Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	52146.4	(0.8)	(0.9)	1.3	8.5
S&P 500	7457.7	(1.0)	(1.6)	0.5	8.9
FTSE 100	10600.4	0.3	1.0	0.9	6.7
AS30	8978.8	(0.6)	(0.3)	(2.3)	(0.4)
CSI 300	4529.1	(3.6)	(5.3)	(8.2)	(2.2)
FSSTI	5509.4	(0.5)	0.7	6.4	18.6
HSCEI	8136.7	(2.2)	1.2	(0.1)	(8.7)
HSI	24562.2	(1.8)	1.6	1.0	(4.2)
JCI	6175.5	1.1	4.2	(0.7)	(28.6)
KLCI	1731.5	0.5	2.4	1.3	3.1
KOSPI	6820.6	0.0	(8.8)	(23.1)	61.8
Nikkei 225	64141.1	(4.0)	(6.4)	(8.2)	27.4
SET	1639.0	0.2	1.1	3.3	30.1
TWSE	42671.3	(6.5)	(5.9)	(7.0)	47.3
BDI	2752.0	(3.1)	(6.5)	3.7	46.6
CPO (RM/mt)	4492.5	0.0	0.3	0.5	14.2
Brent Crude (US$/bbl)	88.1	4.6	15.9	10.7	44.8

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Virtual Post-Results Meeting with ASL Marine Holdings Ltd (ASL SP)	Singapore	21 Jul	21 Jul

Corporate and Macro Calendar

Economic Indicator/Event	Country/Region	Date
Jun CPI Composite	Hong Kong	21 Jul
Jun Industrial Profits	China	27 Jul
Jun Trade Balance, Exports, Imports	Hong Kong	27 Jul
Jul PMI (Composite, Manufacturing, Non-manufacturing)	China	31 Jul
2Q A GDP (SA QoQ, YoY)	Hong Kong	31 Jul
Jun Money Supply (M1, M2, M3)	Hong Kong	31 Jul

Please click on the page number to move to the relevant page

Top Stories

Company Update | Anta Sports (2020 HK/**BUY**/HK$74.15/Target: HK$107.90) Page 2

In 2Q26, both the Anta brand and Fila experienced decelerated retail sales momentum, with pressure persisting particularly in the offline channel. For 1H26, the group's retail sales were ahead of the full-year guidance. Looking ahead to 2H26, management maintains a conservative outlook. Although tailwinds exist for 3Q26, including a low base and the Mid-Autumn Festival falling within the quarter, tepid consumer demand and adverse weather are likely to be the swing factors.
Maintain BUY; target price: HK$107.90.

Company Update | Longfor Group (960 HK/**BUY**/HK$6.67 /Target: HK$10.12) Page 5

We conducted a channel check on Longfor, expecting a broadly breakeven 1H26 bottom line. Recurring revenue is expected to grow about 3% yoy, led by malls (rental +9% yoy, tenant sales +16% yoy), while PD gross margin may widen to an around 10% loss (2025: -6.9%). Debt reduction is on track, while Rmb2.6b of the Rmb7.2b 2026 maturity has been repaid. Maintain BUY; cut target price to HK$10.12 on lower PD book value. Expect greater margin pressure in 2H26.

Company Update | Xtep International Holdings (1368 HK/**BUY**/HK$3.69/Target: HK$5.60) Page 8

In 2Q26, the core Xtep brand's retail sell-through dropped and Saucony's sell-through decelerated significantly due to strategy readjustment, bringing the 1H26 retail sell-through to low single-digit decline and low-teens growth for the two brands, respectively. Although management still maintains its full-year guidance of positive revenue growth for the core Xtep brand and 20-30% growth for Saucony, it indicates that 1H26 revenue is expected to mirror the retail sell-through trend. Maintain BUY; cut target price by 19% to HK$5.60.

Technical Analysis

Hang Seng Index And Hang Seng Tech Index Outlook Page 11

Disclaimer: *In Traders' Corner, technical analysis is carried out purely based on charting patterns, price movements and trends, and is thus independent of the fundamental research views of our analysts. As a result, and from time to time, we may make a technical recommendation that is opposite to our fundamental BUY/HOLD/SELL rating.*

UOBKayHian

Company – Update
Greater China
Monday, 20 July 2026

Anta Sports (2020 HK)

1H26 Retails Sales Ahead Of Full-Year Guidance; Conservative Outlook For 2H26; 3Q26 Tailwinds But Weather Could Be A Swing Factor

Highlights

- In 2Q26, both the Anta brand and Fila experienced decelerated retail sales momentum vs 1Q26, with pressure persisting particularly in the offline channel and growth driven mainly by the online channel. For 1H26, the Anta brand's performance was ahead of the full-year guidance, while Fila tracked in line, and all other brands remained strong, exceeding guidance.
- Looking ahead to 2H26, management maintains a conservative outlook. Although tailwinds exist for 3Q26, including a low base and the Mid-Autumn Festival falling within the quarter, tepid consumer demand and adverse weather are likely to be the swing factors, with a potential warm winter posing risks to 4Q26 winter product sales. Management remains confident in achieving its full-year retail sales guidance.
- Maintain BUY and raise target price by 8% to HK$107.90.

