

Anta Sports (2020 HK)

An inline but resilient 4Q23; Amer filed for IPO

Anta and FILA's performance in 4Q23 was just inline with expectations, but actually we are rather satisfied, because the industry is still under pressure (retail sales growth for some peers are soft and their retail discounts had widened vs 3Q23). Going forward in FY24E, we are still confident for Anta group to deliver, despite the potential high base, as the momentum for most of the brands are still strong (Anta and FILA are supported by the recent reforms while Descente and Kolon are riding on brand and product upgrades plus the robust growth from the outdoor segment). Moreover, the current valuation of 17x/ 14x FY23E/ 24E P/E are fairly attractive.

■ **Anta and FILA retail sales growth in 4Q23 accelerated and were inline with expectations.** Anta retail sales grew by high-teens YoY in 4Q23, which picked up from HSD in 3Q23 and was inline with CMBI est. of 18%. FILA retail sales also grew fast, by 25%-30% in 4Q23 vs low-teens in 3Q23 and was inline with CMBI est. of 28%. Management had highlighted that offline performance was very robust vs online but both channels (offline and online) had accelerated in 4Q23 vs 3Q23. Moreover, such a performance should be at least at par with (or likely better than) Nike/ Pou Sheng/ Topsports' 8%/ 7%/ low-teens growth during Sep-Nov 2023.

■ **Amer Sports had finally filed for US IPO and we do think it is a decent positive to Anta.** Firstly, Amer sports had managed to deliver a rather impressive financial results, even with the distortions from the pandemic. Its sales/ adjusted EBITDA CAGR were at 20%/ 21% during 2020-2022, and its adjusted NP margin also improved from -7% in 2020 to just -1% in 2022. Net losses in 9M23 was indeed slightly higher than that in 9M22, but that was only due to: 1) higher interest costs and 2) a higher effective tax rate (a large part of interest expenses was not tax deductible as those are on the JV level, not the listed co level). Secondly, we do think it is a big positive for Anta, once Amer Sports has successfully completed an IPO, because: 1) Amer Sports can achieve breakeven if the interest expenses can be reduced as the JV co loan 1 (around EUR2.7bn) will likely be equitized (such borrowings will be converted into shares) and JV co loan 2 (around EUR 1.3bn) will be repaid with the IPO proceeds (where the interest rate was as high as 5-7%, based on a rate of around EURIBOR+2%), 2) Anta may receive an one-off fair value gain if Amer sports' IPO valuation is higher than its M&A price, and 3) Anta could lift its dividend payout ratio in the future (back to 70% in FY17, vs 40% in FY22).

■ **Maintain BUY with TP of HK\$109.99**, based on 27x FY23E (unchanged), supported by 15%/ 25% sales/ NP CAGR during FY22-25E. The stock is trading at 17x FY23E P/E, around 1.4 s.d below its 5-year average of 26x.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	49,328	53,651	62,611	71,670	80,675
YoY growth (%)	38.9	8.8	16.7	14.5	12.6
Operating profit (RMB mn)	11,372	11,229	14,771	17,428	20,484
Net profit (RMB mn)	8,219.0	8,245.0	11,102.3	13,680.3	16,213.9
EPS (Reported) (RMB)	2.77	2.72	3.64	4.48	5.31
YoY growth (%)	49.2	(1.7)	33.7	23.2	18.5
P/E (x)	43.0	29.8	17.2	14.0	11.8
P/B (x)	11.1	6.7	4.3	3.5	3.0
Yield (%)	1.1	1.5	2.1	2.9	3.8
ROE (%)	31.1	26.7	30.7	31.3	31.0
Net gearing (%)	39.3	53.9	62.9	69.4	74.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$109.99

(Previous TP HK\$109.99)

Up/Downside 56.8%

Current Price HK\$70.15

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	189,638.5
Avg 3 mths t/o (HK\$ mn)	560.3
52w High/Low (HK\$)	124.00/70.15
Total Issued Shares (mn)	2703.3

