

Company Report: Dongfeng Motor Group (00489 HK)

公司报告: 东风汽车 (00489 HK)

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2020 Sales Beat Expectation, Maintain "Accumulate"

2020年销售超预期，维持“收集”

- **DFG's sales was up 20% yoy in Dec. 2020.** Full-year sales of 2020 was down just 2.2% yoy to 2,868,309 units, but still 12.5% above our expectation. Sales ended on a strong note thanks to Japanese brands. In particular, sales was up 62.3% yoy in Dec. 2020 for DF Honda, with YTD sales having turned positive. This performance was very strong as DF Honda returned to normal much later than its peers and was the only PV brand in DFG to record growth. Meanwhile DF Nissan sales was up by 8.5% yoy in Dec. 2020. Sales was as solid as the previous months. Overall we believe that sales from Japanese brands will continue to drive growth of the Company. Nissan's plan of launching more electric vehicles in China will be another growth driver, with the new crossover Ariya to be released in 2H21.
- **We increase shareholders' profit by 13.2%/ 3.2%/ 13.7% in 2020 to 2022, respectively.** After adjustment, we expect shareholders' profit to decrease 30.9% yoy in 2020, but increase 20.5% yoy and 13.4% yoy in 2021 and 2022, respectively. Due to better-than-expected sales in 2020, we update the sales volume in 2020 accordingly. Meanwhile, we have also lifted volume forecast for most brands.
- The lower-than-average valuation of the Company and its listing in Shenzhen Stock Exchange should continue to see potential re-rating of the Company, especially that 1) we expect that the auto industry will continue be a key sector that government focuses for economic recovery, and 2) the Company will go upscale through a new brand called the Voyah, which could be a gateway to more sustainable growth. **We maintain investment rating of "Accumulate" for DFG, and revise up TP to HK\$10.00, representing 6.8x 2021 PER, 6.0x 2022 PER.**
- **东风汽车在 2020 年 12 月的销售同比增长 20.0%。**2020 年全年的销售同比下降 2.2%至 2,868,309 辆，但仍比我们的预期高出 12.5%。由于日本品牌的带动，销售在年底表现出色。其中东风本田的销量在 2020 年 12 月同比增长 62.3%，全年的销量增长转为正。这是非常强劲的表现，因为东风本田比同业复产晚得多，并且是东风汽车中唯一一个实现增长的乘用车品牌。与此同时，东风日产在 2020 年 12 月的销售同比增长 8.5%。销售与前几个月一样稳定。总体而言，我们认为来自日本品牌的销售将继续推动公司的增长。日产在中国将推出更多电动车的计划将是另一个增长动力，新跨界车 Ariya 将于 2021 年下半年推出。
- **我们将 2020 年至 2022 年的股东利润分别上调 13.2%/ 3.2%/ 13.7%。**调整后，我们预计股东利润在 2020 年将同比下降 30.9%，但在 2021 年和 2022 年分别同比增长 20.5%和 13.4%。由于 2020 年的销售好于预期，因此我们相应地更新了 2020 年的销量。同时，我们也提高了大多数品牌的销量预测。
- 公司的估值低于行业平均水平且在深交所上市，公司估值应仍有提升的潜力，尤其是 1) 我们预计汽车行业将依然是经济复苏中政府关注的关键领域，2) 公司将通过一个名为岚图的新品牌进行品牌升级，该品牌可能成为实现更可持续增长的窗口。**我们维持东风汽车的投资评级为“收集”，目标价上调至 10.00 港元，相当于 6.8 倍 2021 年市盈率及 6.0 倍 2022 年市盈率。**

Rating:

Accumulate

Maintained

评级:

收集 (维持)

6-18m TP 目标价:

HK\$10.00

Revised from 原目标价:

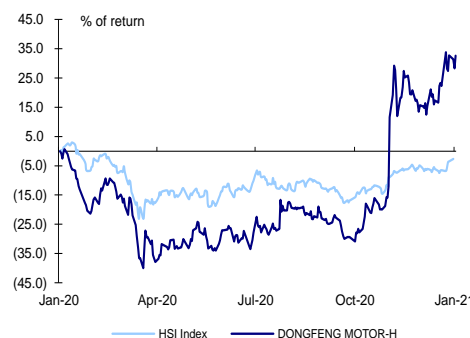
HK\$8.96

Share price 股价:

HK\$8.740

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	14.7	84.1	22.8
Rel. % to HS Index 相对恒指变动 %	12.4	69.6	25.5
Avg. Share price(HK\$) 平均股价 (港元)	8.3	7.3	5.7

Source: Bloomberg, Guotai Junan International.

