

# JNBY Design (3306 HK)

## Unfinalized virus impact and lack of catalysts

Downgrade to HOLD and cut TP to HK\$ 8.89, based on 10x FY6/21E P/E (from 13x FY6/20E as we foresee negative growth ahead). We think its risk-reward is unattractive, due to unfinalized virus impact and lack of catalysts.

- **1H20 sales and net profit inline but miss in dividend.** JNBY's sales/ net profit rose by 5%/ 13% YoY to RMB 2,135mn/ 430mn, similar to guidance of growth in single digit/ teens. However, absence of interim dividend is a negative surprise (historically ~40% of full year and ~3-4% yield at current price) and may indicate difficulties in cash flow. **But management did reiterate their full year payout ratio of 75% in the post-result call.**
- **A broad-based slowdown due to warm winter, kidswear was the only bright spot.** By brand, womenswear slowed down (5%/ 7% for JNBY/ less in 1H20 vs 11%/16% in 2H19), menswear are struggling (-6% in 1H20 for CROQUIS vs 1% in 2H19 and SAMO and REVERB to be closed, by FY20E). Kidswear growth was fast (16%/ 13% for inby by JNBY/ Pomme de terre in 1H20 vs 6%/ 13% in 2H19) but some underperforming stores were closed. By channel, all major channels experienced slowdown (4%/ 3%/ 23% for self-owned/ wholesale/ online in 1H20E, vs 6%/ 8%/ 38% in 2H19).
- **Measures to cope with the crisis: 1) preserve cash, 2) stand with distributors & employees and 3) further utilize e-channels.** Management cited the virus outbreak as a negative surprise that should hurt the consumer sector substantially. The Company believed they are in a better position to withstand this challenge because they have: 1) rich net cash position (~RMB 740mn and not to pay interim dividend), 2) purchased sufficient medical insurances for its employees, 3) rolled out relaxation policies to help their distributors (such as raising the return rate temporarily to 100% for their 1Q20 season products, and 4) utilized their manifold channels to drive sales growth during this period (e.g. Wechat's mini-programs or JNBY Box projects or fan based promotions). We believe some short term pain may be created but should help preserving its brand equity.
- **No clear guidance from mgmt.; Cut FY20E sale/net profit by 16%/41%.** Management believed it is too early to give any definite guidance, since the virus is not fully under control yet. However, if we assume heavy impact on sales to last for roughly two months (weak direct retail sale and higher provisions for unsold items from distributors in Feb-Mar 2020), overall sale for FY20E should be revised down by 16%. Also, after taking into account of the fixed costs (as most of opex are fixed), its FY20E net profit should be trimmed by 41%. We expect FY20-22E consensus EPS to have similar cuts.
- **Downgrade to HOLD and trim TP to HK\$ 8.89.** We downgrade JNBY to HOLD and cut TP to HK\$ 8.89, based on 10x FY21E P/E (from 13x FY20E P/E due to negative growth ahead). We do not find the counter attractive due to lack of short term catalysts, despite valued at 9x FY21E P/E and 7% yield.

### Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	2,864	3,358	3,213	3,512	3,927
YoY growth (%)	22.8	17.3	(4.3)	9.3	11.8
Net income (RMB mn)	410	485	312	395	455
EPS (RMB)	0.932	1.092	0.707	0.889	1.020
YoY growth (%)	15.7	17.2	(35.3)	25.8	14.7
P/E (x)	9.0	7.7	11.8	9.4	8.2
P/B (x)	2.8	2.6	2.6	2.4	2.2
Yield (%)	9.5	9.2	5.9	7.4	8.5
ROE (%)	32.2	35.9	21.9	26.2	27.4
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, CMBIS estimates

**HOLD (Down)**

Target Price **HK\$8.89**  
 (Previous TP **HK\$15.52**)  
 Up/Downside **+6.4%**  
 Current Price **HK\$8.36**

### China Apparel Sector

**Walter Woo**  
 (852) 3761 8776  
 walterwoo@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	4,337
Avg 3 mths t/o (HK\$ mn)	9.28
52w High/Low (HK\$)	17.32/8.09
Total Issued Shares (mn)	518.8

Source: Bloomberg

### Shareholding Structure

Mr. Wu Jian & Family	59.20%
FIL Ltd.	2.37%
Vanguard Group	1.35%
Franklin Resources	1.31%
Free Float	37.07%

