

# Geely (175 HK)

## Intelligent Electrification Drives the Company to Make Continuous Efforts in High-end Branding

Hong Kong | Automobile | Update Report

5 December 2022

### Investment Summary

#### The Momentum for Sales Growth Is Strengthened in October Despite a Sales Decline in New Energy Vehicles

According to the released sales data for October, Geely Auto reported total sales volume of 152,263 units, a significant increase of 36.4% yoy and a substantial growth of 16.65% mom. The year-on-year and month-on-month growths increased by 10.8 ppts and 10.2 ppts, respectively from the previous month. In the first ten months, the Company sold 1,141,901 vehicles accumulatively, up 10% yoy. The Company completed 70% of the annual target of 1,650 thousand units.

The sales volume of new energy vehicles (including battery electric vehicles, plug-in hybrid electric vehicles, and hybrid electric vehicles) reached 32,277 units in October, down 25% from the previous month, accounting for 21% of the total sales volume, down from 33% in the previous month, mainly due to a large sales decline in the Geometry models.

#### The Proportion of High-end Models Increases, and the Intelligent Electrification Drives the Company to Make Continuous Efforts in High-end Branding

In terms of sub-brands, Geely reported sales volume of 119,874 units, a significant increase of 34% yoy and a growth of 18% mom. Among its higher-end models, the sales volume of "China Star" series (Xingyue, Xingyue L, and Xingrui) reached 30,033 units, up 32% mom. In term of the specific models, the sales volume of both Xingrui and Xingyue L was over 10 thousand units, the sales volume of the Emgrand family outstripped 20 thousand units, and that of the Bin family (Binyue and Binrui) exceeded 30 thousand units.

During October, Geely Emgrand L Hi.P, which is equipped with the Leishen Power, and Xingyue L Hi.P, as well as the Haoyue L, a new model on the CV platform, and the Boyue L, a brand-new model on the CMA platform, joined the product lineup of Geely in succession, with reservations opened. It is worth noting that the order of Boyue L exceeded 26,000 units on October 26, the first day of the launch, and its sales volume outstripped 8,000 units in the first month of the launch, with eye-catching performance, showing the initial potential as a top-selling model.

In October, the sales volume of Lynk & Co was 16,439 units, a slight growth of 1.6% mom and a decrease of 24.27% yoy. Lynk & Co has newly launched the Lynk & Co 03, the Lynk & Co 03 EM-F, an intelligent electric hybrid model, and the Lynk & Co 09EM-P Voyage Edition. The replacement and upgrading of Lynk & Co is also in progress.

The sales volume of Geometry, a battery electric vehicle brand, reached 12.6 thousand units, up 116% yoy and down 32.6% mom, mainly due to the upcoming launch of the more intelligent new models of G6 and M6. The sales volume of Ruilan, a battery replacement brand, was 5,831 units, up 28.4% mom.

The sales volume of Zeekr, a high-end battery electric vehicle brand, reached 10,119 units relying on the Zeekr 001, exceeding 10 thousand units for the first time, up 22.3% mom. Since its launch, it has delivered 55.6 thousand units accumulatively, verifying the product strength in the fierce competition with new car-making forces. The Zeekr 009, a new battery electric luxury MPV with six seats, was officially released in November, cutting into the segment of domestic high-end intelligent electric MPV. It will further enrich the product matrix of Zeekr and facilitate the promotion of the strategy of high-end branding.

Recently, the Company announced its intention to spin off Zeekr for a separate listing. The valuation of Zeekr was close to RMB60 billion in the previous pre-IPO financing. If it is successfully spun off for listing, it will help Zeekr obtain more resources to seize market opportunities and realize a two-wheel ecosystem driven by industry and capital, which will also be conducive to the value revaluation of the parent company.

### BUY (Maintain)

CMP HKD 11.6

(Closing price as at 1 December)

TARGET HKD 14.2 (+22.4%)

#### COMPANY DATA

O/S SHARES (MN) :	10057
MARKET CAP (HKD MN) :	116661
52 - WK HI/LO (HKD):	24.7/8.3

#### SHARE HOLDING PATTERN, %

Proper Glory Holding Inc.	26.32
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#### PRICE VS. HSI



Source: Aastock, Phillip Securities (HK) Research

#### KEY FINANCIALS

CNY bn	FY21	FY22E	FY23E	FY24E
Net Sales	102	135	158	185
Net Profit	5	5	9	12
EPS, CNY	0.48	0.53	0.87	1.22
P/E, x	19.8	19.8	12.2	8.6
BVPS, CNY	6.64	7.04	7.73	8.66
P/BV, x	1.4	1.5	1.4	1.2
DPS (CNY)	0.17	0.18	0.29	0.43
Div. Yield (%)	1.8%	1.7%	2.7%	4.1%

Source: Company reports, Phillip Securities Est.

