

Topsports (6110 HK)

Grim outlook but dividend is attractive

What is new? Topsports reported a profit warning for 1H25E (ending Aug 2024). The Company is now expecting an around 35% YoY net profit drop in 1H25E (vs RMB 1.3bn in 1H24), due to: 1) worse-than-expected offline traffic, hence a meaningful SSS drop and significant operating leverage and 2) decline in GP margin as a result of higher retail discounts and greater sales contribution from the lower margin e-commerce business.

■ **Our view: the miss is mostly about operating leverage and outlook is still gloomy, but the dividend is attractive after share price drop.**

- 1) The market has certain expectations but the actual magnitude is much worse, after the MSD drop of Topsports' retail sales in 1Q25 (Mar-May 2024), in our view. Investors are all foreseeing an at least MSD or HSD drop for 2Q25E (Jun-Aug 2024) but the actual operating leverage was just more than awful (far worse than Pou Sheng, as its net profit was still growing by 10% even under a 9% drop in sales in 1H24),
- 2) The outlook is still highly cautious which is negative to Topsports as well as many players in the sportswear industry, in our view. Management is not seeing any signs of improvement in the coming quarter (or even the entire 2H25E (Sep 2024-Feb 2025), which is based on the depressing macro environment and drags from certain brands (Nike is under a transition, and both of its old and new products are not selling well during the Paris Olympics). In view of this, we are expecting a similar drop in retail sales and GP margin contraction (there could be some rebates and support from the principal brands but may not be able to offset the drags from deeper retail discounts), and a 30%+ net profit decline in 2H25E is still very likely, after reporting 35% net profit in 1H25 (opex control may slightly improve in 2H25E, but not critical).
- 3) The Company is going to close more stores, in order to cut costs and curb operating leverage in FY25E, but this will likely translate into a cut in potential sales and net profit growth in FY26E and onwards,
- 4) The management has not much intention to maintain the absolute amount of dividend vs FY24, but will maintain the around 100% payout ratio. We think the chance of share buyback is low.

■ **Maintain BUY but cut TP to HK\$ 2.89.** The new TP is based on 11x FY2/25E P/E (cut from 15x, to factor in the slowdown in growth and industry de-rating). We have revised down our forecasts on net profit in FY25E/ 26E/ 27E by 42%/ 38%/ 35%, in order to factor in: 1) slowdown in industry and Nike related sales growth, 2) greater-than-expected drop in GP margin (higher retail discounts and sales mix from e-commerce), 3) worse-than-expected operating leverage. We are still worried about the outlook and see no signs of turnaround, but maintain the BUY rating due to its attractive FY25E yield of 11%+, especially after the recent share price correction.

Earnings Summary

(YE 28 Feb)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,073	28,933	26,936	27,925	30,125
YoY growth (%)	(15.1)	6.9	(6.9)	3.7	7.9
Operating profit (RMB mn)	2,430.9	2,786.5	1,910.2	2,275.5	2,666.5
Net profit (RMB mn)	1,836.6	2,213.0	1,468.8	1,753.3	2,056.6
EPS (Reported) (RMB)	0.30	0.36	0.24	0.28	0.33
YoY growth (%)	(24.9)	20.5	(33.6)	19.4	17.3
P/E (x)	6.9	5.7	8.6	7.2	6.1
P/B (x)	1.3	1.3	1.3	1.3	1.2
Yield (%)	16.2	17.7	11.6	11.8	13.9
ROE (%)	18.0	22.5	15.3	18.4	20.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$2.89
(Previous TP)	HK\$6.78
Up/Downside	29.4%
Current Price	HK\$2.23

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	13,828.7
Avg 3 mths t/o (HK\$ mn)	54.6
52w High/Low (HK\$)	6.74/2.23
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

