

361 Degrees (1361 HK)

Cautiously optimistic after a decent 2025 CNY

The FY24 result was a small beat, and we are not concerned about the short-term volatility in inventories and cashflow. We remain positive because the industry trend is improving, even though management's FY25E guidance is conservative. Moreover, the Super Premium store may be a wild card and we should continue to track this closely. Maintain BUY and raise TP to HK\$ 5.97 (mostly roll over).

- **So far so good for retail sales growth, discounts and inventories in 2025 YTD.** Management has highlighted that in Jan-Feb 2025, the retail sales growth for adult/ kids/ e-commerce were at 10%-15%/ 15%+/ 20%+ (vs 10%/ 10%-15%/ 30%-35% in 4Q24). Therefore, based on our estimates, the total retail sales growth should have been either similar or accelerated in 2025 YTD vs 4Q24. Moreover, the inventory to sales ratio was at 4.5 months in 2025 YTD, slightly better than the 4.5-5.0 months in 4Q24 and similar to 1Q24. Retail discounts in 2025 YTD was at about 27% to 29% off, similar to 27% to 30% in 4Q24 and better than the 30% off in 1Q24.
- **FY25E guidance is quite conservative.** Management has announced its FY25E guidance, which consisted of 10%-15% sales growth (mostly from volume growth), 40%-42% GP margin, 10%-13% A&P expenses, 3%-4% R&D expenses and 10%-12% NP margin. This, in our view, is rather conservative but reasonable given the macro environment (we are positive about the government's support on consumer sector and do expect a mild turnaround for sportswear sector, but still there are many external risks such as the trade war and etc.).
- **Therefore, we do think the guidance is highly achievable, thanks to various growth drivers.** We are confident that 361 Degrees to achieve its targets, because of: 1) the decent sales momentum of its running products (e.g. the Flying flame 4 is still very hot-selling), 2) potential acceleration of basketball segment, thanks to the launches of product series around Nikola Jokic (such as the Joker 1, already sold 30K pairs), 3) launches of more new categories (namely Tennis in 2Q25E and Badminton in 3Q25E) on top of the healthy growth of female/ skateboard/ outdoor products and lastly 4) the opening of more 361 Degrees Super Premium store (targeting 100 by FY25E), which may be able to generate a sales per store of around RMB 8mn to 10mn. We believe the e-commerce sales growth may only stay at about 20% in FY25E, because the base is quite high last year.
- **Maintain BUY and raise TP to HK\$ 5.97.** We have raised FY25E/ 26E net profit forecasts by 3%/ 2%, in order to factor in the beat in net profit but a slightly slower sales growth target. Our TP is based on 9x FY25E P/E (rolled over from 9x FY24E P/E). The stock is trading at 7x FY25E P/E with a 7% yield, not demanding at all.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	8,423	10,074	11,385	12,727	14,111
YoY growth (%)	21.0	19.6	13.0	11.8	10.9
Operating profit (RMB mn)	1,300.0	1,521.9	1,705.7	1,969.4	2,251.4
Net profit (RMB mn)	961.4	1,148.6	1,289.4	1,482.2	1,688.9
EPS (Reported) (RMB)	0.46	0.56	0.62	0.72	0.82
YoY growth (%)	28.7	19.5	12.3	15.0	13.9
P/E (x)	9.2	7.7	6.8	6.0	5.2
P/B (x)	0.9	0.9	0.8	0.8	0.7
Yield (%)	4.3	5.9	7.3	8.4	9.6
ROE (%)	10.0	11.7	12.7	13.6	14.4
Net gearing (%)	3.0	2.7	2.5	2.3	2.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.97
(Previous TP)	HK\$5.15
Up/Downside	30.1%
Current Price	HK\$4.59

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	9,490.6
Avg 3 mths t/o (HK\$ mn)	16.9
52w High/Low (HK\$)	4.85/3.22
Total Issued Shares (mn)	2067.7

