

BYD (1211 HK)

Our FY24 forecasts still on track post 1Q24

Maintain BUY. Although BYD's 1Q24 net profit of RMB 4.6bn missed our prior forecast on a massive R&D spending of RMB10.6bn, we believe the automaker is still on track to achieve our FY24E net profit forecast of RMB33bn. BYD's 1Q24 GPM also underscored our prior argument that its price cuts in Feb 2024 could be largely absorbed by cost reduction from suppliers. Nevertheless, we expect BYD to be more self-disciplined in SG&A and R&D expenses in the following quarters, should it put earnings at a higher priority.

- 1Q24 R&D beat our forecast. BYD's 1Q24 revenue beat our prior forecast by 4%, largely due to BYDE. Its GPM was 1.3ppts higher than our estimates, which was offset by its larger-than-expected selling expenses. We did expect a possible wide range of 1Q24 net profit due to uncertainties from R&D expenses and impairment. These two expenses combined in 1Q24 were about RMB4.1bn higher than our estimates, as the R&D ratio reached 8.5% last quarter, the highest in history. The 1Q24 net profit would have been RMB6.9bn (vs. the actual RMB4.6bn), if the R&D ratio was the same as FY23 (6.6%), which would be in line with our prior net profit forecast.
- 20% sales volume growth in FY24 still achievable with resilient margins. We are of the view that our FY24E sales volume forecast of 3.6mn units is still achievable, especially given the recent stimulus measures and overseas ramp-up. Such potential topline growth, along with the stimulus measures, could make its gross margin resilient, in our view. Even including its rising selling expenses, its 1Q24 margin (GPM-selling exp ratio) was close to that in 4Q23 when the sales volume was 51% higher (0.63mn units in 1Q24 vs. 0.94mn units in 4Q23). BYD's net profit per vehicle of RMB7,300 in 1Q24 was about RMB1,900 lower than that in 4Q23, while the automaker cut prices of most models by RMB20,000-30,000 in mid-Feb 2024.
- Earnings/Valuation. It appears to us that BYD did not prioritize its 1Q24 earnings as it did not utilize its flexibility to lift its net profit amid its previous high earnings quality. We expect BYD to be more self-disciplined in SG&A and R&D expenses in the following quarters. We keep our FY24-25E net profit estimates largely unchanged, although we revise up both GPM and SG&A. Therefore, we maintain our BUY rating and target price of HK\$262, still based on 20x our FY24E EPS. Key risks to our rating and target price include lower sales and/or margins than expected, as well as a sector derating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	424,061	602,315	700,048	800,518	884,971
YoY growth (%)	96.2	42.0	16.2	14.4	10.5
Net profit (RMB mn)	16,622.4	30,040.8	33,108.6	40,173.1	45,095.3
YoY growth (%)	445.9	80.7	10.2	21.3	12.3
EPS (Reported) (RMB)	5.72	10.34	11.37	13.80	15.49
P/S (x)	1.4	1.0	0.8	0.7	0.7
P/E (x)	35.0	19.4	17.6	14.5	12.9
Yield (%)	0.6	1.5	1.1	1.4	1.5
ROE (%)	16.1	24.0	21.9	22.3	20.9
Net gearing (%)	(39.3)	(69.5)	(52.7)	(64.7)	(85.9)
Source: Company data, Bloomb	erg, CMBIGM e	stimates			

BUY (Maintain)

 Target Price
 HK\$262.00

 (Previous TP
 HK\$262.00)

 Up/Downside
 21.1%

 Current Price
 HK\$216.40

China Auto

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

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

Stock Data

Mkt Cap (HK\$ mn)	629,971.3
Avg 3 mths t/o (HK\$ mn)	1,634.7
52w High/Low (HK\$)	275.60/171.70
Total Issued Shares (mn)	2911.1

Source: FactSet

Shareholding Structure

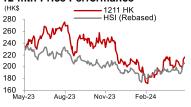
Mr. Wang Chuanfu	17.6%
Mr. Lv Xiangyang	8.2%
Source: HKEx	_

