

Anta Sports (2020 HK)

Multiple short and long-term growth drivers

Maintain BUY and adjusted our TP to HK\$ 150.66, based on 34x FY22E P/E (revised down from 36x due to recent sector de-rating). We are highly confident on Anta group's mid-term potential, thanks to multiple growth drivers, such as Anta's rebranding, Descente to yield profits, Amer's big brands, China and DTC initiatives. We believe the current valuation of 27x FY22E P/E is still attractive, compared to Li Ning/ Nike/ Adidas/ Lulu's 35x/ 34x/ 27x/ 46x.

- **FY20 results roughly inline.** Sales grew by 5% YoY and net profit fell by 3% YoY in FY20, 3% and 5% below CMBI est., mainly attributable to: 1) weaker-than-expected Anta sales (higher discounts, cut in 4Q20 trade fair orders and temporary drags from DTC reform), 2) stronger-than-expected GP/ OP margin for Anta and 3) higher-than-expected tax rate.
- **So far so good in Jan-Feb 2021.** Management was delighted with 1Q20 retail sale growth so far (to be announced). In Jan-Feb 2021, while Anta's inventory level (excluding ~1month inventory for online and warehouse) normalized to ~4.5 months (vs ~5 months in Dec 2020), its offline retail discounts also improved significantly (~2-3ppt less vs 4Q20 and even better than 1Q19).
- **FY21E guidance raised and a remarkable mid-term game plan.** Management raised FY21E retail sales growth guidance for Anta/ FILA to mid-teens/ 30%+ (from 10%+/ 20%+). We also turned more positive on its future growth, because 1) Anta rebranding project (DTC development, 10th generation stores, launch of a new high-end sub brand, further penetration into online channel, sales mix to reach 40% in 5 years from ~25% in FY20) should resume its growth to industry leading, 2) FILA's GP margin improves as retail discounts gradually normalize (still MSD higher currently), and 3) decent profit growth from Descente begins to kick in (sales +60% with a higher than 8% OP margin achieved in FY20).
- **Amer's 5 years target is still intact.** Management reiterated its 5 billion sales target (Arc'teryx, Solomon, Wilson, China and DTC) in 5 years, despite the drags from COVID-19, we think is highly encouraging. Besides, losses for Amer's JV should be narrowed in FY21E with a lower PPA expenses of ~RMB 150mn (vs ~RMB 200mn in FY20), supported by robust growth in China (stores doubled in FY20) and DTC channel (e-commerce sales up 60% YoY in FY20). Also, Sunnto is likely to be disposed but subject to impairment risks.
- **Maintain BUY and adjusted our TP to HK\$ 150.66.** We maintain BUY and adjusted TP to HK\$ 150.66, based on 34x FY22E P/E (from 36x for sector de-rating). We fine-tuned our FY21E/ 22E NP forecasts by -0.2%/ -0.3%, to factor in: 1) faster FILA growth and 2) better GP margins. Current valuation is still attractive at 27x FY22E P/E, given a 33% NP CAGR during FY20-23E.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	33,928	35,512	46,308	55,242	63,705
YoY growth (%)	40.8	4.7	30.4	19.3	15.3
Net income (RMB mn)	5,344	5,162	7,905	10,260	12,094
EPS (RMB)	1.917	1.850	2.834	3.678	4.335
YoY growth (%)	25.7	(3.5)	53.1	29.8	17.9
Consensus EPS (RMB)	n/a	n/a	2.850	3.649	4.520
P/E (x)	55.7	55.2	35.5	27.4	23.2
P/B (x)	14.4	11.5	9.0	7.3	6.3
Yield (%)	0.6	0.6	0.7	2.2	2.6
ROE (%)	26.6	21.5	26.2	27.6	28.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$150.66**
 (Previous TP **HK\$150.98**)
 Up/Downside **+24.2%**
 Current Price **HK\$121.30**

