

BYD (1211 HK)

Strong DM-i growth ahead

BYD released its FY2020 results. In 2020, the Company achieved a revenue of RMB156.6bn yuan, a growth of 23% YoY. NP was RMB4.2bn (vs CMBI estimate RMB5.2bn), up 162%YoY. We expect sales volume of the DM-i series will gradually increase from 2Q21E while BEV product matrix will be fully equipped with blade batteries, and both will open a new growth cycle. We raised our bottom-line forecast by 7% to RMB7.3bn in 2021E to reflect a higher GPM on auto segment. Reiterate BUY Rating and revised our TP to HK\$282.0.

- **FY20 GPM was 19.4%, beat our expectation.** Automobile GPM was 25.2%, up 3.3ppt YoY. We think margin expansion was mainly driven by hot sales of high-end EVs. Net gearing ratio reduced 39ppt YoY to 40% by end-2020. Going forward, we expect BYD will maintain its profitability and healthy balance sheet.
- **1Q21 earnings outlook lower than expectation.** BYD also announced 1Q21E earnings range in RMB200-300mn, up 77.6%-166.3% YoY. The preview was a bit disappointing, since 1Q20 was a low base quarter. We think there are several reasons for weaker-than-expected earnings, including 1) ICE sales are squeezed by DM-i models; 2) surging upstream material costs caused margin pressures; 3) destocking old models for new DM-i products and switching whole series of BEV to blade batteries in 1Q21E; and 4) gradual control of COVID-19 has reduced contributions from masks.
- **DM-i series to become hit product.** DM-i series equip with 1.5L Xiaoyun engine, with 43.4% thermal efficiency and running with less than 3.8L fuel consumption per 100km. Whole DM-i series are equipped with dedicated high power blade battery, and have same price as ICE vehicles with extraordinary using experience as EV. We think the high cost performance of DM-I will drive strong retail demand growth. Mgmt. disclosed Qin Plus DM-i has accumulated orders of more than 50K units. We expect cumulative orders to be delivered gradually in 2Q-4Q21E as the dedicated blade battery release capacity output.
- **Maintain BUY with TP trimmed slightly to HK\$282.** Based on our revised EV sales projection, we raised our bottom-line forecast by 7% to RMB7.3bn in 2021E. We think recent weak market sentiment had created good opportunity to accumulate BYD. We remain optimistic on BYD's automotive sales in 2021E. We cut TP by 6% to HK\$282 mainly on more conservative auto shipment volume assumption, maintain BUY.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue (RMB mn)	130,055	127,739	156,598	193,400	245,620
YoY growth (%)	22.79%	-1.78%	22.59%	23.50%	27.00%
Net income (RMB mn)	2,780	1,614	4,234	7,334	10,308
EPS (RMB)	0.93	0.50	1.47	2.51	3.55
YoY growth (%)	-34%	-47%	196%	70%	41%
Consensus EPS(RMB)	N/A	N/A	N/A	2.08	2.66
P/E (x)	154.18	288.88	97.54	57.32	40.52
P/B (x)	7.10	6.90	7.23	6.31	5.37
Yield (%)	0.14%	0.04%	0.10%	0.18%	0.25%
ROE (%)	5.05%	2.88%	7.45%	12.03%	14.56%
Net gearing (%)	64%	79%	40%	42%	39%

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$282.0
(Previous TP	HK\$300.0)
Up/Downside	+65.5%
Current Price	HK\$170.4

China NEV Sector

Jack Bai
 (852) 3900 0835
 jackbai@cmbi.com.hk

Robin Xiao
 (852) 3900 0849
 robinxiao@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	518,815
Avg 3 mths t/o (HK\$ mn)	3,547.94
52-week high/low	278.4/36.56
Total Issued Shares (mn)	1,048 (H) 1,813 (A)

