

Xtep (1368 HK)

An impressive 4Q20 to drive further re-rating

We are impressed by Xtep's 4Q20 performance with a faster than peers growth and healthier inventory level. Therefore, we find its risk reward attractive and expect a further re-rating. Maintain BUY and raise TP to HK\$5.09, based on 14x FY22E P/E (rolled over from 13x FY21E). It is trading at 14x/ 11x FY21E/22E P/E.

- **4Q20 retail sales growth beat, driven by greater brand upgrades.** Xtep reported a HSD core brand retail sales growth in 4Q20, beating CMBI's est. of 5% YoY, which accelerated from MSD in 3Q20 and even faster than Anta's LSD growth. Apart from earlier and colder winter, Xtep had carried out series of upgrades on marketing, products, e-commerce and offline stores. For example: 1) its style of marketing approach during double 11 was much younger than before, 2) it had launched more Chinese culture products (e.g. Tiancheng series/天乘系列) and crossovers (e.g. Xtep x Shaolin / 特步 x 少林), 3) opened more flagship stores (e.g. "X-STREET" in Xiamen and Xtep's 9th generation format store in Shenzhen).
- **Inventory days improved despite stable retail discounts in 4Q20.** We are impressed once again because despite retail discount of 30% to 35% (same as 3Q20), Xtep managed to have its inventory level improved to less than 5 months (vs ~5 months in 3Q20), which is better than Anta's ~5 months.
- **But we believe business is still tough for K-swiss and Palladium.** As second wave in COVID-19 continues to linger in EU and US, K-swiss and Palladium, which have a much less e-commerce penetration, are likely to suffer more than other leading brands. As a result, for FY20E, we now expect larger sales drop at 31% YoY (vs 22% previously) but losses to stay at US\$15mn (~RMB 100mn) due to more severe costs saving measures.
- **Chance for Xtep's valuation to catch up.** We agree that Xtep should have a discount in valuation (vs Anta and Li Ning), as it has a smaller market share, a weaker financial position and a slower growth (vs mainly FILA and Li Ning). However, given its better-than-industry performance in 4Q20, we think the historical high level of discounts at ~70% (vs 5 years avg. of 50%) is not justified. Hence, we will not be surprised to see the discounts narrowing to ~50%, if core brand's fundamental continues to improve in FY21E.
- **Maintain BUY and raised TP to HK\$ 5.09.** We adjusted our FY20E/ 21E/ 22E EPS estimates by -1%/ +5%/ +6%, to factor in a worse-than-expected K&P sales decline and a faster Xtep core brand sales. Given attractive valuation of 14x/ 11x FY21E/ 22E P/E, we maintain BUY and raised the TP to HK\$ 5.09, based on 14x FY22E P/E (rolled over from 13x FY21E).

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	6,383	8,183	8,109	9,252	10,204
YoY growth (%)	24.8	28.2	(0.9)	14.1	10.3
Net income (RMB mn)	657	728	446	617	810
EPS (RMB)	0.295	0.302	0.179	0.248	0.325
YoY growth (%)	60.6	2.3	(40.7)	38.3	31.4
Consensus EPS (RMB)	n/a	n/a	0.192	0.270	0.322
P/E (x)	11.3	11.3	19.0	13.8	10.5
P/B (x)	1.4	1.2	1.2	1.2	1.1
Yield (%)	5.2	5.2	3.2	4.4	5.7
ROE (%)	12.3	11.8	6.4	8.5	10.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$5.09
(Previous TP	HK\$3.63)
Up/Downside	+33.7%
Current Price	HK\$3.81

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	9,704
Avg 3 mths t/o (HK\$ mn)	27.14
52w High/Low (HK\$)	4.45/2.04
Total Issued Shares (mn)	2,547.0

Source: Bloomberg

Shareholding Structure

Mr Ding Shui Po & Family	53.89%
Templeton Investments	2.62%
Employee incentive scheme	4.01%
Free Float	39.48%

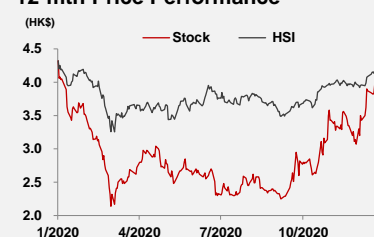
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	21.3%	13.3%
3-mth	35.1%	15.3%
6-mth	63.5%	43.6%
12-mth	-14.2%	-12.7%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

