

Company Report: Brilliance China (01114 HK)

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公司报告: 华晨汽车 (01114 HK)

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Maintain "Buy" on Strong Fundamentals and Attractive Valuation

因稳健基本面和有吸引力的估值维持“买入”

- **Brilliance China's 1-11M18 sales still relatively solid, up by 21.0% yoy.** The improvement was mainly due to the new X3 introduced in 2Q18. Other key models such as the X1/ 3-series/ 5-series also performed well, up by 8.4%/ 9.8%/ 23.4% yoy, respectively. Overall sales was consistent with management guidance of approximately 20% yoy increase in 2018.
- **We have revised downward net profit by 8.0%/ 10.9%/ 13.6% in 2018 to 2020, respectively.** The reduction is mainly on Brilliance BMW JV as we have reduced 1) the sales forecast for the X3 due to slower-than-expected demand and ramp up in pace and 2) margin expectation due to considerably larger-than-expected discount and rebate to dealers.
- We believe that the longer term uncertainty from the sale of 25% stake in the JV has created pessimistic views from investors. This includes the amount of special dividend to be distributed to the shareholders upon the recognition of disposal gain and the long-term value of Brilliance China after BMW takes the majority stake in the JV. We attempt to capture long-term value by switching to DCF-derived valuation. Our calculated equity value is well above the current stock price (HK\$5.83 as at 19 Dec 2018). Fundamentally, consumption upgrade should continue to benefit key premium players. The Company's strong model cycle ahead should be able to obtain sustainable growth, with the new generation 3-series and X2 expected in 2019, the X5 in 2022 and iX3 in the pipeline. Along with the lower valuation of 12M forward PER 4.0x, we believe the risk and reward is attractive at this point. **Therefore, we maintain our "Buy" rating for Brilliance China, but revise down TP to HK\$8.54, representing 5.5x 2018 PER and 4.9x 2019 PER.**
- **华晨汽车在 2018 年 1-11 月销售仍然相对稳固, 同比增长 21.0%。** 增长主要归功于 2018 年第二季度推出的新 X3。其他关键型号如 X1 / 3 系列 / 5 系列也表现良好, 分别同比增长 8.4% / 9.8% / 23.4%。整体销售与管理层 2018 年指引的同比增长约 20% 为一致。
- **我们将 2018 至 2020 年的净利润分别下调了 8.0% / 10.9% / 13.6%。** 下调主要来自华晨宝马合资公司, 因为我们减少了 1) X3 的销售预测, 原因是需求和爬坡速度低于预期及 2) 利润率预测, 由于超出预期的折扣和 / 或经销商补贴。
- 我们认为出售合资公司 25% 股权的长期不确定性为投资者带来悲观看法。这包括出售收益后分配给股东的特别股息金额以及宝马承担合资公司多数股权后华晨汽车的长期价值。我们试图通过转换为 DCF 衍生估值来获取长期价值。我们计算的股权价值远高于当前股价 (截至 2018 年 12 月 19 日为 5.83 港元)。从基本上, 消费升级将继续使主要的高端制造商受益。公司强大的车型周期应该能够实现可持续增长, 这包括新一代 3 系列和 X2 预计均在 2019 年推出; 2022 年的 X5 和计划中的 iX3。随着 4.0 倍 12 个月预测市盈率的较低估值, 我们认为风险和回报在这水平上具有吸引力。**因此, 我们维持对华晨汽车的“买入”评级, 但将目标价下调至 8.54 港元, 对应 5.5 倍的 2018 年市盈率和 4.9 倍的 2019 年市盈率。**

Rating: **Buy**
Maintained

评级: **买入 (维持)**

6-18m TP 目标价: **HK\$8.54**
Revised from 原目标价: HK\$15.69

Share price 股价: **HK\$5.830**

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 %	(13.2)	(53.2)	(68.5)
Rel. % to HS Index 相对恒指变动 %	(13.3)	(47.3)	(57.0)
Avg. Share price(HK\$) 平均股价 (港元)	6.6	7.9	13.5

