

# Anta Sports (2020.HK)

**Strong 18H1 Results with FILA Continuing Rapid Growth**  
 Hong Kong | Consumer | Company report

23 October 2018

## Investment Summary

Anta is a leading sportswear player in PRC. During previous three quarters, Anta delivered strong results and Q4 performance is expected to maintain strong, given more festival promotions and online shopping festival to boost sales. Previously, Anta announced potential acquisition of Amer Sports, a Finnish-based leading sportswear producer, together with a PE fund, which will enrich Anta's product portfolio further. We maintain TP HKD47.3. (Closing price at 19 Oct 2018)

## BUY

CMP HKD31.3

(Closing price at 19 Oct 2018)

TARGET HKD47.3 (+51%)

## Company Business

**Q3 results beat expectation.** In Q3, retail sales of Anta biz recorded mid-teens growth, while sales of other bizs (excluding brands newly joined to the Group) recorded 90%-95% yoy growth. According to Mgt, monthly sales per Anta store increased by 10% yoy to around RMB230k and that of Anta Kids rose from RMB110k to RMB120k. For Fila, due to effective adjustment especially in large stores, monthly sales per store was up by around 20% to RMB600k in Q3. On Descente, the product mix was improved given more thin dress was provided to cater for summer needs, boosting sales.

Figure: Quarter performance

	18Q3	18Q2	18Q1	17Q4	17Q3	17Q2
Anta	Mid-teens	Low-teens	+20%~25%	+20%~25%	Mid-teens	+20%~30%
Others	+90%-95%	+90%-95%	+80%~85%	+85%~90%	+40%~50%	+50%~60%

**Proposed acquisition will affect dividend paid out but enrich brand mix.** In Sep, Anta issued a takeover bid to a Finnish sporting goods giant, Amer Sports, for a cash stake of EUR40 a share, in conjunction with a private equity fund Fountain Vest. Amer is a Finland-based company engaged in manufacturing, marketing and marketing of sports equipment and footwear. Its products are sold through eight major brands, including Wilson, Salomon, Precor, Atomic, Mavic, Suunto, Arc'teryx and Louisville Slugger. The company conducts international business in more than 30 countries, with US, Europe and Japan as main market areas. In 2017, Amer's net profit fell sharply, mainly because of a one-off divestiture of intangible assets. In 2018, thanks to the recovery of the North American market and the strong growth in Asia Pacific region, operation results clearly recovered. Although the acquisition is still uncertain, but once it succeeds, Anta's brand line will be further extended, and it will be an important step to enter the international sports market. However, management indicated that the next two or three years dividend paid-out may be reduced to ensure acquisition funds required, but it will recover gradually in future.

**Q4 results are expected to be good.** Second half is usually peak season for retail industry. Moreover, large e-commerce promotion activities and festival promotions are also expected to boost Q4 sales. We highlight that Fila launches a sub-brand Fila Youth and continuously improves its store performance, meanwhile, Descente is expected to deliver better results in winter sports season. We are optimistic about overall Q4 results.

Figure: Main bizs

Brand	Target market	Product
Anta	Mass market	Functional sportswear products for running, cross-training, basketball and soccer
Anta Kids		Kid's sportswear products
Sprandi		Fashion and lifestyle sportswear products
Fila	High-end market	Sports fashion products
Descente		High performance sportswear products for skiing, cross-training and running
Kolon		Outdoor sportswear products

