

Xtep (1368 HK)

4Q23 was inline but macro is still challenging

4Q23 results were inline with management guidance. Despite the improved inventory level, we are still conservative on Xtep's non-running segment, ASP and e-commerce growth in FY24E. As a result, we have further cut our NP forecasts by 7-9% in FY24E-25E. But due to its fairly distressed valuation of 8x/ 7x FY23E/ 24E P/E, we maintain BUY.

- **4Q23 retail sales growth inline.** Xtep's 4Q23 retail sales grew more than 30%, slightly better than CMBI est. of 29% and inline with management's guidance. Such growth was an acceleration vs the high-teens growth in 3Q23, but we believe it was a mixture of a low base, warm weather and relatively weak e-commerce growth. In terms of segment, offline growth outperformed online growth while Xtep kids growth remained fast at more than 30%.
- **FY24E guidance has not been finalized but we are conservative.** Management has given no concrete guidance for FY24E but still think 10%+ listed-co sales growth is reasonable if the current growth momentum sustains (retail sales growth should be similar, as inventory gradually returns to normal). Even though management think growth in FY24E could be normalized, after the inventory re-set in FY23E, we are still somewhat prudent and forecast only 10%/ 11% retail sales/listed-co sales growth in FY24E. On the positive side, we are still confident on Xtep's running segment, as new products like 160X 5.0 have been hot selling since their launch in 3Q23. Also, under a weak macro, Xtep's management has decided to sell more value products both online and offline (such as the 260X, a pair of carbon plate running shoes priced at RMB799, which is one of the most value-for-money products on the street). But on the other hand, we are quite cautious and conservative about its non-running segment sales, ASP increases and e-commerce sales growth. Moreover, we do expect GP margin and OP margin to expand in FY24E, thanks to the ramp-up of those new brands (less losses onwards).
- **Maintain BUY but trim TP to HK\$7.07, based on 13x FY24E P/E (unchanged).** We still expect the industry to be under pressure in 1H24E before a turnaround in 2H24E and Xtep may not be our top pick in 2024, as Anta, Topsports and Pou Sheng (thanks to exposure to Nike/Adidas) are likely to benefit more in an Olympic year. However, thanks to Xtep's rather depressed valuation, at 8x FY23E P/E, we reiterate our BUY rating. We fine-tune our FY23E/ 24E/ 25E NP forecasts by +1%/ -7%/ -9% to factor in the slower sales growth and more prudent margins.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	10,013	12,930	14,787	16,440	18,457
YoY growth (%)	22.5	29.1	14.4	11.2	12.3
Operating profit (RMB mn)	1,396	1,464	1,650	1,890	2,232
Net profit (RMB mn)	889.4	912.3	1,058.1	1,266.6	1,575.3
EPS (Reported) (RMB)	0.36	0.36	0.40	0.51	0.63
YoY growth (%)	72.1	0.6	12.0	26.6	23.6
P/E (x)	21.0	26.6	8.4	7.0	5.6
P/B (x)	2.4	3.0	1.0	0.9	0.9
Yield (%)	2.9	1.8	6.0	7.1	8.9
ROE (%)	11.6	11.2	12.3	13.8	15.8
Net gearing (%)	17.9	14.8	6.4	4.5	2.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$7.07
(Previous TP)	HK\$7.62
Up/Downside	85.5%
Current Price	HK\$3.81

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Stock Data

Mkt Cap (HK\$ mn)	10,038.8
Avg 3 mths t/o (HK\$ mn)	62.4
52w High/Low (HK\$)	10.98/3.68
Total Issued Shares (mn)	2634.8

