UOBKayHian

Company – Update
Greater China
Thursday, 16 July 2026

Li Ning (2331 HK)

Weaker 2Q26 Performance; Full-Year Guidance Maintained But Higher Pressure In 2H26

Highlights

- In 2Q26, Li Ning recorded a low single-digit yoy decline in retail sell-through, (if including Li Ning Young, total sell-through would be flat yoy), with deepened discounts. Looking ahead, the company intends to set inventory health as its top priority. However, given the tepid consumption demand and the highly competitive industry landscape, this may result in further discount pressure and, in our view, could weigh on gross margin.
- Management continues to maintain its full-year targets of high single-digit revenue growth and a high single-digit net margin range, though pressure is expected to intensify in 2H26.
- Maintain BUY but cut target price by 6% to HK$23.30.

Analysis

- **2Q26 retail sell-through weakened vs 1Q26.** In 2Q26, Li Ning recorded a low single-digit yoy decline in retail sell-through (excluding Li Ning Young), below management's expectation, due to a softened consumption environment and unfavourable weather. If including Li Ning Young, which recorded low-teens sell-through growth, total sell-through would be flat yoy. By channel, the offline channel registered a low single-digit decline, with retail down by low single digits and wholesale down by mid-single digits (retail outperformed wholesale mainly driven by outlets). E-commerce grew by mid-single digits, though growth moderated qoq.

  By category, running and sports casual sell-through turned to a yoy decline in 2Q26 (vs growth in 1Q26), while basketball's decline widened vs 1Q26. Badminton weakened notably on a high base after two years of an industry-driven surge. Training delivered decent growth in 2Q26, helped by functional apparel and the peak season. Outdoor and Glory Gold Label grew rapidly, but their contributions remained limited, accounting for only mid-single digits and low single digits of 2Q26 sell-through, respectively.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	28,676	29,598	31,063	32,463	33,813
EBITDA	6,379	6,161	5,461	5,929	6,264
Operating profit	3,678	3,898	3,893	4,206	4,413
Net profit (rep./act.)	3,013	2,936	2,924	3,153	3,311
Net profit (adj.)	3,013	2,936	2,924	3,153	3,311
EPS (Fen)	116.5	113.5	113.1	121.9	128.0
PE (x)	11.2	11.5	11.6	10.7	10.2
P/B (x)	1.3	1.2	1.2	1.1	1.0
EV/EBITDA (x)	4.1	2.8	3.0	2.6	2.3
Dividend yield (%)	4.5	4.4	4.3	4.7	4.9
Net margin (%)	10.5	9.9	9.4	9.7	9.8
Net debt/(cash) to equity (%)	(71.9)	(74.3)	(72.7)	(72.2)	(72.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	11.9	10.9	10.3	10.5	10.5
Consensus net profit	-	-	3,030.1	3,372.8	3,814.0
UOBKH/Consensus (x)	-	-	0.97	0.93	0.87

Source: Li Ning, Bloomberg, UOB Kay Hian

BUY (Maintained)	
Share Price	HK$15.12
Target Price	HK$23.30
Upside	+54.1%
Previous TP	HK$24.70

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Stock Data

GICS sector	Consumer Discretionary
Bloomberg ticker:	2331 HK
Shares issued (m):	2,584.8
Market cap (HK$m):	39,082.4
Market cap (US$m):	4,985.5
3-mth avg daily t'over (US$m):	45.8

Price Performance (%)

52-week high/low				HK$23.42/ HK14.21
1mth	3mth	6mth	1yr	YTD
(15.7)	(31.4)	(22.9)	(5.9)	(19.0)

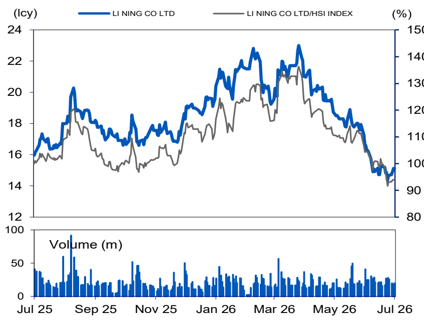
Major Shareholders

	%
Viva China	10.40
Brown Brothers Harriman	6.00

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	11.29
FY26 Net Cash/Share (Rmb)	8.00

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.

