

BYD (1211 HK)

Took a Firm Lead Position

Hong Kong | Automobile | Update Report

24 October 2023

Investment Summary

BYD Took a Firm Lead for its 3Q23 Results

BYD recently published the forecast for its results of Q3 2023. It reported the net profit attributable to the parent company of RMB20.5-22.5 billion in 9M 2023, up 120-142% yoy; the net profit after deduction of non-recurring profit or loss of RMB 18.3-20.2 billion, up 119-142% yoy, with the basic EPS of RMB7.06-7.74. Calculated based on the data from the latest report, its net profit in Q1/Q2/Q3 would be RMB 4.13/6.8/9.5-11.5 billion, up 411%/145%/67-102% yoy.

In 9M 2023, the industry of new energy vehicle in China maintained rapid growth, with sales volume increasing by 37.5% yoy. BYD's sales volume of new energy vehicles robustly increased by 76% from the high base (1,180 thousand units) of 9M last year to 2,079.6 thousand units, with a market share in the market of new energy vehicles reaching 40%, increasing by 11.4 pcts from the level of 2022. In 2023, BYD owned constantly boosted brand strength, the scale advantage of continuously expanded sales volume, the cost-control capabilities of industrial chains, and the dropping prices of upstream raw materials. Due to these strong points, in the auto industry with intensified competition during H1, BYD continued to maintain good profitability, giving it a markedly rising single vehicle profit. In H1, BYD had a net single vehicle profit of approximately RMB 11,600, which increased by near 30% qoq. In terms of the component and assembly business of mobile phones, benefiting from the increased shares of major customers, and boosted emerging business such as new energy vehicles, and new types of smart products, BYD promoted its capacity utilization, further optimized its business structure, and substantially improved its profits.

BYD Set Sales Record in Sep. by Boosting Passenger and Commercial Vehicle together

According to the production and marketing update, BYD's sales volume of new energy vehicles in July was 262.2 thousand units, up 61% yoy and 4% mom, and BYD's cumulative sales volume from January to July was 1,517.8 thousand units, with an increase of 89% yoy. Among the sales volume in July, that of pure electric passenger vehicles was 134 thousand units (up 66.4% yoy and 5.1% mom), that of plug-in hybrid passenger vehicles was 126 thousand units (up 55.5% yoy and 2.3% mom), and that of commercial vehicles was 1,056 units (up 234.2% yoy, and down 22.4% mom). Besides advancing successfully in the market of new energy passenger vehicles, in the sector of new energy commercial vehicles, BYD also performed conspicuously, with the sales volume of new energy commercial vehicles of 8,532 units and an increase of 143.15% yoy during the first 7 months. We believe that, the industry of new energy commercial vehicles is being in its early days of accelerated growth, e.g., the gradually decreasing operating costs of electric heavy trucks in their full life cycle are expected to rapidly boost their market penetration. Moreover, the unit prices and profitability of commercial vehicles are both higher than those of passenger vehicles, so although having less stable sales volume compared with passenger vehicles, commercial vehicles have provided the resilience for the growth of BYD's performance.

BUY (Maintain)

CMP HKD 248

(Closing price as at 19 October)

TARGET HKD 321 (+29.4%)

COMPANY DATA

O/S SHARES (MN) :	2911
MARKET CAP (HKD MN) :	272304
52 - WK HI/LO (HKD):	280.6/161.7

SHARE HOLDING PATTERN, %

Wang chuan-fu	17.64
Lv xiang-yang	8.22

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY bn	FY22	FY23E	FY24E	FY25E
Net Sales	424	639	780	995
Net Profit	17	32	39	52
EPS, CNY	5.71	10.79	13.38	17.74
P/E, x	39.0	21.1	17.0	12.8
BVPS, CNY	38.14	48.22	65.38	83.09
P/BV, x	5.8	4.7	3.5	2.7
DPS (CNY)	1.14	2.16	2.70	3.60
Div. Yield (%)	0.5%	0.9%	1.2%	1.6%

Source: Company reports, Phillip Securities Est.

Research Analyst

Zhangjing (+ 86 021-62116752/62116753)

zhangjing@phillip.com.cn

Maintained Continuous and Robust Momentum in Export Sale

By proactively expanding the distribution in the overseas market, since the start of H2 2022, BYD has enabled its new energy passenger vehicles to successively enter 53 countries and regions, such as Japan, Germany, Australia, Singapore, Thailand, Brazil, and New Zealand, with overseas sales volume rising rapidly. In Sep., BYD exported new energy passenger vehicles of 28,039 units, up 12% mom, accounting for 9.75% of the total; from Jan to Sep, BYD cumulatively exported such vehicles of approximately 145.5 thousand units, with the proportion of the total increased to 7%. BYD has overseas distribution across Asia, Europe and Americas, and even performs well in some countries, e.g., Thailand and Israel where BYD was the sales champion of EVs in H1 this year. It is predicted that, supported by its highly competitive and abundant product lines, BYD has enormous potential in the overseas market, so BYD is expected to break through the sales volume of exported passenger vehicles of 200 thousand in 2023.

