

Topsports (6110 HK)

This is likely a rocky-road turnaround

High bases are tough for both industry and Topsports and we are cautious about 1Q25E. However, the turnaround in next few quarters is still an important catalyst. Also, thanks to the 7% FY2/25E yield, we think the downside is limited.

■ **4Q24 retail sales growth was slow and there are still some pressure in 1Q25E.** Topsports' retail sales growth was only at LSD in 4Q24 (Dec 2023 to Feb 2024), slowing down from low-teens in 3Q24. However, given the weak macro and high base, we believe investors should have certain expectations already. In fact, this is already better than Pou Sheng's 7% drop. For 1Q25E, we would not be surprised to see certain pressure, because of the high base and delay of some new product launches, and the retail sales trend could even be negative in Mar to Apr 2024. Thanks to a much healthier inventory level (around 4 to 4.5 months), the pressure on retail discounts was less, however. Recently, retail discounts were flattish in offline channels but widened in e-commerce channels (mostly affected by the traditional and content-driven e-commerce platforms).

■ **We still think a turnaround in FY25E is likely (even the growth was slower than expected).** After the slowdown in recent quarters, we have turned more conservative about FY25E. However, we still think the trend is constructive, because: 1) online sales growth could accelerate (esp. for traditional platforms), as the base is lower this year and the growth in content-driven e-commerce (e.g. XHS and Douyin) is still rapid; 2) offline sales growth could also speed up (SSSG could be positive and gross selling area growth could be resumed), as the one-off drags from closures of Adidas NEO stores will fade out and store productivity may continue to improve, supported by improvements in private domain operations (e.g. Wechat and livestreaming sales) and engagement with members and customer communities; 3) of the potential benefits from greater investment from brands on product launches and marketing for the Paris Olympics. For margin, we expect GP margin to be stable, as the improvement in retail discounts is partially offset by the increase in e-commerce sales mix, and net profit margin could mildly improve, helped by potential operating leverage.

■ **Maintain BUY but cut TP to HK\$6.78, based on 15x FY2/25E P/E (cut from 18x).** We revise down net profit by 10%/ 13% in FY25E/ 26E, in order to factor in: 1) a slowdown in industry sales growth, 2) less-than-expected retail discounts improvement, and 3) weaker operating leverage. We have turned more conservative, but a turnaround in FY25E and onwards is still possible, plus the 7% FY25E dividend yield is fairly protective; we thus maintain our BUY rating. The stock is trading at 12x, still below its 4-year average of 13x.

Earnings Summary

(YE 28 Feb)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,073	28,933	31,072	33,648	36,240
YoY growth (%)	(15.1)	6.9	7.4	8.3	7.7
Operating profit (RMB mn)	2,430.9	2,786.5	3,167.0	3,550.7	3,970.9
Net profit (RMB mn)	1,836.6	2,213.0	2,531.6	2,840.3	3,177.1
EPS (Reported) (RMB)	0.30	0.36	0.41	0.46	0.51
YoY growth (%)	(24.9)	20.5	14.4	12.2	11.9
P/E (x)	16.4	13.9	12.1	10.8	9.7
P/B (x)	3.2	3.2	3.1	2.9	2.8
Yield (%)	6.5	7.1	6.8	7.6	8.6
ROE (%)	18.0	22.5	25.4	27.2	28.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$6.78
(Previous TP)	HK\$9.23
Up/Downside	23.5%
Current Price	HK\$5.49

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Stock Data

Mkt Cap (HK\$ mn)	34,044.7
Avg 3 mths t/o (HK\$ mn)	30.6
52w High/Low (HK\$)	7.43/4.91
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

