



Deal Logic

Amer Sports / Anta Sports

WHU Finance Society

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Abstract

In this competitive world, a company has to keep evolving – either by expansion and/or by diversification. Particularly looking at the sporting industry, the former nowadays is a necessity. With a market size of USD 60bn, the global sporting goods market is growing rapidly. Every company in the industry has to be agile to avoid being disrupted. The acquisition of Amer Sports by Anta Sports reflects this line of thought. Founded three decades ago as a low-cost manufacturer for global brands, Anta is now aiming to rival Adidas and Nike with its planned USD 6.3bn takeover.

The sporting goods market is anticipated to record noteworthy growth in the next five to six years. This can majorly be attributed to an increasing number of health-conscious consumers who are incorporating sports as a part of their daily routine. Of the different segments in the overall industry such as sports tourism, sports apparel, sports sponsorship or sporting goods, the latter is anticipated to gain significant share in the overall market. This development has led to increased competition among sporting goods manufacturers along distribution channels, prices, quality and efficient supply chain management to ultimately maintain sustainability in the market.

A consortium led by China's Anta Sports Products closed in on a USD 6.3bn takeover of Finland's Amer Sports in what is the largest outbound deal into Europe by a Chinese company in 2018. Anta is offering to pay USD 45 per share, valuing Amer's equity at USD 5.2bn.

Chinese sportswear companies have matured, moving away from low-cost copy products. Sports apparel sales in China have doubled in the past five years, according to Euromonitor, and now trail solely the US. Thus, enabling Chinese brands to build huge economies of scale and cash reserves for global deals. With the acquisition of Amer, the future of Anta's global expansion will certainly change.

Founded in 1994, the Fujian province-based Anta initially started as a sports shoe and apparel manufacturer, targeting the lower-end market. The company, however, has successfully pushed into high-end segments in recent years, mainly through acquisitions of established global brands.

Led by billionaire brothers Ding Shizhong and Ding Shijia, Anta reported sales growth of roughly 44% in 2018 to about USD 3.6bn. Net profit increased by 33% to USD 4.1bn.

The acquisition of Amer by Anta is the company's move towards becoming increasingly international. Anta, which has a market value of around USD 12.7bn, has been working to grow its business overseas amid a Chinese government push to expand in sporting ranges. Anta's march abroad comes a decade after efforts of its main domestic rival Li Ning to sell more expensive products and expand internationally ended in humiliating retreat.

Amer's portfolio of well-known sports brands, including Salomon ski boots, is an attractive proposition for Anta ahead of the upcoming Olympic Games in Asia. The Finnish company also sells Louisville Slugger baseball bats, Arc'teryx outdoor gear and Atomic winter equipment.

The acquisition will deliver Anta a controlling 57.95% stake in Amer, according to previous plans. The other three investors in the consortium are internet giant Tencent Holdings Ltd., Chinese private equity firm FountainVest Partners, and Anamer Investments, who together will hold the remaining stake.

All values in USDm, except Price, Initial (USD) & Price, Paid (USD)

Summary

Target	Amer Sports Oyj
Acquirer	Anta Sports Products Ltd
Date, Announ.	09/11/2018
Date, Effective	Pending
Deal Attitude	Friendly
Consideration	Cash 100%
%Held/%Acq.	0%/ 100%
Deal Value	5,342,717
Price, Initial	46.368
Price, Paid	46.368
Total Fees	36.766
Premium*, 1d	38.940
Premium*, 1w	41.390
Premium*, 4w	42.350

* Pre-bid (%)

Sources: Thomson Reuter Eikon

Synopsis

- Mascot Bidco Oy, a new special purpose acquisition vehicle, formed by Chinese Anta Sports Products Ltd, FV Fund, Anamered Investments Inc and Tencent Holdings Ltd, launched a tender offer for the entire share capital of Amer Sports Oyj, a Helsinki-based manufacturer of sporting and athletic goods for USD 46.37 in cash per ordinary share, or a total of USD 4.609bn
- Originally, an investor group, comprised of FountainVest Partners (Asia) Ltd and ANTA, a unit of Anta International Group Holdings LTD, planned to launch an unsolicited tender offer to acquire the entire share capital of Amer Sports

LTM Transaction Multiples

	Target	Acquirer	Industry†
EV/Sales	1.8x	4.4x	1.0x
EV/EBITDA	15.8x	17.8x	8.9x
EV/EBIT	n/a	n/a	n/a
EV/FCFF	29.6x	25.0x	8.1x
P/E	31.2x	26.6x	13.4x

