

宝姿时装(589.HK)

预计利润持续受压，维持“中性”评级

宝姿于中期业绩发布会中表示，为了应对未来行业竞争及维持目前已有的市场地位，公司计划于未来几年内加大对于业务的投资。因此，我们预计未来公司的利润水平会受到压力。虽然公司一直以国际品牌著称于女装市场，但是近年来受到国际及国内品牌的相互冲击，品牌老化问题逐渐显现。1) 本地市场份额正逐渐丢失。A股上市公司朗姿股份(002612 CH)公布了远好于公司的中期业绩；2) 与百货公司的议价能力逐渐下降；以及3) 品牌溢价逐渐减少。越来越多的消费者选择于奥特莱斯里购买产品。我们下调12-25%的2013-2015E年每股基本盈利，分别至0.55元(人民币，下同)、0.56元和0.64元。根据2013年7.5倍市盈率，相当于80%的行业平均水平，得出一年目标价5.30港元，维持“中性”。

公司公布2013年业绩，销售收入受上半年同店销售增长7.4%的影响，同比增长9.2%，符合我们的预期。毛利率为81.9%，与去年同期水平一致。公司于2013上半年内加大对业务的投资，主要体现于零售网络升级、店铺外观优化、储备设计人才和继续海外市场扩张计划。财务数据方面则主要体现在租金费用、销售所涉及的摊销成本、广告成本以及员工成本的上升，因此导致经营利润率同比下降3个百分点至19.0%。公司表示中短期内都将会持续增加对业务的投资，对经营利润率会造成一定压力。净利润率受32.4%的有效税率影响，同比下降2.7个百分点至13.5%。未来随着海外业务贡献的逐渐增加，预计有效税率将长期维持在一个较高的水平，影响净利润率的水平。每股基本盈利为0.25元。公司建议派发每股中期股息0.11元，相当于44%的股息派发率，比2012年中期56%的普通股股息派发率大幅下降。

库存水平继续上升 2013年中期，公司在多伦多和芝加哥增设了两件奥特莱斯，希望帮助改善库存水平。库存周转天数从2012年底的679下降至2013年中期的671日。尽管如此，库存拨备额同比是有所增加。库存拨备的销售占比从2012年中期的9%上升至2013年中期的10.3%。

盈利预测及估值

人民币 百万元	2011	2012	2013E	2014E	2015E
销售收入	1,985	2,098	2,244	2,475	2,808
同比增长 (%)	15.5%	5.7%	6.9%	10.3%	13.5%
毛利率 (%)	82.1%	81.9%	80.9%	80.0%	79.5%
净利润	430	354	308	311	350
同比增长 (%)	-6.4%	-17.7%	-13.1%	0.8%	12.8%
每股基本盈利 (元)	0.76	0.63	0.55	0.56	0.64
每股股息(元)	0.49	0.38	0.44	0.49	0.55
市盈率 (X)	5.2	6.2	7.2	7.0	6.2

资料来源：公司资料，招商证券（香港）预测

中性

(上次：中性)

目标价：HK\$5.30

现价：HK\$5.06

招商证券(香港)研究部

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2013年9月2日

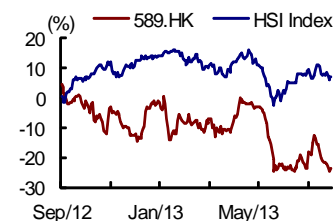
基础数据

恒生指数	21731.37
H股指数	9825.21
总股数(万股)	55411
港股股数(万股)	55411
港股市值(港元百万)	2806
每股净资产(港元)	3.32

主要股东	持股(%)
宝姿国际	40
自由流通量	53
行业	品牌服饰

股价表现

%	1m	6m	12m
绝对表现	-1	-18	-28
相对恒指表现	1	-11	-34



资料来源：彭博

相关报告

PORTS DESIGN LTD(589 HK)

Profit margin compression expected, maintain "Neutral"

Neutral

(Previous: Neutral)

Target Price: HK\$5.30

Current price: HK\$5.06

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02 Sep 2013

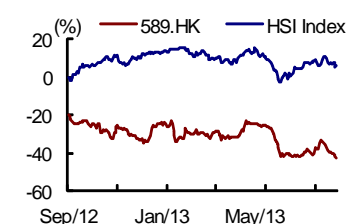
Key data

HSI Index	21731.37
HSCEI Index	9825.21
S/O(mn)	554.11
S/O (HK\$)(mn)	554.11
Mkt cap (HK\$) (mn)	2806
BVPS(HKD)	3.32

