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The "Turnover Paradox" in Direct-to-Consumer Transformation: Financial and ESG Evidence from Anta

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Abstract. This study explores the interplay between financial reporting and ESG performance of Anta Sports Products Limited during the Direct-to-Consumer (DTC) transformation. The study finds that rising profits, while slower operational efficiency mostly reflects structural changes of moving from a wholesale to an asset-heavy DTC system, not weaker efficiency. Financial indicators capture immediate accounting outcomes. But ESG disclosures reveal the long-term value creation from staff training, environmental management, and supply chain governance. Meanwhile, improved ESG practices coincided with more prudent accounting, supporting the governance effect of ESG. This indicates that reliable ESG governance helps constrain earnings management. Overall, combining financial and ESG information gives a more comprehensive understanding of corporate performance during periods of strategic transformation in an emerging market.

Keywords: Direct-to-Consumer transformation, ESG governance, Financial reporting, Triple Bottom Line, Corporate sustainability

1. Introduction

The global sportswear industry has increasingly adopted the Direct-to-Consumer (DTC) business model, selling products directly to consumers through self-operated stores and digital channels rather than relying on third-party distributors [1]. This follows changing consumer behavior and consumption patterns. By internalizing distribution channels, companies can enhance pricing power, obtain real-time consumer insights, and build lasting consumer relationships [2]. DTC can increase profitability by internalizing retail margins. However, DTC requires substantial investment in retail networks, logistics, and digital platforms. In this context, during the transformation process, firms may experience a temporary decline in operational efficiency even as profitability improves [3].

The long-term value of a company is assessed by looking at different factors, including their corporate sustainability and their ESG performance [4]. The TBL (Triple Bottom Line) framework suggests companies need to take into account three types of performance: economic, social, and environmental. Studies have shown that ESG initiatives can help improve transparency but limit earnings management used for reputational purposes [5,6]. However, existing research examines ESG governance and financial performance separately. Little attention has been paid to business model transformation on ESG governance and financial reporting, especially in emerging markets.

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Within this background, Anta Sports Products Limited provides an instructive case. As one of China's leading sportswear companies, Anta has taken a major structural shift from a wholesale model to a DTC model while strengthening its ESG governance and disclosures. This transformation examines how financial performance and ESG practices interact during the period. Accordingly, this study investigates the factors behind the coexistence of high profitability and declining operational efficiency during Anta's DTC transformation. Then it examines the social and environmental value reflected in ESG disclosures. Additionally, it explores how combining financial and ESG analysis can improve the evaluation of long-term sustainability. This study can offer insights into integrating financial and ESG perspectives when evaluating long-term sustainability in emerging markets undergoing DTC transformation.

2. Literature review

2.1. Triple bottom line framework

John Elkington proposed the triple bottom line (TBL) framework for corporate sustainability with three dimensions: economic, social, and environmental [4]. It extends traditional stakeholder theory by incorporating broader stakeholders' interests in performance evaluations, thereby enhancing their engagement [7,8]. TBL is grounded in the 3P principle–People, Planet, and Profit. Based on the TBL framework, this study analyzes Anta Group's transformation and value creation by examining both its financial performance and ESG practices.

2.2. The role of ESG on governance and greenwashing effect

The connection between ESG performance and earnings quality remains controversial. Some studies have shown that strong ESG practices improve transparency and reduce information asymmetry, thereby helping constrain accrual earnings management [5]. This supports the governance effect of ESG. But higher ESG performance may lead to opportunistic behavior through real earnings management, reflecting the greenwashing effect. Flores [6] argues that these are "two sides of the same coin," as firms may use sustainability disclosure to strengthen their reputation while pursuing short-term profit targets. Also, ESG effects vary across institutional environments due to regulatory enforcement and external supervision [6]. These mixed findings suggest that the role of ESG performance is complex and firm-specific.

3. Case study: Anta group

Anta Sports Products Limited was founded in 1991 and listed on the Hong Kong Stock Exchange in 2007. It has grown from a domestic sportswear manufacturer into a diversified multi-brand group [9]. Through a series of acquisitions, Anta expanded its brand portfolio. The group now owns the core brands ANTA, FILA, and DESCENTE, as well as international outdoor brands such as ARC'TERYX and SALMON. The rapid expansion has been supported by Anta's shift toward a DTC model. Meanwhile, the company also strengthened its ESG governance and sustainable disclosures. Anta, therefore, offers an appropriate case for investigating the relationship among business model transformation, financial performance, and sustainability in emerging markets.

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3.1. Financial analysis: high margin vs. slow turnover paradox

3.1.1. Revenue structure and margin expansion

Anta's DTC transition has significantly restructured its revenue stream. Before 2020, the company mainly relied on wholesale distribution. By the first half of 2025, however, DTC channels accounted for 55.6% of total revenue. This exhibits a sharp increase from 9.3% in 2020. Gross margin also rose from 52.6% in 2018 to 62.2% in 2024 [Table 1]. This reflects the internalization of wholesale margins and stronger pricing control under the DTC model. This also suggests Anta's shift from a scale-driven business to a more profit-oriented structure.

