

# Anta Sports (2020 HK)

## Stay cautious about FY24E after an inline 2Q24

Retail sales growth in 2Q24 was roughly inline (Anta was strong while FILA was weak), but we are impressed by the resilient retail discounts (Anta still managed to have YoY improvement on discounts on online channel). Going forward in 2H24E, we still think sales growth could improve slightly. On one hand, we are more confident about Anta's new products, new store formats and brand building market etc. But on the other hand, we are turned slightly more cautious about FILA. However, all in all, the profitability in FY24E is still decent, and therefore we are not overly worried about the bottom line. Anta is our top pick in the sector, thanks to its resilient performance and the ability to gain market share.

■ **FY24E guidance maintained but we are more confident in Anta than FILA.** Management maintained their guidance of 10%-15% retail sales growth for both Anta and FILA. However, we are more confident in Anta and expect its sales growth to accelerate to a 10%+ level in 2H24E, supported by: 1) exciting new products pipeline (Olympic related products, Kyrie Irving products as well as the value for money products), 2) store expansion for further customer segmentation (both Sneakerverse and Anta Champion stores are ramping up steadily while three Anta Super stores were also opened, where sales per stores for all of these are much higher than the regular stores), 3) improvement in brand power, by rolling out more self-owned running and basketball events, and 4) rapid online sales growth (esp. Douyin and Xiaohongshu). For FILA, sales growth could accelerate in 2H24E, driven by: 1) robust e-commerce sales growth, 2) speed-up in store revamps, and 3) new products launches (such as those in the golf category and Olympic related products). But we will only expect 10% sales growth in FY24E (low-end of the guidance). However, in terms of margin, we do see certain room for improvement in FY24E, because of: 1) improvements in retail discounts, 2) better channel mix, more sales will be from the higher margin Douyin channel, 3) reduction in rental expenses (Anta group's bargaining power continues to increase while the market remained subdued), 4) controllable A&P expenses (marketing expense for Olympics was not as high as that back in FY21 and budget can still be adjusted, based on the current sales momentum) and 5) margin boost from Descente and Kolon, driven by improvement in their retail discounts and operating leverage. Therefore, we are still confident to see the Anta/ FILA OP margin to stay at 20%+/ 25%+ level.

■ **Maintain BUY and fine-tuned the TP to HK\$ 101.38,** based on 20x FY24E P/E (unchanged), supported by 12% sales CAGR and 16% net profit CAGR during FY23-26E. We have adjusted the FY24E/ 25E/ 26E net profit by -0.3%/ -2.0%/ -2.3%, mainly due to slower-than-expected sales growth but slightly better-than-expected retail discounts and channel mix. The stock is trading at 14x FY25E P/E, not too demanding, compared to its 5-year average of 26x.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	70,222	78,932	87,725
YoY growth (%)	8.8	16.2	12.6	12.4	11.1
Operating profit (RMB mn)	11,229.0	15,409.0	17,511.9	18,864.4	21,674.9
Net profit (RMB mn)	8,245.0	11,277.0	14,070.6	15,408.9	17,797.5
EPS (Reported) (RMB)	2.72	3.67	4.53	4.96	5.72
YoY growth (%)	(1.8)	34.8	23.5	9.5	15.5
P/E (x)	23.4	17.4	14.1	12.9	11.1
P/B (x)	5.0	4.2	3.6	3.0	2.6
Yield (%)	1.8	2.9	2.8	3.5	4.0
ROE (%)	26.0	30.0	31.6	29.4	29.1
Net gearing (%)	43.5	60.6	67.5	72.5	76.4

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>HK\$101.38</b>
(Previous TP)	HK\$101.73)
<b>Up/Downside</b>	<b>42.1%</b>
<b>Current Price</b>	<b>HK\$71.35</b>

### China Consumer Discretionary

#### Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

#### Stock Data

Mkt Cap (HK\$ mn)	192,882.5
Avg 3 mths t/o (HK\$ mn)	557.1
52w High/Low (HK\$)	94.25/64.15
Total Issued Shares (mn)	2703.3

