

Anta Sports (2020 HK)

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Company Update

BUY

UNCHANGED

Close price: HK\$44.00

Target Price: HK\$49.00 (+11%)

Prior TP: HK\$48.00

Key Data

| | |
|-----------------------|-------------------------------|
| HKEx code | 2020 HK |
| 12 Months High (HK\$) | 5.08 |
| 12 Month Low (HK\$) | 2,684.90 |
| 3M Avg Dail Vol. (mn) | 118,135.78 |
| Issue Share (mn) | 38.13 |
| Market Cap (HK\$mn) | 3.45 |
| Fiscal Year | 12/2018 |
| Major shareholder (s) | Director Ding & asso (61.81%) |

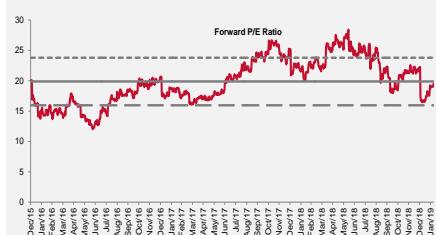
Source: Company data, Bloomberg, OP Research
Closing price are as of 26/02/2019

Price Chart



| | 1mth | 3mth | 6mth |
|-------------------|------|------|------|
| Absolute % | 17.3 | 23.2 | 4.5 |
| Rel. MSCI CHINA % | 9.5 | 12.9 | 2.8 |

PE



Company Profile

ANTA Sports Products Limited designs, develops, manufactures, and markets sportswear, including sports footwear and apparel for professionals and the general public.

FY18 revenue strong beat, profits in-line

- Anta released solid set of FY18E results with revenue/earnings up 44.4%/32.9% yoy to RMB24.1bn/RMB4,103mn and GPM improved by 3.3ppts to 52.6%.
- We revise up our FY19/20E earnings estimate by 3.3%/6.9% to RMB5,303mn/RMB6,536mn.
- Maintain BUY with TP HK\$49.0 fine-tuned from HK\$48.0 based on same 20x FY19E P/E.

FY18 revenue in strong surge. Anta presented a clear beat on FY18E revenue which recorded yoy growth of 44.4% to RMB24.1bn, vs street consensus/OP estimate of ~RMB22bn mainly thanks to robust core brand sales and rapid growth of FILA family. The ramp-up of high-end brands (mainly FILA and Descente) was faster than expected (FY18 retail sales grew 85-90% yoy vs OP estimate of ~75%; no. of offline POS for FILA/Descente reached 1,652/117 by year-end, exceeding mgmt guidance of 1400~1500/100), which drives brand mix upgrade and 3.3ppts GPM expansion to 52.6%. On the other hand, 71% surge in S&D expenses for (1) COC sponsorship and (2) retail level marketing offset the majority of gross profit yoy increase. As a result, Anta saw 32.9% increase in net profits to RMB4,103mn, roughly in line with OP estimate of RMB4,048mn.

Anta declared a final dividend of 28 HK cents/share, together with 50 HK cents interim dividends implying a 25ppts yoy decline in payout rate to 45% because of the upcoming acquisition of Amer Sports. The deal has acquired all necessary authority approval with an extended offer period to 7 March. The mgmt targets a **future payout ratio of no less than 30%**. [<More FY19E mgmt guidance>](#)

We revise up our FY19/20E earnings estimate by 3.3%/6.9% to RMB5,303mn/RMB6,536mn. We revise up our FY19/20E turnover by 9.1%/12.2% to RMB30.5bn/RMB37.0bn mainly on higher than expected mgmt guidance for Anta core brands. We also incorporated the contribution from investment in JV for Amer acquisition in our FY19E forecast by assuming contribution starting from 2Q19E. As a result, our FY18/19E diluted EPS is tuned up by 3.3%/6.9% to HK\$2.466/HK\$3.039 respectively.

Maintain BUY. Maintain BUY on Anta with target price HK\$49.0 tuned-up from HK\$48.0 based on same 20x FY19E P/E.

Risks: (1) Execution risk during and after the acquisition of Amer Sports; (2) Weak consumption growth in China market; (3) Unfavorable interest rate fluctuations.

Exhibit 1: Forecast and Valuation

| Year to Dec (RMB mn) | FY17 | FY18 | FY19E | FY20E | FY21E |
|----------------------------|----------|----------|----------|----------|----------|
| Revenue | 16,692.5 | 24,100.0 | 30,488.4 | 37,008.4 | 42,303.1 |
| Growth (%) | 25.1 | 44.4 | 26.5 | 21.4 | 14.3 |
| Net Profit | 3,087.8 | 4,102.9 | 5,303.4 | 6,536.1 | 7,405.8 |
| Growth (%) | 29.4 | 32.9 | 29.3 | 23.2 | 13.3 |
| Diluted EPS (HK\$) | 1.460 | 1.909 | 2.466 | 3.039 | 3.443 |
| EPS growth (%) | 22.8 | 30.7 | 29.2 | 23.2 | 13.3 |
| Change to previous EPS (%) | | | 3.3 | 6.9 | |
| Consensus EPS (HK\$) | | | 0.000 | 2.291 | |
| ROE (%) | 26.6 | 27.8 | 30.4 | 30.7 | 28.7 |
| P/E (x) | 30.1 | 23.1 | 17.8 | 14.5 | 12.8 |
| P/B (x) | 6.9 | 6.0 | 4.9 | 4.0 | 3.4 |
| Yield (%) | 2.2 | 1.8 | 1.7 | 2.1 | 2.3 |
| DPS (HK\$) | 0.980 | 0.780 | 0.740 | 0.912 | 1.033 |