Source: FactSet

Shareholding Structure

Mr Ding Shui Po & Family	49.0%
China Universal Asset Management	4.1%

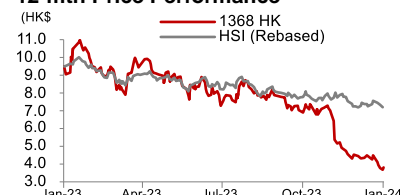
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-16.3%	-15.5%
3-mth	-44.8%	-40.3%
6-mth	-47.7%	-40.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Retail discounts widened QoQ in 4Q23, but inline with guidance.** Xtep's retail discounts were at 30% in 4Q23, up from 25% to 30% in 3Q23, inline with guidance and mainly due to the active inventory clearance on different e-commerce channels.
- **Channel inventory was back to a favourable level.** Xtep's inventory to retail sales ratio was at 4 to 4.5 months in 4Q23, improved from 4.5 to 5 months in 3Q23 and was inline with guidance. Moreover, the average age of inventory is quite decent already (more than 70% of the inventories are new products launched within 6 months). Also, as pointed out by management, listed-co level inventory may drop to around RMB1.8-1.9bn in 2H23E, from around RMB2.4bn, better than their previous expectation.
- **Ramp-up of new brands, as a whole, is still on track.** For S&M, the retail sales growth was very robust at around 100% in FY23E and 30%+ growth in FY24E is expected from the management. For K&P, retail sales growth was at about mid-teens in FY23E (doubled in China but still weak overseas) and therefore only 10%+ growth is expected in FY24E. Palladium is likely to be the next brand to achieve breakeven (hopefully in FY24E). Hence, we think losses from all these brands, as a whole, should continue to narrow going forward.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	14,787	16,440	18,457	14,742	16,845	19,155	0.3%	-2.4%	-3.6%
Gross profit	6,089	6,843	7,765	6,069	7,046	8,100	0.3%	-2.9%	-4.1%
EBIT	1,650	1,890	2,232	1,638	2,016	2,437	0.7%	-6.3%	-8.4%
Net profit att.	1,058	1,268	1,577	1,050	1,367	1,733	0.8%	-7.3%	-9.0%
Diluted EPS (RMB)	0.402	0.481	0.598	0.398	0.519	0.658	0.8%	-7.3%	-9.0%
Gross margin	41.2%	41.6%	42.1%	41.2%	41.8%	42.3%	0ppt	-0.2ppt	-0.2ppt
EBIT margin	11.2%	11.5%	12.1%	11.1%	12.0%	12.7%	0ppt	-0.5ppt	-0.6ppt
Net profit att. margin	7.2%	7.7%	8.5%	7.1%	8.1%	9.0%	0ppt	-0.4ppt	-0.5ppt

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	14,787	16,440	18,457	14,551	16,846	19,385	1.6%	-2.4%	-4.8%
Gross profit	6,089	6,843	7,765	6,038	7,048	8,159	0.9%	-2.9%	-4.8%
EBIT	1,650	1,890	2,232	1,589	1,916	2,278	3.8%	-1.4%	-2.0%
Net profit att.	1,058	1,268	1,577	1,073	1,305	1,552	-1.4%	-2.9%	1.6%
Diluted EPS (RMB)	0.402	0.481	0.598	0.408	0.495	0.591	-1.5%	-2.8%	1.2%
Gross margin	41.2%	41.6%	42.1%	41.5%	41.8%	42.1%	-0.3ppt	-0.2ppt	0ppt
EBIT margin	11.2%	11.5%	12.1%	10.9%	11.4%	11.8%	0.2ppt	0.1ppt	0.3ppt
Net profit att. margin	7.2%	7.7%	8.5%	7.4%	7.7%	8.0%	-0.2ppt	0ppt	0.5ppt

Source: Company data, 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	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	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	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%	55%-60%				
Descente	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%				
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-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD						
Direct retail	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Mid 30%	+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 Mid 20%	+ve High-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 HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%					
Wholesales	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve Mid-teens	+ve LSD					
E- Commerce	+ve Low 40%	+ve Mid 30%	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD	-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	30%-35%	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																		
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 20%	-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 sale	+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)

Assumptions

Figure 4: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by segment (RMB mn)					
Shoes	5,928	7,760	8,846	9,637	10,789
Apparels	3,887	4,897	5,631	6,476	7,318
Accessories	198	273	309	327	350
Total	10,013	12,930	14,787	16,440	18,457
Sales by segment growth (%)					
Shoes	17.5%	30.9%	14.0%	8.9%	12.0%
Apparels	31.2%	26.0%	15.0%	15.0%	13.0%
Accessories	22.5%	38.3%	13.0%	6.0%	7.0%
Total	22.5%	29.1%	14.4%	11.2%	12.3%
Sales by segment (RMB mn)					
Mass market	8,841	11,128	12,372	13,450	14,911
Athleisure	971	1,403	1,615	1,817	2,047
Professional sports	201	400	800	1,172	1,499
Total	10,013	12,930	14,787	16,440	18,457
Sales by segment growth (YoY)					
Mass market	24.5%	25.9%	11.2%	8.7%	10.9%
Athleisure	-2.8%	44.5%	15.1%	12.5%	12.6%
Professional sports	180.3%	99.0%	100.0%	46.5%	27.9%
Total	22.5%	29.1%	14.4%	11.2%	12.3%
Sales network					
Xtep	4,722	4,493	4,628	4,767	4,910
Xtep kids	1,179	1,520	1,626	1,708	1,793
Oversea stores	250	300	300	300	300
Total	6,151	6,313	6,554	6,774	7,003
GP margins	41.7%	40.9%	41.2%	41.6%	42.1%
Opex breakdown					
A&P / sales	10.2%	11.9%	12.6%	12.5%	12.5%
Staff costs/ sales	11.1%	11.3%	11.1%	11.2%	11.3%
R&D / sales	2.5%	2.3%	2.4%	2.6%	2.6%
D&A / sales	1.7%	1.9%	1.7%	1.6%	1.4%
Provisions (write backs) / sales	-0.2%	0.4%	0.3%	0.2%	0.2%
Rental / sales	0.1%	0.1%	0.4%	0.4%	0.4%
Selling & distribution costs / sales	18.9%	20.8%	20.9%	20.9%	20.9%
Admin expenses / sales	11.9%	11.2%	11.7%	11.5%	11.4%
Total	30.8%	32.0%	32.6%	32.4%	32.3%
OP margins	13.9%	11.3%	11.2%	11.5%	12.1%
Effective tax rate	30.9%	33.0%	32.0%	31.0%	30.0%
Net profit att. margins	9.1%	7.1%	7.2%	7.7%	8.5%
Net profit att. growth (%)	77.1%	1.5%	14.8%	19.8%	24.3%

