

# Bosideng (3998 HK)

## 1H24 results beat and a resilient strategy

1H24 was a beat and was rather surprising given the vulnerable macro environment. Even though we are still cautious on the industry-wide de-stocking (mostly by sportswear brands) and the weather condition, we still think Bosideng could achieve its FY24E target and continue to outperform its peers, supported by: 1) highly successful new products and category expansion, 2) continual improvement in store productivity and efficiency, and 3) the long CNY ahead. Current valuation of 12x FY3/24E and 6% yield are defensive already.

- 1H24 results beat, driven by better-than-expected new product sales.** Bosideng's sales/NP increased by 21%/ 25% YoY to RMB7.5bn/1.2bn, 6%/ 8% higher than CMBI est. and beating management's guidance of double-digit sales growth and even faster NP growth. We believe the beat in sales growth was mainly driven by the success of new products such as: 1) the sun-protective clothing, 2) new versions of ultralight down apparel, and 3) 3-in-1 windbreakers. As these products are mostly sold in the self-owned and online channels, the sales growth was also fast at 31% and 24% respectively. Noted that wholesale growth was not slow, at 21%, thanks to the low level of inventory, as the inventory days were only at 160 in 1H24 (vs 181 days in 1H23). Number of down apparel stores continued to fall, by around 10% YoY to 3,313, as the company is more focused on the stores in the core commercial districts. Dividend payout ratio was at 54%, slightly dropping from 61% in 1H23.
- Sales trend in Oct-Nov 2023 remained on track with management's expectations.** Management did highlight sales growth in Oct 2023 was positive and picked up strongly in Nov 2023, significantly outperforming the industry, which had been falling and flattish during the same period. Moreover, while we are impressed by the 24% e-commerce sales in 1H24, Bosideng continued to fare well during the Double 11 festival (growth rate was even faster than that of offline sales) and ranked No.1 in both menswear and womenswear categories (surpassed Uniqlo for the first time in history).
- The FY24E guidance is likely to be maintained.** While 1H24 was strong, we think the FY24E guidance should still be unchanged. The FY24E guidance consisted of a double-digit sales growth (double-digit/high-teens to low-20%/ 0 to 5% for down apparel/OEM/ladieswear), a flattish GP margin and a double-digit NP growth.
- Maintain BUY and raise TP to HK\$3.86.** We revise up FY3/24E-26E net profit by 2-4% to factor in the beat in earnings, lower than expected GP margin but a better operating leverage. We reiterate BUY as we think Bosideng is so well prepared toward the fragile macro environment. Our TP is based on 14x FY3/24E P/E (no changes), vs a 17% FY3/23-26E NP CAGR and a 5-year average of 16x. It is trading at just 12x P/E.

### Earnings Summary

(YE 31 Mar)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	16,214	16,774	19,432	21,325	22,964
YoY growth (%)	20.0	3.5	15.8	9.7	7.7
Operating profit (RMB mn)	2,569	2,826	3,381	3,943	4,404
Net profit (RMB mn)	2,058.8	2,156.4	2,608.7	3,076.6	3,478.5
EPS (Reported) (RMB)	0.18	0.19	0.23	0.27	0.30
YoY growth (%)	20.0	3.7	21.5	15.9	13.2
P/E (x)	14.8	14.3	11.7	10.1	8.9
P/B (x)	2.4	2.3	2.1	2.0	1.8
Yield (%)	5.9	6.2	6.4	7.4	8.4
ROE (%)	17.7	17.4	20.0	22.0	23.0
Net gearing (%)	2.2	5.2	9.2	14.5	19.0

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

<b>Target Price</b>	<b>HK\$3.86</b>
(Previous TP)	HK\$3.78)
<b>Up/Downside</b>	<b>19.3%</b>
<b>Current Price</b>	<b>HK\$3.24</b>

### China Consumer Discretionary

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#### Stock Data

Mkt Cap (HK\$ mn)	34,694.5
Avg 3 mths t/o (HK\$ mn)	46.6
52w High/Low (HK\$)	4.59/2.89
Total Issued Shares (mn)	10708.2

Source: FactSet

#### Shareholding Structure

Mr. Gao De Kang & Family	70.3%
Orient Securities Asset Management	2.1%

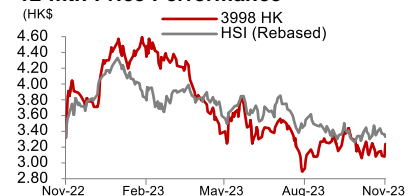
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	0.6%	0.9%
3-mth	10.6%	15.5%
6-mth	-3.9%	2.8%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

