

## Anta Sports (2020 HK) Growth to pick up in FY23E

- Revenue growth to pick up in FY23E to 21.6% YoY as pandemic restrictions were removed and consumer market thrives on improved macroeconomic environment
- Margin would also be supported by better macroeconomic condition, higher operating efficiency, and more DTC (direct to consumer) contribution for ANTA brand; basic EPS is expected to growth by 31.1% YoY in FY23E
- Maintain **BUY**; current TP implies 31.35x/25.00x 23E/24E P/E, or 7.64x/6.35x 23E/24E P/B

**Revenue growth to pick up in FY23E.** Due to pandemic restrictions, the Group's revenue growth in FY22 slowed while performance among brands varied. FY22 revenue grew 8.8% YoY; revenue of ANTA brand and other brands increased 15.5% YoY and 26.1% YoY, while revenue of FILA brand declined 1.4% YoY. For FY23E, we believe the elimination of pandemic restrictions, resumption of sports activities, and reviving consumption provide the Group more opportunities to drive up revenue growth. We expect revenue in FY23E to increase 21.6% YoY; revenue of ANTA brand, FILA brand, and other brands would go up 18.8% YoY, 19.9% YoY, and 47.5% YoY. FY22-25E revenue CAGR is projected at 20.5%.

**Margins to go up.** FY22 GPM/NPM (to shareholders of the Company) decreased 1.4ppt/1.6ppt to 60.2%/14.1%. The decline was mainly due to the higher SG&A/revenue ratio of 43.3% in FY22 vs. 41.9% in FY21 resulted from the operational challenges and more discounts provided by FILA brand amid the pandemic. We expect margins to rise in FY23E on better macroeconomic condition, higher operating efficiency, and more DTC (direct to consumer) contribution for ANTA brand in FY23E; GPM/NPM (to shareholders of the Company) would reach 61.1%/15.4% for FY23E and improve to 62.6%/16.4% for FY25E.

**Maintain BUY, TP at HK\$ 132.0.** We believe the macro condition and consumer market in FY23E would be supportive to revenue growth, and the Group's diversified brand portfolio would help capture the growth opportunities. Our FY23E/24E basic EPS is projected to be RMB 3.70/4.63, representing growth of 31.1% YoY/25.4% YoY. Maintain **BUY**. We raise our DCF-derived TP to HK\$ 132.0 (WACC: 14.6%, LT growth rate: 5%) as we roll over the forecast period and raise the FY23E/FY24E revenue and profit projections. Current TP represents 31.35x/25.00x 23E/24E P/E, or 7.64x/6.35x 23E/24E P/B.

**Risk factors:** 1) Macroeconomic risk; 2) Commodity price risk; 3) Regulatory risk; 4) Changing consumer taste in China, 5) Business acquisition risk; 6) Fluctuations in EPS and DPS growth.

### Results and Valuation

| FY ended Dec 31                                      | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
|--|--------|--------|--------|--------|--------|
| Revenue (RMB mn)                                     | 49,328 | 53,651 | 65,244 | 79,619 | 93,779 |
| Chg (% YoY)  | 38.9   | 8.8    | 21.6   | 22.0   | 17.8   |
| Net Profit (to shareholders of the Company) (RMB mn) | 7,720  | 7,590  | 10,030 | 12,576 | 15,352 |
| Chg (% YoY)  | 49.6   | (1.7)  | 32.1   | 25.4   | 22.1   |
| Basic EPS (RMB)                                      | 2.87   | 2.82   | 3.70   | 4.63   | 5.66   |
| Chg (% YoY)  | 49.5   | (1.7)  | 31.1   | 25.4   | 22.1   |
| P/E (x)  | 34.07  | 34.68  | 26.46  | 21.10  | 17.28  |
| BVPS (RMB)   | 10.70  | 12.68  | 15.16  | 18.24  | 22.21  |
| P/B (x)  | 9.14   | 7.71   | 6.45   | 5.36   | 4.40   |
| DPS(HK cent)   | 158    | 134    | 138    | 177    | 192    |
| Yield (%)  | 1.6    | 1.2    | 1.2    | 1.6    | 1.7    |
| ROAA (%)   | 14.4   | 12.5   | 14.2   | 15.3   | 16.9   |
| ROAE (%)   | 29.2   | 24.0   | 26.6   | 27.7   | 28.0   |

