

香港
买入 (此前为持有)

市场共识评级*: 买入 2 持有 10 沽出 2

前收盘价:	HK\$29.05
目标价:	HK\$34.45
此前目标价:	HK\$24.90
上升/下跌空间:	18.6%
CGS-CIMB/市场共识预测:	N/A
路透股票代码:	
彭博股票代码:	590 HK
市值:	US\$2,176m
	HK\$17,055m
平均每日成交额:	US\$1.86m
	HK\$14.58m
目前发行在外股数	13,925m
自由流通量	60.1%
*来源: 彭博	

本报告主要变动

➤ 不变



来源: 彭博

股价表现	1M	3M	12M
绝对表现 (%)	11.7	31.7	-1.5
相对表现 (%)	5	18.1	0.5

主要股东

Luk Fook Control 持股百分比 39.9

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六福集团

聚焦股份重估潜力

- 由于公司在 2019 财年上半年业绩时给予较悲观的指引，公司的股价自 2018 年 11 月以来已有所回落。
- 我们预计，六福在 2019 年 1 月至 3 月的表现可能继续平平，主要受高基数影响。
- 但这可能是见底回升的季度，因为行业景气很可能将会改善(详情请看我们今天发布的行业报告)。
- 随着前景逐步改善，我们仍看到股份有重新估值的潜力，因此升级至买入。
- 我们的目标价格上调至 34.45 港元，基于 13 倍 2020 财年市盈率（此前基于 10 倍 2019 财年市盈率）。

六福的最坏时期或已结束

尽管公司在 2018 年 11 月公布了良好的中期业绩，但我们曾对六福抱持较负面的看法，因当时管理层给予谨慎指引，且同店销售增长疲弱。具体而言，对于 2019 财年三季度（2018 年 10 月至 12 月），整体同店销售增长率为-10%，较 2019 财年二季度（+14%）大幅放缓。所有业务地区（中国大陆和香港/澳门）和产品类别（黄金和珠宝）均出现疲软，并且比 2019 财年二季度更差。恶化的原因是：（1）人民币贬值；（2）中美贸易战导致经济前景不确定。其后，这些风险因素似乎逐步消退，使我们的看法没之前般负面。

2019 年一季度的数据或平平，但前景应会改善

根据我们的调查结果和销售渠道检查，我们认为公司的同店销售数据将不如周大福 [1929.HK;持有]等同业强劲，特别是在中国大陆（可能仍为负增长），这或部分由于高基数。例如，六福在 2018 财年一季度（2017 年 4 月至 6 月）录得 23% 的同店销售增长，远高于同业。然而，根据我们今天发布的行业研报，我们预计整体行业前景将逐步改善。

批发业务扩张也将驱动增长

管理层此前曾指引 2019 财年新增至少 120 家门店。这意味着 2019 财年的门店数量至少同比增长 7%。我们预计 2020 财年店铺扩张速度将更快，因公司与其香港主要同业一样会在小城市寻找商机。

业务恢复推动估值重估

我们的盈利预测目前保持不变。但我们已将目标价从 24.90 港元（基于 10 倍 2019 财年市盈率）上调至 34.45 港元（基于 13 倍 2019 财年市盈率）。我们对目标价的变动基于：（1）宏观数据趋稳导致盈利可见度提高；（2）市场情绪改善。这些因素使我们对公司的看法没之前般谨慎，并因此将最新目标市盈率调整为动态市盈率三年平均值。升级到「买入」。按当前股价计算，我们认为股份或可获得进一步重估，因为从绝对值角度看，其估值并不算十分昂贵。

之后要留意什么？

（1）4 月公布的季度数据，该数据将更好地描述 2019 年四季度（1-3 月）的业绩表现；（2）2019 年 6 月公布的全年业绩，我们认为投资者可密切留意公司的扩展计划（尤其是内地扩展计划）。

