

Li Ning (2331 HK)

A strong comeback in all channels since Mar

Even though Li Ning started the year slow, both retail sales growth and retail discounts got much better going into Mar-Apr 2023. Hence, we are now even more certain about the turnaround in 2Q23E-2H23E. Maintain BUY.

■ **1Q23 was a slight beat.** Li Ning's retail sales grew by MSD YoY in 1Q23, beating CMBI est. of 2%. We believe the major surprises are: 1) robust offline growth since Mar 2023 (accelerated to 25%-30%, vs MSD in Jan-Feb) and 2) turnaround in e-commerce (resumed to +ve since Mar 2023). Offline direct retail sales growth (mid-teens) outperformed wholesale (MSD) which was mainly the result of more store expansion (200+/ less than 100 for direct retail/ wholesale). And the difference between MSD retail sales growth and HSD SSS decline was due to: 1) more new stores (opened in less than 1 year) and 2) increased e-commerce sales through new online platforms (e.g. Poizon/ 得物, Kuaishou/ 快手 and PDD/ 拼多多)

■ **Management is seeing double-digit retail sales growth in 2Q23E.** While Li Ning started the year with slightly negative (CMBI est.) retail sales growth in Jan-Feb 2023, it had improved significantly. Mentioned by the management, retail sales growth speeded up to 20%+/ 20%+ (even faster) in Mar/ Apr 2023 (25%-30%/ 30%+ offline growth and +ve/ +ve (even faster) online growth, which had actually beaten their initial expectation. Driven by: 1) low base in 2Q22, 2) encouraging replenishment orders from the distributors, 3) greater contributions from the new online platforms and 4) well-prepared promotional events for the upcoming 5-1 Golden Week, we are now more comfortable about 2Q23E.

■ **No changes in FY23E guidance, but we are now more optimistic.** Even though the FY23E guidance remained unchanged (mid-teen listed co sales growth and mid 10%-20% NP margin), we have become more optimistic, because: 1) wholesale growth is likely to further accelerate as process of de-stocking is coming to an end, 2) 4Q23E trade fair orders should be much stronger than 3Q23E, supported by better sentiment and sell-through rate after 1Q23E, 3) e-commerce could also accelerate (management mentioned 20%+ growth in 2H23E is likely) and 4) sales growth from Li Ning Young and China Li Ning are also improving (both have seen decent acceleration since Mar 2023). Moreover, we do think the likelihood of margin expansion in FY23E is now higher, supported by: 1) turnaround in retail discounts since Apr 2023 (management is guiding a LSD YoY improvement) and 2) positive SSSG since Mar 2023 (and hence the operating leverage).

■ **Maintain BUY and raised TP to HK\$ 66.72 as the worst should have gone.** The new TP is based on 33x FY23E P/E (slightly higher vs 5 years average of 32x), supported by 19% NP CAGR during FY22-25E. It is currently trading at 28x FY23E P/E.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	22,572	25,803	29,503	33,710	38,032
YoY growth (%)	56.1	14.3	14.3	14.3	12.8
Operating profit (RMB mn)	5,136	4,887	5,758	6,772	7,850
Net profit (RMB mn)	4,010.9	4,063.8	4,839.0	5,815.0	6,775.3
EPS (Reported) (RMB)	1.58	1.54	1.81	2.17	2.53
YoY growth (%)	133.6	(2.3)	17.0	20.2	16.5
P/E (x)	29.6	33.2	28.4	23.6	20.3
P/B (x)	5.8	5.6	4.9	4.2	3.6
Yield (%)	1.0	0.9	1.1	1.3	1.5
ROE (%)	19.0	17.0	18.8	19.5	19.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$66.72

(Previous TP HK\$66.44)

Up/Downside 16.2%

Current Price HK\$57.40

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	150,189.7
Avg 3 mths t/o (HK\$ mn)	66.5
52w High/Low (HK\$)	81.00/40.60
Total Issued Shares (mn)	2616.5

