

Li Ning (2331 HK)

A cautious outlook after a maintained guidance

1Q25 results were roughly inline and FY25E guidance was maintained; therefore we maintain our BUY rating and TP. However, the inventory level in 1Q25 actually deteriorated QoQ and YoY, plus the rather weak management comments on Apr 2025, and we thus have turned slightly more cautious about 2Q25E outlook. The stock is trading at 14x FY25E P/E.

■ **The trend of retail sales growth and discounts in Apr 2025 deteriorated.** The sales trend was quite robust in Jan-Feb 2025 but kind of worsened in Mar 2025. According to management, the trend further deteriorated in Apr 2025 (negative growth in the offline channel, weaker than management's target), likely due to the unfavorable weather (too cold at the beginning and too hot afterwards) and the macro environment (consumer confidence has been hit hard after trade war started). Therefore, management also saw retail discounts widened in Apr 2025, in order to drive more sales growth.

■ **Despite various macro headwinds, the FY25E guidance remained unchanged.** On one hand, management did notice the drags on consumer confidence by macro uncertainty. On the other hand, they also have some expectations on potential stimulus by the Chinese government. Therefore, for now, they are still keeping the FY25E target (flattish sales growth and HSD NP margin, as well as other guidance like: 1) flattish (or better) GP margin, 2) surge in A&P expenses (10%+ of total sales) in FY25E, and the store opening plan (10-20 net closures for direct retail/ 30-40 net opens for wholesale/ 100 net opens for Li Ning Young), are all unchanged. Noted that if the trend is positive and ahead of targets, many positive factors like: 1) potential improvements in retail discounts (likely in offline channel), 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 kick in and drive better margins.

■ **Maintain BUY and TP of HK\$ 19.81, based on 18x FY25E P/E (unchanged).** The 1Q25 results were roughly inline and on track with the FY25E guidance, and we still maintain our view that the worst has likely passed and numbers shall bottom out in FY25E. However, since the retail sales growth is rather weak in Apr 2025, we have turned more cautious and will closely monitor if the overall trend might reverse. The stock is trading at 14x FY25E P/E, which is not too demanding, esp. when compared to 10-year average of 25x.

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)	11.5	12.1	13.6	11.8	10.2
P/B (x)	1.5	1.4	1.3	1.3	1.2
Yield (%)	3.9	3.9	3.5	4.0	4.6
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
Up/Downside 32.0%
Current Price HK\$15.00

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	39,248.2
Avg 3 mths t/o (HK\$ mn)	568.8
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%

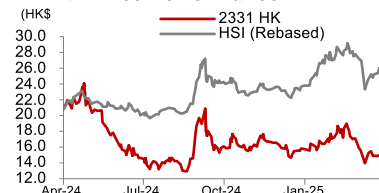
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-12.6%	-6.8%
3-mth	-6.4%	-13.8%
6-mth	-6.8%	-12.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **1Q25 retail sales growth inline with expectations.** Li Ning's retail sales grew by LSD in 1Q25, inline with CMBI est. of 2% and slightly ahead of the Company's FY25E guidance of flattish sales growth. In the offline channel, direct retail sales growth (dropped by LSD) was weaker than the wholesales retail growth (increased by LSD), but this was only due to the store closures in the direct retail channel (the trends shall be highly similar if we adjusted for that). In the e-commerce channel, retail sales growth continued to be strong, at low-teens. Both offline and online retail sales growth recorded a QoQ slowdown in 1Q25. By sports categories, both retail sales growth for running (20%+) and training (10%+) remained robust, but basketball (10%+ decline) and lifestyle (10%+ decline) were rather sluggish. Retail sales growth for footwear (HSD increase) was better than that for apparel (LSD drop). By ASP and volume, both had a small LSD increase in 1Q25.
- **But inventory to sales ratio was actually a miss while retail discounts were inline in 1Q25.** Inventory to sales ratio increased to 5 months in 1Q25, not only higher than CMBI est. of 4 months, but also increased YoY vs. 4 to 4.5 months in 1Q24 and QoQ vs. 4 months in 4Q24. But on the other hand, retail discounts in offline/ online channels both recorded a YoY improvement in 1Q25, better than the worsening/ flattish trend back in 4Q24. We believe management might have shifted their focus to profitability in the short run (rather than inventory level) because the consumers are much less sensitive to promotion than before. Anyhow, management did reiterate their target to keep the inventory to sales ratio at a reasonable level (4 to 5 months) by FY25E.

