

BYD (1211 HK)

3Q24 GPM provides confidence for FY25 sales

Maintain BUY. Although we had expected a QoQ lift in gross margin, BYD's 3Q24 gross margin still beat our forecast. Such beat was offset by higher-than-expected SG&A and R&D expenses. The solid gross margin gives us more confidence in forecasting 4Q24 and FY25 sales volume, as BYD still has the best resources to withstand the prolonged price war.

- **3Q24 GPM beat, SG&A and R&D miss.** BYD's gross margin rose by 3.2ppts QoQ to 21.9% in 3Q24, about 0.9ppts higher than our prior forecast. On the other hand, SG&A and R&D combined ratio (as % of revenue) was 2.2ppts higher than our estimates. Although government grants and VAT refunds rose faster than our projection, they were partially offset by an unexpected forex loss. Therefore, BYD's 3Q24 net profit of RMB11.6bn was 15% lower than our prior forecast.
- **Recent strong sales momentum could extend into FY25E.** We revise up our FY24E sales volume forecast by 4% to 4.02mn units, as the DM-i 5.0 PHEV models are more competitive than we had expected. That also gives us more confidence about FY25E sales volume, as sales and new order growth in the last few months was not at the cost of lower gross margin. We project FY25E sales volume to rise 13% YoY to 4.55mn units with a gross margin of 20.3% (vs. 20.6% in FY24E on our estimates).
- **Solid earnings quality in the past three years lays a foundation for FY25E earnings.** It appears to us that BYD still prioritizes market share, global expansion and earnings quality, rather than rapid earnings growth. That could make our forecasts for SG&A and R&D expenses more difficult. We project selling expenses to rise at the same rate as revenue growth in FY25E given its aggressive overseas expansion. We forecast BYD's R&D investments to increase to RMB51bn in FY25E, with 99% expensed. Should such number or ratio change slightly, the impact on net profit could be significant.
- **Valuation/Key risks.** We cut our FY24E net profit by 0.6% to RMB36.0bn and raise FY25E net profit by 4% to RMB47.5bn. We maintain our BUY rating and raise target price from HK\$262 to HK\$350, based on 20x (prior 15x) our FY25E EPS to reflect the recently improving investor sentiment. Key risks to our rating and target price include lower sales and/or margins than our expectation, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	424,061	602,315	725,652	840,696	922,440
YoY growth (%)	96.2	42.0	20.5	15.9	9.7
Net profit (RMB mn)	16,622.4	30,040.8	36,035.0	47,495.2	50,939.3
YoY growth (%)	445.9	80.7	20.0	31.8	7.3
EPS (Reported) (RMB)	5.72	10.34	12.38	16.31	17.50
P/S (x)	1.9	1.3	1.1	0.9	0.9
P/E (x)	47.4	26.2	21.9	16.6	15.5
Yield (%)	0.4	1.1	0.9	1.2	1.3
ROE (%)	16.1	24.0	23.6	25.5	22.4
Net gearing (%)	(39.3)	(69.5)	(51.7)	(89.9)	(113.1)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price HK\$350.00
 (Previous TP HK\$262.00)
Up/Downside 18.6%
Current Price HK\$295.00

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Stock Data

Mkt Cap (HK\$ mn)	858,233.4
Avg 3 mths t/o (HK\$ mn)	1,850.3
52w High/Low (HK\$)	319.60/171.70
Total Issued Shares (mn)	2909.3

Source: FactSet

Shareholding Structure

Mr. Wang Chuanfu	17.7%
Mr. Lv Xiangyang	8.2%

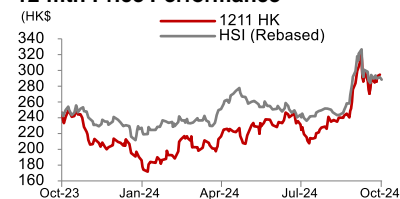
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	3.9%	7.8%
3-mth	31.2%	9.5%
6-mth	36.8%	19.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["BYD \(1211 HK\) - Solid sales, earnings outlook despite mixed 2Q" – 29 Aug 2024](#)

