

# Xtep (1368 HK)

## FY25E guidance unchanged after 1H25 beat

Xtep's 1H25 results were stronger than expected, mainly due to other income and Saucony. Going into 2H25E, even though the macro backdrop is still quite worrying, Xtep should still be able to achieve its rather prudent FY25E guidance, in our view. Therefore, with its fairly undemanding valuation of 11x FY25E P/E, we maintained BUY and lift TP to HK\$ 7.39.

- **Retail sales growth has trended better in 3Q25 QTD.** According to management, retail sales growth in Jul 2025 is faster than that in Jun 2025, for both core Xtep brand and Saucony brand.
- **FY25E guidance maintained.** Despite the results beat in 1H25, management has kept the FY25E guidance unchanged (positive group-level sales growth, 30%-40% Saucony sales growth, as well as 10%+ group-level net profit growth).
- **Even with a more challenging macro backdrop (bad weather, weak demand and deepening discounts), we are still confident on Xtep to achieve its FY25E guidance,** because of: 1) a series of new product launches, such as the newer versions of 160X (the 7.0, 7.0 PRO and 7.0 Monster) and a new collection named QING YUN, echoing the busy marathon seasons in 2H25E; 2) recent ramp-up of kids wear. Xtep has partnered with many major institutions (like the National Health Commission, Peking University Third Hospital, Tsinghua University and others) in order to provide a more all-round solution for the kids to grow better, faster and stronger. It also rebranded its kids wear line into "Xtep Youth", hence the growth should be boosted in the near future.
- **We believe both the short-term and long-term growth outlook for Saucony is highly intact, despite some prudence in margin expansion.** We are even more confident for Saucony to achieve its FY25E target (even though the margin assumption is quite conservative). Saucony's retail sales growth did slow down slightly to just 20%+ in 2Q25 (partly due to the shift in e-commerce business strategy, where some lower-priced product offerings were removed and less discounts were given), but we still believe it can re-accelerate in 2H25E, thanks to: 1) the launch of new flagship product Triumph 23, 2) sustainable product category expansion (more items for OG series and apparel will be introduced), 3) likely store expansion acceleration (CMBI est. 40, up from 30 in FY25E). Management has reiterated once again their ambitions to double Saucony's sales in 3 years' time. Saucony's OP margin expansion in 1H25 was impressive, but we are slightly more prudent for 2H25E (CMBI est. 7% for FY25E), as it is expected to do more marketing around all the product launches, crossovers and openings of new stores (some of those are flagship stores).

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	14,346	13,577	14,404	15,296	16,280
YoY growth (%)	10.9	(5.4)	6.1	6.2	6.4
Operating profit (RMB mn)	1,579.9	1,965.5	2,008.1	2,159.5	2,317.3
Net profit (RMB mn)	1,033.0	1,305.5	1,407.9	1,569.2	1,775.9
EPS (Reported) (RMB)	0.39	0.47	0.50	0.54	0.62
YoY growth (%)	9.4	19.4	6.3	9.7	13.2
P/E (x)	14.5	12.1	11.4	10.4	9.2
P/B (x)	1.7	1.7	1.8	1.6	1.5
Yield (%)	3.4	11.0	4.3	4.8	5.4
ROE (%)	12.0	14.8	16.2	17.2	17.7
Net gearing (%)	7.1	7.9	2.3	4.9	6.3

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$7.39
(Previous TP)	HK\$7.20
Up/Downside	20.1%
Current Price	HK\$6.15

### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	16,204.3
Avg 3 mths t/o (HK\$ mn)	65.9
52w High/Low (HK\$)	6.98/4.34
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	12.4%	10.9%
3-mth	13.7%	5.4%
6-mth	14.7%	4.7%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

