

Sep 27, 2016
Company Report
Rating: HOLD
TP: HK\$ 23.43

Share price (RMB)	21.10
Est. share price return	11.04%
Est. dividend yield	3.94%
Est. total return	14.98%

Previous Rating & TP	N/A
Previous Report Date	N/A

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Key Data

52Wk H/L (RMB)	24.349/14.04
Issued shares (mn)	2,501.56
Market cap (RMB mn)	52,782.96
3-mth avg daily turnover (RMB mn)	144.44
Major shareholder(s) (%):	
Anta Intl Group	54.91
Anda Holdings	6.43
Anda Investments	4.62
Vanguard Group	1.26
Blackrock	1.21

Source(s): Company, Bloomberg, ABCI Securities

Revenue composition

(%)	1H15	1H16
Footwear	46.98	46.67
Apparel	48.37	49.28
Accessories	4.65	4.05

Source(s): Company, ABCI Securities

Share performance (%)

	Absolute	Relative*
1-mth	8.35	5.02
3-mth	47.74	29.94
6-mth	22.20	2.80

*Relative to HSI Index

Source(s): Bloomberg, ABCI Securities

Stock performance



Source(s): Bloomberg, ABCI Securities

* All pricing and market data as of end of Sep 27, 2016

Anta (2020 HK)

An expensive alpha in the pack

- Anta's leadership position remains intact. Its 1H16 margins were stable despite lower growth momentum than 1H15 and its revenue scale continued to exceed competitors
- Anta is a top runner among other listed HK sports apparel companies; it is the only HK listed player with FY15 revenue that exceeded RMB 10bn; it has been able to maintain its revenue growth and NPM while its HK-listed competitors has seen uneven performance
- We project Anta's revenue to expand by 21.07% YoY, 18.44% YoY, and 18.91% YoY in FY16E - FY18E, respectively, with a stable GPM. Average ROAA and ROAE would be 17.52% and 26.05% for FY16E-18E. We believe Anta's highly competitive products is the major factor that differentiates the Group from other sports apparel players and will continue to drive performance
- We initiate coverage with **HOLD** rating and TP of HK\$ 23.43, representing 26.53x/23.98x FY16E/17E P/E, and 6.34x/5.85x FY16E/17E P/B

1H16 growth momentum slowed but leadership position remained intact. In 1H16, Anta's margins remained stable. GPM, OPM, and NPM were 47.88%, 24.23%, and 18.38% in 1H16, vs. 46.62%, 24.79%, and 18.89% in FY15, leading the race against other domestic brands. However, the Group's revenue/profit growth slowed as business environment toughens.

Alpha in the pack. Anta has consistently outperformed its competitors. Its FY15 revenue size exceeded RMB 10bn. Peak (1968 HK) was the only HK listed competitor with revenue size above RMB 5bn. In addition, Anta's revenue growth was above 20% in 2014, 2015 and 1H16, while its HK-listed competitors recorded either decline or mid-double digit growth. Moreover, its NPM has been consistently above 18% despite heavy sales and promotion efforts. All things considered, Anta is the true alpha in the sports apparel industry.

Strong competitiveness to support performance. We expect that despite some short/medium term headwinds, the Group's strong competitiveness would help support future growth and sustain profitability. We project the Group's revenue growth would be 21.07% YoY, 18.44% YoY, and 18.91% YoY in FY16E - FY18E, respectively. In the next three years, the Group's average GPM would be 45.95%; NPM would decline to 15.43% in FY18E due to higher SG&A for marketing and expansion purposes. However, we expect the Group to grow its EPS and deliver strong return. FY16E-18E average ROAA and ROAE would be 17.52% and 26.05%.

Initiate with HOLD rating; TP at HK\$ 23.43. Based on Anta's strong leadership position and the positive outlook for the sports apparel industry, we believe a decent EPS growth and high returns. We set our TP at HK\$ 23.43, representing 26.53x/ 23.98x FY16E/17E P/E and 6.34x /5.85x FY16E/17E P/B. We initiate coverage with a **HOLD** rating due to its expensive valuation.

Risk factors: 1) Macroeconomic risk; 2) Regulatory risk; 3) Rapidly changing consumer tastes in China; 4) Commodity price risk; 5) Business acquisition risk; 6) Product safety risk; 7) Production risk; 8) ForEx risk; 9) Interest rate risk

Results and Valuation

FY ended Dec 31	2014A	2015A	2016E	2017E	2018E
Revenue (RMB mn)	8,923	11,126	13,470	15,954	18,972
Chg (% YoY)	22.54	24.69	21.07	18.44	18.91
Net Profit (RMB mn)	1,700	2,041	2,209	2,445	2,928
Chg (% YoY)	29.32	20.01	8.27	10.65	19.77
Basic EPS (RMB)	0.68	0.82	0.88	0.98	1.17
P/E (x)	26.64	22.22	20.55	18.57	15.50
BVPS (RMB)	3.12	3.43	3.70	4.00	4.36
P/B (x)	5.81	5.29	4.91	4.53	4.16
DPS(HK\$)	0.61	0.68	0.72	0.78	0.94
Yield (%)	3.36	3.75	3.94	4.31	5.20
ROAA (%)	15.82	17.09	16.73	17.11	18.71
ROAE (%)	22.75	24.92	24.78	25.38	27.99

Source(s): The Group, Bloomberg, ABCI Securities estimates

A leader in the sports apparel industry

Anta is one of the leaders in the Chinese sports apparel with an FY15 sales reaching RMB 11.13bn. Peak (1968 HK) was the only H-share competitor with FY15 sales above RMB 5bn. Like many others, Anta's business spans over footwear, apparel, and accessories. However, the Group has been acquiring international brands (Fila and Descente) and expanding its product portfolio to cover all age groups (adult and kids).

