

# Jnby Design (3306 HK)

## An all-rounded beat and an optimistic outlook

The 2H23 result was surprisingly impressive, as the recent macro environment was tough. And given such a resilient sales trend, decent margin improvement and attractive valuation (5x FY24E P/E and 14% yield), we think JNBY is a strong BUY now.

- FY23 result was a strong beat.** In FY23 (ending Jun 2023), JNBY's sales and net profit increased by 9% and 11% YoY to RMB 4.5bn and RMB 621mn, beating BBG/ CMBI est. by 5%/ 6% and 21%/ 26% respectively, and that was also far better than the previous guidance of LSD sales growth and low-teens net profit decline. Such result was, in fact, implying an extremely strong rebound in 2H23 (Jan-Jun 2023), following a rather suppressed business environment in 1H23. For 2H23, sales and net profit surged by 31% and 116%, better than BBG/ CMBI est. by 10%/ 13% and 80%/ 103%.
- We believe the beat in sales was driven by:** 1) robust 9% SSSG, 2) resilient 25% e-commerce sales growth (+ve growth in traditional platforms plus rapid penetration in new social media platforms like Tik Tok and XiaohongShu) and 3) meaningful breakthrough in active members to 510K (from 420K) through upgrades in store image and customer experience. **The beat in net profit was due to:** 1) significant GP margin expansion (66% in 2H23, already exceeded the 65%+ FY26E target) through ASP hike, better retail discounts and channel mix, 2) meaningful operating leverage and 3) closure of some non-performing stores. Inventory days was at 191 days in FY23 (quite stable vs 190 days in FY22).
- FY24E guidance is more optimistic but still highly achievable.** The management is now aiming for 10%+ growth for both sales and net profit in FY24E. We think that is highly achievable, because: 1) retail sales growth remained robust in Jul 2023 (unlike China total retail sales growth), 2) the base would trend lower since Sep 2023, 3) loads of improvements and upgrades in terms of member management and customer services (on both online and offline) had just started to ramp up after China's re-opening and 4) growth momentum is still strong for those new social media platforms. Margin-wise, as we expect retail discounts and channel mix to at least stay at a healthy level, GP margin should be at 65% or above. Also, while we expect JNBY to invest heavily on brand building by acquiring more talents and spending more in A&P, there could still be some leverage from the continual increase in per store productivity.
- Maintain BUY and raise TP to HK\$ 14.26.** We revise up FY24E/ 25E/ 26E net profit forecasts by 21%/ 15%/ 24%, to factor in: 1) the rapid same store and e-commerce sales growth, 2) substantial increase in GP margin and 3) stronger-than-expected operating leverage. We remain BUY and believe the risk and reward are very decent, supported by a solid turnaround and attractive valuation of 5x FY24E P/E and 14% yield. Our new TP is based on 9x FY24E P/E, (same as 8 years average and rolled over from 10x FY23E P/E).

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	4,086	4,465	4,914	5,261	5,559
YoY growth (%)	(1.0)	9.3	10.1	7.1	5.7
Operating profit (RMB mn)	776	858	975	1,090	1,166
Net profit (RMB mn)	558.9	621.3	713.2	802.7	863.9
EPS (Reported) (RMB)	1.11	1.22	1.40	1.58	1.70
YoY growth (%)	(13.6)	9.8	14.8	12.5	7.6
P/E (x)	6.2	6.0	5.2	4.6	4.3
P/B (x)	2.1	1.9	1.7	1.6	1.4
Yield (%)	12.6	12.2	14.3	16.1	17.4
ROE (%)	32.9	33.9	34.1	34.5	33.7

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	HK\$14.26
(Previous TP)	HK\$11.76)
Up/Downside	72.1%
Current Price	HK\$8.29

#### China Consumer Discretionary

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##### Raphael TSE

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#### Stock Data

Mkt Cap (HK\$ mn)	4,300.4
Avg 3 mths t/o (HK\$ mn)	1.4
52w High/Low (HK\$)	11.30/6.10
Total Issued Shares (mn)	518.8
Source: FactSet	

