

Anta Sports (2020 HK) Challenging path to generate growth in 2H24

- Retail sales performance in 2Q24 showed stable growth for the ANTA and FILA, while other brands showed accelerated growth compared to 1Q24
- Macroeconomic conditions will remain challenging in 2H24
- Maintain **BUY**; TP implies 19.6x/16.5x 24E/25E P/E, or 4.1x/3.6x 24E/25E P/B

2H24 growth to face more challenges. In 2Q24, the YoY retail sales growth of ANTA Brand, FILA Brand, and other brands reached high-single digit, mid-single digit, and 40-45%, respectively; in 1H24, the respective retail sales YoY growth reached mid-single digit, high-single digit, and 35%-40%. Compared to 1Q24, retail sales growth of ANTA and FILA was relatively stable while growth in other brands accelerated. Based on the retail sales growth performance, we believe the Group was able to withstand the macroeconomic pressure with effective product and sales channel management. Events and product launches associated with the 2024 Paris Olympic Games and seasonal sales related to the colder months could be growth drivers in 2H24, but we believe growth would be challenged by the macroeconomic and consumer market conditions. Based on the overall growth performance in 2H24 and our market outlook, we therefore lower projected FY24E revenue growth to 14.4% YoY, which is supported by the revenue growth of ANTA and FILA at 9.9% YoY and 13.3% YoY.

Competition to intensify on macroeconomic condition. According to NBS, national retail sales growth was 3.7% YoY in May 2024 vs. 7.4% YoY in Dec 2023, while the retail sales of "Clothes, Shoes, Hats, and Textiles" grew 4.4% YoY in May 2024 vs. 26.0% YoY in Dec 2023. Macroeconomic uncertainty continues to weigh on consumer market recovery and consumers are prioritizing value options in their purchases. As retail sales growth fluctuates and sportswear sector demand dynamic shifts, we expect market competition to further intensify. As an industry leader, the Group has advantages in the supply chain and distribution network management that allow it to offset margin pressure. We lower our projected FY24E GPM and NPM⁽³⁾ to 63.2% and 17.4%, to reflect the impact of the changing consumer behavior.

Maintain BUY; TP at HK\$ 92.3. Maintain **BUY** on the growth performance in 2Q24 and the Group's leading position in the sector. However, we lower our DCF-derived TP due to the lower projected revenue growth and profit levels. FY23-26E EPS CAGR is projected to be 19.0%. Current TP represents 19.6x/16.5x 24E/25E P/E, or 4.1x/3.6x 24E/25E P/B.

Risk factors: 1) Macroeconomic risk; 2) Commodity price risk; 3) Regulatory risk; 4) Changing consumer taste in China, 5) Business acquisition risk.

Results and Valuation

As of Dec 31	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	71,310	81,932	94,856
Chg (% YoY)	8.8	16.2	14.4	14.9	15.8
Net Profit ⁽³⁾ (RMB mn)	7,590	10,236	12,396	14,704	17,624
Chg (% YoY)	(1.7)	34.9	21.1	18.6	19.9
Basic EPS (RMB)	2.82	3.69	4.38	5.19	6.22
Chg (% YoY)	(1.7)	30.9	18.6	18.6	19.9
P/E (x)	23.00	17.58	14.8	12.5	10.42
BVPS (RMB)	12.68	18.17	20.71	23.81	27.56
P/B (x)	5.12	3.57	3.1	2.7	2.35
DPS(HK cent)	134	197	225	265	319
Yield (%)	1.9	2.8	3.2	3.8	4.6
ROAA (%)	12.5	14.0	13.6	14.8	16.2
ROAE (%)	24.0	23.8	22.5	23.3	24.2

Source(s): The Group, ABCI Securities estimates

Company Report

Jul 9, 2024
Rating: **BUY**
TP: **HK\$ 92.3**

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Share price (HK\$)	69.70
52 wk High/Low (HK\$)	96/60.2
Est. share price return	32.4%
Est. dividend yield	3.2%
Est. total return	35.7%
Previous Rating & TP	BUY; HK\$102.0
Previous Report Date	Apr 22, 2024