## COMPANY DATA

O/S SHARES (MN) :	2,639
MARKET CAP (HKDMN) :	106,456
52 - WK HI/LO (HKD):	49.3 / 27.86

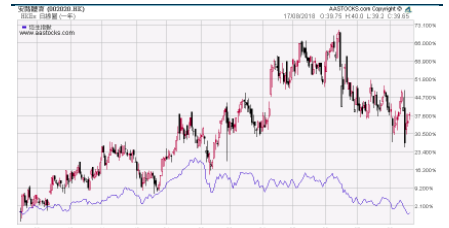
## SHARE HOLDING PATTERN , %

Direct Ding and Associates.	51.19
Ding Yall	5.99

## PRICE PERFORMANCE , %

	1M	3M	1Y
ANTA	-2.09	-11.69	30.88
HSI	-3.58	-12.87	0.62

## RETURN VS. HSI



Source: Aastocks, Phillip Securities

## KEY FINANCIALS

RMB mn	FY16	FY17	FY18E	FY19E
Net Sales	13,346	16,692	20,699	25,459
Net Profit	2,386	3,088	3,881	4,853
EPS, RMB	0.95	1.17	1.47	1.84
PER, x	32.82	26.75	21.28	17.02
BVPS, RMB	4.24	6.12	5.44	5.74
P/BV, x	7.38	5.11	5.75	5.45
ROE, %	24.98	22.53	25.61	30.06

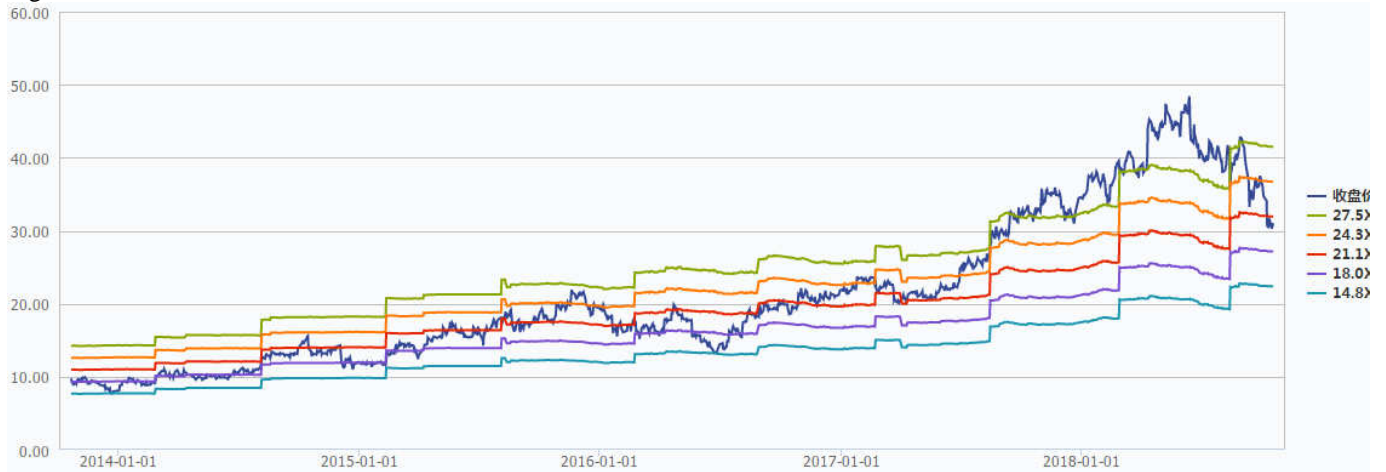
Source: Company, Phillip Securities Est.

