



ANTA Sports (2020 HK) Challenging macro environment to affect growth

- We lower the Group's revenue growth forecasts based on the uneven 3Q22 retail sales growth among brands
- We expect the Group would continue to face increasing challenges in the consumer market, including COVID-related uncertainties and intensifying competition among industry players
- Maintain **BUY**; current TP implies 34.28x/28.54x 22E/23E P/E, or 8.45x/7.05x 22E/23E P/B

Brands' retail sales growth uneven in 3Q22. According to the Group, in 3Q22, retail sales of ANTA brand, FILA brand, and other brands showed mid-single-digit, low-teens, and 40-45% growth YoY. ANTA and FILA reversed the declining trend and other brands saw improved growth compared to 2Q22. 3Q22 retail sales growth of ANTA was lower than 3Q21. We believe the Group has continued to face operational challenges in 3Q22 due to COVID measures hampering consumer demand. In addition, the persistent competition in the sportswear market may lead to higher volatility in growth, which has been also reflected in the uneven retail sales growth among the Group's different brands. We expect the two factors to continue to affect growth in the medium term. We lower our revenue growth forecasts- FY22E would increase 14.0% YoY, and growth of ANTA, FILA, and other brands would be 16.8% YoY, 8.1% YoY, and 30.6% YoY. 2H22 revenue would expand 14.1% YoY, while that of ANTA, FILA, and other brands would increase 9.4% YoY, 16.6% YoY, and 31.1% YoY. We estimate a revenue CAGR of 15.2% for FY21-24E.

Maintain BUY; TP at HK\$ 113.2. We expect the Group to be affected by COVID measures and the challenging macro environment. Our lower revenue growth forecasts bring down our DCF-derived TP to HK\$ 113.2, which represents 34.28x/28.54x 22E/23E P/E, or 8.45x/7.05x 22E/23E P/B. Maintain **BUY**.

Risk factors: 1) Macroeconomic risk; 2) Resurgence of COVID-19; 3) Commodity price risk; 4) Regulatory risk; 5) Changing consumer taste in China, 6) Business acquisition risk; 7) Fluctuations in EPS and DPS growth.

Results and Valuation

FY ended Dec 31	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	35,512	49,328	56,214	65,054	75,369
Chg (% YoY)	4.7	38.9	14.0	15.7	15.9
Net Profit (to shareholders of the Company) (RMB mn)	5,162	7,720	8,304	9,974	11,823
Chg (% YoY)	(3.4)	49.6	7.6	20.1	18.5
Basic EPS (RMB)	1.92	2.87	3.06	3.68	4.36
Chg (% YoY)	(3.4)	49.5	6.6	20.1	18.5
P/E (x)	37.67	25.19	23.62	19.67	16.59
BVPS (RMB)	8.88	10.70	12.42	14.89	17.79
P/B (x)	8.14	6.76	5.82	4.86	4.06
DPS(HK cent)	68	158	106	130	158
Yield (%)	0.9	2.2	1.4	1.7	2.0
ROAA (%)	12.0	14.3	13.5	14.6	15.2
ROAE (%)	23.4	29.2	26.5	26.9	26.7

Source(s): The Group, ABCI Securities estimates

Company Report

Oct 24, 2022

Rating: **BUY**

TP: HK\$ 113.2

Analyst: Paul Pan

Tel: (852) 2147 8829

Email: paulpan@abci.com.hk

Share price (HK\$)	78.00
52 wk High/Low (HK\$)	138.4/73.2
Est. share price return	45.1%
Est. dividend yield	1.4%
Est. total return	46.5%
Previous Rating & TP	BUY; HK\$124.7
Previous Report Date	Aug 30, 2022

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	2.7
Mkt cap (HK\$ bn)	211.66
3 mth days ADT (HK\$m)	589.6
Shareholding (%)	
Anta International	44.26
Anta Holdings	5.93