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- **We think the investors' concerns are well addressed.** We think investors are worried about: 1) a weak macro environment, and 2) the unfavourable weather (likely a warm winter this year). However, in our view, Bosideng is coping with it very well by: 1) selling the right products (price range has been widened but ASP is largely unchanged vs last year) and 2) gaining more market shares through innovative products (like the 3-in-1 windbreakers) and expansion into new categories (like the sun-protection clothing in summer and the ski products in winter). Plus the upcoming CNY in 2024, which is later than last year, we are confident that the FY24E guidance could be achieved. Margin wise, we think it could be fairly protected, even the ASP hike is little, thanks to: 1) healthy channel inventories and limited retail discounts (flattish or even improved vs last year), 2) the greater focus on TOP products and TOP stores (store productivity and efficiency will be boosted), and 3) closures of many under-performing self-owned stores.
- **The long-term growth story is still intact.** After witnessing Bosideng's outperformance in the past 7 years as well as in the past 6 months, we are now more confident that Bosideng can deliver its 3-year sales CAGR target of 14%+, supported by its 4 core competencies (strong brand, leading products, continual upgrades of retail channels, and top-of-the-class supply chain capacity). We also expect the growth to come from the launches of: 1) more function products (where Bosideng can easily leverage its down apparel expert image to do cross-selling), 2) newer versions of down apparel for various occasions, 3) more tailor-made products, store format and marketing for different tiers of customers, and 4) further ramp-up of the OEM business (enrolling more new world-class clients).

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	19,432	21,325	22,964	19,331	21,216	22,848	0.5%	0.5%	0.5%
Gross profit	11,537	12,715	13,763	11,503	12,709	13,758	0.3%	0.0%	0.0%
EBIT	3,381	3,943	4,404	3,310	3,795	4,309	2.2%	3.9%	2.2%
Net profit att.	2,599	3,013	3,410	2,540	2,896	3,336	2.3%	4.0%	2.2%
Diluted EPS (RMB)	0.229	0.266	0.301	0.224	0.255	0.294	2.3%	4.0%	2.2%
Gross margin	59.4%	59.6%	59.9%	59.5%	59.9%	60.2%	-0.1ppt	-0.3ppt	-0.3ppt
EBIT margin	17.4%	18.5%	19.2%	17.1%	17.9%	18.9%	0.3ppt	0.6ppt	0.3ppt
Net profit att. margin	13.4%	14.1%	14.8%	13.1%	13.7%	14.6%	0.2ppt	0.5ppt	0.2ppt

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	19,432	21,325	22,964	19,421	22,253	25,395	0.1%	-4.2%	-9.6%
Gross profit	11,537	12,715	13,763	11,586	13,323	15,224	-0.4%	-4.6%	-9.6%
EBIT	3,381	3,943	4,404	3,311	3,877	4,478	2.1%	1.7%	-1.7%
Net profit att.	2,599	3,013	3,410	2,570	3,020	3,536	1.1%	-0.2%	-3.6%
Diluted EPS (RMB)	0.229	0.266	0.301	0.234	0.277	0.319	-2.2%	-4.0%	-5.8%
Gross margin	59.4%	59.6%	59.9%	59.7%	59.9%	59.9%	-0.3ppt	-0.2ppt	0ppt
EBIT margin	17.4%	18.5%	19.2%	17.0%	17.4%	17.6%	0.4ppt	1.1ppt	1.5ppt
Net profit att. margin	13.4%	14.1%	14.8%	13.2%	13.6%	13.9%	0.1ppt	0.6ppt	0.9ppt

Source: Company data, CMBIGM estimates

Figure 3: Bosideng’s brand recognition in China and in down apparel industry

激活品牌认知									
羽绒服品牌						中国服装品牌			
调研项目	2018年	2019年	2020年	2021年	2022年	波司登 22年排名	2022年调研项	波司登	波司登排名
第一提及率	66%	64%	64%	71%	71%	TOP1	第一提及率	35%	TOP1
品牌美誉度	8.69	8.86	8.96	9.11	9.17	TOP1	品牌美誉度	8.43	TOP1
净推荐值 NPS	49	52	55	56	56	TOP1	净推荐值 NPS	44%	TOP1

