

# Li Ning (2331 HK)

## Still positive despite all margin drags in 2H25E

1H25 net profit dropped YoY, but the core operating profit started to grow again. With a potentially tougher outlook in 2H25E, we have revised down our net profit forecasts, but given Li Ning's efforts on turnaround and the intrinsic value of the brand, we maintain our BUY rating.

■ **Performance from Jul to MTD in Aug 2025 was weak, and therefore the risks of higher retail discounts and store closures are still there.** According to management, the offline traffic decline has improved in 1H25 (vs FY24). However, this trend stopped in Jul 2025 and even reversed in MTD Aug 2025. Based on our channel check, we can also tell that the e-commerce sales growth in Jul 2025 was worse than that in Jun 2025 and 2Q25. As a result, we would not be surprised to see the retail sales growth to get worse in Jul to MTD in Aug 2025, vs 2Q25. In the same vein, the retail discounts in Jul to MTD in Aug 2025 have widened YoY, for both the offline and online channels. Also, if sales per store (esp. the offline sales) further decline, more stores could have to be closed in 2H25E.

■ **FY25E guidance remained unchanged.** Management has kept the FY25E guidance (flatish sales growth and a HSD net profit margin) unchanged. We do find it reasonable, because the sales growth drivers like strengthening the quality of existing product lines and launching more new products and product series could be offset by a fairly weak macro backdrop and the potential slowdown in e-commerce sales growth (likely due to the high base last year). And on the margin side, there are quite a number of drags in 2H25E, namely: 1) pressure to destock, which means retail discounts may further widen YoY and hence the GP margin is likely to be lower than last year, 2) surge in A&P expenses, after partnering with the Chinese Olympic Committee (cash sponsorship will likely go up in 2H25E because there will be full 6 months payment, vs just 2 months in 1H25; equipment sponsorship will also be more in 2H25E), 3) increase in staff costs, mostly driven by the share-based compensation (there were RMB 77mn of write-backs in 1H25, and RMB 100mn could be paid in 2H25E as the new round of incentive scheme starts), 4) risks of investment property and store closure related impairments (property market and the offline sales per store may still be under pressure), and 5) potentially high tax rate (CMBI est. of 31% for FY25E), due to cash transfer overseas.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,598	28,676	29,239	30,628	32,271
YoY growth (%)	7.0	3.9	2.0	4.8	5.4
Operating profit (RMB mn)	3,559.1	3,678.2	3,158.3	3,808.2	4,276.2
Net profit (RMB mn)	3,187.0	3,012.9	2,441.5	2,943.3	3,331.7
EPS (Reported) (RMB)	1.23	1.17	0.94	1.14	1.29
YoY growth (%)	(20.5)	(5.0)	(19.0)	20.6	13.2
P/E (x)	14.8	15.5	19.2	15.9	14.0
P/B (x)	1.9	1.8	1.7	1.6	1.5
Yield (%)	3.0	3.0	2.5	3.0	3.3
ROE (%)	13.1	11.9	9.1	10.5	11.2
Net gearing (%)	34.1	58.3	59.6	62.6	64.5

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$23.02
(Previous TP)	HK\$18.95)
Up/Downside	16.8%
Current Price	HK\$19.70

### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	51,546.0
Avg 3 mths t/o (HK\$ mn)	410.0
52w High/Low (HK\$)	20.85/12.92
Total Issued Shares (mn)	2616.5

Source: FactSet

#### Shareholding Structure

Viva China Holdings	11.3%
GIC Pte Ltd.	5.0%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	15.9%	14.9%
3-mth	29.9%	20.7%
6-mth	19.0%	10.2%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Recent Reports:

[Xtep \(1368 HK\) - FY25E guidance unchanged after 1H25 beat](#)  
(19 Aug 25)

[361 Degrees \(1361 HK\) - Guidance unchanged but we are concerned](#)  
(15 Aug 25)

