

# Anta Sports (2020 HK)

## Costs control and efficiency gains are the keys

1H23 results was a strong beat primarily driven by FILA's robust OP margin and the limited A&P expenses. Retail sales growth in May-Aug 2023 could still be weak but margin improvement should continue and we have now turned more positive. Current valuation of 20x FY23E P/E is not too demanding.

- **A strong beat for 1H23 if we exclude Amer's one-off impairment.** Anta group's sales grew by 14% YoY to RMB 29.6bn, roughly inline with CMBI est., while net profit increased by 32% YoY to RMB 4.8bn, 4% above CMBI est., mainly affected by one-off impairment of RMB 1.1bn for Peak Performance (a brand under Amer). However, if we look at the adj. net profit (excluding other income and losses)/ operating profit, they increased by 57%/ 32%, beating CMBI est. by 18%/ 14%. In fact, such a strong beat was due to: 1) FILA's exceptionally good OP margin expansion (from 22.5% in 1H22 to 29.7% in 1H23) and 2) lower than expected A&P expenses (only at 7.1%, as % of total sales, vs 9-10% in the past).
- **FY23E guidance for Anta brand was maintained and we think it is marginally achievable.** Management reiterated the 10%+ sales growth target for Anta brand and a YoY OP margin improvement. Despite a relatively weak retail sales growth during May-Aug 2023 (unlike the rather robust Jan-Apr 2023), we still think the growth rate could gradually improve in 2H23E, thanks to: 1) low base in 4Q22, 2) more innovative product launches (esp. after the management change), 3) resumption of wholesales growth, as actions like cut in trade fair orders' and inventory takeback normalized. We also think the A&P expenses will pick up in 2H23E, in order to fund the marketing around basketball and Paris Olympics, therefore we expect the OP margin to stay at about 21% (similar to 1H23 and 2H22).
- **FY23E guidance for FILA brand was also maintained but we think the margin beat should sustain.** The 10%+ sales growth target for FILA was unchanged, but we are now more optimistic on OP margin improvement. We find FILA's sales growth in 1H23 impressive (esp. when more consumers are willing to trade down) and it was clearly the result of series of successful reforms. For instance, footwear sales for FILA is growing fast (at 20%+) and now accounting for close to 40% of sales (was 10-20% in the past), tennis and golf products become more popular and iconic, and the sell-thru rate for new products in 1H23 has already exceeded 80%. Thanks to: 1) surge in sales per store (to about RMB 1mn) and 2) closures of many underperforming stores, FILA OP margin had jumped to about 30% in 1H23 and we now expect a 26% for FY23E (implying a 22% for 2H23E).
- **Maintain BUY and raise TP to HK\$107.97**, based on 27x FY23E (unchanged), vs 5-year average of 26x, supported by 14%/ 25% sales/ NP CAGR during FY22-25E. We revised up FY23E/ 24E/ 25E NP forecasts by 10%/ 10%/ 10% to factor in a better operating leverage.

### Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	49,328	53,651	61,960	70,911	79,805
YoY growth (%)	38.9	8.8	15.5	14.4	12.5
Operating profit (RMB mn)	11,372	11,229	14,494	17,198	20,249
Net profit (RMB mn)	8,219.0	8,245.0	10,897.8	13,503.0	16,030.0
EPS (Reported) (RMB)	2.77	2.72	3.57	4.42	5.25
YoY growth (%)	49.2	(1.7)	31.2	23.9	18.7
P/E (x)	22.9	25.5	19.4	15.7	13.2
P/B (x)	5.9	5.7	4.8	3.9	3.3
Yield (%)	1.1	1.5	1.8	2.5	3.3
ROE (%)	31.1	26.7	30.2	31.0	30.8
Net gearing (%)	39.3	53.9	62.7	69.3	74.0

Source: Company data, Bloomberg, CMBIGM estimates

## BUY (Maintain)

**Target Price** HK\$107.97  
 (Previous TP) HK\$98.20  
**Up/Downside** 39.0%  
**Current Price** HK\$77.65

### China Consumer Discretionary

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### Stock Data

Mkt Cap (HK\$ mn)	209,913.5
Avg 3 mths t/o (HK\$ mn)	530.2
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	-7.8%	-1.1%
3-mth	-11.7%	-2.3%
6-mth	-25.6%	-14.5%