Major shareholder	Holding (%)
Ports Int'l Enterprise	40
Free float	53
Industry	Apparel

Share performance

%	1m	6m	12m
Absolute	-1	-15	-22
Relative	1	-8	-29



Source: Bloomberg

Related research

Ports Design is going to adopt the reinvestment strategy for the coming year. Hence, we expect OP margin compression over time. We think the company is facing furious competition from both local and international brands. Even though the company denies that the brand lacks uniqueness, we start to see some signs of brand aging. 1) Losing market shares from local markets. Lancy (002612 CH), A-share listed womenswear company, recorded much better interim results than Ports; 2) Losing bargaining power to department stores; and 3) Losing brand's premium. More outlet stores opened, as customers prefer to buy the company's products at cheaper prices. We cut 2013-2015E earnings by 12-25% to EPS RMB0.55, RMB0.56 and RMB0.64. We maintain NEUTRAL with new target price of HK\$5.30 (HK\$5.91 previously), based on 7.5x 2013E P/E (equivalent to 80% of industrial average).

Top-line growth but profit reduced. In line with our expectations, the company posted a top-line growth of 9.2%, driven by 7.4% SSSG in 1H2013. GP margin was 81.9%, the same as 1H2012. The company reinvested into the business in 1H2013 by upgrading retail network, changing stores layout, retaining design talents and expanding oversea market. So that, there was notable increase in the rental expenses, depreciation expenses, advertising expenses and staff costs. Due to the above factors, OP margin dropped 3ppt to 19.0%. The company is going to adopt the reinvestment strategy for the coming year. Hence, we expect OP margin compression over time. NP margin decreased 2.7ppt to 13.5%, as the effective tax rate increased to 32.4% in 1H2013. Looking forward, increasing overseas business changes the mix of income tax, pressures NP margin in the long run. Basic EPS was RMB0.25. The company declared interim dividend of RMB0.11 per share, representing 44% of dividend payout ratio, down from 56% (for ordinary dividends) in 1H2012.

Inventory level continued to increase. In 1H2013, the company opened 2 more outlet stores in Toronto and Chicago to help reduce inventory. Inventory turnover days improved to 671 days in 1H2013 from 679 days in 1H2012. In spite of that, inventory level actually rose. The other operating expenses increased 23.5%, due to the increase in stock provision. Stock provision as a percentage of retail revenue increased to 10.3% from 9.0% in 1H2012.

Financials

RMB mn	2011	2012	2013E	2014E	2015E
Revenue	1,985	2,098	2,244	2,475	2,808
YoY Growth (%)	15.5%	5.7%	6.9%	10.3%	13.5%
GP margin (%)	82.1%	81.9%	80.9%	80.0%	79.5%
Net Profit	430	354	308	311	350
YoY Growth (%)	-6.4%	-17.7%	-13.1%	0.8%	12.8%
EPS (RMB)	0.76	0.63	0.55	0.56	0.64
DPS (RMB)	0.49	0.38	0.44	0.49	0.55
P/E (x)	5.2	6.2	7.2	7.0	6.2

Source: Company data, CMS (HK) estimates

1H2013 results

Ports announced 1H2013 results. Top line was in-line with our expectation. However, due to the rise in expenses, bottom line was much lower-than-expected.

Revenue was up by 9.2% to RMB1.1bn, which was mainly driven by 7.4% SSSG in 1H2013. GP margin stood at 81.9%, the same as 1H2012. By segment, retail turnover increased 7.9% to RMB976.1mn. At the end of June, the company operated a total of 371 stores in the PRC, Hong Kong, Macau and USA, a drop of 21 stores from the end of 2012. It was due to the repositioning of stores and prudent store expansion management. The contribution of retail segment to total turnover decreased from 91.9% in 1H2012 to 90.7% in 1H2013.

Operating expenses increased 14.2% to RMB678.1mn. In order to enhance the company's brand awareness and market position, the company started to reinvest into the business in 1H2013. Several measures have been taking: 1) upgrade retail network by repositioning stores into higher end location; 2) decorate stores layout to attract more customers; 3) reserve design talents to solidify the recognition of fashion brand; and 4) expand in overseas market to strengthen brand image as international one. Therefore, we saw the notable increase in rental expenses, depreciation expenses, advertising expenses and staff costs.