Share Performance

	Absolute	Relative
1-mth	7.3%	0.0%
3-mth	16.3%	5.3%
6-mth	-12.0%	-13.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

<u>"BYD (1211 HK) - Good FY23 earnings</u> <u>quality" - 28 Mar 2024</u>



Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	YoY	QoQ
Sales volume (units)	552,076	703,561	824,001	944,779	626,263	13.4%	-33.7%
Revenue	120,174	139,951	162,151	180,041	124,944	4.0%	-30.6%
Gross profit	21,467	26,206	35,876	38,209	27,341	27.4%	-28.4%
R&D expenses	(6,238)	(7,597)	(11,104)	(14,637)	(10,611)	70.1%	-27.5%
SG&A expenses	(8,014)	(9,643)	(9,851)	(11,166)	(10,572)	31.9%	-5.3%
Operating profit	5,299	8,433	12,906	11,466	5,798	9.4%	-49.4%
Net profit	4,130	6,824	10,413	8,674	4,569	10.6%	-47.3%
Gross margin	17.9%	18.7%	22.1%	21.2%	21.9%	4.0 ppt	0.7 ppt
Operating margin	4.4%	6.0%	8.0%	6.4%	4.6%	0.2 ppt	-1.7 ppt
Net margin	3.4%	4.9%	6.4%	4.8%	3.7%	0.2 ppt	-1.2 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

		New			Old			Diff (%)	
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	700,048	800,518	884,971	703,735	804,613	N/A	-0.5%	-0.5%	N/A
Gross profit	140,565	156,428	170,656	137,810	55,367	N/A	2.0%	0.7%	N/A
Operating profit	41,816	50,717	56,961	41,711	50,955	N/A	0.3%	-0.5%	N/A
Net profit	33,109	40,173	45,095	33,031	40,402	N/A	0.2%	-0.6%	N/A
Gross margin	20.1%	19.5%	19.3%	19.6%	19.3%	N/A	0.5 ppt	0.2 ppt	N/A
Operating margin	6.0%	6.3%	6.4%	5.9%	6.3%	N/A	0.0 ppt	0.0 ppt	N/A
Net margin	4.7%	5.0%	5.1%	4.7%	5.0%	N/A	0.0 ppt	0.0 ppt	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

		CMBIGM			Consensus			Diff (%)		
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	
Revenue	700,048	800,518	884,971	753,238	895,188	984,337	-7.1%	-10.6%	-10.1%	
Gross profit	140,565	156,428	170,656	146,806	175,457	192,005	-4.3%	-10.8%	-11.1%	
Operating profit	41,816	50,717	56,961	43,181	54,246	57,064	-3.2%	-6.5%	-0.2%	
Net profit	33,109	40,173	45,095	35,808	44,224	47,725	-7.5%	-9.2%	-5.5%	
Gross margin	20.1%	19.5%	19.3%	19.5%	19.6%	19.5%	0.6 ppt	-0.1 ppt	-0.2 ppt	
Operating margin	6.0%	6.3%	6.4%	5.7%	6.1%	5.8%	0.2 ppt	0.3 ppt	0.6 ppt	
Net margin	4.7%	5.0%	5.1%	4.8%	4.9%	4.8%	0.0 ppt	0.1 ppt	0.2 ppt	

