

JNBY Design (3306 HK)

Prudent guidance and generous dividends

FY24 results were roughly inline with CMBI/BBG est.. Some investors could be concerned about the softened performance in 2H24, but this should be partially expected. The conservative tone for FY25E is not surprising and guidance should likely be achieved, thanks to further upgrades in member management and customer services, resilient GP margin and a better channel mix, etc. All in all, we think the downside is still limited, given the stock is just trading at 7x FY25E P/E and 11% FY25E yield.

- **FY25E guidance is conservative, but it is expected and achievable, in our view.** First of all, the FY25 guidance provided by management is very prudent, which is foreseeing only positive sales and net profit growth (CMBI est. 7% sales growth and 8% net profit growth). However, we do think that is totally understandable, because: 1) direct retail sales growth was almost flattish during Jan-Jun 2024 (so as the SSSG) and 2) growth of active members and VIPs also slowed down. In our view, such a slowdown is kind of expected by investors already given the current macro backdrop.
- **Nevertheless, we are still cautiously optimistic on sales growth,** because: 1) the long-term target is still valid and reiterated by management (RMB 10bn retail sales, RMB 6bn listco-level sales, 65%+ GP margin and 15%+ NP margin) and that is still implying an 8% sales CAGR during FY24-26E, 2) retail sales growth softened a bit in Jun 2024, but should have sequentially improved in Jul-Aug 2024, thanks to the accelerated e-commerce sales, 3) there will be more upgrades in member management and customer services (more segmentation will be carried out and additional benefits will be added to the higher tiers, and more membership data sharing with shopping malls has already been implemented), 4) there will be more advertising around the Company's 30-year anniversary, in order to boost brand equity and sales, and 5) more product series/ lines will be introduced, like the Black label for the menswear CROQUIS.
- **Margin-wise, despite the potential drag from sluggish offline SSSG, we think it could still be stable,** thanks to: 1) resilient GP margin, supported by improvement in brand power, a highly healthy inventory level and limited retail discounts, 2) disciplined advertising and marketing expenses (we only expect a MSD to HSD YoY increase in terms of absolute amount, despite the 30-year anniversary), and 3) a favourable channel mix, where sales contribution from wholesale and e-commerce could still increase, due to the shift of direct-retail stores to distributor stores and rapid sales growth from e-commerce channels like Douyin.

Earnings Summary

(YE 30 Jun)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	4,465	5,238	5,630	6,046	6,432
YoY growth (%)	9.3	17.3	7.5	7.4	6.4
Operating profit (RMB mn)	857.9	1,194.3	1,263.2	1,383.0	1,487.6
Net profit (RMB mn)	621.3	848.1	917.0	1,021.7	1,117.8
EPS (Reported) (RMB)	1.22	1.63	1.77	1.97	2.15
YoY growth (%)	9.8	33.8	8.1	11.4	9.4
P/E (x)	10.2	7.6	7.0	6.3	5.8
P/B (x)	3.2	3.0	2.8	2.5	2.3
Yield (%)	6.1	11.2	11.4	12.7	13.9
ROE (%)	33.9	40.9	40.6	41.5	41.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$17.61**
(Previous TP *HK\$19.77)*
Up/Downside **29.1%**
Current Price **HK\$13.64**

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	7,075.8
Avg 3 mths t/o (HK\$ mn)	9.9
52w High/Low (HK\$)	16.20/8.29
Total Issued Shares (mn)	518.8

Source: FactSet

Shareholding Structure

Mr. Wu Jian & Family	62.4%
The Core Trust	5.0%

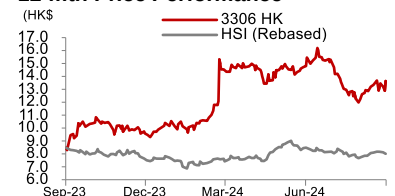
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	14.8%	9.6%
3-mth	-7.8%	-2.4%
6-mth	-6.6%	-12.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Recent Reports:

