

Anta Sports (2020 HK)

A slight beat in 2Q23 but outlook is still fragile

2Q23 results was a slight beat with 1) inline retail sales growth (Anta was a miss but FILA and other brands had a beat) and 2) a better-than-expected retail discounts. Since retail sales growth in Jun-Jul 2023 were similar and still weak, we think sales and earnings could remain at risk. However, after massive de-rating since May 2023, current valuation of 23x FY23E P/E is not too demanding. We maintain BUY with a new TP based on 27x, vs 5 years average of 26x.

- **Anta/ FILA 2Q23 retail sales growth was roughly inline, but slightly below/ above management guidance.** Anta retail sales increased by HSD YoY in 2Q23E, speeding up from MSD in 1Q23, but still missing CMBI est. of 10% and mgt. guidance of 10%+, also lagging behind 361 degrees' low-teens. We believe it was due to: 1) sluggish online growth (turned to positive since Apr 2023 but still slow), and 2) underperformance in basketball segment (positives from new management but reforms are not clear yet). FILA retail sales rose by high-teens YoY in 2Q23E, accelerating from HSD in 1Q23, better than CMBI est. of 14% and guidance of 10%+. We believe the beat was driven by: 1) successful reforms in the last few years (introducing more functional and professional products and shift of stores to better locations), and 2) robust e-commerce growth from new platforms such as Xiaohongshu and Tiktok (able to capture more female demand with a higher price point and less discounts, as well as more sales to low-tier cities).
- **Retail discounts were better-than-expected and inventory level was healthy.** Retail discounts for both Anta/ FILA in 2Q23 was roughly at 26-27% off/ 24%-25% off (CMBI est.), achieving a surprising QoQ improvement by 1-2ppt/ 0-1ppt, but still 1-2ppt higher/ 0-1ppt lower compared to 2Q22. Hence, we expect limited GP margin improvement in 1H23E. Sales to inventory ratio was fairly healthy at less than 5 months for both brands.
- **FY23E guidance maintained, but sales trend in Jul 2023 is weak and we are conservative.** Management is keeping their FY23E guidance (10%+/ 10%+ (faster) retail sales growth for Anta/ FILA and ~2ppt OP margin improvement for FILA). However, as the momentum has weakened since May, retail sales growth in Jun- Jul are both far below guidance level, we suspect more downside could be ahead on earnings. Moreover, we are more conservative on margin, due to: 1) slightly more retail discounts for Anta and 2) slower SSSG and less operating leverage for FILA stores, despite the help from more rental reductions and faster e-commerce sales growth. For Amer, sales growth is healthy, but losses in 1H23E is still likely, due to heavy finance costs and IPO related fees.
- **Maintain BUY and cut TP to HK\$98.2**, based on 27x FY23E (down from 34x), vs 5 years average of 26x, supported by 14%/ 20% sales/ NP CAGR during FY22-25E. We cut FY23E/ 24E/ 25E NP forecasts by 5%/3%/ 2% to factor in higher retail discounts and weaker operating leverage.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	49,328	53,651	61,648	70,556	79,412
YoY growth (%)	38.9	8.8	14.9	14.5	12.6
Operating profit (RMB mn)	11,372	11,229	12,979	15,697	18,506
Net profit (RMB mn)	8,219.0	8,245.0	9,912.3	12,206.8	14,507.6
EPS (Reported) (RMB)	2.77	2.72	3.25	4.00	4.75
YoY growth (%)	49.2	(1.7)	19.3	23.1	18.8
P/E (x)	24.9	27.7	23.2	18.9	15.9
P/B (x)	6.4	6.2	5.3	4.4	3.8
Yield (%)	1.1	1.5	1.5	2.1	2.8
ROE (%)	31.1	26.7	27.7	28.8	29.0
Net gearing (%)	39.3	53.9	60.8	67.0	71.6

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$98.20**
(Previous TP **HK\$130.72**)
Up/Downside **16.2%**
Current Price **HK\$84.50**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	228,431.3
Avg 3 mths t/o (HK\$ mn)	882.6
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%

