

Anta Sports (2020 HK)

Prudent targets but the trend is encouraging

FY24 results were inline with BBG est. FY25E guidance is conservative but retail sales trend in Jan-Feb 2025 was encouraging. On top of fairly solid outdoor segment growth, positives from Anta and FILA reforms may gradually deliver.

- **Performance during Jan-Feb 2025 was inline, if not better than targets.** Management highlighted retail sales growth for Anta/ FILA/ Descente/ Kolon during Jan-Feb 2025 was at HSD or better/ MSD or better/ 40%+/ 60%+. These are all either inline with or ahead of the FY25E guidance. In terms of inventory to sale ratio, it was roughly at 5 months for both Anta and FILA which is the same as 5 months in 4Q24 and higher than the 4.5 to 5 months in 1Q24, and therefore the retail discounts have also deepened mildly YoY.
- **A very prudent FY25E guidance, but that is still within investors' expectation.** The Company has outlined sales growth guidance of HSD/ MSD/ 30%+/ 30%+ for Anta/ FILA/ Descente/ Kolon, rather conservative against its long-term targeted growth rate but still very reasonable given the macro headwinds experienced in 4Q24. In terms of OP margin, management is targeting a 20%-25%/ around 25%/ 25%-30%/ 25%-30% for Anta/ FILA/ Descente/ Kolon in FY25E, without much change YoY.
- **For Anta, we are relatively more confident, as the positives yielded by various reforms may gradually deliver.** We think a HSD sales growth for Anta in FY25E is highly achievable, supported by: **1)** opening of more Anta Super stores, where the store count may reach 100+ by the end of the year (vs around 50 in FY24) and sales per store are at least 2x higher vs a regular Anta adult store, **2)** ramp up of Anta Champion stores, where sales per store are at RMB 500K or above, with 100 more stores slated to open in FY25E, **3)** expansions to overseas markets (sales contribution was only at 1% in FY24, but growth rate was 100%+), which include opening of Anta Super store in South East Asia and Middle East, as well as selling more KAI 2 to Europe and the US, **4)** opening of more Anta Campus stores, to provide a greater variety of products to fit a wider range of children and kids, and the sales per store is also 2x higher than a regular Anta kids store, and **5)** launches of more new star products (such as the highly value-for-money products like PG7). Margin-wise, we can do see retail discounts as a drag in 1H25E, in order to clear inventory from last year, but shall be more than offset by a few drivers behind: **1)** lower supply chain costs if sales volume of star products continues to climb, **2)** opening more larger-sized stores and closing the smaller ones (the low-margin ones), **3)** potential drop in A&P expenses, as 2025 is a year after Summer Olympics, and **4)** greater use of AI, in order to boost efficiency on R&D, marketing and even trade fair ordering, etc..

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	62,356	70,826	78,235	86,768	94,888
YoY growth (%)	16.2	13.6	10.5	10.9	9.4
Operating profit (RMB mn)	15,409.0	16,763.0	18,282.9	20,922.5	23,146.6
Net profit (RMB mn)	11,277.0	16,989.0	15,184.3	17,657.4	19,820.1
EPS (Reported) (RMB)	3.65	5.34	4.73	5.50	6.18
YoY growth (%)	34.7	46.2	(11.4)	16.3	12.2
P/E (x)	24.9	17.1	19.3	16.6	14.8
P/B (x)	4.8	4.2	3.7	3.3	2.9
Yield (%)	2.1	2.4	2.5	2.9	3.3
ROE (%)	26.3	30.0	23.2	23.9	23.8
Net gearing (%)	42.2	15.6	28.2	35.8	42.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$120.86**
 (Previous TP) HK\$126.68)
Up/Downside **23.4%**
Current Price **HK\$97.90**

China Consumer Discretionary

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Stock Data

Mkt Cap (HK\$ mn)	264,655.9
Avg 3 mths t/o (HK\$ mn)	985.0
52w High/Low (HK\$)	106.30/65.90
Total Issued Shares (mn)	2703.3