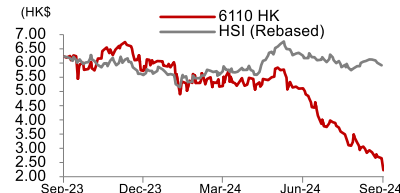
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-34.0%	-34.1%
3-mth	-56.4%	-53.6%
6-mth	-57.0%	-58.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Implications to foreign brands and domestic brands.** For Nike, we do think this is negative, because: 1) it is pointing to a worsening trend in China (which is a miss to their 2Q25E and FY25E guidance), 2) it will also lead to weaker wholesale business growth (this is another miss for Nike). For domestic sportswear brands like Anta and Li Ning, we think that is also negative, as we can expect a more promotional environment going into 2H24E (more retail discounts and price wars) across all channels.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	26,936	27,925	30,125	31,072	33,648	36,240	-13.3%	-17.0%	-16.9%
Gross profit	10,702	11,272	12,197	13,042	14,163	15,303	-17.9%	-20.4%	-20.3%
EBIT	1,910	2,275	2,666	3,167	3,551	3,971	-39.7%	-35.9%	-32.8%
Net profit att.	1,469	1,753	2,057	2,532	2,840	3,177	-42.0%	-38.3%	-35.3%
Diluted EPS (RMB)	0.237	0.283	0.332	0.408	0.458	0.512	-42.0%	-38.3%	-35.3%
Gross margin	39.7%	40.4%	40.5%	42.0%	42.1%	42.2%	-2.2ppt	-1.7ppt	-1.7ppt
EBIT margin	7.1%	8.1%	8.9%	10.2%	10.6%	11.0%	-3.1ppt	-2.4ppt	-2.1ppt
Net profit att. margin	5.5%	6.3%	6.8%	8.1%	8.4%	8.8%	-2.7ppt	-2.2ppt	-1.9ppt

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	26,936	27,925	30,125	28,684	30,196	32,193	-6.1%	-7.5%	-6.4%
Gross profit	10,702	11,272	12,197	11,957	12,650	13,497	-10.5%	-10.9%	-9.6%
EBIT	1,910	2,275	2,666	2,714	3,039	3,279	-29.6%	-25.1%	-18.7%
Net profit att.	1,469	1,753	2,057	2,048	2,243	2,722	-28.3%	-21.8%	-24.4%
Diluted EPS (RMB)	0.237	0.283	0.332	0.330	0.359	0.399	-28.2%	-21.1%	-16.9%
Gross margin	39.7%	40.4%	40.5%	41.7%	41.9%	41.9%	-2ppt	-1.5ppt	-1.4ppt
EBIT margin	7.1%	8.1%	8.9%	9.5%	10.1%	10.2%	-2.4ppt	-1.9ppt	-1.3ppt
Net profit att. margin	5.5%	6.3%	6.8%	7.1%	7.4%	8.5%	-1.7ppt	-1.1ppt	-1.6ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results preview – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25E	2H25E	1H24 YoY	2H24 YoY	1H25 E YoY	2H25 E YoY
Revenue	14,177	14,757	13,293	13,643	7%	7%	-6%	-8%
COGS	-7,836	-9,017	-7,577	-8,657				
Gross profit	6,341	5,740	5,716	4,986	5%	9%	-10%	-13%
GP margins	44.7%	38.9%	43.0%	36.5%				
Other income & gains	48	129	40	125				
S & D expenses	-4,110	-4,246	-3,988	-3,829	0%	7%	-3%	-10%
S & D exp / sales	-29.0%	-28.8%	-30.0%	-28.1%				
Admin expenses	-553	-563	-598	-542	-4%	7%	8%	-4%
Admin exp / sales	-3.9%	-3.8%	-4.5%	-4.0%				
Other opex	0	0	0	0				
Operating profit (EBIT)	1,726	1,061	1,170	740	9%	25%	-32%	-30%
OP margins	12.2%	7.2%	8.8%	5.4%				
Other items	0	0	0	0				
Net finance income	-18	-9	-13	9				
Net fin. income / sales	-0.1%	-0.1%	-0.1%	0.1%				
Profit after financing costs	1,708	1,052	1,156	749				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	1,708	1,052	1,156	749	13%	31%	-32%	-29%
Tax	-371	-177	-289	-149				
Tax / sales	-2.6%	-1.2%	-2.2%	-1.1%				
Effective tax rate	-21.7%	-16.8%	-25.0%	-19.9%				
Minority interests	0	0	0	0				
Net profit att.	1,337	875	867	600	17%	27%	-35%	-31%
NP margins	9.4%	5.9%	6.5%	4.4%				

