

# Xtep (1368 HK)

## Solid turnaround to drive re-rating

We expect Xtep's retail sales growth to remain fast with healthy inventory level, its GP margin to bottom out and drags from new brands to narrow in FY21E. Therefore, we find its risk reward attractive and expect a further re-rating. Maintain BUY and raise TP to HK\$5.84, based on an unchanged 14x FY22E P/E. It is trading at 12x/ 9x FY21E/22E P/E.

- FY20 net profit beat, thanks to better cost control.** Xtep reported 29% YoY decline in net profit in FY20E, beating CMBI/ BBG est. by 15%/ 13%, mostly due to lower than expected A&P and D&A expenses, despite slight miss in GP margin. Noted that, excluding one-off gains of subsidiary in 2H19 and Supra brand in 2H20, net profit in 2H20 would have increased by 24% YoY, which significantly improved from 47% YoY drop in 1H20.
- Retail sales surged by 50% YoY in Jan-Feb 2021 (also 5% increase vs 2019 level).** Retail sales growth in Jan-Feb 2021 accelerated to 50% YoY, on track to beat CMBI est. of 31% growth in 1Q21 and way faster than HSD in 4Q20. Such impressive growth, in our view, was not only driven by 1) favorable weather, but also 2) strong e-commerce momentum, 3) upgrades in products (e.g. launch of signature running shoes "160X" equipped with carbon fiber plate) and marketing (e.g. crossover with Shaolin/ 少林 and Jiang Ziya/ 姜子牙) and 4) sales area growth as more larger sized stores being opened. **Xtep is confident to achieve 10-15% retail sales growth for core brand in FY21E-23E.**
- Improving retail discounts and inventory level.** Retail discounts in Jan-Feb 2021 also improved to just ~30% off, vs 30% to 35% off in 4Q20. Company is expecting its channel inventory level to normalize to 4-4.5 months by FY21E, vs less than 5 months in 4Q20.
- Less drags from the new brands in FY21E.** For Saucony, the Company is confident on its potential thanks to highly positive feedbacks from professional runners in FY20 and it plans to open 30-50 new stores with an initiate losses of ~RMB 50mn in FY21E. For Palladium, 30-50 self-owned stores will be opened in FY21E, while K-Swiss will not have large scale expansion before FY22E. All in all, the associated losses for new brands and JVs should narrow in FY21E vs FY20.
- Maintain BUY and raised TP to HK\$ 5.84.** We revised up our FY21E/ 22E EPS estimates by 9%/ 7%, to factor in: 1) faster-than-expected Xtep core brand growth, better-than-expected GP margin and opex, such as A&P for marathons. Given attractive valuation of 12x/ 9x FY21E/ 22E P/E, we maintain BUY and raised TP to HK\$ 5.84, based on an unchanged 14x FY22E P/E.

### Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	8,183	8,172	9,366	10,679	12,057
YoY growth (%)	28.2	(0.1)	14.6	14.0	12.9
Net income (RMB mn)	728	513	671	863	1,051
EPS (RMB)	0.302	0.206	0.269	0.346	0.422
YoY growth (%)	2.3	(31.8)	30.9	28.5	21.8
Consensus EPS (RMB)	n/a	n/a	0.270	0.320	n/a
P/E (x)	11.0	15.2	11.5	8.9	7.3
P/B (x)	1.2	1.1	1.0	1.0	0.9
Yield (%)	5.4	3.8	5.2	6.7	8.2
ROE (%)	10.5	7.2	9.0	10.9	12.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

## BUY (Maintain)

Target Price	HK\$5.84
(Previous TP)	HK\$5.09
Up/Downside	+33.7%
Current Price	HK\$3.72

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	9,475
Avg 3 mths t/o (HK\$ mn)	27.64
52w High/Low (HK\$)	4.35/2.04
Total Issued Shares (mn)	2,547.0

Source: Bloomberg

#### Shareholding Structure

Mr Ding Shui Po & Family	53.89%
Templeton Investments	2.62%
Employee incentive scheme	4.01%
Free Float	39.48%

