361 Degrees (1361 HK)

Guidance unchanged but we are concerned

1H25 results were a small miss, in our view, and despite the confirmation of FY25E guidance, we have turned more concerned about its store opening plan, offline sales growth and inventory days. However, because of its relatively low valuation vs peers, plus its better-than-peers' retail sales growth in 1H25, we maintain BUY and raise TP to HK$ 7.09, based on 11x FY25E P/E.

- **On one hand, we believe the FY25E guidance is achievable, but on the other hand, we do see a few risks or concerns as well.** We are still confident on the FY25E guidance (esp. the 10% to 15% sales growth in 2H25E), because: 1) 361 Degrees' products are still priced lower vs peers, hence they could still benefit from the consumption trade-down demand, 2) its basketball segment growth is still fairly strong (thanks to successful sponsorships with Nikola Jokic and his first China tour), 3) star products are still selling well (e.g. the Furious Future 2, Flying Flame 4 running shoes, Big3 5.0, DVD3 and Joker1 basketball shoes), 4) opening of more Super Premium stores (still targeting 100 by the end of FY25E), 5) relatively faster e-commerce sales growth (even though we are factoring in a possible slowdown in 2H25E), and 6) the re-opening of ONE WAY brand stores (about 5 new distributor stores will be opened before Oct 2025).

  However, we do need to highlight a few concerns, namely: 1) risks about the store-opening plans (while more Super Premium stores could be opened, the associated distributors are likely to close some other regular stores at the same time, and this might drag down future sales or trade fair order growth), esp. when the number of 361 Degrees adult stores was still falling HoH in 1H25. 2) The enduring pressure on offline sales per store, partly due to sluggish foot traffic and rise in competition. If the SSSG remains low or turns negative, this might result in weaker sentiment for future trade order growth. 3) Climb in inventory days. Inventory days already increased to 109 days in 1H25, which is quite close to the level back in FY20. If the situation persists, retail discounts may be widened or more provisions may be needed in the future.

- **Maintain BUY and raise TP slightly to HK$ 7.09, based on 11x FY25E P/E.** We have revised down FY25E/ 26E/ 27E net profit forecasts by 3%/ 5%/ 6%, in order to factor in a slower offline sales growth, slower store expansion and weaker opex control. Our TP is based on 11x FY25E P/E (up from 9x, due to its better-than-peers' growth in FY25E and a higher dividend payout ratio).The stock is trading at 9x FY25E P/E with a 6% FY25E yield, still trading below the industry average of 12x FY25E (or Xtep's 10x, Li Ning's 16x and Anta's 17x).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	8,423	10,074	11,211	12,354	13,501
YoY growth (%)	21.0	19.6	11.3	10.2	9.3
Operating profit (RMB mn)	1,300.0	1,521.9	1,693.6	1,899.8	2,125.1
Net profit (RMB mn)	961.4	1,148.6	1,253.0	1,416.0	1,583.0
EPS (Reported) (RMB)	0.46	0.56	0.61	0.68	0.77
YoY growth (%)	28.7	19.5	9.1	13.0	11.8
P/E (x)	11.3	9.5	8.7	7.7	6.9
P/B (x)	1.1	1.1	1.0	1.0	0.9
Yield (%)	3.5	4.7	5.7	6.5	7.3
ROE (%)	10.0	11.7	12.3	13.0	13.6
Net gearing (%)	3.0	2.7	2.5	2.3	2.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$7.09**
(Previous TP	HK$5.97)
Up/Downside	**23.2%**
Current Price	**HK$5.76**

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Stock Data

Mkt Cap (HK$ mn)	11,909.8
Avg 3 mths t/o (HK$ mn)	36.1
52w High/Low (HK$)	6.65/3.26
Total Issued Shares (mn)	2067.7

