

Topsports (6110 HK)

Guidance kept; prioritizing profit over sales

1H26 (ending Aug 2025) results were slightly better than expected, thanks to resilient GP margin. Even though we are cautious about sales growth ahead in 2H26E, margin expansion is still likely given the strong support from principal brands and closure of many under-performing stores. Thanks to various positive signs out of Nike, we start to have more confidence on its turnaround (even it may take quite some time). Due to the 8% FY27E yield, we maintain BUY.

■ **Retail sales trend QTD in 3Q26E (ending Nov 2025) was similar to last quarter.** Retail sales dropped by HSD YoY in 2Q26 (Jun-Aug 2025), widened vs MSD drop back in 1Q26 (Mar-May 2025). According to management, the trend is kind of similar in Sep-Oct 2025, for both online and offline channels. Inventory level was still healthy (inventory days was at 150 days in 1H26 vs 148 days in 1H25, or dropped by 5% YoY on RMB terms in 1H26). But the retail discounts were still widening YoY in 2Q26 (even though the magnitude of increase has kind of narrowed QoQ).

■ **No change on the FY26E guidance, which we do find achievable.** Despite the profit drop in 1H26, management has reiterated the FY26E guidance of flattish net profit (vs FY25) and increase in NP margin (vs FY25). They are also confident on paying out around 100% of net profit as dividends. We believe sales could be still falling fast in 2H26E, given that: 1) sportswear industry demand is still subdued because of the macro uncertainty, 2) both the traffic and conversion rate are still under great pressure, 3) online marketplace is still highly competitive and promotional (which is bad for both Nike and Topsports as they prioritize margin over sales growth at the moment), and 4) store count has dropped a lot and it is still falling. But we are relatively confident about net profit as well as profitability, because: 1) GP margin could still be expanding, thanks to meaningful and continual support from the principal brands, as well as the low base for retail discounts (many promotions were done back in Oct 2024 for inventory clearance), 2) OP margin is likely to improve, since quite a few of the under-performing stores have already been closed in the past 12 to 18 months, 3) average sales per store have started to grow positively in 1H26 (including the new retail sales contribution) and therefore the operating leverage have stabilized.

■ **Maintain BUY but fine-tune TP to HK\$ 3.77, based on 15x FY27E P/E (rolled over from 16x FY26E P/E).** We have revised down FY26E/ 27E/ 28E net profit by 1%/ 8%/ 10%, in order to factor in: 1) weaker offline sales, 2) higher store closures, but 3) a better GP margin. On one hand, we are highly cautious on the sportswear sector in near term (due to potentially unfavorable weather, weak consumer sentiment, rising competition and a worsening landscape). On the other hand, there are already some positive signs about Nike's turnaround. Plus the healthy cash flow and generous payout ratio, and its FY26E/ 27E yield is still high at 7%/ 8%, we thus believe Topsports share price could still be resilient going forward.

Earnings Summary

(YE 28 Feb)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	28,933	27,013	25,176	25,612	26,606
YoY growth (%)	6.9	(6.6)	(6.8)	1.7	3.9
Operating profit (RMB mn)	2,786.5	1,592.7	1,632.8	1,833.0	2,022.1
Net profit (RMB mn)	2,213.0	1,286.0	1,295.3	1,460.2	1,608.7
EPS (Reported) (RMB)	0.36	0.21	0.21	0.24	0.26
YoY growth (%)	20.5	(41.9)	0.7	12.7	10.2
P/E (x)	8.4	14.5	14.4	12.7	11.6
P/B (x)	1.9	2.1	2.1	2.1	2.1
Yield (%)	12.0	9.3	7.0	7.9	8.7
ROE (%)	22.5	13.6	14.5	16.4	18.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$3.77
(Previous TP)	HK\$3.62
Up/Downside	15.4%
Current Price	HK\$3.27