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- **Maintain BUY and lift TP slightly to HK\$ 7.39, based on 14x FY25E P/E (unchanged).** We have fine-tuned our FY25E/ 26E/ 27E net profit forecasts by +3%/ 0%/ -3%, in order to factor in the earnings beat in 1H25, the weaker-than-expected GP margin, but the better-than-expected OP margin for Saucony. The stock is trading at 11x FY25E P/E, still highly attractive vs its 8-year average of 15x or its 13% 3-year net profit CAGR.
- **DTC transformation is still on track.** The Company will repurchase 100 to 200 stores in 4Q25E (unchanged) and 300 to 400 stores (unchanged) in FY26E. The capex needed for this repurchase is about RMB 400mn and will all be funded by internal cash flow, according to the Company. According to our estimates, this act may drag sales/ net profit by 2-3%/ 4-5% in FY25E/ 26E; however, this negative shall be largely priced in.
- **1H25 results were better than expected.** Xtep's sales increased by 7% YoY to RMB 6.8bn, inline with CMBI est., and the net profit surged by 21% YoY to RMB 913mn, 28% higher than CMBI est. We believe this stronger-than-expected results were due to: 1) absence of K-Swiss and Palladium's losses, 2) more-than-expected other income, and 3) greater-than-expected operating leverage for Saucony (OP margin jumped to 10% in 1H25 vs 4% in 1H24). Working capital was fairly strong and healthy as well, inventory level increased only by 3% YoY and receivables grew by only 10% YoY in 1H25.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	14,404	15,296	16,280	14,312	15,249	16,363	0.6%	0.3%	-0.5%
Gross profit	6,239	6,654	7,117	6,266	6,765	7,355	-0.4%	-1.6%	-3.2%
EBIT	2,008	2,160	2,317	1,966	2,188	2,441	2.2%	-1.3%	-5.1%
Net profit att.	1,408	1,569	1,776	1,372	1,570	1,839	2.6%	0.0%	-3.4%
Diluted EPS (RMB)	0.496	0.544	0.616	0.483	0.544	0.637	2.6%	0.0%	-3.4%
Gross margin	43.3%	43.5%	43.7%	43.8%	44.4%	44.9%	-0.5ppt	-0.9ppt	-1.2ppt
EBIT margin	13.9%	14.1%	14.2%	13.7%	14.3%	14.9%	0.2ppt	-0.2ppt	-0.7ppt
Net profit att. margin	9.8%	10.3%	10.9%	9.6%	10.3%	11.2%	0.2ppt	0ppt	-0.3ppt

