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## **LINING'S VALUATION AND STRATEGIC MERGER WITH UNDER ARMOUR**

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**Abstract:**

This work evaluates the potential merger between Li Ning and Under Armour, two sportswear companies. The DCF valuation method reveals upside potential for the shares of these two companies, with Li Ning showing a 12.85% upside and Under Armour an 8.39% upside. The proposed merger highlights significant value creation, with synergies boosting the combined market capitalization by 12.61%, reaching 13.1 billion USD. By merging Under Armour's established presence in North America with Li Ning's growing dominance in China, the combined entity is positioned to compete more effectively against industry leaders Nike and Adidas in the global sportswear market.

**Keywords:** Valuation, Merger, Synergies, Expansion, Enterprise Value

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## **Introduction**

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In this analysis, the potential for a merger of equals between two sportswear companies, Li Ning and Under Armour, was evaluated. Whereas Under Armour primarily operates in North America, Li Ning's operations are in China, so a merger would enable both companies to expand geographically, access new customers, and compete with industry giants like Nike and Adidas. To assess the merger's feasibility and potential, we conducted a valuation analysis of the stand-alone companies, which formed the basis for the valuation of the new merged entity. The project comprises four main parts: a literature review and methodology section, where theoretical concepts and valuation methodology are presented; a stand-alone valuation of Li Ning; a stand-alone valuation of Under Armour; and, finally, a valuation of the merged entity. The stand-alone valuations of Li Ning and Under Armour reveal notable upside potential, with Li Ning showing a 12.85% upside and Under Armour an 8.39% upside. The proposed merger offers significant value creation, with synergies increasing the combined market capitalization by 12.61%, reaching 13.1 billion USD. Based on these findings, we recommend proceeding with the merger.

## **Literature Review and Methodology**

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Before delving into the valuations of the stand-alone companies and the merged entity, we will first provide an overview of the theoretical frameworks and methodologies employed in the valuation process.

**Cross-border valuation:** In a cross-border valuation, it is necessary to select the appropriate currency, tax rate, and discount rates. In this case, Li Ning operates in China and Under Armour in the US, so we determined that the most suitable option would be to list the merged entity on the US stock exchange market, due to its more favorable and stable regulatory environment and greater visibility for international growth. So, the new tax rate applied is the US tax rate, and

all discount rates need to align with the currency of the cash flows, in USD. To perform currency conversions, we applied the interest rate parity (IRP) (Madura 2020, 220-222) - **Formula 1**:

$$E(S_{t+1}) = S_t \times \left( \frac{1 + R_{f,n}}{1 + R_{h,n}} \right)^n$$

Where:  $E(S_{t+1})$  is the expected exchange rate at time t+1;  $S_t$  is the current exchange rate at time t;  $R_{h,n}$  is the interest rate in the home country for the n-year period;  $R_{f,n}$  is the interest rate in the foreign country for the n-year period;  $n$  is the number of periods into the future.

It's important to note that adjustment factors ( $k_n$ ) were incorporated into the previous formula -  $E(S_{t+1}) \times k_n$  - to account for the forward premium puzzle, which suggests that the IRP fails to accurately predict exchange rates. This implies that currencies with high interest rates don't depreciate as much as predicted by the IRP, or they may even appreciate (Hansen and Hodrick, 1983). The  $k_n$  was computed using historical deviations between actual exchange rates and predictions based on the IRP. By using historical deviations, the adjustment factors account for market expectations and inefficiencies, risk premiums, bank interventions, among other factors.

**Discounted Cash Flows (DCF):** For the valuations, we will primarily use the DCF model. This approach estimates the enterprise value of the firm by computing the present value of the unlevered free cash flows, which are available to pay its investors - both equity holders and debtholders (Berk 2017, 322). The unlevered free cash flows were computed using **Formula 2**:

$$\begin{aligned} \text{Unlevered Free Cash Flows (UFCF)} = & (\text{Core EBIT}) - \text{Taxes} + \text{D\&A expenses} \\ & - \text{Capex} - \Delta \text{NWC} - \Delta \text{Other operating assets and liabilities} \end{aligned}$$

Having the UFCF, their present value is obtained by discounting them by the Weighted Average Cost of Capital (WACC). Finally, the terminal value of the firm is added to achieve the firm's enterprise value, and is computed using **Formula 3** (Berk 2017, 323):

$$\text{Terminal Value (TV)} = \frac{\text{UFCF}_{n+1}}{\text{WACC} - g}$$

Where:  $UFCF_{n+1}$  = Unlevered Free Cash Flow for year n+1;  $WACC$  = Weighted Average Cost of Capital;  $g$  = terminal growth rate of UFCF

Weighted Average Cost of Capital: The weighted average cost of capital (WACC) will be used to discount the unlevered core free cash flows and the corresponding terminal value. It is calculated using **Formula 4** (Brealey 2017, 221):

$$WACC = \left( \frac{E}{D + E} \right) \times r_e + \left( \frac{D}{D + E} \right) \times r_d \times (1 - t)$$

Where:  $r_e$  is the cost of equity;  $r_d$  is the cost of debt;  $E$  is the market value of equity;  $D$  is the market value of net debt;  $t$  is the tax rate

When a target D/E ratio is not provided by the company, the existing capital structure can be used if it falls within the range of the comparables. If it does not, the median value of the comparables serves as a representation of the target capital structure (Rosenbaum 2013, 125-126). The cost of debt ( $r_d$ ) and the cost of equity ( $r_e$ ) were derived using the Capital Asset Pricing Model (CAPM) (Berk 2017, 440-445) – **Formula 5 and 6:**

$$r_d = r_f + \beta_d * MRP \qquad r_e = r_f + \beta_e * MRP$$

Both the risk-free rate ( $r_f$ ) and the market risk premium ( $MRP$ ) were obtained in the same currency as the cash flows. Notably, the risk-free rate is based on the rate available at the valuation date, while the  $MRP$  corresponds to the historical average of excess returns over the market portfolio (Damodaran). The debt beta ( $\beta_d$ ) is derived based on the company's credit rating (synthetic or real), while the equity beta ( $\beta_e$ ) is obtained by performing a regression analysis of the company's excess stock returns against the market stock returns (Berk 2017, 448-449). The resulting equity beta is then unlevered ( $\beta_u$ ) based on the current net debt-to-equity ( $D/E$ ) ratio and re-levered using the target  $D/E$  ratio, as shown in **Formula 7:**

$$\beta_e = \beta_u * \left( 1 + (1 - tax\ rate) \times target \frac{D}{E} \right)$$

Terminal Growth Rate: To calculate the terminal growth rate ( $g$ ) for the terminal value, we used **Formula 8:** Return on New Invested Capital (RONIC)  $\times$  Reinvestment Rate (RR). This formula can only be applied after the company's cash flows stabilize. Additionally, this rate must be lower than the growth rate of the economy in the country where the company operates, as no single company can grow faster than the economy indefinitely. This corresponds to the US growth rate for Under Armour and the Hong Kong growth rate for Li Ning.

**Multiples Valuation Approach:** The second method used is the multiples valuation approach, which consists of estimating the firm's value using the market values of comparable firms - companies that share the same characteristics. Bloomberg offers a set of comparable firms for each company, ensuring an accurate selection of peer companies. The multiples used in this valuation are the forward price-to-earnings (P/E) and enterprise value-to-EBITDA (EV/EBITDA) multiples. In valuations, forward multiples are preferred, as we are concerned with future rather than historical performance. The median multiple is calculated from the list of comparable firms and used to estimate the company's enterprise value (Berk 2017, 326-327).

**Mergers and Acquisition (M&A):** Mergers and acquisitions remain the preferred approach among all the competitive options available for companies to grow and prosper in the dynamic and constantly changing global business landscape (M. DePamphilis, 2023). This is because mergers aim to achieve so-called synergies, including strategic, operational, and financial synergies, such as operational efficiencies, strengthening market position and competitive ability, and combining the portfolios of both companies. This translates into the formula  $1+1=3$ , meaning that the value of the company resulting from the merger is worth more than the sum of its individual values. Additionally, these mergers will be fundamental to a long-term growth strategy and to maximizing shareholder value.

## Li Ning's Valuation

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### Company Description

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Li Ning Company Limited, listed on the Hong Kong Stock Exchange under the ticker 2331.HK, was founded in 1990 by the famous Chinese gymnast Li Ning. Currently, it is one of the leading sportswear and equipment manufacturers in China, competing with major companies such as Nike and Adidas. The company operates in China but sells globally through its e-commerce channels, offering a variety of products across different sports categories, such as running, badminton, basketball, and fitness. Their products are particularly popular among consumers because they blend traditional Chinese design with a more modern look. More recently, they have been focusing on innovation and digitalization, using e-commerce channels and social media to reach younger generations.

### Performance Analysis

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Li Ning's revenues are divided into three main categories: footwear, apparel, and equipment/accessories, with footwear and apparel accounting for most sales at an average of 45.9% and 48.4%, respectively, while equipment and accessories account for an average of 5.7%. These proportions have remained relatively stable over the years. Products are sold across China through physical stores and online channels, with a balanced distribution between northern and southern regions. However, recent years show a slight revenue shift towards the southern part of China when comparing 2023 with 2017 (47.7% north and 50.6% south in 2023, compared with 51.1% north and 46.2% south in 2017). International markets, which are accessed only through e-commerce channels, represent a small portion of sales, at 1.9% in 2023. Li Ning employs multiple sales channels, including franchised distributors, direct operations, and e-commerce. E-commerce has registered strong growth, increasing from 19.3% of sales in 2017 to 27.8% in 2023, mainly due to the shift towards digital after the pandemic. Overall, sales have been consistently growing, even during the pandemic's peak, when sales grew by 4.2% in

2020, followed by the largest growth of 56.1% the following year. More recently, in 2023, sales grew by around 7.0%, with the company focused on improving efficiency and expanding internationally through their e-commerce channels.

Profitability margins for Li Ning show significant improvements due to strategic cost-reduction initiatives and stringent cost controls. The gross margin rose from 47.4% in 2017, reaching its peak in 2020 at 54.0%, and then stabilizing at 49.7% in 2023, as the peak margin was found to be unsustainable. The EBITDA margin showed even greater progress, rising from 10.0% in 2017 to 20.9% in 2023, more than doubling. Similarly, the operating margin went from 5.8% in 2017 to 11.5% in 2023. All these profitability metrics are slightly higher than the industry average, showing their ability in cost management and pricing strategies.

Li Ning's capital structure is somewhat unique in the industry, especially when compared to its biggest competitors like Nike and Adidas, as it consists only of leasing liabilities. This reveals a low reliance on debt, which is reflected in the company's debt-to-equity and net debt-to-equity ratios. Over the last five years, the company had an average debt-to-equity ratio of 10.2% and a net debt-to-equity ratio of -65.4%, showing its preference for equity financing and substantial excess cash balances. The decision to maintain a near-zero debt position is a strategic one that the company intends to uphold in the future, with the objective of minimizing financial risk and increasing the company's long-term stability.

In terms of cash flow management, the cash conversion cycle (CCC) saw significant improvements, highlighting stronger working capital management. It is calculated as Days Inventory Outstanding (DIO) + Days Sales Outstanding (DSO) – Days Payable Outstanding (DPO) and represents the length of time between when the firm pays cash to purchase the initial inventory and when it receives cash from the sale of the output produced from that inventory (Berk 2017, 951-952). The DIO seems to be stabilizing, with a value of 65.52 days in 2023, after a notable decrease since 2017 from 86.21 days. This reduction indicates that inventory is

being held for less time before it is sold, reflecting better stock management that frees cash more quickly and improves storage costs. Similarly, the DSO dropped sharply from 46.81 days in 2017 to 15.94 days in 2023, as receivables are being collected more quickly, mainly due to better credit policies, which free up cash and improve liquidity. Lastly, the DPO has also been decreasing as the company is focused on paying suppliers more promptly to improve the relationship with its suppliers and secure better terms. Therefore, it went from 89.54 days in 2017 to almost half (47.03 days) in 2023. Overall, Li Ning's CCC is lower than the apparel industry average, which stood at 97.4 days in 2021 (J.P. Morgan 2022), especially after the recent improvements, reflecting more effective working capital management compared to its peers. This enables faster cash flow, reduces the need for external financing, and gives them a competitive advantage in terms of liquidity and cash flow management.

When it comes to Li Ning's liquidity, the company demonstrates a strong liquidity position as evidenced by its current, quick, and cash ratios. Over recent years, these metrics reveal a shift from a position of excessive liquidity to more balanced results. The company's current ratio declined from a value of 2.40 in 2021 to 1.88 in 2023. Similarly, the quick ratio decreased from 2.19 to 1.54, and the cash ratio dropped from 1.91 to 0.75. This strategic shift allowed the company to use its excess assets, mainly cash, to promote growth, while still maintaining a strong liquidity position.

### **Value Drivers and Forecasts**

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The first step in the valuation of Li Ning is to reformulate both the income statement and balance sheet from the historical financial years. This allows for a clear distinction between the core operations of the business and the non-core and financial components. By doing this, we can isolate the main components of Li Ning's operations that are key to its performance and ensure that the valuation is focused on them. With all the statements clearly divided, we can then proceed with the forecasts of their components.

**Revenue Forecast:** The first step in forecasting, and one of the most essential and critical ones for constructing the Discounted Cash Flows Model, is to forecast Li Ning's revenues. This step is crucial and requires more complexity than other metrics, as it will serve as the base for forecasting many other metrics in the financial statements that heavily depend on revenues.

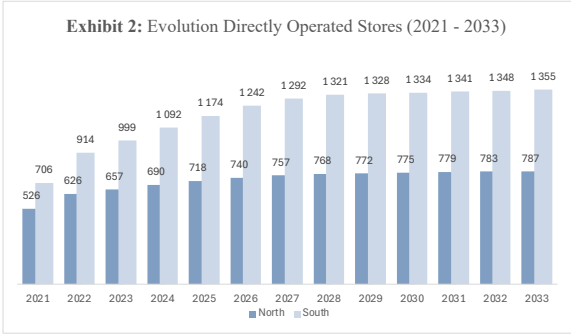
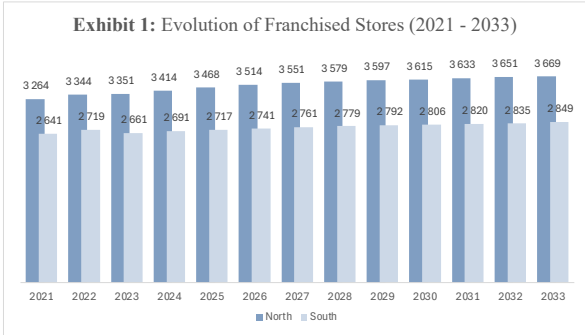
Li Ning's revenues can be broken down by region: the northern and southern regions of China. Within each region, sales can be divided by physical channel: sales from franchised distributors or sales from direct operations. Information regarding the number of stores in each of these physical channels is provided in the company's reports, allowing a breakdown of the revenues based on the number of stores per region and channel, and their corresponding average revenue, which were forecasted separately. Additionally, Li Ning also sells through their e-commerce channel nationally and internationally.

The projections for revenues are divided into two main periods: an expansion period of five years, in which Li Ning is expected to implement its growth plan, mainly regarding physical store count and the boost of its e-commerce channel, followed by a stabilization period in which the company matures and, consequently, its growth rates stabilize.

Physical Stores: In China, Li Ning's strategy regarding its physical stores is to increase efficiency and expand its presence across the country, especially through its directly operated stores. For this reason, in 2023, Li Ning closed more than 1,000 inefficient stores, mainly franchised stores, and invested heavily in their modernization to enhance customer experience. Moving forward, the company plans to continue closing stores it considers inefficient and opening new ones, with a specific focus on directly operated stores in city centers, particularly in Hong Kong, which plays an important role in their growth plan.

Starting with directly operated stores in northern China, they have been growing consistently over the last three years, especially after the COVID-19 pandemic, during which the company was obligated to close stores. Last year, the company increased the number of stores by 5.0%,

a rate that is expected to continue in 2024 as part of the company’s ongoing growth strategy. Similarly, directly operated stores in the southern region of China have been rising, with an increase of 9.3% last year, a value that is expected to remain the same. This growth rate is higher than that of the northern region due to their increased presence in Hong Kong, one of their main expansion locations. Next, franchised stores in the northern part of the country have been growing by 1.9% on average over the last three years. In 2023, this value was much lower due to the closure of inefficient stores. For 2024, they will continue to close stores they consider inefficient and open new ones, leading to an estimated 1.9% growth in franchised stores. Similarly, for franchised stores in the southern region, sales are projected to increase by 1.1%. All these projections about the growth of directly operated stores and franchised stores are expected to stabilize by 2029 at a rate of 0.5% annually, with gradual decreases in the growth rate until that point. This value represents a projection of a more mature phase for Li Ning, where the company will be focused on optimizing its existing stores. In total, this represents an increase from 7,668 stores in 2023 to 8,660 stores in 2033 (CAGR of 1.2%).

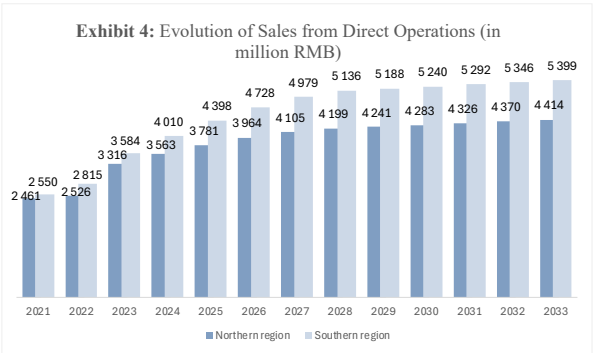
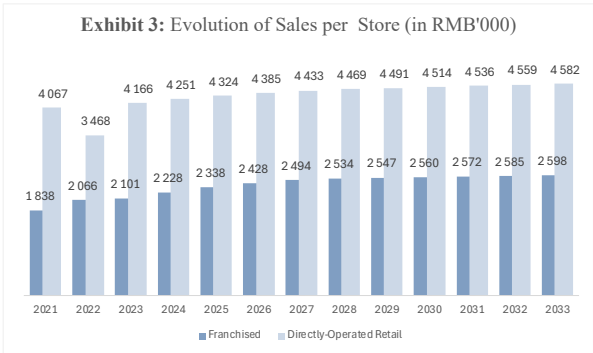


Revenue per Physical Store: Li Ning has seen consistent growth in its revenues per store, primarily due to the optimization and modernization of these stores. Looking at the historical values of revenue per store, it is noticeable that directly operated stores have been outperforming franchised stores. This is due to several factors, such as less control over the operations of franchised stores, less favorable locations for franchised stores, and a different product selection for each type of store (with premium products in directly operated stores and more standard products in franchised stores). The year 2021 was a key year in the improvement

of revenue per store, with a total boost in sales per store of 52.3%. This surge was attributed to the company’s focus on expanding high-quality and profitable stores, opening new stores in core cities, and closing inefficient stores. In the years following, revenue continued to grow but at a slower pace.

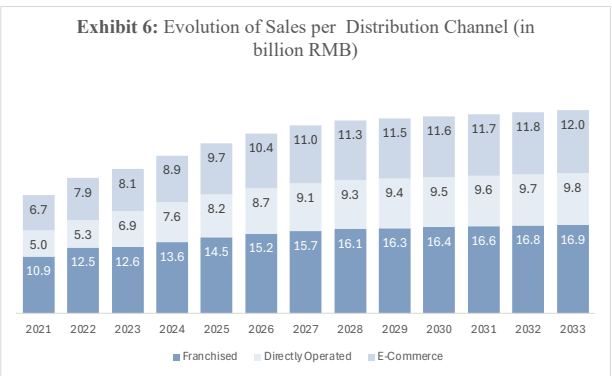
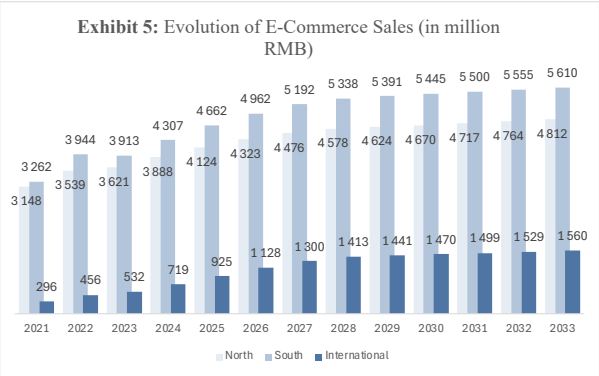
When it comes to franchised stores, in 2023, Li Ning closed many inefficient franchised stores, which will inevitably lead to an increase in revenue per franchised store, projected at 5.4% for the northern region and 6.8% for the southern region in 2024. Revenues from directly operated stores are also expected to increase, but at a slower pace than in previous years, as they already reached the peak of their growth. Therefore, the projected growth in sales from directly operated stores stands at 2.4%. Once again, after 2024, sales per store will continue to grow but at lower rates until stabilizing in 2029 at 0.5%. In total, this represents an average increase from 3,599 million RMB in 2023 to 4,472 million RMB in 2033 (CAGR of 2.2%).

Using the values for revenue per store and the number of stores in each channel and region, we were able to calculate the total sales from physical stores by multiplying both values. Sales from direct operations are expected to increase from 6,899 million RMB in 2023 to 9,812 million RMB in 2033 (CAGR of 4.3%).



E-commerce Sales: Finally, when it comes to the e-commerce channel, Li Ning has made significant efforts to expand its presence on both major Chinese platforms and international platforms. During the pandemic years, Li Ning’s online sales surged, like those of most companies, achieving an incredible increase of 57.2%, primarily driven by domestic sales. In

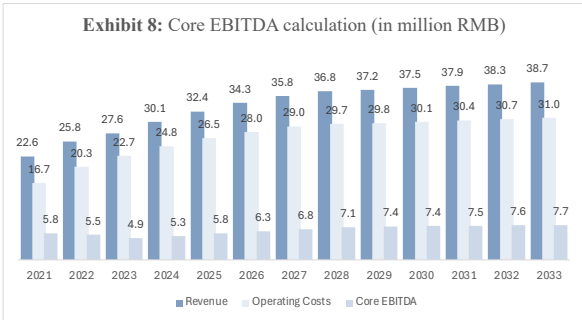
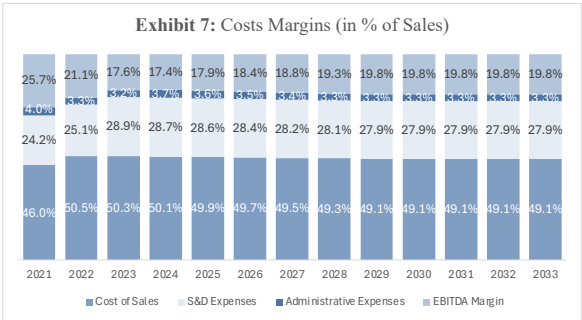
the subsequent years, the company took advantage of the global rise in e-commerce and began implementing an online growth strategy, mainly in international markets where the brand is relatively less known and the potential for growth is substantial. By expanding its digital footprint, Li Ning aims to reach broader audiences and increase brand recognition worldwide. Looking into the future, the company aims to continue its aggressive growth strategy for the e-commerce channel. For this reason, in 2024, the projected revenue growth is expected to align with the average rate of the last two years, with a 7.4% increase in online sales from the northern region of the country, 10.1% from the southern region, and 35.3% internationally, the latter being where the company is focusing most of its efforts. Similar to sales from physical stores, we forecasted online sales to stabilize at 1.0% for the domestic market and 2.0% for the international market, with gradual decreases leading up to that point, as by then the population will largely have converted to e-commerce, resulting in lower growth expectations. This represents a total increase in e-commerce revenues from 8.07 billion RMB in 2023 to 11.98 billion RMB in 2033, reflecting a total CAGR of 4.0% (a CAGR of 7.0% during the expansion years of 2023–2028 and a CAGR of 1.1% during the stabilization years of 2028–2033).



**Operating Costs:** Li Ning’s operating costs include costs of sales, selling and distribution expenses, and administrative expenses. Historically, Li Ning’s cost of sales has been relatively stable over the last few years. The most significant shift in gross margin occurred in 2021, increasing from 50.6% to 54.0%. This improvement was primarily driven by more favorable product discount rates in both online and offline channels. However, this level of gross margin

proved unsustainable, as Li Ning began facing weaker consumer demand. To address this, the company started offering larger discounts at both online and physical stores. Additionally, due to changes in the supply chain, the costs of raw materials and labor spiked, further decreasing the gross margin to 49.5% in 2022. Noticing this rise in costs and the recent increase in competition, the company expects to drive up gross margin by improving discounting strategies in their physical and online stores. Based on this, we projected the gross margin to gradually increase and stabilize at 50.9% by 2029.

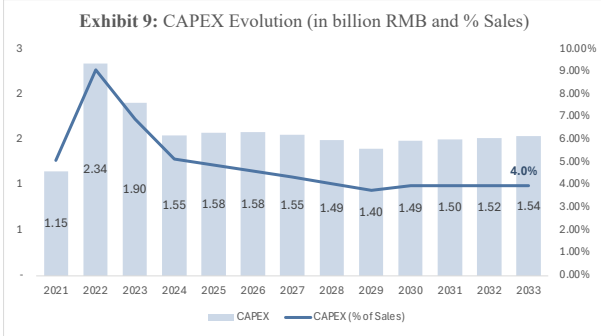
Selling, distribution, and administrative costs were projected based on their percentage of sales. Selling and distribution expenses as a percentage of sales have shown a decreasing trend. However, in 2023, this trend was temporarily reversed, increasing from 25.1% of sales in 2022 to 28.9% in 2023. This was mainly due to higher rent costs for newly opened stores in core city centers and costs related to closing inefficient stores. As these were mostly temporary expenses, we projected selling and distribution expenses to gradually decrease to 27.9% of sales by 2029. Similarly, administrative expenses have shown a decreasing trend, dropping from 6.0% of sales in 2018 to 3.2% in 2023, thanks to continuous efforts to streamline daily operations. This effective management allowed revenues to grow without a proportional increase in administrative costs. In 2024, with the opening of new stores in more costly centers like Hong Kong and the hiring of new employees, administrative expenses are projected to rise to 3.7% of sales, gradually decreasing to 3.2% by 2029. From 2023 onwards, Li Ning’s administrative expenses are expected to stabilize at this same rate of 3.2% of sales. Consequently, EBITDA margin increased from 17.6%, in 2023, to 19.8%, by the end of 2033.