Source: Company data, CMBIGM estimates

Figure 4: Results preview - full year

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY25E YoY	FY26E YoY
Revenue	28,933	26,936	27,925	-7%	4%
COGS	-16,852	-16,233	-16,652		
Gross profit	12,081	10,702	11,272	-11%	5%
GP margins	41.8%	39.7%	40.4%		
Other income & gains	177	165	171		
S & D expenses	-8,356	-7,817	-8,008	-6%	2%
S & D exp / sales	-28.9%	-29.0%	-28.7%		
Admin expenses	-1,115	-1,140	-1,159	2%	2%
Admin exp / sales	-3.9%	-4.2%	-4.2%		
Other opex	0	0	0		
Operating profit (EBIT)	2,787	1,910	2,275	-31%	19%
OP margins	9.6%	7.1%	8.1%		
Other items	0	0	0		
Net finance income	-27	-5	-1		
Net fin. income / sales	-0.1%	0.0%	0.0%		
Profit after financing costs	2,759	1,905	2,275		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	2,759	1,905	2,275	-31%	19%
Tax	-548	-438	-523		
Tax / sales	-1.9%	-1.6%	-1.9%		
Effective tax rate	-19.9%	-23.0%	-23.0%		
Minority interests	0	0	0		
Net profit att.	2,211	1,467	1,752	-34%	19%
NP margins	7.6%	5.4%	6.3%		

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	2Q24	3Q24E	4Q24E
Nike China sales	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-5%	-5%
Adidas China sales	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	11%	13%
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	+ve HSD	9%	14%
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%		
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	+ve MSD	6%	8%
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%		
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%	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%		
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	-ve HSD		
Direct retail	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 30%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD	-ve MSD		
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	-ve High-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%	+ve Low-teens		
Li Ning group's retail sales																
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	-ve LSD	-4%	3%
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	Flat		
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	-ve HSD		
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%	+ve HSD		
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	10%	8%	9%
361 Degree brand's SSSG																
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	10.0%	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%	+ve Mid-teens		
E- Commerce				35%-40%	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%		
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%	-11%	-9%	-4%
Topsports' retail sales																
Topsports' retail sales			-ve 20%-25%	-ve High-teens	-ve High-teens	-ve High-teens	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low-teens	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-7%	-7%
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-teens	-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	-ve MSD		
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 Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low 10% to 20%	-ve LSD to MSD			
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	23,449	24,507	26,567
Wholesale operations	5,220	4,158	4,022	3,334	3,263	3,393
Concessionaire fee income	236	175	170	152	155	165
Total	31,877	27,073	28,933	26,936	27,925	30,125
Sales by segment growth (%)						
Retail operations	-14%	-14%	9%	-5%	5%	8%
Wholesale operations	5%	-20%	-3%	-17%	-2%	4%
Concessionaire fee income	-2%	-26%	-3%	-10%	1%	7%
Total	-11%	-15%	7%	-7%	4%	8%
Number of stores						
Total sales area (sq m)	1,683	1,568	1,556	1,538	1,553	1,616
Growth (%)	5%	-7%	-1%	-1%	1%	4%
Average store size (sq m)	219	239	253	259	266	272
Growth (%)	10%	9%	6%	2%	3%	2%
Retail sales (offline) per store						
	2.8	2.7	3.0	2.8	2.9	3.0
Growth (%)	-13%	-6%	13%	-7%	3%	5%
Retail sales (online)						
	4,491	5,117	6,185	6,804	7,620	8,535
Growth (%)	-1%	14%	21%	10%	12%	12%
GP margins	43.4%	41.7%	41.8%	39.7%	40.4%	40.5%
Rental expenses/ sales	-13.9%	-13.2%	-13.5%	-14.2%	-14.1%	-13.8%
Staff costs/ sales	-10.9%	-10.7%	-10.1%	-9.7%	-9.5%	-9.3%
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%	-29.0%	-28.7%	-28.2%
G & A expenses/ sales	-4.1%	-4.1%	-3.9%	-4.2%	-4.2%	-4.1%
Effective tax rate	-26%	-21%	-20%	-23%	-23%	-23%
NP att. margin	8%	7%	8%	5%	6%	7%
NP att. growth (%)	-12%	-25%	20%	-34%	19%	17%

