

Anta Sports (2020 HK)

Improving 4Q24 retail sales performance shows strength

- 4Q24 retail sales growth of brands improved despite high-base effect
- New convertible bond to benefit the capital structure
- Maintain **BUY**; TP represents 24.0x/20.6x 24E/25E P/E, or 5.1x/4.5x 24E/25E P/B

4Q24 retail sales growth improved. In 4Q24, ANTA and FILA brands both achieved high-single digit YoY retail sales growth, while the retail sales growth of other brands was between 50-55% YoY. Retail sales performance of the brands was relatively strong considering the high base in 4Q23. For FILA brand, 4Q24 retail sales growth improved on the lackluster performance in 2Q24 & 3Q24, showing signs of turnaround of the brand. We believe the Group's 4Q24 performance was supported by the major sales events in the quarter and the adjustment of product and sales channel strategies. For FY24, ANTA and FILA brands achieved YoY retail sales growth of high-single digit and mid-single digit; retail sales of other brands grew by 40-45% YoY. FY24 retail sales growth of ANTA brand was similar to that of FY23, but FILA and other brands both saw slower YoY growth in FY24. The Group's annual retail sales performance reflected the challenging consumer environment in FY24. We project in FY24E total revenue growth to be 11.3% YoY; revenue of ANTA, FILA and other brands to grow by 9.4% YoY, 5.3% YoY, and 41.0% YoY. We expect overall revenue growth to further improve in FY25E & FY26E. FY23-26E revenue CAGR is projected to be 12.3%.

New convertible bond to benefit capital structure. The Group also announced the complete cancellation of the old convertible bond due in 2025. After factoring in the new convertible bond issuance and cancellation of the previous convertible bond, we project the Group's total borrowings-to-total asset ratio and total borrowings-to-total equity would increase to 19.1% and 33.0% as of end-FY24E, and reach 15.3% and 24.7% as of end-FY25E. We believe the new convertible bond would provide the Group with lower financing costs and lower overall cost of capital, further benefiting the Group's margin performance and valuation.

Maintain BUY; TP at HK\$ 107.9. The Group has demonstrated resilience by delivering improved retail sales growth in 4Q24 and successfully navigated the challenging consumer market conditions. We believe its market leadership position has been strengthened in the process. Maintain **BUY**. DCF-derived TP represents 24.0x/20.6x 24E/25E P/E, or 5.1x/4.5x 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; 6) Increasing share price volatility after market rebound.

Results and Valuation

As of Dec 31	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	53,651	62,356	69,393	78,098	88,381
Chg (% YoY)	8.8	16.2	11.3	12.5	13.2
Net Profit (RMB mn)	7,590	10,236	11,973	13,954	16,839
Chg (% YoY)	(1.7)	34.9	17.0	16.5	20.7
Basic EPS (RMB)	2.82	3.69	4.24	4.94	5.96
Chg (% YoY)	(1.7)	30.9	14.9	16.5	20.7
P/E (x)	26.34	20.13	17.5	15.0	12.46
BVPS (RMB)	12.68	18.17	19.97	22.72	26.20
P/B (x)	5.86	4.09	3.7	3.3	2.84
DPS(HK cent)	134	197	231	263	314
Yield (%)	1.7	2.5	2.9	3.3	4.0
ROAA (%)	12.5	14.0	13.1	13.9	15.4
ROAE (%)	24.0	23.8	22.2	23.2	24.4

Source(s): The Group, ABCI Securities estimates

Company Report

Jan 10, 2025

Rating: BUY

TP: HK\$ 107.9

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Share price (HK\$)	78.60
52 wk High/Low (HK\$)	107.5/60.2
Est. share price return	37.3%
Est. dividend yield	2.9%
Est. total return	40.2%
Previous Rating & TP	BUY; HK\$107.9
Previous Report Date	Dec 2, 2024

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (bn)	2.8
Mkt cap (HK\$ bn)	221.9
3 mth ADT (HK\$mn)	925.4

Major shareholder (%)	
Anta International	42.45

Source(s): The Group, Bloomberg, HKEX

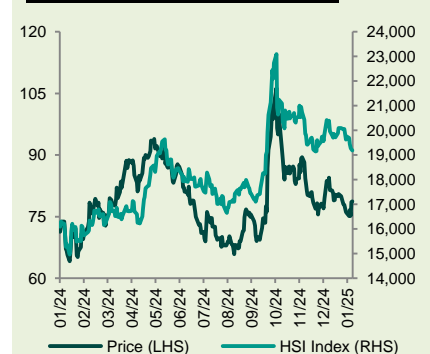
Share performance (%)

	Absolute	Relative*
1-mth	(6.0)	0.0
3-mth	(17.1)	(10.1)
6-mth	13.0	3.5

* Relative to HSI

Source(s): Bloomberg, ABCI Securities

1-year price performance(HK\$)



