

China Yongda Automobiles Services

Upgrade on valuation

Equities

 China
Retailers, Specialty

12-month rating **Buy**
Prior: *Neutral*
12m price target **HK\$6.50**
Prior: *HK\$7.30*
Price **HK\$4.22**
RIC: 3669.HK **BBG:** 3669 HK

Trading data and key metrics

52-wk range HK\$7.45-4.21

Market cap. HK\$6.25bn/US\$0.80bn

Shares o/s 1,480m (ORD)

Free float 18%

Avg. daily volume ('000) 385

Avg. daily value (m) HK\$1.8

Common s/h equity (12/14E) Rmb3.88bn

P/BV (12/14E) 1.3x

Net debt / EBITDA (12/14E) 2.3x

EPS (UBS, diluted) (Rmb)

	From	To	% ch	Cons.
12/14E	0.46	0.41	-9.70	0.45
12/15E	0.53	0.49	-6.65	0.59
12/16E	0.67	0.62	-6.86	0.75

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Why now? Weak car supply reinforces our view on easing inventory pressure

Our channel checks suggest BMW has agreed a 2015 sales target of 490,000 units with dealers, up 15% YoY, and in line with our expectation of a low- to mid-teens increase. Meanwhile, car imports remain weak YTD according to recent government statistics. We reiterate our view that dealers will face less inventory pressure in 2015, and that new car sales margins will stabilize. Meanwhile, we believe BMW dealers had already received the 2014 rebates by late February 2015. We believe most of these rebates will be booked in H214, but the timing gives the dealers some leeway in more flexible allocation.

Market too bearish on regulation reform; limited impact from parallel import

The regulators have not announced the reforms to the franchise law, which we attribute to strong opposition and lobbying by the OEMs. We believe the potential benefits to dealers have not been fully appreciated by the capital market. We still expect a finalized version to be released within 2015. Meanwhile, parallel imports were officially launched in the Shanghai Free Trade Zone in February 2015, and Yongda was one of qualified dealers. We expect minimal impact to its existing margins and ASP.

Earning revisions due to higher expenses and finance cost assumptions

We lower our H214 earnings forecast by 14% due to a lower-than-expected sales margin for new luxury cars, higher finance costs and operating expenses from new business initiatives in H214. We also lower our 2015/16E earnings slightly, 6.6%/6.9%, mainly to reflect the slightly lower sales margin for new luxury cars and our higher finance cost assumptions. We forecast 2014/15/16 fully-diluted EPS of Rmb0.41/Rmb0.49/Rmb0.62. Our earnings estimate is 4%/12%/12% lower than consensus 2014/15/16.

Valuation: upgrade from Neutral to Buy on lagging performance

Yongda's share price has dropped 17% YTD, lagging its peers' (Baixin 8%; Zhentong: 14%; HSCEI -5%). Despite lower forecasts, we see this as an attractive entry point, and upgrade Yongda from Neutral to Buy. We derive our HK\$6.50 price target (previously HK\$7.30) from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool (WACC: 9.5%), and implies 10.5x 2015E fully-diluted PE. The stock is currently trading at 6.9x fully-diluted 2015E PE, and 1.1x 2015E P/BV.

Highlights (Rmbm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenues	20,304	21,712	26,097	30,481	34,690	38,829	42,712	46,983
EBIT (UBS)	911	893	1,064	1,255	1,510	1,814	2,194	2,517
Net earnings (UBS)	505	470	588	646	807	1,021	1,252	1,441
EPS (UBS, diluted) (Rmb)	0.34	0.32	0.40	0.41	0.49	0.62	0.76	0.88
DPS (Rmb)	0.28	0.10	0.12	0.13	0.16	0.21	0.25	0.29
Net (debt) / cash	(1,296)	(1,727)	(3,670)	(3,748)	(4,207)	(4,585)	(4,646)	(5,263)
Profitability/valuation	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
EBIT margin %	4.5	4.1	4.1	4.1	4.4	4.7	5.1	5.4
ROIC (EBIT) %	35.0	22.5	17.5	16.8	18.1	19.1	20.7	20.9
EV/EBITDA (core) x	-	8.8	7.7	3.7	3.1	2.6	2.2	3.3
P/E (UBS, diluted) x	-	17.9	15.2	8.1	6.9	5.5	4.5	3.9
Equity FCF (UBS) yield %	-	(7.1)	(12.4)	10.4	4.9	8.5	15.8	7.0
Net dividend yield %	-	1.7	2.0	3.9	4.8	6.1	7.5	8.6

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$4.22 on 12 Mar 2015 22:39 HKT

Investment Thesis

Yongda Automobiles

Investment case

Yongda has high exposure to eastern China, where demand for luxury cars has been persistently strong (nearly 40% of national sales for the past six years), and there is a large ownership base. We believe the company's commitment to building its own brand will lead to profitable cross-selling opportunities in after-sales services. Yongda has made significant improvement in its expense coverage, due mainly to a rising service gross margin, which we believe will help improve profit margins and earnings stability. However, Yongda's new car sales margin remains below those of peers, and we attribute this to slow progress in cost cutting and aggressive network expansion. The rising service gross margin is offset by a lower new car sales margin than those of peers. Our earnings estimates and price target are below consensus after we factor in the short-term negative impact from the anti-trust investigation.

Upside scenario

Yongda's earnings are driven mainly by luxury car sales. In our base case, we forecast its luxury car sales gross margins will reach 4.4% in 2015. If Yongda's luxury car sales gross margin reaches 4.8% in 2015 due to an expanding base of middle-income earners and a stronger-than-expected increase in replacement demand, and assuming a 10.5x 2015 PE, the valuation in our upside scenario will be HK\$7.10/share.

Downside scenario

Our downside scenario assumes a further drop in the luxury car sales gross margin due to a worse-than-expected impact from the industry's reformation. If Yongda's gross margin from luxury sales falls to 4.0% in 2015, and assuming a 10.5x 2015 PE, the valuation in our downside scenario will be HK\$6.01/share.

