

Morgan Stanley Asia Limited+

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Stock Rating  
**Overweight**

Industry View  
**Attractive**

## Great Wall Motor Company Limited

### 2014 annual results review

**Net profit declined 2.2% YoY to Rmb8.04b:** That's in line with its preliminary numbers, our estimate, and market consensus. Gross margin declined 0.9ppt, to 27.7%; operating margin declined 2.2ppt, to 14.8%; and net margin declined 1.7ppt, to 12.8%. The lower margins and net profits in 2014 were mainly affected by its weak sedan sales, which declined 55.7% last year.

**Continuing strong sales supported by SUVs:** Great Wall's sales in the first two months grew 16.8% YoY, with SUV sales up 55.3% YoY. SUVs accounted for 80% of its total sales volume in Jan-Feb, versus 71% in 2014. We believe its SUV segment will continue to outperform the market and support its sales.

**H8 is scheduled to be relaunched this April during the Shanghai Autoshow (April 20-29):** Great Wall and ZF AG (the supplier of H8's transmission system) have solved the problem of knocking noises in H8's transmission system at high speed, which caused the deferral of H8's delivery last May. Moreover, there are several upgrades on H8, which we believe will make it more attractive to mid-range SUV buyers. Given H8's high prices (Rmb201.8-236.8k), we believe it will help to improve Great Wall's brand image and help lift prices of its upcoming new models.

**New round of product launches to boost sales:** Besides H8, Great Wall will also launch Coupe C and H7 within 2015. Coupe C will be equipped with 2.0T engine and 6-speed DCT; the aim is to compete with mid-range compact SUVs priced over Rmb200k. H7 is going to be launched in 2H15; we expect it to fill the price gap between H6 and H8. Apart from them, Great Wall will also launch several new facelifts to boost sales.

**We remain OW on Great Wall:** We cite its leading position in China's SUV segment. We believe the new SUV models will enrich its SUV portfolio, support its sales growth, and further improve its brand image.

### Key Ratios and Statistics

Reuters: 2333.HK Bloomberg: 2333 HK

China Autos & Auto Parts

Shr price, close (Mar 20, 2015)	HK\$49.30
52-Week Range	HK\$50.70-26.10
Sh out, dil, curr (mn)	1,033
Mkt cap, curr (mn)	Rmb138,887
EV, curr (mn)	Rmb135,486
Avg daily trading value (mn)	Rmb270

Fiscal Year ending	12/14	12/15e	12/16e	12/17e
ModelWare EPS (Rmb)	2.66	4.04	4.72	5.43
Prior ModelWare EPS (Rmb)	2.56	4.16	4.85	-
Consensus EPS (Rmb)§	2.65	3.61	4.29	3.63
Revenue, net (Rmb mn)	62,599	77,972	90,282	102,563
EBITDA (Rmb mn)	10,843	16,126	18,930	21,814
ModelWare net inc (Rmb mn)	8,096	12,296	14,359	16,532
P/E	13.3	9.7	8.3	7.2
P/BV	3.2	2.8	2.2	1.8
RNOA (%)	32.5	35.6	35.1	36.6
ROE (%)	28.9	36.8	33.2	30.6
EV/EBITDA	10.7	8.1	6.5	5.3
Div yld (%)	2.3	3.1	3.6	4.1

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

§ = Consensus data is provided by Thomson Reuters Estimates.

e = Morgan Stanley Research estimates

### A-share data

Reuters: 601633.SS Bloomberg: 601633.CH

Rating **Overweight**  
Shr price, close (March 20, 2015) Rmb48.88  
Sh out, dil, curr (mn) 2,009

Fiscal Year ending	12/14	12/15e	12/16e	12/17e
EPS, for consensus	2.66	3.89	4.83	NA
Revenue, net (Rmb mn)	62,599	77,972	90,282	102,563
P/E, for consensus	18.5	12.6	10.1	NA
P/BV, for consensus	5.31	3.59	2.67	NA

Source: Bloomberg consensus

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March 21, 2015

Great Wall Motor Company Limited

Exhibit 1

**Great Wall Motor 2014 results comparison**

<b>RMB m</b>	<b>2014</b>	<b>2013</b>	<b>y-y %</b>
Total operating revenue	62,599	56,784	10.2%
Operating costs	(45,252)	(40,538)	11.6%
<b>Gross profit</b>	<b>17,347</b>	<b>16,246</b>	<b>6.8%</b>
<b>Gross margin</b>	<b>27.7%</b>	<b>28.6%</b>	
Business taxes and surcharges	(2,282)	(2,057)	10.9%
Selling expenses	(2,085)	(1,895)	10.0%
Administrative expenses	(3,822)	(2,747)	39.1%
SG&A expenses as % of revenue	9.4%	8.2%	
Financial expenses	129	84	54.3%
Impairment losses of assets	(72)	(14)	407.3%
Gains or losses from changes in fair values	(4)	(7)	-45.0%
Investment income	32	59	-46.2%
<b>Operating profit</b>	<b>9,244</b>	<b>9,668</b>	<b>-4.4%</b>
<b>Operating profit margin</b>	<b>14.8%</b>	<b>17.0%</b>	
Non-operating income	441	279	58.0%
Non-operating expenses	(44)	(27)	62.7%
<b>Profit before income tax</b>	<b>9,640</b>	<b>9,920</b>	<b>-2.8%</b>
<b>PBT margin</b>	<b>15.4%</b>	<b>17.5%</b>	
Income tax expense	(1,599)	(1,688)	-5.3%
<b>Effective tax rate</b>	<b>16.6%</b>	<b>17.0%</b>	
<b>Profit for the period</b>	<b>8,041</b>	<b>8,232</b>	<b>-2.3%</b>
- Profit attributable to equity holders of the company	8,042	8,224	-2.2%
- Non controlling interests	(0)	8	-104.0%
<b>Net profit margin</b>	<b>12.8%</b>	<b>14.5%</b>	

Source: Company Data, Morgan Stanley Research

**Company Description**

As China's leading pick-up and SUV maker, Great Wall Motor Company has established itself as one of the largest local auto brands. The company has the largest market share in both the SUV segment and pickup market. It is also China's largest auto exporter. Great Wall Motor Company is one of the most profitable auto OEMs in China. A high degree of vertical integration in its business model helps it maintain a strong model pipeline and remain cost-efficient.

