

JNBY Design (3306 HK)

An impressive beat but a conservative outlook

We are impressed by the results beat and special dividend in 1H24, and the re-rating finally happens in line with what we had predicted half a year ago. Going forward, we believe a slowdown in 2H24E is likely, but HSD sales and net profit growth is still both reasonable and achievable, esp. when the Company's fan-based growth strategy is still working successfully. Current valuation of 9x P/E and 11% yield is still attractive.

- A strong set of results in 1H24.** Sales increased by 26% YoY to RMB 2.9bn, beating CMBI est. by 12%, thanks to: 1) continual upgrades in products and branding, 2) robust SSSG, supported by improved customer experience (number of active members/ VIPs jumped by 31%/ 36%), store revamps and offline foot traffic resumption and 3) resilient e-commerce sales growth of 24%. Net profit rocketed by 54% YoY to RMB 574mn, better than CMBI est. by 31%, due to: 1) GP margin improvement (through ASP hikes, narrowed retail discounts and better channel mix) and 2) significant operating leverage (as a result of exceptional SSSG). In fact, their sales growth of 26% led the market, much faster than Helian Home's 15% and LVMH APAC's 13%. Also, aided by the adoption of more re-orders, the inventory days had been shortened to 137 days in 1H24 (from 191 days in 1H23). Most importantly, an interim DPS of HK\$ 0.46 and a special DPS of HK\$ 0.39 were proposed, totalling HK\$ 441mn, about 5.5% of current market cap (we estimated FY6/24E dividend yield to be at 10.6%).
- FY24E guidance raised (but slowdown in 2H24E is not surprising).** Due to stellar 1H24 results, management raised their FY24E guidance to 15%+/30%+ sales/ net profit growth (from 10%+/ 10%+ previously). On one hand, we are not surprised to see a slowdown in growth in 2H24E (due to high base and macro headwinds). On the other hand, we are still slightly more optimistic than the management (as the FY24E guidance is implying 3% sales growth and 6% net profit decline in 2H24E). We are projecting 8% sales growth and 9% net profit growth in 2H24E, consist of: 1) moderate retail sales growth of SD during 2024 CNY, 2) further upgrades in the member's management and customer services (more membership data sharing with the shopping mall is likely), 3) positives yielded from store revamps (about 30% remained stores to be done in 2H24E), 4) potential restocking from the franchisees (their financial should have improved with lower inventories and better retail discounts). Margin-wise, we only expect a flattish NP margin YoY, due to limited operating leverage (4% SSSG in 2H24) and fall in other income & gains.
- Maintain BUY and raise TP to HK\$ 19.77.** We revise up FY24E/ 25E/ 26E net profit forecasts by 19%/ 19%/ 20% to factor in: 1) exceptional SSSG and e-commerce sales growth, 2) GP margin expansion and 3) significant operating leverage. On one hand, we are pleased that the re-rating occurs as we had predicted half a year ago. But on the other hand, we believe the growth rate could still be industry-leading, even though a slowdown is very likely. As the current valuation is not demanding (8.5x FY24E P/E and 10.6% FY24E yield), there is still room for more re-rating. Our TP is based on 11x (from 9x), slightly higher vs 8-year average of 9x.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,086	4,465	5,258	5,687	6,073
YoY growth (%)	(1.0)	9.3	17.8	8.2	6.8
Operating profit (RMB mn)	776	858	1,154	1,296	1,402
Net profit (RMB mn)	558.9	621.3	845.4	955.1	1,037.7
EPS (Reported) (RMB)	1.11	1.22	1.66	1.88	2.04
YoY growth (%)	(13.6)	9.8	36.1	13.0	8.7
P/E (x)	6.8	6.9	8.5	7.5	6.9
P/B (x)	2.3	2.2	3.2	2.9	2.6
Yield (%)	11.4	9.0	10.6	10.0	10.9
ROE (%)	32.9	33.9	39.4	39.8	39.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$19.77
(Previous TP)	HK\$14.26)
Up/Downside	29.2%
Current Price	HK\$15.30

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	7,936.9
Avg 3 mths t/o (HK\$ mn)	5.1
52w High/Low (HK\$)	15.30/7.45
Total Issued Shares (mn)	518.8

