

Analysis of Cross Border Acquisitions of Chinese Clothing Enterprises

- Taking ANTA Sports as an Example

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Abstract: Against the backdrop of China's rapid economic development shifting towards high-quality development, many Chinese enterprises have the willingness and ability to develop cross-border. ANTA Sports, a sports brand in the clothing industry, is such a leading enterprise that has greatly increased brand value and revenue through cross-border acquisitions. It can be said that ANTA Sports has successfully moved from China to the world. This article analyzes the current research situation, recent acquisition trends of ANTA Sports, and the financial situation of the enterprise, and discovers the prominent characteristics of ANTA Sports' cross-border acquisition and its positive impact on the development of ANTA Sports' enterprise. It also draws some inspiration about the strategy, innovation and developing trend for the internationalization development of Chinese enterprises.

Keywords: merge and acquisition, ANTA Sports, Chinese enterprises, cross-border acquisition

1. Introduction

1.1. Background

In recent years, many Chinese companies have sought cross-border development, hoping to expand their scale, increase their profits, and influence by entering the international market. ANTA Sports' cross-border acquisition is currently successful and has great reference value. ANTA Sports' business strategy at home and abroad can bring inspiration to enterprises in other industries with such needs. Especially for the cross-border acquisition strategy that has brought comprehensive benefits to ANTA Sports, it should be considered to carefully analyze its execution process, acquisition characteristics and trends, as well as the financial benefits it brings to the enterprise.

1.2. Related Research

Shih, Zhang and Yue et al. have similar opinions. Shih analyzed ANTA Sports' profit-oriented innovation behavior and explained the phenomenon of ANTA Sports frequently acquiring international brands such as FILA, Amer Sports, DESCENTE, and KOLON, moving from the mid

to low-end market to the high-end market. What's more, Shih also stated that such an acquisition would help ANTA Sports improve its market positioning and leverage synergies to enhance competitiveness [1]. Zhang drew the following conclusions by analyzing the case of ANTA Sports' acquisition of Amer Sports: firstly, it is necessary to choose appropriate global expansion methods based on the company's business strategy; Secondly, the most stable financing and payment methods should be selected based on the financial situation of the enterprise to avoid causing excessive financial pressure on the enterprise; Finally, it is necessary to integrate various aspects such as finance, operations, and culture to leverage the advantages of synergy[2]. Yue et al. drew the following conclusions by constructing a relationship model between control strategies and the performance of Chinese enterprises after cross-border mergers and acquisitions. Firstly, whether external behavior legally affects the control strategies of Chinese enterprises after cross-border acquisitions; Second, whether the legitimacy of internal behavior affects the control strategies of Chinese enterprises after cross-border acquisitions; Finally, legitimacy has a moderating effect on the relationship between the control strategy of cross-border acquisitions and acquisition performance [3].

Besides, Wang, Niu, Chen and Xu analyzed various factors contributing to ANTA Sports' success. Wang stated that ANTA Sports' success is the result of a combination of internal and external factors. ANTA Sports' internal factors include correct marketing and development strategies. External factors mainly include the transformation of people's attitudes towards sports, the rapid development of China's economy, and national policies that are conducive to the development of the industry. In the development strategy, the acquisition strategy played an important role. In the early stage, ANTA Sports focused on acquiring Asian brands. Afterward, starting from the acquisition of FILA's operational rights in China in 2009, it began to acquire international high-end sports brands and gradually grew into a top sports brand in China [4]. Niu stated that ANTA Sports has formed a good perception of quality, brand experience and Brand preference in the international market. They actively carry out international marketing activities and technological innovation. In addition, the correct brand strategy is also one of the success factors for ANTA Sports, including brand acquisition and overseas market expansion. The increase in ANTA Sports' brand awareness, brand acquisition and overseas market expansion will help ANTA Sports enhance its brand image and subsequently enhance market competitiveness [5]. Chen used the literature review, case study, online anonymous questionnaire survey, comparative study, and SWOT analysis to do the research. The above analysis found that ANTA Sports' marketing strategy was successful for three reasons. Firstly, establish brand image and brand awareness. Secondly, improve consumer brand loyalty. Finally, gain market share and maximize profits. The results indicate that a good marketing strategy can promote the rapid development of the company [6]. Xu selected ANTA Sports Company as the research object and uses empirical research methods to analyze the influencing factors and strategies of ANTA Sports Company in the process of brand internationalization. Research has found that the internationalization of talent, technology, distribution channels, and marketing communication has a significant impact on the brand awareness and reputation of ANTA Sports Company's internationalization; From the analysis results, it can be seen that the impact of enterprise size on brand internationalization and visibility is stronger than that of the founder and development time of the enterprise [7].