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	327,917
Avg 3 mths t/o (HK\$ mn)	939.75
52w High/Low (HK\$)	154.30/49.65
Total Issued Shares (mn)	2,703.3

Source: Bloomberg

Shareholding Structure

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

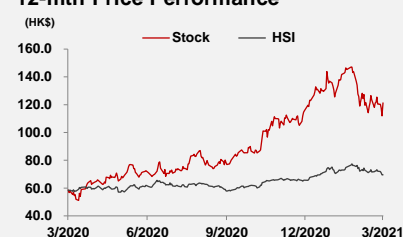
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-12.3%	-6.6%
3-mth	-3.3%	-8.6%
6-mth	42.7%	19.2%
12-mth	108.6%	69.3%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Anta Sports (2020 HK, BUY) - Look beyond the volatility and focus on FY21E - 14 Jan 2021
2. Anta Sports (2020 HK, BUY) - A stellar golden week after an in-line 3Q - 16 Oct 2020
3. Anta Sports (2020 HK, BUY) - Solid profitability and promising guidance - 26 Aug 2020

Results summary

Figure 1: Results review – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20	1H19 YoY	2H19 YoY	1H20 YoY	2H20 YoY	2H20E CMBI	Actual vs CMBI
Revenue	14,811	19,117	14,669	20,843	40%	41%	-1%	9%	21,852	-5%
COGS	(6,509)	(8,760)	(6,330)	(8,531)					(9,697)	
Gross profit	8,302	10,357	8,339	12,312	45%	49%	0%	19%	12,155	1%
GP margins	56.1%	54.2%	56.8%	59.1%					55.6%	
Other income & gains	538	531	710	679					612	11%
S & D expenses	(4,123)	(5,598)	(4,395)	(6,371)	49%	49%	7%	14%	(6,528)	-2%
S & D exp / sales	-27.8%	-29.3%	-30.0%	-30.6%					-29.9%	
Admin expenses	(460)	(853)	(1,050)	(1,072)	-11%	21%	128%	26%	(1,187)	-10%
Admin exp / sales	-3.1%	-4.5%	-7.2%	-5.1%					-5.4%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	4,257	4,437	3,604	5,548	58%	47%	-15%	25%	5,053	10%
OP margins	28.7%	23.2%	24.6%	26.6%					23.1%	
Other items	0	0	0	0					0	
Net finance income	9	(62)	(65)	(397)					(87)	359%
Net fin. income / sales	0.1%	-0.3%	-0.4%	-1.9%					-0.4%	
Profit after financing costs	4,267	4,375	3,539	5,151					4,966	
Associated coms	0	0	0	0					0	
Jointly controlled coms	(719)	86	(719)	118					66	
Pre-tax profit	3,548	4,461	2,820	5,269	28%	48%	-21%	18%	5,032	5%
Tax	(1,193)	(1,192)	(1,040)	(1,480)					(1,159)	
Tax / sales	-8.1%	-6.2%	-7.1%	-7.1%					-5.3%	
Effective tax rate	-33.6%	-26.7%	-36.9%	-28.1%					-23.0%	
Minority interests	99	181	122	285					104	174%
Net profit att.	2,256	3,088	1,658	3,504	16%	43%	-27%	13%	3,769	-7%
NP margins	15.2%	16.2%	11.3%	16.8%					17.2%	
Sales										
Anta	7,590	9,860	6,777	8,972	18%	25%	-11%	-9%	10,238	-12%
FILA & others	7,221	9,257	7,892	11,871	75%	64%	9%	28%	11,614	2%
GP margins										
Anta	42.5%	40.3%	41.6%	46.9%					42.1%	4.9ppt
FILA & others	71.5%	69.5%	70.5%	68.5%					68.0%	0.5ppt
OP margins										
Anta	32.2%	23.2%	26.8%	29.5%					22.8%	6.7ppt
FILA & others	29.0%	25.9%	24.7%	26.5%					25.7%	0.8ppt

