

# Anta Sports (2020 HK)

## Guidance maintained but be cautious on opex

Maintain BUY and fine-tuned our TP to HK\$ 210.85, based on unchanged 45x FY22E P/E. 1H21 result was a slight beat with a dividend surprise, but 2H21E may be dragged by higher opex. Still, we believe current valuation of 37x FY22E P/E is attractive, vs Li Ning/ Xtep/ Nike/ Adidas/ Lulu's 45x/ 28x/ 34x/ 30x/ 48x.

- 1H21 net profit beat by 10%.** Anta's 1H21 net profit surged by 132% YoY, 10% above its profit alert, thanks to huge GP margin expansion (better retail discounts and higher DTC mix) and less-than-expected losses for Amer, despite less-than-expected government grants. Dividend payout ratio was also raised to 35% (from 30%) while inventory days was healthy at 117 days (vs 122/ 135 in Dec2020/ Jun2021), even with DTC consolidation.
- A bumpy retail sales growth in Jul-Aug 2021 but guidance maintained.** Retail sales growth in Jul 2021 remained strong (similar to Jun 2021) and Aug 2021 was below expectation (flooding and COVID-19 outbreak), but FY21E target (20%/+30%+ for Anta/ FILA) is still maintained by the management.
- More cautious on margin in 2H21E.** On top of potential slowdown in retail sales growth, management also highlighted a few pressure ahead, such as: 1) retail discounts might not be as good as in 1H21, 2) higher A&P expenses, resulted from the sizable sponsorship fees for Olympics, series of marketing events associated with the Anta's rebranding and Descente expansion, 3) higher staff costs (more hirings for Anta), 4) greater rental expenses (DTC consolidation and 5) absence of short term reliefs and government subsidies). Moreover, even though net losses for Amer sports in 1H21 was a beat (aided by strong growth of China and core brands, plus effective cost savings), we believe margins in 2H21E could be facing a greater pressure, due to surging raw material costs and supply chain disruption in the South East Asia.
- Descente can be the bright spot onwards.** Descente sales grew by ~100% YoY to over RMB 1bn in 1H21 (after a 60% growth in FY20) and its OP margin had already surpassed FILA (CMBI est. of 30%), thanks to its higher price point and outstanding sales per stores (at RMB 900K per month). Management believed it could grow to RMB 5bn in the mid-term horizon.
- Maintain BUY and fine-tuned our TP to HK\$ 210.85.** We maintain BUY and fine-tuned TP to HK\$ 210.85, based on unchanged 45x FY22E P/E. We fine-tuned our FY21E/ 22E/ 23E NP forecasts by 0%/ -1%/ 0%, to factor in: 1) greater DTC contribution, 2) higher GP margin but more opex and 3) faster Descente growth and better margins. 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	49,061	60,511	71,417
YoY growth (%)	40.8	4.7	38.2	23.3	18.0
Net income (RMB mn)	5,344	5,162	8,221	10,849	13,270
EPS (RMB)	1.917	1.850	2.947	3.889	4.757
YoY growth (%)	25.7	(3.5)	59.3	32.0	22.3
Consensus EPS (RMB)	n/a	n/a	2.956	3.856	4.827
P/E (x)	78.6	77.9	48.2	36.5	29.9
P/B (x)	20.3	16.2	12.6	10.1	8.6
Yield (%)	0.4	0.4	0.5	1.6	2.0
ROE (%)	26.6	21.5	26.9	28.6	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\$210.85
(Previous TP)	HK\$212.74)
Up/Downside	+23.2%
Current Price	HK\$171.20

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	462,810
Avg 3 mths t/o (HK\$ mn)	1,298.83
52w High/Low (HK\$)	191.9/73.15
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%

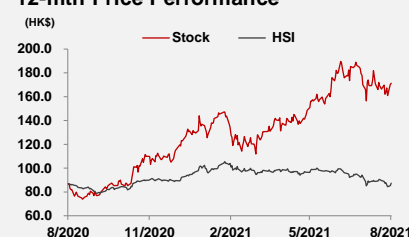
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	0.2%	9.0%
3-mth	14.5%	29.7%
6-mth	26.8%	54.7%
12-mth	101.8%	101.8%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