Source: FactSet

Shareholding Structure

Mr. Ding Shi zhong & Family	52.2%
The Vanguard Group	1.7%

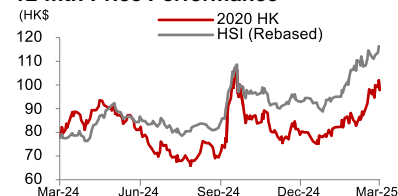
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	16.2%	7.6%
3-mth	23.9%	-1.2%
6-mth	35.5%	-1.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **For FILA, the guidance is conservative, but there are still some upside risks.** Despite the rather prudent target, we can still see a few positive initiatives, like: **1)** sales growth momentum after launches of the new batch of better designed products (e.g. upgraded fabric or functions) for both FILA fusion and kids, **2)** positive feedback about the new store format, **3)** faster growth from the footwear, **4)** widening of the price range (to welcome a wider range of customers), and last but not least, **5)** the massive reform mentioned by the management. Margin-wise, while we think the turnaround in FILA fusion and kids may result in more operating leverage, the shift in channel mix (more sales from the lower-margin e-commerce) may offset the positive.
- **Outdoor segment growth remains solid and this is very margin-accretive for Anta group.** We are highly confident about the 30%+ growth target for Descente and Kolon and the RMB 1bn profit sharing from the Amer JV (based on its 13-15% sales growth and roughly 50%-60% EPS growth). Thanks to the 30%+/ 25%+ OP margin for Descente/ Kolon, rapid growth from these brands are rather favorable to group's OP margin.
- **FY24 results inline (excluding the one-off income related to Amer's IPO and placement).** In FY24, Anta group's sales increased by 14% YoY to RMB 70.8bn, 2% above CMBI and BBG est., likely due to the better-than-expected Descente & Kolon brand sales. Net profit rocketed by 52% YoY to RMB 15.6bn, beating CMBI/ BBG est. by 21%/ 20%, probably related to the one-off gains from Amer's placement. However, we believe the operating profit is the most relevant and that increased by 8% to RMB 16.6bn, very much inline with CMBI and BBG est.. Some investors are concerned about the drop in cash flow and surge in inventory, which in our view were likely due to the large-scale de-stocking action last year, the warm winter, as well as the early CNY in 2025. Hence we are not too worried as the numbers should have normalized in Jan-Feb 2025.
- **Maintain BUY and fine-tune the TP to HK\$ 120.86, based on 24x FY25E P/E (up from 23x due to sector re-rating).** We expect the FY25E/ 26E net profit forecasts to remain largely unchanged as the beat in net profit, as well as the contributions from Amer JV were offset by the more conservative GP and OP margin guidance. Anta is still our top pick in the sportswear sector, because of its exposure to the outdoor segment and our confidence on Anta and FILA's reforms. The stock is trading at 19x FY25E P/E, still not demanding, in our view, compared to its 5-year average of 25x.

Earnings revision

Figure 1: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	78,235	86,768	94,888	77,930	86,144	n/a	0.4%	0.7%	n/a
Gross profit	48,836	54,357	59,632	49,191	54,558	n/a	-0.7%	-0.4%	n/a
EBIT	18,390	21,042	23,277	18,808	21,665	n/a	-2.2%	-2.9%	n/a
Net profit att.	13,772	15,998	17,942	13,773	16,020	n/a	0.0%	-0.1%	n/a
Diluted EPS (RMB)	4.716	5.479	6.144	4.918	5.720	n/a	-4.1%	-4.2%	n/a
Gross margin	62.4%	62.6%	62.8%	63.1%	63.3%	n/a	-0.7ppt	-0.7ppt	n/a
EBIT margin	23.5%	24.3%	24.5%	24.1%	25.1%	n/a	-0.6ppt	-0.9ppt	n/a
Net profit att. margin	17.6%	18.4%	18.9%	17.7%	18.6%	n/a	-0.1ppt	-0.2ppt	n/a

Source: Company data, CMBIGM estimates

Figure 2: CMBIGM estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	78,235	86,768	94,888	76,886	84,915	91,668	1.8%	2.2%	3.5%
Gross profit	48,836	54,357	59,632	48,789	54,197	59,714	0.1%	0.3%	-0.1%
EBIT	18,390	21,042	23,277	18,566	20,807	22,781	-0.9%	1.1%	2.2%
Net profit att.	13,772	15,998	17,942	13,758	15,513	15,636	0.1%	3.1%	14.8%
Diluted EPS (RMB)	4.716	5.479	6.144	4.886	5.489	6.119	-3.5%	-0.2%	0.4%
Gross margin	62.4%	62.6%	62.8%	63.5%	63.8%	65.1%	-1ppt	-1.2ppt	-2.3ppt
EBIT margin	23.5%	24.3%	24.5%	24.1%	24.5%	24.9%	-0.6ppt	-0.3ppt	-0.3ppt
Net profit att. margin	17.6%	18.4%	18.9%	17.9%	18.3%	17.1%	-0.3ppt	0.2ppt	1.9ppt

