

SAIC Motor (600104 CH)

Wait for the turning point of two GMs

SAIC Motor announced its FY19 results. Revenue achieved RMB843.3bn (vs CMBIS estimate of RMB886.3bn/ consensus estimate of RMB818.6bn), a decrease of 7% YoY. NP was RMB25.6bn (vs CMBIS estimate RMB30.0bn / consensus estimate of RMB26.8bn), a decrease of 29% YoY. EPS declined 29% to RMB2.19 while DPS was RMB0.88 in 2019. The divd yield was 4.6%.

- **The Company sold 6.24 mn units in 2019, a decline of 11.5%YoY** (SAIC PV of 0.7mn/-4.1%YoY, SAIC Volkswagen of 2.0mn/-3.1%YoY, SAIC-GM of 1.6mn/-18.8%, SAIC-GM-Wuling of 1.7mn/-19.4%YoY.) GPM from new car sales fell to 9.3% in 2019 from 11.5% in 2018, dragging down the bottom-line. The main factors that contribute to the GPM decline include the emission standard switch, the decline of NEV subsidy, etc. We expect its 2020E sales volume to be 5.79mn units (vs Company's target of 6.0mn).
- **The inflection point of short-term performance depends on the performance of two GMs.** In 2019, SAIC-GM sales volume fell 18.8%YoY, of which Cadillac fell 17.3%/Buick fell 13.7%/Chevrolet fell 51.8%. One of the reasons is that SAIC-GM chose to use the three-cylinder engine in Buick Excelle and Chevrolet Cruze in 2019. Since Feb 2020, SAIC-GM plans to roll out the four-cylinder engine version on key models. We expect the sales performance of SAIC-GM will start to improve in 2H20E. In addition, SAIC-GM-Wuling sales volume fell 19.9%YoY in 2019. We expect SAIC-GM-Wuling will also improve marginally as New Baojun brand has a great product pipeline in 2020E.
- **In the medium-run, SAIC-Volkswagen will support the performance.** The SAIC-Volkswagen MEB plant is expected to be put into production in 4Q20E with a production capacity of 300K. It will produce a variety of EV models for Volkswagen, Škoda and, Audi. In addition, SAIC-Audi is expected to roll out its first model A7L in 2021E. We believe that Audi, as one of the three famous luxurious brands, will become a new growth engine for SAIC Motor.
- **We adjust down the top-line forecast in 2020E by 12% to RMB787bn to reflect the negative impact of COVID-19.** Furthermore, we cut our bottom-line forecast by 34% to RMB21.5bn in 2020E given 1) lower GPM forecast; 2) operating deleverage; 3) lower PL from JVs. Therefore, we cut our TP to RMB21.1 (based on new 11.5x 20E P/E) with an upside of 11.6% from initial TP RMB25.6 (based on initial 9.2x 20E P/E). Reiterate HOLD.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	902,194	843,324	787,335	814,806	844,414
YoY growth (%)	3.62%	-6.53%	-6.64%	3.49%	3.63%
Net income (RMB mn)	36,009	25,603	21,478	26,755	29,478
EPS (RMB)	3.08	2.19	1.84	2.29	2.52
YoY growth (%)	3.08	2.33	2.38	2.67	2.67
Consensus EPS(RMB)	4%	-29%	-16%	25%	10%
P/E (x)	6.15	8.65	10.31	8.27	7.51
P/B (x)	0.94	0.89	0.80	0.72	0.65
Yield (%)	9.66%	4.64%	5.20%	4.68%	5.63%
ROE (%)	15.67%	10.58%	8.16%	9.15%	9.06%
Net gearing (%)	17%	21%	19%	16%	12%

Source: Company data, Bloomberg, CMBIS estimates

HOLD (Maintain)

Target Price	RMB21.1
(Previous TP	RMB25.6)
Up/Downside	+11.6%
Current Price	RMB19.0

