

Li Ning (2331 HK)

Conservative guidance but quite expected

FY24 results were inline with market expectation while 4Q24 operating numbers were slightly better than expected. Going forward, on one hand, the Company is outlining conservative FY25E guidance and the plan to invest more for the future, and on the other hand, the numbers in 1Q25E are already trending better. Therefore, we tend to think the worst should have already gone and maintain BUY, even though the valuation is relatively high at the moment.

■ **Li Ning has outlined conservative FY25E guidance.** Management is now guiding a flattish sales growth and a HSD net profit margin in FY25E (should also include all the potential impairment losses for investment properties and store closures). However, we believe investors should all have certain expectations and these targets should be largely inline with consensus. In terms of categories, running/ basketball/ training/ lifestyle sales growth was at 25%/ -21%/ 6%/ -6% in FY24. For FY25E, management is aiming to maintain the development in running and basketball while actively improving the lifestyle segment. In terms of ASP and volume, management is foreseeing stable and flattish growth in FY25E.

For GP margin, management is targeting flattish margins or mild improvement in FY25E, and we believe the drivers shall be: 1) potential improvements in retail discounts (likely in offline channel) and 2) channel mix improvements (online sales should remain faster). For OP margin, we believe it is likely to fall, mostly due to the increased efforts on A&P (may account for 10%+ of total sales in FY25E), R&D and talent acquisitions. Other positive factors like: 1) further closures of those underperforming stores, 2) better channel mix (online sales has a higher OP margin and faster sales growth), and 3) gradual reduction in store closure-related impairments, may be offset by other negative factors like potential impairment related to the investment properties (Li Ning still has properties in Hong Kong, Shenzhen and Shanghai, which have a total book value of more than RMB3bn).

■ **Maintain BUY with a new TP of HK\$ 19.81, based on 18x FY25E P/E (up from 13x).** We are revising down our net profit forecast in FY25E/ 26E by 23%/ 20%, in order to factor in the slower retail sales growth, higher A&P expenses and impairment losses. The stock is trading at 16x FY25 P/E, which is not too cheap in our view. However, since most of the negative news should have been priced in and the trend in 1Q25E is already improving (and hopefully turning around), we maintain our positive view on Li Ning.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	27,598	28,676	28,676	30,518	32,485
YoY growth (%)	7.0	3.9	0.0	6.4	6.4
Operating profit (RMB mn)	3,559.1	3,678.2	3,333.1	3,811.7	4,380.8
Net profit (RMB mn)	3,187.0	3,012.9	2,673.4	3,077.1	3,560.0
EPS (Reported) (RMB)	1.23	1.17	1.03	1.19	1.38
YoY growth (%)	(20.5)	(5.0)	(11.3)	15.1	15.7
P/E (x)	13.1	13.8	15.5	13.5	11.6
P/B (x)	1.7	1.6	1.5	1.4	1.4
Yield (%)	3.4	3.4	3.0	3.5	4.0
ROE (%)	13.1	12.0	10.0	10.9	11.9
Net gearing (%)	34.1	36.0	37.4	40.8	43.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$19.81**

(Previous TP **HK\$19.58**)

Up/Downside **15.4%**

Current Price **HK\$17.16**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	44,899.9
Avg 3 mths t/o (HK\$ mn)	479.8
52w High/Low (HK\$)	24.05/12.92
Total Issued Shares (mn)	2616.5

