Deutsche Bank
Markets Research

Rating
Buy

Asia
China

Consumer
Retail / Wholesale Trade

Company
Intime Retail

Reuters	Bloomberg	Exchange	Ticker
1833.HK	1833 HK	HSI	1833
ADR Ticker	ISIN		
INTIY	US46116F1003		

Date
26 July 2016

Initiation of Coverage

Price at 25 Jul 2016 (HKD)	6.25
Price target - 12mth (HKD)	7.53
52-week range (HKD)	9.00 - 5.42
HANG SENG INDEX	21,964

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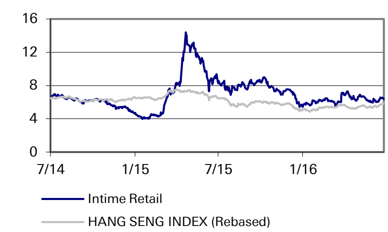
Price/price relative



Performance (%)	1m	3m	12m
Absolute	4.0	-12.5	-33.4
HANG SENG INDEX	8.4	3.1	-12.6

Source: Deutsche Bank

Embracing the e-commerce opportunity; initiating with Buy

Most innovative retailer with resilient SSS; initiating with Buy

Intime is one of China's largest department store operators. From its dominant position in Zhejiang, it has extended its network nationwide. It is the most resilient retailer in SSS terms, on the back of superior store management and O2O initiatives. We expect Intime to develop more O2O initiatives and to speed up industry consolidation after Alibaba completed the conversion of its CB in June. We expect core NP to record a 12% CAGR in 2016-18E, driven mainly by store expansion and SSS improvement. We initiate coverage with a Buy rating as we believe Intime is 1) China's most innovative retailer, 2) a rising industry consolidator, and 3) resilient in SSS performance. Our target price is HK$7.53.

Most innovative retailer in China; likely to be industry consolidator

We view Intime as China's most innovative retailer for its omni-channel strategy and online-to-offline (O2O) initiatives. The O2O initiatives were 4% of its GSP (gross sales proceeds) in 2015, and they are likely to increase offline store traffic and capture rising online shopping demand. We expect its O2O GMV to triple to RMB2bn in 2018 and account for 11% of total GSP, driven by store expansion and its cross-border e-commerce (CBEC) programs. We like Intime's asset-light strategy and store securitization to unlock its property value, which frees up cash flow and fuels store expansion (M&A). We believe Intime will be an industry consolidator on the back of its strong store management and merchandise assortment capability.

Offline store expansion and SSS improvement should drive growth

We expect Intime to report a 12.3% core net profit CAGR in FY16-18E on 6.6% growth in sales revenue. GSP is mainly driven by rental income (24% CAGR in 2016-18E) from the organic growth of 4-5 new stores each year. Its new stores are mainly in the shopping mall format, which caters well to consumers' leisure shopping demand. We expect SSS to grow -2%/+2.4%/+3.2% in 2016/17/18E, driven mainly by brand management improvement and O2O initiatives.

Our target price of HK$7.53 offers 20% upside potential; risks

Our primary valuation methodology is DCF, employing a COE of 9.5%, beta of 1 and terminal growth rate of 1.5%. This produces a fair value estimate of HK$7.53/share, implying FY17/18E PE of 14x/13x, or 17x/16x on core NP. Company risks: weak SSSg, slow store expansion and M&A.

Forecasts And Ratios

Year End Dec 31	2014A	2015A	2016E	2017E	2018E
Sales (CNYm)	5,250.6	5,755.5	5,957.1	6,405.8	6,967.8
Reported NPAT (CNYm)	1,121.5	1,317.5	1,258.8	1,294.1	1,409.2
DB EPS FD(CNY)	0.50	0.52	0.51	0.47	0.52
DB EPS growth (%)	-37.1	4.3	-1.8	-7.1	8.8
PER (x)	10.7	12.0	10.5	11.4	10.4
Yield (net) (%)	4.3	5.1	3.8	3.5	3.9

Source: Deutsche Bank estimates, company data

[1] DB EPS is fully diluted and excludes non-recurring items

[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Model updated:25 July 2016

Running the numbers

Asia

China

Retail / Wholesale Trade

Intime Retail

Reuters: 1833.HK Bloomberg: 1833 HK

Buy

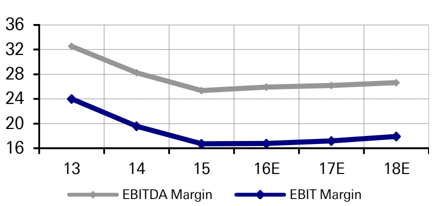
Price (25 Jul 16)	HKD 6.25
Target Price	HKD 7.53
52 Week range	HKD 5.42 - 9.00
Market Cap (m)	HKDm 13,625
	USDm 1,757

Company Profile

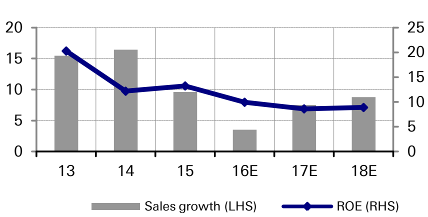
Intime is principally engaged in the operation and management of department stores and shopping malls in China.

Price Performance

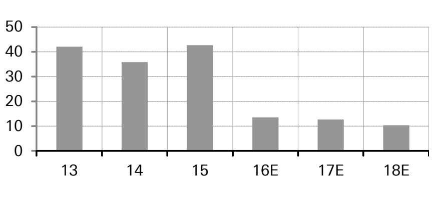
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Dec	2013	2014	2015	2016E	2017E	2018E
Financial Summary						
DB EPS (CNY)	0.79	0.50	0.52	0.51	0.47	0.52
Reported EPS (CNY)	0.79	0.50	0.52	0.51	0.47	0.52
DPS (CNY)	0.21	0.23	0.32	0.21	0.19	0.21
BVPS (CNY)	4.3	4.8	4.9	5.4	5.7	6.0
Weighted average shares (m)	2,007	2,102	2,181	2,449	2,715	2,715
Average market cap (CNYm)	12,511	11,167	13,601	11,716	11,716	11,716
Enterprise value (CNYm)	16,643	15,299	18,615	13,865	13,820	13,531
Valuation Metrics						
P/E (DB) (x)	7.9	10.7	12.0	10.5	11.4	10.4
P/E (Reported) (x)	7.9	10.7	12.0	10.5	11.4	10.4
P/BV (x)	1.34	0.87	1.23	0.99	0.94	0.89
FCF Yield (%)	nm	nm	4.2	0.9	3.8	5.7
Dividend Yield (%)	3.4	4.3	5.1	3.8	3.5	3.9
EV/Sales (x)	3.7	2.9	3.2	2.3	2.2	1.9
EV/EBITDA (x)	11.3	10.3	12.7	9.0	8.2	7.3
EV/EBIT (x)	15.4	14.9	19.3	13.9	12.5	10.8
Income Statement (CNYm)						
Sales revenue	4,510	5,251	5,755	5,957	6,406	6,968
Gross profit	3,403	4,012	4,264	4,501	4,902	5,402
EBITDA	1,469	1,485	1,460	1,545	1,679	1,856
Depreciation	386	456	497	545	577	607
Amortisation	0	0	0	0	0	0
EBIT	1,083	1,029	963	999	1,102	1,249
Net interest income(expense)	55	48	14	69	108	114
Associates/affiliates	256	309	266	266	279	293
Exceptionals/extraordinaries	963	420	598	441	336	330
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	2,356	1,805	1,842	1,775	1,825	1,986
Income tax expense	642	641	493	486	499	543
Minorities	119	42	32	30	31	34
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	1,595	1,121	1,317	1,259	1,294	1,409
DB adjustments (including dilution)	0	41	87	12	12	12
DB Net profit	1,595	1,162	1,405	1,271	1,306	1,422
Cash Flow (CNYm)						
Cash flow from operations	2,094	1,110	1,704	1,558	2,044	2,300
Net Capex	-2,586	-1,396	-1,130	-1,439	-1,489	-1,473
Free cash flow	-492	-286	574	119	555	827
Equity raised/(bought back)	65	981	-60	3,234	0	0
Dividends paid	-383	-422	-722	-488	-510	-538
Net inc/(dec) in borrowings	-228	0	0	0	0	0
Other investing/financing cash flows	442	-273	-675	0	0	0
Net cash flow	-596	0	-882	2,865	45	289
Change in working capital	*-57*	*-375*	*219*	*185*	*412*	*517*
Balance Sheet (CNYm)						
Cash and other liquid assets	2,133	2,394	1,783	1,413	1,458	1,747
Tangible fixed assets	11,484	13,350	14,817	15,711	16,623	17,489
Goodwill/intangible assets	0	0	0	0	0	0
Associates/investments	4,277	5,059	4,640	4,905	5,184	5,477
Other assets	6,079	6,991	7,039	7,138	7,359	7,636
Total assets	23,973	27,794	28,278	29,167	30,624	32,349
Interest bearing debt	6,264	6,526	6,796	3,562	3,562	3,562
Other liabilities	7,894	9,748	9,719	9,822	10,472	11,317
Total liabilities	14,158	16,274	16,515	13,385	14,034	14,879
Shareholders' equity	8,640	10,434	10,776	14,765	15,542	16,387
Minorities	1,175	1,086	987	1,017	1,049	1,083
Total shareholders' equity	9,815	11,521	11,763	15,783	16,590	17,470
Net debt	*4,132*	*4,131*	*5,014*	*2,149*	*2,104*	*1,815*
Key Company Metrics						
Sales growth (%)	15.4	16.4	9.6	3.5	7.5	8.8
DB EPS growth (%)	62.2	-37.1	4.3	-1.8	-7.1	8.8
EBITDA Margin (%)	32.6	28.3	25.4	25.9	26.2	26.6
EBIT Margin (%)	24.0	19.6	16.7	16.8	17.2	17.9
Payout ratio (%)	26.4	43.1	53.1	40.0	40.0	40.0
ROE (%)	20.3	12.2	13.2	10.0	8.6	8.9
Capex/sales (%)	57.3	26.6	19.6	24.2	23.2	21.1
Capex/depreciation (x)	6.7	3.1	2.3	2.6	2.6	2.4
Net debt/equity (%)	42.1	35.9	42.6	13.6	12.7	10.4
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates

Investment thesis

Outlook

We believe Intime will be a key beneficiary of industry consolidation because of its 1) nationwide network, 2) superior store operation capabilities, 3) market share gains on resilient SSSg, and 4) M&A plans.

Intime is China's most innovative offline retailer, and it has launched a series of O2O initiatives to tap the online population. We believe Intime's O2O initiatives have effectively lured traffic to its offline stores, driving its SSS in department stores and enhancing the stores' competitiveness. After Alibaba expanded its shareholding in Intime with the CB conversion, we expect Intime to become a key O2O channel for Tmall's online brands.

We forecast Intime will achieve a 12.3% core net profit CAGR for 2016-18E, on the back of a 7% revenue CAGR for the same period. This should be driven by new store openings (4-5 stores/year on organic growth), resilient SSS, and margin expansion from operating leverage. We believe its store securitization projects are likely to free up RMB5bn cash flow, which should fuel any upcoming M&A deals.

We expect its O2O GMV to triple to RMB2bn in 2018 and account for 11% of total GSP, driven by store expansion and its cross-border e-commerce (CBEC) programs. The O2O initiatives should improve offline store traffic and also capture rising shopping demand. We expect Intime to extend its O2O initiatives to other retailers, which should speed up industry consolidation.

Valuation

Our primary valuation methodology is DCF. As most of Intime's business comes from China, we use a 9.5% China WACC (3.9% RFR, 5.6% ERP, 1.0 beta, debt-free structure). We use a long-term growth rate of 1.5%, in line with our assumptions for China consumer stocks.

We also look at trading multiples in the China/HK consumer sector, which we believe support our target price. According to the company's property valuation report released on 22 April 2016, Intime's investment properties and company-occupied properties had a total market value of RMB21bn as of Feb 2016, or HKD9.17/share. Our TP implies an 18% discount to NAV, which we believe is well supported by NAV.

Our DCF-based target price is HK$7.53. This translates into 13.7x and 12.6x FY17E and FY18E PE, respectively, implying 17.4x FY17E and 15.6x FY18E PE on a core net profit basis.

Risks

Downside industry risks include an increase in competition, online penetration, and weak consumer sentiment. Downside company risks include weak SSSg, slower store expansion, rising staff costs, and M&A.

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Valuation and risks

DCF-based target price of HK$7.53; initiating with a Buy

Intime is one of the largest department store operators in China. It has executed an omni-channel strategy by expanding its shopping mall store network and carrying out a series of innovative O2O programs. Our DCF-based target price is HK$7.53, which implies 20% upside potential based on its closing price on 25 July 2016. Thus, we initiate coverage with a Buy recommendation.

Our FY16-17 core net profit forecasts are 5-7% below market consensus, as we are conservative on SSS improvement and margin expansion. We expect Intime to post 11%-14% yoy growth in core net profit during FY16-18E.

Figure 1: Deutsche Bank forecasts vs. market consensus

	DB estimates			Market consensus			Difference from market consensus		
YE 31Dec, RMBm	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E	FY16E	FY17E	FY18E
Sales	5,957	6,406	6,968	5,942	6,377	6,889	0%	0%	1%
Net profit	1,259	1,294	1,409	1,186	1,259	1,504	6%	3%	-6%
Core net profit	892	1,018	1,138	960	1,068	1,122	-7%	-5%	1%

Source: Deutsche Bank estimates, Bloomberg Finance LP

Our DCF analysis results in fair value of HK$7.53

Our primary valuation methodology is DCF, employing a COE of 9.5%, beta of 1.0. We use a long-term growth rate of 1.5%, in line with the growth rate that we use for Chinese consumer companies (1-2.5%). This produces a fair value estimate of HK$7.53/share, implying 14/13x FY17/18PE, or 17/16x FY17/18E PE on a core net profit basis.

We factored in its 50% stake in Beijing Youyi Lufthansa (given 10x PE of net profit of Beijing Youyi Lufthansa Department store in 2016) and 15.9% stake in Wuhan Department Store's (000501.SZ, NR) trading market cap (RMB10.3bn as of 25 July 2016).