#### Research Analyst

ZhangJing (+ 86 021-51699400-103)

zhangjing@phillip.com.cn

### Investment Thesis

After the launch of the new generation hybrid technology Leisheng Power, the electrification and intelligent upgrading are accelerating, helping Geely return to the new energy vehicle racing track. In addition, the supply shortage of automobile chips and other factors are expected to gradually improve or eliminate, and the long-term competitiveness of the company are still worth looking forward to and growth momentum remain unchanged.

We revised our financial forecast and target price to HK\$14.2, equivalent to 24/15/10.6x P/E ratio in 2022/2023/2024, and we give the rating of Buy. (Closing price as at 1 December)

### Geely's Forward P/E P/B trends (y+1)



Source: Bloomberg, Company, Phillip Securities Hong Kong Research

## Financials

FYE DEC	FY19	FY20	FY21	FY22F	FY23F	FY24F
<b>Valuation Ratios</b>						
P/E (X), adj.	11.6	17.3	19.8	19.8	12.2	8.6
P/B (X)	1.9	1.6	1.4	1.5	1.4	1.2
Dividend Yield (%)	2.2%	1.7%	1.8%	1.7%	2.7%	4.1%
Dividend payout ratio (%)	26.2%	30.1%	35.3%	34.0%	33.8%	35.4%
<b>Per share data (RMB)</b>						
EPS, (Basic)	0.902	0.565	0.480	0.534	0.865	1.223
EPS, (Diluted)	0.892	0.564	0.479	0.530	0.859	1.213
DPS	0.234	0.170	0.169	0.180	0.290	0.430
BVPS	5.62	6.30	6.64	7.04	7.73	8.66
<b>Growth &amp; Margins (%)</b>						
<b>Growth</b>						
Revenue	-8.6%	-5.4%	10.3%	32.8%	17.5%	16.7%
EBIT	-36.0%	-34.6%	-29.7%	14.4%	84.7%	48.0%
Net Income, adj.	-34.8%	-32.4%	-12.4%	13.0%	60.8%	40.8%
<b>Margins</b>						
Gross margin	17.4%	16.0%	17.1%	16.0%	17.1%	17.8%
EBIT margin	9.8%	6.8%	4.3%	3.7%	5.8%	7.4%
Net Profit Margin	8.4%	6.0%	4.8%	4.1%	5.6%	6.7%
<b>Key ratios (%)</b>						
ROE	17.1%	9.9%	7.7%	8.07%	11.89%	15.08%
ROA	7.8%	5.0%	3.6%	3.78%	5.72%	7.25%
<b>Income Statement (RMB mn)</b>						
<b>Revenue</b>	<b>97,401</b>	<b>92,114</b>	<b>101,611</b>	<b>134,925</b>	<b>158,497</b>	<b>184,966</b>
<b>Gross profit</b>	16,917	14,737	17,412	21,561	27,087	32,831
EBIT	9,528	6,233	4,385	5,014	9,261	13,709
Profit before tax	9,636	6,441	4,665	5,289	9,585	13,942
<b>Tax</b>	<b>(1,375)</b>	<b>(866)</b>	<b>(312)</b>	<b>(262)</b>	<b>(834)</b>	<b>(1,492)</b>
Profit for the period	8,261	5,575	4,353	5,027	8,751	12,451
Minority interests	(72)	(41)	494	447	50	(60)
Total capital share	9,081	9,552	9,819	10,057	10,057	10,057
<b>Net profit</b>	<b>8,190</b>	<b>5,534</b>	<b>4,847</b>	<b>5,475</b>	<b>8,801</b>	<b>12,391</b>

Source: PSR

(Closing price as at 1 December)

**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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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

[www.ashaphillip.net/home.htm](http://www.ashaphillip.net/home.htm)