

# BYD (1211 HK)

## New Platform Is Introduced Again

Hong Kong | Automobile | Update Report

16 July 2021

### Investment Summary

#### Sales Volume of Electric Vehicles Hit a Record High in June

According to data, BYD sold 51,015 vehicles in June, up 51% yoy and up 10% mom. Specifically, 41,366 new energy vehicles were sold, up 192% yoy and up 26% mom, and 9,649 traditional fuel vehicles were sold, down 50.6% yoy and down 28.5% mom. The sales volume of new energy vehicles hit the Company's record high, exceeding the sales volume of new energy vehicles of rivals Tesla and SGM-Wuling in China. Passenger vehicles and commercial vehicles made a contribution of 49,765 units and 1,250 units, respectively. In H1, the Company sold 246,700 vehicles accumulatively, up 55.5% yoy.

In terms of the sales volume of new energy passenger vehicles in June, the sales volume of EVs reached 20,016 units, up 102% yoy and up 7% mom, and that of HEVs reached 20,100 units, up 537% yoy and up 55% mom. Benefited from the whopping sales figures of DM-i models, HEVs have displayed an outstanding performance.

BYD's three new DM-i models (Qin PLUS DM-i, Song PLUS DM-i, and Tang DM-i) have been launched successively since March this year. They are equipped with the self-developed "DM-i super plug-in hybrid" system, which are highly competitive. In June, the total sales volume of the three new DM-i models was expected to be approximately 17,000 units, with the cumulative order exceeding 120,000 units. Limited by the bottleneck of the blade battery production capacity, the supply exceeded the demand for the products. The average delivery cycle took approximately three months. In H2, Qin Pro DMi, Song Pro DMi, and Han DMi will also be launched. As the blade battery production capacity increases, the sales volume of DM-i series models is expected to continue to grow.

In addition, as BYD's first e platform 3.0-based model, Dolphin will be launched in the third quarter. It targets younger customers, aiming to fully tap the entry-level electric vehicles and travel markets.

#### Semiconductor's Spin-off Listing Activates a New Round of Positive Feedback Mechanism for Capital and Company Value

Recently, BYD's proposal to spin off its semiconductor business and to list it on the A-share GEM has been accepted, officially opening the way for multiple businesses to obtain value revaluation through the capital market. We believe that with the acceleration of the neutralization strategy, the spin-off listing of other sectors such as blade batteries, commercial vehicles, and photovoltaic energy storage may be successively achieved in the future. The improvement in operational efficiency and value reshaping brought about by the spin-off will push up the Company's potential value. The Company is expected to fully benefit from the dividend of the positive feedback mechanism for capital and company value..

### Accumulate (Downgrade)

CMP HKD 221

(Closing price as at 14 July)

TARGET HKD 248.5 (+12.44%)

#### COMPANY DATA

O/S SHARES (MN) :	2861
MARKET CAP (HKD MN) :	231608
52 - WK HI/LO (HKD):	278.4/ 68.35

#### SHARE HOLDING PATTERN, %

Wang chuan-fu	17.95
Lv xiang-yang	8.36
Berkshire Hathaway Energy	7.86

#### PRICE VS. HSI



Source: Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY mn	FY19	FY20	FY21E	FY22E
Net Sales	121778	153469	194757	243203
Net Profit	1614	4234	5580	7313
EPS, CNY	0.50	1.47	1.87	2.49
P/E, x	397.1	126.5	98.2	74.0
BVPS, CNY	19.20	20.45	27.40	29.63
P/BV, x	10.4	9.1	6.7	6.2
DPS (CNY)	0.06	0.15	0.28	0.39
Div. Yield (%)	0.0%	0.1%	0.2%	0.2%

Source: Company reports, Phillip Securities Est.

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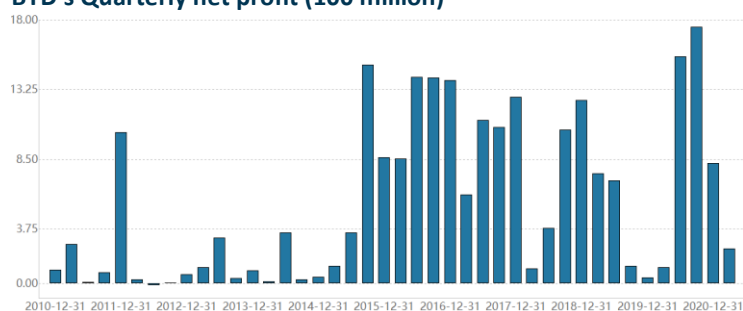
## Investment Thesis

Therefore, although there are various challenges in the future, we believe that the Company is entering into a growth period with more stability and sustainability.

