

Hong Kong

ADD (no change)

Consensus ratings*: Buy 56 Hold 0 Sell 0

Current price:	HK\$94.25
Target price:	HK\$134.0
Previous target:	HK\$134.0
Up/downside:	42.2%
CGI / Consensus:	13.2%
Reuters:	2020.HK
Bloomberg:	2020 HK
Market cap:	US\$34,111m
	HK\$266,975m
Average daily turnover:	US\$67.57m
	HK\$528.8m
Current shares o/s:	2,781m
Free float:	38.2%
*Source: Bloomberg	

Key changes in this note

➤ No change.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.5	11.5	19.6
Relative (%)	5.6	18.3	14.8

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

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Anta Sports

Multi-engine growth set to fly

- Anta Sports held its Investors Day on 17-18 Oct in Beijing, where it announced its development plan for the next three years, themed "multi-brand synergy and value".
- It re-emphasised its strategy of focusing on each market (mass and premium), and enhancing its multi-brand strategy and omni-channel management capabilities.
- For FY23F, company maintains its guidance for both Anta and Fila brands to achieve double-digit yoy sales growth, and the Descente and Kolon brands to grow 40%+ yoy.
- We reiterate our Add rating, with an unchanged DCF-based TP of HK\$134, as we believe Anta has the potential to further improve its store efficiency and margins.

Anta brand to deliver a 10-15% sales CAGR for 2023-26F

Management said at the meeting that it expects a 10-15% sales CAGR for the Anta brand in 2023-26F, reaching Rmb60bn in 2026F (from Rmb40bn in 2023F), driven by brand and product upgrades targeting the mass market. Anta delivered high single-digit yoy growth in 2020-22, and its three-year sales target indicates accelerated sales growth, in our view. Its FY24F growth drivers are: 1) a 5% ticket volume growth for offline channels, 2) improving offline ticket size from Rmb670-680 to Rmb800 through increasing footwear sales contribution and product IPs, and 3) enhancing its omni-channel retailing capabilities by increasing product differentiation in online and offline channels, according to management. Management also said that it would extend its sportswear uniform supply agreement with the International Olympic Committee (IOC) for 2024-2027F and expects to achieve 30% growth in 2024F for its Olympics products. The company set up a Southeast Asian business unit for the Anta brand earlier this year. It aims to achieve US\$1.5bn sales for Anta brand and Amer business for the next five years in Southeast Asian. Anta's joint product with the NBA star Kyrie Irving will be launched in Mar 2024F.

Robust growth expected for Fila and other brands in 2023-26F

Management said at the meeting that it expects a 10-15% sales CAGR for the Fila brand in 2023-26F, reaching Rmb40bn-50bn in three years, driven by: 1) sports fashion enhancement, 2) omni-channel management, and 3) full coverage of products (core, kids, fusion, athletics and golf). Fila will launch more joint IP products and expand its golf, basketball and running products. For its new online channel, Fila targets 15-20% sales CAGR for the next three years. For the Descente and Kolon brands, the company aims to achieve sales CAGRs of 20-25% and 30-35%, respectively, from 2023F to 2026F. For Descente, the company will focus on: 1) enhancing brand awareness, 2) product iteration, and 3) connecting to the functional sportswear community. The company set an Rmb10bn sales target for Descente by 2026F. For Kolon, the company will focus on the premium outdoor market through diversified product offerings (e.g versatile waterproof jackets), a revitalised camp-line portfolio, and more footwear products.

Unchanged guidance for FY23F

For FY23F, the company maintains its previous guidance for both Anta and Fila brands to achieve double-digit yoy sales growth, and Descente and Kolon brands' sales growth to be above 40% yoy. Management expects higher A&P expenses for the Anta brand in 2H23F and 2024F as early preparation for the 2024 Paris Olympics and cross-over products with Kyrie Irving (to be launched in Mar 24F). For Fila and other brands, management expects yoy stable A&P expenses ratio.

