

# Anta Sports (2020 HK)

## Fair guidance but decent inventory and margin

The sharp drop in inventory level for 2023 YTD is certainly a decent surprise, and we do think this is just the beginning of the turnaround. Backed by better margin improvement and net profit growth, Anta remains as our sector top pick.

- **FY22 result slightly beat.** Anta's sales grew by 9% YoY to RMB53.7bn, inline with CMBI/ BBG est. and net profit decreased by 2% YoY to RMB 7.59bn, 5%/ 4% better than CMBI/ BBG est., mainly driven by higher than expected government grants and net finance income.
- **Positive retail sales growth and stable retail discounts in Jan-Feb 2023.** Management stated that Anta and FILA retail sales growth in Jan-Feb 2023 were positive, far better than their original expectation, which is fairly decent given the high base during the 2022 Winter Olympics. Moreover, retail discounts in 1Q23 already returned to a similar level to 1Q22.
- **Inventory to sales ratio was a major beat so far.** Inventory to sales ratio fell sharply to a pretty healthy level of 4.5 to 5 months in Jan-Feb 2023, according to the management, vs over 5/ about 6 months for Anta/ FILA back in 4Q22, helped by: 1) more conservative trade fair orders since 2H22, 2) cut in previous trade orders and 3) better than expected retail sales growth YTD. **Inventory clearance will still be their top priority in FY23E.**
- **A fair FY23E sales growth guidance.** Management is targeting 10%+ retail sales/ listed co sales growth for both Anta and FILA, which is just inline with CMBI est. of high-teens/ 10%+. In their view, FILA's growth could be faster than Anta, thanks to a lower base (FILA was hit harder with its higher Tier1-2 cities sales mix during the pandemic). We are also confident about FILA's guidance as its recent reforms are quite successful, including: 1) launches of more professional sports products and 2) more differentiation between the FILA core and FILA fusion, while Anta's growth will be driven by: 1) ASP growth, 2) more new and large stores, 3) surge in store productivity through DTC reforms and closures of more underperforming store, and 4) upcoming Asian Games 2023 in Hangzhou.
- **But margin improvement is key to watch.** We believe the OP margin can rebound meaningfully to 21.9% in FY23E (from 20.9% in FY22), driven by: 1) normalization of retail discounts, 2) absence of inventory provisions, 3) operating leverage from FILA's turnaround and 4) continual ramp up of other brands (Descente and Kolon's OP margin were 10%+ / ~10% in FY22). But on the other hand, we do expect A&P expenses to remain stable (at ~10% of sales) and so as the labour costs and R&D expenses in FY23E.
- **Maintain BUY and raise TP to HK\$126.05,** based on 33x FY23E P/E (up from 31x about to faster NP growth), about 1 s.d. above 5 years average of 26x, supported by 14%/ 21% sales/ net profit CAGR during FY22-25E. We raised FY23E/ 24E net profit forecast by 3%/ 2% to factor in better margins.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	49,328	53,651	61,563	70,190	78,724
YoY growth (%)	38.9	8.8	14.7	14.0	12.2
Operating profit (RMB mn)	11,372	11,229	13,524	15,986	18,765
Net profit (RMB mn)	8,219.0	8,245.0	10,409.9	12,426.6	14,704.9
EPS (Reported) (RMB)	2.77	2.72	3.41	4.07	4.82
YoY growth (%)	49.2	(1.7)	25.3	19.4	18.3
P/E (x)	32.1	35.7	28.5	23.9	20.2
P/B (x)	8.3	8.0	6.7	5.7	4.8
Yield (%)	1.5	1.2	1.3	1.7	2.3
ROE (%)	29.2	24.6	26.5	26.6	26.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** **HK\$126.05**

(Previous TP) HK\$123.25

**Up/Downside** **15.8%**

**Current Price** **HK\$108.90**

### China Consumer Discretionary

#### Walter WOO

(852) 3761 8776

walterwoo@cmbi.com.hk

#### Raphael TSE

(852) 3900 0856

raphaeltse@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	294,392.5
Avg 3 mths t/o (HK\$ mn)	108.8
52w High/Low (HK\$)	124.00/69.00
Total Issued Shares (mn)	2703.3