**China Autos & Auto Parts****Industry View: Attractive**

March 21, 2015

Great Wall Motor Company Limited



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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1161</b>	<b>35%</b>	<b>321</b>	<b>41%</b>	<b>28%</b>
<b>Equal-weight/Hold</b>	<b>1459</b>	<b>44%</b>	<b>370</b>	<b>47%</b>	<b>25%</b>
<b>Not-Rated/Hold</b>	<b>101</b>	<b>3%</b>	<b>10</b>	<b>1%</b>	<b>10%</b>
<b>Underweight/Sell</b>	<b>609</b>	<b>18%</b>	<b>88</b>	<b>11%</b>	<b>14%</b>
<b>Total</b>	<b>3,330</b>		<b>789</b>		

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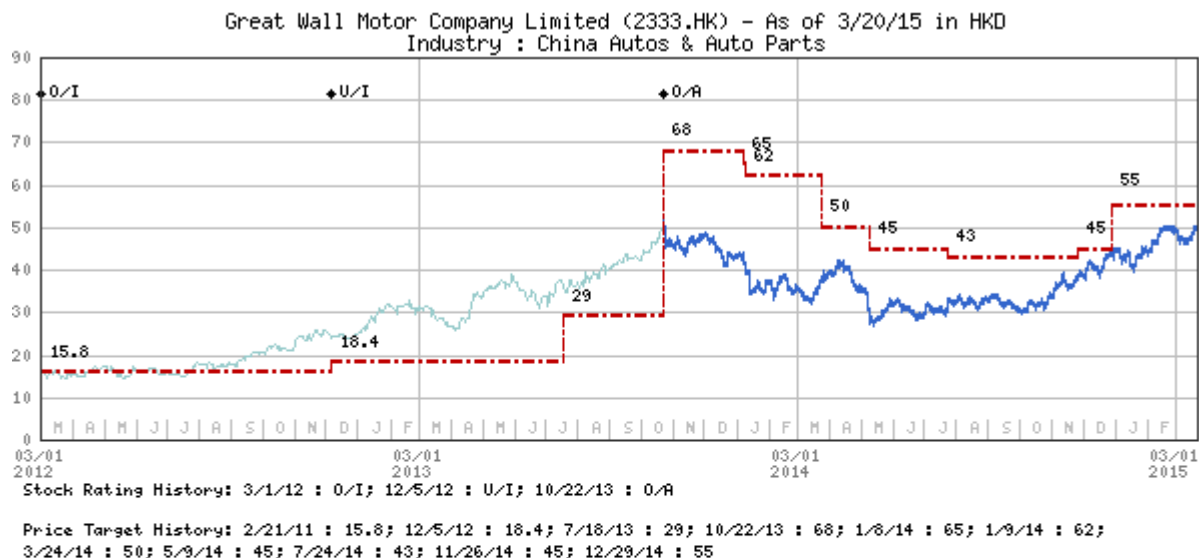
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March 21, 2015  
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**Industry Coverage:China Autos & Auto Parts**

Company (Ticker)	Rating (as of)	Price* (03/20/2015)
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China Yongda Automobiles Services (3669.HK)	E (07/12/2013)	HK\$4.1
China Zhengtong Auto Services (1728.HK)	E (05/08/2013)	HK\$3.84
Dah Chong Hong Holdings (1828.HK)	U (06/13/2014)	HK\$3.8
Zhongsheng Group Holdings (0881.HK)	E (11/04/2014)	HK\$5.39
<b>Jack Yeung</b>		
BAIC Motor (1958.HK)	O (01/25/2015)	HK\$8.83
BYD Company Limited (002594.SZ)	U- (12/11/2014)	Rmb52.8
BYD Company Limited (1211.HK)	E (02/18/2015)	HK\$38.6
Baoxin Auto Group (1293.HK)	O (01/18/2012)	HK\$4.37
Brilliance China Automotive (1114.HK)	O (10/22/2013)	HK\$14.74
CAR Inc. (0699.HK)	E (10/23/2014)	HK\$14.14
Chongqing Changan Automobile (000625.SZ)	O (12/30/2014)	Rmb20.29
Chongqing Changan Automobile (200625.SZ)	O (11/28/2013)	HK\$21.17
Dongfeng Motor Group (0489.HK)	O (05/30/2014)	HK\$12.14
Geely Automobile Holdings (0175.HK)	E (09/27/2014)	HK\$3.91
Great Wall Motor Company Limited (601633.SS)	O- (11/26/2014)	Rmb48.88
Great Wall Motor Company Limited (2333.HK)	O (10/22/2013)	HK\$49.3
Guangzhou Automobile Group (601238.SS)	U- (10/29/2014)	Rmb10.08
Guangzhou Automobile Group (2238.HK)	U (07/17/2014)	HK\$7.19
Mint Group Limited (0425.HK)	O (03/20/2014)	HK\$14.1
SAIC Motor Corp. Ltd. (600104.SS)	O (11/17/2014)	Rmb24.73

Stock Ratings are subject to change. Please see latest research for each company.  
\* Historical prices are not split adjusted.