



Hengan International Group Ltd

Solid revenue growth and margin expansion to continue; reiterate OW

For 2H14, Hengan reported 15% and 14% y/y growth in net profit and EBIT (excl other income), respectively, and 3% better than our estimate. 2H14 growth was driven by solid sanitary napkin division (sales and EBIT up 23% and 27% y/y, respectively, in 2H14), while diapers and tissue sales growth slowed down in 2H14 though was still better than rest of the staples and reported LSD growth. Management is seeing good sales momentum YTD and raw material price moves are likely to continue to help margins. We lift our FY15 and FY16 earnings estimates by 2.8% and 3.1%, respectively. Hengan is among our top picks in Asia consumer space with our thesis being: i) decent top-line growth driven by solid sanitary napkin, ii) bottoming out tissue margins, iii) developing diaper business, and iv) low petrochem prices as an additional catalyst. Apart from diapers, the rest of our expectations are coming along and we expect diapers segment to improve as low-end diapers phase out. Reiterate OW with HK\$105 PT.

- **Sanitary napkin is the driver.** For FY14, sanitary napkin saw 24% sales growth (c7% driven by ASP thanks to product mix upgrades). GPM margin expanded 220bps and EBIT was up 24% y/y. We are now modeling 17% growth in FY15 for sales and 24% for EBIT. Sanitary napkin accounted for 60% of Hengan's EBIT in FY14 and continues to be the major driver.
- **Diaper was weak in 2H, dragged down by low end.** Diaper sales growth was 5% for FY14 (3% for 2H14). Management noted that while mid- to high-end diaper sales (estimated one-third of the business) were up c12% y/y, low-end diapers sales (estimated to be c20% of the business) were down c15% y/y in 2014, dragging down overall performance. We expect diapers sales momentum to improve as low-end diapers phase out. Management continues to expand its footprint in maternity stores and online channels.
- **Tissue margins bottomed out.** While tissue overcapacity continues to be a challenge, Hengan takes the view not to increase promotions. The company is not rushing into capacity expansion and will evaluate demand before adding capacity. Hengan management is focused on margins and overall returns of the business as they keep tissue capacity expansion in check.

Hengan International Group Ltd (Reuters: 1044.HK, Bloomberg: 1044 HK)

HK\$ in mn, year-end Dec	FY12A	FY13A	FY14A	FY15E	FY16E
Revenue (HK\$ mn)	18,524	21,186	23,831	27,336	30,319
Net Profit (HK\$ mn)	3,519	3,721	3,916	4,777	5,419
EPS (HK\$)	2.86	3.02	3.18	3.88	4.40
Recurring EPS (HK\$)	2.86	3.02	3.18	3.88	4.40
DPS (HK\$)	1.70	1.85	1.99	2.52	2.86
Revenue growth (%)	8.6%	14.4%	12.5%	14.7%	10.9%
Net Profit growth (%)	32.8%	5.8%	5.2%	22.0%	13.4%
Recurring profit growth	32.8%	5.8%	5.2%	22.0%	13.4%
EPS growth (%)	32.8%	5.5%	5.2%	22.0%	13.4%
ROE	26.6%	24.3%	22.9%	25.9%	26.8%
ROA	13.4%	10.7%	9.5%	11.0%	11.8%
P/E (x)	30.6	28.9	27.4	22.6	19.9
P/BV (x)	7.6	6.5	6.1	5.6	5.1
EV/EBITDA (x)	21.4	19.4	17.4	15.0	13.3
Dividend Yield	1.9%	2.1%	2.3%	2.9%	3.3%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Overweight

1044.HK, 1044 HK

Price: HK\$87.50

▲ **Price Target: HK\$105.00**
Previous: HK\$100.00

China

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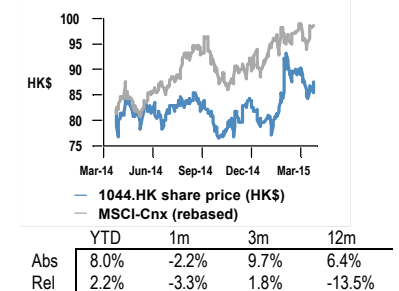
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J.P. Morgan Securities (Asia Pacific) Limited

