



The emergence of China as a sport superpower

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- Chinese government intends to encourage 700 million people to have a physical activity once a week.
- The local sports brands benefit from the renewed patriotism of Chinese consumers.
- Anta has become the leader in winter sports equipment.
- China is becoming a hub for mega-scale events.
- Tencent and Alibaba play a crucial role in sports promotion through investments and campaigns.

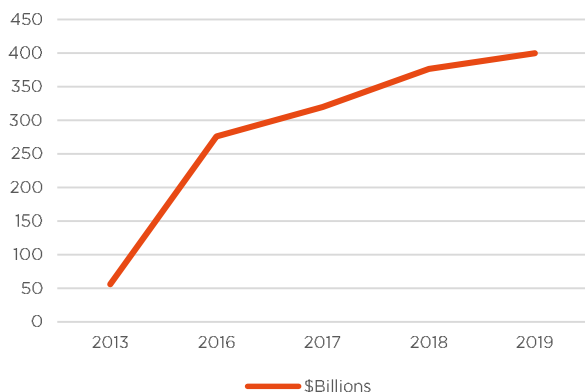
NATIONAL FOCUS ON SPORTS INDUSTRY

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China's government has been targeting its population's attitude towards sport. It announced policies that will give a growth perspective for the country's industry.

China has pledged to be a leading sporting power and turn the industry into one of the pillars of the national economy, on the report of the 14th Five-Year Plan (2021-2025). According to the forecasts of the Chinese Bureau of Statistics, the Chinese sport industry will reach \$696 billion by 2035. This includes the sales of goods, foreign countries' investments, the building of new infrastructures, and all rights concerning sports events.

The weight of the Chinese sport industry over the years



The government expects that 700 million people will exercise at least once a week by the end of this year. The government has also set some notable benchmarks to achieve within segments of the industry. By the end of this year infrastructure investments should reach \$44 billion for water sports and \$29 billion for extreme sports. As stated by Statista, Infrastructure in mountain and outdoor sport's should come up to \$58.7 billion by the end of 2020.

Following the Beijing's successful bid for the Winter Olympics 2022, **the government has created an ambitious plan to involve 300 million Chinese people in winter sports**. To that end, **the government will increase the number of ski resorts to 500 by 2022**.

SETTING SIGHTS ON THE WORLD CUP

Interest in football has been growing steadily in China over the last 4 years. As stated by the Nielsen report, 31% of urban population aged 16-59 is interested in football. Although China has only qualified for one World Cup in the past, in 2002, they have set an ambitious goal of becoming a football superpower by 2050. They are developing new policies, and they aim to create 50'000 football schools by 2025. The government is waiting for an ambassador that would **ignite** the children's attention towards football.

China has also increased its investment in its national football league, the Chinese Super League. They are bringing in talented players and coaches from all around the world to boost the league's level. According to FIFA TMS, Chinese clubs spent \$101 billion on player transfers in 2014, 44% of the spending were for European players. In 2015, this number rose to 54% with \$168 billion spent. Clubs can do so thanks to big domestic companies that are willing to emphasize the relation between Chinese economic well-being and the new critical role they are playing in sports on a global stage. China has made football mandatory at school, which further increases interest and implication in this sport.

BOOMING SPORTSWEAR MARKET

- The local sports brands benefit from the renewed patriotism of Chinese consumers.
- Anta has become the leader in winter sports equipment.

The global sports apparel industry was worth more than \$167 billion in 2018 and is expected to increase rapidly in the short term, reaching an estimated \$248 billion by 2026, according to the Allied Market Research. This increase is partly due to the growing trend in sportswear, regrouping athletic apparel, and sports shoes. **Millennials are the main target for lifestyle sportswear.** According to Forbes' World Bank data, **there are about 400 million millennials in China, which is more than the entire US population.**

Nike and Adidas, the two sportswear sales leaders, share more than 42% of the Chinese market. It represents the second most important market for both brands. They are considered fashion brands by Chinese consumers, rather than sports outfits. They both play a significant role in the promotion of sport in China.

For example, Nike is collaborating with the Chinese minister of education in the formation of 7,000 sports coaches. Even though both brands combined have increased their shares in the Chinese market from 34% in 2016 to 42% in 2019, competition from local brands is on the rise.

WATCH OUT, NIKE & ADIDAS!

