

Anta Sports (2020 HK) 1Q24 shows quality growth

- Retail sales performance in 1Q24 show enhanced quality of growth
- Both macro data and business performance of peers point to a more competitive industry environment ahead
- Maintain **BUY**; TP implies 21.3x/17.9x 24E/25E P/E, or 4.5x/3.9x 24E/25E P/B

Growth quality improved in 1Q24. According to the Group, in 1Q24, the ANTA brand experienced mid-single digit YoY retail sales growth, the FILA brand saw high-single digit YoY growth, and other brands achieved 25%-30% YoY growth in retail sales. Growth momentum in 1Q24 was solid considering the high base in 1Q23. In addition, according to the Group, discount levels showed varying degrees of improvement across brands, and inventory were maintained at healthy levels. We believe the Group's performance in 1Q24 shows resilience while reflecting the general trend of retail sales growth normalization in China. With major sports events like the 2024 Paris Olympics scheduled for 2H24, the Group is well-positioned to reap the benefits of heightened public interest in sports events and increased participation in sports activities. We believe that its leading position and strong brand portfolio will enable it to capitalize on market opportunities.

Competition will intensify. According to the NBS, retail sales in China grew 3.1% YoY in Mar 2024 and 4.7% in 1Q24, showing a slow recovery in consumer market. Retail sales of "Sports & Recreational Articles" were up 19.3% YoY/14.2% YoY in Mar 2024/1Q24, while retail sales of "Clothes, shoes, hats, and textiles" grew 3.8% YoY/2.5% YoY in Mar 2024/1Q24. Performance of the Group's competitors has been uneven, and some saw higher growth than others in 1Q24. We believe both retail sales growth and peer performance signal more competition ahead. Our view on the Group's performance remains unchanged from previous report due to its leadership position and 1Q24 performance. We expect FY24E revenue growth to be 14.8% YoY. With the expectation that SG&A expenses would increase on market competition, we expect GPM/NPM⁽³⁾ to reach 63.4% and 17.5% in FY24E.

Maintain BUY; TP at HK\$ 102.0. Maintain **BUY** on the enhanced quality of growth and the balanced performance across brands in 1Q24. Our DCF-derived TP remains unchanged. Current TP represents 21.3x/17.9x 24E/25E P/E, or 4.5x/3.9x 24E/25E P/B.

Risk factors: 1) Macroeconomic risk; 2) Commodity price risk; 3) Regulatory risk; 4) Changing consumer taste in China, 5) Business acquisition risk.

Results and Valuation

As of Dec 31	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	71,586	82,441	95,109
Chg (% YoY)	8.8	16.2	14.8	15.2	15.4
Net Profit ⁽³⁾ (RMB mn)	7,590	10,236	12,533	14,911	17,659
Chg (% YoY)	(1.7)	34.9	22.4	19.0	18.4
Basic EPS (RMB)	2.82	3.69	4.42	5.26	6.23
Chg (% YoY)	(1.7)	30.9	19.9	19.0	18.4
P/E (x)	28.02	21.41	17.86	15.01	12.67
BVPS (RMB)	12.68	18.17	20.76	23.91	27.64
P/B (x)	6.23	4.35	3.81	3.30	2.86
DPS(HK cent)	134	197	229	271	322
Yield (%)	1.6	2.3	2.7	3.2	3.8
ROAA (%)	12.5	14.0	13.7	14.9	16.2
ROAE (%)	24.0	23.8	22.7	23.6	24.2

Source(s): The Group, ABCI Securities estimates

Company Report Apr 22, 2024 Rating: BUY TP: HK\$ 102.0

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Share price (HK\$)	85.60
52 wk High/Low (HK\$)	100.3/60.2
Est. share price return	19.2%
Est. dividend yield	2.7%
Est. total return	21.8%
Previous Rating & TP	BUY; HK\$102.0
Previous Report Date	Apr 16, 2024

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	2.8
Mkt cap (HK\$ bn)	242.5
3 mth days ADT (HK\$mn)	714.1

Major shareholder (%)	
Anta International	42.40

Source(s): The Group, Bloomberg, HKEX

Share performance (%)

	Absolute	Relative*
1-mth	4.3	6.3
3-mth	30.2	22.3
6-mth	(6.5)	(2.7)

