

Anta Sports (2020 HK)

A resilient 2Q22 and a mild inventory concern

Maintain BUY but raise our TP to HK\$ 115.47, based on 25x FY23E P/E (rolled over from 30x FY22E P/E). Even though forecasts are all subjective to potential COVID-19 outbreaks, we do think the worst should be gone and current price had already priced in many of the negatives. Current valuation of 20x FY23E P/E is not demanding, vs 5-year average of 21x and int'l peers' average of 15x.

- **2Q22 retail sales were inline/ better than expected for Anta/ FILA.** Anta/ FILA retail sales declined by MSD/ HSD in 2Q22, inline/ beating CMBI est. of -6%/ -15%, even with pandemics and far better than Topsports/ Pou Sheng's 25%+/ 25% decline. We attributed this result to: 1) Anta's successful "lead to win" strategy and 2) strong come back in Jun (both achieved double digit growth), esp. during the 618. Other brand's retail sales growth were 20%-25%, partly driven by Kolon and its 100% e-commerce sales growth, due to the blooming demand for outdoor products.
- **1H22E preview: 3% sales growth and 11% drop for net profit.** We are expecting 10% sales growth and a more resilient margin for Anta while forecasting 3% sales decline and a more meaningful operating leverage for FILA, as costs cutting measures will take time to be effective. For Amer, overseas business remained strong except China, hence it could still be loss-making in 1H22E, but magnitude will narrow considerably vs last year.
- **Guidance shall be revised down but the worst should be gone.** Given the performance in 1H22, the 20%+/ 15%+ retail sales growth target for Anta/ FILA in FY22E is likely to be revised down. However, we cautiously believe the worst is gone and this growth rate could be applied to 2H22E, due to: 1) reasonably strong come back in Jun, 2) re-opening of stores (max 20%/ 10% of stores were closed temporary for FILA/ Anta at one point), 3) normalization of logistics and supply chain, which would drive better e-commerce sales.
- **We are less worried about inventory clearance.** For 2H22E, we do believe Anta's top priority could be the healthiness of inventory and hence retail discounts might widen, but it would still be in a moderate rate. Moreover, we are not too worried about potential price war starting by the international brands, because their margins are already low enough in 1H22E, hence profitability may become even more important for them in 2H22E.
- **Maintain BUY and lift our TP to HK\$ 115.47.** We maintain BUY and lift TP to HK\$ 115.47, based on 25x FY23E P/E (rolled over from 30x FY22E P/E). We cut our FY22E/ 23E/ 24E NP forecasts by 3%/ 2%/ 2%, to factor in: 1) slower 2H22E sales growth but 2) better retail discounts in 2Q22E. Current valuation is not demanding at 20x 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	55,157	65,317	73,978
YoY growth (%)	4.7	38.9	11.8	18.4	13.3
Net income (RMB mn)	5,162	7,720	8,429	10,692	12,490
EPS (RMB)	1.86	2.77	3.02	3.83	4.48
YoY growth (%)	(3.2)	49.2	9.2	26.8	16.8
Consensus EPS (RMB)	n/a	n/a	3.05	3.93	4.77
P/E (x)	41.9	27.7	25.3	20.0	17.1
P/B (x)	8.7	7.2	6.1	4.9	4.1
Yield (%)	0.7	1.7	1.2	1.7	2.3
ROE (%)	21.5	26.7	24.6	25.5	24.7
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$115.47**
 (Previous TP **HK\$110.53**)
 Up/Downside **+25.1%**
 Current Price **HK\$92.30**

China Sportswear Sector

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Stock Data

Mkt Cap (HK\$ mn)	250,467
Avg 3 mths t/o (HK\$ mn)	900.41
52w High/Low (HK\$)	191.37/75.75
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	8.2%	8.6%
3-mth	11.0%	11.7%
6-mth	-10.7%	-2.4%
12-mth	-46.5%	-32.7%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: KPMG

