



Company Report: BAIC Motor (01958 HK)

公司报告: 北京汽车 (01958 HK)

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Recovery on Track but Already Priced in, Downgrade to "Neutral"

复苏如期但已反映，下调至“中性”

- **Beijing Hyundai confirmed its recovery trend.** Beijing Hyundai sales was up 72.2% in May 2018, with YTD sales up 10.1%, mainly driven by recovery in its SUV segment. The brand new Encino (昂希诺) hit the market in April 2018, making 4,385 units of sales in its first month. We believe it has the potential to rise above 10,000 units in monthly sales in 2H18 after fully ramping up.
- **We have slightly adjusted upwards our profit forecast by 4.2% / 4.9% / 2.2% in 2018 to 2020, respectively.** We have mainly adjusted upwards on our forecast of Beijing Benz as sales has performed better than expected so far, particularly both the C-class and E-class. Meanwhile, the recovery of Beijing Hyundai is largely in line with our expectation, therefore we maintain our previous forecasts unchanged.
- **We downgrade to "Neutral" rating for BAIC on fair valuation and priced-in recovery trend.** We slight revise up TP to HK\$ 8.74, representing 8.5x 2018 PER, 6.3x 2019 PER. We believe our valuation is fair, which aligns with the long-term average. We believe the stock has rallied since late April, partly reflecting recovery in its Korean brand and a rebound of negative investment sentiment regarding the opening up of the auto market in China. We should continue stay cautious in the future due to the competitive environment and the short-term effects from lowering import duties.
- **北京现代证实了其复苏的趋势。** 2018年5月，北京现代汽车销量增长72.2%，年初至今销量增长10.1%，主要受SUV市场复苏的驱动。全新的Encino（昂希诺）于四月份上市，并达到4,385台的月销售。我们认为下半年爬坡后，月销售量将有机会上涨超过10,000辆。
- **我们将2018年至2020年的盈利预测分别小幅上调4.2%/4.9%/2.2%。** 我们主要对北京奔驰的预测向上调整，因为迄今为止销售表现好于预期，特别是C级和E级。同时，北京现代的复苏基本符合我们的预期，因此保持我们之前的预测不变。
- **基于估值合理及已预期恢复趋势，我们下调评级至“中性”。** 我们将目标价调整至8.74港元，相当于8.5倍2018年市盈率和6.3倍2019年市盈率。我们认为我们的估值合理，与长期平均值相符。我们认为4月下旬以来股价上涨部分反映了韩国品牌的复苏以及中国汽车市场开放的负面投资情绪的反弹。由于竞争环境和降低进口关税的短期效应，我们应该继续保持谨慎。

Rating:

Neutral

Downgraded

评级:

中性 (下调)

6-18m TP 目标价:

HK\$8.74

Revised from 原目标价:

HK\$8.41

Share price 股价:

HK\$8.600

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1个月	3个月	1年
Abs. % 绝对变动 %	12.0	(20.8)	3.5
Rel. % to HS Index 相对恒指变动 %	13.3	(18.0)	(15.4)
Avg. Share price(HK\$) 平均股价 (港元)	8.0	8.6	8.8

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2016A	116,199	6,367	0.838	91.8	9.2	5.287	1.5	0.290	3.8	16.9
2017A	134,159	2,253	0.297	(64.6)	23.5	5.376	1.3	0.100	1.4	5.6
2018F	150,680	6,693	0.835	181.1	8.3	5.701	1.2	0.282	4.0	15.5
2019F	174,530	9,121	1.138	36.3	6.1	6.455	1.1	0.384	5.5	18.7
2020F	183,213	9,804	1.223	7.5	5.7	7.266	1.0	0.412	5.9	17.8

Shares in issue (m) 总股数 (m)	8,015.3	Major shareholder 大股东	BAIC Group 42.6%
Market cap. (HK\$ m) 市值 (HK\$ m)	68,931.6	Free float (%) 自由流通比率 (%)	57.4
3 month average vol. 3个月平均成交股数 ('000)	28,531.2	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52周高/低 (HK\$)	12.580 / 6.410	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	9.2

Source: the Company, Guotai Junan International.