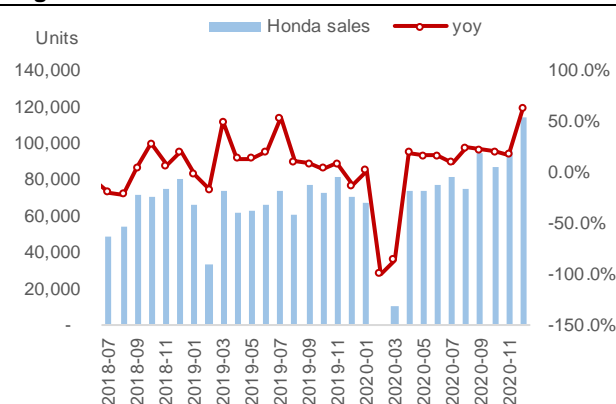
Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2018A	104,543	12,979	1.506	(7.7)	5.1	14.499	0.5	0.250	3.3	11.4
2019A	101,087	12,858	1.492	(0.9)	5.2	15.549	0.5	0.250	3.2	10.4
2020F	114,917	8,881	1.031	(30.9)	7.2	17.312	0.4	0.412	5.6	6.6
2021F	121,049	10,703	1.242	20.5	6.0	18.118	0.4	0.497	6.7	7.3
2022F	124,799	12,137	1.409	13.4	5.2	19.031	0.4	0.563	7.6	8.0

Shares in issue (m) 总股数 (m)	8,616.1	Major shareholder 大股东	DFM 66.9%
Market cap. (HK\$ m) 市值 (HK\$ m)	75,304.7	Free float(%) 自由流通比率(%)	33.1
3 month average vol. 3 个月平均成交股数('000)	31,542.8	FY21 Net gearing (%) FY21 净负债/股东资金 (%)	26.0
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	9.390 / 4.380	FY21 Est. NAV (HK\$) FY21 每股估值 (港元)	11.1

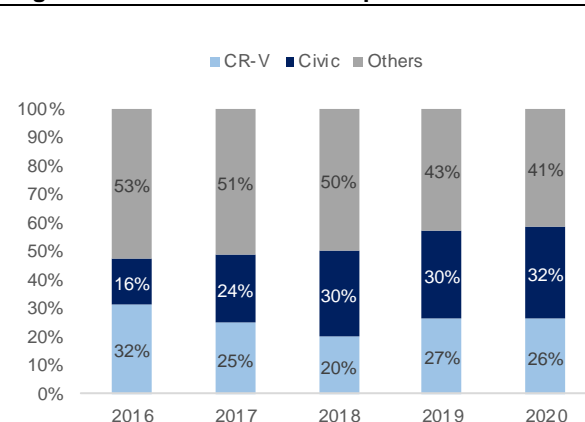
Source: the Company, Guotai Junan International.

Dongfeng Motor Group ("DFG" or the "Company") produced the best yoy growth since Feb. 2017. Overall vehicle sales recorded a yoy increase of 20.0%. PV sales was 293,747 units, a yoy increase of 21.1%, whereas CV sales was 48,812 units, increased 14.0% yoy. This is the first time of this year that sales of private vehicles (PV) outperformed commercial vehicles (CV). In 2020, overall vehicle sales declined 2.2% yoy to 2,868,309 units, but was 12.5% above our expectation.

Japanese brands ended 2020 on a strong note. The better-than-expected sales recorded was mainly due to the strong performance of Japanese brands. In particular, DF Honda sales was up by 62.3% yoy to 114,473 units in Dec. 2020 and YTD sales turned positive, the only PV brands of DFM that achieved positive growth in 2020. This shows brand resilience as DF Honda was severely impacted by the pandemic with three factories located in Wuhan, making work resumption a month later than its peers. While a detailed sales model breakdown has not been announced yet, we expect it will continue to be contributed largely by the CR-V, XR-V and Civic, which already comprised 78.6% of volume in 1-11M2020. Another thing worth noting is that monthly sales volume of DF Honda exceeded 100,000 units for the first time in history, which is not usual even comparing with other JV brands. Capacity utilization was implied to be over 140% in 2020, rather impressive efficiency given that the three factories closed for over 1.5 months.

