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CMB International Global Markets | Equity Research | Company Update

招銀国际 CMB INTERNATIONAL
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Meidong Auto (1268 HK)

Positive signs amid 1H miss; Net cash 1.6x market cap

BUY (Maintain)

Target Price	**HK$0.90**
(Previous TP	HK$2.20)
Up/Downside	**130.8%**
Current Price	**HK$0.39**

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Stock Data

Mkt Cap (HK$ mn)	525.0
Avg 3 mths t/o (HK$ mn)	0.8
52w High/Low (HK$)	2.14/0.36
Total Issued Shares (mn)	1346.2

Source: FactSet

Shareholding Structure

Apex Sail Limited	52.3%
Others	47.7%

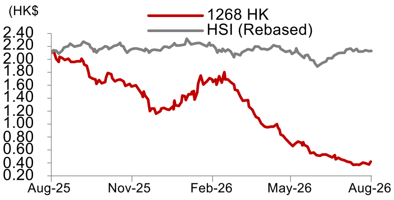
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-11.4%	-12.6%
3-mth	-43.5%	-44.0%
6-mth	-76.4%	-75.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Maintain BUY. Although Meidong's 1H26 earnings missed our expectation on both new-car and after-sales GPMs, we see positive signs for new-car GPM across different brands. During our non-deal roadshow (NDR), management remained cautious, prioritizing store optimization and cost control, in a bid to safeguard positive cash flow and outlast peers. Meidong's net cash as of Jun 2026 was almost 1.6x its current market cap.

