

Anta Sports (2020 HK)

An astonishing 5-year target for Anta brand

Maintain BUY and revised up our TP to HK\$ 212.74, based on 45x FY22E P/E (up from 43x due to faster growth ahead). We are really impressed by Anta's new 5 years target (18-25% retail sales CAGR in FY20-25E), as it is the fastest ever and only priced in 68% of that. We believe current valuation of 37x FY22E P/E is still attractive, vs Li Ning/ Xtep/ Nike/ Adidas/ Lulu's 49x/ 40x/ 32x/ 30x/ 42x.

- 2Q21 retail sales growth inline/ slight miss for Anta/ FILA.** Anta/ FILA/ other brands' retail sales growth were 35-40%/ 30-35%/ 70-75% YoY, inline with/ slightly missed CMBI est. of 38%/ 48%. If we take 2Q19 as basis, Anta/ FILA should have achieved 30%+/ 50%+ growth, accelerated thanks to XJ cotton incident/ slightly slowed down due to high base (FILA already returned to a low-teens growth in 2Q20 while many other brands were still struggling). Inventory to sales ratio for Anta/ FILA were fairly healthy at ~5/ 6 months (vs normal level of 5-6/ 6-7 months) with retail discounts already better than 2Q19, and we believe this is one of the major driver behind the better-than-expected DTC business and Anta brand's profit growth in 1H21E.
- The astonishing 5 years target for Anta brand is a strong beat.** During the investor day, management disclosed Anta brand's "5-year development strategy" & "Lead to Win" acceleration plan for next 24 months, which focuses on: 1) innovation and R&D, 2) Running, Basketball and Women, 3) Winter Olympics and launch of high-end Anta guanjun store, 4) relevance with the Gen Z, 5) DTC, 6) Digitalization 7) Kids and 8) Sustainable development. This new target of 18-25% retail sales CAGR during FY20-25 (implying a 3-5% market shares gain), is certainly a positive surprise as it is much faster than the 15% CAGR (previous targets back in 2015 and 2019 investor days) and the low-teens CAGR long term growth target announced by Nike. Most importantly, thanks to DTC transformation (to contribute ~70% of sales by FY25E) and rising e-commerce penetration (to contribute ~40% of sales by FY25E), **effective sales CAGR at the listed co level will be at 26-33%, still way greater than CMBI est. of 19% in our model (raised from 15%)**. Moreover, thanks to robust target of store productivity growth (16-22% CAGR), surge in DTC & online mix, plus doubling of stores in shopping malls by FY25E, we can expect more positive surprises on OP margin in the future.
- Maintain BUY and raised our TP to HK\$ 212.74.** We maintain BUY and raised TP to HK\$ 212.74, based on 45x FY22E P/E (from 43x for faster growth ahead). We fine-tuned our FY21E/ 22E/ 23E NP forecasts by -1%/ +2%/ +5%, to factor in: 1) slower growth for FILA, 2) less number of stores but a 3) greater increase in store productivity. Current valuation is not demanding at 37x FY22E P/E, given a 37% NP CAGR during FY20-23E.

Earnings Summary

| (YE 31 Dec) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 33,928 | 35,512 | 47,196 | 57,608 | 67,910 |
| YoY growth (%) | 40.8 | 4.7 | 32.9 | 22.1 | 17.9 |
| Net income (RMB mn) | 5,344 | 5,162 | 8,248 | 10,946 | 13,270 |
| EPS (RMB) | 1.917 | 1.850 | 2.957 | 3.924 | 4.757 |
| YoY growth (%) | 25.7 | (3.5) | 59.8 | 32.7 | 21.2 |
| Consensus EPS (RMB) | n/a | n/a | 2.938 | 3.777 | 4.718 |
| P/E (x) | 79.7 | 78.9 | 48.7 | 36.7 | 30.3 |
| P/B (x) | 20.5 | 16.4 | 12.8 | 10.2 | 8.8 |
| Yield (%) | 0.4 | 0.4 | 0.5 | 1.6 | 2.0 |
| ROE (%) | 26.6 | 21.5 | 27.0 | 28.8 | 29.8 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$212.74**
 (Previous TP **HK\$198.84**)
 Up/Downside **+22.6%**
 Current Price **HK\$173.50**

China Sportswear Sector

Walter Woo

(852) 3761 8776
 walterwoo@cmbi.com.hk

Stock Data

| | |
|--------------------------|--------------|
| Mkt Cap (HK\$ mn) | 469,028 |
| Avg 3 mths t/o (HK\$ mn) | 1,28.94 |
| 52w High/Low (HK\$) | 190.10/67.90 |
| Total Issued Shares (mn) | 2,703.3 |

Source: Bloomberg

Shareholding Structure

| | |
|---|--------|
| Mr. Ding Shizhong (CEO), Mr. Ding Shijia (V-Chairman), Mr. Lai Shixian (CFO) & Family | 57.78% |
| Free Float | 42.22% |