-数据来自益普美调研报告

Source: Company data, CMBIGM

Figure 4: Bosideng’s growth strategy for 2023 to 2025



Source: Company data, CMBIGM

## Results review

Figure 5: Earnings review - Half Year

Half yearly - (Mar year end) (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24E YoY	1H24E CMBI	Actual vs CMBI
<b>Revenue</b>	<b>6,180</b>	<b>10,594</b>	<b>7,472</b>	<b>11,961</b>	<b>14%</b>	<b>-2%</b>	<b>21%</b>	<b>13%</b>	<b>7,063</b>	<b>6%</b>
COGS	-3,091	-3,707	-3,738	-4,157					-3,532	
<b>Gross profit</b>	<b>3,089</b>	<b>6,887</b>	<b>3,733</b>	<b>7,803</b>	<b>12%</b>	<b>-1%</b>	<b>21%</b>	<b>13%</b>	<b>3,532</b>	<b>6%</b>
<b>GP margin</b>	<b>50.0%</b>	<b>65.0%</b>	<b>50.0%</b>	<b>65.2%</b>					<b>50.0%</b>	
Other income & gains	105	205	110	162					92	20%
S&D expenses	-1,623	-4,502	-2,030	-4,957	1%	-1%	25%	10%	-1,872	8%
<b>S&amp;D exp / sales</b>	<b>-26.3%</b>	<b>-42.5%</b>	<b>-27.2%</b>	<b>-41.4%</b>					<b>-26.5%</b>	
Admin expenses	-525	-679	-582	-761	16%	-10%	11%	12%	-593	-2%
<b>Admin exp / sales</b>	<b>-8.5%</b>	<b>-6.4%</b>	<b>-7.8%</b>	<b>-6.4%</b>					<b>-8.4%</b>	
Other opex	-3	-10	-0	-38					-21	
<b>Operating profit (EBIT)</b>	<b>1,043</b>	<b>1,901</b>	<b>1,231</b>	<b>2,208</b>	<b>31%</b>	<b>5%</b>	<b>18%</b>	<b>16%</b>	<b>1,137</b>	<b>8%</b>
<b>OP margin</b>	<b>16.9%</b>	<b>17.9%</b>	<b>16.5%</b>	<b>18.5%</b>					<b>16.1%</b>	
Other items	-98	-20	0	-58					-21	
Net finance income	69	14	82	55					49	65%
<b>Net finance income / sales</b>	<b>1.1%</b>	<b>0.1%</b>	<b>1.1%</b>	<b>0.5%</b>					<b>0.7%</b>	
Profit after financing costs	1,014	1,895	1,312	2,205					1,165	
Associated coms	-7	-15	-12	-27					-14	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	<b>1,007</b>	<b>1,880</b>	<b>1,301</b>	<b>2,178</b>	<b>22%</b>	<b>2%</b>	<b>29%</b>	<b>16%</b>	<b>1,151</b>	<b>13%</b>
Tax	-283	-448	-384	-485					-288	34%
<b>Tax / sales</b>	<b>-4.6%</b>	<b>-4.2%</b>	<b>-5.1%</b>	<b>-4.1%</b>					<b>-4.1%</b>	
<b>Effective tax rate</b>	<b>-28.1%</b>	<b>-23.8%</b>	<b>-29.6%</b>	<b>-22.3%</b>					<b>-25.0%</b>	
Minority interests	-10	28	-2	12					4	
<b>Net profit att.</b>	<b>734</b>	<b>1,404</b>	<b>919</b>	<b>1,680</b>	<b>15%</b>	<b>-1%</b>	<b>25%</b>	<b>20%</b>	<b>860</b>	<b>7%</b>
<b>NP margin</b>	<b>11.9%</b>	<b>13.3%</b>	<b>12.3%</b>	<b>14.0%</b>					<b>12.2%</b>	