Source: Bloomberg, CMBIGM estimates

Results summary

Figure 3: Results review – Half Year

Half yearly (RMB mn)	1H23	2H23	1H24	2H24E	1H23 YoY	2H23 YoY	1H24 YoY	2H24 E YoY	2H24E CMBIG M	Actual vs CMBIG M
Revenue	29,645	32,711	33,735	37,091	14%	18%	14%	13%	35,748	4%
COGS	-10,890	-12,438	-12,117	-14,677					-13,672	
Gross profit	18,755	20,273	21,618	22,414	16%	25%	15%	11%	22,076	2%
GP margins	63.3%	62.0%	64.1%	60.4%					61.8%	
Other income & gains	637	1,068	809	1,599					1,289	24%
S & D expenses	-10,074	-11,599	-11,796	-13,851	7%	14%	17%	19%	-13,203	5%
S & D exp / sales	-34.0%	-35.5%	-35.0%	-37.3%					-36.9%	
Admin expenses	-1,695	-1,998	-1,971	-2,227	0%	6%	16%	11%	-2,441	-9%
Admin exp / sales	-5.7%	-6.1%	-5.8%	-6.0%					-6.8%	
Other opex	0	0	0	0					0	
Operating profit (EBIT)	7,623	7,744	8,660	7,935	32%	42%	14%	2%	7,721	3%
OP margins	25.7%	23.7%	25.7%	21.4%					21.6%	
Other items	0	0	0	0					0	
Net finance income	97	894	710	678					290	134%
Net fin. income / sales	0.3%	2.7%	2.1%	1.8%					0.8%	
Profit after financing costs	7,720	8,638	9,370	8,613					8,011	
Associated coms	0	0	0	0					0	
Jointly controlled coms	28	-746	1,560	2,341					247	
Pre-tax profit	7,748	7,892	10,930	10,954	39%	37%	41%	39%	8,258	33%
Tax	-3,110	-4,363	-2,511	-2,384					-2,478	
Tax / sales	-10.5%	-13.3%	-7.4%	-6.4%					-6.9%	
Effective tax rate	-40.1%	-55.3%	-23.0%	-21.8%					-30.0%	
Minority interests	546	497	698	695					615	13%
Net profit att.	4,092	3,032	7,721	7,875	14%	-24%	89%	160%	5,165	52%
NP margins	13.8%	9.3%	22.9%	21.2%					14.4%	
Sales										
Anta	14,170	16,136	16,077	17,445	6%	12%	13%	8%	17,670	-1%
FILA & others	15,475	16,575	17,658	19,646	23%	24%	14%	19%	18,079	9%
GP margins										
Anta	55.8%	54.1%	56.6%	52.5%					53.8%	-1.3ppt
FILA & others	69.2%	68.8%	70.2%	65.5%					67.8%	-2.3ppt
OP margins										
Anta	21.2%	22.1%	22.1%	18.6%					21.0%	-2.3ppt
FILA & others	29.7%	25.5%	28.6%	22.2%					21.5%	0.7ppt

Source: Company data, CMBIGM estimates

Figure 4: Results review - full year

Full yearly (RMB mn)	FY23	FY24	FY25E	FY24 YoY	FY25E YoY	FY24E CMBIG M	Actual vs CMBIG M
Revenue	62,356	70,826	78,235	14%	10%	69,483	2%
COGS	-23,328	-26,794	-29,399			-25,789	
Gross profit	39,028	44,032	48,836	13%	11%	43,694	1%
GP margins	62.6%	62.2%	62.4%			62.9%	
Other income & gains	1,705	2,408	2,112			2,098	15%
S & D expenses	-21,673	-25,647	-28,067	18%	9%	-24,999	3%
S & D exp / sales	-34.8%	-36.2%	-35.9%			-36.0%	
Admin expenses	-3,693	-4,198	-4,569	14%	9%	-4,412	-5%
Admin exp / sales	-5.9%	-5.9%	-5.8%			-6.3%	
Other opex	0	0	0			0	
Operating profit (EBIT)	15,367	16,595	18,312	8%	10%	16,381	1%
OP margins	24.6%	23.4%	23.4%			23.6%	
Other items	0	0	0			0	
Net finance income	991	1,388	1,122			1,000	39%
Net fin. income / sales	1.6%	2.0%	1.4%			1.4%	
Profit after financing costs	16,358	17,983	19,434			17,381	
Associated coms	0	0	0			0	
Jointly controlled coms	-718	3,901	1,017			1,807	
Pre-tax profit	15,640	21,884	20,451	40%	-7%	19,188	14%
Tax	-4,363	-4,895	-5,317			-4,989	
Tax / sales	-7.0%	-6.9%	-6.8%			-7.2%	
Effective tax rate	-27.9%	-22.4%	-26.0%			-26.0%	
Minority interests	1,043	1,393	1,362			1,313	6%
Net profit att.	10,234	15,596	13,772	52%	-12%	12,886	21%
NP margins	16.4%	22.0%	17.6%			18.5%	
Sales							
Anta	30,306	33,522	36,396	11%	9%	33,747	-1%
FILA & others	32,050	37,304	41,839	16%	12%	35,737	4%
GP margins							
Anta	54.9%	54.5%	54.4%			55.2%	-0.7ppt
FILA & others	69.0%	67.8%	67.8%			69.0%	-1.2ppt
OP margins							
Anta	21.7%	20.3%	20.3%			21.5%	-1.2ppt
FILA & others	27.6%	25.3%	24.8%			25.0%	0.3ppt

