

BYD (1211 HK)

Hit New High!

Hong Kong | Automobile | Update Report

11 July 2022

Investment Summary

Sales Volume Soars by 163% YoY in June

The latest sales data show that BYD's new energy vehicle sales hit another record high in June: a total of 134,036 new energy vehicles were sold, up 163% yoy and 17% mom, which is expected to be higher than the overall rise in domestic new energy vehicles. The cumulative sales volume for the first six months was 641,350 units, up 314.9% yoy, reaching 43% of the annual sales target of 1,500 thousand units.

From the perspective of different types, the sales volume of new energy commercial vehicles was 274 units in June, down 78% yoy and 64% mom. The sales volume of pure electric passenger vehicles was 69,544 units, up 247% yoy and 30% mom, while the sales volume of plug-in hybrid electric vehicles was 64,218 units, up 219.5% yoy and 5.6% mom. The cumulative sales volume for the first six months was 323,519 and 314,638 units, respectively, up 246% yoy and 454% yoy. The former was mainly driven by the expansion of production at the Shenzhen plant, while the latter's slightly lower yoy growth was due to the impact of the shutdown of the Changsha plant for investigation..

A Number of Models Continue to Be Sold Well, and New Vehicle Models Are Launched Intensively

The overall vehicle market picked up in June as the resumption of work and production continued. With strong product competitiveness, the flagship model of the Dynasty series, Han, saw hot sales, recording sharp increases for several months in a row. In June, its sales volume exceeded 20 thousand units for two consecutive months, reaching 25,439 units, up 203% yoy, of which the delivery of Han DMI was up 386% yoy and that of Han EV closed to 13 thousand units. The cumulative sales volume for the first six months exceeded 250 thousand units, continuing to lead the sedan segment of the same class.

The sales of other models of the Dynasty series was also high: 8,134/26,623/32,077/19,731 units of the Tang/Qin/Song/Yuan series were sold in June, up 159%/71.7%/113%/1494% yoy, with a cumulative sales volume of 55,825/146,737/163,356/78,662 units in the first six months.

In addition, the Destroyer 05/Dolphin/e series recorded a sales of 7,464/10,376/3,918 units, respectively.

This year and next are major product years for BYD, which is expected to launch no less than 20 new vehicle models in total, including facelifts. This year, the Destroyer 05, Seal, Denza D9, 22 Tang EVs, 22 Han EVs, DM-i, DM-p and Qin Plus DM-i have already been launched, and in the second half of the year and next year, BYD will continue to launch Denza SUVs, the Warship series, Sea Lion and Seagull. The product matrix will be further improved and, judging from the current optimistic pre-sale situation, the product unit price is expected to continue to see upward breakthrough.

BUY (Upgrade)

CMP HKD 325

(Closing price as at 7 July)

TARGET HKD 399 (+23%)

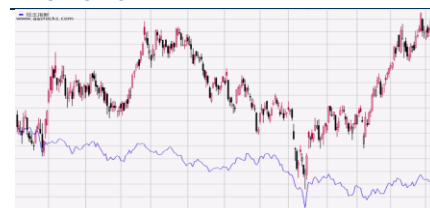
COMPANY DATA

O/S SHARES (MN) :	2854
MARKET CAP (HKD MN) :	356850
52 - WK HI/LO (HKD):	333/165

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	FY21	FY22E	FY23E	FY24E
Net Sales	211300	360243	456293	560375
Net Profit	3045	7908	13535	18817
EPS, CNY	1.06	2.70	4.67	6.52
P/E, x	250.5	103.8	60.0	43.0
BVPS, CNY	33.31	35.93	40.38	46.37
P/BV, x	8.0	7.8	6.9	6.0
DPS (CNY)	0.11	0.32	0.55	0.90
Div. Yield (%)	0.0%	0.1%	0.2%	0.3%

Source: Company reports, Phillip Securities Est.