Figure 2: DCF valuation

Key Items (RMBm)	Amount (RMBm)	% of total equity value	Comments
PV of the firm	17,315	98%	Discounted FCFF
Add : Listed Investments	1,642	9%	Market cap for 15.9% stakes in Wuhan Department Store (000501.SZ)
Add : Other Investments	1,116	6%	Assume 10x PE for Youyi Lufthansa
Add : Cash	1,413	8%	FY16 cash
Less : Bank & Other Debt	3,562	20%	FY16 debt
Less : Minorities	305	2%	Assume 10x PE for minorities
Total equity value	17,619	100%	
Shares outstanding (m)	2,715		
Equity value per share (RMB)	6.49		
Equity value per share (HK$)	7.53		

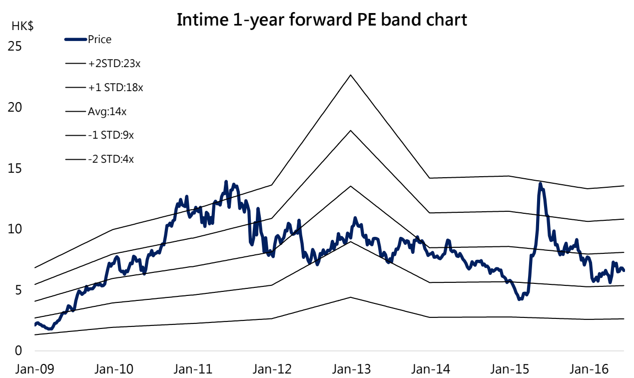
Source: Deutsche Bank estimates

Figure 3: DCF sensitivity

DCF Sensitivity Analysis on EV (HK$)						DCF Sensitivity Analysis on FY17F PE (x)					
	Long run growth						Long run growth				
WACC	-0.5%	0.5%	1.5%	2.5%	3.5%	WACC	-0.5%	0.5%	1.5%	2.5%	3.5%
7.5%	8.24	9.18	10.45	12.22	14.87	7.5%	15.0	16.7	19.0	22.2	27.1
8.5%	7.18	7.88	8.77	9.97	11.64	8.5%	13.1	14.3	16.0	18.2	21.2
9.5%	6.34	6.87	7.53	8.38	9.51	9.5%	11.5	12.5	13.7	15.3	17.3
10.5%	5.66	6.07	6.57	7.19	8.00	10.5%	10.3	11.0	12.0	13.1	14.6
11.5%	5.09	5.42	5.81	6.28	6.87	11.5%	9.3	9.9	10.6	11.4	12.5

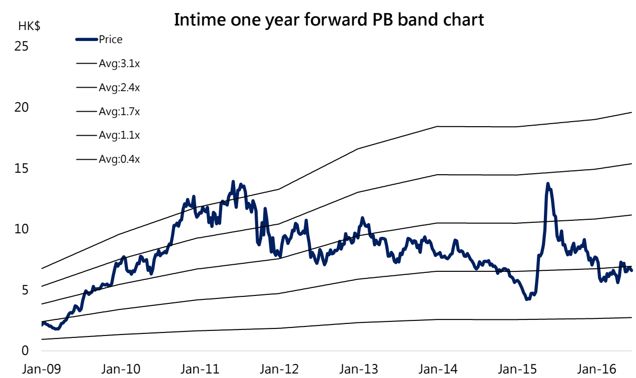
Source: Deutsche Bank estimates

Figure 4: One-year forward P/E band



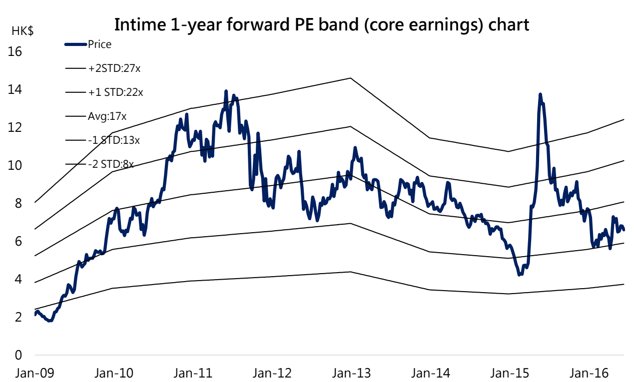
Source: Deutsche Bank, company data

Figure 5: One-year forward P/B band



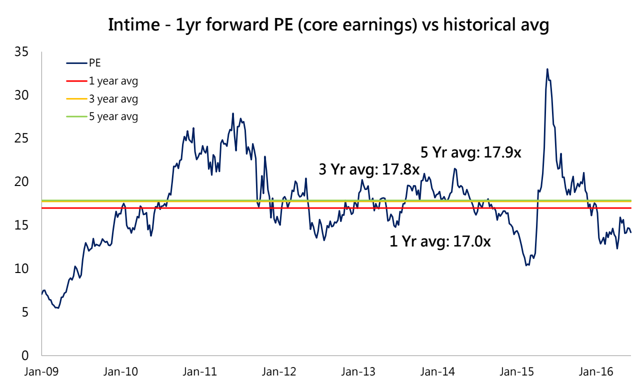
Source: Deutsche Bank, company data

Figure 6: One-year forward P/E band (core earnings)



Source: Deutsche Bank company data

Figure 7: 1Y forward PE (core earnings) vs historical avg



Source: Deutsche Bank company data

We also look at trading multiples in the China/HK consumer sector, which we believe support our target price. We compare PE multiples of listed department store operators to cross-check our DCF valuation. HK-listed department stores with a similar market cap are trading at 12-13x FY17E PE, while China-listed department stores are trading at 24x FY17E PE. Globally, department store operators are trading at 17x FY18E PE. Our TP of HK$7.53/share implies 14x FY17E PE. We believe the premium over HK-listed peers is justified as Intime has a stronger growth profile and is a rising industry consolidator.

Alibaba has become its largest shareholder

Alibaba converted all of its CBs at the conversion price of HK$7.13 into 535m conversion shares in Intime on 30 June 2016. The conversion price was a 16% premium to the closing price (HK$5.99) on 29 June. After the conversion, Alibaba is the largest shareholder of Intime, with a 27.8% stake, up from 10.1% before the conversion. To recap, Alibaba subscribed 221m shares at HK$7.53 per share in March 2014. We believe the weighted average cost for Alibaba is HK$7.02 (Figure 8).

We believe this to be a strategic investment by Alibaba, which plans to develop the O2O business in the retail market. To recap, Intime forged a strategic partnership with Alibaba in March 2014. We believe Intime has become an offline retail channel for Alibaba to develop its O2O business and utilize the latest Internet technologies.

Support from Alibaba to develop O2O initiatives. Although Intime has not revealed how Alibaba will support its development going forward, we expect 1) Intime to accelerate offline retail industry consolidation, backed by Alibaba's e-commerce empire, and 2) Intime to be able to obtain more resources from Alibaba to develop its O2O program, including a) extending O2O initiatives (Miaojie) to other offline retailers, b) leading the Tmall brands to Intime's offline channels, including In Junior and Ji Hood, and c) developing more innovative O2O programs.

Figure 8: Alibaba's cost/share (HK$)

	Adj price	Initial price	# of shares (m)
Subscription price	6.75	7.53	221
Conversion price	7.13	7.91	535
Weighted avg price	7.02		

Source: Deutsche Bank

Figure 9: Department store valuations

Company	Ticker	Rec	TP (lcy)	Current price (lcy)	Mkt Cap (USDm)	PE (x) 2015	PE (x) 2016E	PE (x) 2017E	PB (x) 2015	PB (x) 2016E	PB (x) 2017E	EV/EBITDA (x) 2015	EV/EBITDA (x) 2016E	EV/EBITDA (x) 2017E	Div yield (%) 2015	Div yield (%) 2016E	Div yield (%) 2017E	ROE (%) 2015	ROE (%) 2016E	ROE (%) 2017E	Net gearing 2015
HK listed																					
Lifestyle	1212.HK	Hold	10.3	10.9	2,726	13.1	15.9	11.9	14.1	8.7	6.0	9.6	8.6	7.6	4.8	3.2	3.4	31.5	68.7	59.7	Net cash
Lifestyle China	2136.HK	NR	NA	1.8	374	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	57%
Intime	1833.HK	Buy	7.5	6.3	2,209	10.0	10.7	11.5	1.0	1.0	1.0	11.6	9.1	8.3	6.2	3.4	3.5	12.4	9.9	8.5	37%
Golden Eagle	3308.HK	NR	NA	8.6	1,860	13.4	14.2	13.4	2.2	2.1	1.9	10.6	10.7	9.9	3.0	2.7	2.8	17.2	15.7	15.0	77%
Springland	1700.HK	NR	NA	1.0	302	3.7	4.9	4.7	0.4	0.4	0.4	4.2	4.2	4.2	10.6	8.3	8.3	10.1	8.3	7.9	45%
Parkson	3368.HK	NR	NA	0.7	232	NM	NM	NA	0.2	0.3	0.3	6.1	5.7	4.7	3.4	2.6	1.7	NM	NM	1.3	13%
Maoye	0848.HK	NR	NA	0.8	504	NA	NA	NA	NA	NA	NA	15.9	NA	NA	NA	NA	NA	7.3	NA	NA	134%
NWDS	0825.HK	NR	NA	1.0	220	NA	NA	NA	0.3	NA	NA	0.9	NA	NA	8.2	NA	NA	4.9	NA	NA	Net cash
HK listed - average						**10.1**	**11.4**	**10.4**	**3.0**	**2.5**	**1.9**	**8.4**	**7.7**	**7.0**	**6.0**	**4.0**	**3.9**	**13.9**	**25.6**	**18.5**	**60%**
A share																					
Chongqing Department Store	600729.SS	NR	NA	28.3	1,720	24.1	25.7	22.2	2.3	2.2	2.1	14.8	13.5	12.6	1.4	1.2	1.4	10.3	8.2	8.5	Net cash
Dashang Group	600694.SS	NR	NA	40.1	1,760	10.9	12.8	15.2	1.8	1.7	1.6	3.8	4.3	4.2	2.0	1.8	1.9	12.4	10.9	10.6	Net cash
Beijing Wangfujing	600859.SS	NR	NA	16.0	1,439	13.1	13.4	12.9	1.3	1.2	1.1	4.5	4.7	4.5	2.3	2.1	2.3	10.1	8.9	8.9	Net cash
Wuhan Department Store	000501.SZ	NR	NA	17.6	1,553	12.5	11.3	10.2	2.1	1.9	1.6	8.7	7.5	7.1	0.0	1.8	2.1	17.9	17.5	16.4	66%
Nanjing Central Emporium	600280.SS	NR	NA	6.7	1,150	10.5	17.6	14.9	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	409%
Hefei Department Store	000417.SZ	NR	NA	8.3	970	23.6	22.2	22.0	1.9	1.8	1.7	8.7	8.7	8.1	1.8	1.4	0.5	8.8	7.8	8.1	Net cash
Silver Plaza Group	600858.SS	NR	NA	8.5	664	21.9	27.3	25.3	0.8	1.0	0.9	NA	10.1	10.9	0.7	0.3	0.4	3.1	4.9	5.0	102%
Beijing Capital Retailing	600723.SS	NR	NA	9.3	917	16.4	16.6	16.4	NA	1.5	1.1	NA	3.8	3.6	NA	NA	NA	NA	9.1	7.4	Net cash
Guangzhou Grandbuy	002187.SZ	NR	NA	12.8	653	17.8	NA	NA	1.7	NA	NA	NA	NA	NA	2.4	NA	NA	9.7	NA	NA	Net cash
Yinchuan Xinhua Commercial	600785.SS	NR	NA	27.5	927	38.7	55.0	49.1	2.7	NA	NA	NA	NA	NA	0.5	NA	NA	7.0	NA	NA	26%
Beijing Cuiwei Tower	603123.SS	NR	NA	9.9	774	26.7	37.2	34.6	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	Net cash
Changchun Eurasia	600697.SS	NR	NA	30.4	723	14.2	13.3	12.2	2.6	2.2	1.9	9.6	8.1	7.5	1.2	0.8	0.8	17.2	15.4	14.5	151%
Zhongxing Shenyang	000715.SZ	NR	NA	14.0	585	34.2	63.7	58.4	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.1	5.4	Net cash
A share - average						**20.4**	**26.4**	**24.4**	**1.9**	**1.7**	**1.5**	**8.3**	**7.6**	**7.3**	**1.4**	**1.4**	**1.3**	**10.7**	**9.8**	**9.4**	**151%**
Asia (excl China/HK)																					
J Front Retailing Co Ltd	3086.T	NR	NA	1,195.0	3,018	12.2	12.2	11.8	0.8	0.8	0.8	8.9	8.2	8.3	2.0	2.2	2.4	5.1	6.9	6.5	34%
Takashimaya Co Ltd	8233.T	NR	NA	794.0	2,659	12.1	12.3	12.2	0.7	0.7	0.7	6.9	6.6	6.7	1.3	1.5	1.5	5.8	5.9	5.6	19%
Parco Co Ltd	8251.T	NR	NA	893.0	853	13.5	12.3	11.0	0.8	0.8	0.7	6.9	6.6	6.3	2.0	2.2	2.5	6.1	5.8	6.1	41%
Isetan Mitsukoshi Holdings	3099.T	NR	NA	1,045.0	3,890	15.4	16.7	16.8	0.8	0.7	0.7	9.4	8.6	9.1	1.1	1.1	1.2	4.6	4.8	4.2	19%
H2O Retailing Corp	8242.T	NR	NA	1,412.0	1,665	12.3	12.1	12.2	0.7	0.7	0.7	6.8	6.3	6.2	1.8	2.5	2.6	5.7	5.9	5.6	35%
Marui Group Co Ltd	8252.T	NR	NA	1,526.0	4,006	22.6	19.7	17.3	1.3	1.3	1.3	19.2	18.6	17.4	1.3	1.4	2.1	5.2	5.9	6.8	117%
Shoppers Stop Ltd	SHOP.NS	NR	NA	375.0	466	171.5	83.5	50.5	6.3	5.6	5.5	19.6	16.6	14.2	0.2	0.3	0.3	2.8	4.3	8.4	124%
Parkson Holdings Bhd	PRKN.KL	NR	NA	0.8	205	9.3	9.9	7.4	0.3	0.4	0.4	5.2	7.0	5.9	8.2	7.5	5.2	4.6	1.4	3.6	Net cash
Parkson Retail Asia Ltd	PRAL.SI	NR	NA	0.2	79	6.0	18.7	12.2	0.4	0.6	0.7	NA	NA	NA	21.4	12.6	12.6	11.6	5.5	2.0	Net cash
Shinsegae Co Ltd	004170.KS	Hold	220,000	189,500	1,891	14.2	12.1	10.0	0.7	0.6	0.6	7.8	7.5	6.4	0.6	0.7	0.7	14.3	4.8	5.7	46%
Lotte Shopping Co	023530.KS	Sell	190,000	193,500	6,421	64.2	12.4	10.7	0.4	0.3	0.3	4.9	3.9	3.9	0.8	1.4	1.6	NM	2.7	3.2	73%
Hyundai Dept Store Co	069960.KS	Buy	154,000	126,000	2,857	12.3	9.4	8.7	0.9	0.8	0.7	7.3	5.3	4.4	0.5	0.6	0.8	7.2	8.7	8.7	12%
Far Eastern Department Store	2903.TW	NR	NA	18.3	804	16.5	14.4	14.1	0.8	0.9	0.9	10.2	9.0	8.7	4.6	5.5	4.8	4.0	7.9	5.9	60%
The Eslite Spectrum Corp	2926.TW	NR	NA	195.5	274	22.3	19.0	NA	5.6	NA	NA	13.5	11.0	NA	3.6	NA	NA	25.9	28.1	NA	Net cash
Grand Ocean Retail Group	5907.TW	NR	NA	24.6	153	9.5	NA	NA	0.5	NA	NA	3.1	NA	NA	2.5	NA	NA	5.0	NA	NA	4%
Mitra Adiperkasa Tbk Pt	MAPI.JK	Buy	7,000	4,320.0	548	144.2	32.7	22.1	2.8	2.6	2.3	10.7	9.0	7.9	0.2	0.1	0.5	1.9	8.1	10.9	124%
Matahari Putra Prima Tbk Pt	MPPA.JK	Buy	3,750	1,775.0	729	16.7	14.0	12.5	2.9	2.5	2.2	9.3	7.9	6.6	0.0	0.0	0.0	18.6	19.2	18.5	Net cash
Asia (excl China/HK) - average						**33.8**	**19.5**	**15.3**	**1.6**	**1.3**	**1.2**	**9.4**	**8.8**	**8.0**	**3.1**	**2.6**	**2.6**	**8.0**	**7.9**	**6.8**	**55%**
Global (exlc Asia)																					
Dillards Inc	DDS.N	Sell	55.0	63.3	4,599	14.0	15.2	11.1	2.4	1.5	1.3	6.1	6.5	4.6	0.2	0.3	0.4	16.4	13.7	11.8	21%
Hudson's Bay Co	HBC.TO	NR	NA	16.1	2,235	36.3	429.9	41.1	1.3	1.2	1.1	11.0	8.7	7.8	1.2	1.2	1.2	3.1	3.0	1.0	103%
J.C. Penney Co Inc	JCP.N	Buy	12.0	9.2	2,530	NM	NM	NM	1.2	1.7	2.1	20.4	13.7	6.0	0.0	0.0	0.0	NM	NM	NM	213%
Nordstrom Inc	JWN.N	Buy	47.0	40.9	13,238	18.4	21.3	15.5	6.0	10.7	10.2	8.5	9.3	6.5	1.9	8.9	3.9	31.8	38.1	55.4	94%
Kohls Corp	KSS.N	Hold	40.0	39.5	11,449	13.2	14.7	10.5	2.0	1.8	1.3	5.7	6.2	4.7	2.8	3.0	5.1	14.5	13.5	12.3	56%
Macy's Inc	M.N	Hold	35.0	35.3	21,431	13.2	15.2	10.6	4.3	3.2	2.7	6.7	8.0	6.2	2.0	2.4	4.2	28.0	22.0	19.3	94%
Marks & Spencer Group Plc	MKS.L	Hold	350.0	316.8	11,970	13.8	14.4	11.3	2.7	2.0	1.5	7.4	7.5	5.7	4.0	3.7	7.4	16.5	12.1	12.3	70%
Myer Holdings Ltd	MYR.AX	Hold	1.3	1.2	788	12.6	14.1	13.6	0.9	0.9	0.9	6.0	6.2	5.4	4.2	3.7	4.1	8.8	7.1	6.7	45%
Global (exlc Asia) - average						**17.4**	**75.0**	**16.3**	**2.6**	**2.9**	**2.6**	**9.0**	**8.3**	**5.9**	**2.0**	**2.9**	**3.3**	**17.0**	**15.7**	**17.0**	**87%**
Global - average						**24.4**	**30.7**	**17.8**	**2.1**	**1.9**	**1.7**	**8.9**	**8.3**	**7.2**	**2.9**	**2.6**	**2.7**	**11.2**	**11.8**	**11.0**	**79%**

