



CHINA
DEVELOPMENT
FINANCIAL

NOTE

Specialty Apparel Stores - Hong Kong

ANTA Sports Products Ltd (2020 HK/2020.HK)

Not Rated

Price as of 11 Jan 2018	38.15
12M target price (HKD)	-
Previous target price (HKD)	-
Upside (%)	-

Trading data

Market Cap (HKDm)	102,416.3
Issued Shares (m)	2,684.6
Ave Daily Traded (3-Month) Vol / Val	4.5m / \$153.4m
52 week lo / hi (HKD)	\$20.67 / \$39.00
Free Float	38.1%

Major Shareholders

Anta International Group	51.2%
Anda Holdings	4.3%

2020 HK (1yr) VS HSI Index



Source: Bloomberg

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See the last page for important disclosures.

Riding on China's consumption led growth

Event

Anta Sports (ANTA) has proven to be a powerhouse in the Chinese sports apparel industry, almost doubling its earnings in 5 years. Going forward, ANTA is well poised for a new stage of growth underpinned by (1) the government's push to develop its sporting industry and (2) individual consumption growth in China, which will likely outpace GDP growth.

Impact

Chinese government's plans to transform the industry still in its early stages.

The Chinese General Administration of Sport plans to build 100 towns dedicated as centres of sporting excellence for various disciplines over the coming years, and could potentially construct 70,000 new soccer pitches by FY20. Additionally, they expect the industry to more than double in size to be worth 5 trillion yuan by FY25, serving as major tailwind for ANTA.

Multi-brand strategy catering to different segments.

Unlike Li-Ning, ANTA adopts a multi-brand strategy to appeal to a wider target audience. For instance, its home-grown Anta brand caters to the mass market while Kolon Sport (joint venture) and Descente aims to penetrate the high-end market, competing with the likes of international brands, Nike and Adidas. Betting on the new two-child policy announced in FY15, ANTA is also positioning itself to benefit from this through its Fila Kids and Anta Kids range. Its most recent acquisition, King Kow, serves to broaden its reach to infants, despite being less of a sporting brand.

Strong partnerships to secure its dominance.

As the exclusive sportswear partner of the Chinese Olympic Committee since 2009, ANTA will be the official sponsor of the Beijing 2022 Winter Olympics and Paralympics. While this will not boost earnings directly, we think such marketing for its brand image on a large scale will help its home-grown Anta brand achieve its status of being synonymous with sports in China. ANTA is also engaged in strategic partnership with the Chinese General Administration of Sport.

Valuation & Action

ANTA currently trades at an FY18 P/E of 23.3x vs Li Ning's P/E of 18.4x. We believe this is justified, given its more diverse strategy catering to a wider audience.

Risk

Lower than expected consumption growth and negative changes to the national strategy to develop the sports industry.

Financials & Key Operating Statistics

YE Dec (HKD m)	2015A	2016A	2017A	2018F	2019F
Revenue	12,935.0	15,095.0	19,372.0	23,331.0	27,559.0
Operating Income	3,010.0	3,552.0	4,801.0	5,760.0	6,916.0
Net Income	2,418.0	2,702.0	3,640.0	4,376.0	5,209.0
EPS (Cents)	1.0	1.0	1.4	1.6	2.0
EPS growth (%)	12.8	10.6	23.9	19.1	19.3
P/E (x)	23.7	23.1	27.2	22.8	19.1
DPS (Cents)	0.7	0.8	1.0	1.2	1.4
Div Yield (%)	2.8	2.7	2.6	3.1	3.7
Gross Margin (%)	46.6	47.8	50.6	51.4	52.3
Net Margin (%)	18.3	17.9	18.8	18.8	18.9
ROE (%)	24.4	26.4	26.6	26.4	27.9

Source: Company Data, Bloomberg Estimates

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HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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