Source: Bloomberg, CMBIGM estimates



Financial Summary

YE 31 Dec [MMS mm Revenue	INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
Cast of goods and (157,988) (351,818) (480,558) (559,848) (644,099) (71,4375) (70,658) (70,6	YE 31 Dec (RMB mn)						
Gross profit 28,145 72,245 121,757 140,585 154,682 170,865 Operating expenses (2,381) (5,090) (18,090) (19,090) (19,090) (19,090) (19,090) (19,090) (19,090) (19,090) (20,221) (19,090) (33,081) (30,090) (30,090) (18,080) <	Revenue	216,142	424,061	602,315	700,048	800,518	884,971
Control perpension Control Co	Cost of goods sold	(187,998)	(351,816)	(480,558)	(559,484)	(644,090)	(714,315)
Selling perpane (6,082) (15,081) (25,381) (23,984) (33,681) (35,586) (16,183) (16,080) (16	Gross profit	28,145	72,245	121,757	140,565	156,428	170,656
Ammin expenses (5,710) (10,007) (13,462) (15,500) (16,855) (10,130) (16,130	Operating expenses	(22,818)	(50,990)	(88,598)	(102,584)	(110,951)	(120,272)
RAD Deprense 7,991 18,0549 193,0779 144,7459 146,0775 160,3590 100hers 3,035 17,2677 11,0559 11,1249 114,0757 150,3590 100her income 2,608 2,248 5,865 5,700 5,700 5,700 5,700 100her income 2,608 2,248 5,865 5,700 5,700 5,700 1,000 100her income 2,608 2,248 5,865 5,700 1,500 1	Selling expense	(6,082)	(15,061)	(25,211)	(29,984)	(33,681)	(35,996)
Obmers (3,035) (7,287) (10,350) (12,049) (14,310) (15,789) Obher income 2,688 2,248 5,965 5,700 5,700 6,700 Other comme (462) (689) (1,646) (1,600) (1,500)	Admin expense	(5,710)	(10,007)	(13,462)	(15,806)	(16,885)	(18,138)
Operating profit 5,327 21,255 33,159 37,981 45,477 50,384 Other income 2,085 2,248 5,965 5,700 5,700 1,500 Other gamene (452 (898) 1,456 1,550 (1,600) Garinoss on financial assets at FVTPL 47 126 228 45 45 45 Investment gain/loss (1,168) (2,387) (1,367) (4,063) (3,530) (3,508) BOTTA 20,542 42,766 82,649 102,833 122,527 139,898 Depreciation 10,880 14,805 37,718 52,233 62,257 707,349 Depreciation of ROU assets 273 584 1,300 2,211 2,373 2,558 EBIT 6,433 22,366 39,096 43,108 51,429 15,349 Interest supense (1,191) (1,141) (1,122) 1,122 1,122 1,122 1,122 1,122 1,122 1,122 1,122 1,122	R&D expense	(7,991)	(18,654)	(39,575)	(44,745)	(46,075)	(50,350)
Oher income 2,088 2,248 5,965 5,700 5,700 Oher expense (452) 0,8999 (1,546) (1,500) (1,500) 1,500 Gainfoss on financial assets at FVTPL 47 126 288 45 45 6.60 Universitimed (pank) (577) (792) 1,835 1,808 1,908 1,508 EBITOA 20,542 42,766 82,649 102,833 1,252 1,389 Depreciation of ROU assets 273 584 1,300 2,211 2,237 2,536 Ohre amortisation 6,633 2,306 5,181 4,444 5,22 5,82 6,30 EBIT 6,433 2,306 5,181 4,444 5,22 5,82 6,30 Description of ROU assets 6,431 2,308 2,766 3,108 3,379 1,451 Inferest income 6,523 1,330 2,766 3,18 3,379 1,451 Inferest spense 1,187 1,518 1,458	Others	(3,035)	(7,267)	(10,350)	(12,049)	(14,310)	(15,788)
Cher expanse	Operating profit	5,327	21,255	33,159	37,981	45,477	50,384
Gaindoss on financial assels at FVTPL 47 126 258 45 5 45 Investment gainorificoses) (1,68) (57) (792) 1,638 1,608 1,908 1,908 EBITTOA 00,542 42,766 62,849 (10,833) (3,530) (3,500) Depreciation 10,800 14,605 37,718 52,233 62,873 70,713 Obre amortisation 2,966 5,181 4,444 5,222 5,852 6,330 EBIT 6,433 22,366 39,096 43,108 5,142 57,342 6,330 EBIT 6,433 22,366 39,096 43,108 5,142 57,342 6,330 Interest income 6,22 1,832 1,830 2,796 3,337 4,815 Interest income/(expense) 1,1787 1,518 1,475 1,945 1,817 3,527 Fortige meximage gain/loss 6,333 1,216 1,358 1,458 1,450 (4,620) (4,786) 1,452	Other income	2,608	2,248	5,965	5,700	5,700	5,700
Investment gain loss	Other expense	(452)	(989)	(1,546)	(1,500)	(1,550)	(1,600)
