

Neutral

# Bosideng International Holdings (3998.HK)

Strong positioning; New growth drivers yet to emerge; Initiate at Neutral

**3998.HK** | 12m Price Target: **HK\$4.50** | Price: **HK\$4.15** | Upside: **8.4%**

Bosideng is the largest down jacket brand in China, with an estimated market share of c.12% in the Rmb156bn market (US\$24bn). We like Bosideng as an emerging Chinese brand with a strong brand position in the down jacket market with an enhanced product offering, strong ASP increase over the past few years, and improving channel strategies. However, we see its growth outlook being impacted by (1) a more challenging macro environment, especially with price the key driver (9% CAGR in 2015-20); we forecast a more moderate ASP increase going forward at 5% CAGR in 2021-25E; (2) further sales upside to hinge on extension into non-down products, where the company has yet to establish a track record. As a result, and with a 12-m TP of HK\$4.50, based on 15x average FY23-24E EPS (its historical average), implying upside of 11% vs 30% on average for our apparel/sportswear coverage, we initiate on Bosideng with Neutral.

We forecast Bosideng to deliver sales/NI CAGR of 14%/18% in 2021-24E on higher store productivity and higher growth than the industry. In the near-term, the various lockdowns around China in 2Q22 have had limited impact on its business and inventory given the seasonality of its products (ie; the colder months of Oct-Mar usually represent 70-85% of the full year sales). In this report, supporting our above conclusions, we provide (1) analysis on down apparel growth drivers, pricing vs volume; and (2) an in-depth study of Bosideng's product upgrade progress, and comparison vs peers.

Risks: (1) Warmer/colder winter temperatures, (2) product launch fatigue/continued success in product innovation and marketing, (3) weaker consumption power pressuring ASP growth/resilient ASP growth trend, (4) raw material price hikes/falls.

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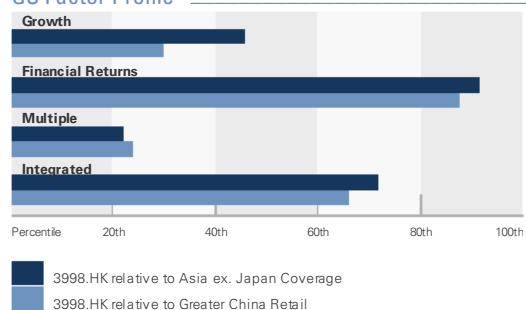
## Key Data

Market cap: HK\$44.7bn / \$5.7bn  
Enterprise value: HK\$45.3bn / \$5.8bn  
3m ADTV: HK\$128.5mn / \$16.4mn  
China  
Greater China Retail  
M&A Rank: 3  
Leases incl. in net debt & EV?: Yes

## GS Forecast

	3/22	3/23E	3/24E	3/25E
Revenue (Rmb mn)	16,213.6	18,649.8	21,363.7	24,043.6
EBITDA (Rmb mn)	3,255.6	4,018.6	4,667.6	5,286.2
EPS (Rmb)	0.19	0.23	0.27	0.31
P/E (X)	21.0	16.1	13.5	11.8
P/B (X)	3.6	3.1	2.9	2.8
Dividend yield (%)	3.7	4.8	5.8	6.6
N debt/EBITDA (ex lease,X)	0.0	(0.2)	(0.5)	(0.5)
CROCI (%)	41.0	51.8	50.1	50.3
FCF yield (%)	4.8	6.7	8.8	7.5
	<b>9/21</b>	<b>3/22</b>	<b>9/22E</b>	<b>3/23E</b>
EPS (Rmb)	0.06	0.13	0.07	0.16

## GS Factor Profile



Source: Company data, Goldman Sachs Research estimates. See disclosures for details.

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Neutral

## Bosideng International Holdings (3998.HK)

Rating since Sep 13, 2022

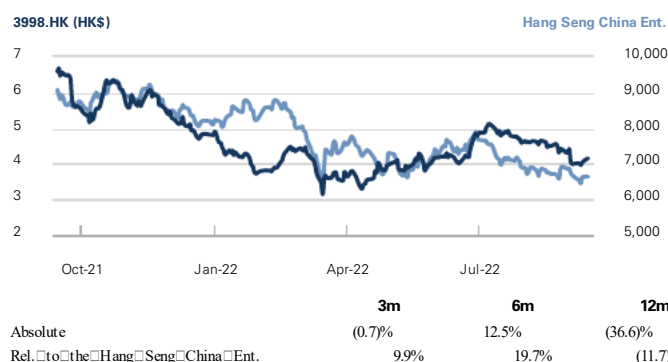
## Ratios &amp; Valuation

	3/22	3/23E	3/24E	3/25E
P/E (X)	21.0	16.1	13.5	11.8
P/B (X)	3.6	3.1	2.9	2.8
FCF yield (%)	4.8	6.7	8.8	7.5
EV/EBITDAR (X)	8.8	6.6	5.5	4.8
EV/EBITDA (excl. leases) (X)	15.5	11.0	9.0	7.8
CROCI (%)	41.0	51.8	50.1	50.3
ROE (%)	17.7	19.7	22.4	24.4
Net debt/equity (%)	7.6	3.8	(5.3)	(7.3)
Net debt/equity (excl. leases) (%)	0.3	(5.4)	(14.7)	(16.6)
Interest cover (X)	15.3	21.1	24.8	54.9
Days inventory outst, sales	60.0	61.2	60.8	60.8
Receivable days	27.8	29.9	29.5	29.3
Days payable outstanding	248.1	243.7	236.9	231.7
DuPont ROE (%)	16.9	19.3	21.8	23.8
Turnover (X)	0.8	0.8	1.0	1.0
Leverage (X)	1.7	1.8	1.7	1.7
Gross cash invested (ex cash) (Rmb)	13,419.4	15,198.2	17,070.7	19,068.9
Average capital employed (Rmb)	12,006.0	12,150.8	11,739.6	11,575.8
BVPS (Rmb)	1.13	1.18	1.24	1.30

## Growth &amp; Margins (%)

	3/22	3/23E	3/24E	3/25E
Total revenue growth	20.0	15.0	14.6	12.5
EBITDA growth	12.3	23.4	16.1	13.3
EPS growth	19.7	19.0	19.2	14.6
DPS growth	24.6	19.0	19.2	14.6
EBIT margin	14.6	16.2	16.5	16.7
EBITDA margin	20.1	21.5	21.8	22.0
Net income margin	12.7	13.2	13.7	13.9

## Price Performance



Source: FactSet. Price as of 13 Sep 2022 close.

## Income Statement (Rmb mn)

	3/22	3/23E	3/24E	3/25E
Total revenue	16,213.6	18,649.8	21,363.7	24,043.6
Cost of goods sold	(6,476.4)	(7,586.1)	(8,652.8)	(9,687.0)
SG&A	(7,374.3)	(8,051.6)	(9,181.7)	(10,350.6)
R&D	—	—	—	—
Other operating inc./exp.)	—	—	—	—
<b>EBITDA</b>	<b>3,255.6</b>	<b>4,018.6</b>	<b>4,667.6</b>	<b>5,286.2</b>
Depreciation & amortization	(892.8)	(1,006.5)	(1,138.3)	(1,280.2)
<b>EBIT</b>	<b>2,362.8</b>	<b>3,012.1</b>	<b>3,529.2</b>	<b>4,006.0</b>
Net interest inc./exp.)	117.4	42.7	80.4	132.3
Income/(loss) from associates	(14.1)	(10.0)	(10.0)	(10.0)
<b>Pre-tax profit</b>	<b>2,672.1</b>	<b>3,222.2</b>	<b>3,841.0</b>	<b>4,401.4</b>
Provision for taxes	(613.4)	(773.3)	(921.8)	(1,056.3)
Minority interest	3.6	4.3	5.1	5.8
Preferred dividends	—	—	—	—
<b>Net inc. (pre-exceptionals)</b>	<b>2,062.3</b>	<b>2,453.1</b>	<b>2,924.2</b>	<b>3,350.9</b>
Post-tax exceptionals	—	—	—	—
<b>Net inc. (post-exceptionals)</b>	<b>2,062.3</b>	<b>2,453.1</b>	<b>2,924.2</b>	<b>3,350.9</b>
<b>EPS (basic, pre-exception) (Rmb)</b>	<b>0.19</b>	<b>0.23</b>	<b>0.27</b>	<b>0.31</b>
<b>EPS (diluted, pre-exception) (Rmb)</b>	<b>0.19</b>	<b>0.23</b>	<b>0.27</b>	<b>0.31</b>
<b>EPS (basic, post-exception) (Rmb)</b>	<b>0.19</b>	<b>0.23</b>	<b>0.27</b>	<b>0.31</b>
<b>EPS (diluted, post-exception) (Rmb)</b>	<b>0.19</b>	<b>0.23</b>	<b>0.27</b>	<b>0.31</b>
DPS (Rmb)	0.15	0.18	0.21	0.24
Div. payout ratio (%)	77.8	77.8	77.8	77.8

## Balance Sheet (Rmb mn)

	3/22	3/23E	3/24E	3/25E
Cash & cash equivalents	2,502.6	3,224.8	2,898.4	3,273.8
Accounts receivable	1,437.0	1,622.8	1,829.9	2,034.3
Inventory	2,688.2	3,565.5	3,547.6	4,456.0
Other current assets	8,109.0	7,960.1	8,081.0	8,199.0
<b>Total current assets</b>	<b>14,736.7</b>	<b>16,373.2</b>	<b>16,356.9</b>	<b>17,963.1</b>
Net PP&E	1,758.1	1,450.8	1,108.2	718.9
Net intangibles	1,496.2	1,460.3	1,424.4	1,388.5
Total investments	440.1	440.1	440.1	440.1
Other long-term assets	2,852.7	2,910.0	2,979.8	3,040.9
<b>Total assets</b>	<b>21,283.7</b>	<b>22,634.3</b>	<b>22,309.3</b>	<b>23,551.6</b>
Accounts payable	4,786.3	5,345.8	5,886.5	6,410.8
Short-term debt	934.0	934.0	934.0	934.0
Short-term lease liabilities	269.5	519.5	550.3	577.2
Other current liabilities	620.3	620.3	620.3	620.3
<b>Total current liabilities</b>	<b>6,610.1</b>	<b>7,419.6</b>	<b>7,991.1</b>	<b>8,542.3</b>
Long-term debt	1,599.6	1,599.6	—	—
Long-term lease liabilities	627.6	659.6	698.7	732.9
Other long-term liabilities	220.0	220.0	220.0	220.0
<b>Total long-term liabilities</b>	<b>2,447.2</b>	<b>2,479.2</b>	<b>918.7</b>	<b>952.9</b>
<b>Total liabilities</b>	<b>9,057.3</b>	<b>9,898.8</b>	<b>8,909.8</b>	<b>9,495.2</b>
Preferred shares	—	—	—	—
Total common equity	12,193.1	12,706.4	13,375.6	14,038.3
<b>Minority interest</b>	<b>33.3</b>	<b>29.1</b>	<b>24.0</b>	<b>18.1</b>
<b>Total liabilities &amp; equity</b>	<b>21,283.7</b>	<b>22,634.3</b>	<b>22,309.3</b>	<b>23,551.6</b>
Net debt, adjusted	31.0	(691.3)	(1,964.5)	(2,339.8)

## Cash Flow (Rmb mn)

	3/22	3/23E	3/24E	3/25E
Net income	2,062.3	2,453.1	2,924.2	3,350.9
D&A add-back	892.8	1,006.5	1,138.3	1,280.2
Minority interest add-back	(3.6)	(4.3)	(5.1)	(5.8)
Net (inc)/dec working capital	320.7	(503.7)	351.6	(588.5)
Other operating cash flow	(602.2)	356.2	(170.5)	(223.5)
<b>Cash flow from operations</b>	<b>2,670.1</b>	<b>3,308.0</b>	<b>4,238.5</b>	<b>3,813.3</b>
Capital expenditures	(576.7)	(663.3)	(759.8)	(855.1)
Acquisitions	—	—	—	—
Divestitures	—	—	—	—
Others	(109.2)	(14.6)	10.5	71.3
<b>Cash flow from investing</b>	<b>(685.8)</b>	<b>(677.9)</b>	<b>(749.3)</b>	<b>(783.9)</b>
Repayment of lease liabilities	—	—	—	—
Dividends paid (common & pref)	(1,309.5)	(1,939.8)	(2,255.1)	(2,688.2)
Inc/(dec) in debt	258.3	—	(1,599.6)	—
Other financing cash flows	(201.9)	32.1	39.1	34.2
<b>Cash flow from financing</b>	<b>(1,253.0)</b>	<b>(1,907.8)</b>	<b>(3,815.6)</b>	<b>(2,654.0)</b>
<b>Total cash flow</b>	<b>731.2</b>	<b>722.3</b>	<b>(326.4)</b>	<b>375.4</b>
Free cash flow	2,093.4	2,644.6	3,478.7	2,958.2

Source: Company data, Goldman Sachs Research estimates.

## PM Summary

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We initiate coverage on Bosideng with a Neutral rating and a 12-month target price of HK\$4.5, based on 15x average FY23-FY24 EPS, implying 14% upside vs an average of 30% for our China apparel/sportswear coverage. Bosideng is the largest down jacket brand in China with estimated market share of c.12% in 2021. We consider Bosideng as a way to play the theme of the emergence of Chinese brands, and like its strong brand position in the down jacket market with an enhanced product offering, strong ASP increase over the past few years, and improving channel strategies. In addition, the various lockdowns around China in 2Q22 have had limited impact on its business and inventory given the seasonality of its products (ie; the colder months of Oct-Mar usually represent 70-85% of the full year sales).

However, we see these key considerations that could impact its growth outlook going forward: (1) industry growth in a more challenging macro environment (especially as growth has been driven by pricing in the past), (2) While Bosideng has built a strong brand in the down apparel segment, further sales upside could hinge on extension into non-down products, where the company has yet to establish a track record. We forecast Bosideng to deliver sales/NI CAGR of 14%/18% in 2021-24E driven by higher store productivity and higher growth than our industry outlook of 7% during 21-25E.

### **Key debate 1: The growth potential of China's down jacket market**

China's down apparel market reached sales of Rmb156bn (US\$24bn) in 2021, growing at 13% CAGR over the prior 5 years, according to analytics firm chyx. It outpaced overall apparel industry growth, with wallet share increasing from 4.7% in 2016 to 6.8% of the apparel market in 2021. Of this growth, 75% was driven by pricing and 25% by volume. Taking the ASP of a coat in Japan as reference, a women's coat in Japan in that period could cost around US\$150-300, a premium to the 2021 ASP of US\$108 in China — although as a percentage of disposable income these prices are broadly similar at 1.3-1.5%. Price increases decelerate when an economy matures: in 2021, the ASP for this item in Japan was US\$261 vs US\$221 in 1990 (18% higher), but as a share of disposable income it was 1.1%, down from 1.3%. We currently estimate the ASP to increase from c. Rmb712 in 2021 to Rmb861 in 2025E (21% upside). On the volume side, we assume ongoing low single digit growth, implying around 200mn pieces per year, translating to a 4-year replacement cycle for down jacket apparel for China's urban population, factoring in a survey that suggests Chinese consumers on average own 3 down jackets. As such, we expect industry to grow at 7% 2021-25E CAGR to reach Rmb207bn in 2025.