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	20,278.0
Avg 3 mths t/o (HK\$ mn)	39.0
52w High/Low (HK\$)	3.96/2.29
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	2.2%	3.6%
3-mth	-0.9%	-2.8%
6-mth	8.6%	-9.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Recent Reports:

[JNBY Design \(3306 HK\) - Sales trend improved but guidance is prudent](#)
(10 Sep 25)

[Anta Sports \(2020 HK\) - Softer Anta and stronger others, as expected](#)
(28 Aug 25)

[Li Ning \(2331 HK\) - Still positive despite all margin drags in 2H25E](#)
(25 Aug 25)

[Xtep \(1368 HK\) - FY25E guidance unchanged after 1H25 beat](#)
(19 Aug 25)

[361 Degrees \(1361 HK\) - Guidance unchanged but we are concerned](#)
(15 Aug 25)

- **We have seen some positive signs out of Nike, but the reform is still on-going and could take more time.** We are encouraged to see Nike's new products getting better traction: 1) running shoes like Vomero Plus launched in Aug 2025 are very hot-selling, and the sell-through rate was as high as 60%, and 2) apparels like Milano Jacket and basketball shoes like the Kobe series are also very hot-selling. Noted that the running segment sales have already returned to positive in Jan-Sep 2025. Going forward, Nike is going to invest more in the outdoor segment and revamp many of its stores in China, which is all beneficial for Topsports (4 out of the 5 ACG stores in China were opened by Topsports and the store format will be re-designed to become more relevant to the consumers nowadays with a much lower Capex per store). Moreover, management also pointed out the trade fair orders growth (presumably Winter 2026 and Spring 2027) for Nike was only mildly negative, which is certainly an indication of improvement, in our view, given the large number of store closures. But since many of these reforms are at the very early stage, we tend to be cautious and would not expect a meaningful turnaround in the near future.
- **1H26 (ending Aug 2025) results were slightly better than expected.** For 1H26, Topsports' sales declined by 6% YoY to RMB 12.3bn, 2% higher than BBG est./ inline with CMBI est., while net profit dropped by 10% YoY to RMB 788mn, beating BBG est./ CMBI est. by 28%/ 10%, due to: 1) better-than-expected GP margin (at 41% vs BBG/ CMBI est. of 38%/ 40.5%) and 2) meaningful cost savings from more closures of the under-performing stores, even though there are quite some one-off impairment losses). Dividend payout ratio remained high at 102%. By channel, sales growth for direct-retail / wholesale was at -3%/ -20%. By segment, sales growth for principal brands/ other brands/ concessionaire fees was at -5%/ -12%/ -21%. By product type, running outperformed with a positive growth, basketball remained under pressure, while smaller segments like outdoor and tennis continued to grow rapidly.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	25,176	25,612	26,606	25,550	27,537	29,529	-1.5%	-7.0%	-9.9%
Gross profit	9,801	10,070	10,567	9,899	10,706	11,514	-1.0%	-5.9%	-8.2%
EBIT	1,633	1,833	2,022	1,659	1,995	2,281	-1.6%	-8.1%	-11.4%
Net profit att.	1,295	1,460	1,609	1,313	1,579	1,796	-1.4%	-7.5%	-10.4%
Diluted EPS (RMB)	0.209	0.235	0.259	0.212	0.255	0.290	-1.4%	-7.5%	-10.4%
Gross margin	38.9%	39.3%	39.7%	38.7%	38.9%	39.0%	0.2ppt	0.4ppt	0.7ppt
EBIT margin	6.5%	7.2%	7.6%	6.5%	7.2%	7.7%	0ppt	-0.1ppt	-0.1ppt
Net profit att. margin	5.1%	5.7%	6.0%	5.1%	5.7%	6.1%	0ppt	0ppt	0ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	25,176	25,612	26,606	26,191	27,293	28,531	-3.9%	-6.2%	-6.7%
Gross profit	9,801	10,070	10,567	10,106	10,716	11,323	-3.0%	-6.0%	-6.7%
EBIT	1,633	1,833	2,022	1,665	1,974	2,226	-1.9%	-7.1%	-9.2%
Net profit att.	1,295	1,460	1,609	1,303	1,538	1,721	-0.6%	-5.0%	-6.5%
Diluted EPS (RMB)	0.209	0.235	0.259	0.210	0.247	0.278	-0.8%	-4.8%	-6.7%
Gross margin	38.9%	39.3%	39.7%	38.6%	39.3%	39.7%	0.3ppt	0.1ppt	0ppt
EBIT margin	6.5%	7.2%	7.6%	6.4%	7.2%	7.8%	0.1ppt	-0.1ppt	-0.2ppt
Net profit att. margin	5.1%	5.7%	6.0%	5.0%	5.6%	6.0%	0.2ppt	0.1ppt	0ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H25	2H25	1H26	2H26E	1H25 YoY	2H25 YoY	1H26 YoY	2H26 E YoY	1H26E CMBIG M	Actual vs CMBIG M
Revenue	13,055	13,958	12,299	12,878	-8%	-5%	-6%	-8%	12,272	0%
COGS	-7,692	-8,937	-7,261	-8,114					-7,302	
Gross profit	5,362	5,021	5,037	4,764	-15%	-13%	-6%	-5%	4,970	1%
GP margins	41.1%	36.0%	41.0%	37.0%					40.5%	
Other income & gains	75	73	37	101					61	-39%
S & D expenses	-3,822	-4,122	-3,575	-3,728	-7%	-3%	-6%	-10%	-3,633	-2%
S & D exp / sales	-29.3%	-29.5%	-29.1%	-29.0%					-29.6%	
Admin expenses	-495	-501	-506	-498	-10%	-11%	2%	-1%	-491	3%
Admin exp / sales	-3.8%	-3.6%	-4.1%	-3.9%					-4.0%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	1,121	472	994	639	-35%	-56%	-11%	35%	908	9%
OP margins	8.6%	3.4%	8.1%	5.0%					7.4%	
Other items	0	0	0	0					0	
Net finance income	-13	-21	-9	-6					-12	-28%
Net fin. income / sales	-0.1%	-0.1%	-0.1%	0.0%					-0.1%	
Profit after financing costs	1,108	451	985	633					896	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,108	451	985	633	-35%	-57%	-11%	40%	896	10%
Tax	-235	-40	-197	-127					-179	
Tax / sales	-1.8%	-0.3%	-1.6%	-1.0%					-1.5%	
Effective tax rate	-21.2%	-8.9%	-20.0%	-20.0%					-20.0%	
Minority interests	0	0	0	0					0	
Net profit att.	874	411	788	506	-35%	-53%	-10%	23%	717	10%
NP margins	6.7%	2.9%	6.4%	3.9%					5.8%	