Source: FactSet

Shareholding Structure

Mr. Ding Shi zhong & Family	54.5%
BlackRock Fund	1.6%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.5%	-7.6%
3-mth	-16.1%	-12.7%
6-mth	-15.5%	-2.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Inventory level remained healthy and was under control in 4Q23.** Anta and FILA brand's inventory to sales ratio was at 4.5 to 5 months in 4Q23, slightly better than the around 5 months in 3Q23 and that ratio for Descente and Kolon was also healthy at less than 5 months.
- **Retail discounts trend in 4Q23 was better than the industry.** Retail discounts for Anta (offline) / FILA (offline) were estimated at 28%/ 24% off in 4Q23, about 1ppt higher/ 3ppt less vs last year but stayed flattish vs 3Q23, which is a highly resilient result as its peers are suffering widened retail discounts in 4Q23.
- **Management believed the 3 years retail sales CAGR (10%-15% for both Anta and FILA) is a good reference for FY24E.** Management gave no numbers for Jan 2024 but still think the momentum is great (Anta was inline with their expectations in 4Q23 but FILA was actually a beat). We tend to be positive and think the earnings cut and de-rating had bottomed out in 3Q23 and 4Q23 and stay optimistic about 1Q24E and 2Q24E, thanks to: 1) the successful reform carried out by FILA and 2) potential improvements from Anta brand (supported by outdoor product series expansions and exciting new product launches in 1Q24E, which is the first season in charged by Mr Xu, after his return).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	62,611	71,670	80,675	62,611	71,670	80,675	0.0%	0.0%	0.0%
Gross profit	38,557	44,797	50,798	38,557	44,797	50,798	0.0%	0.0%	0.0%
EBIT	14,771	17,428	20,484	14,771	17,428	20,484	0.0%	0.0%	0.0%
Net profit att.	10,144	12,500	14,815	10,144	12,500	14,815	0.0%	0.0%	0.0%
Diluted EPS (RMB)	3.637	4.482	5.312	3.637	4.482	5.312	0.0%	0.0%	0.0%
Gross margin	61.6%	62.5%	63.0%	61.6%	62.5%	63.0%	0ppt	0ppt	0ppt
EBIT margin	23.6%	24.3%	25.4%	23.6%	24.3%	25.4%	0ppt	0ppt	0ppt
Net profit att. margin	16.2%	17.4%	18.4%	16.2%	17.4%	18.4%	0ppt	0ppt	0ppt

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	62,611	71,670	80,675	62,108	71,397	81,523	0.8%	0.4%	-1.0%
Gross profit	38,557	44,797	50,798	38,463	44,543	51,239	0.2%	0.6%	-0.9%
EBIT	14,771	17,428	20,484	14,455	16,763	19,475	2.2%	4.0%	5.2%
Net profit att.	10,144	12,500	14,815	9,764	11,713	13,777	3.9%	6.7%	7.5%
Diluted EPS (RMB)	3.637	4.482	5.312	3.501	4.168	4.915	3.9%	7.5%	8.1%
Gross margin	61.6%	62.5%	63.0%	61.9%	62.4%	62.9%	-0.3ppt	0.1ppt	0.1ppt
EBIT margin	23.6%	24.3%	25.4%	23.3%	23.5%	23.9%	0.3ppt	0.8ppt	1.5ppt
Net profit att. margin	16.2%	17.4%	18.4%	15.7%	16.4%	16.9%	0.5ppt	1ppt	1.5ppt

Source: Bloomberg, CMBIGM estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E	3Q24E	4Q24E
Nike China sales	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	5%	13%	13%	13%
Adidas China sales	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	20%	10%	10%	10%	10%
Anta brand's SSSG																		
Anta brand's retail sales	+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	+ve High-teens	16%	3%	16%	20%
Core brand	-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	25%-30%				
Kids	+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	30%-35%				
Online	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	+ve MSD				
FILA brand's retail sales																		
FILA brand's retail sales	20%-25%	25%-30%	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%	7%	9%	13%	13%
Classic/ Core brand	+ve MSD	+ve MSD	80% Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	+ve HSD	40%-45%				
Kids	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	+ve HSD	30%-35%				
Fusion	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	+ve HSD	20%-25%				
Online	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	+ve Mid-teens				
Other brands																		
Other brands	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	60%-65%				
Descente	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	55%-60%				
Kolon	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%				
Li Ning group's SSSG																		
Li Ning group's SSSG	+ve LSD	+ve Low-teens	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					
Direct retail	-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	-ve MSD	+ve MSD	n/a	+ve Low 70%	+ve High 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 High 30%	+ve Low 30%	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					
Li Ning group's retail sales																		
Li Ning group's retail sales	+ve MSD	+ve Mid-teens	+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	21%	0%	2%	2%	20%
Direct retail	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 LSD	+ve Low-teens	+ve Low 80%	+ve High 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 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					
Xtep brand's SSSG																		
Xtep brand's retail sales	+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	29%	7%	6%	3%	16%
361 Degree brand's SSSG																		
361 Degree brand's retail sales	-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%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%					
E- Commerce						35%-40%	50%	40%	45%	25%	35%	30%	30%					
Pou Sheng's SSSG	-13%	-1%	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-5%					
Pou Sheng's sales	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	11%	-1%	13%	8%	10%
Topsports' retail sales																		
Topsports' retail sales					-ve 20%-25%	-ve High-teens	-ve High-teens	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low-teens	+ve Low-teens	-ve LSD	+ve Low-teens	7%	6%	3%	16%
Dong Xiang's SSSG																		
Dong Xiang's SSSG	+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					
Dong Xiang's retail sales																		
Dong Xiang's retail sales	+ve MSD	+ve Low-teens	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					
Direct retail	Flat	+ve MSD	70%-75%															
E- Commerce	+ve 30%-35%	+ve 20%-30%	35%-40%															