Source(s): The Group, ABCI Securities estimates

## Company Report Mar 23, 2023

Rating: **BUY**  
TP: HK\$ 132.0

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|                         |                |
|-------------------------|----------------|
| Share price (HK\$)      | 111.40         |
| 52 wk High/Low (HK\$)   | 125.3/67.85    |
| Est. share price return | 18.5%          |
| Est. dividend yield     | 1.2%           |
| Est. total return       | 19.7%          |
| Previous Rating & TP    | BUY; HK\$131.2 |
| Previous Report Date    | Jan 19, 2023   |

Source(s): Bloomberg, ABCI Securities estimates

### Key Data

|                         |       |
|-------------------------|-------|
| Issued shares (bn)      | 2.7   |
| Mkt cap (HK\$ bn)       | 302.3 |
| 3 mth days ADT (HK\$mn) | 717.1 |
| Shareholding (%)        |       |
| Anta International      | 44.43 |
| Anda Holdings           | 5.95  |

Source(s): The Group, Bloomberg, HKEX

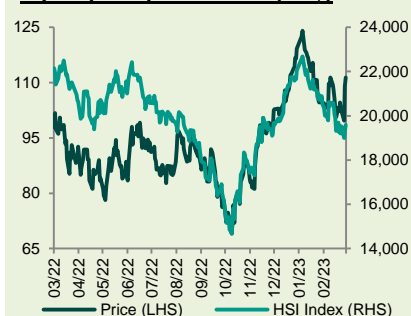
### Share performance (%)

|       | Absolute | Relative* |
|-------|----------|-----------|
| 1-mth | 6.8      | 11.4      |
| 3-mth | 14.1     | 11.9      |
| 6-mth | 24.8     | 18.6      |

\* Relative to HSI

Source(s): Bloomberg, ABCI Securities

### 1-year price performance(HK\$)



Source(s): Bloomberg, ABCI Securities

Note:

1) All pricing and market data as of Mar 22, 2023

2) RMB/HKD: 1.1392

### Exhibit 1: Changes in assumptions, projections, and valuations

| Exhibit 1: Changes in assumptions, projections, and valuations |                |       |                 |       |   |
|--|----------------|-------|-----------------|-------|---|
| As of Dec 31   | Current report |       | Previous report |       | Rationale   |
|  | FY23E          | FY24E | FY23E           | FY24E |   |
| Assumptions  |                |       |                 |       |   |
| D/E (%)  | 27.9           | 22.5  | 23.9            | 20.5  | Adjust based on FY22 rate   |
| D/A (%)  | 15.3           | 13.1  | 13.3            | 12.8  |   |
| Tax rate (%)   | 27.4           | 27.4  | 29.0            | 28.2  |   |
| Valuations   |                |       |                 |       |   |
| TP (HK\$)  | 132.0          |       | 131.2           |       | Higher TP and valuation due to the higher revenue and profit forecasts for FY23E and FY24E and roll-over of forecast period |
| P/E (x)  | 31.35          | 25.00 | 30.75           | 24.54 |   |
| P/B (x)  | 7.64           | 6.35  | 7.72            | 6.38  |   |

Source(s): ABCI Securities estimates

### Exhibit 2: Changes in major forecasts

| FY ends at Dec 31                              | Current report |        |        | Previous report |        |       | Change (%) |       |       |
|--|----------------|--------|--------|-----------------|--------|-------|------------|-------|-------|
|  | FY23E          | FY24E  | FY25E  | FY23E           | FY24E  | FY25E | FY23E      | FY24E | FY25E |
| Revenue (RMB mn)                               | 65,244         | 79,619 | 93,779 | 65,235          | 79,614 | N/A   | 0.01       | 0.01  | N/A   |
| Net profit (to owners of the Company) (RMB mn) | 10,030         | 12,576 | 15,352 | 10,017          | 12,549 | N/A   | 0.12       | 0.21  | N/A   |
| EPS (RMB)                                      | 3.70           | 4.63   | 5.66   | 3.69            | 4.62   | N/A   | 0.12       | 0.21  | N/A   |