Source: FactSet

### Shareholding Structure

Mr. Ding Shi zhong & Family	54.5%
BlackRock Fund	1.6%

Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	4.4%	11.3%
3-mth	11.6%	11.0%
6-mth	22.0%	16.9%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	61,563	70,190	78,724	62,794	71,772	n/a	-2.0%	-2.2%	n/a
Gross profit	38,458	44,314	50,071	38,841	44,956	n/a	-1.0%	-1.4%	n/a
EBIT	13,524	15,986	18,765	13,014	15,649	n/a	3.9%	2.2%	n/a
Net profit att.	9,512	11,354	13,436	9,203	11,161	n/a	3.4%	1.7%	n/a
Diluted EPS (RMB)	3.410	4.071	4.818	3.300	4.002	n/a	3.4%	1.7%	n/a
Gross margin	62.5%	63.1%	63.6%	61.9%	62.6%	n/a	0.6ppt	0.5ppt	n/a
EBIT margin	22.0%	22.8%	23.8%	20.7%	21.8%	n/a	1.2ppt	1ppt	n/a
Net profit att. margin	15.5%	16.2%	17.1%	14.7%	15.6%	n/a	0.8ppt	0.6ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	61,563	70,190	78,724	62,625	73,384	83,512	-1.7%	-4.4%	-5.7%
Gross profit	38,458	44,314	50,071	38,672	45,662	51,599	-0.6%	-3.0%	-3.0%
EBIT	13,524	15,986	18,765	13,742	16,589	19,288	-1.6%	-3.6%	-2.7%
Net profit att.	9,512	11,354	13,436	9,461	11,605	19,410	0.5%	-2.2%	-30.8%
Diluted EPS (RMB)	3.410	4.071	4.818	3.494	4.283	5.184	-2.4%	-4.9%	-7.1%
Gross margin	62.5%	63.1%	63.6%	61.8%	62.2%	61.8%	0.7ppt	0.9ppt	1.8ppt
EBIT margin	22.0%	22.8%	23.8%	21.9%	22.6%	23.1%	0ppt	0.2ppt	0.7ppt
Net profit att. margin	15.5%	16.2%	17.1%	15.1%	15.8%	23.2%	0.3ppt	0.4ppt	-6.2ppt

Source: Bloomberg, CMBIGM estimates

## Results preview

Figure 3: Results summary – Half Year

Half yearly (RMB mn)	1H21	2H21	1H22	2H22	1H21 YoY	2H21 YoY	1H22 YoY	2H22 YoY	2H22E CMBIGM	Actual vs CMBIGM
<b>Revenue</b>	<b>22,812</b>	<b>26,516</b>	<b>25,965</b>	<b>27,686</b>	<b>56%</b>	<b>27%</b>	<b>14%</b>	<b>4%</b>	<b>27,926</b>	<b>-1%</b>
COGS	-8,404	-10,520	-9,856	-11,477					-10,984	
Gross profit	14,408	15,996	16,109	16,209	<b>73%</b>	<b>30%</b>	<b>12%</b>	<b>1%</b>	16,942	-4%
<b>GP margins</b>	<b>63.2%</b>	<b>60.3%</b>	<b>62.0%</b>	<b>58.5%</b>					<b>60.7%</b>	
Other income & gains	339	927	821	1,307					526	148%
S & D expenses	-7,556	-10,197	-9,437	-10,192	<b>72%</b>	<b>60%</b>	<b>25%</b>	<b>0%</b>	-10,956	-7%
<b>S &amp; D exp / sales</b>	<b>-33.1%</b>	<b>-38.5%</b>	<b>-36.3%</b>	<b>-36.8%</b>					<b>-39.2%</b>	
Admin expenses	-1,286	-1,642	-1,701	-1,886	<b>22%</b>	<b>53%</b>	<b>32%</b>	<b>15%</b>	-1,757	7%
<b>Admin exp / sales</b>	<b>-5.6%</b>	<b>-6.2%</b>	<b>-6.6%</b>	<b>-6.8%</b>					<b>-6.3%</b>	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	5,905	5,084	5,792	5,438	<b>64%</b>	<b>-8%</b>	<b>-2%</b>	<b>7%</b>	4,754	14%
<b>OP margins</b>	<b>25.9%</b>	<b>19.2%</b>	<b>22.3%</b>	<b>19.6%</b>					<b>17.0%</b>	
Other items	0	0	0	0					0	
Net finance income	231	101	-22	119					70	71%
<b>Net fin. income / sales</b>	<b>1.0%</b>	<b>0.4%</b>	<b>-0.1%</b>	<b>0.4%</b>					<b>0.2%</b>	
Profit after financing costs	6,136	5,185	5,770	5,557					4,824	
Associated coms	0	0	0	0					0	
Jointly controlled coms	-346	265	-178	206					286	
Pre-tax profit	5,790	5,450	5,592	5,763	<b>105%</b>	<b>3%</b>	<b>-3%</b>	<b>6%</b>	5,110	13%
Tax	-1,658	-1,363	-1,642	-1,468					-1,247	
<b>Tax / sales</b>	<b>-7.3%</b>	<b>-5.1%</b>	<b>-6.3%</b>	<b>-5.3%</b>					<b>-4.5%</b>	
<b>Effective tax rate</b>	<b>-28.6%</b>	<b>-25.0%</b>	<b>-29.4%</b>	<b>-25.5%</b>					<b>-24.4%</b>	
Minority interests	292	207	362	293					208	41%
<b>Net profit att.</b>	<b>3,840</b>	<b>3,880</b>	<b>3,588</b>	<b>4,002</b>	<b>132%</b>	<b>11%</b>	<b>-7%</b>	<b>3%</b>	<b>3,654</b>	<b>10%</b>
<b>NP margins</b>	<b>16.8%</b>	<b>14.6%</b>	<b>13.8%</b>	<b>14.5%</b>					<b>13.1%</b>	
<b>Sales</b>										
Anta	10,578	13,434	13,360	14,363	<b>56%</b>	<b>50%</b>	<b>26%</b>	<b>7%</b>	14,167	<b>1%</b>
FILA & others	12,234	13,082	12,605	13,323	<b>55%</b>	<b>10%</b>	<b>3%</b>	<b>2%</b>	13,759	<b>-3%</b>
<b>GP margins</b>										
Anta	52.8%	51.9%	55.1%	51.5%					54.5%	-3ppt
FILA & others	72.3%	68.7%	68.6%	67.4%					67.4%	0ppt
<b>OP margins</b>										
Anta	23.3%	18.5%	22.2%	26.4%					24.7%	1.8ppt
FILA & others	29.0%	20.5%	22.5%	28.1%					24.9%	3.2ppt

