



**ANTA SPORTS
PRODUCTS LIMITED**
安踏體育用品有限公司

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立的有限公司

Stock Code: 2020 股份代號: 2020

2016

ANNUAL RESULTS PRESENTATION

二零一六年
全年業績發佈會





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Financial Overview



Financial Highlights



	2016	2015	Changes
Revenue (RMB million)	13,345.8	11,125.9	↑ 20.0%
Gross profit (RMB million)	6,459.0	5,185.4	↑ 24.6%
Profit from operations (RMB million)	3,203.4	2,696.7	↑ 18.8%
Profit attributable to equity shareholders (RMB million)	2,385.5	2,040.6	↑ 16.9%
Basic earnings per share (RMB cents)	95.36	81.66	↑ 16.8%
Free cash inflow (RMB million)	1,897.0	1,417.0	↑ 33.9%
Gross profit margin	48.4%	46.6%	↑ 1.8p.p.
Operating profit margin	24.0%	24.2%	↓ 0.2p.p.
Margin of profit attributable to equity shareholders	17.9%	18.3%	↓ 0.4p.p.
Total dividend per share (HK cents)	76	68	↑ 11.8%
<i>Interim dividend per share (HK cents)</i>	34	30	
<i>Final dividend per share (HK cents)</i>	34	30	
<i>Special dividend per share (HK cents)</i>	8	8	
Dividend payout ratio	70.2%	69.8%	↑ 0.4p.p.

Revenue ↑ 20.0% to RMB13.35 billion

↑ in revenue > ↑ in order value of 2016 trade fairs for ANTA products as announced before due to:

- Stronger pace of revenue growth for non-ANTA brands



Revenue by product	2016		2015		Changes (%)
	(RMB million)	(% of revenue)	(RMB million)	(% of revenue)	
Footwear	6,000.8	45.0	5,074.1	45.6	↑ 18.3
Apparel	6,885.7	51.6	5,591.7	50.3	↑ 23.1
Accessories	459.3	3.4	460.1	4.1	↓ 0.2
Overall	13,345.8	100.0	11,125.9	100.0	↑ 20.0

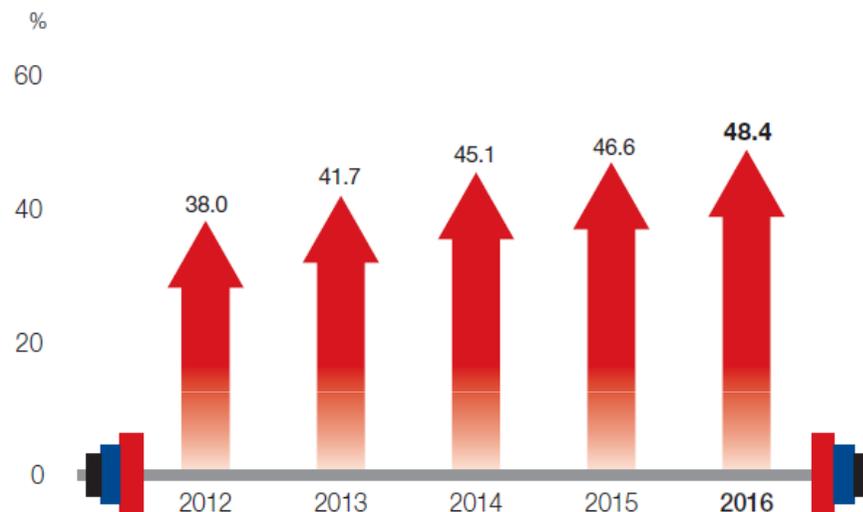
GP margin ↑ 1.8p.p. to 48.4%

↑ 0.1 p.p. in footwear GP margin due to:

- Higher contribution from the FILA business, partly offsetting by the effect of launching more value-for-money high-performance footwear products

↑ 3.2 p.p. in apparel GP margin due to:

