

# JNBY Design (3306 HK)

## Dividend play with long-term growth potential

Maintain BUY but trim TP to HK\$ 12.67, based on the unchanged 10x FY6/23E. After our latest visit on the Company, we are still highly confident about JNBY's future (supported by its continual efforts on talent acquisition and brand building). Since its sales growth is already turning around, its current valuation is certainly a bargain at 8x FY6/23E P/E (vs 3-year average of 10x), and 11% dividend yield.

■ **Recap of its inline FY22E result: strong digital sales but high A&P expenses.** JNBY's sales dropped by 1% YoY to RMB 4.1bn, 5% below JNBY's guidance and CMBI est. In fact, thanks to JNBY's deep-rooted "Internet+" mindset and technologies, its GMV through digital and smart retail channels including "Box project", Wechat mall and e-commerce had reached ~RMB 650mn, about 130% YoY increases, hence the 3.7% SSS decline in FY22 (vs 3.0% drop in 1H22) was better than expected, despite the pandemic in Mar-Jun 2022. Net profit fell by 14% YoY to RMB 559mn, inline with guidance and CMBI est., mostly due to surge in A&P expenses (to 8.3% of sales in FY22, vs 6.9% in FY21), even though the GP margin (63.8% vs CMBI est. 63.2%) and overall opex (46.2%, vs CMBI est. of 47.0%) were better than expected.

■ **Targeting low teen sales growth but MSD net profit growth in FY23E.** The Company is now targeting at low-teens sales growth in FY23E, driven by: 1) low base in FY22, 2) encouraging recovery trend (we believe the sales rebound in Jun 2022 was strong and growth in Jul- Aug 2022 is even stronger), 3) store productivity improvements (~60% of stores were revamped in the past few years), 4) upgraded quick response supply chain management system and 5) step-up on its marketing activities (e.g. the selection of actress Zhou Xun, and supermodel Xiao Wen Ju as brand ambassadors for JNBY and Less). However, management only targets a MSD net profit increase in FY23E, due to greater investments on talent acquisitions (esp. in areas like digitalization, customer experience, design and R&D) and marketing.

■ **FY24E target is now delayed to FY25E.** While management is still highly confident on its growth potential (achieving RMB 10.0bn retail sales, RMB 6.0bn listed co sales, 65%+ GP margin and RMB 0.9bn listed co net profit), the time frame is now delayed from FY24E to FY25E, due to short-term volatility induced by COVID-19. But the 75%+ payout ratio was kept.

■ **Maintain BUY but cut TP to HK\$ 12.67.** We maintain BUY but reduced TP to HK\$ 12.67, based on 10x FY6/23E P/E (unchanged). We revised down FY23E/ 24E EPS by 13%/ 11%, to factor in: 1) slower sales growth, 2) higher staff and A&P expenses. Valuation is very attractive, as it is trading at 8x FY6/23E P/E and 11% FY6/23E yield, and the turnaround is already in-sight.

### Earnings Summary

| (YE 30 Jun)         | FY21A    | FY22A    | FY23E    | FY24E    | FY25E    |
|---------------------|----------|----------|----------|----------|----------|
| Revenue (RMB mn)    | 4,126    | 4,086    | 4,561    | 5,021    | 5,368    |
| YoY growth (%)      | 33.1     | (1.0)    | 11.6     | 10.1     | 6.9      |
| Net income (RMB mn) | 647      | 559      | 585      | 709      | 810      |
| EPS (RMB)           | 1.289    | 1.113    | 1.155    | 1.400    | 1.600    |
| YoY growth (%)      | 91.0     | (13.6)   | 3.8      | 21.2     | 14.3     |
| Consensus EPS (RMB) | n/a      | n/a      | 1.346    | 1.540    | 1.812    |
| P/E (x)             | 7.2      | 8.4      | 8.1      | 6.7      | 5.8      |
| P/B (x)             | 2.6      | 2.6      | 2.4      | 2.2      | 2.0      |
| Yield (%)           | 12.7     | 10.2     | 10.9     | 13.3     | 15.2     |
| ROE (%)             | 37.7     | 32.4     | 31.6     | 34.7     | 36.2     |
| Net gearing (%)     | Net cash | Net cash | Net cash | Net cash | Net cash |

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** HK\$12.67  
 (Previous TP) HK\$14.51  
**Up/Downside** +35.8%  
**Current Price** HK\$9.33

### China Apparel Sector

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### Stock Data

|                          |            |
|--------------------------|------------|
| Mkt Cap (HK\$ mn)        | 4,840      |
| Avg 3 mths t/o (HK\$ mn) | 2.18       |
| 52w High/Low (HK\$)      | 18.73/6.76 |
| Total Issued Shares (mn) | 518.8      |

Source: Bloomberg

### Shareholding Structure

|                      |        |
|----------------------|--------|
| Mr. Wu Jian & Family | 59.20% |
| Vanguard Group.      | 1.33%  |
| FIL Ltd              | 1.31%  |
| Franklin Resources   | 1.28%  |
| Free Float           | 36.88% |

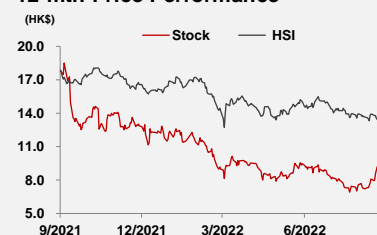
Source: HKEx

### Share Performance

|        | Absolute | Relative |
|--------|----------|----------|
| 1-mth  | 32.9%    | 34.6%    |
| 3-mth  | -1.6%    | 10.8%    |
| 6-mth  | 1.7%     | 9.8%     |
| 12-mth | -49.9%   | -32.2%   |

