

Bosideng (3998 HK)

Bosideng and BOGNER to co-develop the Greater China market

- Bosideng and BOGNER are forming a JV to co-develop the Greater China market.** On 1 Dec 2021, Bosideng International Fashion (“BSD”) and Willy Bogner GmbH & Co. (“Bogner”) will form a JV and will be granted the exclusive right to market, sell and distribute products under the BOGNER and FIRE+ICE brands in Greater China (Mainland China, HK, Macau and Taiwan). The JV will consist of 2 smaller JVs. One is the German JV (45%/55% owned by BSD/ Bogner) which will hold the trademark, while the other is the Asia JV for operation and market development (55%/ 45% owned by BSD/ Bogner). Together they plan to open about 80 stores and explore the online market in Greater China within the next 5 years. Bogner has already opened stores (or pop-up stores) in Plaza 66 in Shanghai as well as SKP and WF Central in Beijing. Bogner is a renowned luxurious sport fashion brand, headquartered in Germany and founded by the professional Skier Willy Bogner Sr. in 1932 and further developed by his son Wily Bogner Jr. It generated about EUR 163mn in 2020, with 70 stores in over 50 countries.
- We are slightly positive, given perfect timing for Winter Olympics and BSD’s precious experience on high-end and multi-brand expansion. 1) Perfect timing for marketing, esp. for 2022 Winter Olympics.** We believe this is an effective marketing campaign for Bosideng during the upcoming Olympics, which should boost brand equity and hopefully sales in Jan-Mar 2022. **2) New source of growth.** Sales per store for Bogner was about EUR 2.3mn in 2020 (slightly below luxury brands’ EUR 5-10mn per store), and hence assuming similar performance for 80 stores in China and e-commerce contribution of 40% of total sales, we estimate JV sales could reach RMB 2.2bn FY3/26E (8-9% of BSD’s group sales in FY3/26E), while net profit will reach RMB 220mn and 50% will go to BSD (2-3% of BSD group net profit). Noted that management of this new JV are from Amer sports, LVMH and Lululemon, etc. **3) Excellent strategy to expand its price range, product category and even multi-brand strategy.** We believe Bosideng will gain more experience on selling luxurious products by partnering with Bogner, selling more sports related or functional products and operating a new high-end brand from the stretch. Whether or not this partnership becomes successful, this will still contribute to the long-term growth, in our view.
- Maintain BUY with TP of HK\$ 6.69, based on 23x FY23E P/E. It is currently trading at 18x FY23E P/E.**

Earnings Summary

(YE 31 Mar)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	12,191	13,517	15,904	18,137	20,352
YoY growth (%)	17.4	10.9	17.7	14.0	12.2
Net income (RMB mn)	1,203	1,710	2,261	2,726	3,290
Diluted EPS (RMB)	0.111	0.151	0.200	0.241	0.291
YoY growth (%)	12.8	48.1	34.7	20.6	20.7
Consensus EPS (RMB)	n/a	n/a	0.202	0.254	0.305
P/E (x)	44.2	29.9	22.2	18.4	15.2
P/B (x)	5.1	4.4	3.9	3.6	3.3
Yield (%)	1.7	2.5	3.2	3.8	4.6
ROE (%)	11.8	15.4	18.8	20.7	22.6
Net gearing (%)	Net cash	1.8	1.6	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$6.69
(Previous TP)	HK\$6.69
Up/Downside	+25.5%
Current Price	HK\$5.33

China Apparel Sector

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Stock Data

Mkt Cap (HK\$ mn)	57,971
Avg 3 mths t/o (HK\$ mn)	193.18
52w High/Low (HK\$)	6.93/2.99
Total Issued Shares (mn)	10,876.3

Source: Bloomberg

Shareholding Structure

Mr Gao Dekang & Family	70.49%
Employee incentive scheme	6.81%
Free Float	22.70%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-5.4%	-0.2%
3-mth	-17.9%	-10.0%
6-mth	22.3%	50.7%
12-mth	58.9%	77.2%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