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	14,404	15,296	16,280	14,408	15,463	16,571	0.0%	-1.1%	-1.8%
Gross profit	6,239	6,654	7,117	6,300	6,840	7,418	-1.0%	-2.7%	-4.1%
EBIT	2,008	2,160	2,317	2,009	2,195	2,400	0.0%	-1.6%	-3.5%
Net profit att.	1,408	1,569	1,776	1,383	1,523	1,670	1.8%	3.0%	6.4%
Diluted EPS (RMB)	0.496	0.544	0.616	0.511	0.565	0.615	-3.0%	-3.7%	0.0%
Gross margin	43.3%	43.5%	43.7%	43.7%	44.2%	44.8%	-0.4ppt	-0.7ppt	-1ppt
EBIT margin	13.9%	14.1%	14.2%	13.9%	14.2%	14.5%	0ppt	-0.1ppt	-0.3ppt
Net profit att. margin	9.8%	10.3%	10.9%	9.6%	9.8%	10.1%	0.2ppt	0.4ppt	0.8ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25E	1H24 YoY	2H24 YoY	1H25 YoY	2H25 E YoY	1H25E CMBIG M	Actual vs CMBI
<b>Revenue</b>	<b>7,203</b>	<b>6,374</b>	<b>6,838</b>	<b>7,566</b>	<b>10%</b>	<b>-19%</b>	<b>-5%</b>	<b>19%</b>	<b>6,821</b>	<b>0%</b>
<b>COGS</b>	<b>-3,889</b>	<b>-3,823</b>	<b>-3,764</b>	<b>-4,400</b>					<b>-3,712</b>	
<b>Gross profit</b>	<b>3,314</b>	<b>2,551</b>	<b>3,074</b>	<b>3,166</b>	<b>18%</b>	<b>-22%</b>	<b>-7%</b>	<b>24%</b>	<b>3,109</b>	<b>-1%</b>
<b>GP margins</b>	<b>46.0%</b>	<b>40.0%</b>	<b>45.0%</b>	<b>41.8%</b>					<b>45.6%</b>	
Other income & gains	275	121	354	110					341	4%
S & D expenses	-1,692	-1,176	-1,483	-1,742	12%	-37%	-12%	48%	-1,671	-11%
<b>S &amp; D exp / sales</b>	<b>-23.5%</b>	<b>-18.4%</b>	<b>-21.7%</b>	<b>-23.0%</b>					<b>-24.5%</b>	
Admin expenses	-802	-625	-639	-830	26%	-31%	-20%	33%	-750	-15%
<b>Admin exp / sales</b>	<b>-11.1%</b>	<b>-9.8%</b>	<b>-9.4%</b>	<b>-11.0%</b>					<b>-11.0%</b>	
Other opex	0	0	0	0					0	
<b>Operating profit (EBIT)</b>	<b>1,094</b>	<b>871</b>	<b>1,305</b>	<b>703</b>	<b>11%</b>	<b>47%</b>	<b>19%</b>	<b>-19%</b>	<b>1,029</b>	<b>27%</b>
<b>OP margins</b>	<b>15.2%</b>	<b>13.7%</b>	<b>19.1%</b>	<b>9.3%</b>					<b>15.1%</b>	
Other items	0	0	0	0					0	
Net finance income	-64	-33	-52	-37					-61	-15%
<b>Net finance income / sales</b>	<b>-0.9%</b>	<b>-0.5%</b>	<b>-0.8%</b>	<b>-0.5%</b>					<b>-0.9%</b>	
Profit after financing costs	1,030	838	1,253	666					967	
Associated coms	16	17	29	49					27	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	<b>1,046</b>	<b>855</b>	<b>1,282</b>	<b>715</b>	<b>14%</b>	<b>61%</b>	<b>23%</b>	<b>-16%</b>	<b>995</b>	<b>29%</b>
Tax	-294	-302	-368	-221					-279	
<b>Tax / sales</b>	<b>-4.1%</b>	<b>-4.7%</b>	<b>-5.4%</b>	<b>-2.9%</b>					<b>-4.1%</b>	
<b>Effective tax rate</b>	<b>-28.1%</b>	<b>-35.3%</b>	<b>-28.7%</b>	<b>-30.9%</b>					<b>-28.0%</b>	
Minority interests	0	0	0	0					0	
<b>Net profit att.</b>	<b>752</b>	<b>553</b>	<b>914</b>	<b>494</b>	<b>13%</b>	<b>52%</b>	<b>21%</b>	<b>-11%</b>	<b>716</b>	<b>28%</b>
<b>NP margins</b>	<b>10.4%</b>	<b>8.7%</b>	<b>13.4%</b>	<b>6.5%</b>					<b>10.5%</b>	
<b>Sales by segment</b>										
Mass market	5,789	6,551	6,053	6,705	7%	1%	5%	2%	6,021	1%
Athleisure	822	-822	0	0	10%	-196%	-100%	-100%	0	n/a
Professional sports	593	644	785	861	72%	43%	33%	34%	800	-2%
<b>Total</b>	<b>7,203</b>	<b>6,374</b>	<b>6,838</b>	<b>7,566</b>	<b>10%</b>	<b>-19%</b>	<b>-5%</b>	<b>19%</b>	<b>6,821</b>	<b>0%</b>

