

Yongda Automobiles (3669 HK)

Cost control, sales cut, dividend as keys

Maintain BUY. Yongda's 1H24 net profit of RMB111mn has reflected management's improving capabilities in cost control amid prolonged price war, in our view. We believe the company's profitability could be quite resilient, should the new car GPM improve with better supply and demand match for BMW and Porsche. Yongda announced an interim dividend with a 100% payout ratio in 1H24, leading to a 9% dividend yield this year, assuming a payout ratio of 60% in 2H24E.

■ **1H24 earnings in line amid better cost control.** Yongda reclassified commission income (from auto finance, insurance and NEV agency business) as revenue from 1H24. Its 1H24 revenue of new-car sales fell 15% YoY, in line with our prior forecast, while its new-car GPM of -2.2% was weaker than our expectation. The adjusted after-sales service revenue (based on the previous standards) fell 4% YoY to RMB5.0bn in 1H24, lower than our prior estimates by RMB200mn. The gross profit miss was offset by its tightened SG&A expense control in 1H24. Yongda's 1H24 net profit fell 73% YoY to RMB111mn, in line with its earnings alert and our prior forecast.

■ **Better profitability outlook as OEMs cut sales targets.** We expect Yongda's new-car GPM to rise 0.5ppts HoH to -1.7% in 2H24, as both BMW and Porsche have revised down their sales volume targets for 2024. That could lead to a gross profit HoH increase of about RMB300mn in 2H24. We believe Yongda's better expense control in 1H24 could sustain in 2H24 and next few years, given management's prudent views on the competition dynamics. Although we project a YoY decline in total new-car sales volume for Yongda in FY25E, Yongda's net profit could more than double YoY to RMB510mn in FY25E, assuming the new-car GPM may improve 0.8ppts YoY. We believe leading dealers with outstanding operating efficiency and economies of scale could survive amid the dealer downsize in China.

■ **Valuation.** Yongda announced an interim dividend with a payout ratio of 100% in 1H24. Even if the payout ratio falls to 60% in 2H24, its dividend yield could be about 9% this year based on its current share price. We maintain BUY rating with a lower target price of HK\$1.80, based on 6x our revised FY25E EPS (previously 7x FY24E EPS) to reflect the current market volatility. Key risks to our rating and target price include lower sales volume and/or margins, more severe after-sales service declines than expected, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	72,024	74,296	65,436	61,638	59,484
YoY growth (%)	(7.6)	3.2	(11.9)	(5.8)	(3.5)
Net profit (RMB mn)	1,411.8	572.6	249.0	510.1	654.2
YoY growth (%)	(43.1)	(59.4)	(56.5)	104.8	28.2
EPS (Reported) (RMB)	0.72	0.29	0.13	0.27	0.35
P/E (x)	1.7	4.1	9.2	4.4	3.5
P/B (x)	0.2	0.2	0.2	0.2	0.2
Yield (%)	24.2	13.0	8.5	13.5	17.3
ROE (%)	10.1	4.1	1.8	3.6	4.5
Net gearing (%)	(7.8)	(4.8)	(14.0)	(15.5)	(14.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$1.80
(Previous TP)	HK\$2.70
Up/Downside	36.4%
Current Price	HK\$1.32

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Stock Data

Mkt Cap (HK\$ mn)	2,497.3
Avg 3 mths t/o (HK\$ mn)	6.2
52w High/Low (HK\$)	3.54/1.24
Total Issued Shares (mn)	1891.9

Source: FactSet

Shareholding Structure

Mr. Cheung Tak On	30.8%
FIL Limited	10.2%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-14.3%	-19.0%
3-mth	-34.0%	-33.1%
6-mth	-44.5%	-49.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Yongda Automobiles \(3669 HK\) - 2H23 miss on GPM: cost control key to FY24E" - 27 Mar 2024](#)

["Yongda Automobiles \(3669 HK\) - New car GPM may be hurt more than expected" - 5 Feb 2024](#)

