

Autohome

New businesses offset weak traditional business

Reiterate Rating: NEUTRAL | PO: 32.00 USD | Price: 24.06 USD

Trend continues: weaker ad, fast online marketplace

Autohome's 4Q topline and adjusted net profit are largely in-line with consensus. Total revenue grew by 1% YoY to RMB1.91bn, vs. consensus' RMB1.91bn. Non-GAAP NP is RMB503mn (26% margin, 25% YoY decline), vs. consensus' RMB493mn. Media service revenue declined by (18)% YoY, weaker than our (13%). Lead generation service revenues growth of 7% YoY is better than our 2%, thanks to NEV leads. Online marketplace continued to drive topline growth, offsetting the decline in traditional businesses. Online marketplace's 15% YoY is in-line with our expectation. We maintain 1Q24e topline growth at 2% YoY and adjusted NPM at 27%. Maintain PO at USD32/HKD63. We expect auto ad to remain under pressure in 2024 as ICEV market will continue to decline, and hence reiterate Neutral rating. We like company's rich cash - USD25 net cash per share (factor in dividend payout) and attractive dividend policy - no less than RMB1.5bn dividend every year (semi-annual payment) in 2024-26, representing probably a high-single-digit dividend yield.

2024: collaboration with Ping An, new businesses, AI

In 2024, company has four strategies: 1) accelerate collaboration with Ping An Group to leverage each's strength and create a closed-loop auto ecosystem. Ping An provides insurance service to close to 60mn car owners and they will integrate the user channel; 2) enhance content quality to reinforce user mindshare; 3) be user-centric and cover user's needs across the entire auto lifecycle; and 4) innovate and expand new businesses - Autohome Energy Space new retail and used car business. Autohome achieved its target of 20 Energy Space stores by 2023 (tens million RMB revenue level in 2023), and reiterates its target to add 30 cities in 2024. Company has applied AI in many business scenarios to help auto dealers improve content productivity, user engagement, and operation efficiency. Based on AI and big data, Autohome launched Cloud Smart Selection and Qixintong (Enterprise Messenger). Based on LLM, Autohome launched AIGC and Operation Butler products.

Estimates (Dec) (CNY)	2021A	2022A	2023E	2024E	2025E
Net Income (Adjusted - mn)	2,374	2,120	2,070	1,855	1,972
EPS	19.01	16.99	17.24	15.12	16.07
EPS Change (YoY)	-36.9%	-10.6%	1.5%	-12.3%	6.3%
Dividend / Share	3.42	4.00	8.24	12.25	12.25
Free Cash Flow / Share	26.45	19.61	16.58	15.23	15.90
Common EPS (CNY)	4.75	4.25	4.31	3.78	4.02
Common Dividend / Share (CNY)	0.855	1.00	2.06	3.06	3.06
Valuation (Dec)					
P/E	8.07x	9.84x	9.90x	11.46x	10.78x
Dividend Yield	2.23%	2.39%	4.83%	7.08%	7.08%
EV / EBITDA*	8.92x	12.02x	13.38x	13.84x	12.52x
Free Cash Flow Yield*	15.48%	11.47%	9.54%	8.73%	9.12%

* For full definitions of *IQmethod*SM measures, see page 5.

07 February 2024

Equity

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Stock Data

Price (ADR / Common)	24.06 USD / 48.00 HKD
Price Objective	32.00 USD / 63.00 HKD
Date Established	5-Feb-2024 / 5-Feb-2024
Investment Opinion	C-2-8 / C-2-8
52-Week Range	23.81 USD-37.82 USD
Market Value (mn)	2,965 USD
Shares Outstanding (mn)	123.2 / 492.9
Average Daily Value (mn)	10.61 USD
Free Float	0.5%
BofA Ticker / Exchange	ATHM / NYS
BofA Ticker / Exchange	XXYZF / HKG
Bloomberg / Reuters	ATHM US / ATHM.N
ROE (2023E)	8.5%
Net Dbt to Eqty (Dec-2022A)	-11.2%

ICEV: Internal combustion engine vehicle

NEV: New energy vehicle

LLM: Large language model

AIGC: AI generated content

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Refer to important disclosures on page 6 to 9. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.