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers**

### Related Reports

- JNBY Design (3306 HK, BUY) – Short-term investment for long-term gain – 2 Mar 2022
- JNBY Design (3306 HK, BUY) – Conservative guidance after a strong result – 2 Sep 2021
- JNBY Design (3306 HK, BUY) – Speedy recovery and ambitious long-term goal – 1 Mar 2021

## Results summary

Figure 1: Results review – Half Year

| Half yearly<br>(RMB mn)           | 1H20          | 1H20          | 1H21          | 2H21          | 1H22          | 2H22          | 1H21<br>YoY | 2H21<br>YoY | 1H22<br>YoY | 2H22<br>YoY |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|-------------|-------------|-------------|
| <b>Revenue</b>                    | 2,135         | 964           | 2,315         | 1,812         | 2,485         | 1,601         | 8%          | 88%         | 7%          | -12%        |
| COGS                              | (801)         | (449)         | (890)         | (639)         | (911)         | (568)         |             |             |             |             |
| <b>Gross profit</b>               | 1,335         | 515           | 1,425         | 1,172         | 1,574         | 1,034         | 7%          | 128%        | 10%         | -12%        |
| <b>GP margins</b>                 | <b>62.5%</b>  | <b>53.4%</b>  | <b>61.6%</b>  | <b>64.7%</b>  | <b>63.3%</b>  | <b>64.5%</b>  |             |             |             |             |
| Other income & gains              | 51            | 5             | 28            | 16            | 28            | 29            |             |             |             |             |
| <b>S &amp; D expenses</b>         | <b>(642)</b>  | <b>(503)</b>  | <b>(671)</b>  | <b>(758)</b>  | <b>(798)</b>  | <b>(713)</b>  | 5%          | 51%         | 19%         | -6%         |
| S & D exp / sales                 | -30.1%        | -52.2%        | -29.0%        | -41.8%        | -32.1%        | -44.6%        |             |             |             |             |
| <b>Admin expenses</b>             | <b>(144)</b>  | <b>(131)</b>  | <b>(140)</b>  | <b>(188)</b>  | <b>(191)</b>  | <b>(187)</b>  | -3%         | 43%         | 36%         | -1%         |
| Admin exp / sales                 | -6.8%         | -13.6%        | -6.0%         | -10.4%        | -7.7%         | -11.7%        |             |             |             |             |
| Other opex                        | 0             | 0             | 0             | 0             | 0             | 0             |             |             |             |             |
| <b>Operating profit (EBIT)</b>    | 599           | -114          | 642           | 242           | 614           | 162           | 7%          | -312%       | -4%         | -33%        |
| <b>OP margins</b>                 | <b>28.1%</b>  | <b>-11.9%</b> | <b>27.7%</b>  | <b>13.4%</b>  | <b>24.7%</b>  | <b>10.1%</b>  |             |             |             |             |
| Other items                       | 0             | 0             | 0             | 0             | 0             | 0             |             |             |             |             |
| Net finance income                | 0             | 1             | 1             | 2             | 1             | (1)           |             |             |             |             |
| <b>Net finance income / sales</b> | <b>0.0%</b>   | <b>0.1%</b>   | <b>0.0%</b>   | <b>0.1%</b>   | <b>0.0%</b>   | <b>-0.1%</b>  |             |             |             |             |
| Profit after financing costs      | 599           | -113          | 643           | 244           | 615           | 161           |             |             |             |             |
| Associated coms                   | 0             | 0             | 0             | 0             | 0             | 0             |             |             |             |             |
| Jointly controlled coms           | 0             | 0             | 0             | 0             | 0             | 0             |             |             |             |             |
| <b>Pre-tax profit</b>             | 599           | -113          | 643           | 244           | 615           | 161           | 7%          | -316%       | -4%         | -34%        |
| Tax                               | (169)         | 30            | (179)         | (60)          | (171)         | (46)          |             |             |             |             |
| <b>Tax / sales</b>                | <b>-7.9%</b>  | <b>3.1%</b>   | <b>-7.7%</b>  | <b>-3.3%</b>  | <b>-6.9%</b>  | <b>-2.9%</b>  |             |             |             |             |
| <b>Effective tax rate</b>         | <b>-28.3%</b> | <b>-26.4%</b> | <b>-27.9%</b> | <b>-24.7%</b> | <b>-27.8%</b> | <b>-28.6%</b> |             |             |             |             |
| Minority interests                | 0             | 0             | 0             | 0             | 0             | 0             |             |             |             |             |
| <b>Net profit att.</b>            | <b>430</b>    | <b>(83)</b>   | <b>464</b>    | <b>184</b>    | <b>444</b>    | <b>115</b>    | 8%          | -321%       | -4%         | -37%        |
| <b>NP margins</b>                 | <b>20.1%</b>  | <b>-8.6%</b>  | <b>20.0%</b>  | <b>10.1%</b>  | <b>17.9%</b>  | <b>7.2%</b>   |             |             |             |             |

