

Topsports (6110 HK)

Turnaround continues after a resilient 3Q24

We still think Topsports's turnaround is solid despite the macro uncertainty. Sales growth acceleration should be from the new products and better marketing while margin improvement should be from self-initiated efficiency gains.

■ **3Q24 retail sales growth was at low-teens, in line with expectations but the underlying fundamentals are good.** Topsports' total retail sales growth (including both retail and wholesale operations) in 3Q24 (ending Nov 2023) was at low-teens, slightly below CMBI est. of 15%. However, given the weak industry environment and sentiment (esp. after Li Ning and Xtep's recent cuts in guidance and their needs of more de-stocking), we believe such a result is in line with the market expectation. In fact, we do find the growth quality in 3Q24 high, because of: 1) the strong rebound (was a LSD decline in 2Q24), 2) balanced improvements from all brands (retail sales growth for leading/lagging brands had both improved to high-teens/ +ve MSD in 3Q24, from just low-teens/ -ve MSD in 1H24), 3) its better than peers' performance (way faster than Pou Sheng's 7%), 4) resilient e-commerce sales growth (also at teens level, similar to the offline growth), and 5) excellent store productivity (SSSG is also at teens level and similar to the offline growth).

■ **We still think the outlook for Topsports is solid, despite industry headwinds.** We are certainly concerned about the industry performance in 4Q23E, given the fall in purchasing power, weak consumer sentiment and scale-up in inventory de-stocking, echoed by the underperformance of some domestic brands. However, thanks to Topsports' healthy inventory position and resilient brand equity, we believe it is able to optimize the timing and needs to boost sales growth and do promotions. Therefore, in terms of outlook, we are still confident on Topsports to maintain its rapid growth (CMBI est. of 8% retail sales growth in 4Q24E, 9%/12% listed-co level sales growth in 2H24E/FY25E), thanks to: 1) stable growth in Dec 2023 (similar to the level of Nov 2023, according to management), 2) the late CNY in 2024 (a longer peak season of around 3 weeks should drive better growth), 3) reasonably successful new products launched in 1Q-4Q24E (since the sell-through rate had increased YoY), 4) resumption of growth in gross selling area (managed to increase by 0.5% QoQ, vs flattish in 2Q24 and 1.7% drop in 1Q24), likely to accelerate in FY25E when closures of Adidas NEO stabilize, and 5) increased efforts in marketing (leveraging various sports events and competitions).

■ **Maintain BUY and TP of HK\$9.23, based on 18x FY2/25E P/E (unchanged).** The stock is trading at 12x FY2/25E P/E, which is highly attractive, given a 4-year avg. P/E of 13x and 21% 3-year NP CAGR during FY23-26E.

Earnings Summary

(YE 28 Feb)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	31,877	27,073	29,241	32,657	36,249
YoY growth (%)	(11.5)	(15.1)	8.0	11.7	11.0
Operating profit (RMB mn)	3,430	2,431	3,146	3,849	4,411
Net profit (RMB mn)	2,446.5	1,836.6	2,261.0	2,809.2	3,246.3
EPS (Reported) (RMB)	0.39	0.30	0.36	0.45	0.52
YoY growth (%)	(11.7)	(24.9)	23.1	24.2	15.6
P/E (x)	12.5	18.3	14.9	12.0	10.3
P/B (x)	2.9	3.4	3.3	3.0	2.7
Yield (%)	5.2	6.1	4.6	5.7	6.6
ROE (%)	24.1	18.1	22.7	26.3	27.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$9.23
(Previous TP)	HK\$9.23)
Up/Downside	50.5%
Current Price	HK\$6.13

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	38,013.5
Avg 3 mths t/o (HK\$ mn)	33.6
52w High/Low (HK\$)	8.04/5.44
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

