

BYD (1211 HK)

Keep Taking a Firm Lead Position

Hong Kong | Automobile | Update Report

19 November 2024

Investment Summary

BYD Took a Firm Lead by Achieving Exceptional Results in Q3

In the first three quarters of 2024, BYD recorded total revenue of RMB502,251 million, up 18.94% yoy, and net profit attributable to the parent company of RMB25,238 million, up 18.12% yoy. The basic ESP was RMB8.68, from RMB7.35 in the same period of the previous year. By quarter, the Company's net profit attributable to the parent company was RMB4.57 billion in Q1, RMB9,062 million in Q2 and RMB11,607 million in Q3, climbing by 10.62%, 32.8% and 11.47% yoy, respectively, and revenue was RMB124,944 million in Q1, RMB176,182 million in Q2 and RMB201,125 million in Q3, representing yoy growth rates of 3.97%, 25.89% and 24.04%, respectively..

BYD's Gross Profit Margin Recovered Notably Q-o-Q and R&D Input was Increased

In Q3, the Company's gross profit margin stood at 21.89%, the fifth highest since the Company's listing and representing a substantial qoq increase of 3.2 ppts, despite a slight yoy decrease of 0.23 ppts. The main reason lies in the optimised sales structure of the Company's models in Q3, in contrast to the fierce price competition in the auto market in Q2. The increased sales share of DM5.0 and the scale effect driven by lower raw material prices and expanding sales (sales volume in Q3 surged by 38% yoy and exceeded one million) significantly bolstered profitability.

In Q3, the sales expense ratio was 4.77%, up 0.83 ppts yoy as primarily driven by higher advertising and exhibition expenses and amortisation charges, and the administration expense ratio was 2.34%, up 0.21 ppts yoy. To maintain its competitive edge in battery technology and autonomous driving, the Company increased R&D input up to RMB13.7 billion, up 52% yoy and 23.4% qoq, representing an R&D expense ratio of 6.81%, basically flat with that of the same period of the previous year. The financial expense ratio rose by 0.58 ppts yoy to 0.48%, mainly due to the impact of exchange rate changes on exchange gains and losses. Excluding the performance of BYD Electronic, automobile business saw a growth rate of financial data basically the same as the overall growth rate, and a net profit attributable to the parent company of RMB10.59 billion, a yoy increase of 12.6% and qoq increase of 28.1%. This translated to a single-vehicle net profit of RMB9.3 thousand, reflecting a qoq increase of 7.3% as driven by the roll-out of the high-end DM-i 5.0 generation in the Company's Dynasty-series and Ocean-series, which boosted the average single-vehicle price and profit. However, on a year-on-year basis, the single-vehicle net profit fell by 17%, mainly because the Company introduced the lower-priced Glory edition to cope with the market's price war, resulting in a fall in the average single-vehicle price.

In Q3, the operating cash flow saw a net inflow of RMB42,095 million, up RMB26.2 billion yoy and RMB38.1 billion qoq. As at the end of September, the Company spent 71.9 days on inventory turnover and 38.0 days on accounts receivable turnover, representing a significant qoq improvement.

BUY (Maintain)

CMP HKD 264

(Closing price as at 15 November)

TARGET HKD 337 (+27.65%)

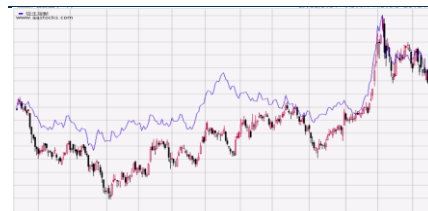
COMPANY DATA

O/S SHARES (MN) :	2909
MARKET CAP (HKD MN) :	289872
52 - WK HI/LO (HKD):	320.8/167.8

SHARE HOLDING PATTERN, %

Wang chuan-fu	17.7
Lv xiang-yang	13.8

PRICE VS. HSI



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY bn	2023	2024E	2025E	2026E
Net Sales	6023	7601	9846	11293
Net Profit	300	382	479	562
EPS, CNY	10.32	13.13	16.46	19.31
P/E, x	23.3	18.4	14.7	12.5
BVPS, CNY	47.68	59.58	71.46	86.35
P/BV, x	5.0	4.1	3.4	2.8
DPS (CNY)	3.10	4.00	5.00	5.80
Div. Yield (%)	1.3%	1.7%	2.1%	2.4%

Source: Company reports, Phillip Securities Est.