Source: Bloomberg

Shareholding Structure

Wang Chuanfu	28.83%
Lv Xiangyang	8.67%
Bershire Hathaway Energy	7.86%

Source: Company announcement

Share Performance

	Absolute	Relative
1-mth	-13.6%	-12.4%
3-mth	-12.6%	-17.0%
6-mth	40.4%	15.2%

Source: Bloomberg

12-mth Price Performance



Source: Wind

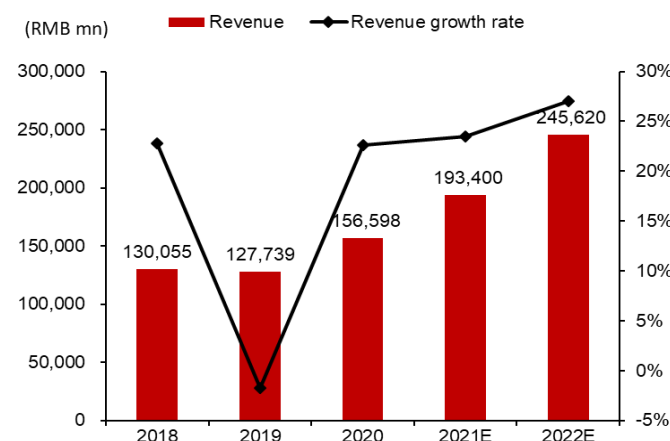
Auditor: Ernst & Young

Related Report

1. "BYD (1211 HK) – Benefit from the outperformance of LFP" – 11 Jan 2021
2. "BYD (1211 HK) – Momentum to maintain with NEV sales" – 6 Nov 2020
3. "BYD (1211 HK) – Upside remains as bottom-line revised up" – 15 Oct 2020

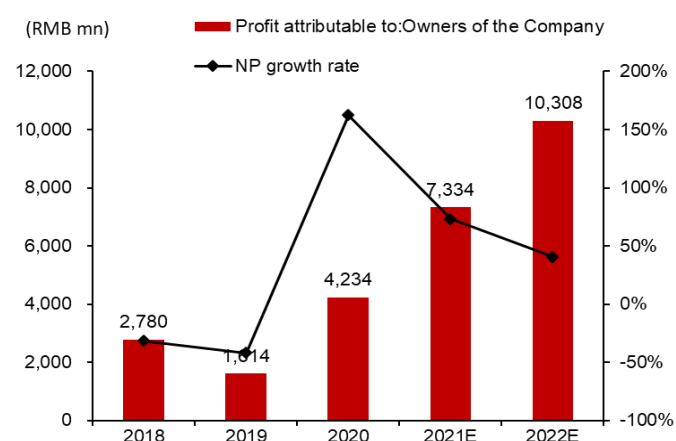
Focus chart

Figure 1: Top-line forecast



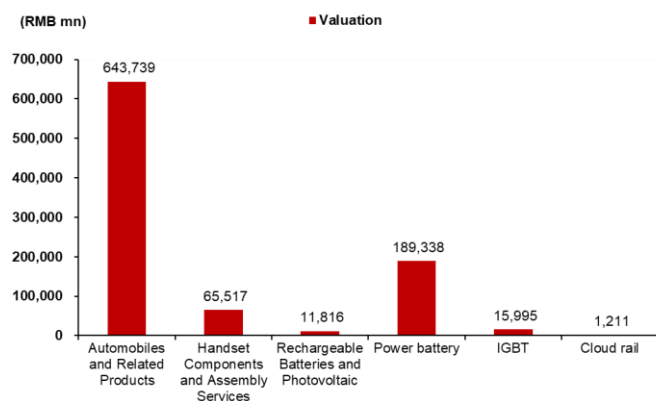
Source: Company data, CMBIS estimates

Figure 2: Bottom-line forecast



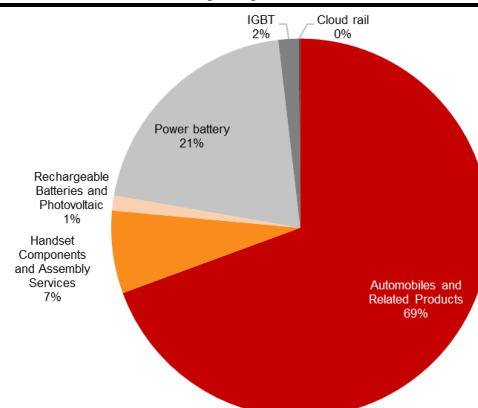
Source: Company data, CMBIS estimates

Figure 3: Valuation by segment in 2021E



Source: Company data, CMBIS estimates

Figure 4: Valuation proportion in 2021E



Source: Company data

Earnings Revision

Figure 5: Earnings revision

(RMB mn)	New		Old		Change (%)	
	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Revenue	193,400	245,620	208,657	272,410	-7%	-10%
Gross profit	35,405	47,092	36,039	46,815	-2%	1%
Net profit	7,334	10,308	6,884	10,606	7%	-3%
EPS (RMB)	2.51	3.55	2.43	3.79	3%	-6%
GPM	18.31%	19.17%	17.27%	17.19%	1.0 ppt	2.0 ppt
NPM	3.79%	4.20%	3.30%	3.89%	0.5 ppt	0.3 ppt

