

Anta Sports (2020 HK)

Healthy FY24E outlook despite margin drags

We still see Anta as our sector top pick, thanks to its healthy brand cycle (both Anta and FILA brands are undergoing turnarounds while Descente and Kolon continue to be hot-selling). With more new product launches (after the Kyrie Irving shoes in Mar) and a easier base, we foresee sequential improvements in retail sales growth onwards. OP margin could be dragged by higher Olympics-related marketing, but partly offset by higher gains from Amer. We maintain BUY, due to its turnaround and undemanding valuation of 16x FY24E P/E.

■ **Operating numbers YTD are still within management expectation.** Management mentioned less than 10% retail sales growth for Jan-Feb 2024 due to a high base and unfavorable weather but that was totally within their expectation, and the trend has already improved in the past two weeks.

We remain optimistic about FY24E outlook but OP margin might be temporarily dragged by Olympics-related A&P expenses.

In terms of growth, management highlighted 10%-15%/ 20%+/ 30%+ growth for Anta and FILA/ Descente/ Kolon in FY24E (the same as its long-term guidance for FY23-26E), supported by: 1) Anta's new product launches (Kyrie Irving's shoes in 1Q24 and more new basketball series in 4Q24E), 2) healthy ramp-up of stores in high-end shopping malls and Anta Champion series (added outdoor and business casual SKUs), 3) Anta's overseas expansion, 4) acceleration of store upgrades for FILA, 5) a rebound in e-commerce growth and 6) speed-up in store expansion (for all brands), etc.

In terms of margin, we expect Anta GP margin to further improve due to better inventory in both offline and online channels, while we expect FILA to stay flattish. While management has reiterated the OP margin guidance of 20%+/ 25%+ for Anta/ FILA, we expect the OP margin to normalize a bit to 24.1% in FY24E (from 24.6% in FY23), because of the jump in Olympics-related marketing (overall A&P expenses as % of total sales could be as high as 12%). And for NP margin, we expect it to further improve to 17.8% in FY24E (from 16.4% in FY23), thanks to meaningful net profit contribution from Amer Sports (around RMB400mn in net profit sharing and RMB1.6bn in one-off non-cash capital gains after its IPO in Mar 2024).

■ **Maintain BUY but trim TP to HK\$101.73**, based on 20x FY24E P/E (rolled over from 27x FY23E P/E and factor in the sector de-rating), supported by 13%/ 17% sales/ NP CAGRs during FY23-26E. We fine-tune FY24E/ 25E net profit by +1.4%/ -4.6% to factor in better retail discounts, a jump in A&P expenses and gains from Amer's IPO. The stock is trading at 16x FY24E P/E, around 1.4 s.d below its 5-year average of 26x.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	71,378	80,503	89,372
YoY growth (%)	8.8	16.2	14.5	12.8	11.0
Operating profit (RMB mn)	11,229.0	15,409.0	17,307.4	18,980.3	21,863.1
Net profit (RMB mn)	8,245.0	11,277.0	14,119.1	15,730.3	18,213.9
EPS (Reported) (RMB)	2.72	3.67	4.54	5.06	5.86
YoY growth (%)	(1.8)	34.8	23.9	11.4	15.8
P/E (x)	28.3	21.0	16.9	15.2	13.1
P/B (x)	6.0	5.1	4.3	3.7	3.1
Yield (%)	1.6	2.5	2.5	3.0	3.5
ROE (%)	26.0	30.0	31.7	30.0	29.6
Net gearing (%)	43.5	60.6	67.3	72.3	76.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$101.73**

