

# Great Wall Motor (2333 HK)

## Overseas, new models to support FY25 after in-line 3Q24 core earnings

**Maintain BUY.** Great Wall's 3Q24 core earnings were in line with our estimates. We expect its overseas sales growth to continue in FY25E to support its earnings. Seven new models in FY25E could also provide a positive surprise for China market sales.

■ **3Q24 net profit miss on FX loss and VAT refund.** Great Wall's 3Q24 revenue was about 5% higher than our prior forecast and gross margin was 0.8ppts lower than our projection, which resulted in an in-line gross profit. R&D and SG&A expenses combined were also in line with our forecast. Its net profit of RMB3.4bn in 3Q24, which was RMB570mn lower than our estimates, was largely due to unexpected forex loss on overseas receivables and payables and a portion of VAT refund postponement.

■ **Overseas growth could be more resilient than some investors' expectation.** Great Wall targets 0.58mn units of overseas sales in FY25E (+29% YoY) by increasing local content, such as KD plants. We believe the target is feasible given Great Wall's rich experience in overseas markets and its new plant in Brazil. We also expect margins in the overseas market to remain stable in FY25E, as it takes some time for Chinese automakers to build a foundation. We project Great Wall's gross margin to narrow in FY26E, as we expect overseas market to be more competitive by then.

■ **A plethora of news models in FY25E may revive its China market sales.** We expect Great Wall's sales volume in China to decline 17% YoY to 0.76mn units in FY24E, partially as it has postponed most new model launches into FY25E. The company targets 4 new models for Wey (2 sedans, 1 large-size SUV), 2 new models for Haval (likely compact and medium-size SUVs) and 1 new model for Ora. Although we are not too optimistic about its PHEV sedans priced above RMB250,000, the large and medium-size SUVs could contribute additional sales volume. As noted in our previous report, Great Wall needs a new "H6" in the NEV era and FY25E could be a crucial year for the automaker to showcase its NEV capabilities.

■ **Earnings/valuation.** We raise FY25E sales volume forecast from 1.3mn units to 1.36mn units, implying a 3% sales volume growth in China in FY25E, aided by new models. With a higher sales volume contribution (43%) from overseas and better product mix, we revise up FY25E net profit by 7% to RMB14bn. We cut FY24E net profit by 5% due to 3Q24 earnings miss. We maintain our BUY rating and raise target price from HK\$14.00 to HK\$17.00, based on 10x (prior 9x) our revised FY25E P/E amid the recent market sentiment improvement. Key risks to our rating and target price include lower sales volume and margins, especially for NEVs, slower tech transformation than we expect, and a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	137,340	173,212	204,470	236,000	258,850
YoY growth (%)	0.7	26.1	18.0	15.4	9.7
Net profit (RMB mn)	8,266.0	7,021.6	12,768.3	14,022.8	13,886.9
YoY growth (%)	22.9	(15.1)	81.8	9.8	(1.0)
EPS (Reported) (RMB)	0.91	0.80	1.45	1.57	1.54
P/E (x)	14.4	16.5	9.1	8.4	8.5
P/B (x)	1.8	1.7	1.5	1.3	1.2
Yield (%)	2.1	2.2	3.9	4.2	4.1
ROE (%)	13.0	10.5	17.3	16.7	14.7

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

**Target Price** HK\$17.00  
 (Previous TP HK\$14.00)  
**Up/Downside** 18.2%  
**Current Price** HK\$14.38

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#### Stock Data

Mkt Cap (HK\$ mn)	122,816.5
Avg 3 mths t/o (HK\$ mn)	260.7
52w High/Low (HK\$)	16.94/7.68
Total Issued Shares (mn)	8540.8

Source: FactSet

#### Shareholding Structure

Mr. Wei Jianjun	60.3%
Others	39.7%

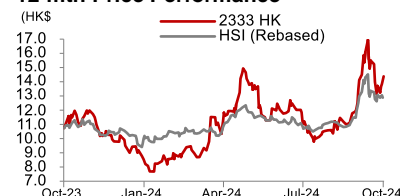
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	15.0%	6.9%
3-mth	30.3%	7.6%
6-mth	21.7%	2.1%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Related Report

["Great Wall Motor \(2333 HK\) - Strong earnings to continue with a new H6 needed" - 30 Aug 2024](#)

["Great Wall Motor \(2333 HK\) - 1Q24 NP beat provides room for transformation" - 25 Apr 2024](#)

["Great Wall Motor \(2333 HK\) - PHEVs key to FY24; Earnings likely still resilient" - 3 Apr 2024](#)

