

Minth Group (425 HK)

Well on track; new businesses as a call option

Maintain BUY. We are of the view that Minth's 1H25 earnings were well on track and more importantly, its key operating metrics such as new orders, R&D, capex and cash flow are solid. We still believe Minth is better positioned than most peers in the global auto parts industry. We expect steady revenue growth to continue in the next few years, with possible positive surprise from new businesses.

- **1H25 earnings largely in line.** Minth's revenue rose 11% YoY in 1H25, largely in line with our prior forecast. During the period, GPM narrowed by 0.2ppts YoY to 28.3%, slightly lower than our expectation. SG&A and R&D ratios combined narrowed by 1.3ppts YoY to 16.6%, better than our projections. That led to an in-line net profit of RMB1.3bn in 1H25.
- **We expect steady revenue growth to continue with possible spike from new businesses.** We view Minth's key operating metrics including new business orders, R&D, capex, localization and cash flow as solid in 1H25, which gives us more confidence in its operational efficiency capabilities. That reaffirms our previous view that Minth is better positioned than most peers in the global auto parts industry. We project Minth's revenue to rise 12% and 13% YoY in FY26-27E, respectively, based on its rising order backlog, with minimal expectation for robotic and eVTOL products. Revenue growth could even be higher, should any new business reach an inflection point. We believe Minth has learnt a hard lesson in evaluating investment return in a new business during FY21-23 when it deployed capital heavily in a bid to expand its businesses.
- **Earnings/Valuation.** We project Minth's GPM to be 28.5%-28.7% during FY25-27E, vs. 28.9% in FY24, as economies of scale are to partially offset slightly-lower-margin battery housing's higher sales contribution. With strict cost control in SG&A, we estimate its net profits to rise 15%/15%/19% YoY to RMB2.7bn/3.1bn/3.7bn in FY25-27E, respectively. We maintain our BUY rating and raise target price from HK\$26.00 to HK\$38.00, based on 13x our revised FY26E EPS (prior 10x FY25E). We believe such valuation multiple is justified given Minth's early exposure in new businesses with high growth potential and improved market sentiment. Key risks to our rating and target price include lower revenue/margins, higher risks in overseas operation than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	20,524	23,147	25,797	28,968	32,652
YoY growth (%)	18.6	12.8	11.4	12.3	12.7
Net profit (RMB mn)	1,903.2	2,319.3	2,669.2	3,071.0	3,665.2
YoY growth (%)	26.8	21.9	15.1	15.1	19.3
EPS (Reported) (RMB)	1.65	2.02	2.33	2.69	3.19
P/E (x)	19.4	15.9	13.7	11.9	10.0
P/B (x)	2.0	1.8	1.6	1.5	1.3
Yield (%)	0.0	1.3	2.9	3.4	4.0
ROE (%)	10.8	12.0	12.4	12.9	14.1
Net gearing (%)	17.6	15.4	7.9	3.1	(2.9)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$38.00
(Previous TP)	HK\$26.00)
Up/Downside	9.1%
Current Price	HK\$34.82

China Auto

Ji SHI, CFA
 (852) 3761 8728
 shiji@cmbi.com.hk

Wenjing DOU, CFA
 (852) 6939 4751
 douwenjing@cmbi.com.hk

Austin Liang
 (852) 3900 0856
 austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	40,609.1
Avg 3 mths t/o (HK\$ mn)	160.2
52w High/Low (HK\$)	35.36/12.10
Total Issued Shares (mn)	1166.3

Source: FactSet

Shareholding Structure

Chin Jong-Hwa's family	38.7%
Invesco Asset Management	6.1%

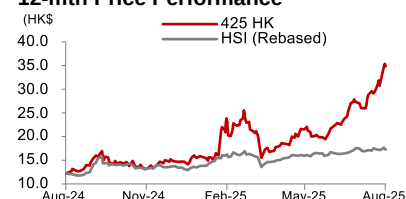
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	27.5%	28.5%
3-mth	63.1%	51.3%
6-mth	51.4%	42.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Minth Group \(425 HK\) - Solid revenue and profit growth could continue" - 25 Mar 2025](#)