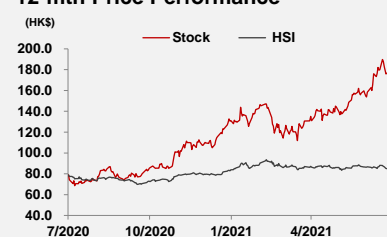
Source: HKEx

Share Performance

| | Absolute | Relative |
|--------|----------|----------|
| 1-mth | 10.3% | 16.9% |
| 3-mth | 28.3% | 37.1% |
| 6-mth | 32.2% | 35.8% |
| 12-mth | 121.3% | 113.0% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Anta Sports (2020 HK, BUY) - Guidance raised with decent momentum – 18 Jun 2021
- Anta Sports (2020 HK, BUY) - Multiple short and long-term growth drivers – 26 Mar 2021

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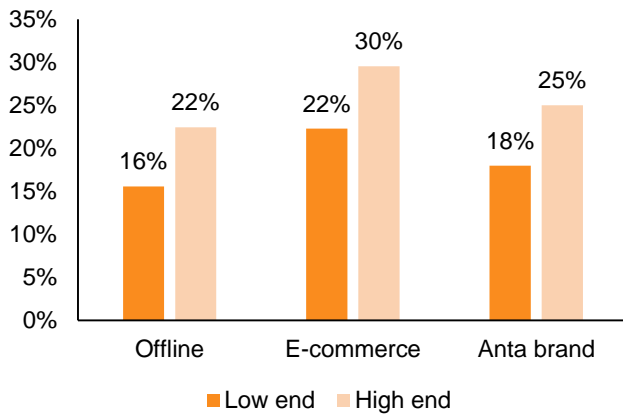
Operating numbers