#### Shareholding Structure

Mr. Wu Jian & Family	61.8%
TCT (BVI) Limited	6.8%
Source: HKEx	

#### Share Performance

	Absolute	Relative
1-mth	-7.9%	-2.9%
3-mth	6.0%	12.4%
6-mth	-15.2%	-6.6%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Sportswear & Apparel

[Xtep \(1368 HK\) – The growth story is intact despite volatility](#)  
(24 Aug 23)

[Anta Sports \(2020 HK\) – Costs control and efficiency gains are the keys](#)  
(23 Aug 23)

[China Lilang \(1234 HK\) – 1H23 inline and FY23E guidance maintained](#)  
(17 Aug 23)

[Li Ning \(2331 HK\) – Reiterated guidance but we remained cautious](#)  
(14 Aug 23)

- **The mid-term FY26E target remains intact.** After such a strong rebound in 2H23, management is now rather confident on achieving their mid-term target (RMB 10bn retail sales, RMB 6.0bn listed co sales, 65%+ GP margin and RMB 0.9 listed co net profit, also implying HSD/ 20%+ sales CAGR for the JNBY/ other brands). In fact, the CMBI est. in our model are slightly more conservative, with a discount of 7% and 4% on the FY26E sales and net profit.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	4,914	5,261	5,559	4,606	4,923	4,923	6.7%	6.8%	12.9%
Gross profit	3,205	3,440	3,642	2,979	3,208	3,208	7.6%	7.3%	13.5%
EBIT	975	1,090	1,166	804	943	943	21.2%	15.5%	23.7%
Net profit att.	713	803	864	589	694	694	21.1%	15.6%	24.4%
Diluted EPS (RMB)	1.403	1.579	1.699	1.163	1.372	1.372	20.6%	15.1%	23.9%
Gross margin	65.2%	65.4%	65.5%	64.7%	65.2%	65.2%	0.5ppt	0.3ppt	0.4ppt
EBIT margin	19.8%	20.7%	21.0%	17.5%	19.2%	19.2%	2.4ppt	1.6ppt	1.8ppt
Net profit att. margin	14.5%	15.3%	15.5%	12.8%	14.1%	14.1%	1.7ppt	1.2ppt	1.4ppt

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	4,914	5,261	5,559	4,803	5,355	5,854	2.3%	-1.8%	-5.0%
Gross profit	3,205	3,440	3,642	3,123	3,503	3,858	2.6%	-1.8%	-5.6%
EBIT	975	1,090	1,166	874	1,008	1,115	11.5%	8.1%	4.7%
Net profit att.	713	803	864	636	738	820	12.1%	8.7%	5.3%
Diluted EPS (RMB)	1.403	1.579	1.699	1.254	1.460	1.630	11.9%	8.1%	4.2%
Gross margin	65.2%	65.4%	65.5%	65.0%	65.4%	65.9%	0.2ppt	0ppt	-0.4ppt
EBIT margin	19.8%	20.7%	21.0%	18.2%	18.8%	19.0%	1.6ppt	1.9ppt	1.9ppt
Net profit att. margin	14.5%	15.3%	15.5%	13.2%	13.8%	14.0%	1.3ppt	1.5ppt	1.5ppt

