

Topsports (6110 HK)

Improved in 2H25E, more catalysts in FY26E

Supported by our channel checks and comments by management of various brands (Adidas, Pou Sheng, 361 Degrees), we believe the sportswear sector has turned around in YTD 2025 vs 4Q24 (decent retail sales growth during CNY, retail discounts may be high but are likely to bottom out after CNY as inventory has finally normalized). We see further upside for Topsports in FY26E, thanks to: 1) a better macro environment, 2) more new product launches, 3) better inventory level and discounts, 4) more support from principal brands, and 5) rapid outdoor brand growth. We upgrade to BUY and revise up TP to HK\$ 4.51.

■ **We have turned more positive on FY26E, because of the macro environment, lowered inventory and discount risks and better momentum from the principal brands (more new product launches and margin support).**

■ **Industry-wise**, we believe the trend is improving, because: **1)** the central government, in our view, has become more supportive on the consumer sectors, for which it has released more subsidies and adjusted the numbers of holidays, etc. and **2)** the risks of industry-level inventory pileup is much lower, as the trade fair orders growth (for most of the brands) has normalized (adjusted to a level that is conservative enough, to likely be matched by the actual retail sales growth).

■ **Company-wise**, we do expect Topsports can turn around in FY26E (estimating a 4% sales growth and 18% net profit growth), thanks to multiple catalysts: **1)** a decent start in FY26E, as recent data from Adidas (10%+ sales growth in YTD 2025) and peers like Pou Sheng (LSD retail sales growth during CNY and early Mar 2025) are all rather positive; even though Pou Sheng's guidance of flattish sales growth in FY26E is quite conservative, given the seasonality between CNY data and FY data, we think any growth between 0% to 10% are reasonable. **2)** More new product launches, where Adidas has a decent pipeline of lifestyle shoes (ramp up of Campus and SL72, releases of Climacool) and function shoes (expansion of Adizero, release of Supernova series and new boost material-based shoes) and Nike's pace of releases may turn faster, as many plans were delayed in FY25E due to the changes in management. **3)** Likely reduction in retail discounts and a higher sales mix from in-season products (thanks to Adidas's strong brand momentum and the end of de-stocking cycle for Nike (management do have a target to normalize by May 2025). We can also see the inventory days of Pou Sheng have already improved to 145 days in Dec 2024 (from 152 days in Sep 2024), therefore this should be helpful in terms of GP margin. **4)** Likely to secure more support from the Nike brand, possibly in the form of higher rebates and reduction in whole discounts (these are all positive for the GP margin), because Nike is undergoing a transition which is aiming to rebuild their relationship with the major distributors and spend more on A&P to rebuild its branding. **5)** Rapid growth from the outdoor brands like HOKA and KAILAS, may likely sustain.

Earnings Summary

(YE 28 Feb)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,073	28,933	27,575	28,597	30,735
YoY growth (%)	(15.1)	6.9	(4.7)	3.7	7.5
Operating profit (RMB mn)	2,430.9	2,786.5	1,975.6	2,339.4	2,704.2
Net profit (RMB mn)	1,836.6	2,213.0	1,524.4	1,804.7	2,081.5
EPS (Reported) (RMB)	0.30	0.36	0.25	0.29	0.34
YoY growth (%)	(24.9)	20.5	(31.1)	18.4	15.3
P/E (x)	11.5	9.5	13.8	11.7	10.1
P/B (x)	2.1	2.1	2.2	2.2	2.2
Yield (%)	9.7	10.6	7.2	8.5	9.9
ROE (%)	18.0	22.5	15.8	18.9	21.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Up)

Target Price **HK\$4.51**

(Previous TP) HK\$2.58)

Up/Downside **23.3%**

Current Price **HK\$3.66**

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Stock Data

Mkt Cap (HK\$ mn)	22,696.5
Avg 3 mths t/o (HK\$ mn)	90.9
52w High/Low (HK\$)	5.84/2.23
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