Figure 1: Sportswear brands sales growth trend

| Operating numbers | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21E | 3Q21E | 4Q21E |
|--------------------------------|-----------------|-----------------|---------------|----------------|---------------|---------------|-----------------|-----------------|----------------|----------------------|----------------|---------------|----------------|----------|-------|-------|
| Nike China sales | 19.0% | 25.0% | 20.0% | 31.0% | 24.0% | 22.0% | 27.0% | 23.0% | -4.0% | 1.0% | 8.0% | 19.0% | 42.0% | 9.0% | | |
| Adidas China sales | 26.0% | 27.0% | 26.0% | 23.0% | 16.0% | 14.0% | 11.0% | 15.0% | -58.0% | 0.0% | -5.0% | 7.0% | 156.0% | | | |
| Anta brand's SSSG | | | | | | | | | | | | | | | | |
| Anta brand's retail sales | 20%-25% | +ve Low-teens | +ve Mid-teens | +ve Mid-teens | +ve Low-teens | +ve Mid-teens | +ve Mid-teens | +ve High-teens | -ve 20%-25% | -ve LSD | +ve LSD | +ve LSD | 40%-45% | 35%-40% | 10.0% | 6.0% |
| Core brand | +ve Mid-teens | +ve HSD | +ve Low-teens | +ve HSD | +ve HSD | +ve Low-teens | +ve Low-teens | +ve HSD | -ve 20%-25% | -ve LSD | -ve MSD | -ve MSD | 35%-40% | 35%-40% | | |
| Kids | over 40% | over 25% | Over 25% | Over 25% | Over 20% | 30% | Over 25% | 25% | -ve 20%-25% | +ve MSD | +ve Low-teens | -ve Low-teens | 45%-50% | Over 20% | | |
| Online | over 40% | over 25% | Over 20% | Over 25% | +ve Mid-teens | 25% | 35% | Over 40% | +ve MSD | Over 40% | Over 50% | Over 25% | Over 60% | Over 45% | | |
| Non-Anta brands (FILA | | | | | | | | | | | | | | | | |
| FILA brand's retail sales | 80%-85% | 90%-95% | 90%-95% | 80%-85% | 65%-70% | 55%-60% | 50%-55% | 50%-55% | -ve MSD | +ve Low-teens | 20%-25% | 25%-30% | 75%-80% | 30%-35% | 15.0% | 10.0% |
| Classic/ Core brand | | | | | | | Over 40% | -ve 20%-25% | +ve MSD | +ve MSD | +ve MSD | 80% | Over 20% | | | |
| Kids | | | | | | | Over 70% | -ve LSD | Over 30% | Over 30% | Over 20% | 100% | Over 40% | | | |
| Fusion | | | | | | | Over 100% | +ve MSD | Over 70% | Over 50% | Over 50% | 150% | Over 80% | | | |
| Online | | | | | | | Over 70% | 160% | Over 80% | Over 90% | 70%-80% | Over 40% | Over 40% | | | |
| Other brands | | | | | | | | | | | | | | | | |
| Descente | | | | Over 100% | Over 100% | Over 90% | 50% | 50% | +ve Mid-teens | Over 60% | 90% | Over 80% | 150% | 100% | | |
| Kolon | | | | | | 15% | 20% | 20% | -ve High-teens | +ve LSD | 20%-25% | 30%-40% | Over 75% | 40% | | |
| Li Ning group's SSSG | +ve Low-teens | +ve HSD | +ve Low-teens | +ve Mid-teens | +ve Mid-teens | +ve Mid-teens | +ve High-teens | +ve Low-teens | n/a | -ve MSD | +ve LSD | +ve Low-teens | | | | |
| Direct retail | +ve Low-teens | +ve HSD | +ve HSD | +ve MSD | +ve HSD | +ve Low-teens | +ve Low-teens | +ve High-teens | n/a | -ve High-teens | -ve MSD | +ve HSD | | | | |
| Wholesales | +ve MSD | +ve LSD | +ve HSD | +ve MSD | +ve Low-teens | +ve Low-teens | +ve Low-teens | +ve Mid-teens | n/a | -ve Low-teens | -ve MSD | +ve MSD | | | | |
| E- Commerce | +ve High 30% | +ve Mid-30% | +ve High 30% | +ve Mid 50% | +ve High 30% | +ve Mid 30% | +ve Mid 50% | +ve Low 30% | +ve Low-teens | +ve Mid 20% | +ve High 30% | +ve Low 30% | | | | |
| Li Ning group's retail sa | +ve Mid-teens | +ve Low-teens | +ve Mid-teens | +ve High-teens | +ve Low-teens | +ve Low-teens | +ve Low-teens | +ve Mid-teens | -ve High-teens | -ve MSD | +ve MSD | +ve Mid-teens | High 80%-90% | 71.0% | 20.0% | 15.0% |
| Direct retail | Low 20%-30% | +ve Mid-teens | +ve Mid-teens | +ve HSD | +ve Low-teens | +ve HSD | +ve Mid-teens | +ve High-teens | -ve Mid 30% | -ve Low-teens | Flat | +ve MSD | Low-90% | | | |
| Wholesales | +ve MSD | +ve MSD | +ve Low-teens | +ve Low-teens | +ve Low-teens | +ve Mid-teens | +ve Mid-teens | +ve Low-teens | -ve High-teens | -ve HSD | -ve LSD | +ve Low-teens | Low-80% | | | |
| E- Commerce | +ve High 30% | +ve High 30% | +ve Low 30% | +ve Mid 50% | +ve Low 40% | +ve High 20% | +ve Low 50% | +ve Low 40% | +ve Low-teens | +ve High 20% | +ve Low 40% | +ve Mid 30% | 100% | | | |
| Xtep's SSSG | +ve Low-teens | +ve Mid-teens | +ve Mid-teens | +ve Mid-teens | +ve Low-teens | +ve Low-teens | 10% | +ve Low-teens | | | | | | | | |
| Xtep's retail sales | | | | Over 20% | Over 20% | 20% | Over 20% | -ve 20%-25% | -ve LSD | +ve MSD | +ve HSD | Mid 50%-60% | 43.0% | 8.0% | 6.0% | |
| 361 Degrees' SSSG | +ve HSD | +ve HSD | +ve MSD | Flat | +ve LSD | +ve LSD | +ve LSD | +ve LSD | | | | | | | | |
| 361 Degree's retail sales | | | | | | | | | -ve 20%-25% | -ve Low-teens | -ve HSD | +ve LSD | +ve High-teens | | | |
| Pou Sheng's SSSG | 10.1% | 2.2% | 8.9% | 8.7% | 8.4% | 4.2% | 6.0% | 1.9% | -32.5% | -17.8% | | | | | | |
| Pou Sheng's sales | 17.7% | 17.7% | 24.4% | 22.0% | 19.9% | 18.9% | 21.9% | 19.1% | -25.1% | 0.3% | -0.3% | 1.0% | 47.8% | -14.0% | -5.0% | -1.0% |
| Dong Xiang's SSSG | +ve Mid to High | -ve Mid to High | +ve MSD | +ve LSD | -ve LSD | +ve MSD | +ve Mid to High | +ve Mid to High | -ve Low-Mid SD | -ve MSD | +ve Low-Mid SD | +ve MSD | +ve HSD | | | |
| Direct retail | +ve HSD | Flat | +ve Low-teens | +ve HSD | Flat | +ve LSD | +ve HSD | +ve Low-teens | -ve LSD | -ve Low to Mid-teens | -ve Low-Mid SD | -ve LSD | -ve MSD | | | |
| E- Commerce | | | | | +ve 35%-45% | +ve 30%-35% | +ve 55%-60% | +ve 40%-45% | -ve Low-teens | +ve 30%-35% | +ve 30%-35% | +ve 20%-30% | +ve High 30% | | | |

