

Anta Sports Products

Rmb10b sales in sight

Stellar 2014 results driven by strong top-line growth and margin expansion

2014 revenue and earnings were up 23% and 29% YoY, beating UBSe by 5% and 6% respectively. The strong set of results was mainly attributable to 1) sustained sales recovery driven by higher marketing expenses (Rmb1.1b in 2014, 32% YoY) and growth of non-core lines such as Anta Kids and FILA; 2) gross margin expansion of 340bps, thanks to higher sales contribution (c10%) from the high-margin FILA operation. A special dividend of HK\$0.08 was declared aside from the final dividend of HK\$0.28. Group Chairman Ding attended the results briefing post announcement.

2015 top-line to reach Rmb10b

Q315 trade fair order (Anta sports and Anta Kids) growth of low-double digit YoY, marking the third consecutive quarters recording such growth rate. We expect Q415 trade fair to follow a similar trend and thus 2015 full year revenue (Anta sports, Kids, FILA and Ecommerce) could reach Rmb10b (implying 12% growth YoY) for the first time. We revise up slightly our 15E-17E revenue assumptions by 1% in each year and note there could be more upside to our current 15E top-line estimates.

Long-term profit drivers – more Ecommerce, more basketball, and more FILA

Ecommerce revenue doubled in 2014 to what we estimate at 5-10% of group revenue. Management shared that Anta plans to increase Ecommerce share to c20% of group revenue in the long run while maintaining the current group top-line momentum. We expect Anta's basketball series to grow faster in 2015/16, given its investment in promoting NBA-related products should start to kick in. FILA sales contribution increased to 10% of group revenue, and we expect this ratio to increase in 2015. Ecommerce, basketball shoes and FILA all enjoy higher gross margin than Anta core products, hence we expect these categories to become the future profit drivers.

Valuation: Maintain Buy with a new PT of HK\$20.00

We maintain our Buy rating on Anta. We believe the recent price weakness provides a good entry point. We lift our DCF/VCAM-based PT from HK\$19.00 to HK\$20.00 on better revenue outlook.

Equities

China
Footwear

12-month rating **Buy**

12m price target **HK\$20.00**
Prior: HK\$19.00

Price **HK\$14.10**

RIC: 2020.HK **BBG:** 2020 HK

Trading data and key metrics

52-wk range	HK\$17.78-10.48
Market cap.	HK\$35.2bn/US\$4.53bn
Shares o/s	2,493m (ORD)
Free float	31%
Avg. daily volume ('000)	6,274
Avg. daily value (m)	HK\$87.3
Common s/h equity (12/15E)	Rmb8.37bn
P/BV (12/15E)	3.4x
Net debt / EBITDA (12/15E)	NM

EPS (UBS, diluted) (Rmb)

	From	To	% ch	Cons.
12/15E	0.74	0.76	2.96	0.77
12/16E	0.79	0.81	1.81	0.89
12/17E	0.83	0.85	1.93	0.96

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Highlights (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	7,623	7,281	8,923	9,992	11,060	12,290	13,657	15,177
EBIT (UBS)	1,563	1,566	2,019	2,273	2,428	2,563	2,697	2,825
Net earnings (UBS)	1,359	1,315	1,700	1,894	2,010	2,111	2,211	2,307
EPS (UBS, diluted) (Rmb)	0.54	0.53	0.68	0.76	0.81	0.85	0.89	0.92
DPS (Rmb)	0.39	0.38	0.48	0.54	0.57	0.60	0.63	0.66
Net (debt) / cash	3,011	3,854	3,585	4,113	4,587	5,090	5,617	6,169
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	20.5	21.5	22.6	22.7	22.0	20.9	19.7	18.6
ROIC (EBIT) %	42.3	41.8	50.6	50.8	53.2	54.6	55.9	56.9
EV/EBITDA (core) x	6.1	7.9	10.4	10.6	9.8	9.1	8.4	8.1
P/E (UBS, diluted) x	9.7	12.9	15.3	15.0	14.1	13.4	12.8	12.3
Equity FCF (UBS) yield %	13.9	5.8	5.5	6.6	6.7	7.1	7.4	7.8
Net dividend yield %	7.4	5.6	4.6	4.8	5.0	5.3	5.5	5.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$14.10 on 11 Feb 2015 21:56 HKT

