

# Xtep (1368 HK)

## Good 4Q19 but likely a temporary drag in 1Q20

Trimmed TP to HK\$ 4.47 but maintain BUY due to low valuation, based on an 12x FY20E P/E (de-rated from 13x due to weak sentiment) and ~5% cut in FY20E/ 21E EPS. We believe that Xtep will be negatively impacted amid this virus season, given its major Central China positioning (Xtep is historical strong in Hubei and Hunan).

- **Retail sales growth improved in 4Q19.** 20%+ retail sales growth was achieved in 4Q19, beating CMBIS est. of high-teens and slightly quickening from its 20% growth in 3Q19. SSSG also improved to low-teens (vs 10% in 3Q19) and so as the retail discounts which was adjusted to 20%-25% (vs 22%-25% in 3Q19), while channel inventory level remained stable at 4 months (unchanged vs 3Q19).
- **However, all eyes are on the coronavirus now.** Frankly speaking, this set of 4Q19 data was fairly positive, given its high base in 4Q18 and a rather warm winter. However, investors' primary concern, in our view, would certainly be the negatives impacted by the recent Wuhan coronavirus.
- **Brands are less affected comparing to distributors, but still, future growth should be dragged.** We believe brands (e.g. Xtep and other domestic names) are less affected, thanks to their wholesale business nature, therefore immediate impact on earnings would be greater for distributors (e.g. Topsports or Pou Sheng). According to our understanding, there should be meaningful negative impact on distributors' net profit, due to decline in shoppers traffic during this virus outbreak period (including the 2020 Chinese New year), resulted from a major absence of sales and losses from fixed costs (e.g. basic salary plus D&A expenses), despite certain savings from rental exemption plans offered by the landlords. These losses, in our view, may mostly borne by distributors while the negative impact on brand owners would weaken future trade fair sales growth in 4Q19E and 1Q21E, which should drive down numbers in FY20E/21E.
- **Roughly speaking, ~15% drop in 1Q20E retail sales growth should not be surprising (originally expect ~15% increase).** If we assume the retail sales to fall by 50% for 1.5 month in 2020 (from late Jan to Mar with CNY counted), then the overall 1Q20E retail sales growth may go down by ~15% and translate into a ~8% decline in 4Q20E & 1Q21E trade fair sales growth, leading to cuts in Xtep's FY20E/21E sales & net profit (~5% EPS cut for FY20E/21E each), even though E-commerce may be boosted at the same time as consumers shift their demand to online.
- **Maintain BUY but cut TP to HK\$ 4.47.** We lowered FY20E/21E EPS by 4.8%/ 5.5% to factor in the cut in trade fair orders (12x due to weaker investor confidence, from 13x FY20E P/E). The counter is trading at 9x FY20E P/E, below its 5 years average of 12x. Note that Xtep had already corrected by 23% from its peak in Jan 2020 (more than Li Ning/ Anta's 19%/ 15%).

### Earnings Summary

(YE 31 Dec)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue (RMB mn)	5,113	6,383	8,224	9,780	10,923
YoY growth (%)	(5.2)	24.8	28.8	18.9	11.7
Net income (RMB mn)	408	657	695	798	942
EPS (RMB)	0.184	0.295	0.286	0.320	0.378
YoY growth (%)	(22.6)	60.6	(2.9)	11.8	18.0
P/E (x)	15.8	10.0	10.3	9.2	7.8
P/B (x)	1.2	1.2	1.1	1.0	1.0
Yield (%)	6.4	6.0	5.8	6.5	7.7
ROE (%)	7.9	12.3	11.5	11.5	12.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$4.47
(Previous TP)	HK\$5.09
Up/Downside	+30.3%
Current Price	HK\$3.43

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	8,618
Avg 3 mths t/o (HK\$ mn)	25.14
52w High/Low (HK\$)	6.74/3.39
Total Issued Shares (mn)	2,512.4

Source: Bloomberg

#### Shareholding Structure

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

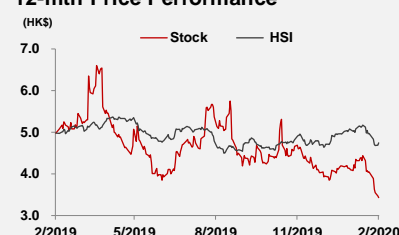
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-15.4%	-8.6%
3-mth	-25.5%	-23.4%
6-mth	-35.4%	-34.0%
12-mth	-30.2%	-26.0%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