Figure 1: Interim results

RMB mn	1H22	2H22	1H23	2H23	1H24	YoY	HoH
New-car sales volume (units)	76,752	110,524	85,759	98,791	81,073	-5.5%	-17.9%
Total revenue	31,392	40,632	35,684	38,611	31,036	-13.0%	-19.6%
Gross profit	3,081	3,309	3,423	3,271	2,584	-24.5%	-21.0%
Selling exp.	(1,660)	(2,140)	(1,853)	(2,189)	(1,571)	-15.2%	-28.2%
Admin exp.	(968)	(867)	(1,021)	(829)	(849)	-16.8%	2.4%
Operating profit	1,069	1,235	668	293	224	-66.4%	-23.6%
Net profit	673	739	407	166	111	-72.6%	-32.7%
Gross margin	9.8%	8.1%	9.6%	8.5%	8.3%	-1.3 ppt	-0.1 ppt
Operating margin	3.4%	3.0%	1.9%	0.8%	0.7%	-1.1 ppt	0.0 ppt
Net margin	2.1%	1.8%	1.1%	0.4%	0.4%	-0.8 ppt	-0.1 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	65,436	61,638	59,484	69,188	66,632	N/A	-5.4%	-7.5%	N/A
Gross profit	5,494	5,695	5,849	5,075	5,388	N/A	8.3%	5.7%	N/A
Operating profit	486	803	1,007	1,102	1,290	N/A	-55.9%	-37.8%	N/A
Net profit	249	510	654	654	799	N/A	-61.9%	-36.2%	N/A
Gross margin	8.4%	9.2%	9.8%	7.3%	8.1%	N/A	1.1 ppt	1.2 ppt	N/A
Operating margin	0.7%	1.3%	1.7%	1.6%	1.9%	N/A	-0.9 ppt	-0.6 ppt	N/A
Net margin	0.4%	0.8%	1.1%	0.9%	1.2%	N/A	-0.6 ppt	-0.4 ppt	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	65,436	61,638	59,484	71,234	72,303	74,106	-8.1%	-14.7%	-19.7%
Gross profit	5,494	5,695	5,849	5,276	5,423	5,587	4.1%	5.0%	4.7%
Operating profit	486	803	1,007	966	1,181	1,396	-49.7%	-32.1%	-27.9%
Net profit	249	510	654	588	768	948	-57.7%	-33.5%	-31.0%
Gross margin	8.4%	9.2%	9.8%	7.4%	7.5%	7.5%	1.0 ppt	1.7 ppt	2.3 ppt
Operating margin	0.7%	1.3%	1.7%	1.4%	1.6%	1.9%	-0.6 ppt	-0.3 ppt	-0.2 ppt
Net margin	0.4%	0.8%	1.1%	0.8%	1.1%	1.3%	-0.4 ppt	-0.2 ppt	-0.2 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	77,917	72,024	74,296	65,436	61,638	59,484
Cost of goods sold	(70,164)	(65,635)	(67,601)	(59,942)	(55,943)	(53,635)
Gross profit	7,753	6,389	6,694	5,494	5,695	5,849
Operating expenses	(3,944)	(4,085)	(5,733)	(5,008)	(4,893)	(4,842)
Selling expense	(3,534)	(3,800)	(4,042)	(3,527)	(3,432)	(3,399)
Admin expense	(1,814)	(1,835)	(1,850)	(1,640)	(1,625)	(1,616)
Others	1,405	1,550	158	159	164	172
Operating profit	3,809	2,304	961	486	803	1,007
Share of (losses)/profits of associates/JV	72	89	106	103	111	111
EBITDA	5,036	3,670	2,346	1,876	2,223	2,496
Depreciation	792	804	802	811	829	883
Depreciation of ROU assets	284	372	365	371	375	387
Other amortisation	79	101	112	104	106	107
EBIT	3,881	2,393	1,068	589	914	1,118
Interest expense	(506)	(321)	(327)	(294)	(247)	(232)
Pre-tax profit	3,375	2,073	740	295	667	886
Income tax	(837)	(601)	(155)	(68)	(167)	(221)
Others	80	na	na	na	na	na
After tax profit	2,618	1,471	586	227	500	664
Minority interest	(138)	(59)	(13)	22	10	(10)
Net profit	2,480	1,412	573	249	510	654
Gross dividends	949	570	303	194	306	393
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	16,617	17,169	17,491	15,836	16,155	16,219
Cash & equivalents	2,250	2,186	2,201	3,941	4,650	4,967
Restricted cash	963	2,008	3,589	1,379	1,628	1,739
Account receivables	9,127	8,018	7,203	6,275	5,911	5,704
Inventories	4,038	4,555	4,363	4,106	3,832	3,674
Prepayment	0	0	0	0	0	0
ST bank deposits	8	5	8	8	8	8
Financial assets at FVTPL	2	255	0	0	0	0
Other current assets	229	143	128	128	128	128
Non-current assets	14,949	15,295	15,202	14,221	13,627	13,156
PP&E	5,838	6,059	5,845	5,369	5,281	5,261
Right-of-use assets	3,129	2,996	2,901	2,359	1,821	1,317
Deferred income tax	187	319	395	395	395	395
Investment in JVs & assos	714	802	926	1,017	1,116	1,215
Intangibles	2,860	2,817	2,954	2,899	2,833	2,786
Goodwill	1,672	1,672	1,631	1,631	1,631	1,631
Financial assets at FVTPL	350	312	334	334	334	334
Other non-current assets	198	318	216	216	216	216
Total assets	31,567	32,465	32,693	30,057	29,782	29,375
Current liabilities	13,328	14,339	14,559	11,631	10,884	9,946
Short-term borrowings	3,596	2,288	2,434	500	500	0
Account payables	5,569	8,391	9,125	8,211	7,663	7,347
Tax payable	1,277	1,206	963	963	963	963
Other current liabilities	2,650	2,181	1,795	1,764	1,624	1,554
Lease liabilities	236	274	243	192	134	82
Contract liabilities	2,480	1,724	1,724	1,694	1,554	1,483
Non-current liabilities	3,950	3,403	3,735	3,832	3,942	4,086
Long-term borrowings	911	1,080	1,527	1,967	2,407	2,847
Bond payables	369	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,670	2,323	2,209	1,865	1,535	1,239
Total liabilities	17,278	17,742	18,295	15,462	14,826	14,031
Share capital	16	16	16	16	16	16
Other reserves	13,692	14,200	13,924	14,124	14,488	14,874
Total shareholders equity	13,708	14,216	13,940	14,140	14,504	14,890
Minority interest	580	507	458	454	452	454
Total equity and liabilities	31,567	32,465	32,693	30,057	29,782	29,375