Source: FactSet

### 12-mth Price Performance



Source: FactSet

### Recent Reports:

[China Lilang \(1234 HK\) – 1H23 inline and FY23E guidance maintained](#)  
 (17 Aug 23)

[Li Ning \(2331 HK\) – Reiterated guidance but we remained cautious](#)  
 (14 Aug 23)

[Xtep \(1368 HK\) – A high-quality 2Q23 and guidance unchanged](#)  
 (20 Jul 23)

[Anta Sports \(2020 HK\) – A slight beat in 2Q23 but outlook is still fragile](#)  
 (19 Jul 23)

[Topsports \(6110 HK, Initiation\) – Localization and efficiency-led turnaround](#)  
 (30 Jun 23)

- **Momentum for other brands and Amer (excluding the impairment) is still fairly strong.** Other brands' (Descente and Kolon) sales growth was unbelievable fast, at close to 80%, therefore the Company had raised its sales growth target to 40%+ (from 30%+). As increase in store productivity is the major growth driver, we believe its OP margin can further improve. Amer's sales/ EBIT growth was also impressive, at 30%/150%, but the net profit was dragged by one-off impairment. Since Amer Sports's mid-term target of 5 EUR 10bn (3 main brands, DTC and China) during FY19-2024E have all been achieved on schedule, management is confident to propose a new one and aiming for double digit sales growth during FY24E-28E.

## Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	61,960	70,911	79,805	61,648	70,556	79,412	0.5%	0.5%	0.5%
Gross profit	37,972	44,217	50,176	37,738	43,969	49,922	0.6%	0.6%	0.5%
EBIT	14,494	17,198	20,249	12,979	15,697	18,506	11.7%	9.6%	9.4%
Net profit att.	9,957	12,338	14,647	9,057	11,153	13,256	9.9%	10.6%	10.5%
Diluted EPS (RMB)	3.570	4.424	5.252	3.247	3.999	4.753	9.9%	10.6%	10.5%
Gross margin	61.3%	62.4%	62.9%	61.2%	62.3%	62.9%	0.1ppt	0ppt	0ppt
EBIT margin	23.4%	24.3%	25.4%	21.1%	22.2%	23.3%	2.3ppt	2ppt	2.1ppt
Net profit att. margin	16.1%	17.4%	18.4%	14.7%	15.8%	16.7%	1.4ppt	1.6ppt	1.7ppt

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	61,960	70,911	79,805	62,186	71,725	82,023	-0.4%	-1.1%	-2.7%
Gross profit	37,972	44,217	50,176	38,264	44,546	51,310	-0.8%	-0.7%	-2.2%
EBIT	14,494	17,198	20,249	13,685	16,224	18,995	5.9%	6.0%	6.6%
Net profit att.	9,957	12,338	14,647	9,456	11,336	13,419	5.3%	8.8%	9.1%
Diluted EPS (RMB)	3.570	4.424	5.252	3.416	4.085	4.824	4.5%	8.3%	8.9%
Gross margin	61.3%	62.4%	62.9%	61.5%	62.1%	62.6%	-0.2ppt	0.2ppt	0.3ppt
EBIT margin	23.4%	24.3%	25.4%	22.0%	22.6%	23.2%	1.4ppt	1.6ppt	2.2ppt
Net profit att. margin	16.1%	17.4%	18.4%	15.2%	15.8%	16.4%	0.9ppt	1.6ppt	2ppt

