

# Bosideng (3998 HK)

## Solid performance on Single Day, buy the dip

We attributed 10% plunge in share price yesterday to potential market concerns, including: 1) unfavorable weather, 2) weak customer acceptance of retail price hike and 3) slow growth for 2019 double 11 festival. However, we believe these concerns are unjustified and the sell-off was overdone, hence posing a good chance to buy on dip. The counter is attractive given its 21x FY3/21E P/E (vs GOOS's 24x and MONC's 24x) and 1.0x 3 years PEG. Reiterate BUY.

- Will weather hinder Bosideng growth in FY3/20E? Not necessarily as the El Niño effect had just faded out. Brand competitiveness is more important.** The 2019 winter is so far warmer vs last year in China, as the average temperature during Sep to 12 Nov 2019 were 15.1/ 21.1/ 26.7 degrees in Beijing/ Shanghai/ Shenzhen (vs 13.3/ 20.7/ 25.9 in 2018), and therefore we are not surprised to see a tougher industry performance (esp. for winter clothing). However, we still believe the weather could likely become more favorable (or at least not worsen), as we already had a warm winter back in 2018. According to NOAA, the El Niño effect is now gone for the Northern hemisphere (lasted from Sep 2018 to Jun 2019), and historically speaking, ENSO-neutral or La Niña are the more likely status, which means a relatively colder weather ahead. Bear in mind that Bosideng can still outperform amid an unfavorable weather like last year, where a 36% down apparel growth was achieved thanks to strong branding upgrade.
- How was the consumer acceptance on the retail price hike? Positive, as it is justifiable by strong volume growth.** For the 2019 winter season, Bosideng planned to hike its ASP by 15-20%, in terms of selling more mid to high end priced items (RMB 1,800 or above). During the Double 11 Festival, Bosideng flagship store sales grew 58% YoY, driven by 30%+/20%+ increase in volume/ ASP. Such strong volume growth, even with 20% surged in ASP, indicated a strong consumer acceptance, where sales from mid to high end products grew by 140%+. According to our channel check, down wear by other brands (e.g. Nike/ Adidas/ Li Ning/ GXG) also raised their retail prices in 2019. Therefore, Bosideng's ASP is still comparable to and not deviated much from others.
- 58%/ 37% sales growth in Tmall flagship store/ all channel for Bosideng brand during Double 11 festival is industry leading.** Bosideng's Double 11 festival sales ranking on Tmall platform for menswear and womenswear advanced to No.5 and No.2 in 2019 (from No.7 and No.4 in 2018). Compared to growth of sportswear names like Anta (all brands) and Li Ning at 62% and 50%, we think Bosideng's apparel growth at 58% YoY is already stunning.
- Maintain BUY with TP of HK\$ 4.83.** We expect 1H/2H19E NP to grow 22%/46% YoY. We maintain BUY with TP of HK\$ 4.83, based on 26x FY21E P/E. We recommend to accumulate the stock on recent weakness.

### Earnings Summary

(YE 31 Mar)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	8,881	10,383	13,432	16,186	18,626
YoY growth (%)	30.3	16.9	29.4	20.5	15.1
Net income (RMB mn)	615	981	1,370	1,749	2,094
EPS (RMB)	0.058	0.092	0.128	0.163	0.196
YoY growth (%)	52.3	43.8	39.6	27.6	19.7
P/E (x)	53.4	37.1	26.6	20.8	17.4
P/B (x)	3.4	3.7	3.5	3.2	3.0
Yield (%)	2.1	2.1	2.6	3.4	4.0
ROE (%)	6.6	10.1	13.6	16.2	18.1
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

### BUY (Maintain)

Target Price	HK\$4.83
(Previous TP)	HK\$2.74)
Up/Downside	+24.8%
Current Price	HK\$3.87

### China Apparel Sector

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#### Stock Data

Mkt Cap (HK\$ mn)	41,872
Avg 3 mths t/o (HK\$ mn)	106.42
52w High/Low (HK\$)	4.50/1.25
Total Issued Shares (mn)	10,819.6

Source: Bloomberg

#### Shareholding Structure

Mr Gao Dekang & Family	70.79%
Employee incentive scheme	6.49%
Free Float	22.72%

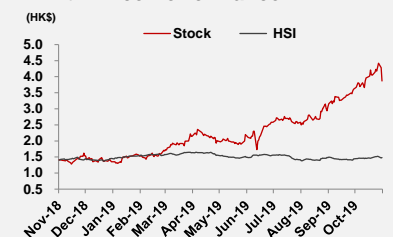
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	7.2%	4.2%
3-mth	50.0%	43.1%
6-mth	92.5%	103.1%
12-mth	184.6%	169.5%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