Source: Company data, CMBIGM estimates

## Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24E	2H24E	1H23 YoY	2H23 YoY	1H24E YoY	2H24E YoY	2H23E CMBIGM M	Actual vs CMBIGM
<b>Revenue</b>	<b>2,360</b>	<b>2,105</b>	<b>2,659</b>	<b>2,255</b>	-5%	31%	13%	7%	1,860	13.2%
COGS	-834	-714	-933	-775					-672	
<b>Gross profit</b>	<b>1,526</b>	<b>1,391</b>	<b>1,726</b>	<b>1,479</b>	-3%	35%	13%	6%	1,188	17.1%
<b>GP margins</b>	<b>64.7%</b>	<b>66.1%</b>	<b>64.9%</b>	<b>65.6%</b>					63.9%	
Other income & gains	20	61	13	55					30	
<b>S &amp; D expenses</b>	<b>-817</b>	<b>-878</b>	<b>-904</b>	<b>-918</b>	2%	23%	11%	5%	-874	0.5%
<i>S &amp; D exp / sales</i>	<b>-34.6%</b>	<b>-41.7%</b>	<b>-34.0%</b>	<b>-40.7%</b>					-47.0%	
<b>Admin expenses</b>	<b>-211</b>	<b>-235</b>	<b>-231</b>	<b>-244</b>	11%	26%	10%	4%	-183	28.1%
<i>Admin exp / sales</i>	<b>-8.9%</b>	<b>-11.1%</b>	<b>-8.7%</b>	<b>-10.8%</b>					-9.8%	
Other opex	0	0	0	0					0	
<b>Operating profit (EBIT)</b>	<b>518</b>	<b>340</b>	<b>604</b>	<b>371</b>	-16%	110%	17%	9%	161	111.4%
<i>OP margins</i>	<b>22.0%</b>	<b>16.1%</b>	<b>22.7%</b>	<b>16.5%</b>					8.6%	
Other items	0	0	0	0					0	
Net finance income	-3	-4	-5	8					2	
<b>Net finance income / sales</b>	<b>-0.1%</b>	<b>-0.2%</b>	<b>-0.2%</b>	<b>0.3%</b>					0.1%	
Profit after financing costs	515	336	598	379					163	
Associated coms	0	0	0	0					0	
Jointly controlled coms	0	0	0	0					0	
<b>Pre-tax profit</b>	<b>515</b>	<b>336</b>	<b>598</b>	<b>379</b>	-16%	108%	16%	13%	163	105.9%
Tax	-143	-87	-162	-102					-40	
<b>Tax / sales</b>	<b>-6.1%</b>	<b>-4.1%</b>	<b>-6.1%</b>	<b>-4.5%</b>					-2.2%	
<b>Effective tax rate</b>	<b>-27.7%</b>	<b>-25.8%</b>	<b>-27.0%</b>	<b>-27.0%</b>					-24.7%	
Minority interests	0	0	0	0					0	
<b>Net profit att.</b>	<b>372</b>	<b>249</b>	<b>437</b>	<b>276</b>	-16%	116%	17%	11%	123	102.9%
<b>NP margins</b>	<b>15.8%</b>	<b>11.8%</b>	<b>16.4%</b>	<b>12.3%</b>					6.6%	

Source: Company data, CMBIGM estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY22	FY23	FY24E	FY25E	FY23 YoY	FY24E YoY	FY25E YoY	FY23E CMBI GM	Actual vs CMBIG M
<b>Revenue</b>	4,086	4,465	4,914	5,261	9%	10%	7%	4,220	5.8%
COGS	-1,478	-1,548	-1,709	-1,820				-1,506	
<b>Gross profit</b>	2,607	2,917	3,205	3,440	12%	10%	7%	2,714	7.5%
<b>GP margins</b>	63.8%	65.3%	65.2%	65.4%				64.3%	
Other income & gains	57	82	68	67				50	
S & D expenses	-1,511	-1,695	-1,823	-1,925	12%	8%	6%	-1,691	0.2%
<b>S &amp; D exp / sales</b>	-37.0%	-38.0%	-37.1%	-36.6%				-40.1%	
Admin expenses	-377	-446	-476	-493				-394	
<b>Admin exp / sales</b>	-9.2%	-10.0%	-9.7%	-9.4%				-9.3%	
Other opex	0	0	0	0				0	
<b>Operating profit (EBIT)</b>	776	858	975	1,090	11%	14%	12%	679	
<b>OP margins</b>	19.0%	19.2%	19.8%	20.7%				16.1%	
Other items	0	0	0	0				0	
Net finance income	-0	-7	2	10				-1	
<b>Net finance income / sales</b>	0.0%	-0.2%	0.0%	0.2%				0.0%	
Profit after financing costs	776	851	977	1,100				678	
Associated coms	0	0	0	0				0	
Jointly controlled coms	0	0	0	0				0	
<b>Pre-tax profit</b>	776	851	977	1,100	10%	15%	13%	678	25.4%
Tax	-217	-230	-264	-297				-183	
<b>Tax / sales</b>	-5.3%	-5.1%	-5.4%	-5.6%				-4.3%	
<b>Effective tax rate</b>	-27.9%	-27.0%	-27.0%	-27.0%				-27.0%	
Minority interests	0	0	0	0				0	
<b>Net profit att.</b>	559	621	713	803	11%	15%	13%	495	25.5%
<b>NP margins</b>	13.7%	13.9%	14.5%	15.3%				11.7%	

