

23 August 2018

Consumer Cyclical | Automobiles & Components

Geely Automobile

Good As Always; BUY

Buy (Maintained)

Target Price: HKD29.00
 Price: HKD16.50
 Market Cap: USD18,917m
 Bloomberg Ticker: 175 HK

Maintain BUY and HKD29 TP, 76% upside. Our TP is based on 11.4X 2019F P/E, +1SD of its 3-year average. Geely delivered revenue of CNY53.7bn (+36.2% YoY) and earnings of CNY6.7bn (+53.5% YoY). Lynk & Co's net profit contributions of CNY171m was beyond our expectations – we adjust our earnings forecast to reflect better earnings from the firm. Geely may also see strong 2H18 earnings, driven by another strong model cycle during this period.

Geely announced its 1H18 results on 22 Aug, booking revenue and earnings growth of 36.2% and 53.5% YoY to CNY53.7bn and CNY6.7bn. This was driven by the Geely brand's volume growth of 35% YoY and the company's ASP growth of c.3%, as well as Lynk & Co's contribution of CNY171m.

2H18 likely to continue being strong. Based on our estimation, Geely's full-year sales volume should be ~1.76m units (2018: +41% YoY), comprising 1.58m units of Geely brand vehicles and 184,000 units of Lynk & Co models.

The Lynk & Co JV started to contribute earnings of CNY171m in 1H18 with net margins of ~5%. According to the firm's management team, this net margin figure may continue in 2H18 after taking into consideration the intellectual property depreciation & amortisation expenses. After the launch the C02 and C03 models – slated for 2H18 – Lynk & Co's earnings margin may also be sustained at ~5%. We adjusted up FY18-20 earnings by 5%, 2% and 1% to reflect better-than-expected net profits from this JV.

Continuous strong model cycle in 2H18 and 2019 to sustain revenue growth. Management has guided for another strong model cycle, including five Geely models in 2H18: an A-segment SUV, an A-segment sedan, a Boyue-series sporty SUV, an MPV and an electric vehicle (EV). Lynk & Co – as mentioned above – is also launching the C02 and C03 in 2H18, as scheduled. As a result, Geely's revenue in 2H18 and 2019 may continue be driven by new models. At the same time, the new Geely EV and Lynk & Co plug-in hybrid electric vehicles may become major EVs to drive volume growth.

Maintain BUY and HKD29 TP, 76% upside. Our new TP is based on 11.4x 2019F earnings, +1SD of its 3-year average, considering its faster-than-peers earnings growth. This is backed by our DCF valuation of HKD30.80. After the market correction YTD, we believe Geely has come to a low entry point of 8.2x 2019F P/E. We deem this as justified, considering our estimated 2017-2019 ROEs are sustained at 35%. The downside risk to our call is unsuccessful sales from the Lynk & Co brand.

Share Data

Avg Daily Turnover (HKD/USD) 932m/119m
 52-wk Price low/high (HKD) 15.2 - 29.2
 Free Float (%) 49
 Shares outstanding (m) 9,156
 Estimated Return 76%

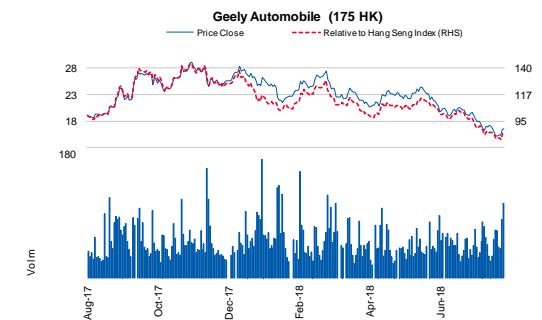
Shareholders (%)

Proper Glory 29.5

Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------|--------|--------|--------|--------|--------|
| Absolute | (39.0) | (13.8) | (29.0) | (30.2) | (13.1) |
| Relative | (32.3) | (12.7) | (18.4) | (20.4) | (15.0) |

Source: Bloomberg



Source: Bloomberg

| Forecasts and Valuations | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
|-------------------------------------|----------|----------|----------|----------|----------|
| Total turnover (CNYm) | 53,722 | 92,761 | 118,122 | 137,603 | 159,717 |
| Reported net profit (CNYm) | 5,112 | 10,634 | 14,863 | 20,307 | 24,804 |
| Recurring net profit (CNYm) | 4,800 | 10,161 | 14,863 | 20,307 | 24,804 |
| Recurring net profit growth (%) | 112.4 | 111.7 | 46.3 | 36.6 | 22.1 |
| Recurring EPS (CNY) | 0.54 | 1.11 | 1.62 | 2.22 | 2.71 |
| DPS (CNY) | 0.11 | 0.22 | 0.31 | 0.42 | 0.52 |
| Recurring P/E (x) | 26.8 | 13.0 | 8.9 | 6.5 | 5.3 |
| P/B (x) | 5.20 | 3.74 | 2.78 | 2.05 | 1.56 |
| P/CF (x) | 11.0 | 10.7 | 7.2 | 6.0 | 5.6 |
| Dividend Yield (%) | 0.8 | 1.6 | 2.2 | 2.9 | 3.6 |
| EV/EBITDA (x) | 15.3 | 8.8 | 6.1 | 4.8 | 3.6 |
| Return on average equity (%) | 23.3 | 36.1 | 36.7 | 37.1 | 33.9 |
| Net debt to equity | net cash | net cash | net cash | net cash | net cash |
| Our vs consensus EPS (adjusted) (%) | | | 3.4 | 9.8 | 11.0 |

Source: Company data, RHB

Analyst

Zhuang Dan
 +852 2103 9414
zhuang.dan@rhbgrou.com



23 August 2018

Consumer Cyclical | Automobiles & Components

Financial Exhibits

Financial model updated on : 2018-08-23.