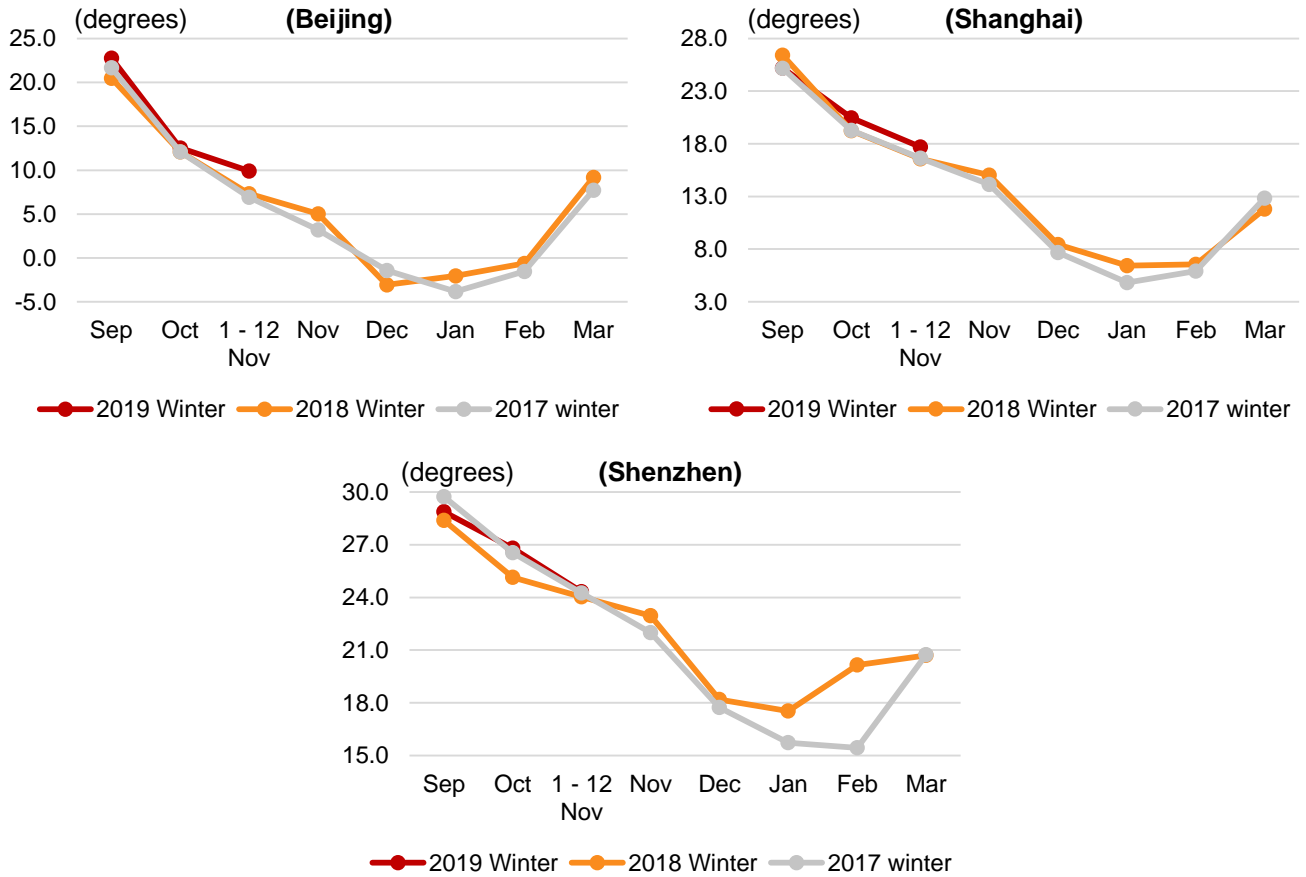
#### Auditor: KPMG

#### Related Reports

- Bosideng (3998 HK) - Brand upgrades and easing costs pressure - 5 Nov 2019
- Bosideng (3998 HK) - Solid earnings beat and upbeat guidance - 2 Jul 2019
- Bosideng (3998 HK) - Cost pressure easing to drive better margins - 16 May 2019

**Focus Charts**

**Figure 1: Historical monthly average temperature in China by cities, weather in 2019 is warmer so far**



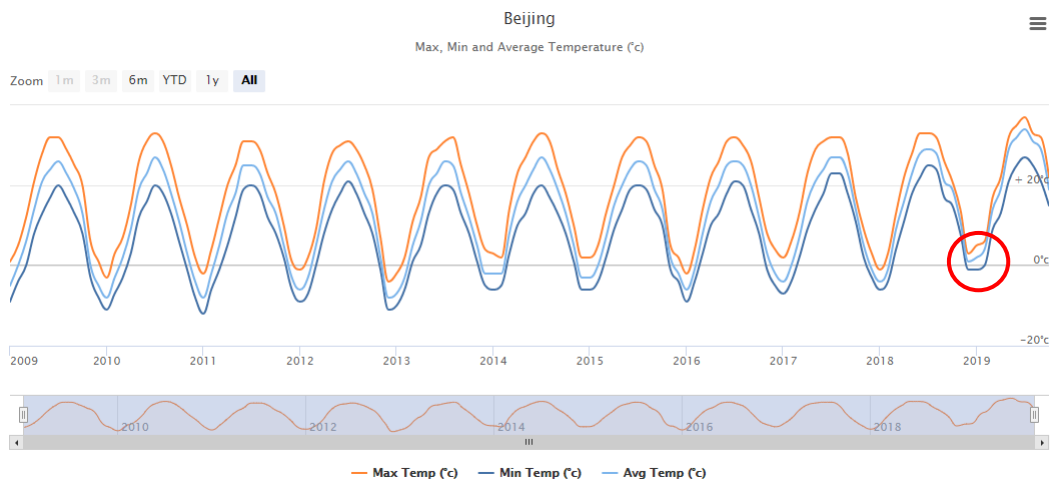
Source: Bloomberg, CMBIS estimates

**Figure 2: Historical monthly average temperature in China by cities**

(degrees)	Beijing			Shanghai			Shenzhen		
	2019 Winter	2018 Winter	2017 winter	2019 Winter	2018 Winter	2017 winter	2019 Winter	2018 Winter	2017 winter
Sep	22.8	20.5	21.7	25.2	26.4	25.2	28.9	28.4	29.7
Oct	12.5	12.1	12.1	20.5	19.3	19.3	26.8	25.1	26.5
1 - 12 Nov	9.9	7.3	6.9	17.7	16.6	16.6	24.3	24.0	24.2
Nov		5.0	3.2		15.0	14.2		23.0	22.0
Dec		-3.1	-1.4		8.4	7.7		18.2	17.7
Jan		-2.0	-3.8		6.4	4.8		17.5	15.7
Feb		-0.6	-1.5		6.5	5.9		20.1	15.4
Mar		9.2	7.7		11.8	12.8		20.7	20.7

