

21 March 2018

买入
维持

符合预期

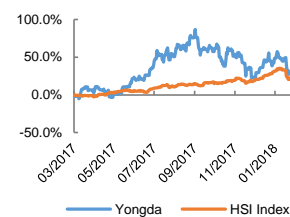
CHINA YONGDA AUTOMOBILES SERVICES HOLDINGS (3669 HK)

Financial summary and valuation

Market Data: 20 March 2018

| | |
|--------------------------|--------------|
| Closing Price (HK\$) | 9.69 |
| Price Target (HK\$) | 14.10 |
| HSCEI | 12,597 |
| HSCCI | 4,571 |
| 52-week High/Low (HK\$) | 12.40 / 6.35 |
| Market Cap (USD Mn) | 2,243 |
| Market Cap (HK\$ Mn) | 17,758 |
| Shares Outstanding (Mn) | 1,835 |
| Exchange Rate (RMB-HK\$) | 0.80 |

Price Performance Chart:



Source: Bloomberg

Analyst

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Recent reports

"Yongda (3669:HK)-Turbo performance" January 22, 2018

"Yongda (3669:HK)-Shifting up a gear" October 27, 2017

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| | 2016 | 2017 | 2018E | 2019E | 2020E |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (Rmbm) | 43,033 | 50,699 | 67,257 | 78,960 | 84,394 |
| YOY (%) | 20.7 | 17.8 | 33.3 | 17.4 | 6.9 |
| Net income (Rmbm) | 851 | 1,510 | 2,127 | 2,830 | 3,213 |
| YOY (%) | 62.3 | 77.4 | 39.5 | 33.0 | 13.6 |
| EPS (Rmb) | 0.58 | 0.91 | 1.16 | 1.54 | 1.75 |
| Diluted EPS (Rmb) | 0.56 | 0.83 | 1.15 | 1.53 | 1.74 |
| ROE (%) | 18.5 | 22.8 | 27.0 | 26.5 | 25.2 |
| Debt/asset (%) | 45.4 | 41.6 | 39.6 | 37.3 | 35.2 |
| Dividend Yield (%) | 1.8 | 2.8 | 3.8 | 5.1 | 5.8 |
| P/E (x) | 13.5 | 8.5 | 6.7 | 5.0 | 4.4 |
| P/B (x) | 2.1 | 1.5 | 1.4 | 1.1 | 1.0 |
| EV/EBITDA (x) | 12.9 | 7.2 | 5.3 | 4.2 | 3.8 |

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised. P/E is calculated as closing price divided by each year's EPS.

投资要点:

永达汽车 2017 年实现收入 507 亿元 (同比增长 17.8%)，净利 15 亿元 (同比增 77.4%)，符合预期。我们认为，永达主要受益于新车销售稳健增长及毛利改善，同时汽车金融业务实现快速扩张。我们小幅下调摊薄 EPS 至人民币 1.15 元 (同比增长 38.6%)，19 年人民币 1.53 元 (同比增长 33%)，同时预测 20 年摊薄 EPS 至人民币 1.74 元 (同比增长 13.6%)。我们维持目标价港币 14.10 元，维持买入评级。

产品周期向好。2017 年永达实现新车销量 17.2 万台，同比增长 16.6%，其中豪华车销量增长 20% 至 10 万台，中高端车销量增长 12.3% 至 7.2 万台。2018 年，永达将继续聚焦豪华品牌布局，扩展华中及西南地区市场。我们认为，永达将受益于宝马和保时捷产品周期上升带来的新车销量增长，以及新车销售毛利率明显改善。公司指引 2018 年宝马销量增长 15%，保时捷销量增长 50%，主力车型包括 X3 国产，Cayenne 换代以及 Macan 18 年改款。此外，奥迪销量有望恢复，受长轴距 Q5 上市驱动，18 年将实现 10% 销量增长。我们维持 18 年销量预期 21.4 万台 (同比增长 24.6%)，19 年 24.2 万台 (同比增长 13.2%)，20 年销量 26.3 万台 (同比增长 8.2%)。由于产品周期向好，新车毛利率由 16 年 3.1% 升至 17 年 3.66%，我们预期 18 年新车毛利将进一步增至 4.2%。

售后业务健康。2017 年公司售后业务收入 67 亿元，同比增长 22.7%，毛利率由 16 年 45.7% 微增至 17 年 46.1%。由于店龄结构合理，维修保养客单价及客户留存率的有效提高，我们预期公司 18 年售后业务收入 82 亿元 (同比增长 22.2%)，同时维持毛利率稳定在 46% 水平。

