

# Anta Sports (2020 HK)

## A moderate outlook and buybacks announced

We are satisfied by the 1H24 results, where the one-off gains and dividends have more than offset the slow core profit growth. Going forward, even though the growth outlook has kind of moderated, we do think the impressive share buyback programme should more than compensate for that. Maintain BUY but trim TP to HK\$ 97.05, based on 18x FY25E P/E (rolled over from 20x FY24E P/E). It is trading at 14x FY25E P/E.

■ **Anta brand's FY24E guidance reiterated.** The Anta brand sales growth was at 14% YoY in 1H24, ahead of the retail sales growth of HSD, because of some DTC transformation and re-stocking by distributors. Management reiterated Anta brand's retail sales growth of 10%+ in FY24E, and we are also confident, supported by: 1) mild improvements in retail sales trend in Aug 2024 (vs Jun-Jul 2024), 2) an exciting new product pipeline (more Kyrie Irving products as well as more value-for-money mass-market priced items), 3) relatively rapid online sales growth (esp. on Douyin and Xiaohongshu), 4) ramp up of various store formats in 1H24 such as the Anta super store (sales per store reached RMB 1mn+), Anta Champion store (sales per store at around RMB 500k) and Sneakerverse store, and 5) push from the DTC transformation, etc. Margin-wise, while the GP margin (as well as retail discounts) can still be stable in 2H24E, the OP margin may drop, mainly due to a surge in A&P expenses, esp. spending on Olympic sponsorships.

■ **FILA brand's FY24E guidance revised down slightly.** After the sluggish sales growth in 1H24, at MSD, management is now revising down FILA brand's retail sales growth target to HSD (from 10%+) in FY24E. We do agree with them because of risks such as: 1) a high base in 2H23 and 2) weaker-than-expected sales from FILA Kids (likely affected by consumption trade-down) as well as FILA Fusion series (some stores were also being closed down). Margin-wise, we also see certain pressure on FILA in 2H24E, given: 1) potential increases in retail discounts, in order to clear inventory, 2) reduced operating leverage, as a result of slow sales growth, and 3) lack of inventory write-backs, etc.

■ **Maintain BUY but trim the TP to HK\$ 97.05**, based on 18x FY25E P/E (rolled over from 20x FY24E P/E), supported by a 12% sales CAGR and 16% net profit CAGR during FY23-26E. We have adjusted the FY24E/ 25E/ 26E net profit by -3%/ -3%/ -1%, mainly due to: 1) slower-than-expected FILA sales growth and 2) higher-than-expected retail discounts. The stock is trading at 14x FY25E P/E, not very demanding in our view, compared to its 5-year average of 25x.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	70,322	78,322	87,103
YoY growth (%)	8.8	16.2	12.8	11.4	11.2
Operating profit (RMB mn)	11,229.0	15,409.0	17,125.4	18,546.7	21,591.3
Net profit (RMB mn)	8,245.0	11,277.0	13,686.8	15,012.1	17,632.0
EPS (Reported) (RMB)	2.71	3.65	4.39	4.81	5.65
YoY growth (%)	(2.0)	34.7	20.1	9.7	17.5
P/E (x)	24.1	17.9	14.9	13.6	11.6
P/B (x)	5.1	3.4	3.0	2.7	2.3
Yield (%)	1.8	2.9	2.8	3.4	4.0
ROE (%)	26.0	26.3	24.9	23.9	24.7
Net gearing (%)	43.5	42.2	50.2	56.6	62.1

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

**Target Price** **HK\$97.05**  
(Previous TP) HK\$101.38  
**Up/Downside** **35.5%**  
**Current Price** **HK\$71.65**

### China Consumer Discretionary

#### Walter WOO

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#### Stock Data

Mkt Cap (HK\$ mn)	193,693.5
Avg 3 mths t/o (HK\$ mn)	470.4
52w High/Low (HK\$)	94.25/64.15
Total Issued Shares (mn)	2703.3

Source: FactSet

#### Shareholding Structure

Mr. Ding Shi zhong & Family	52.2%
The Vanguard Group	1.7%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	2.8%	-2.1%
3-mth	-17.8%	-13.5%
6-mth	-8.7%	-14.2%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Recent Reports:

[Xtep \(1368 HK\) - Better margins despite cautious sales growth](#)  
(21 Aug 24)

