

Anta Sports (2020 HK)

Reset expectations and long-term target remains intact

Maintain BUY but cut our TP to HK\$ 156.06, based on 35x FY22E P/E (down from 45x). This weak 3Q21, in our view, is a good time to reset investor's expectation after the domestic fashion mania. Current valuation of 28x FY22E P/E is attractive, vs 5 years average of 20x and int'l peers' average of 26x.

- Anta 3Q21 retail sales growth was in-line.** Anta's retail sales grew by low-teens YoY in 3Q21, in-line with CMBI est. of 10%, but slowed down from 35%-40% in 2Q21, mainly due to sluggish offline sales growth. Such growth rate was not too bad, in our view, amid the COVID-19 resurgence since Jul 2021 and a warmer Sep 2021, thanks to successful ramp up of shopping mall stores and smooth DTC transformation. Inventory to sales ratio was at 5 months (same as 2Q21 and similar to normal level) while retail discounts was fairly decent at ~26% off (4-5ppt better YoY).
- FILA 3Q21 retail sales growth missed.** FILA's retail sales grew by mid-single-digit YoY in 3Q21, missed CMBI est. of 15% and slowed down from 30%-35% in 2Q21, mainly because of temporary closure of shopping malls during flooding and COVID-19 outbreak, plus the worsening macro environment. Inventory to sales ratio was at 6-7 months (vs 6 months in 2Q21 and similar to normal level) while retail discounts was very decent at ~14% off (4-5ppt better YoY). Therefore operating income might not be too awful in 3Q21.
- Retail sales growth improved in Oct 2021 but Anta/ FILA's FY21E target was maintained/ revised down.** Retail sales growth guidance for Anta was maintained at 20%+ while that for FILA was cut to 20%-25% (from 30%+). FILA's retail sales growth in Oct 2021 is already rebounding to 10%+, thanks to the colder weather, but management is still cautious about 4Q21E and expects the growth rate during double 11 to stay slow. However, the structural positives and long-term retail sales targets for Anta (~RMB 60-80bn) and FILA (~RMB 40-50bn) are all intact. **Management also believes 20%+/ 10%+ growth for Anta/ FILA are achievable in FY22E.**
- Both raw material costs pressure and electricity shortage impact are controllable.** Cotton prices were climbing (by 30%-40% YoY) but management believes the costs are totally manageable given ample inventory and costs sharing with its suppliers. Electricity shortage impact is limited since Anta and its related factories are the leading companies in many provinces.
- Maintain BUY and revised down our TP to HK\$ 156.06.** We maintain BUY but revised down TP to HK\$ 156.06, based on 35x FY22E P/E (cut from 45x due to sector de-rating). We cut our FY21E/ 22E/ 23E NP forecasts by 3%/ 5%/ 4%, to factor in: 1) slower FILA and Anta growth but 2) a slightly better OP margin. Current valuation is not too demanding at 28x FY22E P/E, given a 35% NP CAGR during FY20-23E and vs a 5 years average of 20x P/E.

Earnings Summary

| (YE 31 Dec) | FY19A | FY20A | FY21E | FY22E | FY23E |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn) | 33,928 | 35,512 | 47,018 | 57,140 | 67,517 |
| YoY growth (%) | 40.8 | 4.7 | 32.4 | 21.5 | 18.2 |
| Net income (RMB mn) | 5,344 | 5,162 | 7,961 | 10,324 | 12,642 |
| EPS (RMB) | 1.917 | 1.850 | 2.854 | 3.701 | 4.532 |
| YoY growth (%) | 25.7 | (3.5) | 54.2 | 29.7 | 22.5 |
| Consensus EPS (RMB) | n/a | n/a | 3.006 | 3.915 | 5.009 |
| P/E (x) | 58.2 | 57.7 | 36.9 | 28.4 | 23.2 |
| P/B (x) | 15.0 | 12.0 | 9.4 | 7.6 | 6.5 |
| Yield (%) | 0.5 | 0.5 | 0.7 | 2.1 | 2.6 |
| ROE (%) | 26.6 | 21.5 | 26.3 | 27.7 | 29.0 |
| Net gearing (%) | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

| | |
|---------------|-------------|
| Target Price | HK\$156.06 |
| (Previous TP) | HK\$210.85) |
| Up/Downside | +23.1% |
| Current Price | HK\$126.80 |