Source: Company data, CMBIGM estimates

Figure 4: Results preview - full year

Full yearly (RMB mn)	FY25	FY26E	FY27E	FY26E YoY	FY27E YoY
Revenue	27,013	25,176	25,612	-7%	2%
COGS	-16,630	-15,375	-15,542		
Gross profit	10,383	9,801	10,070	-6%	3%
GP margins	38.4%	38.9%	39.3%		
Other income & gains	149	138	141		
S & D expenses	-7,944	-7,304	-7,365	-8%	1%
S & D exp / sales	-29.4%	-29.0%	-28.8%		
Admin expenses	-996	-1,003	-1,012	1%	1%
Admin exp / sales	-3.7%	-4.0%	-4.0%		
Other opex	0	0	0		
Operating profit (EBIT)	1,593	1,633	1,833	3%	12%
OP margins	5.9%	6.5%	7.2%		
Other items	0	0	0		
Net finance income	-33	-15	-9		
Net fin. income / sales	-0.1%	-0.1%	0.0%		
Profit after financing costs	1,560	1,618	1,824		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	1,560	1,618	1,824	4%	13%
Tax	-275	-324	-365		
Tax / sales	-1.0%	-1.3%	-1.4%		
Effective tax rate	-17.6%	-20.0%	-20.0%		
Minority interests	0	0	0		
Net profit att.	1,285	1,294	1,459	1%	13%
NP margins	4.8%	5.1%	5.7%		