Note: previous report was published on Jan 19, 2023

Source(s): ABCI Securities estimates

## Financial Statements

### Consolidated income statement

| FY ends at Dec 31 (RMB mn, except per share data) | FY21A         | FY22A         | FY23E         | FY24E         | FY25E         |
|---|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>                                    | <b>49,328</b> | <b>53,651</b> | <b>65,244</b> | <b>79,619</b> | <b>93,779</b> |
| - ANTA brand                                      | 24,012        | 27,723        | 32,945        | 39,441        | 45,751        |
| - FILA brand                                      | 21,822        | 21,523        | 25,804        | 30,662        | 34,883        |
| - Other brands                                    | 3,494         | 4,405         | 6,495         | 9,516         | 13,145        |
| COGS  | (18,924)      | (21,333)      | (25,356)      | (30,372)      | (35,067)      |
| <b>Gross profit</b>                               | <b>30,404</b> | <b>32,318</b> | <b>39,888</b> | <b>49,247</b> | <b>58,712</b> |
| Other net income/(loss)                           | 1,266         | 2,128         | 2,158         | 2,612         | 3,299         |
| S&D expenses                                      | (17,753)      | (19,629)      | (23,248)      | (28,260)      | (33,479)      |
| Admin expenses                                    | (2,928)       | (3,587)       | (4,236)       | (5,169)       | (6,063)       |
| <b>Operating profit</b>                           | <b>10,989</b> | <b>11,230</b> | <b>14,562</b> | <b>18,430</b> | <b>22,468</b> |
| Net finance income/(expense)                      | 332           | 97            | 230           | 147           | 280           |
| Share of gain/(loss) of JV                        | (81)          | 28            | 34            | 40            | 48            |
| <b>Pretax profit</b>                              | <b>11,240</b> | <b>11,355</b> | <b>14,826</b> | <b>18,618</b> | <b>22,796</b> |
| Tax   | (3,021)       | (3,110)       | (4,061)       | (5,103)       | (6,245)       |
| <b>Net profit</b>                                 | <b>8,219</b>  | <b>8,245</b>  | <b>10,765</b> | <b>13,515</b> | <b>16,551</b> |
| - Owners of the company                           | 7,720         | 7,590         | 10,030        | 12,576        | 15,352        |
| - Minority interest                               | 499           | 655           | 735           | 939           | 1,198         |
| <b>Dividend</b>                                   | <b>3,524</b>  | <b>3,220</b>  | <b>3,288</b>  | <b>4,217</b>  | <b>4,585</b>  |
| <b>EPS (RMB)</b>                                  |               |               |               |               |               |
| - Basic   | 2.87          | 2.82          | 3.70          | 4.63          | 5.66          |
| - Diluted   | 2.81          | 2.76          | 3.58          | 4.49          | 5.49          |
| <b>DPS (HK cent)</b>                              | <b>158</b>    | <b>134</b>    | <b>138</b>    | <b>177</b>    | <b>192</b>    |