[Anta Sports \(2020 HK\) - A moderate outlook and buybacks announced](#)
 (28 Aug 24)

[Xtep \(1368 HK\) - Better margins despite cautious sales growth](#)
 (21 Aug 24)

[Li Ning \(2331 HK\) - We see long-term value but short-term risks](#)
 (19 Aug 24)

[361 Degrees \(1361 HK\) - The cautious outlook is likely priced in](#)
 (13 Aug 24)

[Xtep \(1368 HK\) - Cautiously optimistic after a resilient 2Q24](#)
 (12 Jul 24)

[Anta Sports \(2020 HK\) - Stay cautious about FY24E after an inline 2Q24](#)
 (9 Jul 24)

- **We maintain BUY but trim TP to HK\$ 17.61, based on 10x FY25E P/E (rolled over from 11x FY24E P/E, under a tougher macro environment).** We have slightly revised down FY25E/ 26E net profit by 4%/ 2%, in order to factor in: 1) slower-than-expected SSSG and direct retail sales growth, 2) higher-than-expected GP margin, 3) less-than-expected operating leverage and 4) a higher effective tax rate. Even though management's and our view has both turned more conservative, we believe JNBY's growth rate should still be resilient and industry-leading. More importantly, its dividend yield is still highly attractive and the downside shall be reasonably protected. Moreover, after the inclusion into the HSI composite index, the chance to be included in the Stock Connect programme is high too. It is only trading at 7x FY25E P/E and has a dividend yield of 11%, still below its 8-year average of 9x.
- **New brands were added to the family, but sportswear for kids should be the major focus.** Lately in Aug 2024, JNBY has also announced an acquisition, which is to buy 51% of the company owning the sportswear brand "OMG" and the kids' sportswear brand "onmygame", for an amount of roughly RMB 96.44mn. Going forward, their focus will mainly on the sportswear for kids, and we believe more SKUs could be added and offline stores could be opened, but all of these steps will be gradual. And we think synergy is there given their track records of operating kidswear business.
- **The FY24 results were inline and the dividend was generous.** JNBY's sales increased by 17% YoY to RMB 5.2bn and net profit surged by 37% YoY to RMB 848mn, both are inline with CMBI/ BBG est. In our view, the underlying was good. GP margin increased to 67.3% YoY (1.3ppt higher than CMBI est. of 66.0%) while rental expenses/ staff costs only increased by 11%/ 12% YoY (slower than the sales growth). There were only a few negatives such as the higher-than-expected tax rate, at 30% (vs BBG est. of 27%) and the slowdown of SSSG and sales growth in 2H24 (but this was somewhat expected by the market). In terms of working capital, the inventories actually fell by 9% YoY while the operating cash managed to grow by 71% YoY. Lastly, a final dividend of HK\$ 0.86 per share was announced, which made the FY24 payout ratio at around 97% (vs CMBI/ BBG est. of 92%/ 96%).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,630	6,046	6,432	5,687	6,073	n/a	-1.0%	-0.5%	n/a
Gross profit	3,736	4,018	4,281	3,742	4,002	n/a	-0.2%	0.4%	n/a
EBIT	1,263	1,383	1,488	1,296	1,402	n/a	-2.5%	-1.4%	n/a
Net profit att.	917	1,022	1,118	955	1,038	n/a	-4.0%	-1.5%	n/a
Diluted EPS (RMB)	1.768	1.970	2.155	1.878	2.041	n/a	-5.9%	-3.5%	n/a
Gross margin	66.4%	66.5%	66.6%	65.8%	65.9%	n/a	0.6ppt	0.6ppt	n/a
EBIT margin	22.4%	22.9%	23.1%	22.8%	23.1%	n/a	-0.3ppt	-0.2ppt	n/a
Net profit att. margin	16.3%	16.9%	17.4%	16.8%	17.1%	n/a	-0.5ppt	-0.2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	5,630	6,046	6,432	5,876	6,458	n/a	-4.2%	-6.4%	n/a
Gross profit	3,736	4,018	4,281	3,854	4,250	n/a	-3.1%	-5.5%	n/a
EBIT	1,263	1,383	1,488	1,293	1,441	n/a	-2.3%	-4.0%	n/a
Net profit att.	917	1,022	1,118	953	1,045	n/a	-3.7%	-2.3%	n/a
Diluted EPS (RMB)	1.768	1.970	2.155	1.852	2.025	n/a	-4.6%	-2.7%	n/a
Gross margin	66.4%	66.5%	66.6%	65.6%	65.8%	n/a	0.8ppt	0.6ppt	n/a
EBIT margin	22.4%	22.9%	23.1%	22.0%	22.3%	n/a	0.4ppt	0.6ppt	n/a
Net profit att. margin	16.3%	16.9%	17.4%	16.2%	16.2%	n/a	0.1ppt	0.7ppt	n/a