**Figure 1: Quarterly results**

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ
Sales volume (units)	220,074	298,722	344,819	366,659	275,333	279,523	294,144	-14.7%	5.2%
ASP (RMB)	131,949	137,026	143,648	146,481	155,665	173,757	172,791	20.3%	-0.6%
Revenue	29,039	40,933	49,532	53,709	42,860	48,569	50,825	2.6%	4.6%
Gross profit	4,666	7,124	10,728	9,920	8,587	10,374	10,574	-1.4%	1.9%
R&D expenses	(1,534)	(1,975)	(1,992)	(2,553)	(1,960)	(2,225)	(2,014)	1.1%	-9.5%
SG&A expenses	(2,515)	(2,810)	(2,876)	(4,821)	(2,708)	(3,097)	(3,437)	19.5%	11.0%
Operating profit	(71)	1,296	4,130	1,846	3,633	4,501	3,725	-9.8%	-17.3%
Net profit	174	1,187	3,634	2,027	3,228	3,851	3,350	-7.8%	-13.0%
Gross margin	16.1%	17.4%	21.7%	18.5%	20.0%	21.4%	20.8%	-0.9 ppt	-0.6 ppt
Operating margin	-0.2%	3.2%	8.3%	3.4%	8.5%	9.3%	7.3%	-1.0 ppt	-1.9 ppt
Net margin	0.6%	2.9%	7.3%	3.8%	7.5%	7.9%	6.6%	-0.7 ppt	-1.3 ppt

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	204,470	236,000	258,850	201,918	214,400	230,200	1.3%	10.1%	12.4%
Gross profit	40,826	47,876	51,119	41,827	44,841	46,900	-2.4%	6.8%	9.0%
Operating profit	14,175	15,620	15,493	15,255	14,689	14,081	-7.1%	6.3%	10.0%
Net profit	12,768	14,023	13,887	13,473	13,140	12,591	-5.2%	6.7%	10.3%
Gross margin	20.0%	20.3%	19.7%	20.7%	20.9%	20.4%	-0.7 ppt	-0.6 ppt	-0.6 ppt
Operating margin	6.9%	6.6%	6.0%	7.6%	6.9%	6.1%	-0.6 ppt	-0.2 ppt	-0.1 ppt
Net margin	6.2%	5.9%	5.4%	6.7%	6.1%	5.5%	-0.4 ppt	-0.2 ppt	-0.1 ppt