Differ gains/(Incisenee)		,	, ,		* ' '	45	
Differ gains/(Incisenee)	Investment gain/loss	(57)	(792)	1,635	1,808	1,908	1,908
EBITDA 20,542 42,766 82,649 102,833 122,577 136,989 10-percelation 10,880 14,805 37,716 52,233 62,873 70,713 25,955 20,955	_		, ,				
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Cash & equivalents 49,820 51,182 108,512 99,000 140,389 214,258 Restricted cash 637 289 583 1,000 1,000 1,003 Account receivables 44,994 51,723 67,431 80,784 93,513 103,384 Inventories 43,355 79,107 87,677 99,634 114,701 127,207 Prepayment 2,037 8,224 2,215 11,169 12,882 14,286 Financial assets at FVTPL 5,606 20,627 9,563 9,613 9,633 9,613 9,663 9,713 Other current assets 11,168 16,099 2,3481 25,317 27,370 28,675 20,737 2,8675 2,742 2,600 3,989 4,562 5,043 8,943 13,553 2,660 3,989 4,562 5,043 8,943 289,673 289,673 289,673 289,673 289,673 289,673 289,679 3,3467 434,613 1,604 1,604 1,652 1,652 </td <td>, ,</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	, ,						
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Account receivables 44,994 51,723 67,431 80,784 93,518 103,384 Inventories 43,355 79,107 87,677 99,634 114,701 127,207 Prepayment 2,037 8,224 2,215 11,190 12,882 14,286 Financial assets at FVTPL 5,606 20,627 9,563 9,613 9,663 9,713 Other current assets 11,168 16,099 23,481 25,317 27,370 28,675 Contract assets 8,493 13,553 2,660 3,989 4,562 5,045 Non-current assets 129,670 253,057 377,426 426,632 433,867 434,613 PRAE 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,967 3,687 6,584 6,584 6,584 6,584 Inderrigibles 1,973 3,687 6,584 6,584 6,584 6,584 Interport inscription 16 6	Cash & equivalents	49,820			99,000	140,389	214,258
Inventories							
Prepayment 2,037 8,224 2,215 11,190 12,882 14,286 Financial assets at FVTPL 5,606 20,627 9,563 9,613 9,663 9,713 Other current assets 11,168 16,099 23,481 25,317 27,370 28,675 Contract assets 8,493 13,553 2,660 3,989 4,562 5,043 Non-current assets 129,670 253,057 377,26 426,632 433,667 434,613 PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,388 6,956 5,351 Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,381 Other non-current assets at FVTPL 234	Account receivables	44,994	51,723	67,431	80,784	93,518	103,384
Financial assets at FVTPL 5,606 20,627 9,563 9,613 9,663 9,713 Other current assets 11,168 16,099 23,481 25,317 27,370 28,675 Contract assets 8,493 13,553 2,660 3,989 4,562 5,043 Non-current assets 129,670 253,057 377,426 426,632 433,867 434,613 PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,388 6,956 5,551 Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Interpret inscription in July S& assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 Chinacription assets 17,12 2,94	Inventories	43,355	79,107	87,677	99,634	114,701	127,207
Other current assets 11,168 16,099 23,481 25,317 27,370 28,675 Contract assets 8,493 13,553 2,660 3,989 4,562 5,043 Non-current assets 129,670 253,057 377,426 426,632 433,867 434,613 PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,398 6,956 5,351 Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428 4,428	Prepayment	2,037	8,224	2,215	11,190	12,882	14,286
Contract assets 9,493 13,553 2,660 9,889 4,562 5,043 Non-current assets 129,670 253,057 377,426 426,632 433,867 434,613 PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,398 6,564 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 4,283 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153	Financial assets at FVTPL	5,606	20,627	9,563	9,613	9,663	9,713