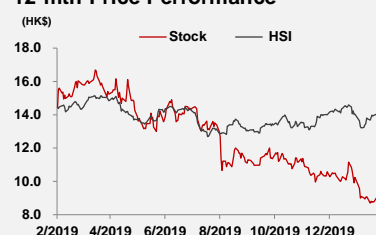
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	-18.4%	-14.5%
3-mth	-25.2%	-24.6%
6-mth	-35.7%	-38.1%
12-mth	-36.1%	-31.1%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

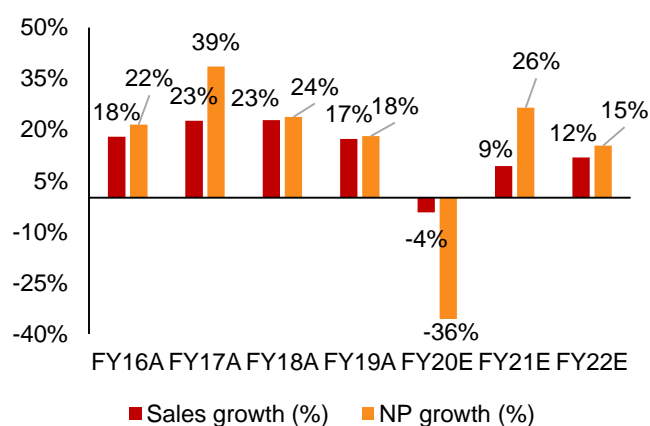
### Auditor: PricewaterhouseCoopers

### Related Reports

1. JNBY Design (3306 HK) – Tough industry and conservative guidance - 28 Aug 2019
2. JNBY Design (3306 HK) – remain positive on 2H19E - 28 Feb 2019
3. China Sportswear and Apparel sector - Premium, digital driven growth: top domestic brands be the winners - 23 Jan 2019