China Sportswear Sector

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Stock Data

| | |
|--------------------------|------------|
| Mkt Cap (HK\$ mn) | 342,782 |
| Avg 3 mths t/o (HK\$ mn) | 1,480.97 |
| 52w High/Low (HK\$) | 191.9/83.5 |
| 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 | -22.5% | -23.8% |
| 3-mth | -34.9% | -28.0% |
| 6-mth | -13.6% | -1.2% |
| 12-mth | 42.2% | 36.9% |

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Anta Sports (2020 HK, BUY) - Guidance maintained but be cautious on opex - 25 Aug 2021
- 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

Operating numbers

Figure 1: 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% | 1.0% | |
| 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% | | |
| 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% | +ve Low-teens | 10.0% |
| 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% | +ve HSD | |
| 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% | +ve MSD | |
| 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% | 20%-25% | |
| 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% | +ve MSD | 5.0% |
| Classic/ Core brand | | | | | | | Over 40% | -ve 20%-25% | +ve MSD | +ve MSD | +ve MSD | 80% | Over 20% | Flat | | |
| Kids | | | | | | | Over 70% | -ve LSD | Over 30% | Over 30% | Over 20% | 100% | Over 40% | +ve Mid-teens | | |
| Fusion | | | | | | | Over 100% | +ve MSD | Over 70% | Over 50% | Over 50% | 150% | Over 80% | +ve Mid-teens | | |
| Online | | | | | | | Over 70% | 160% | Over 80% | Over 90% | 70%-80% | Over 40% | Over 40% | 20%-25% | | |
| Other brands | | | | | | | | | | | | | | | | |
| Descente | | | | Over 100% | Over 100% | Over 90% | 50% | 50% | +ve Mid-teens | Over 60% | 90% | Over 80% | 150% | 100% | 50% | |
| Kolon | | | | | | 15% | 20% | 20% | -ve High-teens | +ve LSD | 20%-25% | 30%-40% | Over 75% | 40% | 30% | |
| 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-teens | +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-teens | +ve Low-teens | +ve Low-teens | +ve Mid-teens | -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-teens | +ve Mid-teens | +ve Mid-teens | +ve Low 40% | -ve High-teens | -ve LSD | +ve Low-teens | +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% | -25.1% | -15.0% |
| 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 2: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------------|--------|--------|--------|--------|--------|--------|----------|---------|---------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 47,018 | 57,140 | 67,517 | 49,061 | 60,511 | 71,417 | -4.2% | -5.6% | -5.5% |
| Gross profit | 29,210 | 35,881 | 42,799 | 30,490 | 38,178 | 45,483 | -4.2% | -6.0% | -5.9% |
| EBIT | 12,154 | 15,069 | 18,163 | 12,550 | 15,830 | 19,061 | -3.1% | -4.8% | -4.7% |
| Net profit att. | 7,961 | 10,324 | 12,642 | 8,221 | 10,849 | 13,270 | -3.2% | -4.8% | -4.7% |
| Diluted EPS (RMB) | 2.854 | 3.701 | 4.532 | 2.947 | 3.889 | 4.757 | -3.2% | -4.8% | -4.7% |
| Gross margin | 62.1% | 62.8% | 63.4% | 62.1% | 63.1% | 63.7% | 0ppt | -0.3ppt | -0.3ppt |
| EBIT margin | 25.9% | 26.4% | 26.9% | 25.6% | 26.2% | 26.7% | 0.3ppt | 0.2ppt | 0.2ppt |
| Net profit att. margin | 16.9% | 18.1% | 18.7% | 16.8% | 17.9% | 18.6% | 0.2ppt | 0.1ppt | 0.1ppt |

