

Great Wall Motor (2333 HK)

1Q24 NP beat provides room for transformation

Maintain BUY. Great Wall's 1Q24 net profit of RMB3.2bn beat investors' prior forecast, which has increased our confidence in its profitability in FY24E. We raise our FY24E net profit forecast by 25% to RMB9.9bn. We believe Great Wall still needs a high-volume NEV in the mainstream market to boost investors' confidence in its electrification transformation.

- 1Q24 earnings beat.** Great Wall's 1Q24 revenue was 8% higher than our prior forecast thanks to higher-than-expected ASP. Its 1Q24 GPM of 20% was higher than our prior forecast by 1.4ppts despite wider discounts in China, partially driven by higher-than-expected contribution from exports. Other income of RMB1.1bn in 1Q24 was about RMB900mn higher than our prior forecast, due to the excess VAT deduction and tax rebates from overseas, which is partially recurring (50-70% according to management). Great Wall's 1Q24 net profit excluding extraordinary items of RMB2bn beat our prior estimates by about RMB400mn.
- FY24E earnings forecast.** We maintain our FY24E sales volume forecast of 1.35mn units (+10% YoY), but raise ASP forecast by 3%. We revise up our FY24E GPM forecast by 0.3ppt to 18.9% given the 1Q24 GPM beat. We also lift our other income forecast from RMB900mn to RMB2.5bn for FY24E, as the 5% excess VAT deduction is applicable until 2027. Accordingly, we raise FY24E net profit forecast by 25% to RMB9.9bn, up 41% YoY.
- Still need a high-volume NEV to boost investors' confidence in Great Wall's long-term development.** Despite Great Wall's success in the off-road style SUVs and good earnings contribution from overseas market, it still lacks a competitive NEV to prove its capabilities in electrification and intelligence following the failure of Wey *Lanshan* PHEV and Haval *Xiaolong Max* PHEV last year, in our view. As the company is scheduled to introduce more BEVs from FY25E, PHEVs should still be the key for this year. The company plans to roll out a lower-priced PHEV (vs. *Xiaolong*), which could be a new sales driver. We are also of the view that pricing for the new Wey *Lanshan AD* version could be important.
- Valuation/Key risks.** We maintain our BUY rating and raise target price from HK\$13.00 to HK\$14.00, based on 11x (prior 13x) our revised FY24E EPS to reflect China's stiff competition. Investors could keep an eye on the Beijing Auto Show from 25 Apr. 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)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	137,340	173,212	202,330	218,930	230,280
YoY growth (%)	0.7	26.1	16.8	8.2	5.2
Net profit (RMB mn)	8,266.0	7,021.6	9,915.6	10,991.6	11,802.4
YoY growth (%)	22.9	(15.1)	41.2	10.9	7.4
EPS (Reported) (RMB)	0.91	0.80	1.13	1.23	1.31
P/E (x)	11.3	13.0	9.2	8.4	7.9
P/B (x)	1.4	1.3	1.2	1.1	1.0
Yield (%)	2.7	2.8	3.8	4.2	4.4
ROE (%)	13.0	10.5	13.7	13.6	13.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$14.00
(Previous TP)	HK\$13.00)
Up/Downside	24.8%
Current Price	HK\$11.22

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Stock Data

Mkt Cap (HK\$ mn)	95,861.2
Avg 3 mths t/o (HK\$ mn)	208.0
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%

