



Company Report: Sinotruk (03808 HK)

公司报告: 中国重汽 (03808 HK)

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17 September 2019

Margin Upbeat, Maintain "Accumulate"

利润率上升, 维持“收集”

- **Sinotruk's 1H19 net profit increased 3.1% yoy to RMB2,493 million, better than our expectation.** Revenue was flat in 1H19, as sales volume for HDT and LDT decreased by 0.9% yoy and 5.0% yoy, respectively. However, ASP increased yoy by 4.8% and 9.8% for HDT and LDT, respectively. That also translates to better gross margin in the first half, up 1.4 ppts yoy to 19.5%. Both selling expense and administrative expense were also well controlled. However, R&D expense soared 24.5% yoy and the increased effective tax rate dragged net margin, which was only up by 0.1 ppts to 7.2%.
- **We have increased our profit forecasts by 3.6%/ 3.9%/ 2.9% in 2019 to 2021, respectively.** We have reduced sales assumptions for both HDT and LDT as the Company was behind industry average. However, we have lifted gross margin assumptions as ASP in 1H19 indicates sales mix improvement.
- **We maintain our investment rating as "Accumulate" but revise down TP to HK\$12.60,** which represents 7.9x 2019 PER and 7.5x 2020 PER, 1.2x 2019 PBR and 1.1x 2020 PBR. Despite slight increase in shareholders' profit forecast, our TP represents a lower valuation as we think the unstable economic environment and below-average truck sales continue to suppress valuation. Nonetheless, the current valuation is attractive and given the Company's strong background in both products and management restructure effort, we believe it's an opportunity to accumulate at the current price point.
- **中国重汽 2019 年上半年净利润同比增长 3.1% 至人民币 2,493 百万元, 好于我们的预期。** 重卡和轻卡的销量分别同比下降 0.9% 和 5.0%, 使 2019 年上半年收入持平。然而, 重卡和轻卡的平均售价分别同比上升 4.8% 和 9.8%。这也转化为上半年更好的毛利率, 其同比上涨 1.4 个百分点至 19.5%。销售费用和管理费用也得到很好的控制。然而, 研发费用同比飙升 24.5%, 以及实际税率上升, 拖累净利率仅上升 0.1 个百分点至 7.2%。
- **我们将 2019 年至 2021 年的盈利预测分别上调 3.6%/ 3.9%/ 2.9%。** 我们降低了重卡和轻卡的销售假设, 因为公司落后于行业平均水平。然而, 我们提高了毛利率假设, 因为 2019 年上半年的平均售价表明销售组合有所改善。
- **我们维持投资评级为“收集”但下调目标价至 12.60 港元,** 相当于 7.9 倍 2019 年市盈率和 7.5 倍 2020 年市盈率, 1.2 倍 2019 年市净率和 1.1 倍 2020 年市净率。尽管预测股东利润略有增加, 我们的目标价对应较低估值是由于我们认为不稳定的经济环境和低于平均水平的卡车销售将继续抑制估值。尽管如此, 鉴于公司在产品和管理层重组的背景下, 目前的估值具有吸引力, 我们认为当前价格有收集机会。

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$12.60

Revised from 原目标价:

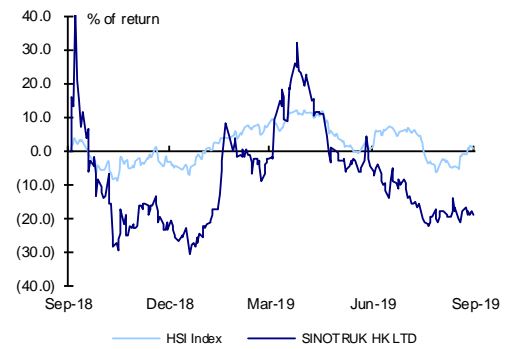
HK\$14.40

Share price 股价:

HK\$11.780

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 %	(1.8)	(18.0)	(23.0)
Rel. % to HS Index 相对恒指变动 %	(7.2)	(17.6)	(23.7)
Avg. Share price(HK\$) 平均股价 (港元)	11.9	12.4	13.3

