

# Sinotruk (Hong Kong) (3808 HK)

## Earnings risk not yet priced in

We revise down our 2024E/25E earnings forecast by 5/2%, after incorporating our new industry HDT sales forecast (*for details, please refer to our sector [report](#) "China Heavy-duty Truck – Headwinds in 4Q24 in both China & export; Eyes on policy-driven recovery in 2025"*). We forecast ~20% YoY earnings decline in 2H24E, before recovering in 2025E. We rolled over our target valuation to 2025E, with a new TP of HK\$21.4 (previously HK\$19.5) which is based on 4.5x EV/EBITDA (equivalent to the historical average). We believe the earnings downside risk has yet to be reflected in the current share price, in particular after recent rally. Maintain **HOLD**.

- **Upside risks:** (1) Stronger-than-expected replacement demand; (2) further expansion of new overseas markets.
- **Downside risks:** (1) further weakness in export sales; (3) lack of recovery in China.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	59,291	85,041	91,906	97,978	104,067
YoY growth (%)	(36.5)	43.4	8.1	6.6	6.2
Net profit (RMB mn)	1,796.6	5,318.1	5,685.1	6,166.7	6,535.2
EPS (Reported) (RMB)	0.65	1.93	2.06	2.23	2.37
YoY growth (%)	(58.4)	196.0	6.9	8.5	6.0
Consensus EPS (RMB)	na	na	2.27	2.60	2.96
P/E (x)	32.4	10.9	10.2	9.4	8.9
P/B (x)	1.6	1.4	1.3	1.2	1.2
Yield (%)	1.4	4.6	4.9	5.3	5.6
ROE (%)	5.0	14.0	13.6	13.7	13.5
Net gearing (%)	(44.3)	(37.6)	(47.3)	(56.5)	(61.9)

Source: Company data, Bloomberg, CMBIGM estimates

## HOLD (Maintain)

Target Price	HK\$21.40
Previous	HK\$19.5
Up/Downside	(7.6%)
Current Price	HK\$23.15

### China Capital Goods

#### Wayne FUNG, CFA

(852) 3900 0826

waynefung@cmbi.com.hk

### Stock Data

Mkt Cap (HK\$ mn)	63,917.2
Avg 3 mths t/o (HK\$ mn)	85.0
52w High/Low (HK\$)	24.65/13.50
Total Issued Shares (mn)	2761.0