Source: FactSet

Shareholding Structure

Mr. Ding Wuhao	17.0%
Mr. Ding Huihuang	16.3%

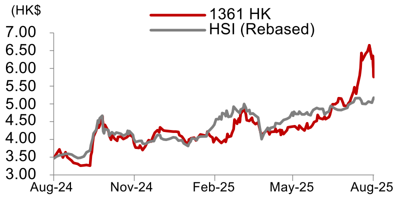
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	15.4%	8.8%
3-mth	33.0%	20.0%
6-mth	48.8%	26.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Recent Reports:

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)

Xtep (1368 HK) - Inline 1Q25 results and a moderate outlook
(18 Apr 25)

Anta Sports (2020 HK) - Acquisition of Jack Wolfskin finally announced
(14 Apr 25)

- **Sales trend in Jul to mid-Aug 2025 is similar to that in 2Q25.** According to management, Jul to mid-Aug 2025 is still considered the low season, and retail sales growth trend is rather similar to that in 2Q25, which is about 10% for offline and 20% for e-commerce. The retail discounts during the same period are also stable QoQ, at about 30% off.
- **FY25E guidance maintained but management also highlighted that the trend in 2H25E could be similar to that in 1H25.** Management did reiterate its FY25E guidance, which consisted of 10%-15% sales growth (mostly from volume growth), 40%-42% GP margin, 10%-13% A&P expenses, 3%-4% R&D expenses and 10%-12% NP margin. But at the same time, they are confident that the momentum in 1H25 could sustain into 2H25E.
- **Update on the 361 Degrees Super Premium store.** The Company has opened about 49 Super Premium stores in 1H25 and the total store count shall reach 100 by FY25E, as targeted by the Company. The average store size is at around 800 to 1000 sq.m., offering about 700 to 800 SKUs (400 to 450 apparel and 250 to 300 footwear). About 20% to 30%/ 40% to 50%/ 20% to 30% are hot-selling products/ value-for-money products for mass market/ off-season items. The retail discount, on average, is at about 30% to 40% off (vs around 30% off for regular stores) and the wholesale discount, on average, is at about 62% to 68% off (vs 62% off for regular stores). However, thanks to larger sales per store and more items per ticket (as high as 4 to 5), the overall net profit margin (of this distributor store) is still similar to that for regular stores. Currently speaking, 6%/ 40%/ 54% of these stores are located in tier 1/ tier 2/ tier 3 or below cities.
- **1H25 results were slightly weaker-than-expected; while the payout ratio was lifted, the jump in inventory level could be worrying.** In 1H25, 361 Degrees' sales increased by 11% YoY to RMB 5.7bn and net profit grew by 9% YoY to RMB 858mn, slightly slower than BBG est. of 13%/ 14% growth for FY25E. In our view, the miss could be mostly due to the lower-than-expected interest income (of about RMB 39mn). If we adjust for that, the net profit might have increased by 14% YoY. We are delighted to see the payout ratio lifted to 45% in 1H25 (from about 40% in 1H24). However, the surge in inventory level (by 30% YoY to RMB 1.89bn), is still somewhat concerning to us, even though the receivable and payable levels are rather healthy. In terms of channel, while the e-commerce sales growth was impressive (rocketed by 45% YoY), the offline sales growth was rather flattish YoY in 1H25. In terms of product category, running shoes/ basketball shoes/ lifestyle shoes sales increased by 20%+/ 10%/ 10% YoY in 1H25.