Source: FactSet

Shareholding Structure

Mr. Ding Wuhao	17.0%
Mr. Ding Huihuang	16.3%

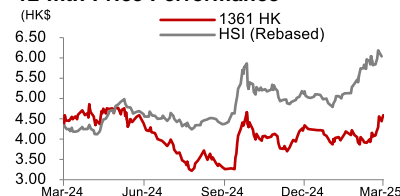
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.5%	7.9%
3-mth	5.8%	-8.6%
6-mth	40.8%	2.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **The 361 Degrees Super Premium store could be a big wild card.** The Company currently has five Super Premium stores, but the total number may reach 30/ 50/ 100 by the end of Mar/ Jun/ Dec 2025. Types of SKUs that are likely to be featured at this store will be the top and hot-selling, the value for money and the off-season items (about 1 to 2 season old), where the mix could be 30%/ 20%/ 50%. 361 Degrees will develop exclusive products for this line in the future if the model goes well. They will encourage the distributors to open new stores in those areas that 361 Degrees has a strong presence (not bounded by tier cities). The store size of a typical store is at around 800 sq.m (vs about 200-250 sq.m for adult and 130-150 sq.m for kids stores). Based on the data from the first five stores, sales per store may reach RMB 8mn to 10mn per year, and hence about RMB 650K to 850K monthly sales (vs around RMB 220K for adult and RMB 160K for kids stores).
- **FY24 result was a slight beat and we are not worried about inventories and cash flow.** In FY24, 361 Degrees' sales has increased by 20% YoY to RMB 10.0bn, 2% above both CMBI/ BBG estimates. During the same period, net profit has climbed by 19% YoY to RMB 1.15bn, 7%/ 5% above CMBI/ BBG estimates, thanks to better-than-expected GP margin at 41.5% (vs CMBI/ BBG est. of 41.1%/ 41.2%). By category, footwear/ apparel sales growth were at 21%/ 17%. By segment, 361 Degrees adult/ kids/ others sales growth were at 20%/ 18%/ 46%. By channel, offline/ online sales growth were at 22%/ 12%, noted that the discrepancy between retail level and listed co level e-commerce sales growth was mainly due to the O2O sales for offline stores. In terms of sports, sales growth for running/ basketball/ sports fashion were at 40%/ 17%/ 16%. Moreover, if we adjust the provisions for receivables, the adjusted net profit growth is rather impressive at around 30% YoY. Some investors might be concerned about the surge in inventory days (up 14 days from 93 days to 107 days in FY24) and the 83% drop in operating cash flow, but we are not that worried as this was partly due to the early CNY in 2025. The warm winter did play a part to that and lead to pile up of some inventories in southern China, but according to management, many of those were already de-stocked in 1Q25E. The dividend payout ratio has also been raised to 45% in FY24 (from 40% in FY23).

Earnings Forecast

Figure 1: Earnings forecast

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,385	12,727	14,111	11,391	12,833	n/a	-0.1%	-0.8%	n/a
Gross profit	4,735	5,316	5,922	4,698	5,315	n/a	0.8%	0.0%	n/a
EBIT	1,706	1,969	2,251	1,730	2,008	n/a	-1.4%	-1.9%	n/a
Net profit att.	1,289	1,482	1,689	1,254	1,450	n/a	2.8%	2.2%	n/a
Diluted EPS (RMB)	0.624	0.717	0.817	0.606	0.701	n/a	2.8%	2.2%	n/a
Gross margin	41.6%	41.8%	42.0%	41.2%	41.4%	n/a	0.3ppt	0.4ppt	n/a
EBIT margin	15.0%	15.5%	16.0%	15.2%	15.6%	n/a	-0.2ppt	-0.2ppt	n/a
Net profit att. margin	11.3%	11.6%	12.0%	11.0%	11.3%	n/a	0.3ppt	0.3ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	11,385	12,727	14,111	12,271	13,902	15,485	-7.2%	-8.4%	-8.9%
Gross profit	4,735	5,316	5,922	5,075	5,771	6,360	-6.7%	-7.9%	-6.9%
EBIT	1,706	1,969	2,251	1,863	2,026	2,370	-8.4%	-2.8%	-5.0%
Net profit att.	1,289	1,482	1,689	1,371	1,570	1,728	-5.9%	-5.6%	-2.2%
Diluted EPS (RMB)	0.624	0.717	0.817	0.673	0.767	0.836	-7.3%	-6.5%	-2.3%
Gross margin	41.6%	41.8%	42.0%	41.4%	41.5%	41.1%	0.2ppt	0.3ppt	0.9ppt
EBIT margin	15.0%	15.5%	16.0%	15.2%	14.6%	15.3%	-0.2ppt	0.9ppt	0.6ppt
Net profit att. margin	11.3%	11.6%	12.0%	11.2%	11.3%	11.2%	0.2ppt	0.4ppt	0.8ppt

