

Multi-branded strategy drives quality growth

Rating	BUY	Maintain
Target price	HK\$128.8	
Current price	HK\$85.15	Upside: +51.3%

Company Update

15 Apr 2024

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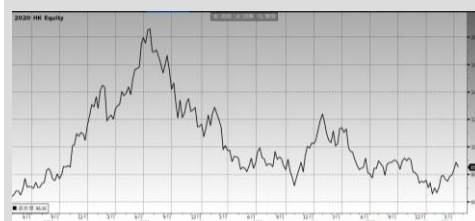
Trading data

52-Week Range (HK\$)	60.20/113.36
3 Mth Avg Daily Vol (m)	7.7
No of Shares (m)	2,832.62
Market Cap (HK\$m)	253,803
Major Shareholders (%)	Ding's family (52.49)
Auditors	KPMG
Result Due	1H24E: Aug 2024

Company description

Founded in 1994, Anta Sports is one of the leading PRC players in manufacturing, trading and distribution of sporting goods, including apparel, footwear and accessories for professional and leisure purpose under ANTA, FILA, DESCENTE, KOLON brand and etc.. As of Dec 2023, Anta Sports' retail network comprises of 9,831 ANTA brand POS and 1,972 FILA stores.

Price chart



Source: Bloomberg

■ FY23 results above expectation:

Anta announced FY23 results on 26th Mar with revenue and net profit arrived at RMB62.4bn and RMB10,236m, up 16.2%/34.9% YoY. The strong earnings growth was mainly driven by higher store productivity, disciplined retail discount and higher interest income. And they declared a final dividend of HKD115cents/share, implying dividend payout ratio reached 51% (FY22: 42%).

■ FY23 results key highlights:

- Overall online sales +11% YoY, with FILA/Descente and Kolon +>10%/30-40%
- Monthly store productivity: Anta has reached RMB280-290k (up >10% YoY), while Fila/Descente/Kolon close to 1m/close to 2m/above 1m
- Operating cash flow grew 61% to RMB19.6bn, mainly attributed to lower inventory turnover down to 123 days (vs. 138 days in FY22)

■ 1Q24 retail sales value (RSV) on track with company's plan:

Management noted that 1Q24 RSV faced some pressure (est. up 4-5% YoY) due to high base and unfavorable weather post CNY, while they have seen sequential improvement in March

■ FY24E targets and outlook:

- Management eyes RSV growth by brand:
 - up 10-15% YoY for both Anta and Fila brand;
 - up >20%/30% YoY for Descente/Kolon
- OPM guidance at ~20%/~25% for Anta/Fila and other brands supported by further store productivity increases with disciplined retail discount, but partially offset by more promotion expenses for Paris Olympic and store upgrade for Fila stores
- Inventory level: maintain at 5x or below for various brands
- Modest store expansion given productivity as priority with targets as below:
 - 7,100-7,200/2,800-2,900/2,100-2,200 for Anta/Anta kids/Fila
 - 220-230/~180 for Descente/Kolon
- Payout ratio target: 50% in FY24 onwards given continuous expansion through multi-branded strategy

Maintain "BUY" with TP at HK\$128.8 based on 25.0x FY24E P/E

Anta Sports' share price has raised surged >10% since results announcement on 26th March, we believe it was attributed to continuous store productivity and RSV growth, solid FY24 outlook despite macro headwinds. Our estimate on Anta Sports's FY24E/25E/26E revenue and earnings at RMB71bn/79.9bn/89.2bn and RMB13.2bn/14.7bn/15.9bn, corresponding to 18.5x/16.6x FY24/25 P/E. We maintain "BUY" rating for Anta with TP at HK\$128.8 based on 25.0x FY24E P/E, supported by their strong brand positioning in mass market and multi-branded strategy continue helps to explore consumers' demand in various sportswear subsegments.