Figure 1: Interim results

RMB mn	1H23	2H23	1H24	2H24	1H25	YoY	HoH
Revenue	9,747	10,776	11,090	12,057	12,287	10.8%	1.9%
Gross profit	2,563	3,059	3,162	3,536	3,473	9.9%	-1.8%
Selling expenses	(360)	(432)	(531)	(516)	(512)	-3.6%	-0.8%
Admin expenses	(623)	(826)	(743)	(896)	(805)	8.4%	-10.2%
R&D expenses	(616)	(781)	(715)	(735)	(726)	1.6%	-1.2%
Operating profit	1,017	1,100	1,380	1,642	1,555	12.7%	-5.3%
Net profit	887	1,016	1,068	1,251	1,277	19.5%	2.0%
Gross margin	26.3%	28.4%	28.5%	29.3%	28.3%	-0.2 ppts	-1.1 ppts
Operating margin	10.4%	10.2%	12.4%	13.6%	12.7%	0.2 ppts	-1.0 ppts
Net margin	9.1%	9.4%	9.6%	10.4%	10.4%	0.8 ppts	0.0 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	25,797	28,968	32,652	26,186	29,881	N/A	-1.5%	-3.1%	N/A
Gross profit	7,395	8,281	9,306	7,482	8,527	N/A	-1.2%	-2.9%	N/A
Operating profit	3,101	3,532	4,157	3,122	3,644	N/A	-0.7%	-3.1%	N/A
Net profit	2,669	3,071	3,665	2,719	3,248	N/A	-1.8%	-5.4%	N/A
Gross margin	28.7%	28.6%	28.5%	28.6%	28.5%	N/A	0.1 ppts	0.1 ppts	N/A
Operating margin	12.0%	12.2%	12.7%	11.9%	12.2%	N/A	0.1 ppts	0.0 ppts	N/A
Net margin	10.3%	10.6%	11.2%	10.4%	10.9%	N/A	0.0 ppts	-0.3 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	25,797	28,968	32,652	26,768	30,976	35,900	-3.6%	-6.5%	-9.0%
Gross profit	7,395	8,281	9,306	7,792	9,091	10,612	-5.1%	-8.9%	-12.3%
Operating profit	3,101	3,532	4,157	3,607	4,227	4,992	-14.0%	-16.4%	-16.7%
Net profit	2,669	3,071	3,665	2,753	3,299	3,934	-3.0%	-6.9%	-6.8%
Gross margin	28.7%	28.6%	28.5%	29.1%	29.3%	29.6%	-0.4 ppts	-0.8 ppts	-1.1 ppts
Operating margin	12.0%	12.2%	12.7%	13.5%	13.6%	13.9%	-1.5 ppts	-1.5 ppts	-1.2 ppts
Net margin	10.3%	10.6%	11.2%	10.3%	10.7%	11.0%	0.1 ppts	-0.1 ppts	0.3 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	17,306	20,524	23,147	25,797	28,968	32,652
Cost of goods sold	(12,522)	(14,902)	(16,449)	(18,402)	(20,686)	(23,346)
Gross profit	4,784	5,622	6,698	7,395	8,281	9,306
Operating expenses	(3,203)	(3,505)	(3,974)	(4,294)	(4,749)	(5,148)
Selling expense	(868)	(792)	(1,048)	(1,045)	(1,169)	(1,260)
Admin expense	(1,292)	(1,449)	(1,638)	(1,783)	(1,949)	(2,069)
R&D expense	(1,172)	(1,397)	(1,449)	(1,588)	(1,785)	(1,975)
Others	130	133	162	122	155	155
Operating profit	1,581	2,117	2,725	3,101	3,532	4,157
Other income	186	281	298	230	260	280
Investment gain/loss	286	356	325	261	311	349
Other gains/(losses)	(21)	61	(24)	31	(36)	(28)
Share of (losses)/profits of associates/JV	10	16	4	23	28	27
EBITDA	3,163	4,225	4,872	5,413	5,986	6,815
Depreciation	1,038	1,302	1,452	1,667	1,783	1,915
Depreciation of ROU assets	46	47	45	48	50	52
Other amortisation	37	45	47	52	58	62
EBIT	2,042	2,831	3,328	3,646	4,095	4,786
Interest expense	(263)	(515)	(521)	(388)	(368)	(338)
Foreign exchange gain/loss	34	8	31	(20)	10	10
Pre-tax profit	1,779	2,315	2,807	3,258	3,727	4,448
Income tax	(249)	(351)	(431)	(521)	(578)	(689)
After tax profit	1,530	1,964	2,376	2,737	3,149	3,758
Minority interest	(30)	(61)	(56)	(68)	(78)	(93)
Net profit	1,501	1,903	2,319	2,669	3,071	3,665
Gross dividends	609	0	464	1,068	1,228	1,466

