

# Li Ning (2331 HK)

## A resilient 1Q22 but we are prudent on 2Q22E

Given the worse than expected Covid-19 outbreaks, 1Q22 retail sales growth was inline and impressive enough. We are now factoring a more conservative estimates for 2Q22E and FY22E. We reiterate BUY due to its undemanding valuation and potential improvement on investors' sentiment, but lowered TP to HK\$75.43, based on an unchanged 35x FY22E P/E.

- 1Q22 operating numbers inline.** Li Ning's 1Q22 retail sales grew by 25-30% YoY, inline with CMBI est. of 28%, slightly behind Xtep's 30-35% but far better than Anta/ FILA's high-teens/ MSD growth and Pou Sheng's 25% decline. Given the worse than expected Covid-19 outbreaks in Shanghai and Northeast China, such result is decent enough. While e-commerce sales grew by ~35%, slowed down from 40-45% in 4Q21, direct retail sales growth was highly impressive at ~35%, even faster than 25-30% in 4Q21, we think it is reflecting the positives by Li Ning's reform on store productivity.
- Become more conservative about 2Q22E.** Based on 40%+/ 15% YoY retail sale growth during Jan-Feb 2022/ first 2 weeks in Mar 2022, we estimate the growth in Mar 2022/ last 2 weeks in Mar 2022 to be ~10%/ flat. Also, on top of the high base due to XJ cotton last year, we are now expecting a 10% retail sales drop in 2Q22E (vs previous company's guidance of 5% growth).
- We are now more prudent than the previous company's guidance.** Management guided a high-teens to low 20% sales growth and high-teens NP margin for FY22E at the result call, but due to the drags in 2Q22E, we now only expect ~15% sales growth and 17.8% NP margin (cut from 18.3%). Thanks to Li Ning's healthy inventory level, we think retail discounts and GP margin could still remain controllable in FY22E, but operating leverage may be greater than we previously thought.
- Number of stores decreased in 1Q22, but we are not concerned.** Li Ning's number of stores decreased by 63 to 5,872 in Mar 2022, from 5,935 in Dec 2021. This seems to have deviated from management's guidance of 200 net new stores in FY22E, but we are not worried because it is mostly a seasonality issue and it is closing small and opening large, where retail area growth is still intact.
- Maintain BUY and fine-tuned TP to HK\$ 75.43.** We maintain BUY but fine-tuned TP to HK\$ 75.43, based on an unchanged 35x FY22E P/E. Current valuation is at 28x FY22E P/E, which is not too demanding, in our view, vs 5 year-average of 30x. We revised down our FY22E/ 23E/ 24R NP est. by 7%/ 7%/ 7% to factor in slower sales growth and lower OP margin.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	14,457	22,572	26,042	30,232	33,969
YoY growth (%)	4.2	56.1	15.4	16.1	12.4
Net income (RMB mn)	1,698	4,011	4,633	5,408	6,290
EPS (RMB)	0.68	1.58	1.79	2.05	2.39
YoY growth (%)	12.5	133.6	13.2	14.7	16.3
Consensus EPS (RMB)	n/a	n/a	1.87	2.33	2.84
P/E (x)	73.8	31.2	27.5	24.0	20.6
P/B (x)	14.1	9.9	7.7	6.1	5.0
Yield (%)	0.4	1.0	1.1	1.3	1.5
ROE (%)	19.5	32.9	29.7	27.5	25.8
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$75.43
(Previous TP)	HK\$81.04)
Up/Downside	+27.2%
Current Price	HK\$59.30

### China Sportswear Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	155,179
Avg 3 mths t/o (HK\$ mn)	1,329.25
52w High/Low (HK\$)	108.2/ 48.6
Total Issued Shares (mn)	2,616.8

Source: Bloomberg

#### Shareholding Structure

Mr Li Ning & Family	12.79%
BlackRock Inc.	6.13%
JP Morgan Chase & Co	5.21%
FMR LLC.	4.70%
Schroders Plc.	4.70%
Free Float	66.47%

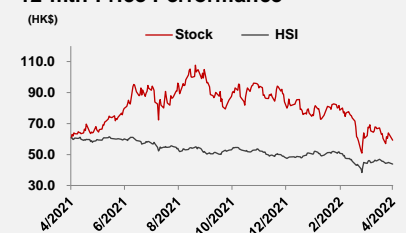
Source: Bloomberg, HKEX

#### Share Performance

	Absolute	Relative
1-mth	5.5%	5.0%
3-mth	-15.7%	-5.6%
6-mth	-27.0%	-13.7%
12-mth	6.6%	43.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