Source: Company data, CMBIGM estimates

## Assumptions

Figure 5: Major assumptions

Major assumptions	FY22A	FY23A	FY24E	FY25E	FY26E
<b>Sales by brand (RMB mn)</b>					
JNBY	2,312	2,513	2,740	2,904	3,049
CROQUIS	645	676	736	780	820
jnby by JNBY	593	665	738	797	853
less	461	526	594	654	699
Other brands	75	85	106	125	138
Total	4,086	4,465	4,914	5,261	5,559
<b>Sales by brand growth (%)</b>					
JNBY	0.6%	8.7%	9.0%	6.0%	5.0%
CROQUIS	-6.8%	4.7%	9.0%	6.0%	5.0%
jnby by JNBY	-9.8%	12.2%	11.0%	8.0%	7.0%
less	17.8%	14.0%	13.0%	10.0%	7.0%
Other brands	-13.7%	13.5%	23.8%	18.6%	10.3%
Total	-1.0%	9.3%	10.1%	7.1%	5.7%
<b>Sales by channel growth (%)</b>					
Self-owned	-4.8%	10.9%	8.8%	5.1%	3.8%
Distributors	1.2%	1.7%	8.0%	5.0%	4.0%
Online	3.6%	24.5%	17.0%	15.0%	12.0%
<b>Sales network by segment</b>					
JNBY	921	921	924	927	930
CROQUIS	313	300	300	303	308
jnby by JNBY	471	486	491	496	501
less	204	233	253	273	288
Other brands	47	50	53	59	67
Total	1,956	1,990	2,021	2,058	2,094
<b>GP margins by Channel</b>					
JNBY	64.5%	67.2%	67.1%	67.1%	67.1%
CROQUIS	63.9%	64.7%	64.1%	64.6%	64.9%
jnby by JNBY	59.2%	58.6%	60.1%	60.6%	60.9%
less	67.4%	68.7%	66.6%	67.1%	67.4%
Other brands	57.2%	46.4%	52.6%	52.7%	53.0%
Total	63.8%	65.3%	65.2%	65.4%	65.5%
<b>Opex breakdown</b>					
Outsourcing charges/ sales	9.2%	9.2%	8.7%	8.4%	8.4%
Rental expenses/ sales	12.3%	11.9%	11.5%	11.4%	11.3%
Staff costs/ sales	9.0%	9.7%	9.7%	9.8%	10.0%
A&P expenses/ sales	8.3%	9.2%	9.4%	9.3%	9.3%
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%	37.1%	36.6%	36.5%
Admin expenses / sales	9.2%	10.0%	9.7%	9.4%	9.3%
<b>OP margins</b>	<b>19.0%</b>	<b>19.2%</b>	<b>19.8%</b>	<b>20.7%</b>	<b>21.0%</b>
Effective tax rate	27.9%	27.0%	27.0%	27.0%	27.0%
<b>Net profit margins</b>	<b>13.7%</b>	<b>13.9%</b>	<b>14.5%</b>	<b>15.3%</b>	<b>15.5%</b>
<b>Net profit att. growth (%)</b>	<b>-13.6%</b>	<b>11.2%</b>	<b>14.8%</b>	<b>12.5%</b>	<b>7.6%</b>