(Previous TP) HK\$109.99

Up/Downside **22.3%**

Current Price **HK\$83.20**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	224,917.0
Avg 3 mths t/o (HK\$ mn)	664.1
52w High/Low (HK\$)	113.10/64.15
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	9.3%	9.6%
3-mth	9.8%	13.2%
6-mth	-5.6%	1.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **FY23 results were in line.** Sales increased by 16% YoY to RMB62.3bn in 2023, in line with Bloomberg consensus/ CMBI est. And net profit surged by 35% YoY to RMB10.2bn, 5% above Bloomberg consensus but in line with CMBI est. The results came from a jump in GP margin (less inventory write-down and better retail discounts for both Anta and FILA), higher finance income, and also a higher tax rate.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	71,378	80,503	89,372	71,670	80,675	n/a	-0.4%	-0.2%	n/a
Gross profit	44,833	50,795	56,479	44,797	50,798	n/a	0.1%	0.0%	n/a
EBIT	17,307	18,980	21,863	17,428	20,484	n/a	-0.7%	-7.3%	n/a
Net profit att.	12,680	14,127	16,358	12,500	14,815	n/a	1.4%	-4.6%	n/a
Diluted EPS (RMB)	4.541	5.060	5.859	4.482	5.312	n/a	1.3%	-4.7%	n/a
Gross margin	62.8%	63.1%	63.2%	62.5%	63.0%	n/a	0.3ppt	0.1ppt	n/a
EBIT margin	24.2%	23.6%	24.5%	24.3%	25.4%	n/a	-0.1ppt	-1.8ppt	n/a
Net profit att. margin	17.8%	17.5%	18.3%	17.4%	18.4%	n/a	0.3ppt	-0.8ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	71,378	80,503	89,372	70,927	80,186	89,018	0.6%	0.4%	0.4%
Gross profit	44,833	50,795	56,479	44,454	50,540	56,532	0.9%	0.5%	-0.1%
EBIT	17,307	18,980	21,863	16,915	19,232	21,879	2.3%	-1.3%	-0.1%
Net profit att.	12,680	14,127	16,358	12,479	13,978	16,180	1.6%	1.1%	1.1%
Diluted EPS (RMB)	4.541	5.060	5.859	4.389	4.937	5.721	3.5%	2.5%	2.4%
Gross margin	62.8%	63.1%	63.2%	62.7%	63.0%	63.5%	0.1ppt	0.1ppt	-0.3ppt
EBIT margin	24.2%	23.6%	24.5%	23.8%	24.0%	24.6%	0.4ppt	-0.4ppt	-0.1ppt
Net profit att. margin	17.8%	17.5%	18.3%	17.6%	17.4%	18.2%	0.2ppt	0.1ppt	0.1ppt

Source: Bloomberg, CMBIGM estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	9%	9%	9%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	5%	5%	5%	5%
Anta brand's SSSG																
Anta brand's retail sales	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	7%	3%	14%	20%
Core brand	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	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 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	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%	6%	9%	11%	13%
Classic/ Core brand	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%				
Kids	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	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 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	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	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%				
Kolon	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	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	-ve MSD	+ve Low-teens				
Direct retail	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	+ve MSD	+ve High 30%				
Wholesales	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	-ve Low-teens	+ve MSD				
E- Commerce	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	+ve MSD				
Li Ning group's retail sales																
Li Ning group's retail sales	+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	+ve Low 20%	0%	5%	2%	20%
Direct retail	+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%	+ve Low 20%	+ve Low 50%				
Wholesales	+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	+ve LSD	+ve High-teens				
E- Commerce	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	-ve LSD	+ve MSD				
Xtep brand's SSSG																
Xtep brand's retail sales	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 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%	20.0%	10%	15%	13%	12%
Kids	20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%				
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%				
Pou Sheng's SSSG																
Pou Sheng's SSSG	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-5%					
Pou Sheng's sales	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	0%	5%	3%	6%
Topsports' retail sales																
Topsports' retail sales			-ve 20%-25%	-ve High-teens	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	3%	10%	0%	13%
Dong Xiang's SSSG	+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	25% to 30%				
Dong Xiang's retail sales	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	Mid 40% to 50%				
Direct retail	70%-75%															
E- Commerce	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)