Source: FactSet

Shareholding Structure

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

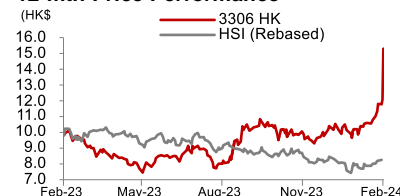
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	50.0%	44.7%
3-mth	53.0%	60.6%
6-mth	91.0%	109.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Sportswear & Apparel

[Xtep \(1368 HK\) – 4Q23 was inline but macro is still challenging](#)
(10 Jan 24)

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[Topsports \(6110 HK\) – Turnaround continues after a resilient 3Q24](#)
(18 Dec 23)

[Topsports \(6110 HK\) – Turnaround is on track despite bumpy sales](#)
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[Anta Sports \(2020 HK\) – 2023 Investor Day and the new 3 years targets: excited about Anta brand's new strategies](#)
(19 Oct 23)

[Xtep \(1368 HK\) – An inline 3Q23 and strong FY24E guidance](#)
(18 Oct 23)

- **Mid-term target maintained but we are more optimistic (esp. on margin).** Management has reiterated their mid-term target for FY26E (RMB 10bn retail sales, RMB 6.0bn listed co level sales, 65%+ GP margin and a ~15% NP margin, also implying a HSD/ 20% sales CAGR during FY23-26E). However, after this exceptional results beat in 1H24, we are even more confident on achieving this target (or even exceeding it, esp. on the margin side). For GP margin, we still think it is on the uptrend, because: 1) ASP hike is still likely (as brand equity improves, and to offset the raw material inflation), 2) channel mix should continue to improve (self-owned stores and e-commerce sales are not just faster but with higher margins) and 3) retail discounts should stay healthy (since inventory day has improved after the adoption of more re-orders). Also, we are optimistic that the OP margin will continue to expand, because: 1) sales per store should continue to grow (boosted by more private domain sales and shift of stores to better locations, etc.), 2) diversification of e-commerce sales, from traditional platforms to new platforms such as Xiaohongshu and Douyin (the margins tend to be higher), etc.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	5,258	5,687	6,073	4,914	5,261	5,559	7.0%	8.1%	9.2%
Gross profit	3,455	3,742	4,002	3,205	3,440	3,642	7.8%	8.8%	9.9%
EBIT	1,154	1,296	1,402	975	1,090	1,166	18.4%	18.9%	20.2%
Net profit att.	845	955	1,038	713	803	864	18.5%	19.0%	20.1%
Diluted EPS (RMB)	1.663	1.878	2.041	1.403	1.579	1.699	18.5%	19.0%	20.1%
Gross margin	65.7%	65.8%	65.9%	65.2%	65.4%	65.5%	0.5ppt	0.4ppt	0.4ppt
EBIT margin	21.9%	22.8%	23.1%	19.8%	20.7%	21.0%	2.1ppt	2.1ppt	2.1ppt
Net profit att. margin	16.1%	16.8%	17.1%	14.5%	15.3%	15.5%	1.6ppt	1.5ppt	1.5ppt

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	5,258	5,687	6,073	5,080	5,656	6,265	3.5%	0.6%	-3.1%
Gross profit	3,455	3,742	4,002	3,323	3,706	4,111	3.9%	1.0%	-2.6%
EBIT	1,154	1,296	1,402	982	1,143	1,277	17.5%	13.3%	9.8%
Net profit att.	845	955	1,038	768	871	979	10.2%	9.7%	6.1%
Diluted EPS (RMB)	1.663	1.878	2.041	1.535	1.760	1.995	8.3%	6.7%	2.3%
Gross margin	65.7%	65.8%	65.9%	65.4%	65.5%	65.6%	0.3ppt	0.3ppt	0.3ppt
EBIT margin	21.9%	22.8%	23.1%	19.3%	20.2%	20.4%	2.6ppt	2.6ppt	2.7ppt
Net profit att. margin	16.1%	16.8%	17.1%	15.1%	15.4%	15.6%	1ppt	1.4ppt	1.5ppt

