

Anta Sports (2020 HK)

A more cautious but relatively better outlook

Maintain BUY but cut our TP to HK\$ 113.30, based on 25x FY23E P/E (unchanged). We are now more cautious about 4Q22E and FY23E but we stay relatively positive for Anta over Li Ning. Current valuation of 18x FY23E P/E is not too demanding, vs 5-year average of 21x and int'l peers' average of 18x.

- We cut our 2H22E and FY23E estimates despite unchanged guidance for 2H22E (but management did provide a more cautious view).** Even though the targets for 2H22E are still valid (~10%/ 10%+ retail sales growth for Anta/ FILA) since the performance during double 11 festival is still highly critical, both management and we have turned much more cautious about outlook in 2H22E and even FY23E, because of: 1) a fairly weak consumer demand, tough social distancing measures and lack of traffic during 10-1 golden week, 2) a rather likely promotional environment in 4Q22E (many foreign and domestic brands are aiming to de-stock their inventory), 3) potentially less operating leverage as offline sales recovery continued to be slower than expected. Also, margin improvement in 2H22E vs 1H22 is still valid (thanks to more costs control) but the magnitude may be less.
- Pair trade suggestion: Long Anta (2020 HK) and hedged by Li Ning (2331 HK).** Our main logic behind this trade is that Anta has a few more growth drivers onwards and valuation ratio is rather safe from the historical prospective (Anta's FY23E P/E is about 86% of Li Ning's, vs 10-year average of 81%). In our view, comparing to the fact that Li Ning (both core brand and China Li Ning) is facing slowdown in sales growth and YoY GP margin pressure, we are more comfortable with: 1) relatively low investors' expectation on Anta and FILA's growth, 2) fairly explosive profit growth from the other brands (esp. Descente and Kolon, which could account for ~9% of sales in FY22E and 3) healthy and solid growth potential from Amer sports (smooth development in China to generate growth and more than offset the currency and growth risk in the overseas market).
- Kolon is definitely the bright spot, riding on China's outdoor leisure boom.** We are fully aware of the rocketed popularity of outdoor and camping activities in China, perhaps due to the lack of overseas and cross-provincial tourism. Thanks to that, Kolon's retail sales climbed by 55%+ YoY in 3Q22, mainly driven by growth in sales per store (reached about RMB 500K per month), and hence enjoying decent margin improvements.
- Maintain BUY and cut our TP to HK\$ 113.30.** We maintain BUY and cut TP to HK\$ 113.30, based on 25x FY23E P/E (unchanged). We revise down our FY22E/ 23E/ 24E NP forecasts by 6%/ 7%/ 7%, to factor in: 1) slower Anta sales growth and 2) less operating leverage. Current valuation is not demanding at 18x FY23E P/E, vs 5-year average of 21x P/E.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	35,512	49,328	56,148	65,658	74,407
YoY growth (%)	4.7	38.9	13.8	16.9	13.3
Net income (RMB mn)	5,162	7,720	8,382	10,491	12,300
EPS (RMB)	1.86	2.77	3.01	3.76	4.41
YoY growth (%)	(3.2)	49.2	8.6	25.2	17.2
Consensus EPS (RMB)	n/a	n/a	3.07	3.88	4.69
P/E (x)	37.1	24.5	22.6	18.0	15.4
P/B (x)	7.7	6.3	5.4	4.4	3.7
Yield (%)	0.8	2.0	1.5	1.9	2.5
ROE (%)	23.4	29.2	26.6	27.8	26.9
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$113.30
(Previous TP)	HK\$122.05)
Up/Downside	+38.6%
Current Price	HK\$81.75

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	221,839
Avg 3 mths t/o (HK\$ mn)	555.04
52w High/Low (HK\$)	138.41/75.75
Total Issued Shares (mn)	2,713.6

Source: Bloomberg

Shareholding Structure

Mr. Ding Shizhong (CEO), Mr. Ding Shijia (V-Chairman), Mr. Lai Shixian (CFO) & Family	57.78%
Free Float	42.22%

