



Anta Sports (2020 HK) Encouraging 2021 results; pandemic as major overhang

- FY21 revenue growth (+38.9% YoY) was supported by higher preference for domestic brands, brand awareness promoted by Olympic Games-related sponsorship, and product innovations & sales strategies
- In FY21, GPM improved on lower discounts and ability to raise prices, but OPM fell on S&D expenses; improving efficiency in Amer Sports reduced losses in associated JV
- Current COVID-19 pandemic would add uncertainty in FY22E
- Maintain **BUY**, current TP represents 38.61x/28.91x 22E/23E P/E, or 9.09x/7.50x 22E/23E P/B

Revenue growth to be hampered by COVID-19 resurgence. FY21 revenue grew 38.9% YoY. Revenue of ANTA brand and other brands increased by more than 50% YoY while FILA brand increased by 25.1% YoY. The growth can be attributed to stronger consumer support for domestic brands, higher brand awareness related to sponsorship of Olympic Games, as well as product innovations and sales strategies. ANTA brand's growth can also be partly attributed to the impact of the DTC model adoption. Nonetheless, new COVID-19 resurgence in China may affect sales due to more conservative spending and logistical challenges, and FILA brand would need to adjust its current product strategies. We project FY22E revenue growth to reach 21.1% YoY (previous forecast: 27.5% YoY); revenue of ANTA brand and FILA brand would reach 22.8% YoY and 17.1% YoY (previous forecasts: 13.8% YoY and 36.3% YoY). The FY21-24E revenue CAGR would be 22.0%.

Mixed margin profile ahead. FY21 GPM and OPM was 61.6% and 22.3%, up 3.4ppt and down 3.5ppt. The decline in OPM was mainly due to the 64.9% YoY increase in S&D expenses (equivalent to 36.0% of total revenue). We expect OPM to be pressured by higher operating costs in FY22E. Higher operating efficiency of the JV controlling Amer Sports could help offset some of the increase in operating costs, however. Meanwhile, increases in raw material costs is manageable, thanks to the large operational scale and the Group's ability to raise prices for new products. Continuous improvement of the Group's recently acquired brands will also help support profit. We project the Group's GPM, OPM, and NPM (to shareholders of the Company) to reach 60.4%, 21.9%, and 13.6% for FY22E.

Maintain BUY, TP at HK\$ 142.3. Despite the Group's encouraging results in FY21 and leading position in the market, we believe the pandemic would still exert pressure on growth and margins this year. We lower our DCF-derived TP from HK\$ 155.1 to HK\$ 142.3, representing 38.61x/28.91x 22E/23E P/E, or 9.09x/7.50x 22E/23E P/B.

Risk factors: 1) Macroeconomic risk; 2) Resurgence of COVID-19 pandemic; 3) Commodity price risk; 4) Regulatory risk; 5) Changing consumer taste in China, 6) Business acquisition risk.

Results and Valuation

FY ended Dec 31	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	35,512	49,328	59,758	72,961	89,534
Chg (% YoY)	4.7	38.9	21.1	22.1	22.7
Net Profit (RMB mn)	5,162	7,720	8,100	10,819	14,399
Chg (% YoY)	(3.4)	49.6	4.9	33.6	33.1
Basic EPS (RMB)	1.92	2.87	3.00	4.00	5.33
Chg (% YoY)	(3.4)	49.5	4.4	33.6	33.1
P/E (x)	41.47	27.73	26.56	19.89	14.94
BVPS (RMB)	8.88	10.70	12.73	15.42	18.96
P/B (x)	8.96	7.44	6.25	5.16	4.20
DPS(HK cent)	68	158	118	161	220
Yield (%)	0.7	1.99	1.21	1.6	2.2
ROAA (%)	12.0	14.4	13.4	16.2	18.5
ROAE (%)	23.4	29.2	25.6	28.4	31.0

Source(s): Company, ABCI Securities estimates

Company Report

Mar 24, 2022

Rating: **BUY**

TP: HK\$ 142.3

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Share price (HK\$)	97.90
52 wk High/Low (HK\$)	79.35/191.90
Est. share price return	45.35%
Est. dividend yield	1.21%
Est. total return	46.56%
Previous Rating&TP	BUY; HK\$155.1
Previous Report Date	Apr 16, 2021

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (mn)	2,703.33
Mkt cap (HK\$bn)	264.66
3 mth days ADT (HK\$mn)	978.11
Shareholding (%)	
Anta International	54.65
Hemin Holdings	3.13