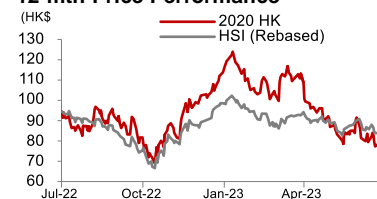
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-7.7%	-2.7%
3-mth	-16.1%	-8.9%
6-mth	-27.6%	-17.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

- **FY23E guidance Anta's reform could yield more positives, but more likely in FY24E.** Anta had a change in management and started to mainly beef up its basketball business and overall brand equity. With more new product launches (basketball products since 4Q23E could be refreshing with new designers), more relevant and impactful marketing (e.g. marketing campaign about 2024 Paris Olympics would start earlier than usual), as well as the signing of Kyrie Irving, we are still confident about the growth potential in FY24E. Note that premiumization will still continue (e.g. will continue to sell products priced at RMB 1,000+) but supply of value for money product would be more too.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	61,648	70,556	79,412	61,498	70,297	79,017	0.2%	0.4%	0.5%
Gross profit	37,738	43,969	49,922	38,233	44,334	50,169	-1.3%	-0.8%	-0.5%
EBIT	12,979	15,697	18,506	13,615	16,260	18,933	-4.7%	-3.5%	-2.3%
Net profit att.	9,057	11,153	13,256	9,574	11,542	13,554	-5.4%	-3.4%	-2.2%
Diluted EPS (RMB)	3.247	3.999	4.753	3.433	4.138	4.860	-5.4%	-3.4%	-2.2%
Gross margin	61.2%	62.3%	62.9%	62.2%	63.1%	63.5%	-1ppt	-0.7ppt	-0.6ppt
EBIT margin	21.1%	22.2%	23.3%	22.1%	23.1%	24.0%	-1.1ppt	-0.9ppt	-0.7ppt
Net profit att. margin	14.7%	15.8%	16.7%	15.6%	16.4%	17.2%	-0.9ppt	-0.6ppt	-0.5ppt

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	61,648	70,556	79,412	62,574	72,575	83,356	-1.5%	-2.8%	-4.7%
Gross profit	37,738	43,969	49,922	38,512	45,048	52,077	-2.0%	-2.4%	-4.1%
EBIT	12,979	15,697	18,506	13,700	16,269	19,140	-5.3%	-3.5%	-3.3%
Net profit att.	9,057	11,153	13,256	9,551	11,531	13,679	-5.2%	-3.3%	-3.1%
Diluted EPS (RMB)	3.247	3.999	4.753	3.492	4.209	4.970	-7.0%	-5.0%	-4.4%
Gross margin	61.2%	62.3%	62.9%	61.5%	62.1%	62.5%	-0.3ppt	0.2ppt	0.4ppt
EBIT margin	21.1%	22.2%	23.3%	21.9%	22.4%	23.0%	-0.8ppt	-0.2ppt	0.3ppt
Net profit att. margin	14.7%	15.8%	16.7%	15.3%	15.9%	16.4%	-0.6ppt	-0.1ppt	0.3ppt