汽车金融快速扩张。由于汽车金融渗透率提高，体系外网点融资租赁业务扩张迅猛，公司 17 年实现融资租赁收入 3.3 亿元，同比增长 171%。融资租赁净利润为 1.17 亿元，同比增长 120%，净利增速慢于收入增速，主要原因是 3 年期金融产品的一次性费用在第一期计提。公司指引 2018 年新增利息资产超过 100 亿元 (同比增长 50%)。我们预期公司融资租赁业务收入达 18 年 5.5 亿元 (同比增长 66%)，19 年 7.1 亿元 (同比增长 30%)。

维持买入评级。公司宣告派发末期股利港币 0.336 元，维持 30% 派息率。我们小幅下调摊薄 EPS 至人民币 1.15 元 (同比增长 38.6%)，19 年人民币 1.53 元 (同比增长 33%)，同时预测 20 年摊薄 EPS 至人民币 1.74 元 (同比增长 13.6%)。我们维持目标价港币 14.10 元，维持买入评级。

Investment highlight:

China Yongda Automobiles Services reported 2017 revenue of Rmb50.7bn (+17.8% YoY) and net profit of Rmb1.5bn (+77.4% YoY), in line with our expectations. The strong earnings growth was mainly driven by a combination of solid new car sales, margin expansion, and fast growing auto financing services. We lower our diluted EPS forecasts from Rmb1.16 to Rmb1.15 in 18E (+38.6% YoY) and from Rmb1.54 to Rmb1.53 in 19E (+33.0% YoY), and forecast Rmb1.74 in 20E (+13.7% YoY). We maintain our target price of HK\$14.10. With 46% upside, we maintain our BUY recommendation.

Strong product cycle. The company realised total new car sales of 172k units in 2017, up 16.6% YoY, in which luxury cars grew 20% YoY to 100k units and mid-range cars rose 12% YoY to 72k units. The firm will continue to focus on luxury cars sales, and expanding its network in central and southwestern China. We expect the company to benefit from a strong product cycle for major luxury brands in 18-19E, including *BMW* and *Porsche*. Yongda guided 15% YoY growth in *BMW* sales and 50% YoY growth in *Porsche* sales, backed by the release of new models, including localised *BMW X3*, the third-generation *Cayenne*, and the new *Porsche Macan*. Moreover, we expect *Audi* sales to recover in 18E, with 10% YoY growth, given the long-wheelbase *Q5*. We maintain our new car sales forecasts of 214k units in 18E (+24.6% YoY), 242k units in 19E (+13.2% YoY), and 263k units in 20E (+8.2% YoY). In addition, the company's new car sales margin picked up from 3.1% in 16A to 3.7% in 17A (+0.56 ppt YoY), and we expect it to further improve to 4.2% in 18E.

Solid after-sales services. The company reported after-sales services revenue of Rmb6.7bn in 2017 (+22.7% YoY), with gross margin slightly up, from 45.7% in 16A to 46.1% in 17A. We expect Yongda to record steady growth in after-sales services in 18E, given rising maintenance costs for luxury cars and increasing efforts to raise customer retention. We expect after-sales services revenue to reach Rmb8.2bn in 18E (+22.2% YoY), with gross margin stabilising at 46%.

Robust auto financing services. The company realised finance leasing revenue of Rmb331m in 2017 (+171% YoY), mainly due to the increasing penetration rate outside Yongda's network. Net profit from finance leasing increased 120% YoY to Rmb117m in 2017, slower than revenue growth, mainly due to a one-off expense booked in the first year for a three-year product. The firm targets a total interest-generating asset base of over Rmb10bn in 2018 (+50% YoY). We expect revenue from the finance leasing business to reach Rmb550m in 18E (+66% YoY) and Rmb716m in 19E (+30% YoY).

