

## Hong Kong

### ADD (no change)

Consensus ratings\*: Buy 49 Hold 3 Sell 2

Current price: HK\$97.90  
Target price: HK\$166.0  
Previous target: HK\$188.0  
Up/downside: 69.6%  
CGI / Consensus: 12.8%

Reuters: 2020.HK  
Bloomberg: 2020 HK  
Market cap: US\$33,813m  
HK\$264,656m

Average daily turnover: US\$114.6m  
HK\$919.1m  
Current shares o/s: 2,776m  
Free float: 38.2%

\*Source: Bloomberg

#### Key changes in this note

- FY22F net profit decreased by 10.3%.
- FY23F net profit decreased by 5.8%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	-19.8	-14.8	-16.8
Relative (%)	-13.4	-10.3	5.5

Major shareholders	% held
Ding Shizhong (alias Ding Zhizhong) & ASSO	61.8

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## Anta Sports

### Focusing on improving store efficiency

- Anta reported FY21 revenue of Rmb49.3bn, up 38.9% yoy, and net profit of Rmb7.7bn, up 49.6% yoy, in line with our expectations.
- Management maintained its guidance of Anta brand sales growth of 20% yoy and Fila brand sales growth of 15–20% yoy in FY22F.
- Management also guided a stable yoy OPM in FY22F; in the long run, Fila is expected to improve its OPM to 25–30% (FY21: 24.5%).
- The new brands are expected to deliver over 30% yoy sales growth in FY22F, with opportunities in improving store efficiency and online penetration.
- Reiterate Add with a new DCF-based TP of HK\$166.

### Results in line, with a focus on store efficiency improvement

Sales growth of Anta, Fila and other brands was 52.5%, 25.1% and 51.1% yoy, respectively, accounting for 48.7%, 44.2% and 7.1% of total sales in FY21 (FY20: 49.1%, 47.9% and 3.0%). Online sales increased by 50% yoy, accounting for 29% of total sales (FY20: 26%). The GPM expanded by 3.5% pts yoy to 61.6% in FY21, mainly because of a higher revenue contribution from Anta's DTC channel and improvement in the discount level. The OPM narrowed by 4.3% pts to 22.3%, as advertising and promotional expenses increased amid the dual Olympics, and lease expenses and staff costs increased after the adoption of the DTC model. In 2H21, Amer Sports recorded a net profit of Rmb265m, up 124.6% yoy. FY21 net profit was up 132% yoy to Rmb3.8bn, in line with our expectations. At the end of Dec 31, 2021, Anta, Fila, Descent and Kolon had 9,403, 2,054, 182 and 152 stores, respectively (FY20: 9,922, 2,006, 172 and 157), and planned 9,200–9,300, 1,900–2,000, 190–200, and 180–190 stores, respectively, at the end of FY22F. Anta will focus more on increasing store footage and improving store efficiency. Anta will continue to close underperforming small stores and open large stores in shopping malls in FY22F.

### DTC store efficiency improving for Anta

In FY21, Anta achieved gross margin growth of 7.5% pts to 52.2%, but its OPM was down 7.3% pts to 21.4%, mainly because of the effect of adopting the DTC model. The OPM of DTC stores reached mid-single digits in FY21, better than management's expectations; Anta will transfer another 700–800 wholesale stores to the DTC model in FY22F. In the long run, management expects DTC's OPM to improve to the high-single-digit level. Anta increased its ASP by about 10% in FY21, and the upward price trend is expected to continue in FY22F, but on a smaller scale. It will focus on improving its brand image and store efficiency. The number of stores in shopping malls is expected to account for about 35% of Anta's total stores, from c.30% currently. As the sole sponsor of the China Winter Olympic Team, Anta achieved strong growth in Jan–Feb, especially during the Olympics, as online sales increased by 40–50% yoy. The recent pandemic situation will have a limited impact on Anta's production and transportation efficiency.

### Pandemic fluctuation expected to affect Fila

In FY21, average store sales for Fila, Fila Kids and Fila Fusion were about Rmb900k, Rmb500k and Rmb400k, respectively (FY21: Rmb700k, Rmb300k and Rmb300k). The Fila brand underperformed in FY21, and Fila Fusion was the main laggard, as the fashion trend did not favor Fila Fusion last year. Anta started to expand its product categories, such as professional sports, for Fila Fusion and is confident in achieving its long-term sales target of Rmb40–50bn for Fila. Since Mar 10, because of the city/district-level lockdown measures, Fila, with stores located mainly in top-tier cities, experienced about 20% temporary store closures, and its sales were under pressure. In the long term, Fila is expected to deliver an OPM of 25–30% (FY21: 24.5%).