主要财务指标	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
收入 (百万港元)	14,031	12,807	14,578	16,777	18,648
经营 EBITDA (百万港元)	1,347	1,420	1,738	1,859	2,007
净利润 (百万港元)	959	1,017	1,369	1,460	1,556
每股核心盈利 (港元)	1.76	1.82	2.38	2.49	2.65
每股核心盈利增长	(36.5%)	3.5%	30.6%	4.4%	6.6%
全面摊薄市盈率(倍)	16.48	15.94	12.19	11.68	10.96
每股派息(港元)	1.10	1.10	1.10	1.10	1.10
股息率	3.79%	3.79%	3.79%	3.79%	3.79%
EV/EBITDA (倍)	11.14	10.72	8.83	8.78	8.08
股价/股权自由现金流(倍)	10.66	NA	21.06	40.19	26.79
净负债权益比	(23.2%)	(20.7%)	(16.7%)	(6.4%)	(6.9%)
市净率(倍)	1.97	1.92	1.70	1.57	1.45
股本回报率	12.1%	12.2%	14.8%	14.0%	13.8%
每股核心盈利预测的变动					
每股核心盈利/市场共识每股盈利(倍)				0.98	1.03

来源: 中国银河国际证券研究部, 公司, 彭博

Hong Kong

BUY (Upgrade from HOLD)

Consensus ratings*: Buy 2 Hold 10 Sell 2

Current price:	HK\$29.05
Target price:	HK\$34.45
Previous target:	HK\$24.90
Up/downside:	18.6%
CGS-CIMB / Consensus:	N/A
Reuters:	
Bloomberg:	590 HK
Market cap:	US\$2,176m
	HK\$17,055m
Average daily turnover:	US\$1.86m
	HK\$14.58m
Current shares o/s:	13,925m
Free float:	60.1%

*Source: Bloomberg

Key changes in this note

➤ No change



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	11.7	31.7	-1.5
Relative (%)	5	18.1	0.5

Major shareholders	% held
Luk Fook Control	39.9

Luk Fook Holdings

Looking into the re-rating potential

- Even though its 1H FY2019 results were not bad, the Company's share price has retreated since Nov 2018 due to bearish guidance.
- Luk Fook's performance in Jan–Mar 2019 may have been lacklustre as SSSG was likely to be affected by the high base effect.
- But this may be the trough quarter, as the sector outlook is likely to improve based on our sector note released today.
- Upgrade to BUY as we still see re-rating potential on a gradually improving outlook.
- Our TP is lifted to HK\$34.45, based on 13x FY2020E PER. (previous: 10x FY2019E PER)

The worst period may be over for Luk Fook

We had turned negative on Luk Fook, despite its good interim results reported in Nov 2018. At the time, management guidance was cautious, and its SSSG figures were weak. Specifically, for Q3 FY2019 (covering Oct–Dec 2018), overall SSSG was -10% during the period, a sharp decline compared to Q2 FY2019 (+14%). All geographical markets (Mainland China and Hong Kong/Macau) and product categories (gold and gem sets) experienced weakness, and were much worse than in Q2 FY2019. The deterioration was caused by: (1) a weakening RMB, and (2) uncertainty about the economic outlook because of the Sino–US trade war. Since then, these risk factors seem to have abated, making us less negative.

Q1 CY19 numbers may be lacklustre but outlook should improve

According to our findings and channel checks, we don't expect the SSSG numbers reported to be as encouraging as those of its peers like CTF [1929.HK; HOLD], especially in Mainland China (i.e. could still be negative). This could be partly due to the high base effect. For example, Luk Fook recorded 23% SSSG in Q1 FY2018 (Apr–Jun 2017), much higher than its peers'. However, based on our sector analysis released today, we expect the overall sector outlook to improve gradually.

Wholesale expansion could be a driver as well

Management previously guided net addition of at least 120 stores in FY2019. This implies at least a 7% increase YoY in the number of stores in FY19. We expect the pace of store expansion to be faster in FY20, similar to that of its Hong Kong-based peers to explore more opportunities in smaller cities.