1. Xtep (1368 HK, BUY) - Core brand's recovery to drive re-rating - 12 Nov 2020
2. Xtep (1368 HK, HOLD) - Better retail trend drags by lower margins - 31 Aug 2020
3. Xtep (1368 HK, HOLD) - Recovery may take longer than expected - 14 Jul 2020

Operating numbers

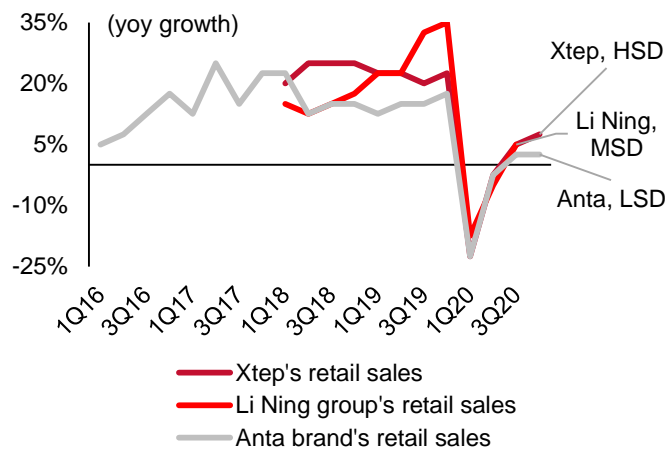
Figure 1: Sportswear brands sales growth trend

Operating numbers	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Nike China sales	19.0%	25.0%	20.0%	31.0%	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%				
Adidas China sales	26.0%	27.0%	26.0%	23.0%	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%					
Anta brand's SSSG																
Anta brand's retail sales	+ve 20%-25%	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	-ve 20%-25%	-ve LSD	+ve LSD	+ve LSD	32.0%	6.0%	3.0%	2.0%
Core brand	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD				
Kids	over 40%	over 25%	Over 25%	Over 25%	Over 20%	30%	Over 25%	25%	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens				
Online	over 40%	over 25%	Over 20%	Over 25%	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%				
Non-Anta brands (FILA/)																
FILA brand's retail sales	+ve 80%-85%	+ve 90%-95%	+ve 90%-95%	+ve 80%-85%	+ve 65%-70%	+ve 55%-60%	50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	45.0%	16.0%	12.0%	10.0%
Classic/ Core brand								Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD				
Kids								Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%				
Fusion								Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%				
Online								Over 70%	160%	Over 80%	Over 90%	70%-80%				
Other brands																
Descente				Over 100%	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%				
Kolon						15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%				
Li Ning group's SSSG																
Direct retail	+ve Low-teens	+ve HSD	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-teens	n/a	-ve MSD	+ve LSD					
Wholesales	+ve MSD	+ve LSD	+ve HSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	n/a	-ve Low-teens	-ve MSD					
E- Commerce	+ve High 30%	+ve Mid-30%	+ve High 30%	+ve Mid 50%	+ve High 30%	+ve Mid 30%	+ve Mid 50%	+ve Low 40%	+ve Low-teens	+ve Mid 20%	+ve High 30%					
Li Ning group's retail sa	+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve High-teens	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	-ve High-teens	-ve MSD	+ve MSD		8.0%	34.0%	9.0%	7.0%
Direct retail	Low 20%-30%	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve Mid-teens	+ve High-teens	-ve Mid 30%	-ve Low-teens	Flat					
Wholesales	+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-20%	+ve Mid-20%	+ve Low-30%	-ve High-teens	-ve HSD	-ve LSD					
E- Commerce	+ve High 30%	+ve High 30%	+ve Low 30%	+ve Mid 50%	+ve Low 40%	+ve High 20%	+ve Low 50%	+ve Low 40%	+ve Low-teens	+ve High 20%	+ve Low 40%					
Xtep's SSSG																
Xtep's retail sales	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	31.0%	4.0%	2.0%	0.0%
361 Degrees' SSSG	+ve HSD	+ve HSD	+ve MSD	Flat	+ve LSD	+ve LSD	+ve LSD	+ve LSD								
361 Degree's retail sales									-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD				
Pou Sheng's SSSG	10.1%	2.2%	8.9%	8.7%	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%						
Pou Sheng's sales	17.7%	17.7%	24.4%	22.0%	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	29.0%	2.0%	0.0%	-3.0%
Dong Xiang's SSSG	+ve Mid to High	-ve Mid to High	+ve MSD	+ve LSD	-ve LSD	+ve MSD	+ve Mid to High	+ve Mid to High	-ve Low-Mid SD	-ve Mid SD	+ve Low-Mid SD					
Direct retail	+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve Low-teens	-ve LSD	-ve Low to Mid-teens	-ve Low-Mid SD					
E- Commerce					+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%	-ve Low-teens	+ve 30%-35%	+ve 30%-35%					