#### Financial Summary

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue (Rmbm)	35,512	49,328	57,493	70,903	86,739
Operating EBITDA (Rmbm)	9,566	11,432	15,102	17,630	20,993
Net Profit (Rmbm)	5,162	7,720	9,156	11,764	14,367
Normalised EPS (Rmb)	1.86	2.78	3.30	4.24	5.18
Normalised EPS Growth	(6.1%)	49.1%	18.6%	28.5%	22.1%
FD Normalised P/E (x)	42.09	28.58	24.13	18.78	15.38
DPS (Rmb)	0.57	1.32	1.02	1.31	1.60
Dividend Yield	0.71%	1.65%	1.28%	1.65%	2.01%
EV/EBITDA (x)	22.60	18.57	13.14	10.55	8.19
P/FCFE (x)	109.1	31.5	12.3	13.0	11.2
Net Gearing	(22.9%)	(36.0%)	(67.3%)	(81.6%)	(91.2%)
P/BV (x)	9.17	7.64	6.28	5.04	4.07
ROE	23.4%	29.2%	28.6%	29.8%	29.3%
% Change In Normalised EPS Estimates			(10.3%)	(5.8%)	
Normalised EPS/consensus EPS (x)			0.93	0.95	1.00

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

# Focusing on improving store efficiency

## Great potential for new brands

Descent is defined as a niche high-end brand, so the store expansion plan will be more conservative. But Anta will expand the product categories, such as golf equipment, of Descent to counter the seasonality of skiing gear. Descent has a high discount rate above 85%, maintaining high profitability. Descent's sales target is Rmb5bn in the next couple of years. Kolon has greater potential in store openings, as the brand has more product categories and covers a wider range of potential consumers.

All three major brands of Amer Sports recorded triple-digit sales growth in FY21. Amer Sports is expected to turn profitable in FY22F, along with the global market recovery and strong growth in the China market. The new brands are expected to deliver 30% yoy sales growth in FY22F, with opportunities from improving store efficiency and online penetration.

## Reiterate Add with a new DCF-based TP of HK\$166

We cut our FY22–23F earnings forecast by 10.3% and 5.8%, respectively, to reflect the impact of pandemic situation. We are still positive about Anta's long-term growth improvement because of the large potential of its DTC model and mix upgrade trend. The key risks are a longer COVID-19 impact and a higher expenses ratio.

Figure 1: ANTA earnings results

FYE Dec (Rmb m)	2H20	2H21	yoy	FY2020	FY2021	yoy
<b>Revenues</b>	<b>20,843.0</b>	<b>26,516.0</b>	<b>27.2%</b>	<b>35,512.0</b>	<b>49,328.0</b>	<b>38.9%</b>
Cost of Sales	(8,531.0)	(10,520.0)	23.3%	(14,861.0)	(18,924.0)	27.3%
<b>Gross Profit/loss</b>	<b>12,312.0</b>	<b>15,996.0</b>	<b>29.9%</b>	<b>20,651.0</b>	<b>30,404.0</b>	<b>47.2%</b>
<b>GPM</b>	<b>59%</b>	<b>60%</b>	<b>1.3% pts</b>	<b>58%</b>	<b>62%</b>	<b>3.5% pts</b>
Selling & Distribution Expenses	(6,371.0)	(10,197.0)	60.1%	(10,766.0)	(17,753.0)	64.9%
% to sales	31%	38%	7.9% pts	30%	36%	5.7% pts
Administrative Expenses	(1,072.0)	(1,642.0)	53.2%	(2,122.0)	(2,928.0)	38.0%
% to sales	5%	6%	1.0% pts	6%	6%	0.0% pts
Other Net Income/(loss)	679.0	927.0	36.5%	1,389.0	1,266.0	-8.9%
<b>Operating Income (Loss)</b>	<b>5,548.0</b>	<b>5,084.0</b>	<b>-8.4%</b>	<b>9,152.0</b>	<b>10,989.0</b>	<b>20.1%</b>
<b>OPM</b>	<b>27%</b>	<b>19%</b>	<b>-7.4% pts</b>	<b>26%</b>	<b>22%</b>	<b>-3.5% pts</b>
Finance Income (cost), Net	(397.0)	101.0	NA	(462.0)	332.0	NA
Share of JV / Asso	118.0	265.0	124.6%	(601.0)	(81.0)	-86.5%
<b>Earnings before Taxes</b>	<b>5,269.0</b>	<b>5,450.0</b>	<b>3.4%</b>	<b>8,089.0</b>	<b>11,240.0</b>	<b>39.0%</b>
Provision for Income Tax	(1,480.0)	(1,363.0)	-7.9%	(2,520.0)	(3,021.0)	19.9%
<b>Net Profit after Tax</b>	<b>3,789.0</b>	<b>4,087.0</b>	<b>7.9%</b>	<b>5,569.0</b>	<b>8,219.0</b>	<b>47.6%</b>
Minority Interest (Profit)	(285.0)	(207.0)	-27.4%	(407.0)	(499.0)	22.6%
<b>Net Income Attributable to Shareholders</b>	<b>3,504.0</b>	<b>3,880.0</b>	<b>10.7%</b>	<b>5,162.0</b>	<b>7,720.0</b>	<b>49.6%</b>
<b>NPM</b>	<b>17%</b>	<b>15%</b>	<b>-2.2% pts</b>	<b>15%</b>	<b>16%</b>	<b>1.1% pts</b>

