

JNBY Design Limited (03306)

GM increased attributable to the enhancement of the brand power,
deflation haze becomes potential concern

China | Consumer | Apparel

Founded in 1994 and listed on the Hong Kong Stock Exchange in 2016 (stock code: 03306), JNBY is designer group in China and is headquartered in Hangzhou, China. JNBY design and sell fashion apparel, footwear, accessories and home products under a portfolio of brands in three stages, including mature brand representing JNBY, younger brands representing CROQUIS, jnby by JNBY and LESS, and emerging brands representing POMME DE TERRE, JNBYHOME. As of December 31, 2023, the total number of standalone retail stores around the world is 2,036 (including "JNBY Group +" multi-brand collection stores), sales network has covered all provinces, autonomous regions and municipalities in Mainland China and across nine other countries and regions around the world.

GM increased attributable to the enhancement of the brand power

For the year ended June 30, 2023 (FY2023), the total revenue amounted to RMB4,465 million, an increase of 9.3% YoY. The net profit amounted to RMB621 million, an increase of 11.2% YoY. Net profit margin increased by 0.2 percentage points YoY to 13.9%. The basic EPS were RMB1.24, an increase of 10.7% YoY, with a final dividend of HK\$0.67 per share (equivalent to RMB0.63 per share), together with the interim dividend of HK\$0.30 per share, the total dividend of HK\$0.97 per share for the year. The company's gross profit increased by 11.9% to RMB2,917 million; The overall gross profit margin increased from 63.8% for FY2022 to 65.3% for FY2023. In percentage terms, the selling and marketing expenses accounted for 38.0% (FY2022: 37.0%), the increase in the expense ratio as compared to the previous year was mainly attributable to the increase in the investment in long-term brand power building.

The total revenue for the six months ended December 31, 2023 (1HFY2024) amounted to RMB2,976 million, an increase of 26.1% YoY. The increase in revenue was mainly due to the increase in same store sales of offline shops, the growth in the sales of online channels and the increase in the scale of offline stores. Net profit was RMB574 million, representing an increase of 54.5% YoY; Net profit margin increased by 3.5 percentage points to 19.3%. The basic EPS were RMB1.14, an increase of 54.1% YoY, with an interim dividend of HK\$0.46 per share (equivalent to RMB0.42 per share) and a special interim dividend of HK\$0.39 per share (equivalent to RMB0.36 per share), totaling HK\$0.85 per share.

1HFY2024, the gross profit increased by 27.6% YoY to RMB1,948 million; The overall gross profit margin increased by 0.8 percentage points to 65.5%, which was mainly attributable to the enhancement of the comprehensive brand equity. The selling and marketing expenses accounted for 31.1% (1HFY2023: 34.6%). The decrease in the expense ratio as compared to the first half of fiscal year 2023 was mainly attributable to the increase in the overall revenue and the improvement of operating efficiency.

Offline customer traffic recovered

By brand portfolio, the revenue generated from mature brand with a history of approximately 30 years (JNBY) increased by 24.0% YoY to RMB1700 million, accounting for 57.1% of total revenue. The number of standalone retail stores worldwide was 935, an increase of 14 YoY. The gross profit of related products was RMB1,138 million, an increase of 25.2% YoY; the gross profit margin was 67.0%, an increase of 0.7 percentage points YoY.

19 March 2024

Neutral

CMP HKD14.72
(Closing price as of 15 Mar.)
Target HKD 15.27 (+13.4%)

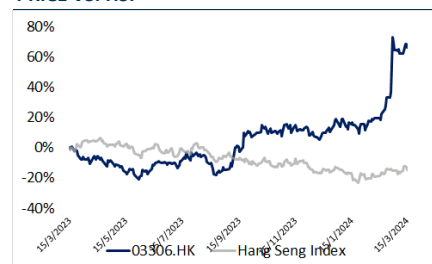
COMPANY DATA

O/S SHARES (MN) :	518.750
MARKET CAP (HKD MN) :	7729
52 - WK HI/LO (HKD):	15.50/6.76

SHARE HOLDING PATTERN, %

Mr. Wu Jian	61.39%
-------------	--------

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY22	FY23	FY24E	FY25E
Revenue	4,086	4,465	5,392	6,204
Shareholders Net profit	559	621	889	994
Reported EPS	1.12	1.24	1.77	1.97
P/E ratio, x	11.20	11.00	7.62	6.84
Dividend Yield, %	6.5%	6.6%	11.9%	10.6%

Source: Company reports, Phillip Securities Est.