| | | | | | | |
|---|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| Hong Kong | Recurring EPS (CNY) | 0.54 | 1.11 | 1.62 | 2.22 | 2.71 |
| Consumer Cyclical | EPS (CNY) | 0.57 | 1.16 | 1.62 | 2.22 | 2.71 |
| Geely Automobile | DPS (CNY) | 0.11 | 0.22 | 0.31 | 0.42 | 0.52 |
| Bloomberg 175 HK | BVPS (CNY) | 2.77 | 3.86 | 5.19 | 7.02 | 9.27 |
| Buy | Weighted avg adjusted shares (m) | 8,917 | 9,156 | 9,156 | 9,156 | 9,156 |
| Valuation basis | Valuation metrics | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| Our HKD 29 is based 11.4x 2019F PE, +1SD of its 3-year average. This is after taking into consideration its new models portfolio, margins improvement and product upgrades. It is also backed by our DCF valuation of HKD30.80. | Recurring P/E (x) | 26.8 | 13.0 | 8.9 | 6.5 | 5.3 |
| | P/E (x) | 25.1 | 12.4 | 8.9 | 6.5 | 5.3 |
| | P/B (x) | 5.20 | 3.74 | 2.78 | 2.05 | 1.56 |
| | FCF Yield (%) | 6.6 | 6.7 | 6.0 | 7.4 | 7.3 |
| | Dividend Yield (%) | 0.8 | 1.6 | 2.2 | 2.9 | 3.6 |
| | EV/EBITDA (x) | 15.3 | 8.8 | 6.1 | 4.8 | 3.6 |
| | EV/EBIT (x) | 19.6 | 9.4 | 6.6 | 5.1 | 3.9 |
| Key drivers | Income statement (CNYm) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| i. New model launches; | Total turnover | 53,722 | 92,761 | 118,122 | 137,603 | 159,717 |
| ii. Lynk & Co sales. | Gross profit | 9,842 | 17,981 | 23,016 | 26,536 | 30,801 |
| | EBITDA | 7,523 | 13,139 | 17,657 | 20,094 | 22,985 |
| | Depreciation and amortisation | (1,654) | (935) | (1,110) | (1,246) | (1,229) |
| | Operating profit | 5,868 | 12,204 | 16,547 | 18,848 | 21,756 |
| | Net interest | (30) | (35) | (167) | (172) | (177) |
| | Income from associates & JVs | (9) | 42 | 1,475 | 5,719 | 8,218 |
| | Exceptional income - net | 374 | 563 | 0 | 0 | 0 |
| | Pre-tax profit | 6,204 | 12,774 | 17,855 | 24,394 | 29,796 |
| | Taxation | (1,034) | (2,039) | (2,849) | (3,893) | (4,755) |
| | Minority interests | (58) | (102) | (142) | (194) | (237) |
| | Recurring net profit | 4,800 | 10,161 | 14,863 | 20,307 | 24,804 |
| Key risks | Cash flow (CNYm) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| Worse-than-expected auto sales from the Lynk & Co brand. | Change in working capital | 3,621 | 354 | 2,129 | 56 | (2,735) |
| | Cash flow from operations | 11,646 | 12,287 | 18,271 | 21,830 | 23,563 |
| | Capex | (3,141) | (3,452) | (10,345) | (12,052) | (13,988) |
| | Cash flow from investing activities | (2,557) | (7,961) | (11,910) | (11,129) | (14,216) |
| | Proceeds from issue of shares | 761 | 1,393 | 0 | 0 | 0 |
| | Dividends paid | (960) | (1,997) | (2,791) | (3,813) | (4,658) |
| | Cash flow from financing activities | 1,103 | (2,496) | (2,752) | (3,773) | (4,617) |
| | Cash at beginning of period | 9,167 | 15,045 | 13,415 | 18,499 | 31,146 |
| | Net change in cash | 10,192 | 1,829 | 3,609 | 6,928 | 4,731 |
| | Ending balance cash | 19,428 | 16,846 | 17,024 | 25,427 | 35,877 |
| Company Profile | Balance sheet (CNYm) | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| Geely, through its subsidiaries, manufactures and sells automobiles and related components. | Total cash and equivalents | 15,045 | 13,415 | 18,499 | 31,146 | 44,094 |
| | Tangible fixed assets | 17,119 | 24,621 | 32,381 | 37,467 | 42,009 |
| | Total investments | 1,002 | 4,805 | 6,305 | 5,316 | 5,475 |
| | Total other assets | 2,213 | 2,547 | 2,623 | 2,702 | 2,783 |
| | Total assets | 67,583 | 84,981 | 110,195 | 137,109 | 168,922 |
| | Short-term debt | 174 | 1,296 | 1,335 | 1,375 | 1,417 |
| | Total long-term debt | 2,068 | 0 | 0 | 0 | 0 |
| | Total liabilities | 42,897 | 50,170 | 63,170 | 73,396 | 84,826 |
| | Shareholders' equity | 24,437 | 34,467 | 46,539 | 63,033 | 83,179 |
| | Minority interests | 249 | 344 | 486 | 680 | 917 |
| | Total equity | 24,686 | 34,811 | 47,025 | 63,713 | 84,096 |
| | Net debt | (12,803) | (12,118) | (17,164) | (29,771) | (42,678) |
| | Total liabilities & equity | 67,583 | 84,981 | 110,195 | 137,109 | 168,922 |
| | Key metrics | Dec-16 | Dec-17 | Dec-18F | Dec-19F | Dec-20F |
| | Revenue growth (%) | 78.3 | 72.7 | 27.3 | 16.5 | 16.1 |
| | Recurrent EPS growth (%) | 109.8 | 106.2 | 46.3 | 36.6 | 22.1 |
| | Gross margin (%) | 18.3 | 19.4 | 19.5 | 19.3 | 19.3 |
| | Operating EBITDA margin (%) | 14.0 | 14.2 | 14.9 | 14.6 | 14.4 |
| | Net profit margin (%) | 9.5 | 11.5 | 12.6 | 14.8 | 15.5 |
| | Dividend payout ratio (%) | 18.8 | 18.8 | 18.8 | 18.8 | 18.8 |
| | Capex/sales (%) | 5.8 | 3.7 | 8.8 | 8.8 | 8.8 |
| | Interest cover (x) | 50.8 | 75.2 | 99.0 | 109.5 | 122.7 |