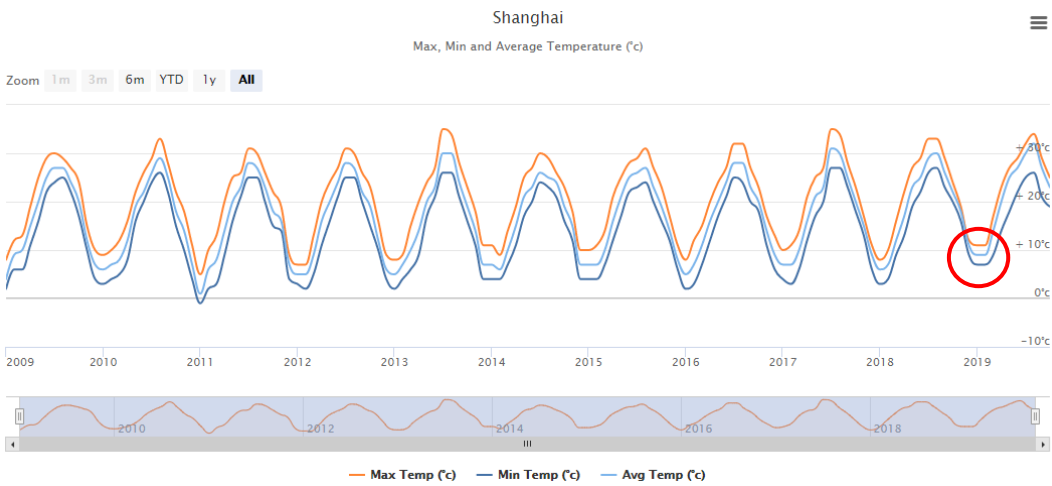
Source: www.worldweatheronline.com, CMBIS estimates

**Figure 3: Historical monthly average temperature – Beijing**



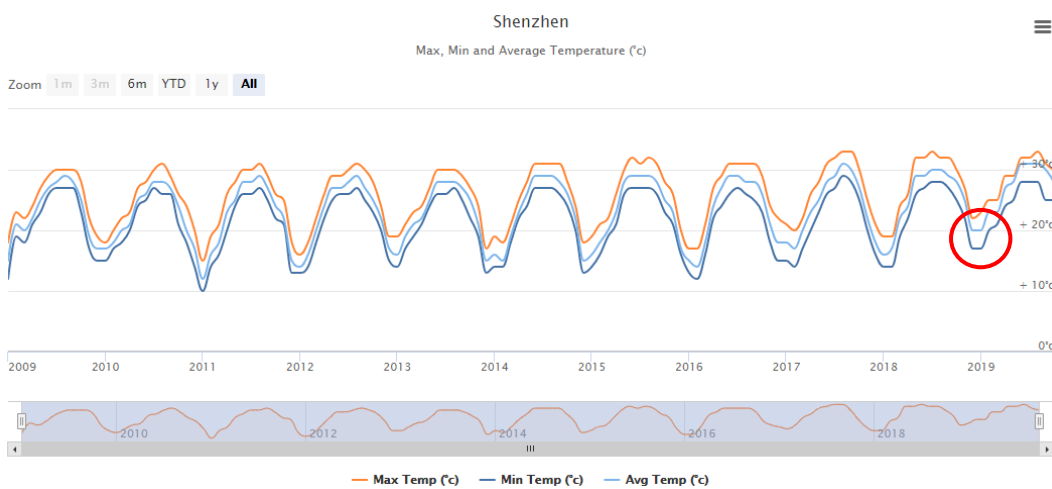
Source: www.worldweatheronline.com, CMBIS estimates

**Figure 4: Historical monthly average temperature – Shanghai**



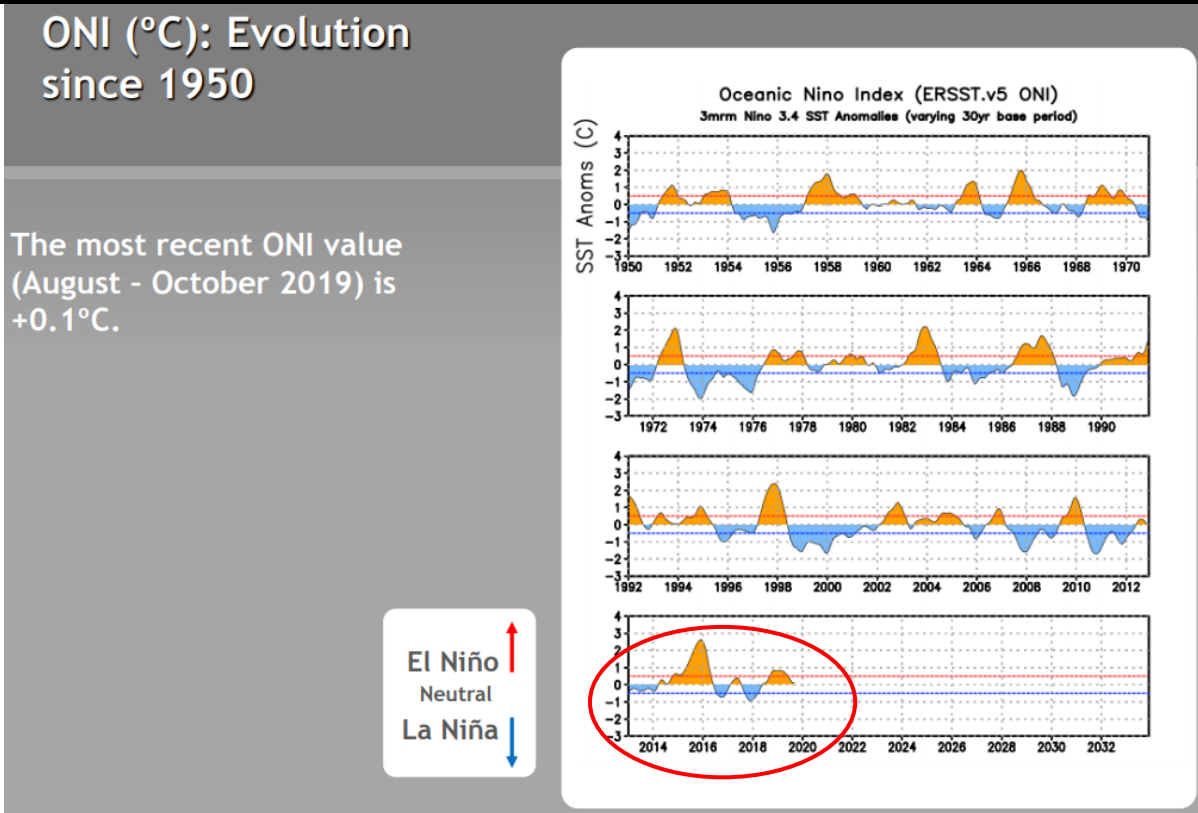
Source: www.worldweatheronline.com, CMBIS estimates

