

Xtep (1368 HK)

Upbeat guidance with multiple growth drivers

We are satisfied by Xtep's accelerated growth in 4Q21, given weak macro and COVID-19 environment. Following its guidance raised, we maintain BUY and revised up SOTP-based TP to HK\$16.43, implying ~30x FY22E P/E (unchanged). We think it is still attractive at 23x FY22E P/E.

- 4Q21 numbers were roughly in-line and Jan-TD in 2022E stay strong.** Xtep retail sales grew by 20-25% YoY in 4Q21, and speeded up from mid-teens in 3Q21, which is impressive given tougher macro and COVID environment. Growth for Xtep adult/ kids/ e-commerce were double-digit/ 40%+/ high double-digit. Inventory to sales ratio was 4 months and retail discounts was 20% to 25% off in 4Q21, both are the same as 3Q21. Noted that the sell-through rate was satisfactory, ~80% for 3Q21 and ~60% for 4Q21, which should be better than the industry. Following a 30%+ retail sales growth in FY21E, momentum stayed strong at 20%+ in Jan-TD 2022E.
- Positive profit alert for FY21E.** Xtep also reported a 70%+ NP growth in FY21E, which was a result of: 1) more 9th gen. stores, 2) product and brand upgrades (XDNA, 160X and 260X series), 3) ramp up of Kids and e-commerce and 4) core brand's GP margin expansion.
- Revised up sales growth target to 25%+ (from 20%+) in FY22E.** For FY22E, management is now expecting 25%+ sales growth (30%+ in 1H22E) for Xtep core brand, 50%+ for kids, 30%+ for new brands (K-Swiss and Palladium) and 50%+ for JV (Saucony & Merrell). We are confident as well, thanks to: 1) ramp up of 9th gen. stores (large size at 200+ sq m, better locations, higher items per tickets at 3.0+, 10%+ volume growth), 2) higher ASP through brand and product upgrades, 3) 200-300 new stores for Xtep's adult and 200-300/ 100 more shop-in-shops for kids/ XNDA and 4) rapid growth from kids and e-commerce. We also expect both GP and OP margin to gradually trend up in FY22E, with A&P expenses still at 11-13% of sales.
- There is also a management change, but we think it is positive.** Xtep hired a new CEO lately for the Xtep brand. He worked in Nike/ Topsports for 20+ years and is likely to help Xtep's channel expansion (e.g. malls). The original CEO will become CEO of the new brands (K-Swiss and Palladium). We believe Xtep is slightly ahead of schedule to achieve RMB 24bn sales target (in its 5-year plan) and all these changes are part of the process.
- Maintain BUY and lift TP to HK\$ 16.43.** We revised up FY21E/ 22E/ 23E NP by 0%/ 7%/ 5% to factor in faster sales growth, more stores and greater operating leverage. We lift TP to HK\$ 16.43, based on SOTP valuation (26x FY22E P/E for Xtep, cost for K&P and 2.0x P/S for JV), implying ~30x for group, which is reasonable given 43% NP CAGR in FY20-23E.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	8,183	8,172	10,070	12,558	14,567
YoY growth (%)	28.2	(0.1)	23.2	24.7	16.0
Net income (RMB mn)	728	513	880	1,168	1,509
EPS (RMB)	0.302	0.206	0.346	0.459	0.592
YoY growth (%)	2.3	(31.6)	67.5	32.7	29.2
Consensus EPS (RMB)	n/a	n/a	0.338	0.434	0.541
P/E (x)	38.2	52.6	31.0	23.3	18.1
P/B (x)	4.1	3.8	3.5	3.3	3.0
Yield (%)	1.5	1.1	1.9	2.6	3.3
ROE (%)	10.5	7.0	11.3	14.0	16.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price **HK\$16.43**
 (Previous TP **HK\$15.41**)
 Up/Downside **+27.3%**
 Current Price **HK\$12.90**

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	33,931
Avg 3 mths t/o (HK\$ mn)	166.22
52w High/Low (HK\$)	16.32/3.31
Total Issued Shares (mn)	2,630.33

Source: Bloomberg

Shareholding Structure

Mr Ding Shui Po & Family	52.28%
JP Morgan Chase	4.61%
ICBC Credit Suisse AM	3.02%
Employee incentive scheme	4.01%
Free Float	36.08%

