

Wanfeng Auto Wheel^(002085 CH)

Low-Altitude Economy Growth Expected

China | Automobile part | Company Report

29 May 2025

Company Profile

After nearly 20+ years of organic development and inorganic acquisitions, the Company has established a "dual engine" growth strategy driven by the application of lightweight metal materials in auto parts industry and the general aviation aircraft manufacturing industry, including six major business sectors, namely, 1) aluminum alloy wheels, 2) magnesium alloy automobile die castings, 3) environmentally friendly dacromet coatings, 4) general aviation aircraft. The Company is leading in many sub-industry fields.

Investment Summary

Wuxi Xiongwei's Deconsolidation Affected Revenue, While Impairment in the General Aviation Business Impacted Profitability

Due to the divestiture of Wuxi Xiongwei (high-strength steel stamping parts and other metal casting businesses), Wanfeng Auto Wheel achieved revenue of RMB16,264 million (RMB, the same below) in 2024, up only 0.35% yoy. Affected by asset impairments and goodwill impairments, net profit attributable to the parent company declined 10.14% yoy to RMB653 million. Earnings per share (EPS) were RMB0.32, down 8.6% yoy. The Company plans to distribute a cash dividend of RMB0.1 per share, with a payout ratio of 31.25%.

By business segment, the automotive metal parts lightweight business generated revenue of RMB13.45 billion, up 0.09% yoy, accounting for 82.7% of total revenue, down slightly by 0.21 percentage points. Revenue from new energy vehicle (NEV) supporting business was RMB3.28 billion. The general aviation aircraft business achieved revenue of RMB2,814 million, up 1.62% yoy. By region, domestic sales reached RMB8.3 billion, up 8.75% yoy, accounting for 51.04% of revenue, an increase of 3.94 percentage points; overseas sales were RMB7.96 billion, down 7.12% yoy, accounting for 48.96%.

Due to intense market competition and changes in the international environment, overall profitability was suppressed. The Company's gross margin in 2024 declined 3.8 percentage points yoy to 16.53%. Specifically, the gross margin of the automotive metal parts lightweight business decreased 3.5 percentage points yoy to 14.82%; the general aviation aircraft business's gross margin dropped 5.34 percentage points yoy to 24.71%. The decline in the general aviation business was mainly caused by supply chain issues affecting aircraft delivery. Based on a conservative principle, the Company made impairment provisions on certain orders, resulting in a 54.29% yoy decline in profit contribution from this segment. Additionally, the magnesium alloy die-casting parts business saw net profit drop 47.91% yoy due to rising raw material and fuel prices. However, the aluminium alloy wheels business performed well, partially offsetting the negative factors. In 2024, the Company's automotive aluminium alloy wheels sales volume was 22,340.1 thousand sets, up 17.27% yoy. The Company maintained good expense control, with the full-year period expense ratio (sales + administration + R&D + finance) reduced by 1.84 percentage points yoy to 8.92%.

In Q1 2025, the Company achieved revenue of RMB3,567 million, up 0.75% yoy; net profit attributable to the parent company was RMB275 million, up 21.3% yoy. Net profit excluding non-recurring items was RMB190 million, down 12.8% yoy. This was mainly due to a RMB125 million gain from the subsidiary's acquisition of certain tangible assets, intellectual property rights, and specific contract rights and obligations from Volocopter GmbH in Q1, which led to RMB140 million yoy increase in non-operating income. Gross margin declined 1.5 percentage points yoy to 18.3%..

Accumulate (Downgrade)

CMP CNY 15.9

(Closing price as at 27 May)

TARGET CNY 18.17 (+14.3%)

COMPANY DATA

O/S SHARES (MN) :	2123
MARKET CAP (CNY MN) :	33760
52 - WK HI/LO (CNY):	25.19/ 11.08

SHARE HOLDING PATTERN, %

Ms. Chen Ailian family	38.4
------------------------	------

PRICE VS. SZSE



Source: Aastock, Phillip Securities (HK) Research

KEY FINANCIALS

CNY 100mn	FY24	FY25E	FY26E	FY27E
Net Sales	163	178	193	206
Net Profit	7	10	10	11
EPS, CNY	0.31	0.46	0.45	0.54
P/E, x	51.7	34.4	35.0	29.6
BVPS, CNY	3.27	3.53	3.84	4.22
P/BV, x	4.9	4.5	4.1	3.8
DPS (CNY)	0.10	0.10	0.16	0.19
Div. Yield (%)	0.6%	0.6%	1.0%	1.2%

Source: Company reports, Phillip Securities Est.