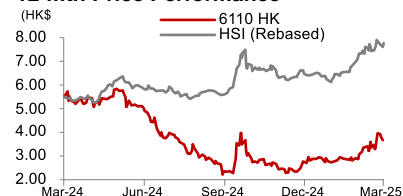
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.2%	12.5%
3-mth	33.6%	11.3%
6-mth	57.8%	14.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **We believe Topsports' 2H25E performance has improved and is better than guidance.** Based on our channel check, we are now expecting a LSD retail sales drop for Topsports in 4Q25E (Dec 2024 to Feb 2025), after a MSD decline in 3Q25. Therefore, we are now forecasting a -5% sales growth in FY25E (ahead of the company's guidance of HSD drop). This improving trend, in our view, was driven by: 1) a better-than-expect macro environment (positive consumption sentiment created by gov. subsidies, increases in the number of holidays, stabilization of housing prices in some cities, etc.), 2) better-than-expected performance from Adidas and other outdoor brands (such as HOKA and KAILAS) and 3) better-than-expected e-commerce sales (early promotion, better O2O inventory management, etc.). In terms of margin, we do expect GP margin in 2H25E to fall slightly, due to increased retail discounts for de-stocking (discounts were still falling YoY during 2025 CNY, but mainly for Nike, where that for Adidas should have been improved YoY) and expect OP margin to drop more, because of the operating deleverage and the increased sales mix from e-commerce. All in all, we are estimating a 5% sales and 31% net profit drop in FY25E (implying a 2% sales and 26% net profit drop in 2H25E).
- **Raise to BUY with TP of HK\$ 4.51, based on 14x FY2/26E P/E (rolled over from 12x FY2/25E P/E).** We have revised up FY25E/ 26E/ 27E net profit forecast by 16%/ 18%/ 13%, in order to factor in: 1) better-than-expected sales growth and 2) improvement in retail discounts and support from the principal brands. We are much more confident now (vs late 2024) about Topsports' multi-year turnaround, thanks to a better macro environment and new product line-up; hence we will now upgrade Topsports to BUY. The stock is trading at 11x FY2/26E P/E, vs 5-year average of 14x, not too demanding in our view. And the downside is likely protected given its 9% FY2/26E yield.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	27,575	28,597	30,735	26,693	27,665	29,841	3.3%	3.4%	3.0%
Gross profit	10,965	11,682	12,594	10,441	11,003	11,911	5.0%	6.2%	5.7%
EBIT	1,976	2,339	2,704	1,710	1,992	2,391	15.5%	17.4%	13.1%
Net profit att.	1,524	1,805	2,082	1,314	1,533	1,841	16.0%	17.8%	13.1%
Diluted EPS (RMB)	0.246	0.291	0.336	0.212	0.247	0.297	16.0%	17.8%	13.1%
Gross margin	39.8%	40.9%	41.0%	39.1%	39.8%	39.9%	0.6ppt	1.1ppt	1.1ppt
EBIT margin	7.2%	8.2%	8.8%	6.4%	7.2%	8.0%	0.8ppt	1ppt	0.8ppt
Net profit att. margin	5.5%	6.3%	6.8%	4.9%	5.5%	6.2%	0.6ppt	0.8ppt	0.6ppt

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	27,575	28,597	30,735	26,722	27,757	29,436	3.2%	3.0%	4.4%
Gross profit	10,965	11,682	12,594	10,541	11,158	11,963	4.0%	4.7%	5.3%
EBIT	1,976	2,339	2,704	1,747	2,091	2,385	13.1%	11.9%	13.4%
Net profit att.	1,524	1,805	2,082	1,400	1,679	1,928	8.9%	7.5%	8.0%
Diluted EPS (RMB)	0.246	0.291	0.336	0.233	0.279	0.318	5.4%	4.4%	5.4%
Gross margin	39.8%	40.9%	41.0%	39.4%	40.2%	40.6%	0.3ppt	0.7ppt	0.3ppt
EBIT margin	7.2%	8.2%	8.8%	6.5%	7.5%	8.1%	0.6ppt	0.6ppt	0.7ppt
Net profit att. margin	5.5%	6.3%	6.8%	5.2%	6.0%	6.6%	0.3ppt	0.3ppt	0.2ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results preview