Analysis

- **The Anta brand's 2Q26 retail sales in line; 1H26 performance ahead of the full-year guidance.** In 2Q26, the Anta brand recorded low single-digit retail sales growth (vs high single-digit growth in 1Q26). By channel, both Anta Core and Anta Kids experienced offline declines, while a strong 618 performance drove a low-teens online growth, reflecting the initial results of online business adjustments. For 1H26, the Anta brand recorded mid-single-digit growth, ahead of its full-year guidance of low single-digit growth, with both Anta Core and Anta Kids posting low single-digit growth offline and the online business expanding at low-teens.
- **Fila's 1H26 performance in line with the full-year guidance.** In 2Q26, Fila recorded low single-digit retail sales growth (vs low-teens growth in 1Q26). For the offline channel, Fila Core and Fila Kids declined, while Fila Fusion posted mid-single-digit growth, supported by a higher outdoor product mix amid adverse weather in April-May. For the online channel, a strong 618 saw Fila again rank first in its category on both Tmall and Douyin, achieving low-teens growth with slightly improved discount levels. For 1H26, Fila delivered mid-single-digit growth, tracking in line with its full-year guidance.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	70,826	80,219	87,173	93,779	100,978
EBITDA	22,066	25,426	26,354	27,905	29,347
Operating profit	16,595	19,091	20,345	21,971	23,588
Net profit (rep./act.)	15,596	13,587	14,422	15,401	16,678
Net profit (adj.)	11,927	13,587	14,422	15,401	16,678
EPS (Fen)	413.7	480.0	517.0	552.1	597.9
PE (x)	15.5	13.4	12.4	11.6	10.7
P/B (x)	2.9	2.7	2.4	2.2	2.0
EV/EBITDA (x)	8.8	7.8	7.7	7.0	6.3
Dividend yield (%)	3.4	3.5	3.7	3.9	4.3
Net margin (%)	16.8	16.9	16.5	16.4	16.5
Net debt/(cash) to equity (%)	(51.0)	(45.5)	(37.2)	(44.2)	(50.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	21.1	21.3	20.7	19.7	19.2
Consensus net profit	-	-	14,379.1	16,090.5	18,201.7
UOBKH/Consensus (x)	-	-	1.00	0.96	0.92

Source: Anta Sports, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	HK$74.15
Target Price	HK$107.90
Upside	+45.5%
Previous TP	HK$99.70

Analyst(s)
Stella Guo
stella.guo@uobkh.com
852-2236 6798

Ejann Hiew
hejann@uobkh.com
+603 2147 1995

Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	2020 HK
Shares issued (m):	2,796.7
Market cap (HK$m):	207,371.8
Market cap (US$m):	26,449.1
3-mth avg daily t'over (US$m):	72.0

Price Performance (%)

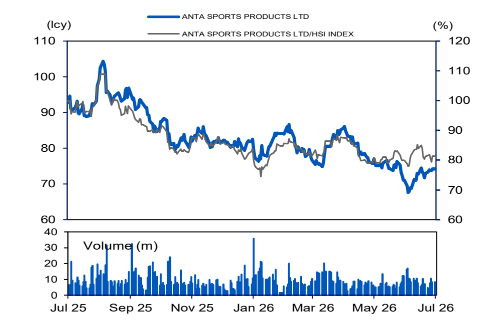
52-week high/low				HK$106.30/ HK$66.85
1mth	3mth	6mth	1yr	YTD
1.2	(11.9)	(8.6)	(19.3)	(7.9)

Major Shareholders	%
Anta International Group Holdings Limited	53.17

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	26.45
FY26 Net Cash/Share (Rmb)	10.33

Price Chart



Source: Bloomberg

Company Description

Anta Sports is a leading sportswear company in China. The company has three brand groups: Performance sports brands, fashion sports brands and outdoor sports brands. By embracing an all-round brand portfolio including Anta, Fila, Descente, Kolon Sport and Maia Active, Anta Sports aims to unlock the potential of both the mass and high-end sportswear markets. The company also holds 43.33% equity stake of Amer Sports, a global group of iconic sports and outdoor brands, including Arc'teryx, Salomon, Wilson, Peak Performance, and Atomic.

- **All other brands maintained strong momentum.** In 2Q26, all other brands (excluding Jack Wolfskin) recorded 25-30% growth, with Descente/Kolon/ Maia Active growing around 20%/over 40%/over 25% growth, respectively. For 1H26, the segment recorded 35-40% growth, above its full-year guidance of over 20% growth.

  For Jack Wolfskin, management noted that the reformation in China is progressing ahead of expectations, with new image stores and product launches scheduled for early-October, while Europe remains in line with expectations. Jack Wolfskin is expected to post a similar loss in 2026 compared to last year (reflecting a narrowing trend, as last year's results only consolidated seven months). Management targets the China business to turn profitable in 2026, with the global business expected to turn profitable from 2027.

- **Inventory and discounts remained healthy.** As of end-2Q26, the Anta brand's inventory stood at five months, flat yoy, with offline discount at 28% off, broadly flat yoy, and online discount at around 50% off, deepening by 2ppt yoy due to a longer 618 period. Fila's inventory was below five months, improving by 0.3 months yoy, with offline discount at 27% off, deepening by 1ppt yoy, and online discount at around 40% off, flat yoy. Other brands maintained inventory levels below four months, with discounts across channels at less than 10% off.

- **Conservative outlook for 2H26; tailwinds to come in 3Q26 but weather and consumer confidence could be swing factors; management confident in achieving full-year guidance.** Looking ahead to 2H26, management maintains a conservative outlook. Although tailwinds exist for 3Q26, including a low base (both the Anta brand and Fila recorded only low single-digit growth in 3Q25) and the Mid-Autumn Festival (25-27 September) falling within the quarter, tepid consumer demand and adverse weather are likely to be the swing factors, with a potential warm winter posting risks to 4Q26 winter product sales. Management remains confident in achieving its full-year retail sales guidance of low single-digit growth for the Anta brand, mid-single-digit growth for Fila and over 20% growth for other brands, which we view as conservative.