Source: Deutsche Bank estimates, Bloomberg Finance LP, closing price as of 22July 2016

Key risks

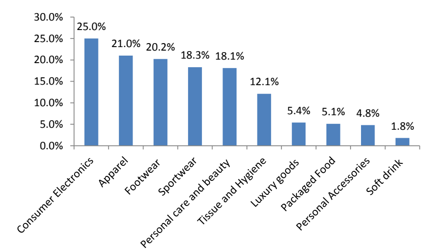
Key industry risks

1) **Intense competition in retail industry.** The company could face strong competition from both domestic and international operators of department stores, supermarkets, hypermarkets, convenience stores, specialty retailers and discount stores. Shopping malls compete with department stores for the same concessionaire brands. The results of intensifying competition could include a drop in traffic, pressure on commission rates and more difficulty in securing good store locations at low rents or low land prices.

2) **Increase in online competition**. Online retail sales have surged substantially in the past five years. Online penetration has reached 21% in apparel (Figure 10), the largest category of GSP in department stores. Intime's apparel GSP accounted for 42% of its total GSP in 2015. Some online brands have also emerged to compete directly with the traditional offline brands.

3) **Weak consumer sentiment**. Consumption sentiment is highly sensitive to general economic trends and consumers' retail purchasing power tends to decline in recessionary periods. Deutsche Bank economist Zhiwei Zhang projects China GDP will grow 6.7% in 2016-17, slowing down from 6.9-7.3% in 2014-15. A slowdown in macro economy consumer expenditure affects the operations of department stores since they offer discretionary merchandise. In addition, the central government's frugality program could restrain some consumption in mid-range to high-end merchandise, the key focus of department stores.

Figure 10: Online penetration



Source: Deutsche Bank, Euromonitor

Company-specific risks

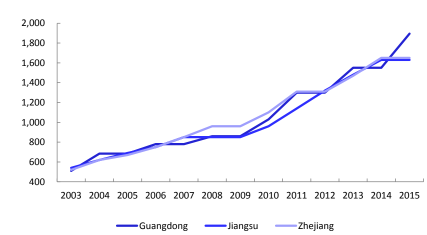
1) **Slower-than-expected SSSg**. We expect same-store sales growth (SSSg) to decline 2% in 2016 (1H16 was -4.1%), narrowing from -4.8% in 1Q16. Any further decline in SSSg would hurt top-line growth and de-leverage operating performance.

2) **Slowdown in store expansion**. We expect the company to add 4-5 stores each year during 2016-18E. A slowdown in store expansion will result in lower revenue and affect the bottom line.

3) **Rising staff cost**. Intime aims to increase staff wages by at least 10% each year to retain talent and motivate employees. We expect Intime to maintain a stable staff cost ratio in 2016-18E at 13-14%, helped by a reduction in the staff number per store. For reference, the minimum wage level rose at an 8.4% CAGR in Zhejiang province during 2010-15 (Figure 11).

4) **M&A risks**. Intime plans to expand market share through M&As. We believe it takes time to improve operating efficiency and store performance of underperforming stores after acquisition. This could result in a dilution of earnings in the short term. In our model, we have not factored in any M&As.

Figure 11: Minimum monthly wage level (RMB)



Source: Deutsche Bank, Xinhua News

An industry consolidator

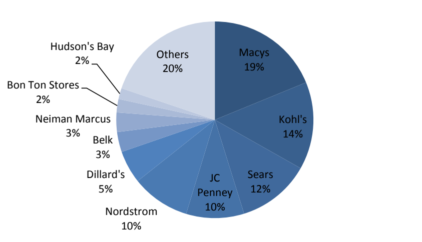
Intime should benefit from industry consolidation trend

A key beneficiary of industry consolidation. We believe Intime will be a key beneficiary of industry consolidation for the following reasons: 1) It is growing from a regional player to a nationwide player with a sound track record of national expansion. 2) It has superior store operation management capability, and is thus able to turn around SOEs that do not perform well in a challenging environment. 3) Its innovative O2O programs are ready to be duplicated for other retailers. 4) It has gained market share on resilient SSS.

We expect Intime to add 4-5 new stores each year on organic growth. As for M&A, we expect this to speed up as M&A deals would be backed by asset securitization projects, which would free up investment for physical stores.

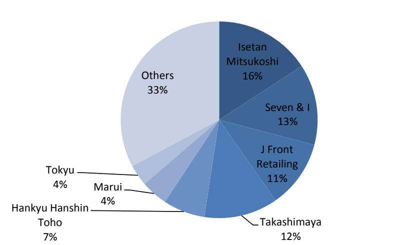
Industry consolidation is on the way. China's department stores are a segmented retail channel. The top five players accounted for 8% of the market in 2015, much lower than 64%/59% in the US/Japan, respectively. We believe the fragmented landscape is because the sector has been dominated by state-owned enterprises (SOEs), which mainly have a regional footprint. We believe industry consolidation has accelerated recently as we have observed more M&A activity in 2014-16 (Figure 91 in the Appendix).

Figure 12: US department store retailing – top five players take 64% market share in 2015



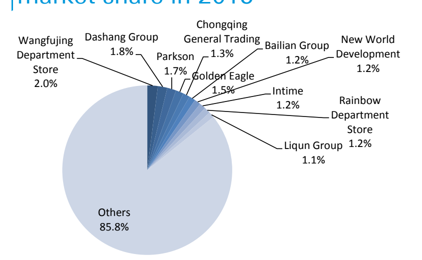
Source: Deutsche Bank Euromonitor

Figure 13: Japan department store retailing – top five players take 59% market share in 2015



Source: Deutsche Bank Euromonitor

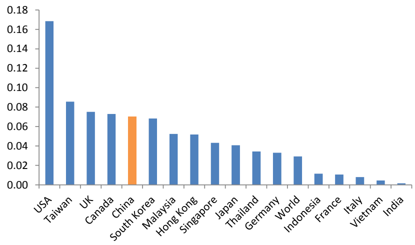
Figure 14: China department store retailing – top five players take 8% market share in 2015



Source: Deutsche Bank Euromonitor

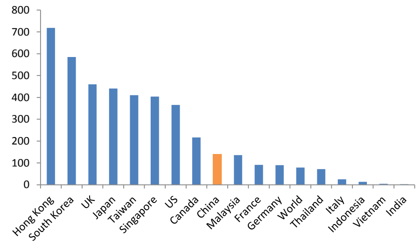
Department store retail space and retail sales per capital are low in China. Department stores have become an important retail sales channel in China. They accounted for 8% of China's retail sales in 2015, according to Euromonitor. However, retail space and retail sales per capita are low in China, which has created business opportunities for offline retailers to expand in this field. According to Euromonitor, department stores' selling space was 0.07 sqm per capita in China, only 40% of that in the US (Figure 15). Department stores' sales revenue per capita was USD140 in China, 38% of that in the US (Figure 16). We believe urbanization and the increase in consumer spending power will continue to drive the department store industry in China.

Figure 15: Department store selling space per capita in 2015 (sqm)



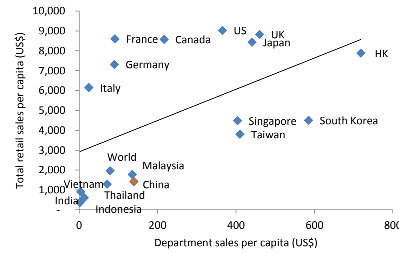
Source: Deutsche Bank Euromonitor

Figure 16: Department store retail sales per capita in 2015 (US$)



Source: Deutsche Bank Euromonitor

Figure 17: Department store sales per capita vs. total retail sales per capita (2015)

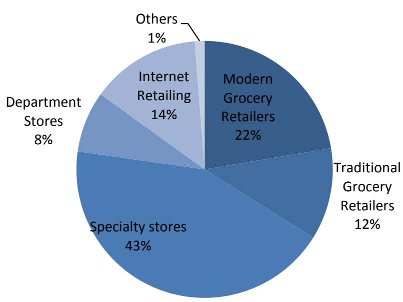


Source: Deutsche Bank Euromonitor

E-commerce is growing while O2O brings traffic back to offline stores. Online retailing accounted for 14% of retail sales in China in 2015 and is expected to grow 15-30% yoy in 2016-18E, according to Euromonitor (Figure 18). Online has taken traffic from offline stores – as an alternative channel for consumers, it is proving to be more efficient and cheaper for consumers. We believe department stores have had a limited impact from the surge in e-commerce as they serve a different customer segment. For reference, typical online ASP is RMB100-200, while Intime's ASP was RMB500+ in 2015.

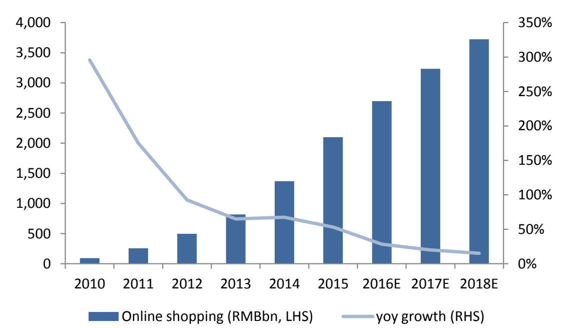
O2O is a useful tool to bring customer traffic back to offline stores. Online players have intensively engaged with offline players since 2H15. Alibaba has reached a strategic alliance with Suning, while JD has allied with Yonghui. We believe Intime will benefit from omni-channel retailing as it is the most innovative offline retailer to ride this wave (please refer to the section, "An innovative retailer" on page 16).

Figure 18: Online was 14% of total retail sales, while department store was 8% of total retail channels in 2015



Source: Deutsche Bank, Euromonitor

Figure 19: Online retailing to grow 15-30% yoy in 2016-18E



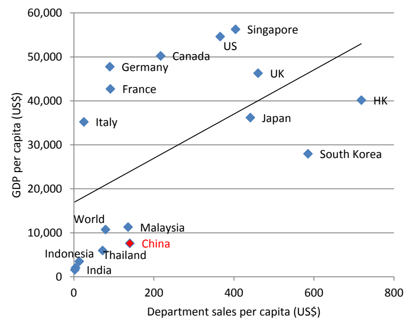
Source: Deutsche Bank, Euromonitor estimates

Slowdown in industry growth likely to trigger industry consolidation. After ten years of stellar growth (10% CAGR in 2004-2015), Euromonitor expects China's department store retailing to slow down to a new normal of 3-4% yoy growth in 2017-18E (Figure 20). We believe this will be mainly driven by an increase in disposable income, consumer trade-up and rising demand for a shopping experience. We believe the slowdown in industry growth is likely to trigger industry consolidation. We believe the economies of scale will help 1) increase bargaining power over brands and 2) differentiate direct sales in the market. Tmall proved this when it gained bargaining power over brands in the online channel, backed by its scale.

Figure 20: China department stores – new normal growth of 3.4% CAGR during 2016-20E

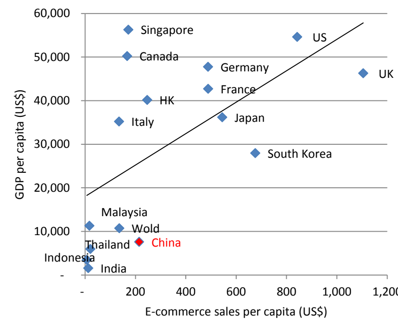
Source: Deutsche Bank, Euromonitor estimates

Figure 21: Department store sales per capita vs. GDP per capita



Source: Deutsche Bank, Euromonitor

Figure 22: E-commerce sales per capita vs. GDP per capita



Source: Deutsche Bank, Euromonitor

Expansion strategy: dominant regional presence; focus on shopping mall format

1) 4-5 new stores via organic growth; plans to accelerate M&A

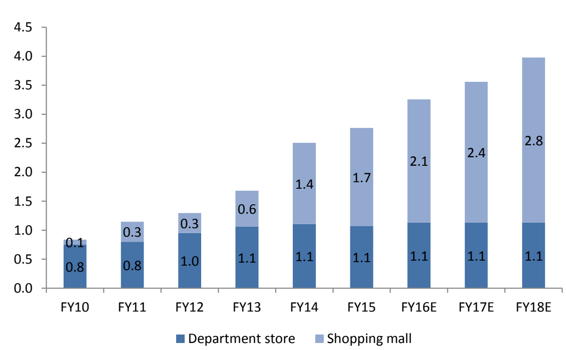
We expect Intime to add 4-5 stores each year via organic growth in 2016-18, which would bring the total to 57 by end-2018. This translates into 9-15% yoy GFA growth in the same period. Intime has been a leading national retail chain store operator. We believe its dominant regional position will continue to adhere and that its expansion into new regions will be competitive or dominant. We believe the pipeline of new stores will be located in central of China, especially in Hubei and Anhui provinces, where the company's national expansion began in 2008-2012.

New stores to focus on shopping mall format to attract traffic. We expect the new stores are mainly in the shopping mall format to cater to consumer demand for leisure and lifestyle shopping. We expect Intime to increase total GFA at a CAGR of 13% in 2016-18E to 4m sqm by 2018E. We expect shopping malls to account for 72% of Intime's total GFA in 2018 from 61% in 2015.

