

# Xtep Intl (1368 HK)

**Dallas Cai**

+852 2135 0248

dallas.cai@oriental-patron.com.hk

**Megan Jin**

+852 2135 0209

megan.jin@oriental-patron.com.hk

## Company Update

### BUY

**UNCHANGED**
**Close price:** HK\$4.67

**Target Price:** HK\$5.70 (+22%)

**Prior TP:** HK\$5.70

#### Key Data

HKEx code	1368 HK
12 Months High (HK\$)	6.74
12 Month Low (HK\$)	3.82
3M Avg Dail Vol. (mn)	13.24
Issue Share (mn)	2,494.71
Market Cap (HK\$mn)	11,650.29
Fiscal Year	31/12/2018
Major shareholder (s)	Ding Shuibo (59.98%)

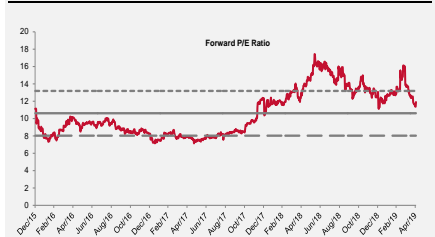
Source: Company data, Bloomberg, OP Research  
 Closing price are as of 02/05/2019

#### Price Chart



	1mth	3mth	6mth
Absolute %	-15.6	-6.0	7.4
Rel. MSCI CHINA %	-16.6	-14.1	-6.8

#### PE



#### Company Profile

Xtep International Holdings Ltd. designs, manufactures, and markets sportswear. The Company produces footwear, apparel, and accessories.

## Xtep sets about the inception of its own "FILA"

- Xtep announced the acquisition of E-land Footwear USD Holding at cash consideration of USD260mn.
- K-Swiss, the key brand that Xtep will focus on in Greater China region is benchmarked to FILA of Anta. We see the transaction of strategic importance in the long run with limited near-term financial impact.
- Reiterate BUY on Xtep with TP HK\$5.70 unchanged based on same 14x FY19E P/E.

**Xtep sets about the inception of its own "FILA".** Xtep announced 100% acquisition of E-Land Footwear USA Holdings Inc. ("the Target"), the parent company of K-Swiss and Palladium, for cash consideration of USD260mn, implying 1.24x FY18 P/S. The company believes the transaction will extend its positioning to the high-end lifestyle segment, in which K-Swiss is benchmarked to FILA and Champion, and Palladium is comparable to Converse. The acquisition is expected to be completed by the end of July.

**Impact on: (1) Operations:** The Company will focus on the operations of K-Swiss in China, leaving the American business of K-Swiss to wholesalers and distributors, Palladium to its JV partner E-Land, and other smaller brands (i.e. Supra, PLDM, KR3W) to be resold in the future. Xtep plans to expand the apparel product line of K-Swiss by restructuring its product design and supply chain resources. A rough capex budget in the near term is estimated at RMB200mn/yr.

**(2) Financial:** We do not expect significant near-term financial impact from the transaction as (1) Xtep estimates the Target to achieve break-even in after-tax profit level in FY19E thanks to the organic topline growth as well as a series of cost-control solutions (e.g. cutting headcount, moving supply chain, R&D and the headquarters to Asia); (2) there is no further impairment need for Supra and KR3W; (3) the overall sales from the acquired brands is only equivalent to ~20% of Xtep's topline, and the earliest revenue contribution from K-Swiss should be in FY20E. The mgmt promises to maintain current dividend payout policy. [<More conference call takeaways>](#)

**Reiterate BUY.** The acquisition of E-Land Footwear can be taken as a promising optionality for Xtep to gain a second growth engine in addition to its core brand. Reiterate BUY on Xtep with TP of HK\$5.70 based on same 14x FY19E P/E.