Source: Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H24	2H24	1H25E	2H25E	1H24 YoY	2H24 YoY	1H25E YoY	2H25E YoY	2H24E CMBIG M	Actual vs CMBIGM
Revenue	2,976	2,263	3,160	2,470	26%	7%	6%	9%	2,283	-0.9%
COGS	-1,028	-740	-1,087	-807					-776	
Gross profit	1,948	1,523	2,073	1,663	28%	9%	6%	9%	1,507	1.1%
GP margins	65.5%	67.3%	65.6%	67.3%					66.0%	1.3ppt
Other income & gains	32	26	38	29					41	
S & D expenses	-926	-901	-1,011	-1,000	13%	3%	9%	11%	-956	-5.7%
<i>S & D exp / sales</i>	-31.1%	-39.8%	-32.0%	-40.5%					-41.9%	
Admin expenses	-250	-256	-256	-272	18%	9%	2%	6%	-241	6.2%
<i>Admin exp / sales</i>	-8.4%	-11.3%	-8.1%	-11.0%					-10.6%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	803	391	844	419	55%	15%	5%	7%	351	11.5%
<i>OP margins</i>	27.0%	17.3%	26.7%	17.0%					15.4%	1.9ppt
Other items	0	0	0	0					0	
Net finance income	5	15	13	16					-0	
Net finance income / sales	0.2%	0.7%	0.4%	0.6%					0.0%	
Profit after financing costs	808	407	856	435					350	
Associated coms	0	-1	0	0					0	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	808	405	856	435	57%	21%	6%	7%	350	15.7%
Tax	-234	-131	-248	-126					-79	
Tax / sales	-7.9%	-5.8%	-7.9%	-5.1%					-3.5%	
Effective tax rate	-28.9%	-32.4%	-29.0%	-29.0%					-22.5%	
Minority interests	0	0	0	0					0	
Net profit att.	574	274	608	309	54%	10%	6%	13%	271	1.0%
NP margins	19.3%	12.1%	19.2%	12.5%					11.9%	0.2ppt