Source: FactSet

Shareholding Structure

Viva China Holdings	10.4%
Fidelity Management & Research Co.	4.4%

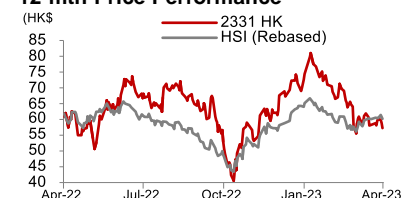
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.2%	-3.8%
3-mth	-22.8%	-16.6%
6-mth	13.0%	-9.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **Both retail discounts and inventory level turned healthy lately.** While retail discount was still MSD higher than last year (at around 25% to 30% off in 1Q23), it had quickly become better than last year in early Apr 2023 (since it was 30% to 35% off in 2Q22). Inventory to sales ratio was at about 4 to 4.5 months in 1Q23, similar to 4.2 months as at 4Q22, and the new/ old product mix are still fairly healthy at about 80%/ 20%.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	29,503	33,710	38,032	29,530	33,671	37,748	-0.1%	0.1%	0.8%
Gross profit	14,632	16,888	19,129	14,610	16,770	18,875	0.2%	0.7%	1.3%
EBIT	5,758	6,772	7,850	5,732	6,660	7,637	0.5%	1.7%	2.8%
Net profit att.	4,839	5,815	6,775	4,819	5,724	6,600	0.4%	1.6%	2.7%
Diluted EPS (RMB)	1.81	2.17	2.53	1.80	2.14	2.46	0.4%	1.6%	2.7%
Gross margin	49.6%	50.1%	50.3%	49.5%	49.8%	50.0%	0.1ppt	0.3ppt	0.3ppt
EBIT margin	19.5%	20.1%	20.6%	19.4%	19.8%	20.2%	0.1ppt	0.3ppt	0.4ppt
Net profit att. margin	16.4%	17.2%	17.8%	16.3%	17.0%	17.5%	0.1ppt	0.3ppt	0.3ppt

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	29,503	33,710	38,032	30,098	35,477	41,262	-2.0%	-5.0%	-7.8%
Gross profit	14,632	16,888	19,129	15,116	18,058	21,220	-3.2%	-6.5%	-9.8%
EBIT	5,758	6,772	7,850	5,981	7,449	8,927	-3.7%	-9.1%	-12.1%
Net profit att.	4,839	5,815	6,775	4,919	6,046	7,193	-1.6%	-3.8%	-5.8%
Diluted EPS (RMB)	1.81	2.17	2.53	1.86	2.29	2.73	-2.8%	-5.2%	-7.5%
Gross margin	49.6%	50.1%	50.3%	50.2%	50.9%	51.4%	-0.6ppt	-0.8ppt	-1.1ppt
EBIT margin	19.5%	20.1%	20.6%	19.9%	21.0%	21.6%	-0.4ppt	-0.9ppt	-1ppt
Net profit att. margin	16.4%	17.2%	17.8%	16.3%	17.0%	17.4%	0.1ppt	0.2ppt	0.4ppt

Source: Company data, CMBIGM estimates

Operating numbers

Figure 3: Historical sales growth trend, by brand

Operating numbers	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23E	2Q23E	3Q23E	4Q23E
Nike China sales	-4%	1%	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	20%	10%	10%
Adidas China sales	-58%	0%	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-20%	15%	10%	40%
Anta brand's SSSG																
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	5.0%	13.0%	25.0%
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			
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			
Online	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD			
FILA brand's retail sales																
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	16.0%	11.0%	23.0%
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			
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			
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			
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%			
Other brands																
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%			
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%			
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%			
Li Ning group's SSSG																
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			
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			
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			
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%			
Li Ning group's retail sales																
Li Ning group's retail sales	-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	5%	15%	5%	31%
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			
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			
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			
Xtep's SSSG																
Xtep'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%	20%	13%	31%
361 Degrees' SSSG																
361 Degree's retail sale:	-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			
Kids						20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	+ve LSD	20%-25%			
E- Commerce									35%-40%	50%	40%	45%	25%	35%		
Pou Sheng's SSSG																
Pou Sheng's sales	-25%	0%	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	18%	7%	20%
Topsports' retail sales																
Topsports' retail sales	-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	-ve Low to Mid SD	-ve Mid-teens				
Dong Xiang's SSSG	-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	-ve Low to Mid SD	-ve Mid-teens				
Dong Xiang's retail sale	-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%				
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 at May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018), *Topsports' year end is at Feb (e.g. 1Q19 calendar year = 4Q19 fiscal year = Dec-Feb19)

