

26 April 2019

买入  
维持

## 压力缓解

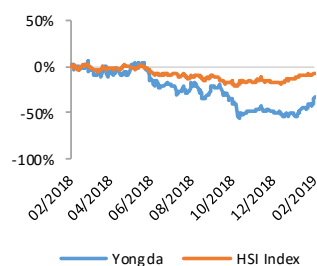
### CHINA YONGDA AUTOMOBILES SERVICES (03669:HK)

#### Financial summary and valuation

#### Market Data: 25 April 2019

|                          |             |
|--------------------------|-------------|
| Closing Price (HK\$)     | 7.32        |
| Price Target (HK\$)      | 9.00        |
| HSCEI                    | 11,502      |
| HSCCI                    | 4,585       |
| 52-week High/Low (HK\$)  | 9.76 / 4.11 |
| Market Cap (US\$m)       | 1,450       |
| Market Cap (HK\$m)       | 11,314      |
| Shares Outstanding (m)   | 1,837       |
| Exchange Rate (Rmb-HK\$) | 0.86        |

#### Price Performance Chart:



Source: Bloomberg

#### Analyst

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#### Related Reports

China Yongda (03669:HK)-"Accelerating sales" March 27, 2019

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

|                    | 2017   | 2018   | 2019E  | 2020E  | 2021E  |
|--------------------|--------|--------|--------|--------|--------|
| Revenue (Rmbm)     | 50,699 | 55,318 | 63,996 | 70,349 | 77,435 |
| YOY (%)            | 17.8   | 9.1    | 15.7   | 9.9    | 10.1   |
| Net income (Rmbm)  | 1,510  | 1,253  | 1,570  | 1,974  | 2,431  |
| YOY (%)            | 77.4   | -17.0  | 25.3   | 25.7   | 23.2   |
| EPS (Rmb)          | 0.91   | 0.67   | 0.85   | 1.07   | 1.32   |
| Diluted EPS (Rmb)  | 0.83   | 0.66   | 0.85   | 1.07   | 1.32   |
| ROE (%)            | 22.8   | 14.5   | 16.4   | 18.4   | 19.9   |
| Debt/asset (%)     | 41.6   | 48.3   | 47.5   | 46.4   | 45.6   |
| Dividend Yield (%) | 4.3    | 3.6    | 4.3    | 5.4    | 6.7    |
| P/E (x)            | 6.9    | 9.5    | 7.4    | 5.9    | 4.8    |
| P/B (x)            | 1.2    | 1.2    | 1.1    | 1.0    | 0.8    |
| EV/EBITDA (x)      | 9.8    | 8.4    | 7.1    | 6.0    | 5.0    |

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 1Q19 实现综合收入 139 亿元 (同比增长 9.9%)，净利 3.5 亿元 (同比下降 11.7%)，基本符合预期。我们维持 19 年摊薄 EPS 人民币 0.85 元 (同比增长 28.8%)，20 年摊薄 EPS 人民币 1.07 元 (同比增长 25.9%)，21 年摊薄 EPS 人民币 1.32 元 (同比增长 23.4%)。我们预期公司综合毛利率逐季恢复，主要受益于新 3 系上市终端折扣收窄，以及增值税下调促进售后业务盈利能力改善。我们上调目标价至港币 9.00 元 (9x 19E PE)，对应 23.0% 上升空间，维持买入评级。

**销售回暖。**1Q19 永达实现新车销售 4.2 万台 (同比增长 12.8%)，远超行业增速，豪华车需求依然强劲。公司 1Q19 豪华车销售收入为 93 亿元，同比增长 7.0%。宝马 2019 年中国销量目标同比增长 10%，增长主要来自国产 X3 销量持续爬坡，年中国产 3 系换代，以及 2Q19 大型 SUV X7 上市。同时，公司预期 2019 年保时捷销量同比增加 25% 至 1 万台。我们预期公司将受益于豪华车的稳健需求，销量有望提速。

