



Company Report: Esprit Holdings (00330 HK)

公司报告: 思捷环球控股 (00330 HK)

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1HFY19 Results Missed Expectations, Maintain "Neutral"

2019财年上半年业绩差于预期, 维持“中性”

- **1HFY19 results missed expectations.** Revenue dropped by 15.8% YoY to HK\$6,766 million. Constant-currency revenue declined by 14.4% YoY. Overall GPM dropped by 1.6 ppt YoY to 51.3%, mainly due to increased investment in improving product quality and higher level of discount. Regular operating expenses decreased by 11.9% YoY on a constant currency basis, while total exceptional expenses amounted to HK\$1,750 million, resulting in a net loss of HK\$1,773 million, which was worse than expected.
- **We forecast FY19-FY21 EPS to be HK\$-1.213, HK\$-0.609 and HK\$-0.373, respectively.** The Company guided a decline of low double-digit percentage YoY in 2HFY19, worse than expected. We revise down FY19-FY21 revenue forecasts by 3.1%, 3.8% and 3.6%, respectively. The Company expects to see a mid-to-high single-digit percentage YoY reduction in regular operating expenses in 2HFY19, while we still expect to see operating loss during FY19-FY21 due to potential high exceptional costs.
- **Cut TP to HK\$1.90 and maintain "Neutral".** The Company's business is still very challenging in spite of the restructuring measures it is taking. Shrinking customer traffic in the Company's stores indicates weak customer recognition on the Esprit brand, which may be the biggest problem since it is very hard to alter customers' preferences. Therefore we remain cautious about expectations of the Company's business recovery. The new TP reflects upside potential of only 3.8%, and therefore we maintain "Neutral" rating.
- **2019 财年上半年业绩差于预期。** 收入同比下降 15.8%至 67.66 亿港元。固定汇率收入同比下滑 14.4%。整体毛利率同比下降 1.6 个百分点至 51.3%，主要由于在改善产品质量方面的投入增加以及更高的折扣率。常规经营费用按固定汇率计同比减少 11.9%，而非经常性费用共达 17.50 亿港元，导致净损失为 17.73 亿港元，差于预期。
- **我们预测 2019-2021 财年每股盈利分别为-1.213 港元、-0.609 港元和-0.373 港元。** 公司预计 2019 财年下半年收入将录得低双位数同比下滑，差于预测。我们分别下调 2019-2021 财年收入预测 3.1%、3.8%和 3.6%。公司预期 2019 财年下半年常规经营费用将同比减少中至高单位数百分比，然而由于潜在的高额非经常性费用，我们仍预期 2019-2021 财年期间公司将录得经营亏损。
- **下调目标价至 1.90 港元并维持“中性”评级。** 尽管公司采取了改革措施，但其目前的业务状况仍具挑战性。公司店铺的客流量持续萎缩表明消费者对 Esprit 品牌的认可度下降，这可能会成为最大的问题所在，因为消费者偏好是很难转变的。因此我们对公司业绩复苏的预期保持审慎态度。新目标价反映了仅 3.8%的增长空间，因此我们维持“中性”评级。

Rating:

Neutral
Maintained

评级:

中性 (维持)

6-18m TP 目标价:

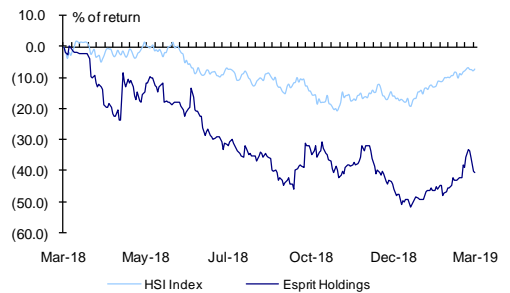
HK\$1.90
HK\$2.00

Share price 股价:

HK\$1.830

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	8.9	0.0	(39.4)
Rel. % to HS Index 相对恒指变动 %	6.0	(5.7)	(33.6)
Avg. Share price(HK\$) 平均股价 (港元)	1.8	1.7	2.1