- Higher contribution from the FILA business amid its increase in apparel's ASP



GP & GPM by product	2016		2015		Changes	
	GP (RMB million)	GP margin (%)	GP (RMB million)	GP margin (%)	(%)	(p.p.)
Footwear	2,778.4	46.3	2,341.8	46.2	↑ 18.6	↑ 0.1
Apparel	3,509.7	51.0	2,671.2	47.8	↑ 31.4	↑ 3.2
Accessories	170.9	37.2	172.4	37.5	↓ 0.9	↓ 0.3
Overall	6,459.0	48.4	5,185.4	46.6	↑ 23.5	↑ 1.8

The key operating expenses ratios for 2016 were relatively stable compared with 2015

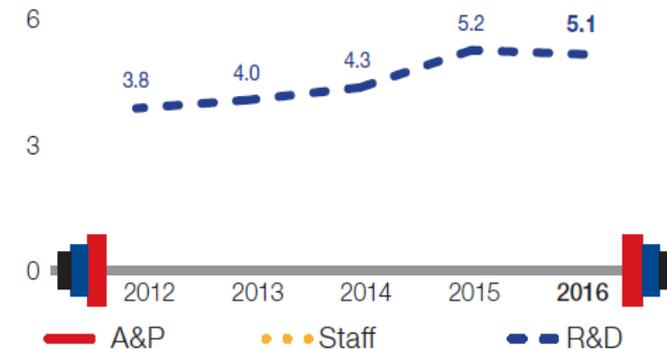
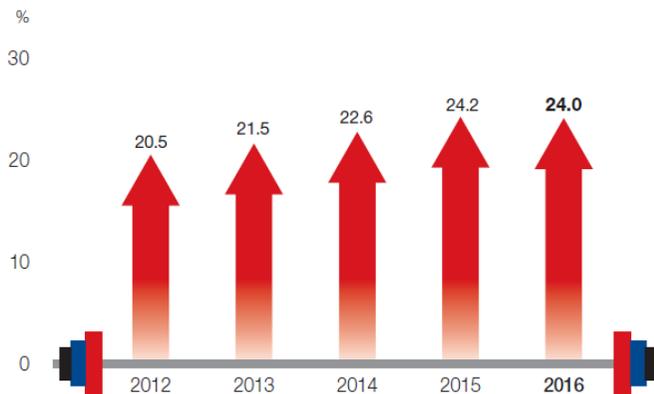
- A&P expenses ratio* ↓ 0.1p.p. to 11.4%
- Staff costs ratio* ↑ 0.1p.p. to 11.3%
- R&D costs ratio# ↓ 0.1p.p. to 5.1%

