

# Report

Equities | Retailing | China  
June, 18th, 2013



## Goldrooster AG

**Recommendation: BUY**  
**Risk: High**

**Current Price: EUR 1.96**

**Fair Value: EUR 5.8**

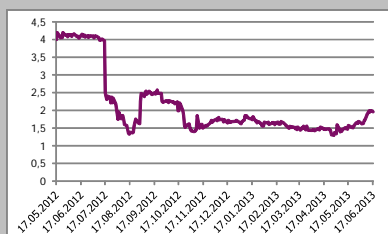
**Reuters Code: GO8.DE**  
**Stock Symbol: GO8 GR**  
**Fiscal Year End: December**

**Homepage: [www.goldrooster.de](http://www.goldrooster.de)**

### Trading Data:

Price High/Low: EUR 4.13 – 1.26  
Market Cap: EUR 39.3m  
Shares Outst.: 20.72m  
Free Float: 3.7%

### Price Graph:



### Financial Calendar:

July 2013 Annual Meeting

### Date and Time of Stock Price

June 18, 2013, 0900 CET

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**Please have a look at the Disclaimer and other Information on page 24**

## High expectations delivered

As hoped, Goldrooster AG reported very good 2012 results which beat our already high expectations. Sales increased by 44.9% to EUR 150.7m (FY 2011: EUR 104m). Operating profit was EUR 30.3m, which is equal to a very good EBIT margin of 20.1%. Cash was EUR 50.9m by the end of December 2012.

Overall, it was a very good year for Goldrooster characterized by high sales growth and margin expansion.

## Change in Business Plan

Last year, Goldrooster AG went public with one of the goals to open own stores next to their franchise expansion.

Non-owned stores expansion went aggressively. In March 2013 the company had 1562 stores a plus of 16.2% compared to December 2011. Own store expansion on the other hand stands still. The company has just opened one flagship store in 2012. We have calculated with far more openings. The management has changed its expansion plan and will not open own stores this year.

They decided to stick to the already tested and successful growth strategy by focusing on expansion via franchise. New store openings will be postponed.

We actually like this decision as we found it anyway quite risky as well as costly to open own stores.

We expect there to be 1669 stores by the end of 2013.

## Higher Sales and Profit Expectations

We are again raising our sales target for 2013 to EUR 188.4m, representing a growth of 25% compared to 2012. EBIT margins should come in at 18.3%.

## Target Price: EUR 5.8 - BUY

Our target price for Goldrooster AG stock is EUR 5.8, which is equal to a total value of EUR 119.2m. We have used a DCF model and combined that with a Peer group analysis. We recommend BUYING.

(in EUR m)	2009	2010	2011	2012	2013E	2014E
Sales	58,9	80,1	104,0	150,7	188,4	226,1
growth		36,0%	29,9%	44,9%	25,0%	20,0%
EBIT Margins	20,8%	21,8%	21,8%	20,1%	18,3%	18,3%
Net Profit	9,2	13,2	17,0	22,8	26,4	31,6
EPS				1,11	1,27	1,52
P/Sales				0,3	0,2	0,2
P/E				1,7	1,5	1,2
P/B				1,1	0,7	0,5

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## SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• The company has established a successful brand making future success and expansion plan achievable.</li> <li>• The company offers a broad product range making success less dependent on core products.</li> <li>• The management has a long-term expertise in the Chinese fashion market.</li> </ul>	<ul style="list-style-type: none"> <li>• Fashion in general bears the risk that the designers might not reach the taste of its customers.</li> <li>• Rising costs might put pressure on future margins development.</li> <li>• The company is still rather small.</li> </ul>
Opportunities	Risks
<ul style="list-style-type: none"> <li>• External surveys show that Chinese demand for fashion goods will grow over-proportionally for the coming years.</li> <li>•</li> <li>• Goldrooster AG will expand its reach to so far not penetrated Chinese regions for a couple of years.</li> <li>• The company might extend its product line even more, which will increase its client base.</li> </ul>	<ul style="list-style-type: none"> <li>• The competitive environment is very intense and an increasing amount of well-known fashion brands from China as well as from abroad are trying to gain market share.</li> <li>• Goldroosters logo looks very much like the one of the already well established "Le coq sportif". This could lead to additional patent fights.</li> <li>• A slowdown of the Chinese economy could jeopardize expansion plans.</li> </ul>

## Short to Mid-term Catalysts

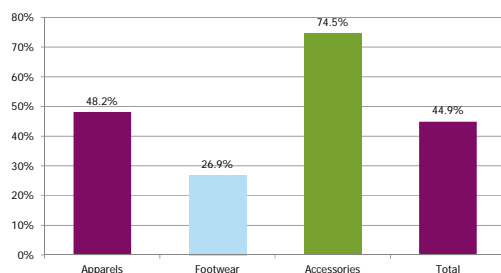
Future news flow of the company should be stronger than historically.

## Latest Developments and Growth Drivers

### 2012 in Detail

2012 results were very good and exceeded our already high expectations. Sales grew by 44.9% to 150.75m. Good figures were supported by the strong appreciation of the Renminbi versus the Euro. But nevertheless results are impressive. Most growing segment was Accessories with a growth of 74.5% compared to 2011, followed by Apparel (+48.2% compared to 2011) and Footwear (+26.9% compared to 2011). Good sales results show that the design team did a very good job in meeting the customers taste in this very competitive environment. Additionally, the company has moved into a new headquarter, far bigger than the old one. This helps the company to work more precisely and efficiently.