Source: Company data, CMBIGM estimates

**Figure 4: Results review - Full Year**

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY24 YoY	FY25E YoY	FY26E YoY
Revenue	13,577	14,404	15,296	-5%	6%	6%
COGS	-7,712	-8,164	-8,642			
Gross profit	5,865	6,239	6,654	-3%	6%	7%
<b>GP margins</b>	<b>43.2%</b>	<b>43.3%</b>	<b>43.5%</b>			
Other income & gains	396	463	492			
S & D expenses	-2,868	-3,225	-3,426	-15%	12%	6%
<b>S &amp; D exp / sales</b>	<b>-21.1%</b>	<b>-22.4%</b>	<b>-22.4%</b>			
Admin expenses	-1,428	-1,469	-1,561	-7%	3%	6%
<b>Admin exp / sales</b>	<b>-10.5%</b>	<b>-10.2%</b>	<b>-10.2%</b>			
Other opex	0	0	0			
Operating profit (EBIT)	1,966	2,008	2,160	24%	2%	8%
<b>OP margins</b>	<b>14.5%</b>	<b>13.9%</b>	<b>14.1%</b>			
Other items	33	78	141			
Net finance income	-98	-89	-90			
<b>Net finance income / sales</b>	<b>-0.7%</b>	<b>-0.6%</b>	<b>-0.6%</b>			
Profit after financing costs	1,901	1,997	2,210			
Associated coms	0	0	0			
Jointly controlled coms	0	0	0			
Pre-tax profit	1,901	1,997	2,210	31%	5%	11%
Tax	-596	-589	-641			
<b>Tax / sales</b>	<b>-4.4%</b>	<b>-4.1%</b>	<b>-4.2%</b>			
<b>Effective tax rate</b>	<b>-31.3%</b>	<b>-29.5%</b>	<b>-29.0%</b>			
Minority interests	0	0	0			
Net profit att.	1,306	1,408	1,569	27%	8%	11%
<b>NP margins</b>	<b>9.6%</b>	<b>9.8%</b>	<b>10.3%</b>			
	0					
<b>Sales by segment</b>	<b>0</b>					
Mass market	12,340	12,757	13,208	3%	3%	4%
Athleisure	0	0	0	-100%	0%	0%
Professional sports	1,237	1,646	2,088	55%	33%	27%
Total	13,577	14,404	15,296	-5%	6%	6%

Source: Company data, CMBIGM estimates

## Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-15%	-20%	-5%	2%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	13%	2%	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	+ve LSD	2%	5%
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	+ve LSD		
FILA brand's retail sales																
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%	+ve Low-teens		
Other brands																
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%	40%-45%		
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%	100%	70%-75%		
Li Ning group's SSSG																
Direct retail	+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					
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	+ve LSD	+ve LSD	2%	2%
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	-ve LSD	-ve MSD		
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	+ve LSD	+ve LSD		
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	+ve Low-teens	+ve MSD		
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	+ve LSD	4%	5%
Saucony's retail sales																
												Over 50%	50.0%	Over 40%	Over 20%	
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%	10.0%		
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%	10%		
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%	35%-40%	10%		
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%	-5%	-12%	2%	4%
Topsports' retail sales	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-ve Low-teens	-ve MSD	-ve MSD	-3%	2%	6%
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	-ve MSD to HSD			
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 6: Major assumptions

Major assumptions	FY23A	FY24A	FY25E	FY26E	FY27E
<b>Sales by segment (RMB mn)</b>					
Shoes	8,172	8,054	8,651	9,141	9,694
Apparels	5,904	5,226	5,435	5,816	6,223
Accessories	270	297	317	340	363
Total	14,346	13,577	14,404	15,296	16,280
<b>Sales by segment growth (%)</b>					
Shoes	5.3%	-1.4%	7.4%	5.7%	6.1%
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%	6.1%	6.2%	6.4%
<b>Sales by segment (RMB mn)</b>					
Mass market	11,947	12,340	12,757	13,208	13,714
Athleisure	1,603	0	0	0	0
Professional sports	796	1,237	1,646	2,088	2,566
Total	14,346	13,577	14,404	15,296	16,280
<b>Sales by segment growth (YoY)</b>					
Mass market	7.4%	3.3%	3.4%	3.5%	3.8%
Athleisure	14.3%	-100.0%	0%	0%	0%
Professional sports	98.9%	55.5%	33.1%	26.9%	22.9%
Total	10.9%	-5.4%	6.1%	6.2%	6.4%
<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%	43.3%	43.5%	43.7%
<b>Opex breakdown</b>					
A&P / sales	13.7%	13.4%	13.0%	13.0%	13.0%
Staff costs/ sales	10.1%	10.0%	9.8%	9.9%	10.1%
R&D / sales	2.8%	2.9%	3.0%	3.0%	3.0%
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%	22.4%	22.4%	22.5%
Admin expenses / sales	10.7%	10.5%	10.2%	10.2%	10.2%
Total	34.2%	31.6%	32.6%	32.6%	32.7%
<b>OP margin</b>	<b>11.0%</b>	<b>14.5%</b>	<b>13.9%</b>	<b>14.1%</b>	<b>14.2%</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>9.8%</b>	<b>10.3%</b>	<b>10.9%</b>
<b>Net profit att. growth (%)</b>	<b>11.8%</b>	<b>20.2%</b>	<b>13.7%</b>	<b>11.5%</b>	<b>13.2%</b>