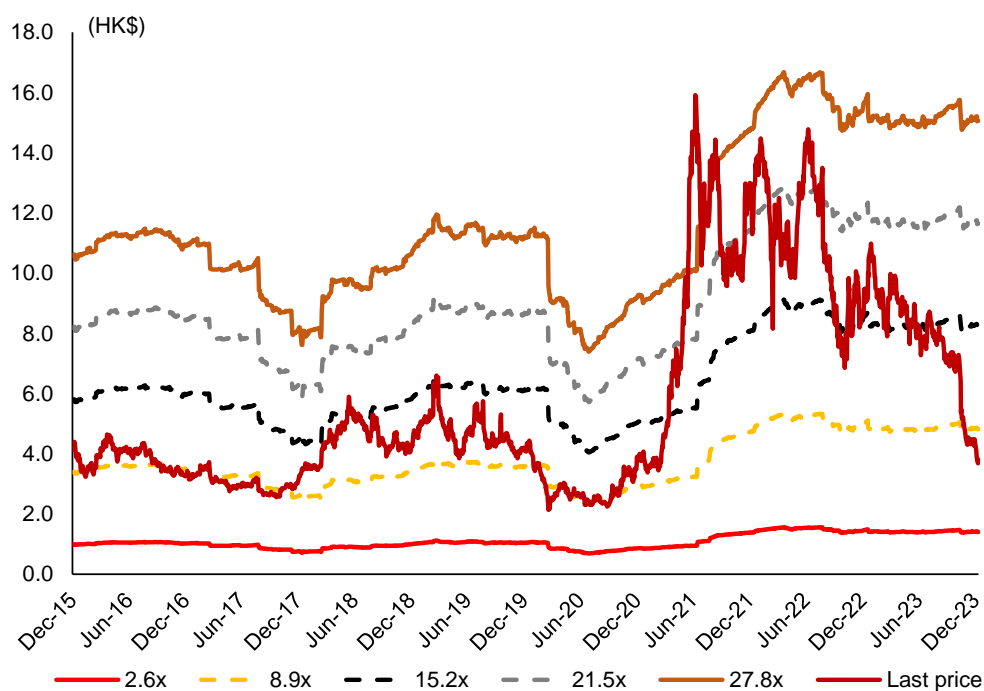
Source: Company data, CMBIGM estimates

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	FY1E	FY1E	FY1E	FY1E
H shares Sportswear														
Xtep Intl	1368 HK	BUY	7.07	3.81	86%	10,064	Dec-22	8.4	7.0	1.0	11.7	0.4	6.0	(13.6)
Anta Sports	2020 HK	BUY	109.99	70.55	56%	199,842	Dec-22	18.5	15.5	4.1	21.8	1.0	2.4	(6.9)
Li Ning	2331 HK	BUY	32.93	17.58	87%	46,155	Dec-22	11.4	9.6	1.6	16.8	1.8	3.2	(15.9)
361 Degrees	1361 HK	NR	n/a	3.35	n/a	6,927	Dec-22	6.7	5.7	0.7	10.9	0.4	4.3	(3.5)
Topsports	6110 HK	BUY	9.23	5.97	55%	37,021	Feb-23	14.3	12.2	3.3	20.4	0.8	6.1	(1.8)
Pou Sheng	3813 HK	NR	n/a	0.69	n/a	3,675	Dec-22	8.7	4.9	0.4	4.6	0.1	4.6	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.								11.7	9.2	1.6	12.5	0.7	4.8	(4.7)
Med.								11.4	9.3	1.0	11.7	0.4	4.6	(3.5)
International Sportswear														
Nike Inc	NKE US	NR	n/a	103.62	n/a	1,226,915	May-23	28.7	24.3	11.1	36.0	2.0	1.4	(4.6)
Adidas	ADS GY	NR	n/a	176.98	n/a	272,456	Dec-22	n/a	39.7	6.4	(3.7)	0.0	0.3	(3.9)
Puma	PUM GY	NR	n/a	47.02	n/a	60,653	Dec-22	20.7	15.1	2.6	10.8	1.1	1.7	(6.9)
Under Armour	UAA US	NR	n/a	8.20	n/a	27,443	Mar-23	16.7	13.5	1.7	21.0	(2.7)	0.0	(6.7)
Lululemon	LULU US	NR	n/a	491.48	n/a	484,682	Jan-23	39.6	34.5	15.3	30.5	1.2	0.0	(3.9)
Skechers	SKX US	NR	n/a	62.87	n/a	75,654	Dec-22	18.1	15.2	2.3	14.4	0.7	0.0	0.9
Vf Corp	VFC US	NR	n/a	17.33	n/a	52,667	Apr-23	11.5	9.0	2.6	(8.1)	0.1	4.5	(7.8)
Deckers	DECK US	NR	n/a	684.74	n/a	137,690	Mar-23	28.6	25.1	8.7	37.0	1.7	0.0	2.4