#### Auditor: PricewaterhouseCoopers

#### Related Reports

- Li Ning (2331 HK, BUY) – A solid guidance, considering the pandemic - 21 Mar 2022
- Li Ning (2331 HK, BUY) – Shifting gears from margin to sales - 16 Aug 2021

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY25E	FY22E	FY23E	FY24E
Revenue	26,042	30,232	33,969	27,269	31,639	35,533	-4.5%	-4.4%	-4.4%
Gross profit	13,641	15,887	17,908	14,284	16,627	18,732	-4.5%	-4.4%	-4.4%
EBIT	5,759	6,675	7,520	6,195	7,172	8,068	-7.0%	-6.9%	-6.8%
Net profit att.	4,633	5,408	6,290	4,977	5,807	6,744	-6.9%	-6.9%	-6.7%
Diluted EPS (RMB)	1.79	2.05	2.39	1.92	2.20	2.56	-6.9%	-6.9%	-6.7%
Gross margin	52.4%	52.6%	52.7%	52.4%	52.6%	52.7%	0ppt	0ppt	0ppt
EBIT margin	22.1%	22.1%	22.1%	22.7%	22.7%	22.7%	-0.6ppt	-0.6ppt	-0.6ppt
Net profit att. margin	17.8%	17.9%	18.5%	18.3%	18.4%	19.0%	-0.5ppt	-0.5ppt	-0.5ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	26,042	30,232	33,969	27,123	32,913	39,419	-4.0%	-8.1%	-13.8%
Gross profit	13,641	15,887	17,908	14,199	17,487	21,066	-3.9%	-9.1%	-15.0%
EBIT	5,759	6,675	7,520	6,077	7,635	9,343	-5.2%	-12.6%	-19.5%
Net profit att.	4,633	5,408	6,290	4,808	6,002	7,316	-3.6%	-9.9%	-14.0%
Diluted EPS (RMB)	1.79	2.05	2.39	1.87	2.33	2.84	-4.3%	-12.0%	-15.9%
Gross margin	52.4%	52.6%	52.7%	52.3%	53.1%	53.4%	0ppt	-0.6ppt	-0.7ppt
EBIT margin	22.1%	22.1%	22.1%	22.4%	23.2%	23.7%	-0.3ppt	-1.1ppt	-1.6ppt
Net profit att. margin	17.8%	17.9%	18.5%	17.7%	18.2%	18.6%	0.1ppt	-0.3ppt	0ppt

Source: Company data, CMBIGM estimates

## Operating numbers

**Figure 3: Historical sales growth trend, by brand**

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%	-8.0%				
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	+ve High-teens	-26.5%	20.0%	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	+ve Mid-teens				
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	20%-25%				
Online	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%				
<b>Non-Anta brands (FIL)</b>																	
FILA brand's retail sales	65%-70%	55%-60%	50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-28.5%	15.0%	15.0%	
Classic/ Core brand				Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD				
Kids				Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens				
Fusion				Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%				
Online				Over 70%	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%				
<b>Other brands</b>																	
Descente	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%				
Kolon		15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%				
<b>Li Ning group's SSSG</b>																	
Li Ning group's retail	+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%	+ve Low 20%	+ve Low 20%	-10.0%	20.0%	25.0%	
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%	+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	+ve Low-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%	+ve Mid 30%				
<b>Li Ning group's retail</b>																	
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%	+ve Mid 30%				
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%	+ve Low 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%	+ve Mid 30%				
<b>Xtep's SSSG</b>																	
Xtep's retail sales	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens	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%	20.0%	20.0%
<b>361 Degrees' SSSG</b>																	
361 Degree's retail sales	+ve LSD	+ve LSD	+ve LSD	+ve LSD	-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD	+ve High-teens	15%-20%	+ve Low-teens	+ve High-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%	-25.0%	-10.0%	10.0%	15.0%	
<b>Dong Xiang's SSSG</b>																	
Dong Xiang's retail sales	-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					
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 at May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

