

Xtep (1368 HK)

Guidance softens with mounting inventory risks

Xtep has become more cautious about 4Q22E and FY23E, due to weakened demand and mounting pressure on its inventory. But we maintain BUY and revise down its TP to HK\$10.52, implying a 19x FY23E P/E (from SOTP valuation method), just because its valuation is not too demanding, at 15x FY23E P/E.

- **3Q22 was roughly inline, but slightly softened in Sep 2022.** Xtep's retail sales rose by 20-25% YoY in 3Q22, inline with CMBI est. (highly impressive at ~30%/ ~50% for E-commerce/Kid). Retail discounts remained at around 25% to 30% off (same as 3Q21 and 2Q22). However, since the retail sales growth was fairly strong back in Jul/ Aug 2022 (at ~25%/ ~30%), growth had slowed down to low-teens in Sep 2022, plus the inventory to sales ratio also slightly worsened to 4.5 to 5.0 months (from about 4.5 months in 2Q22). The 3Q22 operating numbers, as a whole, was kind of powerless.
- **Management had turned much more cautious about 4Q22E.** We have cut our FY22E net profit estimates, as management highlights their concern on 4Q22E, due to: 1) relatively slow growth during the 10-1 golden week (only at mid-teens), because ~20% of stores were closed due to COVID-19 and its associated social distancing measures, 2) potential increase in retail discounts (perhaps to 30% off or more) in 4Q22E, in order to clear the mounting inventory, 3) potential margin pressure, as Xtep kids continue to outperform and Xtep core to remain relatively sluggish. Noted that double 11 in 2022 is still extremely important, 2H22E result could still be very decent if sales growth and margin stay healthy during the festival, vice versa.
- **FY23E guidance has now become more uncertain, but the 2025 target is still achievable.** We are more pessimistic on FY23E guidance, because: 1) 4Q23E trade fair growth may be dampened by the less favorable inventory level and consumer sentiment, 2) 1Q23 to 3Q23 trade fair orders can still be adjusted, if the inventory cannot be clear in a reasonable time frame, 3) outlook for K-swiss and Palladium in FY23E may be dragged by the slowdown in US and EU economic growth (even though inventory in 2H22E is much better vs 1H22E). However, despite the short-term volatility, management still thinks the 2025 target reachable. In fact, we believe 20%+ YoY retail sales growth is not difficult, with no disruption from COVID-19, supported by Xtep's current branding, product and channel quality.
- **Maintain BUY but cut TP to HK\$ 10.52.** We revised down FY22E/ 23E/ 24E net profit by ~8%/ ~10%/ ~8%. Maintain BUY but with a lower TP at HK\$ 10.52, based on 19x FY23E P/E, quite reasonable given the 20% NP CAGR in FY21-24E (vs previous SOTP valuation of (23x FY23E P/E for Xtep, cost for K&P and 2.0x P/S for JV). It is trading at only 0.9x PEG.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	8,172	10,013	12,591	14,672	16,774
YoY growth (%)	(0.1)	22.5	25.7	16.5	14.3
Net income (RMB mn)	513	908	1,052	1,248	1,579
EPS (RMB)	0.206	0.355	0.406	0.474	0.599
YoY growth (%)	(31.6)	72.1	14.3	16.7	26.5
Consensus EPS (RMB)	N/A	N/A	0.440	0.538	0.660
P/E (x)	32.8	18.8	16.5	14.5	11.5
P/B (x)	2.4	2.1	2.1	2.0	1.8
Yield (%)	1.7	3.2	3.0	4.1	5.2
ROE (%)	7.0	11.4	12.4	13.7	16.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$10.52
(Previous TP	HK\$17.04)
Up/Downside	+30.64%
Current Price	HK\$8.05

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	21,210
Avg 3 mths t/o (HK\$ mn)	160.42
52w High/Low (HK\$)	14.98/7.12
Total Issued Shares (mn)	2,634.8

Source: Bloomberg

Shareholding Structure

Mr Ding Shui Po & Family	52.28%
JP Morgan Chase	4.61%
ICBC Credit Suisse AM	3.02%
Employee incentive scheme	4.01%
Free Float	36.08%

Source: HKEx, Bloomberg

Share Performance

	Absolute	Relative
1-mth	-23.2%	-13.2%
3-mth	-44.4%	-32.1%
6-mth	-31.9%	-11.7%
12-mth	-19.6%	22.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

1. Xtep (1368 HK, BUY) – Inventory not a worry and guidance maintained – 24 Aug 2022
2. Xtep (1368 HK, BUY) – A resilient 2Q22 and FY22E guidance upheld – 14 Jul 2022
3. Xtep (1368 HK, BUY) – Prudent on 2Q22 but guidance maintained – 8 Apr 2022