**新车毛利压力缓解。**我们测算公司 1Q19 新车毛利维持 2.0% (包含宝马额外返利)，与 4Q19 基本持平。由于 2H18 去库存效果显著，库存水平恢复健康，我们预期 2019 年新车持续降价压力得到缓解。由于新 3 系计划年中上市，终端折扣有望收窄，我们预期公司综合毛利率将逐季恢复。此外，公司 2019 年有效控制捷豹路虎品牌的销量，降价压力缓解，减少对新车业务利润率的拖累。我们预期永达 19 年新车毛利率维持 2.4% 水平。

**售后业务稳健增长。**1Q19 永达售后业务收入 20 亿元 (同比增长 15.6%)。随着 2019 年新车销售回暖，我们预期公司 19 年售后业务收入达 89 亿元 (同比增长 14%)。由于 2Q19 起增值税率由 16% 降至 13%，售后业务单价维持稳定，我们预期 19E 售后毛利率小幅升至 46.2%。

**维持买入评级。**我们维持 19 年摊薄 EPS 人民币 0.85 元 (同比增长 28.8%)，20 年摊薄 EPS 人民币 1.07 元 (同比增长 25.9%)，21 年摊薄 EPS 人民币 1.32 元 (同比增长 23.4%)。我们预期公司综合毛利率逐季恢复，主要受益于新 3 系上市终端折扣收窄，以及增值税下调促进售后业务盈利能力改善。我们上调目标价至港币 9.00 元 (9x 19E PE)，对应 23.0% 上升空间，维持买入评级。

**Investment highlight:**

China Yongda Automobiles Services reported 1Q19 revenue of Rmb13.9bn (+9.9% YoY) and net profit of Rmb3.5bn (-11.7% YoY), largely in line with our expectations. The earnings decline was mainly due to shrinking new car sales margin in 1Q19. We maintain our diluted EPS forecasts of Rmb0.85 in 19E (+28.8% YoY), Rmb1.07 in 20E (+25.9% YoY), and Rmb1.32 in 21E (+23.4% YoY). We expect gross margin to pick up gradually, on the back of narrowing retail discounts after *BMW 3 Series* is launched in mid-2019 while the after-sales business benefits from the value-added tax (VAT) cut. We raise our target price from HK\$8.00 to HK\$9.00 (9x 19E PE). With 23.0% upside, we maintain our BUY rating.

**Solid sales growth.** The company realised total new car sales of 42.4k units in 1Q19, up 12.8% YoY, outpacing the industry growth by 26.5ppts. Revenue from luxury car sales arrived at Rmb9.3bn (+7.0% YoY). The firm will continue to focus on luxury cars, given solid demand and better sales growth than industry average. BMW Group (BMW:GR) announced a sales growth target of 10% YoY for China in 2019, backed by ramping-up sales of the locally produced X3 model, the new generation of *3 Series* (to be launched in mid-2019), and the introduction of the large sport-utility vehicle (SUV) X7 in 2Q19. Moreover, the company expects 25% YoY growth in *Porsche* sales in 2019. We believe the solid demand for luxury cars will lead to accelerating sales growth for Yongda.

**Gross margin to recover.** We estimate the company's new car sales margin remained stable at 2.0% in 1Q19, after the special rebates from BMW. Given healthy inventory levels following destocking efforts in 2H18, we anticipate lower price cut pressure from 1Q19. We also expect gross margin to pick up gradually, backed by narrowing retail discounts after *BMW 3 Series* is launched. In addition, the firm has revised down its sales target for *Jaguar Land Rover* since 4Q18, which alleviated the destocking pressure and curbed the margin decline. We expect Yongda's new car sales margin to stabilise at 2.4% in 19E.

**Stable after-sales business.** Yongda posted after-sales revenue of Rmb2.0bn in 1Q19 (+15.6% YoY). With new car sales recovering in 2019, we expect the company's after-sales services revenue to reach Rmb8.9bn in 19E, with stable growth of 14% YoY. Given the VAT cut from 2Q19, we expect the company's after-sales margin to slightly pick up to 46.2%.