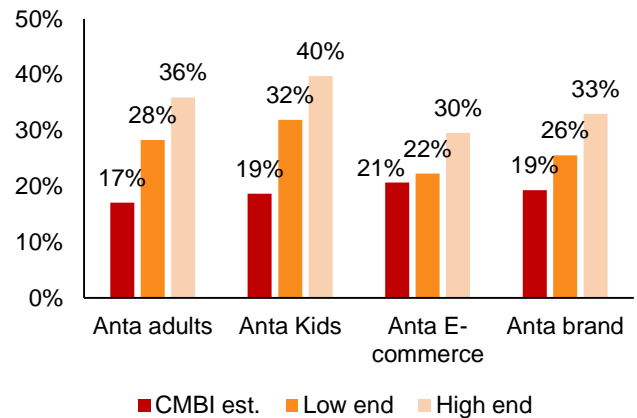
Source: Company data, CMBIS estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Figure 2: Anta brand retail sales CAGR during FY20-25E, implied by the company's target



Source: Company data, CMBIS estimates

Figure 3: Anta brand sales CAGR at list co level during FY20-25E, implied by the company's target and CMBI est.



Source: Company data, CMBIS estimates

Figure 4: Anta brand's 5 years strategic target

Five-Year Strategic Targets

Leader in China Sports Brands

Leader in Scale

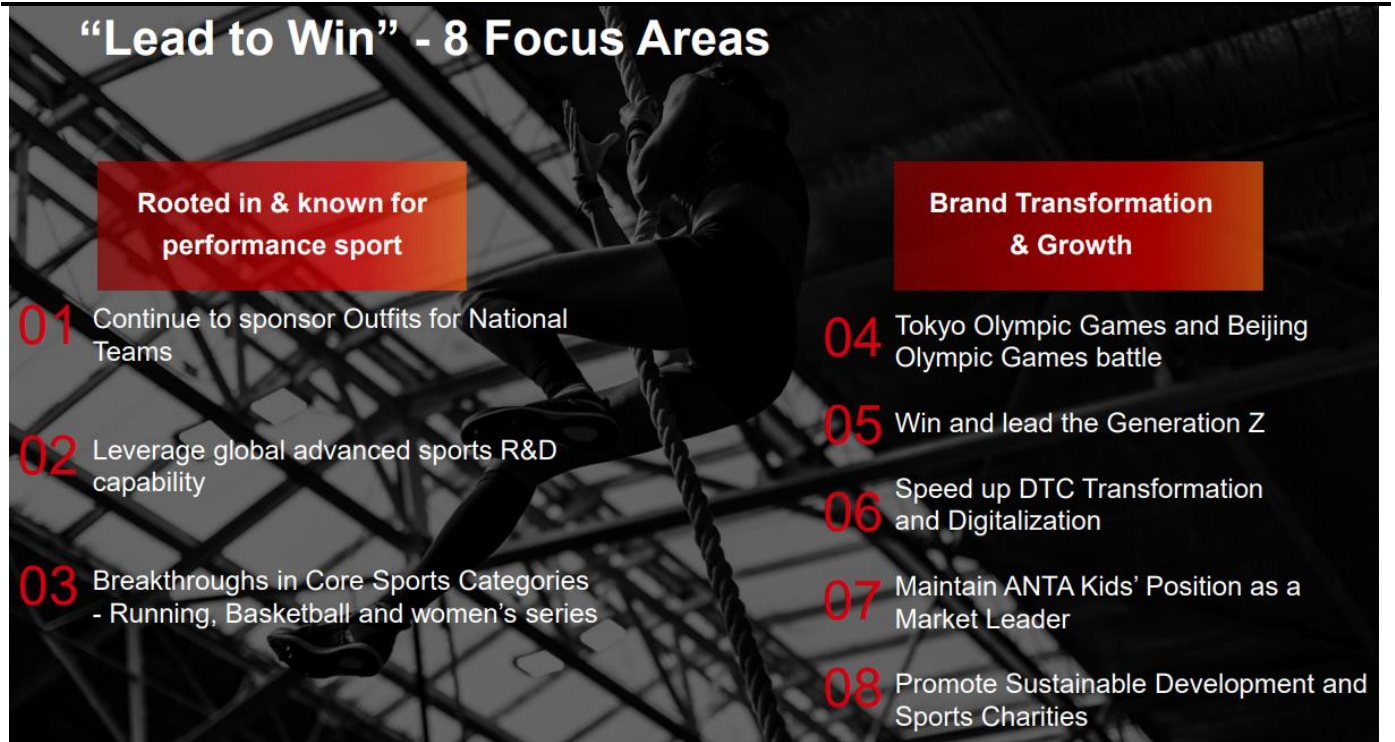
- Retail sales CAGR 18~25%
- Rise in Market Share 3~5 percentage points

High Quality Growth

- Stronger Presence in First to Third-Tier Cities
- Stronger Presence in Shopping malls
- Increase Contribution of Online Sales to 40%