Related Reports

1. Anta Sports (2020 HK, BUY) – Factoring in a negative outlook for 2Q22E – 19 Apr 2022

- **Fairly disciplined retail discounts in 2Q22.** Retail discounts for Anta was impressive, at 25% off in 2Q22, similar to 2Q21 and even improved from 27% off in 1Q22, due to: 1) greater sales mix from high-end products and 2) faster than expected DTC transformation. Retail discounts for FILA was also very healthy, at 25% off in 2Q22, vs 23% off in 2Q21 and 25% off in 1Q22, as the Company did not think consumers are sensitive to discounts, considering the COVID-19 situation.
- **However, inventory level had gone up in 2Q22, as expected.** Anta/ FILA's inventory to sales ratios were raised to 5+ months/ 7+ months in 2Q22, vs ~5 months/ 6-7 months in 1Q22, but this is still at a controllable level, thanks to efficient inventory sharing under the DTC model, as well as the store network consolidation (closing non-performing stores and opening more larger-sized stores).

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	55,157	65,317	73,978	56,356	66,744	75,595	-2.1%	-2.1%	-2.1%
Gross profit	33,958	40,529	45,940	34,744	41,352	46,873	-2.3%	-2.0%	-2.0%
EBIT	11,517	14,317	16,542	11,891	14,666	16,944	-3.1%	-2.4%	-2.4%
Net profit att.	8,429	10,692	12,490	8,694	10,947	12,787	-3.0%	-2.3%	-2.3%
Diluted EPS (RMB)	3.022	3.834	4.478	3.117	3.925	4.585	-3.0%	-2.3%	-2.3%
Gross margin	61.6%	62.1%	62.1%	61.7%	62.0%	62.0%	-0.1ppt	0.1ppt	0.1ppt
EBIT margin	20.9%	21.9%	22.4%	21.1%	22.0%	22.4%	-0.2ppt	-0.1ppt	-0.1ppt
Net profit att. margin	15.3%	16.4%	16.9%	15.4%	16.4%	16.9%	-0.1ppt	0.0ppt	0.0ppt

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	55,157	65,317	73,978	56,198	67,041	78,952	-1.9%	-2.6%	-6.3%
Gross profit	33,958	40,529	45,940	34,206	41,293	48,835	-0.7%	-1.8%	-5.9%
EBIT	11,517	14,317	16,542	11,912	15,015	18,149	-3.3%	-4.7%	-8.9%
Net profit att.	8,429	10,692	12,490	8,262	10,624	12,938	2.0%	0.6%	-3.5%
Diluted EPS (RMB)	3.022	3.834	4.478	3.049	3.928	4.774	-0.9%	-2.4%	-6.2%
Gross margin	61.6%	62.1%	62.1%	60.9%	61.6%	61.9%	0.7ppt	0.5ppt	0.2ppt
EBIT margin	20.9%	21.9%	22.4%	21.2%	22.4%	23.0%	-0.3ppt	-0.5ppt	-0.6ppt
Net profit att. margin	15.3%	16.4%	16.9%	14.7%	15.8%	16.4%	0.6ppt	0.5ppt	0.5ppt

Source: Bloomberg, CMBIGM estimates

Results Preview

Figure 3: Results preview – Half Year

Half yearly (RMB mn)	1H21	2H21	1H22E	2H22E	1H21 YoY	2H21 YoY	1H22 E YoY	2H22 E YoY
Revenue	22,812	26,516	23,447	31,710	56%	27%	3%	20%
COGS	(8,404)	(10,520)	(8,769)	(12,430)				
Gross profit	14,408	15,996	14,678	19,280	73%	30%	2%	21%
GP margins	63.2%	60.3%	62.6%	60.8%				
Other income & gains	339	927	469	800				
S & D expenses	(7,556)	(10,197)	(8,587)	(11,494)	72%	60%	14%	13%
S & D exp / sales	-33.1%	-38.5%	-36.6%	-36.2%				
Admin expenses	(1,286)	(1,642)	(1,636)	(2,048)	22%	53%	27%	25%
Admin exp / sales	-5.6%	-6.2%	-7.0%	-6.5%				
Other opex	0	0	0	0				
Operating profit (EBIT)	5,905	5,084	4,924	6,538	64%	-8%	-17%	29%
OP margins	25.9%	19.2%	21.0%	20.6%				
Other items	0	0	0	0				
Net finance income	231	101	(12)	493				
Net finance income / sales	1.0%	0.4%	-0.1%	1.6%				
Profit after financing costs	6,136	5,185	4,912	7,031				
Associated coms	0	0	0	0				
Jointly controlled coms	(346)	265	(70)	181				
Pre-tax profit	5,790	5,450	4,842	7,212	105%	3%	-16%	32%
Tax	(1,658)	(1,363)	(1,259)	(1,875)				
Tax / sales	-7.3%	-5.1%	-5.4%	-5.9%				
Effective tax rate	-28.6%	-25.0%	-26.0%	-26.0%				
Minority interests	292	207	179	311				
Net profit att.	3,840	3,880	3,404	5,025	132%	11%	-11%	30%
NP margins	16.8%	14.6%	14.5%	15.8%				
Sales by segment								
Anta	10,578	13,434	11,603	16,142	56%	50%	10%	20%
FILA & others	12,234	13,082	11,844	15,568	55%	10%	-3%	19%