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	15,995	17,493	17,169	19,187	21,789	24,176
Cash & equivalents	4,221	4,165	2,441	3,485	4,500	5,000
Restricted cash	1,055	1,840	1,771	1,700	1,700	1,700
Account receivables	6,541	6,610	7,476	8,106	9,102	10,260
Inventories	3,633	3,982	4,641	5,028	5,539	6,187
Prepayment	0	0	0	0	0	0
Other current assets	545	895	841	868	948	1,029
Non-current assets	17,279	20,054	21,590	20,794	21,640	22,063
PP&E	13,435	15,476	15,798	15,809	15,791	15,540
Right-of-use assets	1,083	1,058	1,035	1,037	1,037	1,035
Deferred income tax	270	419	483	483	483	483
Investment in JVs & assos	394	407	384	397	415	427
Intangibles	113	112	92	90	81	69
Goodwill	98	98	98	98	98	98
Financial assets at FVTPL	28	30	1,075	684	1,135	1,594
Other non-current assets	1,858	2,454	2,625	2,197	2,601	2,817
Total assets	33,274	37,547	38,759	39,981	43,429	46,238
Current liabilities	13,314	14,117	14,577	13,932	15,432	15,670
Short-term borrowings	7,192	5,851	5,894	5,460	5,937	4,984
Account payables	5,765	7,004	7,260	8,045	9,043	10,206
Tax payable	157	226	206	206	206	206
Other current liabilities	180	1,016	1,194	198	220	245
Lease liabilities	19	20	22	24	26	29
Non-current liabilities	2,262	4,290	2,923	2,523	2,343	2,364
Long-term borrowings	1,006	3,837	2,525	2,125	1,925	1,925
Deferred income	27	45	20	20	20	20
Other non-current liabilities	1,229	409	378	378	397	419
Total liabilities	15,576	18,407	17,500	16,455	17,774	18,034
Share capital	116	116	116	116	117	117
Other reserves	16,801	18,202	20,329	22,575	24,688	27,228
Total shareholders equity	16,918	18,318	20,445	22,691	24,805	27,346
Minority interest	780	821	814	834	850	859
Total equity and liabilities	33,274	37,547	38,759	39,981	43,429	46,238

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	1,779	2,315	2,807	3,258	3,727	4,448
Depreciation & amortization	1,121	1,394	1,544	1,767	1,891	2,029
Tax paid	(270)	(390)	(542)	(521)	(578)	(689)
Change in working capital	(1,190)	(399)	(798)	(415)	(630)	(772)
Others	415	446	263	93	96	19
Net cash from operations	1,855	3,366	3,274	4,182	4,506	5,035
Investing						
Capital expenditure	(3,432)	(3,279)	(1,938)	(1,950)	(2,050)	(1,950)
Acquisition of subsidiaries/ investments	(71)	(103)	1	0	0	0
Net proceeds from disposal of short-term investments	(16)	120	(1,211)	590	(500)	(500)
Others	482	(238)	(47)	1,005	231	474
Net cash from investing	(3,037)	(3,500)	(3,194)	(355)	(2,319)	(1,976)
Financing						
Dividend paid	(626)	(744)	(33)	(511)	(1,130)	(1,312)
Net borrowings	644	1,202	(1,104)	(834)	277	(953)
Proceeds from share issues	na	0	na	(15)	0	0
Share repurchases	(47)	0	(130)	0	0	0
Others	na	(406)	na	(1,423)	(318)	(294)
Net cash from financing	(125)	52	(1,795)	(2,783)	(1,171)	(2,560)
Net change in cash						
Cash at the beginning of the year	5,492	4,221	4,165	2,441	3,485	4,500
Exchange difference	35	27	(9)	0	0	0
Cash at the end of the year	4,221	4,165	2,441	3,485	4,500	5,000
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	24.3%	18.6%	12.8%	11.4%	12.3%	12.7%
Gross profit	17.2%	17.5%	19.1%	10.4%	12.0%	12.4%
Operating profit	27.2%	33.9%	28.7%	13.8%	13.9%	17.7%
EBITDA	4.4%	33.6%	15.3%	11.1%	10.6%	13.9%
EBIT	(3.2%)	38.6%	17.6%	9.6%	12.3%	16.9%
Net profit	0.3%	26.8%	21.9%	15.1%	15.1%	19.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	27.6%	27.4%	28.9%	28.7%	28.6%	28.5%
Operating margin	9.1%	10.3%	11.8%	12.0%	12.2%	12.7%
EBITDA margin	18.3%	20.6%	21.0%	21.0%	20.7%	20.9%
Return on equity (ROE)	9.1%	10.8%	12.0%	12.4%	12.9%	14.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.2	0.2	0.2	0.1	0.0	(0.0)
Current ratio (x)	1.2	1.2	1.2	1.4	1.4	1.5
Receivable turnover days	137.9	117.6	117.9	115.0	115.0	115.0
Inventory turnover days	105.9	97.5	103.0	100.0	98.0	97.0
Payable turnover days	168.1	171.6	161.1	160.0	160.0	160.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	24.6	19.4	15.9	13.7	11.9	10.0
P/E (diluted)	24.6	19.4	15.9	13.7	11.9	10.0
P/B	2.2	2.0	1.8	1.6	1.5	1.3
P/CFPS	19.9	10.9	11.2	8.8	8.1	7.3
Div yield (%)	1.7	0.0	1.3	2.9	3.4	4.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.