

# Xtep (1368 HK)

## Inline 1Q25 results and a moderate outlook

While 1Q25 numbers are generally inline with BBG and CMBI est., the improving trend in Mar 2025 is quite encouraging. Looking forward in 2Q25E, amidst the macro risks, more policy support looks likely, and we also see brand-specific growth momentum. Therefore, we are still cautiously optimistic about the sportswear sector, as well as Xtep. Maintain BUY with TP of HK\$ 7.20, based on 14x FY25E P/E (both unchanged). The stock is now trading at 10x.

- **Our view about 2Q25E is still cautiously optimistic.** On one hand, we are highly cautious about the potential drag on domestic consumption demand due to the recent trade war between US and China. On the other hand, Xtep may still be benefiting from the potential consumption trade-down (or at least the impact is neutral), and also we have some expectations about more policy support to the consumer sector in near future. Moreover, the growth momentum for Xtep is still stable, driven by new products (upgraded) and rollout of more running related clothing, and growth momentum for Saucony is still very robust (opening of more new and larger-sized stores including the flagship and high-ranked, more new categories such as the OS series and various apparel products, and launch of the high-end series "Saucony SILO", etc.). Retail sales growth trends so far in Apr 2025 for Xtep/ Saucony are "inline with management expectation/ rapid".
- **Both group's FY25E guidance and Saucony's 3 to 5 years target were maintained.** Even with the ongoing trade war, management still kept their FY25E guidance (positive sales growth and a 10%+ net profit growth for the group, and a 30% to 40% sales growth for Saucony), as they are focusing more on the efficiency of the entire company. Moreover, they are also confident in achieving the mid- to long-term target of Saucony (doubling the sales per store and achieving a 15%+ OP margin in 3 to 5 years).
- **No financial impact yet in 1H25 from the DTC transformation but the Company is preparing for it.** The plan to repurchase 100 to 200 stores in 2H25E and 200 to 400 stores in FY26E is still on track. The head of DTC operation is already in place and the Company is also ready to upgrade its management system for products and members, as these are the key to boost efficiency under the DTC model.
- **Maintain BUY and TP of HK\$ 7.20, based on 14x FY25E P/E (unchanged).** While the trade war might create some drags on the overall consumer confidence and demand, Xtep may still benefit from the potential consumption trade-down. Also, we do have some expectations about more policy support to the consumer sector (to counter the drags from the trade war), which should be positive to the sportswear sector. Our TP is based on 14x FY25E P/E while the stock is trading at about 10x FY25E P/E, still undemanding vs its 8-year average of 15x.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	14,346	13,577	14,312	15,249	16,363
YoY growth (%)	10.9	(5.4)	5.4	6.5	7.3
Operating profit (RMB mn)	1,579.9	1,965.5	1,965.5	2,187.6	2,441.2
Net profit (RMB mn)	1,033.0	1,305.5	1,372.0	1,569.5	1,839.3
EPS (Reported) (RMB)	0.39	0.47	0.48	0.54	0.64
YoY growth (%)	9.4	19.4	3.6	12.6	17.2
P/E (x)	11.8	9.9	9.6	8.5	7.2
P/B (x)	1.4	1.4	1.5	1.3	1.2
Yield (%)	4.2	13.3	5.2	5.8	6.8
ROE (%)	12.0	14.8	15.8	17.3	18.3
Net gearing (%)	7.1	7.9	2.3	5.2	7.0

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

**Target Price** HK\$7.20  
**Up/Downside** 46.9%  
**Current Price** HK\$4.90

#### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	12,910.7
Avg 3 mths t/o (HK\$ mn)	82.9
52w High/Low (HK\$)	6.98/4.03
Total Issued Shares (mn)	2634.8

Source: FactSet

#### Shareholding Structure

Mr Ding Shui Po & Family	49.2%
JPMorgan Chase & Co	4.6%

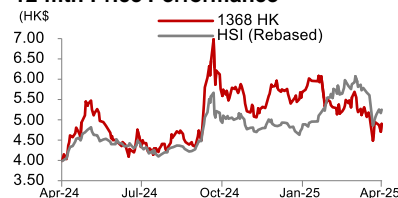
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-13.9%	-2.8%
3-mth	-14.0%	-19.9%
6-mth	-12.3%	-17.7%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

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 (19 Mar 25)

[Topsports \(6110 HK\) - Improved in 2H25E, more catalysts in FY26E](#)  
 (17 Mar 25)