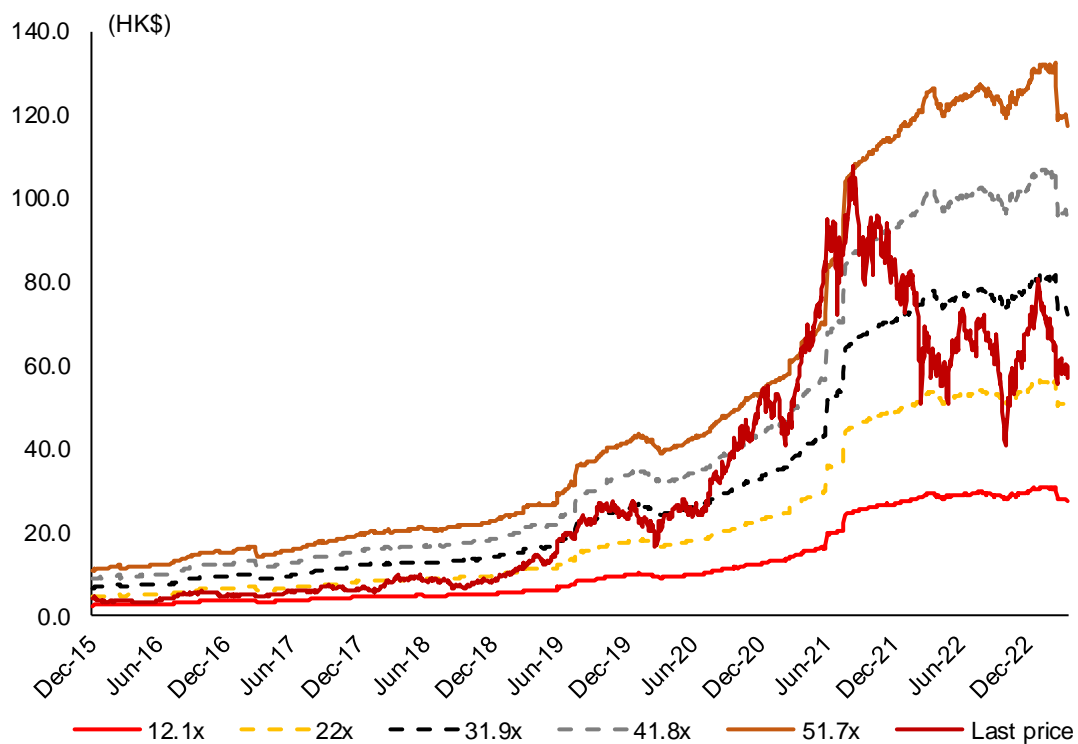
Valuation

Figure 4: 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	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Li Ning	2331 HK	BUY	66.72	57.40	16%	151,308	Dec-22	28.4	23.6	4.9	17.0	1.6	1.2	(15.3)
Anta Sports	2020 HK	BUY	130.72	99.75	31%	270,684	Dec-22	25.0	20.7	5.6	24.0	1.2	1.8	(2.5)
Xtep Intl	1368 HK	BUY	11.80	9.34	26%	24,627	Dec-22	18.6	14.9	2.4	11.4	0.9	2.8	7.5
361 Degrees	1361 HK	NR	n/a	4.28	n/a	8,849	Dec-22	8.5	7.2	0.8	9.9	0.5	4.9	28.5
Topsports	6110 HK	NR	n/a	7.47	n/a	46,323	Feb-22	19.8	15.5	3.6	21.3	3.4	3.7	20.7
Pou Sheng	3813 HK	NR	n/a	0.71	n/a	3,782	Dec-22	7.1	4.4	0.4	1.1	0.1	2.3	(5.3)
China DX	3818 HK	NR	n/a	0.33	n/a	1,943	Mar-22	n/a	9.6	0.2	(14.0)	0.0	3.5	6.5
Avg.								17.9	13.7	2.6	10.1	1.1	2.9	5.7
Med.								19.2	14.9	2.4	11.4	0.9	2.8	6.5
International Sportswear														
Nike Inc	NKE US	NR	n/a	124.57	n/a	1,502,944	May-22	38.5	31.0	13.3	37.3	4.9	1.0	6.5