Price Performance



Company Data

Shares O/S (mn)	1,229
Market Cap (HK\$ mn)	107,538
Market Cap (\$ mn)	13,864
Price (HK\$)	87.50
Date Of Price	24 Mar 15
Free Float(%)	59.5%
3M - Avg daily vol (mn)	1.90
3M - Avg daily val (HK\$ mn)	163.99
3M - Avg daily val (\$ mn)	21.1
MSCI-Cnx	7131.49
Exchange Rate	7.76
Price Target End Date	31-Dec-15
Price Target (HK\$)	105.00

See page 10 for analyst certification and important disclosures, including non-US analyst disclosures.

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Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
(1) Ongoing market share gains/ better execution on sanitary napkins division which is the key contributor accounting for ~50% of EBIT. (2) Faster-than-expected roll-out of new diapers in mom and baby stores. (3) Benign input costs.	(1) A faster-than-expected roll-out of new diaper products would be an upside risk. We currently assume diaper sales growth of c10% in FY15. (2) Sanitary napkins growth outperforming our estimates. (3) More-than-expected decline in Hengan's petrochem costs.	(1) Larger-than-expected increase in wood pulp prices. Wood pulp accounts for c56% of the COGs for tissue paper products. We are assuming +1% increase in pulp prices in 2015. (2) Decline in government grants which make up ~10% of earnings. (3) Sudden acceleration in promotions in tissue and sanitary napkin divisions.

Key financial metrics	FY13A	FY14A	FY15E	FY16E
Revenues (LC)	21,186	23,831	27,336	30,319
Revenue growth (%)	14.4%	12.5%	14.7%	10.9%
EBITDA (LC)	5,457	6,030	6,975	7,757
EBITDA margin (%)	25.8%	25.3%	25.5%	25.6%
Tax rate (%)	24.8%	25.6%	24.6%	24.6%
Net profit (LC)	3,721	3,916	4,777	5,419
EPS (LC)	3.02	3.18	3.88	4.40
EPS growth (%)	5.5%	5.2%	22.0%	13.4%
DPS (LC)	1.85	1.99	2.52	2.86
BVPS (LC)	13.43	14.36	15.68	17.22
Operating cash flow (LC mn)	3,865	5,362	4,831	5,488
Free cash flow (LC mn)	2,344	3,557	3,622	4,261
Interest cover (X)	NM	NM	NM	NM
Net margin (%)	17.6%	16.4%	17.5%	17.9%
Sales/assets (X)	0.6x	0.6x	0.6x	0.7x
Debt/equity (%)	114.8%	113.8%	103.8%	94.5%
Net debt/equity (%)	-0.9%	-4.1%	-7.3%	-12.3%
ROE (%)	24.3%	22.9%	25.9%	26.8%

Key model assumptions	FY13E	FY14A	FY15E	FY16E
Sales growth	14.4%	12.5%	14.7%	10.9%
Gross Margins	45.1%	46.1%	47.6%	47.9%
EBIT Margins	22.4%	22.1%	22.7%	23.0%

Source: Bloomberg, Company data and J.P. Morgan estimates.

Sensitivity analysis	EBITDA		EPS	
	FY15E	FY16E	FY15E	FY16E
5% increase in wood pulp cost	-3.4%	-3.5%	-3.8%	-3.7%
5% increase in petrochemical cost	-2.0%	-2.1%	-2.2%	-2.3%
1% increase in A&P cost % of sales	-4.1%	-4.2%	-4.1%	-4.3%

Source: Bloomberg, Company data and J.P. Morgan estimates.