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	2.8
Mkt cap (HK\$ bn)	197.4
3 mth days ADT (HK\$mn)	574.0

Major shareholder (%)	
Anta International	42.40

Source(s): The Group, Bloomberg, HKEX

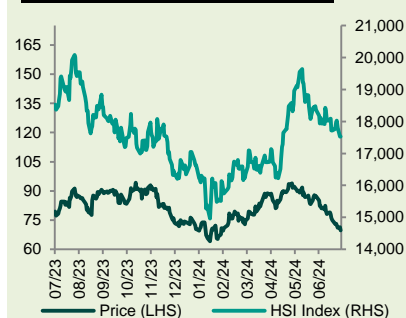
Share performance (%)

	Absolute	Relative*
1-mth	(20.1)	(15.5)
3-mth	(21.1)	(25.8)
6-mth	0.1	(7.9)

* Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-year price performance(HK\$)



Source(s): Bloomberg, ABCI Securities

Note:

- 1) All pricing and market data as of Jul 9, 2024
- 2) RMB/HKD: 1.0747
- 3) Refers to net profit attributable to shareholders of the Company)

Exhibit 1: Changes in assumptions, projections, and valuations

As of Dec 31	Current report		Previous report		Rationale
	FY24E	FY25E	FY24E	FY25E	
Assumptions					
D/E (%)	26.5	14.7	26.5	14.7	
D/A (%)	16.1	9.8	16.1	9.8	N/A
Tax rate (%)	27.9	27.9	27.9	27.9	
Valuations					
TP (HK\$)	92.3		102.0		Lower TP due to lower level of revenue and profit projections
P/E (x)	19.6	16.5	21.3	17.9	
P/B (x)	4.1	3.6	4.5	3.9	

Note: for previous report publication date please refer to cover page of this company report

Source(s): ABCI Securities estimates

Exhibit 2: Changes in major forecasts

(RMB mn, except for EPS) As of Dec 31	Current report			Previous report			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	71,310	81,932	94,856	71,586	82,441	95,109	(0.4)	(0.6)	(0.3)
Net profit (to owners of the Company)	12,396	14,704	17,624	12,533	14,911	17,659	(1.1)	(1.4)	(0.2)
EPS (RMB)	4.38	5.19	6.22	4.42	5.26	6.23	(1.1)	(1.4)	(0.2)

Source(s): ABCI Securities estimates

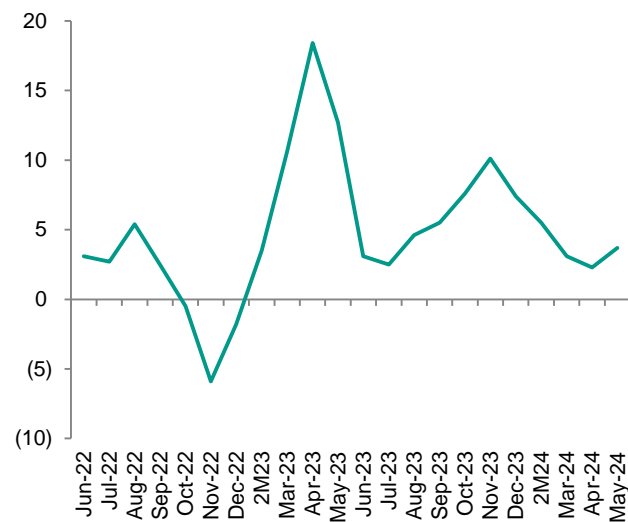
Exhibit 3: Retail sales value YoY change of Anta

Brand	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24
ANTA	mid-single digit -	mid-single digit +	high-single digit -	mid-single digit +	high-single digit +	high-single digit +	high-teens +	mid-single digit +	high-single digit +
FILA	high-single digit -	low teens +	low teens -	high-single digit +	high-teens +	low teens +	25-30% +	high-single digit +	mid-single digit +
Others	20-25% +	40-45% +	20-25% +	75%-80% +	70%-75% +	45-50% +	55-60% +	25-30% +	40-45% +