Source: Bloomberg, OP Research

Exhibit 2: Earnings Revision

| (RMB mn) | FY19E | | | FY20E | | | OP Comments |
|---------------------------|---------------|---------------|------------|---------------|---------------|-------------|--|
| | New | Old | % Chg | New | Old | % Chg | |
| Revenue | 30,488 | 27,944 | 9.1 | 37,008 | 32,971 | 12.2 | |
| Anta | 16,524 | 14,975 | 10.3 | 18,340 | 16,091 | 14.0 | We forecast 15% yoy growth for FY19E Anta brands vs mgmt guidance of mid-teens |
| FILA | 12,144 | 12,118 | 0.2 | 16,120 | 15,688 | 2.8 | We forecast 42% yoy growth for FY19E FILA brands vs mgmt guidance of over 30% |
| Gross profit | 16,267 | 14,661 | 11.0 | 19,914 | 17,462 | 14.0 | |
| Gross margin | 53.4% | 52.5% | 1.7 | 53.8% | 53.0% | 1.6 | |
| Opex | (9,524) | (8,101) | 17.6 | (11,240) | (9,586) | 17.2 | Revised up S&D expenses |
| EBIT | 7,449 | 7,010 | 6.3 | 9,379 | 8,376 | 12.0 | |
| Net Profit | 5,303 | 5,136 | 3.3 | 6,536 | 6,116 | 6.9 | We assume 3 quarters' contribution from Investment in Amer |
| Diluted EPS (HK\$) | 2.466 | 2.388 | 3.3 | 3.039 | 2.843 | 6.9 | |

Source: Company, OP Research

Exhibit 3: FY18 results review

| (RMB mn) | 1H17 | 2H17 | 1H18 | 2H18A | 2H18E | Act/Est (%) | FY17 | FY18 | yoy% |
|--------------------------------|--------------|--------------|---------------|---------------|---------------|--------------|---------------|---------------|--------------|
| Revenue | 7,323 | 9,369 | 10,554 | 13,547 | 11,350 | 19.3% | 16,692 | 24,100 | 44.4% |
| COGS | (3,619) | (4,832) | (4,827) | (6,586) | (5,715) | 15.2% | (8,451) | (11,413) | 35.0% |
| Gross profit | 3,704 | 4,537 | 5,726 | 6,961 | 5,635 | 23.5% | 8,241 | 12,687 | 54.0% |
| Other income & gains | 173 | 459 | 245 | 515 | 155 | 232.3% | 631 | 760 | 20.4% |
| Selling exp | (1,524) | (2,285) | (2,765) | (3,760) | (2,481) | 51.5% | (3,809) | (6,525) | 71.3% |
| Admin exp | (455) | (446) | (518) | (705) | (507) | 38.9% | (901) | (1,223) | 35.7% |
| Other opex | 0 | 0 | 0 | 0 | 0 | n.a. | 0 | 0 | n.a. |
| Operating profit (EBIT) | 1,897 | 2,265 | 2,689 | 3,011 | 2,802 | 7.5% | 4,162 | 5,700 | 36.9% |
| Provisions or other items | 0 | 0 | 0 | 0 | 0 | n.a. | 0 | 0 | n.a. |
| Interest income | 129 | 41 | 107 | 118 | 87 | 35.7% | 170 | 225 | 32.3% |
| Finance costs | (17) | (5) | (35) | (123) | 28 | -533.8% | (22) | (158) | 620.6% |
| Profit after financing costs | 2,009 | 2,301 | 2,761 | 3,007 | 2,917 | 3.1% | 4,311 | 5,767 | 33.8% |
| Associated cos | 0 | 0 | 0 | 0 | 0 | n.a. | 0 | 0 | n.a. |
| Jointly controlled cos | 0 | 0 | 0 | 0 | 0 | n.a. | 0 | 0 | n.a. |
| Pre-tax profit | 2,009 | 2,301 | 2,761 | 3,007 | 2,917 | 3.1% | 4,311 | 5,767 | 33.8% |
| Tax | (528) | (624) | (759) | (774) | (746) | 3.8% | (1,152) | (1,533) | 33.1% |
| Minority interests | (30) | (41) | (57) | (74) | (68) | 9.0% | (71) | (131) | 84.9% |
| Net profit | 1,451 | 1,636 | 1,945 | 2,158 | 2,103 | 2.6% | 3,088 | 4,103 | 32.9% |
| YoY% | | | | | | | | | |
| Revenue | 19% | 30% | 44% | 45% | 21% | n.a. | 25.1% | 44.4% | n.a. |
| Gross profit | 26% | 29% | 55% | 53% | 24% | n.a. | 27.6% | 54.0% | n.a. |
| Net profit | 29% | 30% | 34% | 32% | 29% | n.a. | 29.4% | 32.9% | n.a. |
| Key ratios | | | | | | (in ppts) | | | (in ppts) |
| GPM | 50.6% | 48.4% | 54.3% | 51.4% | 49.6% | 1.74 | 49.4% | 52.6% | 3.27 |
| Selling exp | 20.8% | 24.4% | 26.2% | 27.8% | 21.9% | 5.90 | 22.8% | 27.1% | 4.25 |
| Admin exp | 6.2% | 4.8% | 4.9% | 5.2% | 4.5% | 0.73 | 5.4% | 5.1% | (0.32) |
| EIT | 26.3% | 27.1% | 27.5% | 25.7% | 25.6% | 0.19 | 26.7% | 26.6% | (0.13) |
| Net margin | 19.8% | 17.5% | 18.4% | 15.9% | 18.5% | (2.60) | 18.5% | 17.0% | (1.47) |

Source: OP Research

FY19E Mgmt guidance

Topline: Anta targets 20~25% growth in FY19E topline, of which Anta/FILA each is expected to see mid-teens percentage/over 30% yoy growth.

GPM may see some fluctuations due to the ramping up of new brands such as Kingkow, Sprandi etc. The company is expecting an operating level turnaround for Descente and Kolon in FY19E. For FILA and Anta brands, the margin should be kept at stable level.