Additionally, He and Chiu et al. believe that ANTA Sports' cross-border acquisition has an expansion purpose. Chiu et al. thought Chinese enterprises' cross-border mergers and acquisitions are mainly aimed at accelerating expansion, resource integration, brand integration, and rapid entry into the international market. Research has shown that ANTA Sports aims to rapidly expand with a multi-brand strategic model and establish entry barriers for potential competitors. In addition, ANTA Sports also utilizes its ethnic emotional atmosphere and good reputation advantages to form its advantageous resources and provide consumers with strong brand recognition [8]. He stated that faced with the wave of economic transformation, mergers and acquisitions have also become one of the means for

the development of Chinese clothing enterprises, helping them obtain the necessary strategic resources and expand their international market share through cross-border mergers and acquisitions. This paper uses the event study method to analyze the impact of ANTA Sports' acquisition of FILA's China business on ANTA Sports' performance based on finance. Research has found that short-term market performance after mergers and acquisitions is not significant, but there is a significant improvement in long-term performance [9].

However, Song has a different idea about ANTA Sports' future, and he is not optimistic about that. Song used case study, literature study, event study and principal component analysis to study the continuous M&A of ANTA Sports. After analysis, this article found that the main reasons for ANTA Sports' continuous mergers and acquisitions are the development of a multi-brand strategy, the enhancement of corporate brand value, and the favorable policies of the country. Although ANTA Sports has improved its strategic layout through continuous mergers and acquisitions, achieving a certain degree of market advantage, the market has not responded well to its short-term performance. From a long-term performance perspective, the scoring situation of ANTA Sports is showing a downward trend, and overall, it is not optimistic [10].

1.3. Objective

This article will study the current research status, the acquisition trend, the financial data performance of ANTA Sports, and the inspiration of ANTA Sports' corporate development for the internationalization development of other Chinese enterprises. It is hoped that this research can find out the ways and methods conducive to the transnational development of Chinese enterprises in the context of China's social development, combined with the development trend of the world era, taking Chinese enterprises with successful experience as examples, and promote the further development of China and the world economy.

2. ANTA Sports' Acquisition Trends in Recent Years

2.1. Brand Diversification

ANTA Sports Group is a global enterprise group focusing on sportswear, and it has many international well-known brands. As shown in Table 1, ANTA Sports completed the acquisition of Italian fashion and sports brand FILA for 332 million yuan in 2009, obtaining the operating rights in China. Currently, FILA has become ANTA Sports' largest source of revenue; In 2016, it purchased 60% of the shares of Japanese skiing brand DESCENTE for 150 million yuan and obtained exclusive operating rights for DESCENTE's Greater China region; In 2018, ANTA Sports acquired Amer Sports in cash with Fangyuan Capital, taking over Finnish sports giant Amer Sports for a purchase price of approximately RMB 36.67 billion. This acquisition is the largest external acquisition in China's footwear and clothing industry. Amer Sports has many leading brands in the segmented sports industry, most of which are targeted at professional sports audiences and international sports competitions, emphasizing top-notch, rigorous, and technological capabilities. These include well-known Canadian luxury outdoor equipment brand Arc'teryx, French mountain outdoor cross-country brand Salomon, American tennis equipment brand Wilson, Austrian skis brand Atomic Skis, Austrian ski equipment brand Atomic, Finnish sports watch and other outdoor equipment brands Suunto and American treadmill brand Precor. So far, ANTA Sports has established a brand matrix composed of ANTA Sports, DESCENTE, Arc'teryx, FILA, Salomon, Atomic and many other brands.