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

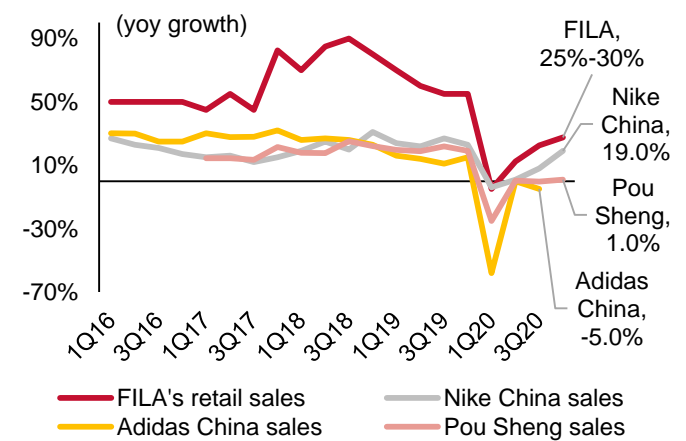
Focus Charts

Figure 2: Domestic brands retail sales growth



Source: Company data, CMBIS estimates

Figure 3: Foreign brands retail sales growth



Source: Company data, CMBIS estimates

Figure 4: New product - Tiancheng series/ 天乘系列



Source: Company data, CMBIS estimates

Figure 5: New product - Tiancheng series/ 天乘系列



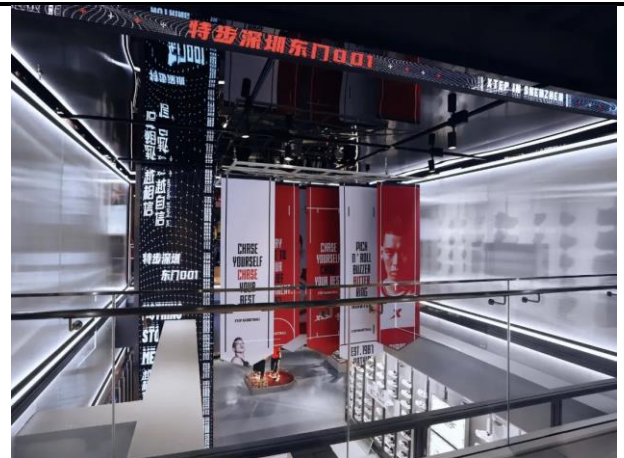
Source: Company data, CMBIS estimates

Figure 6: Xtep's new flagship store in Shenzhen



Source: Company data, CMBIS estimates

Figure 7: Xtep's new flagship store in Shenzhen



Source: Company data, CMBIS estimates

Figure 8: Xtep's performance during double 11



Source: Company data, CMBIS estimates

Figure 9: Xtep's performance during double 11



Source: Company data, CMBIS estimates

Figure 10: Xtep's marketing during the Double 11



Source: Bloomberg, CMBIS estimates, leaders include Anta, Li Ning, Nike, Adidas and Lulu Lemon