Exhibit 1: Anta's FY23 and 2H23 results snapshot

	2H23	YoYΔ	FY23	YoYΔ
Revenue (RMB'm)	32,711	18.1%	62,356	16.2%
Gross profit (RMB'm)	20,273	25.1%	39,028	20.8%
<i>GPM (%)</i>	<i>62.0</i>	<i>3.4ppt</i>	<i>62.6</i>	<i>2.4ppt</i>
Operating profit (RMB'm)	7,744	42.4%	15,367	36.8%
<i>OPM (%)</i>	<i>23.7</i>	<i>4.0ppt</i>	<i>24.6</i>	<i>3.7ppt</i>
Net profit (RMB'm)	5,488	37.1%	10,236	34.9%
<i>NPM (%)</i>	<i>16.8</i>	<i>2.3ppt</i>	<i>16.4</i>	<i>2.3ppt</i>
Basic EPS (RMB'cents)	197.8	33.1%	368.9	30.9%
DPS (HKD'cents)	115.0	59.7%	197.0	47.0%

Source: Company data, CIRL

Exhibit 2: Anta's key financial

	1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23
Revenue (RMB'm)	14,669	20,843	22,812	26,516	25,965	27,686	29,645	32,711
Gross profit (RMB'm)	8,339	12,312	14,408	15,996	16,109	16,209	18,755	20,273
<i>GPM (%)</i>	<i>56.8</i>	<i>59.1</i>	<i>63.2</i>	<i>60.3</i>	<i>62.0</i>	<i>58.5</i>	<i>63.3</i>	<i>62.0</i>
Operating profit (RMB'm)	3,604	5,548	5,905	5,084	5,792	5,438	7,623	7,744
<i>OPM (%)</i>	<i>24.6</i>	<i>26.6</i>	<i>25.9</i>	<i>19.2</i>	<i>22.3</i>	<i>19.6</i>	<i>25.7</i>	<i>23.7</i>
Net profit (RMB'm)	1,857	3,305	3,840	3,880	3,588	4,002	4,748	5,488
<i>NPM (%)</i>	<i>12.7</i>	<i>15.9</i>	<i>16.8</i>	<i>14.6</i>	<i>13.8</i>	<i>14.5</i>	<i>16.0</i>	<i>16.8</i>
Basic EPS (RMB'cents)	69.0	122.9	142.8	144.2	133.3	148.6	173.5	197.8
DPS (HKD'cents)	21.0	47.0	90.0	68.0	62.0	72.0	82.0	115.0

Source: Company data, CIRL

Exhibit 3: Anta Sports' Quarterly Retail Sales YoY, retail discount and channel inventory