Capex: The company budgets some RMB1bn for FY19E capex, of which RMB500mn will be used to settle the land purchase in Shanghai.

Exhibit 4: Summary of Anta's quarterly retail sales performance

| | Anta | FILA | Overall |
|--------------------------------|--|--|--------------------------|
| Sales target | Mid-teens% + | 30%+ | 20~25%+ |
| GPM | stable at ~42% | 70% for FILA Classic, slightly lower for new lines | may see some fluctuation |
| POS | Anta Adults (stable) Anta Kids (100~200+) | Overall 1800~1900 stores FILA Kids and FILA Fusion a few dozen increase | |
| A&P exp. (% of rev) | 12~14% | n.a. | 11~13% |

Source: Company, OP Research

>OP comment

We believe the mgmt guidance for FILA stands at the conservative end. We now forecast 42%/33% yoy growth for FY19/20E FILA sales, indicating RMB12bn/RMB16bn revenue contribution respectively.

Update on 4Q18 operation

Anta released 4Q18 operations update with Anta brands/FILA brands each achieving yoy retail sales growth of mid-teens/over 85%, better than market expectations. Anta brand maintains healthy inventory level of 4.2x and 26% off retail discounts.

>OP comment

We have not yet observed concrete negative impact on Anta from recent sluggish retail consumption data points. The mgmt reaffirmed that 1Q19E operations so far have been in line with the company's guidance.

Exhibit 5: Summary of Anta's quarterly retail sales performance

| | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---------------------|-------------------|----------------|----------------|----------------|----------------|-------------------|--------------------|--------------------|
| Anta | +Low teens | +20-30% | +MSD | +20-25% | +20-25% | +Low teens | + Mid teens | + Mid teens |
| Anta Adults | +LSD | + Mid teens | +MSD | + Mid teens | + Mid teens | +HSD | +Low teens | +HSD |
| Anta Kids | 30%+ | 25-30% | 30%+ | 40%+ | 40%+ | 50%+ | 25%+ | 25%+ |
| Anta | | | | | | | | |
| E-commerce | 50%+ | 50%+ | 50%+ | 40%+ | 40%+ | 25%+ | 20%+ | 25%+ |
| Other brands | +40-50% | +50-60% | +40-50% | +85-90% | +80-85% | +90-95% | +90-95% | +80-85% |
| FILA | | | | | | >90% | >90% | 85%+ |

Source: Company

Update on Acquisition of Amer

Expected completion of acquisition is near end of March. Anta will lower its dividend payout ratio to no less than 30% in the upcoming few years.

The mgmt does not plan on consolidation of Amer Sports' sourcing resources and brand portfolio with existing Anta business in the near-term.

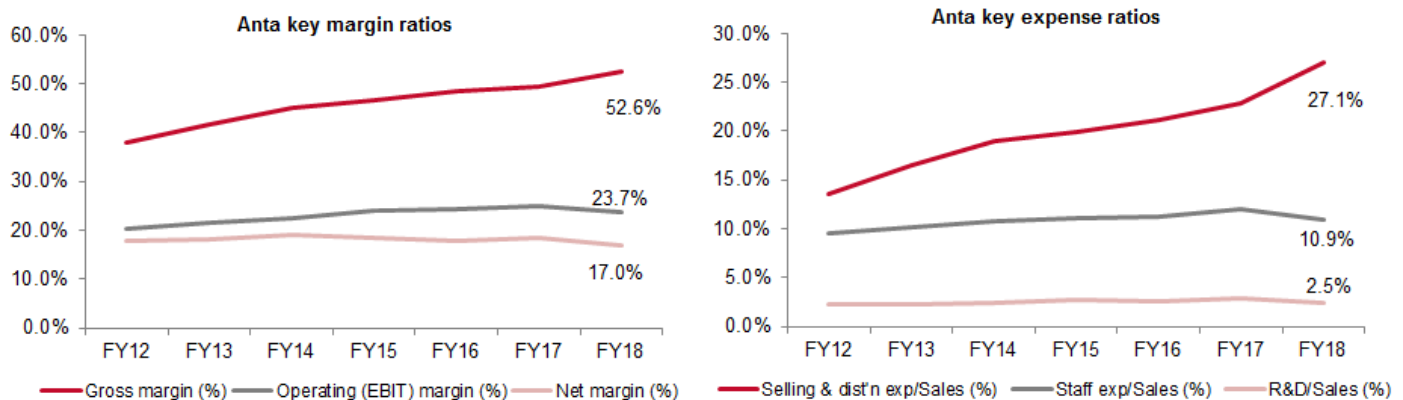
The Company does not rule out the possibility of small-scale adjustments to Amer's current brand portfolio, but material M&A transactions other than acquiring Amer are not likely.

>OP Comment

We believe the acquisition will not have obvious earnings accretion, nor dilution of Anta's FY19/20E earnings.

