

Topsports (6110 HK)

Prudent guidance but strong cash flow & yield

Sales drop of the principal brands narrowed in 2H25 (ending Feb 2025) vs 1H25. However, because of the weaker-than-expected GP margin and other brands' sales, FY25 net profit was a miss; and FY26E guidance is conservative in our view. However, thanks to an impressive payout ratio of 135% and strong cash flow, we tend to believe that the dividend yield in FY26E could also be decent (CMBI est. 9%). Hence we maintain our BUY rating.

■ **FY25 net profit missed but dividend was a beat.** Topsports sales dropped by 7% YoY to RMB 27.0bn, inline with BBG/ CMBI est.. Net profit declined by 42% YoY to RMB 1.3bn, missing BBG/ CMBI est. by 7%/ 16% (but inline with Company's previous guidance). The miss was mainly due to far weaker-than-expected GP margin and higher finance costs (even though S&D expenses and tax rate were better than expected). However, the dividend was a positive surprise, as the payout ratio was raised to 135%, way higher than CMBI est. of about 100%; hence the absolute amount of dividends was about 30% higher than BBG est. and inline with CMBI est.. We believe this is healthy because both cash/ cash flow increased by 32%/ 20% YoY. Inventory days were at 135 days, remaining healthy and steady vs 136 days in FY24.

■ **Trend in 1Q26E is similar to that in 4Q25, and we believe it is still inline with the Company's FY26E target.** Management has highlighted that the retail sales trend in 1Q26E is similar to that in 4Q25 (MSD drop). Based on our channel check, we believe the numbers during the 5-1 golden week holidays were still on track with the Company's FY26E target. In terms of channel, e-commerce sales growth continued to outperform the offline sales growth. Even though the inventory level remains healthy, retail discounts are still under certain pressure, given the rather promotional industry environment.

■ **Prudent FY26E guidance.** The Company is now targeting a flattish net profit in FY26E (vs FY25), as well as an improvement in NP margin (implying a group-level sales decline), as it will prioritize profit over sales and put more efforts on efficiency gains. Management also expects GP margin to remain under pressure, due to: 1) rather slow new product launches, 2) an unfavourable channel mix (more online, less offline will drive down GP margin), 3) a rather promotional industry environment, and most importantly, 4) stable support from the principal brands (level of rebates or other benefits may not be as high as other regional distributors). However, we are still forecasting a small increase in GP margin factoring in our positive view on Adidas's momentum in mainland China.

Earnings Summary

(YE 28 Feb)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	28,933	27,013	25,550	27,537	29,529
YoY growth (%)	6.9	(6.6)	(5.4)	7.8	7.2
Operating profit (RMB mn)	2,786.5	1,592.7	1,658.5	1,995.0	2,281.4
Net profit (RMB mn)	2,213.0	1,286.0	1,313.2	1,578.6	1,796.1
EPS (Reported) (RMB)	0.36	0.21	0.21	0.25	0.29
YoY growth (%)	20.5	(41.9)	2.1	20.2	13.8
P/E (x)	8.0	13.7	13.4	11.2	9.8
P/B (x)	1.8	1.9	2.0	2.0	2.0
Yield (%)	12.7	9.8	8.9	9.0	10.2
ROE (%)	22.5	13.6	14.8	18.1	20.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$3.62**
(Previous TP HK\$4.51)
Up/Downside **17.2%**
Current Price **HK\$3.09**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	19,161.8
Avg 3 mths t/o (HK\$ mn)	102.3
52w High/Low (HK\$)	5.49/2.23
Total Issued Shares (mn)	6201.2