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Timestamp: 06 February 2024 11:43AM EST

iQprofileSM Autohome

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(CNY Millions)					
Sales	7,237	6,941	7,174	7,456	7,741
Gross Profit	6,189	5,706	5,733	5,919	6,188
Sell General & Admin Expense	(3,208)	(3,277)	(3,459)	(3,646)	(3,747)
Operating Profit	1,782	1,248	1,079	1,020	1,150
Net Interest & Other Income	396	515	811	829	829
Associates	NA	NA	NA	NA	NA
Pretax Income	2,177	1,763	1,890	1,849	1,979
Tax (expense) / Benefit	(34)	62	(1)	(185)	(198)
Net Income (Adjusted)	2,374	2,120	2,070	1,855	1,972
Average Fully Diluted Shares Outstanding	125	125	123	123	123

Key Cash Flow Statement Data

Net Income	2,170	1,807	1,843	1,624	1,741
Depreciation & Amortization	309	305	315	328	340
Change in Working Capital	735	120	(70)	(21)	(56)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	309	333	235	232	232
Cash Flow from Operations	3,524	2,565	2,324	2,162	2,256
Capital Expenditure	(220)	(118)	(287)	(298)	(310)
(Acquisition) / Disposal of Investments	(3,594)	(2,994)	0	0	0
Other Cash Inflow / (Outflow)	1	2	0	0	0
Cash Flow from Investing	(3,813)	(3,109)	(287)	(298)	(310)
Shares Issue / (Repurchase)	3,535	(719)	0	0	0
Cost of Dividends Paid	(673)	(422)	(499)	(1,012)	(1,500)
Cash Flow from Financing	2,821	(1,058)	(499)	(1,012)	(1,500)
Free Cash Flow	3,304	2,448	2,037	1,864	1,947
Net Debt	(4,237)	(2,801)	(4,339)	(5,190)	(5,637)
Change in Net Debt	(2,609)	1,684	(1,538)	(852)	(447)

Key Balance Sheet Data

Property, Plant & Equipment	381	255	227	197	166
Other Non-Current Assets	4,692	5,036	5,004	5,004	5,004
Trade Receivables	2,139	1,928	1,992	2,071	2,150
Cash & Equivalents	4,237	2,801	4,339	5,190	5,637
Other Current Assets	16,950	19,696	19,756	19,783	19,788
Total Assets	28,399	29,716	31,318	32,246	32,746
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	605	569	569	569	569
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	3,986	4,059	4,113	4,198	4,225
Total Liabilities	4,592	4,627	4,681	4,766	4,794
Total Equity	23,808	25,089	26,637	27,480	27,952
Total Equity & Liabilities	28,399	29,716	31,318	32,246	32,746

iQmethodSM - Bus Performance*

Return On Capital Employed	9.0%	6.5%	6.5%	6.0%	6.3%
Return On Equity	11.8%	9.3%	8.5%	7.3%	7.6%
Operating Margin	24.6%	18.0%	15.0%	13.7%	14.9%
EBITDA Margin	28.9%	22.4%	19.4%	18.1%	19.2%

iQmethodSM - Quality of Earnings*

Cash Realization Ratio	1.5x	1.2x	1.1x	1.2x	1.1x
Asset Replacement Ratio	0.7x	0.4x	0.9x	0.9x	0.9x
Tax Rate (Reported)	1.6%	NM	0.1%	10.0%	10.0%
Net Debt-to-Equity Ratio	-17.8%	-11.2%	-16.3%	-18.9%	-20.2%
Interest Cover	NM	NA	NA	NA	NA

Key Metrics

* For full definitions of iQmethodSM measures, see page 5.

Company Sector

Internet/e-Commerce

Company Description

Incorporated in 2008, Autohome is the leading online auto vertical in China. Through its websites, autohome.com.cn and che168.com, and corresponding mobile applications, Autohome delivers comprehensive and interactive automobile-related content to auto buyers and owners. Autohome primarily monetizes through marketing, subscription based services and transaction & finance product facilitation services to automakers and auto dealers.

Investment Rationale

We expect Autohome to be affected by ICEV auto market's headwind in the near term. We are cautious on the medium term outlook as auto market may be lackluster and competition pressure may persist. We believe stock downside may find support from its rich cash balance and attractive dividend policy.

