



Company Report: Geely Automobile (00175 HK)

公司报告: 吉利汽车 (00175 HK)

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Better Product and Branding Strategies, Maintain "Accumulate"

产品和品牌策略更完善, 维持“收集”评级

- **Net profit of Geely dropped 46% YoY in 2014, in-line with our forecast but worse than market forecasts.** Revenue of Geely decreased 24% in 2014 since sales volume dropped 24% YoY. Gross profit margin deteriorated 1.9 ppt YoY to 18.2% since economies of scale worsened. Geely recorded a RMB650 million foreign exchange loss in its administration costs due to the depreciation of the Ruble. As a result, operating profit margin of Geely dropped 2.8 ppt to 9.2%.
- **Mid-term product and branding strategies are comprehensive.** According to Geely's mid-term plan, Geely is going to concentrate on the development of 4 technology platforms, including FE, KC, CMA and CV platforms, and launch at least 3 new models each year in the next 3 years. In addition, Geely will also focus on the development of new energy vehicles ("NEVs") since it believes environmental protection policies will be tougher in the future which will benefit the sales of NEVs.
- **Maintain "Accumulate" rating and revise up TP.** Current valuation of Geely is in-line with industry average and its historical average. We expect vehicle sales to rebound in 2015 and continue to increase stably in 2016 and 2017. Therefore, we maintain Geely's "Accumulate" rating and revise up its TP to HKD4.50, representing 12.4x 2015 PE, 9.8x 2016 PE, 1.4x 2015 PB and 1.2x 2016 PB.
- **公司 2014 年的净利润同比下滑 46%，符合我们预期，但是差于市场预期。** 2014 年公司的销售收入同比下滑 24%，主要是因为其销售量同比下滑 24%。由于规模效应的下降，公司毛利率同比下滑 1.9 个百分点到 18.2%。由于卢布的大幅贬值，公司录得 6.5 亿元人民币的外汇损失在管理费用里。因此公司的经营利润率同比下滑 2.8 个百分点到 9.2%。
- **中期产品和品牌策略详尽。** 根据吉利的中期计划，吉利将根据其 4 大技术平台 FE、KC、CMA 和 CV 来研发新车型，在未来 3 年里每年推出最起码三款新车型。而且吉利相信未来环境保护的政策将更加严厉，利好于新能源汽车的销售，因此吉利将重点发展新能源汽车。
- **维持“收集”评级和上调目标价。** 公司当前估值跟行业平均及其历史平均水平持平。我们预期公司汽车销售将在 2015 年反弹，然后在 2016 和 2017 年维持稳定增长。因此我们维持公司的“收集”评级和上调目标价到 4.50 港元，相当于 12.4 倍 2015 年 PE、9.8 倍 2016 年 PE、1.4 倍 2015 年 PB 和 1.2 倍 2016 年 PB。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$4.50

Revised from 原目标价:

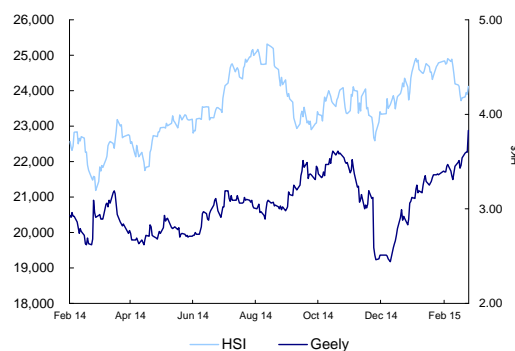
HK\$3.75

Share price 股价:

HK\$3.830

Stock performance

股价表现



Change in Share Price 股价变动	1 M 1 个月	3 M 3 个月	1 Y 1 年
Abs. % 绝对变动 %	14.0	55.7	23.9
Rel. % to HS index 相对恒指变动 %	15.5	49.8	10.5
Avg. share price(HK\$) 平均股价 (港元)	3.5	3.1	3.1

Source: Bloomberg, Guotai Junan International.

Year End 年结	Turnover 收入 (RMB m)	Net Profit 股东净利 (RMB m)	EPS 每股净利 (RMB)	EPS 每股净利变动 (%)	PER 市盈率 (x)	BPS 每股净资产 (RMB)	PBR 市净率 (x)	DPS 每股股息 (RMB)	Yield 股息率 (%)	ROE 净资产收益率 (%)
2013A	28,708	2,663	0.304	15.5	10.1	1.965	1.6	0.046	1.5	18.1
2014A	21,738	1,431	0.163	(46.6)	19.1	1.984	1.6	0.025	0.8	8.5
2015F	28,983	2,487	0.283	73.8	10.6	2.465	1.2	0.042	1.4	12.7
2016F	34,224	3,171	0.360	27.5	8.4	2.960	1.0	0.054	1.8	13.3
2017F	43,006	4,253	0.483	34.1	6.3	3.608	0.8	0.073	2.4	14.7

Shares in issue (m) 总股数 (m)	8,801.4	Major shareholder 大股东	Mr. Li Shufu 50.3%
Market cap. (HK\$ m) 市值 (HK\$ m)	33,709.5	Free float (%) 自由流通比率 (%)	29.3
3 month average vol. 3 个月平均成交股数 ('000)	43,216.4	15 Net gearing 15 年净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低	3.850/2.400	15 NAV 15 年资产净值 (%)	4.85

Source: the Company, Guotai Junan International.

