

18 July 2018

买入
维持

降本增效

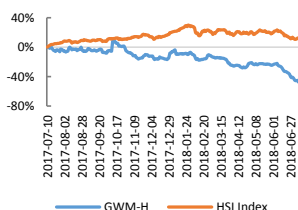
GREAT WALL MOTOR (02333 HK)

Financial summary and valuation

Market Data: 17 July 2018

Closing Price (HK\$)	5.23
Price Target (HK\$)	8.30
HSCEI	10,592
HSCCI	4,254
52-week High/Low (HK\$)	11.77 / 5.09
Market Cap (US\$m)	10,369
Market Cap (HK\$m)	81,006
Shares Outstanding (m)	9,127
Exchange Rate (Rmb-HK\$)	0.84

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

"GWM (2333:HK)-Car pooling" July 11, 2018

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	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	98,616	101,169	108,327	117,029	118,692
YOY (%)	29.7	2.6	7.1	8.0	1.4
Net income (Rmbm)	10,551	5,027	8,016	8,843	9,084
YOY (%)	30.9	(52.4)	59.5	10.3	2.7
EPS (Rmb)	1.16	0.55	0.88	0.97	1.00
Diluted EPS (Rmb)	1.16	0.55	0.88	0.97	1.00
ROE (%)	22.3	10.2	14.4	14.2	13.2
Debt/asset (%)	48.7	55.4	54.4	53.1	52.1
Dividend Yield (%)	8.0	3.9	6.0	6.6	6.8
P/E (x)	3.8	8.0	5.0	4.5	4.4
P/B (x)	0.8	0.8	0.7	0.6	0.6
EV/EBITDA (x)	3.8	6.3	4.2	3.8	3.5

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:

长城汽车公告显示，公司 1H18 有望实现净利润人民币 36.8 亿元，同比增长 52.1%，主要原因在于 WEY 销量占比提高，利润率水平有所恢复。公司 1H18 业绩符合预期，我们维持 18 年 EPS 人民币 0.88 元（同比增长 60%），19 年 EPS 人民币 0.97 元（同比增长 10.2%），20 年 EPS 人民币 1.00 元（同比增长 3.1%）。我们维持目标价港币 8.30 元，对应 58.7% 上升空间，维持买入评级。

1H18 业绩略好于预期。公司 1H18 有望实现总收入人民币 487 亿元（同比增长 18.0%），净利润 36.8 亿元（同比增长 52.1%），主要原因在于 WEY 销量占比提高，利润率水平有所恢复。公司业绩预告符合我们预期，但高于市场预期约 6%。上半年长城汽车实现销量 47.2 万台，同比增长 2.3%，仅完成全年销量目标的 40.6%。上半年 WEY 品牌销量 7.8 万台，销量占比为 16.5%，促进公司产品结构上移。我们预期 18 年平均单车收入同比增长 8.3% 至人民币 10.2 万元。由于 2018 年合资品牌入门车型与自主品牌高端车型竞争加剧，WEY 自 2Q18 期销量环比下滑。我们维持 18 年销量预测 105 万台（同比下降 1.5%），19 年 112 万台（同比增长 6.4%）。

降本增效。由于汽车行业竞争加剧，WEY 品牌自 2Q18 终端折扣有所增加。公司希望通过降低采购成本、资本化研发费用等方式提高盈利水平。我们预期公司毛利率水平由 17 年 18.4% 升至 18 年 19.8%，经营利润率由 17 年 5.8% 升至 18 年 8.8%。

携手宝马。2018 年 7 月 10 日，长城汽车与宝马集团签署合资合同，双方将于江苏张家港经济技术开发区成立合资公司光束汽车有限公司，各持股 50%。双方将在新能源汽车、燃油车及相关零部件的生产、销售、出口等领域展开合作。合资公司不仅负责 Mini 品牌的电动及国产化，也将为长城汽车生产新能源车型，首款车型有望于 2020 年上市。目前双方的合作对长城汽车 2018 年经营业绩并无重大影响。长城与宝马将通过合资公司实现优势互补，合作共赢。宝马将进一步强化在华细分市场份，且享受国内完善的产业链和较低的生产成本，在全球市场竞争中保持竞争力。长城有望吸收转化宝马先进的生产技术及管理经验，提高品牌溢价能力，同时缓解公司新能源积分考核压力。