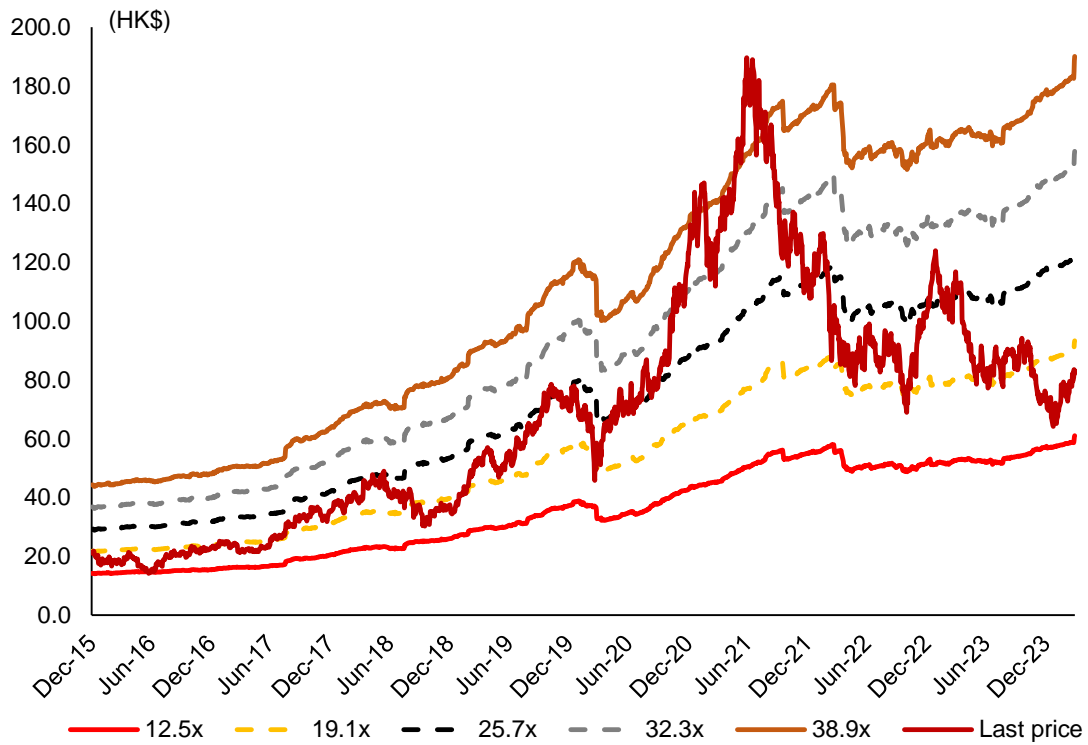
Valuation

Figure 4: 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	
H shares Sportswear															
Anta Sports	2020 HK	BUY	101.73	83.20	22%	235,674	Dec-23	16.4	14.7	3.3	23.8	1.0	2.9	9.8	
Li Ning Co	2331 HK	BUY	24.86	20.80	20%	53,757	Dec-23	13.9	11.9	1.6	13.1	1.3	3.0	(0.5)	
Xtep Intl	1368 HK	BUY	6.31	4.85	30%	12,811	Dec-23	9.7	8.4	1.1	12.0	0.8	5.3	10.0	
361 Degrees Intl	1361 HK	BUY	6.25	4.60	36%	9,511	Dec-23	7.7	6.6	0.8	11.3	0.6	3.8	32.6	
Topsports Intl	6110 HK	BUY	9.23	5.24	76%	32,494	Feb-23	12.6	10.8	2.6	20.4	0.7	6.9	(13.8)	
Pou Sheng Intl	3813 HK	NR	n/a	0.67	n/a	3,569	Dec-23	5.0	4.1	0.3	5.9	0.2	6.8	(1.5)	
China DX	3818 HK	NR	n/a	0.35	n/a	2,061	Mar-23	10.8	6.5	0.2	1.0	0.3	6.2	22.8	
								Avg.	10.9	9.0	1.4	12.5	0.7	5.0	8.5
								Med.	10.8	8.4	1.1	12.0	0.7	5.3	9.8
International Sportswear															
Nike	NKE US	NR	n/a	93.98	n/a	1,114,225	May-23	25.6	23.4	10.0	36.4	2.2	1.5	(13.4)	
Adidas	ADS GY	NR	n/a	207.00	n/a	314,568	Dec-23	79.7	31.2	6.1	(1.6)	(0.2)	0.5	12.4	