Stock Data

Shares / Common	0.25
Price to Book Value	0.9x

Price objective basis & risk

Autohome (ATHM / XXYZF)

Our discounted cash flow (DCF)-based PO of US\$32 (HKD63) is based on 1) discount rate of 18%, 2) terminal growth rate of 1%, 3) 2021-26E FCF CAGR of -14%, 4) net cash per share of US\$25, and 5) RMBUSD rate of 7.3.

Upside risks to our PO are better auto market on stimulus policies, improvement in traffic to get more budget share, less competition pressure, success of new initiatives such as NEV retail sales, valuation re-rating due to better sentiment for China internet space or better auto market, more share repurchase, revenue upside from AI products.

Downside risks to our PO are weaker-than-expected auto ad market due to weaker ICEV sales, greater-than-expected competition pressure, margin drag from investments in S&M, regulation risks, and US delisting risk.

Analyst Certification

I, Miranda Zhuang, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agora	API	API US	Daley Li, CFA
	AiHuiShou	RERE	RERE US	Joyce Ju
	Alibaba Group	BABA	BABA US	Joyce Ju
	Alibaba Group	BABAF	9988 HK	Joyce Ju
	Alibaba Health	ALBHF	241 HK	Miranda Zhuang, CFA
	Baidu.com	BIDU	BIDU US	Miranda Zhuang, CFA
	Baidu.com	BAIDF	9888 HK	Miranda Zhuang, CFA
	Bilibili	BILI	BILI US	Lei Zhang
	Bilibili	BLBLF	9626 HK	Lei Zhang
	CAR Group	CRLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVLF	DELHIVER IN	Sachin Salgaonkar
	Dingdong	DDL	DDL US	Joyce Ju
	East Money	XEQTF	300059 CH	Michael Li
	Grab Holdings	GRAB	GRAB US	Sachin Salgaonkar
	Hello Group	MOMO	MOMO US	Lei Zhang
	Hundsun Technologies	XYTGF	600570 CH	Daley Li, CFA
	HYBE	XBGOF	352820 KS	Susie Lee
	iQIYI	IQ	IQ US	Lei Zhang
	JD Health	JDHIF	6618 HK	Miranda Zhuang, CFA
	JD.com	JD	JD US	Joyce Ju
	JD.com	JDCMF	9618 HK	Joyce Ju
	JYP Entertainment	ALNNF	035900 KS	Susie Lee
	Kingdee International Software	KGDEF	268 HK	Daley Li, CFA
	Kingsoft Corporation	KSFTF	3888 HK	Daley Li, CFA
	Kuaishou	KUASF	1024 HK	Lei Zhang



