



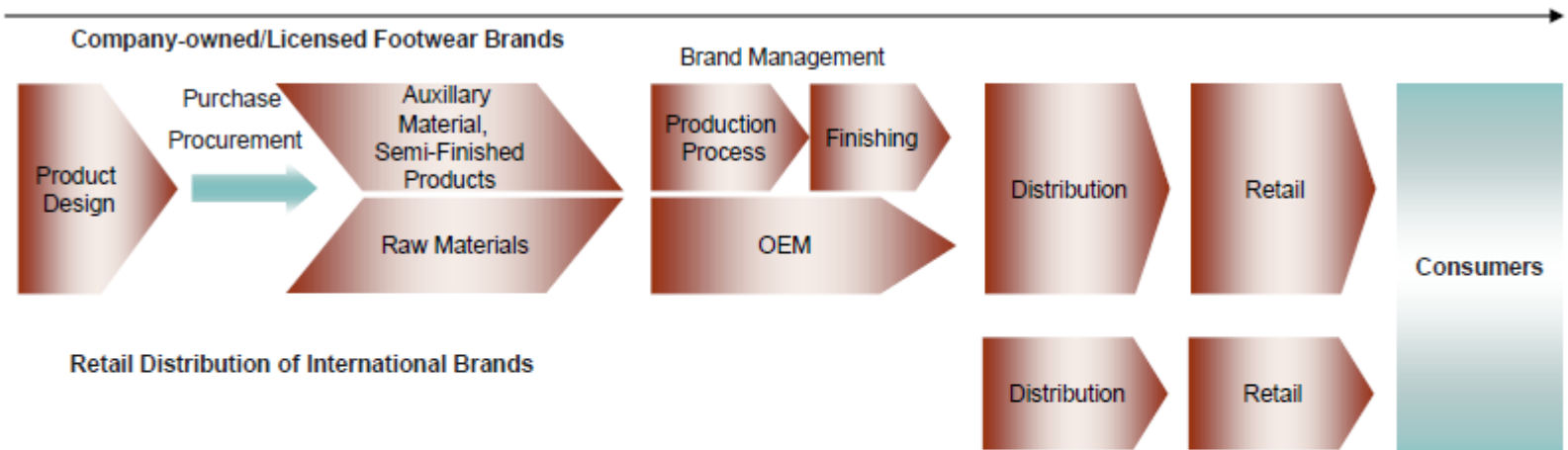
Belle International (1880 HK)

Company Overview

- Leading footwear distributor and retailer in China
- Manufacturing, distribution and retail sales of shoes and footwear products
- 2 business segments - Footwear and Sportswear