- Bosideng (3998 HK, BUY) – Successful new product and premiumization – 29 Nov 2021
- Bosideng (3998 HK, BUY) - Outstanding double 11 and e-commerce sales - 15 Nov 2021
- Bosideng (3998 HK, BUY) - Agility and brand elevation are key strategies - 25 Jun 2021

Focus Charts

Figure 1: Bogner's first store in mainland China, Zhangjiakou



Source: Fashion network, CMBIS estimates

Figure 2: Bogner's products selling on Farfetch

				
☆	☆	☆	☆	☆
New Season BOGNER BOGNER TALISHA SKI AIO W HN CNTRST SD PN HK\$15,447	New Season BOGNER Cari ski jumpsuit HK\$8,238	BOGNER Fraenzi straight-leg ski trousers HK\$5,192	New Season BOGNER Charly graphic-print ski layer top HK\$1,545	New Season BOGNER Madei ski trousers HK\$6,694

Source: Farfetch, CMBIS estimates

Figure 3: Cover page of Variety Magazine in 2020, featuring Taylor Swift with Bogner



Source: Variety Magazine, CMBIS estimates

Assumption

Figure 4: CMBIS estimates vs consensus

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by segment (RMB mn)					
Down apparels	9,513	10,889	13,052	15,138	17,210
OEM management	1,611	1,536	1,705	1,790	1,880
Ladieswear	983	947	966	1,018	1,063
Diversified apparels	84	145	181	190	199
Total	12,191	13,517	15,904	18,137	20,352
Sales by segment growth (%)					
Down apparels	24.2%	14.5%	19.9%	16.0%	13.7%
OEM management	17.8%	-4.7%	11.0%	5.0%	5.0%
Ladieswear	-17.7%	-3.7%	2.0%	5.4%	4.4%
Diversified apparels	-48.9%	72.6%	25.0%	5.0%	5.0%
Total	17.4%	10.9%	17.7%	14.0%	12.2%
Sales by channel growth (%)					
Down Apparels - offline	23.1%	2.1%	8.0%	3.9%	4.4%
Down Apparels - online	28.0%	54.3%	45.0%	35.0%	25.0%
OEM management	17.8%	-4.7%	11.0%	5.0%	5.0%
Non-down apparels - offline	-22.3%	1.1%	5.1%	4.6%	4.5%
Non-down apparels - online	-6.1%	21.8%	5.0%	15.0%	5.0%
Total	17.4%	10.9%	17.7%	14.0%	12.2%
Sales network by segment					
Down apparel	4,866	4,150	4,060	4,170	4,284
Non - down apparel	525	477	469	483	497
Total	5,391	4,627	4,528	4,653	4,781
Sales network by channel type					
Self-operated	2,267	2,161	2,154	2,228	2,304
Third party distributors	3,131	2,466	2,374	2,425	2,476
Total	5,398	4,627	4,528	4,653	4,781
GP margins by segment					
Down apparels	59.8%	63.7%	66.8%	67.2%	67.6%
OEM management	18.5%	19.6%	19.0%	17.0%	17.0%
Ladieswear	74.4%	72.6%	67.0%	63.0%	63.0%
Diversified apparels	-16.4%	0.1%	2.0%	2.0%	2.0%
Total	55.0%	58.6%	61.0%	61.4%	62.0%
Opex breakdown					
D&A/ sales	2.8%	3.6%	2.8%	2.6%	2.3%
Rental/ sales	11.6%	13.3%	12.9%	13.0%	13.1%
Labor/ sales	10.7%	11.9%	11.2%	10.4%	10.2%
A&P/ sales	7.0%	6.5%	7.7%	8.0%	8.0%
Others/ sales	9.9%	7.7%	8.3%	8.3%	8.1%
OP margins	13.1%	16.5%	19.0%	19.9%	21.1%
Effective tax rate	25.3%	24.0%	25.0%	25.0%	25.0%
NP att. margins	9.9%	12.6%	14.2%	15.0%	16.2%
NP att. growth (%)	22.6%	42.1%	32.2%	20.6%	20.7%