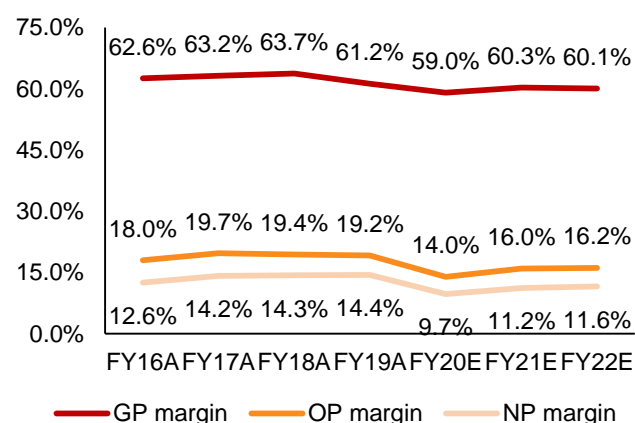
## Focus Charts

**Figure 1: Sales/ net profit growth**



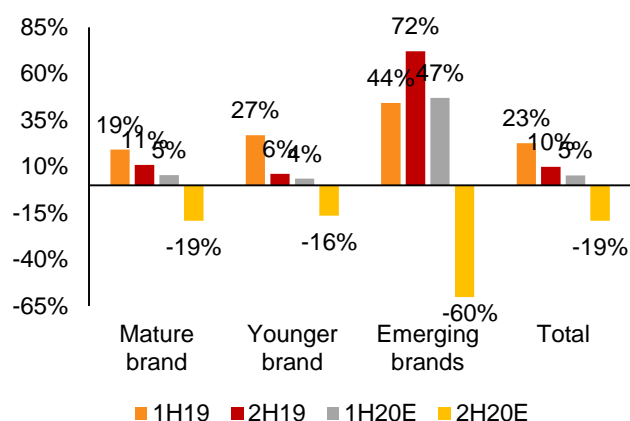
Source: Company data, CMBIS estimates

**Figure 2: GP/ OP/ NP margin**



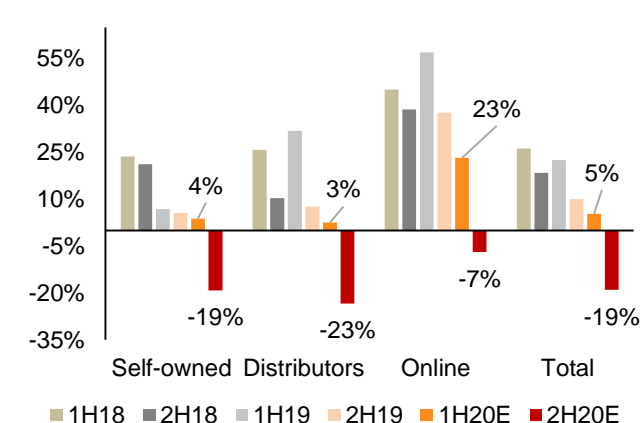
Source: Company data, CMBIS estimates

**Figure 3: Sales growth by brand**



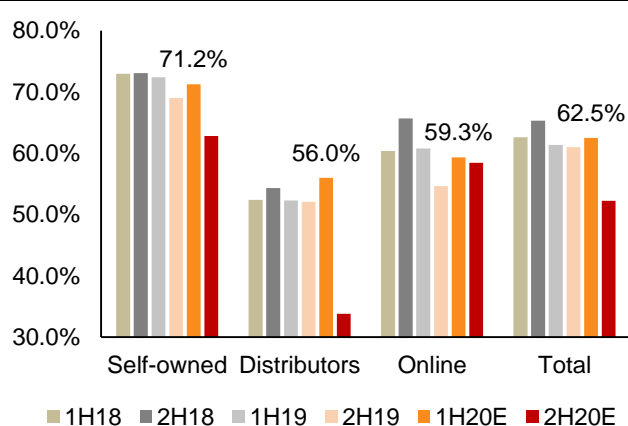
Source: Company data, CMBIS estimates

**Figure 4: Sales growth by channel**



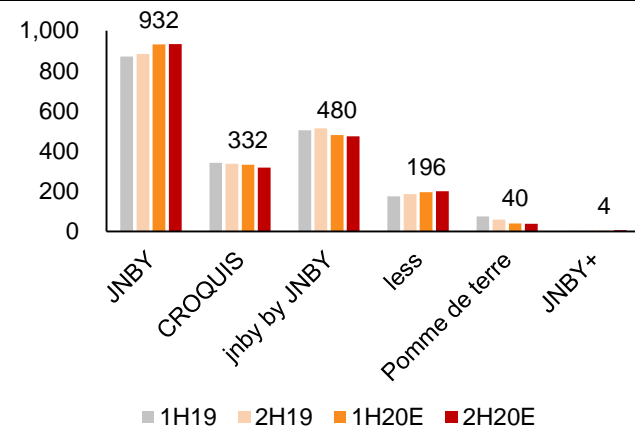
Source: Company data, CMBIS estimates

**Figure 5: GP margin by channel**



Source: Company data, CMBIS estimates

**Figure 6: Number of store by brand**



Source: Company data, CMBIS estimates

## Result summary

Figure 7: Result summary – Half Year

Half yearly (RMB mn)	1H19	2H19	1H20	2H20E	1H19 YoY	2H19 YoY	1H20 YoY	2H20E YoY
<b>Revenue</b>	<b>2,027</b>	<b>1,331</b>	<b>2,135</b>	<b>1,077</b>	<b>23%</b>	<b>10%</b>	<b>5%</b>	<b>-19%</b>
COGS	(783)	(519)	(801)	(515)				
<b>Gross profit</b>	<b>1,244</b>	<b>812</b>	<b>1,335</b>	<b>562</b>	<b>20%</b>	<b>3%</b>	<b>7%</b>	<b>-31%</b>
<b>GP margins</b>	<b>61.4%</b>	<b>61.0%</b>	<b>62.5%</b>	<b>52.2%</b>				
Other income & gains	44	16	51	4				
S & D expenses	(605)	(566)	(642)	(583)	<b>16%</b>	<b>9%</b>	<b>6%</b>	<b>3%</b>
<b>S &amp; D exp / sales</b>	<b>-29.8%</b>	<b>-42.5%</b>	<b>-30.1%</b>	<b>-54.1%</b>				
Admin expenses	(159)	(143)	(144)	(134)	<b>44%</b>	<b>2%</b>	<b>-9%</b>	<b>-6%</b>
<b>Admin exp / sales</b>	<b>-7.8%</b>	<b>-10.7%</b>	<b>-6.8%</b>	<b>-12.4%</b>				
Other opex	0	0	0	0				
<b>Operating profit (EBIT)</b>	<b>525</b>	<b>120</b>	<b>599</b>	<b>-150</b>	<b>23%</b>	<b>-7%</b>	<b>14%</b>	<b>-225%</b>
<b>OP margins</b>	<b>25.9%</b>	<b>9.0%</b>	<b>28.1%</b>	<b>-13.9%</b>				
Other items	0	0	0	0				
Net finance income	9	9	0	(3)				
<b>Net finance income / sales</b>	<b>0.5%</b>	<b>0.7%</b>	<b>0.0%</b>	<b>-0.3%</b>				
Profit after financing costs	534	129	599	-154				
Associated coms	0	0	0	0				
Jointly controlled coms	0	0	0	0				
<b>Pre-tax profit</b>	<b>534</b>	<b>129</b>	<b>599</b>	<b>-154</b>	<b>23%</b>	<b>-5%</b>	<b>12%</b>	<b>-219%</b>
Tax	(154)	(25)	(169)	36				
<b>Tax / sales</b>	<b>-7.6%</b>	<b>-1.9%</b>	<b>-7.9%</b>	<b>3.3%</b>				
<b>Effective tax rate</b>	<b>-28.7%</b>	<b>-19.3%</b>	<b>-28.3%</b>	<b>-23.3%</b>				
Minority interests	0	0	0	0				
<b>Net profit att.</b>	<b>381</b>	<b>104</b>	<b>430</b>	<b>(118)</b>	<b>22%</b>	<b>6%</b>	<b>13%</b>	<b>-213%</b>
<b>NP margins</b>	<b>18.8%</b>	<b>7.8%</b>	<b>20.1%</b>	<b>-10.9%</b>				