Source: Company data, CMBIGM estimates

Figure 4: Results summary - full year

Full yearly (RMB mn)	FY21	FY22E	FY23E	FY22E YoY	FY23E YoY	FY22E CMBIGM	Actual vs CMBIGM
Revenue	49,328	53,651	61,563	9%	15%	53,891	0%
COGS	-18,924	-21,333	-23,105			-20,840	
Gross profit	30,404	32,318	38,458	6%	19%	33,051	-2%
<b>GP margins</b>	<b>61.6%</b>	<b>60.2%</b>	<b>62.5%</b>			<b>61.3%</b>	
Other income & gains	1,266	2,128	1,539			1,347	58%
S & D expenses	-17,753	-19,629	-22,820	11%	16%	-20,393	-4%
<b>S &amp; D exp / sales</b>	<b>-36.0%</b>	<b>-36.6%</b>	<b>-37.1%</b>			<b>-37.8%</b>	
Admin expenses	-2,928	-3,587	-3,715	23%	4%	-3,458	4%
<b>Admin exp / sales</b>	<b>-5.9%</b>	<b>-6.7%</b>	<b>-6.0%</b>			<b>-6.4%</b>	
Other opex	0	0	0			0	
Operating profit (EBIT)	10,989	11,230	13,462	2%	20%	10,546	6%
<b>OP margins</b>	<b>22.3%</b>	<b>20.9%</b>	<b>21.9%</b>			<b>19.6%</b>	
Other items	0	0	0			0	
Net finance income	332	97	297			48	104%
<b>Net fin. income / sales</b>	<b>0.7%</b>	<b>0.2%</b>	<b>0.5%</b>			<b>0.1%</b>	
Profit after financing costs	11,321	11,327	13,760			10,594	
Associated coms	0	0	0			0	
Jointly controlled coms	-81	28	308			108	
Pre-tax profit	11,240	11,355	14,067	1%	24%	10,702	6%
Tax	-3,021	-3,110	-3,658			-2,889	
<b>Tax / sales</b>	<b>-6.1%</b>	<b>-5.8%</b>	<b>-5.9%</b>			<b>-5.4%</b>	
<b>Effective tax rate</b>	<b>-26.9%</b>	<b>-27.4%</b>	<b>-26.0%</b>			<b>-27.0%</b>	
Minority interests	499	655	898			570	15%
<b>Net profit att.</b>	<b>7,720</b>	<b>7,590</b>	<b>9,512</b>	<b>-2%</b>	<b>25%</b>	<b>7,242</b>	<b>5%</b>
<b>NP margins</b>	<b>15.7%</b>	<b>14.1%</b>	<b>15.5%</b>			<b>13.4%</b>	
<b>Sales</b>							
Anta	24,012	27,723	30,865	15%	11%	27,527	1%
FILA & others	25,316	25,928	30,698	2%	18%	26,364	-2%
<b>GP margins</b>							
Anta	52.3%	53.2%	56.0%			54.8%	-1.5ppt
FILA & others	70.5%	68.0%	69.0%			68.0%	0ppt
<b>OP margins</b>							
Anta	20.6%	21.7%	21.9%			19.3%	2.4ppt
FILA & others	24.7%	20.0%	22.0%			20.0%	0ppt