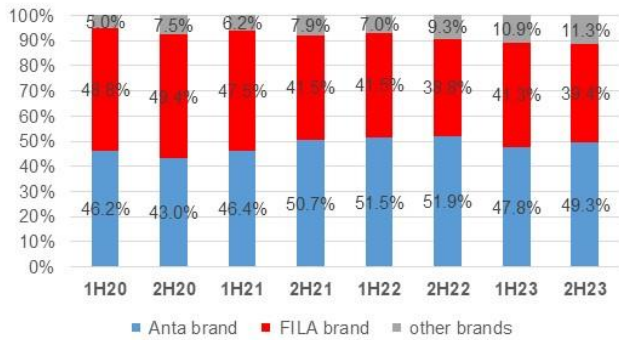
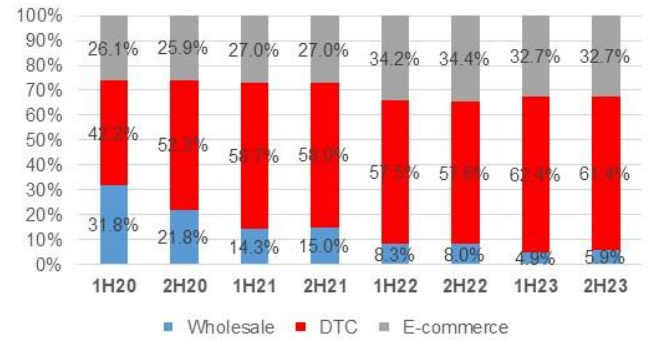
Quarterly Retail Sales YoY	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Anta (including core, e-com & kids)	42.5%	37.5%	12.0%	15.0%	18.0%	5.0%	5.0%	-8.0%	5.0%	8.0%	8.0%	17-19%
FILA brand	78.5%	32.5%	5.0%	8.0%	5.0%	8.0%	21.0%	-12.0%	8.0%	18.0%	12.0%	25-30%
Other brands	117.5%	72.5%	38.0%	32.5%	42.5%	22.5%	42.5%	12.0%	75-80%	70-75%	40-50%	55-60%
Retail discount	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Anta	27.0%	26.0%	26.0%	26.0%	26.0%	25.0%	23.5%	26.0%	28.0%	27.0%	28.0%	28.0%
Anta kids	30.0%	27.0%	27.0%	26.0%	26.0%	24.0%	24.0%	27.0%	26.0%	24.0%	25.0%	25.0%
FILA brand	22.5%	23.0%	24.0%	24.0%	23.0%	25.0%	26.0%	28.0%	25.0%	24.0%	24.0%	24.0%
Channel Inventory	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Anta	5.0	5.0	5.0	5.0	5.0	5.6	5.9	5.9	4.9	4.8	4.9	4.9
FILA brand	6.0	6.0	6.5	6.5	6.0	7.5	7.8	7.1	4.8	4.7	5.2	4.7

Source: Company data, CIRL

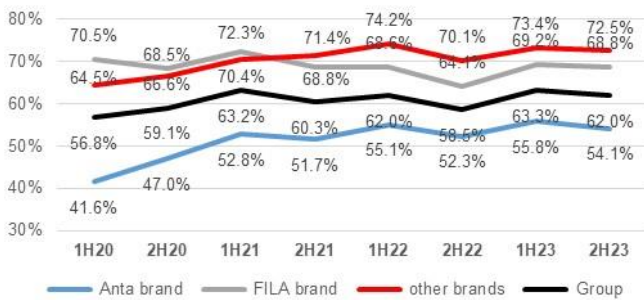
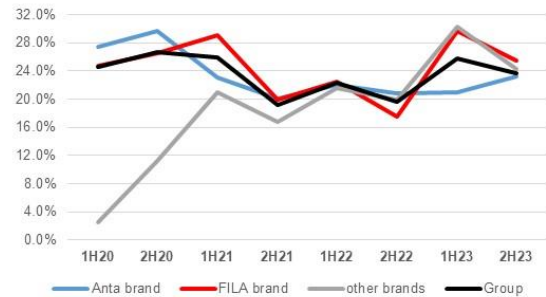
Exhibit 4: Anta Sports' store count and changes

Store changes	1H19	2H19	1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23
Total stores count	12,299	12,788	12,427	12,260	12,096	11,794	11,579	11,939	11,918	12,154
Anta	10,223	10,516	10,197	9,922	9,788	9,403	9,223	9,603	9,633	9,831
FILA	1,788	1,951	1,930	2,006	1,979	2,054	2,021	1,984	1,942	1,972
Descente	115	136	145	175	178	182	182	191	183	187
Kolon Sport	173	185	155	157	151	155	153	161	160	164
Store changes	292	489	(361)	(167)	(164)	(302)	(215)	360	(21)	236
Anta	166	293	(319)	(275)	(134)	(385)	(180)	380	30	198
FILA	136	163	(21)	76	(27)	75	(33)	(37)	(42)	30
Descente	(2)	21	9	30	3	4	-	9	(8)	4
Kolon Sport	(8)	12	(30)	2	(6)	4	(2)	8	(1)	4
% change QoQ										
Anta	2.4%	4.0%	-2.8%	-1.3%	-1.3%	-2.5%	-1.8%	3.1%	-0.2%	2.0%
FILA	1.7%	2.9%	-3.0%	-2.7%	-1.4%	-3.9%	-1.9%	4.1%	0.3%	2.1%
Descente	8.2%	9.1%	-1.1%	3.9%	-1.3%	3.8%	-1.6%	-1.8%	-2.1%	1.5%
Kolon Sport	-1.7%	18.3%	6.6%	20.7%	1.7%	2.2%	0.0%	4.9%	-4.2%	2.2%