Earnings revision

Figure 11: Earnings revision

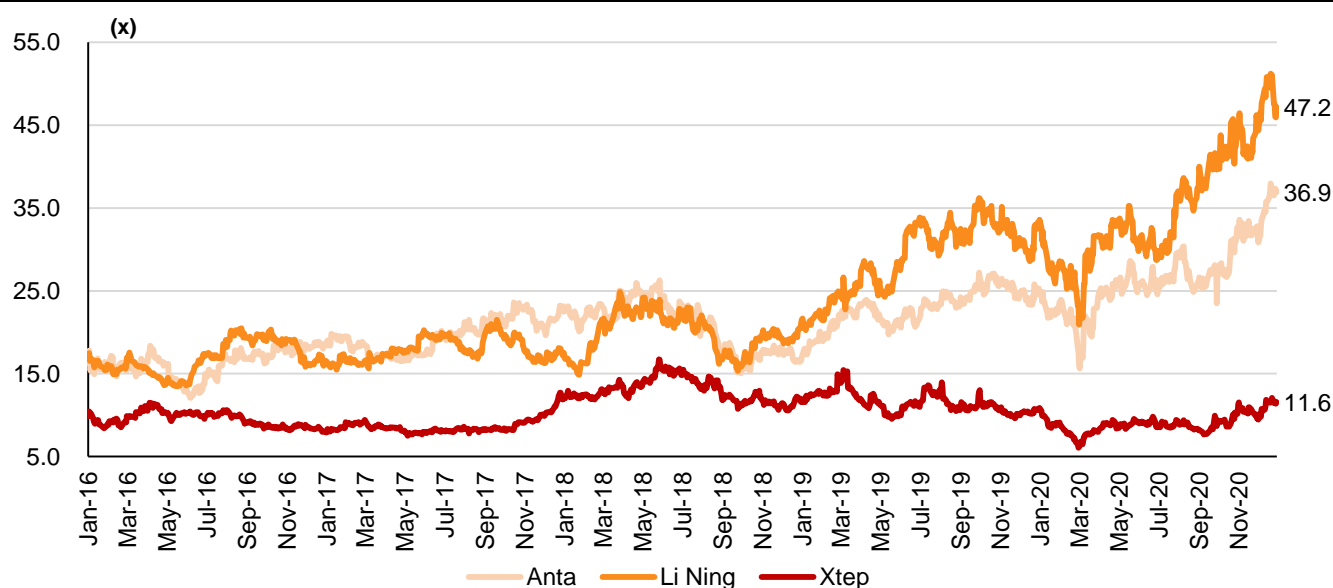
RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	8,109	9,252	10,204	8,309	9,299	10,131	-2.4%	-0.5%	0.7%
Gross profit	3,222	3,735	4,214	3,331	3,777	4,158	-3.3%	-1.1%	1.3%
EBIT	881	1,081	1,320	887	1,042	1,254	-0.6%	3.8%	5.3%
Net profit att.	446	617	810	449	586	766	-0.7%	5.3%	5.8%
Diluted EPS (RMB)	0.179	0.248	0.325	0.180	0.235	0.307	-0.7%	5.3%	5.8%
Gross margin	39.7%	40.4%	41.3%	40.1%	40.6%	41.0%	-0.4ppt	-0.2ppt	0.3ppt
EBIT margin	10.9%	11.7%	12.9%	10.7%	11.2%	12.4%	0.2ppt	0.5ppt	0.6ppt
Net profit att. margin	5.5%	6.7%	7.9%	5.4%	6.3%	7.6%	0.1ppt	0.4ppt	0.4ppt