However, greater pricing power brings accounting concerns. The expansion of self-operated stores and brands raises inventory risks and managerial discretion in write-down estimates. The inventory write-downs moved from RMB 414 million in 2022 to a small reversal of RMB 0.2 million in 2023 and a big reversal of RMB 132 million in 2024. This indicates the potential space for earnings management to achieve certain profit targets during the DTC transformation.

Table 1. Summary of key financial indicators of anta sports products limited

Indicator	2024	2023	2022	2021	2020	2019	2018
Revenue (RMB million)	70,826	62,356	53,651	49,328	35,512	33,928	24,100
Gross margin (%)	62.20	62.60	60.20	61.60	58.20	55.00	52.60
Total asset (RMB million)	112,615	92,228	69,195	62,668	51,867	41,219	24,374
Total asset turnover (times)	0.69	0.77	0.81	0.86	0.76	1.03	1.11
Inventory Turnover (days)	123	123	138	127	122	87	81
EPS (RMB)	5.55	3.69	2.82	2.87	1.92	1.99	1.53
Debt ratio (%)	18.50	16.20	18.30	21.00	27.80	22.30	7.30
P/E ratio	14.08	20.53	36.28	40.73	64.06	35.05	24.54

3.1.2. Asset expansion and operational efficiency decline

Anta's DTC transformation improved profitability over the years, but expanded assets. This expansion has caused a drop in turnover. Anta's asset-intensive investments in self-operated stores, logistics, and digital systems to support its DTC operations increased total assets. The total asset turnover, therefore, decreased from 1.03x in 2019 to 0.69x in 2024. This trend reflects a shift from a light-asset wholesale model to greater vertical integration.

Financial leverage has also risen during the transformation period in 2020. This may be due to increased lease liabilities for directly operated stores and additional capital requirements for DTC transformation. For instance, Anta issued €1 billion in convertible notes in 2020 to optimize its capital structure. These changes, together, indicate that the DTC model needs greater control over downstream assets. A transitional decline in turnover may reflect structural adjustment rather than operational deterioration.

Inventory turnover tells a similar story, rising from an average of around 70 days before the DTC transformation to 123 days in 2024. This deceleration results from structural factors. Under the wholesale model, distributors held inventory risk. The DTC model has now shifted this responsibility to Anta, naturally extending inventory holding periods. Also, Anta's own "single

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focus, multiple brands, omni-channel" strategy, along with acquisitions such as JACK WOLFSKIN and MUSINSA, added product variety and increased inventory complexity.

3.1.3. Market perception

Market indicators suggest shareholders are confident in Anta's DTC transformation, viewing it as a strategic refinement rather than a decline in efficiency. EPS has grown steadily since 2020. The P/E ratio reached 64 times in 2020, reflecting strong investor expectations for the transition. Then there is a drop to 14 times in 2024, indicating a move from growth to a mature stage focused on brand development and profitability. These trends, coupled with the increase in gross margin, indicate that the decline in business efficiency is due to restructuring rather than operational decline.

3.2. ESG analysis: long-term value creation

Based on the TBL framework, sustainable performance depends on social, environmental, and economic foundations [4]. Anta's DTC financial result alone does not reveal the practices that support long-term shared value creation. Anta's ESG disclosures indicate that the company aligns its sustainability initiatives with several Sustainable Development Goals (SDGs). This section analyzes how Anta's ESG practices contribute to its long-term development.

3.2.1. People: diversity, training, and benefits

Anta's workforce profile shows the diverse demands of global expansion and DTC operations. Anta employed more than 65,900 people in 2024, representing 16 countries and over 40 ethnic groups. Women made up of 74.1% of the workforce and 39.2% of management. This shows that Anta is making progress on SDG 5 and SDG 10.

Anta also invested heavily in staff training. The training coverage exceeds 97% with more than 1.8 million training hours delivered annually. This indicates Anta's focus on individuals' own development and supports skill development in the DTC model, where frontline staff directly shape the customer experience (SDG 8).

As a benefit, Anta granted approximately 3.67 million incentive shares to employees. However, the ESG report fails to disclose the distribution of these incentives to employees or senior managers.

3.2.2. Planet: from compliance to climate management

The 2024 environmental data for Anta suggest that the changes are related to the DTC transformation. Scope 1 emissions fell 11.1% to 7,580 tCO_2e, reflecting cleaner energy use and operational improvements. However, Scope 2 emissions increased, partly reflecting expanded logistics operations and the addition of new stores, including MAIA ACTIVE, within the reporting boundary. These ESG performance (Table 2) conclude a common tension: business growth and emission reduction do not always move in the same direction.

For the first time, Anta disclosed Scope 3 emissions. This marks a crucial step because, for the sportswear industry, the supply chain usually accounts for the largest portion of the carbon footprint, but is hard to track. Anta also reported that 30% of products meet internal sustainability standards, and 36% of packaging has used greener alternatives (SDG 12).