* 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 Apr 22, 2024
- 2) RMB/HKD: 1.0834
- 3) Refers to net profit attributable to shareholders of the Company)

Exhibit 1: Changes in assumptions, projections, and valuations

As of Dec 31	Current report		Previous report		Rationale
	FY24E	FY25E	FY24E	FY25E	
Assumptions					
D/E (%)	26.5	14.7	26.5	14.7	Assumptions remain unchanged
D/A (%)	16.1	9.8	16.1	9.8	
Tax rate (%)	27.9	27.9	27.9	27.9	
Valuations					
TP (HK\$)	102.0		102.0		TP and valuation remain unchanged due to unchanged forecasts
P/E (x)	21.3	17.9	21.3	17.9	
P/B (x)	4.5	3.9	4.5	3.9	

Note: for previous report publication date please refer to cover page of this company report

Source(s): ABCI Securities estimates

Exhibit 2: Changes in major forecasts

(RMB mn, except for EPS)	Current report			Previous report			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	71,586	82,441	95,109	71,586	82,441	95,109	0.0	0.0	0.0
Net profit (to owners of the Company)	12,533	14,911	17,659	12,533	14,911	17,659	0.0	0.0	0.0
EPS (RMB)	4.42	5.26	6.23	4.42	5.26	6.23	0.0	0.0	0.0

Source(s): ABCI Securities estimates

Exhibit 3: Retail sales value YoY change of Anta (2020 HK)

Brand	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
ANTA	high-teens +	mid-single digit -	mid-single digit +	high-single digit -	mid-single digit +	high-single digit +	high-single digit +	high-teens +	mid-single digit +
FILA	mid-single digit +	high-single digit -	low teens +	low teens -	high-single digit +	high-teens +	low teens +	25-30% +	high-single digit +
Others	40-45% +	20-25% +	40-45% +	20-25%+	75%-80%+	70%-75%+	45-50% +	55-60% +	25-30%+

Note: + = growth; - = decline

Source(s): the Group, ABCI Securities

Exhibit 4: Retail sales value YoY change of 361 Degrees (1361 HK)

Brand	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Core	high-teens +	low teens+	mid-teens +	flat	low teens+	low teens+	~15%+	Over 20%+	high-teens +
Kids	20-25%+	20-25%+	20-25%+	low-single digit +	20-25%+	20-25%+	25-30%+	~40%+	20-25%+
E-commerce Platform	~50%+	~40%+	~45%+	~25%+	~35%+	~30%+	~30%+	Over 30%+	20-25%+

Note: + = growth; - = decline

Source(s): 361 Degrees, ABCI Securities

Exhibit 5: Retail sales value YoY change of Xtep (1368 HK)

Brand	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Core XTEP brand	30%~35%+	mid-teens +	20-25%+	high-single digit -	~20%+	high-teens +	high-teens +	Over 30%+	high-single digit +

Note: + = growth; - = decline

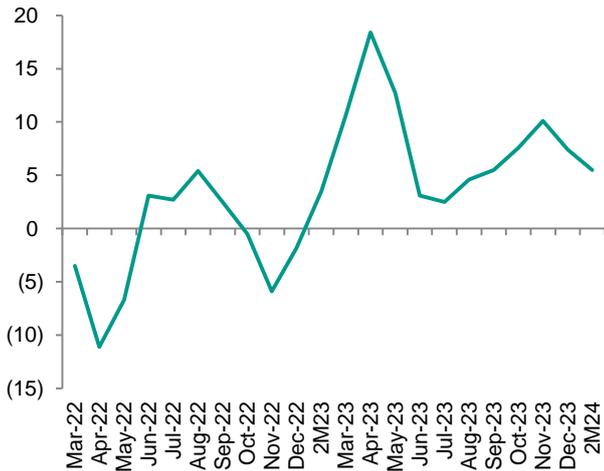
Source(s): Xtep, ABCI Securities

Exhibit 6: Retail sales value YoY change of Li Ning (2331 HK)

