

# Anta Sports (2020 HK)

## 2023 Investor Day and the new 3 years targets: excited about Anta brand's new strategies

- The company had outlined the key growth strategies for each brand and updated its long-term retail sales guidance accordingly: 1) Anta: RMB 40bn in FY23E to RMB 60bn in FY26E, with a 10%-15% CAGR, 2) FILA: RMB 26bn in FY23E (CMBI est.) to RMB 40bn in FY26E, with a 10%-15% CAGR, and 3) Descente/Kolon: Will compete for the 3rd brand to reach RMB 10bn in the future, with a 20%-25%/ 30%-35% CAGR during FY23E to FY26E.
- **Our view: Positive, as we think the conservative guidance was well expected and the new strategies are kind of exciting.**
- **FY23E guidance (about 10% for Anta and 10%+ for FILA) was reiterated.** Despite tough macro, management believe the 3Q23 numbers were within expectation and based on their estimates in the presentation, we estimate the Anta/ FILA's retail sales could reach RMB 40bn/ 26bn, implying a 14%/ 21% growth in FY23E, which are fairly decent and better than CMBI est.
- **The long-term target was finally revised down (vs 2021 Investor Day) but should be much expected by the market.** Back in 2021, Anta was aiming for RMB 60bn retail sales by FY25 with a 18%-25% CAGR during FY20-25, but now in 2023, the target has been revised to RMB 60bn by FY26, with a 10%-15% CAGR during FY23-26. For FILA, the target of RMB 40bn by FY26, with a 10%-15% CAGR, was roughly maintained. We are not too surprised (as the "lead to win" plan already failed last year) and in fact, we do think the update should have been priced in, because our retail sales forecasts for Anta, FILA, Descente and Kolon are already more conservative (at around 90%/ 85% of their new target in FY25E/ 26E)
- **The multi-brand strategy is a great tool to cope with the macro trend right now.** We highly concur with Anta's view about the consumer industry, where demand is polarizing to high and low-end at a much faster-than-expected rate. And under these circumstances, one single brand is not able to provide the right products and services to capture different consumer needs. On top of Anta's multi-brand portfolio, there are many core strengths on: 1) multi-brand management capability, 2) multi-brand retail operational capability (both offline and online) and 3) global operation and resources integration (e.g. supply chain synergy), that can help Anta to overcome the macro risks and deliver consistent growth.
- **Maintain BUY and TP of HK\$109.99, based on 27x FY23E (unchanged), vs 5-year average of 26x, supported by 15%/25% sales/NP CAGR during FY22-25E.** With fairly low investor expectations and improving fundamentals, we believe a turnaround could be here. Anta is trading at 23x now, not demanding.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	49,328	53,651	62,611	71,670	80,675
YoY growth (%)	38.9	8.8	16.7	14.5	12.6
Operating profit (RMB mn)	11,372	11,229	14,771	17,428	20,484
Net profit (RMB mn)	8,219.0	8,245.0	11,102.3	13,680.3	16,213.9
EPS (Reported) (RMB)	2.77	2.72	3.64	4.48	5.31
YoY growth (%)	49.2	(1.7)	33.7	23.2	18.5
P/E (x)	43.0	29.8	23.1	18.8	15.8
P/B (x)	11.1	6.7	5.7	4.8	4.0
Yield (%)	1.1	1.5	1.6	2.2	2.9
ROE (%)	31.1	26.7	30.7	31.3	31.0
Net gearing (%)	39.3	53.9	62.9	69.4	74.1

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** **HK\$109.99**

(Previous TP) HK\$109.99)

**Up/Downside** **16.7%**

**Current Price** **HK\$94.25**

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**Stock Data**

Mkt Cap (HK\$ mn)	245,867.8
Avg 3 mths t/o (HK\$ mn)	543.3
52w High/Low (HK\$)	124.00/69.00
Total Issued Shares (mn)	2703.3