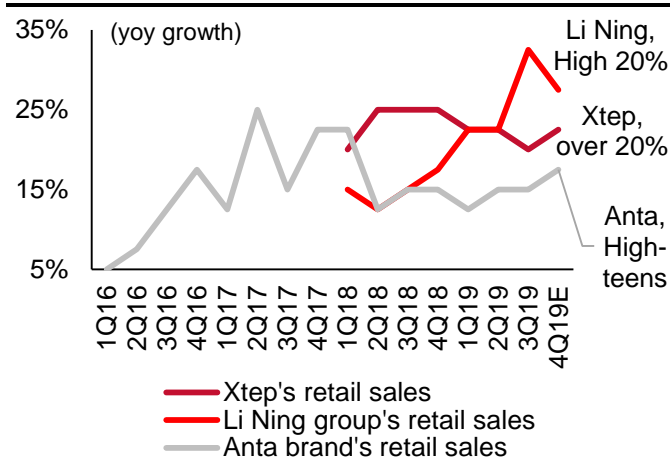
Auditor: Ernst & Young

#### Related Reports

1. Xtep (1368 HK) – New brands require both time and investments – 22 Nov 2019
2. Xtep (1368 HK) - For the greater good and a brighter future - 22 Aug 2019
3. China Sportswear Sector - Growing at full speed - 24 Jul 2019

