

Bosideng (3998 HK)

From winter clothing to all seasons clothing

We think the guidance raise is a key moment for the company, as the success that Bosideng has achieved in the sun-protective product series shows that it is capable of generating sales in all seasons (other than just fall and winter). Also, despite our raises in estimates and TP, we still think our numbers are conservative. The company is only trading at 12x FY3/25E P/E and a 7% yield, still fairly attractive in our view.

■ **FY3/24E guidance raised, driven by both industry and company reasons.** During its new product launch event last week, Bosideng raised its FY24E guidance to 30%+ sales growth and even faster NP growth (from 20%+ in Jan 2024), thanks to macro reasons (CNY was later than last year's and favorable weather since Dec 2023) and various company-specific reasons such as: 1) successful category expansion (e.g., sun-protective achieved 300%+ sales growth to around RMB500mn in FY3/24E), 2) impressive new product launches (e.g. Ultralight down apparel had a surge in sales growth of 70%+ to around RMB3.0bn in FY3/24E, much faster than the guidance of 30%+; the 3-in-1 windbreakers were also extremely hot-selling) and 3) effective boost in store efficiency through the TOP strategy (top 500 stores contributed about 60% of down apparel sales, top 17% SKUs made up around 70% of sales and 180+ stores registered RMB10mn+ in annual sales per store, etc.).

■ **Company is still confident on its rapid growth in FY3/25E and we do think that is feasible.** Management is still highly confident about its growth in FY3/25E and even in FY3/26E-27E, and we have conservatively estimated 14% sales growth and 17% net profit growth in FY3/25E. We believe the sales growth from sun-protective clothing series could be explosive (FY25E target is at around RMB1.bn, implying 100%+ sales growth; the YTD sales growth is already at 80%+), as: 1) the company will launch a new City Outdoor Series/ 都市轻户外系列 on top of the already hot-selling Scorching Sun series/ 骄阳系列, 2) products will be placed into more stores (to around 1,500+ direct retail stores, from 1,000+ stores last year and will also sell to the distributor stores), 3) more A&P expenses will be spent around these product series. Moreover, sales of the sun-protective clothing will also help acquire more potential customers for down apparel in the up-coming winter. Similarly, we are also confident on the development of Ultralight down apparel (FY25E target is at around RMB4.5bn, implying 30%+ sales growth, from RMB3.0bn+ last year), thanks to expansion of product series and further upgrades in designs and functionality. Moreover, this kind of products can effectively extend sales seasons of Bosideng's products from winter to other seasons during the year.

Earnings Summary

(YE 31 Mar)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	16,214	16,774	21,939	25,074	27,739
YoY growth (%)	20.0	3.5	30.8	14.3	10.6
Operating profit (RMB mn)	2,568.8	2,826.4	3,693.2	4,402.1	5,014.4
Net profit (RMB mn)	2,058.8	2,156.4	2,885.4	3,451.8	3,950.8
EPS (Reported) (RMB)	0.18	0.19	0.25	0.30	0.34
YoY growth (%)	20.0	2.9	34.4	17.5	14.5
P/E (x)	19.7	19.2	14.3	12.1	10.6
P/B (x)	3.1	3.1	2.9	2.6	2.4
Yield (%)	3.9	4.1	5.0	5.9	6.8
ROE (%)	17.7	17.4	22.1	24.5	25.9
Net gearing (%)	2.2	25.2	28.4	31.9	34.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.34
(Previous TP)	HK\$3.86
Up/Downside	23.5%
Current Price	HK\$4.32

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	46,718.6
Avg 3 mths t/o (HK\$ mn)	82.7
52w High/Low (HK\$)	4.32/2.89
Total Issued Shares (mn)	10814.5

