

25 February 2019

买入
上调

需求复苏

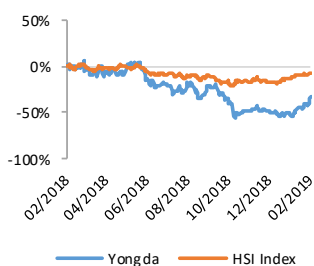
CHINA YONGDA AUTOMOBILES SERVICES (03669:HK)

Financial summary and valuation

Market Data: 22 February 2019

Closing Price (HK\$)	6.09
Price Target (HK\$)	8.00
HSCEI	11,427
HSCCI	4,584
52-week High/Low (HK\$)	9.76 / 4.11
Market Cap (US\$m)	1,246
Market Cap (HK\$m)	11,179
Shares Outstanding (m)	1,433
Exchange Rate (Rmb-HK\$)	0.86

Price Performance Chart:



Source: Bloomberg

Analyst

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Related Reports

China Yongda (3669:HK)-“Margin pressure” October 29, 2018

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

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	43,033	50,699	57,809	66,271	72,611
YOY (%)	20.7	17.8	14.0	14.6	9.6
Net income (Rmbm)	851	1,510	1,221	1,573	1,968
YOY (%)	62.3	77.4	-19.1	28.9	25.1
EPS (Rmb)	0.58	0.91	0.67	0.86	1.07
Diluted EPS (Rmb)	0.56	0.83	0.66	0.85	1.07
ROE (%)	18.5	22.8	14.0	16.3	18.1
Debt/asset (%)	45.4	41.6	41.3	40.9	40.2
Dividend Yield (%)	3.2	5.2	4.1	5.3	6.5
P/E (x)	9.1	5.7	7.9	6.1	4.9
P/B (x)	1.4	1.0	1.0	0.9	0.8
EV/EBITDA (x)	10.1	6.7	7.6	6.1	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:

2018 年宝马中国销量达 64 万台，同比增长 7.7%，2019 年中国销量目标同比增长 12%。年初至今，宝马销量增速回升，折扣逐渐收窄，我们预期永达汽车新车毛利将于 1Q19 恢复。由于 4Q18 去库存导致折扣增加，我们下调 18 年摊薄 EPS 至人民币 0.66 元（同比下滑 20.5%），维持 19 年摊薄 EPS 人民币 0.85 元（同比增长 28.9%），20 年摊薄 EPS 人民币 1.07 元（同比增长 25.1%）。我们上调目标价至港币 8.00 元（6x 19E PE），对应 31.4% 上升空间，上调至买入评级。

销售回暖。2018 年宝马中国销量达 64 万台，同比增长 7.7%。2019 年 1 月，宝马中国销量同比增长 15.5%，远好于乘用车行业表现（同比下滑 17.7%）。宝马 2019 年中国销量目标同比增长 12%，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。我们预期公司将受益于宝马品牌的稳健需求，销量有望提速。

新车毛利恢复。由于 2018 年 5 月进口车关税政策调整，消费者对价格变动产生观望情绪，豪华车需求减弱，宝马品牌终端折扣明显增加，2H18 公司新车销售利润率承压。由于去库存效果显著，销量稳健增长，年初至今宝马品牌折扣由 2H18 16% 降至 12%。此外，宝马计划对 1Q19 完成销售目标的经销商给予额外返利，我们估算公司新车毛利有望提高 3 个百分点。由于公司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。我们预期公司新车毛利由 1H18 3% 降至 2H18 1.5%，1H19 有望恢复至 3%。我们预期永达综合毛利率由 18 年 10.6% 恢复至 19 年 10.7%，20 年 11.2%。

售后业务稳健增长。3Q18 永达售后业务收入 20 亿元（同比增长 14.5%），增速放缓，主要原因在于新车销售减速影响售后业务增长。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 15%），毛利率维持 46%。

上调至买入评级。由于 4Q18 去库存导致折扣增加，我们下调 18 年摊薄 EPS 至人民币 0.66 元（同比下滑 20.5%），维持 19 年摊薄 EPS 人民币 0.85 元（同比增长 28.9%），20 年摊薄 EPS 人民币 1.07 元（同比增长 25.1%）。我们上调目标价至港币 8.00 元（6x 19E PE），对应 31.4% 上升空间，上调至买入评级。

Investment highlight:

BMW (BMW:GR) realised total sales of 640k units in China in 2018 (+7.7% YoY) and announced a sales growth target of 12% YoY for 2019. We note *BMW* brands have witnessed recovering sales growth and narrowing retail discounts since the beginning of the year. We expect China Yongda's new car sales margin to recover from 1Q19 onwards. Given rising retail discounts in 4Q18 amid a destocking period, we revise down our 18E diluted EPS forecast from Rmb0.70 to Rmb0.66 in 18E (-20.5% YoY), while maintaining our forecasts of Rmb0.85 in 19E (+28.8% YoY) and Rmb1.07 in 20E (+25.9% YoY). We lift our target price from HK\$5.70 to HK\$8.00 (8x 19E PE). With 31.4% upside, we upgrade our company rating from Hold to BUY.