Moreover, Anta has set detailed climate goals that the SBTI verifies. It commits to cutting Scope 1 and 2 emissions by 42% by 2030 and reducing Scope 3 emission intensity per value-added USD by 51.6% (SDG 13). In the long run, its "1+3+5" strategy sets carbon neutrality by 2050 as the

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ultimate goal, with 2030 targets achieving three "zeros"–net-zero emissions, zero virgin plastic, and zero waste-to-landfill, alongside five "50%" targets across sustainable products, packaging, raw materials, and clean energy. Now the progress is visible. Sustainable products account for 30.3% of orders, 36% of packaging is greener, and over 100 suppliers have adopted clean energy.

Table 2. Anta's environmental performance indicators (2022 – 2024)

Indicator		Unit	2024	2023	2022
Total Energy Consumption (direct operations)		MWh	457,613	368,770	337,703
Renewable energy	Purchased renewable energy certificates	MWh	149,328	/	/
	Purchased green electricity	MWh	618	/	/
GHG Emissions	Scope 1 (direct)	tCO_2e	7,580	8,525	4,820
	Scope 2 (market-based)	tCO_2e	161,469	/	/
	Scope 2 (location-based)	tCO_2e	230,352	191,654	173,974
	Scope 3	tCO_2e	1,598,627	/	/
Total Water Consumption		m^3	1,678,397	1,517,270	1,429,691
Total Packaging Materials		t	51,000	46,500	24,046

3.2.3. Supply chain governance: compliance and co-creation

In 2024, 100% of core suppliers signed the Supplier Code of Conduct, covering labor rights and environmental compliance. This reflects Anta's capability to extend its standards beyond direct operations and represents a major step towards becoming a multi-brand group operating through diverse sourcing networks. Additionally, Anta created an "ESG Learning Community" and the supplier training program. This means the movement beyond compliance toward capacity building (SDG 17). Moreover, Anta has engaged with international frameworks including SLCP, HIGG FEM, and ZDHC, and 80% of audited suppliers achieved "good" or higher ratings.

However, small suppliers often struggle to create sustainable shared value and lack the capital and technical capacity for cleaner technologies. These suppliers should bear these costs themselves. These costs may be passed on to Anta through higher procurement prices. Anta has not disclosed whether it provides financial support or risk sharing for suppliers' environmental upgrades.

4. Discussion and conclusions

This study shows that financial and ESG reporting offer complementary perspectives for corporate sustainability. Anta's financial indicators show some contradictions during DTC transformation. On one hand, profitability improved, with gross margins rising from 52.6% in 2018 to 62.2% in 2024. On the other hand, operational indicators weakened, as asset turnover fell from 1.03 to 0.69 and inventory turnover days rose to 123 days. If stakeholders focus only on financial indicators, these changes may suggest declining efficiency. However, they mainly reflect structural adjustments resulting from the DTC transformation [3]. The transformation required Anta to invest in self-operated stores, logistics infrastructure, and digital platforms, thereby increasing asset intensity. Therefore, lower turnover ratios do not necessarily indicate weaker operations. They mainly reflect the costs of building a vertically integrated retail system in Anta's case.

Financial statements capture direct outcomes, but they cannot provide evidence of a firm's long-term development. In Anta's case, ESG disclosures report investments in employee training, supply

chain governance, and environmental initiatives that are not visible in financial reports. Such disclosures help reduce information asymmetry and support long-term shared value creation [10]. The combination of the financial statement and ESG reports is consistent with TBL.

Anta's case also reveals differences in timing. The economic effects, such as asset expansion and changes in turnover, tend to be observed immediately. However, the benefits of employee development, environmental management, and supply chain improvements take longer to become visible. For example, asset expansion and changes in turnover ratios are immediately observed. But the value creation from employee development, environmental governance, and supply chain improvement tends to emerge over a longer period [11]. Huang notes that combining financial and ESG reporting overcomes the limits of a single system [7]. Anta's case supports this view, showing that ESG disclosure explains short-term financial changes in a comprehensive long-term context.

ESG practices also influence governance. Stronger ESG commitment has been linked to enhanced earnings quality in emerging markets [5,12]. During Anta's transformation, inventory write-downs changed from provisions to reversals. Meanwhile, the company's ESG rating was upgraded from BBB to AA over two consecutive years. This pattern is consistent with Flores [6], ESG has stronger governance effects when internal governance and external oversight are strong. Two factors help explain this pattern. Firstly, Anta strengthened supply chain governance. In 2024, all core suppliers adopted the Supplier Code of Conduct and expanded ESG training across their supply network. These actions improve product quality and supply chain stability, reducing the risk of inventory obsolescence [13]. Secondly, the introduction of independent third-party assurance enhanced the credibility of ESG disclosures and constrained management opportunism [14]. As the first Chinese sportswear company to obtain Big Four verification for ESG reporting, Anta demonstrates how credible ESG practices can complement financial metrics.

In conclusion, Anta's experience shows that strong profitability and low operational efficiency are structural rather than operational declines. Both shareholders and markets can recognize this change. Anta's successful ESG practices improve transparency, limit managerial discretion, and support long-term value creation. Overall, the findings provide evidence that ESG governance can complement financial analysis and mitigate potential earnings management risks during periods of structural change, offering practical insights for emerging markets.

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