

10 December 2018

买入
维持

增速放缓

GEELY AUTOMOBILE HOLDINGS (00175.HK)

Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	53,722	92,761	107,143	122,461	129,148
YOY (%)	78.3	72.7	15.5	14.3	5.5
Net income (Rmbm)	5,112	10,634	12,917	15,705	17,458
YOY (%)	126.2	108.0	21.5	21.6	11.2
EPS (Rmb)	0.58	1.19	1.45	1.76	1.95
Diluted EPS (Rmb)	0.57	1.16	1.41	1.72	1.91
ROE (%)	20.7	30.5	29.0	28.2	25.7
Debt/asset (%)	63.5	59.0	56.4	54.3	52.2
Dividend Yield (%)	0.8	1.8	2.8	4.1	4.6
P/E (x)	22.1	10.8	8.9	7.3	6.6
P/B (x)	4.6	3.3	2.6	2.1	1.7
EV/EBITDA (x)	13.7	7.3	6.4	5.4	4.9

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：

吉利汽车 11 月销量为 14.2 万台，同比微增 0.3%，主要原因在于居民消费意愿下降，汽车需求疲弱。我们认为公司 158 万辆年度目标有挑战，我们下调销量预期至 18 年 155 万台（同比增长 24.4%），19 年 180 万台（同比增长 16.7%）。我们将 18 年摊薄 EPS 预期由人民币 1.54 元下调至 1.41 元（同比增长 21.5%），19 年由人民币 1.86 元下调至 1.72 元（同比增长 21.6%），20 年由人民币 2.14 元下调至 1.91 元（同比增长 11.2%）。我们下调目标价至 20.00 港币，对应 35% 的上升空间，维持买入评级。

增速放缓，份额上升。吉利汽车 11 月销量为 14.2 万台，同比微增 0.3%，主要原因在于居民消费意愿下降，汽车需求疲弱。前 11 月实现销量 141 万台，同比增长 29%，远好于行业增速，我们认为公司市场份额有望由 17 年 5.0% 升至 18 年 6.6%。我们认为，公司年初制定的 158 万辆销量目标有压力，并下调销量预期至 18 年 155 万台（同比增长 24.4%）。2019 年，吉利汽车将推出 5 款吉利品牌新车型，以及 2 款领克品牌产品，产品线更加丰富，继续优化产品结构，其中包括博越 GT，A 级纯电动轿车，A0 级 SUV，两款 MPV，领克 04 和 05。由于产品周期强劲，我们预期 19 年公司有望实现销量 180 万台，同比增长 16.7%。此外，我们预期公司在新能源及电动化汽车方面持续突破，有望实现销量 50 万台，销量占比约 30%。

领克有望盈亏平衡。前 11 月领克实现销量 8.8 万台。领克 01 销量受制于 2.0T 发动机产能瓶颈，以及 01PHEV 电池供应问题，随着 19 年产能瓶颈解决，领克 02、03 产能爬坡，领克月销量有望改善。我们下调 18 年领克销量预期至 14 万辆，19 年 27 万台（同比增长 93%）。由于张家口工厂投产初期产能利用率偏低，我们认为领克合资公司 18 年实现盈亏平衡，19 年起贡献利润。

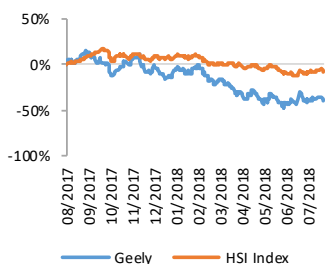
业务多元化。除整车业务外，吉利汽车持续拓展新业务，包括汽车金融，向马来西亚宝腾技术输出，以及新能源积分收入。公司业务逐渐丰富，有望在未来创造新的增长动力。

维持买入评级。我们将 18 年摊薄 EPS 预期由人民币 1.54 元下调至 1.41 元（同比增长 21.5%），19 年由人民币 1.86 元下调至 1.72 元（同比增长 21.6%），20 年由人民币 2.14 元下调至 1.91 元（同比增长 11.2%）。我们下调目标价至 20.00 港币，对应 37.4% 的上升空间，维持买入评级。

Market Data: 06 December 2018

Closing Price (HK\$)	14.56
Price Target (HK\$)	20.00
HSCEI	10,480
HSCCI	4,278
52-week High/Low (HK\$)	27.61 / 12.84
Market Cap (US\$m)	16,762
Market Cap (HK\$m)	130,748
Shares Outstanding (m)	8,932
Exchange Rate (Rmb-HK\$)	0.88