Figure 23: Intime's store numbers

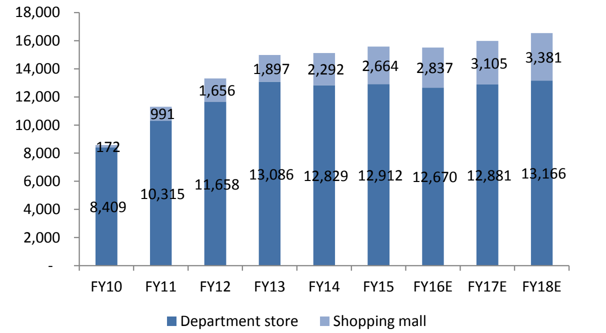
Source: Deutsche Bank estimates, company data

Figure 24: Intime's store GFA (million sqm)



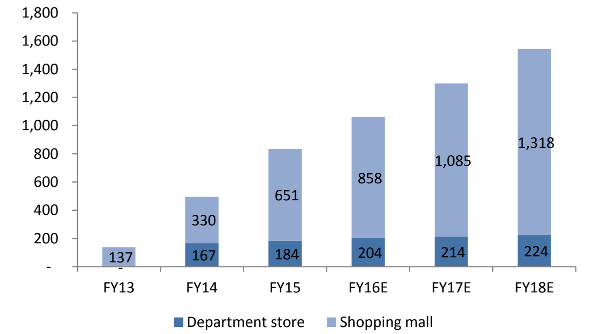
Source: Deutsche Bank estimates, company data

Figure 25: Intime's gross sales proceeds (concessionaire sales and direct sales) (RMBm)



Source: Deutsche Bank estimates, company data

Figure 26: Intime's rental income (RMBm)



Source: Deutsche Bank estimates, company data

2) To accelerate M&A plans

M&A to accelerate, fuelled by asset securitization programs. We expect Intime to accelerate M&A deals in 2016-17 to gain market share. The department store sector is a segmented one where the top ten operators account for a mere 8% market share vs. around 60% in the US and Japan. We believe the asset securitization program will unlock RMB5bn in 2016-17, which should fuel Intime's M&A deals. We believe Intime has acquisition candidates in mind, but has no timetable for them. In our model, we have not factored any M&A deals, as there is much uncertainty.

Intime targets 300-400 stores in five years, or 10% of market share, according to management. We believe Intime will be an industry consolidator, backed by superior store management capabilities and M&A experience. It targets to open stores in affluent regions, including Jiangsu and Fujian, and has guided a conservative valuation criteria of 0.5x PS for the targets. Assuming GSP of RMB200m for a medium-sized department store, the cost of acquisition for 300-400 stores works out to RMB25-35bn.

M&A track record. Intime has expanded aggressively in Hubei province through acquisitions, and the acquisitions have proved successful, in our view. All the acquired stores (Figure 27) are profitable as of end of 2015, according to management.

Figure 27: Intime's history of M&As

Date	Target	Stakes	Consideration (RMBm)	Target's GSP (RMBm)	Valuation	Target's GFA	Target's business
Dec-2009	Hubei Xiantao	66%	177	na	12x PE	54,000	The largest department store in Xiantao, Hubei
Oct-2010	Beijing Youyi Lufthansa	50%	1,600	na	25x PE	na	Three department stores in Beijing and one department store in Taiyuan, Shanxi Province
Nov-2010	Hubei SuiZhou New Century	84.5%	248	462	0.6x PS or 23x PE	370,000	The biggest general retail operator (department store and supermarket) in Suizhou, Hubei Province.
Nov-2010	Hubei Wuluo	100%	56	na	1x PB	110,000	A large shopping mall in Luojia Innovation Park in Wuhan, Hubei Province.

Source: Deutsche Bank, company data

3) Based in Zhejiang; expanding from eastern China into central region

A national department store and shopping mall operator. Intime operated a total of 45 retail outlets, comprising 28 department stores and 17 shopping malls, with a total gross floor area of 2.8m sqm as of end of 2015. The stores are located mainly in prime shopping locations in tier 2 and 3 cities in Zhejiang, Hubei, Anhui, Shaanxi and other provinces. It also manages a department store owned by Baida Group (600865.SS, NR) under a management agreement in Hangzhou.

Figure 29: Intime's store network in China

Source: Deutsche Bank, company data

Figure 28: Intime's stores by province

	Department store	Shopping mall
Zhejiang	20	10
Hubei	6	1
Beijing	1	0
Anhui	0	3
Hebei	0	1
Guangxi	0	1
Shaanxi	2	1
Total	29	17

Source: Deutsche Bank, company data

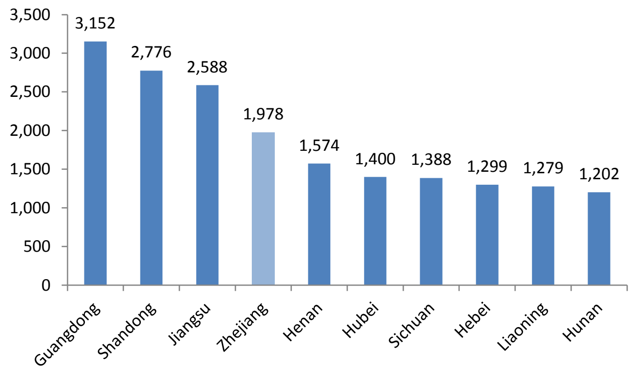
Dominant position in Zhejiang. Intime has the largest store network in Zhejiang of 20 department stores and 10 shopping malls as of end of 2015. We believe Intime dominates Zhejiang's department store industry with a remarkable market share of 18%. It is followed by Hangzhou Jiebai, which operates Hangzhou Mansion and Jiefanglu Department Store.

Intime opened its first store in Hangzhou (Wulin Store) in 1998, and added nine stores in Zhejiang over nine years in 1998-2007. In 2008, it started to expand outside of Zhejiang into Hubei and Shaanxi provinces. It operates nine stores in Hangzhou, the capital city of Zhejiang province.

Manages Hangzhou Baida store (a key store of Baida Group (600855.SS, NR)) under a management agreement. It also holds a 50% equity interest in Beijing Friendship Lufthansa and has 16% interest in Wuhan Department Store (000501.SZ, NR).

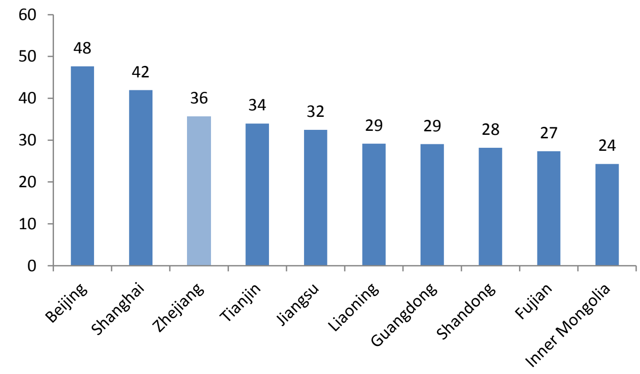
Expanding into the center of China, where it has growth potential. Zhejiang is one of the most affluent regions in China and its fourth largest province in terms of total retail sales in 2015 (Figure 30). In terms of total retail sales per capita, Zhejiang ranked the third province in China in 2015, with annual spending of RMB36,000 per capita (Figure 31). We expect Intime to maintain its leading position in Zhejiang, and to expand its presence into the center of China, including Hubei, Anhui and Shaanxi. The three provinces recorded a higher than average retail sales growth at 12.4-12.6% CAGR during 2013-15, higher than national average of 11.2% during the same period. We expect Intime to benefit from rapid retail sales growth in newly developed regions.

Figure 30: Top ten provinces – total retail sales in 2015 (RMBbn)



Source: Deutsche Bank, NBS

Figure 31: Top ten provinces – total retail sales per capita in 2015 (thousand RMB)



Source: Deutsche Bank, NBS

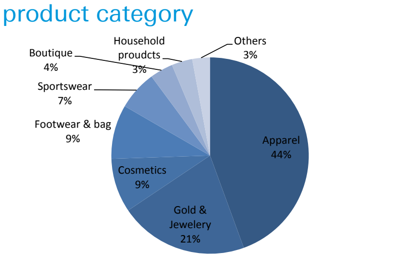
4) Positioned as mid-range to high-end department store

Intime is positioned in the middle to middle-upper range in department stores with a key focus on fashionable and trendy merchandise by international and domestic brands, targeting young and affluent customers. It offers an extensive portfolio of merchandise in its department stores, ranging from apparel, gold jewelry, cosmetics, footwear and household products.

Apparel, cosmetics and jewelry are key merchandise. Apparel (44% of total GSP in 2015) is the largest product category in Intime's stores, including lady's apparel (25%), men's apparel (14%) and kid's apparel (5%). Sportswear (7%) is the fastest growth product category with 18-21% yoy sales growth in 2014-15.

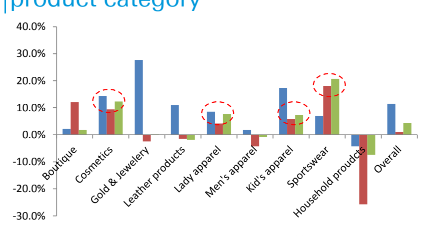
Ticket price has improved yoy. The average ticket price increased 8% CAGR in 2011-15 to RMB552. We believe this is mainly driven by a change in brand portfolio mix towards high-priced products and an increase in the spending power of local consumers. We expect the average ticket price to increase 3-5% in 2016-18E, which should help SSSg.

Figure 32: Intime GSP mix by product category



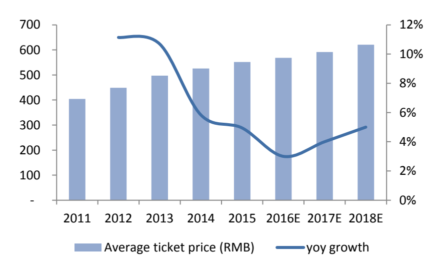
Source: Deutsche Bank, company data

Figure 33: GSP yoy growth by product category



Source: Deutsche Bank, company data

Figure 34: Average ticket price



Source: Deutsche Bank estimates, company data

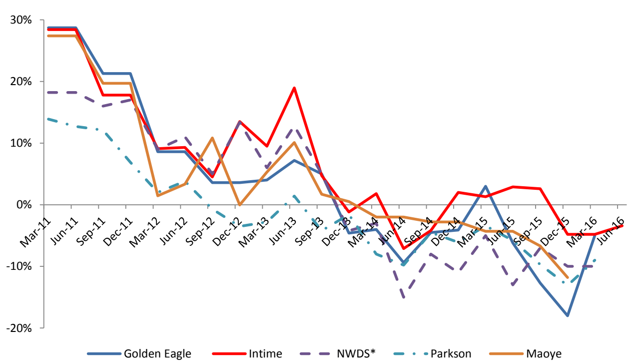
An innovative retailer focusing on customer value creation

Omni-channel strategy to tap into the online population

Intime is the most innovative offline retailer in China and has developed a series of O2O initiatives. We believe the O2O initiatives have captured well consumer demand for imported merchandise, global shopping, and O2O interactive services. We expect the offline initiatives to attract traffic to its offline stores differentiate it from other department store/shopping malls.

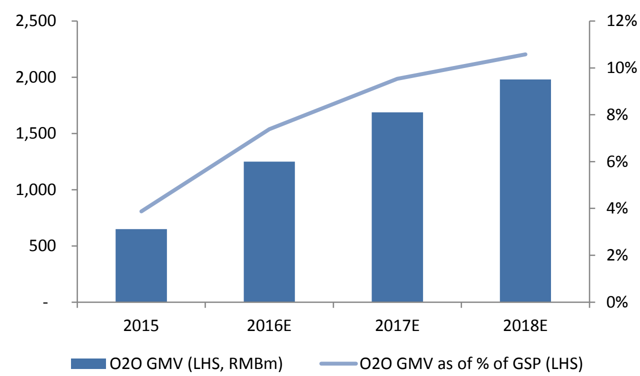
O2O initiatives draw traffic to physical stores and help improve SSSg. GMV of most of the O2O initiatives are booked as offline stores' gross sales proceeds. GMV (RMB650m) for the O2O initiatives were not big, accounting for merely 4% of total GSP in 2015. However, we believe these O2O initiatives will help improve Intime's SSSg as they draw customers to its stores. We expect offline GMV to triple from RMB650m in 2015 to RMB2bn in 2018, or 11% of total GSP, driven mainly by adding offline stores and expanding the CBEC program (Figure 36). We believe the O2O projects are profitable.

Figure 35: Intime's resilient SSSg



Source: Deutsche Bank, company data

Figure 36: Eight O2O initiatives to account for 11% of total GSP in 2018E



Source: Deutsche Bank estimates, company data

Intime has deployed an omni-channel strategy to create a convenient and expedient shopping experience for its customers. It established its own online shopping platform, Yintai.com, in October 2010 to tap into the online population. In 2013, it entered into a strategic partnership with Tmall.com to further integrate its O2O development and provide customers with a new and better shopping experience. It upgraded yintai.com to I Choice and Xi You in 2015-16 to better cater to CBEC demand.

Eight killer O2O initiatives

The company has accelerated its omni-channel strategy and rolled out a series of O2O initiatives. The O2O initiatives include 1) Miaojie (喵街), 2) Miaohuo (喵貨), 3) Miaoke (喵客), 4) Choice (西選), 5) Ji Hood (集货), 6) In Junior, 7) I Choice (意選) and 8) Xi You (西有). We believe the O2O initiatives should create a highly convenient shopping experience to customers, which will lure traffic to its offline store and thus help its offline store's operations.

Figure 37: Key O2O initiatives

	O2O	Business model	Products offering	GMV booking in	Business dev plans
1)	Miaojie (喵街)	Mobile app which offers LBS	Interactive services	na	To expand Miaojie app to 100 stores by end-2016
2)	Miaohuo (喵貨)	Uploads offline merchandise to online mall	General offline merchandise	offline	Incorporating more stores and a merchandise cloud program to digitalize the merchandise
3)	Miaoke (喵客)	Micro shop	General offline merchandise	offline	New product launch in this program
4)	Choice (西選)	Offline supermarket store (general trade + CBEC)	Imported products focus on food, cosmetics products	offline	Expand stores by adding 3-5 Choice stores each year during 2016-18
5)	Ji Hood (集货)	Offline store selling Tmall brand products	Apparel & footwear products	offline	Expand stores by adding 3-10 Ji Hood stores each year during 2016-18
6)	In Junior	Offline store selling Tmall brand products	Mother and baby products	offline	Expand stores by adding 2-10 In Junior stores each year during 2016-18
7)	I Choice (意選)	Online mall selling imported products	Imported products	online	Increase SKUs and launch Xi You platform.
8)	Xi You (西有)	Cross-border B2B2C	Imported luxury products	online	Increase SKUs through expansion of overseas suppliers

Source: Deutsche Bank, company data

The sales proceeds of Miaohuo, Miaoke, Choice, Ji Hood and In Junior are booked in offline stores' GSP. We believe these initiatives help Intime differentiate itself from other retailers and also help increase offline store traffic as consumers are attracted to marketing events.

Figure 38: Key operating metrics for O2O initiatives (2015)

		GMV in 2015 (RMBm)	# of stores as of end 2015	GFA (sqm) by end 2015	Sales per sqm (RMB)
1)	Miaojie (喵街)	na	60	na	na
2)	Miaohuo (喵貨)	117	5	na	na
3)	Miaoke (喵客)	188	28	na	na
4)	Choice (西選)	43	7	5,400	1,662
5)	Ji Hood (集货)	3	1	400	4,323
6)	In Junior	19	4	1,000	3,176
7), 8)	I Choice and Xi You (意選 +西有)	280			
	Total O2O GMV	650			

Source: Deutsche Bank company data

1) Miaojie (喵街) – a mobile app with LBS function

Miaojie is a mobile app which offers LBS (location based service) to consumers, including store navigation, e-coupons, online queuing for restaurants, and parking lot guidance. Miaojie also allows the interaction of consumers and retailers on its BBS (bulletin board system). Users can write comments to retailers while retailers can promote their stores/products on the app. We believe the app offers a convenient shopping environment and an interactive web space to consumers. This should improve customer stickiness to offline stores and enhance marketing efficiency with big data analysis, in our view.

