

Li Ning (2331 HK)

Slight beat for 1Q20 and industry recovery

We continue to like Li Ning, thanks to: 1) industry leading performance in 1Q20 and healthy recovery in early Apr 2020, as well as 2) solid capital management (We believe the inventory level is healthy and manageable). Thus we reiterate BUY and fine-tuned TP to HK\$29.73, based on unchanged 30x FY21E P/E.

- **Li Ning retail sales was resilient in 1Q20, slight beat and industry leading.** Li Ning retail sales fell by high-teens YoY in 1Q20, which is slightly above CMBIS est. of -21%, which is more resilient than Anta (-ve low 20%), Pou Sheng (-25%) and Kappa (-ve high 20%), second to FILA (-ve MSD).
- **Solid e-commerce offset the relatively soft wholesale and direct retail.** We attributed the beat to robust e-commerce, which still managed to grow by low-teens YoY in 1Q20, slowing down mildly from low 40% growth in 4Q19. Drags were mainly from direct retail/ wholesale channels, declined by mid 30%/ high-teens in 1Q20, worsen from high-teens/ low 40% growth in 4Q19.
- **No 1Q20 SSSG data but understandable.** Li Ning did not report SSSG for 1Q20, we believe store base was distorted by temporary store closures under COVID-19 crisis, and hence this calculation become less meaningful.
- **4Q20 trade fair sales growth to be announced on interim result and we are not worried.** Some investors may be worried about the suspension of the reporting of trade fair sales number, but we are less concerned, because: 1) trade fair was delayed (usually in late Mar) and numbers are not ready yet and 2) sell-through rate for winter clothing was very high given the robust retail sales growth back in 4Q19 and early CNY in 2020.
- **~200 stores were closed in 1Q20, but we find the impact on sales and net profit limited.** Li Ning had closed 224 stores (26/ 198 for self-owned/ wholesale) in 1Q20, representing a 3.5% decline vs 4Q19. Again, we are not worried because: 1) these stores tended to be underperforming which were usually loss making and had a much lower sales per store, and 2) the Company is still targeting 20-30 new stores in FY20E for Li Ning core brand.
- **Maintain BUY and lifted TP to HK\$ 29.73.** We maintain BUY and fine-tuned TP to HK\$ 29.73, based on 30x FY21E P/E (unchanged), given a 3-year adjusted NP CAGR of 31%. The counter is attractive, trading at 25x FY21E P/E. We adjusted our FY20E/ 21E/ 22E EPS estimates by -4.0%/ +0.3%/ +0.8%, to factor in better wholesale/ weaker direct retail in 1Q20.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	10,511	13,870	15,372	18,523	21,271
YoY growth (%)	18.4	32.0	10.8	20.5	14.8
Net income (RMB mn)	715	1,499	1,571	2,209	2,730
EPS (RMB)	0.29	0.60	0.63	0.89	1.09
YoY growth (%)	38.0	106.0	4.8	40.6	23.6
Core NP (RMB mn)	715	1,265	1,571	2,209	2,730
YoY growth (%)	38.8	76.9	24.2	40.6	23.6
Consensus EPS (RMB)	n/a	n/a	0.63	0.86	1.05
P/E (x)	73.0	36.1	34.4	24.5	19.8
P/B (x)	8.8	7.5	6.4	5.3	4.3
Yield (%)	0.4	0.7	0.7	1.0	1.3
ROE (%)	13.1	23.2	20.4	23.9	24.3
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$29.73
(Previous TP	HK\$29.63)
Up/Downside	+22.6%
Current Price	HK\$24.25

China Sportswear Sector

Walter Woo
 (852) 3761 8776
 walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	59,696
Avg 3 mths t/o (HK\$ mn)	473.33
52w High/Low (HK\$)	27.7/12.4
Total Issued Shares (mn)	2,461.7

Source: Bloomberg

Shareholding Structure

Mr Li Ning & Family	14.23%
Blackrock Inc.	6.89%
Schroders PLC	6.06%
FMR LLC	5.26%
Free Float	67.56%