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY23	FY24	FY25E	FY26E	FY24 YoY	FY25E YoY	FY26E YoY	FY24E CMBI GM	Actual vs CMBIG M
Revenue	4,465	5,238	5,630	6,046	17%	7%	7%	5,258	-0.4%
COGS	-1,548	-1,768	-1,894	-2,028				-1,804	
Gross profit	2,917	3,470	3,736	4,018	19%	8%	8%	3,455	0.5%
GP margin	65.3%	66.3%	66.4%	66.5%				65.7%	
Other income & gains	82	57	67	72				73	
S & D expenses	-1,695	-1,827	-2,012	-2,144	8%	10%	7%	-1,882	-2.9%
S & D exp / sales	-38.0%	-34.9%	-35.7%	-35.5%				-35.8%	
Admin expenses	-446	-506	-528	-563				-491	
Admin exp / sales	-10.0%	-9.7%	-9.4%	-9.3%				-9.3%	
Other opex	0	0	0	0				0	
Operating profit (EBIT)	858	1,194	1,263	1,383	39%	6%	9%	1,154	
OP margin	19.2%	22.8%	22.4%	22.9%				21.9%	
Other items	0	0	0	0				0	
Net finance income	-7	20	28	36				4	
Net finance income / sales	-0.2%	0.4%	0.5%	0.6%				0.1%	
Profit after financing costs	851	1,214	1,292	1,419				1,158	
Associated coms	0	-1	0	0				0	
Jointly controlled coms	0	0	0	0				0	
Pre-tax profit	851	1,213	1,292	1,419	43%	6%	10%	1,158	4.7%
Tax	-230	-365	-375	-397				-313	
Tax / sales	-5.1%	-7.0%	-6.7%	-6.6%				-5.9%	
Effective tax rate	-27.0%	-30.1%	-29.0%	-28.0%				-27.0%	
Minority interests	0	0	0	0				0	
Net profit att.	621	848	917	1,022	37%	8%	11%	845	0.3%
NP margin	13.9%	16.2%	16.3%	16.9%				16.1%	

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: Major assumptions

Major assumptions	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by brand (RMB mn)					
JNBY	2,513	2,944	3,180	3,434	3,674
CROQUIS	676	755	792	832	865
jnby by JNBY	665	807	864	924	980
less	526	622	666	712	755
Other brands	85	110	129	143	158
Total	4,465	5,238	5,630	6,046	6,432
Sales by brand growth (%)					
JNBY	8.7%	17.1%	8.0%	8.0%	7.0%
CROQUIS	4.7%	11.7%	5.0%	5.0%	4.0%
jnby by JNBY	12.2%	21.4%	7.0%	7.0%	6.0%
less	14.0%	18.3%	7.0%	7.0%	6.0%
Other brands	13.5%	28.7%	17.1%	11.2%	10.2%
Total	9.3%	17.3%	7.5%	7.4%	6.4%
Sales by channel growth (%)					
Self-owned	10.9%	16.4%	5.4%	8.3%	7.8%
Distributors	1.7%	17.7%	6.0%	5.0%	4.0%
Online	24.5%	18.4%	15.0%	10.0%	8.0%
Sales network by segment					
JNBY	921	924	929	934	939
CROQUIS	300	310	315	320	325
jnby by JNBY	486	493	498	503	508
less	233	240	255	270	280
Other brands	50	57	63	71	79
Total	1,990	2,024	2,060	2,098	2,131
GP margins by Channel					
JNBY	67.2%	68.2%	68.1%	68.3%	68.5%
CROQUIS	64.7%	66.3%	66.1%	66.1%	66.1%
jnby by JNBY	58.6%	59.2%	60.0%	60.0%	60.0%
less	68.7%	69.9%	70.1%	70.1%	70.1%
Other brands	46.4%	45.0%	47.6%	47.8%	47.9%
Total	65.3%	66.3%	66.4%	66.5%	66.6%
Opex breakdown					
Outsourcing charges/ sales	9.2%	9.0%	9.0%	9.0%	9.0%
Rental expenses/ sales	11.9%	11.2%	11.0%	10.8%	10.5%
Staff costs/ sales	9.7%	9.3%	9.3%	9.4%	9.5%
A&P expenses/ sales	9.2%	7.8%	8.0%	8.0%	8.0%
Provisions for inventory/ sales	2.4%	1.2%	2.1%	2.0%	2.0%
D&A/ sales	2.7%	2.3%	2.2%	2.2%	2.2%
Selling & distribution costs / sales	38.0%	34.9%	35.7%	35.5%	35.3%
Admin expenses / sales	10.0%	9.7%	9.4%	9.3%	9.3%
OP margin	19.2%	22.8%	22.4%	22.9%	23.1%
Effective tax rate	27.0%	30.1%	29.0%	28.0%	27.0%
Net profit margin	13.9%	16.2%	16.3%	16.9%	17.4%
Net profit att. growth (%)	11.2%	36.5%	8.1%	11.4%	9.4%