Source: Company data, CMBIS estimates

Figure 2: Results review - Full Year

Full yearly (RMB mn)	FY19	FY20	FY21E	FY19 YoY	FY20 YoY	FY21E YoY	FY20E CMBI	Actual vs CMBI
Revenue	33,928	35,512	46,308	41%	5%	30%	36,521	-3%
COGS	(15,269)	(14,861)	(18,810)				(16,027)	
Gross profit	18,659	20,651	27,497	47%	11%	33%	20,494	1%
GP margins	55.0%	58.2%	59.4%				56.1%	
Other income & gains	1,070	1,389	1,713				1,322	5%
S & D expenses	(9,721)	(10,766)	(14,279)	49%	11%	33%	(10,923)	-1%
S & D exp / sales	-28.7%	-30.3%	-30.8%				-29.9%	
Admin expenses	(1,313)	(2,122)	(2,720)	7%	62%	28%	(2,237)	-5%
Admin exp / sales	-3.9%	-6.0%	-5.9%				-6.1%	
Other opex	0	0	0				0	
Operating profit (EBIT)	8,695	9,152	12,212	53%	5%	33%	8,657	6%
OP margins	25.6%	25.8%	26.4%				23.7%	
Other items	0	0	0				0	
Net finance income	(53)	(462)	(272)				(152)	205%
Net fin. income / sales	-0.2%	-1.3%	-0.6%				-0.4%	
Profit after financing costs	8,642	8,690	11,939				8,505	
Associated coms	0	0	0				0	
Jointly controlled coms	(633)	(601)	(183)				(653)	
Pre-tax profit	8,008	8,089	11,756	39%	1%	45%	7,852	3%
Tax	(2,384)	(2,520)	(3,174)				(2,199)	
Tax / sales	-7.0%	-7.1%	-6.9%				-6.0%	
Effective tax rate	-29.8%	-31.2%	-27.0%				-28.0%	
Minority interests	280	407	677				226	80%
Net profit att.	5,344	5,162	7,905	30%	-3%	53%	5,427	-5%
NP margins	15.8%	14.5%	17.1%				14.9%	
Sales								
Anta	17,450	15,749	20,384	22%	-10%	29%	17,015	-7%
FILA & others	16,478	19,763	25,923	69%	20%	31%	19,506	1%
GP margins								
Anta	41.3%	44.7%	46.5%				41.9%	2.7ppt
FILA & others	70.4%	69.3%	70.0%				69.0%	0.3ppt
OP margins								
Anta	27.1%	28.3%	27.9%				24.4%	3.9ppt
FILA & others	27.2%	25.8%	27.5%				25.3%	0.5ppt