Source: Company data, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24	2H24	1H23 YoY	2H23 YoY	1H24 YoY	2H24 YoY	2H24E CMBIG M	Actual vs CMBIGM
Revenue	4,312	4,112	5,141	4,932	18%	24%	19%	20%	4,766	3%
COGS	-2,515	-2,446	-3,016	-2,874					-2,821	
Gross profit	1,796	1,666	2,125	2,058	19%	28%	18%	24%	1,945	6%
GP margins	41.7%	40.5%	41.3%	41.7%					40.8%	
Other income & gains	200	170	181	165					172	-4%
S & D expenses	-758	-1,105	-916	-1,295	26%	33%	21%	17%	-1,233	5%
S & D exp / sales	-17.6%	-26.9%	-17.8%	-26.3%					-25.9%	
Admin expenses	-286	-344	-311	-388	17%	16%	9%	13%	-406	-5%
Admin exp / sales	-6.6%	-8.4%	-6.1%	-7.9%					-8.5%	
Other opex	40	5	-18	-24					8	
Operating profit (EBIT)	993	391	1,060	516	29%	29%	7%	32%	486	6%
OP margins	23.0%	9.5%	20.6%	10.5%					10.2%	
Other items	0	0	0	0					0	
Net finance income	-9	-11	-8	-5					-12	-56%
Net finance income / sales	-0.2%	-0.3%	-0.2%	-0.1%					-0.3%	
Profit after financing costs	984	380	1,052	511					474	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	984	380	1,052	511	28%	28%	7%	34%	474	8%
Tax	-217	-106	-231	-140					-143	
Tax / sales	-5.0%	-2.6%	-4.5%	-2.8%					-3.0%	
Effective tax rate	-22.1%	-27.9%	-21.9%	-27.3%					-30.2%	
Minority interests	63	16	32	12					44	
Net profit att.	704	258	790	359	28%	31%	12%	39%	287	25%
NP margins	16.3%	6.3%	15.4%	7.3%					6.0%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY23	FY24	FY25E	FY26E	FY24 YoY	FY25E YoY	FY26E YoY	FY24E CMBIG M	Actual vs CMBIG M
Revenue	8,423	10,074	11,385	12,727	20%	13%	12%	9,908	2%
COGS	-4,961	-5,890	-6,650	-7,411				-5,838	
Gross profit	3,462	4,183	4,735	5,316	21%	13%	12%	4,070	3%
GP margins	41.1%	41.5%	41.6%	41.8%				41.1%	
Other income & gains	369	346	364	399				353	-2%
S & D expenses	-1,863	-2,211	-2,509	-2,777	19%	13%	11%	-2,149	3%
S & D exp / sales	-22.1%	-22.0%	-22.0%	-21.8%				-21.7%	
Admin expenses	-630	-699	-792	-875	11%	13%	11%	-717	-3%
Admin exp / sales	-7.5%	-6.9%	-7.0%	-6.9%				-7.2%	
Other opex	45	-42	-23	-25				-10	
Operating profit (EBIT)	1,384	1,576	1,774	2,038	14%	13%	15%	1,547	2%
OP margins	16.4%	15.6%	15.6%	16.0%				15.6%	
Other items	0	0	0	0				0	
Net finance income	-20	-13	-13	-13				-20	-33%
Net finance income / sales	-0.2%	-0.1%	-0.1%	-0.1%				-0.2%	
Profit after financing costs	1,363	1,563	1,762	2,025				1,527	
Associated coms	0	0	0	0				0	
Jointly controlled coms	0	0	0	0				0	
Pre-tax profit	1,363	1,563	1,762	2,025	15%	13%	15%	1,527	2%
Tax	-323	-370	-423	-486				-374	
Tax / sales	-3.8%	-3.7%	-3.7%	-3.8%				-3.8%	
Effective tax rate	-23.7%	-23.7%	-24.0%	-24.0%				-24.5%	
Minority interests	79	44	50	57				76	
Net profit att.	961	1,149	1,289	1,482	19%	12%	15%	1,076	7%
NP margins	11.4%	11.4%	11.3%	11.6%				10.9%	