Upcoming catalysts

Positive: The ramp-up of its used-car trading JV with BitAuto and Youxinpai.

12-month rating

Buy

12m price target

HK\$6.50

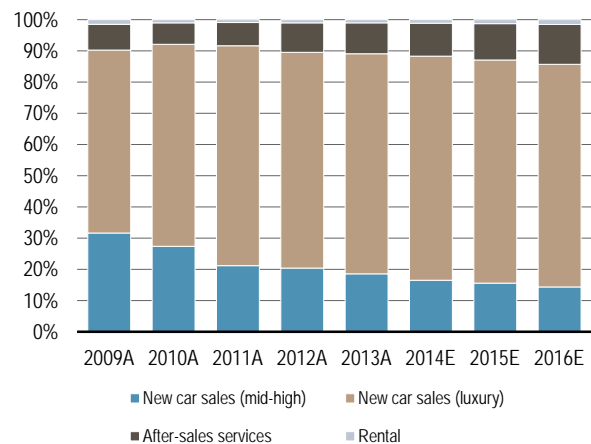
Business description

China Yongda Automobiles Services Holdings is a vehicle retailer and comprehensive service provider in China focused on luxury and ultra-luxury brands. Its portfolio of luxury and ultra-luxury brands includes BMW, Porsche, Jaguar, Land Rover, Infiniti, Cadillac and Volvo. In addition, the company operates 4S dealerships for a select portfolio of mid-range to high-end brands, including Buick, Chevrolet, Volkswagen, Toyota, Honda and Nissan.

Industry outlook

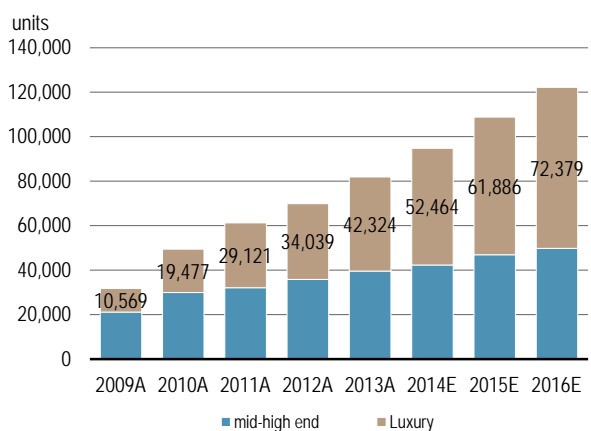
We expect premium cars to remain one of the best-performing segments and to continue gaining market share. In the long term, we expect demand for luxury and ultra-luxury cars to be driven by rising wealth as a result of continued economic growth, demand for upgrades from mid-range to high-end cars, and a low penetration rate. As car ownership increases, growth of the services and derivative businesses should also be strong.

Revenues by segment



Source: Company data, UBS estimates

Sales volume breakdown

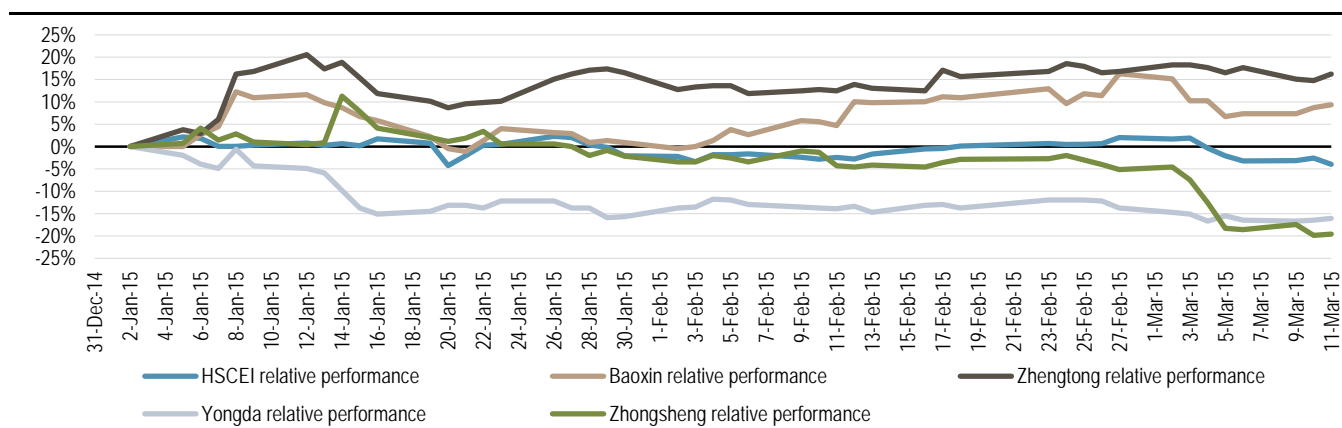


Source: Company data, UBS estimates

Valuations and share price derivation

We upgrade Yongda from a Neutral to a Buy rating on its lagging share price performance. Since the beginning of 2015, Zhengtong and Baoxin have outperformed the HSCEI by 19% and 13%, respectively, while Yongda has underperformed by 12%. We believe its current valuation is attractive and provides an adequate safety margin.

Figure 1: 2015 YTD Relative performance between Hang Seng China Enterprises Index (HSCEI) and China auto dealers



Source: Bloomberg

We derive our price target from a DCF-based methodology and explicitly forecast long-term valuation drivers using UBS's VCAM tool. We assume a WACC of 9.5%. Our price target implies 10.5x fully diluted 2015E PE. We decrease our mid-term and long-term EBIT margin assumption by 0.2% each to reflect intensifying industry competition and higher operational costs from the company's new business operations. Our price target implies a 10.5x 2015E PE.

The stock currently trades at a fully-diluted 2015E PE of 6.9x, and 1.1x 2015E PB.