**Risks:** (1) Slower than expected retail growth (2) deflated consumer confidence due to slowing down macro economy, (3) execution risks during and after the acquisition

#### Exhibit 1: Forecast and Valuation

Year to Dec (RMB mn)	FY17	FY18	FY19E	FY20E	FY21E
Revenue	5,113.4	6,383.2	7,672.4	8,794.2	9,931.7
Growth (%)	(5.2)	24.8	20.2	14.6	12.9
Adjusted net profit	529.0	577.3	853.8	1,001.1	1,151.5
Growth (%)	0.2	9.1	47.9	17.2	15.0
Diluted EPS (HK\$)	0.230	0.369	0.406	0.476	0.547
EPS growth (%)	(22.6)	60.6	10.1	17.2	15.0
Change to previous EPS (%)			0.0	0.0	
Consensus EPS (HK\$)			0.356	0.404	
ROE (%)	8.0	12.4	14.0	14.1	15.2
P/E (x)	20.3	12.7	11.5	9.8	8.5
P/B (x)	1.6	1.6	1.4	1.3	1.2
Yield (%)	3.0	4.3	5.2	6.1	7.0
DPS (HK\$)	0.140	0.200	0.244	0.286	0.328

Source: Bloomberg, OP Research

**Exhibit 2: Summary of the acquired brand portfolios**

Brand	Position	Benchmark	Planned action
K-Swiss	Leisure, Lifestyle	Champion, FILA	R&D development to start in 2H19E or 1H20E Sales starts from 2H20E. Will expand production lines esp. to apparel. R&D center and headquarter to move from US to Asia with limited restructuring cost. Maintain wholesale business model in US and the potential wholesale agreements are under negotiation.
Palladium	Leisure	Converse	Set up JV with E-land in China with Xtep holding 49%. E-land in charge of operation with sales KPI set in authorizing agreement. Xtep will receive royalty income and share the profit and loss. Xtep will also input distribution resources.
Others (Supra, KR3W, PLDM)	Leisure, fashion	N/A	To be sold

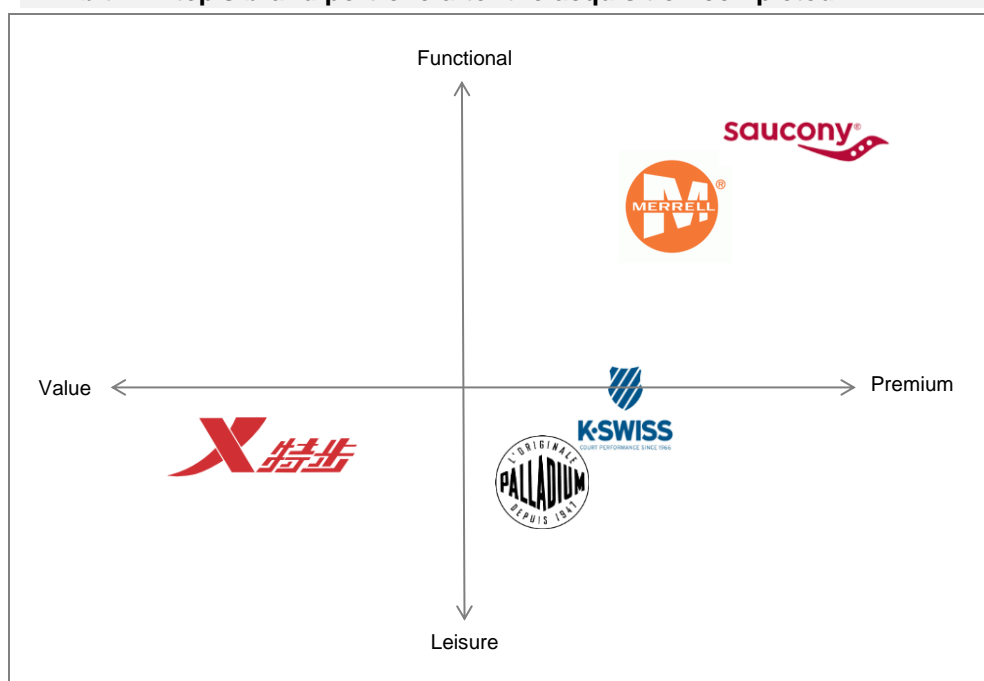
Source: Company, OP Research

**Exhibit 3: Financial details and intended development plan for K-Swiss and Palladium**

Brand	Revenue (\$'000)	Rev exposure	GPM (%)	Adj. EBITDA (\$'000)	Historical M&A	Development plan by Xtep
K-Swiss	109,240	Single digit in China	~37%	2,515	2013, privatized by E-land for ~US\$171mn	Mainly direct operation in China, earliest since 2020E Maintain wholesale operation in US
Palladium	77,907	Half in China Half in Europe	~40%	3,376	N/A	The company will take 49% stake in the JV with E-Land. E-land is expected to inject its channel resources in JV. Certain sales KPI are required for E-land.