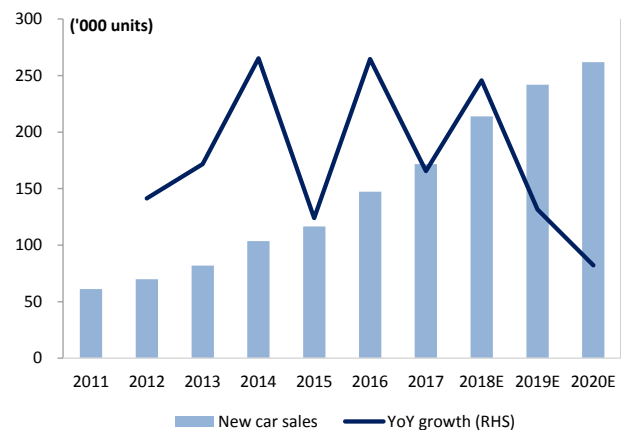
Maintain BUY. The company proposed a final dividend of HK\$0.336 per share, with payout ratio remaining at c.30% in 2017. We lower our diluted EPS forecasts from Rmb1.16 to Rmb1.15 in 18E (+38.6% YoY) and from Rmb1.54 to Rmb1.53 in 19E (+33.0% YoY), and forecast Rmb1.74 in 20E (+13.7% YoY). We maintain our target price of HK\$14.10. With 46% upside, we maintain BUY.

Margin expansion

China Yongda Automobiles Services reported 2017 revenue of Rmb50.7bn (+17.8% YoY) and net profit of Rmb1.5bn (+77.4% YoY), in line with our expectations. The strong earnings growth was mainly driven by a combination of solid new car sales, margin expansion, and fast growing auto financing services.

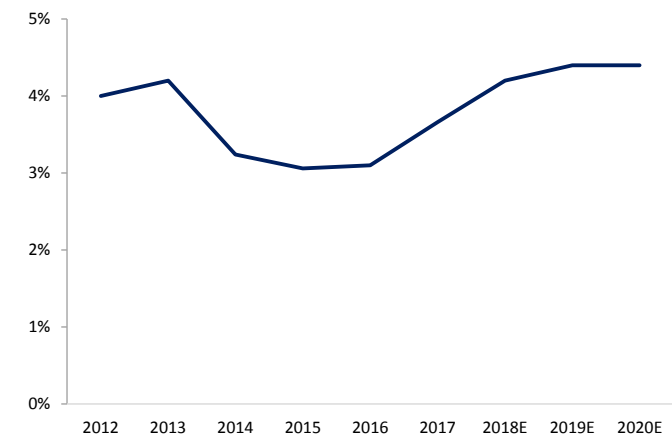
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Fig 1: Yongda's total sales volume



Source: Company data, SWS Research

Fig 2: Yongda's new car sales gross margin

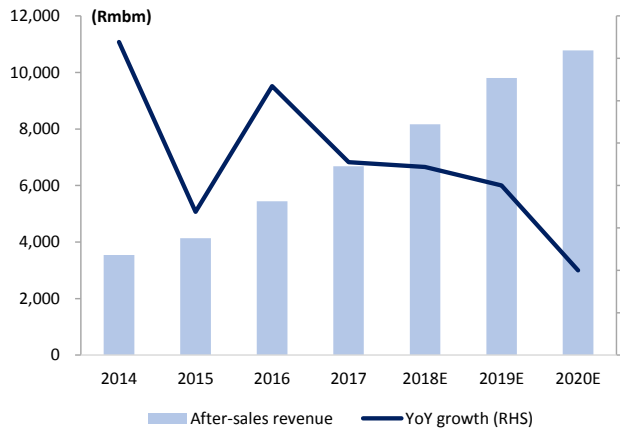


Source: Company data, SWS Research

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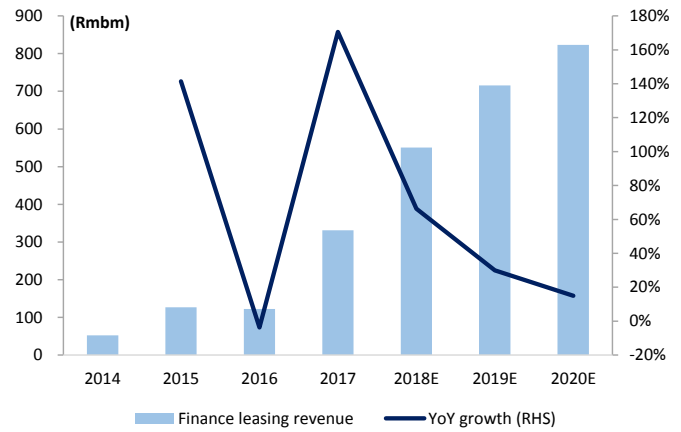
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Fig 3: Revenue forecast for after-sales services



Source: Company data, SWS Research

Fig 4: Revenue forecast for finance leasing business



Source: Company data, SWS Research

Valuation

The company proposed a final dividend of HK\$0.336 per share, with payout ratio remaining at c.30% in 2017. We lower our diluted EPS forecasts from Rmb1.16 to Rmb1.15 in 18E (+38.6% YoY) and from Rmb1.54 to Rmb1.53 in 19E (+33.0% YoY), and forecast Rmb1.74 in 20E (+13.7% YoY). We maintain our target price of HK\$14.10. With 46% upside, we maintain BUY.