Source: Company data, CMBIS estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21E	2Q21E	3Q21E	4Q21E
Nike China sales	19.0%	25.0%	20.0%	31.0%	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%	42.0%			
Adidas China sales	26.0%	27.0%	26.0%	23.0%	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%	7.0%				
Anta brand's SSSG																
Anta brand's retail sales	+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%	-ve LSD	+ve LSD	+ve LSD	36.0%	9.0%	5.0%	3.0%
Core brand	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD				
Kids	over 40%	over 25%	Over 25%	Over 25%	Over 20%	30%	Over 25%	25%	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens				
Online	over 40%	over 25%	Over 20%	Over 25%	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%				
Non-Anta brands (FILA/)	+ve 80%-85%	+ve 90%-95%	+ve 90%-95%	+ve 80%-85%	+ve 65%-70%	+ve 55%-60%										
FILA brand's retail sales							50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	55.0%	23.0%	17.0%	15.0%
Classic/ Core brand								Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD				
Kids								Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%				
Fusion								Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%				
Online								Over 70%	160%	Over 80%	Over 90%	70%-80%				
Other brands																
Descente				Over 100%	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%				
Kolon						15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%				
Li Ning group's SSSG	+ve Low-teens	+ve HSD	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-teens	n/a	-ve MSD	+ve LSD	+ve Low-teens				
Direct retail	+ve Low-teens	+ve HSD	+ve HSD	+ve MSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	n/a	-ve High-teens	-ve MSD	+ve HSD				
Wholesales	+ve MSD	+ve LSD	+ve HSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	n/a	-ve Low-teens	-ve MSD	+ve MSD				
E- Commerce	+ve High 30%	+ve Mid-30%	+ve High 30%	+ve Mid 50%	+ve High 30%	+ve Mid 30%	+ve Mid 50%	+ve Low 40%	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%				
Li Ning group's retail sa	+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve High-teens	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	-ve High-teens	-ve MSD	+ve MSD	+ve Mid-teens	44.0%	12.0%	10.0%	8.0%
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 Mid 30%	-ve Low-teens	Flat	+ve MSD				
Wholesales	+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Low 40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-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	+ve High 20%	+ve Low 40%	+ve Mid 30%				
Xtep's SSSG	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens								
Xtep's retail sales					Over 20%	Over 20%	20%	Over 20%	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	44.0%	10.0%	5.0%	3.0%
361 Degrees' SSSG	+ve HSD	+ve HSD	+ve MSD	Flat	+ve LSD	+ve LSD	+ve LSD	+ve LSD								
361 Degree's retail sales									-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD				
Pou Sheng's SSSG	10.1%	2.2%	8.9%	8.7%	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%						
Pou Sheng's sales	17.7%	17.7%	24.4%	22.0%	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	29.0%	4.0%	2.0%	-1.0%
Dong Xiang's SSSG	+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 Low-Mid SD	-ve Mid SD	+ve Low-Mid SD	+ve Mid SD				
Direct retail	+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve Low-teens	-ve LSD	-ve Low to Mid-teens	-ve Low-Mid SD	-ve Low SD				
E- Commerce					+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%	-ve Low-teens	+ve 30%-35%	+ve 30%-35%	+ve 20%-30%				

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

Earnings revision

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	46,308	55,242	63,705	46,339	54,039	n/a	-0.1%	2.2%	n/a
Gross profit	27,497	33,443	38,946	26,975	32,253	n/a	1.9%	3.7%	n/a
EBIT	12,070	14,979	17,379	11,408	14,199	n/a	5.8%	5.5%	n/a
Net profit att.	7,905	10,260	12,094	7,922	10,290	n/a	-0.2%	-0.3%	n/a
Diluted EPS (RMB)	2.834	3.678	4.335	2.841	3.691	n/a	-0.3%	-0.3%	n/a
Gross margin	59.4%	60.5%	61.1%	58.2%	59.7%	n/a	1.2ppt	0.9ppt	n/a
EBIT margin	26.1%	27.1%	27.3%	24.6%	26.3%	n/a	1.4ppt	0.8ppt	n/a
Net profit att. margin	17.1%	18.6%	19.0%	17.1%	19.0%	n/a	0ppt	-0.5ppt	n/a

Source: Company data, CMBIS estimates

Figure 5: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	46,308	55,242	63,705	46,237	55,853	66,519	0.2%	-1.1%	-4.2%
Gross profit	27,497	33,443	38,946	27,180	33,326	40,685	1.2%	0.3%	-4.3%
EBIT	12,070	14,979	17,379	11,758	14,864	17,785	2.7%	0.8%	-2.3%
Net profit att.	7,905	10,260	12,094	7,826	10,044	12,413	1.0%	2.1%	-2.6%
Diluted EPS (RMB)	2.834	3.678	4.335	2.850	3.649	4.520	-0.6%	0.8%	-4.1%
Gross margin	59.4%	60.5%	61.1%	58.8%	59.7%	61.2%	0.6ppt	0.9ppt	0ppt
EBIT margin	26.1%	27.1%	27.3%	25.4%	26.6%	26.7%	0.6ppt	0.5ppt	0.5ppt
Net profit att. margin	17.1%	18.6%	19.0%	16.9%	18.0%	18.7%	0.1ppt	0.6ppt	0.3ppt