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Investment Thesis

Anta Sports Products

Investment case

We believe the sportswear sector is back on a growth track, with Anta the leader of this trend. Positive order growth for Anta looks likely to be sustained in the next few years and we project a steady five-year sales CAGR of 12%. We think branding and pricing issues (rather than soft demand) are the primary reasons for the poor performance of most mass market brands in China. We expect Anta's long-term commitment to R&D and brand building to help the company in the e-commerce era. We turned positive on the sector early and our estimates remain head of the street's. While many investors have expressed skepticism about our sportswear sector recovery thesis, we believe intrinsic growth is possible and weaker companies will exit, releasing market share.

Upside scenario

In our upside scenario, we assume a more effective ramp-up of the FILA operation, which would contribute 15% of group EBIT by 2016E. We estimate this would lead to a valuation of HK\$24.00 per share.

Downside scenario

In our downside scenario, we assume slower sales growth for the Anta operation in 2015E/2016E, with YoY sales growth of 10%/9%. We estimate this would lead to a valuation of HK\$18.00.

Upcoming catalysts

Anta will announce Q415 trade fair results in May.

12-month rating

Buy

12m price target

HK\$20.00

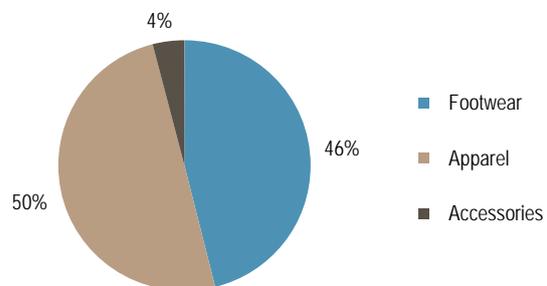
Business description

Anta Sports Products (Anta) was founded in 1994 (as Anta Fujian) and listed on the Hong Kong stock exchange in July 2007. The company does not operate any of its Anta-branded retail outlets, but wholesales all its manufactured Anta-branded products to distributors that operate the franchised retail outlets directly or through third-party retail outlet operators. Anta has a strong presence in functional sportswear brands focusing on the mass market while FILA targets the high-end segment. Anta had 7,757 authorised retail outlets as of the end of December 2013.

Industry outlook

We think sales growth for the sector could resume, as the leading domestic sportswear companies have been restructuring their operations, addressing the three root causes that led to the recent sector downturn. Notably, some domestic brands have enhanced their replenishment capabilities, with a focus on designing only products that customers want, and have adapted their distribution systems to promote sell-through rather than sell-in. The leading domestic sportswear brands could gain market share by launching attractive products at reasonable prices. Anta is the largest sportswear operator in the sector, with steady operations and a strong net cash position of over Rmb5bn.

Revenues by segment in 2014 (%)



Source: Company data

Gross Profit by product segment

(Rmb mn)	2013	2014	2015E	2016E	2017E
Footwear	1,523	1,908	2,278	2,506	2,724
Apparel	1,417	1,982	1,997	2,193	2,376
Accessories	100	137	161	173	187