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates vs consensus

| RMB mn | CMBIS | | | Consensus | | | Diff (%) | | |
|------------------------|--------|--------|--------|-----------|--------|--------|----------|--------|--------|
| | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E | FY21E | FY22E | FY23E |
| Revenue | 47,018 | 57,140 | 67,517 | 48,848 | 60,805 | 74,013 | -3.7% | -6.0% | -8.8% |
| Gross profit | 29,210 | 35,881 | 42,799 | 29,887 | 37,549 | 46,086 | -2.3% | -4.4% | -7.1% |
| EBIT | 12,154 | 15,069 | 18,163 | 12,206 | 15,365 | 19,035 | -0.4% | -1.9% | -4.6% |
| Net profit att. | 7,961 | 10,324 | 12,642 | 8,213 | 10,769 | 13,582 | -3.1% | -4.1% | -6.9% |
| Diluted EPS (RMB) | 2.854 | 3.701 | 4.532 | 3.006 | 3.915 | 5.009 | -5.0% | -5.5% | -9.5% |
| Gross margin | 62.1% | 62.8% | 63.4% | 61.2% | 61.8% | 62.3% | 0.9ppt | 1ppt | 1.1ppt |
| EBIT margin | 25.9% | 26.4% | 26.9% | 25.0% | 25.3% | 25.7% | 0.9ppt | 1.1ppt | 1.2ppt |
| Net profit att. margin | 16.9% | 18.1% | 18.7% | 16.8% | 17.7% | 18.4% | 0.1ppt | 0.4ppt | 0.4ppt |

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 4: Major assumptions

| Major assumptions | FY19A | FY20A | FY21E | FY22E | FY23E |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Sales by segment growth (%) | | | | | |
| Shoes | 32.2% | 11.3% | 40.0% | 17.0% | 15.0% |
| Apparels | 45.5% | 1.3% | 29.3% | 24.8% | 20.3% |
| Accessories | 47.5% | 1.8% | 6.0% | 12.0% | 12.0% |
| Total | 40.8% | 4.7% | 32.4% | 21.5% | 18.2% |
| Sales by brand growth (%) | | | | | |
| Anta | 9.2% | -41.6% | 35.0% | 20.0% | 17.0% |
| Anta Kids | 27.0% | -37.0% | 35.0% | 22.0% | 19.0% |
| FILA | 73.8% | 18.1% | 26.0% | 18.0% | 15.0% |
| Descente & Others | 33.3% | 35.4% | 63.0% | 40.0% | 30.0% |
| E-commerce | 45.0% | 53.0% | 35.0% | 23.0% | 20.0% |
| Total | 40.8% | 4.7% | 32.4% | 21.5% | 18.2% |
| 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% | 52.3% | 53.1% | 54.5% |
| FILA | 70.4% | 69.3% | 71.0% | 71.8% | 72.0% |
| Total | 55.0% | 58.2% | 62.1% | 62.8% | 63.4% |
| Opex breakdown | | | | | |
| 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% | 10.8% | 10.5% | 10.3% |
| Selling & distribution costs / sales | 28.7% | 30.3% | 33.7% | 33.4% | 33.3% |
| Admin expenses / sales | 3.9% | 6.0% | 6.4% | 6.4% | 6.3% |
| OP margin | | | | | |
| Anta | 27.1% | 28.3% | 23.1% | 23.5% | 23.9% |
| FILA | 27.2% | 25.8% | 27.8% | 29.2% | 29.5% |
| Total | 25.6% | 25.8% | 25.8% | 26.7% | 27.2% |
| Effective tax rate | 29.8% | 31.2% | 27.0% | 26.0% | 26.0% |
| NP att. margin | 15.8% | 14.5% | 16.9% | 18.1% | 18.7% |
| NP att. growth | 30.3% | -3.4% | 54.2% | 29.7% | 22.5% |