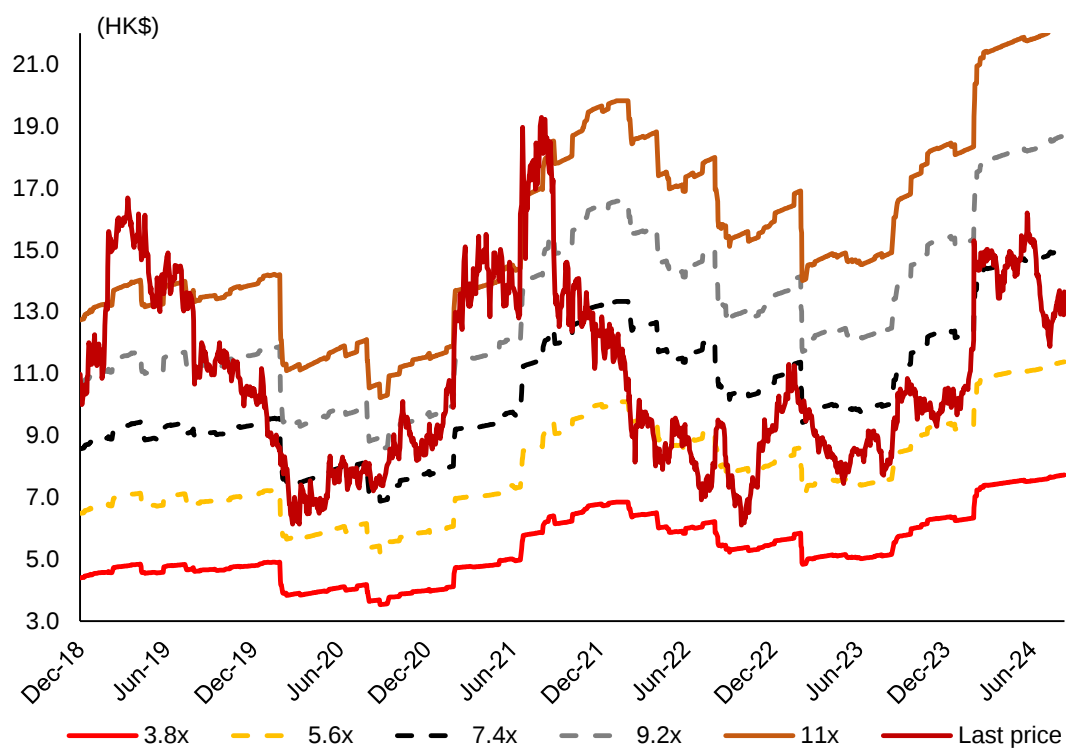
Source: Company data, CMBIGM estimates

Valuation

Figure 6: Peers' valuation

			12m TP	Price	Up/ Down- side	Mkt. Cap	Year	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD. Perf (%)	
Company	Ticker	Rating	(LC)	(LC)		(HK\$mn)	End	FY1E	FY2E	FY2E	FY1E	FY1E	FY1E	FY1E	
H shares Apparel															
Jnby Design	3306 HK	BUY	17.61	13.64	29%	7,076	Jun-24	7.2	6.4	2.1	40.9	0.7	11.2	33.5	
Bosideng Int'l	3998 HK	BUY	5.98	3.75	59%	41,388	Mar-24	10.3	9.0	2.2	23.4	0.7	7.8	6.8	
China Lilang	1234 HK	BUY	4.85	3.91	24%	4,682	Dec-23	7.4	6.6	1.0	13.6	0.7	10.3	(5.4)	
Cosmo Lady	2298 HK	NR	n/a	0.27	n/a	596	Dec-23	8.9	6.5	0.3	5.0	0.5	n/a	10.9	
Giordano Int'l	709 HK	NR	n/a	1.56	n/a	2,521	Dec-23	9.2	8.2	n/a	12.7	(3.6)	n/a	(40.9)	
Eeka Fashion	3709 HK	NR	n/a	9.31	n/a	6,555	Dec-23	7.4	6.4	1.1	15.6	1.4	8.1	(34.3)	
Mulsanne Group	1817 HK	NR	n/a	0.56	n/a	532	Dec-23	n/a	n/a	n/a	2.3	0.0	n/a	(20.0)	
Bauhaus Intl	483 HK	NR	n/a	0.24	n/a	87	Mar-24	n/a	n/a	n/a	0.7	0.0	n/a	(48.7)	
								Avg.	8.4	7.2	1.3	14.3	0.1	9.3	(12.3)
								Med.	8.2	6.5	1.1	13.1	0.6	9.2	(12.7)
A-shares Apparel															
Dazzle Fashion	603587 CH	NR	n/a	10.60	n/a	5,553	Dec-23	10.9	9.7	1.3	11.5	1.8	7.2	(19.1)	
Anzheng Fashion	603839 CH	NR	n/a	4.28	n/a	1,876	Dec-23	n/a	n/a	n/a	0.3	0.0	n/a	(48.4)	
Ellassay Fashion	603808 CH	NR	n/a	6.11	n/a	2,476	Dec-23	11.0	8.1	0.7	3.0	0.2	7.2	(33.4)	
Jinhong Fashion	603518 CH	NR	n/a	6.43	n/a	2,450	Dec-23	6.3	5.3	0.5	9.0	0.4	4.8	(35.8)	
Xin Hee	003016 CH	NR	n/a	6.54	n/a	3,078	Dec-23	34.4	31.1	1.0	2.0	(48.8)	n/a	(20.0)	