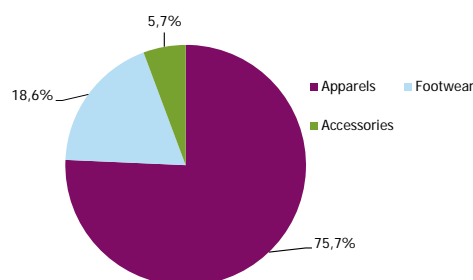
### 2012 Sales Growth by Segment in %



Source: Goldrooster AG

In 2012, allocation wise, Apparel was responsible for 75.7% of sales followed by Footwear with 18.6% and Accessories with 5.7%.

### Sales Allocation by Segment



Source: Goldrooster AG

2012 profit development was as well very satisfying. Operating profit was EUR 30.3m representing a good profit margin of 20.1%.

Operating margins were slightly weaker than in 2011, where EBIT margins came in at 21.8%. But considering higher marketing as well as one time IPO costs, we are very happy with the development.

2012 net profit was EUR 22.78m, equal to a net profit margin of 15.1%.

## 2012 Margins Development by Segment in %



Source: Goldrooster AG

## Focus on proven Store Concept

The management has decided to change its planned store opening concept. Originally, the company wanted to aggressively open own stores. Now, the management has decided to stick to store expansion via franchise. It seems like it is more difficult than expected to find the right store location and to hire a reliable team taking own store expansion one step forward.

Actually, we agree with the new plan to postpone proprietary store expansion. We have always seen the risk that own store development might fail and would have had – for quite some time - a negative impact on future margins development, as opening and running own stores would have been costly.

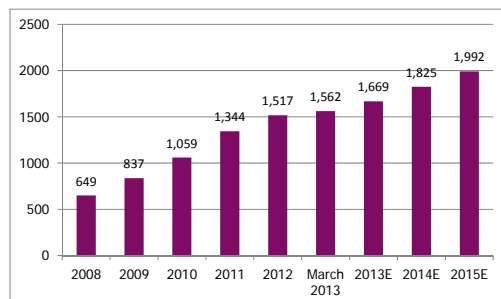
In general, current new store openings run very smoothly and successful. By the end of March 2013, Goldrooster AG had 1562 stores, a plus of 16.2% compared to last 2011. Expansion seems to be on track and we do expect a high opening growth rate in the future, due to the focus on expansion via franchise.

Consequently, we estimate that the company will continue its growth path in regards to store opening. We calculate with a growth rate of 10% for the next two years and expect stores to be predominantly opened in areas where Goldrooster has a lower presence.

## Goldrooster AG

By the end of this year we expect the company to have 1669 points of sale running. 2014 it should be 1825 stores.

### Development of Goldrooster-branded Stores

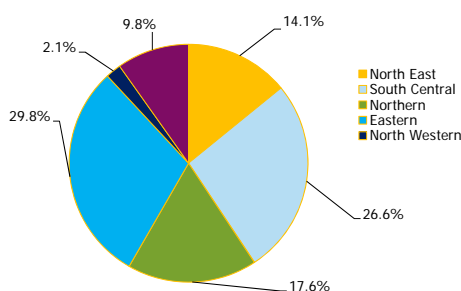


Source: VEM Aktienbank AG

Regionally, we expect the company to expand to areas where Goldrooster has currently still a low exposure. Growth should be particularly strong in the Northern region of China.

In 2012 the company had its biggest exposure to Eastern and South Central parts of China. We still think that these areas are going to be dominant for a while, but expect above-average growth from other areas.

### Sales Distribution 2012 by Region (PRC)



Source: VEM Aktienbank

### Successful in Designing Trends

Very good numbers show that the company is able to meet the demand of its customers and to set trends. Goldrooster AG has a very successful design team, which constantly develops new styles and trends. Currently, 23 designers and 8 design assistants work for the company.

## Goldrooster AG

We expect this to continue in the future, which should guarantee well-received lines. The design team is able to adopt trends fast and to develop new style into new apparel, shoe and accessories lines. The company needs usually 90 days from the design into the stores, but can make it as well in 45 days.

### Fashion Examples



## Goldrooster AG

### Good Marketing Strategy

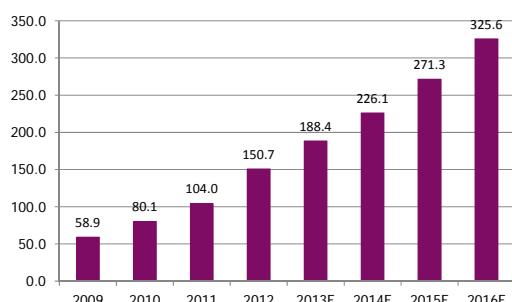
Goldrooster AG has been able to create a successful brand in a relatively short period of time. This, thanks to a successful marketing strategy. In 2012, the company produced a mini-video featuring the winner of the "Chinese Talent Show". This video was a huge success and helped to improve brand recognition substantially. Additionally, the company started to sponsor a sailing team under the name of "Team Goldrooster".

We believe that additional marketing activities will help the company to gain in recognition.

### Financial Development

We expect the company to continue its growth story. Store expansion is far from saturation and macroeconomic environment is still positive. This should support sales future sales growth. We expect that the company will grow by 20% annually in the coming years. This should result in 2013 sales of EUR 188.4m and EUR 226m in 2014.