Comparative metrics

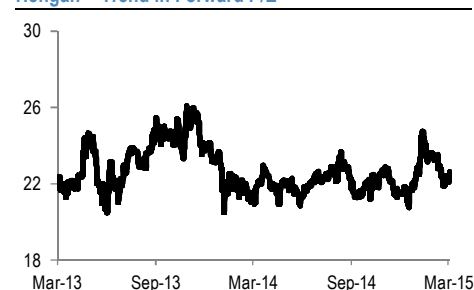
	CMP LC	Mkt Cap \$Mn	P/E		EV/EBITDA		P/BV		YTD Stock perf.
			FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	
Hengan	88	13,816	23.5x	20.0x	15.2x	12.9x	5.4x	4.8x	8.0%
Vinda	13	1,609	18.9x	15.9x	12.5x	10.9x	2.2x	2.0x	9.5%
Hindustan Unilever	887	30,803	47.4x	40.6x	34.7x	29.2x	46.7x	40.2x	16.7%
Unilever Indonesia	38,900	22,971	48.3x	42.7x	34.4x	30.5x	58.5x	50.7x	20.4%
Unicharm	3,239	16,829	39.8x	34.3x	16.9x	15.0x	4.6x	4.2x	11.2%

Source: Bloomberg, Company data and J.P. Morgan estimates.

Valuation and price target basis

We raise our Dec-15 PT to HK\$105 from HK\$100, based on 26x one-year forward P/E, which is 1-standard deviation below the historical mean given that growth rates are lower than historical levels. The increase in PT comes from an increase in our EPS estimates.

Hengan - Trend in Forward P/E



Source: Bloomberg, Company data and J.P. Morgan estimates.

JPM vs. consensus, change in estimates

EPS	FY15E	FY16E
JPM old	3.77	4.27
JPM new	3.88	4.40
% chg	2.9%	3.1%
Consensus	3.73	4.38

Source: Bloomberg, Company data and J.P. Morgan estimates.

Earnings Revisions

Table 1: Earnings revisions

HKD in millions	Old		New		% Change	
	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Revenue	26,766	30,110	27,336	30,319	2.1%	0.7%
Revenue growth y/y	12.1%	12.5%	14.7%	10.9%		
Gross profit	12,754	14,373	13,025	14,538	2.1%	1.1%
Gross margin	47.6%	47.7%	47.6%	47.9%		
EBIT	5,981	6,772	6,202	6,964	3.7%	2.8%
EBIT margin	22.3%	22.5%	22.7%	23.0%		
NPAT	4,646	5,256	4,777	5,419	2.8%	3.1%
NPAT growth y/y	24.1%	13.1%	22.0%	13.4%		
Diluted EPS (HKD)	3.77	4.27	3.88	4.41	3.0%	3.3%

Source: J.P. Morgan estimates.

FY14 results recap

Table 2: Hengan 2H14 results vs JPM estimates

HKD mn	2H13	2H14A	% chg y/y	2H14E	Actual/Est
Sales revenue	10,772	11,733	9%	11,769	0%
Gross profit	4,848	5,554	15%	5,577	0%
Gross margin	45.0%	47.3%		47.4%	
Other income	288	485	69%	264	84%
Total operating expenses	(2,738)	(3,141)	15%	(3,231)	-3%
EBIT	2,398	2,898	21%	2,610	11%
EBIT margin	22.3%	24.7%		22.2%	
Net interest	150	(379)	-353%	72	-627%
Pretax profit	2,549	2,993	17%	2,682	12%
Tax	(661)	(820)	24%	(689)	19%
Effective tax rate	-25.9%	-27.4%		-25.7%	
Minority interests	(25)	(33)		(24)	36%
Net profit	1,862	2,141	15%	1,969	9%
Net margin	17.3%	18.2%		16.7%	

Source: J.P. Morgan estimates, Company data.

Table 3: Hengan FY14 results vs JPM estimates

HKD mn	FY13	FY14A	% chg y/y	FY14E	Actual/Est
Sales revenue	21,186	23,831	12%	23,867	0%
Gross profit	9,559	10,988	15%	11,011	0%
Gross margin	45.1%	46.1%		46.1%	
Other income	443	690	56%	469	47%
Total operating expenses	(5,248)	(6,402)	22%	(6,492)	-1%
EBIT	4,754	5,276	11%	4,988	6%
EBIT margin	22.4%	22.1%		20.9%	
Net interest	261	67	-74%	44	53%
Pretax profit	5,015	5,343	7%	5,031	6%
Tax	(1,245)	(1,369)	10%	(1,238)	11%
Effective tax rate	-24.8%	-25.6%		-24.6%	
Minority interests	(50)	(58)		(50)	18%
Net profit	3,721	3,916	5%	3,744	5%
Net margin	17.6%	16.4%		15.7%	

Source: J.P. Morgan estimates, Company data.

