

Li Ning (2331 HK)

A conservative guidance but is priced in

We find YTD retail sales and FY23E guidance a miss (even vs our sell-side leading bearish view). However, we believe the share price has already priced in the miss (after the drop on Friday). With the turnaround ahead, we still rate it BUY.

- **FY22 results inline.** Li Ning's sales increased by 14% YoY to RMB 25.8bn, 1% higher/3% lower than CMBI/ BBG est. while net profit rose by only 1% YoY to RMB 4.06bn, inline with/ 9% below CMBI/ BBG est.. However, if we excluded the higher than expected other income and net finance income, the adjusted net profit could fall by 18% YoY, 16% below CMBI est.
- **4Q22 performance was fair.** Retail sales declined by low-teens in 4Q22, which is slightly worse than CMBI est. of HSD drop. However, the channel inventory to sales ratio remained extremely healthy at just 4.2x (vs 3.9x in 1H22 and 4.2x in FY22), so as the ages (88% new/ 12% old inventory). Retail discounts had widened vs 3Q22, but inline with CMBI est.
- **1Q23E was kind of under pressure but it should gradually improve.** Management mentioned a MSD/ double digit growth for offline retail sales growth in Jan-Feb/ Mar 2023 while online retail sales is still recovering, that is quite disappointing vs CMBI est. of low-teens. In fact, the SSSG was still negative during Jan-Feb 2023. However, we believe the trend should improve with a lower base onward. Retail discounts in Jan-Feb 2023 has recovered vs 4Q22 but is still MSD higher vs last year.
- **FY23E guidance was a miss (even vs our bearish view) but has now been priced in.** Our estimates for FY23E is already low among the sell-sides, but the Company's target is even more conservative (mid-teens listed co sales growth and a Mid 10%-20% NP margin). Despite the soft 1Q23E performance, we are still confident that Li Ning can achieve its guidance, thanks to: 1) 10%+ trade fair orders in 1Q-3Q23E, plus a low base in 4Q22, 2) resilient ASP growth (MSD+ for 1Q-3Q23E) and extremely good reception for their high-end products (e.g. running shoes priced at RMB799), 3) comfortable room for GP margin improvements (retail discounts could recover easily for direct retail and e-commerce segment). However, the management also flagged potential surge in opex, such as A&P expenses, given the resumption of many marathons and other sports events. Also, the Company is now targeting around 250/-20 to -30/+20 to +30/ 150 new stores for Li Ning adult/ China Li Ning/ Li Ning 1990/ Li Ning Young.
- **Maintain BUY with TP of HK\$ 66.44 as the worst should have gone.** The new TP is based on 33x FY23E P/E (up from 32x, slightly higher vs 5 years average of 32x), supported by 18% NP CAGR during FY22-25E. It is currently trading at 29x FY23E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	22,572	25,803	29,530	33,671	37,748
YoY growth (%)	56.1	14.3	14.4	14.0	12.1
Operating profit (RMB mn)	5,136	4,887	5,732	6,660	7,637
Net profit (RMB mn)	4,010.9	4,063.8	4,818.7	5,723.6	6,600.1
EPS (Reported) (RMB)	1.58	1.54	1.80	2.14	2.87
YoY growth (%)	133.6	(2.3)	16.5	18.8	34.3
P/E (x)	29.8	33.4	28.7	24.1	20.9
P/B (x)	5.8	5.6	4.9	4.2	3.7
Yield (%)	1.0	0.9	1.1	1.3	1.4
ROE (%)	19.0	17.0	18.7	19.3	19.2
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$66.44
(Previous TP	HK\$73.37)
Up/Downside	15.2%
Current Price	HK\$57.70

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	150,974.7
Avg 3 mths t/o (HK\$ mn)	70.2
52w High/Low (HK\$)	81.00/40.60
Total Issued Shares (mn)	2616.5
Source: FactSet	

Shareholding Structure

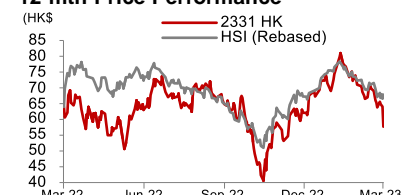
Viva China Holdings	10.4%
Fidelity Management & Research Co.	4.4%
Source: HKEx	