Source: Company data, CMBIS estimates

Figure 5: 8 areas to focus on for Anta brand's 24 months acceleration plan



Source: Company data, CMBIS estimates

Earnings revision

Figure 6: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|--------|--------|--------|--------|--------|--------|----------|--------|--------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 47,196 | 57,608 | 67,910 | 47,824 | 57,094 | 65,872 | -1.3% | 0.9% | 3.1% |
| Gross profit | 28,346 | 35,142 | 41,813 | 28,737 | 34,842 | 40,574 | -1.4% | 0.9% | 3.1% |
| EBIT | 12,581 | 15,974 | 19,071 | 12,683 | 15,625 | 18,122 | -0.8% | 2.2% | 5.2% |
| Net profit att. | 8,248 | 10,946 | 13,270 | 8,315 | 10,707 | 12,614 | -0.8% | 2.2% | 5.2% |
| Diluted EPS (RMB) | 2.957 | 3.924 | 4.757 | 2.981 | 3.838 | 4.522 | -0.8% | 2.2% | 5.2% |
| Gross margin | 60.1% | 61.0% | 61.6% | 60.1% | 61.0% | 61.6% | 0ppt | 0ppt | 0ppt |
| EBIT margin | 26.7% | 27.7% | 28.1% | 26.5% | 27.4% | 27.5% | 0.1ppt | 0.4ppt | 0.6ppt |
| Net profit att. margin | 17.5% | 19.0% | 19.5% | 17.4% | 18.8% | 19.1% | 0.1ppt | 0.2ppt | 0.4ppt |

Source: Company data, CMBIS estimates

Figure 7: CMBIS estimates vs consensus

| RMB mn | CMBIS | | | Consensus | | | Diff (%) | | |
|------------------------|--------|--------|--------|-----------|--------|--------|----------|--------|--------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 47,196 | 57,608 | 67,910 | 47,852 | 58,362 | 69,913 | -1.4% | -1.3% | -2.9% |
| Gross profit | 28,346 | 35,142 | 41,813 | 28,613 | 35,367 | 42,819 | -0.9% | -0.6% | -2.4% |
| EBIT | 12,581 | 15,974 | 19,071 | 12,588 | 15,702 | 18,868 | 0.0% | 1.7% | 1.1% |
| Net profit att. | 8,248 | 10,946 | 13,270 | 8,086 | 10,448 | 12,925 | 2.0% | 4.8% | 2.7% |
| Diluted EPS (RMB) | 2.957 | 3.924 | 4.757 | 2.938 | 3.777 | 4.718 | 0.6% | 3.9% | 0.8% |
| Gross margin | 60.1% | 61.0% | 61.6% | 59.8% | 60.6% | 61.2% | 0.3ppt | 0.4ppt | 0.3ppt |
| EBIT margin | 26.7% | 27.7% | 28.1% | 26.3% | 26.9% | 27.0% | 0.4ppt | 0.8ppt | 1.1ppt |
| Net profit att. margin | 17.5% | 19.0% | 19.5% | 16.9% | 17.9% | 18.5% | 0.6ppt | 1.1ppt | 1.1ppt |

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 8: Major assumptions

| Major assumptions | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales by segment growth (%) | | | | | |
| Shoes | 32.2% | 11.3% | 30.0% | 20.0% | 17.0% |
| Apparels | 45.5% | 1.3% | 36.0% | 23.6% | 18.6% |
| Accessories | 47.5% | 1.8% | 6.0% | 12.0% | 12.0% |
| Total | 40.8% | 4.7% | 32.9% | 22.1% | 17.9% |
| Sales by brand growth (%) | | | | | |
| Anta | 9.2% | -41.6% | 26.0% | 20.0% | 17.0% |
| Anta Kids | 27.0% | -37.0% | 26.0% | 22.0% | 19.0% |
| FILA | 73.8% | 18.1% | 33.0% | 20.0% | 15.0% |
| Descente & Others | 33.3% | 35.4% | 45.0% | 30.0% | 30.0% |
| E-commerce | 45.0% | 53.0% | 35.0% | 25.0% | 20.0% |
| Total | 40.8% | 4.7% | 32.9% | 22.1% | 17.9% |
| Sales network | | | | | |
| Anta | 7,341 | 6,851 | 6,801 | 6,851 | 6,881 |
| Anta Kids | 3,175 | 3,071 | 3,051 | 3,121 | 3,191 |
| FILA | 1,951 | 2,006 | 2,100 | 2,200 | 2,300 |
| Descente & Others | 476 | 457 | 505 | 620 | 745 |
| Total | 12,943 | 12,385 | 12,457 | 12,792 | 13,117 |
| GP margins | | | | | |
| Anta | 41.3% | 44.7% | 47.2% | 48.7% | 50.1% |
| FILA | 70.4% | 69.3% | 70.6% | 71.4% | 71.6% |
| Total | 55.0% | 58.2% | 60.1% | 61.0% | 61.6% |
| Opex breakdown | | | | | |
| A&P Expenses / sales | 10.6% | 10.0% | 11.8% | 11.7% | 11.7% |
| Labour costs / sales | 11.7% | 12.5% | 12.7% | 12.9% | 13.2% |
| R & D expenses / sales | 5.2% | 5.9% | 6.0% | 5.9% | 5.8% |
| Rental expenses/ sales | 8.8% | 10.4% | 9.9% | 9.8% | 9.6% |
| Selling & distribution costs / sales | 28.7% | 30.3% | 30.9% | 30.7% | 30.8% |
| Admin expenses / sales | 3.9% | 6.0% | 5.9% | 5.9% | 5.9% |
| OP margin | | | | | |
| Anta | 27.1% | 28.3% | 28.9% | 29.9% | 30.5% |
| FILA | 27.2% | 25.8% | 27.8% | 29.2% | 29.5% |
| Total | 25.6% | 25.8% | 27.0% | 28.0% | 28.4% |
| Effective tax rate | 29.8% | 31.2% | 27.0% | 26.0% | 26.0% |
| NP att. margin | 15.8% | 14.5% | 17.5% | 19.0% | 19.5% |
| NP att. growth (%) | 30.3% | -3.4% | 59.8% | 32.7% | 21.2% |

