

Initial Report

Equities | Retailing | China
January, 17th, 2014



Ming Le Sports AG

Recommendation: BUY
Risk: High

Current Price: EUR 5.11

Fair Value: EUR 13.75

Reuters Code: ML2.F
Stock Symbol: ML2 GR
Fiscal Year End: December

Homepage: www.mingle-sportswear.de

Trading Data:

Price High/Low: EUR 6.96 – 3.65
Market Cap: EUR 78.8m
Shares Outst.: 15.44m
Free Float: 68.5%

Price Graph:



Financial Calendar:

April 2014 2013 Results

Date and Time of Stock Price

January 17, 2014, 0900 CET

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Please have a look at the Disclaimer and other Information on page 26

Sporty Chinese Brand

Ming Le Sports is an attractive Chinese sporting apparel and shoes retailer selling its products through currently more than 4000 outlets in China. The majority of stores are run by distributors and third party. An increasing amount of stores is self-owned.

In the first nine months of 2013 the company generated sales of EUR 256.6m a growth of 25.5% compared to the same period last year. The EBIT margin was 17.1%. Shoes were responsible for 57.7% of sales, apparels and accessories for 42.3%.

Continued future Growth

We expect the company to continue its growth but at lower pace than historically. The company will use 2014 as a transformation year, closing a small number of existing stores, which are running below average and focusing on higher profitable stores.

Mid to longer term growth drivers will be

- Attractive and successful branding as well as marketing strategy.
- Successful future store openings with an attractive store design.
- High general demand due to a continuous increase in private disposable income.

Consequently, we believe that 2014 sales growth will be approximately 10% resulting in total sales of EUR 393.4m. EBIT margins should lower than in former years, reaching 15.5%. But as the company will focus on higher profitability stores as well as a tight cost control, we expect margins to expand slowly again.

Target Price: EUR 13.75 - BUY

As quite a view public Chinese companies listed at the Frankfurt Stock Exchange, the stock of Ming Le Sports AG is substantially undervalued. In order to calculate our fair value of the company we have used a DCF model and combined it with a Peer Group analysis.

Our fair value of the stock is EUR 13.75, which is equal to a total value of EUR 212.3m. We recommend BUYING.

(in EUR m)	2009	2010	2011	2012	2013E	2014E
Sales	107.3	148.7	194.2	286.1	357.7	393.4
growth		38.5%	30.6%	47.3%	25.0%	10.0%
EBIT Margins	20.5%	19.8%	24.7%	24.4%	15.5%	15.5%
Net Profit	19.5	26.1	42.0	61.1	42.1	46.3
EPS				3.96	2.73	3.00
P/Sales				0.3	0.2	0.2
P/E				1.4	2.0	1.8
P/B				0.9	0.5	0.4

Content

Content	2
SWOT Analysis	3
Short to Mid-term Catalysts	3
Valuation	4
Discounted Cash flow Model	4
Sensitivity Analysis	5
Peer Group Analysis	5
Description of Peer Group Companies	7
Profile: Sporting Goods	9
Sales and Earnings Development (historic)	9
Products, Distribution and Production	10
The competitive environment	14
The Management	15
The Risk Factors	15
The Growth Drivers	17
Branding and Marketing Strategy	17
Store Development	17
General Demand	18
Financials	19
9M 2013 in Detail	19
Financial Outlook	20
Financials	22
Profit and Loss Statement	22
Balance Sheet	23
Cash flow Statement	24
Key Figures	25
Legal Disclaimer	26

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> The company has a wide distribution range of stores which should help to gain in sales Own shoe production makes the company flexible, so it can react fast on fashion trends. The management has a long-term expertise in the Chinese fashion market. 	<ul style="list-style-type: none"> The company suffers from falling margins and has to develop a strategy to prevent this. Products lack in our view somehow in a unique selling point. Company is depending on orders from distributors.
Opportunities	Risks
<ul style="list-style-type: none"> External surveys show that Chinese demand for fashion goods will grow over-proportionally for the coming years. We expect the company to open an increasing amount of own stores which will make them less dependent on distributors. Product line extension might create new customer demand. 	<ul style="list-style-type: none"> 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. A slowdown of the Chinese economy could jeopardize expansion plans.

Short to Mid-term Catalysts

The management will increase its investor presence by attending more conferences and increasing the news flow. This will raise interest in an investment of the company.

Future news flow of the company should be strong.

Valuation

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

We have weighted the peer group analysis with 70% and the DCF Model with 30%. The combination of the two analysis methods resulted in a fair value of EUR 212.28m, which is equal to a value of EUR 13.75 per share.