**Figure 5: Historical monthly average temperature – Shenzhen**



Source: www.worldweatheronline.com, CMBIS estimates

Figure 6: Oceanic Niño Index (ONI) since 1950, where El Niño had just passed and we are likely to be heading to ENSO-neutral or La Niña



Source: NOAA, CMBIS estimates

Figure 7: Monthly ONI since 2007, noted that it is unlikely for El Niño to repeat in consecutive years

Year	DJF	JFM	FMA	MAM	AMJ	MJJ	JJA	JAS	ASO	SON	OND	NDJ
2007	0.7	0.3	0.0	-0.2	-0.3	-0.4	-0.5	-0.8	-1.1	-1.4	-1.5	-1.6
2008	-1.6	-1.4	-1.2	-0.9	-0.8	-0.5	-0.4	-0.3	-0.3	-0.4	-0.6	-0.7
2009	-0.8	-0.7	-0.5	-0.2	0.1	0.4	0.5	0.5	0.7	1.0	1.3	1.6
2010	1.5	1.3	0.9	0.4	-0.1	-0.6	-1.0	-1.4	-1.6	-1.7	-1.7	-1.6
2011	-1.4	-1.1	-0.8	-0.6	-0.5	-0.4	-0.5	-0.7	-0.9	-1.1	-1.1	-1.0
2012	-0.8	-0.6	-0.5	-0.4	-0.2	0.1	0.3	0.3	0.3	0.2	0.0	-0.2
2013	-0.4	-0.3	-0.2	-0.2	-0.3	-0.3	-0.4	-0.4	-0.3	-0.2	-0.2	-0.3
2014	-0.4	-0.4	-0.2	0.1	0.3	0.2	0.1	0.0	0.2	0.4	0.6	0.7
2015	0.6	0.6	0.6	0.8	1.0	1.2	1.5	1.8	2.1	2.4	2.5	2.6
2016	2.5	2.2	1.7	1.0	0.5	0.0	-0.3	-0.6	-0.7	-0.7	-0.7	-0.6
2017	-0.3	-0.1	0.1	0.3	0.4	0.4	0.2	-0.1	-0.4	-0.7	-0.9	-1.0
2018	-0.9	-0.8	-0.6	-0.4	-0.1	0.1	0.1	0.2	0.4	0.7	0.9	0.8
2019	0.8	0.8	0.8	0.8	0.6	0.5	0.3	0.1	0.1			

Source: NOAA, CMBIS estimates

**Figure 8: Double 11 sales ranking - menswear**

Top 10 highest grossing womenswear brands on Tmall and Tao Bao			
	2017	2018	2019
1	Uniqlo/ 优衣库	Uniqlo/ 优衣库	Uniqlo/ 优衣库
2	Vero Moda	ONLY	Bosideng/ 波司登
3	ONLY	Vero Moda	Vero Moda
4	Eifini/ 伊芙丽	Bosideng/ 波司登	Eifini/ 伊芙丽
5	Hstyle/ 韩都衣舍	Eifini/ 伊芙丽	ONLY
6	Peacebird/ 太平鸟	Hstyle/ 韩都衣舍	Peacebird/ 太平鸟
7	Bosideng/ 波司登	乐町	乐町
8	乐町	Peacebird/ 太平鸟	Hstyle/ 韩都衣舍
9	Ochirly/ 欧时力	Teenie Weenie	ZARA
10	Teenie Weenie	ZARA	MO&CO

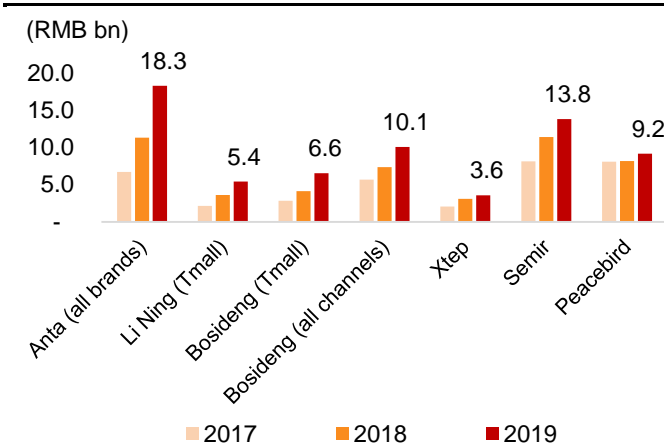
Source: www.ebrun.com, CMBIS estimates

**Figure 9: Double 11 sales ranking - womenswear**

Top 10 highest grossing menswear brands on Tmall and Tao Bao			
	2017	2018	2019
1	HLA/ 海澜之家	Uniqlo/ 优衣库	Uniqlo/ 优衣库
2	Uniqlo/ 优衣库	GXG	GXG
3	GXG	Peacebird/ 太平鸟	Peacebird/ 太平鸟
4	Peacebird/ 太平鸟	Semir/ 森马	Jack & Jones/ 杰克琼斯
5	Jack & Jones/ 杰克琼斯	Jack & Jones/ 杰克琼斯	Bosideng/ 波司登
6	Playboy/ 花花公子	Mark Fairwhale/ 马克华菲	Semir/ 森马
7	Semir/ 森马	Bosideng/ 波司登	Mark Fairwhale/ 马克华菲
8	Mark Fairwhale/ 马克华菲	Septwolves/ 七匹狼	Selected/ 思莱德
9	Metersbonwe/ 美特斯邦威	Metersbonwe/ 美特斯邦威	Metersbonwe/ 美特斯邦威
10	Bosideng/ 波司登	Selected/ 思莱德	HLA/ 海澜之家