New Models Get Hyundai Back on its Feet

Beijing Hyundai showed a promising recovery trend. Beijing Hyundai sales was up 72.2% in May 2018, with YTD sales up 10.1%, mainly driven by recovery in its SUV segment. Despite market share further decreasing to 3.0% only in May, we believe that this will be the lowest. The brand has been benefiting from a revamp of its model lineup. The brand new Encino (昂希诺) hit the market in April 2018, making 4,385 units of sales in its first month. We believe it has potential to rise above 10,000 monthly sales in 2H18 after fully ramping up. If we reference one of the substitutes, Honda XR-V manufactured by Dongfeng Honda, we believe that sales potential is achievable. The XR-V reached 168,000 units in sales in 2017, averaging 14,000 per month. The Hyundai Encino has better engine power, fuel efficiency and technical capability (supports carplay and carlife) than the XR-V and other major competitors, giving them strong sales potential. Another key model that has been performing above average is the compact SUV iX35. The new iX35 maintained above 10,000 units in sales so far in 2018, and we expect it can be maintained throughout 2018. However, the new Toyota CH-R launched later this year will challenge Encino sales.

Figure-1: Beijing Hyundai Market Share

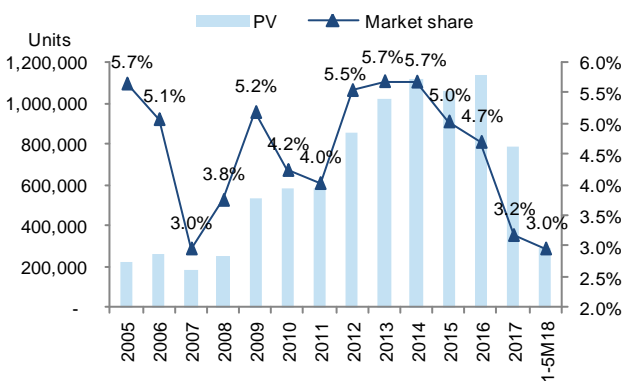
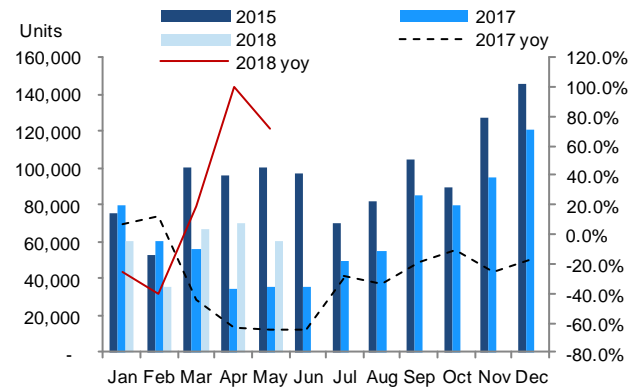


Figure-2: Beijing Hyundai Sales



Source: the Company, Guotai Junan International.

Source: the Company, Guotai Junan International.

Beijing Benz Unafraid of Opening up of Auto Market

Beijing Benz sales kept up and should be able to fend off the lowering import duty in the medium to long term. Sales of Beijing Benz was satisfying, up 18.1% in May 2018 and up 18.3% in YTD sales, just behind FAW Audi but better than Brilliance BMW. Sales was mainly driven by both the E-class and C-class, up 36.5% and 25.5%, respectively, in 1-5M2018. In 2H18, we believe that the A-class sedan L will be able to stand out due to 1) the growing trend of the young customer segment and 2) its relative stronger specs compared to its peers from the BMW 1-series and FAW Audi A3. The 15% import duty for vehicles will be effective from 1 July 2018. The effect is still uncertain and we believe there should be short term pressure to Beijing Benz from the lowering selling price from imported cars. However, we also believe that JV brands are able to adjust their price as imported components are cheaper after lowering import duties.