† Of Target, SCI Code 3949

Rationale

- The purpose of the transaction was for Anta Sports Products Ltd and FountainVest Partners (Asia) Ltd to strengthen their operations in the secondary market
- The acquisition allows Anta Sports to significantly strengthen its operations in Europe and support the company's global ambitions while at the same time decisively extending its brand portfolio
- The merger further enables Anta Sports to diversify into a number of other categories, such as winter sports or sports instruments

Financial Advisors

Target	Fees	Acquirer	Fees
Goldman Sachs & Co	15.7	China CITIC Bank	5.282
		Citigroup	5.282
		Industrial & Comm Bank China	5.282
		RBC Capital Markets	5.282

All values in EURbn, except EPS

Recent News*

- **2019/03** Amer Sports enters in an exclusivity period with Regent, a US based global private equity firm, for the sale of the shares and related cycling business of Mavic S.A.S.
- **02/2019** Amer Sports announces continued strong performance in the fourth quarter and for the full year 2018, achieving record sales and profitability for the twelve-month period - the ninth consecutive year for the company
- **09/2018** Amer Sports updates its strategy: The company continues to pursue sustainable profitable growth and prioritized acceleration, whilst further driving transformation of the portfolio towards areas of faster growth, higher profitability, and better asset efficiency
- **2018/04** Amer Sports Corporation acquires all shares and related businesses of Peak Performance AB (Stockholm, Sweden) from the Danish fashion group IC Group for around EUR 255m

* Prior To Deal
Sources: Thomson Reuters Eikon,
Amer Sports Company Website

Company Description

- Amer Sports Oyj (formerly Amer-Yhtymä Oyj) is a Finnish sports equipment manufacturer
- The company was founded in 1950 and is headquartered in Helsinki; as of 2016 the company had around 8,500 employees
- Initially, Armer Sports was active in various sectors such as ships, tobacco products and media, but over time expanded into a manufacturer and seller of sporting goods
- Important brands include Salomon, Arc'teryx, Peak Performance, Atomic, Mavic, Suunto, Wilson and Precor

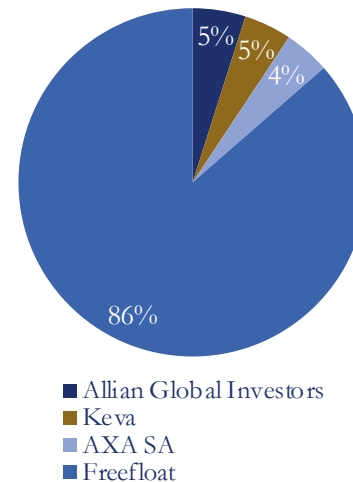
Key Management & Ownership Structure



Heikki Takala
CEO
Since 2010



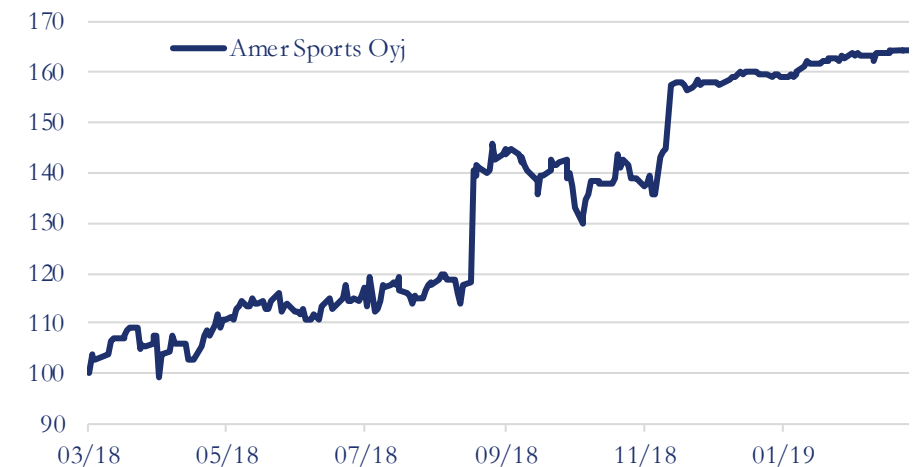
Jussi Siitonen
CFO
Since 2011



Key Financials

	2016A	2017A	2018E	2019F	2020F
Sales	2,622	2,685	2,678	2,875	3,011
% growth	n/a	2.4	(0,26)	7,4	4.7
EBITDA	281.7	284.40	303.6	344.80	361.67
% margin	10.7	10.6	11.3	12.0	12.0
Net Inc.	139.3	138.2	141.6	180.35	198.00
% margin	5.3	5.1	5.3	6.3	6.6
EPS	1.18	1.18	1.22	1.55	1.72