Fig 5: Forward PE ratio



Source: Bloomberg, SWS Research

Company financials

Consolidated Income Statement

| Rmbm | 2016 | 2017 | 2018E | 2019E | 2020E |
|----------------------------|--------|--------|--------|--------|--------|
| Revenue | 43,033 | 50,699 | 67,257 | 78,960 | 84,394 |
| Cost of Sales | 39,227 | 45,675 | 60,472 | 70,712 | 75,404 |
| Gross Profit | 3,805 | 5,025 | 6,785 | 8,248 | 8,990 |
| Other Income | 760 | 927 | 1,381 | 1,707 | 1,865 |
| Distribution expenses | 1,915 | 2,269 | 3,027 | 3,553 | 3,798 |
| Administrative expenses | 1,052 | 1,222 | 1,641 | 1,895 | 2,025 |
| EBITDA | 1,684 | 2,996 | 4,075 | 5,138 | 5,723 |
| EBIT | 1,631 | 2,502 | 3,532 | 4,540 | 5,065 |
| Finance Costs | 479 | 494 | 624 | 672 | 673 |
| Profit before tax | 1,152 | 2,008 | 2,908 | 3,868 | 4,392 |
| Income tax expense | 244 | 406 | 640 | 851 | 966 |
| Minority interests | 57 | 92 | 141 | 187 | 212 |
| Profit for the year | 851 | 1,510 | 2,127 | 2,830 | 3,213 |

Source: SWS Research

Consolidated Balance Sheet

| Rmbm | 2016 | 2017 | 2018E | 2019E | 2020E |
|-------------------------------------|--------|--------|--------|--------|--------|
| Current Assets | 12,992 | 17,061 | 19,718 | 23,086 | 26,498 |
| Bank balances and cash | 1,772 | 1,718 | 2,482 | 3,441 | 4,371 |
| Trade and other receivables | 4,362 | 4,807 | 5,685 | 6,159 | 7,006 |
| Inventories | 4,317 | 6,112 | 6,587 | 7,555 | 8,280 |
| Other current assets | 2,540 | 4,425 | 4,964 | 5,930 | 6,841 |
| Long-term investment | 549 | 743 | 792 | 847 | 906 |
| PP&E | 3,942 | 4,729 | 5,202 | 5,722 | 6,295 |
| Intangible and other assets | 2,893 | 5,363 | 5,713 | 6,088 | 6,497 |
| Total Assets | 20,375 | 27,927 | 31,455 | 35,772 | 40,225 |
| Current Liabilities | 12,430 | 16,269 | 18,055 | 20,330 | 22,455 |
| Borrowings | 5,319 | 6,596 | 7,256 | 8,127 | 8,939 |
| Trade and other payables | 5,201 | 6,710 | 7,803 | 9,168 | 10,437 |
| Other current liabilities | 1,909 | 2,963 | 2,996 | 3,035 | 3,078 |
| Long-term liabilities | 2,542 | 2,876 | 3,076 | 3,076 | 3,076 |
| Total Liabilities | 14,972 | 19,145 | 21,131 | 23,405 | 25,531 |
| Minority Interests | 441 | 493 | 592 | 710 | 852 |
| Shareholder Equity | 5,403 | 8,781 | 10,324 | 12,367 | 14,695 |
| Share Capital | 12 | 15 | 12 | 12 | 12 |
| Reserves | 4,950 | 8,273 | 9,720 | 11,645 | 13,830 |
| Equity attributable | 4,962 | 8,288 | 9,732 | 11,657 | 13,843 |
| Total Liabilities and equity | 20,375 | 27,927 | 31,455 | 35,772 | 40,225 |