The daily active user rate (a measurement of the stickiness of an online product) for Miaojie was 8% as of April 2016, up from 4-5% in 2015. We expect the daily active user rate to increase to 13% by end-2016 through promotions and that it will upgrade the app with more useful functions. We think the app will help Intime launch precise marketing events by using data analysis of customer profiles. During the National Day holiday in 2015, 690,000 users used the Miaojie app to generate GMV of RMB160m in 40 department stores and shopping centers, accounting for 40% of total GMV in these stores, according to Linkshop.

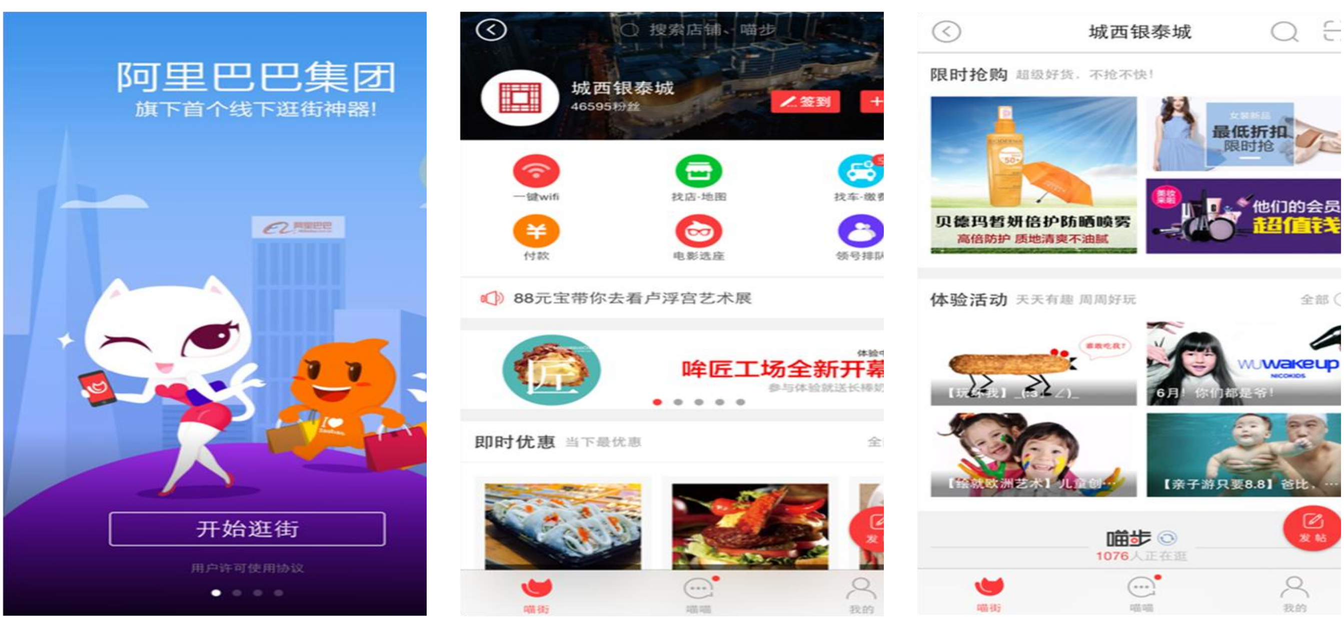
We expect Intime to expand the Miaojie app to 100 stores by end-2016, with support from Alibaba. To recap, Miaojie has developed 63 shopping malls and department stores covering 14 cities as of July 2016, including 27 Intime stores and 36 non-Intime stores, according to our channel checks (Figure 39).

Figure 39: Number of department stores using Miaojie as of July 2016

City	# of department stores
Shanghai	3
Hangzhou	17
Nanjing	1
Wuhan	9
Ningbo	6
Beijing	5
Shaoxing	1
Shenzhen	1
Huzhou	2
Hefei	2
Xi'an	3
Wuhan	9
Chengdu	1
Lishui	3
Total	63

Source: Deutsche Bank, Miaojie app

Figure 40: Miaojie app



Source: Company website

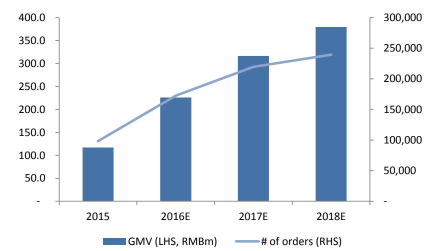
2) Miaohuo (喵貨) – offline merchandise available on online mall

Miaohuo. With Miaohuo, Intime puts the merchandise of offline shops on its online store. This has expanded to five department stores since the launch of the Hangzhou Wulin store in March 2015. The Wulin store accounts for 60-70% of Miaohuo's GMV. We believe Miaohuo has uploaded 200+ brands online, with 70-80k SKUs as of end 2015.

We expect Miaohuo GMV to double to RMB226m in 2016 from RMB117m in 2015, mainly driven by the roll-over of more department stores and the merchandise cloud program (please refer to the section, "Improved store operation management", for more information on the merchandise cloud). The GMV (RMB117m) generated in 2015 was about 25% of its average GSP (RMB461m a year) for Intime's department store, therefore the scale is relatively small now. It books Miaohuo's GMV as offline store GSP, so a growing Miaohuo GMV will help offline store SSSg. We believe Miaohuo's GMV contributed 3-4% of Wulin store's GSP in 2015.

We believe Miaohuo offers an alternative channel for consumers to do finger shopping. The online merchandise is the same as that sold in Intime's offline store, thus Intime guarantees that the merchandise are authentic, which should ease customer concern over fake products. We believe this will capture well the portion of online traffic that shops for authentic products.

Figure 41: Miaohuo GMV forecast



Source: Deutsche Bank estimates, company data

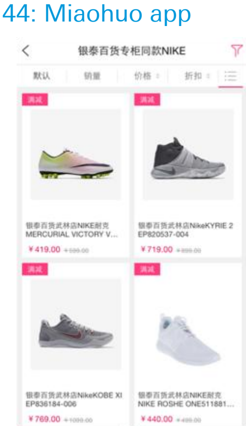
Figure 42: Miaohuo app

Source: Company website

Figure 43: Miaohuo app

Source: Company website

Figure 44: Miaohuo app



Source: Company website

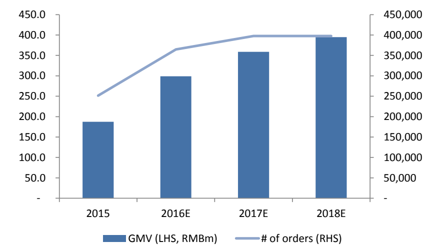
3) Miaoke (喵客) – offline-store salesperson's weidian (micro shop)

Miaoke is a Weidian (micro shop) operated by Intime's salespersons. Miaoke leverages Intime's salespersons in physical stores to proactively communicate with customers. About 46,000 salespersons in 28 of Intime's department stores have installed this app, and they promote newly launched merchandise to customers. The app facilitates a salesperson to cross-sell merchandise across different categories to a customer. The salespersons are entitled to additional commission (1.5% of revenue) from Miaoke's GMV.

We expect Miaoke GMV to rise 60% yoy to RMB299m in 2016 from RMB187m in 2015. This would be mainly driven by the low base in 2015 and new product launches in the program. Sales through Miaoke are booked in offline stores' GSP, thus the growing GMV will help offline store SSSg. We believe GMV from Miaoke has contributed about 1% of Intime's total GSP in 2015.

We believe Miaoke is a useful tool to cater to O2O demand. Weidian was very popular in 2014-15 when offline retailers started to engage in O2O initiatives. We believe the Miaoke business is mainly driven by launches of new private label products.

Figure 45: Miaoke GMV forecast



Source: Deutsche Bank estimates, company data

4）Choice (西选) – an offline supermarket store

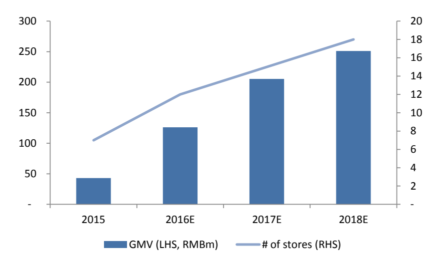
Choice is an offline supermarket chain offering imported products. Intime has established seven offline supermarkets located within its department stores in Hangzhou and Ningbo, with most of the Choice stores opened in November 2015. The Choice store offers imported products, including general imported goods and CBEC products. We expect it to expand Choice to 20 stores by end-2016. GFA of the seven Choice stores was 5,400 sqm as of end-2015, or 800 sqm per store on average.

A combination of traditional B2B imports plus CBEC (cross-border e-commerce) business model. The first Choice store is located on the underground level of Intime Wulin Department store, with GFA of 1,200 sqm. It offers 4,000 SKUs including general products (70% of the SKU) and cross-border e-commerce products (30%), covering cosmetics, packaged food, mother & baby products, and health products. For traditional B2B imported products, customers pay in the store and bring the merchandise home (pay as you go). In CBEC (cross boarder e-commerce) products, customers place orders in the Choice store or online, and the merchandise will be delivered from a bonded warehouse directly to the customer's home in a few days.

Stronger regulation of CBEC business in China. The Chinese government strengthened regulations on the CBEC business in April-May 2016, including those on the positive list and the requirement of customer clearance forms for bonded warehouse trading. We believe the 1-year postponement of the positive list and the customs clearance forms should leave sufficient time for Intime to prepare for the documentation. We believe Intime is working on the registration process to minimize the impact.

We expect GMV of Choice to triple to RMB126m in 2016, mainly driven by the expansion of the store network. The total revenue of the seven Choice stores was RMB43m in 2015, with a monthly sales per sqm of RMB1,662. We expect Intime to add 3-5 Choice stores each year during 2016-18, and the GMV of Choice could reach RMB251m by 2018. (Figure 46)

Figure 46: Choice GMV projections



Source: Deutsche Bank estimates, company data

Figure 47: Choice store – store entrance

Source: Deutsche Bank

Figure 48: Choice store – fresh food products

Source: Deutsche Bank

Figure 49: Choice store – health products

Source: Deutsche Bank

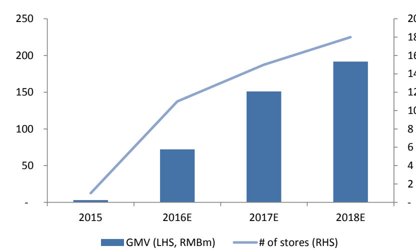
5) Ji Hood (集货) – an offline store selling Tmall brand apparel & footwear products

Ji Hood is an offline store specializing in apparel and footwear products, which were originally Tmall brands. It has an in-house buyer team to source merchandise.

Multi-brand store. Intime opened its first Ji Hood store in November 2015. This store is located in its Wulin Department store and has GFA of ~400 sqm. It offers 16 brands in 1,000+ SKUs, covering apparel, footwear and accessories. GMV was RMB3.2m as of 31 December 2015, or monthly revenue per sqm of RMB4,323.

We expect GMV of Ji Hood to reach RMB72m in 2016, mainly driven by store expansion. We expect Intime to add 3-10 Ji Hood stores each year during 2016-18, and GMV of Ji Hood to reach RMB192m by 2018 (Figure 50).

Figure 50: Ji Hood GMV projections



Source: Deutsche Bank estimates, company data

Figure 51: Ji Hood – store layout

Source: Deutsche Bank

Figure 52: Ji Hood – down jacket

Source: Deutsche Bank

Figure 53: Ji Hood – magic mirror

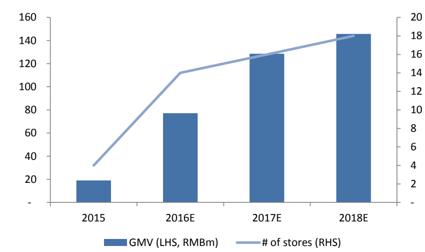
Source: Deutsche Bank

6) In Junior – an offline store selling Tmall-brand mother & baby products

In Junior is an offline store that offers a collection of Tmall brand products with a focus on mother & baby products. Intime added its first In Junior store in 2015. This store is located in Wulin department store, with a GFA of 377 sqm. As of end of 2015, it had four In Junior stores with GFA of ~1,000 sqm. GMV was RMB19m in 2015, or monthly revenue of RMB3,176/sqm.

We expect In Junior GMV to reach RMB77m in 2016, mainly driven by store expansion. We expect Intime to add 2-10 In Junior stores each year during 2016-18, and GMV of In Junior to reach RMB146m by 2018.

Figure 54: GMV of In Junior projections



Source: Deutsche Bank estimates, company data

Figure 55: In Junior store

Source: Deutsche Bank

Figure 56: In Junior store

Source: Deutsche Bank

Figure 57: In Junior store

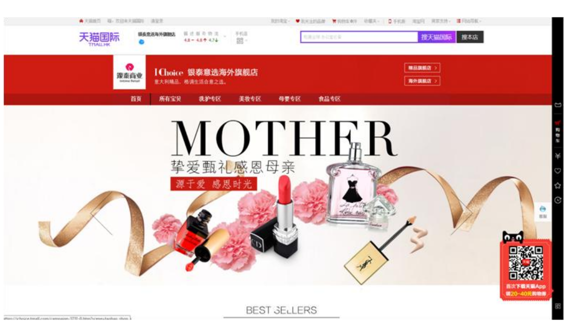
Source: Deutsche Bank

7) I choice (意选) – online mall selling imported products

I Choice is an online store selling imported products. Intime has opened its flagship online store (I Choice store) in Tmall, offering imported products covering cosmetics, mother & baby products, and packaged food products.

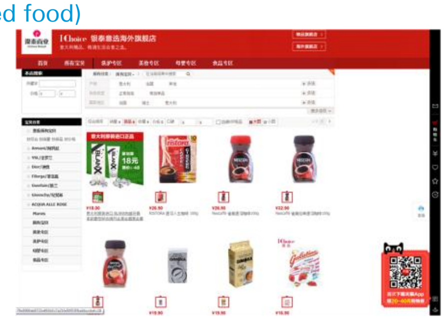
We expect GMV of I Choice mall to surge 60% yoy to RMB450m in 2016, from RMB280m in 2015. This is mainly driven by enriched SKUs and the launch of the Xi You platform.

Figure 58: I Choice homepage



Source: Deutsche Bank

Figure 59: Imported products (cosmetics, mother & baby, packaged food)



Source: Deutsche Bank

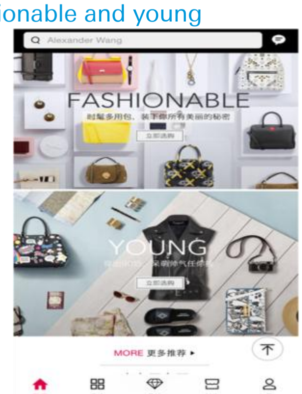
8) Xi You (西有) – an online buyers' shop focusing on luxury products

Intime launched its Xi You app in February 2016. This is an upgraded version of Intime's I Choice mall.

Xi You is based on a cross-border B2B2C business model, and it focuses on high-end and affordable luxury brands, including Yves Saint Laurent, Valentino, Celine, Fendi, Coach and Michael Kors. It sourced these fashion brands from overseas retailers including department stores and boutique stores in Italy, France, and other European countries. The merchandise is delivered from overseas retail stores directly to customers after orders are placed on Intime's Xi You app.

