

Geely Automobile (175 HK)

Still short of catalyst

Revenue growth missed due to lower-than-expected ASP, while net profit was largely in line. Although market demand for Xindihao and New Vision seems robust so far, we see it challenging after the peak season. Furthermore, we are no big fan of GC9. Raise FY15/16 earnings forecast by 3.8%/1.0%, and raise TP from HK\$3.2 to HK\$ 3.3 based on 10x 2015PE. Maintain Neutral on short of catalyst.

Revenue missed, net profit mostly in line

Geely's FY14 revenue was down by 24% to RMB 21.7bn, 7.0% lower than our expectation due to lower realized ASP. GPM was down from 20.3% in 1H14 to 18.2% in FY14, 0.3ppt lower than our estimate. OPM shrank by 2.6ppts to 9.0%, 1.3ppt higher than our expectation mainly due to higher government subsidy income and lower selling & distribution expenses. Net profit was down by 46% to RMB 1.43bn due to lower sales volume and the loss from Rubble depreciation, 3.8% higher than our expectation, due to higher other income. Diluted EPS was down by 47% to RMB0.1625. The company announced a final DPS of HK\$0.025.

Robust demand for star models by far, but challenges ahead

Driven by better-than-expected sales performance of Xindihao and New Vision in the end market, trade and other receivables were up by 11% to RMB 16.4bn, while inventories were down 9% to RMB 1.6bn by end-2014. The restructure in distribution network has improved the efficiency of Geely's distribution capabilities, and helped bring down the selling & distribution expense to revenue ratio by 0.1ppt. We believe that the sales volume of Geely in FY15 will increase by 10% to 462k units, slightly higher than the company's target of 8% mainly due to the strong sales performance of Xindihao and New Vision. However, it is still challenging to out-perform after the peak season, given harsher growth environment for domestic sedans.

GC9 kicked off, but we are no big fan

The new GC9 has started receiving the first batch of orders on line on Mar 16th. Although management claimed that the first 1,000 units were sold out in only 77 minutes, we do not see this as extremely exciting given there were more than 700 dealers. We expect the monthly sales volume of GC9 to reach only 2k-2.5k by end-2015, no significant impact on both brand building and earnings, mainly due to the low brand name recognition on domestic B class sedans.

Maintain Neutral and slightly raise TP to HK\$ 3.3

We believe that Geely will need extra catalyst in 2015 to drive up its volume, which we have not seen yet. We maintained our topline estimate in FY15/16 at RMB28.0bn/ 29.6bn, and raise OPM in FY15/16 to 11.4%/11.4% mainly due to the improvement in sales & distribution network. Raise our FY15/16 earnings forecast by 3.8%/1.0% to RMB 2.31bn/2.46bn. Maintain Neutral rating on the counter and slightly raise TP from HK\$3.2 to HK\$ 3.3, based on 10x 2015PE.

Figure 1: Financial Summary

Year to Dec 31(RMBmn)	2013A	2014A	2015E	2016E	2017E
Revenue	28,708	21,738	28,042	29,569	32,402
Operating Profit	3,354	1,935	3,141	3,329	3,577
Reported Profit	2,663	1,431	2,312	2,458	2,648
Underlying Profit	2,663	1,431	2,312	2,458	2,648
Underlying EPS (CNY)	0.30	0.16	0.26	0.28	0.30
DPS (CNY)	0.03	0.02	0.03	0.03	0.03
BVPS (CNY)	1.83	1.96	2.20	2.45	2.72
P/E (x)	9.6	17.8	11.0	10.4	9.6
Dividend Yield (%)	1.2	0.6	1.0	1.1	1.1
P/B (x)	1.6	1.5	1.3	1.2	1.1

Source: Guosen Securities(HK)

Hong Kong Auto
Automotive

19 March 2015 NEUTRAL

Target price	▲ HK\$3.30
Last price (18 Mar 15)	HK\$3.60
Upside/downside (%)	(8.3)
HSI	24120.08
Mkt cap (HK\$bn/US\$bn)	31.7/4.1
52 week range (HK\$)	2.40 - 3.70
Avg trading volume daily (US\$mn)	17.04

Source: Bloomberg

Performance



Performance	1M	3M	12M
Absolute (%)	7.1	43.4	34.3
Absolute (US\$, %)	7.1	43.3	34.4
Relative to HSI (%)	10.0	37.8	22.6

Source: Bloomberg

Company background

Geely Automobile Holdings Limited, through its subsidiaries, manufactures and sells automobiles and related components.

