

Anta Sports (2020 HK)

Anta/ FILA to turn around & Amer to break even

Maintain BUY but raise our TP to HK\$ 122.05, based on 25x FY23E P/E (unchanged). We are impressed by Anta's resilient OP margin in 1H22 and believed the worst has gone. Current valuation of 19x FY23E P/E is not demanding at all, vs 5-year average of 21x and int'l peers' average of 16x.

- **1H22 result beat, driven by better than expected DTC sales and OP margin.** Anta group's sales/ net profit increased by 14% YoY to RMB 26.0bn/ dropped by 7% YoY to RMB 3.6bn, beating CMBI est. by 11%/5%, as a result of: 1) better than expected DTC transformation (Anta brand sales grew by 26% while retail sales growth was only MSD in 1H22), 2) higher than expected other income, 3) stronger than expected OP margin but 4) higher than expected finance costs and tax rate. We are impressed by its OP margin at 22.3% in 1H22, 1.3ppt higher than CMBI est. and much higher than 19.2% in 2H21, despite an even tougher COVID-19 situation. Moreover, if we adjust the inventory write down, FILA's OP margin should return to 24%-25% (from ~22%), very close to pre-COVID-19 level of 27% in FY19.
- **Anta/ FILA/ other brands' retail sales growth had accelerated/ returned to positive/ remained fast in Jul-Aug 2022.** According to management, Anta/ FILA brand retail sales growth was at ~HSD/ 10%+ in Jul-Aug 2022, comparing to MSD/ - LSD in 2Q22. While other brands (Descente/ Kolon) remained faster than 30%+, comparing to 30%+/ 35%+ in 2Q22.
- **FY22E guidance adjusted.** Management is now aiming for 10%+/ 10%+/ 30%+ retail sales growth for Anta/ FILA/ other brands in 2H22E (CMBI est. 10%+/ MSD/ 30%+ for FY22E), implying a mild cut from previous guidance of 20%+/ 15%+/ 30%+ retail sales growth in FY22E, but we do think market has priced that in and will focus more on the turnaround. Moreover, management is also targeting 20%+ listed co sales growth in FY22E for Anta brand. **In general, we are positive about 2H22E, because of:** 1) premiumization trend (high-end products' sales growth are faster, as those are equipped with better tech and functions), 2) successful expansion into tier 1-2 cities and the satisfying new stores performance in 1H22, 3) likely further improvement in Anta/ FILA's OP margin (offline sales return to growth and the operating leverage) and 4) excellent momentum by the new brands which enjoy both faster sales growth and higher than group's GP/ OP margin.
- **Maintain BUY and lift our TP to HK\$ 122.05.** We maintain BUY and lift TP to HK\$ 122.05, based on 25x FY23E P/E (unchanged). We raise our FY22E/ 23E/ 24E NP forecasts by 6%/ 6%/ 6%, to factor in: 1) faster DTC sales growth and 2) better opex control and store productivity. Current valuation is not demanding at 19x FY23E P/E, vs 5-year average of 21x P/E.

Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	35,512	49,328	57,306	67,912	76,937
YoY growth (%)	4.7	38.9	16.2	18.5	13.3
Net income (RMB mn)	5,162	7,720	8,918	11,301	13,209
EPS (RMB)	1.86	2.77	3.20	4.05	4.74
YoY growth (%)	(3.2)	49.2	15.5	26.7	16.9
Consensus EPS (RMB)	n/a	n/a	2.98	3.84	4.68
P/E (x)	41.7	27.6	23.9	18.8	16.1
P/B (x)	8.7	7.1	6.0	4.9	4.0
Yield (%)	0.7	1.7	1.4	1.8	2.4
ROE (%)	21.5	26.7	25.9	26.6	25.6
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$122.05
(Previous TP	HK\$115.47)
Up/Downside	+32.7%
Current Price	HK\$92.00

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	249,653
Avg 3 mths t/o (HK\$ mn)	727.15
52w High/Low (HK\$)	174.51/75.75
Total Issued Shares (mn)	2,713.6

