

GWM (2333 HK)

New Energy Layout Is Accelerating

Hong Kong | Automobile | Update Report

8 December 2022

Investment Summary

With a Slight Improvement in the Overall Sales Volume in October, the Product Sales Structure Is Continued to Be Upgraded

Great Wall Motors reported a sales volume of 100.2 thousand units in October, down 11% yoy and up 7% mom. The year-on-year decline was mainly due to the disruption of demand of major automobile consuming provinces amid the spread of the pandemic in multiple places. However, Great Wall Motors displayed outstanding performance in the overseas sales in October. A total of 21,052 units were delivered, up 50% yoy and up 12% mom, accounting for 21% of the total sale volume. From January to October, Great Wall Motors' cumulative sales volume reached 903 thousand units, down 9.4% yoy. In particular, 107,870 new energy vehicles were sold accumulatively, up 9.95% yoy, accounting for 11.9% of the total sales volume. The proportion of the Company's high-value models continued to increase. From January to October 2022, Great Wall Motors' sales volume of models above RMB200 thousand accounted for 14.62%, up 4.93 pts yoy; the sales volume of intelligent models accounted for 85.84%, up 10.54 pts yoy; and the sales volume of the models of three major technology brands accounted for 70.56%, up 11.67 pts yoy.

Haval and Tank Accelerate the Launch of New Energy Layout

In terms of sub-brands, Haval sold 63,759 units, up 1.9% yoy and up 18.2% mom, of which the sale volume of the main model Haval H6 was 35,127 units, up 28.5% yoy. In August, Haval announced its new energy strategy, accelerating its transition to the new energy track in a comprehensive manner, and plans to increase the sales proportion of new energy vehicles to 80% by 2025 and stop selling the traditional fuel-powered vehicles by 2030. At the end of September, the 3rd Gen Haval H6 DHT-PHEV was officially launched, which shows the stimulating effect on the total sales volume of Haval models. Haval is expected to launch a total of seven new energy models in two categories by the end of next year, including five plug-in hybrid electric models and two hybrid electric models. In the fourth quarter of this year, two new energy models, namely, the Shenshou PHEV and the Big Dog PHEV, will be launched. Haval is comprehensively accelerating the new energy layout.

Tank reported a sales volume of 12,753 units, up 28.2% yoy and up 1.1% mom. The average price of the Tank 300 and the Tank 500 exceeded RMB200 thousand and RMB300 thousand, respectively, which fully establishes the Company's ability to mine the characteristic segment. In the future, in addition to increasingly enriching the co-creation versions of existing models, new models such as the Tank 400, 700 and 800 will be launched in succession. At the previous Chengdu Motor Show, Tank showed the Tank 300 HEV and the Tank 500 PHEV, which are expected to be launched by the end of the year. Tank is also promoting the new energy layout.

BUY (Maintain)

CMP HKD 11.02

(Closing price as at 5 December)

TARGET HKD 14.1 (+27.95%)

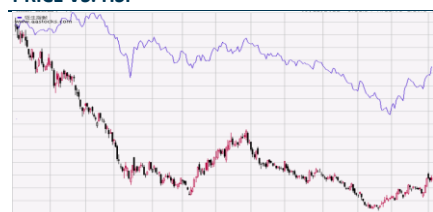
COMPANY DATA

O/S SHARES (MN):	9236
MARKET CAP (HKD MN):	32961
52 - WK HI/LO (HKD):	32.2 / 6.9

SHARE HOLDING PATTERN, %

Baoding Innovation Great Wall Asset Management	55.74
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PRICE VS. HSI



Source: Aastock, Phillip Securities (HK) Research

KEY FINANCIALS

CNY bn	FY21	FY22E	FY23E	FY24E
Net Sales	136	154	183	261
Net Profit	7	10	10	13
EPS, CNY	0.73	1.08	1.06	1.45
P/E, x	12.4	9.3	9.4	6.9
BVPS, CNY	6.73	7.91	8.72	9.85
P/BV, x	1.3	1.3	1.1	1.0
DPS (CNY)	0.37	0.47	0.53	0.73
Div. Yield (%)	4.1%	4.7%	5.3%	7.3%

Source: Company reports, Phillip Securities Est.

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Ora and Wey Are Still in the Transition Period

Ora delivered 5,572 units, down 57.9% yoy and down 26.7% mom. The decline was mainly affected by the discontinuation of low-priced models such as the Good Cat and the White Cat, reflecting that the brand is still in the transition period. On October 31, the new model Lightning Cat, which is positioned as a "super streamlined pure electric coupe", was officially launched. Within 24 hours of its launch, the large orders of the new model reached 15,305 units. The market layout has achieved initial results. It is expected to be a hot-selling model in the future. In terms of product planning, Ora will also launch multiple models such as the Punk Cat and the Cherry Cat in the future.