Source: CMBIGM estimates

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	204,470	236,000	258,850	205,533	239,671	268,940	-0.5%	-1.5%	-3.8%
Gross profit	40,826	47,876	51,119	41,661	48,711	55,049	-2.0%	-1.7%	-7.1%
Operating profit	14,175	15,620	15,493	13,459	15,244	16,703	5.3%	2.5%	-7.2%
Net profit	12,768	14,023	13,887	12,370	14,055	15,736	3.2%	-0.2%	-11.8%
Gross margin	20.0%	20.3%	19.7%	20.3%	20.3%	20.5%	-0.3 ppt	0.0 ppt	-0.7 ppt
Operating margin	6.9%	6.6%	6.0%	6.5%	6.4%	6.2%	0.4 ppt	0.3 ppt	-0.2 ppt
Net margin	6.2%	5.9%	5.4%	6.0%	5.9%	5.9%	0.2 ppt	0.1 ppt	-0.5 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Revenue</b>	<b>136,405</b>	<b>137,340</b>	<b>173,212</b>	<b>204,470</b>	<b>236,000</b>	<b>258,850</b>
Cost of goods sold	(114,367)	(110,739)	(140,773)	(163,644)	(188,124)	(207,731)
<b>Gross profit</b>	<b>22,037</b>	<b>26,601</b>	<b>32,439</b>	<b>40,826</b>	<b>47,876</b>	<b>51,119</b>
<b>Operating expenses</b>	<b>(17,959)</b>	<b>(22,335)</b>	<b>(27,061)</b>	<b>(30,534)</b>	<b>(35,775)</b>	<b>(39,512)</b>
Selling expense	(5,192)	(5,876)	(8,285)	(9,505)	(10,472)	(11,189)
Admin expense	(4,043)	(4,893)	(4,735)	(4,874)	(5,388)	(5,774)
R&D expense	(4,490)	(6,445)	(8,054)	(8,794)	(11,184)	(12,972)
Others	(4,234)	(5,121)	(5,986)	(7,361)	(8,732)	(9,577)
<b>Operating profit</b>	<b>4,078</b>	<b>4,265</b>	<b>5,378</b>	<b>10,292</b>	<b>12,101</b>	<b>11,607</b>
Other income	1,161	886	744	600	700	700
Other expense	(47)	(46)	(121)	(100)	(120)	(150)
Gain/loss on financial assets at FVTPL	306	50	(26)	0	0	0
Investment gain/loss	1,109	671	761	989	1,017	1,110
Other gains/(losses)	427	492	962	2,982	1,901	1,908
<b>EBITDA</b>	<b>13,547</b>	<b>16,132</b>	<b>16,599</b>	<b>25,031</b>	<b>28,395</b>	<b>30,364</b>
Depreciation	3,928	4,000	4,081	4,548	4,790	5,024
Depreciation of ROU assets	216	427	463	611	866	1,076
Other amortisation	1,449	2,182	3,284	4,359	5,885	7,637
<b>EBIT</b>	<b>7,954</b>	<b>9,523</b>	<b>8,771</b>	<b>15,513</b>	<b>16,855</b>	<b>16,626</b>
Interest income	313	475	249	352	741	1,108
Interest expense	(472)	(716)	(947)	(838)	(655)	(583)
<b>Net Interest income/(expense)</b>	<b>448</b>	<b>2,488</b>	<b>126</b>	<b>(88)</b>	<b>601</b>	<b>868</b>
Foreign exchange gain/loss	147	2,027	(127)	(400)	(100)	(200)
<b>Pre-tax profit</b>	<b>7,482</b>	<b>8,807</b>	<b>7,824</b>	<b>14,675</b>	<b>16,200</b>	<b>16,043</b>
Income tax	(757)	(554)	(801)	(1,908)	(2,187)	(2,166)
<b>After tax profit</b>	<b>6,725</b>	<b>8,253</b>	<b>7,023</b>	<b>12,767</b>	<b>14,013</b>	<b>13,877</b>
Minority interest	1	13	(1)	1	10	10
<b>Net profit</b>	<b>6,726</b>	<b>8,266</b>	<b>7,022</b>	<b>12,768</b>	<b>14,023</b>	<b>13,887</b>
Gross dividends	3,418	2,534	2,563	4,469	4,908	4,860

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>108,366</b>	<b>107,681</b>	<b>118,584</b>	<b>139,801</b>	<b>166,878</b>	<b>192,223</b>
Cash & equivalents	33,048	35,773	38,337	46,669	60,692	74,596
Account receivables	41,497	33,919	41,235	50,417	58,192	62,408
Inventories	13,966	22,375	26,628	29,142	33,501	39,839
Prepayment	1,749	2,229	3,873	3,138	4,123	5,122
Financial assets at FVTPL	414	495	0	0	0	0
Other current assets	17,691	12,890	8,511	10,434	10,369	10,259
<b>Non-current assets</b>	<b>67,042</b>	<b>77,677</b>	<b>82,686</b>	<b>83,611</b>	<b>82,786</b>	<b>80,059</b>
PP&E	27,441	26,949	30,235	29,274	27,871	26,427
Right-of-use assets	227	1,093	736	1,125	959	583
Deferred income tax	2,777	3,253	4,660	4,660	4,660	4,660
Investment in JVs & assos	9,524	10,286	10,751	11,459	12,308	13,244
Intangibles	7,091	8,197	11,310	12,877	14,673	15,817
Goodwill	28	28	28	28	28	28
Financial assets at FVTPL	871	1,615	2,128	2,128	2,128	2,128
Other non-current assets	19,083	26,256	22,838	22,059	20,158	17,172
<b>Total assets</b>	<b>175,408</b>	<b>185,357</b>	<b>201,270</b>	<b>223,412</b>	<b>249,664</b>	<b>272,282</b>
<b>Current liabilities</b>	<b>95,597</b>	<b>95,802</b>	<b>110,835</b>	<b>123,932</b>	<b>140,968</b>	<b>154,541</b>
Short-term borrowings	8,721	10,425	12,221	10,000	10,000	10,000
Account payables	74,793	71,638	81,488	94,152	108,236	119,516
Other current liabilities	11,932	13,337	16,771	19,386	22,338	24,570
Lease liabilities	151	402	354	395	395	455
<b>Non-current liabilities</b>	<b>17,683</b>	<b>24,339</b>	<b>21,926</b>	<b>20,761</b>	<b>19,354</b>	<b>18,034</b>
Long-term borrowings	8,917	15,600	13,331	12,331	11,331	10,331
Convertible bonds	3,215	3,317	3,418	2,768	2,117	1,466
Deferred income	4,113	3,585	3,198	3,424	3,667	3,858
Other non-current liabilities	1,437	1,838	1,979	2,239	2,239	2,379
<b>Total liabilities</b>	<b>113,280</b>	<b>120,141</b>	<b>132,762</b>	<b>144,694</b>	<b>160,322</b>	<b>172,575</b>
Share capital	9,236	8,765	8,498	8,623	8,683	8,743
Capital surplus	10,907	6,690	6,927	8,782	10,310	11,667