Source: FactSet

### Shareholding Structure

CNHTC	51.0%
MAN SE	25.0%

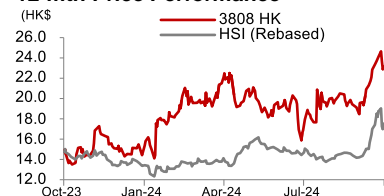
Source: HKEx

### Share Performance

	Absolute	Relative
1-mth	23.1%	-0.9%
3-mth	35.9%	14.0%
6-mth	3.1%	-17.1%

Source: FactSet

### 12-mth Price Performance



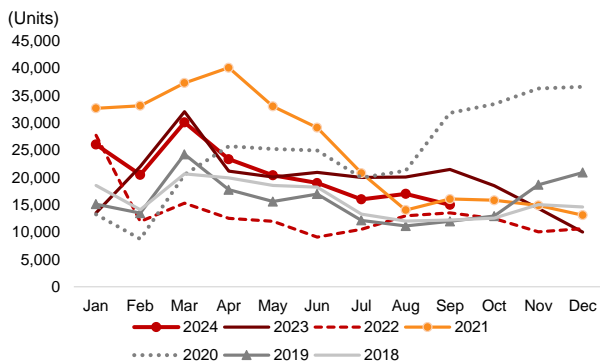
Source: FactSet

Figure 1: Changes in key assumptions

Sales volume (units)	Old	2024E New	Diff	Old	2025E New	Diff	Old	2026E New	Diff
<b>Truck</b>	<b>351,076</b>	<b>340,206</b>	<b>-3.1%</b>	<b>370,060</b>	<b>363,627</b>	<b>-1.7%</b>	<b>383,393</b>	<b>386,266</b>	<b>0.7%</b>
HDT	244,852	235,913	-3.7%	258,525	254,120	-1.7%	266,281	271,283	1.9%
China	101,785	101,300	-0.5%	106,874	111,430	4.3%	110,080	121,459	10.3%
Export	143,067	134,613	-5.9%	151,651	142,690	-5.9%	156,201	149,824	-4.1%
LDT	106,224	104,292	-1.8%	111,535	109,507	-1.8%	117,112	114,982	-1.8%
<b>Engine</b>	<b>140,313</b>	<b>104,571</b>	<b>-25.5%</b>	<b>147,329</b>	<b>109,799</b>	<b>-25.5%</b>	<b>148,802</b>	<b>115,289</b>	<b>-22.5%</b>
Internal use	134,798	100,486	-25.5%	141,538	105,510	-25.5%	142,954	110,786	-22.5%
External sales	5,514	4,085	-25.9%	5,790	4,289	-25.9%	5,848	4,503	-23.0%
<b>Segment revenue</b>									
(RMB mn)									
Truck	92,273	92,517	0.3%	97,359	99,323	2.0%	100,521	105,804	5.3%
HDT	80,801	80,211	-0.7%	85,313	86,401	1.3%	87,873	92,236	5.0%
LDT	11,472	12,306	7.3%	12,046	12,922	7.3%	12,648	13,568	7.3%
Engine	17,667	13,799	-21.9%	18,487	14,097	-23.8%	18,660	14,739	-21.0%
Finance	1,429	1,429	0.0%	1,443	1,443	0.0%	1,458	1,458	0.0%
Intersegment sales	-17,819	-15,838	-11.1%	-18,766	-16,885	-10.0%	-19,302	-17,934	-7.1%
<b>Total</b>	<b>93,550</b>	<b>91,906</b>	<b>-1.8%</b>	<b>98,524</b>	<b>97,978</b>	<b>-0.6%</b>	<b>101,336</b>	<b>104,067</b>	<b>2.7%</b>
<b>Segment operating margin</b>									
			ppt			ppt			ppt
Truck	4.7%	4.4%	(0.4)	5.1%	4.9%	(0.1)	5.1%	5.0%	(0.1)
HDT	5.9%	5.5%	(0.4)	5.7%	5.6%	(0.1)	5.7%	5.6%	(0.1)
LDT	-3.0%	-3.0%	0.0	0.5%	0.5%	0.0	0.8%	0.8%	0.0
Engine	14.2%	16.5%	2.3	14.0%	16.0%	2.0	14.0%	16.0%	2.0
Finance	56.0%	51.0%	(5.0)	56.0%	51.0%	(5.0)	56.0%	51.0%	(5.0)
<b>Average</b>	<b>8.1%</b>	<b>7.7%</b>	<b>(0.4)</b>	<b>8.4%</b>	<b>8.0%</b>	<b>(0.4)</b>	<b>8.3%</b>	<b>8.0%</b>	<b>(0.4)</b>
<b>Net profit</b>	<b>5,957</b>	<b>5,685</b>	<b>-4.6%</b>	<b>6,265</b>	<b>6,167</b>	<b>-1.6%</b>	<b>6,454</b>	<b>6,535</b>	<b>1.3%</b>

Source: Company data, CMBIGM estimates

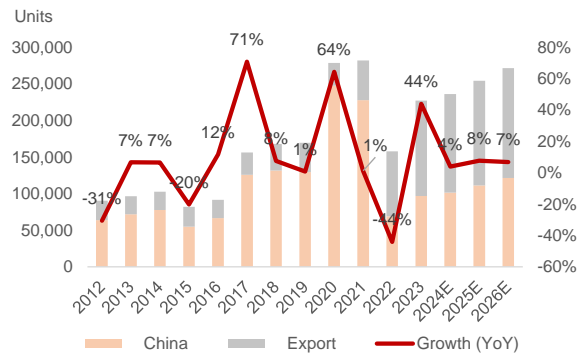
Figure 2: CNHTC monthly sales



Source: Cvworld, Find800, CMBIGM

Note: CNHTC is the controlling shareholder of Sinotruk

Figure 3: Sinotruk's HDT sales volume projection



Source: Company data, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	93,357	59,291	85,041	91,906	97,978	104,067
Cost of goods sold	(77,693)	(49,277)	(71,263)	(78,120)	(83,183)	(88,353)
Gross profit	15,664	10,013	13,778	13,786	14,795	15,714
Operating expenses	(9,904)	(7,110)	(7,291)	(6,752)	(7,017)	(7,462)
Operating profit	5,760	2,903	6,487	7,034	7,778	8,252
Share of (losses)/profits of associates/JV	(6)	(23)	111	124	109	113
EBITDA	7,203	4,327	7,961	8,629	9,495	10,072
Depreciation	1,443	1,424	1,474	1,595	1,717	1,820
Interest income	120	138	314	298	343	408
Interest expense	(11)	(9)	(29)	(51)	(52)	(53)
Net Interest income/(expense)	109	128	284	247	291	355
Pre-tax profit	5,863	3,008	6,883	7,405	8,178	8,720
Income tax	(1,153)	(958)	(1,056)	(1,185)	(1,431)	(1,570)
After tax profit	4,709	2,051	5,827	6,220	6,747	7,150
Minority interest	(387)	(254)	(509)	(535)	(580)	(615)
Net profit	4,322	1,797	5,318	5,685	6,167	6,535