Source: Company data, CMBIS estimates

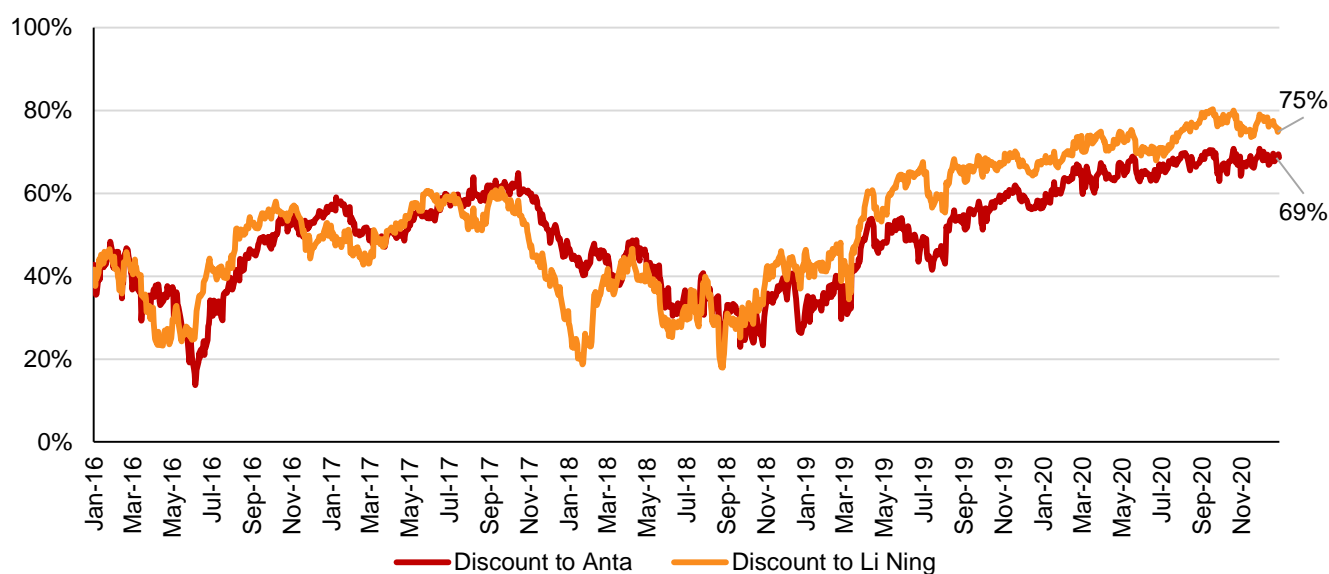
Figure 12: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	8,109	9,252	10,204	8,288	9,527	10,836	-2.2%	-2.9%	-5.8%
Gross profit	3,222	3,735	4,214	3,317	3,926	4,515	-2.9%	-4.9%	-6.7%
EBIT	881	1,081	1,320	867	1,149	1,388	1.7%	-5.9%	-4.9%
Net profit att.	446	617	810	460	673	823	-3.0%	-8.4%	-1.5%
Diluted EPS (RMB)	0.179	0.248	0.325	0.192	0.270	0.322	-6.6%	-8.3%	1.0%
Gross margin	39.7%	40.4%	41.3%	40.0%	41.2%	41.7%	-0.3ppt	-0.8ppt	-0.4ppt
EBIT margin	10.9%	11.7%	12.9%	10.5%	12.1%	12.8%	0.4ppt	-0.4ppt	0.1ppt
Net profit att. margin	5.5%	6.7%	7.9%	5.6%	7.2%	8.0%	-0.1ppt	-0.6ppt	0ppt

Source: Company data, CMBIS estimates

Figure 13: Anta, Li Ning and Xtep's forward 2 years P/E

Source: Bloomberg, CMBIS estimates

Figure 14: Forward 2 years P/E - Xtep's discounts to Anta and Li Ning

Source: Bloomberg, CMBIS estimates

Valuation

Figure 15: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Xtep Intl	1368 HK	BUY	5.09	3.81	34%	9,704	Dec-19	19.0	13.8	1.1	1.1	7.4	7.6	3.2
Anta Sports	2020 HK	BUY	150.98	129.50	17%	350,081	Dec-19	56.1	37.3	12.2	9.8	23.0	2.3	0.6
Li Ning	2331 HK	BUY	36.52	50.80	-28%	126,448	Dec-19	65.9	47.7	12.4	10.3	19.8	2.7	0.4
361 Degrees	1361 HK	NR	n/a	1.24	n/a	2,564	Dec-19	5.3	4.9	0.3	0.3	5.8	1.0	6.7
Topsports	6110 HK	NR	n/a	11.42	n/a	70,818	Feb-20	23.9	19.1	5.6	4.8	36.9	1.6	5.8
Pou Sheng	3813 HK	NR	n/a	1.74	n/a	9,321	Dec-19	19.9	7.0	1.0	0.9	5.6	1.0	0.6
China DX	3818 HK	NR	n/a	0.77	n/a	4,532	Mar-20	4.4	4.2	0.3	0.3	11.8	0.2	12.4
Avg.								27.8	19.1	4.7	3.9	15.8	2.3	4.2
Med.								19.9	13.8	1.1	1.1	11.8	1.6	3.2
International Sportswear														
Nike Inc	NKE US	NR	n/a	140.72	n/a	1,720,131	May-20	46.5	36.4	21.5	18.8	28.3	1.2	0.7
Adidas	ADS GY	NR	n/a	281.80	n/a	529,613	Dec-19	128.4	32.6	7.9	6.9	6.6	27.2	0.8
Puma	PUM GY	NR	n/a	87.94	n/a	124,378	Dec-19	162.0	44.9	6.7	6.1	3.8	9.4	0.2
Under Armour	UAA US	NR	n/a	18.09	n/a	58,950	Dec-19	n/a	145.9	5.4	5.1	(41.3)	0.0	0.0
Lululemon	LULU US	NR	n/a	344.50	n/a	348,157	Feb-20	75.0	51.2	18.6	15.5	29.2	4.3	0.0
Skechers	SKX US	NR	n/a	36.66	n/a	44,672	Dec-19	50.8	17.1	2.2	1.9	4.6	11.3	0.0
Vf Corp	VFC US	NR	n/a	83.91	n/a	253,745	Mar-21	63.5	28.5	13.7	13.0	(1.3)	2.4	2.3
Columbia	COLM US	NR	n/a	92.80	n/a	47,643	Dec-19	65.4	25.7	3.4	3.0	7.3	(20.4)	0.3
Wolverine	WWW US	NR	n/a	31.76	n/a	20,211	Dec-19	35.3	15.5	3.2	2.8	4.2	2.4	1.3
Mizuno Corp	8022 JP	NR	n/a	2038.00	n/a	4,046	Mar-20	n/a	15.6	0.6	0.6	1.9	0.0	2.5
Asics Corp	7936 JP	NR	n/a	1861.00	n/a	26,392	Dec-19	n/a	42.1	2.5	2.5	(2.2)	0.0	1.3
Avg.								78.4	41.4	7.8	6.9	3.7	3.4	0.8
Med.								64.4	32.6	5.4	5.1	4.2	2.4	0.7