[Li Ning \(2331 HK\) - We see long-term value but short-term risks](#)  
(19 Aug 24)

[361 Degrees \(1361 HK\) - The cautious outlook is likely priced in](#)  
(13 Aug 24)

[Xtep \(1368 HK\) - Cautiously optimistic after a resilient 2Q24](#)  
(12 Jul 24)

[Anta Sports \(2020 HK\) - Stay cautious about FY24E after an inline 2Q24](#)  
(9 Jul 24)

[Bosideng \(3998 HK\) - Beautifully executed the solid strategies](#)  
(28 Jun 24)

- **Growth from the new brands remains strong and intact.** Despite the tough macro backdrop, we are highly impressed by Descente/ Kolon's sales growth of 30%+ / 50%+ in 1H24. Going forward, we are still rather confident that these brands may continue to deliver rapid growth in 2H24E and even in FY25E, because: 1) the outdoor segment is one of a few subsectors with exponential growth and low penetration, 2) there are still ample room for more store expansions (store numbers for both brands are still low), 3) sales per store can still go up, driven by larger area per store and refinement of store location, etc. Margin-wise, we expect the OP margin to stay high at 30%+, given that the GP margin is still improving (retail discounts actually improved by 6-7ppt YoY in 1H24) and operating leverage remains robust (as SSSG is still strong).
- **1H24 results beat slightly while the share buyback programme is big positive surprise.** Sales increased by 14% YoY to RMB 33.7bn in 1H24, beating CMBI est. by 3% and inline with BBG est. Net profit jumped by 63% YoY to RMB 7.7bn in 1H24, beating CMBI/ BBG est. by 21%/ 24%, thanks to: 1) a slightly stronger-than-expected GP margin, 2) higher finance income and 3) less-than-expected tax. Net profit (excluding impacts from Amer) managed to grow healthily at 17%; however, if we also account for the inventory write-back (from the write-down last year), the adjusted net profit (excluding impacts from Amer) only grew by 7% YoY. Sales growth for Anta/ FILA/ all other brands was +14%/ +7%/ +42% in 1H24, and the respective OP margin was 22%/ 29%/ 30% (+0.8ppt/ -1.1ppt/ -0.4ppt vs last year). Some investors are concerned about the 30% drop in operating cash flow. But in our view, that was only due to the abnormally high base in 1H23 (substantial efforts to clear inventory plus the cut in orders to factory at the time). The group has also announced a share buyback programme, to repurchase up to HK\$ 10bn in the next 18 months, which could be annualized to about 3%-3.5% of current market cap (on top of the 3% FY24E/ 3.5% FY25E yield). This is fairly impressive and could create decent downside protection.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	70,322	78,322	87,103	70,222	78,932	87,725	0.1%	-0.8%	-0.7%
Gross profit	44,107	49,341	54,974	44,254	50,034	55,709	-0.3%	-1.4%	-1.3%
EBIT	17,125	18,547	21,591	17,512	18,864	21,675	-2.2%	-1.7%	-0.4%
Net profit att.	12,292	13,482	15,835	12,637	13,838	15,984	-2.7%	-2.6%	-0.9%
Diluted EPS (RMB)	4.389	4.814	5.654	4.526	4.956	5.725	-3.0%	-2.9%	-1.2%
Gross margin	62.7%	63.0%	63.1%	63.0%	63.4%	63.5%	-0.3ppt	-0.4ppt	-0.4ppt
EBIT margin	24.4%	23.7%	24.8%	24.9%	23.9%	24.7%	-0.6ppt	-0.2ppt	0.1ppt
Net profit att. margin	17.5%	17.2%	18.2%	18.0%	17.5%	18.2%	-0.5ppt	-0.3ppt	0ppt

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	70,322	78,322	87,103	70,704	79,643	88,897	-0.5%	-1.7%	-2.0%
Gross profit	44,107	49,341	54,974	44,457	50,328	56,451	-0.8%	-2.0%	-2.6%
EBIT	17,125	18,547	21,591	17,045	19,160	21,686	0.5%	-3.2%	-0.4%
Net profit att.	12,292	13,482	15,835	12,903	14,132	16,131	-4.7%	-4.6%	-1.8%
Diluted EPS (RMB)	4.389	4.814	5.654	4.547	4.993	5.694	-3.5%	-3.6%	-0.7%
Gross margin	62.7%	63.0%	63.1%	62.9%	63.2%	63.5%	-0.2ppt	-0.2ppt	-0.4ppt
EBIT margin	24.4%	23.7%	24.8%	24.1%	24.1%	24.4%	0.2ppt	-0.4ppt	0.4ppt
Net profit att. margin	17.5%	17.2%	18.2%	18.2%	17.7%	18.1%	-0.8ppt	-0.5ppt	0ppt