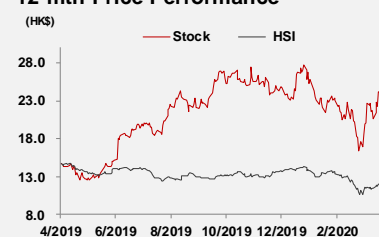
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	48.2%	35.5%
3-mth	-12.5%	4.3%
6-mth	-9.2%	-0.5%
12-mth	71.0%	110.2%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers

Related Reports

1. Li Ning (2331 HK, BUY) - Industry leading momentum and recovery - 9 Apr 2020
2. Li Ning (2331 HK, BUY) - Prudent sales but upbeat margin guidance - 15 Aug 2019

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	15,372	18,523	21,271	15,682	18,369	21,054	-2.0%	0.8%	1.0%
Gross profit	7,561	9,203	10,618	7,754	9,171	10,559	-2.5%	0.3%	0.6%
EBIT	1,794	2,538	3,145	1,870	2,530	3,120	-4.1%	0.3%	0.8%
Net profit att.	1,571	2,209	2,730	1,636	2,202	2,709	-4.0%	0.3%	0.8%
Diluted EPS (RMB)	0.630	0.886	1.095	0.656	0.883	1.086	-4.0%	0.3%	0.8%
Gross margin	49.2%	49.7%	49.9%	49.4%	49.9%	50.2%	-0.3ppt	-0.2ppt	-0.2ppt
EBIT margin	11.7%	13.7%	14.8%	11.9%	13.8%	14.8%	-0.3ppt	-0.1ppt	0.0ppt
Net profit att. margin	10.2%	11.9%	12.8%	10.4%	12.0%	12.9%	-0.2ppt	-0.1ppt	0.0ppt

Source: Company data, CMBIS estimates

Figure 2: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	15,372	18,523	21,271	15,184	18,614	21,900	1.2%	-0.5%	-2.9%
Gross profit	7,561	9,203	10,618	7,387	9,279	11,022	2.4%	-0.8%	-3.7%
EBIT	1,794	2,538	3,145	1,864	2,653	3,228	-3.8%	-4.3%	-2.6%
Net profit att.	1,571	2,209	2,730	1,542	2,127	2,626	1.9%	3.9%	3.9%
Diluted EPS (RMB)	0.630	0.886	1.095	0.630	0.861	1.051	0.0%	2.9%	4.1%
Gross margin	49.2%	49.7%	49.9%	48.7%	49.9%	50.3%	0.5ppt	-0.2ppt	-0.4ppt
EBIT margin	11.7%	13.7%	14.8%	12.3%	14.3%	14.7%	-0.6ppt	-0.6ppt	0.0ppt
Net profit att. margin	10.2%	11.9%	12.8%	10.2%	11.4%	12.0%	0.1ppt	0.5ppt	0.8ppt

Source: Company data, CMBIS estimates

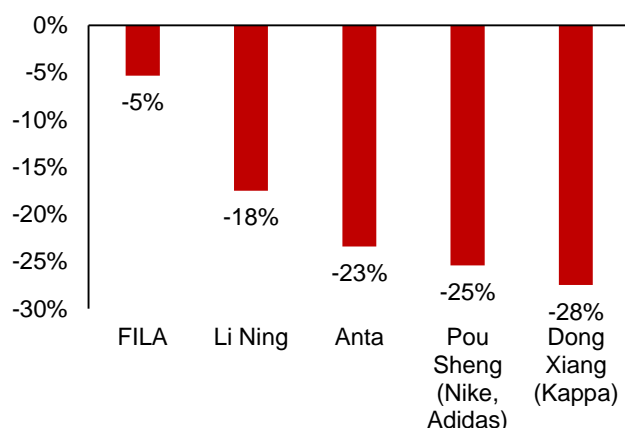
Figure 3: Retail sales trend forecasts, by brands