[361 Degrees \(1361 HK\) - Cautiously optimistic after a decent 2025 CNY](#)  
 (13 Mar 25)

[JNBY Design \(3306 HK\) - Sales trend is muted but yield is still attractive](#)  
 (28 Feb 25)

- **1Q25 retail sales growth was inline with market expectation.** Xtep reported a MSD retail sales growth in 1Q25, fairly close to CMBI est. of 6% and similar to the high-end of management's FY25E guidance (about LSD to MSD retail sales growth for Xtep core brand, deduced by the positive group-level sales growth and 30%-40% Saucony sales growth). By segment, e-commerce sales growth remained robust at 20%+, while offline sales growth was at LSD (kids growth continued to outperform adults). Management mentioned the Mar 2025 performance was similar to that in Jan 2025, and we do find this satisfactory, because: 1) the Mar 2025 trend should have been better than Jan-Feb 2025 (Feb was weak due to seasonality) and 2) e-commerce sales growth also accelerated, based on our channel check. We attributed this solid result of Xtep to its: 1) leadership in running segment (market share in Xiamen and Wuxi marathon 2025 continued to climb YoY) and 2) the successful new product launches.
- **Both inventory level and retail discounts remained healthy in 1Q25.** Inventory to sales ratio was at 4 months in 1Q25, staying flattish QoQ vs 4Q24 and YoY vs 1Q24. Retail discount was at 25% to 30% off in 1Q25, also flattish QoQ vs 4Q24 and YoY vs 1Q24. We think such a result was a mixture of the following management considerations: 1) inventory and cash flow are likely the priorities, and 2) consumer demand is less sensitive than before to additional discounts.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,312	15,249	16,363	14,312	15,249	16,363	0.0%	0.0%	0.0%
Gross profit	6,266	6,765	7,355	6,266	6,765	7,355	0.0%	0.0%	0.0%
EBIT	1,966	2,188	2,441	1,966	2,188	2,441	0.0%	0.0%	0.0%
Net profit att.	1,372	1,570	1,839	1,372	1,570	1,839	0.0%	0.0%	0.0%
Diluted EPS (RMB)	0.483	0.544	0.637	0.483	0.544	0.637	0.0%	0.0%	0.0%
Gross margin	43.8%	44.4%	44.9%	43.8%	44.4%	44.9%	0ppt	0ppt	0ppt
EBIT margin	13.7%	14.3%	14.9%	13.7%	14.3%	14.9%	0ppt	0ppt	0ppt
Net profit att. margin	9.6%	10.3%	11.2%	9.6%	10.3%	11.2%	0ppt	0ppt	0ppt

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	14,312	15,249	16,363	14,419	15,487	16,614	-0.7%	-1.5%	-1.5%
Gross profit	6,266	6,765	7,355	6,308	6,857	7,444	-0.7%	-1.3%	-1.2%
EBIT	1,966	2,188	2,441	1,987	2,174	2,375	-1.1%	0.6%	2.8%
Net profit att.	1,372	1,570	1,839	1,382	1,522	1,671	-0.8%	3.1%	10.1%
Diluted EPS (RMB)	0.483	0.544	0.637	0.509	0.562	0.614	-5.1%	-3.2%	3.9%
Gross margin	43.8%	44.4%	44.9%	43.8%	44.3%	44.8%	0ppt	0.1ppt	0.1ppt
EBIT margin	13.7%	14.3%	14.9%	13.8%	14.0%	14.3%	0ppt	0.3ppt	0.6ppt
Net profit att. margin	9.6%	10.3%	11.2%	9.6%	9.8%	10.1%	0ppt	0.5ppt	1.2ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25E	2Q25E	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-15%	-16%	0%	1%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	11%	11%	12%	13%
Anta brand's SSSG																
Anta brand's retail sales	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	+ve HSD	+ve HSD	8%	10%	9%
Core brand	+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	+ve MSD				
Kids	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	+ve HSD				
Online	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	+ve High-teens	+ve Low-teens			
FILA brand's retail sales	+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	+ve HSD	+ve HSD	6%	8%	8%
Classic/ Core brand	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD	+ve LSD				
Kids	+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	Flat				
Fusion	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD	+ve Low-teens				
Online	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	+ve Mid-teens	Over 20%			
Other brands	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%	40%-45%	45%-50%	50%-55%	65%-70%			
Descente	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%	35%-40%	45%-50%	60%			
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%	100%			
Li Ning group's SSSG	+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	+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	+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	+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	+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	+ve HSD	2%	3%	2%	4%
Direct retail	+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	-ve LSD				
Wholesales	+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	+ve MSD				
E- Commerce	+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	+ve Mid-teens				
Xtep brand's SSSG																
Xtep brand's retail sales	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%-35%	+ve HSD	10%	+ve MSD	+ve HSD	+ve MSD	6%	7%	7%
Saucony's retail sales																
											Over 50%		50.0%			
361 Degree brand's SSSG																
361 Degree brand's offli	+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%	10.0%	10%-15%			
Kids	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	10%-15%	10%-15%			
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%	35%-40%			
Pou Sheng's SSSG	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%	-16%	-18%	-14%				
Pou Sheng's sales	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-11%	-3%	-8%	3%	6%	7%
Topsports' retail sales	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low-teens	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-ve Low-teens	-ve MSD	-1%	3%	5%	7%
Dong Xiang's SSSG	-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	-ve HSD				
Dong Xiang's retail sale	-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%	-ve MSD				
Direct retail																
E- Commerce																