#### Related Reports

- Anta Sports (2020 HK, BUY) - An astonishing 5-year target for Anta brand – 9 Jul 2021
- 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

## Results Summary

Figure 1: Results summary – Half Year

Half yearly (RMB mn)	1H20	2H21	1H21	2H21E	1H20 YoY	2H20 YoY	1H21 YoY	2H21 E YoY	1H21E CMBI	Actual vs CMBI
<b>Revenue</b>	14,669	20,843	22,812	26,249	-1%	9%	56%	26%	22,267	2%
COGS	(6,330)	(8,531)	(8,404)	(10,168)					(9,130)	
<b>Gross profit</b>	8,339	12,312	14,408	16,082	0%	19%	73%	31%	13,138	10%
<b>GP margins</b>	56.8%	59.1%	63.2%	61.3%					59.0%	
Other income & gains	710	679	339	1,476					779	-57%
S & D expenses	(4,395)	(6,371)	(7,556)	(9,077)	7%	14%	72%	42%	(6,569)	15%
<b>S &amp; D exp / sales</b>	-30.0%	-30.6%	-33.1%	-34.6%					-29.5%	
Admin expenses	(1,050)	(1,072)	(1,286)	(1,882)	128%	26%	22%	76%	(1,559)	-17%
<b>Admin exp / sales</b>	-7.2%	-5.1%	-5.6%	-7.2%					-7.0%	
Other opex	0	0	0	0					0	
<b>Operating profit (EBIT)</b>	3,604	5,548	5,905	6,598	-15%	25%	64%	19%	5,790	2%
<b>OP margins</b>	24.6%	26.6%	25.9%	25.1%					26.0%	
Other items	0	0	0	0					0	
Net finance income	(65)	(397)	231	(314)					(156)	-248%
<b>Net finance income / sales</b>	-0.4%	-1.9%	1.0%	-1.2%					-0.7%	
Profit after financing costs	3,539	5,151	6,136	6,284					5,634	
Associated coms	0	0	0	0					0	
Jointly controlled coms	(719)	118	(346)	152					(445)	
<b>Pre-tax profit</b>	2,820	5,269	5,790	6,436	-21%	18%	105%	22%	5,188	12%
Tax	(1,040)	(1,480)	(1,658)	(1,643)					(1,401)	
<b>Tax / sales</b>	-7.1%	-7.1%	-7.3%	-6.3%					-6.3%	
<b>Effective tax rate</b>	-36.9%	-28.1%	-28.6%	-25.5%					-27.0%	
Minority interests	122	285	292	412					292	0%
<b>Net profit att.</b>	1,658	3,504	3,840	4,381	-27%	13%	132%	25%	3,496	10%
<b>NP margins</b>	11.3%	16.8%	16.8%	16.7%					15.7%	
<b>Sales by segment</b>										
Anta	6,777	8,972	10,578	11,156	-11%	-9%	56%	24%	9,566	11%
FILA & others	7,892	11,871	12,234	15,094	9%	28%	55%	27%	12,701	-4%

