



Rating  
**Hold**

Asia  
China

Automobiles &  
Components

Company  
**Geely Auto Alert**

|                     |                      |                 |                |
|---------------------|----------------------|-----------------|----------------|
| Reuters<br>0175.HK  | Bloomberg<br>175 HK  | Exchange<br>HKG | Ticker<br>0175 |
| ADR Ticker<br>GELYY | ISIN<br>US36847Q1031 |                 |                |

Date  
4 March 2015

## Breaking News

|                            |             |
|----------------------------|-------------|
| Price at 4 Mar 2015 (HKD)  | 3.31        |
| Price target - 12mth (HKD) | 2.95        |
| 52-week range (HKD)        | 3.61 - 2.44 |
| HANG SENG INDEX            | 24,703      |

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## Disposal of manual transmission business

### To stay focused on core auto manufacturing operation

Geely announced after today's market close that the company will sell its manual transmission manufacturing operation to Zhejiang Wanliyang Transmission (002434.SZ, RMB19.36, Not Rated), an auto part supplier for RMB300m, 1.13x December 2014 NAV. After the completion of the sale, Geely expects to probably realize RMB35m disposal gain, and will procure manual transmissions from Wanliyang at least until December 2018.

According to Geely, the manual transmission business disposal is in line with the company's strategy of streamlining its business to be focused on automobile manufacturing. To recap, Geely also sold its automatic transmission business back to its parent Zhejiang Geely in FY14 for similar reason.

We do not see a material long-term impact on Geely's operations or financials from the subject business sale other than for less inter-segmental revenue. After all, with Chinese car owners increasingly adopting automatic transmissions, we do not see a strong reason to maintain the manual transmission manufacturing capability in-house in the long run. With little change to Geely's fundamental, we maintain Hold.

### Stock data

|                               |                           |
|-------------------------------|---------------------------|
| Market cap (HKDm)             | 29,133                    |
| Market cap (USDm)             | 3,757                     |
| Shares outstanding (m)        | 8,801.4                   |
| Major shareholders            | Zhejiang Geely Hldg (45%) |
| Free float (%)                | 57                        |
| Avg daily value traded (USDm) | 18.8                      |

Source: Deutsche Bank

### Key data

| FYE 12/31         | 2013A   | 2014E   | 2015E   |
|-------------------|---------|---------|---------|
| Sales (CNYm)      | 28,708  | 22,529  | 30,456  |
| Net Profit (CNYm) | 2,663.1 | 1,465.2 | 3,169.0 |
| DB EPS (CNY)      | 0.30    | 0.29    | 0.36    |
| PER (x)           | 10.1    | 9.2     | 7.5     |
| Yield (net) (%)   | 1.2     | 0.7     | 1.5     |

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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