Table-1: Financial Summary of Beijing Benz

	2016A	2017A	2018F	2019F	2020F
Financial					
External revenue	85,312	116,773	135,300	156,982	165,987
yoy	28.7%	36.9%	15.9%	16.0%	5.7%
Gross profit / (loss)	25,375	38,179	44,507	51,953	55,265
yoy	52.0%	50.5%	16.6%	16.7%	6.4%
Operating (loss)/profit	14,574	22,542	26,373	30,913	33,018
yoy	86.4%	54.7%	17.0%	17.2%	6.8%
Net profit	10,374	17,070	19,970	23,405	24,997
yoy	74.3%	64.6%	17.0%	17.2%	6.8%
Net profit to BAIC	5,291	8,706	10,185	11,937	12,748
GP Margin	29.7%	32.7%	32.9%	33.1%	33.3%
EBIT Margin	17.1%	19.3%	19.5%	19.7%	19.9%
Net Margin (RHS)	12.2%	14.6%	14.8%	14.9%	15.1%

Source: the Company, Guotai Junan International.

Beijing Brand

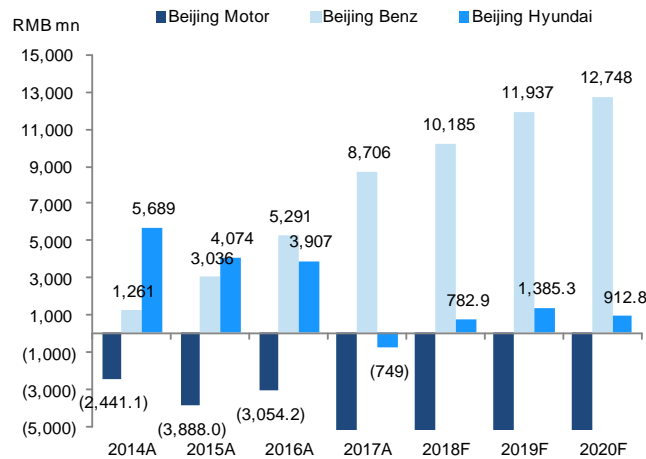
No strong strategy for a turnaround. Senova brand’s sales decline has narrowed in 2018 so far, and has been slow to get back on growth track. The reason is mainly due to a lack of strong products. In 1-5M18, sales decreased by 4.9% yoy. The sedan segment was impressive, selling 14,466 units as compared to 469 units in the same period last year, thanks to the D50 and D70. In contrast, SUV sales was down 44.1% yoy. The situation is not too optimistic as sales still decline despite putting out its 2.0 generation models. We expect the current situation to remain, as it seems there is no major turnaround plan to revive the brand at the moment. Model cycle is slow and we therefore expect another underperforming year for Senova. On the other hand, its BJ brand sales stayed largely flat in 1-5M18, down slightly by 2.8% yoy, with only its BJ40 model able to yield better results than last year’s sales. Despite expecting the new generation of BJ40 PLUS and BJ80 in 2Q18, we expect that the impact to the overall Beijing Brand will not be significant.

Table-2: Model Pipeline 2018

Year	Model	Launch date	Mode of upgrade	Vehicle Types
Beijing Brand	D70	2H18	Facelift	Sedan
	X55	1Q18	Facelift	Compact SUV
	BJ40L (Diesel)	2018	New version	Compact SUV
	BJ40	2018	New generation	Compact SUV
	BJ80	2018	New generation	Mid-size SUV
Beijing Hyundai	iX 35	Mar-18	New generation	Compact SUV
	Encino	Mar-18	New	Mini SUV
	Santa Fe	2018	New generation	Mid-size SUV
Beijing Benz	GLC L	2H18	New	Mid-size SUV
	A-class sedan	2H18 / 2019	New	Sedan
	EQ Model	2019	New	NEV SUV

Source: the Company, Autohome, Guotai Junan International.

Figure-3: Profit / Loss Contributed to BAIC Shareholders - by Brand



Source: the Company, Guotai Junan International.