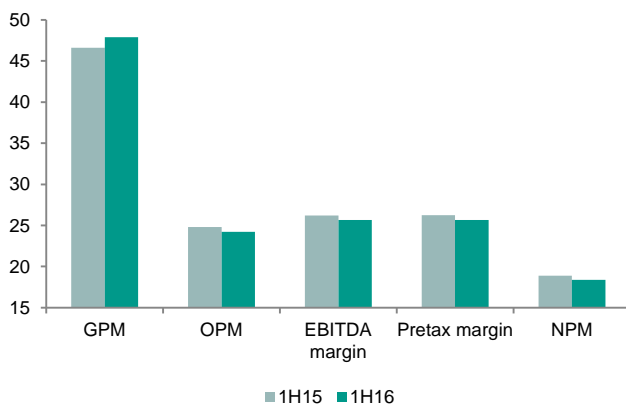
1H16 results review

Anta's 1H16 results outperform its domestic competitors. Its margins remained stable. GPM, OPM, and NPM were 47.88%, 24.23%, and 18.38% in 1H16, vs. 46.62%, 24.79%, and 18.89% in FY15. In addition, debt-to-equity ratio in 1H16 was 10.22%, compared to 12.53% in 1H15 and 13.87% in FY15; cash position was healthy, with net-cash-to-equity ratio reaching 64.08% by end-1H16. Moreover, the Group's revenue size is still the largest among its H-share competitors.

The Group, however, may brace for lower growth going forward. In 1H15, revenue, gross profit, and net profit grew by 23.97% YoY, 28.06% YoY, and 20.24% YoY, respectively, higher than those recorded in 1H16. The Group's revenue growth in the footwear segment was stable at ~19% YoY, but growth of apparel and accessories sales declined from 27.44% YoY and 37.46% YoY in 1H15 to 22.48% YoY and 4.56% YoY. S&D expenses was 20.53% of total revenue vs. 19.38% in 1H15, implying intensifying competition may have rendered sales and marketing efforts less effective.

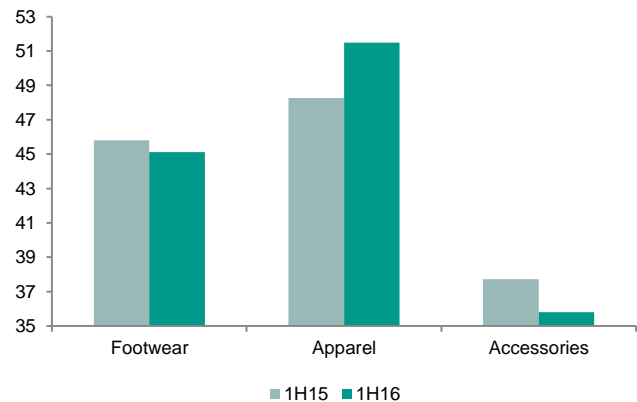
Moreover, the inventory turnover days increased from 57.77 in 1H15 to 64.24 in 1H16. The Group stated in the 1H16 results meeting that the longer turnover days was caused by the newly acquired business that has increased the no. of self-operated stores, whose inventories were booked to the Group's account. Yet we believe investors should be cautious as this can be the first sign of declining working capital efficiency.

Exhibit 1: Margin of the Group (%)



Source(s): Company, ABCI Securities

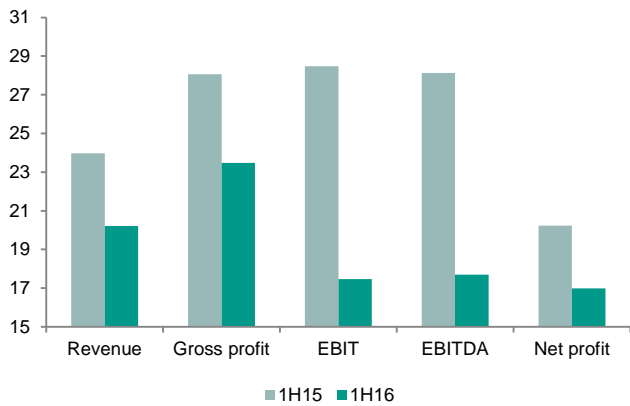
Exhibit 2: GPM of segments (%)



Source(s): Company, ABCI Securities

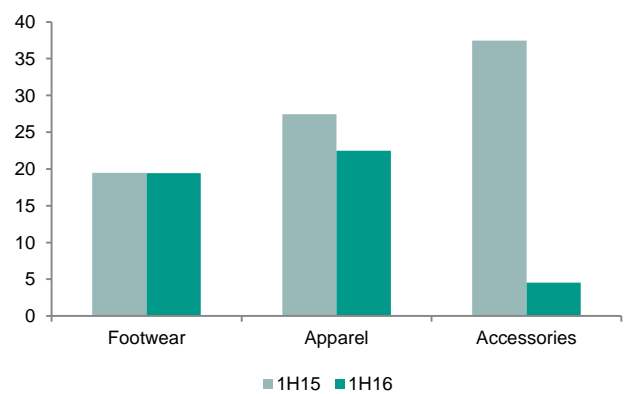


Exhibit 3: Growth of the Group (YoY %)