Source: Company data, CMBIGM estimates

## Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22E	1Q23E	2Q23E	3Q23E	4Q23E
Nike China sales	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%	-8.0%	-20.0%	-13.0%	6.0%	0.0%	20.0%	10.0%	10.0%
Adidas China sales	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%	-35.0%	-35.0%	-27.0%	-50.0%	-20.0%	15.0%	10.0%	40.0%
<b>Anta brand's SSSG</b>																
Anta brand's retail sales	-ve 20%-25%	-ve LSD	+ve LSD	+ve LSD	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	10.0%	10.0%	16.0%	23.0%
Core brand	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens				
Kids	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD	+ve HSD	-ve High-teens				
Online	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD	+ve HSD	+ve MSD				
<b>FILA brand's retail sales</b>																
FILA brand's retail sales	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	+ve Low-teens	-ve Low-teens	12.0%	16.0%	11.0%	20.0%
Classic/ Core brand	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80% Over 20%		Flat	Flat	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens				
Kids	-ve LSD	Over 30%	Over 30%	Over 20%	100% Over 40%		+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens				
Fusion	+ve MSD	Over 70%	Over 50%	Over 50%	150% Over 80%		+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD	+ve LSD	+ve HSD				
Online	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%				
<b>Other brands</b>																
Other brands	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%	40%-45%	+ve Low-teens				
Descente	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens				
Kolon	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%	Over 55%	-ve High-teens				
<b>Li Ning group's SSSG</b>																
Li Ning group's SSSG	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens				
Direct retail	n/a	-ve High-teens	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%				
Wholesales	n/a	-ve Low-teens	-ve MSD	+ve MSD	n/a	+ve Low 70%	+ve Mid 20%	+ve High-teens	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%				
E- Commerce	+ve Low-teens	+ve Mid 20%	+ve High 30%	+ve Low 30%	n/a	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	+ve Mid 30%	+ve Low-teens	-ve LSD				
<b>Li Ning group's retail sales</b>																
Li Ning group's retail sales	-ve High-teens	-ve MSD	+ve MSD	+ve Mid-teens	+ve High 80%	+ve Low 90%	+ve Low 40%	+ve Low 30%	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	2.0%	13.0%	5.0%	31.0%
Direct retail	-ve Mid 30%	-ve Low-teens	Flat	+ve MSD	+ve Low 90%	+ve High 80%	+ve Mid 30%	+ve High 20%	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens				
Wholesales	-ve High-teens	-ve HSD	-ve LSD	+ve Low-teens	+ve Low 80%	+ve Low 90%	+ve High 30%	+ve High 20%	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%				
E- Commerce	+ve Low-teens	+ve High 20%	+ve Low 40%	+ve Mid 30%	100%	+ve High 90%	+ve Mid 50%	+ve Low 40%	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD				
<b>Xtep's SSSG</b>																
Xtep's retail sales	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	18.0%	7.0%	8.0%	23.0%
<b>361 Degrees' SSSG</b>																
361 Degree's retail sale:	-ve 20%-25%	-ve Low-teens	-ve HSD	+ve LSD	+ve High-teens	15%-20%	+ve Low-teens	+ve High-teens	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat				
Pou Sheng's SSSG	-32.5%	-17.8%														
Pou Sheng's sales	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-25.0%	-24.1%	-8.5%	-20.4%	7.0%	18.0%	7.0%	20.0%
<b>Topsports' retail sales</b>																
Topsports' retail sales								-ve 20%-25%	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens				
Dong Xiang's SSSG	-ve Low to Mid SD	-ve MSD	+ve Low to Mid SD	+ve MSD	+ve HSD	+ve Mid to High SD	-ve High-teens	-ve Mid to High-teens	-ve MSD	-ve Low to Mid-teens	-ve Low to Mid SD	-ve Mid-teens				
Dong Xiang's retail sale	-ve 25% to 30%	-ve Low-Mid SD	+ve MSD	+ve Low-teens	60%-70%	+ve Low to Mid-teens	-ve Mid to High-teens	-ve Mid-teens	-ve MSD	-ve Mid to High-teens	+ve LSD	-ve Mid 20% to 30%				
Direct retail	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%											
E- Commerce	-ve Low-teens	+ve 30%-35%	+ve 30%-35%	+ve 20%-30%	35%-40%											

Source: Company data, CMBIGM estimates, \*Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