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	28,676	30,518	32,485	0.0%	0.0%	0.0%
Gross profit	14,223	15,186	16,165	14,223	15,186	16,165	0.0%	0.0%	0.0%
EBIT	3,333	3,812	4,381	3,333	3,812	4,381	0.0%	0.0%	0.0%
Net profit att.	2,673	3,077	3,560	2,673	3,077	3,560	0.0%	0.0%	0.0%
Diluted EPS (RMB)	1.03	1.19	1.38	1.03	1.19	1.38	0.0%	0.0%	0.0%
Gross margin	49.6%	49.8%	49.8%	49.6%	49.8%	49.8%	0ppt	0ppt	0ppt
EBIT margin	11.6%	12.5%	13.5%	11.6%	12.5%	13.5%	0ppt	0ppt	0ppt
Net profit att. margin	9.3%	10.1%	11.0%	9.3%	10.1%	11.0%	0ppt	0ppt	0ppt

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	28,991	30,559	32,224	-1.1%	-0.1%	0.8%
Gross profit	14,223	15,186	16,165	14,309	15,147	16,042	-0.6%	0.3%	0.8%
EBIT	3,333	3,812	4,381	3,193	3,635	4,098	4.4%	4.9%	6.9%
Net profit att.	2,673	3,077	3,560	2,716	3,043	3,393	-1.6%	1.1%	4.9%
Diluted EPS (RMB)	1.03	1.19	1.38	1.06	1.18	1.31	-2.9%	0.6%	5.0%
Gross margin	49.6%	49.8%	49.8%	49.4%	49.6%	49.8%	0.2ppt	0.2ppt	0ppt
EBIT margin	11.6%	12.5%	13.5%	11.0%	11.9%	12.7%	0.6ppt	0.6ppt	0.8ppt
Net profit att. margin	9.3%	10.1%	11.0%	9.4%	10.0%	10.5%	0ppt	0.1ppt	0.4ppt

Source: Bloomberg, 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	4Q24	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	+ve HSD		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	+ve Low-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	+ve HSD		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	Over 20%				
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%	65%-70%				
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%	60%				
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%	100%				
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	+ve LSD		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	-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	+ve LSD				
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	+ve Low-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	+ve MSD		6%	7%	7%
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%	10%-15%				
Kids	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	10%-15%	10%-15%				
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%	35%-40%				
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%	-5%	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	-ve MSD to HSD				
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%