Source: Company data, CMBIGM estimates

Figure 2: Results review - Full Year

| Full yearly (RMB mn)              | FY21          | FY22          | FY23E         | FY24E         | FY22<br>YoY | FY23E<br>YoY | FY24E<br>YoY |
|-----------------------------------|---------------|---------------|---------------|---------------|-------------|--------------|--------------|
| <b>Revenue</b>                    | <b>4,126</b>  | <b>4,086</b>  | <b>4,561</b>  | <b>5,021</b>  | <b>-1%</b>  | <b>12%</b>   | <b>10%</b>   |
| COGS                              | (1,529)       | (1,478)       | (1,651)       | (1,783)       |             |              |              |
| <b>Gross profit</b>               | <b>2,597</b>  | <b>2,607</b>  | <b>2,910</b>  | <b>3,238</b>  | <b>0%</b>   | <b>12%</b>   | <b>11%</b>   |
| <b>GP margins</b>                 | <b>62.9%</b>  | <b>63.8%</b>  | <b>63.8%</b>  | <b>64.5%</b>  |             |              |              |
| Other income & gains              | 44            | 57            | 54            | 59            |             |              |              |
| S & D expenses                    | (1,429)       | (1,511)       | (1,755)       | (1,896)       | <b>6%</b>   | <b>16%</b>   | <b>8%</b>    |
| <b>S &amp; D exp / sales</b>      | <b>-34.6%</b> | <b>-37.0%</b> | <b>-38.5%</b> | <b>-37.8%</b> |             |              |              |
| Admin expenses                    | (328)         | (377)         | (409)         | (436)         |             |              |              |
| <b>Admin exp / sales</b>          | <b>-8.0%</b>  | <b>-9.2%</b>  | <b>-9.0%</b>  | <b>-8.7%</b>  |             |              |              |
| Other opex                        | 0             | 0             | 0             | 0             |             |              |              |
| <b>Operating profit (EBIT)</b>    | <b>884</b>    | <b>776</b>    | <b>800</b>    | <b>965</b>    | <b>-12%</b> | <b>3%</b>    | <b>21%</b>   |
| <b>OP margins</b>                 | <b>21.4%</b>  | <b>19.0%</b>  | <b>17.5%</b>  | <b>19.2%</b>  |             |              |              |
| Other items                       | 0             | 0             | 0             | 0             |             |              |              |
| Net finance income                | 3             | (0)           | 1             | 6             |             |              |              |
| <b>Net finance income / sales</b> | <b>0.1%</b>   | <b>0.0%</b>   | <b>0.0%</b>   | <b>0.1%</b>   |             |              |              |
| Profit after financing costs      | 887           | 776           | 801           | 971           |             |              |              |
| Associated coms                   | 0             | 0             | 0             | 0             |             |              |              |
| Jointly controlled coms           | 0             | 0             | 0             | 0             |             |              |              |
| <b>Pre-tax profit</b>             | <b>887</b>    | <b>776</b>    | <b>801</b>    | <b>971</b>    | <b>-13%</b> | <b>3%</b>    | <b>21%</b>   |
| Tax                               | (239)         | (217)         | (216)         | (262)         |             |              |              |
| <b>Tax / sales</b>                | <b>-5.8%</b>  | <b>-5.3%</b>  | <b>-4.7%</b>  | <b>-5.2%</b>  |             |              |              |
| <b>Effective tax rate</b>         | <b>-27.0%</b> | <b>-27.9%</b> | <b>-27.0%</b> | <b>-27.0%</b> |             |              |              |
| Minority interests                | 0             | 0             | 0             | 0             |             |              |              |
| <b>Net profit att.</b>            | <b>647</b>    | <b>559</b>    | <b>585</b>    | <b>709</b>    | <b>-14%</b> | <b>5%</b>    | <b>21%</b>   |
| <b>NP margins</b>                 | <b>15.7%</b>  | <b>13.7%</b>  | <b>12.8%</b>  | <b>14.1%</b>  |             |              |              |

Source: Company data, CMBIGM estimates

## Earnings revision

Figure 3: Earnings revision

| RMB mn                 | New   |       |       | Old   |       |       | Diff (%) |         |       |
|------------------------|-------|-------|-------|-------|-------|-------|----------|---------|-------|
|                        | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E    | FY24E   | FY25E |
| Revenue                | 4,561 | 5,021 | 5,368 | 4,852 | 5,427 | n/a   | -6.0%    | -7.5%   | n/a   |
| Gross profit           | 2,910 | 3,238 | 3,487 | 3,094 | 3,496 | n/a   | -5.9%    | -7.4%   | n/a   |
| EBIT                   | 800   | 965   | 1,098 | 911   | 1,097 | n/a   | -12.2%   | -12.0%  | n/a   |
| Net profit att.        | 585   | 709   | 810   | 671   | 812   | n/a   | -12.8%   | -12.7%  | n/a   |
| Diluted EPS (RMB)      | 1.155 | 1.400 | 1.600 | 1.323 | 1.594 | n/a   | -12.7%   | -12.1%  | n/a   |
| Gross margin           | 63.8% | 64.5% | 65.0% | 63.8% | 64.4% | n/a   | 0ppt     | 0.1ppt  | n/a   |
| EBIT margin            | 17.5% | 19.2% | 20.5% | 18.8% | 20.2% | n/a   | -1.2ppt  | -1ppt   | n/a   |
| Net profit att. margin | 12.8% | 14.1% | 15.1% | 13.8% | 15.0% | n/a   | -1ppt    | -0.8ppt | n/a   |