Source(s): Bloomberg, ABCI Securities

Note:

- All pricing and market data as of Jan 9, 2025;
- RMB/HKD: 1.0580;
- Net profit and related measures refer 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 (%)	33.0	24.7	33.0	20.7	
D/A (%)	19.1	15.3	19.1	13.2	Change is based on latest announcement
Tax rate (%)	27.9	27.9	27.9	27.9	
Valuations					
TP (HK\$)	107.9		107.9		Valuation ratio change is mainly due to
P/E (x)	24.0	20.6	23.5	20.4	change in number of shares and profit
P/B (x)	5.1	4.5	5.0	4.4	projections

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	69,393	78,098	88,381	69,393	78,098	88,381	0.0	0.0	0.0
Net profit (to owners of the Company)	11,973	13,954	16,839	12,136	13,929	16,713	(1.3)	0.2	0.8
EPS (RMB)	4.24	4.94	5.96	4.28	4.92	5.90	(1.0)	0.5	1.1

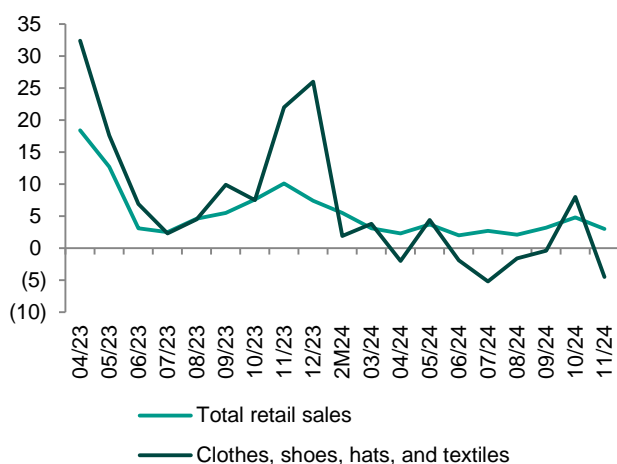
Source(s): ABCI Securities estimates

Exhibit 3: Retail sales value YoY change

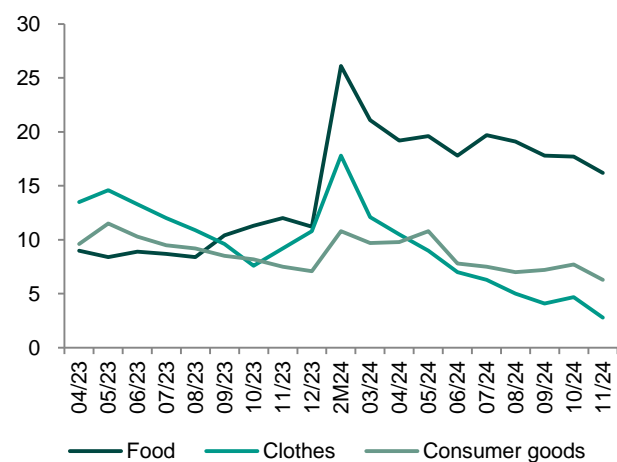
Brand	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
ANTA	mid-single digit +	high-single digit -	mid-single digit +	high-single digit +	high-single digit +	high-teens +	mid-single digit +	high-single digit +	mid-single digit +	high-single digit +
FILA	low teens +	low teens -	high-single digit +	high-teens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

Note: + = growth; - = decline

Source(s): The Group, ABCI Securities

Exhibit 4: Total retail sales vs. retail sales of "Clothes, shoes, hats, and textiles" (YoY %)


Source(s): NBS, ABCI Securities

Exhibit 5: Online retail sales of physical goods by category (YTD 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	69,393	78,098	88,381
- ANTA brand	27,723	30,306	33,159	36,699	40,680
- FILA brand	21,523	25,103	26,440	28,396	31,288
- Other brands	4,405	6,947	9,793	13,003	16,413
COGS	(21,333)	(23,328)	(25,640)	(28,468)	(31,463)
Gross profit	32,318	39,028	43,753	49,630	56,919
Other net income/(loss)	2,128	1,705	1,931	2,123	2,425
S&D expenses	(19,629)	(21,673)	(24,628)	(27,562)	(30,781)
Admin expenses	(3,587)	(3,693)	(4,181)	(4,749)	(5,406)
Operating profit	11,230	15,367	16,874	19,442	23,156
Net finance income/(expense)	97	991	375	613	963
Share of gain/(loss) from JV	28	(718)	0	0	0
Share of gain/(loss) from associate	0	0	747	1,057	1,385
Pretax profit	11,355	15,640	17,996	21,112	25,505
Tax	(3,110)	(4,363)	(5,017)	(5,894)	(7,115)
Net profit	8,245	11,277	12,979	15,218	18,389
- Owners of the company	7,590	10,236	11,973	13,954	16,839
- Minority interest	655	1,041	1,006	1,264	1,550
Dividend	3,360	5,188	6,172	7,019	8,391
EPS (RMB)					
- Basic	2.82	3.69	4.24	4.94	5.96
- Diluted	2.76	3.60	4.23	4.93	5.94
DPS (HK cent)	134	197	231	263	314

