

## Li Ning (2331 HK)

Full-Year Guidance Maintained; Considering Proposing Special Dividend

### Highlights

- Li Ning' low single-digit yoy decline in retail sell-through in 3Q26 was below management's expectation, with offline discounts deepening by a low single digit yoy. For 4Q26, management highlights weather conditions and 11.11 as the key swing factors. However, with the full-year targets already incorporating a cautious view, management maintained its guidance of low single-digit revenue growth and a mid- to high single-digit net margin.
- The launch timeline for Curry's signature shoes has yet to be determined. Management expects the full Curry product portfolio to be rolled out after 4Q27, at which point it anticipates a more meaningful contribution to sales.
- The company will hold a board meeting on 5 November to consider and approve a special dividend. Meanwhile, management believes that the regular payout ratio of 50% remains appropriate in the near term. Maintain BUY but cut target price by 11% to HK\$19.50.

### Analysis

- 3Q26 retail sell-through remained weak.** In 3Q26, Li Ning recorded a low single-digit yoy decline in retail sell-through (excluding Li Ning Young) (vs a low single-digit decline in 2Q26), below management's expectation, due to softer consumption and extreme weather. Including Li Ning Young, which recorded double-digit sell-through growth, total sell-through would be flat yoy (vs flat yoy in 2Q26). By channel, the offline channel registered a mid-single-digit decline, with retail remaining broadly flat and wholesale down by mid-single-digits. E-commerce grew by high single-digits, supported by short-term promotions such as influencer live-selling.
- Expect discounts to remain stable qoq in 4Q26, but yoy pressure to ease, helped by a low base; year-end inventory targeted at 4.0-4.5 months.** In 3Q26, offline discounts deepened by a low single-digit yoy and slightly qoq to around 40% off, while online discounts deepened slightly yoy but remained stable qoq. As of end-3Q26, the inventory level edged up to 5-6 months (vs close to four months at end-2Q26), although it remained stable yoy due to seasonal restocking, with the running category facing the greatest inventory and discount pressure. Looking ahead, management expects discounts to remain largely stable qoq in 4Q26, although yoy pressure is expected to ease vs 3Q26, supported by an easier base, and targets an inventory level of 4.0-4.5 months by year-end.

### Key Financials

| Year to 31 Dec (Rmbm)         | 2024   | 2025   | 2026F   | 2027F   | 2028F   |
|-------------------------------|--------|--------|---------|---------|---------|
| Net turnover                  | 28,676 | 29,598 | 30,326  | 31,342  | 32,381  |
| EBITDA                        | 6,379  | 6,161  | 4,673   | 5,209   | 5,708   |
| Operating profit              | 3,678  | 3,898  | 3,123   | 3,407   | 3,693   |
| Net profit (rep./act.)        | 3,013  | 2,936  | 2,366   | 2,559   | 2,759   |
| Net profit (adj.)             | 3,013  | 2,936  | 2,366   | 2,559   | 2,759   |
| EPS (Fen)                     | 116.5  | 113.5  | 91.5    | 99.0    | 106.7   |
| PE (x)                        | 9.4    | 9.6    | 11.9    | 11.0    | 10.2    |
| P/B (x)                       | 1.1    | 1.0    | 1.0     | 0.9     | 0.9     |
| EV/EBITDA (x)                 | 3.2    | 1.9    | 2.6     | 2.4     | 2.1     |
| Dividend yield (%)            | 5.4    | 5.2    | 4.2     | 4.5     | 4.9     |
| Net margin (%)                | 10.5   | 9.9    | 7.8     | 8.2     | 8.5     |
| Net debt/(cash) to equity (%) | (71.9) | (74.3) | (68.5)  | (65.1)  | (62.6)  |
| Interest cover (x)            | n.a.   | n.a.   | n.a.    | n.a.    | n.a.    |
| ROE (%)                       | 11.9   | 10.9   | 8.4     | 8.7     | 9.0     |
| Consensus net profit          | -      | -      | 2,396.0 | 2,743.8 | 3,070.7 |
| UOBKH/Consensus (x)           | -      | -      | 0.99    | 0.93    | 0.90    |

Source: Li Ning, Bloomberg, UOB Kay Hian

### Analyst(s)

Stella Guo

stella.guo@uobkh.com  
+852 2236 6798

Ejann Hiew

hejann@uobkh.com  
+603 2147 1995

### BUY (Maintained)

|              |           |
|--------------|-----------|
| Share Price  | HK\$12.84 |
| Target Price | HK\$19.50 |
| Upside       | +51.9%    |
| Previous TP  | HK\$21.80 |