#### Sales trend in EUR m



Source: VEM Aktienbank AG

On the margins side we expect 2013 EBIT margins to be 18.3% which is equal to an operating profit of EUR 34.5m. We expect margins to stay stable in the coming years.

#### Margins development

In EUR m	2009	2010	2011	2012	2013E	2014E	2015E	2016E
Gross Profit	15.9	22.0	28.9	41.9	54.6	65.6	78.7	94.4
Gross Margins	27.0%	27.4%	27.7%	27.8%	29.0%	29.0%	29.0%	29.0%
EBIT	12.2	17.5	22.7	30.3	34.5	41.4	49.7	59.6
EBIT Margins	20.8%	21.8%	21.8%	20.1%	18.3%	18.3%	18.3%	18.3%
Net Profit	9.2	13.2	17.0	22.8	26.4	31.6	37.8	45.3
Net Margins	15.7%	16.4%	16.4%	15.1%	14.0%	14.0%	13.9%	13.9%

Source: VEM Aktienbank AG



## Goldrooster AG

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### Dividends

We expect the company to pay first dividends in 2015. Although Goldrooster AG has far more than enough in cash (December 31<sup>st</sup> 2012: EUR 50.9m), the company will first invest in its expansion.

## Valuation

We calculate the fair value of Goldrooster AG by combining a Discounted Cash Flow Model with a Peer group analysis.

We have weighted the peer group analysis with 60% and the DCF Model with 40%. The combination of the two analysis methods resulted in a fair value of EUR 119.7m, which is equal to a value of EUR 5.76 per share.

### Blended Valuation of Goldrooster AG

Method	Fair Value in EUR m.	Fair Value in EUR per share	Weight	Blended Total in EUR m.	Per share
<b>Peer Group Analysis</b>	88.1	4.3	70%	<b>119.40</b>	<b>5.76</b>
<b>DCF Model</b>	192.51	9.29	30%		

Source: VEM Aktienbank AG

### Discounted Cash flow Model

We have used the Free Cash Flow to Equity (FCFE) in order to calculate the DCF value of the equity of Goldrooster AG. We calculate with a long-term growth rate of 2.5%. Due to the high risk of the company our WACC is 13%. Using the DCF method, our fair value of Goldrooster AG is EUR 192m, which corresponds to a company value per share of EUR 9.3.

### DCF Model

( in EUR m)	2012	2013E	2014E	2015E	2016E	2017E	2018E
Net Income	22.78	26.38	31.59	37.83	45.30	29.55	13.83
(+) Depreciation and Amortisation	0.29	0.19	0.77	1.09	1.38	17.91	18.45
(-) Cash flow from working capital	-	(1.76)	(3.99)	(4.08)	(5.11)	(5.62)	(5.79)
(-) Capital Expenditure	-	(6.00)	(4.00)	(4.00)	(4.00)	(17.91)	(18.45)
(-) Net Debt repayments	-	-	-	-	-	-	-
<b>FCFE</b>	<b>23.07</b>	<b>18.80</b>	<b>24.37</b>	<b>30.84</b>	<b>37.57</b>	<b>23.93</b>	<b>8.04</b>
<b>FCFE adjusted for valuation date</b>	<b>23.07</b>	<b>18.80</b>	<b>24.37</b>	<b>30.84</b>	<b>37.57</b>	<b>23.93</b>	<b>8.04</b>
<b>PV of cash flows</b>	<b>23.07</b>	<b>17.57</b>	<b>20.13</b>	<b>22.53</b>	<b>24.27</b>	<b>13.67</b>	<b>4.06</b>
<b>Sum of PV - First Phase</b>	<b>60.22</b>						
<b>Sum of PV - Second Phase</b>	<b>42.01</b>						
Terminal Value growth Rate	2.5%						
Terminal Value	77.94						
<b>PV of Terminal Value</b>	<b>39.38</b>						
<b>PV of FCFE</b>	<b>141.61</b>						
(+) Cash	50.90						
<b>Target Value</b>	<b>192.51</b>						

## Goldrooster AG

Summary of DCF Valuation	Value	% of Total
PV of First Stage	60.22	31.3%
PV Second Stage	42.01	21.8%
PV of Terminal Value	39.38	20.5%
Cash	50.90	26.4%
Target Price	192.51	100.0%

Cost of Equity	
Cost of Equity	13.08%
Beta	1.45
Risk Premium	7.0%
Risk Free rate	3.0%

Source: VEM Aktienbank AG

## Sensitivity Analysis

Our sensitivity analysis shows valuations under various assumptions.