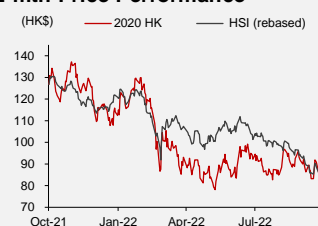
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-10.7%	1.0%
3-mth	-11.5%	8.3%
6-mth	-12.4%	13.7%
12-mth	-32.8%	2.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Anta Sports (2020 HK, BUY) – Anta/ FILA to turn around & Amer to break even – 24 Aug 2022
- Anta Sports (2020 HK, BUY) – A resilient 2Q22 and a mild inventory concern – 12 Jul 2022
- Anta Sports (2020 HK, BUY) – Factoring in a negative outlook for 2Q22E – 19 Apr 2022

- **Anta 3Q22 retail sales was in-line but at the low-end.** Anta's retail sales grew by MSD YoY in 3Q22, at the low-end of management's expectation (MSD to close to 10% in 2H22E) and below CMBI est. (totally understandable due to COVID-19 outbreaks in Sep 2022). However, the retail discounts is not as bad as we expected, at about 26% off (same as last year), while inventory to sales ratio remained slightly higher than normal, at around 5 months.
- **FILA 3Q22 retail sales was in-line but pretty decent if we also consider the pandemic.** FILA's retail sales grew by low-teens YoY in 3Q22, also at the low-end of management's expectation (low-teens to mid-teens) and in-line with CMBI est. of 13% (excellent after considering the negative impact given its higher T1 cities exposure). We believe such performance was driven by its stellar e-commerce growth (at 65%+ YoY), while its offline was certainly affected. While inventory level remained at about 7-8 months, its retail discount was also high at around 25.5% off (about 2ppt higher vs last year).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	56,148	65,658	74,407	57,306	67,912	76,937	-2.0%	-3.3%	-3.3%
Gross profit	34,807	40,903	46,386	35,477	42,258	47,910	-1.9%	-3.2%	-3.2%
EBIT	12,233	14,807	17,204	13,017	15,961	18,489	-6.0%	-7.2%	-7.0%
Net profit att.	8,382	10,491	12,300	8,918	11,301	13,209	-6.0%	-7.2%	-6.9%
Diluted EPS (RMB)	3.005	3.762	4.410	3.198	4.052	4.736	-6.0%	-7.2%	-6.9%
Gross margin	62.0%	62.3%	62.3%	61.9%	62.2%	62.3%	0.1ppt	0.1ppt	0.1ppt
EBIT margin	21.8%	22.6%	23.1%	22.7%	23.5%	24.0%	-0.9ppt	-1ppt	-0.9ppt
Net profit att. margin	14.9%	16.0%	16.5%	15.6%	16.6%	17.2%	-0.6ppt	-0.7ppt	-0.6ppt