Non-current assets 129,670 253,057 377,426 426,632 433,867 434,613 PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,398 6,566 5,351 Deferred income tax 1,913 3,687 6,584 6,284 6,294 6,294 6,284 6,284 6,284	Other current assets	11,168	16,099	23,481	25,317	27,370	28,675
PP&E 61,221 131,880 230,904 284,673 289,803 287,093 Right-of-use assets 1,573 3,137 9,679 8,398 6,956 5,351 Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 Account payables 73,160 14	Contract assets	8,493	13,553	2,660	3,989	4,562	5,043
Right-of-use assets 1,573 3,137 9,679 8,398 6,956 5,351 Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 0 Account payables	Non-current assets	129,670	253,057	377,426	426,632	433,867	434,613
Deferred income tax 1,913 3,687 6,584 6,584 6,584 6,584 Investment in JVs & assos 7,905 15,485 17,647 19,847 22,047 24,247 Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 </td <td>PP&E</td> <td>61,221</td> <td>131,880</td> <td>230,904</td> <td>284,673</td> <td>289,803</td> <td>287,093</td>	PP&E	61,221	131,880	230,904	284,673	289,803	287,093
Investment in JVs & assos	Right-of-use assets	1,573	3,137	9,679	8,398	6,956	5,351
Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Non-current liabilities	Deferred income tax	1,913	3,687	6,584	6,584	6,584	6,584
Intangibles 17,105 23,223 37,236 39,996 41,338 42,383 Goodwill 66 66 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities <t< td=""><td>Investment in JVs & assos</td><td>7,905</td><td>15,485</td><td>17,647</td><td>19,847</td><td>22,047</td><td>24,247</td></t<>	Investment in JVs & assos	7,905	15,485	17,647	19,847	22,047	24,247
Goodwill 66 66 4,428 4,428 4,428 4,428 4,428 Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 <t< td=""><td>Intangibles</td><td></td><td></td><td></td><td></td><td></td><td></td></t<>	Intangibles						
Financial assets at FVTPL 234 2,147 2,696 2,791 2,886 2,981 Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowing	_						
Other non-current assets 39,652 73,431 68,252 59,914 59,825 61,545 Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables							
Total assets 295,780 493,861 679,548 757,159 837,951 938,178 Current liabilities 171,304 333,345 453,667 502,152 546,654 605,263 Short-term borrowings 10,204 5,153 18,323 9,464 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities <							
Short-term borrowings 10,204 5,153 18,323 9,464 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Short-term borrowings 10,204 5,153 18,323 9,464 0 0 Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303	Current liabilities	171 204	222 245	452 667	502 452	546 654	605 262
Account payables 73,160 140,437 194,430 230,461 256,754 284,747 Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Tax payable 1,779 4,326 7,852 9,197 10,588 11,742 Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303	<u> </u>						
Other current liabilities 71,227 147,911 198,363 199,381 226,374 250,063 Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Contract liabilities 14,934 35,517 34,699 53,649 52,939 58,711 Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Non-current liabilities 20,232 39,126 75,419 78,575 79,183 81,278 Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Long-term borrowings 8,744 7,594 11,975 11,975 10,975 9,975 Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Bond payables 2,046 0 0 1,000 2,000 3,000 Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Other non-current liabilities 9,442 31,533 63,444 65,599 66,207 68,303							
Total liabilities 191,536 372,471 529,086 580,727 625,837 686,541			31,533	63,444			
	Total liabilities	191,536	372,471	529,086	580,727	625,837	686,541



