

361 Degrees (1361 HK)

Runner-up deserves a medal

- **Footwear and kids products reaping policy and demographic positives**
- **Unwarranted valuation given steady revenue growth, deep discount to peers and promising high dividend yield**
- **Initiate BUY with TP HK\$4.50 based on 15x FY18E PE.**

Professional footwear riding on the rising popularity of running China sports footwear market is expected to grow at 7.2% CAGR from RMB48bn in 2016 to RMB69bn in 2021E thanks to surging runner population. Meanwhile, marathon fever in China is fueling the consumption upgrade to professional sportswear. 361 Degrees takes up more than 3% of China's sports footwear market and enjoys international recognition for its value-for-money professional running shoes. We expect its revenue from footwear to grow at 7.49% 4-yr CAGR to RMB3,078.4mn in FY21E, contributing to 46% overall turnover.

Kids segment is a key growth driver for mid-term Benefiting from ramping up birth rate, 2-child policy and further urbanization, China's kids' wear market is expected to grow at 5-yr CAGR of 6.5% to RMB264.8bn in 2021E. Despite the highly fragmented market landscape, we expect 361 Degrees to expand its market share from 0.33% in FY17 to 0.38% in FY21E thanks to increasing brand-awareness and quality-concern among consumers. Kids' wear currently contributes 13.8% of 361 Degree's revenue with GPM of 41%. We expect it to maintain double digits growth to RMB788mn/RMB866mn in FY18/19E.

Attractive valuation given high visibility of FY18E order book growth with deep discount to peers 361 Degrees has achieved low double digits growth in recent trade fairs, revealing good visibility for FY18E topline growth. Meanwhile, it has maintained stable dividend payout ratio of over 40% for the past 4 years with above-average dividend yields. It currently trades at 8.6 FY18 PE, 1sd below 5-yr average and ~50% discount to its peers.

Initiate BUY with TP HK\$4.50 based on 15x FY18E PE We believe the market has over-reacted to the major shareholders sell down in Sept 2017 and recent correction has created attractive entry opportunities. Our target price is based on 15x FY18E PE, representing 12% discount to peers and 65% potential upside.

Risks: (1) Decelerating China economy and disposal income growth (2) weaker retail end demand (3) failure of quality control (4) GPM deterioration

Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY16	FY17	FY18E	FY19E	FY20E
Revenue	5,022.7	5,158.2	5,569.5	5,958.3	6,316.7
Growth (%)	12.6	2.7	8.0	7.0	6.0
Net Profit	402.7	456.7	511.1	548.0	578.5
Growth (%)	(22.2)	13.4	11.9	7.2	5.6
Diluted EPS (HK\$)	0.243	0.265	0.297	0.318	0.336
EPS growth (%)	(22.2)	8.9	11.9	7.2	5.6
Change to previous EPS (%)			0.0	0.0	
Consensus EPS (HK\$)			0.418	0.420	
ROE (%)	7.6	8.3	8.7	8.9	8.9
P/E (x)	11.2	10.3	9.2	8.6	8.1
P/B (x)	0.9	0.8	0.8	0.7	0.7
Yield (%)	4.0	3.9	4.3	4.7	4.9
DPS (HK\$)	0.110	0.106	0.119	0.127	0.134

Source: Bloomberg, OP Research

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Initial Coverage

BUY

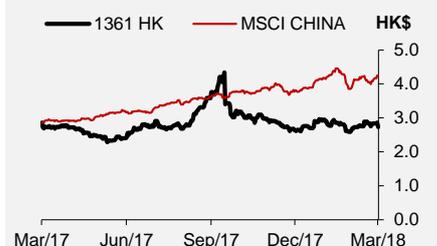
Close price: **HK\$2.73**
 Target Price: **HK\$4.50 (+65%)**

Key Data

HKEx code	1361	HK
12 Months High (HK\$)	4.34	
12 Month Low (HK\$)	2.30	
3M Avg Dail Vol. (mn)	2.50	
Issue Share (mn)	2,067.60	
Market Cap (HK\$mn)	5,644.55	
Fiscal Year	12/2017	
Major shareholder (s)	Director Ding Wuhao	16.46%

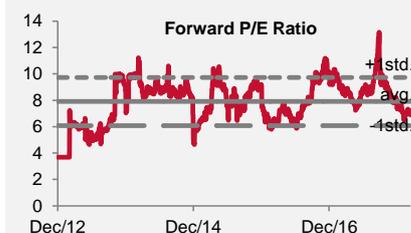
Source: Company data, Bloomberg, OP Research
 Closing price are as of 13/03/2018

Price Chart



	1mth	3mth	6mth
Absolute %	5.4	3.8	-27.4
Rel. MSCI CHINA %	-4.6	-7.5	-43.9

PE



Company Profile

361 Degrees International Ltd. designs, develops, manufactures, markets and distributes sportswear products, including athletic footwear, apparel and accessories.

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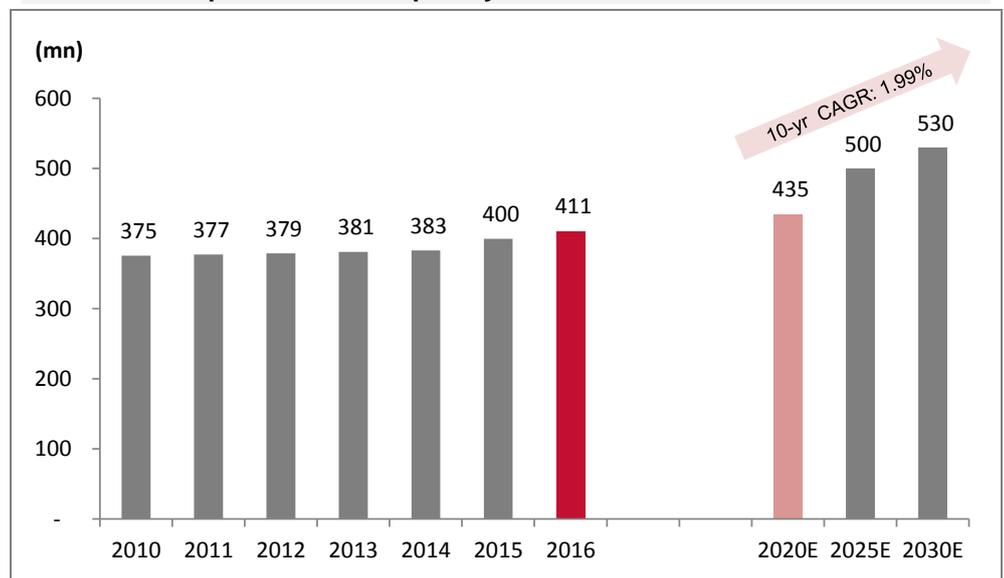
Footwear gains traction as running goes trendy and pro

Growth of runners population and sports shoes market size

Running enjoys huge public appeal bar none in China thanks to its low barrier for participation.

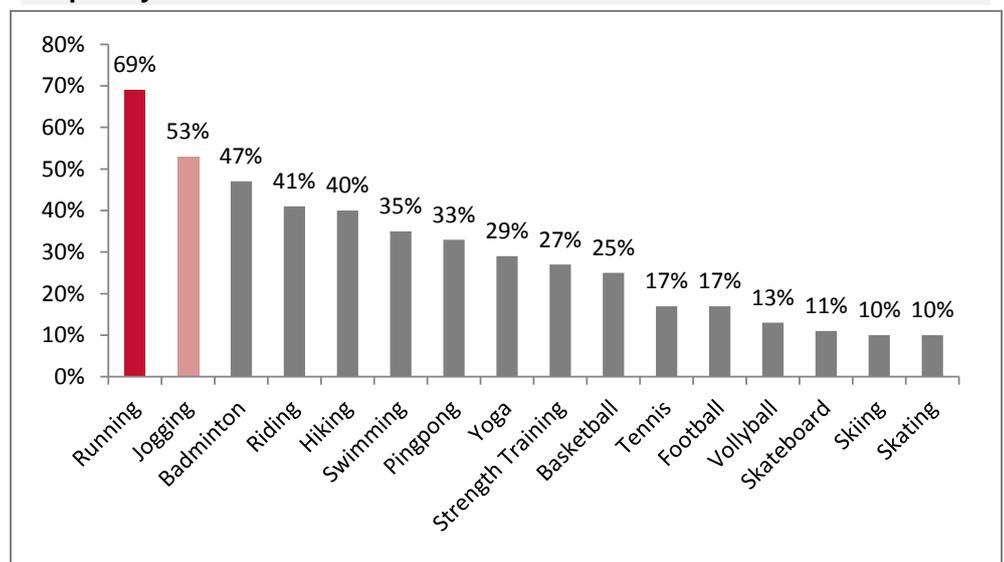
In 2016, the population in China that exercises frequently reached 411mn. According to iResearch, of all exercises, running topped the list with 69% participating rate, followed by jogging with 53%, indicating a running population in China of 280mn+, or about 1 runner in every 5 Chinese. The population for Chinese who exercise frequently is expected to grow at 10-year CAGR of 2% to 530mn in 2030E, as targeted by General Administration of Sport of China which, we believe, will add another 91mn to the runners' population by 2030E, if applying the same CAGR of 2%.

Exhibit 2: People exercise frequently in China from 2010 to 2030E



Source: General Administration of Sport of China, Zhiyan.org, OP Research

Exhibit 3: Exercise participation rate among Chinese who exercised frequently in 2016

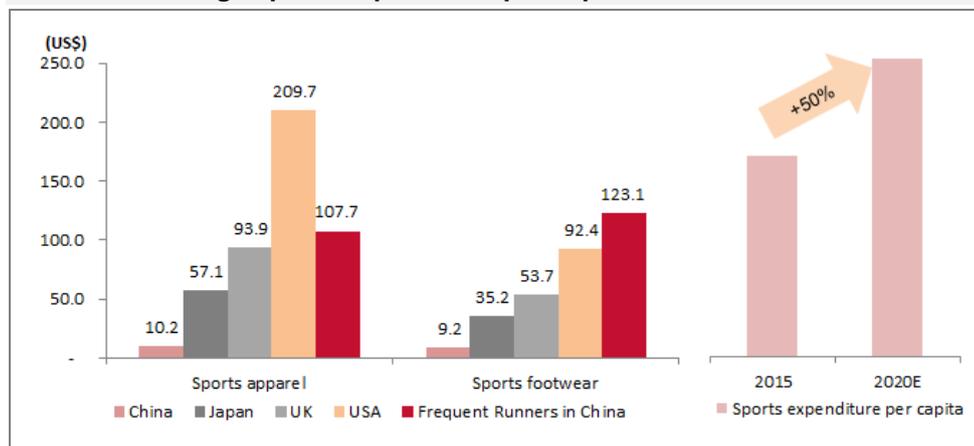


Source: Chinese Athletic Association, OP Research

Average expenditure for sports is expected to growth by 50% by 2020E.

Meanwhile, the average sports expenditure in China is far from its exhaustion. In 2015, average expenditure for sports apparel/footwear in China was only 17.9%/26.1% of that in Japan or 10.9%/10.0% of that in the US. The sports expenditure per capita is expected to grow by 50% by 2020E, according to State Council's plan.

Exhibit 4: Average sports expenditure per capita in 2015



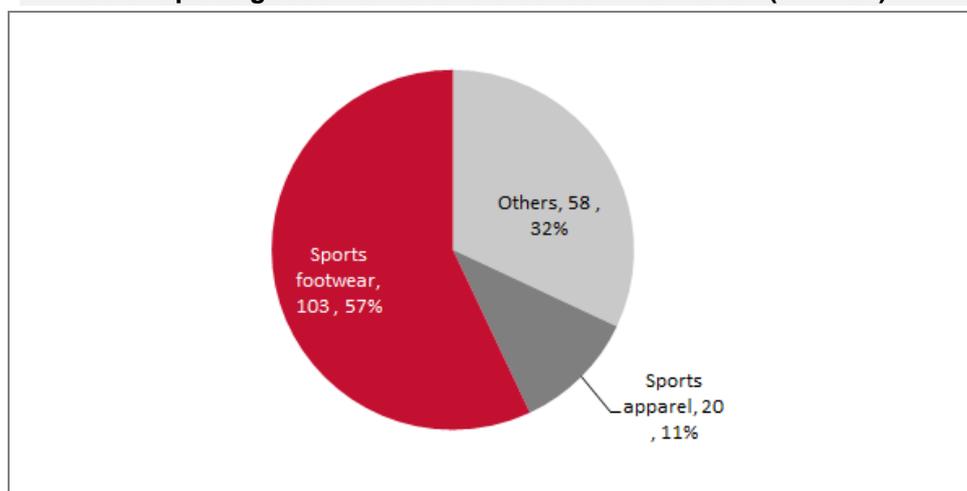
Source: Zhiyan.org, Nielsen, State Council, OP Research

Interestingly, according to Nielsen, frequent runners in China spent US\$107.7/US\$123.1 on average purchasing sports apparel/footwear in 2015, far above China average and comparable to that of developed countries. We believe frequent runners have most solid demand and highest distribution to purchase among all sportswear consumers, and will remain as the key contributor to the sustained growth of average sports expenditure, especially sports footwear in the next 5 years.

2019E market size in China for sports footwear is RMB103bn, indicating 11% growth from that in 2016.

Thanks to growing population and increasing average expenditure, the market size of sports goods in China is forecast to grow at CAGR of 3.5% from RMB150bn in 2014 to RMB180bn in 2019E, according to estimations of the General Administration of Sport of China. By then the market size for sports shoes is expected to be RMB103bn, taking up 57% of the total market and representing 11% growth from RMB92.8bn 2016. 361 Degrees ranked 7th in China sports shoes market with 3.9% share in terms of 2016 revenue.

Exhibit 5: Sports goods market size breakdown for 2019E (RMB bn)



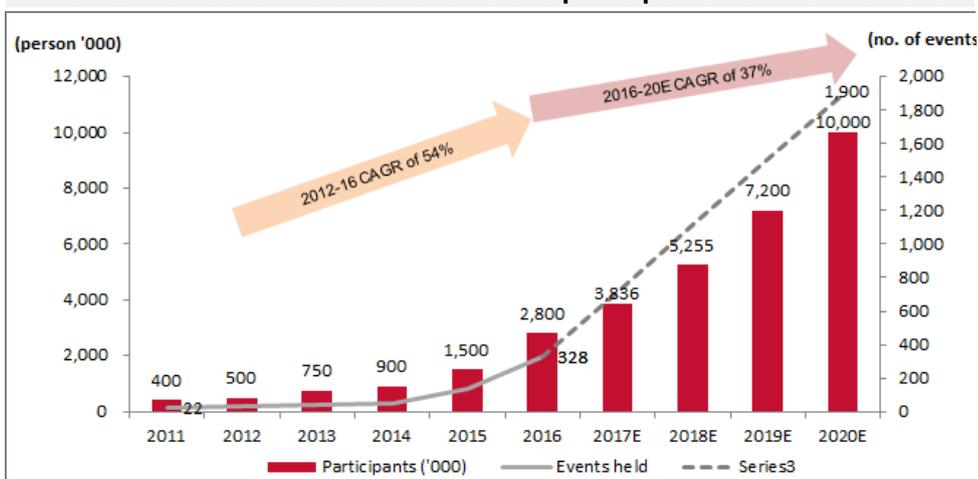
Source: General Administration of Sport of China, OP Research

Marathon population in China is expected to surge at 37% 2016-20E CAGR to 10mn in 2020E, bringing up great demand for professional running shoes.

