

12 November, 2018

买入
维持

销售回暖

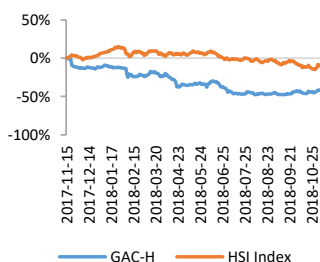
Guangzhou Automobile Group (02238:HK)

Financial summary and valuation

Market Data: November 9, 2018

Closing Price (HK\$)	7.92
Price Target (HK\$)	12.00
HSCEI	10,431
HSCCI	4,195
52-week High/Low (HK\$)	14.70/6.65
Market Cap (US\$m)	14,362
Market Cap (HK\$m)	112,201
Shares Outstanding (m)	10,196
Exchange Rate (Rmb-HK\$)	0.88

Price Performance Chart:



Source: Bloomberg

Analyst

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	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	49,418	71,575	80,162	88,677	96,085
YOY (%)	68.0	44.8	12.0	10.6	8.4
Net income (Rmbm)	6,288	11,005	13,054	14,788	15,992
YOY (%)	49.3	75.0	18.6	13.3	8.1
EPS (Rmb)	0.98	1.68	1.28	1.45	1.57
Diluted EPS (Rmb)	0.95	1.65	1.26	1.43	1.55
ROE (%)	14.9	19.1	17.4	17.4	16.7
Debt/asset (%)	18.0	9.1	8.7	8.1	7.5
Dividend Yield (%)	3.2	7.6	5.5	6.2	6.8
P/E (x)	7.1	4.1	5.4	4.8	4.4
P/B (x)	1.0	0.6	0.9	0.8	0.7
EV/EBITDA (x)	14.9	9.2	7.4	6.8	6.1

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:

2018.10 广汽集团汽车销量 19.9 万台，同比增长 13.2%，自主品牌传祺销量增速转正，日系品牌需求稳健增长。随着新车型产能爬坡，以及丰田强产品周期发力，我们预期 4Q18 起广汽集团销量增长将逐渐提速。我们维持 18 年摊薄 EPS 人民币 1.26 元（同比增长 18.6%），19 年摊薄 EPS 人民币 1.43 元（同比增长 13.3%），20 年摊薄 EPS 人民币 1.55 元（同比增长 8.1%）。我们维持目标价至港币 12.00 元，鉴于 51.5% 的上升空间，维持买入评级。

传祺增速转正。10 月广汽乘用车销量 4.6 万台，同比微增 1.6%，主要原因在于轿车销量稳中有升，新车型 GS5 正式上市。公司预期 GS5 在产能爬坡期，月销量 5000-8000 台，销量稳定后目标为每月 1 万台。尽管过去几年，传祺增长一直依赖 SUV 产品，但随着 18 年底 GM6 及 3Q19 中型轿车 GA6 上市，我们认为 19 年传祺产品布局将更加均衡。我们预期传祺 18 年销量 58 万台（同比增长 14.0%），19 年 63.2 万台（同比增长 9.0%）。由于自主品牌淡季促销，返利增加，公司毛利率由 1H18 22.2% 降至 3Q18 18.0%。如果汽车行业出台更多减税政策，传祺盈利能力将有所恢复。

日系需求强劲。10 月广汽丰田销量同比增长 67.1% 至 5.5 万台，主要受益于新凯美瑞订单充足，以及小型 SUV CHR 开始放量。随着 19 年底紧凑型 SUV 产品及 2020 年新能源车型上市，我们看好 2018-2020 年丰田强产品周期。我们预期广汽丰田 18 年销量 57 万台（同比增长 29.1%），19 年 65 万台（同比增长 13.9%）。3Q18 广汽集团合营及联营公司实现利润 25.5 亿，同比增长 29.1%，主要增长贡献来自日系品牌销量增长，以及广丰产能利用率逐渐回升，我们认为日系品牌将是 19 年广汽集团主要利润增长点。

排放升级。为应对日益严峻的大气污染防治工作，2019 年 1 月 1 日起，9 省市有望提前实施轻型车国六排放标准，包括深圳、广州、北京、河北等。广汽目前日系品牌及传祺大部分产品可以在 2019.1.1 满足国六标准，全系车型将在 2019.7.1 达标。我们认为部分省市提前实施排放标准升级，对广汽短期销量影响有限。

维持买入评级。我们维持 18 年摊薄 EPS 人民币 1.26 元（同比增长 18.6%），19 年摊薄 EPS 人民币 1.43 元（同比增长 13.3%），20 年摊薄 EPS 人民币 1.55 元（同比增长 8.1%）。我们维持目标价至港币 12.00 元，鉴于 51.5% 的上升空间，维持买入评级。

Investment highlight:

Guangzhou Automobile Group (GAC) reported sales of 199k units in October, 2018, up 13.2% YoY, backed by recovering domestic brand sales and resilient demand for Japanese models. As the company ramps up capacity for new models amid a strong Toyota product cycle, we expect sales to accelerate from 4Q18. We maintain our diluted EPS forecasts of Rmb1.26 in 18E (+18.6% YoY), Rmb1.43 in 19E (+13.3% YoY) and Rmb1.55 in 20E (+8.1% YoY). We maintain our target price of HK\$12.00 (8.4x 19E PE) and, with 51.5% upside, maintain our BUY rating.

