

Navinfo (002405.CH)

The consolidated of AutoChips provides strong momentum

China | Automobile Parts | Company Update

27 October 2017

- The consolidated statements with AutoChips contribute to great growth in result
- The Company keeps increasing investment in R&D and optimizes its operating efficiency
- The Company starts to lead the automatic driving industry -- a key to the Internet of Vehicle

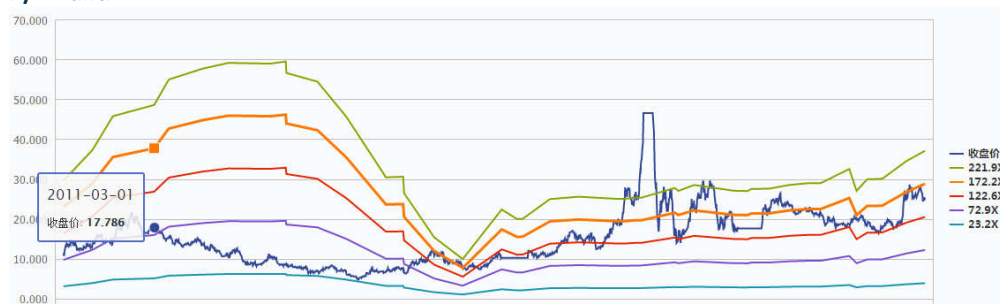
Accumulate (downgrade)

CMP: CNY 25.19

(Closing price as at 25 Oct 2017)

TARGET: CNY 29.00 (+15%)

P/E Band



Source: Wind, Phillip Securities Hong Kong Research

COMPANY DATA

O/S SHARES (MN) :	1283
MARKET CAP (CNY MN) :	32309
52 - WK HI/LO (CNY):	29.13/ 16.12

SHARE HOLDING PATTERN, %

China Siwei	10.15
Tencent	9.94

Investment Thesis

NavInfo is a leading supplier providing navigation maps and dynamic traffic information services in China. We expected that with the continued efforts to expand its car electronic map, car networking and compilation service business, the company's profit rose again. We expect that the 2017/2018 EPS of the Company will be RMB0.20 and RMB0.35, respectively. Based on the prediction, the target price will be RMB29, and the Company is given Accumulate rating. (Closing price as at 25 Oct 2017)

Great Result Growth of 55% in H1

NavInfo recorded a revenue of RMB834 million in 2017H1, up by 16.8% yoy; the net profit attributable to the parent company of RMB121 million, up by 55% yoy; the net profit attributable to the parent company after deduction of non-recurring profit or loss of RMB114 million, up by 61.6% yoy; a basic EPS of RMB0.105, up by 39.1%; diluted EPS of RMB0.104, up by 39.1% yoy. According to the result report recently published, it earn 37 million net profit in the third quarter of 2017, up 66% yoy.

The consolidated statements with AutoChips contribute to growth in result

In the consolidation of the existing electronic map business, the Company makes vertical integration to the Internet of Vehicle, automatic driving and other future fields in recent years, exploring innovation in business model and new profit growth points actively based on its own technologies and resource advantages. The business income of the Company rises steadily and its product mix is optimizing constantly. AutoChips, an auto chip manufacturer which used to belong to MediaTek. Inc., fully purchased by the Company with RMB3.9 billion, started to consolidate its statements since March 2017, and has contributed revenue from chip products of RMB161 million and a net profit of RMB49.25 million, accounting for 19.3% and 43% of the Company, respectively. AutoChips reported a high net profit of 30% in H1, largely raising the overall profitability of the Company.

PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

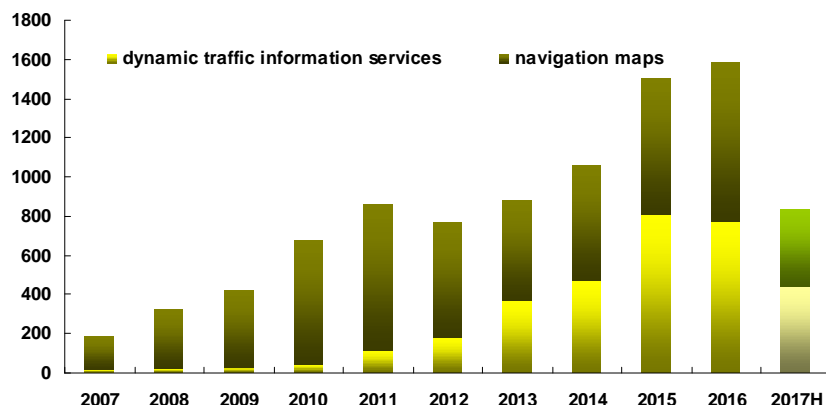
KEY FINANCIALS

CNY mn	FY15	FY16	FY17E	FY18E
Net Sales	1506	1585	2293	3284
Net Profit	130	156	253	451
EPS, CNY	0.13	0.15	0.20	0.35
P/E, x	201.4	172.0	127.8	71.6
BVPS, CNY	2.45	2.62	5.11	5.46
P/BV, x	10.3	9.6	4.9	4.6
DPS (CNY)	0.04	0.04	0.05	0.09
Div. Yield (%)	0.1%	0.1%	0.2%	0.4%

Source: Company reports, Phillip Securities Est.