维持买入评级。公司 1H18 业绩符合预期，我们维持 18 年 EPS 人民币 0.88 元（同比增长 60%），19 年 EPS 人民币 0.97 元（同比增长 10.2%），20 年 EPS 人民币 1.00 元（同比增长 3.1%）。我们维持目标价港币 8.30 元，对应 58.7% 上升空间，维持买入评级。

投资要点：

Great Wall Motor (GWM) released a positive profit alert, guiding net profit growth of 52.1% YoY in 1H18, mainly driven by improving product mix and recovering profitability. The 1H18 profit guidance is in line with our previous estimate, and we maintain our diluted EPS forecasts of Rmb0.88 in 18E (+60% YoY), Rmb0.97 in 19E (+10.2% YoY), and Rmb1.00 in 20E (+3.1% YoY). We maintain our target price of HK\$8.30. With 58.7% upside, we maintain our BUY rating.

1H18 profit slightly beat. The company guided total revenue of Rmb48.7bn (+18.0% YoY) and net profit of Rmb3.7bn (+52.1% YoY) in 1H18, mainly driven by improving product mix and recovering profitability. The 1H18 profit guidance was in line with our previous estimate, while coming in slightly (6%) higher than market consensus. The company realised total sales of 471.5k units in 1H18 (+2.3% YoY), representing 40.6% of its annual sales target. The firm's WEY brand sales totalled 77.6k units in 1H18, representing 16.5% of total sales and implying an improving product mix. We expect to see the company's average selling price (ASP) pick up 8.3% YoY to Rmb101.7k. We note sliding monthly sales of WEY models since 2Q18, mainly due to intensifying competition between entry-level products of mass market brands and high-end models of domestic brands. With ongoing pressure from foreign brands, we maintain our sales forecast of 1.05m units in 18E (-1.5% YoY) and 1.12m units in 19E (+6.4% YoY).

Cost savings efforts. Amid fierce competition in the auto market, we note rising retail discounts for WEY models since 2Q18. Thus, the company is making efforts to control costs, including lowering auto parts costs and capitalising research & development expenses. We expect gross margin to rise from 18.4% in 17A to 19.8% in 18E and 19.9% in 19E, and operating margin to pick up from 5.8% in 17A to 8.8% in 18E and 9.0% in 19E.

Cooperation with BMW. The company announced on 10 July 2018 that it will set up a joint venture company, Spotlight Automotive, with BMW group. GWM and BMW will each hold a 50% interest in the joint venture. The parties will cooperate in the fields of manufacturing, selling and exporting new-energy vehicles (NEVs), fuel-engined vehicles and related components. The joint venture will not only focus on the *Mini* brand, but also produce electric models for GWM. The first model will be officially launched in 2020. The cooperation will have no material impact on GWM's 2018 earnings. However, we believe the cooperation will be beneficial for both parties. BMW will enhance its market share and maintain its pole position in the rapidly growing NEV market in China, while, for GWM, the partnership will improve its brand image, give the company exposure to advanced technology, and help it achieve its NEV credits target in the long-term.

Maintain BUY. The 1H18 profit guidance is in line with our previous estimate, and we maintain our diluted EPS forecasts of Rmb0.88 in 18E (+60% YoY), Rmb0.97 in 19E (+10.2% YoY), and Rmb1.00 in 20E (+3.1% YoY). We maintain our target price of HK\$8.30. With 58.7% upside, maintain BUY rating.

Running a tighter ship

Great Wall Motor (GWM) released a positive profit alert, guiding net profit growth of 52.1% YoY in 1H18, mainly driven by improving product mix and recovering profitability. The 1H18 profit guidance was in line with our previous estimate, while slightly beat the market consensus by 6%.

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Fig 1: GWM's sales forecast, by model

Unit sales breakdown	2016	2017	2018E	2019E	2020E
H2	196,926	215,100	100,000	100,000	100,000
H4			50,000	60,000	60,000
H6	580,683	506,418	470,000	483,500	483,500
M6		35,473	50,000	50,000	50,000
Others	153,444	94,865	66,114	60,000	60,000
Haval	931,053	851,856	736,114	753,500	753,500
VV5		33,658	90,000	100,000	100,000
VV6			10,000	40,000	50,000
VV7		52,769	90,000	100,000	100,000
WEY		86,427	190,000	240,000	250,000
Sedan	32,140	12,033	8,000	8,000	8,000
Pick-up	105,621	119,846	120,000	120,000	120,000
Total vehicles	1,068,814	1,070,162	1,054,114	1,121,500	1,131,500
YoY growth	25.7%	0.1%	-1.5%	6.4%	0.9%