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Makemytrip Limited	MMYT	MMYT US	Sachin Salgaonkar
	Meituan	MPNGF	3690 HK	Lei Zhang
	Naver Corporation	NHNCF	035420 KS	Susie Lee
	NetEase	NETTF	9999 HK	Lei Zhang
	NetEase, Inc	NTES	NTES US	Lei Zhang
	Nine Entertainment Company	NNMTF	NEC AU	Alice Lei, CFA
	Pinduoduo Inc.	PDD	PDD US	Joyce Ju
	Plan B Media PCL	XMKTF	PLANB TB	Thititthep Nophaket
	PT Bukalapak.com	BKLPF	BUKA IJ	Sachin Salgaonkar
	PVR-Inox Ltd	PVRLF	PVRINOX IN	Sachin Salgaonkar
	REA Group	RPGRF	REA AU	Sriharsh Singh
	Tencent Holdings	TCTZF	700 HK	Miranda Zhuang, CFA
	Tencent Music	TME	TME US	Lei Zhang
	Tencent Music	XWFWF	1698 HK	Lei Zhang
	Tongcheng Travel	TNGCF	780 HK	Janet Yang
	Trip.com Group	TCOM	TCOM US	Joyce Ju
	Trip.com Group	TRPCF	9961 HK	Joyce Ju
	TUHU Car	XTCRF	9690 HK	Miranda Zhuang, CFA
	Venustech	XVCGF	002439 CH	Daley Li, CFA
	Vipshop Holdings	VIPS	VIPS US	Joyce Ju
	Xero Limited	XROLF	XRO AU	Sriharsh Singh
	YG Entertainment	XYEIF	122870 KS	Susie Lee
	YY	YY	YY US	Lei Zhang
	Zomato Limited	XMWRF	ZOMATO IN	Sachin Salgaonkar
NEUTRAL				
	AfreecaTV	WNTHF	067160 KS	Susie Lee
	Autohome	ATHM	ATHM US	Miranda Zhuang, CFA
	Autohome	XXYZF	2518 HK	Miranda Zhuang, CFA
	Baozun	BZUN	BZUN US	Joyce Ju
	Coupang	CPNG	CPNG US	Susie Lee
	Glodon Company	XGCOF	002410 CH	Daley Li, CFA
	GoTo Group	GTOFF	GOTO IJ	Sachin Salgaonkar
	Huya	HUYA	HUYA US	Lei Zhang
	Kakao Corp.	DAUCF	035720 KS	Susie Lee
	KE Holdings	BEKE	BEKE US	Miranda Zhuang, CFA
	KE Holdings	XSQRF	2423 HK	Miranda Zhuang, CFA
	Kingsoft Cloud	KC	KC US	Daley Li, CFA
	Kingsoft Cloud	KCLHF	3896 HK	Daley Li, CFA
	Krafton	XKINF	259960 KS	Susie Lee
	NCSOFT	NCSCF	036570 KS	Susie Lee
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPFXF	POLICYBZ IN	Sachin Salgaonkar
	PropertyGuru	PGRU	PGRU US	Sachin Salgaonkar
	Sea Limited	SE	SE US	Sachin Salgaonkar
	Seek Limited	SKLTF	SEK AU	Sriharsh Singh
	Seven West Media	WANHF	SWM AU	Alice Lei, CFA
	The ONE Enterprise	XUFCF	ONEE TB	Thititthep Nophaket
	VGI Public Company Limited	XZQHF	VGI TB	Thititthep Nophaket
	Weimob	WEMXF	2013 HK	Daley Li, CFA
	WiseTech Global Limited	WTCF	WTC AU	Ware Kuo
	XD Inc.	XDNCF	2400 HK	Lei Zhang
	Yonyou Network	XYNIF	600588 CH	Daley Li, CFA
UNDERPERFORM				
	Altium Limited	ALMFF	ALU AU	Ware Kuo
	Appen Ltd	APPEF	APX AU	Ware Kuo
	BEC World	XBJHF	BEC TB	Thititthep Nophaket
	CJ ENM	CHOF	035760 KS	Susie Lee
	Douyu	DOYU	DOYU US	Lei Zhang
	Indiamart InterMesh Limited	XEITF	INMART IN	Sachin Salgaonkar
	Info Edge	IFOEF	INFOE IN	Sachin Salgaonkar
	Kakao Games	XKKGF	293490 KS	Susie Lee
	Kingsoft Office	XBKOF	688111 CH	Daley Li, CFA
	Ming Yuan Cloud	XWTAF	909 HK	Daley Li, CFA
	NavInfo	XWLHF	002405 CH	Daley Li, CFA

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Netmarble	XLGHF	251270 KS	Susie Lee
	PearlAbyss Corp	XEPAF	263750 KS	Susie Lee
	Ping An Healthcare and Technology	PANHF	1833 HK	Miranda Zhuang, CFA
	Qi An Xin	XQTFD	688561 CH	Daley Li, CFA
	Technology One Limited	THNOF	TNE AU	Ware Kuo
	ThunderSoft	XSTS F	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA
	Weibo Corporation	WEIBF	9898 HK	Miranda Zhuang, CFA
	Zee Entertainment Enterprises	XZETF	Z IN	Sachin Salgaonkar
	Zip Co Limited	ZIZTF	ZIP AU	Ware Kuo
RVW				
	Dada Nexus	DADA	DADA US	Lei Zhang
	Paytm	XUXBF	PAYTM IN	Sachin Salgaonkar