BYD takes constant action for high-end-based products: Its Denza brand grows better, with the sales volume of D9 breaking through 10 thousand units, and N7 and N8 successively becoming members of the brand; its Fang Cheng Bao brand features high-end, personalized, and tough off-road vehicle models; and its Yangwang brand strives for the market of premium cars each with a price tag of over RMB1 million. In the future, BYD will form a matrix comprising the brands of BYD, Denza, Yangwang, and Fang Cheng Bao, covering the comprehensive demand of users for vehicles in all dimensions and full scenarios from home-used to premium vehicles, and from public-used to personalized vehicles..

Investment Thesis

For better-than-expected FY23Q3 result, we revised the EPS forecast for 2023/2024 to 10.79/13.38 yuan, and introduce 2025E EPS to 17.74yuan. Therefore, we given the target price of 321 HK\$, corresponding to 2023/2024/2025 27/22/17x P/E, BUY rating. (Closing price as at 19 October)

Risk

Sales of NEVs is not as good as expected
New business risk
Slow-down of Hand-set components business

Financials

FYE DEC	FY21	FY22	FY23F	FY24F	FY25F
Valuation Ratios					
P/E (X), adj.	191.1	39.0	21.1	17.0	12.8
P/B (X)	6.1	5.8	4.7	3.5	2.7
Dividend Yield (%)	0.1%	0.5%	0.9%	1.2%	1.6%
Dividend payout ratio (%)	9.9%	20.0%	20.0%	20.2%	20.3%
Per share data (RMB)					
EPS, reported	1.06	5.71	10.79	13.38	17.74
EPS, adj.	1.06	5.71	10.79	13.38	17.74
DPS	0.11	1.14	2.16	2.70	3.60
BVPS	33.31	38.14	48.22	65.38	83.09
Growth & Margins (%)					
Growth					
Revenue	37.7%	100.7%	50.7%	22.1%	27.5%
EBIT	-35.8%	202.9%	103.4%	24.9%	37.4%
Net Income, adj.	-28.1%	445.9%	90.2%	23.8%	32.4%
Margins					
Gross margin	11.2%	17.0%	18.0%	17.8%	18.1%
EBIT margin	3.0%	4.6%	6.2%	6.3%	6.8%
Net Profit Margin	1.4%	3.9%	4.9%	5.0%	5.2%
Key Ratios					
ROE (%)	3.7%	15.9%	24.9%	23.5%	23.9%
ROA (%)	1.2%	4.2%	5.8%	5.6%	5.8%
Income Statement (RMB mn)					
Revenue	211,300	424,061	639,243	780,335	994,593
Cost of sales	(187,667)	(351,816)	(524,179)	(641,435)	(814,870)
Gross profit	23633	72245	115064	138900	179723
Operating expenditure	(19815)	(43723)	(62582)	(74600)	(94088)
Financial costs	(1,908)	1,618	1,125	960	(1,100)
Profit before tax	4518	21080	40709	50394	66799
Tax	(551)	(3,367)	(7,214)	(8,930)	(11,636)
Profit for the period	3967	17713	33495	41464	55163
Minority interests	(922)	(1,091)	(1,881)	(2,328)	(3,328)
Net profit	3,045	16,622	31,614	39,136	51,835

FYE DEC	FY21	FY22	FY23F	FY24F	FY25F
Balance Sheet (RMB mn)					
Total Assets	295,780	493,861	603,556	801,556	977,229
Cash & cash equivalent	49820	51471	52615	56009	60000
Total Liabilities	191536	372471	452077	596507	718330
Non-controlling interest	9175	10361	11122	14722	17022
Total Equity	104244	121390	151479	205049	258899
Shareholder Equity	95,070	111,029	140,357	190,327	241,877

Source: PSR

(Closing price as at 19 October)

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

GENERAL DISCLAIMER

This publication is prepared by Phillip Securities (Hong Kong) Ltd ("Phillip Securities"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication shall not be reproduced in whole or in part, distributed or published by you for any purpose. Phillip Securities shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources which Phillip Securities has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this publication are based on such information and are expressions of belief only. Phillip Securities has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a financial adviser regarding the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This publication should not be relied upon as authoritative without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research should take into account existing public information, including any registered prospectus in respect of such security.

Disclosure of Interest

Analyst Disclosure: Neither the analyst(s) preparing this report nor his associate has any financial interest in or serves as an officer of the listed corporation covered in this report.

Firm's Disclosure: Phillip Securities does not have any investment banking relationship with the listed corporation covered in this report nor any financial interest of 1% or more of the market capitalization in the listed corporation. In addition, no executive staff of Phillip Securities serves as an officer of the listed corporation.

Availability

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Information contained herein is based on sources that Phillip Securities (Hong Kong) Limited ("PSHK") believed to be accurate. PSHK does not bear responsibility for any loss occasioned by reliance placed upon the contents hereof. PSHK (or its affiliates or employees) may have positions in relevant investment products. For details of different product's risks, please visit the Risk Disclosures Statement on <http://www.phillip.com.hk>.

© 2023 Phillip Securities (Hong Kong) Limited

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

www.ashaphillip.net/home.htm