[Xtep \(1368 HK\) - 2Q25 was weak but guidance remained intact](#)  
(17 Jul 25)

[Anta Sports \(2020 HK\) - Anta brand's miss offset by other brands' beat](#)  
(16 Jul 25)

[Li Ning \(2331 HK\) - 2Q25 roughly inline and transition in progress](#)  
(15 Jul 25)

[Topsports \(6110 HK\) - Prudent guidance but strong cash flow & yield](#)  
(23 May 25)

- **Maintain BUY and raise TP to HK\$ 23.02, based on 19x FY26E P/E (rolled over from 18x FY25E P/E).** We revise down FY25E/ 26E/ 27E net profit forecasts by 5%/ 1%/ 4%, in order to factor in: 1) better-than-expected sales growth in 1H25, 2) weaker GP margin and discounts assumptions, 3) potentially greater operating leverage, and 4) higher-than-expected impairments and effective tax rate. Even though the net profit ahead may still be under certain pressure, the core operating profit has already improved in 1H25. Moreover, since Viva China has started to repurchase more of Li Ning's shares and together with the increasing desire for the Chinese government to boost consumption, we have also turned more positive on any potential turnaround ahead in the next few years. The stock is now trading at 20x FY25E P/E or 16x FY26E P/E, which is still far below its 10-year average of 25x.
- **1H25 results beat BBG est.. If we exclude all the non-operating losses, the underlying is slightly positive.** In 1H25, Li Ning's sales increased by 3% YoY to RMB 14.8bn, inline with CMBI est. but 2% higher than BBG est., and the net profit dropped by 11% YoY to RMB 1.74bn, 6% below CMBI est. but beating BBG est. by 4%. We believe the beat was mainly due to the better-than-expected opex control (while A&P expenses increased by 7% YoY, the staff costs/ rental expenses/ D&A expenses fell by 6%/ 9%/ 25%). Even though the net profit declined YoY, if we exclude the non-operating items or losses (e.g. RMB 106mn in property investment related impairment, RMB 153mn in store closure related impairment, RMB 76mn impairment in fair value of an subsidiary and the higher-than-expected tax rate at 33% (vs CMBI est. of 26%), the core operating profit could have been increased by 15% YoY, and therefore, we do think the underlying is good. However, on a negative note, we should also be aware of the faster-than-sales growth inventory (by 6% YoY and the average age of inventory lengthened) and receivables (by 11% YoY) in 1H25.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	29,239	30,628	32,271	28,676	30,518	32,485	2.0%	0.4%	-0.7%
Gross profit	14,187	14,956	15,758	14,080	15,054	16,025	0.8%	-0.7%	-1.7%
EBIT	3,158	3,808	4,276	3,178	3,686	4,268	-0.6%	3.3%	0.2%
Net profit att.	2,442	2,943	3,332	2,558	2,980	3,471	-4.5%	-1.2%	-4.0%
Diluted EPS (RMB)	0.94	1.14	1.29	0.99	1.15	1.34	-4.5%	-1.2%	-4.0%
Gross margin	48.5%	48.8%	48.8%	49.6%	49.8%	49.8%	-1.1ppt	-0.9ppt	-0.9ppt
EBIT margin	10.8%	12.4%	13.3%	11.6%	12.5%	13.5%	-0.8ppt	-0.1ppt	-0.2ppt
Net profit att. margin	8.4%	9.6%	10.3%	9.3%	10.1%	11.0%	-1ppt	-0.5ppt	-0.6ppt

