

SAIC Motor (600104.CH)

Brief review of the financial result

China | Automobile | Company Update

Dividend Rate Is Higher Than Expectation

In 2016, Shanghai Automotive Industry Corporation recorded a revenue of RMB756.4 billion, representing a year-on-year increase of 12.8%. Net profit attributable to shareholders stood at RMB32 billion, with a year-on-year increase of 7.43%. Profits are in line with our expectation. Earnings per share was RMB2.9. The figure was RMB2.7 in last year. The dividend per share was RMB1.65 in cash, with a payout ratio of 56.8%, 9 points higher than our previous expectation.

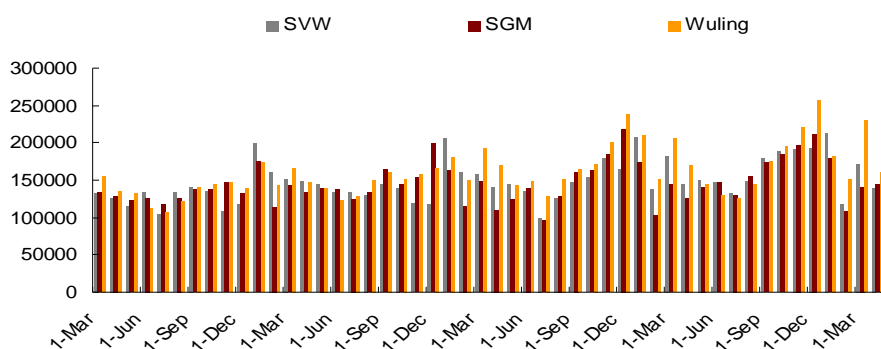
In Q1 2017, the company reported a revenue of RMB196.28 billion, a year-on-year increase of 6%. Net profit attributable to the shareholders stood at RMB8.26 billion, a year-on-year increase of 4.1%. Net profit excluding non-recurring profit and loss was RMB8.17 billion, a year-on-year increase of 11%. Earnings per share was RMB0.71, a little lower than RMB0.72 in the same period last year. The increase of share issuance caused dilution.

JVs Reported Mix Results in Their Performance

In 2016, Shanghai Automotive Industry Corporation sold 6,489,000 vehicles, a year-on-year increase of 9.95%. The target of 6.17 million vehicles has been fulfilled, with a completion rate of 105%. The sales volume of SAIC Volkswagen increased by 10.5% year on year to 2,002,000 vehicles; that of SAIC GM by 7.7% year on year to 1,887,000; that of SGM-Wuling increased by 4.4% year on year to 2,130,000. In terms of financial data, the revenue of SAIC Volkswagen rose by 4.6% to RMB228.55 billion, and the net profit of SAIC Volkswagen was up by 3.1% to RMB25.68 billion. The revenue of SAIC GM increased by 14% to RMB202.9 billion, and the net profit of SAIC GM went up by 2.3% to RMB16.95 billion, which is quite stable. The net profit of SGM-Wuling increased by 3.6% YoY to RMB5.198 billion and that of Huayu soared by 27% YoY to RMB6.076 billion.

In Q1 2017, the whole sales volume of SAIC was 1,656,000 vehicles, a year-on-year increase of 3%. Due to the temporary shortage of parts, the sales volume of SAIC Volkswagen dropped by 4.7% year on year. However, high-priced models, such as Teramont (approx. RMB400,000), Tiguan L (approx. RMB300,000) and Kodiak (approx. RMB200,000) are expected to sell well. It is estimated that the increase speed of profits will grow gradually. The sales volume of SAIC GM increased by 2.3% while new models such as Chevrolet Equinox and new version GL8 met with sufficient orders. The quarterly sales of Cadillac rocketed by about 80%, which is expected to sustain steady growth rate and profit improvement. The sales volume of SGM-Wuling reached 563,000 vehicles, a year-on-year decrease of 0.7%. The increase of Baojun SUV will be offset by the drop of mini MPV and minivan. We expect that the whole sales will be basically flat this year.

Monthly sales of SVW, SGM and Wuling



Source: SAIC, Phillip Securities Hong Kong Research

25 May 2017

Accumulate (Maintain)

CMP: CNY 29.23

(Closing price as at 23 May 2017)

TARGET: CNY 32.67 (+10%)

COMPANY DATA

O/S SHARES (MN) :	11683
MARKET CAP (CNY MN) :	292788
52 - WK HI/LO (CNY):	26.55/ 19.15

SHARE HOLDING PATTERN, %

Shanghai Automotive Industry Co. (Group)	71.24
Yuejin Auto	3.54

PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY15	FY16	FY17E	FY18E
Net Sales	670448	756416	838775	893347
Net Profit	29794	31941	36935	40543
EPS, CNY	2.70	2.90	3.19	3.47
P/E, x	10.8	10.1	9.2	8.4
BVPS, CNY	15.88	17.41	18.90	20.60
P/BV, x	1.8	1.7	1.5	1.4
DPS (CNY)	1.36	1.65	1.80	1.95
Div. Yield (%)	4.7%	5.6%	6.2%	6.7%