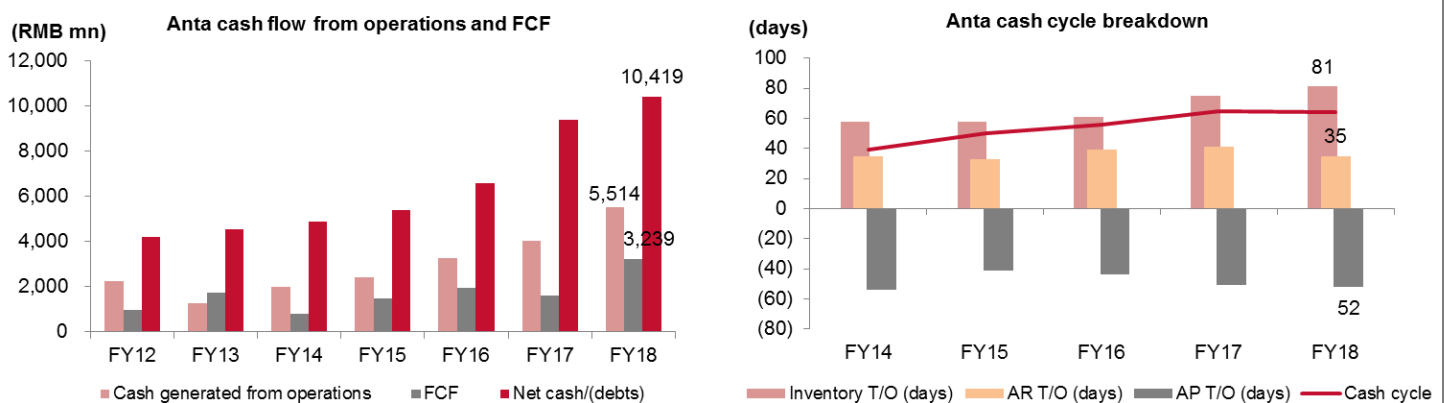
The company has over RMB10bn net cash at the end of FY18, which we believe provides strong financial support for the acquisition. We now incorporate 3 quarters' contribution from investment in JV for Amer acquisition.

Exhibit 6: GPM improved 3.3ppts on better brand portfolio mix. S&D expense ratio increased 5.7ppts on COC sponsorship and more retail marketing. EBIT margin edged down slightly due to operating loss from newly acquired brands.



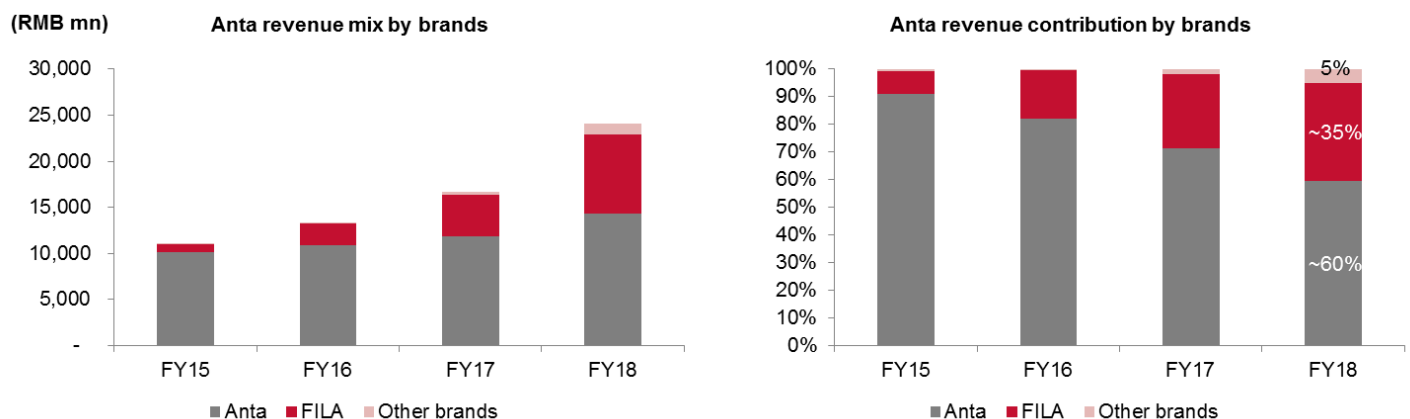
Source: Company, OP Research

Exhibit 7: Anta has RMB10.4bn net cash position by FY18 Y.E., which we believe provides strong financial support for Amer acquisition.



Source: Company, OP Research

Exhibit 8: FILA family has seen significant growth with FY18 revenue contribution of 35% and retail sales over RMB10bn. The mgmt expects FILA brand to maintain growth rate over 30% for FY19 and FY20E for conservative estimation.