Source: FactSet

#### Shareholding Structure

Mr. Ding Shi zhong & Family	52.2%
The Vanguard Group	1.7%

Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	-18.2%	-14.3%
3-mth	-19.2%	-22.9%
6-mth	2.5%	-5.1%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

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- 2Q24E retail sales growth roughly inline.** In 2Q24, Anta's retail sales growth was at HSD, inline with CMBI est. and mildly accelerated from MSD in 1Q24, thanks to: 1) successful new product launches, 2) improved brand equity by more effective marketing, and 3) decent e-commerce sales growth. On the other hand, FILA's retail sales growth was at MSD in 2Q24, slightly below CMBI est. of HSD and the HSD in 1Q24. We attributed this slowdown to: 1) weak macro environment and consumption trade down and 2) sluggish growth from FILA kids and Fusion. In terms of channel performance, offline sales growth for both brands should still be positive, even though part of the growth should be driven by decent outlet store sales. From the management perspective, the execution rate for both brands in 2Q24 are close to 100%. Other brands' retail sales growth in 2Q24 was at 40% to 45%, slightly better than expected and also accelerated from the 25% to 20% growth in 1Q24.
- Retail discounts was slightly better-than-expected as the inventory level stayed at a fairly healthy level.** Inventory to sales ratio for Anta/ FILA was below 5 months in 2Q24, which is the same as that in 1Q24. Therefore, the retail discounts for Anta (stable YoY for offline while improved by 1-2ppt YoY for online channel) and FILA (remained the same YoY for both offline and online channel) were all very decent. This is somewhat better than CMBI est. as we previously thought the price war was rather intense on the online channel. The retail discounts for Kolon and Descente for the online channel also improved by 6ppt to 7ppt YoY, which is rather impressively in our view.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	70,222	78,932	87,725	71,378	80,503	89,372	-1.6%	-2.0%	-1.8%
Gross profit	44,254	50,034	55,709	44,833	50,795	56,479	-1.3%	-1.5%	-1.4%
EBIT	17,512	18,864	21,675	17,307	18,980	21,863	1.2%	-0.6%	-0.9%
Net profit att.	12,637	13,838	15,984	12,680	14,127	16,358	-0.3%	-2.0%	-2.3%
Diluted EPS (RMB)	4.526	4.956	5.725	4.541	5.060	5.859	-0.3%	-2.0%	-2.3%
Gross margin	63.0%	63.4%	63.5%	62.8%	63.1%	63.2%	0.2ppt	0.3ppt	0.3ppt
EBIT margin	24.9%	23.9%	24.7%	24.2%	23.6%	24.5%	0.7ppt	0.3ppt	0.2ppt
Net profit att. margin	18.0%	17.5%	18.2%	17.8%	17.5%	18.3%	0.2ppt	0ppt	-0.1ppt

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	70,222	78,932	87,725	70,704	79,643	88,897	-0.7%	-0.9%	-1.3%
Gross profit	44,254	50,034	55,709	44,457	50,328	56,451	-0.5%	-0.6%	-1.3%
EBIT	17,512	18,864	21,675	17,045	19,160	21,686	2.7%	-1.5%	0.0%
Net profit att.	12,637	13,838	15,984	12,903	14,132	16,131	-2.1%	-2.1%	-0.9%
Diluted EPS (RMB)	4.526	4.956	5.725	4.547	4.993	5.694	-0.5%	-0.7%	0.5%
Gross margin	63.0%	63.4%	63.5%	62.9%	63.2%	63.5%	0.1ppt	0.2ppt	0ppt
EBIT margin	24.9%	23.9%	24.7%	24.1%	24.1%	24.4%	0.8ppt	-0.2ppt	0.3ppt
Net profit att. margin	18.0%	17.5%	18.2%	18.2%	17.7%	18.1%	-0.3ppt	-0.2ppt	0.1ppt