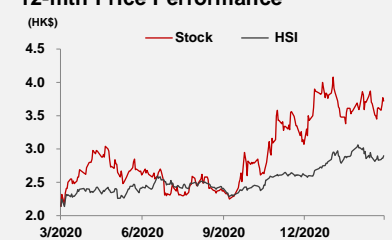
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	3.6%	7.8%
3-mth	21.2%	9.2%
6-mth	56.3%	30.0%
12-mth	60.3%	21.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Ernst & Young

#### Related Reports

- Xtep (1368 HK, BUY) - An impressive 4Q20 to drive further re-rating - 18 Jan 2021
- Xtep (1368 HK, BUY) - Core brand's recovery to drive re-rating - 12 Nov 2020
- Xtep (1368 HK, HOLD) - Better retail trend drags by lower margins - 31 Aug 2020

## Results Summary

Figure 1: Results review – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20E	1H19 YoY	2H19 YoY	1H20 YoY	2H20 E YoY	2H20E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>3,357</b>	<b>4,826</b>	<b>3,679</b>	<b>4,493</b>	<b>23%</b>	<b>32%</b>	<b>10%</b>	<b>-7%</b>	<b>4,430</b>	<b>1%</b>
COGS	(1,860)	(2,773)	(2,190)	(2,784)					(2,698)	
<b>Gross profit</b>	<b>1,497</b>	<b>2,053</b>	<b>1,489</b>	<b>1,709</b>	<b>25%</b>	<b>26%</b>	<b>-1%</b>	<b>-17%</b>	<b>1,733</b>	<b>-1%</b>
<b>GP margins</b>	<b>44.6%</b>	<b>42.5%</b>	<b>40.5%</b>	<b>38.0%</b>					<b>39.1%</b>	
Other income & gains	138	170	210	98					74	32%
S & D expenses	(637)	(1,082)	(685)	(852)	33%	23%	8%	-21%	(942)	-10%
<b>S &amp; D exp / sales</b>	<b>-19.0%</b>	<b>-22.4%</b>	<b>-18.6%</b>	<b>-19.0%</b>					<b>-21.3%</b>	
Admin expenses	(281)	(625)	(513)	(537)	7%	74%	83%	-14%	(484)	11%
<b>Admin exp / sales</b>	<b>-8.4%</b>	<b>-13.0%</b>	<b>-13.9%</b>	<b>-12.0%</b>					<b>-10.9%</b>	
Other opex	0	0	0	0					0	
<b>Operating profit (EBIT)</b>	<b>717</b>	<b>517</b>	<b>501</b>	<b>417</b>	<b>21%</b>	<b>14%</b>	<b>-30%</b>	<b>-19%</b>	<b>381</b>	<b>10%</b>
<b>OP margins</b>	<b>21.4%</b>	<b>10.7%</b>	<b>13.6%</b>	<b>9.3%</b>					<b>8.6%</b>	
Other items	0	0	0	0					0	
Net finance income	(35)	(76)	(77)	(62)					(38)	65%
<b>Net finance income / sales</b>	<b>-1.1%</b>	<b>-1.6%</b>	<b>-2.1%</b>	<b>-1.4%</b>					<b>-0.9%</b>	
Profit after financing costs	682	441	423	355					343	
Associated coms	(1)	(2)	(5)	(12)					(31)	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	<b>681</b>	<b>439</b>	<b>418</b>	<b>344</b>	<b>24%</b>	<b>3%</b>	<b>-39%</b>	<b>-22%</b>	<b>312</b>	<b>10%</b>
Tax	(218)	(172)	(166)	(91)					(112)	
<b>Tax / sales</b>	<b>-6.5%</b>	<b>-3.6%</b>	<b>-4.5%</b>	<b>-2.0%</b>					<b>-2.5%</b>	
<b>Effective tax rate</b>	<b>-32.0%</b>	<b>-39.1%</b>	<b>-39.6%</b>	<b>-26.5%</b>					<b>-35.8%</b>	
Minority interests	(0)	4	4	(12)					2	
<b>Net profit att.</b>	<b>463</b>	<b>264</b>	<b>248</b>	<b>265</b>	<b>23%</b>	<b>-6%</b>	<b>-46%</b>	<b>1%</b>	<b>198</b>	<b>34%</b>
<b>NP margins</b>	<b>13.8%</b>	<b>5.5%</b>	<b>6.7%</b>	<b>5.9%</b>					<b>4.5%</b>	
<b>Sales by segment</b>										
Mass market	3,357	4,350	3,201	3,900	23%	19%	-5%	-10%	4,091	-5%
Athleisure	0	466	459	541				16%	310	74%
Professional sports	0	10	20	52				417%	29	81%
Total	3,357	4,826	3,679	4,493	23%	32%	10%	-7%	4,430	1%