Source: Company, OP Research

**Exhibit 4: Xtep's brand portfolio after the acquisition completed**



Source: OP Research

## Conference call takeaways

### 1. Strategy and operational arrangements

Xtep's priority of devotion to these brands is: K-Swiss > Palladium > other brands.

#### **K-Swiss:**

Currently K-Swiss only has single-digit revenue exposure in China market, partially due to insufficient marketing efforts and suboptimal supply chain management. Footwear takes up over 90% of its product mix and most of its POS (point of sales) are operated through distributors.

After the acquisition, Xtep will take charge of its operations in Greater China region and move its headquarters and R&D team to Asia. Meanwhile the US business will be left to local distributors and wholesalers. Xtep plans to expand its product line with more apparel in the mix. It also plans to open more self-owned stores starting from 2H20E.

#### **Palladium:**

Currently the brand has about 50% revenue exposure in China and the others mainly in Europe. It also focuses on footwear with similar brand positioning to Converse.

After the acquisition, Xtep will form a JV with E-Land with the latter holding 51% of the stake. E-Land will inject its POS resources in the JV and is subject to certain performance KPIs which gives Xtep the option to take back the control if the performance is unsatisfactory. Xtep does not expect heavy devotion to Palladium, making the JV with E-Land more like a passive equity investment in the mid-term.

#### **Supra, PLDM and KR3W:**

Xtep plans to resell these brands. Supra and KR3W has been fully impaired to its net asset value and thus are not expected to have further impairment loss in the potential re-sell transaction.

### 2. Financial Impact

The Company does not expect significant financial impact from the acquisition. The transaction is 100% financed by internal resources and the mgmt promises no change in current dividend policy.

Although the contribution from K-Swiss will not kick in earlier than later 2020E, the organic topline growth (~30% per year in China market) as well as a series of cost-control solutions such as cutting headcount, moving supply chain, R&D and the headquarters to Asia is expected to limit the near-term financial pressure. The mgmt expects the Target to see breakeven in FY19E after tax profits.

### 3. Update on Xtep operations in April 2019

The April retail sales performance of Xtep keeps the robust momentum in 1Q19E (low-teens in terms of SSSG and over 20% in terms of retail sales). The mgmt is confident of achieving over 20% growth in terms of bottom line in FY19E.

#### OP's Take

Overall we see the acquisition fits the long-term development strategy of the company by expanding into the athleisure and lifestyle high-end segment of the brand portfolio.

We do note potential challenges arising from the frequent acquisition/JV formation: execution is our top concern as the company's ability to ramp up a

third-party brand remains to be proven. In addition, the multi-brand strategy has higher requirements on mgmt human resources, procurement and production arrangement and branding activities.

In terms of financial impact, we do not see significant influence, either positive or negative, from the acquisition. Given it took Anta Sports more than 4 years to ramp up FILA and has its supply chain well-polished, we believe Xtep will spend at least same or longer time to re-energize K-Swiss in China market. In case of unsuccessful operation, there may be considerable amount of impairment loss to intangible assets as we gauge ~80% premium in this transaction (or USD120mn according to our simple proportionate estimation of total NAV of USD140mn, of which 70mn belongs to K-Swiss).

That said, we still believe the potential upsides outweighs the risks and take this transaction as an encouraging optionality for the Company to build a second growth engine other than its core brand. In addition, we believe the transaction will serve as a near-term stock catalyst to repair the valuation due to previous share placement.