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)	(%)	(%)
2016A	5,125	3,682	0.731	5.2	7.1	4.710	1.1	0.110	2.1	16.9
2017A	5,305	4,376	0.868	18.7	5.6	5.259	0.9	0.110	2.3	17.4
2018F	4,094	6,852	1.359	56.6	3.8	6.062	0.8	0.204	4.0	24.0
2019F	3,221	7,762	1.539	13.2	3.3	7.020	0.7	0.231	4.5	23.5
2020F	2,568	8,878	1.760	14.4	2.9	8.107	0.6	0.264	5.1	23.3

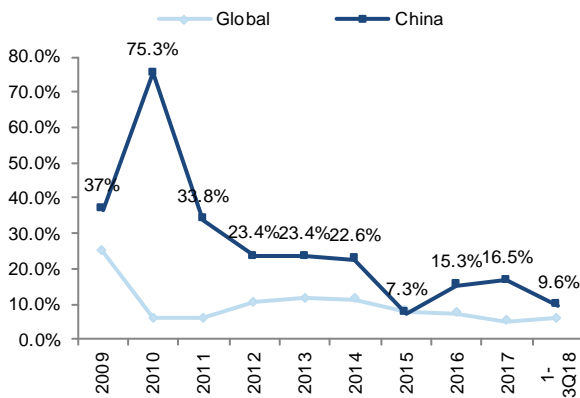
Shares in issue (m) 总股数 (m)	5,045.3	Major shareholder 大股东	Huachen Auto Group 42.5%
Market cap. (HK\$ m) 市值 (HK\$ m)	29,414.1	Free float (%) 自由流通比率 (%)	57.0
3 month average vol. 3 个月平均成交股数 ('000)	35,516.0	FY18 Net gearing (%) FY18 净负债/股东资金 (%)	Net Cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	22.200 / 5.700	FY18 Est. NAV (HK\$) FY18 每股估值 (港元)	10.1

Source: the Company, Guotai Junan International.

INDUSTRY

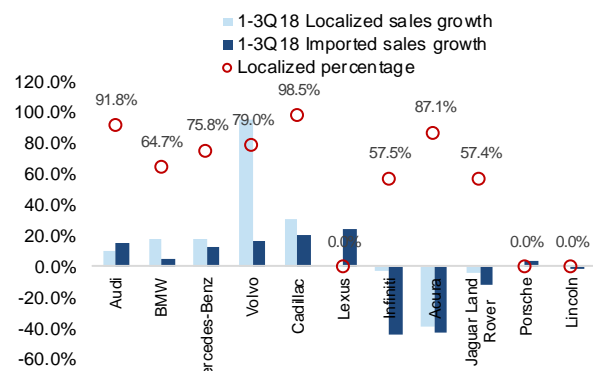
The premium segment is still relatively strong as compared to the passenger vehicle market in China. In 1-3Q18, consolidated sales growth of the top 11 premium brands recorded yoy growth of 9.6%, slightly lower from 2017, mainly due to the drag from imported models. The imported market has suffered significantly from Aug.-Oct. due to the reduced demand for vehicles made in the US (represented 22% of total imports in 2017). However, we believe that demand for localized models is still strong by comparing the sales growth of localized and imported vehicles. As in general, the sales growth was better for localized models than imported; as a result, if the brand derived more sales from localized models (localized percentage), its sales growth in China was better in general. Firstly, overall strong sales figure is due to consumption upgrade in general. Secondly, the better localized models sales growth is due to the friendlier price tags than imported ones despite a reduction in import tax since 1st Jul. 2018.

Figure-1: Premium Vehicles Sales Growth



Source: CAAM, Guotai Junan International.

Figure-2: 1-3Q18 Localized and Imported Vehicles Sales Growth

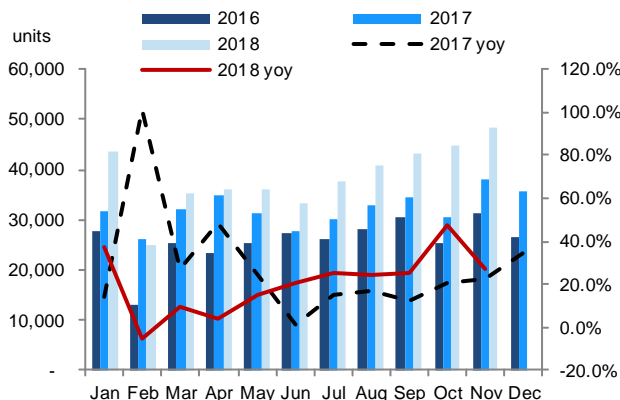


Source: CAAM, Guotai Junan International.