Research Analyst

ZhangJing (+ 86 021 51699400-103)

zhangjing@phillip.com.cn

Continuous Capacity Release with Firm Policy Support

Since May, the Chinese government has announced a new round of new energy vehicles to the countryside, and the meeting of the State Council held in June explicitly supported the consumption of new energy vehicles and considered extending the preferential policy of exemption from the purchase tax on new energy vehicles, involving a total of 69 models from 26 vehicle companies, further expanding the coverage compared to 2021 (52 models from 18 brands in 2021). The local government has granted more subsidies to new energy vehicles compared to traditional fuel vehicles, reflecting the government's firm determination to the countercyclical adjustment and its resolute support for the development of the new energy vehicle industry. The renovation of the new plant in Changzhou and the Shenzhen plant and the second phase of the Changsha plant and the new plant in Hefei are expected to further release production capacity, which, coupled with the Company's long-term control of the supply chain, will provide strong support for the achievement of the annual sales target and may even beat expectations.

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) 296/230 HK\$/per share, power battery business and semiconductor business from two assumptions of optimistic expectation and cautious expectation, and 173/89 and 5.5/2.5 HK\$/per share, the overall valuation is respectively 477/321 HK\$/per share, implying 47% and -1% upside respectively. For comprehensive consideration, we given the target price of 399 HK\$, corresponding to 2022/2023/2024 127.5/74/53x P/E, 9.6/8.5/7.4x P/B, BUY rating.

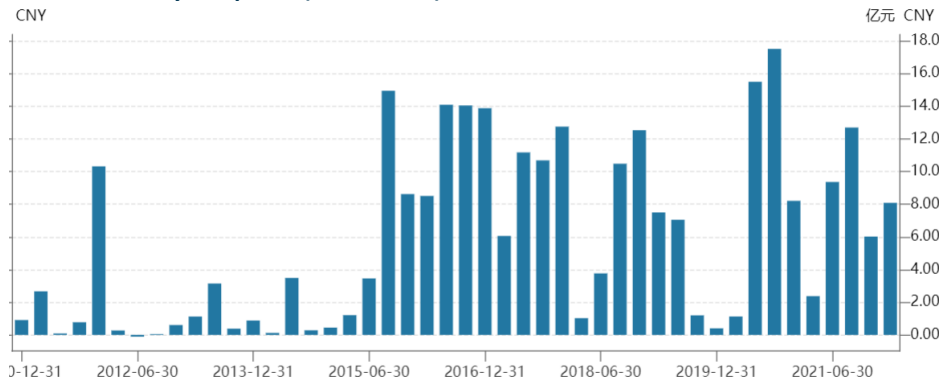
(Closing price as at 7 July)

STOP valuation

		optimistic expectation				cautious expectation				EPS (HKD)		
		2022E Revenue (100mil RMB)	method	X	Value	2022E Revenue (100mil RMB)	method	X	Value	optimistic	cautious	
AUTO OEM	NEV-Passenger	1506	PS	4	6024	1420	PS	3.5	4970	247	204	
	NEV-Commercial	431	PS	2	862	301	PS	1.5	452	35	19	
BYDE	66% shareholding	2022E NP (100mil RMB)				2022E NP (100mil RMB)						
		26	PE	15	257	20	PE	10	132	11	5	
Battery&PV		2022E Revenue (100mil RMB)				2022E Revenue (100mil RMB)						
		140	PS	0.8	80	100	PS	0.5	50	3	2	
Power Battery	75% shareholding	Market Cap				Market Cap						
		CATL 1280 bil		0.44	4224	CATL 1100bil		0.32	2160	173	89	
Chip	72.3% shareholding	Powersemi 70 bil	Market Ca	0.3	151	Powersemi 55 bil	Market Cap	0.2	79	6	3	
		2022E NP 0.2 bil	PE	90	130	2022E NP 0.16 bil	PE	50	58	5	2	
Others (urban track/mold/light)												
										10	2	0.4
Total										477	321	