Company Overview

Footwear Segment



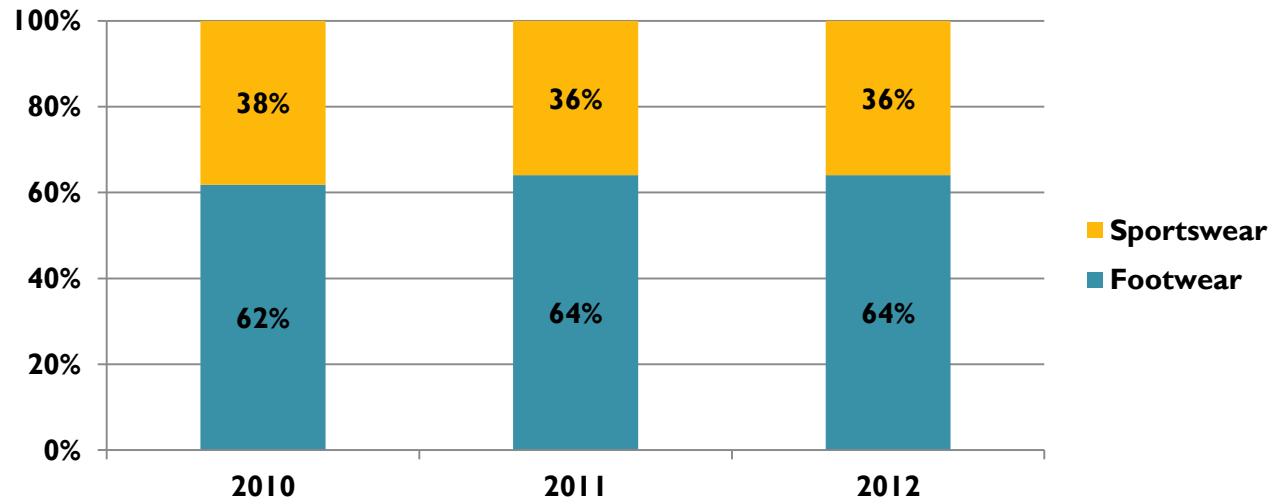
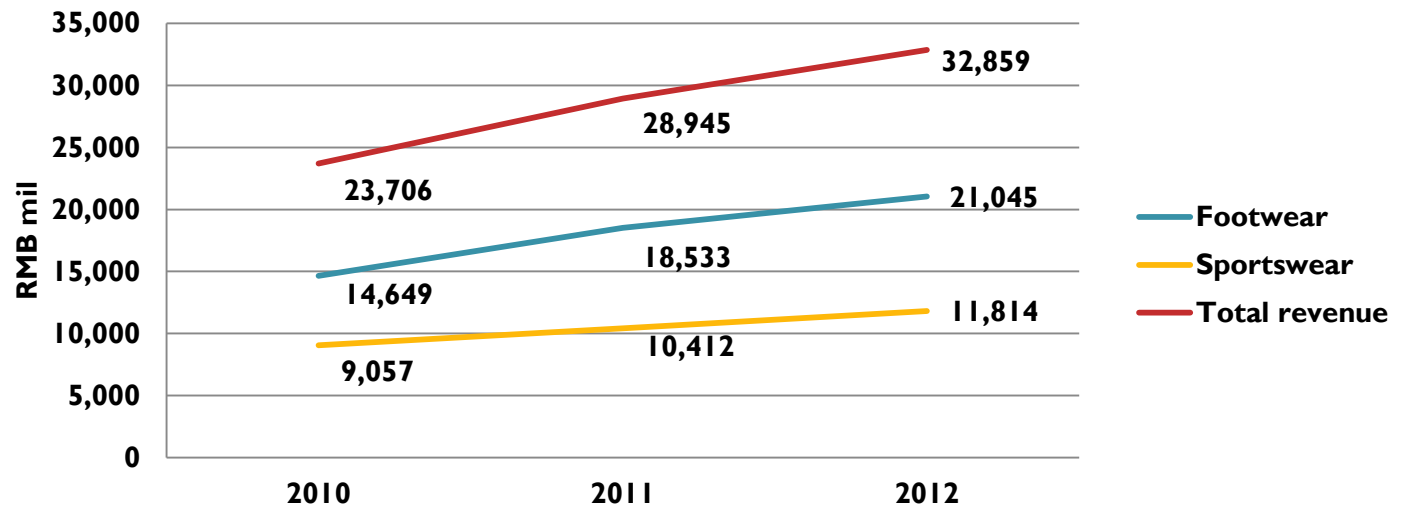
Sportswear Segment