BRILLIANCE BMW

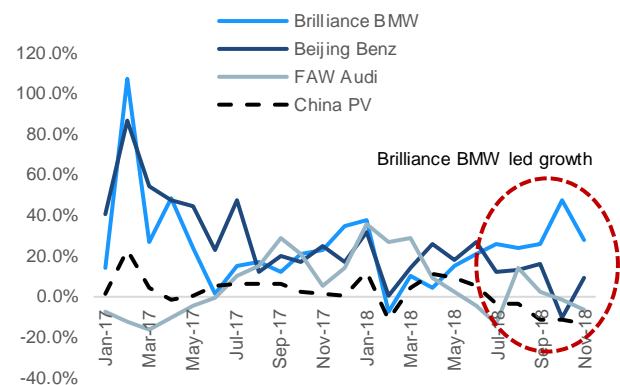
Sales of Brilliance BMW (the "Company") remained very solid in the first 11 months of 2018, with YTD sales up 21.0% yoy. Strong sales performance was mainly due to the strong contribution of its sixth localized model, the X3, which started production in 2Q18. Therefore, we noticed that sales continued to speed up since 2Q18, with very limited impact from current weak auto demand. Other models are also growing very strongly. In terms of sedans, the 1-series/ 3-series/ 5-series increased by 21.5%/ 9.8%/ 23.4% yoy in 1-11M18. The other SUV, the X1, was also up by 8.4% yoy. The only model which recorded a decrease was the 2-series Active Tourer, down by 45.1% yoy. Overall sales was consistent with the management's guidance of approximately 20% yoy increase in 2018. However, the ramping up of the X3 was weaker than expected, and therefore we have reduced our forecast.

Figure-3: Brilliance BMW Monthly Sales



Source: CAAM, Guotai Junan International.

Figure-4: Sales Comparison



Source: CAAM, Guotai Junan International.

EARNINGS REVISION

We have revised downwards net profit by 8.0%/ 10.9%/ 13.6% in 2018 to 2020, respectively. The reduction is mainly due to Brilliance BMW JV as we have reduced 1) the sales forecast for the X3 due to a slower-than-expected demand and ramp-up pace, and 2) margin expectation due to considerably larger-than-expected discount and rebate to dealers.

Table-1: Forecast Revisions

	New			Old			Change		
	2018F	2019F	2020F	2018F	2019F	2020F	2018F	2019F	2020F
Vehicle sales (units)									
Jinbei	46,179	35,621	27,836	46,179	35,621	27,836	0.0%	0.0%	0.0%
Brilliance BMW	458,700	480,220	514,348	469,700	510,220	564,348	-2.3%	-5.9%	-8.9%
5-series	144,000	151,200	158,760	144,000	151,200	158,760	0.0%	0.0%	0.0%
3-series	130,800	117,720	141,264	130,800	117,720	141,264	0.0%	0.0%	0.0%
2-series Active Tourer	10,500	10,500	10,500	10,500	10,500	10,500	0.0%	0.0%	0.0%
X1	96,000	100,800	103,824	96,000	100,800	103,824	0.0%	0.0%	0.0%
X3	39,000	70,000	70,000	50,000	100,000	120,000	-22.0%	-30.0%	-41.7%
Total	504,879	515,841	542,184	515,879	545,841	592,184	-2.1%	-5.5%	-8.4%
Financials (RMB mn)									
Revenue	4,094	3,221	2,568	4,094	3,221	2,568	0.0%	0.0%	0.0%
Gross profit margin	3.5%	3.5%	3.5%	3.50%	3.50%	3.50%	0.0 ppt	0.0 ppt	0.0 ppt
Profit from operation	6,994	8,310	9,620	7,595	9,327	11,108	-7.9%	-10.9%	-13.4%
Share profit of JV (BMW)	7,217	8,395	9,593	7,818	9,411	11,081	-7.7%	-10.8%	-13.4%
Net profit margin of JV	10.4%	10.9%	11.4%	11.00%	11.50%	12.00%	(0.6)ppt	(0.6)ppt	(0.6)ppt
Net income (Loss)	6,852	7,762	8,878	7,447	8,715	10,273	-8.0%	-10.9%	-13.6%
Basics EPS (RMB)	1.359	1.539	1.760	1.477	1.728	2.037	-8.0%	-10.9%	-13.6%

