

ANTA Keep Moving: Analysis of Anta's acquisition of FILA

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Abstract. Acquisitions of business practices occur frequently among enterprises. Successful acquisitions will not only greatly enhance the earnings of enterprises, but also improve the visibility of enterprises and increase their resources. Conversely, due to too much of a premium for insufficient funds and other reasons acquisitions can sometimes fail and can have a great impact on the strategy of the enterprise. Nowadays, on account of many factors the sports footwear industry is booming and domestic famous brands (e.g., Anta) are rising rapidly. It started the acquisition in 2009, which paved the cornerstone for its success, and the acquisition of FILA in 2009 was the starting point. This study will introduce the development history of the two companies, the mode of acquisition, the source of funds for the acquisition and the process of acquisition. Data collection and calculation are utilized to derive revenue, share, ROA, and market share, and visualize these data to reflect the change of data more intuitively. Subsequently, this research will make suggestions to Anta's strategy and the sports footwear industry according to the real situation. According to the analysis, Anta's acquisition of FILA is successful. Overall, these results shed light on guiding further exploration of the acquisition in clothing industry.

Keywords: Acquisition of Anta; Synergies; ROA.

1. Introduction

With the growing demand for healthy living and more and more sporting events, the sportswear industry is booming today with a high degree of market concentration and showing good prospects for growth. The market size of China's emerging sportswear brands is expanding, such as Li Ning, Anta and other well-known brands. In 2007, Belle International bought all the interests of FILA brand in China (including Hong Kong and Macau) for \$48 million. Conversely, FILA lost \$12.42 million in two years. Meanwhile, Anta was an agency for well-known brands such as Reebok and Kappa and these brands' revenue constantly declining. In 2009, Anta announced its wholly owned subsidiary Motive Force will purchase Belle 's entire 85% stake in Full Prospect and the whole equity of Fila for 325 million yuan [1].

International acquisitions which the essence is to increase corporate profits are the combination of two or two more enterprises [2]. The acquiring company controls the financial and operational aspects of the acquired company [3]. More and more corporations are regarding cross-border acquisitions as an important part of their strategy to drive their own sustainable growth [4]. On the other hand, acquisitions are sometimes helpful to their transformation and can deal with competitive pressures better [5]. If acquisition is successful which means the assets and resources of the enterprise can be merged or reorganized in order to enhance the strength of the company, it will be one of the most solid backing for the company [6]. Conversely, acquisitions also have risks. Owing to excessive debt of the company and other reasons, acquisitions sometimes will fail which leads to losses for the company [7]. HNA Technology's acquisition of Dangdang Inc ended in failure is precisely due to the valuation premium of Dangdang that HNA Technology cannot afford, HNA Technology's excessive external debt, short-term debt repayment ability is poor and other major reasons [8].

This study will investigate the case of Anta's acquisition of FILA with introduction of the source of funds for the acquisition, the acquisition model and the process of the acquisition. Besides, it will explore whether the acquisition has created synergies and brought positive impact to Anta's development. It is achieved by comparing the change in revenue of the two brands before and after the acquisition, the contribution of FILA after the acquisition and calculating the return on assets which can measure the profitability of the total assets, and calculating the market share to analyze the

position of Anta in the market. The end of the article will summarize the experience of Anta's acquisition of FILA.

2. Background

Anta was founded in 1991 in Jinjiang City, Fujian Province, and launched the slogan "I choose what I like" in 1999. In 2007, Anta was listed in Hong Kong, raising over HK\$3.5 billion, and since 2009, Anta has opened the road of acquisition, successively acquiring FILA, DESCENTE and other famous brands, making a great contribution to its glorious road. After more than 20 years of operation with great concentration and development, Anta has become China's first and the world's third largest sporting goods company. The brand was founded in 1911 by the FILA brothers in BIELLA, Italy, and has a history of nearly 100 years. In the 1970s, FILA expanded its sportswear business in line with its diversification strategy. In the following years, FILA developed golf, tennis, fitness, yoga, running and skiing series, and finally established its position as a world-famous sports brand, which is considered as a representative of art and a model of luxury. In 2003, FILA was acquired by Cerberus Capital Management, L.P. In March 2007, FILA's global footwear and apparel business was acquired by FILA Korea Ltd. which had been in charge of FILA's business in the Asia-Pacific region. In the same year, Belle International bought all the interests of FILA brand in China (including Hong Kong and Macau) for US\$48 million. Due to the poor management of Belle International, FILA continued to lose money during these two years and was finally acquired by Anta in 2009 [5].