Figure 3: Results preview – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25E	1H24 YoY	2H24 YoY	1H25 YoY	2H25 E YoY
Revenue	14,177	14,757	13,055	14,520	7%	7%	-8%	-2%
COGS	-7,836	-9,017	-7,692	-8,918				
Gross profit	6,341	5,740	5,362	5,602	5%	9%	-15%	-2%
GP margins	44.7%	38.9%	41.1%	38.6%				
Other income & gains	48	129	75	93				
S & D expenses	-4,110	-4,246	-3,822	-4,302	0%	7%	-7%	1%
S & D exp / sales	-29.0%	-28.8%	-29.3%	-29.6%				
Admin expenses	-553	-563	-495	-539	-4%	7%	-10%	-4%
Admin exp / sales	-3.9%	-3.8%	-3.8%	-3.7%				
Other opex	0	0	0	0				
Operating profit (EBIT)	1,726	1,061	1,121	855	9%	25%	-35%	-19%
OP margins	12.2%	7.2%	8.6%	5.9%				
Other items	0	0	0	0				
Net finance income	-18	-9	-13	15				
Net fin. income / sales	-0.1%	-0.1%	-0.1%	0.1%				
Profit after financing costs	1,708	1,052	1,108	869				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	1,708	1,052	1,108	869	13%	31%	-35%	-17%
Tax	-371	-177	-235	-220				
Tax / sales	-2.6%	-1.2%	-1.8%	-1.5%				
Effective tax rate	-21.7%	-16.8%	-21.2%	-25.3%				
Minority interests	0	0	0	0				
Net profit att.	1,337	875	874	649	17%	27%	-35%	-26%
NP margins	9.4%	5.9%	6.7%	4.5%				

Source: Company data, CMBIGM estimates

Figure 4: Results preview - full year

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY25E YoY	FY26E YoY
Revenue	28,933	27,575	28,597	-5%	4%
COGS	-16,852	-16,610	-16,915		
Gross profit	12,081	10,965	11,682	-9%	7%
GP margins	41.8%	39.8%	40.9%		
Other income & gains	177	169	175		
S & D expenses	-8,356	-8,124	-8,434	-3%	4%
S & D exp / sales	-28.9%	-29.5%	-29.5%		
Admin expenses	-1,115	-1,034	-1,084	-7%	5%
Admin exp / sales	-3.9%	-3.8%	-3.8%		
Other opex	0	0	0		
Operating profit (EBIT)	2,787	1,976	2,339	-29%	18%
OP margins	9.6%	7.2%	8.2%		
Other items	0	0	0		
Net finance income	-27	2	2		
Net fin. income / sales	-0.1%	0.0%	0.0%		
Profit after financing costs	2,759	1,978	2,342		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
Pre-tax profit	2,759	1,978	2,342	-28%	18%
Tax	-548	-455	-539		
Tax / sales	-1.9%	-1.6%	-1.9%		
Effective tax rate	-19.9%	-23.0%	-23.0%		
Minority interests	0	0	0		
Net profit att.	2,211	1,523	1,803	-31%	18%
NP margins	7.6%	5.5%	6.3%		

Source: Company data, CMBIGM estimates

Operating numbers

Figure 5: 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																
Classic/ Core brand	+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%
Kids	-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				
Fusion	+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				
Online	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				
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																
Direct retail	+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					
Wholesales	+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					
E- Commerce	+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					
Li Ning group's retail sa	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-ve MSD	3%	-3%	3%	5%
Direct retail	+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					
Wholesales	+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					
E- Commerce	+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					
Xtep brand's SSSG	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												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	-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	-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%	5%	7%
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 sale	-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)