Source: Company data, CMBIS estimates

**Figure 8: Result forecasts - Full Year**

Full yearly (RMB mn)	FY18	FY19	FY20E	FY21E	FY19 YoY	FY20E YoY	FY21E YoY
<b>Revenue</b>	<b>2,864</b>	<b>3,358</b>	<b>3,213</b>	<b>3,512</b>	<b>17%</b>	<b>-4%</b>	<b>9%</b>
COGS	(1,038)	(1,302)	(1,316)	(1,395)			
<b>Gross profit</b>	<b>1,826</b>	<b>2,056</b>	<b>1,897</b>	<b>2,117</b>	<b>13%</b>	<b>-8%</b>	<b>12%</b>
<b>GP margins</b>	<b>63.7%</b>	<b>61.2%</b>	<b>59.0%</b>	<b>60.3%</b>			
Other income & gains	18	61	56	40			
S & D expenses	(1,037)	(1,170)	(1,225)	(1,309)	<b>13%</b>	<b>5%</b>	<b>7%</b>
<b>S &amp; D exp / sales</b>	<b>-36.2%</b>	<b>-34.8%</b>	<b>-38.1%</b>	<b>-37.3%</b>			
Admin expenses	(251)	(302)	(278)	(287)			
<b>Admin exp / sales</b>	<b>-8.8%</b>	<b>-9.0%</b>	<b>-8.7%</b>	<b>-8.2%</b>			
Other opex	0	0	0	0			
<b>Operating profit (EBIT)</b>	<b>556</b>	<b>645</b>	<b>449</b>	<b>560</b>	<b>16%</b>	<b>-30%</b>	<b>25%</b>
<b>OP margins</b>	<b>19.4%</b>	<b>19.2%</b>	<b>14.0%</b>	<b>16.0%</b>			
Other items	0	0	0	0			
Net finance income	13	18	(3)	(4)			
<b>Net finance income / sales</b>	<b>0.5%</b>	<b>0.5%</b>	<b>-0.1%</b>	<b>-0.1%</b>			
Profit after financing costs	569	663	446	556			
Associated coms	(0)	0	0	0			
Jointly controlled coms	0	0	0	0			
<b>Pre-tax profit</b>	<b>569</b>	<b>663</b>	<b>446</b>	<b>556</b>	<b>17%</b>	<b>-33%</b>	<b>25%</b>
Tax	(159)	(179)	(134)	(161)			
<b>Tax / sales</b>	<b>-5.5%</b>	<b>-5.3%</b>	<b>-4.2%</b>	<b>-4.6%</b>			
<b>Effective tax rate</b>	<b>-27.9%</b>	<b>-26.9%</b>	<b>-30.0%</b>	<b>-29.0%</b>			
Minority interests	0	0	0	0			
<b>Net profit att.</b>	<b>410</b>	<b>485</b>	<b>312</b>	<b>395</b>	<b>18%</b>	<b>-36%</b>	<b>26%</b>
<b>NP margins</b>	<b>14.3%</b>	<b>14.4%</b>	<b>9.7%</b>	<b>11.2%</b>			