Table 1: Recent acquisitions by ANTA Sports.

Year	Company	Field	Value
2009	FILA	Fashion sports	332 million yuan
2015	Sprandi	Outdoor sports	Tens of Million US\$
2016	DESCENTE	Skiing	150 million yuan
2018	Amer Sports (Arc'teryx; Salomon; Wilson...)	Outdoor sports	36670 million yuan

The brands acquired by ANTA Sports cover all areas of the global sportswear market, providing more choices for global consumers. ANTA Sports has continuously met the needs of consumers with its high-quality products and fashionable designs, won the favor of global consumers, and successfully improved its competitiveness and influence in the domestic and international markets.

2.2. Expand to the High-End Market

Previously, ANTA Sports' main brand was positioned in the mass market, focusing on cost-effective products. Although its sales volume was high, it was difficult to increase the brand premium on products. After that, ANTA Sports successfully "revived" FILA in the domestic market through its mid - and high-end positioning, combined with the historical classic styles of FILA brand, and entered Milan Fashion Week, celebrity endorsement and other marketing methods. FILA's mid to high-end brand positioning is to drive ANTA Sports' revenue growth.

As mentioned above, in 2009, ANTA Sports acquired the management right of the Italian brand FILA in China with 332 million yuan. After that, ANTA Sports explored the historical classic styles of the FILA brand and improved them through the mid and high-end positioning of FILA and its understanding of the domestic market. By entering Milan Fashion Week, celebrity endorsement and other marketing methods, it successfully "revived" FILA in the domestic market. In 2014, FILA turned losses into profits, relying on its high gross profit advantage in the mid to high-end positioning, and ANTA Sports delivered excellent financial reports.

The outdoor brand Arc'teryx, which focuses on the application of technological fabrics, accompanies many mountaineers to climb Mount Everest. Its luxury clothing, often priced at around 6000 yuan, cannot stop outdoor enthusiasts from purchasing.

Salomon, which belongs to the same parent company as Archaeopteryx, is a professional skiing brand established in the Alps, and has also made great achievements in the popular cross-country running field in recent years. Among them, "Salomon XT-6" shoes are more popular in cross-country running to out-of-the-loop, cross-border fashion circles, and need to start with premium purchases in the secondary market.

From this, it can be seen that ANTA Sports' acquisition strategy starts from three dimensions: sports events, brand positioning, and price, and achieves product coverage depth by building a three-dimensional and diversified brand matrix.

3. Financial Performance

3.1. Revenue and Profits

From ANTA Sports, financial data annual report from 2014 to 2022, it can be seen that in the per share indicators, basic earnings per share, net assets per share, operating cash flow per share, and operating revenue per share have all increased year by year. Among them, operating revenue per share increased rapidly from 2018 to 2022, reaching 19.78 yuan per share in 2022; In the growth ability indicators, both total operating revenue and gross profit have significantly increased, with total

operating revenue increasing from approximately 8.9 billion yuan in 2014 to approximately 53.7 billion yuan in 2022, and gross profit increasing from approximately 4 billion yuan in 2014 to approximately 32.3 billion yuan in 2022. In the income statement, indicators such as total operating income, gross profit, and operating profit have all significantly increased, with operating profit increasing from approximately 2.7 billion yuan in 2015 to approximately 11.2 billion yuan in 2022; The total comprehensive income for the year in the comprehensive income per share indicator increased from approximately 2.1 billion yuan in 2015 to approximately 8.9 billion yuan in 2022, with non-controlling interests increasing from 47.65 million yuan in 2015 to approximately 660 million yuan in 2022. The shareholders of the company increased from approximately 2.1 billion yuan in 2014 to approximately 8.3 billion yuan in 2015. In the cash flow statement, the operating profit before the change of working capital increased from about 2.8 billion yuan in 2015 to about 16.2 billion yuan in 2022; The cash generated from operating operations increased from approximately 2.4 billion yuan in 2015 to approximately 14.7 billion yuan in 2022; The net cash generated from operating activities increased from approximately 1.9 billion yuan in 2015 to approximately 12.2 billion yuan in 2022; The net cash used in investing activities increased from approximately 400 million yuan in 2015 to approximately 4.8 billion yuan in 2022; The net cash used in financing activities increased from approximately 1.3 billion yuan in 2015 to approximately 7.8 billion yuan in 2022.