Source: Company data, CMBIS estimates

Figure 2: Results review - Full Year

Full yearly (RMB mn)	FY19	FY20	FY21E	FY20 YoY	FY21E YoY	FY20E CMBI	Actual vs CMBI
<b>Revenue</b>	8,183	8,172	9,366	0%	15%	8,109	1%
COGS	(4,632)	(4,973)	(5,558)			(4,887)	
<b>Gross profit</b>	3,550	3,198	3,808	-10%	19%	3,222	-1%
<b>GP margins</b>	43.4%	39.1%	40.7%			39.7%	
Other income & gains	308	307	253			284	8%
S & D expenses	(1,718)	(1,537)	(1,825)	-11%	19%	(1,627)	-6%
<b>S &amp; D exp / sales</b>	-21.0%	-18.8%	-19.5%			-20.1%	
Admin expenses	(906)	(1,050)	(1,095)	16%	4%	(997)	5%
<b>Admin exp / sales</b>	-11.1%	-12.9%	-11.7%			-12.3%	
Other opex	0	0	0			0	
<b>Operating profit (EBIT)</b>	1,234	918	1,140	-26%	24%	881	4%
<b>OP margins</b>	15.1%	11.2%	12.2%			10.9%	
Other items	(2)	(17)	(52)			(36)	
Net finance income	(111)	(140)	(94)			(115)	21%
<b>Net finance income / sales</b>	-1.4%	-1.7%	-1.0%			-1.4%	
Profit after financing costs	1,121	762	995			730	
Associated coms	0	0	0			0	
Jointly controlled coms	0	0	0			0	
<b>Pre-tax profit</b>	1,121	762	995	-32%	31%	730	4%
Tax	(390)	(257)	(318)			(277)	
<b>Tax / sales</b>	-4.8%	-3.1%	-3.4%			-3.4%	
<b>Effective tax rate</b>	-34.8%	-33.7%	-32.0%			-38.0%	
Minority interests	4	(8)	5			7	
<b>Net profit att.</b>	728	513	671	-29%	31%	446	15%
<b>NP margins</b>	8.9%	6.3%	7.2%			5.5%	
<b>Sales by segment</b>							
Mass market	7,707	7,101	8,072	-8%	14%	7,292	-3%
Athleisure	466	999	1,087	114%	9%	769	30%
Professional sports	10	72	207	610%	188%	48	48%
Total	8,183	8,172	9,366	0%	15%	8,109	1%

Source: Company data, CMBIS estimates

## Earnings revision

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9,366	10,679	12,057	9,252	10,204	n/a	1.2%	4.7%	n/a
Gross profit	3,808	4,452	5,072	3,735	4,214	n/a	2.0%	5.7%	n/a
EBIT	1,140	1,376	1,589	1,081	1,320	n/a	5.4%	4.2%	n/a
Net profit att.	671	863	1,051	617	810	n/a	8.9%	6.5%	n/a
Diluted EPS (RMB)	0.269	0.346	0.422	0.248	0.325	n/a	8.9%	6.5%	n/a
Gross margin	40.7%	41.7%	42.1%	40.4%	41.3%	n/a	0.3ppt	0.4ppt	n/a
EBIT margin	12.2%	12.9%	13.2%	11.7%	12.9%	n/a	0.5ppt	-0.1ppt	n/a
Net profit att. margin	7.2%	8.1%	8.7%	6.7%	7.9%	n/a	0.5ppt	0.1ppt	n/a

