

Autohome

Preview: ICEV headwind persists; stock with rich cash and good dividend yield

Reiterate Rating: NEUTRAL | PO: 32.00 USD | Price: 24.04 USD

Headwind from weak ICEV market, lower 4Qe and 1Q24e

We expect auto sales volume in China to stabilize at 1% YoY in 2024E, with a 22% YoY in NEV (New Energy Vehicle), offsetting 9% YoY decline of ICEV (Internal Combustion Engine Vehicle). Therefore, we expect the ICEV OEMs' ad spend to continue declining in 2024. Our recent ad agency expert check also indicates a decline in ICEV ad spend in 2024 (see [report](#)). Due to the weak market, we expect Autohome's ad revenue to decline 13% YoY in 4Q23e, 8% YoY in 1Q24e and 3Q in 2024. While Autohome has been ramping NEV service revenues, we expect weak ICEV market to remain as a near-term drag. As such, we lower 4Q23e topline to RMB1.9bn (0.4% YoY, from 1.1% YoY) and lower 1Q24e topline to RMB1.57bn (2% YoY, from 4% YoY). Due to weaker revenue as well as lower GPM on content cost, we slightly lower adjusted net profit to RMB507mn (26.6% margin and 22% YoY decline) from RMB527mn for 4Qe, and to RMB421mn (27% margin and 10% YoY decline) from RMB436mn for 1Q24e. Our DCF based PO is lowered to USD32/HKD63 from USD35/HKD69, mainly due to lower estimates and lower cash as we factor in dividend payout.

2024 key initiatives; cash>stock price, upsized dividend

For 2024, we expect Autohome to fight with market headwind by 1) scaling up its NEV new retail store service, which would penetrate into 50 cities in 2024 per company's target, 2) strengthening cooperation with Ping An's auto ecosystem in traffic, aftermarket, and used car, 3) upgrading business with AI, as company recently signed strategic partnership with Baidu Intelligent Cloud and will explore the applications of AI in Autohome's business scenarios. We reiterate Neutral rating due to ICEV auto market headwind, but we believe stock downside may find support from its rich cash balance of USD25 per share, which is a bit higher than stock price of USD24. We also like Autohome's efforts to increase shareholder return by upsizing dividend payout. The dividend for 2023 is USD1.15 per ADS, representing >4% dividend yield. Company will also distribute no less than RMB1.5bn dividend every year, representing an attractive high-single-digit dividend yield.

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	8.06x	9.84x	9.89x	11.42x	10.74x
Dividend Yield	2.23%	2.39%	4.83%	7.10%	7.10%
EV / EBITDA*	8.89x	11.97x	13.33x	13.79x	12.47x
Free Cash Flow Yield*	15.54%	11.51%	9.58%	8.76%	9.15%

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

05 February 2024

Equity

Key Changes

(CNY)	Previous	Current
Price Obj.	US\$35.00	US\$32.00
2023E EPS	17.40	17.24
2024E EPS	15.28	15.12
2025E EPS	16.11	16.07

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Stock Data

Price (ADR / Common)	24.04 USD / 45.80 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	24.03 USD-37.82 USD
Market Value (mn)	2,962 USD
Shares Outstanding (mn)	123.2 / 492.9
Average Daily Value (mn)	10.82 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%

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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: 04 February 2024 11:26PM 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

iQmethod SM - 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%

iQmethod SM - 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.

Stock Data

Shares / Common	0.25
Price to Book Value	0.8x

Key Changes

(CNY)	Previous	Current
Price Obj.	HK\$69.00	HK\$63.00
2023E EPS	4.35	4.31
2024E EPS	3.82	3.78
2025E EPS	4.03	4.02

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	CRSLF	CAR AU	Sriharsh Singh
	Chinasoft International	CFTLF	354 HK	Daley Li, CFA
	Cloud Music	XVWJF	9899 HK	Lei Zhang
	Com2uS Corp	XOYAF	078340 KS	Jeehoon Jeong, CFA
	DBAPPSecurity	XDBAF	688023 CH	Daley Li, CFA
	Delhivery	XDVLV	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
	Huntsun 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
	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



APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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	NCSOF	036570 KS	Susie Lee
	Nykaa	XQQGF	NYKAA IN	Sachin Salgaonkar
	PB Fintech	XPEXF	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	WTCHF	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	CJHOF	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
	Netmarble	XLGHF	251270 KS	Susie Lee
	Pearl Abyss 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	XSTSf	300496 CH	Daley Li, CFA
	Weibo Corporation	WB	WB US	Miranda Zhuang, CFA

APR - Internet, Media and Software Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	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

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

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

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

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

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

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
Basic EBIT + Depreciation + Amortization

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Autohome (ATHM) Price Chart



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Autohome (XXYZF) 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.

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%

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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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