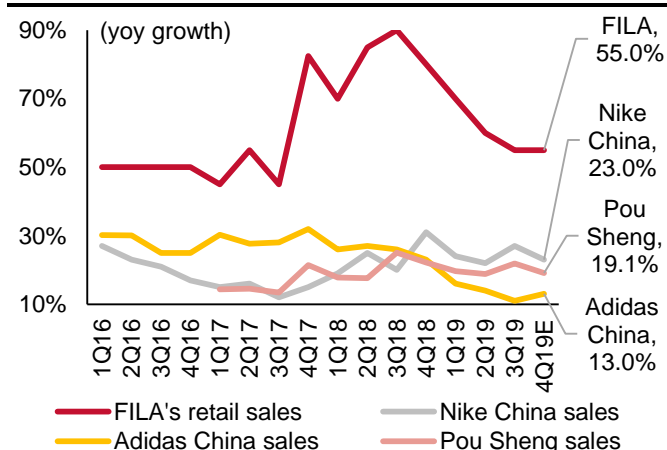
## Focus Charts

Figure 1: Retail sales growth, by domestic brand



Source: Company data, CMBIS estimates

Figure 2: Retail sales growth, by foreign brand



Source: Company data, CMBIS estimates

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19E
Nike China sales	27.0%	23.0%	21.0%	17.0%	15.0%	16.0%	12.0%	15.0%	19.0%	25.0%	20.0%	31.0%	24.0%	22.0%	27.0%	23.0%
Adidas China sales	30.2%	30.1%	25.0%	25.0%	30.3%	27.7%	28.0%	32.0%	26.0%	27.0%	26.0%	23.0%	16.0%	14.0%	11.0%	13.0%
Anta brand's SSSG																
Anta brand's retail sales	+ve MSD	+ve HSD	+ve LDD	+ve HDD	+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
Core brand	Flat	Flat	+ve MSD	+ve HSD	+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
Kids	50% - 60%	over 30%	over 30%	over 30%	over 30%	25%-30%	over 30%	over 40%	over 40%	over 25%	Over 25%	Over 25%	Over 20%	30%	Over 25%	25%
Online	50 - 100%	60%	over 50%	over 100%	over 50%	over 50%	over 50%	over 40%	over 40%	over 25%	Over 20%	Over 25%	+ve Mid-teens	25%	35%	Over 40%
Non-Anta brands (FILA/ over 50% over 50% over 50% over 50%																
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%	50%-55%	50%-55%
Other brands															30%-35%	25%-30%
Li Ning group's SSSG																
Direct retail	Flat	+ve MSD	+ve LSD	+ve HSD	-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 Low-teens
Wholesales	Flat	+ve MSD	+ve LSD	+ve LSD	-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 Low-teens
E- Commerce	Low-60%	Low-70%	Mid-80%	Mid-90%	Mid-60%	Mid-90%	Low 30%-40%	+ve High-teens	+ve High	+ve Mid-30%-40%	+ve High	+ve Mid-50%	+ve High	+ve Mid-30%-40%	+ve Mid-50%-60%	+ve Low-30%-40%
Li Ning group's retail sales																
Direct retail								Low 20%-30%	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve Low-teens	+ve HSD	+ve HSD	+ve Mid-teens	+ve Mid-teens
Wholesales								+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low	+ve Mid-20%	+ve Mid-20%	+ve Mid-30%	+ve High-30%
E- Commerce								+ve High	+ve High	+ve Low	+ve Mid-50%	+ve Low	+ve High	+ve Low	+ve Low	+ve High
Xtep's SSSG																
Xtep's retail sales	+ve MSD	+ve MSD	+ve MSD	+ve MSD	+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
361 Degrees' SSSG																
361 Degrees' SSSG	7.2%	7.0%	7.3%	7.5%	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	7.5%	5.9%	0.4%	8.6%	1.9%	5.6%	1.5%	12.0%	10.1%	2.2%	8.9%	8.7%	8.4%	4.2%	6.0%	5.0%
Pou Sheng's sales	6.9%	6.6%	3.5%	10.1%	14.4%	14.5%	13.4%	21.6%	17.7%	17.7%	24.4%	22.0%	19.9%	18.9%	21.9%	19.1%
Dong Xiang's SSSG																
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
Direct retail									+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve Low-teens
E- Commerce													+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%

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

## Earnings revision

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	8,224	9,780	10,923	8,224	10,014	11,240	0.0%	-2.3%	-2.8%
Gross profit	3,620	4,264	4,782	3,620	4,368	4,923	0.0%	-2.4%	-2.9%
EBIT	1,133	1,277	1,488	1,133	1,336	1,570	0.0%	-4.5%	-5.3%
Reported Net profit	695	798	942	695	838	997	0.0%	-4.8%	-5.5%
Diluted EPS (RMB)	0.286	0.320	0.378	0.286	0.336	0.400	0.0%	-4.8%	-5.5%
Gross margin	44.0%	43.6%	43.8%	44.0%	43.6%	43.8%	0ppt	0ppt	0ppt
EBIT margin	13.8%	13.1%	13.6%	13.8%	13.3%	14.0%	0ppt	-0.3ppt	-0.4ppt
Net profit att. margin	8.5%	8.2%	8.6%	8.5%	8.4%	8.9%	0ppt	-0.2ppt	-0.2ppt

Source: Company data, CMBIS estimates

Figure 5: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	8,224	9,780	10,923	8,059	9,734	11,065	2.1%	0.5%	-1.3%
Gross profit	3,620	4,264	4,782	3,544	4,263	4,868	2.2%	0.0%	-1.8%
EBIT	1,133	1,277	1,488	1,120	1,347	1,597	1.2%	-5.2%	-6.8%
Net profit att.	695	798	942	709	883	1,046	-1.9%	-9.6%	-10.0%
Diluted EPS (RMB)	0.286	0.320	0.378	0.292	0.355	0.428	-1.8%	-9.7%	-11.7%
Gross margin	44.0%	43.6%	43.8%	44.0%	43.8%	44.0%	0ppt	-0.2ppt	-0.2ppt
EBIT margin	13.8%	13.1%	13.6%	13.9%	13.8%	14.4%	-0.1ppt	-0.8ppt	-0.8ppt
Net profit att. margin	8.5%	8.2%	8.6%	8.8%	9.1%	9.5%	-0.3ppt	-0.9ppt	-0.8ppt

