

## Anta Sports (2020 HK)

### Better post-pandemic growth outlook

- Changes in management roles for long-term development
- FY22 retail sales was affected by COVID resurgence across the nation; retail sales of ANTA grew by low-single-digit rate while that of FILA declined
- Revenue growth would benefit from consumer market recovery in 2023 and low-base effect in 2022
- Maintain **BUY**; current TP implies 40.87x/30.75x 22E/23E P/E, or 9.28x/7.72x 22E/23E P/B

**Changes in management roles for long-term development.** The Group announced changes in management responsibilities of several executive directors. Emphasis has been placed on management roles and oversight of product groups and portfolio brands. Mr. Lai Shixian would be in charge of ANTA and other brands, Mr. Wu Yonghua would be in charge of FILA, and Mr. Zheng Jie would continue to oversee Amer Sports. We believe these changes would enable more efficient management of the Group's ever-expanding brand portfolio covering multiple product categories in domestic and overseas markets, and facilitate long-term development.

**Better growth outlook post-pandemic.** In FY22, retail sales of FILA declined by low-single-digit rate, while retail sales of ANTA and other brands achieved low-single-digit increase and 20-25% increase. 4Q22 retail sales of ANTA and FILA declined YoY and operating performance throughout FY22 has been volatile due to social-distancing measures amid COVID resurgence. As the authority continues to phase out social distancing measures and infections peaks, we expect consumption activities to rebound and consumer sentiment to improve in 2023. The Group's 2023 performance will be boosted by the improving consumption environment and the low base in 2022. We lower FY22E revenue growth to 3.0% YoY based on the released 4Q22 data; FY23E/24E revenue growth are projected at 28.4% YoY/22.0% YoY.

**Maintain BUY, TP at HK\$ 131.2.** We believe strong brand portfolio and extensive sales network would enable the Group to capture the post-pandemic growth. Maintain **BUY**. We raise our DCF-derived TP to reflect the higher growth forecasts for FY23E/24E. Current TP represents 40.87x/30.75x 22E/23E P/E, or 9.28x/7.72x 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; 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	50,819	65,235	79,614
Chg (% YoY)	4.7	38.9	3.0	28.4	22.0
Net Profit (to shareholders of the Company) (RMB mn)	5,162	7,720	7,536	10,017	12,549
Chg (% YoY)	(3.4)	49.6	(2.4)	32.9	25.3
Basic EPS (RMB)	1.92	2.87	2.78	3.69	4.62
Chg (% YoY)	(3.4)	49.5	(3.2)	32.9	25.3
P/E (x)	52.60	35.17	36.35	27.35	21.83
BVPS (RMB)	8.88	10.70	12.23	14.71	17.78
P/B (x)	11.37	9.44	8.26	6.86	5.68
DPS(HK cent)	68	158	103	140	179
Yield (%)	0.6	1.6	0.9	1.2	1.5
ROAA (%)	12.0	14.3	12.4	14.8	16.2
ROAE (%)	23.4	29.2	24.3	27.4	28.5

Source(s): The Group, ABCI Securities estimates

## Company Report

### Jan 19, 2023

Rating: **BUY**

TP: HK\$ 131.2

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Share price (HK\$)	116.70
52 wk High/Low (HK\$)	134.2/67.85
Est. share price return	12.4%
Est. dividend yield	0.9%
Est. total return	13.3%
Previous Rating&TP	BUY;HK\$113.2
Previous Report Date	Oct 24, 2022

Source(s): Bloomberg, ABCI Securities estimates

#### Key Data

Issued shares (bn)	2.7
Mkt cap (HK\$ bn)	316.7
3 mth days ADT (HK\$mn)	753.3
Shareholding (%)	
Anta International	44.26
Anda Holdings	5.93