## Valuation

Figure 4: 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>															
Li Ning	2331 HK	BUY	75.43	59.30	27%	155,179	Dec-21	27.5	24.0	7.7	6.1	32.9	1.9	1.2	
Anta Sports	2020 HK	BUY	110.53	88.25	25%	239,477	Dec-21	22.5	17.7	5.5	4.5	29.2	1.1	1.7	
Xtep Intl	1368 HK	BUY	16.21	10.98	48%	28,881	Dec-21	19.8	15.8	2.7	2.5	12.0	0.8	3.0	
361 Degrees	1361 HK	NR	n/a	4.07	n/a	8,415	Dec-21	10.2	9.0	0.9	0.8	8.8	1.0	3.3	
Topsports	6110 HK	NR	n/a	6.07	n/a	37,641	Feb-21	11.0	9.2	2.8	2.4	26.5	0.7	4.6	
Pou Sheng	3813 HK	NR	n/a	0.92	n/a	4,900	Dec-21	5.3	3.8	0.4	0.4	4.5	0.1	3.1	
China DX	3818 HK	NR	n/a	0.47	n/a	2,738	Mar-21	n/a	3.4	0.2	0.2	(0.5)	0.0	n/a	
								<b>Avg.</b>	<b>16.0</b>	<b>11.8</b>	<b>2.9</b>	<b>2.4</b>	<b>16.2</b>	<b>0.8</b>	<b>2.8</b>
								<b>Med.</b>	<b>15.4</b>	<b>9.2</b>	<b>2.7</b>	<b>2.4</b>	<b>12.0</b>	<b>0.8</b>	<b>3.0</b>
<b>International Sportswear</b>															
Nike Inc	NKE US	NR	n/a	131.63	n/a	1,624,178	May-21	35.4	28.4	14.2	12.3	45.7	2.4	0.9	
Adidas	ADS GY	NR	n/a	199.62	n/a	324,378	Dec-21	20.7	17.1	5.2	4.7	30.3	3.9	1.9	
Puma	PUM GY	NR	n/a	74.14	n/a	94,590	Dec-21	27.2	21.3	4.6	4.0	15.7	1.2	1.2	
Under Armour	UAA US	NR	n/a	16.04	n/a	57,360	Mar-23	22.1	20.4	n/a	2.6	19.1	2.7	0.0	
Lululemon	LULU US	NR	n/a	387.56	n/a	388,681	Jan-22	41.0	34.8	13.7	10.4	36.8	2.1	0.0	
Skechers	SKX US	NR	n/a	39.76	n/a	49,803	Dec-21	13.7	11.0	1.6	1.4	25.8	(6.6)	0.0	
Vf Corp	VFC US	NR	n/a	55.70	n/a	169,837	Apr-21	17.4	15.4	6.4	5.9	41.1	0.3	3.6	
Columbia	COLM US	NR	n/a	88.06	n/a	44,542	Dec-21	15.3	13.6	2.7	2.5	18.5	1.3	1.3	
Wolverine	WWW US	NR	n/a	22.14	n/a	14,128	Jan-22	8.6	7.6	2.4	2.0	11.3	0.1	2.6	
Mizuno Corp	8022 JP	NR	n/a	2065.00	n/a	3,343	Mar-21	17.4	12.6	0.5	0.5	7.6	1.7	2.4	
Asics Corp	7936 JP	NR	n/a	2124.00	n/a	24,564	Dec-21	24.3	18.7	2.5	2.3	6.9	0.8	1.5	
								<b>Avg.</b>	<b>22.1</b>	<b>18.3</b>	<b>5.4</b>	<b>4.4</b>	<b>23.5</b>	<b>0.9</b>	<b>1.4</b>
								<b>Med.</b>	<b>20.7</b>	<b>17.1</b>	<b>3.6</b>	<b>2.6</b>	<b>19.1</b>	<b>1.3</b>	<b>1.3</b>

Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales by segment (RMB mn)</b>					
Shoes	6,338	9,506	11,078	12,670	14,039
Clothes	7,365	11,824	13,597	16,045	18,291
Equipment	754	1,242	1,367	1,517	1,638
Others	0	0	0	0	0
Total	14,457	22,572	26,042	30,232	33,969
<b>Sales by segment growth (%)</b>					
Shoes	4.2%	50.0%	16.5%	14.4%	10.8%
Clothes	3.6%	60.5%	15.0%	18.0%	14.0%
Equipment	11.7%	64.9%	10.0%	11.0%	8.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	4.2%	56.1%	15.4%	16.1%	12.4%
<b>Sales by channel growth (%)</b>					
Franchises	0.9%	56.7%	10.0%	14.0%	11.0%
Self-owned	-9.8%	53.5%	15.0%	17.0%	12.0%
E-commerce	29.7%	58.4%	25.0%	19.0%	15.0%
International	-16.7%	34.9%	10.0%	5.0%	0.0%
Total	4.2%	56.1%	15.4%	16.1%	12.4%
<b>Sales network by segment</b>					
Self-owned	1,149	1,165	1,190	1,210	1,230
Franchise	4,763	4,770	4,825	4,875	4,915
Sub-total	5,912	5,935	6,015	6,085	6,145
LN Young	1,021	1,202	1,302	1,402	1,482
Total	6,933	7,137	7,317	7,487	7,627
GP margins	49.1%	53.0%	52.4%	52.6%	52.7%
<b>Opex breakdown</b>					
A & P/ sales	8.9%	7.9%	8.5%	8.7%	8.9%
Labour/ sales	9.1%	8.0%	8.2%	8.2%	8.0%
Rental/ sales	6.3%	5.1%	5.2%	5.1%	4.9%
D & A/ sales	4.0%	2.8%	2.7%	2.8%	3.0%
R & D/ sales	2.2%	1.8%	2.1%	2.2%	2.2%
Provision/ sales	0.0%	0.0%	0.0%	0.0%	0.0%
Selling & distribution costs / sales	30.6%	27.2%	27.8%	28.0%	28.0%
Admin expenses / sales	5.6%	4.9%	4.7%	4.6%	4.6%
<b>OP margins</b>	<b>15.2%</b>	<b>22.8%</b>	<b>22.1%</b>	<b>22.1%</b>	<b>22.1%</b>
Effective tax rate	24.4%	24.7%	23.0%	22.0%	20.0%
<b>Net profit margins</b>	<b>11.7%</b>	<b>17.8%</b>	<b>17.8%</b>	<b>17.9%</b>	<b>18.5%</b>
<b>Net profit att. growth (%)</b>	<b>13.3%</b>	<b>136.1%</b>	<b>15.5%</b>	<b>16.7%</b>	<b>16.3%</b>