Source: Company data, CMBIGM estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-15%	-20%	-10%	2%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	13%	2%	6%	8%
Anta brand's SSSG																
Anta brand's retail sales	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve LSD	-1%	0%
Core brand	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	25%-30%	+ve LSD	+ve LSD	-ve LSD	+ve MSD				
Kids	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	+ve HSD				
Online	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	+ve High-teens	+ve Low-teens	+ve LSD		
FILA brand's retail sales																
FILA brand's retail sales	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	+ve HSD	+ve High-teens	+ve Low-teens	25%-30%	+ve HSD	+ve MSD	-ve LSD	+ve HSD	+ve HSD	+ve MSD	3%	3%
Classic/ Core brand	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD	+ve LSD				
Kids	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD	30%-35%	-ve LSD	-ve LSD	-ve Low-teens	Flat				
Fusion	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD	+ve Low-teens				
Online	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	+ve Mid-teens	Over 20%	+ve Low-teens		
Other brands																
Other brands	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%	40%-45%	45%-50%	50%-55%	65%-70%	50%-55%		
Descente	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%	35%-40%	45%-50%	60%	40%-45%		
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%	100%	70%-75%		
Li Ning group's SSSG																
Li Ning group's SSSG	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD	-ve HSD					
Direct retail	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD	-ve MSD	-ve MSD					
Wholesales	+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	-ve HSD					
E- Commerce	+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	+ve MSD					
Li Ning group's retail sales																
Li Ning group's retail sales	+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	-ve MSD	+ve HSD	+ve LSD	+ve LSD	-ve MSD	0%
Direct retail	+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	-ve MSD	-ve LSD	-ve LSD	-ve MSD	-ve MSD	
Wholesales	+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	-ve HSD	+ve MSD	+ve LSD	+ve LSD	-ve HSD	
E- Commerce	+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	+ve MSD	+ve Mid-teens	+ve Low-teens	+ve MSD	+ve HSD	
Xtep brand's SSSG																
Xtep brand's retail sales	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%-35%	+ve HSD	10%	+ve MSD	+ve HSD	+ve MSD	+ve LSD	+ve LSD	2%
Saucony's retail sales																
Saucony's retail sales											Over 50%	50.0%	Over 40%	Over 20%	Over 20%	
361 Degree brand's SSSG																
361 Degree brand's offli	+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%	10.0%	10.0%	10%-15%	10.0%	10.0%	
Kids	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	10%-15%	10%-15%	10%	10%	
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%	35%-40%	10%	20%	
Pou Sheng's SSSG																
Pou Sheng's SSSG	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%	-16%	-18%	-14%				
Pou Sheng's sales	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-11%	-3%	-5%	-12%	-6%	-5%
Topsports' retail sales																
Topsports' retail sales	-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	-ve Low-teens	-ve MSD	-ve MSD	-ve MSD	-ve HSD	-7%
Dong Xiang's SSSG																
Dong Xiang's SSSG	-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	-ve HSD	-ve HSD				
Dong Xiang's retail sale																
Dong Xiang's retail sale	-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%	-ve LSD to MSD	-ve Low 10% to 20%	-ve MSD	-ve MSD to HSD			