Source: Bloomberg, CMBIGM estimates

## Operating numbers

### Figure 3: 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%	7%	-5%	-3%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	5%	5%	5%
<b>Anta brand's SSSG</b>																
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	+ve HSD	12%	15%
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	+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	-ve LSD		
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%	20%-25%		
<b>FILA brand's retail sales</b>																
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	+ve MSD	10%	15%
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	+ve HSD		
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	-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	+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%	20%		
<b>Other brands</b>																
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%	40%-45%		
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%	35%-40%		
Kolon	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%		
<b>Li Ning group's SSSG</b>																
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%			
<b>Li Ning group's retail sales</b>																
Li Ning group's retail sales	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve High 30%	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	7%	3%	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%			
<b>Xtep brand's SSSG</b>																
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	7%	10%	16%
<b>361 Degree brand's SSSG</b>																
361 Degree brand's offli	+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	10%	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%			
<b>Pou Sheng's SSSG</b>																
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%	0%	4%
<b>Topsports' retail sales</b>																
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	+ve LSD	-ve MSD	-3%	0%
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 sale	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	Mid 40% to 50%	-ve Low 10% 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)

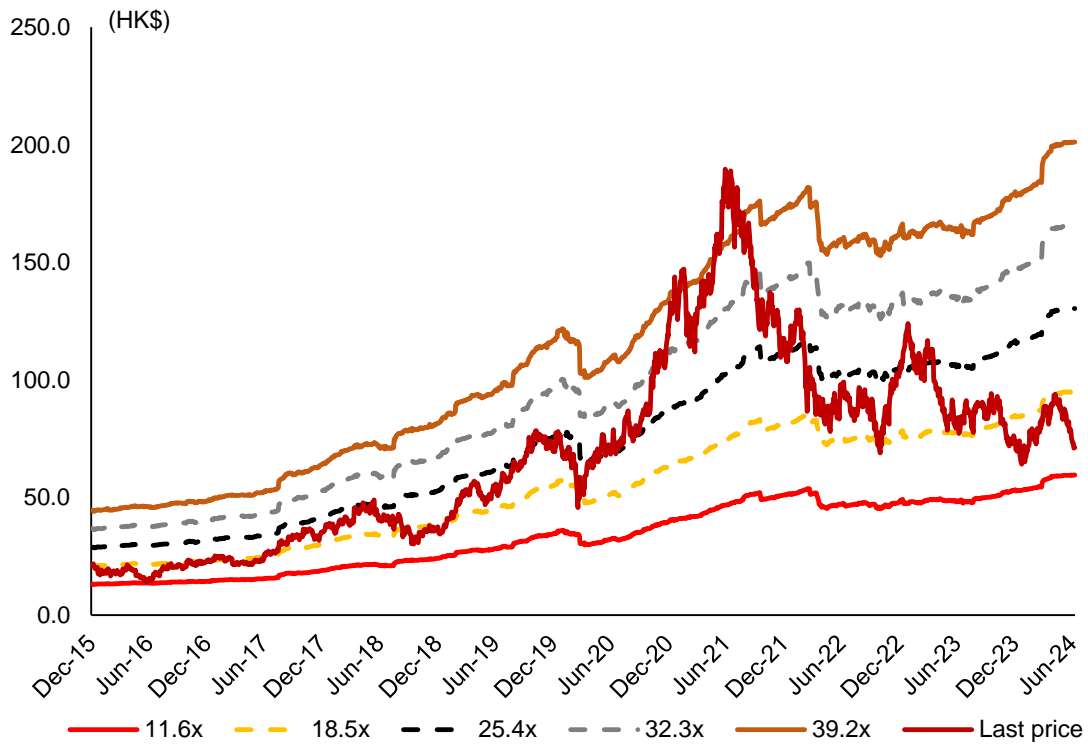
## Valuation

Figure 4: 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 (%)	YTD perf.	