Earnings Forecast

Figure 1: Earnings forecast

RMB mn	New FY25E	New FY26E	New FY27E	Old FY25E	Old FY26E	Old FY27E	Diff (%) FY25E	Diff (%) FY26E	Diff (%) FY27E
Revenue	11,211	12,354	13,501	11,385	12,727	14,111	-1.5%	-2.9%	-4.3%
Gross profit	4,657	5,154	5,658	4,735	5,316	5,922	-1.6%	-3.1%	-4.4%
EBIT	1,694	1,900	2,125	1,706	1,969	2,251	-0.7%	-3.5%	-5.6%
Net profit att.	1,253	1,416	1,583	1,287	1,485	1,692	-2.6%	-4.6%	-6.4%
Diluted EPS (RMB)	0.606	0.685	0.766	0.622	0.718	0.818	-2.6%	-4.6%	-6.4%
Gross margin	41.5%	41.7%	41.9%	41.6%	41.8%	42.0%	-0.1ppt	-0.1ppt	-0.1ppt
EBIT margin	15.1%	15.4%	15.7%	15.0%	15.5%	16.0%	0.1ppt	-0.1ppt	-0.2ppt
Net profit att. margin	11.2%	11.5%	11.7%	11.3%	11.7%	12.0%	-0.1ppt	-0.2ppt	-0.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM FY25E	CMBIGM FY26E	CMBIGM FY27E	Consensus FY25E	Consensus FY26E	Consensus FY27E	Diff (%) FY25E	Diff (%) FY26E	Diff (%) FY27E
Revenue	11,211	12,354	13,501	11,420	12,778	14,204	-1.8%	-3.3%	-5.0%
Gross profit	4,657	5,154	5,658	4,748	5,329	5,942	-1.9%	-3.3%	-4.8%
EBIT	1,694	1,900	2,125	1,728	1,938	2,097	-2.0%	-2.0%	1.3%
Net profit att.	1,253	1,416	1,583	1,305	1,471	1,645	-4.0%	-3.8%	-3.8%
Diluted EPS (RMB)	0.606	0.685	0.766	0.624	0.699	0.779	-2.9%	-2.1%	-1.7%
Gross margin	41.5%	41.7%	41.9%	41.6%	41.7%	41.8%	0ppt	0ppt	0.1ppt
EBIT margin	15.1%	15.4%	15.7%	15.1%	15.2%	14.8%	0ppt	0.2ppt	1ppt
Net profit att. margin	11.2%	11.5%	11.7%	11.4%	11.5%	11.6%	-0.3ppt	-0.1ppt	0.1ppt

Source: Company data, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25	1H24 YoY	2H24 YoY	1H25 YoY	2H25E YoY	1H25E CMBIGM	Actual vs CMBIGM
Revenue	**5,141**	**4,932**	**5,705**	**5,506**	**19%**	**20%**	**11%**	**12%**	**5,817**	**-2%**
COGS	-3,016	-2,874	-3,338	-3,216					-3,403	
Gross profit	2,125	2,058	2,366	2,290	**18%**	**24%**	**11%**	**11%**	2,414	**-2%**
GP margins	***41.3%***	***41.7%***	***41.5%***	***41.6%***					***41.5%***	
Other income & gains	181	165	141	173					180	-22%
S & D expenses	-916	-1,295	-1,037	-1,423	**21%**	**17%**	**13%**	**10%**	-1,041	0%
S & D exp / sales	***-17.8%***	***-26.3%***	***-18.2%***	***-25.8%***					***-17.9%***	
Admin expenses	-311	-388	-332	-438	**9%**	**13%**	**7%**	**13%**	-349	-5%
Admin exp / sales	***-6.1%***	***-7.9%***	***-5.8%***	***-8.0%***					***-6.0%***	
Other opex	-18	-24	-1	-22					-12	
Operating profit (EBIT)	1,060	516	1,137	580	**7%**	**32%**	**7%**	**12%**	1,193	-5%
OP margins	***20.6%***	***10.5%***	***19.9%***	***10.5%***					***20.5%***	
Other items	0	0	0	0					0	
Net finance income	-8	-5	-5	-7					-12	-54%
Net finance income / sales	***-0.2%***	***-0.1%***	***-0.1%***	***-0.1%***					***-0.2%***	
Profit after financing costs	1,052	511	1,132	573					1,181	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,052	511	1,132	573	**7%**	**34%**	**8%**	**12%**	1,181	-4%
Tax	-231	-140	-259	-158					-260	
Tax / sales	***-4.5%***	***-2.8%***	***-4.5%***	***-2.9%***					***-4.5%***	
Effective tax rate	***-21.9%***	***-27.3%***	***-22.9%***	***-27.6%***					***-22.0%***	
Minority interests	32	12	15	19					35	
Net profit att.	**790**	**359**	**858**	**395**	**12%**	**39%**	**9%**	**10%**	**886**	**-3%**
NP margins	***15.4%***	***7.3%***	***15.0%***	***7.2%***					***15.2%***	