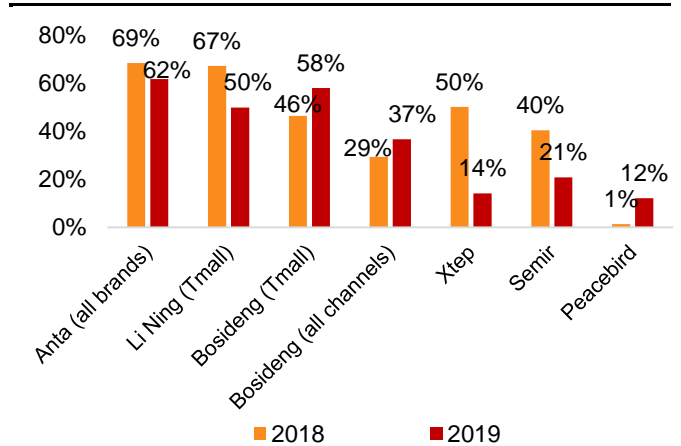
Source: www.ebrun.com, CMBIS estimates

**Figure 10: Double 11 festival sales, by brand**



Source: Company data, CMBIS estimates

**Figure 11: Double 11 festival sales growth, by brand**



Source: Company data, CMBIS estimates

## Result Preview

Figure 12: Result preview - Half Year

Half yearly - (Mar year end) (Rmb mn)	1H19	2H19	1H20E	2H20E	1H19 yoy	2H19 yoy	1H20E yoy	2H20E yoy
<b>Revenue</b>	<b>3,444</b>	<b>6,939</b>	<b>4,088</b>	<b>9,344</b>	<b>16%</b>	<b>17%</b>	<b>19%</b>	<b>35%</b>
COGS	(1,989)	(2,881)	(2,319)	(3,788)				
<b>Gross profit</b>	<b>1,455</b>	<b>4,058</b>	<b>1,769</b>	<b>5,556</b>	<b>23%</b>	<b>38%</b>	<b>22%</b>	<b>37%</b>
<b>GP margins</b>	<b>42.3%</b>	<b>58.5%</b>	<b>43.3%</b>	<b>59.5%</b>				
Other income & gains	23	67	33	75				
S & D expenses	(790)	(2,650)	(952)	(3,541)	18%	49%	21%	34%
<b>S &amp; D exp / sales</b>	<b>-22.9%</b>	<b>-38.2%</b>	<b>-23.3%</b>	<b>-37.9%</b>				
Admin expenses	(334)	(395)	(409)	(564)	11%	20%	22%	43%
<b>Admin exp / sales</b>	<b>-9.7%</b>	<b>-5.7%</b>	<b>-10.0%</b>	<b>-6.0%</b>				
Other opex	-0	-22	-12	-28				
<b>Operating profit (EBIT)</b>	<b>355</b>	<b>1,059</b>	<b>428</b>	<b>1,497</b>	<b>49%</b>	<b>25%</b>	<b>21%</b>	<b>41%</b>
<b>OP margins</b>	<b>10.3%</b>	<b>15.3%</b>	<b>10.5%</b>	<b>16.0%</b>				
Other items	0	(43)	0	0				
Net finance income	6	18	8	7				
<b>Net finance income / sales</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.1%</b>				
Profit after financing costs	361	1,034	436	1,505				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
<b>Pre-tax profit</b>	<b>361</b>	<b>1,034</b>	<b>436</b>	<b>1,505</b>	<b>51%</b>	<b>59%</b>	<b>21%</b>	<b>46%</b>
Tax	(102)	(287)	(122)	(421)				
<b>Tax / sales</b>	<b>-3.0%</b>	<b>-4.1%</b>	<b>-3.0%</b>	<b>-4.5%</b>				
<b>Effective tax rate</b>	<b>-28.3%</b>	<b>-27.7%</b>	<b>-28.0%</b>	<b>-28.0%</b>				
Minority interests	7	17	7	20				
<b>Net profit att.</b>	<b>251</b>	<b>730</b>	<b>307</b>	<b>1,063</b>	<b>44%</b>	<b>66%</b>	<b>22%</b>	<b>46%</b>
<b>NP margins</b>	<b>7.3%</b>	<b>10.5%</b>	<b>7.5%</b>	<b>11.4%</b>				

Source: Company data, CMBIS estimates

Figure 13: Result preview - Full Year

Full yearly - (Mar year end) (Rmb mn)	FY18	FY19	FY20E	FY19 yoy	FY20E yoy
<b>Revenue</b>	<b>8,881</b>	<b>10,383</b>	<b>13,432</b>	<b>17%</b>	<b>29%</b>
COGS	(4,762)	(4,870)	(6,107)		
<b>Gross profit</b>	<b>4,119</b>	<b>5,514</b>	<b>7,325</b>	<b>34%</b>	<b>33%</b>
<b>GP margins</b>	<b>46.4%</b>	<b>53.1%</b>	<b>54.5%</b>		
Other income & gains	66	91	107		
S & D expenses	(2,452)	(3,440)	(4,494)	<b>40%</b>	<b>31%</b>
<b>S &amp; D exp / sales</b>	<b>-27.6%</b>	<b>-33.1%</b>	<b>-33.5%</b>		
Admin expenses	(630)	(729)	(973)	<b>16%</b>	<b>33%</b>
<b>Admin exp / sales</b>	<b>-7.1%</b>	<b>-7.0%</b>	<b>-7.2%</b>		
Other opex	-14	-22	-40		
<b>Operating profit (EBIT)</b>	<b>1,089</b>	<b>1,414</b>	<b>1,925</b>	<b>30%</b>	<b>36%</b>
<b>OP margins</b>	<b>12.3%</b>	<b>13.6%</b>	<b>14.3%</b>		
Other items	(165)	(43)	0		
Net finance income	(35)	24	15		
<b>Net finance income / sales</b>	<b>-0.4%</b>	<b>0.2%</b>	<b>0.1%</b>		
Profit after financing costs	888	1,394	1,941		
Associated coms	0	0	0		
Jointly controlled coms	0	0	0		
<b>Pre-tax profit</b>	<b>888</b>	<b>1,394</b>	<b>1,941</b>	<b>57%</b>	<b>39%</b>
Tax	(249)	(389)	(543)		
<b>Tax / sales</b>	<b>-2.8%</b>	<b>-3.7%</b>	<b>-4.0%</b>		
<b>Effective tax rate</b>	<b>-28.0%</b>	<b>-27.9%</b>	<b>-28.0%</b>		
Minority interests	24	24	27		
<b>Net profit att.</b>	<b>615</b>	<b>981</b>	<b>1,370</b>	<b>59%</b>	<b>40%</b>
<b>NP margins</b>	<b>6.9%</b>	<b>9.5%</b>	<b>10.2%</b>		