Earnings Revisions

We have slightly adjusted upwards our profit forecast by 4.2% / 4.9% / 2.2% in 2018 to 2020, respectively. We mainly adjusted upwards our forecast of Beijing Benz as sales performed better than expected so far, particularly both the C-class and E-class. Meanwhile, the recovery of Beijing Hyundai is largely in line with our expectation, therefore we maintain our previous forecasts unchanged.

Table-3: Major Financial Data and Forecasts

	2016A	2017A	2018F	2019F	2020F
Vehicle sales (Units)					
Beijing Benz	317,069	422,558	480,000	546,000	566,000
yoy	26.7%	33.3%	13.6%	13.8%	3.7%
Beijing Brand	461,961	236,000	197,510	223,115	216,857
yoy	37.0%	-48.9%	-16.3%	13.0%	-2.8%
Beijing Hyundai	1,142,016	785,006	825,641	979,600	1,016,800
yoy	7.4%	-31.3%	5.2%	18.6%	3.8%
Fujian Benz	12,568	22,000	24,034	26,034	26,034
yoy	87.5%	75.0%	9.2%	8.3%	0.0%
Total	1,933,614	1,465,564	1,527,185	1,774,749	1,825,691
yoy	16.7%	-24.2%	4.2%	16.2%	2.9%
Financial (RMB mn)					
Revenue	116,199	134,159	150,680	174,530	183,213
yoy	38.1%	15.5%	12.3%	15.8%	5.0%
Gross profit	26,232	35,499	43,277	51,251	54,576
%	22.6%	26.5%	28.7%	29.4%	29.8%
Share of profit from JV and associate	4,217	(34)	1,766	2,687	2,648
yoy	-1.0%	-100.8%	-5327.0%	52.1%	-1.5%
Shareholders' profit	6,367	2,253	6,693	9,121	9,804
yoy	91.9%	-64.6%	197.1%	36.3%	7.5%
EPS, basic	0.838	0.297	0.835	1.138	1.223
yoy	91.9%	-64.6%	181.5%	36.3%	7.5%

Source: the Company, Guotai Junan International.

Table-4: Key Changes in Assumptions

	New			Old			Changes		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Vehicle sales (Units)									
Sales volume	1,527,185	1,774,749	1,825,691	1,511,075	1,751,833	1,816,629	1.1%	1.3%	0.5%
Financials (RMB mn)									
Revenue	150,680	174,530	183,213	146,139	167,941	180,555	3.1%	3.9%	1.5%
Gross profit margin	28.7%	29.4%	29.8%	28.60%	29.20%	29.70%	0.1 ppt	0.2 ppt	0.1 ppt
Share of profit from JV	1,766	2,687	2,648	1,766	2,687	2,648	0.0%	0.0%	0.0%
Net income (Loss)	6,693	9,121	9,804	6,421	8,699	9,591	4.2%	4.9%	2.2%
Basics EPS (RMB)	0.835	1.138	1.223	0.801	1.085	1.197	4.3%	4.9%	2.2%

Source: Guotai Junan International.

Valuation

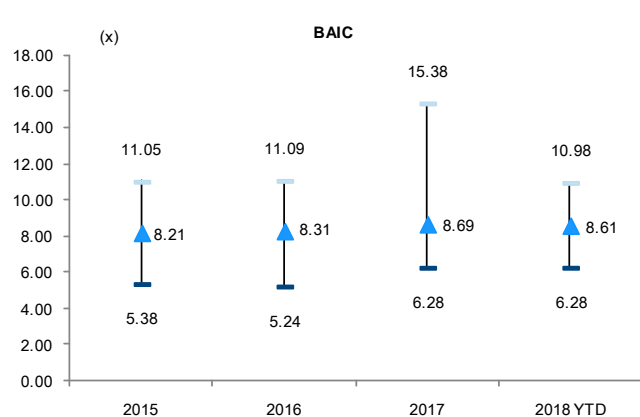
We downgrade to "Neutral" rating for BAIC on fair valuation and priced-in recovery trend. We slight revise up TP to HK\$ 8.74, representing 8.5x 2018 PER, 6.3x 2019 PER. We believe our valuation is fair and aligns with the long-term average. We believe that the stock rallied since late April, which partly reflects recovery in its Korean brand and a rebound of negative investment sentiment regarding the opening up of the auto market in China. We should continue to stay cautious in the future due to the competitive environment and short-term effects from lowering import duties.