Source: Company data, CMBIGM estimates

Figure 4: Results preview - Full Year

Yearly (RMB mn)	FY24	FY25E	FY26E	FY27E	FY25E YoY	FY26E YoY	FY27E YoY
Revenue	**10,074**	**11,211**	**12,354**	**13,501**	**11%**	**10%**	**9%**
COGS	-5,890	-6,554	-7,200	-7,842			
Gross profit	4,183	4,657	5,154	5,658	**11%**	**11%**	**10%**
GP margins	***41.5%***	***41.5%***	***41.7%***	***41.9%***			
Other income & gains	346	314	347	377			
S & D expenses	-2,211	-2,460	-2,707	-2,942	**11%**	**10%**	**9%**
S & D exp / sales	***-22.0%***	***-21.9%***	***-21.9%***	***-21.8%***			
Admin expenses	-699	-771	-842	-915	**10%**	**9%**	**9%**
Admin exp / sales	***-6.9%***	***-6.9%***	***-6.8%***	***-6.8%***			
Other opex	-42	-22	-25	-27			
Operating profit (EBIT)	1,576	1,717	1,926	2,152	**9%**	**12%**	**12%**
OP margins	***15.6%***	***15.3%***	***15.6%***	***15.9%***			
Other items	0	0	0	0			
Net finance income	-13	-13	-13	-13			
Net finance income / sales	***-0.1%***	***-0.1%***	***-0.1%***	***-0.1%***			
Profit after financing costs	1,563	1,705	1,914	2,139			
Associated coms	0	0	0	0			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	1,563	1,705	1,914	2,139	**9%**	**12%**	**12%**
Tax	-370	-418	-459	-513			
Tax / sales	***-3.7%***	***-3.7%***	***-3.7%***	***-3.8%***			
Effective tax rate	***-23.7%***	***-24.5%***	***-24.0%***	***-24.0%***			
Minority interests	44	34	38	43			
Net profit att.	**1,149**	**1,253**	**1,416**	**1,583**	**9%**	**13%**	**12%**
NP margins	***11.4%***	***11.2%***	***11.5%***	***11.7%***			