Source: Company data, CMBIGM estimates

Operating numbers

Figure 5: Sportswear brands sales growth trend

Operating numbers	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Nike China sales	-8%	-20%	-13%	6%	1%	25%	12%	8%	6%	7%	-3%	-11%	-8%	1%	3%	6%
Adidas China sales	-35%	-35%	-27%	-50%	-9%	16%	6%	37%	8%	9%	9%	10%	11%	11%	12%	13%
Anta brand's SSSG																
Anta brand's retail sales	+ve High-teens	-ve MSD	+ve MSD	-ve HSD	+ve MSD	+ve HSD	+ve HSD	+ve High-teens	+ve MSD	+ve HSD	+ve MSD	+ve HSD	9%	8%	10%	9%
Core brand	+ve Mid-teens	-ve Low-teens	+ve LSD	-ve Mid-teens	+ve HSD	+ve HSD	+ve HSD	25%-30%	+ve LSD	+ve LSD	-ve LSD	+ve MSD				
Kids	20%-25%	+ve LSD	+ve HSD	-ve High-teens	+ve MSD	+ve HSD	+ve HSD	30%-35%	Flat	-ve LSD	-ve HSD	+ve HSD				
Online	Over 30%	+ve HSD	+ve HSD	+ve MSD	-ve LSD	+ve MSD	+ve LSD	+ve MSD	20%-25%	20%-25%	20%-25%	+ve High-teens				
FILA brand's retail sales																
Classic/ Core brand	-ve MSD	-ve DD	-ve LSD	-ve Mid-teens	+ve LSD	+ve MSD	+ve HSD	40%-45%	+ve MSD	+ve HSD	-ve MSD	+ve LSD	6%	6%	8%	8%
Kids	+ve Mid-teens	+ve HSD	+ve LSD	-ve Low-teens	-ve HSD	+ve LSD	+ve HSD	30%-35%	-ve LSD	-ve LSD	-ve Low-teens	Flat				
Fusion	Over 20%	-ve MSD	+ve LSD	+ve HSD	-ve HSD	+ve LSD	+ve HSD	20%-25%	-ve MSD	+ve MSD	-ve HSD	+ve Low-teens				
Online	Over 20%	+ve MSD	Over 65%	Over 40%	Over 40%	60%-65%	-ve Mid-teens	+ve Mid-teens	20%	20%	+ve HSD	+ve Mid-teens				
Other brands																
Descente	40%-45%	Over 20%	Over 35%	+ve Low-teens	70%-75%	60%-65%	40%-45%	50%-55%	20-25%	35%-40%	35%-40%	45%-50%				
Kolon	40%-45%	Over 20%	Over 55%	+ve High-teens	100%	100%	60%-65%	65%-70%	50%	60%	65%-70%	60%-65%				
Li Ning group's SSSG																
Direct retail	+ve Low 20%	-ve Low-teens	+ve HSD	-ve High-teens	-ve HSD	+ve LSD	-ve MSD	+ve Low-teens	-ve MSD	-ve HSD	-ve HSD					
Wholesales	+ve Mid 20%	-ve High-teens	+ve MSD	-ve High 20%	-ve LSD	+ve HSD	+ve MSD	+ve High 30%	-ve LSD	-ve MSD	-ve MSD					
E- Commerce	+ve Low-teens	-ve High-teens	+ve HSD	-ve Low 20%	-ve LSD	+ve LSD	-ve Low-teens	+ve MSD	-ve Mid-teens	-ve High-teens	-ve HSD					
	+ve Mid 30%	+ve LSD	+ve Low-teens	-ve LSD	-ve Low 20%	+ve LSD	-ve LSD	+ve MSD	+ve Low 20%	+ve Low 20%	+ve MSD					