Puma	PUM GY	NR	n/a	42.02	n/a	53,506	Dec-23	17.9	14.2	2.1	12.1	0.9	2.0	(16.8)	
Under Armour	UAA US	NR	n/a	7.38	n/a	24,707	Mar-23	14.1	12.4	1.3	20.1	(2.1)	0.0	(16.0)	
Lululemon	LULU US	NR	n/a	390.65	n/a	385,191	Jan-24	27.5	24.6	7.1	42.0	2.0	0.0	(23.6)	
Skechers	SKX US	NR	n/a	61.26	n/a	73,475	Dec-23	15.7	13.4	1.7	14.4	1.3	0.1	(1.7)	
On Holding	ONON US	NR	n/a	35.38	n/a	88,249	Dec-23	47.4	34.9	6.3	7.8	0.8	n/a	31.2	
Deckers	DECK US	NR	n/a	941.26	n/a	189,058	Mar-23	34.7	31.1	10.0	37.4	1.6	0.0	40.8	
Vf Corp	VFC US	NR	n/a	15.34	n/a	46,672	Apr-23	14.0	11.3	2.1	(28.2)	0.2	5.1	(18.4)	
Columbia	COLM US	NR	n/a	81.18	n/a	37,985	Dec-23	22.1	18.6	2.1	13.0	3.8	1.5	2.1	
Wolverine	WWW US	NR	n/a	11.21	n/a	7,010	Dec-23	15.1	10.0	2.2	(13.4)	(0.1)	3.9	26.1	
Mizuno Corp	8022 JP	NR	n/a	6320.00	n/a	8,683	Mar-23	14.0	13.8	1.2	10.3	2.3	1.5	60.8	
Asics Corp	7936 JP	NR	n/a	6985.00	n/a	68,561	Dec-23	32.9	28.4	5.3	18.8	2.8	1.0	58.1	
								Avg.	27.7	20.6	4.4	13.0	1.2	1.4	10.9
								Med.	22.1	18.6	2.2	13.0	1.3	1.3	2.1