Source: Company data, CMBIS 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 (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Xtep Intl	1368 HK	BUY	4.47	3.43	30.3%	8,618	Dec-18	10.3	9.2	1.2	1.1	12.2	1.0	5.8
Anta Sports	2020 HK	BUY	91.46	69.05	32.5%	186,569	Dec-18	30.8	23.0	8.5	6.8	28.6	1.1	1.2
Li Ning	2331 HK	BUY	24.43	23.35	4.6%	57,310	Dec-18	35.6	29.3	7.2	6.0	20.9	0.8	0.9
361 Degrees	1361 HK	NR	n/a	1.21	n/a	2,502	Dec-18	4.9	4.2	0.4	0.4	5.5	0.2	8.9
Topsports	6110 HK	NR	n/a	9.70	n/a	60,152	Feb-19	18.9	16.1	5.5	4.7	76.8	0.0	2.2
Pou Sheng	3813 HK	NR	n/a	2.24	n/a	11,998	Dec-18	13.2	9.9	1.4	1.3	9.6	0.4	1.4
China DX	3818 HK	NR	n/a	0.80	n/a	4,709	Mar-19	7.0	8.0	0.4	0.4	n/a	0.0	10.4
Avg.								17.2	14.3	3.5	3.0	25.6	0.5	4.4
Med.								13.2	9.9	1.4	1.3	16.5	0.4	2.2
International Sportswear														
Nike Inc	NKE US	NR	n/a	102.34	n/a	1,237,948	May-19	33.8	29.2	18.8	17.9	50.6	2.0	0.9
Adidas	ADS GY	NR	n/a	291.80	n/a	501,251	Dec-18	29.8	26.7	8.1	7.2	28.2	2.8	1.3
Puma	PUM GY	NR	n/a	73.65	n/a	95,210	Dec-18	42.4	34.5	5.8	5.3	14.0	1.7	0.7
Under Armour	UAA US	NR	n/a	20.90	n/a	68,804	Dec-18	60.9	44.8	4.3	3.9	5.4	(0.2)	0.0
Lululemon	LULU US	NR	n/a	249.18	n/a	252,177	Feb-19	51.1	43.1	17.7	14.3	37.1	2.2	0.0
Skechers	SKX US	NR	n/a	38.88	n/a	47,339	Dec-18	17.3	15.4	2.5	2.3	15.9	1.3	0.0
Vf Corp	VFC US	NR	n/a	84.70	n/a	262,736	Mar-19	25.5	22.8	7.3	6.8	29.1	2.8	2.1
Columbia	COLM US	NR	n/a	95.26	n/a	49,963	Dec-18	19.8	18.8	3.5	3.1	19.3	1.6	1.0
Wolverine	WWW US	NR	n/a	32.33	n/a	20,309	Dec-18	14.3	12.8	3.3	2.7	18.1	1.5	1.2
Mizuno Corp	8022 JP	NR	n/a	2710.00	n/a	5,116	Mar-19	11.8	10.6	0.7	0.7	6.8	1.9	1.8
Asics Corp	7936 JP	NR	n/a	1611.00	n/a	21,727	Dec-18	39.7	28.9	1.8	1.7	(12.1)	(0.2)	1.9
Avg.								31.5	26.2	6.7	6.0	19.3	1.6	1.0
Med.								29.8	26.7	4.3	3.9	18.1	1.7	1.0

Source: Bloomberg, CMBIS estimates

## Assumptions

Figure 7: Xtep's key assumptions

Major assumptions	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Sales by segment (RMB mn)</b>					
Shoes	3,258	3,925	4,936	5,762	6,355
Apparels	1,759	2,327	3,141	3,864	4,405
Accessories	96	131	147	154	164
Total	5,113	6,383	8,224	9,780	10,923
<b>Sales by segment growth (%)</b>					
Shoes	-7.6%	20.5%	25.8%	16.7%	10.3%
Apparels	-0.3%	32.2%	35.0%	23.0%	14.0%
Accessories	-9.6%	36.6%	12.0%	5.0%	6.0%
Total	-5.2%	24.8%	28.8%	18.9%	11.7%
<b>Sales network</b>					
Xtep	5,582	5,580	5,781	5,984	6,163
Xtep kids	250	450	698	732	769
Oversea stores	200	200	250	300	350
Total	6,032	6,230	6,729	7,016	7,282
GP margins	43.9%	44.3%	44.0%	43.6%	43.8%
<b>Opex breakdown</b>					
A&P / sales	12.9%	15.2%	14.7%	15.1%	14.8%
Staff costs/ sales	12.2%	11.6%	10.8%	11.5%	11.6%
R&D / sales	2.8%	2.6%	2.5%	2.6%	2.6%
D&A / sales	1.3%	1.4%	1.4%	1.4%	1.3%
Provisions (write backs) / sales	4.2%	-0.8%	0.5%	0.2%	0.0%
Rental / sales	0.3%	0.3%	1.0%	0.8%	0.8%
Selling & distribution costs / sales	17.8%	21.3%	22.3%	22.6%	22.4%
Admin expenses / sales	15.0%	9.8%	10.5%	10.4%	10.0%
Total	32.8%	31.0%	32.8%	33.0%	32.4%
<b>OP margins</b>	<b>14.2%</b>	<b>16.4%</b>	<b>13.8%</b>	<b>13.1%</b>	<b>13.6%</b>
Effective tax rate	33.5%	31.4%	32.5%	32.0%	32.0%
<b>Net profit att. margins</b>	<b>8.0%</b>	<b>10.3%</b>	<b>8.5%</b>	<b>8.2%</b>	<b>8.6%</b>
<b>Net profit att. growth (%)</b>	<b>-22.7%</b>	<b>60.9%</b>	<b>5.9%</b>	<b>14.8%</b>	<b>18.0%</b>