Source: Company data, CMBIGM estimates

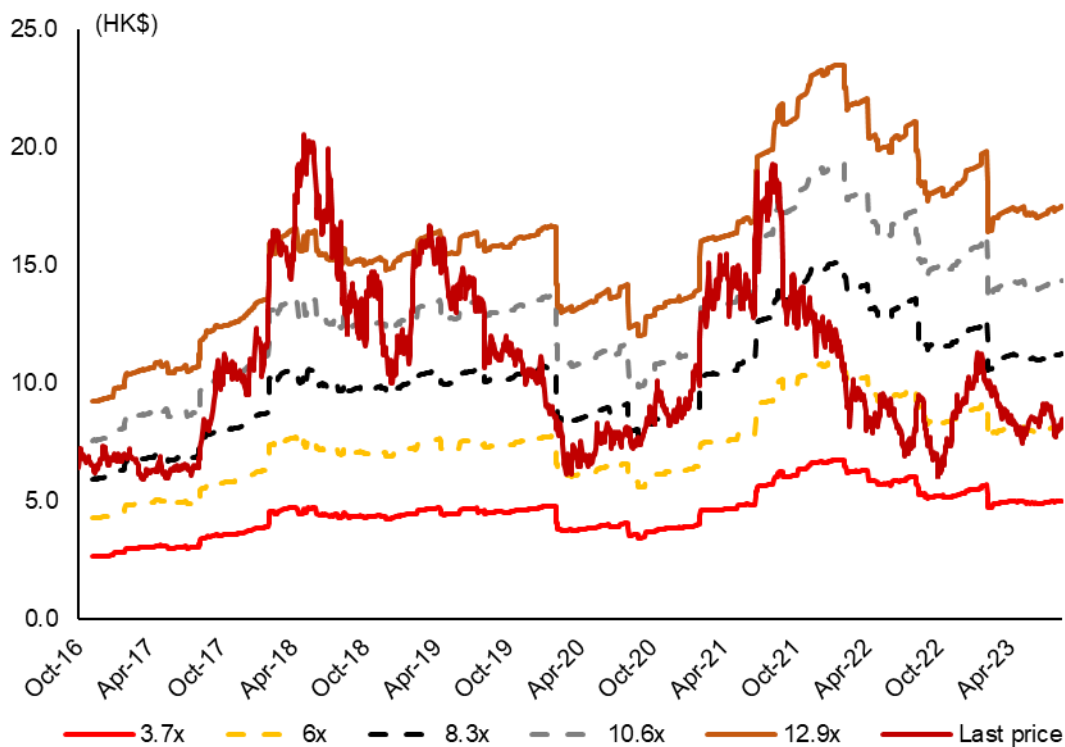
## Valuation

Figure 6: 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	FY2E	FY1E	FY1E	FY1E	FY1E
<b>H shares Apparel</b>														
Jnby Design	3306 HK	BUY	14.26	8.29	72%	4,300	Jun-23	5.2	4.6	1.8	33.9	0.5	14.3	(11.1)
Bosideng Int'l	3998 HK	BUY	4.10	3.08	33%	33,584	Mar-23	12.3	10.3	2.1	17.3	0.8	6.5	(17.0)
China Lilang	1234 HK	BUY	4.94	3.61	37%	4,323	Dec-22	7.7	6.9	1.0	12.0	0.7	8.6	(1.5)
Cosmo Lady	2298 HK	NR	n/a	0.29	n/a	641	Dec-22	7.6	4.4	0.3	2.6	0.1	n/a	41.8
Giordano Int'l	709 HK	NR	n/a	2.81	n/a	4,529	Dec-22	12.0	10.8	2.1	15.8	0.6	11.4	62.4
Eeka Fashion	3709 HK	NR	n/a	13.90	n/a	9,786	Dec-22	11.4	9.3	1.9	14.0	0.3	6.0	24.1
Esprit	330 HK	NR	n/a	0.41	n/a	1,161	Dec-22	n/a	n/a	n/a	(32.6)	0.0	n/a	(51.2)
Bauhaus Intl	483 HK	NR	n/a	0.55	n/a	202	Mar-23	n/a	n/a	n/a	26.2	0.0	n/a	5.8
								<b>Avg.</b>	<b>9.4</b>	<b>7.7</b>	<b>1.5</b>	<b>11.1</b>	<b>0.4</b>	<b>9.4</b>
								<b>Med.</b>	<b>9.5</b>	<b>8.1</b>	<b>1.9</b>	<b>14.9</b>	<b>0.4</b>	<b>8.6</b>
														<b>2.1</b>
<b>A-shares Apparel</b>														
Dazzle Fashion	603587 CH	NR	n/a	15.19	n/a	7,743	Dec-22	12.2	10.3	1.6	11.6	0.5	6.4	(0.2)
Anzheng Fashion	603839 CH	NR	n/a	7.26	n/a	3,095	Dec-22	27.9	22.0	1.3	(14.6)	(0.2)	n/a	3.7
Ellassay Fashion	603808 CH	NR	n/a	12.16	n/a	4,793	Dec-22	15.1	11.3	1.3	0.7	0.1	1.9	33.6
Jinhong Fashion	603518 CH	NR	n/a	9.17	n/a	3,400	Dec-22	11.2	9.0	0.9	5.7	0.1	4.0	36.9
Xin Hee	003016 CH	NR	n/a	9.95	n/a	4,569	Dec-22	n/a	n/a	n/a	4.4	0.0	n/a	8.4
Shenzhen Huijie	002763 CH	NR	n/a	8.11	n/a	3,550	Dec-22	n/a	n/a	n/a	7.4	0.0	n/a	6.2