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	29,239	30,628	32,271	28,932	30,412	32,027	1.1%	0.7%	0.8%
Gross profit	14,187	14,956	15,758	14,189	14,991	15,852	0.0%	-0.2%	-0.6%
EBIT	3,158	3,808	4,276	3,071	3,425	3,836	2.8%	11.2%	11.5%
Net profit att.	2,442	2,943	3,332	2,543	2,880	3,204	-4.0%	2.2%	4.0%
Diluted EPS (RMB)	0.94	1.14	1.29	0.98	1.11	1.23	-3.9%	2.5%	4.4%
Gross margin	48.5%	48.8%	48.8%	49.0%	49.3%	49.5%	-0.5ppt	-0.5ppt	-0.7ppt
EBIT margin	10.8%	12.4%	13.3%	10.6%	11.3%	12.0%	0.2ppt	1.2ppt	1.3ppt
Net profit att. margin	8.4%	9.6%	10.3%	8.8%	9.5%	10.0%	-0.4ppt	0.1ppt	0.3ppt

Source: Company data, Bloomberg, CMBIGM estimates

## Results review

Figure 3: Results summary – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25E	1H24 YoY	2H24 YoY	1H25 YoY	2H25E YoY	1H25E CMBIG M	Actual vs CMBIGM
Revenue	14,345	14,330	14,817	14,422	2%	6%	3%	1%	14,755	0%
COGS	-7,110	-7,410	-7,402	-7,650					-7,378	
Gross profit	7,236	6,921	7,415	6,772	6%	6%	2%	-2%	7,378	1%
<b>GP margins</b>	<b>50.4%</b>	<b>48.3%</b>	<b>50.0%</b>	<b>47.0%</b>					<b>50.0%</b>	
Other income & gains	184	-35	93	68					221	-58%
S & D expenses	-4,327	-4,872	-4,293	-5,416	10%	-5%	-1%	11%	-4,545	-6%
<b>S &amp; D exp / sales</b>	<b>-30.2%</b>	<b>-34.0%</b>	<b>-29.0%</b>	<b>-37.6%</b>					<b>-30.8%</b>	
Admin expenses	-680	-748	-777	-705	15%	12%	14%	-6%	-708	10%
<b>Admin exp / sales</b>	<b>-4.7%</b>	<b>-5.2%</b>	<b>-5.2%</b>	<b>-4.9%</b>					<b>-4.8%</b>	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	2,412	1,266	2,438	720	-3%	17%	1%	-43%	2,346	4%
<b>OP margins</b>	<b>16.8%</b>	<b>8.8%</b>	<b>16.5%</b>	<b>5.0%</b>					<b>15.9%</b>	
Other items	0	0	0	0					0	
Net finance income	100	75	34	85					44	-22%
<b>Net finance income / sales</b>	<b>0.7%</b>	<b>0.5%</b>	<b>0.2%</b>	<b>0.6%</b>					<b>0.3%</b>	
Profit after financing costs	2,513	1,341	2,473	804					2,390	
Associated coms	0	0	0	0					0	
Jointly controlled coms	111	145	134	128					118	13%
Pre-tax profit	2,623	1,486	2,607	932	-6%	2%	-1%	-37%	2,508	4%
Tax	-661	-436	-869	-228					-652	33%
<b>Tax / sales</b>	<b>-4.6%</b>	<b>-3.0%</b>	<b>-5.9%</b>	<b>-1.6%</b>					<b>-4.4%</b>	
<b>Effective tax rate</b>	<b>-25.2%</b>	<b>-29.3%</b>	<b>-33.3%</b>	<b>-24.4%</b>					<b>-26.0%</b>	
Minority interests	0	0	0	0					0	
<b>Net profit att.</b>	<b>1,962</b>	<b>1,051</b>	<b>1,737</b>	<b>704</b>	<b>-7%</b>	<b>-1%</b>	<b>-11%</b>	<b>-33%</b>	<b>1,856</b>	<b>-6%</b>
<b>NP margins</b>	<b>13.7%</b>	<b>7.3%</b>	<b>11.7%</b>	<b>4.9%</b>					<b>12.6%</b>	