Trumpchi sales recovery. GAC Motor's sales volume reached 46k units in October, with sales growth turning around from -6% YoY in September to 1.6% YoY in October. We believe the sales recovery was mainly driven by improved sedan sales and newly launched SUV model, *GS5*. The company guided *GS5*'s monthly sales of 5-8k at ramp-up stage and targeted at 10k units per month. Although Trumpchi's expansion highly relied on sports utility vehicle (SUV) models in the past, we expect the product mix to be more balanced from 19E, backed by the introduction of sedan and multi-purpose vehicle (MPV) models, including *GM6* by end-2018 and *GA6* in 3Q19. We maintain our sales forecast for GAC Motor of 580k units in 18E (+14.0% YoY) and 632k units in 19E (+9.0% YoY). Given a challenging overall market and retail discounts, the gross margin of domestic brands narrowed from 22.2% in 1H18 to 18.0% in 3Q18. However, if there are more tax-break incentives in the auto sector to rebuild consumer confidence, the company's profitability is likely to pick up.

Resilient demand for Japanese models. GAC Toyota's sales rose 67.1% YoY to 55.5k units in October, primarily due to solid demand for Toyota models, including the new *Camry* and recently launched small SUV, the *C-HR*. We expect to see a strong Toyota product cycle in 2018-20E, as the company will enhance its product mix through introducing a key compact SUV by end-2019 and more new energy vehicle (NEV) models. We forecast Toyota's sales volume to reach 571k units in 18E (+29.1% YoY) and 650k units in 19E (+13.9% YoY). We noted the company's share of profit from joint ventures and associated companies reached Rmb2.6bn in 3Q18 (+29.1% YoY), on the back of decent sales growth and an improving utilisation rate for the Toyota brand. We believe the Japanese brand will be the major earnings driver for GAC in 19E.

Preparation for National VI standard. With rising pressure on governments to improve air quality, we note there will be nine cities and provinces planning to apply for the National VI emission standard, including Shenzhen, Guangzhou, Beijing, etc. The company guided that most Trumpchi models and all Toyota models will meet the requirements of the National VI standard from the beginning of 2019, while the remaining products will be ready from 1 July, 2019. We think the standard upgrade will have limited impact on GAC's sales.

Maintain BUY. We maintain our diluted EPS forecasts of Rmb1.26 in 18E (+18.6% YoY), Rmb1.43 in 19E (+13.3% YoY) and Rmb1.55 in 20E (+8.1% YoY). We maintain our target price of HK\$12.00 and, with 51.5% upside, maintain our BUY rating.

Sales recovery

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Fig 1: GAC's passenger vehicle sales volume forecasts

(units)	2014	2015	2016	2017	2018E	2019E	2020E
GAC Honda	480,060	580,068	638,791	705,010	745,431	766,065	766,065
GAC Toyota	374,108	403,088	421,800	442,380	571,186	650,312	695,063
GAC Motor	134,716	195,134	372,034	508,586	580,000	632,000	679,625
GAC Fiat Chrysler	68,090	39,488	146,439	205,177	154,831	171,515	173,265
GAC Mitsubishi	63,199	56,317	55,888	117,388	155,298	167,131	173,640
Others	52,137	25,565	15,143	22,495	20,000	20,000	20,000
Total sales	1,172,310	1,299,660	1,650,095	2,001,036	2,226,746	2,407,023	2,507,657
(YoY growth)							
GAC Honda	10.2%	20.8%	10.1%	10.4%	5.73%	2.77%	0.00%
GAC Toyota	23.4%	7.7%	4.6%	4.9%	29.12%	13.85%	6.88%
GAC Motor	23.6%	44.8%	90.7%	36.7%	14.04%	8.97%	7.54%
GAC Fiat Chrysler	40.8%	-42.0%	270.8%	40.1%	-24.54%	10.78%	1.02%
GAC Mitsubishi	46.9%	-10.9%	-0.8%	110.0%	32.29%	7.62%	3.89%
Others	-20.6%	-51.0%	-40.8%	48.6%	-11.09%	0.00%	0.00%
Total sales	16.7%	10.9%	27.0%	21.3%	11.28%	8.10%	4.18%

Source: Company data, SWS Research

Preparation for National VI standard. With rising pressure on governments to improve air quality, we note there will be nine cities and provinces planning to apply for the National VI emission standard, including Shenzhen, Guangzhou, Beijing, etc.

The company guided that most Trumpchi models and all Toyota models will meet the requirements of the National VI standard from the beginning of 2019, while the remaining products will be ready from 1 July, 2019. We think the standard upgrade will have limited impact on GAC's sales.

Valuation

We maintain our diluted EPS forecasts of Rmb1.26 in 18E (+18.6% YoY), Rmb1.43 in 19E (+13.3% YoY) and Rmb1.55 in 20E (+8.1% YoY). We maintain our target price of HK\$12.00 and, with 51.5% upside, maintain our BUY rating.