Li Ning group's retail sales																
Direct retail	+ve High 20%	-ve HSD	+ve Mid-teens	-ve Low-teens	+ve MSD	+ve Mid-teens	+ve MSD	+ve Low 20%	+ve LSD	-ve LSD	-ve MSD	3%	-3%	3%	5%	8%
Wholesales	+ve Mid 30%	-ve HSD	+ve Low 20%	-ve Mid-teens	+ve Mid-teens	+ve High 20%	+ve Low 20%	+ve Low 50%	+ve MSD	Flat	-ve MSD					
E- Commerce	+ve Low 20%	-ve HSD	+ve Low-teens	-ve Low 20%	+ve MSD	+ve Mid-teens	+ve LSD	+ve High-teens	-ve MSD	-ve HSD	-ve HSD					
	+ve Mid 30%	+ve MSD	+ve Mid 20%	+ve MSD	-ve Low-teens	+ve Low-teens	-ve LSD	+ve MSD	+ve Low 20%	+ve HSD	+ve MSD					
Xtep brand's SSSG																
Xtep brand's retail sales	30%-35%	+ve Mid-teens	20%-25%	-ve HSD	20%	+ve High-teens	+ve High-teens	30%-35%	+ve HSD	10%	+ve MSD	+ve HSD	6%	8%	9%	10%
Saucony's retail sales																
													Over 50%	50.0%		
361 Degree brand's SSSG																
361 Degree brand's offline	+ve High-teens	+ve Low-teens	+ve Mid-teens	Flat	+ve Low-teens	+ve Low-teens	15.0%	20.0%	+ve High-teens	10.0%	10.0%	10.0%				
Kids	20%-25%	20%-25%	20%-25%	+ve LSD	20%-25%	20%-25%	25%-30%	40%	20%-25%	+ve Mid-teens	10%	10%-15%				
E- Commerce	50%	40%	45%	25%	35%	30%	30%	Over 30%	20%-25%	30%-35%	Over 20%	30%-35%				
Pou Sheng's SSSG																
Pou Sheng's sales	-21%	-25%	-10%	-27%	0%	13%	-3%	12%	-17%	-16%	-18%	-14%				
	-25%	-24%	-8%	-20%	7%	17%	-1%	9%	-7%	-11%	-11%	-3%	-8%	3%	6%	7%
Topsports' retail sales																
	-ve High-teens	-ve High 20%	-ve LSD	-ve High-teens	-ve Low-teens	+ve Low 20%	-ve LSD	+ve Low-teens	+ve LSD	-ve MSD	-ve Low-teens	-ve MSD	-1%	3%	5%	7%
Dong Xiang's SSSG																
	-ve MSD	-ve Low to Mid-teens	-ve Low to Mid SD	-ve Mid-teens	+ve Low to Mid-teens	+ve Low to Mid-teens	+ve Low to Mid SD	25% to 30%	-ve HSD	-ve MSD	-ve HSD	-ve HSD				
Dong Xiang's retail sales																
	-ve MSD	-ve Mid to High-teens	+ve LSD	-ve Mid 20% to 30%	+ve Low to Mid-teens	+ve Mid-teens	+ve MSD	Mid 40% to 50%	-ve Low 10% to 20%	-ve LSD to MSD	-ve Low 10% to 20%	-ve MSD				
Direct retail																
E- Commerce																

Source: Company data, CMBIGM estimates, *Nike's year end is in May (e.g. 4Q18 calendar year = 2Q19 fiscal year = Sep-Nov 2018)