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 4: Major assumptions

Major assumptions	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales by segment (RMB mn)</b>					
Shoes	8,172	8,054	8,560	9,094	9,777
Apparels	5,904	5,226	5,435	5,816	6,223
Accessories	270	297	317	340	363
Total	14,346	13,577	14,312	15,249	16,363
<b>Sales by segment growth (%)</b>					
Shoes	5.3%	-1.4%	6.3%	6.2%	7.5%
Apparels	20.6%	-11.5%	4.0%	7.0%	7.0%
Accessories	-1.2%	9.8%	7.0%	7.0%	7.0%
Total	10.9%	-5.4%	5.4%	6.5%	7.3%
<b>Sales by segment (RMB mn)</b>					
Mass market	11,947	12,340	12,670	13,094	13,592
Athleisure	1,603	0	0	0	0
Professional sports	796	1,237	1,642	2,155	2,771
Total	14,346	13,577	14,312	15,249	16,363
<b>Sales by segment growth (YoY)</b>					
Mass market	7.4%	3.3%	2.7%	3.3%	3.8%
Athleisure	14.3%	-100.0%	#DIV/0!	#DIV/0!	#DIV/0!
Professional sports	98.9%	55.5%	32.7%	31.3%	28.6%
Total	10.9%	-5.4%	5.4%	6.5%	7.3%
<b>Sales network</b>					
Xtep	4,568	4,498	4,453	4,408	4,364
Xtep kids	1,703	1,584	1,584	1,584	1,584
Oversea stores	300	300	300	300	300
Total	6,571	6,382	6,337	6,292	6,248
GP margin	42.2%	43.2%	43.8%	44.4%	44.9%
<b>Opex breakdown</b>					
A&P / sales	13.7%	13.4%	13.2%	13.2%	13.2%
Staff costs/ sales	10.1%	10.0%	9.8%	10.0%	10.0%
R&D / sales	2.8%	2.9%	2.8%	2.8%	2.8%
D&A / sales	2.1%	1.9%	1.8%	1.8%	1.7%
Provisions (write-backs) / sales	0.1%	0.2%	0.1%	0.0%	0.0%
Rental / sales	0.2%	0.2%	0.2%	0.2%	0.2%
Selling & distribution costs / sales	23.5%	21.1%	22.6%	22.6%	22.6%
Admin expenses / sales	10.7%	10.5%	10.3%	10.3%	10.3%
Total	34.2%	31.6%	33.0%	32.9%	32.9%
<b>OP margin</b>	<b>11.0%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>14.3%</b>	<b>14.9%</b>
Effective tax rate	28.7%	31.3%	29.5%	29.0%	28.0%
<b>Net profit att. margins</b>	<b>7.2%</b>	<b>9.1%</b>	<b>9.6%</b>	<b>10.3%</b>	<b>11.2%</b>
<b>Net profit att. growth (%)</b>	<b>11.8%</b>	<b>20.2%</b>	<b>10.8%</b>	<b>14.4%</b>	<b>17.2%</b>

