

Tuhu Car (9690 HK)

FY25 to regain traction after 2H24 slowdown

Maintain BUY. We project Tuhu's 2H24E adjusted net profit to fall 9% YoY and 32% HoH to about RMB243mn, as sales in 3Q24 could be weaker than market expectation. That has probably delayed some new store openings. On the other hand, we expect Tuhu's FY25E revenue to grow faster than FY24E, aided by new stores opened in 4Q24 and more support to stores to lure consumers and new franchised stores. The price cut in 2H24 has made Tuhu more cautious in procurement negotiation for 2025, which could help it lift GPM in FY25, in our view. We believe Tuhu is still more resilient than most auto after-market service providers amid economic uncertainties.

■ **2H24E net profit to fall amid lower GPM.** We expect Tuhu's 2H24E revenue to rise 8% YoY and 7% HoH to about RMB7.6bn, as total store number may rise more than 900 in FY24 to almost 6,900 at the end of 2024. We project 2H24E gross margin to fall 1.5ppts HoH and 0.7ppts YoY to 24.4% due to tire products' price cuts to withstand weak consumption in 3Q24. Meanwhile, we estimate selling expense ratio (as % of revenue) to rise 1.1ppts HoH to 13.8% in 2H24E to increase customer flow. Yet, we still expect total operating expense ratio in FY24E to narrow by 0.4ppts YoY. Accordingly, we expect Tuhu's 2H24 adjusted net profit (excluding share-based payment) to fall 9% YoY to about RMB243mn, or FY24E adjusted net profit of RMB601mn (+25% YoY).

■ **Margins to recover in FY25E.** We expect Tuhu's revenue growth to accelerate again at 13% YoY in FY25E, especially with new stores opened 4Q24 and more support to stores. We project gross margin to improve from 25.1% in FY24E to 25.7% in FY25E, given lower procurement costs and higher sales portions from the high-margin exclusive and private-label products. We are of the view that Tuhu may still need to maintain a high selling expense ratio in FY25E, as the company may need to invest more in new media advertising to attract customers in lower-tier cities. Therefore, we project Tuhu's adjusted net profit to rise 27% YoY to RMB763mn in FY25E, with a net margin of 4.6% (+0.5ppts YoY).

■ **Valuation.** We maintain our BUY rating but cut target price from HK\$26.00 to HK\$20.00, based on 20x (prior 17x) our revised adjusted FY25E EPS. We believe a higher P/E multiple could be justified given its proven capabilities to achieve more resilient earnings than peers amid consumption downgrade. There is still a discount against the valuation multiples for its US peers O'Reilly (ORLY US, NR) and Advance Auto Parts (AAP US, NR) of about 30x. Key risks include slower network expansion, lower revenue and/or margins than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	11,547	13,601	14,764	16,749	18,153
YoY growth (%)	(1.5)	17.8	8.5	13.4	8.4
Net profit (RMB mn)	(2,136.2)	6,702.9	444.7	639.9	882.3
YoY growth (%)	na	na	(93.4)	43.9	37.9
Adjusted net profit (RMB mn)	(551.9)	481.3	600.8	763.2	993.9
EPS (Reported) (RMB)	(14.82)	20.80	0.54	0.78	1.06
P/E (x)	ns	0.7	26.5	18.5	13.6
P/E (Adjusted) (x)	ns	9.6	19.6	15.5	12.0
P/B (x)	ns	1.0	2.4	2.1	1.8
ROE (%)	na	na	9.6	12.3	14.4

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$20.00
(Previous TP)	HK\$26.00)
Up/Downside	29.9%
Current Price	HK\$15.40

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Stock Data

Mkt Cap (HK\$ mn)	12,608.2
Avg 3 mths t/o (HK\$ mn)	30.5
52w High/Low (HK\$)	27.70/10.46
Total Issued Shares (mn)	818.7

Source: FactSet

Shareholding Structure

Tencent Holdings	19.4%
Mr. Chen Min	10.1%

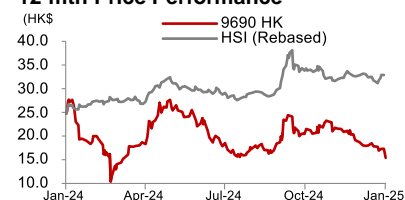
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-21.1%	-21.3%
3-mth	-24.1%	-21.4%
6-mth	-16.8%	-25.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

[“途虎养车 \(9690 HK\) - 科技赋能汽车服务” - 6 Dec 2024](#)