Share Performance

	Absolute	Relative
1-mth	-19.4%	-13.8%
3-mth	-7.7%	-8.0%
6-mth	-11.1%	-14.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	29,530	33,671	37,748	29,833	34,056	n/a	-1.0%	-1.1%	n/a
Gross profit	14,610	16,770	18,875	15,153	17,363	n/a	-3.6%	-3.4%	n/a
EBIT	5,732	6,660	7,637	6,345	7,344	n/a	-9.7%	-9.3%	n/a
Net profit att.	4,819	5,724	6,600	5,017	6,086	n/a	-4.0%	-5.9%	n/a
Diluted EPS (RMB)	1.80	2.14	2.46	1.90	2.31	n/a	-5.5%	-7.5%	n/a
Gross margin	49.5%	49.8%	50.0%	50.8%	51.0%	n/a	-1.3ppt	-1.2ppt	n/a
EBIT margin	19.4%	19.8%	20.2%	21.3%	21.6%	n/a	-1.9ppt	-1.8ppt	n/a
Net profit att. margin	16.3%	17.0%	17.5%	16.8%	17.9%	n/a	-0.5ppt	-0.9ppt	n/a

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	29,530	33,671	37,748	31,417	37,641	41,657	-6.0%	-10.5%	-9.4%
Gross profit	14,610	16,770	18,875	16,174	19,583	21,409	-9.7%	-14.4%	-11.8%
EBIT	5,732	6,660	7,637	6,698	8,287	9,217	-14.4%	-19.6%	-17.1%
Net profit att.	4,819	5,724	6,600	5,449	6,724	7,473	-11.6%	-14.9%	-11.7%
Diluted EPS (RMB)	1.80	2.14	2.46	2.09	2.57	2.82	-14.1%	-17.1%	-12.8%
Gross margin	49.5%	49.8%	50.0%	51.5%	52.0%	51.4%	-2ppt	-2.2ppt	-1.4ppt
EBIT margin	19.4%	19.8%	20.2%	21.3%	22.0%	22.1%	-1.9ppt	-2.2ppt	-1.9ppt
Net profit att. margin	16.3%	17.0%	17.5%	17.3%	17.9%	17.9%	-1ppt	-0.9ppt	-0.5ppt

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	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Nike China sales	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%	-8.0%	-20.0%	-13.0%	6.0%	0.0%	20.0%	10.0%	10.0%
Adidas China sales	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%	-35.0%	-35.0%	-27.0%	-50.0%	-20.0%	15.0%	10.0%	40.0%
Anta brand's SSSG																
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	16.0%	10.0%	21.0%	25.0%
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				
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				
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				
FILA brand's retail sales																
FILA brand's retail sales	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	14.0%	16.0%	8.0%	15.0%
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				
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				
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				
Online	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%				
Other brands																
Other brands	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens				
Descente	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens				
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				
Li Ning group's SSSG																
Li Ning group's SSSG	n/a	-ve MSD	+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				
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%				
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%				
E- Commerce	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve Mid 30%	+ve Low-teens	-ve LSD				
Li Ning group's retail sales																
Li Ning group's retail sales	-ve High-teens	-ve MSD	+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	2.0%	13.0%	5.0%	31.0%
Direct retail	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 30%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens				
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%				
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				
Xtep's SSSG																
Xtep'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	18.0%	7.0%	8.0%	23.0%
361 Degrees' SSSG																
361 Degree's retail sale:	-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				
Pou Sheng's SSSG	-32.5%	-17.8%														
Pou Sheng's sales	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-25.0%	-24.1%	-8.5%	-20.4%	7.0%	18.0%	7.0%	20.0%
Topsports' retail sales																
Topsports' retail sales								-ve 20%-25%	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens				
Dong Xiang's SSSG																
Dong Xiang's SSSG	-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				
Dong Xiang's retail sale																
Dong Xiang's retail sale	-ve 25% to 30%	-ve Low-Mid SD	+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%				
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%											