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
06/30	(HK\$ m)	(HK\$ m)	(HK\$)	(Δ %)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2017A	15,942	67	0.035	220.0	52.9	5.938	0.3	0.000	0.0	0.6
2018A	15,455	(2,554)	(1.346)	n.a.	n.a.	4.643	0.4	0.000	0.0	(24.8)
2019F	13,285	(2,358)	(1.213)	(9.9)	n.a.	3.430	0.5	0.000	0.0	(30.0)
2020F	12,622	(1,184)	(0.609)	(49.8)	n.a.	2.821	0.6	0.000	0.0	(19.5)
2021F	12,271	(725)	(0.373)	(38.8)		2.448	0.7	0.000	0.0	(14.2)
Shares in issue (m) 总股数 (m)			1,887.2		Major shareholder 大股东			Marathon Asset Management	12.0%	
Market cap. (HK\$ m) 市值 (HK\$ m)			3,453.6		Free float (%) 自由流通比率(%)					66.1
3 month average vol. 3 个月平均成交股数('000)			2,807.0		FY19 Net gearing (%) FY19 净负债/股东资金 (%)					Net Cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			3.130 / 1.480		FY19 Est. NAV (HK\$) FY19 每股估值 (港元)					2.2

Source: the Company, Guotai Junan International.

1HFY19 results missed expectations. Revenue of Esprit Holdings ("Esprit" or the "Company") dropped by 15.8% YoY to HK\$6,766 million, which was worse than expected. Constant-currency revenue declined by 14.4% YoY. All channels recorded significant YoY decrease. Revenue from retail channels dropped by 17.5% YoY due to closure of unprofitable retail stores (resulting in a 12.2% YoY decrease in retail selling space) and lower consumer traffic. Revenue from wholesale channels declined by 17.3% YoY due to an 11.0% YoY decrease in wholesale selling space, lower order intake and higher returns. In terms of markets, the largest decline was in Asia Pacific, in which 1HFY19 revenue dropped by 27.7% YoY, followed by the Company's most important market Germany (-15.4% YoY) and the rest of Europe (-12.6% YoY). Despite the decline, we have seen quarterly improvement in revenue decline. The rate of decline narrowed from -16.2% in 1QFY19 to -12.5% in 2QFY19. This could be the result of the Company's business restructuring project or just seasonality factors. Therefore we are not certain yet if this improvement will continue to 2HFY19. Overall GPM dropped by 1.6 ppt YoY to 51.3%, mainly due to increased investment in improving product quality and higher level of discount.

Operating loss increased by 82.7% YoY to HK\$1,750 million in 1HFY19. Regular operating expenses decreased by 11.9% YoY on a constant currency basis, attributable to savings across all the major cost lines. Staff costs and occupancy costs dropped YoY by 11.4% and 13.0%, respectively, on a constant currency basis. However, total exceptional expenses amounted to HK\$1,418 million, including: 1) net additional provision for store closures and leases of HK\$924 million, 2) impairment of property, plant and equipment of HK\$116 million, 3) one-off costs in relation to staff reduction plans of HK\$401 million, and 4) write-back of one-off costs in relation to closure of ANZ operations of HK\$23 million. Excluding these exceptional items, adjusted operating loss still increased by 144.1% YoY to HK\$332 million.

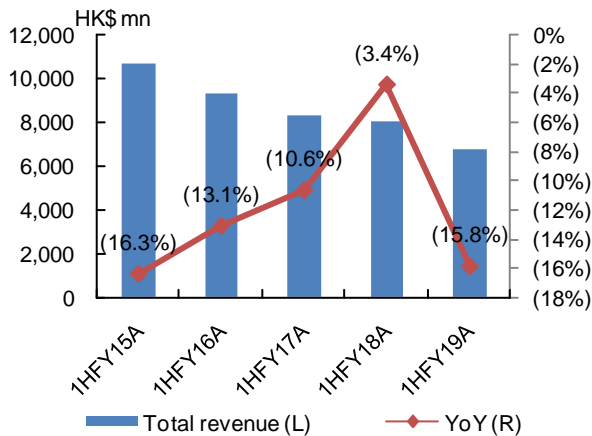
Net loss in 1HFY19 increased by 85.8% YoY to HK\$1,773 million, also worse than expected. The Company recorded net tax expense of HK\$36 million in 1HFY19, compared to tax expense of HK\$5 million in 1HFY18. No dividend payment was declared for 1HFY19, and we don't expect dividend payment for the full year of FY19 either considering the Company's challenging business conditions and poor profitability.