Source(s): The Group, Bloomberg, HKEX

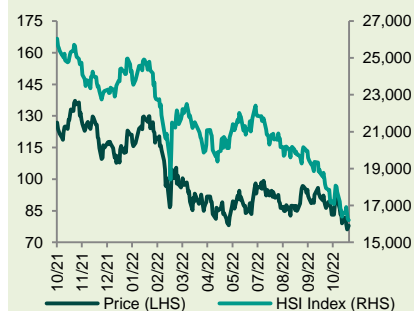
Share performance (%)

	Absolute	Relative*
1-mth	(12.61)	(0.50)
3-mth	(15.68)	5.53
6-mth	(12.80)	8.82

* 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 Oct 21, 2022
- 2) RMB/HKD: 1.0790



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 (%)	30.8	23.9	30.8	23.9	N/A
D/A (%)	17.0	13.8	17.0	13.8	
Tax rate (%)	28.4	28.8	28.4	28.8	
Valuations					
TP (HK\$)	113.2		124.7		Lower TP and valuation due to the lower revenue and profit forecasts
P/E (x)	34.28	28.54	35.53	29.47	
P/B (x)	8.45	7.05	8.85	7.36	

Source(s): ABCI Securities estimates

Exhibit 2: Changes in major forecasts

FY ends at Dec 31	Current report			Previous report			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue (RMB mn)	56,214	65,054	75,369	56,982	66,184	77,205	(1.3)	(1.7)	(2.4)
Net profit (to owners of the Company) (RMB mn)	8,304	9,974	11,823	8,408	10,136	12,088	(1.2)	(1.6)	(2.2)
EPS (RMB)	3.06	3.68	4.36	3.10	3.74	4.45	(1.2)	(1.6)	(2.2)

Note: previous report was published on Aug 30, 2022

Source(s): ABCI Securities estimates



Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, except per share data)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	35,512	49,328	56,214	65,054	75,369
- ANTA brand	15,749	24,012	28,051	32,813	37,908
- FILA brand	17,450	21,822	23,598	26,265	29,616
- Other brands	2,313	3,494	4,564	5,977	7,844
COGS	(14,861)	(18,924)	(21,452)	(24,409)	(28,044)
Gross profit	20,651	30,404	34,761	40,645	47,324
Other net income/(loss)	1,389	1,266	1,444	1,687	1,941
S&D expenses	(10,766)	(17,753)	(20,111)	(23,146)	(26,967)
Admin expenses	(2,122)	(2,928)	(3,605)	(4,183)	(4,846)
Operating profit	9,152	10,989	12,489	15,003	17,453
Net finance income/(expense)	(462)	332	(126)	(80)	15
Share of gain/(loss) of JV	(601)	(81)	91	102	114
Pretax profit	8,089	11,240	12,454	15,025	17,582
Tax	(2,520)	(3,021)	(3,609)	(4,358)	(4,973)
Net profit	5,569	8,219	8,845	10,668	12,609
- Owners of the company	5,162	7,720	8,304	9,974	11,823
- Minority interest	407	499	541	693	786
Dividend	1,563	3,524	2,669	3,269	3,965
EPS (RMB)					
- Basic	1.92	2.87	3.06	3.68	4.36
- Diluted	1.89	2.81	2.97	3.56	4.23
DPS (HK cent)	68	158	106	130	158

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)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalent	15,323	17,592	16,200	20,124	24,759
Trade receivables	3,731	3,296	4,671	5,084	5,805
Inventory	5,486	7,644	7,829	9,645	10,141
Others	8,177	12,000	14,106	18,225	21,427
Current assets	32,717	40,532	42,807	53,077	62,132
PP&E and CIP	2,729	3,779	4,453	4,555	4,745
Right-of-use assets	4,108	6,611	7,298	6,983	7,716
Intangible assets	1,579	1,531	1,476	1,458	1,442
Investment in JV	9,658	9,027	8,847	9,125	9,422
Others	1,076	1,818	3,094	2,881	2,707
Non-current assets	19,150	22,766	25,168	25,002	26,032
Total assets	51,867	63,298	67,974	78,079	88,164
Trade payables	2,376	3,146	3,102	4,506	3,702
ST borrowings	1,968	1,748	10,957	9,237	9,136
Others	7,371	11,049	11,178	12,335	13,577
Current liabilities	11,715	15,943	25,237	26,078	26,415
LT borrowings	12,456	11,425	624	1,504	1,871
Deferred tax liabilities	527	655	581	717	702
Others	1,345	2,982	3,922	4,772	5,524
Total non-current liabilities	14,328	15,062	5,127	6,992	8,097
Shareholders' equity	24,013	28,924	33,699	40,404	48,262
Minority interest	1,811	3,369	3,910	4,604	5,389
Total equity	25,824	32,293	37,610	45,008	53,652
Total liabilities and equity	51,867	63,298	67,974	78,079	88,164

