

361 Degrees (1361 HK)

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Company update

BUY

Maintain

Close price: HK\$6.09

Target Price: HK\$7.38 (+21.2%)

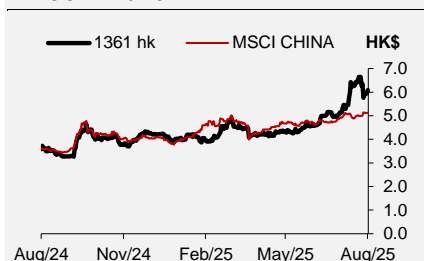
Prior TP: HK\$5.60

Key Data

HKEx code	1361 HK
12 Months High (HK\$)	6.70
12 Month Low (HK\$)	3.15
3M Avg Dail Vol. (mn)	7.95
Issue Share (mn)	2,067.68
Market Cap (HK\$mn)	12,592.18
Fiscal Year	12/2024
Major shareholder (s)	Ding's Family (48.99%)

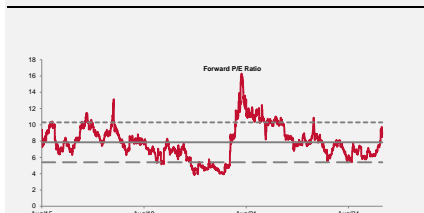
Source: Company data, Bloomberg, OP Research
Closing price are as of 18 Aug 2025

Price Chart



	1mth	3mth	6mth
Absolute %	+18.3	+38.7	+54.6
Rel. MSCI CHINA %	+14.3	+30.2	+44.2

PE



Company Profile

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

1H2025 earnings in-line. E-commerce shines.

- Net profit rose 8.6% yoy to RMB 857.7mn. This is on the back of the 11.0%yoy increase in revenue to RMB 5.705bn. Interim DPS rose 23.6% yoy to HK\$0.204.
- E-commerce shines, sales of online exclusive products jumped 45% yoy.
- Maintain BUY and lift TP to HK\$7.38.

Earnings in-lines with the management guidance. The company maintained a double-digit growth in revenue while the OPEX-to-revenue ratio relatively remained stable. GPM expanded 0.2 p.p. to 41.5%. In term of Opex to revenue ratio, the increase in staff costs offset the slightly lower advertising and promotional expenses. Lower income and gains from non-operating activities, particular a sharp decline in interest income, dragged the growth in net profit. During the period, the company improved cash flow management. Cash from operating activities up 227% yoy to RMB524mn, mainly due to a decrease in inventories (-RMB222.2mn). Day receivable lowered by 3 days yoy to 146 days. The company has been in negotiation with distributors and it is expecting a gradual decline in day receivables over time. For dividend, Interim DPS rose 23.6% yoy to HK\$0.204. The company increased the payout ratio to 45.0% from 40.3% a year earlier.

Products and channels. In 1H2025, revenue from the adult footwear, adult apparel, and kids' business increased by 12.8%, 1.6%, and 11.4% yoy, respectively. Amongst, adult footwear registered an increase in both total units sold (+7.1%) and the average wholesale price (+5.2%). We believe the establishment and the strong recognition of its professional product matrix in running and basketball are the main drivers. By segment, running /basketball grew by 20%/+10% yoy respectively. E-commerce shines, with revenue from the online-exclusive products jumping 45.0% yoy to RMB1.82bn, contributing 31.8% of the company's revenue. The management mentioned offline/online retail sales grew at ~10%/~20% yoy while the retail discount remained stable since Q3.

Optimisation of sales network. For the POS of the 361° core brand and 361 Kids, the company managed to increase the average store size while the number of POS contracted. The Super Premium Store has reinforced the brand's differentiated image with its integrated full-category consumer experience. This new retail format showed a much higher sale and a boost in associated-purchase rate. As of June 2025, there were 49 Super Premium Stores nationwide, of which 4 were for kids' wear. The company maintains the opening target of 100 Super Premium Stores this year.