Source: Company data, CMBIS estimates

Figure 6: Earnings review - Full Year

Full yearly - (Mar year end) (RMB mn)	FY23	FY24E	FY25E	FY24 E YoY	FY25E YoY
<b>Revenue</b>	16,774	19,432	21,325	16%	10%
COGS	-6,798	-7,896	-8,610		
<b>Gross profit</b>	9,976	11,537	12,715	16%	10%
<b>GP margin</b>	59.5%	59.4%	59.6%		
Other income & gains	310	272	256		
S&D expenses	-6,125	-6,987	-7,508	14%	7%
<b>S&amp;D exp / sales</b>	-36.5%	-36.0%	-35.2%		
Admin expenses	-1,204	-1,344	-1,412	12%	5%
<b>Admin exp / sales</b>	-7.2%	-6.9%	-6.6%		
Other opex	-12	-39	-43		
<b>Operating profit (EBIT)</b>	2,944	3,439	4,007	17%	17%
<b>OP margin</b>	17.6%	17.7%	18.8%		
Other items	-118	-58	-64		
Net finance income	83	136	201		
<b>Net finance income / sales</b>	0.5%	0.7%	0.9%		
Profit after financing costs	2,910	3,517	4,145		
Associated coms	-22	-39	-43		
Jointly controlled coms	0	0	0		
<b>Pre-tax profit</b>	2,887	3,478	4,102	20%	18%
Tax	-731	-870	-1,026		
<b>Tax / sales</b>	-4.4%	-4.5%	-4.8%		
<b>Effective tax rate</b>	-25.3%	-25.0%	-25.0%		
Minority interests	18	10	64		
<b>Net profit att.</b>	2,139	2,599	3,013	22%	16%
<b>NP margin</b>	12.7%	13.4%	14.1%		

Source: Company data, CMBIGM estimates

## Assumption

Figure 7: CMBIGM's major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by segment (RMB mn)</b>					
Down apparels	13,223	13,574	15,749	17,335	18,748
OEM management	1,901	2,294	2,696	2,965	3,173
Ladieswear	904	703	765	791	802
Diversified apparels	186	203	223	234	241
Total	16,214	16,774	19,432	21,325	22,964
<b>Sales by segment growth (%)</b>					
Down apparels	21.4%	2.7%	16.0%	10.1%	8.2%
OEM management	23.8%	20.7%	17.5%	10.0%	7.0%
Ladieswear	-4.5%	-22.2%	8.8%	3.4%	1.4%
Diversified apparels	28.3%	9.2%	10.0%	5.0%	3.0%
Total	20.0%	3.5%	15.8%	9.7%	7.7%
<b>Sales by channel growth (%)</b>					
Down Apparels - offline	25.6%	-6.0%	14.9%	8.4%	7.7%
Down Apparels - online	12.7%	23.1%	18.0%	13.0%	9.0%
OEM management	23.8%	20.7%	17.5%	10.0%	7.0%
Non-down apparels - offline	-1.1%	-18.6%	9.5%	3.9%	1.7%
Non-down apparels - online	11.3%	3.4%	5.0%	2.0%	2.0%
Total	20.0%	3.5%	15.8%	9.7%	7.7%
<b>Sales network by segment</b>					
Down apparel	3,809	3,423	3,252	3,308	3,366
Non - down apparel	462	457	439	443	448
Total	4,271	3,880	3,691	3,751	3,813
<b>Sales network by channel type</b>					
Self-operated	2,090	1,760	1,528	1,558	1,589
Third party distributors	2,181	2,120	2,163	2,193	2,224
Total	4,271	3,880	3,691	3,751	3,813
<b>GP margins by segment</b>					
Down apparels	65.7%	66.2%	66.2%	66.5%	66.8%
OEM management	18.6%	19.9%	20.5%	20.5%	20.5%
Ladieswear	72.4%	68.6%	68.0%	68.0%	68.0%
Diversified apparels	25.7%	25.7%	20.0%	20.0%	20.0%
Total	60.1%	59.5%	59.4%	59.6%	59.9%
<b>Opex breakdown</b>					
D&A/ sales	3.0%	3.1%	3.1%	2.7%	2.3%
Rental/ sales	14.2%	13.2%	13.5%	13.7%	13.6%
Labor/ sales	10.6%	11.0%	10.0%	9.2%	9.3%
A&P/ sales	6.5%	4.5%	5.0%	5.0%	5.0%
Others/ sales	11.2%	11.9%	11.3%	11.3%	11.3%
OP margin	15.8%	16.8%	17.4%	18.5%	19.2%
Effective tax rate	23.0%	25.3%	25.0%	25.0%	25.0%
<b>NP att. margin</b>	<b>12.7%</b>	<b>12.7%</b>	<b>13.4%</b>	<b>14.1%</b>	<b>14.8%</b>
<b>NP att. growth (%)</b>	<b>20.6%</b>	<b>3.7%</b>	<b>21.5%</b>	<b>15.9%</b>	<b>13.2%</b>

