

# 361 Degrees (1361 HK)

## Resilient outlook backed by rising popularity

361 Degrees's FY23 result was roughly inline but we are delighted to see its dividend payout ratio resumed to 40%. Going forward in FY24E, we are still confident, thanks to: 1) its wholesale business nature (supported by 80%+ sell through rate), 2) resilient retail sales growth (20%+ in Jan-Feb 2024) and 3) solid product and branding upgrades around running and basketball.

- **We do appreciate 361 Degrees's wholesale business nature, because the growth could be more certain.** According to the management, the trade fair sales growth was roughly between 15% to 20% for 1Q/2Q/3Q24E, and together with the impressive sell through rate for 1Q/2Q/3Q23, at 80%+, we are reasonably confident on 18%/ 22% sales/ NP att. growth in FY24E.
- **We are still quite confident on its retail end performance, based on many aspects of the business.** We do see lots of positives in 361 Degrees, in order for us to stay confident in FY24E amid such a weak macro environment. In terms of products, 361 Degrees' running and basketball products sales growth was as fast as 20%+ and 40%+ in FY23, which are all driven by the solid upgrades in product quality, in our view. We do expect the momentum to continue. It is also foreseeable that a new series of basketball shoes around Nikola Jokić will be launched (perhaps in FY25E). Moreover, the Company is also expanding its product categories, such as: 1) the female fitness wear, 2) ski board series, 3) badminton and even 4) football products, etc. In terms of marketing, 361 Degrees introduced a new self-owned IP called "Women's Fitness Gym" in 2023, and it should generate more positive interaction with customers and fans. In terms of channel, e-commerce sales remained highly robust (performance during the International Women Day was strong and the internal guidance for FY24E has been raised for a few times, supported by decent numbers in Jan -Feb 2024). We also think that offline business is one of the key focus for management in FY24E. While we are comfortable with the rapid store expansions in FY22-23 and the surge in 9th generation store mix, the sales per store growth (or SSSG) is still highly critical. Therefore, we do concur with management's plan to improve its sales productivity through various areas like improving the items per ticket and members management.
- **Maintain BUY with TP of HK\$ 6.25.** We revised up FY24E/ 25E net profit by 3.4%/ 3.1% to factor in: 1) solid kids and e-commerce sales, 2) beat in store expansions and 3) less-than-expected staff costs. Our new TP is based on 10x FY24E P/E. We still think current valuation is fairly attractive, at 8x FY24E P/E (25% discounts to industry average), plus a yield of 4.5%.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	6,961	8,423	9,938	11,453	12,920
YoY growth (%)	17.3	21.0	18.0	15.2	12.8
Operating profit (RMB mn)	991.2	1,300.0	1,597.1	1,881.5	2,182.2
Net profit (RMB mn)	747.1	961.4	1,175.5	1,376.4	1,586.7
EPS (Reported) (RMB)	0.36	0.46	0.57	0.67	0.77
YoY growth (%)	24.2	28.7	22.3	17.1	15.3
P/E (x)	9.0	7.5	7.4	6.3	5.5
P/B (x)	0.7	0.7	0.8	0.7	0.7
Yield (%)	0.0	5.3	5.4	7.9	9.1
ROE (%)	8.3	9.7	10.9	11.8	12.7
Net gearing (%)	3.1	2.8	2.6	2.4	2.3

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>HK\$6.25</b>
(Previous TP)	HK\$6.23)
<b>Up/Downside</b>	<b>36.6%</b>
<b>Current Price</b>	<b>HK\$4.58</b>

### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	9,469.6
Avg 3 mths t/o (HK\$ mn)	10.3
52w High/Low (HK\$)	5.15/3.23
Total Issued Shares (mn)	2067.6

Source: FactSet

#### Shareholding Structure

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

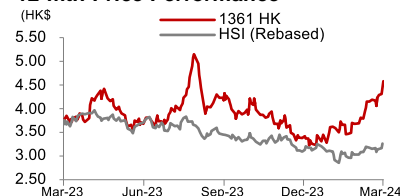
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	24.5%	14.7%
3-mth	37.1%	30.3%
6-mth	6.0%	11.8%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Sportswear & Apparel