Source: Bloomberg

John Luo
SFC CE No.: AVT518
+852 2899 8300
john.luo@guosen.com.hk

吉利汽车 (175 HK)

依然缺乏催化剂

吉利汽车 14 财年的收入增长低于我们预期，主要是产品单价较低，而净利润与我们的预期基本一致。虽然目前市场对于新帝豪和新远景的需求似乎比较旺盛，在旺季之后的销售情况我们较为谨慎。另外，我们对于博瑞的销售表现预测较为保守。提高 FY15/16 的净利润预测 3.8%/1.0%，基于 10x 2015PE 将目标价从 3.2 港元微调至 3.3 港元。维持中性评级。

收入增长低于预期，净利润表现基本符合预期

吉利汽车 FY14 的收入下滑 24% 至 217 亿人民币，低于我们预期 7.0%，主要是产品单价较低导致。毛利率从 1H14 的 20.3% 下滑至 FY14 的 18.2%，比我们的预期低 0.3 个百分点。经营利润率下滑 2.5 个百分点至 9.0%，高于我们的预期 1.3 个百分点，主要是因为较高的政府补贴以及较低的营销费用。净利润收入销量下跌以及卢布贬值的影响下滑 46% 至 14.3 亿人民币，比我们预期高 3.8%。摊薄每股盈利下滑 47% 至 0.1625 人民币。公司宣布分派每股 0.025 港元的末期股息。

主打产品需求至目前依然旺盛，但是前景具挑战

在新帝豪以及新远景好于预期的终端市场表现推动下，FY14 吉利汽车的应收账款上升 11% 至 164 亿人民币，同时库存下降 9% 至 16 亿人民币。分销渠道的改革提升了吉利汽车的分销能力，并使得 FY14 的分销费用率下降 0.1 个百分点。我们预计吉利汽车 FY15 的销量将会增长 10% 至 46.2 万辆，略微高于公司 8% 的增速目标，主要由于新远景和新帝豪目前销售表现比较旺盛。然而，由于今年自主品牌依然保持弱势，在旺季之后公司取得超过预期的销量成绩具有挑战。

博瑞开始预售，我们期望不高

3 月 16 日，公司的 B 级车博瑞开始在网上预售。虽然管理层声称首批 1,000 台在 77 分钟内就售罄，我们并不认为这是个非常大的惊喜，因为公司门店有 700 家以上。我们预计博瑞的销量在 2015 年底仅能达到 2000-2500 台/月的规模，主要原因是市场对自主品牌 B 级车的认可度低。

维持中性评级，略微提升目标价至 3.3 港元。

我们相信吉利汽车在 2015 年需要更多的催化剂去推升其销量，而目前还没有看到。我们维持 FY15/16 年 280 亿/296 亿人民币收入的预测，基于改善的经销商渠道提升经营利润率假设 1.4%/1.3% 至 11.4%/11.4%。提升 FY15/16 的净利润预测 3.8%/1.0% 至人民币 23.1 亿/24.6 亿。维持中性评级，将目标价轻微上调至 3.3 港币，相当于 2015 年 10x PE。

Figure 2: 盈利预测

截至 Dec 31 (人民币百万)	2013A	2014A	2015E	2016E	2017E
营业额	28,708	21,738	28,042	29,569	32,402
经营盈利	3,354	1,935	3,141	3,329	3,577
净利润	2,663	1,431	2,312	2,458	2,648
实际盈利	2,663	1,431	2,312	2,458	2,648
每股实际盈利 (CNY)	0.30	0.16	0.26	0.28	0.30
每股股息 (CNY)	0.03	0.02	0.03	0.03	0.03
每股账面价值 (CNY)	1.83	1.96	2.20	2.45	2.72
市盈率 (x)	9.6	17.8	11.0	10.4	9.6
股息率 (%)	1.2	0.6	1.0	1.1	1.1
市净率 (x)	1.6	1.5	1.3	1.2	1.1

