Anta Sports (2020)

Global China Summit 2026 takeaways: Progressive development of multi-brand strategy; top pick in China sportswear

Overweight

2020.HK, 2020 HK

Price (22 May 26): HK$75.15

Price Target (Dec-26): HK$130.00

China

Consumer

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We met with Anta management at our Global China Summit. We believe that Anta's guidance delivery will be highly visible, with continuous market share gains in 2026. While uncertainties remain (modest expectations in 2Q), we believe Anta's well-executed multi-brand portfolio and its greater-than-peers' potential for overseas expansion should position it to seize more opportunities. Maintain OW, top pick in China sportswear sector. Key takeaways are below.

- **2026 guidance maintained** with modest expectation on 2Q. Apr retail sales showed mixed performance: Anta: below internal target; Fila: in-line; Descente/Kolon: beat, with Kolon online GMV +c50%; and May-to-date saw recovery (improving traffic and conversion rate post Labor's Day holidays). Disciplined discounts continued in 2Q (largely flattish in 1Q) with healthy inventory level. Anta maintained its 2026 guidance (core Anta retail sales +LSD, with c20% OPM; Fila retail sales +MSD with c25% OPM; other brands' retail sales + >20%, with >25% OPM).

- **Core Anta strategic initiatives:** 1) enhanced product offerings, such as the iteration and differentiation of footwear, including material and technology innovation; 2) channel reforms, especially online and franchised (the Lighthouse project); 3) overseas expansion, including developments in Southeast Asia (c1k POS target by 2028, vs. currently c500) and exploration into new markets, such as Australia, New Zealand and India (collaboration with the leading Indian wholesaler Brandman Retail); 4) optimization of new store formats, such as the expansion of Anta Guanjun, and adjustments at Super Anta target the No.1 sportswear brand in China in the long term (No.2 with 11% market share in 2025, vs. Nike's 13%, according to Euromonitor).

- **Descente and Kolon: continued momentum**. Descente and Kolon target >20% retail sales growth in 2026, mainly driven by SSSG, with limited store expansion (mainly in core shopping malls in high-tier cities). Descente plans to further expand its product categories, including women, footwear (targeting 20-25% sales contribution, vs. currently mid-teens) and kids. Kolon plans to enhance its spring/summer collections and hardcore outdoor collections.

- **Jack Wolfskin: on-track 5-year brand revival plan.** The China market has seen improvements in operational efficiency (such as logistics costs down by 40-45%) and more should come out in 4Q26, including new flagship stores (in Beijing, Xi'an and Changchun), new brand image and new products. The Europe market targets to establish a new flagship store in Munich with new products in spring/summer 2027 and plans to re-enter multi-brand stores. The company expects the China market to contribute profits in 2027 and Europe in 2028 (continued loss

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	38	41	51	69	69
Growth	36	13	25	49	30
Momentum	63	66	52	47	14
Quality	13	2	6	19	18
Low Vol	35	48	53	72	68
ESGQ	13	8	3	19	15

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 6 for analyst certification and important disclosures, including non-US analyst disclosures.

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making in 2026, yet impacts would be limited at group level).

- **Puma** acquisition expects to close by 4Q26 (subject to approvals by authorities); both parties believe the China market is a good starting point for cooperation, leveraging Anta's supply chain, channel, and multi-brand operation capabilities, to rejuvenate the Puma brand (<2% market share in China).
- **Other takeaways** include: 1) **cost inflation**: limited impacts in 2026, given locked orders and inventory reserves. The impacts are likely to emerge in 2027, if raw material prices stay elevated (3-5% COGS increase on footwear products); yet Anta believes it's manageable through supply-chain sharing, strategic pricing adjustments and a relatively high GPM; 2) no **share buyback** plan in 2026, given cash needed for Puma deal, with payout ratio staying at 50%.