Assumptions

Figure 6: CMBIGM's assumptions

Major assumptions	FY22A	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)						
Retail operations	26,420	22,741	24,742	23,640	24,741	26,721
Wholesale operations	5,220	4,158	4,022	3,784	3,702	3,851
Concessionaire fee income	236	175	170	152	154	164
Total	31,877	27,073	28,933	27,575	28,597	30,735
Sales by segment growth (%)						
Retail operations	-14%	-14%	9%	-4%	5%	8%
Wholesale operations	5%	-20%	-3%	-6%	-2%	4%
Concessionaire fee income	-2%	-26%	-3%	-11%	2%	6%
Total	-11%	-15%	7%	-5%	4%	7%
Number of stores						
Total sales area (sq m)	1,683	1,568	1,556	1,534	1,551	1,598
Growth (%)	5%	-7%	-1%	-1%	1%	3%
Average store size (sq m)	219	239	253	263	269	274
Growth (%)	10%	9%	6%	4%	3%	2%
Retail sales (offline) per store						
	2.8	2.7	3.0	2.8	2.9	3.1
Growth (%)	-13%	-6%	13%	-6%	3%	5%
Retail sales (online)						
	4,491	5,117	6,185	7,051	7,898	8,845
Growth (%)	-1%	14%	21%	14%	12%	12%
GP margins	43.4%	41.7%	41.8%	39.8%	40.9%	41.0%
Rental expenses/ sales	-13.9%	-13.2%	-13.5%	-13.5%	-13.3%	-13.2%
Staff costs/ sales	-10.9%	-10.7%	-10.1%	-10.2%	-10.4%	-10.2%
D & A/ sales	-2.2%	-2.3%	-1.7%	-1.7%	-1.7%	-1.7%
S & D expenses/ sales	-29.6%	-29.7%	-28.9%	-29.5%	-29.5%	-29.1%
G & A expenses/ sales	-4.1%	-4.1%	-3.9%	-3.8%	-3.8%	-3.7%
Effective tax rate	-26%	-21%	-20%	-23%	-23%	-23%
NP att. margin	8%	7%	8%	6%	6%	7%
NP att. growth (%)	-12%	-25%	20%	-31%	18%	15%