Source: Company Data, UBS estimates

Figure 1: A snapshot of 2014 results

Rmb m	2014	2013	2014E	YoY	Vs UBS
Revenue	8,923	7,281	8,522	22.5%	4.7%
Footwear	4,111	3,421	4,202	20.2%	-2.2%
Apparel	4,451	3,575	3,977	24.5%	11.9%
Accessories	361	286	343	26.2%	5.1%
Cost of sales	(4,896)	(4,242)	(4,703)	15.4%	4.1%
Gross profit	4,027	3,039	3,819	32.5%	5.4%
Other operating income (expense)	86	102	70	-15.9%	22.8%
Selling and distribution costs	(1,697)	(1,199)	(1,406)	41.5%	20.7%
Administrative expenses	(397)	(376)	(511)	5.4%	-22.4%
EBIT	2,019	1,566	1,972	29.0%	2.4%
Finance income	248	212	210	16.8%	18.0%
Profit before tax	2,243	1,753	2,172	28.0%	3.3%
Income tax expense	(510)	(423)	(549)	20.5%	-7.2%
Net profit	1,700	1,315	1,602	29.3%	6.1%
EPS (basic)	0.68	0.53	0.64	29.2%	6.0%
DPS	0.48	0.38	0.46	27.9%	4.9%
Gross margin	45.1%	41.7%	44.8%	3.4%	0.3%
Operating margin	22.6%	21.5%	23.1%	1.1%	-0.5%
Net margin	19.1%	18.1%	18.8%	1.0%	0.3%
Payout ratio	71.0%	71.7%	71.7%	-0.7%	-0.7%

Source: Company Data, UBS estimates

Key Changes to our estimates

- **Lift 15E-17E revenue by 1% in each year** – We increase our 15E-17E revenue assumption by 1%/1%/1% to reflect the stronger sales momentum driven by a strong SSS, FILA and Ecommerce.
- **Lift 15E-17E earnings by 3%/2%/2%** – We lift 15E-17E earnings by 3%/2%/2% to reflect a stronger revenue growth trend and stable operating expenses.

Figure 2: Key changes to our estimates

Revenue (RMB m)	2015E	2016E	2017E
UBS (new)	9,992	11,060	12,290
UBS (old)	9,897	10,997	12,220
%	1%	1%	1%
EBIT (RMB m)			
UBS (new)	2,273	2,428	2,563
UBS (old)	2,200	2,380	2,510
%	3%	2%	2%
Net profit (RMB m)			
UBS (new)	1,894	2,010	2,111
UBS (old)	1,840	1,975	2,072
%	3%	2%	2%

Source: UBS estimates

Figure 3: VCAM for Anta [2020.HK]

Relative year	+1E	+2E	+3E	+4E	+5E	+6E	+7E	+8E	+9E	+10E
Fiscal year	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
EBIT	2,273	2,428	2,563	2,697	2,825	3,237	3,541	3,863	4,203	4,561
D&A*	50	52	52	53	54	67	79	93	108	125
Capex	(96)	(96)	(96)	(96)	(96)	(101)	(112)	(124)	(137)	(150)
Chg. in w.kg. cap.	329	(88)	(99)	(110)	(121)	(142)	(153)	(166)	(178)	(191)
Tax (operating)	(575)	(614)	(649)	(682)	(715)	(819)	(896)	(977)	(1,063)	(1,154)
Other	(29)	(29)	(33)	(35)	(38)	(34)	(37)	(39)	(42)	(46)
Free Cash Flow	1,952	1,653	1,739	1,827	1,910	2,209	2,423	2,650	2,890	3,145
<i>growth</i>		-15.3%	5.2%	5.0%	4.5%	15.7%	9.7%	9.4%	9.1%	8.8%

Valuation	
PV of explicit cash flow	28,458
PV of terminal value (yr. 25)	6,947
Enterprise Value	35,405
<i>% terminal</i>	<i>20%</i>
Associates & other	(36)
- Minority interests	209
Surplus cash**	4,813
- Debt**	1,348
Equity value	38,625
Shares outstanding [m]	2,498.3
Equity per share (HK\$/sh)	19.20
Cost of equity	9.2%
Dividend yield	5.1%
1-year Price Target (HK\$/sh)	20.00