Brand buildings and category expansion. The company powers up its brands through the sponsorship of major sport events and the appointment of celebrities and top-tier athletes. 361 Degrees develops the "ONE WAY" outdoor brand in China. The company will open 5 offline stores before Oct 2025. Moreover, 361 Degrees broadened its product range to include yoga wear, skateboards, badminton shoes, and women's tennis apparel, in addition to upgrading professional running shoes and basketball shoes. Soon after the interim results announcement, 361 Degrees announced its strategic cooperation with Standard Robots in the fields of robot apparel, footwear, and accessories, showing the company's active exploration of new product categories.

Earning revisions. We slightly tune down our EPS forecast for FY25E/FY26E by 1.8%/2.0% to HK\$0.671/0.769. 361 Degrees maintained the 2025 earnings guidance, such as revenue growth at 10-15% and NPM at 10-12%. We are confident that the company can achieve the above targets.

Maintain BUY and lift the TP to HK\$7.38. We lift the target price for 361 Degrees based on the FY25E PER to 11.0x. This is to reflect the strong retail sales growth over the past few years.

Risks: (1) Weakening retail market, especially for the offline 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	11,281	12,574
Growth (%)	+17.3	+21.0	+19.6	+12.0	+11.5
Net profit	747	961	1,149	1,284	1,472
Growth (%)	+24.2	+28.7	+19.5	+11.8	+14.6
Diluted EPS (HK\$)	0.416	0.514	0.600	0.671	0.769
EPS growth (%)	+17.0	+23.6	+16.8	+11.8	+14.6
Change to previous EPS (%)				-1.8	-2.0
Consensus EPS (HK\$)				0.668	0.745
ROE (%)	9.9	11.3	12.4	13.1	13.8
P/E (x)	14.7	11.9	10.2	9.1	7.9
P/B (x)	1.4	1.3	1.2	1.1	1.0
Yield (%)	0.0	3.3	4.4	5.0	5.7
DPS (HK\$)	0.000	0.204	0.265	0.302	0.346

Sources: Bloomberg, OP Research

Exhibit 2.: 1H25 results review

	1H25	1H24	Change	Remark
			(%)	
Profitability Data (in RMB mn)				
Revenue	5,704.8	5,141.3	+11.0%	
Adult - footwear	2,574.9	2,283.2	+12.8%	Average Wholesale Price (AWP) and total units sold up 5.2% and 7.1% respectively.
Adult - apparel	1,601.5	1,575.7	+1.6%	The increase in units sold (+6.3%) offset by decline in AWP (-4.5%)
Kids – footwear	711.6	556.6	+27.8%	AWP and total units sold up 1.5% and 25.8% respectively.
Kids - Apparel	521.9	564.7	-7.6%	Both AWP and total units sold declined 6.3% and 1.5% respectively.
Gross profit	2,366.5	2,125.0	+11.4%	
Operating profit	1,137.3	1,060.4	+7.2%	It is mainly due to a lower income and gains from non-operating activities. In particular, bank interest income declined -83.6% yoy, or RMB28.6mn, to RMB5.6mn.
Profit attributable to shareholders	857.7	789.7	+8.6%	
EPS(Basic) – in RMB	0.415	0.382	+8.6%	
Profitability Ratios (%)				
GPM	41.5%	41.3%	+0.2p.p.	GPM of adult products and kids-footwear increased, while the GPM of kids-apparel products declined.
Operating profit margin	19.9%	20.6%	-0.7p.p.	
NPM	15.0%	15.4%	-0.4p.p.	
Effective income tax rate	22.9%	21.9%	+1.0p.p.	
ROE	8.8%	8.6%	+0.2p.p.	
Operating ratio (% to revenue)				
Advertising and promotional expenses	10.1%	10.5%	-0.4p.p.	
Staff costs	6.7%	6.2%	+0.5p.p.	
R&D	2.8%	2.8%	No Change	
Working capital cycle (Turnover days)				
Inventories	109	107	+2 days	The inventory level in Jun 2025 increased by 29.6% yoy from a year earlier. However, it showed a decline of RMB222mn as compared to Dec 2024.
Trade & bills receivables	146	149	-3 days	The company has been in negotiation with distributors. The company anticipates a gradual decline in day receivables over a long period of time. In terms of the age of the receivable. The ratio of receivables exceeding 180 days has been reduced to 7.3% in June 2025, as compared with 12.3% in December 2024.
Trade & bills payables	71	88	-17 days	This was due to the company's strategic decision to expedite payments to key suppliers and subcontractors.
Overall	184	168	+16 days	