Source: FactSet

Shareholding Structure

Hillhouse Capital	34.9%
WMVL Limited	20.2%

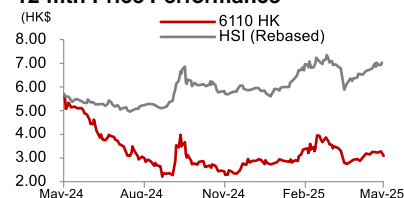
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.4%	-4.4%
3-mth	-7.8%	-8.0%
6-mth	34.9%	10.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Our view on the guidance (a high payout ratio (100%+) is still possible and so is the FY26E yield (~9%)).** There are certainly sales pressure in FY26E, due to: 1) massive store closures in 4Q25, and 2) sluggish turnaround of Nike (more time may be needed). However, Topsports could still be turning around as its net profit may bottom out in FY26E (even though this could be slower than expected). And margin improvement is still likely, as we believe: 1) channel could turn out to be positive (e-commerce sales OP margin is now higher vs offline sales), 2) SSS decline may stabilize (online sales growth to more than offset the drop in offline traffic, at the store level). Most importantly, thanks to Topsports' shifted focus to generate more cash flow and its relatively rich net cash position, we believe it is not so difficult for the Company to maintain several years of 100%+ payout ratio; hence we are forecasting a 120% payout ratio in FY26E and current yield could be as high as 9%.
- **Maintain BUY but trim TP to HK\$ 3.62, based on 16x FY26E P/E (up from 14x), slightly above the 5-year average of 14x.** We have revised down FY26E/ 27E net profit by 27%/ 24%, in order to factor in: 1) lower-than-expected GP margin, 2) slower-than-expected turnaround of the principal brand. However, because of Adidas's strong momentum, plus the higher-than-expected payout ratio, which we believe is somewhat sustainable (thanks to fairly strong cash flow) in FY26E, with the current yield still high at 9%, therefore we maintain our BUY rating. The stock is now trading at 14x FY26E P/E, at par with its 5-year average.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	25,550	27,537	29,529	28,597	30,735	n/a	-10.7%	-10.4%	n/a
Gross profit	9,899	10,706	11,514	11,682	12,594	n/a	-15.3%	-15.0%	n/a
EBIT	1,659	1,995	2,281	2,339	2,704	n/a	-29.1%	-26.2%	n/a
Net profit att.	1,313	1,579	1,796	1,805	2,082	n/a	-27.2%	-24.2%	n/a
Diluted EPS (RMB)	0.212	0.255	0.290	0.291	0.336	n/a	-27.2%	-24.2%	n/a
Gross margin	38.7%	38.9%	39.0%	40.9%	41.0%	n/a	-2.1ppt	-2.1ppt	n/a
EBIT margin	6.5%	7.2%	7.7%	8.2%	8.8%	n/a	-1.7ppt	-1.6ppt	n/a
Net profit att. margin	5.1%	5.7%	6.1%	6.3%	6.8%	n/a	-1.2ppt	-1ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	25,550	27,537	29,529	27,727	29,415	29,936	-7.9%	-6.4%	-1.4%
Gross profit	9,899	10,706	11,514	11,160	11,970	12,269	-11.3%	-10.6%	-6.1%
EBIT	1,659	1,995	2,281	2,086	2,364	2,563	-20.5%	-15.6%	-11.0%
Net profit att.	1,313	1,579	1,796	1,681	1,906	2,093	-21.9%	-17.2%	-14.2%
Diluted EPS (RMB)	0.212	0.255	0.290	0.276	0.316	0.323	-23.3%	-19.4%	-10.2%
Gross margin	38.7%	38.9%	39.0%	40.2%	40.7%	41.0%	-1.5ppt	-1.8ppt	-2ppt
EBIT margin	6.5%	7.2%	7.7%	7.5%	8.0%	8.6%	-1ppt	-0.8ppt	-0.8ppt
Net profit att. margin	5.1%	5.7%	6.1%	6.1%	6.5%	7.0%	-0.9ppt	-0.7ppt	-0.9ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results review