Long Term Assumptions			
Relative year	+10E	+15E	+25E
Sales growth	10.0%	6.0%	2.8%
EBIT margin	18.2%	17.2%	14.2%
Capex/sales	0.6%	0.5%	0.5%
ROIC	52.4%	59.8%	59.4%

Valuation-Implied Metrics			
Fiscal year	2015E	2016E	1-yr Fwd.
EV / EBITDA	15.2x	14.3x	15.1x
EV / EBIT	15.6x	14.6x	15.5x
FCF Yield	5.5%	4.7%	5.4%
P / E (PV)	20.4x	19.2x	20.2x
P / E (Target)	21.3x	20.0x	21.1x

WACC	
Risk free rate	4.39%
ERP	5.0%
Beta	0.97
Debt / equity**	5.2%
Marg. tax rate	25.3%
Cost of equity	9.2%
Cost of debt	6.9%
WACC	9.2%

Terminal Assumptions	
VCH (years)	25
Impl. FCF gr.	0.2%
Incr. ROIC	9.9%
EV / EBITDA	7.8x

Figures in Rmb m, unless noted otherwise.

* Depreciation and non-goodwill amortization

** The portion of cash not required to maintain operations

*** Assumes market value of equity and includes market value/seasonal adjustments for debt and debt-deemed obligations.

Source: UBS VCAM

2014 results summary & briefing takeaways

- **2014 revenue up 23% and earnings up 29% YoY** – Anta reported revenue at RMB8,923m, up 22.5% YoY. EBIT increased to RMB2,019m, up 29.0% YoY. Earnings increased by 29.3% YoY to RMB1,700m. Revenue beat consensus estimates by 2.7%.
- **2014 gross margin expansion driven by higher FILA contribution** – Gross margin for 2014 expanded by 3.4pps YoY to 45.1% mainly due to improved top line performance coupled with higher margin for FILA branded products and reduction in incentives given to distributors for clearing inventory.
- **Net cash position of RMB5,431m** – Net cash position improved to RMB5,431m at 2014-end from RMB5,075m in 2013. Total operating cash inflow for 2014 was RMB1,686m, up 49.4% YoY thanks to improved working capital situation.
- **Q4 SSS growth at high-single digit** – Q414 SSS growth reached high single digit growth YoY. Previously, Anta reported mid-single-digit, low-double digit and high-single digit SSS growth for Q114-Q314.

- **Q315 trade fair order growth at low double digit** – Anta reported third consecutive quarter of trade fair order growth in 2015. Order growth for Q315 was low-double digit YoY.
- **A&P ratio should remain stable in 2015** – A&P ratio increased 90 bps to 12.0% in 2014, mainly due to NBA players endorsements and sponsorship activities. Management shared that it would expect the ratio to remain relatively stable in 2015.

Anta Sports Products (2020.HK)

