

Great Wall Motor (2333 HK)

PHEVs key to FY24; Earnings likely still resilient

Maintain BUY. We are of the view that the Tank brand, pick-up trucks and exports will continue to support Great Wall's earnings in FY24E. Great Wall's success in the off-road style SUVs has helped its PHEV sales volume and brought higher-than-expected margins, although it is difficult to extend it into BEVs in the short term. We project FY24E sales volume to increase 10% YoY to 1.35mn units and net profit to rise 13% YoY to RMB 7.9bn.

■ **We expect 1Q24E GPM to be stable QoQ.** We estimate that 4Q23 GPM without year-end bonus (about 21% on our estimates) should have been close to that in 3Q23. That gives us more confidence in 1Q24E GPM, as higher sales contribution from exports and minimal bonus effect in 1Q24 are likely to offset the 25% QoQ sales volume decline and rising discounts. We project Great Wall's 1Q24E net profit to be about RMB1.6bn, implying a net profit per vehicle of RMB5,800, or 6% higher than that in 4Q23.

■ **PHEV as key to electrification in FY24E, as the automaker has not found competitive BEV products.** We project Great Wall's total sales volume to rise 10% YoY to 1.35mn units, mainly driven by exports and the Tank brand, which are also key drivers for its earnings. We revise up FY24E GPM forecast by 0.4ppt to 18.6%, as its GPM for PHEVs was probably better than our prior expectation. We also revise up FY24E selling expense forecast by 9% to about 4.5% of total revenue, as the selling expense ratio of 4.8% in FY23 was the highest for at least 14 years due to higher-than-expected advertising expense and fees related to overseas expansion. Therefore, we cut our FY24E earnings forecast by 3% to RMB7.9bn.

Such resilient profitability has provided more room for its EV transition and Great Wall's expertise in the off-road style SUVs also help support its Tank PHEVs. On the other hand, we project Great Wall's BEV sales volume (under the Ora brand) to decline YoY in FY24E. We are of the view that Great Wall has not found suitable BEV products and such situation is not likely to be changed in FY24E.

■ **Valuation/Key risks.** We maintain our BUY rating and target price of HK\$13.00, still based on 13x our revised FY24E P/E. Investors could keep an eye on the upcoming Beijing Auto Show in late Apr, as its new PHEV models' debut could be a positive catalyst for share price. Key risks to our rating and target price include lower sales volume and margins, especially for NEVs, slower tech transformation than we expect, and sector de-rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	136,405	137,340	173,212	197,174	213,570
YoY growth (%)	32.0	0.7	26.1	13.8	8.3
Net profit (RMB mn)	6,726.1	8,266.0	7,021.6	7,937.0	8,428.8
YoY growth (%)	25.4	22.9	(15.1)	13.0	6.2
EPS (Reported) (RMB)	0.73	0.91	0.80	0.90	0.94
P/E (x)	11.8	9.4	10.8	9.6	9.1
P/B (x)	1.3	1.2	1.1	1.0	0.9
Yield (%)	4.3	3.2	3.4	3.7	3.8
ROE (%)	11.3	13.0	10.5	11.0	10.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$13.00
(Previous TP)	HK\$13.00)
Up/Downside	39.2%
Current Price	HK\$9.34

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Stock Data

Mkt Cap (HK\$ mn)	79,798.9
Avg 3 mths t/o (HK\$ mn)	190.2
52w High/Low (HK\$)	12.00/7.68
Total Issued Shares (mn)	8543.8

Source: FactSet

Shareholding Structure

Mr. Wei Jianjun	60.3%
Others	39.7%

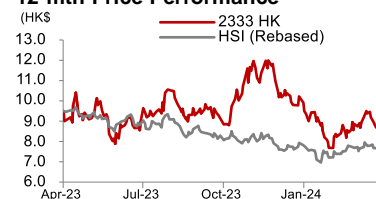
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.4%	2.2%
3-mth	-5.8%	-6.5%
6-mth	0.0%	5.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Great Wall Motor \(2333 HK\) – 3Q23 earnings a strong beat" - 30 Oct 2023](#)