Source: Company

Revenue

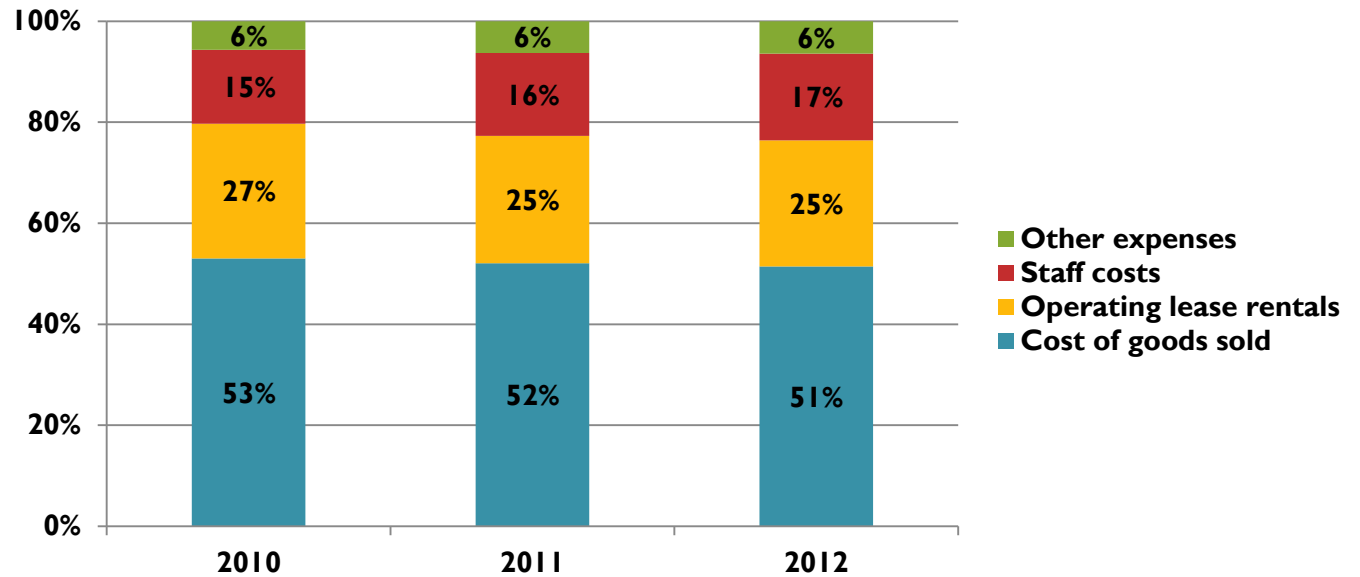
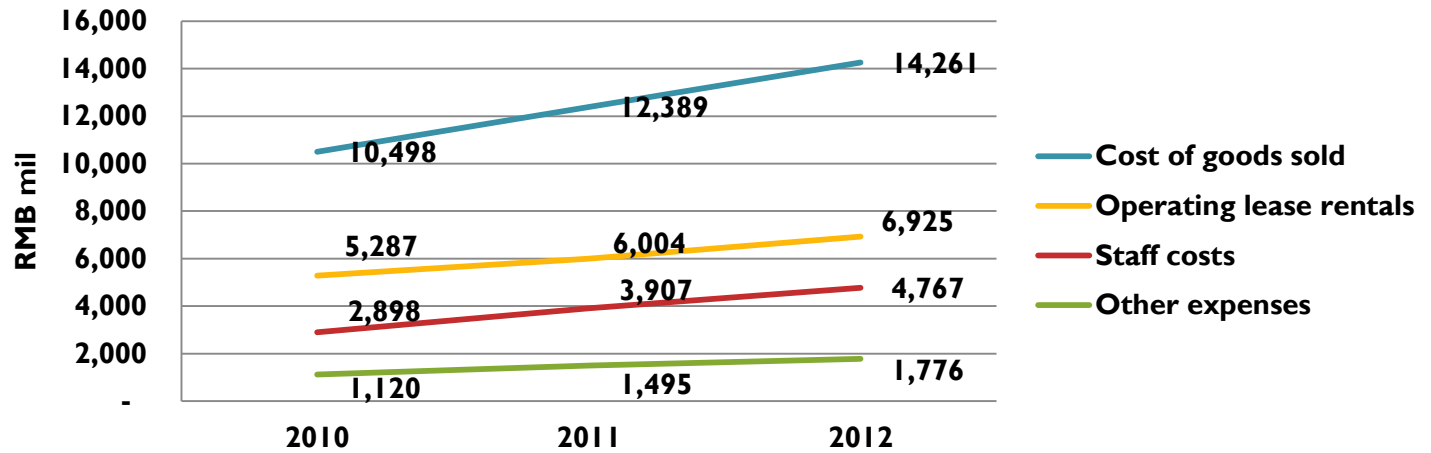
Revenue