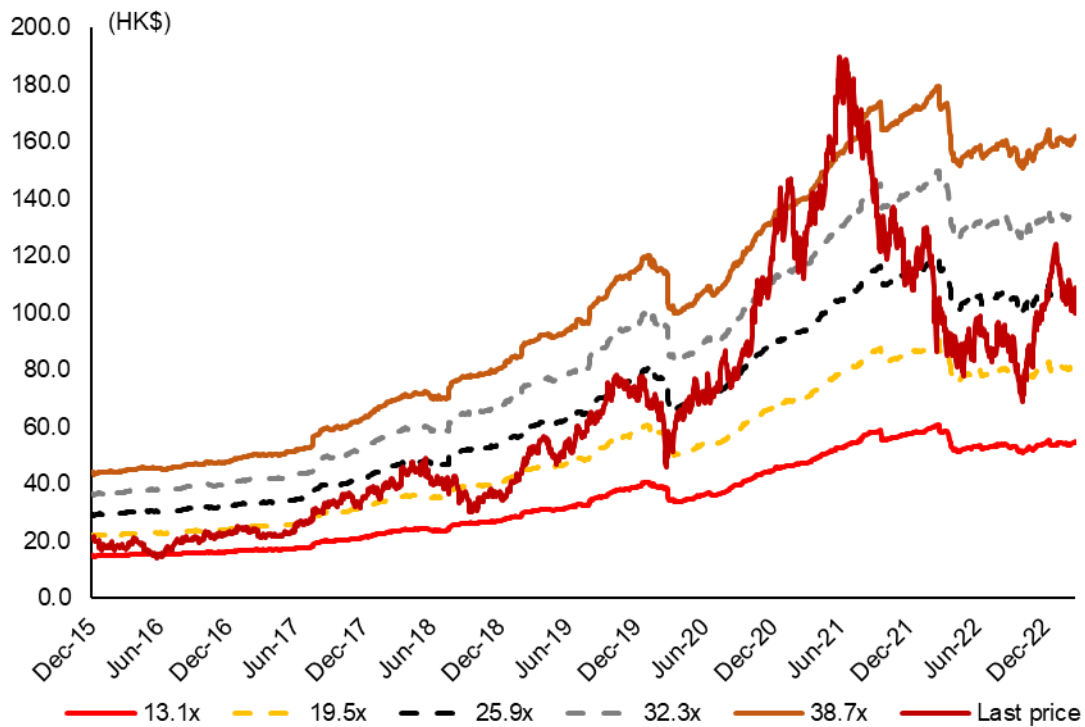
## Valuation

Figure 6: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
								FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
<b>H shares Sportswear</b>														
Anta Sports	2020 HK	BUY	126.05	108.90	16%	295,514	Dec-22	35.7	28.5	6.3	5.3	25.5	2.6	1.6
Li Ning Co	2331 HK	BUY	73.37	58.75	25%	154,867	Dec-22	26.1	21.2	4.7	4.1	17.9	1.3	1.2
Xtep Intl	1368 HK	BUY	10.44	8.23	27%	21,700	Dec-21	20.1	15.8	2.2	2.0	13.5	1.4	2.7
361 Degrees Intl	1361 HK	NR	n/a	3.78	n/a	7,816	Dec-22	7.7	6.7	0.7	0.7	9.9	0.4	5.4
Topsports Intl	6110 HK	NR	n/a	6.93	n/a	42,974	Feb-22	17.8	14.2	3.4	3.1	21.3	3.0	4.3
Pou Sheng Intl	3813 HK	NR	n/a	0.71	n/a	3,782	Dec-22	7.0	4.4	0.4	0.4	1.1	0.1	2.2
China DX	3818 HK	NR	n/a	0.34	n/a	2,002	Mar-22	n/a	9.9	0.2	0.2	(14.0)	0.0	3.4
								<b>Avg.</b>	<b>19.1</b>	<b>14.4</b>	<b>2.6</b>	<b>2.2</b>	<b>10.8</b>	<b>1.3</b>
								<b>Med.</b>	<b>18.9</b>	<b>14.2</b>	<b>2.2</b>	<b>2.0</b>	<b>13.5</b>	<b>1.3</b>
<b>International Sportswear</b>														
Nike	NKE US	NR	n/a	123.84	n/a	1,506,580	May-22	39.4	31.4	12.9	12.1	37.3	5.1	1.0
Adidas	ADS GY	NR	n/a	142.60	n/a	216,763	Dec-22	n/a	33.7	5.2	4.6	9.8	0.0	0.8
Puma	PUM GY	NR	n/a	53.86	n/a	68,601	Dec-22	22.1	16.7	3.0	2.7	14.9	1.2	1.5
Under Armour	UAA US	NR	n/a	8.78	n/a	28,779	Mar-23	16.1	14.1	2.0	1.7	n/a	1.0	0.0
Lululemon	LULU US	NR	n/a	301.66	n/a	302,019	Jan-22	30.4	26.7	11.2	8.8	41.1	1.5	0.0
Skechers	SKX US	NR	n/a	45.31	n/a	55,205	Dec-22	15.4	12.4	1.7	1.5	10.9	0.7	0.0
Vf Corp	VFC US	NR	n/a	21.63	n/a	65,960	Apr-22	10.4	9.6	2.6	2.3	11.9	(1.1)	8.3
Columbia	COLM US	NR	n/a	87.75	n/a	42,809	Dec-22	16.5	14.7	2.5	2.2	15.9	1.4	1.4
Wolverine	WWW US	NR	n/a	16.78	n/a	10,389	Dec-22	11.2	8.2	2.6	2.1	(40.2)	(0.1)	2.7
Mizuno Corp	8022 JP	NR	n/a	3045.00	n/a	4,792	Mar-22	11.3	10.0	0.7	0.7	8.1	(3.6)	2.0
Asics Corp	7936 JP	NR	n/a	3365.00	n/a	37,829	Dec-22	25.5	21.8	3.5	3.1	12.5	1.6	1.3
								<b>Avg.</b>	<b>19.8</b>	<b>18.1</b>	<b>4.3</b>	<b>3.8</b>	<b>12.2</b>	<b>0.7</b>
								<b>Med.</b>	<b>16.3</b>	<b>14.7</b>	<b>2.6</b>	<b>2.3</b>	<b>12.2</b>	<b>1.0</b>