Income statement (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	7,623	7,281	8,923	9,992	12.0	11,060	10.7	12,290	13,657	15,177
Gross profit	2,893	3,039	4,027	4,531	12.5	4,935	8.9	5,357	5,809	6,291
EBITDA (UBS)	1,673	1,696	2,178	2,322	6.6	2,480	6.8	2,615	2,750	2,879
Depreciation & amortisation	(110)	(130)	(159)	(50)	-68.7	(52)	4.2	(52)	(53)	(54)
EBIT (UBS)	1,563	1,566	2,019	2,273	12.6	2,428	6.8	2,563	2,697	2,825
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	166	187	224	290	29.6	290	0.0	290	290	290
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	1,730	1,753	2,243	2,563	14.3	2,718	6.1	2,853	2,987	3,115
Tax	(374)	(423)	(510)	(648)	-27.1	(688)	-6.1	(722)	(756)	(788)
Profit after tax	1,356	1,330	1,733	1,914	10.5	2,030	6.1	2,131	2,231	2,327
Preference dividends and Minorities	3	(15)	(32)	(20)	38.1	(20)	0.0	(20)	(20)	(20)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	1,359	1,315	1,700	1,894	11.4	2,010	6.1	2,111	2,211	2,307
Net earnings (UBS)	1,359	1,315	1,700	1,894	11.4	2,010	6.1	2,111	2,211	2,307
Tax rate (%)	21.6	24.1	22.7	25.3	11.2	25.3	0.0	25.3	25.3	25.3
Per share (Rmb)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	0.54	0.53	0.68	0.76	11.6	0.81	6.1	0.85	0.89	0.92
EPS (local GAAP, diluted)	0.54	0.53	0.68	0.76	11.6	0.81	6.1	0.85	0.89	0.92
EPS (UBS, basic)	0.54	0.53	0.68	0.76	11.6	0.81	6.1	0.85	0.89	0.93
Net DPS (Rmb)	0.39	0.38	0.48	0.54	11.6	0.57	6.1	0.60	0.63	0.66
Book value per share	2.71	2.87	3.13	3.36	7.4	3.60	7.2	3.85	4.12	4.40
Average shares (diluted)	2,497.81	2,499.17	2,501.25	2,495.98	-0.2	2,495.98	0.0	2,495.98	2,495.98	2,495.98
Balance sheet (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	4,008	4,344	4,934	5,461	10.7	5,935	8.7	6,438	6,966	7,518
Other current assets	4,095	3,843	4,413	4,694	6.4	5,008	6.7	5,375	5,785	6,243
Total current assets	8,102	8,187	9,347	10,155	8.6	10,943	7.8	11,813	12,750	13,760
Net tangible fixed assets	918	935	1,068	1,092	2.3	1,114	2.0	1,136	1,157	1,176
Net intangible fixed assets	529	507	489	511	4.4	532	4.2	554	575	597
Investments / other assets	487	489	480	488	1.7	496	1.7	504	512	520
Total assets	10,036	10,118	11,384	12,245	7.6	13,085	6.9	14,006	14,994	16,054
Trade payables & other ST liabilities	1,901	2,083	1,836	2,128	15.9	2,364	11.1	2,652	2,978	3,347
Short term debt	997	490	1,348	1,348	0.0	1,348	0.0	1,348	1,348	1,348
Total current liabilities	2,898	2,574	3,185	3,476	9.1	3,712	6.8	4,000	4,326	4,695
Long term debt	0	0	0	0	-	0	-	0	0	0
Other long term liabilities	205	195	194	194	0.0	194	0.0	194	194	194
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	3,103	2,769	3,379	3,670	8.6	3,907	6.4	4,194	4,520	4,890
Common s/h equity	6,752	7,154	7,795	8,365	7.3	8,969	7.2	9,602	10,265	10,955
Minority interests	180	195	209	209	0.0	209	0.0	209	209	209
Total liabilities & equity	10,036	10,118	11,384	12,245	7.6	13,085	6.9	14,006	14,994	16,054
Cash flow (Rmbm)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	1,359	1,315	1,700	1,894	11.4	2,010	6.1	2,111	2,211	2,307
Depreciation & amortisation	110	130	159	50	-68.7	52	4.2	52	53	54
Net change in working capital	430	(421)	(68)	11	-	(78)	-	(79)	(84)	(89)
Other operating	67	103	(105)	20	-	20	0.0	20	20	20
Operating cash flow	1,965	1,128	1,686	1,975	17.1	2,005	1.5	2,104	2,200	2,293
Tangible capital expenditure	(138)	(166)	(236)	(73)	69.1	(73)	0.0	(73)	(73)	(73)
Intangible capital expenditure	(12)	(4)	(9)	(23)	-150.1	(23)	0.0	(23)	(23)	(23)
Net (acquisitions) / disposals	(346)	(216)	0	(8)	-	(8)	0.0	(8)	(8)	(8)
Other investing	(479)	1,006	(619)	0	-	0	-	0	0	0
Investing cash flow	(976)	620	(865)	(104)	88.0	(104)	0.0	(104)	(104)	(104)
Equity dividends paid	(996)	(878)	(1,090)	(1,344)	-23.3	(1,426)	-6.1	(1,498)	(1,569)	(1,637)
Share issues / (buybacks)	0	4	6	0	-	0	-	0	0	0
Other financing	(4)	(5)	(4)	0	-	0	-	0	0	0
Change in debt & pref shares	997	(528)	849	0	-	0	-	0	0	0
Financing cash flow	(3)	(1,408)	(238)	(1,344)	NM	(1,426)	-6.1	(1,498)	(1,569)	(1,637)
Cash flow inc/(dec) in cash	986	341	583	527	-9.6	475	-10.0	502	528	552
FX / non cash items	3	(4)	6	0	-98.6	0	-	0	0	0
Balance sheet inc/(dec) in cash	989	337	589	527	-10.6	475	-10.0	502	528	552