Source: Company data, CMBIGM estimates

Figure 4: CMBIGM estimates vs consensus

| RMB mn                 | CMBIGM |       |       | Consensus |       |       | Diff (%) |        |        |
|------------------------|--------|-------|-------|-----------|-------|-------|----------|--------|--------|
|                        | FY23E  | FY24E | FY25E | FY23E     | FY24E | FY25E | FY23E    | FY24E  | FY25E  |
| Revenue                | 4,561  | 5,021 | 5,368 | 4,558     | 5,179 | 5,847 | 0.1%     | -3.1%  | -8.2%  |
| Gross profit           | 2,910  | 3,238 | 3,487 | 2,896     | 3,312 | 3,757 | 0.5%     | -2.2%  | -7.2%  |
| EBIT                   | 800    | 965   | 1,098 | 820       | 970   | 1,128 | -2.4%    | -0.5%  | -2.6%  |
| Net profit att.        | 585    | 709   | 810   | 594       | 706   | 820   | -1.5%    | 0.5%   | -1.3%  |
| Diluted EPS (RMB)      | 1.155  | 1.400 | 1.600 | 1.183     | 1.393 | 1.628 | -2.4%    | 0.5%   | -1.7%  |
| Gross margin           | 63.8%  | 64.5% | 65.0% | 63.5%     | 64.0% | 64.2% | 0.3ppt   | 0.5ppt | 0.7ppt |
| EBIT margin            | 17.5%  | 19.2% | 20.5% | 18.0%     | 18.7% | 19.3% | -0.5ppt  | 0.5ppt | 1.2ppt |
| Net profit att. margin | 12.8%  | 14.1% | 15.1% | 13.0%     | 13.6% | 14.0% | -0.2ppt  | 0.5ppt | 1.1ppt |