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Revenue breakdown by segments



Source: Company, Phillip Securities Hong Kong Research

The revenues from the Company’s major original types of business slightly went down by 5.8%, wherein the revenue from navigation was RMB394 million, down by 3.1% yoy; the revenue from the Internet of Vehicle was RMB210 million, down by 5.1% yoy; the revenue from advanced driver assistance and automatic driving was RMB10.23 million, up by 18.2% yoy; and the revenue from enterprise service and industry application was RMB56.4 million, down by 26.1% yoy.

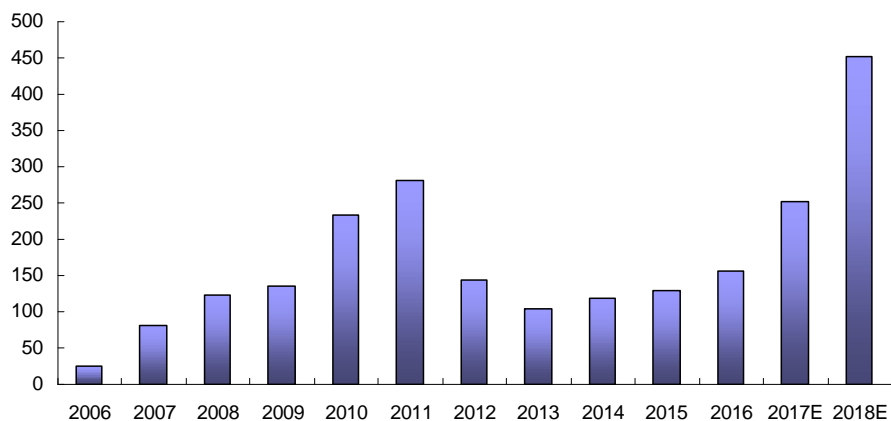
The Company keeps increasing investment in R&D and optimizes its operating efficiency

In the fiercely competitive science and technology industry, the Company keeps enhancing industrial distribution and investment in scientific researches. It invested RMB383 million in R&D in H1, up by 7.6% yoy. On the other hand, the overall operating efficiency of the Company has further improved, with an overall gross margin of 76.24%, up by 0.54 ppts yoy; a ratio of sales expenses of 6.29%, down by 0.22 ppts yoy; a ratio of administration expenses of 62.94%, down by 3.56 ppts yoy.

The Company starts to lead the automatic driving industry -- a key to the Internet of Vehicle

After years of efforts, NavInfo has finished its business strategy layout of "chip + algorithm + software + map" and formed the most integrated whole industry chain layout of Internet of Vehicle nationwide by integrating auto chip resources with AutoChips, including data cloud, content service, in-car voice service, mobile web, navigation software and map data. The industry chain of the Company extends to the key part of auto chip, which will help it master high-precision map, artificial intelligence and chip, and become the only listed company of "high-precision map + vehicle intelligent chip" with scarcity in China. AutoChips promises to report a net profit of RMB300 million in 2018 and the rapid growth in revenue can be guaranteed. In conclusion, we believe the Company deserves a valuation premium.

Net profit trend (mil)



Source: Company, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY13	FY14	FY15	FY16	FY17F	FY18F
Valuation Ratios						
P/E (X), adj.	249.6	223.0	201.4	172.0	127.8	71.6
P/B (X)	10.8	10.6	10.3	9.6	4.9	4.6
Dividend Yield (%)	0.1%	0.1%	0.1%	0.1%	0.2%	0.4%
Per share data (RMB)						
EPS, (Basic)	0.10	0.11	0.13	0.15	0.20	0.35
EPS, (Diluted)	0.10	0.11	0.13	0.15	0.20	0.35
DPS	0.03	0.03	0.04	0.04	0.05	0.09
BV/PS	2.32	2.37	2.45	2.62	5.11	5.46
Growth & Margins (%)						
Growth						
Revenue	14.0%	20.2%	42.2%	5.3%	44.6%	43.2%
EBIT	-85.7%	127.3%	320.0%	-44.4%	143.7%	184.3%
Net Income, adj.	-27.8%	11.9%	10.7%	20.2%	61.8%	78.4%
Margins						
Gross margin	79.0%	81.4%	76.4%	76.8%	75.9%	78.6%
EBIT margin	1.2%	2.4%	7.0%	3.7%	6.2%	12.3%
Net Profit Margin	11.9%	11.1%	8.6%	9.9%	11.0%	13.7%
Key Ratios						
ROE	4.8%	4.8%	5.2%	5.8%	5.1%	6.7%
Income Statement (RMB mn)						
Revenue	881	1059	1506	1585	2293	3284
Gross profit	696	862	1150	1218	1740	2581
EBIT	11	25	105	58	142	405
Profit before tax	121	173	199	164	252	521
Tax	-7	44	53	47	50	115
Profit for the period	128	129	146	116	202	406
Minority interests	23	12	16	-40	-51	-45
Total capital share	692	692	711	1067	1283	1283
Net profit	105	117	130	156	253	451

Source: PSR

(Financial figures as at 25 October 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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