Source: Company, OP Research

Financial Summary

| Year to Dec | FY17 | FY18 | FY19E | FY20E | FY21E |
|---|----------------|----------------|-----------------|-----------------|-----------------|
| Income Statement (RMB mn) | | | | | |
| Footwear | 7,049 | 8,631 | 12,138 | 14,603 | 16,469 |
| Apparel | 9,116 | 14,709 | 17,217 | 20,926 | 24,043 |
| Accessories | 528 | 759 | 1,134 | 1,480 | 1,790 |
| Turnover | 16,692 | 24,100 | 30,488 | 37,008 | 42,303 |
| YoY% | 25.1 | 44.4 | 26.5 | 21.4 | 14.3 |
| COGS | (8,451) | (11,413) | (14,222) | (17,095) | (19,782) |
| Gross profit | 8,241 | 12,687 | 16,267 | 19,914 | 22,521 |
| Gross margin | 49.4% | 52.6% | 53.4% | 53.8% | 53.2% |
| Other income | 631 | 760 | 705 | 705 | 705 |
| Selling & distribution | (3,809) | (6,525) | (8,172) | (9,686) | (10,972) |
| Admin | (901) | (1,223) | (1,351) | (1,554) | (1,739) |
| R&D | (479) | (593) | (762) | (925) | (1,058) |
| Other opex | 0 | 0 | 0 | 0 | 0 |
| Total opex | (4,710) | (7,748) | (9,524) | (11,240) | (12,711) |
| Operating profit (EBIT) | 4,162 | 5,700 | 7,449 | 9,379 | 10,515 |
| Operating margin | 24.9% | 23.7% | 24.4% | 25.3% | 24.9% |
| Provisions | 0 | 0 | 0 | 0 | 0 |
| Interest Income | 170 | 225 | 220 | 223 | 293 |
| Finance costs | (22) | (158) | (323) | (556) | (556) |
| Profit after financing costs | 4,311 | 5,767 | 7,346 | 9,046 | 10,252 |
| Associated companies & JVs | 0 | 0 | 33 | 46 | 51 |
| Pre-tax profit | 4,311 | 5,767 | 7,379 | 9,092 | 10,302 |
| Tax | (1,152) | (1,533) | (1,953) | (2,405) | (2,725) |
| Minority interests | (71) | (131) | (123) | (151) | (171) |
| Net profit | 3,088 | 4,103 | 5,303 | 6,536 | 7,406 |
| YoY% | 29 | 33 | 29 | 23 | 13 |
| Net margin | 18.5% | 17.0% | 17.4% | 17.7% | 17.5% |
| EBITDA | 4,410 | 6,042 | 7,721 | 9,728 | 10,934 |
| EBITDA margin | 26.4% | 25.1% | 25.3% | 26.3% | 25.8% |
| EPS (RMB) | 1.168 | 1.527 | 1.972 | 2.431 | 2.754 |
| YoY% | 23 | 31 | 29 | 23 | 13 |
| DPS (HK\$) | 0.980 | 0.780 | 0.740 | 0.912 | 1.033 |
| Year to Dec | FY17 | FY18 | FY19E | FY20E | FY21E |
| Cash Flow (RMB mn) | | | | | |
| EBITDA | 4,410 | 6,042 | 7,721 | 9,728 | 10,934 |
| Chg in working cap | (381) | (444) | (373) | (372) | (237) |
| Others | 11 | (84) | 0 | 0 | 0 |
| Operating cash | 4,041 | 5,514 | 7,348 | 9,356 | 10,697 |
| Interest received | 154 | 214 | 220 | 223 | 293 |
| Tax | (1,013) | (1,288) | (1,953) | (2,405) | (2,725) |
| Net cash from operations | 3,181 | 4,440 | 5,615 | 7,175 | 8,264 |
| Capex | (551) | (462) | (1,067) | (925) | (846) |
| Investments | (129) | (673) | (11,990) | (476) | (544) |
| Net change in fixed deposits and pledged deposits | (899) | 116 | 0 | 0 | 0 |
| Sales of assets | 0 | 0 | 0 | 0 | 0 |
| Interests paid | 0 | 0 | 0 | 0 | 0 |
| Others | 0 | (183) | 0 | 0 | 0 |
| Investing cash | (1,579) | (1,201) | (13,057) | (1,401) | (1,390) |
| FCF | 1,603 | 3,239 | (7,442) | 5,773 | 6,874 |
| Issue of shares | 3,435 | 0 | 0 | 0 | 0 |
| Buy-back | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (1,976) | (2,468) | (1,929) | (2,282) | (2,656) |
| Interest paid | (31) | (15) | (323) | (556) | (556) |
| Net change in bank loans | (827) | 1,008 | 7,018 | 0 | 0 |
| Others | (604) | 339 | 0 | 0 | 0 |
| Financing cash | (2) | (1,136) | 4,767 | (2,838) | (3,213) |
| Net change in cash | 1,601 | 2,102 | (2,676) | 2,935 | 3,662 |
| Exchange rate or other Adj | (463) | 214 | 0 | 0 | 0 |
| Opening cash | 5,830 | 6,968 | 9,284 | 6,608 | 9,543 |
| Closing cash | 6,968 | 9,284 | 6,608 | 9,543 | 13,205 |
| CFPS (HK\$) | 1.505 | 2.065 | 2.610 | 3.336 | 3.842 |