Figure-4: PER Band of BAIC



Source: Bloomberg, Guotai Junan International.

Figure-5: PBR Range of BAIC



Source: Bloomberg, Guotai Junan International.

Table-5: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)		D/Y(%)		EV/E	
				17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F	18F		
Dongfeng Motor-H	489 HK	HKD	9.12	4.8	4.6	4.4	4.4	0.6	0.5	0.5	0.4	11.4	4.1	18.1			
Geely Automobile	175 HK	HKD	23.85	17.4	12.7	9.8	8.0	5.2	3.9	3.0	2.3	32.9	2.2	6.7			
Brilliance China	1114 HK	HKD	14.86	14.8	8.8	6.9	6.0	2.4	1.8	1.5	1.2	23.8	1.7	n.a.			
Great Wall Mot-H	2333 HK	HKD	7.45	11.7	7.2	6.4	5.8	1.2	1.0	0.9	0.8	14.9	4.8	5.9			
Qingling Motor-H	1122 HK	HKD	2.39	10.4	9.1	8.7	8.0	0.6	0.6	0.6	0.6	7.0	9.2	n.a.			
Byd Co Ltd-H	1211 HK	HKD	52.60	30.6	23.6	18.1	17.9	2.3	1.9	1.8	1.7	10.2	0.8	9.1			
Guangzhou Auto-H	2238 HK	HKD	9.04	6.5	5.5	4.9	4.5	1.1	0.9	0.8	0.7	17.6	6.5	7.8			
Baic Motor-H	1958 HK	HKD	8.60	24.8	7.7	6.1	5.2	1.3	1.1	1.0	0.9	17.1	5.3	1.5			
Weichai Power-H	2338 HK	HKD	12.04	12.3	12.2	11.7	11.8	2.3	2.0	1.8	1.7	16.2	4.1	5.1			
Sinotruk HK Ltd	3808 HK	HKD	12.72	10.1	9.3	9.2	10.3	1.3	1.2	1.1	1.0	12.4	5.5	3.1			
Simple Average				14.3	10.1	8.6	8.2	1.8	1.5	1.3	1.1	16.3	4.4	7.2			
Weighted Average				15.8	11.3	9.3	8.7	2.4	1.9	1.6	1.4	19.0	3.6	6.9			
Dongfeng Auto-A	600006 CH	CNY	4.5	44.7	11.8	12.0	11.8	1.3	1.3	1.2	1.1	8.8	2.1	n.a.			
Great Wall Mo-A	601633 CH	CNY	10.6	19.2	12.6	11.1	10.3	2.0	1.7	1.5	1.4	14.4	2.6	6.6			
Faw Car Co Ltd-A	000800 CH	CNY	8.6	49.8	n.a.	n.a.	n.a.	1.8	1.7	1.7	1.6	2.9	0.0	n.a.			
Saic Motor-A	600104 CH	CNY	36.65	12.4	11.3	10.4	9.8	1.9	1.8	1.6	1.5	15.7	5.8	7.7			
Chongqing Chan-A	000625 CH	CNY	9.82	6.6	6.2	6.3	6.2	1.0	0.9	0.8	0.7	14.2	5.0	5.9			
Weichai Power-A	000338 CH	CNY	9.75	11.5	11.5	11.0	10.4	2.2	1.9	1.7	1.4	14.7	4.0	5.4			
Beiqi Foton-A	600166 CH	CNY	2.12	106.0	8.5	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Anhui Jianghua-A	600418 CH	CNY	7.48	32.5	21.4	15.6	15.5	1.0	1.0	0.9	0.9	5.6	1.9	7.0			
Cnhtc Jinan T-A	000951 CH	CNY	13.81	10.3	11.3	9.8	8.4	1.6	1.5	1.5	1.2	15.1	4.2	n.a.			
Zhengzhou Yut-A	600066 CH	CNY	21.78	15.4	13.0	12.0	11.5	3.3	2.7	2.4	2.2	20.6	3.6	7.7			
Xiamen King Lo-A	600686 CH	CNY	13.50	17.1	19.0	15.4	14.0	2.3	1.8	1.6	1.4	11.4	n.a.	n.a.			
Jiangling Moto-A	000550 CH	CNY	13.39	16.7	10.1	16.9	18.7	0.9	1.0	0.9	1.0	6.4	3.1	n.a.			