## Financial Summary

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
<b>Income Statement (RMB mn)</b>					
Footwear	3,258	3,925	4,718	5,408	6,107
Apparel	1,759	2,327	2,797	3,206	3,620
Accessories	96	131	158	181	204
<b>Turnover</b>	<b>5,113</b>	<b>6,383</b>	<b>7,672</b>	<b>8,794</b>	<b>9,932</b>
YoY%	(5.2)	24.8	20.2	14.6	12.9
COGS	(2,869)	(3,555)	(4,312)	(4,925)	(5,562)
<b>Gross profit</b>	<b>2,244</b>	<b>2,828</b>	<b>3,361</b>	<b>3,869</b>	<b>4,370</b>
Gross margin	43.9%	44.3%	43.8%	44.0%	44.0%
Other income	158	196	107	107	107
Selling & distribution	(911)	(1,357)	(1,596)	(1,809)	(2,028)
Admin	(623)	(456)	(358)	(420)	(466)
R&D	(143)	(166)	(215)	(220)	(248)
Other opex	0	0	0	0	0
<b>Total opex</b>	<b>(1,678)</b>	<b>(1,980)</b>	<b>(2,169)</b>	<b>(2,449)</b>	<b>(2,742)</b>
<b>Operating profit (EBIT)</b>	<b>725</b>	<b>1,044</b>	<b>1,299</b>	<b>1,527</b>	<b>1,734</b>
Operating margin	14.2%	16.4%	16.9%	17.4%	17.5%
Provisions	0	0	0	0	0
Interest Income	52	72	82	97	102
Finance costs	(106)	(141)	(144)	(144)	(144)
Profit after financing costs	671	976	1,237	1,480	1,692
Associated companies & JVs	0	0	0	(50)	(50)
Pre-tax profit	671	976	1,237	1,430	1,642
Tax	(224)	(306)	(371)	(414)	(474)
Minority interests	(38)	(13)	(12)	(15)	(17)
Profit from discontinued operations	0	0	0	0	0
<b>Net profit</b>	<b>408</b>	<b>657</b>	<b>854</b>	<b>1,001</b>	<b>1,151</b>
YoY%	(23)	61	30	17	15
<b>Adjusted net profit</b>	<b>529</b>	<b>577</b>	<b>854</b>	<b>1,001</b>	<b>1,151</b>
YoY%	0	9	48	17	15
Adjusted net margin	10.3%	9.0%	11.1%	11.4%	11.6%
<b>EBITDA</b>	<b>783</b>	<b>1,126</b>	<b>1,367</b>	<b>1,602</b>	<b>1,818</b>
EBITDA margin	15.3%	17.6%	17.8%	18.2%	18.3%
<b>EPS (RMB)</b>	<b>0.184</b>	<b>0.295</b>	<b>0.338</b>	<b>0.397</b>	<b>0.456</b>
YoY%	(23)	61	10	17	15
DPS (HK\$)	0.140	0.200	0.244	0.286	0.328
Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
<b>Cash Flow (RMB mn)</b>					
EBITDA	783	1,126	1,367	1,602	1,818
Chg in working cap	(119)	(513)	(193)	(299)	(273)
Others	205	(94)	0	0	0
<b>Operating cash</b>	<b>868</b>	<b>518</b>	<b>1,174</b>	<b>1,303</b>	<b>1,545</b>
Interest received	(51)	(55)	82	97	102
Tax	(259)	(309)	(54)	(371)	(414)
<b>Net cash from operations</b>	<b>558</b>	<b>154</b>	<b>1,202</b>	<b>1,029</b>	<b>1,232</b>
Capex	(123)	(72)	(87)	(100)	(113)
Investments	(75)	(81)	0	0	0
Change in short-term bank deposits	447	(234)	0	0	0
Sales of assets	63	83	0	0	0
Interests received	0	0	0	0	0
Others	(37)	24	0	0	0
<b>Investing cash</b>	<b>275</b>	<b>(281)</b>	<b>(87)</b>	<b>(100)</b>	<b>(113)</b>
<b>FCF</b>	<b>833</b>	<b>(127)</b>	<b>1,115</b>	<b>929</b>	<b>1,119</b>
Issue of shares	7	59	1,129	0	0
Buy-back	0	(89)	0	0	0
Minority interests	0	(4)	0	0	0
Dividends paid	(271)	(459)	(455)	(551)	(640)
Net change in bank loans	421	(10)	0	0	0
Others	(3)	(7)	(144)	(144)	(144)
<b>Financing cash</b>	<b>154</b>	<b>(511)</b>	<b>530</b>	<b>(696)</b>	<b>(784)</b>
<b>Net change in cash</b>	<b>987</b>	<b>(637)</b>	<b>1,645</b>	<b>234</b>	<b>335</b>
Exchange rate or other Adj	(1)	1	0	0	0
Opening cash	2,847	3,832	3,196	4,841	5,075
<b>Closing cash</b>	<b>3,832</b>	<b>3,196</b>	<b>4,841</b>	<b>5,075</b>	<b>5,410</b>
<b>CFPS (HK\$)</b>	<b>0.314</b>	<b>0.087</b>	<b>0.571</b>	<b>0.489</b>	<b>0.586</b>