Source: Company

Cost

Cost



Source: Company

Key Themes



1. Well-positioned for growth

2. China's economic growth and rising incomes

3. Efficient business

Well-Positioned for Growth

- Acquisitions to create synergies in portfolio with existing brands
 - Longhao: SKAP → high-end casual footwear
 - Baroque Japan: Apparel, accessories → Japanese market
 - Big Step: Sportswear retailer for Nike and Adidas

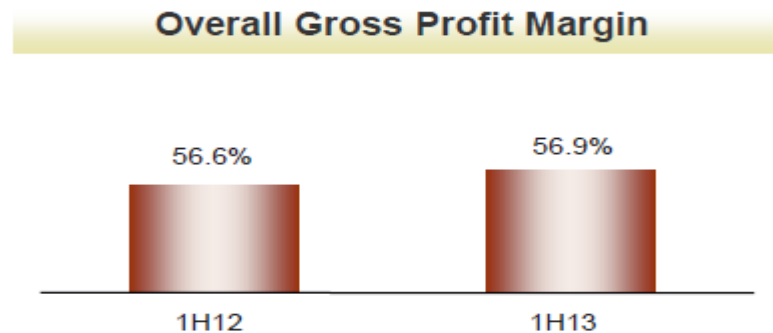
Economic Growth and Rising Income

- Sustainable economic growth for China
 - High growth era could be over
 - Govt embrace sustainable growth
- Rising disposable income
 - Expects government to incentivize residents' income growth in 2014

	2012	2013
Rising disposable income	24,565	29,547
YoY growth - nominal income	12.6%	9.7%
YoY growth - real income	9.6%	7%

Efficient business

- Established e-commerce brand
- Vertically integrated model for footwear
 - Cost efficient
 - Ability to capture consumer trends faster
- In spite of weak consumer outlook in 2013, stable gross margin levels and healthy cash flow levels



Source: Company

Risks

Company-specific risks:

- Strong presence → Larger scale to compete
- Rising operational costs depress margins:
 - Staff costs
 - Operating lease rentals
- SSSG trend – to weaken or improve?
 - Depends on economic outlook, positive market sentiment

Risks

Industry-specific risks:

- Weak economic outlook for China → Consumer demand continue to weaken
- E-commerce brands

Geography-specific risks:

- Focussed on China's second and third-tier cities

Peer Comparison

China footwear retailers:

BBERG TICKER	NAME	Local Price	MARKET CAP	P/E (x)	P/B (x)	ROE (%)	EV/EBITD A (x)	Divid Yield (%)
		HKD	HKD MIL	2014 E	2014 E	2014 E	2014 E	2014 E
1880 HK	Belle	8.37	70,848	12.68	2.23	18.17%	7.43	1.18%
210 HK	Daphne	3.79	6,135	16.1	1.25	8.54%	6.63	1.69%
1836 HK	Stella	18.1	14,807	15.94	1.99	12.75%	10.46	4.99%
738 HK	Le Saunda	3.73	2,353	7.83	1.62	17.80%	6.60	4.83%
Average				13.14	1.77	14%	7.78	3.17%

Source: Bloomberg

Valuation - DCF

- Upside risk of 20% from current price target of HK\$ 8.37

Valuation	RMB mil
NPV of FCF	11,364
NPV of Terminal Value	38,051
Target Enterprise Value	49,414
Less Total Debt	(2,176)
Less Minority Interest	(143)
Add Cash	2,287
Add S/T investment	7,162
Add Associate / JV Investment	604
Add Non Op Asset	8,987
Target Equity Valuation	66,134
Weighted no of diluted shares	8,434.2
Target Price	HK\$10.05



Thank you!