Source: Company data, RHB

Figure 1: Changes to the P&L forecasts

| (HKDm) | FY18F | | | FY19F | | | FY20F | | |
|---------------------------------|----------|---------|---------|----------|---------|---------|----------|---------|---------|
| | Original | New | chg (%) | Original | New | chg (%) | Original | New | chg (%) |
| Revenue | 118,122 | 118,122 | 0% | 137,603 | 137,603 | 0% | 159,717 | 159,717 | 0% |
| Cost of goods sold | 95,107 | 95,107 | 0% | 111,066 | 111,066 | 0% | 128,916 | 128,916 | 0% |
| Gross Profit | 23,016 | 23,016 | 0% | 26,536 | 26,536 | 0% | 30,801 | 30,801 | 0% |
| Opex | (6,469) | (6,469) | 0% | (7,689) | (7,689) | 0% | (9,045) | (9,045) | 0% |
| Interest expense - net | (167) | (167) | 0% | (172) | (172) | 0% | (177) | (177) | 0% |
| JV | 652 | 1,475 | NA | 5,154 | 5,719 | NA | 7,910 | 8,218 | NA |
| Profit before tax | 17,032 | 17,855 | 5% | 23,829 | 24,394 | 2% | 29,488 | 29,796 | 1% |
| Taxation | (2,718) | (2,849) | 5% | (3,803) | (3,893) | 2% | (4,706) | (4,755) | 1% |
| Minority Interests | 136 | 142 | N/A | 190 | 194 | N/A | 235 | 237 | N/A |
| Reported net profit | 14,449 | 15,147 | 5% | 20,216 | 20,695 | 2% | 25,017 | 25,278 | 1% |
| Recurring net profit | 14,178 | 14,863 | 5% | 19,837 | 20,307 | 2% | 24,547 | 24,804 | 1% |
| Gross profit margin (%) | 19.4% | 19.5% | 0.1% | 19.2% | 19.3% | 0.1% | 19.2% | 19.3% | 0.1% |
| Reported net profit margin (%) | 11.3% | 12.8% | 1.5% | 15.2% | 15.0% | -0.1% | 15.4% | 15.8% | 0.5% |
| Recurring net profit margin (%) | 11.1% | 12.6% | 1.5% | 14.9% | 14.8% | -0.1% | 15.1% | 15.5% | 0.5% |

Source: RHB

Figure 2: Geely's 1H18 results

| CNYm | 1H18 | 1H17 | YoY | 2H18F | 2H17 | YoY | 2018F | 2,017 | YoY |
|--|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|
| Sales | 53,709 | 39,424 | 36.2% | 64,414 | 53,337 | 20.8% | 118,122 | 92,761 | 27.3% |
| COGS | 42,871 | 31,870 | 34.5% | 52,235 | 42,910 | 21.7% | 95,107 | 74,779 | 27.2% |
| Gross profit | 10,837 | 7,554 | 43.5% | 12,179 | 10,427 | 16.8% | 23,016 | 17,981 | 28.0% |
| Other income | 769 | 661 | 16.2% | 1,677 | 568 | 195.3% | 2,445 | 1,229 | 98.9% |
| Selling and distribution | 2,269 | 1,737 | 30.6% | 2,895 | 2,318 | 24.9% | 5,165 | 4,056 | 27.3% |
| G&A expense | 1,609 | 1,181 | 36.3% | 2,113 | 1,742 | 21.3% | 3,722 | 2,923 | 27.3% |
| Other expenses | 8 | 14 | -42.6% | 20 | 14 | 43.6% | 28 | 28 | 0.0% |
| Operating profit | 7,720 | 5,283 | 46.1% | 8,827 | 6,921 | 27.5% | 16,547 | 12,204 | 35.6% |
| Income/ (loss) from JCE and associates | 238 | 36 | 569.5% | 1,237 | 7 | 18170.7% | 1,475 | 42 | 3382.9% |
| Gain on disposal | 11 | 17 | -34.9% | -11 | 545 | NA | 0 | 563 | NA |
| Net interest expense | -17 | 9 | -287.7% | 185 | 26 | 610.7% | 167 | 35 | 374.4% |
| PBT | 7,987 | 5,327 | 49.9% | 9,868 | 7,447 | 32.5% | 17,855 | 12,774 | 39.8% |
| Taxation | 1,239 | 923 | 34.2% | 1,610 | 1,115 | 44.4% | 2,849 | 2,039 | 39.8% |
| Net profit | 6,747 | 4,404 | 53.2% | 8,258 | 6,332 | 30.4% | 15,005 | 10,735 | 39.8% |
| Minorities | 66 | 43 | 53.8% | 76 | 59 | 29.6% | 142 | 102 | 39.8% |
| Net profit attributable | 6,681 | 4,361 | 53.2% | 8,182 | 6,273 | 30.4% | 14,863 | 10,634 | 39.8% |
| Recurring | 6,672 | 4,347 | 53.5% | 8,191 | 5,809 | 41.0% | 14,863 | 10,161 | 46.3% |
| Key metrics | | | | | | | | | |
| Gross margin | 20.2% | 19.2% | 1.0% | 18.9% | 19.5% | -0.6% | 19.5% | 19.4% | 0.1% |
| Operating margin | 14.4% | 13.4% | 1.0% | 13.7% | 13.0% | 0.7% | 14.0% | 13.2% | 0.9% |
| Net margin | 12.6% | 11.2% | 1.4% | 12.8% | 11.9% | 0.9% | 12.7% | 11.6% | 1.1% |
| Selling as % of Sales | 4.2% | 4.4% | -0.2% | 4.5% | 4.3% | 0.1% | 4.4% | 4.4% | 0.0% |
| G&A as % of Sales | 3.0% | 3.0% | 0.0% | 3.3% | 3.3% | 0.0% | 3.2% | 3.2% | 0.0% |
| Tax rate | 15.5% | 17.3% | -1.8% | 16.3% | 15.0% | 1.3% | 16.0% | 16.0% | 0.0% |