["BYD \(1211 HK\) - Our FY24 forecasts still on track post 1Q24" – 30 Apr 2024](#)

["BYD \(1211 HK\) - Good FY23 earnings quality" - 28 Mar 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ
Sales volume (units)	552,076	703,561	824,001	944,779	626,263	986,720	1,134,892	37.7%	15.0%
Revenue	120,174	139,951	162,151	180,041	124,944	176,182	201,125	24.0%	14.2%
Gross profit	21,467	26,206	35,876	38,209	27,341	32,926	44,031	22.7%	33.7%
R&D expenses	(6,238)	(7,597)	(11,104)	(14,637)	(10,611)	(9,010)	(13,698)	23.4%	52.0%
SG&A expenses	(8,014)	(9,643)	(9,851)	(11,166)	(10,572)	(11,440)	(14,318)	45.4%	25.2%
Operating profit	5,299	8,433	12,906	11,466	5,798	11,525	14,423	11.8%	25.2%
Net profit	4,130	6,824	10,413	8,674	4,569	9,062	11,607	11.5%	28.1%
Gross margin	17.9%	18.7%	22.1%	21.2%	21.9%	18.7%	21.9%	-0.2 ppt	3.2 ppt
Operating margin	4.4%	6.0%	8.0%	6.4%	4.6%	6.5%	7.2%	-0.8 ppt	0.6 ppt
Net margin	3.4%	4.9%	6.4%	4.8%	3.7%	5.1%	5.8%	-0.7 ppt	0.6 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	725,652	840,696	922,440	708,481	812,066	882,690	2.4%	3.5%	4.5%
Gross profit	149,797	170,476	185,991	143,492	163,486	175,760	4.4%	4.3%	5.8%
Operating profit	46,135	58,704	63,474	45,338	56,623	60,090	1.8%	3.7%	5.6%
Net profit	36,035	47,495	50,939	36,245	45,746	48,096	-0.6%	3.8%	5.9%
Gross margin	20.6%	20.3%	20.2%	20.3%	20.1%	19.9%	0.4 ppt	0.1 ppt	0.3 ppt
Operating margin	6.4%	7.0%	6.9%	6.4%	7.0%	6.8%	0.0 ppt	0.0 ppt	0.1 ppt
Net margin	5.0%	5.6%	5.5%	5.1%	5.6%	5.4%	-0.1 ppt	0.0 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	725,652	840,696	922,440	744,783	894,836	990,519	-2.6%	-6.1%	-6.9%
Gross profit	149,797	170,476	185,991	146,126	177,410	197,955	2.5%	-3.9%	-6.0%
Operating profit	46,135	58,704	63,474	43,046	54,754	65,473	7.2%	7.2%	-3.1%
Net profit	36,035	47,495	50,939	36,136	45,326	54,349	-0.3%	4.8%	-6.3%
Gross margin	20.6%	20.3%	20.2%	19.6%	19.8%	20.0%	1.0 ppt	0.5 ppt	0.2 ppt
Operating margin	6.4%	7.0%	6.9%	5.8%	6.1%	6.6%	0.6 ppt	0.9 ppt	0.3 ppt
Net margin	5.0%	5.6%	5.5%	4.9%	5.1%	5.5%	0.1 ppt	0.6 ppt	0.0 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	216,142	424,061	602,315	725,652	840,696	922,440
Cost of goods sold	(187,998)	(351,816)	(480,558)	(575,855)	(670,221)	(736,449)
Gross profit	28,145	72,245	121,757	149,797	170,476	185,991
Operating expenses	(22,818)	(50,990)	(88,598)	(113,445)	(125,214)	(136,052)
Selling expense	(6,082)	(15,061)	(25,211)	(34,853)	(40,087)	(44,516)
Admin expense	(5,710)	(10,007)	(13,462)	(17,528)	(19,480)	(20,538)
R&D expense	(7,991)	(18,654)	(39,575)	(47,520)	(50,490)	(54,450)
Others	(3,035)	(7,267)	(10,350)	(13,544)	(15,158)	(16,548)
Operating profit	5,327	21,255	33,159	36,352	45,261	49,939
Other income	2,608	2,248	5,965	14,000	14,000	10,900
Other expense	(452)	(989)	(1,546)	(1,600)	(1,300)	(1,300)
Gain/loss on financial assets at FVTPL	47	126	258	550	800	950
Investment gain/loss	(57)	(792)	1,635	2,508	2,408	2,408
Other gains/(losses)	(1,168)	(2,387)	(3,677)	(5,160)	(4,656)	(4,428)
EBITDA	20,542	42,766	82,649	112,866	134,257	147,690
Depreciation	10,880	14,605	37,718	56,455	64,459	72,372
Depreciation of ROU assets	273	584	1,390	2,571	3,131	3,606
Other amortisation	2,956	5,181	4,444	6,098	6,556	7,060
EBIT	6,433	22,396	39,096	47,741	60,110	64,652
Interest income	632	1,830	2,796	2,091	3,597	6,183
Interest expense	(1,915)	(1,316)	(1,828)	(2,206)	(1,706)	(1,579)
Net interest income/(expense)	(1,787)	1,618	1,475	(1,115)	1,891	4,605
Foreign exchange gain/loss	(533)	1,216	639	(1,000)	0	0
Pre-tax profit	4,518	21,080	37,269	45,535	58,404	63,074
Income tax	(551)	(3,367)	(5,925)	(7,919)	(9,005)	(9,630)
After tax profit	3,967	17,713	31,344	37,616	49,399	53,444
Minority interest	(922)	(1,091)	(1,303)	(1,581)	(1,904)	(2,504)
Net profit	3,045	16,622	30,041	36,035	47,495	50,939
Gross dividends	306	3,325	9,012	7,207	9,499	10,188