**Maintain BUY.** We maintain our diluted EPS forecasts of Rmb0.85 in 19E (+28.8% YoY), Rmb1.07 in 20E (+25.9% YoY), and Rmb1.32 in 21E (+23.4% YoY). We expect gross margin to pick up gradually, on the back of narrowing retail discounts after *BMW 3 series* is launched in mid-2019 while the after-sales business benefits from the value-added tax (VAT) cut. We raise our target price from HK\$8.00 to HK\$9.00 (9x 19E PE). With 23.0% upside, we maintain our BUY rating.

## Easing pressure

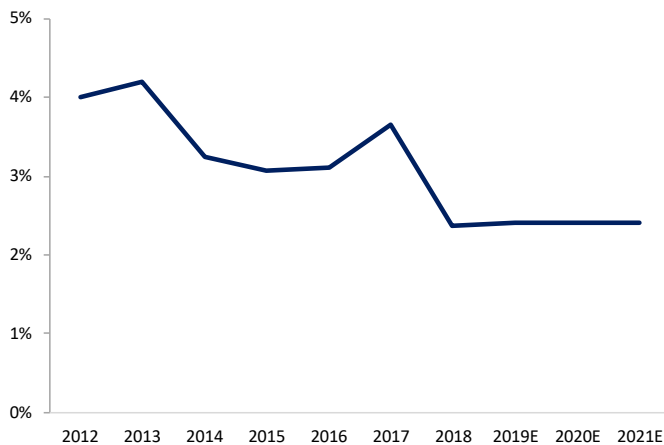
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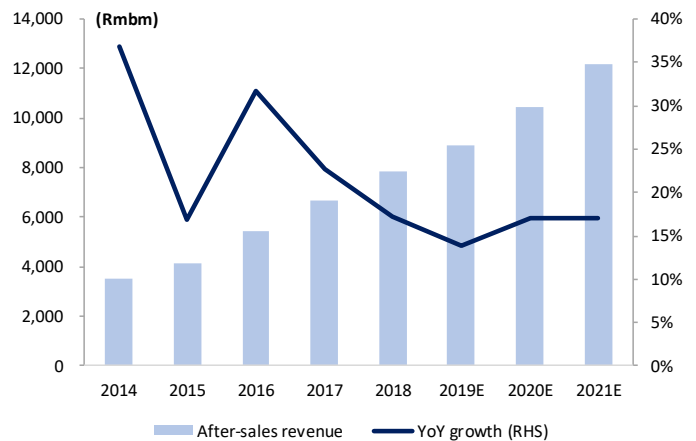
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Fig 1: Yongda's new car sales gross margin



Source: Company data, SWS Research

Fig 2: Revenue forecast for after-sales services



Source: Company data, SWS Research

## Valuation

We maintain our diluted EPS forecasts of Rmb0.85 in 19E (+28.8% YoY), Rmb1.07 in 20E (+25.9% YoY), and Rmb1.32 in 21E (+23.4% YoY). We expect gross margin to pick up gradually, on the back of narrowing retail discounts after *BMW 3 series* is launched in mid-2019 while the after-sales business benefits from the value-added tax (VAT) cut. We raise our target price from HK\$8.00 to HK\$9.00 (9x 19E PE). With 23.0% upside, we maintain our BUY rating.