Source: FactSet

Shareholding Structure

Viva China Holdings	10.4%
GIC Pte Ltd.	5.0%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.5%	-1.6%
3-mth	3.6%	-11.1%
6-mth	-8.0%	-19.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **4Q24 numbers were better than expected.** Retail sales growth rebounded to HSD in 4Q24, improved massively vs the MSD drop in 3Q24 and also better than our estimate of a 3% increase. Inventory to sales ratio was at about 4 months in 4Q24, very similar to the 3.9 months back in 2Q24, given the warm winter and early CNY in 2025, but we believe this level is actually quite decent. However, the retail discounts worsened by LSD YoY for the offline channel while that was quite stable for e-commerce.
- **Performance in Jan-Mar 2025 is trending better.** According to management, retail sales growth so far in 1Q25 is still positive, across all channels (but the trend has weakened in Mar 2025, due to the unfavorable weather). While the inventory to sales ratio remains rather healthy, retail discounts should have improved both YoY and QoQ. Even though management has provided rather conservative guidance for FY25E, we do think the trend in 1Q25 is constructive.
- **FY24 results inline, net profit dropped but the drag was mostly non-core.** Li Ning's sales increased by 4% YoY to RMB 28.7bn, while net profit fell by 5% YoY to RMB 3.0bn (with a net profit margin of 10.5%) in FY24, both roughly inline with BBG est. as well as the Company's previous guidance. However, if we take into account the RMB 333mn impairment losses of investment properties, the adjusted net profit could have increased by 5% (and the adjusted net profit margin would have been at 11.7%).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	28,676	30,518	32,485	30,195	32,722	n/a	-5.0%	-6.7%	n/a
Gross profit	14,223	15,186	16,165	14,849	16,237	n/a	-4.2%	-6.5%	n/a
EBIT	3,333	3,812	4,381	4,098	4,623	n/a	-18.7%	-17.6%	n/a
Net profit att.	2,673	3,077	3,560	3,466	3,895	n/a	-22.9%	-21.0%	n/a
Diluted EPS (RMB)	1.03	1.19	1.38	1.33	1.50	n/a	-22.5%	-20.6%	n/a
Gross margin	49.6%	49.8%	49.8%	49.2%	49.6%	n/a	0.4ppt	0.1ppt	n/a
EBIT margin	11.6%	12.5%	13.5%	13.6%	14.1%	n/a	-1.9ppt	-1.6ppt	n/a
Net profit att. margin	9.3%	10.1%	11.0%	11.5%	11.9%	n/a	-2.2ppt	-1.8ppt	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	28,676	30,518	32,485	29,536	31,435	32,994	-2.9%	-2.9%	-1.5%
Gross profit	14,223	15,186	16,165	14,515	15,514	16,503	-2.0%	-2.1%	-2.1%
EBIT	3,333	3,812	4,381	3,682	4,078	4,580	-9.5%	-6.5%	-4.3%
Net profit att.	2,673	3,077	3,560	3,242	3,599	3,996	-17.5%	-14.5%	-10.9%
Diluted EPS (RMB)	1.03	1.19	1.38	1.26	1.39	1.53	-17.7%	-14.3%	-10.2%
Gross margin	49.6%	49.8%	49.8%	49.1%	49.4%	50.0%	0.5ppt	0.4ppt	-0.3ppt
EBIT margin	11.6%	12.5%	13.5%	12.5%	13.0%	13.9%	-0.8ppt	-0.5ppt	-0.4ppt
Net profit att. margin	9.3%	10.1%	11.0%	11.0%	11.4%	12.1%	-1.7ppt	-1.4ppt	-1.2ppt

Source: Company data, CMBIGM estimates

Operating numbers

Figure 3: Historical sales growth trend, by brand

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%	-15%	-16%	0%	1%	
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		9%	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	+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	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	+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 sa	+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	+ve HSD		2%	3%	2%	4%
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	-ve LSD					
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	+ve MSD					
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	+ve Mid-teens					
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		6%	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%	-14%					
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-teens	-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 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 at May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Assumptions