Blended Valuation of Ming Le Sports AG

Method	Fair Value in EUR m.	Fair Value in EUR per share	Weight	Blended Total in EUR m.	Per share
Peer Group Analysis	159.6	10.3	70%	212.28	13.75
DCF Model	335.19	21.71	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 Ming Le Sports AG. We calculate with a long-term growth rate of 2.5%. Due to the high risk of the company our WACC is 15.6%. Using the DCF method our fair value of Ming Le Sport AG is EUR 335.19m, which corresponds to a company value per share of EUR 21.7.

DCF Model

(in EUR m)	2012	2013E	2014E	2015E	2016E	2017E	2018E	2019E
Net Income	61.14	42.09	46.29	54.14	59.52	43.20	21.01	21.64
(+) Depreciation and Amortisation	0.62	0.76	1.29	3.66	5.79	20.95	22.41	23.08
(-) Cash flow from working capital	-	(39.41)	22.93	5.25	5.66	6.23	6.66	6.86
(-) Capital Expenditure	-	(6.00)	(25.00)	(25.00)	(20.00)	(20.95)	(22.41)	(23.08)
(-) Net Debt repayments	-	-	-	-	-	-	-	-
FCFE	61.76	(2.56)	45.50	38.05	50.97	49.43	27.67	28.50
FCFE adjusted for valuation date	61.76	(2.56)	45.50	38.05	50.97	49.43	27.67	28.50
PV of cash flows	61.76	(2.56)	39.58	28.63	33.17	27.83	13.48	12.01
Sum of PV - First Phase	101.38							
Sum of PV - Second Phase	53.31							
Terminal Value growth Rate	2.5%							
Terminal Value	223.03							
PV of Terminal Value	93.96							
PV of FCFE	248.65							
(+) Cash	86.54							
Target Value	335.19							

Ming Le Sports AG

Source: VEM Aktienbank AG

Summary of DCF Valuation	Value	% of Total
PV of First Stage	101.38	30.2%
PV Second Stage	53.31	15.9%
PV of Terminal Value	93.96	28.0%
Cash	86.54	25.8%
Target Price	335.19	100.0%

Cost of Equity	
Cost of Equity	15.60%
Beta	1.45
Risk Premium	8.0%
Risk Free rate	4.0%

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						
11.0%	415.1	424.0	434.0	445.1	457.6	471.7	11.0%	26.9	27.5	28.1	28.8	29.6	30.6
11.5%	401.6	409.5	418.2	427.9	438.8	451.0	11.5%	26.0	26.5	27.1	27.7	28.4	29.2
12.0%	389.2	396.2	404.0	412.5	422.0	432.6	12.0%	25.2	25.7	26.2	26.7	27.3	28.0
12.5%	377.9	384.2	391.0	398.6	407.0	416.3	12.5%	24.5	24.9	25.3	25.8	26.4	27.0
13.0%	367.5	373.1	379.2	386.0	393.4	401.5	13.0%	23.8	24.2	24.6	25.0	25.5	26.0
13.5%	357.8	362.9	368.4	374.4	381.0	388.3	13.5%	23.2	23.5	23.9	24.3	24.7	25.1
14.0%	348.9	353.5	358.5	363.9	369.7	376.2	14.0%	22.6	22.9	23.2	23.6	23.9	24.4
14.5%	340.6	344.8	349.3	354.1	359.4	365.1	14.5%	22.1	22.3	22.6	22.9	23.3	23.6
15.0%	332.9	336.7	340.7	345.1	349.9	355.0	15.0%	21.6	21.8	22.1	22.4	22.7	23.0
15.5%	325.7	329.1	332.8	336.8	341.1	345.7	15.5%	21.1	21.3	21.6	21.8	22.1	22.4
16.0%	318.9	322.1	325.4	329.0	332.9	337.1	16.0%	20.7	20.9	21.1	21.3	21.6	21.8
16.5%	312.6	315.4	318.5	321.8	325.3	329.1	16.5%	20.2	20.4	20.6	20.8	21.1	21.3

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 Ming Le Sports business model. Overall we compare Ming Le Sports AG to 5 retail companies. We have decided to include four 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. 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 Ming Le Sports AG stock. Using the peer group analysis Ming Le Sports AG has a fair value of EUR 159.6m, equal to a value per share of EUR 10.3.