Source: Company, OP Research

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
<b>Ratios</b>					
Gross margin (%)	43.9	44.3	43.8	44.0	44.0
Operating margin (%)	14.2	16.4	16.9	17.4	17.5
Net margin (%)	8.0	10.3	11.1	11.4	11.6
Selling & dist'n exp/Sales (%)	17.8	21.3	20.8	20.6	20.4
Admin exp/Sales (%)	12.2	7.2	4.7	4.8	4.7
Salaries/Sales (%)	12.1	11.6	11.1	10.8	10.6
A&P/Sales (%)	12.9	15.2	15.0	15.0	15.0
R&D/Sales (%)	2.8	2.6	2.8	2.5	2.5
Payout ratio (%)	101.4	59.5	60.0	60.0	60.0
Effective tax (%)	33.5	31.4	30.0	28.0	28.0
Total debt/equity (%)	35.4	36.5	28.4	26.6	24.9
Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Current ratio (x)	3.2	2.5	2.6	2.6	2.6
Quick ratio (x)	2.9	2.2	2.4	2.3	2.3
Inventory T/O (days)	91	86	86	86	86
AR T/O (days)	129	121	120	117	115
AP T/O (days)	131	90	90	90	90
Cash conversion cycle (days)	90	117	116	113	111
Asset turnover (x)	0.6	0.7	0.7	0.7	0.8
Financial leverage (x)	1.7	1.7	1.7	1.7	1.7
EBIT margin (%)	14.2	16.4	16.9	17.4	17.5
Interest burden (x)	0.9	0.9	1.0	0.9	0.9
Tax burden (x)	0.6	0.7	0.7	0.7	0.7
<b>Return on equity (%)</b>	<b>8.0</b>	<b>12.4</b>	<b>14.0</b>	<b>14.1</b>	<b>15.2</b>
<b>ROIC (%)</b>	<b>19.9</b>	<b>26.2</b>	<b>31.1</b>	<b>36.9</b>	<b>39.2</b>

Year to Dec	FY17	FY18	FY19E	FY20E	FY21E
<b>Balance Sheet (RMB mn)</b>					
Fixed assets	686	677	698	724	755
Intangible assets & goodwill	8	8	6	4	3
Associated companies & JVs	0	0	0	(50)	(100)
Long-term investments	267	339	339	339	339
Other non-current assets	92	114	114	114	114
<b>Non-current assets</b>	<b>1,052</b>	<b>1,139</b>	<b>1,157</b>	<b>1,132</b>	<b>1,112</b>
Inventories	718	836	836	1,014	1,158
AR	1,807	2,115	2,522	2,819	3,129
Prepayments & deposits	572	727	874	1,002	1,132
Other current assets	953	1,186	1,186	1,186	1,186
Cash	3,832	3,196	4,841	5,075	5,410
<b>Current assets</b>	<b>7,882</b>	<b>8,060</b>	<b>10,259</b>	<b>11,095</b>	<b>12,014</b>
AP	1,028	879	1,066	1,217	1,375
Tax	66	54	371	414	474
Accruals & other payables	565	861	1,035	1,187	1,340
Bank loans & leases	831	1,483	1,483	1,483	1,483
CB & othe debts	0	0	0	0	0
Other current liabilities	0	1	1	1	1
<b>Current liabilities</b>	<b>2,489</b>	<b>3,278</b>	<b>3,956</b>	<b>4,302</b>	<b>4,672</b>
Bank loans & leases	1,019	461	461	461	461
CB & othe debts	0	0	0	0	0
Deferred tax & others	97	129	129	129	129
MI	108	5	17	31	48
<b>Non-current liabilities</b>	<b>1,224</b>	<b>595</b>	<b>606</b>	<b>621</b>	<b>638</b>
<b>Total net assets</b>	<b>5,221</b>	<b>5,326</b>	<b>6,855</b>	<b>7,304</b>	<b>7,816</b>
<b>Shareholder's equity</b>	<b>5,221</b>	<b>5,326</b>	<b>6,855</b>	<b>7,304</b>	<b>7,816</b>
Share capital	20	20	20	20	20
Reserves	5,201	5,306	6,835	7,284	7,796
<b>BVPS (HK\$)</b>	<b>2.94</b>	<b>2.97</b>	<b>3.30</b>	<b>3.52</b>	<b>3.76</b>
Total debts	1,850	1,944	1,944	1,944	1,944
Net cash/(debts)	2,934	2,438	4,083	4,316	4,652