Source: Company data, CMBIGM estimates

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

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY25E YoY	FY26E YoY
Revenue	28,676	29,239	30,628	2%	5%
COGS	-14,520	-15,052	-15,672		
Gross profit	14,156	14,187	14,956	0%	5%
<b>GP margins</b>	<b>49.4%</b>	<b>48.5%</b>	<b>48.8%</b>		
Other income & gains	149	161	383		
S & D expenses	-9,199	-9,708	-10,027	6%	3%
<b>S &amp; D exp / sales</b>	<b>-32.1%</b>	<b>-33.2%</b>	<b>-32.7%</b>		
Admin expenses	-1,428	-1,481	-1,503	4%	1%
<b>Admin exp / sales</b>	<b>-5.0%</b>	<b>-5.1%</b>	<b>-4.9%</b>		
Other opex	0	0	0		
Operating profit (EBIT)	3,678	3,158	3,808	-14%	21%
<b>OP margins</b>	<b>12.8%</b>	<b>10.8%</b>	<b>12.4%</b>		
Other items	0	0	0		
Net finance income	175	119	184		
<b>Net finance income / sales</b>	<b>0.6%</b>	<b>0.4%</b>	<b>0.6%</b>		
Profit after financing costs	3,853	3,277	3,992		
Associated coms	0	0	0		
Jointly controlled coms	256	261	274		
Pre-tax profit	4,110	3,538	4,266	-14%	21%
Tax	-1,097	-1,097	-1,322		
<b>Tax / sales</b>	<b>-3.8%</b>	<b>-3.8%</b>	<b>-4.3%</b>		
<b>Effective tax rate</b>	<b>-26.7%</b>	<b>-31.0%</b>	<b>-31.0%</b>		
Minority interests	0	0	0		
<b>Net profit att.</b>	<b>3,013</b>	<b>2,442</b>	<b>2,943</b>	<b>-19%</b>	<b>21%</b>
<b>NP margins</b>	<b>10.5%</b>	<b>8.4%</b>	<b>9.6%</b>		