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)	(%)	(%)
2017A	55,458	3,023	1.095	467.4	9.0	8.242	1.2	0.700	7.1	14.2
2018A	61,785	4,345	1.574	43.7	6.6	9.227	1.1	0.640	6.2	18.0
2019F	59,772	4,228	1.531	(2.7)	7.0	10.118	1.1	0.746	6.9	15.8
2020F	63,634	4,460	1.615	5.5	6.7	10.988	1.0	0.825	7.6	15.3
2021F	67,445	4,716	1.708	5.8	6.3	11.871	0.9	0.800	7.4	14.9

Shares in issue (m) 总股数 (m)	2,761.0	Major shareholder 大股东	CNHTC 51.0%
Market cap. (HK\$ m) 市值 (HK\$ m)	32,524.6	Free float (%) 自由流通比率 (%)	49.0
3 month average vol. 3 个月平均成交股数 ('000)	5,099.2	FY19 Net gearing (%) FY19 净负债/股东资金 (%)	3.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	23.150 / 10.040	FY19 Est. NAV (HK\$) FY19 每股估值 (港元)	13.3

Source: the Company, Guotai Junan International.

1H19 RESULTS REVIEW

Sinotruk (Hong Kong)'s ("Sinotruk" or the "Company") 1H19 shareholders' profit increased 3.1% yoy to RMB2,493 million, better than expectation. Results were mainly driven by margin improvement and cost savings. Key highlights are as follows:

- Despite that sales volume for both HDT and LDT decreased by 0.9% yoy and 5.0% yoy, respectively, revenue increased slightly by 0.7% yoy on better sales mix.
- For HDT, domestic sales volume was down by 2.4% yoy to 72,706 units, and booked revenue of RMB21,844 million which represents yoy 0.8% increase. However, export sales improved 5.0% yoy to reach 19,962 units in 1H19, maintaining its leading position in the export market, seeing export revenue jump 24.7% yoy. Blended ASP for HDT was up by 4.8% yoy as the Company sold more advanced models such as natural gas trucks, and HDT revenue was up by 3.9% yoy to RMB27,929 million.
- For LDT, sales volume decreased 5.0% yoy but thanks a 9.8% yoy increase in ASP; revenue from the segment was up by 4.3% yoy to RMB6,112 million.
- Thanks to ASP improvement, gross margin was up by 1.4 ppts to 19.5% yoy.
- Distribution expense dropped 8.6% yoy and per revenue ratio decreased 0.5 ppts to 4.6%. The decrease was mainly due to strong cost control on warranty expense, which saw a 24.5% yoy decrease during the period.
- Administrative expenses increased 7.8% yoy as more R&D expense was incurred during the period. Excluding R&D expense, other administrative expenses recorded yoy decrease.
- Operating margin edged up to 9.2%, a 0.8 ppt yoy increase. Other gains dragged slightly as government subsidy decreased.
- Also dragged by an increased effective tax rate, net profit margin just slightly expanded by 0.1 ppts to 7.2%.
- The board did not recommended interim dividend.

Table-1: Summary of 1H19 Financial Results of Sinotruk

	1H19	1H18	yoy
RMB mn, except per share item			
Turnover	34,492	34,266	0.7%
Cost of sales	(27,758)	(28,073)	-1.1%
Gross profit	6,734	6,193	8.7%
Distribution expenses	(1,590)	(1,739)	-8.6%
Administrative expenses	(1,453)	(1,348)	7.8%
Net impairment losses on financial assets			
Other gains - net	170	288	-41.1%
Operating profit	3,506	3,212	9.2%
Finance Income	32	50	-35.8%
Finance costs	(92)	(82)	11.4%
Share of profits less losses of investments accounted for using the equity method	25	61	-58.4%
Profit before taxation	3,472	3,241	7.1%
Income tax	(758)	(627)	20.8%
Profit for the year/period	2,714	2,614	3.9%
Non-controlling interests	221	195	13.6%
Equity attributable to owners of the Company	2,493	2,419	3.1%
Basic EPS	0.903	0.876	3.1%

Source: the Company, Guotai Junan International.