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E	
<b>H share Sportswear</b>															
Anta Sports	2020 HK	BUY	101.38	71.35	42%	202,108	Dec-23	14.1	12.9	2.7	23.8	0.9	3.5	(5.8)	
Li Ning Co	2331 HK	BUY	22.17	15.50	43%	40,059	Dec-23	10.8	9.5	1.3	13.1	1.0	4.0	(25.0)	
Xtep Intl	1368 HK	BUY	7.63	4.60	66%	12,165	Dec-23	9.4	8.1	1.0	12.0	0.7	5.4	4.3	
361 Degrees Intl	1361 HK	BUY	6.25	3.83	63%	7,919	Dec-23	6.4	5.5	0.6	11.3	0.5	4.5	10.4	
Topsports Intl	6110 HK	BUY	6.78	3.75	81%	23,255	Feb-24	8.9	8.1	2.0	22.5	1.0	10.1	(38.3)	
Pou Sheng Intl	3813 HK	NR	n/a	0.61	n/a	3,249	Dec-23	4.7	3.8	n/a	5.9	0.2	7.0	(10.3)	
China DX	3818 HK	NR	n/a	0.31	n/a	1,825	Mar-24	n/a	18.0	0.2	(6.8)	0.0	6.9	8.8	
								<b>Avg.</b>	<b>9.1</b>	<b>9.4</b>	<b>1.3</b>	<b>11.7</b>	<b>0.6</b>	<b>5.9</b>	<b>(8.0)</b>
								<b>Med.</b>	<b>9.2</b>	<b>8.1</b>	<b>1.2</b>	<b>12.0</b>	<b>0.7</b>	<b>5.4</b>	<b>(5.8)</b>
<b>International Sportswear</b>															
Nike	NKE US	NR	n/a	73.64	n/a	867,979	May-24	22.5	19.7	7.5	40.1	6.2	2.1	(32.2)	
Adidas	ADS GY	NR	n/a	218.80	n/a	333,158	Dec-23	70.4	31.3	6.5	2.8	(0.2)	0.5	18.8	
Puma	PUM GY	NR	n/a	42.86	n/a	54,683	Dec-23	18.1	14.2	2.1	10.2	0.9	2.0	(15.2)	
Under Armour	UAA US	NR	n/a	6.80	n/a	22,832	Mar-24	33.3	19.5	1.3	11.3	(47.9)	0.0	(22.7)	
Lululemon	LULU US	NR	n/a	295.88	n/a	288,866	Jan-24	20.7	18.7	5.5	41.9	1.6	0.0	(42.1)	
Skechers	SKX US	NR	n/a	67.38	n/a	80,256	Dec-23	16.3	14.0	1.9	15.1	0.9	0.0	8.1	
On Holding	ONON US	NR	n/a	37.80	n/a	94,106	Dec-23	41.4	37.0	6.0	11.5	0.7	n/a	40.1	
Deckers	DECK US	NR	n/a	945.46	n/a	187,873	Mar-24	30.6	26.6	8.0	39.2	2.8	0.0	41.4	
Vf Corp	VFC US	NR	n/a	13.39	n/a	40,669	Mar-24	18.2	12.3	2.4	(42.4)	(0.1)	2.7	(28.8)	
Columbia	COLM US	NR	n/a	79.35	n/a	36,641	Dec-23	20.4	18.2	2.1	12.8	3.6	1.5	(0.2)	
Wolverine	WWW US	NR	n/a	13.05	n/a	8,143	Dec-23	16.3	10.7	2.5	(25.4)	(0.1)	3.3	46.7	
Mizuno Corp	8022 JP	NR	n/a	7500.00	n/a	9,686	Mar-24	12.8	12.0	1.2	10.8	4.2	1.7	90.8	
Asics Corp	7936 JP	NR	n/a	2521.50	n/a	93,050	Dec-23	41.8	37.1	4.7	22.5	3.4	1.0	128.3	
								<b>Avg.</b>	<b>27.9</b>	<b>20.9</b>	<b>4.0</b>	<b>11.6</b>	<b>(1.8)</b>	<b>1.2</b>	<b>17.9</b>
								<b>Med.</b>	<b>20.7</b>	<b>18.7</b>	<b>2.5</b>	<b>11.5</b>	<b>0.9</b>	<b>1.2</b>	<b>8.1</b>