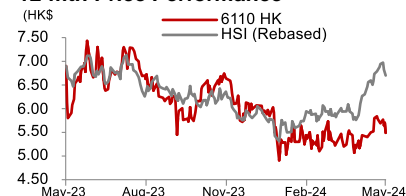
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.2%	-5.3%
3-mth	2.2%	-9.4%
6-mth	-17.7%	-21.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- Topsports reported inline FY2/24 results and dividend is still attractive.** In FY2/24, sales increased by 7% to RMB28.9bn, in line with BBG and CMBI est.; net profit jumped by 21% YoY to RMB2.21bn, 3%/ 2% below BBG/ CMBI est.; GP margin was flattish at 41.8%, only up 0.1ppt vs last year, but NP margin jumped to 7.6%, up 0.8ppt from last year, driven by closures of Adidas NEO stores, rigid control on staff costs (+1% YoY only) and the drop in D&A expenses (-21% YoY), which in our view is rather impressive, esp. when other income dropped significantly (-41% YoY). Inventory days fell meaningfully by 13 days to 136 days. Final dividend (RMB0.05) and special dividend (RMB0.16) were also announced, the same as last year's, but the payout ratio is still high at 101%. Based on current market cap, the yield is attractive at 7.3%.
- Direct retail and e-commerce sales outperformed while sales growth for both principal brands was resilient.** In FY2/24, direct retail sales growth was fast at 9% while wholesale sales had dropped by 3%. Also, e-commerce sales growth (CMBI est. +21%) was way faster than offline (CMBI est. +5%), as the share of e-commerce sales increased to mid-20% (from low-20% in FY2/23). Moreover, sales growth for leading/ lagging brands maintained at mid-teens/improved to negative LSD in FY2/24 vs mid-teens/negative MSD in 1H2/24.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	31,072	33,648	36,240	32,657	36,249	n/a	-4.9%	-7.2%	n/a
Gross profit	13,042	14,163	15,303	13,891	15,499	n/a	-6.1%	-8.6%	n/a
EBIT	3,167	3,551	3,971	3,849	4,411	n/a	-17.7%	-19.5%	n/a
Net profit att.	2,532	2,840	3,177	2,809	3,246	n/a	-9.9%	-12.5%	n/a
Diluted EPS (RMB)	0.408	0.458	0.512	0.453	0.523	n/a	-9.9%	-12.5%	n/a
Gross margin	42.0%	42.1%	42.2%	42.5%	42.8%	n/a	-0.6ppt	-0.7ppt	n/a
EBIT margin	10.2%	10.6%	11.0%	11.8%	12.2%	n/a	-1.6ppt	-1.6ppt	n/a
Net profit att. margin	8.1%	8.4%	8.8%	8.6%	9.0%	n/a	-0.5ppt	-0.5ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	31,072	33,648	36,240	33,101	36,580	n/a	-6.1%	-8.0%	n/a
Gross profit	13,042	14,163	15,303	14,167	15,729	n/a	-7.9%	-10.0%	n/a
EBIT	3,167	3,551	3,971	3,528	3,999	n/a	-10.2%	-11.2%	n/a
Net profit att.	2,532	2,840	3,177	2,625	3,036	n/a	-3.6%	-6.4%	n/a
Diluted EPS (RMB)	0.408	0.458	0.512	0.440	0.496	n/a	-7.2%	-7.7%	n/a
Gross margin	42.0%	42.1%	42.2%	42.8%	43.0%	n/a	-0.8ppt	-0.9ppt	n/a
EBIT margin	10.2%	10.6%	11.0%	10.7%	10.9%	n/a	-0.5ppt	-0.4ppt	n/a
Net profit att. margin	8.1%	8.4%	8.8%	7.9%	8.3%	n/a	0.2ppt	0.1ppt	n/a

Source: Company data, Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25E	2H25E	1H24 YoY	2H24 YoY	1H25 E YoY	2H25 E YoY	2H24E CMBIG M	Actual vs CMBIG M
Revenue	14,177	14,757	15,073	15,998	7%	7%	6%	8%	15,064	-2%
COGS	-7,836	-9,017	-8,290	-9,739					-9,107	
Gross profit	6,341	5,740	6,783	6,259	5%	9%	7%	9%	5,957	-4%
GP margins	44.7%	38.9%	45.0%	39.1%					39.5%	
Other income & gains	48	129	90	100					159	-19%
S & D expenses	-4,110	-4,246	-4,266	-4,494	0%	7%	4%	6%	-4,039	5%
S & D exp / sales	-29.0%	-28.8%	-28.3%	-28.1%					-26.8%	
Admin expenses	-553	-563	-648	-657	-4%	7%	17%	17%	-657	-14%
Admin exp / sales	-3.9%	-3.8%	-4.3%	-4.1%					-4.4%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	1,726	1,061	1,959	1,207	9%	25%	14%	14%	1,421	-25%
OP margins	12.2%	7.2%	13.0%	7.5%					9.4%	
Other items	0	0	0	0					0	
Net finance income	-18	-9	-15	10					-114	-92%
Net fin. income / sales	-0.1%	-0.1%	-0.1%	0.1%					-0.8%	
Profit after financing costs	1,708	1,052	1,944	1,218					1,307	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,708	1,052	1,944	1,218	13%	31%	14%	16%	1,307	-20%
Tax	-371	-177	-428	-205					-383	
Tax / sales	-2.6%	-1.2%	-2.8%	-1.3%					-2.5%	
Effective tax rate	-21.7%	-16.8%	-22.0%	-16.8%					-29.3%	
Minority interests	0	0	0	0					0	
Net profit att.	1,337	875	1,517	1,013	17%	27%	13%	16%	924	-5%
NP margins	9.4%	5.9%	10.1%	6.3%					6.1%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - full year