Brand	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
LI-NING POS (exclude LI-NING YOUNG)	high-twenties+	high-single digit -	mid-teens +	low teens-	mid-single digit+	low-teens +	mid-single digit+	low-twenties +	low-single digit +
Offline	mid- twenties+	high-single digit -	mid-teens +	high-teens -	high-single digit +	low-teens +	high-single digit +	high-twenties +	low-single digit -
- Direct operation	mid-thirties +	high-single digit -	low-twenties+	mid-teens -	mid-teens +	low- twenties+	low-twenties+	low-fifties+	mid-single digit+
- Franchised distributor	low-twenties +	high-single digit -	low teens+	low-twenties -	mid-single digit +	high-single digit +	low-single digit +	high-teens+	mid-single digit-
Online	mid-thirties +	mid-single digit +	mid- twenties+	mid-single digit +	low teens-	low-single digit+	low-single digit -	mid-single digit +	low-twenties+

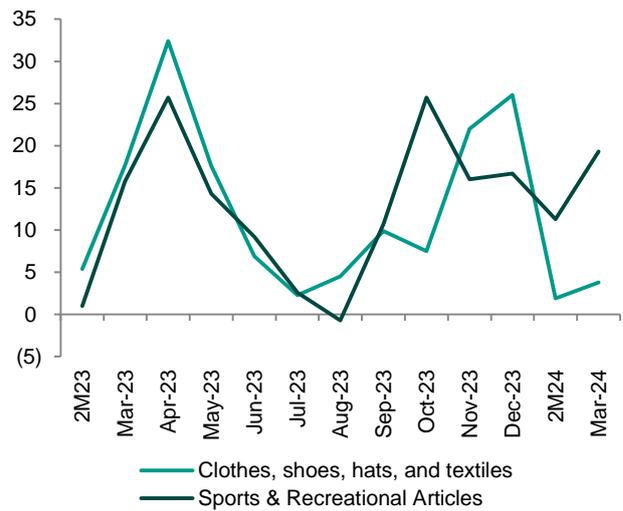
Note: + = growth; - = decline
Source(s): Li Ning, ABCI Securities

Exhibit 7: National retail sales (YoY %)



Source(s): NBS, ABCI Securities

Exhibit 8: Retail sales of selected goods (YoY %)



Source(s): NBS, ABCI Securities



Financial Statements

Consolidated income statement

As of Dec 31 (RMB mn, except per share data)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	53,651	62,356	71,586	82,441	95,109
- ANTA brand	27,723	30,306	33,684	37,820	42,649
- FILA brand	21,523	25,103	28,951	33,422	38,591
- Other brands	4,405	6,947	8,951	11,199	13,869
COGS	(21,333)	(23,328)	(26,222)	(29,746)	(33,733)
Gross profit	32,318	39,028	45,365	52,695	61,376
Other net income/(loss)	2,128	1,705	1,992	2,241	2,610
S&D expenses	(19,629)	(21,673)	(25,279)	(29,251)	(33,797)
Admin expenses	(3,587)	(3,693)	(4,300)	(5,009)	(5,812)
Operating profit	11,230	15,367	17,777	20,675	24,376
Net finance income/(expense)	97	991	401	628	906
Share of gain/(loss) of JV	28	(718)	661	1,258	1,464
Pretax profit	11,355	15,640	18,838	22,561	26,747
Tax	(3,110)	(4,363)	(5,252)	(6,298)	(7,462)
Net profit	8,245	11,277	13,586	16,263	19,285
- Owners of the company	7,590	10,236	12,533	14,911	17,659
- Minority interest	655	1,041	1,053	1,351	1,626
Dividend	3,360	5,188	5,991	7,096	8,427
EPS (RMB)					
- Basic	2.82	3.69	4.42	5.26	6.23
- Diluted	2.76	3.60	4.42	5.26	6.23
DPS (HK cent)	134	197	229	271	322

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalent	17,378	15,228	23,864	23,397	24,256
Trade receivables	2,978	3,732	4,419	5,005	5,336
Inventory	8,490	7,210	10,738	10,524	13,282
Others	13,750	25,970	27,108	30,435	39,707
Current assets	42,596	52,140	66,129	69,360	82,580
PP&E and CIP	4,774	4,965	5,248	5,684	5,800
Right-of-use assets	8,015	8,085	8,403	9,710	9,895
Intangible assets	1,480	2,089	2,071	1,956	1,829
Investment in JV	9,343	9,283	11,150	13,189	15,576
Others	2,987	15,666	13,291	11,757	11,157
Non-current assets	26,599	40,088	40,163	42,296	44,258
Total assets	69,195	92,228	106,292	111,656	126,839
Trade payables	2,750	3,195	5,046	3,957	6,157
ST borrowings	12,198	3,996	5,692	6,968	6,172
Others	11,259	13,400	14,564	16,474	17,850
Current liabilities	26,207	20,591	25,302	27,399	30,178
LT borrowings	492	10,948	11,387	3,979	3,979
Deferred tax liabilities	691	855	998	1,117	1,245
Others	3,966	3,824	4,198	4,481	4,567
Total non-current liabilities	5,149	15,627	16,582	9,578	9,792
Shareholders' equity	34,400	51,460	58,805	67,725	78,289
Minority interest	3,439	4,550	5,603	6,954	8,580
Total equity	37,839	56,010	64,408	74,679	86,869
Total liabilities and equity	69,195	92,228	106,292	111,656	126,839