**Capital Expenditure:** Capital Expenditures (CAPEX) include Property, Plant, and Equipment (PPE) and its corresponding depreciation values and are projected based on their percentage of sales, as growing sales typically lead to a greater need for additional stores and infrastructure, i.e., a higher value of PPE.

Over the last two years, Li Ning has seen an increasing proportion of PPE in relation to sales, rising from 7.2% of sales in 2021 to 14.9% in 2023, due to significant investments in infrastructure in southern China. As stated earlier, this is part of the company’s growth plan for the coming years, which involves expanding physical stores into key core market centers, especially Hong Kong. All these investments are expected to improve profitability, i.e., increase sales more than the investments made in PPE. Therefore, we projected PPE as a percentage of sales to gradually decrease until stabilizing at 13.7% of sales. Depreciation expenses related to

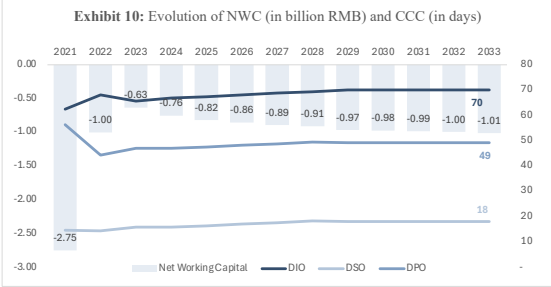
PPE were forecasted based on their average percentage of PPE, which we project at the three-



year average of 27.8% of PPE. CAPEX is then calculated as the change in PPE plus depreciation expenses related to PPE and is expected to stabilize at around 4.0% of sales.

**Working Capital Management:** Since 2019, Li Ning’s working capital has been negative. This negative value reflects the company’s ability to optimize the cash flow cycle with a low collection time for sales and reduced inventory holding time. In this way, Li Ning maintains relatively low inventory and accounts receivable levels compared to payables levels, providing a competitive advantage in terms of cash flow compared to its competitors, due to its low Cash Conversion Cycle (CCC). The CCC is one of the most essential components of net working capital and includes Days Inventory Outstanding (DIO), Days Sales Outstanding (DSO), and Days Payable Outstanding (DPO). Therefore, I forecasted these metrics to stabilize by the end of 2029 at 70, 18, and 49 days, respectively, leading to a total conversion cycle of 39 days. All

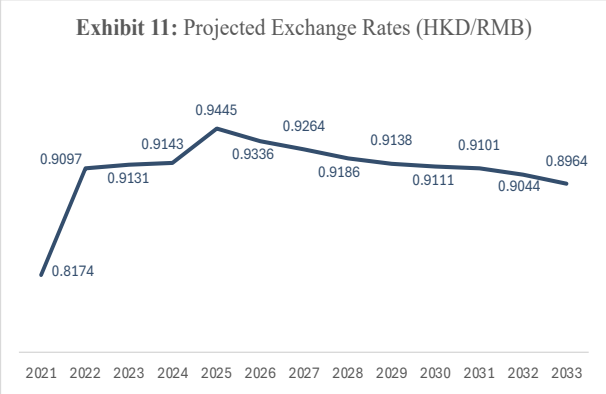
other core current assets and liabilities were projected based on their average percentage of sales (except for income tax liabilities, which were projected based on their average percentage of income taxes). In total, net working capital is projected to move from approximately -635 million RMB in 2023 to -1,009 million RMB in 2033.



**Discounted Cash Flows (DCF)**

For Li Ning’s valuation, the main method used is the Discounted Cash Flow (DCF) model. When evaluating the nationality of Li Ning’s investors, we concluded that they are primarily from Hong Kong and China, followed by other Asia-Pacific countries (MarketScreener, 2024). For this reason and recognizing that Hong Kong is a key financial hub for investors from Asia-Pacific countries, we decided to conduct this valuation in Hong Kong Dollars (HKD), reflecting the economic context of Li Ning’s investors.

The first step is to convert both the forecasted income statement and balance sheet from RMB to HKD using forecasted exchange rates (Formula 1), which include adjustment factors  $k_n$  to account for the forward premium puzzle. The adjustment factor for 2025 ( $k_1$ ) was calculated as the average deviation from the 1-year exchange rate predictions based on Interest Rate Parity (IRP). For this, we used historical data from the last 24 months, the only period in the last 15 years when a depreciation of the HKD was anticipated by IRP. The resulting value of 1.055 highlights that IRP underestimates exchange rates. For



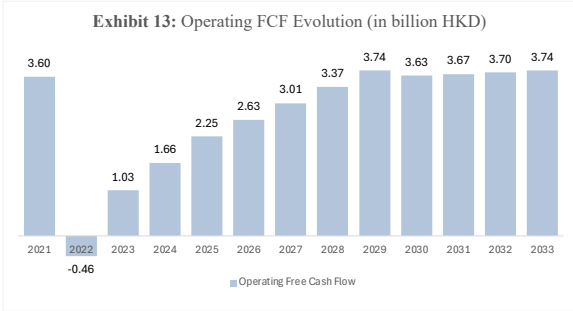
subsequent years,  $k$  is projected to increase by 0.005 annually, as the adjustment factor grows

with longer time horizons (Hansen and Hodrick, 1983). The table below summarizes these calculations:

**Exhibit 12: Forecasted Exchange Rates (from RMB to HKD)**

HKD/RMB	2025	2026	2027	2028	2029	2030	2031	2032	2033
Exchange Rate (IRP)	0.895	0.881	0.870	0.859	0.850	0.844	0.839	0.830	0.819
Adjustment FPP	1.055	1.060	1.065	1.070	1.075	1.080	1.085	1.090	1.095
Adjusted Exchange Rate	0.945	0.934	0.926	0.919	0.914	0.911	0.910	0.904	0.896

With all statements converted into the valuation currency, HKD, we built the statement of cash flows to obtain the values for the unlevered Free Cash Flows of core operations (Formula 2).



**Weighted Average Cost of Capital:** One of the most essential steps in valuing a company is the calculation of the weighted average cost of capital (WACC) - Formula 4 - which required us to analyze Li Ning’s targeted capital structure, as well as its cost of equity and cost of debt.

Capital Structure: When it comes to the capital structure of the company, in contrast to its main competitors, Li Ning is known for having only lease liabilities, with its cash balance far exceeding its lease debt. This is a situation from which Li Ning does not intend to deviate or alter in the future. Given that the company does not disclose any information regarding its targeted net debt-to-equity ratio, the average value from the group of comparable firms, - 27.81%, was assigned as Li Ning’s targeted capital structure (Bloomberg).

Cost of Equity (Re): As previously mentioned, the cost of equity was derived using the CAPM model: Formula 6. For the risk-free rate, the yield of a 10-year government bond was used, which, in this case, corresponds to the 10-year Hong Kong Government Bond yield of 2.66% (Trading Economics). Similarly, for the market risk premium, which represents the excess returns of the market over the 10-year risk-free rate, a value of 5.48% was used from the Damodaran table of historical market risk premiums. It is important to note that, despite Li Ning

being a Chinese company, both the values for the risk-free rate and the market risk premium are expressed in HKD, the currency in which the cash flows are presented.

The last component, the equity beta, was obtained by performing a regression analysis of Li Ning’s excess stock return and Hong Kong’s market stock return. From this regression, we obtained a levered beta of 1.139, with a p-value of 0 and an R<sup>2</sup> of 74.76%, confirming the strong relationship between Li Ning’s and the market returns and the significance of the beta results obtained. The equity beta obtained in the regression was then unlevered using the current market Net Debt-to-Equity ratio of -27.41% and re-levered at the target Net Debt-to-Equity ratio of -27.81% (1.135) – Formula 7. As a result, we arrived at a cost of equity of 8.88%.

Cost of Debt (Rd): Finally, the cost of debt was also computed using the CAPM model - Formula 5. Once again, the risk-free rate corresponds to 2.66% and the market risk premium to 5.48%. The debt beta was derived from the table of debt betas (Schaefer and Strebulaev, 2009) according to the company’s debt rating. Since Li Ning does not have a debt rating, a synthetic rating was derived using Damodaran’s approach, which involves assigning a synthetic rating to the firm based on its interest coverage ratio. Li Ning has an interest coverage ratio of around 21.70, which corresponds to a credit rating of AAA, leading to a debt beta of 0.05 (Damodaran). Therefore, the total cost of debt calculated was 2.94%.

Having estimated all the components, we calculated Li Ning’s weighted average cost of capital (WACC) at 11.45%. The tables below summarize all the calculations for the components of the WACC.

**Exhibit 14:** Calculation of cost of debt, cost of equity and WACC

Rd Calculation		Re Calculation		WACC	
Interest Coverage Ratio	21.70	risk-free rate	2.66%	Target D/E	-27.81%
Estimated Bond Rating	Aaa/AAA	Be	1.135	D/EV	-38.52%
risk-free rate	2.66%	Market Risk Premium	5.48%	E/EV	138.52%
Bd	0.05	Re	8.88%	Re	8.88%
Market Risk Premium	5.48%			Rd	2.94%
Rd	2.94%			Tax Rate	25%
				WACC	11.45%

**Terminal Growth Rate/Terminal Value:** According to our forecasts, Li Ning will stabilize in 2033. After this year, the company will grow at a perpetual growth rate, calculated as Core RONIC x Core RR, equal to 2.25%. This value was obtained with a terminal Core RONIC of 52.36% and a Core RR of 4.29%, meaning that the company's cash flows will grow at a slower pace than the 23-year historical Hong Kong's growth rate of 2.93% (Trading Economics). This terminal growth rate was used to compute the firm's terminal value – Formula 3.

**DCF Conclusion:** By discounting the core unlevered free cash flows at the WACC value of 11.45%, adding the present value of the terminal value and non-operating items of 3,845 million HKD, we obtained an enterprise value of 39,668 million HKD. To this value, we subtracted net financial debt of -11,050 million HKD. Both non-operating items and net financial debt are at book value, as they are a good proxy for their market value. As a result, Li Ning's total equity reaches 50,718 million HKD, which translates to 19.61 HKD per share as of 31 December 2024.

### **Sensitivity Analysis**

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The results obtained in this analysis heavily depend on, and are impacted by, the assumptions made throughout the process. Some of these assumptions are more unpredictable than others, which is why we decided to conduct a sensitivity analysis on key elements of the valuation model: the weighted average cost of capital (WACC) and the terminal growth rate (g).

First, we examined the effect of a different equity beta on the WACC. According to the regression analysis, there is a 95% confidence interval that Li Ning's beta falls between 1.094 and 1.185. This range of beta values was used to test the sensitivity of the WACC, resulting in an interval between 11.11% and 11.80%. The cost of debt was also tested with credit ratings from A and above to CCC, which leads to different debt betas and a range for the cost of debt between 2.94% and 4.36%, and, consequently, a WACC from 11.04% to 11.45%. Therefore, the chosen range of WACCs to test in the sensitivity analysis falls within 11.04%-11.80%.

**Exhibit 15: WACC Sensitivity Analysis**

Beta Levered	1.094	1.103	1.112	1.121	1.130	1.139	1.149	1.158	1.167	1.176	1.185
Beta Unlevered	1.377	1.388	1.400	1.411	1.423	1.434	1.446	1.457	1.469	1.480	1.492
Beta Relevered	1.090	1.099	1.108	1.117	1.126	1.135	1.144	1.153	1.162	1.172	1.181
Re	8.63%	8.68%	8.73%	8.78%	8.83%	8.88%	8.93%	8.98%	9.03%	9.08%	9.13%
WACC	11.11%	11.18%	11.25%	11.32%	11.39%	11.45%	11.52%	11.59%	11.66%	11.73%	11.80%

Bond Rating	A and above	BBB	BB	B	CCC
Bd	0.05	0.10	0.17	0.26	0.31
Rd	2.94%	3.21%	3.59%	4.09%	4.36%
WACC	11.45%	11.38%	11.26%	11.12%	11.04%

Another important component of the valuation is the terminal growth rate, which ranged from 1.85% to 2.75%. Estimating the terminal value requires careful attention because it often accounts for the majority of the company's value, making it crucial to the valuation results (DePamphilis, 2019). This value is computed by multiplying the core RONIC by the core Reinvestment Rate. Therefore, the sensitivity analysis tested Li Ning's share price by varying both the WACC and the terminal growth rate. The table below presents these results.

**Exhibit 16: Li Ning's Share Price Sensitivity (WACC and g variation)**

		WACC									
		11.04%	11.13%	11.21%	11.29%	11.37%	11.45%	11.54%	11.63%	11.71%	11.80%
Terminal Growth Rate	1.85%	19.95	19.81	19.69	19.56	19.43	19.31	19.19	19.06	18.94	18.82
	1.95%	20.03	19.89	19.76	19.63	19.51	19.38	19.26	19.13	19.01	18.89
	2.05%	20.11	19.98	19.84	19.71	19.58	19.46	19.33	19.20	19.08	18.96
	2.15%	20.20	20.06	19.92	19.79	19.66	19.54	19.40	19.27	19.15	19.02
	2.25%	20.28	20.14	20.01	19.87	19.74	19.61	19.48	19.35	19.22	19.09
	2.35%	20.37	20.23	20.09	19.96	19.82	19.69	19.56	19.42	19.29	19.17
	2.45%	20.46	20.32	20.18	20.04	19.91	19.77	19.64	19.50	19.37	19.24
	2.55%	20.56	20.41	20.27	20.13	19.99	19.86	19.72	19.58	19.45	19.31
	2.65%	20.65	20.51	20.36	20.22	20.08	19.94	19.80	19.66	19.52	19.39
	2.75%	20.75	20.60	20.45	20.31	20.17	20.03	19.88	19.74	19.60	19.47

As shown in the table, by varying the WACC values from 11.04% to 11.80%, and the terminal growth rate from 1.85% to 2.75%, the share price ranges from 18.82 HKD to 20.75 HKD. These results demonstrate that Li Ning's share price is particularly sensitive to these two variables, with the share price increasing as the WACC decreases and the terminal growth rate rises. The highest projected share price of 20.75 HKD occurs when the WACC is 11.04% and the terminal growth rate is 2.75%. Conversely, the share price reaches its minimum value of 18.82 HKD when the WACC is 11.80% and the terminal growth rate is 1.85%.

**Multiples Valuation**

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To complement the DCF analysis for Li Ning, we decided to perform a multiples valuation analysis. For this approach, as mentioned before, we used two common valuation metrics: the forward price-earnings ratio (P/E) and the forward enterprise value to EBITDA (EV/EBITDA) multiple. For the multiples valuation, we selected a group of comparable firms from Bloomberg - companies that operate in similar businesses and under similar business conditions as Li Ning - to provide a benchmark. These comparable firms are Zhejiang Semir Garment, Topsports International Holdings Limited, Ningbo Peacebird Fashion, Dazzle Fashion, and China Lilang Limited. From the median multiple of these companies, we obtained a forward 11.94 P/E multiple and a forward 6.18 EV/EBITDA multiple. These values implied a share price range for Li Ning of [17.42 – 19.08] HKD, with an average of 18.25 HKD.

**Exhibit 17: Multiples Valuation Results**

Forward EV/EBITDA Multiple	6.18
Forward P/E Multiple	11.94
Li Ning's EV/EBITDA Valuation	17.42
Li Ning's P/E Valuation	19.08
<b>Li Ning's Valuation</b>	<b>18.25</b>

**Conclusion**

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In conclusion, both valuation approaches - the DCF and multiples valuation - indicate that Li Ning’s shares are undervalued. This DCF valuation leads to a share price of 19.61 HKD with an upside potential of 12.85%. Similarly, the multiples valuation, which compares Li Ning with its comparable firms, concludes that the company’s shares are undervalued at 18.25 HKD, with an upside potential of 4.99%, aligning closely with the DCF analysis. The sensitivity analysis for the valuation further confirms that, even with less attractive estimates, the company has overall growth potential, which aligns with its growth strategy and expansion plans for the coming year.

## **Merger Valuation**

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In the sports apparel and athletic wear industries, M&A activity has been fueled by growing consumer demand for performance-oriented fashion, athleisure, and sportswear, all of which are supported by the increasing global interest in health and fitness. Historically, companies like Nike, Adidas, and Under Armour have dominated this space, but regional players such as Li Ning have also been growing rapidly, especially in China. Mergers in this space often aim to create synergies in distribution networks, production capacity, and brand positioning, thereby enhancing the competitive edge against entrenched industry leaders.

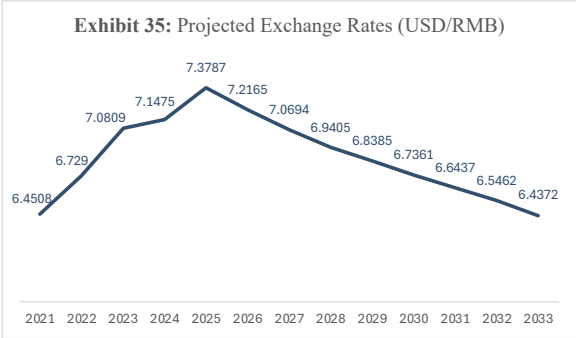
For the specific case of Under Armour and Li Ning, a merger would create an opportunity to leverage multiple synergies, such as economies of scale as the primary financial benefit. Both companies would have more bargaining power with suppliers and reduced production costs through the combined manufacturing scale. Additionally, the merged entity could benefit from enhanced global distribution networks, greater brand influence, and stronger negotiation power with retailers, particularly in the North American and Asian markets. Under Armour's established presence in North America, combined with Li Ning's growing dominance in China, would allow the merged company to challenge Nike and Adidas more effectively for the largest share of the sportswear market. Therefore, they would compete against the major players in the global sportswear market, with Nike leading at around 16.4% of the market share globally and Adidas holding approximately 9% (Front Office Sports).

### **Valuation Without Synergies**

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Initially, in this merger analysis, we will conduct a valuation without taking synergies into account, which will give us the value of the merged company based on the sum of the performances of the two companies. This valuation, excluding synergies, will, in turn, serve as a basis for clearly understanding the incremental value created by synergies.

The first step is to convert all statements into the same currency - Formula 1 - as Li Ning reports in RMB and Under Armour in USD. We chose USD as the base currency for the merger, given that the new company will be registered on the



US stock exchange, and investors for the merged company are well-diversified. Therefore, for comparison and accuracy purposes, we have converted all the data in Li Ning's financial statements from RMB to USD, using the projected exchange rates, including adjustment factors  $k_n$  to account for the forward premium puzzle. The 2025 adjustment factor ( $k_1$ ) was calculated as the average deviation from the 1-year exchange rate predictions based on Interest Rate Parity. Historical data from the last 24 months was used, as this was the only time period during the last 15 years when a depreciation of the USD was anticipated by the IRP. This resulted in an adjustment factor of 1.063, demonstrating how the IRP tends to underestimate exchange rate values. For the following years,  $k$  is projected to increase by 0.005 annually, as the adjustment factor rises with longer time horizons (Hansen and Hodrick 1983). The table below summarizes the calculations:

**Exhibit 36: Forecasted Exchange Rates (from RMB to USD)**

USD/RMB	2025	2026	2027	2028	2029	2030	2031	2032	2033
Exchange Rate (IRP)	6.942	6.758	6.589	6.439	6.315	6.192	6.079	5.963	5.837
Adjustment FPP	1.063	1.068	1.073	1.078	1.083	1.088	1.093	1.098	1.103
Adjusted Exchange Rate	7.379	7.217	7.069	6.941	6.838	6.736	6.644	6.546	6.437

With all the stand-alone valuations completed and financial statements converted into USD, we were able to compute the merged company value without synergies. We did this by summing each element of the individual valuations: the present value of the free cash flows of each company, the non-operating items, and the financial debt. Using these values, we determined the equity value of 11.66 billion USD by adding the PV of FCF to the non-operating items and

subtracting the net financial debt. Finally, we divided the merged equity by the total number of outstanding shares, resulting in a share price of 3.86 USD per share.

**Exhibit 37: Valuation Merged Company Without Synergies**

USD '000 (Except Share Price)	Li Ning	Under Armour	Merged Company
PV of FCF	5 679 258	4 894 744	10 574 002
Non Operating Items	491 844	(105 792)	386 052
Total Enterprise Value	6 171 102	4 788 952	10 960 054
Net Financial Debt	(1 413 537)	710 363	(703 174)
Total Equity	7 584 639	4 078 589	11 663 228
# of Outstanding Shares	2 586 000	435 000	3 021 000
Share Price	2.93	9.38	3.86

## Valuation With Synergies

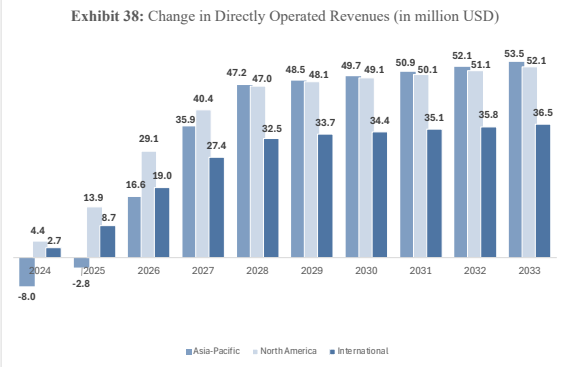
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By combining the financial statements of Under Armour and Li Ning, we were able to project the expected synergies for the new merged company.

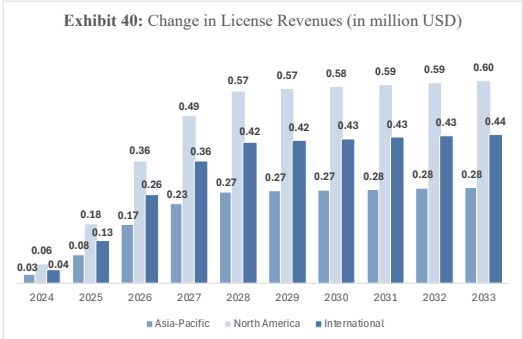
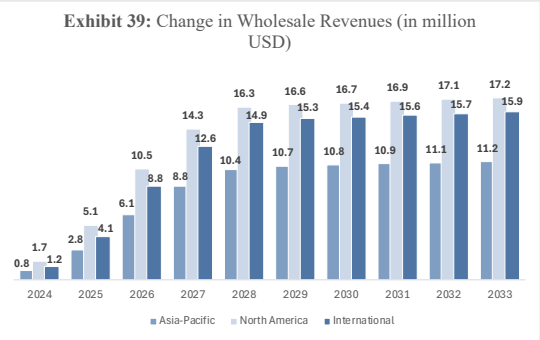
**Revenue Synergies:** Li Ning and Under Armour have distinct sales divisions based on geography and distribution channels. Starting with geography, Li Ning operates only in China, whereas Under Armour has a presence in North America, Asia-Pacific, Latin America, and EMEA. For this reason, the merged company will include Under Armour's divisions, with Li Ning's China operations integrated into the Asia-Pacific region. Regarding distribution channels, the merged entity will have five main categories: direct-to-consumer, e-commerce, wholesale, license revenues, and corporate other. The first two categories include sales from both Li Ning and Under Armour, while the latter three categories are associated with Under Armour. With these divisions established, synergies can now be calculated. However, it is important to note that revenue synergies are often harder to project and take longer to realize. In fact, according to research by McKinsey, revenue synergies are fully realized only five years after the merger (in this case, 2028).

**Directly Operated Stores:** The direct-to-consumer category was divided into the number of stores and revenue per store. There are two main types of stores: brand stores, which include both franchised and directly operated stores from Li Ning and Under Armour, and factory stores, which are unique to Under Armour and sell collections at a discounted price. When

examining the number of stores, both brand and factory stores are expected to decrease in the Asia-Pacific region in a merger situation, due to overlapping physical stores in China from both companies. By doing this, the merged entity can optimize the store network and locations. Therefore, the store count growth rate is expected to decrease by 0.50% in the Asia-Pacific region starting in 2024. In contrast, the store count in the US and international markets is anticipated to rise, as Li Ning does not have physical locations in these regions, with peak increases in the growth rates of 1.00% and 2.00%, respectively. Regarding revenue per store, synergies will be realized mainly due to an increased offering of products in each store, as well as higher prices, primarily in Asia-Pacific. Therefore, revenue per store synergies are forecasted to achieve a peak increase in the growth rate of 0.75% in Asia-Pacific and 0.5% in the rest of the world.

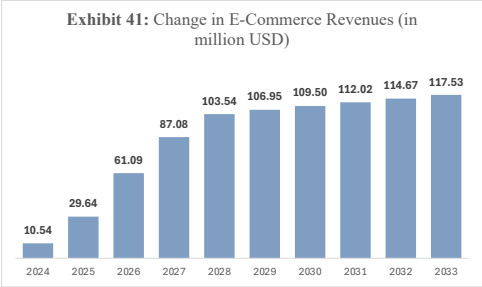


Wholesale and License Revenues: Regarding wholesale and license revenues, the merged entity will be better positioned to compete in international markets outside the main scope of operations, China and the US. For this reason, while in the US and Asia-Pacific the wholesale and license revenue growth rates will increase by 0.25%, in international markets they will increase by a maximum of 0.5%, with all synergies fully realized by the end of the fifth year.



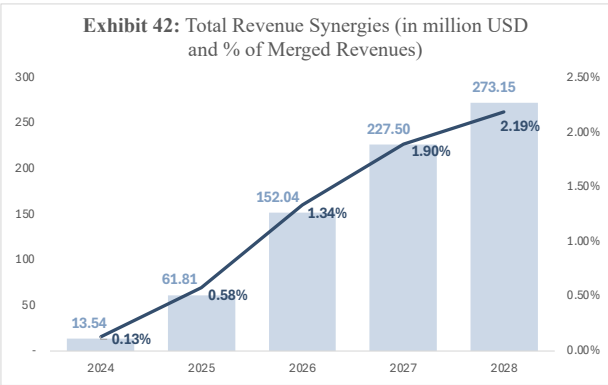
E-Commerce: Both Li Ning and Under Armour have a strong focus on the e-commerce channel. However, Li Ning’s online presence is significantly less developed than Under Armour’s. For

this reason, the merged entity has a substantial synergy opportunity, as Li Ning can leverage Under Armour’s digital platforms and presence to improve online sales. As a result, projected synergies are expected to materialize immediately after the merger, with the e-commerce



growth rate increasing by 0.5%. This growth rate is projected to reach 1.25% in 2026 and then decrease after that year, with all synergies fully realized five years after the merger, by 2028.