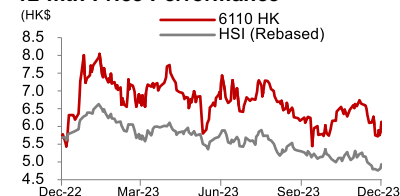
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.5%	-0.5%
3-mth	-1.3%	6.9%
6-mth	-15.4%	-0.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **We think the margin in 3Q24 is positive.** Even though the company did not announce detailed financials, we are still optimistic on its GP margin trend in 3Q24, because of: 1) continual improvements in retail discounts (improved by LSD vs 3Q23, a similar trend back in 1H24), 2) increases in the sales contribution of direct retail operation, 3) a lower level of subsidies for the principal brands in 3Q24 (hence less drags) vs 1H24, and 4) strong SSSG (CMBI est. teens level).
- **Inventory level is already healthy and still improving.** Management also mentioned that the amount of inventory in 3Q24 had dropped by a double digit vs 3Q23 and stayed flattish vs 2Q24. Moreover, Topsports' inventory to sales ratio is already below 4 months in 3Q24 (ending Nov 2023), which is not only healthy but also decent vs the industry (e.g. Pou Sheng and Xtep are at about 4.8 months/ 4.5 to 5.0 months in Sep 2023).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	29,241	32,657	36,249	29,241	32,657	36,249	0.0%	0.0%	0.0%
Gross profit	12,298	13,891	15,499	12,298	13,891	15,499	0.0%	0.0%	0.0%
EBIT	3,146	3,849	4,411	3,146	3,849	4,411	0.0%	0.0%	0.0%
Net profit att.	2,261	2,809	3,246	2,261	2,809	3,246	0.0%	0.0%	0.0%
Diluted EPS (RMB)	0.365	0.453	0.523	0.365	0.453	0.523	0.0%	0.0%	0.0%
Gross margin	42.1%	42.5%	42.8%	42.1%	42.5%	42.8%	0ppt	0ppt	0ppt
EBIT margin	10.8%	11.8%	12.2%	10.8%	11.8%	12.2%	0ppt	0ppt	0ppt
Net profit att. margin	7.7%	8.6%	9.0%	7.7%	8.6%	9.0%	0ppt	0ppt	0ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	29,241	32,657	36,249	30,191	33,911	37,670	-3.1%	-3.7%	-3.8%
Gross profit	12,298	13,891	15,499	12,863	14,536	16,237	-4.4%	-4.4%	-4.5%
EBIT	3,146	3,849	4,411	3,131	3,680	4,192	0.5%	4.6%	5.2%
Net profit att.	2,261	2,809	3,246	2,361	2,747	3,108	-4.2%	2.3%	4.4%
Diluted EPS (RMB)	0.365	0.453	0.523	0.387	0.456	0.512	-5.9%	-0.6%	2.2%
Gross margin	42.1%	42.5%	42.8%	42.6%	42.9%	43.1%	-0.5ppt	-0.3ppt	-0.3ppt
EBIT margin	10.8%	11.8%	12.2%	10.4%	10.9%	11.1%	0.4ppt	0.9ppt	1ppt
Net profit att. margin	7.7%	8.6%	9.0%	7.8%	8.1%	8.3%	-0.1ppt	0.5ppt	0.7ppt

Source: Company data, Bloomberg, CMBIGM estimates

Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	1Q24E	2Q24E
Nike China sales	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	5%	13%
Adidas China sales	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	20%	10%	10%
Anta brand's SSSG																
Anta brand's retail sales	+ve LSD	+ve LSD	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	18%	16%	3%
Core brand	-ve MSD	-ve MSD	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD			
Kids	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD			
Online	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD			
FILA brand's retail sales																
FILA brand's retail sales	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	+ve HSD	+ve High-teens	+ve Low-teens	26%	10%	14%
Classic/ Core brand	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD			
Kids	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD			
Fusion	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD			
Online	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens			
Other brands																
Other brands	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%			
Descente	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens	70%-75%	60%-65%	40%-45%			
Kolon	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	-ve High-teens	100%	100%	60%-65%			
Li Ning group's SSSG																
Li Ning group's SSSG	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD			
Direct retail	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Mid 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD			
Wholesales	-ve MSD	+ve MSD	n/a	+ve Low 70%	+ve Mid 20%	+ve High-teens	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD	-ve Low-teens			
E- Commerce	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD			
Li Ning group's retail sales																
Li Ning group's retail sales	+ve MSD	+ve Mid-teens	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve Low 30%	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	18%	0%	2%
Direct retail	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%			
Wholesales	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD			
E- Commerce	+ve Low 40%	+ve Mid 30%	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD			
Xtep brand's SSSG																
Xtep brand's retail sales	+ve MSD	+ve HSD	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	29%	7%	6%
361 Degree brand's SSSG																
361 Degree brand's retail sales	-ve HSD	+ve LSD	+ve High-teens	15%-20%	+ve Low-teens	+ve High-teens	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat	+ve Low-teens	+ve Low-teens	15.0%			
Kids			20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%			
E- Commerce						35%-40%	50%	40%	45%	25%	35%	30%	30%			
Pou Sheng's SSSG																
Pou Sheng's SSSG	-13%	-1%	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-5%			
Pou Sheng's sales	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	11%	4%	18%
Topsports' retail sales																
Topsports' retail sales					-ve 20%-25%	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	8%	12%	
Dong Xiang's SSSG																
Dong Xiang's SSSG	+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	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD			
Dong Xiang's retail sales																
Dong Xiang's retail sales	+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	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD			
Direct retail	Flat	+ve MSD	70%-75%													
E- Commerce	+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)