Source: Company data, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24E YoY	1H24E CMBIGM M	Actual vs CMBIGM
Revenue	2,360	2,105	2,976	2,283	-5%	31%	26%	8%	2,659	2,255
COGS	-834	-714	-1,028	-776					-933	-775
Gross profit	1,526	1,391	1,948	1,507	-3%	35%	28%	8%	1,726	1,479
GP margins	64.7%	66.1%	65.5%	66.0%					64.9%	65.6%
Other income & gains	20	61	32	41					13	55
S & D expenses	-817	-878	-926	-956	2%	23%	13%	9%	-904	-918
S & D exp / sales	-34.6%	-41.7%	-31.1%	-41.9%					-34.0%	-40.7%
Admin expenses	-211	-235	-250	-241	11%	26%	18%	3%	-231	-244
Admin exp / sales	-8.9%	-11.1%	-8.4%	-10.6%					-8.7%	-10.8%
Other opex	0	0	0	0					0	0
Operating profit (EBIT)	518	340	803	351	-16%	110%	55%	3%	604	371
OP margins	22.0%	16.1%	27.0%	15.4%					22.7%	16.5%
Other items	0	0	0	0					0	0
Net finance income	-3	-4	5	-0					-5	8
Net finance income / sales	-0.1%	-0.2%	0.2%	0.0%					-0.2%	0.3%
Profit after financing costs	515	336	808	350					598	379
Associated coms	0	0	0	0					0	0
Jointly controlled coms	0	0	0	0					0	0
Pre-tax profit	515	336	808	350	-16%	108%	57%	4%	598	379
Tax	-143	-87	-234	-79					-162	-102
Tax / sales	-6.1%	-4.1%	-7.9%	-3.5%					-6.1%	-4.5%
Effective tax rate	-27.7%	-25.8%	-28.9%	-22.5%					-27.0%	-27.0%
Minority interests	0	0	0	0					0	0
Net profit att.	372	249	574	271	-16%	116%	54%	9%	437	276
NP margins	15.8%	11.8%	19.3%	11.9%					16.4%	12.3%

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY23	FY24E	FY25E	FY26E	FY24E YoY	FY25E YoY	FY26E YoY
Revenue	4,465	5,258	5,687	6,073	18%	8%	7%
COGS	-1,548	-1,804	-1,945	-2,071			
Gross profit	2,917	3,455	3,742	4,002	18%	8%	7%
GP margins	65.3%	65.7%	65.8%	65.9%			
Other income & gains	82	73	73	78			
S & D expenses	-1,695	-1,882	-2,005	-2,132	11%	7%	6%
S & D exp / sales	-38.0%	-35.8%	-35.3%	-35.1%			
Admin expenses	-446	-491	-514	-546			
Admin exp / sales	-10.0%	-9.3%	-9.0%	-9.0%			
Other opex	0	0	0	0			
Operating profit (EBIT)	858	1,154	1,296	1,402	35%	12%	8%
OP margins	19.2%	21.9%	22.8%	23.1%			
Other items	0	0	0	0			
Net finance income	-7	4	13	19			
Net finance income / sales	-0.2%	0.1%	0.2%	0.3%			
Profit after financing costs	851	1,158	1,308	1,422			
Associated coms	0	0	0	0			
Jointly controlled coms	0	0	0	0			
Pre-tax profit	851	1,158	1,308	1,422	36%	13%	9%
Tax	-230	-313	-353	-384			
Tax / sales	-5.1%	-5.9%	-6.2%	-6.3%			
Effective tax rate	-27.0%	-27.0%	-27.0%	-27.0%			
Minority interests	0	0	0	0			
Net profit att.	621	845	955	1,038	36%	13%	9%
NP margins	13.9%	16.1%	16.8%	17.1%			