Assumptions

Figure 6: Major assumptions

Major assumptions	FY23A	FY24A	FY25E	FY26E	FY27E
Sales by segment growth (%)					
Shoes	12.7%	15.3%	12.0%	12.0%	8.0%
Apparels	18.8%	12.3%	9.2%	10.0%	10.3%
Accessories	18.1%	14.4%	12.0%	12.0%	12.0%
Total	16.2%	13.6%	10.5%	10.9%	9.4%
Sales by brand growth (%)					
Anta	12.7%	6.5%	7.0%	7.0%	6.0%
Anta Kids	14.0%	2.0%	5.0%	4.0%	3.0%
FILA	16.6%	6.1%	5.0%	7.0%	6.0%
Descente & Others	57.7%	53.7%	30.0%	25.0%	20.0%
E-commerce	2.6%	20.7%	12.0%	12.0%	10.0%
Total	16.2%	13.6%	10.5%	10.9%	9.4%
Sales network					
Anta	7,053	7,135	6,960	7,010	7,060
Anta Kids	2,778	2,784	2,650	2,700	2,750
FILA	1,972	2,060	2,145	2,195	2,245
Descente & Others	351	417	460	495	530
Total	12,154	12,396	12,215	12,400	12,585
GP margins					
Anta	54.9%	54.5%	54.4%	54.4%	54.4%
FILA	69.0%	67.8%	67.8%	67.8%	67.8%
Others	72.9%	72.2%	72.5%	72.5%	72.5%
Total	62.6%	62.2%	62.4%	62.6%	62.8%
Opex breakdown					
A&P Expenses / sales	8.2%	9.0%	8.9%	8.7%	8.7%
Labour costs / sales	14.9%	14.8%	14.7%	14.6%	14.5%
R &D expenses / sales	6.9%	7.4%	7.4%	7.4%	7.4%
Rental expenses/ sales	11.0%	10.9%	10.7%	10.7%	10.7%
Selling & distribution costs / sales	34.8%	36.2%	35.9%	35.4%	35.4%
Admin expenses / sales	5.9%	5.9%	5.8%	5.8%	5.8%
OP margin					
Anta	21.7%	20.3%	20.3%	21.0%	21.2%
FILA	27.6%	25.3%	24.8%	25.3%	25.4%
Others	27.1%	28.6%	28.9%	29.4%	29.5%
Total	24.6%	23.4%	23.4%	24.2%	24.4%
Effective tax rate	27.9%	22.4%	26.0%	26.0%	26.0%
NP att. margin	16.4%	22.0%	17.6%	18.4%	18.9%
NP att. growth	34.8%	52.4%	-11.7%	16.2%	12.2%

Source: Company data, CMBIGM estimates

Valuation

Figure 7: Peers valuation table

Company	Ticker	Rating	12m TP (LC)	Price (LC)	Up/Down-side	Mkt. Cap (HK\$m)	Year End	P/E (x)		P/B (x)	ROE (%)	3yrs PEG (x)	Yield (%)	YTD perf.
								FY1E	FY2E	FY2E	FY0	FY1E	FY1E	FY1E
H share Sportswear														
Anta Sports	2020 HK	BUY	127.01	97.90	30%	274,826	Dec-24	17.2	19.5	3.3	27.6	1.2	2.8	25.8
Li Ning Co	2331 HK	BUY	19.58	18.92	3%	48,904	Dec-23	14.7	13.4	1.6	11.8	3.1	3.1	14.9
Xtep Intl	1368 HK	BUY	7.20	5.55	30%	15,399	Dec-24	9.9	8.7	1.2	14.1	1.0	5.2	(1.6)
361 Degrees Intl	1361 HK	BUY	5.97	4.83	24%	9,987	Dec-24	7.1	6.3	0.8	12.4	0.6	6.3	13.9
Topsports Intl	6110 HK	BUY	4.51	3.91	15%	24,247	Feb-24	15.5	13.0	2.2	18.0	(3.6)	5.8	31.2
Pou Sheng Intl	3813 HK	NR	n/a	0.59	n/a	3,142	Dec-24	5.4	4.8	0.3	5.7	0.6	7.3	18.0
China DX	3818 HK	NR	n/a	0.44	n/a	2,591	Mar-24	n/a	n/a	n/a	(1.0)	0.0	n/a	25.7
Avg.								11.6	10.9	1.6	12.6	0.4	5.1	18.3
Med.								12.3	10.8	1.4	12.4	0.6	5.5	18.0
International Sportswear														
Nike	NKE US	NR	n/a	72.89	n/a	837,708	May-24	33.7	31.7	9.7	34.7	(4.1)	2.1	(3.7)
Adidas	ADS GY	NR	n/a	226.30	n/a	344,821	Dec-24	29.8	20.0	5.2	15.2	0.6	1.3	(4.4)
Puma	PUM GY	NR	n/a	24.05	n/a	30,477	Dec-24	15.6	11.1	1.2	10.5	1.7	2.5	(45.8)
Under Armour	UAA US	NR	n/a	6.64	n/a	21,362	Mar-24	21.8	16.5	1.4	(6.1)	(40.2)	0.0	(19.9)
Lululemon	LULU US	NR	n/a	329.07	n/a	311,408	Jan-24	22.9	21.3	6.8	46.2	2.1	0.0	(13.9)
Amer Sports	AS US	NR	n/a	29.23	n/a	125,796	Dec-24	41.6	30.9	2.6	n/a	0.4	0.0	4.5
Skechers	SKX US	NR	n/a	57.38	n/a	66,593	Dec-24	12.5	10.9	1.5	15.4	0.9	0.0	(14.7)
On Holding	ONON US	NR	n/a	47.20	n/a	118,761	Dec-24	39.7	30.7	5.9	19.6	1.6	0.0	(13.8)
Deckers	DECK US	NR	n/a	119.14	n/a	140,503	Mar-24	20.2	17.8	5.7	39.8	1.3	0.0	(41.3)
Vf Corp	VFC US	NR	n/a	16.37	n/a	49,540	Mar-24	22.6	15.2	3.3	(24.1)	(0.1)	2.2	(23.7)
Columbia	COLM US	NR	n/a	77.95	n/a	33,522	Dec-24	19.4	17.4	2.1	12.0	2.2	1.3	(7.1)
Wolverine	WWW US	NR	n/a	14.04	n/a	8,768	Dec-24	11.6	9.3	2.4	16.4	0.2	2.9	(36.8)
Mizuno Corp	8022 JP	NR	n/a	7990.00	n/a	11,079	Mar-24	13.6	12.6	1.3	10.8	2.5	1.6	(10.8)
Asics Corp	7936 JP	NR	n/a	3228.00	n/a	123,695	Dec-24	28.2	24.6	7.3	29.1	1.5	0.9	3.8
Avg.								23.8	19.3	4.0	16.9	(2.1)	1.1	(16.3)
Med.								22.2	17.6	2.9	15.4	1.1	1.1	(13.9)