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 6: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by segment growth (%)					
Shoes	32.2%	11.3%	27.0%	15.0%	12.0%
Apparels	45.5%	1.3%	33.7%	22.0%	17.2%
Accessories	47.5%	1.8%	6.0%	12.0%	12.0%
Total	40.8%	4.7%	30.4%	19.3%	15.3%
Sales by brand growth (%)					
Anta	9.2%	-41.6%	30.0%	12.0%	10.0%
Anta Kids	27.0%	-37.0%	25.0%	15.0%	12.0%
FILA	73.8%	18.1%	30.0%	20.0%	15.0%
Descente & Others	33.3%	35.4%	40.0%	30.0%	30.0%
E-commerce	45.0%	53.0%	30.0%	20.0%	15.0%
Total	40.8%	4.7%	30.4%	19.3%	15.3%
Sales network					
Anta	7,341	6,851	6,801	6,851	6,881
Anta Kids	3,175	3,071	3,051	3,201	3,351
FILA	1,951	2,006	2,100	2,200	2,300
Descente & Others	476	457	505	620	745
Total	12,943	12,385	12,457	12,872	13,277
GP margins					
Anta	41.3%	44.7%	46.5%	47.4%	48.2%
FILA	70.4%	69.3%	70.0%	71.2%	71.4%
Total	55.0%	58.2%	59.4%	60.5%	61.1%
Opex breakdown					
A&P Expenses / sales	10.6%	10.0%	11.8%	11.7%	11.7%
Labour costs / sales	11.7%	12.5%	12.7%	12.9%	13.2%
R & D expenses / sales	5.2%	5.9%	6.0%	5.9%	5.8%
Rental expenses/ sales	8.8%	10.4%	9.9%	10.0%	10.0%
Selling & distribution costs / sales	28.7%	30.3%	30.8%	30.8%	31.1%
Admin expenses / sales	3.9%	6.0%	5.9%	5.9%	5.9%
OP margin					
Anta	27.1%	28.3%	27.9%	28.7%	29.0%
FILA	27.2%	25.8%	27.5%	29.0%	29.3%
Total	25.6%	25.8%	26.4%	27.4%	27.6%
Effective tax rate	29.8%	31.2%	27.0%	26.0%	26.0%
NP att. margin	15.8%	14.5%	17.1%	18.6%	19.0%
NP att. growth (%)	30.3%	-3.4%	53.1%	29.8%	17.9%

