



Rating  
**Buy**

Asia  
China

Consumer  
Retail / Wholesale Trade

Company  
**Belle International  
Alert**

Reuters 1880.HK	Bloomberg 1880 HK	Exchange HKG	Ticker 1880
ADR Ticker BELLY	ISIN US0784541056		

Date  
27 May 2015

**Results**

Price at 26 May 2015 (HKD)	10.50
Price target - 12mth (HKD)	12.00
52-week range (HKD)	11.16 - 7.61
HANG SENG INDEX	27,993

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## FY15 results in line; building fashion apparel platform longer term

### FY15 results in line with Deutsche Bank estimates

Belle announced 12M-ended February 2015 results today, after the market closed. Net profit (NP) increased by 8.2%, to RMB4.8bn, on an 8.7% rise in sales, to RMB40bn. Sales were in line, and NP was 3%/4% higher than our/market estimates (also in line). This was due partially to an 18% yoy increase in finance income, to RMB465.2m. The company also booked an RMB90.3m impairment loss, vs. RMB16.9m in FY14.

**Ordinary dividend payout ratio was 60%, in line with company guidance stated at 1HFY15 analyst meeting.** The company proposed a final dividend of RMB19 cents per share (RMB12 cents for 14M-ended 28 February 2014), together with an interim dividend of RMB40 cents per share (including a special dividend of RMB25 cents per share), implying a payout ratio of 102.4%, vs. 33% for 14M-ended 28 February 2014.

**Net cash was RMB6.3bn**, vs. RMB 7.9bn at the end of February 2014.

**Inventory days were 138.7 days, 17.3 days lower than 14MFY14**, due mainly to a significant improvement in the sportswear/apparel business, from 128.6 days, to 100.4 days for this year.

**Effective income tax rate was 28%**, 0.6 ppt higher than FY14. The company targets a 27%-28% ETR in the near future.

### Outlook

**Longer term, Belle is planning to build a fashion apparel platform and is seeking opportunities for a strategic partnership.** It has decided to enter into the fashion apparel business as it is related to the footwear business, with a similar customer base. It will have synergies in network expansion and retail management. It will also help to explore different retail formats. It has tested its capability with the China JV with Baroque, which is now moving to tier-2 cities. It broke even in 2014.

**Footwear business:** for the next two to three years, it plans to focus on building an industry-leading IT system and a logistics warehousing infrastructure. Belle continues to strengthen its brand management team in its headquarters and the decentralisation of retail management to the front end. It expects its footwear retail network expansion to be very limited in the near future, and its sportswear/apparel retail store expansion will also slow down based on a cautious outlook.

**Belle is still experiencing different new business initiatives**, including e-commerce, shopping mall retail, mass-market fast fashion and the fashion apparel segment.

There will be an analyst meeting hosted at 10:15 am HK time tomorrow.

### Stock data

Market cap (HKDm)	88,634
Market cap (USDm)	11,434
Shares outstanding (m)	8,441.3
Major shareholders	Sheng & Tangs (58.3%)
Free float (%)	27
Avg daily value traded (USDm)	26.768

Source: Deutsche Bank

### Key data

FYE 2/28	2014A	2015E	2016E
Sales (CNYm)	36,794	40,211	43,489
Net Profit (CNYm)	4,401.8	4,625.3	4,977.9
DB EPS (CNY)	0.52	0.55	0.59
PER (x)	16.6	15.3	14.2
Yield (net) (%)	2.3	6.9	4.2

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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