On Holding	ONON US	NR	n/a	28.20	n/a	70,110	Dec-22	50.1	34.4	6.9	6.3	0.4	n/a	4.6
Columbia	COLM US	NR	n/a	76.75	n/a	36,292	Dec-22	17.0	16.8	2.3	15.3	12.2	1.6	(3.5)
Wolverine	WWW US	NR	n/a	9.15	n/a	5,687	Dec-22	123.6	12.0	2.1	(62.1)	(0.7)	4.4	2.9
Mizuno Corp	8022 JP	NR	n/a	4095.00	n/a	5,903	Mar-23	9.9	9.1	0.9	8.7	2.5	1.8	4.2
Asics Corp	7936 JP	NR	n/a	4358.00	n/a	44,878	Dec-22	26.2	21.1	4.4	17.5	0.9	1.4	(1.4)
Avg.								32.6	20.8	5.2	9.5	1.5	1.4	(1.8)
Med.								23.5	16.8	2.6	14.4	0.9	1.4	(3.5)

Source: Bloomberg, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	8,172	10,013	12,930	14,787	16,440	18,457
Cost of goods sold	(4,973)	(5,835)	(7,639)	(8,697)	(9,597)	(10,692)
Gross profit	3,198	4,178	5,292	6,089	6,843	7,765
Operating expenses	(2,588)	(3,081)	(4,144)	(4,824)	(5,332)	(5,957)
Selling expense	(1,537)	(1,891)	(2,690)	(3,097)	(3,434)	(3,854)
Admin expense	(827)	(937)	(1,155)	(1,372)	(1,471)	(1,623)
R&D expense	(223)	(252)	(299)	(355)	(427)	(480)
Others	0	0	0	0	0	0
Operating profit	918	1,396	1,464	1,650	1,890	2,232
Other income	307	299	317	384	378	425
Share of (losses)/profits of associates/JV	(17)	(46)	(12)	16	59	135
EBITDA	996	1,480	1,595	1,820	2,075	2,430
Depreciation	(64)	(71)	(117)	(121)	(124)	(127)
Other amortisation	(14)	(13)	(14)	(50)	(61)	(71)
Interest income	4	21	25	26	23	19
Interest expense	(144)	(85)	(117)	(131)	(131)	(131)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	762	1,287	1,361	1,561	1,840	2,256
Income tax	(257)	(397)	(449)	(503)	(574)	(681)
Minority interest	8	19	9	(11)	(9)	(11)
Net profit	505	889	912	1,058	1,267	1,575