Source: Company data, CMBIS estimates

## Financial Summary

### Income statement

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Revenue</b>	<b>5,113</b>	<b>6,383</b>	<b>8,224</b>	<b>9,780</b>	<b>10,923</b>
Footwear	3,258	3,925	4,936	5,762	6,355
Apparel	1,759	2,327	3,141	3,864	4,405
Accessories	96	131	147	154	164
<b>Cost of goods sold</b>	<b>(2,869)</b>	<b>(3,555)</b>	<b>(4,604)</b>	<b>(5,516)</b>	<b>(6,141)</b>
<b>Gross profit</b>	<b>2,244</b>	<b>2,828</b>	<b>3,620</b>	<b>4,264</b>	<b>4,782</b>
<b>Other income</b>	<b>158</b>	<b>196</b>	<b>210</b>	<b>236</b>	<b>247</b>
<b>Operating expenses</b>	<b>(1,678)</b>	<b>(1,980)</b>	<b>(2,698)</b>	<b>(3,223)</b>	<b>(3,541)</b>
D & A	(16)	(8)	(142)	(269)	(275)
Staff costs	(626)	(738)	(889)	(1,120)	(1,269)
S & D costs (ex-staff, D&A)	(292)	(623)	(950)	(1,092)	(1,179)
Admin exp. (ex-staff, D&A)	(745)	(611)	(718)	(742)	(818)
Other operating expenses	-	-	-	-	-
<b>EBIT</b>	<b>725</b>	<b>1,044</b>	<b>1,133</b>	<b>1,277</b>	<b>1,488</b>
Finance costs, net	(54)	(68)	(87)	(90)	(88)
JVs & associates	-	-	-	-	-
Exceptional	-	-	-	-	-
<b>Pre-tax profit</b>	<b>671</b>	<b>976</b>	<b>1,045</b>	<b>1,186</b>	<b>1,400</b>
Income tax	(224)	(306)	(340)	(380)	(448)
Less: Minority interests	38	13	10	8	10
<b>Net profit</b>	<b>408</b>	<b>657</b>	<b>695</b>	<b>798</b>	<b>942</b>

### Cash flow summary

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>EBIT</b>	<b>725</b>	<b>1,044</b>	<b>1,133</b>	<b>1,277</b>	<b>1,488</b>
D & A	48	60	186	321	336
Change in working capital	(119)	(513)	(457)	(327)	(319)
Income tax paid	(259)	(309)	(340)	(380)	(448)
Others	164	(128)	(87)	(90)	(88)
<b>Net cash from operating</b>	<b>558</b>	<b>154</b>	<b>435</b>	<b>801</b>	<b>970</b>
Capex & investments	(123)	(72)	(123)	(245)	(164)
Associated companies	(10)	(1)	-	-	-
Interest received	-	-	-	-	-
Others	408	(208)	(1,700)	-	-
<b>Net cash from investing</b>	<b>275</b>	<b>(281)</b>	<b>(1,823)</b>	<b>(245)</b>	<b>(164)</b>
Equity raised	7	(31)	1,164	-	-
Net change in bank loans	421	(10)	-	-	-
Dividend paid	(271)	(459)	(410)	(454)	(523)
Others	(3)	(11)	-	-	-
<b>Net cash from financing</b>	<b>154</b>	<b>(511)</b>	<b>754</b>	<b>(454)</b>	<b>(523)</b>
<b>Net change in cash</b>	<b>987</b>	<b>(637)</b>	<b>(634)</b>	<b>102</b>	<b>282</b>
Beginning cash balance	2,847	3,832	3,196	2,562	2,664
Exchange difference	(1)	1	-	-	-
<b>Cash at the end of the year</b>	<b>3,832</b>	<b>3,196</b>	<b>2,562</b>	<b>2,664</b>	<b>2,947</b>