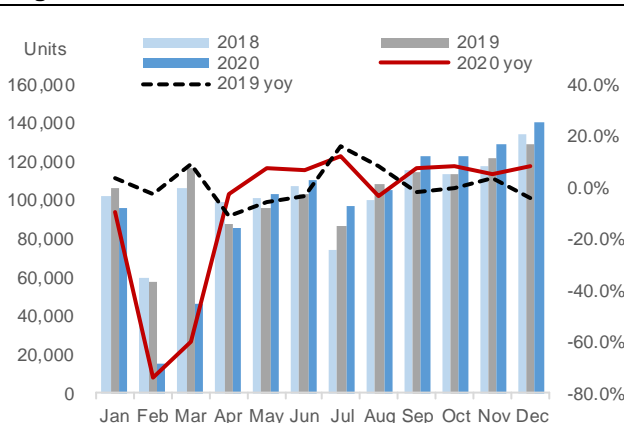
Figure-1: DF Honda Sales Growth


Source: the Company, Guotai Junan International.

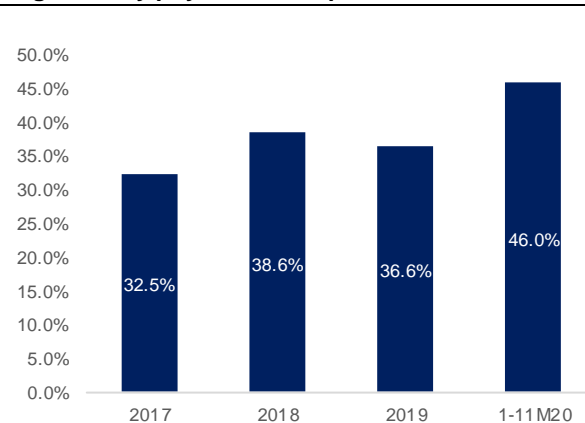
Figure-2: DF Honda Sales Composition


Source: CPCA, Guotai Junan International.

DF Nissan sales remained solid in 2020. DF Nissan sales was up by 8.5% yoy, with full-year sales just having slightly dropped by 3.5% yoy. Sales was above our expectation by about 11%. Sylphy is Nissan's strongest model, with sales already turning positive since July, and improved 15.2% in 1-11M20. Its multi-generation strategy seems to be working so far, as about half of Sylphy sales are of previous generation models. In 2021 onwards, we would expect DF Nissan to start to expand its NEV strategy. The JV has plans to introduce at least 17 electrified models of Dongfeng, Nissan, Venucia and Infiniti brands by 2023. The first electric vehicle (EV) was an electric version of the Sylphy. In 2021, Nissan will launch its new electric crossover, the Ariya, in China, which was debuted at the Beijing Auto Show. We believe that the market will welcome the expansion plan as Nissan is one of the earliest players in electric vehicles. Its Nissan Leaf has sold over 500,000 units globally since launch. Therefore, we believe that DF Nissan could be one of the top players in China regarding NEVs.

Figure-3: DF Nissan Sales Growth


Source: the Company, Guotai Junan International.

Figure-4: Sylphy Sales Composition


Source: CPCA, Guotai Junan International.

EARNINGS FORECASTS

We have increased shareholders' profit by 13.2%/ 3.2%/ 13.7% in 2020 and 2022, respectively. After adjustment, we expect shareholders' profit to decrease 30.9% yoy in 2020, but increase 20.5% yoy and 13.4% yoy in 2021 and 2022, respectively. Due to better-than-expected sales in 2020, we have updated the sales volume in 2020 accordingly. Meanwhile, we have also lifted volume forecast for most brands. In particular, we expect that DF Honda will continue to deliver stable growth through working above normal capacity. Self-owned brands also beat our expectation in 2020, and we are optimistic on recovery in 2021.