Source: Company data, CMBIGM estimates

Assumptions

Figure 5: Major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
Sales by brand (RMB mn)					
JNBY	2,312	2,513	2,941	3,176	3,398
CROQUIS	645	676	763	809	850
jnby by JNBY	593	665	811	876	938
less	461	526	642	706	755
Other brands	75	85	101	120	133
Total	4,086	4,465	5,258	5,687	6,073
Sales by brand growth (%)					
JNBY	0.6%	8.7%	17.0%	8.0%	7.0%
CROQUIS	-6.8%	4.7%	13.0%	6.0%	5.0%
jnby by JNBY	-9.8%	12.2%	22.0%	8.0%	7.0%
less	17.8%	14.0%	22.0%	10.0%	7.0%
Other brands	-13.7%	13.5%	18.7%	18.7%	10.4%
Total	-1.0%	9.3%	17.8%	8.2%	6.8%
Sales by channel growth (%)					
Self-owned	-4.8%	10.9%	21.7%	8.4%	6.5%
Distributors	1.2%	1.7%	14.0%	7.0%	6.0%
Online	3.6%	24.5%	17.0%	10.0%	9.0%
Sales network by segment					
JNBY	921	921	936	941	946
CROQUIS	313	300	310	315	320
jnby by JNBY	471	486	496	501	506
less	204	233	243	258	273
Other brands	47	50	53	59	67
Total	1,956	1,990	2,038	2,074	2,112
GP margins by Channel					
JNBY	64.5%	67.2%	67.5%	67.3%	67.2%
CROQUIS	63.9%	64.7%	64.6%	65.1%	65.4%
jnby by JNBY	59.2%	58.6%	60.1%	60.6%	60.9%
less	67.4%	68.7%	68.6%	69.1%	69.4%
Other brands	57.2%	46.4%	49.6%	49.7%	50.1%
Total	63.8%	65.3%	65.7%	65.8%	65.9%
Opex breakdown					
Outsourcing charges/ sales	9.2%	9.2%	8.7%	8.4%	8.4%
Rental expenses/ sales	12.3%	11.9%	10.8%	10.6%	10.4%
Staff costs/ sales	9.0%	9.7%	9.1%	9.2%	9.4%
A&P expenses/ sales	8.3%	9.2%	9.1%	9.0%	9.0%
Provisions for inventory/ sales	2.6%	2.4%	2.2%	2.1%	2.0%
D&A/ sales	2.3%	2.7%	2.3%	2.1%	2.1%
Selling & distribution costs / sales	37.0%	38.0%	35.8%	35.3%	35.1%
Admin expenses / sales	9.2%	10.0%	9.3%	9.0%	9.0%
OP margins	19.0%	19.2%	21.9%	22.8%	23.1%
Effective tax rate	27.9%	27.0%	27.0%	27.0%	27.0%
Net profit margins	13.7%	13.9%	16.1%	16.8%	17.1%
Net profit att. growth (%)	-13.6%	11.2%	36.1%	13.0%	8.7%