Re-rating on the path to recovery

Our earnings projection remains unchanged at the moment. But we revise up our TP from HK\$24.90 (using 10x FY19E PER) to HK\$34.45 (using 13x FY20E PER). Our change in TP is based on: (1) better earnings visibility on stabilizing macro data, and (2) better market sentiment. These factors make us less cautious on the Company, allowing us to adjust up our latest target PER to the 3-year average of forward PER. Upgrade to BUY. At the current share price, we believe further re-rating potential could be possible, as its valuation is not too demanding at the absolute level.

What to watch for next

(1) Quarterly data release in April, which will provide a better picture of the Q4 FY2019 performance covering Jan–Mar 2019; and (2) full year results in Jun 2019, in which we believe its expansion plan, especially in the Mainland, is worth monitoring.

Financial Summary	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Revenue (HK\$m)	14,031	12,807	14,578	16,777	18,648
Operating EBITDA (HK\$m)	1,347	1,420	1,738	1,859	2,007
Net Profit (HK\$m)	959	1,017	1,369	1,460	1,556
Normalised EPS (HK\$)	1.76	1.82	2.38	2.49	2.65
Normalised EPS Growth	(36.5%)	3.5%	30.6%	4.4%	6.6%
FD Normalised P/E (x)	16.48	15.94	12.19	11.68	10.96
DPS (HK\$)	1.10	1.10	1.10	1.10	1.10
Dividend Yield	3.79%	3.79%	3.79%	3.79%	3.79%
EV/EBITDA (x)	11.14	10.72	8.83	8.78	8.08
P/FCFE (x)	10.66	NA	21.06	40.19	26.79
Net Gearing	(23.2%)	(20.7%)	(16.7%)	(6.4%)	(6.9%)
P/BV (x)	1.97	1.92	1.70	1.57	1.45
ROE	12.1%	12.2%	14.8%	14.0%	13.8%
% Change In Normalised EPS Estimates					
Normalised EPS/consensus EPS (x)				0.98	1.03

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Figure 1: Quarterly SSSG figures of Luk Fook

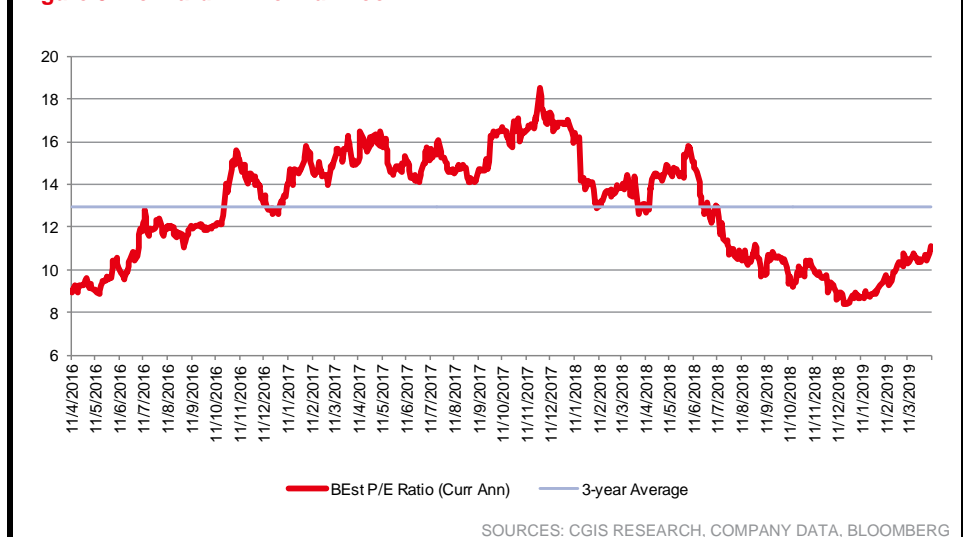
Period	3Q FY2017	4Q FY2017	1Q FY2018	2Q FY2018	3Q FY2018	4Q FY2018	1Q FY2019	2Q FY2019	3Q FY2019
Date	10/01/2016 - 12/31/2016	01/01/2017 - 03/31/2017	04/01/2017 - 06/30/2017	07/01/2017 - 09/30/2017	10/01/2017 - 12/31/2017	01/01/2018 - 03/31/2018	04/01/2018 - 06/30/2018	07/01/2018 - 09/30/2018	10/01/2018 - 12/31/2018
Overall	-10%	2%	5%	17%	1%	16%	22%	14%	-10%
Gold	-11%	-1%	5%	21%	-3%	16%	26%	23%	-9%
Gold (by weight)	-19%	-5%	5%	25%	-9%	5%	21%	30%	-7%
Gem-set jewellery	-4%	11%	9%	16%	10%	18%	18%	5%	-8%
Mainland China	5%	11%	23%	11%	-4%	-2%	-2%	4%	-9%
Gold	2%	16%	32%	19%	-2%	-1%	-6%	0%	-8%
Gold (by weight)	-13%	8%	26%	23%	-4%	-2%	-3%	4%	-5%
Gem-set jewellery	20%	6%	10%	-2%	-7%	-2%	10%	18%	-8%
Hong Kong & Macau	-11%	1%	3%	18%	1%	18%	26%	17%	-14%
Gold	-12%	-5%	0%	21%	-4%	19%	34%	30%	-16%
Gold (by weight)	-20%	-8%	0%	26%	-9%	8%	28%	36%	-18%
Gem-set jewellery	-5%	12%	9%	18%	11%	19%	19%	4%	-5%