Source: CMBIS estimates

Figure 6: Revenue breakdown

(RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Automobiles and Related Products	76,007	63,266	83,993	103,225	128,781
...YoY	34%	-17%	33%	23%	25%
Handset Components and Assembly Services	42,230	53,380	60,043	74,693	86,196
...YoY	4%	26%	12%	24%	15%
Rechargeable Batteries and Photovoltaic	8,950	10,506	12,088	13,901	15,569
...YoY	2%	17%	15%	15%	12%
Other business	2,868	587	474	592	711
...YoY	5524%	-80%	-19%	25%	20%
Total Explicit revenue	130,055	127,739	156,598	192,411	231,257
...YoY	23%	-2%	23%	23%	20%
Power battery				643	13,588
...YoY					2014%
IGBT				346	776
...YoY					124%
Total	130,055	127,739	156,598	193,400	245,620
...YoY	23%	-2%	23%	24%	27%

Source: Company data, CMBIS estimates

Figure 7: P&L breakdown

(RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	130,055	127,739	156,598	193,400	245,620
...YoY	22.79%	-1.78%	22.59%	23.50%	27.00%
Cost of sales	(108,725)	(106,924)	(126,251)	(157,995)	(198,528)
Gross profit	21,330	20,814	30,346	35,405	47,092
GPM (%)	16.40%	16.29%	19.38%	18.31%	19.17%
...YoY	5.91%	-2.42%	45.80%	15.86%	22.57%
Selling Exp	-4,729	-4,346	-5,056	-6,576	-8,105
...% of rev	-3.64%	-3.40%	-3.23%	-3.23%	-3.23%
Admin Exp	-4,989	-5,629	-7,465	-8,703	-10,562
...% of rev	-3.84%	-4.41%	-4.77%	-4.77%	-4.77%
Operating profit	4,241	2,312	7,086	11,281	16,235
OPM (%)	3.26%	1.81%	4.52%	5.83%	6.61%
...YoY	-21.62%	-45.48%	206.44%	59.20%	43.92%
Net profit	2,780	1,614	4,234	7,334	10,308
NPM (%)	2.14%	1.26%	2.70%	3.79%	4.20%
...YoY	-31.64%	-41.93%	162.27%	73.22%	40.55%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Revenue	130,055	127,739	156,598	193,400	245,620
Cost of sales	(108,725)	(106,924)	(126,251)	(157,995)	(198,528)
Gross profit	21,330	20,814	30,346	35,405	47,092
Taxes and levies	(2,146)	(1,561)	(2,154)	(2,611)	(3,291)
S&D exp	(4,729)	(4,346)	(5,056)	(6,576)	(8,105)
R&D exp	(3,760)	(4,141)	(4,321)	(5,222)	(6,386)
Admin exp	(4,989)	(5,629)	(7,465)	(8,703)	(10,562)
Finance costs	(2,997)	(3,014)	(3,763)	(2,392)	(3,483)
Impairment losses	(1,020)	(636)	(1,858)	(967)	(1,789)
Other income	2,328	1,724	1,695	2,722	3,143
Investment income	248	(809)	(273)	(290)	(246)
GL from changes in FV	(5)	10	(51)	4	(31)
GL on disposal	(19)	(100)	(14)	(90)	(107)
Operating profit/(loss)	4,241	2,312	7,086	11,281	16,235
Non-operating income	230	226	282	387	442
Non-operating expense	(86)	(107)	(485)	(145)	(484)
Profit before income tax	4,385	2,431	6,883	11,522	16,194
Income tax expense	(829)	(312)	(869)	(1,475)	(2,073)
Profit for the year	3,556	2,119	6,014	10,047	14,121
Non-controlling interests	776	504	1,780	2,713	3,813
NP	2,780	1,614	4,234	7,334	10,308

