

Anta Sports (2020 HK) 4Q20 performance further improved

- Retail sales of the ANTA Brand and the FILA Brand recorded a low single-digit growth and 25%-30% growth in 4Q20; retail sales of other brands rose 55%-60%
- In FY20, retail sales growth of the FILA Brand and other brands were double-digit and 35%-40%, while ANTA Brand recorded a mid-single-digit decline
- Expect revenue CAGR of 20.1% in FY19-22E
- Maintain BUY; current TP implies 39.99x/28.09x 21E/22E P/E, or 11.00x/8.64x 21E/22E P/B

Overall retail sales momentum continues to recover. In 4Q20, retail sales growth of the ANTA Brand was similar to that of 3Q20 at a low single-digit level. During the same period, retail sales growth rates of the FILA Brand and other brands were 25%-30% and 55%-60%, compared to 20%-25% and 50%-55% in 3Q20. For FY20, the retail sales growth rates of the FILA Brand and other brands were double-digit and 35%-40%, while ANTA Brand recorded a mid-single-digit decline. We believe improvement of retail sales growth rate in 4Q20 shows the Group's execution capability in implementing its growth strategy aided by a healthy consumer market.

Disposal of Precor for a consideration of US\$ 420mn. On Dec 21, 2020, the Group announced the disposal of Precor, a subsidiary of the Group's JV. Total consideration was US\$ 420mn, which represents 66.67x/40.00x FY19/FY18 P/E. US\$ 10.54mn (52.7% of the net gain of US\$ 20mn) on the disposal would be reflected as part of the Group's share of profit or loss of JV upon completion. The amount represents ~1% of our FY20E projected pretax profit of the Group.

Inclusion to Hang Seng Index strengthens market's confidence. The Group became a constituent of the Hang Seng Index effective on Dec 7, 2020. We believe the strong track record of the Group over the years has supported the increasing share price and the inclusion, which would further boost market confidence. The Group's share price in last 6 months outperformed HSI by 64.09%.

Expect revenue CAGR of 20.1% in FY19-22E. Based on the quarterly results, we mostly maintain our previous forecasts. FY19-22E revenue CAGRs for the ANTA brand and the FILA brand would be 9.1% and 29.1%; GPM and NPM (to shareholders of the Company) would improve to 59.4% and 20.8% in FY22E from 55.0% and 15.8% in FY19.

Maintain BUY, TP at HK\$ 152.1. Maintain BUY. We raise our DCF-derived TP as we roll over our DCF forecast period by one year. Current TP represents 39.99x/28.09x 21E/22E P/E, or 11.00x/8.64x 21E/22E P/B.

Risk factors: 1) Macroeconomic risk; 2) Regulatory risk; 3) Commodity price risk 4) Changing consumer taste in China, 5) Business acquisition risk; 6) Potential resurgence of COVID-19 pandemic.

Results and Valuation

FY ended Dec 31	2018A	2019A	2020E	2021E	2022E
Revenue (RMB mn)	24,100	33,928	37,460	46,687	58,789
Chg (% YoY)	44.4	40.8	10.4	24.6	25.9
Net Profit (RMB mn)	4,103	5,344	5,881	8,585	12,225
Chg (% YoY)	32.8	30.3	10.0	46.0	42.4
Basic EPS (RMB cent)	152.82	198.70	217.54	317.58	452.21
Chg (% YoY)	30.6	30.0	9.5	46.0	42.4
P/E (x)	70.76	54.42	49.71	34.05	23.91
BVPS (RMB)	5.88	7.43	9.18	11.55	14.71
P/B (x)	18.40	14.55	11.78	9.36	7.35
DPS(HK cent)	78.00	67.00	50.75	96.45	163.68
Yield (%)	0.6	0.5	0.4	0.9	1.3
ROAA (%)	19.5	17.1	12.7	14.9	17.9
ROAE (%)	27.8	29.8	26.2	30.6	34.4

Source(s): Company, ABCI Securities estimates

Company Report

Jan 15, 2021

Rating: BUY

TP: HK\$ 152.1

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Share price (HK\$)	129.50
52 wk High/Low (HK\$)	135/42
Est. share price return	17.45%
Est. dividend yield	0.39%
Est. total return	17.84%
Previous Rating&TP	BUY;HK\$98.9
Previous Report Date	Oct 19, 2020

Source(s): Bloomberg, ABCI Securities estimates

Key Data

Issued shares (mn)	2,703.33
Mkt cap (HK\$m)	350,081.11
3 mth days ADT (HK\$m)	818.14
Shareholding (%)	
Anta International	50.82
Anda Holdings	5.95
Anda Investments	4.27

