

## What's Hot Today:

### ► China sportswear: 361 degrees' value-driven growth outpaces bottlenecked giants

Summarizing the FY25 results, it is noted that the four major Chinese domestic sportswear brands delivered diverging financial performances. Succumbing from its value-for-money strategy, 361 Degrees (1361 HK, HK\$7.14, HK\$14.8bn) achieved double-digit growth in both revenue and net profit for five consecutive years. Anta (2020 HK, HK\$84.80, HK\$237bn) reported robust overall results, yet its core Anta brand saw stagnating growth. Li Ning (2331 HK, HK\$20.60, HK\$53.2bn) recorded modest top-line expansion but failed to grow net profit for the third straight year. Xtep (1368 HK, HK\$4.49, HK\$12.6bn) continued its focus in the running segment, though its top-line growth narrowed.

**361° delivered consistent high growth, while Anta and Li Ning faced bottlenecks** – Anta's total revenue reached a record high (+13% YoY), however the core Anta brand (contributing 43% of total revenue) experienced stagnation (operating profit +2.5% YoY) amid mass-market competition, whereas FILA delivered a stronger operating profit growth of +10% YoY. Meanwhile, Li Ning continued to struggle with sluggish sales growth for three consecutive years. Xtep's core brand (accounting for over 80% of total revenue) saw slowing growth (revenue +1.5% YoY vs. +25.9% in FY22), although its overall financials remained solid. Saucony and Merrell achieved +31% YoY revenue growth, but their contribution was limited as they represent only 11.6% of total revenue.

In contrast, 361 Degrees outperformed all peers, becoming the only company to sustain double-digit growth in both revenue and net profit for five consecutive years. This success is attributed to its value-for-money strategy targeting lower-tier markets, coupled with a 25.9% revenue surge from e-commerce.

Fig1: Key financials of the four companies

	Anta 2020	Li Ning 2331	Xtep 1368	361 Degrees 1361
<b>RMB'mn</b>				
<b>Revenue</b>	<b>80,219</b>	<b>29,598</b>	<b>14,151</b>	<b>11,146</b>
YoY	13%	3%	4%	11%
<b>Number of sores</b>	<b>12,412</b>	<b>7,609</b>	<b>8,020</b>	<b>9,011</b>
YoY	0.1%	0.3%	-1.1%	-6.7%
<b>Gross Profit</b>	<b>49,734</b>	<b>14,489</b>	<b>6,063</b>	<b>4,629</b>
GPM	62%	49%	43%	42%
<b>Operating profit</b>	<b>19,091</b>	<b>3,898</b>	<b>2,019</b>	<b>1,767</b>
YoY	15%	6%	3%	12%
OPM	24%	13%	14%	16%
<b>Attributable profit</b>	<b>13,588</b>	<b>2,936</b>	<b>1,372</b>	<b>1,309</b>
YoY	-13%	-3%	11%	14%

Source: Company Data, Sunwah Kingsway Research

China & HK Indices	CLOSE	1D	YTD
HSI	26,163	-1.2%	2.1%
HSCEI	8,801	-1.6%	-1.3%
HSCCI	4,367	-0.2%	8.8%
CSI300	4,799	0.7%	3.7%
Shanghai A	4,306	0.5%	6.9%
Shanghai B	271	0.6%	6.9%
Shenzhen A	2,918	1.0%	10.2%
Shenzhen B	1,189	-0.0%	-5.9%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	49,490	0.7%	3.0%
S&P500	7,137	1.0%	4.3%
Nasdaq	24,657	1.6%	6.1%
NIKKEI Index	59,792	0.3%	18.8%
FTSE Index	10,476	-0.2%	5.5%
CAC Index	8,156	-1.0%	0.1%
DA-X Index	24,194	-0.3%	-1.2%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,739	0.4%	10.0%
STEEL (US\$/oz.)	3,099	0.6%	21.8%
SILVER (US\$/oz.)	77	1.3%	9.1%
CRUDE OIL (US\$/bbl)	92	0.9%	62.4%
COPPER (US\$/oz.)	13,433	1.2%	8.1%
ALUMINIUM (US\$/oz.)	3,613	1.6%	20.6%
PLATINUM (US\$/oz.)	2,079	1.9%	1.1%
ZINC (US\$/oz.)	3,470	1.8%	11.3%
WHEAT (US\$/bu)	599	-1.0%	18.5%
CORN (US\$/bu)	462	0.2%	1.7%
SUGAR (US\$/lb)	109	7.2%	
SOYBEAN (US\$/bu)	1,179	-0.9%	9.8%
PVC (US\$/t)	5,189	1.2%	62.5%
CRB	378	2.4%	3.0%
BDI			40.6%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.833	0.854	159.480	0.785	6.828
HKD	0.128		0.109	20.361	10.019	0.872
EUR	1.171	9.170		186.680	1.089	7.995
JPY	0.006	4.912	0.536		0.492	0.043
CHF	1.274	9.981	1.089	203.232		8.706
RMB	0.146	1.147	0.125	23.356	0.115	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	18	4.1%