Financial Review

Net profit of Geely dropped 46% YoY in 2014, in-line with our forecast but worse than market forecasts. Revenue of Geely decreased 24% in 2014 since sales volume dropped 24% YoY. Gross profit margin deteriorated 1.9 ppt YoY to 18.2% since economies of scale worsened. Geely recorded a RMB650 million foreign exchange loss in its administration costs due to the depreciation of the Ruble. As a result, operating profit margin of Geely dropped 2.8 ppt to 9.2%. Excluding the impact of foreign exchange loss, administration costs to revenue ratio decreased 0.7 ppt to 5.2% which suggested that the Geely has good cost control. Effective tax rate increased 6.5 ppt to 25.4% which have negative impacts on net profit margin. Since vehicle sales of Geely started to recover in 4Q14, sales revenue drop slowed down in 2H14. Even though average selling price improved 3.7% YoY, gross profit margin plunged 4.7 ppt to 16.4% due to the launch of new models in 2H14.

Table-1: Summary of 2013-2014 Result of Geely

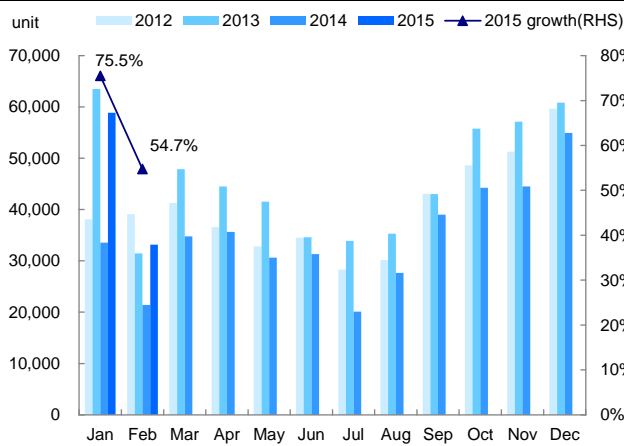
	2013	2014	YoY	1H14	2H14	1H14 YoY	2H14 YoY
Financials (RMB mn)							
Turnover	28,708	21,738	(24.3%)	10,158	11,580	-31.6%	-16.4%
Cost of Sales	(22,942)	(17,776)	(22.5%)	(8,092)	(9,683)	-32.6%	-11.4%
Gross profit	5,766	3,963	(31.3%)	2,066	1,897	-27.4%	-35.0%
Distribution and Selling Expenses	(1,705)	(1,250)	(26.7%)	(557)	(694)	-32.2%	-21.5%
Administrative Expenses	(1,682)	(1,772)	5.4%	(599)	(1,173)	-19.8%	25.5%
Other Income	2,378	940	(60.5%)	910	1,084	-28.8%	-49.8%
Operating profit	1,062	1,055	(0.7%)	(3)	(21)	-95.1%	-226.2%
Finance Costs	(40)	(24)	(40.7%)	554	500	0.4%	-1.9%
Share of Results of Associates and JVs	(10)	32	(440.7%)	(31)	(29)	-32.4%	-29.9%
Share-base payments	(87)	(60)	(31.3%)	2	30	-154.6%	-631.1%
EBT	3,304	1,943	(41.2%)	1,433	510	-16.9%	-67.7%
Provision for Income Tax	(624)	(494)	(20.8%)	(307)	(187)	-4.9%	-37.9%
Profit for the year	2,680	1,431	(46.6%)	1,126	324	-19.7%	-74.7%
Profit for equity holders of Company	2,663	1,412	(47.0%)	1,113	317	-20.4%	-74.9%
Non-controlling interests	17	19	8.3%	12	6	254.9%	-53.6%
Basic EPS (RMB)	0.317	0.163	(48.8%)	0.127	0.036	-25.2%	-75.7%
Diluted EPS (RMB)	0.304	0.163	(46.6%)	0.127	0.036	-21.7%	-74.7%
						YoY	YoY
Key Operating Data							
Government subsidies (RMB mn)	800	898	12.3%	478	420	-1.3%	33.1%
Sale volume (unit)	549,518	417,851	(24.0%)	187,296	230,555	-28.9%	-19.4%
Domestic sales (units)	430,606	358,240	(16.8%)	152,856	205,384	-28.3%	-5.6%
Export sales(unit)	118,912	59,611	(49.9%)	34,440	25,171	-31.7%	-63.2%
ASP(RMB/unit)	50,646	51,536	1.8%	54,237	50,227	-3.8%	3.7%
Inventory (RMB mn)	1,784	1,620	(9.2%)	1,878	1,620	-3.5%	-9.2%
Account Receivable (RMB mn)	14,785	16,385	10.8%	11,758	16,385	7.3%	10.8%
Account Payable (RMB mn)	16,075	17,017	5.9%	13,222	17,017	-7.8%	5.9%
						△ ppt	△ ppt
Margins and ratios (%)							
Gross profit margin	20.1	18.2	(1.9)	20.3	16.4	1.2	(4.7)
Operating profit margin	8.3	4.3	(4.0)	9.0	9.4	0.4	(6.2)
Net profit margin	9.3	6.6	(2.8)	11.0	2.7	1.5	(6.4)
Distribution cost/Sales	5.9	5.8	(0.2)	5.5	6.0	(0.0)	(0.4)
Admin costs/Sales	5.9	8.2	2.3	5.9	10.1	0.9	3.4
Effective tax rate	18.9	25.4	6.5	21.4	36.6	2.7	17.6