China Auto Sector

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Stock Data

Mkt Cap (mn)	221,402
3-mth average daily turnover (mn)	616.36
52-week high/low	30.30/ 17.46
Equity share - 600104 CH	11,683
Source: Bloomberg	

Shareholding Structure

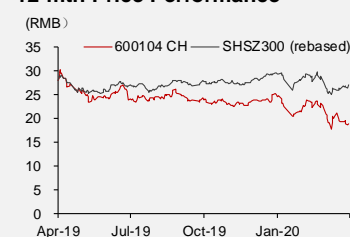
Shanghai Automotive Industry (Group) Corporation	71.24%
Hong Kong Central Clearing Company Limited	3.55%
Yuejin Automobile Group Corporation.	3.54%
Source: Company data	

Share Performance

	Absolute	Relative
1-mth	-15.7%	-12.5%
3-mth	-26.2%	-17.3%
6-mth	-21.9%	-18.6%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

Auditor: Deloitte Touche Tohmatsu

Related Reports

"SAIC Motor (600104 CH) – China's largest automobile group with great resilience" – 3 Oct 2019

Earnings Revision

Figure 1: FY19 results review

RMB mn	FY18A	FY19A	YoY	CMBIS		Consensus	
				FY19E	Diff (%)	FY19E	Diff (%)
Revenue	902,194	843,324	-7%	886,335	-5%	818,566	3%
Gross profit	128,316	112,737	-12%	126,229	-11%	110,564	2%
EBIT	54,539	40,982	-25%	45,249	-9%	NA	NA
Net profit	36,009	25,603	-29%	30,049	-15%	26,840	-5%
EPS (RMB)	3.08	2.19	-29%	2.57	-15%	2.33	-6%
Gross margin	14.22%	13.37%	-0.9 ppt	14.24%	-0.9ppt	13.51%	-0.1 ppt
EBIT margin	6.05%	4.86%	-1.2 ppt	5.11%	-0.2 ppt	NA	NA
Net margin	3.99%	3.04%	-1.0 ppt	3.39%	-0.4 ppt	3.28%	-0.2 ppt

Source: Company data, Bloomberg, CMBIS estimates

Figure 2: Earnings revision

(RMB mn)	New		Old		Change (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	787,335	814,806	898,680	935,235	-12%	-13%
Gross profit	106,044	113,848	132,502	142,077	-20%	-20%
EBIT	33,640	41,503	49,075	52,871	-31%	-22%
Net profit	21,478	26,755	32,500	34,799	-34%	-23%
EPS (RMB)	1.84	2.29	2.78	2.98	-34%	-23%
Gross margin	13.47%	13.97%	14.74%	15.19%	-1.2 ppt	-1.2 ppt
EBIT margin	4.27%	5.09%	5.46%	5.65%	-1.2 ppt	-0.6 ppt
Net Margin	2.73%	3.28%	3.62%	3.72%	-0.9 ppt	-0.4 ppt

Source: Company data, CMBIS estimates

Figure 3: CMBIS estimates vs consensus

(RMB mn)	New		Consensus		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	787,335	814,806	826,251	880,034	-5%	-7%
Gross profit	106,044	113,848	112,874	122,195	-6%	-7%
EBIT	33,640	41,503	NA	NA	NA	NA
Net profit	21,478	26,755	26,879	30,911	-20%	-13%
EPS (RMB)	1.84	2.29	2.38	2.67	-23%	-14%
Gross margin	13.47%	13.97%	13.66%	13.89%	0.3 ppt	0.3 ppt
EBIT margin	4.27%	5.09%	NA	NA	NA	NA
Net Margin	2.73%	3.28%	3.25%	3.51%	0.2 ppt	0.1 ppt