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by product type (RMB mn)						
Footwear	3,509	4,445	5,386	6,110	6,855	7,629
Apparel	3,211	3,676	4,304	4,842	5,387	5,945
Accessories	119	171	192	194	216	240
Others	122	132	192	240	268	297
Total	6,961	8,423	10,074	11,385	12,727	14,111
Sales growth by product type (YoY)						
Footwear	19.0%	26.7%	21.2%	13.4%	12.2%	11.3%
Apparel	13.9%	14.5%	17.1%	12.5%	11.3%	10.4%
Accessories	37.2%	43.4%	12.3%	1.0%	11.8%	10.9%
Others	54.8%	8.0%	45.7%	25.1%	11.8%	10.9%
Total	17.3%	21.0%	19.6%	13.0%	11.8%	10.9%
Number of stores						
Adult (incl. kids' store in store)	5,480	5,734	5,750	5,850	5,950	6,050
Kids	2,288	2,545	2,548	2,548	2,548	2,548
Total	7,768	8,279	8,298	8,398	8,498	8,598
Growth (%)	8.4%	6.6%	0.2%	1.2%	1.2%	1.2%
Average size for adult store (sq.m)	129	138	149	156	162	167
Growth (%)	7.5%	7.0%	8.0%	4.7%	3.8%	3.1%
Offline sales per store (RMB mn)	1.8	1.9	2.4	2.6	2.9	3.1
Growth (%)	2.7%	8.6%	21.6%	10.4%	9.1%	8.6%
E-commerce sales (RMB mn)	1,685.4	2,325.5	2,609.4	3,037.8	3,498.5	3,960.2
Growth (%)	37.3%	38.0%	12.2%	16.4%	15.2%	13.2%
GP margin	40.5%	41.1%	41.5%	41.6%	41.8%	42.0%
Opex breakdown						
A&P / sales	11.4%	12.7%	12.8%	12.8%	12.8%	12.8%
Staff costs/ sales	1.5%	1.6%	1.6%	1.5%	1.4%	1.3%
E-C expenses/ sales	4.3%	4.7%	5.5%	5.5%	5.5%	5.5%
R&D / sales	3.8%	3.7%	3.4%	3.5%	3.6%	3.7%
D&A / sales	0.9%	0.8%	0.7%	0.7%	0.7%	0.7%
Selling & distribution costs / sales	20.6%	22.1%	22.0%	22.0%	21.8%	21.6%
Admin expenses / sales	7.8%	7.5%	6.9%	7.0%	6.9%	6.8%
Total	28.4%	29.6%	28.9%	29.0%	28.7%	28.4%
OP margin	14.2%	15.4%	15.1%	15.0%	15.5%	16.0%
Effective tax rate	23.3%	23.7%	23.7%	24.0%	24.0%	24.0%
Net profit att. margin	10.7%	11.4%	11.4%	11.3%	11.6%	12.0%
Net profit att. growth (%)	24.2%	28.7%	19.5%	12.3%	15.0%	13.9%