Retail Sales Growth Rate (yoy)

	Anta	Fila	Other brands
1Q22	(+) high-teens	(+) mid-SD	(+) 40-45%
2Q22	(-) mid-SD	(-) high-SD	(+) 20-25%
3Q22	(+) mid-SD	(+) low-teens	(+) 40-45%
4Q22	(-) high-SD	(-) low-teens	(+) low-teens
1Q23	(+) mid-SD	(+) high-SD	(+) 75-80%
2Q23	(+) high-SD	(+) high-teens	(+) 70-75%
3Q23	(+) high-SD	(+) low-teens	(+) 45-50%
4Q23	(+) high-teens	(+) 25-30%	(+) 55-60%
1Q24	(+) mid-SD	(+) high-SD	(+) 25-30%
2Q24	(+) high-SD	(+) mid-SD	(+) 40-45%
3Q24	(+) mid-SD	(-) low-SD	(+) 45-50%
4Q24	(+) high-SD	(+) high-SD	(+) 50-55%
1Q25	(+) high-SD	(+) high-SD	(+) 65-70%
2Q25	(+) low-SD	(+) mid-SD	(+) 50-55%
3Q25	(+) low-SD	(+) low-SD	(+) 45-50%
4Q25	(-) low-SD	(+) mid-SD	(+) 35-40%
1Q26	(+) high-SD	(+) low-teens	(+) 40-45%
2Q26	(+) low-SD	(+) low-SD	(+) 25-30%

Source: Anta Sports, UOB Kay Hian

Earnings Revision/Risk

- **We raise our 2026/27 earnings forecasts by 2%/4%, respectively.** We raise our 2026/27 revenue forecasts by 3%/4%, respectively, to reflect slightly stronger retail sales momentum. We raise our 2026/27 gross margin estimates slightly by 0.1ppt/0.2ppt, respectively, to reflect the well-controlled discount level. We raise our 2026/27 selling and distribution expense ratios slightly by 0.1ppt/0.1ppt, respectively, to reflect the increased A&P expenses this year. Thus, our 2026/27 earnings forecasts are raised by 2%/4%, respectively.

Valuation/Recommendation

- **Maintain BUY and raise target price by 8% to HK$107.90.** We raise our DCF-based target price by 8% to HK$107.90. Our target price implies 18.6x 2026F PE and 17.4x 2027F PE. The stock currently trades at 12.4x 2026F PE and 11.6x 2027F PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**80,219.0**	**87,173.4**	**93,779.0**	**100,978.3**
EBITDA	25,426.0	26,353.6	27,905.4	29,346.7
Deprec. & amort.	6,335.0	6,008.9	5,934.1	5,758.5
EBIT	**19,091.0**	**20,344.7**	**21,971.3**	**23,588.2**
Total other non-operating income	0.0	0.0	0.0	0.0
Associate contributions	1,203.0	1,203.0	1,263.2	1,326.3
Net interest income/(expense)	1,151.0	1,214.5	1,073.7	1,407.9
Pre-tax profit	**21,445.0**	**22,762.2**	**24,308.1**	**26,322.4**
Tax	(5,784.0)	(6,139.0)	(6,555.9)	(7,099.2)
Minorities	(2,074.0)	(2,201.3)	(2,350.8)	(2,545.6)
Net profit	13,587.0	14,421.9	15,401.4	16,677.7
Net profit (adj.)	**13,587.0**	**14,421.9**	**15,401.4**	**16,677.7**

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	5,366.0	5,265.9	4,964.4	4,662.8
Other LT assets	59,273.0	72,164.2	73,031.6	74,074.6
Cash/ST investment	12,181.0	284.9	4,825.7	11,936.5
Other current assets	47,475.0	48,928.7	50,309.4	51,814.3
Total assets	**124,295.0**	**126,643.7**	**133,131.1**	**142,488.2**
ST debt	11,532.0	8,062.0	4,724.8	2,889.9
Other current liabilities	21,826.0	22,999.9	24,131.9	25,349.5
LT debt	11,770.0	6,208.0	3,983.2	2,093.3
Other LT liabilities	6,762.0	6,762.0	6,762.0	6,762.0
Shareholders' equity	65,782.0	73,787.5	82,354.2	91,672.9
Minority interest	6,623.0	8,824.3	11,175.1	13,720.7
Total liabilities & equity	**124,295.0**	**126,643.7**	**133,131.1**	**142,488.2**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**20,996.0**	**22,352.3**	**23,437.6**	**24,694.5**
Pre-tax profit	21,445.0	22,762.2	24,308.1	26,322.4
Tax	(5,784.0)	(6,139.0)	(6,555.9)	(7,099.2)
Deprec. & amort.	6,335.0	6,008.9	5,934.1	5,758.5
Associates	0.0	0.0	0.0	0.0
Working capital changes	(1,368.0)	(279.8)	(248.7)	(287.2)
Non-cash items	275.0	0.0	0.0	0.0
Other operating cashflows	(450.0)	(0.0)	0.0	0.0
Investing	**(7,046.0)**	**(18,800.0)**	**(6,500.0)**	**(6,500.0)**
Capex (growth)	(2,716.0)	(3,500.0)	(3,500.0)	(3,500.0)
Investments	(2,185.0)	(17,300.0)	(5,000.0)	(5,000.0)
Others	(2,078.0)	2,000.0	2,000.0	2,000.0
Financing	**(13,116.0)**	**(15,448.4)**	**(12,396.8)**	**(11,083.8)**
Dividend payments	(6,596.0)	(6,416.4)	(6,834.8)	(7,359.0)
Proceeds from borrowings	302.0	2,500.0	2,500.0	1,000.0
Loan repayment	(1,641.0)	(11,532.0)	(8,062.0)	(4,724.8)
Others/interest paid	(5,181.0)	0.0	0.0	0.0
Net cash inflow (outflow)	**834.0**	**(11,896.1)**	**4,540.8**	**7,110.8**
Beginning cash & cash equivalent	**11,390.0**	**12,181.0**	**284.9**	**4,825.7**
Changes due to forex impact	(43.0)	0.0	0.0	0.0
Ending cash & cash equivalent	**12,181.0**	**284.9**	**4,825.7**	**11,936.5**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	31.7	30.2	29.8	29.1
Pre-tax margin	26.7	26.1	25.9	26.1
Net margin	16.9	16.5	16.4	16.5
ROA	11.5	11.5	11.9	12.1
ROE	21.3	20.7	19.7	19.2
Growth				
Turnover	13.3	8.7	7.6	7.7
EBITDA	15.2	3.6	5.9	5.2
Pre-tax profit	(2.0)	6.1	6.8	8.3
Net profit	13.9	6.1	6.8	8.3
Net profit (adj.)	13.9	6.1	6.8	8.3
EPS	16.0	7.7	6.8	8.3
Leverage				
Debt to total capital	27.2	16.1	9.7	5.3
Debt to equity	36.5	20.4	11.2	5.7
Net debt/(cash) to equity	(45.5)	(37.2)	(44.2)	(50.0)