Source: the Company, Guotai Junan International

Sales Analysis

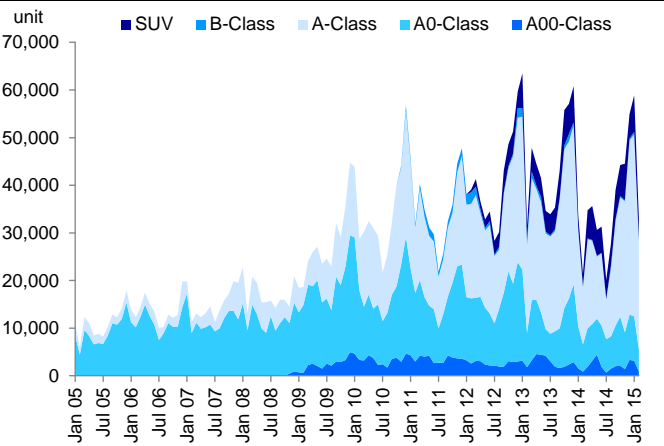
Vehicle sales of Geely increased 67.4% YoY in the first 2 months of 2015, better than expected. Vehicle sales of Geely increased 67.4% YoY to 92,022 units in the first 2 months of 2015. Export sales remained nearly the same as the comparable time of last year, accounting for 7.4% of total sales of Geely. Domestic sales of Geely increased 77.0% YoY to 85,177 units. The sales of Vision and Emgrand (Xindihao, EC8 and EC7) increased 7.7x YoY and 106.1% YoY, respectively. Break down by vehicle types, sales of A00-class sedan, A-class sedan, B-class sedan and SUV increased 71.0% YoY, 88.9% YoY, 146.4% YoY and 125.7% YoY, respectively, while that of A0-class sedan dropped 4.3% YoY in the first 2 months of 2015.

Figure- 1: PV Sales and Sales Growth of Geely



Source: CAAM, Guotai Junan International.

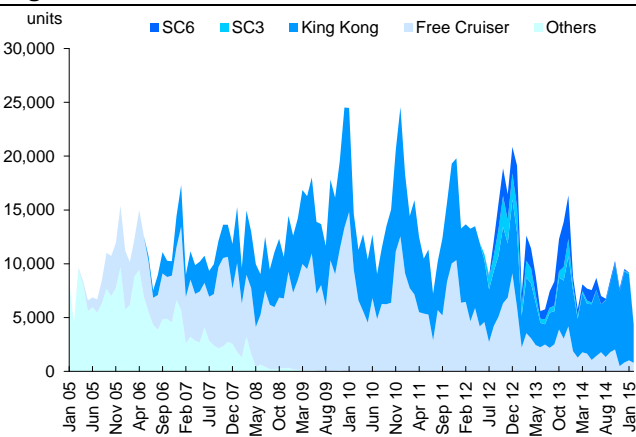
Figure-2: PV Sales of Geely, Classified by Different Class



Source: CAAM, Guotai Junan International.

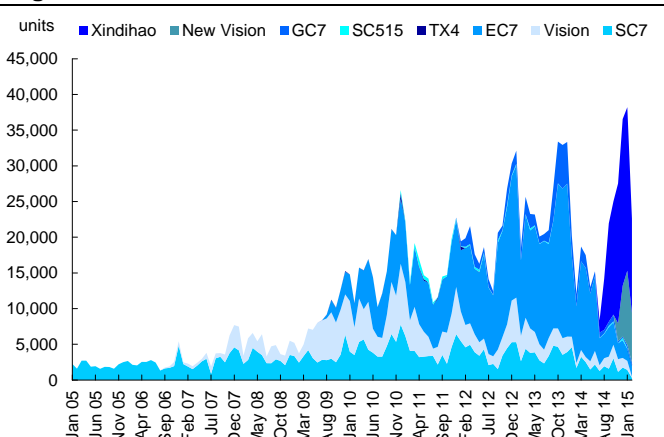
New models helped Geely's sales to recover in 4Q14. A-class sedans are the core competitive products of Geely due to their high price to performance ratio. Therefore, sales growth of EC7, A-class sedan, was the major sales driver for Geely during 2009-2013. Due to various factors, including consolidation of sales networks and the change of branding strategies, as well as downward product cycle, sales of EC7 decreased rapidly in 2014, down 56.7% YoY. However, after the launch of the sales of Xindihao and new Vision in 2H14, vehicle sales of Geely recovered gradually. In 2014, new models of Geely, including GX9, Xindihao and new Vision, contributed nearly 17% sales growth, even though overall sales of Geely dropped 24%.

Figure-3: Sales of A0-class Sedans



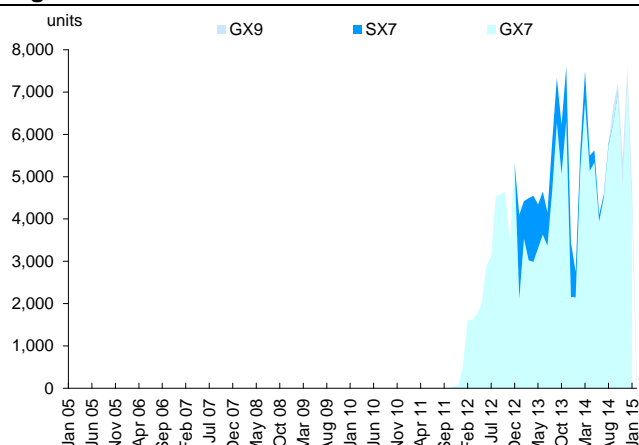
Source: CAAM, Guotai Junan International.

Figure- 4: Sales of A-class Sedans



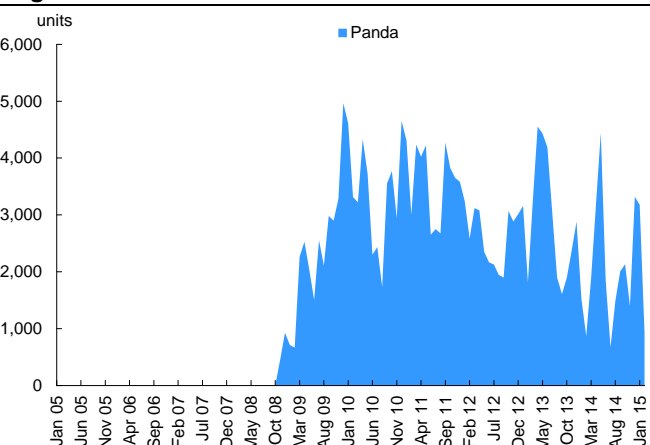
Source: CAAM, Guotai Junan International.