Ming Le Sports AG

Valuation of Ming Le Sports AG via a Peer Group Analysis

in EUR m.	2013E	2014E
P/E	316.6	319.5
Average	316.6	319.5
Weight	10%	90%
Discount	50%	
Total	Total	Per share
	159.6	10.3

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	25.6	0.7	23.7	10.8	23.1	0.5	18.4	7.9	12.3	0.4	10.8	6.0
Ultrasonic AG	D	3.2	0.7	0.1	0.1	3.2	0.6	0.1	0.1	3.2	0.6	0.1	0.1
Goldrooster AG	D	6.3	0.0	0.0	0.0	2.7	0.4	1.2	1.2	2.3	0.3	1.0	1.0
Fujian Septwolves Industry Co.	CHN	7.1	1.7	5.2	4.7	12.0	1.9	5.3	5.0	11.1	1.8	5.0	4.6
Zhejiang Baoxijniao Garmet	CHN	7.2	1.4	7.9	6.2	12.1	1.6	13.6	11.2	11.0	1.5	12.4	9.7
Average		6.0	1.0	3.3	2.7	7.5	1.1	5.0	4.3	6.9	1.0	4.6	3.8
Median		6.7	1.0	2.7	2.4	7.6	1.1	3.3	3.1	7.1	1.0	3.0	2.8

Source: Reuters, VEM Aktienbank AG

Operational Figures of selected companies of the Peer Group

in loc. Curr. m.	Country	2012				2013E				2014E			
		Growth Earnings	Sales	Marge EBIT	EBITDA	Growth Earnings	Sales	Marge EBIT	EBITDA	Growth Earnings	Sales	Marge EBIT	EBITDA
Tom Tailor	D	-17.7%	53.1%	4.8%	10.4%	10.8%	43.5%	4.3%	9.9%	87.5%	8.6%	6.7%	12.1%
Ultrasonic AG	D	17.8%	26.3%	28.1%	29.1%	-0.4%	9.4%	26.0%	27.1%	-1.2%	14.1%	23.4%	25.0%
Goldrooster AG	D	37.5%	14.9%	27.0%	27.5%	130.9%	-93.9%	18.4%	18.4%	19.7%	20.2%	18.6%	18.7%
Fujian Septwolves Industry Co.	CHN	28.6%	27.5%	19.8%	22.2%	-41.0%	-10.5%	21.6%	23.1%	8.7%	10.5%	20.8%	22.6%
Zhejiang Baoxijniao Garmet	CHN	42.4%	41.1%	22.5%	28.9%	-40.5%	-11.1%	14.8%	18.0%	10.0%	3.0%	15.8%	20.0%
Average		21.7%	32.6%	20.4%	23.6%	12.0%	-12.5%	17.0%	19.3%	24.9%	11.3%	17.1%	19.7%

Source: Reuters, VEM Aktienbank AG

Description of Peer Group Companies

Tom Tailor Holding AG (Market Cap: EUR 439m)

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.

Ultrasonic AG (Market Cap: EUR 103m)

Company is a Germany-based holding company of the Chinese Ultrasonic-Group and is principally engaged in the design, production and sale of shoe soles, sandals, slippers, urban footwear and accessories for the upper price segment. The Company's operational facilities are located in the Shanqian Industrial Area, Yonghe Town, Jinjiang City and Xiamen, Fujian Province, People's Republic of China (PRC). It operates four business segments: shoe soles; sandals and slippers; urban footwear, and accessories. The shoe soles business segment produces all kind of shoe sole products. The sandals and slippers business segments produce all kinds of sandals and slippers. The urban footwear business segment produces urban footwear and markets its products to the PRC. The accessories business segment provides accessories under Ultrasonic brand to the PRC Distributors.

Goldrooster AG (Market Cap: EUR 72.5m)

Goldrooster AG is a Germany-based holding company of the Goldrooster Group (the Group) operating in the field of sports fashion. The Company specializes in apparel, footwear and fashion accessories for the Chinese market. It operates through Gold Rooster (Hong Kong) Holdings Limited, a wholly-owned subsidiary, which acts as a holding company for Jinjiang Goldrooster Sportswear Co, Ltd, the operational subsidiary of the Group. The Company's product portfolio includes products for all seasons in nine product series: golf wear; flag; skiing; seafaring; fashion; classic/logo; couple; denim, and accessories. The Company markets its products on a wholesale basis to its distributors through two trade fairs taking place each year, through authorized retailers, as well as through the Company's own retail outlets.

Fujian Septwolves Industry AG (Market Cap: RMB 6.2bn)

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 3.5bn)

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

Profile: Sporting Goods

Ming Le Sports is a German AG headquartered in Frankfurt and listed at the Prime Standard at the Frankfurt Stock Exchange. The company owns 100% of Ming Le (China) Sportswear, which is the operational entity of the company. The main office in China is in Jinjiang, a city of 2m people in the Fujian region (South East Asia).

