

Tuhu Car (9690 HK)

Global expansion via accretive mycar acquisition

Maintain BUY. Tuhu has agreed to acquire mycar Tyre & Auto, a 279-store, one-stop car service network in Australia, from Continental AG (as part of its pure-play focus) at a consideration of A\$278mn (RMB1.3bn), translating to 8.6x FY26E EV/EBITDA. The deal marks Tuhu's first overseas M&A and a strategic entry into a mature, non-Asian market. We expect the acquisition to boost adjusted net profit by 10%/15% in FY27E/FY28E, with minimal balance-sheet strain. We view Tuhu's move into Australia as a constructive testing ground for operational synergies that can be replicated across future global expansions.

■ **Scarce, differentiated asset acquired at a reasonable price.** According to management, mycar is Australia's sole 100% directly-operated, national one-stop auto service chain, backed by a 60+ year brand history. About 70% of stores are situated in high-footfall shopping centres and ~15% at petrol stations—prime locations that management regards as irreplaceable. In FY25, mycar generated A\$525mn (RMB2.5bn) in revenue with a 7.2% EBITDA margin and A\$21mn (RMB99mn) in adjusted net profit (4.0% net margin). The acquisition multiple of 9.4x LTM EV/EBITDA comes in lower than comparable precedent auto-aftermarket deals. Management expects a 5-year IRR to exceed 20% before accounting for potential synergies.

■ **Structurally superior store economics vs. domestic network.** Australia features an aging, high-mileage vehicle fleet (~20m vehicles, ~740 per 1,000 people, average age 11.4 years vs 7.2 years in China) alongside a fragmented independent aftermarket where top-10 chains hold about 7% market share. mycar's average FY25 store revenue of A\$1.9mn (RMB8.9mn) was roughly 2-3x that of a typical domestic Tuhu workshop, while store-level gross margin was nearly double domestic levels, based on our channel checks. We believe Tuhu's digitalization and supply-chain infrastructure present clear operational levers, although management emphasizes that margin improvement will be realized gradually rather than immediately.

■ **Earnings accretive from FY27E with intact capital return.** We model an 11-month consolidation in FY27E and a full-year contribution thereafter, as the deal is expected to close in 1Q27. We expect mycar to lift Tuhu's FY27/28E revenue by 12%/13% and adjusted net profit by 10%/15% to RMB691mn/875mn, factoring in acquisition debt interest of RMB27mn per annum. We estimate a limited goodwill increase of RMB0.3bn. We expect Tuhu to maintain a strong net cash position post-deal, with management confirming that share buybacks remain uncompromised.

■ **Valuation.** We maintain BUY rating and raise our target price to HK\$19.00 from HK\$18.00, based on 19x adjusted FY27E P/E (prior 20x), to account for a broader sector de-rating driven by a sluggish domestic demand recovery. Key risks include cross-border integration challenges, slower network expansion, weaker margins than we expect and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	14,759	16,462	18,346	22,968	24,684
YoY growth (%)	8.5	11.5	11.4	25.2	7.5
Net profit (RMB mn)	483.8	420.4	347.6	457.5	611.9
YoY growth (%)	(92.8)	(13.1)	(17.3)	31.6	33.7
Adjusted net profit (RMB mn)	624.1	700.1	486.4	691.2	874.7
EPS (Reported) (RMB)	0.60	0.53	0.42	0.56	0.74
P/E (Adjusted) (x)	12.5	11.0	16.4	11.5	9.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$19.00
(Previous TP)	HK\$18.00)
Up/Downside	67.7%
Current Price	HK\$11.33

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Stock Data

Mkt Cap (HK\$ mn)	9,333.4
Avg 3 mths t/o (HK\$ mn)	13.0
52w High/Low (HK\$)	19.30/10.26
Total Issued Shares (mn)	823.8

Source: FactSet

Shareholding Structure

Tencent Holdings	19.3%
Mr. Chen Min	10.0%

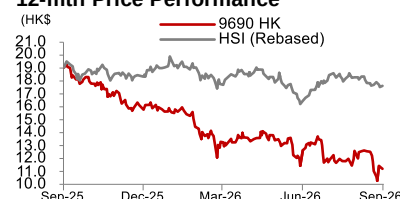
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.0%	-5.1%
3-mth	-10.4%	-15.8%
6-mth	-14.7%	-13.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: mycar financial profile

(A\$ mn)	FY24A	FY25A
Revenue	492	525
EBITDA, pre-AASB16	28.5	37.9
EBITDA margin	5.8%	7.2%
Adjusted net profit	15.6	21.2
No. of stores (Jun-26)	-	279
Revenue per store	-	1.9