Source: Company data, CMBIGM estimates

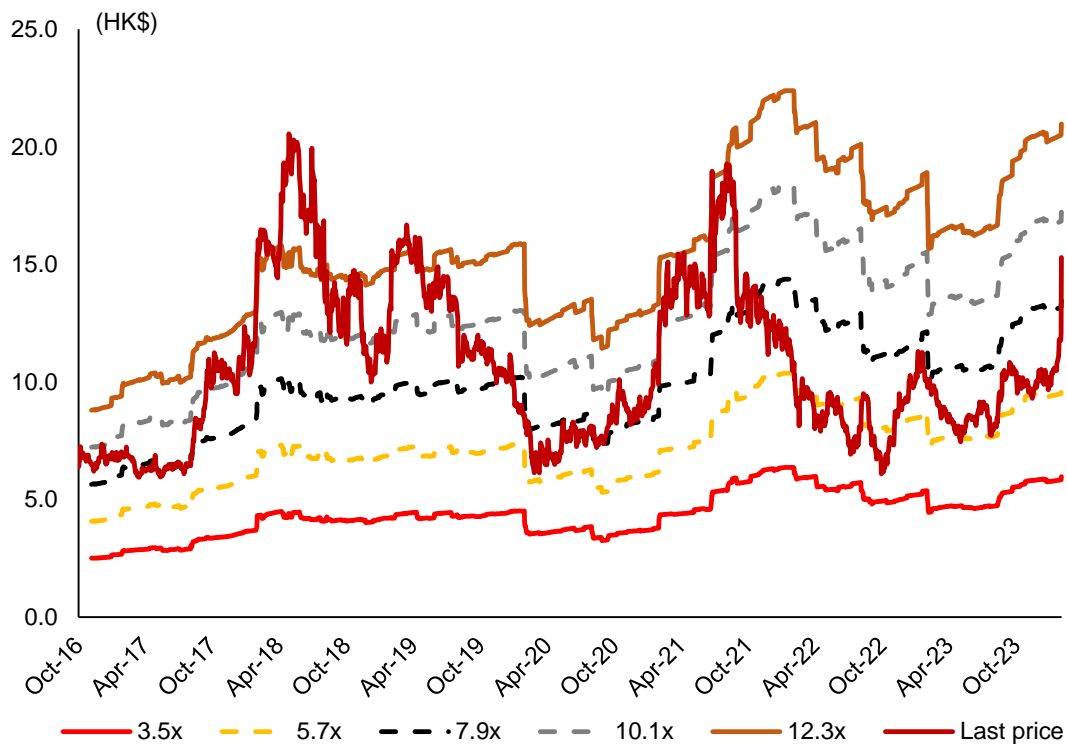
Valuation

Figure 6: Peers' valuation

Company	Ticker	Rating	12m	Price	Up/	Mkt. Cap	Year	P/E (x)		P/B	ROE	3yrs	Yield	YTD.	
			TP	(LC)	Down-			(HK\$mn)	End	FY1E	FY2E	(x)	(%)	PEG (x)	(%)
H shares Apparel															
Jnby Design	3306 HK	BUY	19.77	15.30	29%	7,937	Jun-23	8.5	7.5	3.0	40.2	0.5	10.6	45.7	
Bosideng Int'l	3998 HK	BUY	4.10	3.91	5%	42,655	Mar-23	14.6	12.5	2.6	19.7	0.9	5.5	11.4	
China Lilang	1234 HK	BUY	4.94	4.17	18%	4,994	Dec-22	8.7	7.7	1.1	12.0	0.8	7.8	(1.4)	
Cosmo Lady	2298 HK	NR	n/a	0.23	n/a	508	Dec-22	5.5	3.3	0.2	2.6	0.2	n/a	(5.4)	
Giordano Int'l	709 HK	NR	n/a	2.05	n/a	3,307	Dec-22	9.2	8.0	1.5	15.8	0.5	12.9	(22.3)	
Eeka Fashion	3709 HK	NR	n/a	13.62	n/a	9,589	Dec-22	10.5	8.8	1.7	14.0	0.3	6.1	(3.9)	
Esprit	330 HK	NR	n/a	0.26	n/a	722	Dec-22	n/a	n/a	n/a	(32.6)	0.0	n/a	(37.0)	
Bauhaus Intl	483 HK	NR	n/a	0.39	n/a	143	Mar-23	n/a	n/a	n/a	29.1	0.0	n/a	(15.2)	
								Avg.	9.5	8.0	1.7	12.6	0.4	8.6	(3.5)
								Med.	9.0	7.9	1.6	14.9	0.4	7.8	(4.7)
A-shares Apparel															
Dazzle Fashion	603587 CH	NR	n/a	12.46	n/a	6,467	Dec-22	10.9	9.2	1.4	11.6	0.5	6.2	(5.0)	
Anzheng Fashion	603839 CH	NR	n/a	5.14	n/a	2,231	Dec-22	n/a	n/a	n/a	(16.6)	0.0	n/a	(38.1)	
Ellassay Fashion	603808 CH	NR	n/a	7.67	n/a	3,078	Dec-22	12.7	8.7	0.9	2.6	0.1	2.0	(16.4)	
Jinhong Fashion	603518 CH	NR	n/a	8.97	n/a	3,386	Dec-22	11.0	8.5	0.8	6.0	0.1	3.7	(10.5)	
Xin Hee	003016 CH	NR	n/a	6.40	n/a	2,992	Dec-22	22.1	19.4	0.9	4.1	4.6	n/a	(21.7)	
Shenzhen Huijie	002763 CH	NR	n/a	7.21	n/a	3,213	Dec-22	n/a	n/a	n/a	8.9	0.0	n/a	(14.3)	
Peacebird Fashion	603877 CH	NR	n/a	15.25	n/a	7,856	Dec-22	15.0	11.0	1.5	5.7	0.3	4.0	(10.7)	
Fujian Septwolves	002029 CH	NR	n/a	5.06	n/a	4,157	Dec-22	n/a	n/a	n/a	4.1	0.0	n/a	(11.7)	
Baoxiniao	002154 CH	NR	n/a	6.47	n/a	10,266	Dec-22	13.5	11.5	1.9	15.6	0.5	4.0	13.9	
Joeone	601566 CH	NR	n/a	8.81	n/a	5,504	Dec-22	22.6	14.1	1.2	3.1	(0.1)	3.2	(11.6)	
Hla Group	600398 CH	NR	n/a	8.23	n/a	39,201	Dec-22	12.1	10.7	2.0	19.2	0.7	5.3	10.9	
Jiangsu Hongdou	600400 CH	NR	n/a	2.50	n/a	6,251	Dec-22	83.3	62.5	1.9	0.3	1.2	n/a	(10.4)	
								Avg.	22.6	17.3	1.4	5.4	0.7	4.0	(10.5)
								Med.	13.5	11.0	1.4	4.9	0.2	4.0	(11.2)
International Apparel															
Hugo Boss	BOSS GR	NR	n/a	63.00	n/a	37,538	Dec-22	17.3	14.0	2.9	21.1	0.8	2.1	(6.6)	
Next	NXT LN	NR	n/a	8382.00	n/a	105,423	Jan-23	14.7	13.8	6.4	69.0	2.8	2.5	3.3	
Hennes & Mauritz	HMB SS	NR	n/a	140.54	n/a	173,095	Nov-23	16.3	14.5	4.4	17.8	0.6	5.0	(20.4)	
Industria De Diseno	ITX SM	NR	n/a	40.66	n/a	1,072,527	Jan-23	23.6	21.9	6.6	30.7	1.5	3.6	3.1	
Ovs Spa	OVS IM	NR	n/a	2.26	n/a	5,570	Jan-23	8.2	7.9	0.6	4.2	0.3	3.5	1.0	
Pvh Corp	PVH US	NR	n/a	137.13	n/a	64,012	Jan-23	13.1	11.4	1.4	10.7	0.2	0.1	12.3	
Vf Corp	VFC US	NR	n/a	16.07	n/a	48,906	Apr-23	14.3	11.4	2.2	(28.2)	0.2	4.9	(14.5)	
Marks & Spencer	MKS LN	NR	n/a	241.20	n/a	47,091	Apr-23	10.4	9.7	1.3	13.9	0.7	1.2	(11.5)	
								Avg.	14.7	13.1	3.2	17.4	0.9	2.9	(4.2)
								Med.	14.5	12.6	2.6	15.8	0.7	3.0	(2.8)