Company Value in EUR m							Value per Share in EUR						
It Growth Rate	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	It Growth Rate	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC							WACC						
9.0%	249.7	254.2	259.4	265.3	272.3	280.5	9.0%	12.0	12.3	12.5	12.8	13.1	13.5
9.5%	243.1	247.0	251.4	256.5	262.4	269.2	9.5%	11.7	11.9	12.1	12.4	12.7	13.0
10.0%	237.2	240.6	244.4	248.7	253.7	259.4	10.0%	11.4	11.6	11.8	12.0	12.2	12.5
10.5%	231.8	234.8	238.1	241.9	246.1	251.0	10.5%	11.2	11.3	11.5	11.7	11.9	12.1
11.0%	226.9	229.5	232.4	235.7	239.4	243.5	11.0%	10.9	11.1	11.2	11.4	11.6	11.8
11.5%	222.3	224.7	227.3	230.1	233.3	236.9	11.5%	10.7	10.8	11.0	11.1	11.3	11.4
12.0%	218.2	220.3	222.5	225.1	227.9	231.0	12.0%	10.5	10.6	10.7	10.9	11.0	11.1
12.5%	214.3	216.2	218.2	220.5	222.9	225.7	12.5%	10.3	10.4	10.5	10.6	10.8	10.9
13.0%	210.7	212.4	214.2	216.2	218.4	220.8	13.0%	10.2	10.3	10.3	10.4	10.5	10.7
13.5%	207.4	208.9	210.5	212.3	214.3	216.4	13.5%	10.0	10.1	10.2	10.2	10.3	10.4
14.0%	204.2	205.6	207.1	208.7	210.4	212.3	14.0%	9.9	9.9	10.0	10.1	10.2	10.2
14.5%	201.3	202.5	203.8	205.3	206.9	208.6	14.5%	9.7	9.8	9.8	9.9	10.0	10.1

Source: Reuters, VEM Aktienbank AG

## Peer Group Analysis

In our peer group we have decided to include mainly apparel and fashion companies selling their products in China, as the strategy of German/European companies is hard to compare with the Goldrooster business model. Overall we compare Goldrooster AG to 7 retail companies. We have decided to include six companies active in China and one company focusing on the German market in our peer group. We have used the Price to Earnings Ratios of the companies and combined them with the Enterprise Value to EBITDA ratios. As companies trading at the Chinese Stock Exchange tend to be valued much higher than the ones trading at the German Stock Exchange, we consequently have given a 50% discount to the valuations when calculating a fair price for the Goldrooster AG stock. Using the

## Goldrooster AG

peer group analysis, Goldrooster AG has a fair value of EUR 88m, equal to a value per share of EUR 4.2.

### Valuation of Goldrooster AG via a Peer Group Analysis

in EUR m.	2013E	2014E
EV/EBITDA	149.6	148.4
P/E	199.7	210.9
Average	174.6	179.6
Weight	0.7	0.3
Discount	50%	
<b>Total</b>	<b>Total</b>	<b>Per share</b>
	88.1	4.3

Source: VEM Aktienbank AG

### Valuation of selected companies of the Peer Group

Company	Country	2012				2013E				2014E			
		P/E	P/S	EV/EBIT	EV/EBITDA	P/E	P/S	EV/EBIT	EV/EBITDA	P/E	P/S	EV/EBIT	EV/EBITDA
Tom Tailor	D	27.1	0.7	22.6	10.3	15.0	0.5	12.3	6.3	10.2	0.4	8.9	5.2
Kinghero AG	D	1.6	0.3	-1.1	-1.0	1.3	0.2	-1.0	-0.9	1.2	0.2	-0.8	-0.8
China Lilang Ltd.	CHN	9.0	1.3	5.8	5.7	11.2	1.5	7.5	7.1	10.3	1.4	6.8	6.3
Fujian Septwolves Industry Co.	CHN	13.1	2.1	8.0	7.1	12.2	2.1	6.7	6.2	10.3	1.8	5.8	5.4
Zhejiang Baoxijiao Garment	CHN	8.9	1.7	9.0	7.0	9.8	1.7	9.1	6.9	8.8	1.7	8.1	6.8
Ports Design	CHN	5.6	1.3	7.7	7.3	8.1	1.3	9.4	7.7	7.5	1.2	8.8	7.2
Powerland	CHN	3.4	0.4	0.8	0.7	2.7	0.3	0.6	0.6	2.0	0.3	0.5	0.4
Average		6.9	1.2	5.0	4.5	7.6	1.2	5.4	4.6	6.7	1.1	4.9	4.2
Median		7.2	1.3	6.7	6.3	9.0	1.4	7.1	6.5	8.1	1.3	6.3	5.8

Source: Reuters, VEM Aktienbank AG

### Operational Figures of selected companies of the Peer Group

in loc. Curr. m.	Country	2012				2013E				2014E			
		Growth	Marge			Growth	Marge			Growth	Marge		
		Earnings	Sales	EBIT	EBITDA	Earnings	Sales	EBIT	EBITDA	Earnings	Sales	EBIT	EBITDA
Tom Tailor	CHN	-17.7%	53.1%	4.8%	10.4%	80.0%	43.8%	6.1%	11.8%	47.9%	9.3%	7.7%	13.1%
Kinghero AG	CHN	4.2%	24.9%	21.4%	23.5%	16.1%	15.5%	21.4%	23.3%	16.8%	13.5%	22.1%	23.9%
China Lilang Ltd.	CHN	37.5%	14.9%	27.0%	27.5%	-20.0%	-17.2%	25.2%	26.7%	9.1%	7.9%	25.9%	27.8%
Fujian Septwolves Industry Co.	CHN	28.6%	27.5%	19.8%	22.2%	6.8%	4.1%	22.6%	24.6%	18.4%	12.3%	23.4%	25.2%
Zhejiang Baoxijiao Garment	CHN	42.4%	41.1%	22.5%	28.9%	-9.5%	-0.1%	22.3%	29.2%	11.8%	5.0%	23.8%	28.1%
Ports Design	CHN	3.4%	6.9%	28.7%	28.7%	-31.1%	2.1%	27.0%	27.0%	8.1%	6.8%	26.9%	26.9%
Powerland	CHN	-1.3%	26.1%	18.9%	18.9%	25.2%	16.8%	20.9%	20.9%	34.2%	20.4%	23.5%	23.5%
Average		13.9%	27.8%	20.4%	22.9%	9.6%	9.3%	20.8%	23.4%	20.9%	10.7%	21.9%	24.1%

Source: Reuters, VEM Aktienbank AG

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## Description of Peer Group Companies

### **Tom Tailor Holding AG (Market Cap: EUR 426m)**

TOM TAILOR Holding AG is a Germany-based fashion company. The Company offers stylish casual wear for men, women, young adults and children in the middle-income consumer segment. The Company operates two main business segments, including Retail and Wholesale. The Retail segment is divided into Retail business unit and E-Commerce business unit.