Source(s): Company, ABCI Securities

Exhibit 4: Revenue growth of segments (YoY %)



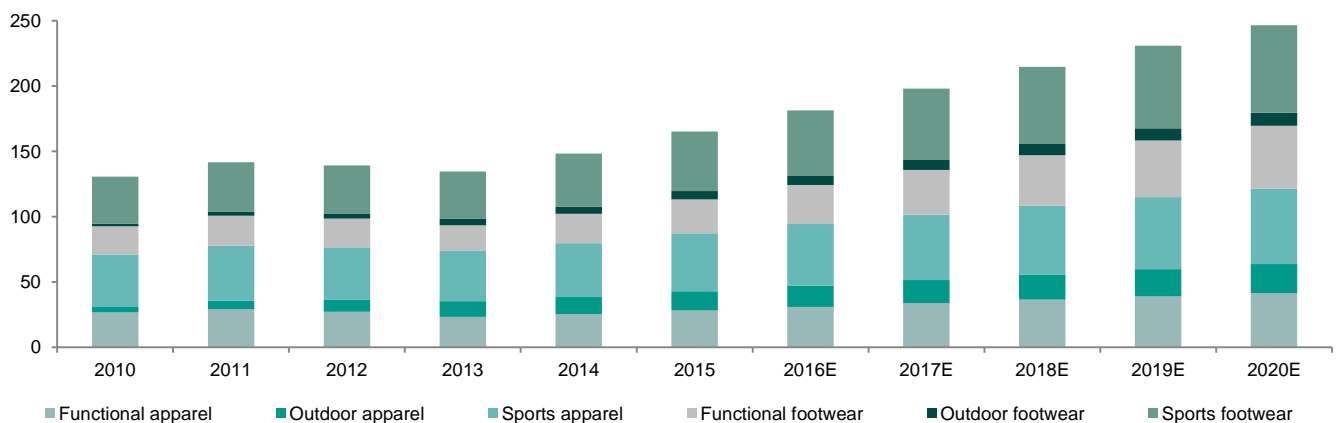
Source(s): Company, ABCI Securities

Industry overview: great growth potential and fierce competition

Huge potential despite a slowing growth

We believe the Chinese sporting goods industry contains huge potential. One reason is that the average consumption of sportswear or sporting goods in China is still very low. In addition, according to Euromonitor International, China's sports apparel market size grew by 2.8% CAGR from 2010 to 2015, and is expected to grow by 8% CAGR from 2016 to 2020. By then, the sports apparel market size would reach RMB 246.7bn. Endorsing a more active lifestyle due to higher awareness of health and fitness, the new generation of Chinese consumers is spending more time and money on sporting activities, which is another driver of the industry.

Exhibit 5: Market size of China's sports apparel market (RMB bn)



Source(s): Euromonitor International, ABCI Securities

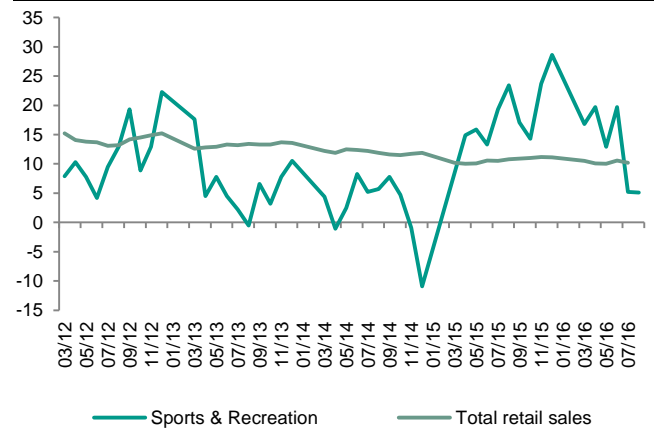
More importantly, the Chinese authorities have recently announced the 13th five-year plan for the sports industry. According to the Plan, by end-2020, the sports industry would generate a total revenue of RMB 3tr, industry contribution to national GDP would reach 1% and average sports-related consumption per person should reach 2.5% of personal income. Supportive policies would propel growth in the sports apparel industry.

The sportswear industry has been growing quickly. According to the NBS, the retail sales of "Sports & Recreation" has been maintaining a double-digit growth in 1H16, reaching 19.7% YoY in Apr and June. At the same time, the

retail sales of “Clothing, Shoes, Hats & Textile” showed a high-single-digit growth, reaching 7.5% YoY in June 2016. However, growth has been trending down. In Aug 2016, retail sales of “Sports & Recreation” only grew by 5.1% YoY growth, the second month the sub-sector showed a single-digit expansion. The Aug clothing retail sales growth also slowed to 6.2% YoY. We believe the sports apparel industry has been impacted by the fluctuating consumer demand in China.