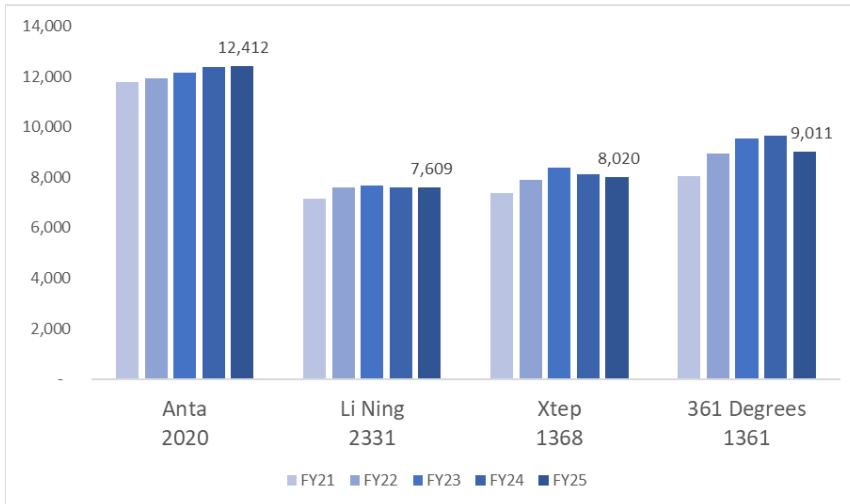
Source: Bloomberg

**Sector-wide margin pressure due to competition and discounting** – Except for 361 Degrees, all major sportswear brands experienced slight GPM declines in FY25, primarily driven by intensifying market competition and frequent promotional activities.

Anta's overall GPM stood at 62% (-20bps YoY). By segment, the core Anta brand's GPM fell by 90bps to 53.6%, while FILA's GPM dropped by 140bps to 66.4%. The margin contraction mainly resulted from higher product costs in the professional sports segment and an increased revenue mix from the lower-margin e-commerce business. Li Ning's GPM declined by 40bps YoY, largely due to deeper promotional discounts across its DTC channels. Xtep saw a 40bps decrease in GPM, attributable to the rising revenue contribution from both the lower-margin e-commerce channel and the children's apparel business. 361 Degrees maintained its GPM flat at 41.5%, leveraging its focus on lower-tier markets and a low pricing base.

**Offline store saturation across the sector** – The sportswear sector is approaching offline store saturation, with diminishing consumer foot traffic. As a result, brands are placing greater emphasis to develop their e-commerce presence. Anta and Li Ning are keeping their store count roughly flat, while Xtep and 361 Degrees recorded net store closures. All brands except Li Ning achieved double-digit growth in e-commerce revenue.

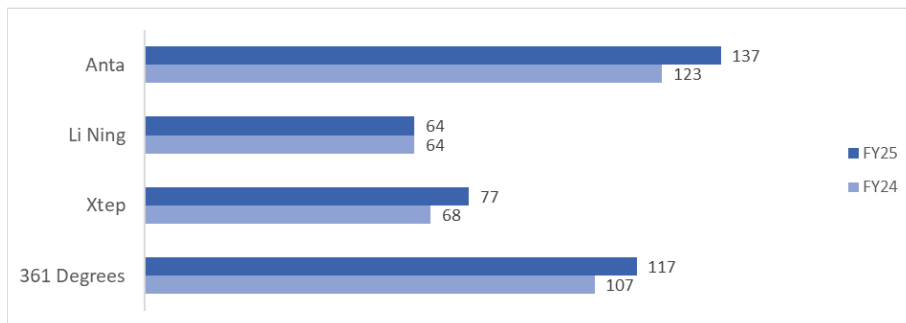
Fig2: Number of stores globally



Source: Company Data, Sunwah Kingsway Research

**Inventory turnover: Li Ning remains efficient, anta under pressure** – Li Ning's inventory turnover days stayed flat YoY at 64 days, with new products accounting for as much as 85% of total inventory, indicating a healthy inventory structure. Despite sales pressure, Li Ning has demonstrated efficient inventory control. By contrast, Anta's average inventory turnover days increased by 14 days YoY to 137 days amid business expansion. Its inventory value reached RMB12.2bn, reflecting growing pressure on inventory management – under its DTC model as growth slows. Meanwhile, both Xtep and 361 Degrees also reported increased inventory turnover days.