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,027	10,432	12,338	12,794	13,647	14,664
Cash & equivalents	3,472	3,930	3,414	2,752	2,621	2,439
Account receivables	3,236	3,528	4,213	4,817	5,356	6,013
Inventories	975	1,497	2,287	2,604	2,873	3,202
Prepayment	899	1,443	1,371	1,567	1,742	1,956
ST bank deposits	437	33	1,047	1,047	1,047	1,047
Other current assets	8	1	6	6	6	6
Non-current assets	3,544	4,183	4,155	4,852	5,189	5,647
PP&E	796	1,119	1,368	1,664	2,003	2,397
Investment in JVs & assos	218	365	439	455	514	649
Intangibles	709	671	723	1,104	1,041	968
Other non-current assets	1,820	2,028	1,626	1,629	1,631	1,633
Total assets	12,572	14,615	16,494	17,646	18,836	20,310
Current liabilities	3,334	4,053	6,645	7,234	7,742	8,362
Short-term borrowings	642	405	2,231	2,231	2,231	2,231
Account payables	1,479	2,352	2,772	3,156	3,482	3,880
Tax payable	86	123	108	108	108	108
Other current liabilities	1,127	1,173	1,534	1,739	1,921	2,144
Non-current liabilities	1,939	2,580	1,542	1,542	1,542	1,542
Long-term borrowings	1,516	1,375	193	193	193	193
Other non-current liabilities	423	1,205	1,349	1,349	1,349	1,349
Total liabilities	5,273	6,633	8,187	8,776	9,284	9,904
Share capital	22	23	23	23	23	23
Retained earnings	4,671	5,020	5,126	5,491	6,125	6,913
Other reserves	2,605	2,940	3,157	3,346	3,383	3,438
Total shareholders equity	7,299	7,982	8,307	8,860	9,531	10,374
Minority interest	0	0	0	11	20	32
Total equity and liabilities	12,572	14,615	16,494	17,646	18,836	20,310

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	762	1,287	1,361	1,572	1,851	2,269
Depreciation & amortization	78	84	131	171	186	198
Tax paid	(325)	(329)	(431)	(503)	(574)	(681)
Change in working capital	(320)	(447)	(688)	(530)	(475)	(579)
Others	125	107	199	(16)	(59)	(135)
Net cash from operations	320	701	572	694	930	1,072
Investing						
Capital expenditure	(207)	(414)	(365)	(417)	(464)	(521)
Acquisition of subsidiaries/ investments	(4)	(3)	(5)	(434)	0	0
Others	784	89	(503)	0	0	0
Net cash from investing	573	(329)	(873)	(851)	(464)	(521)
Financing						
Dividend paid	(279)	(356)	(550)	(505)	(597)	(733)
Net borrowings	(77)	(312)	466	0	0	0
Proceeds from share issues	37	0	0	0	0	0
Share repurchases	(6)	0	0	0	0	0
Others	(55)	764	(152)	0	0	0
Net cash from financing	(380)	96	(236)	(505)	(597)	(733)
Net change in cash						
Cash at the beginning of the year	2,970	3,472	3,930	3,414	2,752	2,621
Exchange difference	(11)	(11)	21	0	0	0
Others	513	469	(537)	(662)	(131)	(182)
Cash at the end of the year	3,472	3,930	3,414	2,752	2,621	2,439
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	(0.1%)	22.5%	29.1%	14.4%	11.2%	12.3%
Gross profit	(9.9%)	30.6%	26.7%	15.1%	12.4%	13.5%
Operating profit	(25.6%)	52.1%	4.9%	12.7%	14.5%	18.1%
EBITDA	(24.6%)	48.6%	7.8%	14.1%	14.0%	17.1%
Net profit	(31.0%)	76.1%	2.6%	16.0%	19.7%	24.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	39.1%	41.7%	40.9%	41.2%	41.6%	42.1%
Operating margin	11.2%	13.9%	11.3%	11.2%	11.5%	12.1%
EBITDA margin	12.2%	14.8%	12.3%	12.3%	12.6%	13.2%
Return on equity (ROE)	7.1%	11.6%	11.2%	12.3%	13.8%	15.8%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.2	0.2	0.1	0.1	0.0	0.0
Current ratio (x)	2.7	2.6	1.9	1.8	1.8	1.8
Receivable turnover days	144.5	128.6	118.9	118.9	118.9	118.9
Inventory turnover days	71.5	93.7	109.3	109.3	109.3	109.3
Payable turnover days	108.5	147.1	132.4	132.4	132.4	132.4
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	12.5	21.0	26.6	8.4	7.0	5.6
P/E (diluted)	12.5	21.0	26.6	8.4	7.0	5.6
P/B	0.9	2.4	3.0	1.0	0.9	0.9
P/CFPS	20.0	27.2	42.8	13.3	9.9	8.6
Div yield (%)	4.6	2.9	1.8	6.0	7.1	8.9
EV	7,952.5	8,278.5	8,813.1	9,475.2	17,120.1	17,513.9
EV/Sales	1.0	0.8	0.7	0.6	1.0	0.9
EV/EBITDA	8.0	5.6	5.5	5.2	8.2	7.2

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

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