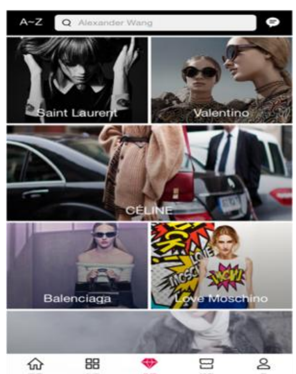
We believe Xi You is competitive among Daigou e-commerce players, as 1) it has professional buyers that source merchandise to obtain in-season products; 2) it has made sourcing agreements with famous luxury retailers to ensure stable sourcing (Italy's GISA Boutiques, La Rinascente department store and Bernardelli buyer store); and 3) competitive prices. According to our channel checks, retail prices in Xi You are 30-40% lower than those of the same products sold in the brands' specialty stores in China.

Figure 60: Xi You emphasizes fashionable and young



Source: Deutsche Bank

Figure 61: Luxury brands on Xi You



Source: Deutsche Bank

Figure 62: GISA, one of Xi You's overseas suppliers

Source: Deutsche Bank

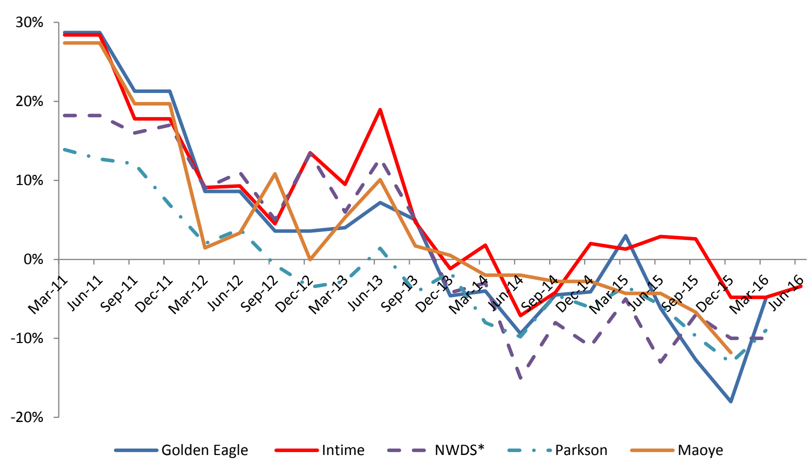
Improved store operation management

Outperforming SSSg driven by enhanced merchandise management

Intime has become one of the largest department store operators with GSP of RMB17bn in 2015. Its resilient SSS is attributable to

- 1) innovative O2O initiatives
- 2) the synergy of multi-format stores, including shopping malls and department stores
- 3) operational excellence – store operation improvements

Figure 63: Intime SSSg outperforms department store industry



Source: Deutsche Bank, company data

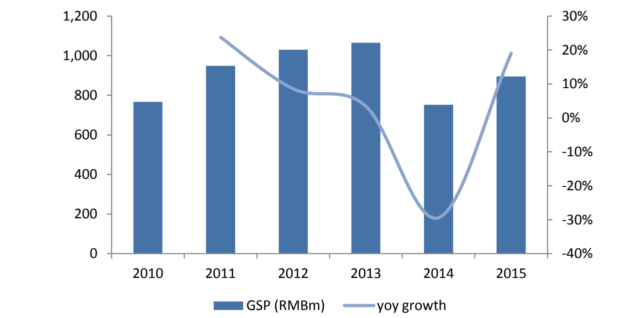
Department stores to upgrade to quasi shopping malls

Intime operates a total of 45 stores as of end of 2015, including 17 shopping malls and 28 department stores. We believe the shopping mall format caters better to consumer lifestyle and leisure shopping demand. It has made efforts to renovate the department stores with more leisure, entertainment and catering space. We expect Intime to upgrade 1-2 projects each year during 2016-18E.

Intime upgraded its West Lake store in 2014 and Qingchun store in 2015. It reduced the retail space and increased space for leisure, catering and entertainment services. We believe the quasi shopping mall format will gain more traffic and cater to lifestyle demand of consumers.

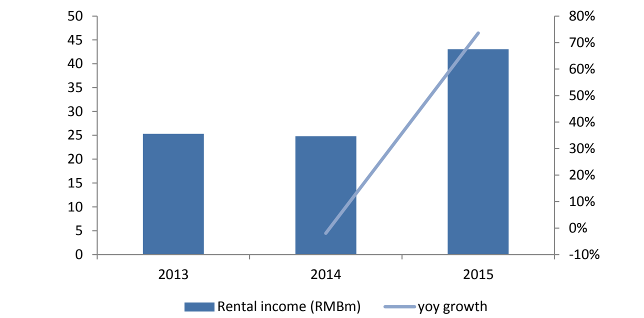
According to the manager of the West Lake store, traffic flow improved after the remodeling and sales per sqm increased 20% from before the renovation. Although the concessionaire space is reduced 25%, and the number of brands reduced to ~400 from 600 brands, it has achieved higher sales per sqm and a higher concessionaire rate with improved management of brands. As a result, net profit for the renovated store increased 10% yoy in 2015.

Figure 64: GSP of West Lake store up 19% yoy in 2015, post-remodeling



Source: Deutsche Bank, company data

Figure 65: Rental income of West Lake store up 74% yoy in 2015, post-remodeling



Source: Deutsche Bank, company data

New stores help drive SSS

It usually takes 3-5 years for new stores to mature. Newer stores have higher GSP growth in the first 3 years at 20-100% yoy. The average GSP growth of the new stores (with a store age below 3 years) were 31% yoy in 2015.

New stores' losses are narrowing. In 2015, five stores made breakeven, and the number of loss making stores was reduced from 13 at end-2014 to 10 by end-2015.

Figure 66: New stores' losses are narrowing

Store name	Profitability in 2015	GSP in 2015 (RMBm)	GSP yoy growth in 2015	Store age
Xi'an Xiaozhai	Loss	35	-11%	2.8
Shaoxing Keqiao	Break-even	154	9%	2.8
Hangzhou City West	Break-even	303	25%	2.3
Huzhou Aishan	Loss	194	25%	2.3
Haining Intime City	Break-even	132	20%	2.1
Tangshan Intime City	Loss	105	-2%	2.1
Hefei Intime City	Loss	117	84%	1.8
Wenling Intime City	Break-even	109	69%	1.8
Linhai Intime City	Loss	69	55%	1.8
Huzhou Intime City	Loss	2	na	1.7
Liuzhou Intime City	Break-even	33	na	1.3
Wuhan Intime City	Break-even	42	na	1.3
Shaoxing Intime City	Loss	125	na	1.1
Wenzhou Yueqing	Loss	132	na	1.1
Hangzhou Zhongda Intime City	Break-even	2	na	1.1
Anhui Wuhu Intime City	Loss	24	na	0.6
Ningbo Intime City	Loss	17	na	0.4
Average	Net loss330m	94	31%	1.7

Source: Deutsche Bank, company data

The mature stores are improving operations with strong merchandise assortment capability

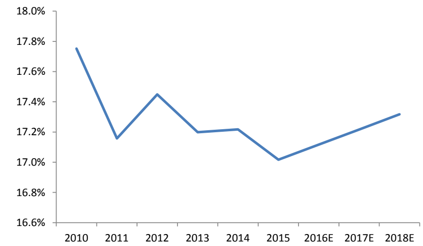
Mature stores are improving operations. We note that mature stores (average store age of 9 years) improved the concession rate by 37 bps yoy in 2015 (Figure 68). We attribute the improvement in the concession rate mainly to better store operation management in a tough macro environment. We expect the concession rate to improve 0.1ppt each year during 2016-18, mainly driven by an improved sales mix and merchandise management.

Figure 68: Mature stores are improving their concession rates

Store name	Concession Rate (2014)	Concession Rate (2015)	Concession rate change (bps)	Store age (years)	GSP growth
Hangzhou Wulin	22.2%	23.1%	90	18	-3.8%
Hangzhou Westlake	19.4%	20.3%	90	8	19.0%
Ningbo Tianyi	19.5%	18.9%	(60)	11	-2.4%
Ningbo Dongmen	19.9%	19.5%	(40)	11	-1.5%
Wenzhou Shimao	21.6%	20.9%	(70)	9	-4.9%
Hubei Xiantao	19.3%	19.7%	40	7	-1.4%
Hangzhou Qingchun	18.9%	20.3%	140	7	-21.9%
Yiwu Yimei	18.0%	18.3%	30	7	4.9%
Jinghua Intime City	17.7%	18.0%	30	7	-2.9%
Hubei Shuizhou	14.2%	14.5%	30	5	1.4%
Hefei Yintai Centre	13.8%	14.3%	50	4	15.1%
Ningbo Yingzhou	17.0%	18.1%	110	9	-6.2%
Average			**37**	**9**	**-0.4%**

Source: Deutsche Bank, company data

Figure 67: Intime's concession rate



Source: Deutsche Bank estimates, company data

Decentralize to store levels. Intime delegates the responsibility of negotiating arrangements with concessionaires to the individual stores as many brands have different distributors in each geographical area. The concessionaire agreement length is six months on average and ranges from three months to one year. Store managers monitor and adjust their brand portfolio on an ongoing basis, and conduct a strategic review of the brand portfolio on a semi-annual basis, i.e. in spring and autumn.

Digitalized merchandise management (merchandise cloud) helps strengthen supply chain management. Intime implemented a single product management system in 2013, i.e. its salesperson inputs merchandise information including fabric, color, size, price, and other product details into the database to help brands better analyze merchandise inventory and sales performance. In January 2016, Intime launched a merchandise cloud system by integrating its database with brands' databases. It aims to complete the system integration by end-2016. We believe the merchandise cloud will improve merchandise management including sales forecasts, inventory replenishment and timely launches of seasonal products. In addition, this will boost GMV of Miaohuo's O2O initiative as it helps digitalize offline merchandise.

Direct sales help differentiate the stores. Direct sales accounted for 10.8% of Intime's gross sales proceeds in 2015. We believe Intime's direct sales include cosmetics (80-90% of direct sales), gold & jewelry, home appliances and groceries. The central merchandising department is responsible for the negotiation of its direct sales supplier's agreement. The direct sales supplier agreement is for one year with credit terms of up to 60 days. Direct sales help differentiate department stores in the market, but require sophisticated merchandise management expertise including buyer teams and inventory management. We expect Intime's direct sales to grow at a 5% CAGR during 2016-18E to RMB2bn in 2018, which would account for 11.2% of total GSP by 2018E.

Asset-light strategy – store asset securitization

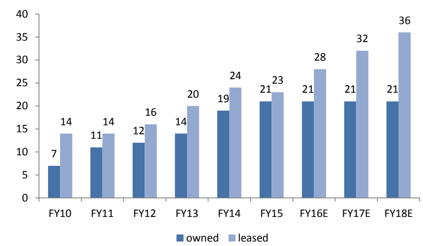
Intime has been seeking opportunities to enhance financial flexibility by restructuring store property assets and adopting an asset-light strategy. Plans include 1) new stores in leased properties, 2) disposal of non-core assets, and 3) securitization of its company property in its company-occupied stores.

We believe the light asset strategy enables Intime to enhance its financial flexibility by restructuring store assets. In our view, the asset light strategy helps it better utilize capital previously invested in property, and re-invest it into its core business of retailing and optimizes its capital structure by paying off debt.

More leased stores instead of company-owned property

We believe Intime is going to add new stores, mainly on leased property, instead of buying its own property. This should speed up its expansion pace as it requires less cash. In our model, we expect Intime to add 4-5 stores each year in 2016-18E on organic growth, with all of the new stores housed in leased properties. We expect Intime to have 57 stores by 2018, from 44 stores as of end-2015 (Figure 69).

Figure 69: Intime's new stores mainly in leased properties



Source: Deutsche Bank estimates, company data

Disposal of non-core assets

Intime has been working on the disposal of non-core assets, including residential properties, and aims to focus on its core business – department store and shopping mall operations.

Figure 70: Intime's major disposal transactions

Target	Date	% stakes	Consideration (RMBm)	Rationale behind disposal	Disposal gain/loss (RMBm)
Hangzhou Xin Hubin	May 2015	50%	305	Hangzhou Xin Hubin operating at a loss, not expected to be able to generate profit in the near future, given the current operating and economic environment. The investment returns of the JV have not met management's original expectation.	115
Shenyang Intime	Dec 2014	100%	489	Shenyang Intime is primarily engaged in the leasing of company-owned department store property to independent third parties. The company considers the disposal of its equity interests in Shenyang Intime will enable the management and financial resources of the company to focus on its core business of operation and development of department stores and shopping malls.	232
Jiaxing Intime	Nov 2013	60%	362	Since its establishment in 2007, the investment returns of Jiaxing Intime Xintiandi have not met management's original expectation.	126
Wenling projects	Jan 2013	70%	406	This will enable the company to focus on its core business of operation of department stores.	na
Cixi project	Jan 2012	100%	200	Dispose the non-core business (Residential property development) and focus on the core business	100
Henan Longyu	Dec 2010	70%	198	Due to changes in city planning and restrictions on usage of land parcels (GFA 22k sqm) held by Henan Longyu.	65

Source: Deutsche Bank, company data

Securitizing of company-owned stores – Dahongmen is the first project

Intime plans to securitize its company-owned properties and re-invest in its core business of retailing. We believe this will 1) free up cash flow to expand swiftly in the market, 2) optimize its capital structure by paying off debt, 3) leave the main business intact as it will lease back the store and continue the department store business.

Dahongmen project has no impact on P&L, while it strengthens B/S. Intime reached a Dahongmen Project Asset-Light agreement on 17 May 2016, which contains a series of arrangements.

According to management, the Dahongmen asset securitization project has no impact on the company's P&L, while it strengthens its balance sheet in freeing up cash flow. The incremental rental cost of RMB68m should be fully offset by a decrease in finance cost (RMB42m at 8.4% loan rate), and the reduction of depreciation expense (RMB21m) and property tax expense (RMB5m at a property tax rate of 1.2%). The Dahongmen store has GFA of 50,000 sqm, including six ground floors and two levels of basement.

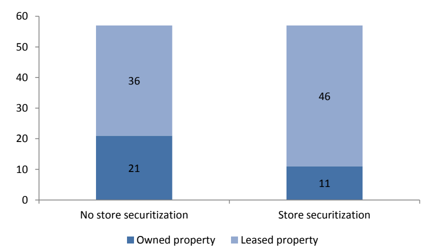
Pipeline – Intime has GFA of 1.7m sqm in company-owned property. Intime plans to continue to liquidate properties it owns to fund its offline store expansion. We believe it has a total of 10 stores (with no tax impact) in its pipeline, which have a market value of RMB6-7bn. To recap, it has 21 company-owned stores with GFA of 1.7m sqm as of end of 2015. We expect the ten projects to free up cash of RMB5bn. In our model, we have not factored in asset securitization projects, as they have minimal impact on P&L.