Exhibit 6: Retail sales growth of clothing, shoes, hats, & textile (YoY %)

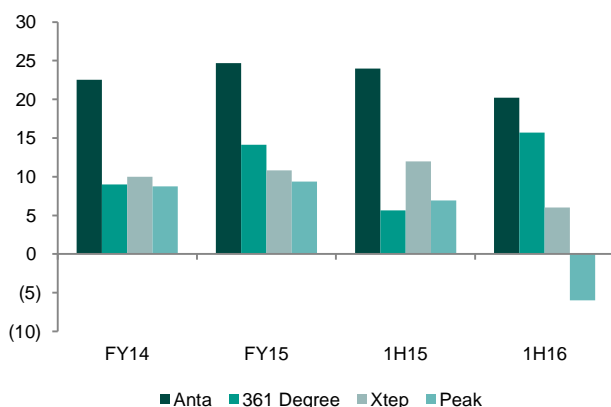

Source(s): Company, ABCI Securities

Exhibit 7: Sports & recreation retail sales growth (YoY %)


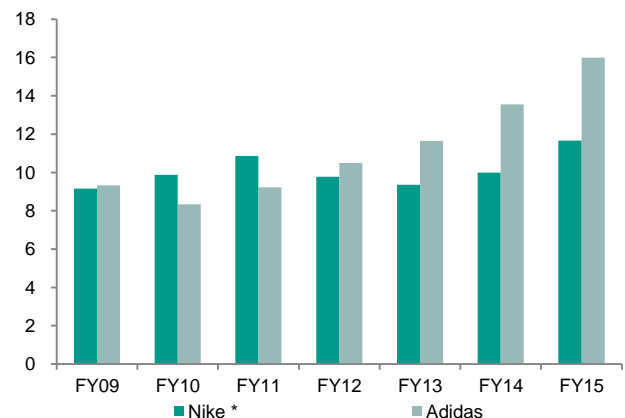
Source(s): Company, ABCI Securities

Home-grown brands are getting stronger

Over the past few years, the domestic brands have been playing an increasingly important role in the Chinese sports apparel industry. Most industry players have been maintaining a double-digit revenue growth. In FY15, Anta led the domestic brands with a revenue growth of 24.69% YoY, while 361 Degree (1361 HK), Xtep (1368 HK), and Peak (1968 HK) recorded revenue growth of 14.14% YoY, 10.83% YoY, and 9.36% YoY. The high growth shows expansion strategies adopted by the domestic players have been effective in fighting against the more established international brands.

Exhibit 8: Revenue growth of domestic sports apparel brands (YoY %)


Source(s): Company, ABCI Securities

Exhibit 9: Revenue growth of the Greater China sales of Nike and Adidas (YoY %)


* Nike's fiscal year ends on May 31, e.g. FY15 means FY15/FY16 for Nike
 Source(s): Company, ABCI Securities

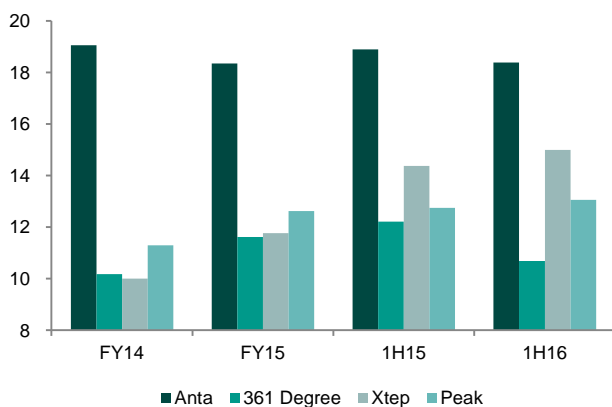
The industry is highly competitive

Chinese consumers are offered a wide variety of domestic and foreign brands. Apart from certain brands, especially the international ones that are able to lead the industry with technological innovations, the rest of the industry players

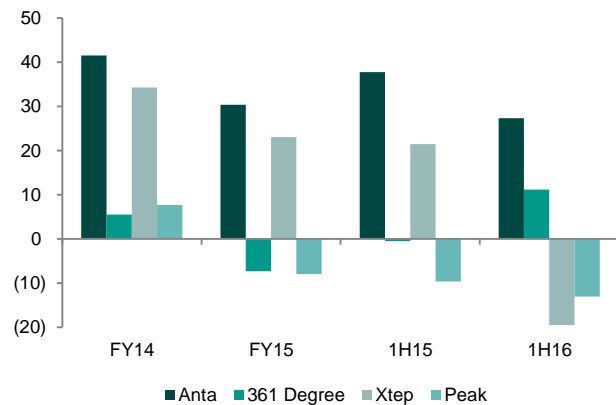
are sharing a high level of product homogeneity; hence heavy marketing and promotion are required for brand differentiation. The market is highly competitive as different brands strive to increase their market shares. Since preferences of Chinese consumers keep evolving changing based on a variety of factors such as varying requirement for personal training, personal income level and educational background, the competitive landscape of the Chinese sporting apparel goods market has been complicated over time.

Recently, emerging players are entering competition. Aside from some newly developed niche brands or new product series launched by existing brands, some brands are developed via the non-traditional path. They are created by internet celebrities or online influencers, who gain their fame with active social media presence. These brands can leverage their huge fan bases and their influences over the new generation of consumers are a force to be reckoned with because they are able to conduct targeted marketing directly to fans.

The heightened level of competition has been reflected in the margin of different domestic players. In FY15, Anta, 361 Degree, Xtep, and Peak recorded NPM of 18.34%, 11.61%, 11.76%, and 12.62%, while their GPMs were at similar levels (> 40%). For S&D expenses, Anta is also leading the market in terms of growth (30.33% YoY in FY15 vs. 41.49% in FY14). To maintain the leadership position in the current market situation, more needs to be invested in sales and marketing.