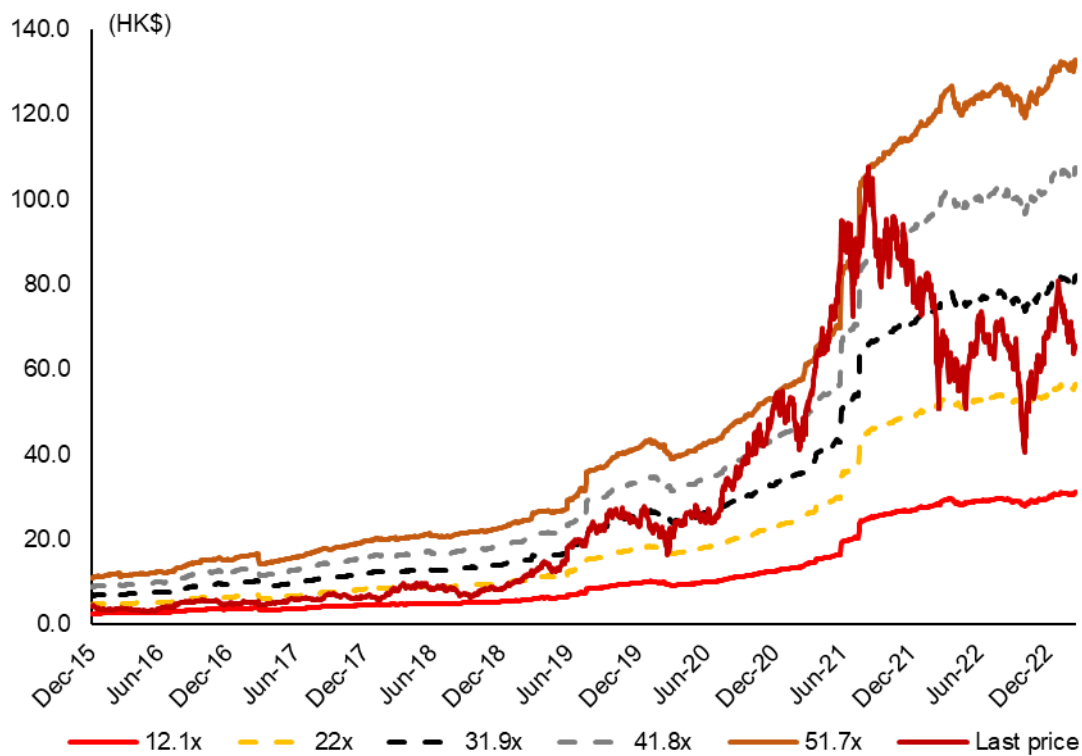
Source: Company data, CMBIGM estimates, *Nike's year end is at May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Valuation

Figure 4: Peers valuation table

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
H shares Sportswear														
Li Ning	2331 HK	BUY	66.44	57.70	15%	152,099	Dec-22	33.4	28.7	5.6	4.9	19.0	3.2	1.3
Anta Sports	2020 HK	BUY	123.25	102.20	21%	277,332	Dec-21	33.1	25.7	7.1	5.9	25.5	2.7	1.3
Xtep Intl	1368 HK	BUY	10.44	8.11	29%	21,384	Dec-21	19.8	15.6	2.2	2.0	13.5	1.4	2.8
361 Degrees	1361 HK	NR	n/a	3.85	n/a	7,960	Dec-22	7.8	6.9	0.7	0.7	9.9	0.4	5.3
Topsports	6110 HK	NR	n/a	6.87	n/a	42,602	Feb-22	17.5	14.0	3.3	3.0	21.3	3.0	4.3
Pou Sheng	3813 HK	NR	n/a	0.71	n/a	3,782	Dec-22	6.9	4.4	0.4	0.4	1.1	0.1	2.1
China DX	3818 HK	NR	n/a	0.33	n/a	1,913	Mar-22	n/a	9.5	0.2	0.2	(14.0)	0.0	3.5
Avg.								19.8	14.9	2.8	2.4	10.9	1.5	2.9
Med.								18.6	14.0	2.2	2.0	13.5	1.4	2.8
International Sportswear														
Nike Inc	NKE US	NR	n/a	120.39	n/a	1,465,284	May-22	38.3	30.5	12.6	11.8	37.3	5.0	1.1
Adidas	ADS GY	NR	n/a	141.04	n/a	212,688	Dec-22	n/a	33.4	5.1	4.5	9.8	0.0	0.8
Puma	PUM GY	NR	n/a	50.78	n/a	64,164	Dec-22	20.8	15.7	2.8	2.5	14.9	1.2	1.6
Under Armour	UAA US	NR	n/a	8.63	n/a	28,333	Mar-23	15.8	13.8	1.9	1.7	n/a	0.9	0.0
Lululemon	LULU US	NR	n/a	294.74	n/a	295,215	Jan-22	29.7	26.0	11.0	8.6	41.1	1.4	0.0
Skechers	SKX US	NR	n/a	44.44	n/a	54,168	Dec-22	15.1	12.2	1.6	1.4	10.9	0.7	0.0
Vf Corp	VFC US	NR	n/a	21.42	n/a	65,347	Apr-22	10.3	9.5	2.6	2.3	11.9	(1.1)	8.4
Columbia	COLM US	NR	n/a	86.00	n/a	41,973	Dec-22	16.2	14.4	2.4	2.1	15.9	1.4	1.4
Wolverine	WWW US	NR	n/a	16.63	n/a	10,304	Dec-22	11.1	8.1	2.5	2.0	(40.2)	(0.1)	2.7
Mizuno Corp	8022 JP	NR	n/a	3125.00	n/a	4,936	Mar-22	11.6	10.2	0.7	0.7	8.1	(3.7)	1.9
Asics Corp	7936 JP	NR	n/a	3420.00	n/a	38,591	Dec-22	25.9	22.2	3.5	3.2	12.5	1.6	1.3
Avg.								19.5	17.8	4.3	3.7	12.2	0.7	1.7
Med.								16.0	14.4	2.6	2.3	12.2	0.9	1.3