Figure 1: Quarterly results

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	YoY	QoQ
Sales volume (units)	283,500	235,025	283,788	265,210	219,968	298,828	344,819	366,659	38.3%	6.3%
ASP (RMB)	118,587	121,327	131,599	142,753	132,012	136,977	143,648	146,481	2.6%	2.0%
Revenue	33,619	28,515	37,346	37,860	29,039	40,933	49,532	53,709	41.9%	8.4%
Gross profit	5,776	5,644	8,392	6,788	4,666	7,124	10,728	9,920	46.1%	-7.5%
R&D expenses	(1,324)	(1,853)	(1,530)	(1,738)	(1,534)	(1,975)	(1,992)	(2,553)	46.9%	28.1%
SG&A expenses	(2,229)	(2,200)	(2,884)	(3,456)	(2,515)	(2,810)	(2,876)	(4,821)	39.5%	67.6%
Operating profit	1,341	3,962	2,743	(79)	(71)	1,296	4,130	1,846	N/A	-55.3%
Net profit	1,634	3,967	2,560	106	174	1,187	3,634	2,027	1818.2%	-44.2%
Gross margin	17.2%	19.8%	22.5%	17.9%	16.1%	17.4%	21.7%	18.5%	0.5 ppt	-3.2 ppt
Operating margin	4.0%	13.9%	7.3%	-0.2%	-0.2%	3.2%	8.3%	3.4%	3.6 ppt	-4.9 ppt
Net margin	4.9%	13.9%	6.9%	0.3%	0.6%	2.9%	7.3%	3.8%	3.5 ppt	-3.6 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	173,212	197,174	213,570	177,091	197,750	214,756	-2.2%	-0.3%	-0.6%
Gross profit	32,439	36,635	38,955	32,983	36,030	38,324	-1.6%	1.7%	1.6%
Operating profit	7,201	8,217	8,895	7,862	8,511	9,393	-8.4%	-3.5%	-5.3%
Net profit	7,022	7,943	8,409	7,288	8,152	8,893	-3.7%	-2.6%	-5.4%
Gross margin	18.7%	18.6%	18.2%	18.6%	18.2%	17.8%	0.1 ppt	0.4 ppt	0.4 ppt
Operating margin	4.2%	4.2%	4.2%	4.4%	4.3%	4.4%	-0.3 ppt	-0.1 ppt	-0.2 ppt
Net margin	4.1%	4.0%	3.9%	4.1%	4.1%	4.1%	-0.1 ppt	-0.1 ppt	-0.2 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	173,212	197,174	213,570	172,881	216,275	245,734	0.2%	-8.8%	-13.1%
Gross profit	32,439	36,635	38,955	31,957	40,673	47,004	1.5%	-9.9%	-17.1%
Operating profit	7,201	8,217	8,895	7,046	9,329	12,111	2.2%	-11.9%	-26.6%
Net profit	7,022	7,943	8,409	6,864	8,927	10,266	2.3%	-11.0%	-18.1%
Gross margin	18.7%	18.6%	18.2%	18.5%	18.8%	19.1%	0.2 ppt	-0.2 ppt	-0.9 ppt
Operating margin	4.2%	4.2%	4.2%	4.1%	4.3%	4.9%	0.1 ppt	-0.1 ppt	-0.8 ppt
Net margin	4.1%	4.0%	3.9%	4.0%	4.1%	4.2%	0.1 ppt	-0.1 ppt	-0.2 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	103,308	136,405	137,340	173,212	197,174	213,570
Cost of goods sold	(85,531)	(114,367)	(110,739)	(140,773)	(160,539)	(174,616)
Gross profit	17,777	22,037	26,601	32,439	36,635	38,955
Operating expenses	(12,915)	(17,959)	(22,335)	(27,061)	(30,206)	(32,219)
Selling expense	(4,103)	(5,192)	(5,876)	(8,285)	(8,806)	(9,331)
Admin expense	(2,553)	(4,043)	(4,893)	(4,735)	(5,297)	(5,628)
R&D expense	(3,067)	(4,490)	(6,445)	(8,054)	(9,202)	(9,784)
Others	(3,192)	(4,234)	(5,121)	(5,986)	(6,901)	(7,475)
Operating profit	4,861	4,078	4,265	5,378	6,429	6,736
Other income	494	1,161	886	744	900	900
Other expense	(18)	(47)	(46)	(121)	(100)	(120)
Gain/loss on financial assets at FVTPL	165	306	50	(26)	0	0
Investment gain/loss	956	1,109	671	761	1,047	1,201
Other gains/(losses)	166	427	492	962	275	363
EBITDA	11,369	13,547	16,132	16,599	19,226	22,067
Depreciation	3,859	3,928	4,000	4,081	4,542	5,043
Depreciation of ROU assets	52	216	427	463	536	716
Other amortisation	967	1,449	2,182	3,284	4,412	6,016
EBIT	6,490	7,954	9,523	8,771	9,736	10,293
Interest income	403	313	475	249	507	642
Interest expense	(263)	(472)	(716)	(947)	(718)	(611)
Net interest income/(expense)	(397)	448	2,488	126	467	602
Foreign exchange gain/loss	(716)	147	2,027	(127)	0	0
Pre-tax profit	6,227	7,482	8,807	7,824	9,018	9,681
Income tax	(865)	(757)	(554)	(801)	(1,082)	(1,259)
After tax profit	5,362	6,725	8,253	7,023	7,935	8,423
Minority interest	0	1	13	(1)	2	6
Net profit	5,362	6,726	8,266	7,022	7,937	8,429
Gross dividends	2,569	3,418	2,534	2,563	2,778	2,950