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## Valuation & Risks

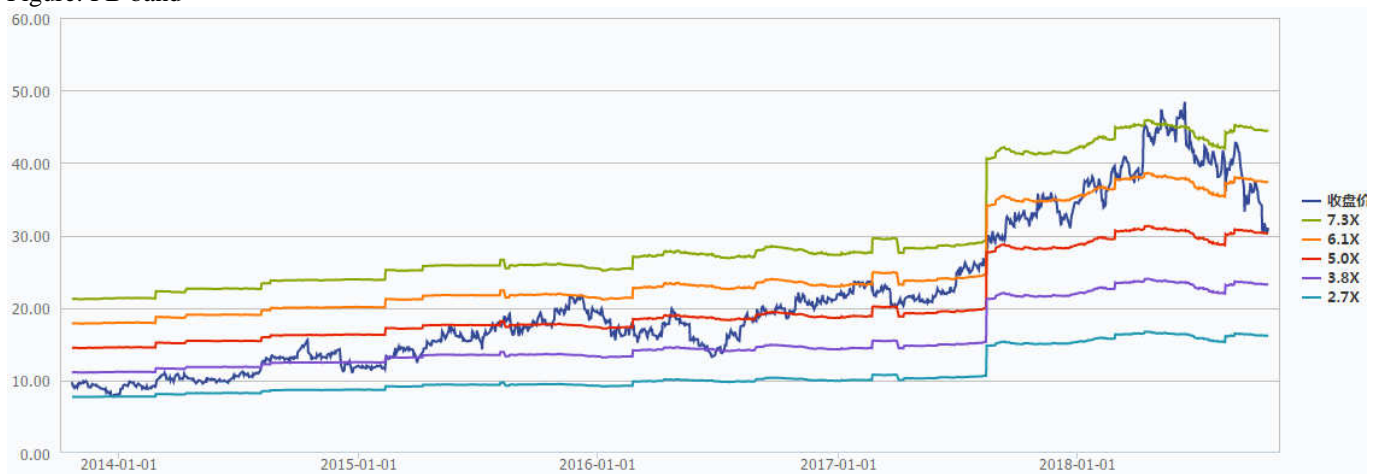
**We maintain target price HKD47.3:** Projected EPS is RMB1.47/1.84 in 18E/19E and target price is maintained as HKD47.3. **Risks include:** Rising selling and R&D expenses; Sluggish retail market; Inefficiency resulting from so many brands under operation.

Figure: PE band



Source: Wind (as at Oct 19th), Phillip Securities

Figure: PB band



Source: Wind (as at Oct 19th), Phillip Securities

## Financials

FYE	FY2015	FY2016	FY2017	FY2018E	FY2019E
<b>Valuation Ratios</b>					
Price to Earnings (P/E)	38.33	32.82	26.75	21.28	17.02
Price to Book (P/B)	7.76	7.38	5.11	5.75	5.45
<b>Per Share Data (RMB)</b>					
EPS	0.82	0.95	1.17	1.47	1.84
Book Value Per Share	4.03	4.24	6.12	5.44	5.74
Dividend Per Share	0.68	0.76	0.98	1.18	1.47
<b>Growth (%)</b>					
Revenue	24.69	19.95	25.08	24.00	23.00
Gross Profit	28.77	24.56	27.59	24.07	23.25
Operating Income	33.57	18.79	24.52	28.03	25.06
Net Profit	20.01	16.91	29.44	25.68	25.06
<b>Margins (%)</b>					
Gross Profit Margin	46.61	48.40	49.37	49.40	49.50
Operating Profit Margin	24.24	24.00	23.90	24.67	25.09
Net Profit Margin	18.34	17.87	18.50	18.75	19.06
<b>Key Ratios</b>					
ROE (%)	23.78	24.98	22.53	25.61	30.06
ROA (%)	16.32	18.37	21.71	22.18	25.44
<b>Income Statement (RMB Mn)</b>					
Revenue	11,125.9	13,345.8	16,692.5	20,698.7	25,459.4
- Cost of Goods Sold	-5,940.5	-6,886.7	-8,451.3	10,473.5	12,857.0
Gross Income	5,185.4	6,459.0	8,241.1	10,225.2	12,602.4
- Operating Expenses	-2,488.7	-3,255.7	-4,252.4	-5,118.3	-6,215.8
Operating Income	2,696.7	3,203.4	3,988.7	5,106.9	6,386.6
-Interest Expenses	132.6	107.5	321.8	255.3	319.3
Pretax Income	2,829.3	3,310.9	4,310.6	5,362.2	6,705.9
-Tax	-741.1	-866.3	-1,151.7	-1,394.2	-1,743.5
- Minority Interest	-47.7	-59.0	-71.0	-87.3	-109.2
Net Profit	2,040.6	2,385.5	3,087.8	3,880.7	4,853.2

Source: Company, Phillip Securities (HK) Research Estimates

Exchange rate assumption is 0.857RMB/HKD.

(Financial figures as at 19 Oct 2018)

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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