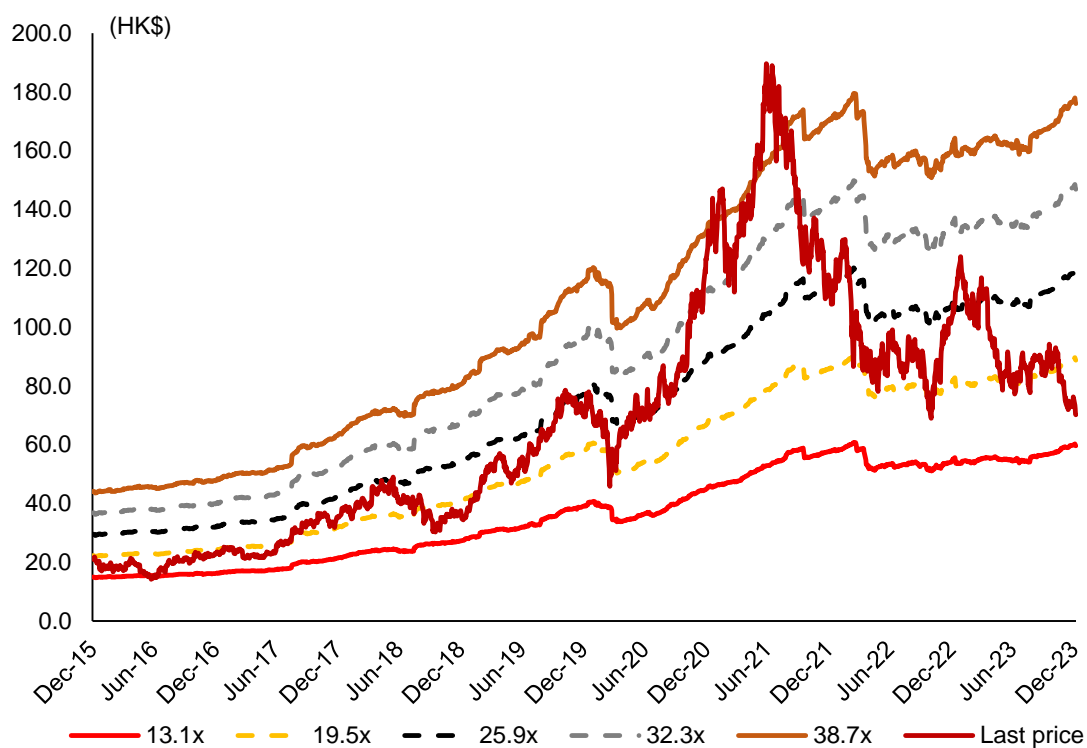
Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Valuation