资料来源：国信证券(香港)

香港 汽车
汽车

2015 年 3 月 19 日

中性

目标价	▲ HK\$3.30
收盘价 (18 Mar 15)	HK\$3.60
Upside/downside (%)	(8.3)
恒生指数	24120.08
总市值 (HK\$/US\$bn)	31.7/4.1
52 周最高/最低 (HK\$)	2.40 - 3.70
日均成交额 (US\$mn)	17.04

资料来源：彭博

股价表现



股票数据	1M	3M	12M
绝对回报 (%)	7.1	43.4	34.3
绝对回报 (US\$, %)	7.1	43.3	34.4
相对 HSI 回报 (%)	10.0	37.8	22.6

资料来源：彭博

公司简介

吉利汽车控股有限公司及其附属公司制造及销售汽车及配件。

资料来源：彭博

罗文安

证监会中央编号:AVT518

+852 2899 8300

john.luo@guosen.com.hk

Figure 3 2014 Actual VS Estimates

	Estimate	Actual	Difference (%)
Revenue	23,371	21,738	-7.0%
Growth (%)	-18.6%	-24.3%	
Cost of sales	-19,047	-17,776	-6.7%
Gross profit	4,324	3,963	-8.3%
GPM (%)	18.5%	18.2%	0.3 ppt
Other income	342	1,055	208.6%
Distribution and selling expenses	-1,388	-1,250	-9.9%
Administrative expenses, excluding share-based payments	-1,402	-1,772	26.4%
Share-based payments	-71	-60	-15.6%
Finance costs, net	-17	-24	36.7%
Share of results of associates	-0	9	-6665.1%
Share of result of a joint venture	-8	23	-403.6%
Profit before taxation	1,779	1,943	9.2%
Taxation	-391	-494	26.3%
Profit for the year	1,388	1,449	4.4%
Attributable to:			
Equity holders of the Company	1,379	1,431	3.8%
Non-controlling interests	9	19	109.3%

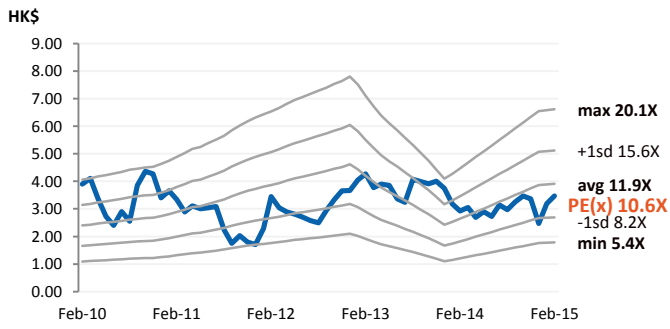
Source: Guosen Securities(HK) Research

Figure 4 Change in estimates

	2015E	2016E	2017E
Revenue (RMB m)	28,042	29,569	32,402
Growth (%)	29.0%	5.4%	9.6%
Change (%)	0.0%	0.0%	N/A
Sales volume (units)	461,691	483,471	528,818
Growth (%)	10.5%	4.7%	9.4%
Change (%)	0.0%	0.0%	N/A
Net profit (RMB m)	2,312	2,458	2,648
Growth (%)	61.6%	6.3%	7.8%
Change (%)	3.8%	1.0%	N/A
GPM (%)	19.2%	19.5%	19.5%
Change (%)	0.2%	0.0%	N/A
OPM (%)	11.4%	11.4%	11.2%
Change (%)	1.3%	1.0%	N/A