Figure-5: Sales of SUVs



Source: CAAM, Guotai Junan International.

Figure-6: Sales of A00-class Sedans



Source: CAAM, Guotai Junan International.

Geely plans to launch 3 models each year and to focus on the development of NEV. According to the strategic plan of Geely in 2012, it planned to launch 5 core technology platforms, based on which Geely will introduce around 40 new models by 2015. During 2012-2014, Geely only launched 7 new models, much less than its plan. However, Geely have done a lots in upgrading its brand image, such as introducing GC9, as well as setting up China-Europe Vehicle Technology AB (“CEVT”) research center in Sweden to develop the CMA platform with Volvo during 2012 to 2014. As a result, the new models, including Xindihao and New Vision, received very positive recognition from the car buyers. According to Geely’s mid-term plan, Geely is going to concentrate on the development of 4 technology platforms, including FE, KC, CMA and CV platforms, and launch at least 3 new models each year in the next 3 years. In addition, Geely will also focus on the development of new energy vehicles (“NEVs”) since it believes environmental protection policies will be tougher in the future which will benefit the sales of NEVs.

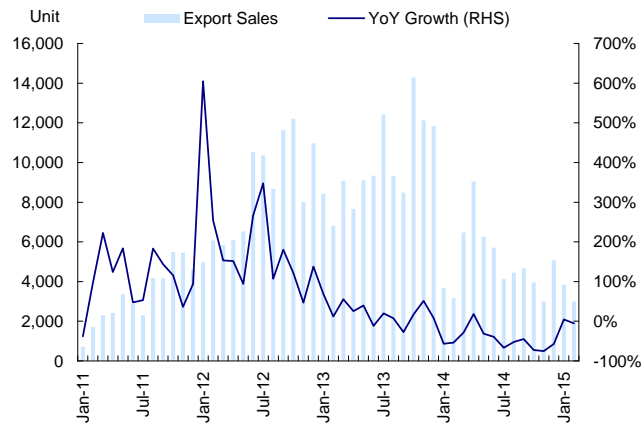
Vehicle sales of Geely are expected to increase 28%, 13% and 22% during 2015-2017, respectively. Due to sales boost of new models and lower comparable base, vehicle sales of Geely are expected to rebound in 2015, up 28% YoY to 524,708 units, 16% higher than the sales target of Geely. In addition, the launch of new models based on CMA in 2H16 is expected to support vehicle sales in 2016 and 2017. Therefore, vehicle sales of Geely are expected to increase 13% YoY and 22% YoY in 2016 and 2017, respectively.

Table-1: Geely’s New Models Plan of 2015-2016

Year	Type of Updates	Model Name	Vehicle Type	Date of Launch	Recommend Price (RMB)
2015	New model and new generation	GC9	B-class sedan	Mar-15	146,800-178,800
		GX2	Small SUV	End of 2015	n.a.
	Facelift	Emgrand SUV	Compact SUV	End of 2015	n.a.
		SC7	A-class sedan	2015	n.a.
		GC7	Compact SUV	2015	n.a.
		Kingkong	A-class sedan	2015	n.a.
		Panda	A-class sedan	2015	n.a.
NEV	Emgrand EV	small EV	Jun-15	n.a.	
2016	New model and new generation	Compact Module Architecture (“CMA”) Platform	A0-class sedan	2H16	n.a.
		Emgrand Cross	A-class sedan	Early of 2016	n.a.
		Emgrand 4-door	A-class sedan	Early of 2016	n.a.

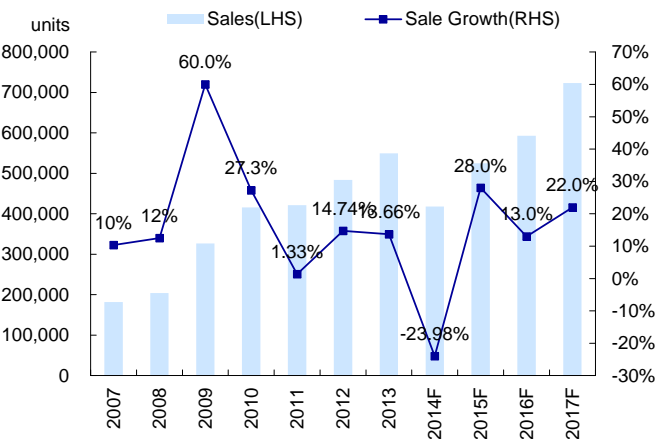
Source: the Company, Guotai Junan International.

Figure-7: Monthly Export and Growth of Geely



Source: CAAM, Guotai Junan International.

Figure-8: Sales Forecasts of Geely

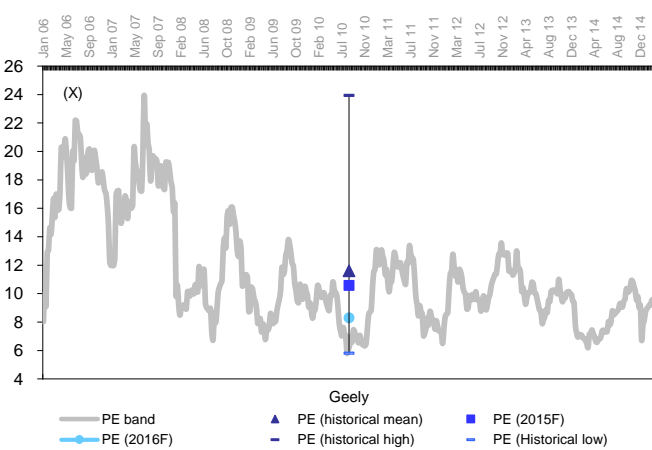


Source: CAAM, Guotai Junan International.