Sources: The Company, OP Research

Exhibit 3.Number of POS and average store area

	30/6/2023	31/12/2023	30/6/2024	31/12/2024	30/6/2025
361° Core Brand					
POS(Mainland China)	5,642	5,734	5,740	5,750	5,669
HoH	+160	+92	+6	+10	-81
Average store area(m ²)	132	138	143	149	156
HoH	+3	+6	+5	+6	+7
361° Kids					
POS(Mainland China)	2,448	2,545	2,550	2,548	2,494
HoH	+160	+97	+5	-2	-54
Average store area(m ²)	96	103	108	112	117
HoH	+4	+7	+5	+4	+5

Sources: The Company, OP Research

Exhibit 4. Retail sales performance for 361° Core Brand, 361° Kids, and 361° E-commerce products from 2023Q2

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

Sources: The Company, OP Research

Exhibit 5. Retail sales performance of 361° and its peers

Brand	Indicator	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25
361° Core Brand	Retail sales	+ Low-teens	+15%	+20%	+ High-teens	+10%	+10%	+10%	+10-15%	+10%
Anta	Retail sales	+HSD	+HSD	+High-teens	+MSD	+HSD	+MSD	+HSD	+HSD	+LSD
Li Ning	Retail sell-through (Overall POS)	+ Mid-teens	+MSD	+Low-twenties	+LSD	-LSD	-MSD	+HSD	+LSD	+LSD
Core Xtep Brand	Retail sell-through	+High-teens	+High-teens	>+30%	+HSD	+10%	+MSD	+HSD	+MSD	+LSD
Nike	Net sales- Greater China (Local currency)	+25%	+12%	+8%	+6%	+7%	-3%	-11%	-15%	-20%
		(Ended May)	(Ended Aug)	(Ended Nov)	(Ended Feb)	(Ended May)	(Ended Aug)	(Ended Nov)	(Ended Feb)	(Ended May)
Adidas	Net sales- Greater China (Local currency)	+16.4%	+5.7%	+36.8%	+7.8%	+9.3%	+8.9%	+16.1%	+12.7%	+2.1%

Sources: Companies, OP Research

Exhibit 6. Earnings Revision

(RMB mn)	FY25E			FY26E			OP Comments
	New	Old	% Chg	New	Old	% Chg	
Revenue	11,281	11,490	-1.8	12,574	12,767	-1.5	We fine-tuned the revenue forecast based on 1H2025 results and the fluctuation in the sportswear retail market.
Gross margin	41.7%	41.5%	+0.2p.p.	41.5%	41.5%	0.0p.p.	
Net Profit	1,284	1,320	-2.7	1,472	1,517	-2.9	Due to a slight amendment of the FX assumption
Diluted EPS (HK\$)	0.671	0.683	-1.8	0.769	0.785	-2.0	