Full yearly (RMB mn)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY	FY24E CMBI GM	Actual vs CMBI GM
Revenue	27,073	28,933	31,072	7%	7%	29,241	-1%
COGS	-15,789	-16,852	-18,030			-	
Gross profit	11,284	12,081	13,042	7%	8%	12,298	-2%
GP margins	41.7%	41.8%	42.0%			42.1%	
Other income & gains	300	177	190			207	-14%
S & D expenses	-8,052	-8,356	-8,760	4%	5%	-8,149	3%
S & D exp / sales	-29.7%	-28.9%	-28.2%			-	
Admin expenses	-1,101	-1,115	-1,305	1%	17%	-1,209	-8%
Admin exp / sales	-4.1%	-3.9%	-4.2%			-4.1%	
Other opex	0	0	0			0	
Operating profit (EBIT)	2,431	2,787	3,167	15%	14%	3,146	-11%
OP margins	9.0%	9.6%	10.2%			10.8%	
Other items	0	0	0			0	
Net finance income	-109	-27	-5			-132	-79%
Net fin. income / sales	-0.4%	-0.1%	0.0%			-0.5%	
Profit after financing costs	2,322	2,759	3,162			3,015	
Associated coms	0	0	0			0	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	2,322	2,759	3,162	19%	15%	3,015	-8%
Tax	-486	-548	-632			-754	
Tax / sales	-1.8%	-1.9%	-2.0%			-2.6%	
Effective tax rate	-20.9%	-19.9%	-20.0%			-	
Minority interests	0	0	0			0	
Net profit att.	1,837	2,211	2,530	20%	14%	2,261	-2%
NP margins	6.8%	7.6%	8.1%			7.7%	