Source: Company data, CMBIS estimates

## Valuation

**Figure 14: Peers' valuation**

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
<b>H shares Apparel</b>															
Bosideng Intl	3998 HK	BUY	4.83	3.87	24.8%	41,872	Mar-19	26.6	20.8	3.5	3.3	10.1	0.9	2.4	
China Lilang	1234 HK	BUY	9.01	6.40	40.8%	7,664	Dec-18	7.8	6.9	1.8	1.7	23.9	0.7	8.7	
Jnby Design	3306 HK	BUY	15.52	11.08	40.1%	5,748	Jun-19	9.2	8.2	3.1	2.7	35.9	0.9	7.7	
Cosmo Lady	2298 HK	SELL	1.14	1.20	-5.0%	2,699	Dec-18	15.6	11.8	0.6	0.5	6.1	(1.0)	2.1	
Mulsanne Group	709 HK	NR	n/a	2.50	n/a	3,946	Dec-18	13.9	12.2	1.5	1.5	13.9	(1.8)	7.6	
Giordano	1817 HK	NR	n/a	7.78	n/a	7,391	Dec-18	n/a	n/a	n/a	n/a	n/a	0.0	n/a	
Korador	3709 HK	NR	n/a	8.06	n/a	5,522	Dec-18	n/a	n/a	n/a	n/a	24.5	0.0	n/a	
I.T Ltd	999 HK	NR	n/a	2.20	n/a	2,631	Feb-19	7.6	6.9	0.7	0.7	8.1	2.6	5.7	
Esprit Holdings	330 HK	NR	n/a	1.47	n/a	2,774	Jun-19	n/a	n/a	0.5	0.5	(27.2)	0.0	n/a	
La Chapelle	6116 HK	NR	n/a	1.42	n/a	1,867	Dec-18	n/a	n/a	n/a	n/a	(36.7)	0.0	n/a	
Bauhaus Intl	483 HK	NR	n/a	0.96	n/a	353	Mar-19	n/a	n/a	n/a	n/a	(7.9)	0.0	n/a	
								<b>Avg.</b>	<b>13.4</b>	<b>11.1</b>	<b>1.6</b>	<b>1.5</b>	<b>5.1</b>	<b>0.2</b>	<b>5.7</b>
								<b>Med.</b>	<b>11.5</b>	<b>10.0</b>	<b>1.5</b>	<b>1.5</b>	<b>9.1</b>	<b>0.0</b>	<b>6.6</b>
<b>A-shares Apparel</b>															
Ningbo Peacebird	603877 CH	NR	n/a	15.12	n/a	8,120	Dec-18	12.0	10.7	1.9	1.7	15.4	1.6	5.9	
Joeone Co Ltd	601566 CH	NR	n/a	10.91	n/a	7,003	Dec-18	11.1	10.5	1.4	1.4	12.8	2.0	9.0	
Fujian Septwolves	002029 CH	NR	n/a	5.61	n/a	4,736	Dec-18	11.8	10.8	0.7	0.7	5.8	2.3	1.7	
Hla Corp Ltd	600398 CH	NR	n/a	7.76	n/a	38,316	Dec-18	9.5	8.8	2.3	2.1	26.9	1.7	6.4	
Jiangsu Hongdou	600400 CH	NR	n/a	3.28	n/a	9,282	Dec-18	36.9	31.8	1.9	1.9	4.5	3.1	0.9	
Lancy Co Ltd	002612 CH	NR	n/a	8.32	n/a	4,044	Dec-18	16.5	14.7	1.2	1.2	6.2	(22.1)	1.1	
Shenzhen Huijie	002763 CH	NR	n/a	7.96	n/a	3,661	Dec-18	13.3	11.4	1.5	1.3	10.9	0.7	n/a	
Ellassay Fashion	603808 CH	NR	n/a	13.93	n/a	5,174	Dec-18	11.0	9.1	1.8	1.6	15.8	0.8	3.4	
Bobaolon Co	002776 CH	NR	n/a	7.14	n/a	4,291	Dec-18	n/a	n/a	n/a	n/a	7.9	0.0	n/a	
								<b>Avg.</b>	<b>15.2</b>	<b>13.5</b>	<b>1.6</b>	<b>1.5</b>	<b>11.8</b>	<b>(1.1)</b>	<b>4.1</b>
								<b>Med.</b>	<b>11.9</b>	<b>10.7</b>	<b>1.6</b>	<b>1.5</b>	<b>10.9</b>	<b>1.6</b>	<b>3.4</b>
<b>International Apparel</b>															
Canada Goose	GOOS US	NR	n/a	39.09	n/a	33,680	Mar-19	30.6	24.0	10.3	7.2	47.6	0.0	n/a	
Moncler Spa	MONC IM	NR	n/a	36.96	n/a	82,180	Dec-18	25.7	23.9	7.1	5.9	36.3	3.8	1.2	
Hugo Boss	BOSS GR	NR	n/a	40.85	n/a	24,787	Dec-18	12.5	11.2	2.8	2.6	22.2	6.2	6.4	
Ted Baker	TED LN	NR	n/a	416.20	n/a	1,867	Jan-19	6.3	6.9	0.9	0.8	0.5	(0.7)	7.8	
Next	NXT LN	NR	n/a	6622.0	n/a	88,785	Jan-19	14.4	13.8	15.7	11.0	280.9	3.8	2.6	
Hennes & Mauritz	HMB SS	NR	n/a	188.74	n/a	251,670	Nov-18	23.9	22.0	5.7	5.8	23.6	11.1	5.2	
Industria De Diseno	ITX SM	NR	n/a	27.12	n/a	728,524	Jan-19	22.2	20.8	5.6	5.4	28.2	4.1	3.8	
Ovs Spa	OVS IM	NR	n/a	1.97	n/a	3,854	Jan-19	8.5	7.9	0.5	0.5	3.0	0.3	0.5	
Pvh Corp	PVH US	NR	n/a	96.66	n/a	56,105	Feb-19	10.2	9.6	1.2	1.1	11.8	2.6	0.2	
Vf Corp	VFC US	NR	n/a	85.22	n/a	266,440	Mar-19	25.3	22.0	7.3	6.9	29.2	2.2	2.1	
Marks & Spencer	MKS LN	NR	n/a	184.65	n/a	36,237	Mar-19	9.9	10.0	1.2	1.2	1.9	0.1	5.6	
								<b>Avg.</b>	<b>17.2</b>	<b>15.6</b>	<b>5.3</b>	<b>4.4</b>	<b>44.1</b>	<b>3.0</b>	<b>3.5</b>
								<b>Med.</b>	<b>14.4</b>	<b>13.8</b>	<b>5.6</b>	<b>5.4</b>	<b>23.6</b>	<b>2.6</b>	<b>3.2</b>