Company structure



Source: Ming Le Sports AG

Ming Le Sports AG is a sports fashion company designing, partly self manufacturing and distributing sporting goods like shoes, sports wear as well as accessories. Target clients are young adults in the range between 16 and 35. Ming Le Sports AG sells its products via currently 4, 247 (Sept. 30 2013) stores.

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

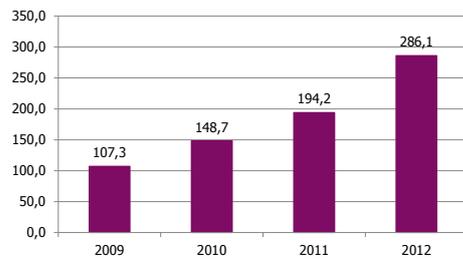
Sales and Earnings Development (historic)

Ming Le Sports AG is characterized by historic strong growth. In fiscal year 2012 the company has generated sales of EUR 286.1m, a plus of 47.3% compared to 2011 (EUR 194.2m).

2012 EBIT margins came down slightly to 24.4%, in 2011 they have reached 24.7%.

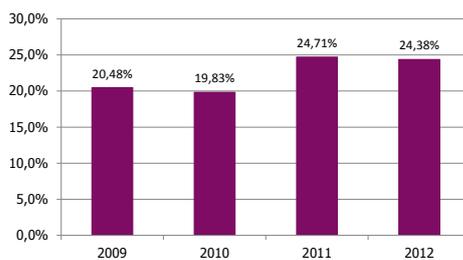
Ming Le Sports AG

Sales Development



Source: Ming Le Sports AG

EBIT Margins Development



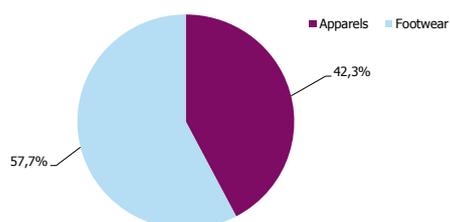
Source: Ming Le Sports AG

Products, Distribution and Production

- Products

The company mainly sells shoes and apparel. Currently, 58% of total sales is generated with shoes, 42% is generated with apparel. Shoes are casual shoes mainly sporting shoes. Apparel includes among others t-shirts, sweaters, coats and trousers.

Sales Allocation



Source: Ming Le Sports AG

Ming Le Sports AG

Fashion Examples



Source: Raimund Saier

- Distribution

Currently, Ming Le Sports runs 4247 stores. The majority is owned by its 26 distributors and over 1500 third party retailers. Some stores (Sept. 30 2013: 32) are self-owned.

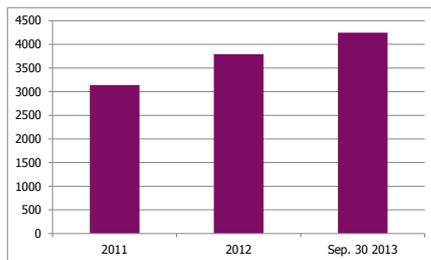
Ming Le Sports AG

Store Allocation

Type	Size	Number
Flagship	150 sqm.	125
Image	100 sqm.	240
Shop in Shop	30 sqm.	397
Stand-alone	60 sqm.	3485

Source: Ming Le Sports AG

Store Development



Source: Ming Le Sports AG

Store Examples



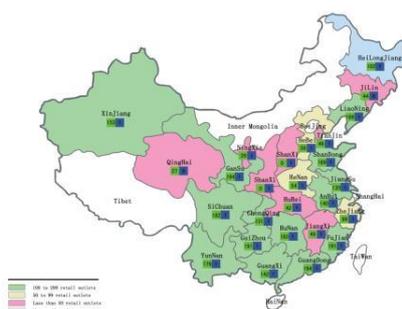
Ming Le Sports AG



- Regional Presence

Currently, the company is active in 26 Chinese provinces. Ming Le Sports AG focuses on third and fourth tier cities and regions. 88% of the stores are located in such areas. There, competition is lower and demand for fashion is growing over proportionally.

Regional Presence of Ming Le Sports AG



Source: Ming Le Sports AG

- Production

The company self-produces and outsources the production of its products. Almost 40% of its footwear is produced in-house. 100% of the apparel and accessories production is outsourced.

Ming Le Sports AG

The shoe production site is located in Jinjiang, Fujian Province. It has a size of 31,140 sqm. Currently, Ming Le Sports AG operates with 6 production lines and an aggregate production of 6,5m shoes a year. The utilization rate is 90%.

On the outsourcing side the company has long term contracts and relationship with 4 footwear and 7 apparel and accessories manufacturers. All are selected carefully, so high quality and reliability can be guaranteed.