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Price Performance

	YTD	1m	3m	12m
Abs	-6.7%	-11.4%	-10.5%	-19.2%
Rel	-2.6%	-8.5%	-6.0%	-19.2%

Company Data

Shares O/S (mn)	2,797
52-week range (HK$)	106.30-74.20
Market cap ($ mn)	26,827
Exchange rate	7.83
Free float (%)	46.6%
3M ADV (mn)	8.74
3M ADV ($ mn)	89.3
Volatility (90 Day)	27
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	51|2|0

Key Metrics (FYE Dec)

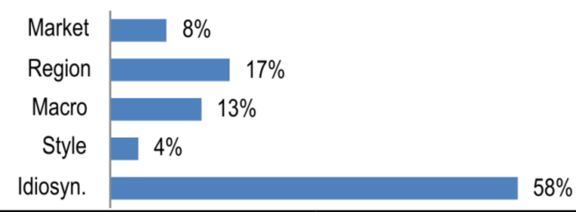
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	80,219	85,523	92,540	100,514
Adj. EBITDA	25,426	26,651	28,681	31,188
Adj. EBIT	19,091	19,917	21,861	24,089
Adj. net income	13,588	13,811	15,447	17,646
Adj. EPS	4.68	4.75	5.32	6.07
BBG EPS	4.67	5.13	5.59	6.11
Cashflow from operations	20,996	14,637	24,940	29,263
FCFF	15,335	(1,312)	21,309	25,017
Margins and Growth				
Revenue Growth Y/Y (%)	13.3%	6.6%	8.2%	8.6%
Gross margin	62.0%	62.4%	62.8%	63.3%
EBITDA margin	31.7%	31.2%	31.0%	31.0%
EBIT margin	23.8%	23.3%	23.6%	24.0%
Adj. EPS growth	(12.8%)	1.6%	11.8%	14.2%
Ratios				
Adj. tax rate	27.0%	27.0%	27.0%	27.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	0.2	0.3	0.1	NM
Net debt/EBITDA	0.4	0.8	0.4	NM
ROCE	16.2%	15.4%	15.0%	14.8%
ROE	21.3%	19.4%	18.6%	18.5%
Valuation				
FCFF yield	8.1%	(0.7%)	11.2%	13.2%
Dividend yield	3.4%	2.3%	2.6%	3.9%
EV/Revenue	2.6	2.6	2.3	2.0
EV/EBITDA	8.1	8.2	7.3	6.4
Adj. P/E	13.9	13.7	12.3	10.8

Summary Investment Thesis and Valuation

Anta is the largest domestic sportswear company in China, with a 22% market share in 2025, per Euromonitor. While competition is intensifying, we believe Anta's well-executed multi-brand portfolio and greater-than-peers' potential for overseas expansion position it well to seize more opportunities. We rate the stock OW.

Our DCF-based Dec-26 PT of HK$130 implies a 23x 12-month forward P/E. We derive our 11.8% WACC assuming a 4.9% risk-free rate, a 7.0% risk premium, a 14.6% cost of equity and terminal growth of 3.0%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.35	0.27
Region: China	0.13	0.43
Macro:		
JPM EM Currency(EMCI) Fixing	0.25	0.32
JP Morgan GBI-EM Global Div	0.19	0.32
JPM Forecast Revision EM	0.13	-0.24
Quant Styles:		
Size	0.22	0.20
Value	0.12	-0.16
LowVol	0.06	-0.13

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price histor

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Investment Thesis, Valuation and Risks

Anta Sports Products Ltd *(Overweight; Price Target: HK$130.00)*

Investment Thesis

Anta is the largest domestic sportswear company in China, with a 22% market share in 2025, per Euromonitor. While competition is intensifying, we believe Anta's well-executed multi-brand portfolio and greater-than-peers' potential for overseas expansion position it well to seize more opportunities. We rate the stock OW.

Valuation

Our DCF-based Dec-26 PT of HK$130 implies a 23x 12-month forward P/E. We derive our 11.8% WACC assuming a 4.9% risk-free rate, a 7.0% risk premium, a 14.6% cost of equity and terminal growth of 3.0%.

