

# Xtep (1368 HK)

## Prudent on 2Q22 but guidance maintained

Xtep's numbers in 1Q22 was resilient, in our view. Management maintained its FY22E guidance but turned slightly more conservative on 2Q22E retail sales condition. Due to its rapid growth ahead and attractive valuation (20x FY22E P/E), we maintain BUY and keep our SOTP-based TP at HK\$16.21, implying ~28x FY22E P/E (unchanged).

- 1Q22 retail sales growth inline, but already strong given the pandemic in late Mar.** Xtep's retail sales grew by 30-35% YoY in 1Q22, inline with cons. and slightly above CMBI est. of 28%, and even accelerated from 20-25% in 4Q21. All channel retail sales growth was fast at 35% (40%+/- 50%+ for e-commerce/ kids) during Jan-Feb 2022. Such trend had sustained into first 2 weeks of Mar, but offline retail sales growth slowed down to mid-teens (40%+ for e-commerce), which should be better than Li Ning and Anta according to our understanding. Inventory to sales was at 4 months, same as 4Q21 while retail sales discounts was at 25% off, slightly higher than 20-25% off in 4Q21.
- Management have become more prudent on retail sales in 2Q22E.** Due to the Covid-19 outbreaks in Shanghai and Jilin, etc., logistic and supply chain was interrupted and hence both offline and e-commerce sales were affected. But because 2Q and April tend to be low seasons, as long as the outbreaks can be under control by 5-1 golden week, management is still confident on achieving a rather prudent 15-20% retail sales growth. Noted that 2Q22E may become more promotional with retail discounts of 25-30% off. Moreover, the size of re-orders (often accounted for 10% of sales in that quarter) could depend highly on the post pandemic recovery.
- But the guidance for listed co. was maintained.** Management maintained guidance of 25-30% sales growth in FY22E (and 35-45% in 1H22E) because it has already factored in this round of COVID-19 outbreak in Shanghai and Shenzhen back in the result in Mar. Also, the supports provided so far for its distributors are rather limited (no higher rebates, no cancelled orders and no refunds, etc.), hence the negative financial impact on listed co. level is also limited. Sales and net profit guidance for the new brands were also maintained.
- Maintain BUY and keep TP at HK\$ 16.21.** We maintain BUY with a TP at HK\$ 16.21, based on SOTP valuation (24x FY22E P/E for Xtep, cost for K&P and 2.0x P/S for JV), implying ~28x for group, reasonable given the 26% NP CAGR in FY21-24E.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	8,172	10,013	12,568	14,587	16,430
YoY growth (%)	(0.1)	22.5	25.5	16.1	12.6
Net income (RMB mn)	513	908	1,210	1,508	1,811
EPS (RMB)	0.206	0.355	0.475	0.592	0.711
YoY growth (%)	(31.6)	72.1	33.8	24.6	20.1
Consensus EPS (RMB)	n/a	n/a	0.461	0.579	0.800
P/E (x)	47.2	27.0	20.2	16.2	13.5
P/B (x)	3.4	3.1	2.9	2.6	2.4
Yield (%)	1.2	2.2	3.0	3.7	4.4
ROE (%)	7.0	11.4	14.1	16.3	18.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$16.21
(Previous TP)	HK\$16.21)
Up/Downside	+40.0%
Current Price	HK\$11.58

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	30,459
Avg 3 mths t/o (HK\$ mn)	192.47
52w High/Low (HK\$)	16.32/4.58
Total Issued Shares (mn)	2,630.3

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	0.3%	-0.5%
3-mth	3.3%	7.9%
6-mth	20.7%	31.0%
12-mth	163.3%	245.1%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: Ernst & Young

#### Related Reports

- Xtep (1368 HK, BUY) – Robust retail sales growth despite pandemic – 17 Mar 2022
- Xtep (1368 HK, BUY) – Upbeat guidance with multiple growth drivers – 17 Jan 2022
- Xtep (1368 HK, BUY) – Slight beat in 3Q21 and guidance maintained – 20 Oct 2021