Source: FactSet

**Shareholding Structure**

Mr. Ding Shi zhong & Family	54.5%
BlackRock Fund	1.6%

Source: HKEx

**Share Performance**

	Absolute	Relative
1-mth	1.0%	3.3%
3-mth	7.6%	17.6%
6-mth	-16.4%	-2.3%

Source: FactSet

**12-mth Price Performance**



Source: FactSet

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- **We are looking forward on Anta brand’s reform; the direction is correct but execution could be the key.** Anta core brand was underperforming the market in the past 1-2 years despite its investment in products and branding as it had fallen into the dilemma of “brand upgrade vs staying with mass market”, esp during the weak macro environment. In fact, we think the new Performance Sports CEO Tsui Yeung understands well that Anta has to focus on the mass market and growth with volume in the near future. And we are pretty excited about the new strategies (not only growth from basketball/ running/ women): 1) development of IPs and star products (to increase ticket size but not the ASP), more iconic apparel and footwear (including the Kyrie Irving series) next year, 2) differentiation in store formats and channels (e.g. more ultra high-end stores and mega outlets stores will be opened, Anta Guojin to focus on outdoor sports) to capture different target groups and 3) globalization (aim to have US\$1.5bn sales in 5 years).
- **New brands’ targets are not at all aggressive (still room to beat).** According to the long-term target, Descente and Kolon will compete to become the 3rd brand with retail sales exceeding the RMB 10bn level. However, based on the 20%-25%/30%-35% CAGR, Descente/ Kolon’s retail sales by FY26E could be just at RMB 15bn in total, hence we do see more room for growth. Also, we are highly confident on their future, not only due to robust outdoor industry growth in China, but also their excellent brand position of “professional, high-end and healthy lifestyle” and potential breakthroughs in new products and marketing.

# Operating numbers

Figure 1: Sportswear brands sales growth trend

Operating numbers	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23E	4Q23E
Nike China sales	-4%	1%	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	12%	8%	8%
Adidas China sales	-58%	0%	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	5%	20%
<b>Anta brand's SSSG</b>																
Anta brand's retail sales	-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	-ve HSD	+ve MSD	+ve HSD	+ve HSD	19%
Core brand	-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	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	
Kids	-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	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	
Online	+ve MSD	Over 40%	Over 50%	25%	60%	45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	
<b>FILA brand's retail sales</b>																
FILA brand's retail sales	-ve MSD	+ve Low-teens	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	28%
Classic/ Core brand	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	
Kids	-ve LSD	Over 30%	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	
Fusion	+ve MSD	Over 70%	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	
Online	160%	Over 80%	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	
<b>Other brands</b>																
Other brands	-ve HSD	25%-30%	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%	
Descente	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens	70%-75%	60%-65%	40%-45%	
Kolon	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	-ve High-teens	100%	100%	60%-65%	
<b>Li Ning group's SSSG</b>																
Li Ning group's SSSG	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD		
Direct retail	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	+ve MSD	-ve High 20%	-ve LSD	+ve HSD		
Wholesales	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	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD		
E- Commerce	+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	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD		
<b>Li Ning group's retail</b>																
Li Ning group's retail	-ve High-teens	-ve MSD	+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	9%	30%
Direct retail	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%		
Wholesales	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens		
E- Commerce	+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	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens		
<b>Xtep brand's SSSG</b>																
Xtep brand's retail sales	-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%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%
<b>361 Degree brand's SSSG</b>																
361 Degree brand's retail sales	-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	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								35%-40%	50%	40%	45%	25%	35%	30%	30%	
Pou Sheng's SSSG	-33%	-18%	-13%	-1%	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%		
Pou Sheng's sales	-25%	0%	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	20%
<b>Topsports' retail sales</b>																
Topsports' retail sales	-ve Low to Mid SD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to 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	8%	15%
Dong Xiang's SSSG	-ve Low to Mid SD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to 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		
Dong Xiang's retail sales	-ve 25% to 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	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens		
Direct retail	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%											
E- Commerce	-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)