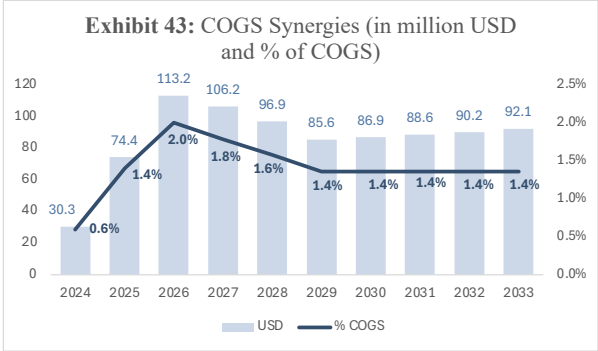
Overall, the merged entity is projected to achieve revenue synergies starting in 2024 at a modest value of 0.13% of total merged revenues. This reflects a balance between the decline in store count in the Asia-Pacific region and the increase in sales from other



channels. Over time, these synergies are expected to increase and achieve 100% realization by 2028 (the fifth year), with a value of 2.19% of the merged revenues. This projection aligns with an article provided by the Boston Consulting Group, which states that international companies can generate significant revenues ranging from 1% to 3% of the merger's combined sales.

**Costs Synergies:** Both Li Ning and Under Armour have focused in recent years on strategies aimed at improving operational efficiency and increasing gross margin. Cost synergies will deliver improvements starting in the first year after the merger. According to research by McKinsey, cost synergies take less time to fully realize than revenue synergies, with the average peak being reached three years after the merger (in this case, 2026). For this reason, we projected cost synergies to be realized at 30% in the first year, 70% in the second year, and 100% in the third year.

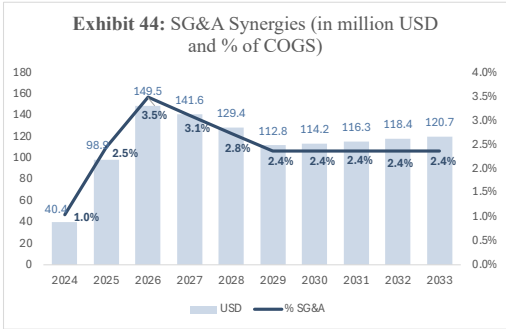
The total value of COGS synergies will be a 2.00% reduction in costs, which will translate into an increase in gross margin of 1.00%. This value is explained by operational improvements such as enhanced economies of scale and improved supplier negotiations due to the increased power of the combined company, allowing it to purchase raw materials and components at a lower price per unit. Additionally, the combined facilities and workforce in the Asia and North America regions allow the merged company to balance cost savings with brand quality. Specifically, Under Armour will move entry-level product production to Asia while maintaining premium product lines in North America, and Li Ning will leverage Under Armour’s innovative product lines, moving its high-end lines to North America, which is



known for its high-quality production, in contrast to China. In the first year, a 0.60% reduction in COGS is projected, followed by a reduction of 1.40% and 2.00% in the second and third years. However, it is nearly

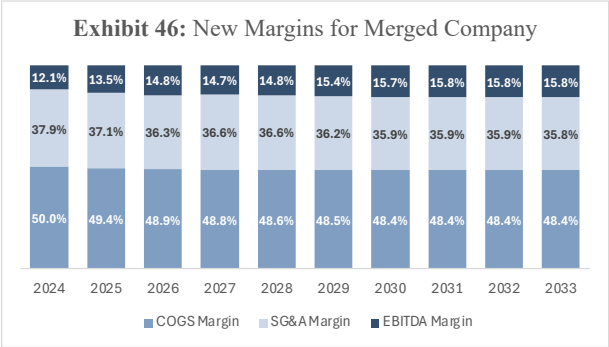
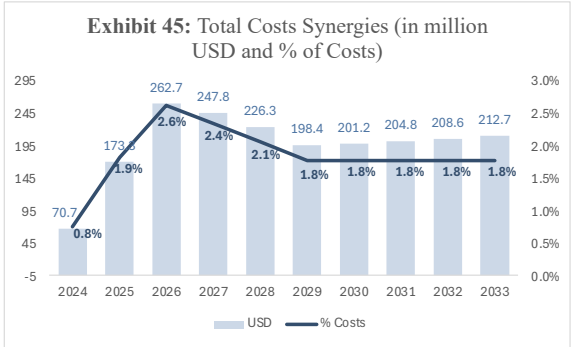
impossible for the merged company to maintain full synergies realization at 100%, so our projections stabilize by 2029 at 68% realization (1.40% cost reduction), which translates into a gross margin increase of 0.67%.

Similarly, SG&A expenses will experience synergies totaling a 3.50% reduction in costs, leading to a 1.32% decrease in SG&A as a percentage of sales. This is possible as the two companies will combine technologies, branding, supply chain, and R&D by consolidating overlapping business functions, such as marketing, distribution, and administration. This will enable the merged company to combine resources more efficiently, reducing SG&A expenses in relation to sales. In the first year, this is projected to translate



into a 1.05% reduction in SG&A expenses, followed by a reduction of 2.45% and 3.50% in the second and third years. Once again, it is nearly impossible for the company to maintain full synergies at 100% realization, so our projections stabilize at 68% realization (2.38% cost reduction), which translates into a 0.88% decrease in SG&A as a percentage of sales.

All operating cost synergies were forecast based on a Deloitte study, *"Unlocking the Full Potential of M&A: What It Takes to Be a Value Creation Champion."* This study helps us understand the importance of synergies as a percentage of operating costs to maximize the value of merged companies. The study reveals that 47% of mergers result in total cost synergies ranging from 1% to 5%. In our case, the total cost synergies will peak at 2.60% in the third year after the merger and stabilize at 1.80%. This new cost structure allows the merged company to improve the EBITDA margin by the end of 2033, increasing from 14.3% to 15.8%.



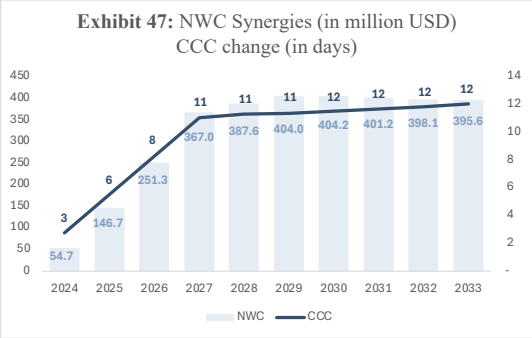
**Restructuring and Integration Costs:** Restructuring and integration costs occur in every merger, so the valuation needs to account for them, as they affect the value of synergies. These costs include asset consolidation or relocation, costs for layoffs, legal expenses, compensation plans, employee relocation expenses, technology alignment, and harmonization of cultures, among others. According to EY research, these types of costs can range from 1% to 7% of the merged company’s value. As Li Ning and Under Armour operate in different regions, they have significant differences in terms of values, culture, brand positioning, and distribution networks. Therefore, aligning these differences will require considerable effort and cost, leading our

projection for restructuring and integration costs to be at the high end of that range, approximately 7%.

**Working Capital Synergies:** With this merger, there will be changes to one of the most important measures of operational efficiency within the sportswear industry: the Cash Conversion Cycle (CCC). This includes the duration that inventory remains within the business, the time taken to collect receivables, and the time taken to pay payables. As we already discussed in the stand-alone valuations, Li Ning and Under Armour present different cash conversion cycles. In the last two years, Li Ning had an average CCC of around 36 days, while Under Armour's was 99 days. As we can see, Li Ning has a significant competitive advantage in relation to its peers, with low inventories and accounts receivables due to strong cash flows, while Under Armour's working capital management aligns closely with competitors. For that reason, the merged company will also benefit from better capital management than its peers. Therefore, we projected the cash conversion cycle by accounting for both the historical performance and the industry average.

The industry's average cash conversion cycle was developed through an in-depth analysis based on industry leaders in North America, such as Nike, Lululemon, and V.F. Corporation, and in Asia, including Anta Sports, Xtep, and 361 Degrees. The results from this competitors' analysis indicate an average DIO of 116 days, DSO of 57 days, and DPO of 74 days. When looking at historical performance from the last five years in a merger situation, we obtain a DIO of 111 days, DSO of 34 days, and DPO of 77 days. Since the merged historical cash conversion cycle is significantly below the industry average, a merger will likely result in a midpoint adjustment. DIO will shift due to challenges in unifying inventory management systems, aligning supply chains, and integrating operational processes, moving from 109 days in 2024 to 113 days in 2027. DSO is expected to increase from 36 days in 2024 to 45 days in 2027, as they will need to adapt the credit strategies of the merged company, which can lead to more flexible payment

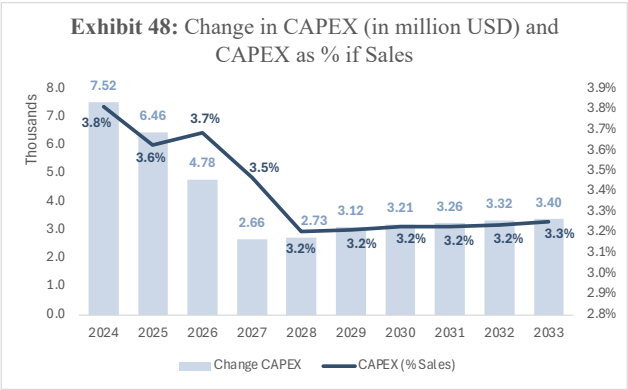
terms in order to guarantee and attract long-term commercial relationships, especially in a competitive market like North America. In terms of DPO, the merger is expected to increase the relative negotiating power of the new entity through the ability to negotiate for longer credit



terms with suppliers, particularly in the Asian market, shifting from 70 days in 2024 to 75 days in 2030. With all these projected values, accounts receivable, payables, and inventories were calculated using the projected DIO, DSO, and DPO figures.

**CAPEX:** In a merger, changes in property, plant and equipment also tend to occur. In this case, and as we discussed in the previous section on revenue synergies, the value of PPE will be lower than if the companies did not merge. This is mainly due to a reduction in the number of stores that were projected to exist, as both companies can take advantage of each other’s stores due to overlapping locations in the Asia-Pacific region. For that reason, the new property, plant, and equipment value was projected based on the reduction in the total number of stores, by calculating the value of PPE for each store before any synergies, and then multiplying this value by the new number of stores in order to achieve the new PPE value for the merged entity. This

resulted in the biggest synergy value of -0.39% for the change in PPE in 2024. This synergy value increases until achieving a positive value of 0.03% in 2028, due to growth in international regions. It is also important to note that, because of this



change in PPE value, the depreciation expenses regarding PPE will also undergo corresponding changes according to its percentage of PPE.

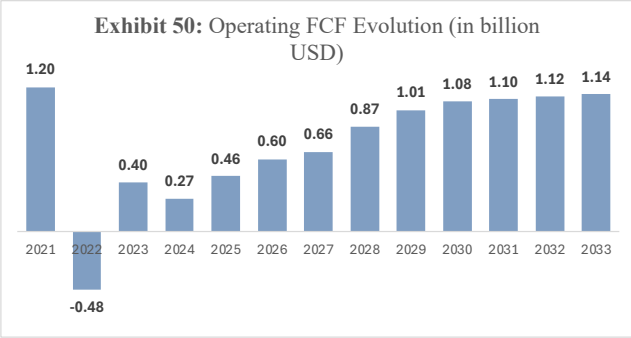
**Financial Synergies:** There are many types of financial synergies. In the case of a merger between Under Armour and Li Ning, we identified tax synergies as well as synergies related to debt capacity, cost of debt, and the corresponding weighted average cost of capital (WACC). As previously discussed, the merged company will be listed in the US market, meaning the marginal tax rate will be 21%, which will benefit the merged entity. Debt capacity will also change. According to Damodaran, when two companies merge, their overall debt capacity increases. Therefore, we projected a net debt-to-equity ratio at the average industry level of 48.76% (Damodaran). Consequently, the year after the merger, the overall debt will increase to 15% of sales, with gradual increases until reaching 20% of sales by 2029. Additionally, as previously mentioned, Li Ning will be incorporated into a US company, which will lead to a more diversified investor base and reduce Li Ning’s risk premium from 5.48% (Hong Kong MRP) to 4.60% (US MRP).

**Exhibit 49: Summary Table of Synergies (Base Case)**

Synergies (Base Case)	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.13%	0.58%	1.34%	1.90%	2.19%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	0.17%	1.40%	2.00%	1.79%	1.57%	1.36%	1.36%	1.36%	1.36%	1.36%
SG&A Margin Reduction	1.05%	2.45%	3.50%	3.13%	2.75%	2.38%	2.38%	2.38%	2.38%	2.38%
Decrease in PPE	-0.46%	-0.28%	-0.10%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.77	39.03	42.07	45.16	45.16	45.16	45.16	45.16	45.16	45.16
New DPO	69.77	71.81	73.57	75.38	75.38	75.38	75.38	75.38	75.38	75.38
New DIO	109.43	111.21	112.21	113.35	113.35	113.35	113.35	113.35	113.35	113.35
New Tax Rate	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
Debt Increase (in % Sales)	8.20%	9.12%	10.19%	11.24%	12.26%	13.26%	13.29%	13.32%	13.35%	13.39%

**Discounted Cash Flows (DCF)**

By incorporating all synergy values, we were able to update the financial statements for the merged company to fully reflect these adjustments. It is important to note that revenue synergies impact not only the sales figures but also influence other metrics that depend on or are projected based on sales. With the financial statements reflecting synergies, the statement of cash flows was prepared. The unlevered free cash flows from core



operations (Formula 2) are then discounted to present value using the Weighted Average Cost of Capital (WACC).

**Weighted Average Cost of Capital:** As with the stand-alone valuations of Li Ning and Under Armour, the WACC for the merged entity (Formula 4) will incorporate the risk of both Li Ning and Under Armour and will be used to discount the core unlevered free cash flows.

Capital Structure: Regarding the new capital structure of the merged company, as previously discussed in the context of financial synergies, the targeted net debt-to-equity will be increased to 48.76%, aligning with the industry average (Damodaran).

Cost of Equity (Re): One more time, the cost of equity was derived using the CAPM model - Formula 6. Since this valuation of the merged firm is performed in USD, both the risk-free rate and the market risk premium need to be extracted in the same currency. Therefore, for the risk-free rate, the 10-year US Government Bond yield of 3.66% was used, along with Damodaran’s US market risk premium of 4.60%, representing a historical average. To calculate the equity beta for the merged company, we used the weighted average of the unlevered betas of each of the individual companies (Damodaran). The weights represent the enterprise value of each company in relation to the total enterprise value of the merged entity.

$$\text{Beta merged} = \frac{EV_1}{(EV_1 + EV_2)} \times \beta_1 + \frac{EV_2}{(EV_1 + EV_2)} \times \beta_2$$

Using this formula, we obtained an unlevered beta for the merged entity of 1.21, which was re-levered using the projected target net debt-to-equity ratio of 48.76% and the new tax rate of 21%, leading to an equity beta of 1.67.

**Exhibit 51: Merged Equity Beta Calculation**

Company	Enterprise Value (USD)	% of EV	Unlevered Beta	Target D/E	Tax Rate	Equity Beta
Li Ning	6 171 102	56.31%	1.434	-28%	25%	1.135
Under Armour	4 788 952	43.69%	0.909	46%	21%	1.236
<b>Merged Company</b>	<b>10 960 054</b>	<b>100%</b>	<b>1.205</b>	<b>48.76%</b>	<b>21%</b>	<b>1.669</b>

With the values of the risk-free rate, market risk premium, and equity beta, we arrived at a total cost of equity of 11.34%.

Cost of Debt (Rd): Estimating the new cost of debt for the merged entity is challenging, as the exact yield to maturity on future debt issued is uncertain. For this reason, we decided to implement Damodaran’s approach in the calculation of the cost of debt, using Formula 5. Again, the risk-free rate corresponds to the 10-year US Government Bond yield of 3.66%, and the market risk premium is the excess returns of the US market over the risk-free rate of 4.60%, retrieved from Damodaran’s table of historical data by country. The debt beta was derived from the table of debt betas (Schaefer and Strebulaev, 2009) according to the company’s debt rating. Since the new company’s debt rating is unknown, a synthetic rating was derived using Damodaran’s approach of assigning a synthetic rating to the firm based on its interest coverage ratio. With a synthetic rating of Aaa/AAA, the debt beta was found to be 0.05. Therefore, the total cost of debt calculated was 3.89%.

Having estimated all the components, we calculated the merged entity’s WACC at 8.63%. The table below summarizes all the calculations for the WACC components.

**Exhibit 52:** Calculation of cost of debt, cost of equity and WACC

Rd Calculation		Re Calculation		WACC Calculation	
Interest Coverage Ratio	12.78	risk-free rate	3.66%	Target D/E	48.76%
Debt Rating	Aaa/AAA	Be	1.67	D/EV	32.78%
risk-free rate	3.66%	Market Risk Premium	4.60%	E/EV	67.22%
Bd	0.05	Re	11.34%	Re	11.34%
Market Risk Premium	4.60%			Rd	3.89%
Rd	3.89%			Tax Rate	21%
				WACC	8.63%

**Terminal Growth Rate/ Terminal Value:** The merged company is projected to stabilize by the end of 2023, meaning that it will grow perpetually after that year at the terminal growth rate. It is calculated as Core RONIC x Core RR, resulting in 2.3%, below the US economy's growth rate of 2.5% (World Bank Group). This rate is used to compute the merger’s terminal value - Formula 3.

**DCF Results:** Using the WACC, we computed the present value of the unlevered cash flows from core operations, achieving an enterprise value of 13,327 million USD. The non-operating

items of 386 million USD and restructuring and integration costs were included. After subtracting net financial debt (193 million USD), we reached total equity of 13,134 million USD. Assuming the new number of shares remains the same as agreed by both companies, the share price for the merged entity stands at \$4.35. This represents an increase in the merger value of 12.61%, which demonstrates how profitable this potential merger could be.

**Sensitivity Analysis**

A sensitivity analysis was conducted on the main assumptions of the valuation to evaluate how they affect the results of the valuation and the present value added by synergies in percentage terms. These assumptions are the WACC and terminal growth rate. As with the stand-alone valuations, the 95% confidence level of the equity betas was used to calculate the range of possible betas for the merged entity and test their impact on the WACC. The beta for the merged entity falls within the range [1.184, 1.225], resulting in a WACC between [8.54%, 8.71%]. The impact of the cost of debt on the WACC was also tested through variations in bond ratings from A and above to CCC, which lead to different debt betas and a range for the cost of debt between [3.89%, 5.09%], and consequently, a WACC range from 8.63% to 8.94%. Therefore, the total WACC range to be tested falls between [8.54%, 8.94%].

Exhibit 53: WACC Sensitivity Analysis

Beta Unlevered	1.225	1.221	1.217	1.213	1.209	1.205	1.201	1.197	1.193	1.188	1.184
Beta Relevered	1.697	1.691	1.686	1.680	1.674	1.669	1.663	1.658	1.652	1.646	1.641
Re	11.46%	11.44%	11.41%	11.39%	11.36%	11.34%	11.31%	11.28%	11.26%	11.23%	11.21%
WACC	8.71%	8.70%	8.68%	8.66%	8.64%	8.63%	8.61%	8.59%	8.57%	8.56%	8.54%
Bond Rating	A and above	BBB	BB	B	CCC						
Bd	0.05	0.10	0.17	0.26	0.31						
Rd	3.89%	4.12%	4.44%	4.86%	5.09%						
WACC	8.63%	8.69%	8.77%	8.88%	8.94%						

The terminal growth rate will be tested from 1.94% to 2.84%, as this metric has a huge impact on the valuation through the terminal value, which accounts for the majority of the company’s value. By varying both the WACC and terminal growth rate, the percentage of synergies ranges from 3.04% to 20.96%, showing the potential for value creation in this merger, despite the fact that the value of the company is sensitive to both of these valuation assumptions.

**Exhibit 54: Merged Company Synergies' Sensitivity (WACC and g variation)**

Terminal Growth Rate	WACC										
	8.54%	8.58%	8.63%	8.67%	8.72%	8.76%	8.80%	8.85%	8.89%	8.94%	
1.94%	9.67%	8.90%	8.15%	7.39%	6.64%	5.90%	5.17%	4.45%	3.74%	3.04%	
2.04%	10.77%	9.98%	9.21%	8.44%	7.67%	6.92%	6.17%	5.44%	4.71%	3.99%	
2.14%	11.90%	11.10%	10.31%	9.52%	8.73%	7.96%	7.20%	6.45%	5.70%	4.97%	
2.24%	13.07%	12.25%	11.44%	10.63%	9.83%	9.04%	8.26%	7.49%	6.73%	5.98%	
2.34%	14.28%	13.44%	12.61%	11.78%	10.96%	10.15%	9.35%	8.56%	7.78%	7.02%	
2.44%	15.53%	14.67%	13.82%	12.96%	12.12%	11.29%	10.47%	9.67%	8.87%	8.09%	
2.54%	16.82%	15.94%	15.06%	14.19%	13.32%	12.47%	11.64%	10.81%	9.99%	9.19%	
2.64%	18.16%	17.25%	16.35%	15.45%	14.57%	13.69%	12.84%	11.99%	11.15%	10.33%	
2.74%	19.53%	18.60%	17.68%	16.76%	15.85%	14.96%	14.07%	13.21%	12.35%	11.51%	
2.84%	20.96%	20.00%	19.06%	18.11%	17.18%	16.26%	15.35%	14.46%	13.58%	12.72%	

## Scenario Analysis

The scenario analysis is a vital complement to the sensitivity analysis, as it allows us to evaluate potential outcomes of the merger by considering different synergy scenarios. This way, we can better assess the merger's potential impact on value creation. In addition to the base-case scenario, which was discussed previously, we added two more scenarios: a worst-case and a best-case scenario.

In the best-case scenario, synergies are more favorable to the value of the merged entity and represent an optimistic view. In this scenario, the company's sales are higher, as the company's revenue per store increases, along with the store count and growth rate for the wholesale, license, and e-commerce channels, each translating to a 15% increase for these individual elements. Similarly, cost reduction as a percentage of total costs is 15% higher, and the timing of cost synergies realization accelerates, with the peak being achieved in the second year of the merger (distributed as 70% and 100%). These synergies will stabilize at 75% of realization, compared to 68% in the base-case scenario. Property, Plant, and Equipment will increase proportionally to the new number of stores added in this optimistic scenario. Finally, improvements in the cash conversion cycle are expected, positively impacting cash flows. The average holding period and average collection period decrease by 5%, as inventory is sold and sales are collected more quickly. Meanwhile, the average payable period increases by 5%, allowing the company to delay payment to suppliers.

Contrarily, in the worst-case scenario, synergies are less favorable and decrease the value of the merged company. Sales synergies will be lower in revenue per store, store count increase

synergies, and growth rate synergies for the other channels, all decreasing by 15%. Cost reduction synergies are also 15% lower, along with a slower synergy realization, with its peak in the fourth year (20%, 50%, 80% and 100%) and a stabilization at 60%. Property, Plant, and Equipment will decrease in the same proportion as the decrease in the number of stores. Finally, unlike the best-case scenario, cash flows are reduced, with a 5% increase in the average holding and collection periods and a 5% decrease in the average payable period.

With the characteristics of a more optimistic scenario, an enterprise value of 13,975 million USD is achieved, representing a synergy realization of 18.17%. Conversely, in the worst-case scenario, the enterprise value stands at 12,582 million USD, representing synergies of 6.22%. These scenarios highlight a final valuation with synergies ranging between 6.22% and 18.17%, reinforcing the merger's potential for value creation. The table below summarizes each scenario's synergy levels and the corresponding enterprise value obtained.

**Exhibit 55: Summary Table of Synergies (Best Case and Worst Case)**

Best	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.20%	0.75%	1.64%	2.28%	2.62%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	1.28%	2.30%	1.83%	1.66%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
SG&A Margin Reduction	2.82%	4.03%	3.69%	3.35%	3.01%	3.01%	3.01%	3.01%	3.01%	3.01%
Decrease in PPE	-0.39%	-0.23%	-0.07%	0.05%	0.03%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.15	38.70	42.90	42.90	42.90	42.90	42.90	42.90	42.90	42.90
New DPO	70.44	74.35	79.15	79.15	79.15	79.15	79.15	79.15	79.15	79.15
New DIO	107.70	107.98	107.68	107.68	107.68	107.68	107.68	107.68	107.68	107.68
Worst	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Revenues Increase	0.07%	0.42%	1.04%	1.52%	1.76%	0.00%	0.00%	0.00%	0.00%	0.00%
Gross Margin Reduction	0.34%	0.85%	1.36%	1.70%	1.48%	1.26%	1.04%	1.04%	1.04%	1.04%
SG&A Margin Reduction	0.60%	1.49%	2.38%	2.98%	2.59%	2.21%	1.82%	1.82%	1.82%	1.82%
Decrease in PPE	-0.54%	-0.33%	-0.13%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
New DSO	35.59	38.68	41.54	44.45	47.42	47.42	47.42	47.42	47.42	47.42
New DPO	68.64	69.56	70.18	70.87	71.61	71.61	71.61	71.61	71.61	71.61
New DIO	110.31	112.98	114.86	116.87	119.01	119.01	119.01	119.01	119.01	119.01

## Deal Structure

The merger between Li Ning and Under Armour is structured as a merger of equals. In this type of merger, rather than focusing on the value of the consideration to be received by a target company's shareholders, as in an acquisition, the constituent companies are valued on a relative basis to determine the percentage of the combined company to be owned by each company's equity holders (Cooley M&A). That said, we conclude that for each share of Li Ning and Under Armour, the shareholders will receive 0.67 and 2.16 shares of the merged company,

respectively. In the context of the business structure of the merger between Under Armour and Li Ning, the meeting with the shareholders will be a key milestone for the formal approval of the transaction and the definition of various operational aspects, requiring at least a 50.1% majority vote. The shareholder vote will address, among other points, the division of control of the new entity, the name of the combined company, and the governance structure, including the formation of the board of directors and the allocation of executive positions. This meeting will also provide an opportunity to discuss the cultural and operational integration of the two brands, a crucial aspect for the success of the merger (Rosenbaum 2013, 279-280).