Source: Company data, CMBIS estimates

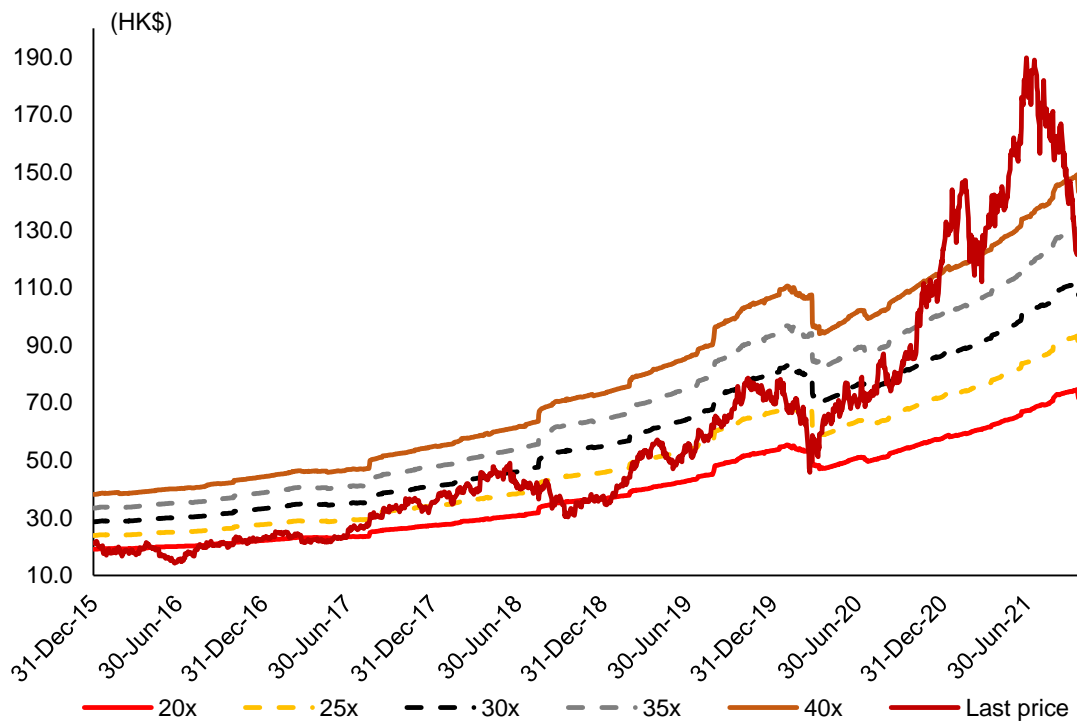
Valuation

Figure 5: 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 | 156.06 | 126.80 | 23% | 342,782 | Dec-20 | 36.9 | 28.4 | 9.3 | 7.4 | 30.5 | 1.1 | 1.0 | |
| Li Ning Co | 2331 HK | BUY | 102.84 | 87.55 | 17% | 218,516 | Dec-20 | 49.9 | 39.3 | 15.3 | 11.6 | 33.2 | 0.9 | 0.6 | |
| Xtep Intl | 1368 HK | BUY | 18.73 | 9.57 | 96% | 25,158 | Dec-20 | 23.1 | 18.0 | 2.6 | 2.4 | 9.5 | 0.6 | 2.6 | |
| 361 Degrees Intl | 1361 HK | NR | n/a | 3.80 | n/a | 7,857 | Dec-20 | 11.2 | 9.8 | 0.9 | 0.9 | 7.7 | 0.5 | 1.8 | |
| Topsports Intl | 6110 HK | NR | n/a | 9.13 | n/a | 56,617 | Feb-21 | 14.6 | 12.1 | 4.1 | 3.5 | 27.4 | 0.7 | 3.6 | |
| Pou Sheng Intl | 3813 HK | NR | n/a | 1.35 | n/a | 7,232 | Dec-20 | 5.3 | 4.1 | 0.7 | 0.6 | 11.6 | 0.1 | 2.5 | |
| China DX | 3818 HK | NR | n/a | 0.88 | n/a | 5,181 | Mar-21 | n/a | n/a | n/a | n/a | 16.4 | 0.0 | n/a | |
| | | | | | | | | Avg. | 23.5 | 18.6 | 5.5 | 4.4 | 19.5 | 0.5 | 2.0 |
| | | | | | | | | Med. | 18.8 | 15.1 | 3.4 | 3.0 | 16.4 | 0.6 | 2.1 |
| International Sportswear | | | | | | | | | | | | | | | |
| Nike | NKE US | NR | n/a | 157.53 | n/a | 1,939,601 | May-21 | 43.7 | 33.1 | 18.2 | 16.7 | 51.6 | 2.9 | 0.7 | |
| Adidas | ADS GY | NR | n/a | 270.75 | n/a | 489,809 | Dec-20 | 35.7 | 27.0 | 7.2 | 6.5 | 24.8 | 0.5 | 1.2 | |
| Puma | PUM GY | NR | n/a | 99.88 | n/a | 135,981 | Dec-20 | 51.0 | 35.0 | 7.7 | 6.7 | 15.8 | 0.6 | 0.6 | |
| Under Armour | UAA US | NR | n/a | 20.33 | n/a | 68,708 | Dec-20 | 37.6 | 33.1 | 4.9 | 4.3 | 22.0 | (0.2) | 0.0 | |
| Lululemon | LULU US | NR | n/a | 409.16 | n/a | 413,172 | Jan-21 | 54.6 | 45.4 | 17.4 | 13.6 | 35.4 | 1.6 | 0.0 | |
| Skechers | SKX US | NR | n/a | 44.03 | n/a | 53,422 | Dec-20 | 16.7 | 14.5 | 2.2 | 1.9 | 14.3 | 0.2 | 0.0 | |
| Vf Corp | VFC US | NR | n/a | 73.42 | n/a | 224,246 | Mar-21 | 23.2 | 19.6 | 7.4 | 7.0 | 32.9 | 0.4 | 2.7 | |
| Columbia | COLM US | NR | n/a | 95.47 | n/a | 48,991 | Dec-20 | 20.6 | 17.7 | 3.5 | 3.0 | 14.5 | 0.4 | 1.0 | |
| Wolverine | WWW US | NR | n/a | 30.88 | n/a | 19,762 | Jan-21 | 13.4 | 11.0 | 4.6 | 3.7 | (9.9) | (0.1) | 1.4 | |
| Mizuno Corp | 8022 JP | NR | n/a | 2621.00 | n/a | 4,742 | Mar-21 | 19.6 | 14.7 | 0.6 | 0.7 | 7.5 | 1.4 | 1.9 | |
| Asics Corp | 7936 JP | NR | n/a | 2907.00 | n/a | 37,571 | Dec-20 | 97.2 | 39.1 | 4.0 | 3.8 | 1.7 | (0.5) | 0.8 | |
| | | | | | | | | Avg. | 37.6 | 26.4 | 7.1 | 6.2 | 19.1 | 0.7 | 0.9 |
| | | | | | | | | Med. | 35.7 | 27.0 | 4.9 | 4.3 | 15.8 | 0.4 | 0.8 |