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Anta Sports Products (2020.HK)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	9.7	12.9	15.3	15.0	14.1	13.4	12.8	12.3
P/E (UBS, diluted)	9.7	12.9	15.3	15.0	14.1	13.4	12.8	12.3
P/CEPS	9.0	11.7	14.0	14.5	13.7	13.1	12.5	12.0
Equity FCF (UBS) yield %	13.9	5.8	5.5	6.6	6.7	7.1	7.4	7.8
Net dividend yield (%)	7.4	5.6	4.6	4.8	5.0	5.3	5.5	5.8
P/BV x	2.0	2.4	3.3	3.4	3.2	2.9	2.8	2.6
EV/revenues (core)	1.3	1.8	2.5	2.5	2.2	1.9	1.7	1.5
EV/EBITDA (core)	6.1	7.9	10.4	10.6	9.8	9.1	8.4	8.1
EV/EBIT (core)	6.6	8.6	11.2	10.9	10.0	9.2	8.6	8.2
EV/OpFCF (core)	5.2	12.1	12.1	10.9	10.4	9.6	8.9	8.5
EV/op. invested capital	2.8	3.6	5.7	5.5	5.3	5.1	4.8	4.7
Enterprise value (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	13,065	16,628	26,170	28,296	28,296	28,296	28,296	28,296
Net debt (cash)	(3,015)	(3,433)	(3,720)	(3,849)	(4,350)	(4,838)	(5,353)	(5,353)
Buy out of minorities	180	195	209	209	209	209	209	209
Pension provisions/other	39	37	36	36	36	36	36	36
Total enterprise value	10,270	13,428	22,696	24,693	24,192	23,704	23,189	23,189
Non core assets	0	0	0	0	0	0	0	0
Core enterprise value	10,270	13,428	22,696	24,693	24,192	23,704	23,189	23,189
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	-14.4	-4.5	22.5	12.0	10.7	11.1	11.1	11.1
EBITDA (UBS)	-20.4	1.4	28.4	6.6	6.8	5.5	5.1	4.7
EBIT (UBS)	-22.3	0.1	29.0	12.6	6.8	5.6	5.2	4.8
EPS (UBS, diluted)	-21.4	-3.3	29.2	11.6	6.1	5.0	4.7	4.3
Net DPS	-7.9	-3.2	27.9	11.6	6.1	5.0	4.7	4.3
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	38.0	41.7	45.1	45.3	44.6	43.6	42.5	41.5
EBITDA margin	21.9	23.3	24.4	23.2	22.4	21.3	20.1	19.0
EBIT margin	20.5	21.5	22.6	22.7	22.0	20.9	19.7	18.6
Net earnings (UBS) margin	17.8	18.1	19.1	19.0	18.2	17.2	16.2	15.2
ROIC (EBIT)	42.3	41.8	50.6	50.8	53.2	54.6	55.9	56.9
ROIC post tax	33.1	31.7	39.1	37.9	39.7	40.8	41.7	42.5
ROE (UBS)	20.7	18.9	22.7	23.4	23.2	22.7	22.3	21.7
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	(1.8)	(2.3)	(1.6)	(1.8)	(1.8)	(1.9)	(2.0)	(2.1)
Net debt / total equity %	(43.4)	(52.4)	(44.8)	(48.0)	(50.0)	(51.9)	(53.6)	(55.3)
Net debt / (net debt + total equity) %	(76.8)	NM	(81.1)	(92.2)	(99.9)	NM	NM	NM
Net debt/EV	(29.3)	(28.7)	(15.8)	(16.7)	(19.0)	(21.5)	(24.2)	(26.6)
Capex / depreciation %	179.0	165.8	184.5	149.4	143.2	143.0	139.8	137.0
Capex / revenue %	1.8	2.3	2.6	0.7	0.7	0.6	0.5	0.5
EBIT / net interest	NM							
Dividend cover (UBS)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Div. payout ratio (UBS) %	71.7	71.7	71.0	71.0	71.0	71.0	71.0	71.0
Revenues by division (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	7,623	7,281	8,923	9,992	11,060	12,290	13,657	15,177
Total	7,623	7,281	8,923	9,992	11,060	12,290	13,657	15,177
EBIT (UBS) by division (Rmbm)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	1,563	1,566	2,019	2,273	2,428	2,563	2,697	2,825
Total	1,563	1,566	2,019	2,273	2,428	2,563	2,697	2,825

