

361 Degrees (1361 HK)

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Company update

BUY

Maintain

Close price: HK\$4.14

Target Price: HK\$5.60 (+35.2%)

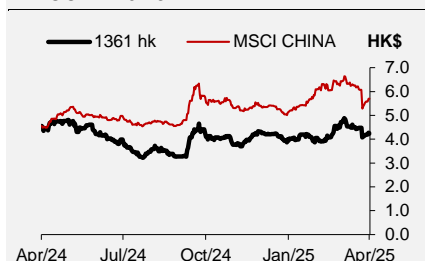
Prior TP: HK\$5.60

Key Data

HKEx code	1361 HK
12 Months High (HK\$)	4.98
12 Month Low (HK\$)	3.15
3M Avg Dail Vol. (mn)	5.88
Issue Share (mn)	2,067.68
Market Cap (HK\$mn)	8,542.80
Fiscal Year	12/2024
Major shareholder (s)	Ding's Family (48.99%)

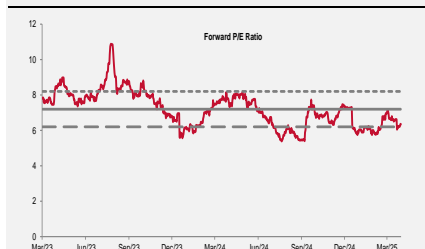
Source: Company data, Bloomberg, OP Research
Closing price are as of 16 Apr 2025

Price Chart



	1mth	3mth	6mth
Absolute %	-14.1	+2.7	+0.2
Rel. MSCI CHINA %	-2.3	-7.6	-0.9

PE



Company Profile

361 Degrees International designs, develops, manufactures, markets and distributes sportswear products, including athletic footwear, apparel and accessories.

2025Q1 retail sales remain resilient

- In 2025Q1, the retail sales of 361° Core Brand/361° Kids Brand/361° E-commerce product grew at 10-15%/10-15%/35-40% yoy respectively.
- Maintain BUY and TP of HK\$5.60

Resilient retail sales in 2025Q1. We are impressed that the retail sales of both 361° and 361° Kids registered a 10-15% yoy growth under a higher yoy base. The company mentioned that the retail sales were robust in Jan. The sales become fluctuate in Feb. In Mar, the growth was not as robust as in Jan due to the seasonality effect and the weather condition. In 25Q1, the retail discount level slightly increased (~30% off) while the channel inventory level remained stable. The company mentioned that some wholesalers placed additional orders during the period. E-commerce shine with the active marketing and promotional events on Taobao and other e-commerce platforms, capitalising on the online sales spree of the Chinese New Year holiday.

Broadening product lines. 361° keeps refreshing its product offering with the integration of latest technology and fashion trends. The company upgraded a number of running shoe series and basketball shoe series, introducing "BIG3 6.0", "SPIRE FLOAT 2" and "Biospeed CQT 4 PRO" since the end of last year. In addition, 361° diversified the product offerings to better serve customers. For example, 361° introduced the spring "Ultra Series" apparel collection, featuring high-performance windbreakers, pullovers, and track pants, which is enhanced by its "Zero Constraint" technology and the windproof insulation technology. Moreover, it collaborates with Sichuan Jianmen Pass to launch its outdoor product line.

Sale channels. 361 Degrees coordinates online and offline stores, with dual emphasis on domestic and international markets. The company swiftly launched Super Premium Stores with across cities, including Huizhou, Chengdu, Shijiazhuang, Nanning, Jinan, Linyi, Yangzhou, and Anyang. Super Premium Store enhances shoppers experience with a large store area(800m²) and a more SKUs offering. For the overseas market, 361° opened its first directly operated overseas store in Kuala Lumpur. 361 Degrees said it focuses on markets in Southeast Asia and countries across the "Belt and Road". In FY24, the company operated 1,365 POS in overseas. Overseas business accounted for 1.8% of the total revenue.

Earnings forecast. We maintain our earnings forecast for FY25E and FY26E, expecting the company to report an averagely 14.4% CAGR in EPS between FY25E and FY 26E.

Maintain BUY and TP of HK\$5.60. The TP represents an FY25E PE of 8.2x (based on 1 s.d. above the 2-yr average PE ratio). This is to reflect a strong near-term growth outlook.