Source: The Company, CIRL

Exhibit 5: Anta Sports' revenue mix by brand

Exhibit 6: Anta Sports' revenue mix by channel


Source: The Company, CIRL

Exhibit 7: GPM by brand

Exhibit 8: OPM by brand


Source: The Company, CIRL

Exhibit 9: Peers' valuation

Name	2020 HK	3M Avg Last Price	3M Avg Turnover (USDm)	Mkt cap (US\$m)	P/E	P/E	P/E	P/E	3-yr EPS CAGR	PEG	Div yield FY23 (%)	P/B	P/B	P/B	P/B	Net gearing Hist (%)
					FY23 (x)	FY24E (x)	FY25E (x)	FY26E (x)				FY23 (x)	FY24E (x)	FY25E (x)	FY26E (x)	
Anta Sports Products Ltd	2020 HK	85.15	89.9	30,778	21.3	17.6	15.9	13.8	15.5	1.1	1.8	4.33	3.79	3.34	2.89	(29.5)
Li Ning Co Ltd	2331 HK	19	66.5	6,266	14.3	12.7	10.9	10.2	11.8	1.1	4.1	1.72	1.65	1.48	1.44	(11.7)
Xtep International Holdings	1368 HK	4.75	7.7	1,601	10.8	9.5	8.2	7.5	12.9	0.7	4.4	1.31	1.18	1.08	1.01	0.5
361 Degrees International	1361 HK	4.64	1.7	1,224	9.2	7.8	6.7	6.1	14.7	0.5	1.4	0.98	0.87	0.78	0.69	(50.3)
Topsports International Hold	6110 HK	5.48	3.5	4,336	15.5	13.2	11.3	10.0	19.5	0.7	7.2	3.15	2.99	2.75	2.53	18.6
Pou Sheng Intl Holdings Ltd	3813 HK	0.63	0.1	428	6.1	4.7	3.9	3.1	26.1	0.2	2.9	0.36	0.34	0.32	0.30	(9.4)