OP margin dropped 3ppt to 19.0%. The effective income tax rate increased from 28.7% in 1H2012 to 32.4% 1H2013, due to the increase in overseas market investment. NP margin was down 2.7ppt to 13.5%.

Basic EPS was RMB0.25. The company declared interim dividend of RMB0.11 per share, representing only 44% of dividend payout ratio, which decreased from 56% (for ordinary dividend) in 1H2012. This is because the company is currently at the reinvestment stage. Rising expenses will likely continue going forward. Profit margin will be negatively impacted in the medium term. Besides, the retail consumption sentiment is still weak. Market uncertainties remain. So the company would like to increase capital in order to be prepared for any possible challenges in the future.

Table 1: Mixed results in 1H2013

RMB Millions	1H2012	1H2013	(+/-)	Note
Revenue	985	1076	9.2%	Retail was up by 7.9%; others increased by 24.6%. The contribution from retail dropped to 90.7%.
COGS	-178	-194	8.9%	
Gross Profit	807	881	9.3%	Blended GP margin stood at 81.9%, the same as last year. Retail GP margin was 86.7%; GP margin for others was 35.1%.
Other Income	4	2	-43.6%	
Other Net Expenses		-1		The net unrealized loss on trading securities.

Distribution Costs	-471	-525	11.3%	The increase due to the notable increase in rental expenses, depreciation expenses and advertising expenses.
Administration Costs	-41	-53	29.1%	The increase was mainly due to overseas market expansion and rising staff cost.
Other Operating Expenses	-81	-100	23.5%	Because of the increase in the stock provision. Stock provisions as % of revenue increased to 10.3% (1H2012:9.0%)
Operating Profit	217	205	-5.7%	OP margin dropped 3pct to 19.0%.
Net Finance Income	6	2	-72.6%	
PBT	223	215	-3.6%	
Income Tax	-64	-70	8.6%	The effective income tax rate increased to 32.4% due to the increase in overseas market investment.
PAT	159	146	-8.5%	NP margin dropped 2.7pct to 13.5%
Interim Dividend	84	61	-27.8%	Dividend payout ratio was 44%.
Special Dividend	56			
Basic EPS (RMB)	0.27	0.25	-10.3%	

Sources: Company, CMS (HK)

Earnings revision

Following the 1H2013 results announcement, we changed several assumptions and fine tuned 2013-2015E earnings estimates. Key changes are as follows:

- The company noted operating margin pressure will continue going forward, due to the adoption of reinvestment strategy. Hence, we expect rental expenses as % of revenue, depreciation as % of revenue, staff cost as % of revenue to increase in 2013-2015E.
- The company noted that the effective tax rate for 2H2013 will be similar to 1H2013. Hence, we increased the effective tax rate assumption in 2013, and made more prudent forecasts for 2014-2015E.
- We expect OP margin and NP margin to fall accordingly in 2013-2015E.

Table 2: 2013-2015 earnings revision

RMB Millions	2013E		(+/ -)	2014E		(+/ -)	2015E		(+/ -)
	old	new		old	new		old	new	
Revenue	2244	2244	0.0%	2475	2475	0.0%	2808	2808	0.0%
COGS	-429	-429	0.0%	-495	-495	0.0%	-576	-576	0.0%
Gross Profit	1815	1815	0.0%	1980	1980	0.0%	2233	2233	0.0%
Other Income	7	7	0.0%	8	8	0.0%	10	10	0.0%
Distribution Cost	-1033	-1073	3.9%	-1148	-1182	3.0%	-1303	-1345	3.3%
Administration Cost	-90	-112	25.0%	-99	-129	30.0%	-112	-152	35.0%
Other Operating Expenses	-206	-206	0.0%	-225	-225	0.0%	-253	-253	0.0%
Operating Profit	493	430	-12.7%	516	452	-12.4%	575	493	-14.2%
PBT	479	467	-2.6%	481	470	-2.1%	636	531	-16.5%
Income Tax	-127	-159	24.4%	-128	-160	25.0%	-169	-180	6.7%
PAT	352	308	-12.4%	353	310	-12.1%	466	350	-24.9%
Basic EPS (RMB)	0.63	0.55	-12.4%	0.64	0.56	-12.1%	0.85	0.64	-25.0%