Valuation

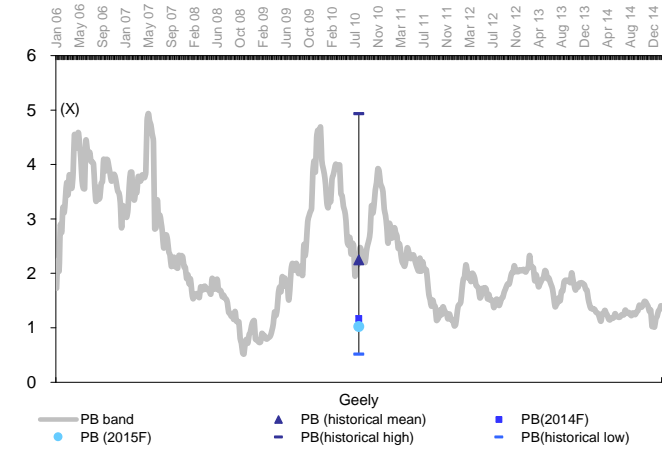
Maintain “Accumulate” rating and revise up TP. Based on our estimates, Geely currently is trading at 10.6x 2015 PE, 8.3x 2015 PE, 1.4x 2015 PB and 1.0x 2016 PB which is in-line with industry average and its historical average. PB valuation of Geely is positively correlated with Geely’s sales growth and change slightly earlier before the release day of sales data. We expect vehicle sales to rebound in 2015 and continue to increase stably in 2016 and 2017. Therefore, we maintain Geely’s “Accumulate” rating and revise up its TP to HKD4.50, representing 12.4x 2015 PE, 9.8x 2016 PE, 1.4x 2015 PB and 1.2x 2016 PB.

Figure- 9: PE Band of Geely



Source: Bloomberg, Guotai Junan International.

Figure- 10: PB Band of Geely



Source: Bloomberg, Guotai Junan International.

Table-2: Detail of Vision and Emgrand

A-class Sedan	New Vision	Old Vision	Xindihao	EC7
Recommend price(RMB)	53,900-66,900	48,900-62,900	69,800-100,800	71,800-113,800
Retail price (RMB)	50,900-66,900	48,900-62,900	64,800-100,800	54,800-75,800
Released year	Nov-14	May-06	Jul-14	Jul-09
Dimension(mm)	4590x1734x1470	4602x1725x1485	4631x1789x1470	4635x1789x1470
Wheel base(mm)	2600	2602	2650	2650
Transmission	6MT	5MT	5MT/6MT/CVT	5MT/CVT
Weight (kg)	n.a.	n.a.	n.a.	1258-1325
Displacement (L)	1.3T/1.5	1.5/1.8	1.3T/1.5	1.5/1.8
Power (kw)	98/80	80/98	98/80	80/98/102
Torque (Nm)	185/140	140/170	185/140	140/170/172
Warranty	3-year or 100,000 km	3-year or 100,000 km	4-year or 150,000 km	4-year or 100,000 km

Source: sohu.com, Guotai Junan International.

Table-3: Detail of Geely GC9, EC8 and Volvo S60L

B-class Sedan	Geely GC9	Geely EC8	Volvo S60L
Recommend price(RMB)	150,000-250,000	88,900-209,800	269,900-390,900
Retail price (RMB)	n.a.	86,800-209,800	230,000-390,900
Released year	1H15	Oct-10	Jan-14
Dimension(mm)	4956 x1860x1516	4905x1830x1495	4715x1866x1481
Wheel base(mm)	2850	2805	2856
Transmission	6AMT	4AMT	6AMT
Weight (kg)	n.a.	1490/1545	1625/1642
Displacement (L)	1.8T/2.4/3.5	2.0/2.4	2.0T
Power (kw)	163/162/245	100	132/157
Torque (Nm)	285	180	300
Warranty	n.a.	3 year or 100,000km	3 year or unlimited km

Source: sohu.com, Guotai Junan International.

Table-4: Detail of Self-owned Brand B-class Sedan

B-class Sedan	Besturn B70	Zhonghua FSV	Huatai E70	MG6	Changan Raeton
Recommend price(RMB)	99,800-149,800	75,800-158,800	69,700-89,700	124,800-192,800	109,800-170,800
Retail price (RMB)	98,800-149,800	75,800-158,800	69,700-89,700	105,800-192,800	109,800-170,800
Released year	May-14	Jul-10	Mar-13	Dec-09	Oct-12
Dimension(mm)	4800x1820x1472	4650x1800x1450	4777x1794x1481	4653x1827x1478	4900 x1860x1500
Wheel base(mm)	2725	2790	2678	2705	2810
Transmission	6AMT/6MT	5AMT/5MT	4AMT/5MT	6DCT/6MT	6AMT/6MT
Weight (kg)	1545/1480	1390-1465	1461	n.a.	1595/1565
Displacement (L)	1.8T/2.0	1.6/1.8T/1.8	2.0	1.8T/1.8	1.8T/2.0
Power (kw)	137/108	87/100/125	100	118/98	130/116
Torque (Nm)	235/183	150/134/165/235	180	215/170	230/200
Warranty	3 year or 100,000km	3 year or 60,000km	5 year or 150,000km	3 year or 100,000km	3 year or 60,000km

Source: sohu.com, Guotai Junan International.