Source: Bloomberg

Shareholding Structure

Mr. Ding Shizhong (CEO), Mr. Ding Shijia (V-Chairman), Mr. Lai Shixian (CFO) & Family	57.78%
Free Float	42.22%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-3.0%	1.7%
3-mth	5.3%	11.0%
6-mth	-28.0%	-13.9%
12-mth	-45.1%	-30.5%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Anta Sports (2020 HK, BUY) – A resilient 2Q22 and a mild inventory concern – 12 Jul 2022
2. Anta Sports (2020 HK, BUY) – Factoring in a negative outlook for 2Q22E – 19 Apr 2022
3. Anta Sports (2020 HK, BUY) – A mixed guidance but long-term growth intact – 23 Mar 2022

- **Amer sports also beat in 1H22, likely to break even in FY22E.** Amer's sales/ EBITDA increased by 21%/ 28% in 1H22, thanks to: 1) strong DTC sales growth (~40%), 2) solid sales growth from China despite the COVID-19 drags (~40%), 3) strong sales per store growth in the US and 4) rigid costs control. Management and we all believe it to achieve a breakeven in FY22E.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	57,306	67,912	76,937	55,157	65,317	73,978	3.9%	4.0%	4.0%
Gross profit	35,477	42,258	47,910	33,958	40,529	45,940	4.5%	4.3%	4.3%
EBIT	13,017	15,961	18,489	11,517	14,317	16,542	13.0%	11.5%	11.8%
Net profit att.	8,918	11,301	13,209	8,429	10,692	12,490	5.8%	5.7%	5.8%
Diluted EPS (RMB)	3.198	4.052	4.736	3.022	3.834	4.478	5.8%	5.7%	5.8%
Gross margin	61.9%	62.2%	62.3%	61.6%	62.1%	62.1%	0.3ppt	0.2ppt	0.2ppt
EBIT margin	22.7%	23.5%	24.0%	20.9%	21.9%	22.4%	1.8ppt	1.6ppt	1.7ppt
Net profit att. margin	15.6%	16.6%	17.2%	15.3%	16.4%	16.9%	0.3ppt	0.3ppt	0.3ppt

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIS			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	57,306	67,912	76,937	55,417	66,168	78,015	3.4%	2.6%	-1.4%
Gross profit	35,477	42,258	47,910	33,618	40,642	48,149	5.5%	4.0%	-0.5%
EBIT	13,017	15,961	18,489	11,635	14,936	18,013	11.9%	6.9%	2.6%
Net profit att.	8,918	11,301	13,209	8,054	10,343	12,618	10.7%	9.3%	4.7%
Diluted EPS (RMB)	3.198	4.052	4.736	2.982	3.838	4.678	7.2%	5.6%	1.3%
Gross margin	61.9%	62.2%	62.3%	60.7%	61.4%	61.7%	1.2ppt	0.8ppt	0.6ppt
EBIT margin	22.7%	23.5%	24.0%	21.0%	22.6%	23.1%	1.7ppt	0.9ppt	0.9ppt
Net profit att. margin	15.6%	16.6%	17.2%	14.5%	15.6%	16.2%	1ppt	1ppt	1ppt