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by product type (RMB mn)						
Footwear	3,509	4,445	5,386	6,016	6,654	7,299
Apparel	3,211	3,676	4,304	4,768	5,229	5,688
Accessories	119	171	192	191	210	230
Others	122	132	192	236	260	284
Total	6,961	8,423	10,074	11,211	12,354	13,501
Sales growth by product type (YoY)						
Footwear	19.0%	26.7%	21.2%	11.7%	10.6%	9.7%
Apparel	13.9%	14.5%	17.1%	10.8%	9.7%	8.8%
Accessories	37.2%	43.4%	12.3%	-0.6%	10.2%	9.3%
Others	54.8%	8.0%	45.7%	23.2%	10.2%	9.3%
Total	17.3%	21.0%	19.6%	11.3%	10.2%	9.3%
Number of stores						
Adult (incl. kids' store in store)	5,480	5,734	5,750	5,650	5,600	5,550
Kids	2,288	2,545	2,548	2,398	2,348	2,298
Total	7,768	8,279	8,298	8,048	7,948	7,848
Growth (%)	8.4%	6.6%	0.2%	-3.0%	-1.2%	-1.3%
Average size for adult store (sq.m)	129	138	149	156	162	167
Growth (%)	7.5%	7.0%	8.0%	4.7%	3.8%	3.1%
Offline sales per store (RMB mn)	1.8	1.9	2.4	2.5	2.7	3.0
Growth (%)	2.7%	8.6%	21.6%	6.4%	9.1%	8.6%
E-commerce sales (RMB mn)	1,685.4	2,325.5	2,609.4	3,489.2	4,017.0	4,545.5
Growth (%)	37.3%	38.0%	12.2%	33.7%	15.1%	13.2%
GP margin	40.5%	41.1%	41.5%	41.5%	41.7%	41.9%
Opex breakdown						
A&P / sales	11.4%	12.7%	12.8%	12.7%	12.7%	12.7%
Staff costs/ sales	1.5%	1.6%	1.6%	1.5%	1.4%	1.4%
E-C expenses/ sales	4.3%	4.7%	5.5%	5.5%	5.7%	5.8%
R&D / sales	3.8%	3.7%	3.4%	3.4%	3.5%	3.6%
D&A / sales	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%
Selling & distribution costs / sales	20.6%	22.1%	22.0%	21.9%	21.9%	21.8%
Admin expenses / sales	7.8%	7.5%	6.9%	6.9%	6.8%	6.8%
Total	28.4%	29.6%	28.9%	28.8%	28.7%	28.6%
OP margin	**14.2%**	**15.4%**	**15.1%**	**15.1%**	**15.4%**	**15.7%**
Effective tax rate	23.3%	23.7%	23.7%	24.5%	24.0%	24.0%
Net profit att. margin	**10.7%**	**11.4%**	**11.4%**	**11.2%**	**11.5%**	**11.7%**
Net profit att. growth (%)	**24.2%**	**28.7%**	**19.5%**	**9.1%**	**13.0%**	**11.8%**

Source: Company data, CMBIGM estimates

Operating numbers

Figure 6: Sportswear brands sales growth trend

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%**
Anta brand's SSSG																
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%**	**5%**
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		
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**	**5%**	**5%**
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		
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%		
Li Ning group's SSSG	**+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					
Li Ning group's retail sa	**+ve High 20%**	**-ve HSD**	**+ve Mid-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%**	**2%**
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		
Xtep brand's SSSG																
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**	**4%**	**5%**
Saucony's retail sales											**Over 50%**	**50.0%**	**Over 40%**	**Over 20%**		
361 Degree brand's SSSG																
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%		
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%**	**4%**
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%**	**2%**	**6%**
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**				
Dong Xiang's retail sale	**-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**			

Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

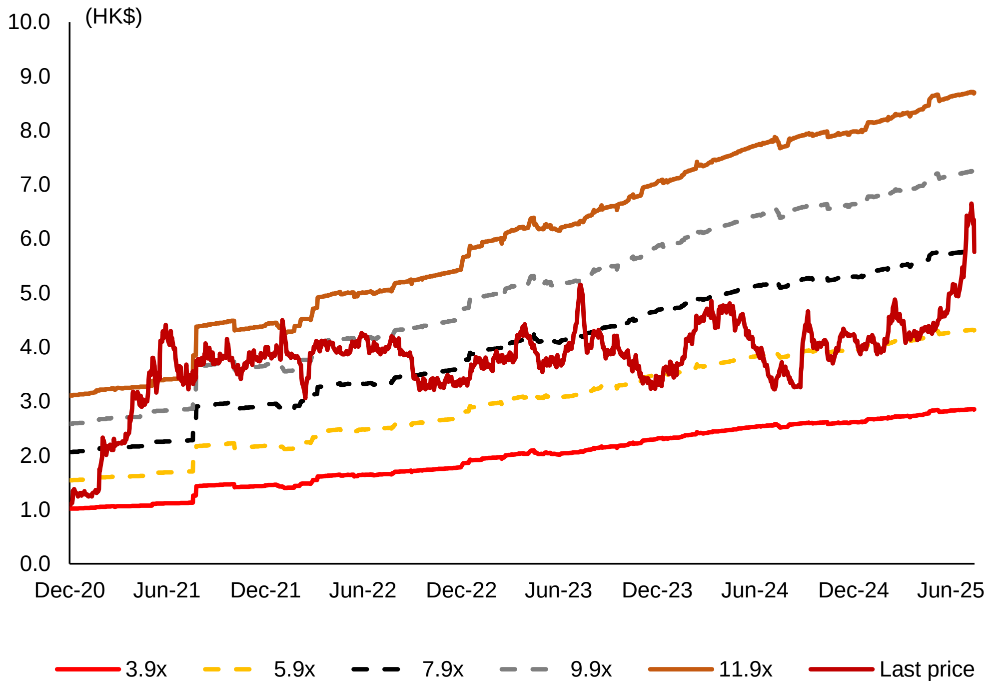
Valuation

Figure 7: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/ Down-side	Mkt. Cap (HK$mn)	Year End	P/E (x) FY1E	P/E (x) FY2E	P/B (x) FY2E	ROE (%) FY2E	3yrs PEG (x) FY1E	Yield (%) FY1E	YTD per.(%) FY1E
H-share Sportswear														
361 Degrees	1361 HK	BUY	7.09	5.76	23%	11,910	Dec-24	8.9	7.9	0.9	12.4	0.8	5.6	35.8
Anta	2020 HK	BUY	111.54	90.00	24%	252,649	Dec-24	17.2	15.2	2.9	27.6	5.7	3.0	15.6
Li Ning	2331 HK	BUY	18.95	17.00	11%	43,942	Dec-24	15.6	13.9	1.4	11.9	7.3	3.2	3.3
Xtep	1368 HK	BUY	7.20	5.63	28%	15,665	Dec-24	10.2	9.2	1.3	14.1	1.2	4.9	(0.2)
Topsports	6110 HK	BUY	3.62	3.13	16%	19,410	Feb-25	13.5	11.5	1.9	13.6	1.2	8.3	9.5
Pou Sheng	3813 HK	NR	n/a	0.52	n/a	2,770	Dec-24	6.5	5.3	0.3	3.9	2.0	7.6	6.1
Dongxiang	3818 HK	NR	n/a	0.49	n/a	2,888	Mar-25	n/a	n/a	n/a	(1.0)	0.0	n/a	40.0
							Avg.	**12.0**	**10.5**	**1.4**	**11.8**	**2.6**	**5.4**	**15.7**
							Med.	**11.8**	**10.3**	**1.3**	**12.4**	**1.2**	**5.2**	**9.5**
International sportswear														
Nike	NKE US	NR	n/a	74.90	n/a	868,368	May-25	44.7	30.6	8.3	23.3	4.1	2.1	(1.0)
Adidas	ADS GY	NR	n/a	168.40	n/a	278,900	Dec-24	22.1	15.5	4.1	23.6	0.4	1.7	(28.9)
Puma	PUM GY	NR	n/a	17.41	n/a	23,709	Dec-24	n/a	67.2	1.0	(4.0)	0.0	1.9	(60.8)
Under Armour	UAA US	NR	n/a	5.03	n/a	16,670	Mar-25	52.4	20.1	1.1	5.5	(0.3)	0.0	(39.3)
Lululemon	LULU US	NR	n/a	192.93	n/a	181,506	Feb-25	13.3	12.5	3.6	42.5	3.0	0.0	(49.5)
Amer	AS US	NR	n/a	37.46	n/a	162,864	Dec-24	50.1	37.3	3.4	4.4	0.5	0.0	34.0
Skechers	SKX US	NR	n/a	62.90	n/a	74,201	Dec-24	17.1	16.4	1.7	14.8	(456.9)	0.0	(6.5)
Vf Corp	VFC US	NR	n/a	12.21	n/a	37,440	Mar-25	16.1	11.6	2.4	(3.5)	(0.1)	3.0	(43.1)
Deckers	DECK US	NR	n/a	103.74	n/a	120,805	Mar-25	16.4	14.9	4.4	43.6	2.2	0.0	(48.9)
On	ONON US	NR	n/a	49.81	n/a	126,624	Dec-24	42.8	31.8	6.6	19.6	1.5	0.0	(9.1)
Columbia	COLM US	NR	n/a	50.58	n/a	21,747	Dec-24	15.9	16.2	1.5	12.9	(7.1)	2.4	(39.7)
WWW	WWW US	NR	n/a	27.69	n/a	17,662	Dec-24	21.2	17.5	4.7	28.1	0.4	1.5	24.7
Mizuno	8022 JP	NR	n/a	2693.00	n/a	11,451	Mar-25	12.5	11.9	1.2	9.9	1.5	1.9	(9.8)
Asics	7936 JP	NR	n/a	4163.00	n/a	163,061	Dec-24	35.8	31.4	9.1	30.6	1.8	0.7	33.9
							Avg.	**27.7**	**23.9**	**3.8**	**17.9**	**(32.1)**	**1.1**	**(17.4)**
							Med.	**21.2**	**17.0**	**3.5**	**17.2**	**0.5**	**1.1**	**(19.4)**