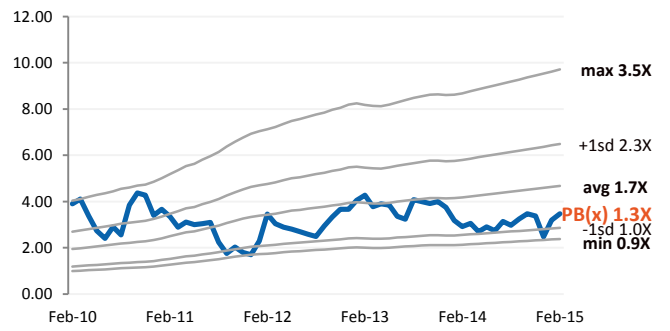
Source: Guosen Securities(HK) Research

Figure 5 12 months forward PE band chart



Source: Bloomberg, Guosen Securities(HK) Research

Figure 6 12 months forward PB band chart



Source: Bloomberg, Guosen Securities(HK) Research

Summary financial statements

Profit & Loss (RMBmn)	2013A	2014A	2015E	2016E	2017E
Revenue	28,708	21,738	28,042	29,569	32,402
Cost of sales	(22,942)	(17,776)	(22,658)	(23,803)	(26,084)
Gross profit	5,766	3,963	5,384	5,766	6,318
Other income/(expense)	975	995	940	889	888
Operating expenses	(3,387)	(3,023)	(3,183)	(3,327)	(3,629)
Operating profit	3,354	1,935	3,141	3,329	3,577
Other non operating inc/(exp)	0	0	0	0	0
Finance income	59	58	93	105	119
Finance expenses	(99)	(81)	(153)	(158)	(168)
Associates & JCE	(10)	32	42	44	48
Profit before taxation	3,304	1,943	3,123	3,320	3,577
Taxation	(624)	(494)	(781)	(830)	(894)
Non-controlling interests	(17)	(19)	(30)	(32)	(34)
Net profit	2,663	1,431	2,312	2,458	2,648
Other Adjustments on UP	0	0	0	0	0
Underlying Profit	2,663	1,431	2,312	2,458	2,648

Source: Guosen Research estimates

Balance Sheet (RMBmn)	2013A	2014A	2015E	2016E	2017E
Fixed assets	6,209	5,861	6,477	6,536	6,601
Associates & JCE	673	691	1,153	1,404	1,680
Others	4,466	5,426	6,099	6,808	7,586
Non-current assets	11,348	11,977	13,729	14,749	15,867
Inventories	1,784	1,620	1,813	1,904	2,087
Debtors & prepayments	14,785	16,385	14,021	14,785	16,201
Bank deposits & cash	5,478	7,203	9,220	10,447	11,862
Others	204	95	151	156	167
Current assets	22,251	25,303	25,204	27,293	30,316
Bank & other borrowings	966	692	1,402	1,478	1,620
Trade & payables	16,075	17,017	15,860	16,662	18,259
Taxation	197	137	137	137	137
Others	0	0	0	0	0
Current liabilities	17,237	17,845	17,399	18,277	20,015
Bank & other borrowings	0	0	0	0	0
Others	133	1,969	1,969	1,969	1,969
Non-current liabilities	133	1,969	1,969	1,969	1,969
Net assets	16,230	17,466	19,565	21,795	24,199
Share capital	161	161	172	183	195
Premium & reserves	15,907	17,127	19,185	21,372	23,729
Shareholders' funds	16,068	17,288	19,357	21,555	23,924
Non-controlling interests	162	178	208	240	275
Total equity	16,230	17,466	19,565	21,795	24,199