Yangzhou Yax-A	600213 CH	CNY	9.48	49.9	n.a.	n.a.	n.a.	11.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Zhongtong Bus-A	000957 CH	CNY	7.94	24.8	7.4	6.5	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.			
Simple Average				30.2	12.4	12.1	11.7	2.5	1.6	1.4	1.3	11.8	3.2	6.7			
Weighted Average				21.2	11.2	10.0	9.6	2.0	1.7	1.5	1.3	13.3	3.1	5.1			
Nissan Motor Co	7201 JP	JPY	1,104.50	6.7	5.8	7.8	7.0	0.9	0.8	0.7	0.7	9.8	5.1	11.9			
Toyota Motor	7203 JP	JPY	7,496.00	12.4	8.9	9.6	9.0	1.3	1.2	1.1	1.0	11.7	3.0	11.1			
Honda Motor Co	7267 JP	JPY	3,598.00	10.5	6.1	8.9	8.2	0.9	0.8	0.8	0.7	8.8	3.2	7.6			
Mazda Motor	7261 JP	JPY	1,429.50	9.1	7.8	9.7	8.5	0.8	0.8	0.7	0.7	7.5	2.5	4.0			
Mitsubishi Heavy	7011 JT	JPY	4,158.00	15.9	19.8	17.1	12.3	0.8	0.8	0.8	0.7	4.3	3.0	6.3			
Fuji Heavy Indus	7270 JP	JPY	3,421.00	9.4	11.9	9.9	8.9	1.8	1.7	1.5	1.4	15.9	4.3	3.6			
Suzuki Motor	7269 JP	JPY	6,466.00	17.8	13.2	12.6	11.8	2.5	2.2	1.9	1.7	16.5	1.2	5.3			
Hino Motors Ltd	7205 JP	JPY	1,243.00	14.4	13.9	12.0	10.3	1.5	1.4	1.3	1.2	11.7	2.5	5.9			
Isuzu Motors	7202 JP	JPY	1,583.50	13.3	11.8	10.6	9.7	1.5	1.4	1.2	1.1	12.4	2.4	5.7			
Simple Average				12.2	11.0	10.9	9.5	1.3	1.2	1.1	1.0	10.9	3.0	6.8			
Weighted Average				11.8	9.1	9.8	9.0	1.3	1.2	1.1	1.0	11.3	3.2	9.4			
Hyundai Motor	005380 KS	KRW	140,500.00	9.4	9.2	7.7	7.0	0.4	0.5	0.5	0.5	6.5	3.4	9.2			
Ford Motor Co	F US	USD	12.11	6.3	7.8	8.0	7.6	1.4	1.3	1.0	1.0	15.6	5.0	3.0			
Navistar Intl	NAV US	USD	39.81	124.4	17.8	11.7	11.3	n.a.	n.a.	n.a.	n.a.	(8.0)	0.0	8.1			
Paccar Inc	PCAR US	USD	65.20	13.7	11.4	11.3	12.0	2.8	2.5	2.1	1.8	20.9	3.6	9.4			
Volkswagen Ag	VOW GR	EUR	159.80	7.1	6.0	5.6	5.5	0.8	0.7	0.6	0.6	11.7	4.0	3.1			
Bayer Motoren Wk	BMW GR	EUR	84.82	6.5	7.4	7.2	6.9	1.0	1.0	0.9	0.8	12.6	4.8	2.2			
Daimler Ag	DAI GR	EUR	61.87	6.3	6.6	6.5	6.4	1.0	0.9	0.9	0.8	15.4	6.1	2.5			
Man Se	MAN GR	EUR	93.10	44.0	40.2	28.4	24.4	2.3	2.2	2.1	2.0	7.9	3.3	10.5			
Renault Sa	RNO FP	EUR	83.45	4.4	5.2	5.1	5.1	0.7	0.7	0.6	0.7	12.6	4.8	2.8			
Volvo Ab-B	VOLVB SS	SEK	148.80	14.4	12.0	11.5	11.3	2.8	2.4	2.3	2.0	21.1	3.5	5.6			
General Motors C	GM US	USD	25.16	18.1	7.3	6.1	5.1	1.3	1.2	1.0	1.0	19.2	2.3	4.1			
Tata Steel Ltd	TATA IN	INR	567.90	n.a.	4.4	7.9	7.5	1.5	1.1	1.1	1.0	13.8	1.7	5.7			
Simple Average				23.1	11.3	9.7	9.2	1.5	1.3	1.2	1.1	12.4	3.6	5.5			
Weighted Average				10.1	8.8	8.1	7.8	1.3	1.1	1.0	0.9	13.7	4.4	4.1			
Global Simple Average				20.0	11.3	10.1	9.7	1.9	1.5	1.3	1.2	13.5	3.7	6.5			
Global Weighted				12.0	9.3	9.0	8.5	1.4	1.3	1.1	1.0	13.4	3.8	6.6			