[361 Degrees \(1361 HK\) – Star products & sponsorships-led turnaround](#)  
(13 Mar 24)

[JNBY \(3306 HK\) – An impressive beat but a conservative outlook](#)  
(29 Feb 24)

[Xtep \(1368 HK\) – 4Q23 was inline but macro is still challenging](#)  
(10 Jan 24)

[Anta \(2020 HK\) – An inline but resilient 4Q23: Amer filed for IPO](#)  
(8 Jan 24)

[Topsports \(6110 HK\) – Turnaround continues after a resilient 3Q24](#)  
(18 Dec 23)

- **The retail sales trend YTD was still fairly resilient.** The management also mentioned briefly that the retail sales growth for adult/ kids/ e-commerce in Jan and Feb 2024 were roughly at 10% to 15%/ 20%+/ 30%+. Moreover, the retail discounts was at 27% off, slightly narrowed by 1ppt QoQ. Inventory to sales ratio was at 4.5 to 5 months, similar to 4Q23.
- **Result was largely inline while dividend was a slight beat.** In FY23, 361 Degrees' sales increased by 21% to RMB 8.4bn while net profit rocketed by 29% to RMB 961mn, both were largely inline with BBG and CMBI est.. In terms of segment, adult/ kids/ e-commerce sales growth were 17%/ 36%/ 38% YoY. In terms of margins, GP margin expanded by 0.6ppt to 41.1%, thanks to more online sales and decent ASP increases for footwear products. NP margin increased by 0.7ppt to 11.4%, mostly due to the absence of provisions (for receivables and inventory), which partly offset the surge in A&P expenses (for Asian games and etc.). We think the bright spot is certainly the jump in payout ratio to roughly 40% (vs CMBI est. of 30%), that is equivalent to a 4.5% dividend yield, based on current market cap. While the inventory days and receivable days remain largely stable (both added 2 to 93 and 149), the payable days had shortened by 11 to 110 days, and the overall CCC had improved to 132 days.

## Earnings Forecast

Figure 1: Earnings forecast

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	9,938	11,453	12,920	9,590	10,972	n/a	3.6%	4.4%	n/a
Gross profit	4,095	4,738	5,367	3,942	4,528	n/a	3.9%	4.6%	n/a
EBIT	1,597	1,881	2,182	1,523	1,780	n/a	4.8%	5.7%	n/a
Net profit att.	1,176	1,376	1,587	1,136	1,335	n/a	3.4%	3.1%	n/a
Diluted EPS (RMB)	0.569	0.666	0.767	0.550	0.646	n/a	3.4%	3.1%	n/a
Gross margin	41.2%	41.4%	41.5%	41.1%	41.3%	n/a	0.1ppt	0.1ppt	n/a
EBIT margin	16.1%	16.4%	16.9%	15.9%	16.2%	n/a	0.2ppt	0.2ppt	n/a
Net profit att. margin	11.8%	12.0%	12.3%	11.8%	12.2%	n/a	0ppt	-0.2ppt	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	9,938	11,453	12,920	9,740	11,326	n/a	2.0%	1.1%	n/a
Gross profit	4,095	4,738	5,367	4,045	4,727	n/a	1.2%	0.2%	n/a
EBIT	1,597	1,881	2,182	1,462	1,730	n/a	9.3%	8.7%	n/a
Net profit att.	1,176	1,376	1,587	1,077	1,281	n/a	9.1%	7.4%	n/a
Diluted EPS (RMB)	0.569	0.666	0.767	0.547	0.642	n/a	4.0%	3.7%	n/a
Gross margin	41.2%	41.4%	41.5%	41.5%	41.7%	n/a	-0.3ppt	-0.4ppt	n/a
EBIT margin	16.1%	16.4%	16.9%	15.0%	15.3%	n/a	1.1ppt	1.1ppt	n/a
Net profit att. margin	11.8%	12.0%	12.3%	11.1%	11.3%	n/a	0.8ppt	0.7ppt	n/a

