

Hong Kong

ADD (no change)

Consensus ratings*: Buy 56 Hold 0 Sell 0

Current price: HK\$70.15
 Target price: HK\$134.0
 Previous target: HK\$134.0
 Up/downside: 91.0%
 CGI / Consensus: 12.5%

Reuters: 2020.HK
 Bloomberg: 2020 HK
 Market cap: US\$25,442m
 HK\$198,709m

Average daily turnover: US\$66.56m
 HK\$520.0m

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 (%)	-6.5	-16.1	-35
Relative (%)	-7.8	-12.1	-13.5

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

Analyst(s)

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Anta Sports

Solid 4Q23 results in line with our expectation

- Anta reported that its 4Q23 retail sales rose by high teens for Anta, 25-30% for Fila and 55-60% for other brands (e.g. Descente and Kolon), in line with our estimates.
- Both its inventory and discount levels remained healthy in 4Q23, with the inventory-to-sales ratio for Fila and Anta remaining below 5x.
- The company announced retail sales growth in a high single-digit for Anta, a high teen for Fila and over 60% yoy for other brands in FY23.
- 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.

4Q23 retail sales in line with our expectation

Overall 4Q23 retail sales were in line with our estimates, leading to satisfactory full-year results. Management today disclosed retail sales growth figures for its brands in 2023 – a high single-digit for Anta, a high teen for Fila and over 60% for other brands. By sub-brand, Anta core achieved growth in high teens while Anta kids achieved 20-25% growth for 4Q23; Fila core, kids and fusion registered sales growth of c.30%, c.25% and low teens in 4Q23. Descente and Kolon achieved retail sales growth of 50-55% and 65-70% yoy respectively in 4Q23, driven by winter outdoorwear and rising snow/ice leisure activities. Inventory for Anta and Fila stayed healthy at below 5x at end-4Q23, and management saw sequential improvement in Anta and Fila's inventory levels both qoq and yoy. Hence, its overall retail discount level had narrowed by end-4Q23. The 1% pt deeper online discount for Anta brand was due to promotions during the 11.11 online festival (20 Oct – 11 Nov) in 4Q23. We expect the sales growth momentum to continue for Anta Group in 1Q24F, with reasonable deceleration due to a high base in 1Q23.

FY23 retail sales achievement in line with guidance

The FY23 retail sales strengthens management's confidence it has achieved its double-digit retail sales target for the year, driven by 1) a low base effect, 2) continued strong online sales momentum for Fila, and 3) strong sales momentum for Descente and Kolon. We keep our FY23F growth forecast at 15.5% for revenue and 25% for net profit. For FY24F, although the economic downturn in China could dampen overall consumption, we believe the trend of outdoor sportswear and equipment purchases would continue. We keep our FY24F growth forecast of 15.6% for revenue and 16.8% for net profit.

IPO of Wilson tennis racket maker Amer Sports on track

On 4 Jan 2024, 52.7%-owned Amer Sports (Amer) filed an IPO application, in which it disclosed that its revenue rose 30% yoy to US\$3.1bn in 9M23 and a net loss of US\$114m for 9M23 due to higher finance cost. It plans to use its IPO proceeds to pay a portion of its outstanding borrowings under revolving facilities (US\$1.4bn). We note that in 9M23, among the Amer brands, Arc'teryx's saw robust sales growth of 65% yoy, while Salomon's sales rose 35% yoy due to rising demand for outdoor sportswear in greater China and globally. According to Bloomberg news, Amer is targeting IPO proceeds of more than US\$1bn in the US and the listing could value it at US\$10bn. If we assume full-year revenue growth of 30% to US\$4.7bn in FY23F, this implies a potential P/S multiple of 2.1x. Anta acquired a 52.7% stake in Amer in 2018 for €4.66bn (US\$5.2bn). In our view, Amer's successful IPO would help Anta realise a healthy investment gain.

