

Geely (175 HK)

Undergoing the transformation period of integration

Hong Kong | Automobile | Update Report

23 December 2024

Company Profile

Geely is one of the leading enterprises in China's self-brand passenger vehicles manufacturers. The Company's products include six major brands: Geely, Geometry, Lynk, Zeekr, Livan, and Galaxy, covering the A0 to C-class passenger vehicles market.

Investment Summary

New Models Showed a Significant Boost, with Sales Volume up 30% YoY and the Proportion of NEVs Rapidly Increasing

Geely reported a sales volume of 250 thousand units in November, up 27% yoy and 10.3% mom. The high yoy sales increase was mainly driven by new models such as Galaxy E5, Geely Xingyuan and ZEEKR 7X. On a closer look at brands, the high-end brand ZEEKR achieved a sales volume of 27 thousand units, up 106.1% yoy and down 13.1% mom. The mid-to-high-end brand LYNK&CO achieved a sales volume of 33 thousand units, up 8.7% yoy and 30.5% mom. The main brand Geely achieved a sales volume of 190 thousand units, up 23.8% yoy and 11.7% mom. Its sub-brand Galaxy achieved a sales volume of 75 thousand units, up 120.6% yoy and 18.5% mom. In terms of exports, 32.8 thousand units were exported in November, up 13% yoy.

In the first 11 months, the Company sold a total of 1,967 thousand units, up 30.9% yoy and extremely close to its annual target sales volume of 2 million units. The cumulative sales of Geely reached 1,512 thousand units, up 25.8% yoy (including that of the Galaxy series, which is 425 thousand units, up 73.5% yoy). That of ZEEKR reached 195 thousand units, up 85.3% yoy, and that of LYNK&CO reached 259 thousand units, up 33% yoy. In the first 11 months, 379 thousand units were exported, up 56% yoy.

In terms of new energy, the Company sold 122 thousand NEVs in November, up 93.9% yoy and 12.6% mom. NEVs accounted for 49% of the total sales volume, up 16.9 pts yoy and 1 ppt mom. From January to November 2024, the cumulative sales of NEVs reached 777 thousand units, up 91.7% yoy, accounting for 39.5%, an increase of 12.5 pts yoy. The Company's new energy transformation is accelerating.

Continuous Enhancement in Profitability in Q3

Thanks to its strong sales volume this year, Geely Auto has seen great growth in both revenue and profit. According to the Q3 report released by the Company, it reported a revenue of RMB60,378 million, up 20.5% yoy and 9.8% qoq, and a net profit attributable to the parent company of RMB2,455 million, up 92.4% yoy and down 72.8% qoq. The qoq decrease is mainly due to a one-time gain of approximately RMB RMB7.47 billion from the sale of the HORSE equity in the prior quarter. If this factor is excluded, up 56% qoq. Besides, if the one-time provision for LYNK&CO Europe in Q3 is excluded, the net profit attributable to the parent company excluding non-recurring items reaches RMB2.76 billion, up 116% yoy. In Q3, 534 thousand units were sold, representing a yoy increase of 18.7% and a qoq increase of 11.2%, respectively. Driven by the new models, the proportion of NEVs, especially high-end models, increased, boosting the ASP, which was up 4.1% yoy to RMB113 thousand.

BUY (Maintain)

CMP HKD 15.48

(Closing price as at 19 December)

TARGET HKD 20.2 (+30.5%)

COMPANY DATA

O/S SHARES (MN) :	10066
MARKET CAP (HKD MN) :	155946
52 - WK HI/LO (HKD):	16.44/7.24

SHARE HOLDING PATTERN, %

Mr Li Shufu. & Associates	41.38
---------------------------	-------

PRICE VS. HSI



Source: Aastock, Phillip Securities (HK) Research

KEY FINANCIALS

CNY bn	FY23	FY24E	FY25E	FY26E
Net Sales	179	245	291	355
Net Profit	5.3	15.5	11.8	16.0
EPS, CNY	0.51	1.53	1.16	1.57
P/E, x	27.4	9.3	12.3	9.0
BVPS, CNY	8.00	9.50	10.36	11.49
P/BV, x	1.8	1.5	1.4	1.2
DPS (CNY)	0.20	0.30	0.45	0.60
Div. Yield (%)	1.4%	2.1%	3.2%	4.2%

Source: Company reports, Phillip Securities Est.

