

Yongda Automobiles (3669 HK)

NEV to offset luxury, cost control to drive profit

Maintain BUY. Yongda's 2H24 net profit was largely in line despite unexpected impairment losses. We believe Yongda has established a first-mover advantage in the NEV dealership sector through years of trial and error and the partnership with NEV automakers. Better cost control in SG&A expenses in FY24 gives us more confidence in its FY25 earnings growth potential, as cost cuts could play a more important role than some investors could expect. Its dividend yield could reach 9% this year, assuming a payout ratio of 80% (vs. 122% in FY24).

■ **2H24 core earnings beat with better cost control.** Yongda's 2H24 revenue rose 4% HoH to RMB32.4bn, in line with our forecast. Its overall GPM remained flat HoH at 8.3% in 2H24, lower than our forecast by 0.3ppts. The GPM for new-car sales and related services (including auto finance commission and revenue from decoration products) only improved 0.2ppts HoH to 1.8% in 2H24 despite higher OEM rebates. However, the better-than-expected operating expenses were more than offset the slightly weaker gross profit. That, along with an unexpected impairment on goodwill and receivables of RMB85mn, resulted in an in-line net profit of RMB89mn in 2H24. In addition, the full-year proposed dividends of RMB244mn correspond a payout ratio of 122%, implying a dividend yield of 5.1%.

■ **Aggressive NEV network expansion plan to offset luxury decline.** Yongda has been ambitious with a NEV sales target of 45,000 units this year, accounting for nearly 30% of total sales volume. Management targets 50 HIMA stores and 10 Xiaomi stores (including the no. of authorizations) by the end of 2025, versus 6 and 2 stores at the end of 2024, respectively. We are more cautious by projecting Yongda's NEV sales volume to rise 90% YoY to about 35,000 units in FY25E, which could largely offset the sales volume decline of traditional brands this year on our estimates. Even if we assume no improvement in new-car sales GPM for each brand segment, the overall GPM for new-car related businesses could improve 0.7ppts YoY to 2.4% in FY25E driven by a better brand mix. That, along with a stable contribution from after-sales services, could result in a GPM lift of 1.1ppts YoY to 9.4% in FY25E, or a gross profit improvement of RMB277mn.

■ **Earnings forecast/Valuation.** We raise our FY25-26E net profit forecasts by 7-8% to RMB547mn/704mn, respectively, based on better cost control assumption. We assume Yongda's dividend payout ratio to be 80% in FY25-26E, equivalent to a dividend yield of 9-12%. We maintain our BUY rating and raise our TP to HK\$3.20, based on 10x (prior 6x) our revised FY25E EPS to reflect better market sentiment and higher payout ratios. Key risks to our rating and target price include lower sales volume and/or margins, more severe after-sales service declines, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	72,024	74,296	63,420	59,233	58,350
YoY growth (%)	(7.6)	3.2	(14.6)	(6.6)	(1.5)
Net profit (RMB mn)	1,411.8	572.6	200.8	546.5	703.7
YoY growth (%)	(43.1)	(59.4)	(64.9)	172.2	28.8
P/E (x)	3.5	8.5	23.7	8.6	6.7
P/B (x)	0.3	0.3	0.3	0.3	0.3
Yield (%)	11.6	6.3	5.1	9.3	12.0
Net gearing (%)	(7.8)	(4.8)	(14.2)	(12.9)	(8.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$3.20
(Previous TP)	HK\$1.80)
Up/Downside	19.9%
Current Price	HK\$2.67

China Auto

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	5,051.4
Avg 3 mths t/o (HK\$ mn)	46.0
52w High/Low (HK\$)	3.24/1.24
Total Issued Shares (mn)	1891.9

Source: FactSet

Shareholding Structure

Mr. Cheung Tak On	30.8%
FIL Limited	8.9%

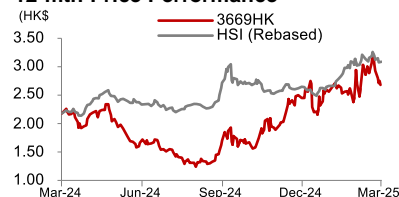
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-1.5%	-3.5%
3-mth	9.0%	-6.5%
6-mth	57.1%	38.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Figure 1: Quarterly results

