

Bosideng (3998 HK)

Prudent guidance but we are still confident

Because of the warm winter, investors are fully aware of a likely slowdown in 2H25; therefore, the FY25 results were rather inline. The FY26E guidance is conservative and might be slightly lower than expected; however, we are confident about the growth ahead, given numerous industry and company-specific catalysts. Hence we maintain BUY with TP of HK\$ 5.55. And thanks to the 7% FY26E yield, the downside is also limited in our view.

■ **Conservative FY26E guidance was announced, but we believe in the Company's ability to outperform the industry.** Management has outlined the guidance for FY26E. They are now targeting a 10% sales growth (10% for Bosideng brand, 20%+ for Snow Flying and Bengen brand, HSD for OEM, 10% for womenswear), a flattish GP margin and a 10%+ net profit growth. Some investors might be slightly disappointed (as some of them are still expecting a 10%+ sales growth or the RMB 30bn sales target that was once announced by management), but we concur with management's strategy to play safe and stay prudent. If the macro environment and weather are favourable, we believe a faster-than-expected growth could easily be achieved, given Bosideng's industry-leading ability on product design, marketing and store operation, etc..

■ **We see quite a few growth drivers for FY26E.** Industry-wise, 1) the low base (due to warm winter) and 2) the late CNY in FY26E could both be positive to growth ahead. Company-wise, 1) enhance the functionality, fashion appeal and diversity of the extreme cold, puff and high-end business product series (extreme cold series sales were at RMB 3bn in FY25 and the target is RMB 4bn in FY26E), 2) improve the youthfulness of the products, including many crossovers (with Kim Jones, Ultraman and Sanrio, etc.) 3) expand into more e-commerce platforms, 4) develop more unique and distinctive accounts on Douyin, 5) continue to improve the structure of offline stores by closing the underperforming stores, adjusting store floor area as well as product offerings based on the spending power of the commercial areas, 6) further enhance customer and membership experiences, 7) reasonable re-stocking demand from the distributors (as the channel inventory level is still better than historical average), esp. for the high-end product series, and 8) the overall demand should be higher as more stores were opened last year, and the Company will continue to expand into more lower-tier markets, northeast markets and more high-end channels. Margin-wise, we also see many positive drivers, because: 1) product mix may likely improve, and high-end and functional products have accounted for almost 50% (vs 30% last year) of total sales during the first trader order (even though the tag prices remained rather flattish or even declined slightly), 2) raw material (such as the down) prices have been declining, 3) retail discount is likely to improve (as the base was low last year, due to warm winter), and 4) effective tax rate may also trend better in FY26E.

Earnings Summary

(YE 31 Mar)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	23,214	25,902	28,624	31,351	33,535
YoY growth (%)	38.4	11.6	10.5	9.5	7.0
Operating profit (RMB mn)	4,397.6	4,966.9	5,516.0	6,255.4	6,831.9
Net profit (RMB mn)	3,120.1	3,552.7	4,128.8	4,756.4	5,279.7
EPS (Reported) (RMB)	0.27	0.30	0.35	0.41	0.45
YoY growth (%)	43.9	13.2	16.3	15.3	11.0
P/E (x)	15.1	13.4	11.5	10.0	9.0
P/B (x)	3.2	3.2	3.0	2.8	2.6
Yield (%)	5.7	6.3	7.0	8.0	8.9
ROE (%)	23.7	25.1	27.3	29.1	29.8
Net gearing (%)	46.7	51.5	54.9	57.7	59.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$5.55
(Previous TP)	HK\$6.05
Up/Downside	24.3%
Current Price	HK\$4.46

China Consumer Discretionary

Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	48,379.6
Avg 3 mths t/o (HK\$ mn)	106.5
52w High/Low (HK\$)	5.01/3.57
Total Issued Shares (mn)	10847.4