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	12,591	14,672	16,774	12,859	15,225	17,393	-2.1%	-3.6%	-3.6%
Gross profit	5,270	6,172	7,129	5,446	6,475	7,430	-3.2%	-4.7%	-4.1%
EBIT	1,612	1,900	2,350	1,738	2,099	2,538	-7.2%	-9.5%	-7.4%
Net profit att.	1,052	1,248	1,579	1,138	1,385	1,709	-7.6%	-9.9%	-7.6%
Diluted EPS (RMB)	0.406	0.474	0.599	0.439	0.526	0.649	-7.6%	-9.9%	-7.6%
Gross margin	41.9%	42.1%	42.5%	42.3%	42.5%	42.7%	-0.5ppt	-0.5ppt	-0.2ppt
EBIT margin	12.8%	12.9%	14.0%	13.5%	13.8%	14.6%	-0.7ppt	-0.8ppt	-0.6ppt
Net profit att. margin	8.4%	8.5%	9.4%	8.9%	9.1%	9.8%	-0.5ppt	-0.6ppt	-0.4ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	12,591	14,672	16,774	12,968	16,157	19,597	-2.9%	-9.2%	-14.4%
Gross profit	5,270	6,172	7,129	5,439	6,796	8,263	-3.1%	-9.2%	-13.7%
EBIT	1,612	1,900	2,350	1,740	2,100	2,557	-7.4%	-9.5%	-8.1%
Net profit att.	1,052	1,248	1,579	1,127	1,383	1,686	-6.7%	-9.7%	-6.3%
Diluted EPS (RMB)	0.406	0.474	0.599	0.440	0.538	0.660	-7.8%	-11.9%	-9.2%
Gross margin	41.9%	42.1%	42.5%	41.9%	42.1%	42.2%	-0.1ppt	0ppt	0.3ppt
EBIT margin	12.8%	12.9%	14.0%	13.4%	13.0%	13.0%	-0.6ppt	0ppt	1ppt
Net profit att. margin	8.4%	8.5%	9.4%	8.7%	8.6%	8.6%	-0.3ppt	0ppt	0.8ppt