Source: OP Research

Exhibit 7. 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	6.09	1,610	5.5	10.2	9.1	7.9	13.2	0.7	4.4	5.0	1.2	1.1	12.4	13.1	+18.3	+38.7
HSI		25,176.85			11.7	11.5	10.6	6.6	1.8	3.1	3.17	1.4	1.3	11.7	11.1	+1.4	+7.8
HSCEI		9,033.68			10.9	10.7	9.7	7.2	1.5	2.8	2.93	1.3	1.2	12.0	11.3	+0.5	+6.7
CSI300		4,239.41			16.5	15.0	13.4	0.0	0.0	2.5	2.6	1.7	1.6	10.0	10.6	+4.5	+9.0
Adjusted sector avg*					13.7	13.2	11.6	2.6	4.6	7.4	4.8	1.2	2.3	11.7	12.6	+8.0	+10.9
Xtep Intl	1368 HK	6.15	2,188	8.5	11.6	11.1	10.0	3.3	3.4	11.3	4.5	1.7	1.7	14.1	14.5	+12.4	+13.7
Anta Sports Prod	2020 HK	93.20	33,449	101.1	15.4	17.8	15.8	2.8	6.4	2.5	2.9	3.9	3.7	27.6	20.1	-0.5	+1.5
Li Ning Co Ltd	2331 HK	18.01	5,952	46.3	14.1	16.8	14.8	1.9	8.9	3.6	3.0	1.6	1.7	11.9	9.5	+10.9	+17.9
Pou Sheng Intl	3813 HK	0.51	347	0.2	4.9	6.8	5.3	2.5	2.7	11.8	5.6	0.5		3.9	4.3	-3.8	+2.0
China Dongxiang	3818 HK	0.52	392	0.5	13.5	N/A	N/A	N/A	N/A	5.8	N/A	0.3	N/A	-1.0	N/A	+23.8	+30.0
Topsports Intl	6110 HK	3.17	2,513	7.8	14.0	13.7	11.7	10.3	1.3	9.5	8.1	2.0	2.0	13.6	14.5	+4.9	+0.5

Sources: Bloomberg, OP Research

Financial Summary

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Income Statement (RMB mn)					
Adults-Footwear	2,854	3,510	4,287	4,930	5,670
Adults-Apparel	2,447	2,687	3,093	3,248	3,491
361 Kids	1,442	1,958	2,339	2,623	2,886
Others	218	268	355	479	527
Turnover	6,961	8,423	10,074	11,281	12,574
YoY%	+17.3	+21.0	+19.6	+12.0	+11.5
COGS	-4,140	-4,961	-5,890	-6,580	-7,350
Gross profit	2,821	3,462	4,183	4,701	5,224
Gross margin	40.5%	41.1%	41.5%	41.7%	41.5%
Other income, gains and losses	145	331	249	264	269
Selling & distribution	-1,433	-1,863	-2,211	-2,407	-2,619
Admin	-276	-317	-357	-432	-449
R&D	-266	-313	-342	-395	-440
Other opex	0	0	0	0	0
Total opex	-1,975	-2,493	-2,910	-3,234	-3,508
Operating profit (EBIT)	991	1,300	1,522	1,732	1,986
Operating margin	14.2%	15.4%	15.1%	15.4%	15.8%
Provisions	0	0	0	0	0
Interest Income	83	84	54	21	24
Finance costs	-9	-20	-13	-13	-13
Profit after financing costs	1,065	1,363	1,563	1,740	1,997
Associated companies & JVs	0	0	0	0	0
Pre-tax profit	1,065	1,363	1,563	1,740	1,997
Tax	-248	-323	-370	-418	-479
Minority interests	-70	-79	-44	-38	-45
Net profit	747	961	1,149	1,284	1,472
YoY%	+24.2	+28.7	+19.5	+11.8	+14.6
Net margin	10.7%	11.4%	11.4%	11.4%	11.7%
EBITDA	1,072	1,375	1,614	1,813	2,037
EBITDA margin	15.4%	16.3%	16.0%	16.1%	16.2%
EPS (HK\$)	0.416	0.514	0.600	0.671	0.769
YoY%	+17.0	+23.6	+16.8	+11.8	+14.6
DPS (HK\$)	0.000	0.204	0.265	0.302	0.346

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Cash Flow (RMB mn)					
EBITDA	1,060	1,363	1,599	1,813	2,037
Chg in working cap	-620	-679	-1,308	-184	-602
Others	226	-14	55	0	0
Operating cash	666	671	345	1,629	1,435
Tax	-285	-263	-275	-611	-418
Net cash from operations	380	408	70	1,019	1,018
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	21	24
Others	31	2	-14	0	0
Investing cash	85	417	1,366	-39	-36
FCF	465	825	1,436	980	982
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	-578
Interest paid	-9	-20	-13	-13	-13
Net change in bank loans	84	0	-31	0	0
Others	19	19	-2	0	0
Financing cash	59	-1,079	-777	-436	-591
Net change in cash	525	-255	657	544	391
Exchange rate or other Adj	-3	-9	-1	0	0
Opening cash	3,339	3,860	3,596	4,254	4,798
Closing cash	3,860	3,596	4,254	4,798	5,189