Retail sales growth (Management comments at annual result)									
Period	4Q19	Jan20E	Feb20E	Mar20E	1Q20E	2Q20E	1H20E	2H20E	FY20E
Li Ning	30-40%	Very strong		45%/ 25% drop (early/ late Mar)	90% of budget (May)				
Anta	15-20%				20-30% drop	0-10% drop	Mid teen drop	Double digit up	Mid single digit drop
FILA	50-55%				10-20% drop	10-20% up	Flat	30% plus	20% plus
Xtep	20% plus	20% plus	80% drop	40% drop	25-30% drop				
Pou Sheng	19.0%	25.0%	82% drop	70% of budget (late	60%-65% of budget	80% of budget			
Retail sales growth (Actual or CMBIS estimates)									
Period	4Q19	Jan20E	Feb20E	Mar20E	1Q20E	2Q20E	1H20E	2H20E	FY20E
Li Ning	35%	28%	-70%	-26%	-18%	10%	-4%	26%	11%
Anta	18%	18%	-70%	-30%	-23%	-8%	-15%	13%	-1%
FILA	53%	40%	-70%	-5%	-5%	25%	10%	40%	25%
Xtep	23%	23%	-80%	-40%	-27%	-10%	-19%	13%	-3%
Pou Sheng	19%	25%	-82%	-35%	-25%	-8%	-16%	15%	-1%

