

27 August 2012

Equity Focus

Sa Sa (178 HK) – Sell Specialty Stores Industry

Key Data

Share price (HK\$)	5.02
Target price(HK\$)	4.22
Downside potential(%)	15.9
52Wk H/L(HK\$)	6.28 / 3.87
Issued shares (mn)	2814
Market cap (HK\$m)	14,165
30-day avg vol (HK\$m)	19.55
Major shareholder (%): Kwok Siu Ming (Chairman)	65.65

Source: Company, Bloomberg, ABCI Securities

Revenue composition by region in FY3/12 (%)

HK & Macau	79.5
Mainland China	4.6
Other markets	11.3
Sa Sa.com(online business)	4.6

Source: Company

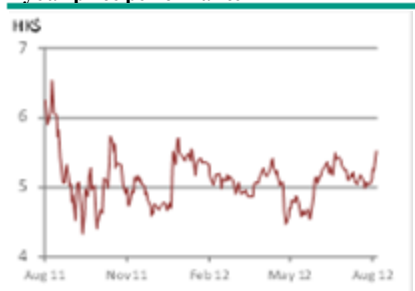
Share performance (%)

	Absolute	Relative*
1-mth	2.8%	(0.4%)
3-mth	10.6%	4.6%
6-mth	2.1%	10.0%

Source: Bloomberg

*Relative to Hang Seng Index

1 year price performance



Source: Bloomberg

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Previous report
Date: 06 Aug 2012
Rating: Sell

Sa Sa's retail sales growth picked up in Jul and Aug compared with Apr-Jun. However, the stock is trading at 17.8x PER for FY3/2013, its price is higher than our fair valuation. We maintain our "Sell" rating.

Sale grew faster in Jul and Aug: Sa Sa released its latest operating data in Jul and Aug. From 1 Jul to 19 Aug, its retail sales grew by 20.1% YoY (vs 18.5% YoY in 1Q of 03/FY12) and its HK & Macau retail sales grew by 18.7% YoY (vs 15.1% YoY in 1Q of 3/FY12). The same store sales growth recovered to 15.3% from 12.3% in 1Q of 3/FY12. Its sale increased by 19.3% YoY in 1 April-19 Aug and its HK & Macau retail sales increased by 16.6% YoY in 1 April-19 Aug, supported by a 13.5% SSSG.

Our comment:

Mainland tourists arrival to HK grew by 24.4% YoY in Apr-Jun. The growth of Mainland tourists arrival to HK slowed down to 21.9% YoY in Jul. Sa Sa's retail sales in HK & Macau picked up in Jul and Aug despite the growth of Mainland tourists arrival to HK slowed down in Jul. We maintain our sales and net profit growth of 19.8% YoY and 15.1% YoY respectively in FY3/2013. However, Sa Sa is trading at 17.8x PER for FY3/2013, its price is higher than our fair valuation. We maintain our "Sell" rating and set our target price at HK\$4.22, representing 15x PER for FY3/2013.

Risk factors: Better-than-expected/worse-than-expected growth of Mainland tourists to HK; rising rental/staff cost; intensify market competition

Forecast and Valuation

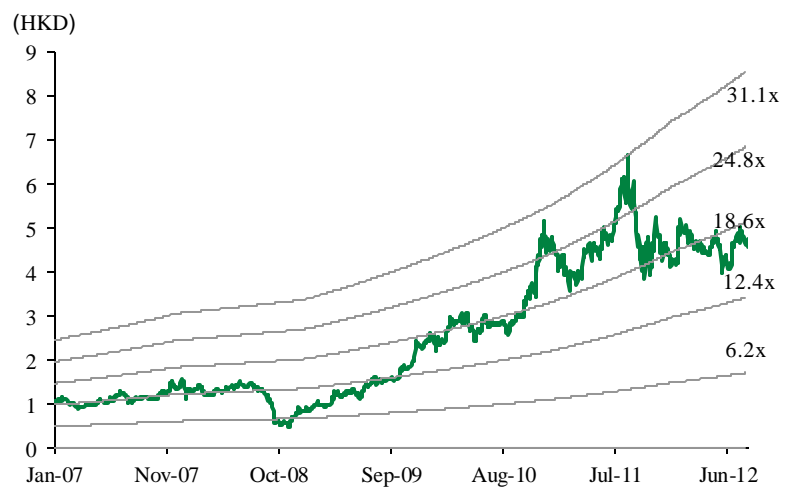
FY ended Mar 31	FY11A	FY12A	FY13E	FY14E	FY15E
Sales (HK\$ mn)	4,901	6,405	7,673	9,284	11,067
Chg (YoY)	19.2%	30.7%	19.8%	21.0%	19.2%
Net Income (HK\$ mn)	509	690	794	997	1,208
Chg (YoY)	33.4%	35.4%	15.1%	25.6%	21.3%
FDEPS (HK\$)	0.180	0.244	0.281	0.353	0.427
Chg (YoY)	33.4%	35.4%	15.1%	25.6%	21.3%
NBV (HK\$)	0.479	0.577	0.674	0.813	0.975
DPS (HK\$)	0.139	0.174	0.197	0.247	0.299
P/E(x)	-	20.53	17.84	14.21	11.72
P/B(x)	-	8.68	7.43	6.16	5.14
Dividend yield	-	3.5%	3.9%	4.9%	6.0%
ROAE	40.1%	46.2%	44.9%	47.4%	47.8%
ROAA	29.6%	31.8%	30.8%	33.5%	34.1%

Source: Company, Bloomberg, ABCI Securities estimates

**Exhibit 1: Valuation table**

Code	Name	Mkt cap (HK\$m)	Price (HK\$)	PER		EPS growth	
				T*	T+1	T	T+1
Beauty products retailers							
653	Bonjour	3,144	1.05	14.58	16.67	22.8%	(12.5%)
178	Sa Sa	14,137	5.01	20.53	17.83	35.6%	15.2%
HK retailers							
709	Giordano	9,282	6.03	12.51	11.23	33.9%	11.4%
999	I.T	4,434	3.61	9.30	8.20	21.3%	13.4%
589	Ports	4,616	8.20	10.92	10.25	(9.5%)	6.5%
1929	Chow Tai Fook	98,400	9.84	14.26	13.67	72.5%	4.3%
116	Chow Sang Sang	11,372	16.80	10.40	9.33	39.2%	11.5%
3389	Hengdeli	9,532	2.17	11.73	12.76	42.3%	(8.1%)
590	Luk Fook	12,636	21.45	8.83	10.07	42.1%	(12.3%)
398	Oriental	1,438	2.52	6.81	6.30	27.6%	8.1%
Average				11.99	11.63		

Source: Bloomberg, ABCI Securities estimates, T* represents last financial year

Exhibit 2: PE chart of Sa Sa

Source: Bloomberg, ABCI Securities estimates



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