Table-2: Operating Data of Sinotruk

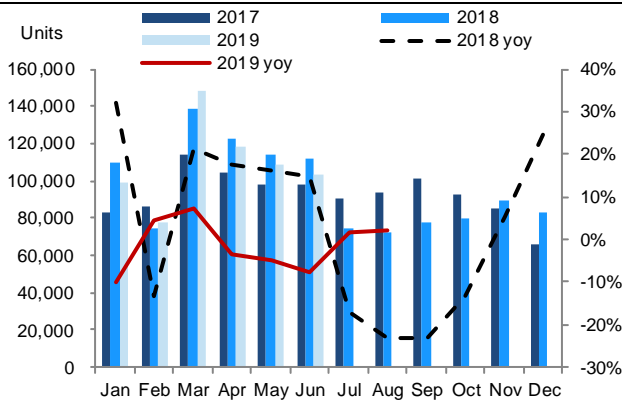
	1H19	1H18	yoy
Operational data			
Vehicle Sales (unit)	158,069	162,375	-2.7%
Heavy trucks (unit)	92,668	93,527	-0.9%
Light trucks and buses(unit)	65,401	68,848	-5.0%
ASP			
Heavy truck ASP(RMB)	301,388	287,546	4.8%
Light truck and buses ASP (RMB)	93,454	85,101	9.8%
Financial ratio			
Gross profit margin(%)	19.5%	18.1%	1.4 ppts
EBIT (%)	10.2%	9.4%	0.8
Sell expenses to turnover	4.6%	5.1%	-0.5
Admin expenses to turnover	4.2%	3.9%	0.3
Net profit margin(%)	7.2%	7.1%	0.1
Effective tax rate(%)	21.8%	19.3%	2.5

Source: the Company, Guotai Junan International.

SALES OUTLOOK

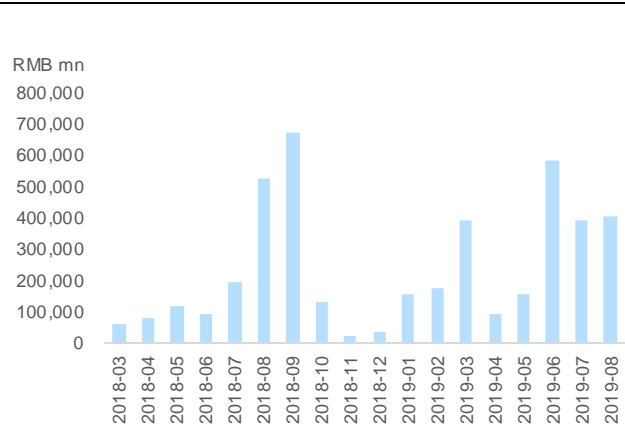
2H19 sales to be under pressure. Sales got back to growth in 2H19, albeit at a small margin. Growth was 1.5% yoy and 2.0% yoy in July and August, respectively. We expect that sales in 2H19 will be roughly flat as well but could face more pressure in 4Q19 on high base. We expect industry sales to reach 1.1 million units in 2019, roughly flat compared to 2018. A number of supporting factors in 2H19 are 1) Infrastructure investment rebound in 1-8M19, which was up by 0.4 ppts to 4.2%, ending the five-month consecutive decline. The improvement indicates that support from the government is translating into action and help on HDT sales; 2) Government support for the issuance of local government special bonds and financing of projects, allowing special bonds to be used as eligible project capital. In addition, the State Council indicated that all special bonds are to be issued before September and disbursed to projects by October. This again should support infrastructure investment and thus HDT sales, especially construction trucks which are weaker this year; and 3) Low base comparison in 3Q19, as we noted large yoy decline in 3Q18, with industry sales averaging only about 74,700 units.

Figure-1: China HDT Industry Sales (Monthly)



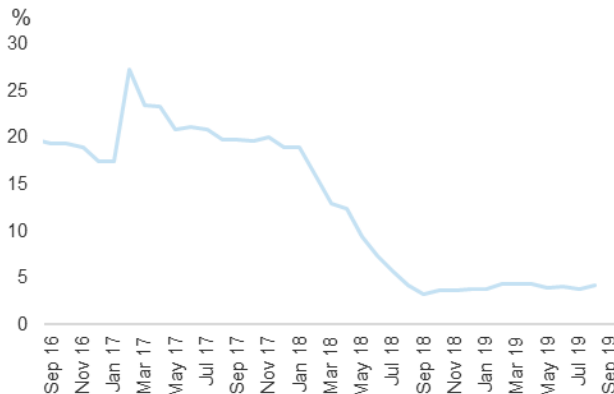
Source: CAAM, Guotai Junan International.