Source: Bloomberg, company data, CMBIGM estimates, data as of 13 August, 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	**6,961**	**8,423**	**10,074**	**11,211**	**12,354**	**13,501**
Cost of goods sold	(4,140)	(4,961)	(5,890)	(6,554)	(7,200)	(7,842)
Gross profit	**2,821**	**3,462**	**4,183**	**4,657**	**5,154**	**5,658**
Operating expenses	**(2,141)**	**(2,448)**	**(2,953)**	**(3,253)**	**(3,574)**	**(3,884)**
Selling expense	(1,433)	(1,863)	(2,211)	(2,460)	(2,707)	(2,942)
Admin expense	(541)	(630)	(699)	(771)	(842)	(915)
R&D expense	0	0	0	0	0	0
Others	(166)	45	(42)	(22)	(25)	(27)
Operating profit	**991**	**1,300**	**1,522**	**1,694**	**1,900**	**2,125**
Other income	312	286	291	290	320	351
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	**1,057**	**1,369**	**1,594**	**1,756**	**1,959**	**2,182**
Depreciation	(65)	(69)	(72)	(63)	(59)	(57)
Other amortisation	0	0	0	(0)	(0)	(0)
Interest income	83	84	54	24	26	27
Interest expense	(9)	(20)	(13)	(13)	(13)	(13)
Net Interest income/(expense)	**74**	**63**	**41**	**11**	**14**	**14**
Other income/expense	0	0	0	0	0	0
Pre-tax profit	**1,065**	**1,363**	**1,563**	**1,705**	**1,914**	**2,139**
Income tax	(248)	(323)	(370)	(418)	(459)	(513)
After tax profit	**817**	**1,040**	**1,193**	**1,287**	**1,454**	**1,626**
Minority interest	(70)	(79)	(44)	(34)	(38)	(43)
Net profit	**747**	**961**	**1,149**	**1,253**	**1,416**	**1,583**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**11,284**	**11,617**	**12,058**	**12,964**	**13,787**	**14,665**
Cash & equivalents	3,860	3,596	4,254	5,262	5,307	5,405
Account receivables	3,024	3,831	4,389	4,454	4,908	5,363
Inventories	1,182	1,350	2,109	1,796	1,972	2,149
Prepayment	3,193	2,827	1,298	1,444	1,591	1,739
Other current assets	24	12	9	9	9	9
Non-current assets	**1,152**	**1,448**	**1,355**	**1,592**	**1,862**	**2,165**
PP&E	773	765	961	1,197	1,467	1,770
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0
Other non-current assets	380	683	395	395	394	394
Total assets	**12,436**	**13,065**	**13,414**	**14,556**	**15,648**	**16,829**
Current liabilities	**2,906**	**3,088**	**3,363**	**3,802**	**4,117**	**4,432**
Short-term borrowings	192	48	47	47	47	47
Account payables	1,503	1,499	1,331	1,616	1,775	1,934
Tax payable	386	461	611	611	611	611
Other current liabilities	824	1,079	1,374	1,529	1,685	1,841
Non-current liabilities	**113**	**254**	**222**	**256**	**294**	**337**
Long-term borrowings	100	245	215	215	215	215
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	13	10	7	41	80	122
Total liabilities	**3,018**	**3,342**	**3,584**	**4,058**	**4,411**	**4,769**
Share capital	182	182	182	182	182	182