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	116,199	134,159	150,680	174,530	183,213
Cost of sales	(89,967)	(98,659)	(107,404)	(123,278)	(128,637)
Gross profit	26,232	35,499	43,277	51,251	54,576
Distribution expenses	(10,603)	(11,920)	(13,387)	(15,506)	(16,278)
Administrative expenses	(4,297)	(5,007)	(5,624)	(6,514)	(6,838)
Operating Profit	11,331	18,573	24,266	29,231	31,461
Share of results of joint ventures and associates	4,217	(34)	1,766	2,687	2,648
Other gains, net	189	(1,055)	(1,185)	(1,372)	(1,440)
Finance costs, net	(468)	(448)	(111)	175	326
Profit Before Tax	15,269	17,036	24,737	30,721	32,994
Income Tax	(3,733)	(6,038)	(8,258)	(10,132)	(10,942)
profit After Tax	11,536	10,998	16,479	20,590	22,052
Non-controlling Interest	(5,169)	(8,745)	(9,785)	(11,469)	(12,248)
Shareholders' Profit / Loss	6,367	2,253	6,693	9,121	9,804
Basic EPS	0.838	0.297	0.835	1.138	1.223
Diluted EPS	0.838	0.297	0.835	1.138	1.223
Dividend per share (RMB)	0.290	0.100	0.282	0.384	0.412

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
EBT	15,269	17,036	24,737	30,721	32,994
Depreciation and amortization	4,937	5,848	5,997	6,627	7,655
Finance cost, net	468	448	111	(175)	(326)
Changes in working capital	5,023	2,581	276	3,203	960
Share of results of JV and associates	(4,217)	34	(1,766)	(2,687)	(2,648)
Change of other operating Items	(158)	(228)	(111)	175	326
Income taxes paid	(4,677)	(6,216)	(7,603)	(9,946)	(11,973)
Cash from Operating Activities	16,646	19,503	21,640	27,918	26,988
Net investments in PPE	(7,040)	(6,925)	(4,000)	(14,000)	(15,000)
Net change of prepaid land lease	(270)	(1,878)	0	0	0
Net change of intangible assets	(2,449)	(2,573)	(2,746)	(3,021)	(3,323)
Net change of restricted cash	(124)	1,042	(521)	261	(130)
Dividend received from JV and associates	3,761	3,618	(595)	838	1,437
Net investments in Asso. and JV	(2,427)	(1,131)	(692)	(629)	(732)
Others	(77)	1,308	491	747	265
Cash from Investing Activities	(8,626)	(6,538)	(8,064)	(15,805)	(17,484)
Net change of LT bank loan	5,039	(3,857)	2,027	365	1,307
Issuance of shares	0	0	3,314	0	0
Dividend paid	(1,139)	(2,203)	(760)	(2,257)	(3,075)
Others	107	(6,095)	0	0	0
Cash from Financing Activities	4,007	(12,154)	4,581	(1,891)	(1,768)
Net Changes in Cash	12,027	811	18,158	10,222	7,736
Other adjustment	90	(50)	0	0	0
Cash at Beg of Year	23,946	36,064	36,825	54,982	65,205
Cash at End of Year	36,064	36,825	54,982	65,205	72,940