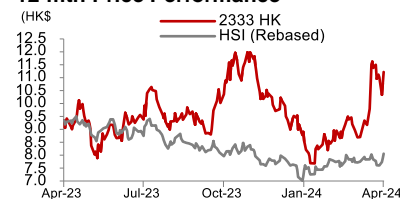
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	25.1%	20.0%
3-mth	31.4%	21.4%
6-mth	8.3%	7.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["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	YoY	QoQ
Sales volume (units)	219,968	298,828	344,819	366,659	275,333	25.2%	-24.9%
ASP (RMB)	132,012	136,977	43,648	146,481	155,665	17.9%	6.3%
Revenue	29,039	40,933	49,532	53,709	42,860	47.6%	-20.2%
Gross profit	4,666	7,124	10,728	9,920	8,587	84.0%	-13.4%
R&D expenses	(1,534)	(1,975)	(1,992)	(2,553)	(1,960)	27.7%	-23.2%
SG&A expenses	(2,515)	(2,810)	(2,876)	(4,821)	(2,708)	7.7%	-43.8%
Operating profit	(71)	1,296	4,130	1,846	3,633	N/A	96.8%
Net profit	174	1,187	3,634	2,027	3,228	1,752.5%	59.3%
Gross margin	16.1%	17.4%	21.7%	18.5%	20.0%	4.0 ppt	1.6 ppt
Operating margin	-0.2%	3.2%	8.3%	3.4%	8.5%	8.7 ppt	5.0 ppt
Net margin	0.6%	2.9%	7.3%	3.8%	7.5%	6.9 ppt	3.8 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	202,330	218,930	230,280	197,174	213,570	N/A	2.6%	2.5%	N/A
Gross profit	38,243	41,515	44,632	36,635	38,955	N/A	4.4%	6.6%	N/A
Operating profit	10,795	11,945	12,856	8,217	8,895	N/A	31.4%	34.3%	N/A
Net profit	9,916	10,992	11,802	7,943	8,409	N/A	24.8%	30.7%	N/A
Gross margin	18.9%	19.0%	19.4%	18.6%	18.2%	N/A	0.3 ppt	0.8 ppt	N/A
Operating margin	5.3%	5.5%	5.6%	4.2%	4.2%	N/A	1.1 ppt	1.3 ppt	N/A
Net margin	4.9%	5.0%	5.1%	4.0%	3.9%	N/A	0.9 ppt	1.1 ppt	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	202,330	218,930	230,280	216,275	245,734	N/A	-6.4%	-10.9%	N/A
Gross profit	38,243	41,515	44,632	40,673	47,004	N/A	-6.0%	-11.7%	N/A
Operating profit	10,795	11,945	12,856	9,329	12,111	N/A	15.7%	-1.4%	N/A
Net profit	9,916	10,992	11,802	8,927	10,266	N/A	11.1%	7.1%	N/A
Gross margin	18.9%	19.0%	19.4%	18.8%	19.1%	N/A	0.1 ppt	-0.2 ppt	N/A
Operating margin	5.3%	5.5%	5.6%	4.3%	4.9%	N/A	1.0 ppt	0.5 ppt	N/A
Net margin	4.9%	5.0%	5.1%	4.1%	4.2%	N/A	0.8 ppt	0.8 ppt	N/A

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	136,405	137,340	173,212	202,330	218,930	230,280
Cost of goods sold	(114,367)	(110,739)	(140,773)	(164,087)	(177,415)	(185,648)
Gross profit	22,037	26,601	32,439	38,243	41,515	44,632
Operating expenses	(17,959)	(22,335)	(27,061)	(30,525)	(32,527)	(34,926)
Selling expense	(5,192)	(5,876)	(8,285)	(8,806)	(9,331)	(9,782)
Admin expense	(4,043)	(4,893)	(4,735)	(5,298)	(5,630)	(5,950)
R&D expense	(4,490)	(6,445)	(8,054)	(9,340)	(9,903)	(11,135)
Others	(4,234)	(5,121)	(5,986)	(7,082)	(7,663)	(8,060)
Operating profit	4,078	4,265	5,378	7,718	8,988	9,706
Other income	1,161	886	744	700	800	850
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	941	1,092	1,148
Other gains/(losses)	427	492	962	1,781	1,209	1,117
EBITDA	13,547	16,132	16,599	21,617	25,037	28,267
Depreciation	3,928	4,000	4,081	4,550	5,050	5,358
Depreciation of ROU assets	216	427	463	536	716	926
Other amortisation	1,449	2,182	3,284	4,418	6,034	7,865
EBIT	7,954	9,523	8,771	12,113	13,236	14,119
Interest income	313	475	249	496	696	926
Interest expense	(472)	(716)	(947)	(718)	(611)	(562)
Net interest income/(expense)	448	2,488	126	356	656	886
Foreign exchange gain/loss	147	2,027	(127)	(100)	0	0
Pre-tax profit	7,482	8,807	7,824	11,395	12,625	13,556
Income tax	(757)	(554)	(801)	(1,481)	(1,641)	(1,762)
After tax profit	6,725	8,253	7,023	9,914	10,984	11,794
Minority interest	1	13	(1)	2	8	8
Net profit	6,726	8,266	7,022	9,916	10,992	11,802
Gross dividends	3,418	2,534	2,563	3,470	3,847	4,131