Source: Bloomberg, CMBIGM estimates

Results preview

Figure 3: Results preview – Half Year

Half yearly (RMB mn)	1H22	2H22	1H23E	2H23E	1H22 YoY	2H22 YoY	1H23 E YoY	2H23 E YoY
Revenue	25,965	27,686	29,603	32,045	14%	4%	14%	16%
COGS	-9,856	-11,477	-10,805	-13,105				
Gross profit	16,109	16,209	18,798	18,940	12%	1%	17%	17%
GP margins	62.0%	58.5%	63.5%	59.1%				
Other income & gains	821	1,307	592	1,134				
S & D expenses	-9,437	-10,192	-10,953	-11,878	25%	0%	16%	17%
S & D exp / sales	-36.3%	-36.8%	-37.0%	-37.1%				
Admin expenses	-1,701	-1,886	-1,747	-1,970	32%	15%	3%	4%
Admin exp / sales	-6.6%	-6.8%	-5.9%	-6.1%				
Other opex	0	0	0	0				
Operating profit (EBIT)	5,792	5,438	6,690	6,227	-2%	7%	16%	15%
OP margins	22.3%	19.6%	22.6%	19.4%				
Other items	0	0	0	0				
Net finance income	-22	119	89	204				
Net fin. income / sales	-0.1%	0.4%	0.3%	0.6%				
Profit after financing costs	5,770	5,557	6,779	6,431				
Associated coms	0	0	0	0				
Jointly controlled coms	-178	206	59	126				
Pre-tax profit	5,592	5,763	6,838	6,557	-3%	6%	22%	14%
Tax	-1,642	-1,468	-1,778	-1,705				
Tax / sales	-6.3%	-5.3%	-6.0%	-5.3%				
Effective tax rate	-29.4%	-25.5%	-26.0%	-26.0%				
Minority interests	362	293	481	375				
Net profit att.	3,588	4,002	4,580	4,477	-7%	3%	28%	12%
NP margins	13.8%	14.5%	15.5%	14.0%				
Sales								
Anta	13,360	14,363	14,425	16,079	26%	7%	8%	12%
FILA & others	12,605	13,323	15,178	15,966	3%	2%	20%	20%
GP margins								
Anta	55.1%	51.5%	54.3%	52.3%				
FILA & others	68.6%	67.4%	71.0%	67.1%				
OP margins								
Anta	22.2%	21.2%	22.0%	20.7%				
FILA & others	22.5%	17.4%	23.5%	17.6%				

Source: Company data, CMBIGM estimates

Figure 4: Results preview - full year

Full yearly (RMB mn)	FY22	FY23E	FY24E	FY23E YoY	FY24E YoY
Revenue	53,651	61,648	70,556	15%	14%
COGS	-21,333	-23,910	-26,588		
Gross profit	32,318	37,738	43,969	17%	17%
GP margins	60.2%	61.2%	62.3%		
Other income & gains	2,128	1,726	1,834		
S & D expenses	-19,629	-22,831	-25,952	16%	14%
S & D exp / sales	-36.6%	-37.0%	-36.8%		
Admin expenses	-3,587	-3,717	-4,225	4%	14%
Admin exp / sales	-6.7%	-6.0%	-6.0%		
Other opex	0	0	0		
Operating profit (EBIT)	11,230	12,917	15,626	15%	21%
OP margins	20.9%	21.0%	22.1%		
Other items	0	0	0		
Net finance income	97	293	446		
Net fin. income / sales	0.2%	0.5%	0.6%		
Profit after financing costs	11,327	13,210	16,072		
Associated coms	0	0	0		
Jointly controlled coms	28	185	423		
Pre-tax profit	11,355	13,395	16,496	18%	23%
Tax	-3,110	-3,483	-4,289		
Tax / sales	-5.8%	-5.6%	-6.1%		
Effective tax rate	-27.4%	-26.0%	-26.0%		
Minority interests	655	855	1,053		
Net profit att.	7,590	9,057	11,153	19%	23%
NP margins	14.1%	14.7%	15.8%		
Sales					
Anta	27,723	30,504	34,750	10%	14%
FILA & others	25,928	31,144	35,806	20%	15%
GP margins					
Anta	53.2%	53.3%	53.9%		
FILA & others	68.0%	69.0%	70.0%		
OP margins					
Anta	21.7%	21.3%	22.3%		
FILA & others	20.0%	20.5%	22.0%		