Source: Company data, CMBIGM estimates

## Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24E	2H24E	1H23 YoY	2H23 YoY	1H24E YoY	2H24E YoY	2H23E CMBIG M	Actual vs CMBIGM
Revenue	4,312	4,112	5,081	4,857	18%	24%	18%	18%	4,039	2%
COGS	-2,515	-2,446	-2,957	-2,886					-2,414	
Gross profit	1,796	1,666	2,124	1,972	19%	28%	18%	18%	1,625	2%
GP margins	41.7%	40.5%	41.8%	40.6%					40.2%	
Other income & gains	200	170	213	179					169	0%
S & D expenses	-758	-1,105	-813	-1,276	26%	33%	7%	15%	-910	22%
S & D exp / sales	-17.6%	-26.9%	-16.0%	-26.3%					-22.5%	
Admin expenses	-286	-344	-335	-404	17%	16%	17%	17%	-419	-18%
Admin exp / sales	-6.6%	-8.4%	-6.6%	-8.3%					-10.4%	
Other opex	40	5	25	4					-65	
Operating profit (EBIT)	993	391	1,214	476	29%	29%	22%	22%	401	-3%
OP margins	23.0%	9.5%	23.9%	9.8%					9.9%	
Other items	0	0	0	0					0	
Net finance income	-9	-11	-5	-6					-2	521%
Net finance income / sales	-0.2%	-0.3%	-0.1%	-0.1%					0.0%	
Profit after financing costs	984	380	1,209	470					399	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	984	380	1,209	470	28%	28%	23%	24%	399	-5%
Tax	-217	-106	-290	-130					-128	
Tax / sales	-5.0%	-2.6%	-5.7%	-2.7%					-3.2%	
Effective tax rate	-22.1%	-27.9%	-24.0%	-27.6%					-32.2%	
Minority interests	63	16	67	17					28	
Net profit att.	704	258	852	323	28%	31%	21%	25%	243	6%
NP margins	16.3%	6.3%	16.8%	6.7%					6.0%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY22	FY23	FY24E	FY25E	FY23 YoY	FY24E YoY	FY25E YoY	FY23E CMBI	Actual vs CMBI
Revenue	6,961	8,423	9,938	11,453	21%	18%	15%	8,350	1%
COGS	-4,140	-4,961	-5,842	-6,715				-4,929	
Gross profit	2,821	3,462	4,095	4,738	23%	18%	16%	3,422	1%
GP margins	40.5%	41.1%	41.2%	41.4%				41.0%	
Other income & gains	395	369	393	430				369	0%
S & D expenses	-1,433	-1,863	-2,089	-2,381	30%	12%	14%	-1,667	12%
S & D exp / sales	-20.6%	-22.1%	-21.0%	-20.8%				-20.0%	
Admin expenses	-541	-630	-739	-844	16%	17%	14%	-705	-11%
Admin exp / sales	-7.8%	-7.5%	-7.4%	-7.4%				-8.4%	
Other opex	-166	45	30	34				-25	
Operating profit (EBIT)	1,074	1,384	1,690	1,977	29%	22%	17%	1,394	-1%
OP margins	15.4%	16.4%	17.0%	17.3%				16.7%	
Other items	0	0	0	0				0	
Net finance income	-9	-20	-11	-11				-11	83%
Net finance income / sales	-0.1%	-0.2%	-0.1%	-0.1%				-0.1%	
Profit after financing costs	1,065	1,363	1,679	1,966				1,383	
Associated coms	0	0	0	0				0	
Jointly controlled coms	0	0	0	0				0	
Pre-tax profit	1,065	1,363	1,679	1,966	28%	23%	17%	1,383	-1%
Tax	-248	-323	-420	-492				-346	
Tax / sales	-3.6%	-3.8%	-4.2%	-4.3%				-4.1%	
Effective tax rate	-23.3%	-23.7%	-25.0%	-25.0%				-25.0%	
Minority interests	70	79	84	98				90	
Net profit att.	747	961	1,176	1,376	29%	22%	17%	947	2%
NP margins	10.7%	11.4%	11.8%	12.0%				11.3%	