Shoe Production of Ming Le Sports AG



Source: Raimund Saier

The competitive environment

The competitive environment is intense, even in third and fourth tier cities. There are a vast number of Chinese companies on the market, which are all fighting for market share. Demand for fashion goods is

Ming Le Sports AG

still growing and there is as well an increasing amount of international fashion retailers, which are penetrating the Chinese market. Among them are 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 companies are not exclusively sportswear sellers, some of the lines are going very much into this direction.

The Management

The top management of Ming Le Sports AG is characterized by long-term experience.

Silang Ding is the CEO and founder of the company. He has more than 20 years of experience in the Chinese sportswear market and has founded Jinjiang Yasi Shoes Co Ltd., where he worked till 2000. Additionally, he held several positions in selected shoe associations.

Shoutan Guo is the Head of Distribution & Marketing. He works more than 11 years for the company. Prior to his position with Ming Le Sports AG he was working for the International Group Company Limited based in Hong Kong. Mr. Guo holds a degree in Marketing from Fuzhou University.

Alan Chun Kiat Tan is the CFO of Ming Le Sports AG. He holds the position since August 2010. Prior to Ming Le he was an audit principal at Singapore Assurance PAC and from 2005 till 2010 he worked as an assurance manager for PricewaterhouseCoopers in Singapore. He has an Accounting degree from the Nanyang Technological University.

The Risk Factors

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

- 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 company plans to open an increasing amount of flagship stores. Expansion plan is aggressive and involves quite a few new challenges like logistics, rent of new space, and training of new people etc.
- The fashion industry is always changing and we see the risk that the very specific style of the clothes of Ming Le Sports 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.

The Growth Drivers

Branding and Marketing Strategy

Ming Le Sports AG is already quite active and spends around 10% of its sales on marketing and distribution. We find this necessary as competition is fierce and advertising as well as the perfect marketing strategy is necessary to reach the target group and to gain in market share.

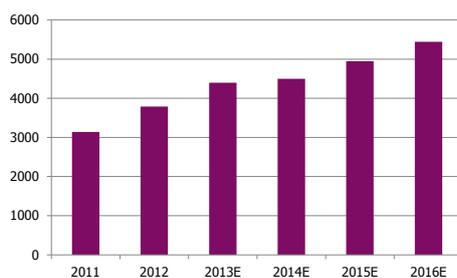
The company focuses on a mix of marketing activities in order to enhance its brand recognition. Ming Le Sports AG spends quite a substantial amount of money on local TV advertisement to reach its target group in specific areas. Additionally, the company has the national weightlifting team under contract, which is the figurehead of the company and should have a positive effect on the brand awareness of Ming Le Sports AG. Outdoor advertisements as well as local promotional activities complete the marketing strategy of Ming Le Sports AG.

Store Development

Currently, the company operates 4,247 stores. The minority is self-owned. We expect that the company will operate around 4,400 by the end of this year. Therefore, the Ming Le Sports AG has opened 600 stores and 30 self-owned flagship stores in 2013 alone. For 2014, this will be a transformation year for Ming Le whereby the company will filter out and close a small number of existing stores which are operating below average profitability and focus on increasing same store sales growth. We expect Ming Le Sports AG to open net 100 stores in 2014. For 2015 we expect a store growth of 10%.

Additionally, the company will change the design of stores and give them a facelift. This should lead to an increase in customer food traffic and enhance brand appeal to potential distributors/retailers. The company plans to own more flagship stores, which are run under the own management, which will give Ming Le Sports AG more distribution control.

Development of Number of Stores

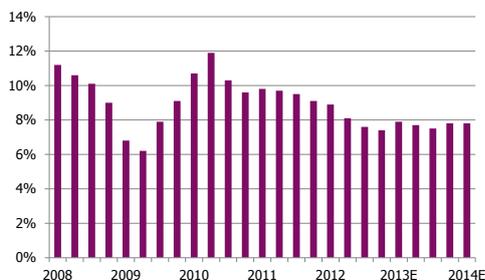


Source: VEM Aktienbank AG

General Demand

Demand for the Ming Le products is highly dependent on the consumer confidence and has a high correlation to economic growth. Although extremely strong Chinese economic growth is over, China is still growing strongly. It is expected that GDP growth should reach 7.8% in 2014, which is still very satisfying.