Source(s): Company, Bloomberg, HKEX

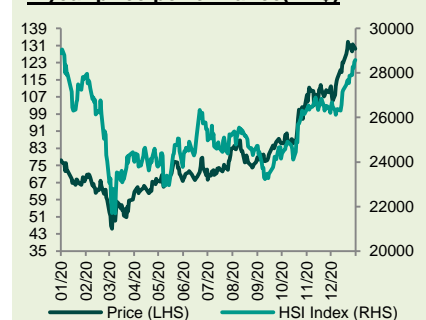
Share performance (%)

	Absolute	Relative*
1-mth	16.25	7.22
3-mth	51.82	33.41
6-mth	77.04	64.09

* 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 Jan 15, 2021
- 2) RMB/HKD: 1.1975

Exhibit 1: Changes in assumptions, projections, and valuations

As of Dec 31	Current report		Previous report		Rationale
	FY20E	FY21E	FY20E	FY21E	
Assumptions					
D/E (%)	68.5	54.2	68.5	54.2	N/A
D/A (%)	33.1	27.3	33.1	27.3	N/A
Tax rate (%)	27.7	27.5	27.7	27.5	N/A
Revenue growth (YoY %)	10.4	24.6	10.4	24.6	N/A
Valuations					
TP (HK\$)	152.1		98.9		TP and valuation increases on DCF forecast period rolling over by one year
P/E (x)	58.39	39.99	39.65	26.89	
P/B (x)	13.84	11.00	9.32	7.41	

Note: 1) Previous report was published on Oct 19, 2020

Source(s): The Company, ABCI Securities estimates

Exhibit 2: Changes in major forecasts

FY ends at Dec 31	Current report			Previous report			Change (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
Revenue (RMB mn)	37,460	46,687	58,789	37,460	46,687	58,789	0.0	0.0	0.0
Net profit (to owners of the Company) (RMB mn)	5,881	8,585	12,225	5,824	8,585	12,225	1.0	0.0	0.0
EPS (RMB cent)	218	318	452	215	318	452	1.2	0.0	0.0

Source(s): ABCI Securities estimates



Financial Statements

Consolidated income statement

FY ends at Dec 31 (RMB mn, except per share data)	2018A	2019A	2020E	2021E	2022E
Revenue	24,100	33,928	37,460	46,687	58,789
COGS	(11,413)	(15,269)	(15,970)	(19,629)	(23,858)
Gross profit	12,687	18,659	21,490	27,058	34,931
Other net income/(loss)	760	1,070	1,143	1,400	1,779
S&D expenses	(6,525)	(9,721)	(10,882)	(13,926)	(16,674)
Admin expenses	(1,223)	(1,313)	(2,429)	(2,509)	(3,156)
Operating profit	5,700	8,695	9,322	12,024	16,880
Net finance income/(expense)	68	(53)	(944)	(1,074)	(935)
Pretax profit	5,767	8,008	8,321	12,110	17,245
Tax	(1,533)	(2,384)	(2,304)	(3,325)	(4,735)
Net profit	4,234	5,624	6,017	8,785	12,510
- Owners of the company	4,103	5,344	5,881	8,585	12,225
- Minority interest	131	280	136	200	285
Dividend	1,842	1,642	1,146	2,177	3,695
EPS (RMB cent)					
- Basic	153	199	218	318	452
- Diluted	153	199	211	308	439
DPS (HK cent)	78	67	49	93	158

Source(s): Company, ABCI Securities estimates

Consolidated balance sheet

FY ends at Dec 31 (RMB mn)	2018A	2019A	2020E	2021E	2022E
Cash and cash equivalent	9,284	8,221	21,359	23,081	27,387
Other ST deposit	2,470	4,386	5,440	5,870	6,951
Trade and other receivables	4,638	6,309	4,397	8,110	9,925
Inventory	2,892	4,405	4,075	4,964	5,846
Current assets	19,284	23,321	35,271	42,025	50,109
PP&E	1,787	2,148	2,318	2,938	3,494
Construction in progress	749	421	464	618	717
Intangible assets	685	678	658	641	618
Others	1,868	14,651	15,008	18,285	20,318
Non-current assets	5,090	17,898	18,448	22,481	25,146
Total assets	24,374	41,219	53,720	64,506	75,254
Trade and other payables	5,633	7,584	7,108	10,448	10,431
ST borrowings	1,244	2,559	3,934	3,811	4,858
Others	671	2,269	1,871	2,517	3,196
Current liabilities	7,548	12,412	12,913	16,776	18,485
LT debt	70	6,644	13,827	13,827	13,827
Deferred tax assets	236	256	120	188	191
Others	0	846	927	1,175	1,397
Total non-current liabilities	306	7,746	14,874	15,190	15,415
Shareholders' equity	15,777	20,082	24,817	31,225	39,754
Minority interest	743	979	1,115	1,315	1,600
Total equity	16,520	21,061	25,932	32,540	41,354
Total liabilities and equity	24,374	41,219	53,720	64,506	75,254