Source(s): The Group, Bloomberg, HKEx

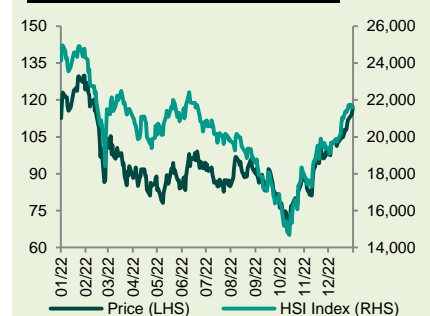
#### Share performance (%)

	Absolute	Relative*
1-mth	17.76	6.31
3-mth	42.75	12.26
6-mth	26.57	19.77

\* 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 Jan 18, 2023
- RMB/HKD: 1.1560



**Exhibit 1: Retail sales growth by quarter (YoY %)**

	1Q22	2Q22	3Q22	4Q22	2022
ANTA Brand	High-teens +	Mid-single digit -	Mid-single digit +	High-single digit -	Low-single digit +
FILA Brand	Mid-single digit +	High-single digit -	Low teens +	Low teens -	Low-single digit -
Other brands	40-45 +	20-25 +	40-45 +	Low teens +	20-25 +

Note: "+" means increase, "-" means decrease

Source(s): The Group, ABCI Securities

**Exhibit 2: Changes in management responsibilities of executive directors**

1	Mr. Ding Shizhong (丁世忠) will retire from the role as the CEO and will remain as the Chairman. He will continue to play a core leadership role in the Group's corporate strategy, talent build-up, corporate culture and operational supervision, and will directly oversee the Group's internal audit and supervision functions as well as mergers and acquisitions initiatives.
2	Mr. Ding Shijia (丁世家) will continue to oversee the Group's manufacturing operation, and will cease to oversee the Group's supply chain management.
3	Mr. Zheng Jie (鄭捷) will remain as an Executive Director and will retire from the roles as Group President and the chief executive officer of the Outdoor Sports Group. He will continue with his role as the chief executive officer of Amer Sports and be primarily responsible for Amer Sports related business.
4	Mr. Lai Shixian (賴世賢) will be appointed as the Co-CEO, and will retire from the role as the CFO. He will be in charge of ANTA brand, all other brands except FILA brand, group procurement and a number of the Group's functions including human resources, legal, investor relations and administration.
5	Mr. Wu Yonghua (吳永華) will be appointed as the Co-CEO, and will retire from the role as the chief executive officer of the Performance Sports Group. He will be in charge of FILA brand, the Group's international businesses and a number of the Group's functions including retail channel management and public relations.
6	Mr. Bi Mingwei (畢明偉) will be appointed as the CFO. He will be primarily responsible for the Group's financial management functions and a number of middle-and-back-office functions including business process management and logistics management.

Source(s): The Group, ABCI Securities

**Exhibit 3: Changes in assumptions, projections, and valuations**

As of Dec 31	Current report		Previous report		Rationale
	FY22E	FY23E	FY22E	FY23E	
<b>Assumptions</b>					
D/E (%)	30.8	23.9	30.8	23.9	
D/A (%)	17.0	13.8	17.0	13.8	N/A
Tax rate (%)	28.4	28.8	28.4	28.8	
<b>Valuations</b>					
TP (HK\$)	131.2		113.2		
P/E (x)	40.87	30.75	34.28	28.54	Higher TP and valuation due to the higher revenue and FY23E/24E profit forecasts
P/B (x)	9.28	7.72	8.45	7.05	

Source(s): ABCI Securities estimates

**Exhibit 4: 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)	50,819	65,235	79,614	56,214	65,054	75,369	(9.6)	0.3	5.6
Net profit (to owners of the Company) (RMB mn)	7,536	10,017	12,549	8,304	9,974	11,823	(9.2)	0.4	6.1
EPS (RMB)	2.78	3.69	4.62	3.06	3.68	4.36	(9.2)	0.4	6.1