Table 4: Hengan 2H14 revenue, gross profit and EBIT breakdown

HKD mn	2H13	2H14A	% chg y/y	2H14E	Actual/Est
Revenue Breakdown					
Sanitary napkins	3,113	3,842	23%	3,716	3%
Disposable diapers	1,506	1,549	3%	1,610	-4%
Tissue papers	5,139	5,220	2%	5,500	-5%
Food and snacks	673	588	-13%	786	-25%
Skin care and others	340	535	57%	155	244%
Total sales revenue	10,772	11,733	9%	11,769	0%
Gross profit breakdown					
Sanitary napkins	2,098	2,689	28%	2,546	6%
Disposable diapers	685	718	5%	739	-3%
Tissue papers	1,712	1,874	9%	1,896	-1%
Food and snacks	282	238	-16%	293	-19%
Skin care and others	72	35	-52%	104	-66%
Total gross profit	4,848	5,554	15%	5,577	0%
Gross margin					
Sanitary napkins	67.4%	70.0%		68.5%	
Disposable diapers	45.5%	46.4%		45.9%	
Tissue papers	33.3%	35.9%		34.5%	
Food and snacks	41.9%	40.5%		37.2%	
Skin care and others	21.1%	6.5%		66.7%	
Total	45.0%	47.3%		47.4%	
EBITt breakdown					
Sanitary napkins	1,336	1,697	27%	1,562	9%
Disposable diapers	302	277	-8%	263	5%
Tissue papers	468	430	-8%	455	-6%
Food and snacks	60	69	15%	42	62%
Skin care and others	-6	-12	85%	28	-141%
Others	240	437	83%	260	68%
Total EBIT	2,398	2,898	21%	2,610	11%
EBIT margin					
Sanitary napkins	42.9%	44.2%		42.0%	
Disposable diapers	20.0%	17.9%		16.3%	
Tissue papers	9.1%	8.2%		8.3%	
Food and snacks	8.9%	11.7%		5.4%	
Skin care and others	-1.8%	-2.2%		18.2%	
Total	22.3%	24.7%		22.2%	

Source: J.P. Morgan estimates, Company data.

Table 5: Hengan FY14 revenue, gross profit and EBIT breakdown

HKD mn	FY13	FY14A	% chg y/y	FY14E	Actual/Est
Revenue Breakdown					
Sanitary napkins	5,973	7,428	24%	7,302	2%
Disposable diapers	2,938	3,095	5%	3,156	-2%
Tissue papers	10,204	10,857	6%	11,138	-3%
Food and snacks	1,605	1,535	-4%	1,733	-11%
Skin care and others	467	916	96%	537	71%
Total sales revenue	21,186	23,831	12%	23,867	0%
Gross profit breakdown					
Sanitary napkins	3,960	5,088	28%	4,945	3%
Disposable diapers	1,307	1,402	7%	1,422	-1%
Tissue papers	3,480	3,746	8%	3,768	-1%
Food and snacks	679	651	-4%	705	-8%
Skin care and others	134	102	-24%	170	-40%
Total gross profit	9,559	10,988	15%	11,011	0%
Gross margin					
Sanitary napkins	66.3%	68.5%		67.7%	
Disposable diapers	44.5%	45.3%		45.1%	
Tissue papers	34.1%	34.5%		33.8%	
Food and snacks	42.3%	42.4%		40.7%	
Skin care and others	28.6%	11.1%		31.7%	
Total	45.1%	46.1%		46.1%	
EBITt breakdown					
Sanitary napkins	2,535	3,133	24%	2,998	5%
Disposable diapers	606	541	-11%	526	3%
Tissue papers	1,142	893	-22%	918	-3%
Food and snacks	117	115	-1%	89	30%
Skin care and others	4	1	-80%	41	-98%
Others	351	594	69%	417	43%
Total EBIT	4,754	5,276	11%	4,988	6%
EBIT margin					
Sanitary napkins	42.4%	42.2%		41.1%	
Disposable diapers	20.6%	17.5%		16.7%	
Tissue papers	11.2%	8.2%		8.2%	
Food and snacks	7.3%	7.5%		5.1%	
Skin care and others	0.9%	0.1%		7.6%	
Total	22.4%	22.1%		20.9%	

Source: J.P. Morgan estimates, Company data.