Source(s): Company, ABCI Securities estimates

Consolidated cash flow statement

FY ends at Dec 31 (RMB mn)	2018A	2019A	2020E	2021E	2022E
Pretax profit	5,767	8,008	8,321	12,110	17,245
Depreciation & amortization	342	1,469	1,668	2,094	2,504
Change in working capital	(444)	(802)	(2,474)	(2,522)	(2,712)
Others	(1,226)	(1,190)	(3,125)	(4,083)	(5,813)
Cash flow from operating activities	4,440	7,485	4,389	7,599	11,223
CapEx	(808)	(1,087)	(714)	(820)	(956)
Others	(393)	(11,978)	2,288	(2,509)	(3,257)
Cash flow from investing activities	(1,201)	(13,065)	1,574	(3,329)	(4,213)
Bank borrowing	1,008	6,436	8,559	(123)	1,046
Dividend paid	(2,468)	(1,514)	(1,033)	(2,002)	(3,383)
Others	324	(252)	(277)	(305)	(335)
Cash flow from financing activities	(1,136)	4,670	7,249	(2,430)	(2,672)
Net change in cash	2,102	(910)	13,212	1,840	4,339
ForEx effect	214	(153)	(73)	(119)	(33)
Cash at the end of FY	9,284	8,221	21,359	23,081	27,387

Source(s): Company, ABCI Securities estimates

Key operating and financial ratios

FY ends at Dec 31	2018A	2019A	2020E	2021E	2022E
Growth (YoY %)					
Revenue	44.4	40.8	10.4	24.6	25.9
- ANTA Brand	N/A	21.8	0.9	13.4	13.5
- FILA Brand	N/A	73.9	19.0	34.2	34.8
Gross profit	54.0	47.1	15.2	25.9	29.1
EBIT	42.9	52.5	7.2	29.0	40.4
Net profit (to owners of the company)	32.8	30.3	10.0	46.0	42.4
Profitability ratios (%)					
GPM	52.6	55.0	57.4	58.0	59.4
OPM	23.7	25.6	24.9	25.8	28.7
Pretax	23.9	23.6	22.2	25.9	29.3
NPM (to owners of the company)	17.0	15.8	15.7	18.4	20.8
Revenue contribution (%)					
- ANTA Brand	59.4	51.4	47.0	42.8	38.6
- FILA Brand	35.2	43.5	46.9	50.5	54.0
- Other brands	5.3	5.0	6.1	6.7	7.4
Return ratios (%)					
ROAA	19.5	17.1	12.7	14.9	17.9
ROAE	27.8	29.8	26.2	30.6	34.4
Liquidity ratio (x)					
Current ratio	2.55	1.88	2.73	2.51	2.71
Quick ratio	2.17	1.52	2.42	2.21	2.39
Cash ratio	1.56	1.02	2.08	1.73	1.86
Cash conversion cycle (days)					
Days of outstanding receivable	34.8	34.4	37.0	35.6	35.8
Days of inventory on hand	80.7	87.2	96.9	84.0	82.7
Days of outstanding payable	51.8	56.8	56.7	53.9	54.7
CCC	63.7	64.8	77.2	65.7	63.7
Leverage ratios (%)					
Total debt/Equity	8.0	43.7	68.5	54.2	45.2
Total debt/Total assets	5.4	22.3	33.1	27.3	24.8
Net cash/Equity	60.4	13.7	32.7	32.8	36.2
Net cash/Total assets	40.9	7.0	15.8	16.6	19.9

Note: The Group has not disclosed the FY17 revenue breakdown by brands

Source(s): Company, ABCI Securities estimates

Disclosures

Analyst Certification

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Definition of equity rating

Rating	Definition
Buy	Stock return \geq Market return rate ($\sim 10\%$)
Hold	- Market return ($\sim 10\%$) \leq Stock return $<$ Market return rate ($\sim 10\%$)
Sell	Stock return $<$ - Market return ($\sim 10\%$)

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 2008 (HSI total return index 2008-20 CAGR at 9.2%)

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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