Source: Company data, CMBIS estimates

Figure 2: Results summary - Full Year

Full yearly (RMB mn)	FY19	FY20	FY21E	FY22E	FY20 YoY	FY21E YoY	FY22E YoY
<b>Revenue</b>	33,928	35,512	49,061	60,511	5%	38%	23%
COGS	(15,269)	(14,861)	(18,572)	(22,333)			
<b>Gross profit</b>	18,659	20,651	30,490	38,178	11%	48%	25%
<b>GP margins</b>	55.0%	58.2%	62.1%	63.1%			
Other income & gains	1,070	1,389	1,815	2,178			
S & D expenses	(9,721)	(10,766)	(16,633)	(20,447)	11%	54%	23%
<b>S &amp; D exp / sales</b>	-28.7%	-30.3%	-33.9%	-33.8%			
Admin expenses	(1,313)	(2,122)	(3,168)	(3,895)	62%	49%	23%
<b>Admin exp / sales</b>	-3.9%	-6.0%	-6.5%	-6.4%			
Other opex	0	0	0	0			
<b>Operating profit (EBIT)</b>	8,695	9,152	12,503	16,015	5%	37%	28%
<b>OP margins</b>	25.6%	25.8%	25.5%	26.5%			
Other items	0	0	0	0			
Net finance income	(53)	(462)	(83)	(199)			
<b>Net finance income / sales</b>	-0.2%	-1.3%	-0.2%	-0.3%			
Profit after financing costs	8,642	8,690	12,420	15,817			
Associated coms	0	0	0	0			
Jointly controlled coms	(633)	(601)	(194)	99			
<b>Pre-tax profit</b>	8,008	8,089	12,226	15,915	1%	51%	30%
Tax	(2,384)	(2,520)	(3,301)	(4,138)			
<b>Tax / sales</b>	-7.0%	-7.1%	-6.7%	-6.8%			
<b>Effective tax rate</b>	-29.8%	-31.2%	-27.0%	-26.0%			
Minority interests	280	407	704	929			
<b>Net profit att.</b>	5,344	5,162	8,221	10,849	-3%	59%	32%
<b>NP margins</b>	15.8%	14.5%	16.8%	17.9%			
<b>Sales by segment</b>							
Anta	17,450	15,749	21,734	26,493	-10%	38%	22%
FILA & other	16,478	19,763	27,328	34,018	20%	38%	24%

Source: Company data, CMBIS estimates

## Operating numbers

Figure 3: Sportswear brands sales growth trend

Operating numbers	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	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%	-16.0%		
<b>Anta brand's SSSG</b>																
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%		
<b>Non-Anta brands (FILA/ Li Ning/ Xtep/ 361 Degrees/ Pou Sheng/ Dong Xiang)</b>																
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							30%-35%	25%-30%	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%		
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-twenties	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	80%-85%		
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	n/a	90%-95%		
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	n/a	70%-75%		
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 40%	+ve Low 20%	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	85%-90%		
Li Ning group's retail sales	+ve Mid-teens	+ve Low-teens	+ve Mid-teens	+ve High-teens	+ve Low-20%-25%	+ve Low-20%-25%	+ve Low-30%-35%	+ve Mid-30%-40%	-ve High-teens	-ve MSD	+ve MSD	+ve Mid-teens	85%-90%	90%-95%	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	90%-95%	85%-90%		
Wholesales	+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-20%-25%	+ve Mid-20%	+ve Mid-30%	+ve Low 40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	80%-85%	90%-95%		
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%	95%-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%	30%-35%	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	15%-20%		
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%	-15.0%	-5.0%	-1.0%
Dong Xiang's SSSG	+ve Mid to High SD	-ve Mid to High SD	+ve MSD	+ve LSD	-ve LSD	+ve MSD	+ve Mid to High SD	+ve Mid to High SD	-ve Low to Mid SD	-ve MSD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD		
Dong Xiang's retail sales					+ve MSD	+ve MSD	+ve Mid-teens	+ve Low-teens	-ve 25%-30%	-ve Low-Mid SD	+ve MSD	+ve Low-teens	60%-70%	+ve Low to Mid-teens		
Direct retail	+ve HSD	Flat	+ve Low-teens	+ve HSD	Flat	+ve LSD	+ve HSD	+ve MSD	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%			
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%	35%-40%			