## Appendix

### Consolidated Income Statement

| Rmbm                                | 2017   | 2018   | 2019E  | 2020E  | 2021E  |
|-------------------------------------|--------|--------|--------|--------|--------|
| <b>Revenue</b>                      | 50,699 | 55,318 | 63,996 | 70,349 | 77,435 |
| <b>Cost of Sales</b>                | 45,675 | 50,112 | 58,056 | 63,530 | 69,597 |
| <b>Gross Profit</b>                 | 5,025  | 5,207  | 5,940  | 6,819  | 7,838  |
| Other Income                        | 927    | 1,029  | 1,399  | 1,574  | 1,773  |
| Distribution expenses               | 2,269  | 2,480  | 2,880  | 3,166  | 3,485  |
| Administrative expenses             | 1,222  | 1,383  | 1,600  | 1,759  | 1,936  |
| <b>EBITDA</b>                       | 2,561  | 2,995  | 3,536  | 4,209  | 4,998  |
| EBIT                                | 2,502  | 2,434  | 2,919  | 3,529  | 4,251  |
| Finance Costs                       | 494    | 681    | 763    | 855    | 957    |
| <b>Profit before tax</b>            | 2,008  | 1,753  | 2,156  | 2,675  | 3,294  |
| Income tax expense                  | 406    | 428    | 496    | 588    | 725    |
| Minority interests                  | 92     | 72     | 90     | 113    | 139    |
| <b>Equity holders of the parent</b> | 1,510  | 1,253  | 1,570  | 1,974  | 2,431  |

Source: Company data, SWS Research

### Consolidated Cash Flow Statement

| Rmbm                                | 2017           | 2018           | 2019E          | 2020E          | 2021E          |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Profit before taxation</b>       | 2,008          | 1,753          | 2,156          | 2,675          | 3,294          |
| Plus: Depr. and amortisation        | 59             | 561            | 617            | 679            | 747            |
| Finance cost                        | 494            | 681            | 763            | 855            | 957            |
| Losses from investments             | 482            | 0              | 0              | 0              | 0              |
| Change in working capital           | (3,885)        | (2,204)        | (1,392)        | (1,901)        | (2,189)        |
| Others                              | (265)          | (328)          | (496)          | (588)          | (725)          |
| <b>CF from operating activities</b> | (1,108)        | 463            | 1,648          | 1,719          | 2,085          |
| Capex                               | (1,295)        | (673)          | (540)          | (594)          | (654)          |
| Other CF from investing activities  | (712)          | (786)          | (1,024)        | (1,085)        | (1,057)        |
| <b>CF from investing activities</b> | <b>(2,007)</b> | <b>(1,459)</b> | <b>(1,565)</b> | <b>(1,679)</b> | <b>(1,711)</b> |
| Equity financing                    | 825            | 0              | 0              | 0              | 0              |
| Net change in liabilities           | 2,970          | 2,015          | 1,176          | 1,313          | 1,465          |
| Dividend and interest paid          | (807)          | (681)          | (763)          | (855)          | (957)          |
| Other CF from financing activities  | 72             | 0              | 0              | 0              | 0              |
| <b>CF from financing activities</b> | 3,061          | 1,334          | 413            | 458            | 508            |
| <b>Net cash flow</b>                | (54)           | 339            | 496            | 498            | 882            |