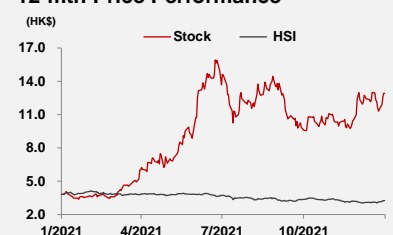
Source: HKEx, Bloomberg

Share Performance

	Absolute	Relative
1-mth	3.9%	0.7%
3-mth	30.8%	33.9%
6-mth	-5.7%	7.5%
12-mth	243.1%	301.0%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Ernst & Young

Related Reports

- Xtep (1368 HK, BUY) – Slight beat in 3Q21 and guidance maintained – 20 Oct 2021
- Xtep (1368 HK, BUY) – Stable 2H21E and upbeat long-term guidance – 24 Aug 2021
- Xtep (1368 HK, BUY) – Guidance raised after positive profit alert – 15 Jul 2021

Focus charts

Figure 1: Sum of the parts (SOTP) valuation for Xtep Int'l

Sum of the parts valuation	Targeted price per share (HK\$)	Targeted market cap (HK\$ mn)	Targeted market cap (RMB mn)	Target ratio (x)	Valuation method	FY22E sales (RMB mn)	FY22E net profit (RMB mn)	Remarks
Xtep core brand	15.39	39,199	32,535	26.0	FY22E P/E	11,027	1,251	Based on 31% NP FY20-23E CAGR
K-Swiss and Palladium	0.79	2,014	1,672	n/a	M&A costs	1,272	(57)	Implying a 1.5x FY22E P/S
Saucony and Merrell JV	0.25	626	519	2.0	FY22E P/S	260	(26)	Based on 2.0x FY22E P/S
Total (RMB)	16.43	41,839	34,726			12,558	1,168	Implying a 30x FY22E P/E
Number of shares (mn)	2,547							
CNYHKD FX rate	1.2048							
Current price (HKD)	12.90							
Upside (%)	27.3%							

Source: Bloomberg, CMBIS estimates

Figure 2: Xtep Int'l performance by brand segment

Sales (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	FY20-23E CAGR
Xtep core brand	7,707	7,101	8,911	11,027	12,701	14,153	15,606	21.4%
K-swiss and Palladium	466	999	989	1,272	1,432	1,614	1,822	12.7%
Saucony and Merrell JV	10	72	170	260	434	642	862	82.3%
Total	8,183	8,172	10,070	12,558	14,567	16,410	18,291	21.3%
Net profit (RMB mn)	FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	FY20-23E CAGR
Xtep core brand	790	656	1,016	1,251	1,480	1,710	1,964	31.2%
K-swiss and Palladium	(60)	(126)	(93)	(57)	16	67	112	-150.5%
Saucony and Merrell JV	(2)	(17)	(42)	(26)	13	32	60	-191.5%
Total	728	513	880	1,168	1,509	1,809	2,137	43.3%
NP margin	FY19	FY20	FY21E	FY22E	FY23E	FY24E	FY25E	
Xtep core brand	10.2%	9.2%	11.4%	11.3%	11.7%	12.1%	12.6%	
K-swiss and Palladium	-12.9%	-12.6%	-9.4%	-4.5%	1.1%	4.2%	6.2%	
Saucony and Merrell JV	-19.6%	-23.7%	-25.0%	-10.0%	3.0%	5.0%	7.0%	
Total	8.9%	6.3%	8.7%	9.3%	10.4%	11.0%	11.7%	

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	3Q21	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%	-15.0%	
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	14.0%
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	12.0%
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-teens	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	
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	+ve Low 90%	+ve Low 30%	
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	+ve Low 70%	+ve Mid 20%	
E- Commerce	+ve High 30%	+ve Mid-30%	+ve High 30%	+ve Mid 50%	+ve High 30%	+ve Mid 30%	+ve Mid 50%	+ve Mid 40%	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Mid 30%	
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	+ve High 80%	+ve Low 90%	+ve Low 40%	29.0%
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	+ve Low 90%	+ve High 80%	+ve Mid 30%	
Wholesales	+ve MSD	+ve MSD	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-20%	+ve Mid-20%	+ve Low-30%	+ve High-40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%
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%	+ve High 90%	+ve Mid 50%	
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%	+ve Mid-teens	20%-25%
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%	+ve Low-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%	-15.0%	-25.1%	-26.7%
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	-ve High-teens	
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	-ve Mid to High-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	10,070	12,558	14,567	10,070	11,967	13,888	0.0%	4.9%	4.9%
Gross profit	4,176	5,269	6,225	4,176	5,047	5,961	0.0%	4.4%	4.4%
EBIT	1,453	1,855	2,284	1,453	1,738	2,169	0.0%	6.7%	5.3%
Net profit att.	880	1,168	1,509	880	1,089	1,431	0.0%	7.2%	5.5%
Diluted EPS (RMB)	0.346	0.459	0.592	0.346	0.428	0.562	0.0%	7.2%	5.5%
Gross margin	41.5%	42.0%	42.7%	41.5%	42.2%	42.9%	0ppt	-0.2ppt	-0.2ppt
EBIT margin	14.4%	14.8%	15.7%	14.4%	14.5%	15.6%	0ppt	0.2ppt	0.1ppt
Net profit att. margin	8.7%	9.3%	10.4%	8.7%	9.1%	10.3%	0ppt	0.2ppt	0.1ppt