Assumptions

Figure 4: CMBIGM's assumptions

Major assumptions	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by segment (RMB mn)						
Retail operations	30,815	26,420	22,741	24,892	28,206	31,562
Wholesale operations	4,954	5,220	4,158	4,149	4,224	4,435
Concessionaire fee income	240	236	175	201	226	252
Total	36,009	31,877	27,073	29,241	32,657	36,249
Sales by segment growth (%)						
Retail operations	6%	-14%	-14%	9%	13%	12%
Wholesale operations	17%	5%	-20%	0%	2%	5%
Concessionaire fee income	-10%	-2%	-26%	15%	13%	11%
Total	7%	-11%	-15%	8%	12%	11%
Number of stores						
	8,006	7,695	6,565	6,190	6,348	6,539
Total sales area (sq m)						
	1,598	1,683	1,568	1,592	1,696	1,808
Growth (%)						
	4%	5%	-7%	2%	7%	7%
Average store size (sq m)						
	200	219	239	257	267	277
Growth (%)						
	9%	10%	9%	8%	4%	3%
Retail sales (offline) per store						
	3.3	2.8	2.7	3.1	3.4	3.7
Growth (%)						
	5%	-13%	-6%	15%	10%	8%
Retail sales (online)						
	4,533	4,491	5,117	5,782	6,649	7,580
Growth (%)						
	50%	-1%	14%	13%	15%	14%
GP margins						
	40.8%	43.4%	41.7%	42.1%	42.5%	42.8%
Rental expenses/ sales						
	-13.8%	-13.9%	-13.2%	-12.9%	-12.7%	-12.8%
Staff costs/ sales						
	-8.8%	-10.9%	-10.7%	-9.3%	-9.5%	-9.5%
D & A/ sales						
	-2.0%	-2.2%	-2.3%	-2.1%	-2.1%	-2.0%
S & D expenses/ sales						
	-26.8%	-29.6%	-29.7%	-27.9%	-27.4%	-27.3%
G & A expenses/ sales						
	-3.5%	-4.1%	-4.1%	-4.1%	-4.0%	-4.0%
Effective tax rate						
	-28%	-26%	-21%	-25%	-25%	-25%
NP att. margin						
	8%	8%	7%	8%	9%	9%
NP att. growth (%)						
	20%	-12%	-25%	23%	24%	16%