## **Conclusion**

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Based on the analyses, including the valuations of both companies as well as the merged company with and without considering synergies, we conclude that this merger demonstrates potential for value creation. This is justified by comparing the combined value of the standalone companies with the value of both companies when synergies are taken into account, showing an increase in value of 12.61%. This positions the new company with a market capitalization of 13.1 billion USD compared to 11.7 billion USD, representing an absolute value growth of 1.5 billion USD. However, the merger must be evaluated within the context of Trump's protectionist policies, which pose significant risks to the apparel and footwear industry, given its heavy reliance on imports. Tariffs ranging from 10%-20% universally and 60% specifically on Chinese goods (Fashion Dive) could increase product prices, reduce consumer spending, and result in economic losses across the sector, which are estimated at \$16-\$18 billion in apparel and \$4-\$8 billion in footwear as consumer spending contracts (Just Style). These factors may heighten the vulnerability of the merged entity and necessitate adjustments to valuations to account for elevated costs and risks. Despite these challenges, scenario and sensitivity analyses reaffirm the potential for value creation, contingent on careful management of the external risks, being our recommendation to proceed with this merger.

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## Appendix

### Li Ning's Income Statement (RMB)

RMB'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core and Recurrent Business</b>							
<b>Revenue</b>	<b>8 873 912</b>	<b>10 510 898</b>	<b>13 869 630</b>	<b>14 456 971</b>	<b>22 572 281</b>	<b>25 803 383</b>	<b>27 598 491</b>
% change		18.4%	32.0%	4.2%	56.1%	14.3%	7.0%
<b>Operating Costs</b>	<b>(8 102 083)</b>	<b>(9 416 855)</b>	<b>(11 644 273)</b>	<b>(11 614 131)</b>	<b>(16 744 840)</b>	<b>(20 328 822)</b>	<b>(22 730 357)</b>
Cost of sales (withouth Depreciation)	(4 668 025)	(5 420 737)	(6 891 858)	(7 146 070)	(10 381 269)	(13 029 222)	(13 889 857)
% of Total Sales	52.6%	51.6%	49.7%	49.4%	46.0%	50.5%	50.3%
Selling and distribution expenses (withouth D&A)	(2 980 797)	(3 384 934)	(3 953 264)	(3 812 455)	(5 469 282)	(6 471 551)	(7 973 992)
% of Total Sales	33.6%	32.2%	28.5%	26.4%	24.2%	25.1%	28.9%
Administrative expenses (withouth D&A)	(464 246)	(629 360)	(811 410)	(625 140)	(909 971)	(852 369)	(886 146)
% of Total Sales	5.2%	6.0%	5.9%	4.3%	4.0%	3.3%	3.2%
Reversal of expected credit loss - net	10 985	18 176	12 258	(30 466)	15 682	24 321	19 638
% of Total Sales	0.12%	0.17%	0.09%	-0.21%	0.07%	0.09%	0.07%
<b>Core and Recurrent EBITDA</b>	<b>771 829</b>	<b>1 094 043</b>	<b>2 225 357</b>	<b>2 842 840</b>	<b>5 827 441</b>	<b>5 474 561</b>	<b>4 868 134</b>
Depreciation	(322 030)	(363 037)	(780 305)	(966 619)	(1 050 545)	(1 343 625)	(1 777 267)
From PPE	(322 030)	(363 037)	(419 881)	(533 902)	(589 373)	(732 178)	(1 015 519)
% of PPE	38.4%	43.7%	40.4%	50.1%	36.2%	22.6%	24.6%
From RUA	-	-	(360 424)	(432 717)	(461 172)	(611 447)	(761 748) <sup>1</sup>
% of RUA	-	-	36.7%	40.6%	34.6%	30.2%	34.9%
Ammortization	(47 757)	(48 375)	(40 666)	(42 119)	(40 868)	(49 343)	(55 447)
% of LUR, IA	14.3%	15.7%	15.3%	11.8%	11.7%	13.1%	14.8%
<b>Core and Recurrent EBIT</b>	<b>402 042</b>	<b>682 631</b>	<b>1 404 386</b>	<b>1 834 102</b>	<b>4 736 028</b>	<b>4 081 593</b>	<b>3 035 420</b>
Statutory Taxes	(100 511)	(170 658)	(351 097)	(458 526)	(1 184 007)	(1 020 398)	(758 855)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	121 385	78 029	29 569	79 540	(50 609)	(31 474)	90 205
<b>Core and Recurrent Result</b>	<b>422 917</b>	<b>590 002</b>	<b>1 082 859</b>	<b>1 455 117</b>	<b>3 501 412</b>	<b>3 029 721</b>	<b>2 366 770</b>
<b>Non-Core and Core But Non Recurrent Business</b>							
Other income and other gains - net	43 636	94 546	138 823	361 867	400 348	805 165	523 667
% of Investment Properties			116%	314%	22%	45%	34%
Share of profit of investments (equity method)	73 806	63 633	343 469	83 487	159 222	201 155	377 972
% of Investments accounted for using the equity method	10.7%	8.7%	32.5%	7.6%	12.6%	14.7%	23.5%
<b>Non-Core and Core but Non-Recurrent EBT</b>	<b>117 442</b>	<b>158 179</b>	<b>482 292</b>	<b>445 354</b>	<b>559 570</b>	<b>1 006 320</b>	<b>901 639</b>
Statutory Taxes	(29 361)	(39 545)	(120 573)	(111 339)	(139 893)	(251 580)	(225 410)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	166	19 049	88 773	22 795	50 909	52 469	98 530
Changes in the fair value of equity investments at fair value	-	(2 888)	-	-	-	-	-
Currency translation differences	(3 850)	1 320	2 641	(25 273)	(2 562)	(8 383)	(2 173)
<b>Non-Core and Core but Non-Recurrent Result</b>	<b>84 398</b>	<b>136 115</b>	<b>453 133</b>	<b>331 538</b>	<b>468 025</b>	<b>798 826</b>	<b>772 586</b>
<b>Financing Result</b>							
Finance income	43 577	23 376	28 873	34 658	145 097	447 748	500 556
% Debt	780%	164%	3%	3%	11%	21%	20%
Finance expenses	(25 537)	(13 865)	(59 005)	(66 249)	(112 458)	(120 561)	(181 446) <sup>1</sup>
% Debt	457%	97%	6%	6%	8%	6%	7%
<b>Financial EBT</b>	<b>18 040</b>	<b>9 511</b>	<b>(30 132)</b>	<b>(31 591)</b>	<b>32 639</b>	<b>327 187</b>	<b>319 110</b>
Statutory Taxes	(4 510)	(2 378)	7 533	7 898	(8 160)	(81 797)	(79 778)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	(9 539)	(19 556)	(11 608)	(89 750)	14 410	(18 549)	(193 900)
<b>Financial Result</b>	<b>3 991</b>	<b>(12 423)</b>	<b>(34 207)</b>	<b>(113 443)</b>	<b>38 889</b>	<b>226 841</b>	<b>45 433</b>
<b>Total comprehensive income</b>	<b>511 305</b>	<b>713 695</b>	<b>1 501 785</b>	<b>1 673 211</b>	<b>4 008 326</b>	<b>4 055 388</b>	<b>3 184 789</b>

RMB'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core and Recurrent Business</b>										
Revenue	30 089 137	32 355 873	34 293 343	35 797 212	36 774 765	37 157 276	37 543 901	37 934 687	38 329 682	38 728 933
% change	9.0%	7.5%	6.0%	4.4%	2.7%	1.0%	1.0%	1.0%	1.0%	1.0%
Operating Costs	(24 821 868)	(26 541 326)	(27 971 138)	(29 031 282)	(29 653 047)	(29 788 679)	(30 098 633)	(30 411 923)	(30 728 587)	(31 048 663)
Cost of sales (withouth Depreciation)	(15 079 799)	(16 147 475)	(17 041 948)	(17 713 675)	(18 119 721)	(18 229 705)	(18 419 387)	(18 611 110)	(18 804 898)	(19 000 774)
% of Total Sales	50.1%	49.9%	49.7%	49.5%	49.3%	49.1%	49.1%	49.1%	49.1%	49.1%
Selling and distribution expenses (withouth D&A)	(8 644 939)	(9 243 859)	(9 741 909)	(10 111 218)	(10 327 849)	(10 375 169)	(10 483 124)	(10 592 241)	(10 702 532)	(10 814 012)
% of Total Sales	28.7%	28.6%	28.4%	28.2%	28.1%	27.9%	27.9%	27.9%	27.9%	27.9%
Administrative expenses (withouth D&A)	(1 118 540)	(1 173 015)	(1 211 682)	(1 231 861)	(1 231 643)	(1 210 245)	(1 222 837)	(1 235 566)	(1 248 431)	(1 261 435)
% of Total Sales	3.7%	3.6%	3.5%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Reversal of expected credit loss - net	21 410	23 023	24 402	25 472	26 167	26 440	26 715	26 993	27 274	27 558
% of Total Sales	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%	0.07%
<b>Core and Recurrent EBITDA</b>	<b>5 267 269</b>	<b>5 814 547</b>	<b>6 322 205</b>	<b>6 765 931</b>	<b>7 121 718</b>	<b>7 368 597</b>	<b>7 445 268</b>	<b>7 522 764</b>	<b>7 601 095</b>	<b>7 680 270</b>
Depreciation	(2 022 410)	(2 156 699)	(2 266 692)	(2 346 104)	(2 389 636)	(2 393 742)	(2 418 650)	(2 443 825)	(2 469 271)	(2 494 992)
From PPE	(1 234 772)	(1 309 724)	(1 369 000)	(1 409 046)	(1 426 988)	(1 421 082)	(1 435 868)	(1 450 814)	(1 465 921)	(1 481 190)
% of PPE	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%
From RUA	(787 639)	(846 975)	(897 692)	(937 058)	(962 648)	(972 661)	(982 781)	(993 011)	(1 003 350)	(1 013 802)
% of RUA	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%
Ammortization	(62 596)	(67 312)	(71 343)	(74 471)	(76 505)	(77 301)	(78 105)	(78 918)	(79 740)	(80 570)
% of LUR, IA	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
<b>Core and Recurrent EBIT</b>	<b>3 182 262</b>	<b>3 590 536</b>	<b>3 984 170</b>	<b>4 345 356</b>	<b>4 655 578</b>	<b>4 897 554</b>	<b>4 948 514</b>	<b>5 000 022</b>	<b>5 052 084</b>	<b>5 104 708</b>
Statutory Taxes	(795 566)	(897 634)	(996 043)	(1 086 339)	(1 163 894)	(1 224 388)	(1 237 128)	(1 250 005)	(1 263 021)	(1 276 177)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	2 707	2 707	2 707	2 707	2 707	2 707	2 707	2 707	2 707	2 707
<b>Core and Recurrent Result</b>	<b>2 389 404</b>	<b>2 695 609</b>	<b>2 990 835</b>	<b>3 261 724</b>	<b>3 494 391</b>	<b>3 675 873</b>	<b>3 714 092</b>	<b>3 752 723</b>	<b>3 791 770</b>	<b>3 831 238</b>
<b>Non-Core and Core but Non Recurrent Business</b>										
Other income and other gains - net	449 808	402 433	371 651	353 938	347 273	350 746	354 253	357 796	361 374	364 987
% of Investment Properties	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Share of profit of investments (equity method)	302 313	336 063	373 582	415 288	461 651	513 190	570 482	634 171	704 969	783 672
% of Investments accounted for using the equity method	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%
<b>Non-Core and Core but Non-Recurrent EBT</b>	<b>752 121</b>	<b>738 497</b>	<b>745 232</b>	<b>769 226</b>	<b>808 924</b>	<b>863 935</b>	<b>924 735</b>	<b>991 966</b>	<b>1 066 343</b>	<b>1 148 659</b>
Statutory Taxes	(188 030)	(184 624)	(186 308)	(192 306)	(202 231)	(215 984)	(231 184)	(247 992)	(266 586)	(287 165)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	67 303	67 303	67 303	67 303	67 303	67 303	67 303	67 303	67 303	67 303
Changes in the fair value of equity investments at fair value	-	-	-	-	-	-	-	-	-	-
Currency translation differences	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)
<b>Non-Core and Core but Non-Recurrent Result</b>	<b>627 021</b>	<b>616 803</b>	<b>621 854</b>	<b>639 849</b>	<b>669 623</b>	<b>710 881</b>	<b>756 481</b>	<b>806 905</b>	<b>862 687</b>	<b>924 425</b>
<b>Financing Result</b>										
Finance income	562 561	604 941	641 165	669 282	687 559	694 711	701 939	709 246	716 631	724 095
% Debt	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Finance expenses	(176 914)	(190 242)	(201 634)	(210 476)	(216 224)	(218 473)	(220 746)	(223 044)	(225 366)	(227 714)
% Debt	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
<b>Financial EBT</b>	<b>385 647</b>	<b>414 699</b>	<b>439 531</b>	<b>458 806</b>	<b>471 335</b>	<b>476 238</b>	<b>481 193</b>	<b>486 202</b>	<b>491 264</b>	<b>496 382</b>
Statutory Taxes	(96 412)	(103 675)	(109 883)	(114 702)	(117 834)	(119 059)	(120 298)	(121 550)	(122 816)	(124 095)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)	(66 013)
<b>Financial Result</b>	<b>223 222</b>	<b>245 011</b>	<b>263 636</b>	<b>278 092</b>	<b>287 489</b>	<b>291 165</b>	<b>294 882</b>	<b>298 638</b>	<b>302 435</b>	<b>306 273</b>
<b>Total comprehensive income</b>	<b>3 239 647</b>	<b>3 557 423</b>	<b>3 876 325</b>	<b>4 179 665</b>	<b>4 451 502</b>	<b>4 677 920</b>	<b>4 765 456</b>	<b>4 858 267</b>	<b>4 956 893</b>	<b>5 061 936</b>

## Li Ning's Balance Sheet (RMB)

RMB'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core Invested Capital</b>							
Operating Cash	443 696	525 545	693 482	722 849	1 128 614	1 290 169	1 379 925
% of Total Sales	5%	5%	5%	5%	5%	5%	5%
Inventories	1 102 538	1 239 741	1 407 257	1 345 539	1 772 803	2 428 040	2 493 206
Average Holding Period	86	83	75	69	62	68	66
Other assets – current portion	-	508 536	443 406	518 902	770 628	831 578	838 175
% of Total Sales	-	4.8%	3.2%	3.6%	3.4%	3.2%	3.0%
Trade receivables	1 138 034	928 895	686 606	658 796	902 857	1 020 346	1 205 532
Average Collection Period	47	32	18	17	15	14	16
Trade payables	(1 145 113)	(1 133 314)	(1 348 206)	(1 227 129)	(1 599 282)	(1 584 424)	(1 789 796)
Average Payable Period	90	76	71	63	56	44	47
Contract liabilities	-	(97 979)	(293 926)	(286 134)	(345 835)	(252 090)	(552 537)
% of Total Sales	-	0.9%	2.1%	2.0%	1.5%	1.0%	2.0%
Other payables and accruals	(929 263)	(1 383 118)	(2 173 658)	(2 500 991)	(4 024 662)	(3 648 720)	(3 255 710)
% of Total Sales	10.5%	13.2%	15.7%	17.3%	17.8%	14.1%	11.8%
License fees payable – current portion	(33 392)	(28 719)	(31 349)	(39 494)	(50 106)	(50 540)	(38 484)
% of Total Sales	0.38%	0.27%	0.23%	0.27%	0.22%	0.20%	0.14%
Current income tax liabilities	(20 042)	(134 341)	(530 635)	(591 860)	(1 307 776)	(1 037 297)	(915 284)
% of Taxes	-96.0%	145.0%	165.0%	156.2%	105.9%	98.6%	136.9%
<b>Net Working Capital</b>	<b>556 458</b>	<b>425 246</b>	<b>(1 147 024)</b>	<b>(1 399 522)</b>	<b>(2 752 759)</b>	<b>(1 002 938)</b>	<b>(634 973)</b>
Property, plant and equipment	838 185	830 085	1 038 588	1 065 058	1 625 887	3 234 563	4 123 948
% of Total Sales	9.4%	7.9%	7.5%	7.4%	7.2%	12.5%	14.9%
Right-of-use Assets	-	-	981 422	1 065 979	1 332 765	2 022 229	2 184 054
% of Total Sales	-	-	7.1%	7.4%	5.9%	7.8%	7.9%
Land use rights	75 986	74 092	72 233	166 377	162 579	158 781	154 654
% of Total Sales	0.9%	0.7%	0.5%	1.2%	0.7%	0.6%	0.6%
Intangible assets	257 947	233 921	193 261	190 746	187 680	217 236	220 867
% of Total Sales	2.9%	2.2%	1.4%	1.3%	0.8%	0.8%	0.8%
Deferred income tax assets	234 327	239 047	431 715	590 635	707 575	693 402	800 960
% of Total Sales	2.6%	2.3%	3.1%	4.1%	3.1%	2.7%	2.9%
Other assets	-	132 491	83	138 518	775 531	287 707	203 074
% of Total Sales	-	1.3%	0.0%	1.0%	3.4%	1.1%	0.7%
License fees payable	(39 203)	(27 565)	(24 581)	(23 395)	(20 996)	(15 531)	(8 581)
% of Total Sales	0.44%	0.26%	0.18%	0.16%	0.09%	0.06%	0.03%
Deferred income tax liabilities	(18 323)	(34 730)	(45 002)	(102 738)	(426 873)	(518 731)	(627 231)
% of Taxes	-88%	37%	14%	27%	35%	49%	94%
<b>Core Invested Capital</b>	<b>1 905 377</b>	<b>1 872 587</b>	<b>1 500 696</b>	<b>1 691 658</b>	<b>1 591 389</b>	<b>5 076 718</b>	<b>6 416 772</b>
<b>Non-Core Invested Capital</b>							
Investment Properties	-	-	119 278	115 200	1 850 045	1 802 227	1 560 455
% change	-	-	-	-3.4%	1505.9%	-2.6%	-13.4%
Available-for-sale financial assets	14 000	-	-	-	-	-	-
Investments accounted for using the equity method	689 071	728 499	1 056 866	1 101 116	1 267 071	1 369 403	1 606 601
% change	-	5.7%	45.1%	4.2%	15.1%	8.1%	17.3%
Other receivables	441 318	140 256	154 188	193 910	267 577	356 602	412 570
% of Leases	-	-	17.2%	18.5%	20.2%	16.7%	16.2%
Restricted bank deposits	721	200	1 126	1 084	1 061	970	806
% of Leases	-	-	0.13%	0.10%	0.08%	0.05%	0.03%
Deferred income	(56 832)	(53 675)	(53 821)	(64 435)	(62 517)	(65 591)	(71 586)
% change	-	-5.6%	0.3%	19.7%	-3.0%	4.9%	9.1%
<b>Non-Core Invested Capital</b>	<b>1 088 278</b>	<b>815 280</b>	<b>1 277 637</b>	<b>1 346 875</b>	<b>3 323 237</b>	<b>3 463 611</b>	<b>3 508 846</b>
<b>Total Invested Capital</b>	<b>2 993 655</b>	<b>2 687 867</b>	<b>2 778 333</b>	<b>3 038 533</b>	<b>4 914 626</b>	<b>8 540 329</b>	<b>9 925 618</b>
<b>Financing</b>							
Excess Cash	(2 085 526)	(3 145 997)	(5 267 964)	(6 464 190)	(13 616 285)	(6 092 049)	(4 063 958)
% of Total Sales	23.5%	29.9%	38.0%	44.7%	60.3%	23.6%	14.7%
Investments accounted at fair value through profit or loss	-	-	-	-	(169 671)	(174 597)	(428 189)
% change	-	-	-	-	-	2.9%	145.2%
Long-Term Bank Deposits	-	-	-	(254 966)	(3 335 325)	(11 023 296)	(9 037 142)
% of Total Sales	0.0%	0.0%	0.0%	1.8%	14.8%	42.7%	32.7%
Short-term bank deposits	-	-	-	-	(400 862)	(643 324)	(3 493 687)
% of Total Sales	0.0%	0.0%	0.0%	0.0%	1.8%	2.5%	12.7%
Derivative financial instruments	5 584	14 274	27 782	18 735	9 219	-	-
Lease Liabilities	-	-	894 321	1 049 537	1 323 443	2 141 667	2 541 953
% of Total Sales	-	-	6.4%	7.3%	5.9%	8.3%	9.2%
<b>Net Financial Debt</b>	<b>(2 079 942)</b>	<b>(3 131 723)</b>	<b>(4 345 861)</b>	<b>(5 650 884)</b>	<b>(16 189 481)</b>	<b>(15 791 599)</b>	<b>(14 481 023)</b>
<b>EQUITY</b>							
Capital and reserves attributable to equity holders of the Company	5 071 047	5 817 040	7 121 639	8 686 863	21 101 546	24 329 430	24 406 641
Ordinary shares	203 347	204 435	214 300	228 285	238 759	240 320	239 546
Share premium	3 189 792	3 249 389	3 547 682	4 037 767	12 637 277	11 580 718	10 172 638
Shares held for Restricted Share Award Scheme	(69 600)	(168 809)	(276 664)	(148 995)	(37 840)	(180 839)	(1 037 927)
Other reserves	1 086 613	1 314 569	1 153 645	874 574	1 241 767	1 792 412	2 021 513
Retained earnings	660 895	1 217 456	2 482 676	3 695 232	7 021 583	10 896 819	13 101 871
Non-controlling interests in equity	2 550	2 550	2 554	2 554	2 561	2 498	-
<b>Total equity</b>	<b>5 073 597</b>	<b>5 819 590</b>	<b>7 124 193</b>	<b>8 689 417</b>	<b>21 104 107</b>	<b>24 331 928</b>	<b>24 406 641</b>
<b>Total Sources of Funding</b>	<b>2 993 655</b>	<b>2 687 867</b>	<b>2 778 333</b>	<b>3 038 533</b>	<b>4 914 626</b>	<b>8 540 329</b>	<b>9 925 618</b>