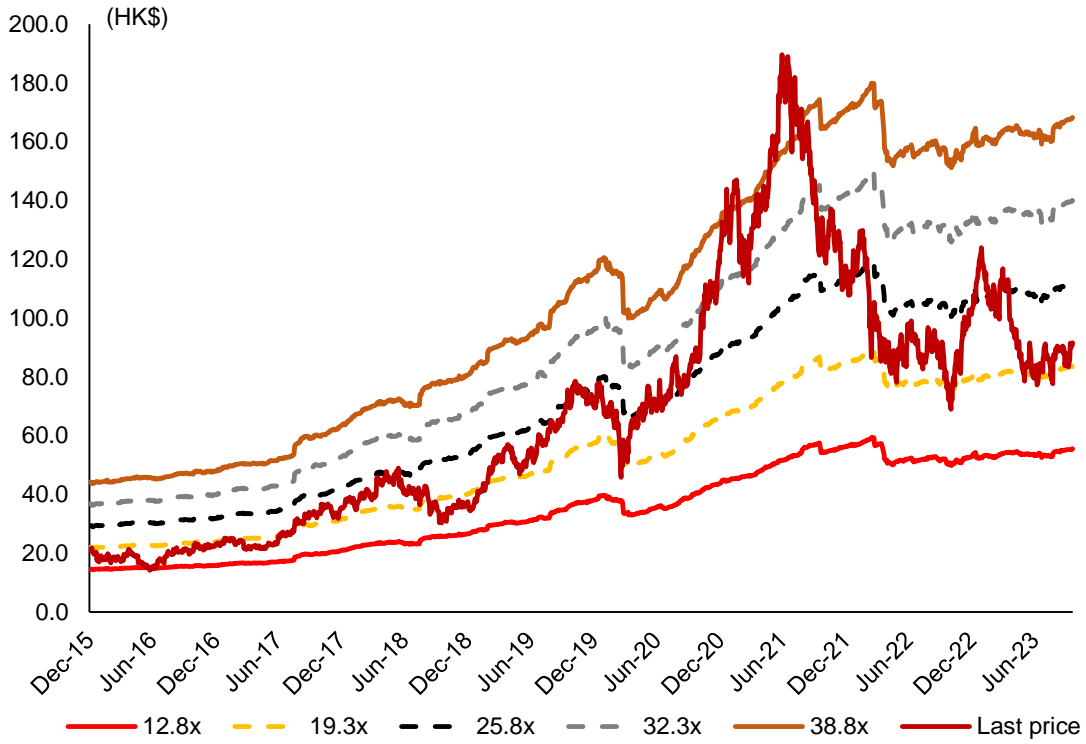
## Valuation

Figure 2: 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>														
Anta Sports	2020 HK	BUY	109.99	94.25	17%	245,868	Dec-22	23.1	18.8	4.8	26.7	0.9	1.6	(10.6)
Li Ning Co	2331 HK	BUY	52.97	35.00	51%	92,262	Dec-22	19.2	15.9	3.1	16.8	1.5	1.9	(48.3)
Xtep Intl	1368 HK	BUY	11.41	7.36	55%	19,419	Dec-22	15.6	12.6	2.0	11.7	0.8	3.3	(15.3)
361 Degrees Intl	1361 HK	NR	n/a	4.21	n/a	8,705	Dec-22	8.6	7.3	0.9	10.9	0.5	3.6	26.4
Topsports Intl	6110 HK	BUY	9.00	6.03	49%	37,393	Feb-23	14.4	12.1	3.3	18.0	0.8	6.3	(0.3)
Pou Sheng Intl	3813 HK	NR	n/a	0.66	n/a	3,515	Dec-22	6.5	5.4	0.4	4.6	0.1	n/a	(12.0)
China DX	3818 HK	NR	n/a	0.27	n/a	1,590	Mar-23	5.0	4.2	0.2	1.2	0.0	15.9	(12.9)
								<b>Avg.</b>	<b>13.1</b>	<b>10.8</b>	<b>2.2</b>	<b>12.1</b>	<b>0.6</b>	<b>5.5</b>
								<b>Med.</b>	<b>14.4</b>	<b>12.1</b>	<b>2.0</b>	<b>11.7</b>	<b>0.8</b>	<b>3.4</b>
<b>International Sportswear</b>														
Nike	NKE US	NR	n/a	98.65	n/a	1,174,352	May-23	26.4	22.6	10.3	33.9	1.7	1.4	(15.7)
Adidas	ADS GY	NR	n/a	171.40	n/a	255,221	Dec-22	n/a	40.4	6.5	(2.2)	0.0	0.3	34.5
Puma	PUM GY	NR	n/a	53.70	n/a	67,001	Dec-22	22.6	16.6	3.0	12.8	1.2	1.5	(5.3)
Under Armour	UAA US	NR	n/a	6.74	n/a	22,617	Mar-23	13.4	10.8	1.4	20.8	(2.7)	0.0	(33.7)
Lululemon	LULU US	NR	n/a	373.36	n/a	369,549	Jan-23	30.6	26.7	11.4	31.5	0.9	0.0	16.5
Skechers	SKX US	NR	n/a	48.48	n/a	58,684	Dec-22	14.2	11.9	1.8	13.1	0.6	0.0	15.6
On Holding	ONON US	NR	n/a	24.66	n/a	61,334	Dec-22	48.6	33.5	6.3	6.3	0.4	n/a	43.7
Vf Corp	VFC US	NR	n/a	16.16	n/a	49,154	Apr-23	8.0	6.9	2.0	3.9	0.1	7.4	(41.5)
Columbia	COLM US	NR	n/a	71.20	n/a	34,156	Dec-22	15.7	13.4	2.1	16.2	2.6	1.7	(18.7)
Wolverine	WWW US	NR	n/a	7.75	n/a	4,820	Dec-22	16.6	5.2	1.7	(56.5)	(0.1)	5.3	(29.1)
Mizuno Corp	8022 JP	NR	n/a	4675.00	n/a	6,503	Mar-23	12.0	10.9	1.0	9.0	2.8	1.6	66.2
Asics Corp	7936 JP	NR	n/a	4871.00	n/a	48,405	Dec-22	29.0	24.9	4.9	15.8	1.3	1.2	67.2
								<b>Avg.</b>	<b>21.6</b>	<b>18.7</b>	<b>4.4</b>	<b>8.7</b>	<b>0.7</b>	<b>1.9</b>
								<b>Med.</b>	<b>16.6</b>	<b>15.0</b>	<b>2.5</b>	<b>12.9</b>	<b>0.7</b>	<b>1.4</b>