Figure-2: Issuance of Special Bonds (Monthly)



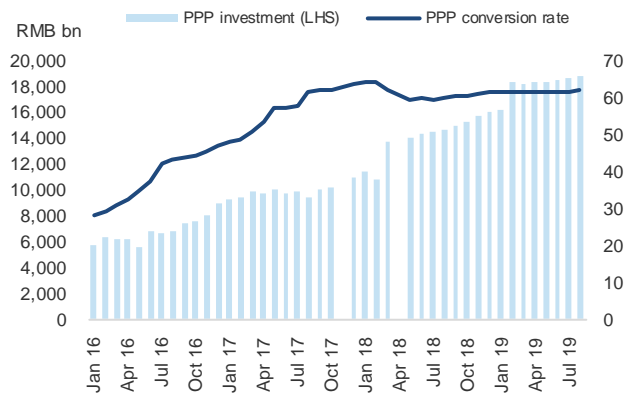
Source: Ministry of Finance, Guotai Junan International.

Figure-3: Infrastructure Investment



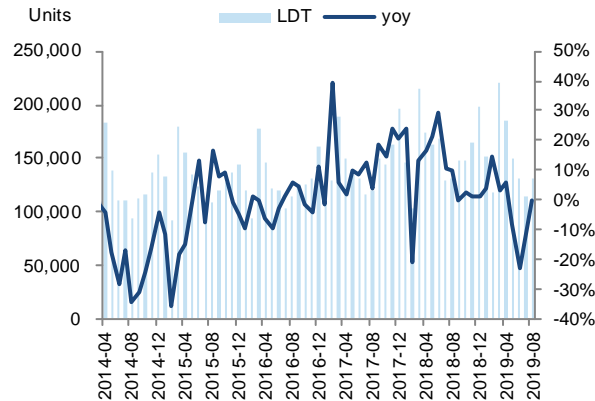
Source: the National Bureau of Statistic of China, Guotai Junan International.

Figure-4: PPP Investment



Source: the Ministry of Finance of the People's Republic of China, Guotai Junan International.

LDT showing signs of recovery but uncertainty remains. Sales declined significantly during May to July after the LDT overweight issues ("the issues") are being scrutinized by regulators. However, getting back to positive region in August, which saw sales stay roughly flat at +0.1% yoy. We believe the improvement was mainly due to the more qualified products launched since then. However, we believe the issues still remain unsolved, as it involves a number of parties including manufacturers, dealers and regulators, which takes time to fully mediate. Moreover, those drivers that bought unqualified LDTs are also pending for settlement. We believe that sales will continue be under pressure as a result in 2H19. Despite disruptions by such incidents, we expect long-term growth to remain intact as demand for LDT is strong, stemming from growth of e-commerce activities and increasing demand of cold-chain logistics.

Figure-5: China LDT Sales Growth


Source: CAAM, Guotai Junan International.

EARNINGS FORECASTS

We have decreased our profit forecasts by 3.6%/ 3.9%/ 2.9% in 2019 to 2021, respectively. Below are the major assumptions:

Sales volume: We have further reduced our sales volume assumption for both HDT and LDT. For HDT, we expect industry sales to reach 1.1 million units in 2019, but we slightly reduce current year assumption as the Company's current trend is still weak. We expect market share to be roughly flat for Sinotruk in 2019. For LDT, industry sales being disrupted due to the issues between the Company have been negatively affected.

GP margin: We have improved gross margin as seen in 1H19 results due to better sales mix which increased ASP for both HDT and LDT. The improvement will also translate to better operation margin.