Source: Company data, CMBIS estimates

Figure 4: Results preview - Full Year

Full yearly (RMB mn)	FY21	FY22E	FY23E	FY21 YoY	FY22E YoY	FY23E YoY
Revenue	49,328	55,157	65,317	39%	12%	18%
COGS	(18,924)	(21,199)	(24,788)			
Gross profit	30,404	33,958	40,529	47%	12%	19%
GP margins	61.6%	61.6%	62.1%			
Other income & gains	1,266	1,269	1,502			
S & D expenses	(17,753)	(20,081)	(23,335)	65%	13%	16%
S & D exp / sales	-36.0%	-36.4%	-35.7%			
Admin expenses	(2,928)	(3,683)	(4,445)	38%	26%	21%
Admin exp / sales	-5.9%	-6.7%	-6.8%			
Other opex	0	0	0			
Operating profit (EBIT)	10,989	11,462	14,251	20%	4%	24%
OP margins	22.3%	20.8%	21.8%			
Other items	0	0	0			
Net finance income	332	481	712			
Net finance income / sales	0.7%	0.9%	1.1%			
Profit after financing costs	11,321	11,943	14,963			
Associated coms	0	0	0			
Jointly controlled coms	(81)	110	327			
Pre-tax profit	11,240	12,054	15,290	39%	7%	27%
Tax	(3,021)	(3,134)	(3,975)			
Tax / sales	-6.1%	-5.7%	-6.1%			
Effective tax rate	-26.9%	-26.0%	-26.0%			
Minority interests	499	491	622			
Net profit att.	7,720	8,429	10,692	50%	9%	27%
NP margins	15.7%	15.3%	16.4%			
Sales by segment						
Anta	24,012	27,745	32,859	52%	16%	18%
FILA & other	25,316	27,412	32,458	28%	8%	18%