Retained earnings	41,893	49,177	52,729	61,028	70,143	79,169
Other reserves	89	570	348	279	210	140
<b>Total shareholders equity</b>	<b>62,124</b>	<b>65,201</b>	<b>68,501</b>	<b>78,711</b>	<b>89,345</b>	<b>99,720</b>
Minority interest	4	15	8	7	(3)	(13)
<b>Total equity and liabilities</b>	<b>175,408</b>	<b>185,357</b>	<b>201,270</b>	<b>223,412</b>	<b>249,664</b>	<b>272,282</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
<b>Profit before taxation</b>	<b>7,482</b>	<b>8,807</b>	<b>7,824</b>	<b>14,675</b>	<b>16,200</b>	<b>16,043</b>
Depreciation & amortization	5,594	6,609	7,828	9,518	11,540	13,737
Tax paid	(757)	(554)	(801)	(1,908)	(2,187)	(2,166)
Change in working capital	24,154	(1,909)	3,521	333	1,222	(132)
Others	(1,156)	(642)	(618)	1,273	1,051	(10)
<b>Net cash from operations</b>	<b>35,316</b>	<b>12,311</b>	<b>17,754</b>	<b>23,892</b>	<b>27,827</b>	<b>27,473</b>
<b>Investing</b>						
Capital expenditure	(13,091)	(16,301)	(16,713)	(11,104)	(11,744)	(11,831)
Acquisition of subsidiaries/ investments	(36,849)	(18,945)	(14,139)	0	0	0
Net proceeds from disposal of short-term investments	37,251	23,699	18,362	200	200	200
Others	1,515	1,042	2,039	3,571	3,148	2,954
<b>Net cash from investing</b>	<b>(11,175)</b>	<b>(10,505)</b>	<b>(10,451)</b>	<b>(7,332)</b>	<b>(8,396)</b>	<b>(8,677)</b>
<b>Financing</b>						
Dividend paid	(5,340)	(647)	(2,563)	(4,469)	(4,908)	(4,860)
Net borrowings	(92)	8,925	526	(3,921)	(1,700)	(1,500)
Others	(4,200)	(11,412)	3,089	162	1,201	1,468
<b>Net cash from financing</b>	<b>(9,632)</b>	<b>(3,133)</b>	<b>1,052</b>	<b>(8,228)</b>	<b>(5,407)</b>	<b>(4,893)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	13,591	27,908	26,899	35,272	43,604	57,627
Exchange difference	(192)	317	18	0	0	0
<b>Cash at the end of the year</b>	<b>27,908</b>	<b>26,899</b>	<b>35,272</b>	<b>43,604</b>	<b>57,627</b>	<b>71,531</b>

<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	32.0%	0.7%	26.1%	18.0%	15.4%	9.7%
Gross profit	24.0%	20.7%	21.9%	25.9%	17.3%	6.8%
Operating profit	(16.1%)	4.6%	26.1%	91.4%	17.6%	(4.1%)
EBITDA	19.2%	19.1%	2.9%	50.8%	13.4%	6.9%
EBIT	22.5%	19.7%	(7.9%)	76.9%	8.7%	(1.4%)
Net profit	25.4%	22.9%	(15.1%)	81.8%	9.8%	(1.0%)

<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	16.2%	19.4%	18.7%	20.0%	20.3%	19.7%
Operating margin	3.0%	3.1%	3.1%	5.0%	5.1%	4.5%
EBITDA margin	9.9%	11.7%	9.6%	12.2%	12.0%	11.7%
Return on equity (ROE)	11.3%	13.0%	10.5%	17.3%	16.7%	14.7%

<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	1.1	1.1	1.1	1.1	1.2	1.2

<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	18.0	14.4	16.5	9.1	8.4	8.5
P/B	1.9	1.8	1.7	1.5	1.3	1.2
P/CFPS	3.4	9.7	6.5	4.9	4.2	4.3
Div yield (%)	2.8	2.1	2.2	3.9	4.2	4.1

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

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**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

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