Source: Company data, CMBIS estimates

Valuation

Figure 7: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Anta Sports	2020 HK	BUY	150.66	121.30	24%	327,914	Dec-20	35.5	27.4	9.3	7.5	23.4	1.1	1.0
Li Ning Co	2331 HK	BUY	68.62	50.00	37%	124,457	Dec-20	44.9	35.1	9.9	8.1	19.8	1.4	0.7
Xtep Intl	1368 HK	BUY	5.84	4.53	29%	11,538	Dec-20	13.9	11.4	1.3	1.2	7.3	0.5	4.2
361 Degrees Intl	1361 HK	NR	n/a	2.20	n/a	4,549	Dec-20	8.7	7.7	0.6	0.5	6.4	0.8	5.1
Topsports Intl	6110 HK	NR	n/a	11.06	n/a	68,586	Feb-20	23.0	18.4	5.4	4.7	28.8	1.5	3.7
Pou Sheng Intl	3813 HK	NR	n/a	1.82	n/a	9,749	Dec-20	7.4	5.6	0.9	0.8	3.9	0.1	1.8
China DX	3818 HK	NR	n/a	0.88	n/a	5,180	Mar-20	5.1	4.8	0.4	0.4	11.8	0.3	10.8
Avg.								19.8	15.8	4.0	3.3	14.5	0.8	3.9
Med.								13.9	11.4	1.3	1.2	11.8	0.8	3.7
International Sportswear														
Nike	NKE US	NR	n/a	133.16	n/a	1,630,952	May-20	42.5	33.6	19.5	17.4	32.7	1.0	0.8
Adidas	ADS GY	NR	n/a	267.70	n/a	492,108	Dec-20	34.8	26.7	7.0	6.3	6.5	0.4	1.2
Puma	PUM GY	NR	n/a	83.10	n/a	114,961	Dec-20	48.9	32.8	6.4	5.7	4.4	0.6	0.7
Under Armour	UAA US	NR	n/a	22.05	n/a	70,385	Dec-20	117.3	64.1	5.8	5.2	(28.7)	(0.7)	0.0
Lululemon	LULU US	NR	n/a	307.31	n/a	311,189	Feb-20	66.9	45.8	16.6	14.0	29.2	3.8	0.0
Skechers	SKX US	NR	n/a	40.90	n/a	50,125	Dec-20	20.8	16.4	2.2	1.9	4.1	0.3	0.0
Vf Corp	VFC US	NR	n/a	76.66	n/a	233,300	Mar-21	58.7	25.7	15.2	13.1	(4.3)	2.2	2.5
Columbia	COLM US	NR	n/a	103.15	n/a	53,201	Dec-20	25.3	21.2	3.4	3.0	5.9	0.4	1.0
Wolverine	WWW US	NR	n/a	36.55	n/a	23,421	Jan-21	18.0	15.5	3.7	3.3	(20.8)	(0.1)	1.1
Mizuno Corp	8022 JP	NR	n/a	2276.00	n/a	4,307	Mar-20	n/a	17.4	0.6	0.6	3.4	0.0	2.2
Asics Corp	7936 JP	NR	n/a	1859.00	n/a	25,133	Dec-20	59.0	30.8	2.6	2.5	(11.6)	(0.3)	1.4
Avg.								49.2	30.0	7.5	6.6	1.9	0.7	1.0
Med.								45.7	26.7	5.8	5.2	4.1	0.4	1.0

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	33,928	35,512	46,308	55,242	63,705
Footwear	11,410	12,700	16,129	18,548	20,774
Apparel	21,398	21,671	28,969	35,339	41,413
Accessories	1,120	1,141	1,209	1,355	1,517
Cost of goods sold	(15,269)	(14,861)	(18,810)	(21,799)	(24,759)
Gross profit	18,659	20,651	27,497	33,443	38,946
Other income	1,127	1,063	1,572	1,820	2,035
Operating expenses	(11,034)	(12,888)	(16,999)	(20,284)	(23,602)
D & A	(210)	(261)	(453)	(438)	(359)
Staff costs	(1,859)	(2,085)	(2,846)	(3,903)	(4,606)
S & D costs (ex-staff, D&A)	(8,443)	(9,307)	(11,976)	(13,989)	(16,531)
Admin exp. (ex-staff, D&A)	(247)	(940)	(1,339)	(1,495)	(1,578)
Other operating expenses	(275)	(294)	(384)	(458)	(528)
EBIT	8,752	8,826	12,070	14,979	17,379
Finance costs, net	(110)	(136)	(131)	(18)	80
JVs & associates	(633)	(601)	(183)	90	282
Exceptional	-	-	-	-	-
Pre-tax profit	8,008	8,089	11,756	15,051	17,742
Income tax	(2,384)	(2,520)	(3,174)	(3,913)	(4,613)
Less: Minority interests	280	407	677	878	1,035
Net profit	5,344	5,162	7,905	10,260	12,094