Source: Company data, CMBIS estimates

## Earnings revision

Figure 9: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,213	3,512	3,927	3,812	4,327	4,857	-15.7%	-18.8%	-19.1%
Gross profit	1,897	2,117	2,359	2,356	2,682	3,021	-19.5%	-21.1%	-21.9%
EBIT	449	560	635	732	830	940	-38.7%	-32.5%	-32.4%
Reported Net profit	312	395	455	535	606	686	-41.7%	-34.9%	-33.6%
Diluted EPS (RMB)	0.608	0.765	0.877	1.027	1.151	1.290	-40.8%	-33.6%	-32.0%
Gross margin	59.0%	60.3%	60.1%	61.8%	62.0%	62.2%	-2.8ppt	-1.7ppt	-2.1ppt
EBIT margin	14.0%	16.0%	16.2%	19.2%	19.2%	19.3%	-5.2ppt	-3.2ppt	-3.2ppt
Net profit att. margin	9.7%	11.2%	11.6%	14.0%	14.0%	14.1%	-4.3ppt	-2.8ppt	-2.5ppt

Source: Company data, CMBIS estimates

Figure 10: CMBI estimates vs consensus

RMB mn	CMBI			Consensus			Diff (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue	3,213	3,512	3,927	3,821	4,336	4,773	-15.9%	-19.0%	-17.7%
Gross profit	1,897	2,117	2,359	2,367	2,697	2,938	-19.9%	-21.5%	-19.7%
EBIT	449	560	635	729	818	915	-38.4%	-31.5%	-30.6%
Net profit att.	312	395	455	531	597	668	-41.2%	-33.9%	-31.8%
Diluted EPS (RMB)	0.608	0.765	0.877	1.030	1.157	1.300	-41.0%	-33.9%	-32.5%
Gross margin	59.0%	60.3%	60.1%	62.0%	62.2%	61.5%	-2.9ppt	-1.9ppt	-1.5ppt
EBIT margin	14.0%	16.0%	16.2%	19.1%	18.9%	19.2%	-5.1ppt	-2.9ppt	-3ppt
Net profit att. margin	9.7%	11.2%	11.6%	13.9%	13.8%	14.0%	-4.2ppt	-2.5ppt	-2.4ppt