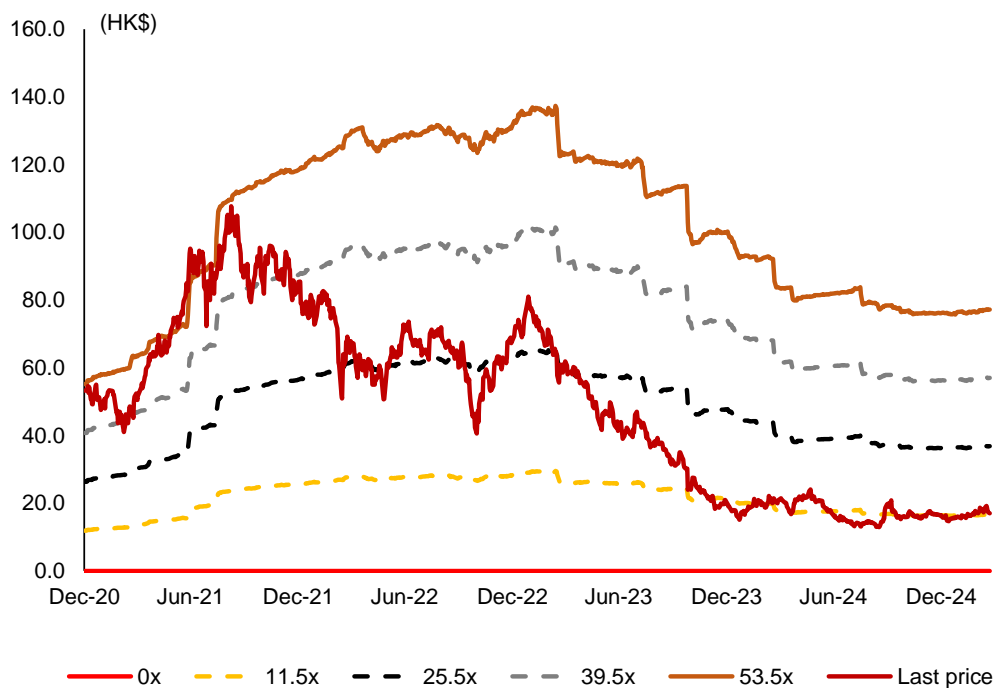
Source: Company data, CMBIGM estimates

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	15.00	32%	38,772	Dec-24	13.6	11.8	1.3	12.0	2.4	3.7	(8.9)
Anta Sports	2020 HK	BUY	119.08	91.45	30%	256,720	Dec-24	17.9	15.9	3.0	27.6	8.5	2.8	17.5
Xtep Intl	1368 HK	BUY	7.20	5.24	37%	14,539	Dec-24	9.6	8.7	1.2	14.1	1.3	5.3	(7.1)
361 Degrees	1361 HK	BUY	5.97	4.27	40%	8,829	Dec-24	6.3	5.6	0.7	12.4	0.5	7.0	0.7
Topsports	6110 HK	BUY	4.51	3.02	49%	18,728	Feb-24	12.1	10.1	1.7	18.0	(2.6)	7.4	1.3
Pou Sheng	3813 HK	NR	n/a	0.48	n/a	2,530	Dec-24	4.4	3.9	0.3	5.7	0.5	9.6	(5.0)
China DX	3818 HK	NR	n/a	0.38	n/a	2,208	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	7.1
Avg.								10.7	9.4	1.4	12.7	1.5	6.0	0.8
Med.								10.9	9.4	1.3	12.4	0.5	6.2	0.7
International Sportswear														
Nike Inc	NKE US	NR	n/a	57.08	n/a	653,498	May-24	26.6	28.3	7.3	31.9	(2.3)	2.7	(24.6)
Adidas	ADS GY	NR	n/a	217.40	n/a	345,696	Dec-24	28.0	19.6	5.0	15.2	0.6	1.3	(8.2)
Puma	PUM GY	NR	n/a	22.91	n/a	30,297	Dec-24	16.3	11.2	1.1	10.5	1.8	2.4	(48.4)
Under Armour	UAA US	NR	n/a	5.77	n/a	18,753	Mar-24	19.0	15.1	1.2	(6.1)	(5.9)	0.0	(30.4)
Lululemon	LULU US	NR	n/a	266.26	n/a	249,152	Feb-25	17.7	16.5	4.8	42.4	2.9	0.0	(30.4)
Amer Sports	AS US	NR	n/a	23.89	n/a	102,630	Dec-24	34.5	26.0	2.2	n/a	0.4	0.0	(14.6)
Skechers	SKX US	NR	n/a	48.55	n/a	56,675	Dec-24	13.8	13.1	1.3	14.7	(37.5)	0.0	(27.8)
On Holding	ONON US	NR	n/a	45.95	n/a	115,423	Dec-24	37.4	29.0	5.5	19.6	1.4	0.0	(16.1)
Decker Outdoor	DECK US	NR	n/a	107.74	n/a	126,832	Mar-24	18.2	16.6	5.2	39.8	1.3	0.0	(47.0)
Vf Corp	VFC US	NR	n/a	11.33	n/a	34,237	Mar-24	15.6	11.7	2.3	(24.1)	(0.1)	3.2	(47.2)
Columbia	COLM US	NR	n/a	63.92	n/a	27,353	Dec-24	17.2	16.2	1.8	12.0	4.0	2.0	(23.8)
Wolverine	WWW US	NR	n/a	12.81	n/a	8,049	Dec-24	11.2	9.0	2.3	16.4	0.2	3.1	(42.3)
Mizuno Corp	8022 JP	NR	n/a	2496.00	n/a	10,824	Mar-24	12.4	11.8	1.2	10.8	2.1	1.9	(16.4)
Asics Corp	7936 JP	NR	n/a	3102.00	n/a	123,914	Dec-24	27.0	23.6	6.9	29.1	1.3	1.0	(0.3)
Avg.								21.1	17.7	3.4	16.3	(2.1)	1.3	(27.0)
Med.								18.0	16.3	2.3	15.2	0.9	1.2	(26.2)

Source: Bloomberg, CMBIGM estimates

Figure 6: 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	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	9.1	11.5	12.1	13.6	11.8	10.2
P/E (diluted)	9.1	11.5	12.1	13.6	11.8	10.2
P/B	1.5	1.5	1.4	1.3	1.3	1.2
P/CFPS	9.5	7.8	9.1	9.5	7.8	7.3
Div yield (%)	3.3	3.9	3.9	3.5	4.0	4.6
EV	31,740.4	30,937.0	29,896.7	29,017.8	27,425.8	25,822.8
EV/Sales	1.2	1.1	1.0	1.0	0.9	0.8
EV/EBITDA	5.6	6.7	5.9	5.9	4.9	4.3

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

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