Source: Bloomberg, CMBIGM estimates

**Figure 5: Forward 12M P/E valuation band**



Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 6: Major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by segment growth (%)</b>					
Shoes	17.4%	12.7%	11.0%	11.0%	9.0%
Apparels	3.1%	18.8%	13.8%	13.4%	12.6%
Accessories	6.4%	18.1%	12.0%	12.0%	12.0%
Total	8.8%	16.2%	12.6%	12.4%	11.1%
<b>Sales by brand growth (%)</b>					
Anta	14.1%	12.7%	7.0%	9.0%	9.0%
Anta Kids	15.0%	14.0%	3.0%	11.0%	10.0%
FILA	-1.4%	16.6%	10.0%	10.0%	9.0%
Descente & Others	26.1%	57.7%	30.0%	25.0%	20.0%
E-commerce	17.7%	2.6%	20.0%	14.0%	12.0%
Total	8.8%	16.2%	12.6%	12.4%	11.1%
<b>Sales network</b>					
Anta	6,924	7,053	7,153	7,203	7,253
Anta Kids	2,679	2,778	2,853	2,903	2,953
FILA	1,984	1,972	2,147	2,197	2,247
Descente & Others	477	476	531	571	611
Total	12,064	12,279	12,684	12,874	13,064
<b>GP margins</b>					
Anta	53.6%	54.9%	55.2%	55.3%	55.3%
FILA	66.4%	69.0%	69.0%	69.0%	69.0%
Others	71.8%	72.9%	74.0%	75.0%	75.0%
Total	60.2%	62.6%	63.0%	63.4%	63.5%
<b>Opex breakdown</b>					
A&P expenses / sales	10.3%	8.2%	11.8%	11.5%	11.3%
Labour costs / sales	15.1%	14.9%	14.9%	14.8%	14.7%
R &D expenses / sales	6.0%	6.9%	6.3%	6.0%	6.0%
Rental expenses/ sales	11.5%	11.0%	10.7%	10.4%	10.2%
Selling & distribution costs / sales	36.6%	34.8%	37.2%	36.5%	35.9%
Admin expenses / sales	6.7%	5.9%	6.1%	5.9%	5.8%
<b>OP margin</b>					
Anta	21.7%	21.7%	22.5%	21.0%	22.4%
FILA	20.0%	27.6%	27.0%	26.0%	26.3%
Others	20.6%	27.1%	27.0%	27.0%	27.3%
Total	20.9%	24.6%	24.8%	23.8%	24.6%
Effective tax rate	27.4%	27.9%	26.0%	26.0%	26.0%
<b>NP att. margin</b>	<b>14.1%</b>	<b>16.4%</b>	<b>18.0%</b>	<b>17.5%</b>	<b>18.2%</b>
<b>NP att. growth</b>	<b>-1.7%</b>	<b>34.8%</b>	<b>23.5%</b>	<b>9.5%</b>	<b>15.5%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>49,328</b>	<b>53,651</b>	<b>62,356</b>	<b>70,222</b>	<b>78,932</b>	<b>87,725</b>
Cost of goods sold	(18,924)	(21,333)	(23,328)	(25,968)	(28,898)	(32,016)
<b>Gross profit</b>	<b>30,404</b>	<b>32,318</b>	<b>39,028</b>	<b>44,254</b>	<b>50,034</b>	<b>55,709</b>
<b>Operating expenses</b>	<b>(20,681)</b>	<b>(23,216)</b>	<b>(25,366)</b>	<b>(30,408)</b>	<b>(33,459)</b>	<b>(36,578)</b>
Selling expense	(17,753)	(19,629)	(21,673)	(26,304)	(29,007)	(31,782)
Admin expense	(1,812)	(2,308)	(2,079)	(2,289)	(2,421)	(2,550)
R&D expense	(1,116)	(1,279)	(1,614)	(1,816)	(2,031)	(2,245)
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>11,372</b>	<b>11,229</b>	<b>15,409</b>	<b>17,512</b>	<b>18,864</b>	<b>21,675</b>
Other income	1,649	2,127	1,747	3,666	2,289	2,544
Share of (losses)/profits of associates/JV	(81)	28	(718)	421	553	614
