

14 May 2018

Consumer Cyclical | Auto & Autoparts

Auto & Autoparts

Neutral (Maintained)

Strong April Sales

Stocks Covered: 3
 Ratings (Buy/Neutral/Sell): 1 / 1 / 1
 Last 12m Earnings Revision Trend: Neutral

We remain **NEUTRAL** on the sector. On 11 May, the CPCA published its April China auto sales figures. PV sales increased 10.1% YoY, while the sales of PVs excluding minibuses increased 12.2% YoY. This was in line with our expectations. These increases were driven by the low base in Apr 2017 due to the drop in sales of South Korean cars. For the auto market, industry concentration continues on, as Geely leads with a 41% YoY growth.

On 11 May, the China Passenger Car Association (CPCA) published its April auto sales numbers. Passenger vehicles (PV) sales during this period stood at 1.90m units, (+10.1% YoY), while sales of PVs excluding minibuses was at 1.87m units (+12.2% YoY). These numbers are in line with our expectations, and were driven by the recovery by South Korean brands. We are now expecting high single-digit volume growth for May.

By segment, SUV sales stood at 815,445 units (+18.2% YoY), and this segment continues to lead auto growth. Sedan sales saw a 10.2% YoY growth to 924,623 units – this was driven by new energy vehicle (NEV) sales, especially the A00 or small car segment. Meanwhile, MPVs sales dipped 5.5% YoY to 132,014 units.

We see double-digit sales growth going forward, in line with expectations. This takes into consideration the low base that was Apr 2017, when sales of South Korean autos dropped severely. It also factors in the >100% YoY growth in April that both Dongfeng Yueda Kia (DF-Kia) and Beijing Automotive Industry (BAIC)-Hyundai experienced after posting recoveries.

For 4M18, sales of PVs excluding minibuses sales stood at 7.86m units (+ 5.6% YoY). By segment, SUV sales rose 13.2% YoY to 3.48m units – this portion of the market continues to lead in auto sales growth. Sedan sales during this period climbed 2.8% YoY to 3.78m units, while MPV sales fell 13.3% YoY to 597,049 units.

Although April sales saw strong growth, we maintain our **NEUTRAL** call on the auto & autoparts sector. We expect Geely Automobile (Geely) to continue to lead this industry in terms of growth. We also retain our **NEUTRAL** and **SELL** recommendations on BYD and Great Wall Motor (GWM) respectively, and remain cautious with regards to the latter's future sales numbers.

Company Name	Rating	Price	Target	% Upside (Downside)	P/E (x) Dec-19F	P/B (x) Dec-19F	Yield (%) Dec-19F
Geely Automobile	BUY	HKD23.55	HKD29.00	23.1	9.5	2.8	2.0
BYD	NEUTRAL	HKD53.95	HKD67.90	7.3	21.2	1.7	0.9
Great Wall Motor	SELL	HKD8.06	HKD6.00	(25.6)	7.4	1.0	4.1

Source: Company data, RHB

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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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