Source: Company data, CMBIS estimates

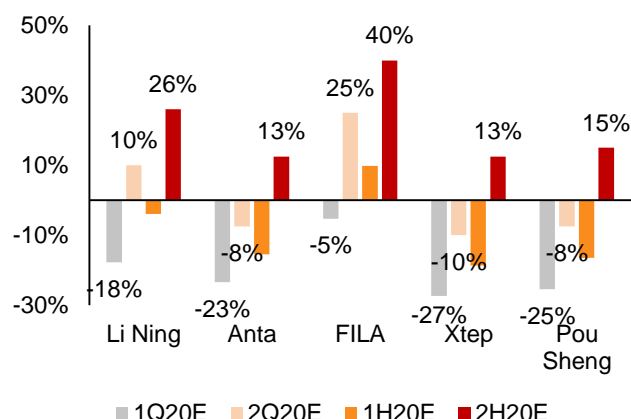
Focus Charts

Figure 4: 1Q20 retail sales drop (reported), by brands



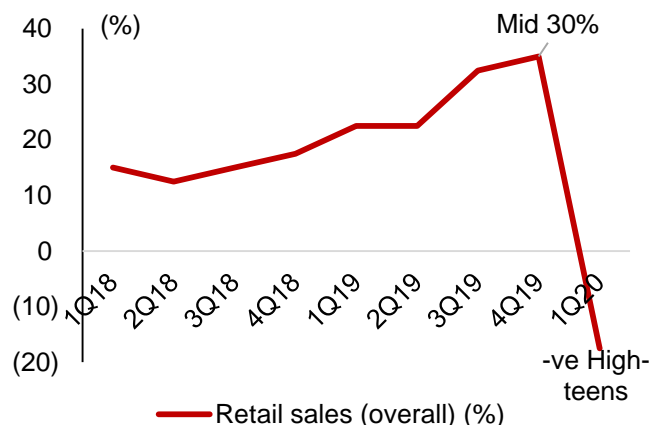
Source: Company data, CMBIS estimates

Figure 5: Retail sales growth (CMBIS est.), by brands



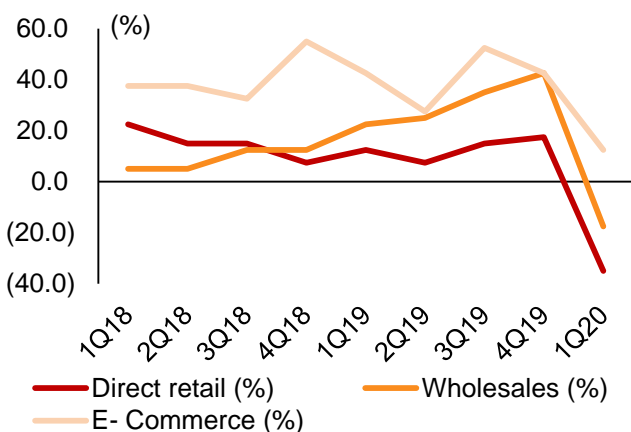
Source: Company data, CMBIS estimates

Figure 6: Li Ning's retail sales growth



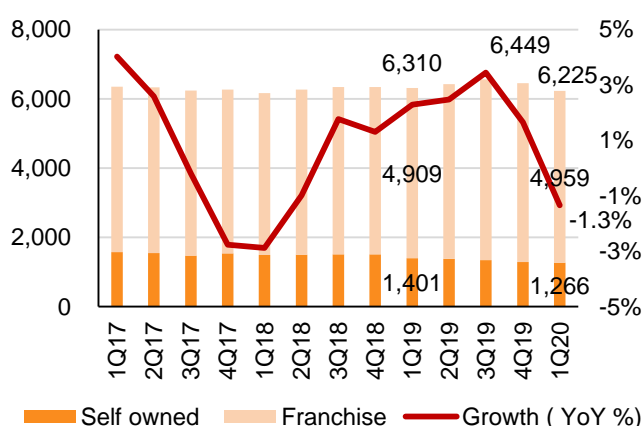
Source: Company data, CMBIS estimates

Figure 7: Li Ning's retail sales growth, by channels



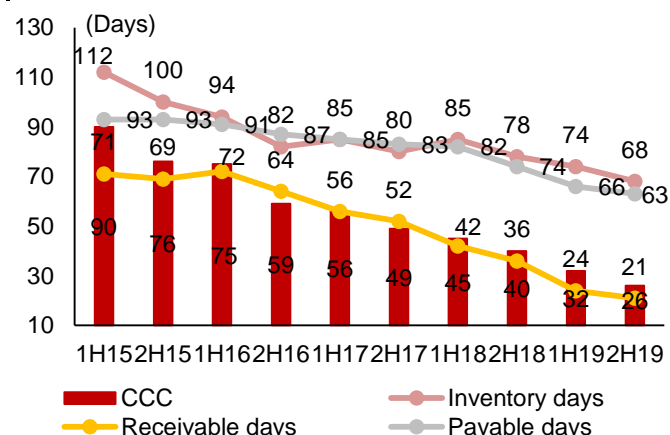
Source: Company data, CMBIS estimates

Figure 8: Li Ning's number of stores and growth



Source: Company data, CMBIS estimates

Figure 9: Working capital condition



Source: Company data, CMBIS estimates

Figure 10: Historical sales growth trend, by brands

Operating numbers	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20E
Nike China sales	15.0%	16.0%	12.0%	15.0%	19.0%	25.0%	20.0%	31.0%	24.0%	22.0%	27.0%	23.0%	-20.0%
Adidas China sales	30.3%	27.7%	28.0%	32.0%	26.0%	27.0%	26.0%	23.0%	16.0%	14.0%	11.0%	15.0%	-30.0%
Anta brand's SSSG													
Anta brand's retail sales	+ve Low-teens	+ve 20%-30%	+ve Mid-teens	+ve 20%-25%	+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%
Core brand	+ve LSD	+ve Mid-teens	+ve MSD	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%
Kids	over 30%	25%-30%	over 30%	over 40%	over 40%	over 25%	Over 25%	Over 25%	Over 20%	30%	Over 25%	25%	-ve 20%-25%
Online	over 50%	over 50%	over 50%	over 40%	over 40%	over 25%	Over 20%	Over 25%	+ve Mid-teens	25%	35%	Over 40%	+ve MSD
Non-Anta brands (FILA/	+ve 40%-50%	+ve 50%-60%	+ve 40%-50%	+ve 85%-90%	+ve 80%-85%	+ve 90%-95%	+ve 90%-95%	+ve 80%-85%	+ve 65%-70%	+ve 55%-60%			
FILA brand's retail sales											50%-55%	50%-55%	-ve MSD
Classic/ Core brand											Over 40%		-ve 20%-25%
Kids											Over 70%		-ve LSD
Fusion											Over 100%		+ve MSD
Online											Over 70%		160%
Other brands											30%-35%	25%-30%	-ve HSD
Li Ning group's SSSG	Flat	+ve HSD	-ve LSD	+ve Low-teens	+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
Direct retail	-ve MSD	Flat	-ve MSD	+ve Low-teens	+ve Low-teens	+ve HSD	+ve HSD	+ve MSD	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	n/a
Wholesales	-ve MSD	+ve LSD	-ve MSD	+ve HSD	+ve MSD	+ve LSD	+ve HSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	n/a
E- Commerce	Mid-60%	Mid-90%	Low 30%	+ve High-teens	+ve High 30%	+ve Mid-30%	+ve High 30%	+ve Mid 50%	+ve High 30%	+ve Mid 30%	+ve Mid 30%	+ve Low 40%	n/a
Li Ning group's retail sales				+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve High-teens	+ve Low 20%-25%	+ve Low 20%-25%	+ve Low 30%-35%	+ve Mid 30%-40%	-ve High-teens	
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%	
Wholesales				+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-ve High-teens	
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	
Xtep's SSSG	+ve LSD	+ve MSD	+ve MSD	+ve HSD	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens	
Xtep's retail sales									Over 20%	Over 20%	20%	Over 20%	-27.0%
361 Degrees' SSSG	7.0%	+ve HSD	+ve HSD	+ve HSD	+ve HSD	+ve HSD	+ve MSD	Flat	+ve LSD	+ve LSD	+ve LSD	+ve LSD	
Pou Sheng's SSSG	1.9%	5.6%	1.5%	12.0%	10.1%	2.2%	8.9%	8.7%	8.4%	4.2%	6.0%	1.9%	
Pou Sheng's sales	14.4%	14.5%	13.4%	21.6%	17.7%	17.7%	24.4%	22.0%	19.9%	18.9%	21.9%	19.1%	-25.1%
Dong Xiang's SSSG	Flat	-ve LSD	-ve MSD	+ve LSD	+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 Mid to High
Direct retail					+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve Low-teens	-ve LSD
E- Commerce										+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%

