Comparative Research Based on Different Estimation Methods: Taking LINING and ANTA as Examples

Jinxi Liu[1, *]

[1]The Affiliated International School of Shenzhen, Shenzhen, China

*Corresponding author: aissucounselling@alevel-sz.com

Abstract. LINING and ANTA are Chinese sports brands that develop rapidly in recent years. They not only in China wave the trend of new ethos, but also spread their brand all over the world. Besides, these two Chinese sports brands are competitors. Analyzing shares of the two companies can help enterprises to realize their short board better, thus developing their companies better. In this paper, the data of Oriental Fortune and Yingwei Fortune are used to analyze the stocks of LINING and ANTA separately through price earnings ratio, price to book ratio and PEG ratio. The paper proves all these data from the internet, and the conclusion is that ANTA is better than LINING in terms of stock development and price stability. In view of the problems existing in these two companies, this paper also gives corresponding strategy analysis for them in the future. At last, this research places good expectations for better development of domestic fashion industry in the future.

Keywords: PE; PEG; PB; LINING; ANTA.

1. Introduction

At present, people don't know the history of sports marketing, but the Los Angeles Olympic Games in 1984 is a milestone in the history of sports marketing. Sports marketing are a strategy. It is a systematic project that relies on sports activities to combine products with sports, and integrate sports culture and brand culture to form a unique corporate culture. It has the characteristics of long-term, systematic and cultural. It includes not only the sports industry marketing that sells sports as a commodity, but also the marketing that enterprises carry out through sports. The most basic function of sports marketing is to re-integrate the resources of the enterprise; all the operations of the enterprise fully serve sports marketing, integrate the sports culture reflected in sports activities into the enterprise products, and realize the three aspects of sports culture, brand culture and corporate culture. Therefore, consumers and enterprises resonate with each other, forming long-term special preferences in the minds of consumers and becoming a competitive advantage of enterprises.

LINING is a Chinese domestic brand of sportswear which have founded since 1990, although it is late for LINING to join the sportswear market relative to other company at same type, its strong market competitiveness and caught the trend of national sports during the Beijing Winter Olympics in China, his products once sold well. Its market value and reputation developed rapidly. As a Chinese local sports brand for many years, ANTA has almost the same company growth route with LINING. This also laid the foundation for the two brands to compete with each other. However, with the development of the times, the heat of the Winter Olympics has faded, and the two companies of LINING and ANTA do not have any outstanding products and eye-catching points, which leaded to market value slowly declined, becoming the "product of the older generation". But fortunately, the two companies did not give up the research and development of new products and goals, no pain no gain, LINING shined in a world fashion show, attracted a lot of young consumers, and the market value began to rise all the way. ANTA was also constantly learning from the common ground of the success of different enterprises, and finally created its own set of ANTA product routes, harvested a group of loyal customers with low prices. However, if two companies want to maintain the pace of success, enhance their competitiveness, and surpass their competitors at one time, they need to expand their companies. Then, stock financing is an indispensable part. They need to adjust their development direction by analyzing different data in stocks to learn about their short slab this article conducts the basic PE, PB and PEG analysis through various data on the Internet, and compares the stock of two

companies. After obtaining a purchase of the stock of the two companies today, this paper hopes to provide these data and conclusions as reference of the two companies.

2. DESCRIPTION OF LINING

2.1 Background

LINING was founded in 1990 by "the prince of the gymnast" LINING. It mainly sells sportswear or sports shoes. LINING was once the leading domestic sportswear brand in China. But, soon, its market share has been eroded by the rapid growth of other domestic brands, such as ANTA, and further expansion of foreign sportswear brands in the Chinese market. However, the 2018 LINING Fashion week let LINING transform its brand location to "national tide", and abundant young consumers started to notice this old domestic brand. LINING caught the opportunity to begin to develop different styles for their own clothes and shoes. The market value of LINING increased continuously along with increasing demand for this brand. This article will calculate the real market value of PE, PB, PEG to judge whether or not LINING's stock is worth buying.