Note: previous report was published on Oct 24, 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
<b>Revenue</b>	<b>35,512</b>	<b>49,328</b>	<b>50,819</b>	<b>65,235</b>	<b>79,614</b>
- ANTA brand	15,749	24,012	25,179	32,828	39,596
- FILA brand	17,450	21,822	21,293	25,976	30,477
- Other brands	2,313	3,494	4,348	6,430	9,541
COGS	(14,861)	(18,924)	(19,356)	(24,446)	(29,504)
<b>Gross profit</b>	<b>20,651</b>	<b>30,404</b>	<b>31,463</b>	<b>40,788</b>	<b>50,110</b>
Other net income/(loss)	1,389	1,266	1,305	1,692	2,051
S&D expenses	(10,766)	(17,753)	(18,181)	(23,210)	(28,486)
Admin expenses	(2,122)	(2,928)	(3,259)	(4,195)	(5,119)
<b>Operating profit</b>	<b>9,152</b>	<b>10,989</b>	<b>11,328</b>	<b>15,075</b>	<b>18,556</b>
Net finance income/(expense)	(462)	332	(117)	(87)	(10)
Share of gain/(loss) of JV	(601)	(81)	91	102	114
<b>Pretax profit</b>	<b>8,089</b>	<b>11,240</b>	<b>11,302</b>	<b>15,090</b>	<b>18,661</b>
Tax	(2,520)	(3,021)	(3,275)	(4,376)	(5,278)
<b>Net profit</b>	<b>5,569</b>	<b>8,219</b>	<b>8,027</b>	<b>10,713</b>	<b>13,382</b>
- Owners of the company	5,162	7,720	7,536	10,017	12,549
- Minority interest	407	499	491	696	834
<b>Dividend</b>	<b>1,563</b>	<b>3,524</b>	<b>2,422</b>	<b>3,284</b>	<b>4,209</b>
<b>EPS (RMB)</b>					
- Basic	1.92	2.87	2.78	3.69	4.62
- Diluted	1.89	2.81	2.69	3.58	4.48
<b>DPS (HK cent)</b>	<b>68</b>	<b>158</b>	<b>103</b>	<b>140</b>	<b>179</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)	FY20A	FY21A	FY22E	FY23E	FY24E
Cash and cash equivalent	15,323	17,592	16,745	19,036	24,115
Trade receivables	3,731	3,296	3,907	5,875	5,627
Inventory	5,486	7,644	6,317	11,184	9,631
Others	8,177	11,950	13,807	18,174	20,799
<b>Current assets</b>	<b>32,717</b>	<b>40,482</b>	<b>40,775</b>	<b>54,268</b>	<b>60,172</b>
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	2,934	3,047	2,634
<b>Non-current assets</b>	<b>19,150</b>	<b>22,766</b>	<b>25,008</b>	<b>25,169</b>	<b>25,959</b>
<b>Total assets</b>	<b>51,867</b>	<b>63,248</b>	<b>65,783</b>	<b>79,437</b>	<b>86,131</b>
Trade payables	2,376	3,146	2,060	6,444	1,595
ST borrowings	1,968	1,748	10,957	9,116	9,126
Others	7,371	11,049	10,895	12,482	13,679
<b>Current liabilities</b>	<b>11,715</b>	<b>15,943</b>	<b>23,913</b>	<b>28,042</b>	<b>24,400</b>
LT borrowings	12,456	11,425	433	1,484	1,869
Deferred tax liabilities	527	655	527	720	745
Others	1,345	2,982	3,922	4,772	5,524
<b>Total non-current liabilities</b>	<b>14,328</b>	<b>15,062</b>	<b>4,882</b>	<b>6,976</b>	<b>8,138</b>
Shareholders' equity	24,013	28,924	33,178	39,912	48,252
Minority interest	1,811	3,319	3,810	4,507	5,340
<b>Total equity</b>	<b>25,824</b>	<b>32,243</b>	<b>36,989</b>	<b>44,419</b>	<b>53,593</b>