Source: Company data, CMBIGM estimates

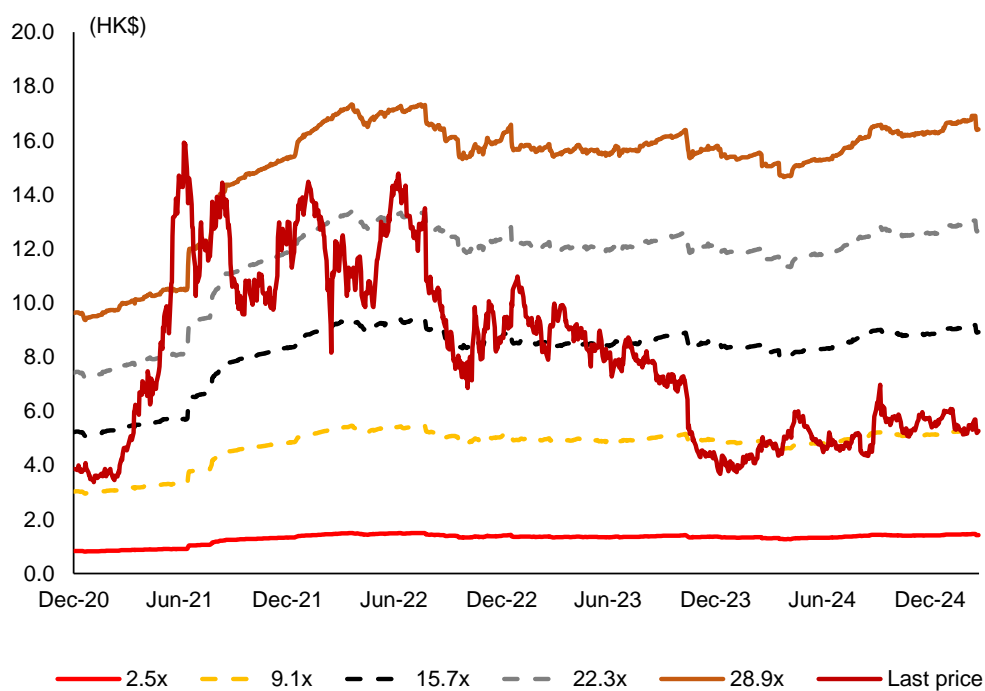
## Valuation

Figure 5: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
H share Sportswear														
Xtep	1368 HK	BUY	7.20	4.90	47%	13,595	Dec-24	9.5	8.5	1.1	14.1	0.9	5.2	(13.1)
Anta	2020 HK	BUY	119.08	89.90	32%	252,368	Dec-24	17.5	15.5	3.0	27.6	8.2	2.9	15.5
Li Ning	2331 HK	BUY	19.81	14.94	33%	38,617	Dec-24	12.7	11.4	1.2	11.9	3.3	3.7	(9.2)
361 Degrees	1361 HK	BUY	5.97	4.21	42%	8,705	Dec-24	6.3	5.6	0.7	12.4	0.5	6.6	(0.7)
Topsports	6110 HK	BUY	4.51	2.92	54%	18,108	Feb-24	11.7	9.8	1.7	18.0	(2.5)	7.7	(2.0)
Pou Sheng	3813 HK	NR	n/a	0.48	n/a	2,557	Dec-24	4.5	3.9	0.3	5.7	0.5	9.5	(4.0)
China DX	3818 HK	NR	n/a	0.34	n/a	2,002	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	(2.9)
Avg.								10.4	9.1	1.3	12.7	1.5	5.9	(2.4)
Med.								10.6	9.1	1.2	12.4	0.5	5.9	(2.9)
International Sportswear														
Nike	NKE US	NR	n/a	53.55	n/a	613,653	May-24	25.0	26.4	6.8	31.9	(2.1)	2.8	(29.2)
Adidas	ADS GY	NR	n/a	197.40	n/a	312,916	Dec-24	26.6	18.1	4.6	15.2	0.6	1.5	(16.6)
Puma	PUM GY	NR	n/a	19.96	n/a	26,307	Dec-24	14.4	9.7	1.0	10.5	1.6	2.7	(55.0)
Under Armour	UAA US	NR	n/a	5.56	n/a	18,069	Mar-24	18.3	14.4	1.1	(6.1)	(6.8)	0.0	(32.9)
Lululemon	LULU US	NR	n/a	249.37	n/a	233,564	Feb-25	16.6	15.5	4.7	42.4	2.7	0.0	(34.8)
Amer Sports	AS US	NR	n/a	22.40	n/a	96,320	Dec-24	32.3	24.3	2.0	n/a	0.3	0.0	(19.9)
Skechers	SKX US	NR	n/a	46.71	n/a	54,577	Dec-24	10.5	9.2	1.2	15.4	1.0	0.0	(30.5)
On Holding	VFC US	NR	n/a	10.31	n/a	31,184	Mar-24	14.2	10.5	2.1	(24.1)	(0.1)	3.5	(52.0)
Deckers	DECK US	NR	n/a	103.02	n/a	121,394	Mar-24	17.4	15.7	5.0	39.8	1.2	0.0	(49.3)
Vf Corp	ONON US	NR	n/a	41.75	n/a	104,970	Dec-24	33.4	26.0	4.9	19.6	1.3	0.0	(23.8)
Columbia	COLM US	NR	n/a	64.91	n/a	27,890	Dec-24	17.5	16.6	1.8	12.0	2.4	1.9	(22.7)
Wolverine	WWW US	NR	n/a	10.54	n/a	6,631	Dec-24	9.1	7.3	1.9	16.4	0.2	3.8	(52.5)
Mizuno Corp	8022 JP	NR	n/a	2395.00	n/a	10,398	Mar-24	11.9	11.3	1.2	10.8	2.0	2.0	(19.8)
Asics Corp	7936 JP	NR	n/a	2848.50	n/a	113,917	Dec-24	24.8	21.7	6.3	29.1	1.2	1.1	(8.4)
Avg.								19.4	16.2	3.2	16.4	0.4	1.4	(32.0)
Med.								17.4	15.6	2.1	15.4	1.1	1.3	(29.9)