## Operating numbers

Figure 1: Sportswear brands sales growth trend

Operating numbers	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22E	2Q22E	3Q22E	4Q22E
Nike China sales	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%				
Adidas China sales	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%				
<b>Anta brand's SSSG</b>																
Anta brand's retail sales	+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	+ve Mid-teens	23.0%	5.0%	25.0%	25.0%
Core brand	+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	+ve MSD				
Kids	Over 20%	30%	Over 25%	25%	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens				
Online	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%				
<b>Non-Anta brands (FILA   65%-70% 55%-60%)</b>																
FILA brand's retail sales			50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	17.0%	10.0%	20.0%	15.0%
Classic/ Core brand			Over 40%	Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat				
Kids			Over 70%	Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens				
Fusion			Over 100%	Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens				
Online			Over 70%	Over 70%	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%				
<b>Other brands</b>																
			30%-35%	25%-30%	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%				
Descente	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%				
Kolon		15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens				
<b>Li Ning group's SSSG</b>																
	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-twenties	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%				
Direct retail	+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%	+ve Mid 20%				
Wholesales	+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%	+ve High-teens				
E- Commerce	+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	+ve High 80%	+ve Mid 30%	+ve High 20%				
<b>Li Ning group's retail sales</b>																
	+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	+ve High 80%	+ve Low 90%	+ve Low 80%	+ve Low 30%	28.0%	5.0%	25.0%	20.0%
Direct retail	+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%	+ve High 20%				
Wholesales	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%				
E- Commerce	+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%	+ve Low 40%				
<b>Xtep's SSSG</b>																
	+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%	30%-35%	10.0%	25.0%	20.0%
<b>361 Degrees' SSSG</b>																
	+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	+ve High-teens				
Pou Sheng's SSSG	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%										
Pou Sheng's sales	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-10.0%	0.0%	10.0%	15.0%
<b>Dong Xiang's SSSG</b>																
	-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	-ve Mid to 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	-ve Mid-teens				
Direct retail	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, CMBIGM estimates, \*Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

## Assumptions

Figure 2: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales by segment (RMB mn)</b>					
Shoes	5,047	5,928	7,497	8,724	9,877
Apparels	2,964	3,887	4,859	5,637	6,313
Accessories	161	198	211	226	240
Total	8,172	10,013	12,568	14,587	16,430
<b>Sales by segment growth (%)</b>					
Shoes	8.5%	17.5%	26.5%	16.4%	13.2%
Apparels	-11.4%	31.2%	25.0%	16.0%	12.0%
Accessories	-12.9%	22.5%	7.0%	7.0%	6.0%
Total	-0.1%	22.5%	25.5%	16.1%	12.6%
<b>Sales by segment (RMB mn)</b>					
Mass market	7,101	8,841	11,038	12,748	14,225
Athleisure	999	971	1,220	1,374	1,549
Professional sports	72	201	310	465	656
Total	8,172	10,013	12,568	14,587	16,430
<b>Sales by segment growth (YoY)</b>					
Mass market	-7.9%	24.5%	24.8%	15.5%	11.6%
Athleisure	114.4%	-2.8%	25.7%	12.6%	12.8%
Professional sports	609.9%	180.3%	54.1%	50.2%	41.0%
Total	-0.1%	22.5%	25.5%	16.1%	12.6%
<b>Sales network</b>					
Xtep	4,971	4,722	4,864	5,010	5,160
Xtep kids	800	1,179	1,297	1,401	1,499
Oversea stores	250	250	300	300	300
Total	6,021	6,151	6,461	6,710	6,959
GP margins	39.1%	41.7%	42.3%	43.1%	43.3%
<b>Opex breakdown</b>					
A&P / sales	11.2%	10.2%	10.5%	11.0%	11.0%
Staff costs/ sales	12.1%	11.1%	10.5%	10.5%	10.4%
R&D / sales	2.7%	2.5%	2.4%	2.3%	2.3%
D&A / sales	2.0%	1.7%	1.5%	1.5%	1.4%
Provisions (write backs) / sales	0.7%	-0.2%	0.0%	0.0%	0.0%
Rental / sales	0.1%	0.1%	0.3%	0.4%	0.4%
Selling & distribution costs / sales	18.8%	18.9%	19.0%	19.3%	19.1%
Admin expenses / sales	12.9%	11.9%	11.4%	11.1%	10.9%
Total	31.7%	30.8%	30.4%	30.4%	30.0%
<b>OP margins</b>	<b>11.2%</b>	<b>13.9%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>15.8%</b>
Effective tax rate	33.7%	30.9%	31.0%	30.0%	29.0%
<b>Net profit att. margins</b>	<b>6.3%</b>	<b>9.1%</b>	<b>9.6%</b>	<b>10.3%</b>	<b>11.0%</b>
<b>Net profit att. growth (%)</b>	<b>-29.5%</b>	<b>77.1%</b>	<b>33.2%</b>	<b>24.6%</b>	<b>20.1%</b>