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

### Consolidated balance sheet

| FY ends at Dec 31 (RMB mn)           | FY21A         | FY22A         | FY23E         | FY24E         | FY25E          |
|--------------------------------------|---------------|---------------|---------------|---------------|----------------|
| Cash and cash equivalent             | 17,592        | 17,378        | 19,540        | 23,672        | 23,083         |
| Trade receivables                    | 3,296         | 2,978         | 4,886         | 4,995         | 6,303          |
| Inventory                            | 7,644         | 8,490         | 9,662         | 11,765        | 13,096         |
| Others                               | 11,371        | 13,750        | 18,953        | 21,359        | 24,350         |
| <b>Current assets</b>                | <b>39,903</b> | <b>42,596</b> | <b>53,042</b> | <b>61,791</b> | <b>66,831</b>  |
| PP&E and CIP                         | 3,779         | 4,774         | 5,802         | 6,415         | 7,384          |
| Right-of-use assets                  | 6,611         | 8,015         | 10,319        | 11,473        | 12,531         |
| Intangible assets                    | 1,531         | 1,480         | 1,473         | 1,458         | 1,430          |
| Investment in JV                     | 9,027         | 9,343         | 9,563         | 9,795         | 10,039         |
| Others                               | 1,818         | 2,987         | 2,498         | 3,205         | 3,522          |
| <b>Non-current assets</b>            | <b>22,766</b> | <b>26,599</b> | <b>29,656</b> | <b>32,346</b> | <b>34,907</b>  |
| <b>Total assets</b>                  | <b>62,669</b> | <b>69,195</b> | <b>82,698</b> | <b>94,137</b> | <b>101,738</b> |
| Trade payables                       | 3,146         | 2,750         | 4,947         | 4,393         | 4,390          |
| ST borrowings                        | 1,748         | 12,198        | 12,122        | 11,805        | 4,910          |
| Others                               | 11,049        | 11,259        | 13,127        | 14,718        | 15,474         |
| <b>Current liabilities</b>           | <b>15,943</b> | <b>26,207</b> | <b>30,196</b> | <b>30,917</b> | <b>24,774</b>  |
| LT borrowings                        | 11,425        | 492           | 505           | 492           | 607            |
| Deferred tax liabilities             | 655           | 691           | 668           | 720           | 899            |
| Others                               | 2,982         | 3,966         | 6,012         | 7,395         | 8,879          |
| <b>Total non-current liabilities</b> | <b>15,062</b> | <b>5,149</b>  | <b>7,185</b>  | <b>8,607</b>  | <b>10,385</b>  |
| Shareholders' equity                 | 28,924        | 34,400        | 41,142        | 49,500        | 60,268         |
| Minority interest                    | 2,740         | 3,439         | 4,174         | 5,113         | 6,312          |
| <b>Total equity</b>                  | <b>31,664</b> | <b>37,839</b> | <b>45,316</b> | <b>54,613</b> | <b>66,579</b>  |
| <b>Total liabilities and equity</b>  | <b>62,669</b> | <b>69,195</b> | <b>82,698</b> | <b>94,137</b> | <b>101,738</b> |

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



### Consolidated cash flow statement

| FY ends at Dec 31 (RMB mn)                 | FY21A          | FY22A          | FY23E          | FY24E          | FY25E           |
|--|----------------|----------------|----------------|----------------|-----------------|
| Pretax profit                              | 11,240         | 11,355         | 14,826         | 18,618         | 22,796          |
| Depreciation & amortization                | 3,266          | 4,464          | 4,508          | 5,146          | 5,809           |
| Change in working capital                  | (282)          | (1,598)        | (1,478)        | (1,356)        | (3,262)         |
| Others                                     | (2,363)        | (2,074)        | (3,955)        | (5,007)        | (6,187)         |
| <b>Cash flow from operating activities</b> | <b>11,861</b>  | <b>12,147</b>  | <b>13,901</b>  | <b>17,400</b>  | <b>19,157</b>   |
| Change in PP&E                             | (779)          | (974)          | (732)          | (767)          | (752)           |
| Others                                     | (3,890)        | (3,800)        | (5,308)        | (5,481)        | (4,857)         |
| <b>Cash flow from investing activities</b> | <b>(4,669)</b> | <b>(4,774)</b> | <b>(6,040)</b> | <b>(6,248)</b> | <b>(5,609)</b>  |
| Change in borrowing                        | (196)          | (1,403)        | (63)           | (330)          | (6,780)         |
| Dividend paid                              | (2,456)        | (3,950)        | (3,015)        | (3,862)        | (4,190)         |
| Others                                     | (2,295)        | (2,488)        | (2,737)        | (3,010)        | (3,312)         |
| <b>Cash flow from financing activities</b> | <b>(4,947)</b> | <b>(7,841)</b> | <b>(5,815)</b> | <b>(7,203)</b> | <b>(14,282)</b> |
| <b>Net change in cash</b>                  | <b>2,245</b>   | <b>(468)</b>   | <b>2,046</b>   | <b>3,949</b>   | <b>(734)</b>    |
| ForEx effect                               | 24             | 254            | 116            | 183            | 144             |
| <b>Cash at the end of FY</b>               | <b>17,592</b>  | <b>17,378</b>  | <b>19,540</b>  | <b>23,672</b>  | <b>23,083</b>   |

