

# Goodbaby International Holdings Ltd 1086

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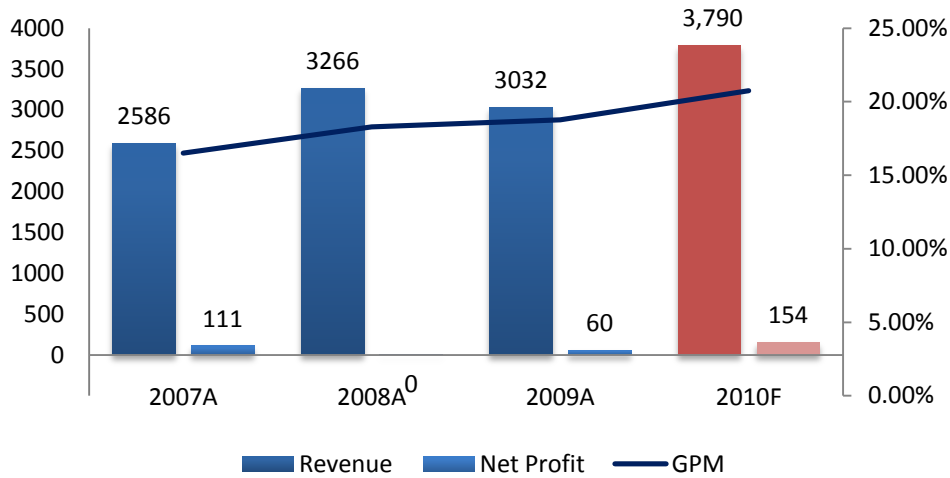
## Strong BUY

Irreplaceable Leading Position in the International Durable Juvenile Product Market

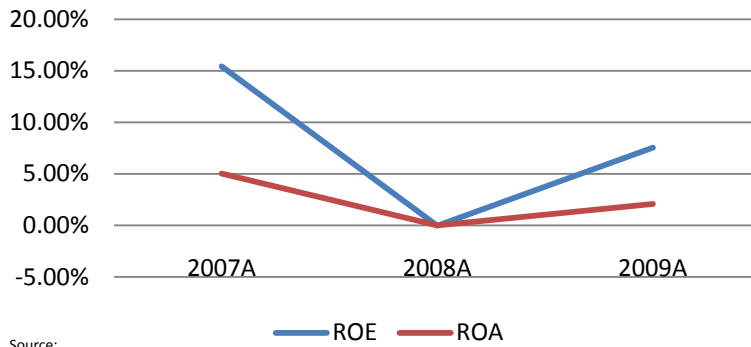
## Valuation

We expect Goodbaby International Holdings Ltd (GB) to post a revenue of HKD 3,790M and HKD 4,738M in FY10 and FY11 respectively, representing an CAGR of 25%, while expect the net profit to reach HKD 154M and HKD 258M in FY 10 and FY11 respectively. Our estimates mainly based on the following few beliefs, the potential jump in PRC per capita retail spending, maintaining leading market shares across the globe, increasing distribution channels, new growth engine from children car safety seat, and the spinning off the discontinuing segment which contributed approximately HKD 380M losses over the last 3.5 years. We also expect GB's GPM to maintain at current level over the coming 2 years and the NPM to improve by 40bp in FY11, in belief of the worst has over for North America and EU which jointly account for 63.7% of GB's total revenue in FY09 and in turn lift up GB's pricing ability. Based on the mid IPO price, GB is offering at an E10 PE of 27.94X which is higher than its close comparable's (1225.HK) 5Yr average PE of 14.46X. However, we believe, based on its leading position and consistent growth tracking record, GB should deserve a great premium over its comparable. **We are initiating our 12 months base case TP of HK\$ 6.46 to GB, representing 31.86% upside potential, E11 PE of 18.95X, a PEG of 0.76.**

## Revenue vs NP (HKD M)



## Profitability



Source:

Goodbaby International Holdings Ltd (GB)

## Investment Thesis

Well recognized brands namely, “Goodbaby” and “Little Dino” jointly account for largest market share in PRC (41.2%), well ahead the 3% MS of the closest competitor’s brand.

By Marcus TZE

Leading position has been developed for 17 years, 11 years, and 4 years in PRC, North America, and Europe respectively.

Long tracking record (21 years)

Stable production control and supply chain management system (in Kunshan and Ningbo)

Relatively diversified revenue channels from its own brands and third party brands

Well protected intellectual assets (209 trademarks, 2116 patents)

Stable operating efficiency (CCC on average around 77 days)

### **Major risk**

Global intensive competition may shrink MS

Reputation may be harmed

Larger international exposure

GB does not have long-term sales contracts with our key international brand owner customers

Long term low growth concern of PRC population aging problem

[For other basic information please refer to our IPO introduction and the company prospectus.](#)

# Disclaimer

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