We have Buy rating on all four dealers we cover. In descending order, we like Baoxin, Zhengtong, Zhongsheng and Yongda. We continue to prefer Baoxin thanks to its improving BMW operations and its e-commerce business. Zhengtong has outperformed the others YTD, but we believe the official launch of its auto finance operations will continue to support its share price. We attribute Zhongsheng's weakness YTD mainly to 1) concerns about its weak H214 results, 2) margin risks from price cuts to Mercedes after-sales service charges; 3) its conservatism on new businesses. Despite these concerns, we believe its current valuation looks attractive. We like Yongda for its operations, but liquidity may cap upside to its share price.

In the dealership space, we like Baoxin, Zhengtong, Zhongsheng, and Yongda, in that order

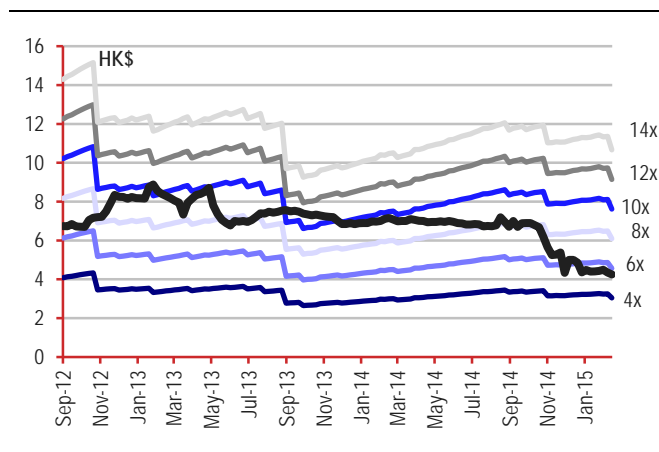
We also note that the H-share dealership companies look much cheaper than their peers in A shares, as shown below. We believe they may benefit from the southbound flow of Mutual Market Access (MMA) investment money. Currently Baoxin, Zhengtong and Zhongsheng are MMA-qualified stocks.

Figure 2: Valuation compsheat

Code		Market Cap (in US\$ m)	EPS CAGR (13-16E)	P/E (diluted)			P/BV			EV/EBITDA			ROE (%)			Dividend yield (%)		
				2014E	2015E	2016E	14E	15E	16E	2014E	2015E	2016E	14E	15E	16E	14E	15E	16E
HK1293	Baoxin	1,601	20%	8.6	7.3	5.8	1.7	1.4	1.1	6.2	5.2	4.1	21.9	21.2	21.4	0.0	0.0	0.0
HK1728	Zhengtong	1,117	18%	7.2	6.0	5.1	0.8	0.7	0.6	4.8	3.6	2.8	12.0	13.0	13.3	0.0	0.0	0.0
HK0881	Zhongsheng	1,347	14%	7.1	6.7	5.7	0.7	0.6	0.6	4.7	4.4	4.0	11.0	9.7	10.6	2.2	3.0	4.3
HK3669	Yongda	803	16%	8.2	6.9	5.5	1.3	1.1	1.0	3.7	3.1	2.6	17.7	19.4	21.3	3.9	4.8	6.1
601258.SS	Pang Da	3,968	80%	109.6	29.5	16.5	NA	NA	NA	NA	NA	NA	2.2	4.9	9.4	NA	NA	NA
600335.SS	Sinomach	2,196	16%	16.2	13.0	11.5	2.6	2.2	1.8	NA	NA	NA	16.3	17.3	17.0	0.9	1.1	1.4
HK1114	Brilliance	9,503	30%	10.7	9.5	8.1	3.3	2.6	2.1	-858.9	501.2	174.3	35.9	31.3	28.6	1.7	2.6	3.1

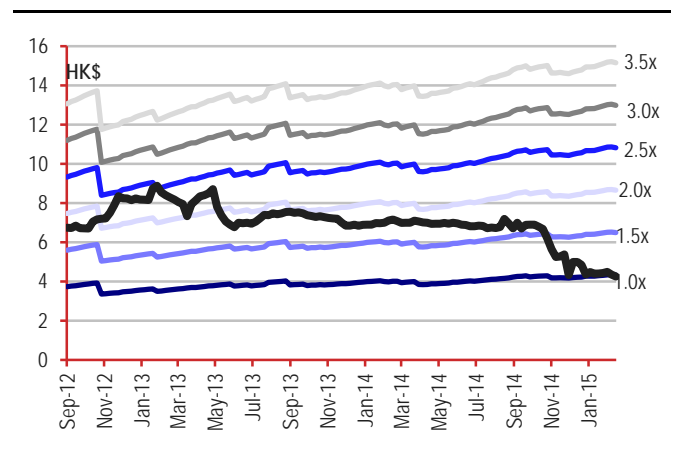
Source: Bloomberg, UBS estimates

Figure 3: 12-month forward PE band



Note: Based on 12-month forward consensus. Source: Datastream, IBES

Figure 4: 12-month forward P/BV band



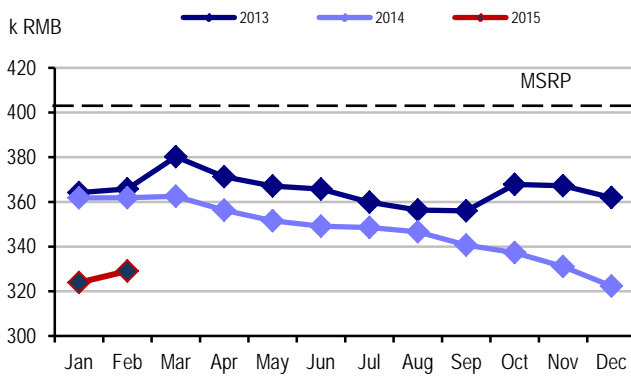
Note: Based on 12-month forward consensus. Source: Datastream, IBES

Weakening car import, and BMW's modest sales target

Our channel checks suggest BMW has just agreed a 2015 sales target of 490,000 units with dealers, up 15% YoY, which is in line with our expectation of low- to mid-teens percentage growth, but is the lowest sales growth target over the past four to five years. On top of the modest growth target, BMW's head of global sales promised the dealers a quarterly sales target review based on market development.