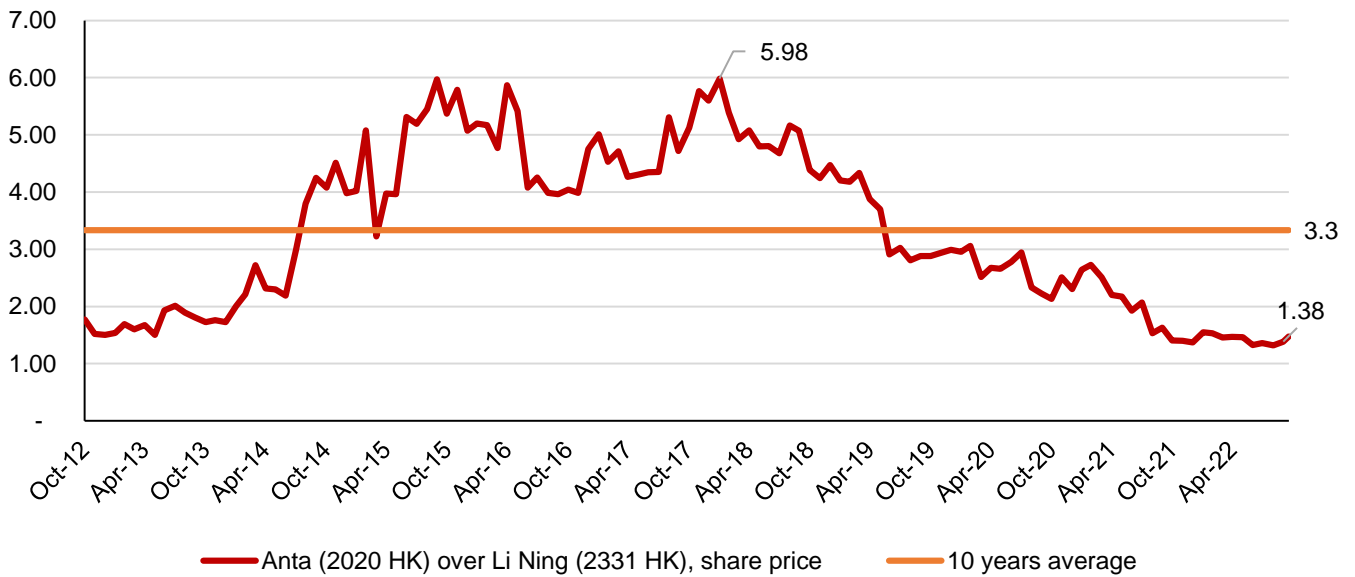
Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	56,148	65,658	74,407	56,917	67,485	79,137	-1.4%	-2.7%	-6.0%
Gross profit	34,807	40,903	46,386	34,955	41,865	49,306	-0.4%	-2.3%	-5.9%
EBIT	12,233	14,807	17,204	12,255	15,344	18,407	-0.2%	-3.5%	-6.5%
Net profit att.	8,382	10,491	12,300	8,291	10,479	12,689	1.1%	0.1%	-3.1%
Diluted EPS (RMB)	3.005	3.762	4.410	3.070	3.876	4.695	-2.1%	-3.0%	-6.1%
Gross margin	62.0%	62.3%	62.3%	61.4%	62.0%	62.3%	0.6ppt	0.3ppt	0ppt
EBIT margin	21.8%	22.6%	23.1%	21.5%	22.7%	23.3%	0.3ppt	-0.2ppt	-0.1ppt
Net profit att. margin	14.9%	16.0%	16.5%	14.6%	15.5%	16.0%	0.4ppt	0.4ppt	0.5ppt