Table-1: Major Financial Data and Forecast Changes

	New			Old			Changes		
	2020F	2021F	2022F	2020F	2021F	2022F	2020F	2021F	2022F
Vehicle sales ('000) - major business units									
DF Nissan (PV)	1,240	1,332	1,543	1,100	1,322	1,333	12.7%	0.8%	15.8%
DF PSA	50	50	50	50	50	50	0.5%	0.0%	0.0%
DF Honda	850	900	950	740	850	850	14.9%	5.9%	11.8%
DF Liuzi (PV)	96	90	90	90	80	60	7.0%	12.5%	50.0%
DF PV co.	70	70	70	60	60	60	17.0%	16.7%	16.7%
Overall PV	2,307	2,442	2,703	2,040	2,362	2,353	13.1%	3.4%	14.9%
Overall CV	547	565	570	510	539	553	7.3%	4.9%	3.1%
Financials (RMB mn)									
Revenue	114,917	121,049	124,799	106,635	115,301	119,546	7.8%	5.0%	4.4%
Share of Profit/loss of JV	10,470	11,168	12,982	9,252	10,821	11,418	13.2%	3.2%	13.7%
Net profit for shareholders'	8,881	10,703	12,137	7,783	10,519	10,695	14.1%	1.8%	13.5%

Source: the Company, Guotai Junan International.

Table-2: Summary of Financial Forecasts

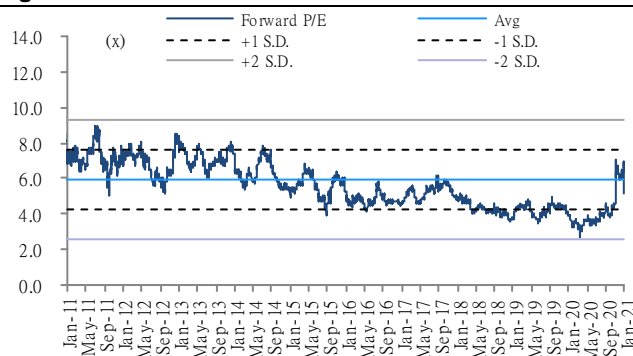
	2018	2019	2020F	2021F	2022F
Vehicle sales ('000) - major business units					
DF Nissan	1,344	1,329	1,240	1,332	1,543
yoy	3.3%	-1.2%	-6.7%	7.5%	15.8%
DF PSA	253	114	50	50	50
yoy	-32.9%	-55.2%	-55.7%	-0.5%	0.0%
DF Honda	721	800	850	900	950
yoy	0.9%	11.0%	6.3%	5.8%	5.6%
DF Liuzi (PV)	128	116	96	90	90
yoy	-44.2%	-9.6%	-17.1%	-6.6%	0.0%
DF PV co.	95	77	70	70	70
yoy	-23.8%	-19.1%	-9.0%	-0.3%	0.0%
Overall PV	2,592	2,454	2,307	2,442	2,703
yoy	-7.7%	-5.7%	-6.4%	5.9%	10.7%
Overall CV	441	463	547	565	570
yoy	-3.2%	6.3%	16.9%	3.3%	0.9%
Key financials (RMB mn)					
Revenue	104,543	101,087	114,917	121,049	124,799
yoy	-17.0%	-3.3%	13.7%	5.3%	3.1%
Share of Profit/loss of JV	12,280	11,633	10,470	11,168	12,982
yoy	-9.5%	-5.3%	-10.0%	6.7%	16.2%
Net profit for shareholders'	12,979	12,858	8,881	10,703	12,137
yoy	-7.7%	-0.9%	-30.9%	20.5%	13.4%

Source: the Company, Guotai Junan International.

VALUATION

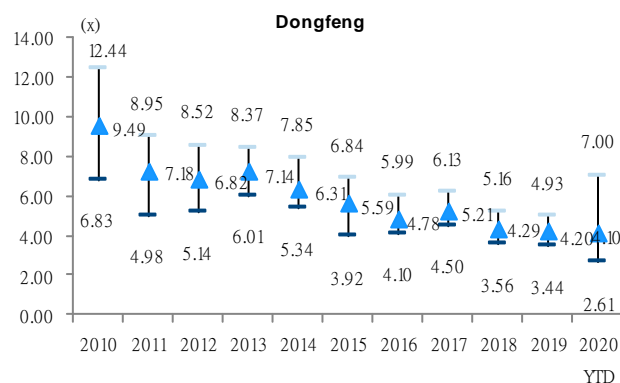
The better-than-expected sales shows that Japanese brands are key to growth of the Company. We continue to expect Japanese brands to drive overall PV sales in 2021. While strong CV sales continue to provide stronger growth. The lower-than-average valuation of the Company and its listing on the Shenzhen Stock Exchange should continue to see potential re-rating of the Company, especially that 1) we expect that the auto industry will continue be a key sector that the government focuses on for economic recovery, and 2) the Company will go upscale through a new brand called the Voyah, which could be a gateway to more sustainable growth. **We maintain investment rating of "Accumulate" for DFG, and revise up TP to HK\$10.00, representing 6.8x 2021 PER, 6.0x 2022 PER.**

Figure-5: PER of DFG



Source: Bloomberg, Guotai Junan International.