- **Inventory health remains the top priority but deepened discounts may weigh on gross margin.** As of end-2Q26, the inventory level stood at close to four months (vs around five months at end-1Q26), which management views as healthy and controllable. Discounts deepened in 2Q26, due to a softer consumption environment, with offline deepening by mid-single digits yoy and online by low single digits yoy. Looking ahead, the company intends to set inventory health as its top priority. However, given the tepid consumption demand and the highly competitive industry landscape, this may result in further discount pressure and, in our view, could weigh on gross margin, despite the company's cost-optimisation initiatives.
- **Full-year guidance maintained but higher pressure expected in 2H26.** Despite the weaker retail sell-through momentum in 2Q26 and still-tepid qtd sell-through in July, as well as the challenging gross margin condition and stepped-up investments in branding and sports (including The Asian Games, Stephen Curry signing, Xi'an Marathon), management continues to maintain its full-year targets of high single-digit revenue growth and a high single-digit net margin range, though pressure is expected to intensify in 2H26.

Earnings Revision/Risk

- **Lower our 2026/27 earnings forecasts by 3%/4% respectively.** We trim our 2026/27 revenue forecasts by 1%/2% respectively. We cut our 2026/27 gross margin estimates slightly by 0.1ppt each. We raise our 2026/27 operating expense ratios by 0.1ppt/0.3ppt respectively, due to expected stepped-up A&P expenses. Thus, our 2026/27 earnings forecasts are lowered by 3%/4% respectively.

Valuation/Recommendation

- **Maintain BUY but cut target price by 6% to HK$23.30.** We cut our DCF-based target price by 6% to HK$23.30. Our target price implies 18.3x 2026F PE and 17.0x 2027F PE. The stock currently trades at 11.6x 2026F PE and 10.7x 2027F PE.

Sell-Through Growth Rate (yoy)

	Overall platform	Offline	Retail	Wholesale	E-commerce
1Q21	(+) high-eighties	(+) low-eighties	(+) low-nineties	(+) low-eighties	(+) 100%
2Q21	(+) low-nineties	(+) low-nineties	(+) high-eighties	(+) low-nineties	(+) high-nineties
3Q21	(+) low-forties	(+) high-thirties	(+) mid-thirties	(+) high-thirties	(+) mid-fifties
4Q21	(+) low-thirties	(+) high-twenties	(+) high-twenties	(+) high-twenties	(+) low-forties
1Q22	(+) high-twenties	(+) mid-twenties	(+) mid-thirties	(+) low-twenties	(+) mid-thirties
2Q22	(-) high-SD	(-) high-SD	(-) high-SD	(-) high-SD	(+) mid-SD
3Q22	(+) mid-teens	(+) mid-teens	(+) low-20s	(+) low-teens	(+) mid-20s
4Q22	(-) low-teens	(-) high-teens	(-) mid-teens	(-) low-twenties	(+) mid-SD
1Q23	(+) mid-SD	(+) high-SD	(+) mid-teens	(+) mid-SD	(-) low-teens
2Q23	(+) mid-teens	(+) high-teens	(+) high-twenties	(+) mid-teens	(+) low-teens
3Q23	(+) mid-SD	(+) high-SD	(+) low-twenties	(+) low-SD	(-) low-SD
4Q23	(+) low-twenties	(+) high-twenties	(+) low-fifties	(+) high-teens	(+) mid-SD
1Q24	(+) low-SD	(-) low-SD	(+) mid-SD	(-) mid-SD	(+) low-twenties
2Q24	(-) low-SD	(-) mid-SD	flat	(-) high-SD	(+) high-SD
3Q24	(-) mid-SD	(-) high-SD	(-) mid-SD	(-) high-SD	(+) mid-SD
4Q24	(+) high-SD	(+) mid-SD	(-) low-SD	(+) mid-SD	(+) mid-teens
1Q25	(+) low-SD	(+) low-SD	(-) low-SD	(+) low-SD	(+) low-teens
2Q25	(+) low-SD	(-) low-SD	(-) mid-SD	(+) low-SD	(+) mid-SD
3Q25	(-) mid-SD	(-) high-SD	(-) mid-SD	(-) high-SD	(+) high-SD
4Q25	(-) low-SD	(-) mid-SD	(-) low-SD	(-) mid-SD	flat
1Q26	(+) mid-SD	(+) mid-SD	(+) low-teens	(+) low-SD	(+) high-SD
2Q26	(-) low-SD	(-) low-SD	(-) low-SD	(-) mid-SD	(+) mid-SD