Source: Guotai Junan International.

Table-2: Major Financial Data and Forecast

	2016	2017	2018F	2019F	2020F
Sales volume (Jinbei)	62,673	61,028	46,179	35,621	27,836
yoy	8.0%	-2.6%	-24.3%	-22.9%	-21.9%
ASP (Jinbei) - RMB/unit	81,776	86,923	88,661	90,434	92,243
yoy	-2.4%	6.3%	2.0%	2.0%	2.0%
Sales volume (BMW)	310,055	386,478	458,700	480,220	514,348
yoy	8.0%	24.6%	18.7%	4.7%	7.1%
ASP (BMW) - RMB/unit	308,024	288,759	303,197	321,389	327,817
yoy	-4.1%	-6.3%	5.0%	6.0%	2.0%
Share profit of JV (BMW)	3,993	5,233	7,217	8,395	9,593
yoy	4.5%	31.0%	37.9%	16.3%	14.3%
Net profit margin of JV	8.4%	9.4%	10.4%	10.9%	11.4%
Net profit	3,682	4,376	6,852	7,762	8,878
yoy	5.4%	18.8%	56.6%	13.3%	14.4%

Source: the Company, Guotai Junan International.

VALUATION

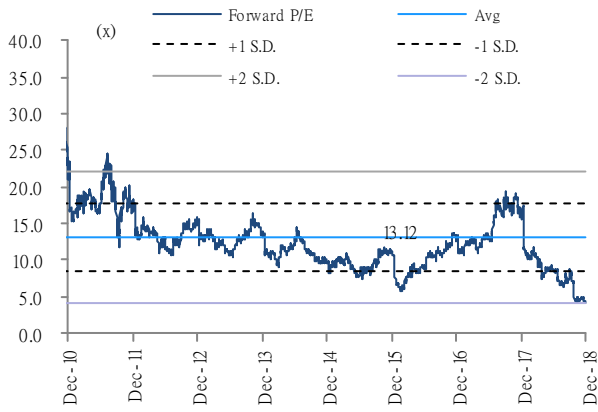
Brilliance China's stock price continued to slump following the announcement of the disposal of 25% interest to BMW Group. This is despite its stronger-than-market and peers' sales growth. We believe that longer-term uncertainty from this transaction has created pessimistic views from investors. This includes the amount of special dividend to be distributed to shareholders upon the recognition of disposal gain and the long-term value of Brilliance China after BMW takes majority stake in the JV. We have attempted to capture the long-term value by switching to DCF-derived valuation. Our calculated equity value is well above the current stock price (HK\$5.83 as at 19 Dec 2018). Fundamentally, consumption upgrade should continue to benefit key premium players. The Company's strong model cycle ahead should be able to obtain sustainable growth, with the new generation 3-series and X2 expected in 2019, the X5 in 2022 and iX3 in the pipeline. Along with the lower valuation of 12M forward PER 4.0x, we believe that the risk and reward is attractive at this point. Therefore, **we maintain our "Buy" rating for Brilliance China, but revise down TP to HK\$8.54, representing 5.5x 2018 PER and 4.9x 2019 PER.**

Table-3: DCF Analysis

WACC Calculation			
Risk-free rate	2.3%	PV of FCFF and terminal value (RMB mn)	47,681
Market risk premium	10.9%	Net (Debt)/Cash (RMB mn)	(2,557)
Beta	1.5	Non-controlling interest	(525)
Cost of equity	18.7%	NAV (RMB mn)	44,598
Interest rate	6.0%	RMB/HK\$	0.88
Effective Tax rate	25.0%	NAV (HK\$ mn)	50,680
Cost of debt	4.5%		
Equity ratio	87.5%	Per share NAV	10.05
Debt ratio	12.5%		
WACC	16.9%		
Terminal growth rate	1.0%		