Source: Bloomberg, CMBIGM estimates

## Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24 E YoY	1H24E CMBIG M	Actual vs CMBIG M
<b>Revenue</b>	<b>29,645</b>	<b>32,711</b>	<b>33,735</b>	<b>36,587</b>	<b>14%</b>	<b>18%</b>	<b>14%</b>	<b>12%</b>	<b>32,651</b>	<b>3%</b>
COGS	-10,890	-12,438	-12,117	-14,098					-11,897	
Gross profit	18,755	20,273	21,618	22,489	<b>16%</b>	<b>25%</b>	<b>15%</b>	<b>11%</b>	20,753	4%
<b>GP margin</b>	<b>63.3%</b>	<b>62.0%</b>	<b>64.1%</b>	<b>61.5%</b>					<b>63.6%</b>	
Other income & gains	637	1,068	2,388	1,142					2,315	3%
S&D expenses	-10,074	-11,599	-11,796	-14,199	<b>7%</b>	<b>14%</b>	<b>17%</b>	<b>22%</b>	-12,081	-2%
<b>S&amp;D exp / sales</b>	<b>-34.0%</b>	<b>-35.5%</b>	<b>-35.0%</b>	<b>-38.8%</b>					<b>-37.0%</b>	
Admin expenses	-1,695	-1,998	-1,971	-2,616	<b>0%</b>	<b>6%</b>	<b>16%</b>	<b>31%</b>	-1,926	2%
<b>Admin exp / sales</b>	<b>-5.7%</b>	<b>-6.1%</b>	<b>-5.8%</b>	<b>-7.2%</b>					<b>-5.9%</b>	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	7,623	7,744	10,239	6,816	<b>32%</b>	<b>42%</b>	<b>34%</b>	<b>-12%</b>	9,061	13%
<b>OP margin</b>	<b>25.7%</b>	<b>23.7%</b>	<b>30.4%</b>	<b>18.6%</b>					<b>27.8%</b>	
Other items	0	0	0	0					0	
Net finance income	356	635	710	309					457	55%
<b>Net fin. income / sales</b>	<b>1.2%</b>	<b>1.9%</b>	<b>2.1%</b>	<b>0.8%</b>					<b>1.4%</b>	
Profit after financing costs	7,979	8,379	10,949	7,125					9,518	
Associated coms	0	0	0	0					0	
Jointly controlled coms	-516	-202	-19	441					196	
Pre-tax profit	7,463	8,177	10,930	7,566	<b>33%</b>	<b>42%</b>	<b>46%</b>	<b>-7%</b>	9,714	13%
Tax	-2,169	-2,194	-2,511	-2,298					-2,720	
<b>Tax / sales</b>	<b>-7.3%</b>	<b>-6.7%</b>	<b>-7.4%</b>	<b>-6.3%</b>					<b>-8.3%</b>	
<b>Effective tax rate</b>	<b>-29.1%</b>	<b>-26.8%</b>	<b>-23.0%</b>	<b>-30.4%</b>					<b>-28.0%</b>	
Minority interests	546	497	698	697					634	10%
<b>Net profit att.</b>	<b>4,748</b>	<b>5,486</b>	<b>7,721</b>	<b>4,571</b>	<b>32%</b>	<b>37%</b>	<b>63%</b>	<b>-17%</b>	<b>6,360</b>	<b>21%</b>
<b>NP margin</b>	<b>16.0%</b>	<b>16.8%</b>	<b>22.9%</b>	<b>12.5%</b>					<b>19.5%</b>	