Source: Company data, CMBIS estimates

Figure 4: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	9,366	10,679	12,057	9,451	10,712	n/a	-0.9%	-0.3%	n/a
Gross profit	3,808	4,452	5,072	3,900	4,491	n/a	-2.4%	-0.9%	n/a
EBIT	1,140	1,376	1,589	1,165	1,425	n/a	-2.1%	-3.5%	n/a
Net profit att.	671	863	1,051	690	828	n/a	-2.6%	4.3%	n/a
Diluted EPS (RMB)	0.269	0.346	0.422	0.270	0.320	n/a	-0.2%	8.2%	n/a
Gross margin	40.7%	41.7%	42.1%	41.3%	41.9%	n/a	-0.6ppt	-0.2ppt	n/a
EBIT margin	12.2%	12.9%	13.2%	12.3%	13.3%	n/a	-0.1ppt	-0.4ppt	n/a
Net profit att. margin	7.2%	8.1%	8.7%	7.3%	7.7%	n/a	-0.1ppt	0.4ppt	n/a

Source: Company data, CMBIS estimates

## Valuation

Figure 5: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
<b>H shares Sportswear</b>															
Xtep Intl	1368 HK	BUY	5.84	3.72	57%	9,475	Dec-20	15.2	11.5	1.0	0.9	7.3	3.2	3.8	
Anta Sports	2020 HK	BUY	150.98	125.50	20%	339,268	Dec-19	54.9	36.9	11.7	9.5	23.0	2.3	0.6	
Li Ning	2331 HK	BUY	67.66	48.60	39%	120,972	Dec-19	63.8	46.1	11.9	9.7	19.8	2.6	0.4	
361 Degrees	1361 HK	NR	n/a	2.14	n/a	4,425	Dec-19	9.2	8.4	0.6	0.5	5.8	1.4	3.8	
Topsports	6110 HK	NR	n/a	13.56	n/a	84,089	Feb-20	28.2	22.5	6.6	5.8	28.8	1.8	1.8	
Pou Sheng	3813 HK	NR	n/a	1.82	n/a	9,749	Dec-19	21.2	7.5	1.0	0.9	5.6	1.0	0.6	
China DX	3818 HK	NR	n/a	0.91	n/a	5,356	Mar-20	5.3	4.9	0.4	0.4	11.8	0.3	10.5	
								<b>Avg.</b>	<b>28.3</b>	<b>19.7</b>	<b>4.7</b>	<b>4.0</b>	<b>14.6</b>	<b>1.8</b>	<b>3.1</b>
								<b>Med.</b>	<b>21.2</b>	<b>11.5</b>	<b>1.0</b>	<b>0.9</b>	<b>11.8</b>	<b>1.8</b>	<b>1.8</b>
<b>International Sportswear</b>															
Nike Inc	NKE US	NR	n/a	144.17	n/a	1,764,758	May-20	47.4	36.9	22.1	19.3	28.3	1.2	0.7	
Adidas	ADS GY	NR	n/a	287.00	n/a	532,768	Dec-20	37.2	28.6	7.5	6.7	6.5	0.5	1.1	
Puma	PUM GY	NR	n/a	90.06	n/a	125,814	Dec-20	52.9	35.6	6.9	6.2	4.4	0.6	0.6	
Under Armour	UAA US	NR	n/a	24.01	n/a	77,008	Dec-20	128.4	70.0	6.3	5.7	(28.7)	(0.7)	0.0	
Lululemon	LULU US	NR	n/a	312.68	n/a	316,439	Feb-20	68.2	46.7	16.8	14.2	29.2	3.9	0.0	
Skechers	SKX US	NR	n/a	42.13	n/a	51,602	Dec-20	21.9	17.0	2.2	2.0	4.1	0.3	0.3	
Vf Corp	VFC US	NR	n/a	80.55	n/a	244,993	Mar-21	61.8	26.9	16.0	13.8	(4.3)	2.3	2.4	
Columbia	COLM US	NR	n/a	106.85	n/a	55,077	Dec-20	26.7	22.3	3.5	3.1	5.9	0.5	1.0	
Wolverine	WWW US	NR	n/a	41.18	n/a	26,372	Jan-21	20.3	17.5	4.2	3.7	(20.8)	(0.1)	1.0	
Mizuno Corp	8022 JP	NR	n/a	2381.00	n/a	4,508	Mar-20	n/a	18.2	0.7	0.6	3.4	0.0	2.1	
Asics Corp	7936 JP	NR	n/a	2031.00	n/a	27,473	Dec-20	64.9	34.0	2.9	2.8	(11.6)	(0.3)	1.3	
								<b>Avg.</b>	<b>53.0</b>	<b>32.1</b>	<b>8.1</b>	<b>7.1</b>	<b>1.5</b>	<b>0.7</b>	<b>1.0</b>
								<b>Med.</b>	<b>50.2</b>	<b>28.6</b>	<b>6.3</b>	<b>5.7</b>	<b>4.1</b>	<b>0.5</b>	<b>1.0</b>