Table-1: Esprit's 1HFY19 Results Analysis

HK\$ mn	1HFY18	1HFY19	YoY
Turnover	8,039	6,766	(15.8%)
Cost of sales	(3,787)	(3,295)	(13.0%)
Gross profit	4,252	3,471	(18.4%)
Logistics expenses	(501)	(485)	(3.2%)
Marketing and advertising expenses	(437)	(350)	(19.9%)
Other income and gains – net	(4,272)	(4,386)	2.7%
Profit from operations	(958)	(1,750)	82.7%
Finance costs	(17)	(18)	5.9%
Interest income	26	31	19.2%
Profit before taxation	(949)	(1,737)	83.0%
Income tax	(5)	(36)	620.0%
Net profit	(954)	(1,773)	85.8%
Basic EPS (HK\$)	(0.498)	(0.944)	89.3%
Interim DPS (HK cents)	0	0	n.a.
Gross margin	52.9%	51.3%	(1.6) ppt
Operating margin	(11.9%)	(25.9%)	(13.9) ppt
Net margin	(11.9%)	(26.2%)	(14.3) ppt

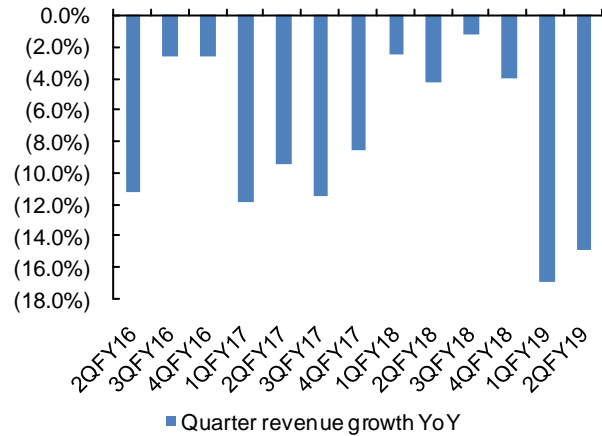
Source: the Company, Guotai Junan International.

Figure-1: Esprit's Revenue & YoY Growth



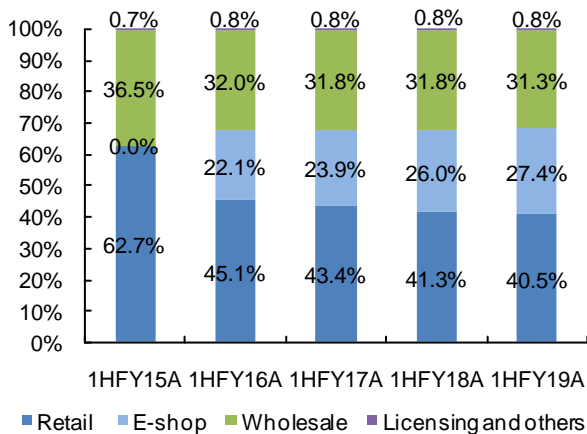
Source: the Company, Guotai Junan International.

Figure-2: Esprit's Quarterly Revenue Growth YoY



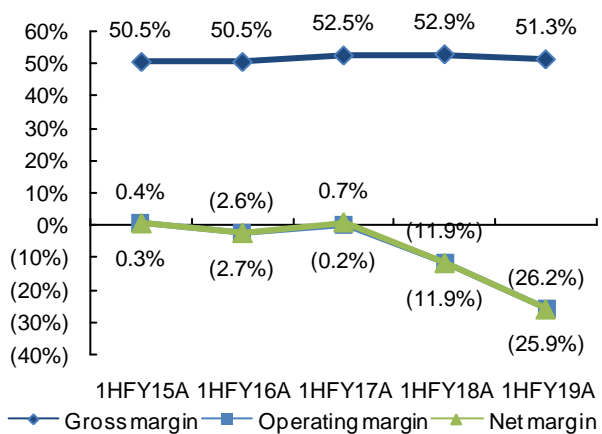
Source: the Company, Guotai Junan International.

Figure-3: Esprit's Revenue - by Channel



Source: the Company, Guotai Junan International.

Figure-4: Esprit's Profitability



Source: the Company, Guotai Junan International.

Comparable store sales (CSS) of retail channels continued to decline in 2HFY18. CSS of the Company's retail channels (excluding e-shops) dropped by 9.1% in 1HFY19, which was basically the same as in FY18. CSSG in Germany and the rest of Europe was -10.7% and -9.1% during 1HFY19, respectively, mainly due to decreased customer traffic to the Company's stores. The Asia Pacific market delivered improvement in CSSG and even achieved positive growth of 0.3% in 1QFY19. CSS of China declined by 14.2% in 1HFY19, while the rest of Asia Pacific recorded growth of 5.6% driven by strong growth in Hong Kong and Singapore. There was improvement in 2QFY19 CSSG compared to 1QFY19, but we still expect pressure on retail channels to continue in 2HFY19.