Marathon mania stimulates demand for professional running shoes

With running getting trendy in China, recent rally in both number of marathon events and participant population indicate it is going professional as well. According to Chinese Athletic Association, number of marathon events in China increased 10 times from 33 in 2012 to 328 in 2016. Marathon participants in China also surged 54% CAGR from 0.5mn to 2.8mn during the same period. Although this surge in exposure to marathon in China can be partially attributed to the loosened official restrictions for sports event approval procedures since 2015, we see it as more of a natural response to (1) growing public pursuit of healthier lifestyle thanks to improved living standards and (2) the efforts of spinning sponsors, organizers and local governments for economic/political benefits.

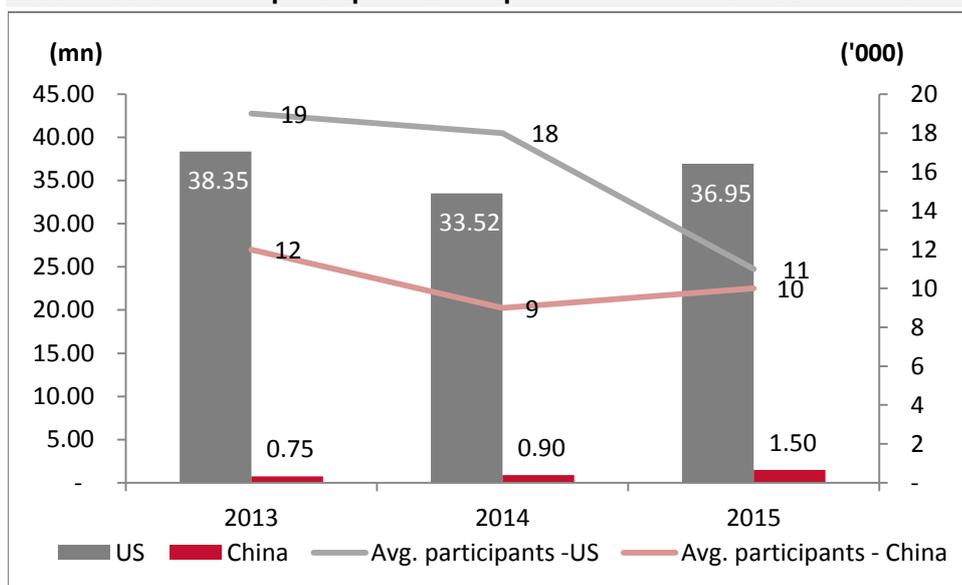
Exhibit 6: Number of marathon events and participants from 2011 to 2020E



Source: Chinese Athletic Association, OP Research

We expect the boom in marathon events to keep growing at least for another 5 years as (1) the number of marathon runners in China is only ~5% of that in the US, indicating great potential of growth.

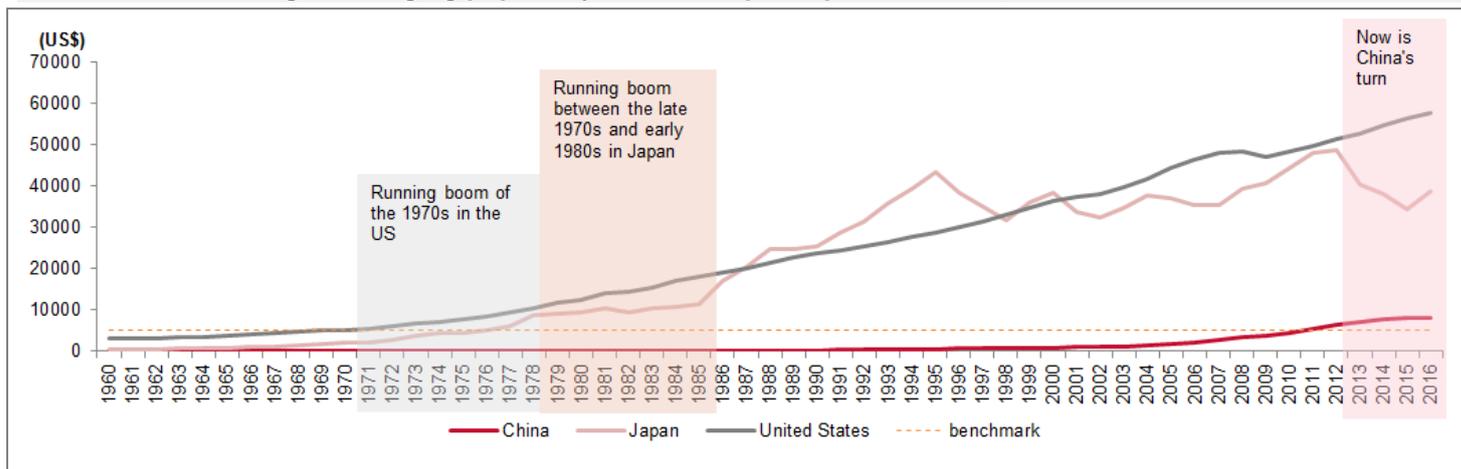
Exhibit 7: Marathon participation: comparison between the US and China



Source: Running USA, Chinese Athletic Association, OP Research

(2) Historically, the rising popularity of marathon is accompanied by a GDP per capita breakthrough to above US\$5,000 benchmark. The US and Japan each experienced such running booms in 1970s to early 1980s. China touched the US\$5,000 line around 2012, which indicates the marathon fever was just at its beginning. According to the official forecast of China, there will be 10mn runners participating in a total of 1900 marathon events in 2020E, representing a 2016-2020E CAGR of 37% in marathon runners' population.

Exhibit 8: Marathon gains surging popularity when GDP per capita hits US\$5,000 benchmark

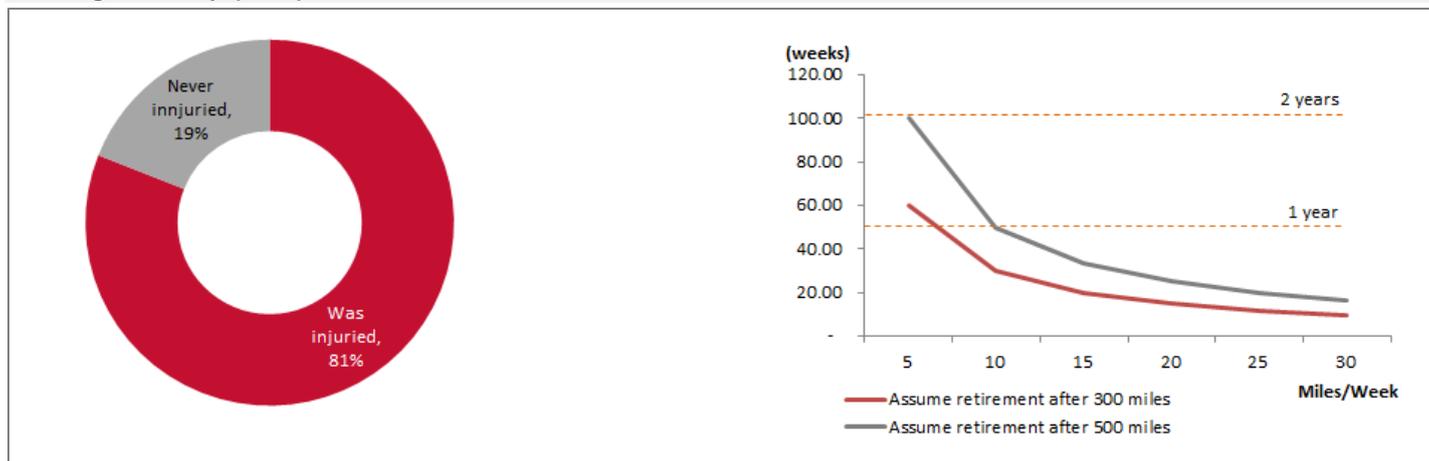


Source: World Bank, OP Research

Demand for professional running shoes rises as a result.

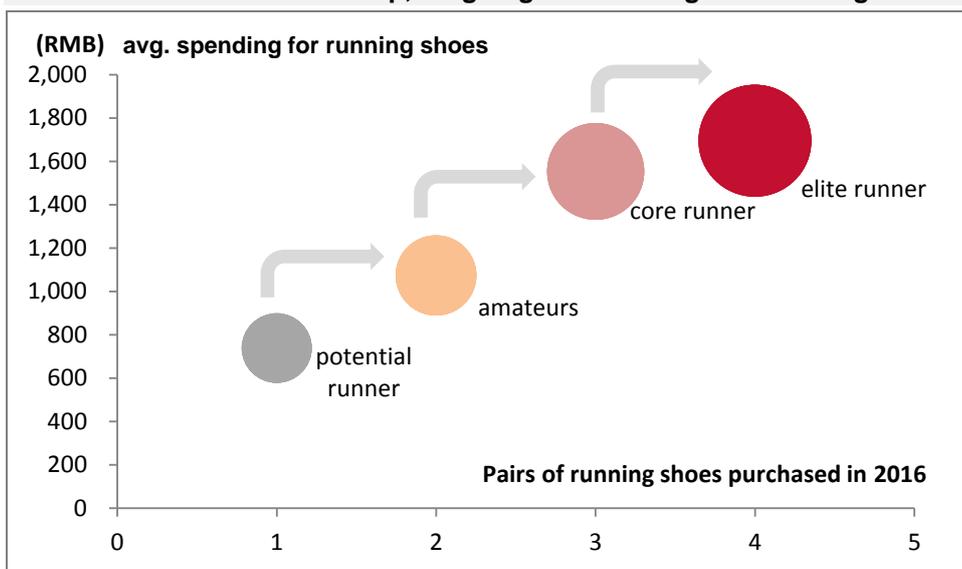
The rise in professional runner groups is expected to stimulate the rising demand for professional running footwear due to (1) concern over injuries: according to survey in Chinese runner community, marathon runners in China are generally green with average running experience less than 3 years, compared to over 10 years for US runners. 81% of Chinese marathon runners get injured at least once in their training or races. (2) Greater replacement demand: the widely recognized life for a pair of professional running shoes is 300~500 miles. Beyond this range the possibility of injuries increases as the worn shoes cannot provide enough support and protection. The average training for 2017 Taipei Marathon participants was between 20-60 miles per week, which indicates a replacement cycle of less than half year. (3) Spec upgrade (e.g. more bouncy midsole, less weight etc.) in pursuit of better performance.

Exhibit 9: Injury among Chinese marathon participants (LHS) & running shoes retirement schedule by weekly training intensity (RHS)



Source: iranshao.com, Runners World, OP Research

Exhibit 10: As runners level up, outgoings for running shoes also grow



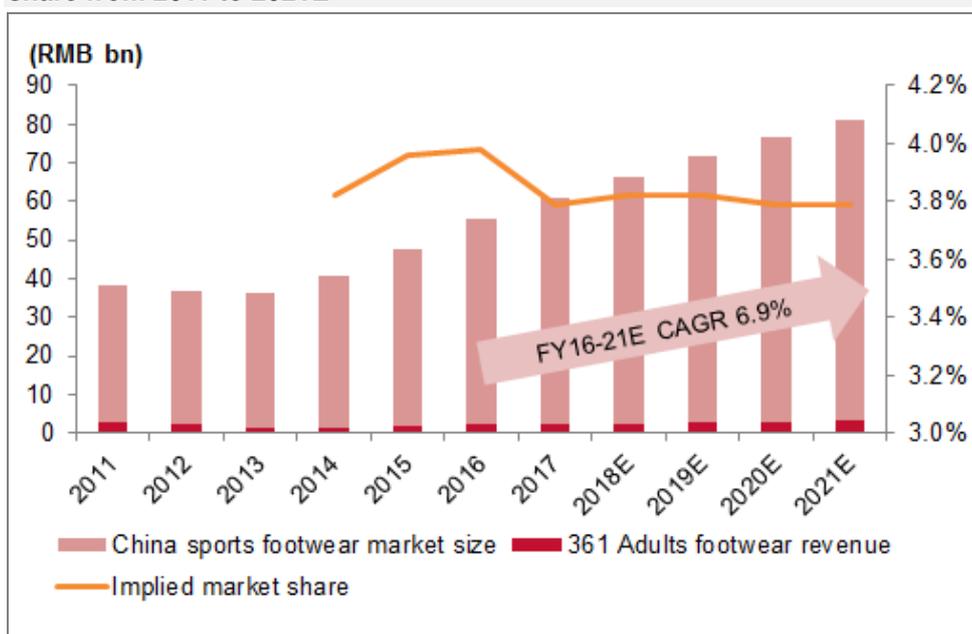
Source: iranshao.com, OP Research

361 Degree is well-positioned in both casual sports footwear and professional running shoes

361 Degrees has over 44% revenue contribution from sports footwear, ~60% of which is from running shoes.

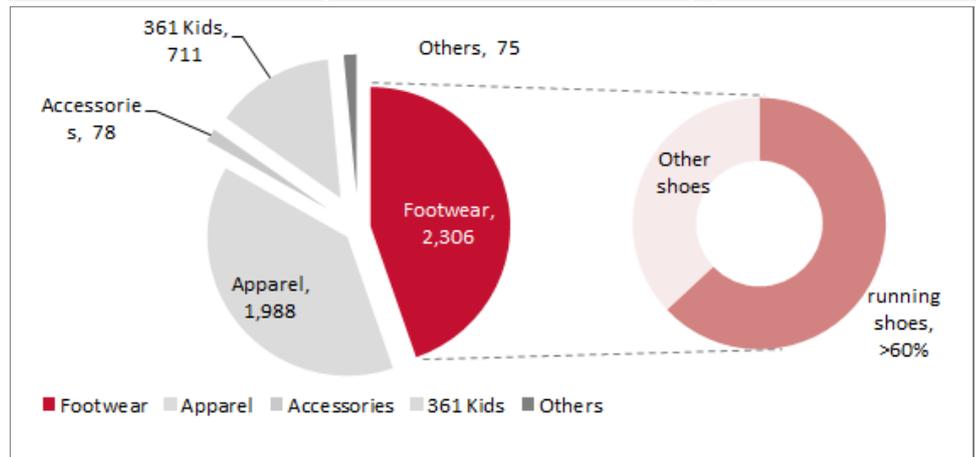
361 Degrees ranked 8th with about 4.0% market share in China sports shoes market in terms of 2015 revenue, according to our estimation. It has 44.7% revenue contributed by footwear, of which ~60% are running shoes. We believe 361 Degrees can benefit directly from the steady growth of overall market and the rise of professional runner population thanks to (1) its leading market position (2) distinguished high-end performance of professional running shoes and (3) its continuous R&D input. We expect 361 Degrees' sports footwear revenue to grow at FY16-21E CAGR of 6.9% to RMB3.1bn, implying a market share of 3.8% in 2021E.