Source: Company data, CMBIGM estimates

## Operating numbers

Figure 5: Historical sales growth trend, by brand

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%
<b>Anta brand's SSSG</b>																
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%	4%
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		
<b>FILA brand's retail sales</b>																
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	+ve MSD	4%	4%
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		
<b>Other brands</b>																
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%	50%-55%		
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%		
<b>Li Ning group's SSSG</b>																
Li Ning group's retail sales	+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					
<b>Li Ning group's retail sales</b>																
Li Ning group's retail sales	+ve High 20%	-ve HSD	+ve Low-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%	1%
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		
<b>Xtep brand's SSSG</b>																
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	3%	4%
<b>Saucony's retail sales</b>																
Saucony's retail sales										Over 50%	50.0%	Over 40%	Over 20%			
<b>361 Degree brand's SSSG</b>																
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%		
<b>Pou Sheng's SSSG</b>																
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%	3%
<b>Topsports' retail sales</b>																
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%	0%	3%
<b>Dong Xiang's SSSG</b>																
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				
<b>Dong Xiang's retail sales</b>																
Dong Xiang's retail sales	-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 at 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	13,389	14,300	14,988	15,783	16,684
Clothes	12,411	12,050	11,809	12,282	12,896
Equipment	1,799	2,325	2,441	2,563	2,692
Others	0	0	0	0	0
Total	27,598	28,676	29,239	30,628	32,271
<b>Sales by segment growth (%)</b>					
Shoes	-0.7%	6.8%	4.8%	5.3%	5.7%
Clothes	15.9%	-2.9%	-2.0%	4.0%	5.0%
Equipment	11.3%	29.3%	5.0%	5.0%	5.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	7.0%	3.9%	2.0%	4.8%	5.4%
<b>Sales by channel growth (%)</b>					
Franchises	0.6%	2.6%	3.0%	4.0%	4.0%
Self-owned	29.6%	-0.3%	-3.5%	5.0%	5.0%
E-commerce	0.9%	10.3%	5.0%	6.0%	8.0%
International	16.6%	-0.1%	0.0%	0.0%	0.0%
Total	7.0%	3.9%	2.0%	4.8%	5.4%
<b>Sales network by segment</b>					
Self-owned	1,498	1,297	1,282	1,267	1,252
Franchise	4,742	4,820	4,870	4,920	4,970
Sub-total	6,240	6,117	6,152	6,187	6,222
LN Young	1,428	1,468	1,528	1,588	1,648
Total	7,668	7,585	7,680	7,775	7,870
GP margins	48.4%	49.4%	48.5%	48.8%	48.8%
<b>Opex breakdown</b>					
A & P/ sales	9.0%	9.5%	10.3%	10.4%	10.3%
Labour/ sales	8.7%	8.6%	8.5%	8.7%	8.8%
Rental/ sales	7.0%	6.5%	6.2%	6.3%	6.3%
D & A/ sales	3.9%	4.0%	4.8%	5.1%	4.3%
R & D/ sales	2.2%	2.4%	2.5%	2.5%	2.5%
Provision/ sales	1.2%	1.0%	1.2%	0.0%	0.0%
Selling & distribution costs / sales	32.9%	32.1%	33.2%	32.7%	32.1%
Admin expenses / sales	4.6%	5.0%	5.1%	4.9%	4.7%
<b>OP margins</b>	<b>12.9%</b>	<b>12.8%</b>	<b>10.8%</b>	<b>12.4%</b>	<b>13.3%</b>
Effective tax rate	25.1%	26.7%	31.0%	31.0%	31.0%
<b>Net profit margins</b>	<b>11.5%</b>	<b>10.5%</b>	<b>8.4%</b>	<b>9.6%</b>	<b>10.3%</b>
<b>Net profit att. growth (%)</b>	<b>-21.6%</b>	<b>-5.5%</b>	<b>-19.0%</b>	<b>20.6%</b>	<b>13.2%</b>