Figure 4: Major assumptions

Major assumptions	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment (RMB mn)					
Shoes	13,389	14,300	14,546	15,681	16,907
Clothes	12,411	12,050	11,689	12,273	12,887
Equipment	1,799	2,325	2,441	2,563	2,692
Others	0	0	0	0	0
Total	27,598	28,676	28,676	30,518	32,485
Sales by segment growth (%)					
Shoes	-0.7%	6.8%	1.7%	7.8%	7.8%
Clothes	15.9%	-2.9%	-3.0%	5.0%	5.0%
Equipment	11.3%	29.3%	5.0%	5.0%	5.0%
Others	n/a	n/a	n/a	n/a	n/a
Total	7.0%	3.9%	0.0%	6.4%	6.4%
Sales by channel growth (%)					
Franchises	0.6%	2.6%	-3.0%	5.0%	5.0%
Self-owned	29.6%	-0.3%	-4.0%	7.5%	7.5%
E-commerce	0.9%	10.3%	8.0%	8.0%	8.0%
International	16.6%	-0.1%	0.0%	0.0%	0.0%
Total	7.0%	3.9%	0.0%	6.4%	6.4%
Sales network by segment					
Self-owned	1,498	1,297	1,312	1,327	1,342
Franchise	4,742	4,820	4,898	4,976	5,054
Sub-total	6,240	6,117	6,210	6,303	6,396
LN Young	1,428	1,468	1,508	1,548	1,588
Total	7,668	7,585	7,718	7,851	7,984
GP margins	48.4%	49.4%	49.6%	49.8%	49.8%
Opex breakdown					
A & P/ sales	9.0%	9.5%	10.2%	10.1%	10.0%
Labour/ sales	8.7%	8.6%	8.6%	8.6%	8.6%
Rental/ sales	7.0%	6.5%	6.9%	7.1%	7.2%
D & A/ sales	3.9%	4.0%	5.6%	6.0%	5.1%
R & D/ sales	2.2%	2.4%	2.4%	2.4%	2.4%
Provision/ sales	1.2%	1.0%	0.5%	0.0%	0.0%
Selling & distribution costs / sales	32.9%	32.1%	33.9%	33.7%	32.9%
Admin expenses / sales	4.6%	5.0%	5.2%	5.0%	4.8%
OP margins	12.9%	12.8%	11.6%	12.5%	13.5%
Effective tax rate	25.1%	26.7%	26.7%	26.7%	26.7%
Net profit margins	11.5%	10.5%	9.3%	10.1%	11.0%
Net profit att. growth (%)	-21.6%	-5.5%	-11.3%	15.1%	15.7%

Source: Company data, CMBIGM estimates

Valuation

Figure 5: 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 perf. (%)
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
H shares Sportswear														
Li Ning	2331 HK	BUY	19.81	17.16	16%	44,355	Dec-24	15.6	13.5	1.5	12.0	2.7	3.5	4.3
Anta Sports	2020 HK	BUY	120.86	88.30	37%	247,877	Dec-24	17.1	15.2	2.9	27.6	7.2	3.0	13.4
Xtep Intl	1368 HK	BUY	7.20	5.31	36%	14,733	Dec-24	9.7	8.8	1.2	14.1	1.1	5.3	(5.9)
361 Degrees	1361 HK	BUY	5.97	4.50	33%	9,305	Dec-24	6.6	5.9	0.7	12.4	0.5	6.1	6.1
Topsports	6110 HK	BUY	4.51	3.50	29%	21,704	Feb-24	14.0	11.7	2.0	18.0	(3.2)	6.5	17.4
Pou Sheng	3813 HK	NR	n/a	0.57	n/a	3,036	Dec-24	5.3	4.6	0.3	5.7	0.5	8.1	14.0
China DX	3818 HK	NR	n/a	0.41	n/a	2,384	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	15.7
Avg.								11.4	9.9	1.4	12.7	1.3	5.4	9.3
Med.								11.8	10.2	1.3	12.4	0.5	5.7	13.4
International Sportswear														
Nike Inc	NKE US	NR	n/a	63.29	n/a	728,204	May-24	29.5	29.8	8.0	31.9	(2.9)	2.4	(16.4)
Adidas	ADS GY	NR	n/a	221.90	n/a	336,178	Dec-24	29.2	19.9	5.1	15.2	0.6	1.3	(6.3)
Puma	PUM GY	NR	n/a	22.63	n/a	28,513	Dec-24	14.7	10.4	1.1	10.5	1.7	2.7	(49.0)
Under Armour	UAA US	NR	n/a	6.30	n/a	20,544	Mar-24	20.7	15.6	1.3	(6.1)	(38.2)	0.0	(23.9)
Lululemon	LULU US	NR	n/a	293.06	n/a	275,011	Feb-25	19.2	17.8	5.1	42.4	2.5	0.0	(23.4)
Skechers	SKX US	NR	n/a	57.01	n/a	66,234	Dec-24	12.5	10.8	1.5	15.4	0.9	0.0	(15.2)
On Holding	ONON US	NR	n/a	44.15	n/a	111,218	Dec-24	37.3	28.8	5.6	19.6	1.5	0.0	(19.4)
Decker Outdoor	DECK US	NR	n/a	111.56	n/a	131,710	Mar-24	18.9	16.7	5.4	39.8	1.2	0.0	(45.1)
Vf Corp	VFC US	NR	n/a	15.69	n/a	47,547	Mar-24	21.2	14.4	3.1	(24.1)	(0.1)	2.3	(26.9)
Columbia	COLM US	NR	n/a	75.30	n/a	32,417	Dec-24	18.8	16.8	2.1	12.0	2.1	1.4	(10.3)
Wolverine	WWW US	NR	n/a	13.75	n/a	8,667	Dec-24	11.4	9.1	2.4	16.4	0.2	3.0	(38.1)
Mizuno Corp	8022 JP	NR	n/a	2622.00	n/a	10,843	Mar-24	13.2	12.5	1.3	10.8	2.4	1.7	(12.2)
Asics Corp	7936 JP	NR	n/a	3193.00	n/a	121,635	Dec-24	27.9	24.4	7.2	29.1	1.5	1.0	2.7
Avg.								21.1	17.5	3.8	16.4	(2.0)	1.2	(21.8)
Med.								19.2	16.7	3.1	15.4	1.2	1.3	(19.4)