Source: Bloomberg, CMBIGM estimates

Figure 5: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 6: Major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by segment growth (%)					
Shoes	17.4%	12.7%	13.0%	11.0%	9.0%
Apparels	3.1%	18.8%	15.7%	14.1%	12.3%
Accessories	6.4%	18.1%	12.0%	12.0%	12.0%
Total	8.8%	16.2%	14.5%	12.8%	11.0%
Sales by brand growth (%)					
Anta	14.1%	12.7%	13.0%	11.0%	9.0%
Anta Kids	15.0%	14.0%	14.0%	13.0%	10.0%
FILA	-1.4%	16.6%	12.0%	10.0%	9.0%
Descente & Others	26.1%	57.7%	25.0%	24.0%	20.0%
E-commerce	17.7%	2.6%	16.0%	14.0%	12.0%
Total	8.8%	16.2%	14.5%	12.8%	11.0%
Sales network					
Anta	6,924	7,053	7,153	7,203	7,253
Anta Kids	2,679	2,778	2,853	2,903	2,953
FILA	1,984	1,972	2,147	2,197	2,247
Descente & Others	477	476	531	571	611
Total	12,064	12,279	12,684	12,874	13,064
GP margins					
Anta	53.6%	54.9%	55.2%	55.4%	55.4%
FILA	66.4%	69.0%	69.0%	69.0%	69.0%
Others	71.8%	72.9%	73.0%	74.0%	74.0%
Total	60.2%	62.6%	62.8%	63.1%	63.2%
Opex breakdown					
A&P Expenses / sales	10.3%	8.2%	12.0%	11.3%	11.0%
Labour costs / sales	15.1%	14.9%	14.9%	14.8%	14.7%
R &D expenses / sales	6.0%	6.9%	6.3%	6.0%	6.0%
Rental expenses/ sales	11.5%	11.0%	11.0%	10.7%	10.5%
Selling & distribution costs / sales	36.6%	34.8%	37.7%	36.5%	35.8%
Admin expenses / sales	6.7%	5.9%	6.1%	5.9%	5.8%
OP margin					
Anta	21.7%	21.7%	21.6%	21.0%	22.6%
FILA	20.0%	27.6%	27.0%	26.0%	26.3%
Others	20.6%	27.1%	25.0%	25.0%	25.3%
Total	20.9%	24.6%	24.1%	23.5%	24.4%
Effective tax rate	27.4%	27.9%	26.0%	26.0%	26.0%
NP att. margin	14.1%	16.4%	17.8%	17.5%	18.3%
NP att. growth	-1.7%	34.8%	23.9%	11.4%	15.8%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	49,328	53,651	62,356	71,378	80,503	89,372
Cost of goods sold	(18,924)	(21,333)	(23,328)	(26,545)	(29,708)	(32,893)
Gross profit	30,404	32,318	39,028	44,833	50,795	56,479
Operating expenses	(20,681)	(23,216)	(25,366)	(31,251)	(34,149)	(37,208)
Selling expense	(17,753)	(19,629)	(21,673)	(27,085)	(29,614)	(32,324)
Admin expense	(1,812)	(2,308)	(2,079)	(2,321)	(2,465)	(2,596)
R&D expense	(1,116)	(1,279)	(1,614)	(1,846)	(2,071)	(2,288)
Others	0	0	0	0	0	0
Operating profit	11,372	11,229	15,409	17,307	18,980	21,863
Other income	1,649	2,127	1,747	3,726	2,335	2,592
Share of (losses)/profits of associates/JV	(81)	28	(718)	428	564	626
EBITDA	11,944	12,212	16,016	17,897	19,452	22,215
Depreciation	(443)	(860)	(353)	(341)	(325)	(311)
Other amortisation	(129)	(123)	(254)	(248)	(147)	(41)
Interest income	392	609	1,470	1,865	2,234	2,646
Interest expense	(443)	(511)	(521)	(521)	(521)	(521)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	11,240	11,355	15,640	19,080	21,257	24,613
Income tax	(3,021)	(3,110)	(4,363)	(4,961)	(5,527)	(6,399)
Minority interest	(499)	(655)	(1,043)	(1,439)	(1,603)	(1,856)
Net profit	8,219	8,245	11,277	14,119	15,730	18,214
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	39,902	42,596	51,798	61,522	72,034	83,591
Cash & equivalents	17,592	17,378	27,099	34,877	43,450	53,089
Account receivables	6,914	5,800	6,741	7,716	8,703	9,662
Inventories	7,644	8,490	7,030	8,000	8,953	9,913
Prepayment	0	0	0	0	0	0
ST bank deposits	6,989	10,310	10,310	10,310	10,310	10,310
Other current assets	763	618	618	618	618	618
Non-current assets	22,766	26,599	26,022	26,717	27,774	29,121
PP&E	2,853	3,716	4,111	4,627	5,267	6,029
Investment in JVs & assos	9,027	9,343	8,625	9,053	9,617	10,242
Intangibles	1,531	1,480	1,244	1,014	886	863
Other non-current assets	9,355	12,060	12,041	12,023	12,004	11,986
Total assets	62,668	69,195	77,820	88,239	99,809	112,712
Current liabilities	15,943	26,207	27,470	28,927	30,389	31,824
Short-term borrowings	1,748	12,198	12,198	12,198	12,198	12,198
Account payables	3,146	2,750	3,007	3,422	3,830	4,240
Tax payable	1,816	2,169	2,169	2,169	2,169	2,169
Other current liabilities	9,233	9,090	10,096	11,138	12,192	13,217
Non-current liabilities	15,062	5,149	5,149	5,149	5,149	5,149
Long-term borrowings	11,425	492	492	492	492	492
Other non-current liabilities	3,637	4,657	4,657	4,657	4,657	4,657
Total liabilities	31,005	31,356	32,619	34,076	35,538	36,973
Share capital	261	262	262	262	262	262
Retained earnings	22,663	26,963	30,264	37,830	45,628	54,660
Other reserves	5,999	7,175	10,193	10,150	10,857	11,437
Total shareholders equity	28,923	34,400	40,719	48,242	56,747	66,359
Minority interest	2,740	3,439	4,482	5,921	7,524	9,380
Total equity and liabilities	62,668	69,195	77,820	88,239	99,809	112,712