Source: Bloomberg, CMBIS estimates

Figure 6: P/E band of forward 1 year P/E



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 |
| Revenue | 33,928 | 35,512 | 47,018 | 57,140 | 67,517 | EBIT | 8,752 | 8,826 | 12,154 | 15,069 | 18,163 |
| Footwear | 11,410 | 12,700 | 17,780 | 20,803 | 23,923 | D & A | 448 | 509 | 709 | 719 | 564 |
| Apparel | 21,398 | 21,671 | 28,029 | 34,983 | 42,077 | Change in working capital | 1,178 | (3,461) | 173 | (1,139) | (1,261) |
| Accessories | 1,120 | 1,141 | 1,209 | 1,355 | 1,517 | Income tax paid | (2,133) | (2,181) | (3,197) | (3,938) | (4,822) |
| | | | | | | Others | (759) | 3,765 | 394 | 507 | 607 |
| Cost of goods sold | (15,269) | (14,861) | (17,809) | (21,259) | (24,717) | Net cash from operating | 7,485 | 7,458 | 10,233 | 11,217 | 13,252 |
| Gross profit | 18,659 | 20,651 | 29,210 | 35,881 | 42,799 | Capex & investments | (11,28) | (785) | (846) | (800) | (810) |
| Other income | 1,127 | 1,063 | 1,784 | 1,882 | 2,157 | Associated companies | - | - | - | - | - |
| | | | | | | Interest received | - | - | - | - | - |
| Operating expenses | (11,034) | (12,888) | (18,839) | (22,695) | (26,793) | Others | (1,783) | (1,138) | - | - | - |
| D & A | (210) | (261) | (454) | (439) | (360) | Net cash from investing | (13,06) | (1,923) | (846) | (800) | (810) |
| Staff costs | (1,859) | (2,085) | (3,245) | (4,538) | (5,474) | Equity raised | 709 | 21 | - | - | - |
| S & D costs (ex-staff, D&A) | (8,443) | (9,307) | (13,398) | (15,711) | (18,748) | Net change in bank loans | 7,733 | (3,343) | - | - | - |
| Admin exp. (ex-staff, D&A) | (247) | (940) | (1,353) | (1,533) | (1,652) | Dividend paid | (1,417) | (1,404) | (1,697) | (3,269) | (6,428) |
| Other operating expenses | (275) | (294) | (390) | (473) | (559) | Others | (2,356) | 5,955 | (523) | (523) | (523) |
| EBIT | 8,752 | 8,826 | 12,154 | 15,069 | 18,163 | Net cash from financing | 4,670 | 1,229 | (2,221) | (3,792) | (6,951) |
| Finance costs, net | (110) | (136) | (130) | (16) | 83 | Net change in cash | (910) | 6,764 | 7,166 | 6,625 | 5,490 |
| JVs & associates | (633) | (601) | (186) | 93 | 299 | Beginning cash balance | 9,284 | 8,221 | 15,323 | 22,489 | 29,114 |
| Exceptional | - | - | - | - | - | Exchange difference | (153) | 338 | - | - | - |
| Pre-tax profit | 8,008 | 8,089 | 11,839 | 15,146 | 18,546 | Cash at the end of the year | 8,221 | 15,323 | 22,489 | 29,114 | 34,604 |
| Income tax | (2,384) | (2,520) | (3,197) | (3,938) | (4,822) | | | | | | |
| Less: Minority interests | 280 | 407 | 681 | 884 | 1,082 | | | | | | |
| Net profit | 5,344 | 5,162 | 7,961 | 10,324 | 12,642 | | | | | | |