Source: Bloomberg, CMBIGM estimates

## Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H22	2H22	1H23	2H23E	1H22 YoY	2H22 YoY	1H23 YoY	2H23 E YoY	1H23E CMBIG M	Actual vs CMBIG M
<b>Revenue</b>	25,965	27,686	29,645	32,315	14%	4%	14%	17%	29,603	0%
COGS	-9,856	-11,477	-10,890	-13,098					-10,805	
Gross profit	16,109	16,209	18,755	19,217	12%	1%	16%	19%	18,798	0%
<b>GP margins</b>	<b>62.0%</b>	<b>58.5%</b>	<b>63.3%</b>	<b>59.5%</b>					<b>63.5%</b>	
Other income & gains	821	1,307	637	1,222					592	8%
S & D expenses	-9,437	-10,192	-10,074	-11,768	25%	0%	7%	15%	-10,953	-8%
<b>S &amp; D exp / sales</b>	<b>-36.3%</b>	<b>-36.8%</b>	<b>-34.0%</b>	<b>-36.4%</b>					<b>-37.0%</b>	
Admin expenses	-1,701	-1,886	-1,695	-1,861	32%	15%	0%	-1%	-1,747	-3%
<b>Admin exp / sales</b>	<b>-6.6%</b>	<b>-6.8%</b>	<b>-5.7%</b>	<b>-5.8%</b>					<b>-5.9%</b>	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	5,792	5,438	7,623	6,809	-2%	7%	32%	25%	6,690	14%
<b>OP margins</b>	<b>22.3%</b>	<b>19.6%</b>	<b>25.7%</b>	<b>21.1%</b>					<b>22.6%</b>	
Other items	0	0	0	0					0	
Net finance income	-22	119	356	124					89	301%
<b>Net fin. income / sales</b>	<b>-0.1%</b>	<b>0.4%</b>	<b>1.2%</b>	<b>0.4%</b>					<b>0.3%</b>	
Profit after financing costs	5,770	5,557	7,979	6,934					6,779	
Associated coms	0	0	0	0					0	
Jointly controlled coms	-178	206	-516	330					59	
Pre-tax profit	5,592	5,763	7,463	7,264	-3%	6%	33%	26%	6,838	9%
Tax	-1,642	-1,468	-2,169	-1,660					-1,778	
<b>Tax / sales</b>	<b>-6.3%</b>	<b>-5.3%</b>	<b>-7.3%</b>	<b>-5.1%</b>					<b>-6.0%</b>	
<b>Effective tax rate</b>	<b>-29.4%</b>	<b>-25.5%</b>	<b>-29.1%</b>	<b>-22.9%</b>					<b>-26.0%</b>	
Minority interests	362	293	546	394					481	14%
<b>Net profit att.</b>	<b>3,588</b>	<b>4,002</b>	<b>4,748</b>	<b>5,209</b>	<b>-7%</b>	<b>3%</b>	<b>32%</b>	<b>30%</b>	<b>4,580</b>	<b>4%</b>
<b>NP margins</b>	<b>13.8%</b>	<b>14.5%</b>	<b>16.0%</b>	<b>16.1%</b>					<b>15.5%</b>	
<b>Sales</b>										
Anta	13,360	14,363	14,170	16,431	26%	7%	6%	14%	14,425	-2%
FILA & others	12,605	13,323	15,475	15,884	3%	2%	23%	19%	15,178	2%
<b>GP margins</b>										
Anta	55.1%	51.5%	55.8%	51.3%					54.3%	1.5ppt
FILA & others	68.6%	67.4%	69.2%	68.8%					71.0%	-1.8ppt
<b>OP margins</b>										
Anta	22.2%	21.2%	21.2%	20.8%					22.0%	-0.8ppt
FILA & others	22.5%	17.4%	29.7%	22.3%					23.5%	6.2ppt

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	61,960	70,911	15%	14%
COGS	-21,333	-23,988	-26,694		
Gross profit	32,318	37,972	44,217	17%	16%
<b>GP margins</b>	<b>60.2%</b>	<b>61.3%</b>	<b>62.4%</b>		
Other income & gains	2,128	1,859	1,985		
S & D expenses	-19,629	-21,842	-25,005	11%	14%
<b>S &amp; D exp / sales</b>	<b>-36.6%</b>	<b>-35.3%</b>	<b>-35.3%</b>		
Admin expenses	-3,587	-3,556	-4,071	-1%	14%
<b>Admin exp / sales</b>	<b>-6.7%</b>	<b>-5.7%</b>	<b>-5.7%</b>		
Other opex	0	0	0		
Operating profit (EBIT)	11,230	14,432	17,127	29%	19%
<b>OP margins</b>	<b>20.9%</b>	<b>23.3%</b>	<b>24.2%</b>		
Other items	0	0	0		
Net finance income	97	480	695		
<b>Net fin. income / sales</b>	<b>0.2%</b>	<b>0.8%</b>	<b>1.0%</b>		
Profit after financing costs	11,327	14,913	17,822		
Associated coms	0	0	0		
Jointly controlled coms	28	-186	425		
Pre-tax profit	11,355	14,727	18,247	30%	24%
Tax	-3,110	-3,829	-4,744		
<b>Tax / sales</b>	<b>-5.8%</b>	<b>-6.2%</b>	<b>-6.7%</b>		
<b>Effective tax rate</b>	<b>-27.4%</b>	<b>-26.0%</b>	<b>-26.0%</b>		
Minority interests	655	940	1,165		
<b>Net profit att.</b>	<b>7,590</b>	<b>9,957</b>	<b>12,338</b>	<b>31%</b>	<b>24%</b>
<b>NP margins</b>	<b>14.1%</b>	<b>16.1%</b>	<b>17.4%</b>		
<b>Sales</b>					
Anta	27,723	30,601	34,864	10%	14%
FILA & others	25,928	31,359	36,047	21%	15%
<b>GP margins</b>					
Anta	53.2%	53.4%	54.0%		
FILA & others	68.0%	69.0%	70.0%		
<b>OP margins</b>					
Anta	21.7%	21.0%	21.7%		
FILA & others	20.0%	26.0%	27.0%		