Source: Company data, CMBIS estimates

Valuation

Figure 9: 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 (%) | |
|---------------------------------|---------|--------|-------------|------------|--------------|------------------|----------|-------------|-------------|-------------|------------|------------|--------------|------------|------------|
| | | | | | | | | FY1E | FY2E | FY1E | FY2E | FY1E | FY1E | FY1E | |
| H shares Sportswear | | | | | | | | | | | | | | | |
| Anta Sports | 2020 HK | BUY | 212.74 | 173.50 | 23% | 469,028 | Dec-20 | 48.7 | 36.7 | 12.8 | 10.2 | 27.0 | 1.3 | 0.5 | |
| Li Ning Co | 2331 HK | BUY | 103.82 | 88.40 | 17% | 220,500 | Dec-20 | 63.1 | 49.3 | 16.2 | 12.7 | 21.5 | 1.4 | 0.5 | |
| Xtep Intl | 1368 HK | BUY | 16.32 | 15.64 | 4% | 41,115 | Dec-20 | 47.9 | 39.5 | 4.3 | 4.1 | 7.3 | 1.7 | 1.3 | |
| 361 Degrees Intl | 1361 HK | NR | n/a | 4.10 | n/a | 8,477 | Dec-20 | 15.8 | 14.1 | 0.9 | 0.9 | 6.4 | 1.5 | 1.3 | |
| Topsports Intl | 6110 HK | NR | n/a | 11.48 | n/a | 71,190 | Feb-21 | 18.0 | 15.3 | 5.3 | 4.4 | 27.4 | 0.9 | 2.8 | |
| Pou Sheng Intl | 3813 HK | NR | n/a | 1.75 | n/a | 9,374 | Dec-20 | 6.6 | 5.2 | 0.9 | 0.7 | 3.9 | 0.1 | 1.6 | |
| China DX | 3818 HK | NR | n/a | 1.29 | n/a | 7,595 | Mar-21 | 7.0 | 10.8 | 0.5 | 0.5 | 16.4 | 0.0 | 7.4 | |
| | | | | | | | | Avg. | 29.6 | 24.4 | 5.9 | 4.8 | 15.2 | 1.0 | 2.2 |
| | | | | | | | | Med. | 18.0 | 15.3 | 4.3 | 4.1 | 16.4 | 1.3 | 1.3 |
| International Sportswear | | | | | | | | | | | | | | | |
| Nike | NKE US | NR | n/a | 160.44 | n/a | 1,969,262 | May-21 | 37.5 | 32.0 | 17.2 | 15.5 | 55.0 | 2.3 | 0.7 | |
| Adidas | ADS GY | NR | n/a | 313.30 | n/a | 577,547 | Dec-20 | 40.7 | 30.9 | 8.4 | 7.3 | 13.8 | 0.5 | 1.1 | |
| Puma | PUM GY | NR | n/a | 101.65 | n/a | 141,018 | Dec-20 | 53.7 | 36.3 | 7.9 | 7.0 | 7.8 | 0.6 | 0.5 | |
| Under Armour | UAA US | NR | n/a | 20.60 | n/a | 68,393 | Dec-20 | 62.0 | 42.3 | 5.2 | 4.6 | 7.1 | (0.3) | 0.0 | |
| Lululemon | LULU US | NR | n/a | 373.82 | n/a | 377,978 | Jan-21 | 54.4 | 44.6 | 16.0 | 12.8 | 31.5 | 1.8 | 0.0 | |
| Skechers | SKX US | NR | n/a | 48.79 | n/a | 58,784 | Dec-20 | 23.0 | 18.1 | 2.5 | 2.2 | 6.0 | 0.3 | 0.0 | |
| Vf Corp | VFC US | NR | n/a | 81.17 | n/a | 247,411 | Mar-21 | 26.3 | 22.1 | 9.4 | 8.5 | 12.7 | 0.5 | 2.5 | |
| Columbia | COLM US | NR | n/a | 100.35 | n/a | 51,807 | Dec-20 | 22.7 | 19.4 | 3.2 | 2.9 | 9.2 | 0.4 | 1.1 | |
| Wolverine | WWW US | NR | n/a | 32.20 | n/a | 20,719 | Jan-21 | 15.2 | 13.2 | 3.7 | 3.1 | (16.9) | (0.1) | 1.3 | |
| Mizuno Corp | 8022 JP | NR | n/a | 2571.00 | n/a | 4,833 | Mar-21 | 19.2 | 14.4 | 0.6 | 0.6 | 3.7 | 1.4 | 1.9 | |
| Asics Corp | 7936 JP | NR | n/a | 2563.00 | n/a | 34,418 | Dec-20 | 84.1 | 38.7 | 3.6 | 3.5 | (3.7) | (0.4) | 0.9 | |
| | | | | | | | | Avg. | 39.9 | 28.4 | 7.1 | 6.2 | 11.5 | 0.6 | 0.9 |
| | | | | | | | | Med. | 37.5 | 30.9 | 5.2 | 4.6 | 7.8 | 0.5 | 0.9 |