Source: Company data, CMBIS estimates

## Valuation

Figure 11: Peers' valuation

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$m)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
H shares Apparel															
JNBY Design	3306 HK	HOLD	8.00	8.36	-4%	4,337	Jun-19	11.8	9.4	2.5	2.4	35.9	(5.3)	10.3	
Bosideng Int'l	3998 HK	BUY	4.83	2.36	105%	25,462	Mar-19	16.9	13.5	2.2	2.1	11.3	0.7	4.0	
China Lilang	1234 HK	BUY	9.01	5.21	73%	6,239	Dec-18	6.5	5.7	1.5	1.4	23.9	0.6	10.5	
Cosmo Lady	2298 HK	SELL	1.14	1.13	1%	2,542	Dec-18	n/a	11.8	0.6	0.6	6.1	0.0	1.3	
Giordano	709 HK	NR	n/a	1.93	n/a	3,047	Dec-18	10.7	10.2	n/a	n/a	13.9	(0.9)	9.8	
Koradior	3709 HK	NR	n/a	7.84	n/a	5,371	Dec-18	n/a	n/a	n/a	n/a	24.5	0.0	n/a	
I.T Ltd	999 HK	NR	n/a	1.66	n/a	1,985	Feb-19	9.2	5.9	n/a	n/a	8.1	(10.1)	n/a	
Esprit Holdings	330 HK	NR	n/a	1.37	n/a	2,585	Jun-19	n/a	n/a	0.4	0.4	(27.2)	0.0	n/a	
La Chapelle	6116 HK	NR	n/a	1.10	n/a	2,117	Dec-18	n/a	n/a	n/a	n/a	(36.7)	0.0	n/a	
Bauhaus Intl	483 HK	NR	n/a	0.72	n/a	265	Mar-19	n/a	n/a	n/a	n/a	(14.9)	0.0	n/a	
								Avg.	11.0	9.4	1.5	1.4	4.5	(1.5)	7.2
								Med.	10.7	9.8	1.5	1.4	9.7	0.0	9.8
A-shares Apparel															
Ningbo Peacebird	603877 CH	NR	n/a	15.20	n/a	8,078	Dec-18	12.2	10.8	1.9	1.7	15.4	1.8	5.8	
Joeone Co Ltd	601566 CH	NR	n/a	10.79	n/a	6,881	Dec-18	11.2	10.8	1.4	1.4	12.8	2.8	9.1	
Fujian Septwolves	002029 CH	NR	n/a	5.43	n/a	4,554	Dec-18	12.1	11.1	0.7	0.7	5.8	9.8	1.7	
Hla Corp Ltd	600398 CH	NR	n/a	7.11	n/a	34,877	Dec-18	8.7	8.1	2.1	1.9	26.9	1.7	7.0	
Jiangsu Hongdou	600400 CH	NR	n/a	4.05	n/a	11,386	Dec-18	46.6	40.1	2.4	2.3	4.5	3.9	0.7	
Lancy Co Ltd	002612 CH	NR	n/a	7.83	n/a	3,781	Dec-18	15.5	16.0	1.2	1.1	6.2	(20.8)	0.7	
Shenzhen Huijie	002763 CH	NR	n/a	7.98	n/a	3,646	Dec-18	13.3	11.4	1.5	1.3	10.9	0.7	n/a	
Ellassay Fashion	603808 CH	NR	n/a	12.94	n/a	4,775	Dec-18	10.5	8.8	1.7	1.5	15.8	0.9	3.7	
Bobaloon Co	002776 CH	NR	n/a	9.50	n/a	5,672	Dec-18	n/a	n/a	n/a	n/a	7.9	0.0	n/a	
								Avg.	16.3	14.6	1.6	1.5	11.8	0.1	4.1
								Med.	12.2	11.0	1.6	1.4	10.9	1.7	3.7
International Apparel															
Hugo Boss	BOSS GR	NR	n/a	40.74	n/a	24,320	Dec-19	12.7	11.6	2.8	2.6	n/a	0.0	6.4	
Ted Baker	TED LN	NR	n/a	322.40	n/a	1,445	Jan-19	10.3	15.4	0.7	0.7	0.5	(0.3)	3.3	
Next	NXT LN	NR	n/a	6510.00	n/a	87,071	Jan-19	14.2	13.6	13.6	12.6	280.9	4.3	2.7	
Hennes & Mauritz	HMB SS	NR	n/a	186.54	n/a	247,176	Nov-19	21.2	19.7	5.5	5.4	n/a	3.7	5.2	
Industria De Diseno	ITX SM	NR	n/a	29.25	n/a	773,023	Jan-19	24.0	22.4	6.0	5.8	27.0	4.4	3.6	
Ovs Spa	OVS IM	NR	n/a	1.59	n/a	3,057	Jan-19	7.8	6.7	0.4	0.4	3.0	0.3	0.0	
Pvh Corp	PVH US	NR	n/a	75.01	n/a	42,652	Feb-19	7.9	7.7	0.9	0.8	11.0	2.7	0.2	
Vf Corp	VFC US	NR	n/a	77.62	n/a	238,788	Mar-19	23.6	21.0	6.7	6.2	29.1	2.6	2.4	
Marks & Spencer	MKS LN	NR	n/a	171.95	n/a	33,733	Mar-19	9.6	9.6	1.2	1.2	1.9	0.1	5.9	
								Avg.	14.6	14.2	4.2	4.0	50.5	2.0	3.3
								Med.	12.7	13.6	2.8	2.6	11.0	2.6	3.3