2.2 Net Asset and Market Price

Return on the equity (ROE) of LINING is 19.12%, and the retained profit is 51.07 hundred million in the last 12 months. According to the equation that net asset equals to the return on the equity divide retained profit, the net asset is 267.1 hundred million. Because I can't find the data about how many shares LINING issued, I decided to calculate it through the equation of using net assets to divide net assets per share. I got the number of shares issued by LINING is 31.53 hundred million. After that, the paper can calculate the market value of LINING. Market value equals the price of each share multiplying the number of shares issued. On September 4, 2022, the maximum price of the share is 69.25. Then paper can calculate the market price of LINING is 2184 hundred million. However, this is different from the data gained from the internet, which shows the market value of LINING is 1781hundred million. To find out what makes these data differ from each other so significantly. The figure 1 of the LINING shares in the last 5 years gives the answer.

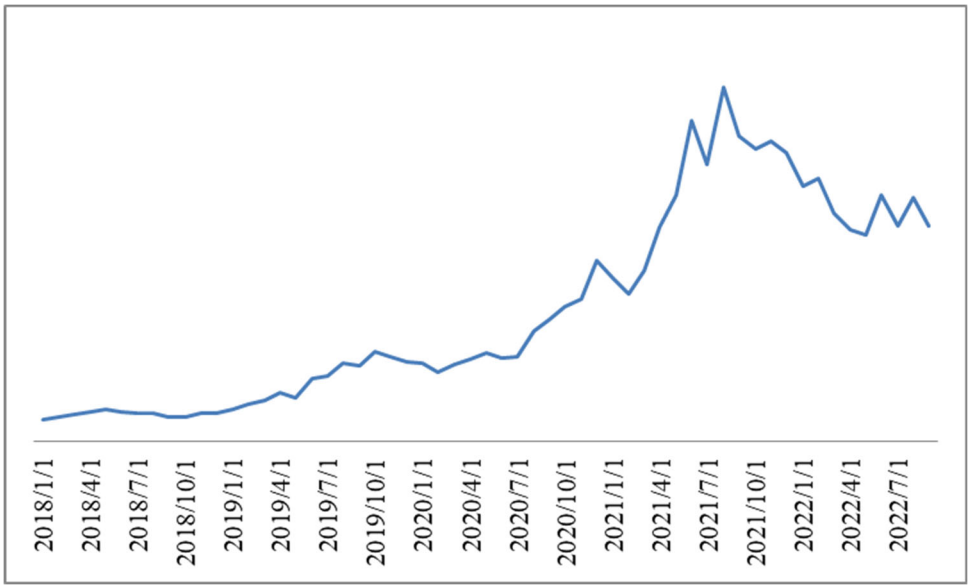


Fig. 1 LINING's stock price trend since 2018

As shown in Figure 1, the fluctuation of the shares is enormous. The maximum value of Lining in this graph is roughly 103.56, and the minimum value of it is roughly 5.96. Therefore, the huge fluctuations cause big differences between the result of this paper and the internet.

2.3 Price-to-Book Ratio

Price to book ratio (PB) means the ratio between the market share and net asset. This ratio can be used to measure whether or not a share is worth buying. Using 2184 hundred million divides 267.1 hundred million can get 8.178. 8.178 means that the value of Lining is 8.178 times as net asset, which is very close to the PB value, 6.84, on the internet. When the PB ratio of the company is between 3 and 10, it means that this share is worth buying. Although people know that the low PB is relatively safer to buy, the PB value doesn't mean Lining can create more revenue. Then, the Price earnings ratio existed.

2.4 Price earnings ratio (PE)

PE means the ratio between price of each share and the revenue of each share. Using retained profit, 51.07 hundred million, to divide the number of shares, 31.54hundred million, can gain the revenue of each share, i.e. 1.619. Then this article can know the PE of Lining is 42.76 by divided 69.25 into 1.619. This means that if people buy one share of Lining, they need 42.76 years to make their money back theoretically. But PE ration doesn't consider the development of companies.

2.5 PEG Ratio

PEG ratio is used to fill the hole of PE. So research should use PE to divide the average rate of development of retained profits each year. This paper selected retained profits from 2019-12-31 to 2022-06-30, 6 in total, to the development of retained profit for each year and conclude the average value of it is 1.268. Because the PEG ratio is greater than 1, Lining has been overvalued. The results are shown in table 1.