Source: Company data, CMBIGM estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E
Nike China sales	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%	-8.0%	-20.0%	-13.0%	5.0%
Adidas China sales	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%	-35.0%	-35.0%	-20.0%	-5.0%
Anta brand's SSSG																
Anta brand's retail sales	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	-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	8.0%
Core brand	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-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	
Kids	Over 20%	30%	Over 25%	25%	-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	
Online	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	
Non-Anta brands (FILA/ 65%-70% 55%-60%)																
FILA brand's retail sales			50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	11.0%
Classic/ Core brand			Over 40%	Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	
Kids			Over 70%	Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD	
Fusion			Over 100%	Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	
Online			Over 70%	Over 70%	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	
Other brands																
Descente	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	
Kolon		15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	
Li Ning group's SSSG																
Direct retail	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	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		
Wholesales	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	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		
E- Commerce	+ve High 30%	+ve Mid 30%	+ve Mid 30%	+ve Low 40%	+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 LSD		
Li Ning group's retail sales																
Direct retail	+ve Low-teens	+ve HSD	+ve Mid-teens	+ve High-teens	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve High 90%	+ve Low 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD		
Wholesales	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 30%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD		
E- Commerce	+ve Low 40%	+ve High 20%	+ve Low 50%	+ve Low 40%	+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		
Xtep's SSSG																
Xtep's retail sales	Over 20%	Over 20%	20%	Over 20%	-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%	14.0%
361 Degree's SSSG																
361 Degree's retail sales	+ve LSD	+ve LSD	+ve LSD	+ve LSD	-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	
Pou Sheng's SSSG	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%										
Pou Sheng's sales	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-25.0%	-24.1%	-8.0%	0.0%
Topsports' retail sales																
Dong Xiang's SSSG	-ve LSD	+ve MSD	+ve Mid to High SD	+ve Mid to High SD	-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		
Dong Xiang's retail sale	+ve MSD	+ve MSD	+ve Mid-teens	+ve Low-teens	-ve 25%-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		
Direct retail	Flat	+ve LSD	+ve HSD	+ve MSD	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%							
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%	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	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by segment (RMB mn)					
Shoes	5,047	5,928	7,131	8,253	9,598
Apparels	2,964	3,887	5,248	6,193	6,936
Accessories	161	198	211	226	240
Total	8,172	10,013	12,591	14,672	16,774
Sales by segment growth (%)					
Shoes	8.5%	17.5%	20.3%	15.7%	16.3%
Apparels	-11.4%	31.2%	35.0%	18.0%	12.0%
Accessories	-12.9%	22.5%	7.0%	7.0%	6.0%
Total	-0.1%	22.5%	25.7%	16.5%	14.3%
Sales by segment (RMB mn)					
Mass market	7,101	8,841	10,985	12,734	14,440
Athleisure	999	971	1,268	1,429	1,613
Professional sports	72	201	338	510	721
Total	8,172	10,013	12,591	14,672	16,774
Sales by segment growth (YoY)					
Mass market	-7.9%	24.5%	24.2%	15.9%	13.4%
Athleisure	114.4%	-2.8%	30.6%	12.7%	12.8%
Professional sports	609.9%	180.3%	68.1%	50.8%	41.5%
Total	-0.1%	22.5%	25.7%	16.5%	14.3%
Sales network					
Xtep	4,971	4,722	4,864	5,010	5,160
Xtep kids	800	1,179	1,297	1,401	1,499
Oversea stores	250	250	300	300	300
Total	6,021	6,151	6,461	6,710	6,959
GP margins	39.1%	41.7%	41.9%	42.1%	42.5%
Opex breakdown					
A&P / sales	11.2%	10.2%	11.0%	11.3%	11.3%
Staff costs/ sales	12.1%	11.1%	10.4%	10.4%	10.2%
R&D / sales	2.7%	2.5%	2.6%	2.5%	2.5%
D&A / sales	2.0%	1.7%	1.5%	1.5%	1.4%
Provisions (write backs) / sales	0.7%	-0.2%	0.0%	0.0%	0.0%
Rental / sales	0.1%	0.1%	0.3%	0.4%	0.4%
Selling & distribution costs / sales	18.8%	18.9%	19.5%	19.7%	19.3%
Admin expenses / sales	12.9%	11.9%	11.9%	11.5%	11.2%
Total	31.7%	30.8%	31.4%	31.1%	30.5%
OP margins	11.2%	13.9%	12.8%	12.9%	14.0%
Effective tax rate	33.7%	30.9%	32.0%	31.0%	30.0%
Net profit att. margins	6.3%	9.1%	8.4%	8.5%	9.4%
Net profit att. growth (%)	-29.5%	77.1%	15.8%	18.7%	26.5%