Figure 71: Dahongmen store securitization has no impact on P&L

Key items	Impact on P&L (RMBm)
Depreciation expense	+21
Property tax expense	+5
Finance cost	+42
Rental cost	-68
Net	**0**

Source: Deutsche Bank, company data

Figure 72: # of stores by 2018E



Source: Deutsche Bank estimates, company data

Figure 73: Department store GSP comparison (2015)

	Intime	Parkson	Maoye	Lifestyle China	Springland (Dept)	Golden Eagle (Ex-VAT)	NWDS
Ticker	(1833.HK)	(3368.HK)	(0848.HK)	(2136.HK)	(1700.HK)	(3308.HK)	(0825.HK)
Period	2015	2015	2015	2015	2015	2015	1HFY16
GSP (RMBm)	16,761	15,593	9,158	3,271	7,907	13,925	5,488
yoy change	6.0%	-6.9%	-14.9%	-1.1%	-4.3%	0.2%	-12.2%
Market cap (HKDm) *	17,130	1,830	3,960	2,770	2,340	14,380	1,700
Mkt cap/GSP	0.9	0.1	0.4	0.8	0.3	0.9	0.3
Direct sales (RMBm)	1,814	1,638.1	902.3	385	309	1,731	412
Direct sales mix (%)	10.8%	10.5%	9.9%	11.8%	3.9%	12.4%	7.5%
End- of period operating area (m sqm)	2.0	1.8	1.7	0.4	0.6	1.8	1.7
Daily GSP per sqm	23.0	24.4	14.9	19.5	37.0	21.9	18.3
End of period no. of stores #	46	60	41	3	18	28	43
Average store size (sqm)	44,054	29,550	41,707	105,250	33,000	63,071	38,790
Commission rate	17.0%	17.2%	16.6%	22.3%	16.4%	17.7%	17.7%
- yoy change	-0.2ppt	-0.7ppt	-0.3ppt	+0.2ppt	-0.3ppt	-0.5ppt	-0.1ppt
2015 EBIT (RMBm)-Core	963	46	749	214	676	1,206	108
2015 EBIT per sqm (RMB)	482	26	438	706	1,138	670	65

*Source: Deutsche Bank, company data, # includes managed stores, *market cap as of 25 July 2016*

Figure 74: Business model comparison of HK-listed department store plays

	Intime	Parkson	Maoye	Lifestyle	Springland	Golden Eagle	NWDS
Store network by 2015	44 stores with GFA of 2.9m sqm	61 stores with GFA of 1.8m sqm	41 stores with GFA of 1.7 m sqm	3 stores with GFA of 0.4 m sqm	18 stores with GFA of 0.8 m sqm	29 stores with GFA of 1.8 m sqm	43 stores with a GFA of 1.7m sqm
Store opening plan	Planning to open 4-5 stores per year, mainly in shopping mall format	2016 new store pipeline: Parkson Chengzhou to be opened in 2H16, relocation of Parkson Shantou in 2H16; Parkson supermarket to be opened in 2Q16;	To build a city complex in Baotou; to acquire Qinhuangdao Maoye, Chongqing Maoye and Taizhou First Department store	Commercial complex project in Daning, Shanghai is under construction and scheduled for completion in 2018	Expects to increase GFA by over 0.6 m sqm in the next 5-year	Expects to increase GFA by 1.1m sqm in the next 3-year in the form of lifestyle centers	Plans to open company-owned stores in Shiyan City and Jingmen City. Pipeline projects: managed stores in Yibin city and Tongliang District in Chongqing City
Rented or owned property?	Company-owned properties are 58% of total GFA, rental expense to GSP ratio is 4.4%	Company-owned properties to total GFA is 14%; rentals to GSP ratio is 7.8%	Company-owned areas account for 81%; rentals to GSP ratio is 2.1%	NA	Company-owned properties are 88.3% of total GFA, rental expense to GSP ratio is 0.56% for department store business	Company-owned properties are 61.9% of total GFA, rental expense to GSP ratio is at 1.7%	Company-owned properties are 20% of total GFA, rental expense to GSP ratio is at 8.6%
GSP in 2015	RMB16.8bn	RMB15.6bn	RMB9.2bn	RMB3.0bn	RMB7.9bn	RMB13.9bn	RMB11.3bn
Sales mix between direct sales and concessionaire	83% of sales from concessionaires and 11% from direct sales	84% of sales from concessionaires and 11% from direct sales	90% of sales from concessionaires and 10% from direct sales	NA	95% of sales from concessionaires and 4% from direct sales	86% of sales from concessionaires and 12% from direct sales	87% of sales from concessionaires and 8% from direct sales
Sales mix by merchandise in 2015	Men 14.4%, women 25.4%, leather 8.9%, gold 17.4%, gold & jew 21.1%, cosmetics 8.9%, boutiques 3.8%, children 4.6%, sports 6.5%	Fashion and apparel 47.4%, cosmetics and accessories 43.4%, household electrical & others 3.9% and groceries 5.3%	Apparel 47.8%, cosmetics and jewelry 23.4%, shoes and leather goods 11.9% and others 16.9%	NA	Fashion and apparel 38.7%, watches, gold and jewelry 24.8%, cosmetics 5.7%, footwear 10% and others 20.8%	Apparel and accessories 49.7%, gold and jewelry and timepieces 17.3%, cosmetics 8.7%, outdoor and sportswear 5.8%	NA
Strategy for current business	Customer orientation, innovation & reform by adopting digitalization, omni-'channelization', 'platformization' and 'entertainmentization', to establish a consumption solution provider driven by big data.	Targets middle-to middle-upper end consumers; continues to enhance three key strategic pillars: retail format and network optimization; product and service offerings enhancement, cross-platform customer engagement	Transforming department stores into shopping centers and establishing experiential - based diversified consumption platforms	Focusing on consolidating business strengths and leading market position; store renovation program and improve brand and product portfolio of existing stores	Steady store network expansion, supports light asset model. Upgrades brand line-ups and combinations, strengthens the line-up of bestselling brands together with expanded competitive brands and further reduces overlap with market competitors	Developing mainly company-owned properties with premises on long-term leases as an alternative; targeting mid-to-high-end market segments in China	Focusing on improving operational efficiency and strengthen existing business and slowing down expansion of company-owned stores. Expanding direct sales and leasing business by increasing number of JV F&B projects and leasing area for lifestyle complementary facilities
Long term strategy	Explore various aspects of omni-channel strategy, adopt light-asset business strategy, and comprehensively cooperate with Alibaba on O2O services.	Localization and consistent market positioning; brand enrichment	Transforming business model, integrating the multiple business sectors and advancing the fusion of the O2O business	Balancing short-term sales growth and profitability while enhancing image and brand equity of its store	Focuses on high-quality premises and seeks opportunities for investment, M&A for business expansion;	Transformation from fashion department store to comprehensive lifestyle center; seeking opportunities for investment, co-operation, M&A	Timely extension of its network to potential third- and fourth-tier cities on low-risk, low-investment approach
Payout ratio in 2015	53%	nm	nil	53%	46%	28%	191% for FY15
O2O initiatives	It has accelerated omni-channel strategies and rolled out O2O initiatives such as Miaojie, Miaohuo, Choice, I Choice and Miaoke, combined with the online platform Yintai.com.	Cooperates with mobile carriers and online payment providers to offer more mobile payment options. Most of marketing and interaction with customers are now done through social media platforms.	In 2015, it initiated data drive work and actively promoted marketing of brand culture and reinforced cultural service experience. Uses media platforms such as WeChat to carry out marketing to attract customer participation.	NA	Adopt smart and new technologies in upgrading payment methods, information matching, mobile internet, foot traffic monitoring and parking systems	Launched Jingying.com app in May 2015. It also launched its Overseas Purchase O2O experience store at Nanjing Xinjiekou store and Jiangning Store in Aug 2015.	Took initiative to draw INMAN, online ladies wear brands to establish its first O2O experiential store at its offline store. It plans to launch the iBeacon platform in 2H16, to send LBS and vouchers to customers.

Source: Deutsche Bank, company data

Earnings model

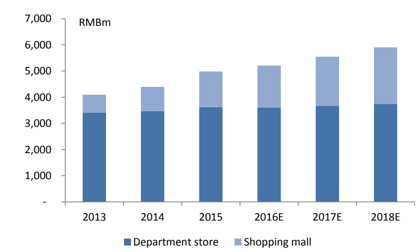
We forecast core net profit CAGR of 12.3% in 2016-18

In 2016-18, we forecast Intime's core net profit CAGR of 12.3%, on the back of revenue CAGR of 6.6%. Key organic growth drivers are 1) new store openings with a focus on shopping malls, 2) improved SSSg, and 3) margin improvement from operating leverage. We have not factored M&A expansions into our model.

Revenue mainly driven by rental income, SSS, new stores

We forecast total operating revenue will post a 6.6% CAGR for FY16-18, driven by a 3% CAGR in commission income, 5% CAGR in direct sales and 24% CAGR in rental income. The new store openings will focus on shopping mall format, which will result in an increase of rental income. We expect department store to grow at 0-2% yoy driven by the SSS, while shopping mall to grow at 15-17% yoy during 2016-18E, driven by the new store opening and the rental raise. Rental income as a % of revenue is to increase from 5.4% in 2015 to 9.3% in 2018E.

Figure 75: Revenue breakdown by department store and shopping mall

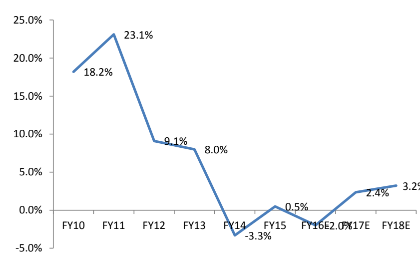


Source: Deutsche Bank

Shopping mall - store opening plans. We expect it to add 4-5 stores each year over 2016-18, with average store GFA of 100,000 sqm. We expect rental income to increase from 16% of total revenue in 2015 to 25% in 2018. For 2016, we expect Intime to add five stores in Zhejiang, Hubei and Anhui, all in the shopping mall format. We expect Intime to open 4 stores each year in 2017-18E. By end-2018, Intime should operate 57 stores, including 28 department stores and 29 shopping malls.

Department store - same-store sales growth. We expect SSSg to grow -2.0%/+2.4%/+3.2% in 2016/17/18. 1H16 SSSg was -4.1% on tough consumption sentiment and store renovations, which reallocated some retail space as leisure/entertainment space to lure traffic. We expect newer stores with a store age below three years to have higher SSS, with 20-30% sales growth for the first three years of operation, then slow down to a low single digit in the subsequent two years.

Figure 76: Intime's SSSg forecast



Source: Deutsche Bank, company data

Department store - 10bps improvement in concession rate each year. We expect the commission rate to improve 10/10/10 bps in 2016/17/18, driven by improved sales mix and brand management, especially in mature stores. To recap, the concession rate in mature stores (store age above five years) improved 37bp in 2015.

Revenue from property sales at RMB500m each year in 2016-18E. Intime plans to continue to sell investment property during 2016-18. The total market value of these investment properties was RMB1.5bn as of end of 2015. We expect it will sell RMB500m investment property each year with an EBIT margin of 10%, the same as in 2015.

Gross profit to increase at 8.2% CAGR in 2016-18E to RMB5.4bn by 2018, mainly driven by the 0.1 ppts improved direct sales margin each year during the same period.

Figure 77: Gross sales proceeds breakdown (RMBm)

	2013	2014	2015	2016E	2017E	2018E
Concessionaire sales	13,504	13,561	13,988	13,848	14,263	14,834
Direct sales	1,809	1,672	1,814	1,887	1,981	2,100
Rental income	350	544	912	1,149	1,414	1,739
Total GSP	15,692	15,814	16,761	16,935	17,713	18,733
% of total GSP						
Concessionaire sales	86%	86%	83%	82%	81%	79%
Direct sales	12%	11%	11%	11%	11%	11%
Rental income	2%	3%	5%	7%	8%	9%
YoY change						
Concessionaire sales	11%	0%	3%	-1%	3%	4%
Direct sales	23%	-8%	9%	4%	5%	6%
Rental income	21%	55%	68%	26%	23%	23%

Source: Deutsche Bank estimates, company data

Figure 78: Revenue breakdown (RMBm)

	2013	2014	2015	2016E	2017E	2018E
Concessionaire income	2,323	2,335	2,380	2,370	2,456	2,569
Concessionaire rate	17.2%	17.2%	17.0%	17.1%	17.2%	17.3%
Direct sales	1,809	1,672	1,814	1,887	1,981	2,100
Rental income	350	544	912	1,149	1,414	1,739
Others	29	38	46	51	55	60
Total retail revenue	4,510	4,588	5,153	5,457	5,906	6,468
Sale of properties	-	663	602	500	500	500
Total revenue	4,510	5,251	5,755	5,957	6,406	6,968

Source: Deutsche Bank estimates, company data

Opex will increase at 7.3% CAGR in 2016-18E mainly on the increase of staff cost (24% of opex in 2015) and rental expenses (22%). We expect Intime to increase staff cost per headcount by 10% yoy during 2016-18 to motivate the store staff, and this cost to be partly offset by reduced staff numbers by 8-15% yoy. As for rental expense, we expect an increase of 10-15% yoy in 2016-18E due to its asset light strategy, with newly opened stores mainly on leased property. As the new shopping malls take time to ramp up, we expect the occupancy ratio to improve from 85% in the first year of opening to 95% in the third year of store opening.

Figure 79: Department stores' operating comparison (2015)

	Intime	Parkson	Maoye	Lifestyle (Group)	Springland (Dept)	Golden Eagle	NWDS
# of staff	7,931	9,071	5,635	2,377	3,713	6,200	5,133
Staff cost (RMBm)	779	688	382	370	303	501	555
No. of stores	46	60	41	6	18	29	43
# of staff/store	172	151	137	396	206	214	119
Staff productivity (GSP/staff) (RMBm)	**2.1**	**1.7**	**1.6**	**3.4**	**2.1**	**2.2**	**2.2**
Staff cost per headcount (RMB)	98,256	75,869	67,759	155,864	81,605	80,771	108,090
Rental cost	745	1,220	209	248	44	236	967
# of leased stores	19	52	8	2	2	11	34
Rental cost / leased store (RMBm)	39	24	27	124	21	21	28

Source: Deutsche Bank, company data

By segment, we expect shopping mall to contribute 11% of EBIT by 2018E, up from 6% in 2015.

Figure 80: EBIT breakdown by segment

YE Dec, RMBm	2013	2014	2015	2016E	2017E	2018E
Revenue						
Department store	3,407	3,470	3,619	3,610	3,670	3,742
Shopping mall	685	926	1,365	1,601	1,877	2,161
Others - property lease income	417	191	169	245	359	564
Property development	na	663	602	500	500	500
Total revenue	**4,510**	**5,251**	**5,755**	**5,957**	**6,406**	**6,968**
Sales mix						
Department store	76%	66%	63%	61%	57%	54%
Shopping mall	15%	18%	24%	27%	29%	31%
Others - property lease income	9%	4%	3%	4%	6%	8%
Property development	0%	13%	10%	8%	8%	7%
Total revenue	100%	100%	100%	100%	100%	100%
EBIT						
Department store	954	911	935	935	965	1,012
Shopping mall	170	(69)	71	83	106	138
Others - property lease income	68	41	21	30	44	70
Property development	na	271	61	52	52	52
Total EBIT	**1,192**	**1,154**	**1,087**	**1,100**	**1,167**	**1,271**
EBIT margin						
Department store	28%	26%	26%	26%	26%	27%
Shopping mall	25%	-7%	5%	5%	6%	6%
Others - property lease income	16%	22%	12%	12%	12%	12%
Property development	na!	41%	10%	10%	10%	10%
Overall EBIT	**26%**	**22%**	**19%**	**18%**	**18%**	**18%**
EBIT mix						
Department store	80%	79%	86%	85%	83%	80%
Shopping mall	14%	-6%	6%	8%	9%	11%
Others - property lease income	6%	4%	2%	3%	4%	5%
Property development	na	23%	6%	5%	4%	4%
Total EBIT	100%	100%	100%	100%	100%	100%

Source: Deutsche Bank, company data

Effective tax rate is projected at 27% in 2016-18, the same as in 2016.

Core net profit to post a 12.3% CAGR during 2016-18E. We adjusted fair value gain on investment properties, gain from disposal, and property sales to derive our core net profit estimates (Figure 81).

Figure 81: Core net profit adjusted by fair value gain, property sales and disposal gain

Y/E Dec, RMBm	2014	2015	2016E	2017E	2018E
Net profit	1,121	1,317	1,259	1,294	1,409
Fair value gain	435	292	292	292	292
Property sales	663	602	500	500	500
Property cost	(280)	(435)	(361)	(361)	(361)
Property dev expense	(112)	(105)	(87)	(87)	(87)
Disposal gain	9	353	200	100	100
Tax	(349)	(194)	(177)	(167)	(173)
Core net profit	756	804	892	1,018	1,138

Source: Deutsche Bank estimates, company data

Dividend payout ratio is estimated at 40% of net profit in 2016-18. To recap, it paid out 53% of NP in 2015 as it received one-off disposal gains from Xin Hubin and Shenyang projects.