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	2Q22E	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%	15.0%	25.0%
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%	-25.0%	-10.0%	10.0%
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	17.0%	23.0%
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	15.0%	20.0%
Classic/ Core brand				Over 40%	-ve 20%-25%	+ve MSD	+ve MSD	+ve MSD	80%	Over 20%	Flat	Flat	-ve MSD	-ve DD		
Kids				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%	+ve MSD	Over 70%	Over 50%	Over 50%	150%	Over 80%	+ve Mid-teens	+ve Low-teens	Over 20%	-ve MSD		
Online				Over 70%	160%	Over 80%	Over 90%	70%-80%	Over 40%	Over 40%	20%-25%	25%-30%	Over 20%	+ve MSD		
Other brands																
			30%-35%	25%-30%	-ve HSD	25%-30%	50%-55%	55%-60%	115%-120%	70%-75%	35%-40%	30%-35%	40%-45%	20%-25%		
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																
	+ve Mid-teens	+ve Mid-teens	+ve High-teens	+ve Low-teens	n/a	-ve MSD	+ve LSD	+ve Low-teens	n/a	+ve Low 80%	+ve High 20%	+ve Low 20%	+ve Low 20%			
Direct retail	+ve HSD	+ve Low-teens	+ve Low-teens	+ve High-teens	n/a	-ve High-teens	-ve MSD	+ve HSD	n/a	+ve Low 90%	+ve Low 30%	+ve Mid 20%	+ve Mid 20%			
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			
E- Commerce	+ve High 30%	+ve Mid 30%	+ve Mid 50%	+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%			
Li Ning group's retail sales																
	+ve Low 20%-25%	+ve Low 20%-25%	+ve Low 30%-35%	+ve Mid 30%-40%	-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%	-5.0%	20.0%	25.0%
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%			
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 30%	+ve High 30%	+ve High 20%	+ve Low 20%			
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%			
Xtep's SSSG																
	+ve Low-teens	+ve Low-teens	10%	+ve Low-teens												
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%	10.0%	20.0%	20.0%
361 Degrees' SSSG																
	+ve LSD	+ve LSD	+ve LSD	+ve LSD												
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			
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%	-5.0%	5.0%
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			
Dong Xiang's retail sales	+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			
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	115.47	92.30	25%	250,467	Dec-21	25.3	20.0	6.1	5.0	29.2	1.5	1.5
Li Ning Co	2331 HK	BUY	75.43	68.70	10%	179,844	Dec-21	32.2	25.7	6.1	5.2	26.9	1.7	1.0
Xtep Intl	1368 HK	BUY	16.21	14.12	15%	37,204	Dec-21	26.8	21.5	3.6	3.3	12.0	1.2	2.2
361 Degrees Intl	1361 HK	NR	n/a	4.00	n/a	8,270	Dec-21	10.4	8.8	0.9	0.8	8.8	0.8	2.3
Topsports Intl	6110 HK	NR	n/a	7.04	n/a	43,657	Feb-22	14.1	11.6	3.3	2.9	24.1	1.2	4.7
Pou Sheng Intl	3813 HK	NR	n/a	0.86	n/a	4,581	Dec-21	7.5	4.4	0.5	0.4	4.5	0.2	1.9
China DX	3818 HK	NR	n/a	0.43	n/a	2,532	Mar-22	12.3	4.6	0.2	0.2	(16.7)	0.0	5.4
Avg.								18.4	13.8	3.0	2.6	12.7	0.9	2.7
Med.								14.1	11.6	3.3	2.9	12.0	1.2	2.2
International Sportswear														
Nike	NKE US	NR	n/a	106.43	n/a	1,314,760	May-22	26.7	22.3	10.2	8.7	43.1	1.9	1.2
Adidas	ADS GY	NR	n/a	163.30	n/a	248,257	Dec-21	18.4	15.2	4.3	3.8	29.4	29.2	2.2
Puma	PUM GY	NR	n/a	65.32	n/a	77,966	Dec-21	24.8	19.3	4.0	3.5	14.7	1.3	1.3
Under Armour	UAA US	NR	n/a	8.56	n/a	29,981	Mar-23	12.9	10.1	1.9	1.6	n/a	1.4	0.0
Lululemon	LULU US	NR	n/a	283.06	n/a	283,607	Jan-22	29.6	25.5	11.3	8.8	38.4	1.5	0.0
Skechers	SKX US	NR	n/a	36.44	n/a	44,556	Dec-21	12.4	9.8	1.5	1.3	25.7	(8.0)	0.0
Vf Corp	VFC US	NR	n/a	45.35	n/a	138,274	Apr-22	13.6	12.1	4.7	4.3	42.1	2.6	4.5
Columbia	COLM US	NR	n/a	74.30	n/a	36,666	Dec-21	12.6	11.2	2.3	2.0	19.8	1.1	1.6
Wolverine	WWW US	NR	n/a	20.40	n/a	12,928	Jan-22	7.9	7.0	2.4	2.0	6.5	0.1	2.0
Mizuno Corp	8022 JP	NR	n/a	2409.00	n/a	3,657	Mar-22	10.4	9.1	0.5	0.5	7.2	(2.2)	2.5
Asics Corp	7936 JP	NR	n/a	2528.00	n/a	27,417	Dec-21	28.4	21.8	3.1	2.8	5.0	1.0	1.2
Avg.								18.0	14.9	4.2	3.6	23.2	2.7	1.5
Med.								13.6	12.1	3.1	2.8	22.8	1.3	1.3