Source: Bloomberg, CMBIGM estimates

Figure 3: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 4: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales by segment growth (%)</b>					
Shoes	50.7%	17.4%	17.0%	12.5%	10.0%
Apparels	32.1%	3.1%	16.7%	16.1%	14.5%
Accessories	36.5%	6.4%	12.0%	12.0%	12.0%
Total	38.9%	8.8%	16.7%	14.5%	12.6%
<b>Sales by brand growth (%)</b>					
Anta	47.7%	14.1%	12.0%	12.0%	11.0%
Anta Kids	50.0%	15.0%	10.0%	14.0%	13.0%
FILA	25.1%	-1.4%	17.0%	12.0%	9.0%
Descente & Others	51.1%	26.1%	55.0%	26.0%	24.0%
E-commerce	61.6%	17.7%	8.0%	17.0%	15.0%
Total	38.9%	8.8%	16.7%	14.5%	12.6%
<b>Sales network</b>					
Anta	6,832	6,924	7,049	7,124	7,174
Anta Kids	2,571	2,679	2,854	2,929	2,979
FILA	2,054	1,984	1,950	1,975	2,025
Descente & Others	459	477	491	521	551
Total	11,916	12,064	12,344	12,549	12,729
<b>GP margins</b>					
Anta	52.3%	53.2%	53.4%	54.0%	54.5%
FILA	70.5%	68.0%	69.0%	70.0%	70.0%
Others	70.5%	66.4%	71.0%	72.5%	74.0%
Total	61.6%	60.2%	61.6%	62.5%	63.0%
<b>Opex breakdown</b>					
A&P Expenses / sales	12.4%	10.3%	9.6%	9.8%	9.6%
Labour costs / sales	13.5%	15.1%	14.6%	14.6%	14.7%
R &D expenses / sales	5.9%	6.0%	6.1%	6.0%	6.0%
Rental expenses/ sales	11.6%	11.5%	11.1%	11.1%	10.7%
Selling & distribution costs / sales	36.0%	36.6%	35.3%	35.3%	34.8%
Admin expenses / sales	5.9%	6.7%	5.8%	5.8%	5.7%
<b>OP margin</b>					
Anta	20.6%	21.7%	20.9%	21.8%	23.0%
FILA	24.7%	20.0%	26.5%	27.0%	28.0%
Others	18.4%	20.6%	24.0%	25.0%	26.0%
Total	22.3%	20.9%	23.5%	24.2%	25.3%
Effective tax rate	26.9%	27.4%	26.0%	26.0%	26.0%
<b>NP att. margin</b>	<b>15.7%</b>	<b>14.1%</b>	<b>16.2%</b>	<b>17.4%</b>	<b>18.4%</b>
<b>NP att. growth</b>	<b>49.6%</b>	<b>-1.7%</b>	<b>33.7%</b>	<b>23.2%</b>	<b>18.5%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>35,512</b>	<b>49,328</b>	<b>53,651</b>	<b>62,611</b>	<b>71,670</b>	<b>80,675</b>
Cost of goods sold	(14,861)	(18,924)	(21,333)	(24,054)	(26,873)	(29,876)
<b>Gross profit</b>	<b>20,651</b>	<b>30,404</b>	<b>32,318</b>	<b>38,557</b>	<b>44,797</b>	<b>50,798</b>
<b>Operating expenses</b>	<b>(12,888)</b>	<b>(20,681)</b>	<b>(23,216)</b>	<b>(25,728)</b>	<b>(29,448)</b>	<b>(32,654)</b>
Selling expense	(10,766)	(17,753)	(19,629)	(21,765)	(24,975)	(27,755)
Admin expense	(1,251)	(1,812)	(2,308)	(2,514)	(2,814)	(3,022)
R&D expense	(871)	(1,116)	(1,279)	(1,449)	(1,659)	(1,878)
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>8,826</b>	<b>11,372</b>	<b>11,229</b>	<b>14,771</b>	<b>17,428</b>	<b>20,484</b>
Other income	1,063	1,649	2,127	1,941	2,078	2,340
Share of (losses)/profits of associates/JV	(601)	(81)	28	(188)	430	565