Source: Bloomberg, CMBIGM estimates

Note: Data as of 17 Apr 2025.

**Figure 6: Forward 12M P/E valuation band**

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	12,930	14,346	13,577	14,312	15,249	16,363
Cost of goods sold	(7,639)	(8,296)	(7,712)	(8,046)	(8,484)	(9,008)
Gross profit	5,292	6,050	5,865	6,266	6,765	7,355
Operating expenses	(4,144)	(4,909)	(4,295)	(4,718)	(5,022)	(5,390)
Selling expense	(2,690)	(3,369)	(2,868)	(3,241)	(3,450)	(3,703)
Admin expense	(1,155)	(1,142)	(1,034)	(1,076)	(1,145)	(1,229)
R&D expense	(299)	(398)	(393)	(401)	(427)	(458)
Others	0	0	0	0	0	0
Operating profit	1,464	1,580	1,966	1,966	2,188	2,441
Other income	317	439	396	417	444	477
Share of (losses)/profits of associates/JV	(12)	15	33	70	113	201
EBITDA	1,595	1,740	2,151	2,163	2,332	2,528
Depreciation	(117)	(145)	(124)	(127)	(123)	(112)
Other amortisation	(14)	(16)	(61)	(71)	(21)	25
Interest income	25	41	37	32	31	34
Interest expense	(117)	(187)	(135)	(121)	(121)	(121)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	1,361	1,449	1,901	1,946	2,211	2,555
Income tax	(449)	(416)	(596)	(574)	(641)	(715)
Minority interest	9	(3)	0	0	0	0
Net profit	912	1,033	1,306	1,372	1,570	1,839
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	12,338	12,044	11,230	11,144	11,946	12,800
Cash & equivalents	3,414	3,295	2,979	2,496	2,790	3,038
Account receivables	4,213	4,975	5,011	5,283	5,628	6,040
Inventories	2,287	1,794	1,596	1,665	1,755	1,864
Prepayment	1,371	1,112	1,046	1,103	1,175	1,261
ST bank deposits	1,047	862	590	590	590	590
Other current assets	6	7	7	7	7	7
Non-current assets	4,155	5,281	4,738	4,944	5,269	5,764
PP&E	1,368	1,592	1,669	1,876	2,108	2,378
Investment in JVs & assos	439	751	736	805	918	1,119
Intangibles	723	723	17	(56)	(78)	(54)
Other non-current assets	1,626	2,214	2,317	2,319	2,320	2,321
Total assets	16,494	17,325	15,968	16,088	17,215	18,565
Current liabilities	6,645	5,851	5,283	5,468	5,707	5,993
Short-term borrowings	2,231	954	1,161	1,161	1,161	1,161
Account payables	2,772	2,531	2,195	2,291	2,415	2,565
Tax payable	108	144	77	77	77	77
Other current liabilities	1,534	2,222	1,849	1,939	2,053	2,190
Non-current liabilities	1,542	2,552	1,983	1,983	1,983	1,983
Long-term borrowings	193	1,691	867	867	867	867
Other non-current liabilities	1,349	860	1,116	1,116	1,116	1,116
Total liabilities	8,187	8,402	7,266	7,451	7,690	7,976
Share capital	23	23	24	24	24	24
Retained earnings	5,126	5,281	(209)	(793)	30	993
Other reserves	3,157	3,620	8,888	9,406	9,472	9,572
Total shareholders equity	8,307	8,923	8,703	8,637	9,525	10,589
Minority interest	0	0	0	0	0	0
Total equity and liabilities	16,494	17,325	15,968	16,088	17,215	18,565