Source: Company data, CMBIGM estimates

## Assumptions

**Figure 5: CMBIGM's assumptions**

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by product type (RMB mn)</b>						
Footwear	2,948	3,509	4,445	5,264	6,090	6,896
Apparel	2,820	3,211	3,676	4,317	4,952	5,561
Accessories	87	119	171	169	195	220
Others	79	122	132	188	216	244
Total	5,933	6,961	8,423	9,938	11,453	12,920
<b>Sales growth by product type (YoY)</b>						
Footwear	21.7%	19.0%	26.7%	18.4%	15.7%	13.2%
Apparel	9.4%	13.9%	14.5%	17.4%	14.7%	12.3%
Accessories	27.1%	37.2%	43.4%	-1.1%	15.2%	12.8%
Others	34.0%	54.8%	8.0%	42.7%	15.2%	12.8%
Total	15.7%	17.3%	21.0%	18.0%	15.2%	12.8%
<b>Number of stores</b>						
Adult (incl. kids' store in store)	5,270	5,480	5,734	5,934	6,154	6,374
Kids	1,896	2,288	2,545	2,765	3,005	3,245
Total	7,166	7,768	8,279	8,699	9,159	9,619
Growth (%)	4.3%	8.4%	6.6%	5.1%	5.3%	5.0%
Average size for adult store (sq.m)	120	129	138	145	151	156
Growth (%)	5.3%	7.5%	7.0%	5.1%	4.1%	3.3%
Offline sales per store (RMB mn)	1.7	1.8	1.9	2.1	2.3	2.4
Growth (%)	3.7%	2.7%	8.6%	8.7%	7.4%	6.4%
E-commerce sales (RMB mn)	1,227.4	1,685.4	2,325.5	2,960.1	3,552.1	4,085.0
Growth (%)	55.1%	37.3%	38.0%	27.3%	20.0%	15.0%
GP margin	41.7%	40.5%	41.1%	41.2%	41.4%	41.5%
<b>Opex breakdown</b>						
A&P / sales	10.2%	11.4%	12.7%	12.4%	12.4%	12.4%
Staff costs/ sales	2.1%	1.5%	1.6%	1.5%	1.4%	1.3%
E-C expenses/ sales	3.9%	4.3%	4.7%	4.7%	4.7%	4.7%
R&D / sales	4.2%	3.8%	3.7%	3.8%	3.9%	4.0%
D&A / sales	1.2%	0.9%	0.8%	0.8%	0.8%	0.8%
Selling & distribution costs / sales	19.2%	20.6%	22.1%	21.0%	20.8%	20.6%
Admin expenses / sales	9.4%	7.8%	7.5%	7.4%	7.4%	7.3%
Total	28.6%	28.4%	29.6%	28.5%	28.2%	27.9%
<b>OP margin</b>	<b>16.9%</b>	<b>14.2%</b>	<b>15.4%</b>	<b>16.1%</b>	<b>16.4%</b>	<b>16.9%</b>
Effective tax rate	29.0%	23.3%	23.7%	25.0%	25.0%	25.0%
<b>Net profit att. margin</b>	<b>10.1%</b>	<b>10.7%</b>	<b>11.4%</b>	<b>11.8%</b>	<b>12.0%</b>	<b>12.3%</b>
<b>Net profit att. growth (%)</b>	<b>45.0%</b>	<b>24.2%</b>	<b>28.7%</b>	<b>22.3%</b>	<b>17.1%</b>	<b>15.3%</b>