Table-5: Detail of JV Brand B-class Sedan

B-class Sedan	Hyundai Mistra	Kia K4	Hyundai Sonata8	Kia K5	Chevrolet Malibu
Recommend price(RMB)	129,800-189,800	117,800-189,800	179,900-225,900	159,800-251,800	169,900-236,900
Retail price (RMB)	119,800-189,800	128,800-189,800	143,900-225,900	131,300-251,800	139,900-236,900
Released year	Oct-14	Sep-14	Apr-11	Mar-11	Nov-14
Dimension(mm)	4710x1820x1470	4720x1815x1465	4820x1835x1475	4845x1830x1460	4869 x1854x1472
Wheel base(mm)	2770	2770	2795	2795	2737
Transmission	6AMT/6MT	DCT/6AMT/6MT	6AMT	6AMT/6MT	6AMT/6MT
Weight (kg)	1364-1495	1359-1495	n.a.	1408-1597	1535-1590
Displacement (L)	1.8/2.0	1.6T/1.8/2.0	2.0/2.4	2.0T/2.0/2.4	1.6T/2.0/2.4
Power (kw)	105	105/114/129	119/132/127	119/180/132	131/113/134
Torque (Nm)	176	176/192/265	194/231/224	194/350/231/	235/190/240
Warranty	n.a.	3 year or 100,000km	5 year or 100,000km	5 year or 100,000km	3 year or 100,000km

Source: sohu.com, Guotai Junan International.