					A Whelly Owned St	ibidiary Of China Merchania
Share capital	2,911	2,911	2,911	2,911	2,911	2,911
Other reserves	92,159	108,118	135,899	160,395	194,147	231,407
Total shareholders equity	95,070	111,029	138,810	163,306	197,058	234,318
Minority interest	9,175	10,361	11,652	13,125	15,057	17,319
Total equity and liabilities	295,780	493,861	679,548	757,159	837,951	938,178
CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
(E 31 Dec (RMB mn)						
Operating .						
Profit before taxation	4,518	21,080	37,269	41,016	49,867	56,061
Depreciation & amortization	14,108	20,370	43,553	59,725	71,098	79,643
Change in working capital	44,083	97,849	91,094	12,049	19,680	28,590
Others	2,757	1,539	(2,190)	2,731	(2,103)	(1,899)
Net cash from operations	65,467	140,838	169,725	115,522	138,542	162,396
nvesting						
Capital expenditure	(37,344)	(97,457)	(122,094)	(98,955)	(68,025)	(68,250)
Acquisition of subsidiaries/ investments	(3,527)	(10,573)	(16,163)	(1,100)	(1,100)	(1,100)
Net proceeds from disposal of short-term nvestments	0	14	0	0	0	0
Others	(4,534)	(12,580)	12,593	(5,680)	(7,580)	(7,580)
Net cash from investing	(45,404)	(120,596)	(125,664)	(105,735)	(76,705)	(76,930)
Financing						
Dividend paid	(423)	(306)	(3,325)	(9,012)	(6,622)	(8,035)
Net borrowings	(17,006)	(16,413)	18,073	(4,106)	(9,464)	0
Proceeds from share issues	37,314	0	0	0	0	0
Others	(3,821)	(2,770)	(1,931)	(6,180)	(4,362)	(3,562)
Net cash from financing	16,063	(19,489)	12,817	(19,298)	(20,448)	(11,597)
Net change in cash						
Cash at the beginning of the year	13,738	49,820	51,182	108,512	99,000	140,389
Exchange difference	(44)	610	451	0	0	0
Cash at the end of the year	49,820	51,182	108,512	99,000	140,389	214,258
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	38.0%	96.2%	42.0%	16.2%	14.4%	10.5%
Gross profit	(7.3%)	156.7%	68.5%	15.4%	11.3%	9.1%
Operating profit EBITDA	(53.1%)	299.0% 108.2%	56.0% 93.3%	14.5% 24.4%	19.7% 19.2%	10.8% 11.8%
EBIT	(9.0%) (36.0%)	248.1%	74.6%	10.3%	19.2%	11.5%
Net profit	(28.1%)	445.9%	80.7%	10.3%	21.3%	12.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
/E 31 Dec	2021A	2022A	2023A	2024E	2023E	2020E
Gross profit margin	12.00/	17.00/	20.20/	20.19/	10 59/	10.20/
Operating margin	13.0% 2.5%	17.0% 5.0%	20.2% 5.5%	20.1% 5.4%	19.5% 5.7%	19.3% 5.7%
EBITDA margin	9.5%	10.1%	13.7%	14.7%	15.3%	15.5%
Return on equity (ROE)	4.0%	16.1%	24.0%	21.9%	22.3%	20.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec	2021A	ZUZZA	2023A	2024L	2023L	2020L
Net debt to equity (x)	(0.4)	(0.4)	(0.7)	(0.5)	(0.6)	(0.9)
Current ratio (x)	1.0	0.7	0.7	0.7	0.7	0.8
Receivable turnover days	94.4	58.1	52.0	52.0	52.0	52.0
nventory turnover days	84.2	82.1	66.6	65.0	65.0	65.0
Payable turnover days	156.3	149.2	150.8	155.0	150.0	150.0
ALUATION	2021A	2022A	2023A	2024E	2025E	2026E
/E 31 Dec						
P/E	187.7	35.0	19.4	17.6	14.5	12.9
P/B	6.0	5.2	4.2	3.6	3.0	2.5
				5 0	4.0	2.0
P/CFPS	8.7	4.1	3.4	5.0	4.2	3.6

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Stock with potential return of over 15% over next 12 months
SELL
Stock with potential return of +15% to -10% over next 12 months
SELL
Stock with potential loss of over 10% over next 12 months

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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

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