Source: Company data, CMBIS estimates

Valuation

Figure 11: 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														
Li Ning	2331 HK	BUY	29.73	24.25	23%	59,696	Dec-19	31.6	22.5	5.9	4.8	23.2	1.1	0.9
Anta Sports	2020 HK	BUY	77.39	63.95	21%	172,790	Dec-19	27.2	19.9	6.5	5.3	29.8	1.3	1.2
Xtep Intl	1368 HK	BUY	2.90	2.72	7%	6,834	Dec-19	8.6	6.8	0.8	0.8	11.9	1.2	6.6
361 Degrees	1361 HK	NR	n/a	1.19	n/a	2,460	Dec-19	5.0	4.2	0.3	0.3	7.2	0.5	8.7
Topsports	6110 HK	NR	n/a	9.49	n/a	58,850	Feb-19	20.9	18.1	5.3	4.1	76.8	0.0	3.0
Pou Sheng	3813 HK	NR	n/a	1.62	n/a	8,678	Dec-19	13.2	6.7	1.0	0.8	11.5	0.7	1.6
China DX	3818 HK	NR	n/a	0.65	n/a	3,826	Mar-19	5.4	n/a	n/a	n/a	n/a	0.0	n/a
								16.0	13.0	3.3	2.7	26.7	0.7	3.7
								13.2	12.5	3.1	2.5	17.5	0.7	2.3
International Sportswear														
Nike Inc	NKE US	NR	n/a	89.91	n/a	1,083,650	May-19	37.8	32.2	17.9	16.7	48.0	3.8	1.0
Adidas	ADS GY	NR	n/a	218.70	n/a	369,175	Dec-19	31.9	21.2	5.8	5.0	30.0	7.6	1.7
Puma	PUM GY	NR	n/a	57.54	n/a	73,096	Dec-19	50.1	27.9	4.3	3.8	14.7	3.8	0.7
Under Armour	UAA US	NR	n/a	9.85	n/a	32,669	Dec-19	n/a	53.0	2.3	2.3	4.4	0.0	0.0
Lululemon	LULU US	NR	n/a	225.86	n/a	227,863	Feb-20	50.8	37.8	12.4	10.7	38.0	4.2	0.0
Skechers	SKX US	NR	n/a	26.43	n/a	32,311	Dec-19	18.7	12.3	1.7	1.6	15.9	(5.8)	0.0
Vf Corp	VFC US	NR	n/a	57.50	n/a	175,913	Mar-20	19.4	24.0	5.3	5.4	29.1	9.0	3.3
Columbia	COLM US	NR	n/a	72.44	n/a	37,844	Dec-19	26.4	17.3	2.5	2.1	18.8	332.7	1.5
Wolverine	WWW US	NR	n/a	20.01	n/a	12,573	Dec-19	13.2	9.1	2.1	1.9	14.4	0.8	2.0
Mizuno Corp	8022 JP	NR	n/a	1749.00	n/a	3,348	Mar-19	7.5	6.8	0.5	0.5	6.6	1.3	2.9
Asics Corp	7936 JP	NR	n/a	993.00	n/a	13,581	Dec-19	33.5	17.5	1.2	1.2	4.5	1.8	2.8
								28.9	23.5	5.1	4.6	20.4	32.7	1.4
								29.2	21.2	2.5	2.3	15.9	3.8	1.5