Source: Company data, CMBIGM estimates

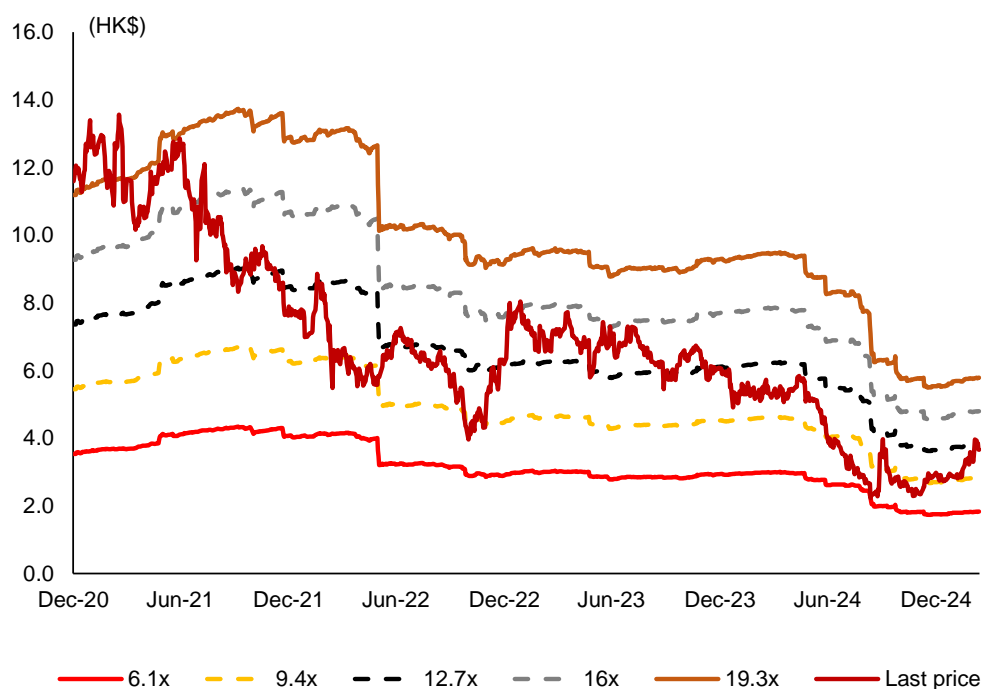
Valuation

Figure 7: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD per.(%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Topsports	6110 HK	BUY	4.51	3.66	23%	22,696	Feb-24	13.4	11.4	2.1	18.0	(6.7)	6.1	22.8
Pou Sheng	3813 HK	NR	n/a	0.61	n/a	3,249	Dec-24	5.4	4.7	0.3	5.7	0.5	7.6	22.0
Anta Sports	2020 HK	BUY	126.68	99.90	27%	280,441	Dec-23	20.2	19.0	3.8	24.9	1.6	2.5	28.3
Li Ning	2331 HK	BUY	19.58	18.34	7%	47,405	Dec-23	14.2	13.0	1.6	11.8	3.1	3.2	11.4
Xtep	1368 HK	BUY	7.55	5.55	36%	15,399	Dec-23	10.9	10.0	1.3	12.3	0.8	6.9	(1.6)
361 Degrees	1361 HK	BUY	5.97	4.72	26%	9,759	Dec-24	7.0	6.1	0.8	12.4	0.5	6.1	11.3
China DX	3818 HK	NR	n/a	0.43	n/a	2,532	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	22.9
Avg.								11.8	10.7	1.6	12.0	(0.0)	5.4	16.7
Med.								12.2	10.7	1.4	12.3	0.5	6.1	22.0
Global sportswear distributor														
Topsports	6110 HK	BUY	4.51	3.66	23%	22,696	Feb-24	13.4	11.4	2.1	18.0	(6.7)	6.1	22.8
Pou Sheng	3813 HK	NR	n/a	0.61	n/a	3,249	Dec-24	5.4	4.7	0.3	5.7	0.5	7.6	22.0
Foot Locker	FL US	NR	n/a	15.68	n/a	11,566	Feb-25	10.5	8.8	0.5	0.4	0.1	0.0	(27.9)
Jd Sports	JD/ LN	NR	n/a	72.60	n/a	37,817	Feb-24	6.0	5.9	1.1	14.7	0.6	1.2	(24.3)
Frasers Group	FRAS LN	NR	n/a	623.00	n/a	28,194	Apr-24	6.3	6.1	1.2	16.0	0.9	0.0	2.3
Dick's Sporting	DKS US	NR	n/a	194.50	n/a	123,187	Feb-25	13.4	12.5	3.8	40.1	3.1	2.5	(15.0)
Avg.								9.2	8.2	1.5	15.8	(0.3)	2.9	(3.4)
Med.								8.4	7.4	1.2	15.3	0.5	1.9	(6.4)
International sportswear														
Nike	NKE US	NR	n/a	71.66	n/a	823,957	May-24	33.0	29.0	9.4	34.7	(4.2)	2.2	(5.3)
Adidas	ADS GY	NR	n/a	223.00	n/a	339,554	Dec-24	29.2	19.7	5.2	15.2	0.6	1.3	(5.8)
Puma	PUM GY	NR	n/a	22.26	n/a	28,189	Dec-24	13.7	10.0	1.1	10.5	1.4	2.8	(49.8)
Under Armour	UAA US	NR	n/a	6.70	n/a	21,553	Mar-24	22.0	16.6	1.4	(6.1)	(40.6)	0.0	(19.1)
Lululemon	LULU US	NR	n/a	311.03	n/a	294,451	Jan-24	21.7	20.1	6.4	46.2	2.0	0.0	(18.7)
Amer	AS US	NR	n/a	27.70	n/a	119,259	Dec-24	39.5	29.3	2.5	n/a	0.4	0.0	(0.9)
Skechers	SKX US	NR	n/a	56.51	n/a	65,609	Dec-24	12.3	10.7	1.5	15.4	0.9	0.0	(16.0)
Vf Corp	VFC US	NR	n/a	16.62	n/a	50,332	Mar-24	23.0	15.5	3.3	(24.1)	(0.1)	2.1	(22.6)
On	ONON US	NR	n/a	46.44	n/a	116,908	Dec-24	39.4	30.4	5.9	19.6	1.5	0.0	(15.2)
Decker	DECK US	NR	n/a	118.68	n/a	140,022	Mar-24	20.1	17.8	5.7	39.8	1.3	0.0	(41.6)
Columbia	COLM US	NR	n/a	78.42	n/a	33,737	Dec-24	19.6	17.5	2.1	12.0	2.2	1.3	(6.6)
Wolverine World	WWW US	NR	n/a	13.36	n/a	8,347	Dec-24	11.1	8.8	2.3	16.4	0.2	3.1	(39.8)
Mizuno	8022 JP	NR	n/a	7830.00	n/a	10,898	Mar-24	13.3	12.3	1.3	10.8	2.4	1.6	(12.6)
Asics	7936 JP	NR	n/a	3208.00	n/a	123,392	Dec-24	28.5	24.9	7.2	29.1	1.5	1.0	3.2
Avg.								23.3	18.8	3.9	16.9	(2.2)	1.1	(17.9)
Med.								21.8	17.6	2.9	15.4	1.1	1.1	(15.6)