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%	16%	5%	20%
<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	+ve MSD	+ve HSD	11%	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		
<b>FILA brand's retail sales</b>																
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%		
<b>Other brands</b>																
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%		
<b>Li Ning group's SSSG</b>																
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	+ve HSD		
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	+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 LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD		
<b>Li Ning group's retail sales</b>																
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	+ve High 20%		
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	+ve Mid-teens		
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	+ve Low-teens		
<b>Xtep brand's SSSG</b>																
Xtep brand'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%	+ve High-teens	16%	26%
<b>361 Degree brand's SSSG</b>																
361 Degree brand's retail sales	-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%	13%		
Pou Sheng's sales	-25%	0%	0%	1%	48%	-15%	-25%	-27%	-25%	-24%	-8%	-20%	7%	17%	7%	20%
<b>Topsports' retail sales</b>																
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 sales	-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%											

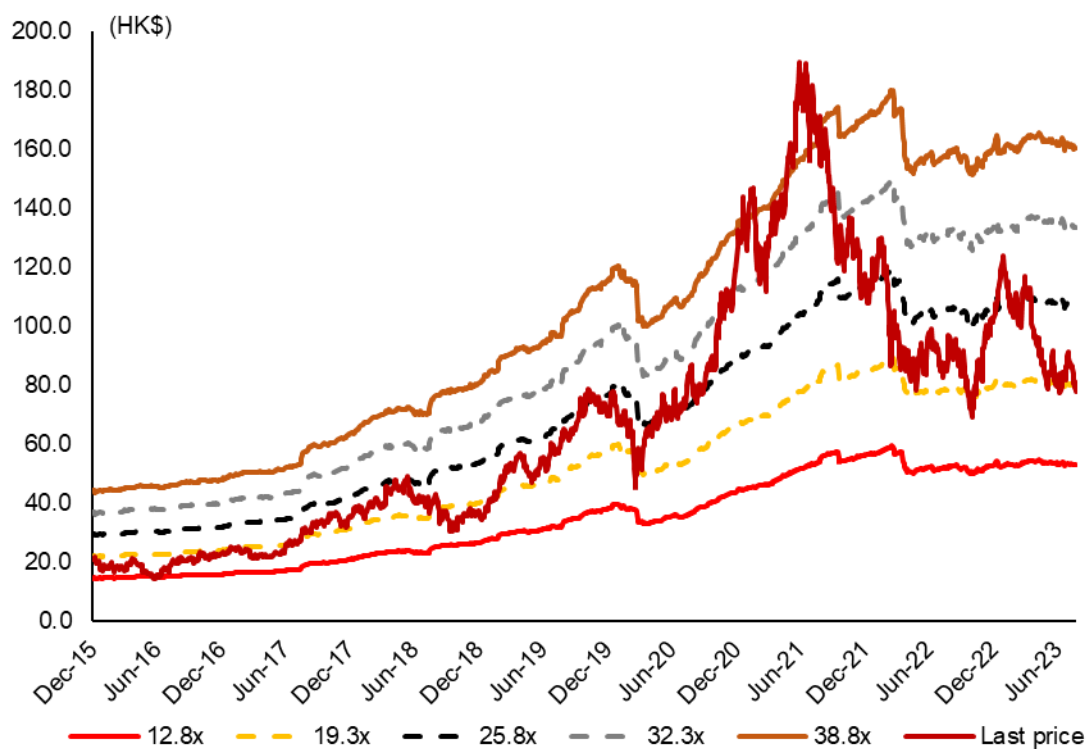
Source: Company data, CMBIGM estimates, \*Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