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

As of Dec 31 (RMB mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Pretax profit	11,355	15,640	18,838	22,561	26,747
Depreciation & amortization	4,464	4,987	5,045	5,964	6,321
Change in working capital	(1,598)	1,659	(2,060)	(832)	(888)
Others	(2,074)	(2,652)	(5,184)	(6,809)	(8,091)
Cash flow from operating activities	12,147	19,634	16,639	20,884	24,090
Change in PP&E	(974)	(427)	(189)	(292)	(88)
Others	(3,800)	(25,366)	(12,795)	(17,557)	(23,890)
Cash flow from investing activities	(4,774)	(25,793)	(12,984)	(17,849)	(23,978)
Change in borrowing	(1,403)	442	2,135	(6,131)	(796)
Dividend paid	(3,950)	(4,250)	(5,449)	(6,455)	(7,603)
Others	(2,488)	7,279	8,007	8,808	8,808
Cash flow from financing activities	(7,841)	3,471	4,692	(3,779)	409
Net change in cash	(468)	(2,688)	8,347	(743)	520
Forex effect	254	538	289	276	339
Cash at the end of FY	17,378	15,228	23,864	23,397	24,256

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

As of Dec 31	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY %)					
Revenue	8.8	16.2	14.8	15.2	15.4
- ANTA Brand	15.5	9.3	11.1	12.3	12.8
- FILA Brand	(1.4)	16.6	15.3	15.4	15.5
- Other brands	26.1	57.7	28.9	25.1	23.8
Gross profit	6.3	20.8	16.2	16.2	16.5
EBIT	2.2	36.8	15.7	16.3	17.9
Net profit (to owners of the company)	(1.7)	34.9	22.4	19.0	18.4
Profitability ratios (%)					
GPM	60.2	62.6	63.4	63.9	64.5
OPM	20.9	24.6	24.8	25.1	25.6
Pretax	21.2	25.1	26.3	27.4	28.1
NPM (to owners of the company)	14.1	16.4	17.5	18.1	18.6
Revenue contribution (%)					
- ANTA Brand	51.7	48.6	47.1	45.9	44.8
- FILA Brand	40.1	40.3	40.4	40.5	40.6
- Other brands	8.2	11.1	12.5	13.6	14.6
Return ratios (%)					
ROAA	12.5	14.0	13.7	14.9	16.2
ROAE	24.0	23.8	22.7	23.6	24.2
Liquidity ratio (x)					
Current ratio	1.6	2.5	2.6	2.5	2.7
Quick ratio	1.3	2.2	2.2	2.1	2.3
Cash ratio	1.1	1.8	1.8	1.8	1.9
Cash conversion cycle (days)					
Days of outstanding receivable	21	20	21	21	20
Days of inventory on hand	138	123	125	130	129
Days of outstanding payable	50	47	51	56	51
CCC	109	96	95	96	98
Leverage ratios (%)					
Total debt to Equity	33.5	26.7	26.5	14.7	11.7
Total debt to Total assets	18.3	16.2	16.1	9.8	8.0
Net (cash) / debt to Equity	(39.6)	(38.8)	(45.2)	(50.3)	(56.0)
Net (cash) / debt to Total assets	(21.7)	(23.6)	(27.4)	(33.6)	(38.4)

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 rate \geq Market return rate ($\sim 7\%$)
Hold	- Market return rate ($\sim 7\%$) \leq Stock return rate $<$ Market return rate ($\sim 7\%$)
Sell	Stock return $<$ - Market return ($\sim 7\%$)

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 2005 (HSI total return index 2005-23 averaged at 7.4%)

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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