Price Performance Chart:



Source: Bloomberg

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Related Reports

Geely Auto (00175:HK)-“Sales acceleration” August 23, 2018

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

Investment highlight:

Geely Automobile reported sales volume of 141k units in November (+0.3% YoY), mainly due to weakening consumer sentiment and tightened liquidity, amid China's deleveraging policies. We believe the company's full-year sales guidance of 1.58m units will be a challenging target, and lower our sales forecast to 1.55m units for 18E (+24.4% YoY) and 1.8m units for 19E (+16.7% YoY). We revise down our diluted EPS forecasts from Rmb1.54 to Rmb1.41 in 18E (+21.6% YoY), from Rmb1.86 to Rmb1.72 in 19E (+22.0% YoY), and from Rmb2.14 to Rmb1.91 in 20E (+11.0% YoY). We lower our target price from HK\$28.30 to HK\$20.00, representing 10x 19E PE. With 37.4% upside, we maintain our BUY recommendation.

Market share gain despite moderating sales growth. The firm reported sales volume of 141k units in November, up 0.3% YoY, mainly due to weakening consumer sentiment and tightened liquidity, amid China's deleveraging policies. Geely reported sales of 1.4m units in the first eleven months in 2018, up 29% YoY, significantly outpacing the industry growth. We expect the company's market share to improve from 5.0% in 17A to 6.6% in 18E. We believe the firm's full-year sales guidance of 1.58m units will be a challenging target, and lower our sales forecast to 1.55m units in 18E (+24.4% YoY). The company will continue to improve its product mix by launching five new models under the *Geely* brand and two models under the *Lynk & Co* brand, including *Boyue GT*, a compact electric sedan, a compact sport-utility vehicle (SUV), and two multi-purpose vehicles (MPVs), *Lynk 04* and *05*. Backed by a strong product cycle in 19E, we forecast sales volume to reach 1.8m units in 19E (+16.7% YoY). We also expect Geely's new-energy vehicle (NEV) sales growth to accelerate, achieving sales volume of c.500k units (c.30% of total sales).

Lynk & Co contribution. *Lynk & Co* reported total sales of 88k units in the first eleven months of 2018. *Lynk 01* is suffering from a capacity bottleneck on the 2.0L turbo engine and auto battery. We expect monthly sales to pick up from 19E onwards as the bottleneck disappears and the capacity of *Lynk 02 & 03* ramps up. We lower our sales forecasts for *Lynk & Co* to 140k units in 18E and 270k units in 19E (+93% YoY). Given Zhangjiakou Plant's higher start-up costs and lower utilisation rate, we expect *Lynk & Co* to break even this year, and contribute earnings from 2019.

Diversifying revenue streams. The company is gradually expanding into new businesses, including technology export to Proton, auto financing, and potential NEV credit sales. Given a diversifying business scope, we expect to see more growth drivers from 2019 onwards.

Maintain BUY. We revise down our diluted EPS forecasts from Rmb1.54 to Rmb1.41 in 18E (+21.6% YoY), from Rmb1.86 to Rmb1.72 in 19E (+22.0% YoY), and from Rmb2.14 to Rmb1.91 in 20E (+11.0% YoY). We lower our target price from HK\$28.30 to HK\$20.00, representing 10x 19E PE. With 37.4% upside, we maintain our BUY recommendation.

Revenue diversification

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Fig 1: Geely's sales forecast, by model

Unit sales breakdown	2015	2016	2017	2018E	2019E	2020E
<i>Borui</i>	32,571	51,957	42,760	20,000	30,000	30,000
<i>Borui GE</i>				28,000	50,000	50,000
<i>New Emgrand</i>	198,302	237,416	264,432	250,000	280,000	280,000
<i>New Vision</i>	114,963	137,687	145,005	160,000	160,000	160,000
<i>Emgrand GL</i>	-	30,037	124,112	160,000	160,000	180,000
<i>Binrui</i>				25,000	60,000	80,000
<i>Others</i>	104,318	74,408	54,414	20,000		
Total sedan	450,154	531,505	630,723	663,000	740,000	780,000
<i>Boyue</i>	-	109,080	286,885	260,000	280,000	280,000
<i>Emgrand GS</i>	-	60,521	150,584	150,000	150,000	150,000
<i>Emgrand GSe</i>				8,000	30,000	30,000
<i>Vision SUV</i>	-	49,447	127,042	120,000	120,000	120,000
<i>Vision X3</i>			30,870	120,000	120,000	100,000
<i>Vision S1</i>				75,000	50,000	50,000
<i>Others</i>	57,533	15,298	15,000	15,000	10,000	10,000
Total SUV	59,943	234,346	610,381	748,000	760,000	740,000
Total MPV				40,000	80,000	80,000
<i>Lynk & Co 01</i>			6,012	100,000	120,000	150,000
<i>Lynk & Co 02</i>				30,000	90,000	120,000
<i>Lynk & Co 03</i>				10,000	60,000	100,000
LYNK & CO	-	-	6,021	140,000	270,000	370,000