Source: Company data, CMBIGM estimates

Operating numbers

Figure 6: Sportswear brands sales growth trend

Operating numbers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-8%	1%	3%	6%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	11%	11%	12%	13%
Anta brand's SSSG																
Anta brand's retail sales	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	+ve HSD	11%	8%	10%	9%
Core brand	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	25%-30%	+ve LSD	+ve LSD	-ve LSD	+ve MSD				
Kids	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	+ve HSD				
Online	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	+ve High-teens				
FILA brand's retail sales																
FILA brand's retail sales	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	+ve HSD	+ve High-teens	+ve Low-teens	25%-30%	+ve HSD	+ve MSD	-ve LSD	+ve HSD	6%	6%	8%	8%
Classic/ Core brand	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD	+ve LSD				
Kids	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD	30%-35%	-ve LSD	-ve LSD	-ve Low-teens	Flat				
Fusion	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD	+ve Low-teens				
Online	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	+ve Mid-teens				
Other brands																
Other brands	40%-45%	20%-25%	40%-45%	+ve Low-teens	75%-80%	70%-75%	45%-50%	55%-60%	25%-30%	40%-45%	45%-50%	50%-55%				
Descente	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%	35%-40%	45%-50%				
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%				
Li Ning group's SSSG																
Li Ning group's SSSG	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD	-ve HSD					
Direct retail	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD	-ve MSD	-ve MSD					
Wholesales	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD	-ve Low-teens	+ve MSD	-ve Mid-teens	-ve High-teens	-ve HSD					
E- Commerce	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	+ve MSD	+ve Low 20%	+ve Low-teens	+ve MSD					
Li Ning group's retail sales																
Li Ning group's retail sales	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-ve MSD	3%	-3%	3%	5%	8%
Direct retail	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%	+ve Low 50%	+ve MSD	Flat	-ve MSD					
Wholesales	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD	+ve High-teens	-ve MSD	-ve HSD	-ve HSD					
E- Commerce	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD	+ve MSD	+ve Low 20%	+ve HSD	+ve MSD					
Xtep brand's SSSG																
Xtep brand's retail sales	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%-35%	+ve HSD	10%	+ve MSD	+ve HSD	8%	8%	9%	10%
Saucony's retail sales																
Saucony's retail sales											Over 50%	50.0%				
361 Degree brand's SSSG																
361 Degree brand's offli	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat	+ve Low-teens	+ve Low-teens	15.0%	20.0%	+ve High-teens	10.0%	10.0%	10.0%				
Kids	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	10%-15%				
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%				
Pou Sheng's SSSG																
Pou Sheng's SSSG	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%	-16%	-18%					
Pou Sheng's sales	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-11%	-3%	-8%	3%	6%	7%
Topsports' retail sales																
Topsports' retail sales	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-ve Low-teens	-ve MSD	1%	3%	6%	7%
Dong Xiang's SSSG																
Dong Xiang's SSSG	-ve MSD	-ve Low to Mid-teens	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	25% to 30%	-ve HSD	-ve MSD	-ve HSD	-ve HSD				
Dong Xiang's retail sales																
Dong Xiang's retail sales	-ve MSD	-ve Mid to High-teens	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low 10% to 20%	-ve LSD to MSD	-ve Low 10% to 20%	-ve MSD				
Direct retail																
E- Commerce																