Adidas	ADS GY	NR	n/a	161.76	n/a	251,097	Dec-22	n/a	43.6	6.4	9.8	0.0	0.5	26.9
Puma	PUM GY	NR	n/a	55.20	n/a	71,798	Dec-22	22.6	17.0	3.1	14.9	1.2	1.5	(2.6)
Under Armour	UAA US	NR	n/a	9.01	n/a	29,752	Mar-23	16.4	14.4	2.0	n/a	1.0	0.0	(11.4)
Lululemon	LULU US	NR	n/a	374.44	n/a	374,028	Jan-23	32.3	28.0	11.5	29.0	1.0	0.0	16.9
Skechers	SKX US	NR	n/a	50.33	n/a	61,346	Dec-22	16.9	13.6	1.9	10.9	0.8	0.0	20.0
Vf Corp	VFC US	NR	n/a	22.80	n/a	69,545	Apr-22	11.0	10.3	2.7	11.9	(1.2)	7.7	(17.4)
Columbia	COLM US	NR	n/a	89.35	n/a	43,610	Dec-22	17.1	15.3	2.6	15.9	1.5	1.4	2.0
Wolverine	WWW US	NR	n/a	16.47	n/a	10,205	Dec-22	11.2	8.1	2.9	(40.2)	(0.1)	2.7	50.7
Mizuno Corp	8022 JP	NR	n/a	3215.00	n/a	5,002	Mar-22	11.9	10.5	0.7	8.1	(3.8)	1.9	14.3
Asics Corp	7936 JP	NR	n/a	3850.00	n/a	42,794	Dec-22	29.1	24.8	4.0	12.5	1.7	1.1	32.1
Avg.								20.7	19.7	4.6	11.0	0.6	1.6	12.5
Med.								17.0	15.3	2.9	12.2	1.0	1.1	14.3