RMB'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core Invested Capital</b>										
Operating Cash	1 504 457	1 617 794	1 714 667	1 789 861	1 838 738	1 857 864	1 877 195	1 896 734	1 916 484	1 936 447
% of Total Sales	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Inventories	2 758 485	2 982 388	3 177 775	3 334 402	3 442 925	3 496 108	3 532 485	3 569 254	3 606 419	3 643 984
Average Holding Period	67	67	68	69	69	70	70	70	70	70
Other assets – current portion	913 817	982 658	1 041 500	1 087 173	1 116 861	1 128 478	1 140 220	1 152 089	1 164 085	1 176 210
% of Total Sales	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Trade receivables	1 314 326	1 449 798	1 597 345	1 730 790	1 843 183	1 832 414	1 851 480	1 870 752	1 890 231	1 909 920
Average Collection Period	16	16	17	18	18	18	18	18	18	18
Trade payables	(1 943 128)	(2 100 025)	(2 246 535)	(2 366 455)	(2 452 790)	(2 458 071)	(2 483 648)	(2 509 499)	(2 535 629)	(2 562 041)
Average Payable Period	47	47	48	49	49	49	49	49	49	49
Contract liabilities	(448 181)	(481 944)	(510 803)	(533 203)	(547 764)	(553 461)	(559 220)	(565 041)	(570 924)	(576 871)
% of Total Sales	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Other payables and accruals	(3 902 135)	(4 196 098)	(4 447 361)	(4 642 391)	(4 769 166)	(4 818 772)	(4 868 912)	(4 919 592)	(4 970 817)	(5 022 594)
% of Total Sales	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
License fees payable – current portion	(50 446)	(54 246)	(57 494)	(60 015)	(61 654)	(62 296)	(62 944)	(63 599)	(64 261)	(64 931)
% of Total Sales	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.2%	0.2%	0.2%	0.2%
Current income tax liabilities	(902 340)	(1 018 502)	(1 130 500)	(1 233 265)	(1 321 529)	(1 390 377)	(1 404 876)	(1 419 531)	(1 434 344)	(1 449 316)
% of Taxes	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%
<b>Net Working Capital</b>	<b>(755 144)</b>	<b>(818 178)</b>	<b>(861 405)</b>	<b>(893 104)</b>	<b>(911 197)</b>	<b>(968 114)</b>	<b>(978 219)</b>	<b>(988 433)</b>	<b>(998 757)</b>	<b>(1 009 193)</b>
Property, plant and equipment	4 435 757	4 705 014	4 917 956	5 061 814	5 126 271	5 105 053	5 158 172	5 211 862	5 266 130	5 320 983
% of Total Sales	14.7%	14.5%	14.3%	14.1%	13.9%	13.7%	13.7%	13.7%	13.7%	13.7%
Right-of-use Assets	2 369 631	2 548 145	2 700 728	2 819 163	2 896 149	2 926 273	2 956 721	2 987 497	3 018 604	3 050 047
% of Total Sales	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Land use rights	176 882	190 207	201 597	210 438	216 184	218 433	220 706	223 003	225 325	227 672
% of Total Sales	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Intangible assets	247 058	265 670	281 579	293 927	301 953	305 094	308 268	311 477	314 720	317 999
% of Total Sales	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Deferred income tax assets	875 007	940 925	997 267	1 041 001	1 069 428	1 080 552	1 091 795	1 103 159	1 114 646	1 126 256
% of Total Sales	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Other assets	278 447	299 423	317 353	331 270	340 316	343 856	347 434	351 050	354 705	358 400
% of Total Sales	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
License fees payable	(9 355)	(10 060)	(10 663)	(11 130)	(11 434)	(11 553)	(11 673)	(11 795)	(11 918)	(12 042)
% of Total Sales	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Deferred income tax liabilities	(469 626)	(530 083)	(588 372)	(641 857)	(687 794)	(723 626)	(731 172)	(738 799)	(746 509)	(754 301)
% of Taxes	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%
<b>Core Invested Capital</b>	<b>7 148 657</b>	<b>7 591 063</b>	<b>7 956 040</b>	<b>8 211 521</b>	<b>8 339 877</b>	<b>8 275 968</b>	<b>8 362 031</b>	<b>8 449 021</b>	<b>8 536 948</b>	<b>8 625 822</b>
<b>Non-Core Invested Capital</b>										
Investment Properties	1 351 117	1 208 816	1 116 352	1 063 146	1 043 126	1 053 558	1 064 093	1 074 734	1 085 481	1 096 336
% change	-13.4%	-10.5%	-7.6%	-4.8%	-1.9%	1.0%	1.0%	1.0%	1.0%	1.0%
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	1 785 962	1 985 346	2 206 990	2 453 379	2 727 274	3 031 746	3 370 210	3 746 460	4 164 715	4 629 663
% change	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%
Other receivables	455 626	489 950	519 288	542 061	556 863	562 655	568 510	574 427	580 409	586 454
% of Leases	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Restricted bank deposits	879	945	1 002	1 045	1 074	1 085	1 096	1 108	1 119	1 131
% of Leases	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Deferred income	(78 129)	(85 270)	(93 064)	(101 570)	(110 853)	(120 985)	(132 043)	(144 112)	(157 283)	(171 659)
% change	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
<b>Non-Core Invested Capital</b>	<b>3 515 455</b>	<b>3 599 787</b>	<b>3 750 568</b>	<b>3 958 061</b>	<b>4 217 484</b>	<b>4 528 060</b>	<b>4 871 867</b>	<b>5 252 618</b>	<b>5 674 441</b>	<b>6 141 926</b>
<b>Total Invested Capital</b>	<b>10 664 112</b>	<b>11 190 850</b>	<b>11 706 609</b>	<b>12 169 582</b>	<b>12 557 361</b>	<b>12 804 027</b>	<b>13 233 898</b>	<b>13 701 639</b>	<b>14 211 389</b>	<b>14 767 747</b>
<b>Financing</b>										
Excess Cash	(3 008 914)	(2 912 029)	(2 743 467)	(2 505 805)	(2 206 486)	(1 857 864)	(1 877 195)	(1 896 734)	(1 916 484)	(1 936 447)
% of Total Sales	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Investments accounted at fair value through profit or loss	(436 753)	(444 614)	(451 728)	(458 052)	(463 549)	(468 184)	(472 866)	(477 595)	(482 371)	(487 195)
% change	2.0%	1.8%	1.6%	1.4%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Long-Term Bank Deposits	(7 149 368)	(7 687 959)	(8 148 314)	(8 505 643)	(8 737 915)	(8 828 802)	(8 920 667)	(9 013 520)	(9 107 373)	(9 202 238)
% of Total Sales	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%
Short-term bank deposits	(2 279 576)	(2 451 306)	(2 598 090)	(2 712 025)	(2 786 085)	(2 815 064)	(2 844 355)	(2 873 961)	(2 903 886)	(2 934 134)
% of Total Sales	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	2 771 353	2 980 131	3 158 581	3 297 094	3 387 132	3 422 363	3 457 973	3 493 966	3 530 347	3 567 120
% of Total Sales	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
<b>Net Financial Debt</b>	<b>(10 103 258)</b>	<b>(10 515 777)</b>	<b>(10 783 019)</b>	<b>(10 884 430)</b>	<b>(10 806 903)</b>	<b>(10 547 552)</b>	<b>(10 657 111)</b>	<b>(10 767 845)</b>	<b>(10 879 768)</b>	<b>(10 992 893)</b>
<b>EQUITY</b>										
Capital and reserves attributable to equity holders of the Company										
Ordinary shares										
Share premium										
Shares held for Restricted Share Award Scheme										
Other reserves										
Retained earnings										
Non-controlling interests in equity										
<b>Total equity</b>	<b>20 767 370</b>	<b>21 706 627</b>	<b>22 489 628</b>	<b>23 054 011</b>	<b>23 364 264</b>	<b>23 351 579</b>	<b>23 891 009</b>	<b>24 469 484</b>	<b>25 091 156</b>	<b>25 760 641</b>
<b>Total Sources of Funding</b>	<b>10 664 112</b>	<b>11 190 850</b>	<b>11 706 609</b>	<b>12 169 582</b>	<b>12 557 361</b>	<b>12 804 027</b>	<b>13 233 898</b>	<b>13 701 639</b>	<b>14 211 389</b>	<b>14 767 747</b>

## Li Ning's Free Cash Flow (RMB)

RMB'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Operating</b>							
Core EBIT	402 042	682 631	1 404 386	1 834 102	4 736 028	4 081 593	3 035 420
Income Taxes	20 875	(92 629)	(321 528)	(378 986)	(1 234 616)	(1 051 872)	(668 650)
<b>NOPLAT</b>	<b>422 917</b>	<b>590 002</b>	<b>1 082 859</b>	<b>1 455 117</b>	<b>3 501 412</b>	<b>3 029 721</b>	<b>2 366 770</b>
Depreciation PPE	322 030	363 037	419 881	533 902	589 373	732 178	1 015 519
Depreciation RUA	-	-	360 424	432 717	461 172	611 447	761 748
Amortization LUR and IA	47 757	48 375	40 666	42 119	40 868	49 343	55 447
<b>Gross Free Cash Flow</b>	<b>792 704</b>	<b>1 001 414</b>	<b>1 903 830</b>	<b>2 463 855</b>	<b>4 592 825</b>	<b>4 422 689</b>	<b>4 199 484</b>
CAPEX		(354 937)	(628 384)	(560 372)	(1 150 202)	(2 340 854)	(1 904 904)
Investment in RUA, LUR and IA		(22 455)	(1 339 993)	(651 022)	(761 962)	(1 376 012)	(978 524)
Δ NWC		131 212	1 572 269	252 499	1 353 237	(1 749 821)	(367 964)
Δ Other Operating Assets		(137 211)	(60 260)	(297 355)	(753 953)	501 997	(22 925)
Δ Other Operating Liabilities		4 769	7 288	56 550	321 736	86 393	101 550
<b>Operating Free Cash Flow</b>		<b>622 792</b>	<b>1 454 750</b>	<b>1 264 154</b>	<b>3 601 681</b>	<b>(455 608)</b>	<b>1 026 717</b>
<b>Non Operating</b>							
Non Operating EBT	117 442	158 179	482 292	445 354	559 570	1 006 320	901 639
Income Taxes	(29 195)	(20 496)	(31 800)	(88 544)	(88 984)	(199 111)	(126 880)
<b>Non Operating NOPLAT</b>	<b>88 248</b>	<b>137 683</b>	<b>450 492</b>	<b>356 811</b>	<b>470 587</b>	<b>807 209</b>	<b>774 759</b>
Δ Other Non Operating Assets		276 155	(462 503)	(79 852)	(1 974 444)	(143 448)	(51 230)
Δ Other Non Operating Liabilities		(3 157)	146	10 614	(1 918)	3 074	5 995
Other Comprehensive Income/Loss	(3 850)	(1 568)	2 641	(25 273)	(2 562)	(8 383)	(2 173)
<b>Non Operating Unlevered FCF</b>		<b>409 113</b>	<b>(9 224)</b>	<b>262 300</b>	<b>(1 508 338)</b>	<b>658 452</b>	<b>727 351</b>
<b>Total Unlevered Free Cash Flows</b>		<b>1 031 905</b>	<b>1 445 526</b>	<b>1 526 454</b>	<b>2 093 343</b>	<b>202 844</b>	<b>1 754 068</b>
<b>Financing</b>							
Finance income- net	18 040	9 511	(30 132)	(31 591)	32 639	327 187	319 110
Tax Shields	(14 049)	(21 934)	(4 075)	(81 852)	6 250	(100 346)	(273 678)
Δ Debt		(1 051 781)	(1 214 137)	(1 305 024)	(10 538 597)	397 882	1 310 575
Δ Equity		32 298	(197 182)	(107 987)	8 406 364	(827 567)	(3 110 076)
<b>Financing Cash Flow</b>		<b>(1 031 905)</b>	<b>(1 445 526)</b>	<b>(1 526 454)</b>	<b>(2 093 343)</b>	<b>(202 844)</b>	<b>(1 754 068)</b>

RMB'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating</b>										
Core EBIT	3 182 262	3 590 536	3 984 170	4 345 356	4 655 578	4 897 554	4 948 514	5 000 022	5 052 084	5 104 708
Income Taxes	(792 858)	(894 927)	(993 335)	(1 083 632)	(1 161 187)	(1 221 681)	(1 234 421)	(1 247 298)	(1 260 314)	(1 273 470)
<b>NOPLAT</b>	<b>2 389 404</b>	<b>2 695 609</b>	<b>2 990 835</b>	<b>3 261 724</b>	<b>3 494 391</b>	<b>3 675 873</b>	<b>3 714 092</b>	<b>3 752 723</b>	<b>3 791 770</b>	<b>3 831 238</b>
Depreciation PPE	1 234 772	1 309 724	1 369 000	1 409 046	1 426 988	1 421 082	1 435 868	1 450 814	1 465 921	1 481 190
Depreciation RUA	787 639	846 975	897 692	937 058	962 648	972 661	982 781	993 011	1 003 350	1 013 802
Amortization LUR and IA	62 596	67 312	71 343	74 471	76 505	77 301	78 105	78 918	79 740	80 570
<b>Gross Free Cash Flow</b>	<b>4 474 411</b>	<b>4 919 620</b>	<b>5 328 870</b>	<b>5 682 299</b>	<b>5 960 531</b>	<b>6 146 916</b>	<b>6 210 847</b>	<b>6 275 466</b>	<b>6 340 781</b>	<b>6 406 800</b>
CAPEX	(1 546 581)	(1 578 980)	(1 581 943)	(1 552 903)	(1 491 445)	(1 399 864)	(1 488 987)	(1 504 504)	(1 520 189)	(1 536 043)
Investment in RUA, LUR and IA	(1 084 232)	(1 124 738)	(1 148 915)	(1 151 154)	(1 129 911)	(1 085 475)	(1 096 782)	(1 108 210)	(1 119 763)	(1 131 439)
Δ NWC	120 170	63 034	43 227	31 700	18 093	56 917	10 105	10 214	10 324	10 435
Δ Other Operating Assets	(149 420)	(86 894)	(74 272)	(57 650)	(37 474)	(14 663)	(14 821)	(14 981)	(15 142)	(15 305)
Δ Other Operating Liabilities	(156 831)	61 162	58 892	53 952	46 242	35 951	7 666	7 749	7 832	7 917
<b>Operating Free Cash Flow</b>	<b>1 657 518</b>	<b>2 253 203</b>	<b>2 625 858</b>	<b>3 006 244</b>	<b>3 366 035</b>	<b>3 739 782</b>	<b>3 628 029</b>	<b>3 665 734</b>	<b>3 703 844</b>	<b>3 742 364</b>
<b>Non Operating</b>										
Non Operating EBT	752 121	738 497	745 232	769 226	808 924	863 935	924 735	991 966	1 066 343	1 148 659
Income Taxes	(120 728)	(117 322)	(119 005)	(125 004)	(134 928)	(148 681)	(163 881)	(180 689)	(199 283)	(219 862)
<b>Non Operating NOPLAT</b>	<b>631 393</b>	<b>621 175</b>	<b>626 227</b>	<b>644 222</b>	<b>673 996</b>	<b>715 254</b>	<b>760 854</b>	<b>811 277</b>	<b>867 060</b>	<b>928 797</b>
Δ Other Non Operating Assets	(13 152)	(91 473)	(158 575)	(215 998)	(268 707)	(320 707)	(354 865)	(392 820)	(434 995)	(481 861)
Δ Other Non Operating Liabilities	6 543	7 141	7 794	8 506	9 283	10 132	11 058	12 069	13 172	14 376
Other Comprehensive Income/Loss	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)	(4 373)
<b>Non Operating Unlevered FCF</b>	<b>620 412</b>	<b>532 470</b>	<b>471 073</b>	<b>432 357</b>	<b>410 200</b>	<b>400 306</b>	<b>412 674</b>	<b>426 153</b>	<b>440 864</b>	<b>456 940</b>
<b>Total Unlevered Free Cash Flows</b>	<b>2 277 930</b>	<b>2 785 673</b>	<b>3 096 931</b>	<b>3 438 601</b>	<b>3 776 234</b>	<b>4 140 088</b>	<b>4 040 703</b>	<b>4 091 887</b>	<b>4 144 708</b>	<b>4 199 304</b>
<b>Financing</b>										
Finance income- net	385 647	414 699	439 531	458 806	471 335	476 238	481 193	486 202	491 264	496 382
Tax Shields	(162 425)	(169 688)	(175 896)	(180 715)	(183 847)	(185 072)	(186 311)	(187 563)	(188 829)	(190 108)
Δ Debt	4 377 766	(412 519)	(267 242)	(101 411)	77 527	259 351	(109 559)	(110 734)	(111 923)	(113 125)
Δ Equity	(6 878 918)	(2 618 165)	(3 093 325)	(3 615 281)	(4 141 250)	(4 690 604)	(4 226 026)	(4 279 791)	(4 335 221)	(4 392 452)
<b>Financing Cash Flow</b>	<b>(2 277 930)</b>	<b>(2 785 673)</b>	<b>(3 096 931)</b>	<b>(3 438 601)</b>	<b>(3 776 234)</b>	<b>(4 140 088)</b>	<b>(4 040 703)</b>	<b>(4 091 887)</b>	<b>(4 144 708)</b>	<b>(4 199 304)</b>

## Li Ning's Income Statement (HKD)

HKD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core and Recurrent Business</b>							
<b>Revenue</b>	<b>10 452 193</b>	<b>11 827 274</b>	<b>15 369 714</b>	<b>17 040 277</b>	<b>27 614 731</b>	<b>28 364 717</b>	<b>30 225 048</b>
% change		13,2%	30,0%	10,9%	62,1%	2,7%	6,6%
<b>Operating Costs</b>	<b>(9 543 090)</b>	<b>(10 596 214)</b>	<b>(12 903 671)</b>	<b>(13 689 452)</b>	<b>(20 485 491)</b>	<b>(22 346 732)</b>	<b>(24 893 612)</b>
Cost of sales (withouth Depreciation)	(5 498 263)	(6 099 625)	(7 637 254)	(8 422 996)	(12 700 354)	(14 322 548)	(15 211 759)
% of Total Sales	52,6%	51,6%	49,7%	49,4%	46,0%	50,5%	50,3%
Selling and distribution expenses (withouth D&A)	(3 510 951)	(3 808 860)	(4 380 833)	(4 493 700)	(6 691 072)	(7 113 940)	(8 732 879)
% of Total Sales	33,6%	32,2%	28,5%	26,4%	24,2%	25,1%	28,9%
Administrative expenses (withouth D&A)	(546 815)	(708 180)	(899 169)	(736 846)	(1 113 251)	(936 978)	(970 481)
% of Total Sales	5,2%	6,0%	5,9%	4,3%	4,0%	3,3%	3,2%
Reversal of expected credit loss - net	12 939	20 452	13 584	(35 910)	19 185	26 735	21 507
% of Total Sales	0,1%	0,2%	0,1%	-0,2%	0,1%	0,1%	0,1%
<b>Core and Recurrent EBITDA</b>	<b>909 104</b>	<b>1 231 060</b>	<b>2 466 043</b>	<b>3 350 825</b>	<b>7 129 240</b>	<b>6 017 985</b>	<b>5 331 436</b>
Depreciation	(379 305)	(408 503)	(864 700)	(1 139 343)	(1 285 228)	(1 476 998)	(1 946 410)
From PPE	(379 305)	(408 503)	(465 294)	(629 305)	(721 034)	(804 857)	(1 112 166)
% of PPE	38,4%	43,7%	40,4%	50,1%	36,2%	22,6%	24,6%
From RUA	-	-	(399 406)	(510 039)	(564 194)	(672 141)	(834 244)
% of RUA	-	-	36,7%	40,6%	34,6%	30,2%	34,9%
Ammortization	(56 251)	(54 433)	(45 064)	(49 645)	(49 998)	(54 241)	(60 724)
% of LUR, IA	14,3%	15,7%	15,3%	11,8%	11,7%	13,1%	14,8%
<b>Core and Recurrent EBIT</b>	<b>473 548</b>	<b>768 123</b>	<b>1 556 279</b>	<b>2 161 836</b>	<b>5 794 015</b>	<b>4 486 746</b>	<b>3 324 302</b>
Statutory Taxes	(118 387)	(192 031)	(389 070)	(540 459)	(1 448 504)	(1 121 687)	(831 075)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	142 974	87 801	32 767	93 753	(61 915)	(34 598)	98 790
<b>Core and Recurrent Result</b>	<b>498 135</b>	<b>663 894</b>	<b>1 199 976</b>	<b>1 715 130</b>	<b>4 283 597</b>	<b>3 330 461</b>	<b>2 592 016</b>
<b>Non-Core and Core But Non Recurrent Business</b>							
Other income and other gains - net	51 397	106 387	153 838	426 529	489 782	885 088	573 505
% of Investment Properties			116%	314%	22%	45%	34%
Share of profit of investments (equity method)	86 933	71 602	380 617	98 405	194 791	221 122	413 944
% of Investments (equity method)	10,7%	8,7%	32,5%	7,6%	12,6%	14,7%	23,5%
<b>Non-Core and Core but Non-Recurent EBT</b>	<b>138 330</b>	<b>177 989</b>	<b>534 455</b>	<b>524 934</b>	<b>684 573</b>	<b>1 106 211</b>	<b>987 448</b>
Statutory Taxes	(34 582)	(44 497)	(133 614)	(131 233)	(171 143)	(276 553)	(246 862)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	196	21 435	98 374	26 868	62 282	57 677	107 907
Changes in the fair value of equity investments	-	(3 250)	-	-	-	-	-
Currency translation differences	(4 535)	1 485	2 927	(29 789)	(3 134)	(9 215)	(2 380)
<b>Non-Core and Core but Non-Recurent Result</b>	<b>99 408</b>	<b>153 162</b>	<b>502 142</b>	<b>390 780</b>	<b>572 577</b>	<b>878 120</b>	<b>846 114</b>
<b>Financing Result</b>							
Finance income	51 327	26 304	31 996	40 851	177 510	492 193	548 194
% Debt	780%	164%	3%	3%	11%	21%	20%
Finance expenses	(30 079)	(15 601)	(65 387)	(78 087)	(137 580)	(132 528)	(198 714)
% Debt	457%	97%	6%	6%	8%	6%	7%
<b>Financial EBT</b>	<b>21 249</b>	<b>10 702</b>	<b>(33 391)</b>	<b>(37 236)</b>	<b>39 930</b>	<b>359 665</b>	<b>349 480</b>
Statutory Taxes	(5 312)	(2 676)	8 348	9 309	(9 983)	(89 916)	(87 370)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	(11 236)	(22 005)	(12 863)	(105 787)	17 629	(20 390)	(212 354)
<b>Financial Result</b>	<b>4 701</b>	<b>(13 979)</b>	<b>(37 907)</b>	<b>(133 714)</b>	<b>47 577</b>	<b>249 358</b>	<b>49 756</b>
<b>Total comprehensive income</b>	<b>602 244</b>	<b>803 077</b>	<b>1 664 212</b>	<b>1 972 196</b>	<b>4 903 751</b>	<b>4 457 940</b>	<b>3 487 886</b>

HKD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core and Recurrent Business</b>										
Revenue	32 909 480	34 256 698	36 730 515	38 639 535	40 032 007	40 660 367	41 206 592	41 682 715	42 381 450	43 205 179
% change	8.9%	4.1%	7.2%	5.2%	3.6%	1.6%	1.3%	1.2%	1.7%	1.9%
Operating Costs	(27 148 494)	(28 100 562)	(29 959 001)	(31 336 385)	(32 279 499)	(32 597 078)	(33 034 982)	(33 416 686)	(33 976 855)	(34 637 233)
Cost of sales (withouth Depreciation)	(16 493 273)	(17 096 099)	(18 253 091)	(19 120 153)	(19 724 635)	(19 948 354)	(20 216 337)	(20 449 927)	(20 792 733)	(21 196 862)
% of Total Sales	50.1%	49.9%	49.7%	49.5%	49.3%	49.1%	49.1%	49.1%	49.1%	49.1%
Selling and distribution expenses (withouth D&A)	(9 455 255)	(9 786 913)	(10 434 251)	(10 914 055)	(11 242 616)	(11 353 313)	(11 505 832)	(11 638 776)	(11 833 879)	(12 063 884)
% of Total Sales	28.7%	28.6%	28.4%	28.2%	28.1%	27.9%	27.9%	27.9%	27.9%	27.9%
Administrative expenses (withouth D&A)	(1 223 384)	(1 241 926)	(1 297 794)	(1 329 671)	(1 340 733)	(1 324 343)	(1 342 134)	(1 357 642)	(1 380 401)	(1 407 230)
% of Total Sales	3.7%	3.6%	3.5%	3.4%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Reversal of expected credit loss - net	23 417	24 376	26 136	27 944	28 485	28 932	29 321	29 660	30 157	30 743
% of Total Sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
<b>Core and Recurrent EBITDA</b>	<b>5 760 985</b>	<b>6 156 136</b>	<b>6 771 514</b>	<b>7 303 150</b>	<b>7 752 509</b>	<b>8 063 289</b>	<b>8 171 610</b>	<b>8 266 029</b>	<b>8 404 594</b>	<b>8 567 946</b>
Depreciation	(2 211 977)	(2 283 399)	(2 427 782)	(2 532 386)	(2 601 293)	(2 619 418)	(2 654 607)	(2 685 280)	(2 730 294)	(2 783 360)
From PPE	(1 350 510)	(1 386 667)	(1 466 293)	(1 520 925)	(1 553 381)	(1 555 058)	(1 575 948)	(1 594 158)	(1 620 881)	(1 652 384)
% of PPE	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%	27.8%
From RUA	(861 467)	(896 733)	(961 489)	(1 011 461)	(1 047 912)	(1 064 360)	(1 078 659)	(1 091 122)	(1 109 413)	(1 130 976)
% of RUA	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%	33.2%
Amortization	(68 464)	(71 266)	(76 413)	(80 384)	(83 281)	(84 588)	(85 725)	(86 715)	(88 169)	(89 882)
% of LUR, IA	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%	14.8%
<b>Core and Recurrent EBIT</b>	<b>3 480 545</b>	<b>3 801 471</b>	<b>4 267 319</b>	<b>4 690 380</b>	<b>5 067 935</b>	<b>5 359 283</b>	<b>5 431 278</b>	<b>5 494 034</b>	<b>5 586 132</b>	<b>5 694 704</b>
Statutory Taxes	(870 136)	(950 368)	(1 066 830)	(1 172 595)	(1 266 984)	(1 339 821)	(1 357 820)	(1 373 509)	(1 396 533)	(1 423 676)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	2 961	2 866	2 900	2 922	2 947	2 963	2 971	2 975	2 994	3 020
<b>Core and Recurrent Result</b>	<b>2 613 370</b>	<b>2 853 969</b>	<b>3 203 389</b>	<b>3 520 707</b>	<b>3 803 898</b>	<b>4 022 425</b>	<b>4 076 430</b>	<b>4 123 501</b>	<b>4 192 592</b>	<b>4 274 028</b>
<b>Non-Core and Core But Non Recurrent Business</b>										
Other income and other gains - net	491 970	426 075	398 063	382 041	378 032	383 813	388 813	393 147	399 574	407 172
% of Investment Properties	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Share of profit of investments (equity method)	330 650	355 806	400 131	448 262	502 541	561 572	626 137	696 828	779 491	874 248
% of Investments (equity method)	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%
<b>Non-Core and Core but Non-Recurrent EBT</b>	<b>822 619</b>	<b>781 882</b>	<b>798 195</b>	<b>830 303</b>	<b>880 572</b>	<b>945 385</b>	<b>1 014 950</b>	<b>1 089 975</b>	<b>1 179 064</b>	<b>1 281 420</b>
Statutory Taxes	(205 655)	(195 470)	(199 549)	(207 576)	(220 143)	(236 346)	(253 737)	(272 494)	(294 766)	(320 355)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	73 611	71 257	72 086	72 647	73 264	73 648	73 869	73 952	74 417	75 081
Changes in the fair value of equity investments	-	-	-	-	-	-	-	-	-	-
Currency translation differences	(4 783)	(4 630)	(4 683)	(4 720)	(4 760)	(4 785)	(4 799)	(4 805)	(4 835)	(4 878)
<b>Non-Core and Core but Non-Recurrent Result</b>	<b>685 793</b>	<b>653 038</b>	<b>666 048</b>	<b>690 654</b>	<b>728 933</b>	<b>777 901</b>	<b>830 282</b>	<b>886 629</b>	<b>953 880</b>	<b>1 031 268</b>
<b>Financing Result</b>										
Finance income	615 292	640 480	686 732	722 424	748 458	760 206	770 419	779 320	792 384	807 785
% Debt	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Finance expenses	(193 497)	(201 418)	(215 963)	(227 188)	(235 375)	(239 070)	(242 281)	(245 081)	(249 189)	(254 032)
% Debt	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
<b>Financial EBT</b>	<b>421 795</b>	<b>439 062</b>	<b>470 768</b>	<b>495 236</b>	<b>513 083</b>	<b>521 136</b>	<b>528 137</b>	<b>534 240</b>	<b>543 195</b>	<b>553 753</b>
Statutory Taxes	(105 449)	(109 765)	(117 692)	(123 809)	(128 271)	(130 284)	(132 034)	(133 560)	(135 799)	(138 438)
Tax Rate (25%)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
Tax Adjustments	(72 201)	(69 891)	(70 704)	(71 254)	(71 860)	(72 237)	(72 453)	(72 535)	(72 991)	(73 643)
<b>Financial Result</b>	<b>244 145</b>	<b>259 405</b>	<b>282 372</b>	<b>300 172</b>	<b>312 952</b>	<b>318 616</b>	<b>323 650</b>	<b>328 145</b>	<b>334 405</b>	<b>341 672</b>
<b>Total comprehensive income</b>	<b>3 543 308</b>	<b>3 766 413</b>	<b>4 151 809</b>	<b>4 511 533</b>	<b>4 845 784</b>	<b>5 118 942</b>	<b>5 230 362</b>	<b>5 338 274</b>	<b>5 480 878</b>	<b>5 646 989</b>

