



Anta Sports (2020 HK)

Adverse pandemic impacts to affect FY22E performance; maintain BUY with lower TP

- We revise down our growth and margin forecasts in light of the Group's 1Q22 retail sales performance and escalated social distancing measures across the nation; we project FY22E revenue to grow 16.9% YoY but basic EPS to decline by 9.1% YoY; we expect recovery to ensue in FY23E and FY24E, assuming pandemic is contained by then
- Maintain **BUY**; current TP represents 39.14x/28.79x 22E/23E P/E, or 8.21x/6.89x 22E/23E P/B

Lower growth and margin projection due to pandemic uncertainty. In 1Q22, on a YoY basis, retail sales of ANTA brand recorded high-teens growth while that of FILA brand increased by a mid-single digit; meanwhile, retail sales of other brands climbed 40-45%. Retail sales growth momentum of the three brand categories in 1Q22 was weaker than 1Q21 (ANTA: 40-45% +; FILA: 75-80% +; other brands: 115-120% +), though growth in 1Q21 was partially inflated by the low base in 1Q20 when the pandemic first started. In addition, tighter social distancing measures to combat the COVID resurgence across the nation weighed on 1Q22 performance, especially in Mar 2022. Based on the escalation of social distancing measures in Apr 2022, we believe the Group's growth performance would face more downside pressure. Prolonged social distancing disrupts growth in per capita income and reduces consumers' ability and willingness to spend. The consumer market is also facing the plight of store closure and logistical challenges. We revise down our growth forecasts in light of the 1Q22 performance and uncertainties of the pandemic situation. Revenue growth for FY22E is lowered to 16.9% YoY (previous forecast: 21.1% YoY); FY22E revenue growth for ANTA brand, FILA brand, and other brands are now down to 20.8% YoY, 10.1% YoY, and 32.6% YoY (previous forecasts: 22.8% YoY, 17.1% YoY, and 34.6% YoY); FY21-24E revenue CAGR is now expected to be 18.9% (previous forecast: 22.0%). FY22E GPM and NPM (to shareholders of the Company) are revised to 58.7% and 12.3% (previous forecasts: 60.4% and 13.6%) to account for increased sales promotions and higher operating costs.

Maintain BUY; TP at HK\$ 124.7. As a result of our lower revenue and profit projections, basic EPS CAGR is now at 16.6% in FY21-24E; FY22E basic EPS would decline by 9.1% YoY. Recovery is expected to ensue in FY23E and FY24E, assuming the pandemic is contained by then. Maintain **BUY**. Due to the revised projections, we lower our TP to HK\$ 124.7. Current TP represents 39.14x/28.79x 22E/23E P/E, or 8.21x/6.89x 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	57,680	68,729	82,993
Chg (% YoY)	4.7	38.9	16.9	19.2	20.8
Net Profit (to shareholders of the Company) (RMB mn)	5,162	7,720	7,079	9,622	12,351
Chg (% YoY)	(3.4)	49.6	(8.3)	35.9	28.4
Basic EPS (RMB)	1.92	2.87	2.61	3.55	4.55
Chg (% YoY)	(3.4)	49.5	(9.1)	35.9	28.4
P/E (x)	38.22	25.56	28.12	20.69	16.12
BVPS (RMB)	8.88	10.70	12.43	14.81	17.84
P/B (x)	8.26	6.86	5.90	4.95	4.11
DPS (HK cent)	68	158	102	142	186
Yield (%)	0.8	2.2	1.1	1.6	2.1
ROAA (%)	12.0	14.4	11.8	14.8	16.5
ROAE (%)	23.4	29.2	22.6	26.0	27.9

Source(s): The Group, ABCI Securities estimates

Company Report

Apr 20, 2022

Rating: BUY

TP: HK\$ 124.7

Analyst: Paul Pan

Tel: (852) 2147 8829

Email: paulpan@abci.com.hk

Share price (HK\$)	89.6
52 wk High/Low (HK\$)	191.6/79.35
Est. share price return	39.2%
Est. dividend yield	1.1%
Est. total return	40.3%
Previous Rating&TP	BUY; HK\$142.3
Previous Report Date	Mar 24, 2022

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	2.714
Mkt cap (HK\$ bn)	243.14
3-mth ADT (HK\$mn)	1,033.26
Shareholding (%)	
Anta International	54.65
Hemin Holdings	3.13

