

COMPANY UPDATE

Anta Sports (2020 HK)

Store Visit; Fascinating Store Layouts, Enhanced Client Interactions And Upgraded Product Mix

We visited several Anta stores in Beijing, and found that Anta has been upgrading its store formats with more fascinating store layouts that strengthen the brand features. Other brands have been enhancing their interactions with customers and upgrading the product mix to cater to customers' demand, which we think will improve customer stickiness, attract potential customers and raise the ticket size. Maintain BUY and target price of HK\$128.00.

WHAT'S NEW

- We visited several Anta stores on 18 October in Beijing. Key takeaways are as follows.

STOCK IMPACT

- Fascinating store layouts to strengthen brand equity.** While maintaining its mass-market positioning, Anta Sports (Anta) will continue to conduct brand upgrade, with products being empowered by top-notch brand resources, especially Olympics elements. In Anta's first Palace store, a three-storey building located in Wangfujing (core area in Beijing), with a total GFA of 460 sqm, there are specific zones to display Olympic-related items, such as Olympic award uniform, or decorations of professional sports, which is consistent with Anta's identity of the official sportswear supplier for the International Olympic Committee for 2024-27, and its target to achieve >30% growth of Olympics products in 2024. Also, Anta plans to introduce different store formats to boost its footwear. It just opened its first SNEAKERVERSE store in Beijing, displaying comprehensive footwear series, and is advertising the upcoming co-branded series with Kyrie Irving to be launched in Mar 24.
- Customer interactions are enhanced.** Premium outdoor brands have been enhancing their interactions with customers, by inviting their members to enjoy free events or organising interesting activities. For example, Descente's gold members have access to the one-on-one snowboarding classes provided by the stores for free, and Salomon organises outdoor and social activities such as frisbee or city-run frequently. In our view, these activities are good advertising for the brands, not only to strengthen the brand features, but also enhance customer stickiness and attract potential customers.
- Increasing attention on outdoor and functional products.** Although Anta and Fila are not professional outdoor brands, they have been launching more outdoor SKUs to cater to customers' growing demand for outdoor products, especially Fila Kids, of which almost all the new products this year are outdoor products. Furthermore, Anta aims to introduce more professional and functional products, which are of higher prices than ordinary products and can boost Anta's ticket size (expects Rmb670-680 in 2023 and aims to hit Rmb800 in 2024).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	49,328	53,651	61,422	71,704	83,278
EBITDA	14,026	15,346	19,693	22,436	25,462
Operating profit	10,889	11,005	14,676	17,088	19,882
Net profit (rep./act.)	7,720	7,590	10,097	12,036	14,155
Net profit (adj.)	7,720	7,590	10,097	12,036	14,155
EPS (Fen)	278.1	276.0	364.1	424.9	492.3
PE (x)	31.7	31.9	24.2	20.7	17.9
P/B (x)	8.2	6.9	4.8	4.2	3.7
EV/EBITDA (x)	17.1	15.6	12.2	10.7	9.4
Dividend yield (%)	1.5	1.3	1.7	2.0	2.3
Net margin (%)	15.7	14.1	16.4	16.8	17.0
Net debt/(cash) to equity (%)	2.5	6.2	(27.8)	(36.6)	(44.9)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	29.2	24.0	23.5	21.7	22.1
Consensus net profit	-	-	9,800	11,729	13,795
UOBKH/Consensus (x)	-	-	1.03	1.03	1.03

Source: Anta Sports, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$94.25
Target Price	HK\$128.00
Upside	+35.8%

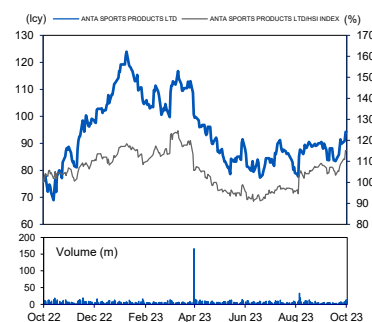
COMPANY DESCRIPTION

Anta is a leading sportswear company in China. It has the main brand - Anta, and has the brands - Fila, Descente, and Kolon. It also owns more than 50% equity stake of Amer Sports, which has the brands of Arc'teryx, Salomon, and Wilson.