Source: Company data, CMBIGM estimates

## 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 per.(%) )
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
H-share Sportswear														
361 Degrees	1361 HK	BUY	6.25	4.58	n/a	9,470	Dec-23	9.0	7.3	0.8	10.9	0.4	4.5	32.0
Anta	2020 HK	BUY	109.99	79.30	39%	224,627	Dec-22	20.8	17.5	4.0	21.8	1.2	2.2	4.7
Li Ning	2331 HK	BUY	32.93	21.35	54%	55,179	Dec-22	14.5	12.7	1.8	16.8	4.7	2.5	2.2
Xtep	1368 HK	BUY	7.07	4.63	53%	12,230	Dec-22	10.6	8.9	1.1	11.7	0.8	4.9	5.0
Topsports	6110 HK	BUY	9.23	5.33	73%	33,053	Feb-23	12.8	10.9	2.6	20.4	0.7	6.8	(12.3)
Pou Sheng	3813 HK	NR	n/a	0.67	n/a	3,569	Dec-23	4.5	4.2	0.3	4.6	0.0	8.3	(1.5)
Dongxiang	3818 HK	NR	n/a	0.38	n/a	2,237	Mar-23	11.6	7.0	0.2	1.0	0.3	5.7	33.3
Avg.								12.0	9.8	1.5	12.5	1.2	5.0	9.0
Med.								11.6	8.9	1.1	11.7	0.7	4.9	4.7
International sportswear														
Nike	NKE US	NR	n/a	101.79	n/a	1,206,422	May-23	28.2	24.0	11.2	36.0	2.0	1.4	(6.2)
Adidas	ADS GY	NR	n/a	200.15	n/a	308,582	Dec-23	75.0	30.6	5.8	(1.6)	(0.2)	0.6	8.7
Puma	PUM GY	NR	n/a	42.30	n/a	54,646	Dec-23	17.8	14.2	2.0	12.1	0.9	2.0	(16.3)
Under Armour	UAA US	NR	n/a	8.30	n/a	27,602	Mar-23	15.9	14.0	1.5	20.1	(2.4)	0.0	(5.6)
Lululemon	LULU US	NR	n/a	469.17	n/a	463,154	Jan-23	37.7	33.0	11.0	30.5	1.1	0.0	(8.2)
Skechers	SKX US	NR	n/a	62.01	n/a	74,354	Dec-23	15.8	13.6	1.7	14.4	1.4	0.1	(0.5)
Vf Corp	VFC US	NR	n/a	15.66	n/a	47,617	Apr-23	14.3	11.4	2.2	(28.2)	0.2	5.0	(16.7)
Deckers	DECK US	NR	n/a	931.70	n/a	187,085	Mar-23	34.3	30.9	9.8	37.4	1.6	0.0	39.4
On	ONON US	NR	n/a	32.75	n/a	81,666	Dec-23	43.2	31.7	5.7	7.8	0.7	n/a	21.4
Columbia	COLM US	NR	n/a	80.45	n/a	37,630	Dec-23	21.9	18.5	2.1	13.0	3.7	1.5	1.1
WWW	WWW US	NR	n/a	10.09	n/a	6,295	Dec-23	13.6	9.0	2.0	(13.4)	(0.1)	4.3	13.5
Mizuno	8022 JP	NR	n/a	5710.00	n/a	8,037	Mar-23	13.8	12.7	1.2	10.3	2.9	1.3	45.3
Asics	7936 JP	NR	n/a	6141.00	n/a	61,753	Dec-23	29.1	25.2	4.7	18.8	2.5	1.2	39.0
Avg.								27.7	20.7	4.7	12.1	1.1	1.4	8.8
Med.								21.9	18.5	2.2	13.0	1.1	1.3	1.1