SOURCES: CGIS RESEARCH, COMPANY DATA

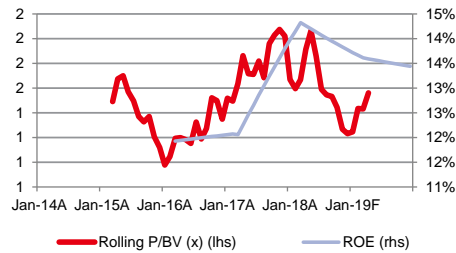
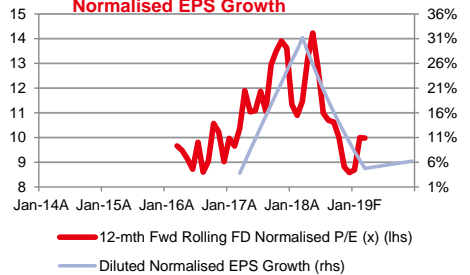
Figure 2: Number of Luk Fook stores

Period	3Q FY2017	4Q FY2017	1Q FY2018	2Q FY2018	3Q FY2018	4Q FY2018	1Q FY2019	2Q FY2019	3Q FY2019
Date	10/01/2016 - 12/31/2016	01/01/2017 - 03/31/2017	04/01/2017 - 06/30/2017	07/01/2017 - 09/30/2017	10/01/2017 - 12/31/2017	01/01/2018 - 03/31/2018	04/01/2018 - 06/30/2018	07/01/2018 - 09/30/2018	10/01/2018 - 12/31/2018
Self-operated shops									
Hong Kong	47	47	45	45	47	48	48	50	49
Macau	10	10	10	10	10	10	10	11	11
Mainland	129	133	142	151	157	157	156	151	150
Other Locations	9	9	9	10	10	10	11	11	11
Sub-total	195	199	206	216	224	225	225	223	221
Licensed shops									
Mainland China	1,297	1,296	1,301	1,325	1,390	1,404	1,438	1,500	1,573
Total Lukfook shops	1,493	1,496	1,508	1,542	1,615	1,631	1,664	1,725	1,796

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 3: Forward PER of Luk Fook


SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS
P/BV vs ROE

12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth

Profit & Loss

(HK\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Total Net Revenues	14,031	12,807	14,578	16,777	18,648
Gross Profit	3,254	3,277	3,741	4,102	4,388
Operating EBITDA	1,347	1,420	1,738	1,859	2,007
Depreciation And Amortisation	(135)	(131)	(117)	(168)	(186)
Operating EBIT	1,212	1,289	1,621	1,692	1,821
Financial Income/(Expense)	28	15	23	28	11
Pretax Income/(Loss) from Assoc.	(79)	(54)	(30)	0	0
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	1,240	1,304	1,643	1,719	1,832
Exceptional Items					
Pre-tax Profit	1,161	1,250	1,613	1,719	1,832
Taxation	(200)	(223)	(243)	(258)	(275)
Exceptional Income - post-tax					
Profit After Tax	961	1,027	1,370	1,461	1,557
Minority Interests	(3)	(10)	(1)	(1)	(1)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	959	1,017	1,369	1,460	1,556
Normalised Net Profit	1,041	1,081	1,400	1,461	1,557
Fully Diluted Normalised Profit	1,038	1,071	1,399	1,460	1,556