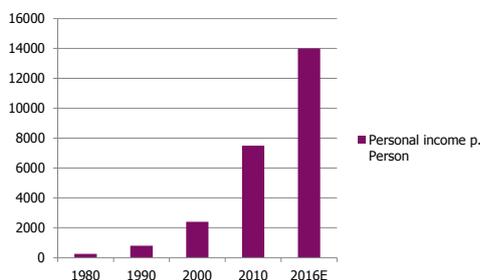
GDP Growth in China



Source: VEM Aktienbank AG

Furthermore, demand will depend on personal income growth as well as the trend to urbanization. We are positive for both factors. Personal income should grow to USD 14.000 by 2016, which should lead to a higher affordability of new cloths.

Personal Income Development in USD



Source: VEM Aktienbank AG

Additionally, the urbanization trend will continue. More and more people will move to larger cities, including third and fourth tier cities, which is the target market of Ming Le Sports. Sports fashion will benefit in particular.

Financials

9M 2013 in Detail

Ming Le Sports AG 9M 2013 results were satisfying.

Sales grew by 25.5% to EUR 256.6 compared to the same period last year. Responsible for the growth were more stores (9M 2013: 4247 versus 9M 2012: 3633). Additionally, the company was able to charge higher selling prices. Shoe sales price per unit increased by 3.3%. Sales were solely generated in China.

9M 2013 shoe sales gained by 21.4% to EUR 147.995m being responsible for 57.7% of total sales. 12.7m units were sold, average unit selling price was EUR 11.27.

9m 2013 Apparels/Accessories gained 31.5% compared to the comparable period last year, representing a growth of 31.5%. 12.4m units were sold.

9M 2012 Sales Development by Segment in EUR m

Shoes	
Sales in EUR	147.995
% change	21.4
in % of Sales	57.7
Units in m	12.7
Price Per Unit in EUR	11.27
Sporting Goods / Assesories	
Sales in EUR	108.557
% change	31.5
in % of Sales	42.3
Units in m	12.4

Source: Ming Le Sports AG

Profitability was lower in 9M 2013 compared to last year. EBIT margin was 17.1% compared to 24.1% in 9M 2012. 9M 2013 net margin was 12.8% compared to 21.1% in 9M 2012.

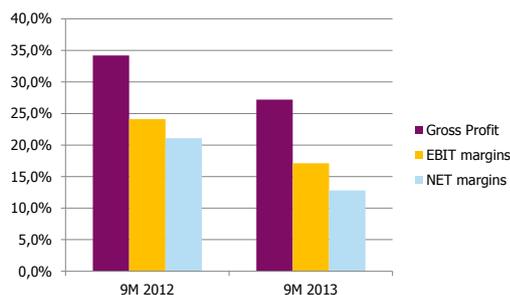
Responsible for the lower margins where several points:

- Higher Production costs and therefore a decrease of the gross margins. 9M 2013 gross margin 27.2% versus 9M 2012 gross margin of 34.2%
- Higher Marketing and Distribution costs due to increased advertisement spending and operational costs of flagship stores.

Ming Le Sports AG

- A higher Tax rate of 25.4% in 9M 2014 compared to 12.9% in 9M 2012 due to expiry of tax incentives in 2012 (50% tax rebate from 2010 – 2012).

Margin Development



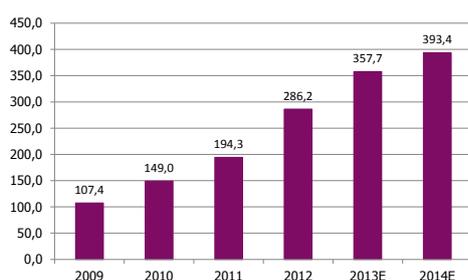
Source: Ming Le Sports AG

Balance Sheet was influenced by the extension of Receivables from 60 days in 2012 to 75 days in 2013. Consequently, Receivables were EUR 0.124m Sept. 30, 2013 compared to EUR 0.087m Dec. 31. 2012. Cash position was with EUR 87m still strong. Cash from operating activities were negative due to the increase in receivables balance as a result of increasing the credit terms from 60 days to 75 days in 2013. Under cash flow for investment, the company acquired land use rights for the existing land parcel in 2013.

Financial Outlook

We expect a sales slowdown in the coming years. We doubt that historic high sales growth rate will be unachievable in the future. Main reason is that store growth will slow down as we see some maturing coming up. Consequently we calculate with a 10% sales growth for 2014 compared to the prior years. This should result in sales of EUR 393.34m for 2014. For 2013 we still believe in a 25% sales growth and estimate 2013 sales to come in at EUR 357.66m.