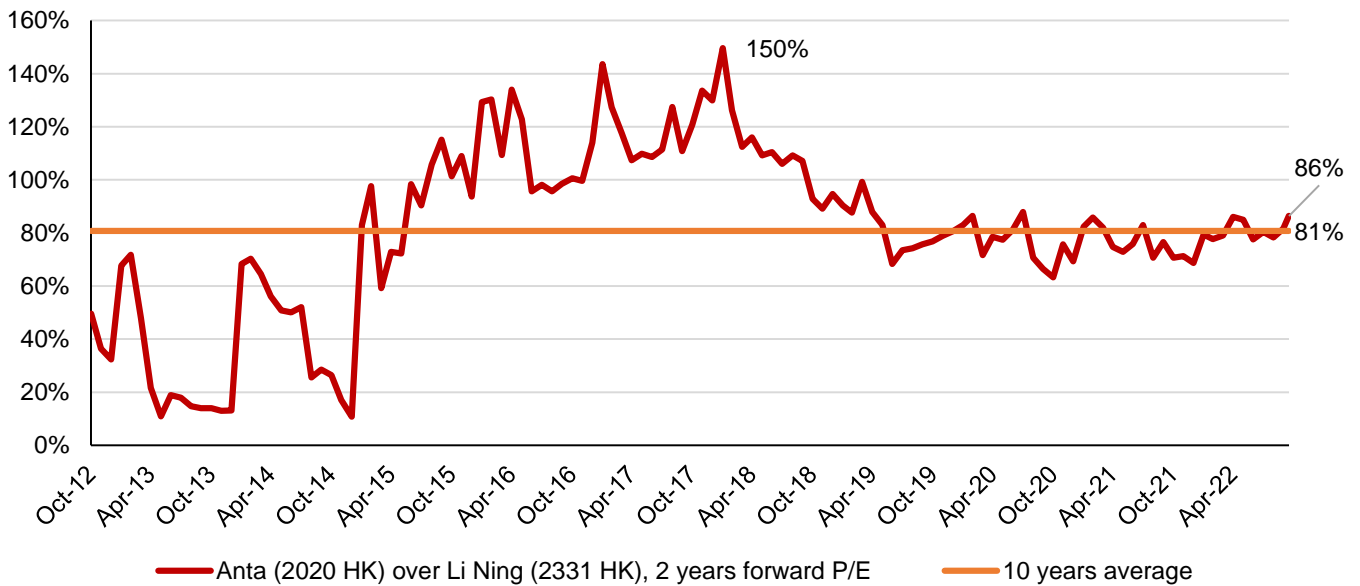
Source: Bloomberg, CMBIGM estimates

Figure 3: Ratio between Anta (2020 HK)'s share price and Li Ning (2331 HK)'s share price



Source: Bloomberg, CMBIS estimates

Figure 4: Ratio between Anta (2020 HK)'s FY2E P/E and Li Ning (2331 HK)'s FY2E P/E



Source: Bloomberg, CMBIS estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E
Nike China sales	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%	-8.0%	-20.0%	-13.0%	5.0%
Adidas China sales	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%	-35.0%	-35.0%	-20.0%	-5.0%
Anta brand's SSSG																
Anta brand's retail sales	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	-ve 20%-25%	-ve LSD	+ve LSD	+ve LSD	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	+ve MSD	8.0%
Core brand	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens	+ve LSD	
Kids	Over 20%	30%	Over 25%	25%	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	
Online	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	
Non-Anta brands (FILA/ 65%-70% 55%-60%)																
FILA brand's retail sales	50%-55%			50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	11.0%
Classic/ Core brand	Over 40%			-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD		
Kids	Over 70%			-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD		
Fusion	Over 100%			+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD		
Online	Over 70%			160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%		
Other brands																
30%-35%			25%-30%	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%		
Descente	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	
Kolon	15%			20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%
Li Ning group's SSSG																
Li Ning group's retail sales	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-twenties	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens		
Direct retail	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	n/a	-ve High-teens	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens		
Wholesales	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	n/a	-ve Low-teens	-ve MSD	+ve MSD	n/a	+ve Low 70%	+ve Mid 20%	+ve High-teens	+ve Low-teens	-ve High-teens		