<b>EBITDA</b>	<b>9,316</b>	<b>11,944</b>	<b>11,971</b>	<b>15,339</b>	<b>17,979</b>	<b>20,917</b>
Depreciation	(414)	(443)	(474)	(329)	(317)	(301)
Other amortisation	(76)	(129)	(268)	(240)	(234)	(132)
Interest income	271	392	609	931	1,140	1,373
Interest expense	(407)	(443)	(511)	(511)	(511)	(511)
Other income/expense	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>8,089</b>	<b>11,240</b>	<b>11,355</b>	<b>15,003</b>	<b>18,487</b>	<b>21,911</b>
Income tax	(2,520)	(3,021)	(3,110)	(3,901)	(4,807)	(5,697)
Minority interest	(407)	(499)	(655)	(958)	(1,181)	(1,399)
<b>Net profit</b>	<b>5,569</b>	<b>8,219</b>	<b>8,245</b>	<b>11,102</b>	<b>13,680</b>	<b>16,214</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>32,717</b>	<b>39,902</b>	<b>45,445</b>	<b>54,872</b>	<b>65,287</b>	<b>76,408</b>
Cash & equivalents	15,323	17,592	23,919	31,095	39,391	48,345
Account receivables	6,614	6,914	7,520	8,776	10,046	11,308
Inventories	5,486	7,644	6,254	7,249	8,099	9,004
Prepayment	0	0	0	0	0	0
ST bank deposits	5,024	6,989	6,989	6,989	6,989	6,989
Other current assets	270	763	763	763	763	763
<b>Non-current assets</b>	<b>19,150</b>	<b>22,766</b>	<b>22,803</b>	<b>22,798</b>	<b>23,537</b>	<b>24,636</b>
PP&E	2,184	2,853	3,131	3,553	4,096	4,763
Investment in JVs & assos	9,658	9,027	9,055	8,867	9,297	9,862
Intangibles	1,579	1,531	1,281	1,060	844	730
Other non-current assets	5,729	9,355	9,336	9,318	9,299	9,281
<b>Total assets</b>	<b>51,867</b>	<b>62,668</b>	<b>68,248</b>	<b>77,670</b>	<b>88,824</b>	<b>101,044</b>
<b>Current liabilities</b>	<b>11,715</b>	<b>15,943</b>	<b>16,954</b>	<b>18,672</b>	<b>20,421</b>	<b>22,192</b>
Short-term borrowings	1,968	1,748	1,748	1,748	1,748	1,748
Account payables	2,376	3,146	3,546	3,999	4,468	4,967
Tax payable	1,507	1,816	1,816	1,816	1,816	1,816
Other current liabilities	5,864	9,233	9,844	11,110	12,389	13,662
<b>Non-current liabilities</b>	<b>14,328</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>
Long-term borrowings	12,456	11,425	11,425	11,425	11,425	11,425
Other non-current liabilities	1,872	3,637	3,637	3,637	3,637	3,637
<b>Total liabilities</b>	<b>26,043</b>	<b>31,005</b>	<b>32,016</b>	<b>33,734</b>	<b>35,483</b>	<b>37,254</b>
Share capital	261	261	261	261	261	261
Retained earnings	18,185	22,663	24,832	31,339	38,799	46,979
Other reserves	5,567	5,999	7,744	7,982	8,747	9,617
<b>Total shareholders equity</b>	<b>24,013</b>	<b>28,923</b>	<b>32,837</b>	<b>39,583</b>	<b>47,808</b>	<b>56,857</b>
Minority interest	1,811	2,740	3,395	4,353	5,534	6,933
<b>Total equity and liabilities</b>	<b>51,867</b>	<b>62,668</b>	<b>68,248</b>	<b>77,670</b>	<b>88,824</b>	<b>101,044</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>8,089</b>	<b>11,240</b>	<b>11,355</b>	<b>15,003</b>	<b>18,487</b>	<b>21,911</b>