Source: Bloomberg, CMBIGM estimates. Data as of 28 March 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	25,803	27,598	28,676	28,676	30,518	32,485
Cost of goods sold	(13,319)	(14,246)	(14,520)	(14,453)	(15,332)	(16,320)
Gross profit	12,485	13,352	14,156	14,223	15,186	16,165
Operating expenses	(8,428)	(10,336)	(10,627)	(11,192)	(11,817)	(12,255)
Selling expense	(7,314)	(9,080)	(9,199)	(9,710)	(10,276)	(10,682)
Admin expense	(579)	(638)	(752)	(805)	(821)	(807)
R&D expense	(534)	(618)	(676)	(676)	(719)	(766)
Operating profit	4,887	3,559	3,678	3,333	3,812	4,381
Other income	829	543	149	302	443	472
Share of (losses)/profits of associates/JV	201	378	256	256	273	290
EBITDA	5,668	4,642	5,039	4,941	5,633	6,053
Depreciation	(732)	(1,016)	(1,307)	(1,564)	(1,787)	(1,651)
Other amortisation	(49)	(67)	(54)	(44)	(34)	(22)
Interest income	448	501	430	312	367	439
Interest expense	(121)	(181)	(254)	(254)	(254)	(254)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	5,415	4,256	4,110	3,647	4,197	4,856
Income tax	(1,351)	(1,069)	(1,097)	(973)	(1,120)	(1,296)
Minority interest	0	0	0	0	0	0
Net profit	4,064	3,187	3,013	2,673	3,077	3,560

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	12,395	13,653	14,828	15,695	17,589	19,523
Cash & equivalents	7,382	5,444	6,484	7,363	8,955	10,558
Account receivables	1,020	1,206	1,253	1,253	1,333	1,419
Inventories	2,428	2,493	2,541	2,529	2,683	2,856
Prepayment	920	1,016	1,056	1,056	1,123	1,196
ST bank deposits	644	3,494	3,494	3,494	3,494	3,494
Other current assets	0	0	0	0	0	0
Non-current assets	21,252	20,555	21,149	21,497	21,757	22,300
PP&E	3,235	4,124	4,612	4,842	4,965	5,347
Investment in JVs & assos	0	0	161	322	493	676
Intangibles	217	221	167	122	87	63
Other non-current assets	17,800	16,210	16,210	16,211	16,212	16,214
Total assets	33,647	34,208	35,977	37,192	39,346	41,823
Current liabilities	7,241	7,268	7,459	7,327	7,804	8,339
Short-term borrowings	0	0	0	0	0	0
Account payables	1,584	1,790	1,824	1,816	1,926	2,050
Tax payable	1,037	915	943	819	966	1,142
Other current liabilities	4,619	4,563	4,692	4,692	4,912	5,147
Non-current liabilities	2,074	2,533	2,533	2,533	2,533	2,533
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,074	2,533	2,533	2,533	2,533	2,533
Total liabilities	9,315	9,801	9,992	9,860	10,337	10,872
Share capital	240	240	240	240	240	240
Retained earnings	2	0	1,099	2,500	4,113	5,979
Other reserves	24,089	24,167	24,647	24,593	24,657	24,734
Total shareholders equity	24,332	24,407	25,986	27,332	29,009	30,952
Minority interest	0	0	0	0	0	0
Total equity and liabilities	33,647	34,208	35,977	37,192	39,346	41,823