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25	2H25	1H24 YoY	2H24 YoY	1H25 YoY	2H25 YoY	2H25E CMBI	Actual vs CMBI
Revenue	14,177	14,757	13,055	13,958	7%	7%	-8%	-5%	14,520	-4%
COGS	-7,836	-9,017	-7,692	-8,937					-8,918	
Gross profit	6,341	5,740	5,362	5,021	5%	9%	-15%	-13%	5,602	-10%
GP margins	44.7%	38.9%	41.1%	36.0%					38.6%	
Other income & gains	48	129	75	73					93	-22%
S & D expenses	-4,110	-4,246	-3,822	-4,122	0%	7%	-7%	-3%	-4,302	-4%
S & D exp / sales	-29.0%	-28.8%	-29.3%	-29.5%					-29.6%	
Admin expenses	-553	-563	-495	-501	-4%	7%	-10%	-11%	-539	-7%
Admin exp / sales	-3.9%	-3.8%	-3.8%	-3.6%					-3.7%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	1,726	1,061	1,121	472	9%	25%	-35%	-56%	855	-45%
OP margins	12.2%	7.2%	8.6%	3.4%					5.9%	
Other items	0	0	0	0					0	
Net finance income	-18	-9	-13	-21					15	-242%
Net fin. income / sales	-0.1%	-0.1%	-0.1%	-0.1%					0.1%	
Profit after financing costs	1,708	1,052	1,108	451					869	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,708	1,052	1,108	451	13%	31%	-35%	-57%	869	-48%
Tax	-371	-177	-235	-40					-220	
Tax / sales	-2.6%	-1.2%	-1.8%	-0.3%					-1.5%	
Effective tax rate	-21.7%	-16.8%	-21.2%	-8.9%					-25.3%	
Minority interests	0	0	0	0					0	
Net profit att.	1,337	875	874	411	17%	27%	-35%	-53%	649	-37%
NP margins	9.4%	5.9%	6.7%	2.9%					4.5%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - full year

Full yearly (RMB mn)	FY24	FY25E	FY26E	FY25E YoY	FY26E YoY	FY25E CMBI	Actual vs CMBI
Revenue	28,933	27,013	25,550	-7%	-5%	27,575	-2%
COGS	-16,852	-16,630	-15,652			-16,610	
Gross profit	12,081	10,383	9,899	-14%	-5%	10,965	-5%
GP margins	41.8%	38.4%	38.7%			39.8%	
Other income & gains	177	149	141			169	-12%
S & D expenses	-8,356	-7,944	-7,381	-5%	-7%	-8,124	-2%
S & D exp / sales	-28.9%	-29.4%	-28.9%			-29.5%	
Admin expenses	-1,115	-996	-1,000	-11%	0%	-1,034	-4%
Admin exp / sales	-3.9%	-3.7%	-3.9%			-3.8%	
Other opex	0	0	0			0	
Operating profit (EBIT)	2,787	1,593	1,659	-43%	4%	1,976	-19%
OP margins	9.6%	5.9%	6.5%			7.2%	
Other items	0	0	0			0	
Net finance income	-27	-33	-19			2	-1709%
Net fin. income / sales	-0.1%	-0.1%	-0.1%			0.0%	
Profit after financing costs	2,759	1,560	1,640			1,978	
Associated coms	0	0	0			0	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	2,759	1,560	1,640	-43%	5%	1,978	-21%
Tax	-548	-275	-328			-455	
Tax / sales	-1.9%	-1.0%	-1.3%			-1.6%	
Effective tax rate	-19.9%	-17.6%	-20.0%			-23.0%	
Minority interests	0	0	0			0	
Net profit att.	2,211	1,285	1,312	-42%	2%	1,523	-16%
NP margins	7.6%	4.8%	5.1%			5.5%	

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	4Q24	1Q25E	2Q25E	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-15%	-16%	-5%	2%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	13%	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%	Over 40%			
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%	-8%	4%	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	-ve MSD	-3%	3%	6%
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 in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Assumptions