Source: Bloomberg, CMBIGM estimates

Results Review

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H21	2H21	1H22	2H22E	1H21 YoY	2H21 YoY	1H22 YoY	2H22 E YoY	1H22E CMBI	Actual vs CMBI
Revenue	22,812	26,516	25,965	31,341	56%	27%	14%	18%	23,447	11%
COGS	(8,404)	(10,520)	(9,856)	(11,973)					(8,769)	
Gross profit	14,408	15,996	16,109	19,368	73%	30%	12%	21%	14,678	10%
GP margins	63.2%	60.3%	62.0%	61.8%					62.6%	
Other income & gains	339	927	821	612					469	75%
S & D expenses	(7,556)	(10,197)	(9,437)	(10,800)	72%	60%	25%	6%	(8,587)	10%
S & D exp / sales	-33.1%	-38.5%	-36.3%	-34.5%					-36.6%	
Admin expenses	(1,286)	(1,642)	(1,701)	(2,011)	22%	53%	32%	22%	(1,636)	4%
Admin exp / sales	-5.6%	-6.2%	-6.6%	-6.4%					-7.0%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	5,905	5,084	5,792	7,168	64%	-8%	-2%	41%	4,924	18%
OP margins	25.9%	19.2%	22.3%	22.9%					21.0%	
Other items	0	0	0	0					0	
Net finance income	231	101	(22)	83					(12)	88%
Net finance income / sales	1.0%	0.4%	-0.1%	0.3%					-0.1%	
Profit after financing costs	6,136	5,185	5,770	7,251					4,912	
Associated coms	0	0	0	0					0	
Jointly controlled coms	(346)	265	(178)	293					(70)	
Pre-tax profit	5,790	5,450	5,592	7,544	105%	3%	-3%	38%	4,842	15%
Tax	(1,658)	(1,363)	(1,642)	(1,905)					(1,259)	
Tax / sales	-7.3%	-5.1%	-6.3%	-6.1%					-5.4%	
Effective tax rate	-28.6%	-25.0%	-29.4%	-25.2%					-26.0%	
Minority interests	292	207	362	309					179	102%
Net profit att.	3,840	3,880	3,588	5,330	132%	11%	-7%	37%	3,404	5%
NP margins	16.8%	14.6%	13.8%	17.0%					14.5%	
Sales by segment										
Anta	10,578	13,434	13,360	15,670	56%	50%	26%	17%	11,603	15%
FILA & others	12,234	13,082	12,605	15,671	55%	10%	3%	20%	11,844	6%

Source: Company data, CMBIS estimates

Figure 4: Results review - Full Year

Full yearly (RMB mn)	FY21	FY22E	FY23E	FY21 YoY	FY22E YoY	FY23E YoY
Revenue	49,328	57,306	67,912	39%	16%	19%
COGS	(18,924)	(21,829)	(25,654)			
Gross profit	30,404	35,477	42,258	47%	17%	19%
GP margins	61.6%	61.9%	62.2%			
Other income & gains	1,266	1,433	1,562			
S & D expenses	(17,753)	(20,237)	(23,737)	65%	14%	17%
S & D exp / sales	-36.0%	-35.3%	-35.0%			
Admin expenses	(2,928)	(3,712)	(4,189)	38%	27%	13%
Admin exp / sales	-5.9%	-6.5%	-6.2%			
Other opex	0	0	0			
Operating profit (EBIT)	10,989	12,960	15,893	20%	18%	23%
OP margins	22.3%	22.6%	23.4%			
Other items	0	0	0			
Net finance income	332	61	188			
Net finance income / sales	0.7%	0.1%	0.3%			
Profit after financing costs	11,321	13,021	16,081			
Associated coms	0	0	0			
Jointly controlled coms	(81)	115	340			
Pre-tax profit	11,240	13,136	16,421	39%	17%	25%
Tax	(3,021)	(3,547)	(4,269)			
Tax / sales	-6.1%	-6.2%	-6.3%			
Effective tax rate	-26.9%	-27.0%	-26.0%			
Minority interests	499	671	851			
Net profit att.	7,720	8,918	11,301	50%	16%	27%
NP margins	15.7%	15.6%	16.6%			
Sales by segment						
Anta	24,012	29,030	34,373	52%	21%	18%
FILA & other	25,316	28,276	33,539	28%	12%	19%