Source: Bloomberg, CMBIS estimates

Figure 4: Revenue breakdown

(RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Automobile manufacturing industry	667,308	613,341	565,929	584,142	604,402
...YoY	2%	-8%	-8%	3%	3%
SAIC-Volkswagen	259,301	235,950	224,294	239,097	249,976
...YoY	1%	-9%	-5%	7%	5%
SAIC-GM	224,444	187,821	166,109	165,229	169,384
...YoY	-2%	-16%	-12%	-1%	3%
Other	183,563	189,570	175,526	179,816	185,041
...YoY	6%	3%	-7%	2%	3%
Auto-parts manufacturing industry	175,460	164,853	153,313	156,380	159,507
...YoY	11%	-6%	-7%	2%	2%
Commercial services	9,521	10,575	11,104	12,214	13,436
...YoY	-17%	11%	5%	10%	10%
Other	35,337	37,760	38,515	40,826	43,276
...YoY	14%	7%	2%	6%	6%
Financial services and others	14,568	16,794	18,473	21,244	23,794
...YoY	15%	15%	10%	15%	12%
Total	902,194	843,323	787,335	814,806	844,414
...YoY	4%	-7%	-7%	3%	4%

Source: Company data, CMBIS estimates

Figure 5: P&L forecast

RMB mn	FY18	FY19	FY20E	FY21E	FY22E
Revenue	902,194	843,324	787,335	814,806	844,414
...YoY	3.62%	-6.53%	-6.64%	3.49%	3.63%
Cost of sales	-773,878	-730,588	-681,291	-700,958	-725,585
Gross profit	128,316	112,737	106,044	113,848	118,829
GPM (%)	14.22%	13.37%	13.47%	13.97%	14.07%
...YoY	2.30%	-12.14%	-5.94%	7.36%	4.38%
Selling Exp	-63,423	-57,451	-54,753	-56,724	-59,013
...% of rev	-7.03%	-6.81%	-6.95%	-6.96%	-6.99%
Admin Exp	-21,336	-22,308	-20,471	-22,000	-22,799
...% of rev	-2.36%	-2.65%	-2.60%	-2.70%	-2.70%
EBIT	54,539	40,982	33,640	41,503	45,575
EBIT Margin (%)	6.05%	4.86%	4.27%	5.09%	5.40%
...YoY	0.25%	-24.86%	-17.92%	23.37%	9.81%
Net profit	36,009	25,603	21,478	26,755	29,478
NPM (%)	3.99%	3.04%	2.73%	3.28%	3.49%
...YoY	4.65%	-28.90%	-16.11%	24.57%	10.18%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	902,194	843,324	787,335	814,806	844,414
Cost of sales	(773,878)	(730,588)	(681,291)	(700,958)	(725,585)
Gross profit	128,316	112,737	106,044	113,848	118,829
Taxes and levies	(7,463)	(6,610)	(6,604)	(6,842)	(7,283)
S&D expenses	(63,423)	(57,451)	(54,753)	(56,724)	(59,013)
Administrative expenses	(21,336)	(22,308)	(20,471)	(22,000)	(22,799)
R&D expenses	(15,385)	(13,394)	(14,613)	(15,368)	(15,789)
Finance expenses	(195)	(24)	(658)	(649)	(564)
Impairment losses	(3,490)	(3,507)	(3,275)	(3,389)	(3,512)
Other income	3,126	4,379	4,088	4,230	4,384
P/L from Joint ventures	33,126	24,901	20,375	24,800	27,704
Investment income	371	1,594	1,482	1,534	1,590
P/L from disposal	29	30	1,306	1,352	1,401
Non-operating income	1,125	767	85	88	91
Non-operating expenses	(455)	(154)	(26)	(27)	(28)
Profit before income tax	54,344	40,958	32,982	40,854	45,012
Income tax expense	(5,939)	(5,669)	(3,958)	(4,698)	(5,176)
Profit for the year	48,405	35,289	29,024	36,155	39,835
Less: MI	12,395	9,686	7,546	9,400	10,357
Net Profit	36,009	25,603	21,478	26,755	29,478