Exhibit 11: Sports shoes market size in China and estimated 361 market share from 2011 to 2021E



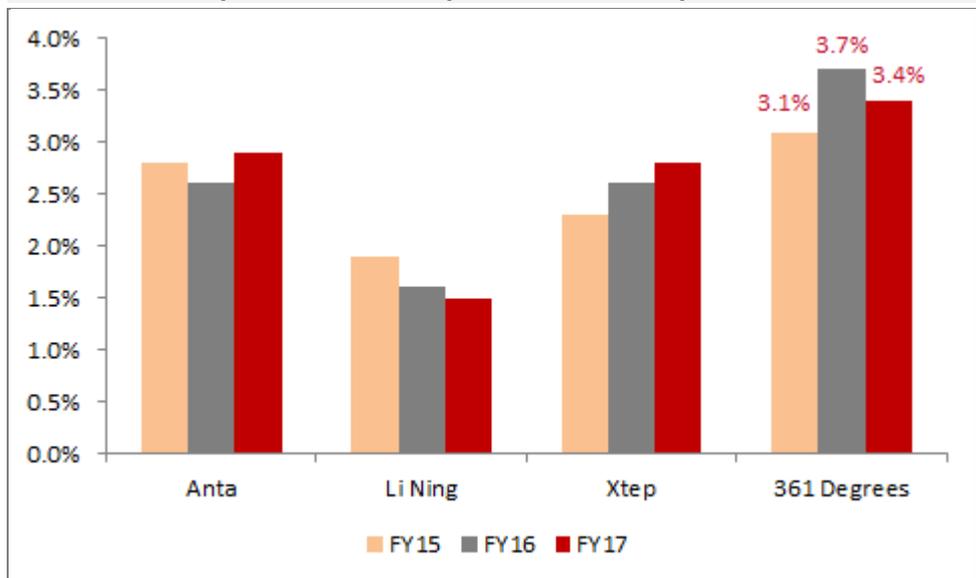
Source: General Administration of Sport of China, Company, OP Research

Exhibit 12: FY17 361 Degrees revenue contribution by product



Source: Company, OP Research

Exhibit 13: Comparison of R&D input for domestic sportswear brands



Source: Company, OP Research

“High-end performance at a moderate price”
– Runner’s World

361 Degrees has the highest R&D input percentage among its domestic peers. In 2015, 361 Sensation, one of 361 Degrees high-end professional running shoes was selected as “Best Buy” by the monthly magazine Runner’s World. It was the first time that a Chinese sports brand got recognized by an international professional publication. We believe the exposure to distinguished international reviews will (1) enhance 361 Degrees’ brand recognition in overseas markets, which currently only contributes 1.7% to 361 Degree’s FY17 revenue (2) establish a professional brand image in domestic market to make a differentiate it from its domestic peers (3) benefit the sales of functional footwear in China as the overall moderate pricing is attractive for professional runners at entry level.

Exhibit 14: Comparison of nominations and recommendations from Runners' World

Brand	Product Name	Award	Retail Price (US\$)	Features
New Balance	Fresh Foam Zante v3	Editor's Choice	\$100	Lightweight, light enough for speedwork but also soft enough for long runs and half-marathons.
Brooks	Ravenna 8	Best Buy	\$120	Capable of handling long runs and tempo runs. Softer ride and springier toe-off (than last version).
Saucony	Peregrine 7	Best Buy	\$120	Removed bouncy foam from the heel but gave the shoe a thin, full-length layer of the same material directly below the sockliner.
Reebok	OSR Harmony Road	Best Debut	\$120	High-rebound cushioning material comprised of tiny yellow tubes placed under the heel - Soft landing and smooth transition from heel to toe.
Asics	GT-2000 5	Best Buy	\$120	Good for long-run. Good breathability and a smooth wrap of the foot.
361 Degrees	Ortega 2	(nominated)	\$120	Water-resistant mesh and gusseted tongue can handle dirt paths as well as snowy roads. Rock plate protects the bottom of your foot.
361 Degrees	Spinject	2017 Fall & Winter Recommendation	\$110	Shoes for hard heel striker. Comfortable seamless upper. Firm heel to soft forefoot, can make for an uneven ride.
361 Degrees	Meraki	2017 Fall & Winter Recommendation	\$130	Shoes for faster runner and bigger runner. Good at locking down the heel. Doesn't have any extra stability features.
361 Degrees	Sensation	Best Buy	\$120	Midsole compound consisted of foam and rubber blend. Superiority in shoe's fit, stability, and balanced cushioning.

Source: Company, OP Research

Exhibit 15: Review on 361 Sensation by Runner's World (LHS) and customer reviews on Amazon (RHS)

Weight: Very Heavy | 11.1 oz
83% of shoes are lighter

Heel-To-Toe-Drop: High | 10.2 mm
69% of shoes have less drop

Heel Height: Moderate | 31.6 mm
45% of shoes are lower at the heel

Heel Cushioning: Moderate
46% of shoes are less cushioned at the heel

Forefoot Height: Low | 21.4 mm
32% of shoes are lower in the forefoot

Forefoot Cushioning: Firm
30% of shoes are less cushioned in the forefoot

Flexibility: Flexible
80% of shoes are less flexible

Stability Features: More
79% of shoes have fewer stability features

Energy Return: More
71% of shoes offer less energy return

Customer reviews

★★★★☆ 27
4.0 out of 5 stars

5 star 67%
4 star 18%
3 star 4%
2 star 4%
1 star 7%

Share your thoughts with other customers

[Write a customer review](#)

See all 27 customer reviews

Top customer reviews

Kerry Cripe

★★★★★ **All Day long**

August 21, 2017

Size: 9 D(M) US | Color: Nautical Blue/Orange/Silver | **Verified Purchase**

They are really comfortable, first day I wore them all day and was so nice light weight too.

Comment | Was this review helpful to you? Report abuse

SHM224

★★★★★ **Five Stars**

July 1, 2017

Size: 9 D(M) US | Color: Black/Red Orange/White | **Verified Purchase**

This is my second pair.

Comment | Was this review helpful to you? Report abuse

Corey

★★★★★ **Supportive Running Shoe**

January 11, 2017

Size: 8.5 D(M) US | Color: Nautical Blue/Orange/Silver | **Verified Purchase**

Very comfortable and supportive shoes. I have difficulty finding good running shoes with my high arches and these fit perfect.

Comment | One person found this helpful. Was this review helpful to you? Report abuse

Source: Runner's World, Amazon, OP Research

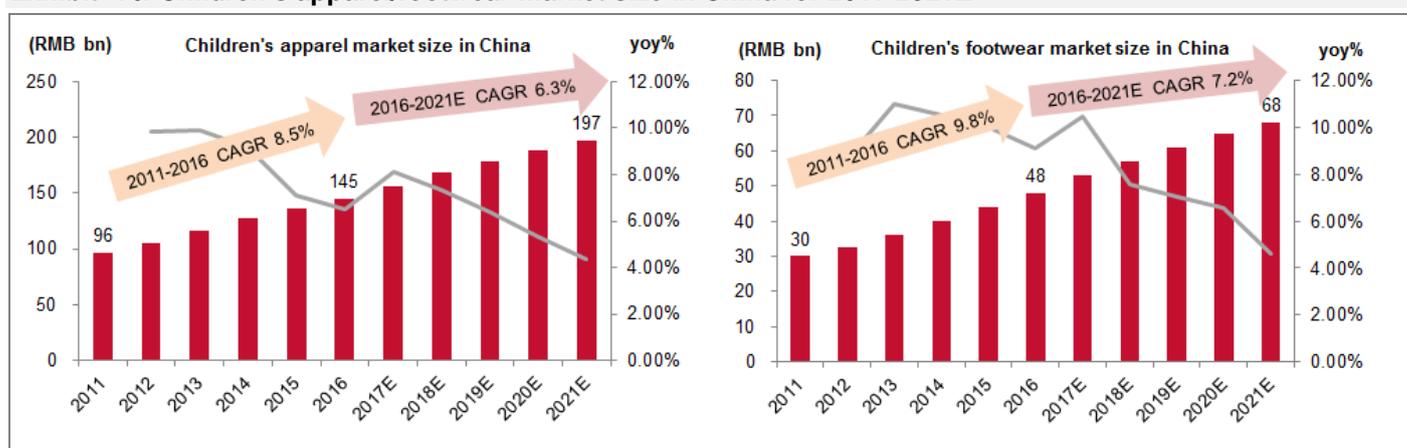
Demographic tailwinds instigate growth of kids segment

Top-down positives back up growth outlook of babies

Children's sportswear market outgrows that for adults during 2011-2016, and 361 Kids has its revenue outgrown the industry average.

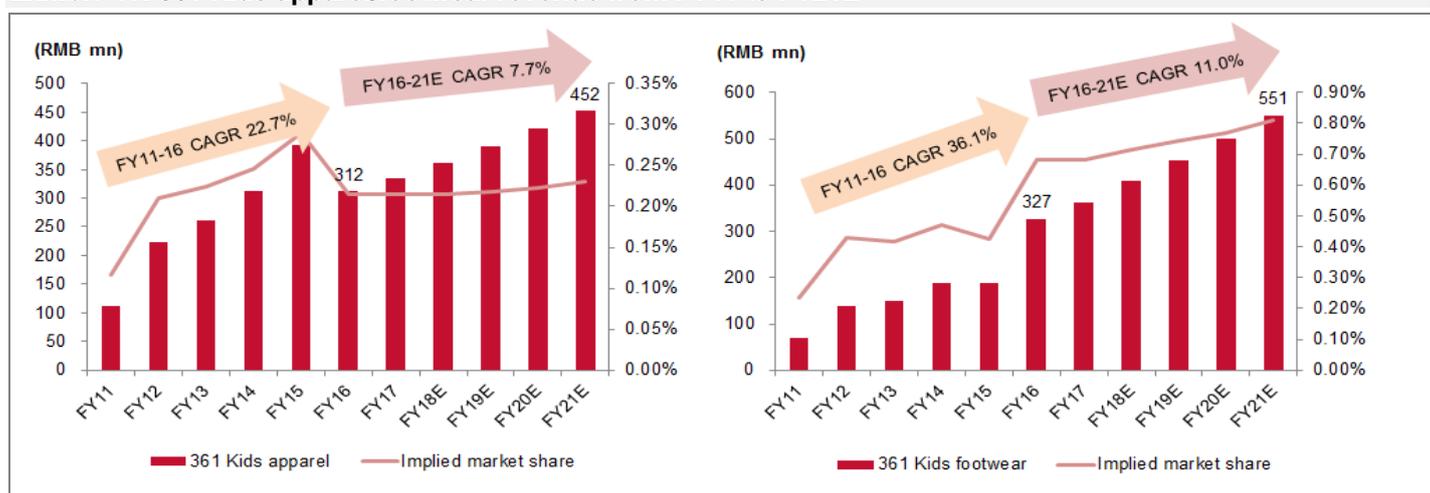
The market size of children's apparel/footwear (collectively referred to as "kids' wear" below) in China has seen 8.5%/9.8% 5-year CAGR to RMB145bn/RMB48bn in 2016, according to Euromonitor. They are expected to keep the growth momentum at a 2016-2021E CAGR of 6.3%/7.2% to reach RMB197bn/RMB68bn respectively in 2021E. 361 Degrees has a track record of faster than industry-average growth for both kids apparel and footwear products under the separate brand 361 Kids, with 22.7%/36.1% FY11-16 CAGR.

Exhibit 16: Children's apparel/footwear market size in China for 2011-2021E



Source: Euromonitor, OP Research

Exhibit 17: 361 Kids apparel/footwear revenue from FY11 to FY21E

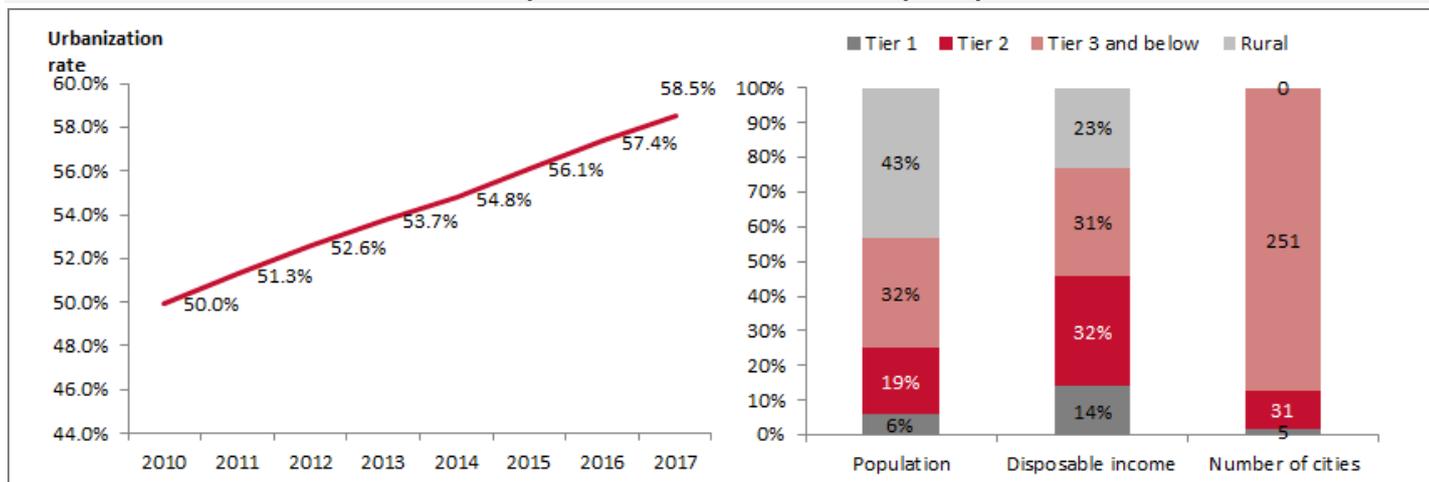


Source: Company, OP Research

In our view, ramping up kids' wear benefits from (1) increasing urbanization and consumption upgrade in tier 2 and below cities, which altogether contribute to 63% total disposable income in China. We expect demand from low tier cities to become the key growth driver for children's sportswear market where Anta and 361 Degrees have better play. (2) Higher budget per household for children's expenditure. With the launch of the 13th Five Year Plan, household expenditure for children's apparel and footwear is expected to grow at 8.9%, faster than the average spending growth of 8.2%. (3) Scrapping of one-child policy nationwide in

mid-2015 and the baby boom in the Year of Monkey in 2016.