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

### Key operating and financial ratios

| FY ends at Dec 31                     | FY21A  | FY22A  | FY23E  | FY24E  | FY25E  |
|---------------------------------------|--------|--------|--------|--------|--------|
| <b>Growth (YoY %)</b>                 |        |        |        |        |        |
| Revenue                               | 38.9   | 8.8    | 21.6   | 22.0   | 17.8   |
| - ANTA Brand                          | 52.5   | 15.5   | 18.8   | 19.7   | 16.0   |
| - FILA Brand                          | 25.1   | (1.4)  | 19.9   | 18.8   | 13.8   |
| - Other brands                        | 51.1   | 26.1   | 47.5   | 46.5   | 38.1   |
| Gross profit                          | 47.2   | 6.3    | 23.4   | 23.5   | 19.2   |
| EBIT                                  | 20.1   | 2.2    | 29.7   | 26.6   | 21.9   |
| Net profit (to owners of the company) | 49.6   | (1.7)  | 32.1   | 25.4   | 22.1   |
| <b>Profitability ratios (%)</b>       |        |        |        |        |        |
| GPM                                   | 61.6   | 60.2   | 61.1   | 61.9   | 62.6   |
| OPM                                   | 22.3   | 20.9   | 22.3   | 23.1   | 24.0   |
| Pretax                                | 22.8   | 21.2   | 22.7   | 23.4   | 24.3   |
| NPM (to owners of the company)        | 15.7   | 14.1   | 15.4   | 15.8   | 16.4   |
| <b>Revenue contribution (%)</b>       |        |        |        |        |        |
| - ANTA Brand                          | 48.7   | 51.7   | 50.5   | 49.5   | 48.8   |
| - FILA Brand                          | 44.2   | 40.1   | 39.5   | 38.5   | 37.2   |
| - Other brands                        | 7.1    | 8.2    | 10.0   | 12.0   | 14.0   |
| <b>Return ratios (%)</b>              |        |        |        |        |        |
| ROAA                                  | 14.4   | 12.5   | 14.2   | 15.3   | 16.9   |
| ROAE                                  | 29.2   | 24.0   | 26.6   | 27.7   | 28.0   |
| <b>Liquidity ratio (x)</b>            |        |        |        |        |        |
| Current ratio                         | 2.5    | 1.6    | 1.8    | 2.0    | 2.7    |
| Quick ratio                           | 2.0    | 1.3    | 1.4    | 1.6    | 2.2    |
| Cash ratio                            | 1.5    | 1.1    | 1.1    | 1.3    | 1.6    |
| <b>Cash conversion cycle (days)</b>   |        |        |        |        |        |
| Days of outstanding receivable        | 26     | 21     | 22     | 23     | 22     |
| Days of inventory on hand             | 127    | 132    | 131    | 129    | 129    |
| Days of outstanding payable           | 53     | 53     | 53     | 52     | 44     |
| CCC                                   | 99     | 100    | 100    | 99     | 107    |
| <b>Leverage ratios (%)</b>            |        |        |        |        |        |
| Total debt to Equity                  | 41.6   | 33.5   | 27.9   | 22.5   | 8.3    |
| Total debt to Total assets            | 21.0   | 18.3   | 15.3   | 13.1   | 5.4    |
| Net debt/(cash) to Equity             | (36.0) | (39.6) | (44.4) | (50.8) | (52.8) |
| Net debt/(cash) to Total assets       | (18.2) | (21.7) | (24.3) | (29.5) | (34.6) |

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

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| Rating | Definition   |
|--------|--|
| Buy    | Stock return $\geq$ Market return rate ( $\sim 9\%$ )                                    |
| Hold   | - Market return ( $\sim 9\%$ ) $\leq$ Stock return $<$ Market return rate ( $\sim 9\%$ ) |
| Sell   | Stock return $<$ - Market return ( $\sim 9\%$ )  |

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 2006 (HSI total return index 2006-22 averaged at 8.4%)

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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