### **Key debate 2: Strong mind-share in down apparel; opportunities exist in category expansion but execution is needed**

Bosideng has been the leader in China's down apparel industry for decades, and we estimate the Bosideng brand had around 12% market share in 2021. We believe the company's leading position is facilitated by its strong brand image (as a 'mental shortcut' in consumers' minds to professional specialist down apparel), pricing power

backed by its younger, more fashionable and higher end positioning, and full down apparel range with expansion opportunities. Bosideng has looked to expand its addressable market through M&A and operates some other brands, such as in ladies wear, but results have not been encouraging based on their financial results. Thus, management intends to leverage its strong branding in winter-related products and introduce adjacent products like knitwear or outerwear coats, or enhance its mass market brands like Snow Flying. Using Moncler's case as a reference, we note its knitwear outgrew outerwear in 2017 and delivered sales growth of 32% in 2015-17 vs 13% in outerwear. We see some synergies should be available, but await more evidence on execution.

### **Key debate 3: Execution track record - stronger after the strategic transition from 2018**

Bosideng refocused on the down apparel market with enhanced strategies in branding, product, and channels from 2018, which has supported the solid growth and enhanced operational efficiency since then. Normally sales over Oct to Mar contribute around 70-85% of full year sales, and we think it is even more essential for down-apparel players (relative to other apparel companies) to predict sales, keep up consumer demand, and manage inventory effectively. We highlight that Bosideng has a strong digital system, high automation manufacturing with shorter lead-time and high quality, and strong warehouse and logistics system, all of which enable it to respond rapidly to changes in market demand while managing healthy inventory levels.

### **We expect 14%/18% sales/NI CAGR in 2021-24E**

We estimate 15% 3-year CAGR for the company's branded down apparel business and OEM management, but are cautious on its ladieswear and diversified apparel outlook and forecast -2%/4% CAGR. We expect OEM business to grow at double digits along with clients, on top of wallet share gain. Given existing high margin profiles, we do not look for aggressive margin expansion but see limited incremental leverage impacts in our forecast period.

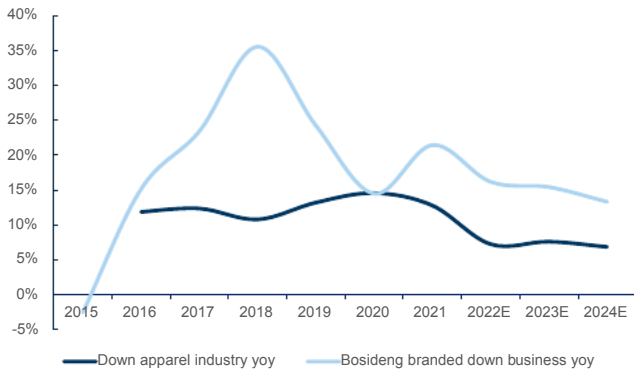
### **Valuation: Initiate at Neutral with 12-m TP of HK\$4.50**

We use PE to derive our target price for Bosideng, which captures its growth prospects and is in line the methodology for other companies we cover in the space. Our 12-month target price is HK\$4.50, based on 15x average FY3/23E and FY3/24E EPS, which is in line with its average PE since 2018 after its turnaround initiatives and the average of winter-related brands' PE (Canada Goose, Moncler, and VF).

**Where could we be wrong?** If the company can further improve its product cycle from an already broad base and has success in launching new categories, our estimates could prove conservative. On the flipside, weaker spending from consumers might impact apparel purchasing and its premiumization trend.

**Risks** (1) Warmer/colder winter temperatures, (2) product launch fatigue/continued success in product innovation and marketing, (3) weaker consumption power pressuring ASP growth/resilient ASP growth trend, (4) raw material price hikes/falls, (5) connected party transactions.

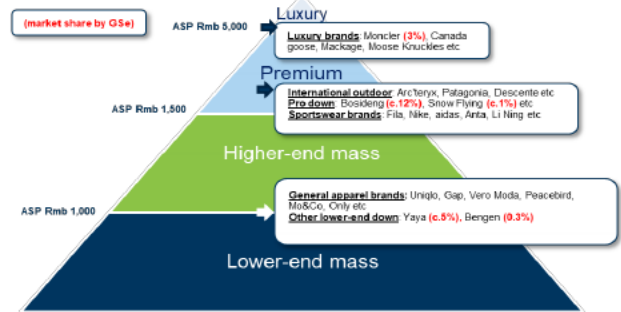
**Exhibit 1: We expect Bosideng's branded down apparel business to grow higher than the industry average**  
Bosideng growth vs Down apparel industry



Source: chyx, Company data, Goldman Sachs Global Investment Research

**Exhibit 2: Bosideng is the down apparel industry leader and there are few direct competitors in premium and higher-end mass segments, in our view**

Down apparel market segmentation



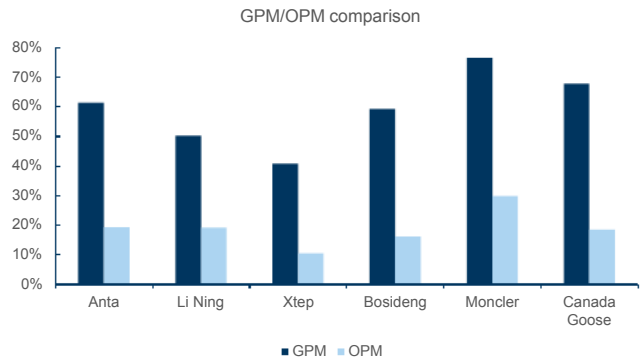
Source: Goldman Sachs Global Investment Research

**Exhibit 3: Bosideng has a wider pricing range of products; and it still has upside compared with luxury international brands**  
Down apparel price range for different brands



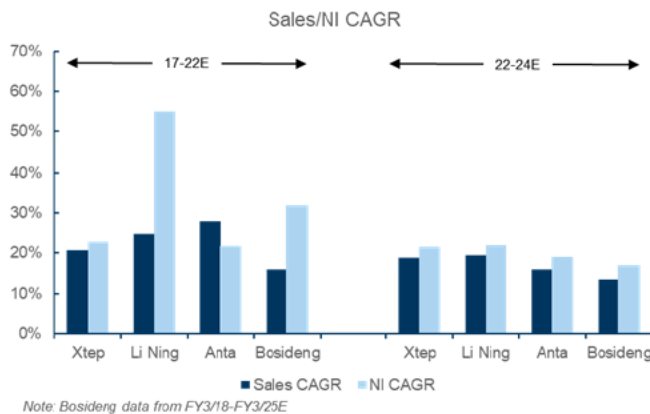
Source: Tmall, Goldman Sachs Global Investment Research

**Exhibit 4: Bosideng has strong GPM but OPM comes in lower than peers, due partly to its ladies wear and OEM business**  
Profitability comparison



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 5: We look for teen-level growth for Bosideng, slightly lower than peers**  
Growth comparison



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 6: Bosideng is trading at discounts to sportswear and luxury peers due to its higher seasonality, lower OPM, and exposure to low-margin business but close to outdoor brands**  
Bosideng valuation relative to peer group



Source: Bloomberg

# Key debate 1: Down jacket market growth upside

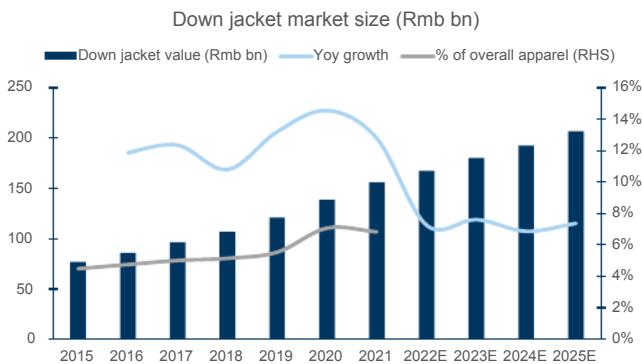
China’s down apparel market reached sales of Rmb156bn in 2021, growing at 13% CAGR over the prior 5 years, according to analytics firm chyxx. It outpaced overall apparel industry growth, with wallet share increasing from 4.7% in 2016 to 6.8% of the apparel market in 2021. We highlight the segment growth was mainly driven by strong ASP uplift of 9% CAGR during 2015-2020 versus volume growth of 4% CAGR in the corresponding period.

To gauge the market upside, we looked at the women’s winter coat ASP trend in Japan as a proxy. In the 1980-1990s, when Japan’s GDP per capita level was similar to that in China today, the average price of a woman’s coat steadily increased. A woman’s coat in Japan in that period could cost around US\$150-300, a premium to the 2021 ASP of US\$108 in China — although as a percentage of disposable income these prices are broadly similar at 1.3-1.5%. Price increases decelerate as an economy matures: in 2021, the ASP for this item in Japan was US\$261 vs US\$221 in 1990 (18%), but as a share of disposable income it was 1.1%, down from 1.3%.

As such we expect ASPs in China still have room to grow alongside growth in disposable income growth, but also expect some deceleration especially when the economy turns softer. We currently estimate ASP to increase from c.Rmb712 in 2021 to Rmb861 in 2025E. On the volume side, we assume ongoing low single digit growth, implying around 200mn pieces per year, translating to a 4-year replacement cycle for down jacket apparel for China’s urban population, factoring in a survey that suggests Chinese consumers on average own 3 down jackets.

**Exhibit 7: Down apparel market reached Rmb156bn in 2021, growing at 13% CAGR in the past 5 years; we expect 7% CAGR in 2021-2025 to Rmb207bn**

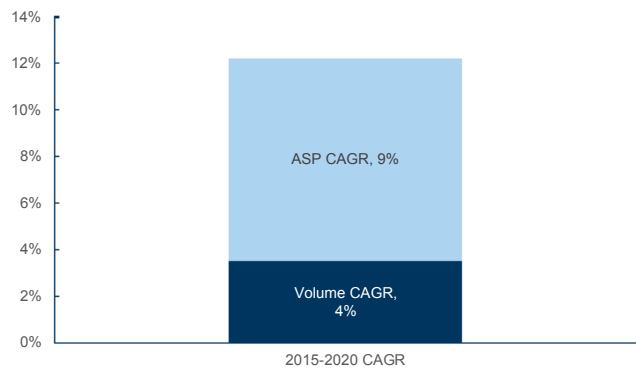
Down jacket market size



Source: chyxx, Goldman Sachs Global Investment Research

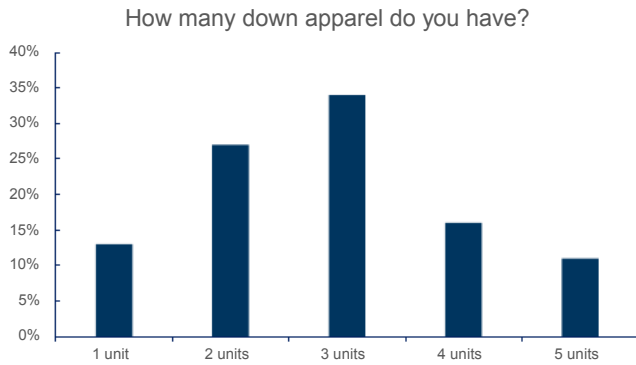
**Exhibit 8: The market was mainly driven by strong ASP uplift of 9% CAGR during 2015-2020**

Down apparel market growth drivers 2015-2020



Source: chyxx, Goldman Sachs Global Investment Research

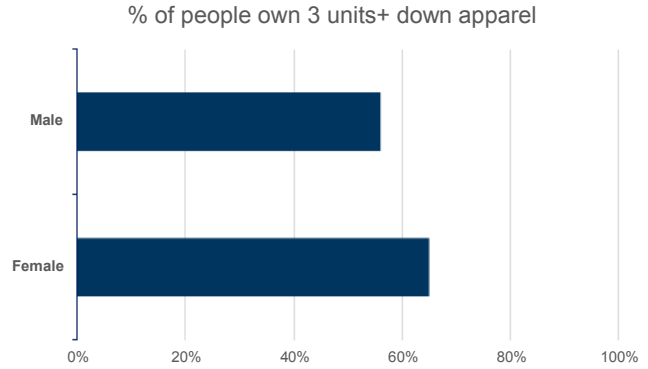
**Exhibit 9: The majority of people own 3 units+ of down apparel**  
Survey: how many units down apparel do you have? (2019)



Source: CBNdata, Goldman Sachs Global Investment Research

**Exhibit 10: Over 60% of females owned 3 or more down apparel items according to the survey**

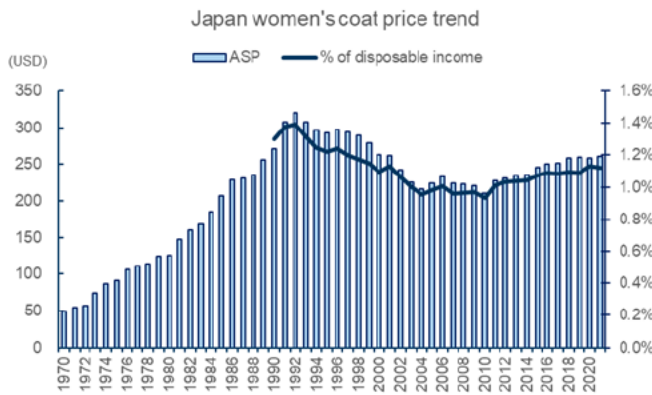
Survey: the % of people group own 3+ units down apparel (2019)



Source: CBNData, compiled by Goldman Sachs Global Investment Research

**Exhibit 11: A women's coat in Japan 1980-1990s cost around US\$150-300, at 1.1-1.5% of disposable income**

Women's coat price trend in Japan



Source: Statistics Bureau of Japan, Goldman Sachs Global Investment Research

**Exhibit 12: China's down jacket ASP still has upside if looking at Japan's winter coat ASP back in 1990; but ASP growth could decelerate as the economy matures**

	China	Japan	Japan
Down jacket units (mn)	2021	2021	1990
Down jacket ASP (USD)	219	n.a	n.a
As of Disposable income	108	261	221
	1.5%	1.1%	1.3%

Japan's ASP using women's winter coat as proxy; China's disposable income uses urban's

Source: chyxx, Goldman Sachs Global Investment Research

## Key debate 2: Good mind-share in down apparel but further upside depends on category expansion

Bosideng has been the leader in China's down apparel industry for decades and we estimate the Bosideng brand had around 12% market share in 2021. We believe the company's leading position is facilitated by its strong brand image (as a 'mental shortcut' in consumers' minds to professional specialist down apparel), pricing power backed by its younger, more fashionable and higher end positioning, and full down apparel range with expansion opportunities. However, we are cautious on the company's non-down products outlook given its lack of a track records in these, and less favorable competition landscape in the wider apparel market.