Source: FactSet

Shareholding Structure

Mr. Gao De Kang & Family	70.3%
Orient Securities Asset Management	1.9%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.1%	7.1%
3-mth	25.2%	18.2%
6-mth	29.0%	37.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- Maintain BUY and raise TP to HK\$5.34.** We revise up FY3/24E-26E net profit by 11%-13% to factor in: 1) a beat in sales due to favorable weather, 2) positive reception of many new products and 3) better-than-expected operating leverage. We do think this guidance raise is a key moment for the company, as the success that Bosdieng has achieved in the sun-protective product series shows that it is capable of generating sales in all seasons (other than just fall and winter). So we maintain BUY and raise its TP to HK\$5.34, based on 15x FY3/25E P/E (raised and rolled over from 14x FY3/24E P/E). It is trading at 12x FY3/25E P/E, still attractive in our view, vs 18%/ 22% sales/ NP CAGRs and a 5-year average of 16x.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	21,939	25,074	27,739	19,432	21,325	22,964	12.9%	17.6%	20.8%
Gross profit	13,168	15,150	16,872	11,537	12,715	13,763	14.1%	19.2%	22.6%
EBIT	3,693	4,402	5,014	3,381	3,943	4,404	9.2%	11.6%	13.9%
Net profit att.	2,874	3,377	3,868	2,599	3,013	3,410	10.6%	12.1%	13.4%
Diluted EPS (RMB)	0.251	0.295	0.338	0.229	0.266	0.301	9.7%	11.2%	12.5%
Gross margin	60.0%	60.4%	60.8%	59.4%	59.6%	59.9%	0.7ppt	0.8ppt	0.9ppt
EBIT margin	16.8%	17.6%	18.1%	17.4%	18.5%	19.2%	-0.6ppt	-0.9ppt	-1.1ppt
Net profit att. margin	13.1%	13.5%	13.9%	13.4%	14.1%	14.8%	-0.3ppt	-0.7ppt	-0.9ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	21,939	25,074	27,739	20,046	22,987	26,097	9.4%	9.1%	6.3%
Gross profit	13,168	15,150	16,872	11,990	13,783	15,684	9.8%	9.9%	7.6%
EBIT	3,693	4,402	5,014	3,431	3,987	4,605	7.6%	10.4%	8.9%
Net profit att.	2,874	3,377	3,868	2,684	3,131	3,627	7.1%	7.8%	6.6%
Diluted EPS (RMB)	0.251	0.295	0.338	0.246	0.287	0.332	2.2%	2.8%	2.0%
Gross margin	60.0%	60.4%	60.8%	59.8%	60.0%	60.1%	0.2ppt	0.5ppt	0.7ppt
EBIT margin	16.8%	17.6%	18.1%	17.1%	17.3%	17.6%	-0.3ppt	0.2ppt	0.4ppt
Net profit att. margin	13.1%	13.5%	13.9%	13.4%	13.6%	13.9%	-0.3ppt	-0.2ppt	0ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results preview

Figure 3: Earnings preview - Half Year

Half yearly - (Mar year-end) (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24E YoY
Revenue	6,180	10,594	7,472	14,468	14%	-2%	21%	37%
COGS	-3,091	-3,707	-3,738	-5,033				
Gross profit	3,089	6,887	3,733	9,435	12%	-1%	21%	37%
GP margin	50.0%	65.0%	50.0%	65.2%				
Other income & gains	105	205	110	197				
S&D expenses	-1,623	-4,502	-2,030	-6,083	1%	-1%	25%	35%
S&D exp / sales	26.3%	-42.5%	-27.2%	-42.0%				
Admin expenses	-525	-679	-582	-978	16%	-10%	11%	44%
Admin exp / sales	-8.5%	-6.4%	-7.8%	-6.8%				
Other opex	-3	-10	-0	-43				
Operating profit (EBIT)	1,043	1,901	1,231	2,528	31%	5%	18%	33%
OP margin	16.9%	17.9%	16.5%	17.5%				
Other items	-98	-20	0	-66				
Net finance income	69	14	82	116				
Net finance income / sales	1.1%	0.1%	1.1%	0.8%				
Profit after financing costs	1,014	1,895	1,312	2,579				
Associated coms	-7	-15	-12	-32				
Jointly controlled coms	0	0	0	0				
Pre-tax profit	1,007	1,880	1,301	2,547	22%	2%	29%	35%
Tax	-283	-448	-384	-577				
Tax / sales	-4.6%	-4.2%	-5.1%	-4.0%				
Effective tax rate	28.1%	-23.8%	-29.6%	-22.7%				
Minority interests	-10	28	-2	13				
Net profit att.	734	1,404	919	1,956	15%	-1%	25%	39%
NP margin	11.9%	13.3%	12.3%	13.5%				