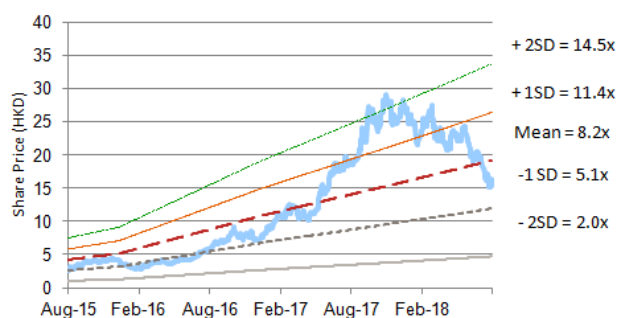
Source: RHB

Figure 3: Geely's DCF valuation

| CNYm | 2018F | 2019F | 2020F | 2021F | 2022F | 2023F | TV |
|----------------------------|--------------|---------------|---------------|---------------|---------------|---------------|----------------|
| EBIT | 16,547 | 18,848 | 22,617 | 24,879 | 27,367 | 30,103 | |
| Tax rate | 16% | 16% | 16% | 16% | 16% | 16% | |
| EBIT*(1-t) | 13,906 | 15,840 | 19,008 | 20,908 | 22,999 | 25,299 | |
| Dep | 1,110 | 1,246 | 1,496 | 1,795 | 1,974 | 2,171 | |
| Chg in working capital | (2,129) | (56) | 2,735 | 3,282 | 3,938 | 4,726 | |
| Capex | (10,345) | (12,052) | (13,988) | (16,786) | (20,143) | (24,172) | |
| Dividends from investments | 1,475 | 5,719 | 6,863 | 8,235 | 9,882 | 11,858 | |
| FCFF | 4,017 | 10,698 | 16,112 | 17,434 | 18,650 | 19,883 | 262,091 |
| Discount factor | 1.00 | 1.10 | 1.20 | 1.32 | 1.45 | 1.59 | 1.59 |
| PV of FCFF | 4,017 | 9,748 | 13,379 | 13,192 | 12,860 | 12,494 | 164,690 |
| Present corporate value | 230,382 | | | | | | |
| + cash | 18,499 | | | | | | |
| - Borrowings | (1,335) | | | | | | |
| Present equity value | 247,545 | | | | | | |
| DCF value per share | | | | | | | |
| TP (HKD) | 30.8 | | | | | | |
| Assumptions | | | | | | | |
| WACC | 9.7% | | | | | | |
| Risk-free rate | 4.5% | | | | | | |
| Beta | 1.2 | | | | | | |
| Market return | 10.2% | | | | | | |
| Cost of equity | 11.3% | | | | | | |
| Cost of debt | 6% | | | | | | |
| Debt/(Debt+Equity) | 30% | | | | | | |
| Terminal growth | 2% | | | | | | |