Shenzhen Huijie	002763 CH	NR	n/a	6.01	n/a	2,705	Dec-23	n/a	n/a	n/a	8.2	0.0	n/a	(28.5)	
Peacebird Fashion	603877 CH	NR	n/a	11.88	n/a	6,181	Dec-23	12.4	10.6	1.1	7.8	1.2	4.5	(30.4)	
Fujian Septwolves	002029 CH	NR	n/a	4.99	n/a	3,863	Dec-23	1.8	1.6	0.1	4.6	0.0	n/a	(12.9)	
Baoxiniao	002154 CH	NR	n/a	3.43	n/a	5,497	Dec-23	7.1	6.2	1.0	15.2	1.0	8.4	(39.6)	
Joeone	601566 CH	NR	n/a	6.88	n/a	4,341	Dec-23	14.0	10.5	0.9	5.1	0.4	3.4	(31.0)	
Hla Group	600398 CH	NR	n/a	5.67	n/a	29,904	Dec-23	9.3	8.4	1.4	18.2	4.2	7.1	(23.6)	
Jiangsu Hongdou	600400 CH	NR	n/a	2.15	n/a	5,422	Dec-23	71.7	58.1	1.6	1.3	1.4	n/a	(22.9)	
								Avg.	17.9	15.0	1.0	7.2	(3.2)	6.1	(28.8)
								Med.	11.0	9.1	1.0	6.5	0.4	7.1	(29.5)
International Apparel															
Hugo Boss	BOSS GR	NR	n/a	35.38	n/a	21,508	Dec-23	10.9	9.0	1.5	18.4	1.5	3.5	(47.6)	
Next	NXT LN	NR	n/a	9926.00	n/a	127,692	Jan-24	15.8	14.8	5.4	60.0	3.5	2.2	22.3	
Hennes & Mauritz	HMB SS	NR	n/a	157.85	n/a	192,449	Nov-23	18.9	16.5	5.0	25.8	0.7	4.4	(10.6)	
Industria De Diseno	ITX SM	NR	n/a	46.60	n/a	1,254,108	Jan-24	24.2	22.3	6.9	32.6	2.3	3.5	18.2	
Ovs Spa	OVS IM	NR	n/a	2.63	n/a	6,612	Jan-24	9.2	8.6	0.7	5.8	0.5	3.6	17.5	
Pvh Corp	PVH US	NR	n/a	94.96	n/a	41,349	Feb-24	8.1	7.4	0.9	14.5	0.7	0.2	(22.2)	
Vf Corp	VFC US	NR	n/a	17.68	n/a	53,638	Mar-24	30.7	17.5	2.8	(57.0)	(0.2)	1.9	(6.0)	
Marks & Spencer	MKS LN	NR	n/a	347.70	n/a	72,931	Mar-24	13.4	12.3	1.8	15.7	1.1	1.6	27.6	
								Avg.	16.4	13.6	3.1	14.5	1.3	2.6	(0.1)
								Med.	14.6	13.6	2.3	17.0	0.9	2.9	5.8