Research Analyst

ZhangJing (+ 86 021 62116752)

zhangjing@phillip.com.cn

Acquisition of Volocopter Accelerates eVTOL Commercialisation, Low-Altitude Economy Growth Expected

In 2024, the low-altitude economy was incorporated into the government work report for the first time, establishing it as an important future growth engine. The Company has abundant orders for general aviation aircraft. The MPP series of special-purpose high value-added aircraft achieved good order delivery in 2024, with continuous optimisation of the customer structure. Breakthroughs were made in orders for MPP special-purpose high value-added aircraft, with sales continuously optimised.

To accelerate the global layout in the low-altitude sector and develop advanced eVTOL products, the Company acquired the core assets of German eVTOL renowned enterprise Volocopter in March 2025. It will integrate Volocopter's cutting-edge eVTOL technologies (such as distributed electric propulsion systems and the VoloIQ aviation cloud platform) with Wanfeng's manufacturing expertise in general aviation to build a product matrix of "fixed-wing + vertical takeoff and landing vehicles + drones". In 2025, the Company will advance the EASA (European Aviation Safety Agency) type certification process for special-purpose DART models, all-electric general aviation aircraft eDA40, and some eVTOL models (such as Volocopter 2X and VoloCity), striving to bring products to market as soon as possible. The VoloCity and Volocopter 2X models will focus on urban air mobility; the compound-wing models VoloRegion and VoloConnect will be used for intercity transport, forming a complementary system. Solutions for drone cargo scenarios will rely on the VoloDrone model, capable of carrying up to 200 kilograms of cargo within a 40-kilometre range.

We believe the current low-altitude economy industry has moved from "concept incubation" to "scale application". It is expected that China's low-altitude economy scale will exceed RMB1 trillion by 2026, and the global low-altitude economy scale will exceed USD1 trillion by 2040. As one of the leaders in complete aircraft manufacturing, eVTOL is expected to become a new growth engine for the Company's business.

Investment Thesis:

We expect the Company's automotive metal parts lightweight business to achieve steady growth by leveraging the development dividends of the NEV industry, while general aviation and eVTOL businesses benefit from the rising low-altitude economy trend, offering promising prospects.

According to the latest financial data, we adjusted the EPS forecast for 2025 and 2027 to RMB 0.46/0.45/0.54, respectively. We give the Company's target price to RMB 18.17, respectively 39.4/40/33.8 x P/E, 5.2/4.7/4.3 x P/B for 2025/2026/2027, a "Accumulate" rating. (Closing price as at 27 May)

PB BAND



Source: Wind, Phillip Securities Hong Kong Research

Risk

Price war among peers
Raw material price increase
New business risk

Financials

FYE DEC	FY23	FY24	FY25F	FY26F	FY27F
Valuation Ratios					
P/E (X), adj.	45.4	51.7	34.4	35.0	29.6
P/B (X)	5.0	4.9	4.5	4.1	3.8
Dividend payout ratio(%)	42.9%	32.5%	21.7%	35.3%	35.4%
Dividend Yield (%)	0.9%	0.6%	0.6%	1.0%	1.2%
Per share data (RMB)					
EPS, (Basic)	0.35	0.31	0.46	0.45	0.54
EPS, (Diluted)	0.35	0.31	0.46	0.45	0.54
DPS	0.15	0.10	0.10	0.16	0.19
BVPS	3.17	3.27	3.53	3.84	4.22
Growth & Margins (%)					
Growth					
Revenue	-1.1%	0.4%	9.5%	8.2%	7.1%
EBIT	-0.5%	-24.7%	24.1%	23.4%	15.9%
Net Income, adj.	-10.1%	-10.2%	50.1%	-1.7%	18.3%
Margins					
Gross margin	20.0%	16.1%	16.7%	17.5%	18.3%
EBIT margin	9.4%	7.0%	8.0%	9.1%	9.8%
Net Profit Margin	4.5%	4.0%	5.5%	5.0%	5.5%
Key Ratios					
ROE	11.5%	9.6%	13.6%	12.3%	13.3%
ROA	4.1%	3.7%	5.3%	5.1%	5.9%
Income Statement (RMB 100mn)					
Revenue	162	163	178	193	206
Gross profit	32	26	30	34	38
EBIT	15	11	14	18	20
Profit before tax	13	11	15	17	20
Tax	3	2	2	3	4
Profit for the period	10	8	13	13	16
Minority interests	3	2	3	4	4
Total capital share	2,123	2,123	2,123	2,123	2,123
Net profit	7.3	6.5	9.8	9.6	11.4

Source: PSR

(Closing price as at 27 May)

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>.

© 2025 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 6211 6752 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 12, 15 William Street,

Melbourne, Victoria 3000, Australia

Tel: (61) 3 9618 8238 Fax: (61) 3 9200 2277

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