Table-6: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE (%)	D/Y(%)	EV/EBITDA
				13A	14F	15F	16F	13A	14F	15F	16F	15F	15F	15F
Dongfeng Motor Grp Co Ltd-H	489 HK	HKD	12.18	8.4	6.6	6.3	5.7	1.3	1.1	1.0	0.9	16.9	2.5	27.7
Geely Automobile Holdings Lt	175 HK	HKD	3.83	10.1	15.4	10.4	9.0	1.7	1.5	1.4	1.2	13.4	1.2	5.1
Brilliance China Automotive	1114 HK	HKD	14.82	17.5	11.6	10.2	8.7	4.6	3.4	2.6	2.1	28.8	1.2	n.a.
Great Wall Motor Company-H	2333 HK	HKD	49.35	14.5	14.6	11.0	9.4	4.3	3.6	2.8	2.3	28.4	2.7	8.7
Qingling Motors Co Ltd-H	1122 HK	HKD	2.75	15.7	11.6	10.7	10.0	0.7	0.7	0.7	0.7	6.1	7.3	15.8
Byd Co Ltd-H	1211 HK	HKD	39.00	113.7	127.1	39.1	31.7	3.2	2.9	2.6	2.4	7.0	0.2	16.3
Guangzhou Automobile Group-H	2238 HK	HKD	7.26	12.9	11.0	8.6	7.0	1.1	1.0	0.9	0.9	11.1	3.7	59.2
Avichina Industry & Tech-H	2357 HK	HKD	4.91	29.7	27.6	22.8	19.0	2.2	2.0	1.9	1.7	8.3	0.7	10.0
Weichai Power Co Ltd-H	2338 HK	HKD	29.10	12.5	9.6	10.1	8.9	1.6	1.4	1.3	1.1	13.3	1.6	5.8
Sinotruk Hong Kong Ltd	3808 HK	HKD	4.48	22.2	20.3	14.7	12.3	0.5	0.5	0.5	0.5	3.4	2.3	5.4
Simple Average				25.7	25.5	14.4	12.2	2.1	1.8	1.6	1.4	13.7	2.3	17.1
Weighted Average				33.7	35.1	15.9	13.3	2.8	2.4	2.0	1.7	17.3	1.9	16.5
Dongfeng Automobile Co Ltd-A	600006 CH	CNY	6.84	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Faw Car Company Limited-A	000800 CH	CNY	18.60	27.0	19.6	17.4	16.3	3.5	3.2	2.9	2.5	12.3	n.a.	9.7
Saic Motor Corporation Ltd-A	600104 CH	CNY	24.71	11.7	9.7	8.4	7.5	1.9	1.8	1.6	1.4	18.9	5.8	7.2
Changchun Faway Automobile-A	600742 CH	CNY	33.78	17.3	14.1	11.5	10.7	n.a.	2.0	1.8	1.6	14.3	n.a.	n.a.
Chongqing Changan Automob-A	000625 CH	CNY	20.29	27.5	12.7	8.9	7.4	5.1	3.8	2.8	2.1	32.9	1.6	20.3
Weichai Power Co Ltd-A	000338 CH	CNY	28.35	15.0	11.5	12.4	11.3	2.0	1.7	1.5	1.4	12.8	1.0	6.3
Beiqi Foton Motor Co Ltd-A	600166 CH	CNY	7.47	23.6	12.2	8.7	13.6	1.4	1.4	1.3	1.2	6.0	n.a.	n.a.
Anhui Jianghuai Auto Co-A	600418 CH	CNY	15.09	19.8	26.0	15.6	11.4	2.8	2.7	2.4	2.0	15.6	2.0	5.1
Cnhct Jinan Truck Co Ltd-A	000951 CH	CNY	20.02	22.2	14.2	11.7	11.4	2.1	1.9	1.7	1.4	11.6	2.0	n.a.
Zhengzhou Yutong Bus Co -A	600066 CH	CNY	28.70	21.2	16.4	13.5	11.5	4.3	3.4	2.9	2.5	22.6	2.9	8.6
Shenyang Jinbei Automotive-A	600609 CH	CNY	5.60	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jiangling Motors Corp Ltd-A	000550 CH	CNY	40.55	20.9	17.0	12.9	8.7	3.9	3.3	2.7	2.1	22.3	2.8	7.5
Yangzhou Yaxing Motor Co-A	600213 CH	CNY	16.64	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhonglong Bus & Holding Co-A	000957 CH	CNY	17.22	41.3	14.6	21.8	17.4	5.1	n.a.	n.a.	n.a.	15.3	0.5	n.a.
Simple Average				22.5	15.3	13.0	11.6	3.2	2.5	2.2	1.8	16.8	2.3	9.2
Weighted Average				16.9	12.0	10.0	8.8	2.7	2.3	1.9	1.6	19.1	3.4	8.5
Nissan Motor Co Ltd	7201 JP	JPY	1,265.50	11.1	14.2	11.5	10.1	1.0	1.3	1.1	1.0	9.9	2.6	8.4
Toyota Motor Corp	7203 JP	JPY	8,491.00	16.0	14.3	12.3	10.9	1.3	1.9	1.7	1.5	14.1	2.4	12.1
Honda Motor Co Ltd	7267 JP	JPY	4,088.00	17.5	12.7	12.8	10.9	1.3	1.3	1.1	1.0	9.0	2.2	9.0
Daihatsu Motor Co Ltd	7262 JP	JPY	1,818.00	10.2	9.5	12.9	12.6	1.7	1.4	1.3	1.2	10.2	2.9	4.6
Mazda Motor Corp	7261 JP	JPY	2,393.50	24.5	11.9	8.3	8.3	1.7	2.2	1.7	1.4	22.9	0.5	5.9
Mitsubishi Heavy Industries	7011 JT	JPY	683.80	18.4	16.1	19.6	15.0	1.3	1.5	1.4	1.3	7.3	1.5	7.5
Fuji Heavy Industries Ltd	7270 JP	JPY	4,022.50	9.5	14.7	11.8	9.2	1.9	4.0	3.1	2.5	30.5	1.7	5.8
Suzuki Motor Corp	7269 JP	JPY	3,680.00	14.7	18.3	18.2	15.4	1.0	1.6	1.4	1.3	8.2	0.7	5.8
Hino Motors Ltd	7205 JP	JPY	1,812.00	12.1	13.1	13.9	11.6	2.2	3.3	2.6	2.3	20.2	2.1	7.6
Isuzu Motors Ltd	7202 JP	JPY	1,708.50	9.7	12.8	12.8	11.1	1.8	2.3	2.0	1.7	16.5	1.6	6.6
Hyundai Motor Co	005380 KS	KRW	184,000.00	7.5	5.9	6.0	5.8	1.0	0.8	0.8	0.7	12.6	1.9	6.5
Ford Motor Co	F US	USD	16.46	8.1	14.8	10.3	8.8	2.3	2.3	2.0	1.7	24.3	3.5	5.2
Navistar International Corp	NAV US	USD	29.34	n.a.	n.a.	43.0	10.2	n.a.	n.a.	n.a.	n.a.	(2.4)	n.a.	8.5
Paccar Inc	PCAR US	USD	63.74	17.9	16.7	14.6	13.8	3.2	3.1	3.1	2.8	21.5	2.3	7.5
Volkswagen Ag	VOW GR	EUR	239.60	10.6	10.9	10.0	8.9	1.0	1.2	1.2	1.1	12.2	2.4	3.7
Bayerische Motoren Werke Ag	BMW GR	EUR	116.40	10.5	13.0	12.2	11.5	1.6	1.9	1.7	1.6	15.1	2.9	4.8
Daimler Ag-Registered Shares	DAI GR	EUR	90.33	9.8	15.0	12.7	11.3	1.6	2.1	1.9	1.7	15.5	3.1	4.6
Man Se	MAN GR	EUR	96.63	n.a.	109.9	74.4	38.1	2.5	3.0	3.1	3.2	2.8	3.2	17.3
Renault Sa	RNO FP	EUR	83.62	27.2	11.3	9.1	7.3	0.8	1.0	0.9	0.8	9.9	2.8	4.8
Volvo Ab-B Shs	VOLVB SS	SEK	101.00	47.8	25.1	17.2	13.2	2.3	2.8	2.5	2.2	14.4	3.1	8.5
Tata Steel Ltd	TATA IN	INR	336.60	35.9	9.6	13.9	9.0	0.9	0.9	0.8	0.7	5.6	2.8	7.2
Simple Average				16.4	18.5	17.0	12.1	1.6	2.0	1.8	1.6	13.6	2.3	7.2
Weighted Average				14.0	15.2	13.0	10.9	1.5	1.8	1.6	1.5	14.4	2.5	7.5
Global Simple Average				21.5	19.8	14.8	11.9	2.3	2.1	1.8	1.6	14.7	2.3	11.2
Global Weighted Average				15.8	16.5	13.0	10.9	1.7	1.9	1.7	1.5	15.0	2.5	8.3

Source: Bloomberg, Guotai Junan International.

20 March 2015

Geely Automobile 吉利汽车 (00175 HK)

Company Report

Financial Statement and Ratio

Income Statement					
Year end Dec. (RMB mn)	2013	2014	2015F	2016F	2017F
Turnover	28,708	21,738	28,983	34,224	43,006
Cost of Sales	(22,942)	(17,776)	(23,221)	(27,184)	(33,828)
Gross profit	5,766	3,963	5,762	7,040	9,179
Expenses					
Distribution Expenses	(1,705)	(1,250)	(1,710)	(2,019)	(2,537)
Administration Expenses	(1,682)	(1,772)	(1,710)	(2,019)	(2,537)
Operating profit	2,378	940	2,342	3,002	4,104
Share of Results of Associates	(10)	32	(9)	(9)	(9)
Other Income	1,062	1,055	841	1,011	1,237
Finance Costs	(40)	(24)	(41)	(34)	(33)
Share-based payment	(87)	(60)	(48)	(38)	(31)
EBT	3,304	1,943	3,085	3,931	5,268
Provision for Income Tax	(624)	(494)	(578)	(736)	(986)
Profit for the year	2,680	1,449	2,508	3,195	4,282
Minority Interest	17	19	21	25	28
Net Income	2,663	1,431	2,487	3,171	4,253
Basic EPS (RMB)	0.317	0.163	0.283	0.360	0.483
Diluted EPS (RMB)	0.304	0.163	0.283	0.360	0.483
Dividend per share (RMB)	0.046	0.025	0.042	0.054	0.073