3.2. Financial Ratios

As shown in Table 2, from the annual report of ANTA Sports' financial data from 2014 to 2022, it can be seen that in the growth ability indicators, from 2014 to 2022, the year-on-year growth of total operating revenue, gross profit margin, attributable net profit, total operating revenue, gross profit, and ghost mother net profit are all positive, reflecting the good development status of the enterprise and the continuous acceleration of its economic growth rate; Among profitability indicators, the average net return on assets, annualized net return on assets, total asset net interest rate, gross interest rate, net interest rate and annualized return on investment are also positive; In the business quality indicators, ANTA Sports' income tax rate always fluctuates around the normal value of 25%, and the company's profits are within the normal range; The financial risk indicators have been decreasing year by year, from about 3 in 2015 to about 1.6 in 2022, indicating an improvement in the company's ability to resist risks.

Also as shown in Table 2, it can be seen that in the past few years of ANTA Sports' innovative operation through cross-border acquisitions, the overall development trend of the enterprise has been improving. The acquisition of international high-end sports brands has brought great profit growth and operating revenue to ANTA Sports, and cross-border acquisitions are undoubtedly a very correct business strategy. They tend to acquire excellent international brands, which can quickly advance their internationalization process. The acquisition provides an unmissable opportunity for them to further develop a high-end international sports goods brand.

Table 2: Main indicators of financial data.

Year	2022	2021	2020	2019	2018	2017	2016	2015	2014
Basic earnings per share (yuan)	2.82	2.87	1.92	1.98	1.53	1.17	0.95	0.82	0.68
Total operating income (yuan)	19.78	18.25	13.14	12.56	8.98	6.22	5.33	4.45	3.57

Table 2: (continued).

Total operating income (billion yuan)	536.5	493.3	355.1	339.3	241.0	166.9	133.5	111.3	89.2
Annualized Return on Investment (%)	20.67	23.73	18.00	25.96	36.38	39.67	38.82	37.52	33.26
Total income tax/profit (%)	27.39	26.88	31.15	29.78	26.58	26.72	26.17	26.19	22.75
Operating cash flow/operating income (%)	22.64	24.05	21.00	22.06	18.42	19.06	18.49	17.10	18.89
current ratio	1.63	2.50	2.79	1.88	2.55	3.43	2.68	2.85	2.93
Total operating income(billion)	536.5	493.3	355.1	339.3	241.0	166.9	133.5	111.3	-
Gross profit(billion)	323.2	304.0	206.5	186.6	126.9	82.41	64.59	51.85	-
Operating profit(billion)	112.3	109.9	91.52	86.95	57.00	39.89	32.03	26.97	-
Comprehensive income(billion)	89.3	82.7	52.38	56.48	46.23	26.96	25.54	21.24	-

4. Enlightenment for the Internationalization Development of Chinese Enterprises

4.1. Develop the Correct Business Strategy

From the perspective of domestic marketing strategy, from the 2012 London Olympics to the 2020 Beijing Winter Olympics, ANTA Sports has sponsored the 8th Olympic Games and 28th Chinese national teams. The sponsorship and the advertising on CCTV greatly enhanced the brand's visibility and influence, and it also add a wave of popularity to the company and earned ANTA Sports a lot of fame. Subsequently, ANTA Sports' use of influence has continued to extend and develop its industrial chain [4].