Note: + = growth; - = decline

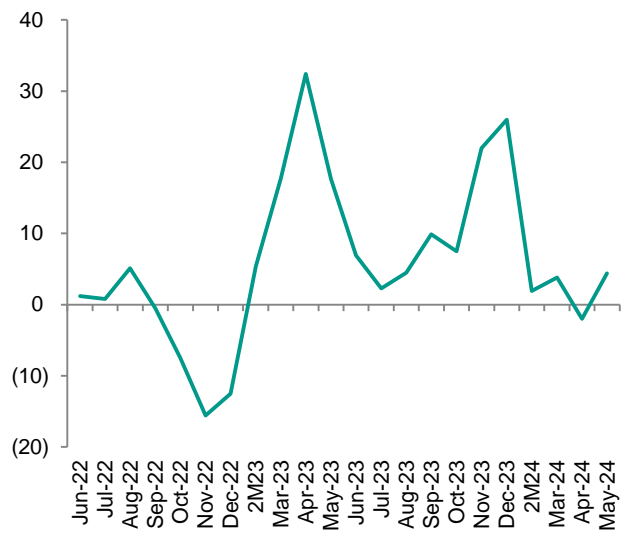
Source(s): the Group, ABCI Securities

Exhibit 4: National retail sales (YoY %)



Source(s): NBS, ABCI Securities

Exhibit 5: Retails sales of "Clothes, shoes, hats, and textiles" (YoY %)



Source(s): NBS, ABCI Securities



Financial Statements

Consolidated income statement

As of Dec 31 (RMB mn, except per share data)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	53,651	62,356	71,310	81,932	94,856
- ANTA brand	27,723	30,306	33,309	36,831	40,905
- FILA brand	21,523	25,103	28,449	32,359	36,943
- Other brands	4,405	6,947	9,553	12,742	17,008
COGS	(21,333)	(23,328)	(26,257)	(29,742)	(33,624)
Gross profit	32,318	39,028	45,053	52,190	61,232
Other net income/(loss)	2,128	1,705	1,984	2,227	2,603
S&D expenses	(19,629)	(21,673)	(25,182)	(29,070)	(33,707)
Admin expenses	(3,587)	(3,693)	(4,284)	(4,979)	(5,797)
Operating profit	11,230	15,367	17,572	20,368	24,331
Net finance income/(expense)	97	991	399	621	898
Share of gain/(loss) of JV	28	(718)	661	1,258	1,464
Pretax profit	11,355	15,640	18,632	22,247	26,694
Tax	(3,110)	(4,363)	(5,195)	(6,210)	(7,447)
Net profit	8,245	11,277	13,437	16,036	19,247
- Owners of the company	7,590	10,236	12,396	14,704	17,624
- Minority interest	655	1,041	1,041	1,332	1,622
Dividend	3,360	5,188	5,926	6,997	8,410
EPS (RMB)					
- Basic	2.82	3.69	4.38	5.19	6.22
- Diluted	2.76	3.60	4.38	5.19	6.22
DPS (HK cent)	134	197	225	265	319

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Consolidated balance sheet

As of Dec 31 (RMB mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash and cash equivalent	17,378	15,228	23,779	23,222	24,157
Trade receivables	2,978	3,732	4,388	4,978	5,335
Inventory	8,490	7,210	10,762	10,497	13,232
Others	13,750	25,970	27,004	30,229	39,566
Current assets	42,596	52,140	65,933	68,926	82,290
PP&E and CIP	4,774	4,965	5,248	5,684	5,800
Right-of-use assets	8,015	8,085	8,403	9,710	9,895
Intangible assets	1,480	2,089	2,071	1,956	1,829
Investment in JV	9,343	9,283	11,150	13,189	15,576
Others	2,987	15,666	13,251	11,726	11,159
Non-current assets	26,599	40,088	40,123	42,265	44,260
Total assets	69,195	92,228	106,056	111,191	126,550
Trade payables	2,750	3,195	5,062	3,924	6,153
ST borrowings	12,198	3,996	5,652	6,923	6,143
Others	11,259	13,400	14,511	16,412	17,846
Current liabilities	26,207	20,591	25,225	27,259	30,142
LT borrowings	492	10,948	11,387	3,979	3,979
Deferred tax liabilities	691	855	987	1,101	1,243
Others	3,966	3,824	4,198	4,481	4,567
Total non-current liabilities	5,149	15,627	16,571	9,562	9,789
Shareholders' equity	34,400	51,460	58,668	67,446	78,074
Minority interest	3,439	4,550	5,591	6,924	8,546
Total equity	37,839	56,010	64,259	74,370	86,620
Total liabilities and equity	69,195	92,228	106,056	111,191	126,550