Risks: (1) Weakening retail market, (2) intensifying price competitions

Exhibit 1.: Forecast and Valuation

Year to Dec (RMB mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	6,961	8,423	10,074	11,490	12,767
Growth (%)	+17.3	+21.0	+19.6	+14.1	+11.1
Net profit	747	961	1,149	1,320	1,517
Growth (%)	+24.2	+28.7	+19.5	+14.9	+14.9
Diluted EPS (HK\$)	0.416	0.514	0.600	0.683	0.785
EPS growth (%)	+17.0	+23.6	+16.8	+13.9	+14.9
Change to previous EPS (%)				-	-
Consensus EPS (HK\$)			0.679	0.769	0.859
ROE (%)	9.9	11.3	12.4	13.4	14.1
P/E (x)	10.0	8.1	6.9	6.1	5.3
P/B (x)	0.9	0.9	0.8	0.8	0.7
Yield (%)	0.0	4.9	6.4	6.6	7.6
DPS (HK\$)	0.000	0.204	0.265	0.273	0.314

Sources: Bloomberg, OP Research

Exhibit 2. Retail sales performance for 361° Core Brand, 361° Kids, and 361° E-commerce products from 2023

	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
361° Core Brand ¹	+ Low-teens	+ Low-teens	+15%	+20%	+ High-teens	+10%	+10%	+10%	+10-15%
361° Kids ¹	+20-25%	+20-25%	+25-30%	+40%	+20-25%	+Mid-teens	+10%	+10-15%	+10-15%
361° E-commerce	+35%	+30%	+30%	+30%	+20-25%	+30-35%	>20%	+30-35%	+35-40%

Sources: The Company, OP Research

Exhibit 3. Retail sales performance of 361° and its peers

Brand	Indicator	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25
361° Core Brand	Retail sales	+ Low-teens	+ Low-teens	+15%	+20%	+ High-teens	+10%	+10%	+10%	+10-15%
Anta	Retail sales	+MSD	+HSD	+HSD	+High-teens	+MSD	+HSD	+MSD	+HSD	+HSD
Li Ning	Retail sell-through (Overall POS)	+MSD	+ Mid-teens	+MSD	+Low-twenties	+LSD	-LSD	-MSD	+HSD	(Not disclosed)
Core Xtep Brand	Retail sell-through	+20%	+High-teens	+High-teens	>+30%	+HSD	+10%	+MSD	+HSD	+MSD
Nike	Net sales- Greater China (Local currency)	+1%	+25%	+12%	+8%	+6%	+7%	-3%	-11%	-15%
		(Ended Feb)	(Ended May)	(Ended Aug)	(Ended Nov)	(Ended Feb)	(Ended May)	(Ended Aug)	(Ended Nov)	(Ended Feb)
Adidas	Net sales- Greater China (Local currency)	-9.4%	+16.4%	+5.7%	+36.8%	+7.8%	+9.3%	+8.9%	+16.1%	(Not disclosed)

Sources: Companies, OP Research

Exhibit 4. Peer Group Comparison

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER Hist (x)	PER FY1 (x)	PER FY2 (x)	2-Yr EPS Cagr (%)	PEG (x)	Div yld Hist (%)	Div yld FY1 (%)	P/B Hist (x)	P/B FY1 (x)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %
361 Degrees	1361 HK	4.14	1,103	3.3	6.9	6.1	5.3	14.4	0.4	6.4	6.6	0.8	0.8	12.4	13.4	-14.1	+2.7
HSI		21,056.98			10.0	9.7	9.0	7.0	1.4	4.1	3.71	1.2	1.1	12.2	11.2	-12.1	+7.9
HSCEI		7,779.01			9.5	9.3	8.5	7.5	1.2	3.9	3.37	1.2	1.1	12.6	11.6	-12.4	+9.6
CSI300		3,772.82			14.7	14.7	12.6	0.0	0.0	3.1	2.7	1.5	1.5	10.4	10.4	-5.8	-0.7
Adjusted sector avg*					9.6	10.8	9.5	3.3	3.0	9.4	6.1	2.1	2.0	12.7	13.1	-19.2	-1.9
Xtep Intl	1368 HK	4.71	1,684	10.6	9.1	8.7	7.9	3.3	2.7	14.5	5.9	1.4	1.3	14.1	14.6	-15.1	-17.1
Anta Sports Prod	2020 HK	87.40	31,624	149.3	14.9	17.1	15.2	2.8	6.1	2.7	3.0	3.8	3.5	27.6	20.6	-12.5	+10.4
Li Ning Co Ltd	2331 HK	14.90	4,964	70.0	12.0	12.7	11.4	4.6	2.8	4.1	3.7	1.3	1.4	11.9	10.2	-18.8	-3.7
Pou Sheng Intl	3813 HK	0.46	316	0.1	4.6	4.3	3.8	9.7	0.4	13.0	9.9	N/A	N/A	5.7	5.8	-24.6	-7.1
China Dongxiang	3818 HK	0.34	258	0.4	N/A	N/A	N/A	N/A	N/A	8.8	N/A	N/A	N/A	-1.0	N/A	-20.9	+4.6
Topsports Intl	6110 HK	2.81	2,246	13.4	7.4	11.4	9.5	(3.7)	N/A	13.0	8.0	1.7	1.7	18.0	14.2	-23.2	+1.4

Sources: Bloomberg, OP Research

¹ From 2023Q2, 361 Degrees specified that the retail sales of 361° Core brand and 361° Kids are the sales from offline channels.