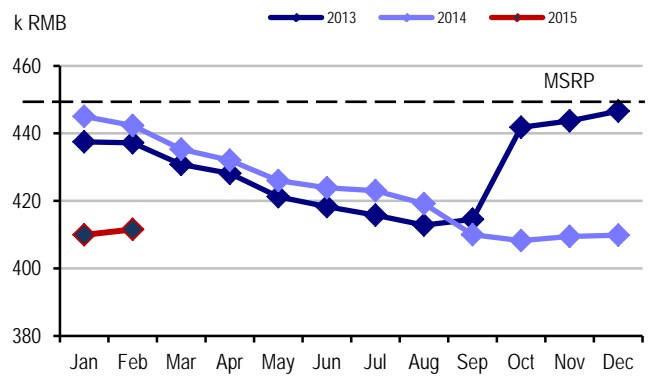
We reiterate our view that dealers will face less inventory pressure in 2015, while new car sales margins will stabilize. In addition, the one-time special rebate of Rmb5bn from BMW China had already been distributed to the dealers at the end of February 2015, which could be a positive catalyst for the company's H214/FY15 earnings since the timing gives the dealers some leeway in more flexible allocation, in our view.

Figure 5: BMW 3 2.0T retail pricing trend



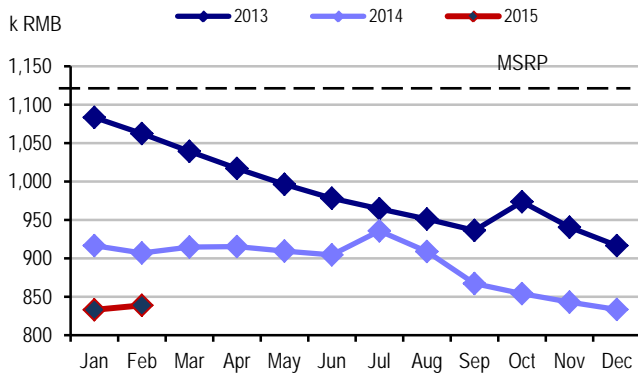
Source: Company data, UBS estimates

Figure 6: BMW 525 2.0T pricing trend



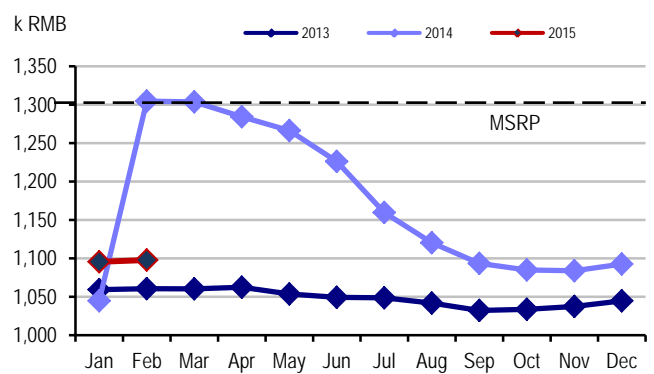
Source: Company data, UBS estimates

Figure 7: BMW 7 3L retail pricing trend



Source: Company data, UBS estimates

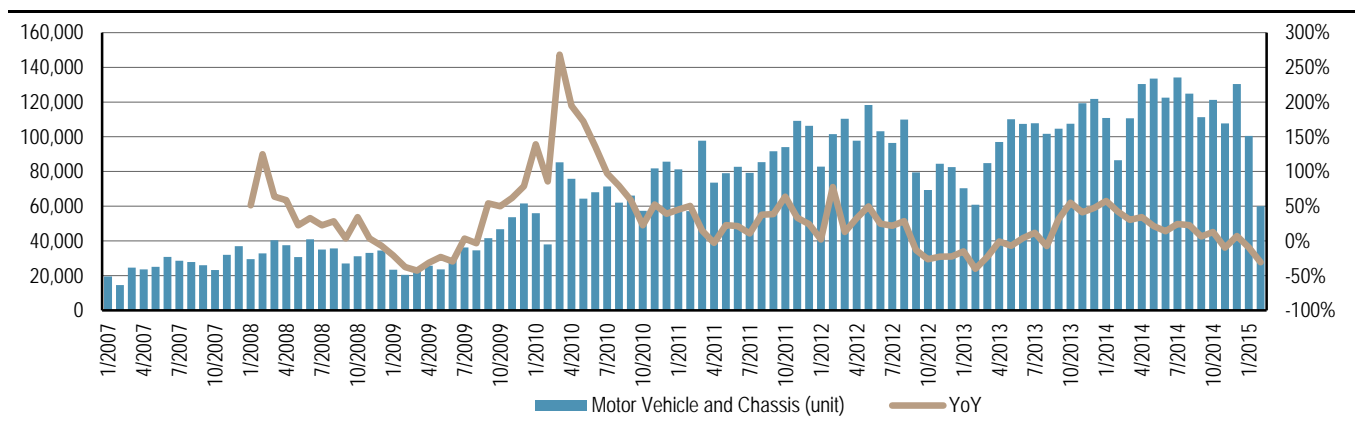
Figure 8: BMW X5 retail pricing trend



Source: Company data, UBS estimates

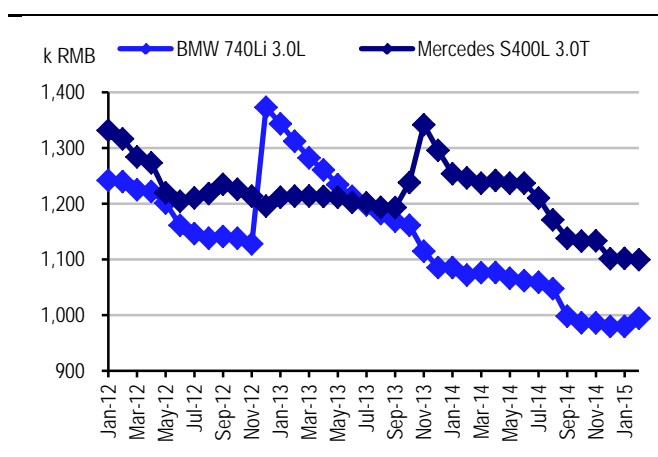
Meanwhile, we have observed a weakening import volume trend over the past few months. According to the latest figures from the government, the import volume of motor vehicles and chassis (mainly premium and luxury cars) recorded YoY declines of 31% and 9% in February and January 2015, respectively. We note that inventory pressure from the imported cars was a major reason for dealers' weak profitability in H214, which eventually led to the disputes between dealers and OEMs. We believe OEMs are now trying to control the supply of imported cars, which will result in better pricing and margins at the retailers. We have already observed improving pricing for major brands and models of imported cars, such as the BMW 7 Series, Land Rover SUVs, and so on.