Source: Bloomberg, CMBIGM estimates

**Figure 7: Forward 12M P/E valuation band**



Source: Bloomberg, CMBIGM estimates

## Assumptions

Figure 8: Major assumptions

Major assumptions	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales by segment growth (%)</b>					
Shoes	50.7%	17.4%	16.0%	12.5%	10.0%
Apparels	32.1%	3.1%	13.9%	15.3%	13.8%
Accessories	36.5%	6.4%	12.0%	12.0%	12.0%
Total	38.9%	8.8%	14.7%	14.0%	12.2%
<b>Sales by brand growth (%)</b>					
Anta	67.5%	14.7%	12.0%	12.0%	11.0%
Anta Kids	50.0%	15.0%	10.0%	14.0%	13.0%
FILA	25.1%	-1.4%	15.0%	12.0%	9.0%
Descente & Others	51.1%	26.1%	35.0%	26.0%	24.0%
E-commerce	20.2%	18.0%	10.0%	17.0%	15.0%
Total	38.9%	8.8%	14.7%	14.0%	12.2%
<b>Sales network</b>					
Anta	6,832	6,924	7,050	7,100	7,150
Anta Kids	2,571	2,679	2,850	2,900	2,950
FILA	2,054	1,984	1,950	2,000	2,050
Descente & Others	459	477	495	575	655
Total	11,916	12,064	12,345	12,575	12,805
<b>GP margins</b>					
Anta	52.3%	53.2%	56.0%	55.0%	55.4%
FILA	70.5%	68.0%	69.0%	71.0%	71.0%
Others	70.5%	66.4%	69.0%	72.0%	74.0%
Total	61.6%	60.2%	62.5%	63.1%	63.6%
<b>Opex breakdown</b>					
A&P Expenses / sales	12.4%	10.3%	10.2%	10.0%	9.8%
Labour costs / sales	13.5%	15.1%	15.1%	15.3%	15.4%
R &D expenses / sales	5.9%	6.0%	6.1%	6.0%	6.0%
Rental expenses/ sales	11.6%	11.5%	11.7%	11.7%	11.4%
Selling & distribution costs / sales	36.0%	36.6%	37.1%	36.9%	36.3%
Admin expenses / sales	5.9%	6.7%	6.0%	6.0%	5.9%
<b>OP margin</b>					
Anta	20.6%	21.7%	21.9%	22.6%	23.7%
FILA	24.7%	20.0%	22.0%	23.0%	24.0%
Others	18.4%	20.6%	21.0%	22.0%	23.0%
Total	22.3%	20.9%	21.9%	22.7%	23.7%
Effective tax rate	26.9%	27.4%	26.0%	26.0%	26.0%
<b>NP att. margin</b>	<b>15.7%</b>	<b>14.1%</b>	<b>15.5%</b>	<b>16.2%</b>	<b>17.1%</b>
<b>NP att. growth</b>	<b>49.6%</b>	<b>-1.7%</b>	<b>25.3%</b>	<b>19.4%</b>	<b>18.3%</b>

