

BYD (002594 CH)

A shining monthly delivery of model “Han”

BYD's Aug auto sales data was a bit mixed in our view. ICE and NEV bus sales continued good sales performance, and the new Han EV had a brilliant performance with a sales volume of 4K units in Aug, while overall NEV sales looked sluggish with an 8.6% YoY decline. We are not too concerned about the Aug sales data, as we expect the growth pace to pick up with the new NEV model and blade battery to release capacity. We trim 2020E earnings slightly by 5% on conservative NEV sales project. We are optimistic on 2021E, as our earnings and valuation remain intact. **Reiterate BUY rating with TP unchanged at RMB113.1.**

- NEV sales lagging behind our projection pace.** BYD's NEV sales in Aug was 15,283 units (+1.2% MoM / -8.6% YoY), reflecting slow recovery in Aug, and sales pace is lagging our projection. However, we spot some positive signs in Aug auto sales, including 1) BYD's official Weibo disclosed it delivered 4K units of flagship Han series NEV; 2) NEV bus sales remained strong at 1,051 units, up 114% YoY; and 3) PHEV sales reached 4,595 units (-9.8% YoY/+37.6% MoM), marking a bottom-out in PHEV segment.
- NEV outlook remains optimistic.** We are not too concerned about slower-than-expected Aug NEV sales, since we believe 1) some NEV demand was delayed as BYD is in a new product launching cycle in 2H20E; 2) hot sales of Han series reflects consumers' recognition of BYD's efforts in promoting safety, while the safety-focused blade battery capacity is still ramping up; and 3) sales of ride-hailing NEV models (e5) still suffered economic impacts associated with COVID-19. Based on 8M20 sales update, we trim the FY20 NEV sales projection to 183K units, reflecting a decline of 20.4% YoY. Looking ahead to FY21E, supported by the new NEV model based on the DM4.0 platform (PHEV), and capacity release from blade battery (EV), our NEV sales outlook on BYD remains optimistic. We estimate BYD's 2021E NEV sales volume will achieve 300K units, representing an increase of 64.4% YoY.
- ICE segment remains strong.** In Aug, the sales volume of ICE was 21,499 units, up 11.5% YoY. It was mainly driven by sedans and SUVs, of which sedan sales were 4,284 units (+92.7% YoY) and SUV sales were 13,813 units (+6.7% YoY). We believe shining ICE sales performance was attributable to best-selling of Song Pro. With the rollout of Tang (2021 edition in Aug) and upcoming models such as Song Plus (expected in Sep), we expect ICE sales to maintain strong momentum. We raised our ICE sales volume forecast to 250K in 2020E, partially offsetting the decline in sales of NEV.

Earnings Summary

(YE 31 Dec)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue (RMB mn)	130,055	127,739	161,455	207,824	277,832
YoY growth (%)	22.79%	-1.78%	26.40%	28.72%	33.69%
Net income (RMB mn)	2,780	1,614	3,950	4,638	9,659
EPS (RMB)	0.93	0.50	1.35	1.60	3.44
YoY growth (%)	-34%	-47%	172%	19%	115%
Consensus EPS(RMB)	N/A	N/A	1.05	1.20	1.65
P/E (x)	101.65	190.45	70.09	59.06	27.50
P/B (x)	4.68	4.55	4.23	3.92	3.36
Yield (%)	0.27%	0.08%	0.19%	0.22%	0.46%
ROE (%)	5.05%	2.88%	6.70%	7.30%	13.53%
Net gearing (%)	64%	79%	90%	83%	78%

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	RMB113.1
(Previous TP)	RMB113.1)
Up/Downside	+19.4%
Current Price	RMB94.7

China NEV Sector

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Stock Data

Mkt Cap (RMB mn)	240,403
Avg 3 mths t/o (RMB mn)	2,239
52-week high/low	97.84/42.27
Total Issued Shares (mn)	915 (H)
	1,813 (A)