Source(s): The Group, Bloomberg, HKEX

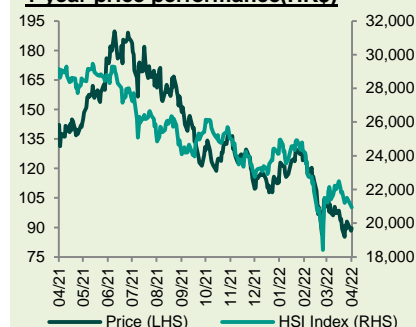
Share performance (%)

	Absolute	Relative*
1-mth	(11.11)	(8.93)
3-mth	(20.50)	(7.30)
6-mth	(31.55)	(12.77)

* 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 Apr 20, 2022
- RMB/HKD: 1.2214



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
	FY22E	FY23E	FY22E	FY23E	
Assumptions					
D/E (%)	33.7	26.9	33.7	26.8	Adjusted based on the changing growth and margin projections
D/A (%)	19.1	16.1	19.1	16.0	
Tax rate (%)	28.4	28.8	28.4	28.8	
Valuations					
TP (HK\$)	124.7		142.3		Lower TP due to lower growth and margin projections on pandemic-related uncertainties
P/E (x)	39.14	28.79	38.61	28.91	
P/B (x)	8.21	6.89	9.09	7.50	

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)	57,680	68,729	82,993	59,758	72,961	89,534	(3.5)	(5.8)	(7.3)
Net profit (to owners of the Company) (RMB mn)	7,079	9,622	12,351	8,100	10,819	14,399	(12.6)	(11.1)	(14.2)
EPS (RMB)	2.61	3.55	4.55	3.00	4.00	5.33	(12.9)	(11.4)	(14.5)

Note: previous report was published on Mar 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
Revenue	35,512	49,328	57,680	68,729	82,993
- ANTA brand	15,749	24,012	29,011	35,177	42,799
- FILA brand	17,450	21,822	24,035	27,390	31,981
- Other brands	2,313	3,494	4,634	6,162	8,213
COGS	(14,861)	(18,924)	(23,834)	(27,607)	(33,267)
Gross profit	20,651	30,404	33,847	41,122	49,726
Other net income/(loss)	1,389	1,266	1,481	1,782	2,138
S&D expenses	(10,766)	(17,753)	(20,237)	(23,301)	(28,135)
Admin expenses	(2,122)	(2,928)	(3,488)	(4,013)	(4,740)
Operating profit	9,152	10,989	11,603	15,589	18,988
Net finance income/(expense)	(462)	332	(1,164)	(1,236)	(802)
Share of gain/(loss) of JV	(601)	(81)	91	102	114
Pretax profit	8,089	11,240	10,530	14,455	18,300
Tax	(2,520)	(3,021)	(2,989)	(4,164)	(5,129)
Net profit	5,569	8,219	7,541	10,291	13,172
- Owners of the company	5,162	7,720	7,079	9,622	12,351
- Minority interest	407	499	461	669	821
Dividend	1,563	3,524	2,275	3,154	4,142
EPS (RMB)					
- Basic	1.92	2.87	2.61	3.55	4.55
- Diluted	1.89	2.81	2.53	3.44	4.42
DPS (HK cent)	68	158	102	142	186

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	18,476	20,989	23,893
Trade receivables	3,731	3,296	5,654	4,921	7,450
Inventory	5,486	7,644	9,547	10,217	13,253
Others	8,177	11,370	8,750	10,948	11,882
Current assets	32,717	39,902	42,428	47,075	56,478
PP&E and CIP	2,729	3,779	4,210	5,121	6,332
Right-of-use assets	4,108	6,611	6,987	8,514	10,512
Intangible assets	1,579	1,531	1,517	1,503	1,490
Investment in JV	9,658	9,027	9,298	9,586	9,891
Others	1,076	1,818	760	1,847	966
Non-current assets	19,150	22,766	22,773	26,572	29,192
Total assets	51,867	62,668	65,201	73,646	85,670
Trade payables	2,376	3,146	4,286	3,918	6,523
ST borrowings	1,968	1,748	1,728	1,728	1,688
Others	7,371	11,049	9,935	11,941	13,343
Current liabilities	11,715	15,943	15,949	17,587	21,554
LT borrowings	12,456	11,425	10,731	10,108	8,733
Deferred tax liabilities	527	655	120	108	112
Others	1,345	2,982	1,471	1,777	2,176
Total non-current liabilities	14,328	15,062	12,323	11,993	11,021
Shareholders' equity	24,013	28,923	33,727	40,195	48,404
Minority interest	1,811	2,740	3,201	3,870	4,691
Total equity	25,824	31,663	36,929	44,066	53,095
Total liabilities and equity	51,867	62,668	65,201	73,646	85,670