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+41.8%
Forecast dividend yield	4.8%
Forecast stock return	+46.6%
Market return assumption	9.4%
Forecast excess return	+37.2%

Statement of Risk

We think the key industry risks include: 1) a slowdown in China's economy that could dampen sportswear industry growth; and 2) changes in consumer preferences that could lower overall sportswear sales. The key company-specific risks include: 1) rising cost pressure from raw materials that could erode its gross margins; 2) a high reliance on major distributors and suppliers that could weaken Anta's bargaining power; and 3) uncertainty on self-owned retail operations given Anta's lack of retail experience.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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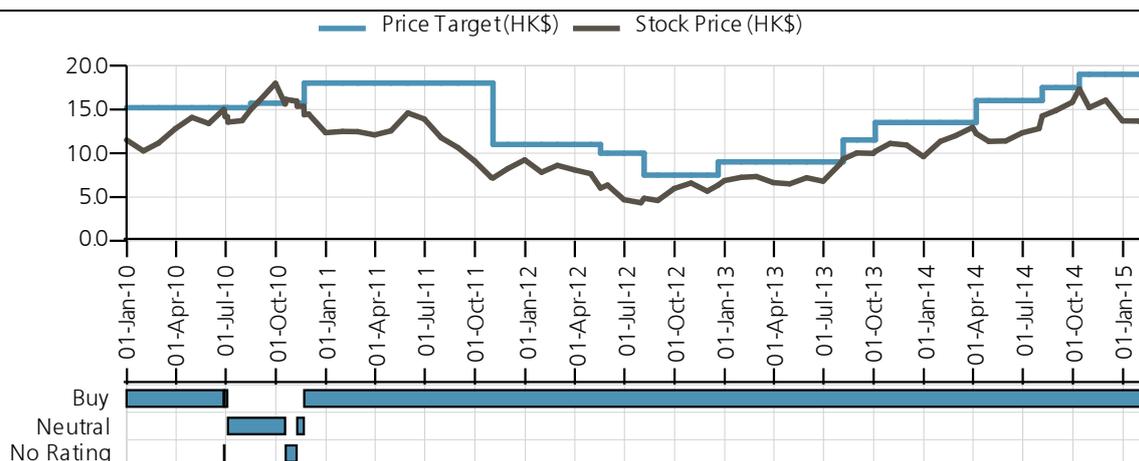
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Anta Sports Products	2020.HK	Buy	N/A	HK\$13.20	10 Feb 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Anta Sports Products (HK\$)



Source: UBS; as of 10 Feb 2015

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