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	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Sales by segment (RMB mn)						
Retail operations	22,741	24,742	23,079	21,987	22,731	23,997
Wholesale operations	4,158	4,022	3,788	3,065	2,759	2,483
Concessionaire fee income	175	170	146	124	123	126
Total	27,073	28,933	27,013	25,176	25,612	26,606
Sales by segment growth (%)						
Retail operations	-14%	9%	-7%	-5%	3%	6%
Wholesale operations	-20%	-3%	-6%	-19%	-10%	-10%
Concessionaire fee income	-26%	-3%	-14%	-15%	-1%	3%
Total	-15%	7%	-7%	-7%	2%	4%
Number of stores						
	6,565	6,144	5,020	4,581	4,457	4,479
Total sales area (sq m)	1,568	1,556	1,363	1,286	1,277	1,302
Growth (%)	-7%	-1%	-12%	-6%	-1%	2%
Average store size (sq m)	239	253	271	281	287	291
Growth (%)	9%	6%	7%	3%	2%	1%
Retail sales (offline) per store						
	2.7	3.0	2.8	3.0	3.0	3.1
Growth (%)	-6%	13%	-6%	4%	2%	2%
Retail sales (online)						
	5,117	6,185	7,051	8,462	9,308	10,239
Growth (%)	14%	21%	14%	20%	10%	10%
GP margins	41.7%	41.8%	38.4%	38.9%	39.3%	39.7%
Rental expenses/ sales	-13.2%	-13.5%	-12.2%	-12.2%	-12.1%	-12.2%
Staff costs/ sales	-10.7%	-10.1%	-10.2%	-10.1%	-10.0%	-10.0%
D & A/ sales	-2.3%	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%
S & D expenses/ sales	-29.7%	-28.9%	-29.4%	-29.0%	-28.8%	-28.7%
G & A expenses/ sales	-4.1%	-3.9%	-3.7%	-4.0%	-4.0%	-3.9%
Effective tax rate	-21%	-20%	-18%	-20%	-20%	-20%
NP att. margin	7%	8%	5%	5%	6%	6%
NP att. growth (%)	-25%	20%	-42%	1%	13%	10%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Revenue	27,073	28,933	27,013	25,176	25,612	26,606
Cost of goods sold	(15,789)	(16,852)	(16,630)	(15,375)	(15,542)	(16,039)
Gross profit	11,284	12,081	10,383	9,801	10,070	10,567
Operating expenses	(9,153)	(9,471)	(8,939)	(8,307)	(8,378)	(8,691)
Selling expense	(8,052)	(8,356)	(7,944)	(7,304)	(7,365)	(7,648)
Admin expense	(1,101)	(1,115)	(996)	(1,003)	(1,012)	(1,044)
R&D expense	0	0	0	0	0	0
Operating profit	2,431	2,787	1,593	1,633	1,833	2,022
Other income	300	177	149	138	141	146
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	3,019	3,291	2,265	2,174	2,240	2,314
Depreciation	(609)	(484)	(655)	(524)	(397)	(290)
Other amortisation	21	(20)	(17)	(17)	(10)	(3)
Interest income	103	120	85	113	118	115
Interest expense	(211)	(147)	(118)	(128)	(128)	(128)
Net Interest income/(expense)	(109)	(27)	(33)	(15)	(9)	(13)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,322	2,759	1,560	1,618	1,824	2,009
Income tax	(486)	(548)	(275)	(324)	(365)	(402)
After tax profit	1,837	2,211	1,285	1,294	1,459	1,607
Minority interest	0	2	1	1	1	1
Net profit	1,837	2,213	1,286	1,295	1,460	1,609