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	4Q22	1Q23	2Q23E	3Q23E	4Q23E
Nike China sales	-4%	1%	8%	19%	42%	9%	1%	-24%	-8%	-20%	-13%	6%	1%	18%	8%	8%
Adidas China sales	-58%	0%	-5%	7%	156%	-16%	-15%	-24%	-35%	-35%	-27%	-50%	-9%	10%	5%	20%
Anta brand's SSSG																
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	+ve MSD	+ve HSD	12%	17%
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	+ve HSD	+ve HSD		
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	+ve MSD	+ve HSD		
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	-ve LSD	+ve MSD		
FILA brand's retail sales																
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	+ve LSD	+ve MSD		
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	-ve HSD	+ve LSD		
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	-ve HSD	+ve LSD		
Online	160%	Over 80%	Over 90%	70%-80% Over 40%	Over 40%		20%-25%	25%-30%	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%		
Other brands																
Descente	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%	Over 35%	-ve Low-teens	70%-75%	60%-65%		
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	100%	100%		
Li Ning group's SSSG																
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%	-ve LSD			
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%	-ve LSD			
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 Low-teens	+ve Low-teens	-ve LSD	-ve Low 20%			
Li Ning group's retail sales																
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	+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%	+ve MSD			
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	-ve Low-teens			
Xtep's SSSG																
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	20%	19%	13%	26%
361 Degrees' SSSG																
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	+ve Low-teens	+ve Low-teens		
Kids						20%-25%	30%-35%	15%-20%	25%-30%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%		
E- Commerce									35%-40%	50%	40%	45%	25%	35%	30%	
Pou Sheng's SSSG	-33%	-18%	-13%	-1%	32%	-11%	-25%	-29%	-21%	-25%	-10%	-27%	0%			
Pou Sheng's sales	-25%	0%	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	7%	20%
Topsports' retail sales																
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 SD	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to 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%	+ve Low to Mid-teens	+ve Mid-teens		
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%											

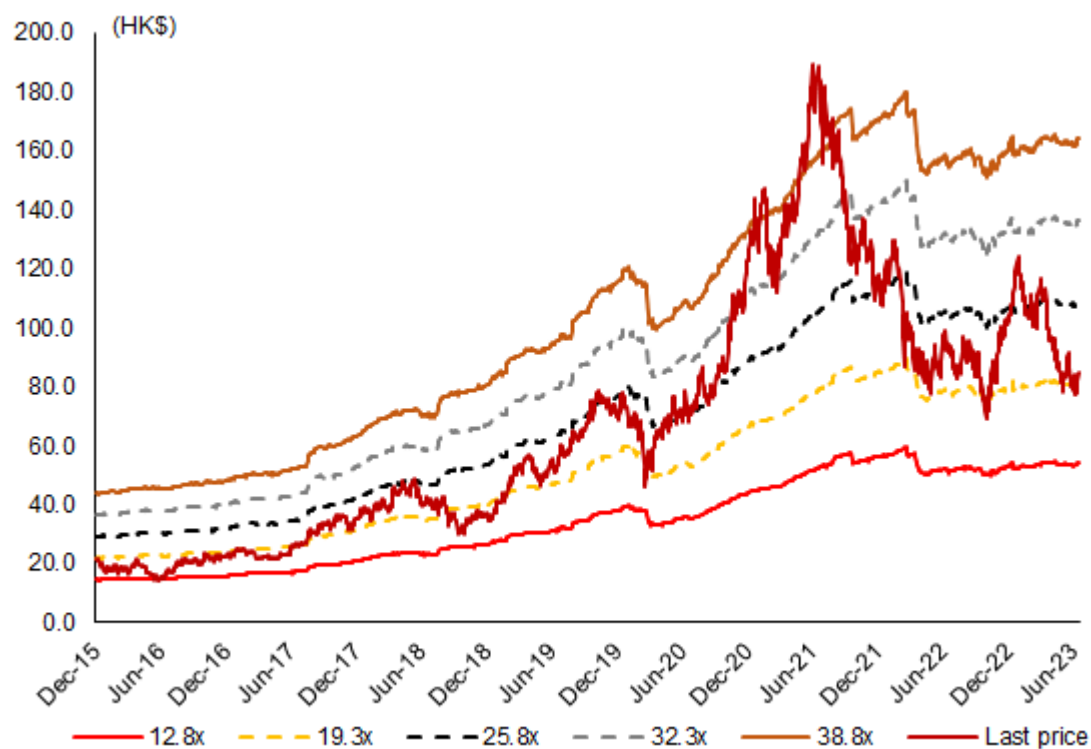
Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Valuation