Retained earnings	0	0	0	428	1,136	1,928
Other reserves	7,761	8,900	9,193	9,434	9,465	9,497
Total shareholders equity	**9,418**	**9,723**	**9,829**	**10,498**	**11,237**	**12,061**
Minority interest	1,474	641	454	454	454	454
Total equity and liabilities	**12,436**	**13,065**	**13,414**	**14,556**	**15,648**	**16,829**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**1,065**	**1,363**	**1,563**	**1,705**	**1,914**	**2,139**
Depreciation & amortization	65	69	72	63	60	57
Tax paid	(285)	(263)	(275)	(418)	(459)	(513)
Change in working capital	(620)	(679)	(1,308)	541	(463)	(465)
Others	156	(83)	18	0	0	0
Net cash from operations	**380**	**408**	**70**	**1,891**	**1,051**	**1,218**
Investing						
Capital expenditure	(31)	(64)	(269)	(299)	(329)	(360)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	116	481	1,635	0	0	0
Net cash from investing	**85**	**417**	**1,366**	**(299)**	**(329)**	**(360)**
Financing						
Dividend paid	(34)	(179)	(580)	(584)	(677)	(759)
Net borrowings	84	0	(31)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	10	(901)	(165)	0	0	0
Net cash from financing	**59**	**(1,079)**	**(777)**	**(584)**	**(677)**	**(759)**
Net change in cash						
Cash at the beginning of the year	3,339	3,860	3,596	4,254	5,262	5,307
Exchange difference	(3)	(9)	(1)	0	0	0
Cash at the end of the year	**3,860**	**3,596**	**4,254**	**5,262**	**5,307**	**5,405**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	17.3%	21.0%	19.6%	11.3%	10.2%	9.3%
Gross profit	14.1%	22.7%	20.8%	11.3%	10.7%	9.8%
Operating profit	(1.1%)	31.1%	17.1%	11.3%	12.2%	11.9%
EBITDA	(1.3%)	29.6%	16.4%	10.2%	11.6%	11.4%
Net profit	24.2%	28.7%	19.5%	9.1%	13.0%	11.8%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	40.5%	41.1%	41.5%	41.5%	41.7%	41.9%
Operating margin	14.2%	15.4%	15.1%	15.1%	15.4%	15.7%
EBITDA margin	15.2%	16.3%	15.8%	15.7%	15.9%	16.2%
Return on equity (ROE)	8.3%	10.0%	11.7%	12.3%	13.0%	13.6%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	3.9	3.8	3.6	3.4	3.3	3.3
Receivable turnover days	147.4	148.5	148.9	145.0	145.0	145.0
Inventory turnover days	91.4	93.2	107.2	100.0	100.0	100.0
Payable turnover days	120.9	110.4	87.7	90.0	90.0	90.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	14.6	11.3	9.5	8.7	7.7	6.9
P/E (diluted)	14.6	11.3	9.5	8.7	7.7	6.9
P/B	1.2	1.1	1.1	1.0	1.0	0.9
P/CFPS	28.7	26.8	156.3	5.8	10.4	9.0
Div yield (%)	0.0	3.5	4.7	5.7	6.5	7.3
EV	8,317.1	8,593.4	7,908.1	6,900.3	6,855.7	6,757.2
EV/Sales	1.2	1.0	0.8	0.6	0.6	0.5
EV/EBITDA	7.9	6.3	5.0	3.9	3.5	3.1

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

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