Source: Bloomberg

Shareholding Structure

Wang Chuanfu	18.83%
Lv Xiangyang	8.77%
Bershire Hathaway Energy	8.25%

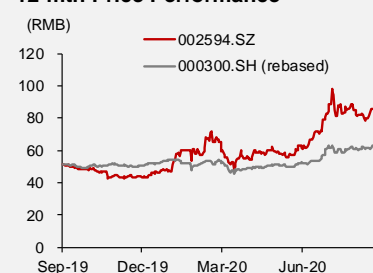
Source: Company announcement

Share Performance

	Absolute	Relative
1-mth	11.0%	12.0%
3-mth	50.0%	28.5%
6-mth	45.1%	28.6%

Source: Bloomberg

12-mth Price Performance



Source: Wind

Auditor: Ernst & Young

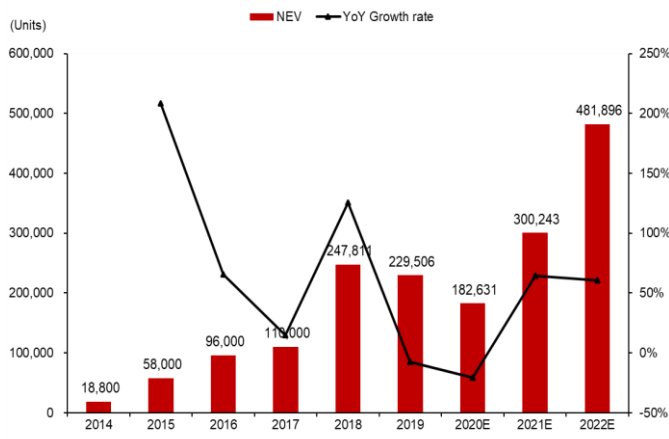
Related Report

- "BYD (002594 CH) – Expect high growth of NEV in 2H20E" – 1 Sep 2020
- "BYD (002594 CH) – Hidden giant in the cave" – 23 Jul 2020

- **2021E outlook and TP remain intact; maintain BUY.** We trim down 2020E earnings forecast by 5% based on 1) slower-than-expected NEV sales led by delay in the launch of new models; 2) the increase in the market share of ICE; and 3) the better-than-expected sales of NECV bus. However, we remain confident in BYD's auto sales in 2021E given 1) the launch of the DM4.0 model in 1Q21E; 2) the production capacity release of blade battery; and 3) recovery of the overall NEV market. As a result, we maintain our 2021E bottom-line forecast at RMB4.6bn. Our earnings forecast and valuation for 2021E remain intact. Reiterate BUY rating with a TP of RMB113.1.