Exhibit 10: NPM of domestic sports apparel brands (%)


Source(s): Company, ABCI Securities

Exhibit 11: S&D expenses growth of domestic sports apparel brands (%)


Source(s): Company, ABCI Securities

Anta: an industry giant

Anta is also leading the market with an extensive distribution network. By end-1H16, the Group's total number of stores reached 9,197 (Anta brand: 8,510; Fila brand: 687) with focus of in non-tier-one cities. The number of stores for 361 Degree, Xtep, and Peak reached 6,853, 7,400, and 6,001 by end-1H16. We believe that with sales network of such scale, Anta is able to achieve better efficiency, economy of scale, and higher market penetration.

Anta is highly active in seeking international business opportunities. Other than promoting its own brand to overseas markets, it emphasizes heavily on bringing international brands into the Chinese market. It is now the official marketing partner of NBA China and licensee of the NBA, meaning that it can use the NBA logo and the logos of the 30 NBA teams, NBA's legendary team logos, and NBA events logos on its basketball shoes and accessories. It has also acquired Fila and Desente to expand its brand portfolio, hence diversifying its business and elevating its brand image. We believe that even though it is still mainly driven by its Anta brand business, it is well on its way to become a sports apparel goods conglomerate.

Growth outlook

Medium-to-short term headwinds exist. Considering the macroeconomic conditions and its potential impact on consumption over the next few years, we believe growth in Anta may fall slightly. In addition, the recent trading result announcement indicates the Group's 1Q17 trade fair order only recorded a mid-single-digit growth. Therefore, it is possible that the Group may pursue growth inorganically.

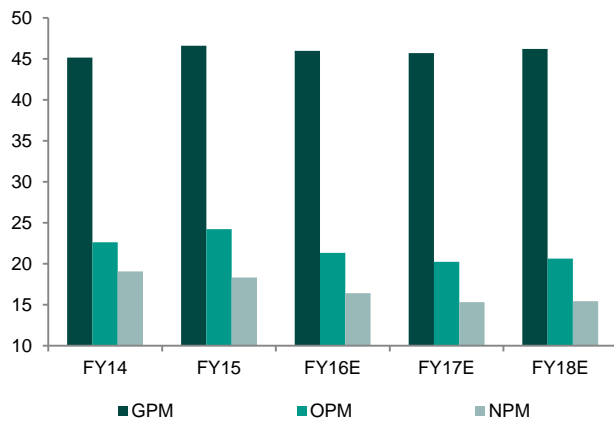
Exhibit 12: Trading fair order growth (%)

1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
high single-digit	high single-digit	high single-digit	low double-digit	low double-digit	low double-digit	low double-digit	low double-digit	low double-digit	low double-digit	high single-digit	low double-digit	mid single-digit

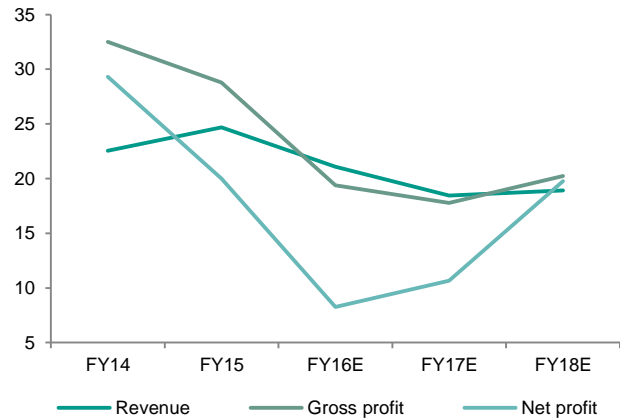
Source(s): Company, ABCI Securities

Overall, we believe Anta will maintain its leadership position in the Chinese sports apparel good market. Its solid business infrastructure, strong execution capability, and high competitiveness would continue to propel business. We project the Group's revenue growth would be 21.07% YoY, 18.44% YoY, and 18.91% YoY in FY16E, FY17E, and FY18E, respectively. In the next three years, the Group's average GPM would be 45.95% with slight improvements due to the low production cost; NPM would be 16.40%, 15.32%, and 15.43% in FY16E- FY18E due to higher SG&A expenses for marketing and expansion purposes. Despite the lower growth momentum and margins, EPS would continue to increase and FY16E-18E average ROAA and ROAE would be 17.52% and 26.05%.

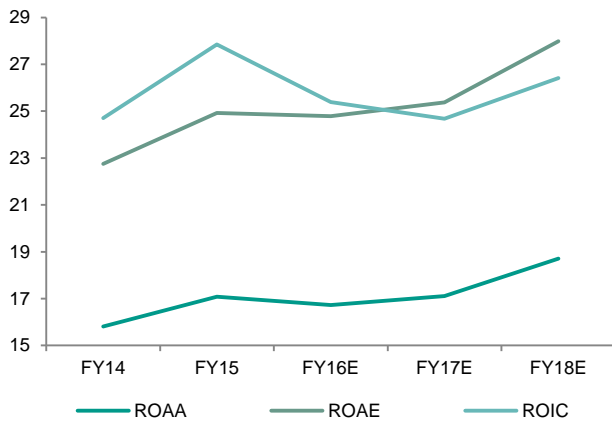
For our projection, we expect current product structure would be maintained. Revenue contribution from the apparel segment would increase from 50.26% in FY15 to 51.14% in FY18E; revenue contribution from the footwear segment would edge down from 45.61% in FY15 to 45.24% in FY18E.