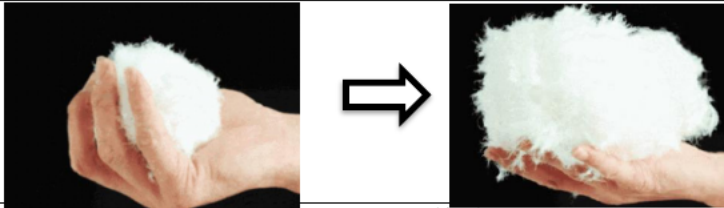
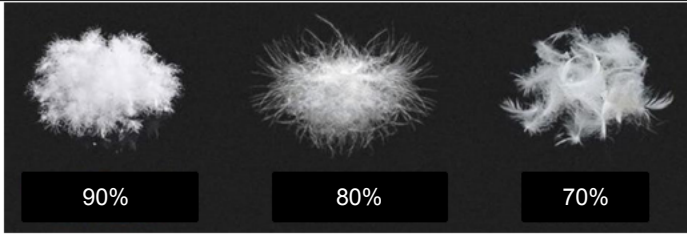
### 1) Strong brand image that a 'mental shortcut' in consumers' minds to professional specialist down apparel

We believe Bosideng stand out among peers as a professional down specialist, supported by its sound quality products with top-range metrics, evolutionary tech and leadership as industry standard setter, monopoly position in higher end to premium tier with few direct competitors and excellent recognition in consumer survey.

Bosideng has cutting-edge products with best class metrics in terms of fill power, the percentage of down, and the weight of down — the most important three indicators in understanding the quality of down apparel. The majority of Bosideng’s products have over 90% down with fill power of 800+, outperforming other domestic brands’ 50-85% down content and 500+ fill power. Some of its product are of have similar quality as international luxury brands’, but with much lower price ranges. Notably, Bosideng has a track of record in industry standard breakthroughs – the first to increase the percentage of down from 50% to 90% back to 1995, a member of the committee that created the first draft of international and national down clothing standards, a global award winner multiple times, among other things (see Exhibit 13). The company also undertakes rigorous design and testing for all products, to ensure Bosideng’s product quality.

**Exhibit 13: Fill power, % of down out of feather, weight of down are the most important metrics for down quality**

Key measures of down apparel

Key metrics:	Definition	Usually range
1) Fill power (the volume of 30g down)	A down fill rating of 600, for example, means that one ounce of down can cover 600 cubic inches.	Basic: 500; good: 650; High quality: 800+
		
2) % of down out of feather	% of down to the percentage of feathers	usually from 50%-95%
		
3) Weight of down		usually from 150g-300g

Source: cfd.com, data compiled by Goldman Sachs Global Investment Research



**Exhibit 14: Bosideng has a proven track of record in industry standard breakthroughs**

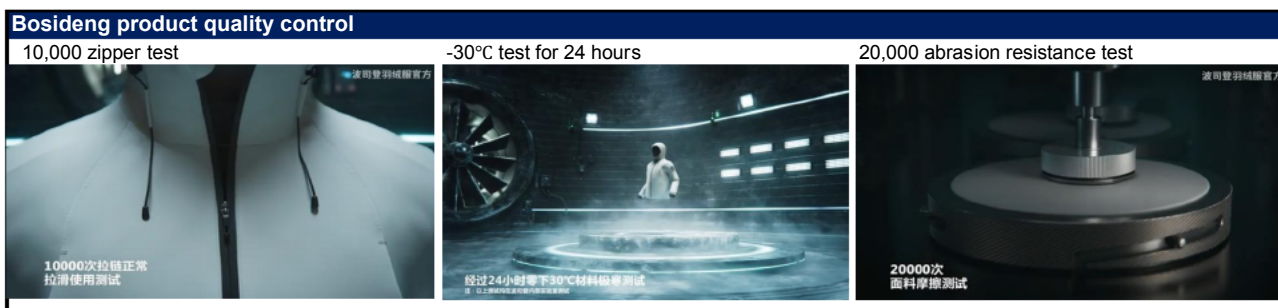
**Bosideng Key Milestones**

Time	Selective milestones for Bosideng
1995	The first to increase % of down from 50% to 90%
2004	Bosideng launched "Chitosante Ecological Restraint", "Bacterial fleece", has antibacterial, antibacterial, anti-mold and other functions.
2020	The Group established a state-level industrial design center, a state-level post-doctoral scientific research workstation, a China National Accreditation Service for Conformity Assessment ("CNAS") certification laboratory
By end of Mar-21	The Group has cumulatively participated in the drafting of and amendment to 23 international standards, 13 national standards and 4 industry standards.
2021	Dengfeng 2.0 (Qomolangma II) series debut; with 95% goose down and fill power of 1,000; taking up 960 mins to produce and 300+ product tests and + endure tests in extreme conditions on Qomolangma and in Antarctica; could increase thermal performance by 15%, breaking the market norm; Qomolangma II applies China Aviation Intelligent Temperature Control Material (PCM Intelligent Temperature Control) to create a constant temperature of 31°C-33°C.
2021	ISPO Award 2021 - Global Design Award, and the composite structure camping down apparel and zero-pressure down puff obtained the ISPO Global Design Award and the Red Dot Design Award
By end of Mar-22	The Group takes a role on the down apparel sub-committee of the National Clothing Standards Committee and the ISO/TC133 secretariat, the core drafting unit and the first draft of the Down Clothing standard GB/T14272-2021, a member of the IDFB Technology Committee

Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 15: Bosideng products undergo a rigorous design and testing process**

**Bosideng product quality control**



Source: Company data.

**Exhibit 16: International luxury down brands' products usually have 700+ FP with goose down**

**Product comparison - International luxury down apparel**

International luxury and high-end brands	Moncler	Canada Goose	Mackage	Moose Knuckles
<b>Product</b>				
<b>Down jacket</b>				
Down %	90% goose down	mostly 80-90% duck down	90% duck/goose down	80-90% duck down
Weight of down (g)		150 - 300+	100 - 300+	300+
Filling power (FP)	710 - 900	625 - 750	800+	c.650
Features	Black color, glossy exterior	Functional & outdoor emphasis; especially camping and skiing	Focus on outdoor & business product lines	Functional and light luxury
Signatures	Baby, Parana, Maya	Expedition, Junction	Madalyn, Trish	Original 3Q jacket
Price range (RMB)	9,000 - 30,000	6,500 - 19,000	6,000 - 16,000	5,000 - 12,300
<b>Light-weight down jackets</b>				
Down %	90% goose down	mostly 80-90% duck down	90% duck/goose down	80-90% duck down
Weight of down		below 100 - 150	below 100 - 150	100 - 150
Filling power	710 - 900	c.675	800+	650
Features	More emphasis on outdoor	More emphasis on casual wear	Complementary products to business & outdoor lines	Complementary products main lines
Signatures	Berriat	n.a.	n.a.	Montreal
Price range	5,900 - 15,000	3750 - 7000	3,300 - 8,100	3,000 - 5,000

Source: Company websites, Tmall, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 17: Bosideng has comparable quality products as international luxury brands, but with more attractive prices**

## Product comparison - Domestic down apparel brands

Domestic down apparel brands	Bosideng	Eral	Snow Flying	Tanboer	Yalu
<b>Product</b>					
<i>Down jacket</i>					
Down %	90% duck down + more choice of goose down for higher end	mostly 90% duck down	mostly 90% duck down	mostly 90% duck down	mostly 90% duck down
Weight of down (g)	100 - 250	100 - 300	150 - 250	100 - 200	100 - 200
Filling power (FP)	c.600+ for price below 2000 800+ for high end products	500+	600+	600+	600+
Features	Functional and outdoor (skiing, mountain hiking, etc.)	Lower-priced functional wear + women's fashion + long jacket	Lower-priced functional wear	Lower-priced functional wear, casual design	Lower-priced functional wear, casual design
Signatures	Extreme cold collection	Women's fashion	n.a.	n.a.	n.a.
Price range (RMB)	1,000 - 7,000	500 - 2,400	200/300 - 4,230	200/300 - 1,999	200/300 - 1,999
<i>Light weight down jacket</i>					
Down %	mostly 90% duck down; 90% goose down for trench style	mostly 90% duck down	90% duck down	80-90% duck down	80-90% duck down
Weight of down	below 100	below 100	below 100	below 100	below 100
Filling power	mostly c.600+; 800+ for tenche style	500+	600+	600+	600+
Features	Becoming more fashion and style oriented	Women's fashion and design	Casual wear	Casual wear	Casual wear
Signatures	Trench-style down jacket	n.a.	n.a.	n.a.	n.a.
Price range	200 - 6,000	250 - 1,200	150 - 999	180 - 600	160 - 600

Source: Tmall, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 18: Outdoor categories mainly focus on light down apparel — given they are designed for outdoor use**

## Product comparison - outdoor brands

International Outdoor Brands	Arc'teryx	Patagonia	Descente	North Face	Columbia
<b>Product</b>					
<i>Down jacket</i>					
Down %	90% goose down	90% goose down	90% goose down	75% goose down	80% duck down
Weight of down (g)	below 100 - 200	below 100	200 - 300	100 - 150	100 - 250
Filling power (FP)	750 - 850	800	n.a.	550+	c.650
Features	Water/wind-proof shell exterior, outdoor focus especially camping/climbing	Functional focus with minimal design, city outdoor	Skiing	City outdoor & detachable inner wear	Outdoor functional, especially walking/hiking + inner wear
Signatures	Shell jackets	Alplight down	Ski Style	Multi-functional jackets	Outdoor casual
Price range (RMB)	3,600 - 12,000	2,000 - 5,200	2,400 - 4,600	2,100 - 4,000	1,300 - 3,000

Source: Tmall, data compiled by Goldman Sachs Global Investment Research

**Exhibit 19: Sportswear brands' down products are more for casual wear without emphasis of metrics in marketing materials**

## Product comparison - sportswear brands

Sportswear brands	FILA	Li Ning	Anta	Adidas
<b>Product</b>				
<i>Down jacket</i>				
Down %	mostly 80-90% duck down	70-80% duck/90% goose down	80-90% duck down	mostly 80-90% duck down
Weight of down (g)	150 - 250	100 - 300	below 100 - 200	100 - 300
Filling power (FP)	n.a.	n.a.	n.a.	n.a.
Features	Athleisure	Athleisure	Athleisure	Athleisure
Signatures	Casual long apparel	n.a.	n.a.	n.a.
Price range (RMB)	1,500 - 2,700	500 - 1,800	650 - 999	850 - 2,500

Source: Tmall, data compiled by Goldman Sachs Global Investment Research

**Exhibit 20: General apparel brands' down products have lower product/warmth standards as well**

## Product comparison - general apparel

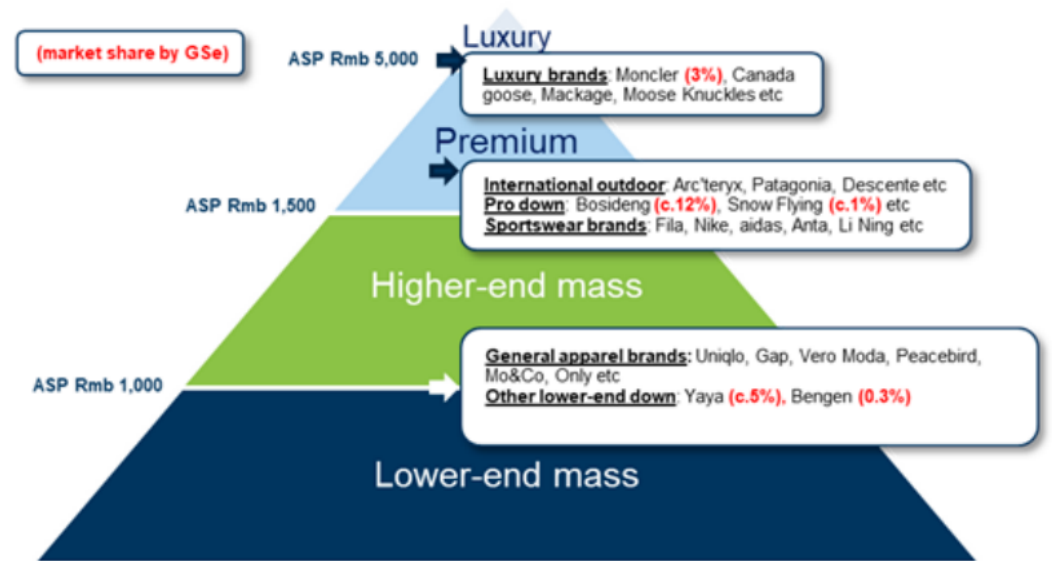
General apparel brands	Uniqlo	GAP	JNBY	Vero Moda	Saint Angelo
<b>Product</b>					
<i>Down jacket</i>					
Down %	90% duck down	80-90% duck down	90% duck down	80% duck down	90% goose down
Weight of down (g)	below 100 - 200	below 100 - 200	100 - 250	below 100 - 250	below 100 - 200
Filling power (FP)	n.a.	c.700	n.a.	n.a.	n.a.
Features	Casual & functional	Casual & functional	Casual & women's fashion	Casual & women's fashion	Men's business casual
Signatures	n.a.	n.a.	n.a.	n.a.	n.a.
Price range (RMB)	200 - 1,300	500 - 1,300	650 - 2,600	1,000 - 2,500	990 - 3,600

Source: Tmall, data compiled by Goldman Sachs Global Investment Research

As well as producing quality down products, Bosideng's monopoly position in higher-end

to premium tier down-apparel also help imprint the image of professionalism in the mind of consumers, in our view. There are few direct competitors in the higher-end and premium tier for Bosideng brand base on our ground checks — only some winter series by sportswear/general apparel brands, or outdoor players’ products that have much smaller presence. In addition, as shown in Exhibit 18, outdoor brands focus more on light-weight products given the need to be suitable for outdoor sports activities (hiking for example), and sportswear brands focus more on casual use — without emphasizing metrics (such as down count etc) in their marketing as professional down products do. We believe quality and professionalism are the top considerations when consumers choose feather down apparel based on CBNDATA survey, and 63% of consumers tend to pick up professional down brand followed by 30% for sportswear brand and 37% for fashion brands. Meanwhile, consumers scored the highest for Bosideng brand in terms of quality and brand according to IPS’s survey.

