

Tuopu Group (601689 CH)

Highlighted Core Customers and Continued to Promote the Tier 0.5 Cooperation Model

China | Automobile Part | Company Update

31 July 2024

Company profile:

Tuopu Group is an industry leader in the field of automotive NVH that is capable of synchronous design with the original equipment manufacturer. In recent years, on the basis of the original business of shock absorbers and interior functional parts, the Company has proactively arranged the module of the lightweight chassis system and the automotive electronics business as the future "2+3" strategic development projects, in order to adapt to the trend of electrification, intellectualization and lightweight of vehicles.

Investment Summary

Revenue Rose by 27% in 2023, and Performance Leaped by Over 40% in Q1 2024

In 2023, the Group recorded a revenue of RMB19.7 billion, up 23.2% yoy, net profit of RMB2,151 million attributable to the parent company, up 26.5% yoy, and net profit of RMB2,021 million attributable to the parent company excluding non-recurring items, up 22% yoy and about 10% lower than our mid-year projection. By quarter, the net profit attributable to the parent company was up 16.7% to RMB450 million, up 100% to RMB644 million, up 0.43% to RMB503 million, and up 12.6% to RMB554 million, respectively, in Q1, Q2, Q3 and Q4 2023. We reckon that the sales increase of downstream customers, product line expansion of the Group, and commissioning of new electronic products for various car models, such as pneumatic suspension, brake-by-wire and electronic adjustable steering column, drove the Group's performance to grow. A forward-looking layout has been made in new energy vehicles (NEVs). Especially, the Group's lightweight chassis and electronic business started to enter the harvesting period and contribute to business performance.

The year 2023 witnessed the global delivery of 1,810 thousand units of NEVs by the Group's largest customer, Tesla, with a yoy increase of 38%. Among Chinese vehicle manufacturers, the yoy growth rate of the sales volume of Geely Auto was 18%, higher than the industry average of 11%, and the annual sales of NIO, AITO, Li Auto and BYD rose by 31%, 26%, 182% and 62% yoy, respectively. The sales growth of both new and existing customers drove the Group's revenue and profit to increase.

In FY2024Q1 the momentum for the Group's performance growth sustained, and the Group recorded a revenue of RMB5.69 billion, up 27.3% yoy and 2.5% qoq, in Q1 2024, as well as a net profit of RMB670 million attributable to the parent company, up 43.3% yoy and 17.3% qoq, and a net profit of RMB600 million attributable to the parent company excluding non-recurring items, up 41.9% yoy and 14.6% qoq. In Q1 2024 Q1, Chinese vehicle manufacturers Li Auto and AITO recorded a sales volume of 80.4 thousand and 85.8 thousand vehicles, respectively, up 52.9% and 636.27% yoy, and Geely Auto recorded a sales volume of 476 thousand vehicles, up 49% yoy.

According to the latest positive profit alert, the total revenue for FY2024H1 was 12.227 billion yuan, up 33.47% yoy; The net profit attributable to the parent company was 1.452 billion yuan, up 32.69% yoy; Correspondingly revenue for 24Q2 was 6.538 billion yuan, up 39.3% yoy and 14.9% qoq; The net profit attributable to the parent company was 806 million yuan, up 25.2% yoy and 24.9% qoq. Shipments and result continue to beat consensus growth.

BUY (Upgrade)

CMP CNY 33.97

(Closing price as at 29 July)

TARGET CNY 51.69 (+52%)

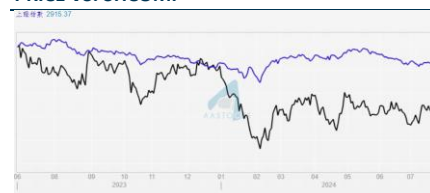
COMPANY DATA

O/S SHARES (MN) :	1163
MARKET CAP (CNY MN) :	57274
52 - WK HI/LO (CNY):	55.32/ 29.57

SHARE HOLDING PATTERN, %

Mr. Wu Jianshu	63.79
----------------	-------

PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY22	FY23	FY24F	FY25F
Net Sales	15993	19701	27102	35461
Net Profit	1700	2151	2927	4008
EPS, CNY	1.54	1.95	1.74	2.38
P/E, x	36.8	29.1	19.5	14.3
BVPS, CNY	11.01	12.51	13.85	16.63
P/BV, x	5.2	4.5	2.5	2.0
DPS (CNY)	0.46	0.56	0.50	0.70
Div. Yield (%)	0.8%	1.0%	1.5%	2.1%

Source: Company reports, Phillip Securities Est.

Research Analyst

Zhangjing (+ 86 21 62116752)

zhangjing@phillip.com.cn

Profitability Soundly Improved

Thanks to the continuous practice of the Tier 0.5 business model, the Group's matching amount of single vehicles increased constantly to RMB30 thousand approximately. In terms of profitability, the net profit margin for the full year 2023 grew by 0.29 percentage points, from 10.62% in the same period of the previous year to 10.91%. By quarter, the net profit margin was 10.16% (down -0.51 ppts yoy), 13.75% (up 3.35 ppts yoy), 10.1% (down 1.5 ppts yoy) and 9.85% (down 0.2 ppts yoy), respectively, in Q1, Q2, Q3 and Q4 2023. In Q1 2024, the gross margin was 22.43%, up 0.58 ppts yoy, and the net profit margin was 11.39%, up 1.23 ppts yoy. Profitability may continue to improve as the scale effect will dilute R&D costs and capital expenditures because of mass production and sales growth of products in the coming days, and independent parts brands will produce more and more products for middle- and high-end new energy vehicles.