E- Commerce	+ve High 30%	+ve Mid 30%	+ve Mid 30%	+ve Low 40%	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve LSD		
Li Ning group's retail sales																
Li Ning group's retail sales	+ve Low 20%-25%	+ve Low 20%-25%	+ve Low 30%-35%	+ve Mid 30%-40%	-ve High-teens	-ve MSD	+ve MSD	+ve Mid-teens	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve Low 30%	+ve High 20%	-ve HSD	10.0%	15.0%
Direct retail	+ve Low-teens	+ve HSD	+ve Mid-teens	+ve High-teens	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD		
Wholesales	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD		
E- Commerce	+ve Low 40%	+ve High 20%	+ve Low 50%	+ve Low 40%	+ve Low-teens	+ve High 20%	+ve Low 40%	+ve Mid 30%	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve Mid 30%	+ve MSD		
Xtep's SSSG																
Xtep's retail sales	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens												
Xtep's retail sales	Over 20%	Over 20%	20%	Over 20%	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	22.0%	14.0%
361 Degree's SSSG																
361 Degree's retail sales	+ve LSD	+ve LSD	+ve LSD	+ve LSD	-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD	+ve High-teens	15%-20%	+ve Low-teens	+ve High-teens	+ve High-teens	+ve Low-teens		
Pou Sheng's SSSG	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%										
Pou Sheng's sales	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-25.0%	-24.1%	-8.0%	0.0%
Topsports' retail sales																
Dong Xiang's SSSG	-ve LSD	+ve MSD	+ve Mid to High SD	+ve Mid to High SD	-ve Low to Mid SD	-ve MSD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid-teens		
Dong Xiang's retail sale	+ve MSD	+ve MSD	+ve Mid-teens	+ve Low-teens	-ve 25%-30%	-ve Low-Mid SD	+ve MSD	+ve Low-teens	60%-70%	+ve Low to Mid-teens	-ve Mid to High-teens	-ve Mid-teens	-ve MSD	-ve Mid to High-teens		
Direct retail	Flat	+ve LSD	+ve HSD	+ve MSD	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%							
E- Commerce	+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%	-ve 30%-45%	+ve 30%-35%	+ve 30%-35%	+ve 20%-30%	35%-40%							