**Exhibit 21: Bosideng is the down apparel industry leader and there are few direct competitors in premium and higher-end mass segments in our view**  
Down apparel market segmentation



Source: Goldman Sachs Global Investment Research

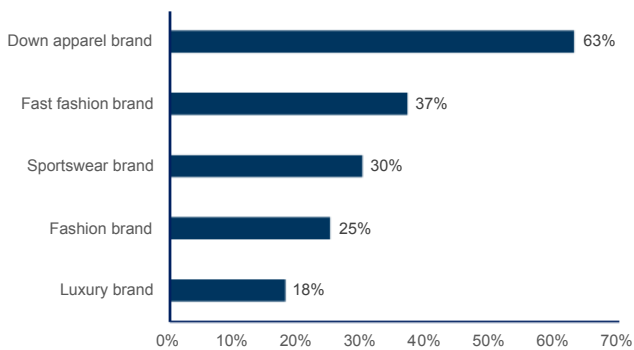
**Exhibit 22: Bosideng has a wider pricing range of products compared with peers - brand pricing**



Source: Tmall, Goldman Sachs Global Investment Research

**Exhibit 23: 63% of consumers tend to pick up professional down brands**

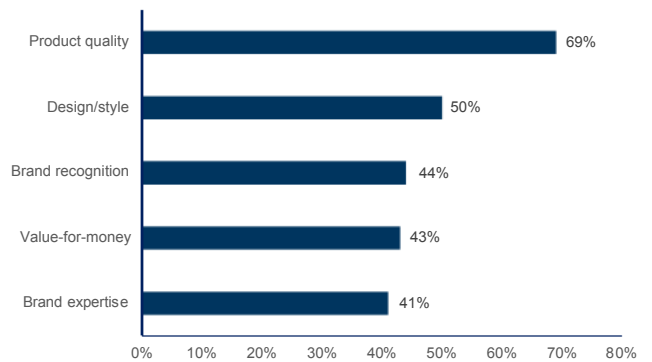
Consumer preference when shopping for down apparel (2019)



Source: CBNDData, Goldman Sachs Global Investment Research

**Exhibit 24: We believe quality and professionalism are the top considerations when consumers choose feature down apparel**

Key factors when shopping for down apparel (2019)



Source: CBNDData, data compiled by Goldman Sachs Global Investment Research

**Exhibit 25: Consumers scored the Bosideng brand highest in terms of quality and brand**

Consumer ratings for top 10 domestic brands (2021)



Source: IPS, Goldman Sachs Global Investment Research

Lastly, as we discussed in our [Post 95s thematic report](#), we believe the emergence of Chinese brands is not occurring by chance. We see fundamental drivers, including 1) better quality/brand image with increasing investment in A&P and R&D, 2) strong/innovative digital engagement, 3) access to supply chains. We see Bosideng as being leveraged to this theme.

**2) Pricing power backed by its younger, more fashionable and higher end positioning**

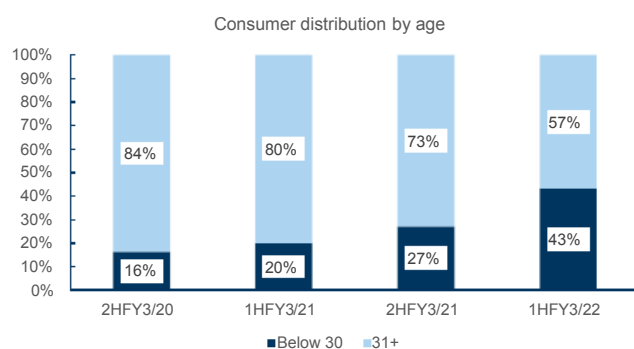
We believe there are things that Bosideng has been doing right on its turnaround path, particularly on product side. It has repositioned towards the young, upgrading the brand with fashion and emphasizing professionalism, which in turn has laid the groundwork for the company’s ASP hiking strategy. In addition, we highlight the stricter industry policy that has raised quality standards for down apparel. In 2017, the average selling price of Bosideng product was around Rmb1,100, which then rose rapidly to around Rmb1,800 in 2021 — representing 13% CAGR and surpassing industry-wide growth of 9% during 2015-2021. The company still looks for ongoing ASP momentum to reach Rmb2,000.

**Exhibit 26: More policy in recent years, raising quality standard for down apparel market**

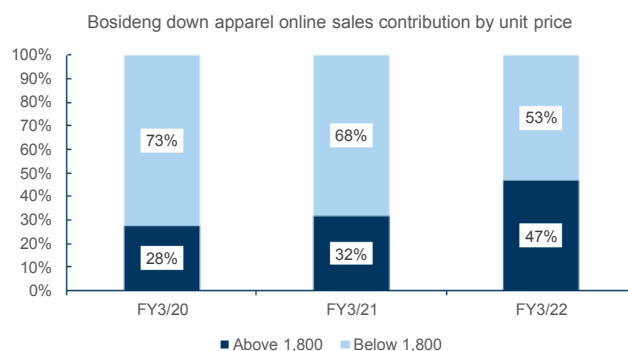
## Down apparel policy

Standard Name	Description	Date
Down Garments (GB/T 14272-2021)	Raises standard of raw materials, sewing, functionality, etc.	Jun-21
Down and feather testing methodology - 1st amendment (GB/T 10288-2016)	Refines quality test methodology	Jan-21
International Down and Feather Bureau Testing Regulations	Updates testing method, environment, standards, etc.	Jul-20
Technical specification for application and issuance of pollutant permit - feather and down processing (HJ 1108-2020)	Redefines environmental requirements for feather and down processing	May-20
Farm animal welfare requirements - Waterfowl (T/CAI 001-2019)	Defines the basic requirements for raising, transporting, feathering, and processing waterfowl	Jan-20
Glue Down Evaluation (T/CFDIA 003-2019)	Refines standards of processing glue down	Apr-19
High quality down garments (T/CFDIA 004-2018)	Defines terms, testing, criterion, etc. of high quality down garment	Oct-18
Test Method for Net Down Content and Down Number of Down (T/CFDIA 001-2018)	Defines testing method	Aug-18
Down and feather (GB/T 17685-2016)	Defines requirements, storage, testing, packing, transporting, etc.	May-17
Down Grading Standard (T/CFDIA 001-2016)	Defines down grading standards	Aug-16

Source: China Feather And Down Industrial Association, compiled by Goldman Sachs Global Investment Research

**Exhibit 27: A growing younger consumer base for Bosideng**

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 28: A higher-end positioning for Bosideng**

Source: Company data

**Exhibit 29: More fashionable with fashion events and nominations**

## Bosideng Brand Momentum

Year	Awards	Milestones
2021	"Brand Finance Apparel 50 2022", ranked 48th	Dec: Held release conference with National Theatre of Art Sep: Announced brand spokesperson: Xiaozhan & Yangmi Jan: Included in the recommendation list of New Year gifts by "Sina Fashion", "marie claire", and other fashion media
2020	"Brand Finance Apparel 50 2021"	Oct: Cooperated with Mr. Gautier, the creator of the golden age of Hermes, to release the "New-Generation down apparel Collection" at Shanghai World Expo Center Sep: the only Chinese apparel brand to showcase the Chinese Brand Day Gala Feb: Bosideng brand debuted at London Fashion Week
2019	"China Top 10 Apparel Brand" No.1, iiMedia	Sep: became the only Chinese down apparel brand included in the official schedule of "Milan Fashion Week" and made an appearance Aug: visited Canada's International Fashion Show May: participated in "China Brand Day" and the amfAR Gala at Cannes Film Festival
2018	n.a.	Oct: cooperated with 3 international top designers to release jointly-named collections

Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 30: Cross-over products added a fashion angle for Bosideng**

Cooperation with renown designers

Lastest Release	Designer	Achievements	Products with Bosideng
2021	Pietro Ferragina	Director/senior designer at Prada, Giorgio Armani, Versace, Roberto Cavalli, Max Mara, etc.	Trench-style down jacket collection High-end puffer series, etc.
2021	Jean-Paul Gaultier	Awarded "Top 10 high-end ready-to-wear designer" in the world Oscar Academy Award of best costume design Creative director at Hermes from 2003-2010	Trench-style down jacket collection Jointly-named apparel in 2019
2019	Takada Kenzo	Founder of the brand TAKADA KENZO 东京时尚编辑俱乐部奖	Jointly-named product
2019	Ottavio Fabbri	Reknown French artist	Starry night design down apparel
2018	Antoin Tron	Former designer at Louis Vuiton Designer for Balenciaga, Givenchy series Won ANDAM award in 2018 Founder and creative director of ATLEIN	Jointly-named product
2018	Ennio Capasa	Creative designer for Lady Gaga, Bratt Pit, Angelina Jolie, etc. Italian best designer award La Kore award winner	Jointly-named product
2018	Tim Coppens	Former creative director at Ralph Lauren, Karl Lagerfeld Creative director of Under Armour CFDA design award 2017 winner ANDAM award 2016 winner LVMH annual designer award 2014 nominee	Jointly-named product

Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 31: Better designs and marketing campaigns for Bosideng**

Bosideng Product Design Evolution



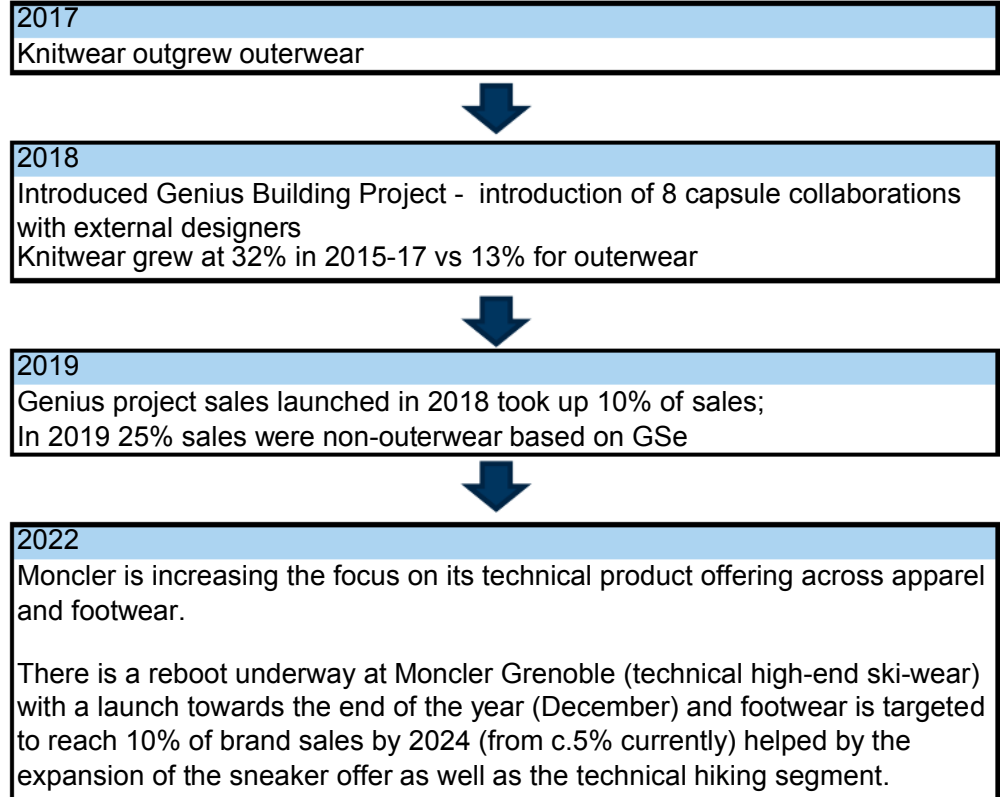
Source: Wechat Official, Goldman Sachs Global Investment Research

**3) Full down apparel coverage with expansion opportunities**

As illustrated in Exhibit 22, we highlight Bosideng has a wider pricing range than peers, in line with the company’s strategy to become, and be perceived as expert in all down apparel categories. We believe its professionalism and leading brand image provide a solid platform for the Company to capture diversified consumer demand. We see opportunities for Bosideng to leverage its strength and continue to expand its addressable market; but execution is critical: **(1)** As a ‘mental short-cut’ to specialist down jacket apparel, there should be a natural link to other winter-related products, such as knitwear or outerwear coats, with Moncler (see our Global team’s reports on [Moncler](#)). **(2)** Management still sees room to drive ASP upside by introducing more premium-products given: it has comparable brand quality with international luxury brands but still large price gap, its strong down-apparel DNA, and favourable trend of domestic brands. That said, the uncertain macro environment at present could cap the

opportunities especially in the near-term. **(3)** While the core Bosideng brand is positioned well in the premium market segment, mass market demand could also be captured by the company's lower-end brands including Snow Flying and Bengen and management plans to leverage the online channel to explore the opportunities.

**Exhibit 32: Moncler expanded its product category from outerwear to knitwear to footwear etc**  
Moncler's category expansion



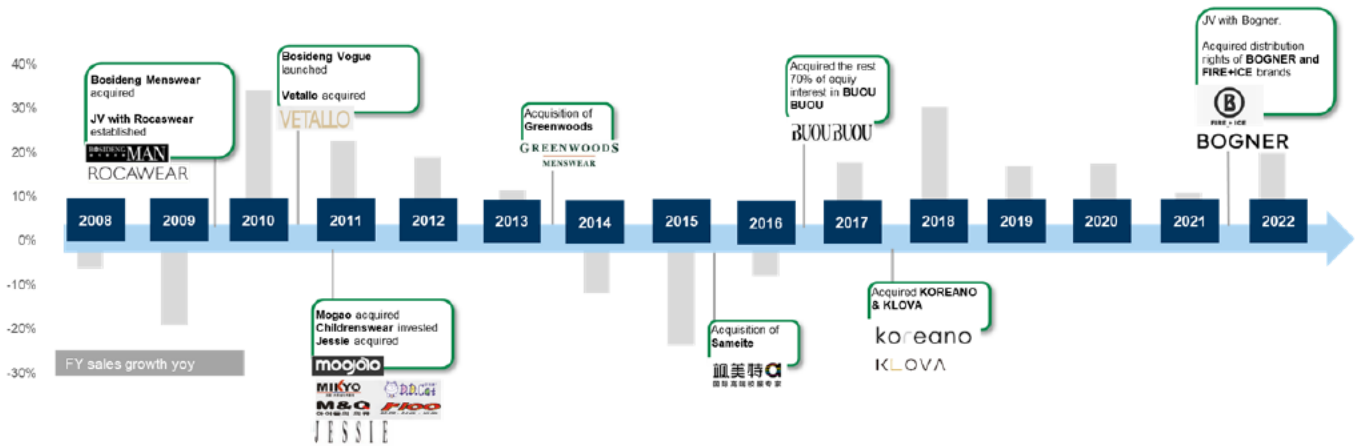
Source: Company data, compiled by Goldman Sachs Global Investment Research

**4) We are cautious on the company's non-down products**

To diversify away from down apparel's seasonality risks, the company's initial plan was to introduce non-seasonal apparel, including ladies wear and menswear. But general apparel's low entry barriers result in a fragmented market and the emergence of e-commerce that has further intensified competition by introducing more small designer brands. The company had a tough period during 2008-2017 exploring multi-brand strategies until it returned its focal point to down apparel in 2018.



**Exhibit 33: The company has implemented non-seasonal product strategies from 2008 via M&A and JV**  
Brand acquisition history



Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 34: The company had a tough period during 2008-2017 exploring multi-brand strategies**  
Bosideng stock price and volume









Source: Bloomberg, Company data, Goldman Sachs Global Investment Research

At present, non-down brands make up only 7% sales and 3% operating profit (FY3/22). We do not expect significant hike in sales contribution in the coming years and look for 5%/2% sales/operating profit contribution by FY3/25.