Table-3: Major Changes in Assumptions

	New			Old			Changes		
	2019F	2020F	2021F	2019F	2020F	2021F	2019F	2020F	2021F
Vehicle sales (Units)									
Sales Volume (HDT+LDT)	289,670	308,236	329,276	302,141	334,107	371,764	-4.1%	-7.7%	-11.4%
- HDT	159,646	165,209	169,086	161,392	165,209	169,086	-1.1%	0.0%	0.0%
- LDT	130,025	143,027	160,190	140,748	168,898	202,678	-7.6%	-15.3%	-21.0%
Financials (RMB mn)									
Revenue	59,772	63,634	67,445	61,199	65,882	71,212	-2.3%	-3.4%	-5.3%
Gross Profit Margin	19.3%	19.5%	19.6%	18.70%	18.70%	18.70%	0.6 ppt	0.8 ppt	0.9 ppt
Net Income (Loss)	4,228	4,460	4,716	4,082	4,293	4,601	3.6%	3.9%	2.5%
Basics EPS (RMB)	1.531	1.615	1.708	1.478	1.555	1.666	3.6%	3.9%	2.5%

Source: the Company, Guotai Junan International.

Table-4: Sinotruk Major Financial Data and Forecasts

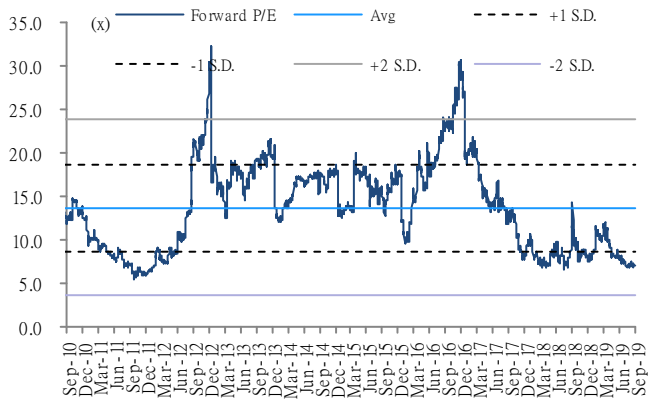
	2017	2018	2019F	2020F	2021F
Sales volume (units)					
Truck	263,903	302,094	289,670	308,236	329,276
yoy	53.2%	14.5%	-4.1%	6.4%	6.8%
Engine (3rd party)	13,841	16,358	19,022	21,913	25,044
yoy	60.7%	18.2%	16.3%	15.2%	14.3%
Blended ASP - RMB/unit					
Truck	203,453	196,929	198,198	197,402	195,064
yoy	9.5%	-3.2%	0.6%	-0.4%	-1.2%
Engine (3rd party)	80,241	84,253	86,360	88,950	91,619
yoy	5.0%	5.0%	2.5%	3.0%	3.0%
Sales revenue (RMB mn)					
Sales revenue	55,458	61,785	59,772	63,634	67,445
yoy	68.3%	11.4%	-3.3%	6.5%	6.0%
Gross profit					
Gross profit	10,028	11,175	11,545	12,387	13,205
yoy	72.4%	11.4%	3.3%	7.3%	6.6%
Operating profit					
Operating profit	4,272	5,642	5,923	6,243	6,563
yoy	283.8%	32.1%	5.0%	5.4%	5.1%
Shareholders' profit					
Shareholders' profit	3,023	4,345	4,228	4,460	4,716
yoy	468.1%	43.7%	-2.7%	5.5%	5.8%
Profit margins					
Gross profit margin	18.1%	18.1%	19.3%	19.5%	19.6%
Operating margin	7.7%	9.1%	9.9%	9.8%	9.7%
Net profit margin	5.5%	7.0%	7.1%	7.0%	7.0%
EPS 3-year CAGR					
EPS 3-year CAGR	94.9%	176.3%	99.6%	13.8%	2.8%

Source: the Company, Guotai Junan International.

VALUATION

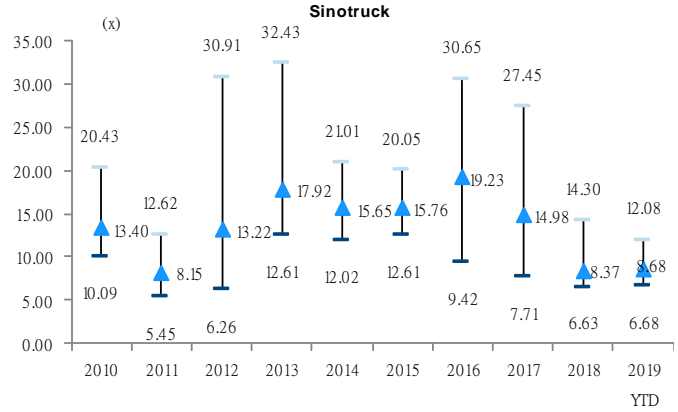
We maintain our investment rating as "Accumulate" and revise down TP to HK\$12.60, which represents 7.9x 2019 PER and 7.5x 2020 PER, 1.2x 2019 PBR and 1.1x 2020 PBR. Despite slight increase in shareholders' profit forecast, our TP represents a lower valuation as we think the unstable economic environment and the below-average truck sales continue to suppress valuation. Nonetheless, the current valuation is attractive and given the Company's strong background in both products and management restructure effort, we believe it's an opportunity to accumulate.