Figure 4: 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 (%)	YTD perf.
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
H shares Sportswear														
Anta Sports	2020 HK	BUY	109.99	70.15	57%	198,709	Dec-22	17.2	14.0	4.1	21.8	0.7	2.5	(7.4)
Li Ning Co	2331 HK	BUY	32.93	18.84	75%	49,463	Dec-22	12.2	10.2	1.7	16.8	1.8	3.0	(9.9)
Xtep Intl	1368 HK	BUY	7.62	3.78	102%	9,985	Dec-22	8.5	7.0	1.0	11.7	0.6	6.0	(14.3)
361 Degrees Intl	1361 HK	NR	n/a	3.42	n/a	7,071	Dec-22	6.9	5.8	0.7	10.9	0.4	4.2	(1.4)
Topsports Intl	6110 HK	BUY	9.23	5.96	55%	36,959	Feb-23	14.2	12.1	3.2	20.4	0.8	6.1	(2.0)
Pou Sheng Intl	3813 HK	NR	n/a	0.67	n/a	3,569	Dec-22	8.4	4.8	0.4	4.6	0.1	4.7	(1.5)
China DX	3818 HK	NR	n/a	0.31	n/a	1,796	Mar-23	14.0	9.3	0.2	1.0	0.4	7.2	7.0
Avg.								11.6	9.0	1.6	12.5	0.7	4.8	(4.2)
Med.								12.2	9.3	1.0	11.7	0.6	4.7	(2.0)
International Sportswear														
Nike	NKE US	NR	n/a	102.08	n/a	1,207,846	May-23	28.3	23.9	11.0	36.0	2.0	1.4	(6.0)
Adidas	ADS GY	NR	n/a	173.48	n/a	266,932	Dec-22	n/a	39.0	6.3	(3.7)	0.0	0.3	(5.8)
Puma	PUM GY	NR	n/a	46.97	n/a	60,558	Dec-22	20.7	15.1	2.6	10.8	1.1	1.7	(7.0)
Under Armour	UAA US	NR	n/a	7.90	n/a	26,434	Mar-23	16.1	13.0	1.6	21.0	(2.6)	0.0	(10.1)
Lululemon	LULU US	NR	n/a	491.10	n/a	483,973	Jan-23	39.6	34.6	15.3	30.5	1.2	0.0	(3.9)
Skechers	SKX US	NR	n/a	60.40	n/a	72,632	Dec-22	17.4	14.6	2.2	14.4	0.7	0.0	(3.1)
On Holding	ONON US	NR	n/a	26.57	n/a	66,011	Dec-22	47.1	32.4	6.5	6.3	0.4	n/a	(1.5)
Deckers	DECK US	NR	n/a	652.29	n/a	131,075	Mar-23	27.2	23.9	8.3	37.0	1.6	0.0	(2.4)
Vf Corp	VFC US	NR	n/a	16.90	n/a	51,325	Apr-23	11.2	8.8	2.5	(8.1)	0.1	4.6	(10.1)
Columbia	COLM US	NR	n/a	75.37	n/a	35,615	Dec-22	16.7	16.5	2.3	15.3	11.9	1.6	(5.2)
Wolverine	WWW US	NR	n/a	7.73	n/a	4,801	Dec-22	104.5	10.2	1.8	(62.1)	(0.6)	5.3	(13.0)
Mizuno Corp	8022 JP	NR	n/a	4000.00	n/a	5,736	Mar-23	9.7	8.9	0.9	8.7	2.4	1.9	1.8
Asics Corp	7936 JP	NR	n/a	4210.00	n/a	43,127	Dec-22	25.3	20.4	4.2	17.5	0.9	1.4	(4.7)
Avg.								30.3	20.1	5.0	9.5	1.5	1.5	(5.5)
Med.								23.0	16.5	2.6	14.4	0.9	1.4	(5.2)