Peacebird Fashion	603877 CH	NR	n/a	18.38	n/a	9,302	Dec-22	14.1	11.7	1.8	7.2	0.2	4.3	(0.1)
Fujian Septwolves	002029 CH	NR	n/a	6.23	n/a	5,027	Dec-22	17.8	12.7	0.7	3.2	0.0	1.6	12.5
Baoxiniao	002154 CH	NR	n/a	6.12	n/a	9,537	Dec-22	13.4	11.2	1.8	14.9	0.5	3.7	48.5
Joeone	601566 CH	NR	n/a	10.19	n/a	6,253	Dec-22	22.2	15.5	1.4	1.6	(0.1)	2.7	33.6
Hla Group	600398 CH	NR	n/a	7.17	n/a	33,073	Dec-22	11.2	9.6	1.8	17.9	0.7	5.8	35.3
Jiangsu Hongdou	600400 CH	NR	n/a	3.03	n/a	7,443	Dec-22	60.6	43.3	n/a	0.3	0.0	n/a	(26.5)
								<b>Avg.</b>	<b>20.6</b>	<b>15.7</b>	<b>1.4</b>	<b>5.0</b>	<b>0.2</b>	<b>3.8</b>
								<b>Med.</b>	<b>14.6</b>	<b>11.5</b>	<b>1.4</b>	<b>5.1</b>	<b>0.0</b>	<b>3.9</b>
														<b>10.4</b>
<b>International Apparel</b>														
Hugo Boss	BOSS GR	NR	n/a	67.40	n/a	39,825	Dec-22	17.9	14.2	2.9	22.1	0.7	2.2	24.4
Next	NXT LN	NR	n/a	7076.00	n/a	87,832	Jan-23	13.2	12.4	5.3	65.6	5.1	2.9	21.9
Hennes & Mauritz	HMB SS	NR	n/a	166.38	n/a	191,233	Nov-22	27.4	18.2	5.2	6.9	0.4	4.1	48.2
Industria De Diseno	ITX SM	NR	n/a	35.18	n/a	920,249	Jan-23	21.7	20.1	5.6	28.9	1.7	3.9	41.6
Ovs Spa	OVS IM	NR	n/a	2.18	n/a	5,323	Jan-23	7.3	7.0	0.5	4.4	0.2	3.4	3.5
Pvh Corp	PVH US	NR	n/a	79.67	n/a	37,740	Jan-23	7.7	6.9	0.8	3.6	0.1	0.2	12.9
Vf Corp	VFC US	NR	n/a	19.19	n/a	58,502	Apr-23	9.4	8.2	2.1	3.9	0.1	6.3	(30.5)
Marks & Spencer	MKS LN	NR	n/a	220.20	n/a	42,513	Apr-23	11.8	10.5	1.3	12.7	1.2	2.6	78.6
								<b>Avg.</b>	<b>14.6</b>	<b>12.2</b>	<b>3.0</b>	<b>18.5</b>	<b>1.2</b>	<b>3.2</b>
								<b>Med.</b>	<b>12.5</b>	<b>11.5</b>	<b>2.5</b>	<b>9.8</b>	<b>0.6</b>	<b>3.2</b>
														<b>23.2</b>