**Exhibit 5: Peer Group Comparison**

Company	Ticker	Price	Mkt cap (US\$m)	3-mth avg t/o (US\$m)	PER			EPS		3-Yr Cagr (%)	PEG (x)	Div yld		P/B		EV/		Gross margin (%)	Net margin (%)	ROE Hist (%)	ROE FY1 (%)	Sh px 1-mth %	Sh px 3-mth %	
					Hist (x)	FY1 (x)	FY2 (x)	FY1 YoY%	FY2 YoY%			Hist (%)	FY1 (%)	Hist (x)	FY1 (x)	Ebitda Hist	Ebitda Cur Yr							Net gearing Hist (%)
<b>Xtep Intl</b>	<b>1368 HK</b>	<b>4.67</b>	<b>1,485</b>	<b>9.2</b>	<b>12.7</b>	<b>11.5</b>	<b>9.8</b>	<b>10.1</b>	<b>17.2</b>	<b>16.4</b>	<b>0.7</b>	<b>4.3</b>	<b>5.2</b>	<b>1.6</b>	<b>1.4</b>	<b>7.1</b>	<b>5.5</b>	<b>Net cash</b>	<b>44.3</b>	<b>10.3</b>	<b>12.4</b>	<b>14.0</b>	<b>(15.6)</b>	<b>(6.0)</b>
HSI		29,944.18			11.5	11.6	10.7	(0.5)	8.1	5.4	2.15	3.3	3.5	1.35	1.28					11.7	11.0	1.3	7.2	
HSCEI		11,556.72			9.3	8.8	8.2	5.7	8.2	7.3	1.21	3.6	3.9	1.12	1.05					12.0	11.9	(0.0)	4.5	
CSI300		3,913.21			14.5	12.5	11.1	15.9	12.5	13.1	1.0	2.0	2.5	1.8	1.6					12.3	13.0	(1.5)	20.5	
<b>Domestic peers</b>																								
<b>Adjusted sector avg*</b>					<b>24.0</b>	<b>19.6</b>	<b>16.2</b>	<b>22.0</b>	<b>21.6</b>	<b>21.7</b>	<b>0.9</b>	<b>2.3</b>	<b>3.0</b>	<b>2.0</b>	<b>1.8</b>	<b>16.8</b>	<b>12.9</b>	<b>6.6</b>	<b>45.0</b>	<b>9.6</b>	<b>11.3</b>	<b>8.5</b>	<b>5.0</b>	<b>21.5</b>
361 Degrees	1361 HK	1.78	469	0.8	10.4	8.0	7.1	30.6	11.5	17.4	0.5	4.3	5.5	0.5	0.5	0.3	0.3	0.0	40.6	5.9	5.3	6.6	14.1	9.2
Anta Sports Prod	2020 HK	56.20	19,237	40.5	31.6	25.2	20.8	25.2	21.0	20.9	1.2	1.4	1.5	8.2	6.7	20.1	16.8	0.0	52.6	17.0	27.8	29.2	6.0	38.9
Li Ning Co Ltd	2331 HK	14.48	4,255	30.5	42.0	30.9	24.3	35.7	27.4	27.2	1.1	N/A	1.0	4.6	4.5	21.1	16.4	0.0	48.1	6.8	13.1	15.8	16.0	46.4
Pou Sheng Intl	3813 HK	1.85	1,263	0.4	15.3	14.2	11.5	7.8	23.2	16.4	0.9	1.1	1.8	1.2	1.1	7.8	7.3	39.8	33.5	2.4	8.2	8.2	2.2	19.4
China Dongxiang	3818 HK	1.16	870	0.9	18.3	8.8	9.1	107.7	(2.7)	30.2	0.3	9.4	7.8	0.6	0.6	31.1	11.3	0.0	57.3	18.5	3.3	6.3	0.9	(0.9)
Annil Co Ltd-A	002875 CH	18.63	365	20.8	26.4	23.8	19.6	11.0	21.7	18.0	1.3	0.8	N/A	2.8	2.5	20.4	12.9	0.0	55.0	6.9	10.1	11.0	(9.5)	19.3
Guirenniao Co-A	603555 CH	6.29	587	11.2	N/A	26.2	21.0	N/A	25.0	N/A	N/A	4.0	0.6	2.4	1.7	N/A	N/A	125.3	28.0	(24.6)	(37.6)	3.3	(22.2)	18.5
<b>International peers</b>																								
<b>Adjusted sector avg*</b>					<b>48.1</b>	<b>32.0</b>	<b>31.0</b>	<b>48.0</b>	<b>18.0</b>	<b>25.4</b>	<b>1.49</b>	<b>0.9</b>	<b>0.7</b>	<b>9.54</b>	<b>8.90</b>	<b>21.8</b>	<b>19.5</b>	<b>0.0</b>	<b>48.9</b>	<b>6.2</b>	<b>22.7</b>	<b>25.5</b>	<b>3.2</b>	<b>11.8</b>
Nike Inc -Cl B	NKE US	85.90	135,013	531.6	73.7	33.6	28.5	119.5	17.8	44.9	0.7	1.0	1.0	15.1	16.5	25.9	23.6	0.0	43.8	5.3	44.6	40.5	1.8	5.4
Under Armour-A	UAA US	22.04	9,318	105.0	N/A	66.4	46.5	N/A	42.8	(288.5)	N/A	N/A	0.0	4.9	4.4	60.5	22.9	8.5	45.1	(0.9)	(2.3)	6.3	3.3	6.8
Lululemon Ath	LULU US	175.67	22,885	348.5	48.4	38.2	32.3	26.6	18.3	19.5	2.0	N/A	0.0	15.9	12.9	26.6	22.7	0.0	55.2	14.7	31.8	38.3	6.2	20.2
Adidas Ag	ADS GR	225.60	50,725	135.4	26.7	23.5	20.9	13.6	12.7	12.3	1.9	1.2	1.7	7.0	6.3	15.3	13.6	0.0	51.9	7.8	27.4	28.0	1.4	13.1
Puma Se	PUM GR	545.00	9,218	20.6	43.5	32.8	26.6	32.4	23.2	24.8	1.3	0.6	0.9	4.7	4.4	19.2	14.7	0.0	48.4	4.0	12.2	14.2	3.2	13.4