Table-2: CSSG of Retail Channels (excluding e-shops business) of Esprit

	2QFY17	3QFY17	2HFY17	1QFY18	1HFY18	3QFY18	2HFY18	1QFY19	1HFY19
Germany	(5.3%)	(7.3%)	(7.8%)	(1.8%)	(9.2%)	(14.0%)	(10.6%)	(16.3%)	(10.7%)
Rest of Europe	1.6%	0.0%	(1.7%)	(1.6%)	(8.5%)	(13.0%)	(9.6%)	(15.0%)	(9.1%)
Asia Pacific	(8.3%)	(10.7%)	(9.6%)	(12.9%)	(9.4%)	(8.7%)	(6.2%)	0.3%	(2.5%)
SSSG - Overall	(3.5%)	(5.5%)	(6.0%)	(3.3%)	(8.9%)	(12.7%)	(9.6%)	(14.1%)	(9.1%)

Source: the Company, Guotai Junan International.

The Company's selling space continued to decrease in 1HFY19. During 1HFY19, the number of the Company's retail stores and wholesale POS recorded net decrease of 91 and 218, reaching 495 and 5,264 as at 31 December 2018, respectively. Total selling space of both retail and wholesale channels also decreased, especially in 1QFY19. Wholesale channels were more challenging as the more traditional offline partners continued to suffer from structural pressure in offline channels, mainly in Germany and the rest of Europe. However, we have observed an increasing trend in the average selling space per store in the Company's retail channels as some non-performing small stores were closed or replaced by larger ones. We expect the Company's overall selling space to continue to decrease during 2HFY19 and FY20 due to further closing of loss-making stores.

Figure-5: Esprit's Retail Selling Space

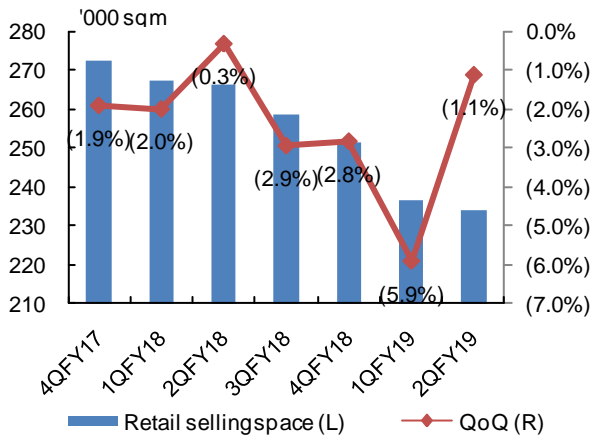
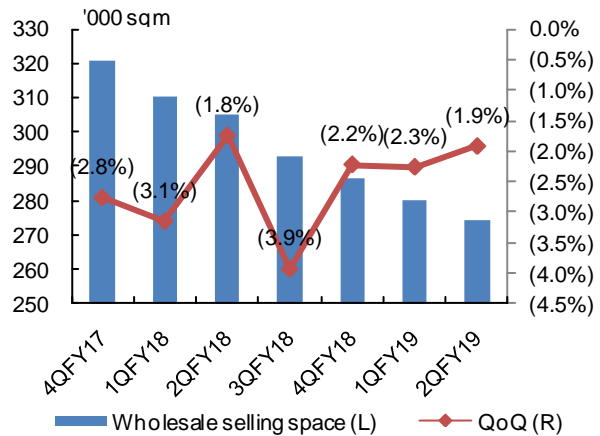


Figure-6: Esprit's Wholesale Selling Space

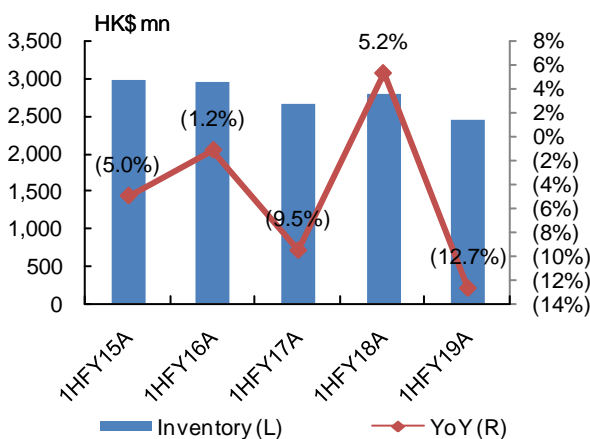


Source: the Company, Guotai Junan International.