## Li Ning's Balance Sheet (HKD)

HKD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core Invested Capital</b>							
Operating Cash	522 610	591 364	768 486	852 014	1 380 737	1 418 236	1 511 252
% of Total Sales	5%	5%	5%	5%	5%	5%	5%
Inventories	1 298 631	1 395 005	1 559 460	1 585 972	2 168 832	2 669 056	2 730 485
Average Holding Period	86	83	75	69	62	68	66
Other assets – current portion	-	572 225	491 363	611 624	942 780	914 123	917 944
% of Total Sales	-	4,8%	3,2%	3,6%	3,4%	3,2%	3,0%
Trade receivables	1 340 441	1 045 229	760 867	776 516	1 104 547	1 121 629	1 320 263
Average Collection Period	47	32	18	17	15	14	16
Trade payables	(1 348 779)	(1 275 249)	(1 494 023)	(1 446 404)	(1 956 548)	(1 741 699)	(1 960 131)
Average Payable Period	90	76	71	63	56	44	47
Contract liabilities	-	(110 250)	(325 716)	(337 263)	(423 092)	(277 113)	(605 122)
% of Total Sales	-	0,9%	2,1%	2,0%	1,5%	1,0%	2,0%
Other payables and accruals	(1 094 538)	(1 556 338)	(2 408 752)	(2 947 891)	(4 923 736)	(4 010 905)	(3 565 557)
% of Total Sales	10,5%	13,2%	15,7%	17,3%	17,8%	14,1%	11,8%
License fees payable – current portion	(39 331)	(32 316)	(34 740)	(46 551)	(61 299)	(55 557)	(42 147)
% of Total Sales	0,38%	0,27%	0,23%	0,27%	0,22%	0,20%	0,14%
Current income tax liabilities	(23 607)	(151 166)	(588 026)	(697 619)	(1 599 922)	(1 140 263)	(1 002 392)
% of Taxes	-764,1%	1078,6%	1263,4%	1270,9%	836,0%	729,4%	1061,5%
<b>Net Working Capital</b>	<b>655 427</b>	<b>478 503</b>	<b>(1 271 081)</b>	<b>(1 649 602)</b>	<b>(3 367 701)</b>	<b>(1 102 493)</b>	<b>(695 404)</b>
Property, plant and equipment	987 261	934 044	1 150 918	1 255 372	1 989 096	3 555 637	4 516 425
% of Total Sales	9,4%	7,9%	7,5%	7,4%	7,2%	12,5%	14,9%
Right-of-use Assets	-	-	1 087 569	1 256 458	1 630 493	2 222 963	2 391 911
% of Total Sales	-	-	7,1%	7,4%	5,9%	7,8%	7,9%
Land use rights	89 501	83 371	80 045	196 107	198 898	174 542	169 372
% of Total Sales	0,9%	0,7%	0,5%	1,2%	0,7%	0,6%	0,6%
Intangible assets	303 824	263 217	214 163	224 830	229 606	238 800	241 887
% of Total Sales	2,9%	2,2%	1,4%	1,3%	0,8%	0,8%	0,8%
Deferred income tax assets	276 004	268 985	478 408	696 175	865 641	762 232	877 188
% of Total Sales	2,6%	2,3%	3,1%	4,1%	3,1%	2,7%	2,9%
Other assets	-	149 084	92	163 270	948 778	316 266	222 401
% of Total Sales	-	1,3%	0,0%	1,0%	3,4%	1,1%	0,7%
License fees payable	(46 176)	(31 017)	(27 240)	(27 575)	(25 686)	(17 073)	(9 398)
% of Total Sales	0,44%	0,26%	0,18%	0,16%	0,09%	0,06%	0,03%
Deferred income tax liabilities	(21 582)	(39 080)	(49 869)	(121 096)	(522 233)	(570 222)	(686 925)
% of Taxes	-699%	279%	107%	221%	273%	365%	727%
<b>Core Invested Capital</b>	<b>2 244 260</b>	<b>2 107 108</b>	<b>1 663 005</b>	<b>1 993 939</b>	<b>1 946 891</b>	<b>5 580 651</b>	<b>7 027 458</b>
<b>Non-Core Invested Capital</b>							
Investment Properties	-	-	132 179	135 785	2 263 329	1 981 122	1 708 964
% change	-	-	-	2,7%	1566,8%	-12,5%	-13,7%
Available-for-sale financial assets	16 490	-	-	-	-	-	-
Investments accounted for using the equity method	811 627	819 736	1 171 172	1 297 874	1 550 124	1 505 335	1 759 502
% change	-	1,0%	42,9%	10,8%	19,4%	-2,9%	16,9%
Other receivables	519 809	157 822	170 864	228 560	327 351	392 000	451 834
% of Leases	-	-	17,2%	18,5%	20,2%	16,7%	16,2%
Restricted bank deposits	849	225	1 248	1 278	1 298	1 066	883
% of Leases	-	-	0,13%	0,10%	0,08%	0,05%	0,03%
Deferred income	(66 940)	(60 397)	(59 642)	(75 949)	(76 483)	(72 102)	(78 399)
% change	-	-9,8%	-1,3%	27,3%	0,7%	-5,7%	8,7%
<b>Non-Core Invested Capital</b>	<b>1 281 835</b>	<b>917 385</b>	<b>1 415 821</b>	<b>1 587 547</b>	<b>4 065 619</b>	<b>3 807 421</b>	<b>3 842 784</b>
<b>Total Invested Capital</b>	<b>3 526 095</b>	<b>3 024 493</b>	<b>3 078 826</b>	<b>3 581 486</b>	<b>6 012 510</b>	<b>9 388 072</b>	<b>10 870 242</b>
<b>Financing</b>							
Excess Cash	(2 456 450)	(3 539 999)	(5 837 726)	(7 619 272)	(16 658 044)	(6 696 767)	(4 450 727)
% of Total Sales	23,5%	29,9%	38,0%	44,7%	60,3%	23,6%	14,7%
Investments (fair value through profit or loss)	-	-	-	-	(207 574)	(191 928)	(468 940)
% of T	-	-	-	-	-	-7,5%	144,3%
Long-Term Bank Deposits	-	-	-	(300 526)	(4 080 407)	(12 117 507)	(9 897 210)
% of Total Sales	-	-	-	1,8%	14,8%	42,7%	32,7%
Short-term bank deposits	-	-	-	-	(490 411)	(707 183)	(3 826 182)
% of Total Sales	-	-	-	-	1,8%	2,5%	12,7%
Derivative financial instruments	6 577	16 062	30 787	22 083	11 278	-	-
Lease Liabilities	-	-	991 047	1 237 078	1 619 089	2 354 256	2 783 871
% of Total Sales	-	-	6,4%	7,3%	5,9%	8,3%	9,2%
<b>Net Financial Debt</b>	<b>(2 449 873)</b>	<b>(3 523 937)</b>	<b>(4 815 892)</b>	<b>(6 660 637)</b>	<b>(19 806 069)</b>	<b>(17 359 128)</b>	<b>(15 859 187)</b>
<b>EQUITY</b>							
Capital and reserves (equity holders)	5 972 965	6 545 561	7 891 887	10 239 112	25 815 447	26 744 454	26 729 428
Ordinary shares	239 514	230 038	237 478	269 077	292 096	264 175	262 344
Share premium	3 757 117	3 656 340	3 931 385	4 759 273	15 460 334	12 730 261	11 140 771
Shares held for Restricted Share Award Scheme	(81 979)	(189 950)	(306 587)	(175 619)	(46 293)	(198 790)	(1 136 707)
Other reserves	1 279 874	1 479 204	1 278 419	1 030 851	1 519 167	1 970 333	2 213 901
Retained earnings	778 439	1 369 929	2 751 192	4 355 530	8 590 143	11 978 475	14 249 119
Non-controlling interests in equity	3 004	2 869	2 830	3 010	3 133	2 746	-
<b>Total equity</b>	<b>5 975 968</b>	<b>6 548 430</b>	<b>7 894 717</b>	<b>10 242 123</b>	<b>25 818 580</b>	<b>26 747 200</b>	<b>26 729 428</b>
<b>Total Sources of Funding</b>	<b>3 526 095</b>	<b>3 024 493</b>	<b>3 078 826</b>	<b>3 581 486</b>	<b>6 012 510</b>	<b>9 388 072</b>	<b>10 870 242</b>

HKD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core Invested Capital</b>										
Operating Cash	1 645 474	1 712 835	1 836 526	1 931 977	2 001 600	2 033 018	2 060 330	2 084 136	2 119 072	2 160 259
% of Total Sales	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Inventories	3 017 046	3 157 596	3 403 615	3 599 155	3 747 875	3 825 712	3 877 106	3 921 904	3 987 647	4 065 152
Average Holding Period	67	67	68	69	69	70	70	70	70	70
Other assets – current portion	999 471	1 040 387	1 115 517	1 173 495	1 215 785	1 234 868	1 251 457	1 265 917	1 287 138	1 312 155
% of Total Sales	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Trade receivables	1 437 522	1 534 970	1 710 866	1 868 216	2 006 438	2 005 169	2 032 106	2 055 586	2 090 044	2 130 666
Average Collection Period	16	16	17	18	18	18	18	18	18	18
Trade payables	(2 125 263)	(2 223 396)	(2 406 192)	(2 554 353)	(2 670 041)	(2 689 812)	(2 725 946)	(2 757 443)	(2 803 667)	(2 858 159)
Average Payable Period	47	47	48	49	49	49	49	49	49	49
Contract liabilities	(490 190)	(510 257)	(547 105)	(575 540)	(596 281)	(605 640)	(613 776)	(620 868)	(631 276)	(643 545)
% of Total Sales	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Other payables and accruals	(4 267 893)	(4 442 609)	(4 763 428)	(5 011 000)	(5 191 584)	(5 273 074)	(5 343 911)	(5 405 658)	(5 496 274)	(5 603 100)
% of Total Sales	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%	13.0%
License fees payable – current portion	(55 174)	(57 433)	(61 580)	(64 781)	(67 115)	(68 169)	(69 085)	(69 883)	(71 054)	(72 435)
% of Total Sales	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
Current income tax liabilities	(986 919)	(1 078 337)	(1 210 843)	(1 331 187)	(1 438 581)	(1 521 458)	(1 541 932)	(1 559 784)	(1 585 966)	(1 616 827)
% of Taxes	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%	113.8%
<b>Net Working Capital</b>	<b>(825 926)</b>	<b>(866 243)</b>	<b>(922 623)</b>	<b>(964 017)</b>	<b>(991 904)</b>	<b>(1 059 385)</b>	<b>(1 073 652)</b>	<b>(1 086 093)</b>	<b>(1 104 334)</b>	<b>(1 125 834)</b>
Property, plant and equipment	4 851 533	4 981 421	5 267 468	5 463 725	5 580 319	5 586 344	5 661 390	5 726 805	5 822 804	5 935 977
% of Total Sales	14.7%	14.5%	14.3%	14.1%	13.9%	13.7%	13.7%	13.7%	13.7%	13.7%
Right-of-use Assets	2 591 743	2 697 842	2 892 664	3 043 007	3 152 669	3 202 155	3 245 172	3 282 668	3 337 696	3 402 568
% of Total Sales	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Land use rights	193 462	201 382	215 924	227 147	235 332	239 026	242 237	245 036	249 144	253 986
% of Total Sales	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Intangible assets	270 216	281 278	301 590	317 265	328 698	333 857	338 342	342 252	347 989	354 753
% of Total Sales	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
Deferred income tax assets	957 024	996 202	1 068 141	1 123 657	1 164 150	1 182 423	1 198 308	1 212 154	1 232 473	1 256 428
% of Total Sales	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
Other assets	304 546	317 014	339 907	357 573	370 459	376 274	381 328	385 735	392 201	399 823
% of Total Sales	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
License fees payable	(10 232)	(10 651)	(11 420)	(12 014)	(12 447)	(12 642)	(12 812)	(12 960)	(13 177)	(13 433)
% of Total Sales	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Deferred income tax liabilities	(513 645)	(561 224)	(630 187)	(692 820)	(748 714)	(791 848)	(802 503)	(811 794)	(825 421)	(841 483)
% of Taxes	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%
<b>Core Invested Capital</b>	<b>7 818 722</b>	<b>8 037 019</b>	<b>8 521 463</b>	<b>8 863 521</b>	<b>9 078 562</b>	<b>9 056 205</b>	<b>9 177 811</b>	<b>9 283 802</b>	<b>9 439 374</b>	<b>9 622 784</b>
<b>Non-Core Invested Capital</b>										
Investment Properties	1 477 761	1 279 830	1 195 689	1 147 560	1 135 519	1 152 884	1 167 904	1 180 920	1 200 226	1 223 050
% change	-13.5%	-13.4%	-6.6%	-4.0%	-1.0%	1.5%	1.3%	1.1%	1.6%	1.9%
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	1 953 365	2 101 981	2 363 838	2 648 179	2 968 836	3 317 571	3 699 000	4 116 618	4 604 960	5 164 754
% change	11.0%	7.6%	12.5%	12.0%	12.1%	11.7%	11.5%	11.3%	11.9%	12.2%
Other receivables	498 333	518 733	556 193	585 101	606 186	615 701	623 972	631 182	641 763	654 236
% of Leases	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%	16.4%
Restricted bank deposits	961	1 000	1 073	1 128	1 169	1 187	1 203	1 217	1 238	1 262
% of Leases	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Deferred income	(85 452)	(90 279)	(99 677)	(109 634)	(120 672)	(132 391)	(144 925)	(158 350)	(173 909)	(191 499)
% change	9.0%	5.6%	10.4%	10.0%	10.1%	9.7%	9.5%	9.3%	9.8%	10.1%
<b>Non-Core Invested Capital</b>	<b>3 844 968</b>	<b>3 811 265</b>	<b>4 017 115</b>	<b>4 272 334</b>	<b>4 591 038</b>	<b>4 954 953</b>	<b>5 347 154</b>	<b>5 771 588</b>	<b>6 274 277</b>	<b>6 851 803</b>
<b>Total Invested Capital</b>	<b>11 663 690</b>	<b>11 848 285</b>	<b>12 538 579</b>	<b>13 135 855</b>	<b>13 669 601</b>	<b>14 011 158</b>	<b>14 524 965</b>	<b>15 055 390</b>	<b>15 713 651</b>	<b>16 474 587</b>
<b>Financing</b>										
Excess Cash	(3 290 948)	(3 083 103)	(2 938 441)	(2 704 767)	(2 401 920)	(2 033 018)	(2 060 330)	(2 084 136)	(2 119 072)	(2 160 259)
% of Total Sales	10.0%	9.0%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Investments (fair value through profit or loss)	(477 691)	(470 734)	(483 832)	(494 422)	(504 607)	(512 324)	(518 998)	(524 782)	(533 362)	(543 504)
% Change	1.9%	-1.5%	2.8%	2.2%	2.1%	1.5%	1.3%	1.1%	1.6%	1.9%
Long-Term Bank Deposits	(7 819 499)	(8 139 607)	(8 727 401)	(9 180 996)	(9 511 856)	(9 661 159)	(9 790 945)	(9 904 075)	(10 070 099)	(10 265 822)
% of Total Sales	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%	23.8%
Short-term bank deposits	(2 493 248)	(2 595 314)	(2 782 732)	(2 927 361)	(3 032 856)	(3 080 461)	(3 121 843)	(3 157 915)	(3 210 852)	(3 273 258)
% of Total Sales	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Lease Liabilities	3 031 120	3 155 206	3 383 056	3 558 886	3 687 139	3 745 014	3 795 324	3 839 177	3 903 534	3 979 404
% of Total Sales	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%
<b>Net Financial Debt</b>	<b>(11 050 265)</b>	<b>(11 133 552)</b>	<b>(11 549 350)</b>	<b>(11 748 661)</b>	<b>(11 764 100)</b>	<b>(11 541 948)</b>	<b>(11 696 792)</b>	<b>(11 831 731)</b>	<b>(12 029 850)</b>	<b>(12 263 439)</b>
<b>EQUITY</b>										
Capital and reserves (equity holders)										
Ordinary shares										
Share premium										
Shares held for Restricted Share Award Scheme										
Other reserves										
Retained earnings										
Non-controlling interests in equity										
<b>Total equity</b>	<b>22 713 955</b>	<b>22 981 837</b>	<b>24 087 929</b>	<b>24 884 516</b>	<b>25 433 701</b>	<b>25 553 105</b>	<b>26 221 757</b>	<b>26 887 121</b>	<b>27 743 501</b>	<b>28 738 026</b>
<b>Total Sources of Funding</b>	<b>11 663 690</b>	<b>11 848 285</b>	<b>12 538 579</b>	<b>13 135 855</b>	<b>13 669 601</b>	<b>14 011 158</b>	<b>14 524 965</b>	<b>15 055 390</b>	<b>15 713 651</b>	<b>16 474 587</b>

## Li Ning's Free Cash Flow (HKD)

HKD'000	Historical									
	2017	2018	2019	2020	2021	2022	2023			
<b>Operating</b>										
Core EBIT	473 548	768 123	1 556 279	2 161 836	5 794 015	4 486 746	3 324 302			
Income Taxes	24 587	(104 229)	(356 303)	(446 706)	(1 510 418)	(1 156 285)	(732 286)			
<b>NOPLAT</b>	<b>498 135</b>	<b>663 894</b>	<b>1 199 976</b>	<b>1 715 130</b>	<b>4 283 597</b>	<b>3 330 461</b>	<b>2 592 016</b>			
Depreciation PPE	379 305	408 503	465 294	629 305	721 034	804 857	1 112 166			
Depreciation RUA	-	-	399 406	510 039	564 194	672 141	834 244			
Amortization LUR and IA	56 251	54 433	45 064	49 645	49 998	54 241	60 724			
<b>Gross Free Cash Flow</b>	<b>933 691</b>	<b>1 126 830</b>	<b>2 109 740</b>	<b>2 904 119</b>	<b>5 618 822</b>	<b>4 861 700</b>	<b>4 599 150</b>			
CAPEX		(355 286)	(682 167)	(733 759)	(1 454 757)	(2 371 398)	(2 072 955)			
Investment in RUA, LUR and IA		(7 697)	(1 479 660)	(855 302)	(995 793)	(1 303 690)	(1 061 834)			
Δ NWC		176 924	1 749 584	378 521	1 718 099	(2 265 208)	(407 089)			
Δ Other Operating Assets		(142 066)	(60 430)	(380 945)	(954 974)	735 922	(21 091)			
Δ Other Operating Liabilities		2 339	7 012	71 563	399 247	39 376	109 028			
<b>Operating Free Cash Flow</b>		<b>801 045</b>	<b>1 644 079</b>	<b>1 384 196</b>	<b>4 330 644</b>	<b>(303 298)</b>	<b>1 145 210</b>			
<b>Non Operating</b>										
Non Operating EBIT	138 330	177 989	534 455	524 934	684 573	1 106 211	987 448			
Income Taxes	(34 387)	(23 063)	(35 239)	(104 365)	(108 862)	(218 875)	(138 955)			
<b>Non Operating NOPLAT</b>	<b>103 943</b>	<b>154 927</b>	<b>499 215</b>	<b>420 569</b>	<b>575 711</b>	<b>887 335</b>	<b>848 493</b>			
Δ Other Non Operating Assets		370 993	(497 681)	(188 033)	(2 478 606)	262 579	(41 660)			
Δ Other Non Operating Liabilities		(6 543)	(755)	16 307	534	(4 381)	6 297			
Other Comprehensive Income/Loss	(4 535)	(1 764)	2 927	(29 789)	(3 134)	(9 215)	(2 380)			
<b>Non Operating Unlevered FCF</b>		<b>517 612</b>	<b>3 706</b>	<b>219 054</b>	<b>(1 905 495)</b>	<b>1 136 318</b>	<b>810 751</b>			
<b>Total Unlevered Free Cash Flows</b>		<b>1 318 658</b>	<b>1 647 785</b>	<b>1 603 250</b>	<b>2 425 149</b>	<b>833 020</b>	<b>1 955 960</b>			
<b>Financing</b>										
Finance income- net	21 249	10 702	(33 391)	(37 236)	39 930	359 665	349 480			
Tax Shields	(16 548)	(24 681)	(4 516)	(96 478)	7 647	(110 306)	(299 723)			
Δ Debt		(1 074 064)	(1 291 954)	(1 844 746)	(13 145 432)	2 446 941	1 499 941			
Δ Equity		(230 615)	(317 924)	375 210	10 672 706	(3 529 319)	(3 505 658)			
<b>Financing Cash Flow</b>		<b>(1 318 658)</b>	<b>(1 647 785)</b>	<b>(1 603 250)</b>	<b>(2 425 149)</b>	<b>(833 020)</b>	<b>(1 955 960)</b>			
<b>Projected</b>										
HKD'000	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating</b>										
Core EBIT	3 480 545	3 801 471	4 267 319	4 690 380	5 067 935	5 359 283	5 431 278	5 494 034	5 586 132	5 694 704
Income Taxes	(867 175)	(947 501)	(1 063 930)	(1 169 673)	(1 264 037)	(1 336 858)	(1 354 848)	(1 370 534)	(1 393 539)	(1 420 656)
<b>NOPLAT</b>	<b>2 613 370</b>	<b>2 853 969</b>	<b>3 203 389</b>	<b>3 520 707</b>	<b>3 803 898</b>	<b>4 022 425</b>	<b>4 076 430</b>	<b>4 123 501</b>	<b>4 192 592</b>	<b>4 274 048</b>
Depreciation PPE	1 350 510	1 386 667	1 466 293	1 520 925	1 553 381	1 555 058	1 575 948	1 594 158	1 620 881	1 652 384
Depreciation RUA	861 467	896 733	961 489	1 011 461	1 047 912	1 064 360	1 078 659	1 091 122	1 109 413	1 130 976
Amortization LUR and IA	68 464	71 266	76 413	80 384	83 281	84 588	85 725	86 715	88 169	89 882
<b>Gross Free Cash Flow</b>	<b>4 893 810</b>	<b>5 208 635</b>	<b>5 707 584</b>	<b>6 133 477</b>	<b>6 488 472</b>	<b>6 726 431</b>	<b>6 816 762</b>	<b>6 895 495</b>	<b>7 011 055</b>	<b>7 147 291</b>
CAPEX	(1 685 618)	(1 516 555)	(1 752 339)	(1 717 182)	(1 669 974)	(1 561 083)	(1 650 994)	(1 659 572)	(1 716 880)	(1 765 557)
Investment in RUA, LUR and IA	(1 182 181)	(1 093 079)	(1 267 579)	(1 269 085)	(1 260 475)	(1 207 288)	(1 215 097)	(1 222 042)	(1 262 454)	(1 297 336)
Δ NWC	130 522	40 318	56 380	41 394	27 887	67 481	14 267	12 441	18 242	21 500
Δ Other Operating Assets	(161 982)	(51 645)	(94 833)	(73 181)	(53 380)	(24 088)	(20 939)	(18 252)	(26 786)	(31 577)
Δ Other Operating Liabilities	(172 445)	47 998	69 732	63 227	56 327	43 329	10 826	9 439	13 844	16 318
<b>Operating Free Cash Flow</b>	<b>1 822 106</b>	<b>2 635 672</b>	<b>2 718 945</b>	<b>3 178 649</b>	<b>3 588 857</b>	<b>4 044 782</b>	<b>3 954 824</b>	<b>4 017 509</b>	<b>4 037 020</b>	<b>4 090 638</b>
<b>Non Operating</b>										
Non Operating EBIT	822 619	781 882	798 195	830 303	880 572	945 385	1 014 950	1 089 975	1 179 064	1 281 420
Income Taxes	(132 044)	(124 214)	(127 463)	(134 929)	(146 879)	(162 698)	(179 869)	(198 541)	(220 349)	(245 274)
<b>Non Operating NOPLAT</b>	<b>690 576</b>	<b>657 668</b>	<b>670 732</b>	<b>695 374</b>	<b>733 693</b>	<b>782 686</b>	<b>835 081</b>	<b>891 433</b>	<b>958 715</b>	<b>1 036 147</b>
Δ Other Non Operating Assets	(9 238)	28 876	(215 248)	(265 175)	(329 742)	(375 634)	(404 735)	(437 859)	(518 248)	(595 116)
Δ Other Non Operating Liabilities	7 053	4 827	9 398	9 957	11 037	11 720	12 534	13 425	15 559	17 590
Other Comprehensive Income/Loss	(4 783)	(4 630)	(4 683)	(4 720)	(4 760)	(4 785)	(4 799)	(4 805)	(4 835)	(4 878)
<b>Non Operating Unlevered FCF</b>	<b>683 609</b>	<b>686 741</b>	<b>460 199</b>	<b>435 435</b>	<b>410 228</b>	<b>413 987</b>	<b>438 081</b>	<b>462 195</b>	<b>451 192</b>	<b>453 743</b>
<b>Total Unlevered Free Cash Flows</b>	<b>2 505 714</b>	<b>3 322 413</b>	<b>3 179 144</b>	<b>3 614 085</b>	<b>3 999 085</b>	<b>4 458 769</b>	<b>4 392 905</b>	<b>4 479 704</b>	<b>4 488 212</b>	<b>4 544 381</b>
<b>Financing</b>										
Finance income- net	421 795	439 062	470 768	495 236	513 083	521 136	528 137	534 240	543 195	553 753
Tax Shields	(177 649)	(179 657)	(188 396)	(195 063)	(200 131)	(202 521)	(204 487)	(206 095)	(208 790)	(212 081)
Δ Debt	4 808 922	(83 287)	(415 798)	(199 311)	(15 439)	222 153	(154 845)	(134 939)	(198 119)	(233 589)
Δ Equity	(7 558 781)	(3 498 531)	(3 045 717)	(3 714 947)	(4 296 598)	(4 999 538)	(4 561 710)	(4 672 910)	(4 624 498)	(4 652 464)
<b>Financing Cash Flow</b>	<b>(2 505 714)</b>	<b>(3 322 413)</b>	<b>(3 179 144)</b>	<b>(3 614 085)</b>	<b>(3 999 085)</b>	<b>(4 458 769)</b>	<b>(4 392 905)</b>	<b>(4 479 704)</b>	<b>(4 488 212)</b>	<b>(4 544 381)</b>