Total vehicles	510,097	765,851	1,247,125	1,551,000	1,810,000	1,970,000
<i>YoY growth</i>	22.1%	50.1%	62.8%	24.4%	16.7%	8.8%

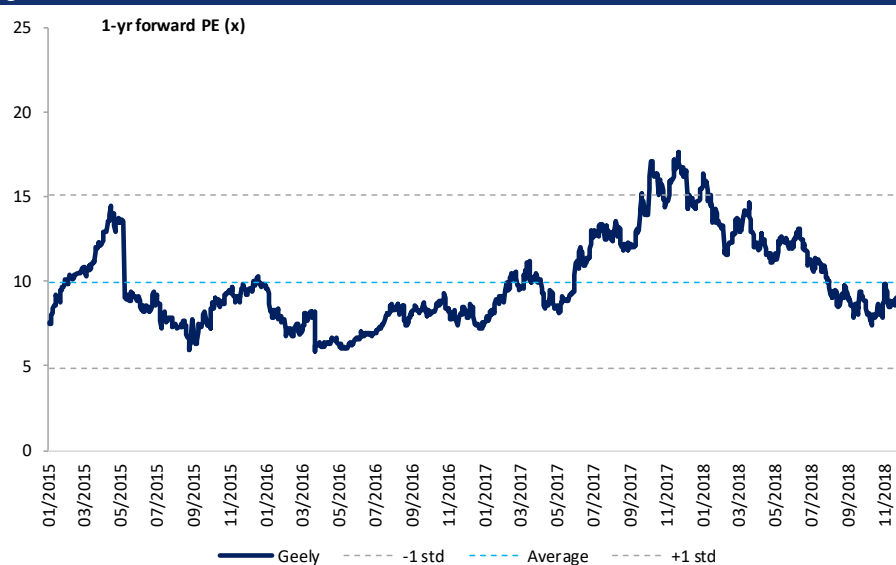
Source: Company data, SWS Research

Diversifying revenue streams. The company is gradually expanding into new businesses, including technology export to Proton, auto financing, and potential NEV credit sales. Given a diversifying business scope, we expect to see more growth drivers from 2019 onwards.

Valuation

We revise down our diluted EPS forecasts from Rmb1.54 to Rmb1.41 in 18E (+21.6% YoY), from Rmb1.86 to Rmb1.72 in 19E (+22.0% YoY), and from Rmb2.14 to Rmb1.91 in 20E (+11.0% YoY). We lower our target price from HK\$28.30 to HK\$20.00, representing 10x 19E PE. With 37.4% upside, we maintain our BUY recommendation.

Fig 2: Forward PE ratio



Source: Bloomberg, SWS Research

Appendix

Consolidated Income Statement

Rmbm	2016	2017	2018E	2019E	2020E
Revenue	53,722	92,761	107,143	122,461	129,148
Cost of Sales	43,880	74,779	86,101	98,060	103,118
Gross Profit	9,842	17,981	21,043	24,402	26,030
Other Income	1,131	1,229	1,352	1,420	1,491
Distribution expenses	2,503	4,056	4,607	5,143	5,295
Administrative expenses	2,560	2,923	3,214	3,674	3,874
EBITDA	7,523	14,142	16,069	19,032	21,144
EBIT	5,868	12,204	14,546	16,976	18,323
Finance Costs	30	35	37	39	41
Profit before tax	6,204	12,774	15,417	18,736	20,827
Income tax expense	1,034	2,039	2,390	2,904	3,228
Minority interests	58	102	111	127	141
Equity holders of the parent	5,112	10,634	12,917	15,705	17,458