| Year to Dec | FY17 | FY18 | FY19E | FY20E | FY21E |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|
| Ratios | | | | | |
| Gross margin (%) | 49.4 | 52.6 | 53.4 | 53.8 | 53.2 |
| Operating margin (%) | 24.9 | 23.7 | 24.4 | 25.3 | 24.9 |
| Net margin (%) | 18.5 | 17.0 | 17.4 | 17.7 | 17.5 |
| Selling & dist'n exp/Sales (%) | 22.8 | 27.1 | 26.8 | 26.2 | 25.9 |
| Admin exp/Sales (%) | 5.4 | 5.1 | 4.4 | 4.2 | 4.1 |
| Staff exp/Sales (%) | 12.0 | 10.9 | 11.5 | 11.2 | 10.6 |
| R&D/Sales (%) | 2.9 | 2.5 | 2.5 | 2.5 | 2.5 |
| A&P/Sales (%) | 10.6 | 12.1 | 12.0 | 12.0 | 12.0 |
| Payout ratio (%) | 70.5 | 44.9 | 30.0 | 30.0 | 30.0 |
| Effective tax (%) | 26.7 | 26.6 | 26.6 | 26.6 | 26.6 |
| Total debt/equity (%) | 1.2 | 8.5 | 43.6 | 35.7 | 29.7 |
| Net debt/equity (%) | Net cash | Net cash | Net cash | Net cash | Net cash |
| Current ratio (x) | 3.4 | 2.6 | 2.0 | 2.2 | 2.4 |
| Quick ratio (x) | 3.0 | 2.2 | 1.6 | 1.8 | 2.0 |
| Inventory T/O (days) | 93 | 93 | 93 | 93 | 93 |
| AR T/O (days) | 82 | 70 | 70 | 70 | 70 |
| AP T/O (days) | 172 | 180 | 180 | 180 | 180 |
| Cash conversion cycle (days) | 3 | (17) | (17) | (17) | (17) |
| Asset turnover (x) | 1.0 | 1.1 | 1.0 | 0.9 | 0.9 |
| Financial leverage (x) | 1.4 | 1.5 | 1.7 | 1.9 | 1.8 |
| EBIT margin (%) | 24.9 | 23.7 | 24.4 | 25.3 | 24.9 |
| Interest burden (x) | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Tax burden (x) | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| Return on equity (%) | 26.6 | 27.8 | 30.4 | 30.7 | 28.7 |
| ROIC (%) | 72.4 | 74.5 | 42.6 | 34.1 | 35.7 |
| Year to Dec | FY17 | FY18 | FY19E | FY20E | FY21E |
| Balance Sheet (RMB mn) | | | | | |
| Fixed assets | 1,909 | 2,536 | 3,356 | 3,953 | 4,396 |
| Intangible assets & goodwill | 1,136 | 1,106 | 1,473 | 1,929 | 2,457 |
| Associated companies & JVs | 0 | 0 | 11,631 | 11,677 | 11,728 |
| Long-term investments | 16 | 326 | 326 | 326 | 326 |
| Other non-current assets | 572 | 1,121 | 1,121 | 1,121 | 1,121 |
| Non-current assets | 3,632 | 5,090 | 17,908 | 19,006 | 20,028 |
| Inventories | 2,155 | 2,892 | 3,604 | 4,333 | 5,014 |
| AR | 3,733 | 4,638 | 5,868 | 7,122 | 8,141 |
| Prepayments & deposits | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 2,586 | 2,470 | 2,470 | 2,470 | 2,470 |
| Cash | 6,968 | 9,284 | 6,608 | 9,543 | 13,205 |
| Current assets | 15,442 | 19,284 | 18,550 | 23,468 | 28,830 |
| AP | 3,978 | 5,633 | 7,020 | 8,438 | 9,764 |
| Tax | 353 | 650 | 832 | 1,025 | 1,161 |
| Accruals & other payables | 0 | 0 | 0 | 0 | 0 |
| Bank loans & leases | 148 | 1,244 | 1,244 | 1,244 | 1,244 |
| CB & other debts | 19 | 21 | 21 | 21 | 21 |
| Other current liabilities | 0 | 0 | 0 | 0 | 0 |
| Current liabilities | 4,498 | 7,548 | 9,116 | 10,727 | 12,190 |
| Bank loans & leases | 0 | 70 | 7,088 | 7,088 | 7,088 |
| CB & other debts | 0 | 0 | 0 | 0 | 0 |
| Deferred tax & others | 215 | 236 | 236 | 236 | 236 |
| MI | 654 | 743 | 865 | 1,017 | 1,188 |
| Non-current liabilities | 869 | 1,049 | 8,190 | 8,341 | 8,512 |
| Total net assets | 13,706 | 15,777 | 19,152 | 23,406 | 28,156 |
| Shareholder's equity | 13,706 | 15,777 | 19,152 | 23,406 | 28,156 |
| Share capital | 259 | 259 | 259 | 259 | 259 |
| Reserves | 13,447 | 15,518 | 18,893 | 23,147 | 27,897 |
| BVPS (HK\$) | 6.38 | 7.35 | 8.92 | 10.90 | 13.11 |
| Total debts | 167 | 1,335 | 8,353 | 8,353 | 8,353 |
| Net cash/(debts) | 9,387 | 10,419 | 725 | 3,661 | 7,322 |