From the perspective of international strategy, the most significant strategy that made ANTA different from others is the merger and acquisition strategy. ANTA Sports began its acquisition journey in 2009, focusing on Asian sports brands in the early stages and mainly targeting high-end sports brands in the mid to late stages. ANTA Sports has clear strategic goals and steadfastly implements a stable business strategy. After more than a decade of efforts, it has gradually grown into a top sports brand in China [4].

4.2. Continuously Improving Innovation Ability

For a long time, ANTA Sports has attached great importance to independent research and development investment, investing a large amount of funds in scientific and technological innovation research. ANTA Sports has taken action in the field of sports technology research and innovation design, established national sports science laboratories both domestically and internationally, and established cooperative relationships with leading international suppliers of sports equipment raw materials. At the Olympic Games sponsored by ANTA Sports, thanks to the latest technology, ANTA Sports' sports equipment provided great help for athletes to perform at their best, helping Chinese athletes achieve great results [4].

ANTA Sports will also integrate and optimize the structure of high-quality suppliers worldwide to form an innovation platform and continue to promote fairness in the allocation of international innovation resources. This not only enables Anta to master more core technologies but also enhances its brand awareness and recognition in the international market [4].

4.3. Adapt to the Development Trends of the Times

To start with, in recent years, the rapid development of China's economy has become unstoppable. With the transformation and upgrading of the national consumption structure, the consumption structure has continued to be optimized. According to Maslow's hierarchy of needs theory, most Chinese people have separated from the lowest level of physiological needs and paid more attention to safety needs, including health needs. Therefore, people are more willing to spend on sports, so sports brands will have a broader market space, which will help Chinese sports brands expand their market scale.

On top of that, China also has national policies that are conducive to the growth of the sports industry. Having experienced the severe test of COVID-19 since 2019, the state has paid more attention to the health of its citizens, and also expressed the urgent requirement for improving the health of its citizens. In March 2022, the Chinese government issued the "Opinions on Building a Higher-Level Public Service System for National Fitness", which not only proposed development requirements but also practical and feasible safeguard measures. It aims to stimulate the inherent vitality of China's sports industry, vigorously promote its development, make sports facilities visible everywhere, deeply cultivate health awareness, and inspire the public with sports spirit.

Last but not least, the current world still regards peace and development as the theme of the times. With the deepening development of economic globalization, political multi-polarization, cultural diversity, and social informatization, it is correct, inevitable, and visionary for Chinese enterprises to go abroad and move towards the world. Therefore, Chinese enterprises should not be complacent but should seize opportunities and find ways to enter the world at the appropriate time and seek greater development on a global scale.

5. Conclusion

This article studies the literature related to ANTA Sports' cross-border acquisition in recent years and analyzes the current research status; On top of that, the acquisition trends of ANTA Sports in recent years were analyzed, and two characteristics and trends of ANTA Sports' cross-border acquisitions were identified; Subsequently, the financial data performance of ANTA Sports was analyzed, and it was found that the cross-border acquisition strategy had greatly improved ANTA Sports' corporate profits; Last but not least, this article analyzes the inspiration of ANTA Sports' corporate development for the internationalization development of Chinese enterprises.

Research has found that ANTA Sports' acquisition trend in recent years has first been towards brand diversification. ANTA Sports has acquired mid to high-end brands in different sub-sectors such as fashion and sports, outdoor sports, and professional skiing, and has established its own brand matrix; Secondly, it is entering the high-end market. By acquiring international mid to high end sports brands, the international influence and popularity of ANTA Sports brand have been greatly enhanced, and the brand positioning has also been significantly improved. In addition, through the analysis of ANTA Sports' financial data, it was found that cross-border acquisitions have brought significant growth to ANTA Sports' profits. In addition, the inspiration for the internationalization development of Chinese enterprises includes: firstly, formulating the correct business strategy and continuously promoting and discarding; Secondly, continuously improving technological innovation capabilities and do not hesitate to invest capital in the field of independent research and development; Finally, it

is necessary to comply with domestic and international development trends, make good use of national policies that are beneficial to the development of enterprises, and seize development opportunities.

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