Figure 9: Motor vehicle and Chassis import volume (unit) and growth (%)



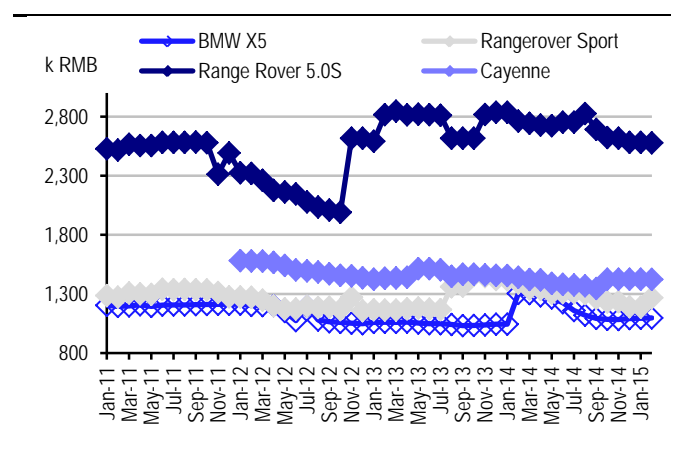
Source: CEIC

Figure 10: Imported high-end sedan retail pricing trend



Source: Company data, UBS estimates

Figure 11: Imported luxury SUV retail pricing trend



Source: Company data, UBS estimates

Policy reform update

In our 2 January 2015 dealership sector report, *'If winter comes, can spring be far behind?'*, we mentioned that the regulators are at the final stage of revising the franchise law governing the auto distribution sector. The major revisions include: 1) extending the dealers' authorised operating period; 2) opening up the supply chain; and 3) prohibiting cars that have been registered in foreign countries from being sold in China. However, the government has yet to announce the franchise law reforms. We believe the delay is due to the opposition of and lobbying by the OEMs, many of which showed serious concern about the aftermath of the reforms, based on our channel checks. We believe that the potential benefits to dealers have not been fully appreciated by the capital market yet. We still expect the finalized version to be announced within 2015.

On 9 February 2015, parallel imports were officially launched in the Shanghai pilot free trade zone. Yongda was one of the dealers qualified to set up parallel import operations in the pilot free trade zone. Given the potential revision of prohibiting cars that have been registered in foreign countries from being sold in China, we believe the parallel import business could bring only a minimal impact to the company's existing margins and ASP, due to limited sales volume and the recent weakening import growth.

Earnings revisions

We lower our H214 earnings estimate by 14% due to the lower-than-expected sales margin for new luxury cars and higher expenses from the launch of new businesses in H214 (i.e. used car, finance leases, and general repairing business), leading to a 9.7% reduction in our 2014 full-year earnings forecast. We expect the 2014 full-year sales margin for new luxury cars to decline from 4.6% to 4.3%, leading to an overall gross margin forecast decline from 9.1% to 8.9%. Meanwhile, we assume a higher SG&A ratio, from 5.6% to 5.7%, and 12% higher finance costs to reflect the higher expenses from the new business launches.

We also reduce our 2015/16 earnings forecasts slightly, 6.6%/6.9%, as a result of the lower sales margin for new luxury cars, down from 4.5%/4.4% to 4.4%/4.2%, leading overall gross margins to decline from 9.3%/9.7% to 9.2%/9.6%. We still expect the sales margins for new cars to stabilise, but at a slightly lower level. Moreover, we also increase our 2015/16 finance cost assumptions by 12.3%/20.1% after considering the expansion of Yongda's finance lease businesses.

We maintain our sales volume, service throughput, and revenue forecasts during 2014-16. Meanwhile, we forecast 2014/15/16 fully-diluted EPS of Rmb0.41/Rmb0.49/Rmb0.62, down from Rmb0.46/Rmb0.53/Rmb0.67 after accounting for the 10.7% potential dilution impact from Rmb1bn convertible bond issue in July 2014.

Our earnings estimates are 4%/12%/12% lower than consensus 2014/15/16 consensus estimated earnings, which we believe are already conservative.

Figure 12: Major assumption changes (Rmb m)