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	10,530	14,455	18,300
Depreciation & amortization	2,079	3,266	2,948	3,584	4,408
Change in working capital	(2,212)	(282)	(3,128)	(697)	(2,456)
Others	(498)	(2,363)	(2,980)	(4,154)	(5,131)
Cash flow from operating activities	7,458	11,861	7,370	13,188	15,121
Change in PP&E	(424)	(779)	(641)	(763)	(999)
Others	(1,499)	(3,890)	(629)	(3,699)	(3,091)
Cash flow from investing activities	(1,923)	(4,669)	(1,270)	(4,462)	(4,090)
Change in borrowing	(3,343)	(196)	(714)	(623)	(1,415)
Dividend paid	(1,481)	(2,456)	(2,083)	(2,893)	(3,793)
Others	6,053	(2,295)	(2,525)	(2,777)	(3,055)
Cash flow from financing activities	1,229	(4,947)	(5,322)	(6,293)	(8,263)
Net change in cash	6,764	2,245	779	2,434	2,768
ForEx effect	338	24	106	79	137
Cash at the end of FY	15,323	17,592	18,476	20,989	23,893

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	16.9	19.2	20.8
- ANTA Brand	(9.7)	52.5	20.8	21.3	21.7
- FILA Brand	18.1	25.1	10.1	14.0	16.8
- Other brands	35.4	51.1	32.6	33.0	33.3
Gross profit	10.7	47.2	11.3	21.5	20.9
EBIT	5.3	20.1	5.6	34.4	21.8
Net profit (to owners of the company)	(3.4)	49.6	(8.3)	35.9	28.4
Profitability ratios (%)					
GPM	58.2	61.6	58.7	59.8	59.9
OPM	25.8	22.3	20.1	22.7	22.9
Pretax	22.8	22.8	18.3	21.0	22.1
NPM (to owners of the company)	14.5	15.7	12.3	14.0	14.9
Revenue contribution (%)					
- ANTA Brand	44.3	48.7	50.3	51.2	51.6
- FILA Brand	49.1	44.2	41.7	39.9	38.5
- Other brands	6.5	7.1	8.0	9.0	9.9
Return ratios (%)					
ROAA	12.0	14.4	11.8	14.8	16.5
ROAE	23.4	29.2	22.6	26.0	27.9
Liquidity ratio (x)					
Current ratio	2.8	2.50	2.66	2.68	2.62
Quick ratio	2.3	2.02	2.06	2.10	2.01
Cash ratio	1.7	1.54	1.49	1.54	1.43
Cash conversion cycle (days)					
Days of outstanding receivable	39	26	28	28	27
Days of inventory on hand	121	127	132	131	129
Days of outstanding payable	66	53	53	53	52
CCC	95	99	107	106	103
Leverage ratios (%)					
Total debt/Equity	55.9	41.6	33.7	26.9	19.6
Total debt/Total assets	27.8	21.0	19.1	16.1	12.2
Net cash/Equity	22.9	36.0	30.6	34.6	38.5
Net cash/Total assets	11.4	18.2	17.3	20.7	23.8

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Disclosures

Analyst Certification

I, PAN Hongxing, Paul, being the person primarily responsible for the content of this research report, in whole or in part, hereby certify that all of the views expressed in this report accurately reflect my personal view about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. I and/or my associates have no financial interests in relation to the listed company (ies) covered in this report, and I and/or my associates do not serve as officer(s) of the listed company (ies) covered in this report.

Disclosures of Interests

ABCI Securities Company Limited and/or its affiliates may pursue financial interests to the companies mentioned in the report.

Definition of equity rating

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.

Disclaimers

This report is for our clients only and is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. No representation or warranty, either expresses or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. This report should not be regarded by recipients as a substitute for the exercise of their own judgment. Any opinions expressed in this report are subject to change without notice and may differ or be contrary to opinions expressed by other business areas as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. ABCI Securities Company Limited is under no obligation to update or keep current the information contained herein. ABCI Securities Company Limited relies on information barriers to control the flow of information contained in one or more areas within ABCI Securities Company Limited, into other areas, units, groups or affiliates of ABCI Securities Company Limited. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of ABCI Securities Company Limited as a whole, of which investment banking, sales and trading are a part. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. The price and value of the investments referred to in this research and the income from them may fluctuate. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither ABCI Securities Company Limited nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this report. Additional information will be made available upon request.

Copyright 2022 ABCI Securities Company Limited

No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of ABCI Securities Company Limited.

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