Source: Company data, CMBIGM estimates

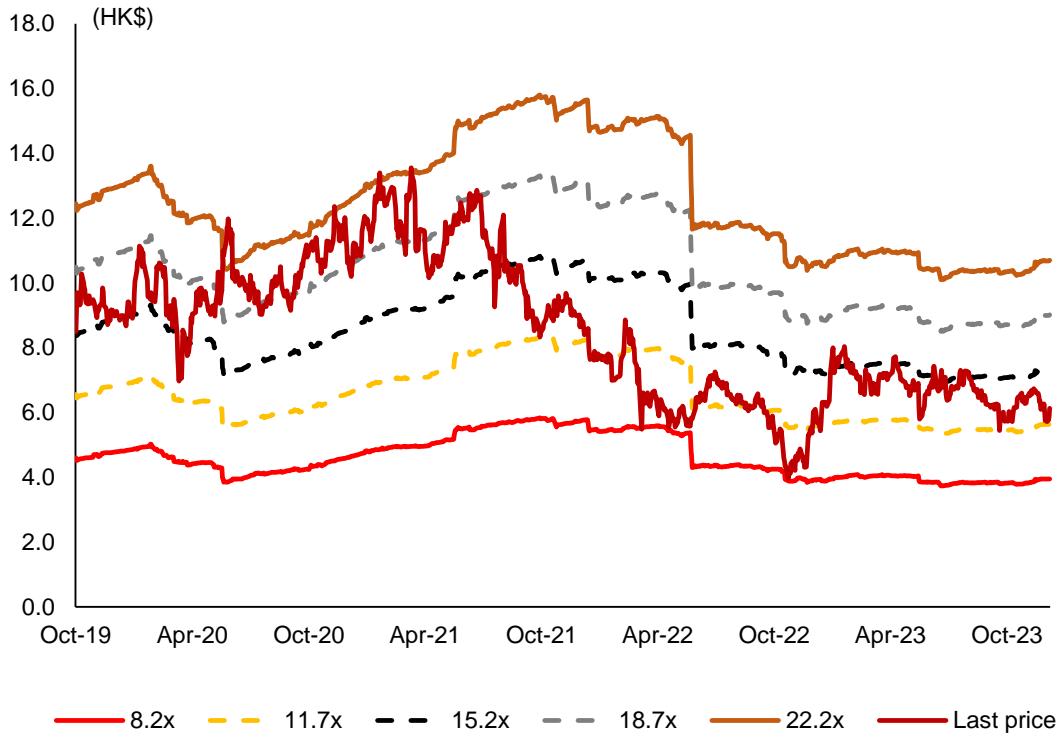
Valuation

Figure 5: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)	
								FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E	
H shares Sportswear															
Topsports	6110 HK	BUY	9.23	6.13	51%	38,013	Feb-23	14.9	12.0	3.0	20.4	0.7	6.0	1.4	
Pou Sheng	3813 HK	NR	n/a	0.66	n/a	3,515	Dec-22	8.2	4.7	0.4	4.6	0.1	4.8	(12.0)	
Anta Sports	2020 HK	BUY	109.99	74.90	47%	212,164	Dec-22	19.5	16.4	3.7	21.8	1.1	2.3	(26.8)	
Li Ning	2331 HK	BUY	32.93	19.00	73%	49,881	Dec-22	11.9	10.0	1.5	16.8	1.6	3.1	(72.0)	
Xtep	1368 HK	BUY	8.58	4.43	94%	11,702	Dec-22	9.8	8.1	1.1	11.7	0.6	5.2	(49.0)	
361 Degrees	1361 HK	NR	n/a	3.37	n/a	6,968	Dec-22	6.7	5.7	0.6	10.9	0.4	4.3	1.2	
China DX	3818 HK	NR	n/a	0.24	n/a	1,384	Mar-23	10.7	7.1	0.1	1.0	0.3	9.3	(21.8)	
								Avg.	11.7	9.1	1.5	12.5	0.7	5.0	(25.6)
								Med.	10.7	8.1	1.1	11.7	0.6	4.8	(21.8)
Global sportswear distributor															
Topsports	6110 HK	NR	9.23	6.13	51%	38,013	Feb-23	14.9	12.0	3.0	20.4	0.7	6.0	1.4	
Pou Sheng	3813 HK	NR	n/a	0.66	n/a	3,515	Dec-22	8.2	4.7	0.4	4.6	0.1	4.8	(12.0)	
Foot Locker	FL US	NR	n/a	30.48	n/a	22,396	Jan-23	22.8	15.4	0.9	2.4	(2.5)	3.9	(19.3)	
Jd Sports	JD/ LN	NR	n/a	173.15	n/a	88,984	Jan-23	13.0	11.4	5.8	9.5	0.2	0.5	37.3	
Frasers Group	FRAS LN	NR	n/a	923.50	n/a	41,475	Apr-23	10.7	9.6	1.5	33.4	5.2	0.0	30.1	
Dick's Sporting	DKS US	NR	n/a	144.68	n/a	92,290	Jan-23	11.7	11.3	4.2	41.4	18.9	2.8	20.3	
								Avg.	13.6	10.7	2.6	18.6	3.8	3.0	9.6
								Med.	12.4	11.3	2.3	15.0	0.4	3.4	10.8
International sportswear															
Nike	NKE US	NR	n/a	121.55	n/a	1,443,555	May-23	32.5	27.7	12.3	33.9	2.1	1.2	3.9	
Adidas	ADS GY	NR	n/a	192.52	n/a	295,028	Dec-22	n/a	43.5	6.3	(3.7)	0.0	0.2	51.0	
Puma	PUM GY	NR	n/a	52.86	n/a	67,876	Dec-22	23.3	16.9	2.6	10.8	1.2	1.5	(6.8)	
Under Armour	UAA US	NR	n/a	8.60	n/a	28,662	Mar-23	17.4	14.3	1.6	21.0	(2.7)	0.0	(15.4)	
Lululemon	LULU US	NR	n/a	491.46	n/a	483,955	Jan-23	39.5	34.5	11.6	30.5	1.2	0.0	53.4	
Skechers	SKX US	NR	n/a	61.71	n/a	74,150	Dec-22	17.8	15.0	1.9	14.4	0.7	0.0	47.1	
Vf Corp	VFC US	NR	n/a	19.91	n/a	60,420	Apr-23	13.0	10.3	2.3	(8.1)	0.1	3.9	(27.9)	
On	ONON US	NR	n/a	30.88	n/a	76,660	Dec-22	55.9	38.5	6.3	6.3	0.5	n/a	80.0	
Decker	DECK US	NR	n/a	702.81	n/a	141,118	Mar-23	29.5	25.9	7.2	37.0	1.7	0.0	76.1	
Columbia	COLM US	NR	n/a	81.51	n/a	38,487	Dec-22	18.0	17.5	2.2	15.3	8.6	1.5	(6.9)	
Wolverine World	WWW US	NR	n/a	8.98	n/a	5,573	Dec-22	119.7	10.4	1.9	(62.1)	(0.7)	4.5	(17.8)	
Mizuno	8022 JP	NR	n/a	3840.00	n/a	5,607	Mar-23	9.3	8.5	0.8	8.7	2.3	2.0	36.5	
Asics	7936 JP	NR	n/a	4528.00	n/a	47,233	Dec-22	27.2	22.1	4.0	17.5	1.1	1.3	55.4	
								Avg.	33.6	21.9	4.7	9.4	1.2	1.3	25.3
								Med.	25.2	17.5	2.6	14.4	1.1	1.3	36.5