Source: Bloomberg, CMBIGM estimates

Figure 7: Forward 12M P/E valuation band

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun (RMB mn)						
Revenue	4,086	4,465	5,238	5,630	6,046	6,432
Cost of goods sold	(1,478)	(1,548)	(1,768)	(1,894)	(2,028)	(2,151)
Gross profit	2,607	2,917	3,470	3,736	4,018	4,281
Operating expenses	(1,889)	(2,141)	(2,333)	(2,540)	(2,707)	(2,870)
Selling expense	(1,511)	(1,695)	(1,827)	(2,012)	(2,144)	(2,273)
Admin expense	(377)	(446)	(506)	(528)	(563)	(597)
R&D expense	0	0	0	0	0	0
Others	0	0	0	0	0	0
Operating profit	776	858	1,194	1,263	1,383	1,488
Other income	57	82	57	67	72	77
Share of (losses)/profits of associates/JV	0	0	(1)	0	0	0
EBITDA	872	980	1,331	1,400	1,499	1,582
Depreciation	(93)	(117)	(133)	(133)	(112)	(91)
Other amortisation	(3)	(6)	(4)	(4)	(4)	(3)
Interest income	38	38	58	66	74	81
Interest expense	(38)	(45)	(38)	(38)	(38)	(38)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	776	851	1,213	1,292	1,419	1,531
Income tax	(217)	(230)	(365)	(375)	(397)	(413)
After tax profit	559	621	848	917	1,022	1,118
Minority interest	0	0	0	0	0	0
Net profit	559	621	848	917	1,022	1,118

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun (RMB mn)						
Current assets	2,180	2,223	2,580	2,819	3,080	3,313
Cash & equivalents	592	525	698	836	990	1,125
Restricted cash	384	490	490	490	490	490
Account receivables	104	125	147	158	170	181
Inventories	829	790	902	967	1,035	1,098
Prepayment	269	291	341	366	393	419
Other current assets	2	1	1	1	1	1
Non-current assets	2,440	2,613	2,649	2,699	2,785	2,905
PP&E	451	463	505	559	649	772
Right-of-use assets	720	770	770	770	770	770
Investment in JVs & assos	0	0	(1)	(1)	(1)	(1)
Intangibles	19	20	17	13	10	7
Other non-current assets	1,250	1,360	1,359	1,358	1,358	1,357
Total assets	4,620	4,835	5,229	5,518	5,865	6,218
Current liabilities	1,749	1,616	1,824	1,932	2,046	2,152
Short-term borrowings	149	100	100	100	100	100
Account payables	289	236	270	289	310	329
Tax payable	0	0	0	0	0	0
Other current liabilities	1,136	1,065	1,240	1,329	1,423	1,510
Lease liabilities	175	215	215	215	215	215
Non-current liabilities	466	469	469	469	469	469
Long-term borrowings	0	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	466	469	469	469	469	469
Total liabilities	2,215	2,084	2,293	2,401	2,515	2,621
Share capital	333	375	375	375	375	375
Retained earnings	1,123	1,353	1,215	1,390	1,584	1,797
Other reserves	229	254	577	584	621	656
Total shareholders equity	1,685	1,982	2,167	2,348	2,580	2,827
Minority interest	0	0	0	0	0	0
Total equity and liabilities	3,900	4,066	4,459	4,749	5,095	5,448