Table 1. Retained profit of ANTA

Deadlines	2022-06-30	2021-12-31	2021-06-30	2020-12-31	2020-06-30	2019-12-31
Retained profit/ hundred million	21.89	40.11	19.62	16.98	6.83	14.99

3. DESCRIPTION OF ANTA

3.1 Background

ANTA is a brand that mainly designs, produces and sells sportswear, shoes and other sports equipments. After nearly 30 years of development, transforming from a traditional private anta company has become a strong domestic brand with modern governance structure and international competition ability. Since 2015, anta group has always been China's largest sporting goods. As ANTA growing its own business, it continued to acquire other brands, such as FILA. Today, Anta's branches are so large that it is influential around the world.

3.2 Net asset and Market price:

Net asset of ANTA is 411.4hundred million by using retained profit, 97.06 hundred million, divide the return on equity, 23.59 percent. So the number of shares can be calculated. Using net asset to divide book value, 13.639, can get 30.167hundred million. Finally, the market value of ANTA can be calculated. Price per shares multiply number of shares equals 2708.9hundred million. This figure 2 has some difference with the market value of ANTA on internet, 2403 hundred million.

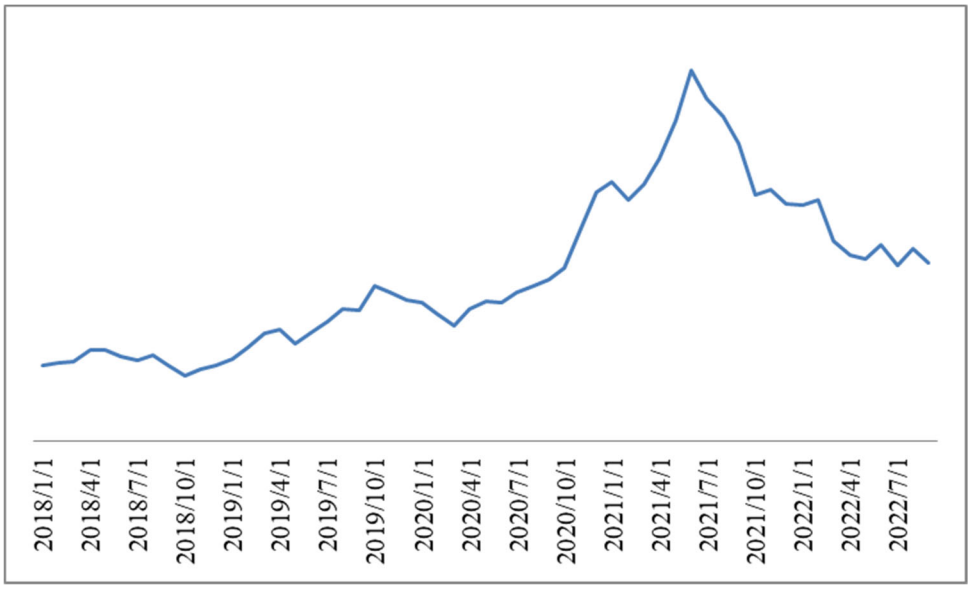


Fig. 2 ANTA's stock price trend since 2018

That also may because the fluctuations of shares prices and the exchange rate.

3.3 Price-to-Book ratio:

Generally, when the price-to-book ratio is lower, the investment value of this share is higher. Using the data from this paper, the PB ratio equals to 2708.9 hundred million divide net asset 4.114 hundred million equals to 6.6847, which is roughly equals to the PB ratio shown on the internet 6.49. So far, the share of ANTA is not special.

3.4 Price earnings ratio (PE):

Price earnings ratio can be calculated by price per shares divided the revenue of each share. The revenue of each share is 3.217 by dividing the retained profit into number of shares. Therefore, the PE ratio is 27.91. The PE ratio of Anta relate to the PE ratio on the internet 26.63 closely.

3.5 PEG ratio

When PEG is larger than 1, it means that this shares have higher revenue gained that no one expected it to earn. Vice versa.