Research Analyst

Zhangjing (+ 86 021-62116752)

zhangjing@phillip.com.cn

A gross margin of 15.58% was recorded in Q3, up 0.14 pts yoy and down 0.92 pts qoq. The qoq decrease is mainly due to changes in accounting standards (the transfer of warranty deposits from expenses to costs). Particularly, the gross margin of ZEEKR vehicles was approximately 15.7% with a qoq increase of 1.5 pts. ZEEKR achieved its first-ever quarterly turnaround from a loss to a profit(before any intercompany elimination), largely due to the scale effect coming into play. On the cost end, the sales and administration expense ratios were 4.47% and 5.82%, respectively, representing a yoy decrease of 1.73 pts/0.54 pts, indicating good cost control.

Shift towards Strengthening Strategic Integration to further Enhance Comprehensive Competitiveness

Changes in the auto industry are accelerating, and competition among NEVs is intensifying. To pursue long-term development, the Company issued the Taizhou Declaration in September 2024, clarifying strategic mergers and reorganisations as the development target for the next stage. In October, GEOME merged into Galaxy, and in November, LYNK&CO merged into ZEEKR. Upon completion, the Company will own 81% of LYNK&CO. LYNK&CO's results will be consolidated in the future. We believe that mergers and reorganisations can enhance strategic synergies and business integration across various sub-brands, eliminate horizontal competition, reduce duplicate investments, achieve complementary distribution networks, improve supply chain efficiency, and facilitate cost reduction and efficiency improvements. The brand positioning, technology planning, and product portfolio of the Company will be clearer. ZEEKR is positioned as a global luxury technology brand covering the high-end luxury market. LYNK&CO is positioned as a global mid-to-high-end brand in the new energy sector, covering the mid-to-high-end market. Geely Galaxy and China Star are positioned as mainstream brands, covering mainstream markets. Following the merger, ZEEKR and LYNK&CO plan to achieve a target sales volume of more than 1 million units by 2026. Two SUVs and two sedans of the Galaxy series will be launched next year, one per quarter. Distribution outlets will be expanded from the current 900 to 1,250 by the end of next year..

Investment Thesis

We revised our financial forecast and target price to HK\$20.2, equivalent to 12.1/16/11.8x P/E ratio in2024/2025/2026, and we give the rating of Buy. (Closing price as at 19 December)

Geely's P/E Band trend



Source: Wind, Company, Phillip Securities Hong Kong Research

Financials

FYE DEC	2021	2022	2023	2024E	2025E	2026E
Valuation Ratios						
P/E (X), adj.	26.3	27.2	27.4	9.3	12.3	9.0
P/B (X)	1.9	1.9	1.8	1.5	1.4	1.2
Dividend Yield (%)	1.3%	1.4%	1.4%	2.1%	3.2%	4.2%
Dividend payout ratio (%)	35.4%	37.6%	39.2%	19.8%	39.1%	38.4%
Per share data (RMB)						
EPS, (Basic)	0.481	0.511	0.514	1.528	1.158	1.571
EPS, (Diluted)	0.480	0.505	0.510	1.519	1.152	1.563
DPS	0.170	0.190	0.200	0.300	0.450	0.600
BVPS	6.64	7.49	8.00	9.50	10.36	11.49
Growth & Margins (%)						
Growth						
Revenue	10.3%	45.6%	21.1%	36.9%	18.7%	21.9%
EBIT	-29.7%	-1.9%	2.4%	259.6%	-23.2%	42.7%
Net Income, adj.	-12.4%	8.5%	0.9%	192.4%	-23.9%	35.2%
Margins						
Gross margin	17.1%	14.1%	15.3%	15.5%	15.9%	16.4%
EBIT margin	4.3%	2.9%	2.5%	6.5%	4.2%	4.9%
Net Profit Margin	4.8%	3.6%	3.0%	6.3%	4.1%	4.5%
Key ratios (%)						
ROE	7.7%	7.5%	6.8%	17.6%	11.8%	14.5%
ROA	3.6%	3.3%	2.8%	6.7%	4.7%	5.9%
Income Statement (RMB mn)						
Revenue	101,611	147,965	179,204	245,403	291,209	354,899
Gross profit	17,412	20,896	27,415	38,062	46,157	58,097
EBIT	4,385	4,302	4,406	15,841	12,159	17,346
Profit before tax	4,665	4,682	4,950	16,551	12,849	17,996
Tax	(312)	(32)	(15)	(1,159)	(1,118)	(1,926)
Profit for the period	4,353	4,650	4,935	15,392	11,731	16,070
Minority interests	494	611	373	130	80	(103)
Total capital share	9819	10034	10059	10066	10073	10076
Net profit	4,847	5,261	5,308	15,522	11,811	15,967

Source: PSR

(Closing price as at 19 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

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