Source: Company data, CMBIGM estimates

## Valuation

Figure 3: 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>															
Xtep Intl	1368 HK	BUY	16.21	11.58	40%	30,459	Dec-21	17.5	14.0	2.9	2.6	12.0	0.7	3.4	
Anta Sports	2020 HK	BUY	121.33	94.30	29%	254,924	Dec-21	22.4	18.0	5.8	4.7	29.2	1.0	1.8	
Li Ning	2331 HK	BUY	81.04	63.60	27%	166,431	Dec-21	27.9	22.4	5.8	4.8	26.9	1.3	1.1	
361 Degrees	1361 HK	NR	n/a	4.00	n/a	8,270	Dec-21	10.0	8.8	0.8	0.8	8.8	1.0	3.4	
Topsports	6110 HK	NR	n/a	6.47	n/a	40,122	Feb-21	11.5	9.7	2.9	2.5	26.5	0.7	4.4	
Pou Sheng	3813 HK	NR	n/a	0.90	n/a	4,794	Dec-21	5.0	3.6	0.4	0.4	4.5	0.1	3.3	
China DX	3818 HK	NR	n/a	0.47	n/a	2,767	Mar-21	n/a	3.5	0.2	0.2	(0.5)	0.0	n/a	
								<b>Avg.</b>	<b>15.7</b>	<b>11.4</b>	<b>2.7</b>	<b>2.3</b>	<b>15.3</b>	<b>0.7</b>	<b>2.9</b>
								<b>Med.</b>	<b>14.5</b>	<b>9.7</b>	<b>2.9</b>	<b>2.5</b>	<b>12.0</b>	<b>0.7</b>	<b>3.3</b>
<b>International Sportswear</b>															
Nike Inc	NKE US	NR	n/a	128.36	n/a	1,583,284	May-21	34.5	27.7	13.9	12.0	45.7	2.3	0.9	
Adidas	ADS GY	NR	n/a	205.75	n/a	338,653	Dec-21	21.2	17.5	5.4	4.8	30.3	3.4	1.9	
Puma	PUM GY	NR	n/a	73.74	n/a	95,294	Dec-21	26.7	21.0	4.6	4.0	15.7	1.2	1.2	
Under Armour	UAA US	NR	n/a	16.15	n/a	57,602	Mar-23	22.2	20.5	n/a	2.7	19.1	2.5	n/a	
Lululemon	LULU US	NR	n/a	371.83	n/a	372,777	Jan-22	39.5	33.5	13.7	10.6	36.8	2.0	0.0	
Skechers	SKX US	NR	n/a	38.63	n/a	47,246	Dec-21	13.2	10.7	1.6	1.4	25.8	(6.3)	0.0	
Vf Corp	VFC US	NR	n/a	55.75	n/a	169,931	Apr-21	17.4	15.4	6.4	5.9	41.1	0.3	3.6	
Columbia	COLM US	NR	n/a	86.40	n/a	43,687	Dec-21	15.0	13.4	2.6	2.4	18.5	1.3	1.4	
Wolverine	WWW US	NR	n/a	21.66	n/a	13,817	Jan-22	8.4	7.4	2.3	2.0	11.3	0.1	2.6	
Mizuno Corp	8022 JP	NR	n/a	2063.00	n/a	3,469	Mar-21	17.4	12.6	0.5	0.5	7.6	1.7	2.4	
Asics Corp	7936 JP	NR	n/a	2226.00	n/a	26,738	Dec-21	25.5	19.6	2.7	2.5	6.9	0.8	1.4	
								<b>Avg.</b>	<b>21.9</b>	<b>18.1</b>	<b>5.4</b>	<b>4.4</b>	<b>23.5</b>	<b>0.9</b>	<b>1.5</b>
								<b>Med.</b>	<b>21.2</b>	<b>17.5</b>	<b>3.7</b>	<b>2.7</b>	<b>19.1</b>	<b>1.3</b>	<b>1.4</b>