\* Outliners and "N/A" entries are in red and excl. from the calculation of averages

Source: Bloomberg, OP Research

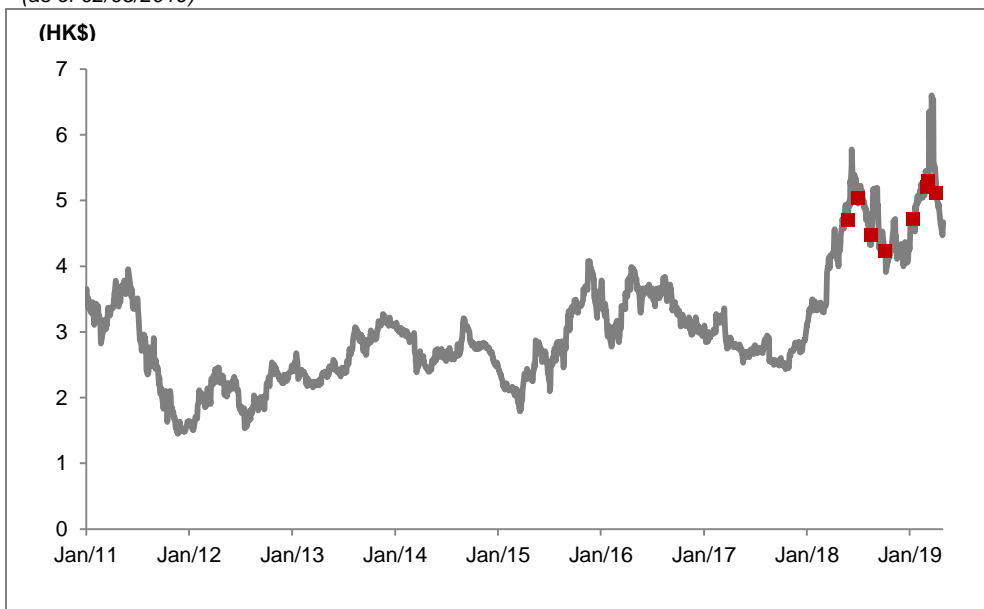


## Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
25/04/2019	TCL Electronics	1070	1Q19E business update on track	BUY	Yuji Fung/Dallas Cai
24/04/2019	CH Display OPT	334	1Q19E operations in line with expectations	BUY	Yuji Fung/Dallas Cai
23/04/2019	Zhongyu Gas	3633	Comeback with dollar margin improvement	NR	Megan Jin
18/04/2019	Li Ning	2331	Upbeat 1Q19E sales performance	HOLD	Dallas Cai/Megan Jin
15/04/2019	Anta Sports	2020	1Q19E retail performance in line	BUY	Dallas Cai/Megan Jin
10/04/2019	Q Tech	1478	March saw improving product mix	BUY	Yuji Fung/Dallas Cai
09/04/2019	Xtep Intl	1368	1Q19 operations on track	BUY	Dallas Cai/Megan Jin
09/04/2019	China Youzan	8083	Introducing Tencent as strategic investor	BUY	Yuji Fung/Dallas Cai
04/04/2019	Regal Intl Airport	357	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
02/04/2019	Tianlun Gas	1600	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
01/04/2019	Truly Int'l	732	FY18 earnings miss on GPM and loss from associate	BUY	Yuji Fung/Dallas Cai
28/03/2019	China Youzan	8083	FY18 saw narrower loss than expected	BUY	Yuji Fung/Dallas Cai
27/03/2019	Sinosoft Tech	1297	FY18 results in line	BUY	Yuji Fung/Dallas Cai
26/03/2019	Q Tech	1478	Downgrade to SELL as margin recovery was priced in	SELL	Yuji Fung/Dallas Cai
25/03/2019	Li Ning	2331	FY18 saw sustainable high-quality growth	HOLD	Dallas Cai/Megan Jin
22/03/2019	Chinasoft Intl	354	FY18 results up to expectations	BUY	Yuji Fung/Dallas Cai
21/03/2019	Sunny Optical	2382	Downgrade on fair value	HOLD	Yuji Fung/Dallas Cai