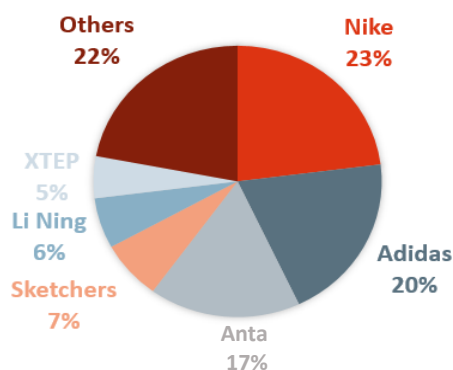
As of 2020, foreign brands have entered China and captured about 60% of the Chinese outdoor gear market, yet domestic brands have come a long way since 2014. **This year the number of Chinese brands rose from 46 to 354 core brands,** according to Daxue Consulting. At first they offered cheap copies of Western' models for the emerging Middle Class. The inspiration wasn't too subtle: Li-Ning's logo has fake Nike Swoosh tunes.

As the country gained technical expertise skills, the domestic players moved upmarket. Today they are serious competitors with global ambitions. Notably they benefit from short production cycles which allow them to react quickly to new trends.

Anta is one the two most notable Chinese brands It has reached a market share of 17% in China, and some expect Anta to surpass Nike within 5 years.

Anta has differentiated itself from Nike and Adidas by targeting the mid-priced segment. **It is also betting on the adoption of winter sports. it acquired Finish Amer group, with household names such as Salomon, Atomic, Arc'teryx, Peak Performance, and Armada.** This has made Anta the largest brand in winter sports equipment, globally. Anta will also be the official sponsor of the 2022 Winter Olympics.

Sportswear market in China (19A)



Li-Ning has also taken a new turn after the several years of stagnation. The market sees Li-Ning as most representative brand, mixing sport and fashion with Chinese symbols. And **behind those two big names, more Chinese brands are on the rise.** XTEP has increased its share on the Chinese market to 5%. 361° has also seen its share increasing up to 3.1%. They both target the industry's running segment as the number of marathons held in China has doubled in four years.

In the future, local brands could benefit from hosting major international events and the boycott of American products by Chinese consumers.

CHINA AS A SPORTS HUB

- China is becoming a hub for mega-scale events.
- Tencent and Alibaba play a crucial role in sports promotion through investments and campaigns.

China has hosted a number of global events since the end of the Cold War. It hosted the 2008 Summer Olympics, with a record budget of \$40 billion, a whopping \$30 and \$23 billion more than the 2004 and 2012 Olympics, respectively. China has also hosted two women football World Cups (1991 and 2007) and an athletics world championship (2015). They will soon host the 2022 Winter Olympics, in Beijing. It will be the first time a city hosts both the Summer and Winter Olympics.

THE BUSINESS OF SPORT

A number of corporate sponsors work hand in hand with the Chinese government, notably Beijing Bank, the Beijing Automotive Group, and internet giant Tencent. A subsidiary of Alibaba, the Alibaba Sports Group, has launched its "Get into Snowsport" campaign with the International Ski Federation, hoping to attract 30 million Chinese to snow sports in time for the 2022 Olympics.

Beyond 2022, China has set its sights on the 2030 football World Cup. Global sports events may rarely be profitable, but they bring a lot of media exposure. Football cups in particular brings in tourism and new investments to the country. China saw a significant increase in foreign flows after the 2008 Beijing Olympics, and is hoping the same success with football in ten years.

Chinese corporations already play a crucial role in football. Football is a target of choice for the billions invested in the sports industry. Alibaba and Tencent in particular have been investing very significant amounts. Together with other Chinese companies (the Recon Group, Suning Holdings among others) they have invested a cumulated \$2.5 billion in several European clubs between 2015 and 2017. The objective is, of course, to increase brand awareness... but sponsorship gives Chinese group a level-playing field against the country's main sports rival, the USA. As TV broadcasting

rights continue to increase (10-year deal can fetch up to \$1.5 billion), the proceeds are split between football clubs who can then afford world-class players.

Alibaba seeks to capitalize on the rising popularity of the Chinese Super League. It has launching Alisport in 2015 to develop broadcasting activities, the promotion of sports events, and ticketing.

CONCLUSION

China is no longer an emergent power in sports. Thanks to its athletes' successes in international competitions, China has achieved a sports superpower status. Its government has cleverly leveraged the country's most prominent entrepreneurs who have promoted sports hitherto unknown to the public through direct investments and advertising. **Investors and market observers would be well served to follow these developments closely:** Chinese global sports brands are emerging (Anta, Li-Ning), while others use sports to build new revenue streams abroad (Alibaba, Tencent). Both can leverage the increase interest of the Chinese public for sports. China looks well on track to become a world leader in sports.

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External sources include: Business insider, Nielsen, Statista, Allied Market Research, Daxue Consulting, JP Morgan, Forbes, FIFA TMS.

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