Source: Company data, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>14,457</b>	<b>22,572</b>	<b>26,042</b>	<b>30,232</b>	<b>33,969</b>
Franchises	6,924	10,853	11,938	13,609	15,106
Self-owned	3,265	5,010	5,762	6,742	7,550
E-commerce	4,049	6,413	8,016	9,539	10,970
International	220	296	326	342	342
<b>Cost of goods sold</b>	<b>(7,363)</b>	<b>(10,603)</b>	<b>(12,401)</b>	<b>(14,345)</b>	<b>(16,061)</b>
<b>Gross profit</b>	<b>7,094</b>	<b>11,969</b>	<b>13,641</b>	<b>15,887</b>	<b>17,908</b>
<b>Other income</b>	<b>331</b>	<b>416</b>	<b>599</b>	<b>635</b>	<b>679</b>
<b>Operating expenses</b>	<b>(5,230)</b>	<b>(7,249)</b>	<b>(8,481)</b>	<b>(9,847)</b>	<b>(11,067)</b>
D & A	(576)	(630)	(547)	(665)	(747)
Staff costs	(1,311)	(1,812)	(2,138)	(2,468)	(2,724)
S & D costs (ex-staff, D&A)	(3,449)	(4,783)	(5,636)	(6,588)	(7,433)
Admin exp. (ex-staff, D&A)	106	(24)	(161)	(125)	(163)
Other operating expenses	-	-	-	-	-
<b>EBIT</b>	<b>2,196</b>	<b>5,136</b>	<b>5,759</b>	<b>6,675</b>	<b>7,520</b>
Finance costs, net	(32)	33	105	83	148
JVs & associates	83	159	156	181	204
Exceptional	-	-	-	-	-
<b>Pre-tax profit</b>	<b>2,248</b>	<b>5,328</b>	<b>6,020</b>	<b>6,939</b>	<b>7,872</b>
Income tax	(549)	(1,317)	(1,384)	(1,525)	(1,573)
Less: Minority interests	0	0	0	0	0
<b>Net profit</b>	<b>1,698</b>	<b>4,011</b>	<b>4,636</b>	<b>5,414</b>	<b>6,299</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>EBIT</b>	<b>2,196</b>	<b>5,136</b>	<b>5,759</b>	<b>6,675</b>	<b>7,520</b>
D & A	576	630	744	882	1,022
Change in working capital	142	948	157	368	329
Income tax paid	(589)	(549)	(1,317)	(1,384)	(1,525)
Others	439	-	-	-	-
<b>Net cash from operating</b>	<b>2,763</b>	<b>6,165</b>	<b>5,342</b>	<b>6,542</b>	<b>7,345</b>
Capex & investments	(594)	(1,016)	(1,042)	(1,209)	(1,359)
Associated companies	(53)	-	-	-	-
Interest received	31	97	95	111	125
Others	(376)	(9)	26	(37)	(21)
<b>Net cash from investing</b>	<b>(992)</b>	<b>(927)</b>	<b>(920)</b>	<b>(1,136)</b>	<b>(1,255)</b>
Equity raised	189	-	-	-	-
Net change in bank loans	-	-	-	-	-
Dividend paid	(378)	(510)	(1,203)	(1,464)	(1,678)
Others	(325)	(112)	(103)	(92)	(72)
<b>Net cash from financing</b>	<b>(513)</b>	<b>(622)</b>	<b>(1,306)</b>	<b>(1,556)</b>	<b>(1,750)</b>
<b>Net change in cash</b>	<b>1,258</b>	<b>4,616</b>	<b>3,116</b>	<b>3,850</b>	<b>4,340</b>
Beginning cash balance	5,961	7,187	11,803	15,419	19,639
Exchange difference	(33)	-	-	-	-
<b>Cash at the end of the year</b>	<b>7,187</b>	<b>11,803</b>	<b>14,919</b>	<b>19,268</b>	<b>23,980</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Non-current assets</b>	<b>4,817</b>	<b>5,419</b>	<b>5,955</b>	<b>6,559</b>	<b>7,207</b>
Fixed asset	1,065	1,502	1,841	2,204	2,569
Intangible assets & goodwill	357	460	596	767	971
Prepaid lease payments	384	384	384	384	384
Interest in joint ventures	-	62	123	193	273
Other non-current assets	3,011	3,011	3,011	3,011	3,011
<b>Current assets</b>	<b>9,777</b>	<b>15,241</b>	<b>19,081</b>	<b>23,693</b>	<b>28,736</b>
Cash and cash equivalents	7,187	11,803	14,919	18,870	23,326
Inventories	1,346	1,598	2,038	2,358	2,640
Trade and other receivables	659	928	1,070	1,242	1,396
Prepayments	584	912	1,052	1,221	1,372
Other current assets	1	1	1	1	1
<b>Current liabilities</b>	<b>5,015</b>	<b>7,580</b>	<b>8,527</b>	<b>9,697</b>	<b>10,660</b>
Bank loans	-	-	-	-	-
Trade payables	1,227	1,598	1,869	2,162	2,420
Accruals & other payables	2,540	3,967	4,576	5,313	5,969
Tax payables	592	1,360	1,426	1,568	1,615
Others	656	656	656	656	656
<b>Non-current liabilities</b>	<b>889</b>	<b>889</b>	<b>889</b>	<b>889</b>	<b>889</b>
Bank loans	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	64	64	64	64	64
Others	825	825	825	825	825
<b>Minority Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>8,689</b>	<b>12,191</b>	<b>15,620</b>	<b>19,665</b>	<b>24,393</b>
<b>Shareholders' equity</b>	<b>8,689</b>	<b>12,191</b>	<b>15,620</b>	<b>19,665</b>	<b>24,393</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Franchises	47.9	48.1	45.8	45.0	44.5
Self-owned	22.6	22.2	22.1	22.3	22.2
E-commerce	28.0	28.4	30.8	31.6	32.3
International	1.5	1.3	1.3	1.1	1.0
<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	49.1	53.0	52.4	52.6	52.7
Operating margin	15.2	22.8	22.1	22.1	22.1
Pre-tax margin	15.5	23.6	23.1	22.9	23.1
Net margin	11.7	17.8	18.3	18.4	19.0
Effective tax rate	25.4	25.5	23.6	22.6	20.5
<b>Balance sheet ratios</b>					
Current ratio (x)	1.9	2.0	2.2	2.4	2.7
Quick ratio (x)	1.7	1.8	2.0	2.2	2.4
Cash ratio (x)	1.4	1.6	1.7	1.9	2.2
Inventory turnover days	67	55	60	60	60
Trade receivables days	17	15	15	15	15
Trade payables days	61	55	55	55	55
Total debt / total equity ratio (%)	1	1	1	1	0
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	19.5	32.9	29.7	27.5	25.8
ROA	11.6	19.4	18.5	17.9	17.5
<b>Per share</b>					
EPS (RMB)	0.68	1.58	1.79	2.05	2.39
DPS (RMB)	0.21	0.49	0.55	0.64	0.74
BVPS (RMB)	3.54	4.96	6.36	8.01	9.93

Source: Company data, CMBIGM estimates



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