Source: Company data, CMBIS estimates

Valuation

Figure 5: Peers' valuation

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)	
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E	
H-shares Apparel															
Bosideng Intl	3998 HK	BUY	6.69	5.33	25%	58,406	Mar-21	23.1	19.2	4.1	3.8	17.5	0.9	3.4	
China Lilang	1234 HK	BUY	6.27	4.30	46%	5,149	Dec-20	6.1	5.2	1.1	1.0	15.6	0.3	11.1	
Jnby Design	3306 HK	BUY	22.84	13.82	65%	7,169	Jun-21	8.6	7.3	3.2	2.9	40.4	0.7	8.3	
Cosmo Lady	2298 HK	NR	n/a	0.68	n/a	1,530	Dec-20	6.0	13.9	0.5	0.5	1.2	(0.0)	2.0	
Mulsanne Group	709 HK	NR	n/a	1.50	n/a	2,368	Dec-20	n/a	n/a	n/a	n/a	5.2	0.0	n/a	
Giordano	1817 HK	NR	n/a	5.96	n/a	5,662	Dec-20	n/a	n/a	n/a	n/a	(13.6)	0.0	n/a	
Koradior	3709 HK	NR	n/a	10.96	n/a	7,716	Dec-20	10.1	8.1	1.6	1.4	17.2	0.4	4.9	
								Avg.	10.8	10.7	2.1	1.9	11.9	0.3	5.9
								Med.	8.6	8.1	1.6	1.4	15.6	0.3	4.9
A-shares Apparel															
Ningbo Peacebird	603877 CH	NR	n/a	33.03	n/a	19,244	Dec-20	15.2	12.5	3.5	3.0	25.1	0.5	3.5	
Joeone Co Ltd	601566 CH	NR	n/a	12.64	n/a	8,877	Dec-20	34.2	21.1	1.8	1.7	3.6	7.1	n/a	
Fujian Septwolves	002029 CH	NR	n/a	6.01	n/a	5,550	Dec-20	18.2	13.9	0.7	0.7	4.1	0.8	2.0	
Hla Corp Ltd	600398 CH	NR	n/a	6.28	n/a	33,153	Dec-20	9.5	8.1	1.8	1.6	18.2	0.3	7.3	
Jiangsu Hongdou	600400 CH	NR	n/a	3.85	n/a	10,781	Dec-20	67.5	57.5	2.5	2.5	2.7	4.7	n/a	
Dazzle Fashion	603587 CH	NR	n/a	18.14	n/a	10,668	Dec-20	11.9	10.3	2.3	2.1	20.4	0.6	5.0	
Anzheng Fashion	603839 CH	NR	n/a	8.39	n/a	4,102	Dec-20	15.8	14.5	n/a	n/a	6.7	1.6	n/a	
Lancy Co Ltd	002612 CH	NR	n/a	35.93	n/a	19,428	Dec-20	64.2	45.6	5.0	4.6	8.4	1.2	n/a	
Shenzhen Huijie	002763 CH	NR	n/a	9.34	n/a	4,680	Dec-20	n/a	n/a	n/a	n/a	15.7	0.0	n/a	
Ellassay Fashion	603808 CH	NR	n/a	14.62	n/a	6,595	Dec-20	14.8	12.2	1.9	1.7	14.0	2.9	2.8	
Bobaolon Co	002776 CH	NR	n/a	3.59	n/a	2,360	Dec-20	n/a	n/a	n/a	n/a	(22.0)	0.0	n/a	
								Avg.	27.9	21.7	2.4	2.2	8.8	1.8	4.1
								Med.	15.8	13.9	2.1	1.9	8.4	0.8	3.5
International Apparel															
Canada Goose	GOOS US	NR	n/a	39.41	n/a	32,784	Mar-21	38.1	26.6	9.3	6.4	14.4	0.0	n/a	
Moncler Spa	MONC IM	NR	n/a	65.52	n/a	157,798	Dec-20	45.0	36.6	7.7	6.9	22.3	2.3	0.9	
Hugo Boss	BOSS GR	NR	n/a	51.18	n/a	31,707	Dec-20	29.8	20.2	4.0	3.5	6.3	(0.1)	1.4	
Ted Baker	TED LN	NR	n/a	111.10	n/a	2,123	Jan-21	n/a	22.7	n/a	n/a	(21.7)	0.0	0.0	
Next	NXT LN	NR	n/a	7998.0	n/a	110,040	Jan-21	15.4	14.3	10.4	8.9	88.3	0.4	2.4	
Hennes & Mauritz	HMB SS	NR	n/a	165.06	n/a	234,828	Nov-20	26.5	18.0	4.8	4.4	15.1	0.2	4.0	
Industria De Diseno	ITX SM	NR	n/a	28.40	n/a	778,907	Jan-21	24.3	21.7	5.6	5.3	19.1	0.4	3.4	
Ovs Spa	OVS IM	NR	n/a	2.81	n/a	7,199	Jan-21	14.1	11.7	0.9	0.9	16.9	0.7	0.0	
Pvh Corp	PVH US	NR	n/a	100.77	n/a	55,777	Jan-21	10.9	10.2	1.4	1.4	10.2	(0.1)	0.1	
Vf Corp	VFC US	NR	n/a	74.07	n/a	226,646	Mar-21	23.2	20.0	7.7	7.1	37.4	0.4	2.7	
Marks & Spencer	MKS LN	NR	n/a	238.70	n/a	48,383	Apr-21	11.6	12.8	1.9	1.8	1.1	(0.1)	0.3	
								Avg.	23.9	19.5	5.4	4.7	19.0	0.4	1.5
								Med.	23.8	20.0	5.2	4.8	15.1	0.2	1.2