Source: Company data, SWS Research

Fig 2: Monthly sales for WEY models

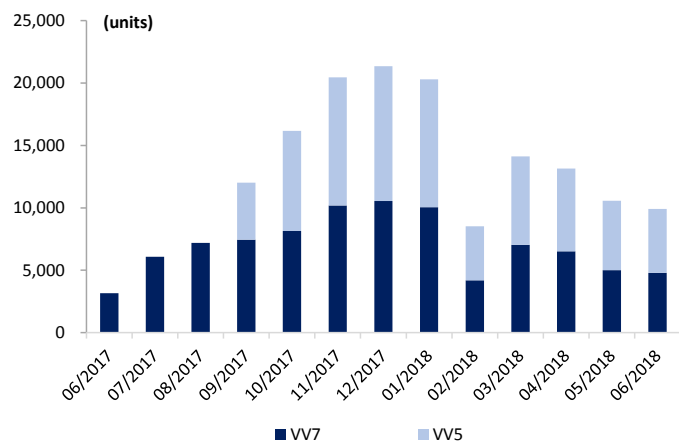
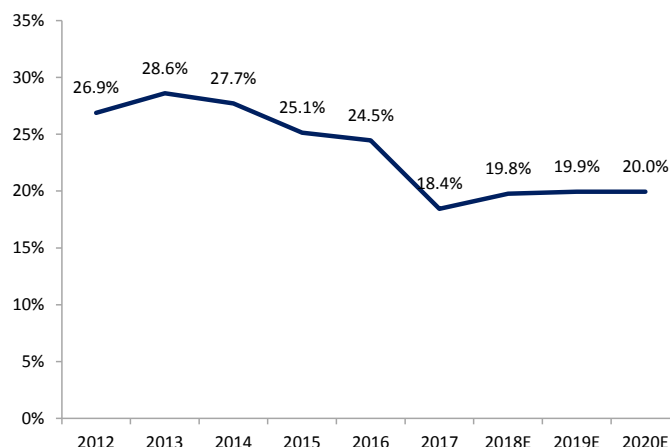


Fig 3: GWM's gross margin forecast



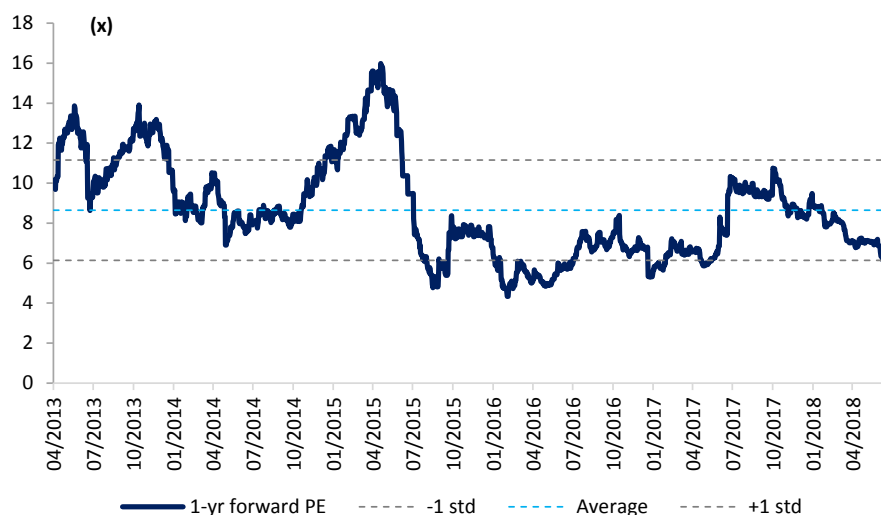
Source: Company, SWS Research

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Valuation

The 1H18 profit guidance is in line with our previous estimate, and we maintain our diluted EPS forecasts of Rmb0.88 in 18E (+60% YoY), Rmb0.97 in 19E (+10.2% YoY), and Rmb1.00 in 20E (+3.1% YoY). We maintain our target price of HK\$8.30. With 58.7% upside, we maintain our BUY rating.