Source: Bloomberg, CMBIS estimates



## Assumption

Figure 15: CMBI estimates vs consensus

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by segment (Rmb mn)</b>					
Down apparels	5,651	7,658	10,496	12,999	15,262
OEM management	937	1,368	1,642	1,806	1,896
Ladieswear	1,153	1,194	1,233	1,316	1,400
Diversified apparels	1,139	164	62	65	68
Total	8,881	10,383	13,432	16,186	18,626
<b>Sales by segment growth (%)</b>					
Down apparels	23.4%	35.5%	37.1%	23.9%	17.4%
OEM management	20.4%	46.1%	20.0%	10.0%	5.0%
Ladieswear	85.4%	3.5%	3.3%	6.8%	6.4%
Diversified apparels	36.0%	-85.6%	-62.4%	5.0%	5.0%
Total	30.3%	16.9%	29.4%	20.5%	15.1%
<b>Sales by channel growth (%)</b>					
Down Apparels - offline	18.2%	30.5%	30.2%	19.7%	16.3%
Down Apparels - online	49.9%	55.6%	60.0%	35.0%	20.0%
OEM management	20.4%	46.1%	20.0%	10.0%	5.0%
Non-down apparels - offline	24.4%	-9.0%	-5.3%	6.8%	6.5%
Non-down apparels - online	173.6%	-92.3%	7.0%	5.0%	3.0%
Total	30.3%	16.9%	29.4%	20.5%	15.1%
<b>Sales network by segment</b>					
Down apparel	4,466	4,628	5,047	5,322	5,556
Non - down apparel	899	570	587	605	623
Total	5,365	5,198	5,634	5,927	6,179
<b>Sales network by channel type</b>					
Self-operated	1,960	2,068	2,303	2,456	2,578
Third party distributors	3,405	3,130	3,331	3,471	3,601
Total	5,365	5,198	5,634	5,927	6,179
<b>GP margins by segment</b>					
Down apparels	51.5%	57.4%	59.0%	59.4%	59.5%
OEM management	17.3%	16.3%	16.3%	16.5%	16.8%
Ladieswear	76.4%	74.0%	70.0%	67.0%	64.0%
Diversified apparels	14.6%	6.9%	3.0%	1.0%	1.0%
Total	46.4%	53.1%	54.5%	55.0%	55.3%
<b>Opex breakdown</b>					
D&A/ sales	2.2%	2.2%	1.8%	1.6%	1.4%
Rental/ sales	11.3%	11.9%	12.3%	12.1%	12.0%
Labor/ sales	9.8%	11.5%	11.8%	12.2%	12.0%
A&P/ sales	5.0%	5.5%	6.0%	6.2%	6.3%
Others/ sales	6.5%	9.1%	8.8%	8.4%	8.4%
OP margins	10.4%	13.2%	14.3%	14.9%	15.5%
	28.0%	27.9%	28.0%	28.0%	28.0%
Effective tax rate					
<b>NP att. margins</b>	<b>6.9%</b>	<b>9.5%</b>	<b>10.2%</b>	<b>10.8%</b>	<b>11.2%</b>
<b>NP att. growth (%)</b>	<b>57.1%</b>	<b>59.4%</b>	<b>39.6%</b>	<b>27.6%</b>	<b>19.7%</b>