Source: Bloomberg, Company data, CMBIGM estimates

Note: Data as of 15 Mar close.

Figure 8: Valuation – forward blended 12 months P/E band


Source: Bloomberg, Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Revenue	31,877	27,073	28,933	27,575	28,597	30,735
Cost of goods sold	(18,052)	(15,789)	(16,852)	(16,610)	(16,915)	(18,142)
Gross profit	13,824	11,284	12,081	10,965	11,682	12,594
Operating expenses	(10,732)	(9,153)	(9,471)	(9,158)	(9,518)	(10,078)
Selling expense	(9,439)	(8,052)	(8,356)	(8,124)	(8,434)	(8,934)
Admin expense	(1,293)	(1,101)	(1,115)	(1,034)	(1,084)	(1,143)
R&D expense	0	0	0	0	0	0
Operating profit	3,430	2,431	2,787	1,976	2,339	2,704
Other income	338	300	177	169	175	188
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	4,128	3,019	3,291	2,648	2,880	3,111
Depreciation	(667)	(609)	(484)	(655)	(524)	(397)
Other amortisation	(31)	21	(20)	(17)	(17)	(10)
Interest income	114	103	120	63	63	58
Interest expense	(218)	(211)	(147)	(61)	(61)	(61)
Net Interest income/(expense)	(104)	(109)	(27)	2	2	(3)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	3,326	2,322	2,759	1,978	2,342	2,701
Income tax	(880)	(486)	(548)	(455)	(539)	(621)
After tax profit	2,447	1,837	2,211	1,523	1,803	2,080
Minority interest	0	0	2	2	2	2
Net profit	2,447	1,837	2,213	1,524	1,805	2,082