### **Kinghero AG (Market Cap: EUR 31.5m)**

The company is a Germany-based fashion company focused on the Chinese market. The Company designs, manufactures and sells primarily casual wear under the KINGHERO brand. KINGHERO AG offers customers attire for all seasons under the KINGHERO brand. The product portfolio for men and women includes suits, jackets, shirts, pants and sweaters, among others, and is divided into a business casual range and a general casual range. KINGHERO AG's sales network comprises more than 30 designated distributors.

### **China Lilang Ltd (Market Cap: RMB 3.9bn)**

China Lilang Limited is engaged in the manufacturing and wholesaling of branded menswear and related accessories in China. It designs, sources, manufactures and sells business and casual apparel for men. Its products are sold across a distribution network, covering 31 provinces, autonomous regions and municipalities in the PRC. The Company offers its customers designs for all seasons under its LILANZ brand. Its menswear products are designed for business and casual purposes.

### **Fujian Septwolves Industry Co. (Market Cap: RMB 7.7bn)**

The company is engaged in the design, production and sale of men's clothing under the brand name of Septwolves. The Company offers jackets, sweaters, suits, pants, shirts, T-shirts, coats and dresses, among others. They provide the products under life casual series, fashion business series, classic business series, classic hedonism lifestyle series, SEPTWOLVES series, SWLADIES series and SWKIDS series. The Company distributes its products within the domestic market and to overseas markets.

### **Zhejiang Baoxiniao Garment Co Ltd (Market Cap: RMB 4.4bn)**

The company is engaged in the design, manufacture and sale of men's garments, under the brand name of Baoxiniao. The Company provides suits, trousers, shirts, T-shirts, jackets, sweaters, leather dustcoats, ties and others. The Company offers its garment products under four series: classic series,

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business series, casual series and leather series. The Company distributes its products in domestic markets and to overseas markets.

**Ports Design Ltd (Market Cap: RMB 2.7bn)**

Ports Design Limited (Ports) is a vertically integrated, international fashion and luxury goods company with its own design, manufacturing, distribution and retail capabilities. The Company is engaged in the design, manufacture and retail distribution of ladies' and men's fashion garments and the sales of accessories, such as shoes, handbags, scarves and fragrances in China, Hong Kong and Macau, under the brand names Ports International, Ports 1961, BMW Lifestyle, Armani Collezioni, Armani Jeans, Versace, Ferrari and Vivienne Tam. The Company operates in two segments: Retail and OEM. The Retail segment primarily derives revenue from retail sales in China.

**Powerland AG (Market Cap: EUR 74m)**

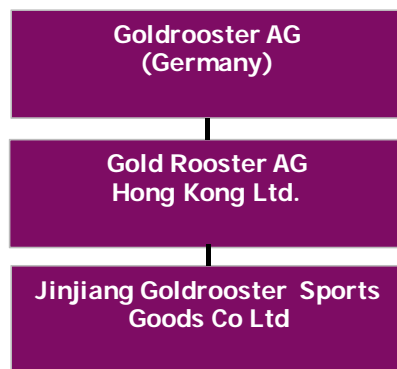
Powerland AG is a Germany-based company engaged in manufacturing, marketing and the sale of women's bags, travel cases and accessories. The Company diversifies its operations into two business segments: luxury and casual. In the luxury segment, the Company is active in the luxury goods market in China and sells women's handbags, travel cases, wallets and purses and, since 2010, men's handbags, briefcases and belts. Those products are made from leather under the Company's brand Powerland. In the casual segment, the Company designs, manufactures and sells casual bags made of textile or synthetic leather. Its products in this segment include handbags, sport bags, backpacks, travel bags, laptop bags, tool bags, cooling bags, and accessories, including wallets and purses, among others. Those products are sold under the Company's brand Sotto. All of the Company's products are sold to the Chinese market.

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## Profile: Dressed for Success

Goldrooster AG is a German AG headquartered in Berlin, owning 100% of Jinjiang Goldrooster Sports Goods Co., Ltd. Main office in China is in Jinjiang, a city of 2m people in the Fujian region (Southeast China).

### Company structure



Source: Goldrooster AG

The Goldrooster brand has been launched in 2005. The company focuses on designing, partially self manufacturing (shoes) and distributing sports fashion apparel, footwear and accessories in the mid-price range. The product portfolio is broad and targets male and female clients between 18 and 35.

The company markets its products through multi faceted advertising and promotional campaigns.

Goldrooster AG participates in major clothing exhibitions, publishes advertisements in magazines, on the internet and via road signs etc..

### Products, Distribution and Production

- Products

Products include among others t-shirts, sweaters, coats, trousers, as well as accessories like belts, bags socks, scarves etc. The footwear consists of casual shoes predominately sporting shoes.