Cash flow summary

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income	36,009	25,603	21,478	26,755	29,478
D&A	9,160	10,111	12,016	14,281	16,975
Change in working capital	(34,502)	13,715	(9,132)	331	6,923
Others	(1,691)	(3,157)	30,338	6,278	14,616
Net cash from operating	8,976	46,272	54,700	47,644	67,991
Capex & investments	(1,470)	(1,349)	(312)	(326)	(341)
Associated companies	(138,431)	(135,547)	(142,325)	(139,088)	(146,043)
Others	149,745	97,633	71,195	88,682	88,752
Net cash from investing	9,845	(39,264)	(71,442)	(50,732)	(57,631)
Equity raised	-	-	-	-	-
Change of Debts	36,428	29,497	7,799	14,669	16,937
Dividend paid	(21,381)	(10,281)	(11,522)	(10,362)	(12,474)
Others	(34,161)	(22,310)	5,081	9,268	10,323
Net cash from financing	(19,114)	(3,094)	1,358	13,574	14,786
Net change in cash	(293)	3,914	(15,384)	10,486	25,146
Cash at the beginning	121,611	123,771	127,827	112,443	122,929
Exchange difference	2,453	142	-	-	-
Cash at the end	123,771	127,827	112,443	122,929	148,076
Less: pledged cash	-	-	-	-	-

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	329,394	338,176	357,198	394,474	436,019
Fixed asset	69,187	83,056	99,558	119,195	142,560
Intangible assets	14,008	15,281	19,912	23,839	28,512
Interest in JV/associate	70,930	64,617	67,848	71,240	74,802
Other non-current assets	175,268	175,221	169,880	180,200	190,144
Current assets	453,376	511,158	441,594	460,687	483,193
Cash	123,771	127,827	112,443	122,929	148,076
Account receivable	61,090	58,988	50,796	50,925	49,671
Inventory	58,943	54,399	49,308	50,439	50,710
Other current assets	209,572	269,945	229,047	236,393	234,736
Current liabilities	414,323	462,803	369,233	375,836	384,614
Borrowings	140,385	154,582	123,838	122,221	126,662
Account payables	154,827	170,048	138,962	143,529	143,927
Other payables	119,111	138,173	106,433	110,087	114,024
Tax payables	-	-	-	-	-
Non-current liabilities	83,726	85,690	94,772	106,367	119,165
Borrowings	32,533	35,299	50,974	61,028	72,991
Provisions	15,266	13,997	12,854	13,451	13,798
Deferred income tax	2,267	3,112	2,558	2,535	2,633
Others	33,661	33,283	28,386	29,354	29,743
Total net assets	284,720	300,840	334,787	372,957	415,433
Minority Interest	50,352	51,138	57,890	65,009	72,656
Shareholders' equity	234,369	249,702	276,898	307,948	342,777

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Profit mix (%)					
Automobile	74%	73%	72%	72%	72%
Auto-parts	19%	20%	19%	19%	19%
Commercial services	1%	1%	1%	1%	2%
Labor services	4%	4%	5%	5%	5%
Financial services	2%	2%	2%	3%	3%
Total	100%	100%	100%	100%	100%
P&L ratios (%)					
Gross profit margin	14%	13%	13%	14%	14%
Pre-tax margin	6%	5%	4%	5%	5%
Net margin	4%	3%	3%	3%	3%
Effective tax rate	11%	14%	12%	12%	12%
Balance sheet ratios					
Current ratio (x)	1.09	1.10	1.20	1.23	1.26
Quick ratio (x)	0.51	0.51	0.58	0.60	0.64
Cash ratio (x)	0.30	0.28	0.30	0.33	0.38
Debtors turnover days	25	26	24	23	21
Total debt / total equity ratio	175%	182%	139%	129%	121%
Net debt / equity ratio (%)	131%	140%	105%	96%	86%
Returns (%)					
ROE	16%	11%	8%	9%	9%
ROA	7%	5%	4%	5%	5%
Per share					
EPS (Rmb)	3.08	2.19	1.84	2.29	2.52
DPS (Rmb)	1.83	0.88	0.99	0.89	1.07
BVPS (Rmb)	19.38	20.06	23.00	23.70	26.36

Source: Company data, CMBIS estimates

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