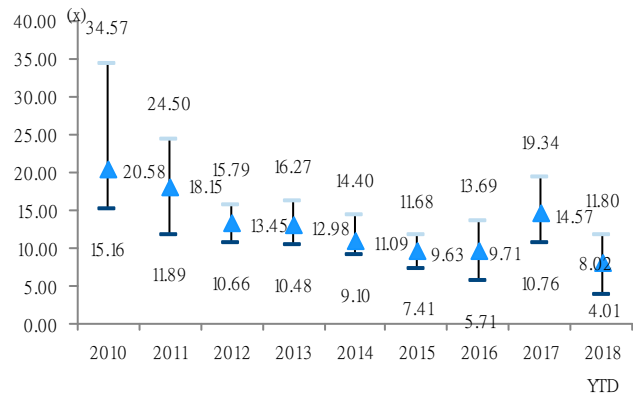
Source: Guotai Junan International.

Figure-5: PER of Brilliance China



Source: Bloomberg, Guotai Junan International.

Figure-6: PER Range of Brilliance China



Source: Bloomberg, Guotai Junan International.

Table-4: 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
Dongfeng Motor-H	489 HK	HKD	6.98	3.7	3.7	3.7	3.6	0.5	0.4	0.4	0.4	11.2	5.2	9.7
Geely Automobile	175 HK	HKD	13.82	10.1	8.1	6.7	5.8	3.0	2.4	1.9	1.5	31.4	3.7	4.2
Brilliance China	1114 HK	HKD	5.83	5.8	4.0	3.4	2.9	0.9	0.8	0.7	0.6	21.2	3.4	n.a.
Great Wall Mot-H	2333 HK	HKD	4.53	7.1	7.0	6.7	6.2	0.7	0.7	0.6	0.6	10.2	4.8	4.7
Qingling Motor-H	1122 HK	HKD	2.01	8.7	8.3	7.9	7.3	0.5	0.6	0.6	0.6	7.0	10.2	n.a.
Byd Co Ltd-H	1211 HK	HKD	53.05	32.8	40.0	29.3	25.3	2.4	2.2	2.0	1.9	7.4	0.4	11.3
Guangzhou Auto-H	2238 HK	HKD	7.56	5.5	5.5	5.0	4.5	0.9	0.9	0.8	0.7	16.1	6.2	7.8
Baic Motor-H	1958 HK	HKD	4.01	11.6	5.1	4.1	3.6	0.6	0.6	0.5	0.5	13.6	8.5	0.8
Weichai Power-H	2338 HK	HKD	8.83	9.0	8.4	8.8	8.9	1.7	1.6	1.4	1.3	16.7	5.1	3.6
Sinotruk Hk Ltd	3808 HK	HKD	11.68	9.3	7.6	7.9	7.9	1.2	1.1	1.1	1.0	14.3	5.9	2.8
Simple Average				10.4	9.8	8.3	7.6	1.2	1.1	1.0	0.9	14.9	5.3	5.6
Weighted Average				13.6	14.4	11.5	10.2	1.7	1.5	1.3	1.2	16.0	4.1	6.5
Dongfeng Auto-A	600006 CH	CNY	3.7	36.8	11.5	9.7	n.a.	1.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Great Wall Mo-A	601633 CH	CNY	5.7	10.4	9.5	8.4	7.7	1.1	1.0	0.9	0.8	11.4	3.5	4.6
Faw Car Co Ltd-A	000800 CH	CNY	6.9	40.0	n.a.	n.a.	n.a.	1.4	1.4	1.3	1.3	2.9	n.a.	n.a.
Saic Motor-A	600104 CH	CNY	25.50	8.6	8.0	7.4	6.9	1.3	1.2	1.1	1.0	15.5	8.3	4.8
Chongqing Chan-A	000625 CH	CNY	6.41	4.3	11.6	8.5	8.2	0.6	0.6	0.6	0.6	7.2	2.8	2.5
Weichai Power-A	000338 CH	CNY	7.84	9.2	8.4	8.3	8.0	1.8	1.5	1.4	1.1	17.2	4.9	3.5
Beiqi Foton-A	600166 CH	CNY	1.83	91.5	36.6	30.5	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Anhui Jianghua-A	600418 CH	CNY	4.88	21.2	16.7	12.7	11.3	0.7	0.6	0.6	0.6	1.9	1.9	4.5
Cnhct Jinan T-A	000951 CH	CNY	11.72	8.7	9.1	7.9	6.7	1.4	1.3	1.2	1.1	15.0	5.5	n.a.
Zhengzhou Yut-A	600066 CH	CNY	11.81	8.4	9.6	8.8	8.4	1.8	1.6	1.4	1.3	14.2	5.0	6.8
Xiamen King Lo-A	600686 CH	CNY	7.25	9.2	10.6	9.8	8.7	1.2	1.0	1.0	0.9	7.2	n.a.	n.a.
Jiangling Moto-A	000550 CH	CNY	11.68	14.6	23.7	19.1	27.0	0.8	0.9	0.9	0.9	3.5	2.2	n.a.
