



Rating
Hold

Asia
Hong Kong

Consumer
Retail / Wholesale Trade

Company
**Esprit Holdings Ltd
Alert**

Reuters 0330.HK	Bloomberg 330 HK	Exchange HKG	Ticker 0330
ADR Ticker ESPGY	ISIN US29666V2043		

Date
25 March 2015

Company Update

Price at 24 Mar 2015 (HKD)	7.39
Price target - 12mth (HKD)	9.30
52-week range (HKD)	13.92 - 7.04
HANG SENG INDEX	24,400

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Comments from wholesalers-some improvement but still early stage

Event 1: Comments from wholesalers

Textilwirtschaft, the German fashion retail industry weekly, ran a story on Esprit in its mid-March issue. We found a couple of interesting quotes from retail partners/franchisees on how they perceive new products and pricing:

- #1: "Product is improving but shelf space has decreased. The company has switched to the shop-in-shop concept with Esprit in charge of running the space."
- #2: "Casual ranges have become better; some are highlights, some items are weak. The brand's performance varies widely between stores."
- #3: "Product is improving somewhat but still way to go. Esprit has to fight, and giving up mark-downs on new collections would raise odds."

According to the article, Esprit CEO Jose Martinez commented that the transformation is halfway through. The key risk for a prolonged transformation is that the company might lose customers along the way.

Event 2: German fashion retail sales rise 4% for Week 12

However, retailers commented that this is more due to weekly volatility than a broad-based relief. In addition, there are tough comparisons coming up into April; Weeks 13/14 were +12%/+17% in 2014.

Deutsche Bank comment

We believe the transformation is still in its early stage and comments from industry participants suggest that, despite some improvement, Esprit may not be able to regain its old strength quickly (particularly in casuals). Meanwhile, the overall industry backdrop remains volatile. We maintain Hold.

Stock data

Market cap (HKDm)	14,330
Market cap (USDm)	1,848
Shares outstanding (m)	1,939.1
Major shareholders	Lone Pine Capital (10.88%)
Free float (%)	91
Avg daily value traded (USDm)	4.051

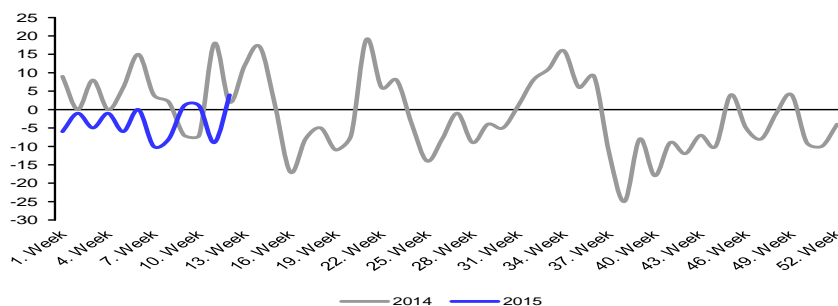
Source: Deutsche Bank

Key data

FYE 6/30	2014A	2015E	2016E
Sales (HKDm)	24,227	20,336	20,335
Net Profit (HKDm)	210.0	216.1	433.3
DB EPS (HKD)	0.20	0.12	0.23
PER (x)	66.4	62.3	32.7
Yield (net) (%)	0.5	0.9	1.8

Source: Deutsche Bank

Figure 1: German apparel sales



Source: Deutsche Bank, Textilwirtschaft

Deutsche Bank AG/Hong Kong

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