Source: Company data, CMBIS estimates

Figure 4: Earnings preview - Full Year

Full yearly - (Mar year-end) (RMB mn)	FY23	FY24E	FY25E	FY24E YoY	FY25E YoY
Revenue	16,774	21,939	25,074	31%	14%
COGS	-6,798	-8,771	-9,924		
Gross profit	9,976	13,168	15,150	32%	15%
GP margin	59.5%	60.0%	60.4%		
Other income & gains	310	307	301		
S&D expenses	-6,125	-8,113	-9,194	32%	13%
S&D exp / sales	-36.5%	-37.0%	-36.7%		
Admin expenses	-1,204	-1,560	-1,729	30%	11%
Admin exp / sales	-7.2%	-7.1%	-6.9%		
Other opex	-12	-44	-50		
Operating profit (EBIT)	2,944	3,759	4,477	28%	19%
OP margin	17.6%	17.1%	17.9%		
Other items	-118	-66	-75		
Net finance income	83	198	250		
Net finance income / sales	0.5%	0.9%	1.0%		
Profit after financing costs	2,910	3,891	4,653		
Associated coms	-22	-44	-50		
Jointly controlled coms	0	0	0		
Pre-tax profit	2,887	3,847	4,602	33%	20%
Tax	-731	-962	-1,151		
Tax / sales	-4.4%	-4.4%	-4.6%		
Effective tax rate	-25.3%	-25.0%	-25.0%		
Minority interests	18	11	75		
Net profit att.	2,139	2,874	3,377	34%	17%
NP margin	12.7%	13.1%	13.5%		