Cash Flow Statement					
Year end Dec. (RMB mn)	2013	2014	2015F	2016F	2017F
EBT	3,304	1,943	3,085	3,931	5,268
Depreciation for PPE	789	554	462	436	386
Amortization of intangible assets	250	291	281	344	420
Amortization of prepaid land lease	38	28	38	38	38
Finance cost	99	81	41	34	33
Interest Income	(59)	(58)	(58)	(64)	(64)
Change in Inventories	(49)	98	(1,389)	443	(2,013)
Change in receivables	(1,726)	(1,938)	(4,632)	(3,015)	(9,677)
Change in liabilities (payable)	1,325	880	4,872	(509)	11,622
Share of results of associates	10	(32)	9	9	9
Exchange Gain/(losses)	(9)	648	(14)	12	20
Change of other Operating Items	(412)	(462)	(20)	(16)	(25)
Cash flow for operation	3,562	2,033	2,676	1,642	6,017
Net Investments in PPE	(276)	(749)	(780)	(650)	(390)
Net change of prepaid land lease	393	(212)	(320)	(6)	(17)
Net change of intangible assets	(874)	(1,343)	(956)	(1,129)	(1,419)
Net change of pledged deposit	208	58	(4)	(4)	(4)
Interest income	59	58	58	64	64
Others	(375)	721	383	377	399
Cash flow for investing	(865)	(1,468)	(1,619)	(1,349)	(1,367)
Net Change of LT bank loan	(930)	(274)	(0)	(0)	(0)
Issuance of senior notes	0	1,814	0	0	0
Net change of convertible bonds	(98)	0	0	0	0
Issuance of shares	11	0	0	0	0
Interest paid	(85)	(48)	(41)	(34)	(33)
Dividend paid	(264)	(320)	(174)	(298)	(381)
Cash flow for financing	(1,366)	1,172	(215)	(332)	(413)
Net change of cash flow	1,330	1,737	841	(39)	4,236
Other adjustment	(41)	(12)	(14)	12	20
Cash at the beginning of year	4,189	5,478	7,203	8,031	8,004
Cash at the end of the year	5,478	7,203	8,031	8,004	12,260

Source: the Company, Guotai Junan International.

Balance sheet					
Year end Dec. (RMB mn)	2013	2014	2015F	2016F	2017F
Cash	5,478	7,203	8,031	8,004	12,260
Pledged deposit	105	47	51	55	60
Inventories	1,784	1,620	3,009	2,566	4,579
Trade and other Receivables	14,785	16,385	21,017	24,033	33,709
Prepaid land lease payment	30	29	37	37	38
Others	69	19	4	5	5
Current Assets	22,251	25,303	32,149	34,700	50,651
PPE	6,209	5,861	6,179	6,393	6,397
Intangible Assets	3,220	4,208	5,165	6,294	7,713
Interest in associates	673	691	735	783	836
Prepaid land lease payment	1,166	1,131	1,451	1,458	1,475
Deferred tax assets	59	52	86	131	190
Others	21	34	37	40	44
Non-current Assets	11,348	11,977	13,653	15,099	16,655
Trade payables	16,075	17,017	21,888	21,380	33,001
Bank borrowing	966	692	0	0	0
Other liabilities	197	137	164	197	236
Current Liabilities	17,237	17,845	22,052	21,576	33,238
Senior Notes	0	1,820	1,820	1,820	1,820
Deferred tax liabilities	133	149	235	346	494
Non-current liabilities	133	1,969	2,056	2,166	2,314
Total Liabilities	17,370	19,814	24,108	2,166	2,314
Net Assets	13,204	16,230	17,993	21,313	16,230
Share Capital	161	161	142	141	140
Reserve	5,760	6,631	8,365	9,527	10,938
Retained Earnings	10,147	10,495	12,982	16,153	20,406
Minority Interest	162	178	205	236	271
Shareholders' Equity	16,230	17,466	21,695	26,056	31,755
BPS (RMB)	1.965	1.984	2.465	2.960	3.608

Ratio Analysis					
Year end Dec. (RMB mn)	2013	2014	2015F	2016F	2017F
Profitability					
Gross profit margin (%)	18.5	20.1	18.5	19.0	19.7
EBITDAR (%)	14.9	15.7	11.5	13.3	14.3
EBIT Margin (%)	11.4	12.0	8.0	9.4	10.1
Net profit margin (%)	8.3	9.3	5.9	7.1	7.7
ROE (%)	17.5	18.1	7.6	10.0	11.1
ROA (%)	6.5	7.9	3.9	4.8	5.1
Growth					
Sales volume growth (%)	14.7	13.7	-24.0	25.6	13.0
Revenue growth (%)	17.5	16.6	-21.0	26.5	18.1
EPS(%)	37.2	15.5	-49.9	56.1	24.1
BPS(%)	30.1	22.9	17.6	14.3	15.7
Liquidity and solvency					
Gearing ratio (%)	net cash	net cash	net cash	net cash	net cash
Interest cover ratio	14.4	86.1	33.1	24.1	25.3
Cash ratio	0.3	0.3	0.6	0.3	0.4
Quick ratio	1.1	1.2	1.4	1.1	1.2
Current ratio	1.2	1.3	1.5	1.2	1.2
Efficiency					
Inventory Turnover	15	16	15	15	14
Days receivable	190	180	185	191	196
Days payable	202	199	215	236	260

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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