Accelerating sales. BMW realised total sales of 640k units in China in 2018, up 7.7% YoY. In January 2019, *BMW* sales rose 15.5% YoY, outpacing the average industry performance (-17.7% YoY). BMW Group announced a sales growth target of 12% YoY for China in 2019, backed by ramping-up sales of locally produced X3, 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. We believe the solid demand for luxury cars will lead to accelerating sales growth for Yongda.

Margin recovery. Due to the tariff cut on imported automobiles and weakening consumer sentiment since 2Q18, luxury cars suffered from decelerating sales growth and rising retail discounts, which had a negative impact on the company's margin in 2H18. Thanks to effective destocking and recovering sales, *BMW's* retail discounts narrowed from 16% in 2H18 to 12% since the beginning of the year. Moreover, BMW Group will provide special rebates to dealers achieving its sales target in 1Q19, which we believe will improve the company's new car sales margin by 3ppts. In addition, the company has revised down its sales target for *Jaguar Land Rover* since 4Q18, which alleviated the destocking pressure and curbed the margin decline. We believe the company's new car sales margin will decrease from 3.0% in 1H18 to c.1.5% in 2H18E, and recover to c.3.0% in 1H19E. We expect Yongda's blended gross margin to pick up from 10.6% in 18E to 10.7% in 19E and 11.2% in 20E.

Stable after-sales business. Yongda posted after-sales revenue of Rmb2.0bn in 3Q18, with growth slowing down from 20.5% YoY in 1H18 to 14.5% YoY in 3Q18, due to decelerating new cars sales. With new car sales recovering in 2019, we expect the company's after-sales services revenue to reach Rmb8.9bn in 19E, with a stable growth of 15% YoY and margin remaining at 46.0%.

Upgrade to BUY. Given rising retail discounts in 4Q18 amid a destocking period, we revise down our 18E diluted EPS forecast from Rmb0.70 to Rmb0.66 in 18E (-20.5% YoY), while maintaining our forecasts of Rmb0.85 in 19E (+28.8% YoY) and Rmb1.07 in 20E (+25.9% YoY). We lift our target price from HK\$5.70 to HK\$8.00 (8x 19E PE). With 31.4% upside, we upgrade our company rating from Hold to BUY.

Recovering demand

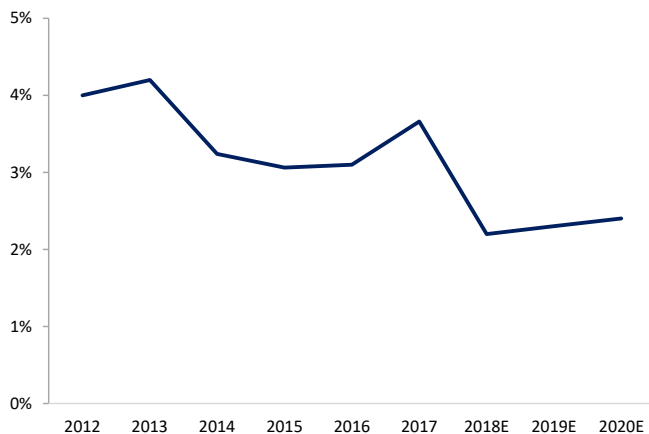
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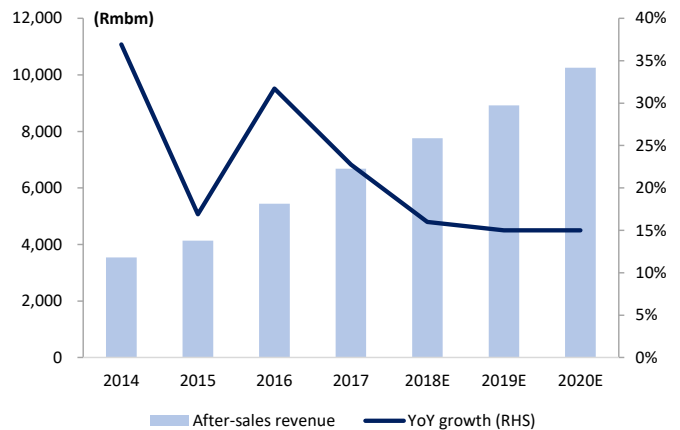
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Fig 1: Yongda's new car sales gross margin



Source: Company data, SWS Research

Fig 2: Revenue forecast for after-sales services



Source: Company data, SWS Research

Valuation

Given rising retail discounts in 4Q18 amid a destocking period, we revise down our 18E diluted EPS forecast from Rmb0.70 to Rmb0.66 in 18E (-20.5% YoY), while maintaining our forecasts of Rmb0.85 in 19E (+28.8% YoY) and Rmb1.07 in 20E (+25.9% YoY). We lift our target price from HK\$5.70 to HK\$8.00 (8x 19E PE). With 31.4% upside, we upgrade our company rating from Hold to BUY.