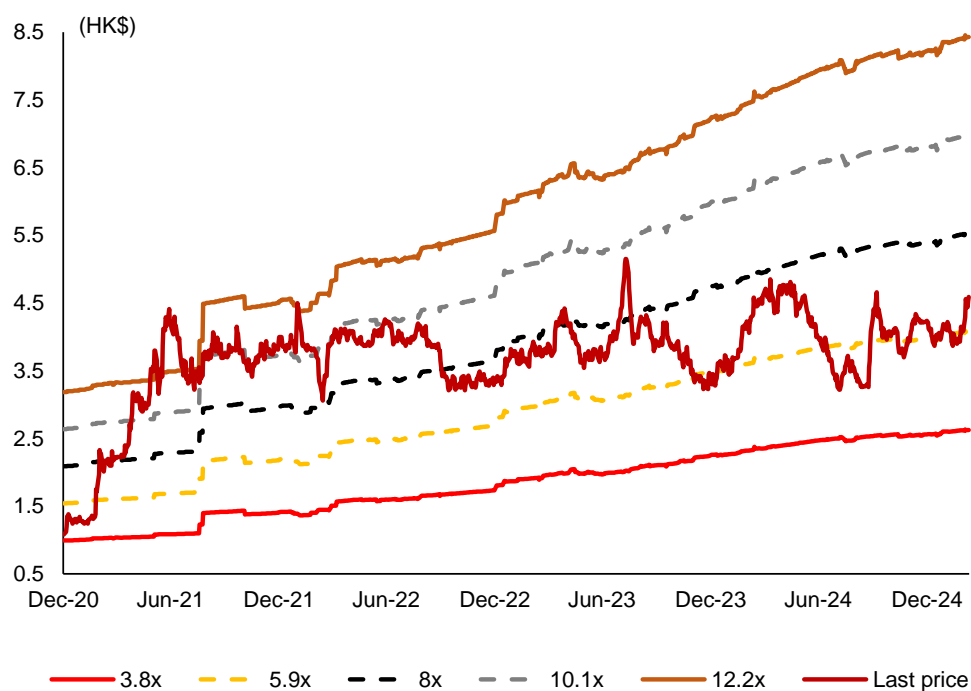
Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Valuation

Figure 7: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
								FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
H-share Sportswear														
361 Degrees	1361 HK	BUY	5.97	4.59	30%	9,491	Dec-23	7.8	6.9	0.8	11.5	0.5	5.8	8.3
Anta	2020 HK	BUY	126.68	98.15	29%	275,528	Dec-23	19.9	18.7	4.2	24.9	1.5	2.6	26.1
Li Ning	2331 HK	BUY	19.58	17.74	10%	45,854	Dec-23	13.8	12.6	1.6	11.8	3.0	3.3	7.8
Xtep	1368 HK	BUY	7.55	5.48	38%	15,205	Dec-23	10.7	9.9	1.4	12.3	0.8	7.0	(2.8)
Topsports	6110 HK	HOLD	2.82	3.85	-27%	23,875	Feb-24	15.4	12.9	2.3	18.0	(3.4)	5.8	29.2
Pou Sheng	3813 HK	NR	n/a	0.57	n/a	3,036	Dec-24	4.9	4.4	0.3	6.0	0.5	8.1	14.0
Dongxiang	3818 HK	NR	n/a	0.44	n/a	2,561	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	24.3
Avg.								12.1	10.9	1.8	11.9	0.4	5.4	15.3
Med.								12.3	11.2	1.5	11.8	0.5	5.8	14.0
International sportswear														
Nike	NKE US	NR	n/a	73.60	n/a	845,759	May-24	33.9	29.6	8.5	34.7	(4.4)	2.1	(2.7)
Adidas	ADS GY	NR	n/a	221.80	n/a	338,944	Dec-24	29.1	19.6	6.2	15.2	0.6	1.3	(6.3)
Puma	PUM GY	NR	n/a	22.41	n/a	28,481	Dec-24	10.2	8.2	1.2	10.5	0.5	3.7	(49.5)
Under Armour	UAA US	NR	n/a	6.95	n/a	22,116	Mar-24	22.8	17.2	1.6	(6.1)	(42.1)	0.0	(16.1)
Lululemon	LULU US	NR	n/a	317.23	n/a	300,162	Jan-24	22.1	20.5	8.2	46.2	2.0	0.0	(17.0)
Amer	AS US	NR	n/a	26.70	n/a	114,871	Dec-24	38.0	28.2	2.6	n/a	0.4	0.0	(4.5)
Skechers	SKX US	NR	n/a	56.08	n/a	65,076	Dec-24	12.2	10.6	1.6	15.4	0.9	0.0	(16.6)
Vf Corp	VFC US	NR	n/a	16.77	n/a	50,773	Mar-24	23.2	15.6	3.9	(24.1)	(0.1)	2.1	(21.8)
Deckers	DECK US	NR	n/a	122.26	n/a	144,170	Mar-24	20.7	18.3	7.2	39.8	1.3	0.0	(39.8)
On	ONON US	NR	n/a	46.82	n/a	117,803	Dec-24	39.6	30.6	7.5	19.6	1.6	0.0	(14.5)
Columbia	COLM US	NR	n/a	77.97	n/a	33,526	Dec-24	19.4	17.4	2.3	12.0	2.2	1.3	(7.1)
WWW	WWW US	NR	n/a	13.38	n/a	8,355	Dec-24	11.2	8.8	2.8	16.4	0.2	3.1	(39.7)
Mizuno	8022 JP	NR	n/a	7730.00	n/a	10,758	Mar-24	13.1	12.1	1.3	10.8	2.4	1.6	(13.7)
Asics	7936 JP	NR	n/a	3208.00	n/a	123,377	Dec-24	28.5	24.9	8.8	29.1	1.5	1.0	3.2
Avg.								23.1	18.7	4.6	16.9	(2.4)	1.2	(17.6)
Med.								22.5	17.9	3.4	15.4	0.8	1.1	(15.3)