Source: Bloomberg, CMBIGM estimates

Assumptions

Figure 7: Major assumptions

Major assumptions	FY20A	FY21A	FY22E	FY23E	FY24E
Sales by segment growth (%)					
Shoes	11.3%	50.7%	10.0%	17.0%	12.5%
Apparels	1.3%	32.1%	13.2%	19.7%	13.8%
Accessories	1.8%	36.5%	8.0%	12.0%	12.0%
Total	4.7%	38.9%	11.8%	18.4%	13.3%
Sales by brand growth (%)					
Anta	-10.9%	67.5%	15.0%	17.0%	13.0%
Anta Kids	-37.0%	50.0%	16.0%	18.0%	15.0%
FILA	18.1%	25.1%	4.0%	16.0%	10.0%
Descente & Others	35.4%	51.1%	35.0%	30.0%	25.0%
E-commerce	13.8%	20.2%	17.0%	23.0%	15.0%
Total	4.7%	38.9%	11.8%	18.4%	13.3%
Sales network					
Anta	6,851	6,422	6,472	6,502	6,522
Anta Kids	3,071	2,981	3,051	3,121	3,171
FILA	2,006	2,054	2,154	2,254	2,354
Descente & Others	457	459	574	699	909
Total	12,385	11,916	12,251	12,576	12,956
GP margins					
Anta	44.7%	52.2%	54.2%	54.9%	55.2%
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%	61.6%	62.1%	62.1%
Opex breakdown					
A&P Expenses / sales	10.0%	12.4%	12.4%	11.8%	11.5%
Labour costs / sales	12.5%	13.5%	14.3%	14.4%	14.5%
R &D expenses / sales	5.9%	5.9%	6.0%	6.0%	6.0%
Rental expenses/ sales	10.4%	11.6%	11.9%	11.9%	11.7%
Selling & distribution costs / sales	30.3%	36.0%	36.4%	35.7%	35.4%
Admin expenses / sales	6.0%	5.9%	6.7%	6.8%	6.7%
OP margin					
Anta	28.3%	20.6%	20.9%	21.6%	21.5%
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%	20.8%	21.8%	22.3%
Effective tax rate	31.2%	26.9%	26.0%	26.0%	26.0%
NP att. margin	14.5%	15.7%	15.3%	16.4%	16.9%
NP att. growth	-3.4%	49.6%	9.2%	26.8%	16.8%

Source: Company data, CMBIGM estimates

Financial Summary

Income statement						Cash flow summary					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue	35,512	49,328	55,157	65,317	73,978	EBIT	8,826	11,372	11,517	14,317	16,542
Footwear	12,700	19,139	21,053	24,632	27,711	D & A	490	572	743	571	553
Apparel	21,671	28,632	32,422	38,802	44,158	Change in working capital	(3,461)	(282)	1,814	(648)	(430)
Accessories	1,141	1,557	1,682	1,883	2,109	Income tax paid	(2,181)	(2,677)	(3,134)	(3,975)	(4,644)
						Others	3,783	2,876	849	1,069	1,298
Cost of goods sold	(14,861)	(18,924)	(21,199)	(24,788)	(28,038)	Net cash from operating	7,458	11,861	11,790	11,334	13,320
Gross profit	20,651	30,404	33,958	40,529	45,940	Capex & investments	(785)	(2,585)	(772)	(784)	(888)
Other income	1,063	1,649	1,324	1,568	1,775	Associated companies	-	-	-	-	-
						Interest received	-	-	-	-	-
Operating expenses	(12,888)	(20,681)	(23,764)	(27,780)	(31,173)	Others	(1,138)	(2,084)	-	-	-
S & D costs	(10,766)	(17,753)	(20,288)	(23,814)	(26,725)	Net cash from investing	(1,923)	(4,669)	(772)	(784)	(888)
Admin exp. (ex-R&D)	(1,251)	(1,812)	(2,173)	(2,414)	(2,680)	Equity raised	21	-	-	-	-
R & D exp.	(871)	(1,116)	(1,304)	(1,553)	(1,768)	Net change in bank loans	(3,343)	(196)	-	-	-
Other operating exp.	-	-	-	-	-	Dividend paid	(1,404)	(2,456)	(3,155)	(2,879)	(3,990)
EBIT	8,826	11,372	11,517	14,317	16,542	Others	5,955	(2,295)	(423)	(423)	(423)
Finance costs, net	(136)	(51)	426	646	875	Net cash from financing	1,229	(4,947)	(3,578)	(3,302)	(4,413)
JVs & associates	(601)	(81)	110	327	444						
Exceptional	-	-	-	-	-	Net change in cash	6,764	2,245	7,439	7,248	8,019
Pre-tax profit	8,089	11,240	12,054	15,290	17,861	Beginning cash balance	8,221	15,323	17,592	25,031	32,279
Income tax	(2,520)	(3,021)	(3,134)	(3,975)	(4,644)	Exchange difference	338	24	-	-	-
Less: Minority interests	407	499	491	622	727	Cash at the end of the year	15,323	17,592	25,031	32,279	40,298
Net profit	5,162	7,720	8,429	10,692	12,490						