Source: Company data, CMBIGM estimates

**Figure 4: Results preview - full year**

Full yearly (RMB mn)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY
Revenue	62,356	70,322	78,322	13%	11%
COGS	-23,328	-26,215	-28,980		
Gross profit	39,028	44,107	49,341	13%	12%
<b>GP margin</b>	<b>62.6%</b>	<b>62.7%</b>	<b>63.0%</b>		
Other income & gains	1,705	3,530	2,193		
S&D expenses	-21,673	-25,995	-28,437	20%	9%
<b>S&amp;D exp / sales</b>	<b>-34.8%</b>	<b>-37.0%</b>	<b>-36.3%</b>		
Admin expenses	-3,693	-4,587	-4,629	24%	1%
<b>Admin exp / sales</b>	<b>-5.9%</b>	<b>-6.5%</b>	<b>-5.9%</b>		
Other opex	0	0	0		
Operating profit (EBIT)	15,367	17,055	18,468	11%	8%
<b>OP margin</b>	<b>24.6%</b>	<b>24.3%</b>	<b>23.6%</b>		
Other items	0	0	0		
Net finance income	991	1,019	1,348		
<b>Net fin. income / sales</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.7%</b>		
Profit after financing costs	16,358	18,074	19,817		
Associated coms	0	0	0		
Jointly controlled coms	-718	422	470		
Pre-tax profit	15,640	18,496	20,287	18%	10%
Tax	-4,363	-4,809	-5,275		
<b>Tax / sales</b>	<b>-7.0%</b>	<b>-6.8%</b>	<b>-6.7%</b>		
<b>Effective tax rate</b>	<b>-27.9%</b>	<b>-26.0%</b>	<b>-26.0%</b>		
Minority interests	1,043	1,395	1,530		
<b>Net profit att.</b>	<b>10,234</b>	<b>12,292</b>	<b>13,482</b>	<b>20%</b>	<b>10%</b>
<b>NP margin</b>	<b>16.4%</b>	<b>17.5%</b>	<b>17.2%</b>		

Source: Company data, CMBIGM estimates

## Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-5%	-3%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	11%	13%
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	+ve MSD	+ve HSD	9%	14%
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%	+ve LSD	+ve LSD		
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%	Flat	-ve LSD		
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	20%-25%	20%-25%		
FILA brand's retail sales																
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%	+ve MSD	+ve HSD		
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%	-ve LSD	-ve LSD		
Fusion	150%	Over 80%	+ve Mid-teens	+ve Mid-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD		
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	20%	20%		
Other brands																
Descente	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%		
Kolon	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%		
Li Ning group's SSSG																
Direct retail	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Mid 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD		
Wholesales	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%	-ve LSD	-ve MSD		
E- Commerce	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	-ve Mid-teens	-ve High-teens		
Li Ning group's retail sa																
Direct retail	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve High 30%	+ve Mid 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-4%	6%
Wholesales	+ve Low 90%	+ve Low 80%	+ve High 30%	+ve High 20%	+ve Low 30%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD	+ve High-teens	-ve MSD	-ve HSD		
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	+ve Low 20%	+ve HSD		
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%	+ve HSD	10%	8%	9%
361 Degree brand's SSSG																
361 Degree brand's offli	+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%	+ve High-teens	10.0%	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%	20%-25%	+ve Mid-teens		
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%		
Pou Sheng's SSSG	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%			
Pou Sheng's sales	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-6%	2%
Topsports' retail sales																
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%	-ve HSD	-ve MSD		
Dong Xiang's retail sale	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 to 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		