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,491	2,073	740	295	667	886
Depreciation & amortization	1,154	1,277	1,279	1,287	1,310	1,378
Tax paid	(674)	(695)	(499)	(68)	(167)	(221)
Change in working capital	652	1,348	164	2,451	(298)	(133)
Others	391	230	148	186	112	87
Net cash from operations	5,015	4,232	1,832	4,151	1,623	1,996
Investing						
Capital expenditure	(1,120)	(1,775)	(1,431)	(1,450)	(1,340)	(1,260)
Acquisition of subsidiaries/ investments	(668)	(41)	(6)	0	0	0
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,506	361	899	1,125	636	420
Net cash from investing	(282)	(1,455)	(538)	(325)	(704)	(840)
Financing						
Dividend paid	(569)	(949)	(782)	(100)	(194)	(306)
Net borrowings	(3,920)	(1,255)	597	(1,494)	440	(60)
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(74)	(69)	(99)	0	0	0
Others	(999)	(569)	(994)	(492)	(457)	(473)
Net cash from financing	(5,562)	(2,842)	(1,279)	(2,086)	(211)	(839)
Net change in cash						
Cash at the beginning of the year	3,080	2,250	2,186	2,201	3,941	4,650
Cash at the end of the year	2,250	2,186	2,201	3,941	4,650	4,967
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	14.2%	(7.6%)	3.2%	(11.9%)	(5.8%)	(3.5%)
Gross profit	26.4%	(17.6%)	4.8%	(17.9%)	3.7%	2.7%
Operating profit	37.5%	(39.5%)	(58.3%)	(49.5%)	65.2%	25.5%
EBITDA	28.8%	(27.1%)	(36.1%)	(20.1%)	18.5%	12.3%
EBIT	37.9%	(38.3%)	(55.4%)	(44.9%)	55.2%	22.4%
Net profit	52.6%	(43.1%)	(59.4%)	(56.5%)	104.8%	28.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	9.9%	8.9%	9.0%	8.4%	9.2%	9.8%
Operating margin	4.9%	3.2%	1.3%	0.7%	1.3%	1.7%
EBITDA margin	6.5%	5.1%	3.2%	2.9%	3.6%	4.2%
Return on equity (ROE)	19.4%	10.1%	4.1%	1.8%	3.6%	4.5%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.2)	(0.1)
Current ratio (x)	1.2	1.2	1.2	1.4	1.5	1.6
Receivable turnover days	42.9	40.7	35.5	35.0	35.0	35.0
Inventory turnover days	21.1	25.4	23.6	25.0	25.0	25.0
Payable turnover days	29.0	46.8	49.4	50.0	50.0	50.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	1.0	1.7	4.1	9.2	4.4	3.5
P/E (diluted)	1.0	1.7	4.1	9.2	4.4	3.5
P/B	0.2	0.2	0.2	0.2	0.2	0.2
P/CFPS	0.5	0.6	1.3	0.6	1.4	1.1
Div yield (%)	40.1	24.2	13.0	8.5	13.5	17.3

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

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