Figure 6: CMBIGM's assumptions

Major assumptions	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
Sales by segment (RMB mn)						
Retail operations	22,741	24,742	23,079	21,829	23,664	25,498
Wholesale operations	4,158	4,022	3,788	3,595	3,738	3,888
Concessionaire fee income	175	170	146	127	135	144
Total	27,073	28,933	27,013	25,550	27,537	29,529
Sales by segment growth (%)						
Retail operations	-14%	9%	-7%	-5%	8%	8%
Wholesale operations	-20%	-3%	-6%	-5%	4%	4%
Concessionaire fee income	-26%	-3%	-14%	-13%	6%	6%
Total	-15%	7%	-7%	-5%	8%	7%
Number of stores	6,565	6,144	5,020	4,858	4,920	4,985
Total sales area (sq m)	1,568	1,556	1,363	1,356	1,400	1,445
Growth (%)	-7%	-1%	-12%	-1%	3%	3%
Average store size (sq m)	239	253	271	279	284	290
Growth (%)	9%	6%	7%	3%	2%	2%
Retail sales (offline) per store	2.7	3.0	2.8	2.9	3.0	3.1
Growth (%)	-6%	13%	-6%	0%	5%	5%
Retail sales (online)	5,117	6,185	7,051	7,968	8,924	9,817
Growth (%)	14%	21%	14%	13%	12%	10%
GP margins	41.7%	41.8%	38.4%	38.7%	38.9%	39.0%
Rental expenses/ sales	-13.2%	-13.5%	-12.2%	-12.4%	-12.1%	-12.1%
Staff costs/ sales	-10.7%	-10.1%	-10.2%	-10.8%	-10.6%	-10.3%
D & A/ sales	-2.3%	-1.7%	-1.7%	-1.7%	-1.7%	-1.7%
S & D expenses/ sales	-29.7%	-28.9%	-29.4%	-28.9%	-28.3%	-28.1%
G & A expenses/ sales	-4.1%	-3.9%	-3.7%	-3.9%	-3.8%	-3.8%
Effective tax rate	-21%	-20%	-18%	-20%	-20%	-20%
NP att. margin	7%	8%	5%	5%	6%	6%
NP att. growth (%)	-25%	20%	-42%	2%	20%	14%