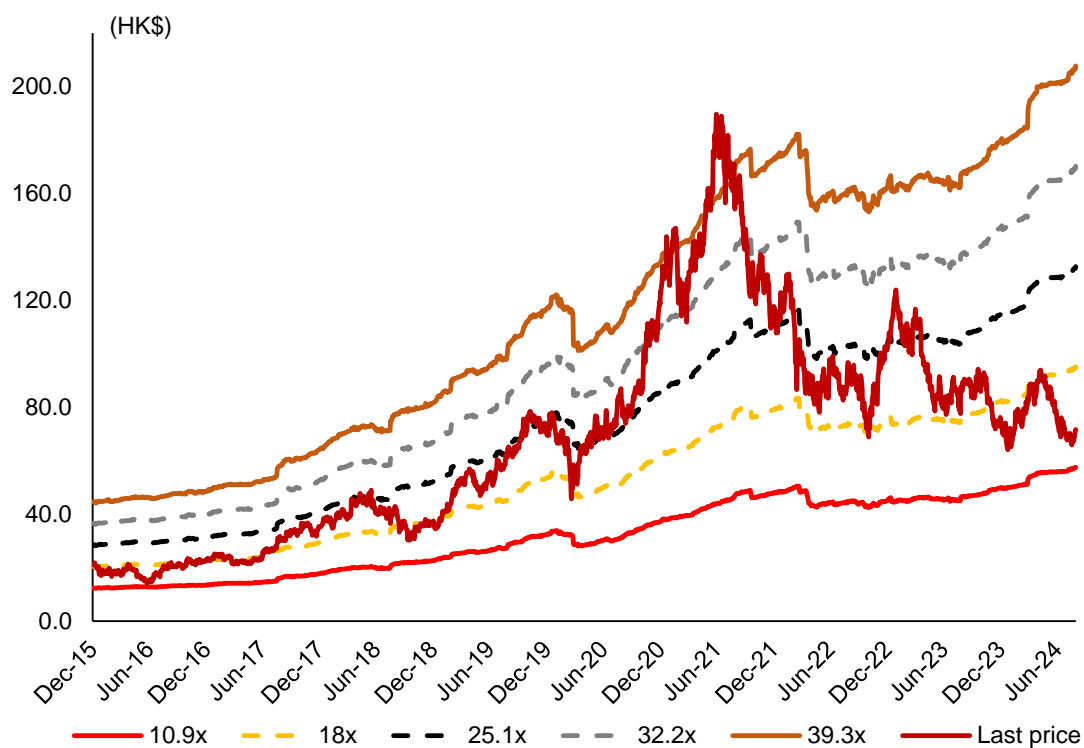
Source: Company data, CMBIGM estimates, \*Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

## Valuation

Figure 6: 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	FY0	FY1E	FY1E	FY1E
H share Sportswear														
Anta Sports	2020 HK	BUY	97.05	71.65	35%	202,957	Dec-23	14.6	13.3	2.7	24.9	0.9	3.6	(5.4)
Li Ning Co	2331 HK	BUY	16.18	14.64	11%	37,837	Dec-23	10.7	9.6	1.2	11.8	1.4	4.3	(29.2)
Xtep Intl	1368 HK	BUY	7.32	5.14	42%	13,593	Dec-23	10.1	8.9	1.1	12.3	0.8	5.0	16.6
361 Degrees Intl	1361 HK	BUY	5.15	3.56	45%	7,361	Dec-23	6.0	5.2	0.6	11.5	0.5	6.5	2.6
Topsports Intl	6110 HK	BUY	6.78	2.92	132%	18,108	Feb-24	7.4	6.7	1.5	22.5	1.1	12.2	(49.8)
Pou Sheng Intl	3813 HK	NR	n/a	0.59	n/a	3,142	Dec-23	4.9	4.2	0.3	6.0	0.3	11.0	(13.2)
China DX	3818 HK	NR	n/a	0.28	n/a	1,649	Mar-24	n/a	16.0	0.2	(6.8)	0.0	7.8	0.2
Avg.								8.9	9.1	1.1	11.7	0.7	7.2	(11.2)
Med.								8.8	8.9	1.1	11.8	0.8	6.5	(5.4)
International Sportswear														
Nike	NKE US	NR	n/a	85.06	n/a	995,057	May-24	27.3	23.8	9.0	40.1	12.4	1.8	(21.7)
Adidas	ADS GY	NR	n/a	223.70	n/a	351,266	Dec-23	63.7	30.3	6.5	4.9	(0.2)	0.6	21.5
Puma	PUM GY	NR	n/a	38.54	n/a	50,709	Dec-23	17.9	13.9	1.9	10.2	1.0	2.1	(23.7)
Under Armour	UAA US	NR	n/a	8.35	n/a	27,873	Mar-24	36.9	23.3	1.7	(4.4)	(15.7)	0.0	(5.1)
Lululemon	LULU US	NR	n/a	271.54	n/a	264,831	Jan-24	19.4	17.8	5.2	41.9	1.8	0.0	(46.9)
Skechers	SKX US	NR	n/a	69.85	n/a	83,198	Dec-23	16.7	14.1	1.9	14.4	0.9	0.0	12.0
On Holding	ONON US	NR	n/a	47.09	n/a	117,101	Dec-23	53.2	47.5	7.5	13.7	0.9	n/a	74.6
Deckers	DECK US	NR	n/a	945.51	n/a	187,455	Mar-24	29.8	26.1	8.2	41.9	2.6	0.0	41.5
Vf Corp	VFC US	NR	n/a	17.66	n/a	53,624	Mar-24	30.4	17.1	3.0	(57.0)	(0.2)	1.9	(6.1)
Columbia	COLM US	NR	n/a	82.79	n/a	37,819	Dec-23	21.5	18.9	2.3	12.3	3.7	1.5	4.1
Wolverine	WWW US	NR	n/a	13.45	n/a	8,396	Dec-23	16.0	10.7	2.9	(27.2)	(0.1)	3.2	51.3
Mizuno Corp	8022 JP	NR	n/a	9760.00	n/a	14,059	Mar-24	16.9	15.6	1.6	10.7	2.7	1.3	148.3
Asics Corp	7936 JP	NR	n/a	2622.00	n/a	107,926	Dec-23	31.8	27.9	7.8	22.9	1.1	1.5	137.4
Avg.								29.4	22.1	4.6	9.6	0.8	1.2	29.8
Med.								27.3	18.9	3.0	12.3	1.0	1.4	12.0