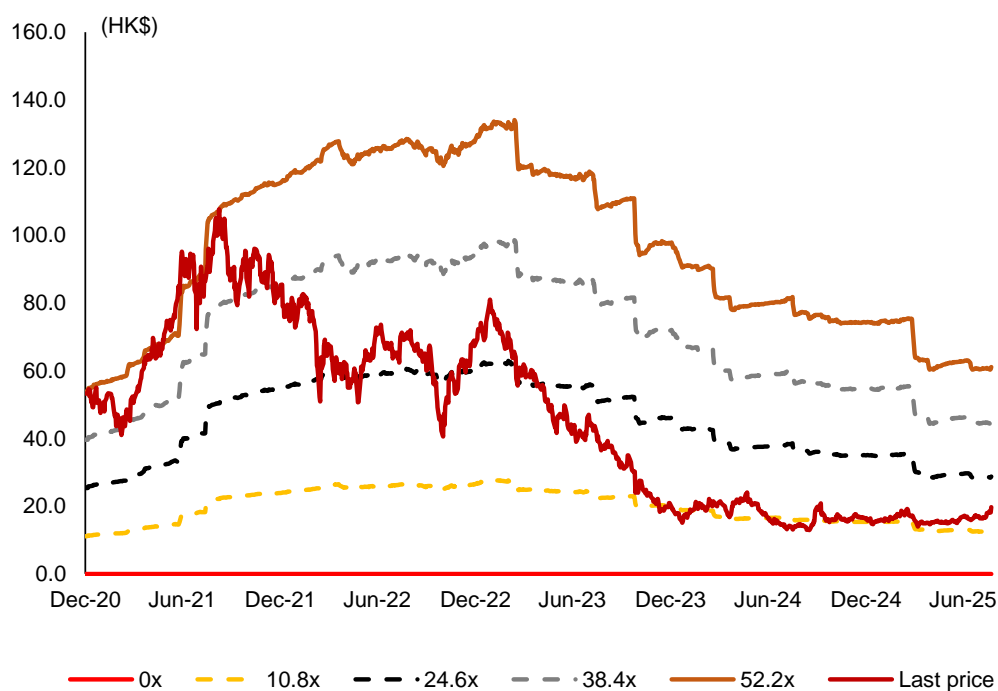
Source: Company data, CMBIGM estimates

## Valuation

Figure 7: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. (%)
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
<b>H shares Sportswear</b>														
Li Ning	2331 HK	BUY	23.02	19.70	17%	50,921	Dec-24	19.6	16.3	1.7	11.9	5.7	2.8	19.7
Anta Sports	2020 HK	BUY	111.54	102.50	9%	287,739	Dec-24	19.6	17.4	3.3	27.6	6.8	2.6	31.7
Xtep Intl	1368 HK	BUY	7.39	6.69	10%	18,615	Dec-24	12.1	10.9	1.5	14.5	1.5	4.1	18.6
361 Degrees	1361 HK	BUY	7.09	6.07	17%	12,551	Dec-24	9.1	8.1	1.0	12.6	0.8	4.9	43.2
Topsports	6110 HK	BUY	3.62	3.24	12%	20,092	Feb-25	14.0	12.0	2.0	13.6	1.3	7.9	13.4
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	5.6	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
<b>Avg.</b>								<b>13.5</b>	<b>11.7</b>	<b>1.6</b>	<b>11.9</b>	<b>2.6</b>	<b>4.7</b>	<b>25.6</b>
<b>Med.</b>								<b>13.1</b>	<b>11.5</b>	<b>1.6</b>	<b>12.6</b>	<b>1.5</b>	<b>4.5</b>	<b>19.7</b>
<b>International Sportswear</b>														
Nike Inc	NKE US	NR	n/a	78.38	n/a	904,465	May-25	46.7	32.0	8.9	23.3	4.2	2.0	3.6
Adidas	ADS GY	NR	n/a	171.45	n/a	282,648	Dec-24	22.5	15.7	4.2	23.6	0.5	1.7	(27.6)
Puma	PUM GY	NR	n/a	18.74	n/a	25,403	Dec-24	n/a	84.8	1.1	(4.0)	0.0	1.8	(57.8)
Under Armour	UAA US	NR	n/a	5.14	n/a	17,048	Mar-25	104.9	23.5	1.1	5.5	(0.5)	0.0	(37.9)
Lululemon	LULU US	NR	n/a	207.59	n/a	194,385	Feb-25	14.3	13.5	3.9	42.5	3.5	0.0	(45.7)
Skechers	SKX US	NR	n/a	63.00	n/a	73,972	Dec-24	17.1	16.4	1.7	14.8	(457.6)	0.0	(6.3)
On Holding	ONON US	NR	n/a	46.56	n/a	118,791	Dec-24	60.8	30.6	6.5	10.3	2.1	0.0	(15.0)
Decker Outdoor	DECK US	NR	n/a	109.10	n/a	126,452	Mar-25	17.2	15.6	4.6	43.6	2.3	0.0	(46.3)
Vf Corp	VFC US	NR	n/a	13.70	n/a	41,812	Mar-25	18.1	13.1	2.7	(3.5)	(0.1)	2.6	(36.2)
Columbia	COLM US	NR	n/a	56.52	n/a	24,187	Dec-24	17.8	18.1	1.7	12.9	(7.9)	2.2	(32.7)
Wolverine	WWW US	NR	n/a	30.72	n/a	19,503	Dec-24	23.5	19.4	5.2	28.1	0.4	1.3	38.4
Mizuno Corp	8022 JP	NR	n/a	2657.00	n/a	11,283	Mar-25	12.4	11.7	1.2	9.9	1.5	1.9	(11.0)
Asics Corp	7936 JP	NR	n/a	4182.00	n/a	163,584	Dec-24	34.5	30.0	9.1	30.6	1.6	0.7	34.5
<b>Avg.</b>								<b>32.5</b>	<b>25.0</b>	<b>4.0</b>	<b>18.3</b>	<b>(34.6)</b>	<b>1.1</b>	<b>(18.5)</b>
<b>Med.</b>								<b>20.3</b>	<b>18.1</b>	<b>3.9</b>	<b>14.8</b>	<b>0.5</b>	<b>1.3</b>	<b>(27.6)</b>

