

Spillover effect from Belle's listing

Hong Kong Retail

Mirabell (1179 HK, HK\$10.88)

Not Rated

Table 1: Scenario I: Fair value of Mirabell

Pre-listing:	Target mkt cap. (HK\$m)	Remarks:
Target mkt cap. (HK\$m)	2,338.6 - 2,710.1	
Interest in Belle	5.31%	
- value/ shs (Belle) (HK\$)	9.2/10.6	
- value/ shs (core) (HK\$)	1.9	Based on 10x 3-year historical PE average (2004-2006)
Fair value/ shs (HK\$)	11.1/12.5	
Post-listing:		
Target mkt cap. (HK\$m)	2,025.9 - 2,347.7	
Interest in Belle	4.6%	
- value per share (Belle) (HK\$)	8.0/9.2	Based on 10x 3-year historical PE average (2004-2006)
- value/ shs (core) (HK\$)	1.9	
Fair value/ shs (HK\$)	9.8/11.1	

Source: Company data, SBI E2-Capital

Table 2: Scenario II: Fair value of Mirabell

Pre-listing:	Target mkt cap. (HK\$m)	Remarks:
Target mkt cap. (HK\$m)	2,338.6 - 2,710.1	
Interest in Belle	5.31%	
- value/ shs (Belle)	9.2/10.6	
- value/ shs (core)	1.5	Based on NAV per share of HK\$1.5 on its core assets
Fair value/ shs (HK\$)	10.7/12.1	
Post-listing:		
Target mkt cap. (HK\$m)	2,025.9 - 2,347.7	
Interest in Belle	4.6%	
- value per share (Belle)	8.0/9.2	Based on NAV per share of HK\$1.5 on its core assets
- value/ shs (core)	1.5	
Fair value/ shs (HK\$)	9.5/10.7	

Source: Company data, SBI E2-Capital

Table 3: Offer price range of Belle Int'l (1880 HK)

Ticker	Name	Offer price range (HK\$)	Mkt cap. Range (HK\$ m)
1880 HK	Belle Int'l	5.35-6.2	44,040.7-51,037.8 (US\$5,646.2-6,543.3m)

Source: Company data

- The proposed listing of Belle International (1880 HK) has put footwear counters, especially Mirabell (1179 HK), in the spotlight. Currently, Mirabell holds 30% in Best Quality, which in turn holds 17.7% in Belle International. It is estimated that Mirabell holds 5.3% pre-listing and 4.6% post-listing of Belle.
- According to our scenario analysis I (table 1), if Belle is priced at the high-end, the fair value of Mirabell is HK\$12.5 pre-listing and HK\$11.1 post-listing. Belle's potential market capitalization is c.HK\$44-55b,

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which equates to a market capitalization of c.HK\$2.7b (HK\$10.6/shs.) pre-listing and c.HK\$2.3b (HK\$9.2/shs) post-listing for Mirabell, based on Belle's contribution to Mirabell alone. Leaving aside the contribution of Belle, we estimate the value of Mirabell's core business to be HK\$1.9/shs (market cap. HK\$475m), based on 10x 3-year (2004-2006) historical average trading P/E and a flat net profit growth in FY12/07F (net profit in FY12/06A: c.HK\$47.5m).

- According to our scenario analysis II (table 2), the fair value of Mirabell is HK\$12.1 pre-listing and HK\$10.7 post-listing based on HK\$1.5 NAV per share of Mirabell's core business.
- Prices above our fair valuation on Mirabell depends on the share price performance of Belle, our sensitivity analysis shows that a 10% increase in Belle's share price will lead to c.8.1% increase for Mirabell. Apart from Mirabell, valuation on Prime Success (210 HK, HK\$5.96, HOLD) and China Hongxing (CHHS.SP, S\$0.78, Not-rated) looks attractive with 1.0x and 0.7x PEG respectively. (table 4)

Table 4: Peer valuation

Stock	Ticker	Currency	Price	Mkt Cap. (US\$m)	P/E (x) Actual	P/E (x) 1-yr forward	P/E (x) 2-yr forward	PEG*	ROA (%)	ROE (%)	Operating margin (%)
Prime Success	210 HK	HKD	5.96	1,251.5	33.5	25.0	20.2	1.0	20.27	39.84	12.01
Mirabell	1179 HK	HKD	10.88	355.0	42.3	45.2	42.2	9.2	11.16	15.24	5.58
Le Saunda	738 HK	HKD	2.35	188.0	13.2	n.a.	n.a.	n.a.	13.62	16.28	8.12
Hongguo	HGUO SP	SGD	1.26	329.6	28.0	22.6	18.9	1.3	17.72	25.12	17.94
China Hongxing	CHHS SP	SGD	0.79	1,041.5	37.1	25.2	17.4	0.7	21.57	38.05	17.21
					30.9	26.4	21.0		16.9	26.9	12.2
Belle International	1880 HK	HKD	5.35 - 6.2	4,692 - 5,436		27-31.4		-	22.0	-	16.4

* based on 3-yr CAGR (2006-2009F)

Source: SBI E2-Capital & Bloomberg