	2013		2014E		2015E		2016E	
		Old	New	Old	New	Old	New	
Sales volume	81,882	94,799	94,799	108,782	108,782	122,154	122,154	
Mid-high end	39,558	42,335	42,335	46,896	46,896	49,775	49,775	
Luxury	42,324	52,464	52,464	61,886	61,886	72,379	72,379	
Service throughput	952,237	1,052,304	1,052,305	1,216,088	1,216,088	1,385,430	1,385,430	
Mid-high end	537,619	582,199	582,199	632,225	632,225	679,702	679,702	
Luxury	414,617	470,105	470,105	583,863	583,863	705,728	705,728	
Revenue	26,097	30,482	30,481	34,689	34,690	38,829	38,829	
New car sales (mid-high)	4,851	5,036	5,036	5,411	5,411	5,571	5,571	
New car sales (luxury)	18,392	21,886	21,886	24,794	24,794	27,709	27,709	
After-sales services	2,587	3,214	3,214	4,034	4,034	4,965	4,965	
Rental	266	346	346	450	450	585	585	
Gross profit	53.4%	54.0%	55.1%	55.6%	56.3%	57.9%	58.5%	
Total gross profit	2,267	2,763	2,711	3,240	3,204	3,747	3,709	
New car sales (mid-high)	136	151	151	162	162	167	167	
New car sales (luxury)	831	997	945	1,117	1,081	1,207	1,169	
After sales businesses	1,210	1,493	1,493	1,803	1,803	2,169	2,169	
Rental	89	121	121	157	157	205	205	
Overall gross margin (RHS)	8.7%	9.1%	8.9%	9.3%	9.2%	9.7%	9.6%	
Total new car sales (RHS)	4.2%	4.3%	4.1%	4.2%	4.1%	4.1%	4.0%	
New car sales (mid-high, RHS)	2.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
New car sales (luxury, RHS)	4.5%	4.6%	4.3%	4.5%	4.4%	4.4%	4.2%	
After-sales services	46.8%	46.5%	46.5%	44.7%	44.7%	43.7%	43.7%	
Rental	33.5%	35.0%	35.0%	34.9%	35.0%	35.0%	35.0%	
SG&A	1,437	1,707	1,737	2,012	2,012	2,252	2,252	
OP	1,081	1,350	1,268	1,601	1,557	1,906	1,853	
Finance cost	239	300	336	331	372	292	351	
Net income	588	716	646	864	807	1,096	1,021	
SG&A/Revenue	5.5%	5.6%	5.7%	5.8%	5.8%	5.8%	5.8%	
OP margin	4.1%	4.4%	4.2%	4.6%	4.5%	4.9%	4.8%	
Finance cost/Revenue	0.9%	1.0%	1.1%	1.0%	1.1%	0.8%	0.9%	
Net margin	2.3%	2.3%	2.1%	2.5%	2.3%	2.8%	2.6%	

Source: Company data, UBS estimates

Figure 13: VCAM summary

Relative year	+1E	+2E	+3E	+4E	+5E	+6E	+7E	+8E	+9E	+10E
Fiscal year	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
EBIT	1,510	1,814	2,194	2,517	2,784	2,876	2,996	3,111	3,219	3,319
D&A*	466	544	629	722	824	1,106	1,204	1,310	1,423	1,544
Capex	(867)	(777)	(854)	(940)	(1,015)	(1,383)	(1,581)	(1,801)	(2,045)	(2,315)
Chg. in wkg. cap.	(562)	(773)	(711)	(1,412)	(542)	(2,200)	(1,367)	(1,522)	(1,690)	(1,872)
Tax (operating)	(381)	(457)	(552)	(632)	(699)	(719)	(749)	(778)	(805)	(830)
Other	(177)	(174)	(163)	(179)	(158)	(192)	(206)	(221)	(237)	(254)
Free Cash Flow	(11)	178	543	77	1,194	(511)	297	99	(135)	(408)
<i>growth</i>		<i>NM</i>	205.1%	-85.9%	1457.5%	-142.8%	<i>NM</i>	-66.8%	-236.8%	<i>NM</i>

Valuation	
PV of explicit cash flow	2,230
PV of terminal value (yr. 15)	7,950
Enterprise Value	10,179
<i>% terminal</i>	<i>78%</i>
Associates & other	174
- Minority interests	345
Surplus cash**	3,576
- Debt***	5,718
Equity value	7,866
Shares outstanding [m]	1,574.3
Equity per share (HK\$/sh)	6.19
Cost of equity	10.1%
Dividend yield	5.0%
1-year Price Target (HK\$/sh)	6.51

Long Term Assumptions			
Relative year	+10E	+15E	+25E
Sales growth	8.5%	6.5%	5.0%
EBIT margin	4.3%	3.3%	3.3%
Capex/sales	3.0%	3.0%	3.0%
ROIC	10.0%	7.6%	7.1%

Valuation-Implied Metrics			
Fiscal year	2015E	2016E	1-yr Fwd.
EV / EBITDA	5.2x	4.3x	5.0x
EV / EBIT	6.7x	5.6x	6.5x
FCF Yield	NM	1.7%	0.2%
P / E (PV)	10.2x	8.0x	9.7x
P / E (Target)	10.7x	8.4x	10.2x

WACC	
Risk free rate	4.34%
ERP	5.0%
Beta	1.16
Debt / equity**	98.8%
Marg. tax rate	25.0%
Cost of equity	10.1%
Cost of debt	6.7%
WACC	9.5%

Terminal Assumptions	
VCH (years)	15
Impl. FCF gr.	8.8%
Incr. ROIC	9.0%
EV / EBITDA	4.9x

Figures in Rmb m, unless noted otherwise.

* Depreciation and non-goodwill amortization

** The portion of cash not required to maintain operations

*** Assumes market value of equity and includes market value/seasonal adjustments for debt and debt-deemed obligations.

Source: UBS-VCAM

China Yongda Automobiles Services (3669.HK)