Source: Company data, CMBIGM estimates

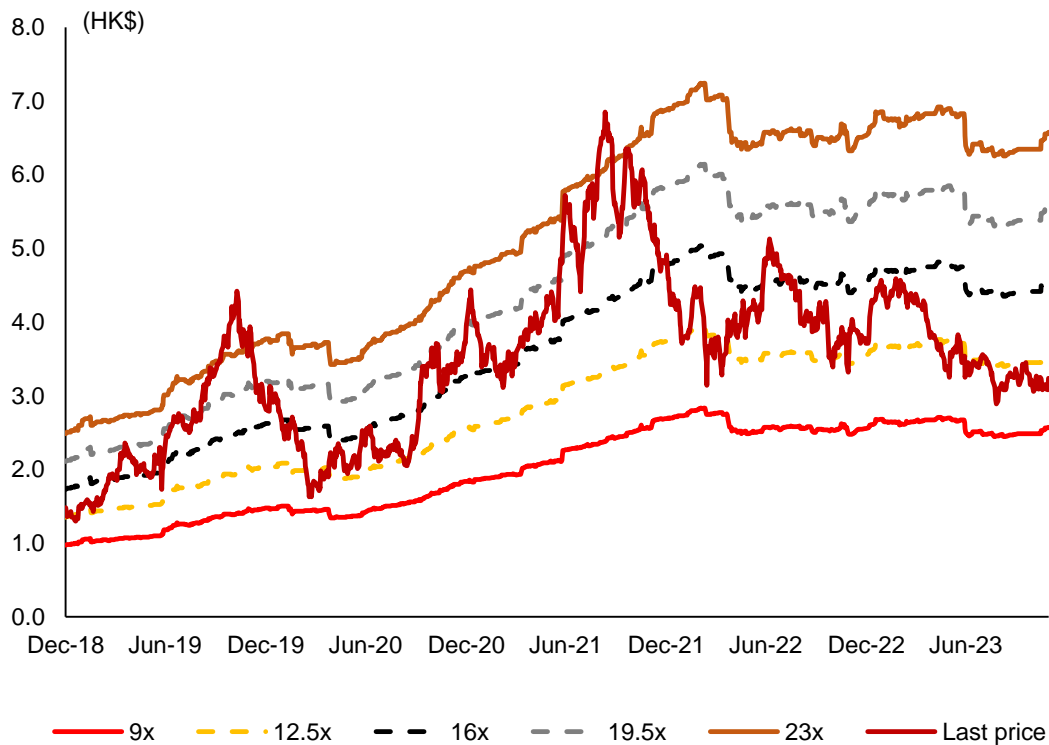
## Valuation

**Figure 8: 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
<b>H-shares Apparel</b>														
Bosideng Intl	3998 HK	BUY	3.86	3.24	19%	35,335	Mar-23	11.7	10.1	2.0	19.7	0.7	6.4	(12.7)
China Lilang	1234 HK	BUY	4.83	4.21	15%	5,041	Dec-22	8.8	7.8	1.1	12.0	0.8	7.8	14.8
Jnby Design	3306 HK	BUY	11.76	10.00	18%	5,188	Jun-23	6.4	5.6	1.9	33.9	0.5	11.6	7.2
Cosmo Lady	2298 HK	NR	n/a	0.28	n/a	619	Dec-22	6.3	4.2	0.3	2.6	0.0	n/a	36.8
Mulsanne Group	709 HK	NR	n/a	2.51	n/a	4,049	Dec-22	10.7	9.7	1.8	15.8	0.6	12.7	45.1
Giordano	1817 HK	NR	n/a	0.80	n/a	760	Dec-22	n/a	n/a	n/a	5.2	0.0	n/a	(80.0)
Koradior	3709 HK	NR	n/a	13.90	n/a	9,786	Dec-22	10.6	8.9	1.8	14.0	0.3	6.1	24.1
								<b>Avg.</b>	<b>9.1</b>	<b>7.7</b>	<b>1.5</b>	<b>14.7</b>	<b>0.4</b>	<b>8.9</b>
								<b>Med.</b>	<b>9.7</b>	<b>8.3</b>	<b>1.8</b>	<b>14.0</b>	<b>0.5</b>	<b>7.8</b>
<b>A-shares Apparel</b>														
Ningbo Peacebird	603877 CH	NR	n/a	15.78	n/a	8,150	Dec-22	13.8	10.9	1.5	5.7	0.2	4.1	(14.2)
Joeone Co Ltd	601566 CH	NR	n/a	10.55	n/a	6,608	Dec-22	27.2	17.5	1.5	3.1	(0.1)	2.0	38.3
Fujian Septwolves	002029 CH	NR	n/a	6.22	n/a	5,123	Dec-22	n/a	n/a	n/a	4.1	0.0	n/a	12.3
Hla Corp Ltd	600398 CH	NR	n/a	7.59	n/a	35,736	Dec-22	11.2	10.0	1.9	19.2	0.6	6.2	43.2
Jiangsu Hongdou	600400 CH	NR	n/a	2.97	n/a	7,446	Dec-22	99.0	74.3	2.3	0.3	1.5	n/a	(27.9)
Dazzle Fashion	603587 CH	NR	n/a	14.06	n/a	7,316	Dec-22	11.9	10.0	1.6	11.6	0.5	6.6	(7.6)
Anzheng Fashion	603839 CH	NR	n/a	7.96	n/a	3,464	Dec-22	n/a	n/a	n/a	(16.6)	0.0	n/a	13.7