Source: Bloomberg, CMBIGM estimates

Note: Data as of 19 Mar 2025

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	53,651	62,356	70,826	78,235	86,768	94,888
Cost of goods sold	(21,333)	(23,328)	(26,794)	(29,399)	(32,411)	(35,256)
Gross profit	32,318	39,028	44,032	48,836	54,357	59,632
Operating expenses	(23,216)	(25,366)	(29,845)	(32,744)	(35,864)	(39,142)
Selling expense	(19,629)	(21,673)	(25,647)	(28,249)	(31,030)	(33,905)
Admin expense	(2,308)	(2,079)	(2,207)	(2,297)	(2,408)	(2,596)
R&D expense	(1,279)	(1,614)	(1,991)	(2,198)	(2,426)	(2,641)
Others	0	0	0	0	0	0
Operating profit	11,229	15,409	16,763	18,283	20,922	23,147
Other income	2,127	1,747	2,576	2,191	2,430	2,657
Share of (losses)/profits of associates/JV	28	(718)	3,901	1,017	1,215	1,423
EBITDA	12,212	16,415	17,353	18,755	21,274	23,464
Depreciation	(860)	(1,018)	(341)	(325)	(311)	(292)
Other amortisation	(123)	12	(248)	(147)	(41)	(26)
Interest income	609	1,470	1,846	1,949	2,454	2,944
Interest expense	(511)	(521)	(626)	(730)	(730)	(730)
Other income/expense	0	0	0	0	0	0
Pre-tax profit	11,355	15,640	21,884	20,519	23,861	26,784
Income tax	(3,110)	(4,363)	(4,895)	(5,335)	(6,204)	(6,964)
Minority interest	(655)	(1,043)	(1,393)	(1,367)	(1,589)	(1,784)
Net profit	8,245	11,277	16,989	15,184	17,657	19,820

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	42,596	52,140	52,482	61,220	71,499	82,527
Cash & equivalents	17,378	15,228	11,390	21,273	29,773	39,115
Account receivables	5,800	6,867	7,225	7,981	8,851	9,680
Inventories	8,490	7,210	10,760	8,860	9,768	10,625
Prepayment	0	0	0	0	0	0
ST bank deposits	10,310	21,453	19,157	19,157	19,157	19,157
Other current assets	618	1,382	3,950	3,950	3,950	3,950
Non-current assets	26,599	40,088	60,133	61,617	63,521	65,765
PP&E	3,716	4,143	4,687	5,300	6,031	6,878
Investment in JVs & assos	9,343	21,119	36,211	37,228	38,443	39,866
Intangibles	1,480	2,089	2,034	1,906	1,883	1,876
Other non-current assets	12,060	12,737	17,201	17,182	17,164	17,145
Total assets	69,195	92,228	112,615	122,837	135,020	148,292
Current liabilities	26,207	20,591	28,593	29,957	31,531	33,024
Short-term borrowings	12,198	3,996	8,583	8,583	8,583	8,583
Account payables	2,750	3,195	4,332	4,753	5,240	5,700
Tax payable	2,169	2,825	3,386	3,386	3,386	3,386
Other current liabilities	9,090	10,575	12,292	13,235	14,322	15,355
Non-current liabilities	5,149	15,627	17,283	17,283	17,283	17,283
Long-term borrowings	492	10,948	12,233	12,233	12,233	12,233
Other non-current liabilities	4,657	4,679	5,050	5,050	5,050	5,050
Total liabilities	31,356	36,218	45,876	47,240	48,814	50,307
Share capital	262	272	271	271	271	271
Retained earnings	26,963	32,909	41,973	46,160	54,644	64,169
Other reserves	7,175	18,279	19,485	22,789	23,326	23,795
Total shareholders equity	34,400	51,460	61,729	69,220	78,240	88,235
Minority interest	3,439	4,550	5,010	6,377	7,966	9,750
Total equity and liabilities	69,195	92,228	112,615	122,837	135,020	148,292