Source: Bloomberg, company data, CMBIGM estimates

Figure 6: Valuation – forward blended 12 months P/E band



Source: Bloomberg, Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb (RMB mn)						
Revenue	36,009	31,877	27,073	29,241	32,657	36,249
Cost of goods sold	(21,328)	(18,052)	(15,789)	(16,943)	(18,766)	(20,751)
Gross profit	14,681	13,824	11,284	12,298	13,891	15,499
Operating expenses	(10,898)	(10,732)	(9,153)	(9,358)	(10,273)	(11,344)
Selling expense	(9,655)	(9,439)	(8,052)	(8,149)	(8,955)	(9,895)
Admin expense	(1,243)	(1,293)	(1,101)	(1,209)	(1,319)	(1,449)
R&D expense	0	0	0	0	0	0
Operating profit	3,989	3,430	2,431	3,146	3,849	4,411
Other income	206	338	300	207	231	256
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	4,697	4,128	3,230	3,958	4,583	5,014
Depreciation	(680)	(667)	(778)	(790)	(712)	(581)
Other amortisation	(28)	(31)	(22)	(22)	(22)	(22)
Interest income	141	114	103	79	108	128
Interest expense	(279)	(218)	(211)	(211)	(211)	(211)
Net Interest income/(expense)	(139)	(104)	(109)	(132)	(103)	(83)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	3,851	3,326	2,322	3,015	3,746	4,328
Income tax	(1,081)	(880)	(486)	(754)	(936)	(1,082)
After tax profit	2,770	2,447	1,837	2,261	2,809	3,246
Minority interest	0	0	0	0	0	0
Net profit	2,770	2,447	1,837	2,261	2,809	3,246
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb (RMB mn)						
Current assets	10,440	10,980	10,159	10,964	12,472	13,959
Cash & equivalents	1,229	1,753	1,556	2,412	2,976	3,447
Restricted cash	0	0	0	0	0	0
Account receivables	2,177	1,107	1,113	1,202	1,342	1,490
Inventories	6,211	6,686	6,272	6,034	6,684	7,391
Prepayment	823	1,435	1,218	1,316	1,470	1,631
Other current assets	0	0	0	0	0	0
Non-current assets	7,266	6,816	6,584	6,358	6,212	6,189
PP&E	1,020	1,009	799	594	469	468
Right-of-use assets	3,625	3,100	3,100	3,100	3,100	3,100
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,090	1,093	1,071	1,050	1,028	1,007
Other non-current assets	1,532	1,614	1,614	1,614	1,614	1,614
Total assets	17,706	17,796	16,743	17,322	18,683	20,148
Current liabilities	5,426	4,873	4,650	4,831	5,117	5,422
Short-term borrowings	1,337	518	518	518	518	518
Account payables	445	927	952	1,021	1,131	1,251
Tax payable	807	697	697	697	697	697
Other current liabilities	1,516	1,645	1,397	1,509	1,685	1,871
Lease liabilities	1,320	1,086	1,086	1,086	1,086	1,086
Non-current liabilities	2,575	2,342	2,342	2,342	2,342	2,342
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,575	2,342	2,342	2,342	2,342	2,342
Total liabilities	8,001	7,215	6,992	7,173	7,459	7,764
Share capital	0	0	0	0	0	0
Retained earnings	4,666	7,070	5,000	5,678	6,521	7,495
Other reserves	5,040	3,512	4,752	4,471	4,703	4,889
Total shareholders equity	9,706	10,582	9,752	10,149	11,224	12,383
Minority interest	0	0	0	0	0	0
Total equity and liabilities	9,706	10,582	9,752	10,149	11,224	12,383