Source: Company data, CMBIGM estimates

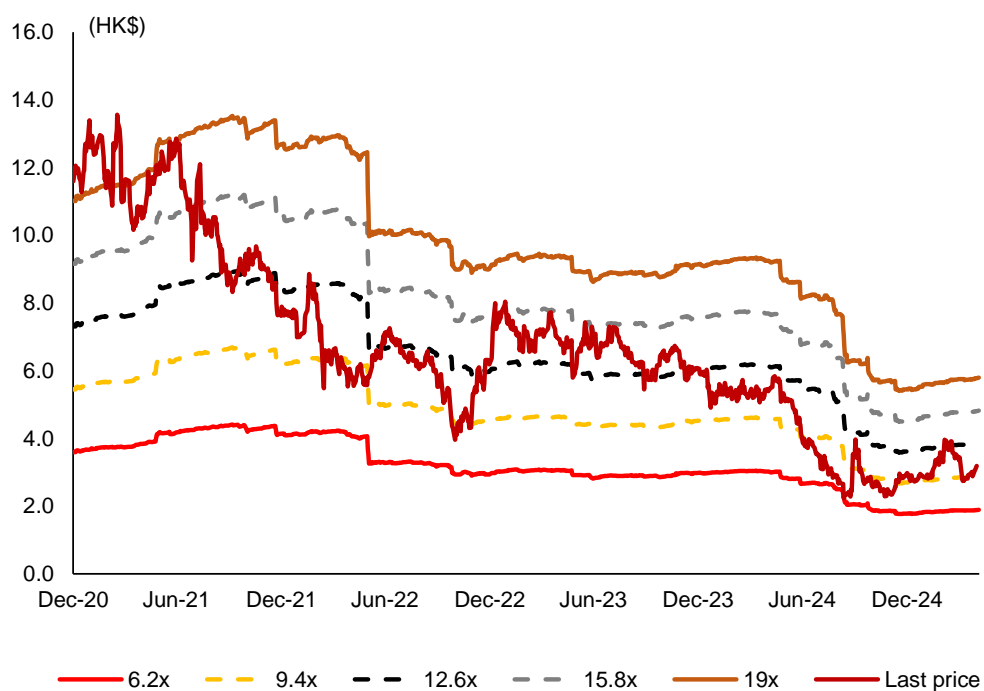
Valuation

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\$mnn)	End	FY1E	FY2E	FY2E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Topsports	6110 HK	BUY	3.62	3.09	17%	19,162	Feb-25	13.7	11.4	1.7	13.6	1.2	8.8	3.7
Pou Sheng	3813 HK	NR	n/a	0.50	n/a	2,663	Dec-24	4.7	4.2	0.3	5.7	0.6	8.7	0.0
Anta Sports	2020 HK	BUY	119.08	93.05	28%	261,211	Dec-24	17.9	15.9	3.0	27.6	6.3	2.8	19.5
Li Ning	2331 HK	BUY	19.81	15.16	31%	39,186	Dec-24	13.4	12.0	1.2	11.9	3.9	3.6	(7.9)
Xtep	1368 HK	BUY	7.20	5.72	26%	15,870	Dec-24	10.3	9.4	1.3	14.1	1.3	5.0	1.4
361 Degrees	1361 HK	NR	5.97	4.36	37%	9,015	Dec-24	6.3	5.6	0.7	12.4	0.5	7.0	2.8
China DX	3818 HK	NR	n/a	0.40	n/a	2,326	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	12.9
Avg.								11.1	9.7	1.4	12.0	2.0	6.0	4.6
Med.								11.8	10.4	1.3	12.4	1.2	6.0	2.8
Global sportswear distributor														
Topsports	6110 HK	BUY	3.62	3.09	17%	19,162	Feb-25	13.7	11.4	1.7	13.6	1.2	8.8	3.7
Pou Sheng	3813 HK	NR	n/a	0.50	n/a	2,663	Dec-24	4.7	4.2	0.3	5.7	0.6	8.7	0.0
Foot Locker	FL US	NR	n/a	23.94	n/a	17,788	Feb-25	18.8	15.5	0.7	0.4	0.1	0.0	10.0
Jd Sports	JD/ LN	NR	n/a	86.02	n/a	46,516	Feb-25	7.3	6.5	1.1	14.7	0.4	1.2	(10.3)
Frasers Group	FRAS LN	NR	n/a	704.50	n/a	33,313	Apr-24	7.2	6.9	1.3	16.0	0.9	0.0	15.7
Dick's Sporting	DKS US	NR	n/a	175.92	n/a	110,203	Feb-25	12.4	11.6	3.4	40.1	3.3	2.7	(23.1)
Avg.								10.7	9.3	1.4	15.1	1.1	3.6	(0.7)
Med.								9.8	9.1	1.2	14.1	0.7	2.0	1.8
International sportswear														
Nike	NKE US	NR	n/a	59.98	n/a	692,764	May-24	27.9	30.1	7.7	31.9	(2.3)	2.6	(20.7)
Adidas	ADS GY	NR	n/a	218.60	n/a	348,211	Dec-24	28.8	20.0	5.1	19.3	0.6	1.3	(7.7)
Puma	PUM GY	NR	n/a	22.68	n/a	30,045	Dec-24	16.9	11.7	1.1	7.2	1.9	2.3	(48.9)
Under Armour	UAA US	NR	n/a	6.52	n/a	21,354	Mar-25	20.1	16.1	1.3	(10.0)	(0.1)	0.0	(21.3)
Lululemon	LULU US	NR	n/a	317.56	n/a	298,571	Feb-25	21.4	19.8	5.8	42.4	3.6	0.0	(17.0)
Amer	AS US	NR	n/a	37.00	n/a	160,356	Dec-24	49.5	37.8	3.3	n/a	0.5	0.0	32.3
Skechers	SKX US	NR	n/a	62.02	n/a	72,605	Dec-24	17.4	16.6	1.7	14.7	(13.0)	0.0	(7.8)
Vf Corp	VFC US	NR	n/a	12.15	n/a	37,039	Mar-25	14.1	11.2	2.0	(12.1)	(0.1)	3.0	(43.4)
On	ONON US	NR	n/a	59.14	n/a	149,867	Dec-24	51.2	39.4	7.5	15.7	1.9	0.0	8.0
Decker	DECK US	NR	n/a	123.36	n/a	146,510	Mar-24	20.8	19.3	6.1	39.8	1.5	0.0	(39.3)
Columbia	COLM US	NR	n/a	64.75	n/a	27,738	Dec-24	18.7	18.2	1.8	12.3	23.6	1.9	(22.9)
Wolverine World	WWW US	NR	n/a	16.63	n/a	10,547	Dec-24	15.0	12.0	3.1	26.1	0.3	2.4	(25.1)
Mizuno	8022 JP	NR	n/a	2676.00	n/a	11,644	Mar-25	12.3	11.3	1.2	10.2	1.2	2.0	(10.4)
Asics	7936 JP	NR	n/a	3380.00	n/a	135,480	Dec-24	29.2	25.6	7.4	29.8	1.4	0.8	8.7
Avg.								24.5	20.7	3.9	17.5	1.5	1.2	(15.4)
Med.								20.5	18.7	3.2	15.7	0.9	1.1	(18.8)