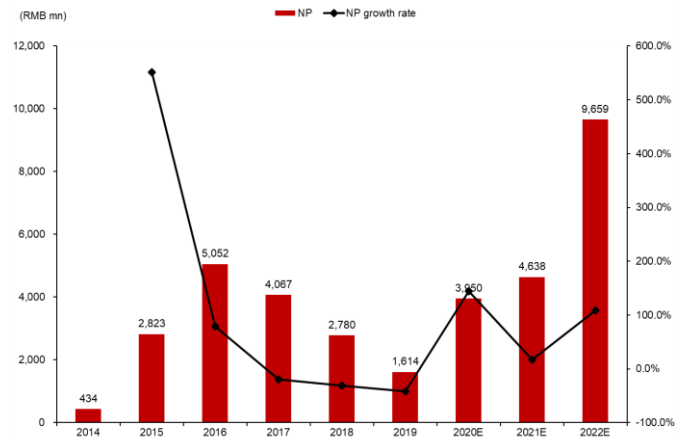
Focus chart

Figure 1: NEV Sales volume forecast: BYD



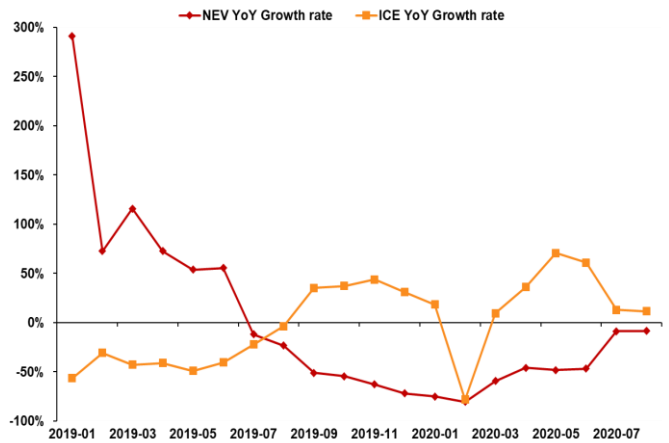
Source: Company data, CMBIS estimates

Figure 2: Bottom-line forecast



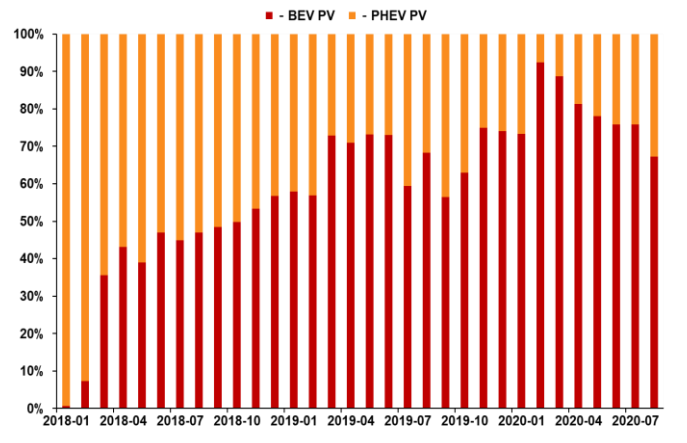
Source: Company data, CMBIS estimates

Figure 3: Monthly sales review: by NEV/ICE



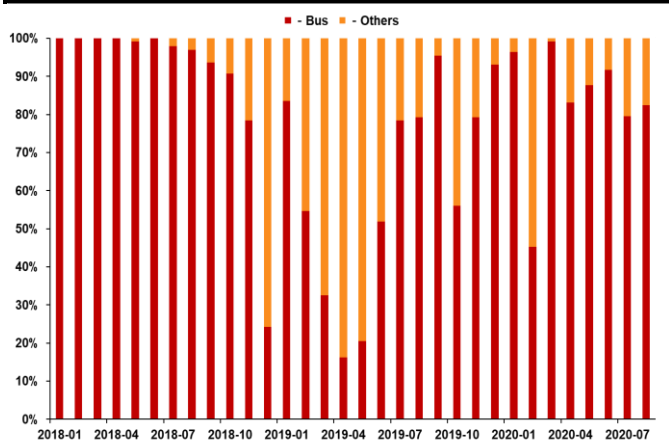
Source: Company data

Figure 4: Monthly sales review: NEPV



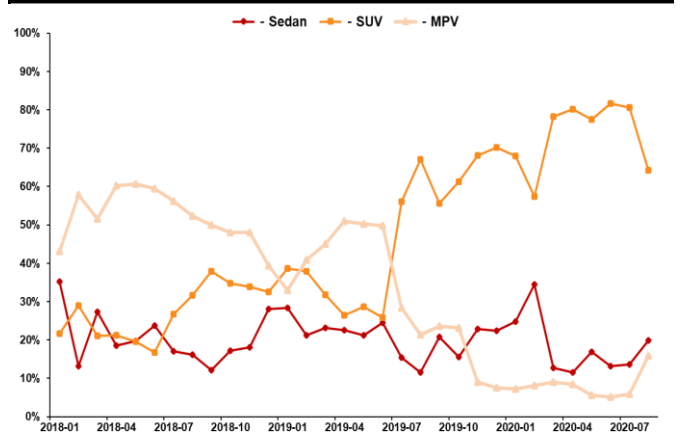
Source: Company data

Figure 5: Monthly sales review: NECV



Source: Company data

Figure 6: Monthly sales review: ICE



Source: Company data

Earnings Revision

Figure 7: Earnings revision

(RMB mn)	New		Old		Change (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	161,455	207,824	165,758	208,809	-3%	0%
Gross profit	26,780	32,738	27,979	33,131	-4%	-1%
Operating profit	5,502	6,719	5,820	6,709	-5%	0%
Net profit	3,950	4,638	4,171	4,632	-5%	0%
EPS (RMB)	1.35	1.60	1.43	1.60	-6%	0%
GPM	16.59%	15.75%	16.88%	15.87%	-0.3 ppt	-0.1 ppt
OPM	3.41%	3.23%	3.51%	3.21%	-0.1 ppt	0.0 ppt
NPM	2.45%	2.23%	2.52%	2.22%	-0.1 ppt	0.0 ppt

Source: CMBIS estimates

Figure 8: CMBIS estimates vs consensus

(RMB mn)	CMBIS		Consensus		Diff (%)	
	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Revenue	161,455	207,824	141,344	163,431	14%	27%
Gross profit	26,780	32,738	22,096	24,836	21%	32%
Operating profit	5,502	6,719	8,341	9,108	-34%	-26%
Net profit	3,950	4,638	3,415	3,642	16%	27%
EPS (RMB)	1.35	1.60	1.26	1.34	7%	19%
GPM	16.59%	15.75%	15.63%	15.20%	1.0 ppt	0.6 ppt
OPM	3.41%	3.23%	5.90%	5.57%	-2.5 ppt	-2.3 ppt