Exhibit 18: Tier 2 and below cities are expected to release the consumption potential as urbanization continues



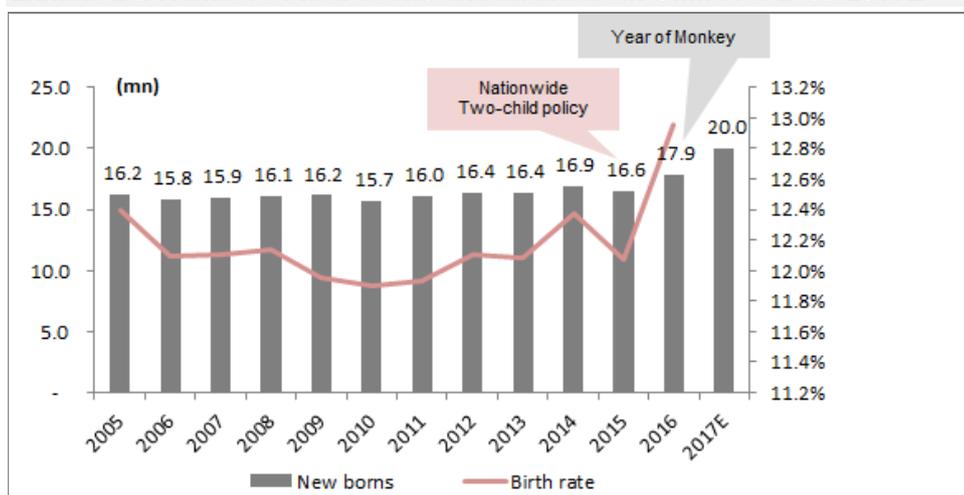
Source: National Bureau of Statistics, CEIC, OP Research

Exhibit 19: Household expenditure for children and influenced industry segments under the 13th Five Year Plan

(RMB bn)	2015		2020E		5-yr CAGR
Total spending	3,104.09		4,594.62		8.2%
Healthcare	83.58	2.7%	131.89	2.9%	9.6%
Catering	50.87	1.6%	79.93	1.7%	9.5%
Household	201.84	6.5%	313.28	6.8%	9.2%
Apparel and footwear	429.65	13.8%	658.65	14.3%	8.9%
Others	335.74	10.8%	511.99	11.1%	8.8%
Education	170.99	5.5%	259.38	5.6%	8.7%
Telecom	77.62	2.5%	117.44	2.6%	8.6%
Housing	480.73	15.5%	722.13	15.7%	8.5%
Transportation	100.40	3.2%	143.72	3.1%	7.4%
Food and drinks	1,217.51	39.2%	1,717.87	37.4%	7.1%
Entertainment	(49.33)	-1.6%	(69.20)	-1.5%	n.a.
Alcohol and tobacco	(3.52)	-0.1%	(6.12)	-0.1%	n.a.

Source: Euromonitor, OP Research

Exhibit 20: Number of new-borns and birth rate in China for 2005-2017E



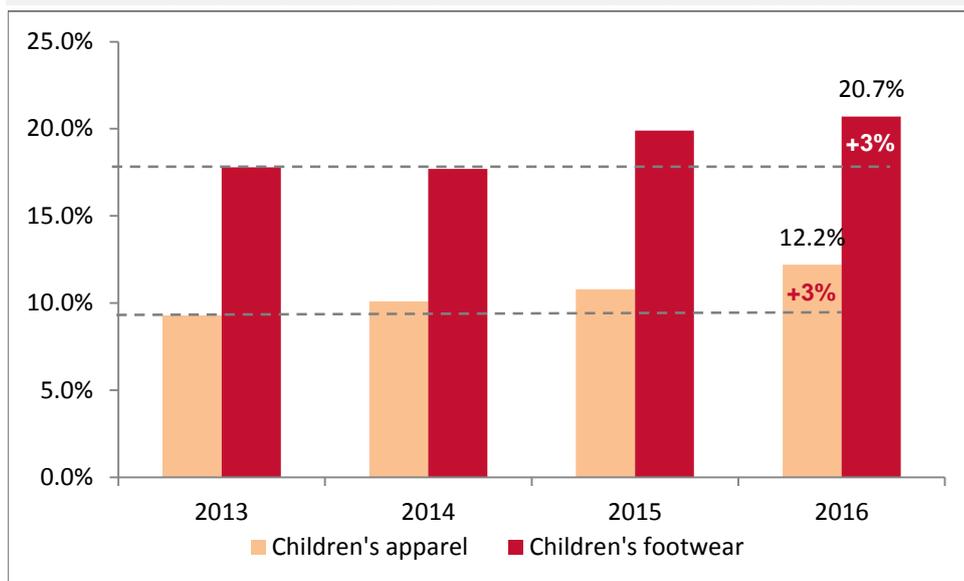
Source: National Bureau of Statistics, OP Research

Market will get more concentrated as it gets more mature, benefiting leading players such as 361 Kids.

Increasing market concentration benefits frontrunners

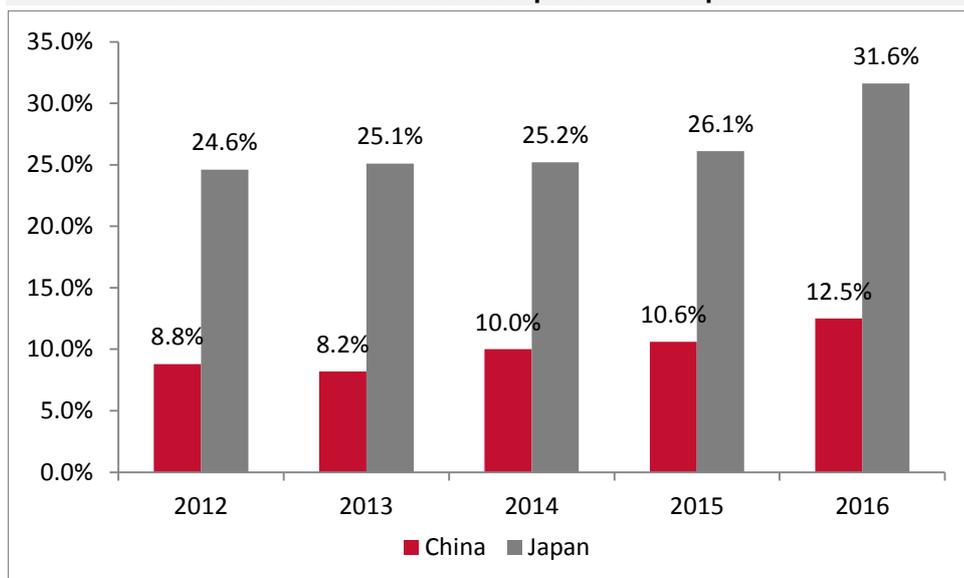
China market for kids' wear is highly competitive with low concentration. The biggest market player accounts for no more than 5% market share in 2016 (5% for Balabala in apparel market and 4.1% for Nike Kids in footwear market). However, a steady trend of market concentration is clear as CR10 (Concentration Rate for top 10 players) for children's apparel and footwear each increased by ~3% during 2013-2016 to 12.2% and 20.5% respectively. We expect the market consolidation to continue in the mid-term as we believe China market is still under-concentrated compared to mature kids' wear market such as Japan, whose CR10 is ~1.5 times of China in 2016.

Exhibit 21: CR10 for children's wear market in China for 2013-2016



Source: Euromonitor, OP Research

Exhibit 22: CR10 for children's wear compared with Japan

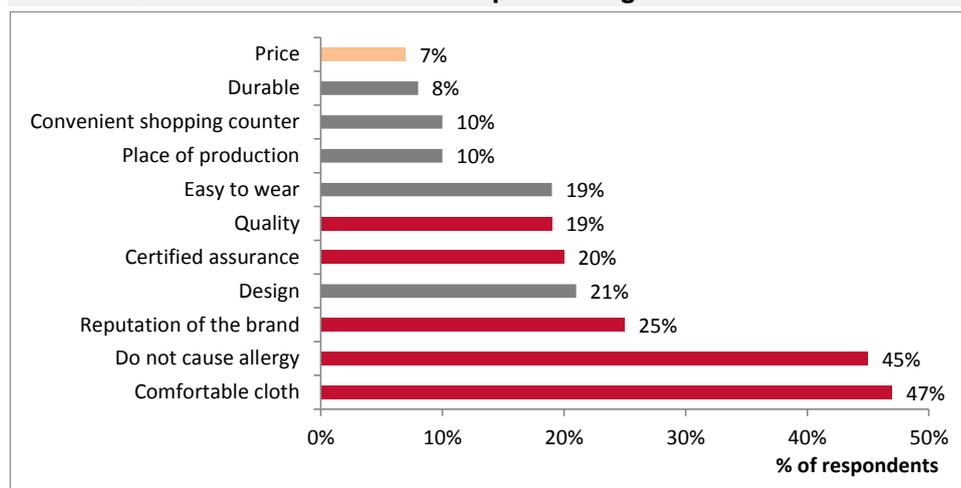


Source: Annii, Xinhua News, OP Research

We believe current frontrunners will benefit from the increasing concentration by market share expansion through squeezing out the long tail as (1) product quality and brand awareness come before price factor when parents make a purchase decision (2) stricter industrial regulation favors larger brands. Starting from Jun.

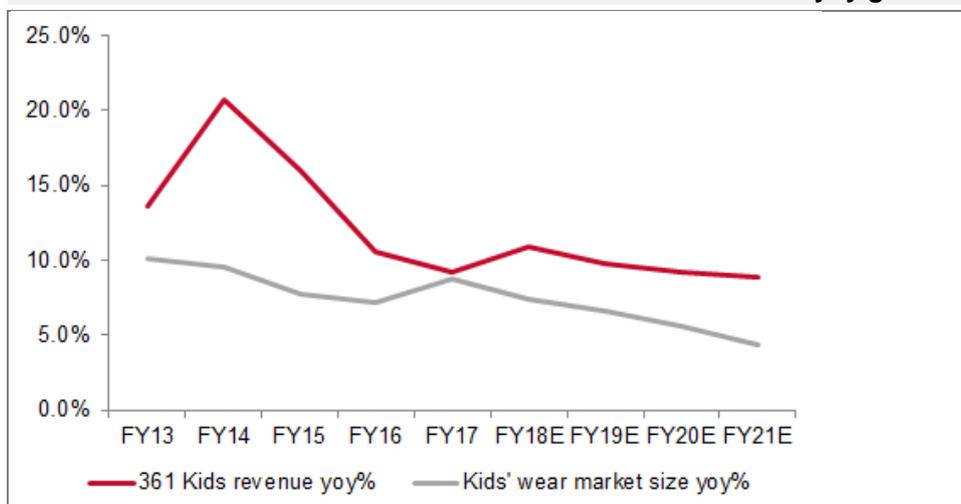
2016, GB31701-2015, the new mandatory standard for infant and children's textile products has come into force, making stricter requirements for substances, flammability and colorfastness, putting more cost and quality pressures on small players. We believe 361 Kids, the separate brand for children's apparel and footwear under 361 Degrees is among the industry leaders who will benefit from further market concentration as its historical growth rate has been multiples of industry-average, and such faster-than-average growth momentum is likely to be kept into the future.

Exhibit 23: Factors to consider when purchasing children's wear



Source: HKTDC, OP Research

Exhibit 24: China kids' wear market size and 361 Kids revenue yoy growth



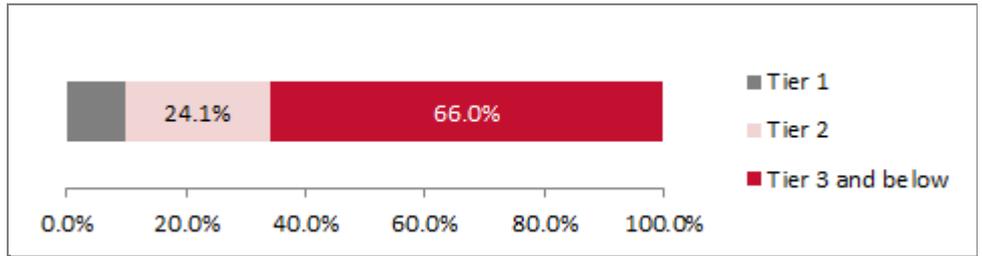
Source: Euromonitor, Company, OP Research

361 Kids has strong track record and order book outlook

361 Degrees has operated a separate business segment - 361 Kids for kids' wear since 2010. It mainly targets children between 3-14 years' old in tier 2 and below cities in China. Like adults' products, 361 Kids rely on wholesalers for distribution. By the end of FY17, 361 Kids has 1,797 selling points nationwide with 24% located in 2nd tier cities and 66% in 3rd tier and below. In FY17, 361 Kids recorded RMB711.1mn in terms of turnover with FY11-17 CAGR of 24.9%, representing a 13.8% revenue contribution and ~0.33% in China kids' wear market, according to our estimation. We expect it to continue growing at 5-yr CAGR of 9.6% to RMB1,030.2mn in 2021E, representing a revenue contribution of 15.4%.

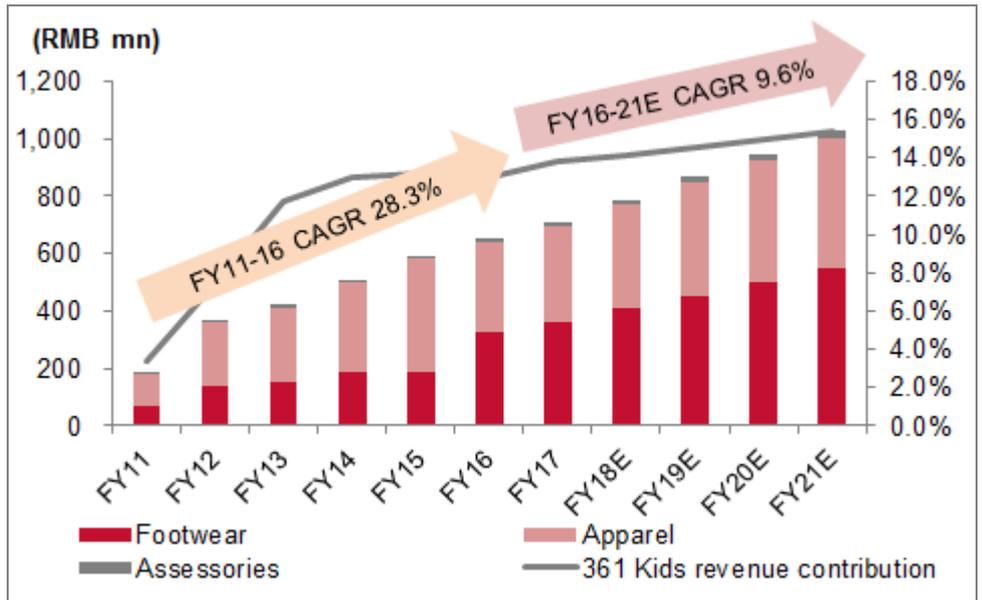
361 Kids keeps robust growth momentum of double digits. We see it as a growth drive for both revenue and GPM

Exhibit 25: Distribution of 361 Kids' points of sale as of FY17 year end



Source: Company, OP Research

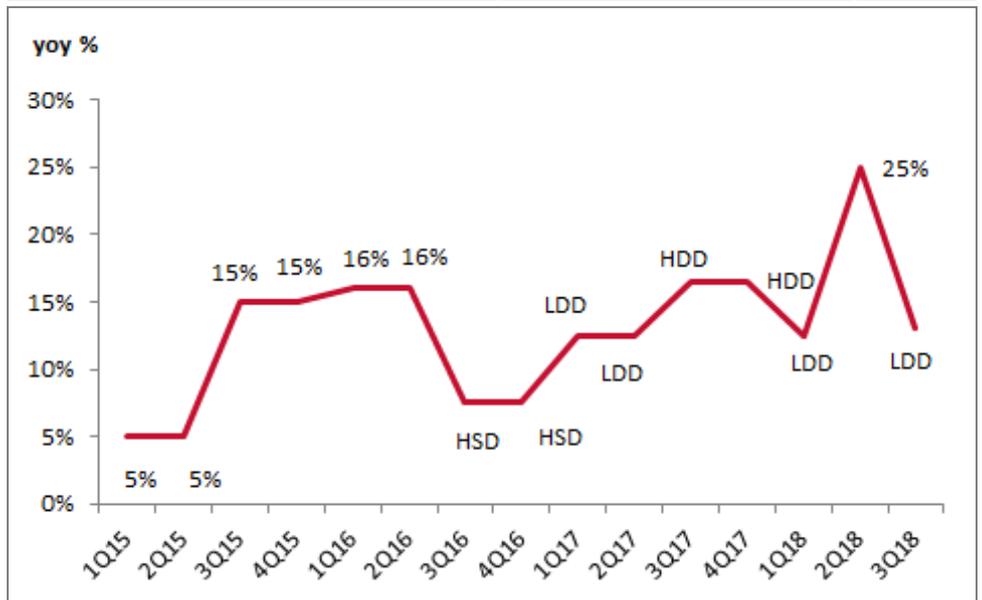
Exhibit 26: 361 Kids revenue by product and contribution for FY11-21E



Source: Company, OP Research

As the trade fair orders for 1Q17-3Q18 have shown a robust growth momentum at double digits, we believe 361 Kids will continue to outgrow its adult products in the near term and enlarge the revenue contribution to over 15% by FY20E.