Source: Company data, CMBIS estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22E	4Q22E
Nike China sales	24.0%	22.0%	27.0%	23.0%	-4.0%	1.0%	8.0%	19.0%	42.0%	9.0%	1.0%	-24.0%	-8.0%	-20.0%	-10.0%	5.0%
Adidas China sales	16.0%	14.0%	11.0%	15.0%	-58.0%	0.0%	-5.0%	7.0%	156.0%	-16.0%	-15.0%	-24.0%	-35.0%	-35.0%	-20.0%	-5.0%
Anta brand's SSSG																
Anta brand's retail sales	+ve Low-teens	+ve Mid-teens	+ve Mid-teens	+ve High-teens	-ve 20%-25%	-ve LSD	+ve LSD	+ve LSD	40%-45%	35%-40%	+ve Low-teens	+ve Mid-teens	+ve High-teens	-ve MSD	15.0%	17.0%
Core brand	+ve HSD	+ve Low-teens	+ve Low-teens	+ve HSD	-ve 20%-25%	-ve LSD	-ve MSD	-ve MSD	35%-40%	35%-40%	+ve HSD	+ve MSD	+ve Mid-teens	-ve Low-teens		
Kids	Over 20%	30%	Over 25%	25%	-ve 20%-25%	+ve MSD	+ve Low-teens	-ve Low-teens	45%-50%	Over 20%	+ve MSD	+ve Mid-teens	20%-25%	+ve LSD		
Online	+ve Mid-teens	25%	35%	Over 40%	+ve MSD	Over 40%	Over 50%	Over 25%	Over 60%	Over 45%	25%-30%	30%-35%	Over 30%	+ve HSD		
Non-Anta brands (FILA/ 65%-70% 55%-60%)																
FILA brand's retail sales			50%-55%	50%-55%	-ve MSD	+ve Low-teens	20%-25%	25%-30%	75%-80%	30%-35%	+ve MSD	+ve HSD	+ve MSD	-ve HSD	13.0%	15.0%
Classic/ Core brand			Over 40%	Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD		
Kids			Over 70%	Over 70%	-ve LSD	Over 30%	Over 30%	Over 20%	100%	Over 40%	+ve Mid-teens	+ve Mid-teens	+ve Mid-teens	+ve HSD		
Fusion			Over 100%	Over 100%	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Mid-teens	Over 20%	-ve MSD		
Online			Over 70%	Over 70%	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD		
Other brands																
Descente	Over 100%	Over 90%	50%	50%	+ve Mid-teens	Over 60%	90%	Over 80%	150%	100%	50%	40%-45%	40%-45%	Over 20%		
Kolon		15%	20%	20%	-ve High-teens	+ve LSD	20%-25%	30%-40%	Over 75%	40%	30%	-ve High-teens	40%-45%	Over 20%		
Li Ning group's SSSG																
Direct retail	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	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		
Wholesales	+ve Low-teens	+ve Low-teens	+ve Low-teens	+ve Mid-teens	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		
E- Commerce	+ve High 30%	+ve Mid 30%	+ve Mid 30%	+ve Low 40%	+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		
Li Ning group's retail sales																
Direct retail	+ve Low-teens	+ve HSD	+ve Mid-teens	+ve High-teens	-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	20.0%	25.0%
Wholesales	+ve Low 20%-25%	+ve Mid 20%	+ve Mid 30%	+ve Low 40%	-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		
E- Commerce	+ve Low 40%	+ve High 20%	+ve Low 50%	+ve Low 40%	+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		
Xtep's SSSG																
Xtep's retail sales	Over 20%	Over 20%	20%	Over 20%	-ve 20%-25%	-ve LSD	+ve MSD	+ve HSD	Mid 50%-60%	30%-35%	+ve Mid-teens	20%-25%	30%-35%	+ve Mid-teens	25.0%	20.0%
361 Degrees' SSSG																
361 Degree'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		
Pou Sheng's SSSG	8.4%	4.2%	6.0%	1.9%	-32.5%	-17.8%										
Pou Sheng's sales	19.9%	18.9%	21.9%	19.1%	-25.1%	0.3%	-0.3%	1.0%	47.8%	-15.0%	-25.1%	-26.7%	-25.0%	-24.1%	-15.0%	0.0%
Topsports' retail sales																
Dong Xiang's SSSG	-ve LSD	+ve MSD	+ve Mid to High SD	+ve Mid to High SD	-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		
Dong Xiang's retail sale	+ve MSD	+ve MSD	+ve Mid-teens	+ve Low-teens	-ve 25%-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		
Direct retail	Flat	+ve LSD	+ve HSD	+ve MSD	-ve 30%-35%	-ve Low-teens	Flat	+ve MSD	70%-75%							
E- Commerce	+ve 35%-45%	+ve 30%-35%	+ve 55%-60%	+ve 40%-45%	-ve Low-teens	+ve 30%-35%	+ve 30%-35%	+ve 20%-30%	35%-40%							