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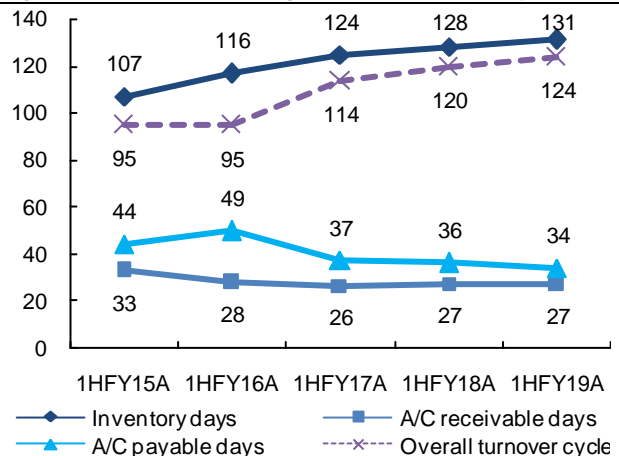
Working capital management slightly worsened during 1HFY19. Inventory balance decreased by 12.7% to HK\$2,440 million as at 31 December 2018. However, inventory turnover days in 1HFY19 was up 3 days YoY to 131 days due to weak sales performance in retail and eshop channels. Trade receivables turnover remained flat at 27 days. Trade payables dropped by 33.3% YoY to HK\$506 million due to decline of business. As a result, trade payables turnover decreased by 2 days YoY to 34 days. Overall turnover cycle increased by 4 days YoY to 124 days in 1HFY19, which was not very healthy compared to its peers as well as its historical performance.

Figure-7: Esprit's Inventory & YoY Growth



Source: the Company, Guotai Junan International.

Figure-8: Esprit's Working Capital Turnover Cycle



Source: the Company, Guotai Junan International.

We forecast FY19-FY21 EPS to be HK\$-1.213, HK\$-0.609 and HK\$-0.373, respectively. According to Esprit's latest guidance, revenue is expected to decline by low double-digit percentage YoY in 2HFY19 due to 1) pressure from closure of loss-making stores and 2) seasonality of the business, i.e. sales performance in the second half is normally not as good as it is in the first half. Revenue decline in 1HFY19 and guidance on 2HFY19 revenue were both worse than expected, so we have revised down FY19-FY21 revenue forecasts by 3.1%, 3.8% and 3.6%, respectively. The Company will continue to reduce markdowns and promotions, which will benefit GPM. But on the other hand, the benefit is expected to be offset by investment in improving product quality and a lower proportion of revenue from retail channels. Therefore the Company aims to maintain GPM at a stable level YoY for 2HFY19. Since 1HFY19 GPM missed expectations, we revise down FY19-FY21 GPM forecasts by 0.4 ppt, 0.4 ppt and 0.4 ppt to 50.9%, 51.0% and 51.1%. The Company expects to see a mid-to-high single-digit percentage YoY reduction in regular operating expenses in 2HFY19, while this may lead to provision amounting to no more than HK\$180 million in 2HFY19. We still expect to see operating loss during FY19-FY21 due to potential high exceptional costs, while the loss is expected to gradually narrow down as a result of the Company's restructuring initiatives. Exceptional costs in 1HFY19 were significantly worse than expected, and therefore we revise up FY19 net loss by 81.5%.

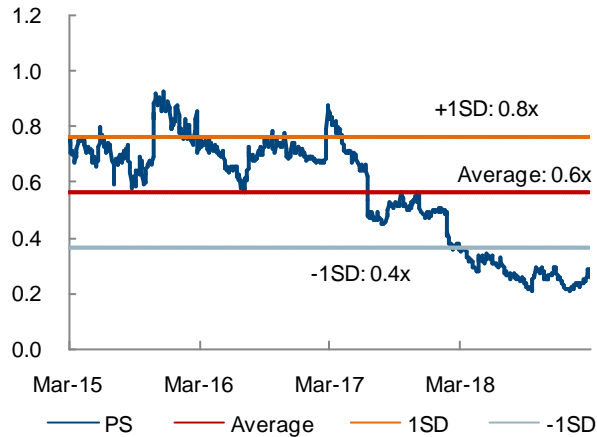
Table-3: Key Assumptions and Adjustments