Cash flow summary

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	8,752	8,826	12,070	14,979	17,379
D & A	448	509	708	716	561
Change in working capital	1,178	(3,461)	85	(1,015)	(1,085)
Income tax paid	(2,133)	(2,181)	(3,174)	(3,913)	(4,613)
Others	(759)	3,765	392	505	604
Net cash from operating	7,485	7,458	10,082	11,272	12,846
Capex & investments	(11,28)	(785)	(834)	(773)	(764)
Associated companies	-	-	-	-	-
Interest received	-	-	-	-	-
Others	(1,783)	(1,138)	-	-	-
Net cash from investing	(13,06)	(1,923)	(834)	(773)	(764)
Equity raised	709	21	-	-	-
Net change in bank loans	7,733	(3,343)	-	-	-
Dividend paid	(1,417)	(1,404)	(1,706)	(3,274)	(6,307)
Others	(2,356)	5,955	(523)	(523)	(523)
Net cash from financing	4,670	1,229	(2,229)	(3,797)	(6,831)
Net change in cash	(910)	6,764	7,020	6,702	5,251
Beginning cash balance	9,284	8,221	15,323	22,343	29,045
Exchange difference	(153)	338	-	-	-
Cash at the end of the year	8,221	15,323	22,343	29,045	34,295

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	17,898	19,150	19,092	19,239	19,726
Fixed asset	2,148	2,184	2,592	2,901	3,329
Intangible assets & goodwill	678	1,579	1,296	1,044	821
Prepaid lease payments	53	46	46	46	46
Interest in joint ventures	10,551	9,658	9,475	9,565	9,847
Other non-current assets	4,468	5,683	5,683	5,683	5,683
Current assets	23,321	32,717	41,673	51,018	58,916
Cash and cash equivalents	8,221	15,323	22,343	29,045	34,295
Inventories	4,405	5,486	5,411	6,390	7,462
Trade and other receivables	6,309	6,614	8,625	10,289	11,865
Prepayments	-	-	-	-	-
Other current assets	4,386	5,294	5,294	5,294	5,294
Current liabilities	12,412	11,715	13,736	15,364	16,927
Bank loans	1,359	1,968	1,968	1,968	1,968
Trade payables	2,963	2,376	3,007	3,485	3,958
Accruals & other payables	5,821	4,572	5,962	7,112	8,202
Tax payables	1,225	1,507	1,507	1,507	1,507
Others	1,044	1,292	1,292	1,292	1,292
Non-current liabilities	7,746	14,328	14,328	14,328	14,328
Bank loans	6,644	12,456	12,456	12,456	12,456
Deferred income	-	99	99	99	99
Deferred tax	256	527	527	527	527
Others	846	1,246	1,246	1,246	1,246
Minority Interest	979	1,811	2,488	3,366	4,401
Total net assets	20,082	24,013	30,213	37,199	42,985
Shareholders' equity	20,082	24,013	30,213	37,199	42,985

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Footwear	33.6	35.8	34.8	33.6	32.6
Apparel	63.1	61.0	62.6	64.0	65.0
Accessories	3.3	3.2	2.6	2.5	2.4
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	55.0	58.2	59.4	60.5	61.1
Operating margin	25.8	24.9	26.1	27.1	27.3
Pre-tax margin	23.6	22.8	25.4	27.2	27.9
Net margin	15.8	14.5	17.1	18.6	19.0
Effective tax rate	27.6	29.0	27.0	26.0	26.0
Balance sheet ratios					
Current ratio (x)	1.9	2.8	3.0	3.3	3.5
Quick ratio (x)	1.5	2.3	2.6	2.9	3.0
Cash ratio (x)	66	131	163	189	203
Inventory turnover days	105	135	105	107	110
Trade receivables days	68	68	68	68	68
Trade payables days	71	58	58	58	58
Total debt / total equity ratio (%)	40	60	48	39	34
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	26.6	21.5	26.2	27.6	28.1
ROA	13.0	10.0	13.0	14.6	15.4
Per share					
EPS (RMB)	1.92	1.85	2.83	3.68	4.34
DPS (RMB)	0.61	0.58	0.73	2.20	2.60
BVPS (RMB)	7.43	8.88	11.1	13.7	15.9

Source: Company data, CMBIS estimates

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