Anta's acquisition of FILA was a horizontal acquisition. Both Anta and FILA are companies that produce sportswear and are competitors in the market. Anta, as a dominant company, acquired FILA, a disadvantaged company, which could expand production scale, expand market share as well as reduce competition. According to Anta's 2009 annual report, this acquisition was entirely financed by internal funds of Anta Group. On September 30, 2009, Anta Group completed the acquisition of the FILA China trademark and FILA's retail business in Hong Kong and Macau through the acquisition of 85% of the issued share capital of Full Prospect and the entire issued share capital of Fila Marketing.

3. Analysis

3.1. Revenue

According to Anta's annual report, Anta's profit after tax was approximately 0.93billion yuan in 2008, 1.39billion yuan in 2009, 1.74billion yuan in 2010, 2.01billion yuan in 2011, 1.56billion yuan in 2012 and 1.57billion yuan in 2013. It can be clearly seen from the change of Fig. 1 that Anta's revenue exceeded 1 billion yuan after the acquisition of FILA in 2009, the trend of the profit after tax increased year by year from 2008 to 2011, although there was a decline in 2012, the decline was smaller and rebounded in 2013 [9].

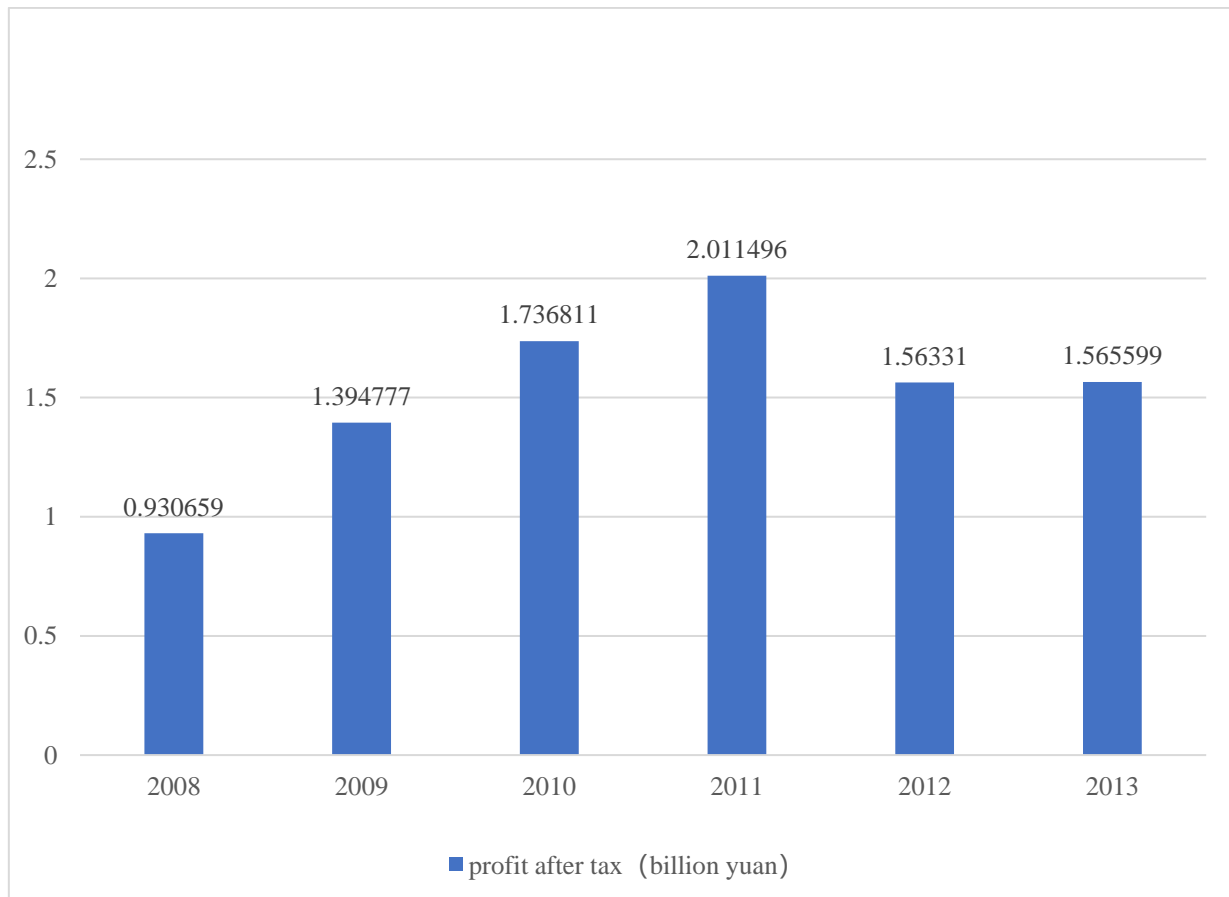


Fig. 1 Anta’s profit after tax

3.2. FILA Revenue Share

The bar chart in Fig. 2 shows that FILA contributes significantly to the Anta Group's earnings [10]. FILA's share of profit after tax is 37.7% in 2018, 46.26% in 2019, 49.1% in 2020 and 48.58% in 2021. FILA's overall contribution to the Anta Group is increasing. Its contribution as a single brand in 2020 already exceeds that of Anta's main brand which is 44.3% [1].

3.3. Return on Assets

ROA is an indicator used to measure how much net profit is generated per unit of assets. A useful indicator to assess the profitability of a company relative to the value of its total assets. Through selecting data and calculating Anta’s return on assets in 2008 before the acquisition, in 2009 when Anta purchased FILA, and in 2019 which is 10 years after the acquisition, analysis effectiveness of Anta's utilization of assets. ROA in 2008=0.930659 billion yuan /4.942482 billion yuan=18.83%. ROA in 2009=1.394777 billion yuan /6.103406 billion yuan =22.85%. ROA in 2019=8.695 billion yuan /41.218 billion yuan=21.09%. ROA has increased after the acquisition, indicating that the profitability of Anta's assets has increased after the acquisition. The line chart can reflect the change of ROA more visually (seen from Fig. 3).