## 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	FY2E	FY0	FY1E	FY1E	FY1E
<b>H shares Sportswear</b>														
Anta Sports	2020 HK	BUY	107.97	77.65	39%	219,953	Dec-22	19.4	15.7	4.7	24.0	0.8	2.1	(24.1)
Li Ning Co	2331 HK	BUY	52.97	37.25	42%	98,193	Dec-22	20.4	16.9	3.3	16.8	1.6	1.8	(45.0)
Xtep Intl	1368 HK	BUY	11.17	7.75	44%	20,448	Dec-22	16.6	13.4	2.1	11.4	0.9	3.1	(10.8)
361 Degrees Intl	1361 HK	NR	n/a	3.90	n/a	8,064	Dec-22	8.1	6.9	0.8	10.9	0.5	4.4	17.1
Topsports Intl	6110 HK	BUY	9.00	6.63	36%	41,114	Feb-23	15.5	13.0	3.6	18.0	0.8	5.7	9.7
Pou Sheng Intl	3813 HK	NR	n/a	0.66	n/a	3,515	Dec-22	6.5	4.4	0.4	4.6	0.1	3.7	(12.0)
China DX	3818 HK	NR	n/a	0.27	n/a	1,590	Mar-23	5.0	4.2	0.2	1.2	0.0	15.9	(12.9)
<b>Avg.</b>								<b>13.1</b>	<b>10.6</b>	<b>2.2</b>	<b>12.4</b>	<b>0.7</b>	<b>5.3</b>	<b>(11.2)</b>
<b>Med.</b>								<b>15.5</b>	<b>13.0</b>	<b>2.1</b>	<b>11.4</b>	<b>0.8</b>	<b>3.7</b>	<b>(12.0)</b>
<b>International Sportswear</b>														
Nike	NKE US	NR	n/a	101.66	n/a	1,219,085	May-23	27.2	23.1	11.1	34.6	1.7	1.4	(13.1)
Adidas	ADS GY	NR	n/a	184.30	n/a	282,130	Dec-22	n/a	43.4	7.2	(2.2)	0.0	0.4	44.6
Puma	PUM GY	NR	n/a	62.14	n/a	79,707	Dec-22	25.3	19.0	3.4	12.8	1.2	1.4	9.6
Under Armour	UAA US	NR	n/a	7.25	n/a	24,005	Mar-23	14.5	11.7	1.5	20.8	(2.8)	0.0	(28.7)
Lululemon	LULU US	NR	n/a	379.17	n/a	377,640	Jan-23	31.8	27.7	11.2	31.9	1.0	0.0	18.3
Skechers	SKX US	NR	n/a	50.19	n/a	60,881	Dec-22	14.8	12.3	1.8	13.1	0.6	0.0	19.6
Vf Corp	VFC US	NR	n/a	19.13	n/a	58,317	Apr-23	9.4	8.1	2.4	3.9	0.1	6.3	(30.7)
Columbia	COLM US	NR	n/a	74.31	n/a	35,723	Dec-22	16.2	13.9	2.2	16.2	2.4	1.6	(15.2)
Wolverine	WWW US	NR	n/a	8.13	n/a	5,067	Dec-22	17.4	5.4	1.7	(56.5)	(0.1)	5.0	(25.6)
Mizuno Corp	8022 JP	NR	n/a	4535.00	n/a	6,480	Mar-23	11.6	10.6	1.0	9.0	2.7	1.7	61.2
Asics Corp	7936 JP	NR	n/a	5093.00	n/a	51,991	Dec-22	31.5	27.2	5.1	15.8	1.5	1.1	74.8
<b>Avg.</b>								<b>20.0</b>	<b>18.4</b>	<b>4.4</b>	<b>9.0</b>	<b>0.7</b>	<b>1.7</b>	<b>10.4</b>
<b>Med.</b>								<b>16.8</b>	<b>13.9</b>	<b>2.4</b>	<b>13.1</b>	<b>1.0</b>	<b>1.4</b>	<b>9.6</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%	15.3%	16.1%	14.5%
Accessories	36.5%	6.4%	12.0%	12.0%	12.0%
Total	38.9%	8.8%	15.5%	14.4%	12.5%
<b>Sales by brand growth (%)</b>					
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%	15.0%	12.0%	9.0%
Descente & Others	51.1%	26.1%	50.0%	26.0%	24.0%
E-commerce	61.6%	17.7%	8.0%	17.0%	15.0%
Total	38.9%	8.8%	15.5%	14.4%	12.5%
<b>Sales network</b>					
Anta	6,832	6,924	7,049	7,124	7,174
Anta Kids	2,571	2,679	2,854	2,929	2,979
FILA	2,054	1,984	1,950	1,975	2,025
Descente & Others	459	477	491	521	551
Total	11,916	12,064	12,344	12,549	12,729
<b>GP margins</b>					
Anta	52.3%	53.2%	53.4%	54.0%	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%	61.3%	62.4%	62.9%
<b>Opex breakdown</b>					
A&P Expenses / sales	12.4%	10.3%	9.6%	9.8%	9.6%
Labour costs / sales	13.5%	15.1%	14.6%	14.6%	14.7%
R &D expenses / sales	5.9%	6.0%	6.1%	6.0%	6.0%
Rental expenses/ sales	11.6%	11.5%	11.1%	11.0%	10.7%
Selling & distribution costs / sales	36.0%	36.6%	35.3%	35.3%	34.7%
Admin expenses / sales	5.9%	6.7%	5.7%	5.7%	5.7%
<b>OP margin</b>					
Anta	20.6%	21.7%	21.0%	21.7%	23.0%
FILA	24.7%	20.0%	26.0%	27.0%	28.0%
Others	18.4%	20.6%	24.0%	25.0%	26.0%
Total	22.3%	20.9%	23.3%	24.2%	25.3%
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>16.1%</b>	<b>17.4%</b>	<b>18.4%</b>
<b>NP att. growth</b>	<b>49.6%</b>	<b>-1.7%</b>	<b>31.2%</b>	<b>23.9%</b>	<b>18.7%</b>