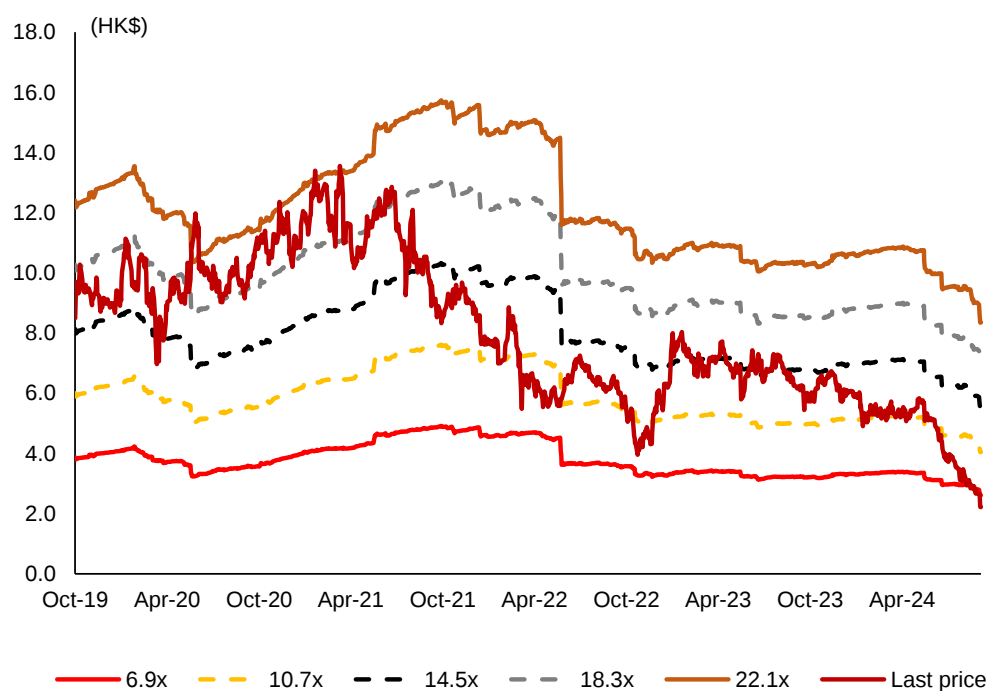
Source: Company data, CMBIGM estimates

Valuation

Figure 7: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%))
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Topsports	6110 HK	BUY	2.89	2.23	29%	13,829	Feb-24	8.5	7.1	1.2	22.5	(3.5)	14.4	(61.7)
Pou Sheng	3813 HK	NR	n/a	0.54	n/a	2,876	Dec-23	4.6	3.9	0.3	6.0	0.3	12.0	(17.6)
Anta Sports	2020 HK	BUY	97.05	70.40	38%	199,417	Dec-23	13.7	12.8	2.6	24.9	0.9	3.7	(7.1)
Li Ning	2331 HK	BUY	16.18	13.02	24%	33,650	Dec-23	9.5	8.6	1.1	11.8	1.2	4.8	(37.0)
Xtep	1368 HK	BUY	7.32	4.41	66%	11,662	Dec-23	8.7	7.7	1.0	12.3	0.6	5.8	9.9
361 Degrees	1361 HK	NR	5.15	3.28	57%	6,782	Dec-23	5.5	4.8	0.5	11.5	0.4	7.3	(5.5)
China DX	3818 HK	NR	n/a	0.28	n/a	1,619	Mar-24	n/a	15.7	0.2	(6.8)	0.0	8.0	(1.6)
Avg.								8.4	8.6	1.0	11.7	(0.0)	8.0	(17.2)
Med.								8.6	7.7	1.0	11.8	0.4	7.3	(7.1)
Global sportswear distributor														
Topsports	6110 HK	BUY	2.89	2.23	29%	13,829	Feb-24	8.5	7.1	1.2	22.5	(3.5)	14.4	(61.7)
Pou Sheng	3813 HK	NR	n/a	0.54	n/a	2,876	Dec-23	4.6	3.9	0.3	6.0	0.3	12.0	(17.6)
Foot Locker	FL US	NR	n/a	24.23	n/a	17,920	Feb-24	15.8	11.6	0.7	(11.9)	(0.1)	0.0	(22.2)
Jd Sports	JD/ LN	NR	n/a	139.80	n/a	73,681	Feb-24	10.8	9.3	1.9	23.6	0.5	0.7	(15.8)
Frasers Group	FRAS LN	NR	n/a	819.00	n/a	37,502	Apr-24	7.8	6.8	1.5	21.9	0.5	0.0	(10.0)
Dick's Sporting	DKS US	NR	n/a	208.28	n/a	132,216	Feb-24	14.9	14.0	4.7	40.8	2.0	2.1	41.7
Avg.								10.4	8.8	1.7	17.2	(0.1)	4.9	(14.3)
Med.								9.6	8.2	1.4	22.2	0.4	1.4	(16.7)
International sportswear														
Nike	NKE US	NR	n/a	78.40	n/a	916,571	May-24	25.3	22.0	8.2	40.1	12.2	1.9	(27.8)
Adidas	ADS GY	NR	n/a	212.80	n/a	328,893	Dec-23	60.9	28.9	6.2	4.9	(0.2)	0.6	15.6
Puma	PUM GY	NR	n/a	37.97	n/a	49,173	Dec-23	18.0	13.7	1.9	10.2	1.0	2.1	(24.8)
Under Armour	UAA US	NR	n/a	6.79	n/a	22,554	Mar-24	30.0	19.0	1.4	(4.4)	(12.8)	0.0	(22.8)
Lululemon	LULU US	NR	n/a	255.20	n/a	244,309	Jan-24	18.3	17.0	5.1	43.2	1.8	0.0	(50.1)
