



**Equity Research
Automobile/ China**

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OP Express

Not Rated

Close price: **HK\$0.37**

Key Data

HKEx code	2339
12 Months High (HK\$)	0.52
12 Month Low (HK\$)	0.27
3M Avg Dail Vol. (mn)	11.93
Issue Share (mn)	4,606.10
Market Cap (HK\$m)	1,704.26
Fiscal Year	12/2013
Major shareholder (s)	BWI Group (58.06%)

Source: Company data, Bloomberg, OP Research
Closing price are as of 26/03/2015

Price Chart



	1mth	3mth	6mth
Absolute %	32.1	19.4	-6.3
Rel. MSCI CHINA %	31.9	11.7	-15.8

Company Profile

Beijing West Int'l (BWI) is a premier chassis supplier that designs and manufactures brake and suspension systems for the European OEMs.

Beijing West Int'l (2339 HK)

FY14 earnings record huge gain of HK\$183 mn

- **BWI announced FY14 recurring earnings to hit HK\$183mn after net loss in FY13.**
- **BWI N.America injection in 2015 is likely to be key catalyst**
- **Stock now trading at attractive 9x/8x 2014/15E PE**

FY14 recurring earnings recorded HK\$183mn from FY13 net loss. BWI announced FY14 results on 26 Mar 2015 with total net income coming in at HK\$345mn while HK\$162mn was one-off restructuring gain and BWI Europe contributed HK\$183mn, suggesting 35% YoY growth when comparing to its Europe business in 2013 same period. This strong growth was due to 1).12%YoY topline growth 2).OPM improved from 6.3% in 2013 to 7.3% in 2014.

No 2015 earnings guidance but backlog order on hand is quite full. We attended analyst meeting on the same day, mgmt did not give any guidance for 2015 revenue and net income but revealed that backlog order on hand is quite full which can let its Europe factory run at full capacity in the next 3 years.

2015 earnings growth should rely more on margin improvement. Mgmt pointed out that its factory is running at full capacity at this moment. Future earnings growth should come from improvement in product mix like increase portion of high margin MagneRide suspension system (GPM at 20-30%) than low margin passive suspension system (GPM at 10-20%).

Potential asset injection remains key catalyst. BWI Group (parent company) still has BWI North America and BWI China businesses on hand, and would likely inject into listco at appropriate time. Mgmt revealed that BWI N.America business is likely to inject into listco within 2015 but BWI China injection is unlikely in near term.

BWI N.America. Mgmt said that this business in 2014 record similar amount of earnings when compare with BWI Europe, but the growth rate is not as good as expected. Mgmt is confident that as US economy is getting better, its high margin suspension system should grow with the increasing high-end models of automobile in US. If we based on 8x PE, BWI N.America should worth around HK\$1.5bn.

BWI China. This business continue to record net loss in 2014 as BWI's high margin MagneRide suspension system is difficult to sell in low-end domestic brand OEMs in China. Mgmt believe as more high-end overseas brands are getting into China market, BWI China business should return to profit in the future and parent company would inject into listco at appropriated time.

Current valuation is attractive. Despite no guidance on FY15E earnings we believe BWI should continue record mid-teen earnings growth as 1).its current backlog order is quite full which can guarantee a high utilization rate in next few

years 2).continue increasing portion in MagneRide product should lead to sequential margin improvement. We therefore estimate BWI to see 15%YoY earnings growth in 2015. The stock closed at HK\$0.37 yesterday, representing 9x/8x 2014/15E PE based on its 2014 recurring HK\$183mn earnings and our 15% earnings growth preliminary estimates for 2015. We see this valuation attractive as its HK listed peers average is now trading at 12x/10x 2014/15E PE.