Our DCF-based TP of HK\$134 remains unchanged

We maintain our FY23-25F EPS forecasts. We derive our TP using the DCF method (9.7% WACC; 3% terminal growth rate). We reiterate our Add rating, as we believe Anta Group has the potential to improve its store efficiency and OPM over the long term (20-25% for Anta and 25-30% for Fila and other brands in the next 3-5 years). Potential catalysts are better-than-expected retail sales and margins in 4Q23F. Downside risks: 1) weak macro, which could impact sportswear demand, 2) intense competition, which could lead to more discounts and dilute margins, and 3) more A&P expenses, impacting net profit.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (Rmbm)	49,328	53,651	61,971	71,639	83,416
Operating EBITDA (Rmbm)	11,432	12,090	18,718	21,084	24,816
Net Profit (Rmbm)	7,720	7,590	9,505	11,105	12,995
Normalised EPS (Rmb)	2.78	2.73	3.42	3.99	4.67
Normalised EPS Growth	49.1%	(1.9%)	25.2%	16.8%	17.0%
FD Normalised P/E (x)	31.63	32.25	25.78	22.06	18.85
DPS (Rmb)	1.32	1.20	1.06	1.24	1.45
Dividend Yield	1.49%	1.36%	1.20%	1.40%	1.64%
EV/EBITDA (x)	20.63	19.31	11.89	10.22	8.33
P/FCFE (x)	34.91	41.00	11.97	12.66	10.89
Net Gearing	(36.0%)	(39.6%)	(59.0%)	(64.0%)	(68.6%)
P/BV (x)	8.46	7.12	5.99	5.01	4.21
ROE	29.2%	24.0%	25.3%	24.7%	24.3%
% Change In Normalised EPS Estimates			0%	0%	0%
Normalised EPS/consensus EPS (x)			0.97	0.95	0.95

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

Multi-engine growth set to fly

Figure 1: DCF valuation

(Rmb m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
EBIT	13,944	16,241	18,949	17,433	19,177	21,094	23,204	24,828	26,069	27,373
Add: Depreciation & amortization	4,774	4,843	5,867	5,985	6,104	6,226	6,351	6,478	6,607	6,740
Less: Tax	3,857	4,488	5,230	4,828	5,311	5,842	6,426	6,876	7,220	7,581
Less: Capex	800	800	800	816	832	849	866	883	901	919
Less: Net change in working capital	(3,240)	(387)	(536)	(542)	(547)	(552)	(558)	(563)	(569)	(575)
Unlevered FCF	17,301	16,184	19,322	18,315	19,685	21,182	22,821	24,110	25,125	26,188
Terminal value										404,585
DCF	15,776	13,456	14,650	12,662	12,409	12,176	11,962	11,524	10,950	10,407
Target debt to total capital	10.0%	Assumptions								
WACC	9.7%	Risk-free Rate of Return				4.0%				
Terminal growth ("g")	3.0%	Equity Risk Premium				6.5%				
		Company Beta				1.00				
		Cost of Equity				10.5%				
PV for the forecasted period	125,974									
PV for the terminal value	160,788									
Enterprise Value	286,762	Pre-tax Cost of Debt				3.0%				
Minus: Net debt	(12,103)	Tax Rate				28%				
NPV to equity shareholders	298,864	After-tax Cost of Debt				2.2%				
Divided by:# of shares outstanding (m)	2,692									
NPV per share to equity shareholders (Rmb)	111.0									
CNY/HKD	0.83									
NPV per share to equity shareholders (HKD)	134.0									

SOURCES: CGIS RESEARCH ESTIMATES, COMPANY DATA

Figure 2: Anta brand store



SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 3: Fila brand store



SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 4: Anta Sneakerverse



SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 5: Salomon store



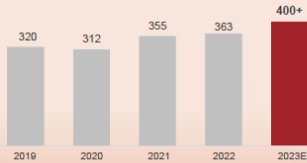
SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 6: Sportswear market size and market share

Industry landscape: Sportswear and apparel industry recovers, with reduced market concentration

