

# SAIC Motor (600104.CH)

## Result continued to grow steadily

China | Automobile | Company Update

14 JUNE 2016

• SAIC Motor is China's largest automaker and the leader in the Chinese auto industry. It is mainly engaged in the manufacturing of passenger and commercial vehicles, along with R&D and sales of spare parts, auto service trade as well as auto finance aftermarket services.

• SAIC Motor recorded a YoY increase of 5% in 2015 in terms of total sales volume to 5.9 million, accounting for nearly a quarter of China's automobile markets. Its SAIC Volkswagen, SAIC-GM and SGMW ranked the first, second and fourth of China's passenger vehicles, respectively. The strong demand for SUV under SGMW contributed to a YoY vehicle sales growth of 12.9% to 2.04 million, while that of SAIC Volkswagen and SAIC-GM recorded a YoY increase of 5% to 1.725 million and a slight drop of 0.5% to 1.76 million, respectively.

• The Company's overall result continued to grow steadily. The attributable net profit in 2015 reached RMB29.8 billion with a YoY increase of 6.5%, equivalent to EPS and dividend per share of RMB2.7 and RMB1.36, respectively. The result was about 6% lower than estimate, but the dividend rate maintained at 50% in line with our expectations. The attributable net profit of Q1 in 2016 recorded RMB7.936 billion with a YoY increase of 6.3%, with EPS of RMB0.72.

• By virtue of its relatively complete layout of industry chain and ever-strengthening R&D ability, SAIC Motor stands out in the first echelon among domestic manufacturers in the field of new energy automobiles, intelligent driving and internet on the car. a) Apart from the three types of new energy-driven passenger vehicles in mass production, SAIC Motor will launch another three new energy automobiles, including one hybrid SUV. b) With respect to internet on the car, Roewe RX5, the first of this type jointly developed by SAIC Motor and Alibaba, is expected to come into the market by the end of this year. c) Its driverless intelligent cars have gone through the road test at Guangde Proving Ground. With substantial investment, these emerging fields are expected to become the Company's core competitiveness in the future. Meanwhile, the approval of RMB15 billion private placement will also safeguard the strategy of innovative transformation.

## Investment Thesis

The Company boasts an abundant cash flow with a book cash of nearly RMB80 billion and undistributed profit of RMB94.3 billion in Q1 of 2016. A relatively high cash dividend rate (about 50%) is expected to continue with a dividend rate of more than 6.5%. We adjust the profit forecast, giving the target price of RMB24.55, equivalent to 8.5/8.1x estimated P/E ratios in 2016 and 2017, respectively. The "Buy" rating is maintained. (Closing price as at 10 June 2016)

## BUY (maintain)

CMP: CNY 20.32

(Closing price as at 10 June 2016)

TARGET: CNY 24.55 (+21%)

### COMPANY DATA

O/S SHARES (MN) :	11026
MARKET CAP (CNY MN) :	224040
52 - WK HI/LO (CNY):	27.36/ 14.00

### SHARE HOLDING PATTERN, %

Shanghai Automotive Industry Co. (Group)	72.95
Yuejin Auto	4.48

### PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

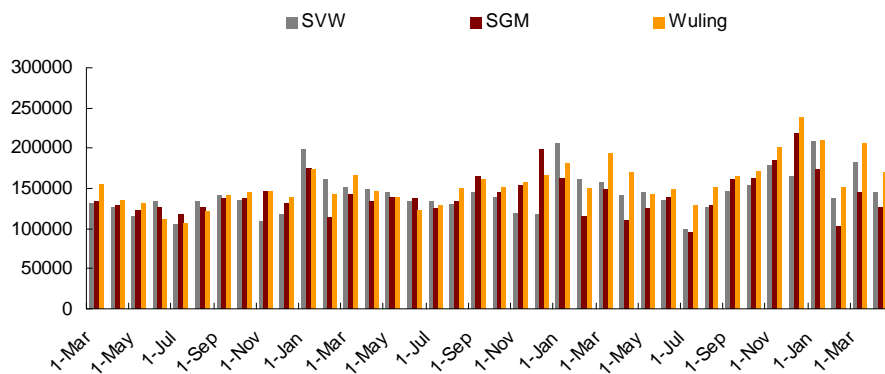
### KEY FINANCIALS

CNY mn	FY14	FY15	FY16E	FY17E
Net Sales	630001	670448	713239	755040
Net Profit	27973	29794	31689	33306
EPS, CNY	2.54	2.70	2.87	3.02
P/E, x	8.0	7.5	7.1	6.7
BVPS, CNY	14.30	15.88	17.09	18.76
P/BV, x	1.4	1.3	1.2	1.1
DPS (CNY)	1.30	1.36	1.44	1.52
Div. Yield (%)	6.4%	6.7%	7.1%	7.5%

Source: Company reports, Phillip Securities Est.

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### Monthly sales of SVW,SGM and Wuling



Source: SAIC, Phillip Securities Hong Kong Research

## Financials

FYE DEC	FY11	FY12	FY13	FY14	FY15	FY16F	FY17F
<b>Valuation Ratios</b>							
P/E (X), adj.	11.1	10.8	9.1	8.0	7.5	7.1	6.7
P/B (X)	2.2	1.8	1.6	1.4	1.3	1.2	1.1
Dividend Yield (%)	1.5%	2.9%	5.9%	6.4%	6.7%	7.1%	7.5%
<b>Per share data (RMB)</b>							
EPS, (Basic)	1.83	1.88	2.25	2.54	2.70	2.87	3.02
EPS, (Diluted)	1.83	1.88	2.25	2.54	2.70	2.87	3.02
DPS	0.30	0.60	1.20	1.30	1.36	1.44	1.52
BV/PS	9.28	11.10	12.49	14.30	15.88	17.09	18.76
<b>Growth &amp; Margins (%)</b>							
<b>Growth</b>							
Revenue	18.6%	11.6%	18.9%	12.0%	6.4%	6.4%	5.9%
EBIT	26.5%	-4.4%	3.0%	0.9%	7.2%	6.3%	4.8%
Net Income, adj.	23.4%	2.6%	19.5%	12.8%	6.5%	6.4%	5.1%
<b>Margins</b>							
Gross margin	17.0%	15.2%	12.7%	12.8%	12.6%	12.7%	12.7%
EBIT margin	10.1%	8.7%	7.5%	6.7%	6.8%	6.8%	6.7%
Net Profit Margin	4.8%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
<b>Key Ratios</b>							
ROE	21.3%	18.4%	19.1%	18.9%	17.9%	17.4%	16.9%
<b>Income Statement (RMB mn)</b>							
Revenue	423750	473004	562368	630001	670448	713239	755040
Gross profit	71879	71867	71379	80765	84615	90367	95588
EBIT	42785	40918	42149	42524	45578	48470	50773
Profit before tax	42028	40156	41493	42689	45810	48723	51004
Tax	7039	6628	5909	4438	5736	6188	6478
Profit for the period	34990	33528	35584	38251	40074	42536	44527
Minority interests	14768	12777	10780	10277	10280	10847	11221
Total capital share	11026	11026	11026	11026	11026	11026	11026
Net profit	20222	20752	24804	27973	29794	31689	33306

Source: PSR

(Financial figures as at 10 June 2016)

### PHILLIP RESEARCH STOCK SELECTION SYSTEMS

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm$ 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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