Skechers	SKX US	NR	n/a	65.62	n/a	78,112	Dec-23	15.7	13.2	1.8	14.4	0.8	0.0	5.3
Vf Corp	VFC US	NR	n/a	17.54	n/a	53,227	Mar-24	30.5	17.4	2.8	(57.0)	(0.2)	2.0	(6.7)
On	ONON US	NR	n/a	46.42	n/a	115,375	Dec-23	52.6	47.0	7.5	13.7	0.9	n/a	72.1
Decker	DECK US	NR	n/a	909.26	n/a	180,155	Mar-24	28.6	25.1	7.9	41.9	2.5	0.0	36.0
Columbia	COLM US	NR	n/a	80.72	n/a	36,853	Dec-23	20.9	18.4	2.2	12.3	3.6	1.5	1.5
Wolverine World	WWW US	NR	n/a	13.29	n/a	8,291	Dec-23	15.8	10.6	2.8	(27.2)	(0.1)	3.3	49.5
Mizuno	8022 JP	NR	n/a	9150.00	n/a	13,300	Mar-24	15.0	14.1	1.4	10.7	1.6	1.3	132.8
Asics	7936 JP	NR	n/a	2635.50	n/a	109,470	Dec-23	30.7	26.9	7.9	22.9	1.0	1.4	138.6
Avg.								27.9	21.0	4.4	9.7	0.9	1.2	24.6
Med.								25.3	18.4	2.8	12.3	1.0	1.4	5.3

Source: Bloomberg, Company data, CMBIGM estimates

Figure 8: Valuation – forward blended 12 months P/E band


Source: Bloomberg, 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	26,936	27,925	30,125
Cost of goods sold	(18,052)	(15,789)	(16,852)	(16,233)	(16,652)	(17,928)
Gross profit	13,824	11,284	12,081	10,702	11,272	12,197
Operating expenses	(10,732)	(9,153)	(9,471)	(8,957)	(9,168)	(9,715)
Selling expense	(9,439)	(8,052)	(8,356)	(7,817)	(8,008)	(8,485)
Admin expense	(1,293)	(1,101)	(1,115)	(1,140)	(1,159)	(1,229)
R&D expense	0	0	0	0	0	0
Operating profit	3,430	2,431	2,787	1,910	2,275	2,666
Other income	338	300	177	165	171	184
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	4,128	3,019	3,561	2,607	2,841	3,098
Depreciation	(667)	(609)	(758)	(680)	(549)	(422)
Other amortisation	(31)	21	(16)	(16)	(16)	(10)
Interest income	114	103	120	127	131	134
Interest expense	(218)	(211)	(147)	(131)	(131)	(131)
Net Interest income/(expense)	(104)	(109)	(27)	(5)	(1)	2
Other income/expense	0	0	0	0	0	0
Pre-tax profit	3,326	2,322	2,759	1,905	2,275	2,669
Income tax	(880)	(486)	(548)	(438)	(523)	(614)
After tax profit	2,447	1,837	2,211	1,467	1,752	2,055
Minority interest	0	0	2	2	2	2
Net profit	2,447	1,837	2,213	1,469	1,753	2,057