Figure 6: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$mn)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.
								FY1E	FY2E	FY1E	FY0	FY1E	FY1E	FY1E
H shares Sportswear														
Anta Sports	2020 HK	BUY	98.20	84.50	16%	239,357	Dec-22	23.2	18.9	5.0	24.0	1.1	2.0	(17.4)
Li Ning Co	2331 HK	BUY	66.72	41.10	62%	108,341	Dec-22	20.6	16.7	3.5	17.9	1.2	1.5	(39.3)
Xtep Intl	1368 HK	BUY	11.76	7.84	50%	20,672	Dec-22	16.3	13.1	2.1	11.4	0.8	3.2	(9.8)
361 Degrees Intl	1361 HK	NR	n/a	3.94	n/a	8,147	Dec-22	8.2	6.9	0.8	9.9	0.5	5.0	18.3
Topsports Intl	6110 HK	BUY	9.00	6.72	34%	41,672	Feb-23	15.5	13.0	3.7	18.0	0.8	5.7	8.6
Pou Sheng Intl	3813 HK	NR	n/a	0.59	n/a	3,142	Dec-22	4.6	3.3	0.3	1.1	0.0	3.3	(21.3)
China DX	3818 HK	NR	n/a	0.30	n/a	1,766	Mar-23	5.5	4.6	0.2	1.2	0.0	14.5	(3.2)
								Avg.	13.4	10.9	2.2	11.9	0.6	5.0
								Med.	15.5	13.0	2.1	11.4	0.8	3.3
International Sportswear														
Nike	NKE US	NR	n/a	108.71	n/a	1,305,193	May-23	28.9	24.7	11.9	34.6	1.8	1.3	(7.1)
Adidas	ADS GY	NR	n/a	172.84	n/a	272,966	Dec-22	n/a	42.6	6.9	1.6	0.0	0.4	35.6
Puma	PUM GY	NR	n/a	57.06	n/a	75,508	Dec-22	23.3	17.4	3.1	13.9	1.1	1.5	0.6
Under Armour	UAA US	NR	n/a	7.73	n/a	25,671	Mar-23	15.5	12.4	1.5	20.8	(3.2)	0.0	(23.9)
Lululemon	LULU US	NR	n/a	383.69	n/a	380,840	Jan-23	32.2	28.1	11.3	31.9	1.0	0.0	19.8
Skechers	SKX US	NR	n/a	52.90	n/a	63,941	Dec-22	16.7	13.5	1.9	11.6	0.7	0.0	26.1
Vf Corp	VFC US	NR	n/a	19.11	n/a	58,021	Apr-23	9.1	7.8	2.4	3.7	0.1	6.3	(30.8)
Columbia	COLM US	NR	n/a	77.04	n/a	37,336	Dec-22	15.0	13.1	2.2	15.4	1.5	1.6	(12.0)
Wolverine	WWW US	NR	n/a	12.83	n/a	7,961	Dec-22	8.9	6.1	2.4	(39.3)	(0.0)	3.2	17.4
Mizuno Corp	8022 JP	NR	n/a	3710.00	n/a	5,573	Mar-23	11.3	10.9	0.8	8.4	0.0	1.6	31.9
Asics Corp	7936 JP	NR	n/a	4103.00	n/a	44,040	Dec-22	29.6	25.1	4.2	15.9	1.8	1.1	40.8
								Avg.	19.1	18.3	4.4	10.8	0.4	1.5
								Med.	16.1	13.5	2.4	13.9	0.7	1.3