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PPE	40,071	42,371	42,162	51,441	60,816
Intangible assets	13,446	13,739	14,767	15,934	17,253
Interest in associates and JV	17,914	14,707	17,761	20,239	22,182
Land use rights	5,483	7,462	7,295	7,131	6,971
Deferred tax assets	5,504	7,036	8,720	10,573	12,612
Others	1,509	3,294	3,311	3,303	3,307
Total Non-current Assets	83,927	88,609	94,016	108,622	123,141
Pledged deposit	1,587	545	1,066	806	936
Inventories	14,167	16,876	16,897	19,395	20,238
Trade and other receivables	31,992	23,985	31,435	36,410	38,222
Others	1,163	563	613	703	734
Cash & Cash Equivalents	36,064	36,825	54,982	65,205	72,940
Total Current Assets	84,973	78,794	104,993	122,518	133,069
Total Assets	168,900	167,403	199,010	231,140	256,210
Trade payables	66,306	62,621	70,144	80,511	84,011
Bank borrowing	27,570	18,478	22,773	23,393	24,442
Other liabilities	4,285	5,962	12,494	15,197	16,181
Total Current Liabilities	98,161	87,061	105,411	119,101	124,633
LTBank borrowing	7,809	13,167	11,059	10,833	11,194
Deferred tax liabilities	809	878	875	886	912
Others	4,089	6,656	7,383	8,523	8,927
Total Non-current Liabilities	12,707	20,701	19,316	20,242	21,033
Total Liabilities	110,867	107,762	124,727	139,343	145,666
Total Shareholders' Equity	40,160	40,836	45,693	51,739	58,237
Minority Interest	17,873	18,805	28,590	40,059	52,307
Total Equity	58,033	59,641	74,283	91,797	110,544
BPS(RMB)	5.287	5.376	5.701	6.455	7.266

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Profitability					
Gross profit margin (%)	22.6	26.5	28.7	29.4	29.8
EBITDAR (%)	17.8	17.4	20.5	21.3	22.0
EBIT Margin (%)	13.5	13.0	16.5	17.5	17.8
Net profit margin (%)	9.9	8.2	10.9	11.8	12.0
ROE (%)	16.9	5.6	15.5	18.7	17.8
ROA (%)	10.6	10.4	13.6	14.2	13.4
Growth Analysis					
Sales volume growth (%)	16.4	-23.7	4.2	16.2	2.9
Revenue growth (%)	38.1	15.6	12.2	15.8	5.0
EPS (%)	91.9	(64.6)	181.5	36.3	7.5
BPS (%)	14.7	1.7	6.0	13.2	12.6
Liquidity and solvency					
Gearing ratio (%)	net cash	net cash	net cash	net cash	net cash
Cash ratio	0.4	0.4	0.5	0.5	0.6
Quick ratio	0.7	0.7	0.8	0.9	0.9
Current ratio	0.9	0.9	1.0	1.0	1.1
Efficiency Analysis					
Inventory turnover	49	57	57	57	57
Days receivable	60	64	64	64	64
Days payable	128	143	143	143	143

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	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	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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