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,361	1,449	1,901	1,946	2,211	2,555
Depreciation & amortization	131	161	186	198	144	87
Tax paid	(431)	(531)	(469)	(574)	(641)	(715)
Change in working capital	(688)	(21)	(439)	(212)	(269)	(320)
Others	199	197	48	(70)	(113)	(201)
<b>Net cash from operations</b>	<b>572</b>	<b>1,255</b>	<b>1,228</b>	<b>1,288</b>	<b>1,331</b>	<b>1,406</b>
<b>Investing</b>						
Capital expenditure	(365)	(389)	(317)	(334)	(356)	(382)
Acquisition of subsidiaries/ investments	(5)	(6)	(5)	0	0	0
Others	(503)	(520)	973	0	0	0
<b>Net cash from investing</b>	<b>(873)</b>	<b>(915)</b>	<b>651</b>	<b>(334)</b>	<b>(356)</b>	<b>(382)</b>
<b>Financing</b>						
Dividend paid	(550)	(469)	(1,444)	(1,437)	(682)	(775)
Net borrowings	466	189	(651)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(152)	(182)	(102)	0	0	0
<b>Net cash from financing</b>	<b>(236)</b>	<b>(461)</b>	<b>(2,197)</b>	<b>(1,437)</b>	<b>(682)</b>	<b>(775)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,930	3,414	3,295	2,979	2,496	2,790
Exchange difference	21	2	2	0	0	0
Others	(537)	(122)	(317)	(483)	294	249
<b>Cash at the end of the year</b>	<b>3,414</b>	<b>3,295</b>	<b>2,979</b>	<b>2,496</b>	<b>2,790</b>	<b>3,038</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	29.1%	10.9%	(5.4%)	5.4%	6.5%	7.3%
Gross profit	26.7%	14.3%	(3.0%)	6.8%	8.0%	8.7%
Operating profit	4.9%	7.9%	24.4%	(0.0%)	11.3%	11.6%
EBITDA	7.8%	9.1%	23.6%	0.6%	7.8%	8.4%
Net profit	2.6%	13.2%	26.4%	5.1%	14.4%	17.2%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	40.9%	42.2%	43.2%	43.8%	44.4%	44.9%
Operating margin	11.3%	11.0%	14.5%	13.7%	14.3%	14.9%
EBITDA margin	12.3%	12.1%	15.8%	15.1%	15.3%	15.5%
Return on equity (ROE)	11.2%	12.0%	14.8%	15.8%	17.3%	18.3%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.1	0.1	0.1	0.0	0.1	0.1
Current ratio (x)	1.9	2.1	2.1	2.0	2.1	2.1
Receivable turnover days	118.9	126.6	134.7	134.7	134.7	134.7
Inventory turnover days	109.3	78.9	75.5	75.5	75.5	75.5
Payable turnover days	132.4	111.3	103.9	103.9	103.9	103.9
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	12.9	11.8	9.9	9.6	8.5	7.2
P/E (diluted)	12.9	11.8	9.9	9.6	8.5	7.2
P/B	1.5	1.4	1.4	1.5	1.3	1.2
P/CFPS	20.8	9.7	10.0	10.2	10.0	9.5
Div yield (%)	3.8	4.2	13.3	5.2	5.8	6.8
EV	11,685.1	12,311.0	12,465.2	13,393.9	13,100.3	12,851.5
EV/Sales	0.9	0.9	0.9	0.9	0.9	0.8
EV/EBITDA	7.3	7.1	5.8	6.2	5.6	5.1

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

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