Income statement (Rmbm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Revenues	20,304	21,712	26,097	30,481	16.8	34,690	13.8	38,829	42,712	46,983
Gross profit	1,600	1,771	2,267	2,711	19.6	3,204	18.2	3,709	4,271	4,792
EBITDA (UBS)	1,040	1,063	1,271	1,634	28.6	1,976	20.9	2,358	2,823	3,240
Depreciation & amortisation	(129)	(169)	(208)	(380)	82.7	(466)	22.8	(544)	(629)	(722)
EBIT (UBS)	911	893	1,064	1,255	18.0	1,510	20.4	1,814	2,194	2,517
Associates & investment income	1	14	10	10	0.0	10	0.0	10	10	10
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(171)	(225)	(221)	(323)	-46.0	(325)	-0.7	(312)	(349)	(393)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Profit before tax	741	682	853	942	10.5	1,195	26.9	1,512	1,855	2,135
Tax	(178)	(166)	(211)	(236)	-11.9	(299)	-26.9	(378)	(464)	(534)
Profit after tax	563	516	642	707	10.0	896	26.9	1,134	1,392	1,601
Preference dividends and Minorities	(58)	(45)	(54)	(60)	-11.8	(90)	-49.3	(113)	(139)	(160)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	505	470	588	646	9.9	807	24.8	1,021	1,252	1,441
Net earnings (UBS)	505	470	588	646	9.9	807	24.8	1,021	1,252	1,441
Tax rate (%)	24.0	24.3	24.7	25.0	1.2	25.0	0.0	25.0	25.0	25.0
Per share (Rmb)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
EPS (UBS, diluted)	0.34	0.32	0.40	0.41	4.3	0.49	18.8	0.62	0.76	0.88
EPS (local GAAP, diluted)	0.34	0.32	0.40	0.41	4.3	0.49	18.8	0.62	0.76	0.88
EPS (UBS, basic)	0.34	0.32	0.40	0.44	9.9	0.55	24.8	0.69	0.85	0.97
Net DPS (Rmb)	0.28	0.10	0.12	0.13	9.2	0.16	24.8	0.21	0.25	0.29
Book value per share	1.07	2.07	2.31	2.62	13.2	3.00	14.6	3.48	4.08	4.76
Average shares (diluted)	1,480.00	1,480.00	1,480.02	1,559.14	5.3	1,638.26	5.1	1,638.26	1,638.26	1,638.26
Balance sheet (Rmbm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Cash and equivalents	1,080	1,895	1,418	5,044	255.6	4,238	-16.0	1,464	1,950	1,965
Other current assets	5,629	6,069	8,037	7,306	-9.1	8,481	16.1	9,928	11,239	13,334
Total current assets	6,709	7,964	9,455	12,350	30.6	12,719	3.0	11,393	13,189	15,299
Net tangible fixed assets	1,089	1,503	2,228	2,773	24.4	3,184	14.8	3,426	3,661	3,887
Net intangible fixed assets	15	27	381	381	0.0	381	0.0	381	381	381
Investments / other assets	347	502	834	834	0.0	835	0.1	836	837	838
Total assets	8,159	9,996	12,898	16,338	26.7	17,119	4.8	16,035	18,067	20,405
Trade payables & other ST liabilities	4,044	3,055	4,040	3,264	-19.2	3,737	14.5	4,222	4,691	5,228
Short term debt	2,356	3,465	3,887	6,567	68.94	6,224	-5.22	4,995	5,534	6,158
Total current liabilities	6,400	6,520	7,928	9,832	24.0	9,962	1.3	9,217	10,225	11,386
Long term debt	21	157	1,201	2,225	85.2	2,220	-0.2	1,054	1,061	1,069
Other long term liabilities	0	0	78	78	0.0	78	0.0	78	78	78
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	6,421	6,677	9,207	12,134	31.8	12,260	1.0	10,349	11,365	12,534
Common s/h equity	1,579	3,063	3,424	3,877	13.2	4,441	14.6	5,156	6,033	7,041
Minority interests	159	256	267	327	22.5	417	27.4	531	670	830
Total liabilities & equity	8,159	9,996	12,898	16,338	26.7	17,119	4.8	16,035	18,067	20,405
Cash flow (Rmbm)	12/11	12/12	12/13	12/14E	% ch	12/15E	% ch	12/16E	12/17E	12/18E
Net income (before pref divs)	505	470	588	646	9.9	807	24.8	1,021	1,252	1,441
Depreciation & amortisation	129	169	208	380	82.7	466	22.8	544	629	722
Net change in working capital	(292)	(576)	(949)	36	-	(562)	-	(773)	(711)	(1,412)
Other operating	277	93	222	373	67.6	405	8.5	415	478	543
Operating cash flow	618	157	70	1,435	NM	1,115	-22.3	1,207	1,648	1,294
Tangible capital expenditure	(451)	(741)	(912)	(914)	-0.2	(867)	5.2	(777)	(854)	(940)
Intangible capital expenditure	(4)	(12)	(249)	0	-	0	-	0	0	0
Net (acquisitions) / disposals	1	231	(160)	0	-	0	-	0	0	0
Other investing	(826)	(4)	(196)	(68)	-	(94)	-	(151)	(95)	(118)
Investing cash flow	(1,279)	(526)	(1,518)	(983)	35.2	(961)	2.2	(927)	(949)	(1,057)
Equity dividends paid	(415)	(141)	(178)	(194)	-9.2	(242)	-24.8	(306)	(376)	(432)
Share issues / (buybacks)	494	1,125	0	0	-	0	-	0	0	0
Other financing	324	(1,046)	(317)	(336)	-5.84	(372)	-10.63	(351)	(384)	(422)
Change in debt & pref shares	857	1,246	1,466	3,704	152.59	(347)	-	(2,396)	547	632
Financing cash flow	1,260	1,184	971	3,174	226.8	(961)	-	(3,053)	(214)	(222)
Cash flow inc/(dec) in cash	599	815	(477)	3,626	-	(807)	-	(2,773)	486	15
FX / non cash items	0	0	0	0	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	599	815	(477)	3,626	-	(807)	-	(2,773)	486	15

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

China Yongda Automobiles Services (3669.HK)