Source: Bloomberg, CMBIGM estimates; data as of 22 Aug 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	25,803	27,598	28,676	29,239	30,628	32,271
Cost of goods sold	(13,319)	(14,246)	(14,520)	(15,052)	(15,672)	(16,513)
Gross profit	12,485	13,352	14,156	14,187	14,956	15,758
Operating expenses	(8,428)	(10,336)	(10,627)	(11,190)	(11,531)	(11,886)
Selling expense	(7,314)	(9,080)	(9,199)	(9,708)	(10,027)	(10,360)
Admin expense	(579)	(638)	(752)	(750)	(738)	(719)
R&D expense	(534)	(618)	(676)	(731)	(766)	(807)
Operating profit	4,887	3,559	3,678	3,158	3,808	4,276
Other income	829	543	149	161	383	404
Share of (losses)/profits of associates/JV	201	378	256	261	274	288
EBITDA	5,668	4,638	4,860	4,551	5,368	5,668
Depreciation	(732)	(1,016)	(1,095)	(1,315)	(1,494)	(1,342)
Other amortisation	(49)	(63)	(87)	(78)	(65)	(51)
Interest income	448	501	430	361	426	506
Interest expense	(121)	(181)	(254)	(242)	(242)	(242)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	5,415	4,256	4,110	3,538	4,266	4,829
Income tax	(1,351)	(1,069)	(1,097)	(1,097)	(1,322)	(1,497)
Minority interest	0	0	0	0	0	0
Net profit	4,064	3,187	3,013	2,442	2,943	3,332
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	12,395	13,653	20,528	21,706	23,763	25,761
Cash & equivalents	7,382	5,444	7,499	8,539	10,381	12,106
Account receivables	1,020	1,206	1,005	1,024	1,073	1,131
Inventories	2,428	2,493	2,598	2,694	2,804	2,955
Prepayment	920	1,016	1,139	1,162	1,217	1,282
ST bank deposits	644	3,494	8,288	8,288	8,288	8,288
Other current assets	0	0	0	0	0	0
Non-current assets	21,252	20,555	15,180	15,332	15,390	15,702
PP&E	3,235	4,124	4,610	4,755	4,789	5,058
Investment in JVs & assos	0	0	0	85	175	269
Intangibles	217	221	235	156	89	36
Other non-current assets	17,800	16,210	10,335	10,336	10,337	10,339
Total assets	33,647	34,208	35,708	37,037	39,152	41,463
Current liabilities	7,241	7,268	7,586	7,726	8,219	8,722
Short-term borrowings	0	0	0	0	0	0
Account payables	1,584	1,790	1,625	1,685	1,754	1,848
Tax payable	1,037	915	950	951	1,176	1,351
Other current liabilities	4,619	4,563	5,010	5,091	5,289	5,523
Non-current liabilities	2,074	2,533	2,019	2,019	2,019	2,019
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,074	2,533	2,019	2,019	2,019	2,019
Total liabilities	9,315	9,801	9,605	9,745	10,238	10,741
Share capital	240	240	236	236	236	236
Retained earnings	2	0	0	800	2,342	4,088
Other reserves	24,089	24,167	25,868	26,256	26,336	26,398
Total shareholders equity	24,332	24,407	26,104	27,292	28,914	30,722
Minority interest	0	0	0	0	0	0
Total equity and liabilities	33,647	34,208	35,708	37,037	39,152	41,463