Source: Bloomberg, CMBIS estimates

## Assumption

Figure 12: JNBY's key assumptions

Major assumptions	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales by brand (RMB mn)</b>					
JNBY	1,622	1,879	1,804	1,948	2,163
CROQUIS	565	645	567	618	686
jnby by JNBY	394	476	505	570	639
less	238	287	273	294	336
Other brands	45	71	64	81	104
Total	2,864	3,358	3,213	3,512	3,927
<b>Sales by brand growth (%)</b>					
JNBY	18.7%	15.9%	-4.0%	8.0%	11.0%
CROQUIS	15.5%	14.1%	-12.0%	9.0%	11.0%
jnby by JNBY	34.3%	20.8%	6.0%	13.0%	12.0%
less	40.5%	20.6%	-5.0%	8.0%	14.0%
Other brands	206.5%	57.8%	-9.9%	25.5%	28.8%
Total	22.8%	17.3%	-4.3%	9.3%	11.8%
<b>Sales by channel growth (%)</b>					
Self-owned	22.5%	6.3%	-6.6%	6.2%	9.6%
Distributors	19.5%	22.8%	-6.0%	7.5%	11.0%
Online	42.0%	47.9%	10.0%	25.0%	20.0%
<b>Sales network by segment</b>					
JNBY	832	884	934	979	1,019
CROQUIS	308	338	318	348	378
jnby by JNBY	461	514	474	494	519
less	150	186	201	221	246
Other brands	80	96	46	56	73
Total	1,831	2,018	1,973	2,098	2,235
<b>GP margins by Channel</b>					
JNBY	63.6%	61.9%	60.6%	62.1%	62.1%
CROQUIS	66.8%	64.1%	59.0%	60.0%	59.5%
jnby by JNBY	58.1%	54.4%	53.0%	54.5%	54.5%
less	69.4%	66.3%	64.5%	65.0%	64.0%
Other brands	51.5%	40.8%	40.3%	41.9%	42.4%
Total	63.7%	61.2%	59.0%	60.3%	60.1%
<b>Opex breakdown</b>					
Outsourcing charges/ sales	9.1%	8.9%	8.8%	8.5%	8.4%
Rental expenses/ sales	15.1%	14.3%	15.5%	14.9%	14.4%
Staff costs/ sales	7.0%	7.1%	7.0%	7.3%	7.3%
A&P expenses/ sales	4.8%	4.4%	4.8%	4.7%	4.6%
Provisions for inventory/ sales	2.8%	3.5%	3.3%	3.0%	3.0%
D&A/ sales	1.3%	1.4%	1.6%	1.3%	1.3%
Selling & distribution costs / sales	36.2%	34.8%	38.1%	37.3%	37.1%
Admin expenses / sales	8.8%	9.0%	8.7%	8.2%	7.9%
<b>OP margins</b>					
Effective tax rate	27.9%	26.9%	30.0%	29.0%	28.0%
<b>Net profit margins</b>					
Net profit margins	14.3%	14.4%	9.7%	11.2%	11.6%
<b>Net profit att. growth (%)</b>					
Net profit att. growth (%)	23.8%	18.1%	-35.6%	26.5%	15.3%

Source: Company data, CMBIS estimates

## Financial Summary

### Income statement

YE 30 Jun (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Revenue</b>	<b>2,864</b>	<b>3,358</b>	<b>3,213</b>	<b>3,512</b>	<b>3,927</b>
Self-owned	1,401	1,489	1,392	1,478	1,620
Distributors	1,197	1,470	1,382	1,486	1,649
Online	266	393	433	541	649
Others	-	5	7	8	10
<b>Cost of goods sold</b>	<b>(1,038)</b>	<b>(1,302)</b>	<b>(1,316)</b>	<b>(1,395)</b>	<b>(1,568)</b>
<b>Gross profit</b>	<b>1,826</b>	<b>2,056</b>	<b>1,897</b>	<b>2,117</b>	<b>2,359</b>
<b>Other income</b>	<b>18</b>	<b>61</b>	<b>56</b>	<b>40</b>	<b>40</b>
<b>Operating expenses</b>	<b>(1,288)</b>	<b>(1,472)</b>	<b>(1,504)</b>	<b>(1,597)</b>	<b>(1,764)</b>
D & A	(5)	(7)	(10)	(12)	(14)
Staff costs	(167)	(200)	(219)	(231)	(260)
S & D costs (ex-staff, D&A)	(957)	(1,075)	(1,121)	(1,199)	(1,331)
Admin exp. (ex-staff, D&A)	(159)	(191)	(154)	(155)	(159)
Other operating expenses	-	-	-	-	-
<b>EBIT</b>	<b>556</b>	<b>645</b>	<b>449</b>	<b>560</b>	<b>635</b>
Finance costs, net	13	18	(3)	(4)	(3)
JVs & associates	(0)	-	-	-	-
Exceptional	-	-	-	-	-
<b>Pre-tax profit</b>	<b>569</b>	<b>663</b>	<b>446</b>	<b>556</b>	<b>632</b>
Income tax	(159)	(179)	(134)	(161)	(177)
Less: Minority interests	0	0	0	0	0
<b>Net profit</b>	<b>410</b>	<b>485</b>	<b>312</b>	<b>395</b>	<b>455</b>