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

## Earnings revision

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	49,061	60,511	71,417	47,196	57,608	67,910	4.0%	5.0%	5.2%
Gross profit	30,490	38,178	45,483	28,346	35,142	41,813	7.6%	8.6%	8.8%
EBIT	12,550	15,830	19,061	12,581	15,974	19,071	-0.3%	-0.9%	-0.1%
Net profit att.	8,221	10,849	13,270	8,248	10,946	13,270	-0.3%	-0.9%	0.0%
Diluted EPS (RMB)	2.947	3.889	4.757	2.957	3.924	4.757	-0.3%	-0.9%	0.0%
Gross margin	62.1%	63.1%	63.7%	60.1%	61.0%	61.6%	2.1ppt	2.1ppt	2.1ppt
EBIT margin	25.6%	26.2%	26.7%	26.7%	27.7%	28.1%	-1.1ppt	-1.6ppt	-1.4ppt
Net profit att. margin	16.8%	17.9%	18.6%	17.5%	19.0%	19.5%	-0.7ppt	-1.1ppt	-1ppt

Source: Company data, CMBIS estimates

Figure 5: CMBIS estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Revenue	49,061	60,511	71,417	48,278	59,718	72,452	1.6%	1.3%	-1.4%
Gross profit	30,490	38,178	45,483	28,795	36,187	44,283	5.9%	5.5%	2.7%
EBIT	12,550	15,830	19,061	12,415	15,635	19,194	1.1%	1.3%	-0.7%
Net profit att.	8,221	10,849	13,270	8,159	10,459	13,312	0.8%	3.7%	-0.3%
Diluted EPS (RMB)	2.947	3.889	4.757	2.956	3.856	4.827	-0.3%	0.9%	-1.4%
Gross margin	62.1%	63.1%	63.7%	59.6%	60.6%	61.1%	2.5ppt	2.5ppt	2.6ppt
EBIT margin	25.6%	26.2%	26.7%	25.7%	26.2%	26.5%	-0.1ppt	0ppt	0.2ppt
Net profit att. margin	16.8%	17.9%	18.6%	16.9%	17.5%	18.4%	-0.1ppt	0.4ppt	0.2ppt

Source: Bloomberg, CMBIS estimates

## Assumptions

Figure 6: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Sales by segment growth (%)</b>					
Shoes	32.2%	11.3%	45.0%	20.0%	15.0%
Apparels	45.5%	1.3%	35.8%	25.9%	20.0%
Accessories	47.5%	1.8%	6.0%	12.0%	12.0%
Total	40.8%	4.7%	38.2%	23.3%	18.0%
<b>Sales by brand growth (%)</b>					
Anta	9.2%	-41.6%	38.0%	20.0%	17.0%
Anta Kids	27.0%	-37.0%	38.0%	22.0%	19.0%
FILA	73.8%	18.1%	35.0%	22.0%	15.0%
Descente & Others	33.3%	35.4%	63.0%	40.0%	30.0%
E-commerce	45.0%	53.0%	38.0%	23.0%	20.0%
Total	40.8%	4.7%	38.2%	23.3%	18.0%
<b>Sales network</b>					
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
<b>GP margins</b>					
Anta	41.3%	44.7%	52.3%	53.5%	54.9%
FILA	70.4%	69.3%	70.6%	71.4%	71.6%
Total	55.0%	58.2%	62.1%	63.1%	63.7%
<b>Opex breakdown</b>					
A&P Expenses / sales	10.6%	10.0%	12.5%	12.3%	12.2%
Labour costs / sales	11.7%	12.5%	14.2%	14.5%	14.8%
R & D expenses / sales	5.2%	5.9%	6.0%	6.0%	6.0%
Rental expenses/ sales	8.8%	10.4%	11.1%	11.0%	10.7%
Selling & distribution costs / sales	28.7%	30.3%	33.9%	33.8%	33.8%
Admin expenses / sales	3.9%	6.0%	6.5%	6.4%	6.4%
<b>OP margin</b>					
Anta	27.1%	28.3%	22.4%	22.8%	23.3%
FILA	27.2%	25.8%	27.8%	29.2%	29.5%
Total	25.6%	25.8%	25.5%	26.5%	27.0%
Effective tax rate	29.8%	31.2%	27.0%	26.0%	26.0%
<b>NP att. margin</b>	<b>15.8%</b>	<b>14.5%</b>	<b>16.8%</b>	<b>17.9%</b>	<b>18.6%</b>
<b>NP att. growth (%)</b>	<b>30.3%</b>	<b>-3.4%</b>	<b>59.3%</b>	<b>32.0%</b>	<b>22.3%</b>