Longfor Group (960 HK)

Takeaways From Channel Checks And 1H26 Results Preview

BUY (Maintained)	
Share Price	HK$6.67
Target Price	HK$10.12
Upside	51.7%
Previous TP	HK$10.95

Analyst(s)
Jieqi Liu
jieqi.liu@uobkh.com
+852 2826 1392
Damon Shen
damonshen@uobkh.com
+86 21 5404 7225 ext.820

Highlights

- **Expect a broadly breakeven bottom line in 1H26.** We expect 1H26 revenue of recurring business to grow over 3% yoy, led by malls (rental +~9%, tenant sales +16%). However, PD gross margin is expected to widen to a ~10% loss (from -6.9% in 2025).
- **Debt reduction on track.** Interest-bearing debt would have fell over Rmb5b in 1H26. For the RMb7.2b debt maturity in 2026, Rmb2.6 has been paid, while there are solid repayment plans for the remaining amount.
- **Maintain BUY with a lower SOTP target price of HK$10.12** due to a lower PD book value estimate. We expect higher margin pressure in 2H26 due to higher booking volume and year-end destocking, thus further cutting earnings 26/27/28 forecast to Rmb-3b/194m/1.4b, respectively.

Analysis

- We conducted a channel check on Longfor Group (Longfor) on 16 July. Key takeaways are:
  a) **Weak contracted sales and expanded booking loss of property development (PD) in 1H26.** Contracted sales fell 52.7% yoy in 1H26 to Rmb16.6b, which is weaker than market expectations of an around 20% yoy decline. This is mainly due to Longfor's weak exposure in Tier 1 cities and thin new-launch pipeline. We expect continued weakness of sales in 2H26, lowering our forecasted sales decline from -20% to -40% in 2026. Booking margin for property development is forecasted to fall further from -6.9% in 2025 to around -10% in 1H26.
  b) **More cautious and strategic on land acquisition.** In 1H26, Longfor bought four plots of land (in Qingdao/Wuxi/Dalian/Lanzhou) for a total consideration of Rmb1.36b, which is equivalent to 8.2% of sales. Through the acquisition of these four lands, Longfor can further improve the terms of its other inventories in the same cities. We expect this kind of strategic land acquisition to become a main investment focus.
  c) **Malls remain the standout.** We expect 1H26 mall rental income to grow about 9% yoy (same-store rental growth +~3% yoy) and tenant sales to grow around 16% yoy (same-store tenant sales +~8% yoy), showing that Longfor is largely on track to achieve its target of 5% same-store rental growth and 10% rental growth in 2026, helped by 2025's asset-enhancement (AEI) upgrades to nine large malls. Among categories, retail (including boutique supermarkets) and F&B led while entertainment stayed soft.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	127,475	97,309	76,776	67,313	67,710
EBITDA	12,382	1,801	2,847	5,761	6,818
Operating profit	12,198	1,649	2,694	5,609	6,665
Net profit (rep./act.)	10,401	1,022	-3,083	194	1,368
Net profit (adj.)	6,970	-1,700	-3,083	194	1,368
EPS (fen)	105.5	(24.9)	(44.6)	2.7	18.6
PE (x)	5.5	n.a.	n.a.	212.2	30.9
P/B (x)	0.2	0.2	0.2	0.3	0.3
EV/EBITDA (x)	19.2	131.9	83.4	41.2	34.8
Dividend yield (%)	5.6	1.2	0.0	0.1	1.0
Net margin (%)	8.2	1.1	(4.0)	0.3	2.0
Net debt/(cash) to equity (%)	73.6	71.3	76.3	74.7	77.2
Interest cover (x)	n.a.	n.a.	2.7	4.0	4.2
ROE (%)	6.6	0.6	(1.9)	0.1	0.9
Consensus net profit (Rmbm)	-	-	897.5	3,426.8	4,983.3
UOBKH/Consensus (x)	-	-	-3.43	0.06	0.27

Source: Longfor, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Real Estate
Bloomberg ticker:	960 HK
Shares issued (m):	7,097.4
Market Cap (Rmbm):	47,339.7
Market cap (US$m):	6,038.1
3-mth avg t'over (US$m):	21.0

Price Performance (%)