STOCK DATA

GICS sector	Consumer Discretionary			
Bloomberg ticker:	2020 HK			
Shares issued (m):	2,832.6			
Market cap (HK\$m):	266,974.8			
Market cap (US\$m):	34,110.3			
3-mth avg daily t'over (US\$m):	69.4			
Price Performance (%)				
52-week high/low	HK\$124.00/HK\$69.00			
1mth	3mth	6mth	1yr	YTD
4.5	11.5	(6.4)	19.6	(7.9)
Major Shareholders				
				%
Anta International Limited				42.40
FY23 NAV/Share (Rmb)				18.26
FY23 Net Cash/Share (Rmb)				5.08

PRICE CHART



Source: Bloomberg

ANALYST(S)

Stella Guo
+852 2236 6798
stella.guo@uobkayhian.com.hk

Ng Jo Yee
+603 2147 1984
joyee@uobkayhian.com

Shirley Wang
+8621 5404 7225 ext.804
shirleywang@uobkayhian.com

STOCK IMPACT

- Anta Palace store.** Located in Wangfujing, the core area of Beijing, Anta's first Palace store in China has a GFA of 460 sqm. It is a three-storey building, with each floor focusing on footwear, apparel and sports culture, respectively. Decorations of this Palace store have elements of professional sports, such as gymnastics, taekwondo and weightlifting. For footwear, running/basketball/athleisure products account for 40%/15%/30% of total sales, respectively. Anta's footwear prices range at Rmb399-2,499 (Rmb499-699 for core products), and apparel prices range at Rmb299-2,399, with more focus on cross-training (accounting for 35%). The ticket size of Anta Palace store is higher than Rmb800, the company's target for Anta brand by end-24, and also higher than the ticket size in regular stores.
- Anta Kids store.** The Anta Kids store we visited has a GFA of 192 sqm. The average monthly store efficiency is Rmb400,000 (average level in Beijing is Rmb200,000). Footwear and apparel account for 45% and 55%, respectively. The average ticket size is Rmb1,000 and basket size is 3.2.
- Fila store.** The Fila store we visited has a GFA of 280 sqm. The average monthly store efficiency is Rmb900,000. The average ticket size is Rmb3,000 and basket size is 3 (targets for 4). Around 40% of the products are sports products and 60% of the products are lifestyle and athleisure products. Footwear and apparel account for 35% and 65%, respectively, and footwear's sales grew double digits yoy this year.
- Descente store.** The Descente store we visited has a GFA of 1,200-1,300 sqm. The selling prices of sports footwear are around Rmb1,590, while prices of golf series and skiwear average Rmb2,000-3,000 and Rmb4,000 respectively. Descente has its own member community space and organises activities frequently, eg ski balance training and women's training. Gold members are required to spend Rmb6,000 per year while Diamond and Black members need to spend Rmb30,000 and Rmb100,000 respectively per year to maintain membership. Per observation, high-end members purchase more of the Allterrain series, which are imported for Japan, with prices of Rmb8,900-Rmb11,000 per piece.
- Descente Blanc store.** Descente Blanc is the high-end branch of Descente. Descente Blanc only has three shops in China, located in Beijing, Chengdu and Shenzhen. The store we visited has a GFA of 200 sqm, with industrial style decoration inside. Descente Blanc mainly focuses on lifestyle and athleisure products, some of which are imported from Japan. Descente Blanc emphasises the concept of no gender difference and supports the personalisation of customers.
- KOLON store.** The store we visited has a GFA of 266 sqm. The average monthly store efficiency is Rmb900,000 (vs. Rmb500,000-600,000 in 2022). The average ticket size and unit price are Rmb2,500 and Rmb1,600, respectively, and thus the ticket size is 1.5. Hiking and camping products account for 50% and 30%, respectively, and the remaining products are commute series. Footwear accounts for 5-10% of the products.
- Arc'teryx store.** The store we visited has a GFA of 900 sqm. It has 650 all-season SKUs. Best-sellers in the store are soft-shell jackets and gore-tex series. Currently, there are about 140 Arc'teryx stores in China, half of which are DTC stores. The average monthly store efficiency of Arc'teryx in China is around Rmb5m.
- Salomon store.** The store we visited has >240 all-season SKUs, of which >93% are footwear. The average ticket size is Rmb1,400 and the basket size 1.2. Customers are mostly young people at 20-35 years old. Salomon organises frisbee events frequently, with 40 persons each time.

EARNINGS REVISION/RISK

- No earnings revisions.**
- Risks:** a) Higher-than-expected A&P expenses, and b) lower contribution from Amer.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of HK\$128.00.** We are positive on Anta's multi-brand and globalisation strategies. Anta is our top pick in the sportswear sector. The stock trades at 24.2x 2023F PE, 0.75SD below its five-year historical average.