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 2: ANTA earnings revision

FYE Dec (Rmb m)	FY22F			FY23F			FY24F		
	Old	New	% change	Old	New	% change	Old	New	% change
Revenue	58,257.0	57,493.4	-1.3%	69,720.5	70,902.6	1.7%	N/A	86,738.5	N/A
Gross margin	61.0%	61.4%	0.4% pts	61.3%	61.8%	0.5% pts	N/A	62.2%	N/A
Operating margin	24.6%	22.3%	-2.3% pts	25.5%	23.2%	-2.3% pts	N/A	23.4%	N/A
Net profit	9,893.6	9,155.6	-7.5%	12,114.6	11,764.5	-2.9%	N/A	14,367.2	N/A
Net profit margin	17.0%	15.9%	-1.1% pts	17.4%	16.6%	-0.8% pts	N/A	16.6%	N/A

SOURCES: CGIS RESEARCH, COMPANY DATA

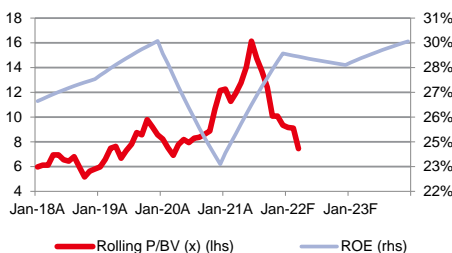
**Figure 3: ANTA DCF valuation**

(Rmb m)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E
EBIT	12,834	16,483	20,313	22,547	25,028	27,781	30,836	34,228	37,994	42,173	46,812
Add: Depreciation & amortization	2,267	1,147	680	693	707	721	736	750	765	781	796
Less: Tax	3,695	4,687	5,717	6,492	7,206	7,999	8,879	9,856	10,940	12,143	13,479
Less: Capex	399	368	329	335	342	349	356	363	370	378	385
Less: Net change in working capital	(2,991)	(323)	(594)	(600)	(606)	(612)	(618)	(624)	(630)	(636)	(643)
Unlevered FCF	13,997	12,897	15,541	17,013	18,792	20,766	22,955	25,384	28,079	31,069	34,387
Terminal value											531,522
DCF	13,997	11,760	12,922	12,900	12,993	13,093	13,198	13,308	13,424	13,545	13,670
Target debt to total capital	10.0%			<b>Assumptions</b>							
WACC	9.7%			Risk-free Rate of Return							
Terminal growth ("g")	3.0%			Equity Risk Premium							
				Company Beta							
				Cost of Equity							
PV for the forecasted period	144,811			Pre-tax Cost of Debt							
PV for the terminal value	211,298			Tax Rate							
Enterprise Value	356,109			After-tax Cost of Debt							
Minus: Net debt + Minority interest	(15,489)										
NPV to equity shareholders	371,598										
Divided by: # of shares outstanding (m)	2,690										
NPV per share to equity shareholders (Rmb)	138.1										
CNY/HKD	0.83										
<b>NPV per share to equity shareholders (HK\$)</b>	<b>166.0</b>										