Source: Company data, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Revenue</b>	<b>35,512</b>	<b>49,328</b>	<b>53,651</b>	<b>61,563</b>	<b>70,190</b>	<b>78,724</b>
Cost of goods sold	(14,861)	(18,924)	(21,333)	(23,105)	(25,876)	(28,654)
<b>Gross profit</b>	<b>20,651</b>	<b>30,404</b>	<b>32,318</b>	<b>38,458</b>	<b>44,314</b>	<b>50,071</b>
<b>Operating expenses</b>	<b>(12,888)</b>	<b>(20,681)</b>	<b>(23,216)</b>	<b>(26,535)</b>	<b>(30,082)</b>	<b>(33,274)</b>
Selling expense	(10,766)	(17,753)	(19,629)	(22,571)	(25,596)	(28,377)
Admin expense	(1,251)	(1,812)	(2,308)	(2,499)	(2,798)	(2,993)
R&D expense	(871)	(1,116)	(1,279)	(1,465)	(1,688)	(1,904)
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>8,826</b>	<b>11,372</b>	<b>11,229</b>	<b>13,524</b>	<b>15,986</b>	<b>18,765</b>
Other income	1,063	1,649	2,127	1,601	1,755	1,968
Share of (losses)/profits of associates/JV	(601)	(81)	28	308	421	551
<b>EBITDA</b>	<b>9,316</b>	<b>11,944</b>	<b>11,971</b>	<b>14,093</b>	<b>16,537</b>	<b>19,199</b>
Depreciation	(414)	(443)	(474)	(329)	(317)	(301)
Other amortisation	(76)	(129)	(268)	(240)	(234)	(132)
Interest income	271	392	609	747	897	1,066
Interest expense	(407)	(443)	(511)	(511)	(511)	(511)
Other income/expense	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>8,089</b>	<b>11,240</b>	<b>11,355</b>	<b>14,067</b>	<b>16,793</b>	<b>19,871</b>
Income tax	(2,520)	(3,021)	(3,110)	(3,658)	(4,366)	(5,167)
Minority interest	(407)	(499)	(655)	(898)	(1,072)	(1,269)
<b>Net profit</b>	<b>5,569</b>	<b>8,219</b>	<b>8,245</b>	<b>10,410</b>	<b>12,427</b>	<b>14,705</b>
<b>BALANCE SHEET</b>						
<b>YE 31 Dec (RMB mn)</b>						
<b>Current assets</b>	<b>32,717</b>	<b>39,902</b>	<b>45,445</b>	<b>53,494</b>	<b>62,947</b>	<b>73,024</b>
Cash & equivalents	15,323	17,592	23,919	30,150	37,558	45,603
Account receivables	6,614	6,914	7,520	8,629	9,838	11,034
Inventories	5,486	7,644	6,254	6,963	7,798	8,635
Prepayment	0	0	0	0	0	0
ST bank deposits	5,024	6,989	6,989	6,989	6,989	6,989
Other current assets	270	763	763	763	763	763
<b>Non-current assets</b>	<b>19,150</b>	<b>22,766</b>	<b>22,803</b>	<b>23,281</b>	<b>23,993</b>	<b>25,056</b>
PP&E	2,184	2,853	3,131	3,541	4,066	4,709
Investment in JVs & assos	9,658	9,027	9,055	9,363	9,784	10,335
Intangibles	1,579	1,531	1,281	1,060	844	730
Other non-current assets	5,729	9,355	9,336	9,318	9,299	9,281
<b>Total assets</b>	<b>51,867</b>	<b>62,668</b>	<b>68,248</b>	<b>76,775</b>	<b>86,940</b>	<b>98,080</b>
<b>Current liabilities</b>	<b>11,715</b>	<b>15,943</b>	<b>16,954</b>	<b>18,367</b>	<b>20,046</b>	<b>21,714</b>
Short-term borrowings	1,968	1,748	1,748	1,748	1,748	1,748
Account payables	2,376	3,146	3,546	3,841	4,302	4,764
Tax payable	1,507	1,816	1,816	1,816	1,816	1,816
Other current liabilities	5,864	9,233	9,844	10,962	12,180	13,386
<b>Non-current liabilities</b>	<b>14,328</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>	<b>15,062</b>
Long-term borrowings	12,456	11,425	11,425	11,425	11,425	11,425
Other non-current liabilities	1,872	3,637	3,637	3,637	3,637	3,637
<b>Total liabilities</b>	<b>26,043</b>	<b>31,005</b>	<b>32,016</b>	<b>33,429</b>	<b>35,108</b>	<b>36,776</b>
Share capital	261	261	261	261	261	261
Retained earnings	18,185	22,663	24,832	30,934	37,710	45,128
Other reserves	5,567	5,999	7,744	7,858	8,495	9,280
<b>Total shareholders equity</b>	<b>24,013</b>	<b>28,923</b>	<b>32,837</b>	<b>39,053</b>	<b>46,466</b>	<b>54,670</b>
Minority interest	1,811	2,740	3,395	4,293	5,366	6,635
<b>Total equity and liabilities</b>	<b>22,202</b>	<b>26,183</b>	<b>29,442</b>	<b>34,760</b>	<b>41,101</b>	<b>48,035</b>