### Cash flow summary

YE 30 Jun (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>EBIT</b>	<b>556</b>	<b>645</b>	<b>449</b>	<b>560</b>	<b>635</b>
D & A	38	48	82	102	123
Change in working capital	(140)	(281)	(86)	(23)	(67)
Income tax paid	(179)	(202)	(134)	(161)	(177)
Others	104	126	15	14	15
<b>Net cash from operating</b>	<b>379</b>	<b>336</b>	<b>327</b>	<b>493</b>	<b>529</b>
Capex & investments	(116)	(160)	(153)	(167)	(187)
Associated companies	-	-	-	-	-
Interest received	11	21	-	-	-
Others	(44)	71	-	-	-
<b>Net cash from investing</b>	<b>(149)</b>	<b>(67)</b>	<b>(153)</b>	<b>(167)</b>	<b>(187)</b>
Equity raised	(31)	(48)	-	-	-
Net change in bank loans	-	-	-	-	-
Dividend paid	(348)	(342)	(291)	(245)	(297)
Others	-	0	(18)	(18)	(18)
<b>Net cash from financing</b>	<b>(379)</b>	<b>(390)</b>	<b>(309)</b>	<b>(263)</b>	<b>(315)</b>
<b>Net change in cash</b>	<b>(149)</b>	<b>(122)</b>	<b>(136)</b>	<b>62</b>	<b>27</b>
Beginning cash balance	494	333	216	81	143
Exchange difference	(12)	5	-	-	-
<b>Cash at the end of the year</b>	<b>333</b>	<b>216</b>	<b>81</b>	<b>143</b>	<b>171</b>

### Balance sheet

YE 30 Jun (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Non-current assets</b>	<b>318</b>	<b>456</b>	<b>526</b>	<b>591</b>	<b>654</b>
Fixed asset	142	279	352	419	485
Intangible assets & goodwill	9	12	10	8	6
Prepaid lease payments	9	10	10	10	10
Interest in joint ventures	-	-	-	-	-
Other non-current assets	159	154	154	153	153
<b>Current assets</b>	<b>1,804</b>	<b>1,829</b>	<b>1,754</b>	<b>1,909</b>	<b>2,109</b>
Cash & cash equivalents	333	216	81	143	171
Inventories	764	860	937	994	1,117
Trade and other receivables	95	115	110	121	135
Prepayments	231	288	275	301	336
Other current assets	382	350	350	350	350
<b>Current liabilities</b>	<b>823</b>	<b>861</b>	<b>835</b>	<b>905</b>	<b>1,011</b>
Bank loans	-	-	-	-	-
Trade payables	204	202	204	216	243
Accruals & other payables	576	645	617	675	754
Tax payables	-	-	-	-	-
Others	43	14	14	14	14
<b>Non-current liabilities</b>	<b>11</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
Bank loans	-	-	-	-	-
Deferred income	-	-	-	-	-
Deferred tax	11	13	13	13	13
Others	-	-	-	-	-
<b>Minority interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total net assets</b>	<b>1,288</b>	<b>1,411</b>	<b>1,432</b>	<b>1,581</b>	<b>1,739</b>
<b>Shareholders' equity</b>	<b>1,288</b>	<b>1,411</b>	<b>1,432</b>	<b>1,581</b>	<b>1,739</b>

### Key ratios

YE 30 Jun	FY18A	FY19A	FY20E	FY21E	FY22E
<b>Sales mix (%)</b>					
Self-owned	48.9	44.4	43.3	42.1	41.2
Distributors	41.8	43.8	43.0	42.3	42.0
Online	9.3	11.7	13.5	15.4	16.5
Others	-	0.2	0.2	0.2	0.3
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>P&amp;L ratios (%)</b>					
Gross margin	63.7	61.2	59.0	60.3	60.1
Operating margin	19.4	19.2	14.0	16.0	16.2
Pre-tax margin	19.9	19.8	13.9	15.8	16.1
Net margin	14.3	14.4	9.7	11.2	11.6
Effective tax rate	27.9	26.9	30.0	29.0	28.0
<b>Balance sheet ratios</b>					
Current ratio (x)	2.2	2.1	2.1	2.1	2.1
Quick ratio (x)	1.3	1.1	1.0	1.0	1.0
Cash ratio (x)	0.4	0.3	0.1	0.2	0.2
Inventory turnover days	268	241	260	260	260
Trade receivables days	12	13	13	13	13
Trade payables days	72	57	57	57	57
Total debt / total equity	0.9	0.6	0.6	0.6	0.5
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
<b>Returns (%)</b>					
ROE	31.9	34.4	21.8	25.0	26.2
ROA	19.3	21.2	13.7	15.8	16.5
<b>Per share</b>					
EPS (RMB)	0.94	0.61	0.76	0.88	1.00
DPS (RMB)	0.67	0.66	0.43	0.54	0.61
BVPS (RMB)	2.48	2.72	2.76	3.03	3.32

Source: Company data, CMBIS estimates



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