Financial Summary

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Income Statement (RMB mn)					
Adults-Footwear	2,854	3,510	4,287	5,145	5,762
Adults-Apparel	2,447	2,687	3,093	3,248	3,573
361 Kids	1,442	1,958	2,339	2,656	2,947
Others	218	268	355	441	485
Turnover	6,961	8,423	10,074	11,490	12,767
YoY%	+17.3	+21.0	+19.6	+14.1	+11.1
COGS	-4,140	-4,961	-5,890	-6,723	-7,473
Gross profit	2,821	3,462	4,183	4,767	5,294
Gross margin	40.5%	41.1%	41.5%	41.5%	41.5%
Other income, gains and losses	145	331	249	264	269
Selling & distribution	-1,433	-1,863	-2,211	-2,438	-2,646
Admin	-276	-317	-357	-435	-452
R&D	-266	-313	-342	-402	-447
Other opex	0	0	0	0	0
Total opex	-1,975	-2,493	-2,910	-3,275	-3,545
Operating profit (EBIT)	991	1,300	1,522	1,756	2,018
Operating margin	14.2%	15.4%	15.1%	15.3%	15.8%
Provisions	0	0	0	0	0
Interest Income	83	84	54	55	63
Finance costs	-9	-20	-13	-16	-16
Profit after financing costs	1,065	1,363	1,563	1,796	2,065
Associated companies & JVs	0	0	0	0	0
Pre-tax profit	1,065	1,363	1,563	1,796	2,065
Tax	-248	-323	-370	-431	-496
Minority interests	-70	-79	-44	-45	-53
Net profit	747	961	1,149	1,320	1,517
YoY%	+24.2	+28.7	+19.5	+14.9	+14.9
Net margin	10.7%	11.4%	11.4%	11.5%	11.9%
EBITDA	1,072	1,375	1,614	1,837	2,070
EBITDA margin	15.4%	16.3%	16.0%	16.0%	16.2%
EPS (HK\$)	0.416	0.514	0.600	0.683	0.785
YoY%	+17.0	+23.6	+16.8	+13.9	+14.9
DPS (HK\$)	0.000	0.204	0.265	0.273	0.314

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Cash Flow (RMB mn)					
EBITDA	1,060	1,363	1,599	1,837	2,070
Chg in working cap	-620	-679	-1,308	-230	-591
Others	226	-14	55	0	0
Operating cash	666	671	345	1,607	1,479
Tax	-285	-263	-275	-611	-431
Net cash from operations	380	408	70	997	1,048
Capex	-31	-64	-269	-60	-60
Investments	0	0	0	0	0
Decrease(increase) in deposits	0	412	1,604	0	0
Sales of assets	0	0	0	0	0
Interests received	85	67	45	55	63
Others	31	2	-14	0	0
Investing cash	85	417	1,366	-4	3
FCF	465	825	1,436	992	1,051
Issue of shares	0	0	0	0	0
Buy-back	0	0	0	0	0
Minority interests	-34	-957	-150	0	0
Dividends paid	0	-122	-580	-423	-528
Interest paid	-9	-20	-13	-16	-16
Net change in bank loans	84	0	-31	0	0
Others	19	19	-2	0	0
Financing cash	59	-1,079	-777	-439	-544
Net change in cash	525	-255	657	553	507
Exchange rate or other Adj	-3	-9	-1	0	0
Opening cash	3,339	3,860	3,596	4,254	4,807
Closing cash	3,860	3,596	4,254	4,807	5,314