### Stock Data

|                                |                        |
|--------------------------------|------------------------|
| Sector                         | Consumer Discretionary |
| Bloomberg ticker               | 2331 HK                |
| Shares issued (m)              | 2,584.8                |
| Market cap (HK\$m)             | 33,189.0               |
| Market cap (US\$m)             | 4,230.6                |
| 3-mth avg daily t'over (US\$m) | 41.2                   |

### Price Performance (%)

|                  |        |        |                     |        |
|------------------|--------|--------|---------------------|--------|
| 52-week high/low |        |        | HK\$23.42/HK\$12.04 |        |
| 1mth             | 3mth   | 6mth   | 1yr                 | YTD    |
| 4.9              | (11.0) | (36.1) | (29.3)              | (31.2) |

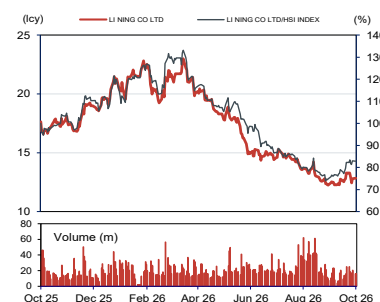
### Major Shareholders (%)

|                         |       |
|-------------------------|-------|
| Viva China              | 10.40 |
| Brown Brothers Harriman | 6.00  |

### Balance Sheet Metrics

|                           |       |
|---------------------------|-------|
| FY26 NAV/Share (Rmb)      | 11.13 |
| FY26 Net Cash/Share (Rmb) | 7.48  |

### Price Chart



Source: Bloomberg

### Company Description

Li Ning is one of the leading sportswear brands in China. The Li Ning brand is its main brand.

- **Full-year guidance maintained; weather conditions and 11.11 the key swing factors.** For 4Q26, weather conditions and 11.11 remain the key swing factors, particularly given the later start of the 11.11 pre-sale compared with last year. However, with the full-year targets already incorporating a cautious view, management maintained its guidance of low single-digit revenue growth and a mid- to high single-digit net margin. Meanwhile, management will remain disciplined on expenses and expects the expense ratio to stay within its targeted range.
- **Curry products to contribute meaningfully after 4Q27; targets 15 Li-Ning Loong stores by year-end.** Following Stephen Curry's first China tour in September, Li Ning launched Curry lifestyle apparel and exclusive Way of Wade colourways, which were mainly quick-response products and contributed only minimally to sales so far. However, the launch timeline for Curry's signature shoes has yet to be determined. Management expects the full Curry product portfolio to be rolled out after 4Q27, at which point it anticipates a more meaningful contribution to sales. Meanwhile, Li Ning opened around seven Li-Ning Loong stores in mid-to-late-September. Given their high-end positioning, management plans a disciplined rollout of no more than 15 stores by year-end.
- **Considering proposing a special dividend, while keeping the regular payout ratio at 50%.** On shareholder returns, management noted that the board now has greater clarity on funding needs over the next 12-24 months, while the company continues to maintain a strong cash position. Against this backdrop, Li Ning will hold a board meeting on 5 November to consider and approve a special dividend. Meanwhile, management believes that the regular payout ratio of 50% remains appropriate in the near term.

## Earnings Revision/Risk

- **Lower our 2026/27 earnings forecasts by 2%/5% respectively.** We trim our 2026/27 revenue forecasts by 1%. We keep our 2026/27 gross margin estimates unchanged. We raise our 2026/27 distribution expense ratios by 0.1ppt/0.3ppt respectively. Thus, our 2026/27 earnings forecasts are lowered by 2%/5% respectively.

## Valuation/Recommendation

- **Maintain BUY but cut target price by 11% to HK\$19.50.** We roll over our DCF-based target price to 2027 and cut our target price by 11% to HK\$19.50. Our target price implies 18.2x 2026F PE and 16.8x 2027F PE. The stock currently trades at 11.9x 2026F PE and 11.0x 2027F PE.