Valuation (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
P/E (local GAAP, diluted)	-	17.9	15.2	8.1	6.9	5.5	4.5	3.9
P/E (UBS, diluted)	-	17.9	15.2	8.1	6.9	5.5	4.5	3.9
P/CEPS	-	13.2	11.2	4.9	4.0	3.2	2.7	2.3
Equity FCF (UBS) yield %	-	(7.1)	(12.4)	10.4	4.9	8.5	15.8	7.0
Net dividend yield (%)	-	1.7	2.0	3.9	4.8	6.1	7.5	8.6
P/BV x	-	2.8	2.6	1.3	1.1	1.0	0.8	0.7
EV/revenues (core)	-	0.4	0.4	0.2	0.2	0.2	0.1	0.2
EV/EBITDA (core)	-	8.8	7.7	3.7	3.1	2.6	2.2	3.3
EV/EBIT (core)	-	10.5	9.2	4.8	4.0	3.4	2.9	4.2
EV/OpFCF (core)	-	10.4	9.1	4.7	4.0	3.4	2.9	4.2
EV/op. invested capital	-	2.4	1.6	0.8	0.7	0.7	0.6	0.9
Enterprise value (Rmbm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Market cap.	-	8,332	8,813	4,997	5,036	5,036	5,036	5,036
Net debt (cash)	828	828	828	828	828	828	828	4,954
Buy out of minorities	159	256	267	327	417	531	670	830
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	-	9,417	9,908	6,153	6,281	6,395	6,534	10,820
Non core assets	(61)	(68)	(161)	(172)	(182)	(192)	(202)	(213)
Core enterprise value	-	9,348	9,747	5,981	6,099	6,203	6,331	10,607
Growth (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Revenue	35.2	6.9	20.2	16.8	13.8	11.9	10.0	10.0
EBITDA (UBS)	39.2	2.2	19.7	28.6	20.9	19.3	19.7	14.8
EBIT (UBS)	44.7	-1.9	19.1	18.0	20.4	20.1	20.9	14.7
EPS (UBS, diluted)	30.9	-6.8	25.1	4.3	18.8	26.5	22.7	15.1
Net DPS	NM	-66.2	26.3	9.2	24.8	26.5	22.7	15.1
Margins & Profitability (%)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Gross profit margin	7.9	8.2	8.7	8.9	9.2	9.6	10.0	10.2
EBITDA margin	5.1	4.9	4.9	5.4	5.7	6.1	6.6	6.9
EBIT margin	4.5	4.1	4.1	4.1	4.4	4.7	5.1	5.4
Net earnings (UBS) margin	2.5	2.2	2.3	2.1	2.3	2.6	2.9	3.1
ROIC (EBIT)	35.0	22.5	17.5	16.8	18.1	19.1	20.7	20.9
ROIC post tax	26.6	16.9	13.1	12.5	13.6	14.3	15.5	15.7
ROE (UBS)	37.5	20.3	18.1	17.7	19.4	21.3	22.4	22.0
Capital structure & Coverage (x)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Net debt / EBITDA	1.2	1.6	2.9	2.3	2.1	1.9	1.6	1.6
Net debt / total equity %	74.6	52.0	99.4	89.1	86.6	80.6	69.3	66.9
Net debt / (net debt + total equity) %	42.7	34.2	49.9	47.1	46.4	44.6	40.9	40.1
Net debt/EV %	-	18.5	37.7	62.7	69.0	73.9	73.4	49.6
Capex / depreciation %	NM	NM	NM	NM	190.0	145.4	137.9	131.7
Capex / revenue %	2.2	3.4	3.5	3.0	2.5	2.0	2.0	2.0
EBIT / net interest	5.3	4.0	4.8	3.9	4.6	5.8	6.3	6.4
Dividend cover (UBS)	1.2	3.3	3.3	3.3	3.3	3.3	3.3	3.3
Div. payout ratio (UBS) %	82.3	29.9	30.2	30.0	30.0	30.0	30.0	30.0
Revenues by division (Rmbm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	20,304	21,712	26,097	30,481	34,690	38,829	42,712	46,983
Total	20,304	21,712	26,097	30,481	34,690	38,829	42,712	46,983
EBIT (UBS) by division (Rmbm)	12/11	12/12	12/13	12/14E	12/15E	12/16E	12/17E	12/18E
Others	911	893	1,064	1,255	1,510	1,814	2,194	2,517
Total	911	893	1,064	1,255	1,510	1,814	2,194	2,517

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+54.0%
Forecast dividend yield	4.8%
Forecast stock return	+58.8%
Market return assumption	9.3%
Forecast excess return	+49.5%

Statement of Risk

We believe the main risks to the industry include: 1) a slowdown in car sales, especially luxury cars; 2) a decline in new car sales margins; and 3) a slowdown in M&A activity.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

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UBS AG Hong Kong Branch: Ming Xu; Yankun Hou; Mark Leung.

Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
China Yongda Automobiles Services^{2,4}	3669.HK	Suspended	N/A	HK\$4.22	12 Mar 2015

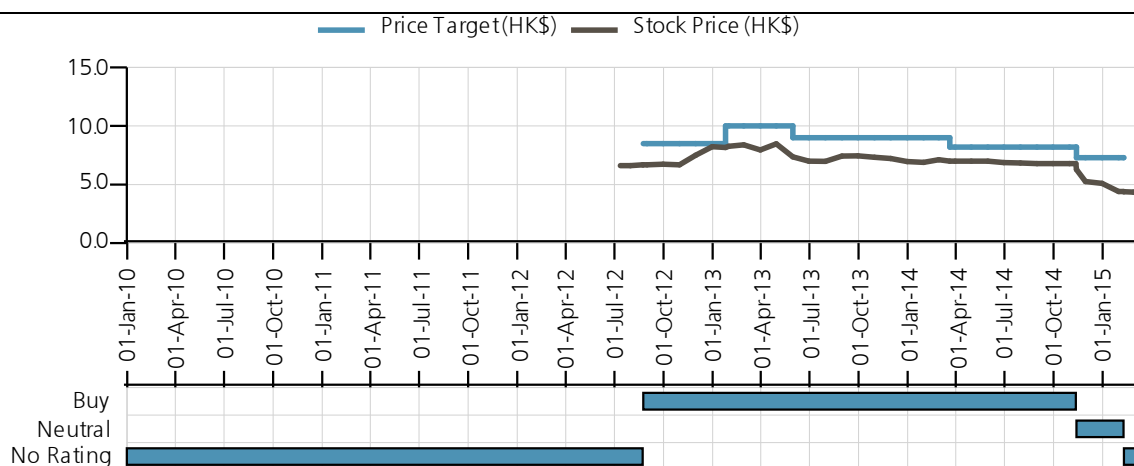
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China Yongda Automobiles Services (HK\$)



Source: UBS; as of 12 Mar 2015

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