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
Sales by segment (RMB mn)					
Shoes	9,506	13,479	15,635	17,939	20,264
Clothes	11,824	10,709	12,101	13,795	15,450
Equipment	1,242	1,616	1,794	1,937	2,034
Others	0	0	0	0	0
Total	22,572	25,803	29,530	33,671	37,748
Sales by segment growth (%)					
Shoes	50.0%	41.8%	16.0%	14.7%	13.0%
Clothes	60.5%	-9.4%	13.0%	14.0%	12.0%
Equipment	64.9%	30.1%	11.0%	8.0%	5.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	56.1%	14.3%	14.4%	14.0%	12.1%
Sales by channel growth (%)					
Franchises	56.7%	15.7%	14.0%	13.0%	11.0%
Self-owned	53.5%	6.4%	18.0%	15.0%	13.0%
E-commerce	58.4%	16.4%	12.0%	16.0%	14.0%
International	34.9%	53.9%	25.0%	0.0%	0.0%
Total	56.1%	14.3%	14.4%	14.0%	12.1%
Sales network by segment					
Self-owned	1,165	1,430	1,590	1,650	1,710
Franchise	4,770	4,865	4,955	4,985	5,015
Sub-total	5,935	6,295	6,545	6,635	6,725
LN Young	1,202	1,308	1,458	1,558	1,658
Total	7,137	7,603	8,003	8,193	8,383
GP margins	53.0%	48.4%	49.5%	49.8%	50.0%
Opex breakdown					
A & P/ sales	7.9%	8.8%	9.3%	9.5%	9.5%
Labour/ sales	8.0%	7.7%	7.4%	7.3%	7.1%
Rental/ sales	5.1%	5.6%	5.7%	5.5%	5.3%
D & A/ sales	2.8%	3.0%	3.0%	3.0%	3.1%
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%	28.4%	28.4%	28.2%
Admin expenses / sales	4.9%	4.3%	4.4%	4.3%	4.2%
OP margins	22.8%	18.9%	19.4%	19.8%	20.2%
Effective tax rate	24.7%	25.0%	22.0%	20.0%	20.0%
Net profit margins	17.8%	15.7%	16.3%	17.0%	17.5%
Net profit att. growth (%)	136.1%	1.3%	18.6%	18.8%	15.3%

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	29,530	33,671	37,748
Cost of goods sold	(7,363)	(10,603)	(13,319)	(14,920)	(16,901)	(18,873)
Gross profit	7,094	11,969	12,485	14,610	16,770	18,875
Operating expenses	(5,230)	(7,249)	(8,428)	(9,679)	(10,990)	(12,224)
Selling expense	(4,425)	(6,138)	(7,314)	(8,391)	(9,550)	(10,647)
Admin expense	(482)	(697)	(579)	(638)	(699)	(746)
R&D expense	(323)	(414)	(534)	(650)	(741)	(830)
Operating profit	2,196	5,136	4,887	5,732	6,660	7,637
Other income	331	416	829	801	880	987
Share of (losses)/profits of associates/JV	83	159	201	177	202	226
EBITDA	2,772	5,767	5,636	6,616	7,679	8,803
Depreciation	(534)	(589)	(715)	(855)	(998)	(1,154)
Other amortisation	(42)	(41)	(34)	(28)	(22)	(12)
Interest income	35	145	448	439	463	557
Interest expense	(66)	(112)	(121)	(171)	(171)	(171)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,248	5,328	5,415	6,178	7,155	8,250
Income tax	(549)	(1,317)	(1,351)	(1,359)	(1,431)	(1,650)
Minority interest	0	0	0	0	0	0
Net profit	1,698	4,011	4,064	4,819	5,724	6,600