Exhibit 13: Profitability projection for Anta (%)


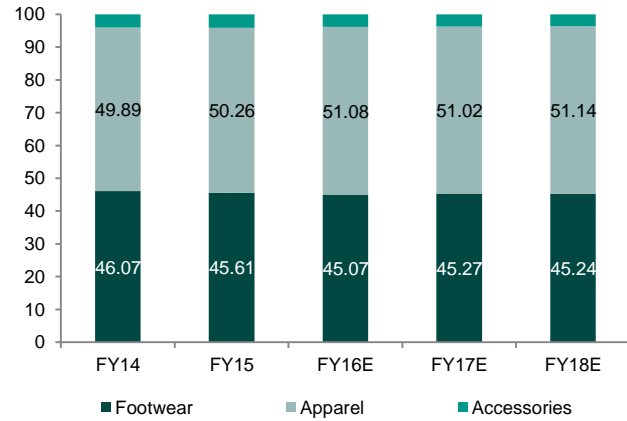
Source(s): Company, ABCI Securities

Exhibit 14: Growth projection for Anta (YoY %)


Source(s): Company, ABCI Securities

Exhibit 15: Return projection for Anta (%)


Source(s): Company, ABCI Securities

Exhibit 16: Revenue contribution for Anta (YoY %)


Source(s): Company, ABCI Securities

Valuation

We believe Anta's leadership position in the market, healthy financial position, and the general positive prospect of the sports apparel industry are factors that would enable the Group's success in the future. The Group's growth momentum would continue to translate into satisfactory EPS growth and returns.

In our DCF valuation, we assume a cost of equity at 12.70%, a cost of debt at 2.76%, a tax rate at 26.43%, and a debt-to-equity ratio of 2.99%. In addition, we also use the market multiple method that includes both domestic and international peers. Based on these two methods, we derived our TP of HK\$ 23.43, which represents FY16E P/E and FY17E P/E of 26.53x and 23.98x, and FY16E P/B and FY17E P/B of 6.34x and 5.85x. Initiate with **HOLD** due to its current high valuation level.



Risk factors

Macroeconomic risk. Economic slowdown may negatively impact the sports apparel sector, as suggested by the reduced retail sales growth in this specific market. Hence, performance of the industry players would suffer.

Regulatory risk. Going forward, the Chinese authorities may impose additional regulations on the sports apparel to raise the industry standard and enhance product quality. These measures may be favorable or unfavorable to existing industry players.

Rapidly changing consumer taste in China. Taste and preference of the Chinese consumers are evolving quickly. The sports apparel companies that are unable to adapt to such changes may become obsolete eventually.

Commodity price risk. The manufacturing of sports apparel deals with cotton and materials derived from crude oil, including flexible polymers and rubber for footwear products, terylene and nylon for apparel products. Therefore, the Group's cost of production is highly correlated with the price cycle of cotton and crude oil. Unanticipated price fluctuations of these commodities may result in affecting the Group's margins adversely.

Business acquisition risk. The Group has ramped up its acquisition efforts in recent years to enhance its product portfolio. However, these newly acquired businesses could become a burden if synergies are not realized.

Product safety risk. Even though the sports apparel industry is not as closely scrutinized as the F&B one, product safety issues, such as harmful chemicals leaching from product into human body. Such safety issues may tarnish the Group's brand image and reduce the brand's popularity among consumers.

Production risk. Operation capacity of the Group may fall behind sales, while disruption of raw material supplies and production interruption of its contracted manufacturers may also affect the Group's business.

Foreign exchange rate risk. As the Group expands its global footprints, the impact of foreign exchange rate fluctuations would also increase. According to the Group, a 5% increase/decrease in RMB's exchange rate would have decreased/increased the 2015 after-tax and retained profits by RMB 52.35mn; a 5% increase/decrease of HKD's exchange rate would have increased/decreased 2015 after-tax and retained profits by RMB 0.48mn; a 5% increase/decrease in USD's exchange rate would have decreased/increased 2015 after-tax and retained profits by RMB 0.484mn.

Interest rate risk. The Group also faces interest rate risk as the low interest rate environment may change with Fed's rate hike in the future. According to the Group, as of end-2015, a general increase/decrease of 100 bps of interest rate, with all other variables being constant, would have increased/decreased the Group's after-tax and retained profits for the year by RMB 43.98 mn (2014: RMB 34.23 mn).

Appendix: Financial Statements of the Group

Consolidated income statement (2014A-2018E)