Figure-6: PER of Sinotruk



Source: Bloomberg, Guotai Junan International.

Figure-7: PER Range of Sinotruk



Source: Bloomberg, Guotai Junan International.

Table-5: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)		D/Y(%)	EV/EBITDA	
				17A	18F	19F	20F	17A	18F	19F	20F	18F	18F	18F		
Qingling Motor-H	1122 HK	HKD	1.94	9.1	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Weichai Power-H	2338 HK	HKD	12.60	9.8	9.7	9.4	9.3	2.2	2.0	1.8	1.6	19.1	4.3	4.3	4.3	
Sinotruk Hk Ltd	3808 HK	HKD	11.78	6.3	6.9	6.8	6.7	1.1	1.1	1.0	0.9	14.8	5.7	2.5	2.5	
Simple Average				8.4	8.3	8.1	8.0	1.3	1.5	1.4	1.2	17.0	5.0	3.4	3.4	
Weighted Average				9.0	8.7	8.5	8.4	1.9	1.7	1.6	1.4	17.5	4.5	3.8	3.8	
Dongfeng Auto-A	600006 CH	CNY	5.02	18.1	20.1	18.3	18.6	1.4	n.a.	n.a.	n.a.	7.1	2.0	n.a.	n.a.	
Chongqing Chan-A	000625 CH	CNY	8.26	59.0	n.a.	19.3	14.2	0.9	0.9	0.8	0.8	3.8	1.7	8.8	8.8	
Weichai Power-A	000338 CH	CNY	12.07	11.2	10.2	9.7	9.1	2.4	2.1	1.8	1.6	17.0	3.9	4.3	4.3	
Beiqi Foton-A	600166 CH	CNY	2.25	n.a.	37.5	24.2	20.5	1.0	1.0	0.9	0.9	3.8	0.4	n.a.	n.a.	
Anhui Jianghua-A	600418 CH	CNY	5.39	n.a.	18.5	19.3	12.7	0.8	0.8	0.7	0.7	3.1	1.6	6.3	6.3	
Cnhtc Jinan T-A	000951 CH	CNY	15.59	11.5	8.8	7.9	6.5	1.7	1.5	1.4	1.2	17.9	5.6	n.a.	n.a.	
Zhengzhou Yut-A	600066 CH	CNY	14.96	14.4	14.1	13.0	12.3	2.1	1.8	1.7	1.6	13.2	4.0	8.3	8.3	
Xiamen King Lo-A	600686 CH	CNY	7.82	29.9	21.9	26.5	30.1	1.4	1.2	1.1	n.a.	5.4	n.a.	n.a.	n.a.	
Jiangling Moto-A	000550 CH	CNY	16.94	154.0	30.7	18.5	15.8	1.4	1.4	1.4	1.3	6.5	1.7	2.7	2.7	
Yangzhou Yax-A	600213 CH	CNY	10.33	172.2	n.a.	n.a.	n.a.	12.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Simple Average				58.8	20.2	17.4	15.5	2.5	1.3	1.2	1.2	8.7	2.6	6.1	6.1	
Weighted Average				27.1	12.9	14.0	12.3	1.9	1.5	1.4	1.2	11.6	3.0	4.8	4.8	
Mazda Motor	7261 JP	JPY	1,016.50	5.6	10.1	10.9	9.3	0.5	0.5	0.5	0.5	5.1	3.4	3.6	3.6	
Mitsubishi Heavy	7011 JT	JPY	4,408.00	n.a.	14.6	13.6	11.2	1.1	1.0	1.0	0.9	7.6	3.4	6.6	6.6	
Suzuki Motor	7269 JP	JPY	4,322.00	8.8	10.9	11.5	10.3	1.5	1.4	1.3	1.2	12.0	1.7	4.7	4.7	
Hino Motors Ltd	7205 JP	JPY	939.00	10.5	9.8	10.3	9.1	1.1	1.0	0.9	0.9	9.3	3.2	5.7	5.7	
Ford Motor Co	F US	USD	9.30	10.0	7.2	6.6	5.8	1.0	1.0	1.0	0.9	10.1	6.5	2.4	2.4	
Navistar Intl	NAV US	USD	29.56	8.6	7.8	10.2	10.0	n.a.	n.a.	n.a.	n.a.	(6.8)	0.0	6.4	6.4	
Paccar Inc	PCAR US	USD	70.95	11.4	10.5	12.6	12.5	2.9	2.7	2.5	2.1	21.5	4.0	10.9	10.9	
Fiat Chrysler Au	FCAU US	USD	13.77	5.0	4.6	4.5	4.2	0.8	0.6	0.6	0.5	14.9	5.0	1.4	1.4	
Volkswagen Ag	VOW GR	EUR	161.00	6.8	5.8	5.5	5.3	0.8	0.7	0.6	0.5	11.5	4.4	2.1	2.1	
Bayer Motoren Wk	BMW GR	EUR	65.05	6.0	7.9	6.9	6.7	0.7	0.7	0.7	0.6	10.3	5.1	1.9	1.9	
Daimler Ag	DAI GR	EUR	47.89	7.1	9.0	7.0	6.5	0.8	0.8	0.7	0.7	10.8	5.8	2.3	2.3	
Man Se	MAN GR	EUR	48.86	10.6	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Renault Sa	RNO FP	EUR	57.11	4.7	6.6	5.5	4.8	0.5	0.4	0.4	0.4	7.9	5.5	2.3	2.3	
Volvo Ab-B	VOLVB SS	SEK	145.25	11.9	8.6	10.6	10.5	2.4	2.1	2.0	1.8	19.8	4.7	5.8	5.8	
Simple Average				8.2	8.7	8.9	8.2	1.2	1.1	1.0	0.9	10.3	4.1	4.3	4.3	
Weighted Average				7.6	7.8	7.5	7.0	1.1	1.0	0.9	0.8	11.9	4.6	3.3	3.3	
Global Simple Average				25.1	12.4	11.5	10.6	1.7	1.3	1.2	1.1	12.0	3.9	4.6	4.6	
Global Weighted Average				9.1	8.2	8.0	7.5	1.2	1.1	1.0	0.9	12.1	4.5	3.5	3.5	