### Balance sheet

YE Dec 31 (RMB mn)	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Non-current assets</b>	<b>1,052</b>	<b>1,139</b>	<b>2,776</b>	<b>2,699</b>	<b>2,527</b>
Fixed asset	646	641	695	859	927
Intangible assets & goodwill	47	105	1,687	1,447	1,206
Prepaid lease payments	267	279	279	279	279
Interest in joint ventures	-	114	114	114	114
Other non-current assets	92	-	-	-	-
<b>Current assets</b>	<b>7,882</b>	<b>8,060</b>	<b>8,390</b>	<b>9,255</b>	<b>10,164</b>
Cash and cash equivalents	3,832	3,196	2,562	2,664	2,947
Inventories	718	836	1,047	1,209	1,346
Trade and other receivables	1,807	2,115	2,659	3,081	3,442
Prepayments	572	727	937	1,115	1,245
Other current assets	953	1,186	1,186	1,186	1,186
<b>Current liabilities</b>	<b>2,489</b>	<b>3,278</b>	<b>3,786</b>	<b>4,221</b>	<b>4,530</b>
Bank loans	831	1,483	1,483	1,483	1,483
Trade payables	1,028	879	1,138	1,364	1,518
Accruals & other payables	565	861	1,110	1,320	1,474
Tax payables	66	54	54	54	54
Others	-	1	1	1	1
<b>Non-current liabilities</b>	<b>1,116</b>	<b>590</b>	<b>590</b>	<b>590</b>	<b>590</b>
Bank loans	1,019	461	461	461	461
Deferred income	-	-	-	-	-
Deferred tax	97	107	107	107	107
Others	-	22	22	22	22
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>19</b>	<b>29</b>
<b>Total net assets</b>	<b>5,329</b>	<b>5,331</b>	<b>6,781</b>	<b>7,125</b>	<b>7,543</b>
<b>Shareholders' equity</b>	<b>5,329</b>	<b>5,331</b>	<b>6,781</b>	<b>7,125</b>	<b>7,543</b>

### Key ratios

YE Dec 31	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Sales mix (%)</b>					
Footwear	63.7	61.5	60.0	58.9	58.2
Apparel	34.4	36.5	38.2	39.5	40.3
Accessories	1.9	2.1	1.8	1.6	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	43.9	44.3	44.0	43.6	43.8
Operating margin	14.2	16.4	13.8	13.1	13.6
Pre-tax margin	13.1	15.3	12.7	12.1	12.8
Net margin	8.0	10.3	8.5	8.2	8.6
Effective tax rate	33.5	31.4	32.5	32.0	32.0
<b>Balance sheet ratios</b>					
Current ratio (x)	3.2	2.5	2.2	2.2	2.2
Quick ratio (x)	2.9	2.2	1.9	1.9	1.9
Cash ratio (x)	1.5	1.0	0.7	0.6	0.7
Inventory turnover days	91	86	83	80	80
Trade receivables days	129	121	118	115	115
Trade payables days	131	90	90	90	90
Total debt / total equity ratio (%)	35	36	29	27	26
Net debt / equity ratio (%)	Net	Net	Net	Net	Net
<b>Returns (%)</b>					
ROE	7.7	12.3	10.3	11.2	12.5
ROA	4.6	7.1	6.2	6.7	7.4
<b>Per share</b>					
EPS (RMB)	0.18	0.30	0.29	0.32	0.38
DPS (RMB)	0.19	0.18	0.17	0.19	0.23
BVPS (RMB)	2.40	2.40	2.72	2.86	3.03

Source: Company data, CMBIS estimates

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