Sales trend in EUR m



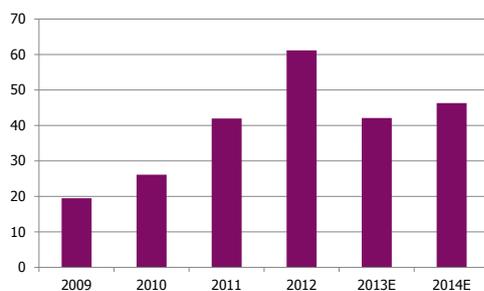
Source: VEM Aktienbank AG

On the margins side we expect 2013 EBIT margins to be 15.5% which is equal to EUR 55.43m. In 2014 margins should stay stable and operating profit should come in at EUR 60.98m.

On the net profit side we expect 2013 net profits to be EUR 42.1m in 2013, representing a net profit margin of 11.8%. In 2014 net profit margins should stay stable resulting in a net profit of EUR 46.28m.

A dividend should be paid in the future.

Net Profit Development in EUR m



Source: VEM Aktienbank AG

Financials

Profit and Loss Statement

in EUR m	2009	2010	2011	2012	2013E	2014E	2015E	2016E
Sales	107.34	148.68	194.22	286.13	357.66	393.43	432.77	476.05
Growth in %		38.5%	30.6%	47.3%	25.0%	10.0%	10.0%	10.0%
Others	0.043	0.322	0.055	0.094	0.000	0.000	0.000	0.000
Growth in %								
Total	107.383	148.997	194.270	286.224	357.663	393.429	432.772	476.049
Growth in %				47.3%	25.0%	10.0%	10.0%	10.0%
Costs of Goods Sold	-76.014	-104.704	-128.695	-187.989	-264.670	-291.137	-315.923	-347.516
in % of Sales	70.8%	70.3%	66.2%	65.7%	74.0%	74.0%	73.0%	73.0%
Gross Profit	31.369	44.293	65.575	98.235	92.992	102.291	116.848	128.533
Gross Margins	29.2%	29.8%	33.8%	34.3%	26.0%	26.0%	27.0%	27.0%
Selling & Distribution Expenses	-8.408	-12.254	-15.199	-25.588	-32.190	-35.409	-38.949	-42.844
in % of Sales			7.8%	8.9%	9.0%	9.0%	9.0%	9.0%
Other operating Expenses	-0.979	-2.550	-2.388	-2.880	-5.365	-5.901	-6.492	-7.141
in % of Sales	0.9%	1.7%	1.2%	1.0%	1.5%	1.5%	1.5%	1.5%
EBIT	21.982	29.489	47.988	69.767	55.438	60.981	71.407	78.548
EBIT Margins	20.5%	19.8%	24.7%	24.4%	15.5%	15.5%	16.5%	16.5%
Depreciation	0.529	0.585	0.555	0.615	0.761	1.285	3.657	5.791
EBITDA	22.511	30.074	48.543	70.382	56.199	62.267	75.064	84.339
EBIT Margins	21.0%	20.2%	25.0%	24.6%	15.7%	15.8%	17.3%	17.7%
Financial Income	-0.535	-0.505	0.168	0.305	0.350	0.400	0.450	0.480
EBT	21.447	28.984	48.156	70.072	55.788	61.381	71.857	79.028
EBT Margins	20.0%	19.5%	24.8%	24.5%	15.6%	15.6%	16.6%	16.6%
Taxes	-1.990	-2.858	-6.183	-8.928	-13.947	-15.345	-17.964	-19.757
Other taxes	9.3%	9.9%	12.8%	12.7%	25%	25%	25%	25%
Net Profit	19.457	26.126	41.973	61.144	42.091	46.286	54.143	59.521
Net Margins	18.1%	17.6%	21.6%	21.4%	11.8%	11.8%	12.5%	12.5%
Dividends			0.000	0.000	0.000	-23.143	-27.071	-23.808
	19.457	26.126	41.973	61.144	42.091	46.286	54.143	59.521
Currency Differences	-0.077	3.139	0.000	0.000	0.000	0.000	0.000	0.000
Total Comprehensive Income	19.380	29.265	41.973	61.144	42.091	46.286	54.143	59.521
Net profit growth		51%	43%	46%	-31%	10%	17%	10%
EPS			2.80	3.96	2.73	3.00	3.51	3.85
Number of Shares			15.000	15.440	15.440	15.440	15.440	15.440