Investment Thesis, Valuation and Risks

Hengan International Group Ltd (*Overweight; Price Target: HK\$105.00*)

Investment Thesis

We lift up our FY15 and FY16 earnings estimates by 2.8% and 3.1%, respectively. Hengan is among our top picks in Asia consumer space with our thesis being: i) decent top-line growth driven by solid sanitary napkin; ii) bottoming out tissue margins; iii) developing diaper business; and iv) low petrochem prices additional catalyst. Apart from diapers, the rest of our expectations are coming along and we expect the diapers segment to improve as low-end diapers phase out. Reiterate OW with HK\$105 PT.

Valuation

Our Dec-15 PT is raised to HK\$105 from HK\$100, based on 26x one-year forward P/E, which is 1-standard deviation below the historical mean given that growth rates are lower than historical levels. The PT change is due to earnings estimates change.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) a larger-than-expected increase in wood pulp prices –wood pulp accounts for c56% of COGS for tissue paper products; we assume a 2% decrease in pulp prices in 2014; and 2) a decline in government grants, which make up ~10% of earnings.

Hengan International Group Ltd: Summary of Financials

Income Statement						Cash flow statement					
HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Revenues	21,186	23,831	27,336	30,319	33,691	PBT	5,015	5,343	6,413	7,265	8,354
% change Y/Y	14.4%	12.5%	14.7%	10.9%	11.1%	Depr. & amortization	702	755	773	793	810
Gross Profit	9,559	10,988	13,025	14,538	16,632	Change in working capital	(380)	700	(566)	(482)	(545)
% change Y/Y	15.0%	14.9%	18.5%	11.6%	14.4%	Tax & Other	(1,472)	(1,436)	(1,788)	(2,088)	(2,303)
Gross margin	45.1%	46.1%	47.6%	47.9%	49.4%	Cash flow from operations	3,865	5,362	4,831	5,488	6,316
Other operating income	443	690	558	612	672	Capex	(1,337)	(1,755)	(1,050)	(1,000)	(1,000)
EBITDA	5,457	6,030	6,975	7,757	8,916	Sale of assets	13	0	0	0	0
% change Y/Y	8.5%	10.5%	15.7%	11.2%	14.9%	Acquisition of subsidiaries/intangibles	0	0	0	0	0
EBITDA Margin	25.8%	25.3%	25.5%	25.6%	26.5%	Other	(3,893)	(60)	587	677	623
EBIT	4,754	5,276	6,202	6,964	8,107	Cash flow from investing	(5,218)	(1,815)	(463)	(323)	(377)
% change Y/Y	5.6%	11.0%	17.6%	12.3%	16.4%	Equity raised/(repaid)	0	0	0	0	0
EBIT Margin	22.4%	22.1%	22.7%	23.0%	24.1%	Debt raised/(repaid)	8,332	1,135	0	0	0
Net Interest	261	67	211	301	247	Dividends paid	(2,220)	(2,451)	(3,105)	(3,523)	(4,056)
Share of JVs	-	-	-	-	-	Other	(213)	(640)	(411)	(411)	(411)
Other non operating income	-	-	-	-	-	Cash flow from financing	5,899	(1,955)	(3,516)	(3,934)	(4,467)
Earnings before tax	5,015	5,343	6,413	7,265	8,354	FX gain/(loss)	67	0	0	0	1
% change Y/Y	10.5%	6.5%	20.0%	13.3%	15.0%	Net change in cash	4,613	1,592	853	1,231	1,473
Tax	(1,245)	(1,369)	(1,578)	(1,787)	(2,055)	Ending cash	19,564	21,297	22,008	23,239	24,712
as % of EBT	24.8%	25.6%	24.6%	24.6%	24.6%	DPS	1.85	1.99	2.52	2.86	3.30
Minorities	(50)	(58)	(58)	(58)	(58)						
Net income (reported)	3,721	3,916	4,777	5,419	6,241						
% change Y/Y	5.8%	5.2%	22.0%	13.4%	15.2%						
Recurring Net Income	3,721	3,916	4,777	5,419	6,241						
% change Y/Y	5.8%	5.2%	22.0%	13.4%	15.2%						
EPS (reported)	3.02	3.18	3.88	4.40	5.07						
% change Y/Y	5.5%	5.2%	22.0%	13.4%	15.2%						
Recurring EPS	3.02	3.18	3.88	4.40	5.07						
% change Y/Y	5.5%	5.2%	22.0%	13.4%	15.2%						