Source: Bloomberg, company data, CMBIGM estimates

Figure 8: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	6,961	8,423	10,074	11,385	12,727	14,111
Cost of goods sold	(4,140)	(4,961)	(5,890)	(6,650)	(7,411)	(8,190)
Gross profit	2,821	3,462	4,183	4,735	5,316	5,922
Operating expenses	(2,141)	(2,448)	(2,953)	(3,324)	(3,677)	(4,037)
Selling expense	(1,433)	(1,863)	(2,211)	(2,509)	(2,777)	(3,047)
Admin expense	(541)	(630)	(699)	(792)	(875)	(962)
R&D expense	0	0	0	0	0	0
Others	(166)	45	(42)	(23)	(25)	(28)
Operating profit	991	1,300	1,522	1,706	1,969	2,251
Other income	312	286	291	295	330	367
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	1,057	1,369	1,594	1,768	2,029	2,308
Depreciation	(65)	(69)	(72)	(63)	(59)	(57)
Other amortisation	0	0	0	(0)	(0)	(0)
Interest income	83	84	54	69	69	69
Interest expense	(9)	(20)	(13)	(13)	(13)	(13)
Net Interest income/(expense)	74	63	41	56	56	56
Other income/expense	0	0	0	0	0	0
Pre-tax profit	1,065	1,363	1,563	1,762	2,025	2,308
Income tax	(248)	(323)	(370)	(423)	(486)	(554)
After tax profit	817	1,040	1,193	1,339	1,539	1,754
Minority interest	(70)	(79)	(44)	(50)	(57)	(65)
Net profit	747	961	1,149	1,289	1,482	1,689