Source: FactSet

Shareholding Structure

Mr. Gao De Kang & Family	70.3%
Nomura Holdings Inc	4.1%

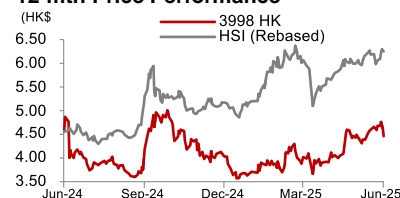
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-0.7%	-4.4%
3-mth	10.9%	7.7%
6-mth	10.7%	-8.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **FY25 results were inline with BBG est.; the inventory level and the yield are all rather healthy.** For FY25, Bosideng's sales increased by 12% YoY to RMB 25.9bn and net profit rose by 14% YoY to RMB 3.5bn, both inline with BBG est. Other income might have been higher than expected, but that was offset by the lower-than-expected GP margin and higher-than-expected effective tax rate. Overall speaking, the slowdown in sales growth (esp. the direct retail sales business) and rather sharp drop in GP margin (esp. for the brand Bengen) were the major drags in 2H25. However, in our view, these factors should have all been priced in as the investors are fully aware of the warm winter last year. Payout ratio climbed to 84% in FY25 (from 81% in FY24), and thanks to that, the historical yield is already at 6%. Inventory days increased by 3 days to 118 days in FY25 (from 115 days in FY24), but this was still a very healthy level (the channel inventory was also healthy, indicated by the 80% sell-through rate in FY25, better than historical average of 79%, as mentioned by management).
- **Maintain BUY and trim TP to HK\$ 5.55.** We have fine-tuned FY26E/ 27E net profit forecasts by -7%/ -3%, in order to factor in: 1) the warm winter last year, 2) a slightly conservative FY26E sales target and 3) GP margin miss of the non-core brands. Even though management has outlined quite prudent FY26E guidance, we do think the industry setup (low base, late CNY ahead) and the company specifics (reasonable re-stocking demand thanks to more stores opened, lower-than-average channel inventory, thorough plans of product series upgrades on functionality, fashion design and diversity, better store structure by closing down the underperforming ones and opening more with a better location, size and product offerings, etc.) are positive for the Company. So we maintain BUY but trim TP to HK\$ 5.55, based on 13x FY26E P/E (unchanged). As it is trading at 11.5x FY26E P/E with a 7% yield, we believe the downside is quite limited.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	28,624	31,351	33,535	30,042	32,001	n/a	-4.7%	-2.0%	n/a
Gross profit	16,487	18,135	19,500	17,864	19,069	n/a	-7.7%	-4.9%	n/a
EBIT	5,516	6,255	6,832	5,820	6,275	n/a	-5.2%	-0.3%	n/a
Net profit att.	4,086	4,709	5,229	4,414	4,858	n/a	-7.4%	-3.1%	n/a
Diluted EPS (RMB)	0.354	0.408	0.453	0.386	0.425	n/a	-8.4%	-4.0%	n/a
Gross margin	57.6%	57.8%	58.1%	59.5%	59.6%	n/a	-1.9ppt	-1.7ppt	n/a
EBIT margin	19.3%	20.0%	20.4%	19.4%	19.6%	n/a	-0.1ppt	0.3ppt	n/a
Net profit att. margin	14.3%	15.0%	15.6%	14.7%	15.2%	n/a	-0.4ppt	-0.2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	28,624	31,351	33,535	29,455	33,025	36,662	-2.8%	-5.1%	-8.5%
Gross profit	16,487	18,135	19,500	17,402	19,507	21,568	-5.3%	-7.0%	-9.6%
EBIT	5,516	6,255	6,832	5,533	6,231	7,068	-0.3%	0.4%	-3.3%
Net profit att.	4,086	4,709	5,229	4,047	4,595	5,226	1.0%	2.5%	0.1%
Diluted EPS (RMB)	0.354	0.408	0.453	0.365	0.410	0.466	-3.0%	-0.4%	-2.8%
Gross margin	57.6%	57.8%	58.1%	59.1%	59.1%	58.8%	-1.5ppt	-1.2ppt	-0.7ppt
EBIT margin	19.3%	20.0%	20.4%	18.8%	18.9%	19.3%	0.5ppt	1.1ppt	1.1ppt
Net profit att. margin	14.3%	15.0%	15.6%	13.7%	13.9%	14.3%	0.5ppt	1.1ppt	1.3ppt