Depreciation & amortization	490	572	742	569	551	434
Tax paid	(2,181)	(2,677)	(3,110)	(3,901)	(4,807)	(5,697)
Change in working capital	(3,461)	(282)	1,796	(533)	(371)	(396)
Others	4,520	3,008	483	699	81	(54)
<b>Net cash from operations</b>	<b>7,458</b>	<b>11,861</b>	<b>11,265</b>	<b>11,837</b>	<b>13,941</b>	<b>16,198</b>
<b>Investing</b>						
Capital expenditure	(649)	(1,360)	(751)	(751)	(860)	(968)
Acquisition of subsidiaries/ investments	(84)	(94)	0	0	0	0
Others	(1,190)	(3,215)	0	0	0	0
<b>Net cash from investing</b>	<b>(1,923)</b>	<b>(4,669)</b>	<b>(751)</b>	<b>(751)</b>	<b>(860)</b>	<b>(968)</b>
<b>Financing</b>						
Dividend paid	(1,404)	(2,456)	(3,676)	(3,399)	(4,275)	(5,765)
Net borrowings	(3,343)	(196)	0	0	0	0
Proceeds from share issues	21	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	5,955	(2,295)	(511)	(511)	(511)	(511)
<b>Net cash from financing</b>	<b>1,229</b>	<b>(4,947)</b>	<b>(4,187)</b>	<b>(3,910)</b>	<b>(4,786)</b>	<b>(6,276)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	8,221	15,323	17,592	23,919	31,095	39,391
Exchange difference	338	24	0	0	0	0
Others	6,764	2,245	6,327	7,176	8,296	8,954
<b>Cash at the end of the year</b>	<b>15,323</b>	<b>17,592</b>	<b>23,919</b>	<b>31,095</b>	<b>39,391</b>	<b>48,345</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	4.7%	38.9%	8.8%	16.7%	14.5%	12.6%
Gross profit	10.7%	47.2%	6.3%	19.3%	16.2%	13.4%
Operating profit	0.9%	28.8%	(1.3%)	31.5%	18.0%	17.5%
EBITDA	(7.8%)	28.2%	0.2%	28.1%	17.2%	16.3%
Net profit	(1.0%)	47.6%	0.3%	34.7%	23.2%	18.5%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	58.2%	61.6%	60.2%	61.6%	62.5%	63.0%
Operating margin	24.9%	23.1%	20.9%	23.6%	24.3%	25.4%
EBITDA margin	26.2%	24.2%	22.3%	24.5%	25.1%	25.9%
Return on equity (ROE)	25.3%	31.1%	26.7%	30.7%	31.3%	31.0%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.2	0.4	0.5	0.6	0.7	0.7
Current ratio (x)	2.8	2.5	2.7	2.9	3.2	3.4
Receivable turnover days	68.0	51.2	51.2	51.2	51.2	51.2
Inventory turnover days	134.7	147.4	107.0	110.0	110.0	110.0
Payable turnover days	58.4	60.7	60.7	60.7	60.7	60.7
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	36.9	43.0	29.8	23.4	19.0	16.0
P/E (diluted)	36.9	43.0	29.8	23.4	19.0	16.0
P/B	7.7	11.1	6.7	5.8	4.8	4.0
P/CFPS	25.6	28.0	20.1	20.0	17.0	14.6
Div yield (%)	0.8	1.1	1.5	1.6	2.2	2.9
EV	241,450.6	235,973.6	229,646.4	222,470.3	214,174.7	205,220.9
EV/Sales	6.8	4.8	4.3	3.6	3.0	2.5
EV/EBITDA	25.9	19.8	19.2	14.5	11.9	9.8

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



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