DCF valuation

Rmb in millions	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Sales	92,540	100,514	112,569	123,863	134,181	142,145	148,421	154,141	159,234
EBIT	21,861	24,089	27,493	27,503	29,942	31,908	33,539	35,075	36,501
Tax rate %	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*	*27%*
NOPAT	15,965	17,592	20,078	20,085	21,867	23,302	24,494	25,615	26,657
D&A	6,820	7,099	7,580	8,246	9,010	9,790	10,523	11,192	11,803
W.C. change	(319)	1,484	2,907	523	(64)	(2,210)	(2,667)	1,471	8,279
Capex	(3,133)	(3,403)	(3,811)	(4,194)	(4,543)	(4,813)	(5,025)	(5,219)	(5,391)
as % of sales	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*	*-3.4%*
FCFF	19,334	22,772	26,755	24,661	26,269	26,070	27,324	33,060	41,348
NPV of FCFF	156,818								
PV of terminal value	200,035								
Net debt	(1,611)								
Minority	10,896								
Equity value	347,568								
# of shares O/S (in millions)	2,906								
Value per share (Rmb)	**120**								
Value per share (HK$)	**130**								

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) slower-than-expected Fila business; (2) more intense competition; (3) a failure to integrate acquired businesses successfully; (4) a significant downturn in the retail environment; and (5) higher-than-expected raw material costs.

Upside risks include: (1) better-than-expected consumer sentiment; (2) better-than-expected Fila performance; (3) better-than-expected business synergies from acquired brands; and (4) earlier-than-expected profitability improvement at emerging brands.

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Anta Sports (2020): Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**70,826**	**80,219**	**85,523**	**92,540**	**100,514**
COGS	(26,794)	(30,485)	(32,131)	(34,389)	(36,919)
Gross profit	**44,032**	**49,734**	**53,392**	**58,151**	**63,595**
SG&A	(29,845)	(33,642)	(36,672)	(39,749)	(43,264)
Adj. EBITDA	**22,066**	**25,426**	**26,651**	**28,681**	**31,188**
D&A	(5,471)	(6,335)	(6,734)	(6,820)	(7,099)
Adj. EBIT	**16,595**	**19,091**	**19,917**	**21,861**	**24,089**
Net Interest	1,388	1,151	1,062	681	1,155
Adj. PBT	**21,884**	**21,446**	**21,808**	**24,107**	**27,177**
Tax	(4,895)	(5,784)	(5,882)	(6,502)	(7,330)
Minority Interest	(1,393)	(2,074)	(2,115)	(2,158)	(2,201)
Adj. Net Income	**15,596**	**13,588**	**13,811**	**15,447**	**17,646**
Reported EPS (Basic)	5.55	4.89	4.97	5.55	6.34
Adj. EPS	**5.37**	**4.68**	**4.75**	**5.32**	**6.07**
DPS	**2.18**	**2.23**	**1.49**	**1.67**	**2.54**
Payout ratio	40.7%	47.6%	31.3%	31.3%	41.8%
Shares outstanding	2,906	2,904	2,905	2,906	2,907