Balance sheet						Ratio Analysis					
HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E	HK\$ in millions, year end Dec	FY13	FY14	FY15E	FY16E	FY17E
Cash and cash equivalents	19,564	21,297	22,008	23,239	24,712	Gross margin	45.1%	46.1%	47.6%	47.9%	49.4%
Accounts receivable	2,184	2,455	2,816	3,124	3,471	EBITDA margin	25.8%	25.3%	25.5%	25.6%	26.5%
Inventories	4,386	3,695	4,238	4,701	5,224	Operating Margin	22.4%	22.1%	22.7%	23.0%	24.1%
Others	1,187	1,259	1,400	1,400	1,399	Net margin	17.6%	16.4%	17.5%	17.9%	18.5%
Current assets	27,321	28,706	30,463	32,464	34,806	Recurring net profit margin	17.6%	16.4%	17.5%	17.9%	18.5%
Goodwill	-	-	-	-	-	Sales growth	14.4%	12.5%	14.7%	10.9%	11.1%
Intangible assets	581	604	604	604	604	Net profit growth	5.8%	5.2%	22.0%	13.4%	15.2%
Long term investments	-	-	-	-	-	Recurring net profit growth	5.8%	5.2%	22.0%	13.4%	15.2%
Net fixed assets	8,627	8,862	9,139	9,346	9,537	EPS growth	5.5%	5.2%	22.0%	13.4%	15.2%
Other assets	3,661	4,405	4,439	4,474	4,510						
Total Assets	40,190	42,577	44,645	46,888	49,456	Interest coverage (x)	NM	NM	NM	NM	NM
Liabilities						Net debt to equity	(0.9%)	(4.1%)	(7.3%)	(12.3%)	(17.3%)
Short-term loans	13,233	15,164	15,164	15,164	15,164	Sales/assets	0.6	0.6	0.6	0.7	0.7
Trade & other payables	2,097	2,300	2,638	2,926	3,251	Assets/equity	226.7%	242.2%	236.1%	225.9%	216.0%
Others	1,585	1,522	1,522	1,522	1,522	ROE	24.3%	22.9%	25.9%	26.8%	28.0%
Total current liabilities	16,915	18,986	19,325	19,613	19,938	ROCE	11.7%	10.6%	12.0%	12.9%	14.3%
Long-term debt	6,187	5,390	5,390	5,390	5,390						
Others	1	0	0	0	0						
Total Liabilities	23,272	24,514	24,852	25,140	25,465						
Minorities	385	425	484	542	600						
Shareholders' equity	16,534	17,638	19,310	21,206	23,391						
BVPS	13.43	14.36	15.68	17.22	19.00						

Source: Company reports and J.P. Morgan estimates.

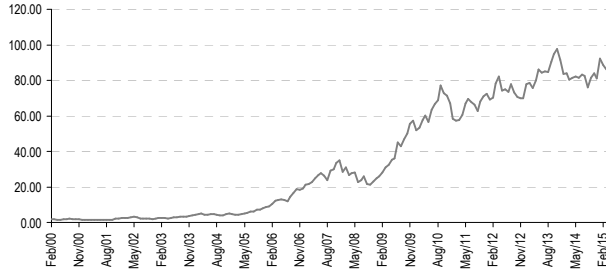
JPM Q-Profile

Hengan International Group Co., Ltd. (CHINA / Consumer Staples)
 As Of: 23-Mar-2015