Goldrooster AG has launched nine product series:

## Goldrooster AG

- Golf Wear Series
- Skiing Series
- Seafaring Series
- Fashion Series
- Flag Series
- Couple Series
- Denim Series
- Classic/Logo Series
- Accessories Series

- Distribution

Currently, Goldrooster AG does run one own store and is selling its products to a network of retail outlets operated by distributors and authorised retailers.

Distributors are ordering the products at trade fairs, where Goldrooster AG presents once the spring/summer collection and once the autumn/winter collection. Prior to the presentation, selected distributors are invited to comment on the upcoming collection. This makes it possible to adjust its collections, if necessary.

### Goldrooster Retail Outlets





## Goldrooster AG



Source: Raimund Saier



- Production

The company self produces and outsources the production of its products. All of the footwear is produced in-house. The production site is leased and is located in Jinjiang, Fujian Province. It has a size of 7,076 sqm.

### Goldrooster AG Production Site



Source: Raimund Saier



## Goldrooster AG

The apparel and accessories production is fully outsourced. Currently, the company engages 11 contract manufacturers for the production of its apparel collection.

All manufacturers produce already more than 3 years for Goldrooster AG. Contracts are signed individually. Thus, the company stays independent. Before a contract is signed Goldrooster AG conducts a detailed check, whether future contractors are able to guarantee the high quality standards and to be able to deliver the orders on time.

### Regional Presence

Currently, the company is active in 18 Chinese provinces and in over 170 cities. The focus is not so much on first tier cities like Shanghai or Beijing. Goldrooster AG is concentrating its efforts on second, third and fourth tier cities. There, competition is lower and demand for fashion is growing over proportionally.

### Regional Presence of Goldrooster AG



Source: Goldrooster AG

### The competitive environment

The competitive environment is intense. As the demand for fashionable and sporting clothes has grown and is still growing rapidly in China, a vast number of Chinese but also international companies are trying to benefit from this trend. We see a growing overlap of street wear and sportswear making it increasingly difficult to name specific competitors. The most obvious competitors are the Italian "KAPPA", the two German companies "Puma" and "Adidas", the French "Le Coq Sportif" and the Chinese "Xtep".

Additionally we see competition arising from very fast growing fashion retailers like the Spanish "Zara" and "Mango", the Danish "Jack n Jones" and the Swedish "Hennes & Mauritz". Although these

## Goldrooster AG

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companies are not exclusively sportswear sellers, some of the lines are going very much into this direction.

### The Management

The top management of Goldrooster AG is characterized by long-term experience.

Li Wen Wen is the founder and managing director of Goldrooster AG. He holds an MBA from Tsinghua University in Beijing. Mr. Li has started his career in the footwear industry. He has founded a shoe manufacturing company in the 90s. In 2005 Mr. Li decided to launch the Goldrooster brand and soon added apparel and accessories to the product line.

Mr. Tiong Yuen Ashley Soh is the Chief Financial Officer of Goldrooster AG. He graduated from Nanyang Technological University in Singapore in 1999 and holds a finance degree from the National University of Ireland. Mr. Soh has joined the company in February 2011. Prior to Goldrooster AG he has worked among others for Richard Ho and Co., KPMG and Unza Holding. Mr. Soh is now responsible for the accounting and finance department of Goldrooster AG.

### The Risk Factors

Although we believe in the future success of Goldrooster AG, the company is exposed to certain risks which might jeopardize the future growth potential of the company:

- The Goldrooster AG logo looks very much like the established logo of the French "le coq sportif". Although the Chinese court has allowed Goldrooster AG to use the logo in China, it cannot be excluded, that "le coq sportif" will try to forbid the usage in the future. This would have obviously a very negative effect on Goldrooster AG.
- The company is dependent on the strength of the Chinese economic environment. A downtrend in growth will have a negative effect on the future growth potential.
- The fashion industry is always changing and we see the risk that the very specific style of the clothes of Goldrooster AG becomes out of fashion.
- As we expect the economy to grow above average in the coming years, costs might rise. We see future cost pressure on labor as well as on rental space among others.