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	23,093	24,613	25,966
Trade receivables	2,978	3,732	4,169	4,758	4,851
Inventory	8,490	7,210	10,340	10,008	12,195
Others	13,750	25,970	26,187	31,559	41,794
Current assets	42,596	52,140	63,790	70,939	84,806
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	0	0	0
Investment in associate	0	0	12,802	12,802	12,802
Others	2,987	15,666	25,902	24,540	23,983
Non-current assets	26,599	40,088	41,624	41,890	41,508
Total assets	69,195	92,228	105,414	112,829	126,314
Trade payables	2,750	3,195	4,774	3,803	5,523
ST borrowings	12,198	3,996	4,910	2,718	2,213
Others	11,259	13,400	14,347	16,178	17,591
Current liabilities	26,207	20,591	24,031	22,699	25,326
LT borrowings	492	10,948	15,230	14,555	13,815
Deferred tax liabilities	691	855	953	1,045	1,188
Others	3,966	3,824	4,198	4,481	4,567
Total non-current liabilities	5,149	15,627	20,381	20,082	19,569
Shareholders' equity	34,400	51,460	56,370	64,152	73,972
Minority interest	3,439	4,550	4,632	5,896	7,446
Total equity	37,839	56,010	61,002	70,048	81,418
Total liabilities and equity	69,195	92,228	105,414	112,829	126,314

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	17,996	21,112	25,505
Depreciation & amortization	4,464	4,987	5,045	5,964	6,321
Change in working capital	(1,598)	1,659	(1,565)	(592)	(765)
Others	(2,074)	(2,652)	(4,309)	(5,175)	(6,318)
Cash flow from operating activities	12,147	19,634	17,167	21,310	24,743
Change in PP&E	(974)	(427)	(189)	(292)	(88)
Payment for the Amer Sports Cornerstone Investment	0	0	(1,595)	0	0
Others	(3,800)	(25,366)	(15,571)	(18,129)	(22,736)
Cash flow from investing activities	(4,774)	(25,793)	(15,760)	(18,421)	(22,824)
Change in borrowing	(1,403)	442	5,196	(2,867)	(1,246)
Dividend paid	(3,950)	(4,250)	(7,034)	(7,586)	(8,468)
Others	(2,488)	7,279	8,007	8,808	8,808
Cash flow from financing activities	(7,841)	3,471	6,169	(1,645)	(906)
Net change in cash	(468)	(2,688)	7,577	1,244	1,013
Forex effect	254	538	289	276	339
Cash at the end of FY	17,378	15,228	23,093	24,613	25,966

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	11.3	12.5	13.2
- ANTA Brand	15.5	9.3	9.4	10.7	10.8
- FILA Brand	(1.4)	16.6	5.3	7.4	10.2
- Other brands	26.1	57.7	41.0	32.8	26.2
Gross profit	6.3	20.8	12.1	13.4	14.7
EBIT	2.2	36.8	9.8	15.2	19.1
Net profit (to owners of the company)	(1.7)	34.9	17.0	16.5	20.7
Profitability ratios (%)					
GPM	60.2	62.6	63.1	63.5	64.4
OPM	20.9	24.6	24.3	24.9	26.2
Pretax	21.2	25.1	25.9	27.0	28.9
NPM (to owners of the company)	14.1	16.4	17.3	17.9	19.1
Revenue contribution (%)					
- ANTA Brand	51.7	48.6	47.8	47.0	46.0
- FILA Brand	40.1	40.3	38.1	36.4	35.4
- Other brands	8.2	11.1	14.1	16.7	18.6
Return ratios (%)					
ROAA	12.5	14.0	13.1	13.9	15.4
ROAE	24.0	23.8	22.2	23.2	24.4
Liquidity ratio (x)					
Current ratio	1.6	2.5	2.7	3.1	3.3
Quick ratio	1.3	2.2	2.2	2.7	2.9
Cash ratio	1.1	1.8	1.9	2.2	2.5
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	33.0	24.7	19.7
Total debt to Total assets	18.3	16.2	19.1	15.3	12.7
Net (cash) / debt to Equity	(39.6)	(38.8)	(40.3)	(48.2)	(57.6)
Net (cash) / debt to Total assets	(21.7)	(23.6)	(23.3)	(29.9)	(37.1)

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 ($\sim 8\%$)
Hold	- Market return rate ($\sim 8\%$) \leq Stock return rate $<$ Market return rate ($\sim +8\%$)
Sell	Stock return $<$ - Market return ($\sim 8\%$)

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 2005-24 average return at 8.2%)
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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