Source: Bloomberg, CMBIS estimates, FY1E and FY2E for Xtep stayed as FY20E and FY21E for comparison

## Assumptions

Figure 6: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment (RMB mn)</b>					
Shoes	4,653	5,047	5,847	6,747	7,737
Apparels	3,344	2,964	3,349	3,751	4,126
Accessories	185	161	169	181	194
Total	8,183	8,172	9,366	10,679	12,057
<b>Sales by segment growth (%)</b>					
Shoes	18.6%	8.5%	15.9%	15.4%	14.7%
Apparels	43.7%	-11.4%	13.0%	12.0%	10.0%
Accessories	41.0%	-12.9%	5.0%	7.0%	7.0%
Total	28.2%	-0.1%	14.6%	14.0%	12.9%
<b>Sales by segment (RMB mn)</b>					
Mass market	7,707	7,101	8,072	8,996	9,912
Athleisure	466	999	1,087	1,223	1,377
Professional sports	10	72	207	461	767
Total	8,183	8,172	9,366	10,679	12,057
<b>Sales by segment growth (YoY)</b>					
Mass market	20.7%	-7.9%	13.7%	11.4%	10.2%
Athleisure	n/a	114.4%	8.8%	12.5%	12.7%
Professional sports	n/a	609.9%	188.4%	122.9%	66.5%
Total	28.2%	-0.1%	14.6%	14.0%	12.9%
<b>Sales network</b>					
Xtep	5,279	4,971	5,021	5,121	5,275
Xtep kids	850	800	856	942	1,036
Oversea stores	250	250	250	300	300
Total	6,379	6,021	6,127	6,363	6,611
GP margins	43.4%	39.1%	40.7%	41.7%	42.1%
<b>Opex breakdown</b>					
A&P / sales	14.4%	11.2%	11.8%	12.0%	12.2%
Staff costs / sales	11.0%	12.1%	11.9%	12.3%	12.3%
R&D / sales	2.4%	2.7%	2.6%	2.4%	2.3%
D&A / sales	1.7%	2.0%	2.5%	2.3%	2.2%
Provisions (write backs) / sales	-0.9%	0.7%	0.0%	0.0%	0.0%
Rental / sales	0.1%	0.1%	0.9%	1.1%	1.2%
Selling & distribution costs / sales	21.0%	18.8%	19.5%	19.9%	20.1%
Admin expenses / sales	11.1%	12.9%	11.7%	11.5%	11.1%
Total	32.1%	31.7%	31.2%	31.3%	31.2%
<b>OP margins</b>	<b>15.1%</b>	<b>11.2%</b>	<b>12.2%</b>	<b>12.9%</b>	<b>13.2%</b>
Effective tax rate	34.8%	33.7%	32.0%	31.0%	30.0%
<b>Net profit att. margins</b>	<b>8.9%</b>	<b>6.3%</b>	<b>7.2%</b>	<b>8.1%</b>	<b>8.7%</b>
<b>Net profit att. growth (%)</b>	<b>10.8%</b>	<b>-29.5%</b>	<b>30.9%</b>	<b>28.5%</b>	<b>21.8%</b>