BALANCE SHEET	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	99,399	108,366	107,681	118,584	128,955	142,458
Cash & equivalents	14,588	33,048	35,773	38,337	38,235	42,636
Account receivables	58,448	41,497	33,919	41,235	48,618	52,661
Inventories	7,498	13,966	22,375	26,628	28,589	33,488
Prepayment	571	1,749	2,229	3,873	3,079	3,349
Financial assets at FVTPL	244	414	495	0	0	0
Other current assets	18,049	17,691	12,890	8,511	10,434	10,324
Non-current assets	54,613	67,042	77,677	82,686	86,702	87,422
PP&E	28,609	27,441	26,949	30,235	31,773	31,310
Right-of-use assets	239	227	1,093	736	700	684
Deferred income tax	1,183	2,777	3,253	4,660	4,660	4,660
Investment in JVs & assos	8,415	9,524	10,286	10,751	11,563	12,525
Intangibles	5,543	7,091	8,197	11,310	13,090	15,146
Goodwill	0	28	28	28	28	28
Financial assets at FVTPL	32	871	1,615	2,128	2,128	2,128
Other non-current assets	10,590	19,083	26,256	22,838	22,759	20,941
Total assets	154,011	175,408	185,357	201,270	215,657	229,880
Current liabilities	81,166	95,597	95,802	110,835	121,075	130,451
Short-term borrowings	10,633	8,721	10,425	12,221	10,000	10,000
Account payables	59,275	74,793	71,638	81,488	92,365	100,464
Other current liabilities	11,073	11,932	13,337	16,771	18,831	20,433
Lease liabilities	184	151	402	354	(121)	(446)
Non-current liabilities	15,504	17,683	24,339	21,926	19,415	16,938
Long-term borrowings	10,777	8,917	15,600	13,331	12,331	11,331
Convertible bonds	0	3,215	3,317	3,418	2,768	2,117
Deferred income	3,462	4,113	3,585	3,198	3,362	3,511
Other non-current liabilities	1,265	1,437	1,838	1,979	955	(20)
Total liabilities	96,670	113,280	120,141	132,762	140,490	147,389
Share capital	9,176	9,236	8,765	8,498	8,623	8,683
Capital surplus	7,754	10,907	6,690	6,927	8,372	10,232

Retained earnings	40,995	41,893	49,177	52,729	57,888	63,367
Other reserves	(583)	89	570	348	279	210
Total shareholders equity	57,342	62,124	65,201	68,501	75,161	82,490
Minority interest	0	4	15	8	7	1
Total equity and liabilities	154,011	175,408	185,357	201,270	215,657	229,880

CASH FLOW	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	6,227	7,482	8,807	7,824	9,018	9,681
Depreciation & amortization	4,878	5,594	6,609	7,828	9,490	11,774
Tax paid	(865)	(757)	(554)	(801)	(1,082)	(1,259)
Change in working capital	(4,138)	24,154	(1,909)	3,521	911	(1,565)
Others	(922)	(1,156)	(642)	(618)	(146)	375
Net cash from operations	5,181	35,316	12,311	17,754	18,191	19,007
Investing						
Capital expenditure	(8,062)	(13,091)	(16,301)	(16,713)	(13,236)	(12,078)
Acquisition of subsidiaries/ investments	(48,630)	(36,849)	(18,945)	(14,139)	0	0
Net proceeds from disposal of short-term investments	43,455	37,251	23,699	18,362	200	200
Others	1,648	1,515	1,042	2,039	2,025	2,019
Net cash from investing	(11,588)	(11,175)	(10,505)	(10,451)	(11,011)	(9,858)
Financing						
Dividend paid	(2,294)	(5,340)	(647)	(2,563)	(2,778)	(2,950)
Net borrowings	13,817	(92)	8,925	526	(5,221)	(3,000)
Others	(155)	(4,200)	(11,412)	3,089	717	1,202
Net cash from financing	11,368	(9,632)	(3,133)	1,052	(7,282)	(4,748)
Net change in cash						
Cash at the beginning of the year	8,777	13,591	27,908	26,899	35,272	35,170
Exchange difference	(146)	(192)	317	18	0	0
Cash at the end of the year	13,591	27,908	26,899	35,272	35,170	39,571

GROWTH	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec						
Revenue	7.4%	32.0%	0.7%	26.1%	13.8%	8.3%
Gross profit	7.6%	24.0%	20.7%	21.9%	12.9%	6.3%
Operating profit	1.5%	(16.1%)	4.6%	26.1%	19.5%	4.8%
EBITDA	14.9%	19.2%	19.1%	2.9%	15.8%	14.8%
EBIT	23.1%	22.5%	19.7%	(7.9%)	11.0%	5.7%
Net profit	19.2%	25.4%	22.9%	(15.1%)	13.0%	6.2%

PROFITABILITY	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec						
Gross profit margin	17.2%	16.2%	19.4%	18.7%	18.6%	18.2%
Operating margin	4.7%	3.0%	3.1%	3.1%	3.3%	3.2%
EBITDA margin	11.0%	9.9%	11.7%	9.6%	9.8%	10.3%
Return on equity (ROE)	9.6%	11.3%	13.0%	10.5%	11.0%	10.7%

GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec						
Current ratio (x)	1.2	1.1	1.1	1.1	1.1	1.1

VALUATION	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec						
P/E	14.7	11.8	9.4	10.8	9.6	9.1
P/B	1.4	1.3	1.2	1.1	1.0	0.9
P/CFPS	15.2	2.2	6.3	4.3	4.2	4.1
Div yield (%)	3.3	4.3	3.2	3.4	3.7	3.8

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

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