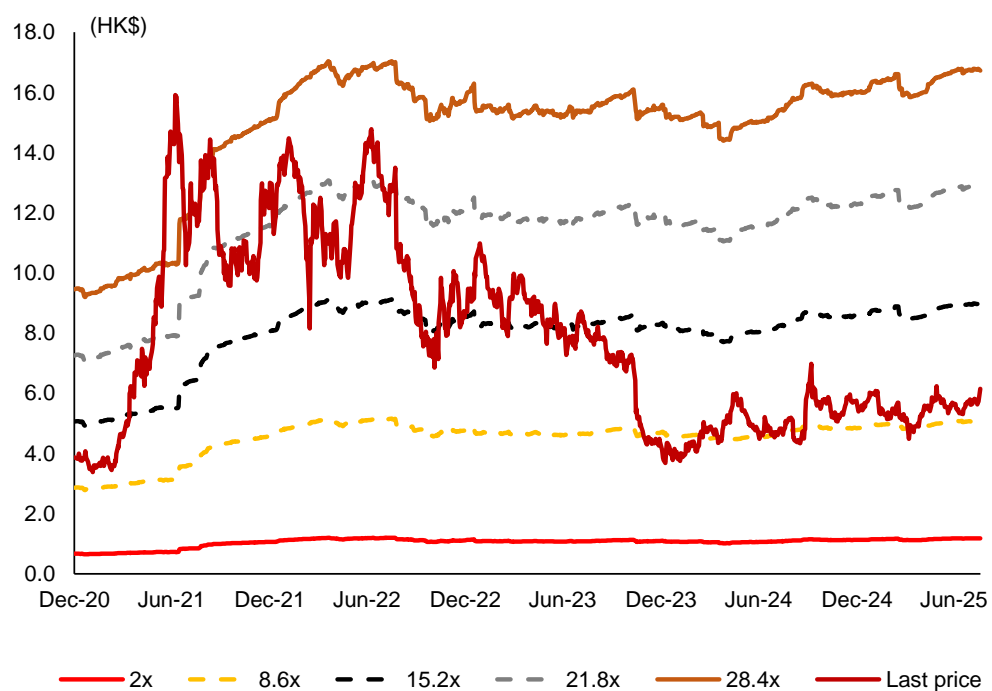
Source: Company data, CMBIGM estimates

## 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 (%)	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	7.39	6.15	20%	17,112	Dec-24	11.7	10.6	1.4	14.1	1.2	4.2	9.0
Anta	2020 HK	BUY	111.54	93.20	20%	261,632	Dec-24	17.8	15.9	3.0	27.6	6.1	2.9	19.7
Li Ning	2331 HK	BUY	18.95	18.01	5%	46,552	Dec-24	16.8	14.9	1.5	11.9	8.0	3.0	9.4
361 Degrees	1361 HK	BUY	7.09	6.09	16%	12,592	Dec-24	9.1	8.1	1.0	12.4	0.8	4.9	43.6
Topsports	6110 HK	BUY	3.62	3.17	14%	19,658	Feb-25	13.7	11.7	2.0	13.6	1.3	8.1	10.9
Pou Sheng	3813 HK	NR	n/a	0.51	n/a	2,716	Dec-24	6.8	5.3	0.3	3.9	2.3	5.5	4.1
China DX	3818 HK	NR	n/a	0.52	n/a	3,065	Mar-25	n/a	n/a	n/a	(1.0)	0.0	n/a	48.6
Avg.								12.7	11.1	1.5	11.8	2.8	4.8	20.8
Med.								12.7	11.2	1.4	12.4	1.3	4.6	10.9
International Sportswear														
Nike	NKE US	NR	n/a	76.97	n/a	888,672	May-25	45.9	31.5	8.8	23.3	4.1	2.0	1.7
Adidas	ADS GY	NR	n/a	166.40	n/a	273,323	Dec-24	21.9	15.3	4.1	23.6	0.4	1.7	(29.7)
Puma	PUM GY	NR	n/a	17.14	n/a	23,150	Dec-24	n/a	77.6	1.0	(4.0)	0.0	2.0	(61.4)