Source: Company data, CMBIS estimates

## Valuation

Figure 7: 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	
<b>H shares Sportswear</b>															
Anta Sports	2020 HK	BUY	210.85	171.20	23%	462,810	Dec-20	48.2	36.5	12.7	10.2	30.5	1.3	0.8	
Li Ning Co	2331 HK	BUY	102.84	95.75	7%	238,932	Dec-20	56.3	44.5	16.8	12.8	33.2	1.1	0.5	
Xtep Intl	1368 HK	BUY	18.73	13.74	36%	36,120	Dec-20	35.3	28.3	3.7	3.5	9.5	1.0	1.8	
361 Degrees Intl	1361 HK	NR	n/a	3.75	n/a	7,754	Dec-20	13.4	11.7	0.9	0.8	7.7	0.8	1.8	
Topsports Intl	6110 HK	NR	n/a	10.44	n/a	64,741	Feb-21	16.3	13.8	4.8	4.0	27.4	0.8	3.1	
Pou Sheng Intl	3813 HK	NR	n/a	1.55	n/a	8,303	Dec-20	5.9	4.6	0.8	0.7	11.6	0.1	2.6	
China DX	3818 HK	NR	n/a	0.94	n/a	5,534	Mar-21	n/a	n/a	n/a	n/a	16.4	0.0	n/a	
								<b>Avg.</b>	<b>29.2</b>	<b>23.2</b>	<b>6.6</b>	<b>5.3</b>	<b>19.5</b>	<b>0.7</b>	<b>1.8</b>
								<b>Med.</b>	<b>25.8</b>	<b>21.1</b>	<b>4.3</b>	<b>3.8</b>	<b>16.4</b>	<b>0.8</b>	<b>1.8</b>
<b>International Sportswear</b>															
Nike	NKE US	NR	n/a	169.62	n/a	2,091,381	May-21	39.2	33.5	16.1	13.0	55.0	2.3	0.7	
Adidas	ADS GY	NR	n/a	304.70	n/a	559,130	Dec-20	39.0	29.8	8.3	7.2	24.8	0.5	1.1	
Puma	PUM GY	NR	n/a	106.60	n/a	147,210	Dec-20	53.9	37.0	8.3	7.2	15.8	0.6	0.5	
Under Armour	UAA US	NR	n/a	24.01	n/a	80,488	Dec-20	45.9	38.7	5.9	5.2	22.0	(0.2)	0.0	
Lululemon	LULU US	NR	n/a	404.74	n/a	410,280	Jan-21	58.5	47.9	17.2	13.6	31.5	1.9	0.0	
Skechers	SKX US	NR	n/a	51.27	n/a	62,219	Dec-20	18.9	16.4	2.5	2.2	14.3	0.2	0.0	
Vf Corp	VFC US	NR	n/a	77.16	n/a	235,957	Mar-21	23.8	20.4	7.7	7.2	32.9	0.4	2.6	
Columbia	COLM US	NR	n/a	102.13	n/a	52,472	Dec-20	22.0	18.9	3.7	3.2	14.5	0.4	0.9	
Wolverine	WWW US	NR	n/a	37.27	n/a	23,865	Jan-21	16.1	13.2	5.1	4.2	(9.9)	(0.1)	1.2	
Mizuno Corp	8022 JP	NR	n/a	2611.00	n/a	4,928	Mar-21	19.5	14.7	0.6	0.6	7.5	1.3	1.9	
Asics Corp	7936 JP	NR	n/a	2488.00	n/a	33,545	Dec-20	90.9	34.8	3.5	3.3	1.7	(0.5)	1.0	
								<b>Avg.</b>	<b>38.9</b>	<b>27.7</b>	<b>7.2</b>	<b>6.1</b>	<b>19.1</b>	<b>0.6</b>	<b>0.9</b>
								<b>Med.</b>	<b>39.0</b>	<b>29.8</b>	<b>5.9</b>	<b>5.2</b>	<b>15.8</b>	<b>0.4</b>	<b>0.9</b>