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue | 33,928 | 35,512 | 47,196 | 57,608 | 67,910 |
| Footwear | 11,410 | 12,700 | 16,510 | 19,812 | 23,180 |
| Apparel | 21,398 | 21,671 | 29,476 | 36,441 | 43,213 |
| Accessories | 1,120 | 1,141 | 1,209 | 1,355 | 1,517 |
| Cost of goods sold | (15,269) | (14,861) | (18,849) | (22,466) | (26,097) |
| Gross profit | 18,659 | 20,651 | 28,346 | 35,142 | 41,813 |
| Other income | 1,127 | 1,063 | 1,602 | 1,898 | 2,169 |
| Operating expenses | (11,034) | (12,888) | (17,367) | (21,065) | (24,911) |
| D & A | (210) | (261) | (454) | (440) | (361) |
| Staff costs | (1,859) | (2,085) | (2,901) | (4,071) | (4,910) |
| S & D costs (ex-staff, D&A) | (8,443) | (9,307) | (12,265) | (14,536) | (17,417) |
| Admin exp. (ex-staff, D&A) | (247) | (940) | (1,357) | (1,542) | (1,660) |
| Other operating expenses | (275) | (294) | (391) | (477) | (563) |
| EBIT | 8,752 | 8,826 | 12,581 | 15,974 | 19,071 |
| Finance costs, net | (110) | (136) | (129) | (10) | 95 |
| JVs & associates | (633) | (601) | (187) | 94 | 301 |
| Exceptional | - | - | - | - | - |
| Pre-tax profit | 8,008 | 8,089 | 12,266 | 16,058 | 19,467 |
| Income tax | (2,384) | (2,520) | (3,312) | (4,175) | (5,061) |
| Less: Minority interests | 280 | 407 | 706 | 937 | 1,136 |
| Net profit | 5,344 | 5,162 | 8,248 | 10,946 | 13,270 |

Cash flow summary

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| EBIT | 8,752 | 8,826 | 12,581 | 15,974 | 19,071 |
| D & A | 448 | 509 | 709 | 720 | 565 |
| Change in working capital | 1,178 | (3,461) | 29 | (1,184) | (1,291) |
| Income tax paid | (2,133) | (2,181) | (3,312) | (4,175) | (5,061) |
| Others | (759) | 3,765 | 395 | 513 | 618 |
| Net cash from operating | 7,485 | 7,458 | 10,403 | 11,848 | 13,903 |
| Capex & investments | (11,28) | (785) | (850) | (807) | (815) |
| Associated companies | - | - | - | - | - |
| Interest received | - | - | - | - | - |
| Others | (1,783) | (1,138) | - | - | - |
| Net cash from investing | (13,06) | (1,923) | (850) | (807) | (815) |
| Equity raised | 709 | 21 | - | - | - |
| Net change in bank loans | 7,733 | (3,343) | - | - | - |
| Dividend paid | (1,417) | (1,404) | (1,734) | (3,462) | (6,799) |
| Others | (2,356) | 5,955 | (523) | (523) | (523) |
| Net cash from financing | 4,670 | 1,229 | (2,257) | (3,985) | (7,322) |
| Net change in cash | (910) | 6,764 | 7,296 | 7,056 | 5,765 |
| Beginning cash balance | 9,284 | 8,221 | 15,323 | 22,619 | 29,676 |
| Exchange difference | (153) | 338 | - | - | - |
| Cash at the end of the year | 8,221 | 15,323 | 22,619 | 29,676 | 35,441 |