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,415	4,256	4,110	3,647	4,197	4,856
Depreciation & amortization	782	1,082	1,361	1,608	1,821	1,672
Tax paid	(1,316)	(1,155)	(1,069)	(1,097)	(973)	(1,120)
Change in working capital	(1,133)	(31)	28	3	28	28
Others	167	535	(431)	(313)	(386)	(475)
Net cash from operations	3,914	4,688	3,999	3,847	4,688	4,961
Investing						
Capital expenditure	(1,757)	(1,727)	(1,795)	(1,795)	(1,910)	(2,033)
Acquisition of subsidiaries/ investments	(74)	(88)	0	0	0	0
Others	(7,651)	(634)	525	407	469	547
Net cash from investing	(9,481)	(2,449)	(1,270)	(1,388)	(1,441)	(1,486)
Financing						
Dividend paid	(1,195)	(2,175)	(1,434)	(1,326)	(1,400)	(1,618)
Net borrowings	0	0	0	0	0	0
Proceeds from share issues	97	7	0	0	0	0
Share repurchases	(159)	(1,159)	0	0	0	0
Others	(1,826)	(3,066)	(1,688)	(1,581)	(1,655)	(1,872)
Net cash from financing	(3,082)	(6,392)	(3,122)	(2,907)	(3,055)	(3,490)
Net change in cash						
Cash at the beginning of the year	14,745	7,382	5,444	6,484	7,363	8,955
Exchange difference	93	40	0	0	0	0
Others	(7,455)	(1,978)	1,040	879	1,592	1,603
Cash at the end of the year	7,382	5,444	6,484	7,363	8,955	10,558
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	14.3%	7.0%	3.9%	0.0%	6.4%	6.4%
Gross profit	4.3%	6.9%	6.0%	0.5%	6.8%	6.4%
Operating profit	(4.9%)	(27.2%)	3.3%	(9.4%)	14.4%	14.9%
EBITDA	(1.7%)	(18.1%)	8.6%	(2.0%)	14.0%	7.5%
Net profit	1.3%	(21.6%)	(5.5%)	(11.3%)	15.1%	15.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	48.4%	48.4%	49.4%	49.6%	49.8%	49.8%
Operating margin	18.9%	12.9%	12.8%	11.6%	12.5%	13.5%
EBITDA margin	22.0%	16.8%	17.6%	17.2%	18.5%	18.6%
Return on equity (ROE)	17.9%	13.1%	12.0%	10.0%	10.9%	11.9%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.3	0.3	0.4	0.4	0.4	0.4
Current ratio (x)	1.7	1.9	2.0	2.1	2.3	2.3
Receivable turnover days	14.4	15.9	15.9	15.9	15.9	15.9
Inventory turnover days	66.5	63.9	63.9	63.9	63.9	63.9
Payable turnover days	43.4	45.9	45.9	45.9	45.9	45.9
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	10.4	13.1	13.8	15.5	13.5	11.6
P/E (diluted)	10.4	13.1	13.8	15.5	13.5	11.6
P/B	1.7	1.7	1.6	1.5	1.4	1.4
P/CFPS	10.8	8.9	10.4	10.8	8.8	8.4
Div yield (%)	2.9	3.4	3.4	3.0	3.5	4.0
EV	37,392.1	36,588.8	35,548.4	34,669.5	33,077.5	31,474.6
EV/Sales	1.4	1.3	1.2	1.2	1.1	1.0
EV/EBITDA	6.6	7.9	7.1	7.0	5.9	5.2

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

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