## Li Ning's Financial Overview

	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Profitability From Operations</b>							
Gross Margin	47.4%	48.4%	50.3%	50.6%	54.0%	49.5%	49.7%
EBITDA Margin	10.0%	11.9%	19.5%	22.7%	28.3%	25.1%	20.9%
EBIT Margin	5.9%	8.0%	13.6%	15.8%	23.5%	19.7%	14.3%
EBT Margin	6.1%	8.1%	13.4%	15.5%	23.6%	21.0%	15.4%
Operational Margin	5.8%	6.8%	10.8%	11.6%	17.8%	15.7%	11.5%
Core Gross Margin	47.4%	48.4%	50.3%	50.6%	54.0%	49.5%	49.7%
Core EBITDA Margin	8.70%	10.41%	16.04%	19.66%	25.82%	21.22%	17.64%
Core EBIT Margin	4.53%	6.49%	10.13%	12.69%	20.98%	15.82%	11.00%
Core Operational Margin	4.77%	5.61%	7.81%	10.07%	15.51%	11.74%	8.58%
Non Core Margin	0.95%	1.29%	3.27%	2.29%	2.07%	3.10%	2.80%
Financial Margin	0.04%	-0.12%	-0.25%	-0.78%	0.17%	0.88%	0.16%
<b>Capital Structure Ratios</b>							
Net Debt-to-Equity	-41.0%	-53.8%	-61.0%	-65.0%	-76.7%	-64.9%	-59.3%
Debt-to-Equity	0.11%	0.25%	12.94%	12.29%	6.31%	8.80%	10.42%
Debt-to-EBITDA	0.63%	1.14%	34.06%	32.49%	20.87%	33.05%	44.06%
Net Debt / Invested Capital	-69.48%	-116.51%	-156.42%	-185.97%	-329.41%	-184.91%	-145.90%
<b>Solvency Ratios</b>							
Financial Autonomy Ratio	96.9%	104.3%	97.9%	110.3%	165.5%	154.8%	142.0%
Interest Coverage Ratio	20.34	60.64	31.97	34.41	47.09	42.20	21.70
Equity / Liabilities	226%	201%	158%	180%	269%	339%	336%
Debt / Assets	0.11%	0.26%	12.67%	13.57%	10.45%	13.63%	14.79%
<b>Return and Efficiency Ratios</b>							
Core ROIC		29.58%	56.95%	103.13%	214.83%	171.07%	46.45%
Core RONIC			-390.87%	-116.00%	776.13%	2025.91%	-20.32%
Core RR		-5.56%	-37.01%	19.29%	-1.10%	109.11%	55.82%
<b>Core g</b>			<b>144.66%</b>	<b>-22.38%</b>	<b>-8.52%</b>	<b>2210.41%</b>	<b>-11.34%</b>
ROIC		23.22%	56.18%	69.37%	135.68%	70.15%	36.65%
RONIC			-175.51%	803.39%	541.84%	-26.39%	-23.03%
RR		-61.26%	3.20%	23.54%	50.03%	80.03%	43.08%
<b>g</b>			<b>-5.61%</b>	<b>189.09%</b>	<b>271.07%</b>	<b>-21.12%</b>	<b>-9.92%</b>
<b>Cash Flow Management</b>							
Average holding period	86.21	83.48	74.53	68.73	62.33	68.02	65.52
Average payable period	89.54	76.31	71.40	62.68	56.23	44.39	47.03
Average collection period	46.81	32.26	18.07	16.63	14.60	14.43	15.94
<b>Cash conversion cycle</b>	<b>43.48</b>	<b>39.42</b>	<b>21.20</b>	<b>22.68</b>	<b>20.70</b>	<b>38.07</b>	<b>34.43</b>
<b>Liquidity Ratios</b>							
Current ratio	2.40	2.30	1.81	1.95	2.42	1.71	1.88
Quick ratio	1.88	1.85	1.51	1.68	2.19	1.38	1.54
Cash Ratio	1.19	1.32	1.26	1.43	1.91	1.02	0.75

	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Profitability From Operations</b>										
Gross Margin	49.9%	50.1%	50.3%	50.5%	50.7%	50.9%	50.9%	50.9%	50.9%	50.9%
EBITDA Margin	20.0%	20.3%	20.6%	21.0%	21.6%	22.2%	22.3%	22.4%	22.6%	22.8%
EBIT Margin	13.1%	13.4%	13.8%	14.3%	14.9%	15.5%	15.6%	15.8%	16.0%	16.1%
EBT Margin	14.4%	14.7%	15.1%	15.6%	16.1%	16.8%	16.9%	17.1%	17.2%	17.4%
Operational Margin	10.8%	11.0%	11.3%	11.7%	12.1%	12.6%	12.7%	12.8%	12.9%	13.1%
Core Gross Margin	49.88%	50.09%	50.31%	50.52%	50.73%	50.94%	50.94%	50.94%	50.94%	50.94%
Core EBITDA Margin	17.51%	17.97%	18.44%	18.90%	19.37%	19.83%	19.83%	19.83%	19.83%	19.83%
Core EBIT Margin	10.58%	11.10%	11.62%	12.14%	12.66%	13.18%	13.18%	13.18%	13.18%	13.18%
Core Operational Margin	7.94%	8.33%	8.72%	9.11%	9.50%	9.89%	9.89%	9.89%	9.89%	9.89%
Non Core Margin	2.08%	1.91%	1.81%	1.79%	1.82%	1.91%	2.01%	2.13%	2.25%	2.39%
Financial Margin	0.74%	0.76%	0.77%	0.78%	0.78%	0.78%	0.79%	0.79%	0.79%	0.79%
<b>Capital Structure Ratios</b>										
Net Debt-to-Equity	-48.6%	-48.4%	-47.9%	-47.2%	-46.3%	-45.2%	-44.6%	-44.0%	-43.4%	-42.7%
Debt-to-Equity	13.34%	13.73%	14.04%	14.30%	14.50%	14.66%	14.47%	14.28%	14.07%	13.85%
Debt-to-EBITDA	46.04%	45.48%	44.69%	43.76%	42.71%	41.57%	41.31%	41.03%	40.73%	40.40%
Net Debt / Invested Capital	-94.74%	-93.97%	-92.11%	-89.44%	-86.06%	-82.38%	-80.53%	-78.59%	-76.56%	-74.44%
<b>Solvency Ratios</b>										
Financial Autonomy Ratio	112.5%	110.4%	108.2%	105.9%	103.7%	101.8%	101.7%	101.6%	101.6%	101.5%
Interest Coverage Ratio	22.24	22.76	23.46	24.30	25.27	26.37	26.61	26.86	27.15	27.46
Equity / Liabilities	266%	256%	248%	240%	235%	230%	233%	236%	239%	243%
Debt / Assets	15.01%	15.15%	15.19%	15.15%	15.04%	14.92%	14.72%	14.51%	14.29%	14.05%
<b>Return and Efficiency Ratios</b>										
Core ROIC	37.19%	36.50%	39.86%	41.32%	42.92%	44.31%	45.01%	44.93%	45.16%	45.28%
Core RONIC	1.48%	30.41%	160.07%	65.50%	82.79%	101.62%	-241.55%	38.71%	65.19%	52.36%
Core RR	30.28%	7.65%	15.12%	9.72%	5.65%	-0.56%	2.98%	2.57%	3.71%	4.29%
Core g	0.45%	2.33%	24.21%	6.36%	4.68%	-0.56%	-7.21%	0.99%	2.42%	2.25%
ROIC	30.39%	30.11%	32.70%	33.62%	34.54%	35.15%	35.05%	34.53%	34.22%	33.79%
RONIC	-9.21%	26.18%	196.37%	49.54%	53.83%	50.12%	31.15%	20.13%	25.71%	24.14%
RR	24.02%	5.26%	17.82%	14.17%	11.76%	7.11%	10.46%	10.58%	12.78%	14.33%
g	-2.21%	1.38%	34.99%	7.02%	6.33%	3.56%	3.26%	2.13%	3.29%	3.46%
<b>Cash Flow Management</b>										
Average holding period	66.77	67.41	68.06	68.71	69.35	70.00	70.00	70.00	70.00	70.00
Average payable period	47.03	47.47	48.12	48.76	49.41	49.22	49.22	49.22	49.22	49.22
Average collection period	15.94	16.35	17.00	17.65	18.29	18.00	18.00	18.00	18.00	18.00
Cash conversion cycle	35.68	36.30	36.95	37.59	38.24	38.78	38.78	38.78	38.78	38.78

## Li Ning's Beta Regression Analysis

### SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,864650836
R Square	74,76%
Adjusted R Square	0,747309489
Standard Error	0,028180225
Observations	812

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	1,905471089	1,90547109	2399,459658	2,198E-244
Residual	810	0,643241314	0,00079413		
Total	811	2,548712403			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	-0,001343809	0,000989168	-1,3585243	0,174675589	-0,0032854	0,00059783	-0,0032854	0,00059783
Beta	1,139423384	0,023261001	48,9842797	0,0000%	1,09376443	1,18508233	1,09376443	1,18508233

## Merged Company's Income Statement (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core and Recurrent Business</b>							
<b>Revenue</b>	<b>6 302 555</b>	<b>6 783 577</b>	<b>7 274 866</b>	<b>6 568 606</b>	<b>9 182 610</b>	<b>9 640 321</b>	<b>9 666 326</b>
% change		7.6%	7.2%	-9.7%	39.8%	5.0%	0.3%
<b>Operating Costs</b>	<b>(5 863 935)</b>	<b>(6 280 406)</b>	<b>(6 532 559)</b>	<b>(6 007 289)</b>	<b>(7 611 235)</b>	<b>(8 330 276)</b>	<b>(8 533 943)</b>
Cost of sales (withouth Depreciation)	(3 264 383)	(3 499 519)	(3 616 948)	(3 195 204)	(4 292 066)	(4 865 310)	(4 925 063)
% of Total Sales	51.8%	51.6%	49.7%	48.6%	46.7%	50.5%	51.0%
Selling, distribution and administrative expenses (withouth D&A)	(2 601 178)	(2 783 637)	(2 917 386)	(2 807 672)	(3 321 600)	(3 468 580)	(3 611 654)
% of Total Sales	41.3%	41.0%	40.1%	42.7%	36.2%	36.0%	37.4%
Reversal of expected credit loss allowance for financial assets - net	1 626	2 750	1 774	(4 413)	2 431	3 614	2 773
% of Total Sales	0.03%	0.04%	0.02%	-0.07%	0.03%	0.04%	0.03%
<b>Core and Recurrent EBITDA</b>	<b>438 620</b>	<b>503 170</b>	<b>742 307</b>	<b>561 316</b>	<b>1 571 375</b>	<b>1 310 046</b>	<b>1 132 383</b>
Depreciation	(211 959)	(228 331)	(290 255)	(294 404)	(302 055)	(428 714)	(418 441)
From PPE	(211 959)	(228 331)	(238 081)	(231 730)	(230 564)	(337 846)	(310 863)
% of PPE	21.0%	24.0%	25.3%	28.5%	26.8%	29.7%	24.0%
From RUA	-	-	(52 174)	(62 674)	(71 491)	(90 867)	(107 578)
% of RUA	0.0%	0.0%	7.1%	9.1%	10.9%	11.6%	14.1%
Ammortization	(15 268)	(13 420)	(11 987)	(13 100)	(8 335)	(15 495)	(13 797)
% of LUR, IA	15.8%	15.2%	16.0%	20.1%	12.8%	23.8%	22.6%
<b>Core and Recurrent EBIT</b>	<b>211 393</b>	<b>261 420</b>	<b>440 066</b>	<b>253 811</b>	<b>1 260 985</b>	<b>865 838</b>	<b>700 145</b>
Statutory Taxes	(68 037)	(59 030)	(100 546)	(63 926)	(294 174)	(206 089)	(164 178)
Tax Rate (21%)	32.2%	22.6%	22.8%	25.2%	23.3%	23.8%	23.4%
Tax Adjustments	11 556	(254)	(18 280)	(160 673)	37 975	(14 873)	178 174
<b>Core and Recurrent Result</b>	<b>154 911</b>	<b>202 137</b>	<b>321 240</b>	<b>29 211</b>	<b>1 004 786</b>	<b>644 876</b>	<b>714 141</b>
<b>Non-Core and Core But Non Recurrent Business</b>							
Other income and other gains - net	2 844	5 103	14 408	220 566	10 949	146 905	100 257
% of Investment Properties	0.0%	0.0%	83.4%	1321.9%	3.8%	54.9%	45.5%
Share of profit of investments accounted for using the equity method	10 923	9 628	49 720	12 092	24 683	29 894	53 379
% of Investments accounted for using the equity method	10.7%	8.7%	32.5%	7.6%	12.6%	14.7%	23.5%
Restructuring and impairment charges	(124 049)	(183 149)	-	(601 599)	(40 518)	(56 674)	-
% of Total Sales	2.0%	2.7%	0.0%	9.2%	0.4%	0.6%	0.0%
<b>Non-Core and Core but Non-Recurent EBT</b>	<b>(110 282)</b>	<b>(168 418)</b>	<b>64 127</b>	<b>(368 941)</b>	<b>(4 887)</b>	<b>120 125</b>	<b>153 636</b>
Statutory Taxes	40 337	34 410	(16 259)	74 897	(2 444)	(31 208)	(37 357)
Tax Rate (21%)	36.6%	20.4%	25.4%	20.3%	-50.0%	26.0%	24.3%
Tax Adjustments	(35 125)	21 259	9 454	22 675	12 086	7 721	19 502
Changes in the fair value of equity investments at fair value	-	497	(47 679)	(7 246)	1 255	(1 002)	(359)
Currency translation differences	22 787	(18 335)	11 136	(8 721)	(6 949)	(2 002)	(348)
Unrealized gain (loss) on cash flow hedges, net of tax benefit (expense)	(16 624)	22 800	(21 646)	(18 075)	18 603	1 863	(2 664)
Gain (loss) on intra-entity foreign currency transactions	7 199	(5 041)	(886)	14 715	(476)	(14 399)	(11 195)
<b>Non-Core and Core but Non-Recurent Result</b>	<b>(91 708)</b>	<b>(112 828)</b>	<b>(1 753)</b>	<b>(290 696)</b>	<b>17 188</b>	<b>81 097</b>	<b>121 216</b>
<b>Financing Result</b>							
Finance income	(28 089)	(30 031)	(17 060)	(42 239)	(21 807)	49 211	66 830
% Debt	3.1%	4.1%	1.2%	2.0%	1.3%	-2.7%	-3.6%
Finance expenses	(3 779)	(2 098)	(8 541)	(9 595)	(17 433)	(17 917)	(25 625)
% Debt	0.4%	0.3%	0.6%	0.4%	1.0%	1.0%	1.4%
<b>Financial EBT</b>	<b>(31 868)</b>	<b>(32 129)</b>	<b>(25 602)</b>	<b>(51 835)</b>	<b>(39 240)</b>	<b>31 294</b>	<b>41 205</b>
Statutory Taxes	11 421	6 690	5 551	11 068	8 038	(8 517)	(10 456)
Tax Rate (21%)	35.8%	20.8%	21.7%	21.4%	20.5%	27.2%	25.4%
Tax Adjustments	(1 412)	(2 959)	(1 680)	(12 999)	2 234	(2 757)	(27 384)
<b>Financial Result</b>	<b>(21 859)</b>	<b>(28 398)</b>	<b>(21 731)</b>	<b>(53 766)</b>	<b>(28 968)</b>	<b>20 021</b>	<b>3 366</b>
<b>Total comprehensive income</b>	<b>41 344</b>	<b>60 911</b>	<b>297 756</b>	<b>(315 250)</b>	<b>993 006</b>	<b>745 994</b>	<b>838 723</b>

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core and Recurrent Business</b>										
Revenue	10 044 770	10 670 481	11 496 551	12 204 882	12 745 496	13 075 711	13 326 205	13 574 804	13 834 263	14 111 753
% change	3.9%	6.2%	7.7%	6.2%	4.4%	2.6%	1.9%	1.9%	1.9%	2.0%
Operating Costs	(8 832 296)	(9 229 662)	(9 793 801)	(10 416 581)	(10 864 024)	(11 067 880)	(11 228 029)	(11 434 287)	(11 649 266)	(11 878 613)
Cost of sales (withouth Depreciation)	(5 026 129)	(5 271 884)	(5 618 898)	(5 949 933)	(6 197 616)	(6 341 850)	(6 444 458)	(6 564 699)	(6 690 194)	(6 824 414)
% of Total Sales	50.0%	49.4%	48.9%	48.8%	48.6%	48.5%	48.4%	48.4%	48.4%	48.4%
Selling, distribution and administrative expenses (withouth D&A)	(3 809 167)	(3 960 917)	(4 178 330)	(4 470 320)	(4 670 260)	(4 729 980)	(4 787 624)	(4 873 741)	(4 963 330)	(5 058 575)
% of Total Sales	37.9%	37.1%	36.3%	36.6%	36.6%	36.2%	35.9%	35.9%	35.9%	35.8%
Reversal of expected credit loss allowance for financial assets - net	3 000	3 138	3 427	3 672	3 853	3 951	4 053	4 152	4 258	4 376
% of Total Sales	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
<b>Core and Recurrent EBITDA</b>	<b>1 212 473</b>	<b>1 440 819</b>	<b>1 702 749</b>	<b>1 788 301</b>	<b>1 881 473</b>	<b>2 007 832</b>	<b>2 098 176</b>	<b>2 140 517</b>	<b>2 184 998</b>	<b>2 233 139</b>
Depreciation	(453 418)	(467 471)	(493 247)	(514 146)	(527 182)	(537 736)	(549 449)	(560 974)	(573 121)	(586 342)
From PPE	(343 071)	(352 015)	(367 186)	(379 077)	(385 445)	(392 377)	(400 341)	(408 213)	(416 467)	(425 369)
% of PPE	25.7%	25.7%	25.7%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%	25.8%
From RUA	(110 347)	(115 455)	(126 061)	(135 069)	(141 737)	(145 358)	(149 107)	(152 761)	(156 654)	(160 973)
% of RUA	14.5%	14.3%	14.6%	14.7%	14.8%	14.9%	15.0%	15.1%	15.2%	15.3%
Ammortization	(15 372)	(16 266)	(17 585)	(18 714)	(19 567)	(20 072)	(20 492)	(20 906)	(21 340)	(21 811)
% of LUR, IA	22.8%	23.0%	22.8%	22.7%	22.6%	22.6%	22.5%	22.5%	22.4%	22.3%
<b>Core and Recurrent EBIT</b>	<b>743 684</b>	<b>957 082</b>	<b>1 191 917</b>	<b>1 255 441</b>	<b>1 334 724</b>	<b>1 450 024</b>	<b>1 528 236</b>	<b>1 558 637</b>	<b>1 590 536</b>	<b>1 624 986</b>
Statutory Taxes	(156 174)	(200 987)	(250 303)	(263 643)	(280 292)	(304 505)	(320 930)	(327 314)	(334 013)	(341 247)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)	(45 857)
<b>Core and Recurrent Result</b>	<b>541 653</b>	<b>710 238</b>	<b>895 757</b>	<b>945 941</b>	<b>1 008 574</b>	<b>1 099 661</b>	<b>1 161 449</b>	<b>1 185 466</b>	<b>1 210 666</b>	<b>1 237 882</b>
<b>Non-Core and Core but Non Recurrent Business</b>										
Other income and other gains - net	91 426	85 002	83 767	83 906	85 148	87 320	89 132	90 918	92 795	94 829
% of Investment Properties	48.4%	51.9%	54.2%	55.8%	56.7%	56.7%	56.4%	56.2%	56.0%	55.7%
Share of profit of investments accounted for using the equity method	42 296	45 545	51 768	58 745	66 515	75 045	84 690	95 455	107 691	121 742
% of Investments accounted for using the equity method	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%	16.9%
Restructuring and impairment charges	(78 000)	(59 500)	(12 500)	-	-	-	-	-	-	-
% of Total Sales	0.8%	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Non-Core and Core but Non-Recurrent EBT</b>	<b>55 722</b>	<b>71 047</b>	<b>123 035</b>	<b>142 651</b>	<b>151 663</b>	<b>162 364</b>	<b>173 822</b>	<b>186 373</b>	<b>200 485</b>	<b>216 571</b>
Statutory Taxes	(11 702)	(14 920)	(25 837)	(29 957)	(31 849)	(34 097)	(36 503)	(38 138)	(42 102)	(45 480)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	10 689	10 394	10 599	10 793	10 970	11 114	11 264	11 403	11 554	11 728
Changes in the fair value of equity investments at fair value	(2 377)	(2 541)	(2 692)	(2 823)	(2 929)	(3 006)	(3 049)	(3 092)	(3 136)	(3 181)
Currency translation differences	(1 053)	(1 065)	(1 106)	(1 143)	(1 174)	(1 198)	(1 215)	(1 233)	(1 251)	(1 270)
Unrealized gain (loss) on cash flow hedges, net of tax benefit (expense)	(3 292)	(3 519)	(3 728)	(3 910)	(4 057)	(4 163)	(4 222)	(4 282)	(4 343)	(4 405)
Gain (loss) on intra-entity foreign currency transactions	(759)	(811)	(859)	(901)	(935)	(959)	(973)	(987)	(1 001)	(1 015)
<b>Non-Core and Core but Non-Recurrent Result</b>	<b>47 229</b>	<b>58 585</b>	<b>99 412</b>	<b>114 710</b>	<b>121 689</b>	<b>130 057</b>	<b>139 125</b>	<b>149 044</b>	<b>160 207</b>	<b>172 948</b>
<b>Financing Result</b>										
Finance income	88 745	95 823	110 108	121 086	131 818	139 527	143 859	148 049	152 565	157 675
% Debt	-3.3%	-3.3%	-3.4%	-3.3%	-3.4%	-3.3%	-3.4%	-3.4%	-3.5%	-3.5%
Finance expenses	(35 765)	(38 906)	(44 414)	(48 625)	(52 812)	(55 910)	(57 469)	(58 984)	(60 607)	(62 425)
% Debt	1.3%	1.3%	1.4%	1.3%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%
<b>Financial EBT</b>	<b>52 980</b>	<b>56 917</b>	<b>65 694</b>	<b>72 461</b>	<b>79 005</b>	<b>83 617</b>	<b>86 390</b>	<b>89 065</b>	<b>91 958</b>	<b>95 250</b>
Statutory Taxes	(11 126)	(11 953)	(13 796)	(15 217)	(16 591)	(17 560)	(18 142)	(18 704)	(19 311)	(20 002)
Tax Rate (21%)	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Tax Adjustments	(9 236)	(8 946)	(9 147)	(9 338)	(9 511)	(9 653)	(9 800)	(9 936)	(10 084)	(10 255)
<b>Financial Result</b>	<b>32 618</b>	<b>36 018</b>	<b>42 751</b>	<b>47 906</b>	<b>52 903</b>	<b>56 404</b>	<b>58 448</b>	<b>60 425</b>	<b>62 563</b>	<b>64 992</b>
<b>Total comprehensive income</b>	<b>621 500</b>	<b>804 840</b>	<b>1 037 919</b>	<b>1 108 558</b>	<b>1 183 166</b>	<b>1 286 123</b>	<b>1 359 022</b>	<b>1 394 935</b>	<b>1 433 436</b>	<b>1 475 822</b>