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	3,851	3,326	2,322	3,015	3,746	4,328
Depreciation & amortization	708	698	799	811	734	603
Tax paid	(950)	(903)	(486)	(754)	(936)	(1,082)
Change in working capital	(968)	568	401	233	(657)	(711)
Others	2,065	2,000	211	211	211	211
Net cash from operations	4,706	5,690	3,248	3,516	3,097	3,349
Investing						
Capital expenditure	(572)	(668)	(567)	(585)	(588)	(580)
Acquisition of subsidiaries/ investments	(17)	(34)	0	0	0	0
Others	2,686	30	0	0	0	0
Net cash from investing	2,098	(671)	(567)	(585)	(588)	(580)
Financing						
Dividend paid	(5,294)	(1,550)	(2,667)	(1,864)	(1,734)	(2,087)
Net borrowings	(63)	(805)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(3,042)	(2,140)	(211)	(211)	(211)	(211)
Net cash from financing	(8,398)	(4,494)	(2,878)	(2,075)	(1,945)	(2,298)
Net change in cash						
Cash at the beginning of the year	2,824	1,229	1,753	1,556	2,412	2,976
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	1,229	1,753	1,556	2,412	2,976	3,447
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb						
Revenue	6.9%	(11.5%)	(15.1%)	8.0%	11.7%	11.0%
Gross profit	3.5%	(5.8%)	(18.4%)	9.0%	13.0%	11.6%
Operating profit	20.8%	(14.0%)	(29.1%)	29.4%	22.3%	14.6%
EBITDA	15.7%	(12.1%)	(21.8%)	22.5%	15.8%	9.4%
Net profit	20.3%	(11.7%)	(24.9%)	23.1%	24.2%	15.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb						
Gross profit margin	40.8%	43.4%	41.7%	42.1%	42.5%	42.8%
Operating margin	11.1%	10.8%	9.0%	10.8%	11.8%	12.2%
EBITDA margin	13.0%	12.9%	11.9%	13.5%	14.0%	13.8%
Return on equity (ROE)	27.4%	24.1%	18.1%	22.7%	26.3%	27.5%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb						
Current ratio (x)	1.9	2.3	2.2	2.3	2.4	2.6
Receivable turnover days	22.1	12.7	15.0	15.0	15.0	15.0
Inventory turnover days	106.3	135.2	145.0	130.0	130.0	130.0
Payable turnover days	7.6	18.7	22.0	22.0	22.0	22.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 28 Feb						
P/E	11.4	12.5	18.3	14.9	12.0	10.3
P/E (diluted)	11.4	12.5	18.3	14.9	12.0	10.3
P/B	3.3	2.9	3.4	3.3	3.0	2.7
P/CFPS	12.0	9.1	10.3	9.8	11.2	10.3
Div yield (%)	7.0	5.2	6.1	4.6	5.7	6.6

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

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