**Exhibit 35: Non-apparel business only contributed to single digit Group's profits**

Bosideng Group brand metrics

Segment	Branded down apparel			Ladieswear		
Brand	Bosideng	Snow Flying	Bengen	JESSIE	BUOU BUOU	KOREANO and KLOVA
Year of inception	1976	1999	2001	2001	2004	1992
Year of acquisition	n.a.	n.a.	n.a.	2011	2016	2017
Logo						
Positioning	Mid-high end down apparel specialist	Mid-end down apparel focus on young women	Fashion down apparel with value-for-money	Focus on urban scenarios and simple capable products	Elegance, romantic, feminine charm; features detail-oriented products	Features artistic and understated-luxury products
<b>Store count</b>						
# of stores (FY22)	3,484	275	50	185	137	140
- direct	45%	49%	36%	59%	84%	100%
- 3rd party	55%	51%	64%	41%	16%	0%
<b>Store regional breakdown</b>						
Eastern China		34%			12%	
Central China		22%			32%	
Northern China		9%			11%	
Northeast China		12%			12%	
Northwest China		10%			18%	
Southwest China		13%			14%	
<b>Scale</b>						
Sales (FY22, Rmb mn)	11,618	974	235	285	254	365
Implied RSV (GSe)*	18,089	1,559	396		n.a.	
Implied market share in down apparel market	12%	1%	0.3%		n.a.	
<b>Sales by business model</b>						
- Retail		50%			85%	
- Wholesale		20%			6%	
- E-commerce		30%			9%	
<b>Store productivity</b>						
Overall sales/store	3.24	3.35	2.27	0.97	0.96	1.03
Implied RSV/store*	3.70	2.14	1.53	n.a.	n.a.	n.a.
<b>Profitability</b>						
GPM	69%	47%	25%	67%	68%	80%
OPM		18%			6%	
<b>Contribution to group</b>						
Sales contribution	72%	6%	1%	2%	2%	2%
GP Contribution	83%	5%	1%	2%	2%	3%
OP Contribution		89%			2%	

Note: RSV based on store count distribution, excluding online impacts; assuming 60% Snow Flying and Bengen sales are online sales

Source: Company data, Goldman Sachs Global Investment Research

## Key debate 3: Execution track record - stronger after the strategic transition from 2018

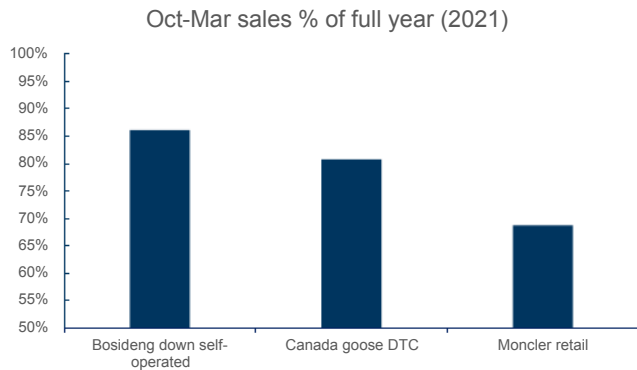
As discussed in the previous section, Bosideng explored multiple categories during 2008-2017 without good results. It then turned its focus back to the down apparel market — with enhanced strategies in branding, product, and channels from 2018. We believe this was a critical strategic move that has helped drive efficiency gain and improving sales/profit growth in the past few years.

Different from general apparel or sportswear, down jacket apparel is seasonal, with sales concentrated around Nov to Feb. Normally sales over Sep to Mar contribute around 70-85% of full year sales, and we think it is even more essential for down-apparel players (relative to other apparel companies) to predict sales, keep up consumer demand, and manage inventory effectively because of this. We highlight that Bosideng has a strong digital system, highly automated manufacturing with shorter lead-time and high quality, and a strong warehouse and logistics system, all of which enable it to respond rapidly to changes in market demand while managing healthy

inventory levels. It operates a highly integrated digital system covering over 10 channels including SAP, Wechat mini-program, POS, warehouse, etc, and manages a strong replenishment system which allows a lower percentage of trade fair orders and swift replenishment of stock – 1 week in peak season. It also has introduced high operational efficiency (eg 100% warehouse automation) and allows for detailed consumer analysis. Despite the increasing number of self-operated stores, it has retained healthy inventory turnover days, which are better than other down apparel players.

**Exhibit 36: Down jacket apparel is seasonal, with sales concentrated around Oct to Mar**

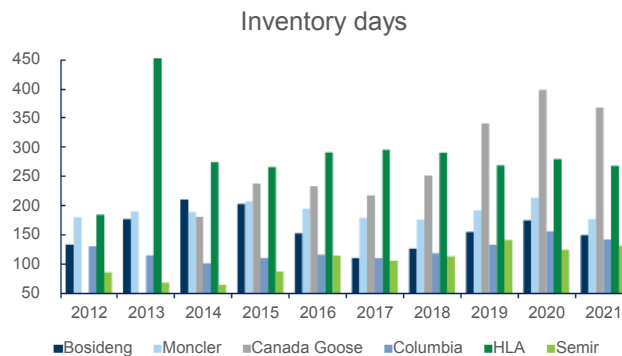
Sales contribution during Oct to Mar for the full year



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 37: We see better inventory turnover days for Bosideng compared with other down apparel players**

Inventory turnover days comparison



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 38: Bosideng has enhanced its channel, product and consumer engagement/analysis**

Operation comparison

	Bosideng	Anta core	Li Ning	Xtep
<b>Description</b>	Digital information integration on inventory and consumers, faster response to market demand	DTC transformation to enhance channel mix (online & shopping mall stores), product mix (higher-end products), more integrated consumer information	Develop single-store operation model to promote the implementation of retail operation standards	ERP system coverage and O2O inventory sharing
<b>Process</b>	In 2020 collaborated with Ali Yun & Start Yun to launch a plan of establishing national digital platform to integrate all-channels' data (10 channels+)	Launched in 2020; now 6,600 stores (total 9,223 as of 30-Jun-22) in DTC with 52% as retail stores;	Headquarter platform + standardized retail operation system	From 2015 increasing % of stores directly operated by exclusive distributors (40) to 80% currently
<b>Channel</b>				
<b>Channel management/upgrade</b>	T1&2 stores take up c.30%	T1&2 stores c.20% target to reach 30%+; Target to double shopping mall stores; online contribution to reach 40% by 2025E	T1&2 stores take up high-40s; 8th generation store took up >50% by 1H22 from 30% in 1H21; number of distributors reduced to 54 by 1H22 from 65 in 2019	T1&2 stores take up c.10%; 9th generation stores at 25%+; target to achieve shopping mall stores at 1/3 by 2025E
<b>Digital system</b>	Integrate all-channels' data (10+ systems) including SAP, Wechat mini-program, POS, BI etc	Plan to invest Rmb400mn during 2021-23; Integrated digital system in DTC stores	100% stores have ERP system;	100% stores have ERP system;
<b>Product</b>				
<b>Logistics/replenishment</b>	Trade fair orders <40%; Product replenishment is in 100% automation via 9 direct large warehouse + 12 small warehouse of distributors through an integrated inventory management platform; order cycle in 1 week in peak season	Quick replenishment orders within 10%	East China Central Warehouse established with Proof of Concept; commenced development of central warehouses in North, Central, South China and regional warehouses; will increase direct delivery of products at stores	Procurement distribution during the quarter would be split into 3 batches; delivery of the last batch would depend on the retail sales performance of the first batch
<b>O2O inventory sharing</b>	Integrated online and offline; 80% Bosideng online is self-operated	Could achieve online and offline inventory sharing in DTC channels; 40% products in online and offline sharing system and the remaining 60% are online exclusive	Could achieve online and offline inventory sharing in DTC channels	O2O system was full rolled out to stores directly operated by exclusive distributors; 40% products in online and offline sharing system and the remaining 60% are online exclusive
<b>Consumers</b>				
<b>Consumer analysis</b>	Created 300+ tags for consumers via Alibaba Data Center across different platforms	Created 240+ tags for consumers; Members info integrated in DTC channels	Continue to digital system to understand consumers' demand	Continue to digital system to understand consumers' demand
<b># of members</b>	6.3 million follower in Bosideng brand Wechat account; 4.9 million Douyin fans	50m members by Jul-21; plan to increase members to 120mn by 2025 to contribute 70% of sales with repurchase rate of 40%	Members exceeded 46 million	c.30mn target to get Rmb65mn by 2025; 1.3mn Xtep Runners Club members

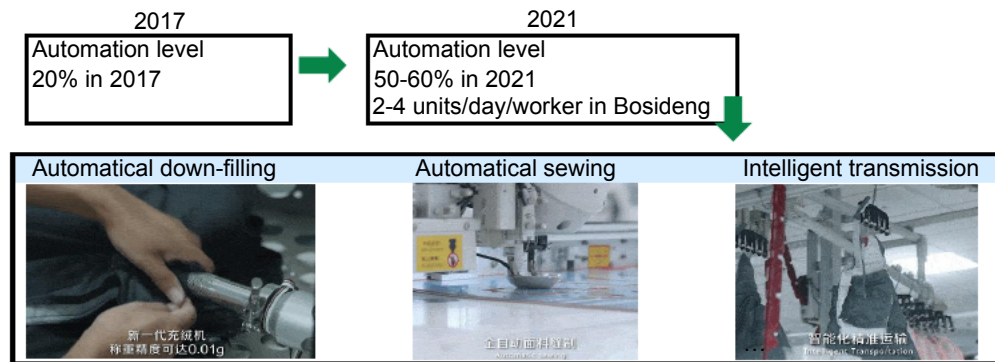
Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 39: Digital and supply chain enhanced to better respond market demand**  
Bosideng supply chain evolution

Date	1997	2011	2014	2016	2020 - present
Digital system	Put barcode in hang tag and collected sales info manually	Further enhance ERP system; extend to upstream and downstream	The usage of national sales portal <b>ERP &gt;75%</b> ; POS system coverage for down apparel >80%	Collaborated with Ali Yun to launch a plan of establishing national retailing platform to integrate online/offline data; inventory info	Collaborated with Ali Yun & Start Yun to launch a plan of establishing national digital platform to integrate all-channels' data (10+ systems) including EWM, AFS, mini-program, POS, BI etc
Warehouse		Warehouse in regional sale company and <b>no warehouse at store level</b> Process: sales company gor orders >> procurement and production >> delivery to sales companies' warehouse >> distributors' stores	Completed the <b>procurement of SAP system</b> to relace its self-developed ERP system 2013: invested 70,000 sqm <b>smart central delivery center</b> <b>Integrated</b> store-POS, sales companies' ERP system and headquarter's WMS (warehouse management system)		Cancelled warehouse in sales companies' level and inventories management was centralized-managed by headquarter 9 intelligent deliver center
Progress		Product ordering to products to distributors' stores: <b>15-16 days</b>	Operational efficiency enhanced	In 5 months, the Company could monitor <b>real-time sales/inventory</b> of c.3000 stores across China;  Could replenish inventory automatically through central system and thus cancelled warehouse in distributors' level;  Could reduce <b>out of stock loss by 21%</b> ; <b>sell-out rate increased by 10%</b>	Focuses: - Sales and inventory match; - Sales prediction via temperature, holiday, discounts level, store-formats, historical sales, members info etc; - Inventory sharing; - Production and sales match etc  <b>Product replenishment is in 100% automation via 9 direct large warehouse + 12 small warehouse of distributors through an integrated inventory management platform; 80% product could arrive in the second day post ordering; order cycle shorten from 2 weeks to 1 week in peak season</b>  <b>Trade fair order % for distributors: not surpass 40%</b>  <b>Prediction accuracy for first batch of sales: 79%</b>

Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 40: Increasing automation level in manufacturing for Bosideng**  
Bosideng manufacturing capabilities



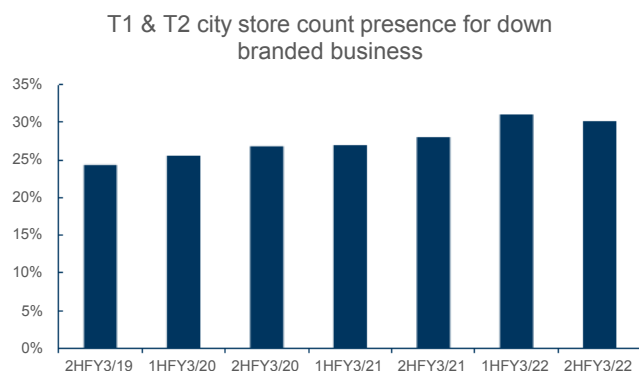
Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 41: Supply chain comparison vs peers**

International luxury and high-end brands	Moncler	Canada Goose	Mackage	Moose Knuckles
<b>Supply chain</b>				
% of in-house	n.a	53% of total down-filled jacket in Mar-20	mostly out-sourced	core product in-house
Production base	Self-owned manufacturing plant in Romania, with 1,100 ppl and undergo an automation project in 2022 Third-party suppliers (115 suppliers) located in Eastern European; 370 suppliers of raw materials	Canada: 8 manufacturing facilities in Toronto, Winnipeg, Greater Montreal; 1 in Ontario	mainly Eastern Europe and China	core products in Canada, 3 factories
Strategy	Moncler directly manages the creative phase, the purchase of raw materials, as well as the development of prototypes, while the "cut-make-trim" phase of the production stage is partly managed internally and partly assigned to third party manufacturers.	Increasing in-house production to support margin expansion	Off-shore production, but quality check in Canada	The artisanal process of producing an average Moose Knuckles coat requires 74 operations and 90 skilled craftspeople. Each process is done by hand and requires the expertise of skilled pattern makers, machine operators, sewers and many other.
Sportswear/Down brands	Bosideng	Anta	Li Ning	Xtep
% of in-house	c.20% to connected party	Anta core brand: footwear and apparel: 26% and 10% in 2021; Fila: 22% and 4% in 2021	Footwear: HSD %	Footwear: 30% Apparel: 12%
Production base	Six production base across the country		Nanning, Guangxi Province	Shishi, Fujian province occupied 85k sqm
Strategy	Intelligence and automation	Strategically combined both in-house and outsourced production to better respond to market conditions	Long term target to achieve 30%	Advanced production lines to improve product efficiency

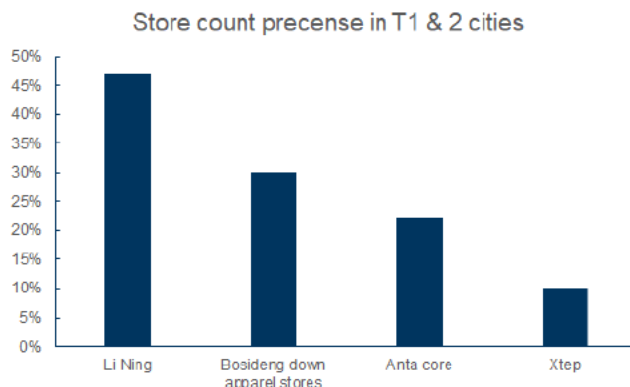
Source: Company data, compiled by Goldman Sachs Global Investment Research

**Exhibit 42: The company increased the share of stores in tier 1 & 2 cities from c.25% in 2019 to 30% in 2022**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 43: 30% of Bosideng's down apparel stores are located in T1 & 2 cities currently, behind Li Ning but ahead of Anta and Xtep**



Source: Company data, Goldman Sachs Global Investment Research

**Financials: We expect 14%/18% CAGR for sales/NI during FY3/22-FY3/25**

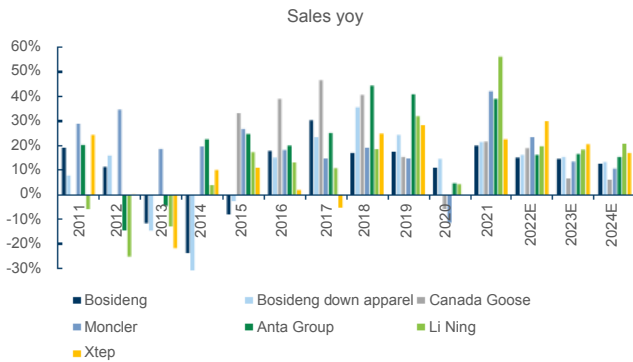
**Sales:** we look for 15% 3-year CAGR for the company's branded down apparel business and OEM management, but are cautious on ladieswear and diversifies apparel outlook with -2%/4% CAGR. We expect OEM business to grow at double digits along with clients on top of wallet share gain. In details for branded down apparel business:

**Branded down apparel:** for offline, we do not expect net stores additions for Bosideng brand in FY3/23E given the company is actively optimizing store locations with store closures offsetting 400 gross openings. Going forward, we look for 30/30 net additions in self-operated/distributors model each year for Bosideng brand but expect other down

brands’ store counts to remain broadly unchanged. Offline sales were mainly driven by double digit store productivity enhancement for Bosideng brand, in our view, backed by higher ASP, larger format stores and better operations.