Source: Bloomberg, CMBIS estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Mar (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Mar (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	12,191	13,517	15,904	18,137	20,352	EBIT	1,599	2,225	3,024	3,612	4,292
Down apparels	9,513	10,88	13,05	15,13	17,21	D & A	400	564	357	374	369
OEM management	1,611	1,536	1,705	1,790	1,880	Change in working capital	(487)	425	(808)	(198)	(186)
Ladieswear	983	947	966	1,018	1,063	Income tax paid	(497)	(348)	(756)	(912)	(1,100)
Diversified apparels	84	145	181	190	199	Others	218	267	188	222	296
Cost of goods sold	(5,482)	(5,592)	(6,210)	(7,009)	(7,729)	Net cash from operating	1,233	3,133	2,005	3,098	3,670
Gross profit	6,709	7,924	9,694	11,128	12,623	Capex & investments	(714)	(437)	(514)	(586)	(657)
Other income	187	204	207	218	224	Associated companies	1,118	(3,193)	-	-	-
Operating expenses	(5,297)	(5,903)	(6,877)	(7,734)	(8,555)	Interest received	129	153	-	-	-
D & A	(151)	(177)	(148)	(150)	(149)	Others	79	(386)	-	-	-
Staff costs	(1,346)	(1,652)	(1,820)	(1,927)	(2,119)	Net cash from investing	612	(3,863)	(514)	(586)	(657)
S & D costs (ex-staff, D&A)	(2,938)	(3,174)	(3,834)	(4,431)	(4,901)	Equity raised	-	-	-	-	-
Admin exp. (ex-staff, D&A)	(423)	(503)	(587)	(661)	(737)	Net change in bank loans	(552)	148	-	-	-
Other operating expenses	(439)	(396)	(487)	(565)	(649)	Dividend paid	(863)	(880)	(1,289)	(1,582)	(1,912)
EBIT	1,599	2,225	3,024	3,612	4,292	Others	1,408	(361)	(187)	(187)	(187)
Finance costs, net	1	18	1	35	109	Net cash from financing	(8)	(1,092)	(1,476)	(1,770)	(2,099)
JVs & associates	-	-	-	-	-	Net change in cash	1,837	(1,822)	15	743	914
Exceptional	-	-	-	-	-	Beginning cash balance	1,754	3,639	1,771	1,787	2,529
Pre-tax profit	1,600	2,242	3,025	3,646	4,401	Exchange difference	47	(46)	-	-	-
Income tax	(405)	(537)	(756)	(912)	(1,100)	Cash at the end of the year	3,639	1,771	1,787	2,529	3,443
Less: Minority interests	(8)	(5)	8	9	10						
Net profit	1,203	1,710	2,261	2,726	3,290						