- **1H26 earnings miss on new-car and after-sales GPMs.** Meidong's 1H26 revenue fell 27% YoY amid a 20% YoY decline in new-car sales volume. Overall GPM expanded 0.7ppts YoY to 5.3% in 1H26, as loss-making new-car sales contributed a smaller portion of revenue. New-car GPM deteriorated by 2.5ppts HoH to -3.5% in 1H26, and after-sales GPM fell 5.0ppts HoH to 38.9%, both missing our expectations. SG&A expenses were largely in line, supported by ongoing cost reduction efforts. Adjusted net loss (excluding one-off loss from store closure and financial assets fair value loss) reached RMB115mn, about RMB100mn ahead of our forecast.
- **Strategic pivot to cash preservation; positive signs for new-car GPM across different brands.** In 1H26, Meidong recorded underperformance in sales volumes across all brands (except BMW) relative to the broader industry, marking what is likely a historical first for the company and reflecting management's strategic pivot towards profit optimization amid prolonged industry headwinds. Meidong plans to continue downsizing its store footprint and driving further SG&A efficiency to safeguard positive cash flow (positive OCF of RMB399mn in 1H26) and outlast peers. Meanwhile, we have seen positive signs for Porsche given its positive new-car GPM in 1H26 after OEM subsidies. The new BMW *iX3* appears to be much more competitive than previous EV models, which could yield a positive GPM given BMW's new pricing strategy. We view Lexus' worsening new-car GPM in 1H26 as temporary given the OEM's track record.
- **Earnings/Valuation.** We cut our FY26E revenue forecast by 21% and expect a continued but narrower net loss in 2H26, driven by the planned closure of at least seven more stores. We expect GPM to widen by 0.9ppts YoY to 7.5% in FY27E, with the catalysts outlined above. In addition, management has also prioritized reviving after-sales GPM. Accordingly, we cut FY27E net profit forecast by 62% to RMB126mn. We maintain our BUY rating but cut our target price from HK$2.20 to HK$0.90, still based on 8x our revised FY27E P/E. Key risks to our rating and target price include lower sales and/or margins than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	22,154	20,023	14,655	13,748	13,983
YoY growth (%)	(22.4)	(9.6)	(26.8)	(6.2)	1.7
Net profit (RMB mn)	(2,264.1)	(755.0)	(425.9)	127.0	102.0
YoY growth (%)	na	na	na	na	(19.7)
EPS (Reported) (RMB cents)	(168.18)	(56.08)	(31.64)	9.43	7.58
P/E (x)	ns	ns	ns	3.5	4.4
P/B (x)	0.2	0.2	0.3	0.2	0.2
Yield (%)	13.3	10.1	ns	16.9	13.6
ROE (%)	(56.7)	(31.1)	(22.9)	6.7	4.8
Net gearing (%)	(83.0)	(13.1)	(35.3)	(24.6)	(31.0)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25	1H26	YoY	HoH
New-car sales volume (units)	26,176	30,754	28,214	29,340	22,614	-19.8%	-22.9%
Total revenue	10,656	11,498	10,135	9,888	7,378	-27.2%	-25.4%
Gross profit	806	755	476	673	395	-17.0%	-41.4%
Selling exp.	(295)	(289)	(260)	(265)	(247)	-5.0%	-7.0%
Admin exp.	(324)	(338)	(258)	(256)	(227)	-12.2%	-11.3%
Operating profit	141	(2,554)	(869)	154	(205)	N/A	N/A
Net profit	(27)	(2,237)	(815)	60	(275)	N/A	N/A
Gross margin	7.6%	6.6%	4.7%	6.8%	5.3%	0.7 ppts	-1.5 ppts
Operating margin	1.3%	-22.2%	-8.6%	1.6%	-2.8%	5.8 ppts	-4.3 ppts
Net margin	-0.3%	-19.5%	-8.0%	0.6%	-3.7%	4.3 ppts	-4.3 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	14,525	13,685	13,981	18,292	18,455	N/A	-20.6%	-25.8%	N/A
Gross profit	960	1,020	1,100	1,152	1,390	N/A	-16.6%	-26.6%	N/A
Operating profit	(268)	275	323	316	574	N/A	-184.9%	-52.2%	N/A
Net profit	(356)	126	168	146	328	N/A	-343.8%	-61.7%	N/A
Gross margin	6.6%	7.5%	7.9%	6.3%	7.5%	N/A	0.3 ppts	-0.1 ppts	N/A
Operating margin	-1.8%	2.0%	2.3%	1.7%	3.1%	N/A	-3.6 ppts	-1.1 ppts	N/A
Net margin	-2.5%	0.9%	1.2%	0.8%	1.8%	N/A	-3.3 ppts	-0.9 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	14,525	13,685	13,981	16,983	16,380	15,350	-14.5%	-16.5%	-8.9%
Gross profit	960	1,020	1,100	1,070	1,229	N/A	-10.2%	-17.0%	N/A
Operating profit	(268)	275	323	247	457	472	-208.4%	-39.9%	-31.5%
Net profit	(356)	126	168	107	268	309	-432.7%	-53.0%	-45.7%
Gross margin	6.6%	7.5%	7.9%	6.3%	7.5%	N/A	0.3 ppts	0.0 ppts	N/A
Operating margin	-1.8%	2.0%	2.3%	1.5%	2.8%	3.1%	-3.3 ppts	-0.8 ppts	-0.8 ppts
Net margin	-2.5%	0.9%	1.2%	0.6%	1.6%	2.0%	-3.1 ppts	-0.7 ppts	-0.8 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**28,555**	**22,154**	**20,023**	**14,655**	**13,748**	**13,983**
Cost of goods sold	(26,477)	(20,593)	(18,874)	(13,763)	(12,722)	(12,963)
Gross profit	**2,078**	**1,561**	**1,149**	**892**	**1,027**	**1,019**
Operating expenses	**(1,361)**	**(1,063)**	**(996)**	**(1,233)**	**(750)**	**(778)**
Selling expense	(764)	(585)	(525)	(476)	(453)	(466)
Admin expense	(847)	(662)	(514)	(444)	(415)	(413)
Others	249	184	42	(313)	118	101
Operating profit	**717**	**498**	**152**	**(341)**	**277**	**241**
Share of (losses)/profits of associates/JV	20	17	17	(11)	15	15
EBITDA	**1,253**	**(1,841)**	**(319)**	**(2)**	**641**	**605**
Depreciation	251	229	205	204	202	200
Depreciation of ROU assets	144	146	134	132	133	135
Other amortisation	182	180	42	14	14	14
EBIT	**676**	**(2,395)**	**(698)**	**(351)**	**292**	**256**
Interest expense	(291)	(239)	(211)	(118)	(108)	(91)
Pre-tax profit	**384**	**(2,635)**	**(909)**	**(469)**	**184**	**165**
Income tax	(229)	376	155	23	(37)	(33)
After tax profit	**156**	**(2,259)**	**(754)**	**(446)**	**147**	**132**
Minority interest	(16)	(5)	(1)	20	(20)	(30)
Net profit	**140**	**(2,264)**	**(755)**	**(426)**	**127**	**102**
Gross dividends	56	60	45	(426)	76	61