Source: Company data, CMBIGM estimates

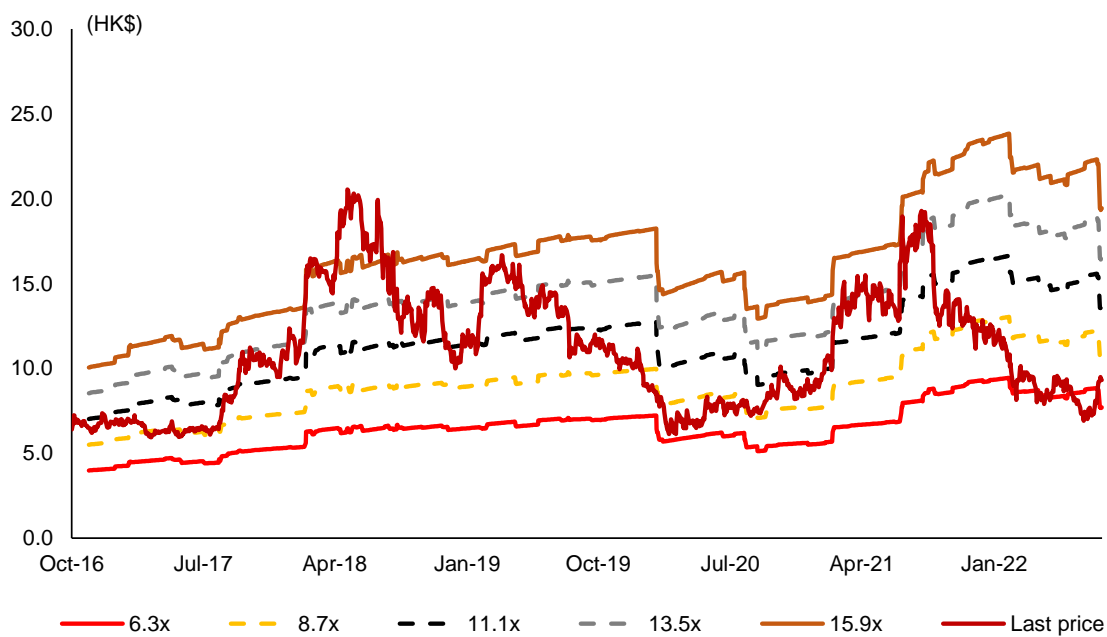
## Valuation

Figure 5: Peers' valuation

| Company                      | Ticker    | Rating | 12m   | Price   | Up/   | Mkt. Cap | Year        | P/E (x)     |             | P/B (x)    |            | ROE         | 3yrs       | Yield      |
|------------------------------|-----------|--------|-------|---------|-------|----------|-------------|-------------|-------------|------------|------------|-------------|------------|------------|
|                              |           |        | TP    | (LC)    | Down- |          |             | (HK\$mn)    | End         | FY1E       | FY2E       | FY1E        | FY2E       | (%)        |
| <b>H shares Apparel</b>      |           |        |       |         |       |          |             |             |             |            |            |             |            |            |
| Jnby Design                  | 3306 HK   | BUY    | 12.67 | 9.33    | 36%   | 4,840    | Jun-22      | 8.4         | 8.1         | 2.3        | 2.1        | 32.9        | 3.0        | 10.9       |
| Bosideng Int'l               | 3998 HK   | BUY    | 5.89  | 4.04    | 46%   | 43,982   | Mar-22      | 15.4        | 12.9        | 2.9        | 2.6        | 17.7        | 0.9        | 4.7        |
| China Lilang                 | 1234 HK   | BUY    | 4.94  | 3.61    | 37%   | 4,323    | Dec-21      | 6.5         | 5.6         | 1.0        | 0.9        | 12.2        | 0.4        | 10.5       |
| Cosmo Lady                   | 2298 HK   | NR     | n/a   | 0.20    | n/a   | 450      | Dec-21      | 11.8        | 3.9         | 0.2        | 0.2        | (23.3)      | (0.1)      | 0.0        |
| Giordano Int'l               | 709 HK    | NR     | n/a   | 1.85    | n/a   | 2,923    | Dec-21      | 14.2        | 10.9        | n/a        | n/a        | 9.7         | 0.8        | n/a        |
| Eeka Fashion                 | 3709 HK   | NR     | n/a   | 11.60   | n/a   | 8,167    | Dec-21      | 9.1         | 7.8         | 1.6        | 1.4        | 14.4        | 0.5        | 4.6        |
| Esprit                       | 330 HK    | NR     | n/a   | 0.91    | n/a   | 2,576    | Dec-21      | n/a         | n/a         | n/a        | n/a        | 5.5         | 0.0        | n/a        |
| Bauhaus Intl                 | 483 HK    | NR     | n/a   | 0.60    | n/a   | 220      | Mar-22      | n/a         | n/a         | n/a        | n/a        | 44.8        | 0.0        | n/a        |
|                              |           |        |       |         |       |          | <b>Avg.</b> | <b>10.9</b> | <b>8.2</b>  | <b>1.6</b> | <b>1.4</b> | <b>14.3</b> | <b>0.7</b> | <b>6.2</b> |
|                              |           |        |       |         |       |          | <b>Med.</b> | <b>10.4</b> | <b>7.9</b>  | <b>1.6</b> | <b>1.4</b> | <b>13.3</b> | <b>0.5</b> | <b>4.7</b> |
| <b>A-shares Apparel</b>      |           |        |       |         |       |          |             |             |             |            |            |             |            |            |
| Dazzle Fashion               | 603587 CH | NR     | n/a   | 14.58   | n/a   | 7,948    | Dec-21      | 10.5        | 8.7         | 1.7        | 1.5        | 17.1        | 1.4        | 6.2        |
| Anzheng Fashion              | 603839 CH | NR     | n/a   | 6.97    | n/a   | 3,160    | Dec-21      | 23.2        | 19.4        | 1.0        | 1.0        | 0.4         | 0.8        | n/a        |
| Ellassay Fashion             | 603808 CH | NR     | n/a   | 9.13    | n/a   | 3,819    | Dec-21      | 11.8        | 8.4         | 1.1        | 1.0        | 9.9         | 1.0        | 2.5        |
| Jinhong Fashion              | 603518 CH | NR     | n/a   | 7.52    | n/a   | 2,959    | Dec-21      | 7.5         | 5.8         | 0.8        | 0.7        | 6.7         | 0.8        | n/a        |
| Xin Hee                      | 003016 CH | NR     | n/a   | 8.53    | n/a   | 4,179    | Dec-21      | 11.8        | 9.4         | 1.1        | 1.0        | 6.7         | 0.7        | n/a        |
| Shenzhen Huijie              | 002763 CH | NR     | n/a   | 8.06    | n/a   | 3,744    | Dec-21      | n/a         | n/a         | n/a        | n/a        | 12.4        | 0.0        | n/a        |
| Peacebird Fashion            | 603877 CH | NR     | n/a   | 18.12   | n/a   | 9,789    | Dec-21      | 12.7        | 10.0        | 1.9        | 1.7        | 9.9         | 1.1        | 3.5        |
| Fujian Septwolves            | 002029 CH | NR     | n/a   | 5.64    | n/a   | 4,830    | Dec-21      | 15.2        | 12.0        | 0.7        | 0.6        | 3.5         | 0.0        | n/a        |
| Baoxiniao                    | 002154 CH | NR     | n/a   | 3.87    | n/a   | 6,400    | Dec-21      | 10.2        | 8.4         | 1.3        | 1.1        | 12.5        | 0.9        | 2.3        |
| Joeone                       | 601566 CH | NR     | n/a   | 7.81    | n/a   | 5,086    | Dec-21      | 18.8        | 12.1        | 1.1        | 1.1        | 0.9         | 0.7        | 5.5        |
| Hla Group                    | 600398 CH | NR     | n/a   | 4.55    | n/a   | 22,272   | Dec-21      | 8.0         | 6.8         | 1.2        | 1.1        | 15.7        | 1.2        | 6.8        |
| Jiangsu Hongdou              | 600400 CH | NR     | n/a   | 5.62    | n/a   | 14,667   | Dec-21      | 130.7       | 82.6        | 4.0        | 3.9        | 1.7         | 3.6        | n/a        |
|                              |           |        |       |         |       |          | <b>Avg.</b> | <b>23.7</b> | <b>16.7</b> | <b>1.4</b> | <b>1.3</b> | <b>8.1</b>  | <b>1.0</b> | <b>4.5</b> |
|                              |           |        |       |         |       |          | <b>Med.</b> | <b>11.8</b> | <b>9.4</b>  | <b>1.1</b> | <b>1.1</b> | <b>8.3</b>  | <b>0.8</b> | <b>4.5</b> |
| <b>International Apparel</b> |           |        |       |         |       |          |             |             |             |            |            |             |            |            |
| Hugo Boss                    | BOSS GR   | NR     | n/a   | 53.92   | n/a   | 29,956   | Dec-21      | 18.9        | 16.1        | 3.5        | 3.0        | 23.1        | 1.0        | 2.0        |
| Ted Baker                    | TED LN    | NR     | n/a   | 109.20  | n/a   | 1,836    | Jan-22      | n/a         | 109.2       | n/a        | n/a        | (26.1)      | 0.0        | n/a        |
| Next                         | NXT LN    | NR     | n/a   | 5882.00 | n/a   | 69,234   | Jan-22      | 10.7        | 11.0        | 6.4        | 5.4        | 81.1        | (3.0)      | 3.4        |
| Hennes & Mauritz             | HMB SS    | NR     | n/a   | 112.12  | n/a   | 137,386  | Nov-21      | 17.0        | 15.3        | 3.2        | 3.2        | 23.6        | 35.1       | 6.0        |
| Industria De Diseno          | ITX SM    | NR     | n/a   | 21.47   | n/a   | 528,062  | Jan-22      | 17.3        | 16.1        | 4.1        | 3.9        | 24.7        | 3.4        | 5.2        |
| Ovs Spa                      | OVS IM    | NR     | n/a   | 1.56    | n/a   | 3,570    | Jan-22      | 7.1         | 6.2         | 0.5        | 0.4        | 5.8         | 0.5        | 3.0        |
| Pvh Corp                     | PVH US    | NR     | n/a   | 60.59   | n/a   | 31,018   | Jan-22      | 7.6         | 7.0         | 0.8        | 0.7        | 17.9        | (1.3)      | 0.2        |
| Vf Corp                      | VFC US    | NR     | n/a   | 43.36   | n/a   | 132,221  | Apr-22      | 14.2        | 12.8        | 4.7        | 4.1        | 30.4        | 7.3        | 4.7        |
| Marks & Spencer              | MKS LN    | NR     | n/a   | 117.65  | n/a   | 21,041   | Apr-22      | 7.3         | 7.4         | 0.8        | 0.7        | 11.8        | (3.6)      | 4.9        |
|                              |           |        |       |         |       |          | <b>Avg.</b> | <b>12.5</b> | <b>22.3</b> | <b>3.0</b> | <b>2.7</b> | <b>21.4</b> | <b>4.4</b> | <b>3.7</b> |
|                              |           |        |       |         |       |          | <b>Med.</b> | <b>12.5</b> | <b>12.8</b> | <b>3.4</b> | <b>3.1</b> | <b>23.1</b> | <b>0.5</b> | <b>4.1</b> |