Under Armour	UAA US	NR	n/a	5.17	n/a	17,053	Mar-25	110.0	23.8	1.1	5.5	(0.6)	0.0	(37.6)
Lululemon	LULU US	NR	n/a	198.46	n/a	185,935	Feb-25	13.6	12.8	3.8	42.5	3.1	0.0	(48.1)
Amer Sports	AS US	NR	n/a	38.71	n/a	167,602	Dec-24	51.8	38.5	3.5	4.4	0.5	0.0	38.4
Skechers	SKX US	NR	n/a	62.99	n/a	74,000	Dec-24	17.1	16.4	1.7	14.8	(457.5)	0.0	(6.3)
On Holding	VFC US	NR	n/a	13.08	n/a	39,942	Mar-25	17.3	12.5	2.6	(3.5)	(0.1)	2.8	(39.0)
Deckers	DECK US	NR	n/a	102.96	n/a	119,400	Mar-25	16.2	14.8	4.3	43.6	2.2	0.0	(49.3)
Vf Corp	ONON US	NR	n/a	45.34	n/a	115,740	Dec-24	59.6	29.3	6.4	10.3	2.0	0.0	(17.2)
Columbia	COLM US	NR	n/a	53.45	n/a	22,885	Dec-24	16.8	17.1	1.6	12.9	(7.5)	2.3	(36.3)
Wolverine	WWW US	NR	n/a	28.71	n/a	18,237	Dec-24	22.0	18.1	4.9	28.1	0.4	1.4	29.3
Mizuno Corp	8022 JP	NR	n/a	2697.00	n/a	11,385	Mar-25	12.6	11.9	1.2	9.9	1.5	1.9	(9.7)
Asics Corp	7936 JP	NR	n/a	4243.00	n/a	164,991	Dec-24	35.2	30.6	9.2	30.6	1.6	0.6	36.4
Avg.								33.8	25.0	3.9	17.3	(32.1)	1.0	(16.3)
Med.								21.9	17.6	3.6	13.9	0.5	1.0	(23.5)

Source: Bloomberg, CMBIGM estimates; data as of 18 August 2025.