Cash Flow

(HK\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
EBITDA	1,347	1,420	1,738	1,859	2,007
Cash Flow from Inv. & Assoc.					
Change In Working Capital					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	729	(690)	(1,256)	(1,035)	(1,138)
Net Interest (Paid)/Received	(14)	(9)	(6)	(12)	(23)
Tax Paid					
Cashflow From Operations	2,063	720	475	812	846
Capex	(113)	(168)	(213)	(1,013)	(143)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	727	(240)	132	40	34
Cash Flow From Investing	614	(408)	(81)	(973)	(109)
Debt Raised/(repaid)	(1,071)	(400)	415	585	(100)
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	(597)	(731)	(778)	(1,153)	(462)
Cash Flow From Financing	(1,668)	(1,131)	(363)	(568)	(562)
Total Cash Generated	1,009	(819)	32	(728)	175
Free Cashflow To Equity	1,605	(88)	810	424	637
Free Cashflow To Firm	2,690	321	401	(148)	760

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd
Balance Sheet

(HK\$m)	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Total Cash And Equivalents	2,432	1,862	2,098	1,701	1,713
Total Debtors	215	217	360	403	430
Inventories	6,345	6,973	7,992	9,131	10,146
Total Other Current Assets	338	380	429	429	429
Total Current Assets	9,330	9,431	10,879	11,664	12,718
Fixed Assets	604	564	548	1,392	1,349
Total Investments	155	85	68	68	68
Intangible Assets	0	0	0	0	0
Total Other Non-Current Assets	541	599	721	727	734
Total Non-current Assets	1,300	1,248	1,336	2,187	2,151
Short-term Debt	400	0	415	1,000	900
Current Portion of Long-Term Debt					
Total Creditors	892	1,005	1,125	1,295	1,440
Other Current Liabilities	464	589	486	547	602
Total Current Liabilities	1,757	1,594	2,026	2,842	2,942
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	104	105	109	115	121
Total Non-current Liabilities	104	105	109	115	121
Total Provisions	0	0	0	0	0
Total Liabilities	1,861	1,699	2,135	2,956	3,062
Shareholders' Equity	8,674	8,873	10,035	10,849	11,759
Minority Interests	95	107	45	46	47
Total Equity	8,769	8,980	10,080	10,895	11,806

Key Ratios

	Mar-16A	Mar-17A	Mar-18A	Mar-19F	Mar-20F
Revenue Growth	(11.9%)	(8.7%)	13.8%	15.1%	11.2%
Operating EBITDA Growth	(36.8%)	5.4%	22.4%	7.0%	8.0%
Operating EBITDA Margin	9.6%	11.1%	11.9%	11.1%	10.8%
Net Cash Per Share (HK\$)	3.45	3.17	2.87	1.19	1.38
BVPS (HK\$)	14.74	15.11	17.09	18.48	20.03
Gross Interest Cover	88.5	143.1	253.6	137.0	78.7
Effective Tax Rate	17.2%	17.8%	15.1%	15.0%	15.0%
Net Dividend Payout Ratio	62.4%	60.3%	46.2%	44.2%	41.5%
Accounts Receivables Days	5.42	6.15	7.22	8.30	8.17
Inventory Days	233.3	255.0	252.0	246.5	247.4
Accounts Payables Days	30.47	36.33	35.87	34.85	35.10
ROIC (%)	15.4%	19.3%	22.7%	20.0%	17.8%
ROCE (%)	13.0%	14.5%	16.9%	15.5%	15.1%
Return On Average Assets	9.1%	10.0%	12.0%	11.0%	10.8%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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