Source: Company data, CMBIGM estimates

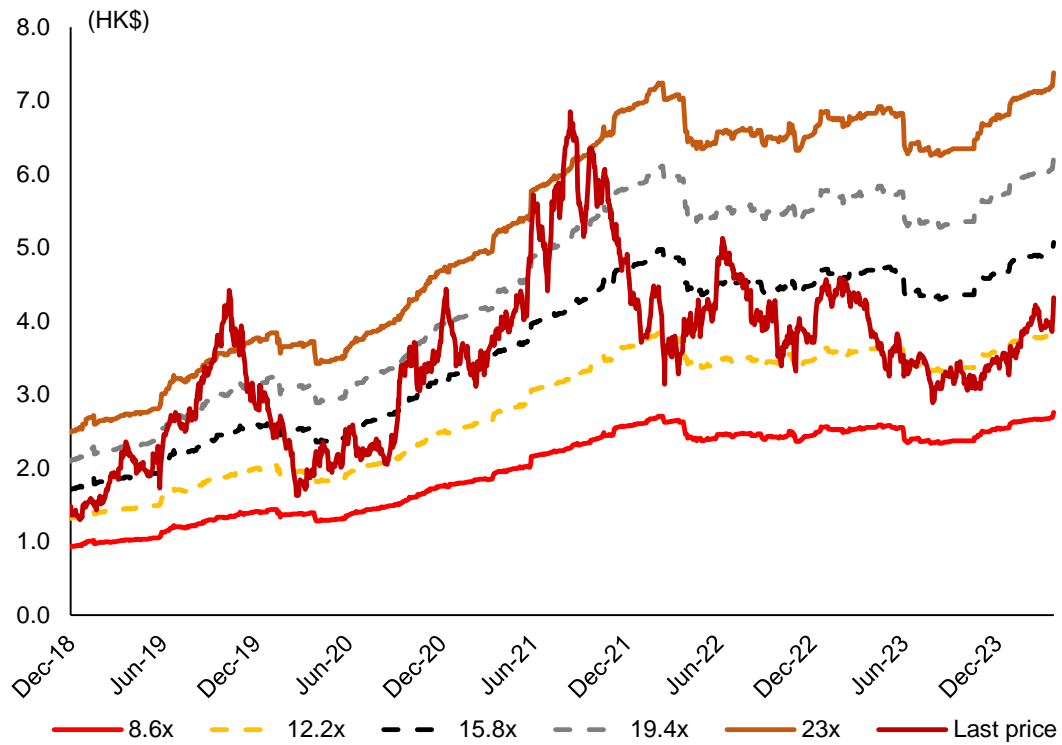
Valuation

Figure 5: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf. (%)	
								FY1E	FY2E	FY1E	FY1E	FY1E	FY1E	FY1E	
H-share Apparel															
Bosideng Intl	3998 HK	BUY	5.34	4.32	24%	47,179	Mar-23	14.3	12.1	2.6	19.7	0.7	5.1	23.1	
China Lilang	1234 HK	BUY	5.75	4.77	21%	5,712	Dec-23	8.7	7.7	1.2	13.7	0.7	8.3	12.8	
Jnby Design	3306 HK	BUY	19.77	13.44	47%	6,972	Jun-23	7.6	6.7	2.6	40.2	0.5	12.2	31.6	
Cosmo Lady	2298 HK	NR	n/a	0.23	n/a	508	Dec-23	7.7	5.6	0.2	2.2	0.5	n/a	(5.4)	
Mulsanne Group	709 HK	NR	n/a	1.81	n/a	2,921	Dec-23	7.9	7.5	n/a	15.3	1.2	n/a	(31.4)	
Giordano	1817 HK	NR	n/a	1.15	n/a	1,093	Dec-23	n/a	n/a	n/a	5.7	0.0	n/a	64.3	
Koradior	3709 HK	NR	n/a	12.46	n/a	8,772	Dec-23	8.0	6.9	1.4	19.6	0.6	7.9	(12.1)	
								Avg.	9.0	7.8	1.6	16.6	0.6	8.4	11.8
								Med.	7.9	7.2	1.4	15.3	0.6	8.1	12.8
A-share Apparel															
Ningbo Peacebird	603877 CH	NR	n/a	14.85	n/a	7,613	Dec-23	11.9	10.3	1.3	8.0	0.6	4.5	(13.1)	
Joeone Co Ltd	601566 CH	NR	n/a	9.56	n/a	5,944	Dec-22	24.5	15.3	1.3	3.1	(0.1)	2.9	(4.1)	
Fujian Septwolves	002029 CH	NR	n/a	5.48	n/a	4,480	Dec-23	14.1	12.5	0.6	4.1	1.9	n/a	(4.4)	
Hla Corp Ltd	600398 CH	NR	n/a	9.40	n/a	48,845	Dec-22	13.9	12.2	2.3	19.2	0.8	4.7	26.7	
Jiangsu Hongdou	600400 CH	NR	n/a	2.50	n/a	6,220	Dec-22	83.3	62.5	1.9	0.3	1.2	n/a	(10.4)	
Dazzle Fashion	603587 CH	NR	n/a	13.34	n/a	6,890	Dec-22	11.6	9.8	1.5	11.6	0.5	5.8	1.8	
Anzheng Fashion	603839 CH	NR	n/a	5.08	n/a	2,194	Dec-22	n/a	n/a	n/a	(16.6)	0.0	n/a	(38.8)	
Lancy Co Ltd	002612 CH	NR	n/a	15.97	n/a	7,645	Dec-22	30.9	23.1	2.1	6.5	0.2	0.9	(17.0)	
Shenzhen Huijie	002763 CH	NR	n/a	7.36	n/a	3,264	Dec-23	n/a	n/a	n/a	9.0	0.0	n/a	(12.5)	
Ellassay Fashion	603808 CH	NR	n/a	7.61	n/a	3,039	Dec-22	12.6	8.6	0.9	2.6	0.1	2.0	(17.0)	
								Avg.	25.4	19.3	1.5	4.8	0.5	3.5	(8.9)
								Med.	14.0	12.3	1.4	5.3	0.4	3.7	(11.4)
International Apparel															
Canada Goose	GOOS US	NR	n/a	11.42	n/a	8,636	Apr-23	18.5	15.4	2.9	11.4	0.0	0.0	(3.6)	
Moncler Spa	MONC IM	NR	n/a	65.44	n/a	150,081	Dec-23	27.0	24.1	4.4	20.0	2.6	1.9	17.5	
Hugo Boss	BOSS GR	NR	n/a	49.25	n/a	28,936	Dec-23	11.7	9.5	2.0	21.4	0.8	3.1	(27.0)	
Next	NXT LN	NR	n/a	8774.0	n/a	108,255	Jan-24	14.3	13.3	5.0	60.0	5.1	2.5	8.1	
Hennes & Mauritz	HMB SS	NR	n/a	171.10	n/a	199,910	Nov-23	19.2	17.2	5.1	19.1	0.8	4.1	(3.1)	
Industria De Diseno	ITX SM	NR	n/a	43.74	n/a	1,137,692	Jan-24	23.2	21.4	6.5	30.2	2.9	3.5	10.9	
Ovs Spa	OVS IM	NR	n/a	2.38	n/a	5,778	Jan-24	8.2	7.8	0.7	5.8	0.4	4.1	6.3	
Pvh Corp	PVH US	NR	n/a	106.78	n/a	48,253	Feb-24	9.7	8.4	1.0	13.1	0.8	0.1	(12.6)	
Vf Corp	VFC US	NR	n/a	12.83	n/a	39,076	Apr-23	11.8	9.8	1.8	(28.2)	0.2	6.1	(31.8)	
Marks & Spencer	MKS LN	NR	n/a	245.80	n/a	48,675	Apr-23	10.6	9.8	1.4	13.9	0.7	1.2	(9.8)	