## Financials

### Profit and Loss Statement

in EUR m	2009	2010	2011	2012	2013E	2014E	2015E	2016E
<b>Sales</b>	<b>58.89</b>	<b>80.10</b>	<b>104.04</b>	<b>150.75</b>	<b>188.44</b>	<b>226.12</b>	<b>271.35</b>	<b>325.62</b>
<b>Growth in %</b>		36.0%	29.9%	44.9%	25.0%	20.0%	20.0%	20.0%
Others	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Growth in %								
<b>Total</b>	<b>58.888</b>	<b>80.098</b>	<b>104.035</b>	<b>150.749</b>	<b>188.436</b>	<b>226.124</b>	<b>271.348</b>	<b>325.618</b>
Growth in %		36.0%	29.9%	44.9%	25.0%	20.0%	20.0%	20.0%
Costs of Goods Sold	-42.973	-58.122	-75.182	-108.871	-133.790	-160.548	-192.657	-231.189
in % of Sales	73.0%	72.6%	72.3%	72.2%	71.0%	71.0%	71.0%	71.0%
<b>Gross Profit</b>	<b>15.915</b>	<b>21.976</b>	<b>28.853</b>	<b>41.878</b>	<b>54.647</b>	<b>65.576</b>	<b>78.691</b>	<b>94.429</b>
Gross Margins	27.0%	27.4%	27.7%	27.8%	29.0%	29.0%	29.0%	29.0%
Selling & Distribution Expenses	-2.141	-2.776	-3.698	-7.718	-10.741	-12.889	-15.467	-18.560
in % of Sales	3.6%	3.5%	3.6%	5.1%	5.7%	5.7%	5.7%	5.7%
Other operating Expenses	-1.536	-1.750	-2.440	-3.843	-9.422	-11.306	-13.567	-16.281
in % of Sales	2.6%	2.2%	2.3%	2.5%	5.0%	5.0%	5.0%	5.0%
<b>EBIT</b>	<b>12.238</b>	<b>17.450</b>	<b>22.715</b>	<b>30.317</b>	<b>34.484</b>	<b>41.381</b>	<b>49.657</b>	<b>59.588</b>
EBIT Margins	20.8%	21.8%	21.8%	20.1%	18.3%	18.3%	18.3%	18.3%
Depreciation	0.128	0.139	0.117	0.294	0.189	0.770	1.093	1.383
<b>EBITDA</b>	<b>12.366</b>	<b>17.589</b>	<b>22.832</b>	<b>30.611</b>	<b>34.672</b>	<b>42.150</b>	<b>50.749</b>	<b>60.971</b>
EBIT Margins	21.0%	22.0%	21.9%	20.3%	18.4%	18.6%	18.7%	18.7%
Financial Income	0.078	0.096	0.148	0.192	0.350	0.400	0.450	0.480
<b>EBT</b>	<b>12.316</b>	<b>17.546</b>	<b>22.863</b>	<b>30.509</b>	<b>34.834</b>	<b>41.781</b>	<b>50.107</b>	<b>60.068</b>
	20.9%	21.9%	22.0%	20.2%	18.5%	18.5%	18.5%	18.4%
Taxes	-3.082	-4.392	-5.843	-7.729	-8.709	-10.445	-12.527	-15.017
Other taxes	25.0%	25.0%	25.6%	25.3%	25%	25%	25%	25%
<b>Net Profit</b>	<b>9.234</b>	<b>13.154</b>	<b>17.020</b>	<b>22.780</b>	<b>26.376</b>	<b>31.585</b>	<b>37.830</b>	<b>45.301</b>
Net Margins	15.7%	16.4%	16.4%	15.1%	14.0%	14.0%	13.9%	13.9%
Dividends	0.000	0.000	0.000	0.000	0.000	-15.793	-18.915	-18.120
	9.234	13.154	17.020	22.780	26.376	31.585	37.830	45.301
Currency Differences	-0.692	1.404	2.017	0.089	0.000	0.000	0.000	0.000
<b>Total Comprehensive Income</b>	<b>8.542</b>	<b>14.558</b>	<b>19.037</b>	<b>22.869</b>	<b>26.376</b>	<b>31.585</b>	<b>37.830</b>	<b>45.301</b>
Net profit growth		70%	31%	20%	15%	20%	20%	20%
<b>EPS</b>				<b>1.11</b>	<b>1.27</b>	<b>1.52</b>	<b>1.83</b>	<b>2.19</b>
Number of Shares				20.720	20.720	20.720	20.720	20.720

Source: Goldrooster AG, VEM Aktienbank AG

## Balance Sheet

(in EUR m)	2009	2010	2011	2012	2013E	2014E	2015E	2016E
<b>Assets</b>								
Fixed Assets	1.659	1.842	0.684	0.776	6.698	10.029	13.026	15.723
Intangible Assets			1.214	1.109	0.998	0.898	0.808	0.728
Deffered Income Tax				0.173	0.173	0.173	0.173	0.173
<b>Long Term Assets</b>	<b>1.659</b>	<b>1.842</b>	<b>1.898</b>	<b>2.058</b>	<b>7.870</b>	<b>11.100</b>	<b>14.007</b>	<b>16.624</b>
Inventories	1.612	1.781	1.830	1.907	3.665	4.838	6.334	8.234
Trade Receivables								
Trade Receivables from Operations	8.337	14.694	17.473	26.009	25.813	30.976	37.171	44.605
Cash	6.115	9.350	29.789	50.896	69.700	78.273	90.196	109.649
<b>Current Assets</b>	<b>16.064</b>	<b>25.825</b>	<b>49.092</b>	<b>78.812</b>	<b>99.179</b>	<b>114.087</b>	<b>133.701</b>	<b>162.488</b>
<b>TOTAL</b>	<b>17.723</b>	<b>27.667</b>	<b>50.990</b>	<b>80.870</b>	<b>107.048</b>	<b>125.187</b>	<b>147.709</b>	<b>179.112</b>
<b>Liabilities and Stockholder´s Equity</b>								
<b>Equity</b>	<b>9.733</b>	<b>15.377</b>	<b>34.440</b>	<b>60.016</b>	<b>86.392</b>	<b>102.184</b>	<b>121.099</b>	<b>148.280</b>
Subscribed Capital	0.103	0.103	0.358	20.720	20.720	20.720	20.720	20.720
Capital Reserves	1.705	3.021	4.772	4.772	4.772	4.772	4.772	4.772
Retained Earnings	7.893	10.817	26.086	29.178	55.554	71.346	90.261	117.442
Foreign currency Translation others	0.032	1.436	3.453	3.542	3.542	3.542	3.542	3.542
Provisions								
Other Provisions			0.184	0.284	-	-	-	-
Pension Provisions			-	-	-	-	-	-
<b>Liabilities</b>								
Long-term Financial Liabilities								
Long-term Trade Liabilities								
Short term Liabilities from Companies	7.196	11.026	14.349	18.241	18.327	20.673	24.280	28.503
Short-term Financial Liabilities								
Other Liabilities			0.252	0.312	0.312	0.312	0.312	0.312
Other short-term Liabilities				-	-	-	-	-
Tax Liabilities	0.794	1.264	1.765	2.017	2.017	2.017	2.017	2.017
<b>TOTAL</b>	<b>17.723</b>	<b>27.667</b>	<b>50.990</b>	<b>80.870</b>	<b>107.048</b>	<b>125.187</b>	<b>147.709</b>	<b>179.112</b>