Source: Bloomberg, CMBIGM estimates

Figure 5: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 6: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
Sales by segment (RMB mn)					
Shoes	9,506	13,479	15,608	17,978	20,548
Clothes	11,824	10,709	12,101	13,795	15,450
Equipment	1,242	1,616	1,794	1,937	2,034
Others	0	0	0	0	0
Total	22,572	25,803	29,503	33,710	38,032
Sales by segment growth (%)					
Shoes	50.0%	41.8%	15.8%	15.2%	14.3%
Clothes	60.5%	-9.4%	13.0%	14.0%	12.0%
Equipment	64.9%	30.1%	11.0%	8.0%	5.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	56.1%	14.3%	14.3%	14.3%	12.8%
Sales by channel growth (%)					
Franchises	56.7%	15.7%	12.0%	13.0%	12.0%
Self-owned	53.5%	6.4%	18.0%	16.0%	14.0%
E-commerce	58.4%	16.4%	15.0%	16.0%	14.0%
International	34.9%	53.9%	25.0%	0.0%	0.0%
Total	56.1%	14.3%	14.3%	14.3%	12.8%
Sales network by segment					
Self-owned	1,165	1,430	1,590	1,650	1,710
Franchise	4,770	4,865	4,955	4,985	5,015
Sub-total	5,935	6,295	6,545	6,635	6,725
LN Young	1,202	1,308	1,458	1,558	1,658
Total	7,137	7,603	8,003	8,193	8,383
GP margins	53.0%	48.4%	49.6%	50.1%	50.3%
Opex breakdown					
A & P/ sales	7.9%	8.8%	9.3%	9.5%	9.5%
Labour/ sales	8.0%	7.7%	7.4%	7.2%	7.0%
Rental/ sales	5.1%	5.6%	5.7%	5.5%	5.3%
D & A/ sales	2.8%	3.0%	3.0%	3.0%	3.1%
R & D/ sales	1.8%	2.1%	2.2%	2.2%	2.2%
Provision/ sales	0.0%	0.0%	0.0%	0.0%	0.0%
Selling & distribution costs / sales	27.2%	28.3%	28.4%	28.3%	28.1%
Admin expenses / sales	4.9%	4.3%	4.4%	4.3%	4.2%
OP margins	22.8%	18.9%	19.5%	20.1%	20.6%
Effective tax rate	24.7%	25.0%	22.0%	20.0%	20.0%
Net profit margins	17.8%	15.7%	16.4%	17.2%	17.8%
Net profit att. growth (%)	136.1%	1.3%	19.1%	20.2%	16.5%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	14,457	22,572	25,803	29,503	33,710	38,032
Cost of goods sold	(7,363)	(10,603)	(13,319)	(14,871)	(16,823)	(18,903)
Gross profit	7,094	11,969	12,485	14,632	16,888	19,129
Operating expenses	(5,230)	(7,249)	(8,428)	(9,674)	(10,997)	(12,273)
Selling expense	(4,425)	(6,138)	(7,314)	(8,387)	(9,556)	(10,690)
Admin expense	(482)	(697)	(579)	(638)	(699)	(747)
R&D expense	(323)	(414)	(534)	(649)	(742)	(837)
Operating profit	2,196	5,136	4,887	5,758	6,772	7,850
Other income	331	416	829	801	881	994
Share of (losses)/profits of associates/JV	83	159	201	177	202	228
EBITDA	2,772	5,767	5,636	6,641	7,792	9,017
Depreciation	(534)	(589)	(715)	(855)	(998)	(1,155)
Other amortisation	(42)	(41)	(34)	(28)	(22)	(12)
Interest income	35	145	448	439	465	561
Interest expense	(66)	(112)	(121)	(171)	(171)	(171)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,248	5,328	5,415	6,204	7,269	8,469
Income tax	(549)	(1,317)	(1,351)	(1,365)	(1,454)	(1,694)
Minority interest	0	0	0	0	0	0
Net profit	1,698	4,011	4,064	4,839	5,815	6,775
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	9,777	18,672	21,684	26,091	31,150	37,032
Cash & equivalents	7,187	14,745	17,163	21,036	25,458	30,674
Account receivables	659	903	1,032	1,180	1,348	1,521
Inventories	1,346	1,773	2,116	2,363	2,673	3,004
Prepayment	584	849	971	1,110	1,268	1,431
ST bank deposits	1	402	402	402	402	402
Other current assets	0	0	0	0	0	0
Non-current assets	4,817	11,603	12,002	12,400	12,846	13,332
PP&E	1,065	1,626	1,943	2,268	2,618	2,985
Investment in JVs & assos	0	0	116	218	334	465
Intangibles	191	188	156	129	107	94
Other non-current assets	3,562	9,789	9,787	9,786	9,786	9,787
Total assets	14,594	30,275	33,686	38,492	43,996	50,363
Current liabilities	5,015	7,704	8,254	9,440	10,556	11,861
Short-term borrowings	0	0	0	0	0	0
Account payables	1,227	1,599	1,533	2,037	2,304	2,589
Tax payable	592	1,308	1,342	1,355	1,444	1,684
Other current liabilities	3,196	4,797	5,380	6,048	6,807	7,588
Non-current liabilities	889	1,467	1,467	1,467	1,467	1,467
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	889	1,467	1,467	1,467	1,467	1,467
Total liabilities	5,904	9,171	9,721	10,907	12,023	13,328
Share capital	228	239	239	239	239	239
Retained earnings	3	3	1,644	5,057	9,158	13,937
Other reserves	8,459	20,863	22,082	22,289	22,576	22,859
Total shareholders equity	8,689	21,104	23,965	27,584	31,973	37,035
Minority interest	0	0	0	0	0	0
Total equity and liabilities	14,594	30,275	33,686	38,492	43,996	50,363