**Figure 8: 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	14,404	15,296	16,280
Cost of goods sold	(7,639)	(8,296)	(7,712)	(8,164)	(8,642)	(9,163)
Gross profit	5,292	6,050	5,865	6,239	6,654	7,117
Operating expenses	(4,144)	(4,909)	(4,295)	(4,695)	(4,987)	(5,324)
Selling expense	(2,690)	(3,369)	(2,868)	(3,225)	(3,426)	(3,658)
Admin expense	(1,155)	(1,142)	(1,034)	(1,037)	(1,102)	(1,178)
R&D expense	(299)	(398)	(393)	(432)	(459)	(488)
Others	0	0	0	0	0	0
Operating profit	1,464	1,580	1,966	2,008	2,160	2,317
Other income	317	439	396	463	492	524
Share of (losses)/profits of associates/JV	(12)	15	33	78	141	237
EBITDA	1,595	1,740	2,151	2,206	2,304	2,404
Depreciation	(117)	(145)	(124)	(127)	(123)	(112)
Other amortisation	(14)	(16)	(61)	(71)	(21)	25
Interest income	25	41	37	32	31	33
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	1,997	2,210	2,467
Income tax	(449)	(416)	(596)	(589)	(641)	(691)
Minority interest	9	(3)	0	0	0	0
Net profit	912	1,033	1,306	1,408	1,569	1,776
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	12,338	12,044	11,230	11,205	11,970	12,716
Cash & equivalents	3,414	3,295	2,979	2,492	2,760	2,959
Account receivables	4,213	4,975	5,011	5,316	5,646	6,009
Inventories	2,287	1,794	1,596	1,689	1,788	1,896
Prepayment	1,371	1,112	1,046	1,110	1,179	1,255
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	4,954	5,308	5,838
PP&E	1,368	1,592	1,669	1,878	2,111	2,379
Investment in JVs & assos	439	751	736	814	955	1,192
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	16,160	17,278	18,554
Current liabilities	6,645	5,851	5,283	5,513	5,758	6,027
Short-term borrowings	2,231	954	1,161	1,161	1,161	1,161
Account payables	2,772	2,531	2,195	2,324	2,460	2,609
Tax payable	108	144	77	77	77	77
Other current liabilities	1,534	2,222	1,849	1,950	2,059	2,179
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	7,496	7,741	8,010
Share capital	23	23	24	24	24	24
Retained earnings	5,126	5,281	(209)	(774)	48	979
Other reserves	3,157	3,620	8,888	9,415	9,466	9,542
Total shareholders equity	8,307	8,923	8,703	8,664	9,538	10,545
Minority interest	0	0	0	0	0	0
Total equity and liabilities	16,494	17,325	15,968	16,160	17,278	18,554

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,361	1,449	1,901	1,997	2,210	2,467
Depreciation & amortization	131	161	186	198	144	87
Tax paid	(431)	(531)	(469)	(589)	(641)	(691)
Change in working capital	(688)	(21)	(439)	(232)	(252)	(278)
Others	199	197	48	(78)	(141)	(237)
<b>Net cash from operations</b>	<b>572</b>	<b>1,255</b>	<b>1,228</b>	<b>1,295</b>	<b>1,321</b>	<b>1,348</b>
<b>Investing</b>						
Capital expenditure	(365)	(389)	(317)	(336)	(357)	(380)
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>(336)</b>	<b>(357)</b>	<b>(380)</b>
<b>Financing</b>						
Dividend paid	(550)	(469)	(1,444)	(1,446)	(696)	(769)
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>(1,446)</b>	<b>(696)</b>	<b>(769)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,930	3,414	3,295	2,979	2,492	2,760
Exchange difference	21	2	2	0	0	0
Others	(537)	(122)	(317)	(487)	268	199
<b>Cash at the end of the year</b>	<b>3,414</b>	<b>3,295</b>	<b>2,979</b>	<b>2,492</b>	<b>2,760</b>	<b>2,959</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	29.1%	10.9%	(5.4%)	6.1%	6.2%	6.4%
Gross profit	26.7%	14.3%	(3.0%)	6.4%	6.6%	7.0%
Operating profit	4.9%	7.9%	24.4%	2.2%	7.5%	7.3%
EBITDA	7.8%	9.1%	23.6%	2.5%	4.4%	4.4%
Net profit	2.6%	13.2%	26.4%	7.8%	11.5%	13.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	40.9%	42.2%	43.2%	43.3%	43.5%	43.7%
Operating margin	11.3%	11.0%	14.5%	13.9%	14.1%	14.2%
EBITDA margin	12.3%	12.1%	15.8%	15.3%	15.1%	14.8%
Return on equity (ROE)	11.2%	12.0%	14.8%	16.2%	17.2%	17.7%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.1	0.1	0.1	0.0	0.0	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
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/E	15.8	14.5	12.1	11.4	10.4	9.2
P/E (diluted)	15.8	14.5	12.1	11.4	10.4	9.2
P/B	1.8	1.7	1.7	1.8	1.6	1.5
P/CFPS	25.5	11.9	12.2	12.4	12.3	12.1
Div yield (%)	3.1	3.4	11.0	4.3	4.8	5.4
EV	14,978.6	15,612.8	15,819.8	16,865.8	16,597.9	16,399.3
EV/Sales	1.2	1.1	1.2	1.2	1.1	1.0
EV/EBITDA	9.4	9.0	7.4	7.6	7.2	6.8

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

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