Source: Bloomberg, CMBIS estimates

Assumption

Figure 12: Li Ning's key assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
Sales by segment (RMB mn)					
Shoes	4,601	6,085	6,700	8,073	9,279
Clothes	5,316	7,110	7,963	9,635	11,080
Equipment	594	674	708	814	912
Others	0	0	0	0	0
Total	10,511	13,870	15,372	18,523	21,271
Sales by segment growth (%)					
Shoes	11.0%	32.3%	10.1%	20.5%	14.9%
Clothes	27.4%	33.7%	12.0%	21.0%	15.0%
Equipment	18.5%	13.6%	5.0%	15.0%	12.0%
Others	-100.0%	n/a	n/a	n/a	n/a
Total	18.4%	32.0%	10.8%	20.5%	14.8%
Sales by channel growth (%)					
Franchises	15.7%	39.9%	10.6%	15.0%	11.0%
Self owned	15.0%	15.6%	-1.0%	25.0%	14.0%
E-commerce	32.9%	40.7%	26.3%	28.0%	23.0%
International	5.3%	4.5%	-4.5%	5.0%	0.0%
Total	18.4%	32.0%	10.8%	20.5%	14.8%
Sales network by segment					
Self owned	1,506	1,292	1,267	1,292	1,317
Franchise	4,838	5,157	5,202	5,257	5,312
Total	6,344	6,449	6,469	6,549	6,629
LN Young	793	1,101	1,251	1,401	1,501
Sum-total	7,137	7,550	7,720	7,950	8,130
GP margins	48.1%	49.1%	49.2%	49.7%	49.9%
Opex breakdown					
A & P/ sales	10.4%	9.6%	9.1%	9.2%	9.4%
Labour/ sales	10.8%	10.9%	11.2%	10.5%	10.1%
Rental/ sales	8.5%	7.1%	6.4%	5.8%	5.5%
D & A/ sales	3.9%	3.3%	3.3%	3.2%	3.2%
R & D/ sales	2.2%	2.6%	2.3%	2.4%	2.4%
Provision/ sales	0.0%	0.0%	0.0%	0.0%	0.0%
Selling & distribution costs / sales	35.3%	32.0%	31.3%	30.1%	29.4%
Admin expenses / sales	6.3%	6.9%	6.7%	6.5%	6.3%
OP margins	7.4%	11.1%	11.7%	13.7%	14.8%
Effective tax rate	15.9%	19.3%	18.0%	18.0%	18.0%
Net profit margins	6.8%	10.8%	10.2%	11.9%	12.8%
Net profit att. growth (%)	38.8%	109.6%	4.8%	40.6%	23.6%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E
Revenue	10,511	13,870	15,372	18,523	21,271
Franchises	4,909	6,865	7,593	8,732	9,693
Self owned	3,132	3,620	3,585	4,481	5,109
E-commerce	2,218	3,121	3,941	5,045	6,205
International	252	264	252	264	264
Cost of goods sold	(5,458)	(7,064)	(7,810)	(9,320)	(10,653)
Gross profit	5,053	6,805	7,561	9,203	10,618
Other income	95	139	85	102	117
Operating expenses	(4,370)	(5,401)	(5,852)	(6,767)	(7,591)
D & A	(410)	(429)	(502)	(589)	(511)
Staff costs	(1,139)	(1,519)	(1,727)	(1,951)	(2,155)
S & D costs (ex-staff, D&A)	(2,708)	(3,252)	(3,457)	(4,030)	(4,545)
Admin exp. (ex-staff, D&A)	(113)	(201)	(166)	(197)	(380)
Other operating expenses	-	-	-	-	-
EBIT	777	1,543	1,794	2,538	3,145
Finance costs, net	10	(30)	30	44	57
JVs & associates	64	343	92	111	128
Exceptional	-	-	-	-	-
Pre-tax profit	850	1,857	1,916	2,694	3,329
Income tax	(135)	(357)	(345)	(485)	(599)
Less: Minority interests	0	0	0	0	0
Net profit	715	1,499	1,571	2,209	2,730