52-week high/low				HK$12.24/HK$5.92
1mth	3mth	6mth	1yr	YTD
(5.0)	(19.6)	(28.7)	(33.6)	(22.1)

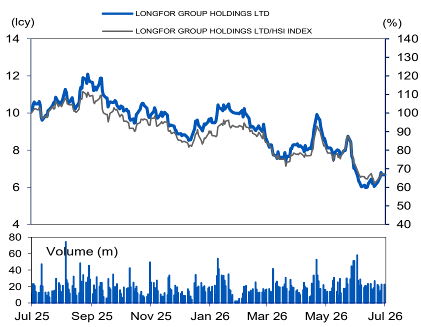
Major Shareholders

	%
Charm Talent	43.96

Major Shareholders

FY26 NAV/Share (Rmb)	23.09
FY26 Net Debt/ Share (Rmb)	17.61

Price Chart



Source: Bloomberg

Company Description

Longfor Group Holdings operates as a real estate development company. The company develops and markets residential areas, office buildings, hotels, restaurants, and other related areas. Longfor Group Holdings also provides community management, landscape greening materials maintenance, real estate agencies, and other services.

d) **Rental housing dragged the operating line.** We expect the asset management (rental housing) segment's revenue to decline by over 10% yoy in 1H26, as Longfor is proactively exiting from low-efficiency, high-cost sublease projects.

e) **Property management (PM) back to growth territory.** After 2025's decline (low-efficiency exits, fewer deliveries, fee pressure on some estates), We expect PM revenue and profit to bounce back to low single-digit growth.

f) **Debt reduction is on track.** Interest-bearing debt fell over Rmb5b in 1H26, with funding cost dropping below 3.5% and tenors lengthening as operating-property loans replaced short-dated bonds. Of the Rmb7.2b in 2026 maturities: a) Rmb2.6b has been repaid in 1H26; b) the Rmb1.1b onshore bond due in Aug 26 has been arranged; c) Rmb2.3b in China Bond Insurance Corporation (CBIC) bonds will be refinanced with IP loans; and d) the Rmb1.2b offshore loan due in Dec 26 will be financed by free cashflow (OCF after capex), which is expected at about Rmb1.0b (Rmb5b-10b full-year target).

g) **Preview for 1H26 results.** We expect total revenue to decline by over 30% yoy, mainly dragged by weaker PD revenue. Revenue of recurring business is expected to grow at over 3%, after combining the performance of malls, rental housing and PM. We forecast 1H26 core profit to be around breakeven levels, with the decline in DP earnings largely offset by resilient recurring income.

Earnings Revision/Risk

- We cut our 2026/27/28 core net profit forecasts from Rmb-1.5b/+4.8b/+5.2b to Rmb-3b/194m/1.4b, respectively, as we lower our forecast of PD gross profit margin from -10%/-6%/-3% previously to -12%/-10%/-8%.

Valuation/Recommendation

- **Maintain BUY with a lower target price of HK$10.12.** We keep our targeted PE of recurring earnings at 7.0x and targeted PB of the PD business at 0.1x. With the PD business' lower PB, we lower our SOTP derived target price by 7.6% to HK$10.12. Maintain BUY.
- **Expect greater PD margin pressure in 2H26.** While we look for a broadly breakeven bottom line in 1H26, we see development-property margins coming under greater pressure in 2H26, driven by higher booking volume and year-end destocking. We maintain our expectation that Longfor will return to profitability in 2027, though we are now more cautious on the strength of the rebound.

Share Price Catalyst

h) Stronger-than-expected recovery in property market of Tier 2 cities.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**97,308.6**	**76,776.3**	**67,312.5**	**67,710.1**
EBITDA	1,801.3	2,846.7	5,761.4	6,817.7
Deprec. & amort.	152.6	152.6	152.6	152.6
EBIT	1,648.6	2,694.1	5,608.7	6,665.1
Total other non-operating income	4,517.1	0.0	0.0	0.0
Associate contributions	(1,237.8)	(1,114.0)	(1,002.6)	(902.3)
Net interest income/(expense)	310.1	(1,046.1)	(1,444.8)	(1,623.2)
Pre-tax profit	**5,238.1**	**534.0**	**3,161.3**	**4,139.6**
Tax	(4,190.5)	(3,000.0)	(3,000.0)	(3,000.0)
Minorities	(25.7)	(616.5)	32.3	227.9
Net profit	1,021.8	(3,082.6)	193.6	1,367.5
Net profit (adj.)	**(1,700.0)**	**(3,082.6)**	**193.6**	**1,367.5**