Source: Company data, SWS Research

**Consolidated Balance Sheet**

| Rmbm                                | 2017   | 2018   | 2019E  | 2020E  | 2021E  |
|-------------------------------------|--------|--------|--------|--------|--------|
| <b>Current Assets</b>               | 17,061 | 18,548 | 20,493 | 23,038 | 25,902 |
| Bank balances and cash              | 1,718  | 2,056  | 2,553  | 3,051  | 3,933  |
| Trade and other receivables         | 4,807  | 6,186  | 6,613  | 7,457  | 8,495  |
| Inventories                         | 6,112  | 5,829  | 6,362  | 6,979  | 7,636  |
| Other current assets                | 4,425  | 4,476  | 4,965  | 5,552  | 5,838  |
| Long-term investment                | 743    | 951    | 1,005  | 1,064  | 1,129  |
| PP&E                                | 4,729  | 5,402  | 5,943  | 6,537  | 7,191  |
| Intangible and other assets         | 5,363  | 6,083  | 6,491  | 6,936  | 7,245  |
| <b>Total Assets</b>                 | 27,927 | 31,016 | 33,962 | 37,605 | 41,497 |
| <b>Current Liabilities</b>          | 16,269 | 20,115 | 21,942 | 24,180 | 26,359 |
| Borrowings                          | 6,596  | 9,260  | 10,371 | 11,616 | 13,009 |
| Trade and other payables            | 6,710  | 5,504  | 6,107  | 6,980  | 7,635  |
| Other current liabilities           | 2,963  | 5,351  | 5,464  | 5,584  | 5,714  |
| Long-term liabilities               | 2,876  | 1,381  | 1,381  | 1,381  | 1,381  |
| <b>Total Liabilities</b>            | 19,145 | 21,496 | 23,323 | 25,561 | 27,739 |
| Minority Interests                  | 493    | 532    | 579    | 637    | 690    |
| <b>Shareholder Equity</b>           | 8,781  | 9,520  | 10,639 | 12,045 | 13,758 |
| Share Capital                       | 15     | 15     | 15     | 15     | 15     |
| Reserves                            | 8,273  | 8,973  | 10,045 | 11,393 | 13,053 |
| <b>Total Equity</b>                 | 8,288  | 8,988  | 10,060 | 11,408 | 13,068 |
| <b>Total Liabilities and equity</b> | 27,927 | 31,016 | 33,962 | 37,605 | 41,497 |

Source: Company data, SWS Research

### Key Financial Ratios

|                                 | 2017   | 2018  | 2019E | 2020E | 2021E |
|---------------------------------|--------|-------|-------|-------|-------|
| <b>Ratios per share (HK\$)</b>  |        |       |       |       |       |
| Earnings per share              | 0.91   | 0.67  | 0.85  | 1.07  | 1.32  |
| Diluted EPS                     | 0.83   | 0.66  | 0.85  | 1.07  | 1.32  |
| Operating CF per share          | (0.67) | 0.31  | 0.90  | 0.94  | 1.13  |
| Dividend per share              | 0.27   | 0.23  | 0.27  | 0.34  | 0.42  |
| Net assets per share            | 5.31   | 5.26  | 5.79  | 6.56  | 7.49  |
| <b>Key Operating Ratios (%)</b> |        |       |       |       |       |
| ROIC                            | 10.1   | 7.3   | 8.2   | 9.3   | 10.3  |
| ROE                             | 22.8   | 14.5  | 16.4  | 18.4  | 19.9  |
| Gross profit margin             | 9.91   | 9.41  | 9.28  | 9.69  | 10.12 |
| Ebitda Margin                   | 5.1    | 5.4   | 5.5   | 6.0   | 6.5   |
| Ebit Margin                     | 4.9    | 4.4   | 4.6   | 5.0   | 5.5   |
| Growth rate of Revenue(YoY)     | 17.8   | 9.1   | 15.7  | 9.9   | 10.1  |
| Growth rate of Profit(YoY)      | 77.4   | -17.0 | 25.3  | 25.7  | 23.2  |
| Debt-to-asset ratio             | 41.6   | 48.3  | 47.5  | 46.4  | 45.6  |
| Turnover rate of net assets     | 7.1    | 6.0   | 6.3   | 6.2   | 6.0   |
| Turnover rate of total assets   | 2.1    | 1.9   | 2.0   | 2.0   | 2.0   |
| Effective tax rate (%)          | 20.2   | 24.4  | 23.0  | 22.0  | 22.0  |
| Dividend yield (%)              | 4.3    | 3.6   | 4.3   | 5.4   | 6.7   |
| <b>Valuation Ratios (x)</b>     |        |       |       |       |       |
| P/E                             | 6.9    | 9.5   | 7.4   | 5.9   | 4.8   |
| P/B                             | 1.2    | 1.2   | 1.1   | 1.0   | 0.8   |
| EV/Sale                         | 0.5    | 0.5   | 0.4   | 0.4   | 0.3   |
| EV/EBITDA                       | 9.8    | 8.4   | 7.1   | 6.0   | 5.0   |

Source: Company data, SWS Research

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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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