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	11,284	11,617	12,058	13,356	13,852	15,296
Cash & equivalents	3,860	3,596	4,254	5,689	4,224	5,751
Account receivables	3,024	3,831	4,389	4,657	5,455	5,757
Inventories	1,182	1,350	2,109	1,535	2,526	1,962
Prepayment	3,193	2,827	1,298	1,466	1,639	1,818
Other current assets	24	12	9	9	9	9
Non-current assets	1,152	1,448	1,355	1,596	1,876	2,196
PP&E	773	765	961	1,202	1,482	1,801
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	0	0	0	0	0	0
Other non-current assets	380	683	395	395	394	394
Total assets	12,436	13,065	13,414	14,952	15,728	17,492
Current liabilities	2,906	3,088	3,363	4,158	4,099	4,914
Short-term borrowings	192	48	47	47	47	47
Account payables	1,503	1,499	1,331	1,948	1,706	2,332
Tax payable	386	461	611	611	611	611
Other current liabilities	824	1,079	1,374	1,553	1,735	1,924
Non-current liabilities	113	254	222	271	328	393
Long-term borrowings	100	245	215	215	215	215
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	13	10	7	57	114	179
Total liabilities	3,018	3,342	3,584	4,429	4,427	5,307
Share capital	182	182	182	182	182	182
Retained earnings	0	0	0	446	1,187	2,032
Other reserves	7,761	8,900	9,193	9,440	9,478	9,517
Total shareholders equity	9,418	9,723	9,829	10,523	11,301	12,185
Minority interest	1,474	641	454	454	454	454
Total equity and liabilities	12,436	13,065	13,414	14,952	15,728	17,492

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,065	1,363	1,563	1,762	2,025	2,308
Depreciation & amortization	65	69	72	63	60	57
Tax paid	(285)	(263)	(275)	(423)	(486)	(554)
Change in working capital	(620)	(679)	(1,308)	932	(2,020)	898
Others	156	(83)	18	0	0	0
Net cash from operations	380	408	70	2,334	(422)	2,709
Investing						
Capital expenditure	(31)	(64)	(269)	(304)	(339)	(376)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	116	481	1,635	0	0	0
Net cash from investing	85	417	1,366	(304)	(339)	(376)
Financing						
Dividend paid	(34)	(179)	(580)	(596)	(704)	(805)
Net borrowings	84	0	(31)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	10	(901)	(165)	0	0	0
Net cash from financing	59	(1,079)	(777)	(596)	(704)	(805)
Net change in cash						
Cash at the beginning of the year	3,339	3,860	3,596	4,254	5,689	4,224
Exchange difference	(3)	(9)	(1)	0	0	0
Cash at the end of the year	3,860	3,596	4,254	5,689	4,224	5,751
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	17.3%	21.0%	19.6%	13.0%	11.8%	10.9%
Gross profit	14.1%	22.7%	20.8%	13.2%	12.3%	11.4%
Operating profit	(1.1%)	31.1%	17.1%	12.1%	15.5%	14.3%
EBITDA	(1.3%)	29.6%	16.4%	10.9%	14.7%	13.8%
Net profit	24.2%	28.7%	19.5%	12.3%	15.0%	13.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	40.5%	41.1%	41.5%	41.6%	41.8%	42.0%
Operating margin	14.2%	15.4%	15.1%	15.0%	15.5%	16.0%
EBITDA margin	15.2%	16.3%	15.8%	15.5%	15.9%	16.4%
Return on equity (ROE)	8.3%	10.0%	11.7%	12.7%	13.6%	14.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.0	0.0	0.0	0.0	0.0	0.0
Current ratio (x)	3.9	3.8	3.6	3.2	3.4	3.1
Receivable turnover days	147.4	148.5	148.9	145.0	145.0	145.0
Inventory turnover days	91.4	93.2	107.2	100.0	100.0	100.0
Payable turnover days	120.9	110.4	87.7	90.0	90.0	90.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	11.8	9.2	7.7	6.8	6.0	5.2
P/E (diluted)	11.8	9.2	7.7	6.8	6.0	5.2
P/B	0.9	0.9	0.9	0.8	0.8	0.7
P/CFPS	23.2	21.7	126.5	3.8	ns	3.3
Div yield (%)	0.0	4.3	5.9	7.3	8.4	9.6
EV	5,898.0	6,174.2	5,488.9	4,054.4	5,519.4	3,991.7
EV/Sales	0.8	0.7	0.5	0.4	0.4	0.3
EV/EBITDA	5.6	4.5	3.4	2.3	2.7	1.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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