-10.1%	-10.4%	-10.7%	-10.5%
D & A/ sales	-2.2%	-2.3%	-1.7%	-1.7%	-1.7%	-1.7%
S & D expenses/ sales	-29.6%	-29.7%	-28.9%	-29.5%	-29.4%	-28.8%
G & A expenses/ sales	-4.1%	-4.1%	-3.9%	-3.8%	-3.8%	-3.7%
Effective tax rate	-26%	-21%	-20%	-23%	-23%	-23%
NP att. margin	8%	7%	8%	5%	6%	6%
NP att. growth (%)	-12%	-25%	20%	-41%	17%	20%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Revenue	31,877	27,073	28,933	26,693	27,665	29,841
Cost of goods sold	(18,052)	(15,789)	(16,852)	(16,252)	(16,662)	(17,930)
Gross profit	13,824	11,284	12,081	10,441	11,003	11,911
Operating expenses	(10,732)	(9,153)	(9,471)	(8,895)	(9,181)	(9,702)
Selling expense	(9,439)	(8,052)	(8,356)	(7,881)	(8,125)	(8,589)
Admin expense	(1,293)	(1,101)	(1,115)	(1,014)	(1,056)	(1,113)
R&D expense	0	0	0	0	0	0
Operating profit	3,430	2,431	2,787	1,710	1,992	2,391
Other income	338	300	177	163	169	183
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	4,128	3,019	3,561	2,407	2,557	2,822
Depreciation	(667)	(609)	(758)	(680)	(549)	(422)
Other amortisation	(31)	21	(16)	(16)	(16)	(10)
Interest income	114	103	120	125	128	129
Interest expense	(218)	(211)	(147)	(131)	(131)	(131)
Net Interest income/(expense)	(104)	(109)	(27)	(6)	(4)	(2)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	3,326	2,322	2,759	1,704	1,988	2,389
Income tax	(880)	(486)	(548)	(392)	(457)	(549)
After tax profit	2,447	1,837	2,211	1,312	1,531	1,840
Minority interest	0	0	2	2	2	2
Net profit	2,447	1,837	2,213	1,314	1,533	1,841
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Current assets	10,980	12,101	12,425	11,992	12,406	12,955
Cash & equivalents	1,753	2,357	2,775	2,738	2,927	2,849
Restricted cash	0	1,286	1,286	1,286	1,286	1,286
Account receivables	1,107	1,055	1,127	1,040	1,078	1,163
Inventories	6,686	6,247	6,002	5,788	5,934	6,386
Prepayment	1,435	1,136	1,214	1,120	1,161	1,252
Other current assets	0	20	20	20	20	20
Non-current assets	6,816	4,719	4,523	4,308	4,185	4,231
PP&E	1,009	733	554	354	248	304
Right-of-use assets	3,100	2,425	2,425	2,425	2,425	2,425
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,093	1,073	1,057	1,040	1,024	1,014
Other non-current assets	1,614	488	488	488	488	488
Total assets	17,796	16,821	16,948	16,300	16,590	17,186
Current liabilities	4,873	5,268	5,417	5,281	5,349	5,524
Short-term borrowings	518	1,545	1,545	1,545	1,545	1,545
Account payables	927	991	1,058	1,020	1,046	1,125
Tax payable	697	360	360	360	360	360
Other current liabilities	1,645	1,192	1,273	1,175	1,218	1,313
Lease liabilities	1,086	1,181	1,181	1,181	1,181	1,181
Non-current liabilities	2,342	1,719	1,717	1,716	1,714	1,712
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,342	1,719	1,717	1,716	1,714	1,712
Total liabilities	7,215	6,987	7,134	6,996	7,063	7,237
Share capital	0	0	0	0	0	0
Retained earnings	7,070	8,092	6,832	6,832	7,062	7,338
Other reserves	3,512	1,742	2,982	2,472	2,465	2,611
Total shareholders equity	10,582	9,834	9,814	9,304	9,527	9,949
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,582	9,834	9,814	9,304	9,527	9,949

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	3,326	2,322	2,759	1,704	1,988	2,389
Depreciation & amortization	698	588	775	696	565	431
Tax paid	(903)	(891)	(548)	(392)	(457)	(549)
Change in working capital	568	483	243	259	(156)	(452)
Others	2,000	1,848	147	131	131	131
Net cash from operations	5,690	4,351	3,376	2,399	2,071	1,950
Investing						
Capital expenditure	(668)	(357)	(579)	(480)	(443)	(477)
Acquisition of subsidiaries/ investments	(34)	0	0	0	0	0
Others	30	51	0	0	0	0
Net cash from investing	(671)	(306)	(579)	(480)	(443)	(477)
Financing						
Dividend paid	(1,550)	(2,667)	(2,233)	(1,824)	(1,309)	(1,419)
Net borrowings	(805)	738	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(2,140)	(1,512)	(147)	(131)	(131)	(131)
Net cash from financing	(4,494)	(3,440)	(2,380)	(1,955)	(1,440)	(1,551)
Net change in cash						
Cash at the beginning of the year	1,229	1,753	2,357	2,775	2,738	2,927
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	1,753	2,357	2,775	2,738	2,927	2,849
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Revenue	(11.5%)	(15.1%)	6.9%	(7.7%)	3.6%	7.9%
Gross profit	(5.8%)	(18.4%)	7.1%	(13.6%)	5.4%	8.2%
Operating profit	(14.0%)	(29.1%)	14.6%	(38.6%)	16.5%	20.0%
EBITDA	(12.1%)	(26.9%)	17.9%	(32.4%)	6.3%	10.4%
Net profit	(11.7%)	(24.9%)	20.5%	(40.6%)	16.7%	20.1%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Gross profit margin	43.4%	41.7%	41.8%	39.1%	39.8%	39.9%
Operating margin	10.8%	9.0%	9.6%	6.4%	7.2%	8.0%
EBITDA margin	12.9%	11.2%	12.3%	9.0%	9.2%	9.5%
Return on equity (ROE)	24.1%	18.0%	22.5%	13.7%	16.3%	18.9%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Current ratio (x)	2.3	2.3	2.3	2.3	2.3	2.3
Receivable turnover days	12.7	14.2	14.2	14.2	14.2	14.2
Inventory turnover days	135.2	144.4	130.0	130.0	130.0	130.0
Payable turnover days	18.7	22.9	22.9	22.9	22.9	22.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
P/E	6.5	8.7	7.2	12.2	10.4	8.7
P/E (diluted)	6.5	8.7	7.2	12.2	10.4	8.7
P/B	1.5	1.6	1.6	1.7	1.7	1.6
P/CFPS	2.8	3.7	4.7	6.7	7.7	8.2
Div yield (%)	16.7	12.8	14.0	8.2	8.2	9.8

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

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