* In terms of revenue # In terms of cost of sales

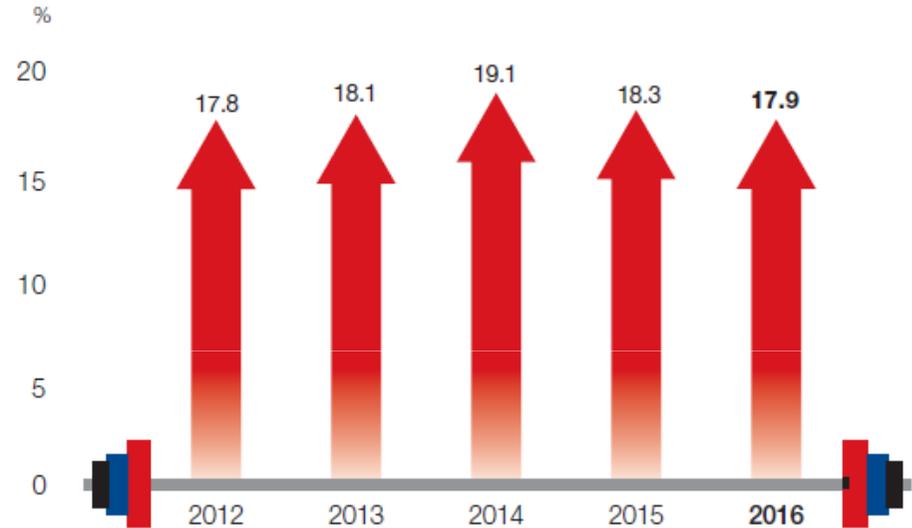
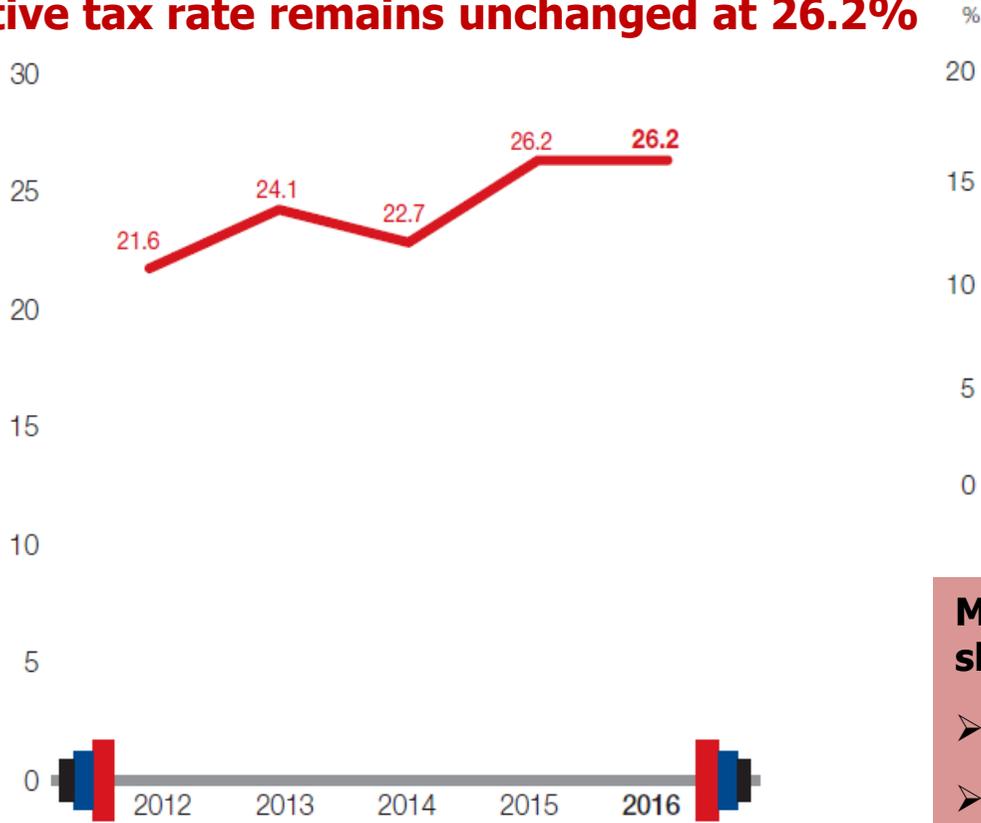


OP margin ↓ 0.2p.p. to 24.0% due to:

- Selling and distribution expenses ↑ as a result of FILA retail operation expansion
- Administrative expenses ↑



Effective tax rate remains unchanged at 26.2%



Margin of profit attributable to equity shareholders ↓ 0.4p.p. to 17.9% due to:

- Operating profit margin ↓
- Net finance income ↓

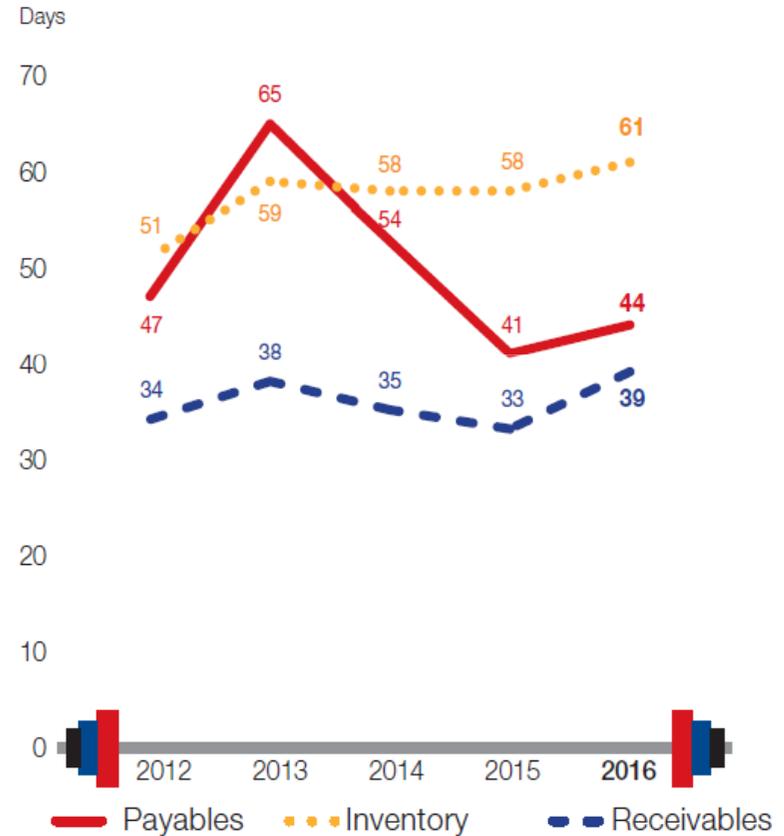


Average inventory turnover days ↑ 3 days to 61 days, due to:

- ↑ in overall inventories as a result of FILA retail operation expansion

Average trade receivables turnover days ↑ 6 days to 39 days

Average trade payables turnover days ↑ 3 days to 44 days





Liquidity and Financial Resources



Operating cash inflow was similar to profit for 2016, demonstrating strong cash generation capability

		2016	2015
		(RMB million)	(RMB million)
Year ended 31 Dec	Operating cash inflow	2,467.6	1,902.9
	Capital expenditures	(627.6)	(460.9)
	Others	57.0	(25.0)
	Free cash inflow	1,897.0	1,417.0
As at 31 Dec	Cash and cash equivalents	5,830.0	5,165.9
	Fixed deposits held at banks with maturity over 3 months	1,492.4	1,365.0
	Pledged deposits	194.6	202.5
	Other current financial assets	-	200.0
	Bank loans	(937.7)	(1,330.0)
	Bills payable	(600.0)	(100.0)
	Net cash and cash equivalents	5,979.3	5,503.4



Business Overview



It is generally believed that China's sportswear industry has a bright outlook thanks to the growing number of exercisers and demand for sportswear

China's economy in 2016

According to the National Bureau of Statistics of China

- GDP **+6.7%**
- Total retail sales of consumer goods **+10.4%** (clothing sector **+7.0%**)
- Per capita annual disposable income of urban residents **+5.6%** after deducting price factors

Sportswear industry

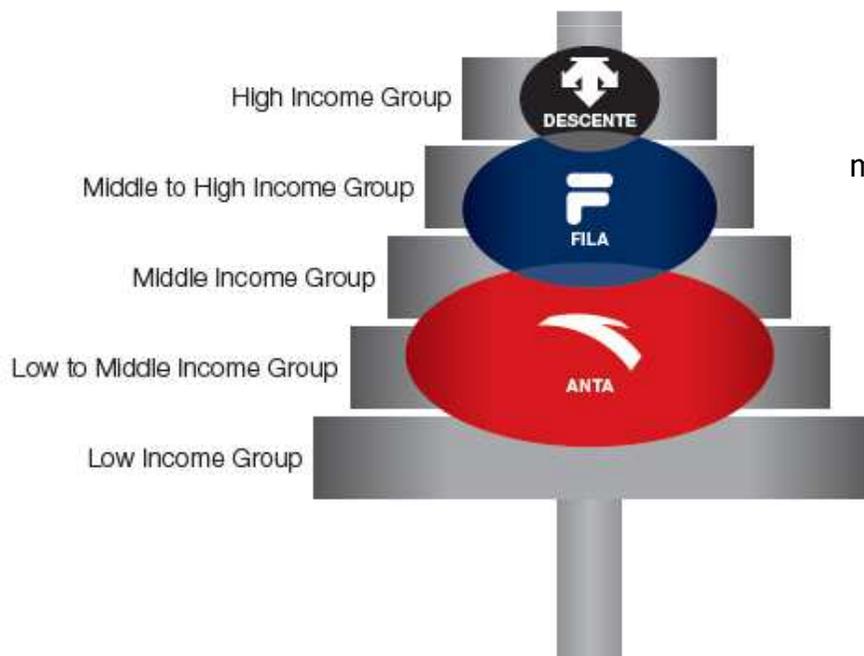
- It is generally believed that Chinese consumers will have stronger consumption power. The total individual consumption in 2030 is expected to be over **3 times** of the level in 2015
- As China's economy continues to grow, it is generally believed that the number of people who regularly exercise and sportswear sales will further increase. By 2025, China's sports industry is expected to be **RMB5 trillion** in size
- The demand for "**functional**", "**differentiated**" and "**premiumized**" sportswear products will increase along with the growing trend for "athleisure" fashion