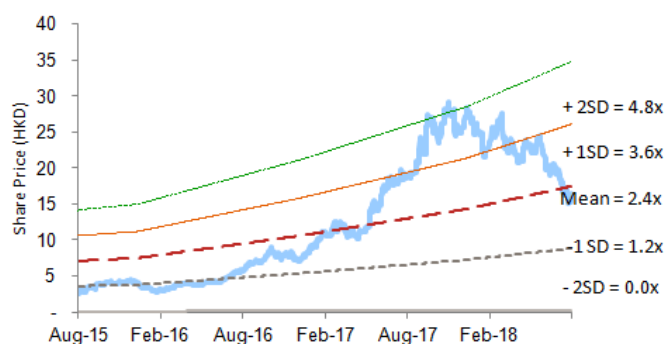
Source: RHB

Figure 4: Geely's 3-year forward P/E band



Source: Bloomberg, RHB

Figure 5: Geely's 3-year forward P/BV band



Source: Bloomberg, RHB

Figure 6: Peers comparison I

| Company | Ticker | Price | Mkt cap (US\$m) | 3-mth avg t/o (US\$m) | PER Hist (x) | PER FY1 (x) | PER FY2 (x) | EPS FY1 YoY% | EPS FY2 YoY% | 3-Yr EPS Cagr (%) | PEG (x) | Div yld Hist (%) | Div yld FY1 (%) | P/B Hist (x) | P/B FY1 (x) |
|--------------------------|-----------|---------------|-----------------|-----------------------|--------------|--------------|-------------|----------------|--------------|-------------------|-------------|------------------|-----------------|--------------|-------------|
| GEELY AUTOMOBILE | 175 HK | 16.44 | 18,826 | 122.7 | 26.6 | 12.0 | 9.0 | 121.2 | 34.1 | 60.7 | 0.2 | 1.8 | 1.6 | 3.3 | 3.7 |
| HSI | | 27,933 | | | 10.8 | 11.4 | 10.2 | (5.3) | 10.9 | 4.9 | 2.3 | 3.8 | 3.6 | 1.3 | 1.2 |
| CSI300 | | 3,308 | | | 12.4 | 11.2 | 9.7 | 11.3 | 15.3 | 14.1 | 0.8 | 2.4 | 2.8 | 1.6 | 1.5 |
| Sector avg (Auto) | | | | | 11.4 | 9.9 | 8.8 | 11.0 | 13.4 | 3.0 | 1.1 | 3.7 | 3.7 | 1.9 | 1.6 |
| Chinese OEMs-H | | | | | | | | | | | | | | | |
| BYD CO LTD-H | 1211 HK | 49.30 | 17,613 | 33.0 | 22.9 | 30.7 | 31.9 | (25.3) | (3.8) | (1.6) | N/A | 0.3 | 0.3 | 2.3 | 2.0 |
| GREAT WALL MOT-H | 2333 HK | 4.84 | 8,065 | 29.8 | 3.7 | 7.7 | 5.5 | (52.4) | 38.7 | (8.6) | N/A | 4.3 | 4.0 | 0.8 | 0.8 |
| DONGFENG MOTOR-H | 489 HK | 7.85 | 8,616 | 12.4 | 4.2 | 4.2 | 4.1 | (1.1) | 3.0 | 1.1 | 3.9 | 7.6 | 4.3 | 0.5 | 0.5 |
| GUANGZHOU AUTO-H | 2238 HK | 7.39 | 13,651 | 30.7 | 5.4 | 5.0 | 4.5 | 8.4 | 11.5 | 9.5 | 0.5 | 6.2 | 6.2 | 1.0 | 0.8 |
| BRILLIANCE CHINA | 1114 HK | 10.88 | 6,980 | 36.5 | 10.9 | 7.1 | 5.7 | 54.3 | 24.9 | 30.5 | 0.2 | 1.0 | 1.5 | 1.8 | 1.5 |
| BAIC MOTOR-H | 1958 HK | 6.40 | 6,545 | 19.3 | 18.6 | 6.6 | 5.1 | 183.3 | 29.6 | 63.7 | 0.1 | 1.8 | 5.2 | 1.0 | 0.9 |
| Average | | | | | 10.95 | 10.20 | 9.46 | 27.88 | 17.32 | 15.77 | 1.19 | 3.56 | 3.61 | 1.24 | 1.07 |
| Chinese OEMs-A | | | | | | | | | | | | | | | |
| GREAT WALL MO-A | 601633 CH | 6.99 | 8,065 | 8.8 | 12.7 | 8.9 | 7.9 | 42.4 | 12.5 | 21.2 | 0.4 | 2.4 | 3.4 | 1.2 | 1.2 |
| GUANGZHOU AUTO-A | 601238 CH | 10.32 | 13,651 | 13.4 | 8.6 | 8.2 | 7.1 | 4.5 | 15.4 | 9.2 | 0.9 | 3.7 | 3.6 | 1.4 | 1.2 |
| SAIC MOTOR-A | 600104 CH | 28.55 | 48,717 | 74.8 | 9.6 | 8.8 | 8.2 | 9.0 | 8.5 | 8.2 | 1.1 | 6.4 | 6.9 | 1.4 | 1.4 |
| CHONGQING CHAN-A | 000625 CH | 7.04 | 4,789 | 13.6 | 4.7 | 5.9 | 5.2 | (19.7) | 13.5 | (2.2) | N/A | 6.3 | 5.1 | 0.7 | 0.7 |
| Average | | | | | 8.92 | 7.97 | 7.10 | 9.06 | 12.48 | 9.09 | 0.80 | 4.71 | 4.77 | 1.20 | 1.11 |
| European OEMs | | | | | | | | | | | | | | | |
| BAYER MOTOREN WK | BMW GY | 83.40 | 62,668 | 135.4 | 6.4 | 7.4 | 7.1 | (14.4) | 4.0 | (2.5) | N/A | 4.8 | 4.7 | 1.0 | 0.9 |
| DAIMLER AG | DAI GY | 56.12 | 69,406 | 223.3 | 5.7 | 6.4 | 6.0 | (10.9) | 5.9 | (1.7) | N/A | 6.5 | 6.3 | 1.0 | 0.9 |
| FIAT CHRYSLER AU | FCA IM | 14.45 | 25,678 | 155.3 | N/A | 4.6 | 4.3 | N/A | 6.3 | N/A | N/A | N/A | 1.6 | N/A | 0.9 |
| PEUGEOT SA | UG FP | 24.94 | 26,082 | 59.6 | 11.4 | 7.4 | 6.6 | 53.7 | 13.0 | 21.3 | 0.3 | 2.1 | 3.2 | 1.4 | 1.4 |
| RENAULT SA | RNO FP | 74.02 | 25,296 | 75.6 | 3.9 | 4.8 | 4.6 | (19.1) | 4.6 | (5.1) | N/A | 4.8 | 5.1 | 0.6 | 0.6 |