NPM	2.45%	2.23%	2.42%	2.23%	0.0 ppt	0.0 ppt

Source: Bloomberg, CMBIS estimates

Figure 9: Revenue breakdown

(RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Automobiles and Related Products	76,007	63,266	62,154	81,675	118,894
...YoY	34%	-17%	-2%	31%	46%
Handset Components and Assembly Services	42,230	53,380	86,049	108,851	125,832
...YoY	4%	26%	61%	27%	16%
Rechargeable Batteries and Photovoltaic	8,950	10,506	12,607	14,498	16,238
...YoY	2%	17%	20%	15%	12%
Other business	2,868	587	646	807	969
...YoY	5524%	-80%	10%	25%	20%
Total Explicit revenue	130,055	127,739	161,455	205,832	261,932
...YoY	23%	-2%	26%	27%	27%
Power battery				1,614	15,085
...YoY					835%
IGBT				378	815
...YoY					115%
Total	130,055	127,739	161,455	207,824	277,832
...YoY	23%	-2%	26%	29%	34%

Source: Company data, CMBIS estimates

Figure 10: P&L breakdown

(RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	130,055	127,739	161,455	207,824	277,832
...YoY	22.79%	-1.78%	26.40%	28.72%	33.69%
Cost of sales	(108,725)	(106,924)	(134,675)	(175,086)	(231,622)
Gross profit	21,330	20,814	26,780	32,738	46,210
GPM (%)	16.40%	16.29%	16.59%	15.75%	16.63%
...YoY	5.91%	-2.42%	28.66%	22.25%	41.15%
Selling Exp	(4,729)	(4,346)	(5,328)	(7,066)	(9,724)
...% of rev	-3.64%	-3.40%	-3.30%	-3.40%	-3.50%
Admin Exp	(4,989)	(5,629)	(6,458)	(7,897)	(9,168)
...% of rev	-3.84%	-4.41%	-4.00%	-3.80%	-3.30%
Operating profit	4,241	2,312	5,502	6,719	13,905
OPM (%)	3.26%	1.81%	3.41%	3.23%	5.00%
...YoY	-21.62%	-45.48%	137.93%	22.13%	106.94%
Net profit	2,780	1,614	3,950	4,638	9,659
NPM (%)	2.14%	1.26%	2.45%	2.23%	3.48%
...YoY	-31.64%	-41.93%	144.64%	17.43%	108.25%