Source: Company data, CMBIGM estimates



## Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>35,512</b>	<b>49,328</b>	<b>53,651</b>	<b>61,960</b>	<b>70,911</b>	<b>79,805</b>
Cost of goods sold	(14,861)	(18,924)	(21,333)	(23,988)	(26,694)	(29,629)
<b>Gross profit</b>	<b>20,651</b>	<b>30,404</b>	<b>32,318</b>	<b>37,972</b>	<b>44,217</b>	<b>50,176</b>
<b>Operating expenses</b>	<b>(12,888)</b>	<b>(20,681)</b>	<b>(23,216)</b>	<b>(25,398)</b>	<b>(29,075)</b>	<b>(32,241)</b>
Selling expense	(10,766)	(17,753)	(19,629)	(21,473)	(24,646)	(27,392)
Admin expense	(1,251)	(1,812)	(2,308)	(2,491)	(2,788)	(2,992)
R&D expense	(871)	(1,116)	(1,279)	(1,434)	(1,641)	(1,857)
Others	0	0	0	0	0	0
<b>Operating profit</b>	<b>8,826</b>	<b>11,372</b>	<b>11,229</b>	<b>14,494</b>	<b>17,198</b>	<b>20,249</b>
Other income	1,063	1,649	2,127	1,921	2,056	2,314
Share of (losses)/profits of associates/JV	(601)	(81)	28	(186)	425	559
<b>EBITDA</b>	<b>9,316</b>	<b>11,944</b>	<b>11,971</b>	<b>15,063</b>	<b>17,749</b>	<b>20,683</b>
Depreciation	(414)	(443)	(474)	(329)	(317)	(301)
Other amortisation	(76)	(129)	(268)	(240)	(234)	(132)
Interest income	271	392	609	929	1,135	1,365
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>14,727</b>	<b>18,247</b>	<b>21,662</b>
Income tax	(2,520)	(3,021)	(3,110)	(3,829)	(4,744)	(5,632)
Minority interest	(407)	(499)	(655)	(940)	(1,165)	(1,383)
<b>Net profit</b>	<b>5,569</b>	<b>8,219</b>	<b>8,245</b>	<b>10,898</b>	<b>13,503</b>	<b>16,030</b>