Balance sheet						Key ratios					
YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E	YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
Non-current assets	19,150	22,766	22,906	23,445	24,224	Sales mix (%)					
Fixed asset	2,184	2,853	3,151	3,603	4,172	Footwear	35.8	38.8	38.2	37.7	37.5
Intangible assets & goodwill	1,579	1,531	1,263	1,023	789	Apparel	61.0	58.0	58.8	59.4	59.7
Prepaid lease payments	46	43	43	43	43	Accessories	3.2	3.2	3.0	2.9	2.9
Interest in joint ventures	9,658	9,027	9,137	9,464	9,908	Total	100.0	100.0	100.0	100.0	100.0
Other non-current assets	5,683	9,312	9,312	9,312	9,312						
Current assets	32,717	39,902	46,728	56,656	66,869	P&L ratios (%)					
Cash and cash equivalents	15,323	17,592	25,031	32,279	40,298	Gross margin	58.2	61.6	61.6	62.1	62.1
Inventories	5,486	7,644	6,214	7,470	8,450	Operating margin	24.9	23.1	20.9	21.9	22.4
Trade and other receivables	6,614	6,914	7,731	9,155	10,369	Pre-tax margin	22.8	22.8	21.9	23.4	24.1
Prepayments	-	-	-	-	-	Net margin	14.5	15.7	15.3	16.4	16.9
Other current assets	5,294	7,752	7,752	7,752	7,752	Effective tax rate	29.0	26.7	26.0	26.0	26.0
Current liabilities	11,715	15,943	17,145	19,177	20,941	Balance sheet ratios					
Bank loans	1,968	1,748	1,748	1,748	1,748	Current ratio (x)	2.8	2.5	2.7	3.0	3.2
Trade payables	2,376	3,146	3,524	4,121	4,661	Quick ratio (x)	2.3	2.0	2.4	2.6	2.8
Accruals & other payables	4,572	6,969	7,792	9,228	10,451	Cash ratio (x)	131	110	146	168	192
Tax payables	1,507	1,816	1,816	1,816	1,816	Inventory turnover days	135	147	107	110	110
Others	1,292	2,264	2,264	2,264	2,264	Trade receivables days	68	51	51	51	51
Non-current liabilities	14,328	15,062	15,062	15,062	15,062	Trade payables days	58	61	61	61	61
Bank loans	12,456	11,425	11,425	11,425	11,425	Total debt / total equity ratio (%)	60	46	39	31	26
Deferred income	99	74	74	74	74	Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Deferred tax	527	655	655	655	655	Returns (%)					
Others	1,246	2,908	2,908	2,908	2,908	ROE	21.5	26.7	24.6	25.5	24.7
Minority Interest	1,811	2,740	3,231	3,853	4,580	ROA	10.0	12.3	12.1	13.3	13.7
Total net assets	24,013	28,923	34,197	42,009	50,510	Per share					
Shareholders' equity	24,013	28,923	34,197	42,009	50,510	EPS (RMB)	1.86	2.77	3.02	3.83	4.48
						DPS (RMB)	0.58	1.32	0.91	1.32	1.73
						BVPS (RMB)	8.88	10.7	12.6	15.5	18.6

Source: Company data, CMBIS estimates

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