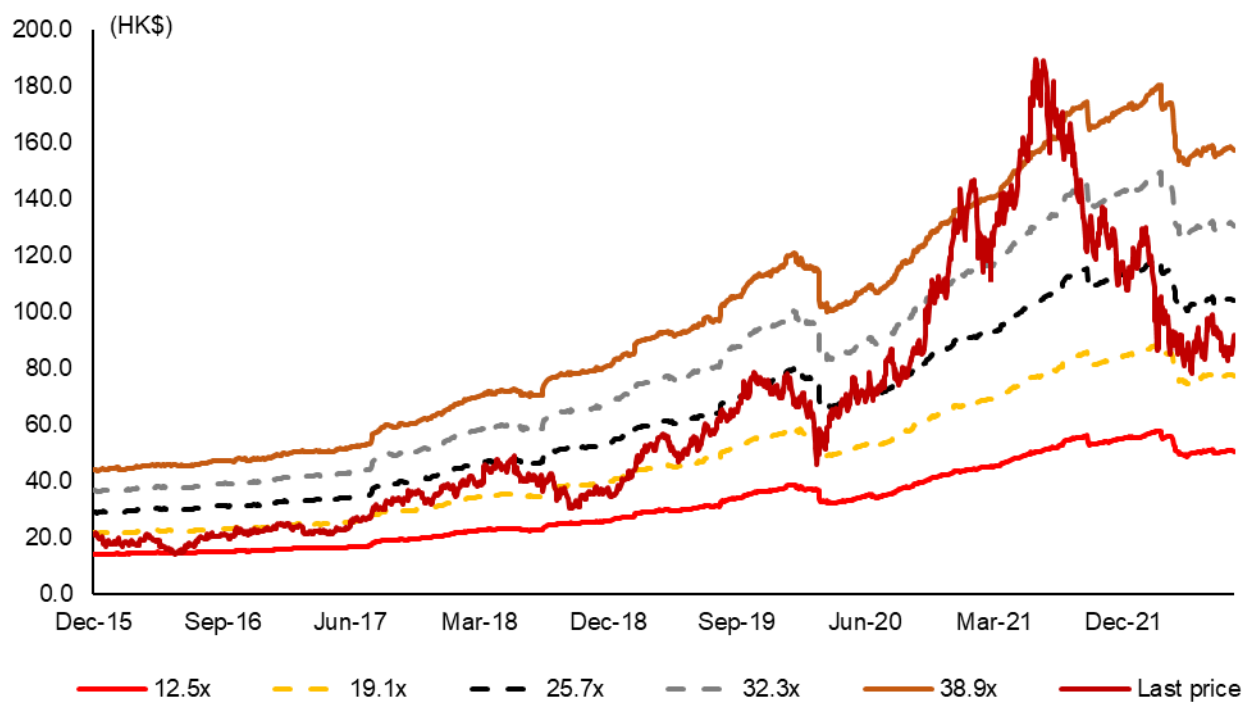
Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Valuation