Yangzhou Yax-A	600213 CH	CNY	6.09	32.1	n.a.	n.a.	n.a.	7.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhongtong Bus-A	000957 CH	CNY	4.68	14.6	5.1	4.6	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average				22.7	14.1	11.9	10.3	1.7	1.1	1.0	1.0	9.6	4.3	4.4
Weighted Average				16.5	11.3	9.8	7.7	1.3	1.1	1.0	0.9	10.7	3.4	3.2
Nissan Motor Co	7201 JP	JPY	918.50	5.5	4.8	6.9	6.3	0.7	0.7	0.6	0.6	9.5	6.2	2.5
Toyota Motor	7203 JP	JPY	6,774.00	11.2	8.0	8.2	7.9	1.2	1.1	1.0	0.9	12.3	3.4	10.8
Honda Motor Co	7267 JP	JPY	3,028.00	8.9	5.1	7.4	7.1	0.7	0.7	0.6	0.6	8.8	3.8	7.5
Mazda Motor	7261 JP	JPY	1,220.00	7.8	6.7	12.9	8.5	0.7	0.6	0.6	0.6	5.2	2.9	4.1
Mitsubishi Heavy	7011 JT	JPY	4,089.00	15.7	19.5	17.2	13.2	0.8	0.8	0.8	0.8	4.3	3.1	6.8
Fuji Heavy Indus	7270 JP	JPY	2,417.50	6.6	8.4	10.4	7.1	1.3	1.2	1.1	1.1	11.1	6.0	3.0
Suzuki Motor	7269 JP	JPY	5,812.00	16.0	11.9	10.8	10.5	2.3	2.0	1.7	1.5	17.6	1.4	4.8
Hino Motors Ltd	7205 JP	JPY	1,103.00	12.8	12.3	11.1	9.5	1.4	1.3	1.2	1.1	11.1	2.7	5.8
Isuzu Motors	7202 JP	JPY	1,616.50	13.6	12.0	10.2	9.3	1.6	1.4	1.3	1.2	12.7	2.4	5.8
Simple Average				10.9	9.9	10.6	8.8	1.2	1.1	1.0	0.9	10.3	3.5	5.7
Weighted Average				10.5	8.1	8.7	8.0	1.1	1.0	0.9	0.9	11.4	3.7	8.4
Hyundai Motor	005380 KS	KRW	124,000.00	8.3	12.1	8.5	7.4	0.4	0.5	0.5	0.4	5.2	3.5	9.8
Ford Motor Co	F US	USD	8.32	4.4	6.2	6.4	5.5	0.9	0.9	0.8	0.7	11.1	6.7	1.9
Navistar Intl	NAV US	USD	25.67	80.2	7.5	7.3	8.4	n.a.	n.a.	n.a.	n.a.	(8.6)	0.0	6.0
Paccar Inc	PCAR US	USD	54.88	11.5	9.0	8.8	9.9	2.4	2.0	1.8	1.7	22.7	4.5	8.4
Volkswagen Ag	VOW GR	EUR	144.30	6.4	5.8	5.0	4.8	0.7	0.6	0.6	0.5	11.5	4.6	1.6
Bayer Motoren Wk	BMW GR	EUR	72.71	5.5	6.9	6.7	6.5	0.9	0.8	0.8	0.7	11.7	5.4	5.0
Daimler Ag	DAI GR	EUR	46.71	4.7	6.1	5.6	5.6	0.8	0.7	0.7	0.6	12.6	7.5	1.5
Man Se	MAN GR	EUR	90.30	42.7	25.4	26.8	19.1	2.2	n.a.	n.a.	n.a.	n.a.	1.1	13.8
Renault Sa	RNO FP	EUR	54.52	2.9	3.8	3.6	3.5	0.5	0.4	0.4	0.4	11.5	7.1	1.8
Volvo Ab-B	VOLVB SS	SEK	118.60	11.5	8.3	8.1	8.7	2.3	1.9	1.7	1.6	21.8	5.6	4.5
General Motors C	GM US	USD	20.42	14.7	7.9	7.0	5.8	1.1	1.0	0.9	0.8	13.7	2.9	5.0
Tata Steel Ltd	TATA IN	INR	527.40	n.a.	4.1	6.2	6.3	1.4	1.0	0.9	0.8	15.1	1.9	5.6
Simple Average				16.6	8.3	8.0	7.3	1.2	1.0	0.9	0.8	12.2	4.4	5.1
Weighted Average				8.4	7.4	7.0	6.5	1.1	0.8	0.8	0.7	12.6	5.3	3.8
Global Simple Average				15.1	10.7	9.4	8.4	1.4	1.1	1.0	0.9	12.3	4.7	5.1
Global Weighted				10.1	8.6	8.3	7.5	1.2	1.0	0.9	0.8	12.4	4.4	6.0