<b>EBITDA</b>	<b>11,944</b>	<b>12,212</b>	<b>16,016</b>	<b>18,101</b>	<b>19,337</b>	<b>22,027</b>
Depreciation	(443)	(860)	(353)	(341)	(325)	(311)
Other amortisation	(129)	(123)	(254)	(248)	(147)	(41)
Interest income	392	609	1,470	1,653	1,978	2,334
Interest expense	(443)	(511)	(521)	(572)	(572)	(572)
Other income/expense	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>11,240</b>	<b>11,355</b>	<b>15,640</b>	<b>19,014</b>	<b>20,823</b>	<b>24,051</b>
Income tax	(3,021)	(3,110)	(4,363)	(4,944)	(5,414)	(6,253)
Minority interest	(499)	(655)	(1,043)	(1,434)	(1,570)	(1,814)
<b>Net profit</b>	<b>8,219</b>	<b>8,245</b>	<b>11,277</b>	<b>14,071</b>	<b>15,409</b>	<b>17,979</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>39,902</b>	<b>42,596</b>	<b>51,798</b>	<b>61,293</b>	<b>71,501</b>	<b>82,801</b>
Cash & equivalents	17,592	17,378	27,099	34,948	43,331	52,740
Account receivables	6,914	5,800	6,741	7,591	8,533	9,484
Inventories	7,644	8,490	7,030	7,826	8,709	9,649
Prepayment	0	0	0	0	0	0
ST bank deposits	6,989	10,310	10,310	10,310	10,310	10,310
Other current assets	763	618	618	618	618	618
<b>Non-current assets</b>	<b>22,766</b>	<b>26,599</b>	<b>26,022</b>	<b>26,696</b>	<b>27,724</b>	<b>29,039</b>
PP&E	2,853	3,716	4,111	4,613	5,235	5,976
Investment in JVs & assos	9,027	9,343	8,625	9,046	9,599	10,213
Intangibles	1,531	1,480	1,244	1,014	886	863
Other non-current assets	9,355	12,060	12,041	12,023	12,004	11,986
<b>Total assets</b>	<b>62,668</b>	<b>69,195</b>	<b>77,820</b>	<b>87,990</b>	<b>99,224</b>	<b>111,839</b>
<b>Current liabilities</b>	<b>15,943</b>	<b>26,207</b>	<b>27,470</b>	<b>28,719</b>	<b>30,103</b>	<b>31,521</b>
Short-term borrowings	1,748	12,198	12,198	12,198	12,198	12,198
Account payables	3,146	2,750	3,007	3,347	3,725	4,127
Tax payable	1,816	2,169	2,169	2,169	2,169	2,169
Other current liabilities	9,233	9,090	10,096	11,004	12,011	13,026
<b>Non-current liabilities</b>	<b>15,062</b>	<b>5,149</b>	<b>5,149</b>	<b>5,149</b>	<b>5,149</b>	<b>5,149</b>
Long-term borrowings	11,425	492	492	492	492	492
Other non-current liabilities	3,637	4,657	4,657	4,657	4,657	4,657
<b>Total liabilities</b>	<b>31,005</b>	<b>31,356</b>	<b>32,619</b>	<b>33,868</b>	<b>35,252</b>	<b>36,670</b>
Share capital	261	262	262	262	262	262
Retained earnings	22,663	26,963	30,264	37,804	45,443	54,268
Other reserves	5,999	7,175	10,193	10,140	10,781	11,339
<b>Total shareholders equity</b>	<b>28,923</b>	<b>34,400</b>	<b>40,719</b>	<b>48,206</b>	<b>56,486</b>	<b>65,869</b>
Minority interest	2,740	3,439	4,482	5,916	7,486	9,300
<b>Total equity and liabilities</b>	<b>62,668</b>	<b>69,195</b>	<b>77,820</b>	<b>87,990</b>	<b>99,224</b>	<b>111,839</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>11,240</b>	<b>11,355</b>	<b>15,640</b>	<b>19,014</b>	<b>20,823</b>	<b>24,051</b>