Exhibit 27: 361 Kids trade fair orders growth for 1Q15-3Q18 selling season



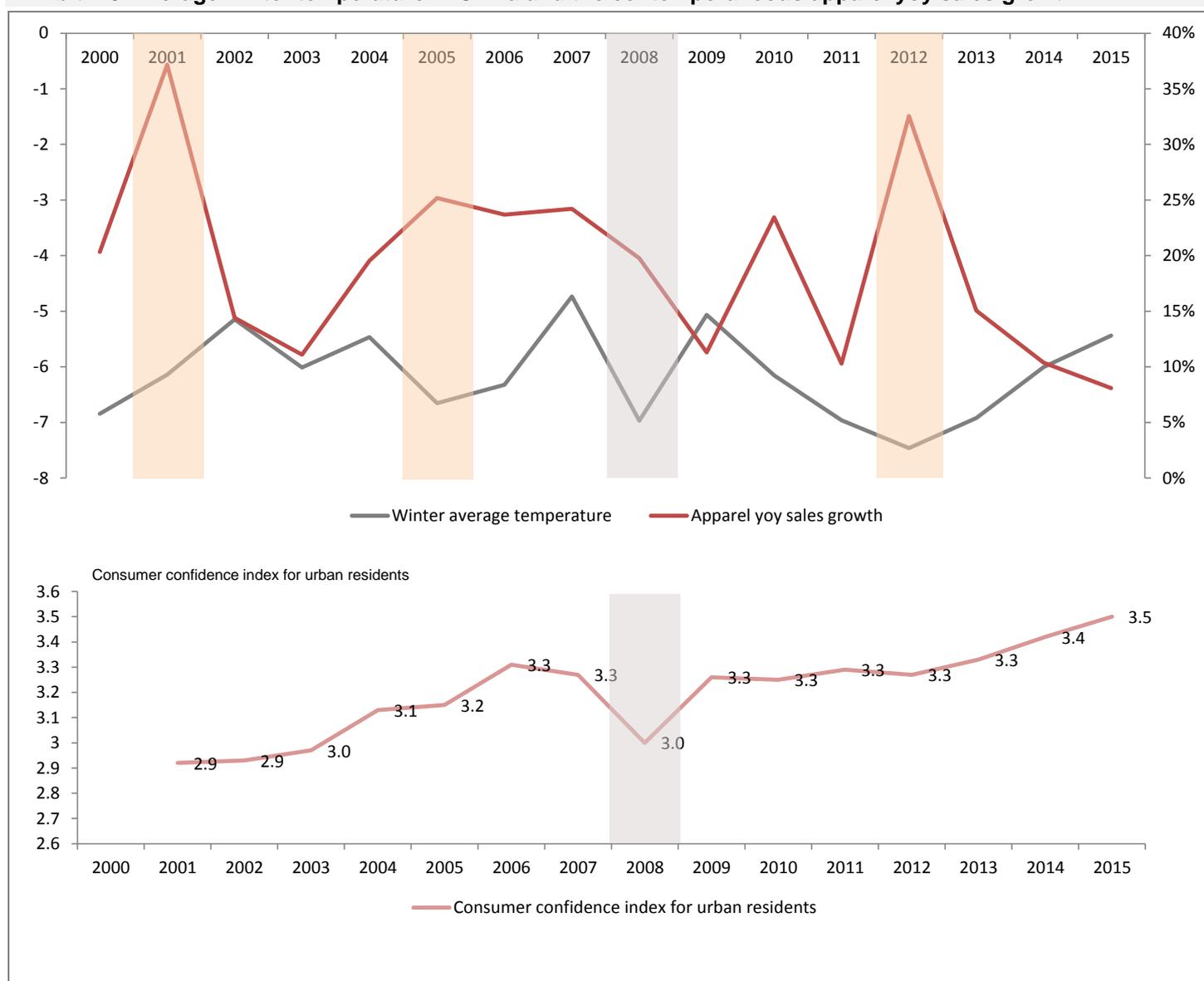
Source: Company, OP Research

Severe winter fuels apparel sales

Winter chill is a hint for heated apparel sales

Historically, winter temperature is largely negatively correlated with contemporaneous apparel sales growth as coldness is a direct stimulus for retail end demand. We see such phenomenon most clearly in year 2001, 2005 and 2012 when average winter temperature in China dropped below -6.1 degrees centigrade while at the same time apparel sales in winter saw significant yoy growth of over 23%. Year 2008 also had winter temperature as low as -7 degrees, but apparel sales growth was muted. We attribute this exceptionally poor performance at retail side to the significant drop in consumer sentiment then due to the global financial crisis.

Exhibit 28: Average winter temperature in China and the contemporaneous apparel yoy sales growth



* The winter average temperature here is calculated by taking average of Dec., Jan. and Feb. temperature.

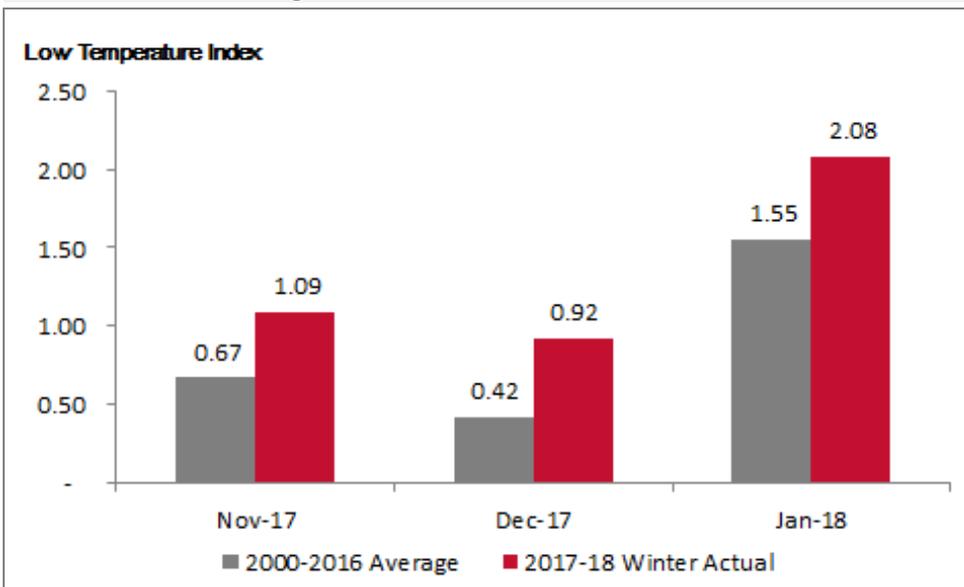
** Apparel sales refer to retail end revenue of textile products.

Source: World Bank, Wind, Chinese Academy of Social Science, OP Research

Cold winter in 2017/18 is expected to stimulate apparel retail sales

It is doubtless that the 2017/18 winter just passed is among the coldest in recent decades. According to National Climate Center, the Low Temperature Index for China from Nov. 2017 to Jan 18 far exceeded the historical average, echoing the forecast of World Meteorological Organization (WMO) in 2016 that the world was entering into a La Niña period which usually brings about colder winter.

Exhibit 29: Lower Temperature Index in China for 2017/18 winter is far above historical average



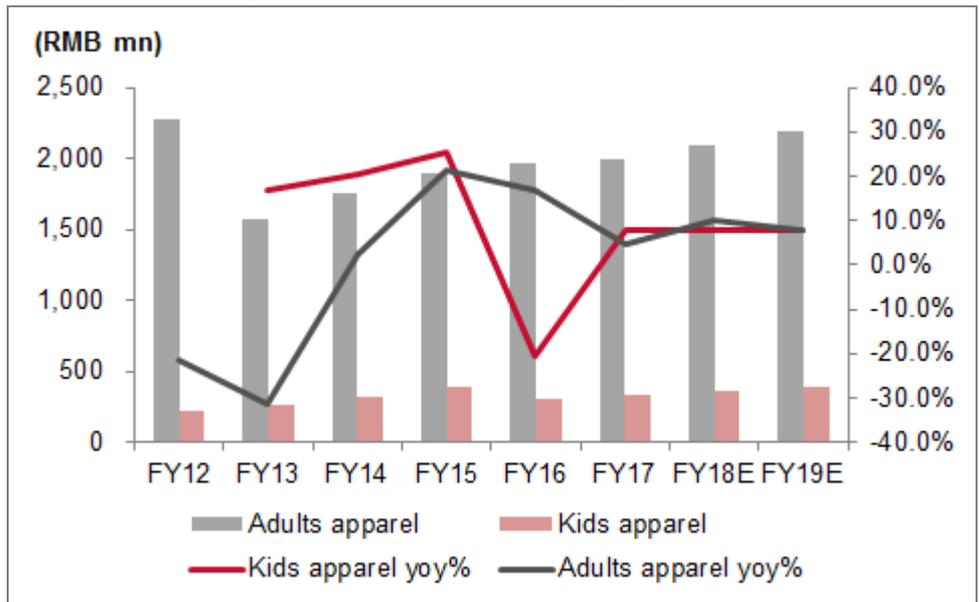
Source: National Climate Center, OP Research

Side evidences from retail side confirmed the magic of chilly winter on apparel sales.

Meanwhile, we see strong beginning of 2018 from retail end: (1) the domestic apparel retail revenue in China improved by 10.8% yoy in Dec. 2017, the highest rate since mid-2015. We believe this indicates higher sell-out which will build better order book for trade fairs held in 1Q18. (2) T-mall apparel sales of Top 10 brands saw 82% yoy growth during Jan and Feb 2018 vs 41% overall growth in 2017.

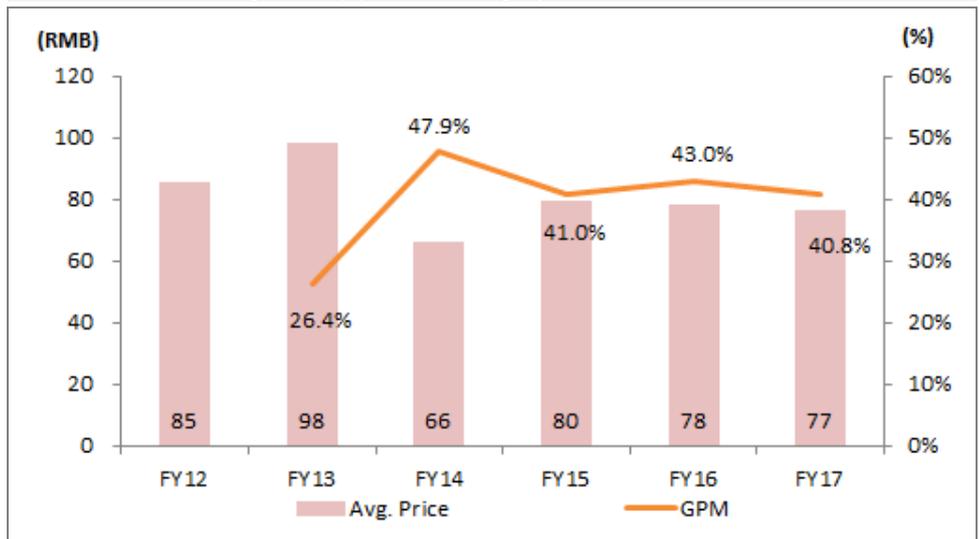
Therefore, we are expecting upbeat apparel sales performance of 361 Degrees as: (1) the cold winter in 2017/18 to lift the yoy growth rate from low single digit to high single digit for the coming 2 quarters thanks to higher sell-out rate. (2) In the latest 2018 Autumn Trade Fair for 361 Kids, we noticed apparels have 25%/high single digit increase in terms of sales volume/selling price. In FY17, adults apparel products accounted for 38.5% of 361 Degrees' total revenue. We expect it will contribute RMB2,087mn/RMB2,191mn to 361 Degrees' FY18/19E topline, representing 37.5%/36.8% revenue contribution.