Cash flow summary

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E
EBIT	777	1,543	1,794	2,538	3,145
D & A	410	429	502	589	676
Change in working capital	448	1,344	106	223	194
Income tax paid	(9)	(135)	(357)	(345)	(485)
Others	46	-	-	-	-
Net cash from operating	1,672	3,181	2,044	3,005	3,529
Capex & investments	(431)	(624)	(692)	(834)	(957)
Associated companies	(44)	-	-	-	-
Interest received	51	278	75	90	103
Others	(59)	29	39	48	60
Net cash from investing	(483)	(318)	(578)	(696)	(794)
Equity raised	51	-	-	-	-
Net change in bank loans	-	10	-	-	-
Dividend paid	-	(215)	(380)	(387)	(544)
Others	(117)	(369)	(9)	(4)	(4)
Net cash from financing	(66)	(573)	(389)	(391)	(548)
Net change in cash	1,123	2,290	1,078	1,918	2,188
Beginning cash balance	2,529	3,672	5,961	7,039	8,957
Exchange difference	19	-	-	-	-
Cash at the end of the year	3,672	5,961	7,039	8,957	11,145

Balance sheet

YE 31 Dec (RMB mn)	FY17A	FY18A	FY19A	FY20E	FY21E
Non-current assets	2,341	4,008	4,215	4,481	4,788
Fixed asset	830	1,039	1,246	1,515	1,809
Intangible assets & goodwill	308	265	248	223	211
Prepaid lease payments	103	115	115	115	115
Interest in joint ventures	-	-	18	39	63
Other non-current assets	1,100	2,589	2,589	2,589	2,589
Current assets	6,386	8,539	9,892	12,377	15,062
Cash and cash equivalents	3,672	5,961	7,039	8,957	11,145
Inventories	1,240	1,407	1,556	1,857	2,122
Trade and other receivables	929	687	761	917	1,053
Prepayments	546	483	535	645	741
Other current assets	0	1	1	1	1
Current liabilities	2,777	4,717	5,085	6,014	6,820
Bank loans	-	-	-	-	-
Trade payables	1,133	1,348	1,491	1,779	2,033
Accruals & other payables	1,412	2,205	2,444	2,945	3,382
Tax payables	134	531	518	658	772
Others	98	633	633	633	633
Non-current liabilities	130	707	707	707	707
Bank loans	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	54	54	54	54	54
Others	77	653	653	653	653
Minority Interest	-	-	-	-	-
Total net assets	5,820	7,124	8,316	10,137	12,323
Shareholders' equity	5,820	7,124	8,316	10,137	12,323

Key ratios

YE 31 Dec	FY17A	FY18A	FY19A	FY20E	FY21E
Sales mix (%)					
Franchises	46.7	49.5	49.4	47.1	45.6
Self owned	29.8	26.1	23.3	24.2	24.0
E-commerce	21.1	22.5	25.6	27.2	29.2
International	2.4	1.9	1.6	1.4	1.2
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	48.1	49.1	49.2	49.7	49.9
Operating margin	7.4	11.1	11.7	13.7	14.8
Pre-tax margin	8.1	13.4	12.5	14.5	15.6
Net margin	6.8	10.8	10.2	11.9	12.8
Effective tax rate	17.2	23.6	18.9	18.8	18.7
Balance sheet ratios					
Current ratio (x)	2.3	1.8	1.9	2.1	2.2
Quick ratio (x)	1.9	1.5	1.6	1.7	1.9
Cash ratio (x)	1.3	1.3	1.4	1.5	1.6
Inventory turnover days	112	105	105	105	105
Trade receivables days	61	60	60	60	60
Trade payables days	40	40	40	40	40
Total debt / total equity ratio (%)	1	1	1	0	0
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	12.3	21.0	18.9	21.8	22.2
ROA	8.2	11.9	11.1	13.1	13.8
Per share					
EPS (RMB)	0.29	0.60	0.63	0.89	1.09
DPS (RMB)	0.09	0.15	0.16	0.22	0.27
BVPS (RMB)	2.41	2.90	3.39	4.13	5.02

Source: Company data, CMBIS estimates

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CMB International Securities Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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