ANTA PALACE STORE



Source: UOB Kay Hian

DISPLAY OF "CHEN PENG" SERIES IN ANTA STORE



Source: UOB Kay Hian

ANTA NEW PRODUCT



Source: UOB Kay Hian

OLYMPICS DISPLAY IN ANTA STORE



Source: UOB Kay Hian

ANTA CHAMPION SERIES



Source: UOB Kay Hian

ANTA SNEAKERVERSE STORE



Source: UOB Kay Hian

ANTA RACING SHOES



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN FILA STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN FILA FUSION STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN FILA FUSION STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN FILA KIDS STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN DESCENTE BLANC STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN DESCENTE STORE



Source: UOB Kay Hian

DESCENTE KAZUKI KURAISHI CO-BRANDED PRODUCT



Source: UOB Kay Hian

DESCENTE ALLTERRAIN SERIES



Source: UOB Kay Hian

DESCENTE MEMBERSHIP FREE ACTIVITY



Source: UOB Kay Hian

ARC'TERYX STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN ARC'TERYX STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN SALOMON STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN SALOMON STORE



Source: UOB Kay Hian

DISPLAY OF PRODUCTS IN KOLON STORE



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	53,651.0	61,422.2	71,703.7	83,278.2
EBITDA	15,346.0	19,692.8	22,435.8	25,462.2
Deprec. & amort.	4,341.0	5,017.3	5,347.4	5,579.8
EBIT	11,005.0	14,675.5	17,088.4	19,882.4
Associate contributions	28.0	28.0	28.0	28.0
Net interest income/(expense)	97.0	177.8	665.5	1,040.5
Pre-tax profit	11,355.0	15,106.3	18,006.9	21,175.9
Tax	(3,110.0)	(4,137.4)	(4,931.9)	(5,799.8)
Minorities	(655.0)	(871.4)	(1,038.7)	(1,221.5)
Net profit	7,590.0	10,097.5	12,036.3	14,154.5
Net profit (adj.)	7,590.0	10,097.5	12,036.3	14,154.5

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	12,147.0	15,416.5	17,785.6	20,206.5
Pre-tax profit	11,355.0	15,106.3	18,006.9	21,175.9
Tax	(3,046.0)	(4,137.4)	(4,931.9)	(5,799.8)
Deprec. & amort.	4,464.0	5,017.3	5,347.4	5,579.8
Working capital changes	(1,598.0)	(569.7)	(636.8)	(749.4)
Non-cash items	383.0	0.0	0.0	0.0
Other operating cashflows	589.0	0.0	0.0	0.0
Investing	(4,774.0)	(6,133.0)	(6,133.0)	(6,133.0)
Capex (growth)	(1,621.0)	(1,000.0)	(1,000.0)	(1,000.0)
Investments	(321.0)	(5,133.0)	(5,133.0)	(5,133.0)
Proceeds from sale of assets	6.0	0.0	0.0	0.0
Others	(2,838.0)	0.0	0.0	0.0
Financing	(7,841.0)	2,370.5	(3,793.6)	(11,937.8)
Dividend payments	(3,950.0)	(3,214.7)	(4,274.7)	(5,096.3)
Issue of shares	0.0	10,438.2	0.0	0.0
Proceeds from borrowings	3,305.0	3,000.0	3,000.0	3,000.0
Loan repayment	(4,208.0)	(7,853.0)	(2,518.9)	(9,841.6)
Others/interest paid	(2,988.0)	0.0	0.0	0.0
Net cash inflow (outflow)	(468.0)	11,654.0	7,859.0	2,135.7
Beginning cash & cash	17,592.0	17,378.0	29,032.0	36,891.0
Changes due to forex impact	254.0	0.0	0.0	0.0
Ending cash & cash equivalent	17,378.0	29,032.0	36,891.0	39,026.7

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	3,716.0	3,595.9	3,511.9	3,453.3
Other LT assets	22,883.0	24,118.8	24,988.4	25,600.2
Cash/ST investment	17,378.0	29,032.0	36,891.0	39,026.7
Other current assets	25,218.0	26,679.8	28,844.1	31,280.6
Total assets	69,195.0	83,426.5	94,235.4	99,360.8
ST debt	15,065.0	9,730.9	9,841.6	2,714.8
Other current liabilities	11,142.0	12,039.4	13,576.0	15,273.2
LT debt	4,430.0	4,911.1	5,281.5	5,566.8
Other LT liabilities	719.0	719.0	719.0	719.0
Shareholders' equity	34,400.0	51,715.7	59,468.2	68,516.5
Minority interest	3,439.0	4,310.4	5,349.1	6,570.6
Total liabilities & equity	69,195.0	83,426.5	94,235.4	99,360.8

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	28.6	32.1	31.3	30.6
Pre-tax margin	21.2	24.6	25.1	25.4
Net margin	14.1	16.4	16.8	17.0
ROA	11.5	13.2	13.5	14.6
ROE	24.0	23.5	21.7	22.1
Growth				
Turnover	8.8	14.5	16.7	16.1
EBITDA	9.4	28.3	13.9	13.5
Pre-tax profit	1.0	33.0	19.2	17.6
Net profit	(1.7)	33.0	19.2	17.6
Net profit (adj.)	(1.7)	33.0	19.2	17.6
EPS	(0.8)	31.9	16.7	15.9
Leverage				
Debt to total capital	34.0	20.7	18.9	9.9
Debt to equity	56.7	28.3	25.4	12.1
Net debt/(cash) to equity	6.2	(27.8)	(36.6)	(44.9)