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>8,172</b>	<b>10,013</b>	<b>12,568</b>	<b>14,587</b>	<b>16,430</b>
Footwear	5,047	5,928	7,497	8,724	9,877
Apparel	2,964	3,887	4,859	5,637	6,313
Accessories	161	198	211	226	240
<b>Cost of goods sold</b>	<b>(4,973)</b>	<b>(5,835)</b>	<b>(7,255)</b>	<b>(8,298)</b>	<b>(9,310)</b>
<b>Gross profit</b>	<b>3,198</b>	<b>4,178</b>	<b>5,314</b>	<b>6,290</b>	<b>7,120</b>
<b>Other income</b>	<b>307</b>	<b>299</b>	<b>314</b>	<b>365</b>	<b>394</b>
<b>Operating expenses</b>	<b>(2,588)</b>	<b>(3,081)</b>	<b>(3,822)</b>	<b>(4,440)</b>	<b>(4,924)</b>
S & D costs	(1,537)	(1,891)	(2,385)	(2,819)	(3,137)
Admin exp.	(827)	(937)	(1,135)	(1,285)	(1,410)
R & D	(223)	(252)	(302)	(336)	(378)
Other operating expenses	-	-	-	-	-
<b>EBIT</b>	<b>918</b>	<b>1,396</b>	<b>1,806</b>	<b>2,214</b>	<b>2,590</b>
Finance costs, net	(140)	(63)	(47)	(51)	(54)
JVs & associates	(17)	(46)	(31)	-	33
Exceptional	-	-	-	-	-
<b>Pre-tax profit</b>	<b>762</b>	<b>1,287</b>	<b>1,728</b>	<b>2,163</b>	<b>2,569</b>
Income tax	(257)	(397)	(536)	(649)	(745)
Less: Minority interests	(8)	(19)	(17)	6	13
<b>Net profit</b>	<b>513</b>	<b>908</b>	<b>1,210</b>	<b>1,508</b>	<b>1,811</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EBIT</b>	<b>918</b>	<b>1,396</b>	<b>1,806</b>	<b>2,214</b>	<b>2,590</b>
D & A	78	84	132	167	182
Change in working capital	(320)	(447)	(787)	(634)	(569)
Income tax paid	(325)	(329)	(536)	(649)	(745)
Others	(32)	(3)	(47)	(51)	(54)
<b>Net cash from operating</b>	<b>320</b>	<b>701</b>	<b>568</b>	<b>1,047</b>	<b>1,404</b>
Capex & investments	(207)	(414)	(440)	(511)	(575)
Associated companies	(20)	-	-	-	-
Interest received	-	-	-	-	-
Others	800	86	-	-	-
<b>Net cash from investing</b>	<b>573</b>	<b>(329)</b>	<b>(440)</b>	<b>(511)</b>	<b>(575)</b>
Equity raised	31	-	-	-	-
Net change in bank loans	(77)	(312)	-	-	-
Dividend paid	(279)	(356)	(628)	(808)	(988)
Others	(55)	764	-	-	-
<b>Net cash from financing</b>	<b>(380)</b>	<b>96</b>	<b>(628)</b>	<b>(808)</b>	<b>(988)</b>
<b>Net change in cash</b>	<b>513</b>	<b>469</b>	<b>(500)</b>	<b>(271)</b>	<b>(160)</b>
Beginning cash balance	2,970	3,472	3,930	3,430	3,159
Exchange difference	(11)	(11)	-	-	-
<b>Cash at the end of the year</b>	<b>3,472</b>	<b>3,930</b>	<b>3,430</b>	<b>3,159</b>	<b>2,999</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>3,544</b>	<b>4,183</b>	<b>4,460</b>	<b>4,804</b>	<b>5,230</b>