Source: Li Ning, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	29,598.4	31,063.4	32,462.6	33,812.8
EBITDA	6,160.9	5,461.1	5,929.3	6,263.9
Deprec. & amort.	2,004.8	1,439.0	1,591.6	1,716.3
EBIT	3,898.2	3,893.3	4,206.3	4,413.5
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	150.5	161.1	176.8
Pre-tax profit	4,189.2	4,172.6	4,498.8	4,724.3
Tax	(1,253.5)	(1,248.5)	(1,346.1)	(1,413.6)
Minorities	0.0	0.0	0.0	0.0
Net profit	2,935.7	2,924.1	3,152.7	3,310.7
Net profit (adj.)	2,935.7	2,924.1	3,152.7	3,310.7

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	4,753.7	5,191.7	5,573.7	5,906.7
Other LT assets	10,010.7	10,433.8	10,760.2	11,010.8
Cash/ST investment	16,716.6	17,369.8	18,325.7	19,469.5
Other current assets	6,233.1	6,487.5	6,730.5	6,965.0
Total assets	37,714.1	39,482.8	41,390.1	43,352.0
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	8,061.1	8,370.1	8,654.1	8,928.1
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	29,087.1	30,710.5	32,398.4
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	37,714.1	39,482.8	41,390.1	43,352.0

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,851.5	3,417.7	3,785.3	4,066.6
Pre-tax profit	4,189.2	4,172.6	4,498.8	4,724.3
Tax	(1,253.5)	(1,248.5)	(1,346.1)	(1,413.6)
Deprec. & amort.	2,004.8	1,439.0	1,591.6	1,716.3
Working capital changes	162.3	54.6	41.0	39.5
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	(1,300.0)	(1,300.0)	(1,300.0)
Capex (growth)	(1,293.0)	(1,300.0)	(1,300.0)	(1,300.0)
Investments	(69.4)	(50.0)	(50.0)	(50.0)
Proceeds from sale of assets	14.9	0.0	0.0	0.0
Others	7,981.4	50.0	50.0	50.0
Financing	(2,155.0)	(1,464.4)	(1,529.3)	(1,622.8)
Dividend payments	(1,399.9)	(1,464.4)	(1,529.3)	(1,622.8)
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	653.2	956.0	1,143.7
Beginning cash & cash equivalent	7,498.6	16,716.6	17,369.8	18,325.7
Changes due to forex impact	(112.5)	0.0	0.0	0.0
Ending cash & cash equivalent	16,716.6	17,369.8	18,325.7	19,469.5

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	20.8	17.6	18.3	18.5
Pre-tax margin	14.2	13.4	13.9	14.0
Net margin	9.9	9.4	9.7	9.8
ROA	8.0	7.6	7.8	7.8
ROE	10.9	10.3	10.5	10.5
Growth				
Turnover	3.2	4.9	4.5	4.2
EBITDA	(3.4)	(11.4)	8.6	5.6
Pre-tax profit	1.9	(0.4)	7.8	5.0
Net profit	(2.6)	(0.4)	7.8	5.0
Net profit (adj.)	(2.6)	(0.4)	7.8	5.0
EPS	(2.6)	(0.4)	7.8	5.0
Leverage				
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)	(72.7)	(72.2)	(72.0)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.