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun (RMB mn)						
Operating						
Profit before taxation	776	851	1,213	1,292	1,419	1,531
Depreciation & amortization	(96)	(123)	(137)	(137)	(116)	(95)
Tax paid	(238)	(328)	(365)	(375)	(397)	(413)
Change in working capital	(149)	(136)	24	7	7	7
Others	560	675	313	312	269	227
Net cash from operations	853	939	1,049	1,099	1,182	1,257
Investing						
Capital expenditure	(134)	(149)	(174)	(188)	(201)	(214)
Acquisition of subsidiaries/ investments	(6)	(7)	0	0	0	0
Others	330	(84)	0	0	0	0
Net cash from investing	190	(240)	(174)	(188)	(201)	(214)
Financing						
Dividend paid	(612)	(392)	(663)	(735)	(790)	(871)
Net borrowings	(371)	(390)	0	0	0	0
Proceeds from share issues	3	16	0	0	0	0
Share repurchases	(23)	(6)	0	0	0	0
Others	0	0	(38)	(38)	(38)	(38)
Net cash from financing	(1,002)	(772)	(701)	(773)	(828)	(908)
Net change in cash						
Cash at the beginning of the year	549	592	525	698	836	990
Exchange difference	2	6	0	0	0	0
Others	41	(73)	173	138	154	135
Cash at the end of the year	592	525	698	836	990	1,125
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun						
Revenue	(1.0%)	9.3%	17.3%	7.5%	7.4%	6.4%
Gross profit	0.4%	11.9%	19.0%	7.6%	7.5%	6.6%
Operating profit	(12.2%)	10.6%	39.2%	5.8%	9.5%	7.6%
EBITDA	(8.7%)	12.5%	35.8%	5.2%	7.0%	5.6%
Net profit	(13.6%)	11.2%	36.5%	8.1%	11.4%	9.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun						
Gross profit margin	63.8%	65.3%	66.3%	66.4%	66.5%	66.6%
Operating margin	19.0%	19.2%	22.8%	22.4%	22.9%	23.1%
EBITDA margin	21.3%	22.0%	25.4%	24.9%	24.8%	24.6%
Return on equity (ROE)	32.9%	33.9%	40.9%	40.6%	41.5%	41.3%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun						
Net debt to equity (x)	0.3	0.3	0.4	0.4	0.4	0.4
Current ratio (x)	1.2	1.4	1.4	1.5	1.5	1.5
Receivable turnover days	9.3	10.3	10.3	10.3	10.3	10.3
Inventory turnover days	204.6	186.3	186.3	186.3	186.3	186.3
Payable turnover days	71.4	55.7	55.7	55.7	55.7	55.7
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 30 Jun						
P/E	11.1	10.2	7.6	7.0	6.3	5.8
P/E (diluted)	11.1	10.2	7.6	7.0	6.3	5.8
P/B	3.8	3.2	3.0	2.8	2.5	2.3
P/CFPS	7.3	6.7	6.1	5.9	5.4	5.1
Div yield (%)	9.5	6.1	11.2	11.4	12.7	13.9
EV	6,587.3	6,452.8	6,366.1	6,228.1	6,074.6	5,939.8
EV/Sales	1.6	1.4	1.2	1.1	1.0	0.9
EV/EBITDA	7.6	6.6	4.8	4.4	4.1	3.8

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY	: Stock with potential return of over 15% over next 12 months
HOLD	: Stock with potential return of +15% to -10% over next 12 months
SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM

OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.