Figure-6: PER Range of DFG



Source: Bloomberg, Guotai Junan International.

Table-3: Peers Comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)	D/Y(%)	EV/EBITDA
				19A	20F	21F	22F	19A	20F	21F	22F	20F	20F	20F
Dongfeng Motor-H	489 HK	HKD	8.74	5.2	6.7	5.2	4.9	0.5	0.5	0.4	0.4	8.8	5.2	11.9
Geely Automobile	175 HK	HKD	26.35	25.8	28.7	20.4	17.2	4.2	3.3	2.9	2.6	14.6	1.3	13.6
Brilliance China	1114 HK	HKD	6.53	4.3	3.4	3.1	3.4	0.9	0.7	0.6	0.5	20.2	6.3	n.a.
Great Wall Mot-H	2333 HK	HKD	25.15	45.2	39.3	24.7	20.8	3.8	3.4	3.1	2.8	12.7	1.8	21.1
Qingling Motor-H	1122 HK	HKD	1.56	9.8	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Byd Co Ltd-H	1211 HK	HKD	229.60	404.8	118.0	100.9	80.8	10.7	8.7	8.0	7.3	8.5	0.1	29.8
Guangzhou Auto-H	2238 HK	HKD	8.26	11.2	10.5	8.1	7.0	0.9	0.8	0.8	0.7	8.9	3.9	57.8
Baic Motor-H	1958 HK	HKD	2.79	4.9	6.7	5.0	4.2	0.4	0.4	0.4	0.3	7.3	6.7	0.3
Weichai Power-H	2338 HK	HKD	16.18	12.4	10.9	9.8	9.0	2.5	2.0	1.8	1.6	19.0	3.5	4.6
Sinotruk Hk Ltd	3808 HK	HKD	19.02	13.9	8.2	8.0	7.7	1.8	1.4	1.3	1.1	16.3	4.5	2.4
Simple Average				53.7	25.8	20.6	17.2	2.6	2.3	2.1	1.9	12.9	3.7	17.7
Weighted Average				172.7	60.3	49.1	39.9	5.9	4.8	4.4	4.0	11.6	1.7	23.1
Dongfeng Auto-A	600006 CH	CNY	8.9	40.1	26.9	26.9	24.0	2.4	2.2	2.0	1.9	7.5	n.a.	n.a.
Great Wall Mo-A	601633 CH	CNY	38.3	78.1	72.2	44.0	35.6	6.4	6.1	5.6	5.0	12.7	1.0	21.5
Faw Car Co Ltd-A	000800 CH	CNY	11.2	345.7	9.2	8.6	7.4	0.6	1.7	1.6	1.4	8.2	1.7	n.a.
Saic Motor-A	600104 CH	CNY	22.71	10.4	11.3	9.1	8.2	1.1	1.0	0.9	0.9	10.1	4.8	7.0
Chongqing Chan-A	000625 CH	CNY	21.03	n.a.	23.6	23.0	18.6	2.3	2.1	2.0	1.8	8.8	0.8	13.0
Weichai Power-A	000338 CH	CNY	16.46	14.3	13.1	11.9	10.7	2.9	2.5	2.2	1.9	18.5	2.8	5.1
Beiqi Foton-A	600166 CH	CNY	2.95	101.3	59.0	18.4	12.8	1.3	1.2	1.2	1.1	6.3	n.a.	n.a.
Anhui Jianghua-A	600418 CH	CNY	11.80	196.7	33.4	36.1	27.9	1.7	1.6	1.5	1.5	3.3	1.3	8.4
Cnhct Jinan T-A	000951 CH	CNY	31.08	17.1	11.3	10.9	9.8	3.0	2.5	2.1	1.8	20.0	2.8	5.7
Zhengzhou Yut-A	600066 CH	CNY	15.41	17.6	32.4	18.2	14.2	2.1	2.0	1.9	1.8	10.3	3.8	12.1
Xiamen King Lo-A	600686 CH	CNY	8.23	34.3	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Jiangling Moto-A	000550 CH	CNY	19.70	115.1	37.3	30.9	28.1	1.6	1.6	1.5	1.5	5.2	1.6	3.6