Unique business model + “Single-focus, Multi-brand, Omni-channel” strategy = Full coverage of consumers and retail channels

Full Coverage

- Catering to consumers’ demands for sportswear from different income groups through multiple brands



Omni-channel

- Leveraging online and offline retail channels to boost sales for all brands

FILA and DESCENTE stores are mainly located in high-end shopping malls and department stores

ANTA stores are mainly street stores but with rising retail network presence in shopping malls and department stores





ANTA Embodies the Essence and Spirit of Chinese Sports



ANTA's brand equity and recognition experienced uplift from its "Go Surprise Yourself" marketing campaign riding on the 2016 Rio Olympics



- As an official sponsor of the Chinese Olympic Committee, we produced **31,000** sets of footwear, apparel and accessories, including Champion Dragon Outfits, for the Rio Olympics Chinese Sports Delegation
- During the Rio Olympics, **10** Chinese national teams, equipped with ANTA competition gear, received **24** medals in total
- The awareness of ANTA's brand **+17%** on the back of our successful "Go Surprise Yourself" marketing campaign, according to a survey conducted by Ipsos
- "Go Surprise Yourself"-related topics on Weibo were read over **100,000,000** times, while related feeds generated over **300,000** discussions



ANTA is a Value-for-Money Functional Sportswear Brand

ANTA provides consumers with value-for-money and professional sportswear and has a strong advantage in running, cross-training, basketball and soccer categories



- 2016 was a groundbreaking year for NBA star **Klay Thompson**, one of ANTA endorsers, who continued to progress his career and set NBA records with his namesake shoes, the KT series
- A new generation of ANTA "Challenge 100" functional running shoes, tailor-made for professional runners, were launched in tandem with ANTA's support for **Chen Penbin** during our "2016 Challenge 100" event
- Enlisted **Manny Pacquiao**, the legendary boxing champion, as an ANTA endorser, to collaborate with us on the promotion of ANTA's professional cross-training sportswear



ANTA KIDS is well-placed to capture the growing demand for kids sportswear with its comfortable and dependable products



- Following the implementation of the 2-child policy by the Chinese government, it is widely expected that growth in the kids market segment will accelerate
- We are committed to offering fashionable, protective and comfortable products for children aged between 3 and 14
- Revenue growth for ANTA KIDS was driven by increasing number of stores and improving store efficiency
- Apart from running, basketball, outdoor, cross-training and lifestyle series, we have also included the “ANTA-NBA” co-branded series as part of the ANTA KIDS product portfolio



We are an official marketing partner of NBA China & licensee of the NBA



- We are the **1st** domestic sportswear brand to launch NBA-branded products in China
- We can use the NBA logo and logos of NBA teams, legendary teams and events on our adults and kids basketball shoes and accessories
- NBA branded products are available at both online and offline stores



We have enhanced the appeal of FILA's brand, product range and store layouts to tap the potential of the high-end sports fashion market