As of Dec 31 (RMB mn, except per share data)	2014A	2015A	2016E	2017E	2018E	1H15A	1H16A
Revenue	8,922.69	11,125.94	13,470.44	15,954.12	18,971.82	5,109.82	6,142.69
- Footwear	4,110.47	5,074.11	6,071.06	7,223.18	8,583.12	2,400.48	2,866.88
- Apparel	4,451.23	5,591.70	6,880.80	8,140.03	9,702.89	2,471.56	3,027.20
- Accessories	360.99	460.13	518.57	590.91	685.81	237.78	248.62
COGS	(4,895.88)	(5,940.52)	(7,280.15)	(8,663.11)	(10,205.73)	(2,727.84)	(3,201.49)
Gross profit	4,026.82	5,185.42	6,190.28	7,291.01	8,766.09	2,381.97	2,941.20
- Footwear	1,907.70	2,341.80	2,754.87	3,294.86	3,938.68	1,099.50	1,293.60
- Apparel	1,981.90	2,671.20	3,246.04	3,779.23	4,572.45	1,192.80	1,558.60
- Accessories	137.20	172.40	189.37	216.93	254.95	89.70	89.00
Other net income/(loss)	85.98	227.07	267.69	321.32	379.56	109.17	107.08
Selling and distribution expense	(1,697.10)	(2,211.77)	(2,919.52)	(3,623.17)	(4,348.42)	(990.53)	(1,261.01)
Administrative expenses	(396.83)	(504.03)	(662.22)	(760.40)	(885.03)	(233.73)	(299.00)
Operating profit	2,018.86	2,696.68	2,876.23	3,228.77	3,912.19	1,266.88	1,488.26
Net finance income/(expense)	223.85	132.62	175.42	168.04	145.14	73.94	88.45
Pretax profit	2,242.71	2,829.30	3,051.66	3,396.81	4,057.33	1,340.82	1,576.71
Tax	(510.11)	(741.08)	(802.92)	(903.14)	(1,069.67)	(354.33)	(414.50)
Net profit	1,732.60	2,088.23	2,248.74	2,493.66	2,987.66	986.50	1,162.21
- Profit attributable to shareholders	1,700.31	2,040.57	2,209.39	2,444.66	2,927.94	965.27	1,129.19
- Minority interest	32.29	47.65	39.35	49.00	59.72	21.23	33.02
Dividend	1,208.26	1,423.63	1,539.08	1,680.94	2,031.85	622.30	736.20
EPS (RMB cent)							
- Basic	68.12	81.66	88.32	97.73	117.04	38.65	45.15
- Diluted	67.98	81.48	87.89	97.25	116.47	38.57	45.05
DPS (RMB cent)	61	68	72	78	94	30	34

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet (2014A-2018E)

As of Dec 31 (RMB mn, except per share data)	2014A	2015A	2016E	2017E	2018E	1H15A	1H16A
Cash and cash equivalent	4,933.74	5,165.86	5,369.61	5,374.04	5,785.42	4,453.14	5,463.17
Other ST deposit	1,310.37	1,567.53	1,401.93	1,449.42	1,826.76	1,835.37	1,353.46
Trade and other receivable	1,700.71	2,207.19	2,663.01	2,974.04	3,339.31	1,733.07	2,263.44
Inventory	867.18	1,016.13	1,472.10	1,656.47	1,746.97	859.67	1,244.00
Other current assets	535.00	200.00	0.00	0.00	0.00	350.00	0.00
Total current assets	9,347.00	10,156.70	10,906.65	11,453.98	12,698.47	9,231.24	10,324.07
PP&E	924.99	1,121.19	1,237.81	1,424.59	1,695.71	900.63	1,128.12
Construction in progress	142.85	44.54	92.81	124.36	151.10	190.44	96.68
Intangible assets	489.32	464.14	435.17	403.45	365.43	476.38	489.73
Other non-current assets	479.59	715.38	1,245.34	1,246.65	1,737.09	563.16	944.85
Total non-current assets	2,036.75	2,345.26	3,011.14	3,199.04	3,949.34	2,130.60	2,659.37
Total assets	11,383.75	12,501.96	13,917.79	14,653.02	16,647.80	11,361.84	12,983.44
Trade and other payable	1,654.01	1,989.89	2,728.27	2,586.75	3,287.77	1,716.01	2,553.59
ST debt	1,348.26	1,330.00	1,299.11	1,350.06	1,655.31	1,032.89	937.71
Other current liabilities	182.42	243.37	277.67	301.13	343.26	200.80	225.05
Total current liabilities	3,184.69	3,563.26	4,305.04	4,237.94	5,286.34	2,949.70	3,716.34
Long-term payable to non-controlling interests							
- unsecured and at amortized cost	36.33	38.71	38.79	39.50	40.63	37.70	40.68
Deferred tax assets	158.15	85.75	50.06	38.96	28.41	134.19	52.30
Total non-current liabilities	194.48	124.45	88.85	78.45	69.04	171.89	92.98
Shareholders' equity	7,795.16	8,579.67	9,249.98	10,013.70	10,909.78	8,032.09	8,906.53
Minority interest	209.42	234.58	273.92	322.92	382.64	208.15	267.59
Total equity	8,004.58	8,814.24	9,523.90	10,336.63	11,292.43	8,240.24	9,174.12
Total liabilities and equity	11,383.75	12,501.96	13,917.79	14,653.02	16,647.80	11,361.84	12,983.44

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement (2014A-2018E)