Source: Phillip Securities Hong Kong Research

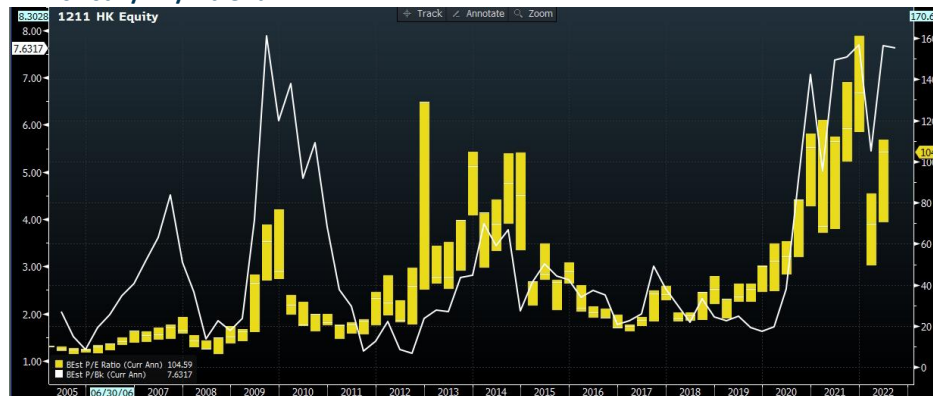
BYD's Quarterly net profit (100 million)



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



Financials

FYE DEC	FY19	FY20	FY21	FY22F	FY23F	FY24F
Valuation Ratios						
P/E (X), adj.	583.9	186.0	250.5	103.8	60.0	43.0
P/B (X)	15.2	13.4	8.0	7.8	6.9	6.0
Dividend Yield (%)	0.0%	0.1%	0.0%	0.1%	0.2%	0.3%
Dividend payout ratio (%)	12.0%	10.0%	9.9%	11.8%	11.8%	13.8%
Per share data (RMB)						
EPS, reported	0.50	1.47	1.06	2.70	4.67	6.52
EPS, adj.	0.50	1.47	1.06	2.70	4.67	6.52
DPS	0.06	0.15	0.11	0.32	0.55	0.90
BVPS	19.20	20.45	33.31	35.93	40.38	46.37
Growth & Margins (%)						
Growth						
Revenue	0.0%	28.4%	37.7%	70.5%	26.7%	22.8%
EBIT	-24.8%	83.8%	-35.8%	78.0%	71.6%	32.9%
Net Income, adj.	-41.9%	188.8%	-28.1%	159.7%	71.1%	39.0%
Margins						
Gross margin	14.8%	17.8%	11.2%	12.6%	13.0%	13.4%
EBIT margin	4.9%	6.5%	3.0%	3.2%	4.3%	4.7%
Net Profit Margin	1.3%	2.8%	1.4%	2.2%	3.0%	3.4%
Key Ratios						
ROE (%)	2.6%	7.4%	3.7%	7.7%	12.2%	15.0%
ROA (%)	0.8%	2.1%	1.2%	2.5%	3.9%	5.0%
Income Statement (RMB mn)						
Revenue	121,778	153,469	211,300	360,243	456,293	560,375
Cost of sales	(103,702)	(126,226)	(187,667)	(315,033)	(396,975)	(485,117)
Gross profit	18,076	27,244	23,633	45,210	59,318	75,258
Other income and gains	2,473	-134	2,753	2,730	2,765	3,232
Operating expenditure	(14,208)	(16,916)	(19,815)	(36,385)	(42,253)	(51,891)
Financial costs	(3,487)	(3,124)	(1,908)	(1,381)	(2,365)	(2,765)
Profit before tax	2,431	6,883	4,518	10,055	17,255	23,305
Tax	(312)	(869)	(551)	(1,207)	(2,191)	(2,960)
Profit for the period	2,119	6,014	3,967	8,848	15,064	20,345
Minority interests	(504)	(1,780)	(922)	(940)	(1,529)	(1,528)
Net profit	1,614	4,234	3,045	7,908	13,535	18,817
Balance Sheet (RMB mn)						
Total Assets	195,642	201,017	295,780.15	335,054	357,556	395,556
Cash & cash equivalent	11,674	13,739	49,819.86	57,533	50,515	67,005
Total Liabilities	133,040	136,563	191,535.94	223,300	232,077	252,507
Non-controlling interest	5,839	7,580	9,174.54	9,196	10,222	10,722
Total Equity	62,601	64,454	104,244	111,754	125,479	143,049
Shareholder Equity	56,762	56,874	95,070	102,558	115,257	132,327