Yangzhou Yax-A	600213 CH	CNY	9.01	150.2	n.a.	n.a.	n.a.	11.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhongtong Bus-A	000957 CH	CNY	8.36	149.8	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average				93.4	30.0	21.6	0.0	2.9	2.2	2.0	0.0	10.1	2.3	9.5
Weighted Average				74.6	42.5	28.5	23.3	4.0	3.8	3.4	3.1	12.1	1.5	12.8
Nissan Motor Co	7201 JP	JPY	538.60	6.6	n.a.	n.a.	20.6	0.4	0.5	0.6	0.6	(12.2)	0.3	76.5
Toyota Motor	7203 JP	JPY	7,812.00	12.0	10.6	14.3	10.8	1.1	1.1	1.0	0.9	7.3	2.8	17.6
Honda Motor Co	7267 JP	JPY	2,817.50	8.1	10.8	12.3	8.0	0.6	0.6	0.6	0.6	4.9	2.4	11.0
Mazda Motor	7261 JP	JPY	670.00	6.7	34.8	n.a.	28.3	0.4	0.4	0.4	0.4	(5.4)	0.0	9.5
Mitsubishi Heavy	7011 JT	JPY	3,117.00	10.3	12.0	59.2	14.2	0.7	0.9	0.9	0.9	1.0	2.4	11.5
Fuji Heavy Indus	7270 JP	JPY	2,003.50	10.9	10.1	16.4	9.4	0.9	0.9	0.9	0.8	5.8	3.0	3.2
Suzuki Motor	7269 JP	JPY	4,829.00	12.2	16.9	19.7	14.5	1.6	1.6	1.5	1.4	7.7	1.6	7.7
Hino Motors Ltd	7205 JP	JPY	874.00	9.1	15.9	n.a.	17.8	0.9	0.9	0.9	0.9	(0.3)	1.2	13.2
Isuzu Motors	7202 JP	JPY	942.00	6.3	8.6	23.0	9.6	0.7	0.7	0.7	0.7	3.3	2.1	7.0
Simple Average				9.1	15.0	24.1	14.8	0.8	0.8	0.8	0.8	1.3	1.8	17.5
Weighted Average				11.0	10.8	14.5	11.5	1.0	1.0	0.9	0.9	5.4	2.5	18.7
Hyundai Motor	005380 KS	KRW	209,500.00	18.5	28.6	9.8	8.6	0.6	0.8	0.8	0.7	7.1	2.1	9.7
Ford Motor Co	F US	USD	8.52	852.0	n.a.	8.5	6.1	1.0	1.0	1.0	0.9	9.4	1.5	2.8
Navistar Intl	NAV US	USD	44.14	19.8	n.a.	23.9	14.7	n.a.	n.a.	n.a.	n.a.	(4.2)	0.0	11.5
Paccar Inc	PCAR US	USD	84.72	12.3	22.7	15.7	13.1	3.0	2.8	2.6	2.4	17.3	1.8	15.3
Volkswagen Ag	VOW GR	EUR	166.30	6.3	18.2	7.6	6.2	0.8	0.7	0.6	0.6	8.5	3.4	3.7
Bayer Motoren Wk	BMW GR	EUR	71.20	9.5	13.0	8.6	7.3	0.8	0.8	0.8	0.7	8.5	3.6	4.0
Daimler Ag	DAI GR	EUR	57.27	25.8	22.7	9.5	7.8	1.0	1.0	0.9	0.9	9.2	3.6	3.9
Man Se	MAN GR	EUR	43.00	8.9	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Renault Sa	RNO FP	EUR	36.94	n.a.	n.a.	15.3	4.7	0.3	0.4	0.3	0.3	2.0	0.6	2.2
Volvo Ab-B	VOLVB SS	SEK	199.55	11.3	22.9	15.0	12.9	2.9	2.7	2.6	2.4	16.6	5.0	7.6
General Motors C	GM US	USD	27.42	7.8	8.3	n.a.	n.a.	5.8	4.3	n.a.	n.a.	22.0	0.0	8.3
Tata Steel Ltd	TATA IN	INR	681.25	7.6	50.1	23.5	9.7	1.2	1.1	1.1	1.0	4.4	1.6	8.3
Simple Average				82.0	23.9	13.1	8.7	1.6	1.5	1.2	1.1	9.3	2.2	6.6
Weighted Average				75.6	19.0	10.2	7.9	1.2	1.2	1.1	1.0	9.7	3.0	5.4
Global Simple Average				59.6	26.6	18.4	8.7	2.4	2.0	1.8	1.0	10.8	2.7	11.3
Global Weighted Average				73.7	26.7	20.9	16.8	2.3	2.1	1.9	1.8	8.9	2.5	13.9