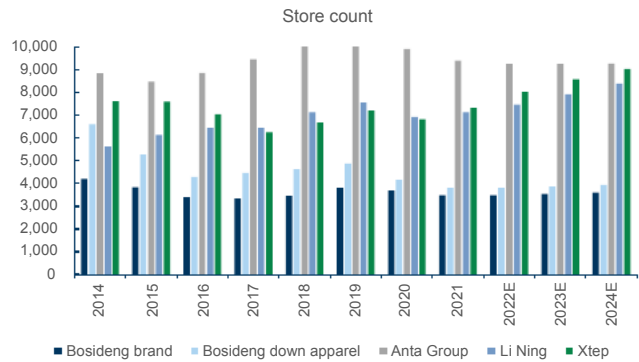
(For the charts below for financial comparison, “Bosideng” refers to the whole company’s data while “Bosideng down apparel” refers to Bosideng’s branded down business unit’s data)

**Exhibit 44: We expect 14% CAGR for sales during FY3/22-3/25**  
Sales yoy comparison



Source: Company data, Goldman Sachs Global Investment Research

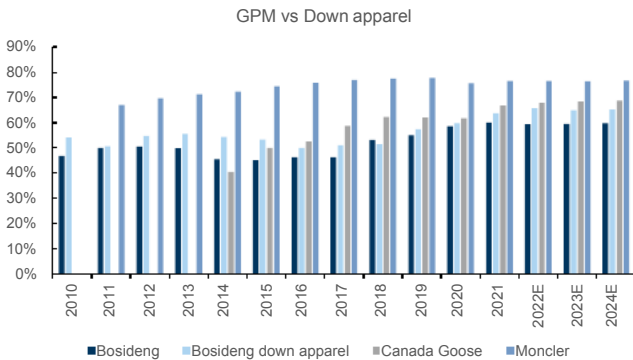
**Exhibit 45: We expect Bosideng to add around 60 stores each year**  
# of stores for Bosideng & domestic sportswear brands



Source: Company data, Goldman Sachs Global Investment Research

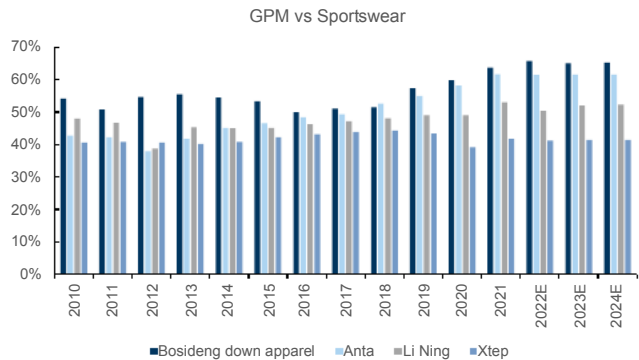
**GPM:** Branded down apparel/OEM business/Ladieswear GPM came in at 65.7%/18.6%/72.4% respectively in FY3/22, of which Bosideng brand/Snow Flying/Bengen were 69.4%/47.3%/24.8% respectively in FY3/22. We do not expect meaningful GPM movement for brand and segment as we are cautious on further mark-up increase and our moderate 0.4% GPM expansion outlook for 2022-24E is mainly due to the change in sales mix.

**Exhibit 46: We expect Bosideng GPM to remain stable**  
Bosideng GPM vs down apparel peers



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 47: We expect Bosideng GPM to stay in the top of the range versus sportswear brands**  
Bosideng GPM vs sportswear peers



Source: Company data, Goldman Sachs Global Investment Research

**OPEX:**

- **Staff costs:** We factor in mid to high single digit wage inflation and an increasing number of staff per store due to larger format stores and more talent recruitment to maintain brand momentum. As such, our staff cost ratio is broadly unchanged in

coming years at around 10% of overall sales. Mgmt also indicated a more balanced channel strategy between DTC vs distributor stores, which should suggest more stable staff cost vs Anta whose staff cost ratio rose significantly partially due to increasing DTC exposure.

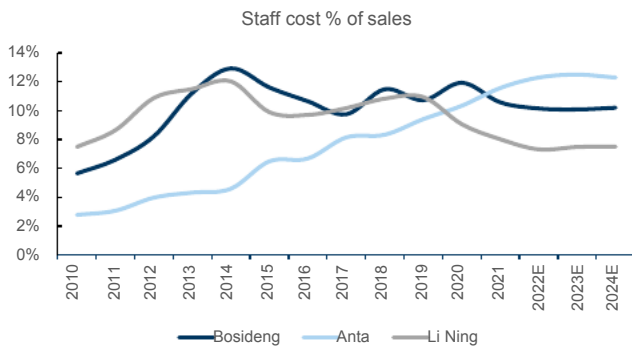
- **Rental:** rental costs came in at 14.5% of total sales in FY3/22 and we expect a declining ratio factoring in leverage impacts and more exposure to online business and more balanced DTC vs distributor offline store mix.
- **Other SG&A:** while the company incurred 18% other SG&A costs in FY3/22 vs 14% in FY3/21, management attributed the increase to some one-off logistics expenses. From FY3/23E we expect a more normalized other SG&A ratio at 16%. Within this, A&P represented around 11% of sales.

**OPM:** As such we expect OPM to expand from 14.6% in FY3/22 to 16.7% in FY3/25E.

**NI:** with broadly unchanged other income and an effective tax rate of 24%, we expect NI to grow at 18% CAGR during FY3/22-FY3/25.

**Exhibit 48: Bosideng has around 10% staff costs ratio**

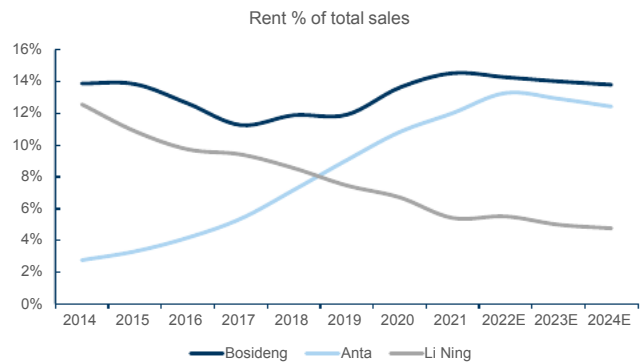
Staff cost ratio



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 49: We expect minor leverage benefits in rental cost ratio for Bosideng when scaling up**

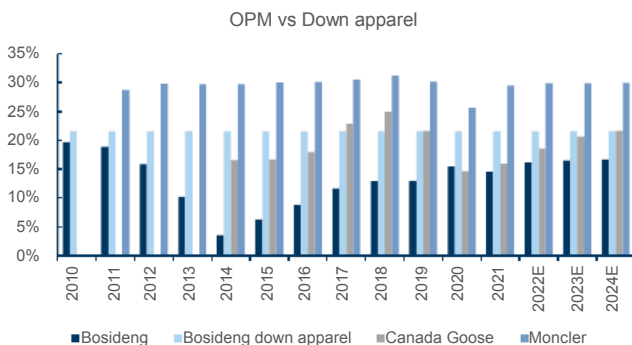
Rent ratio



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 50: Bosideng down apparel's OPMs broadly similar to Canada Goose's but lower than Moncler's**

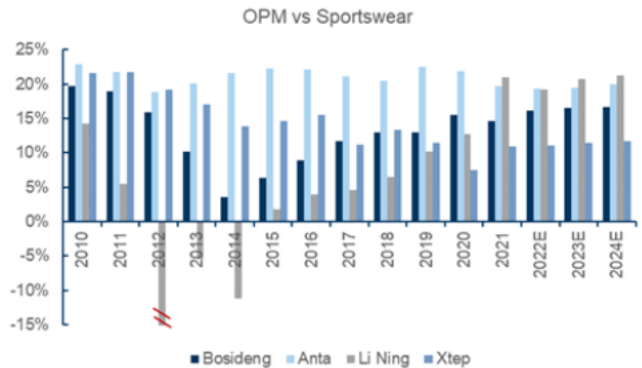
Bosideng OPM vs major down apparel peers



Source: Company data, Goldman Sachs Global Investment Research

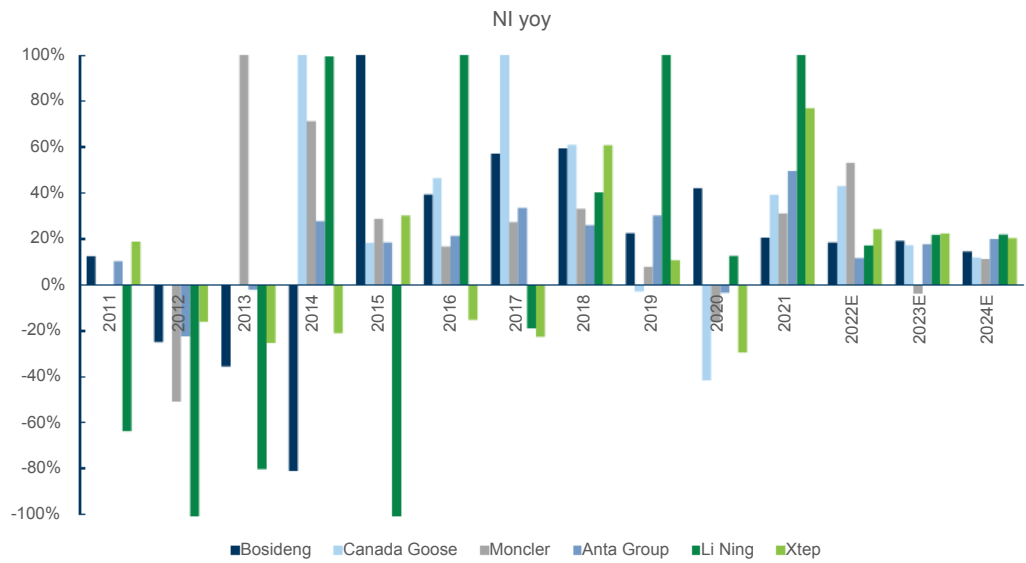
**Exhibit 51: At the company level, we expect OPM to remain around the 15-17% level**

Bosideng OPM vs sportswear companies



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 52: NI yoy for Bosideng vs down apparel & sportswear companies**

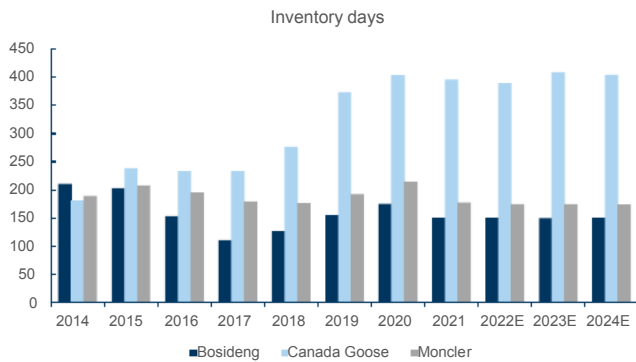


Source: Company data, Goldman Sachs Global Investment Research

**Balance sheet and cash flow:** We expect Bosideng’s digital system to help the company maintain its current cash conversion cycle, with inventory turnover days at 150 days, AR turnover days at 26, and accounts payable at 160 days level. We expect FCF to trend at 0.9-1.2x of our NI. We see healthy incremental improvements in the company’s ROE to 22% in 2024E (from 20% in 2022E) mainly driven by better operating efficiency. Capex as % of sales will remain stable at 4% through 2022-24E, and dividend payout is expected to stay at the current level of 78%.

**We expect inventory days to remain largely flat for Bosideng...**

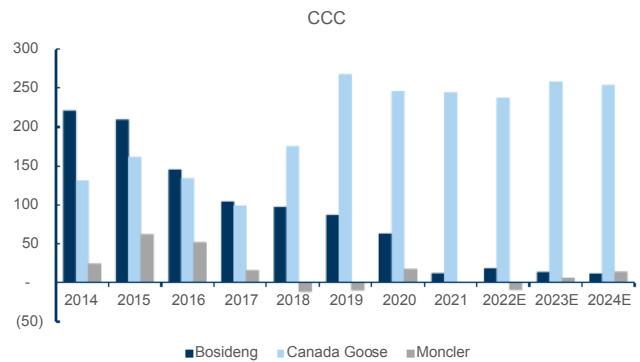
Inventory days comparison for down apparel companies



Source: Company data, Goldman Sachs Global Investment Research

**...as well as stable cash conversion cycle**

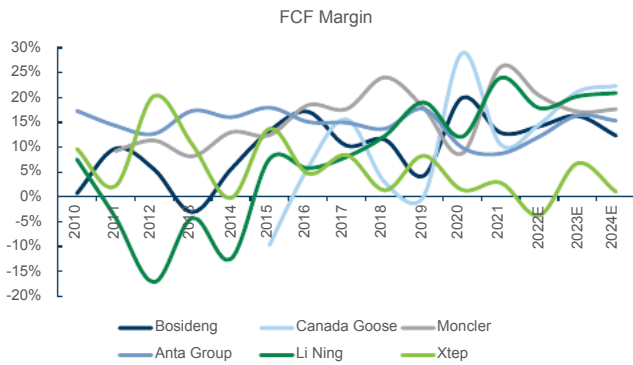
CCC comparison for down apparel companies



Source: Company data, Goldman Sachs Global Investment Research



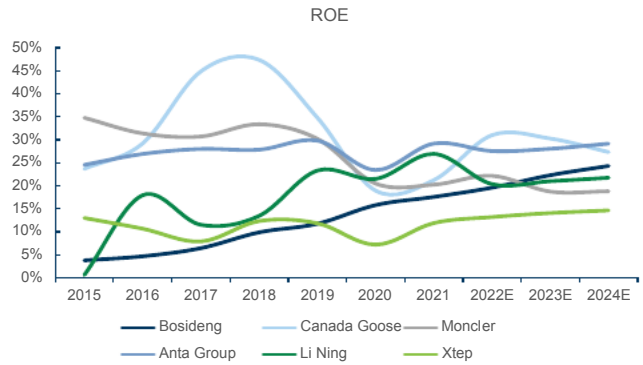
**Exhibit 53: FCF margin comparison: down apparel & sportswear**



Source: Company data, Goldman Sachs Global Investment Research

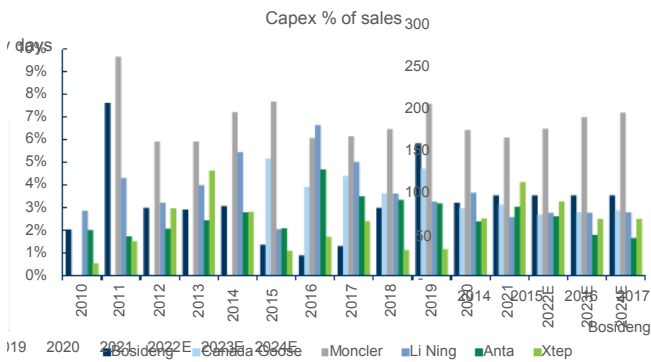
**Exhibit 54: Incremental improvements in ROE driven by better efficiency**

ROE comparison: down apparel & sportswear



Source: Company data, Goldman Sachs Global Investment Research

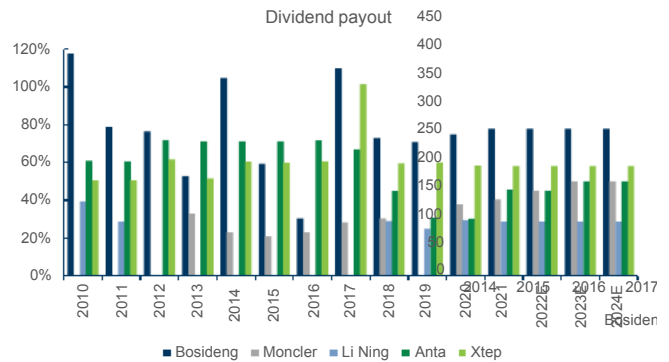
**Exhibit 55: We expect capex intensity to remain stable**  
Capex % comparison



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 56: We expect Bosideng to continue exhibiting the highest**  
payout ratio among peers

Dividend payout comparison



Source: Company data, Goldman Sachs Global Investment Research

## Valuation: Initiate at Neutral with TP of HK\$4.50

We use PE to derive our target price for Bosideng, which we think best captures its growth prospects and is in line the methodology for other companies we cover in the space. Our 12-month target price is HK\$4.50, based on 15x average FY3/23E and FY3/24E EPS, which is in line with its average PE since 2018 after its turnaround initiatives and the average of winter-related brands' PE (Canada Goose, Moncler, and VF).