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	108,366	107,681	118,584	132,679	146,997	161,423
Cash & equivalents	33,048	35,773	38,337	39,987	47,162	55,462
Account receivables	41,497	33,919	41,235	49,890	53,983	55,520
Inventories	13,966	22,375	26,628	29,221	31,594	35,604
Prepayment	1,749	2,229	3,873	3,147	3,889	4,578
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
Non-current assets	67,042	77,677	82,686	86,827	87,633	85,213
PP&E	27,441	26,949	30,235	31,773	31,310	30,532
Right-of-use assets	227	1,093	736	700	684	458
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	11,520	12,433	13,400
Intangibles	7,091	8,197	11,310	13,114	15,213	16,519
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	22,904	21,177	17,486
Total assets	175,408	185,357	201,270	219,506	234,630	246,635
Current liabilities	95,597	95,802	110,835	123,552	132,406	137,787
Short-term borrowings	8,721	10,425	12,221	10,000	10,000	10,000
Account payables	74,793	71,638	81,488	94,406	102,074	106,811
Other current liabilities	11,932	13,337	16,771	19,291	20,867	21,900
Lease liabilities	151	402	354	(145)	(535)	(925)
Non-current liabilities	17,683	24,339	21,926	19,501	17,184	14,814
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	979	69	(841)
Total liabilities	113,280	120,141	132,762	143,053	149,590	152,601
Share capital	9,236	8,765	8,498	8,623	8,683	8,743
Capital surplus	10,907	6,690	6,927	8,372	9,832	11,172

Retained earnings	41,893	49,177	52,729	59,174	66,318	73,990
Other reserves	89	570	348	279	210	140
Total shareholders equity	62,124	65,201	68,501	76,447	85,042	94,044
Minority interest	4	15	8	6	(2)	(10)
Total equity and liabilities	175,408	185,357	201,270	219,506	234,630	246,635

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,482	8,807	7,824	11,395	12,625	13,556
Depreciation & amortization	5,594	6,609	7,828	9,503	11,800	14,149
Tax paid	(757)	(554)	(801)	(1,481)	(1,641)	(1,762)
Change in working capital	24,154	(1,909)	3,521	1,036	515	(1,577)
Others	(1,156)	(642)	(618)	520	(294)	(1,055)
Net cash from operations	35,316	12,311	17,754	20,972	23,005	23,311
Investing						
Capital expenditure	(13,091)	(16,301)	(16,713)	(13,398)	(12,399)	(11,525)
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	1,961	1,959	1,960
Net cash from investing	(11,175)	(10,505)	(10,451)	(11,237)	(10,240)	(9,365)
Financing						
Dividend paid	(5,340)	(647)	(2,563)	(3,470)	(3,847)	(4,131)
Net borrowings	(92)	8,925	526	(5,221)	(3,000)	(3,000)
Others	(4,200)	(11,412)	3,089	606	1,256	1,486
Net cash from financing	(9,632)	(3,133)	1,052	(8,086)	(5,591)	(5,645)
Net change in cash						
Cash at the beginning of the year	13,591	27,908	26,899	35,272	36,922	44,097
Exchange difference	(192)	317	18	0	0	0
Cash at the end of the year	27,908	26,899	35,272	36,922	44,097	52,397

GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	32.0%	0.7%	26.1%	16.8%	8.2%	5.2%
Gross profit	24.0%	20.7%	21.9%	17.9%	8.6%	7.5%
Operating profit	(16.1%)	4.6%	26.1%	43.5%	16.5%	8.0%
EBITDA	19.2%	19.1%	2.9%	30.2%	15.8%	12.9%
EBIT	22.5%	19.7%	(7.9%)	38.1%	9.3%	6.7%
Net profit	25.4%	22.9%	(15.1%)	41.2%	10.9%	7.4%

PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.2%	19.4%	18.7%	18.9%	19.0%	19.4%
Operating margin	3.0%	3.1%	3.1%	3.8%	4.1%	4.2%
EBITDA margin	9.9%	11.7%	9.6%	10.7%	11.4%	12.3%
Return on equity (ROE)	11.3%	13.0%	10.5%	13.7%	13.6%	13.2%

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

VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	14.2	11.3	13.0	9.2	8.4	7.9
P/B	1.5	1.4	1.3	1.2	1.1	1.0
P/CFPS	2.7	7.6	5.1	4.4	4.0	4.0
Div yield (%)	3.6	2.7	2.8	3.8	4.2	4.4

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

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