UOBKayHian

Company – Results | Greater China

Thursday, 20 August 2026

Crystal International (2232 HK)

1H26: Solid Performance Despite Capacity Constraints; Accelerating Growth In 2H26

Highlights

- Crystal's 1H26 net profit grew 10.6% yoy to US$109m, representing 43% of our full-year estimate, driven by solid order growth from key customers, ongoing worker efficiency improvement and operating leverage, despite capacity constraints and tariff-related pricing adjustments.
- Management is positive on 2H26 outlook and targets double-digit/high single-digit yoy revenue growth in 2H26/2026 respectively, backed by solid order growth momentum and continued worker additions in 2H26. Gross margin is expected to remain stable yoy.
- We believe that Crystal's long-term wallet share gains is intact on the back of its cross-category product innovation capabilities amid vendor consolidation. Maintain BUY and raise target price to HK$8.34 from HK$7.84 based on 12.0x 2026F PE.

1H26 Results

Year to 31 Dec (US$m)	1H26	yoy	hoh	1H25	2H25	2025
Revenue	1,296	5.4%	-8.2%	1,229	1,412	2,641
Lifestyle	381	12.1%	-5.8%	340	404	744
Denim	240	-8.7%	-13.8%	262	278	540
Intimate	228	8.6%	-11.2%	210	256	466
Sweater	109	4.2%	-41.6%	105	187	292
Sportswear	339	8.2%	18.4%	313	286	599
Gross profit	256	5.6%	-9.5%	243	283	526
Operating profit	126	8.8%	-14.4%	116	148	264
Net profit	109	10.6%	-14.0%	98	126	225
Margins (%)						
Gross margin	19.8	0.0ppt	-0.3ppt	19.7	20.1	19.9
Operating margin	9.8	0.3ppt	-0.7ppt	9.4	10.5	10.0
Net margin	8.4	0.4ppt	-0.6ppt	8.0	9.0	8.5

Source: Crystal International, UOB Kay Hian

Analysis

- **1H26 results.** Crystal International's (Crystal) 1H26 revenue grew 5.4% yoy to US$1,296m, representing 45% of our full-year estimate, driven by strong order growth from key customers, but partially offset by capacity constraints. Gross margin expanded 0.1ppt yoy to 19.8%, supported by improved labour productivity that more than offset tariff-related pricing adjustments. Net profit grew 10.6% yoy to US$109m, representing 43% of our full-year estimate, driven by higher gross margin and continued operating leverage. Net margin widened 0.4ppt yoy to 8.4%.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	2,470	2,641	2,882	3,184	3,547
Gross profit	486	526	576	643	725
EBITDA	318	350	396	444	504
Operating profit	233	264	294	334	385
Net profit (rep./act.)	200	225	254	289	332
EPS (cents)	7.0	7.9	8.9	10.1	11.7
P/E (x)	12.6	11.3	10.0	8.8	7.6
P/B (x)	1.7	1.6	1.5	1.4	1.3
EV/EBITDA (x)	6.5	5.9	5.2	4.7	4.1
DPS (cents)	5.0	5.2	5.3	6.1	7.0
Dividend yield (%)	5.6	5.9	6.0	6.9	7.9
Net margin (%)	8.1	8.5	8.8	9.1	9.4
Net debt to equity (%)	(16.4)	(21.5)	(15.5)	(18.6)	(22.4)
ROE (%)	13.5	14.3	15.3	16.3	17.2
Consensus net profit	-	-	250	281	313
UOBKH/Consensus (x)	-	-	1.02	1.03	1.06

Source: Crystal International, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$6.92
Target Price	HK$8.34
Upside	20.5%
Previous TP	HK$7.84

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	2232 HK
Shares issued (m)	2,853
Market cap (HK$m)	19,742
Market cap (US$m)	2,531
3-mth avg daily t'over (US$m)	2.0

Price Performance (%)

52-week high/low: HK$7.85/HK$5.47

1mth	3mth	6mth	1yr	YTD
17.1	15.3	(6.1)	13.6	3.3

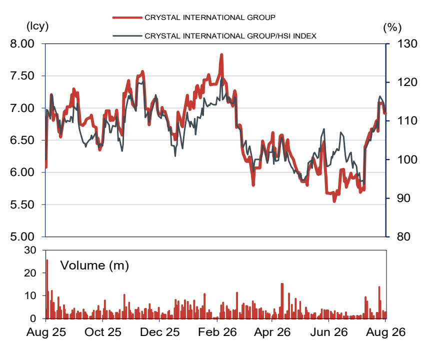
Major Shareholders (%)

Lo Lok Fung Kenneth & Family	76.6

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.60
FY26 Net Debt/Share (US$)	(0.09)

Price Chart



Source: Bloomberg

Company Description

Crystal International produces casual clothes, jeans, underwear, sweaters and sports garments.