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

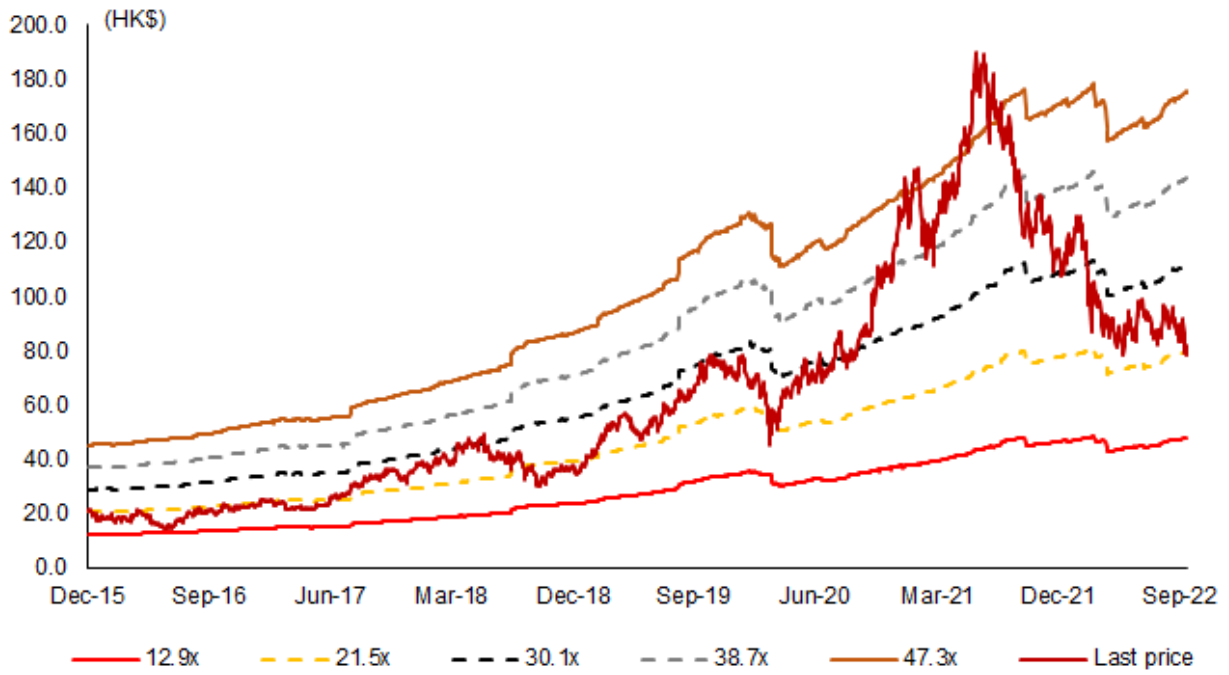
Valuation

Figure 6: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
H shares Sportswear															
Anta Sports	2020 HK	BUY	113.30	81.75	39%	221,839	Dec-21	22.6	18.0	5.8	4.8	25.5	1.3	1.8	
Li Ning Co	2331 HK	BUY	80.64	55.55	45%	145,497	Dec-21	27.8	22.4	5.3	4.5	26.1	1.7	1.1	
Xtep Intl	1368 HK	BUY	17.04	7.70	121%	20,288	Dec-21	16.4	13.3	2.1	2.0	13.5	0.9	3.5	
361 Degrees Intl	1361 HK	NR	n/a	3.24	n/a	6,699	Dec-21	8.0	7.0	0.7	0.7	10.3	0.5	5.4	
Topsports Intl	6110 HK	NR	n/a	5.36	n/a	33,239	Feb-22	11.6	9.6	2.7	2.4	24.1	1.3	5.9	
Pou Sheng Intl	3813 HK	NR	n/a	0.44	n/a	2,344	Dec-21	9.0	3.1	0.3	0.2	(3.2)	0.3	3.0	
China DX	3818 HK	NR	n/a	0.28	n/a	1,619	Mar-22	n/a	3.1	0.2	0.2	(16.7)	0.0	7.9	
								Avg.	15.9	11.0	2.4	2.1	11.4	0.9	4.1
								Med.	14.0	9.6	2.1	2.0	13.5	0.9	3.5
International Sportswear															
Nike	NKE US	NR	n/a	89.28	n/a	1,096,540	May-22	29.0	23.0	9.2	8.5	37.4	4.1	1.4	
Adidas	ADS GY	NR	n/a	118.60	n/a	175,538	Dec-21	17.9	15.0	3.4	3.2	29.5	(2.1)	2.5	
Puma	PUM GY	NR	n/a	47.96	n/a	55,733	Dec-21	18.7	16.4	2.9	2.6	16.0	1.4	1.8	
Under Armour	UAA US	NR	n/a	7.21	n/a	24,133	Mar-23	14.3	10.2	1.7	1.4	n/a	0.7	0.0	
Lululemon	LULU US	NR	n/a	296.34	n/a	296,704	Jan-22	29.6	25.8	11.1	8.3	39.9	1.4	0.0	
Skechers	SKX US	NR	n/a	34.95	n/a	42,727	Dec-21	13.2	10.4	1.4	1.2	23.3	(2.9)	0.0	
Vf Corp	VFC US	NR	n/a	29.93	n/a	91,277	Apr-22	11.6	10.2	3.3	3.2	30.4	(9.3)	6.8	
Columbia	COLM US	NR	n/a	72.41	n/a	35,294	Dec-21	14.0	12.5	2.3	2.0	18.5	1.9	1.6	
Wolverine	WWW US	NR	n/a	15.74	n/a	9,729	Jan-22	7.1	6.3	1.8	1.5	18.4	0.1	2.8	
Mizuno Corp	8022 JP	NR	n/a	2631.00	n/a	3,691	Mar-22	10.4	9.1	0.6	0.6	7.6	(2.6)	2.3	
Asics Corp	7936 JP	NR	n/a	2333.00	n/a	23,380	Dec-21	23.4	19.4	2.8	2.6	6.4	0.8	1.4	
								Avg.	17.2	14.4	3.7	3.2	22.7	(0.6)	1.9
								Med.	14.3	12.5	2.8	2.6	20.9	0.7	1.6