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates



Consolidated cash flow statement

As of Dec 31 (RMB mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Pretax profit	11,355	15,640	18,632	22,247	26,694
Depreciation & amortization	4,464	4,987	5,045	5,964	6,321
Change in working capital	(1,598)	1,659	(2,031)	(831)	(882)
Others	(2,074)	(2,652)	(5,133)	(6,730)	(8,077)
Cash flow from operating activities	12,147	19,634	16,513	20,651	24,055
Change in PP&E	(974)	(427)	(189)	(292)	(88)
Others	(3,800)	(25,366)	(12,774)	(17,497)	(23,812)
Cash flow from investing activities	(4,774)	(25,793)	(12,963)	(17,790)	(23,900)
Change in borrowing	(1,403)	442	2,095	(6,137)	(780)
Dividend paid	(3,950)	(4,250)	(5,390)	(6,366)	(7,587)
Others	(2,488)	7,279	8,007	8,808	8,808
Cash flow from financing activities	(7,841)	3,471	4,712	(3,695)	440
Net change in cash	(468)	(2,688)	8,263	(833)	596
Forex effect	254	538	289	276	339
Cash at the end of FY	17,378	15,228	23,779	23,222	24,157

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

Key operating and financial ratios

As of Dec 31	FY22A	FY23A	FY24E	FY25E	FY26E
Growth (YoY %)					
Revenue	8.8	16.2	14.4	14.9	15.8
- ANTA Brand	15.5	9.3	9.9	10.6	11.1
- FILA Brand	(1.4)	16.6	13.3	13.7	14.2
- Other brands	26.1	57.7	37.5	33.4	33.5
Gross profit	6.3	20.8	15.4	15.8	17.3
EBIT	2.2	36.8	14.4	15.9	19.5
Net profit (to owners of the company)	(1.7)	34.9	21.1	18.6	19.9
Profitability ratios (%)					
GPM	60.2	62.6	63.2	63.7	64.6
OPM	20.9	24.6	24.6	24.9	25.7
Pretax	21.2	25.1	26.1	27.2	28.1
NPM (to owners of the company)	14.1	16.4	17.4	17.9	18.6
Revenue contribution (%)					
- ANTA Brand	51.7	48.6	46.7	45.0	43.1
- FILA Brand	40.1	40.3	39.9	39.5	38.9
- Other brands	8.2	11.1	13.4	15.6	17.9
Return ratios (%)					
ROAA	12.5	14.0	13.6	14.8	16.2
ROAE	24.0	23.8	22.5	23.3	24.2
Liquidity ratio (x)					
Current ratio	1.6	2.5	2.6	2.5	2.7
Quick ratio	1.3	2.2	2.2	2.1	2.3
Cash ratio	1.1	1.8	1.8	1.8	1.9
Cash conversion cycle (days)					
Days of outstanding receivable	21	20	21	21	20
Days of inventory on hand	138	123	125	130	129
Days of outstanding payable	50	47	51	56	51
CCC	109	96	95	96	98
Leverage ratios (%)					
Total debt to Equity	33.5	26.7	26.5	14.7	11.7
Total debt to Total assets	18.3	16.2	16.1	9.8	8.0
Net (cash) / debt to Equity	(39.6)	(38.8)	(45.2)	(50.1)	(55.9)
Net (cash) / debt to Total assets	(21.7)	(23.6)	(27.4)	(33.5)	(38.3)

Note: items may not sum up due to rounding

Source(s): The Group, ABCI Securities estimates

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Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 7\%$)
Hold	- Market return rate ($\sim 7\%$) \leq Stock return rate $<$ Market return rate ($\sim 7\%$)
Sell	Stock return $<$ - Market return ($\sim 7\%$)

Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2005 (HSI total return index 2005-23 averaged at 7.4%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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