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	10,070	12,558	14,567	9,933	12,213	14,801	1.4%	2.8%	-1.6%
Gross profit	4,176	5,269	6,225	4,135	5,130	6,258	1.0%	2.7%	-0.5%
EBIT	1,453	1,855	2,284	1,343	1,681	2,076	8.2%	10.4%	10.0%
Net profit att.	880	1,168	1,509	872	1,117	1,395	1.0%	4.6%	8.2%
Diluted EPS (RMB)	0.346	0.459	0.592	0.338	0.434	0.541	2.1%	5.7%	9.5%
Gross margin	41.5%	42.0%	42.7%	41.6%	42.0%	42.3%	-0.2ppt	-0.1ppt	0.5ppt
EBIT margin	14.4%	14.8%	15.7%	13.5%	13.8%	14.0%	0.9ppt	1ppt	1.7ppt
Net profit att. margin	8.7%	9.3%	10.4%	8.8%	9.1%	9.4%	0ppt	0.2ppt	0.9ppt

Source: Company data, CMBIS estimates

Assumptions

Figure 6: Major assumptions

Major assumptions	FY19A	FY20A	FY21E	FY22E	FY23E
Sales by segment (RMB mn)					
Shoes	4,653	5,047	6,344	8,073	9,424
Apparels	3,344	2,964	3,557	4,304	4,949
Accessories	185	161	169	181	194
Total	8,183	8,172	10,070	12,558	14,567
Sales by segment growth (%)					
Shoes	18.6%	8.5%	25.7%	27.3%	16.7%
Apparels	43.7%	-11.4%	20.0%	21.0%	15.0%
Accessories	41.0%	-12.9%	5.0%	7.0%	7.0%
Total	28.2%	-0.1%	23.2%	24.7%	16.0%
Sales by segment (RMB mn)					
Mass market	7,707	7,101	8,911	11,027	12,701
Athleisure	466	999	989	1,272	1,432
Professional sports	10	72	170	260	434
Total	8,183	8,172	10,070	12,558	14,567
Sales by segment growth (YoY)					
Mass market	20.7%	-7.9%	25.5%	23.7%	15.2%
Athleisure	n/a	114.4%	-1.0%	28.6%	12.6%
Professional sports	n/a	609.9%	137.0%	52.8%	67.2%
Total	28.2%	-0.1%	23.2%	24.7%	16.0%
Sales network					
Xtep	5,279	4,971	4,822	5,039	5,240
Xtep kids	850	800	1,000	1,150	1,242
Oversea stores	250	250	250	300	300
Total	6,379	6,021	6,072	6,489	6,782
GP margins	43.4%	39.1%	41.5%	42.0%	42.7%
Opex breakdown					
A&P / sales	14.4%	11.2%	11.1%	11.3%	11.5%
Staff costs/ sales	11.0%	12.1%	11.4%	11.0%	10.6%
R&D / sales	2.4%	2.7%	2.6%	2.4%	2.3%
D&A / sales	1.7%	2.0%	2.5%	2.1%	1.9%
Provisions (write backs) / sales	-0.9%	0.7%	0.0%	0.0%	0.0%
Rental / sales	0.1%	0.1%	1.0%	1.2%	1.3%
Selling & distribution costs / sales	21.0%	18.8%	18.9%	18.7%	18.8%
Admin expenses / sales	11.1%	12.9%	11.3%	11.0%	10.6%
Total	32.1%	31.7%	30.2%	29.7%	29.4%
OP margins	15.1%	11.2%	14.4%	14.8%	15.7%
Effective tax rate	34.8%	33.7%	32.0%	31.0%	30.0%
Net profit att. margins	8.9%	6.3%	8.7%	9.3%	10.4%
Net profit att. growth (%)	10.8%	-29.5%	71.6%	32.7%	29.2%