Source: Bloomberg, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Revenue</b>	<b>33,928</b>	<b>35,512</b>	<b>49,061</b>	<b>60,511</b>	<b>71,417</b>	<b>EBIT</b>	<b>8,752</b>	<b>8,826</b>	<b>12,550</b>	<b>15,830</b>	<b>19,061</b>
Footwear	11,410	12,700	18,415	22,098	25,413	D & A	448	509	711	725	573
Apparel	21,398	21,671	29,437	37,059	44,487	Change in working capital	1,178	(3,461)	(42)	(1,261)	(1,320)
Accessories	1,120	1,141	1,209	1,355	1,517	Income tax paid	(2,133)	(2,181)	(3,301)	(4,138)	(5,062)
<b>Cost of goods sold</b>	<b>(15,269)</b>	<b>(14,861)</b>	<b>(18,572)</b>	<b>(22,333)</b>	<b>(25,933)</b>	Others	(759)	3,765	394	509	613
<b>Gross profit</b>	<b>18,659</b>	<b>20,651</b>	<b>30,490</b>	<b>38,178</b>	<b>45,483</b>	<b>Net cash from operating</b>	<b>7,485</b>	<b>7,458</b>	<b>10,311</b>	<b>11,665</b>	<b>13,865</b>
<b>Other income</b>	<b>1,127</b>	<b>1,063</b>	<b>1,862</b>	<b>1,994</b>	<b>2,281</b>	Capex & investments	(11,28)	(785)	(883)	(847)	(857)
<b>Operating expenses</b>	<b>(11,034)</b>	<b>(12,888)</b>	<b>(19,802)</b>	<b>(24,341)</b>	<b>(28,704)</b>	Associated companies	-	-	-	-	-
D & A	(210)	(261)	(454)	(442)	(364)	Interest received	-	-	-	-	-
Staff costs	(1,859)	(2,085)	(3,386)	(4,806)	(5,790)	Others	(1,783)	(1,138)	-	-	-
S & D costs (ex-staff, D&A)	(8,443)	(9,307)	(14,161)	(16,993)	(20,228)	<b>Net cash from investing</b>	<b>(13,06)</b>	<b>(1,923)</b>	<b>(883)</b>	<b>(847)</b>	<b>(857)</b>
Admin exp. (ex-staff, D&A)	(247)	(940)	(1,393)	(1,599)	(1,730)	Equity raised	709	21	-	-	-
Other operating expenses	(275)	(294)	(407)	(501)	(592)	Net change in bank loans	7,733	(3,343)	-	-	-
<b>EBIT</b>	<b>8,752</b>	<b>8,826</b>	<b>12,550</b>	<b>15,830</b>	<b>19,061</b>	Dividend paid	(1,417)	(1,404)	(1,718)	(3,411)	(6,752)
Finance costs, net	(110)	(136)	(129)	(14)	90	Others	(2,356)	5,955	(523)	(523)	(523)
JVs & associates	(633)	(601)	(194)	99	317	<b>Net cash from financing</b>	<b>4,670</b>	<b>1,229</b>	<b>(2,241)</b>	<b>(3,934)</b>	<b>(7,275)</b>
Exceptional	-	-	-	-	-	<b>Net change in cash</b>	<b>(910)</b>	<b>6,764</b>	<b>7,186</b>	<b>6,884</b>	<b>5,733</b>
<b>Pre-tax profit</b>	<b>8,008</b>	<b>8,089</b>	<b>12,226</b>	<b>15,915</b>	<b>19,468</b>	Beginning cash balance	9,284	8,221	15,323	22,509	29,393
Income tax	(2,384)	(2,520)	(3,301)	(4,138)	(5,062)	Exchange difference	(153)	338	-	-	-
Less: Minority interests	280	407	704	929	1,136	<b>Cash at the end of the year</b>	<b>8,221</b>	<b>15,323</b>	<b>22,509</b>	<b>29,393</b>	<b>35,126</b>
<b>Net profit</b>	<b>5,344</b>	<b>5,162</b>	<b>8,221</b>	<b>10,849</b>	<b>13,270</b>						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E	YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