Source(s): Company, Bloomberg, HKEX

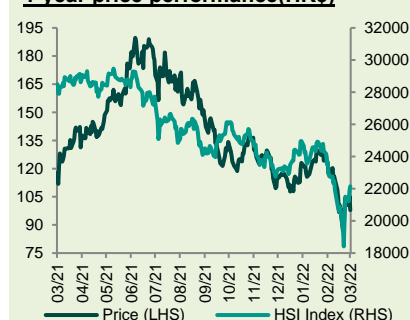
Share performance (%)

	Absolute	Relative*
1-mth	(20.34)	(14.53)
3-mth	(15.68)	(11.57)
6-mth	(35.25)	(26.72)

* Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-year price performance(HK\$)



Source(s): Bloomberg, ABCI Securities

Note:

- All pricing and market data as of Mar 23, 2022
- RMB/HKD: 1.2300



Exhibit 1: Changes in assumptions, projections, and valuations

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As of Dec 31	Current report		Previous report		Rationale
	FY22E	FY23E	FY22E	FY23E	
Assumptions					
D/E (%)	33.7	26.8	40.3	34.0	Adjusted based on FY21 rates
D/A (%)	19.1	16.0	23.9	21.1	
Tax rate (%)	28.4	28.8	28.9	28.9	
Valuations					
TP (HK\$)	142.3		155.1		Lower TP due pandemic-related uncertainties
P/E (x)	38.61	28.91	29.97	22.98	
P/B (x)	9.09	7.50	9.33	7.29	

Source(s): The Company, ABCI Securities estimates

Exhibit 2: Changes in major forecasts

FY ends at Dec 31	Current report		Previous report		Change (%)	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue (RMB mn)	59,758	72,961	57,639	74,037	3.7	(1.5)
Net profit (to owners of the Company) (RMB mn)	8,100	10,819	11,767	15,346	(31.2)	(29.5)
EPS (RMB)	3.00	4.00	4.35	5.68	(31.1)	(29.5)

Note: previous report was published on Apr 16, 2021

Source(s): ABCI Securities estimates



Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, except per share data)	2020A	2021A	2022E	2023E	2024E
Revenue	35,512	49,328	59,758	72,961	89,534
COGS	(14,861)	(18,924)	(23,667)	(28,526)	(34,454)
Gross profit	20,651	30,404	36,091	44,435	55,080
Other net income/(loss)	1,389	1,266	1,535	1,892	2,306
S&D expenses	(10,766)	(17,753)	(20,911)	(24,722)	(30,327)
Admin expenses	(2,122)	(2,928)	(3,614)	(4,260)	(5,114)
Operating profit	9,152	10,989	13,101	17,345	21,945
Net finance income/(expense)	(462)	332	(1,143)	(1,192)	(725)
Share of gain/(loss) of JV	(601)	(81)	91	102	114
Pretax profit	8,089	11,240	12,049	16,254	21,334
Tax	(2,520)	(3,021)	(3,421)	(4,682)	(5,979)
Net profit	5,569	8,219	8,628	11,572	15,355
- Owners of the company	5,162	7,720	8,100	10,819	14,399
- Minority interest	407	499	528	752	957
Dividend	1,563	3,524	2,603	3,547	4,829
EPS (RMB)					
- Basic	1.92	2.87	3.00	4.00	5.33
- Diluted	1.89	2.81	2.91	3.88	5.17
DPS (HK cent)	68	158	118	161	220

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Cash and cash equivalent	15,323	17,592	20,713	24,147	27,873
Other ST deposit	5,024	6,989	5,923	6,991	8,105
Trade and other receivables	6,614	6,914	9,698	10,378	13,544
Inventory	5,486	7,644	9,426	10,995	13,312
Current assets	32,717	39,902	45,760	52,512	62,835
PP&E	2,184	2,853	3,494	4,257	5,256
Construction in progress	545	926	717	864	1,076
Intangible assets	1,579	1,531	618	591	559
Investment in JV	9,658	9,027	9,298	9,586	9,891
Others	5,184	8,429	6,602	8,753	9,789
Non-current assets	19,150	22,766	20,728	24,051	26,572
Total assets	51,867	62,668	66,488	76,563	89,406
Trade and other payables	6,915	10,076	11,144	12,311	14,680
ST borrowings	1,968	1,748	1,748	1,748	1,708
Others	2,832	4,119	3,360	4,406	5,378
Current liabilities	11,715	15,943	16,252	18,464	21,766
LT debt	12,456	11,425	10,939	10,487	9,094
Deferred tax liabilities	527	655	138	122	131
Others	1,345	2,982	1,471	1,777	2,176
Total non-current liabilities	14,328	15,062	12,548	12,386	11,401
Shareholders' equity	24,013	28,923	34,420	41,693	51,263
Minority interest	1,811	2,740	3,268	4,020	4,977
Total equity	25,824	31,663	37,688	45,713	56,239
Total liabilities and equity	51,867	62,668	66,488	76,563	89,406