Exhibit 30: 361 Degrees apparel sales and yoy growth for FY12-FY19E



Source: Company, OP Research

Exhibit 31: 361 Degrees apparel average price and GPM for FY12-FY17



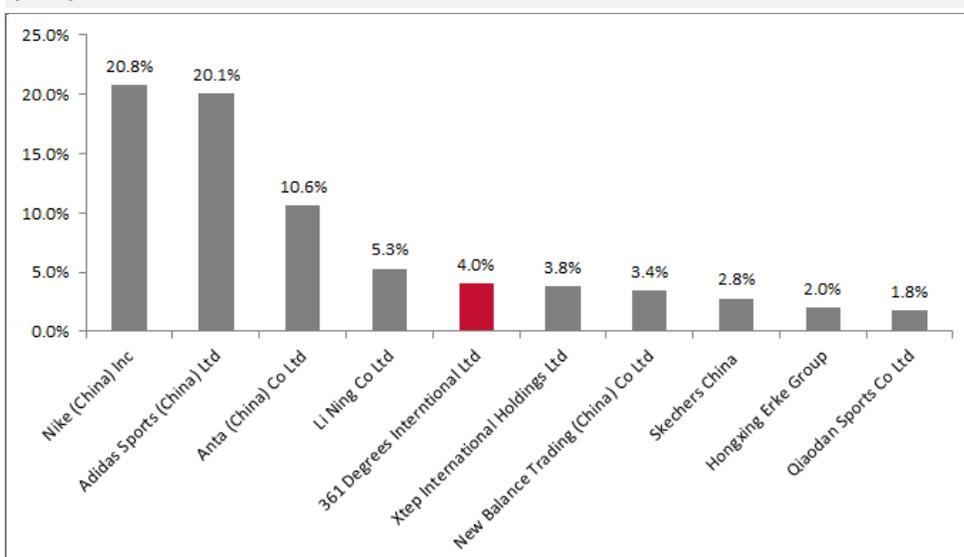
Source: Company, OP Research

2nd Runner-up with steady growth, high yield and attractive valuation, initiate BUY

Steady revenue and GPM recovery from 2013

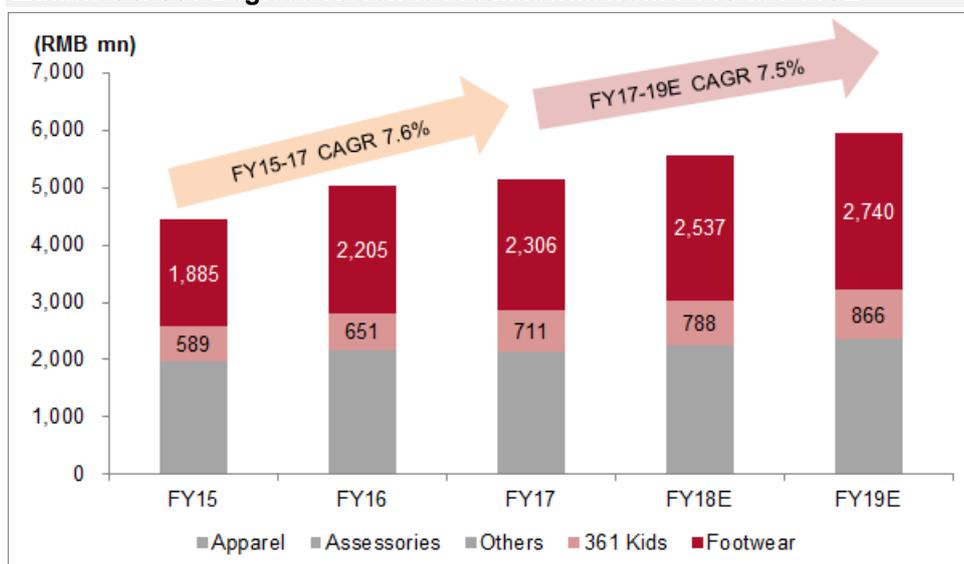
According to Euromonitor, 361 Degrees is the 2nd runner-up among domestic sportswear brands and ranks the 5th among all national brand owners in China in terms of 2017 retail value, taking up 4.0% market share. 361 Degrees has been steadily recovering from the industrial-wide over-expansion since 2013 in terms of both revenue and GPM. We expect its revenue to reach RMB5,569mn/RMB5,958mn in FY18/19E at CAGR of 7.5% thanks to improving outlook of footwear and kids products.

Exhibit 32: 2017 China sportswear market share Top 10 national brand owner



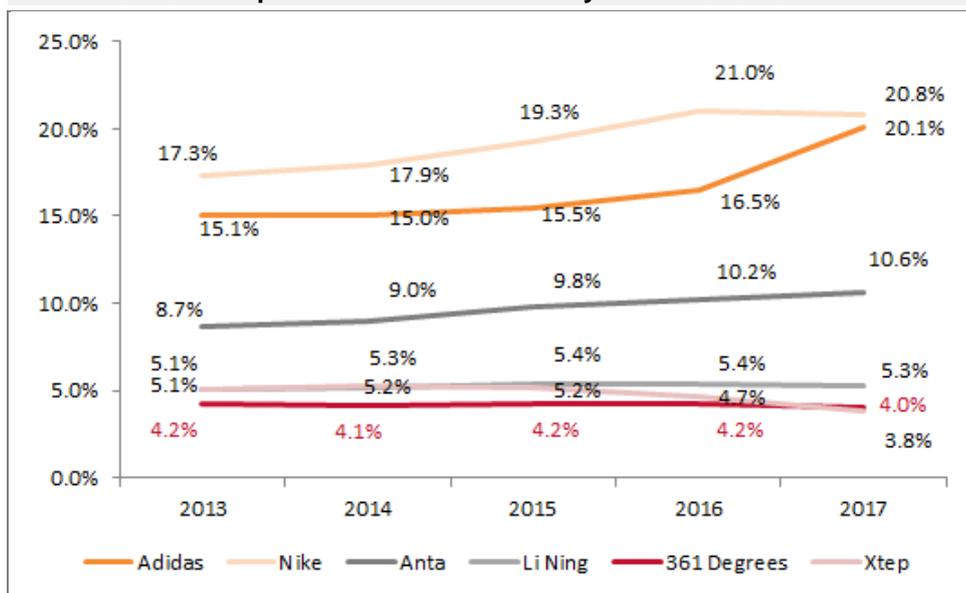
Source: Euromonitor, OP Research

Exhibit 33: 361 Degrees Revenue breakdowns from FY15 to FY19E



Source: Company, OP Research

Exhibit 34: China sportswear market share by brand 2013-2017

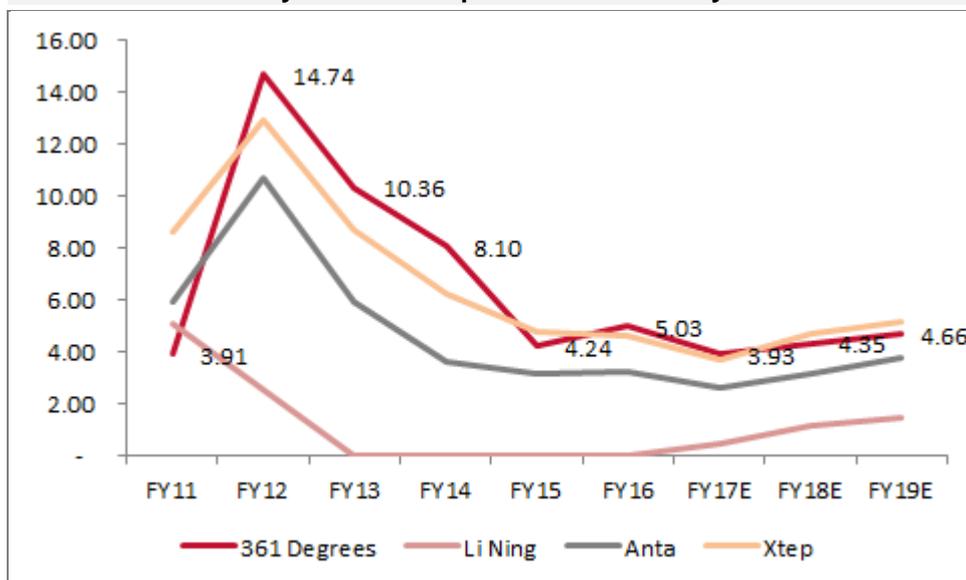


Source: Euromonitor, OP Research

High dividend yield and rich cash

Compared to its domestic peers, 361 Degrees has kept a decent dividend yield. Its payout ratio has been steadily above 40% in recent 4 financial years. We expect similar payout ratio for FY18/19E and 4.3% forward dividend yield.

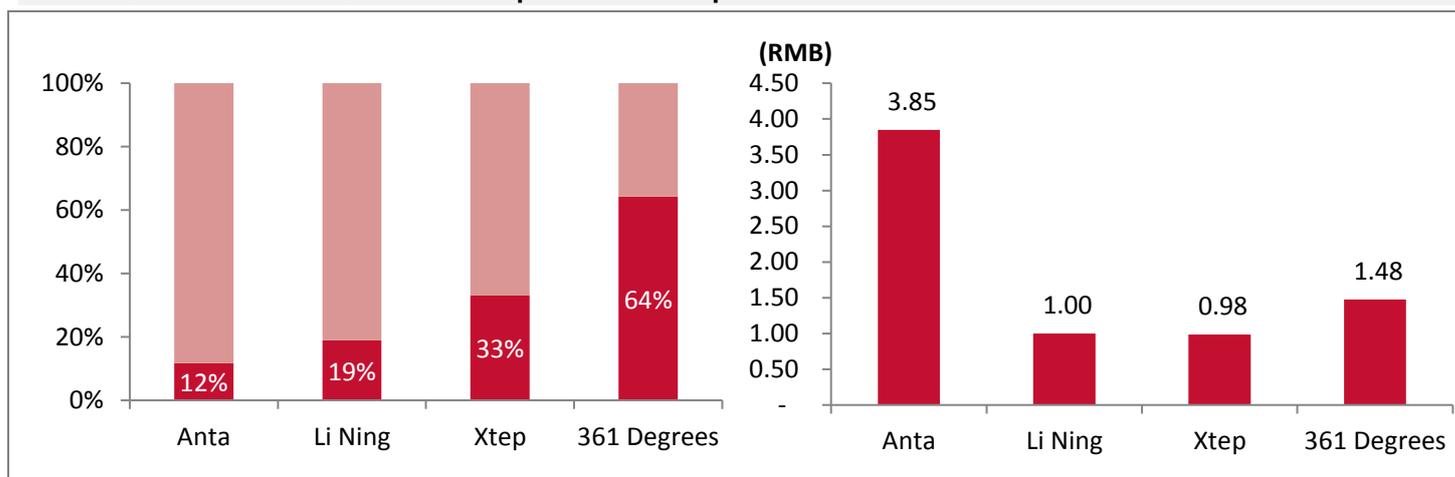
Exhibit 35: Dividend yield rate comparison as of fiscal year end



Source: Bloomberg, OP Research

In addition, 361 Degrees has higher net cash compared to its domestic peers. By FY17 year-end, 361 degrees held RMB3.48bn net cash, or RMB1.7 net cash per share, which took up over 60% of its market capitalization.

Exhibit 36: Net cash as % of market cap and net cash per share as of 1H17



Source: Company, Anta, Xtep, Li Ning, OP Research

2H17 results miss due to delay of revenue recognition

361 Degrees released its FY17 results with revenue up 2.7% yoy to RMB5,158.2mn and net profit up 13.4% to RMB456.71mn, miss consensus by 7.8%/21.0% respectively, mainly due to weaker than expected 2nd half-year results. The management attributes the muted revenue growth in 2H17 to (1) the delayed dispatch of winter products from Dec 17 to Jan & Feb 18, the value of which is around RMB400mn and we expect it will be booked into 1H18E results. If adding back this item, FY17 topline was up ~10%, parallel to 2017 order book value growth (+HSD) and (2) 32% HoH increase in selling expenses mainly due to higher advertising and promotion (A&P). GPM was 41.8% and the management guides the GPM will be stable at 41% to 42% range for FY18E. Management also guides at least high single digit for FY18E sales growth, we see the guidance is conservative given recent trade fair results.

Exhibit 37: 2H17 results summary

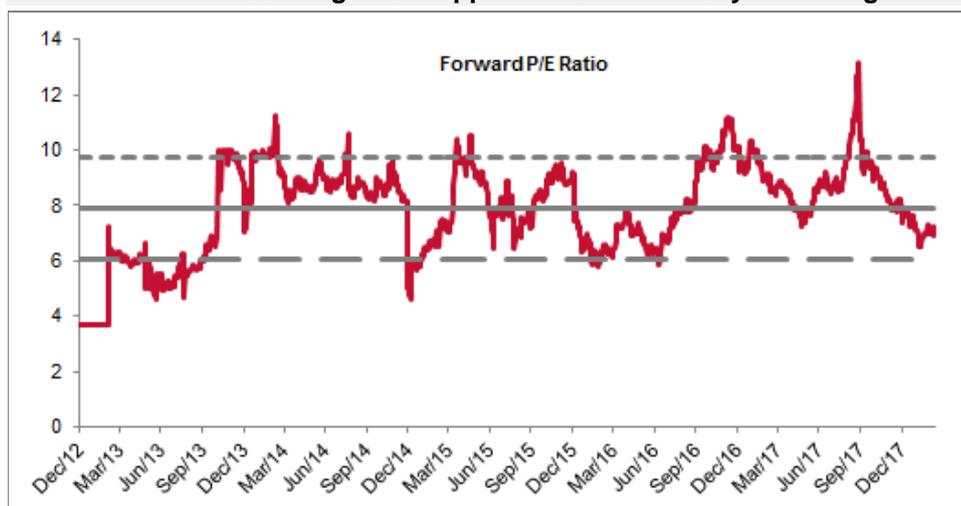
(RMB mn)	1H16	2H16	1H17	2H17	YoY (%)	HoH (%)
Revenue	2,556	2,467	2,798	2,360	-4.34%	-15.66%
COGS	(1,497)	(1,416)	(1,614)	(1,388)	-2.01%	-14.02%
Gross profit	1,059	1,051	1,184	972	-7.48%	-17.89%
Other income & gains	13	14	40	100	620.30%	150.47%
Selling exp	(309)	(297)	(309)	(409)	37.68%	32.29%
Admin exp	(220)	(250)	(244)	(258)	3.55%	5.76%
Other opex	(72)	(115)	(82)	(91)	-20.85%	10.69%
Operating profit (EBIT)	470	403	588	314	-22.14%	-46.64%
Provisions or other items	(1)	(54)	0	0	-100.00%	n.a.
Interest income	36	40	41	45	11.24%	9.04%
Finance costs	(78)	(109)	(108.3)	(105.5)	-3.08%	-2.62%
Profit after financing costs	427	280	521	253	-9.69%	-51.42%
Associated cos	0	0	(0)	0	n.a.	-200.00%
Jointly controlled cos	0	0	0	0	n.a.	n.a.
Pre-tax profit	427	280	521	253	-9.65%	-51.38%
Tax	(150)	(137)	(202)	(105)	-23.32%	-47.95%
Minority interests	(4)	(14)	0.94	(11.51)	-16.23%	-1319.60%
Net profit	273	130	320	137	5.50%	-57.29%

Source: Company, OP Research

Deep discount to peers creates chance for entry and attractive investment opportunities

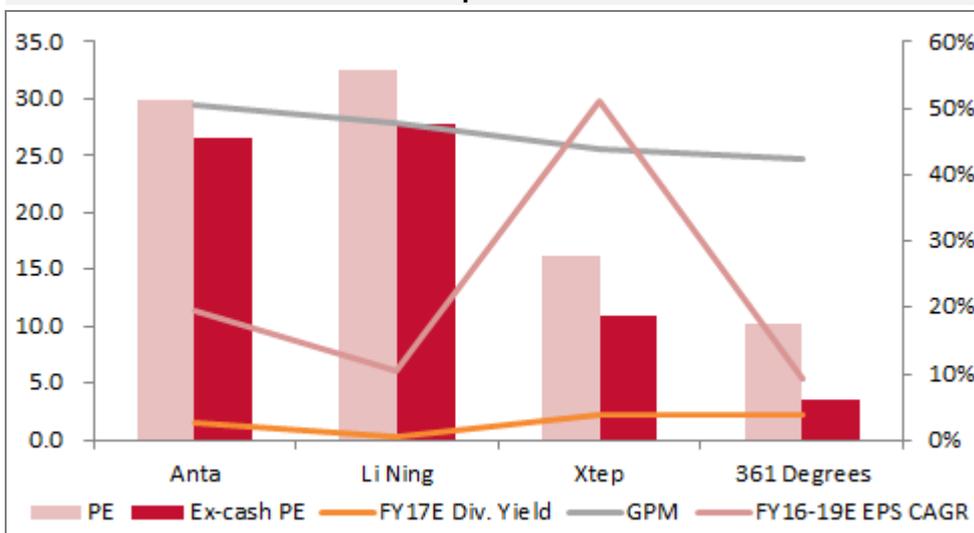
We believe 361 Degrees is under-valued by the market due to (1) over-reaction to the major shareholder sell down in Sept 2017. 361 Degree currently trades at 1 SD below its 5-year average PE band, representing 50% discount to peers. Given 361 Degrees' high net cash level, its ex-cash PE is around 3.95 with 4.3% yield.