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	225,827.1	239,543.6	248,891.0	258,238.4
Other LT assets	53,553.1	52,439.1	51,436.6	50,534.2
Cash/ST investment	27,361.9	17,349.3	12,884.8	1,488.1
Other current assets	289,120.2	273,931.6	265,081.9	253,412.1
Total assets	**595,862.4**	**583,263.7**	**578,294.2**	**563,672.8**
ST debt	15,794.7	15,320.9	14,554.8	13,827.1
Other current liabilities	170,914.4	165,366.0	167,708.4	159,425.7
LT debt	127,694.2	123,863.4	117,670.2	111,786.7
Other LT liabilities	44,456.4	44,176.8	43,724.8	43,295.4
Shareholders' equity	162,809.9	159,727.3	159,858.9	160,788.8
Minority interest	74,192.7	74,809.2	74,776.9	74,549.0
Total liabilities & equity	**595,862.4**	**583,263.7**	**578,294.2**	**563,672.8**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**21,876.3**	**10,610.0**	**9,453.4**	**9,453.8**
Profit fo the year	5,238.1	534.0	3,161.3	4,139.6
Tax	(4,190.5)	(3,000.0)	(3,000.0)	(3,000.0)
Deprec. & amort.	152.6	152.6	152.6	152.6
Associates	1,237.8	1,114.0	1,002.6	902.3
Working capital changes	22,690.0	11,250.1	9,976.2	9,277.0
Non-cash items	(4,699.1)	0.0	0.0	0.0
Other operating cashflows	1,447.5	559.3	(1,839.4)	(2,017.7)
Investing	**(9,189.0)**	**(12,495.0)**	**(5,883.0)**	**(5,840.0)**
Capex (growth)	105.1	0.0	0.0	0.0
Investment	29,538.6	28,424.6	27,422.0	26,519.7
Others	(40,565.3)	(40,919.6)	(33,305.0)	(32,359.7)
Financing	**(33,276.9)**	**(8,127.7)**	**(8,034.7)**	**(15,010.3)**
Dividend payments	(677.6)	(492.9)	0.0	(62.0)
Proceeds from borrowings	(26,497.7)	(2,832.5)	(3,436.3)	(9,904.0)
Loan repayment	(5,574.1)	(4,802.3)	(4,598.4)	(5,044.3)
Others/interest paid	(527.6)	0.0	0.0	0.0
Net cash inflow (outflow)	(20,589.6)	(10,012.7)	(4,464.3)	(11,396.4)
Beginning cash & cash equivalent	47,951.6	27,361.9	17,349.3	12,884.8
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	**27,361.9**	**17,349.2**	**12,885.0**	**1,488.3**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	1.9	3.7	8.6	10.1
Pre-tax margin	5.4	0.7	4.7	6.1
Net margin	1.1	(4.0)	0.3	2.0
ROA	0.2	(0.5)	0.0	0.2
ROE	0.6	(1.9)	0.1	0.9
Growth				
Turnover	(23.7)	(21.1)	(12.3)	0.6
EBITDA	(85.5)	58.0	102.4	18.3
Pre-tax profit	(72.0)	(89.8)	492.1	30.9
Net profit	(90.2)	n.a.	n.a.	606.4
Net profit (adj.)	n.a.	n.a.	n.a.	606.4
EPS	n.a.	n.a.	n.a.	585.8
Leverage				
Debt to total capital	37.7	37.2	36.0	34.8
Debt to equity	88.1	87.1	82.7	78.1
Net debt/(cash) to equity	71.3	76.3	74.7	77.2
Interest cover (x)	n.a.	2.7	4.0	4.2

Xtep International Holdings (1368 HK)

Core Xtep Brand's Sell-Through Turns Negative In 2Q26 While Saucony's Decelerates Significantly; Expect 1H26 Revenue To Mirror The Sell-Through Trend

	BUY (Maintained)
Share Price	HK$3.69
Target Price	HK$5.60
Upside	+51.8%
Previous TP	HK$6.90

Analyst(s)
Stella Guo
stella.guo@uobkh.com
852-2236 6798

Ejann Hiew
hejann@uobkh.com
+603 2147 1995

Highlights

- In 2Q26, the core Xtep brand's retail sell-through dropped and Saucony's sell-through decelerated significantly due to strategy readjustment, bringing the 1H26 retail sell-through to low single-digit decline and low-teens growth for the two brands, respectively.
- Although management still maintains its full-year guidance of mid-single-digit revenue growth (positive growth for the core Xtep brand and 20-30% growth for Saucony), it indicated that 1H26 revenue is expected to mirror the retail sell-through trend. Maintain BUY but cut target price by 19% to HK$5.60.

Analysis

- **Core Xtep brand's sell-through dropped in 2Q26.** In 2Q26, the core Xtep brand's retail sell-through recorded a mid-single-digit yoy decline (vs low single-digit yoy growth in 1Q26), mainly affected by a softer consumption environment and extreme weather. By channel, e-commerce delivered stable growth with improved discount levels. For 1H26, the core Xtep brand's retail sell-through performed weaker than expected, recording a low single-digit yoy decline (vs full-year target of positive revenue growth). In 1H26, Xtep International Holdings (Xtep) reclaimed around 100 stores, with reclaimed stores outperforming distributor stores. Going forward, management plans to reclaim another 400 stores in 2H26.
- **Saucony's sell-through decelerated significantly in 2Q26 due to strategy readjustment.** In 2Q26, Saucony, which is viewed as the second growth driver of the company, achieved a low single-digit yoy retail sell-through growth (vs more than 20% yoy growth in 1Q26), mainly dragged by reduced e-commerce discounts on new products under stricter price control, particularly during 618, while offline retail sell-through maintained over 20% yoy growth. For 1H26, Saucony achieved low-teens yoy retail sell-through growth (vs full-year target of 20-30% revenue growth).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	13,577	14,151	14,530	14,952	15,370
EBITDA	2,224	2,316	2,160	2,390	2,500
Operating profit	1,966	2,019	1,813	2,007	2,084
Net profit (rep./act.)	1,238	1,372	1,239	1,356	1,389
Net profit (adj.)	1,238	1,372	1,239	1,356	1,389
EPS (Fen)	46.6	46.6	42.1	46.0	47.2
PE (x)	6.8	6.8	7.6	6.9	6.8
P/B (x)	1.0	0.9	0.8	0.8	0.7
EV/EBITDA (x)	3.5	2.8	2.7	2.4	2.1
Dividend yield (%)	19.3	7.6	6.9	7.5	7.7
Net margin (%)	9.1	9.7	8.5	9.1	9.0
Net debt/(cash) to equity (%)	(10.8)	(29.8)	(28.1)	(28.8)	(29.6)
Interest cover (x)	22.8	23.2	25.5	21.5	17.8
ROE (%)	13.7	14.2	11.7	12.0	11.6
Consensus net profit	-	-	1,272.2	1,454.4	1,595.7
UOBKH/Consensus (x)	-	-	0.97	0.93	0.87