HK\$ mn	OLD			NEW			CHANGE		
	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F	FY19F	FY20F	FY21F
Revenue	13,707	13,119	12,726	13,285	12,622	12,271	(3.1%)	(3.8%)	(3.6%)
Gross profit	7,025	6,737	6,548	6,756	6,431	6,264	(3.8%)	(4.5%)	(4.3%)
Operating profit	(1,705)	(1,397)	(1,256)	(3,091)	(1,562)	(957)	81.3%	11.9%	(23.8%)
Net profit	(1,299)	(1,061)	(959)	(2,358)	(1,184)	(725)	81.5%	11.5%	(24.4%)
Basic EPS (HK\$)	(0.668)	(0.546)	(0.493)	(1.213)	(0.609)	(0.373)	81.5%	11.5%	(24.4%)
Gross margin	51.3%	51.4%	51.5%	50.9%	51.0%	51.1%	(0.4) ppt	(0.4) ppt	(0.4) ppt
% A&P of turnover	6.1%	6.0%	5.9%	6.3%	6.3%	6.2%	0.2 ppt	0.2 ppt	0.2 ppt
% SG&A of turnover	63.7%	62.0%	61.3%	74.1%	63.3%	58.9%	10.4 ppt	1.3 ppt	(2.5) ppt
Operating margin	(12.4%)	(10.6%)	(9.9%)	(23.3%)	(12.4%)	(7.8%)	(10.8) ppt	(1.7) ppt	2.1 ppt
Net margin	(9.5%)	(8.1%)	(7.5%)	(17.7%)	(9.4%)	(5.9%)	(8.3) ppt	(1.3) ppt	1.6 ppt

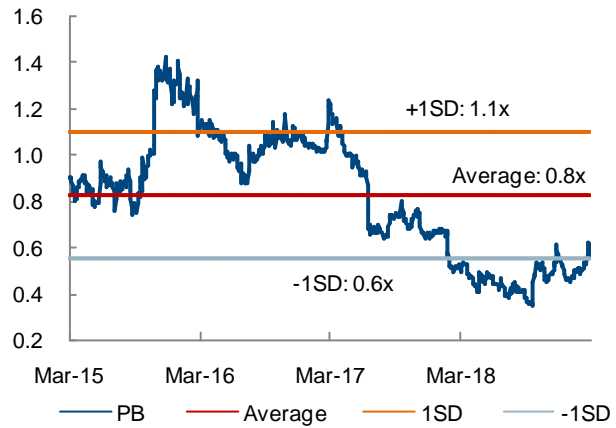
Source: the Company, Guotai Junan International.

Cut TP to HK\$1.90 and maintain "Neutral" rating. The Company's business is still very challenging in spite of the restructuring measures that Esprit is taking. We still haven't seen any concrete financial improvement in the Company's business as a result of the restructuring program. The Company expects revenue to grow at a CAGR of mid-to-high single-digit percentage during FY20-FY24, and expects EBIT to achieve breakeven in 2-3 years' time. However, shrinking customer traffic in the Company's stores indicated weak customer recognition on the Esprit brand, which may be the biggest problem for business recovery since it is very hard to alter customers' preferences. Therefore, we remain cautious in the Company's business recovery expectations. We cut TP from HK\$2.00 to HK\$1.90 to reflect lower expectation on FY19 results. The new TP reflects upside potential of only 3.8%, and therefore we maintain our investment rating at "Neutral".

Risks: 1) lower growth or decline in the global apparel industry, 2) competition from other fashion brands, 3) an increase in channel inventory stock, 4) unexpected fluctuations in foreign exchange rates between the the EUR and HKD, and 5) potential negative impact from the Sino-US trade war.

Figure-9: Esprit's P/S Ratio (Next Annual)


Source: Bloomberg, Guotai Junan International.

Figure-10: Esprit's PB Ratio (Next Annual)


Source: Bloomberg, Guotai Junan International.