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

We retain our FY23-25F EPS forecasts and DCF-based TP of HK\$134 (WACC: 9.7%, terminal growth: 3%). We keep our Add call as we believe Anta Group has the potential to improve its store efficiency and margins over the next 3-5 years. Re-rating catalysts are earlier-than-expected Amer IPO in FY24F and better 1Q24 retail sales. Downside risks: 1) weak macro, hurting demand for its sportswear, 2) keen competition, which may lead to more discounts and dilute margins, and 3) more A&P expense, 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)	23.07	23.52	18.80	16.09	13.75
DPS (Rmb)	1.32	1.20	1.06	1.24	1.45
Dividend Yield	2.05%	1.86%	1.65%	1.93%	2.25%
EV/EBITDA (x)	14.84	13.82	8.35	7.07	5.66
P/FCFE (x)	25.46	29.90	8.73	9.24	7.95
Net Gearing	(36.0%)	(39.6%)	(59.0%)	(64.0%)	(68.6%)
P/BV (x)	6.17	5.19	4.37	3.66	3.07
ROE	29.2%	24.0%	25.3%	24.7%	24.3%
CGI/consensus EPS (x)			0.97	0.95	0.95
% 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

Solid 4Q23 results in line with our expectation

Figure 1: 4Q23 operational update

Period	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
YoY					
ANTA Brand - RSV	+Mid single-digits	+High single-digits	+High single-digits	+High-teens	+High single-digits
FILA Brand - RSV	+High single-digits	+High-teens	+Low-teens	+25-30%	+High-teens
Other Brands - RSV	+75-80%	+70-75%	+45-50%	+55-60%	+60-65%

SOURCES: CGIS RESEARCH, COMPANY DATA

Figure 2: Amer Sports financials

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2023	2022	Restated 2022	Restated 2021	Restated 2020
	(\$ in millions)				
Revenue	\$ 3,053.4	\$ 2,350.1	\$ 3,548.8	\$ 3,066.5	\$ 2,446.3
Cost of goods sold	(1,460.5)	(1,188.5)	(1,785.2)	(1,560.9)	(1,297.4)
Gross profit	1,592.9	1,161.6	1,763.6	1,505.6	1,148.9
Selling and marketing expenses	(956.8)	(754.3)	(1,107.6)	(962.6)	(733.2)
Administrative and other expenses	(392.2)	(299.8)	(415.1)	(364.4)	(277.3)
Impairment losses	(4.6)	(0.9)	(201.7)	(0.7)	(20.5)
Other operating income	3.3	2.2	11.4	9.0	7.2
Operating profit	\$ 242.6	\$ 108.7	\$ 50.6	\$ 186.9	\$ 125.1
Finance income	4.5	2.1	3.3	2.3	1.6
Finance cost ⁽¹⁾	(296.6)	(168.5)	(236.5)	(279.0)	(274.1)
Net finance cost	(292.1)	(166.4)	(233.2)	(276.7)	(272.5)
Loss before tax	\$ (49.5)	\$ (57.7)	\$ (182.6)	\$ (89.8)	\$ (147.4)
Income tax expense	(64.4)	(24.9)	(48.3)	(34.7)	(26.2)
Loss from continuing operations	\$ (113.9)	\$ (82.6)	\$ (230.9)	\$ (124.5)	\$ (173.6)
Loss from discontinued operations, net of tax	—	(21.8)	(21.8)	(1.8)	(63.6)
Net loss	\$ (113.9)	\$ (104.4)	\$ (252.7)	\$ (126.3)	\$ (237.2)
Net loss margin	(3.7)%	(4.4)%	(7.1)%	(4.1)%	(9.7)%

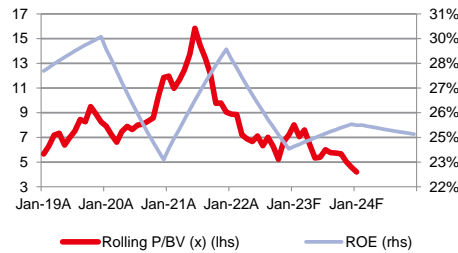
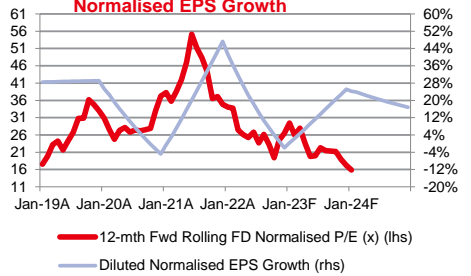
SOURCES: CGIS RESEARCH, AMER SPORTS F-1 DOCUMENT

Figure 3: 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 & amortisation	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								
Terminal growth ("g")	3.0%	Equity Risk Premium								
		Company Beta								
		Cost of Equity								
PV for the forecasted period	125,974									
PV for the terminal value	160,788									
Enterprise Value	286,762	Pre-tax Cost of Debt								
Minus: Net debt	(12,103)	Tax Rate								
NPV to equity shareholders	298,864	After-tax Cost of Debt								
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

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					
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

Stock Ratings

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.

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.

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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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