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)	FY20A	FY21A	FY22E	FY23E	FY24E
Pretax profit	8,089	11,240	12,454	15,025	17,582
Depreciation & amortization	2,079	3,266	3,000	2,938	3,201
Change in working capital	(2,212)	(282)	(1,047)	(1,646)	(932)
Others	(498)	(2,363)	(3,587)	(4,276)	(4,897)
Cash flow from operating activities	7,458	11,861	10,820	12,041	14,953
Change in PP&E	(424)	(779)	(293)	(346)	(366)
Others	(1,499)	(3,890)	(5,465)	(1,234)	(3,668)
Cash flow from investing activities	(1,923)	(4,669)	(5,758)	(1,580)	(4,035)
Change in borrowing	(3,343)	(196)	(1,592)	(841)	266
Dividend paid	(1,481)	(2,456)	(2,443)	(2,999)	(3,631)
Others	6,053	(2,295)	(2,525)	(2,777)	(3,055)
Cash flow from financing activities	1,229	(4,947)	(6,560)	(6,616)	(6,419)
Net change in cash	6,764	2,245	(1,498)	3,845	4,499
ForEx effect	338	24	106	79	137
Cash at the end of FY	15,323	17,592	16,200	20,124	24,759

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	FY20A	FY21A	FY22E	FY23E	FY24E
Growth (YoY %)					
Revenue	4.7	38.9	14.0	15.7	15.9
- ANTA Brand	(9.7)	52.5	16.8	17.0	15.5
- FILA Brand	18.1	25.1	8.1	11.3	12.8
- Other brands	35.4	51.1	30.6	30.9	31.3
Gross profit	10.7	47.2	14.3	16.9	16.4
EBIT	5.3	20.1	13.6	20.1	16.3
Net profit (to owners of the company)	(3.4)	49.6	7.6	20.1	18.5
Profitability ratios (%)					
GPM	58.2	61.6	61.8	62.5	62.8
OPM	25.8	22.3	22.2	23.1	23.2
Pretax	22.8	22.8	22.2	23.1	23.3
NPM (to owners of the company)	14.5	15.7	14.8	15.3	15.7
Revenue contribution (%)					
- ANTA Brand	44.3	48.7	49.9	50.4	50.3
- FILA Brand	49.1	44.2	42.0	40.4	39.3
- Other brands	6.5	7.1	8.1	9.2	10.4
Return ratios (%)					
ROAA	12.0	14.3	13.5	14.6	15.2
ROAE	23.4	29.2	26.5	26.9	26.7
Liquidity ratio (x)					
Current ratio	2.8	2.5	1.7	2.0	2.4
Quick ratio	2.3	2.1	1.4	1.7	2.0
Cash ratio	1.7	1.5	1.1	1.3	1.6
Cash conversion cycle (days)					
Days of outstanding receivable	39	26	26	27	26
Days of inventory on hand	121	127	132	131	129
Days of outstanding payable	66	53	53	53	52
CCC	95	99	105	105	103
Leverage ratios (%)					
Total debt/Equity	55.9	40.8	30.8	23.9	20.5
Total debt/Total assets	27.8	20.8	17.0	13.8	12.5
Net cash/Equity	(22.9)	(35.3)	(41.0)	(51.1)	(57.6)
Net cash/Total assets	(11.4)	(18.0)	(22.7)	(29.5)	(35.0)

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 ($\sim 10\%$)
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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Office address: ABCI Securities Company Limited, 13/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong.
Tel: 852) 2868 2183