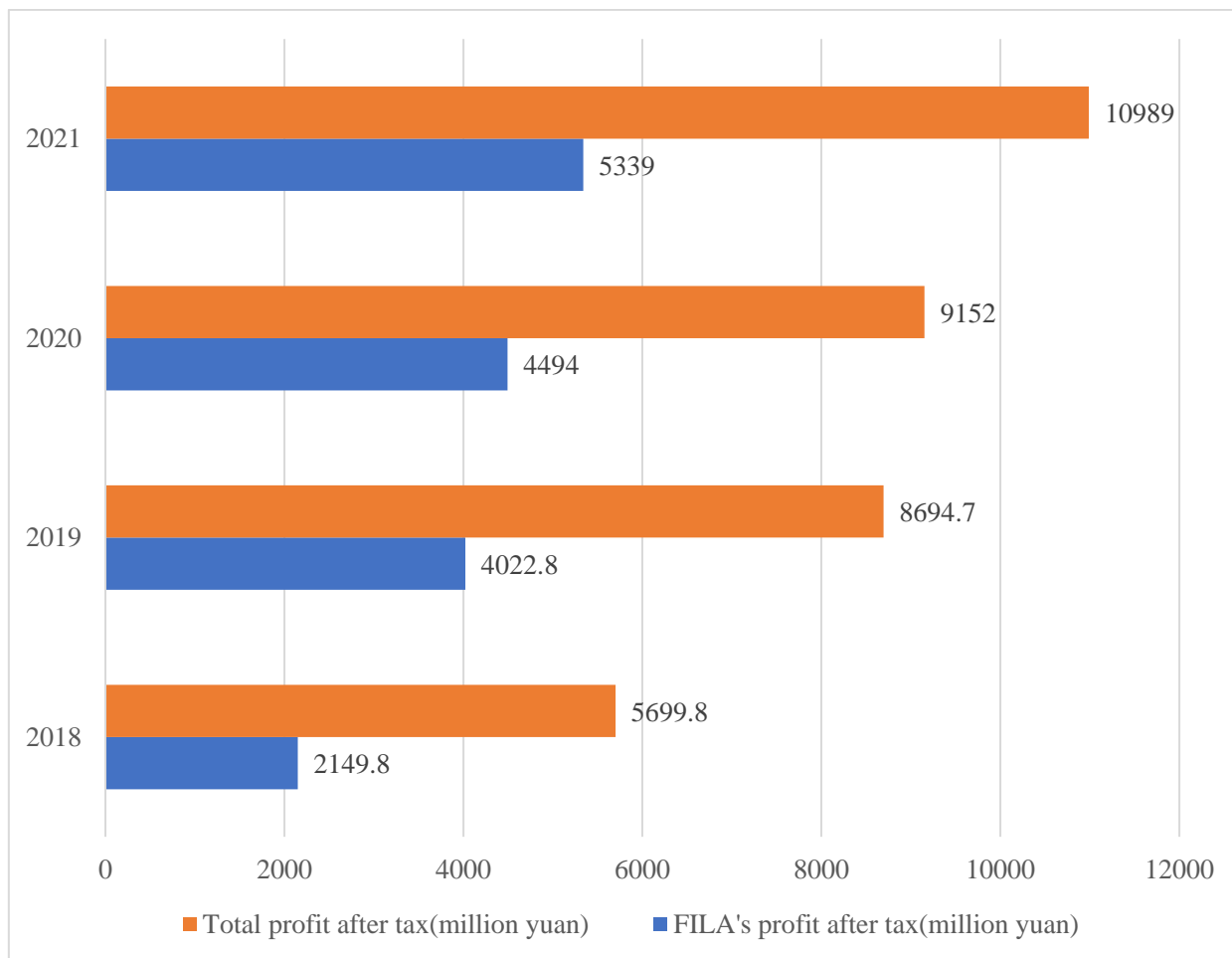


Fig. 2 FILA's profit after tax share

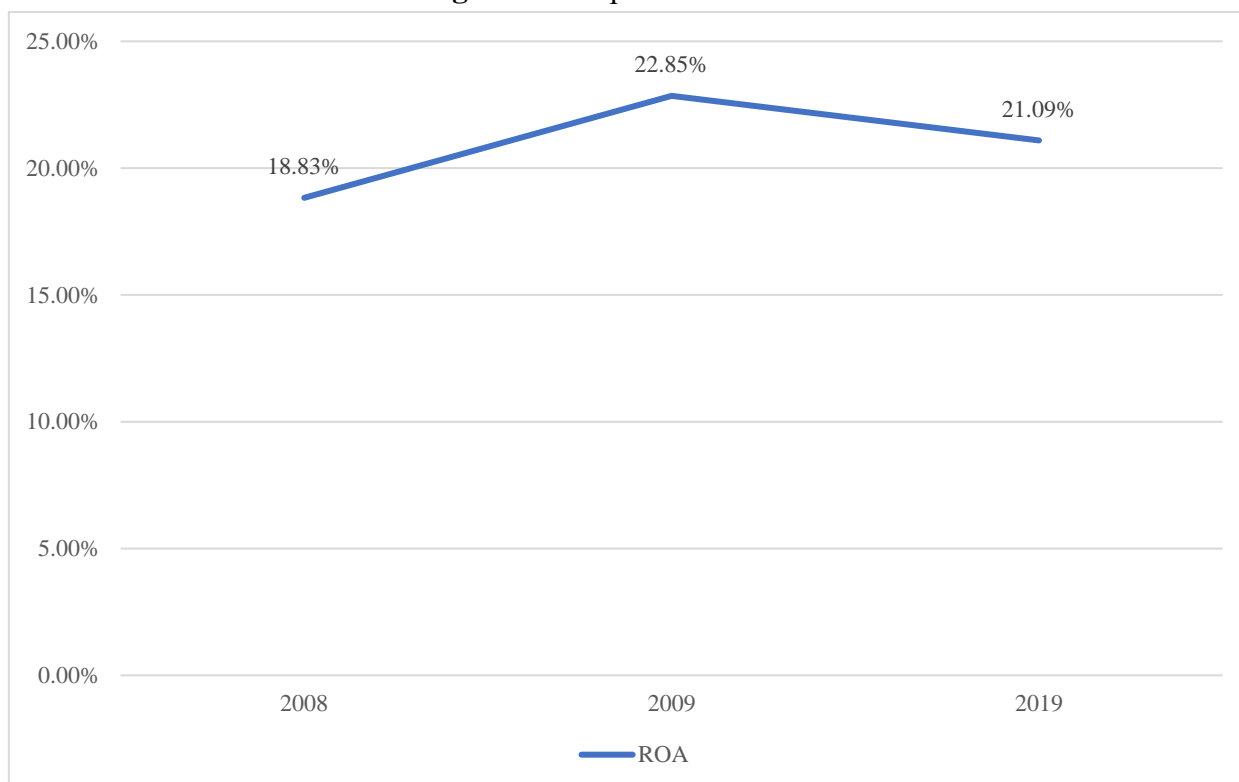


Fig. 3 Anta's ROA in 2008, 2009 and 2019.

3.4. Market Share

Before the acquisition of FILA, Anta’s market share which is 5.8% in 2008 is similar with 361°, XTEP. At the same time, Li-Ning’s market share is 9% which can be said to be a streets of ahead of these brands. After the acquisition, Anta’s market share was 6.4% in 2009, was 7.1% in 2013 and was 16.4% in 2019 which is already more than Li-Ning. In 2019 Anta's market share is streets ahead of other domestic brands and holds a larger portion of the Chinese sports footwear market which are showed in Table. 1. The following chart in Fig. 4 shows the change in Anta's market share more visually. Anta's market share has been growing, especially soaring between 2013 and 2019, indicating its rising market position and increasing competitiveness after the acquisition of FILA.