Source: Company data, CMBIGM estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24E	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	9%	9%	9%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	5%	5%	5%
Anta brand's SSSG																
Anta brand's retail sales	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	+ve High-teens	+ve MSD	9%	14%	18%
Core brand	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	25%-30%	+ve LSD			
Kids	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat			
Online	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%			
FILA brand's retail sales																
FILA brand's retail sales	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	25%-30%	+ve HSD	6%	11%	13%
Classic/ Core brand	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD			
Kids	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	30%-35%	-ve LSD			
Fusion	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD			
Online	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%			
Other brands																
Other brands	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%			
Descente	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%			
Kolon	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%			
Li Ning group's SSSG																
Li Ning group's SSSG	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	+ve Low-teens	-ve MSD			
Direct retail	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD			
Wholesales	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	+ve MSD	-ve Mid-teens			
E- Commerce	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	+ve MSD	+ve Low 20%			
Li Ning group's retail sales																
Li Ning group's retail sales	+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	+ve Low 20%	+ve LSD	6%	5%	17%
Direct retail	+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%	+ve Low 50%	+ve MSD			
Wholesales	+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	+ve High-teens	-ve MSD			
E- Commerce	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	+ve MSD	+ve Low 20%			
Xtep brand's SSSG																
Xtep brand's retail sales	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	30%-35%	+ve HSD	8%	10%	16%
361 Degree brand's SSSG																
361 Degree brand's retail sales	+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%	20.0%	+ve High-teens	15%	13%	12%
Kids	20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%			
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%			
Pou Sheng's SSSG																
Pou Sheng's SSSG	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%			
Pou Sheng's sales	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-6%	3%	6%
Topsports' retail sales																
Topsports' retail sales		+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid SD	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	25% to 30%	-ve HSD			
Dong Xiang's SSSG	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid SD	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	25% to 30%	-ve HSD			
Dong Xiang's retail sales	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 to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low to 20%			
Direct retail	70%-75%															
E- Commerce	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 6: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)						
Retail operations	26,420	22,741	24,742	26,794	29,152	31,559
Wholesale operations	5,220	4,158	4,022	4,095	4,300	4,472
Concessionaire fee income	236	175	170	183	196	209
Total	31,877	27,073	28,933	31,072	33,648	36,240
Sales by segment growth (%)						
Retail operations	-14%	-14%	9%	8%	9%	8%
Wholesale operations	5%	-20%	-3%	2%	5%	4%
Concessionaire fee income	-2%	-26%	-3%	8%	7%	7%
Total	-11%	-15%	7%	7%	8%	8%
Number of stores						
	7,695	6,565	6,144	6,244	6,365	6,480
Total sales area (sq m)						
	1,683	1,568	1,556	1,634	1,714	1,787
Growth (%)						
	5%	-7%	-1%	5%	5%	4%
Average store size (sq m)						
	219	239	253	262	269	276
Growth (%)						
	10%	9%	6%	3%	3%	2%
Retail sales (offline) per store						
	2.8	2.7	3.0	3.2	3.4	3.5
Growth (%)						
	-13%	-6%	13%	6%	5%	5%
Retail sales (online)						
	4,491	5,117	6,185	6,804	7,756	8,687
Growth (%)						
	-1%	14%	21%	10%	14%	12%
GP margins						
	43.4%	41.7%	41.8%	42.0%	42.1%	42.2%
Rental expenses/ sales						
	-13.9%	-13.2%	-13.5%	-13.5%	-13.5%	-13.5%
Staff costs/ sales						
	-10.9%	-10.7%	-10.1%	-10.0%	-10.0%	-9.9%
D&A/ sales						
	-2.2%	-2.3%	-1.7%	-1.7%	-1.7%	-1.7%
S&D expenses/ sales						
	-29.6%	-29.7%	-28.9%	-28.2%	-28.0%	-27.8%
G&A expenses/ sales						
	-4.1%	-4.1%	-3.9%	-4.2%	-4.1%	-4.1%
Effective tax rate						
	-26%	-21%	-20%	-20%	-20%	-20%
NP att. margin						
	8%	7%	8%	8%	8%	9%
NP att. growth (%)						
	-12%	-25%	20%	14%	12%	12%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Revenue	31,877	27,073	28,933	31,072	33,648	36,240
Cost of goods sold	(18,052)	(15,789)	(16,852)	(18,030)	(19,484)	(20,937)
Gross profit	13,824	11,284	12,081	13,042	14,163	15,303
Operating expenses	(10,732)	(9,153)	(9,471)	(10,065)	(10,819)	(11,553)
Selling expense	(9,439)	(8,052)	(8,356)	(8,760)	(9,423)	(10,075)
Admin expense	(1,293)	(1,101)	(1,115)	(1,305)	(1,395)	(1,478)
R&D expense	0	0	0	0	0	0
Operating profit	3,430	2,431	2,787	3,167	3,551	3,971
Other income	338	300	177	190	206	222
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	4,128	3,019	3,561	3,863	4,116	4,402
Depreciation	(667)	(609)	(758)	(680)	(549)	(422)
Other amortisation	(31)	21	(16)	(16)	(16)	(10)
Interest income	114	103	120	127	128	129
Interest expense	(218)	(211)	(147)	(131)	(131)	(131)
Net Interest income/(expense)	(104)	(109)	(27)	(5)	(3)	(2)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	3,326	2,322	2,759	3,162	3,548	3,969
Income tax	(880)	(486)	(548)	(632)	(710)	(794)
After tax profit	2,447	1,837	2,211	2,530	2,838	3,175
Minority interest	0	0	2	2	2	2
Net profit	2,447	1,837	2,213	2,532	2,840	3,177
BALANCE SHEET						
YE 28 Feb (RMB mn)						
Current assets	10,980	12,101	12,425	13,063	13,864	14,555
Cash & equivalents	1,753	2,357	2,775	2,821	2,896	2,859
Restricted cash	0	1,286	1,286	1,286	1,286	1,286
Account receivables	1,107	1,055	1,127	1,211	1,311	1,412
Inventories	6,686	6,247	6,002	6,421	6,940	7,457
Prepayment	1,435	1,136	1,214	1,303	1,412	1,520
Other current assets	0	20	20	20	20	20
Non-current assets	6,816	4,719	4,523	4,386	4,359	4,508
PP&E	1,009	733	554	433	423	581
Right-of-use assets	3,100	2,425	2,425	2,425	2,425	2,425
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,093	1,073	1,057	1,040	1,024	1,014
Other non-current assets	1,614	488	488	488	488	488
Total assets	17,796	16,821	16,948	17,449	18,224	19,062
Current liabilities	4,873	5,268	5,417	5,585	5,790	5,995
Short-term borrowings	518	1,545	1,545	1,545	1,545	1,545
Account payables	927	991	1,058	1,132	1,223	1,314
Tax payable	697	360	360	360	360	360
Other current liabilities	1,645	1,192	1,273	1,367	1,481	1,595
Lease liabilities	1,086	1,181	1,181	1,181	1,181	1,181
Non-current liabilities	2,342	1,719	1,717	1,715	1,713	1,711
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,342	1,719	1,717	1,715	1,713	1,711
Total liabilities	7,215	6,987	7,134	7,300	7,503	7,706
Share capital	0	0	0	0	0	0
Retained earnings	7,070	8,092	6,832	7,212	7,638	8,114
Other reserves	3,512	1,742	2,982	2,937	3,083	3,242
Total shareholders equity	10,582	9,834	9,814	10,149	10,721	11,356
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,582	9,834	9,814	10,149	10,721	11,356