Fig 4: Forward PE ratio



Source: Bloomberg, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	98,616	101,169	108,327	117,029	118,692
Cost of Sales	74,360	81,967	85,985	92,503	93,580
Gross Profit	24,255	19,203	22,341	24,526	25,113
Other Income	30	462	124	124	124
Distribution expenses	3,175	4,406	4,502	4,853	4,910
Administrative expenses	4,575	4,963	3,323	3,599	3,561
EBITDA	14,671	8,750	13,016	14,614	15,525
EBIT	12,276	5,854	9,498	10,477	10,750
Finance Costs	13	218	764	993	1,192
Profit before tax	12,483	6,233	9,916	10,938	11,234
Income tax expense	1,929	1,190	1,884	2,078	2,135
Minority interests	3	16	16	16	16
Equity holders of the parent	10,551	5,027	8,016	8,843	9,084

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	12,483	6,233	9,916	10,938	11,234
Plus: Depr. and amortisation	2,552	3,188	3,528	3,887	4,282
Finance cost	11	97	764	993	1,192
Losses from investments	(30)	(124)	0	0	0
Change in working capital	1,295	2,006	11,196	2,714	1,363
Others	(7,475)	(12,478)	(19,758)	(11,893)	(9,940)
CF from operating activities	8,835	(1,077)	5,646	6,639	8,131
Capex	6,684	5,822	3,636	4,048	4,508
Other CF from investing activities	(15,052)	(8,878)	(7,272)	(8,095)	(9,016)
CF from investing activities	(8,367)	(3,056)	(3,636)	(4,048)	(4,508)
Equity financing	922	0	0	0	0
Net change in liabilities	0	17,262	1,484	1,601	1,605
Dividend and interest paid	(1,738)	(3,362)	(1,552)	(2,405)	(2,653)
Other CF from financing activities	(300)	(7,811)	0	0	0
CF from financing activities	(1,116)	6,089	(68)	(803)	(1,048)
Net cash flow	(648)	1,957	1,942	1,788	2,575

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	53,928	69,293	77,264	83,461	89,728
Bank balances and cash	2,154	4,831	6,773	8,561	11,137
Trade and other receivables	40,304	49,949	54,416	57,251	59,353
Inventories	6,061	5,575	6,285	6,929	7,467
Other current assets	5,409	8,939	9,790	10,720	11,770
Long-term investment	0	0	0	0	0
PP&E	24,715	27,718	31,044	34,769	38,942
Intangible and other assets	13,666	13,536	13,846	14,218	14,603
Total Assets	92,309	110,547	122,154	132,449	143,273
Current Liabilities	43,252	58,881	63,822	67,464	71,779
Borrowings	250	13,038	14,342	15,776	17,354
Trade and other payables	29,172	31,841	34,340	35,715	37,644
Other current liabilities	13,830	14,002	15,140	15,973	16,781
Long-term liabilities	1,703	2,408	2,610	2,824	2,902
Total Liabilities	44,956	61,289	66,432	70,288	74,681
Minority Interests	59	123	123	123	123
Shareholder Equity	47,354	49,258	55,722	62,161	68,592
Share Capital	9,127	9,127	9,127	9,127	9,127
Reserves	38,168	40,007	46,472	52,910	59,341
Total Equity	47,295	49,135	55,599	62,038	68,468
Total Liabilities and equity	92,309	110,547	122,154	132,449	143,273

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	1.16	0.55	0.88	0.97	1.00
Diluted EPS	1.16	0.55	0.88	0.97	1.00
Operating CF per share	0.97	0.94	0.62	0.73	0.89
Dividend per share	0.35	0.17	0.26	0.29	0.30
Net assets per share	5.19	5.40	6.11	6.81	7.52
Key Operating Ratios (%)					
ROIC	21.8	7.6	10.9	10.8	10.1
ROE	22.3	10.2	14.4	14.2	13.2
Gross profit margin	11.4	4.5	6.6	6.7	6.3
Ebitda Margin	14.9	8.6	12.0	12.5	13.1
Ebit Margin	12.4	5.8	8.8	9.0	9.1
Growth rate of Revenue(YoY)	29.7	2.6	7.1	8.0	1.4
Growth rate of Profit(YoY)	30.9	-52.4	59.5	10.3	2.7
Debt-to-asset ratio	48.7	55.4	54.4	53.1	52.1
Turnover rate of net assets	2.1	2.1	1.9	1.9	1.7
Turnover rate of total assets	1.1	0.9	0.9	0.9	0.8
Effective tax rate (%)	15.5	19.1	19.0	19.0	19.0
Dividend yield (%)	8.0	3.9	6.0	6.6	6.8
Valuation Ratios (x)					
P/E	3.8	8.0	5.0	4.5	4.4
P/B	0.8	0.8	0.7	0.6	0.6
EV/Sale	0.6	0.5	0.5	0.5	0.5
EV/EBITDA	3.8	6.3	4.2	3.8	3.5

Source: Company data, 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.

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

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HSCEI is the benchmark employed in this report.

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