Cash flow

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Net income	2,780	1,614	4,234	7,337	10,310
D&A	9,995	9,933	12,493	11,279	13,478
Working capital change	(291)	3,233	(19,432)	283	4,624
Others	(543)	6,427	9,234	-	-
Operating cash flow	12,523	14,741	45,393	19,808	21,238
Capex & investments	(6,076)	(12,040)	(11,101)	(12,588)	(13,839)
Associated companies	(496)	(499)	(1,405)	(547)	(601)
Others	(7,659)	(8,342)	(1,938)	(3,261)	(4,397)
Investment cash flow	(14,231)	(20,881)	(14,444)	(16,395)	(18,837)
Equity raised	-	-	-	19,125	-
Change of Debts	5,076	10,535	(22,222)	29,109	5,188
Dividend paid	(557)	(164)	(423)	(734)	(1,031)
Others	(603)	(3,761)	(6,262)	(20,647)	10,285
Financing cash flow	3,917	6,610	(28,907)	20,555	93
Net change in cash	2,209	470	2,041	23,967	2,493
Cash at the beginning	9,903	13,052	12,650	14,445	38,545
Others	941	(872)	(246)	133	149
Cash at the end	13,052	12,650	14,445	38,545	41,187

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20A	FY21E	FY22E
Non-current assets	79,361	88,675	89,412	100,747	113,627
Fixed asset	43,679	49,443	54,585	62,112	69,995
Intangible assets	11,314	12,650	11,804	13,432	15,137
Interest in joint	3,561	4,060	5,466	6,012	6,613
Other non-current assets	20,807	22,521	17,558	19,190	21,882
Current assets	115,211	106,967	111,605	158,063	192,008
Cash	13,052	12,650	14,445	38,395	41,033
Account receivable	49,284	43,934	41,216	50,895	70,177
Inventory	26,330	25,572	31,396	37,618	44,117
Other current assets	26,545	24,811	24,547	31,156	36,680
Current liabilities	116,569	108,029	106,431	158,671	188,798
Borrowings	37,789	40,332	16,401	46,416	49,861
Account payables	46,283	36,168	51,908	63,198	79,411
Other payables	13,568	11,217	15,974	16,589	20,845
Tax payables	18,930	20,311	22,148	32,468	38,681
Non-current liabilities	17,308	25,011	30,133	27,771	30,895
Borrowings	13,924	21,916	23,626	22,720	24,464
Deferred income tax	66	103	393	118	166
Provisions	-	-	-	-	-
Others	3,317	2,992	6,114	4,933	6,265
Total equity	60,694	62,601	64,454	72,367	85,941
Minority Interest	5,496	5,839	7,580	7,283	9,385
Shareholders' equity	55,198	56,762	56,874	65,084	76,557

Key ratios

YE 31 Dec	FY18A	FY19A	FY20A	FY21E	FY22E
Sales mix (%)					
Automobiles	58%	50%	54%	53%	52%
Handset Components	32%	42%	38%	39%	35%
Rechargeable	7%	8%	8%	7%	6%
Other business	2%	0%	0%	0%	0%
Power battery	0%	0%	0%	0%	6%
IGBT	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%
P&L ratios (%)					
Gross profit margin	16%	16%	19%	18%	19%
Pre-tax margin	3%	2%	4%	6%	7%
Net margin	3%	2%	4%	5%	6%
Effective tax rate	19%	13%	13%	13%	13%
Balance sheet ratios					
Current ratio (x)	0.99	0.99	1.05	1.00	1.02
Quick ratio (x)	0.59	0.59	0.57	0.60	0.62
Cash ratio (x)	0.11	0.12	0.14	0.24	0.22
Debtors turnover days	138	126	96	96	104
Total debt / total equity ratio	221%	213%	212%	258%	256%
Net debt / equity ratio (%)	64%	79%	40%	42%	39%
Returns (%)					
ROE	5%	3%	7%	12%	15%
ROA	4%	3%	5%	6%	7%
Per share					
EPS (RMB)	0.93	0.50	1.47	2.51	3.55
DPS (RMB)	0.20	0.06	0.15	0.26	0.36
BVPS (RMB)	20.23	20.81	19.88	22.75	26.76

Source: Company data, CMBIS estimates

Note: *All numbers are based on A share financial statement

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.

CMBIS 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 CMBIS

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 Securities Limited

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

CMB International Securities Limited ("CMBIS") 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. CMBIS 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. CMBIS 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 CMBIS, solely for the purpose of supplying information to the clients of CMBIS 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 CMBIS 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. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS 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. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS 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 CMBIS 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 CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS 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 CMBIS.

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 CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS 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.