Depreciation & amortization	572	983	607	590	472	352
Tax paid	(2,677)	(3,046)	(4,363)	(4,944)	(5,414)	(6,253)
Change in working capital	(282)	(1,104)	1,781	(397)	(441)	(473)
Others	3,008	3,959	1,239	151	20	(42)
<b>Net cash from operations</b>	<b>11,861</b>	<b>12,147</b>	<b>14,905</b>	<b>14,414</b>	<b>15,460</b>	<b>17,635</b>
<b>Investing</b>						
Capital expenditure	(1,360)	(1,621)	(748)	(843)	(947)	(1,053)
Acquisition of subsidiaries/ investments	(94)	(115)	0	0	0	0
Others	(3,215)	(3,038)	0	0	0	0
<b>Net cash from investing</b>	<b>(4,669)</b>	<b>(4,774)</b>	<b>(748)</b>	<b>(843)</b>	<b>(947)</b>	<b>(1,053)</b>
<b>Financing</b>						
Dividend paid	(2,456)	(3,950)	(3,915)	(5,150)	(5,558)	(6,601)
Net borrowings	(196)	(1,403)	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(2,295)	(2,488)	(521)	(572)	(572)	(572)
<b>Net cash from financing</b>	<b>(4,947)</b>	<b>(7,841)</b>	<b>(4,436)</b>	<b>(5,722)</b>	<b>(6,130)</b>	<b>(7,173)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	15,323	17,592	17,378	27,099	34,948	43,331
Exchange difference	24	254	0	0	0	0
Others	2,245	(468)	9,721	7,850	8,383	9,409
<b>Cash at the end of the year</b>	<b>17,592</b>	<b>17,378</b>	<b>27,099</b>	<b>34,948</b>	<b>43,331</b>	<b>52,740</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	38.9%	8.8%	16.2%	12.6%	12.4%	11.1%
Gross profit	47.2%	6.3%	20.8%	13.4%	13.1%	11.3%
Operating profit	28.8%	(1.3%)	37.2%	13.6%	7.7%	14.9%
EBITDA	28.2%	2.2%	31.2%	13.0%	6.8%	13.9%
Net profit	47.6%	0.3%	36.8%	24.8%	9.5%	15.5%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	61.6%	60.2%	62.6%	63.0%	63.4%	63.5%
Operating margin	23.1%	20.9%	24.7%	24.9%	23.9%	24.7%
EBITDA margin	24.2%	22.8%	25.7%	25.8%	24.5%	25.1%
Return on equity (ROE)	31.1%	26.0%	30.0%	31.6%	29.4%	29.1%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.4	0.4	0.6	0.7	0.7	0.8
Current ratio (x)	2.5	1.6	1.9	2.1	2.4	2.6
Receivable turnover days	51.2	39.5	39.5	39.5	39.5	39.5
Inventory turnover days	147.4	145.3	110.0	110.0	110.0	110.0
Payable turnover days	60.7	47.1	47.1	47.1	47.1	47.1
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	21.0	23.4	17.4	14.1	12.9	11.1
P/E (diluted)	21.0	23.4	17.4	14.1	12.9	11.1
P/B	5.4	5.0	4.2	3.6	3.0	2.6
P/CFPS	15.6	15.3	12.4	12.9	12.0	10.5
Div yield (%)	2.0	1.8	2.9	2.8	3.5	4.0
EV	181,501.5	177,909.5	168,189.0	160,339.4	151,956.7	142,547.4
EV/Sales	3.7	3.3	2.7	2.3	1.9	1.6
EV/EBITDA	15.2	14.6	10.5	8.9	7.9	6.5

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



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## CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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