Source: Company data, Bloomberg, CMBIGM estimates

Results review

Figure 3: Earnings review - Half Year

Half yearly - (Mar year-end) (RMB mn)	1H24	2H24	1H25	2H25	1H24 YoY	2H24 YoY	1H25 YoY	2H25E YoY	2H25E CMBI GM	Actual vs CMBI
Revenue	7,472	15,742	8,804	17,098	21%	49%	18%	9%	18,194	-6%
COGS	-3,738	-5,642	-4,413	-6,649					-6,541	
Gross profit	3,733	10,100	4,391	10,449	21%	47%	18%	3%	11,653	-10%
GP margin	50.0%	64.2%	49.9%	61.1%					64.0%	
Other income & gains	110	106	196	296					128	132%
S&D expenses	-2,030	-6,025	-2,275	-6,249	25%	34%	12%	4%	-7,126	-12%
S&D exp / sales	-27.2%	-38.3%	-25.8%	-36.5%					-39.2%	
Admin expenses	-582	-925	-769	-884	11%	36%	32%	-5%	-952	-7%
Admin exp / sales	-7.8%	-5.9%	-8.7%	-5.2%					-5.2%	
Other opex	-0	-19	-2	-16					-52	
Operating profit (EBIT)	1,231	3,237	1,542	3,596	18%	70%	25%	11%	3,652	-2%
OP margin	16.5%	20.6%	17.5%	21.0%					20.1%	
Other items	0	-70	-70	-101					-11	
Net finance income	82	76	92	112					101	12%
Net finance income / sales	1.1%	0.5%	1.0%	0.7%					0.6%	
Profit after financing costs	1,312	3,243	1,564	3,608					3,741	
Associated coms	-12	-2	-5	-17					-22	
Jointly controlled coms	0	0	0	0					0	
Pre-tax profit	1,301	3,241	1,558	3,591	29%	72%	20%	11%	3,719	-3%
Tax	-384	-1,037	-416	-1,180					-1,009	17%
Tax / sales	-5.1%	-6.6%	-4.7%	-6.9%					-5.5%	
Effective tax rate	-	-	-	-					-	
	29.6%	-32.0%	-26.7%	-32.9%					27.1%	
Minority interests	-2	49	12	26					42	
Net profit att.	919	2,155	1,130	2,384	25%	53%	23%	11%	2,669	-11%
NP margin	12.3%	13.7%	12.8%	13.9%					14.7%	

Source: Company data, CMBIGM estimates

Figure 4: Earnings review - Full Year

Full yearly - (Mar year-end) (RMB mn)	FY24	FY25	FY26E	FY25 YoY	FY26E YoY	FY25E CMBI GM	Actual vs CMBI
Revenue	23,214	25,902	28,624	12%	11%	26,999	-4%
COGS	-9,380	-11,062	-12,137			-	
Gross profit	13,834	14,840	16,487	7%	11%	16,045	-8%
GP margin	59.6%	57.3%	57.6%			59.4%	
Other income & gains	216	492	515			324	52%
S&D expenses	-8,055	-8,524	-9,448	6%	11%	-9,401	-9%
S&D exp / sales	-34.7%	-32.9%	-33.0%			-	
Admin expenses	-1,508	-1,652	-1,791	10%	8%	-1,720	-4%
Admin exp / sales	-6.5%	-6.4%	-6.3%			-6.4%	
Other opex	-19	-18	-57			-54	
Operating profit (EBIT)	4,468	5,138	5,705	15%	11%	5,193	-1%
OP margin	19.2%	19.8%	19.9%			19.2%	
Other items	-70	-171	-189			-81	
Net finance income	158	204	247			193	6%
Net finance income / sales	0.7%	0.8%	0.9%			0.7%	
Profit after financing costs	4,555	5,171	5,763			5,305	
Associated coms	-14	-22	-29			-27	
Jointly controlled coms	0	0	0			0	
Pre-tax profit	4,541	5,149	5,734	13%	11%	5,278	-2%
Tax	-1,421	-1,596	-1,606			-1,425	
Tax / sales	-6.1%	-6.2%	-5.6%			-5.3%	
Effective tax rate	-31.3%	-31.0%	-28.0%			-	
Minority interests	46	39	43			27.0% 54	
Net profit att.	3,074	3,514	4,086	14%	16%	3,799	-7%
NP margin	13.2%	13.6%	14.3%			14.1%	