Source: Company data, CMBIS estimates

## Financial Summary

Income statement						Cash flow summary					
YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>8,881</b>	<b>10,383</b>	<b>13,432</b>	<b>16,186</b>	<b>18,626</b>	<b>EBIT</b>	<b>923</b>	<b>1,371</b>	<b>1,925</b>	<b>2,419</b>	<b>2,878</b>
Down apparels	5,651	7,658	10,49	12,99	15,26	D & A	187	242	250	262	277
OEM management	937	1,368	1,642	1,806	1,896	Change in working capital	120	(14)	(412)	(382)	(339)
Ladieswear	1,153	1,194	1,233	1,316	1,400	Income tax paid	(248)	(389)	(543)	(687)	(822)
Diversified apparels	1,139	164	62	65	68	Others	50	187	172	189	213
<b>Cost of goods sold</b>	<b>(4,762)</b>	<b>(4,870)</b>	<b>(6,107)</b>	<b>(7,284)</b>	<b>(8,330)</b>	<b>Net cash from operating</b>	<b>1,033</b>	<b>1,396</b>	<b>1,393</b>	<b>1,802</b>	<b>2,207</b>
<b>Gross profit</b>	<b>4,119</b>	<b>5,514</b>	<b>7,325</b>	<b>8,902</b>	<b>10,296</b>	Capex & investments	(117)	(137)	(177)	(213)	(245)
<b>Other income</b>	<b>66</b>	<b>91</b>	<b>107</b>	<b>113</b>	<b>112</b>	Associated companies	(1,915)	-	-	-	-
<b>Operating expenses</b>	<b>(3,261)</b>	<b>(4,234)</b>	<b>(5,507)</b>	<b>(6,596)</b>	<b>(7,530)</b>	Interest received	97	-	-	-	-
D & A	(95)	(145)	(148)	(151)	(154)	Others	71	-	-	-	-
Staff costs	(887)	(1,214)	(1,603)	(1,994)	(2,258)	<b>Net cash from investing</b>	<b>(1,864)</b>	<b>(137)</b>	<b>(177)</b>	<b>(213)</b>	<b>(245)</b>
S & D costs (ex-staff, D&A)	(1,495)	(2,254)	(2,909)	(3,463)	(3,972)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(350)	(350)	(477)	(545)	(622)	Net change in bank loans	79	-	-	-	-
Other operating expenses	(434)	(269)	(370)	(443)	(524)	Dividend paid	(198)	(749)	(800)	(1,010)	(1,266)
<b>EBIT</b>	<b>923</b>	<b>1,371</b>	<b>1,925</b>	<b>2,419</b>	<b>2,878</b>	Others	(65)	(163)	(157)	(157)	(157)
Finance costs, net	(35)	24	15	32	57	<b>Net cash from financing</b>	<b>(183)</b>	<b>(912)</b>	<b>(957)</b>	<b>(1,167)</b>	<b>(1,423)</b>
JVs & associates	-	-	-	-	-	<b>Net change in cash</b>	<b>(1,014)</b>	<b>348</b>	<b>259</b>	<b>422</b>	<b>540</b>
Exceptional	-	-	-	-	-	Beginning cash balance	2,835	1,794	2,142	2,401	2,823
<b>Pre-tax profit</b>	<b>888</b>	<b>1,394</b>	<b>1,941</b>	<b>2,452</b>	<b>2,934</b>	Exchange difference	(26)	-	-	-	-
Income tax	(249)	(389)	(543)	(687)	(822)	<b>Cash at the end of the year</b>	<b>1,794</b>	<b>2,142</b>	<b>2,401</b>	<b>2,823</b>	<b>3,362</b>
Less: Minority interests	24	24	27	16	19						
<b>Net profit</b>	<b>615</b>	<b>981</b>	<b>1,370</b>	<b>1,749</b>	<b>2,094</b>						

Balance sheet						Key ratios					
YE Mar 31 (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E	YE Mar 31	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>3,485</b>	<b>3,379</b>	<b>3,306</b>	<b>3,256</b>	<b>3,225</b>	<b>Sales mix (%)</b>					
Fixed asset	885	893	932	996	1,076	Down apparels	63.6	73.7	78.1	80.3	81.9
Intangible assets & goodwill	1,897	1,784	1,671	1,558	1,446	OEM management	10.5	13.2	12.2	11.2	10.2
Prepaid lease payments	54	54	54	54	54	Ladieswear	13.0	11.5	9.2	8.1	7.5
Interest in joint ventures	-	-	-	-	-	Diversified apparels	12.8	1.6	0.5	0.4	0.4
Other non-current assets	648	648	648	648	648	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Current assets</b>	<b>10,959</b>	<b>11,543</b>	<b>12,777</b>	<b>14,097</b>	<b>15,434</b>	<b>P&amp;L ratios (%)</b>					
Cash and cash equivalents	1,794	2,142	2,401	2,823	3,362	Gross margin	46.4	53.1	54.5	55.0	55.3
Inventories	1,455	1,401	1,757	2,095	2,396	Operating margin	10.4	13.2	14.3	14.9	15.5
Trade and other receivables	1,474	1,707	2,208	2,661	3,062	Pre-tax margin	10.0	13.4	14.4	15.1	15.8
Prepayments	344	403	521	628	722	Net margin	6.9	9.5	10.2	10.8	11.2
Other current assets	5,891	5,891	5,891	5,891	5,891	Effective tax rate	28.0	27.9	28.0	28.0	28.0
<b>Current liabilities</b>	<b>4,337</b>	<b>4,560</b>	<b>5,124</b>	<b>5,640</b>	<b>6,097</b>	<b>Balance sheet ratios</b>					
Bank loans	2,338	2,338	2,338	2,338	2,338	Current ratio (x)	2.5	2.5	2.5	2.5	2.5
Trade payables	523	534	670	799	914	Quick ratio (x)	2.2	2.2	2.2	2.1	2.1
Accruals & other payables	1,247	1,458	1,885	2,272	2,615	Cash ratio (x)	0.4	0.5	0.5	0.5	0.6
Tax payables	226	226	226	226	226	Inventory turnover days	112	105	105	105	105
others	4	4	4	4	4	Trade receivables days	61	60	60	60	60
<b>Non-current liabilities</b>	<b>323</b>	<b>323</b>	<b>323</b>	<b>323</b>	<b>323</b>	Trade payables days	40	40	40	40	40
Bank loans	-	-	-	-	-	Total debt / total equity ratio	24	24	23	21	20
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred tax	218	218	218	218	218	<b>Returns (%)</b>					
Others	105	105	105	105	105	ROE	6.4	10.0	13.2	15.7	17.5
<b>Minority Interest</b>	<b>187</b>	<b>211</b>	<b>238</b>	<b>254</b>	<b>273</b>	ROA	4.3	6.6	8.5	10.1	11.2
<b>Total net assets</b>	<b>9,596</b>	<b>9,828</b>	<b>10,398</b>	<b>11,137</b>	<b>11,966</b>	<b>Per share</b>					
<b>Shareholders' equity</b>	<b>9,596</b>	<b>9,828</b>	<b>10,398</b>	<b>11,137</b>	<b>11,966</b>	EPS (Rmb)	0.06	0.09	0.13	0.16	0.20
						DPS (Rmb)	0.07	0.07	0.09	0.11	0.14
						BVPS (Rmb)	0.91	0.93	0.99	1.06	1.14

Source: Company data, CMBIS estimates

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