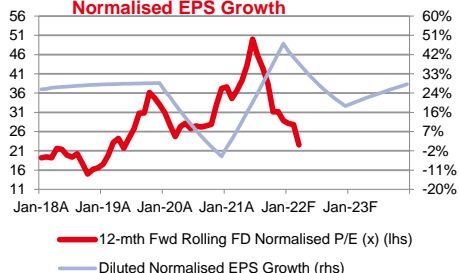
SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS

### P/BV vs ROE



### 12-mth Fwd FD Normalised P/E vs FD Normalised EPS Growth



### Profit & Loss

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>Total Net Revenues</b>	<b>35,512</b>	<b>49,328</b>	<b>57,493</b>	<b>70,903</b>	<b>86,739</b>
<b>Gross Profit</b>	<b>20,651</b>	<b>30,404</b>	<b>35,282</b>	<b>43,837</b>	<b>53,934</b>
<b>Operating EBITDA</b>	<b>9,566</b>	<b>11,432</b>	<b>15,102</b>	<b>17,630</b>	<b>20,993</b>
Depreciation And Amortisation	(414)	(443)	(2,267)	(1,147)	(680)
<b>Operating EBIT</b>	<b>9,152</b>	<b>10,989</b>	<b>12,834</b>	<b>16,483</b>	<b>20,313</b>
Financial Income/(Expense)	(462)	332	415	457	457
Pretax Income/(Loss) from Assoc.	(601)	(81)	500	500	500
Non-Operating Income/(Expense)	0	0	0	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>8,089</b>	<b>11,240</b>	<b>13,749</b>	<b>17,440</b>	<b>21,269</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>8,089</b>	<b>11,240</b>	<b>13,749</b>	<b>17,440</b>	<b>21,269</b>
Taxation	(2,520)	(3,021)	(3,695)	(4,687)	(5,717)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>5,569</b>	<b>8,219</b>	<b>10,054</b>	<b>12,752</b>	<b>15,553</b>
Minority Interests	(407)	(499)	(898)	(988)	(1,186)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>5,162</b>	<b>7,720</b>	<b>9,156</b>	<b>11,764</b>	<b>14,367</b>
Normalised Net Profit	5,569	8,219	10,054	12,752	15,553
<b>Fully Diluted Normalised Profit</b>	<b>5,162</b>	<b>7,720</b>	<b>9,156</b>	<b>11,764</b>	<b>14,367</b>

### Cash Flow

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
<b>EBITDA</b>	<b>9,566</b>	<b>11,432</b>	<b>15,102</b>	<b>17,630</b>	<b>20,993</b>
Cash Flow from Inv. & Assoc.					
Change In Working Capital	(2,343)	(300)	2,991	323	594
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	2,878	3,406	3,609	3,651	3,651
Net Interest (Paid)/Received	(462)	0	0	0	0
Tax Paid	(2,181)	(2,677)	(3,695)	(4,687)	(5,717)
<b>Cashflow From Operations</b>	<b>7,458</b>	<b>11,861</b>	<b>18,006</b>	<b>16,916</b>	<b>19,520</b>
Capex	(851)	(1,493)	(399)	(368)	(329)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	0	0	0	0	0
Other Investing Cashflow	(1,072)	(3,176)	0	0	0
<b>Cash Flow From Investing</b>	<b>(1,923)</b>	<b>(4,669)</b>	<b>(399)</b>	<b>(368)</b>	<b>(329)</b>
Debt Raised/(repaid)	(3,543)	(196)	304	448	530
Proceeds From Issue Of Shares	7,699	0	0	0	0
Shares Repurchased					
Dividends Paid	(1,481)	(2,456)	(2,898)	(3,138)	(3,920)
Preferred Dividends					
Other Financing Cashflow	(1,446)	(2,295)	0	0	0
<b>Cash Flow From Financing</b>	<b>1,229</b>	<b>(4,947)</b>	<b>(2,594)</b>	<b>(2,690)</b>	<b>(3,390)</b>
Total Cash Generated	6,764	2,245	15,012	13,858	15,802
<b>Free Cashflow To Equity</b>	<b>1,992</b>	<b>6,996</b>	<b>17,910</b>	<b>16,996</b>	<b>19,721</b>
<b>Free Cashflow To Firm</b>	<b>5,997</b>	<b>7,192</b>	<b>17,606</b>	<b>16,547</b>	<b>19,191</b>