Table 2. Retained profit of ANTA

Deadlines	2022-06-30	2021-12-31	2021-06-30	2020-12-31	2020-06-30	2019-12-31
Retained profit/ hundred million	39.50	82.19	41.32	55.69	17.80	56.24

Using these six figures of retained profit, this article first calculated the annual growth rate of each item one by one, and then weighted the average and finally, this paper got a PEG of 0.844. Since the PEG is less than 1, ANTA stock is undervalued. The results are shown in Table 2.

4. Comparison of LINING and ANTA.

4.1 Comparison Analysis

The market value of LINING is 2184hundred million, and the market value of ANTA is 2709hundred million. Based on market value, at this stage of the event, Anta was better recognized by the market than Lining, and Anta is more likely to have stronger financing strength and marketing ability.

In terms of PB, Lining's value is 8.178, and Anta's value is 6.68. The smaller the PB value is, the safer it is. The higher the PB, the value of investment is relatively lower. So Anta is also better in this index. The PE value of Lining is 42.76, and the PE value of ANTA is 27.91. Too high a PE ratio means that the price of the stock is bubbly and the value is overvalued. The market recognizes the high growth of the stock and is willing to maintain the current price with a high premium. Therefore, Anta's share is safer to buy. Last but not least, the PEG ratio of ANTA, 0.844, is not only lower than 1 but also lower than 1.268 from Lining. Because when PEG is lower than 1, that means Anta is more competitive because the stock is undervalued. Overall, this paper recommends people to buy ANTA shares rather than LINING.

4.2 Suggestion

If the Li Ning brand wants to increase its market value and get long-term stable developments, they should find their own products positioning, fashion or comfort? Li ning's target customer groups are people in 14 to 28. In fact, the main consumer groups of Lining are people who aged 15 to 48. The main considerations for people who are older when choosing the shoe accessories are comfort and durability. They passed the age that want to follow the trend, so fashion is not longer a matter for those main customers group. However, lining itself wants to use “guochao”,which means creating trends contain domestic culture elements, to gain the identity from younger market. But LiNing was too rush to reach its goal. The products of Lining become more and more expensive, trying to reach the Veblen effect of luxury fashion goods. Nevertheless, Increasing prices significantly will not only let consumers who are still young and don’t have money to afford the high prices give up buying LINING’s products, but also can’t gain huge profits from the small brand loyal groups. Now there are many voices on the Internet that Li Ning’s products are too expensive. Therefore, I think the fundamental way to attract more consumers is to define their own positioning. And then Lining can lay a more stable foundation for future development

Compared with LINING, ANTA has a higher brand awareness and customer base, and the ANTA branches spreads around the world. But if ANTA wants to increase its market value continuously, they need to develop the route of higher standard. The prices of ANTA products are much lower than that of other sports brands which have the same size ANTA’s consumers group. After crossing the threshold of high prices, Anta will be able to touch different circles of consumers thus increase their profits. Therefore, ANTA needs more products innovation to form their own unique characterizes. Increasing investment on advertisements, which can increase the publicity of the characteristics of its products, can create “ANTA’s trends”.

4.3 Conclusion

The systematic strategy of mass sporting goods brand requires enterprises to comprehensively think about brand positioning and brand promotion strategies from the dimensions of consumer psychology, product attributes, corporate image and corporate capabilities. Brand marketing must respect the law of brand growth, while the current level of internationalization of China's sporting goods marketing is low, and a brand strategy conception is proposed. In recent year, LINING and ANTA were growing at astonishing rate, which attracts a lot of attention on researching them. Therefore researching them can help consumers know whether or not they should buy it, and these two companies can know which parts of them can be improved to show on the shares and attract more consumer. This article recalculates the market value, PE, PB and PEG of the LINING and ANTA. However, there are still a lot of spaces for people to prove continuously. For instance, people can still calculate price-sale-ratio or price-to-cash-flow. And the some data in this article only take about 5 years. So in long term, the conclusion may not come into existent. Also, in reality, there are also additional factors need to be considered. The sudden trend or innovation or even the new policies, all of them will change the shares of stock. People need to adjust their decisions by identifying new occurrence. This paper believes that in the future, both of these two companies will develop better, and the future of domestic fashion industry will grow much stronger.

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