Source: Xtep Int'l Holdings, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer discretionary
Bloomberg ticker:	1368 HK
Shares issued (m):	2,815.1
Market cap (HK$m):	10,387.7
Market cap (US$m):	1,324.9
3-mth avg daily t'over (US$m):	7.6

Price Performance (%)

52-week high/low				HK$6.83/ HK$3.59
1mth	3mth	6mth	1yr	YTD
(11.5)	(19.1)	(30.1)	(30.9)	(30.5)

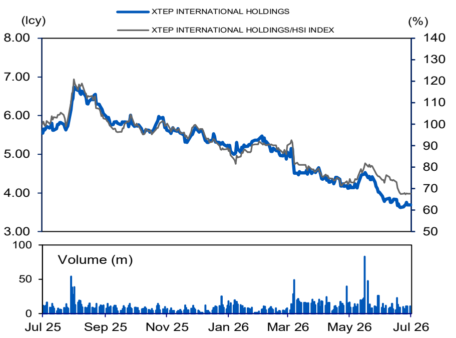
Major Shareholders

	%
Ding Shui Po	47.17

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	3.90
FY26 Net Cash/Share (Rmb)	1.05

Price Chart



Source: Bloomberg

Company Description

Xtep International Holdings is a leading multi-brand sportswear company in China. With a diverse brand portfolio encompassing the core Xtep brand, Saucony and Merrell, Xtep strategically targets the mass market and professional sports segments.

Looking ahead, management aims to prioritise offline expansion and strict price control to strengthen Saucony's premium brand positioning, while identifying apparel and lifestyle products as new growth drivers. The company plans to open 20-30 new stores in 2026, with improving store productivity as the key focus in the offline channel.

- **Retail discounts remained stable, inventory turnover edged up slightly.** In 2Q26, the core Xtep brand's retail discount level remained stable at 25-30% off, with e-commerce discounts improving. As of end-2Q26, channel inventory turnover increased slightly to 4.5-5.0 months (vs around 4.5 months at end-1Q26), mainly due to stocking ahead of the 2H26 marathon season and new product launches (including the 160X 8th generation in August).
- **Full-year guidance maintained but 1H26 revenue trend similar with the retail sell-through trend.** July-to-date, management has observed no meaningful recovery in retail sell-through, with the core Xtep brand's trend tracking in line with 2Q26, while Saucony has continued to deliver growth. Although management still maintains its full-year guidance of mid-single-digit revenue growth (positive growth for the core Xtep brand and 20-30% growth for Saucony), it indicates that 1H26 revenue is expected to mirror the retail sell-through trend.

Core Xtep Brand Retail Sell-Through Growth Rate (yoy)

	Retail sell-through growth	Retail discount (% off)	Retail inventory turnover
1Q22	(+) 30-35%	~ 25%	4 months
2Q22	(+) Mid-teens	25-30%	~4.5 months
3Q22	(+) 20-25%	25-30%	4.5-5 months
4Q22	(-) High-SD	~ 30%	~5.5 months
1Q23	(+) ~ 20%	25-30%	<5 months
2Q23	(+) High teens	~ 25%	<5 months
3Q23	(+) High teens	25-30%	4.5-5 months
4Q23	(+) >30%	~ 30%	4-4.5 months
1Q24	(+) High-SD	25-30%	4-4.5 months
2Q24	(+) 10%	~ 25%	~4 months
3Q24	(+) Mid-SD	~ 25%	~4 months
4Q24	(+) High-SD	25-30%	~4 months
1Q25	(+) Mid-SD	25-30%	~4 months
2Q25	(+) Low-SD	25-30%	4-4.5 months
3Q25	(+) Low-SD	25-30%	4-4.5 months
4Q25	Flat	25-30%	~4.5 months
1Q26	(+) Low-SD	25-30%	~4.5 months
2Q26	(-) Mid-SD	25-30%	4.5-5 months

Source: Xtep Int'l Holdings, UOB Kay Hian

Earnings Revision/Risk

- **Lower our 2026/27 earnings forecasts by 13%/9%, respectively.** We trim our 2026/27 revenue forecasts by 2%/3%, respectively. We cut our 2026/27 gross margin estimates slightly by 0.2ppt/0.3ppt, respectively. We raise our 2026/27 operating expense ratio estimates by 1.4ppt/0.6ppt, respectively, to reflect higher expenses associated with DTC store transformation and share award schemes. Thus, our 2026/27 earnings forecasts are cut by 13%/9%, respectively.