The Group Highlighted Core Customers and Continued to Promote the Tier 0.5 Cooperation Model

Deepening strategic cooperation with customers with the Tier 0.5 model was more acceptable to the market with the continuous advancement of the platformisation strategy of products. Sustained rapid growth of new orders was a guarantee for the Group's high-speed sustainable development in the future.

In the domestic market, the Company's cooperation with Huawei-Seres, Li Auto, NIO, XPeng, BYD, Geely New Energy and other new energy vehicle manufacturers deepened rapidly, with a constantly rising matching amount of single vehicles. In the global market, the Group conducted all-around cooperation in the new energy vehicle sector with innovative American vehicle manufacturers A, RIVIAN and LUCID, as well as traditional American vehicle manufacturers such as FORD, GM and FCA. FAW, Geely, Huawei-Seres, Li Auto, BYD, Xiaomi Auto, Hycan, HiPhi and SAIC selected the Group as the permanent suppliers of IBS, EPS, pneumatic suspension, thermal management and smart cabin projects. Amid intensive cooperation with leading vehicle manufacturers, sales to core customers and the matching amount of single vehicles are expected to grow, and the Group may be the first to benefit from it.

Robot Actuators may be the Star Product that Boosts the Group's Growth

With the software, electrical control, motor and machinery technologies accumulated in the IBS project, the Group initiated robot actuator business. Samples of robot linear actuators and rotary actuators developed by the Group were sent to customers many times, and won recognition and praise from customers. The project calls for mass production to ramp up from the first quarter of 2024, with an initial order of 100 units per week. In January 2024, the Group announced its intent to build a production base of robot electric actuators with an investment of about RMB5 billion. The Group's production line with an annual capacity of 300 thousand sets of electric actuators was officially put into operation on January 8, the capacity of which will be improved to 100 million sets in the future. For the great potential for development of the robot industry, robot actuators may be the star product that boosts the Group's growth in the long run.

Investment Thesis

The market is concerned that Tesla's slowing growth will have a negative impact on the Group's performance, and we believe that the updates on the Group's overseas factories will help the Group earn orders from other overseas customers. The sales volume of supporting products for domestic core new energy customers such as Huawei, Xiaomi, NIO, Li Auto and BYD is expected to grow rapidly. Constant implementations of new business orders, growing single-vehicle value, rapid capacity expansion, and increasing scale effects will secure the mid- and long-term development of the Group. Taking into account the dilution of conversion of follow-on offerings, we lower the EPS estimate for 2024 to RMB1.74 from RMB1.94. So, we

revise the Company's target price to RMB 51.69 yuan, respectively 30/22 x P/E for 2024/2025, a "Buy" rating. (Closing price as at 29 July)

Forward PE PB trend



Source: Bloomberg, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY21	FY22	FY23	FY24F	FY25F
Valuation Ratios					
P/E (X), adj.	61.6	36.8	29.1	19.5	14.3
P/B (X)	5.9	5.2	4.5	2.5	2.0
Dividend payout ratio(%)	30.2%	30.0%	28.5%	28.7%	29.4%
Dividend Yield (%)	0.5%	0.8%	1.0%	1.5%	2.1%
Per share data (RMB)					
EPS, (Basic)	0.92	1.54	1.95	1.74	2.38
EPS, (Diluted)	0.92	1.54	1.95	1.74	2.38
DPS	0.28	0.46	0.56	0.50	0.70
BVPS	9.61	11.01	12.51	13.85	16.63
Growth & Margins (%)					
Growth					
Revenue	76.0%	39.5%	23.2%	37.6%	30.8%
EBIT	57.3%	66.6%	30.3%	37.2%	36.2%
Net Income, adj.	61.5%	67.6%	26.5%	36.1%	36.9%
Margins					
Gross margin	19.3%	21.0%	22.3%	21.8%	22.0%
EBIT margin	10.3%	12.3%	13.0%	13.0%	13.5%
Net Profit Margin	8.8%	10.6%	10.9%	10.8%	11.3%
Key Ratios					
ROE	10.8%	15.0%	16.6%	19.1%	22.6%
Income Statement (RMB mn)					
Revenue	11463	15993	19701	27102	35461
Gross profit	2208	3363	4389	5919	7816
EBIT	1180	1966	2562	3515	4788
Profit before tax	1146	1960	2462	3443	4716
Tax	128	261	312	515	705
Profit for the period	1018	1699	2150	2929	4011
Minority interests	3.4	-1.2	-1	2	2
Total capital share	1102	1102	1102	1686	1163
Net profit	1014	1700	2151	2927	4008

Source: PSR

(Closing price as at 29 July)

Risk

Price war among peers
Raw material price increase
New business risk

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>.

© 2024 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