Source(s): Company, ABCI Securities estimates



Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	2020A	2021A	2022E	2023E	2024E
Pretax profit	8,089	11,240	12,049	16,254	21,334
Depreciation & amortization	2,079	3,266	2,490	3,015	3,712
Change in working capital	(2,212)	(282)	(3,498)	(1,080)	(3,112)
Others	(498)	(2,363)	(3,403)	(4,661)	(5,964)
Cash flow from operating activities	7,458	11,861	7,638	13,528	15,969
Change in PP&E	(424)	(779)	(641)	(763)	(999)
Others	(1,499)	(3,890)	1,411	(2,926)	(2,471)
Cash flow from investing activities	(1,923)	(4,669)	771	(3,690)	(3,470)
Bank borrowing	(3,343)	(196)	(486)	(452)	(1,433)
Dividend paid	(1,481)	(2,456)	(2,383)	(3,253)	(4,422)
Others	6,053	(2,295)	(2,525)	(2,777)	(3,055)
Cash flow from financing activities	1,229	(4,947)	(5,394)	(6,482)	(8,910)
Net change in cash	6,764	2,245	3,015	3,356	3,589
ForEx effect	338	24	106	79	137
Cash at the end of FY	15,323	17,592	20,713	24,147	27,873

Source(s): Company, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	2020A	2021A	2022E	2023E	2024E
Growth (YoY %)					
Revenue	4.7	38.9	21.1	22.1	22.7
- ANTA Brand	(9.7)	52.5	22.8	22.7	22.1
- FILA Brand	18.1	25.1	17.1	19.0	20.8
- Other brands	35.4	51.1	34.6	35.3	35.7
Gross profit	10.7	47.2	18.7	23.1	24.0
EBIT	5.3	20.1	19.2	32.4	26.5
Net profit (to owners of the company)	(3.4)	49.6	4.9	33.6	33.1
Profitability ratios (%)					
GPM	58.2	61.6	60.4	60.9	61.5
OPM	25.8	22.3	21.9	23.8	24.5
Pretax	22.8	22.8	20.2	22.3	23.8
NPM (to owners of the company)	14.5	15.7	13.6	14.8	16.1
Revenue contribution (%)					
- ANTA Brand	44.3	48.7	49.4	49.6	49.3
- FILA Brand	49.1	44.2	42.8	41.7	41.0
- Other brands	6.5	7.1	7.9	8.7	9.6
Return ratios (%)					
ROAA	12.0	14.4	13.4	16.2	18.5
ROAE	23.4	29.2	25.6	28.4	31.0
Liquidity ratio (x)					
Current ratio	2.8	2.50	2.82	2.84	2.89
Quick ratio	2.3	2.02	2.24	2.25	2.28
Cash ratio	1.7	1.54	1.64	1.69	1.65
Cash conversion cycle (days)					
Days of outstanding receivable	39.2	26.0	28.3	28.1	27.2
Days of inventory on hand	121.5	126.6	131.6	130.6	128.8
Days of outstanding payable	65.6	53.3	52.7	52.9	52.5
CCC	95.1	99.4	107.3	105.8	103.5
Leverage ratios (%)					
Total debt/Equity	55.9	41.6	33.7	26.8	19.2
Total debt/Total assets	27.8	21.0	19.1	16.0	12.1
Net cash/Equity	22.9	36.0	37.0	41.4	44.8
Net cash/Total assets	11.4	18.2	21.0	24.7	28.2

Source(s): Company, ABCI Securities estimates



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Rating	Definition
Buy	Stock return \geq Market return rate ($\sim 10\%$)
Hold	- Market return ($\sim 10\%$) \leq Stock return $<$ Market return rate ($\sim 10\%$)
Sell	Stock return $<$ - Market return ($\sim 10\%$)

Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2009 (HSI total return index 2009-21 averaged at 9.2%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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