| VOLKSWAGEN AG | VOW GY | 141.20 | 81,925 | 13.6 | 6.2 | 5.7 | 5.0 | 9.5 | 14.6 | 10.0 | 0.6 | 2.8 | 3.8 | 0.7 | 0.6 |
| VOLKSWAGEN-PREF | VOW3 GY | 141.74 | 81,925 | 169.9 | 6.3 | 5.7 | 5.0 | 9.5 | 14.6 | 10.0 | 0.6 | 2.8 | 3.7 | 0.7 | 0.6 |
| Average | | | | | 6.65 | 6.02 | 5.53 | 4.73 | 9.00 | 5.35 | 0.50 | 3.96 | 4.05 | 0.91 | 0.83 |
| US OEMs | | | | | | | | | | | | | | | |
| FORD MOTOR CO | F US | 9.86 | 39,299 | 401.2 | 5.2 | 7.3 | 7.1 | (29.2) | 3.0 | (6.7) | N/A | 7.4 | 6.4 | 1.1 | 1.0 |
| GENERAL MOTORS C | GM US | 36.91 | 52,076 | 475.0 | N/A | 6.2 | 6.2 | N/A | 0.1 | (229.4) | N/A | 4.1 | 4.1 | 1.4 | 1.4 |
| Average | | | | | 5.16 | 6.73 | 6.62 | (29.21) | 1.54 | (118.02) | N/A | 5.76 | 5.29 | 1.25 | 1.21 |
| European OEMs | | | | | | | | | | | | | | | |
| SUBARU CORP | 7270 JP | 3,376 | 23,513 | 94.2 | 11.7 | 9.8 | 8.8 | 19.3 | 12.2 | 11.8 | 0.8 | 4.3 | 4.3 | 1.7 | 1.5 |
| HONDA MOTOR CO | 7267 JP | 3,384 | 55,504 | 127.4 | 5.7 | 8.4 | 7.8 | (31.9) | 7.2 | (7.0) | N/A | 3.0 | 3.4 | 0.7 | 0.7 |
| MAZDA MOTOR | 7261 JP | 1,297 | 7,417 | 52.4 | 7.1 | 9.3 | 7.9 | (23.5) | 17.2 | (0.9) | N/A | 2.7 | 2.7 | 0.7 | 0.6 |
| NISSAN MOTOR CO | 7201 JP | 1,057 | 40,396 | 112.6 | 5.5 | 7.7 | 7.0 | (28.2) | 10.3 | (4.6) | N/A | 5.0 | 5.4 | 0.8 | 0.7 |
| SUZUKI MOTOR | 7269 JP | 7,639 | 33,965 | 121.0 | 15.6 | 14.1 | 13.1 | 10.8 | 7.2 | 8.3 | 1.7 | 1.0 | 1.1 | 2.5 | 2.3 |
| TOYOTA MOTOR | 7203 JP | 6,879 | 203,243 | 447.4 | 8.2 | 8.6 | 8.0 | (5.5) | 7.4 | 2.5 | 3.4 | 3.2 | 3.4 | 1.1 | 1.0 |
| Average | | | | | 8.98 | 9.66 | 8.78 | (9.81) | 10.26 | 1.69 | 1.99 | 3.20 | 3.37 | 1.24 | 1.15 |
| Korean OEMs | | | | | | | | | | | | | | | |
| HYUNDAI MOTOR | 005380 KS | 126,000 | 24,026 | 62.3 | 8.4 | 9.5 | 7.6 | (11.2) | 25.1 | 8.4 | 1.1 | 3.2 | 3.4 | 0.4 | 0.5 |
| KIA MOTORS CORP | 000270 KS | 32,050 | 11,594 | 23.6 | 13.3 | 7.7 | 6.2 | 73.5 | 24.0 | 34.5 | 0.2 | 2.5 | 3.0 | 0.5 | 0.5 |
| Average | | | | | 10.84 | 8.56 | 6.87 | 31.12 | 24.58 | 21.44 | 0.67 | 2.84 | 3.18 | 0.42 | 0.47 |
| India OEMs | | | | | | | | | | | | | | | |
| ASHOK LEYLAND | AL IN | 128.7 | 5,403 | 48.8 | 21.4 | N/A | N/A | N/A | N/A | N/A | N/A | 1.9 | 1.8 | 5.1 | N/A |
| BAJAJ AUTO LTD | BJAUT IN | 2,728.5 | 11,291 | 31.6 | 18.7 | 17.7 | 15.9 | 5.9 | 11.2 | 7.2 | 2.4 | 2.2 | 2.3 | 3.9 | 3.5 |
| HERO MOTOCORP LT | HMCL IN | 3,316.8 | 9,473 | 21.3 | 17.8 | 17.2 | 15.5 | 3.5 | 10.8 | 9.6 | 1.8 | 2.9 | 3.1 | 5.5 | 5.0 |
| MAHINDRA & MAHIN | MM IN | 957.8 | 17,028 | 34.1 | 13.8 | 19.3 | 16.8 | (28.4) | 14.8 | N/A | N/A | 0.8 | 1.0 | 2.8 | 3.0 |
| MARUTI SUZUKI IN | MSIL IN | 9,113.3 | 39,369 | 65.2 | 34.9 | 28.7 | 23.6 | 21.8 | 21.8 | N/A | N/A | 0.9 | 1.3 | 6.5 | 5.6 |
| TATA MOTORS LTD | TTMT IN | 268.8 | 12,151 | 59.7 | 10.2 | 11.0 | 7.9 | (7.9) | 38.9 | 14.6 | 0.8 | N/A | 0.4 | N/A | 0.9 |
| Average | | 0 | 0 | 0 | 19 | 19 | 16 | (1) | 20 | 10 | 2 | 1.7 | 1.7 | 4.8 | 3.6 |
| Turkish OEMs | | | | | | | | | | | | | | | |
| TOFAS | TOASO TI | 20.94 | 1,722 | 5.2 | 8.1 | 7.3 | 7.0 | 11.9 | 3.7 | 9.1 | 0.8 | 7.6 | 7.9 | 3.3 | 2.6 |
| FORD OTO | FROTO TI | 54.65 | 3,154 | 4.6 | 12.9 | 10.1 | 9.8 | 27.9 | 2.4 | 16.0 | 0.6 | 6.2 | 6.2 | 5.3 | 4.7 |
| Average | | | | | 10.51 | 8.67 | 8.42 | 19.91 | 3.04 | 12.56 | 0.71 | 6.92 | 7.08 | 4.29 | 3.63 |