Figure 6: Peers valuation table

			12m TP	Price	Up/ Down-	Mkt. Cap	Year	P/E (x)		P/B (x)		ROE (%)	3yrs PEG (x)	Yield (%)
Company	Ticker	Rating	(LC)	(LC)	side	(HK\$mn)	End	FY1E	FY2E	FY1E	FY2E	FY1E	FY1E	FY1E
H shares Sportswear														
Anta Sports	2020 HK	BUY	122.05	92.00	33%	249,653	Dec-21	23.9	18.8	6.3	5.1	25.5	1.2	1.6
Li Ning Co	2331 HK	BUY	80.64	69.90	15%	183,011	Dec-21	33.1	26.6	6.3	5.4	26.1	1.8	0.9
Xtep Intl	1368 HK	BUY	17.04	12.62	35%	33,252	Dec-21	24.8	19.8	3.3	3.1	13.5	1.2	2.3
361 Degrees Intl	1361 HK	NR	n/a	4.20	n/a	8,684	Dec-21	10.9	9.5	1.0	0.9	10.3	0.9	2.1
Topsports Intl	6110 HK	NR	n/a	6.29	n/a	39,006	Feb-22	12.8	10.7	3.0	2.7	24.1	1.2	5.2
Pou Sheng Intl	3813 HK	NR	n/a	0.79	n/a	4,208	Dec-21	13.8	5.1	0.4	0.4	(3.2)	0.4	1.5
China DX	3818 HK	NR	n/a	0.37	n/a	2,178	Mar-22	n/a	4.0	0.2	0.2	(16.7)	0.0	6.2
Avg.								19.9	13.5	2.9	2.5	11.4	0.9	2.8
Med.								18.8	10.7	3.0	2.7	13.5	1.2	2.1
International Sportswear														
Nike	NKE US	NR	n/a	110.95	n/a	1,365,693	May-22	29.4	24.2	11.1	9.8	43.1	2.3	1.1
Adidas	ADS GY	NR	n/a	156.30	n/a	234,748	Dec-21	22.9	17.9	4.4	4.2	29.5	(4.3)	1.9
Puma	PUM GY	NR	n/a	62.60	n/a	73,818	Dec-21	23.7	19.2	3.8	3.4	16.0	1.3	1.4
Under Armour	UAA US	NR	n/a	9.02	n/a	30,268	Mar-23	17.6	12.6	2.1	1.7	n/a	3.9	0.0
Lululemon	LULU US	NR	n/a	317.32	n/a	317,848	Jan-22	32.8	28.6	12.5	9.7	38.4	1.7	0.0
Skechers	SKX US	NR	n/a	38.65	n/a	47,234	Dec-21	14.4	11.3	1.6	1.4	23.3	(3.0)	0.0
Vf Corp	VFC US	NR	n/a	43.43	n/a	132,404	Apr-22	14.2	12.8	4.4	4.1	30.4	8.1	4.7
Columbia	COLM US	NR	n/a	73.82	n/a	35,969	Dec-21	14.3	12.7	2.4	2.0	18.5	1.9	1.6
Wolverine	WWW US	NR	n/a	21.02	n/a	12,988	Jan-22	9.6	8.3	2.4	1.9	18.4	0.2	2.1
Mizuno Corp	8022 JP	NR	n/a	2688.00	n/a	4,096	Mar-22	10.6	9.3	0.6	0.6	7.6	(2.7)	2.2
Asics Corp	7936 JP	NR	n/a	2583.00	n/a	28,121	Dec-21	26.5	20.7	3.1	2.8	6.4	0.8	1.2
Avg.								19.6	16.1	4.4	3.8	23.2	0.9	1.5
Med.								17.6	12.8	3.1	2.8	20.9	1.3	1.4