Balance sheet						Key ratios					
YE 31 Mar (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	4,909	6,080	6,236	6,448	6,736	Sales mix (%)					
Fixed asset	1,390	1,762	2,031	2,355	2,757	Down apparels	78.0	80.6	82.1	83.5	84.6
Intangible assets & goodwill	1,654	1,572	1,459	1,346	1,234	OEM management	13.2	11.4	10.7	9.9	9.2
Prepaid lease payments	99	912	912	912	912	Ladieswear	8.1	7.0	6.1	5.6	5.2
Interest in joint ventures	-	-	-	-	-	Diversified apparels	0.7	1.1	1.1	1.0	1.0
Other non-current assets	1,765	1,833	1,833	1,833	1,833	Total	100.0	100.0	100.0	100.0	100.0
Current assets	12,470	12,877	13,545	15,004	16,594	P&L ratios (%)					
Cash and cash equivalents	3,639	1,771	1,787	2,529	3,443	Gross margin	55.0	58.6	61.0	61.4	62.0
Inventories	2,726	2,646	2,938	3,316	3,657	Operating margin	13.1	16.5	19.0	19.9	21.1
Trade and other receivables	1,197	876	1,031	1,175	1,319	Pre-tax margin	13.1	16.6	19.0	20.1	21.6
Prepayments	971	1,168	1,375	1,567	1,759	Net margin	9.9	12.6	14.2	15.0	16.2
Other current assets	3,937	6,415	6,415	6,415	6,415	Effective tax rate	25.3	24.0	25.0	25.0	25.0
Current liabilities	4,690	5,442	5,288	5,805	6,295	Balance sheet ratios					
Bank loans	818	671	671	671	671	Current ratio (x)	2.7	2.4	2.6	2.6	2.6
Trade payables	1,830	2,469	2,042	2,304	2,541	Quick ratio (x)	2.1	1.9	2.0	2.0	2.1
Accruals & other payables	1,412	1,543	1,816	2,071	2,324	Cash ratio (x)	0.8	0.3	0.3	0.4	0.5
Tax payables	365	520	520	520	520	Cash turnover days	181	173	173	173	173
others	266	239	239	239	239	Trade receivables days	36	24	24	24	24
Non-current liabilities	2,286	2,263	2,263	2,263	2,263	Trade payables days	122	161	120	120	120
Bank loans	-	-	-	-	-	Total debt / total equity ratio (%)	24	21	19	17	16
Deferred income	-	-	-	-	-	Net debt / equity ratio (%)	Net cash	2	2	Net cash	Net cash
Deferred tax	140	174	174	174	174	Returns (%)					
Others	2,146	2,089	2,089	2,089	2,089	ROE	11.8	15.4	18.8	20.7	22.6
Minority Interest	189	182	190	199	209	ROA	6.9	9.0	11.4	12.7	14.1
Total net assets	10,214	11,069	12,041	13,184	14,562	Per share					
Shareholders' equity	10,214	11,069	12,041	13,184	14,562	Diluted EPS (RMB)	0.11	0.15	0.20	0.24	0.29
						DPS (RMB)	0.08	0.11	0.14	0.17	0.20
						BVPS (RMB)	0.96	1.03	1.13	1.23	1.36

Source: Company data, CMBIS estimates

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OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
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