LTM Stock Price Performance



All values in CNYbn, except EPS

Recent News*

- **2019/02** The extraordinary general meeting of Anta Sports Products Limited has passed the resolution required by the tender offer for all shares in Amer Sports Corporation
- **2019/02** Anta posts fifth year of record profits as its multi-brand product portfolio helps it capture rising demand for sportswear
- **2019/02** Anta Sports appoints Mr. Mei Ming Zhi as an independent non-executive director and a member of audit committee of the company with effect from 1 March 2019
- **2019/06** Bronstein, Gewirtz & Grossman, LLC investigates potential claims on behalf of purchasers of Anta Sports Products Limited

* Prior To Deal
Sources: Thomson Reuters Eikon,
Anta Sports Company Website

Company Description

- Anta Sport Products Limited is a Chinese branded sportswear company
- The company is involved in the business of designing, developing, manufacturing and marketing sportswear, including sports footwear, apparel and accessory under its own brand name, ANTA
- Anta Sports was founded in 1994 by Ding Shizhong and is headquartered in Jinjiang, Quanzhou, Fujian
- The company is listed on the Hong Kong Stock Exchange since 2007

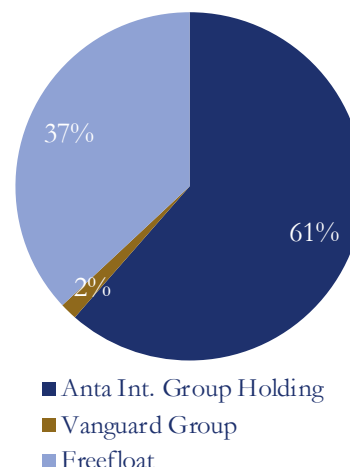
Key Management & Ownership Structure



Ding Shizhong
CEO & Co-Founder
Since 1994



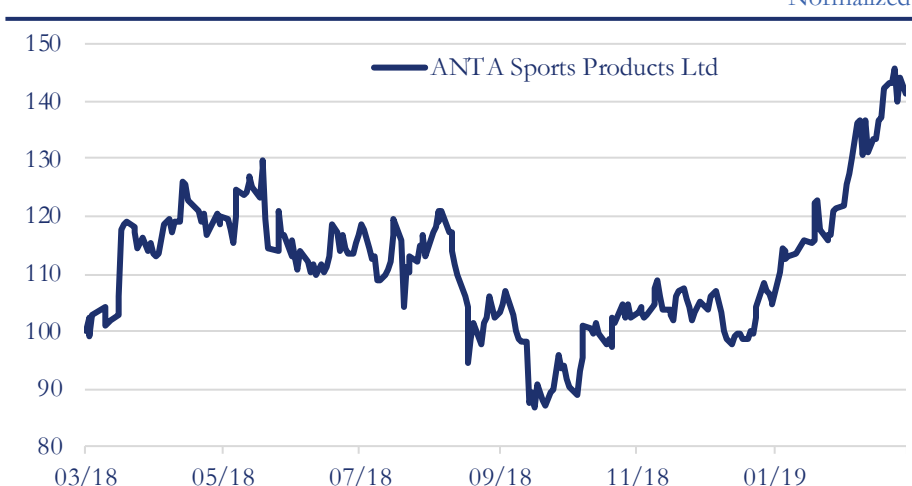
Lai Shixian
CFO
Since 2018



Key Financials

	2016A	2017A	2018E	2019F	2020F
Sales	13,346	16,692	24,100	29,111	34,853
% growth	44.4	25.1	44.4	20.7	19.7
EBITDA	3,421	4,230	6,032	7,082	8,546
% margin	25.6	25.3	25.0	24.3	24.5
Net Inc.	2,386	3,088	4,103	5,048	6,106
% margin	17.9	18.5	17.0	17.3	17.5
EPS	0,95	1,17	1,53	1,87	2,27

LTM Stock Price Performance



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