Sources: Company, CMS (HK) estimates

Appendix: Financial summary
Balance Sheet

RMB: mn	2011	2012	2013	2014	2015
Current Asset	2,58	2,31	2,149	2,112	2,078
Inventory	633	730	739	825	822
AR & others	572	376	499	495	511
Cash	380	431	511	442	445
Other	556	412	400	350	300
Fixed Asset	583	703	647	649	653
PP&E	515	514	502	490	477
Land right	3	3	3	3	3
prepayment	0	0	0	0	0
Intangible asset	65	105	61	76	93
Deferred Taxation					
Total Asset	3,16	3,02	2,796	2,761	2,731
Current Liabilities	1,31	1,08	1,195	1,260	1,348
AP	493	280	387	446	519
Short term	702	771	750	750	750
borrowing	117	35	58	63	79
Others					
Fixed Liabilities	7	81	11	12	13
Total Liabilities	1,31	1,16	1,206	1,272	1,361
Share capital	2	1	1	1	1
Reserves	1,83	1,83	1,588	1,488	1,369
Equity	1,83	1,83	1,590	1,489	1,370
Total liabilities & equities	3,15	3,00	2,796	2,761	2,731

Cash Flow

RMB: mn	2011	2012	2013	2014	2015
OCF	445	345	307	356	458
Net profit	589	483	467	470	530
Depreciation	87	110	119	121	123
Finance cost	(14)	(12)	(36)	18	37
Investment income	-	-	-	-	-
Change in OP	(154)	8	(149)	(148)	(97)
Others	(88)	(251)	(94)	(105)	(135)
ICF	(567)	122	(112)	(151)	(152)
Capital expenses	(182)	(130)	(108)	(109)	(110)
Other investment	(385)	252	(5)	(43)	(42)
FCF	154	(416)	(114)	(273)	(303)
Change of debt	346	143	(21)	0	0
Dividend expenses	(279)	(274)	(139)	(265)	(276)
Other	93	(261)	16	17	18
Net Cash Change	32	51	80	(69)	3

Source: Company data, CMS(HK) estimates

Income Statement

RMB: mn	2011	2012	2013E	2014E	2015E
Revenue	1,985	2,098	2,244	2,475	2,808
COGS	(356)	(379)	(429)	(495)	(576)
Gross profit	1,629	1,720	1,815	1,980	2,233
Other income	58	8	7	8	10
Distribution cost	(925)	(973)	(1,073)	(1,182)	(1,345)
Admin expenses	(70)	(85)	(112)	(129)	(152)
Other operating income	(127)	(188)	(206)	(225)	(253)
Operating profit	566	481	430	452	493
Finance cost	22	2	36	18	37
Profit before tax	589	483	467	470	530
Income tax	(159)	(128)	(159)	(160)	(180)
Profit after tax	430	354	308	310	350
Minority interests	0	4	5	5	5
Attributable to equity holder	430	351	303	305	345
Dividend	279	216	246	267	300
Basic EPS(RMB)	0.76	0.63	0.55	0.56	0.64
Diluted EPS(RMB)	0.75	0.63	0.54	0.55	0.63

Financial Ratios

	2011	2012	2013E	2014E	2015E
Growth ratios					
Revenue YoY	16%	6%	7%	10%	13%
OP profit YoY	14%	-15%	-11%	5%	9%
Net profit YoY	-6%	-18%	-13%	1%	13%
Profitability					
Gross Margin	82%	82%	81%	80%	80%
Net Margin	22%	17%	14%	13%	12%
ROE	25%	19%	18%	20%	24%
ROIC	18%	12%	9%	7%	14%
Liabilities					
Debt to asset	31%	41%	36%	39%	39%
Current ratio	2.69	1.97	2.13	2.07	2.05
Quick ratio	1.74	1.15	1.12	1.18	1.02
Operating ratios					
Asset turnover	0.71	0.68	0.77	0.89	1.02
Inventory	0.60	0.56	0.58	0.60	0.70
AR turnover	3.90	4.43	4.50	5.00	5.50
AP turnover	0.88	1.11	1.11	1.11	1.11
Valuation ratios					
PE	5.20	6.24	7.19	7.05	6.17
PB	1.21	1.21	1.39	1.47	1.57
EV/EBITDA	3.65	4.75	5.14	4.47	3.80

RATING DEFINITION & DISCLAIMER

RATING	DEFINITION
BUY	Expected to outperform the market index by >10% over the next twelve months
NEUTRAL	Expected to outperform or underperform the market index by 10% or less over the next twelve months
SELL	Expected to underperform the market index by >10% over the next twelve months

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