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BYD is Anticipated to Further Boost Export and High-end Business, Powered by Strong Technological Strength

The Company has developed expertise in key technologies such as blade battery, 5th-generation DM technology, e-Platform 3.0, CTB body integration, Yisifang and BYD DiSus, and has constructed a hierarchical brand matrix composed of Dynasty, Ocean, Fangchengbao, Tengshi and Yangwang, ranging from passenger cars to premium cars and covering general and customised segments. The Company is ushering in a virtuous circle, with the rapid expansion of its product lines and the ongoing advancement of its high-end business that bolsters its competitiveness and influence in domestic and foreign markets. In May, the Company launched its 5th-generation DM technology, featuring upgrades to the power architecture, thermal management system and electronic and electrical systems, allowing for a minimum charge-sustaining fuel consumption of 2.9L/100km and a total range of up to 2,100 km. Models equipped with this technology, including Qin L, Seal 06, Song L, Song PLUS, Han, Sealion 05, Song Pro and Tang DM-i Modified, have been launched successively since May, further driving up the competitiveness and pricing of the Company's products. From January to October 2024, the Company sold 3,250 thousand vehicles, up 36% yoy. Specifically, domestic sales reached 2,920 thousand vehicles, up 32.5% yoy, while overseas sales surged to 329 thousand vehicles, up 86.9 yoy. Overseas sales accounted for 10.2% of total sales, representing a yoy increase of 2.7 ppts. Sold high-end brand models totalled 144 thousand vehicles with yoy increase of 39%, accounting for 4.5% of total sales, representing a yoy increase of 0.1 ppts. The upcoming launches of high-end models, such as Tengshi Z9 and Z9GT, Han L, Tang L, Fangchengbao 3, Fangchengbao 8 and Yangwang U7, and increase in overseas sales owing to the ramp-up of productivity abroad and positive expansion in Asian, African and Latin American markets (overseas sales are expected to surpass 450 thousand vehicles in 2024 and reach 800 thousand vehicles by 2025) will further contribute to the growth of Company's earnings..

Investment Thesis

For valuation, we revised the EPS forecast for 2024/2025 to 13.13/16.46 yuan, and introduce 2026E EPS to 19.31 yuan. Therefore, we given the target price of 337 HK\$, corresponding to 2024/2025/2026 23.5/18.8/16x P/E, BUY rating. (Closing price as at 15 November)

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	FY23	FY24F	FY25F	FY26F
Valuation Ratios						
P/E (X), adj.	203.5	41.5	23.3	18.4	14.7	12.5
P/B (X)	6.5	6.2	5.0	4.1	3.4	2.8
Dividend Yield (%)	0.0%	0.5%	1.3%	1.7%	2.1%	2.4%
Dividend payout ratio (%)	9.9%	20.0%	30.0%	30.5%	30.4%	30.0%
Per share data (RMB)						
EPS, reported	1.06	5.71	10.32	13.13	16.46	19.31
EPS, adj.	1.06	5.71	10.32	13.13	16.46	19.31
DPS	0.11	1.14	3.10	4.00	5.00	5.80
BVPS	33.31	38.14	47.68	59.58	71.46	86.35
Growth & Margins (%)						
Growth						
Revenue	37.7%	100.7%	42.0%	26.2%	29.5%	14.7%
EBIT	-35.8%	202.9%	83.9%	35.4%	22.8%	17.0%
Net Income, adj.	-28.1%	445.9%	80.7%	27.1%	25.4%	17.3%
Margins						
Gross margin	11.2%	17.0%	20.2%	20.9%	20.3%	20.3%
EBIT margin	3.0%	4.6%	5.9%	6.4%	6.0%	6.2%
Net Profit Margin	1.4%	3.9%	5.0%	5.0%	4.9%	5.0%
Key Ratios						
ROE (%)	3.7%	15.9%	21.6%	23.1%	23.7%	23.3%
ROA (%)	1.2%	4.2%	5.1%	5.1%	5.4%	5.5%
Income Statement (RMB mn)						
Revenue	211,300	424,061	602,315	760,113	984,593	1,129,343
Cost of sales	(187,667)	(351,816)	(480,558)	(600,945)	(784,918)	(900,312)
Gross profit	23,633	72,245	121,757	159,168	199,675	229,031
Operating expenditure	(19,815)	(43,723)	(78,248)	(101,095)	(126,914)	(144,330)
Financial costs	(1,908)	1,618	1,475	(1,160)	(1,100)	(1,300)
Profit before tax	4,518	21,080	37,269	47,321	58,426	68,361
Tax	(551)	(3,367)	(5,925)	(7,666)	(9,009)	(10,541)
Profit for the period	3,967	17,713	31,344	39,655	49,417	57,820
Minority interests	(922)	(1,091)	(1,303)	(1,458)	(1,520)	(1,639)
Net profit	3,045	16,622	30,041	38,197	47,897	56,181
Balance Sheet (RMB mn)						
Total Assets	295,780	493,861	679,548	812,056	968,229	1,090,030
Cash & cash equivalent	49,820	51,471	109,094	56,009	63,668	78,991
Total Liabilities	191,536	372,471	529,086	632,007	749,330	829,222
Non-controlling interest	9,175	10,361	11,652	14,722	17,022	19,623
Total Equity	104,244	121,390	150,462	180,049	218,899	260,808
Shareholder Equity	95,070	111,029	138,810	165,327	201,877	241,185

Source: PSR

(Closing price as at 15 November)

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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