Source: Company data, SWS Research

Consolidated Cash Flow Statement

Rmbm	2016	2017	2018E	2019E	2020E
Profit before taxation	6,204	12,774	15,417	18,736	20,827
Plus: Depr. and amortisation	1,654	1,938	1,523	2,056	2,821
Finance cost	116	162	(25)	(28)	(31)
Losses from investments	0	0	0	0	0
Change in working capital	1,538	(510)	(1,353)	(2,406)	(3,797)
Others	(754)	(1,759)	(2,390)	(2,904)	(3,228)
CF from operating activities	8,338	11,994	12,164	13,545	13,925
Capex	(486)	(3,452)	(5,413)	(6,129)	(7,191)
Other CF from investing activities	(2,071)	(8,460)	(4,221)	(2,954)	(1,773)
CF from investing activities	(2,557)	(11,911)	(9,634)	(9,083)	(8,964)
Equity financing	-	-	-	-	-
Net change in liabilities	163	1,122	130	143	157
Dividend and interest paid	(386)	(1,087)	(3,266)	(4,750)	(5,278)
Other CF from financing activities	252	(1,720)	0	0	0
CF from financing activities	29	(1,685)	(3,137)	(4,608)	(5,121)
Net cash flow	5,810	(1,602)	(606)	(146)	(160)

Source: Company data, SWS Research

Consolidated Balance Sheet

Rmbm	2016	2017	2018E	2019E	2020E
Current Assets	47,249	53,008	60,922	71,096	82,531
Bank balances and cash	15,045	13,415	12,809	12,662	12,503
Trade and other receivables	29,041	33,478	39,981	48,217	57,870
Inventories	3,066	6,027	8,044	10,129	12,071
Other current assets	97	88	88	88	88
Long-term investment	1,002	4,805	4,805	4,805	4,805
PP&E	10,650	14,053	19,247	25,584	33,035
Intangible and other assets	8,682	13,115	17,335	20,290	22,063
Total Assets	67,583	84,981	102,309	121,775	142,433
Current Liabilities	40,630	49,902	57,413	65,728	73,992
Borrowings	174	1,296	1,426	1,569	1,726
Trade and other payables	39,779	47,533	54,699	62,615	70,412
Other current liabilities	677	1,073	1,288	1,545	1,854
Long-term liabilities	2,266	268	308	354	408
Total Liabilities	42,897	50,170	57,721	66,083	74,399
Minority Interests	249	344	433	544	665
Shareholder Equity	24,686	34,811	44,588	55,692	68,034
Share Capital	163	164	164	164	164
Reserves	24,275	34,303	43,990	54,984	67,204
Total Equity	24,437	34,467	44,155	55,148	67,369
Total Liabilities and equity	67,583	84,981	102,309	121,775	142,433

Source: Company data, SWS Research

Key Financial Ratios

	2016	2017	2018E	2019E	2020E
Ratios per share (HK\$)					
Earnings per share	0.58	1.19	1.45	1.76	1.95
Diluted EPS	0.57	1.16	1.41	1.72	1.91
Operating CF per share	1.03	1.54	1.63	1.84	1.92
Dividend per share	0.11	0.23	0.36	0.53	0.59
Net assets per share	2.80	3.90	4.99	6.24	7.62
Key Operating Ratios (%)					
ROIC	18.33	28.68	26.97	25.29	22.41
ROE	20.71	30.55	28.97	28.20	25.66
Gross profit margin	18.32	19.38	19.64	19.93	20.15
Ebitda Margin	14.00	15.25	15.00	15.54	16.37
Ebit Margin	10.92	13.16	13.58	13.86	14.19
Growth rate of Revenue(YoY)	78.25	72.67	15.51	14.30	5.46
Growth rate of Profit(YoY)	125.90	107.64	21.35	21.52	11.16
Debt-to-asset ratio	63.47	59.04	56.42	54.27	52.23
Turnover rate of net assets	2.18	2.66	2.40	2.20	1.90
Turnover rate of total assets	0.79	1.09	1.05	1.01	0.91
Effective tax rate (%)	16.66	15.96	15.50	15.50	15.50
Dividend yield (%)	0.85	1.81	2.82	4.11	4.57
Valuation Ratios (x)					
P/E	22.1	10.8	8.9	7.3	6.6
P/B	4.6	3.3	2.6	2.1	1.7
EV/Sale	1.9	1.1	1.0	0.8	0.8
EV/EBITDA	13.7	7.3	6.4	5.4	4.9

Source: Company data, SWS Research

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