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
Sales by segment growth (%)					
Shoes	50.7%	17.4%	16.0%	12.5%	10.0%
Apparels	32.1%	3.1%	14.2%	16.1%	14.5%
Accessories	36.5%	6.4%	12.0%	12.0%	12.0%
Total	38.9%	8.8%	14.9%	14.5%	12.6%
Sales by brand growth (%)					
Anta	47.7%	14.1%	12.0%	12.0%	11.0%
Anta Kids	50.0%	15.0%	10.0%	14.0%	13.0%
FILA	25.1%	-1.4%	14.0%	12.0%	9.0%
Descente & Others	51.1%	26.1%	50.0%	26.0%	24.0%
E-commerce	61.6%	17.7%	7.0%	17.0%	15.0%
Total	38.9%	8.8%	14.9%	14.5%	12.6%
Sales network					
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
GP margins					
Anta	52.3%	53.2%	53.3%	53.9%	54.5%
FILA	70.5%	68.0%	69.0%	70.0%	70.0%
Others	70.5%	66.4%	69.0%	72.0%	74.0%
Total	61.6%	60.2%	61.2%	62.3%	62.9%
Opex breakdown					
A&P Expenses / sales	12.4%	10.3%	10.2%	10.0%	10.0%
Labour costs / sales	13.5%	15.1%	15.3%	15.5%	15.6%
R &D expenses / sales	5.9%	6.0%	6.1%	6.0%	6.0%
Rental expenses/ sales	11.6%	11.5%	11.3%	11.3%	10.9%
Selling & distribution costs / sales	36.0%	36.6%	37.0%	36.8%	36.3%
Admin expenses / sales	5.9%	6.7%	6.0%	6.0%	5.9%
OP margin					
Anta	20.6%	21.7%	21.3%	22.3%	23.4%
FILA	24.7%	20.0%	20.5%	22.0%	23.0%
Others	18.4%	20.6%	21.0%	22.0%	23.0%
Total	22.3%	20.9%	21.0%	22.1%	23.2%
Effective tax rate	26.9%	27.4%	26.0%	26.0%	26.0%
NP att. margin	15.7%	14.1%	14.7%	15.8%	16.7%
NP att. growth	49.6%	-1.7%	19.3%	23.1%	18.8%

Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	35,512	49,328	53,651	61,648	70,556	79,412
Cost of goods sold	(14,861)	(18,924)	(21,333)	(23,910)	(26,588)	(29,490)
Gross profit	20,651	30,404	32,318	37,738	43,969	49,922
Operating expenses	(12,888)	(20,681)	(23,216)	(26,547)	(30,177)	(33,560)
Selling expense	(10,766)	(17,753)	(19,629)	(22,554)	(25,641)	(28,590)
Admin expense	(1,251)	(1,812)	(2,308)	(2,511)	(2,821)	(3,028)
R&D expense	(871)	(1,116)	(1,279)	(1,483)	(1,716)	(1,941)
Others	0	0	0	0	0	0
Operating profit	8,826	11,372	11,229	12,979	15,697	18,506
Other income	1,063	1,649	2,127	1,788	1,905	2,144
Share of (losses)/profits of associates/JV	(601)	(81)	28	185	423	556
EBITDA	9,316	11,944	11,971	13,548	16,248	18,940
Depreciation	(414)	(443)	(474)	(329)	(317)	(301)
Other amortisation	(76)	(129)	(268)	(240)	(234)	(132)
Interest income	271	392	609	742	887	1,054
Interest expense	(407)	(443)	(511)	(511)	(511)	(511)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	8,089	11,240	11,355	13,395	16,496	19,605
Income tax	(2,520)	(3,021)	(3,110)	(3,483)	(4,289)	(5,097)
Minority interest	(407)	(499)	(655)	(855)	(1,053)	(1,252)
Net profit	5,569	8,219	8,245	9,912	12,207	14,508
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	32,717	39,902	45,445	53,338	62,714	72,729
Cash & equivalents	15,323	17,592	23,919	29,740	37,060	44,959
Account receivables	6,614	6,914	7,520	8,641	9,889	11,131
Inventories	5,486	7,644	6,254	7,206	8,013	8,887
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
Non-current assets	19,150	22,766	22,803	23,159	23,878	24,953
PP&E	2,184	2,853	3,131	3,542	4,071	4,723
Investment in JVs & assos	9,658	9,027	9,055	9,240	9,663	10,219
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
Total assets	51,867	62,668	68,248	76,497	86,593	97,682
Current liabilities	11,715	15,943	16,954	18,512	20,216	21,950
Short-term borrowings	1,968	1,748	1,748	1,748	1,748	1,748
Account payables	2,376	3,146	3,546	3,975	4,420	4,903
Tax payable	1,507	1,816	1,816	1,816	1,816	1,816
Other current liabilities	5,864	9,233	9,844	10,974	12,232	13,483
Non-current liabilities	14,328	15,062	15,062	15,062	15,062	15,062
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
Total liabilities	26,043	31,005	32,016	33,574	35,278	37,012
Share capital	261	261	261	261	261	261
Retained earnings	18,185	22,663	24,832	30,642	37,298	44,617
Other reserves	5,567	5,999	7,744	7,770	8,451	9,236
Total shareholders equity	24,013	28,923	32,837	38,673	46,011	54,115
Minority interest	1,811	2,740	3,395	4,250	5,304	6,556
Total equity and liabilities	51,867	62,668	68,248	76,497	86,593	97,682