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	11,355	15,640	21,884	20,519	23,861	26,784
Depreciation & amortization	983	1,006	590	472	352	318
Tax paid	(3,046)	(3,584)	(4,532)	(5,335)	(6,204)	(6,964)
Change in working capital	(1,104)	1,739	(2,118)	2,509	(205)	(192)
Others	3,959	4,833	917	(288)	(485)	(694)
Net cash from operations	12,147	19,634	16,741	17,878	17,319	19,252
Investing						
Capital expenditure	(1,621)	(1,161)	(2,258)	(939)	(1,041)	(1,139)
Acquisition of subsidiaries/ investments	(115)	(160)	(133)	0	0	0
Others	(3,038)	(24,472)	(12,473)	0	0	0
Net cash from investing	(4,774)	(25,793)	(14,864)	(939)	(1,041)	(1,139)
Financing						
Dividend paid	(3,950)	(4,250)	(7,029)	(6,327)	(7,048)	(8,042)
Net borrowings	(1,403)	(558)	(1,121)	0	0	0
Proceeds from share issues	0	10,497	0	0	0	0
Share repurchases	0	(113)	(1,851)	0	0	0
Others	(2,488)	(2,105)	4,240	(730)	(730)	(730)
Net cash from financing	(7,841)	3,471	(5,761)	(7,056)	(7,777)	(8,772)
Net change in cash						
Cash at the beginning of the year	17,592	17,378	15,228	11,390	21,273	29,773
Exchange difference	254	538	46	0	0	0
Others	(468)	(2,688)	(3,884)	9,883	8,501	9,342
Cash at the end of the year	17,378	15,228	11,390	21,273	29,773	39,115
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	8.8%	16.2%	13.6%	10.5%	10.9%	9.4%
Gross profit	6.3%	20.8%	12.8%	10.9%	11.3%	9.7%
Operating profit	(1.3%)	37.2%	8.8%	9.1%	14.4%	10.6%
EBITDA	2.2%	34.4%	5.7%	8.1%	13.4%	10.3%
Net profit	0.3%	36.8%	50.7%	(10.6%)	16.3%	12.2%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	60.2%	62.6%	62.2%	62.4%	62.6%	62.8%
Operating margin	20.9%	24.7%	23.7%	23.4%	24.1%	24.4%
EBITDA margin	22.8%	26.3%	24.5%	24.0%	24.5%	24.7%
Return on equity (ROE)	26.0%	26.3%	30.0%	23.2%	23.9%	23.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.4	0.4	0.2	0.3	0.4	0.4
Current ratio (x)	1.6	2.5	1.8	2.0	2.3	2.5
Receivable turnover days	39.5	40.2	37.2	37.2	37.2	37.2
Inventory turnover days	145.3	112.8	146.6	110.0	110.0	110.0
Payable turnover days	47.1	50.0	59.0	59.0	59.0	59.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	33.6	24.9	17.1	19.3	16.6	14.8
P/E (diluted)	33.6	24.9	17.1	19.3	16.6	14.8
P/B	7.2	4.8	4.2	3.7	3.3	2.9
P/CFPS	21.0	13.0	15.9	14.9	15.4	13.8
Div yield (%)	1.3	2.1	2.4	2.5	2.9	3.3
EV	249,682.9	242,979.8	266,758.6	256,876.0	248,375.4	239,033.7
EV/Sales	4.7	3.9	3.8	3.3	2.9	2.5
EV/EBITDA	20.4	14.8	15.4	13.7	11.7	10.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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