RMB mn	1H22	2H22	1H23	2H23	1H24	2H24	YoY	HoH
New-car sales volume (units)	76,752	110,524	85,759	98,791	81,073	82,763	-16.2%	2.1%
Total revenue	31,392	40,632	35,684	38,611	31,036	32,384	-16.1%	4.3%
Gross profit	3,081	3,309	3,423	3,272	2,584	2,689	-17.8%	4.1%
Selling exp.	(1,660)	(2,140)	(1,853)	(2,189)	(1,571)	(1,817)	-17.0%	15.7%
Admin exp.	(968)	(867)	(1,021)	(829)	(849)	(651)	-21.4%	-23.3%
Operating profit	1,069	1,235	668	294	224	182	-38.2%	-19.0%
Net profit	673	739	407	166	111	89	-46.2%	-19.9%
Gross margin	9.8%	8.1%	9.6%	8.5%	8.3%	8.3%	-0.2 ppts	0.0 ppts
Operating margin	3.4%	3.0%	1.9%	0.8%	0.7%	0.6%	-0.2 ppts	-0.2 ppts
Net margin	2.1%	1.8%	1.1%	0.4%	0.4%	0.3%	-0.2 ppts	-0.1 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	FY24A	New FY25E	FY26E	FY24E	Old FY25E	FY26E	FY24E	Diff (%) FY25E	FY26E
Revenue	63,420	59,233	58,350	63,651	61,638	59,484	-0.4%	-3.9%	-1.9%
Gross profit	5,273	5,551	6,077	5,397	5,695	5,849	-2.3%	-2.5%	3.9%
Operating profit	406	833	1,037	429	803	1,007	-5.3%	3.7%	3.0%
Net profit	201	547	704	205	510	654	-2.0%	7.2%	7.6%
Gross margin	8.3%	9.4%	10.4%	8.5%	9.2%	9.8%	-0.2 ppts	0.1 ppts	0.6 ppts
Operating margin	0.6%	1.4%	1.8%	0.7%	1.3%	17.2%	0.0 ppts	0.1 ppts	-15.4 ppts
Net margin	0.3%	0.9%	1.2%	0.3%	0.8%	64.9%	0.0 ppts	0.1 ppts	-63.7 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	FY24A	CMBIGM FY25E	FY26E	FY24E	Consensus FY25E	FY26E	FY24E	Diff (%) FY25E	FY26E
Revenue	63,420	59,233	58,350	65,706	67,080	71,268	-3.5%	-11.7%	-18.1%
Gross profit	5,273	5,551	6,077	5,132	5,460	6,224	2.8%	1.7%	-2.4%
Operating profit	406	833	1,037	478	689	861	-15.1%	20.8%	20.4%
Net profit	201	547	704	216	379	496	-7.2%	44.2%	41.9%
Gross margin	8.3%	9.4%	10.4%	7.8%	8.1%	8.7%	0.5 ppts	1.2 ppts	1.7 ppts
Operating margin	0.6%	1.4%	1.8%	0.7%	1.0%	1.2%	-0.1 ppts	0.4 ppts	0.6 ppts
Net margin	0.3%	0.9%	1.2%	0.3%	0.6%	0.7%	0.0 ppts	0.4 ppts	0.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	77,917	72,024	74,296	63,420	59,233	58,350
Cost of goods sold	(70,164)	(65,635)	(67,601)	(58,147)	(53,683)	(52,273)
Gross profit	7,753	6,389	6,694	5,273	5,551	6,077
Operating expenses	(3,944)	(4,085)	(5,733)	(4,868)	(4,718)	(5,040)
Selling expense	(3,534)	(3,800)	(4,042)	(3,389)	(3,286)	(3,394)
Admin expense	(1,814)	(1,835)	(1,850)	(1,500)	(1,480)	(1,691)
Others	1,405	1,550	158	21	48	44
Operating profit	3,809	2,304	961	406	833	1,037
Share of (losses)/profits of associates/JV	72	89	106	100	101	111
EBITDA	5,036	3,670	2,346	1,743	2,275	2,680
Depreciation	792	804	802	729	864	1,016
Depreciation of ROU assets	284	372	365	386	372	409
Other amortisation	79	101	112	121	106	107
EBIT	3,881	2,393	1,068	506	934	1,148
Interest expense	(506)	(321)	(327)	(298)	(250)	(233)
Pre-tax profit	3,375	2,073	740	209	683	915
Income tax	(837)	(601)	(155)	(43)	(147)	(201)
Others	80	na	na	na	na	na
After tax profit	2,618	1,471	586	165	537	714
Minority interest	(138)	(59)	(13)	35	10	(10)
Net profit	2,480	1,412	573	201	547	704
Gross dividends	949	570	303	244	437	563