Lancy Co Ltd	002612 CH	NR	n/a	20.53	n/a	9,900	Dec-22	40.5	29.7	2.7	6.5	0.2	0.8	(26.0)
Shenzhen Huijie	002763 CH	NR	n/a	8.67	n/a	3,874	Dec-22	n/a	n/a	n/a	8.9	0.0	n/a	13.5
Ellasay Fashion	603808 CH	NR	n/a	10.07	n/a	4,051	Dec-22	15.3	10.4	1.1	2.6	0.1	1.9	10.7
Bobaolon Co	002776 CH	NR	n/a	1.00	n/a	586	Dec-22	n/a	n/a	n/a	n/a	0.0	n/a	(67.2)
								<b>Avg.</b>	<b>31.3</b>	<b>23.3</b>	<b>1.8</b>	<b>4.5</b>	<b>0.3</b>	<b>3.6</b>
								<b>Med.</b>	<b>15.3</b>	<b>10.9</b>	<b>1.6</b>	<b>4.9</b>	<b>0.1</b>	<b>3.1</b>
<b>International Apparel</b>														
Canada Goose	GOOS US	NR	n/a	10.65	n/a	8,472	Apr-23	17.1	13.2	2.7	15.4	0.0	0.0	(40.2)
Moncler Spa	MONC IM	NR	n/a	50.26	n/a	117,829	Dec-22	22.4	20.3	3.8	20.7	2.8	2.1	1.5
Hugo Boss	BOSS GR	NR	n/a	61.54	n/a	36,984	Dec-22	16.6	13.1	2.7	21.1	0.7	2.2	13.6
Next	NXT LN	NR	n/a	7826.0	n/a	98,143	Jan-23	14.0	13.3	5.8	69.0	3.9	2.6	34.8
Hennes & Mauritz	HMB SS	NR	n/a	172.76	n/a	210,222	Nov-22	28.6	18.8	5.6	12.4	0.4	3.8	53.9
Industria De Diseno	ITX SM	NR	n/a	36.92	n/a	982,280	Jan-23	21.8	20.2	5.9	31.7	1.4	3.9	50.4
Ovs Spa	OVS IM	NR	n/a	1.83	n/a	4,545	Jan-23	6.0	5.9	0.5	4.2	0.2	4.3	(13.1)
Pvh Corp	PVH US	NR	n/a	88.85	n/a	41,859	Jan-23	8.6	7.7	0.9	3.6	0.1	0.2	25.9
Vf Corp	VFC US	NR	n/a	16.58	n/a	50,271	Apr-23	10.9	8.6	1.9	(8.1)	0.1	4.7	(39.9)
Marks & Spencer	MKS LN	NR	n/a	247.80	n/a	48,065	Apr-23	12.2	10.9	1.4	13.9	1.0	1.2	101.0
								<b>Avg.</b>	<b>15.8</b>	<b>13.2</b>	<b>3.1</b>	<b>18.4</b>	<b>1.1</b>	<b>2.5</b>
								<b>Med.</b>	<b>15.3</b>	<b>13.2</b>	<b>2.7</b>	<b>14.6</b>	<b>0.6</b>	<b>2.4</b>