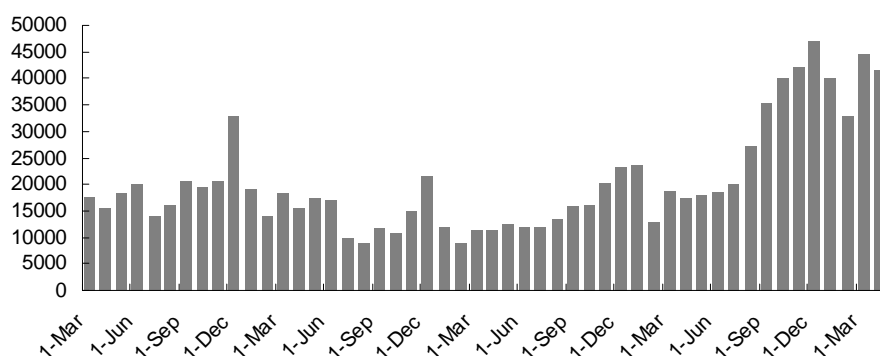
Source: Company reports, Phillip Securities Est.

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Self-Owned Brands Maintained Robust Growth Momentum.

The performance of self-owned brands of SAIC is getting better, with explosive sales growth. In 2016, the sales volume increased by 89% to 322,000 vehicles. In the first quarter of 2017, the sales volume jumped by 112% to 118,000 vehicles. The strong sales momentum mainly comes from Roewe RX5, whose monthly sales exceeded 15,000. New models such as Roewe i6 and MG ZS is meeting with stable sales now, which are expected to have a share in the updated car market in the future. Along with gradual match of manufacturing capacity, the self-owned brands of SAIC are very likely to achieve a breakthrough in the sales volume, with an expected year-on-year increase of more than 90%.

Monthly sales of SAIC sel-brand



Source: SAIC, Phillip Securities Hong Kong Research

Investment Thesis

We hold that driven by new product cycle and improving product structure, the company's better-than-expected growth is worth looking forward to. A relatively high cash dividend rate (about 55%) is expected to continue with its abundant cash flow. We adjust the profit forecast, giving the target price of RMB32.67, equivalent to 10.2/9.4x estimated P/E ratios in 2017/2018. The "Accumulate" rating is given. (Closing price as at 23 May 2017)

Peer Comparison

Ticker	Name	P/E—2017E	P/B	ROE
600104 CH	SAIC	9.4	1.6	17.4%
000625 SZ	Changan	6.6	2.3	26.4%
489 HK	Dongfeng	4.6	0.7	14.7%
2238 HK	GAC	14.9	1.5	15.2%

Source: Wind, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY11	FY12	FY13	FY14	FY15	FY16	FY17F	FY18F
Valuation Ratios								
P/E (X), adj.	16.0	15.5	13.0	11.5	10.8	10.1	9.2	8.4
P/B (X)	3.1	2.6	2.3	2.0	1.8	1.7	1.5	1.4
Dividend Yield (%)	1.0%	2.1%	4.1%	4.4%	4.7%	5.6%	6.2%	6.7%
Per share data (RMB)								
EPS, (Basic)	1.83	1.88	2.25	2.54	2.70	2.90	3.19	3.47
EPS, (Diluted)	1.83	1.88	2.25	2.54	2.70	2.90	3.19	3.47
DPS	0.30	0.60	1.20	1.30	1.36	1.65	1.80	1.95
BVPS	9.28	11.10	12.49	14.30	15.88	17.41	18.90	20.60
Growth & Margins (%)								
Growth								
Revenue	18.6%	11.6%	18.9%	12.0%	6.4%	12.8%	10.9%	6.5%
EBIT	26.5%	-4.4%	3.0%	0.9%	7.2%	9.9%	16.1%	9.3%
Net Income, adj.	23.4%	2.6%	19.5%	12.8%	6.5%	7.2%	15.6%	9.8%
Margins								
Gross margin	17.0%	15.2%	12.7%	12.8%	12.6%	14.0%	15.0%	15.3%
EBIT margin	10.1%	8.7%	7.5%	6.7%	6.8%	6.6%	6.9%	7.1%
Net Profit Margin	4.8%	4.4%	4.4%	4.4%	4.4%	4.2%	4.4%	4.5%
Key Ratios								
ROE	21.3%	18.4%	19.1%	18.9%	17.9%	17.4%	17.6%	17.6%
Income Statement (RMB mn)								
Revenue	423750	473004	562368	630001	670448	756416	838775	893347
Gross profit	71879	71867	71379	80765	84615	106198	126068	136771
EBIT	42785	40918	42149	42524	45578	50092	58140	63553
Profit before tax	42028	40156	41493	42689	45810	50425	58531	63984
Tax	7039	6628	5909	4438	5736	6531	7586	8292
Profit for the period	34990	33528	35584	38251	40074	43894	50945	55692
Minority interests	14768	12777	10780	10277	10280	11953	14010	15148
Total capital share	11026	11026	11026	11026	11026	11026	11683	11683
Net profit	20222	20752	24804	27973	29794	31941	36935	40543

Source: PSR

(Financial figures as at 23 May 2017)

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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