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	16,617	17,169	17,491	15,558	15,269	14,766
Cash & equivalents	2,250	2,186	2,201	3,969	4,279	4,041
Restricted cash	963	2,008	3,589	1,389	1,498	1,414
Account receivables	9,127	8,018	7,203	6,081	5,680	5,595
Inventories	4,038	4,555	4,363	3,983	3,677	3,580
Prepayment	0	0	0	0	0	0
ST bank deposits	8	5	8	8	8	8
Financial assets at FVTPL	2	255	0	0	0	0
Other current assets	229	143	128	128	128	128
Non-current assets	14,949	15,295	15,202	14,196	14,226	14,480
PP&E	5,838	6,059	5,845	5,345	5,950	6,582
Right-of-use assets	3,129	2,996	2,901	2,417	1,820	1,391
Deferred income tax	187	319	395	395	395	395
Investment in JVs & assos	714	802	926	1,014	1,103	1,202
Intangibles	2,860	2,817	2,954	2,883	2,817	2,770
Goodwill	1,672	1,672	1,631	1,590	1,590	1,590
Financial assets at FVTPL	350	312	334	334	334	334
Other non-current assets	198	318	216	216	216	216
Total assets	31,567	32,465	32,693	29,753	29,495	29,246
Current liabilities	13,328	14,339	14,559	11,339	10,560	9,792
Short-term borrowings	3,596	2,288	2,434	500	500	0
Account payables	5,569	8,391	9,125	7,965	7,354	7,161
Tax payable	1,277	1,206	963	963	963	963
Other current liabilities	2,650	2,181	1,795	1,709	1,609	1,573
Lease liabilities	236	274	243	202	135	95
Contract liabilities	2,480	1,724	1,724	1,638	1,539	1,503
Non-current liabilities	3,950	3,403	3,735	3,887	3,946	4,159
Long-term borrowings	911	1,080	1,527	1,967	2,407	2,847
Bond payables	369	0	0	0	0	0
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	2,670	2,323	2,209	1,920	1,539	1,313
Total liabilities	17,278	17,742	18,295	15,225	14,506	13,951
Share capital	16	16	16	16	16	16
Other reserves	13,692	14,200	13,924	14,061	14,524	14,828
Total shareholders equity	13,708	14,216	13,940	14,077	14,540	14,844
Minority interest	580	507	458	451	449	451
Total equity and liabilities	31,567	32,465	32,693	29,753	29,495	29,246

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	3,491	2,073	740	209	683	915
Depreciation & amortization	1,154	1,277	1,279	1,237	1,341	1,532
Tax paid	(674)	(695)	(499)	(43)	(147)	(201)
Change in working capital	652	1,348	164	2,456	(112)	36
Others	391	230	148	222	132	105
Net cash from operations	5,015	4,232	1,832	4,080	1,898	2,387
Investing						
Capital expenditure	(1,120)	(1,775)	(1,431)	(1,400)	(1,340)	(1,260)
Acquisition of subsidiaries/ investments	(668)	(41)	(6)	0	0	0
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,506	361	899	1,177	(98)	(382)
Net cash from investing	(282)	(1,455)	(538)	(223)	(1,438)	(1,642)
Financing						
Dividend paid	(569)	(949)	(782)	(100)	(131)	(437)
Net borrowings	(3,920)	(1,255)	597	(1,494)	440	(60)
Proceeds from share issues	0	0	0	0	0	0
Share repurchases	(74)	(69)	(99)	0	0	0
Others	(999)	(569)	(994)	(494)	(458)	(486)
Net cash from financing	(5,562)	(2,842)	(1,279)	(2,088)	(149)	(984)
Net change in cash						
Cash at the beginning of the year	3,080	2,250	2,186	2,201	3,969	4,279
Cash at the end of the year	2,250	2,186	2,201	3,969	4,279	4,041
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	14.2%	(7.6%)	3.2%	(14.6%)	(6.6%)	(1.5%)
Gross profit	26.4%	(17.6%)	4.8%	(21.2%)	5.3%	9.5%
Operating profit	37.5%	(39.5%)	(58.3%)	(57.8%)	105.2%	24.5%
EBITDA	28.8%	(27.1%)	(36.1%)	(25.7%)	30.5%	17.8%
EBIT	37.9%	(38.3%)	(55.4%)	(52.6%)	84.5%	22.9%
Net profit	52.6%	(43.1%)	(59.4%)	(64.9%)	172.2%	28.8%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	9.9%	8.9%	9.0%	8.3%	9.4%	10.4%
Operating margin	4.9%	3.2%	1.3%	0.6%	1.4%	1.8%
EBITDA margin	6.5%	5.1%	3.2%	2.7%	3.8%	4.6%
Return on equity (ROE)	19.4%	10.1%	4.1%	1.4%	3.8%	4.8%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.1)
Current ratio (x)	1.2	1.2	1.2	1.4	1.4	1.5
Receivable turnover days	42.9	40.7	35.5	35.0	35.0	35.0
Inventory turnover days	21.1	25.4	23.6	25.0	25.0	25.0
Payable turnover days	29.0	46.8	49.4	50.0	50.0	50.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	2.0	3.5	8.5	23.7	8.6	6.7
P/E (diluted)	2.0	3.5	8.5	23.7	8.6	6.7
P/B	0.4	0.3	0.3	0.3	0.3	0.3
P/CFPS	1.0	1.2	2.6	1.2	2.5	2.0
Div yield (%)	19.3	11.6	6.3	5.1	9.3	12.0

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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