Source: Company data, CMBIS estimates

Figure 11: Interim/Full-year P&L breakdown

(RMB mn)	1H19	1H20	YoY	2H19	2H20E	YoY
Revenue	62,184	60,503	-3%	65,554	100,952	54%
Cost of sales	(51,523)	(48,647)	-6%	(55,401)	(86,029)	55%
Gross profit	10,661	11,856	11%	10,153	14,924	47%
Taxes and levies	(769)	(676)	-12%	(792)	(1,262)	59%
Selling and distribution exp	(2,301)	(2,005)	-13%	(2,045)	(3,323)	62%
Administrative expenses	(2,071)	(2,020)	-2%	(2,070)	(2,630)	27%
R&D expenses	(2,495)	(2,525)	1%	(3,134)	(3,933)	25%
Finance costs	(1,453)	(1,664)	15%	(1,561)	(2,050)	31%
Other income	899	733	-18%	824	1,590	93%
Investment income	(273)	(128)	-53%	(535)	(437)	-18%
GL from changes in fair values	5	42	787%	5	(100)	-2124%
Impairment losses on assets/credit	(389)	(659)	69%	(247)	(155)	-37%
GL on disposal of subsidiaries	(26)	(7)	-73%	(74)	(71)	-4%
Operating profit/(loss)	1,789	2,948	65%	523	2,553	388%
Non-operating income	112	104	-7%	115	381	232%
Non-operating expense	(27)	(124)	355%	(80)	3	-103%
Profit before income tax	1,874	2,928	56%	557	2,937	427%
Income tax expense	(225)	(545)	142%	(87)	(321)	269%
Profit for the year	1,648	2,383	45%	471	2,616	456%
Non-controlling interests	194	721	272%	311	329	6%
NP	1,455	1,662	14%	160	2,287	1331%

Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Revenue	130,055	127,739	161,455	207,824	277,832
Cost of sales	(108,725)	(106,924)	(134,675)	(175,086)	(231,622)
Gross profit	21,330	20,814	26,780	32,738	46,210
Taxes and levies	(2,146)	(1,561)	(1,937)	(2,494)	(3,334)
S&D exp	(4,729)	(4,346)	(5,328)	(7,066)	(9,724)
R&D exp	(3,760)	(4,141)	(4,650)	(5,965)	(7,918)
Admin exp	(4,989)	(5,629)	(6,458)	(7,897)	(9,168)
Finance costs	(2,997)	(3,014)	(3,714)	(4,325)	(4,273)
Impairment losses	(1,020)	(636)	(814)	(1,039)	(1,391)
Other income	2,328	1,724	2,324	3,172	3,996
Investment income	248	(809)	(565)	(312)	(278)
GL from changes in FV	(5)	10	(58)	4	(39)
GL on disposal	(19)	(100)	(78)	(96)	(175)
Operating profit/(loss)	4,241	2,312	5,502	6,719	13,905
Non-operating income	230	226	484	416	500
Non-operating expense	(86)	(107)	(121)	(156)	(221)
Profit before income tax	4,385	2,431	5,865	6,979	14,184
Income tax expense	(829)	(312)	(866)	(1,108)	(1,958)
Profit for the year	3,556	2,119	4,999	5,871	12,226
Non-controlling interests	776	504	1,050	1,233	2,568
NP	2,780	1,614	3,950	4,638	9,659