- **60% Interim dividend payout.** Interim DPS was 18.0 HK cents, representing a 60% payout (1H25: 16.3 HK cents), vs 66% in 2025, slightly lower than our estimate of 65%.
- **Stepping up worker additions in 2H26.** Crystal achieved its full-year 2026 target of adding 6,000 workers ahead of schedule in 1H26, bringing its total workforce to 87,000 as of end-Jun 26 (up 7.4% hoh) through accelerated worker recruitment and expanding satellite factories. In 2H26, while continue improving worker efficiency, it also sees the potential of adding another 4,000 workers, which implies a 12.3% yoy capacity expansion for full-year 2026.
- **Satellite factories supporting short- to medium-term capacity expansion.** Crystal has employed 2,500 workers in two satellite factories in Vietnam as of Jun 26 for its lifestyle and sportswear products. Management sees its satellite factories as a key driver for its capacity expansion in the coming 2-3 years as they support access to broader pool of worker (especially for sewing). In the medium- to long-term, it plans for capacity expansion in Bangladesh, Cambodia, China and Egypt.
- **Delay for Egypt plant has no impact on 2026-27 results.** Management sees a delay for its Egypt plant due to later-than-expected land handover (acquired in Jan 26) from the government. We see no impact on its 2026-27 results as we only expect contribution to kick in from 2028 onwards.
- **Vertical integration.** Crystal currently has a 25-30% fabric self-sufficiency ratio for its knits and sportswear products and is on track to achieve a 4-5ppt gross margin expansion for products with self-supplied fabric. However, it plans to delay the opening of its self-constructed mill in North Vietnam (originally planned by end-26) as its existing mills in Vietnam and Bangladesh can increase sufficient capacity (through operational improvement) to meet its near-term target for self-supplied fabric.
- **Positive 2H26 outlook.** Management targets double-digit yoy revenue growth in 2H26, driven by: a) continued order growth momentum from key customers, notably Uniqlo, Adidas, Nike and VF; and b) worker efficiency improvement. By customer, management expects double-digit order growth from Uniqlo in 2H26 (mid- to high single-digit in 1H26) and sees solid growth from Nike and Adidas (over 50% yoy in 1H26) as well as VF (40-50% yoy in 1H26) continuing in 2H26. Crystal maintains its planned capex of US$250m and a 60% regular dividend payout in 2026.

Earnings Revision

- We maintain our 2026-28 revenue and net profit forecasts. We lower our dividend payout forecast from 65% to 60% in 2026-28 to factor in potential capacity expansion.

Valuation/Recommendation

- **Maintain BUY with a higher target price of HK$8.34,** based on peers' average 2026F PE of 12.0x. Crystal currently trades at 10.0x 2026F PE, 0.5SD above its historical mean of 8.1x in 2018-25.

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	2,641	2,882	3,184	3,547
EBITDA	350	396	444	504
Deprec. & amort.	(86)	(102)	(110)	(119)
EBIT	264	294	334	385
Total other non-op. income	26	24	26	29
Associate contributions	1	-	-	-
Net interest income/(expense)	(12)	(3)	(2)	(2)
Pre-tax profit	279	315	358	412
Tax	(54)	(61)	(69)	(79)
Minorities	(0)	(0)	(0)	(0)
Net profit	225	254	289	332
Net profit (adj.)	225	254	289	332

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	686	858	918	970
Other LT assets	290	294	295	295
Cash/ST investment	382	293	370	477
Other current assets	827	878	932	996
Total assets	2,185	2,324	2,515	2,737
ST debt	13	13	13	13
Other current liabilities	502	549	602	665
LT debt	22	15	13	12
Other LT liabilities	35	35	35	35
Shareholders' equity	1,608	1,707	1,848	2,008
Minority interest	4	4	4	4
Total liabilities & equity	2,185	2,324	2,515	2,737

Cash flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	266	351	405	457
Pre-tax profit	279	315	358	412
Tax	(54)	(61)	(69)	(79)
Deprec. & amort.	(86)	(102)	(110)	(119)
Working capital changes	(51)	(8)	(1)	(1)
Other operating cashflows	179	207	226	245
Investing	18	(250)	(150)	(150)
Capex (growth)	(146)	(250)	(150)	(150)
Others	164	-	-	-
Financing	(328)	(190)	(178)	(201)
Dividend payments	(150)	(155)	(148)	(173)
Proceeds from borrowings	192	100	100	100
Loan repayment	(338)	(100)	(100)	(100)
Others/interest paid	(32)	(35)	(30)	(28)
Net cash inflow (outflow)	(44)	(89)	77	106
Beginning cash & cash equiv.	427	382	293	370
Changes due to forex impact	(1)	-	-	-
Ending cash & cash equiv.	382	293	370	477

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
Gross margin	19.9	20.0	20.2	20.4
Pre-tax margin	10.5	10.9	11.2	11.6
Net margin	8.5	8.8	9.1	9.4
ROA	10.1	11.3	11.9	12.7
ROE	14.3	15.3	16.3	17.2
Growth (% yoy)				
Turnover	6.9	9.1	10.5	11.4
Gross profit	8.1	9.6	11.6	12.8
Pre-tax profit	12.3	13.0	13.8	15.0
Net profit	12.0	13.0	13.8	15.0
EPS	12.0	13.0	13.9	15.0
Leverage				
Debt to total capital	1.6	1.2	1.0	0.9
Debt to equity	2.2	1.7	1.4	1.3
Net debt/(cash) to equity	(21.5)	(15.5)	(18.6)	(22.4)
Interest cover (x)	21.1	114.2	162.0	197.4