

01 April 2015

Hold
Downgrade

业绩不及预期，下调评级至持有

宝信汽车 (1293:HK)

Market Data: Mar, 31

Closing Price (HK\$)	4.20
Price Target (HK\$)	4.58
HSCEI	12,346
HSCCI	4,650
52-week High/Low (HK\$)	7.09/4.11
Market Cap (US\$m)	1,386
Market Cap (HK\$m)	10,739
Shares Outstanding (m)	2,557
Exchange Rate (Rmb-HK\$)	1.26

Price Performance Chart:



Source: Bloomberg

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Related Reports

"Baixin Auto (1293 HK): Up and running" Sep 4, 2014

Financial summary and valuation

	2013	2014	2015E	2016E	2017E
Revenue (Rmbm)	30,082	30,723	33,508	36,297	38,768
YoY (%)	66.26	2.13	9.06	8.32	6.81
Net income (Rmbm)	1,014	714	799	891	987
YoY (%)	41.86	(29.81)	12.00	11.46	10.77
EPS (Rmb)	0.39	0.28	0.31	0.34	0.38
Diluted EPS (Rmb)	0.39	0.28	0.31	0.34	0.38
ROE (%)	23.57	14.48	14.57	14.31	14.02
Debt/asset (%)	73.57	73.96	72.71	71.37	69.96
Dividend Yield (%)	3.56	1.19	1.35	1.50	1.66
PE (x)	8.47	12.06	10.77	9.66	8.72
PB (x)	1.80	1.66	1.46	1.29	1.14
EV/Ebitda (x)	5.82	6.28	5.54	4.99	4.52

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

业绩低于预期。宝信汽车公布 2014 财年数据。总收入约人民币 307 亿元 (同比增长 2.1%)，净利润约人民币 7.1 亿元 (同比下降 29.7%)。全年每股净利润为人民币 0.28 元，比我们预测的人民币 0.43 元低 35%。毛利率比去年低了 0.6% 达 9.1%；同时，净利率也从 2013 年的 3.4% 下滑至 2014 年的 2.3%。我们认为公司新车销售业务增速的放缓是这次业绩不及预期的主要原因。

中国汽车销量表现疲软，拖累公司新车销售业务。2014 年，宝信的新车销售业务收入约人民币 277 亿元 (同比增长 1%)，占了总收入的 90%。然而，新车业务的毛利率与去年相比，却下滑了 1.2% 至 4.8%。我们认为，这主要是受中国汽车销量增速放缓的影响所致。中国整体乘用车销量增速从 2013 年的 15.7% 下滑至 2014 年的 9.9%。销量增速的下滑，导致经销商库存高企，竞争加剧。受此影响，公司豪华汽车品牌的毛利率大幅萎缩。2014 年，宝信豪华及超豪华汽车品牌的毛利率比去年低了 1.2% 至 5.1%。我们认为，中国汽车销量疲软之势预计将继续延续，这将使公司毛利率进一步承压。

售后服务和增值业务表现不俗。尽管新车销售业务不及预期，但由于公司在豪华及超豪华品牌汽车维修及保养服务领域的市场份额不断提升，宝信的汽车售后业务收入同比增长 13.2% 达人民币 31 亿元，约占了总收入的 10%。我们认为，随着中国汽车保有量不断攀高，公司汽车售后服务领域有良好的业务发展前景。同时，公司也在积极推动其汽车增值服务业务。2014 年，汽车增值服务业务的佣金总收入同比增长 60.4% 约人民币 3.7 亿元，占了总收入的 1.2%。我们认为，公司未来的汽车售后服务和增值业务将继续保持稳定增长，而这将有效抵消由于中国汽车销量疲软造成的新车销售业务放缓。

O2O 业务带来发展新机遇。宝信汽车的首家 O2O 二手车实体旗舰店于 2014 年 9 月在上海正式开业。配合在线平台“汽车街”，宝信汽车的二手车 O2O 业务发展进入快车道。同时，为进一步加强其市场地位，宝信汽车与招商银行和 Manheim 集团建立了战略合作伙伴关系。招商银行拥有一个最庞大的高净值贵宾客户群以及丰富的二手车金融经验；Manheim 集团是一家美国著名二手车拍卖公司。同时，宝信汽车还与多家领先的汽车经销商密切磋商以建立战略合作伙伴关系。我们认为，虽然目前 O2O 二手车业务的收入贡献很小，但是鉴于乘用车替换需求的不断增加，我们看好公司未来 O2O 二手车业务的发展前景。