Source: Goldrooster AG, VEM Aktienbank AG

## Cash flow Statement

(in EUR m)	2010	2011	2012	2013E	2014E	2015E	2016E
Net Income				26,38	31,59	37,83	45,30
Depreciation				0,19	0,77	1,09	1,38
Changes in Provisions				-0,28	0,00	0,00	0,00
Changes in Receivables and other assets				-1,56	-6,34	-7,69	-9,33
Changes in Liabilities and others				0,09	2,35	3,61	4,22
<b>Cash flow from Operating Activities</b>	<b>-0,18</b>	<b>19,87</b>	<b>18,59</b>	<b>24,80</b>	<b>28,37</b>	<b>34,84</b>	<b>41,57</b>
Purchase of intangible Assets and Fixed Assets				-6,00	-4,00	-4,00	-4,00
<b>Cash flow from investing Activities</b>	<b>-1,21</b>	<b>-1,13</b>	<b>-0,25</b>	<b>-6,00</b>	<b>-4,00</b>	<b>-4,00</b>	<b>-4,00</b>
Cash Proceeds from equity sources				0,00	0,00	0,00	0,00
Dividends				0,00	-15,79	-18,92	-18,12
Changes of Bank Liabilities				0,00	0,00	0,00	0,00
<b>Cash flow from Financing Activities</b>	<b>-0,43</b>	<b>0,03</b>	<b>2,71</b>	<b>0,00</b>	<b>-15,79</b>	<b>-18,92</b>	<b>-18,12</b>
Cash flow for the Year	-1,83	18,77	21,05	18,80	8,57	11,92	19,45
Cash Balance at the Beginning of the Year	0,00	9,35	29,79	50,90	69,70	78,27	90,20
Effects of currency translations		1,67	0,06				
<b>Cash Balance at the End of the Year</b>	<b>9,35</b>	<b>29,79</b>	<b>50,90</b>	<b>69,70</b>	<b>78,27</b>	<b>90,20</b>	<b>109,65</b>

Source: Goldrooster AG, VEM Aktienbank AG

## Key Figures

	2012	2013E	2014E	2015E
<b>Growth</b>				
Sales	44.9%	25.0%	20.0%	20.0%
EBITDA	33.5%	13.7%	20.0%	20.0%
<b>Margins</b>				
Gross Margin	27.8%	29.0%	29.0%	29.0%
EBITDA Margin	20.1%	18.3%	18.3%	18.3%
EBIT Margin	20.3%	18.4%	18.6%	18.7%
EBT Margin	20.2%	18.5%	18.5%	18.5%
Net Margin	15.1%	14.0%	14.0%	13.9%
Dividend Yield				
<b>Balance Sheet Ratios</b>				
ROE	38.0%	30.5%	30.9%	31.2%
ROIC	25.8%	19.3%	18.4%	18.0%
ROCE	74.2%	80.7%	81.6%	82.0%
Debt Ratio	53.6%	56.8%	55.4%	54.4%
<b>Per Share</b>				
EPS	1.11	1.27	1.52	1.83
Book Value	1.66	2.90	4.17	4.93
<b>Market Measures</b>				
P/Sales	0.3	0.2	0.2	0.1
P/Earnings	1.7	1.5	1.2	1.0
P/Book value	1.1	0.7	0.5	0.4
Dividend Yield	0.0%	0.0%	19.1%	22.8%

Source: VEM Aktienbank AG

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<u>Date of publication</u>	<u>Share Price at this date</u>	<u>Recommendation</u>	<u>New Fair Value (at date of publication)</u>
27.04.2012	IPO	BUY	EUR 5.2
09.11.2012	1.70	BUY	EUR 5.6

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<u>Company</u>	<u>Disclosure</u>
Goldrooster AG	3 - 5 - 8 - 9 - 10 - 11 - 12 - 13

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Details of material sources of information:

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This financial analysis is based on public available information (Company presentations, Annual Reports, Quarterly Reports, Press Information, prospectus, ad-hoc announcements etc.). Moreover, management interviews for more detailed information about the current business development were held with the company.

Summary of the valuation methods and principles applied in the preparation of the financial analysis:

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**HOLD:** The expected return (composed of the projected change of the share price and the anticipated dividend yield) ranges from – 10 % and + 10 %.

**SELL:** The expected return (composed of the projected change of the share price and the anticipated dividend yield) is worse than – 10 %.

For further important details concerning the valuation methods applied in the preparation of this analysis, the meaning of the specific investment recommendation (including the recommended investment period, the risks associated with the investment and the sensitivity of the valuation parameters) please see the Section "Valuation" in this analysis.

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Additional important information:

Date of first publication of this analysis by VEM: 18.6.2013

Date and Time of relevant Share Price (see first page):

A schedule for an update of this Analysis is not appointed yet. VEM reserves the right to update any individual analysis without prior notice.