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	5,415	4,256	4,110	3,538	4,266	4,829
Depreciation & amortization	782	1,079	1,182	1,393	1,559	1,392
Tax paid	(1,316)	(1,155)	(1,274)	(1,097)	(1,097)	(1,322)
Change in working capital	(1,133)	(31)	422	3	53	55
Others	167	539	829	(380)	(457)	(552)
<b>Net cash from operations</b>	<b>3,914</b>	<b>4,688</b>	<b>5,268</b>	<b>3,457</b>	<b>4,323</b>	<b>4,401</b>
<b>Investing</b>						
Capital expenditure	(1,757)	(1,727)	(1,431)	(1,459)	(1,528)	(1,610)
Acquisition of subsidiaries/ investments	(74)	(88)	(72)	0	0	0
Others	(7,651)	(634)	663	537	610	700
<b>Net cash from investing</b>	<b>(9,481)</b>	<b>(2,449)</b>	<b>(840)</b>	<b>(922)</b>	<b>(918)</b>	<b>(910)</b>
<b>Financing</b>						
Dividend paid	(1,195)	(2,175)	(1,444)	(1,253)	(1,321)	(1,524)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	97	7	4	0	0	0
Share repurchases	(159)	(1,159)	0	0	0	0
Others	(1,826)	(3,066)	(2,328)	(1,495)	(1,563)	(1,766)
<b>Net cash from financing</b>	<b>(3,082)</b>	<b>(6,392)</b>	<b>(3,768)</b>	<b>(2,748)</b>	<b>(2,884)</b>	<b>(3,290)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	14,745	7,382	5,444	7,499	8,539	10,381
Exchange difference	93	40	(49)	0	0	0
Others	(7,455)	(1,978)	2,104	1,040	1,842	1,725
<b>Cash at the end of the year</b>	<b>7,382</b>	<b>5,444</b>	<b>7,499</b>	<b>8,539</b>	<b>10,381</b>	<b>12,106</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	14.3%	7.0%	3.9%	2.0%	4.8%	5.4%
Gross profit	4.3%	6.9%	6.0%	0.2%	5.4%	5.4%
Operating profit	(4.9%)	(27.2%)	3.3%	(14.1%)	20.6%	12.3%
EBITDA	(1.7%)	(18.2%)	4.8%	(6.4%)	17.9%	5.6%
Net profit	1.3%	(21.6%)	(5.5%)	(19.0%)	20.6%	13.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	48.4%	48.4%	49.4%	48.5%	48.8%	48.8%
Operating margin	18.9%	12.9%	12.8%	10.8%	12.4%	13.3%
EBITDA margin	22.0%	16.8%	16.9%	15.6%	17.5%	17.6%
Return on equity (ROE)	17.9%	13.1%	11.9%	9.1%	10.5%	11.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.3	0.3	0.6	0.6	0.6	0.6
Current ratio (x)	1.7	1.9	2.7	2.8	2.9	3.0
Receivable turnover days	14.4	15.9	12.8	12.8	12.8	12.8
Inventory turnover days	66.5	63.9	65.3	65.3	65.3	65.3
Payable turnover days	43.4	45.9	40.9	40.9	40.9	40.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/E	11.7	14.8	15.5	19.2	15.9	14.0
P/E (diluted)	11.7	14.8	15.5	19.2	15.9	14.0
P/B	1.9	1.9	1.8	1.7	1.6	1.5
P/CFPS	12.2	10.0	8.9	13.5	10.8	10.6
Div yield (%)	2.6	3.0	3.0	2.5	3.0	3.3
EV	44,038.2	43,234.8	36,328.5	35,288.6	33,446.4	31,721.1
EV/Sales	1.7	1.6	1.3	1.2	1.1	1.0
EV/EBITDA	7.8	9.3	7.5	7.8	6.2	5.6

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

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