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
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>4,126</b>	<b>4,086</b>	<b>4,465</b>	<b>4,914</b>	<b>5,261</b>	<b>5,559</b>
Cost of goods sold	(1,529)	(1,478)	(1,548)	(1,709)	(1,820)	(1,917)
<b>Gross profit</b>	<b>2,597</b>	<b>2,607</b>	<b>2,917</b>	<b>3,205</b>	<b>3,440</b>	<b>3,642</b>
<b>Operating expenses</b>	<b>(1,757)</b>	<b>(1,889)</b>	<b>(2,141)</b>	<b>(2,298)</b>	<b>(2,418)</b>	<b>(2,547)</b>
Selling expense	(1,429)	(1,511)	(1,695)	(1,823)	(1,925)	(2,027)
Admin expense	(328)	(377)	(446)	(476)	(493)	(520)
R&D expense	0	0	0	0	0	0
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>884</b>	<b>776</b>	<b>858</b>	<b>975</b>	<b>1,090</b>	<b>1,166</b>
Other income	44	57	82	68	67	71
Share of (losses)/profits of associates/JV	0	0	0	0	0	0
<b>EBITDA</b>	<b>955</b>	<b>872</b>	<b>971</b>	<b>1,106</b>	<b>1,222</b>	<b>1,278</b>
Depreciation	(69)	(93)	(109)	(127)	(128)	(108)
Other amortisation	(3)	(3)	(4)	(4)	(4)	(4)
Interest income	32	38	38	43	50	57
Interest expense	(29)	(38)	(45)	(40)	(40)	(40)
Other income/expense	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>887</b>	<b>776</b>	<b>851</b>	<b>977</b>	<b>1,100</b>	<b>1,183</b>
Income tax	(239)	(217)	(230)	(264)	(297)	(320)
<b>After tax profit</b>	<b>647</b>	<b>559</b>	<b>621</b>	<b>713</b>	<b>803</b>	<b>864</b>
Minority interest	0	0	0	0	0	0
<b>Net profit</b>	<b>647</b>	<b>559</b>	<b>621</b>	<b>713</b>	<b>803</b>	<b>864</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>2,489</b>	<b>2,180</b>	<b>2,223</b>	<b>2,540</b>	<b>2,830</b>	<b>3,075</b>
Cash & equivalents	549	592	525	719	919	1,087
Restricted cash	739	384	490	490	490	490
Account receivables	119	104	125	138	148	156
Inventories	707	829	790	872	929	979
Prepayment	241	269	291	320	342	362
Other current assets	134	2	1	1	1	1
<b>Non-current assets</b>	<b>1,970</b>	<b>2,440</b>	<b>2,613</b>	<b>2,645</b>	<b>2,688</b>	<b>2,761</b>
PP&E	398	451	463	500	547	624
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
<b>Total assets</b>	<b>4,459</b>	<b>4,620</b>	<b>4,835</b>	<b>5,185</b>	<b>5,518</b>	<b>5,836</b>
<b>Current liabilities</b>	<b>1,758</b>	<b>1,923</b>	<b>1,830</b>	<b>1,956</b>	<b>2,052</b>	<b>2,134</b>
Short-term borrowings	244	149	100	100	100	100
Account payables	256	289	236	261	278	293
Tax payable	0	0	0	0	0	0
Other current liabilities	1,136	1,311	1,280	1,381	1,460	1,527
Lease liabilities	122	175	215	215	215	215
<b>Non-current liabilities</b>	<b>466</b>	<b>466</b>	<b>469</b>	<b>469</b>	<b>469</b>	<b>469</b>
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
<b>Total liabilities</b>	<b>2,224</b>	<b>2,389</b>	<b>2,299</b>	<b>2,425</b>	<b>2,520</b>	<b>2,603</b>
Share capital	509	333	375	375	375	375