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar (RMB mn)						
Revenue	16,774	23,214	25,902	28,624	31,351	33,535
Cost of goods sold	(6,798)	(9,380)	(11,062)	(12,137)	(13,216)	(14,035)
Gross profit	9,976	13,834	14,840	16,487	18,135	19,500
Operating expenses	(7,459)	(9,652)	(10,365)	(11,486)	(12,444)	(13,272)
Selling expense	(6,125)	(8,055)	(8,524)	(9,448)	(10,271)	(10,992)
Admin expense	(1,204)	(1,508)	(1,652)	(1,791)	(1,904)	(1,991)
Others	(130)	(89)	(189)	(246)	(270)	(288)
Operating profit	2,826	4,398	4,967	5,516	6,255	6,832
Other income	310	216	492	515	564	604
Share of (losses)/profits of associates/JV	(22)	(14)	(22)	(29)	(31)	(34)
EBITDA	3,413	5,197	5,435	5,946	6,605	7,122
Depreciation	(474)	(687)	(355)	(317)	(268)	(231)
Other amortisation	(113)	(113)	(113)	(113)	(82)	(59)
Interest income	293	374	371	414	459	503
Interest expense	(210)	(216)	(167)	(167)	(167)	(167)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	2,887	4,541	5,149	5,734	6,516	7,135
Income tax	(731)	(1,421)	(1,596)	(1,606)	(1,759)	(1,855)
Minority interest	(18)	(46)	(39)	(43)	(47)	(50)
Net profit	2,156	3,120	3,553	4,129	4,756	5,280

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar (RMB mn)						
Current assets	14,722	19,019	21,030	22,801	24,706	26,339
Cash & equivalents	3,718	6,227	7,343	8,421	9,630	10,722
Account receivables	923	1,498	1,671	1,847	2,023	2,164
Inventories	2,689	3,197	3,771	4,137	4,505	4,784
Prepayment	1,355	1,288	1,437	1,588	1,739	1,860
ST bank deposits	1,824	2,752	2,752	2,752	2,752	2,752
Other current assets	4,212	4,057	4,057	4,057	4,057	4,057
Non-current assets	6,221	6,753	6,887	7,119	7,495	7,981
PP&E	1,728	1,544	1,813	2,187	2,676	3,254
Investment in JVs & assos	236	253	231	203	171	138
Intangibles	1,342	1,236	1,124	1,011	929	870
Other non-current assets	2,915	3,719	3,719	3,719	3,719	3,719
Total assets	20,943	25,771	27,917	29,921	32,201	34,320
Current liabilities	6,054	11,183	12,411	13,307	14,207	14,903
Short-term borrowings	770	768	768	768	768	768
Account payables	3,097	5,177	6,105	6,698	7,294	7,746
Tax payable	669	497	497	497	497	497
Other current liabilities	1,517	4,741	5,040	5,344	5,648	5,891
Non-current liabilities	2,284	769	769	769	769	769
Long-term borrowings	0	0	0	0	0	0
Other non-current liabilities	2,284	769	769	769	769	769
Total liabilities	8,338	11,952	13,179	14,076	14,976	15,671
Share capital	1	1	1	1	1	1
Retained earnings	0	0	(1,442)	(625)	317	1,363
Other reserves	12,546	13,735	16,056	16,303	16,695	17,022
Total shareholders equity	12,547	13,735	14,615	15,679	17,013	18,385
Minority interest	57	84	123	166	213	263
Total equity and liabilities	20,943	25,771	27,917	29,921	32,201	34,320