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F	Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F
Revenue from CV	60,136	68,893	87,793	95,916	100,711	PPE	15,835	17,309	18,372	19,114	19,538
Revenue from PV	40,239	26,738	21,887	19,979	18,980	Investment in JV	44,647	40,427	55,041	60,603	67,074
Other revenue	4,168	5,456	5,237	5,155	5,108	Interest in associates	17,682	21,713	25,768	30,677	36,316
Total Revenue	104,543	101,087	114,917	121,049	124,799	Intangible assets	4,809	5,076	6,199	6,701	7,156
Cost of sales	(91,128)	(87,596)	(98,431)	(103,683)	(106,895)	Deferred tax assets	2,376	2,356	4,270	5,096	6,086
Gross profit	13,415	13,491	16,486	17,366	17,904	Others payable and accrual	25,945	43,015	48,661	51,164	52,695
						Total Non-current Assets	111,294	129,896	158,310	173,355	188,865
Selling and distribution cost	(6,342)	(4,349)	(5,171)	(7,021)	(7,238)						
Admin expenses	(5,512)	(6,239)	(6,855)	(7,405)	(7,877)	Inventories	10,710	12,191	20,256	16,657	24,444
Operating Profit	1,561	2,903	4,460	2,940	2,789	Trade and bills Receivables	22,522	12,129	27,263	14,231	28,548
						Due from jointly control entities	9,586	12,442	14,930	17,916	21,500
Other expenses	(5,683)	(5,500)	(8,762)	(6,078)	(7,010)	Prepayment	41,501	75,257	76,851	85,535	85,822
Share of results of associates	3,182	3,913	4,044	4,910	5,639	Pledged bank balance and time	3,653	3,317	5,862	4,277	4,486
Share of Profit/loss of JV	12,280	11,633	10,470	11,168	12,982	Cash & Cash Equivalents	27,251	26,768	13,067	25,677	28,096
Other Income	3,164	2,231	1,817	1,784	1,878	Total Current Assets	115,223	142,104	158,229	164,293	192,896
EBIT	14,504	15,180	12,028	14,723	16,277	Total Assets	226,517	272,000	316,540	337,649	381,761
Finance costs	(265)	(575)	(867)	(1,065)	(1,289)						
Profit Before Tax	14,239	14,605	11,161	13,658	14,989	Trade and bills payables	37,140	46,589	55,186	58,248	65,764
						Bank borrowing	15,424	19,259	25,951	28,590	34,805
Income Tax	(1,661)	(1,759)	(1,850)	(2,437)	(2,265)	Provision	1,127	1,004	919	968	998
Profit After Tax	12,578	12,846	9,311	11,221	12,724	Income tax payable	630	1,008	618	806	772
Non-controlling Interest	401	12	(430)	(518)	(588)	Due to jointly control entities	14,385	19,970	22,966	26,410	30,372
Shareholders' Profit / Loss	12,979	12,858	8,881	10,703	12,137	Other liabilities	15,751	16,352	24,489	18,006	25,594
						Total Current Liabilities	84,457	104,182	130,128	133,029	158,306
Basic EPS	1.506	1.492	1.031	1.242	1.409						
Dividend per share (RMB)	0.250	0.250	0.412	0.497	0.563	Interest-bearing borrowings	10,729	23,923	24,159	30,734	34,818
						Government grant	1,767	2,094	2,094	2,094	2,094
						Deferred tax liabilities	2,086	2,275	2,660	3,185	3,814
						Others	2,553	5,558	8,337	12,506	18,758
						Total Non-current Liabilities	17,135	33,850	37,250	48,518	59,484
						Total Liabilities	101,592	138,032	167,378	181,547	217,790
						Share capital	8,616	8,616	8,616	8,616	8,616
						Reserve	16,412	18,336	18,336	18,336	18,336