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Total Revenue	55,458	61,785	59,772	63,634	67,445	Property, plant & equipment	9,938	10,366	11,961	13,735	15,705
Revenue from truck and engine	54,789	60,797	59,040	62,779	66,508	Intangible assets	357	324	335	358	381
Others revenue	669	988	732	855	937	Land use rights	1,650	1,612	1,574	1,537	1,501
Cost of sales	(45,430)	(50,610)	(48,227)	(51,247)	(54,241)	Others	4,949	5,071	5,940	7,596	10,101
Gross profit	10,028	11,175	11,545	12,387	13,205	Total Non-current Assets	16,894	17,373	19,811	23,226	27,688
Other revenue and net income	424	693	643	642	691	Inventories	13,246	11,594	10,285	10,273	11,220
Distribution expenses	(3,229)	(3,021)	(3,124)	(3,430)	(3,754)	Trade and other receivables	15,151	12,589	13,435	13,635	14,806
Administrative expenses	(2,952)	(3,205)	(3,142)	(3,356)	(3,578)	Other current assets	3,122	4,635	4,635	4,635	4,635
Operating Profit	4,272	5,642	5,923	6,243	6,563	Amounts due from related	353	520	496	527	558
Finance income	81	89	136	144	135	Restricted cash & Fixed Deposit	2,577	2,352	1,974	2,239	2,053
Finance costs	(343)	(89)	(155)	(145)	(124)	Cash & Cash Equivalents	9,840	12,616	16,695	15,799	15,185
Profit Before Tax	4,055	5,719	5,996	6,352	6,707	Total Current Assets	44,289	44,308	47,520	47,108	48,457
Income Tax	(720)	(993)	(1,396)	(1,501)	(1,576)	Total Assets	61,183	61,680	67,331	70,334	76,145
profit After Tax	3,336	4,726	4,599	4,851	5,130	Trade and other payables	28,546	28,305	31,281	30,950	33,970
Non-controlling Interest	(313)	(381)	(371)	(391)	(414)	Provision	978	929	898	956	1,014
Shareholders' Profit / Loss	3,023	4,345	4,228	4,460	4,716	Amounts due to related parties	1,416	467	452	481	510
Basic EPS	1.095	1.574	1.531	1.615	1.708	Interest-bearing borrowings	3,990	3,000	2,517	2,855	2,618
Diluted EPS	1.095	1.574	1.531	1.615	1.708	Income tax payables	395	285	664	761	833
Dividend per share (RMB)	0.700	0.640	0.746	0.825	0.800	Total Current Liabilities	35,325	32,986	35,812	36,004	38,945
						Borrowings	0	0	0	0	0
						Deferred income tax liabilities	14	9	12	11	11
						Other long-term payable	413	357	347	367	386
						Total Non-current Liabilities	427	367	359	378	398
						Total Liabilities	35,752	33,353	36,171	36,382	39,342
						Total Shareholders' Equity	22,757	25,476	27,937	30,337	32,775
						Minority Interest	2,673	2,852	3,223	3,614	4,028
						Total Equity	25,431	28,328	31,160	33,952	36,803
						BPS(RMB)	8.242	9.227	10.118	10.988	11.871