21/03/2019	Tongda	698	GPM likely bottom out	BUY	Yuji Fung/Dallas Cai
21/03/2019	Ju Teng Intl	3336	On secular trend of metal casing adoption	BUY	Yuji Fung/Dallas Cai
20/03/2019	CH Display OPT	334	FY18 revenue beat, earnings in line	BUY	Yuji Fung/Dallas Cai
20/03/2019	Ausnutria Dairy	1717	Margin expansion story continues	BUY	Dallas Cai
20/03/2019	TCL Electronics	1070	Promising FY19E ahead	BUY	Yuji Fung/Dallas Cai
18/03/2019	361 Degrees Intl	1361	Rebranding strategies to bear fruit in 2020E	BUY	Yuji Fung/Dallas Cai
15/03/2019	Kingdee Intl	268	FY18 results up to expectations	HOLD	Yuji Fung/Dallas Cai
13/03/2019	Xtep Intl	1368	Growth momentum likely keeps up in FY19E	BUY	Dallas Cai/Megan Jin
06/03/2019	Xtep Intl	1368	JV with Wolverine for multi-brand portfolio	BUY	Dallas Cai/Megan Jin
05/03/2019	CH Display OPT	334	Foldable smartphone play backed by CSOT	BUY	Yuji Fung/Dallas Cai

## Historical recommendations and target price: Xtep (1368 HK)

(as of 02/05/2019)



Date	Rating	TP (HK\$)	Close (HK\$)	Date	Rating	TP (HK\$)	Close (HK\$)
1 29 May 2018	BUY	6.40	4.94	5. 15 Jan 2019	BUY	5.70	4.62
2 25 Jun 2018	BUY	7.30	5.30	6. 06 Mar 2019	BUY	5.70	5.27
3 22 Aug 2018	BUY	6.60	5.07	7. 13 Mar 2019	BUY	6.50	5.30
4 09 Oct 2018	BUY	5.70	4.23	8. 09 Apr 2019	BUY	5.70	5.11

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<b>Relevant Benchmark</b>	Represents the stock closing price as at the date quoted in this report.

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## CONTACT

27/F, Two Exchange Square,

8 Connaught Place, Central, Hong Kong

[www.oriental-patron.com.hk](http://www.oriental-patron.com.hk)

[dallas.cai@oriental-patron.com.hk](mailto:dallas.cai@oriental-patron.com.hk)

Tel: (852) 2135 0248

Fax: (852) 2135 0295