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	79,984	79,758	87,067	90,106	98,794	102,335
Cash & equivalents	24,692	15,262	17,474	22,929	28,889	33,618
Restricted cash	3,614	4,542	2,711	2,711	2,711	2,711
Account receivables	24,063	16,145	17,078	15,656	17,093	16,550
Inventories	16,667	13,496	13,338	12,345	13,636	12,991
Financial assets at FVTPL	2,977	4,500	10,522	10,522	10,522	10,522
Other current assets	4,058	7,359	8,924	8,924	8,924	8,924
Non-current assets	27,036	25,721	34,719	36,260	37,667	38,974
PP&E	14,215	15,487	15,823	17,295	18,647	19,878
Right-of-use assets	2,554	2,320	2,260	2,260	2,260	2,260
Investment in JVs & assos	1,338	1,971	2,018	2,124	2,218	2,315
Intangibles	270	232	152	115	77	54
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	8,659	5,711	14,466	14,466	14,466	14,466
Total assets	107,020	105,479	121,785	126,366	136,461	141,309
Current liabilities	62,889	61,314	72,530	73,554	79,745	80,527
Short-term borrowings	3,511	3,890	4,907	5,007	5,107	5,207
Account payables	37,479	33,221	46,624	47,548	53,639	54,321
Other current liabilities	21,900	24,203	20,999	20,999	20,999	20,999
Non-current liabilities	1,363	1,196	1,295	1,295	1,295	1,295
Long-term borrowings	0	0	142	142	142	142
Deferred income	657	560	643	643	643	643
Other non-current liabilities	706	635	510	510	510	510
Total liabilities	64,252	62,510	73,825	74,849	81,040	81,822
Total shareholders equity	35,671	35,909	40,272	43,293	46,617	50,069
Minority interest	7,097	7,060	7,688	8,223	8,804	9,418
Total equity and liabilities	107,020	105,479	121,785	126,366	136,461	141,309

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	5,863	3,008	6,883	7,405	8,178	8,720
Depreciation & amortization	1,443	1,424	1,474	1,595	1,717	1,820
Tax paid	(2,504)	(521)	(1,186)	(1,185)	(1,431)	(1,570)
Change in working capital	(16,848)	3,458	9,019	3,340	3,362	1,869
Others	8,845	3,526	(4,821)	(371)	(400)	(468)
<b>Net cash from operations</b>	<b>(3,200)</b>	<b>10,895</b>	<b>11,368</b>	<b>10,785</b>	<b>11,426</b>	<b>10,372</b>
<b>Investing</b>						
Capital expenditure	(2,491)	(1,429)	(2,430)	(3,000)	(3,000)	(3,000)
Others	2,454	(17,177)	(8,629)	285	329	393
<b>Net cash from investing</b>	<b>(37)</b>	<b>(18,606)</b>	<b>(11,059)</b>	<b>(2,715)</b>	<b>(2,671)</b>	<b>(2,607)</b>
<b>Financing</b>						
Dividend paid	(2,430)	(1,519)	(801)	(2,664)	(2,843)	(3,083)
Net borrowings	(412)	0	1,159	100	100	100
Proceeds from share issues	5,528	0	0	0	0	0
Others	(740)	(329)	(829)	(51)	(52)	(53)
<b>Net cash from financing</b>	<b>1,947</b>	<b>(1,847)</b>	<b>(471)</b>	<b>(2,615)</b>	<b>(2,795)</b>	<b>(3,036)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	26,049	24,692	15,262	17,474	22,929	28,889
Exchange difference	(67)	128	2,374	0	0	0
<b>Cash at the end of the year</b>	<b>24,692</b>	<b>15,262</b>	<b>17,474</b>	<b>22,929</b>	<b>28,889</b>	<b>33,618</b>
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Revenue	(4.9%)	(36.5%)	43.4%	8.1%	6.6%	6.2%
Gross profit	(20.0%)	(36.1%)	37.6%	0.1%	7.3%	6.2%
Operating profit	(39.2%)	(49.6%)	123.5%	8.4%	10.6%	6.1%
EBITDA	(35.0%)	(39.9%)	84.0%	8.4%	10.0%	6.1%
Net profit	(36.9%)	(58.4%)	196.0%	6.9%	8.5%	6.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Gross profit margin	16.8%	16.9%	16.2%	15.0%	15.1%	15.1%
Operating margin	6.2%	4.9%	7.6%	7.7%	7.9%	7.9%
EBITDA margin	7.7%	7.3%	9.4%	9.4%	9.7%	9.7%
Return on equity (ROE)	12.8%	5.0%	14.0%	13.6%	13.7%	13.5%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.7)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)
Current ratio (x)	1.3	1.3	1.2	1.2	1.2	1.3
Receivable turnover days	86.6	123.8	71.3	65.0	61.0	59.0
Inventory turnover days	88.0	111.7	68.7	60.0	57.0	55.0
Payable turnover days	216.5	261.8	204.5	220.0	222.0	223.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
<b>YE 31 Dec</b>						
P/E	13.4	32.4	10.9	10.2	9.4	8.9
P/B	1.6	1.6	1.4	1.3	1.2	1.2
Div yield (%)	2.6	1.4	4.6	4.9	5.3	5.6

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.