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Current assets	12,101	10,559	10,986	10,813	10,910	10,895
Cash & equivalents	2,357	1,956	2,587	2,962	2,976	2,730
Restricted cash	1,286	126	997	997	997	997
Account receivables	1,055	1,330	752	701	713	741
Inventories	6,247	6,284	6,004	5,551	5,611	5,791
Prepayment	1,136	864	646	602	613	637
Other current assets	20	0	0	0	0	0
Non-current assets	4,719	3,985	3,916	3,778	3,781	3,914
PP&E	733	639	541	420	434	570
Right-of-use assets	2,425	1,821	1,819	1,819	1,819	1,819
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,073	1,059	1,046	1,029	1,018	1,015
Other non-current assets	488	465	510	510	510	510
Total assets	16,821	14,544	14,903	14,591	14,691	14,809
Current liabilities	5,268	3,347	4,496	4,406	4,425	4,470
Short-term borrowings	1,545	720	2,130	2,130	2,130	2,130
Account payables	991	387	343	317	321	331
Tax payable	360	262	268	268	268	268
Other current liabilities	1,192	1,088	941	877	892	927
Lease liabilities	1,181	890	814	814	814	814
Non-current liabilities	1,719	1,347	1,347	1,346	1,345	1,344
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	1,719	1,347	1,347	1,346	1,345	1,344
Total liabilities	6,987	4,694	5,844	5,752	5,770	5,813
Share capital	0	0	0	0	0	0
Retained earnings	8,092	8,044	7,172	6,304	6,304	6,304
Other reserves	1,742	1,805	1,887	2,534	2,617	2,691
Total shareholders equity	9,834	9,849	9,059	8,838	8,921	8,995
Minority interest	0	2	0	0	0	0
Total equity and liabilities	16,821	14,544	14,903	14,591	14,691	14,809

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	2,322	2,759	1,560	1,618	1,824	2,009
Depreciation & amortization	588	504	672	541	407	292
Tax paid	(891)	(600)	(344)	(324)	(365)	(402)
Change in working capital	483	(867)	884	458	(64)	(186)
Others	1,848	1,333	983	128	128	128
Net cash from operations	4,351	3,129	3,755	2,421	1,930	1,842
Investing						
Capital expenditure	(357)	(397)	(373)	(403)	(410)	(426)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	51	199	75	0	0	0
Net cash from investing	(306)	(198)	(298)	(403)	(410)	(426)
Financing						
Dividend paid	(2,667)	(2,233)	(2,109)	(1,516)	(1,378)	(1,534)
Net borrowings	738	335	539	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(1,512)	(1,435)	(1,257)	(128)	(128)	(128)
Net cash from financing	(3,440)	(3,332)	(2,826)	(1,644)	(1,506)	(1,662)
Net change in cash						
Cash at the beginning of the year	1,753	2,357	1,956	2,587	2,962	2,976
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	2,357	1,956	2,587	2,962	2,976	2,730
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Revenue	(15.1%)	6.9%	(6.6%)	(6.8%)	1.7%	3.9%
Gross profit	(18.4%)	7.1%	(14.1%)	(5.6%)	2.7%	4.9%
Operating profit	(29.1%)	14.6%	(42.8%)	2.5%	12.3%	10.3%
EBITDA	(26.9%)	9.0%	(31.2%)	(4.0%)	3.0%	3.3%
Net profit	(24.9%)	20.5%	(41.9%)	0.7%	12.7%	10.2%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Gross profit margin	41.7%	41.8%	38.4%	38.9%	39.3%	39.7%
Operating margin	9.0%	9.6%	5.9%	6.5%	7.2%	7.6%
EBITDA margin	11.2%	11.4%	8.4%	8.6%	8.7%	8.7%
Return on equity (ROE)	18.0%	22.5%	13.6%	14.5%	16.4%	18.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Current ratio (x)	2.3	3.2	2.4	2.5	2.5	2.4
Receivable turnover days	14.2	16.8	10.2	10.2	10.2	10.2
Inventory turnover days	144.4	136.1	131.8	131.8	131.8	131.8
Payable turnover days	22.9	8.4	7.5	7.5	7.5	7.5
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
P/E	10.1	8.4	14.5	14.4	12.7	11.6
P/E (diluted)	10.1	8.4	14.5	14.4	12.7	11.6
P/B	1.9	1.9	2.1	2.1	2.1	2.1
P/CFPS	4.3	5.9	5.0	7.7	9.6	10.1
Div yield (%)	11.0	12.0	9.3	7.0	7.9	8.7

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

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

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM. Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.