Table-4: Peers Comparison Table

Company	Stock Code	Currency	Last price	Market Cap HKD mn	PE(x)				PB(x)				ROE(%)	D/Y(%)	EV/EBITDA(x)	Gross Margin(%)	Operating Margin(%)
					17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F	18F	18F
Apparel																	
Esprit*	330 HK	HKD	1.83	3,454	n.a.	n.a.	n.a.	n.a.	0.4	0.5	0.6	0.7	(30.0)	0.0	0.2	50.9	(23.3)
H&M*	HMB SS	SEK	138.00	193,596	14.1	18.1	18.3	17.2	3.8	3.9	4.1	4.2	21.4	5.8	11.4	52.7	7.4
Inditex*	ITX SM	EUR	26.75	744,117	26.4	24.7	23.8	21.8	6.6	6.2	5.7	5.2	25.7	2.6	15.4	56.3	17.0
Fast Retailing*	6288 HK	HKD	37.00	392,473	45.7	35.2	32.7	28.6	7.4	6.3	5.5	4.7	19.4	0.8	17.1	49.3	11.1
Giordano Intl	709 HK	HKD	3.94	6,219	12.4	12.0	11.6	11.1	2.1	2.2	2.2	2.3	18.8	8.4	6.9	59.2	11.6
China Lilang	1234 HK	HKD	7.60	9,101	13.0	10.5	9.0	8.0	2.4	2.2	2.0	1.9	22.7	6.8	6.5	41.2	27.7
Trinity	891 HK	HKD	0.38	1,349	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bosideng	3998 HK	HKD	1.57	16,781	32.3	22.9	17.1	13.4	1.6	1.4	1.4	1.3	6.6	8.1	2.3	46.4	10.4
La Chapelle	6116 HK	HKD	4.90	4,411	4.3	5.1	4.4	n.a.	0.6	0.5	0.5	n.a.	11.1	12.2	n.a.	61.8	6.9
Cosmo Lady	2298 HK	HKD	2.53	5,705	14.2	13.2	11.3	9.6	1.3	1.2	1.1	1.0	9.9	2.7	5.7	42.6	9.2
Koradior	3709 HK	HKD	9.50	4,620	15.8	n.a.	n.a.	n.a.	3.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
I.T*	999 HK	HKD	3.80	4,544	14.6	10.6	8.1	7.1	1.5	1.3	1.2	1.1	13.1	5.0	3.1	63.5	8.8
Simple Average					19.3	16.9	15.1	14.6	2.6	2.6	2.4	2.5	11.9	5.2	7.6	52.4	8.7
Weighted Average					29.9	26.4	25.2	22.8	6.2	5.7	5.3	4.8	22.7	2.7	15.0	53.6	13.8
Sportswear																	
Anta	2020 HK	HKD	46.85	125,788	34.7	25.9	21.2	17.7	7.6	7.0	5.5	4.5	27.8	2.0	13.3	52.6	23.6
361 Degrees	1361 HK	HKD	1.57	3,246	6.2	6.2	5.4	5.4	0.5	0.5	0.4	0.4	6.8	5.8	1.3	41.3	15.4
Xtep	1368 HK	HKD	5.45	12,226	25.1	15.9	13.7	12.4	1.9	1.9	1.8	1.7	11.9	3.6	7.5	43.7	16.2
Li Ning	2331 HK	HKD	11.34	24,859	45.7	32.8	24.9	20.7	4.0	4.1	3.6	3.1	13.2	0.6	16.1	48.2	7.3
China Dongxiang	3818 HK	HKD	1.13	6,651	6.7	17.5	8.2	8.2	0.6	0.6	0.5	0.5	3.3	2.3	22.5	57.3	8.8
Simple Average					23.7	19.7	14.7	12.9	2.9	2.8	2.4	2.1	12.6	2.9	12.2	48.6	14.3
Weighted Average					34.0	25.5	20.4	17.1	6.3	5.9	4.7	3.9	23.3	2.0	13.5	51.3	20.0

Source: Bloomberg, Guotai Junan International.

* The financial year end date of H&M (HMB SS), Inditex (ITX SM), Fast Retailing (6288 HK) and I.T. (999 HK) is not 31st December. For easier comparison with peers, "17A" means "FY18A" and "18F" means FY19F and so on for the aforementioned companies. For Esprit (330 HK), "17A" means "FY18A" and "18F" means FY19F and so on.

Note: Esprit (00330 HK) is excluded in the calculation of 17A and 18F PER.

Financial Statements and Ratios

Income Statement					
Year end 30 Jun (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	15,942	15,455	13,285	12,622	12,271
Cost of Sales	(7,712)	(7,534)	(6,529)	(6,191)	(6,006)
Gross Profit	8,230	7,921	6,756	6,431	6,264
Logistics Expenses	(957)	(1,029)	(965)	(927)	(899)
Marketing & Advertising Expenses	(814)	(900)	(837)	(791)	(755)
Other Income - Net	(6,561)	(8,245)	(8,045)	(6,276)	(5,567)
Operating Profit	(102)	(2,253)	(3,091)	(1,562)	(957)
Finance Expenses	(48)	(31)	(31)	(30)	(30)
Interest Income	44	58	60	55	46
Profit Before Tax	(106)	(2,226)	(3,062)	(1,537)	(941)
Income Tax	173	(328)	704	354	217
Profit After Tax	67	(2,554)	(2,358)	(1,184)	(725)
Non-controlling Interest	0	0	0	0	0
Shareholders' Profit / Loss	67	(2,554)	(2,358)	(1,184)	(725)
Basic EPS	0.035	(1.346)	(1.213)	(0.609)	(0.373)
YoY	220%	n.a.	(9.9%)	(49.8%)	(38.8%)