Fig 3: Forward PE ratio



Source: Bloomberg, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	43,033	50,699	57,809	66,271	72,611
Cost of Sales	39,227	45,675	52,835	60,352	65,836
Gross Profit	3,805	5,025	4,974	5,920	6,775
Other Income	760	927	1,256	1,435	1,617
Distribution expenses	1,915	2,269	2,601	2,982	3,268
Administrative expenses	1,052	1,222	1,445	1,657	1,815
EBITDA	1,684	2,561	2,261	2,797	3,394
EBIT	1,631	2,502	2,224	2,756	3,349
Finance Costs	479	494	583	653	731
Profit before tax	1,152	2,008	1,641	2,103	2,618
Income tax expense	244	406	328	421	524
Minority interests	57	92	92	109	126
Equity holders of the parent	851	1,510	1,221	1,573	1,968

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	1,152	2,008	1,641	2,103	2,618
Plus: Depr. and amortisation	53	59	37	41	45
Finance cost	479	494	583	653	731
Losses from investments	441	482	0	0	0
Change in working capital	(996)	(3,885)	(1,133)	(1,421)	(1,728)
Others	(559)	(265)	(328)	(421)	(524)
CF from operating activities	571	(1,108)	800	956	1,142
Capex	(929)	(1,295)	(473)	(520)	(572)
Other CF from investing activities	(382)	(712)	(960)	(1,016)	(1,075)
CF from investing activities	(1,311)	(2,007)	(1,432)	(1,536)	(1,647)
Equity financing	0	825	0	0	0
Net change in liabilities	1,707	2,970	1,120	1,014	1,125
Dividend and interest paid	(682)	(807)	(583)	(653)	(731)
Other CF from financing activities	(45)	72	0	0	0
CF from financing activities	980	3,061	536	361	394
Net cash flow	240	(54)	(96)	(219)	(111)

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	12,992	17,061	19,073	20,874	23,244
Bank balances and cash	1,772	1,718	1,622	1,403	1,292
Trade and other receivables	4,362	4,807	5,367	5,899	6,445
Inventories	4,317	6,112	6,569	7,071	8,072
Other current assets	2,540	4,425	5,515	6,502	7,436
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	5,708	6,083	6,491
Total Assets	20,375	27,927	30,806	33,556	36,966
Current Liabilities	12,430	16,269	18,070	19,704	21,717
Borrowings	5,319	6,596	7,256	8,127	9,102
Trade and other payables	5,201	6,710	7,555	8,136	8,981
Other current liabilities	1,909	2,963	3,259	3,441	3,634
Long-term liabilities	2,542	2,876	3,076	3,076	3,076
Total Liabilities	14,972	19,145	21,146	22,780	24,793
Minority Interests	441	493	544	592	649
Shareholder Equity	5,403	8,781	9,660	10,776	12,173
Share Capital	12	15	15	15	15
Reserves	4,950	8,273	9,100	10,169	11,509
Total Equity	4,962	8,288	9,115	10,184	11,524
Total Liabilities and equity	20,375	27,927	30,806	33,556	36,966

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	0.58	0.91	0.67	0.86	1.07
Diluted EPS	0.56	0.83	0.66	0.85	1.07
Operating CF per share	0.39	(0.67)	0.44	0.52	0.62
Dividend per share	0.17	0.27	0.21	0.28	0.34
Net assets per share	3.65	5.31	5.26	5.87	6.63
Key Operating Ratios (%)					
ROIC	8.1	10.1	7.5	8.8	9.9
ROE	18.5	22.8	14.0	16.3	18.1
Gross profit margin	8.84	9.91	8.60	8.93	9.33
Ebitda Margin	3.9	5.1	3.9	4.2	4.7
Ebit Margin	3.8	4.9	3.8	4.2	4.6
Growth rate of Revenue(YoY)	20.7	17.8	14.0	14.6	9.6
Growth rate of Profit(YoY)	62.3	77.4	-19.1	28.9	25.1
Debt-to-asset ratio	45.4	41.6	41.3	40.9	40.2
Turnover rate of net assets	8.6	7.1	6.3	6.5	6.3
Turnover rate of total assets	2.3	2.1	2.0	2.1	2.1
Effective tax rate (%)	21.2	20.2	20.0	20.0	20.0
Dividend yield (%)	3.2	5.2	4.1	5.3	6.5
Valuation Ratios (x)					
P/E	9.1	5.7	7.9	6.1	4.9
P/B	1.4	1.0	1.0	0.9	0.8
EV/Sale	0.4	0.3	0.3	0.3	0.2
EV/EBITDA	10.1	6.7	7.6	6.1	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.

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