FY ends at Dec 31 (RMB mn)	2014A	2015A	2016E	2017E	2018E	1H15A	1H16A
Net profit	2,242.71	2,829.30	3,051.66	3,396.81	4,057.33	1,340.82	1,576.71
Depreciation and amortization	159.34	188.27	236.07	319.21	429.11	88.58	106.69
Change of working capital	(68.44)	(414.93)	(172.97)	(636.45)	245.75	38.07	277.11
Others	(647.75)	(699.78)	(741.03)	(864.90)	(1,076.35)	(320.57)	(862.02)
Cash flow from operating activities	1,685.86	1,902.86	2,373.73	2,214.67	3,655.83	1,146.91	1,098.48
CapEx	262.70	460.90	456.93	550.05	774.79	(194.36)	(372.93)
Others	(1,127.41)	(873.94)	(910.94)	(929.42)	(1,534.39)	(344.94)	390.77
Cash flow from investing activities	(864.71)	(413.04)	(454.01)	(379.38)	(759.60)	(539.29)	17.84
Change in bank borrowing	858.04	(18.26)	30.89	(50.96)	(305.25)	(315.37)	(392.29)
Dividend paid	(1,089.76)	(1,356.20)	(1,539.08)	(1,680.94)	(2,031.85)	(711.45)	(801.37)
Others	(6.43)	80.74	88.82	97.70	107.47	(31.52)	377.16
Cash flow from financing activities	(238.16)	(1,293.73)	(1,419.37)	(1,634.20)	(2,229.63)	(1,058.34)	(816.51)
Net change in cash	582.99	196.10	500.34	201.10	666.60	(450.72)	299.80
Cash at the beginning	4,344.26	4,933.74	5,165.86	5,369.61	5,374.04	4,933.74	5,165.86
ForEx effect	6.49	36.02	(296.59)	(196.67)	(255.22)	(29.88)	(2.49)
Cash at the end of FY	4,933.74	5,165.86	5,369.61	5,374.04	5,785.42	4,453.14	5,463.17

Source(s): Company, ABCI Securities estimates

Key operating and financial ratios (2012A-2018E)

FY ended Dec 31	2014A	2015A	2016E	2017E	2018E	1H15A	1H16A
Growth (YoY %)							
Total revenue	22.54	24.69	21.07	18.44	18.91	23.97	20.21
- Footwear	20.17	23.44	19.65	18.98	18.83	19.45	19.43
- Apparel	24.53	25.62	23.05	18.30	19.20	27.44	22.48
- Accessories	26.18	27.47	12.70	13.95	16.06	37.46	4.56
Gross profit	32.49	28.77	19.38	17.78	20.23	28.06	23.48
Operating profit	28.95	33.57	6.66	12.26	21.17	28.48	17.47
Net profit	29.32	20.01	8.27	10.65	19.77	20.24	16.98
Profitability ratios (%)							
GPM	45.13	46.61	45.95	45.70	46.21	46.62	47.88
- Footwear	46.41	46.15	45.38	45.62	45.89	45.80	45.12
- Apparel	44.52	47.77	47.18	46.43	47.12	48.26	51.49
- Accessories	38.01	37.47	36.52	36.71	37.18	37.72	35.80
OPM	22.63	24.24	21.35	20.24	20.62	24.79	24.23
EBITDA margin	24.41	25.93	21.35	20.24	20.62	26.53	25.96
Pretax margin	25.13	25.43	22.65	21.29	21.39	26.24	25.67
NPM	19.06	18.34	16.40	15.32	15.43	18.89	18.38
Revenue contribution (%)							
Footwear	46.07	45.61	45.07	45.27	45.24	46.98	46.67
Apparel	49.89	50.26	51.08	51.02	51.14	48.37	49.28
Accessories	4.05	4.14	3.85	3.70	3.61	4.65	4.05
Return ratios (%)							
ROAA	15.82	17.09	16.73	17.11	18.71	8.49	8.86
ROAE	22.75	24.92	24.78	25.38	27.99	12.20	12.92
ROIC	24.70	27.85	25.39	24.68	26.42	13.93	14.68
Liquidity ratio (x)							
Current ratio	2.93	2.85	2.53	2.70	2.40	3.13	2.78
Quick ratio	2.66	2.57	2.19	2.31	2.07	2.84	2.44
Cash ratio	1.96	1.89	1.57	1.61	1.44	2.13	1.83
Cash conversion cycle (days)							
Days of outstanding receivable	35.34	33.48	35.19	35.44	34.84	33.43	36.89
Days of inventory on hand	58.02	57.86	62.38	65.91	60.86	57.77	64.42
Days of outstanding payable	52.10	39.93	49.07	49.92	47.25	42.86	42.49
CCC	41.26	51.41	48.49	51.43	48.45	48.34	58.82
Leverage ratios (%)							
Total debt/Equity	16.84	15.09	13.64	13.06	14.66	12.53	10.22
Total debt/Total assets	11.84	10.64	9.33	9.21	9.94	9.09	7.22

Source(s): Company, ABCI Securities estimates

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Rating	Definition
Buy	Stock return \geq Market return rate
Hold	Market return - 6% \leq Stock return < Market return rate
Sell	Stock return < Market return - 6%

Stock return is defined as the expected % change of share price plus gross dividend yield over the next 12 months

Market return: 5-year average market return rate

Time horizon of share price target: 12-month

Definition of share price risk

Rating	Definition
Very high	$2.6 \leq$ 180 day volatility/180 day benchmark index volatility
High	$1.5 \leq$ 180 day volatility/180 day benchmark index volatility < 2.6
Medium	$1.0 \leq$ 180 day volatility/180 day benchmark index volatility < 1.5
Low	180 day volatility/180 day benchmark index volatility < 1.0

We measure share price risk by its volatility relative to volatility of benchmark index. Benchmark index: Hang Seng Index.

Volatility is calculated from the standard deviation of day to day logarithmic historic price change. The 180-day price volatility equals the annualized standard deviation of the relative price change for the 180 most recent trading days closing price.

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