Source: Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>8,183</b>	<b>8,172</b>	<b>9,366</b>	<b>10,679</b>	<b>12,057</b>
Footwear	4,653	5,047	5,847	6,747	7,737
Apparel	3,344	2,964	3,349	3,751	4,126
Accessories	185	161	169	181	194
<b>Cost of goods sold</b>	<b>(4,632)</b>	<b>(4,973)</b>	<b>(5,558)</b>	<b>(6,227)</b>	<b>(6,985)</b>
<b>Gross profit</b>	<b>3,550</b>	<b>3,198</b>	<b>3,808</b>	<b>4,452</b>	<b>5,072</b>
<b>Other income</b>	<b>308</b>	<b>307</b>	<b>253</b>	<b>267</b>	<b>277</b>
<b>Operating expenses</b>	<b>(2,625)</b>	<b>(2,588)</b>	<b>(2,920)</b>	<b>(3,344)</b>	<b>(3,760)</b>
S & D costs	(1,718)	(1,537)	(1,825)	(2,120)	(2,425)
Admin exp.	(711)	(827)	(852)	(967)	(1,057)
R & D	(195)	(223)	(244)	(256)	(277)
Other operating expenses	-	-	-	-	-
<b>EBIT</b>	<b>1,234</b>	<b>918</b>	<b>1,140</b>	<b>1,376</b>	<b>1,589</b>
Finance costs, net	(111)	(140)	(94)	(98)	(95)
JVs & associates	(2)	(17)	(52)	(14)	23
Exceptional	-	-	-	-	-
<b>Pre-tax profit</b>	<b>1,121</b>	<b>762</b>	<b>995</b>	<b>1,263</b>	<b>1,517</b>
Income tax	(390)	(257)	(318)	(392)	(455)
Less: Minority interests	4	(8)	5	9	11
<b>Net profit</b>	<b>728</b>	<b>513</b>	<b>671</b>	<b>863</b>	<b>1,051</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>EBIT</b>	<b>1,234</b>	<b>918</b>	<b>1,140</b>	<b>1,376</b>	<b>1,589</b>
D & A	185	317	330	341	345
Change in working capital	36	327	(313)	(342)	(353)
Income tax paid	(334)	(257)	(318)	(392)	(455)
Others	(343)	(140)	(94)	(98)	(95)
<b>Net cash from operating</b>	<b>778</b>	<b>1,166</b>	<b>745</b>	<b>885</b>	<b>1,031</b>
Capex & investments	(97)	(204)	(140)	(160)	(181)
Associated companies	(35)	-	-	-	-
Interest received	-	-	-	-	-
Others	(1,913)	-	-	-	-
<b>Net cash from investing</b>	<b>(2,045)</b>	<b>(204)</b>	<b>(140)</b>	<b>(160)</b>	<b>(181)</b>
Equity raised	1,187	-	-	-	-
Net change in bank loans	386	-	-	-	-
Dividend paid	(436)	(309)	(348)	(457)	(571)
Others	(98)	-	-	-	-
<b>Net cash from financing</b>	<b>1,039</b>	<b>(309)</b>	<b>(348)</b>	<b>(457)</b>	<b>(571)</b>
<b>Net change in cash</b>	<b>(227)</b>	<b>652</b>	<b>257</b>	<b>268</b>	<b>280</b>
Beginning cash balance	3,196	2,970	3,622	3,879	4,147
Exchange difference	1	-	-	-	-
<b>Cash at the end of the year</b>	<b>2,970</b>	<b>3,622</b>	<b>3,879</b>	<b>4,147</b>	<b>4,427</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>3,057</b>	<b>2,927</b>	<b>2,686</b>	<b>2,491</b>	<b>2,350</b>
Fixed asset	662	788	839	899	977
Intangible assets & goodwill	1,738	1,499	1,258	1,017	776
Prepaid lease payments	104	104	104	104	104
Interest in joint ventures	197	180	129	115	138
Other non-current assets	356	356	356	356	356
<b>Current assets</b>	<b>9,266</b>	<b>9,806</b>	<b>10,711</b>	<b>11,698</b>	<b>12,745</b>
Cash and cash equivalents	2,970	3,622	3,879	4,147	4,427
Inventories	1,046	1,158	1,294	1,450	1,627
Trade and other receivables	2,910	2,687	3,079	3,511	3,964
Prepayments	818	817	936	1,067	1,205
Other current assets	1,522	1,522	1,522	1,522	1,522
<b>Current liabilities</b>	<b>3,671</b>	<b>3,885</b>	<b>4,220</b>	<b>4,598</b>	<b>5,012</b>
Bank loans	1,086	1,086	1,086	1,086	1,086
Trade payables	1,420	1,635	1,827	2,047	2,296
Accruals & other payables	981	979	1,122	1,280	1,445
Tax payables	115	115	115	115	115
Others	69	69	69	69	69
<b>Non-current liabilities</b>	<b>1,691</b>	<b>1,691</b>	<b>1,691</b>	<b>1,691</b>	<b>1,691</b>
Bank loans	1,269	1,269	1,269	1,269	1,269
Deferred income	-	-	-	-	-
Deferred tax	280	280	280	280	280
Others	142	142	142	142	142
<b>Minority Interest</b>	<b>-</b>	<b>-8</b>	<b>-3</b>	<b>6</b>	<b>16</b>
<b>Total net assets</b>	<b>6,960</b>	<b>7,164</b>	<b>7,488</b>	<b>7,894</b>	<b>8,375</b>
<b>Shareholders' equity</b>	<b>6,960</b>	<b>7,164</b>	<b>7,488</b>	<b>7,894</b>	<b>8,375</b>

### Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales mix (%)</b>					
Footwear	56.9	61.8	62.4	63.2	64.2
Apparel	40.9	36.3	35.8	35.1	34.2
Accessories	2.3	2.0	1.8	1.7	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	43.4	39.1	40.7	41.7	42.1
Operating margin	15.1	11.2	12.2	12.9	13.2
Pre-tax margin	13.7	9.3	10.6	11.8	12.6
Net margin	8.9	6.3	7.2	8.1	8.7
Effective tax rate	34.7	33.0	30.4	30.7	30.5
<b>Balance sheet ratios</b>					
Current ratio (x)	2.5	2.5	2.5	2.5	2.5
Quick ratio (x)	2.2	2.2	2.2	2.2	2.2
Cash ratio (x)	0.8	0.9	0.9	0.9	0.9
Inventory turnover days	82	85	85	85	85
Trade receivables days	130	120	120	120	120
Trade payables days	112	120	120	120	120
Total debt / total equity ratio (%)	34	33	31	30	28
Net debt / equity ratio (%)	Net	Net	Net	Net	Net
<b>Returns (%)</b>					
ROE	10.5	7.2	9.0	10.9	12.6
ROA	5.9	4.0	5.0	6.1	7.0
<b>Per share</b>					
EPS (RMB)	0.30	0.21	0.27	0.35	0.42
DPS (RMB)	0.18	0.12	0.16	0.21	0.25
BVPS (RMB)	2.79	2.88	3.01	3.17	3.36

Source: Company data, CMBIS estimates



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