Figure 1: Interim results

RMB mn	1H23	2H23	1H24	2H24E	YoY	HoH
Revenue	6,522	7,079	7,126	7,638	7.9%	7.2%
Gross profit	1,578	1,781	1,846	1,866	4.8%	1.1%
Operation and support expenses	(272)	(328)	(283)	(309)	-6.0%	9.0%
R&D expenses	(298)	(282)	(302)	(281)	-0.3%	-7.0%
SG&A expenses	(1,027)	(1,108)	(1,094)	(1,266)	14.2%	15.7%
Operating profit	67	95	212	78	-18.0%	-63.3%
Net profit	60	6,643	286	159	-97.6%	-44.3%
Adj. net profit	214	267	358	243	-9.2%	-32.2%
Gross margin	24.2%	25.2%	25.9%	24.4%	-0.7 ppt	-1.5 ppt
Operating margin	1.0%	1.3%	3.0%	1.0%	-0.3 ppt	-2.0 ppt
Net margin	0.9%	93.8%	4.0%	2.1%	-91.7 ppt	-1.9 ppt
Adj. net margin	3.3%	3.8%	5.0%	3.2%	-0.6 ppt	-1.8 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,764	16,749	18,153	14,936	17,127	18,494	-1.2%	-2.2%	-1.8%
Gross profit	3,712	4,311	4,805	3,889	4,596	5,051	-4.6%	-6.2%	-4.9%
Operating profit	290	522	795	506	918	1,157	-42.8%	-43.1%	-31.3%
Net profit	445	640	882	634	1,029	1,245	-29.9%	-37.8%	-29.1%
Adj. net profit	601	763	994	790	1,152	1,357	-23.9%	-33.8%	-26.8%
Gross margin	25.1%	25.7%	26.5%	26.0%	26.8%	27.3%	-0.9 ppts	-1.1 ppts	-0.8 ppts
Operating margin	2.0%	3.1%	4.4%	3.4%	5.4%	6.3%	-1.4 ppts	-2.2 ppts	-1.9 ppts
Net margin	3.0%	3.8%	4.9%	4.2%	6.0%	6.7%	-1.2 ppts	-2.2 ppts	-1.9 ppts
Adj. net margin	4.1%	4.6%	5.5%	5.3%	6.7%	7.3%	-1.2 ppts	-2.2 ppts	-1.9 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,764	16,749	18,153	14,781	16,435	18,156	-0.1%	1.9%	0.0%
Gross profit	3,712	4,311	4,805	3,840	4,455	5,088	-3.3%	-3.2%	-5.6%
Operating profit	290	522	795	560	979	1,350	-48.3%	-46.7%	-41.1%
Net profit	445	640	882	718	1,130	1,511	-38.1%	-43.4%	-41.6%
Gross margin	25.1%	25.7%	26.5%	26.0%	27.1%	28.0%	-0.8 ppts	-1.4 ppts	-1.6 ppts
Operating margin	2.0%	3.1%	4.4%	3.8%	6.0%	7.4%	-1.8 ppts	-2.8 ppts	-3.1 ppts
Net margin	3.0%	3.8%	4.9%	4.9%	6.9%	8.3%	-1.8 ppts	-3.1 ppts	-3.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	11,724	11,547	13,601	14,764	16,749	18,153
Cost of goods sold	(9,854)	(9,277)	(10,242)	(11,052)	(12,437)	(13,348)
Gross profit	1,870	2,270	3,359	3,712	4,311	4,805
Operating expenses	(3,184)	(3,034)	(3,198)	(3,422)	(3,789)	(4,010)
Selling expense	(1,681)	(1,542)	(1,715)	(1,963)	(2,250)	(2,397)
Admin expense	(351)	(399)	(420)	(397)	(429)	(453)
R&D expense	(620)	(621)	(580)	(583)	(615)	(642)
Other rental related expenses	(654)	(627)	(600)	(592)	(605)	(630)
Others	122	156	117	113	110	112
Operating profit	(1,314)	(764)	162	290	522	795
Other gains/(losses)	(4,441)	(1,339)	6,465	0	0	0
Share of (losses)/profits of associates/JV	(53)	(34)	(11)	(10)	(7)	(6)
EBITDA	(5,440)	(1,716)	7,106	897	1,198	1,582
Depreciation	121	157	160	215	272	323
Depreciation of ROU assets	182	203	196	210	230	254
Other amortisation	2	4	5	5	6	6
EBIT	(5,744)	(2,080)	6,744	467	690	999
Interest income	64	57	129	187	175	210
Interest expense	(66)	(28)	(19)	(18)	(19)	(21)
Pre-tax profit	(5,810)	(2,108)	6,725	449	672	978
Income tax	(35)	(31)	(25)	(7)	(34)	(98)
After tax profit	(5,845)	(2,138)	6,701	442	638	880
Minority interest	4	2	2	3	2	2
Net profit	(5,841)	(2,136)	6,703	445	640	882
Adjusted net profit	(1,264)	(552)	481	601	763	994