Balance sheet

| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Non-current assets | 17,898 | 19,150 | 19,104 | 19,285 | 19,835 |
| Fixed asset | 2,148 | 2,184 | 2,607 | 2,946 | 3,419 |
| Intangible assets & goodwill | 678 | 1,579 | 1,296 | 1,044 | 821 |
| Prepaid lease payments | 53 | 46 | 46 | 46 | 46 |
| Interest in joint ventures | 10,551 | 9,658 | 9,471 | 9,565 | 9,866 |
| Other non-current assets | 4,468 | 5,683 | 5,683 | 5,683 | 5,683 |
| Current assets | 23,321 | 32,717 | 42,126 | 52,285 | 61,248 |
| Cash and cash equivalents | 8,221 | 15,323 | 22,619 | 29,676 | 35,441 |
| Inventories | 4,405 | 5,486 | 5,422 | 6,586 | 7,865 |
| Trade and other receivables | 6,309 | 6,614 | 8,790 | 10,729 | 12,648 |
| Prepayments | - | - | - | - | - |
| Other current assets | 4,386 | 5,294 | 5,294 | 5,294 | 5,294 |
| Current liabilities | 12,412 | 11,715 | 13,857 | 15,776 | 17,682 |
| Bank loans | 1,359 | 1,968 | 1,968 | 1,968 | 1,968 |
| Trade payables | 2,963 | 2,376 | 3,014 | 3,592 | 4,172 |
| Accruals & other payables | 5,821 | 4,572 | 6,076 | 7,417 | 8,743 |
| Tax payables | 1,225 | 1,507 | 1,507 | 1,507 | 1,507 |
| Others | 1,044 | 1,292 | 1,292 | 1,292 | 1,292 |
| Non-current liabilities | 7,746 | 14,328 | 14,328 | 14,328 | 14,328 |
| Bank loans | 6,644 | 12,456 | 12,456 | 12,456 | 12,456 |
| Deferred income | - | 99 | 99 | 99 | 99 |
| Deferred tax | 256 | 527 | 527 | 527 | 527 |
| Others | 846 | 1,246 | 1,246 | 1,246 | 1,246 |
| Minority Interest | 979 | 1,811 | 2,517 | 3,454 | 4,590 |
| Total net assets | 20,082 | 24,013 | 30,528 | 38,012 | 44,483 |
| Shareholders' equity | 20,082 | 24,013 | 30,528 | 38,012 | 44,483 |

Key ratios

| YE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales mix (%) | | | | | |
| Footwear | 33.6 | 35.8 | 35.0 | 34.4 | 34.1 |
| Apparel | 63.1 | 61.0 | 62.5 | 63.3 | 63.6 |
| Accessories | 3.3 | 3.2 | 2.6 | 2.4 | 2.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| P&L ratios (%) | | | | | |
| Gross margin | 55.0 | 58.2 | 60.1 | 61.0 | 61.6 |
| Operating margin | 25.8 | 24.9 | 26.7 | 27.7 | 28.1 |
| Pre-tax margin | 23.6 | 22.8 | 26.0 | 27.9 | 28.7 |
| Net margin | 15.8 | 14.5 | 17.5 | 19.0 | 19.5 |
| Effective tax rate | 27.6 | 29.0 | 27.0 | 26.0 | 26.0 |
| Balance sheet ratios | | | | | |
| Current ratio (x) | 1.9 | 2.8 | 3.0 | 3.3 | 3.5 |
| Quick ratio (x) | 1.5 | 2.3 | 2.6 | 2.9 | 3.0 |
| Cash ratio (x) | 66 | 131 | 163 | 188 | 200 |
| Inventory turnover days | 105 | 135 | 105 | 107 | 110 |
| Trade receivables days | 68 | 68 | 68 | 68 | 68 |
| Trade payables days | 71 | 58 | 58 | 58 | 58 |
| Total debt / total equity ratio (%) | 40 | 60 | 47 | 38 | 32 |
| Net debt / equity ratio (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Returns (%) | | | | | |
| ROE | 26.6 | 21.5 | 27.0 | 28.8 | 29.8 |
| ROA | 13.0 | 10.0 | 13.5 | 15.3 | 16.4 |
| Per share | | | | | |
| EPS (RMB) | 1.92 | 1.85 | 2.96 | 3.92 | 4.76 |
| DPS (RMB) | 0.61 | 0.58 | 0.76 | 2.35 | 2.85 |
| BVPS (RMB) | 7.43 | 8.88 | 11.2 | 14.0 | 16.4 |

Source: Company data, CMBIS estimates

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CMB International Securities Limited

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

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