## Sell-Through Growth Rate (yoy)

|      | Overall platform  | Offline           | Retail            |
|------|-------------------|-------------------|-------------------|
| 1Q22 | (+) high-twenties | (+) mid-twenties  | (+) mid-thirties  |
| 2Q22 | (-) high-SD       | (-) high-SD       | (-) high-SD       |
| 3Q22 | (+) mid-teens     | (+) mid-teens     | (+) low-20s       |
| 4Q22 | (-) low-teens     | (-) high-teens    | (-) mid-teens     |
| 1Q23 | (+) mid-SD        | (+) high-SD       | (+) mid-teens     |
| 2Q23 | (+) mid-teens     | (+) high-teens    | (+) high-twenties |
| 3Q23 | (+) mid-SD        | (+) high-SD       | (+) low-twenties  |
| 4Q23 | (+) low-twenties  | (+) high-twenties | (+) low-fifties   |
| 1Q24 | (+) low-SD        | (-) low-SD        | (+) mid-SD        |
| 2Q24 | (-) low-SD        | (-) mid-SD        | flat              |
| 3Q24 | (-) mid-SD        | (-) high-SD       | (-) mid-SD        |
| 4Q24 | (+) high-SD       | (+) mid-SD        | (-) low-SD        |
| 1Q25 | (+) low-SD        | (+) low-SD        | (-) low-SD        |
| 2Q25 | (+) low-SD        | (-) low-SD        | (-) mid-SD        |
| 3Q25 | (-) mid-SD        | (-) high-SD       | (-) mid-SD        |
| 4Q25 | (-) low-SD        | (-) mid-SD        | (-) low-SD        |
| 1Q26 | (+) mid-SD        | (+) mid-SD        | (+) low-teens     |
| 2Q26 | (-) low-SD        | (-) low-SD        | (-) low-SD        |
| 3Q26 | (-) low-SD        | (-) mid-SD        | flat              |

Source: Li Ning, UOB Kay Hian

## Sell-Through Growth Rate (yoy)

|      | Wholesale        | E-commerce       |
|------|------------------|------------------|
| 1Q22 | (+) low-twenties | (+) mid-thirties |
| 2Q22 | (-) high-SD      | (+) mid-SD       |
| 3Q22 | (+) low-teens    | (+) mid-20s      |
| 4Q22 | (-) low-twenties | (+) mid-SD       |
| 1Q23 | (+) mid-SD       | (-) low-teens    |
| 2Q23 | (+) mid-teens    | (+) low-teens    |
| 3Q23 | (+) low-SD       | (-) low-SD       |
| 4Q23 | (+) high-teens   | (+) mid-SD       |
| 1Q24 | (-) mid-SD       | (+) low-twenties |
| 2Q24 | (-) high-SD      | (+) high-SD      |
| 3Q24 | (-) high-SD      | (+) mid-SD       |
| 4Q24 | (+) mid-SD       | (+) mid-teens    |
| 1Q25 | (+) low-SD       | (+) low-teens    |
| 2Q25 | (+) low-SD       | (+) mid-SD       |
| 3Q25 | (-) high-SD      | (+) high-SD      |
| 4Q25 | (-) mid-SD       | flat             |
| 1Q26 | (+) low-SD       | (+) high-SD      |
| 2Q26 | (-) mid-SD       | (+) mid-SD       |
| 3Q26 | (-) mid-SD       | (+) high-SD      |

Source: Li Ning, UOB Kay Hian

**Profit & loss**

| Year to 31 Dec (Rmbm)            | 2025      | 2026F     | 2027F     | 2028F     |
|----------------------------------|-----------|-----------|-----------|-----------|
| Net turnover                     | 29,598.4  | 30,326.0  | 31,341.7  | 32,381.3  |
| EBITDA                           | 6,160.9   | 4,672.6   | 5,208.5   | 5,708.0   |
| Deprec. & amort.                 | 2,004.8   | 1,420.6   | 1,670.1   | 1,881.4   |
| EBIT                             | 3,898.2   | 3,123.2   | 3,407.1   | 3,692.6   |
| Total other non-operating income | 0.0       | 0.0       | 0.0       | 0.0       |
| Associate contributions          | 257.9     | 128.8     | 131.4     | 134.0     |
| Net interest income/(expense)    | 33.1      | 123.8     | 113.4     | 110.7     |
| Pre-tax profit                   | 4,189.2   | 3,375.8   | 3,651.9   | 3,937.3   |
| Tax                              | (1,253.5) | (1,010.1) | (1,092.7) | (1,178.1) |
| Minorities                       | 0.0       | 0.0       | 0.0       | 0.0       |
| Net profit                       | 2,935.7   | 2,365.7   | 2,559.2   | 2,759.2   |
| Net profit (adj.)                | 2,935.7   | 2,365.7   | 2,559.2   | 2,759.2   |