Exhibit 38: PE for 361 Degrees dropped to 1SD below 5-year average



Source: Bloomberg, OP Research

Exhibit 39: PE and ex-cash PE comparison



*Cash balance using that of FY17 interim.

Source: Bloomberg, Company, OP Research

Initiate BUY with TP HK\$4.50 based on 15x FY18E PE

We initiate our BUY rating with Target Price HK\$4.50, representing 15x FY18E PE and a potential upside of 65% given (1) 2nd runner-up market ranking among domestic sportswear players (2) FY17-19E topline CAGR of 7.5% and bottom – line CAGR of 9.5% driven by kids segment and footwear products (3) high dividend yield at 4.3% and (4) deep discount to peers.

Investment risks

Slower growth of China economy and disposable income per capita. Consumer expenditures are highly dependent on the macro economic environment. 361 Degrees along with the sportswear industry may suffer if China economy and disposable income per capita growth decelerate faster than expected. However, we believe in 2018 China will see moderate economic growth at 6.5~6.7% driven by strong consumption growth of 8.1~8.3%.

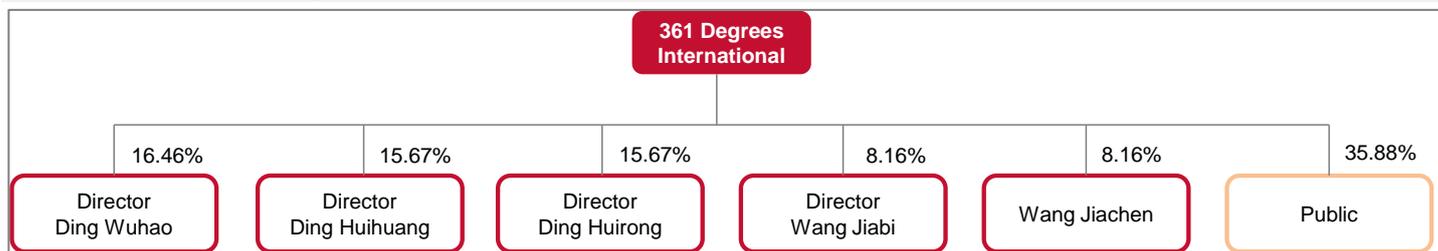
Less upbeat retail end demand. The retail end demand may be weaker than expected due to external factors such as adverse weather as well as internal factors such as poor storefront management and non-attractive product design. However, we see 361 Degrees has already laid more emphasis on improving retail efficiency and product functions. We believe its omni-channel inventory management will also enhance its resilience to adverse external factors.

Higher than expected labor costs and material costs. The production of sportswear is labor-intensive and relies heavily on materials such as rubber, textiles and crude oil products. In FY17 raw material/direct labor took up 24.4%/5.9% of its internal-production costs respectively. Adverse change in labor and material costs can harm the margin. Although sportswear manufacturers have limited bargaining power to its upstream suppliers, we see the potential for 361 Degrees to transfer its manufacturing base in more rural areas of China and to adopt cheaper OEM in SEA.

GPM deterioration for 361 Kids due to keen competition. As the children's wear market is highly competitive in China, there can be a trade-off of GPM and market share. However, purchase decisions for kids' products are not price-orientated but quality-orientated. We believe 361 Kids can defend its GPM with careful execution of quality control.

Appendix I – Shareholding structure

Exhibit 40: Shareholding structure



Source: Company, OP Research

Appendix II – Management profiles

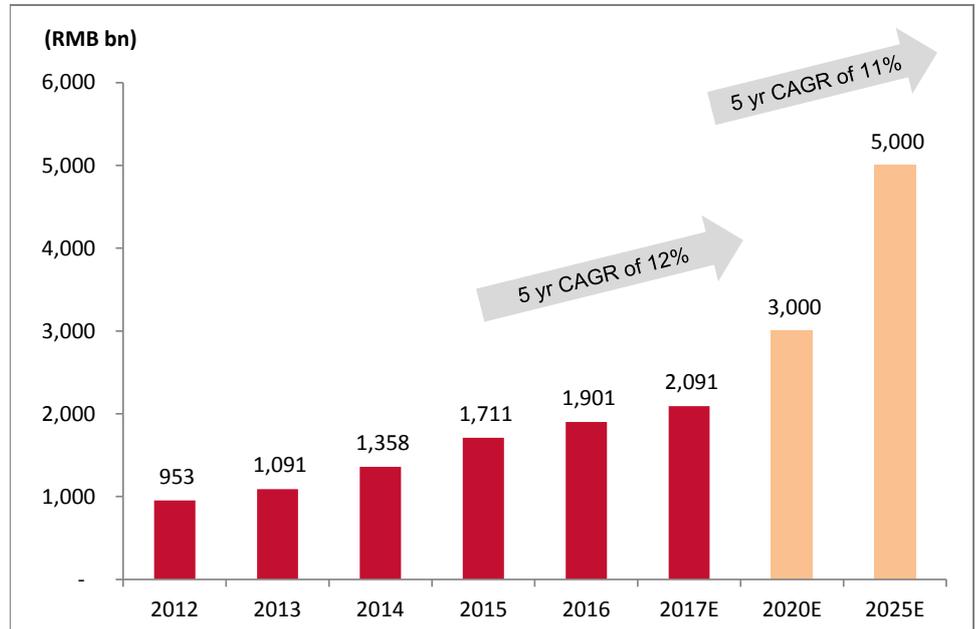
Exhibit 41: Director and senior management profiles

Name	Age	Position	Description
Mr. Ding Wuhao	50	Executive Director	Over 15 years of experience in the PRC sportswear industry. Primarily responsible for the Group's overall strategies, planning and business development.
Mr. Ding Huihuang	50	Chairman and Executive Director	Over 15 years of experience in the PRC sportswear industry. Primarily responsible for overall strategies, operation planning and footwear production.
Mr. Ding Huirong	44	Executive Director	Over 15 years of experience in financial management. Primarily responsible for financial management and infrastructure construction management of the Company.
Mr. Wang Jiabi	58	Executive Director	Over 15 years of experience in the PRC sportswear industry. Primarily responsible for the human resources and external public relationship.
Mr. Tsui Yung Kwok	47	INED	Over 20 years of experience in accounting and finance Member of Chartered Accountants Australia and New Zealand, CPA Australia, the Hong Kong Institute of Chartered Secretaries and CPA of the HKICPA
Dr. Liao Jianwen	48	INED	Over 20 years' cross disciplinary research in strategy, innovation and entrepreneurship, and in particular the interactions between new economy and traditional economy
Mr. Li Yuen Fai Roger	55	INED	Over 30 years' experience in corporate finance, accounting, auditing, corporate administration and business development.
Mr. Lu Ning	48	Executive VP of the Group	Joined the Group in March 2013. Over 20 years experiences in managing international renowned sportswear brands.
Mr. Lin Bing Huang	58	GM of International Business Department	Joined the Group in August 2013 Over 30 years experiences in managing international renowned sportswear brands.
Ms. Choi Mun Duen	47	CFO	Joined the Group in October 2008 Over 20 years of experience in auditing, finance and accounting. CPA of the HKICPA and a fellow member of the ACCA.
Ms. Zhan Xiao Xiao	34	VP – Investor Relations	Joined the Group in October 2015. Over 10 years of experience in corporate finance, investor relations, corporate governance and management from her previous positions in investment banking, communication advisory and Hong Kong Listed Company.
Mr. Chen Jian Ci	45	VP – Supply Chain Management Center	Joined the Group in December 2011. Over 15 years of experience in information system related works and has worked in world renowned enterprises.
Mr. James Edward Monahan	51	VP of one of the wholly-owned subsidiaries	Joined the Group in May 2014. 25 years of experience in the sporting goods industry with a leading international sports brand, including global roles in both product creation and marketing. Bachelor's degree in education from Montclair State University in the United States.
Mr. Jurian Elstgeest	45	MD of one of the wholly-owned subsidiaries	Joined the Group in June 2016. Over 20 years of experience in sporting goods retail and with sports brands, managing retail buying, sales, product, brand and business expansion. Bachelor in Fashion Management at the Hogeschool in Amsterdam.

Source: Company.

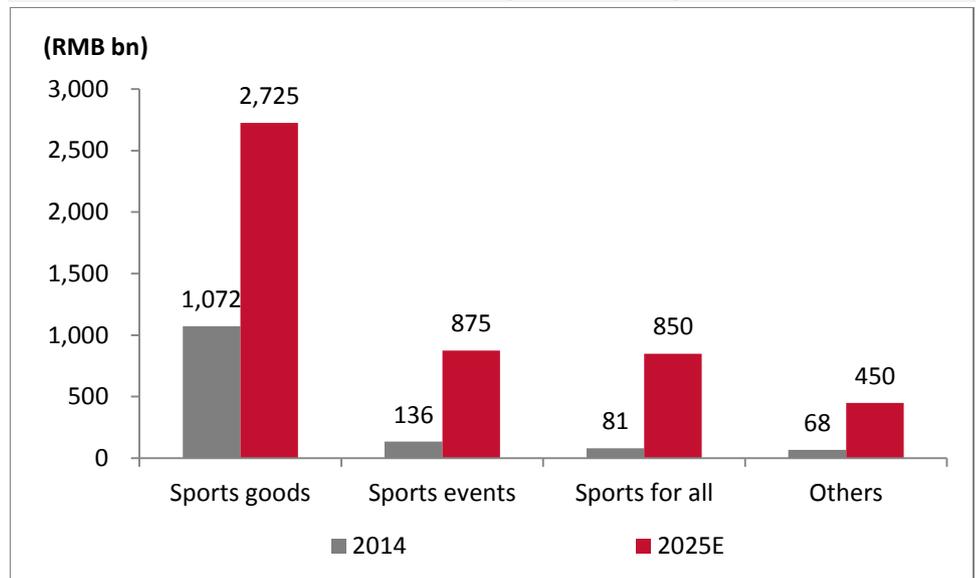
Appendix III – Industry background

Exhibit 42: Total market size of China sports industry



Source: General Administration of Sport of China, OP Research

Exhibit 43: Market structure of China sports industry



Source: 36Kr, General Administration of Sport of China, OP Research

Exhibit 44: Policies on developing sports industry from 2014 to 2017

Date	Authority	Document	Key points
Oct-14	State Council	Opinions on Accelerating the Development of Sports Industry and Promoting Sports Consumption ("the 46th Guidance")	By 2025, the value of the overall scale of the sports industry is expected to reach RMB5trn (about US\$800bn), the average sports venue area per person will reach 2 square meters, the number of people who regularly participate in sports activities will reach 500 mn, and the coverage of new neighborhoods with sports facilities will reach 100%.
Mar-15	Chinese Football Association	The Overall Reform Plan to Boost the Development of Soccer in China	More revenues from sports lottery will be invested in the development of football in the future. The total number of elementary and middle schools featuring soccer will increase from the current figure of ~5,000 to 20,000 in 2020 and 50,000 in 2025.
May-16	General Administration of Sport of China	the 13th Five-year Plan for the Development of Sports Industry	<ol style="list-style-type: none"> 1. The total market size of sports industry will exceed RMB3trn and 6mn+ people involved in the industry. Industrial added value accounts for 10% in GDP. 2. Further improved industry system with. Collaborative and integrated development of various categories of sports industries; Sufficient sports products and service supply. Added value of sports service industry will take up over 30%. 3. Expanded major market participants. 50 national sports industrial demonstration bases, 100 national sports industrial demonstration units and 100 national sports industrial demonstration projects will be built. 4. Further strengthened industrial bases. Sports consumption amount will account for more than 2.5% of residents' disposable income per capita. 5. 8 industries are put into priority, including competition performance, leisure fitness, stadium service, sports intermediary, sports training, sports media, sports goods and sports lotteries.
Oct-16	State Council	Healthy China 2030 Plan	Target consumption in sport industry reach RMB 1.5 trn by 2020 Promote public fitness programs, and boost the popularity of community sports. We will move ahead with the plan for the long- and medium-term development of soccer in China as well as the plan for the construction of soccer fields and facilities.
Oct-16	State Council	Opinions on the Acceleration of Fitness and Leisure Industry Development	The overall market size of Fitness and Leisure industry to reach RMB3trn by 2050.
Jul-17	National Development and Reform Commission	Support the society in Organizing Large-scale Mass Sports Events, such as Marathon and Cycling Events	Target to have over 5mn participants in marathon events by the end of 2017, generating related consumption over RMB20bn. Consumption driven by cycling events to reach RMB20bn.