Source: Guosen Research estimates

Financial Ratios	2013A	2014A	2015E	2016E	2017E
Revenue growth (%)	16.6	(24.3)	29.0	5.4	9.6
Operating profit growth (%)	23.1	(42.3)	62.4	6.0	7.5
Reported profit growth (%)	30.5	(46.3)	61.6	6.3	7.8
Underlying profit growth (%)	30.5	(46.3)	61.6	6.3	7.8
Underlying EPS growth (%)	20.1	(46.3)	61.6	6.3	7.8
Dividend growth (%)	28.0	(48.4)	61.6	6.3	7.8
Gross profit margin (%)	20.1	18.2	19.2	19.5	19.5
Operating profit margin (%)	11.7	8.9	11.2	11.3	11.0
Underlying profit margin (%)	9.3	6.6	8.2	8.3	8.2
Net debt/equity (%)	(28.8)	(38.0)	(41.0)	(42.2)	(43.4)
Net debt/total assets (%)	(13.8)	(17.6)	(20.4)	(21.6)	(22.5)
Current ratio (x)	129	142	145	149	151
Dividend payout (%)	11.5	11.0	11.0	11.0	11.0
Interest cover (x)	33.8	23.8	20.6	21.1	21.3
Dividend cover (x)	8.7	9.1	9.1	9.1	9.1
Dupont Analysis	2013A	2014A	2015E	2016E	2017E
Tax burden (%)	80.6	73.6	74.0	74.0	74.0
Interest burden (%)	98.5	100	99.4	99.7	100.0
Operating profit margin (%)	11.7	8.9	11.2	11.3	11.0
Asset turnover (x)	0.9	0.6	0.7	0.7	0.7
Leverage ratio (x)	2.2	2.1	2.1	2.0	1.9
ROA (%)	8.2	4.0	6.1	6.1	6.0
ROE (%)	18.4	8.6	12.6	12.0	11.6

Source: Guosen Research estimates

Cashflow (RMBmn)	2013A	2014A	2015E	2016E	2017E
Operating profit	3,304	1,943	3,123	3,320	3,577
Depreciation & amortization	1,078	874	701	739	810
Interest income	(59)	(58)	(93)	(105)	(119)
Change in working capital	(449)	(960)	1,015	(54)	(3)
Tax paid	(610)	(494)	(781)	(830)	(894)
Other operating cashflow	297	729	167	173	184
Operating activities	3,562	2,033	4,133	3,244	3,555
Purchase of non-current assets (Capex)	(930)	(841)	(1,402)	(887)	(972)
Free cash flow	2,631	1,192	2,731	2,356	2,583
Disposal of non-current assets	654	92	84	89	97
Associates & JCE (net)	(537)	313	(421)	(207)	(227)
Interest received	59	58	93	105	119
Dividends received	0	0	0	0	0
Other investing cashflow	(111)	(1,089)	(729)	(715)	(788)
Investing activities	(865)	(1,468)	(2,374)	(1,616)	(1,771)
New loans raised	848	692	2,393	1,851	2,086
Repayment of loans	(1,778)	(966)	(1,683)	(1,774)	(1,944)
Dividends paid	(264)	(320)	(254)	(270)	(291)
Other financing cashflow	(172)	1,766	(198)	(206)	(221)
Financing activities	(1,366)	1,172	258	(400)	(370)
Inc/(dec) in cash	1,330	1,738	2,016	1,228	1,415
Cash at beginning of year	4,189	5,478	7,204	9,220	10,447
Foreign exchange effect	(41)	(12)	0	0	0
Cash at end of year	5,478	7,204	9,220	10,447	11,862

Source: Guosen Research estimates

Information Disclosures

Stock ratings, sector ratings and related definitions

Stock Ratings:

Buy: A return potential of 10 % or more relative to overall market within 6 – 12 months.

Neutral: A return potential ranging from -10% to 10% relative to overall market within 6 – 12 months.

Sell: A negative return of 10% or more relative to overall market within 6 –12 months.

Sector Ratings:

Overweight: The sector will outperform the overall market by 10% or higher within 6 –12 months.

Neutral: The sector performance will range from -10% to 10% relative to overall market within 6 –12 months.

Underweight: The sector will underperform the overall market by 10% or lower within 6 – 12 months.

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中性：我们预计未来 6-12 个月内，个股相对大盘涨幅介于-10%与 10%之间；

减持：我们预计未来 6-12 个月内，个股相对大盘跌幅大于 10%。

行业评级

超配：我们预计未来 6-12 个月内，行业整体回报高于市场整体水平 10%以上；

中性：我们预计未来 6-12 个月内，行业整体回报介于市场整体水平-10%与 10%之间；

低配：我们预计未来 6-12 个月内，行业整体回报低于市场整体水平 10%以上。

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