Source: Company data, CMBIGM

Figure 2: Deal terms & valuation

Deal item	Value
Seller	Continental AG subsidiary
Enterprise value	A\$403mn / RMB1.9bn
Completion payment (cash)	A\$278mn / RMB1.3bn
Funding - acquisition debt	<=RMB1.0bn (10y; 85bp under 5y LPR)
Funding - internal cash	RMB0.3bn
EV / LTM EBITDA	9.4x
Independent equity fair value	A\$291mn
Price vs independent FV	-4%
Embedded goodwill	RMB0.3bn
Timing	Completion in 1Q27

Source: Company data, CMBIGM estimates

Figure 3: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	18,346	22,968	24,684	18,346	20,441	21,817	0.0%	12.4%	13.1%
Gross profit	4,263	5,647	6,150	4,263	4,763	5,147	0.0%	18.6%	19.5%
Operating profit	192	363	549	192	259	381	0.0%	39.9%	44.1%
Net profit	348	458	612	348	393	496	0.0%	16.5%	23.3%
Adj. net profit	486	691	875	486	626	759	0.0%	10.3%	15.2%
Gross margin	23.2%	24.6%	24.9%	23.2%	23.3%	23.6%	0.0 ppts	1.3 ppts	1.3 ppts
Operating margin	1.0%	1.6%	2.2%	1.0%	1.3%	1.7%	0.0 ppts	0.3 ppts	0.5 ppts
Net margin	1.9%	2.0%	2.5%	1.9%	1.9%	2.3%	0.0 ppts	0.1 ppts	0.2 ppts
Adj. net margin	2.7%	3.0%	3.5%	2.7%	3.1%	3.5%	0.0 ppts	-0.1 ppts	0.1 ppts

Source: CMBIGM estimates

Figure 4: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	18,346	22,968	24,684	18,277	20,194	22,021	0.4%	13.7%	12.1%
Gross profit	4,263	5,647	6,150	4,296	4,776	5,293	-0.8%	18.2%	16.2%
Operating profit	192	363	549	241	353	500	-20.2%	2.8%	9.9%
Adj. net profit	486	691	875	451	600	715	7.9%	15.2%	22.3%
Gross margin	23.2%	24.6%	24.9%	23.5%	23.7%	24.0%	-0.3 ppts	0.9 ppts	0.9 ppts
Operating margin	1.0%	1.6%	2.2%	1.3%	1.7%	2.3%	-0.3 ppts	-0.2 ppts	0.0 ppts
Adj. net margin	2.7%	3.0%	3.5%	2.5%	3.0%	3.2%	0.2 ppts	0.0 ppts	0.3 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	13,601	14,759	16,462	18,346	22,968	24,684
Cost of goods sold	(10,242)	(11,013)	(12,494)	(14,083)	(17,321)	(18,534)
Gross profit	3,359	3,746	3,968	4,263	5,647	6,150
Operating expenses	(3,198)	(3,415)	(3,715)	(4,071)	(5,284)	(5,601)
Selling expense	(1,715)	(1,916)	(2,025)	(2,326)	(2,943)	(3,141)
Admin expense	(420)	(355)	(400)	(385)	(529)	(546)
R&D expense	(580)	(640)	(764)	(766)	(998)	(1,040)
Other rental related expenses	(600)	(577)	(681)	(759)	(984)	(1,049)
Others	117	73	154	165	170	175
Operating profit	162	331	252	192	363	549
Other gains/(losses)	6,465	0	0	0	0	0
Share of (losses)/profits of associates/JV	(11)	(12)	6	10	12	12
EBITDA	7,106	819	739	703	952	1,250
Depreciation	160	156	175	192	250	314
Depreciation of ROU assets	196	154	124	136	148	160
Other amortisation	5	5	5	6	6	7
EBIT	6,744	503	434	369	547	769
Interest income	129	183	176	167	172	207
Interest expense	(19)	(16)	(12)	(13)	(41)	(43)
Pre-tax profit	6,725	487	422	356	506	726
Income tax	(25)	(5)	(3)	(11)	(51)	(116)
After tax profit	6,701	482	419	346	456	610
Minority interest	2	2	1	2	2	2
Net profit	6,703	484	420	348	458	612
Adjusted net profit	481	624	700	486	691	875