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**6,373**	**7,113**	**4,366**	**4,110**	**3,849**	**4,028**
Cash & equivalents	2,362	2,645	733	1,070	985	1,132
Account receivables	1,518	1,588	1,435	964	866	843
Inventories	960	761	915	905	767	781
ST bank deposits	1,533	2,120	1,113	1,100	1,150	1,200
Non-current assets	**7,848**	**4,368**	**3,148**	**2,869**	**2,581**	**2,322**
PP&E	1,708	1,431	1,245	1,111	929	809
Right-of-use assets	1,661	1,546	1,393	1,261	1,169	1,044
Deferred income tax	133	136	147	147	147	147
Investment in JVs & assos	36	33	30	31	31	31
Intangibles	3,277	1,130	238	224	209	195
Goodwill	961	18	0	0	0	0
Other non-current assets	71	75	70	70	70	70
Total assets	**14,220**	**11,481**	**7,514**	**6,979**	**6,430**	**6,350**
Current liabilities	**4,447**	**6,788**	**3,725**	**3,603**	**2,679**	**2,615**
Short-term borrowings	1,245	710	513	943	138	0
Account payables	2,907	4,056	3,023	2,451	2,335	2,415
Tax payable	125	93	95	95	95	95
Other current liabilities	0	1,759	0	0	0	0
Lease liabilities	170	170	95	114	112	106
Non-current liabilities	**4,487**	**1,736**	**1,653**	**1,566**	**1,544**	**1,487**
Long-term borrowings	200	292	469	469	469	469
Bond payables	2,207	0	0	0	0	0
Other non-current liabilities	2,081	1,444	1,184	1,097	1,075	1,018
Total liabilities	**8,934**	**8,525**	**5,378**	**5,169**	**4,223**	**4,103**
Share capital	108	108	108	108	108	108
Other reserves	5,044	2,726	1,913	1,594	1,989	2,030
Total shareholders equity	**5,152**	**2,834**	**2,021**	**1,702**	**2,097**	**2,138**
Minority interest	134	122	115	109	109	109
Total equity and liabilities	**14,220**	**11,481**	**7,514**	**6,979**	**6,430**	**6,350**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**384**	**(2,635)**	**(909)**	**(469)**	**184**	**165**
Depreciation & amortization	577	555	380	350	349	349
Tax paid	(218)	(232)	(81)	23	(37)	(33)
Change in working capital	(139)	106	(57)	(114)	43	15
Others	212	3,071	1,150	467	93	91
Net cash from operations	**817**	**865**	**482**	**256**	**631**	**588**
Investing						
Capital expenditure	(348)	(111)	(141)	(200)	(150)	(150)
Acquisition of subsidiaries/ investments	0	0	0	0	0	0
Others	505	841	(97)	(74)	172	114
Net cash from investing	**157**	**730**	**(239)**	**(274)**	**22**	**(36)**
Financing						
Dividend paid	(212)	(61)	(68)	111	239	(101)
Net borrowings	(657)	(1,028)	(1,868)	430	(806)	(138)
Proceeds from share issues	871	0	0	0	0	0
Share repurchases	0	0	0	0	0	0
Others	(253)	(223)	(218)	(186)	(173)	(165)
Net cash from financing	**(250)**	**(1,312)**	**(2,155)**	**355**	**(740)**	**(403)**
Net change in cash						
Cash at the beginning of the year	1,636	2,362	2,645	733	1,070	985
Exchange difference	3	(0)	(1)	0	0	0
Cash at the end of the year	**2,362**	**2,645**	**733**	**1,070**	**985**	**1,132**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	(0.3%)	(22.4%)	(9.6%)	(26.8%)	(6.2%)	1.7%
Gross profit	(17.5%)	(24.9%)	(26.4%)	(22.3%)	15.0%	(0.7%)
Operating profit	(35.6%)	(30.5%)	(69.4%)	na	na	(12.8%)
EBITDA	(23.1%)	na	na	na	na	(5.5%)
EBIT	(40.7%)	na	na	na	na	(12.2%)
Net profit	(73.1%)	na	na	na	na	(19.7%)

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	7.3%	7.0%	5.7%	6.1%	7.5%	7.3%
Operating margin	2.5%	2.2%	0.8%	(2.3%)	2.0%	1.7%
EBITDA margin	4.4%	(8.3%)	(1.6%)	(0.0%)	4.7%	4.3%
Return on equity (ROE)	3.0%	(56.7%)	(31.1%)	(22.9%)	6.7%	4.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	0.0	(0.8)	(0.1)	(0.4)	(0.2)	(0.3)
Current ratio (x)	1.4	1.0	1.2	1.1	1.4	1.5
Receivable turnover days	19.4	26.2	26.2	24.0	23.0	22.0
Inventory turnover days	13.2	13.5	17.7	24.0	22.0	22.0
Payable turnover days	40.1	71.9	58.5	65.0	67.0	68.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	3.2	ns	ns	ns	3.5	4.4
P/E (diluted)	3.2	ns	ns	ns	3.6	4.4
P/B	0.1	0.2	0.2	0.3	0.2	0.2
P/CFPS	0.5	0.5	0.9	1.8	0.7	0.8
Div yield (%)	12.5	13.3	10.1	ns	16.9	13.6

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

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