Fixed asset	796	1,119	1,452	1,836	2,282
Intangible assets & goodwill	741	700	674	634	582
Prepaid lease payments	573	576	576	576	576
Interest in joint ventures	218	365	334	334	366
Other non-current assets	1,216	1,424	1,424	1,424	1,424
<b>Current assets</b>	<b>9,027</b>	<b>10,432</b>	<b>11,565</b>	<b>12,564</b>	<b>13,579</b>
Cash and cash equivalents	3,472	3,930	3,430	3,159	2,999
Inventories	975	1,497	1,862	2,129	2,389
Trade and other receivables	3,236	3,528	4,429	5,140	5,789
Prepayments	899	1,443	1,811	2,102	2,367
Other current assets	446	34	34	34	34
<b>Current liabilities</b>	<b>3,334</b>	<b>4,053</b>	<b>4,898</b>	<b>5,535</b>	<b>6,140</b>
Bank loans	642	405	405	405	405
Trade payables	1,479	2,352	2,925	3,345	3,753
Accruals & other payables	1,052	1,071	1,344	1,560	1,757
Tax payables	86	123	123	123	123
Others	75	102	102	102	102
<b>Non-current liabilities</b>	<b>1,939</b>	<b>2,580</b>	<b>2,580</b>	<b>2,580</b>	<b>2,580</b>
Bank loans	1,516	1,375	1,375	1,375	1,375
CB or Preferred shares	-	758	758	758	758
Deferred tax	237	253	253	253	253
Others	186	194	194	194	194
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-17</b>	<b>-11</b>	<b>2</b>
<b>Total net assets</b>	<b>7,299</b>	<b>7,982</b>	<b>8,564</b>	<b>9,264</b>	<b>10,086</b>
<b>Shareholders' equity</b>	<b>7,299</b>	<b>7,982</b>	<b>8,564</b>	<b>9,264</b>	<b>10,086</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Footwear	61.8	59.2	59.7	59.8	60.1
Apparel	36.3	38.8	38.7	38.6	38.4
Accessories	2.0	2.0	1.7	1.6	1.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	39.1	41.7	42.3	43.1	43.3
Operating margin	11.2	13.9	14.4	15.2	15.8
Pre-tax margin	9.3	12.9	13.8	14.8	15.6
Net margin	6.3	9.1	9.6	10.3	11.0
Effective tax rate	33.0	29.8	30.5	30.0	29.4
<b>Balance sheet ratios</b>					
Current ratio (x)	2.7	2.6	2.4	2.3	2.2
Quick ratio (x)	2.4	2.2	2.0	1.9	1.8
Cash ratio (x)	1.0	1.0	0.7	0.6	0.5
Inventory turnover days	72	94	94	94	94
Trade receivables days	145	129	129	129	129
Trade payables days	109	147	147	147	147
Total debt / total equity ratio (%)	30	32	30	27	25
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	7.0	11.4	14.1	16.3	18.0
ROA	4.1	6.2	7.5	8.7	9.6
<b>Per share</b>					
EPS (RMB)	0.21	0.36	0.48	0.59	0.71
DPS (RMB)	0.12	0.21	0.29	0.36	0.43
BVPS (RMB)	2.87	3.13	3.36	3.64	3.96

Source: Company data, CMBIGM estimates

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