Source: Company, OP Research

Exhibit 9: Peer Group Comparison

| Company | Ticker | Price | Mkt cap (US\$m) | 3-mth avg t/o (US\$m) | PER | | | EPS FY1 YoY% | EPS FY2 YoY% | 3-Yr EPS Cagr (%) | PEG (x) | Div yld | | P/B | | EV/ | | Net gearing Hist (%) | Gross margin Hist (%) | Net margin Hist (%) | ROE Hist (%) | ROE FY1 (%) | Sh px | |
|----------------------|-----------|-----------|--------------------|--------------------------|-------------|------------|------------|-----------------|-----------------|----------------------|------------|-------------|------------|-------------|------------|----------------|------------------|-------------------------|-----------------------------|---------------------------|-----------------|----------------|------------|------------|
| | | | | | Hist (x) | FY1 (x) | FY2 (x) | | | | | Hist (%) | FY1 (%) | Hist (x) | FY1 (x) | Ebitda Hist | Ebitda Cur Yr | | | | | | 1-mth % | 3-mth % |
| Anta Sports Prod | 2020 HK | 44.00 | 15,050 | 24.8 | 23.1 | 17.8 | 14.5 | 29.2 | 23.2 | 21.7 | 0.82 | 1.8 | 1.7 | 5.99 | 4.93 | 17.8 | 15.2 | Net cash | 52.6 | 17.0 | 27.8 | 30.4 | 17.3 | 22.6 |
| HSI | | 28,772.06 | | | 10.9 | 11.0 | 10.1 | (1.5) | 9.0 | (0.2) | (59.64) | 3.5 | 3.7 | 1.36 | 1.22 | | | | | | 12.5 | 11.1 | 4.4 | 9.1 |
| HSCEI | | 11,543.95 | | | 9.0 | 8.5 | 7.8 | 5.4 | 9.5 | (1.3) | (6.42) | 3.7 | 4.0 | 1.17 | 1.02 | | | | | | 13.0 | 11.9 | 6.2 | 9.7 |
| CSI300 | | 3,684.69 | | | 14.0 | 11.7 | 10.3 | 19.3 | 14.2 | | | 2.2 | 2.7 | 1.8 | 1.5 | | | | | | 12.7 | 13.1 | 15.7 | 17.3 |
| Domestic peers | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted sector avg* | | | | | 22.9 | 19.8 | 16.7 | 13.7 | 20.2 | 14.1 | 1.2 | 4.5 | 3.3 | 1.9 | 1.2 | 12.2 | 7.4 | 5.6 | 44.6 | 6.1 | 8.7 | 8.4 | 5.7 | 9.5 |
| 361 Degrees | 1361 HK | 1.56 | 411 | 0.6 | 6.0 | 6.2 | 5.4 | (2.3) | 13.9 | 4.5 | 1.4 | 7.2 | 5.9 | 0.5 | 0.5 | 0.3 | 0.4 | 0.0 | 41.8 | 8.9 | 8.1 | 6.8 | (4.3) | (20.8) |
| Xtep Intl | 1368 HK | 5.18 | 1,480 | 1.3 | 23.5 | 15.2 | 13.0 | 54.7 | 16.5 | 26.5 | 0.6 | 4.8 | 3.8 | 1.8 | 1.8 | 10.7 | 7.3 | 0.0 | 43.9 | 8.0 | 8.9 | 11.8 | 8.8 | 22.7 |
| Li Ning Co Ltd | 2331 HK | 10.60 | 2,960 | 11.8 | 42.1 | 30.7 | 23.2 | 37.4 | 31.9 | 30.2 | 1.0 | N/A | 0.7 | 3.6 | 3.8 | 20.8 | 15.0 | 0.0 | 47.1 | 5.8 | 11.7 | 13.2 | 11.3 | 29.3 |
| Pou Sheng Intl | 3813 HK | 1.58 | 1,078 | 0.3 | 17.8 | 15.0 | 11.9 | 18.9 | 25.6 | 21.9 | 0.7 | 1.3 | 1.4 | 1.1 | 1.1 | 7.8 | 6.9 | 33.7 | 35.0 | 2.1 | 6.2 | 7.0 | 1.3 | 6.8 |
| China Dongxiang | 3818 HK | 1.21 | 907 | 0.6 | 7.1 | 8.1 | 8.4 | (12.5) | (3.1) | (6.1) | N/A | 9.0 | 7.5 | 0.6 | 0.6 | 6.2 | 59.4 | 0.0 | 55.7 | 59.5 | 7.3 | 7.3 | 2.5 | (1.6) |
| Annil Co Ltd-A | 002875 CH | 22.23 | 438 | 10.7 | 37.5 | 32.4 | 27.2 | 16.0 | 18.9 | 15.4 | 2.1 | 0.7 | N/A | 3.5 | N/A | 26.5 | N/A | 0.0 | 55.1 | 6.7 | 10.0 | 9.8 | 38.9 | 41.1 |
| Guirenniao Co-A | 603555 CH | 6.58 | 618 | 5.9 | 26.3 | 31.3 | 27.4 | (16.1) | 14.3 | 6.2 | 5.0 | 3.8 | 0.6 | 1.9 | 1.8 | 12.9 | N/A | 74.7 | 33.8 | 4.9 | 1.1 | 3.3 | 14.2 | (11.2) |
| International peers | | | | | | | | | | | | | | | | | | | | | | | | |
| Adjusted sector avg* | | | | | 57.1 | 31.5 | 30.8 | 77.6 | 18.1 | 33.9 | 0.97 | 1.6 | 0.7 | 8.98 | 8.51 | 22.9 | 19.1 | 0.0 | 48.1 | 4.7 | 16.4 | 25.2 | 1.7 | 9.3 |
| Nike Inc -CI B | NKE US | 85.17 | 134,040 | 568.2 | 73.0 | 32.1 | 27.1 | 127.8 | 18.2 | 46.2 | 0.7 | 1.0 | 1.0 | 15.4 | 15.7 | 25.7 | 22.6 | 0.0 | 43.8 | 5.3 | 21.0 | 46.2 | 5.7 | 17.1 |
| Under Armour-A | UAA US | 21.80 | 9,254 | 123.2 | N/A | 67.1 | 47.4 | N/A | 41.5 | (290.1) | N/A | N/A | 0.0 | 4.8 | 4.5 | 60.1 | 22.8 | 8.5 | 45.1 | (0.9) | (2.3) | 6.3 | 1.7 | (1.9) |
| Lululemon Ath | LULU US | 148.54 | 19,454 | 352.9 | 78.2 | 39.3 | 33.8 | 98.8 | 16.4 | 39.6 | 1.0 | N/A | 0.0 | 14.0 | 12.1 | 33.2 | 22.7 | 0.0 | 52.8 | 9.8 | 27.2 | 33.3 | (2.2) | 20.0 |
| Adidas Ag | ADS GR | 210.40 | 47,911 | 126.0 | 38.8 | 25.2 | 22.0 | 54.3 | 14.2 | 26.2 | 1.0 | 1.2 | 1.5 | 6.5 | 6.4 | 16.1 | 14.4 | 0.0 | 50.4 | 5.2 | 24.7 | 25.7 | 3.2 | 5.4 |
| Puma Se | PUM GR | 479.00 | 8,208 | 18.5 | 38.2 | 29.5 | 23.8 | 29.6 | 23.6 | 23.7 | 1.2 | 2.6 | 0.9 | 4.2 | 3.9 | 16.6 | 13.2 | 0.0 | 48.4 | 4.0 | 11.3 | 14.3 | 0.0 | 5.7 |

* Outliners and "N/A" entries are in red and excl. from the calculation of averages