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,777	18,672	21,684	26,076	31,026	36,690
Cash & equivalents	7,187	14,745	17,163	21,011	25,325	30,359
Account receivables	659	903	1,032	1,181	1,347	1,510
Inventories	1,346	1,773	2,116	2,371	2,686	2,999
Prepayment	584	849	971	1,111	1,267	1,420
ST bank deposits	1	402	402	402	402	402
Other current assets	0	0	0	0	0	0
Non-current assets	4,817	11,603	12,002	12,402	12,845	13,320
PP&E	1,065	1,626	1,943	2,269	2,618	2,974
Investment in JVs & assos	0	0	116	218	334	464
Intangibles	191	188	156	129	107	94
Other non-current assets	3,562	9,789	9,787	9,786	9,786	9,787
Total assets	14,594	30,275	33,686	38,477	43,872	50,010
Current liabilities	5,015	7,704	8,254	9,446	10,537	11,762
Short-term borrowings	0	0	0	0	0	0
Account payables	1,227	1,599	1,533	2,044	2,315	2,585
Tax payable	592	1,308	1,342	1,350	1,421	1,640
Other current liabilities	3,196	4,797	5,380	6,053	6,800	7,536
Non-current liabilities	889	1,467	1,467	1,467	1,467	1,467
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	889	1,467	1,467	1,467	1,467	1,467
Total liabilities	5,904	9,171	9,721	10,913	12,004	13,229
Share capital	228	239	239	239	239	239
Retained earnings	3	3	1,644	5,043	9,079	13,734
Other reserves	8,459	20,863	22,082	22,283	22,550	22,808
Total shareholders equity	8,689	21,104	23,965	27,564	31,868	36,781
Minority interest	0	0	0	0	0	0
Total equity and liabilities	8,689	21,104	23,965	27,564	31,868	36,781

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,248	5,328	5,415	6,178	7,155	9,454
Depreciation & amortization	576	630	749	883	1,019	1,166
Tax paid	(589)	(456)	(1,317)	(1,351)	(1,359)	(1,431)
Change in working capital	142	826	(78)	640	383	376
Others	387	197	(528)	(445)	(495)	(1,816)
Net cash from operations	2,763	6,525	4,241	5,905	6,703	7,749
Investing						
Capital expenditure	(594)	(985)	(1,032)	(1,181)	(1,347)	(1,510)
Acquisition of subsidiaries/ investments	(152)	(43)	0	0	0	0
Others	(246)	(5,511)	533	514	549	653
Net cash from investing	(992)	(6,539)	(499)	(667)	(798)	(857)
Financing						
Dividend paid	(378)	(515)	(1,203)	(1,219)	(1,420)	(1,902)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	189	8,667	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(703)	(1,071)	(1,324)	(1,390)	(1,591)	(1,858)
Net cash from financing	(891)	7,081	(2,527)	(2,609)	(3,011)	(3,760)
Net change in cash						
Cash at the beginning of the year	5,961	7,187	14,745	17,163	21,011	23,858
Exchange difference	(33)	(25)	0	0	0	0
Others	1,258	7,583	2,418	3,848	4,314	5,523
Cash at the end of the year	7,187	14,745	17,163	21,011	25,325	29,381
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	4.2%	56.1%	14.3%	14.4%	14.0%	12.1%
Gross profit	4.2%	68.7%	4.3%	17.0%	14.8%	12.6%
Operating profit	42.3%	133.9%	(4.9%)	17.3%	16.2%	14.7%
EBITDA	38.3%	108.0%	(2.3%)	17.4%	16.1%	14.6%
Net profit	13.3%	136.1%	1.3%	18.6%	18.8%	15.3%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	49.1%	53.0%	48.4%	49.5%	49.8%	50.0%
Operating margin	15.2%	22.8%	18.9%	19.4%	19.8%	20.2%
EBITDA margin	19.2%	25.5%	21.8%	22.4%	22.8%	23.3%
Return on equity (ROE)	21.5%	26.9%	18.0%	18.7%	19.3%	19.2%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.8	0.7	0.7	0.8	0.8	0.8
Current ratio (x)	1.9	2.4	2.6	2.8	2.9	3.1
Receivable turnover days	16.6	14.6	14.6	14.6	14.6	14.6
Inventory turnover days	66.7	61.0	58.0	58.0	58.0	58.0
Payable turnover days	60.8	55.1	42.0	50.0	50.0	50.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	29.8	33.4	28.7	24.1	20.9	29.8
P/E (diluted)	29.8	33.4	28.7	24.1	20.9	29.8
P/B	7.6	7.7	6.1	4.8	4.1	3.6
P/CFPS	24.2	24.2	34.5	22.9	20.2	17.5
Div yield (%)	0.8	0.7	0.8	1.1	1.3	1.8
EV	136,537.6	136,254.7	133,836.8	129,989.1	125,674.7	100,778.3
EV/Sales	9.4	6.0	5.2	4.4	3.7	2.7
EV/EBITDA	49.3	23.6	23.7	19.6	16.4	11.4

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

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