Sr. Research Analyst

Eric Li (+852 2277 6516)

erichyli@phillip.com.hk

For the Younger brands portfolio, it consists of brands which were successively launched from 2005 to 2011, namely CROQUIS, jnby by JNBY and LESS. Revenue generated from the Younger brands portfolio increased by 29.7% to RMB1,228 million, accounting for 41.3% of total revenue. The number of standalone retail stores worldwide is 1,043, an increase of 24 YoY. The gross profit was RMB788 million, an increase of 32.2% YoY; the gross profit margin was 64.1%, an increase of 1.1 percentage points YoY.

For the Emerging brands portfolio, it consists of various new brands, such as POMME DE TERRE and JNBYHOME. Revenue from the Emerging brands portfolio totaling RMB48.0 million was recorded, increased by 12.9% YoY. The number of standalone retail stores worldwide is 38, an increase of 7 YoY. The gross profit was RMB21.688 million, an increase of 4.3% YoY; the gross profit margin was 45.2%, a decrease of 3.7 percentage points YoY.

As China's economy fully resumed normal operation, the offline customer traffic recovered. By sales channels, the same store sales of offline retail shops for 1H FY2024 recorded an increase of 23.9%; of which revenue generated through offline channels increased by 26.5% to RMB2,442 million, accounting for 82.1% of the total revenue; and the revenue generated through online channels increased by 24.2% to RMB534 million, accounting for 17.9% of the total revenue.

As of December 31, 2023, the company had over 7.4 million membership accounts (without duplication) (as of June 30, 2023: over 6.9 million). The retail sales contributed by the members of the company accounted for over 80% of the total retail sales. The number of active members accounts of the company (without duplication) was over 550,000 (2022: over 420,000), and the number of active members accounts was significantly higher than that in 2022. The number of membership accounts with annual purchases totaling over RMB5,000 was over 300,000 (FY2022: over 220,000), and the retail sales contributed by those membership accounts reached RMB4.33 billion (FY2022: RMB2.93 billion), accounting for over 60% of the total retail sales from offline channels.

Company valuation

The group of people who pursue distinguished lifestyles continues expanding. As the demand of customers for personalized and fashionable products continues to rise and the younger consumers' preference for products and brands with strong brand awareness is increasing, the segmented market where the designer brands operate has great potential, and the designer brands operate has shown a competitive trend of inclining to the leading brands. Despite the backdrop of various uncertainties such as continuous changes in the retail environment and consumer behavioral habits, by continuously launching new consumption scenarios or products such as "Box Project" and "JNBY Group+" multi-brand collection stores, which successfully provide customers with more comfortable shopping experience. However, the China CPI has experienced four consecutive months of contraction (with a 0.7% increase in February due to the Lunar New Year), indicating that the deflationary cloud in the mainland has yet to dissipate. It remains to be seen whether the declining consumer desire of citizens has stabilized. If unfortunately, the situation turns negative again, a vicious cycle cannot be ruled out. In view of the above impact, we expect FY2024E & FY2025E estimated basic EPS to be RMB\$1.77 & RMB\$1.97 respectively, with TP is HKD15.27, implies a FY2024E P/E of 7.9x and FY2024E dividend yield of ~11.6%. Our investment rating is "Neutral".

Risk factors

1) Deterioration of the mainland macroeconomic conditions; 2) Intensified industry competition; and 3) Slower-than-expected brand sales.

Financial

Consolidated Statement of Profit or Loss

Jun Y/E, RMB mn	FY21	FY22	FY23	FY24E	FY25E
Revenue	4,126	4,086	4,465	5,392	6,204
COGS	(1,529)	(1,478)	(1,548)	(1,870)	(2,182)
Gross Profit	2,597	2,607	2,917	3,522	4,021
Selling and marketing expenses	(1,429)	(1,511)	(1,695)	(1,859)	(2,179)
Administrative expenses	(328)	(377)	(446)	(491)	(544)
Reversal of/(provision for) impair. on FA	2	(6)	0	(3)	(2)
Other income	42	63	81	79	88
Operating Profit	884	776	858	1,247	1,384
Finance income	32	38	38	34	32
Finance expenses	(29)	(38)	(45)	(36)	(23)
Finance costs, net	3	(0)	(7)	(1)	8
Profit before tax	887	776	851	1,245	1,401
Income tax	(239)	(217)	(230)	(355)	(407)
Shareholders Net profit	647	559	621	889	994
Reported EPS, Diluted	1.30	1.10	1.22	1.74	1.94
DPS	1.27	0.81	0.90	1.61	1.43
Payout ratio	97.6%	73.4%	73.7%	92.3%	73.5%