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	
H shares Sportswear															
Xtep Intl	1368 HK	BUY	16.43	12.90	27%	33,931	Dec-20	31.0	23.3	3.5	3.2	9.5	0.7	1.9	
Anta Sports	2020 HK	BUY	156.06	114.00	37%	308,180	Dec-20	32.7	25.7	8.3	6.8	30.5	0.9	1.1	
Li Ning	2331 HK	BUY	102.84	76.85	34%	201,082	Dec-20	43.3	34.5	13.0	10.0	33.2	0.8	0.7	
361 Degrees	1361 HK	NR	n/a	3.83	n/a	7,919	Dec-20	11.6	10.3	0.9	0.8	7.7	0.5	1.2	
Topsports	6110 HK	NR	n/a	7.67	n/a	47,563	Feb-21	13.5	11.3	3.5	3.0	26.5	0.8	3.9	
Pou Sheng	3813 HK	NR	n/a	1.22	n/a	6,498	Dec-20	6.9	4.5	0.6	0.5	11.6	0.1	1.6	
China DX	3818 HK	NR	n/a	0.68	n/a	4,004	Mar-21	n/a	5.0	0.3	0.3	(0.5)	0.0	n/a	
								Avg.	23.2	16.4	4.3	3.5	16.9	0.6	1.7
								Med.	22.2	11.3	3.5	3.0	11.6	0.7	1.4
International Sportswear															
Nike Inc	NKE US	NR	n/a	148.18	n/a	1,824,012	May-21	40.0	30.8	16.6	15.1	48.3	2.6	0.8	
Adidas	ADS GY	NR	n/a	252.35	n/a	430,266	Dec-20	34.3	26.2	6.6	6.0	29.0	0.5	1.3	
Puma	PUM GY	NR	n/a	93.16	n/a	124,712	Dec-20	46.6	32.4	7.2	6.3	16.3	0.5	0.6	
Under Armour	UAA US	NR	n/a	18.86	n/a	64,262	Dec-20	24.5	24.8	4.4	3.7	25.2	(0.1)	0.0	
Lululemon	LULU US	NR	n/a	328.98	n/a	331,110	Jan-21	42.7	35.8	14.4	11.3	36.1	1.3	0.0	
Skechers	SKX US	NR	n/a	43.63	n/a	52,929	Dec-20	17.4	14.6	2.2	1.9	15.0	0.2	0.0	
Vf Corp	VFC US	NR	n/a	72.25	n/a	220,910	Apr-21	22.7	19.6	7.5	6.9	37.4	0.4	2.7	
Columbia	COLM US	NR	n/a	91.27	n/a	46,336	Dec-20	19.2	16.6	3.0	2.7	16.3	0.3	1.2	
Wolverine	WWW US	NR	n/a	26.32	n/a	16,876	Jan-21	12.5	10.0	3.3	2.8	(12.9)	(0.1)	1.5	
Mizuno Corp	8022 JP	NR	n/a	2182.00	n/a	3,956	Mar-21	16.3	12.2	0.5	0.5	7.7	1.2	2.3	
Asics Corp	7936 JP	NR	n/a	2291.00	n/a	29,669	Dec-20	75.5	28.8	3.2	3.0	4.3	(0.4)	1.0	
								Avg.	32.0	22.9	6.3	5.5	20.2	0.6	1.0
								Med.	24.5	24.8	4.4	3.7	16.3	0.4	1.0