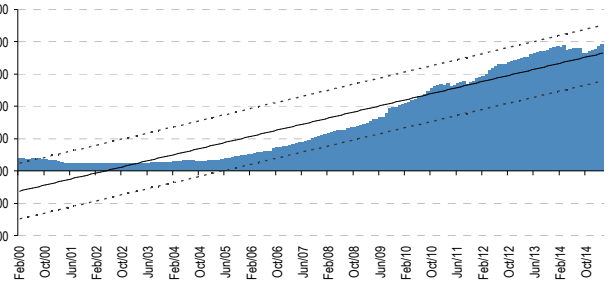
Global Equity Quantitative Analysis

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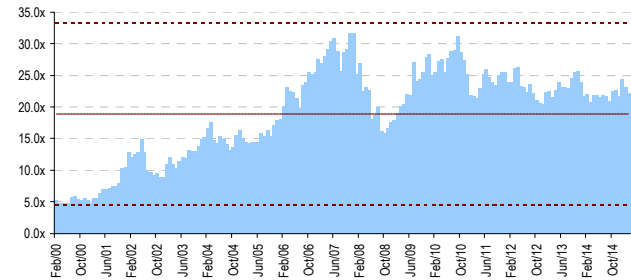
Local Share Price Current: **86.40**



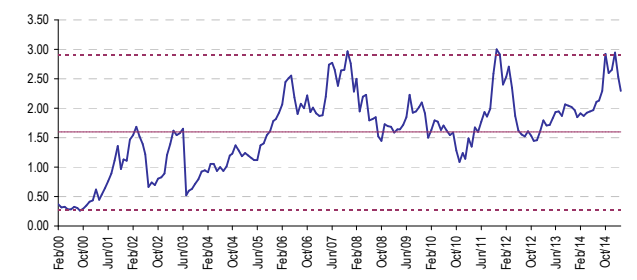
12 Mth Forward EPS Current: **3.90**



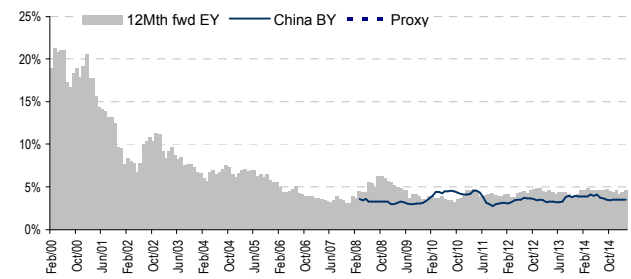
PE (1Yr Forward) Current: **22.1x**



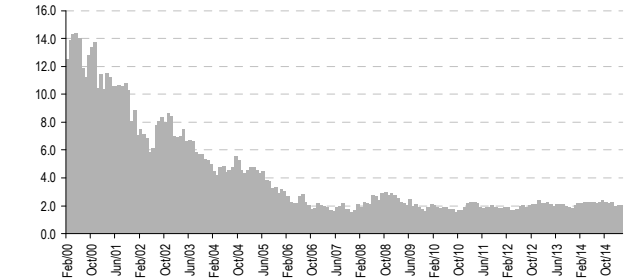
P/E Relative to China Index Current: **2.29**



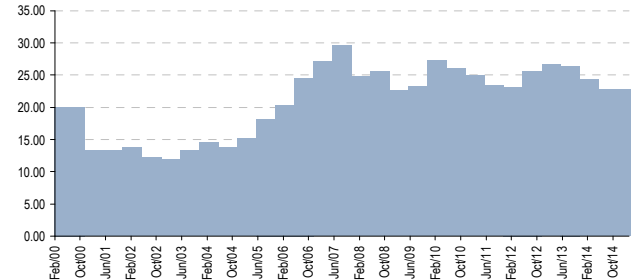
Earnings Yield (& Local Bond Yield) Current: **5%**



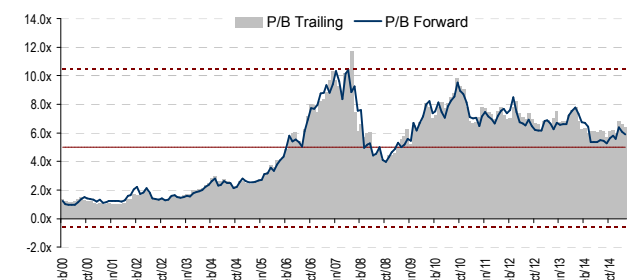
Dividend Yield (Trailing) Current: **2.08**