Source: Bloomberg, CMBIGM estimates

Figure 7: P/E valuation band



Source: Bloomberg, CMBIS estimates

Assumptions

Figure 8: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by segment growth (%)					
Shoes	11.3%	50.7%	21.0%	18.0%	12.5%
Apparels	1.3%	32.1%	9.3%	16.4%	14.0%
Accessories	1.8%	36.5%	8.0%	12.0%	12.0%
Total	4.7%	38.9%	13.8%	16.9%	13.3%
Sales by brand growth (%)					
Anta	-10.9%	67.5%	15.0%	15.0%	13.0%
Anta Kids	-37.0%	50.0%	25.0%	16.0%	15.0%
FILA	18.1%	25.1%	6.0%	14.0%	10.0%
Descente & Others	35.4%	51.1%	41.0%	31.0%	25.0%
E-commerce	13.8%	20.2%	19.0%	23.0%	15.0%
Total	4.7%	38.9%	13.8%	16.9%	13.3%
Sales network					
Anta	6,851	6,422	6,652	6,682	6,702
Anta Kids	3,071	2,981	2,551	2,621	2,671
FILA	2,006	2,054	1,954	2,054	2,154
Descente & Others	457	459	505	630	840
Total	12,385	11,916	11,662	11,987	12,367
GP margins					
Anta	44.7%	52.2%	55.0%	55.4%	55.6%
FILA	69.3%	70.5%	69.0%	70.0%	70.0%
Others	65.9%	71.0%	69.0%	66.0%	66.0%
Total	58.2%	61.6%	62.0%	62.3%	62.3%
Opex breakdown					
A&P Expenses / sales	10.0%	12.4%	12.2%	11.8%	11.6%
Labour costs / sales	12.5%	13.5%	14.2%	14.4%	14.5%
R & D expenses / sales	5.9%	5.9%	6.2%	6.1%	6.0%
Rental expenses/ sales	10.4%	11.6%	11.7%	11.6%	11.3%
Selling & distribution costs / sales	30.3%	36.0%	36.2%	35.8%	35.4%
Admin expenses / sales	6.0%	5.9%	6.6%	6.3%	6.2%
OP margin					
Anta	28.3%	20.6%	20.4%	21.3%	21.8%
FILA	25.8%	24.7%	23.0%	23.5%	24.0%
Others	8.4%	18.4%	23.0%	24.0%	25.0%
Total	25.8%	22.3%	21.7%	22.5%	23.0%
Effective tax rate	31.2%	26.9%	27.0%	26.0%	26.0%
NP att. margin	14.5%	15.7%	14.9%	16.0%	16.5%
NP att. growth	-3.4%	49.6%	8.6%	25.2%	17.2%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	35,512	49,328	56,148	65,658	74,407	EBIT	8,826	11,372	12,233	14,807	17,204
Footwear	12,700	19,139	23,158	27,327	30,742	D & A	490	572	744	572	555
Apparel	21,671	28,632	31,309	36,448	41,555	Change in working capital	(3,461)	(282)	1,797	(626)	(432)
Accessories	1,141	1,557	1,682	1,883	2,109	Income tax paid	(2,181)	(2,677)	(3,333)	(3,963)	(4,647)
						Others	3,783	2,876	424	532	646
Cost of goods sold	(14,861)	(18,924)	(21,342)	(24,755)	(28,021)	Net cash from operating	7,458	11,861	11,864	11,322	13,325
Gross profit	20,651	30,404	34,807	40,903	46,386	Capex & investments	(785)	(2,585)	(786)	(788)	(893)
Other income	1,063	1,649	1,460	1,576	1,786	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
Operating expenses	(12,888)	(20,681)	(24,034)	(27,672)	(30,968)	Others	(1,138)	(2,084)	-	-	-
S & D costs	(10,766)	(17,753)	(20,514)	(23,687)	(26,496)	Net cash from investing	(1,923)	(4,669)	(786)	(788)	(893)
Admin exp. (ex-R&D)	(1,251)	(1,812)	(2,200)	(2,425)	(2,694)	Equity raised	21	-	-	-	-
R & D exp.	(871)	(1,116)	(1,320)	(1,561)	(1,778)	Net change in bank loans	(3,343)	(196)	-	-	-
Other operating exp.	-	-	-	-	-	Dividend paid	(1,404)	(2,456)	(3,281)	(3,062)	(3,920)
EBIT	8,826	11,372	12,233	14,807	17,204	Others	5,955	(2,295)	(423)	(423)	(423)