Source: OP Research

Financial Summary

Year to Dec	FY16	FY17	FY18E	FY19E	FY20E	Year to Dec	FY16	FY17	FY18E	FY19E	FY20E
Income Statement (RMB mn)						Ratios					
Footwear	2,205	2,306	2,537	2,740	2,904	Gross margin (%)	42.0	41.8	41.4	41.5	41.5
Apparel	1,966	1,988	2,087	2,191	2,301	Operating margin (%)	17.4	17.5	17.5	17.3	17.1
Accessories	95	78	82	86	90	Net margin (%)	8.0	8.9	9.2	9.2	9.2
361 Kids	651	711	788	866	946	Selling & dist'n exp/Sales (%)	12.1	13.9	12.7	12.5	12.4
Others	105	75	75	75	75	Admin exp/Sales (%)	9.3	9.7	9.5	9.7	10.0
Turnover	5,023	5,158	5,569	5,958	6,317	R&D/Rev (%)	3.7	3.4	3.5	3.5	3.5
YoY%	13	3	8	7	6	A&P/Rev (%)	11.4	9.8	10.0	10.0	10.0
COGS	(2,913)	(3,002)	(3,262)	(3,488)	(3,697)	Staff cost/Rev (%)	8.7	9.0	9.0	9.6	10.2
Gross profit	2,110	2,156	2,308	2,470	2,620	Payout ratio (%)	45.2	40.0	40.0	40.0	40.0
Gross margin	42.0%	41.8%	41.4%	41.5%	41.5%	Effective tax (%)	40.5	39.6	39.6	39.6	39.6
Other income	27	140	94	94	94	Total debt/equity (%)	52.9	45.2	42.8	40.6	38.4
Selling & distribution	(607)	(719)	(706)	(744)	(780)	Net cash	Net cash	Net cash	Net cash	Net cash	Net cash
Admin	(469)	(503)	(527)	(578)	(633)	Current ratio (x)	3.9	3.6	3.6	3.6	3.6
R&D	(187)	(173)	(195)	(209)	(221)	Quick ratio (x)	3.6	3.3	3.3	3.3	3.3
Other opex	0	0	0	0	0	Inventory T/O (days)	68	99	99	99	99
Total opex	(1,263)	(1,395)	(1,427)	(1,531)	(1,635)	AR T/O (days)	161	152	152	152	152
Operating profit (EBIT)	873	902	974	1,033	1,080	AP T/O (days)	242	275	275	275	275
Operating margin	17.4%	17.5%	17.5%	17.3%	17.1%	Cash conversion cycle (days)	(12)	(24)	(24)	(24)	(24)
Provisions	(55)	0	0	0	0	Asset turnover (x)	0.5	0.5	0.5	0.5	0.5
Interest Income	76	86	90	93	98	Financial leverage (x)	1.8	2.0	1.9	1.9	1.9
Finance costs	(187)	(214)	(206)	(206)	(206)	EBIT margin (%)	17.4	17.5	17.5	17.3	17.1
Profit after financing costs	707	774	858	920	971	Interest burden (x)	0.8	0.9	0.9	0.9	0.9
Associated companies & JVs	0	0	0	0	0	Tax burden (x)	0.6	0.6	0.6	0.6	0.6
Pre-tax profit	707	774	858	920	971	Return on equity (%)	7.6	8.3	8.7	8.9	8.9
Tax	(287)	(307)	(340)	(364)	(385)	ROIC (%)	18.3	20.6	22.6	23.0	23.7
Minority interests	(18)	(11)	(7)	(8)	(8)						
Net profit	403	457	511	548	579	Year to Dec	FY16	FY17	FY18E	FY19E	FY20E
YoY%	(22)	13	12	7	6	Balance Sheet (RMB mn)					
Net margin	8.0%	8.9%	9.2%	9.2%	9.2%	Fixed assets	1,208	1,123	1,075	1,029	982
EBITDA	983	1,023	1,070	1,131	1,181	Intangible assets & goodwill	117	114	113	113	112
EBITDA margin	19.6%	19.8%	19.2%	19.0%	18.7%	Associated companies & JVs	7	7	7	7	7
EPS (RMB)	0.195	0.221	0.247	0.265	0.280	Long-term investments	102	96	96	96	96
YoY%	(22)	9	12	7	6	Other non-current assets	23	53	53	53	53
DPS (HK\$)	0.110	0.106	0.119	0.127	0.134	Non-current assets	1,456	1,393	1,345	1,297	1,250
						Inventories	541	814	884	946	1,002
Year to Dec	FY16	FY17	FY18E	FY19E	FY20E	AR	2,221	2,150	2,321	2,483	2,633
Cash Flow (RMB mn)						Prepayments & deposits	668	728	786	840	891
EBITDA	983	1,023	1,070	1,131	1,181	Other current assets	2,723	3,941	3,941	3,941	3,941
Chg in working cap	321	89	(104)	(108)	(99)	Cash	2,882	2,116	2,254	2,560	2,888
Others	23	(69)	0	0	0	Current assets	9,034	9,748	10,186	10,770	11,354
Operating cash	1,327	1,042	966	1,023	1,082	AP	1,928	2,264	2,460	2,630	2,787
Interest received	0	0	0	0	0	Tax	339	468	340	364	385
Tax	(196)	(210)	(468)	(340)	(364)	Accruals & other payables	0	0	0	0	0
Net cash from operations	1,132	832	498	683	717	Bank loans & leases	76	13	13	13	13
Capex	(148)	(44)	(47)	(50)	(53)	CB & othe debts	0	0	0	0	0
Investments	(1,101)	(1,218)	0	0	0	Other current liabilities	0	0	0	0	0
Dividends received	0	0	0	0	0	Current liabilities	2,343	2,744	2,812	3,007	3,185
Sales of assets	0	0	0	0	0	Bank loans & leases	2,727	2,565	2,565	2,565	2,565
Interests paid	70	85	90	93	98	CB & othe debts	0	0	0	0	0
Others	29	0	0	0	0	Deferred tax & others	2	0	0	0	0
Investing cash	(1,149)	(1,177)	43	43	44	MI	114	125	132	140	148
FCF	(17)	(346)	541	726	762	Non-current liabilities	2,843	2,691	2,698	2,705	2,713
Issue of shares	2,596	0	0	0	0	Total net assets	5,303	5,706	6,021	6,354	6,706
Buy-back	(1,550)	0	0	0	0	Shareholder's equity	5,303	5,706	6,021	6,354	6,706
Minority interests	12	0	0	0	0	Share capital	182	182	182	182	182
Dividends paid	(316)	(147)	(197)	(214)	(227)	Reserves	5,121	5,524	5,838	6,172	6,523
Net change in bank loans	60	(62)	0	0	0	BVPS (HK\$)	3.21	3.31	3.49	3.69	3.89
Others	(198)	(202)	(206)	(206)	(206)	Total debts	2,803	2,578	2,578	2,578	2,578
Financing cash	604	(411)	(403)	(420)	(434)	Net cash/(debts)	2,801	3,479	3,616	3,922	4,250
Net change in cash	587	(757)	137	306	328						
Exchange rate or other Adj	8	(9)	0	0	0						
Opening cash	2,286	2,882	2,116	2,254	2,560						
Closing cash	2,882	2,116	2,254	2,560	2,888						
CFPS (HK\$)	0.684	0.483	0.289	0.397	0.416						

Source: Company, OP Research

Exhibit 45: Peer Group Comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth	PER		EPS		3-Yr EPS Cagr (%)	Div yld PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B		EV/		Net gearing	Gross margin Hist (%)	Net margin Hist (%)	ROE Hist (%)	ROE FY1 (%)	Sh px		
				avg t/o	PER Hist	FY1	FY2	FY1					FY2	(x)	(x)	(x)						(x)	(x)	(x)
361 Degrees	1361 HK	2.73	720	0.9	10.3	9.2	8.6	12.2	7.3	6.1	1.50	3.9	4.3	0.83	0.78	2.1	1.9	Net cash	41.8	8.9	8.3	8.7	1.5	3.8
HSI		31,601.45			13.9	12.4	11.2	12.4	10.9	11.9	1.04	3.2	3.3	1.51	1.35					10.8	10.8	5.9	8.1	
HSCEI		12,746.78			10.4	8.4	7.6	23.8	11.2	19.4	0.44	3.3	3.7	1.20	1.00					11.5	11.9	6.2	10.7	
CSI300		4,091.25			16.8	13.6	11.8	23.5	15.6			1.8	2.2	2.1	1.8					12.3	13.1	4.0	1.0	
Domestic Peers																								
Adjusted sector avg*					18.3	24.7	17.1	(10.4)	29.7	7.3	3.7	2.3	1.6	3.8	2.9	14.2	10.6	2.4	47.1	10.2	16.4	9.8	4.5	18.6
Xtep Intl	1368 HK	3.59	1,017	1.1	12.1	15.7	12.0	(23.0)	31.0	3.9	4.0	4.0	3.6	1.2	1.3	4.4	5.2	0.0	43.2	9.8	9.0	8.1	(0.3)	26.0
Anta Sports Prod	2020 HK	41.85	14,330	21.4	28.9	24.4	20.2	18.2	20.9	19.3	1.3	2.0	3.0	6.6	5.9	19.4	15.9	0.0	49.4	18.5	26.6	25.8	12.7	24.4
Li Ning Co Ltd	2331 HK	8.26	2,296	7.8	23.0	31.5	22.1	(27.0)	42.5	9.9	3.2	N/A	0.4	3.0	3.3	17.7	13.5	0.0	46.2	8.0	17.9	11.7	31.1	36.5
Pou Sheng Intl	3813 HK	2.00	1,362	3.9	15.1	22.1	15.1	(31.9)	46.6	4.7	4.7	1.0	0.4	N/A	1.4	8.8	9.5	14.6	35.5	3.5	N/A	6.6	1.5	80.2
China Dongxiang	3818 HK	1.52	1,100	1.1	7.8	7.8	9.0	(0.6)	(12.7)	(3.9)	N/A	21.2	20.8	0.7	0.7	5.9	8.6	0.0	56.9	58.0	9.4	9.6	2.0	2.7
Annil Co Ltd-A	002875 CH	24.16	388	4.4	23.0	29.7	24.3	(22.6)	22.1	5.0	6.0	N/A	N/A	5.0	N/A	N/A	N/A	0.0	58.7	8.7	24.3	12.8	9.0	(11.2)
Guirenniao Co-A	603555 CH	22.67	2,252	10.6	47.6	41.8	36.3	13.7	15.1	12.6	3.3	2.0	0.6	6.0	4.9	28.9	24.7	52.6	39.9	13.0	11.3	9.7	2.3	33.2
Global Peers																								
Adjusted sector avg*					34.1	28.7	23.9	2.3	19.9	11.1	3.2	0.8	0.6	5.0	3.9	18.8	17.6	6.0	47.3	6.6	15.7	14.4	3.9	8.1
Nike Inc -Cl B	NKE US	66.82	108,712	554.0	26.1	29.0	24.9	(10.1)	16.7	6.6	4.40	1.1	1.2	9.23	9.64	19.6	20.2	0.0	44.6	12.3	32.1	30.9	1.4	3.9
Under Armour-A	UAA US	17.18	7,132	113.5	N/A	94.4	58.6	N/A	61.0	(256.7)	N/A	N/A	0.0	3.76	3.55	38.4	22.7	29.9	45.0	(1.0)	(2.4)	4.4	2.9	26.1
Lululemon Ath	LULU US	80.33	10,875	129.0	36.3	31.7	26.5	14.8	19.6	15.6	2.03	N/A	0.0	7.65	6.85	20.1	17.3	0.0	51.2	12.9	20.9	22.3	4.0	8.3
Adidas Ag	ADS GR	172.55	44,504	126.9	34.0	25.6	21.8	32.6	17.3	22.7	1.13	1.2	1.4	5.41	4.94	19.1	14.7	0.0	48.6	5.3	17.9	18.9	(2.3)	2.7
Puma Se	PUM GR	362.50	6,740	4.7	39.9	28.3	22.5	40.7	26.0	28.5	1.00	0.2	0.6	3.33	3.11	16.5	13.1	0.0	47.3	3.3	8.2	11.8	13.5	(0.8)

* Outliners and "N/A" entries are excl. from the calculation of averages

Source: Bloomberg, OP Research

Exhibit 46: Trade Fair, Same Store Sales Growth (SSSG), and retail sales yoy growth comparison among domestic peers

Trade Fair	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18			
Anta	5-15% drop	+ HSD	+ HSD	+ HSD	Low-te ens	+	+	+	+	+	+	+	+	+ MSD	+ MSD	+ LSD	+ HSD	n.a.	n.a.	n.a.	n.a.			
Li Ning	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+	+	+	+	+	+ HSD	+ HSD	+ HSD	+ LSD	+ MSD	+ HSD					
Xtep	15-17 % drop	- HSD	- MSD	- LSD	Flat	+ LSD	+ LSD	+ LSD	+ LSD	10%	10%	+ HSD	+ HSD	~10%										
361 Degrees	-17%	-11%	-11%	-7%	8%	11%	11%	16%	18%	15%	15%	+ HSD	+ HSD	+ HSD	+ HSD	+ HSD	+ HSD	+ Low teens						
SSSG	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Anta	Flat	Flat	Flat	+ MSD	+ HSD	+	+ HSD	+ MSD	Slower than 4Q15	Faster than 1Q16	Faster than 2Q16	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.					
Li Ning	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	+ MSD	+	+	+ LSD	+ LSD	+ HSD	+ HSD	+	+	+	+	+	+	+	n.a.	
Xtep	Flat	Flat	Flat	Flat	+ LSD	+ MSD	+ MSD	+ MSD	+ MSD	+ HSD	+ HSD	+ MSD	+ MSD	+ MSD	+ MSD	+ MSD	+ MSD	+ LSD	+ MSD				n.a.	
361 Degrees	-2%	-1%	Flat	2%	1.8%	2.8%	4.7%	5.5%	6.3%	7.2%	8.4%	7.9%	7.2%	7.0%	7.3%	7.5%	7.0%	+ HSD	+ HSD				n.a.	
Retail Sales	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18
Anta													+ MSD	+ HSD	+ Low teens	+ High teens	+ Low teens	20~30 %	+ Mid teens	25~30 %				
Li Ning																	+ HSD	+ Low teens						
Xtep																								
361 Degrees																		+ HSD	+ HSD	+ HSD				

Source: Company Data, OP Research

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
23/02/2018	Sunny Optical	2382	FY17E net profits beat expectations	BUY	Yuji Fung/Dallas Cai
22/02/2018	Taste Gourmet	8371	Value for money in multi-brand play	Not Rated	Yuji Fung/Dallas Cai
09/02/2018	CWT International	521	New name, new era from New Year	BUY	Yuji Fung
06/02/2018	China Innovationpay	8083	Reborn as leading cloud-based e-commerce solution provider	BUY	Yuji Fung/Dallas Cai
11/01/2018	Q Tech	1478	December shipments on track	BUY	Yuji Fung
04/01/2018	China Innovationpay	8083	An undervalued unicorn	Not Rated	Yuji Fung
12/12/2017	Q Tech	1478	Muted shipments growth for FY17E	BUY	Yuji Fung
07/12/2017	Chinasoft Intl	354	Cloud business to instigate 2018 growth	BUY	Yuji Fung
23/11/2017	SinosoftTech	1297	Secured bids give preview for 2018	BUY	YujiFung
23/11/2017	Tongda	698	Waterproof component to drive 2018 growth	BUY	YujiFung
23/11/2017	TCLMultimedia	1070	3Q17 results trump expectations	BUY	YujiFung
06/11/2017	Youyuan International	2268	Consolidating the results of Xin Wing	BUY	Bruce Yeung
16/10/2017	Sunny Optical	2382	Sept shipment on track	BUY	Yuji Fung
16/10/2017	Q Tech	1478	The best is yet to be	BUY	Yuji Fung
13/10/2017	HNA Holding	521	Mega transformation	BUY	Bruce Yeung
22/09/2017	HNA Infrastructure	357	Blooming orchid	BUY	Bruce Yeung
28/08/2017	Chinasoft Intl	354	1H17 results in line with our expectations	BUY	Yuji Fung
28/08/2017	Tongda	698	1H17 miss on one-off items	BUY	Yuji Fung
18/08/2017	Kingdee Intl	268	1H17 results up to expectations	BUY	Yuji Fung
18/08/2017	Ju Teng Intl	3336	1H17 results come up short	BUY	Yuji Fung
18/08/2017	Sunny Optical	2382	1H17 results solid surge on margin	BUY	Yuji Fung
14/08/2017	Q Tech	1478	1H17 up on GPM and ASP	BUY	Yuji Fung
09/08/2017	TCL Multimedia	1070	1H17 results in line	BUY	Yuji Fung
08/08/2017	CH Display OPT	334	1H17 Results beat expectations	BUY	Yuji Fung
07/08/2017	Dynagreen Environmental	1330	Tongzhou Phase Two off launch-pad	BUY	Bruce Yeung
27/07/2017	China Securities Sector	-	Preliminary 1H17 results	BUY	Bruce Yeung/Daisy Wang
20/07/2017	Canvest	1381	Fast and Fabulous	BUY	Bruce Yeung/Daisy Wang

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