- Renowned female celebrity **Gao Yuanyuan** started featuring in FILA advertising campaign
- Launched **Jason Wu X FILA** collection to provide consumers with differentiated sports fashion experience
- Introduced **LOVE FILA** collection inspired by former Wimbledon Champion, Marion Bartoli
- Sponsored both the CCTV5 Rio Olympics Reporting Team and the Hong Kong (China) Olympic Team during the Rio Olympics
- Continued to enhance FILA KIDS' products in line with FILA's elegant and unique style



We officially introduced the DESCENTE business into the high-end sportswear market in China with the opening of the 1st DESCENTE store in August



JV's Ownership Structure

60%	30%	10%
ANDES*	DGR#	ITOCHU##



- Founded in 1935 in Osaka, Japan, DESCENTE has over **80** years of experience producing products which incorporate cutting-edge technology, are of high quality and ensure a fit that is second-to-none
- DESCENTE leads the ski industry in terms of expertise, functionality and innovation, which will meet the fast-growing demands in China ahead of the Beijing 2022 Winter Olympics
- DESCENTE stores in China offer high-performance **skiing, cross-training** and **running** sportswear products to high-end consumers

* A wholly-owned subsidiary of ANTA Sports Products Limited

A subsidiary of Descente Ltd.

A subsidiary of ITOCHU Corporation



Our retail-oriented strategy has further optimized our store efficiency and retail management capabilities

	ANTA+ANTA KIDS in China	FILA+FILA KIDS in China, Hong Kong, Macao	DESCENTE in China
			
Key market tiers	2nd, 3rd and lower tier cities	1st and 2nd tier cities	1st and 2nd tier cities
Store formats * predominately	<ul style="list-style-type: none"> ➤ Street stores* ➤ Shop-in-shops ➤ Outlet stores ➤ Online shops 	<ul style="list-style-type: none"> ➤ Shop-in-shops* ➤ Street stores ➤ Outlet stores ➤ Online shops 	<ul style="list-style-type: none"> ➤ Shop-in-shops*
Number of stores by end of 2016	8,860 (End of 2015: 8,489)	802 (End of 2015: over 640)	6 (End of 2015: Nil)



Our e-commerce business will benefit our long-term revenue and profitability by tapping the fast growing online market opportunities



- Self-operated online shops on **anta.cn**, **Tmall**, **JD**, etc. + authorized third parties-operated online shops
- During the Singles' Day online shopping festival in 2016, our e-commerce retail sales more than **doubled** from the same period last year
- Launched Rio Olympics E-commerce Sales Campaign with Tmall



Technological innovation and effective supply chain management are essential for sustainable growth



- The sales volume of ANTA's travel and sports shoes ranked **1st** in terms of market share in China for **15 consecutive years**
- Introduced over **1,700, 3,600** and **1,200** new styles to our footwear, apparel and accessories portfolios in 2016
- Launched the ANTA running time APP and ANTA Intelligent running shoes
- Featured the latest one-piece vamp design to the new generation of Challenge 100 functional running shoes
- The proportion of self-produced footwear and apparel in terms of volume sold amounted to **42.9%** and **16.7%** respectively in 2016 (2015: 49.0% and 15.9%)



Prospects



With our “single-focus + multi-brand + omni-channel” strategy, we will continue to utilize our brand portfolio to maximize market reach through different retail channels



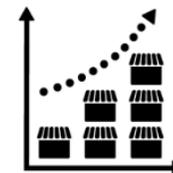
Tapping potential markets by Multi-brand strategy; Driving long-term growth for the Group



Focusing on consumer experience; Strengthening innovation and differentiation of products



Optimizing retail network; Increasing % of shop-in-shop for ANTA



Targeted number of stores by end of 2017



Optimizing number of SKU; Raising sales volume of best-selling footwear



Shortening delivery time; Enhancing replenishment flexibility and cost-efficiency



Improving store efficiency and management; Meeting consumer demands by Omni-channel strategy

 ANTA+ANTA KIDS
9,000-9,100

 FILA+FILA KIDS
950-1,000

 DESCENTE
50-60