Size and growth of the sportswear market in China [RMB billion; %]

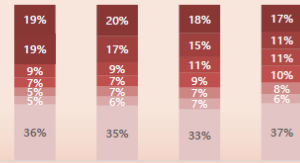
The sportswear industry has outperformed the overall consumer market



GAGR 2019-2022: 2.5%
Expected growth rate for 2023: High-single-digit

Growth rate of retail sales of consumer goods: 2.5%
Growth rate of the sportswear industry: 4.3% (Double-digit)

Concentration ratio of the sportswear market in China [Core + Kids]



Declining market concentration in 2022
The market share of ANTA Sport continues to rise

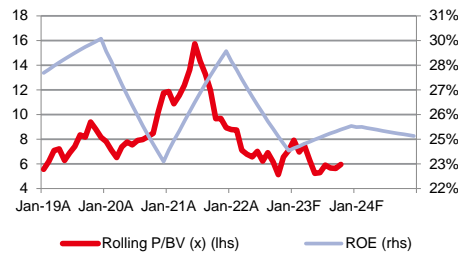
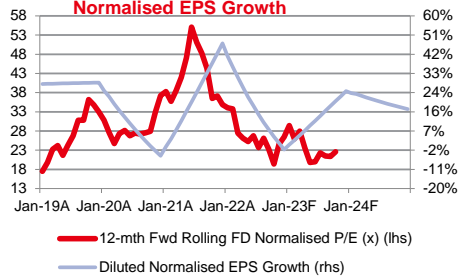
CR5: 58% (2019) → 59% (2020) → 60% (2021) → 57% (2022)

ANTA Sports' market share: 14.8% (2019) → 15.5% (2020) → 17.7% (2021) → 19.5% (2022)

Data source: Euromonitor, National Bureau of Statistics, estimation of the Strategy Department

SOURCES: CGIS RESEARCH, COMPANY DATA

BY THE NUMBERS

P/BV vs ROE

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


Profit & Loss

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Net Revenues	49,328	53,651	61,971	71,639	83,416
Gross Profit	30,404	32,318	37,921	44,076	51,543
Operating EBITDA	11,432	12,090	18,718	21,084	24,816
Depreciation And Amortisation	-443	-860	-4,774	-4,843	-5,867
Operating EBIT	10,989	11,230	13,944	16,241	18,949
Financial Income/(Expense)	332	97	107	107	107
Pretax Income/(Loss) from Assoc.	-81	28	32	37	41
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	11,240	11,355	14,083	16,385	19,097
Exceptional Items					
Pre-tax Profit	11,240	11,355	14,083	16,385	19,097
Taxation	-3,021	-3,110	-3,857	-4,488	-5,230
Exceptional Income - post-tax					
Profit After Tax	8,219	8,245	10,226	11,897	13,866
Minority Interests	-499	-655	-721	-793	-872
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
Net Profit	7,720	7,590	9,505	11,105	12,995
Normalised Net Profit	8,219	8,245	10,226	11,897	13,866
Fully Diluted Normalised Profit	7,720	7,590	9,505	11,105	12,995

Cash Flow

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
EBITDA	11,432	12,090	18,718	21,084	24,816
Cash Flow from Invt. & Assoc.					
Change In Working Capital	-300	-1,686	3,240	387	536
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	3,406	4,789	3,759	3,764	3,767
Net Interest (Paid)/Received	0	0	0	0	0
Tax Paid	-2,677	-3,046	-3,857	-4,488	-5,230
Cashflow From Operations	11,861	12,147	21,860	20,748	23,890
Capex	-1,493	-1,736	-1,400	-1,400	-1,400
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/Investments	0	0	0	0	0
Other Investing Cashflow	-3,176	-3,038	0	0	0
Cash Flow From Investing	-4,669	-4,774	-1,400	-1,400	-1,400
Debt Raised/(repaid)	-196	-1,403	0	0	0
Proceeds From Issue Of Shares	0	0	0	0	0
Shares Repurchased					
Dividends Paid	-2,456	-3,950	-3,035	-3,091	-3,615
Preferred Dividends					
Other Financing Cashflow	-2,295	-2,488	-5,851	-8,343	-9,367
Cash Flow From Financing	-4,947	-7,841	-8,886	-11,435	-12,982
Total Cash Generated	2,245	-468	11,574	7,913	9,508
Free Cashflow To Equity	6,996	5,970	20,460	19,348	22,490
Free Cashflow To Firm	7,192	7,373	20,460	19,348	22,490