Valuation/Recommendation

- **Maintain BUY but trim target price by 19% to HK$5.60.** We raise our WACC estimate from 12.8% to 14.3%, and lower our long-term earnings forecasts. Thus, our target price is lowered by 19% to HK$5.60. Our new target price implies 10.3x 2026F PE and 9.4x 2027F PE. The stock currently trades at 7.6x 2026F PE and 6.9x 2027F PE.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**14,151.1**	**14,529.7**	**14,951.7**	**15,370.1**
EBITDA	2,316.3	2,159.8	2,390.1	2,499.8
Deprec. & amort.	297.5	346.4	383.0	415.7
EBIT	2,018.8	1,813.4	2,007.1	2,084.2
Associate contributions	54.4	54.4	54.4	54.4
Net interest income/(expense)	(99.8)	(84.8)	(111.1)	(140.6)
Pre-tax profit	**1,973.4**	**1,783.0**	**1,950.4**	**1,998.0**
Tax	(601.8)	(543.8)	(594.8)	(609.3)
Minorities	0.0	0.0	0.0	0.0
Extraordinary items	0.0	0.0	0.0	0.0
Net profit	1,371.6	1,239.2	1,355.6	1,388.6
Net profit (adj.)	**1,371.6**	**1,239.2**	**1,355.6**	**1,388.6**

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	1,759.8	2,084.7	2,377.2	2,640.6
Other LT assets	2,916.7	2,942.1	2,963.1	2,980.6
Cash/ST investment	3,457.1	4,350.2	5,048.4	5,681.6
Other current assets	8,765.2	8,545.7	8,787.4	9,026.9
Total assets	**16,898.9**	**17,922.7**	**19,176.0**	**20,329.7**
ST debt	840.5	700.1	801.5	879.6
Other current liabilities	4,310.7	4,433.8	4,545.1	4,655.7
LT debt	256.3	697.3	1,036.9	1,298.4
Other LT liabilities	1,288.8	1,288.8	1,288.8	1,288.8
Shareholders' equity	10,335.7	10,935.7	11,636.8	12,340.2
Minority interest	(133.1)	(133.1)	(133.1)	(133.1)
Total liabilities & equity	**16,898.9**	**17,922.7**	**19,176.0**	**20,329.7**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**952.4**	**1,467.1**	**1,608.2**	**1,675.4**
Pre-tax profit	1,973.4	1,783.0	1,950.4	1,998.0
Tax	(601.8)	(543.8)	(594.8)	(609.3)
Deprec. & amort.	297.5	346.4	383.0	415.7
Working capital changes	(805.0)	(118.5)	(130.4)	(128.9)
Non-cash items	(48.7)	0.0	0.0	0.0
Other operating cashflows	38.5	0.0	(0.0)	0.0
Investing	**(19.4)**	**(235.5)**	**(696.6)**	**(696.6)**
Capex (growth)	(264.1)	(500.0)	(500.0)	(500.0)
Investments	345.4	0.0	0.0	0.0
Proceeds from sale of assets	43.8	0.0	0.0	0.0
Others	(144.4)	264.5	(196.6)	(196.6)
Financing	**(454.7)**	**(338.6)**	**(213.5)**	**(345.6)**
Dividend payments	(636.7)	(639.2)	(654.5)	(685.2)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	767.4	1,141.1	1,141.1	1,141.1
Loan repayment	(1,686.7)	(840.5)	(700.1)	(801.5)
Others/interest paid	1,101.3	0.0	0.0	0.0
Net cash inflow (outflow)	**478.3**	**893.1**	**698.2**	**633.2**
Beginning cash & cash equivalent	**2,979.2**	**3,457.1**	**4,350.2**	**5,048.4**
Changes due to forex impact	(0.4)	0.0	0.0	0.0
Ending cash & cash equivalent	**3,457.1**	**4,350.2**	**5,048.4**	**5,681.6**

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	16.4	14.9	16.0	16.3
Pre-tax margin	13.9	12.3	13.0	13.0
Net margin	9.7	8.5	9.1	9.0
ROA	8.3	7.1	7.3	7.0
ROE	14.2	11.7	12.0	11.6
Growth				
Turnover	4.2	2.7	2.9	2.8
EBITDA	4.2	(6.8)	10.7	4.6
Pre-tax profit	3.8	(9.6)	9.4	2.4
Net profit	10.8	(9.6)	9.4	2.4
Net profit (adj.)	10.8	(9.6)	9.4	2.4
EPS	(0.1)	(9.6)	9.4	2.4
Leverage				
Debt to total capital	9.8	11.8	14.2	15.6
Debt to equity	11.3	13.1	16.3	18.2
Net debt/(cash) to equity	(29.8)	(28.1)	(28.8)	(29.6)
Interest cover (x)	23.2	25.5	21.5	17.8

HSI and HS Tech Index Outlook

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Hang Seng Index

Last close: 24,562.24

Expected moving range: 22,520 -25,630

Technical View:

Weekly Chart: The primary markdown phase remains firmly intact following a successful validation of the prior baseline support as active overhead resistance. Technical indicators reinforce this weak structural framework, with the RSI remaining pinned below its 50-neutral midline. This heavily favours short-side extension, projecting a sustained decline toward the next major horizontal price target.

Daily Chart: The price has encountered a ceiling at the confluence of the previous peak and the weekly resistance barrier, preserving the structural integrity of the broader bearish trajectory. This rejection sequence is fully synchronised with the RSI turning sharply downward from overbought territories toward the 50 midline. The path of least resistance points directly lower as long as this dual-layered pivot remains un-breached.

Hang Seng Tech Index

Last close: 4,623.17

Expected moving range: 4,230-4,890

Technical View:

Weekly Chart: The index experienced a decisive rejection at the Fibonacci 61.8% retracement level, logging a dominant bearish weekly closing print. The RSI trends weakly below its 50-neutral midline, indicating a systemic lack of buy-side interest. The technical framework projects an immediate acceleration of downward momentum toward the next support zone in the coming week.

Daily Chart: The price formed a bearish engulfing candlestick pattern upon encountering rigid overhead gap resistance. The RSI turns sharply downward below its 50-neutral midline. The technical layout anticipates active downside follow-through toward the next support zone.

Weekly Chart

Source: TradingView

Daily Chart

Source: TradingView

Analyst

Greater China Research Team
research-hk@uobkh.com

Tham Mun Hon, CFA
+852 2236 6799
munhon.tham@uobkh.com

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