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	2,248	5,328	5,415	6,204	7,269	8,469
Depreciation & amortization	576	630	749	883	1,019	1,167
Tax paid	(589)	(456)	(1,317)	(1,351)	(1,365)	(1,454)
Change in working capital	142	826	(78)	639	390	399
Others	387	197	(528)	(446)	(496)	(619)
Net cash from operations	2,763	6,525	4,241	5,929	6,817	7,963
Investing						
Capital expenditure	(594)	(985)	(1,032)	(1,180)	(1,348)	(1,521)
Acquisition of subsidiaries/ investments	(152)	(43)	0	0	0	0
Others	(246)	(5,511)	533	514	551	658
Net cash from investing	(992)	(6,539)	(499)	(666)	(798)	(863)
Financing						
Dividend paid	(378)	(515)	(1,203)	(1,219)	(1,426)	(1,714)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	189	8,667	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(703)	(1,071)	(1,324)	(1,390)	(1,597)	(1,884)
Net cash from financing	(891)	7,081	(2,527)	(2,609)	(3,023)	(3,598)
Net change in cash						
Cash at the beginning of the year	5,961	7,187	14,745	17,163	21,036	25,458
Exchange difference	(33)	(25)	0	0	0	0
Others	1,258	7,583	2,418	3,873	4,423	5,215
Cash at the end of the year	7,187	14,745	17,163	21,036	25,458	30,674
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	4.2%	56.1%	14.3%	14.3%	14.3%	12.8%
Gross profit	4.2%	68.7%	4.3%	17.2%	15.4%	13.3%
Operating profit	42.3%	133.9%	(4.9%)	17.8%	17.6%	15.9%
EBITDA	38.3%	108.0%	(2.3%)	17.8%	17.3%	15.7%
Net profit	13.3%	136.1%	1.3%	19.1%	20.2%	16.5%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	49.1%	53.0%	48.4%	49.6%	50.1%	50.3%
Operating margin	15.2%	22.8%	18.9%	19.5%	20.1%	20.6%
EBITDA margin	19.2%	25.5%	21.8%	22.5%	23.1%	23.7%
Return on equity (ROE)	21.5%	26.9%	18.0%	18.8%	19.5%	19.6%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Net debt to equity (x)	0.8	0.7	0.7	0.8	0.8	0.8
Current ratio (x)	1.9	2.4	2.6	2.8	3.0	3.1
Receivable turnover days	16.6	14.6	14.6	14.6	14.6	14.6
Inventory turnover days	66.7	61.0	58.0	58.0	58.0	58.0
Payable turnover days	60.8	55.1	42.0	50.0	50.0	50.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	39.4	39.4	36.0	28.4	23.6	20.3
P/E (diluted)	39.4	39.4	36.0	28.4	23.6	20.3
P/B	7.6	7.7	6.1	4.9	4.2	3.6
P/CFPS	24.2	24.2	34.5	22.8	19.8	17.0
Div yield (%)	0.8	0.7	0.8	1.1	1.3	1.5
EV	135,790.9	135,469.8	133,051.8	129,178.8	124,756.2	119,541.0
EV/Sales	9.4	6.0	5.2	4.4	3.7	3.1
EV/EBITDA	49.0	23.5	23.6	19.5	16.0	13.3

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

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