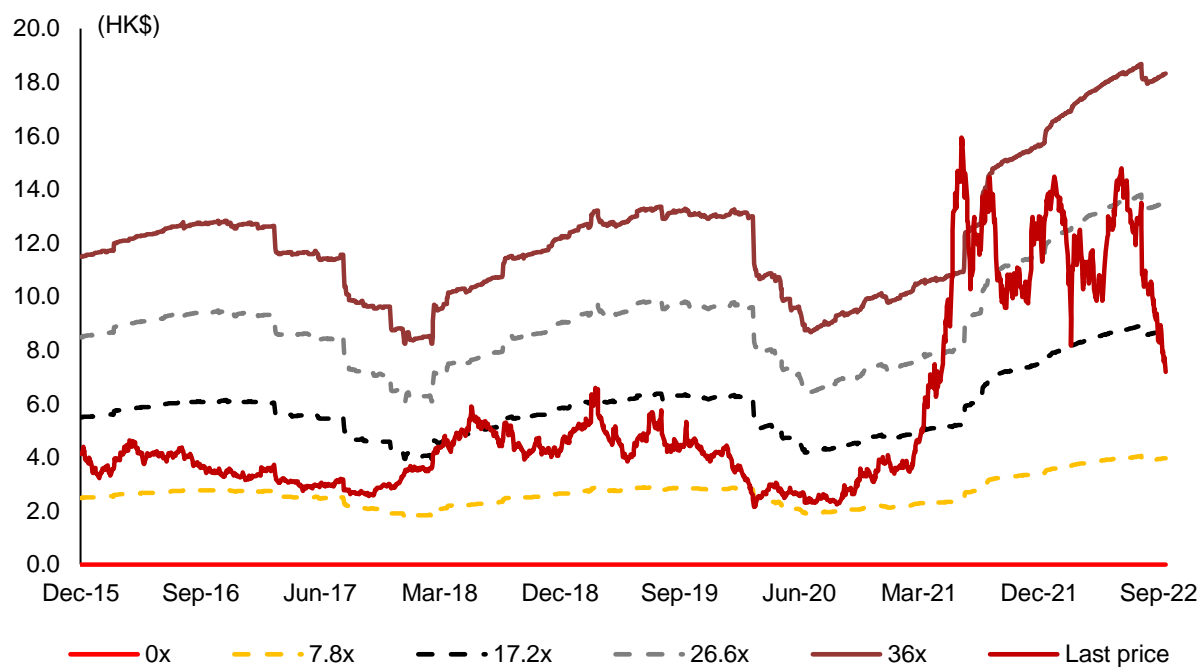
Source: Company data, CMBIGM estimates

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 (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Xtep Intl	1368 HK	BUY	17.04	12.62	35%	33,252	Dec-21	23.8	20.6	3.3	3.1	13.5	1.1	2.5
Anta Sports	2020 HK	BUY	122.05	92.00	33%	249,653	Dec-21	26.8	20.9	6.3	5.1	25.5	1.7	1.5
Li Ning	2331 HK	BUY	80.64	69.90	15%	183,011	Dec-21	33.1	26.6	6.3	5.4	26.1	1.8	0.9
361 Degrees	1361 HK	NR	n/a	4.20	n/a	8,684	Dec-21	10.9	9.5	1.0	0.9	10.3	0.9	2.1
Topsports	6110 HK	NR	n/a	6.29	n/a	39,006	Feb-22	12.8	10.7	3.0	2.7	24.1	1.2	5.2
Pou Sheng	3813 HK	NR	n/a	0.79	n/a	4,208	Dec-21	13.8	5.1	0.4	0.4	(3.2)	0.4	1.5
China DX	3818 HK	NR	n/a	0.37	n/a	2,178	Mar-22	n/a	4.0	0.2	0.2	(16.7)	0.0	6.2
Avg.								20.2	13.9	2.9	2.5	11.4	1.0	2.9
Med.								18.8	10.7	3.0	2.7	13.5	1.1	2.1
International Sportswear														
Nike Inc	NKE US	NR	n/a	111.79	n/a	1,376,068	May-22	29.6	24.4	11.2	9.9	43.1	2.3	1.1
Adidas	ADS GY	NR	n/a	157.16	n/a	236,591	Dec-21	23.1	18.0	4.4	4.2	29.5	(4.3)	1.9
Puma	PUM GY	NR	n/a	62.84	n/a	74,274	Dec-21	23.8	19.2	3.8	3.4	16.0	1.3	1.4
Under Armour	UAA US	NR	n/a	9.08	n/a	30,521	Mar-23	17.8	12.7	2.1	1.7	n/a	3.9	0.0
Lululemon	LULU US	NR	n/a	319.44	n/a	319,975	Jan-22	33.0	28.8	12.6	9.8	38.4	1.7	0.0
Skechers	SKX US	NR	n/a	39.29	n/a	48,018	Dec-21	14.6	11.5	1.6	1.4	23.3	(3.1)	0.0
Vf Corp	VFC US	NR	n/a	43.76	n/a	133,413	Apr-22	14.4	12.9	4.4	4.2	30.4	8.1	4.7
Columbia	COLM US	NR	n/a	74.35	n/a	36,228	Dec-21	14.4	12.8	2.4	2.1	18.5	1.9	1.6
Wolverine	WWW US	NR	n/a	21.39	n/a	13,217	Jan-22	9.8	8.5	2.5	2.0	18.4	0.2	2.0
Mizuno Corp	8022 JP	NR	n/a	2688.00	n/a	4,115	Mar-22	10.6	9.3	0.6	0.6	7.6	(2.7)	2.2
Asics Corp	7936 JP	NR	n/a	2583.00	n/a	28,246	Dec-21	26.5	20.7	3.1	2.8	6.4	0.8	1.2
Avg.								19.8	16.2	4.4	3.8	23.2	0.9	1.5
Med.								17.8	12.9	3.1	2.8	20.9	1.3	1.4

Source: Bloomberg, CMBIGM estimates

Figure 6: P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	8,172	10,013	12,591	14,672	16,774
Footwear	5,047	5,928	7,131	8,253	9,598
Apparel	2,964	3,887	5,248	6,193	6,936
Accessories	161	198	211	226	240
Cost of goods sold	(4,973)	(5,835)	(7,321)	(8,500)	(9,645)
Gross profit	3,198	4,178	5,270	6,172	7,129
Other income	307	299	290	293	335
Operating expenses	(2,588)	(3,081)	(3,948)	(4,566)	(5,114)
S & D costs	(1,537)	(1,891)	(2,452)	(2,886)	(3,242)
Admin exp.	(827)	(937)	(1,169)	(1,313)	(1,452)
R & D	(223)	(252)	(327)	(367)	(419)
Other operating expenses	-	-	-	-	-
EBIT	918	1,396	1,612	1,900	2,350
Finance costs, net	(140)	(63)	(47)	(53)	(56)
JVs & associates	(17)	(46)	(41)	(31)	(22)
Exceptional	-	-	-	-	-
Pre-tax profit	762	1,287	1,524	1,817	2,272
Income tax	(257)	(397)	(488)	(563)	(682)
Less: Minority interests	(8)	(19)	(15)	5	11
Net profit	513	908	1,052	1,248	1,579