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Current assets	10,980	12,101	12,425	12,084	12,545	13,122
Cash & equivalents	1,753	2,357	2,775	2,816	3,049	2,993
Restricted cash	0	1,286	1,286	1,286	1,286	1,286
Account receivables	1,107	1,055	1,127	1,050	1,088	1,174
Inventories	6,686	6,247	6,002	5,782	5,931	6,385
Prepayment	1,435	1,136	1,214	1,130	1,171	1,264
Other current assets	0	20	20	20	20	20
Non-current assets	6,816	4,719	4,523	4,312	4,193	4,244
PP&E	1,009	733	554	359	257	317
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	16,395	16,739	17,366
Current liabilities	4,873	5,268	5,417	5,290	5,360	5,537
Short-term borrowings	518	1,545	1,545	1,545	1,545	1,545
Account payables	927	991	1,058	1,019	1,045	1,125
Tax payable	697	360	360	360	360	360
Other current liabilities	1,645	1,192	1,273	1,185	1,229	1,326
Lease liabilities	1,086	1,181	1,181	1,181	1,181	1,181
Non-current liabilities	2,342	1,719	1,717	1,716	1,714	1,712
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	1,716	1,714	1,712
Total liabilities	7,215	6,987	7,134	7,006	7,074	7,249
Share capital	0	0	0	0	0	0
Retained earnings	7,070	8,092	6,832	6,832	7,095	7,404
Other reserves	3,512	1,742	2,982	2,558	2,570	2,713
Total shareholders equity	10,582	9,834	9,814	9,390	9,665	10,117
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,582	9,834	9,814	9,390	9,665	10,117

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	3,326	2,322	2,759	1,905	2,275	2,669
Depreciation & amortization	698	588	775	696	565	431
Tax paid	(903)	(891)	(548)	(438)	(523)	(614)
Change in working capital	568	483	243	255	(159)	(456)
Others	2,000	1,848	147	131	131	131
Net cash from operations	5,690	4,351	3,376	2,550	2,289	2,162
Investing						
Capital expenditure	(668)	(357)	(579)	(485)	(447)	(482)
Acquisition of subsidiaries/ investments	(34)	0	0	0	0	0
Others	30	51	0	0	0	0
Net cash from investing	(671)	(306)	(579)	(485)	(447)	(482)
Financing						
Dividend paid	(1,550)	(2,667)	(2,233)	(1,893)	(1,478)	(1,605)
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)	(2,024)	(1,610)	(1,736)
Net change in cash						
Cash at the beginning of the year	1,229	1,753	2,357	2,775	2,816	3,049
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	1,753	2,357	2,775	2,816	3,049	2,993
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Revenue	(11.5%)	(15.1%)	6.9%	(6.9%)	3.7%	7.9%
Gross profit	(5.8%)	(18.4%)	7.1%	(11.4%)	5.3%	8.2%
Operating profit	(14.0%)	(29.1%)	14.6%	(31.4%)	19.1%	17.2%
EBITDA	(12.1%)	(26.9%)	17.9%	(26.8%)	9.0%	9.0%
Net profit	(11.7%)	(24.9%)	20.5%	(33.6%)	19.4%	17.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Gross profit margin	43.4%	41.7%	41.8%	39.7%	40.4%	40.5%
Operating margin	10.8%	9.0%	9.6%	7.1%	8.1%	8.9%
EBITDA margin	12.9%	11.2%	12.3%	9.7%	10.2%	10.3%
Return on equity (ROE)	24.1%	18.0%	22.5%	15.3%	18.4%	20.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Current ratio (x)	2.3	2.3	2.3	2.3	2.3	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	5.2	6.9	5.7	8.6	7.2	6.1
P/E (diluted)	5.2	6.9	5.7	8.6	7.2	6.1
P/B	1.2	1.3	1.3	1.3	1.3	1.2
P/CFPS	2.2	2.9	3.7	4.9	5.5	5.8
Div yield (%)	21.1	16.2	17.7	11.6	11.8	13.9

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

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