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
Total Revenue	5,125	5,305	4,094	3,221	2,568
Cost of sales	(4,954)	(5,118)	(3,951)	(3,109)	(2,478)
Gross profit	172	186	143	113	90
Other revenue and expenses	82	110	73	59	49
Selling expenses	(612)	(572)	(441)	(347)	(277)
Administrative expenses	(383)	(1,193)	(306)	(241)	(192)
Share of result of:	4,246	5,450	7,525	8,727	9,951
--Associates	253	217	308	332	358
--Jointly controlled entities	3,993	5,233	7,217	8,395	9,593
Operating Profit	3,504	3,982	6,994	8,310	9,620
Interests income	53	55	75	65	58
Finance costs	(133)	(138)	(341)	(453)	(535)
Profit Before Tax	3,425	3,900	6,728	7,922	9,144
Income Tax	(36)	(34)	(61)	(305)	(380)
profit After Tax	3,389	3,866	6,667	7,617	8,763
Non-controlling Interest	293	510	185	145	115
Shareholders' Profit / Loss	3,682	4,376	6,852	7,762	8,878
Basic EPS	0.731	0.868	1.359	1.539	1.760
Diluted EPS	0.730	0.867	1.358	1.539	1.760
Dividend per share (RMB)	0.110	0.110	0.204	0.231	0.264

Cash Flow Statement					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
EBT	3,425	3,900	6,728	7,922	9,144
Share of results of JV and associates	(4,246)	(5,450)	(7,525)	(8,727)	(9,951)
Depreciation and amortisation	270	278	246	233	247
Interest expenses/(income),net	80	82	267	388	477
Other adjustments	(100)	601	94	138	183
Change in WC	(345)	(2,244)	(70)	262	50
Interest received	85	301	746	990	1,168
Income tax paid	(33)	(14)	(38)	(36)	(30)
Cash from Operating Activities	(865)	(2,547)	447	1,170	1,288
Net Proceed of PPE	(455)	(620)	(393)	(433)	(346)
Change of pledged bank deposits	469	(225)	316	319	192
Dividend received from JV and associates	1,130	2,168	1,881	2,182	2,488
Others	(4)	(44)	0	0	0
Cash from Investing Activities	1,140	1,278	1,804	2,069	2,334
Net change of bank borrowing	(260)	1,565	1,565	782	939
Net change of notes payable	430	913	730	584	468
Dividend paid	(475)	(277)	(1,028)	(1,164)	(1,332)
Others	(104)	(137)	(267)	(388)	(477)
Cash from Financing Activities	(409)	2,064	1,001	(185)	(402)
Net Changes in Cash	(134)	795	3,252	3,053	3,220
Other adjustment					
Cash at Beg of Year	1,071	937	1,732	4,984	8,038
Cash at End of Year	937	1,732	4,984	8,038	11,258