Retained earnings	1,016	1,123	1,353	1,189	1,378	1,581
Other reserves	192	229	254	641	690	723
<b>Total shareholders equity</b>	<b>1,716</b>	<b>1,685</b>	<b>1,982</b>	<b>2,206</b>	<b>2,443</b>	<b>2,679</b>
Minority interest	0	0	0	0	0	0
<b>Total equity and liabilities</b>	<b>3,940</b>	<b>4,074</b>	<b>4,280</b>	<b>4,630</b>	<b>4,963</b>	<b>5,281</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 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	887	776	851	977	1,100	1,183
Depreciation & amortization	(71)	(96)	(113)	(131)	(132)	(112)
Tax paid	(209)	(238)	(328)	(264)	(297)	(320)
Change in working capital	280	(149)	(120)	2	6	5
Others	450	560	650	303	305	264
<b>Net cash from operations</b>	<b>1,337</b>	<b>853</b>	<b>939</b>	<b>887</b>	<b>982</b>	<b>1,021</b>
<b>Investing</b>						
Capital expenditure	(124)	(134)	(149)	(164)	(175)	(185)
Acquisition of subsidiaries/ investments	(4)	(6)	(7)	0	0	0
Others	(408)	330	(84)	0	0	0
<b>Net cash from investing</b>	<b>(536)</b>	<b>190</b>	<b>(240)</b>	<b>(164)</b>	<b>(175)</b>	<b>(185)</b>
<b>Financing</b>						
Dividend paid	(396)	(612)	(392)	(489)	(566)	(628)
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)
<b>Net cash from financing</b>	<b>(581)</b>	<b>(1,002)</b>	<b>(772)</b>	<b>(530)</b>	<b>(606)</b>	<b>(668)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	337	549	592	525	719	919
Exchange difference	(7)	2	6	0	0	0
Others	220	41	(73)	194	200	168
<b>Cash at the end of the year</b>	<b>549</b>	<b>592</b>	<b>525</b>	<b>719</b>	<b>919</b>	<b>1,087</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 Dec</b>						
Revenue	33.1%	(1.0%)	9.3%	10.1%	7.1%	5.7%
Gross profit	40.4%	0.4%	11.9%	9.9%	7.3%	5.9%
Operating profit	82.2%	(12.2%)	10.6%	13.6%	11.8%	7.0%
EBITDA	74.2%	(8.7%)	11.4%	13.9%	10.5%	4.6%
Net profit	86.7%	(13.6%)	11.2%	14.8%	12.5%	7.6%
<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	62.9%	63.8%	65.3%	65.2%	65.4%	65.5%
Operating margin	21.4%	19.0%	19.2%	19.8%	20.7%	21.0%
EBITDA margin	23.2%	21.3%	21.7%	22.5%	23.2%	23.0%
Return on equity (ROE)	40.4%	32.9%	33.9%	34.1%	34.5%	33.7%
<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 Dec</b>						
Net debt to equity (x)	0.4	0.3	0.3	0.4	0.4	0.4
Current ratio (x)	1.4	1.1	1.2	1.3	1.4	1.4
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
<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	5.9	6.2	6.0	5.2	4.6	4.3
P/E (diluted)	5.9	6.2	6.0	5.2	4.6	4.3
P/B	2.3	2.1	1.9	1.7	1.6	1.4
P/CFPS	4.3	4.5	4.3	4.4	4.0	3.9
Div yield (%)	14.3	12.6	12.2	14.3	16.1	17.4
EV	3,618.7	3,811.9	3,677.5	3,483.6	3,283.3	3,115.7
EV/Sales	0.9	0.9	0.8	0.7	0.6	0.6
EV/EBITDA	3.8	4.4	3.8	3.1	2.7	2.4

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

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