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	11,390	12,181	1,903	13,143	25,591
Accounts receivable	7,306	8,469	12,635	18,508	19,098
Inventories	10,760	12,152	12,075	7,565	7,384
Other current assets	23,026	26,854	26,854	26,854	26,854
Current assets	**52,482**	**59,656**	**53,466**	**66,071**	**78,926**
PP&E	6,152	7,898	9,178	10,660	12,322
LT investments	-	-	-	-	-
Other non current assets	53,981	56,741	70,291	72,060	74,259
Total assets	**112,615**	**124,295**	**132,934**	**148,790**	**165,506**
Short term borrowings	8,583	11,532	11,532	11,532	11,532
Payables	13,349	14,382	9,615	10,660	12,552
Other short term liabilities	6,661	7,444	7,689	8,012	8,380
Current liabilities	**28,593**	**33,358**	**28,836**	**30,204**	**32,464**
Long-term debt	12,233	11,770	11,770	11,770	11,770
Other long term liabilities	5,050	6,762	6,762	6,762	6,762
Total liabilities	**45,876**	**51,890**	**47,368**	**48,736**	**50,996**
Shareholders' equity	61,729	65,782	76,828	89,158	101,413
Minority interests	5,010	6,623	8,738	10,896	13,097
Total liabilities & equity	**112,615**	**124,295**	**132,934**	**148,790**	**165,506**
BVPS	**21.24**	**22.65**	**26.45**	**30.68**	**34.89**
y/y Growth	*18.3%*	*6.6%*	*16.8%*	*16.0%*	*13.7%*
Net debt/(cash)	9,426	11,121	21,399	10,159	(2,289)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**16,741**	**20,996**	**14,637**	**24,940**	**29,263**
o/w Depreciation & amortization	5,471	6,335	6,734	6,820	7,099
o/w Changes in working capital	(2,223)	(1,368)	(8,855)	(319)	1,484
Cash flow from investing activities	**(14,864)**	**(7,046)**	**(14,929)**	**(2,810)**	**(3,036)**
o/w Capital expenditure	(2,429)	(4,820)	(15,174)	(3,133)	(3,403)
as % of sales	*3.4%*	*6.0%*	*17.7%*	*3.4%*	*3.4%*
Cash flow from financing activities	**(5,761)**	**(13,116)**	**(9,987)**	**(10,889)**	**(13,781)**
o/w Dividends paid	(7,029)	(7,673)	(4,143)	(4,634)	(7,059)
o/w Shares issued/(repurchased)	(1,851)	(1,952)	0	0	0
o/w Net debt issued/(repaid)	(1,121)	(1,306)	0	0	0
Net change in cash	**(3,838)**	**791**	**(10,279)**	**11,241**	**12,447**
Adj. Free cash flow to firm	**13,234**	**15,335**	**(1,312)**	**21,309**	**25,017**
y/y Growth	*(22.7%)*	*15.9%*	*(108.6%)*	*(1724.4%)*	*17.4%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	62.2%	62.0%	62.4%	62.8%	63.3%
EBITDA margin	31.2%	31.7%	31.2%	31.0%	31.0%
EBIT margin	23.4%	23.8%	23.3%	23.6%	24.0%
Net profit margin	22.0%	16.9%	16.1%	16.7%	17.6%
ROE	27.6%	21.3%	19.4%	18.6%	18.5%
ROA	15.2%	11.5%	10.7%	11.0%	11.2%
ROCE	17.3%	16.2%	15.4%	15.0%	14.8%
SG&A/Sales	42.1%	41.9%	42.9%	43.0%	43.0%
Net debt/Equity	0.1	0.2	0.3	0.1	NM
Net debt/EBITDA	0.4	0.4	0.8	0.4	NM
Sales/Assets (x)	0.7	0.7	0.7	0.7	0.6
Assets/Equity (x)	1.8	1.9	1.8	1.7	1.6
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	58.8%	113.4%	65.5%	119.0%	118.2%
Tax rate	22.4%	27.0%	27.0%	27.0%	27.0%
Revenue y/y Growth	13.6%	13.3%	6.6%	8.2%	8.6%
EBITDA y/y Growth	8.4%	15.2%	4.8%	7.6%	8.7%
EPS y/y Growth	50.3%	(12.8%)	1.6%	11.8%	14.2%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	12.2	13.9	13.7	12.3	10.8
P/BV (x)	3.1	2.9	2.5	2.1	1.9
EV/EBITDA (x)	9.2	8.1	8.2	7.3	6.4
Dividend Yield	3.3%	3.4%	2.3%	2.6%	3.9%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Date	Rating	Price (HK$)	Price Target (HK$)
23-Aug-23	OW	77.65	152
18-Oct-23	OW	90.95	154
14-Jan-24	OW	73.85	140
27-Mar-24	OW	83.55	144
09-Jul-24	OW	71.35	141
11-Oct-24	OW	100.10	144
09-Jan-25	OW	75.25	138
20-Mar-25	OW	97.90	140
28-May-25	OW	94.60	142
28-Oct-25	OW	87.80	141
26-Mar-26	OW	75.75	130

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 28, 2008. All share prices are as of market close on the previous business day.

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J.P. Morgan Global Equity Research Coverage*	51%	37%	12%
IB clients**	83%	79%	74%
JPMS Equity Research Coverage*	49%	39%	13%
IB clients**	94%	93%	85%

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