**Cash flow**

| Year to 31 Dec (Rmbm)            | 2025      | 2026F     | 2027F     | 2028F     |
|----------------------------------|-----------|-----------|-----------|-----------|
| Operating                        | 4,851.5   | 2,807.3   | 3,258.6   | 3,657.8   |
| Pre-tax profit                   | 4,189.2   | 3,375.8   | 3,651.9   | 3,937.3   |
| Tax                              | (1,253.5) | (1,010.1) | (1,092.7) | (1,178.1) |
| Deprec. & amort.                 | 2,004.8   | 1,420.6   | 1,670.1   | 1,881.4   |
| Working capital changes          | 162.3     | 21.0      | 29.3      | 17.2      |
| Non-cash items                   | 657.0     | 0.0       | 0.0       | 0.0       |
| Other operating cashflows        | (942.2)   | (1,000.0) | (1,000.0) | (1,000.0) |
| Investing                        | 6,634.0   | (2,200.0) | (2,200.0) | (2,200.0) |
| Capex (growth)                   | (1,293.0) | (2,200.0) | (2,200.0) | (2,200.0) |
| Investments                      | (69.4)    | (150.0)   | (150.0)   | (150.0)   |
| Proceeds from sale of assets     | 14.9      | 0.0       | 0.0       | 0.0       |
| Others                           | 7,981.4   | 150.0     | 150.0     | 150.0     |
| Financing                        | (2,155.0) | (1,300.2) | (1,239.8) | (1,338.4) |
| Dividend payments                | (1,399.9) | (1,300.2) | (1,239.8) | (1,338.4) |
| Issue of shares                  | 0.0       | 0.0       | 0.0       | 0.0       |
| Proceeds from borrowings         | 5,920.0   | 0.0       | 0.0       | 0.0       |
| Loan repayment                   | (5,920.0) | 0.0       | 0.0       | 0.0       |
| Others/interest paid             | (755.1)   | 0.0       | 0.0       | 0.0       |
| Net cash inflow (outflow)        | 9,330.5   | (692.8)   | (181.2)   | 119.3     |
| Beginning cash & cash equivalent | 7,498.6   | 16,716.6  | 16,023.7  | 15,842.5  |
| Changes due to forex impact      | (112.5)   | 0.0       | 0.0       | 0.0       |
| Ending cash & cash equivalent    | 16,716.6  | 16,023.7  | 15,842.5  | 15,961.9  |

**Balance Sheet**

| Year to 31 Dec (Rmbm)      | 2025     | 2026F    | 2027F    | 2028F    |
|----------------------------|----------|----------|----------|----------|
| Fixed assets               | 4,753.7  | 6,010.9  | 7,129.7  | 8,125.4  |
| Other LT assets            | 10,010.7 | 10,533.0 | 10,944.1 | 11,267.0 |
| Cash/ST investment         | 16,716.6 | 16,023.7 | 15,842.5 | 15,961.9 |
| Other current assets       | 6,233.1  | 6,359.4  | 6,535.8  | 6,716.4  |
| Total assets               | 37,714.1 | 38,927.0 | 40,452.1 | 42,070.6 |
| ST debt                    | 0.0      | 0.0      | 0.0      | 0.0      |
| Other current liabilities  | 8,061.1  | 8,208.4  | 8,414.2  | 8,611.9  |
| LT debt                    | 0.0      | 0.0      | 0.0      | 0.0      |
| Other LT liabilities       | 2,025.5  | 2,025.5  | 2,025.5  | 2,025.5  |
| Shareholders' equity       | 27,627.5 | 28,693.1 | 30,012.4 | 31,433.2 |
| Minority interest          | 0.0      | 0.0      | 0.0      | 0.0      |
| Total liabilities & equity | 37,714.1 | 38,927.0 | 40,452.1 | 42,070.6 |

**Key Metric**

| Year to 31 Dec (%)        | 2025   | 2026F  | 2027F  | 2028F  |
|---------------------------|--------|--------|--------|--------|
| <b>Profitability</b>      |        |        |        |        |
| EBITDA margin             | 20.8   | 15.4   | 16.6   | 17.6   |
| Pre-tax margin            | 14.2   | 11.1   | 11.7   | 12.2   |
| Net margin                | 9.9    | 7.8    | 8.2    | 8.5    |
| ROA                       | 8.0    | 6.2    | 6.4    | 6.7    |
| ROE                       | 10.9   | 8.4    | 8.7    | 9.0    |
| <b>Growth</b>             |        |        |        |        |
| Turnover                  | 3.2    | 2.5    | 3.3    | 3.3    |
| EBITDA                    | (3.4)  | (24.2) | 11.5   | 9.6    |
| Pre-tax profit            | 1.9    | (19.4) | 8.2    | 7.8    |
| Net profit                | (2.6)  | (19.4) | 8.2    | 7.8    |
| Net profit (adj.)         | (2.6)  | (19.4) | 8.2    | 7.8    |
| EPS                       | (2.6)  | (19.4) | 8.2    | 7.8    |
| <b>Leverage</b>           |        |        |        |        |
| Debt to total capital     | n.a.   | n.a.   | n.a.   | n.a.   |
| Debt to equity            | n.a.   | n.a.   | n.a.   | n.a.   |
| Net debt/(cash) to equity | (74.3) | (68.5) | (65.1) | (62.6) |
| Interest cover (x)        | n.a.   | n.a.   | n.a.   | n.a.   |

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