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	166,110	240,804	302,121	353,071	474,829	586,759
Cash & equivalents	49,820	51,182	108,512	99,000	198,716	293,962
Restricted cash	637	289	583	1,000	1,000	1,000
Account receivables	44,994	51,723	67,431	88,569	100,100	107,761
Inventories	43,355	79,107	87,677	118,326	124,863	131,148
Prepayment	2,037	8,224	2,215	5,759	6,702	7,364
Financial assets at FVTPL	5,606	20,627	9,563	9,913	10,413	11,013
Other current assets	11,168	16,099	23,481	26,130	28,152	29,254
Contract assets	8,493	13,553	2,660	4,374	4,883	5,257
Non-current assets	129,670	253,057	377,426	418,554	419,247	413,441
PP&E	61,221	131,880	230,904	262,451	262,994	255,125
Right-of-use assets	1,573	3,137	9,679	10,808	10,427	9,520
Deferred income tax	1,913	3,687	6,584	6,584	6,584	6,584
Investment in JVs & assos	7,905	15,485	17,647	20,297	22,997	25,697
Intangibles	17,105	23,223	37,236	36,238	34,897	34,178
Goodwill	66	66	4,428	4,428	4,428	4,428
Financial assets at FVTPL	234	2,147	2,696	2,996	3,396	3,846
Other non-current assets	39,652	73,431	68,252	74,752	73,524	74,063
Total assets	295,780	493,861	679,548	771,625	894,076	1,000,200
Current liabilities	171,304	333,345	453,667	512,186	589,989	649,537
Short-term borrowings	10,204	5,153	18,323	4,166	0	0
Account payables	73,160	140,437	194,430	237,205	284,981	313,142
Tax payable	1,779	4,326	7,852	9,466	11,017	12,106
Other current liabilities	71,227	147,911	198,363	206,130	238,903	263,759
Contract liabilities	14,934	35,517	34,699	55,219	55,087	60,530
Non-current liabilities	20,232	39,126	75,419	80,125	82,540	85,160
Long-term borrowings	8,744	7,594	11,975	11,975	10,975	9,975
Bond payables	2,046	0	0	1,000	2,000	3,000
Other non-current liabilities	9,442	31,533	63,444	67,149	69,565	72,185
Total liabilities	191,536	372,471	529,086	592,311	672,529	734,697