Source: Bloomberg, CMBIGM estimates

Figure 7: P/E valuation band

Source: Bloomberg, CMBIS estimates

Assumptions

Figure 8: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by segment growth (%)					
Shoes	11.3%	50.7%	23.0%	20.0%	12.5%
Apparels	1.3%	32.1%	12.1%	17.8%	13.9%
Accessories	1.8%	36.5%	8.0%	12.0%	12.0%
Total	4.7%	38.9%	16.2%	18.5%	13.3%
Sales by brand growth (%)					
Anta	-10.9%	67.5%	20.0%	17.0%	13.0%
Anta Kids	-37.0%	50.0%	30.0%	18.0%	15.0%
FILA	18.1%	25.1%	7.0%	16.0%	10.0%
Descente & Others	35.4%	51.1%	41.0%	31.0%	25.0%
E-commerce	13.8%	20.2%	19.0%	23.0%	15.0%
Total	4.7%	38.9%	16.2%	18.5%	13.3%
Sales network					
Anta	6,851	6,422	6,652	6,682	6,702
Anta Kids	3,071	2,981	2,551	2,621	2,671
FILA	2,006	2,054	1,954	2,054	2,154
Descente & Others	457	459	505	630	840
Total	12,385	11,916	11,662	11,987	12,367
GP margins					
Anta	44.7%	52.2%	55.0%	55.4%	55.6%
FILA	69.3%	70.5%	69.0%	70.0%	70.0%
Others	65.9%	71.0%	69.0%	66.0%	66.0%
Total	58.2%	61.6%	61.9%	62.2%	62.3%
Opex breakdown					
A&P Expenses / sales	10.0%	12.4%	12.0%	11.6%	11.4%
Labour costs / sales	12.5%	13.5%	13.8%	13.9%	14.0%
R & D expenses / sales	5.9%	5.9%	6.0%	6.0%	6.0%
Rental expenses/ sales	10.4%	11.6%	11.6%	11.6%	11.2%
Selling & distribution costs / sales	30.3%	36.0%	35.3%	35.0%	34.5%
Admin expenses / sales	6.0%	5.9%	6.5%	6.2%	6.1%
OP margin					
Anta	28.3%	20.6%	24.6%	24.8%	24.8%
FILA	25.8%	24.7%	20.5%	22.0%	23.0%
Others	8.4%	18.4%	21.2%	22.0%	23.0%
Total	25.8%	22.3%	22.6%	23.4%	23.9%
Effective tax rate	31.2%	26.9%	27.0%	26.0%	26.0%
NP att. margin	14.5%	15.7%	15.6%	16.6%	17.2%
NP att. growth	-3.4%	49.6%	15.5%	26.7%	16.9%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	35,512	49,328	57,306	67,912	76,937
Footwear	12,700	19,139	23,541	28,249	31,780
Apparel	21,671	28,632	32,084	37,779	43,048
Accessories	1,141	1,557	1,682	1,883	2,109
Cost of goods sold	(14,861)	(18,924)	(21,829)	(25,654)	(29,028)
Gross profit	20,651	30,404	35,477	42,258	47,910
Other income	1,063	1,649	1,490	1,630	1,846
Operating expenses	(12,888)	(20,681)	(23,950)	(27,926)	(31,267)
S & D costs	(10,766)	(17,753)	(20,412)	(23,884)	(26,731)
Admin exp. (ex-R&D)	(1,251)	(1,812)	(2,220)	(2,472)	(2,747)
R & D exp.	(871)	(1,116)	(1,318)	(1,570)	(1,789)
Other operating exp.	-	-	-	-	-
EBIT	8,826	11,372	13,017	15,961	18,489
Finance costs, net	(136)	(51)	4	120	242
JVs & associates	(601)	(81)	115	340	462
Exceptional	-	-	-	-	-
Pre-tax profit	8,089	11,240	13,136	16,421	19,193
Income tax	(2,520)	(3,021)	(3,547)	(4,269)	(4,990)
Less: Minority interests	407	499	671	851	994
Net profit	5,162	7,720	8,918	11,301	13,209

Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
EBIT	8,826	11,372	13,017	15,961	18,489
D & A	490	572	744	574	556
Change in working capital	(3,461)	(282)	1,737	(684)	(446)
Income tax paid	(2,181)	(2,677)	(3,547)	(4,269)	(4,990)
Others	3,783	2,876	427	543	665
Net cash from operating	7,458	11,861	12,379	12,124	14,275
Capex & investments	(785)	(2,585)	(802)	(815)	(923)
Associated companies	-	-	-	-	-
Interest received	-	-	-	-	-
Others	(1,138)	(2,084)	-	-	-
Net cash from investing	(1,923)	(4,669)	(802)	(815)	(923)
Equity raised	21	-	-	-	-
Net change in bank loans	(3,343)	(196)	-	-	-
Dividend paid	(1,404)	(2,456)	(3,349)	(3,275)	(4,217)
Others	5,955	(2,295)	(423)	(423)	(423)
Net cash from financing	1,229	(4,947)	(3,772)	(3,698)	(4,640)
Net change in cash	6,764	2,245	7,804	7,611	8,711
Beginning cash balance	8,221	15,323	17,592	25,396	33,008
Exchange difference	338	24	-	-	-
Cash at the end of the year	15,323	17,592	25,396	33,008	41,719

Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	19,150	22,766	22,939	23,519	24,348
Fixed asset	2,184	2,853	3,179	3,660	4,261
Intangible assets & goodwill	1,579	1,531	1,263	1,023	789
Prepaid lease payments	46	43	43	43	43
Interest in joint ventures	9,658	9,027	9,142	9,481	9,943
Other non-current assets	5,683	9,312	9,312	9,312	9,312
Current assets	32,717	39,902	47,580	58,010	69,003
Cash and cash equivalents	15,323	17,592	25,396	33,008	41,719
Inventories	5,486	7,644	6,399	7,731	8,748
Trade and other receivables	6,614	6,914	8,032	9,519	10,784
Prepayments	-	-	-	-	-
Other current assets	5,294	7,752	7,752	7,752	7,752
Current liabilities	11,715	15,943	17,553	19,687	21,523
Bank loans	1,968	1,748	1,748	1,748	1,748
Trade payables	2,376	3,146	3,629	4,265	4,826
Accruals & other payables	4,572	6,969	8,096	9,595	10,870
Tax payables	1,507	1,816	1,816	1,816	1,816
Others	1,292	2,264	2,264	2,264	2,264
Non-current liabilities	14,328	15,062	15,062	15,062	15,062
Bank loans	12,456	11,425	11,425	11,425	11,425
Deferred income	99	74	74	74	74
Deferred tax	527	655	655	655	655
Others	1,246	2,908	2,908	2,908	2,908
Minority Interest	1,811	2,740	3,411	4,262	5,256
Total net assets	24,013	28,923	34,492	42,518	51,509
Shareholders' equity	24,013	28,923	34,492	42,518	51,509

Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Sales mix (%)					
Footwear	35.8	38.8	41.1	41.6	41.3
Apparel	61.0	58.0	56.0	55.6	56.0
Accessories	3.2	3.2	2.9	2.8	2.7
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Gross margin	58.2	61.6	61.9	62.2	62.3
Operating margin	24.9	23.1	22.7	23.5	24.0
Pre-tax margin	22.8	22.8	22.9	24.2	24.9
Net margin	14.5	15.7	15.6	16.6	17.2
Effective tax rate	29.0	26.7	27.0	26.0	26.0
Balance sheet ratios					
Current ratio (x)	2.8	2.5	2.7	2.9	3.2
Quick ratio (x)	2.3	2.0	2.3	2.6	2.8
Cash ratio (x)	131	110	145	168	194
Inventory turnover days	135	147	107	110	110
Trade receivables days	68	51	51	51	51
Trade payables days	58	61	61	61	61
Total debt / total equity ratio (%)	60	46	38	31	26
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	21.5	26.7	25.9	26.6	25.6
ROA	10.0	12.3	12.6	13.9	14.1
Per share					
EPS (RMB)	1.86	2.77	3.20	4.05	4.74
DPS (RMB)	0.58	1.32	1.10	1.39	1.83
BVPS (RMB)	8.88	10.7	12.7	15.7	19.0

Source: Company data, CMBIS estimates

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