Exhibit 1: Peer Group Comparison

Company	Ticker	Price	3-mth			EPS										EV/		Net		Gross		Net		ROE		ROE	
			Mkt cap	avg t/o	PER	PER	PER	FY1	EPS	FY2	3-Yr	EPS	Div yld	Div yldP/B	HistP/B	FY1	Ebitda	Ebitda	gearing	margin	margin	Net	ROE	ROE	Sh px	Sh px	
			(US\$m)	(US\$m)	Hist (x)	FY1 (x)	FY2 (x)	YoY%	YoY%	Cagr (%)	PEG (x)	Hist (%)	FY1 (%)	(x)	(x)	Hist	Cur Yr	Hist (%)	Hist (%)	Hist (%)	(%)	(%)	1-mth %	3-mth %			
Beijingwest Indu	2339 HK	0.37	220	0.5	11.2	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	20.70	N/A	141.3	N/A	N/A	10.5	3.3	N/A	N/A	34.5	19.4		
HSI		24,497.08			10.3	11.7	10.5	(12.1)	11.2	2.7	4.34	3.7	3.4	1.36	1.27							13.2	10.9	(1.6)	4.9		
HSCEI		11,919.69			8.5	8.2	7.4	3.0	11.7	8.5	0.97	3.6	3.8	1.26	1.12							14.8	13.6	(2.5)	3.1		
CSI300		3,950.00			17.0	14.2	12.1	19.7	17.5	N/A	N/A	1.5	1.9	2.45	2.09							14.4	14.6	10.8	14.6		
Adjusted sector avg*					15.6	12.2	10.4	31.7	14.8	19.6	0.59	1.8	1.8	3.64	2.74	9.0	7.5	26.1	16.9	5.9	21.5	23.5	(1.4)	5.0			
Nexteer	1316 HK	8.03	2,587	1.9	17.3	12.5	10.3	38.3	21.7	26.0	0.48	0.8	1.4	3.78	2.98	8.2	6.8	49.5	14.1	5.4	25.8	25.9	4.4	21.7			
Minth Group Ltd	425 HK	15.16	2,150	1.6	11.9	10.1	8.8	17.2	15.9	17.5	0.58	3.0	3.6	1.73	1.44	10.2	7.4	0.0	33.0	16.7	14.2	14.8	(7.3)	(2.3)			
Xinchen China Po	1148 HK	3.03	503	0.9	11.5	8.1	5.8	41.2	39.6	20.0	0.41	N/A	N/A	1.43	1.10	8.8	5.4	0.0	19.7	10.2	15.5	12.4	(1.0)	11.4			
Amer Axle & Mfg	AXL US	24.85	1,883	28.8	13.4	9.3	8.7	45.1	6.2	19.0	0.49	N/A	0.0	17.95	5.38	6.8	5.6	1,135.1	14.1	3.9	191.8	88.8	(0.2)	9.5			
Autoliv Inc	ALV US	113.32	10,007	55.7	22.3	17.5	15.1	27.5	15.6	18.3	0.96	1.9	2.0	2.93	2.85	9.8	8.5	2.1	19.5	5.1	12.6	16.1	0.6	6.0			
Delphi Automotiv	DLPH US	77.46	22,541	147.7	17.2	14.2	12.3	20.9	15.5	16.8	0.85	1.3	1.4	9.00	6.67	10.1	9.1	51.3	18.6	7.9	49.8	51.6	(2.0)	5.2			
Johnson Controls	JCI US	48.82	32,089	154.3	26.8	13.5	11.9	98.1	14.1	37.7	0.36	2.0	2.2	2.96	2.68	14.1	9.7	53.3	15.5	2.8	11.2	20.1	(4.2)	(0.1)			

* Outliners and "N/A" entries are in red and excl. from the calculation of averages

Source: Bloomberg, OP Research

Our recent reports

Date	Company / Sector	Stock Code	Title	Rating	Analyst
25/03/2015	Sinotrans	598	FY14 result first take	HOLD	Bruce Yeung
25/03/2015	COOLPAD	2369	Question marks over Dazen JV bring some cool	HOLD	Yuji Fung
24/03/2015	Technovator	1206	NDR Takeaway	BUY	Yuji Fung
23/03/2015	Shenzhen International	152	Decent dividend from toll road subsidiary	BUY	Bruce Yeung
19/03/2015	Technovator	1206	FY14 results First Take	BUY	Yuji Fung
18/03/2015	Ju Teng Intl	3336	In-line FY14 result; Margin expansion resumed	BUY	Yuji Fung
17/03/2015	Kwoon Chung Bus	306	Value unlocked	NR	Bruce Yeung
12/03/2015	BWI Intl	2339	FY14 earnings hit huge gain of HK\$169 mn	NR	Kelvin Ng
10/03/2015	Technovator	1206	Spin-off and poised to swamp China	BUY	Yuji Fung
03/03/2015	TCL COMM	2618	Strong guidance ahead	BUY	Yuji Fung
06/02/2015	Technovator	1206	Positive signaling from stake increase by ParentCo	BUY	Yuji Fung
04/02/2015	Beijing Properties	925	Divest for reinvesting logistics properties	BUY	Bruce Yeung
03/02/2015	TK Group	2283	When the best is served by the best of best	NR	Lindsay Hu/ Yuji Fung
15/01/2015	Ju Teng Intl	3336	Correction overdone	BUY	Yuji Fung
12/01/2015	TCL COMM	2618	Profits soar with Iron Man, X-men and OneTouch	BUY	Yuji Fung
09/01/2015	Technovator	1206	Past year promising, New Year winning	BUY	Yuji Fung
06/01/2015	Sinomedia	623	Downgrade on economic slowdown	HOLD	Yuji Fung
05/01/2015	SCUD Group	1399	Beneficiary of Xiaomi Success	BUY	Yuji Fung
22/12/2014	China Fiber Optic Network	3777	Penetrating into a broadband service provider	BUY	Yuji Fung
10/12/2014	SCUD Group	1399	Introducing Value Partner as 2nd largest shareholder	BUY	Vivien Chan/ Yuji Fung
08/12/2014	Great Wall Motor	2333	SUV sales accelerates	BUY	Vivien Chan
27/11/2014	PAX Global	327	Overseas expansion on track	HOLD	Vivien Chan
26/11/2014	BWI Intl	2339	A Chinese-owned, Global Auto Parts Leader with a strong product	NR	Vivien Chan
24/11/2014	Tiangong	826	Solid order growth remains	BUY	Vivien Chan
19/11/2014	Sinotrans	598	A shift to risk aversion	HOLD	Bruce Yeung
17/11/2014	CMGC	8081	Mobile game coming to the stage	NR	Lindsay Hu/ Yuji Fung
13/11/2014	HC International	2280	3Q14 results miss	BUY	Yuji Fung

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