Source: Bloomberg, company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>5,933</b>	<b>6,961</b>	<b>8,423</b>	<b>9,938</b>	<b>11,453</b>	<b>12,920</b>
Cost of goods sold	(3,461)	(4,140)	(4,961)	(5,842)	(6,715)	(7,553)
<b>Gross profit</b>	<b>2,472</b>	<b>2,821</b>	<b>3,462</b>	<b>4,095</b>	<b>4,738</b>	<b>5,367</b>
<b>Operating expenses</b>	<b>(1,741)</b>	<b>(2,141)</b>	<b>(2,448)</b>	<b>(2,798)</b>	<b>(3,191)</b>	<b>(3,562)</b>
Selling expense	(1,140)	(1,433)	(1,863)	(2,089)	(2,381)	(2,657)
Admin expense	(558)	(541)	(630)	(739)	(844)	(944)
R&D expense	0	0	0	0	0	0
Others	(42)	(166)	45	30	34	39
<b>Operating profit</b>	<b>1,002</b>	<b>991</b>	<b>1,300</b>	<b>1,597</b>	<b>1,881</b>	<b>2,182</b>
Other income	270	312	286	300	334	377
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
<b>EBITDA</b>	<b>1,071</b>	<b>1,057</b>	<b>1,364</b>	<b>1,661</b>	<b>1,942</b>	<b>2,240</b>
Depreciation	(69)	(65)	(64)	(64)	(60)	(58)
Other amortisation	(1)	0	(0)	(0)	(0)	(0)
Interest income	81	83	84	93	96	96
Interest expense	(37)	(9)	(20)	(11)	(11)	(11)
<b>Net Interest income/(expense)</b>	<b>45</b>	<b>74</b>	<b>63</b>	<b>82</b>	<b>85</b>	<b>85</b>
Other income/expense	(1)	0	0	0	0	0
<b>Pre-tax profit</b>	<b>1,045</b>	<b>1,065</b>	<b>1,363</b>	<b>1,679</b>	<b>1,966</b>	<b>2,267</b>
Income tax	(303)	(248)	(323)	(420)	(492)	(567)
<b>After tax profit</b>	<b>742</b>	<b>817</b>	<b>1,040</b>	<b>1,259</b>	<b>1,475</b>	<b>1,700</b>
Minority interest	(141)	(70)	(79)	(84)	(98)	(113)
<b>Net profit</b>	<b>602</b>	<b>747</b>	<b>961</b>	<b>1,176</b>	<b>1,376</b>	<b>1,587</b>