Source: SWS Research

Cash Flow Statement

| Rmbm | 2016 | 2017 | 2018E | 2019E | 2020E |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Profit before taxation | 1,152 | 2,084 | 2,908 | 3,868 | 4,392 |
| Plus: Depreciation. and amortisation | 53 | 494 | 544 | 598 | 658 |
| Finance cost | 479 | 572 | 624 | 672 | 673 |
| Losses from investments | 441 | 0 | 0 | 0 | 0 |
| Change in working capital | (996) | (1,583) | (1,660) | (2,057) | (2,389) |
| Others | (559) | (458) | (640) | (851) | (966) |
| CF from operating activities | 571 | 1,108 | 1,776 | 2,230 | 2,368 |
| CAPEX | (929) | (394) | (473) | (520) | (572) |
| Other CF from investing activities | (382) | (827) | (897) | (950) | (1,006) |
| CF from investing activities | (1,311) | (1,221) | (1,370) | (1,470) | (1,578) |
| Equity financing | 0 | 0 | 0 | 0 | 0 |
| Net change in liabilities | 1,707 | 753 | 860 | 871 | 813 |
| Dividend and interest paid | (682) | (572) | (624) | (672) | (673) |
| Other CF from financing activities | (45) | 0 | 0 | 0 | 0 |
| CF from financing activities | 980 | 181 | 236 | 199 | 140 |
| Net cash flow | 240 | 68 | 642 | 959 | 930 |

Source: SWS Research

Key Financial Ratios

| | 2016 | 2017 | 2018E | 2019E | 2020E |
|--------------------------------|------|------|-------|-------|-------|
| Ratios per share (RMB) | | | | | |
| Earnings per share | 0.58 | 0.91 | 1.16 | 1.54 | 1.75 |
| Diluted earnings per share | 0.56 | 0.83 | 1.15 | 1.53 | 1.74 |
| Operating CF per share | 0.39 | 0.67 | 0.97 | 1.22 | 1.29 |
| Dividend per share | 0.17 | 0.27 | 0.37 | 0.49 | 0.56 |
| Net assets per share | 3.65 | 5.31 | 5.63 | 6.74 | 8.01 |
| Key Operating Ratios(%) | | | | | |
| ROIC | 8.1 | 10.1 | 13.1 | 15.5 | 15.7 |
| ROE | 18.5 | 22.8 | 27.0 | 26.5 | 25.2 |
| Gross profit margin | 8.84 | 9.91 | 10.09 | 10.45 | 10.65 |
| EBITDA Margin | 3.9 | 5.9 | 6.1 | 6.5 | 6.8 |
| EBIT Margin | 3.8 | 4.9 | 5.3 | 5.7 | 6.0 |
| Growth rate of Revenue(YoY) | 20.7 | 17.8 | 33.3 | 17.4 | 6.9 |
| Growth rate of Profit(YoY) | 62.3 | 77.4 | 39.5 | 33.0 | 13.6 |
| Debt-to-asset ratio | 45.4 | 41.6 | 39.6 | 37.3 | 35.2 |
| Turnover rate of net assets | 8.6 | 7.1 | 8.0 | 7.0 | 6.2 |
| Turnover rate of total assets | 2.3 | 2.1 | 2.4 | 2.3 | 2.2 |
| Effective tax rate (%) | 21.2 | 20.2 | 22.0 | 22.0 | 22.0 |
| Dividend yield (%) | 1.8 | 2.8 | 3.8 | 5.1 | 5.8 |
| Valuation Ratios (X) | | | | | |
| P/E | 13.5 | 8.5 | 6.7 | 5.0 | 4.4 |
| P/B | 2.1 | 1.5 | 1.4 | 1.1 | 1.0 |
| EV/Sale | 0.5 | 0.4 | 0.3 | 0.3 | 0.3 |
| EV/EBITDA | 12.9 | 7.2 | 5.3 | 4.2 | 3.8 |

Source: SWS Research

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Trading BUY: Share price performance is expected to generate more than 20% upside over a 6-month period.

BUY: Share price performance is expected to generate more than 20% upside over a 12-month period.

Outperform: Share price performance is expected to generate between 10-20% upside over a 12-month period.

Hold: Share price performance is expected to generate between 10% downside to 10% upside over a 12-month period.

Underperform: Share price performance is expected to generate between 10-20% downside over a 12-month period.

SELL: Share price performance is expected to generate more than 20% downside over a 12-month period.

Industry Investment Rating:

When measuring the difference between the markup of the industry index and that of the market's benchmark within six months after the release of the report, we define the terms as follows:

Overweight: Industry performs better than that of the whole market;

Equal weight: Industry performs about the same as that of the whole market;

Underweight: Industry performs worse than that of the whole market.

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HSCEI is the benchmark employed in this report.

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