Cash flow

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income	2,780	1,614	3,950	4,638	9,659
D&A	9,995	9,933	10,035	12,193	14,571
Change in working capital	(291)	3,233	4,561	6,499	1,090
Others	(543)	6,427	-	-	-
Net cash from operating	12,523	14,741	10,290	11,440	25,097
Capex & investments	(6,076)	(12,040)	(12,992)	(13,608)	(14,961)
Associated companies	(496)	(499)	(406)	(447)	(491)
Others	(7,659)	(8,342)	(4,118)	(5,007)	(6,537)
Net cash from investing	(14,231)	(20,881)	(17,516)	(19,062)	(21,990)
Equity raised	-	-	-	-	-
Change of Debts	5,076	10,535	15,260	14,284	5,755
Dividend paid	(557)	(164)	(395)	(464)	(966)
Others	(603)	(3,761)	6,987	6,087	9,661
Net cash from financing	3,917	6,610	10,339	8,485	(285)
Net change in cash	2,209	470	3,113	863	2,822
Cash at the beginning	9,903	13,052	12,650	15,763	16,626
Others	941	(872)	-	-	-
Cash at the end	13,052	12,650	15,763	16,626	19,448
Less: pledged cash	-	-	-	-	-

Balance sheet

YE 31 Dec (RMB mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Non-current assets	79,361	88,675	101,756	115,429	130,979
Fixed asset	43,679	49,443	58,001	66,220	74,742
Intangible assets	11,314	12,650	14,840	16,943	19,123
Interest in joint	3,561	4,060	4,466	4,913	5,404
Other non-current assets	20,807	22,521	24,450	27,354	31,711
Current assets	115,211	106,967	131,157	160,545	194,961
Cash	13,052	12,650	15,763	16,626	19,448
Account receivable	49,284	43,934	53,818	67,040	79,380
Inventory	26,330	25,572	32,688	41,687	51,472
Other current assets	26,545	24,811	28,888	35,191	44,661
Current liabilities	116,569	108,029	136,186	171,172	205,328
Borrowings	37,789	40,332	51,998	64,959	68,611
Account payables	46,283	36,168	44,892	56,479	72,382
Other payables	13,568	11,217	14,141	18,384	24,320
Tax payables	18,930	20,311	25,155	31,349	40,015
Non-current liabilities	17,308	25,011	29,699	32,224	36,181
Borrowings	13,924	21,916	25,511	26,834	28,937
Provisions	66	103	69	89	157
Deferred income tax	-	-	-	-	-
Others	3,317	2,992	4,118	5,301	7,087
Total equity	60,694	62,601	67,029	72,578	84,432
Minority Interest	5,496	5,839	5,954	6,597	7,587
Shareholders' equity	55,198	56,762	61,074	65,981	76,844

Key ratios

YE 31 Dec	FY18A	FY19A	FY20E	FY21E	FY22E
Sales mix (%)					
Automobiles	58%	50%	38%	39%	43%
Handset Components	32%	42%	53%	52%	45%
Rechargeable Batteries	7%	8%	8%	7%	6%
Other business	2%	0%	0%	0%	0%
Power battery	0%	0%	0%	1%	5%
IGBT	0%	0%	0%	0%	0%
Total	100%	100%	100%	100%	100%
P&L ratios (%)					
Gross profit margin	16%	16%	17%	16%	17%
Pre-tax margin	3%	2%	4%	3%	5%
Net margin	3%	2%	3%	3%	4%
Effective tax rate	19%	13%	15%	16%	14%
Balance sheet ratios					
Current ratio (x)	0.99	0.99	0.96	0.94	0.95
Quick ratio (x)	0.59	0.59	0.56	0.53	0.52
Cash ratio (x)	0.11	0.12	0.12	0.10	0.09
Debtors turnover days	138	126	122	118	104
Total debt / total equity	221%	213%	247%	280%	286%
Net debt / equity ratio	64%	79%	90%	83%	78%
Returns (%)					
ROE	5%	3%	7%	7%	14%
ROA	4%	3%	4%	4%	6%
Per share					
EPS (RMB)	0.93	0.50	1.35	1.60	3.44
DPS (RMB)	0.20	0.06	0.14	0.17	0.35
BVPS (RMB)	20.23	20.81	22.39	24.19	28.17

Source: Company data, CMBIS estimates

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

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NOT RATED : Stock is not rated by CMBIS

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
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