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 16: Xtep's key assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment (RMB mn)					
Shoes	3,925	4,653	4,823	5,584	6,209
Apparels	2,327	3,344	3,110	3,484	3,797
Accessories	131	185	176	185	198
Total	6,383	8,183	8,109	9,252	10,204
Sales by segment growth (%)					
Shoes	20.5%	18.6%	3.7%	15.8%	11.2%
Apparels	32.2%	43.7%	-7.0%	12.0%	9.0%
Accessories	36.6%	41.0%	-5.0%	5.0%	7.0%
Total	24.8%	28.2%	-0.9%	14.1%	10.3%
Sales by segment (RMB mn)					
Mass market	6,383	7,707	7,292	8,127	8,860
Athleisure	0	466	769	908	1,044
Professional sports	0	10	48	217	301
Total	6,383	8,183	8,109	9,252	10,204
Sales by segment growth (YoY)					
Mass market	24.8%	20.7%	-5.4%	11.4%	9.0%
Athleisure	n/a	n/a	65.0%	18.1%	14.9%
Professional sports	n/a	n/a	379.0%	349.2%	38.4%
Total	24.8%	28.2%	-0.9%	14.1%	10.3%
Sales network					
Xtep	5,580	5,279	4,962	5,012	5,112
Xtep kids	450	850	833	891	980
Oversea stores	200	250	250	250	300
Total	6,230	6,379	6,045	6,153	6,393
GP margins	44.3%	43.4%	39.7%	40.4%	41.3%
Opex breakdown					
A&P / sales	15.2%	14.4%	12.1%	11.8%	11.6%
Staff costs/ sales	11.6%	11.0%	12.3%	12.1%	12.6%
R&D / sales	2.6%	2.4%	2.8%	2.6%	2.4%
D&A / sales	1.4%	1.7%	2.2%	2.1%	1.9%
Provisions (write backs) / sales	-0.8%	-0.9%	-0.3%	0.0%	0.0%
Rental / sales	0.3%	0.1%	0.7%	0.9%	1.1%
Selling & distribution costs / sales	21.3%	21.0%	20.1%	20.0%	19.9%
Admin expenses / sales	9.8%	11.1%	12.3%	11.0%	10.6%
Total	31.0%	32.1%	32.4%	31.0%	30.5%
OP margins	16.4%	15.1%	10.9%	11.7%	12.9%
Effective tax rate	31.4%	34.8%	38.0%	33.0%	32.0%
Net profit att. margins	10.3%	8.9%	5.5%	6.7%	7.9%
Net profit att. growth (%)	60.9%	10.8%	-38.7%	38.3%	31.4%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	6,383	8,183	8,109	9,252	10,204
Footwear	3,925	4,653	4,823	5,584	6,209
Apparel	2,327	3,344	3,110	3,484	3,797
Accessories	131	185	176	185	198
Cost of goods sold	(3,555)	(4,632)	(4,887)	(5,517)	(5,990)
Gross profit	2,828	3,550	3,222	3,735	4,214
Other income	196	308	284	213	219
Operating expenses	(1,980)	(2,625)	(2,624)	(2,866)	(3,113)
S & D costs	(1,357)	(1,718)	(1,627)	(1,849)	(2,036)
Admin exp.	(456)	(711)	(770)	(777)	(832)
R & D	(166)	(195)	(227)	(241)	(245)
Other operating expenses	-	-	-	-	-
EBIT	1,044	1,234	881	1,081	1,320
Finance costs, net	(68)	(111)	(115)	(94)	(99)
JVs & associates	-	(2)	(36)	(60)	(18)
Exceptional	-	-	-	-	-
Pre-tax profit	976	1,121	730	927	1,204
Income tax	(306)	(390)	(277)	(306)	(385)
Less: Minority interests	13	4	7	5	8
Net profit	657	728	446	617	810