<b>Non-current assets</b>	<b>17,898</b>	<b>19,150</b>	<b>19,128</b>	<b>19,349</b>	<b>19,950</b>	<b>Sales mix (%)</b>					
Fixed asset	2,148	2,184	2,639	3,013	3,521	Footwear	33.6	35.8	37.5	36.5	35.6
Intangible assets & goodwill	678	1,579	1,296	1,044	821	Apparel	63.1	61.0	60.0	61.2	62.3
Prepaid lease payments	53	46	46	46	46	Accessories	3.3	3.2	2.5	2.2	2.1
Interest in joint ventures	10,551	9,658	9,464	9,563	9,879	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other non-current assets	4,468	5,683	5,683	5,683	5,683	<b>P&amp;L ratios (%)</b>					
<b>Current assets</b>	<b>23,321</b>	<b>32,717</b>	<b>42,283</b>	<b>52,504</b>	<b>61,537</b>	Gross margin	55.0	58.2	62.1	63.1	63.7
Cash and cash equivalents	8,221	15,323	22,509	29,393	35,126	Operating margin	25.8	24.9	25.6	26.2	26.7
Inventories	4,405	5,486	5,343	6,547	7,816	Pre-tax margin	23.6	22.8	24.9	26.3	27.3
Trade and other receivables	6,309	6,614	9,138	11,270	13,301	Net margin	15.8	14.5	16.8	17.9	18.6
Prepayments	-	-	-	-	-	Effective tax rate	27.6	29.0	27.0	26.0	26.0
Other current assets	4,386	5,294	5,294	5,294	5,294	<b>Balance sheet ratios</b>					
<b>Current liabilities</b>	<b>12,412</b>	<b>11,715</b>	<b>14,053</b>	<b>16,128</b>	<b>18,108</b>	Current ratio (x)	1.9	2.8	3.0	3.3	3.4
Bank loans	1,359	1,968	1,968	1,968	1,968	Quick ratio (x)	1.5	2.3	2.6	2.8	3.0
Trade payables	2,963	2,376	2,969	3,571	4,146	Cash ratio (x)	66	131	160	182	194
Accruals & other payables	5,821	4,572	6,316	7,791	9,195	Inventory turnover days	105	135	105	107	110
Tax payables	1,225	1,507	1,507	1,507	1,507	Trade receivables days	68	68	68	68	68
Others	1,044	1,292	1,292	1,292	1,292	Trade payables days	71	58	58	58	58
<b>Non-current liabilities</b>	<b>7,746</b>	<b>14,328</b>	<b>14,328</b>	<b>14,328</b>	<b>14,328</b>	Total debt / total equity ratio (%)	40	60	47	38	32
Bank loans	6,644	12,456	12,456	12,456	12,456	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred income	-	99	99	99	99	<b>Returns (%)</b>					
Deferred tax	256	527	527	527	527	ROE	26.6	21.5	26.9	28.6	29.8
Others	846	1,246	1,246	1,246	1,246	ROA	13.0	10.0	13.4	15.1	16.3
<b>Minority Interest</b>	<b>979</b>	<b>1,811</b>	<b>2,515</b>	<b>3,443</b>	<b>4,579</b>	<b>Per share</b>					
<b>Total net assets</b>	<b>20,082</b>	<b>24,013</b>	<b>30,516</b>	<b>37,954</b>	<b>44,472</b>	EPS (RMB)	1.92	1.85	2.95	3.89	4.76
<b>Shareholders' equity</b>	<b>20,082</b>	<b>24,013</b>	<b>30,516</b>	<b>37,954</b>	<b>44,472</b>	DPS (RMB)	0.61	0.58	0.76	2.33	2.85
						BVPS (RMB)	7.43	8.88	11.2	14.0	16.4

Source: Company data, CMBIS estimates



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