								Avg.	15.4	13.7	3.1	16.7	1.4	2.7	(4.5)
								Med.	13.1	11.5	2.5	16.5	0.8	2.8	(3.4)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 6: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Revenue	13,517	16,214	16,774	21,939	25,074	27,739
Cost of goods sold	(5,592)	(6,476)	(6,798)	(8,771)	(9,924)	(10,867)
Gross profit	7,924	9,737	9,976	13,168	15,150	16,872
Operating expenses	(5,903)	(7,442)	(7,459)	(9,782)	(11,049)	(12,191)
Selling expense	(4,807)	(6,171)	(6,125)	(8,113)	(9,194)	(10,181)
Admin expense	(1,026)	(1,203)	(1,204)	(1,560)	(1,729)	(1,872)
Others	(70)	(68)	(130)	(110)	(125)	(139)
Operating profit	2,225	2,569	2,826	3,693	4,402	5,014
Other income	204	274	310	307	301	333
Share of (losses)/profits of associates/JV	0	(14)	(22)	(44)	(50)	(55)
EBITDA	2,789	3,119	3,413	4,187	4,870	5,444
Depreciation	(451)	(437)	(474)	(381)	(355)	(317)
Other amortisation	(113)	(113)	(113)	(113)	(113)	(113)
Interest income	213	316	293	412	464	523
Interest expense	(196)	(199)	(210)	(214)	(214)	(214)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,242	2,672	2,887	3,847	4,602	5,268
Income tax	(537)	(613)	(731)	(962)	(1,151)	(1,317)
Minority interest	5	4	(18)	(11)	(75)	(83)
Net profit	1,705	2,059	2,156	2,885	3,452	3,951
BALANCE SHEET						
YE 31 Mar (RMB mn)						
Current assets	12,877	14,737	14,722	16,886	18,589	20,168
Cash & equivalents	1,771	2,503	3,718	4,400	5,221	6,066
Account receivables	876	1,237	923	1,207	1,380	1,526
Inventories	2,646	2,688	2,689	3,470	3,926	4,299
Prepayment	1,168	1,281	1,355	1,773	2,026	2,241
ST bank deposits	307	306	1,824	1,824	1,824	1,824
Other current assets	6,109	6,722	4,212	4,212	4,212	4,212
Non-current assets	6,080	6,547	6,221	6,347	6,589	6,944
PP&E	1,762	1,758	1,728	2,011	2,415	2,939
Investment in JVs & assos	0	136	236	192	142	86
Intangibles	1,572	1,496	1,342	1,229	1,117	1,004
Other non-current assets	2,746	3,157	2,915	2,915	2,915	2,915
Total assets	18,956	21,284	20,943	23,233	25,178	27,112
Current liabilities	5,442	6,610	6,054	7,337	8,096	8,724
Short-term borrowings	671	934	770	770	770	770
Account payables	2,469	3,283	3,097	3,996	4,522	4,951
Tax payable	520	620	669	669	669	669
Other current liabilities	1,783	1,773	1,517	1,902	2,135	2,334
Non-current liabilities	2,263	2,447	2,284	2,284	2,284	2,284
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,263	2,447	2,284	2,284	2,284	2,284
Total liabilities	7,706	9,057	8,338	9,622	10,381	11,009
Share capital	1	1	1	1	1	1
Retained earnings	0	0	0	(655)	168	1,109
Other reserves	11,068	12,192	12,546	14,197	14,485	14,767
Total shareholders equity	11,069	12,193	12,547	13,543	14,654	15,877
Minority interest	182	33	57	68	143	227
Total equity and liabilities	18,956	21,284	20,943	23,233	25,178	27,112