Source: Bloomberg, CMBIGM estimates

**Figure 6: Forward P/E valuation band**



Source: Bloomberg, CMBIGM estimates

## Assumptions

**Figure 7: Major assumptions**

| Major assumptions                    | FY21A        | FY22A         | FY23E        | FY24E        | FY25E        |
|--------------------------------------|--------------|---------------|--------------|--------------|--------------|
| <b>Sales by brand (RMB mn)</b>       |              |               |              |              |              |
| JNBY                                 | 2,299        | 2,312         | 2,589        | 2,822        | 2,992        |
| CROQUIS                              | 692          | 645           | 710          | 773          | 820          |
| jnby by JNBY                         | 657          | 593           | 622          | 691          | 746          |
| less                                 | 391          | 461           | 553          | 636          | 700          |
| Other brands                         | 87           | 75            | 87           | 98           | 110          |
| Total                                | 4,126        | 4,086         | 4,561        | 5,021        | 5,368        |
| <b>Sales by brand growth (%)</b>     |              |               |              |              |              |
| JNBY                                 | 30.5%        | 0.6%          | 12.0%        | 9.0%         | 6.0%         |
| CROQUIS                              | 24.2%        | -6.8%         | 10.0%        | 9.0%         | 6.0%         |
| jnby by JNBY                         | 47.8%        | -9.8%         | 5.0%         | 11.0%        | 8.0%         |
| less                                 | 50.0%        | 17.8%         | 20.0%        | 15.0%        | 10.0%        |
| Other brands                         | 15.5%        | -13.7%        | 15.4%        | 13.5%        | 12.1%        |
| Total                                | 33.1%        | -1.0%         | 11.6%        | 10.1%        | 6.9%         |
| <b>Sales by channel growth (%)</b>   |              |               |              |              |              |
| Self-owned                           | 29.7%        | -4.8%         | 10.7%        | 8.3%         | 5.0%         |
| Distributors                         | 33.9%        | 1.2%          | 10.0%        | 8.0%         | 5.0%         |
| Online                               | 42.4%        | 3.6%          | 18.0%        | 19.0%        | 15.0%        |
| <b>Sales network by segment</b>      |              |               |              |              |              |
| JNBY                                 | 926          | 921           | 931          | 941          | 951          |
| CROQUIS                              | 312          | 313           | 318          | 323          | 328          |
| jnby by JNBY                         | 470          | 471           | 476          | 481          | 486          |
| less                                 | 185          | 204           | 224          | 244          | 264          |
| Other brands                         | 38           | 47            | 55           | 63           | 71           |
| Total                                | 1,931        | 1,956         | 2,004        | 2,052        | 2,100        |
| <b>GP margins by Channel</b>         |              |               |              |              |              |
| JNBY                                 | 63.5%        | 64.5%         | 64.7%        | 65.4%        | 65.9%        |
| CROQUIS                              | 61.9%        | 63.9%         | 63.7%        | 64.4%        | 64.9%        |
| jnby by JNBY                         | 61.6%        | 59.2%         | 59.7%        | 60.4%        | 60.9%        |
| less                                 | 66.4%        | 67.4%         | 66.2%        | 66.9%        | 67.4%        |
| Other brands                         | 51.0%        | 57.2%         | 52.2%        | 52.3%        | 52.3%        |
| Total                                | 62.9%        | 63.8%         | 63.8%        | 64.5%        | 65.0%        |
| <b>Opex breakdown</b>                |              |               |              |              |              |
| Outsourcing charges/ sales           | 8.1%         | 9.2%          | 8.9%         | 8.7%         | 8.4%         |
| Rental expenses/ sales               | 11.9%        | 12.3%         | 11.9%        | 11.7%        | 11.7%        |
| Staff costs/ sales                   | 8.7%         | 9.0%          | 9.4%         | 9.5%         | 9.9%         |
| A&P expenses/ sales                  | 6.9%         | 8.3%          | 9.0%         | 8.7%         | 8.3%         |
| Provisions for inventory/ sales      | 2.9%         | 2.6%          | 2.4%         | 2.2%         | 2.0%         |
| D&A/ sales                           | 1.7%         | 2.3%          | 2.4%         | 2.3%         | 2.1%         |
| Selling & distribution costs / sales | 34.6%        | 37.0%         | 38.5%        | 37.8%        | 37.3%        |
| Admin expenses / sales               | 8.0%         | 9.2%          | 9.0%         | 8.7%         | 8.4%         |
| <b>OP margins</b>                    | <b>21.4%</b> | <b>19.0%</b>  | <b>17.5%</b> | <b>19.2%</b> | <b>20.5%</b> |
| Effective tax rate                   | 27.0%        | 27.9%         | 27.0%        | 27.0%        | 27.0%        |
| <b>Net profit margins</b>            | <b>15.7%</b> | <b>13.7%</b>  | <b>12.8%</b> | <b>14.1%</b> | <b>15.1%</b> |
| <b>Net profit att. growth (%)</b>    | <b>86.7%</b> | <b>-13.6%</b> | <b>4.7%</b>  | <b>21.2%</b> | <b>14.3%</b> |