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

EV / EBITDA

Basic EBIT + Depreciation + Amortization

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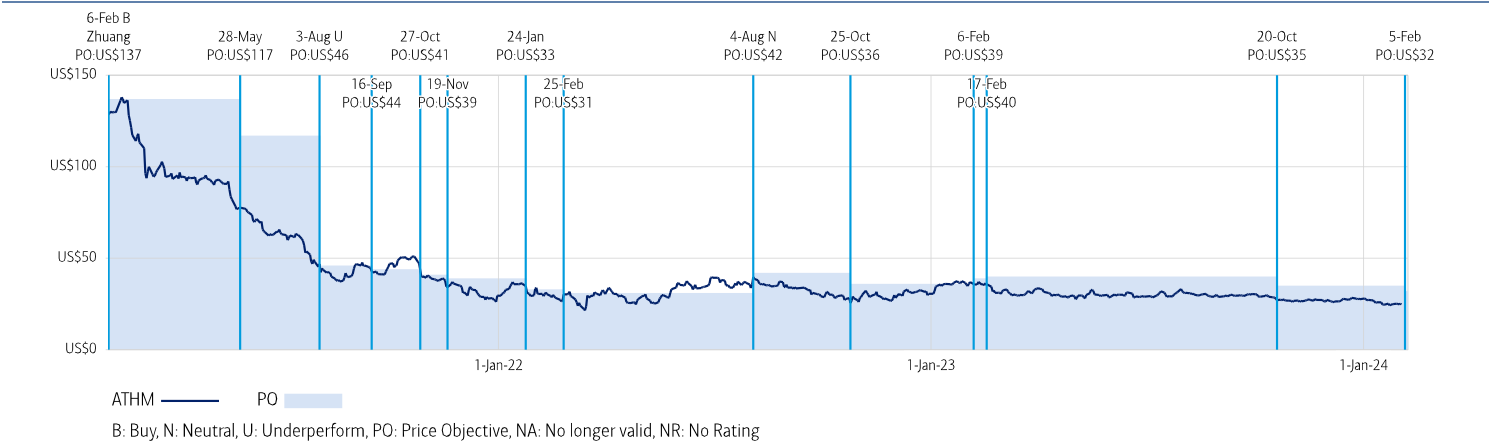
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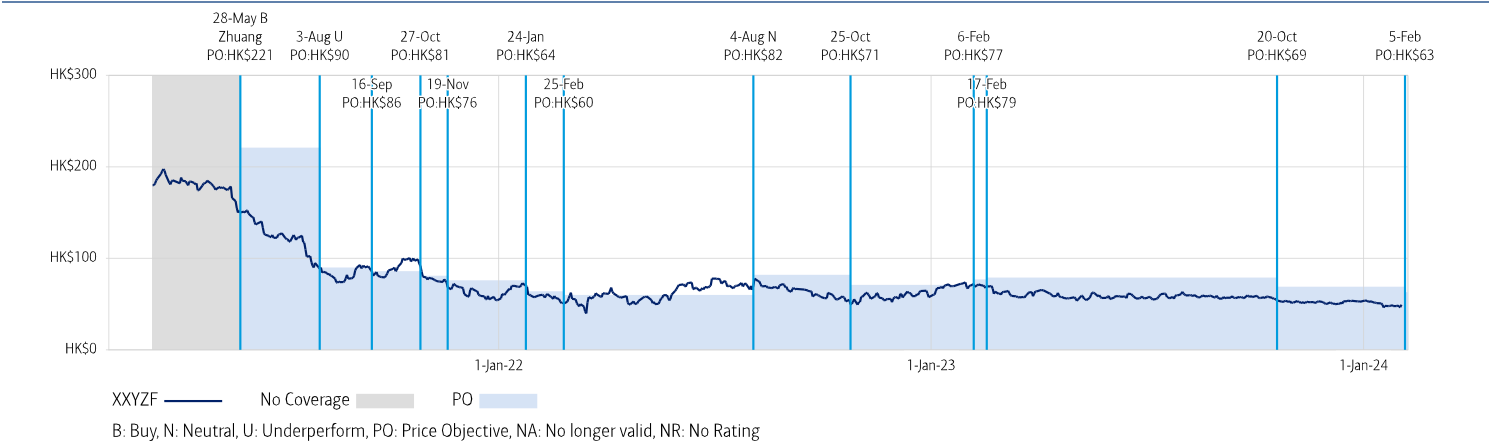
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Autohome (ATHM) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Autohome (XXYZF) Price Chart



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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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