## Merged Company's Balance Sheet (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Core Invested Capital</b>							
Operating Cash	315 128	339 179	363 743	328 430	459 131	482 016	483 316
% of Total Sales	5%	5%	5%	5%	5%	5%	5%
Accounts receivable, net	778 095	793 096	808 105	622 760	708 974	852 178	861 797
Average Collection Period	45	43	41	35	28	32	33
Inventories	1 321 720	1 207 080	1 095 969	1 090 861	1 086 229	1 578 612	1 456 130
Average Holding Period	148	126	111	125	92	118	108
Prepaid expenses and other current assets	256 978	441 129	377 351	357 457	405 884	472 315	405 524
% of Total Sales	4.1%	6.5%	5.2%	5.4%	4.4%	4.9%	4.2%
<b>Total current operating assets</b>	<b>2 671 921</b>	<b>2 780 484</b>	<b>2 645 169</b>	<b>2 399 508</b>	<b>2 660 218</b>	<b>3 385 122</b>	<b>3 206 768</b>
Property and equipment, net	1 009 823	952 467	942 492	812 940	859 270	1 136 302	1 296 587
% change	-5.7%	-	-1.0%	-13.7%	5.7%	32.2%	14.1%
Operating lease right-of-use assets	-	-	733 999	691 056	654 969	783 471	764 644
% of Total Sales	0.0%	0.0%	10.1%	10.5%	7.1%	8.1%	7.9%
Goodwill	555 674	546 494	550 178	502 214	495 215	479 975	481 573
Intangible assets, net	85 170	77 187	64 321	40 923	40 104	41 482	39 194
% of Total Sales	1.4%	1.1%	0.9%	0.6%	0.4%	0.4%	0.4%
Deferred income taxes	117 481	148 590	144 873	109 477	127 500	123 284	323 716
% of Total Sales	1.9%	2.2%	2.0%	1.7%	1.4%	1.3%	3.3%
Land use rights	11 246	11 211	10 456	24 098	25 203	23 597	21 841
% of Total Sales	0.2%	0.2%	0.1%	0.4%	0.3%	0.2%	0.2%
Other assets	-	20 047	12	20 063	120 222	42 756	28 679
% of Total Sales	0.0%	0.3%	0.0%	0.3%	1.3%	0.4%	0.3%
<b>Total non-current operating assets</b>	<b>1 779 393</b>	<b>1 755 996</b>	<b>2 446 331</b>	<b>2 200 771</b>	<b>2 322 483</b>	<b>2 630 867</b>	<b>2 956 234</b>
<b>Total Operating assets</b>	<b>4 451 315</b>	<b>4 536 480</b>	<b>5 091 500</b>	<b>4 600 279</b>	<b>4 982 702</b>	<b>6 015 988</b>	<b>6 163 002</b>
Accounts payable	(730 581)	(732 364)	(813 357)	(753 691)	(861 227)	(974 202)	(952 195)
Average Payable Period	82	76	82	86	73	73	71
Accrued expenses	(296 841)	(340 415)	(374 694)	(378 859)	(460 165)	(388 159)	(322 780)
% of Total Sales	4.7%	5.0%	5.2%	5.8%	5.0%	4.0%	3.3%
Customer refund liabilities	-	(301 421)	(219 424)	(203 399)	(164 294)	(172 190)	(160 786)
% of Total Sales	0.0%	4.4%	3.0%	3.1%	1.8%	1.8%	1.7%
Other current liabilities	(192 896)	(316 705)	(445 537)	(501 909)	(759 026)	(652 942)	(602 096)
% of Total Sales	3.1%	4.7%	6.1%	7.6%	8.3%	6.8%	6.2%
Current income tax liabilities	(2 966)	(20 327)	(76 813)	(85 725)	(202 731)	(154 153)	(129 261)
% of Taxes	5.3%	34.3%	64.6%	38.2%	79.1%	69.8%	-923.6%
<b>Total current operating liabilities</b>	<b>(1 223 284)</b>	<b>(1 711 233)</b>	<b>(1 929 825)</b>	<b>(1 923 582)</b>	<b>(2 447 443)</b>	<b>(2 341 646)</b>	<b>(2 167 117)</b>
License fees payable	(5 802)	(4 171)	(3 558)	(3 389)	(3 255)	(2 308)	(1 212)
% of Total Sales	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%
Deferred income tax liabilities	(2 712)	(5 255)	(6 514)	(14 881)	(66 174)	(77 089)	(88 581)
% of Taxes	1.3%	2.3%	2.2%	5.1%	21.9%	18.0%	21.2%
<b>Total operating non-current liabilities</b>	<b>(8 514)</b>	<b>(9 426)</b>	<b>(10 073)</b>	<b>(18 269)</b>	<b>(69 428)</b>	<b>(79 397)</b>	<b>(89 793)</b>
<b>Total Operating Liabilities</b>	<b>(1 231 798)</b>	<b>(1 720 659)</b>	<b>(1 939 898)</b>	<b>(1 941 851)</b>	<b>(2 516 871)</b>	<b>(2 421 043)</b>	<b>(2 256 910)</b>
<b>Total Core Invested Capital</b>	<b>3 219 517</b>	<b>2 815 821</b>	<b>3 151 603</b>	<b>2 658 428</b>	<b>2 465 831</b>	<b>3 594 945</b>	<b>3 906 092</b>
<b>NWC</b>	<b>1 448 637</b>	<b>1 069 251</b>	<b>715 344</b>	<b>475 926</b>	<b>212 776</b>	<b>1 043 475</b>	<b>1 039 650</b>
<b>Non-Core Invested Capital</b>							
Other long-term assets	97 444	123 819	88 341	72 876	75 470	62 982	51 131
% of Total Sales	1.5%	1.8%	1.2%	1.1%	0.8%	0.7%	0.5%
Investment Properties	-	-	17 266	16 685	286 793	267 830	220 375
% change	0.0%	0.0%	0.0%	-3.4%	1618.8%	-6.6%	-17.7%
Available-for-sale financial assets	2 072	-	-	-	-	-	-
Investments accounted for using the equity method	101 980	110 228	152 989	159 485	196 421	203 508	226 892
% change	0.0%	8.1%	38.8%	4.2%	23.2%	3.6%	11.5%
Other receivables	65 314	21 222	22 320	28 086	41 480	52 995	58 265
% of Leases	0.0%	0.0%	2.7%	2.4%	4.0%	4.6%	5.0%
Restricted bank deposits	107	30	163	157	164	144	114
% of Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term liabilities	(162 304)	(208 340)	(98 113)	(98 389)	(86 584)	(111 589)	(155 964)
% of Total Sales	2.6%	3.1%	1.3%	1.5%	0.9%	1.2%	1.6%
Deferred income	(8 411)	(8 122)	(7 791)	(9 333)	(9 691)	(9 748)	(10 110)
% change	0.0%	-3.4%	-4.1%	19.8%	3.8%	0.6%	3.7%
<b>Total Non-Core Invested Capital</b>	<b>96 202</b>	<b>38 838</b>	<b>175 176</b>	<b>169 568</b>	<b>504 053</b>	<b>466 122</b>	<b>390 704</b>
<b>Total Invested Capital</b>	<b>3 315 719</b>	<b>2 854 659</b>	<b>3 326 778</b>	<b>2 827 995</b>	<b>2 969 883</b>	<b>4 061 067</b>	<b>4 296 796</b>
<b>Financial</b>							
Excess of Cash	(371 672)	(773 761)	(1 287 293)	(2 229 897)	(3 496 070)	(1 464 605)	(1 325 586)
% of Total Sales	5.9%	11.4%	17.7%	33.9%	38.1%	15.2%	13.7%
Long-Term Bank Deposits	-	-	-	(36 929)	(517 041)	(1 638 177)	(1 276 270)
% of Total Sales	0.0%	0.0%	0.0%	0.6%	5.6%	17.0%	13.2%
Short-term bank deposits	-	-	-	-	(62 141)	(95 605)	(493 396)
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.7%	1.0%	5.1%
Investments accounted at fair value through profit or loss	-	-	-	-	(26 302)	(25 947)	(60 471)
% change	0.0%	0.0%	0.0%	0.0%	0.0%	-1.4%	133.1%
Revolving credit facility, current	125 000	-	-	-	-	-	-
% of Total Sales	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating lease liabilities	-	-	835 995	1 153 989	1 046 935	1 163 489	1 156 628
% of Total Sales	0.0%	0.0%	11.5%	17.6%	11.4%	12.1%	12.0%
Long-term and Short-term debt	792 046	728 834	592 687	1 003 556	662 531	673 930	676 043
% of Total Sales	12.6%	10.7%	8.1%	15.3%	7.2%	7.0%	7.0%
Derivative financial instruments	826	2 160	4 022	2 714	1 429	-	-
<b>Net Financial Debt</b>	<b>546 200</b>	<b>(42 767)</b>	<b>145 410</b>	<b>(106 567)</b>	<b>(2 390 659)</b>	<b>(1 386 915)</b>	<b>(1 323 052)</b>
<b>Total stockholders' equity</b>	<b>2 769 518</b>	<b>2 897 426</b>	<b>3 181 368</b>	<b>2 934 563</b>	<b>5 360 543</b>	<b>5 447 982</b>	<b>5 619 848</b>
<b>Total sources of Funds</b>	<b>3 315 719</b>	<b>2 854 659</b>	<b>3 326 778</b>	<b>2 827 995</b>	<b>2 969 883</b>	<b>4 061 067</b>	<b>4 296 796</b>

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Core Invested Capital</b>										
Operating Cash	502 238	533 524	574 828	610 244	637 275	653 786	666 310	678 740	691 713	705 588
% of Total Sales	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Accounts receivable, net	984 338	1 141 085	1 325 071	1 510 108	1 576 998	1 617 856	1 648 849	1 679 609	1 711 711	1 746 045
Average Collection Period	36	39	42	45	45	45	45	45	45	45
Inventories	1 513 865	1 619 685	1 739 386	1 846 220	1 913 448	1 953 617	1 985 157	2 022 123	2 060 708	2 101 983
Average Holding Period	109	111	112	113	113	113	113	113	113	113
Prepaid expenses and other current assets	457 715	487 993	524 103	555 153	579 058	594 111	604 528	614 933	625 713	637 086
% of Total Sales	4.6%	4.6%	4.6%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
<b>Total current operating assets</b>	<b>3 458 157</b>	<b>3 782 287</b>	<b>4 163 388</b>	<b>4 521 725</b>	<b>4 706 780</b>	<b>4 819 370</b>	<b>4 904 845</b>	<b>4 995 405</b>	<b>5 089 846</b>	<b>5 190 702</b>
Property and equipment, net	1 336 480	1 371 469	1 427 936	1 472 032	1 494 960	1 522 745	1 552 967	1 582 881	1 614 195	1 647 864
% change	3.1%	2.6%	4.1%	3.1%	1.6%	1.9%	2.0%	1.9%	2.0%	2.1%
Operating lease right-of-use assets	761 043	804 918	864 194	919 163	958 584	976 564	991 651	1 010 403	1 029 997	1 050 997
% of Total Sales	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%	7.4%	7.4%	7.4%	7.4%
Goodwill	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573	481 573
Intangible assets, net	42 698	44 898	48 809	52 140	54 627	56 030	57 354	58 652	60 026	61 537
% of Total Sales	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Deferred income taxes	335 400	356 793	383 942	407 245	425 090	436 117	444 199	452 237	460 605	469 510
% of Total Sales	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
Land use rights	24 781	25 928	28 310	30 333	31 830	32 644	33 485	34 306	35 180	36 150
% of Total Sales	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%
Other assets	39 010	40 816	44 565	47 750	50 107	51 387	52 713	54 004	55 381	56 907
% of Total Sales	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
<b>Total non-current operating assets</b>	<b>3 020 985</b>	<b>3 126 396</b>	<b>3 279 328</b>	<b>3 410 236</b>	<b>3 496 771</b>	<b>3 557 060</b>	<b>3 613 941</b>	<b>3 674 057</b>	<b>3 736 957</b>	<b>3 804 540</b>
<b>Total Operating assets</b>	<b>6 479 141</b>	<b>6 908 682</b>	<b>7 442 716</b>	<b>7 931 961</b>	<b>8 203 551</b>	<b>8 376 430</b>	<b>8 518 786</b>	<b>8 669 461</b>	<b>8 826 802</b>	<b>8 995 242</b>
Accounts payable	(960 716)	(1 037 240)	(1 132 523)	(1 228 810)	(1 279 963)	(1 309 751)	(1 330 942)	(1 355 775)	(1 381 693)	(1 409 413)
Average Payable Period	70	72	74	75	75	75	75	75	75	75
Accrued expenses	(326 172)	(350 262)	(373 814)	(394 192)	(410 189)	(420 925)	(426 927)	(433 026)	(439 223)	(445 517)
% of Total Sales	3.2%	3.3%	3.3%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
Customer refund liabilities	(162 475)	(174 476)	(186 207)	(196 358)	(204 327)	(209 675)	(212 665)	(215 703)	(218 789)	(221 925)
% of Total Sales	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%
Other current liabilities	(675 997)	(708 932)	(772 483)	(826 530)	(866 699)	(888 891)	(910 931)	(932 460)	(955 341)	(980 620)
% of Total Sales	6.7%	6.6%	6.7%	6.8%	6.8%	6.8%	6.8%	6.9%	6.9%	6.9%
Current income tax liabilities	(148 451)	(174 520)	(205 687)	(222 681)	(234 762)	(240 792)	(245 182)	(250 637)	(256 437)	(262 855)
% of Taxes	73.5%	70.7%	69.5%	71.9%	72.0%	68.7%	66.8%	67.2%	67.5%	67.9%
<b>Total current operating liabilities</b>	<b>(2 273 811)</b>	<b>(2 445 430)</b>	<b>(2 670 714)</b>	<b>(2 868 571)</b>	<b>(2 995 941)</b>	<b>(3 070 034)</b>	<b>(3 126 648)</b>	<b>(3 187 601)</b>	<b>(3 251 483)</b>	<b>(3 320 330)</b>
License fees payable	(1 311)	(1 371)	(1 497)	(1 604)	(1 684)	(1 727)	(1 771)	(1 814)	(1 861)	(1 912)
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income tax liabilities	(29 187)	(37 783)	(48 821)	(54 611)	(61 325)	(68 969)	(72 488)	(74 007)	(75 621)	(77 403)
% of Taxes	14.4%	15.3%	16.5%	17.6%	18.8%	19.7%	19.8%	19.8%	19.9%	20.0%
<b>Total operating non-current liabilities</b>	<b>(30 498)</b>	<b>(39 154)</b>	<b>(50 319)</b>	<b>(56 215)</b>	<b>(63 009)</b>	<b>(70 695)</b>	<b>(74 259)</b>	<b>(75 821)</b>	<b>(77 481)</b>	<b>(79 315)</b>
<b>Total Operating Liabilities</b>	<b>(2 304 309)</b>	<b>(2 484 585)</b>	<b>(2 721 033)</b>	<b>(2 924 786)</b>	<b>(3 058 949)</b>	<b>(3 140 729)</b>	<b>(3 200 907)</b>	<b>(3 263 422)</b>	<b>(3 328 964)</b>	<b>(3 399 645)</b>
<b>Total Core Invested Capital</b>	<b>4 174 832</b>	<b>4 424 097</b>	<b>4 721 683</b>	<b>5 007 174</b>	<b>5 144 601</b>	<b>5 235 701</b>	<b>5 317 879</b>	<b>5 406 039</b>	<b>5 497 838</b>	<b>5 595 597</b>
<b>NWC</b>	<b>1 184 345</b>	<b>1 336 856</b>	<b>1 492 674</b>	<b>1 653 154</b>	<b>1 710 839</b>	<b>1 749 336</b>	<b>1 778 197</b>	<b>1 807 804</b>	<b>1 838 363</b>	<b>1 870 373</b>
<b>Non-Core Invested Capital</b>										
Other long-term assets	51 668	55 484	59 215	62 443	64 977	66 678	67 629	68 595	69 576	70 574
% of Total Sales	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Investment Properties	189 034	163 825	154 694	150 387	150 295	154 064	157 968	161 768	165 817	170 313
% change	-14.2%	-13.3%	-5.6%	-2.8%	-0.1%	2.5%	2.5%	2.4%	2.5%	2.7%
Available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
Investments accounted for using the equity method	249 872	269 065	305 825	347 043	392 948	443 338	500 319	563 915	636 199	719 208
% change	10.1%	7.7%	13.7%	13.5%	13.2%	12.8%	12.9%	12.7%	12.8%	13.0%
Other receivables	63 832	66 787	72 923	78 134	81 991	84 086	86 254	88 368	90 620	93 118
% of Leases	5.4%	5.5%	5.7%	5.4%	5.4%	5.4%	5.5%	5.5%	5.5%	5.6%
Restricted bank deposits	123	129	141	151	158	162	166	170	175	180
% of Leases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other long-term liabilities	(157 603)	(169 243)	(180 623)	(190 469)	(198 199)	(203 386)	(206 287)	(209 234)	(212 228)	(215 269)
% of Total Sales	1.6%	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%	1.5%
Deferred income	(10 931)	(11 556)	(12 896)	(14 368)	(15 972)	(17 692)	(19 602)	(21 692)	(24 026)	(26 667)
% change	8.1%	5.7%	11.6%	11.4%	11.2%	10.8%	10.8%	10.7%	10.8%	11.0%
<b>Total Non-Core Invested Capital</b>	<b>385 996</b>	<b>374 491</b>	<b>399 278</b>	<b>433 321</b>	<b>476 198</b>	<b>527 249</b>	<b>586 448</b>	<b>651 891</b>	<b>726 133</b>	<b>811 456</b>
<b>Total Invested Capital</b>	<b>4 560 828</b>	<b>4 798 588</b>	<b>5 120 961</b>	<b>5 440 495</b>	<b>5 620 799</b>	<b>5 762 950</b>	<b>5 904 327</b>	<b>6 057 930</b>	<b>6 223 971</b>	<b>6 407 053</b>
<b>Financial</b>										
Excess of Cash	(1 104 925)	(1 173 753)	(1 264 621)	(1 342 537)	(1 402 005)	(1 438 328)	(1 465 883)	(1 493 228)	(1 521 769)	(1 552 293)
% of Total Sales	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Long-Term Bank Deposits	(1 004 477)	(1 067 048)	(1 149 655)	(1 220 488)	(1 274 550)	(1 307 571)	(1 332 621)	(1 357 480)	(1 383 426)	(1 411 175)
% of Total Sales	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Short-term bank deposits	(319 364)	(334 150)	(364 845)	(390 916)	(410 213)	(420 695)	(431 545)	(442 121)	(453 388)	(465 888)
% of Total Sales	3.2%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%
Investments accounted at fair value through profit or loss	(61 106)	(60 256)	(62 596)	(64 794)	(66 789)	(68 464)	(70 199)	(71 887)	(73 687)	(75 685)
% change	1.0%	-1.4%	3.9%	3.5%	3.1%	2.5%	2.5%	2.4%	2.5%	2.7%
Revolving credit facility, current	-	-	-	-	-	-	-	-	-	-
% of Total Sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating lease liabilities	1 175 988	1 212 779	1 277 438	1 449 361	1 512 352	1 551 624	1 579 649	1 607 578	1 636 588	1 667 339
% of Total Sales	11.7%	11.4%	11.1%	11.9%	11.9%	11.9%	11.9%	11.8%	11.8%	11.8%
Long-term and Short-term debt	1 506 715	1 707 277	1 954 414	2 196 879	2 421 644	2 615 142	2 665 241	2 714 961	2 766 853	2 822 351
% of Total Sales	15.0%	16.0%	17.0%	18.0%	19.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
<b>Net Financial Debt</b>	<b>192 832</b>	<b>284 849</b>	<b>390 135</b>	<b>627 504</b>	<b>780 441</b>	<b>931 709</b>	<b>944 643</b>	<b>957 822</b>	<b>971 171</b>	<b>984 649</b>
<b>Total stockholders' equity</b>	<b>4 367 996</b>	<b>4 513 739</b>	<b>4 730 826</b>	<b>4 812 991</b>	<b>4 840 359</b>	<b>4 831 241</b>	<b>4 959 684</b>	<b>5 100 108</b>	<b>5 252 801</b>	<b>5 422 404</b>
<b>Total sources of Funds</b>	<b>4 560 828</b>	<b>4 798 588</b>	<b>5 120 961</b>	<b>5 440 495</b>	<b>5 620 799</b>	<b>5 762 950</b>	<b>5 904 327</b>	<b>6 057 930</b>	<b>6 223 971</b>	<b>6 407 053</b>

## Merged Company's Statement of Cash Flows (USD)

USD'000	Historical						
	2017	2018	2019	2020	2021	2022	2023
<b>Operating</b>							
Core EBIT	211 393	261 420	440 066	253 811	1 260 985	865 838	700 145
Income Taxes	(56 482)	(59 283)	(118 825)	(224 600)	(256 199)	(220 962)	13 996
<b>NOPLAT</b>	<b>154 911</b>	<b>202 137</b>	<b>321 240</b>	<b>29 211</b>	<b>1 004 786</b>	<b>644 876</b>	<b>714 141</b>
Depreciation	211 959	228 331	290 255	294 404	302 055	428 714	418 441
From PPE	211 959	228 331	238 081	231 730	230 564	337 846	310 863
From RUA	-	-	52 174	62 674	71 491	90 867	107 578
Amortization	15 268	13 420	11 987	13 100	8 335	15 495	13 797
<b>Gross Free Cash Flow</b>	<b>382 138</b>	<b>443 887</b>	<b>623 482</b>	<b>336 716</b>	<b>1 315 176</b>	<b>1 089 084</b>	<b>1 146 379</b>
CAPEX		(170 975)	(228 105)	(102 179)	(276 894)	(614 878)	(471 148)
Δ NWC		379 386	353 906	239 418	263 151	(830 699)	3 825
Δ Other Operating Assets and Liabilities		(46 466)	(763 824)	48 431	(104 049)	(127 745)	(276 062)
<b>Operating Free Cash Flow</b>	<b>382 138</b>	<b>605 833</b>	<b>(14 541)</b>	<b>522 386</b>	<b>1 197 383</b>	<b>(484 238)</b>	<b>402 994</b>
<b>Non Operating</b>							
Non Operating EBIT	(110 282)	(168 418)	64 127	(368 941)	(4 887)	120 125	153 636
Income Taxes	5 211	55 670	(6 806)	97 572	9 642	(23 487)	(17 854)
<b>Non Operating NOPLAT</b>	<b>(105 071)</b>	<b>(112 748)</b>	<b>57 322</b>	<b>(271 369)</b>	<b>4 756</b>	<b>96 638</b>	<b>135 781</b>
Δ Other Operating Assets		11 617	(25 780)	3 790	(323 039)	12 870	30 681
Δ Other Operating Liabilities		45 747	(110 558)	1 818	(11 446)	25 061	44 737
Other Comprehensive Income/Loss	13 362	(576)	(11 396)	(12 081)	11 178	(14 539)	(14 207)
Income (loss) from equity method investments	-	497	(47 679)	(7 246)	1 255	(1 002)	(359)
<b>Non Operating Unlevered FCF</b>	<b>(91 708)</b>	<b>(55 464)</b>	<b>(138 091)</b>	<b>(285 088)</b>	<b>(317 297)</b>	<b>119 028</b>	<b>196 634</b>
<b>Total Unlevered Free Cash Flows</b>	<b>290 430</b>	<b>550 369</b>	<b>(152 632)</b>	<b>237 299</b>	<b>880 086</b>	<b>(365 210)</b>	<b>599 628</b>
<b>Financing</b>							
Interest income (expense), net	(31 868)	(32 129)	(25 602)	(51 835)	(39 240)	31 294	41 205
Tax Shileds	10 009	3 731	3 871	(1 931)	10 272	(11 273)	(37 839)
Δ Debt		(588 967)	188 177	(251 977)	#####	1 003 745	63 863
Δ Equity		66 997	(13 814)	68 445	1 432 974	(658 555)	(666 857)
<b>Financing Cash Flow</b>	<b>(21 859)</b>	<b>(550 369)</b>	<b>152 632</b>	<b>(237 299)</b>	<b>(880 086)</b>	<b>365 210</b>	<b>(599 628)</b>

USD'000	Projected									
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Operating</b>										
Core EBIT	743 684	957 082	1 191 917	1 255 441	1 334 724	1 450 024	1 528 236	1 558 637	1 590 536	1 624 986
Income Taxes	(202 031)	(246 845)	(296 160)	(309 500)	(326 149)	(350 362)	(366 787)	(373 171)	(379 870)	(387 104)
<b>NOPLAT</b>	<b>541 653</b>	<b>710 238</b>	<b>895 757</b>	<b>945 941</b>	<b>1 008 574</b>	<b>1 099 661</b>	<b>1 161 449</b>	<b>1 185 466</b>	<b>1 210 666</b>	<b>1 237 882</b>
Depreciation	453 418	467 471	493 247	514 146	527 182	537 736	549 449	560 974	573 121	586 342
From PPE	343 071	352 015	367 186	379 077	385 445	392 377	400 341	408 213	416 467	425 369
From RUA	110 347	115 455	126 061	135 069	141 737	145 358	149 107	152 761	156 654	160 973
Amortization	15 372	16 266	17 585	18 714	19 567	20 072	20 492	20 906	21 340	21 811
<b>Gross Free Cash Flow</b>	<b>1 010 443</b>	<b>1 193 974</b>	<b>1 406 589</b>	<b>1 478 801</b>	<b>1 555 323</b>	<b>1 657 469</b>	<b>1 731 389</b>	<b>1 767 346</b>	<b>1 805 128</b>	<b>1 846 035</b>
CAPEX	(382 964)	(387 004)	(423 653)	(423 173)	(408 372)	(420 163)	(430 563)	(438 128)	(447 780)	(459 038)
Δ NWC	(144 695)	(152 511)	(155 818)	(160 480)	(57 685)	(38 497)	(28 861)	(29 607)	(30 559)	(32 010)
Δ Other Operating Assets and Liabilities	(209 871)	(193 486)	(228 947)	(234 698)	(218 118)	(190 247)	(192 696)	(202 305)	(207 922)	(214 864)
<b>Operating Free Cash Flow</b>	<b>272 913</b>	<b>460 973</b>	<b>598 171</b>	<b>660 450</b>	<b>871 147</b>	<b>1 008 562</b>	<b>1 079 270</b>	<b>1 097 306</b>	<b>1 118 867</b>	<b>1 140 123</b>
<b>Non Operating</b>										
Non Operating EBIT	55 722	71 047	123 035	142 651	151 663	162 364	173 822	186 373	200 485	216 571
Income Taxes	(1 013)	(4 526)	(15 238)	(19 164)	(20 880)	(22 982)	(25 239)	(27 735)	(30 548)	(33 752)
<b>Non Operating NOPLAT</b>	<b>54 710</b>	<b>66 521</b>	<b>107 796</b>	<b>123 487</b>	<b>130 784</b>	<b>139 382</b>	<b>148 583</b>	<b>158 638</b>	<b>169 937</b>	<b>182 819</b>
Δ Other Operating Assets	2 248	(761)	(37 507)	(45 361)	(52 211)	(57 958)	(64 009)	(70 480)	(79 571)	(91 005)
Δ Other Operating Liabilities	2 460	12 266	12 719	11 318	9 334	6 907	4 811	5 036	5 329	5 682
Other Comprehensive Income/Loss	(5 104)	(5 395)	(5 693)	(5 953)	(6 166)	(6 320)	(6 410)	(6 501)	(6 594)	(6 690)
Income (loss) from equity method investments	(2 377)	(2 541)	(2 692)	(2 823)	(2 929)	(3 006)	(3 049)	(3 092)	(3 136)	(3 181)
<b>Non Operating Unlevered FCF</b>	<b>51 937</b>	<b>70 089</b>	<b>74 624</b>	<b>80 668</b>	<b>78 811</b>	<b>79 006</b>	<b>79 926</b>	<b>83 601</b>	<b>85 965</b>	<b>87 624</b>
<b>Total Unlevered Free Cash Flows</b>	<b>324 849</b>	<b>531 062</b>	<b>672 796</b>	<b>741 118</b>	<b>949 959</b>	<b>1 087 568</b>	<b>1 159 197</b>	<b>1 180 907</b>	<b>1 204 832</b>	<b>1 227 747</b>
<b>Financing</b>										
Interest income (expense), net	52 980	56 917	65 694	72 461	79 005	83 617	86 390	89 065	91 958	95 250
Tax Shileds	(20 362)	(20 899)	(22 943)	(24 555)	(26 102)	(27 213)	(27 942)	(28 640)	(29 395)	(30 257)
Δ Debt	1 515 884	92 017	105 286	237 369	152 937	151 268	12 934	13 179	13 349	13 479
Δ Equity	(1 873 352)	(659 097)	(820 832)	(1 026 393)	(1 155 798)	(1 295 240)	(1 230 579)	(1 254 511)	(1 280 744)	(1 306 218)
<b>Financing Cash Flow</b>	<b>(324 849)</b>	<b>(531 062)</b>	<b>(672 796)</b>	<b>(741 118)</b>	<b>(949 959)</b>	<b>(1 087 568)</b>	<b>(1 159 197)</b>	<b>(1 180 907)</b>	<b>(1 204 832)</b>	<b>(1 227 747)</b>