下调评级至持有。考虑到公司新车销售业务表现疲软，我们把 2015 年每股盈利预测从人民币 0.50 元下调 38% 至人民币 0.31 元 (同比增长 12.0%)，把 2016 年每股盈利预测从人民币 0.59 元下调 42% 至人民币 0.34 元 (同比增长 11.5%)，并预测 2017 年每股盈利预测为人民币 0.38 元 (同比增长 10.8%)。我们把目标价从港币 6.62 元下调至港币 4.58 元。公司目前对应 10.8/9.7/8.7 倍 2015/16/17 倍市盈率。对应 9% 的上升空间，我们把评级从增持下调至持有。

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Investment Highlights:

Results missed. Baoxin auto reported FY14 revenue of Rmb30.7bn (+2.1% YoY) and net profit of Rmb713.6m (-29.7% YoY). Full-year EPS reached Rmb0.28, 35% below our expectation of Rmb0.43. The company's total gross margin fell 0.6ppts to 9.1%, and net margin contracted from 3.4% in 2013 to 2.3% in 2014, dragged down by sluggish automobile sales.

Weighed down by sluggish new car sales. Baoxin's auto sales business contributed to 90% of total revenue at Rmb27.7bn (+1% YoY). However, its gross margin tumbled by 1.2ppt to 4.8% in 2014. We attribute this to China's weakening passenger car sales growth, which decelerated from 15.7% YoY in 2013 to 9.9% YoY in 2014. Dampened by the broader market slowdown, inventory piled up and competition intensified, which resulted in gross margin contraction for the company's major luxury auto brands (luxury and ultra-luxury brands fell by 1.2% to 5.1% in 2014). We expect the softening sales growth momentum to continue, which may likely bring more margin downside potential for Baoxin's traditional new auto dealing services in future.

Stellar growth in after-sale and value-added services. Although auto sales business remained weak, Baoxin's after-sale services registered a +13.2% YoY revenue growth and generated 10% of total revenue at Rmb3.1bn in 2014, driven by its rising market share of luxury and ultra-luxury brands in repair and maintenance services. As China's car ownership increases, we see huge business growth potential in Baoxin's auto after-sales services in future. Meanwhile, the company has channeled greater efforts in promoting its auto value-added services. Total commission income earned from its vehicle value-added services climbed to Rmb371.4mn (+60.4% YoY) and accounted for 1.2% of total revenue in 2014. We expect both auto after-sale and value-added services to continue their solid growth trajectories in future, which may likely offset the slowdown in the company's traditional auto sales business.

New strategic opportunity from Online-to-Offline (O2O) business. In September 2014, by leveraging its online platform, Autostreet, Baoxin's first flagship O2O used-car store officially commenced operation in Shanghai. To further strengthen its O2O market position, Baoxin has built a strategic partnership with China Merchants Bank (3968:HK), Manheim Auctions (a leading US used-car auction house) and other domestic auto dealer groups. Though its current revenue contribution remains small, we see huge growth potential in the company's O2O used-car business, thanks to a strong demand cycle and China's booming middle-class group.

Downgrade to Hold. Given Baoxin's lacklustre automobile sales, we revise down our EPS forecasts by 38% from Rmb0.50 to Rmb0.31 in 15E (+12.0% YoY), by 42% from Rmb0.59 to Rmb0.34 in 16E (+11.5% YoY) and forecast EPS of Rmb0.38 in 17E (+10.8% YoY). We revise down our target price from HK\$6.62 to HK\$4.58. Baoxin currently trades at 10.8x 15E PE, 9.7x 16E PE and 8.7x in 17E PE. With 9% upside, we downgrade our rating from Outperform to Hold.