Cash Flow Statement					
Year end 30 Jun (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Profit Before Taxation	(106)	(2,226)	(3,062)	(1,537)	(941)
D&A	577	558	582	599	607
Other Adjustments	(66)	1,156	1,229	284	0
Changes in Working Capital	(486)	94	264	(15)	154
Income Tax Paid	(66)	120	712	363	228
Cash from Operating Activities	(147)	(298)	(276)	(307)	47
Capital Expenditure	(257)	(305)	(239)	(227)	(221)
Change in Bank Deposits	1,705	(489)	193	45	40
Others	224	96	0	0	0
Cash from Investing Activities	1,672	(698)	(47)	(182)	(180)
Purchase of Shares	(33)	(12)	0	0	0
Dividends Paid	0	0	0	0	0
Others	0	(237)	0	500	0
Cash from Financing Activities	(33)	(249)	0	500	0
Net Changes in Cash	1,492	(1,245)	(323)	11	(133)
Cash at Beg of Year	3,485	5,070	3,879	3,556	3,567
Foreign Exchange Effect	93	54	0	0	0
Cash at End of Year	5,070	3,879	3,556	3,567	3,434

Balance Sheet					
Year end 30 Jun (HK\$ m)	2017A	2018A	2019F	2020F	2021F
Intangible Assets	2,851	2,063	2,161	2,111	2,060
Property, Plant and Equipment	1,900	1,571	1,140	807	483
Debtors, Deposits and Prepayments	174	140	131	124	116
Deferred Tax Assets	822	524	503	488	478
Other Non-current Assets	30	31	31	31	31
Total Non-current Assets	5,777	4,329	3,966	3,560	3,169
Inventories	2,540	2,296	2,135	2,071	2,030
Debtors, Deposits and Prepayments	1,438	1,418	1,018	1,065	1,031
Tax Receivable	359	143	137	133	130
Bank Deposits with Maturities > 3 Months	151	642	449	404	364
Cash & Cash Equivalents	5,070	3,879	3,556	3,567	3,434
Total Current Assets	9,558	8,378	7,296	7,241	6,989
Total Assets	15,335	12,707	11,262	10,801	10,158
Creditors & Accrued Charges	3,046	2,919	2,773	2,745	2,828
Provision for Store Closures and Leases	393	397	1,501	1,761	1,761
Tax payable	28	57	55	53	52
Bank loans	0	0	0	500	500
Total Current Liabilities	3,467	3,373	4,329	5,059	5,141
Retirement Benefit Obligations	0	26	0	0	0
Deferred Tax Liabilities	325	282	265	257	257
Total Non-current Liabilities	325	308	265	257	257
Total Liabilities	3,792	3,681	4,594	5,317	5,398
Share Capital	194	189	189	189	189
Reserves	11,349	8,837	6,479	5,296	4,571
Total Shareholders' Equity	11,543	9,026	6,668	5,485	4,760
Minority Interest	0	0	0	0	0
Total Equity	11,543	9,026	6,668	5,485	4,760

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Gross Margin (%)	51.6	51.3	50.9	51.0	51.1
Operating Margin (%)	(0.6)	(14.6)	(23.3)	(12.4)	(7.8)
Net Margin (%)	0.4	(16.5)	(17.7)	(9.4)	(5.9)
ROE (%)	0.6	(24.8)	(30.0)	(19.5)	(14.2)
ROA (%)	0.4	(18.2)	(19.7)	(10.7)	(6.9)
ROCE (%)	(1.6)	(50.0)	(116.1)	(77.6)	(65.5)
Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0
Inventory Days	125.1	117.1	123.9	124.0	124.6
A/C Receivable Days	28.0	25.5	26.0	26.4	26.7
A/C Payable Days	41.6	35.3	37.1	34.7	34.3
Overall turnover cycle	111.5	107.4	112.8	115.8	117.1
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current Ratio (x)	2.8	2.5	1.7	1.4	1.4

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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