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	8,271	8,365	8,883	10,770	12,888	14,919
Cash & equivalents	2,715	1,375	1,924	2,326	2,958	4,005
Restricted cash	1,455	1,109	1,093	1,699	2,075	2,224
Account receivables	218	226	362	302	378	406
Inventories	1,800	2,119	2,373	2,778	3,369	3,605
Financial assets at FVTPL	1,587	3,074	2,759	3,163	3,479	4,003
Other current assets	496	462	371	503	629	676
Non-current assets	3,493	4,432	4,618	4,964	6,750	6,642
PP&E	899	1,046	1,070	1,067	1,976	1,850
Right-of-use assets	467	398	384	406	415	413
Investment in JVs & assos	363	376	379	389	401	413
Intangibles	58	54	24	23	21	19
Goodwill	20	20	24	24	362	362
Financial assets at FVTPL	191	200	200	200	205	210
Other non-current assets	1,495	2,336	2,537	2,855	3,369	3,374
Total assets	11,765	12,797	13,501	15,733	19,639	21,561
Current liabilities	6,602	7,199	7,690	8,910	10,615	11,395
Short-term borrowings	1	8	0	0	0	0
Account payables	3,887	4,458	5,067	5,710	6,786	7,210
Tax payable	120	117	126	115	153	257
Other current liabilities	1,720	1,627	1,661	2,122	2,610	2,793
Lease liabilities	132	119	107	104	108	111
Contract liabilities	743	871	729	859	958	1,023
Non-current liabilities	704	739	757	983	2,118	2,235
Long-term borrowings	8	0	2	52	1,102	1,152
Other non-current liabilities	697	739	756	931	1,016	1,083
Total liabilities	7,306	7,938	8,448	9,893	12,732	13,630
Share capital	0	0	0	0	0	0
Other reserves	4,460	4,862	5,056	5,845	6,913	7,940
Total shareholders equity	4,460	4,862	5,057	5,845	6,913	7,940
Minority interest	(2)	(3)	(3)	(5)	(7)	(9)
Total equity and liabilities	11,765	12,797	13,501	15,733	19,639	21,561

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,725	487	422	356	506	726
Depreciation & amortization	362	316	304	334	405	481
Tax paid	(5)	(8)	(4)	(12)	(12)	(12)
Change in working capital	269	584	241	89	520	230
Others	(6,330)	(60)	32	10	128	126
Net cash from operations	1,021	1,319	996	777	1,547	1,551
Investing						
Capital expenditure	(362)	(322)	(247)	(205)	(205)	(205)
Acquisition of subsidiaries/ investments	(69)	(10)	(11)	0	(1,310)	0
Net proceeds from disposal of short-term investments	(2,108)	(2,191)	(198)	(539)	(816)	(524)
Others	167	95	757	177	182	217
Net cash from investing	(2,372)	(2,428)	302	(567)	(2,149)	(511)
Financing						
Net borrowings	(1)	(1)	(6)	50	1,050	50
Proceeds from share issues	1,168	0	0	0	0	0
Share repurchases	0	(248)	(575)	300	375	150
Others	182	8	(147)	(158)	(191)	(193)
Net cash from financing	1,350	(241)	(728)	192	1,234	7
Net change in cash						
Cash at the beginning of the year	2,686	2,715	1,375	1,924	2,326	2,958
Exchange difference	30	9	(21)	0	0	0
Cash at the end of the year	2,715	1,375	1,924	2,326	2,958	4,005
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	17.8%	8.5%	11.5%	11.4%	25.2%	7.5%
Gross profit	48.0%	11.5%	5.9%	7.4%	32.5%	8.9%
Operating profit	na	104.9%	(23.8%)	(23.9%)	89.0%	51.4%
EBITDA	na	(88.5%)	(9.8%)	(4.8%)	35.4%	31.3%
EBIT	na	(92.5%)	(13.6%)	(15.0%)	48.2%	40.5%
Net profit	na	(92.8%)	(13.1%)	(17.3%)	31.6%	33.7%
Adj. net profit	na	29.7%	12.2%	(30.5%)	42.1%	26.6%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	24.7%	25.4%	24.1%	23.2%	24.6%	24.9%
Operating margin	1.2%	2.2%	1.5%	1.0%	1.6%	2.2%
EBITDA margin	52.2%	5.5%	4.5%	3.8%	4.1%	5.1%
Adj. net profit margin	3.5%	4.2%	4.3%	2.7%	3.0%	3.5%
Return on equity (ROE)	na	10.4%	8.5%	6.4%	7.2%	8.2%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.9)	(0.5)	(0.6)	(0.7)	(0.6)	(0.7)
Current ratio (x)	1.3	1.2	1.2	1.2	1.2	1.3
Receivable turnover days	5.9	5.6	8.0	6.0	6.0	6.0
Inventory turnover days	64.1	70.2	69.3	72.0	71.0	71.0
Payable turnover days	138.5	147.7	148.0	148.0	143.0	142.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	0.5	16.2	18.4	23.0	17.4	13.1
P/E (diluted)	16.2	13.0	11.4	16.7	11.7	9.3
P/B	0.7	1.6	1.5	1.4	1.2	1.0
P/CFPS	3.1	5.9	7.8	10.3	5.1	5.2
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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