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar (RMB mn)						
Operating						
Profit before taxation	2,242	2,672	2,887	3,847	4,602	5,268
Depreciation & amortization	564	550	587	494	468	430
Tax paid	(348)	(593)	(738)	(962)	(1,151)	(1,317)
Change in working capital	425	(162)	26	(199)	(123)	(107)
Others	250	202	289	258	264	269
Net cash from operations	3,133	2,670	3,051	3,439	4,061	4,543
Investing						
Capital expenditure	(437)	(577)	(508)	(665)	(760)	(840)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(3,426)	(109)	1,125	0	0	0
Net cash from investing	(3,863)	(686)	617	(665)	(760)	(840)
Financing						
Dividend paid	(880)	(1,309)	(1,722)	(1,878)	(2,266)	(2,644)
Net borrowings	148	360	(210)	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(135)	(14)	0	0	0	0
Others	(225)	(269)	(561)	0	0	0
Net cash from financing	(1,092)	(1,232)	(2,493)	(1,878)	(2,266)	(2,644)
Net change in cash						
Cash at the beginning of the year	3,639	1,771	2,503	3,718	4,400	5,221
Exchange difference	(46)	(21)	41	0	0	0
Others	(1,822)	752	1,174	682	821	844
Cash at the end of the year	1,771	2,503	3,718	4,400	5,221	6,066
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Revenue	10.9%	20.0%	3.5%	30.8%	14.3%	10.6%
Gross profit	18.1%	22.9%	2.5%	32.0%	15.0%	11.4%
Operating profit	39.2%	15.5%	10.0%	30.7%	19.2%	13.9%
EBITDA	39.5%	11.9%	9.4%	22.7%	16.3%	11.8%
Net profit	42.6%	20.8%	4.7%	33.8%	19.6%	14.5%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Gross profit margin	58.6%	60.1%	59.5%	60.0%	60.4%	60.8%
Operating margin	16.5%	15.8%	16.8%	16.8%	17.6%	18.1%
EBITDA margin	20.6%	19.2%	20.3%	19.1%	19.4%	19.6%
Return on equity (ROE)	16.0%	17.7%	17.4%	22.1%	24.5%	25.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
Net debt to equity (x)	(0.0)	0.0	0.3	0.3	0.3	0.3
Current ratio (x)	2.4	2.2	2.4	2.3	2.3	2.3
Receivable turnover days	23.7	27.8	20.1	20.1	20.1	20.1
Inventory turnover days	172.7	151.5	144.4	144.4	144.4	144.4
Payable turnover days	161.1	185.0	166.3	166.3	166.3	166.3
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Mar						
P/E	24.1	19.7	19.2	14.3	12.1	10.6
P/E (diluted)	24.1	19.7	19.2	14.3	12.1	10.6
P/B	3.5	3.1	3.1	2.9	2.6	2.4
P/CFPS	14.4	17.0	15.0	13.3	11.2	10.1
Div yield (%)	2.8	3.9	4.1	5.0	5.9	6.8
EV	46,340.2	45,992.2	43,553.7	42,872.0	42,050.7	41,206.2
EV/Sales	3.4	2.8	2.6	2.0	1.7	1.5
EV/EBITDA	16.6	14.7	12.8	10.2	8.6	7.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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