Source: Bloomberg, CIRL

Exhibit 10: Financial Summary

Year ended 31 Dec	2022	2023	2024E	2025E	2026E	Year ended 31 Dec	2022E	2023E	2024E	2025E	2026E
Income Statement (RMBm)						Ratios					
Turnover	53,651	62,356	71,019	79,960	89,248	Gross margin (%)	60.2	62.6	63.1	63.3	63.5
YoY%	8.8	16.2	13.9	12.6	11.6	Operating margin (%)	20.9	24.6	26.7	26.5	26.7
COGS	(21,333)	(23,328)	(26,190)	(29,319)	(32,533)	Net margin (%)	16.6	19.8	23.3	24.2	25.0
Gross profit	32,318	39,028	44,829	50,641	56,715	SD&A exp/Sales (%)	43.3	40.7	39.7	39.7	39.6
Gross margin	60.2%	62.6%	63.1%	63.3%	63.5%	Payout ratio (%)	41.0	46.9	46.3	46.3	46.3
Other income	2,128	1,705	2,300	2,270	2,491	Effective tax (%)	27.4	27.9	21.6	20.2	19.1
SD&A	(23,216)	(25,366)	(28,194)	(31,704)	(35,342)	Total debt/equity (%)	9.1	7.3	6.4	5.6	4.9
Total opex	(21,088)	(23,661)	(25,894)	(29,434)	(32,851)	Net debt/equity (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Operating profit (EBIT)	11,230	15,367	18,935	21,207	23,864	Current ratio (x)	1.6	2.5	2.9	3.0	3.3
Operating margin	20.9%	24.6%	26.7%	26.5%	26.7%	Quick ratio (x)	1.3	2.2	2.5	2.6	2.9
Finance income/(costs)	97	991	7	245	457	Inventory T/O (days)	138	123	125	124	123
Profit after financing costs	11,327	16,358	18,942	21,452	24,321	AR T/O (days)	21	20	25	24	23
Share of Profit/(Loss) of a JV	28	(718)	480	1,000	1,250	AP T/O (days)	50	47	47	46	45
Pre-tax profit	11,355	15,640	19,422	22,452	25,571	Cash conversion cycle (days)	109	96	103	102	101
Tax	(3,110)	(4,363)	(4,196)	(4,541)	(4,880)	Asset turnover (x)	0.8	0.7	0.7	0.7	0.7
Minority interests	655	1041	1297	1456	1628	Financial leverage (x)	1.8	1.6	1.6	1.6	1.5
Net profit	8,900	12,318	16,523	19,367	22,319	EBIT margin (%)	20.9	24.6	26.7	26.5	26.7
YoY%	2.1	38.4	34.1	17.2	15.2	Tax burden (x)	0.78	0.79	0.85	0.86	0.87
Net margin	16.6%	19.8%	23.3%	24.2%	25.0%	Return on equity (%)	23.5%	22.0%	25.8%	26.6%	27.1%
EBITDA	15,694	20,354	23,439	25,348	27,249	ROIC (%)	15.0%	18.4%	20.9%	21.8%	22.8%
EBITDA margin	29.3%	32.6%	33.0%	31.7%	30.5%	Year ended 31 Dec	2022E	2023E	2024E	2025E	2026E
EPS (RMB Cents)	281.9	368.9	476.8	531.5	575.2	Balance Sheet (RMBm)					
YoY%	-1.8	30.9	29.2	11.5	8.2	PP&E	3,716	4,143	4,495	4,760	4,978
DPS (HK Cents)	124.8	187.0	238.4	265.7	287.6	Net intangibles	1,480	2,089	2,054	2,046	2,037
						Investment in a JV	9,343	9,283	9,763	10,763	10,763
						Other long-term assets	12,060	24,573	25,718	26,973	27,105
						Non-current assets	26,599	40,088	42,030	44,542	44,882
						Cash	17,378	15,228	23,984	31,744	40,218
						Inventories	8,490	7,210	8,969	9,960	10,963
						Account receivables	5,800	6,916	4,864	5,258	5,624
						Other current assets	10,928	22,786	23,429	23,871	24,322
						Current assets	42,596	52,140	61,247	70,834	81,127
						Account payables	18,134	13,922	14,244	14,719	15,195
						Bank Loan	2,959	1,082	1,082	1,082	1,082
						Other current liabilities	8,073	6,669	7,090	8,924	9,305
						Current liabilities	26,207	20,591	21,335	23,643	24,500
						Lease liabilities	2,867	2,701	3,076	3,464	3,464
						Bank Loan	492	2,983	2,983	2,983	2,983
						Other long-term liabilities	23,340	17,890	18,258	20,179	21,036
						Non-current liabilities	26,207	20,591	21,335	23,643	24,500
						Retained earnings	34,138	51,188	57,803	65,176	73,156
						Others	262	272	272	272	272
						Shareholders' equity	34,400	51,460	58,075	65,448	73,428
						Minority interest	3,439	4,550	5,847	7,303	8,931
						Total Equity	37,839	56,010	63,922	72,752	82,359

Source: Company, CIRL estimates

Rating Policy

	Rating	Definition
Stock Rating	Buy	Outperform HSI by 15%
	Neutral	Between -15% ~ 15% of the HSI
	Sell	Underperform HSI by -15%
Sector Rating	Accumulate	Outperform HSI by 10%
	Neutral	Between -10% ~ 10% of the HSI
	Reduce	Underperform HSI by -10%

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Analyst Certification

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