<b>Total liabilities and equity</b>	<b>51,867</b>	<b>63,248</b>	<b>65,783</b>	<b>79,437</b>	<b>86,131</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)	FY20A	FY21A	FY22E	FY23E	FY24E
Pretax profit	8,089	11,240	11,302	15,090	18,661
Depreciation & amortization	2,079	3,266	3,000	2,938	3,201
Change in working capital	(2,212)	(282)	718	(4,350)	(1,265)
Others	(498)	(2,363)	(3,253)	(4,295)	(5,199)
<b>Cash flow from operating activities</b>	<b>7,458</b>	<b>11,861</b>	<b>11,767</b>	<b>9,383</b>	<b>15,397</b>
Change in PP&E	(424)	(779)	(293)	(346)	(366)
Others	(1,499)	(3,890)	(5,902)	(246)	(3,574)
<b>Cash flow from investing activities</b>	<b>(1,923)</b>	<b>(4,669)</b>	<b>(6,195)</b>	<b>(592)</b>	<b>(3,941)</b>
Change in borrowing	(3,343)	(196)	(1,783)	(790)	395
Dividend paid	(1,481)	(2,456)	(2,217)	(3,012)	(3,854)
Others	6,053	(2,295)	(2,525)	(2,777)	(3,055)
<b>Cash flow from financing activities</b>	<b>1,229</b>	<b>(4,947)</b>	<b>(6,525)</b>	<b>(6,579)</b>	<b>(6,514)</b>
<b>Net change in cash</b>	<b>6,764</b>	<b>2,245</b>	<b>(953)</b>	<b>2,212</b>	<b>4,943</b>
ForEx effect	338	24	106	79	137
<b>Cash at the end of FY</b>	<b>15,323</b>	<b>17,592</b>	<b>16,745</b>	<b>19,036</b>	<b>24,115</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	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Growth (YoY %)</b>					
Revenue	4.7	38.9	3.0	28.4	22.0
- ANTA Brand	(9.7)	52.5	4.9	30.4	20.6
- FILA Brand	18.1	25.1	-2.4	22.0	17.3
- Other brands	35.4	51.1	24.4	47.9	48.4
Gross profit	10.7	47.2	3.5	29.6	22.9
EBIT	5.3	20.1	3.1	33.1	23.1
Net profit (to owners of the company)	(3.4)	49.6	(2.4)	32.9	25.3
<b>Profitability ratios (%)</b>					
GPM	58.2	61.6	61.9	62.5	62.9
OPM	25.8	22.3	22.3	23.1	23.3
Pretax	22.8	22.8	22.2	23.1	23.4
NPM (to owners of the company)	14.5	15.7	14.8	15.4	15.8
<b>Revenue contribution (%)</b>					
- ANTA Brand	44.3	48.7	49.5	50.3	49.7
- FILA Brand	49.1	44.2	41.9	39.8	38.3
- Other brands	6.5	7.1	8.6	9.9	12.0
<b>Return ratios (%)</b>					
ROAA	12.0	14.3	12.4	14.8	16.2
ROAE	23.4	29.2	24.3	27.4	28.5
<b>Liquidity ratio (x)</b>					
Current ratio	2.8	2.5	1.7	1.9	2.5
Quick ratio	2.3	2.1	1.4	1.5	2.1
Cash ratio	1.7	1.5	1.2	1.1	1.7
<b>Cash conversion cycle (days)</b>					
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
<b>Leverage ratios (%)</b>					
Total debt/Equity	55.9	40.9	30.8	23.9	20.5
Total debt/Total assets	27.8	20.8	17.3	13.3	12.8
Net cash/Equity	(22.9)	(35.4)	(44.7)	(48.0)	(55.6)
Net cash/Total assets	(11.4)	(18.0)	(25.1)	(26.8)	(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 in 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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