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Current assets	10,980	12,101	10,559	10,283	10,566	10,742
Cash & equivalents	1,753	2,357	1,956	1,873	1,965	1,522
Restricted cash	0	1,286	126	126	126	126
Account receivables	1,107	1,055	1,330	1,267	1,314	1,412
Inventories	6,686	6,247	6,284	6,194	6,307	6,765
Prepayment	1,435	1,136	864	823	854	917
Other current assets	0	20	0	0	0	0
Non-current assets	6,816	4,719	3,985	3,809	3,726	3,810
PP&E	1,009	733	639	480	414	509
Right-of-use assets	3,100	2,425	1,821	1,821	1,821	1,821
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,093	1,073	1,059	1,042	1,025	1,014
Other non-current assets	1,614	488	465	465	465	465
Total assets	17,796	16,821	14,544	14,092	14,292	14,552
Current liabilities	4,873	5,268	3,347	3,290	3,335	3,444
Short-term borrowings	518	1,545	720	720	720	720
Account payables	927	991	387	382	389	417
Tax payable	697	360	262	262	262	262
Other current liabilities	1,645	1,192	1,088	1,037	1,075	1,155
Lease liabilities	1,086	1,181	890	890	890	890
Non-current liabilities	2,342	1,719	1,347	1,345	1,344	1,342
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,342	1,719	1,347	1,345	1,344	1,342
Total liabilities	7,215	6,987	4,694	4,635	4,679	4,786
Share capital	0	0	0	0	0	0
Retained earnings	7,070	8,092	8,044	6,804	6,804	6,804
Other reserves	3,512	1,742	1,805	2,652	2,808	2,961
Total shareholders equity	10,582	9,834	9,849	9,456	9,611	9,765
Minority interest	0	0	2	2	2	2
Total equity and liabilities	17,796	16,821	14,544	14,092	14,292	14,552

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	3,326	2,322	2,759	1,978	2,342	2,701
Depreciation & amortization	698	588	504	672	541	407
Tax paid	(903)	(891)	(600)	(455)	(539)	(621)
Change in working capital	568	483	(867)	137	(146)	(511)
Others	2,000	1,848	1,333	61	61	61
Net cash from operations	5,690	4,351	3,129	2,393	2,260	2,037
Investing						
Capital expenditure	(668)	(357)	(397)	(496)	(458)	(492)
Acquisition of subsidiaries/ investments	(34)	0	0	0	0	0
Others	30	51	199	0	0	0
Net cash from investing	(671)	(306)	(198)	(496)	(458)	(492)
Financing						
Dividend paid	(1,550)	(2,667)	(2,233)	(1,918)	(1,649)	(1,928)
Net borrowings	(805)	738	335	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(2,140)	(1,512)	(1,435)	(61)	(61)	(61)
Net cash from financing	(4,494)	(3,440)	(3,332)	(1,979)	(1,710)	(1,989)
Net change in cash						
Cash at the beginning of the year	1,229	1,753	2,357	1,956	1,873	1,965
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	1,753	2,357	1,956	1,873	1,965	1,522
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Revenue	(11.5%)	(15.1%)	6.9%	(4.7%)	3.7%	7.5%
Gross profit	(5.8%)	(18.4%)	7.1%	(9.2%)	6.5%	7.8%
Operating profit	(14.0%)	(29.1%)	14.6%	(29.1%)	18.4%	15.6%
EBITDA	(12.1%)	(26.9%)	9.0%	(19.5%)	8.8%	8.0%
Net profit	(11.7%)	(24.9%)	20.5%	(31.1%)	18.4%	15.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Gross profit margin	43.4%	41.7%	41.8%	39.8%	40.9%	41.0%
Operating margin	10.8%	9.0%	9.6%	7.2%	8.2%	8.8%
EBITDA margin	12.9%	11.2%	11.4%	9.6%	10.1%	10.1%
Return on equity (ROE)	24.1%	18.0%	22.5%	15.8%	18.9%	21.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
Current ratio (x)	2.3	2.3	3.2	3.1	3.2	3.1
Receivable turnover days	12.7	14.2	16.8	16.8	16.8	16.8
Inventory turnover days	135.2	144.4	136.1	136.1	136.1	136.1
Payable turnover days	18.7	22.9	8.4	8.4	8.4	8.4
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 28 Feb						
P/E	8.6	11.5	9.5	13.8	11.7	10.1
P/E (diluted)	8.6	11.5	9.5	13.8	11.7	10.1
P/B	2.0	2.1	2.1	2.2	2.2	2.2
P/CFPS	3.7	4.9	6.7	8.8	9.3	10.4
Div yield (%)	12.6	9.7	10.6	7.2	8.5	9.9

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

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