Source: PSR

(Closing price as at 7 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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Contact Information (Regional Member Companies)
SINGAPORE
Phillip Securities Pte Ltd

250 North Bridge Road, #06-00 Raffles City Tower,
Singapore 179101

Tel : (65) 6533 6001 Fax: (65) 6535 3834

www.phillip.com.sg

INDONESIA
PT Phillip Securities Indonesia

ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A,
Jakarta 10220, Indonesia

Tel (62) 21 5790 0800 Fax: (62) 21 5790 0809

www.phillip.co.id

THAILAND
Phillip Securities (Thailand) Public Co. Ltd.

15th Floor, Vorawat Building, 849 Silom Road,
Silom, Bangrak, Bangkok 10500 Thailand

Tel (66) 2 2268 0999 Fax: (66) 2 2268 0921

www.phillip.co.th

UNITED STATES
Phillip Futures Inc.

141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA

Tel (1) 312 356 9000 Fax: (1) 312 356 9005

MALAYSIA
Phillip Capital Management Sdn Bhd

B-3-6 Block B Level 3, Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur

Tel (60) 3 2162 8841 Fax (60) 3 2166 5099

www.poems.com.my

CHINA
Phillip Financial Advisory (Shanghai) Co. Ltd.

No 436 Heng Feng Road, Green Tech Tower Unit 604
Shanghai 200 070

Tel (86) 21 5169 9400 Fax: (86) 21 6091 1155

www.phillip.com.cn

FRANCE
King & Shaxson Capital Ltd.

3rd Floor, 35 Rue de la Bienfaisance
75008 Paris France

Tel (33) 1 4563 3100 Fax : (33) 1 4563 6017

www.kingandshaxson.com

AUSTRALIA
PhillipCapital Australia

Level 10, 330 Collins Street
Melbourne VIC 3000

Tel (+61) 3 8633 9803 Fax (+61) 3 8633 9899

www.phillipcapital.com.au

HONG KONG
Phillip Securities (HK) Ltd

11/F United Centre 95 Queensway Hong Kong

Tel (852) 2277 6600 Fax: (852) 2868 5307

www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd

4-2 Nihonbashi Kabutocho, Chuo-ku
Tokyo 103-0026

Tel: (81) 3 3666 2101 Fax: (81) 3 3664 0141

www.phillip.co.jp

INDIA
PhillipCapital (India) Private Limited

No. 1, 18th Floor, Urmi Estate, 95 Ganpatrao Kadam Marg,
Lower Parel West, Mumbai 400013

Tel: (9122) 2300 2999 Fax: (9122) 6667 9955

www.phillipcapital.in

UNITED KINGDOM
King & Shaxson Ltd.

6th Floor, Candlewick House, 120 Cannon Street
London, EC4N 6AS

Tel (44) 20 7929 5300 Fax: (44) 20 7283 6835

www.kingandshaxson.com

SRI LANKA
Asha Phillip Securities Limited

Level 4, Millennium House, 46/58 Navam Mawatha,
Colombo 2, Sri Lanka

Tel: (94) 11 2429 100 Fax: (94) 11 2429 199

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