<b>CASH FLOW</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>8,089</b>	<b>11,240</b>	<b>11,355</b>	<b>14,067</b>	<b>16,793</b>	<b>19,871</b>
Depreciation & amortization	490	572	742	569	551	434
Tax paid	(2,181)	(2,677)	(3,110)	(3,658)	(4,366)	(5,167)
Change in working capital	(3,461)	(282)	1,796	(406)	(365)	(366)
Others	4,520	3,008	483	203	90	(40)
<b>Net cash from operations</b>	<b>7,458</b>	<b>11,861</b>	<b>11,265</b>	<b>10,776</b>	<b>12,703</b>	<b>14,733</b>
<b>Investing</b>						
Capital expenditure	(649)	(1,360)	(751)	(739)	(842)	(945)
Acquisition of subsidiaries/ investments	(84)	(94)	0	0	0	0
Others	(1,190)	(3,215)	0	0	0	0
<b>Net cash from investing</b>	<b>(1,923)</b>	<b>(4,669)</b>	<b>(751)</b>	<b>(739)</b>	<b>(842)</b>	<b>(945)</b>
<b>Financing</b>						
Dividend paid	(1,404)	(2,456)	(3,676)	(3,295)	(3,941)	(5,232)
Net borrowings	(3,343)	(196)	0	0	0	0
Proceeds from share issues	21	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	5,955	(2,295)	(511)	(511)	(511)	(511)
<b>Net cash from financing</b>	<b>1,229</b>	<b>(4,947)</b>	<b>(4,187)</b>	<b>(3,806)</b>	<b>(4,452)</b>	<b>(5,743)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	8,221	15,323	17,592	23,919	30,150	37,558
Exchange difference	338	24	0	0	0	0
Others	6,764	2,245	6,327	6,231	7,408	8,044
<b>Cash at the end of the year</b>	<b>15,323</b>	<b>17,592</b>	<b>23,919</b>	<b>30,150</b>	<b>37,558</b>	<b>45,603</b>
<b>GROWTH</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Revenue	4.7%	38.9%	8.8%	14.7%	14.0%	12.2%
Gross profit	10.7%	47.2%	6.3%	19.0%	15.2%	13.0%
Operating profit	0.9%	28.8%	(1.3%)	20.4%	18.2%	17.4%
EBITDA	(7.8%)	28.2%	0.2%	17.7%	17.3%	16.1%
Net profit	(1.0%)	47.6%	0.3%	26.3%	19.4%	18.3%
<b>PROFITABILITY</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Gross profit margin	58.2%	61.6%	60.2%	62.5%	63.1%	63.6%
Operating margin	24.9%	23.1%	20.9%	22.0%	22.8%	23.8%
EBITDA margin	26.2%	24.2%	22.3%	22.9%	23.6%	24.4%
Return on equity (ROE)	25.3%	31.1%	26.7%	29.0%	29.1%	29.1%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.2	0.4	0.5	0.6	0.7	0.7
Current ratio (x)	2.8	2.5	2.7	2.9	3.1	3.4
Receivable turnover days	68.0	51.2	51.2	51.2	51.2	51.2
Inventory turnover days	134.7	147.4	107.0	110.0	110.0	110.0
Payable turnover days	58.4	60.7	60.7	60.7	60.7	60.7
<b>VALUATION</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>YE 31 Dec</b>						
P/E	49.4	32.1	35.7	28.5	23.9	20.2
P/E (diluted)	49.4	32.1	35.7	28.5	23.9	20.2
P/B	7.7	11.1	6.7	6.6	5.6	4.7
P/CFPS	25.6	28.0	20.1	24.8	21.0	18.1
Div yield (%)	0.8	1.1	1.5	1.3	1.8	2.3
EV	288,488.5	283,011.5	276,684.3	270,453.5	263,045.2	255,000.7
EV/Sales	8.1	5.7	5.2	4.4	3.7	3.2
EV/EBITDA	31.0	23.7	23.1	19.2	15.9	13.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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## CMB International Global Markets Limited

**Address:** 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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