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	8,089	11,240	11,355	13,395	16,496	19,605
Depreciation & amortization	490	572	742	569	551	434
Tax paid	(2,181)	(2,677)	(3,110)	(3,483)	(4,289)	(5,097)
Change in working capital	(3,461)	(282)	1,796	(515)	(352)	(382)
Others	4,520	3,008	483	326	88	(45)
Net cash from operations	7,458	11,861	11,265	10,293	12,494	14,514
Investing						
Capital expenditure	(649)	(1,360)	(751)	(740)	(847)	(953)
Acquisition of subsidiaries/ investments	(84)	(94)	0	0	0	0
Others	(1,190)	(3,215)	0	0	0	0
Net cash from investing	(1,923)	(4,669)	(751)	(740)	(847)	(953)
Financing						
Dividend paid	(1,404)	(2,456)	(3,676)	(3,221)	(3,815)	(5,152)
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)
Net cash from financing	1,229	(4,947)	(4,187)	(3,732)	(4,326)	(5,663)
Net change in cash						
Cash at the beginning of the year	8,221	15,323	17,592	23,919	29,740	37,060
Exchange difference	338	24	0	0	0	0
Others	6,764	2,245	6,327	5,821	7,321	7,899
Cash at the end of the year	15,323	17,592	23,919	29,740	37,060	44,959
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	4.7%	38.9%	8.8%	14.9%	14.5%	12.6%
Gross profit	10.7%	47.2%	6.3%	16.8%	16.5%	13.5%
Operating profit	0.9%	28.8%	(1.3%)	15.6%	20.9%	17.9%
EBITDA	(7.8%)	28.2%	0.2%	13.2%	19.9%	16.6%
Net profit	(1.0%)	47.6%	0.3%	20.2%	23.1%	18.8%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	58.2%	61.6%	60.2%	61.2%	62.3%	62.9%
Operating margin	24.9%	23.1%	20.9%	21.1%	22.2%	23.3%
EBITDA margin	26.2%	24.2%	22.3%	22.0%	23.0%	23.9%
Return on equity (ROE)	25.3%	31.1%	26.7%	27.7%	28.8%	29.0%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
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	3.3
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
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	38.3	24.9	27.7	23.2	18.9	15.9
P/E (diluted)	38.3	24.9	27.7	23.2	18.9	15.9
P/B	8.0	6.4	6.2	5.3	4.4	3.8
P/CFPS	25.6	28.0	20.1	21.0	17.3	14.9
Div yield (%)	0.8	1.1	1.5	1.5	2.1	2.8
EV	222,527.3	217,050.3	210,723.1	204,902.6	197,582.1	189,683.5
EV/Sales	6.3	4.4	3.9	3.3	2.8	2.4
EV/EBITDA	23.9	18.2	17.6	15.1	12.2	10.0

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

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