APPENDIX

Table 1: Consolidated Income Statement

Rmbm	2013	2014	2015E	2016E	2017E
Revenue	30,082	30,723	33,508	36,297	38,768
Cost of Sales	(27,161)	(27,936)	(30,437)	(32,933)	(35,114)
Gross Profit	2,920	2,788	3,071	3,363	3,654
Other Income	469	455	503	544	582
Distribution expenses	(947)	(983)	(1,066)	(1,180)	(1,287)
Administrative expenses	(539)	(609)	(670)	(726)	(775)
Ebitda	2,132	1,976	2,242	2,490	2,748
Ebit	1,904	1,650	1,838	2,002	2,173
Jointly controlled entities	11	7	9	11	15
Finance Costs	(545)	(617)	(680)	(713)	(747)
Profit before tax	1,370	1,040	1,167	1,301	1,441
Income tax expense	(355)	(326)	(368)	(410)	(454)
Profit for the year	1,014	714	799	891	987
Minority interests	8	7	8	9	10
Equity holders of the parent	1,007	707	791	882	977

Source: SWS Research

Table 2: Consolidated Cash Flow Statement

Rmbm	2013	2014	2015E	2016E	2017E
Profit before taxation	1,370	1,040	1,167	1,301	1,441
Plus : Depr. and amortisation	228	326	405	488	575
Finance cost	545	649	713	749	786
Change in working capital	(1,226)	(724)	(411)	(384)	(352)
Others	(130)	(326)	(368)	(410)	(454)
CF from operating activities	703	1,478	1,472	1,707	1,957
Capex	(1,141)	(817)	(804)	(871)	(930)
Other CF from investing activities	(63)	(313)	(112)	(127)	(143)
CF from investing activities	(1,204)	(1,129)	(916)	(999)	(1,074)
Net change in liabilities	484	707	386	406	426
Dividend and interest paid	(586)	(617)	(680)	(713)	(747)
Other CF from financing activities	(52)	(256)	-	-	-
CF from financing activities	(154)	(167)	(293)	(307)	(321)
Net change of cash flow	(654)	182	263	401	562

Source : SWS Research

Table 3: Consolidated Balance Sheet

Rmbm	2013	2014	2015E	2016E	2017E
Current Assets	12,650	13,782	14,898	16,116	17,409
Bank balances and cash	2,021	2,203	2,466	2,867	3,429
Trade and other receivables	557	406	446	491	540
Inventories	3,002	3,057	3,348	3,623	3,863
Other current assets	7,070	8,116	8,637	9,134	9,577
Long-term investments	55	74	81	89	98
PP&E	2,720	3,310	3,789	4,226	4,609
Intangible and other assets	1,857	2,132	2,225	2,329	2,445
Total Assets	17,872	19,776	21,430	23,143	24,917
Current Liabilities	11,284	11,287	12,045	12,767	13,444
Borrowings	5,858	5,107	5,363	5,631	5,912
Trade and other payables	5,086	5,657	6,108	6,504	6,836
Other current liabilities	340	522	575	632	695
Long-term liabilities	1,864	3,340	3,536	3,751	3,989
Total Liabilities	13,148	14,627	15,581	16,518	17,433
Share Capital	21	21	21	21	21
Reserves	4,345	4,967	5,643	6,398	7,233
Minority interests	53	60	69	79	89
Total Liabilities and equity	17,872	19,776	21,430	23,143	24,917

Source: SWS Research

Table 4: Key Financial Ratios

	2013	2014	2015E	2016E	2017E
Ratios per share (Rmb)					
Earnings per share	0.39	0.28	0.31	0.34	0.38
Operating CF per share	0.28	0.58	0.58	0.67	0.77
Dividend per share	0.12	0.04	0.04	0.05	0.06
Net assets per share	1.85	2.01	2.29	2.59	2.93
Key Operating Ratios (%)					
ROE	23.57	14.48	14.57	14.31	14.02
Gross profit margin	9.71	9.07	9.16	9.27	9.43
Ebitda Margin	7.09	6.43	6.69	6.86	7.09
Ebit Margin	6.33	5.37	5.48	5.52	5.61
Growth rate of Revenue (YoY)	66.26	2.13	9.06	8.32	6.81
Growth rate of Profit (YoY)	41.86	(29.81)	12.00	11.46	10.77
Debt-to-asset ratio	73.57	73.96	72.71	71.37	69.96
Turnover rate of net assets	6.37	5.97	5.73	5.48	5.18
Turnover rate of total assets	1.68	1.55	1.56	1.57	1.56
Effective tax rate (%)	25.94	31.36	31.50	31.50	31.50
Dividend yield (%)	3.56	1.19	1.35	1.50	1.66

Source: SWS Research

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