Source: Ming Le Sports AG, VEM Aktienbank AG

Balance Sheet

(in EUR m)	2010	2011	2012	2013E	2014E	2015E	2016E
Assets							
Fixed Assets	7.363	7.306	6.615	11.954	35.758	57.182	71.464
Intangible Assets	0.617	0.915	0.998	0.898	0.808	0.728	0.655
Deffered Income Tax				0.173	0.173	0.173	0.173
Long Term Assets	-	7.980	8.221	7.613	13.025	58.083	72.292
Inventories	3.054	1.617	5.240	7.251	7.179	6.924	6.665
Trade Receivables	27.205	52.758	87.613	127.387	107.789	106.711	104.339
Trade Receivables from Operations	1.405	0.213					
Cash	23.821	56.606	89.100	86.543	108.905	119.887	147.051
Current Assets	-	55.485	111.194	181.953	221.181	233.522	258.055
TOTAL	-	63.465	119.415	189.566	234.206	291.605	330.347
Liabilities and Stockholder´s Equity							
Equity	-	42.685	91.361	155.181	201.263	251.478	287.190
Subscribed Capital	0.106	15.000	15.444	15.444	15.444	15.444	15.444
Capital Reserves	6.789	6.789	11.899	11.899	11.899	11.899	11.899
Retained Earnings	32.004	59.083	120.227	162.318	185.461	212.533	248.245
Foreign currency Translation others	3.786	10.489	7.611	11.602	11.602	11.602	11.602
Provisions							
Other Provisions		2.799	2.927	-	-	-	-
Pension Provisions				-	-	-	-
Liabilities							
Long-term Financial Liabilities							
Long-term Trade Liabilities	16.653	21.888	27.328	32.631	35.894	39.815	42.844
Short term Liabilities from Companies							
Short-term Financial Liabilities							
Other Liabilities	4.127	3.367	4.130	0.312	0.312	0.312	0.312
Other short-term Liabilities				-	-	-	-
Tax Liabilities				-	-	-	-
TOTAL	-	63.465	119.415	189.566	234.206	291.605	330.347

Source: Ming Le Sports AG, VEM Aktienbank AG

Cash flow Statement

(in EUR m)	2010	2011	2012	2013E	2014E	2015E	2016E
Net Income				42.09	46.29	54.14	59.52
Depreciation				0.76	1.29	3.66	5.79
Changes in Provisions				-2.93	0.00	0.00	0.00
Changes in Receivables and other assets				-41.78	19.67	1.33	2.63
Changes in Liabilities and others				5.30	3.26	3.92	3.03
Cash flow from Operating Activities		25.54	29.19	3.44	70.50	63.05	70.97
Purchase of intangible Assets and Fixed Assets				-6.00	-25.00	-25.00	-20.00
Cash flow from investing Activities		-0.37	0.00	-6.00	-25.00	-25.00	-20.00
Cash Proceeds from equity sources				0.00	0.00	0.00	0.00
Dividends				0.00	-23.14	-27.07	-23.81
Changes of Bank Liabilities				0.00	0.00	0.00	0.00
Cash flow from Financing Activities		1.19	6.15	0.00	-23.14	-27.07	-23.81
Cash flow for the Year	0.00	26.36	35.33	-2.56	22.36	10.98	27.16
Cash Balance at the Beginning of the Year	0.00	23.82	56.61	89.10	86.54	108.90	119.89
Effects of currency translations		6.42	-2.84				
Cash Balance at the End of the Year	23.82	56.61	89.10	86.54	108.90	119.89	147.05

Source: Ming Le Sports AG, VEM Aktienbank AG

Ming Le Sports AG

Key Figures

	2012	2013E	2014E	2015E
Growth				
Sales	47.3%	25.0%	10.0%	10.0%
EBITDA	45.4%	-20.5%	10.0%	17.1%
Margins				
Gross Margin	34.3%	26.0%	26.0%	27.0%
EBITDA Margin	24.4%	15.5%	15.5%	16.5%
EBIT Margin	24.6%	15.7%	15.8%	17.3%
EBT Margin	24.5%	15.6%	15.6%	16.6%
Net Margin	21.4%	11.8%	11.8%	12.5%
Dividend Yield				
Balance Sheet Ratios				
ROE	39.4%	20.9%	20.6%	21.5%
ROIC	18.1%	14.1%	13.9%	13.8%
ROCE	81.9%	85.9%	86.1%	86.2%
Debt Ratio	66.3%	65.5%	66.2%	67.4%
Per Share				
EPS	3.96	2.73	3.00	3.51
Book Value	5.92	10.05	13.04	14.53
Market Measures				
P/Sales	0.3	0.2	0.2	0.2
P/Earnings	1.2	1.8	1.6	1.4
P/Book value	0.8	0.5	0.4	0.3
Dividend Payout	0.0%	0.0%	37.5%	43.8%

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>
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Company

Ming Le Sports AG

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3 - 5 - 9 - 10 - 11 - 12 - 13

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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.

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Additional important information:

Date of first publication of this analysis by VEM:

Date and Time of relevant Share Price (see first page): 17.01.2014

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