ROE (Trailing) Current: **22.76**



Price/Book (Value) Current: **6.4x**



Summary

Hengan International Group Co., Ltd.						As Of: 23-Mar-15					
CHINA						Local Price: 86.40					
Consumer Staples						TICKER 1044 HK					
						EPS: 3.90					
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	22.12x	4.72	31.70	21.42	18.91	33.25	4.58	-79%	43%	-3%	-14%
P/BV (Trailing)	6.40	0.96	11.73	5.94	4.98	10.50	-0.55	-85%	83%	-7%	-22%
Dividend Yield (Trailing)	2.08x	1.55	14.37	2.28	4.25	10.97	-2.48	-25%	591%	10%	104%
ROE (Trailing)	22.76	11.93	29.65	22.76	20.99	31.82	10.16	-48%	30%	0%	-8%

Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, JPMorgan Quantitative & Derivative Strategy

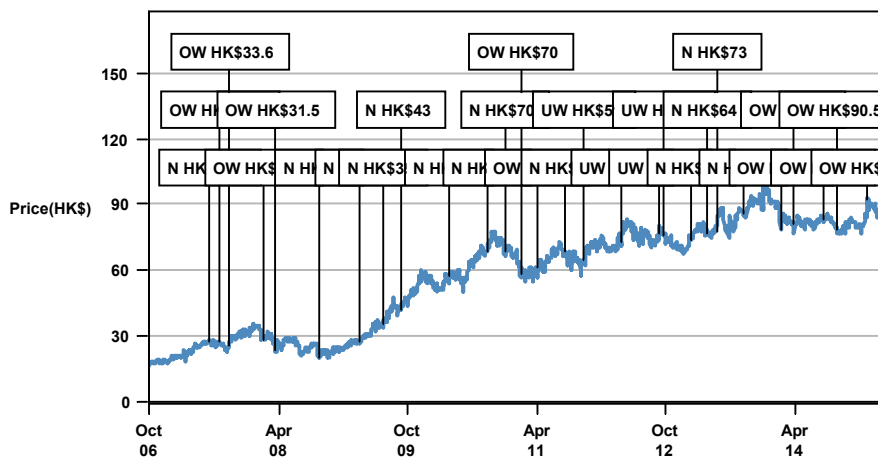
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Hengan International Group Ltd (1044.HK, 1044 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jun 13, 2007.

Date	Rating	Share Price (HK\$)	Price Target (HK\$)
13-Jun-07	N	27.65	25.90
23-Jul-07	OW	27.25	32.40
05-Sep-07	OW	25.15	33.60
30-Jan-08	OW	28.65	36.40
19-Mar-08	OW	24.10	31.50
18-Sep-08	N	20.30	19.00
08-Mar-09	N	27.15	30.00
16-Jun-09	N	35.95	39.00
03-Sep-09	N	41.70	43.00
26-Mar-10	N	57.20	60.00
30-Aug-10	N	68.55	65.00
22-Nov-10	N	68.50	70.00
25-Jan-11	OW	58.85	70.00
30-Mar-11	OW	61.00	67.00
27-Jul-11	N	68.65	67.00
12-Oct-11	UW	65.15	51.00
28-Mar-12	UW	73.15	53.00
30-Aug-12	UW	76.45	62.00
15-Sep-12	UW	75.60	61.00
16-Jan-13	N	73.55	66.00
27-Mar-13	N	76.70	64.00
01-May-13	N	77.80	73.00
27-Aug-13	N	85.50	82.00
28-Jan-14	OW	78.10	90.00
25-Mar-14	OW	81.25	91.00
26-Jul-14	OW	83.25	96.00
24-Sep-14	OW	78.20	90.50
31-Jan-15	OW	92.25	100.00

The chart(s) show J.P. Morgan's continuing coverage of the stocks; the current analysts may or may not have covered it over the entire period.

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