Source: Bloomberg, CMBIGM estimates

Figure 7: Forward 12M P/E valuation band



Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	4,126	4,086	4,465	5,258	5,687	6,073
Cost of goods sold	(1,529)	(1,478)	(1,548)	(1,804)	(1,945)	(2,071)
Gross profit	2,597	2,607	2,917	3,455	3,742	4,002
Operating expenses	(1,757)	(1,889)	(2,141)	(2,373)	(2,519)	(2,678)
Selling expense	(1,429)	(1,511)	(1,695)	(1,882)	(2,005)	(2,132)
Admin expense	(328)	(377)	(446)	(491)	(514)	(546)
R&D expense	0	0	0	0	0	0
Others	0	0	0	0	0	0
Operating profit	884	776	858	1,154	1,296	1,402
Other income	44	57	82	73	73	78
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
EBITDA	955	872	971	1,286	1,429	1,516
Depreciation	(69)	(93)	(109)	(128)	(130)	(110)
Other amortisation	(3)	(3)	(4)	(4)	(4)	(4)
Interest income	32	38	38	45	53	60
Interest expense	(29)	(38)	(45)	(40)	(40)	(40)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	887	776	851	1,158	1,308	1,422
Income tax	(239)	(217)	(230)	(313)	(353)	(384)
After tax profit	647	559	621	845	955	1,038
Minority interest	0	0	0	0	0	0
Net profit	647	559	621	845	955	1,038
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	2,489	2,180	2,223	2,721	2,978	3,282
Cash & equivalents	549	592	525	819	964	1,167
Restricted cash	739	384	490	490	490	490
Account receivables	119	104	125	148	160	171
Inventories	707	829	790	921	993	1,057
Prepayment	241	269	291	342	370	395
Other current assets	134	2	1	1	1	1
Non-current assets	1,970	2,440	2,613	2,656	2,711	2,800
PP&E	398	451	463	511	570	663
Right-of-use assets	640	720	770	770	770	770
Investment in JVs & assos	0	0	0	0	0	0
Intangibles	16	19	20	17	13	10
Other non-current assets	916	1,250	1,360	1,359	1,358	1,358
Total assets	4,459	4,620	4,835	5,377	5,690	6,082
Current liabilities	1,636	1,749	1,616	1,834	1,953	2,059
Short-term borrowings	244	149	100	100	100	100
Account payables	256	289	236	275	297	316
Tax payable	0	0	0	0	0	0
Other current liabilities	1,014	1,136	1,065	1,245	1,342	1,429
Lease liabilities	122	175	215	215	215	215
Non-current liabilities	466	466	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	466	469	469	469	469
Total liabilities	2,102	2,215	2,084	2,303	2,421	2,528
Share capital	509	333	375	375	375	375
Retained earnings	1,016	1,123	1,353	1,163	1,387	1,631
Other reserves	192	229	254	767	737	779
Total shareholders equity	1,716	1,685	1,982	2,305	2,499	2,785
Minority interest	0	0	0	0	0	0
Total equity and liabilities	3,819	3,900	4,066	4,607	4,920	5,312