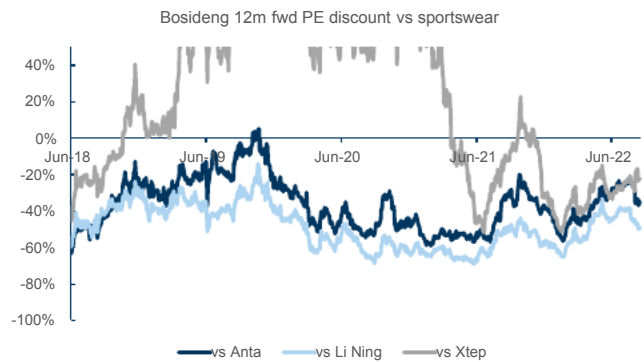
**Exhibit 57: Valuation comparison table**

Company	Ticker	Stock Rating	Market cap (US\$m)	Price 9-Sep-2022	Pricing currency	EPS growth			P/E (X)			P/B (X)			ROE			Div Yield 2022E	FCF Yield 2022E	EV/EBITDA (X) 2022E	Net debt /Equity 2022E	CROCI 2022E
						2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E					
<b>Outdoor apparel brands</b>																						
Bosideng	3998.HK	Neutral	5,302	4.04	HKD	19%	19%	15%	15.1	13.7	12.6	2.9	2.8	2.6	20%	22%	24%	5%	7%	10.5	-5%	40%
Canada Goose	GOOS	Neutral	2,106	19.99	USD	47%	23%	16%	17.4	14.2	12.2	5.0	3.8	3.0	31%	30%	27%	0%	3%	13.6	2%	32%
Moncler	MONC.MI	Neutral	12,398	45.57	EUR	52%	-4%	NA	20.3	21.1	NA	4.2	3.8	NA	22%	19%	NA	2%	6%	12.9	-37%	
VF Corp.	VFC	Sell	17,106	44.05	USD	7%	4%	NA	15.2	14.6	NA	4.6	4.4	NA	32%	31%	NA	5%	7%	12.4	120%	10%
<b>Average</b>						<b>35%</b>	<b>8%</b>	<b>16%</b>	<b>17.6</b>	<b>16.6</b>	<b>12.2</b>	<b>4.6</b>	<b>4.0</b>	<b>3.0</b>	<b>28%</b>	<b>27%</b>	<b>27%</b>	<b>2%</b>	<b>5%</b>	<b>12.9</b>	<b>28%</b>	<b>21%</b>
<b>Median</b>						<b>47%</b>	<b>4%</b>	<b>16%</b>	<b>17.4</b>	<b>14.6</b>	<b>12.2</b>	<b>4.6</b>	<b>3.8</b>	<b>3.0</b>	<b>31%</b>	<b>30%</b>	<b>27%</b>	<b>2%</b>	<b>6%</b>	<b>12.9</b>	<b>2%</b>	<b>21%</b>
<b>Sportswear/outdoor brands</b>																						
Xtep	1368.HK	Buy	3,288	10.3	HKD	21%	24%	20%	20.4	16.5	13.8	2.7	2.5	2.4	14%	16%	18%	3%	n.a.	17.4	-16%	18%
Anta Sports Products	2020.HK	Buy	31,853	92.5	HKD	11%	18%	20%	25.6	21.7	18.1	6.5	5.7	4.9	28%	28%	29%	2%	3%	18.0	-39%	44%
Li Ning Co.	2331.HK	Buy*	20,908	67.2	HKD	17%	22%	22%	32.0	28.3	21.5	6.2	5.3	4.5	20%	21%	22%	1%	3%	22.0	-88%	63%
Nike Inc.	NKE	Buy	177,763	112.4	USD	-2%	13%	NA	31.2	27.6	NA	11.3	10.2	NA	39%	40%	NA	1%	3%	22.8	-20%	35%
adidas	ADSGn.DE	Buy	31,164	149.2	EUR	-8%	19%	25%	21.6	18.2	14.6	4.9	4.8	4.7	19%	26%	32%	2%	7%	11.2	-73%	22%
lululemon athletica inc.	LULU	Buy*	44,977	352.7	USD	29%	15%	20%	36.5	31.7	26.5	13.4	11.5	9.5	41%	39%	40%	0%	1%	22.0	-31%	45%
Puma	PUMG.DE	Buy	9,042	62.5	EUR	30%	14%	28%	23.2	20.3	15.9	3.5	3.0	2.5	17%	16%	17%	1%	6%	9.1	-75%	25%
Under Armour Inc.	UAA	CS	4,178	9.2	USD	NA	NA	40%	NA	15.1	10.8	NA	1.7	NA	NA	16%	NA	NA	NA	NA	NA	NA
Asics Corp.	7936.T	Buy*	3,358	2,614.0	JPY	106%	27%	7%	24.7	19.4	18.2	3.9	3.4	3.0	14%	19%	17%	1%	2%	10.1	-16%	11%
<b>Average</b>						<b>53%</b>	<b>16%</b>	<b>22%</b>	<b>26.0</b>	<b>21.6</b>	<b>17.2</b>	<b>6.5</b>	<b>5.3</b>	<b>4.4</b>	<b>25%</b>	<b>25%</b>	<b>25%</b>	<b>1%</b>	<b>4%</b>	<b>15.2</b>	<b>-45%</b>	<b>35%</b>
<b>Median</b>						<b>17%</b>	<b>18%</b>	<b>22%</b>	<b>25.6</b>	<b>21.0</b>	<b>18.1</b>	<b>6.2</b>	<b>5.1</b>	<b>4.6</b>	<b>20%</b>	<b>24%</b>	<b>25%</b>	<b>1%</b>	<b>3%</b>	<b>18.0</b>	<b>-39%</b>	<b>35%</b>

Source: Bloomberg, Goldman Sachs Global Investment Research

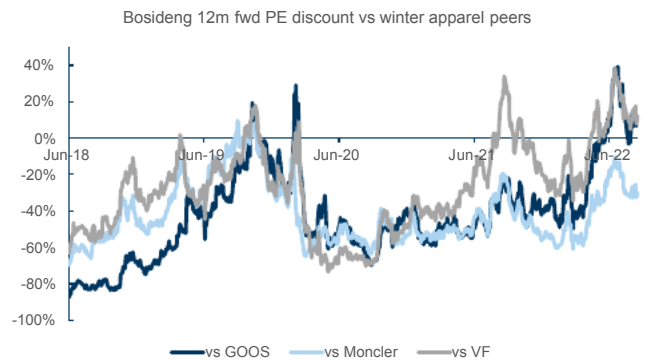
We also cross check the valuation gap between Bosideng's 12m forward PE against Moncler, Canada Goose, Anta, Li Ning and Xtep - and find that Bosideng has traded at 41%/42%/36%/49% discounts respectively since Jun-2018. We believe the discounts reflect higher seasonality compared to sportswear peers, as well as differences in growth outlook, positioning, and exposure to low margin businesses. Our 15x multiple (on the average of FY3/23 and FY3/24 EPS) implies 44-52% discount to our TP-implied P/E for Anta and Li Ning after adjusting for fiscal year end.

**Exhibit 58: Bosideng valuation vs sportswear companies**

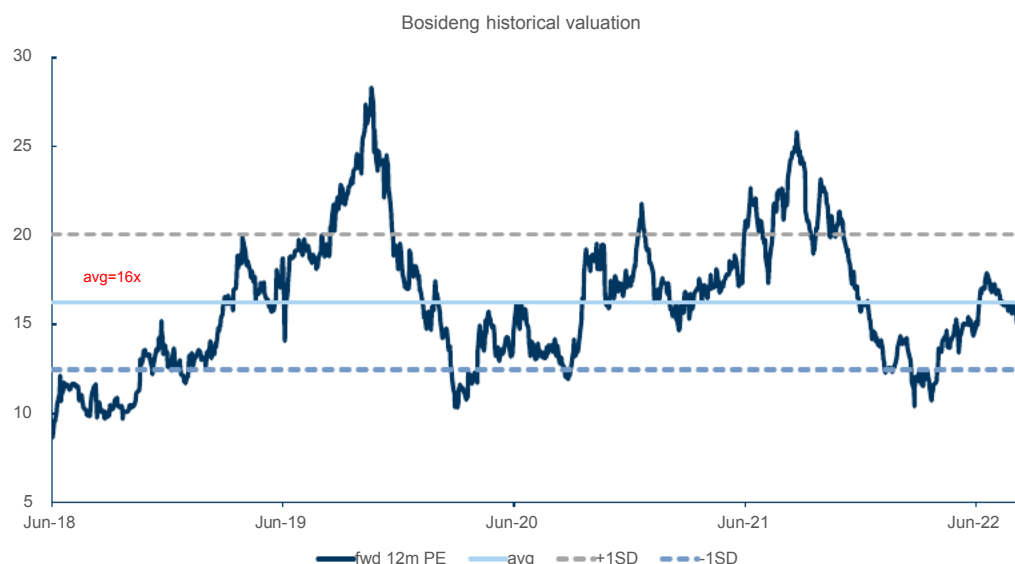


Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 59: Bosideng valuation vs winter apparel companies**



Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 60: Bosideng historical PE**

Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

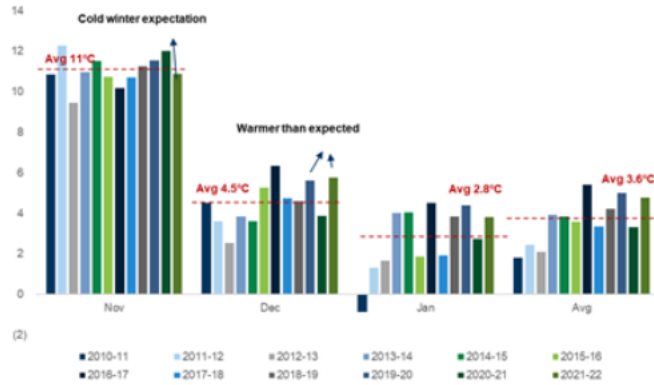
## Key risks

(1) Warmer/colder winter temperatures, (2) product launch fatigue/continued success in product innovation and marketing, (3) weaker consumption power pressuring ASP growth/resilient ASP growth trend, (4) raw material price hikes/falls, (5) connected party transactions.

### 1. Fluctuations in winter temperature

As we highlight in Exhibit 32, down apparel sales are highly concentrated around winter and warmer/colder-than-expected weather will put headwinds/tailwinds on the company's sales and inventory levels. Back in 2018-2019 and 2021, people expected a cold winter but it turns out to be much warmer than the 10-years average, and thus industry-wide sales growth dropped accordingly without much demand for cold protection purposes. Tackling the fluid nature of how cold any given winter might be, we highlight Bosideng's established digital system to respond fast to the swing demand - as we highlight in Debate 3, the company strictly controls the proportion of trade fair order proportion of distributors and leverages fast replenishment of products. In addition, Bosideng's strong pricing power could help mitigate volume sales pressure with introduction of higher-end products in our view.

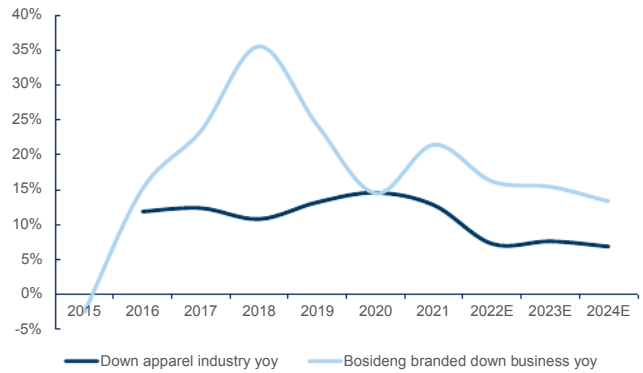
**Exhibit 61: Winters in 2019 and 2021 were warmer than expected**  
National weather conditions



Source: Bloomberg, Data compiled by Goldman Sachs Global Investment Research

**Exhibit 62: Bosideng had outindexed sales growth thanks to its ASP hike strategies**

Bosideng sales growth vs industry growth

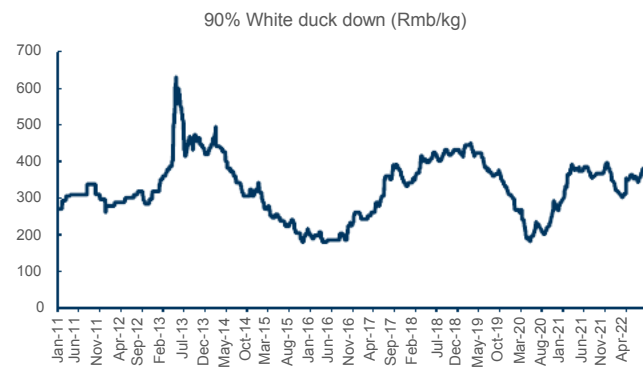


Source: chyx, Company data, Goldman Sachs Global Investment Research

**2. Rising/falling input costs**

Down feathers are the major material of down jacket apparel, and its price fluctuates with supply and demand. In the past 10 years, there have been 3 down price cycles and prices have doubled in the upcycle. If there were a major increase in down prices, it would impact input costs for the company and lead to narrower margins. The reverse would also hold true. That said, we highlight: 1) down content takes up only around 18% in the full down price value chain; 2) Brands can improve their product mix or increase price to mitigate margin pressure. As shown in Exhibit 65, Bosideng maintained its GPM expansion in the latest down price upcycle in 2021, thanks to its premiumization strategies.