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	49,418	71,575	80,162	88,677	96,085
Cost of Sales	41,961	58,716	65,821	73,078	79,263
Gross Profit	7,456	12,858	14,341	15,599	16,821
Other Income	331	562	802	887	961
Distribution expenses	3,396	5,250	5,611	6,207	6,726
Administrative expenses	2,739	4,022	4,088	4,434	4,708
Ebitda	4,324	6,991	8,679	9,525	10,488
Ebit	2,141	4,492	5,743	6,144	6,648
Finance Costs	963	646	781	809	827
Profit before tax	7,050	12,194	14,549	16,482	17,825
Income tax expense	754	1,154	1,455	1,648	1,782
Minority interests	8	35	40	45	50
Profit for the year	6,288	11,005	13,054	14,788	15,992

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	7,050	12,194	14,549	16,482	17,825
Plus: Depr. and amortisation	2,183	2,499	2,936	3,381	3,840
Finance cost	(1,172)	1,172	712	700	700
Losses from investments	(112)	(112)	(112)	(112)	(112)
Change in working capital	1,239	981	(130)	1,482	139
Others	(4,278)	(10,289)	(11,741)	(13,556)	(14,582)
CF from operating activities	4,910	6,446	6,214	8,377	7,810
Capex	(5,212)	(6,681)	(8,158)	(8,492)	(8,625)
Other CF from investing activities	(902)	4,933	4,933	4,933	4,933
CF from investing activities	(6,114)	(1,748)	(3,225)	(3,559)	(3,692)
Equity financing	121	14,914	0	0	0
Net change in liabilities	3,267	520	491	308	170
Dividend and interest paid	(659)	(1,056)	(781)	(809)	(827)
Other CF from financing activities	(535)	(292)	(567)	(539)	(521)
CF from financing activities	2,194	14,087	(857)	(1,040)	(1,178)
Net cash flow	990	18,784	2,132	3,777	2,940

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	34,945	64,485	62,567	68,490	73,847
Bank balances and cash	12,580	37,199	33,495	37,273	40,213
Trade and other receivables	8,371	10,638	12,139	13,507	15,705
Inventories	2,494	3,347	3,630	4,408	4,628
Other current assets	11,501	13,302	13,302	13,302	13,302
Long-term investment	60	0	0	0	0
PP&E	11,856	13,405	18,252	21,192	23,833
Intangible and other assets	5,319	5,861	7,033	8,018	8,820
Total Assets	82,146	119,656	131,040	145,420	159,480
Current Liabilities	24,273	36,618	38,864	42,892	45,758
Borrowings	4,478	2,640	3,140	3,440	3,640
Trade and other payables	19,128	33,071	34,725	38,353	40,910
Other current liabilities	667	907	998	1,098	1,208
Long-term liabilities	12,979	12,570	12,570	12,570	12,570
Total Liabilities	37,253	49,188	51,434	55,462	58,328
Minority Interests	1,037	1,044	1,044	1,044	1,044
Shareholder Equity	44,893	70,468	79,606	89,958	101,152
Share Capital	6,453	7,293	10,211	10,211	10,211
Reserves	11,848	28,330	25,412	25,412	25,412
Total Equity	43,856	69,424	78,562	88,914	100,108
Total Liabilities and equity	82,146	119,656	131,040	145,420	159,480

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	0.98	1.68	1.28	1.45	1.57
Diluted EPS	0.95	1.65	1.26	1.43	1.55
Operating CF per share	0.76	0.89	0.61	0.82	0.77
Dividend per share	0.22	0.53	0.38	0.44	0.47
Net assets per share	6.97	10.76	7.81	8.82	9.92
Key Operating Ratios (%)					
ROIC	5.8	8.7	11.0	11.7	12.6
ROE	14.9	19.1	17.4	17.4	16.7
Gross profit margin	15.1	18.0	17.9	17.6	17.5
Ebitda Margin	8.8	9.8	10.8	10.7	10.9
Ebit Margin	4.3	6.3	7.2	6.9	6.9
Growth rate of Revenue(YoY)	68.0	44.8	12.0	10.6	8.4
Growth rate of Profit(YoY)	49.3	75.0	18.6	13.3	8.1
Debt-to-asset ratio	18.0	9.1	8.7	8.1	7.5
Turnover rate of net assets	117.1	124.1	106.8	104.6	100.6
Turnover rate of total assets	66.2	70.9	64.0	64.2	63.0
Effective tax rate (%)	10.7	9.5	10.0	10.0	10.0
Dividend yield (%)	3.2	7.6	5.5	6.2	6.8
Valuation Ratios (x)					
PE	7.1	4.1	5.4	4.8	4.4
PB	1.0	0.6	0.9	0.8	0.7
EV/Sale	1.3	0.9	0.8	0.7	0.7
EV/EBITDA	14.9	9.2	7.4	6.8	6.1

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.

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HSCEI is the benchmark employed in this report.

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