Source: Bloomberg, Company data, CMBIGM estimates

Note: Data as of 22 May close

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

Source: Bloomberg, Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Revenue	27,073	28,933	27,013	25,550	27,537	29,529
Cost of goods sold	(15,789)	(16,852)	(16,630)	(15,652)	(16,831)	(18,015)
Gross profit	11,284	12,081	10,383	9,899	10,706	11,514
Operating expenses	(9,153)	(9,471)	(8,939)	(8,381)	(8,863)	(9,395)
Selling expense	(8,052)	(8,356)	(7,944)	(7,381)	(7,805)	(8,285)
Admin expense	(1,101)	(1,115)	(996)	(1,000)	(1,058)	(1,110)
R&D expense	0	0	0	0	0	0
Operating profit	2,431	2,787	1,593	1,659	1,995	2,281
Other income	300	177	149	141	151	162
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	3,019	3,291	2,265	2,200	2,402	2,574
Depreciation	(609)	(484)	(655)	(524)	(397)	(290)
Other amortisation	21	(20)	(17)	(17)	(10)	(3)
Interest income	103	120	85	109	104	90
Interest expense	(211)	(147)	(118)	(128)	(128)	(128)
Net Interest income/(expense)	(109)	(27)	(33)	(19)	(23)	(38)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,322	2,759	1,560	1,640	1,972	2,243
Income tax	(486)	(548)	(275)	(328)	(394)	(449)
After tax profit	1,837	2,211	1,285	1,312	1,577	1,795
Minority interest	0	2	1	1	1	1
Net profit	1,837	2,213	1,286	1,313	1,579	1,796