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	3,326	2,322	2,759	3,162	3,548	3,969
Depreciation & amortization	698	588	775	696	565	431
Tax paid	(903)	(891)	(548)	(632)	(710)	(794)
Change in working capital	568	483	243	(424)	(522)	(522)
Others	2,000	1,848	147	131	131	131
Net cash from operations	5,690	4,351	3,376	2,933	3,013	3,216
Investing						
Capital expenditure	(668)	(357)	(579)	(559)	(538)	(580)
Acquisition of subsidiaries/ investments	(34)	0	0	0	0	0
Others	30	51	0	0	0	0
Net cash from investing	(671)	(306)	(579)	(559)	(538)	(580)
Financing						
Dividend paid	(1,550)	(2,667)	(2,233)	(2,197)	(2,268)	(2,541)
Net borrowings	(805)	738	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(2,140)	(1,512)	(147)	(131)	(131)	(131)
Net cash from financing	(4,494)	(3,440)	(2,380)	(2,328)	(2,400)	(2,673)
Net change in cash						
Cash at the beginning of the year	1,229	1,753	2,357	2,775	2,821	2,896
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	1,753	2,357	2,775	2,821	2,896	2,859
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Revenue	(11.5%)	(15.1%)	6.9%	7.4%	8.3%	7.7%
Gross profit	(5.8%)	(18.4%)	7.1%	8.0%	8.6%	8.0%
Operating profit	(14.0%)	(29.1%)	14.6%	13.7%	12.1%	11.8%
EBITDA	(12.1%)	(26.9%)	17.9%	8.5%	6.5%	7.0%
Net profit	(11.7%)	(24.9%)	20.5%	14.4%	12.2%	11.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Gross profit margin	43.4%	41.7%	41.8%	42.0%	42.1%	42.2%
Operating margin	10.8%	9.0%	9.6%	10.2%	10.6%	11.0%
EBITDA margin	12.9%	11.2%	12.3%	12.4%	12.2%	12.1%
Return on equity (ROE)	24.1%	18.0%	22.5%	25.4%	27.2%	28.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Current ratio (x)	2.3	2.3	2.3	2.3	2.4	2.4
Receivable turnover days	12.7	14.2	14.2	14.2	14.2	14.2
Inventory turnover days	135.2	144.4	130.0	130.0	130.0	130.0
Payable turnover days	18.7	22.9	22.9	22.9	22.9	22.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
P/E	11.2	16.4	13.9	12.1	10.8	9.7
P/E (diluted)	11.2	16.4	13.9	12.1	10.8	9.7
P/B	3.0	3.2	3.2	3.1	2.9	2.8
P/CFPS	5.5	7.3	9.4	10.8	10.5	9.8
Div yield (%)	8.4	6.5	7.1	6.8	7.6	8.6

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

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