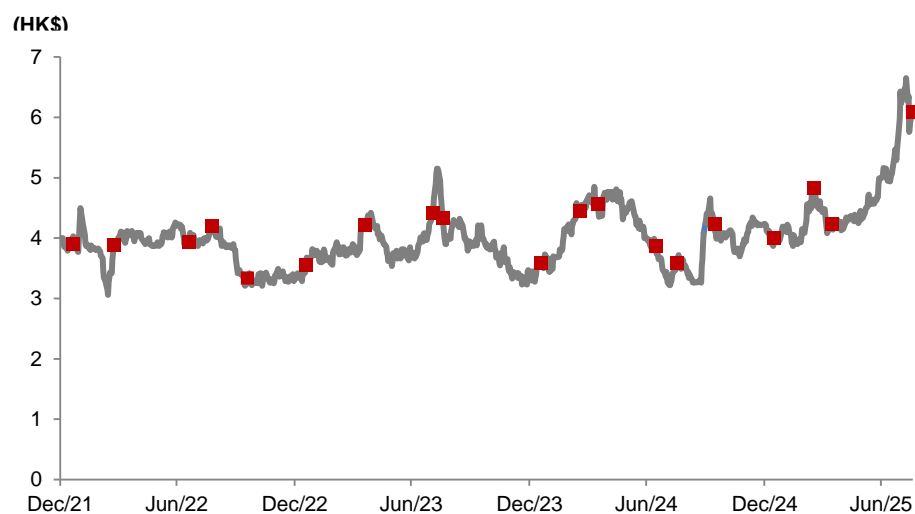
Source: Company, OP Research

Year to Dec	FY22	FY23	FY24	FY25E	FY26E
Ratios					
Gross margin (%)	40.5	41.1	41.5	41.7	41.5
Operating margin (%)	14.2	15.4	15.1	15.4	15.8
Net margin (%)	10.7	11.4	11.4	11.4	11.7
Selling & dist'n exp/Sales (%)	20.6	22.1	22.0	21.3	20.8
Admin exp/Sales (%)	4.0	3.8	3.5	3.8	3.6
R&D/Rev (%)	3.8	3.8	3.4	3.5	3.5
A&P/Rev (%)	11.4	12.7	12.8	11.0	11.0
Staff cost/Rev (%)	7.5	6.5	5.7	5.4	5.1
Payout ratio (%)	0.0	40.2	45.0	45.0	45.0
Effective tax (%)	23.3	23.7	23.7	24.0	24.0
Total debt/equity (%)	3.1	3.0	2.7	2.5	2.3
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	3.9	3.8	3.6	3.9	3.9
Quick ratio (x)	3.5	3.3	3.0	3.4	3.4
Inventory T/O (days)	91	93	107	91	91
AR T/O (days)	147	149	149	146	146
AP T/O (days)	121	110	88	80	80
Cash conversion cycle (days)	118	132	168	157	157
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	15.4	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	13.1	13.8

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	1,640	1,832
AR	3,024	3,831	4,389	4,512	5,030
Prepayments & deposits	1,193	1,227	1,298	1,933	2,155
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	4,798	5,189
Current assets	11,284	11,617	12,058	12,893	14,214
AP	1,503	1,499	1,331	1,442	1,611
Tax	386	461	611	418	479
Accruals & other payables	824	1,078	1,372	1,368	1,529
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	3,277	3,667
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	10,728	11,668
Shareholder's equity	7,944	9,082	9,375	10,236	11,131
Share capital	182	182	182	182	182
Reserves	7,761	8,900	9,193	10,054	10,948
MI	1,474	641	454	492	537
BVPS (HK\$)	4.42	4.85	4.90	5.30	5.76

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

(as of 18 Aug 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	29	18 Aug 2025	BUY	7.38	6.09
15	20 Oct 2022	BUY	4.60	3.34					

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