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
Sales by segment growth (%)					
Shoes	50.7%	17.4%	17.0%	12.5%	10.0%
Apparels	32.1%	3.1%	16.7%	16.1%	14.5%
Accessories	36.5%	6.4%	12.0%	12.0%	12.0%
Total	38.9%	8.8%	16.7%	14.5%	12.6%
Sales by brand growth (%)					
Anta	47.7%	14.1%	12.0%	12.0%	11.0%
Anta Kids	50.0%	15.0%	10.0%	14.0%	13.0%
FILA	25.1%	-1.4%	17.0%	12.0%	9.0%
Descente & Others	51.1%	26.1%	55.0%	26.0%	24.0%
E-commerce	61.6%	17.7%	8.0%	17.0%	15.0%
Total	38.9%	8.8%	16.7%	14.5%	12.6%
Sales network					
Anta	6,832	6,924	7,049	7,124	7,174
Anta Kids	2,571	2,679	2,854	2,929	2,979
FILA	2,054	1,984	1,950	1,975	2,025
Descente & Others	459	477	491	521	551
Total	11,916	12,064	12,344	12,549	12,729
GP margins					
Anta	52.3%	53.2%	53.4%	54.0%	54.5%
FILA	70.5%	68.0%	69.0%	70.0%	70.0%
Others	70.5%	66.4%	71.0%	72.5%	74.0%
Total	61.6%	60.2%	61.6%	62.5%	63.0%
Opex breakdown					
A&P Expenses / sales	12.4%	10.3%	9.6%	9.8%	9.6%
Labour costs / sales	13.5%	15.1%	14.6%	14.6%	14.7%
R &D expenses / sales	5.9%	6.0%	6.1%	6.0%	6.0%
Rental expenses/ sales	11.6%	11.5%	11.1%	11.1%	10.7%
Selling & distribution costs / sales	36.0%	36.6%	35.3%	35.3%	34.8%
Admin expenses / sales	5.9%	6.7%	5.8%	5.8%	5.7%
OP margin					
Anta	20.6%	21.7%	20.9%	21.8%	23.0%
FILA	24.7%	20.0%	26.5%	27.0%	28.0%
Others	18.4%	20.6%	24.0%	25.0%	26.0%
Total	22.3%	20.9%	23.5%	24.2%	25.3%
Effective tax rate	26.9%	27.4%	26.0%	26.0%	26.0%
NP att. margin	15.7%	14.1%	16.2%	17.4%	18.4%
NP att. growth	49.6%	-1.7%	33.7%	23.2%	18.5%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	35,512	49,328	53,651	62,611	71,670	80,675
Cost of goods sold	(14,861)	(18,924)	(21,333)	(24,054)	(26,873)	(29,876)
Gross profit	20,651	30,404	32,318	38,557	44,797	50,798
Operating expenses	(12,888)	(20,681)	(23,216)	(25,728)	(29,448)	(32,654)
Selling expense	(10,766)	(17,753)	(19,629)	(21,765)	(24,975)	(27,755)
Admin expense	(1,251)	(1,812)	(2,308)	(2,514)	(2,814)	(3,022)
R&D expense	(871)	(1,116)	(1,279)	(1,449)	(1,659)	(1,878)
Others	0	0	0	0	0	0
Operating profit	8,826	11,372	11,229	14,771	17,428	20,484
Other income	1,063	1,649	2,127	1,941	2,078	2,340
Share of (losses)/profits of associates/JV	(601)	(81)	28	(188)	430	565
EBITDA	9,316	11,944	11,971	15,339	17,979	20,917
Depreciation	(414)	(443)	(474)	(329)	(317)	(301)
Other amortisation	(76)	(129)	(268)	(240)	(234)	(132)
Interest income	271	392	609	931	1,140	1,373
Interest expense	(407)	(443)	(511)	(511)	(511)	(511)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	8,089	11,240	11,355	15,003	18,487	21,911
Income tax	(2,520)	(3,021)	(3,110)	(3,901)	(4,807)	(5,697)
Minority interest	(407)	(499)	(655)	(958)	(1,181)	(1,399)
Net profit	5,569	8,219	8,245	11,102	13,680	16,214

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	32,717	39,902	45,445	54,872	65,287	76,408
Cash & equivalents	15,323	17,592	23,919	31,095	39,391	48,345
Account receivables	6,614	6,914	7,520	8,776	10,046	11,308
Inventories	5,486	7,644	6,254	7,249	8,099	9,004
Prepayment	0	0	0	0	0	0
ST bank deposits	5,024	6,989	6,989	6,989	6,989	6,989
Other current assets	270	763	763	763	763	763
Non-current assets	19,150	22,766	22,803	22,798	23,537	24,636
PP&E	2,184	2,853	3,131	3,553	4,096	4,763
Investment in JVs & assos	9,658	9,027	9,055	8,867	9,297	9,862
Intangibles	1,579	1,531	1,281	1,060	844	730
Other non-current assets	5,729	9,355	9,336	9,318	9,299	9,281
Total assets	51,867	62,668	68,248	77,670	88,824	101,044
Current liabilities	11,715	15,943	16,954	18,672	20,421	22,192
Short-term borrowings	1,968	1,748	1,748	1,748	1,748	1,748
Account payables	2,376	3,146	3,546	3,999	4,468	4,967
Tax payable	1,507	1,816	1,816	1,816	1,816	1,816
Other current liabilities	5,864	9,233	9,844	11,110	12,389	13,662
Non-current liabilities	14,328	15,062	15,062	15,062	15,062	15,062
Long-term borrowings	12,456	11,425	11,425	11,425	11,425	11,425
Other non-current liabilities	1,872	3,637	3,637	3,637	3,637	3,637
Total liabilities	26,043	31,005	32,016	33,734	35,483	37,254
Share capital	261	261	261	261	261	261
Retained earnings	18,185	22,663	24,832	31,339	38,799	46,979
Other reserves	5,567	5,999	7,744	7,982	8,747	9,617
Total shareholders equity	24,013	28,923	32,837	39,583	47,808	56,857
Minority interest	1,811	2,740	3,395	4,353	5,534	6,933
Total equity and liabilities	51,867	62,668	68,248	77,670	88,824	101,044