Wey reported a sales volume of 2,427 units, down 58.5% yoy and up 3.1% mom, reflecting the fierce market competition in the high-end models of self-owned brands. In the future, Wey will make breakthroughs in the diversity of models. Retro SUV model "Yuan Meng", large six-seat SUV and MPV models, and sedan model are expected to be launched in succession. The product matrix will be encrypted to facilitate the sales rally.

GWM Pickup delivered 15,697 units, down 23.2% yoy and down 8.3% mom, of which the GWM Poer delivered 10,155 units, down 19.8% yoy and down 16.1% mom. The sales volume has exceeded 10 thousand units for 27 consecutive months.

Investment Thesis

In 2022, due to the disruption resulting from the pandemic, the Company's original strong product cycle has been delayed. However, with the gradual disappearance of the negative factors, the recovery of capacity utilisation and the launch of a series of new models are expected to bring elasticity to the revenue and net profit. We think that Great Wall Motors' long-term layout of new technologies and new product systems will facilitate its share rally and bring stable returns in the future.

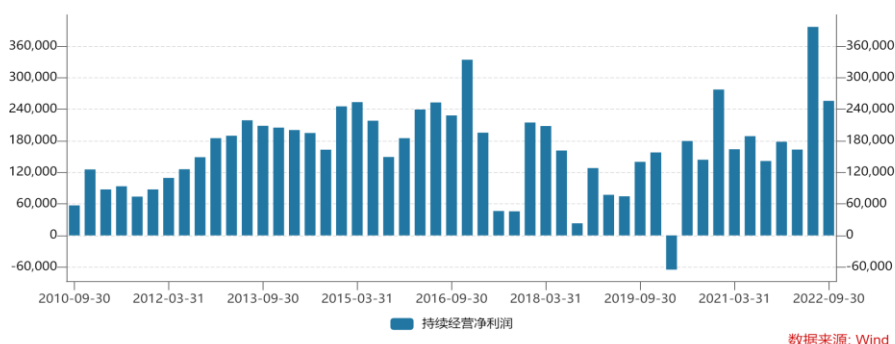
Considering revised financial forecast, we raised our target price to HK\$14.1, equivalent to 11.8/12/8.8 x P/E in 2022/2023/2024. We gave the rating of "Buy". (Closing price as at 5 December)

Risk

- New vehicle sales fall short of expectations
- The SUV market dramatically worsens
- The progress of new energy vehicle/Pickup is poorer than expectations

GWM's Quarterly results

长城汽车[2333.HK] - GSD.利润表(单季)



Source: Company, Phillip Securities Hong Kong Research

GWM's Forward P/E P/B trend (y+1)


Source: Bloomberg, Phillip Securities Hong Kong Research

Financials

	FY20	FY21	FY22F	FY23F	FY24F
Valuation Ratios					
P/E (X), adj.	15.9	12.4	9.3	9.4	6.9
P/B (X)	1.5	1.3	1.3	1.1	1.0
Dividend Yield (%)	3.0%	4.1%	4.7%	5.3%	7.3%
Dividend payout ratio (%)	47.8%	50.8%	43.6%	49.9%	50.3%
Per share data (RMB)					
EPS, reported	0.59	0.73	1.08	1.06	1.45
EPS, adj.	0.58	0.73	1.08	1.06	1.45
DPS	0.28	0.37	0.47	0.53	0.73
BVPS	6.25	6.73	7.91	8.72	9.85
Growth & Margins (%)					
Growth					
Revenue	7.4%	32.0%	12.7%	19.4%	42.3%
EBIT	39.5%	6.2%	17.7%	23.2%	52.9%
Net Income, adj.	19.3%	25.4%	46.7%	-1.3%	36.4%
Margins					
Gross margin	17.2%	16.2%	18.3%	18.2%	18.1%
EBIT margin	6.4%	5.2%	5.4%	5.6%	6.0%
Net Profit Margin	5.2%	4.9%	6.4%	5.3%	5.1%
Key Ratios					
ROE (%)	9.60%	11.26%	14.66%	12.78%	15.61%
ROA (%)	4.02%	4.08%	5.34%	4.73%	5.75%
Income Statement (RMB mn)					
Revenue	103,308	136,405	153,673	183,476	261,034
Gross profit	17,777	22,037	28,168	33,393	47,247
Operating profit	4,781	4,877	6,533	8,024	12,758
EBIT	6,624	7,034	8,279	10,201	15,594
Profit before tax	6,227	7,482	10,889	10,804	15,918
Tax	(865)	(757)	(1,034)	(1,070)	(2,626)
Profit for the period	5,362	6,725	9,854	9,734	13,291
Minority interests	0	(1)	(10)	1	12
Total capital share	9,176	9,236	9,159	9,159	9,159
Net profit	5,362	6,726	9,864	9,733	13,279

Source: PSR

(Closing price as at 5 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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