Table. 1 Market share of major national brands in 2019

Brands	Market Share
Anta	16.4%
Li-Ning	6.3%
XTEP	4.9%
361°	3.1

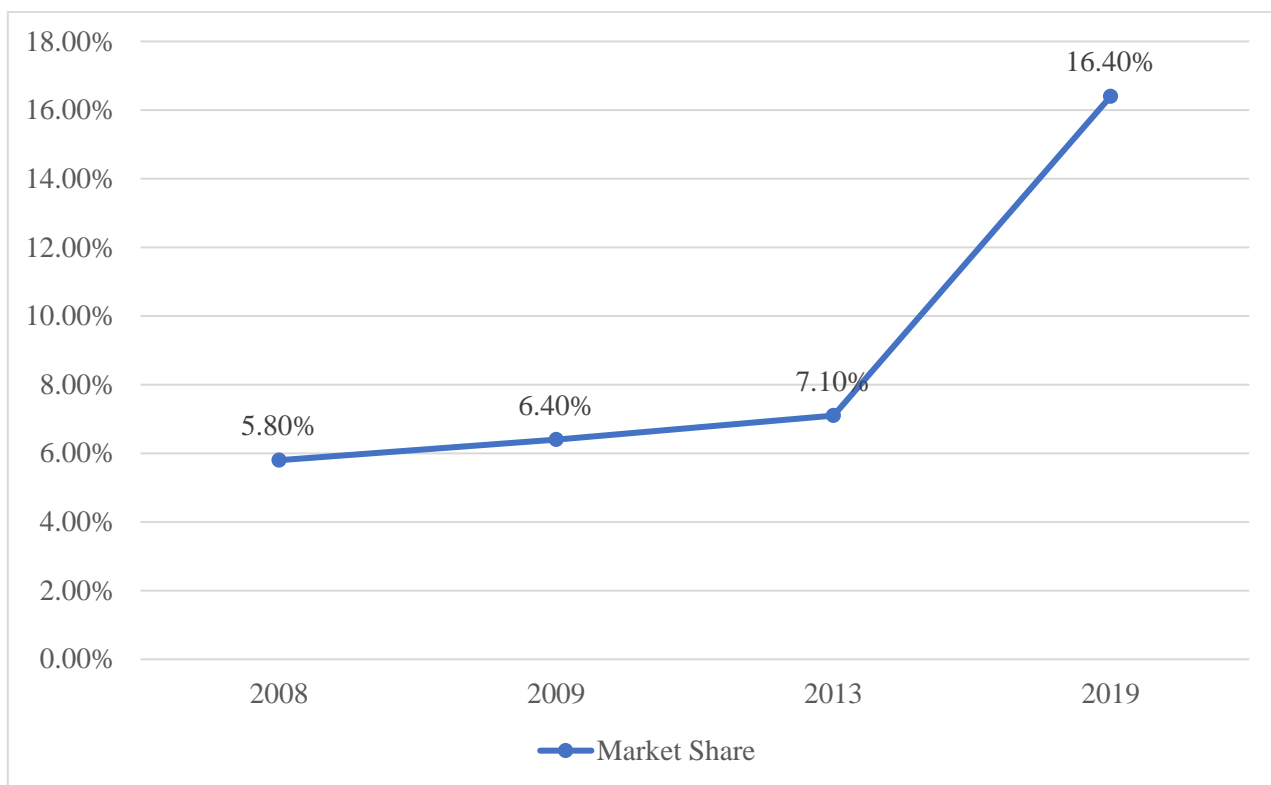


Fig. 4 Anta’s market share in 2008, 2009, 2012 and 2019.

4. Suggestions

Based on the analysis, some of the suggestions are presented. Since its establishment, Anta has been positioning its brand in the low-end market. Although Anta has now taken many famous high-end brands into its pocket, its image of "cheap and lacking in design" has not been abandoned by the public. While Anta develops FILA in the high-end market, it can also learn from FILA's bold and fashionable design to develop more affordable sports shoes and apparel of Anta's own. In addition, Anta can co-brand its main brand with FILA to develop a new production line, or co-brand the many famous outdoor brands it has acquired to make a production line that is practical and fashionable, or co-brand the brand with a famous IP to increase awareness and expand markets. Contemporarily, although Chinese domestic sportswear brands have developed, there is still room for development in

terms of technology, comfort and appearance compared to internationally renowned brands. Domestic brands can invest more money in product research and development to improve the comfort level of their products, and to improve the design and fashion sense of their products. In addition, they should also raise awareness of copyright and reduce the occurrence of plagiarism.

5. Conclusion

In summary, this paper discusses the information of Anta's acquisition of FILA based on the analysis of data. According to the data analysis, both Anta and FILA's profit after tax increased, FILA's contribution is huge, Anta's asset profitability also rise and Anta's share of the Chinese sports footwear market is leaping. Based on the analysis, Anta and FILA are in a win-win situation after the acquisition and have gained synergy. The brand influence of Anta and FILA is also increasing. Before the acquisition of FILA Anta has been in the middle and low-end market, after the acquisition of FILA, Anta will FILA's market positioning in the high-end market, this acquisition is undoubtedly to give Anta the opportunity to cast products to the high-end market. After acquiring FILA, Anta combined the FILA brand with the Chinese market demand, adopted novel design and high-quality production materials, and made the FILA brand famous step by step. Therefore, Anta's acquisition of FILA is successful. Nevertheless, this study has some shortcomings, e.g., lack of specific analysis of the strategic changes following Anta's acquisition of FILA. For further study, a specific analysis of the different stages of Anta's acquisition of FILA will be made. Overall, these results offer a guideline for studying acquiring in clothes industry.

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