In terms of STOP valuation adopt, we give the original business (automobile, mobile phone, rechargeable battery and photovoltaic business) 138/84 HK\$/per share, power battery business and semiconductor business from two assumptions of optimistic expectation and cautious expectation. 176/90 and 12/4.4 HK\$/per share, the overall valuation is respectively 321/176 HK\$/per share, implying 45% and -20% upside respectively. For comprehensive consideration, we given the target price of 248.5 HK\$, corresponding to 2021/2022/2023 110/83/60x P/E, 7.6/7.0/6.3x P/B, Accumulate rating.

(Closing price as at 14 July)

### BYD's Quarterly net profit (100 million)



Source: Wind, Phillip Securities Hong Kong Research

## Risk

Sales of NEVs is not as good as expected

New business risk

Slow-down of Hand-set components business

### BYD's Est P/E P/B trend



Source: Bloomberg, Phillip Securities Hong Kong Research

## Financials

FYE DEC	FY19	FY20	FY21F	FY22F	FY23F
<b>Valuation Ratios</b>					
P/E (X), adj.	397.1	126.5	98.2	74.0	53.5
P/B (X)	10.4	9.1	6.7	6.2	5.6
Dividend Yield (%)	0.0%	0.1%	0.2%	0.2%	0.4%
Dividend payout ratio (%)	12.0%	10.0%	14.9%	15.7%	23.2%
<b>Per share data (RMB)</b>					
EPS, reported	0.50	1.47	1.88	2.49	3.44
EPS, adj.	0.50	1.47	1.87	2.49	3.44
DPS	0.06	0.15	0.28	0.39	0.80
BVPS	19.20	20.45	27.40	29.63	32.91
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	0.0%	28.4%	26.9%	24.9%	23.1%
EBIT	-24.8%	83.8%	26.6%	28.0%	31.6%
Net Income, adj.	-41.9%	188.8%	31.8%	31.1%	37.4%
<b>Margins</b>					
Gross margin	14.8%	17.8%	16.1%	16.1%	16.4%
EBIT margin	4.9%	6.5%	6.5%	6.7%	7.1%
Net Profit Margin	1.3%	2.8%	2.9%	3.0%	3.4%
<b>Key Ratios</b>					
ROE (%)	2.6%	7.4%	7.9%	8.7%	10.9%
ROA (%)	0.8%	2.1%	2.6%	3.2%	4.1%
<b>Income Statement (RMB mn)</b>					
Revenue	121,778	153,469	194,757	243,203	299,373
Cost of sales	(103,702)	(126,226)	(163,440)	(204,047)	(250,276)
Gross profit	18,076	27,244	31,317	39,156	49,097
Other income and gains	2,473	-134	2,264	2,677	3,165
Operating expenditure	(14,208)	(16,916)	(20,644)	(25,293)	(30,674)
Financial costs	(3,487)	(3,124)	(3,205)	(3,581)	(3,850)
Profit before tax	2,431	6,883	9,464	12,639	17,498
Tax	(312)	(869)	(1,221)	(1,605)	(2,222)
Profit for the period	2,119	6,014	8,243	11,033	15,276
Minority interests	(504)	(1,780)	(2,663)	(3,720)	(5,229)
Net profit	1,614	4,234	5,580	7,313	10,047

FYE DEC	FY19	FY20	FY21F	FY22F	FY23F
<b>Balance Sheet (RMB mn)</b>					
Total Assets	195,642	201,017	225,754	235,854	257,556
Cash & cash equivalent	11,674	13,739	15,474	17,533	19,005
Total Liabilities	133,040	136,563	137,300	140,800	152,077
Non-controlling interest	5,839	7,580	8,996	9,196	10,222
Total Equity	62,601	64,454	88,454	95,054	105,479
Shareholder Equity	56,762	56,874	79,458	85,858	95,257

Source: PSR

(Closing price as at 14 July)

### 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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