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
EBIT	1,044	1,234	881	1,081	1,320
D & A	60	185	317	330	340
Change in working capital	(513)	36	338	(292)	(249)
Income tax paid	(309)	(334)	(277)	(306)	(385)
Others	(128)	(343)	(115)	(94)	(99)
Net cash from operating	154	778	1,144	718	928
Capex & investments	(72)	(97)	(203)	(139)	(153)
Associated companies	(1)	(35)	-	-	-
Interest received	-	-	-	-	-
Others	(208)	(1,913)	-	-	-
Net cash from investing	(281)	(2,045)	(203)	(139)	(153)
Equity raised	(31)	1,187	-	-	-
Net change in bank loans	(10)	386	-	-	-
Dividend paid	(459)	(436)	(331)	(332)	(443)
Others	(11)	(98)	-	-	-
Net cash from financing	(511)	1,039	(331)	(332)	(443)
Net change in cash	(637)	(227)	610	248	332
Beginning cash balance	3,832	3,196	2,970	3,579	3,827
Exchange difference	1	1	-	-	-
Cash at the end of the year	3,196	2,970	3,579	3,827	4,159

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	1,139	3,057	2,906	2,655	2,451
Fixed asset	641	662	787	836	890
Intangible assets & goodwill	105	1,738	1,499	1,258	1,017
Prepaid lease payments	279	104	104	104	104
Interest in joint ventures	114	197	161	101	84
Other non-current assets	-	356	356	356	356
Current assets	8,060	9,266	9,716	10,600	11,451
Cash and cash equivalents	3,196	2,970	3,579	3,827	4,159
Inventories	836	1,046	1,138	1,285	1,395
Trade and other receivables	2,115	2,910	2,666	3,042	3,355
Prepayments	727	818	810	925	1,020
Other current assets	1,186	1,522	1,522	1,522	1,522
Current liabilities	3,278	3,671	3,849	4,193	4,463
Bank loans	1,483	1,086	1,086	1,086	1,086
Trade payables	879	1,420	1,607	1,814	1,969
Accruals & other payables	861	981	972	1,109	1,223
Tax payables	54	115	115	115	115
Others	1	69	69	69	69
Non-current liabilities	590	1,691	1,691	1,691	1,691
Bank loans	461	1,269	1,269	1,269	1,269
Deferred income	-	-	-	-	-
Deferred tax	107	280	280	280	280
Others	22	142	142	142	142
Minority Interest	-	-	7	11	20
Total net assets	5,331	6,960	7,075	7,360	7,728
Shareholders' equity	5,331	6,960	7,075	7,360	7,728

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Footwear	61.5	56.9	59.5	60.4	60.9
Apparel	36.5	40.9	38.4	37.7	37.2
Accessories	2.1	2.3	2.2	2.0	1.9
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	44.3	43.4	39.7	40.4	41.3
Operating margin	16.4	15.1	10.9	11.7	12.9
Pre-tax margin	15.3	13.7	9.0	10.0	11.8
Net margin	10.3	8.9	5.5	6.7	7.9
Effective tax rate	31.4	34.7	36.2	31.0	31.5
Balance sheet ratios					
Current ratio (x)	2.5	2.5	2.5	2.5	2.6
Quick ratio (x)	2.2	2.2	2.2	2.2	2.3
Cash ratio (x)	1.0	0.8	0.9	0.9	0.9
Inventory turnover days	86	82	85	85	85
Trade receivables days	121	130	120	120	120
Trade payables days	90	112	120	120	120
Total debt / total equity ratio (%)	36	34	33	32	30
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	12.3	10.5	6.3	8.4	10.5
ROA	7.1	5.9	3.5	4.7	5.8
Per share					
EPS (RMB)	0.30	0.30	0.18	0.25	0.33
DPS (RMB)	0.18	0.18	0.11	0.15	0.20
BVPS (RMB)	2.40	2.79	2.84	2.95	3.10

Source: Company data, CMBIS estimates

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