Cash Flow Statement					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
EBT	4,055	5,719	5,996	6,352	6,707
Depreciation for PPE	1,248	1,180	1,344	1,526	1,729
Other adjustments	342	156	123	108	85
Change in WC	495	(1,639)	2,103	(3,968)	(2,674)
Interest paid	(261)	(143)	(247)	(232)	(198)
Income tax paid	(724)	(1,043)	(933)	(1,312)	(1,409)
Cash from Operating Activities	5,155	4,231	8,387	2,475	4,240
Capital expenditure	(516)	(571)	(635)	(709)	(796)
Others	(2,161)	1,550	(767)	(864)	(995)
Cash from Investing Activities	(2,677)	979	(1,402)	(1,573)	(1,791)
Net change in bank loans and	548	(690)	(483)	338	(237)
Dividend paid	(193)	(1,615)	(1,767)	(2,059)	(2,279)
Others	(69)	(183)	(651)	(61)	(558)
Cash from Financing Activities	286	(2,487)	(2,901)	(1,782)	(3,074)
Net Changes in Cash	2,764	2,723	4,083	(881)	(625)
Other adjustment	(96)	53	(4)	(15)	11
Cash at Beg of Year	7,171	9,840	12,616	16,695	15,799
Cash at End of Year	9,840	12,616	16,695	15,799	15,185

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
Profitability					
Gross margin (%)	18.1	18.1	19.3	19.5	19.6
Operating margin (%)	7.7	9.1	9.9	9.8	9.7
Net margin (%)	5.5	7.0	7.1	7.0	7.0
ROE (%)	14.2	18.0	15.8	15.3	14.9
ROA (%)	5.5	7.1	6.6	6.5	6.4
Growth					
Vehicle sales growth (%)	53.2	14.5	(4.1)	6.4	6.8
Revenue growth (%)	68.3	11.4	(3.3)	6.5	6.0
EPS growth(%)	468.1	43.7	(2.7)	5.5	5.8
BPS growth(%)	14.3	11.9	9.7	8.6	8.0
Liquidity and solvency					
Gearing ratio(%)	6.5	4.9	3.7	4.1	3.4
Current ratio(x)	1.3	1.3	1.3	1.3	1.2
Interest Coverage(x)	12.8	65.0	39.7	44.7	55.1
Efficiency					
Inventory turnover days	87.2	68.5	77.8	73.2	75.5
Trade receivable days	99.7	74.4	82.0	78.2	80.1
Trade payable days	229.3	204.1	236.7	220.4	228.6

Source: the Company, Guotai Junan International.

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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