Source: Bloomberg, CMBIGM estimates

**Figure 9: Forward 12M P/E valuation band**



Source: Bloomberg, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Mar (RMB mn)</b>						
<b>Revenue</b>	<b>13,517</b>	<b>16,214</b>	<b>16,774</b>	<b>19,432</b>	<b>21,325</b>	<b>22,964</b>
Cost of goods sold	(5,592)	(6,476)	(6,798)	(7,896)	(8,610)	(9,201)
<b>Gross profit</b>	<b>7,924</b>	<b>9,737</b>	<b>9,976</b>	<b>11,537</b>	<b>12,715</b>	<b>13,763</b>
<b>Operating expenses</b>	<b>(5,903)</b>	<b>(7,442)</b>	<b>(7,459)</b>	<b>(8,428)</b>	<b>(9,027)</b>	<b>(9,635)</b>
Selling expense	(4,807)	(6,171)	(6,125)	(6,987)	(7,508)	(8,042)
Admin expense	(1,026)	(1,203)	(1,204)	(1,344)	(1,412)	(1,478)
Others	(70)	(68)	(130)	(97)	(107)	(115)
<b>Operating profit</b>	<b>2,225</b>	<b>2,569</b>	<b>2,826</b>	<b>3,381</b>	<b>3,943</b>	<b>4,404</b>
Other income	204	274	310	272	256	276
Share of (losses)/profits of associates/JV	0	(14)	(22)	(39)	(43)	(46)
<b>EBITDA</b>	<b>2,789</b>	<b>3,119</b>	<b>3,353</b>	<b>3,875</b>	<b>4,412</b>	<b>4,833</b>
Depreciation	(451)	(437)	(414)	(381)	(355)	(317)
Other amortisation	(113)	(113)	(113)	(113)	(113)	(113)
Interest income	213	316	293	314	379	458
Interest expense	(196)	(199)	(210)	(178)	(178)	(178)
Other income/expense	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>2,242</b>	<b>2,672</b>	<b>2,887</b>	<b>3,478</b>	<b>4,102</b>	<b>4,638</b>
Income tax	(537)	(613)	(731)	(870)	(1,026)	(1,159)
Minority interest	5	4	(18)	(10)	(64)	(69)
<b>Net profit</b>	<b>1,705</b>	<b>2,059</b>	<b>2,156</b>	<b>2,609</b>	<b>3,077</b>	<b>3,478</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Mar (RMB mn)</b>						
<b>Current assets</b>	<b>12,877</b>	<b>14,737</b>	<b>15,344</b>	<b>16,798</b>	<b>18,253</b>	<b>19,640</b>
Cash & equivalents	1,771	2,503	2,890	3,475	4,340	5,227
Account receivables	876	1,237	1,280	1,482	1,627	1,752
Inventories	2,646	2,688	2,822	3,277	3,574	3,819
Prepayment	1,168	1,281	1,326	1,536	1,685	1,815
ST bank deposits	307	306	306	306	306	306
Other current assets	6,109	6,722	6,722	6,722	6,722	6,722
<b>Non-current assets</b>	<b>6,080</b>	<b>6,547</b>	<b>6,595</b>	<b>6,753</b>	<b>7,001</b>	<b>7,342</b>
PP&E	1,762	1,758	1,941	2,251	2,654	3,154
Investment in JVs & assos	0	136	114	75	32	(14)
Intangibles	1,572	1,496	1,383	1,271	1,158	1,045
Other non-current assets	2,746	3,157	3,157	3,157	3,157	3,157
<b>Total assets</b>	<b>18,956</b>	<b>21,284</b>	<b>21,939</b>	<b>23,551</b>	<b>25,254</b>	<b>26,982</b>
<b>Current liabilities</b>	<b>5,442</b>	<b>6,610</b>	<b>6,825</b>	<b>7,626</b>	<b>8,163</b>	<b>8,613</b>
Short-term borrowings	671	934	934	934	934	934
Account payables	2,469	3,283	3,446	4,003	4,365	4,664
Tax payable	520	620	620	620	620	620
Other current liabilities	1,783	1,773	1,824	2,069	2,244	2,395
<b>Non-current liabilities</b>	<b>2,263</b>	<b>2,447</b>	<b>2,447</b>	<b>2,447</b>	<b>2,447</b>	<b>2,447</b>
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,263	2,447	2,447	2,447	2,447	2,447
<b>Total liabilities</b>	<b>7,706</b>	<b>9,057</b>	<b>9,272</b>	<b>10,074</b>	<b>10,610</b>	<b>11,061</b>
Share capital	1	1	1	1	1	1