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Current assets	12,101	10,559	10,986	10,703	10,764	10,785
Cash & equivalents	2,357	1,956	2,587	2,733	2,265	1,755
Restricted cash	1,286	126	997	997	997	997
Account receivables	1,055	1,330	752	711	766	822
Inventories	6,247	6,284	6,004	5,651	6,077	6,504
Prepayment	1,136	864	646	611	659	707
Other current assets	20	0	0	0	0	0
Non-current assets	4,719	3,985	3,916	3,784	3,817	3,997
PP&E	733	639	541	426	470	653
Right-of-use assets	2,425	1,821	1,819	1,819	1,819	1,819
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	1,073	1,059	1,046	1,029	1,018	1,015
Other non-current assets	488	465	510	510	510	510
Total assets	16,821	14,544	14,903	14,487	14,581	14,782
Current liabilities	5,268	3,347	4,496	4,425	4,519	4,612
Short-term borrowings	1,545	720	2,130	2,130	2,130	2,130
Account payables	991	387	343	323	348	372
Tax payable	360	262	268	268	268	268
Other current liabilities	1,192	1,088	941	890	959	1,029
Lease liabilities	1,181	890	814	814	814	814
Non-current liabilities	1,719	1,347	1,347	1,346	1,345	1,343
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	1,719	1,347	1,347	1,346	1,345	1,343
Total liabilities	6,987	4,694	5,844	5,771	5,863	5,956
Share capital	0	0	0	0	0	0
Retained earnings	8,092	8,044	7,172	6,042	6,042	6,042
Other reserves	1,742	1,805	1,887	2,674	2,676	2,785
Total shareholders equity	9,834	9,849	9,059	8,716	8,717	8,826
Minority interest	0	2	0	0	0	0
Total equity and liabilities	16,821	14,544	14,903	14,487	14,581	14,782

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb (RMB mn)						
Operating						
Profit before taxation	2,322	2,759	1,560	1,640	1,972	2,243
Depreciation & amortization	588	504	672	541	407	292
Tax paid	(891)	(600)	(344)	(328)	(394)	(449)
Change in working capital	483	(867)	884	358	(435)	(437)
Others	1,848	1,333	983	128	128	128
Net cash from operations	4,351	3,129	3,755	2,338	1,677	1,778
Investing						
Capital expenditure	(357)	(397)	(373)	(409)	(441)	(472)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	51	199	75	0	0	0
Net cash from investing	(306)	(198)	(298)	(409)	(441)	(472)
Financing						
Dividend paid	(2,667)	(2,233)	(2,109)	(1,656)	(1,577)	(1,687)
Net borrowings	738	335	539	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(1,512)	(1,435)	(1,257)	(128)	(128)	(128)
Net cash from financing	(3,440)	(3,332)	(2,826)	(1,784)	(1,705)	(1,815)
Net change in cash						
Cash at the beginning of the year	1,753	2,357	1,956	2,587	2,733	2,265
Exchange difference	0	0	0	0	0	0
Cash at the end of the year	2,357	1,956	2,587	2,733	2,265	1,755
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Revenue	(15.1%)	6.9%	(6.6%)	(5.4%)	7.8%	7.2%
Gross profit	(18.4%)	7.1%	(14.1%)	(4.7%)	8.2%	7.5%
Operating profit	(29.1%)	14.6%	(42.8%)	4.1%	20.3%	14.4%
EBITDA	(26.9%)	9.0%	(31.2%)	(2.9%)	9.2%	7.1%
Net profit	(24.9%)	20.5%	(41.9%)	2.1%	20.2%	13.8%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Gross profit margin	41.7%	41.8%	38.4%	38.7%	38.9%	39.0%
Operating margin	9.0%	9.6%	5.9%	6.5%	7.2%	7.7%
EBITDA margin	11.2%	11.4%	8.4%	8.6%	8.7%	8.7%
Return on equity (ROE)	18.0%	22.5%	13.6%	14.8%	18.1%	20.5%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
Current ratio (x)	2.3	3.2	2.4	2.4	2.4	2.3
Receivable turnover days	14.2	16.8	10.2	10.2	10.2	10.2
Inventory turnover days	144.4	136.1	131.8	131.8	131.8	131.8
Payable turnover days	22.9	8.4	7.5	7.5	7.5	7.5
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 28 Feb						
P/E	9.6	8.0	13.7	13.4	11.2	9.8
P/E (diluted)	9.6	8.0	13.7	13.4	11.2	9.8
P/B	1.8	1.8	1.9	2.0	2.0	2.0
P/CFPS	4.1	5.6	4.7	7.5	10.5	9.9
Div yield (%)	11.6	12.7	9.8	8.9	9.0	10.2

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

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