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	8,183	8,172	10,070	12,558	14,567	EBIT	1,234	918	1,453	1,855	2,284
Footwear	4,653	5,047	6,344	8,073	9,424	D & A	185	318	331	343	349
Apparel	3,344	2,964	3,557	4,304	4,949	Change in working capital	36	(320)	(623)	(797)	(651)
Accessories	185	161	169	181	194	Income tax paid	(334)	(325)	(417)	(532)	(655)
						Others	(343)	(272)	(106)	(114)	(113)
Cost of goods sold	(4,632)	(4,973)	(5,895)	(7,290)	(8,342)	Net cash from operating	778	320	638	756	1,213
Gross profit	3,550	3,198	4,176	5,269	6,225	Capex & investments	(97)	(207)	(151)	(188)	(219)
Other income	308	307	322	314	335	Associated companies	(35)	(20)	-	-	-
						Interest received	-	-	-	-	-
Operating expenses	(2,625)	(2,588)	(3,045)	(3,728)	(4,276)	Others	(1,913)	800	-	-	-
S & D costs	(1,718)	(1,537)	(1,903)	(2,345)	(2,737)	Net cash from investing	(2,045)	573	(151)	(188)	(219)
Admin exp.	(711)	(827)	(880)	(1,082)	(1,204)	Equity raised	1,187	31	-	-	-
R & D	(195)	(223)	(262)	(301)	(335)	Net change in bank loans	386	(77)	1,003	-	-
Other operating expenses	-	-	-	-	-	Dividend paid	(436)	(279)	(406)	(609)	(796)
EBIT	1,234	918	1,453	1,855	2,284	Others	(98)	(55)	-	-	-
Finance costs, net	(111)	(140)	(106)	(114)	(113)	Net cash from financing	1,039	(380)	597	(609)	(796)
JVs & associates	(2)	(17)	(42)	(26)	13	Net change in cash	(227)	513	1,083	(42)	198
Exceptional	-	-	-	-	-	Beginning cash balance	3,196	2,970	3,472	4,555	4,514
Pre-tax profit	1,121	762	1,304	1,715	2,184	Exchange difference	1	(11)	-	-	-
Income tax	(390)	(257)	(417)	(532)	(655)	Cash at the end of the year	2,970	3,472	4,555	4,514	4,712
Less: Minority interests	4	(8)	7	15	20		1,234	918	1,453	1,855	2,284
Net profit	728	513	880	1,168	1,509						

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	3,057	3,544	3,322	3,141	3,024	Sales mix (%)					
Fixed asset	662	796	857	944	1,056	Footwear	56.9	61.8	63.0	64.3	64.7
Intangible assets & goodwill	1,738	1,528	1,287	1,045	803	Apparel	40.9	36.3	35.3	34.3	34.0
Prepaid lease payments	104	573	573	573	573	Accessories	2.3	2.0	1.7	1.4	1.3
Interest in joint ventures	197	218	176	150	163	Total	100.0	100.0	100.0	100.0	100.0
Other non-current assets	356	429	429	429	429						
Current assets	9,266	9,027	11,252	12,742	14,163	P&L ratios (%)					
Cash and cash equivalents	2,970	3,472	4,555	4,514	4,712	Gross margin	43.4	39.1	41.5	42.0	42.7
Inventories	1,046	975	1,155	1,429	1,635	Operating margin	15.1	11.2	14.4	14.8	15.7
Trade and other receivables	2,910	3,236	3,988	4,973	5,768	Pre-tax margin	13.7	9.3	13.0	13.7	15.0
Prepayments	818	899	1,108	1,381	1,602	Net margin	8.9	6.3	8.7	9.3	10.4
Other current assets	1,522	446	446	446	446	Effective tax rate	34.7	33.0	31.0	30.5	30.2
Current liabilities	3,671	3,334	3,853	4,588	5,159	Balance sheet ratios					
Bank loans	1,086	642	642	642	642	Current ratio (x)	2.5	2.7	2.9	2.8	2.7
Trade payables	1,420	1,479	1,753	2,168	2,480	Quick ratio (x)	2.2	2.4	2.6	2.5	2.4
Accruals & other payables	981	1,052	1,296	1,617	1,875	Cash ratio (x)	0.8	1.0	1.2	1.0	0.9
Tax payables	115	86	86	86	86	Inventory turnover days	82	72	72	72	72
Others	69	75	75	75	75	Trade receivables days	130	145	145	145	145
						Trade payables days	112	109	109	109	109
Non-current liabilities	1,691	1,939	2,942	2,942	2,942	Total debt / total equity ratio (%)	34	30	41	38	35
Bank loans	1,269	1,516	1,516	1,516	1,516	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
CB or Preferred shares	-	-	1,003	1,003	1,003	Returns (%)					
Deferred tax	280	237	237	237	237	ROE	10.5	7.0	11.3	14.0	16.7
Others	142	186	186	186	186	ROA	5.9	4.1	6.0	7.4	8.8
Minority Interest	-	-	7	22	42	Per share					
Total net assets	6,960	7,299	7,773	8,332	9,044	EPS (RMB)	0.30	0.21	0.35	0.46	0.59
Shareholders' equity	6,960	7,299	7,773	8,332	9,044	DPS (RMB)	0.18	0.12	0.21	0.28	0.36
						BVPS (RMB)	2.79	2.87	3.05	3.27	3.55

Source: Company data, CMBIS estimates

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