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,240	11,355	15,640	19,080	21,257	24,613
Depreciation & amortization	572	983	607	590	472	352
Tax paid	(2,677)	(3,046)	(4,363)	(4,961)	(5,527)	(6,399)
Change in working capital	(282)	(1,104)	1,781	(488)	(478)	(483)
Others	3,008	3,959	1,239	93	(43)	(105)
Net cash from operations	11,861	12,147	14,905	14,313	15,682	17,978
Investing						
Capital expenditure	(1,360)	(1,621)	(748)	(857)	(966)	(1,072)
Acquisition of subsidiaries/ investments	(94)	(115)	0	0	0	0
Others	(3,215)	(3,038)	0	0	0	0
Net cash from investing	(4,669)	(4,774)	(748)	(857)	(966)	(1,072)
Financing						
Dividend paid	(2,456)	(3,950)	(3,915)	(5,157)	(5,622)	(6,746)
Net borrowings	(196)	(1,403)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(2,295)	(2,488)	(521)	(521)	(521)	(521)
Net cash from financing	(4,947)	(7,841)	(4,436)	(5,678)	(6,143)	(7,267)
Net change in cash						
Cash at the beginning of the year	15,323	17,592	17,378	27,099	34,877	43,450
Exchange difference	24	254	0	0	0	0
Others	2,245	(468)	9,721	7,779	8,573	9,638
Cash at the end of the year	17,592	17,378	27,099	34,877	43,450	53,089
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	38.9%	8.8%	16.2%	14.5%	12.8%	11.0%
Gross profit	47.2%	6.3%	20.8%	14.9%	13.3%	11.2%
Operating profit	28.8%	(1.3%)	37.2%	12.3%	9.7%	15.2%
EBITDA	28.2%	2.2%	31.2%	11.7%	8.7%	14.2%
Net profit	47.6%	0.3%	36.8%	25.2%	11.4%	15.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	61.6%	60.2%	62.6%	62.8%	63.1%	63.2%
Operating margin	23.1%	20.9%	24.7%	24.2%	23.6%	24.5%
EBITDA margin	24.2%	22.8%	25.7%	25.1%	24.2%	24.9%
Return on equity (ROE)	31.1%	26.0%	30.0%	31.7%	30.0%	29.6%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.4	0.4	0.6	0.7	0.7	0.8
Current ratio (x)	2.5	1.6	1.9	2.1	2.4	2.6
Receivable turnover days	51.2	39.5	39.5	39.5	39.5	39.5
Inventory turnover days	147.4	145.3	110.0	110.0	110.0	110.0
Payable turnover days	60.7	47.1	47.1	47.1	47.1	47.1
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	27.8	28.3	21.0	16.9	15.2	13.1
P/E (diluted)	27.8	28.3	21.0	16.9	15.2	13.1
P/B	7.2	6.0	5.1	4.3	3.7	3.1
P/CFPS	18.1	17.7	14.4	15.0	13.7	11.9
Div yield (%)	1.7	1.6	2.5	2.5	3.0	3.5
EV	213,536.0	209,944.0	200,223.4	192,444.6	183,871.6	174,233.3
EV/Sales	4.3	3.9	3.2	2.7	2.3	1.9
EV/EBITDA	17.9	17.2	12.5	10.8	9.5	7.8

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

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