Note: Closing price as at 22 Aug 2018

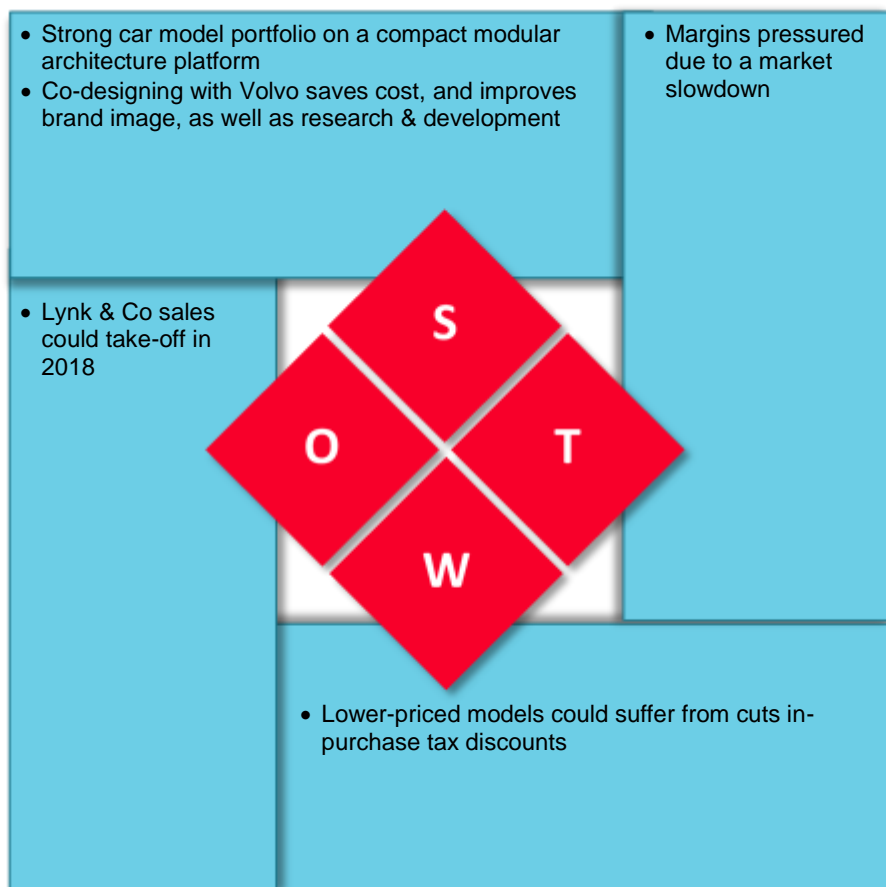
Source: RHB Bloomberg

Figure 7: Peers comparison II

| Company | Rev Hist (US\$m) | Rev FY1 (US\$m) | NP Hist (US\$m) | NP FY1 (US\$m) | Unlev beta | Gross margin Hist (%) | Net margin Hist (%) | Net margin FY1 (%) | ROE Hist (%) | ROE FY1 (%) | Sh px 1-mth % | Sh px 3-mth % |
|--------------------------|---------------------|--------------------|--------------------|-------------------|-------------|-----------------------------|---------------------------|--------------------------|-----------------|----------------|------------------|------------------|
| GEELY AUTOMOBILE | 13,548 | 13,548 | 1,553 | 1,553 | 1.5 | 19.4 | 11.5 | 11.5 | 38.7 | 35.7 | (14.2) | (29.4) |
| HSI | | | | | | | | | 11.8 | 11.0 | (1.0) | (10.5) |
| CSI300 | | | | | | | | | 13.0 | 13.3 | (5.3) | (15.3) |
| Sector avg (Auto) | 61,482 | 64,951 | 3,310 | 3,593 | 0.9 | 17.7 | 9 | 10 | 16.7 | 16.6 | (1.2) | (12.4) |
| Chinese OEMs | | | | | | | | | | | | |
| BYD CO LTD-H | 14,993 | 14,993 | 594 | 532 | 0.7 | 17.5 | 4.0 | 3.5 | 6.7 | 7.7 | 12.2 | (7.2) |
| GREAT WALL MOT-H | 14,206 | 14,776 | 734 | 734 | 0.6 | 15.6 | 5.2 | 5.0 | 10.4 | 10.4 | (11.0) | (38.2) |
| DONGFENG MOTOR-H | 18,259 | 18,290 | 2,054 | 2,045 | 0.6 | 12.9 | 11.2 | 11.2 | 13.7 | 12.1 | 3.4 | (12.0) |
| GUANGZHOU AUTO-H | 10,454 | 12,301 | 1,607 | 1,847 | 1.0 | 18.0 | 15.4 | 15.0 | 19.4 | 17.3 | 2.9 | (26.0) |
| BRILLIANCE CHINA | 775 | 810 | 639 | 977 | 0.7 | 3.5 | 82.5 | 120.5 | 17.4 | 22.0 | (2.5) | (23.4) |
| BAIC MOTOR-H | 19,595 | 22,601 | 329 | 1,005 | 0.7 | 26.5 | 1.7 | 4.4 | 5.6 | 15.2 | 0.2 | (16.5) |
| GREAT WALL MO-A | 14,206 | 16,048 | 734 | 1,054 | 0.6 | 15.6 | 5.2 | 6.6 | 10.3 | 13.5 | (23.9) | (37.5) |
| GUANGZHOU AUTO-A | 10,454 | 12,516 | 1,607 | 1,890 | 0.7 | 18.0 | 15.4 | 15.1 | 18.0 | 17.4 | (0.2) | (23.1) |
| SAIC MOTOR-A | 126,011 | 138,082 | 5,026 | 5,487 | 0.8 | 13.6 | 4.0 | 4.0 | 15.9 | 15.8 | (11.9) | (17.9) |
| CHONGQING CHAN-A | 11,237 | 11,739 | 1,042 | 843 | N.A | 9.8 | 9.3 | 7.2 | 12.9 | 12.7 | (11.2) | (33.7) |
| Average | 24,019 | 26,216 | 1,437 | 1,641 | 0.7 | 15.1 | 15.4 | 19.3 | 13.0 | 14.4 | (4.2) | (23.6) |
| European OEMs | | | | | | | | | | | | |
| BAYER MOTOREN WK | 85,376 | 85,641 | 7,458 | 6,389 | 0.7 | 20.2 | 8.7 | 7.5 | 16.4 | 13.1 | 5.2 | (8.2) |
| DAIMLER AG | 142,179 | 145,181 | 9,106 | 8,065 | 1.1 | 20.9 | 6.4 | 5.6 | 15.3 | 15.4 | (2.0) | (17.9) |
| FIAT CHRYSLER AU | 95,980 | 98,882 | 3,020 | 4,214 | 1.3 | 15.3 | 3.1 | 4.3 | 16.4 | 20.2 | (12.1) | (25.5) |
| PEUGEOT SA | 56,420 | 66,218 | 1,669 | 2,678 | 1.3 | 18.6 | 3.0 | 4.0 | 14.7 | 18.8 | 20.7 | 19.0 |
| RENAULT SA | 50,848 | 52,243 | 4,425 | 3,642 | 1.1 | 20.9 | 8.7 | 7.0 | 14.3 | 12.8 | 1.1 | (19.4) |
| VOLKSWAGEN AG | 199,586 | 208,019 | 10,061 | 10,735 | 1.1 | 18.4 | 5.0 | 5.2 | 11.7 | 11.5 | (1.1) | (18.0) |
| VOLKSWAGEN-PREF | 199,586 | 208,019 | 10,061 | 10,735 | 1.2 | 18.4 | 5.0 | 5.2 | 11.7 | 11.5 | (2.1) | (19.8) |
| Average | 118,568 | 123,458 | 6,543 | 6,637 | 1.12 | 18.97 | 6 | 6 | 14.37 | 14.75 | 1.38 | (12.81) |
| US OEMs | | | | | | | | | | | | |
| FORD MOTOR CO | 156,776 | 146,943 | 7,602 | 5,495 | 1.0 | 10.4 | 4.8 | 3.7 | 19.7 | 15.3 | (6.6) | (14.4) |
| GENERAL MOTORS C | 145,588 | 145,079 | (3,864) | 8,518 | 1.1 | 21.1 | (2.7) | 5.9 | (11.6) | 23.3 | (6.3) | (3.6) |
| Average | 151,182 | 146,011 | 1,869 | 7,006 | 1.08 | 15.76 | 1.10 | 4.81 | 4.08 | 19.33 | (6.47) | (8.99) |
| European OEMs | | | | | | | | | | | | |
| SUBARU CORP | 30,836 | 30,249 | 1,995 | 2,375 | 0.9 | 28.3 | 6.5 | 7.9 | 12.0 | 16.0 | 5.4 | (5.7) |
| HONDA MOTOR CO | 139,103 | 142,491 | 9,593 | 6,481 | N.A | 21.9 | 6.9 | 4.5 | 14.1 | 8.8 | 2.8 | (8.4) |
| MAZDA MOTOR | 31,459 | 32,343 | 1,015 | 808 | 1.3 | 23.6 | 3.2 | 2.5 | 8.5 | 7.3 | (5.5) | (12.8) |
| NISSAN MOTOR CO | 108,224 | 106,715 | 6,763 | 4,868 | N.A | 17.9 | 6.2 | 4.6 | 14.3 | 9.8 | 2.2 | (7.6) |
| SUZUKI MOTOR | 34,024 | 35,889 | 1,954 | 2,182 | 0.8 | 29.4 | 5.7 | 6.1 | 18.7 | 17.1 | 14.4 | 19.8 |
| TOYOTA MOTOR | 266,046 | 268,415 | 22,584 | 20,831 | 0.7 | 18.7 | 8.5 | 7.8 | 13.7 | 11.8 | (7.5) | (8.6) |
| Average | 101,615 | 102,684 | 7,317 | 6,258 | 0.92 | 23.29 | 6.18 | 5.55 | 13.56 | 11.79 | 1.96 | (3.88) |
| Korean OEMs | | | | | | | | | | | | |
| HYUNDAI MOTOR | 86,122 | 86,767 | 3,604 | 3,129 | N.A | 18.2 | 4.2 | 3.6 | 3.7 | 5.1 | (0.8) | (15.4) |
| KIA MOTORS CORP | 47,840 | 47,976 | 865 | 1,516 | 1 | 16.7 | 1.8 | 3.2 | 2.1 | 6.2 | (0.5) | (5.6) |
| Average | 66,981 | 67,372 | 2,234 | 2,322 | 0.55 | 17.45 | 3.00 | 3.38 | 2.89 | 5.63 | (0.63) | (10.52) |
| India OEMs | | | | | | | | | | | | |
| ASHOK LEYLAND | 4,161 | N/A | 252 | N/A | 0.4 | N/A | 6.1 | N/A | 25.5 | N/A | 19.8 | (8.7) |
| BAJAJ AUTO LTD | 3,537 | 4,110 | 604 | 640 | 0.8 | N/A | 17.1 | 15.6 | 22.2 | 20.5 | (3.9) | (2.8) |
| HERO MOTOCORP LT | 4,555 | 5,053 | 533 | 552 | 0.7 | N/A | 11.7 | 10.9 | 33.4 | 29.0 | (1.8) | (5.2) |
| MAHINDRA & MAHIN | 11,727 | 12,766 | 1,076 | 831 | 0.5 | N/A | 9.2 | 6.5 | 22.6 | 15.9 | 5.3 | 15.4 |
| MARUTI SUZUKI IN | 11,187 | 13,211 | 1,129 | 1,388 | 1.0 | N/A | 10.1 | 10.5 | 19.8 | 20.6 | (3.0) | 6.5 |
| TATA MOTORS LTD | 41,331 | 46,653 | 1,287 | 1,182 | 1.4 | N/A | 3.1 | 2.5 | N/A | 8.5 | 6.1 | (12.6) |
| Average | 12,750 | 16,358 | 813 | 919 | 1 | N/A | 10 | 9 | 25 | 19 | 4 | (1) |
| Turkish OEMs | | | | | | | | | | | | |
| TOFAS | 2,939 | 3,425 | 211 | 237 | N.A | 11.3 | 7.2 | 6.9 | 44.6 | 37.0 | (5.2) | (12.8) |
| FORD OTO | 4,168 | 5,284 | 245 | 311 | N.A | 10.4 | 5.9 | 5.9 | 51.2 | 46.4 | (10.6) | (10.1) |
| Average | 3,554 | 4,354 | 228 | 274 | N/A | 10.87 | 6.53 | 6.40 | 47.88 | 41.70 | (7.90) | (11.43) |