Fig3: 2025 average inventory turnover (days)

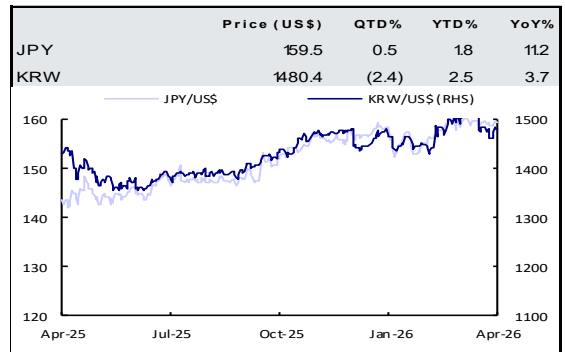
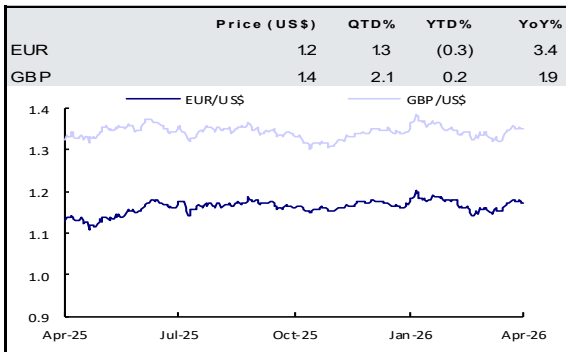
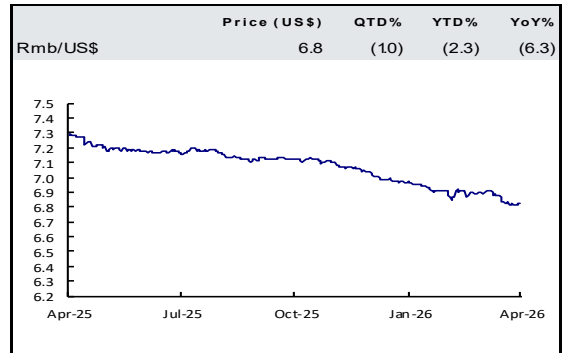
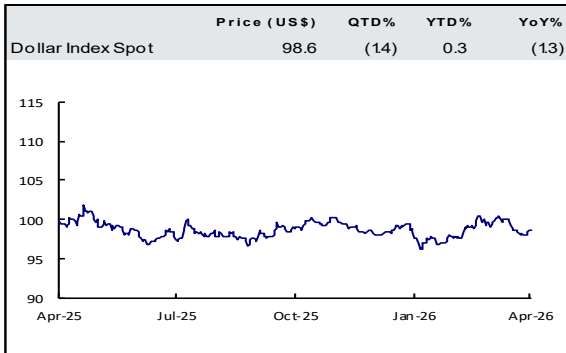
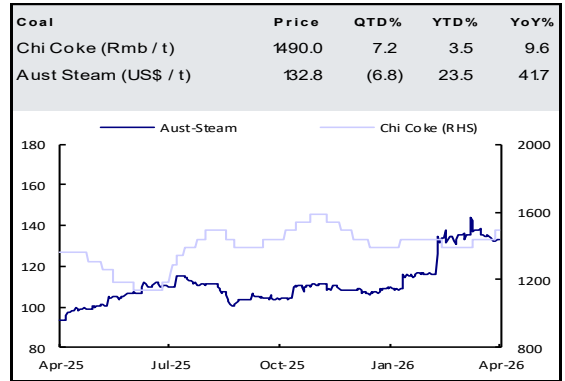
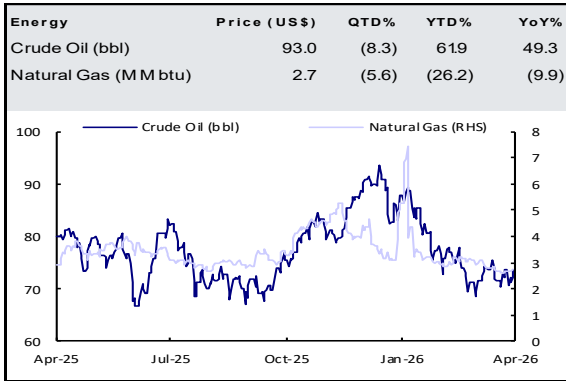
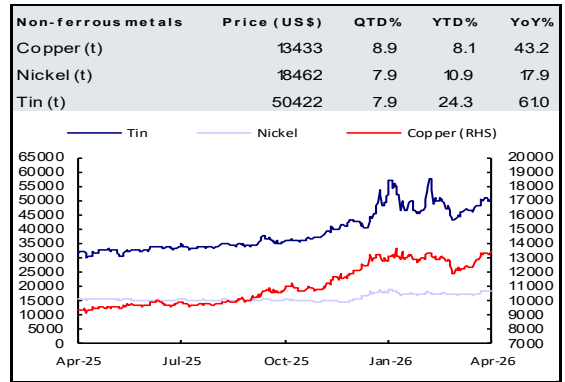
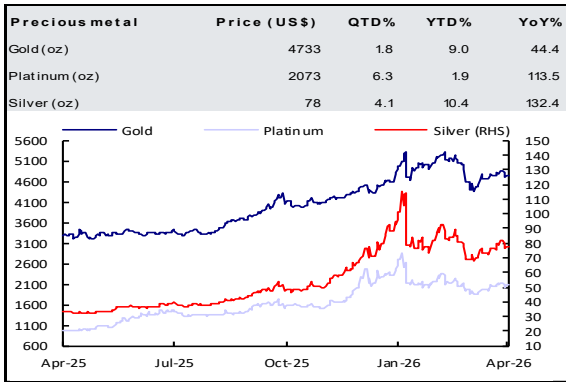