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>32,717</b>	<b>39,902</b>	<b>45,445</b>	<b>54,601</b>	<b>64,885</b>	<b>75,881</b>
Cash & equivalents	15,323	17,592	23,919	30,935	39,149	48,014
Account receivables	6,614	6,914	7,520	8,685	9,939	11,186
Inventories	5,486	7,644	6,254	7,229	8,045	8,929
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>22,792</b>	<b>23,517</b>	<b>24,600</b>
PP&E	2,184	2,853	3,131	3,545	4,079	4,736
Investment in JVs & assos	9,658	9,027	9,055	8,869	9,295	9,853
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>77,393</b>	<b>88,402</b>	<b>100,481</b>
<b>Current liabilities</b>	<b>11,715</b>	<b>15,943</b>	<b>16,954</b>	<b>18,570</b>	<b>20,284</b>	<b>22,028</b>
Short-term borrowings	1,968	1,748	1,748	1,748	1,748	1,748
Account payables	2,376	3,146	3,546	3,988	4,438	4,926
Tax payable	1,507	1,816	1,816	1,816	1,816	1,816
Other current liabilities	5,864	9,233	9,844	11,018	12,282	13,539
<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>33,632</b>	<b>35,346</b>	<b>37,090</b>
Share capital	261	261	261	261	261	261
Retained earnings	18,185	22,663	24,832	31,220	38,583	46,670
Other reserves	5,567	5,999	7,744	7,946	8,712	9,576
<b>Total shareholders equity</b>	<b>24,013</b>	<b>28,923</b>	<b>32,837</b>	<b>39,426</b>	<b>47,555</b>	<b>56,507</b>
Minority interest	1,811	2,740	3,395	4,335	5,501	6,884
<b>Total equity and liabilities</b>	<b>51,867</b>	<b>62,668</b>	<b>68,248</b>	<b>77,393</b>	<b>88,402</b>	<b>100,481</b>

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	8,089	11,240	11,355	14,727	18,247	21,662
Depreciation & amortization	490	572	742	569	551	434
Tax paid	(2,181)	(2,677)	(3,110)	(3,829)	(4,744)	(5,632)
Change in working capital	(3,461)	(282)	1,796	(525)	(356)	(387)
Others	4,520	3,008	483	697	86	(48)
<b>Net cash from operations</b>	<b>7,458</b>	<b>11,861</b>	<b>11,265</b>	<b>11,639</b>	<b>13,784</b>	<b>16,029</b>
<b>Investing</b>						
Capital expenditure	(649)	(1,360)	(751)	(744)	(851)	(958)
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>(744)</b>	<b>(851)</b>	<b>(958)</b>
<b>Financing</b>						
Dividend paid	(1,404)	(2,456)	(3,676)	(3,368)	(4,208)	(5,695)
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>(3,879)</b>	<b>(4,719)</b>	<b>(6,206)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	8,221	15,323	17,592	23,919	30,935	39,149
Exchange difference	338	24	0	0	0	0
Others	6,764	2,245	6,327	7,016	8,214	8,865
<b>Cash at the end of the year</b>	<b>15,323</b>	<b>17,592</b>	<b>23,919</b>	<b>30,935</b>	<b>39,149</b>	<b>48,014</b>
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Revenue	4.7%	38.9%	8.8%	15.5%	14.4%	12.5%
Gross profit	10.7%	47.2%	6.3%	17.5%	16.4%	13.5%
Operating profit	0.9%	28.8%	(1.3%)	29.1%	18.7%	17.7%
EBITDA	(7.8%)	28.2%	0.2%	25.8%	17.8%	16.5%
Net profit	(1.0%)	47.6%	0.3%	32.2%	23.9%	18.7%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
Gross profit margin	58.2%	61.6%	60.2%	61.3%	62.4%	62.9%
Operating margin	24.9%	23.1%	20.9%	23.4%	24.3%	25.4%
EBITDA margin	26.2%	24.2%	22.3%	24.3%	25.0%	25.9%
Return on equity (ROE)	25.3%	31.1%	26.7%	30.2%	31.0%	30.8%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
<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	3.2	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
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
<b>YE 31 Dec</b>						
P/E	35.2	22.9	25.5	19.4	15.7	13.2
P/E (diluted)	35.2	22.9	25.5	19.4	15.7	13.2
P/B	7.4	5.9	5.7	4.8	3.9	3.3
P/CFPS	25.6	28.0	20.1	17.4	14.7	12.6
Div yield (%)	0.8	1.1	1.5	1.8	2.5	3.3
EV	204,009.5	198,532.5	192,205.3	185,189.3	176,975.8	168,110.5
EV/Sales	5.7	4.0	3.6	3.0	2.5	2.1
EV/EBITDA	21.9	16.6	16.1	12.3	10.0	8.1

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

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