Source: Bloomberg, CMBIGM estimates

**Figure 7: Forward 12M P/E valuation band**

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	49,328	53,651	62,356	70,322	78,322	87,103
Cost of goods sold	(18,924)	(21,333)	(23,328)	(26,215)	(28,980)	(32,129)
Gross profit	30,404	32,318	39,028	44,107	49,341	54,974
Operating expenses	(20,681)	(23,216)	(25,366)	(30,582)	(33,066)	(35,909)
Selling expense	(17,753)	(19,629)	(21,673)	(26,353)	(28,514)	(30,999)
Admin expense	(1,812)	(2,308)	(2,079)	(2,411)	(2,537)	(2,680)
R&D expense	(1,116)	(1,279)	(1,614)	(1,818)	(2,015)	(2,230)
Others	0	0	0	0	0	0
Operating profit	11,372	11,229	15,409	17,125	18,547	21,591
Other income	1,649	2,127	1,747	3,600	2,271	2,526
Share of (losses)/profits of associates/JV	(81)	28	(718)	422	470	610
EBITDA	11,944	12,212	16,415	17,715	19,019	21,943
Depreciation	(443)	(860)	(1,018)	(341)	(325)	(311)
Other amortisation	(129)	(123)	12	(248)	(147)	(41)
Interest income	392	609	1,470	1,622	1,944	2,300
Interest expense	(443)	(511)	(521)	(674)	(674)	(674)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	11,240	11,355	15,640	18,496	20,287	23,827
Income tax	(3,021)	(3,110)	(4,363)	(4,809)	(5,275)	(6,195)
Minority interest	(499)	(655)	(1,043)	(1,395)	(1,530)	(1,797)
Net profit	8,219	8,245	11,277	13,687	15,012	17,632
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	39,902	42,596	52,140	61,456	71,504	82,888
Cash & equivalents	17,592	17,378	15,228	22,976	31,310	40,778
Account receivables	6,914	5,800	6,867	7,744	8,625	9,592
Inventories	7,644	8,490	7,210	7,900	8,734	9,683
Prepayment	0	0	0	0	0	0
ST bank deposits	6,989	10,310	21,453	21,453	21,453	21,453
Other current assets	763	618	1,382	1,382	1,382	1,382
Non-current assets	22,766	26,599	40,088	40,764	41,702	43,005
PP&E	2,853	3,716	4,143	4,646	5,260	5,995
Investment in JVs & assos	9,027	9,343	21,119	21,541	22,011	22,621
Intangibles	1,531	1,480	2,089	1,859	1,731	1,708
Other non-current assets	9,355	12,060	12,737	12,718	12,700	12,681
Total assets	62,668	69,195	92,228	102,220	113,206	125,893
Current liabilities	15,943	26,207	20,591	21,988	23,373	24,909
Short-term borrowings	1,748	12,198	3,996	3,996	3,996	3,996
Account payables	3,146	2,750	3,195	3,590	3,969	4,400
Tax payable	1,816	2,169	2,825	2,825	2,825	2,825
Other current liabilities	9,233	9,090	10,575	11,577	12,583	13,687
Non-current liabilities	15,062	5,149	15,627	15,627	15,627	15,627
Long-term borrowings	11,425	492	10,948	10,948	10,948	10,948
Other non-current liabilities	3,637	4,657	4,679	4,679	4,679	4,679
Total liabilities	31,005	31,356	36,218	37,615	39,000	40,536
Share capital	261	262	272	272	272	272
Retained earnings	22,663	26,963	32,909	37,225	44,666	53,409
Other reserves	5,999	7,175	18,279	21,163	21,793	22,405
Total shareholders equity	28,923	34,400	51,460	58,660	66,731	76,086
Minority interest	2,740	3,439	4,550	5,945	7,475	9,272
Total equity and liabilities	62,668	69,195	92,228	102,220	113,206	125,893



CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	11,240	11,355	15,640	18,496	20,287	23,827
Depreciation & amortization	572	983	1,006	590	472	352
Tax paid	(2,677)	(3,046)	(3,584)	(4,809)	(5,275)	(6,195)
Change in working capital	(282)	(1,104)	1,739	(170)	(330)	(380)
Others	3,008	3,959	4,833	252	204	64
<b>Net cash from operations</b>	<b>11,861</b>	<b>12,147</b>	<b>19,634</b>	<b>14,358</b>	<b>15,359</b>	<b>17,668</b>
<b>Investing</b>						
Capital expenditure	(1,360)	(1,621)	(1,161)	(844)	(940)	(1,045)
Acquisition of subsidiaries/ investments	(94)	(115)	(160)	0	0	0
Others	(3,215)	(3,038)	(24,472)	0	0	0
<b>Net cash from investing</b>	<b>(4,669)</b>	<b>(4,774)</b>	<b>(25,793)</b>	<b>(844)</b>	<b>(940)</b>	<b>(1,045)</b>
<b>Financing</b>						
Dividend paid	(2,456)	(3,950)	(4,250)	(5,092)	(5,411)	(6,481)
Net borrowings	(196)	(1,403)	(558)	0	0	0
Proceeds from share issues	0	0	10,497	0	0	0
Share repurchases	0	0	(113)	0	0	0
Others	(2,295)	(2,488)	(2,105)	(674)	(674)	(674)
<b>Net cash from financing</b>	<b>(4,947)</b>	<b>(7,841)</b>	<b>3,471</b>	<b>(5,766)</b>	<b>(6,085)</b>	<b>(7,155)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	15,323	17,592	17,378	15,228	22,976	31,310
Exchange difference	24	254	538	0	0	0
Others	2,245	(468)	(2,688)	7,748	8,334	9,468
<b>Cash at the end of the year</b>	<b>17,592</b>	<b>17,378</b>	<b>15,228</b>	<b>22,976</b>	<b>31,310</b>	<b>40,778</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Revenue	38.9%	8.8%	16.2%	12.8%	11.4%	11.2%
Gross profit	47.2%	6.3%	20.8%	13.0%	11.9%	11.4%
Operating profit	28.8%	(1.3%)	37.2%	11.1%	8.3%	16.4%
EBITDA	28.2%	2.2%	34.4%	7.9%	7.4%	15.4%
Net profit	47.6%	0.3%	36.8%	21.4%	9.7%	17.5%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Gross profit margin	61.6%	60.2%	62.6%	62.7%	63.0%	63.1%
Operating margin	23.1%	20.9%	24.7%	24.4%	23.7%	24.8%
EBITDA margin	24.2%	22.8%	26.3%	25.2%	24.3%	25.2%
Return on equity (ROE)	31.1%	26.0%	26.3%	24.9%	23.9%	24.7%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.4	0.4	0.4	0.5	0.6	0.6
Current ratio (x)	2.5	1.6	2.5	2.8	3.1	3.3
Receivable turnover days	51.2	39.5	40.2	40.2	40.2	40.2
Inventory turnover days	147.4	145.3	112.8	110.0	110.0	110.0
Payable turnover days	60.7	47.1	50.0	50.0	50.0	50.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
P/E	23.6	24.1	17.9	14.9	13.6	11.6
P/E (diluted)	23.6	24.1	17.9	14.9	13.6	11.6
P/B	6.1	5.1	3.4	3.0	2.7	2.3
P/CFPS	15.4	15.1	9.3	12.8	11.9	10.4
Div yield (%)	2.0	1.8	2.9	2.8	3.4	4.0
EV	182,312.5	178,720.5	172,009.7	164,261.3	155,927.3	146,459.5
EV/Sales	3.7	3.3	2.8	2.3	2.0	1.7
EV/EBITDA	15.3	14.6	10.5	9.3	8.2	6.7

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

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