| Balance sheet | | | | | | Key ratios | | | | | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| YE 31 Dec (RMB mn) | FY19A | FY20A | FY21E | FY22E | FY23E | YE 31 Dec | FY19A | FY20A | FY21E | FY22E | FY23E |
| Non-current assets | 17,898 | 19,150 | 19,101 | 19,276 | 19,821 | Sales mix (%) | | | | | |
| Fixed asset | 2,148 | 2,184 | 2,604 | 2,937 | 3,407 | Footwear | 33.6 | 35.8 | 37.8 | 36.4 | 35.4 |
| Intangible assets & goodwill | 678 | 1,579 | 1,296 | 1,044 | 821 | Apparel | 63.1 | 61.0 | 59.6 | 61.2 | 62.3 |
| Prepaid lease payments | 53 | 46 | 46 | 46 | 46 | Accessories | 3.3 | 3.2 | 2.6 | 2.4 | 2.2 |
| Interest in joint ventures | 10,551 | 9,658 | 9,472 | 9,565 | 9,865 | Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Other non-current assets | 4,468 | 5,683 | 5,683 | 5,683 | 5,683 | P&L ratios (%) | | | | | |
| Current assets | 23,321 | 32,717 | 41,663 | 51,282 | 59,922 | Gross margin | 55.0 | 58.2 | 62.1 | 62.8 | 63.4 |
| Cash and cash equivalents | 8,221 | 15,323 | 22,489 | 29,114 | 34,604 | Operating margin | 25.8 | 24.9 | 25.9 | 26.4 | 26.9 |
| Inventories | 4,405 | 5,486 | 5,123 | 6,232 | 7,449 | Pre-tax margin | 23.6 | 22.8 | 25.2 | 26.5 | 27.5 |
| Trade and other receivables | 6,309 | 6,614 | 8,757 | 10,642 | 12,575 | Net margin | 15.8 | 14.5 | 16.9 | 18.1 | 18.7 |
| 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 | Balance sheet ratios | | | | | |
| Current liabilities | 12,412 | 11,715 | 13,668 | 15,522 | 17,411 | 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 | 2.7 | 2.9 | 3.0 |
| Trade payables | 2,963 | 2,376 | 2,847 | 3,399 | 3,952 | Cash ratio (x) | 66 | 131 | 165 | 188 | 199 |
| Accruals & other payables | 5,821 | 4,572 | 6,053 | 7,356 | 8,692 | 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 |
| Non-current liabilities | 7,746 | 14,328 | 14,328 | 14,328 | 14,328 | Total debt / total equity ratio (%) | 40 | 60 | 48 | 39 | 33 |
| 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 | Returns (%) | | | | | |
| Deferred tax | 256 | 527 | 527 | 527 | 527 | ROE | 26.6 | 21.5 | 26.3 | 27.7 | 29.0 |
| Others | 846 | 1,246 | 1,246 | 1,246 | 1,246 | ROA | 13.0 | 10.0 | 13.1 | 14.6 | 15.9 |
| Minority Interest | 979 | 1,811 | 2,492 | 3,376 | 4,458 | Per share | | | | | |
| Total net assets | 20,082 | 24,013 | 30,277 | 37,331 | 43,545 | EPS (RMB) | 1.92 | 1.85 | 2.85 | 3.70 | 4.53 |
| Shareholders' equity | 20,082 | 24,013 | 30,277 | 37,331 | 43,545 | DPS (RMB) | 0.61 | 0.58 | 0.73 | 2.22 | 2.72 |
| | | | | | | BVPS (RMB) | 7.43 | 8.88 | 11.2 | 13.8 | 16.1 |

Source: Company data, CMBIS estimates

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