						Retained earnings	93,328	100,829	115,593	122,014	129,296
						Total Shareholders' Equity	118,356	127,781	142,545	148,966	156,248
						Minority Interest	6,569	6,187	6,617	7,135	7,723
						Total Equity	124,925	133,968	149,162	156,102	163,971
						BPS(RMB)	14.499	15.549	17.312	18.118	19.031
Cash Flow Statement						Financial Ratios					
Year end 31 Dec (RMB m)	2018A	2019A	2020F	2021F	2022F		2018A	2020F	2021F	2022F	
EBT	14,239	14,605	11,161	13,658	14,989	Gross profit margin (%)	12.8	13.3	14.3	14.3	14.3
Share of profits and losses of JV	(15,462)	(15,546)	(14,514)	(16,077)	(18,620)	EBITDAR (%)	2.7	5.5	3.8	5.5	5.4
Depreciation for PPE	1,913	2,212	2,910	3,227	3,545	EBIT margin (%)	13.9	15.0	10.5	12.2	13.0
Amortization of prepaid land	544	769	581	633	680	Net profit margin (%)	12.4	12.7	7.7	8.8	9.7
Finance cost	265	466	867	1,065	1,289	ROE(%)	11.4	10.4	6.6	7.3	8.0
Interest income	(942)	(712)	(763)	(744)	(754)	ROA (%)	5.7	4.7	2.8	3.2	3.2
Other adjustments	340	1,452	972	2,056	744	Revenue growth (%)	-17.0	-3.3	13.7	5.3	3.1
Change of working capital	(21,431)	(12,044)	(14,204)	(3,270)	(17,554)	Growth of share of profit from	-9.5	-5.3	-10.0	6.7	16.2
Interest paid	(240)	(575)	(867)	(1,065)	(1,289)	EPS growth (%)	-7.7	-0.9	-30.9	20.5	13.4
Income tax paid	(1,475)	(2,182)	(2,049)	(2,250)	(2,298)	BPS growth (%)	8.3	7.2	11.3	4.7	5.0
Cash from Operating Activities	(22,249)	(11,555)	(15,906)	(2,767)	(19,268)	Net gearing ratio (%)	net cash	12.7	26.2	22.0	25.9
						Cash ratio (x)	0.3	0.3	0.1	0.2	0.2
Net investments in PPE	(2,922)	(4,029)	(4,214)	(4,350)	(4,303)	Quick ratio (x)	1.0	1.1	1.1	1.0	1.0
Net investments in associates	(70)	(3,523)	0	0	0	Current ratio (x)	1.4	1.4	1.2	1.2	1.2
Net change of intangible assets	(1,316)	(898)	(1,123)	(502)	(455)	Inventory turnover days	42.8	47.7	51.5	55.7	60.1
Net change of lease prepayment	(438)	0	0	0	0	Receivable days	24.3	33.0	33.0	33.0	33.0
Government grants received	2,013	832	955	1,267	1,018	Payable days	67.7	67.7	67.7	67.7	67.7
Increase in bank deposit	5,112	(5,028)	0	0	0						
Dividend from JV and associates	11,532	13,936	5,235	5,584	6,491						
Interest received	899	474	763	744	754						
Others	(2,130)	(292)	(8,356)	2,271	5,442						
Cash from Investing Activities	12,680	1,472	(6,739)	5,013	8,946						
Net change of borrowing	5,964	14,753	6,927	9,215	10,298						
Capital contribution by NCI	225	59	71	85	102						
Dividend paid	(3,016)	(3,016)	(2,154)	(3,553)	(4,281)						
Others	(270)	(555)	3,164	4,693	6,882						
Cash from Financing Activities	2,903	11,241	8,008	10,440	13,002						
Net Changes in Cash	(6,666)	1,158	(14,637)	12,687	2,680						
Other adjustment	0	0	0	0	0						
Cash at Beg of Year	31,641	24,975	26,133	11,496	24,183						
Non-pledged time deposits due	2,276	635	1,570	1,494	1,233						
Cash at End of Year	27,251	26,768	13,067	25,677	28,096						

Source: the Company, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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