Share capital	2,911	2,911	2,911	2,911	2,911	2,911
Other reserves	92,159	108,118	135,899	163,322	203,810	245,450
Total shareholders equity	95,070	111,029	138,810	166,233	206,721	248,361
Minority interest	9,175	10,361	11,652	13,081	14,827	17,141
Total equity and liabilities	295,780	493,861	679,548	771,625	894,076	1,000,200

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,518	21,080	37,269	45,535	58,404	63,074
Depreciation & amortization	14,108	20,370	43,553	65,124	74,147	83,038
Change in working capital	44,083	97,849	91,094	2,868	57,193	38,572
Others	2,757	1,539	(2,190)	301	(2,494)	(3,623)
Net cash from operations	65,467	140,838	169,725	113,829	187,251	181,061
Investing						
Capital expenditure	(37,344)	(97,457)	(122,094)	(95,080)	(65,110)	(66,150)
Acquisition of subsidiaries/ investments	(3,527)	(10,573)	(16,163)	(1,100)	(1,100)	(1,100)
Net proceeds from disposal of short-term investments	0	14	0	0	0	0
Others	(4,534)	(12,580)	12,593	(2,450)	(4,400)	(3,850)
Net cash from investing	(45,404)	(120,596)	(125,664)	(98,630)	(70,610)	(71,100)
Financing						
Dividend paid	(423)	(306)	(3,325)	(9,012)	(7,207)	(9,499)
Net borrowings	(17,006)	(16,413)	18,073	(9,404)	(4,166)	0
Proceeds from share issues	37,314	0	0	0	0	0
Others	(3,821)	(2,770)	(1,931)	(6,295)	(5,552)	(5,216)
Net cash from financing	16,063	(19,489)	12,817	(24,711)	(16,925)	(14,715)
Net change in cash						
Cash at the beginning of the year	13,738	49,820	51,182	108,512	99,000	198,716
Exchange difference	(44)	610	451	0	0	0
Cash at the end of the year	49,820	51,182	108,512	99,000	198,716	293,962

GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	38.0%	96.2%	42.0%	20.5%	15.9%	9.7%
Gross profit	(7.3%)	156.7%	68.5%	23.0%	13.8%	9.1%
Operating profit	(53.1%)	299.0%	56.0%	9.6%	24.5%	10.3%
EBITDA	(9.0%)	108.2%	93.3%	36.6%	19.0%	10.0%
EBIT	(36.0%)	248.1%	74.6%	22.1%	25.9%	7.6%
Net profit	(28.1%)	445.9%	80.7%	20.0%	31.8%	7.3%

PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	13.0%	17.0%	20.2%	20.6%	20.3%	20.2%
Operating margin	2.5%	5.0%	5.5%	5.0%	5.4%	5.4%
EBITDA margin	9.5%	10.1%	13.7%	15.6%	16.0%	16.0%
Return on equity (ROE)	4.0%	16.1%	24.0%	23.6%	25.5%	22.4%

GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.4)	(0.7)	(0.5)	(0.9)	(1.1)
Current ratio (x)	1.0	0.7	0.7	0.7	0.8	0.9
Receivable turnover days	94.4	58.1	52.0	55.0	53.0	52.0
Inventory turnover days	84.2	82.1	66.6	75.0	68.0	65.0
Payable turnover days	156.3	149.2	150.8	155.0	160.0	160.0

VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	254.1	47.4	26.2	21.9	16.6	15.5
P/B	8.1	7.1	5.7	4.7	3.8	3.2
P/CFPS	11.8	5.6	4.6	6.9	4.2	4.4
Div yield (%)	0.0	0.4	1.1	0.9	1.2	1.3

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

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