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>10,083</b>	<b>11,284</b>	<b>12,462</b>	<b>13,708</b>	<b>14,721</b>	<b>16,365</b>
Cash & equivalents	3,339	3,860	4,008	4,051	4,228	4,031
Account receivables	2,600	3,024	3,438	3,641	3,889	4,606
Inventories	891	1,182	1,128	1,433	1,327	1,777
Prepayment	3,201	3,193	3,864	4,558	5,253	5,926
Other current assets	52	24	24	24	24	24
<b>Non-current assets</b>	<b>1,155</b>	<b>1,152</b>	<b>1,172</b>	<b>1,208</b>	<b>1,262</b>	<b>1,333</b>
PP&E	823	773	792	828	882	954
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0
Other non-current assets	332	380	379	379	379	379
<b>Total assets</b>	<b>11,238</b>	<b>12,436</b>	<b>13,634</b>	<b>14,915</b>	<b>15,983</b>	<b>17,698</b>
<b>Current liabilities</b>	<b>2,668</b>	<b>2,906</b>	<b>3,064</b>	<b>3,469</b>	<b>3,532</b>	<b>4,236</b>
Short-term borrowings	208	192	192	192	192	192
Account payables	1,240	1,503	1,488	1,714	1,598	2,127
Tax payable	368	386	386	386	386	386
Other current liabilities	852	824	998	1,177	1,356	1,530
<b>Non-current liabilities</b>	<b>14</b>	<b>113</b>	<b>191</b>	<b>275</b>	<b>374</b>	<b>487</b>
Long-term borrowings	0	100	100	100	100	100
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	14	13	91	175	274	387
<b>Total liabilities</b>	<b>2,682</b>	<b>3,018</b>	<b>3,255</b>	<b>3,744</b>	<b>3,906</b>	<b>4,723</b>
Share capital	182	182	182	182	182	182
Retained earnings	0	0	578	1,283	1,971	2,765
Other reserves	6,934	7,761	8,145	8,231	8,449	8,555
<b>Total shareholders equity</b>	<b>8,556</b>	<b>9,418</b>	<b>10,379</b>	<b>11,171</b>	<b>12,077</b>	<b>12,976</b>
Minority interest	1,439	1,474	1,474	1,474	1,474	1,474
<b>Total equity and liabilities</b>	<b>11,238</b>	<b>12,436</b>	<b>13,634</b>	<b>14,915</b>	<b>15,983</b>	<b>17,698</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,045	1,065	1,363	1,679	1,966	2,267
Depreciation & amortization	69	65	64	64	61	58
Tax paid	(299)	(285)	(323)	(420)	(492)	(567)
Change in working capital	(471)	(620)	(872)	(797)	(774)	(1,137)
Others	27	156	0	0	0	0
<b>Net cash from operations</b>	<b>372</b>	<b>380</b>	<b>232</b>	<b>526</b>	<b>762</b>	<b>621</b>
<b>Investing</b>						
Capital expenditure	(9)	(31)	(84)	(99)	(115)	(129)
Acquisition of subsidiaries/ investments	(1)	0	0	0	0	0
Others	1,079	116	0	0	0	0
<b>Net cash from investing</b>	<b>1,069</b>	<b>85</b>	<b>(84)</b>	<b>(99)</b>	<b>(115)</b>	<b>(129)</b>
<b>Financing</b>						
Dividend paid	0	(34)	0	(384)	(470)	(688)
Net borrowings	(2)	84	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(1,550)	10	0	0	0	0
<b>Net cash from financing</b>	<b>(1,552)</b>	<b>59</b>	<b>0</b>	<b>(384)</b>	<b>(470)</b>	<b>(688)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,451	3,339	3,860	4,008	4,051	4,228
Exchange difference	(1)	(3)	0	0	0	0
<b>Cash at the end of the year</b>	<b>3,339</b>	<b>3,860</b>	<b>4,008</b>	<b>4,051</b>	<b>4,228</b>	<b>4,031</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	15.7%	17.3%	21.0%	18.0%	15.2%	12.8%
Gross profit	27.3%	14.1%	22.7%	18.3%	15.7%	13.3%
Operating profit	39.8%	(1.1%)	31.1%	22.9%	17.8%	16.0%
EBITDA	34.6%	(1.3%)	29.1%	21.7%	16.9%	15.4%
Net profit	45.0%	24.2%	28.7%	22.3%	17.1%	15.3%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	41.7%	40.5%	41.1%	41.2%	41.4%	41.5%
Operating margin	16.9%	14.2%	15.4%	16.1%	16.4%	16.9%
EBITDA margin	18.0%	15.2%	16.2%	16.7%	17.0%	17.3%
Return on equity (ROE)	7.5%	8.3%	9.7%	10.9%	11.8%	12.7%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	3.8	3.9	4.1	4.0	4.2	3.9
Receivable turnover days	149.4	147.4	140.0	130.0	120.0	120.0
Inventory turnover days	87.2	91.4	85.0	80.0	75.0	75.0
Payable turnover days	121.2	120.9	110.0	100.0	90.0	90.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	8.8	9.0	7.5	7.4	6.3	5.5
P/E (diluted)	8.8	9.0	7.5	7.4	6.3	5.5
P/B	0.6	0.7	0.7	0.8	0.7	0.7
P/CFPS	14.2	17.6	31.2	16.6	11.4	14.0
Div yield (%)	0.0	0.0	5.3	5.4	7.9	9.1
EV	6,286.3	5,877.3	5,729.6	5,686.9	5,510.1	5,706.9
EV/Sales	1.1	0.8	0.7	0.6	0.5	0.4
EV/EBITDA	5.9	5.6	4.2	3.4	2.8	2.5

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



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