Finance costs, net	(136)	(51)	1	109	223	Net cash from financing	1,229	(4,947)	(3,704)	(3,485)	(4,343)
JVs & associates	(601)	(81)	112	328	446	Net change in cash	6,764	2,245	7,374	7,049	8,089
Exceptional	-	-	-	-	-	Beginning cash balance	8,221	15,323	17,592	24,966	32,015
Pre-tax profit	8,089	11,240	12,346	15,244	17,873	Exchange difference	338	24	-	-	-
Income tax	(2,520)	(3,021)	(3,333)	(3,963)	(4,647)	Cash at the end of the year	15,323	17,592	24,966	32,015	40,104
Less: Minority interests	407	499	631	790	926						
Net profit	5,162	7,720	8,382	10,491	12,300						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	19,150	22,766	22,921	23,465	24,249	Sales mix (%)					
Fixed asset	2,184	2,853	3,164	3,619	4,192	Footwear	35.8	38.8	41.2	41.6	41.3
Intangible assets & goodwill	1,579	1,531	1,263	1,023	789	Apparel	61.0	58.0	55.8	55.5	55.8
Prepaid lease payments	46	43	43	43	43	Accessories	3.2	3.2	3.0	2.9	2.8
Interest in joint ventures	9,658	9,027	9,139	9,468	9,914	Total	100.0	100.0	100.0	100.0	100.0
Other non-current assets	5,683	9,312	9,312	9,312	9,312	P&L ratios (%)					
Current assets	32,717	39,902	46,844	56,430	66,730	Gross margin	58.2	61.6	62.0	62.3	62.3
Cash and cash equivalents	15,323	17,592	24,966	32,015	40,104	Operating margin	24.9	23.1	21.8	22.6	23.1
Inventories	5,486	7,644	6,256	7,460	8,445	Pre-tax margin	22.8	22.8	22.0	23.2	24.0
Trade and other receivables	6,614	6,914	7,870	9,203	10,429	Net margin	14.5	15.7	14.9	16.0	16.5
Prepayments	-	-	-	-	-	Effective tax rate	29.0	26.7	27.0	26.0	26.0
Other current assets	5,294	7,752	7,752	7,752	7,752	Balance sheet ratios					
Current liabilities	11,715	15,943	17,308	19,219	20,998	Current ratio (x)	2.8	2.5	2.7	2.9	3.2
Bank loans	1,968	1,748	1,748	1,748	1,748	Quick ratio (x)	2.3	2.0	2.3	2.5	2.8
Trade payables	2,376	3,146	3,548	4,115	4,658	Cash ratio (x)	131	110	144	167	191
Accruals & other payables	4,572	6,969	7,933	9,276	10,512	Inventory turnover days	135	147	107	110	110
Tax payables	1,507	1,816	1,816	1,816	1,816	Trade receivables days	68	51	51	51	51
Others	1,292	2,264	2,264	2,264	2,264	Trade payables days	58	61	61	61	61
Non-current liabilities	14,328	15,062	15,062	15,062	15,062	Total debt / total equity ratio (%)	60	46	39	32	26
Bank loans	12,456	11,425	11,425	11,425	11,425	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred income	99	74	74	74	74	Returns (%)					
Deferred tax	527	655	655	655	655	ROE	21.5	26.7	24.6	25.3	24.7
Others	1,246	2,908	2,908	2,908	2,908	ROA	10.0	12.3	12.0	13.1	13.5
Minority Interest	1,811	2,740	3,371	4,161	5,086	Per share					
Total net assets	24,013	28,923	34,024	41,453	49,833	EPS (RMB)	1.86	2.77	3.01	3.76	4.41
Shareholders' equity	24,013	28,923	34,024	41,453	49,833	DPS (RMB)	0.58	1.32	1.03	1.29	1.71
						BVPS (RMB)	8.88	10.7	12.5	15.3	18.4

Source: Company data, CMBIS estimates

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