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,746	6,906	8,271	9,035	10,707	11,920
Cash & equivalents	1,472	2,686	2,715	2,153	3,275	4,468
Restricted cash	2,480	1,507	1,455	1,331	1,470	1,428
Account receivables	203	174	218	243	275	298
Inventories	1,714	1,543	1,800	1,817	2,044	2,194
Financial assets at FVTPL	1,338	540	1,587	3,007	3,138	3,034
Other current assets	539	456	496	485	505	497
Non-current assets	2,086	2,108	3,493	3,521	3,678	4,020
PP&E	539	671	899	1,023	1,090	1,106
Right-of-use assets	518	468	467	413	390	394
Investment in JVs & assos	194	279	363	353	346	340
Intangibles	63	70	58	56	54	53
Goodwill	16	16	20	20	20	20
Financial assets at FVTPL	201	227	191	176	168	160
Other non-current assets	555	378	1,495	1,480	1,610	1,947
Total assets	9,832	9,014	11,765	12,556	14,385	15,939
Current liabilities	5,743	5,572	6,602	6,904	7,824	8,211
Short-term borrowings	264	0	1	8	0	0
Account payables	3,240	3,119	3,887	4,088	4,770	4,937
Tax payable	68	97	120	118	141	226
Other current liabilities	1,464	1,566	1,720	1,817	1,976	2,048
Lease liabilities	148	137	132	115	124	153
Contract liabilities	559	653	743	758	813	848
Non-current liabilities	19,454	22,398	704	835	960	1,103
Long-term borrowings	0	0	8	50	100	150
Other non-current liabilities	19,454	22,398	697	785	860	953
Total liabilities	25,197	27,971	7,306	7,738	8,784	9,314
Share capital	0	0	0	0	0	0
Other reserves	(15,367)	(18,957)	4,460	4,822	5,607	6,633
Total shareholders equity	(15,367)	(18,957)	4,460	4,822	5,608	6,634
Minority interest	2	0	(2)	(4)	(6)	(8)
Total equity and liabilities	(15,364)	(18,957)	4,458	4,818	5,601	6,625

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,810)	(2,108)	6,725	449	672	978
Depreciation & amortization	305	364	362	431	508	583
Tax paid	(2)	(1)	(5)	(8)	(10)	(12)
Change in working capital	771	(197)	269	386	403	58
Others	4,638	1,630	(6,330)	34	10	(34)
Net cash from operations	(99)	(313)	1,021	1,291	1,582	1,573
Investing						
Capital expenditure	(347)	(401)	(362)	(343)	(344)	(345)
Acquisition of subsidiaries/ investments	(32)	(136)	(69)	0	0	0
Net proceeds from disposal of short-term investments	(518)	1,346	(2,108)	(1,355)	(131)	(96)
Others	(21)	(328)	167	192	175	210
Net cash from investing	(918)	481	(2,372)	(1,506)	(300)	(231)
Financing						
Net borrowings	(1,749)	(264)	(1)	49	43	50
Proceeds from share issues	0	0	1,168	0	0	0
Share repurchases	0	0	0	(191)	0	0
Others	3,157	1,200	182	(206)	(203)	(199)
Net cash from financing	1,408	936	1,350	(348)	(160)	(149)
Net change in cash						
Cash at the beginning of the year	1,165	1,472	2,686	2,715	2,153	3,275
Exchange difference	(84)	109	30	0	0	0
Cash at the end of the year	1,472	2,686	2,715	2,153	3,275	4,468
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.9%	(1.5%)	17.8%	8.5%	13.4%	8.4%
Gross profit	73.2%	21.4%	48.0%	10.5%	16.2%	11.5%
Operating profit	na	na	na	79.3%	80.2%	52.3%
EBITDA	na	na	na	(87.4%)	33.5%	32.1%
EBIT	na	na	na	(93.1%)	47.9%	44.8%
Net profit	na	na	na	(93.4%)	43.9%	37.9%
Adj. net profit	na	na	na	24.8%	27.0%	30.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.0%	19.7%	24.7%	25.1%	25.7%	26.5%
Operating margin	(11.2%)	(6.6%)	1.2%	2.0%	3.1%	4.4%
EBITDA margin	(46.4%)	(14.9%)	52.2%	6.1%	7.2%	8.7%
Adj. net profit margin	(10.8%)	(4.8%)	3.5%	4.1%	4.6%	5.5%
Return on equity (ROE)	na	na	na	9.6%	12.3%	14.4%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	na	na	(0.9)	(0.7)	(0.9)	(0.9)
Current ratio (x)	1.3	1.2	1.3	1.3	1.4	1.5
Receivable turnover days	6.3	5.5	5.9	6.0	6.0	6.0
Inventory turnover days	63.5	60.7	64.1	60.0	60.0	60.0
Payable turnover days	120.0	122.7	138.5	135.0	140.0	135.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	0.7	26.5	18.5	13.6
P/E (diluted)	ns	ns	24.1	20.3	15.9	12.3
P/B	ns	ns	1.0	2.4	2.1	1.8
P/CFPS	ns	ns	4.5	9.1	7.5	7.6
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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