Source: Company, OP Research

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Ratios					
Gross margin (%)	40.5	41.1	41.5	41.5	41.5
Operating margin (%)	14.2	15.4	15.1	15.3	15.8
Net margin (%)	10.7	11.4	11.4	11.5	11.9
Selling & dist'n exp/Sales (%)	20.6	22.1	22.0	21.2	20.7
Admin exp/Sales (%)	4.0	3.8	3.5	3.8	3.5
R&D/Rev (%)	3.8	3.8	3.4	3.5	3.5
A&P/Rev (%)	11.4	12.7	12.8	12.5	12.0
Staff cost/Rev (%)	7.5	6.5	5.7	5.3	5.0
Payout ratio (%)	0.0	40.2	45.0	40.0	40.0
Effective tax (%)	23.3	23.7	23.7	24.0	24.0
Total debt/equity (%)	3.1	3.0	2.7	2.4	2.2
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	3.9	3.8	3.6	3.8	3.7
Quick ratio (x)	3.5	3.3	3.0	3.3	3.3
Inventory T/O (days)	91	93	107	91	91
AR T/O (days)	147	149	149	149	149
AP T/O (days)	121	110	88	88	88
Cash conversion cycle (days)	118	132	168	152	152
Asset turnover (x)	0.6	0.7	0.8	0.8	0.8
Financial leverage (x)	1.6	1.5	1.4	1.4	1.4
EBIT margin (%)	14.2	15.4	15.1	15.3	15.8
Interest burden (x)	1.1	1.0	1.0	1.0	1.0
Tax burden (x)	0.7	0.7	0.7	0.7	0.7
Return on equity (%)	9.9	11.3	12.4	13.4	14.1

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Balance Sheet (RMB mn)					
Fixed assets	773	765	961	940	948
Right-of-use assets	102	102	99	99	99
Other financial asset	33	20	19	19	19
Deposits and prepayments	93	397	61	61	61
Other non-current assets	151	164	216	216	216
Non-current assets	1,152	1,448	1,355	1,334	1,342
Inventories	1,182	1,350	2,109	1,676	1,863
AR	3,024	3,831	4,389	4,690	5,212
Prepayments & deposits	1,193	1,227	1,298	1,969	2,188
Other current assets	0	0	0	0	0
Deposits/restricted cash	2,024	1,612	9	9	9
Cash	3,860	3,596	4,254	4,807	5,314
Current assets	11,284	11,617	12,058	13,152	14,586
AP	1,503	1,499	1,331	1,615	1,796
Tax	386	461	611	431	496
Accruals & other payables	824	1,078	1,372	1,398	1,554
Bank loans & leases	192	48	47	47	47
CB & other debts	0	0	0	0	0
Other current liabilities	0	2	2	2	2
Current liabilities	2,906	3,088	3,363	3,493	3,894
Bank loans & leases	100	245	215	215	215
CB & other debts	0	0	0	0	0
Deferred tax & others	13	10	7	7	7
Non-current liabilities	113	254	222	222	222
Total net assets	9,418	9,723	9,829	10,771	11,812
Shareholder's equity	7,944	9,082	9,375	10,272	11,260
Share capital	182	182	182	182	182
Reserves	7,761	8,900	9,193	10,089	11,078
MI	1,474	641	454	499	552
BVPS (HK\$)	4.42	4.85	4.90	5.32	5.83

Historical recommendations and target price: 361 Degrees (1361 HK)

(as of 16 Apr 2025)



Date	Rating	TP	Close	Date	Rating	TP	Close
1 17 Jul 2019	BUY	2.54	1.32	16 18 Jan 2023	BUY	4.60	3.43
2 20 Aug 2019	BUY	2.54	1.44	17 19 Apr 2023	BUY	5.00	4.22
3 17 Oct 2019	BUY	2.37	1.81	18 4 Aug 2023	BUY	5.80	4.46
4 16 Jan 2020	BUY	2.37	1.37	19 18 Aug 2023	BUY	6.00	4.44
5 21 Feb 2020	BUY	2.37	1.41	20 19 Jan 2024	BUY	5.25	3.59
6 18 Mar 2020	BUY	2.10	1.18	21 19 Mar 2024	BUY	5.80	4.45
7 21 Apr 2020	BUY	1.80	1.15	22 17 Apr 2024	BUY	5.80	4.45
8 21 Jul 2020	BUY	1.57	1.22	23 17 Jul 2024	BUY	5.80	3.74
9 29 Mar 2021	BUY	2.85	2.18	24 19 Aug 2024	BUY	5.00	3.58
10 25 Aug 2021	BUY	4.35	3.75	25 16 Oct 2024	BUY	5.00	4.10
11 21 Jan 2022	BUY	4.80	3.91	26 16 Jan 2025	BUY	5.00	3.94
12 25 Mar 2022	BUY	5.25	3.89	27 18 Mar 2025	BUY	5.60	4.82
13 20 Jul 2022	BUY	5.25	3.94	28 17 Apr 2025	BUY	5.60	4.14
14 26 Aug 2022	BUY	5.25	4.14				
15 20 Oct 2022	BUY	4.60	3.34				

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Hold (H)	We expect this stock to perform in line with the relevant benchmark over the next 12 months.
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Relevant Benchmark	Represents the stock closing price as at the date quoted in this report.

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