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	887	776	851	1,158	1,308	1,422
Depreciation & amortization	(71)	(96)	(113)	(132)	(134)	(113)
Tax paid	(209)	(238)	(328)	(313)	(353)	(384)
Change in working capital	280	(149)	(120)	14	6	6
Others	450	560	650	305	308	267
Net cash from operations	1,337	853	939	1,032	1,136	1,198
Investing						
Capital expenditure	(124)	(134)	(149)	(175)	(189)	(202)
Acquisition of subsidiaries/ investments	(4)	(6)	(7)	0	0	0
Others	(408)	330	(84)	0	0	0
Net cash from investing	(536)	190	(240)	(175)	(189)	(202)
Financing						
Dividend paid	(396)	(612)	(392)	(522)	(761)	(752)
Net borrowings	(187)	(371)	(390)	0	0	0
Proceeds from share issues	8	3	16	0	0	0
Share repurchases	(6)	(23)	(6)	0	0	0
Others	0	0	0	(40)	(40)	(40)
Net cash from financing	(581)	(1,002)	(772)	(563)	(801)	(793)
Net change in cash						
Cash at the beginning of the year	337	549	592	525	819	964
Exchange difference	(7)	2	6	0	0	0
Others	220	41	(73)	294	145	203
Cash at the end of the year	549	592	525	819	964	1,167
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.1%	(1.0%)	9.3%	17.8%	8.2%	6.8%
Gross profit	40.4%	0.4%	11.9%	18.4%	8.3%	7.0%
Operating profit	82.2%	(12.2%)	10.6%	34.5%	12.3%	8.2%
EBITDA	74.2%	(8.7%)	11.4%	32.5%	11.2%	6.0%
Net profit	86.7%	(13.6%)	11.2%	36.1%	13.0%	8.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	62.9%	63.8%	65.3%	65.7%	65.8%	65.9%
Operating margin	21.4%	19.0%	19.2%	21.9%	22.8%	23.1%
EBITDA margin	23.2%	21.3%	21.7%	24.5%	25.1%	25.0%
Return on equity (ROE)	40.4%	32.9%	33.9%	39.4%	39.8%	39.3%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	0.4	0.3	0.3	0.4	0.4	0.5
Current ratio (x)	1.5	1.2	1.4	1.5	1.5	1.6
Receivable turnover days	10.5	9.3	10.3	10.3	10.3	10.3
Inventory turnover days	168.7	204.6	186.3	186.3	186.3	186.3
Payable turnover days	61.2	71.4	55.7	55.7	55.7	55.7
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	8.9	6.8	6.9	8.5	7.5	6.9
P/E (diluted)	8.9	6.8	6.9	8.5	7.5	6.9
P/B	3.5	2.3	2.2	3.2	2.9	2.6
P/CFPS	4.3	4.5	4.6	6.9	6.3	6.0
Div yield (%)	9.5	11.4	9.0	10.6	10.0	10.9
EV	7,255.1	7,448.4	7,313.9	7,019.7	6,874.7	6,671.8
EV/Sales	1.8	1.8	1.6	1.3	1.2	1.1
EV/EBITDA	7.6	8.5	7.5	5.5	4.8	4.4

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

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