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	918	1,396	1,612	1,900	2,350
D & A	78	84	132	167	182
Change in working capital	(320)	(447)	(786)	(638)	(651)
Income tax paid	(325)	(329)	(488)	(563)	(682)
Others	(32)	(3)	(47)	(53)	(56)
Net cash from operating	320	701	423	813	1,144
Capex & investments	(207)	(414)	(441)	(514)	(587)
Associated companies	(20)	-	-	-	-
Interest received	-	-	-	-	-
Others	800	86	-	-	-
Net cash from investing	573	(329)	(441)	(514)	(587)
Equity raised	31	-	-	-	-
Net change in bank loans	(77)	(312)	-	-	-
Dividend paid	(279)	(356)	(540)	(633)	(840)
Others	(55)	764	-	-	-
Net cash from financing	(380)	96	(540)	(633)	(840)
Net change in cash	513	469	(558)	(334)	(284)
Beginning cash balance	2,970	3,472	3,930	3,372	3,038
Exchange difference	(11)	(11)	-	-	-
Cash at the end of the year	3,472	3,930	3,372	3,038	2,754

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	3,544	4,183	4,451	4,767	5,151
Fixed asset	796	1,119	1,453	1,840	2,297
Intangible assets & goodwill	741	700	674	634	582
Prepaid lease payments	573	576	576	576	576
Interest in joint ventures	218	365	324	293	272
Other non-current assets	1,216	1,424	1,424	1,424	1,424
Current assets	9,027	10,432	11,535	12,537	13,591
Cash and cash equivalents	3,472	3,930	3,372	3,038	2,754
Inventories	975	1,497	1,879	2,181	2,475
Trade and other receivables	3,236	3,528	4,437	5,170	5,910
Prepayments	899	1,443	1,814	2,114	2,417
Other current assets	446	34	34	34	34
Current liabilities	3,334	4,053	4,928	5,626	6,312
Bank loans	642	405	405	405	405
Trade payables	1,479	2,352	2,951	3,427	3,888
Accruals & other payables	1,052	1,071	1,347	1,569	1,794
Tax payables	86	123	123	123	123
Others	75	102	102	102	102
Non-current liabilities	1,939	2,580	2,580	2,580	2,580
Bank loans	1,516	1,375	1,375	1,375	1,375
CB or Preferred shares	-	758	758	758	758
Deferred tax	237	253	253	253	253
Others	186	194	194	194	194
Minority Interest	-	-	-15	-10	2
Total net assets	7,299	7,982	8,494	9,109	9,848
Shareholders' equity	7,299	7,982	8,494	9,109	9,848

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Footwear	61.8	59.2	56.6	56.3	57.2
Apparel	36.3	38.8	41.7	42.2	41.3
Accessories	2.0	2.0	1.7	1.5	1.4
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	39.1	41.7	41.9	42.1	42.5
Operating margin	11.2	13.9	12.8	12.9	14.0
Pre-tax margin	9.3	12.9	12.1	12.4	13.5
Net margin	6.3	9.1	8.4	8.5	9.4
Effective tax rate	33.0	29.8	31.2	30.5	29.7
Balance sheet ratios					
Current ratio (x)	2.7	2.6	2.3	2.2	2.2
Quick ratio (x)	2.4	2.2	2.0	1.8	1.8
Cash ratio (x)	1.0	1.0	0.7	0.5	0.4
Inventory turnover days	72	94	94	94	94
Trade receivables days	145	129	129	129	129
Trade payables days	109	147	147	147	147
Total debt / total equity ratio (%)	30	32	30	28	26
Net debt / equity ratio (%)	Net	Net	Net	Net	Net
Returns (%)					
ROE	7.0	11.4	12.4	13.7	16.0
ROA	4.1	6.2	6.6	7.2	8.4
Per share					
EPS (RMB)	0.21	0.36	0.41	0.47	0.60
DPS (RMB)	0.12	0.21	0.20	0.28	0.36
BVPS (RMB)	2.87	3.13	3.22	3.46	3.74

Source: Company data, CMBIGM estimates

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