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (RMB m)	2016A	2017A	2018F	2019F	2020F
PPE	2,250	2,567	2,026	2,109	2,193
Intangible assets	1,339	696	1,695	1,823	1,946
Lease prepayment	85	87	81	79	77
Interests in jointly controlled entities	17,645	21,594	23,034	25,351	27,965
Other non-current assets	2,716	3,881	4,310	4,806	5,338
Total Non-current Assets	24,034	28,824	31,145	34,167	37,519
Cash & Cash Equivalents	937	1,732	4,984	8,038	11,258
Inventories	1,104	1,044	905	705	565
Trade and other receivables	1,880	1,387	2,357	1,677	1,407
Pledged deposit	1,532	1,757	1,441	1,122	929
Other Current assets	1,556	3,112	1,912	2,171	2,378
Total Current Assets	7,009	9,032	11,599	13,713	16,537
Total Assets	31,043	37,856	42,744	47,881	54,056
Trade payables	3,324	3,279	2,541	1,936	1,568
Notes payable	2,330	2,781	3,511	4,095	4,563
Bank borrowing	1,325	2,810	4,375	5,157	6,096
Other current liabilities	1,343	2,096	1,635	1,306	1,065
Total Current Liabilities	8,323	10,965	12,061	12,495	13,292
Total Non-current Liabilities	122	191	122	134	148
Total Liabilities	8,444	11,156	12,183	12,630	13,440
Total Shareholders' Equity	23,724	26,523	30,568	35,403	40,883
Share capital	397	397	397	397	397
Reserve	23,327	26,126	30,171	35,006	40,486
Minority Interest	(1,125)	177	(7)	(152)	(267)
Total Equity	22,599	26,700	30,561	35,251	40,616
BPS(RMB)	4.710	5.259	6.062	7.020	8.107

Financial Ratios					
	2016A	2017A	2018F	2019F	2020F
Profitability					
Sales Volume growth of Jinbei	8.0	(2.6)	(24.3)	(22.9)	(21.9)
Sales volume growth of BMW	8.0	24.6	18.7	4.7	7.1
Change of Jinbei ASP (%)	(2.4)	6.3	2.0	2.0	2.0
Change of BMW ASP (%)	(4.1)	(6.3)	5.0	6.0	2.0
EPS Growth (%)	5.1	18.7	56.6	13.3	14.4
BPS Growth (%)	19.0	11.7	15.3	15.8	15.5
Gross profit margin (%)	3.3	3.5	3.5	3.5	3.5
Operating profit margin of Jinbei	(14.5)	(27.7)	(13.0)	(12.9)	(12.9)
Operating profit margin of BMW	11.2	12.6	13.1	13.6	15.0
EBITDAR (%)	71.0	77.7	168.5	251.1	363.5
Net profit margin (%)	71.8	82.5	167.3	241.0	345.8
ROE(%)	16.9	17.4	24.0	23.5	23.3
ROA(%)	12.7	12.7	17.0	17.1	17.4
Liquidity and solvency					
Gearing ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Interest coverage ratio (x)	26.7	29.3	20.7	18.5	18.1
Cash ratio (x)	0.1	0.2	0.4	0.6	0.8
Quick ratio (x)	0.7	0.7	0.9	1.0	1.2
Efficiency Analysis					
Inventory turnover days	85.3	82.0	83.6	82.8	83.2
Days receivable days	250.2	170.0	210.1	190.0	200.1
Days payable days	249.4	220.0	234.7	227.4	231.0

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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