



Key Data

Share price (HK\$)	14.78
Target price(HK\$)	14.2
Downside potencial(%)	4.1
52Wk H/L(HK\$)	11.38 / 17.0
Issued shares (mn)	8,434
Market cap (HK\$m)	124,658
30-day avg vol (HK\$m)	216.9
Major shareholders (%):	
Tang Yiu- Chairman	31.15
Sheng Baijiao- CEO	7.78

Source: Company, Bloomberg, ABCI Securities

Revenue composition in FY12 (%)

Footwear business	64.0
Sportswear business	36.0

Source: Company

Share performance (%)

	Absolute	Relative*
1-mth	10.2	5.5
3-mth	4.3	2.7
6-mth	11.4	15.5

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

Analyst:

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Previous report
Date: 5 July 2012
Rating: Hold

Belle (1880 HK) – Hold
Footwear Industry

Consumer market is still weak

Belle will release its interim result on Aug 21. We expect that its sales and net profit grew by 18.3%YoY and 15.5%YoY for 1H FY12 respectively. Although we raise our target price from HK\$13.5 to HK\$14.2 (19.6 x PE of 2012), we reiterate "Hold" rating given the macro headwinds and lack of near term catalysts.

Retail sales growth in July: China retail sales growth further slowed down to 13.1%YoY in Jul compared with 13.7%YoY in Jun. Total retail sales grew by 14.2%YoY in Jan-Jul. Retail sales growth of clothing(apparel, footwear, hats) slowed down to 18.4%YoY in July compared with 20.2%YoY in June. No sign to show the slowdown of retail sales has stabilized. Strong recovery of consumer goods market is unlikely in 3Q.

1H FY12 results preview of Belle: We expect that its sales and net profit grew by 18.3%YoY and 15.5%YoY for 1H FY12 respectively. Owing to more promotion and slow sales ramp-up, its gross profit margin and operating margin will erode to 56.6% and 17.6% in 1H FY12 from 57.0% and 18.2% in 1H FY11, respectively. Its footwear SSSG recovered to 10.5% in 2Q from 2.8% in 1Q. We believe sales have bottomed in 1Q. We maintain our footwear SSSG forecast of 7% for the full year of FY12. We expect its sales and net profit growth to improve in 2H FY12 given the low comparable base in 4Q FY11. The acquired Big Step (operates approx.600 self-managed retail outlets to mainly distribute Nike and Adidas in Mainland China) might be consolidated in the end FY12 or early FY13 due to regulatory approval. However, as sportswear is only account 10% of Belle's EBIT, we see limited impact on the group's earnings for FY12.

Maintain Hold: The stock is trading at 20.4x PER for FY12, 30% discount for its past 5 years PER of 26.5x. We reiterate "HOLD" rating given the macro headwinds and lack of near term catalyst. We raise our target price from HK\$13.5 to HK\$14.2, based on the average of DCF value of HK\$13.9 and 20x PE of HK\$14.5 in FY 2012. The target price of HK\$14.2 represents 19.6 x PE of 2012.

Risk factors: Slow-than-expect sales recovery in 2H FY12; intense competition with peers in department store channel.

Forecast and Valuation

FY ended Dec 31	FY10A	FY11A	FY12E	FY13E	FY14E
Sales(HK\$ mn)	23,706	28,945	35,200	40,937	47,566
Chg (%YoY)	20.0	22.1	21.6	16.3	16.2
Net Income(HK\$ mn)	3,425	4,255	4,939	5,528	6,391
Chg (%YoY)	35.2	24.2	16.1	11.9	15.6
FD EPS (HK\$)	0.406	0.504	0.586	0.655	0.758
Chg (%YoY)	35.2	24.2	16.1	11.9	15.6
PER (x)	-	23.7	20.4	18.3	15.8
DPS(HK\$)	-	0.126	0.146	0.164	0.189
Dividend yield(%)	-	0.9	1.0	1.1	1.3

Source: Company, Bloomberg, ABCI Securities estimates

Exhibit 1: Retail sales growth in China

(%YoY)	Jul 2012	Jan-Jul 2012	Jan-Jul 2011
Total retail sales growth	13.10	14.20	16.8
F&B	16.80	17.10	25.1
Daily Use Articles	18.20	16.80	24.4
Gold & Jewellery	14.00	16.30	49.4
Clothing	18.40	17.00	24.2
Cosmetics	15.10	16.20	20.1
Household Appliances	8.90	4.10	21.2
Communication appliances	26.30	35.50	28.1
Automobiles	4.70	8.50	15

Source: NBSC, Wind

Exhibit 2: 1H and 2H summary

(HK\$ mn)	1H2011	2H2011	1H2012E	2H2012E	2012 E	Consensus	Difference(%)
Turnover	13,890.9	15,053.8	16,438.4	18,761.6	35,199.9	34,166.1	3.0
(%YoY)	24.6	19.9	18.3	24.6	21.6	18.0	-
Gross profit	7,921.2	8,634.7	9,304.1	10,814.3	20,118.4	19,510.6	3.1
(%YoY)	27.8	23.1	17.5	25.2	21.5	17.8	-
Operating profit	2,526.8	2,738.0	2,893.2	3,316.3	6,209.4	6,119.0	1.5
(%YoY)	38.2	-20.3	14.5	21.1	17.9	16.2	-
Net profit	2,007.2	2,247.4	2,317.8	2,670.9	4,939.4	4,825.5	2.4
(%YoY)	29.0	20.2	15.5	18.8	16.1	13.4	-
Gross profit margin(%)	57.0	57.4	56.6	57.6	57.2	57.1	
Operating margin(%)	18.2	18.2	17.6	17.7	17.6	17.9	
Net margin(%)	14.4	14.9	14.1	14.2	14.0	14.1	

Source: Bloomberg, ABCI Securities estimates



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