Retained earnings	0	0	(931)	(173)	707	1,703
Other reserves	11,068	12,192	13,547	13,589	13,811	14,024
<b>Total shareholders equity</b>	<b>11,069</b>	<b>12,193</b>	<b>12,616</b>	<b>13,417</b>	<b>14,519</b>	<b>15,728</b>
Minority interest	182	33	51	61	125	194
<b>Total equity and liabilities</b>	<b>18,956</b>	<b>21,284</b>	<b>21,939</b>	<b>23,551</b>	<b>25,254</b>	<b>26,982</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Mar (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	2,242	2,672	2,887	3,478	4,102	4,638
Depreciation & amortization	564	550	526	494	468	430
Tax paid	(348)	(593)	(731)	(870)	(1,026)	(1,159)
Change in working capital	425	(162)	(6)	(67)	(54)	(49)
Others	250	202	232	217	221	224
<b>Net cash from operations</b>	<b>3,133</b>	<b>2,670</b>	<b>2,909</b>	<b>3,253</b>	<b>3,712</b>	<b>4,083</b>
<b>Investing</b>						
Capital expenditure	(437)	(577)	(597)	(691)	(758)	(817)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	(3,426)	(109)	0	0	0	0
<b>Net cash from investing</b>	<b>(3,863)</b>	<b>(686)</b>	<b>(597)</b>	<b>(691)</b>	<b>(758)</b>	<b>(817)</b>
<b>Financing</b>						
Dividend paid	(880)	(1,309)	(1,716)	(1,798)	(1,911)	(2,201)
Net borrowings	148	360	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(135)	(14)	0	0	0	0
Others	(225)	(269)	0	0	0	0
<b>Net cash from financing</b>	<b>(1,092)</b>	<b>(1,232)</b>	<b>(1,716)</b>	<b>(1,798)</b>	<b>(1,911)</b>	<b>(2,201)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	3,639	1,771	2,503	2,890	3,475	4,340
Exchange difference	(46)	(21)	0	0	0	0
Others	(1,822)	752	387	586	865	887
<b>Cash at the end of the year</b>	<b>1,771</b>	<b>2,503</b>	<b>2,890</b>	<b>3,475</b>	<b>4,340</b>	<b>5,227</b>
<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Mar</b>						
Revenue	10.9%	20.0%	3.5%	15.8%	9.7%	7.7%
Gross profit	18.1%	22.9%	2.5%	15.6%	10.2%	8.2%
Operating profit	39.2%	15.5%	10.0%	19.6%	16.6%	11.7%
EBITDA	39.5%	11.9%	7.5%	15.6%	13.8%	9.6%
Net profit	42.6%	20.8%	4.7%	21.0%	17.9%	13.1%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Mar</b>						
Gross profit margin	58.6%	60.1%	59.5%	59.4%	59.6%	59.9%
Operating margin	16.5%	15.8%	16.8%	17.4%	18.5%	19.2%
EBITDA margin	20.6%	19.2%	20.0%	19.9%	20.7%	21.0%
Return on equity (ROE)	16.0%	17.7%	17.4%	20.0%	22.0%	23.0%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Mar</b>						
Net debt to equity (x)	(0.0)	0.0	0.1	0.1	0.1	0.2
Current ratio (x)	2.4	2.2	2.2	2.2	2.2	2.3
Receivable turnover days	23.7	27.8	27.8	27.8	27.8	27.8
Inventory turnover days	172.7	151.5	151.5	151.5	151.5	151.5
Payable turnover days	161.1	185.0	185.0	185.0	185.0	185.0
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Mar</b>						
P/E	18.1	14.8	14.3	11.7	10.1	8.9
P/E (diluted)	18.1	14.8	14.3	11.7	10.1	8.9
P/B	2.6	2.4	2.3	2.1	2.0	1.8
P/CFPS	8.8	17.1	14.2	10.4	9.1	8.3
Div yield (%)	4.2	5.9	6.2	6.4	7.4	8.4
EV	34,913.0	34,534.5	34,147.6	33,561.9	32,697.1	31,809.7
EV/Sales	2.6	2.1	2.0	1.7	1.5	1.4
EV/EBITDA	12.5	11.1	10.2	8.7	7.4	6.6

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

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