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	24,577	27,683	39,257	47,170	56,678
Total Debtors	6,914	5,800	6,274	7,092	7,987
Inventories	7,644	8,490	6,155	6,552	7,074
Total Other Current Assets	767	623	623	623	623
Total Current Assets	39,902	42,596	52,309	61,438	72,362
Fixed Assets	3,779	4,774	6,054	7,334	8,614
Total Investments	0	0	0	0	0
Intangible Assets	1,531	1,480	1,480	1,480	1,480
Total Other Non-Current Assets	17,456	20,345	17,922	17,922	17,922
Total Non-current Assets	22,766	26,599	25,456	26,736	28,016
Short-term Debt	1,748	12,198	12,198	12,198	12,198
Current Portion of Long-Term Debt					
Total Creditors	10,076	8,895	10,274	11,877	13,830
Other Current Liabilities	4,119	5,114	5,114	5,114	5,114
Total Current Liabilities	15,943	26,207	27,586	29,189	31,142
Total Long-term Debt	11,425	492	492	492	492
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	3,637	4,657	4,657	4,657	4,657
Total Non-current Liabilities	15,062	5,149	5,149	5,149	5,149
Total Provisions	0	0	0	0	0
Total Liabilities	31,005	31,356	32,735	34,338	36,291
Shareholders' Equity	28,923	34,400	40,870	48,883	58,263
Minority Interests	2,740	3,439	4,160	4,952	5,824
Total Equity	31,663	37,839	45,030	53,835	64,087

Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	38.9%	8.8%	15.5%	15.6%	16.4%
Operating EBITDA Growth	19.5%	5.8%	54.8%	12.6%	17.7%
Operating EBITDA Margin	23.2%	22.5%	30.2%	29.4%	29.8%
Net Cash Per Share (Rmb)	4.11	5.39	9.55	12.40	15.82
BVPS (Rmb)	10.42	12.37	14.70	17.58	20.95
Gross Interest Cover	N/A	N/A	N/A	N/A	N/A
Effective Tax Rate	26.9%	27.4%	27.4%	27.4%	27.4%
Net Dividend Payout Ratio	47.3%	43.8%	31.0%	31.0%	31.0%
Accounts Receivables Days	50.05	43.25	35.56	34.14	32.99
Inventory Days	126.6	138.0	111.1	84.4	78.0
Accounts Payables Days	163.9	162.3	145.5	147.1	147.2
ROIC (%)	50.5%	47.0%	50.7%	70.2%	78.9%
ROCE (%)	26.6%	23.8%	26.0%	26.3%	26.6%
Return On Average Assets	13.8%	12.4%	13.8%	14.2%	14.6%

Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total number of stores	11,639.0	11,778.0	11,998.0	13,099.2	14,333.5
SSSG - Anta (%)	10.0%	10.0%	9.0%	9.0%	9.0%
SSSG - FILA (%)	15.0%	15.0%	0.0%	0.0%	0.0%
SSSG - Other Brands (%)	0.0%	10.0%	10.0%	10.0%	10.0%

SOURCES: CGIS RESEARCH, COMPANY DATA, BLOOMBERG

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Distribution of stock ratings and investment banking clients for quarter ended on 30 Sep 2023		
634 companies under coverage for quarter ended on 30 Sep 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	66.7%	0.9%
Hold	23.7%	0.0%
Reduce	9.6%	0.2%

Spitzer Chart for stock being researched (2 year data)

Anta Sports (2020 HK)

— Price Close



Recommendation Framework

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Definition:

Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

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