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

## BY THE NUMBERS... cont'd

### Balance Sheet

(Rmbm)	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total Cash And Equivalents	20,346	24,577	39,589	53,447	69,249
Total Debtors	6,614	6,914	8,326	10,007	11,910
Inventories	5,486	7,644	5,225	6,426	7,648
Total Other Current Assets	271	767	767	767	767
<b>Total Current Assets</b>	<b>32,717</b>	<b>39,902</b>	<b>53,908</b>	<b>70,648</b>	<b>89,574</b>
Fixed Assets	2,729	3,779	1,911	1,133	782
Total Investments	0	0	0	0	0
Intangible Assets	1,579	1,531	1,531	1,531	1,531
Total Other Non-Current Assets	14,842	17,456	14,997	12,649	10,314
<b>Total Non-current Assets</b>	<b>19,150</b>	<b>22,766</b>	<b>18,439</b>	<b>15,313</b>	<b>12,627</b>
Short-term Debt	1,968	1,748	2,052	2,500	3,030
Current Portion of Long-Term Debt					
Total Creditors	6,915	10,076	11,744	14,483	17,718
Other Current Liabilities	2,832	4,119	4,524	5,121	5,739
<b>Total Current Liabilities</b>	<b>11,715</b>	<b>15,943</b>	<b>18,320</b>	<b>22,104</b>	<b>26,487</b>
Total Long-term Debt	12,456	11,425	11,425	11,425	11,425
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,872	3,637	3,783	3,998	4,221
<b>Total Non-current Liabilities</b>	<b>14,328</b>	<b>15,062</b>	<b>15,208</b>	<b>15,423</b>	<b>15,646</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>26,043</b>	<b>31,005</b>	<b>33,528</b>	<b>37,527</b>	<b>42,134</b>
Shareholders' Equity	24,013	28,923	35,181	43,807	54,255
Minority Interests	1,811	2,740	3,638	4,626	5,812
<b>Total Equity</b>	<b>25,824</b>	<b>31,663</b>	<b>38,819</b>	<b>48,433</b>	<b>60,066</b>

### Key Ratios

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Revenue Growth	4.7%	38.9%	16.6%	23.3%	22.3%
Operating EBITDA Growth	5.3%	19.5%	32.1%	16.7%	19.1%
Operating EBITDA Margin	26.9%	23.2%	26.3%	24.9%	24.2%
Net Cash Per Share (Rmb)	2.14	4.11	9.41	14.24	19.74
BVPS (Rmb)	8.67	10.42	12.67	15.78	19.54
Gross Interest Cover	19.81	N/A	N/A	N/A	N/A
Effective Tax Rate	31.2%	26.9%	26.9%	26.9%	26.9%
Net Dividend Payout Ratio	30.4%	47.3%	31.0%	31.0%	31.0%
Accounts Receivables Days	66.59	50.05	48.38	47.19	46.24
Inventory Days	121.8	126.6	105.7	78.6	78.5
Accounts Payables Days	178.5	163.9	179.3	176.8	179.6
ROIC (%)	49%	50%	54%	100%	157%
ROCE (%)	26.0%	26.6%	27.3%	29.5%	30.3%
Return On Average Assets	13.0%	13.8%	14.3%	15.5%	16.0%

### Key Drivers

	Dec-20A	Dec-21A	Dec-22F	Dec-23F	Dec-24F
Total number of stores	12,103.0	11,639.0	12,133.2	13,301.0	14,614.2
SSSG - Anta (%)	10.0%	10.0%	10.0%	9.0%	9.0%
SSSG - FILA (%)	15.0%	15.0%	30.0%	0.0%	0.0%
SSSG - Other Brands (%)	0.0%	0.0%	80.0%	10.0%	20.0%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 31 Dec 2021		
619 companies under coverage for quarter ended on 31 Dec 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched ( 2 year data )

Anta Sports (2020 HK)

## RECOMMENDATION FRAMEWORK

### Stock Ratings Definition:

Add	The stock's total return is expected to reach 15% or higher over the next 12 months.
Hold	The stock's total return is expected to be between negative 10% and positive 15% over the next 12 months.
Reduce	The stock's total return is expected to fall below negative 10% over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

### Sector Ratings Definition:

Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

### Country Ratings Definition:

Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

## Analyst Certification

The analyst who is primarily responsible for the content of this report, in whole or in part, certifies that with respect to the securities or issuer covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject, securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by the analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the securities covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the securities covered in this research report three business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong-listed companies covered in this report; and (4) have any financial interests in the Hong Kong-listed companies covered in this report.

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