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	8,089	11,240	11,355	15,003	18,487	21,911
Depreciation & amortization	490	572	742	569	551	434
Tax paid	(2,181)	(2,677)	(3,110)	(3,901)	(4,807)	(5,697)
Change in working capital	(3,461)	(282)	1,796	(533)	(371)	(396)
Others	4,520	3,008	483	699	81	(54)
Net cash from operations	7,458	11,861	11,265	11,837	13,941	16,198
Investing						
Capital expenditure	(649)	(1,360)	(751)	(751)	(860)	(968)
Acquisition of subsidiaries/ investments	(84)	(94)	0	0	0	0
Others	(1,190)	(3,215)	0	0	0	0
Net cash from investing	(1,923)	(4,669)	(751)	(751)	(860)	(968)
Financing						
Dividend paid	(1,404)	(2,456)	(3,676)	(3,399)	(4,275)	(5,765)
Net borrowings	(3,343)	(196)	0	0	0	0
Proceeds from share issues	21	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	5,955	(2,295)	(511)	(511)	(511)	(511)
Net cash from financing	1,229	(4,947)	(4,187)	(3,910)	(4,786)	(6,276)
Net change in cash						
Cash at the beginning of the year	8,221	15,323	17,592	23,919	31,095	39,391
Exchange difference	338	24	0	0	0	0
Others	6,764	2,245	6,327	7,176	8,296	8,954
Cash at the end of the year	15,323	17,592	23,919	31,095	39,391	48,345
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	4.7%	38.9%	8.8%	16.7%	14.5%	12.6%
Gross profit	10.7%	47.2%	6.3%	19.3%	16.2%	13.4%
Operating profit	0.9%	28.8%	(1.3%)	31.5%	18.0%	17.5%
EBITDA	(7.8%)	28.2%	0.2%	28.1%	17.2%	16.3%
Net profit	(1.0%)	47.6%	0.3%	34.7%	23.2%	18.5%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	58.2%	61.6%	60.2%	61.6%	62.5%	63.0%
Operating margin	24.9%	23.1%	20.9%	23.6%	24.3%	25.4%
EBITDA margin	26.2%	24.2%	22.3%	24.5%	25.1%	25.9%
Return on equity (ROE)	25.3%	31.1%	26.7%	30.7%	31.3%	31.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.2	0.4	0.5	0.6	0.7	0.7
Current ratio (x)	2.8	2.5	2.7	2.9	3.2	3.4
Receivable turnover days	68.0	51.2	51.2	51.2	51.2	51.2
Inventory turnover days	134.7	147.4	107.0	110.0	110.0	110.0
Payable turnover days	58.4	60.7	60.7	60.7	60.7	60.7
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	36.9	43.0	29.8	17.2	14.0	11.8
P/E (diluted)	36.9	43.0	29.8	17.2	14.0	11.8
P/B	7.7	11.1	6.7	4.3	3.5	3.0
P/CFPS	25.6	28.0	20.1	15.1	12.9	11.1
Div yield (%)	0.8	1.1	1.5	2.1	2.9	3.8
EV	183,734.5	178,257.5	171,930.3	222,470.3	214,174.7	205,220.9
EV/Sales	5.2	3.6	3.2	3.6	3.0	2.5
EV/EBITDA	19.7	14.9	14.4	14.5	11.9	9.8

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

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