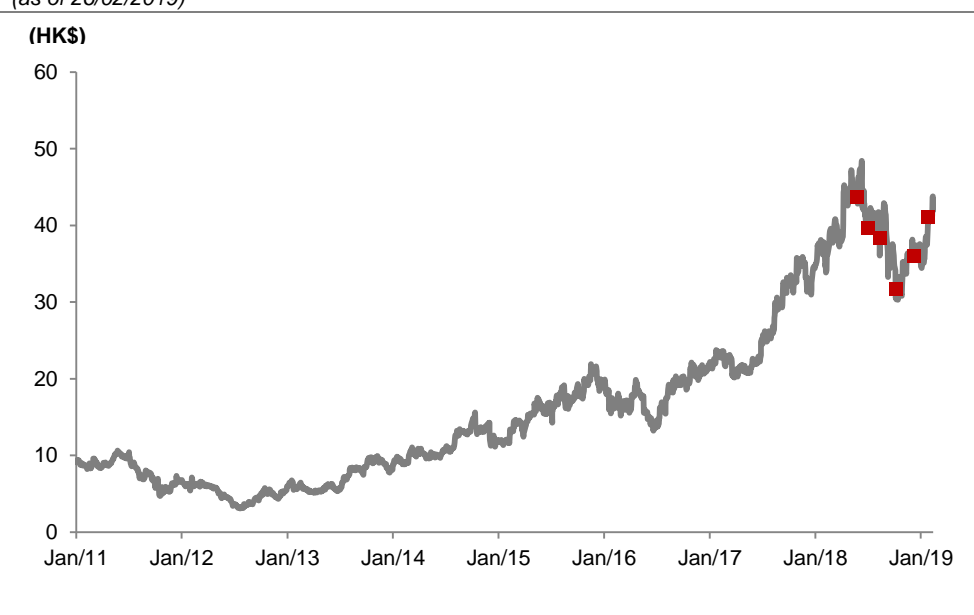
Source: Bloomberg, OP Research

Our recent reports

| Date | Company / Sector | Ticker | Title | Rating | Analyst |
|------------|------------------|--------|--|--------|----------------------|
| 22/02/2019 | Ausnutria Dairy | 1717 | FY18 profit surprise on margin expansion | BUY | Dallas Cai |
| 20/02/2019 | Q Tech | 1478 | Jan shipments growth was solid | BUY | Yuji Fung/Dallas Cai |
| 19/02/2019 | Tongda | 698 | FY18E profit warning | BUY | Yuji Fung/Dallas Cai |
| 18/02/2019 | Sunny Optical | 2382 | Earnings growth momentum likely resume in 2019 | BUY | Yuji Fung/Dallas Cai |
| 30/01/2019 | Li Ning | 2331 | FY18E results preview | HOLD | Dallas Cai |
| 30/01/2019 | Anta Sports | 2020 | FY18E results preview | BUY | Dallas Cai |
| 15/01/2019 | 361 Degrees Intl | 1361 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 15/01/2019 | Xtep Intl | 1368 | FY18E results preview | BUY | Dallas Cai |
| 14/01/2019 | Sinosoft Tech | 1297 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 11/01/2019 | Sunny Optical | 2382 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 11/01/2019 | Q Tech | 1478 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 11/01/2019 | Tian Lun Gas | 1600 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 08/01/2019 | Chinasoft Intl | 354 | FY18E results preview | BUY | Yuji Fung/Dallas Cai |
| 20/12/2018 | Tian Lun Gas | 1600 | A different coal-to-gas tale from Henan | BUY | Yuji Fung/Dallas Cai |
| 11/12/2018 | Sunny Optical | 2382 | November saw resilient shipments | BUY | Yuji Fung/Dallas Cai |
| 11/12/2018 | Q Tech | 1478 | November shipments in line with expectations | BUY | Yuji Fung/Dallas Cai |
| 10/12/2018 | Anta Sports | 2020 | Acquisition of Amer comes to a deal | BUY | Dallas Cai |
| 03/12/2018 | China Youzan | 8083 | December foresight bears fruit | BUY | Yuji Fung/Dallas Cai |
| 03/12/2018 | Ju Teng Intl | 3336 | Positive profit alert for FY18E | BUY | Yuji Fung/Dallas Cai |
| 26/11/2018 | Truly Intl | 732 | 3Q18 turnover flat as expected | BUY | Yuji Fung/Dallas Cai |
| 19/11/2018 | Ausnutria Dairy | 1717 | Nurturing by global layout | BUY | Dallas Cai |
| 13/11/2018 | 361 Degrees Intl | 1361 | Introduce new investor to kids' wear business | BUY | Yuji Fung/Dallas Cai |
| 12/11/2018 | Sunny Optical | 2382 | Oct shipments up to expectations | BUY | Yuji Fung/Dallas Cai |
| 12/11/2018 | Q Tech | 1478 | Shipment growth looms on horizon | BUY | Yuji Fung/Dallas Cai |
| 07/11/2018 | China Youzan | 8083 | 3Q18 results in line with expectations | BUY | Yuji Fung/Dallas Cai |
| 02/11/2018 | CH Display OPT | 334 | TCL Group ups stakes for turnaround and advance on opportunities | BUY | Yuji Fung/Dallas Cai |
| 30/10/2018 | TCL Electronics | 1070 | Revised up full year shipments target | BUY | Yuji Fung/Dallas Cai |

Historical recommendations and target price: Anta Sports (2020 HK)

(as of 26/02/2019)



| DATE | RATING | TARGET PRICE | CLOSE PRICE | DATE | RATING | TARGET PRICE | CLOSE PRICE |
|---------------|--------|--------------|-------------|---------------|--------|--------------|-------------|
| 1 29 May 2018 | BUY | HK\$51.40 | HK\$44.25 | 6 30 Jan 2019 | BUY | HK\$48.00 | HK\$41.10 |
| 2 04 Jul 2018 | BUY | HK\$51.40 | HK\$40.75 | | | | |
| 3 15 Aug 2018 | BUY | HK\$55.00 | HK\$38.28 | | | | |
| 4 12 Oct 2018 | BUY | HK\$55.00 | HK\$31.70 | | | | |
| 5 10 Dec 2018 | BUY | HK\$48.00 | HK\$36.05 | | | | |

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| | |
|---------------------------|--|
| Buy (B) | We expect this stock outperform the relevant benchmark greater than 15% over the next 12 months. |
| Hold (H) | We expect this stock to perform in line with the relevant benchmark over the next 12 months. |
| Sell (S) | We expect this stock to underperform the relevant benchmark greater than 15% over the next 12 month. |
| Relevant Benchmark | Represents the stock closing price as at the date quoted in this report. |

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