Source: Company data, CMBIGM estimates

## Financial Summary

| Income statement            |                |                |                |                |                | Cash flow summary                  |              |              |              |              |              |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| YE 30 Jun (RMB mn)          | FY21A          | FY22A          | FY23E          | FY24E          | FY25E          | YE 30 Jun (RMB mn)                 | FY21A        | FY22A        | FY23E        | FY24E        | FY25E        |
| <b>Revenue</b>              | <b>4,126</b>   | <b>4,086</b>   | <b>4,561</b>   | <b>5,021</b>   | <b>5,368</b>   | <b>EBIT</b>                        | <b>884</b>   | <b>776</b>   | <b>800</b>   | <b>965</b>   | <b>1,098</b> |
| Self-owned                  | 1,756          | 1,671          | 1,851          | 2,005          | 2,105          | D & A                              | 71           | 91           | 108          | 124          | 124          |
| Distributors                | 1,710          | 1,730          | 1,903          | 2,055          | 2,158          | Change in working capital          | 280          | 9            | 15           | 25           | 19           |
| Online                      | 661            | 684            | 807            | 961            | 1,105          | Income tax paid                    | (209)        | (217)        | (216)        | (262)        | (300)        |
| Others                      | -              | -              | -              | -              | -              | Others                             | 310          | 38           | 40           | 44           | 49           |
| <b>Cost of goods sold</b>   | <b>(1,529)</b> | <b>(1,478)</b> | <b>(1,651)</b> | <b>(1,783)</b> | <b>(1,880)</b> | <b>Net cash from operating</b>     | <b>1,337</b> | <b>697</b>   | <b>746</b>   | <b>896</b>   | <b>992</b>   |
| <b>Gross profit</b>         | <b>2,597</b>   | <b>2,607</b>   | <b>2,910</b>   | <b>3,238</b>   | <b>3,487</b>   | Capex & investments                | (124)        | (123)        | (137)        | (151)        | (161)        |
| <b>Other income</b>         | <b>44</b>      | <b>57</b>      | <b>54</b>      | <b>59</b>      | <b>63</b>      | Associated companies               | -            | -            | -            | -            | -            |
| <b>Operating expenses</b>   | <b>(1,757)</b> | <b>(1,889)</b> | <b>(2,164)</b> | <b>(2,332)</b> | <b>(2,452)</b> | Interest received                  | 20           | -            | -            | -            | -            |
| D & A                       | (18)           | (23)           | (27)           | (30)           | (30)           | Others                             | (432)        | -            | -            | -            | -            |
| Staff costs                 | (307)          | (317)          | (362)          | (406)          | (448)          | <b>Net cash from investing</b>     | <b>(536)</b> | <b>(123)</b> | <b>(137)</b> | <b>(151)</b> | <b>(161)</b> |
| S & D costs (ex-staff, D&A) | (1,286)        | (1,364)        | (1,586)        | (1,705)        | (1,788)        | Equity raised                      | 2            | -            | -            | -            | -            |
| Admin exp. (ex-staff, D&A)  | (146)          | (185)          | (190)          | (191)          | (185)          | Net change in bank loans           | (187)        | -            | -            | -            | -            |
| Other operating expenses    | -              | -              | -              | -              | -              | Dividend paid                      | (396)        | (548)        | (462)        | (518)        | (614)        |
| <b>EBIT</b>                 | <b>884</b>     | <b>776</b>     | <b>800</b>     | <b>965</b>     | <b>1,098</b>   | Others                             | -            | (38)         | (38)         | (38)         | (38)         |
| Finance costs, net          | 3              | (0)            | 1              | 6              | 11             | <b>Net cash from financing</b>     | <b>(581)</b> | <b>(587)</b> | <b>(500)</b> | <b>(556)</b> | <b>(652)</b> |
| JVs & associates            | -              | -              | -              | -              | -              | <b>Net change in cash</b>          | <b>220</b>   | <b>(12)</b>  | <b>109</b>   | <b>189</b>   | <b>178</b>   |
| Exceptional                 | -              | -              | -              | -              | -              | Beginning cash balance             | 337          | 549          | 537          | 645          | 834          |
| <b>Pre-tax profit</b>       | <b>887</b>     | <b>776</b>     | <b>801</b>     | <b>971</b>     | <b>1,110</b>   | Exchange difference                | (7)          | -            | -            | -            | -            |
| Income tax                  | (239)          | (217)          | (216)          | (262)          | (300)          | <b>Cash at the end of the year</b> | <b>549</b>   | <b>537</b>   | <b>645</b>   | <b>834</b>   | <b>1,012</b> |
| Less: Minority interests    | 0              | 0              | 0              | 0              | 0              |                                    |              |              |              |              |              |
| <b>Net profit</b>           | <b>647</b>     | <b>559</b>     | <b>585</b>     | <b>709</b>     | <b>810</b>     |                                    |              |              |              |              |              |