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar (RMB mn)						
Operating						
Profit before taxation	2,887	4,541	5,149	5,734	6,516	7,135
Depreciation & amortization	587	800	468	430	349	290
Tax paid	(738)	(1,278)	(1,596)	(1,606)	(1,759)	(1,855)
Change in working capital	26	2,927	332	204	205	154
Others	289	349	189	196	198	201
Net cash from operations	3,051	7,339	4,542	4,958	5,509	5,924
Investing						
Capital expenditure	(508)	(560)	(625)	(690)	(756)	(809)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	1,125	(1,867)	0	0	0	0
Net cash from investing	617	(2,426)	(625)	(690)	(756)	(809)
Financing						
Dividend paid	(1,722)	(1,845)	(2,635)	(3,022)	(3,376)	(3,857)
Net borrowings	(210)	0	0	0	0	0
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	0	(48)	0	0	0	0
Others	(561)	(487)	0	0	0	0
Net cash from financing	(2,493)	(2,380)	(2,635)	(3,022)	(3,376)	(3,857)
Net change in cash						
Cash at the beginning of the year	2,503	3,718	6,227	7,343	8,421	9,630
Exchange difference	41	(24)	0	0	0	0
Others	1,174	2,533	1,115	1,078	1,210	1,092
Cash at the end of the year	3,718	6,227	7,343	8,421	9,630	10,722
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar						
Revenue	3.5%	38.4%	11.6%	10.5%	9.5%	7.0%
Gross profit	2.5%	38.7%	7.3%	11.1%	10.0%	7.5%
Operating profit	10.0%	55.6%	12.9%	11.1%	13.4%	9.2%
EBITDA	9.4%	52.3%	4.6%	9.4%	11.1%	7.8%
Net profit	4.7%	44.7%	13.9%	16.2%	15.2%	11.0%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar						
Gross profit margin	59.5%	59.6%	57.3%	57.6%	57.8%	58.1%
Operating margin	16.8%	18.9%	19.2%	19.3%	20.0%	20.4%
EBITDA margin	20.3%	22.4%	21.0%	20.8%	21.1%	21.2%
Return on equity (ROE)	17.4%	23.7%	25.1%	27.3%	29.1%	29.8%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar						
Net debt to equity (x)	0.3	0.5	0.5	0.5	0.6	0.6
Current ratio (x)	2.4	1.7	1.7	1.7	1.7	1.8
Receivable turnover days	20.1	23.6	23.6	23.6	23.6	23.6
Inventory turnover days	144.4	124.4	124.4	124.4	124.4	124.4
Payable turnover days	166.3	201.4	201.4	201.4	201.4	201.4
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Mar						
P/E	21.8	15.1	13.4	11.5	10.0	9.0
P/E (diluted)	21.8	15.1	13.4	11.5	10.0	9.0
P/B	3.5	3.2	3.2	3.0	2.8	2.6
P/CFPS	15.3	6.3	10.3	9.5	8.5	7.9
Div yield (%)	4.1	5.7	6.3	7.0	8.0	8.9
EV	45,067.8	41,965.6	43,937.9	42,859.6	41,650.0	40,558.5
EV/Sales	2.7	1.8	1.7	1.5	1.3	1.2
EV/EBITDA	13.2	8.1	8.1	7.2	6.3	5.7

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

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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
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CMB International Global Markets Limited

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

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