Key Financial Data

Jun Y/E, RMB mn	FY21	FY22	FY23	FY24E	FY25E
Valuation Ratio					
P/S ratio, x	1.48	1.53	1.53	1.26	1.10
P/E ratio, x	9.42	11.20	11.00	7.62	6.84
Dividend Yield, %	10.2%	6.5%	6.6%	11.9%	10.6%

Per share data (RMB)

Basic EPS	1.30	1.12	1.24	1.77	1.97
BVPS	3.45	3.38	3.96	4.82	5.17
DPS (HKD)	1.50	0.96	0.97	1.76	1.56

Growth & Margin

Growth					
Revenue Growth	33.1%	-1.0%	9.3%	20.8%	15.0%
Gross Profit Growth	40.4%	0.4%	11.9%	20.7%	14.2%
Operating Profit Growth	82.2%	-12.2%	10.6%	45.4%	11.0%
Net Profit Growth	86.7%	-13.6%	11.2%	43.2%	11.8%
Margin					
Gross Profit Margin	62.9%	63.8%	65.3%	65.3%	64.8%
Operating Profit Margin	21.4%	19.0%	19.2%	23.1%	22.3%
Net Profit Margin	15.7%	13.7%	13.9%	16.5%	16.0%

Key Ratios

ROE	40.4%	32.9%	33.9%	40.4%	39.6%
ROA	19.5%	14.5%	15.6%	20.6%	21.0%

Consolidated Statement of Financial Position

Jun Y/E, RMB mn	FY21	FY22	FY23	FY24E	FY25E
Non Current Asset					
PPE	398	451	463	522	583
Right-of-use assets	640	720	770	844	925
Others	291	549	610	634	662
Total Non Current Assets	1,330	1,720	1,843	1,999	2,170
Current Asset					
Cash & cash equivalents	549	592	525	504	471
Term deposits	739	384	488	542	576
Trade receivables	119	104	125	160	192
Inventories	707	829	790	1,055	1,116
Others	375	271	293	317	345
Total Current Assets	2,489	2,180	2,223	2,578	2,699
Total Assets	3,819	3,900	4,066	4,577	4,869
Current Liabilities					
Payables	256	289	236	309	374
Borrowings	244	149	100	66	72
Other Non-current Liabilities	1,136	1,311	1,280	1,299	1,319
Total current Liabilities	1,636	1,749	1,616	1,674	1,765
Non Current Liabilities					
Lease liabilities	126	168	220	239	259
Others	341	298	249	245	240
Total Non-Current Liabilities	466	466	469	483	499
Equity					
Shareholders' equity	1,716	1,685	1,982	2,420	2,606
Non-controlling interests	(0)	(0)	(0)	(0)	(0)
Total equity	1,716	1,685	1,982	2,420	2,606
Total Liabilities and Equity	3,819	3,900	4,066	4,577	4,869

Consolidated Statement of Cash Flow

Jun Y/E, RMB mn	FY21	FY22	FY23	FY24E	FY25E
CFO					
Profit before income tax	887	776	851	1,245	1,401
D&A add-back	71	95	122	106	120
Others	99	131	102	(28)	(38)
Net (inc)/dec working capital	280	(149)	(136)	(226)	(28)
Net cash flow from operating activities	1,337	853	939	1,097	1,454
CFI					
Purchase of PP&E	(124)	(134)	(149)	(165)	(181)
Others	(412)	325	(91)	(101)	(90)
Net cash flow from investing activities	(536)	190	(240)	(265)	(271)
CFF					
Dividends paid	(396)	(612)	(392)	(451)	(809)
Others	(185)	(390)	(380)	(403)	(408)
Net cash flows from financing activities	(581)	(1,002)	(772)	(853)	(1,217)
Net Change in Cash	220	41	(73)	(21)	(33)
Cash and CE at Y/E	549	592	525	504	471

Current Price as of: March 15

Source: PSHK Est.

PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2024 Phillip Securities (Hong Kong) Limited

Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

L Level 10, 330 Collins Street
Melbourne VIC 3000 Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

www.ashaphillip.net/home.htm