Source: RHB, Bloomberg

SWOT Analysis



Recommendation Chart



| Date | Recommendation | Target Price | Price |
|------------|----------------|--------------|-------|
| 2018-07-12 | Buy | 29.0 | 20.4 |
| 2018-03-22 | Buy | 29.0 | 25.3 |
| 2017-11-29 | Buy | 32.1 | 28.0 |
| 2017-08-17 | Buy | 23.1 | 19.0 |
| 2017-07-24 | Neutral | 15.6 | 18.6 |
| 2017-06-05 | Neutral | 14.2 | 14.4 |
| 2017-05-05 | Buy | 12.0 | 10.3 |

Source: RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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| RHB Research Institute Sdn Bhd Level 3A, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur 50400 Malaysia Tel : +(60) 3 9280 8888 Fax : +(60) 3 9200 2216 | RHB Securities Hong Kong Ltd. 12 th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908 | RHB Research Institute Singapore Pte Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211 |
| Jakarta | Shanghai | Bangkok |
| PT RHB Sekuritas Indonesia Wisma Mulia, 20th Floor Jl. Jenderal Gatot Subroto No. 42 Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777 | RHB (China) Investment Advisory Co. Ltd. Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633 | RHB Securities (Thailand) PCL 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 088 9999 Fax : +(66) 2 088 9799 |