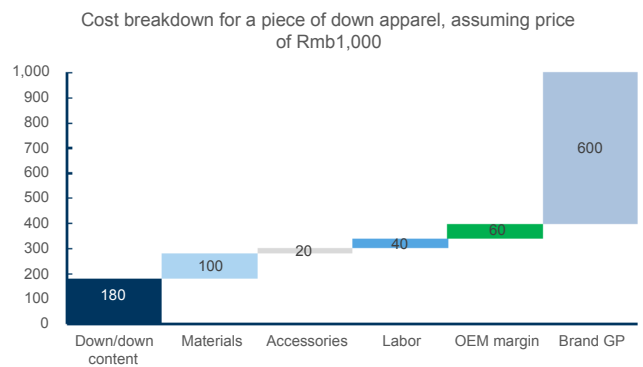
**Exhibit 63: 90% white duck down pricing in China**



Source: Wind, Goldman Sachs Global Investment Research

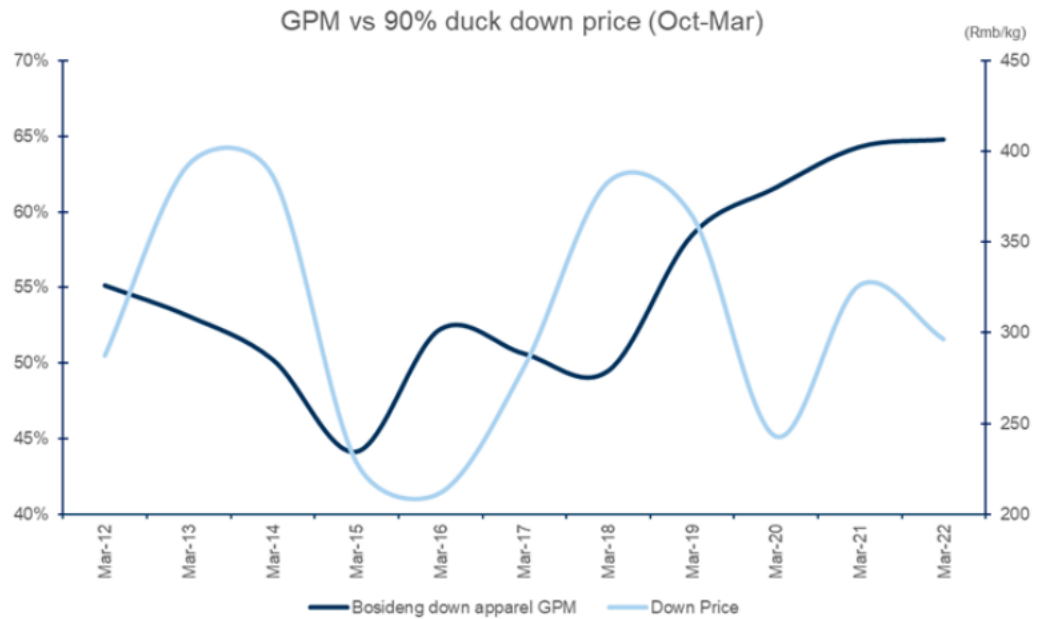
**Exhibit 64: Down content takes up around 18% in the full value chain**

Value chain breakdown for a down apparel pricing at Rmb1,000



Source: Huajing Industrial, Goldman Sachs Global Investment Research

**Exhibit 65: Bosideng still had an expanding GPM even when down prices increased around 2021**  
 Bosideng down business GPM vs 90% duck down price



Source: Wind, Company data, Goldman Sachs Global Investment Research

**3. Price momentum**

In recent years the company has seen aggressive price hikes from Rmb1,100 in 2017 to Rmb1,800 in 2021 at a 13% CAGR, out-indexing the industry’s 9% ASP increase during 2015-21. The company expects ongoing ASP momentum in the next 1-2 years to reach Rmb2,000, and we highlight inability to push through ASP hikes will lead to moderating revenue growth, which might be a result of weaker-than-expected macro environment. Our sensitivity studies show that if in 2023 household consumption growth moderated to 2-11% yoy, there would be 4-20% downside to our 2023 net income estimates for Bosideng. On the other hand, we highlight better-than-expected price hike will bring earnings upside, but we remain conservative given current consumer sentiment.

That said, we note the company’s efforts in the brand’s premium, professional, fashionable image which we believe has laid a sound foundation to facilitate the company’s price strategies.

Exhibit 66: Bosideng sensitivity table for FY3/24

	2023E Base case	vs GSe revenue		
		Downside 1	Downside 2	Downside 3
Implied Household consumption growth	13%	11%	7%	2%
<b>Bosideng</b>				
Total sales (RMB m)	21,364	20,936	20,296	19,227
Chg		-2.0%	-5.0%	-10.0%
Sales growth yoy	14.6%	12.3%	8.8%	3.1%
Operating margin	16.5%	16.1%	15.5%	14.3%
Chg		-0.4ppt	-1.0ppt	-2.2ppt
Group Net Income (RMB m)	2,924	2,807	2,631	2,338
Chg		-4.0%	-10.0%	-20.1%

Source: Goldman Sachs Global Investment Research

#### 4. Product launch fatigue or quality issues / continued success in product innovation and marketing

We believe the company needs to continuously launch attractive new products to maintain momentum/attract new and return buyers. In addition, if quality issues occur, the company's brand image and sales momentum would be impacted. But we highlight the company's strong digital system to track consumer preference and strict quality checks put the company in a solid position to mitigate these risks. If the company can deliver better-than-expected product innovation, this would present upside risks.

#### 5. Connected party business

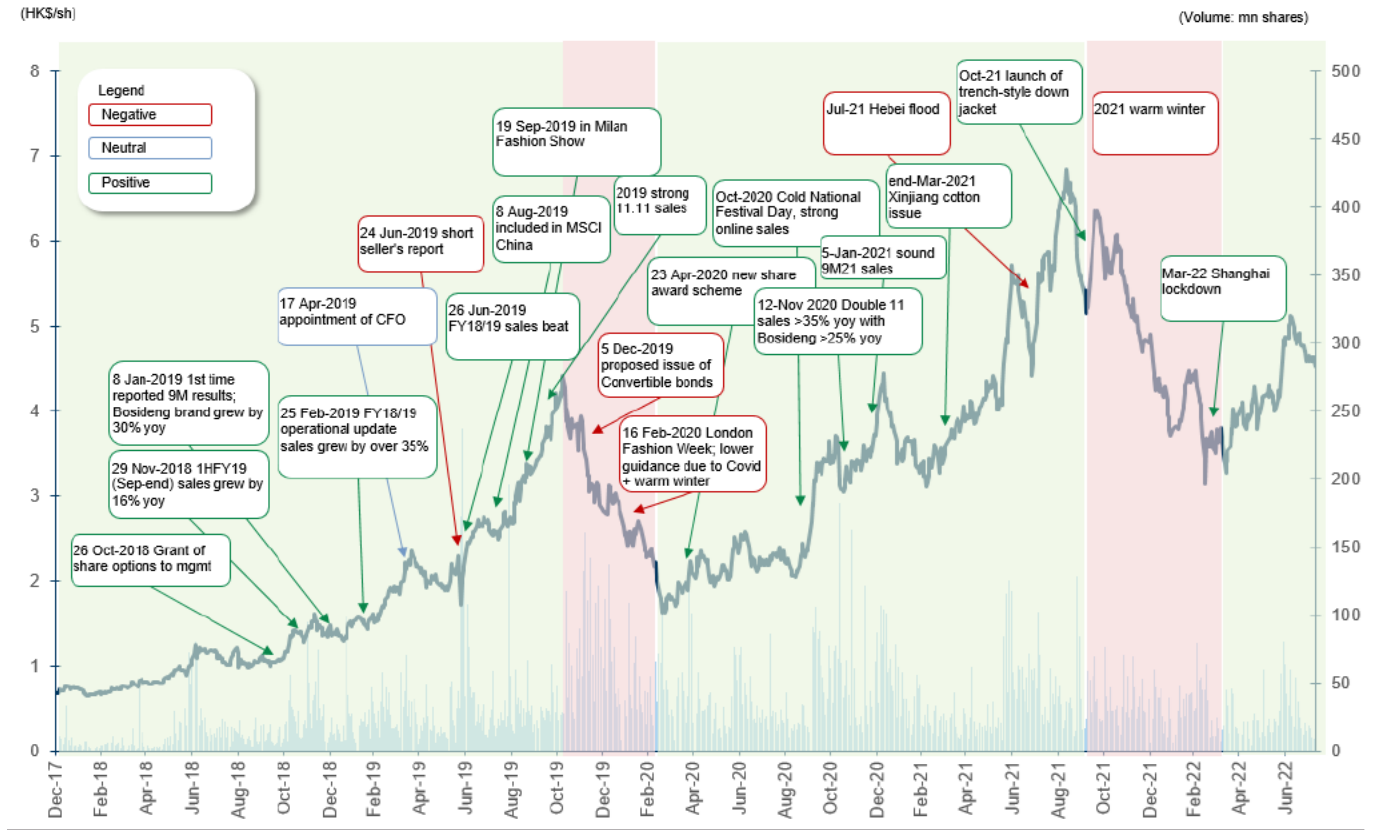
Bosideng parent group is one of the major suppliers to the company and based on the company's disclosures, the annual outsourcing cap was Rmb2bn, 2.5bn, 3bn for the three years ending March 31, 2025. Based on our calculation, this represents around 21-26% of the company's COGS in the same period. In addition, we note that multiple past transactions, including the acquisition of BUOU, Jessie and Koreano, involved former employees.

## M&A framework

We assign an M&A rank of 3 for Bosideng, which denotes low probability of being acquired. Bosideng is the leading down apparel brand in China but further upside in growth relies category expansion on top of market share gain. The company already has a high OPM so cost synergy potential is low. In addition, it is trading in line with its historical multiples which makes it less likely an M&A target. The key factor in our M&A rank is that we believe management would have low willingness to sell the company given it is a family business and the Gao family owns c.70% of voting rights.

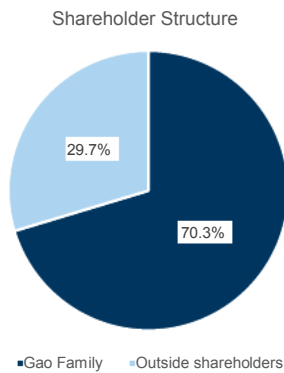
# Appendix

**Exhibit 67: Bosideng historical price chart**



Source: Bloomberg, Company filings, Goldman Sachs Global Investment Research

**Exhibit 68: Shareholder structure**



Source: Company data, compiled by Goldman Sachs Investment Research

## Management Team

Name	Position	Description
Gao Dekang	Chairman & CEO	Mr. Gao Dekang is the Chairman and the CEO and a director of certain subsidiaries of the Group. He is a representative of the 10th to 12th National Congress and a National Model Worker. He is the founder of the Group and was appointed as an executive Director in July 2006. He is responsible for the overall strategic development of the Group and has over 40 years of experience in the apparel industry. He is a senior economist and a senior engineer. He received an EMBA degree from Phoenix International University in New Zealand in 2002, and a Master's degree in business management from Victoria University in Switzerland in 2012.
Mei Dong	Executive Director, Executive President	Ms. Mei Dong is an executive Director and the Executive President of the Company. Ms. Mei was appointed as an executive Director in July 2006 and is responsible for the overall operational management of the Group. Ms. Mei is a director and/or legal representative of certain subsidiaries of the Group. She has over 20 years' experience in the down apparel industry. Ms. Mei obtained various awards and honours such as the recognition of "Successful Female Entrepreneur" in China and the National Model Worker.
Huang Qiaolian	Executive Director, Vice President	Ms. Huang Qiaolian is an executive Director and a Vice President of the Company. Ms. Huang is responsible for conducting monographic studies on the fashion trends of down apparel, unveiling the fashion trends and designing apparel products. Her works have been displayed in numerous exhibitions in countries such as Korea, Canada and Russia, and in special releases held during the New York Fashion Week and the Milan Fashion Week in 2018 and 2019, respectively. She received various honours such as contemporary renowned designer, one of the top ten fashion designers in China and the contributing designer in publishing research on the garment trends in China. She has over 20 years of experience in the fashion industry.
Rui Jinsong	Executive Director, Senior Vice President	Mr. Rui Jinsong is an executive Director and the Senior Vice President of the Company. He is the General Manager of the Bosideng brand division and a director of certain other subsidiaries of the Group. Mr. Rui is fully responsible for the overall management of the operational management business of the Group's core Bosideng brand. Mr. Rui graduated from Wuxi Light Industry College majoring in Textile Engineering in 1994. He joined Bosideng Corporation in May 2004 and had remained with the Group since the reorganization of the businesses of the Group prior to its listing, from which he acquired practical experience in brand positioning strategy, core competitiveness building and brand operating management.
Gao Xiaodong	Executive Director, Vice President	Mr. Gao Xiaodong is a Vice President of the Company and was appointed as an executive Director in March 2017. Mr. Gao is fully in charge of the Group's diversified apparels businesses. He is a qualified senior economist and has obtained a master's degree in business administration from Centenary College in 2009. Mr. Gao joined Bosideng Corporation in 2002 as its Senior Vice President and joined the Group in 2013, from which he accumulated experience in the apparel, highway, real estate and hotel segments.
Zhu Gaofeng	CFO	Mr. Zhu Gaofeng is the Chief Financial Officer and Vice President of the Group and is responsible for the financial management, funds management and investor relations of the Group. Mr. Zhu is qualified as an internationally certified internal auditor and a China certified public accountant. Mr. Zhu joined Bosideng Corporation in 2005. Prior to joining the Group, he had worked in management positions relating to finance in Jiangsu Yueda Investment Co., Ltd. for 12 years. Mr. Zhu has previously served as the auditing manager, vice-financial officer, financial controller and assistant to the president of the Group, and has extensive experience in financial management, funds management and investor relations, etc.

Source: Company data, compiled by Goldman Sachs Global Investment Research



# Disclosure Appendix

## Reg AC

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**Growth** is based on a stock's forward-looking sales growth, EBITDA growth and EPS growth (for financial stocks, only EPS and sales growth), with a higher percentile indicating a higher growth company. **Financial Returns** is based on a stock's forward-looking ROE, ROCE and CROCI (for financial stocks, only ROE), with a higher percentile indicating a company with higher financial returns. **Multiple** is based on a stock's forward-looking P/E, P/B, price/dividend (P/D), EV/EBITDA, EV/FCF and EV/Debt Adjusted Cash Flow (DACF) (for financial stocks, only P/E, P/B and P/D), with a higher percentile indicating a stock trading at a higher multiple. The **Integrated** percentile is calculated as the average of the Growth percentile, Financial Returns percentile and (100% - Multiple percentile).

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