| Balance sheet                  |              |              |              |              |              | Key ratios                  |              |              |              |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| YE 30 Jun (RMB mn)             | FY21A        | FY22A        | FY23E        | FY24E        | FY25E        | YE 30 Jun                   | FY21A        | FY22A        | FY23E        | FY24E        | FY25E        |
| <b>Non-current assets</b>      | <b>1,330</b> | <b>1,362</b> | <b>1,391</b> | <b>1,419</b> | <b>1,456</b> | <b>Sales mix (%)</b>        |              |              |              |              |              |
| Fixed asset                    | 398          | 434          | 466          | 496          | 537          | Self-owned                  | 42.6         | 40.9         | 40.6         | 39.9         | 39.2         |
| Intangible assets & goodwill   | 16           | 13           | 11           | 8            | 6            | Distributors                | 41.4         | 42.3         | 41.7         | 40.9         | 40.2         |
| Prepaid lease payments         | 20           | 20           | 20           | 20           | 20           | Online                      | 16.0         | 16.7         | 17.7         | 19.1         | 20.6         |
| Interest in joint ventures     | -            | -            | -            | -            | -            | Others                      | -            | -            | -            | -            | -            |
| Other non-current assets       | 896          | 895          | 894          | 894          | 893          | <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>2,489</b> | <b>2,450</b> | <b>2,680</b> | <b>2,969</b> | <b>3,222</b> | <b>P&amp;L ratios (%)</b>   |              |              |              |              |              |
| Cash & cash equivalents        | 549          | 537          | 645          | 834          | 1,012        | Gross margin                | 62.9         | 63.8         | 63.8         | 64.5         | 65.0         |
| Inventories                    | 707          | 684          | 763          | 824          | 869          | Operating margin            | 21.4         | 19.0         | 17.5         | 19.2         | 20.5         |
| Trade and other receivables    | 119          | 118          | 132          | 145          | 155          | Pre-tax margin              | 21.5         | 19.0         | 17.6         | 19.3         | 20.7         |
| Prepayments                    | 241          | 239          | 266          | 293          | 313          | Net margin                  | 15.7         | 13.7         | 12.8         | 14.1         | 15.1         |
| Other current assets           | 873          | 873          | 873          | 873          | 873          | Effective tax rate          | 27.0         | 27.9         | 27.0         | 27.0         | 27.0         |
| <b>Current liabilities</b>     | <b>1,636</b> | <b>1,618</b> | <b>1,755</b> | <b>1,881</b> | <b>1,975</b> | <b>Balance sheet ratios</b> |              |              |              |              |              |
| Bank loans                     | 244          | 244          | 244          | 244          | 244          | Current ratio (x)           | 1.5          | 1.5          | 1.5          | 1.6          | 1.6          |
| Trade payables                 | 256          | 248          | 277          | 299          | 315          | Quick ratio (x)             | 1.1          | 1.1          | 1.1          | 1.1          | 1.2          |
| Accruals & other payables      | 932          | 923          | 1,030        | 1,134        | 1,212        | Cash ratio (x)              | 0.3          | 0.3          | 0.4          | 0.4          | 0.5          |
| Tax payables                   | -            | -            | -            | -            | -            | Inventory turnover days     | 169          | 169          | 169          | 169          | 169          |
| Others                         | 204          | 204          | 204          | 204          | 204          | Trade receivables days      | 11           | 11           | 11           | 11           | 11           |
| <b>Non-current liabilities</b> | <b>466</b>   | <b>466</b>   | <b>466</b>   | <b>466</b>   | <b>466</b>   | Trade payables days         | 61           | 61           | 61           | 61           | 61           |
| Bank loans                     | -            | -            | -            | -            | -            | Total debt / total equity   | 35.3         | 35.1         | 32.8         | 29.7         | 27.1         |
| Deferred income                | 319          | 319          | 319          | 319          | 319          | Net debt / equity ratio (%) | Net cash     | Net cash     | Net cash     | Net cash     | Net cash     |
| Deferred tax                   | 16           | 16           | 16           | 16           | 16           | <b>Returns (%)</b>          |              |              |              |              |              |
| Others                         | 131          | 131          | 131          | 131          | 131          | ROE                         | 37.7         | 32.4         | 31.6         | 34.7         | 36.2         |
| <b>Minority interest</b>       | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | ROA                         | 16.9         | 14.7         | 14.4         | 16.2         | 17.3         |
| <b>Total net assets</b>        | <b>1,716</b> | <b>1,727</b> | <b>1,850</b> | <b>2,041</b> | <b>2,237</b> | <b>Per share</b>            |              |              |              |              |              |
| <b>Shareholders' equity</b>    | <b>1,716</b> | <b>1,727</b> | <b>1,850</b> | <b>2,041</b> | <b>2,237</b> | EPS (RMB)                   | 1.29         | 1.11         | 1.16         | 1.40         | 1.60         |
|                                |              |              |              |              |              | DPS (RMB)                   | 1.08         | 0.87         | 0.93         | 1.13         | 1.29         |
|                                |              |              |              |              |              | BVPS (RMB)                  | 3.31         | 3.33         | 3.57         | 3.93         | 4.31         |

Source: Company data, CMBIGM estimates



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