Source: Company Data, Sunwah Kingsway Research

**Our view:** Among the four sportswear companies that we are reviewing, we favor 361 Degrees for its high potential and sustained strong momentum in both top-line and bottom-line growth. Its value-for-money products are well-positioned to benefit from weak consumer sentiment and more rational spending habits. In 1Q26, the company achieved approximately 10% YoY growth in offline retail sales of its core brand and children's apparel, while overall e-commerce sales recorded positive double-digit growth. Future catalysts include further expansion of its Super Premium Store network and the newly acquired outdoor brand ONE WAY, which is expected to contribute some meaningful earnings in FY27. 361 Degrees is currently trading at 8.8x FY26E P/E.

Anta dominates the Chinese sportswear sector, but its core brand has encountered a growth bottleneck. Hence, its growth drivers are shifting to newer outdoor brands such as Descente and Kolon. Li Ning sticks to a single-brand strategy, high growth is not expected in the near term, yet its healthy inventory turnover enhances resilience. Xtep expects two one-time expenses in FY26, amounting to RMB140mn for DTC and equity incentive costs, which are projected to lead to a double-digit YoY decline in net profit. Anta, Li Ning, and Xtep are trading at 14.3x, 15.11x, and 8.1x FY26E P/E, respectively. (Research Department)

**Market Watch – Major Commodities and Currencies**



Source: Bloomberg

**US Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Durable Goods Orders	MoM		29-Apr-26
Housing Starts / Building Permits	MoM		29-Apr-26
Personal Income & Spending	MoM		30-Apr-26
ISM Manufacturing PMI	MoM		1-May-26
Trade Balance	MoM		5-May-26
Employment Report	MoM		8-May-26
PPI	MoM		13-May-26
Retail Sales	MoM		14-May-26
Factory Orders	MoM		4-May-26
Initial Jobless Claims	WoW		23-Apr-26
Wholesale Inventories	MoM		29-Apr-26
CPI	MoM		12-May-26
Existing Home Sales	MoM		11-May-26
Industrial Production	MoM		15-May-26
GDP	QoQ		30-Apr-26
Consumer Confidence	MoM		28-Apr-26
New home Sales	MoM		5-May-26
Business Inventories	MoM		14-May-26
Auto Sales	MoM		

**China Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		30-Apr-26
Foreign Exchange Reserves	QoQ		7-May-26
Money Supply - M2	MoM		9-May-26
Trade Balance	MoM		9-May-26
PPI	MoM		11-May-26
CPI	MoM		11-May-26
Retail Sales	MoM		18-May-26
Industrial Production	MoM		18-May-26
GDP	YoY		15-Jul-26

**Hong Kong Economic Calendar**

Indicators	Freq	Obs Date	Expected Release Date
Unemployment Rate	MoM		23-Apr-26
CPI	MoM		23-Apr-26
Trade Balance	MoM		28-Apr-26
Money Supply - M2	MoM		30-Apr-26
GDP	QoQ		5-May-26
Retail Sales	MoM		6-May-26
PMI	MoM		6-May-26
Foreign Currency Reserve	MoM		7-May-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Composite Interest Rate	MoM		

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