Working capital. The inventory, AR and AP as a % of GSP was 11/48/178 days in 2015. For trade receivable and trade payable, it was 1 day and 56 days in 2015. We expect the working capital turnover to remain stable in 2016-18E.

Capex. Our forecast capex is mainly on the organic opening of new stores and store renovations. We expect capex of RMB1.4-1.5bn each year for store renovations and organic expansion in 2016-18.

Cash flow. We have not factored asset securitization projects into our model. We expect Intime to complete ten asset light projects in two years by 2017, which is likely to result in an increment disposal gain of RMB5bn.

Net debt of RMB2bn as of end of 2016E. We expect the company to have net debt of RMB2bn as of end of 2016, after Alibaba's CB conversion in June 2016.

Figure 82: P&L statement

Y/E Dec, RMBm	2013	2014	2015	2016E	2017E	2018E
Turnover	**4,510**	**5,251**	**5,755**	**5,957**	**6,406**	**6,968**
Gross profit	3,403	4,012	4,264	4,501	4,902	5,402
EBITDA	1,469	1,485	1,460	1,545	1,679	1,856
Depreciation	(386)	(456)	(497)	(545)	(577)	(607)
EBIT	**1,083**	**1,029**	**963**	**999**	**1,102**	**1,249**
Net finance income	55	48	14	69	108	114
Associates	256	309	266	266	279	293
Excep. Item	963	420	598	441	336	330
Profit Before Tax	2,356	1,805	1,842	1,775	1,825	1,986
Tax	(642)	(641)	(493)	(486)	(499)	(543)
Minority Interests	(119)	(42)	(32)	(30)	(31)	(34)
Net Profit	**1,595**	**1,121**	**1,317**	**1,259**	**1,294**	**1,409**

Source: Deutsche Bank estimates, company data

Figure 83: Balance sheet

Y/E Dec, RMBm	2013	2014	2015	2016E	2017E	2018E
Fixed Assets	11,484	13,350	14,817	15,711	16,623	17,489
Deferred tax assets	190	266	314	314	314	314
Investment	4,277	5,059	4,640	4,905	5,184	5,477
Inventory	484	495	523	542	583	634
Debtors	1,734	2,111	2,311	2,392	2,572	2,798
Cash and Deposits	2,133	2,394	1,783	1,413	1,458	1,747
Other Current Assets	3,671	4,119	3,890	3,890	3,890	3,890
Total Assets	23,973	27,794	28,278	29,167	30,624	32,349
Creditors	6,499	8,191	8,126	8,411	9,044	9,838
Short-Term Debt	2,931	1,471	3,382	3,382	3,382	3,382
Other Current Liabilities	622	796	750	569	584	636
Total Assets Less Current Liabilities	**13,920**	**17,336**	**16,021**	**16,806**	**17,614**	**18,494**
Share Capital	0.2	0.2	0.2	0.2	0.2	0.2
Reserves	8,640	10,434	10,776	14,765	15,541	16,387
Shareholders' Funds	8,640	10,434	10,776	14,765	15,542	16,387
Minority Interests	1,175	1,086	987	1,017	1,049	1,083
Long Term Debt	3,334	5,055	3,415	181	181	181
Other Long Term Liabilities	772	761	843	843	843	843
Total Assets Less Current Liabilities	**13,920**	**17,336**	**16,021**	**16,806**	**17,614**	**18,494**

Source: Deutsche Bank estimates, company data

Figure 84: Cash flow statement

Y/E Dec, RMBm	2013	2014	2015	2016E	2017E	2018E
Profit before tax	2,356	1,805	1,842	1,775	1,825	1,986
Taxes paid	(336)	(468)	(588)	(683)	(491)	(517)
Depreciation	386	456	497	545	577	607
Less Div. from Assoc.	(256)	(309)	(266)	(266)	(279)	(293)
Gross Cash flow	**2,151**	**1,484**	**1,485**	**1,372**	**1,632**	**1,784**
Net Capex	(2,586)	(1,396)	(1,130)	(1,439)	(1,489)	(1,473)
Net Change in Working Capital	(57)	(375)	219	185	412	517
Free Cashflow	**(492)**	**(286)**	**574**	**119**	**555**	**827**
Dividend Paid	(383)	(422)	(722)	(488)	(510)	(538)
Investments	(295)	(995)	(1,325)	0	0	0
Disposals	355	647	381	0	0	0
Issued Share Capital	65	981	(60)	3,234	0	0
Debt increase/(decrease)	(228)	261	271	(3,234)	0	0
Forex. Adj. & Others	383	75	270	0	0	0
Net Cashflow	**(596)**	**261**	**(612)**	**(369)**	**45**	**289**

Source: Deutsche Bank estimates, company data

Appendix

Company profile

Intime is mainly engaged in the operation of department stores and shopping malls, having established its first store (Hangzhou Wulin store) in November 1998. Listed in March 2007 on Hong Kong Stock Exchange, Intime is a leading department store and shopping mall operator in China, with a dominant position in Zhejiang province and an extended nationwide network.

It focuses on operating trendy department stores while actively developing comprehensive shopping malls, an online store and an O2O business, targeting young and the modern families.

It sells international and domestic brands, targeting young and affluent customers. It offers an extensive portfolio of fashionable and trendy merchandise in its stores, ranging from apparel (44% of GSP in 2015), gold & jewelry (21%), cosmetics (9%), footwear (9%), sportswear (7%) and household products.

Shareholding structure – Alibaba is the largest shareholder

Placement of old shares by founder

1) Shen Guojun, the founder of Intime, placed 60m shares at HK$8.70/share with Chen Xiaodong, an executive director and CEO of the company in May 2015.

2) Mr Shen placed 398m shares at HK$9.12/share with his family and independent third parties in July 2015. After the share placement, Mr Shen's family holds a 21.9% stake in the company.

Alibaba's conversion of CB

Aliababa subscribed to 221m new shares in 2014, (9.9% of the issued capital of Intime on enlarged basis) at a consideration of HK$1.7bn or HK$7.53/share. It subscribed to a convertible bond with a principal of HK$3.7bn in July 2014.

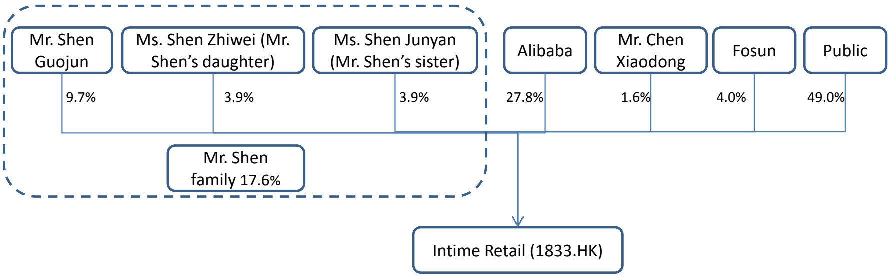
Alibaba has converted all of its CB at the conversion price of HK$7.13 to 535m conversion shares on 30 June 2016. After the conversion, Alibaba's stake increased from 10.1% to 27.8%, while Mr Shen's family's stake decreased from 21.9% to 17.6%.

Figure 85: Shareholding structure of Intime

	Before 30 June		Present	
	# of shares (m)	% of stake	# of shares (m)	% of stake
Mr Shen's family	477	21.9%	477	17.6%
Alibaba	221	10.1%	756	27.8%
Mr Chen	42	1.9%	42	1.6%
Fosun	109	5.0%	109	4.0%
Public shareholders	1,331	61.1%	1,331	49.0%
Total	**2,180**	**100.0%**	**2,715**	**100.0%**

Source: Deutsche Bank, company data

Figure 86: Shareholding structure

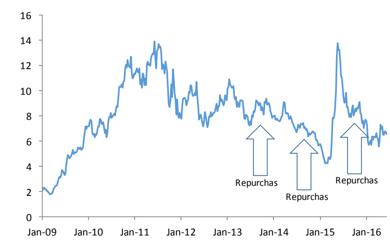


Source: Deutsche Bank, company data

Share repurchase

Intime repurchased 87m shares and then cancelled all the repurchased shares during 2013-15, with the intention to enhance the company's net assets and earnings per share. The total consideration of the share repurchase was HK$605m, or HK$6.94 per share. It made no share repurchase in 2016. We expect management to resume share repurchases in the future when it feels the share price is weak.

Figure 87: Share price chart (HK$)



Source: Deutsche Bank, Bloomberg Finance LP, company data

Figure 88: Intime's share repurchases

Date	Number of shares repurchased (m)	Consideration paid (HK$m)	Consideration per share (HK$)
June-July 2013	14	101	7.20
October-November 2014	63	429	6.77
March-August 2015	10	75	7.62
Total	**87**	**605**	**6.94**

Source: Deutsche Bank, company data

History

The company started a department store business in 1998 when it established its first department store, Hangzhou Wulin store in Hangzhou. Intime Department Store was incorporated in the Cayman Islands in November 2006, and renamed Intime Retail in July 2013. Its shares were listed on HKEX in March 2007.

Figure 89: Company history

Date	Milestones
Nov-1998	Established its first store in Hangzhou - Hangzhou Wulin Store
Oct-2005	Allied with Warburg Pincus to introduce advanced management
Mar-2007	Listing in HKex
Mar-2008	Start manage Hangzhou Department store
Oct-2010	Acquired 50% stakes in Beijing Youyi Lufthansa at consideration of HK$1.6bn
Oct-2010	Established own online shopping platform Yintai.com
Nov-2011	Introduced GIC as investor; GIC held a 9.1% stake in the company after completion of share purchase and share subscription
Jul-2013	Changed its name from Intime Department Store to Intime Retail
Oct-2013	Entered into a strategic partnership with Tmall.com to further integrate its O2O development
Mar-2014	Entered into a strategic cooperation framework agreement with Alibaba including issue of subscription shares and CB, and establishing a JV
Jun-2015	Shen Guojun resigned as chairman and executive director of the board.
May-2016	Asset-light project for Beijing Dahongmen store

Source: Deutsche Bank, company data

Board of directors and management team

As of 31 December 2015, the board comprised five directors, including one executive director (Chen Xiaodong), two non-executive directors (Xin Xiangdong and Zhang Yong) and two independent non-executive directors (Chow Joseph and Chen Jiangxu). Zhang Yong is chairman of the board.

Figure 90: Board of directors and management team

Name	Position	Age	Date of appointment	Duties	Background
Executive director					
Chen Xiaodong	Executive director, President and CEO	47	2009	Business development and overall management and operations of the company	Extensive experience in the department store industry, financial management and capital markets.
Non-executive directors					
Xin Xiangdong	Non-executive director	59	2007	Non-executive Director and chairman	Years of experience in investment and capital markets.
Zhang Yong	Non-executive director and chairman	44	2014	The effective functioning and leadership of the board and the strategic development of the company	Currently a director and CEO of Alibaba Group, and president of Tmall.com.
Independent non-executive directors					
Chow Joseph	Independent non-executive director	52	2007	Independent judgment in board meetings	Experience and knowledge in formulating and monitoring investment strategies
Chen Jiangxu	Independent non-executive director	63	2015	Independent judgment in board meetings	Extensive experience serving in financial institutions
Hu Yongmin	Independent non-executive director	46	2016	Independent judgment in board meetings	Extensive experience serving in financial institutions
Senior management					
Zou Minggui	Vice President	52	2009	The regional general manager of Wuhan region of the company.	Over ten years of experience in the retail industry.
Gary Wang	Vice President and CFO	39	2014	Responsible for financial management, and investors relationship.	Various financial management positions
Niu Wei	Vice President and COO	53	2014	In charge of the operational management department and purchasing department	Nearly 20 years of management experience in the retail business.

Source: Deutsche Bank, company data

Recent M&A deals in department store industry

Figure 91: Department store sector's key M&As in 2014-2016

Date	Acquirer	Target	Stakes Acquired	Considera. (RMBm)	Target's GSP (RMBm)	Target's NP (RMBm)	Valuation (P/S)	Valuation (P/E)
Apr-2014	Nanjing Xinjiekou Department Store	House of Fraser	89%	1,562	7,834	-17.90	0.22	NA
Apr-2014	Kunming Sinobright	Kunming Department Store	18.50%	1.55	137	1.93	0.06	4.34
May-2014	Better-Life Commercial	Nancheng Department Store	100%	1,575	3,090	105.26	0.51	14.97
Jul-2014	Shanghai New World	Shanghai Xin Nan Dong Project	100%	245	NA	NA	NA	NA
Aug-2014	Beijing Cuiwei Tower	Beijing Ganjiakou Plaza	100%	NA	697	24.65	NA	NA
Dec-2014	Beijing Hualian Department Store	Inner Mongolia Xin Lian Department Store and yinchuan	16.01%	50	NA	-24	NA	NA
Jan-2015	Zhengjiang BaBaiBan	Zhengjiang Parkson Department Store	50%	176	365	1.14	0.96	NA
Mar-2015	Xi'An Tourism	Xi An Hu Xian Cao Tang Outlets	51%	25	NA	-0.07	NA	NA
Jun-2015	Maoye	Shenzhen Maoye Department Store, Shennan store, Huaqiangbei store, Oriental Times store	100%	8,560	4,555	616	1.88	13.91
Oct-2015	Beijing Hualian	Shanxi Hualian Department Store	99.69%	862	NA	-2.55	NA	NA
Oct-2015	Beijing Hualian	Hai Rong Xing Da	100%	NA	NA	-30.25	NA	NA
Oct-2015	Dalian Dashang Group	Xinjiang Youhao Group	16.15%	570	8,276	91.89	0.43	38.44
Nov-2015	Dalian Dashang Group	Shandong Weihai General Merchandise Mall	70%	61	NA	NA	NA	NA
Dec-2015	Maoye	Chengdu Renhe Spring Department Store and Qingyang Renhe Store	100%	2,474	2,810	269	0.88	9.20
Dec-2015	Maoye	Qindao North Outlets	100%	560	NA	-0.02	NA	NA
May-2016	Maoye	Victory Group	70%	1,565	4,008	-75.02	0.56	NA
Jun-2016	Maoye	Qinghuangdao Maoye	100%	1,350	1,668	79.66	0.81	16.95
Jun-2016	Maoye	Chongqing Maoye	100%	527	514	28.07	1.02	18.78
Jun-2016	Maoye	Taizhou First Department Store	97.31%	643	773	53.46	0.85	12.36
						Average	**0.74**	**16.12**

Source: Deutsche Bank, company data

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Intime Retail	1833.HK	6.25 (HKD) 25 Jul 16	NA

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/DisclosureDirectory.eqsr.

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Historical recommendations and target price: Intime Retail (1833.HK)
(as of 7/25/2016)

Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9,2002

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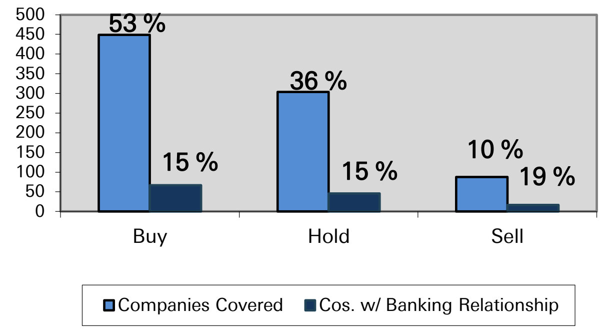

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