

Xinquan (603179 CH)
Accelerating globalization

China | Automobile Components | Company Report

9 July 2025

Company profile

Xinquan Co., Ltd., founded in 2001, offers a full range of interior and exterior trim assembly products for both commercial vehicles and passenger vehicles. With industry-leading process competence, cost control capability and technical strength, the Company is capable of simultaneous development with OEMs.

In 2024, the Company reported revenue of RMB13,264 million (RMB, the same below), up 25.5% yoy; and net profit attributable to the parent company of RMB977 million, up 21.2% yoy. In Q1 2025, the Company reported total revenue of RMB3.52 billion, up 15.5% yoy; and net profit attributable to the parent company of RMB210 million, up 4.4% yoy..

Investment Summary

Stable growth in results

In 2024, the Company reported revenue of RMB13,264 million, up 25.5% yoy, mainly driven by the ramp-up from key downstream customers. Net profit attributable to the parent company was RMB977 million, up 21.24% yoy. Sales to the top five customers amounted to RMB9,889 million, up 38.16% yoy.

In Q1 2025, the Company recorded revenue of RMB3,519 million, up 15.5% yoy. Among key downstream customers, the global production volumes of Chery, Geely, Li Auto and Tesla in Q1 2025 increased by 17%, 48%, and 16%, and decreased by 13% yoy, respectively. Net profit attributable to the parent company was RMB213 million, up 4.4% yoy. The gross margin was 19.5%, up 2.0 pts yoy, showing stable performance, while the net profit margin fluctuated in the short term mainly due to: 1) Overseas business being in the capacity ramp-up phase, resulting in a mismatch between personnel expenses and per capita output; 2) An increase in employee welfare expenses during the period.

Continuous expansion of product portfolio and enhancement of per-vehicle value

While focusing on interior and exterior trim products such as automotive instrument panel assemblies and bumper assemblies, the Company is actively developing its automotive seat business, continuously enriching and expanding its product portfolio to meet existing customers' demand for integrated interior and exterior system solutions. In 2024, the interior business achieved steady growth, with revenue from instrument panel assemblies, door panel assemblies, and interior accessories reaching RMB8,348 million, RMB2,167 million, and RMB416 million, up 19.6%, 23.9%, and 12.4% yoy, respectively. The exterior business saw rapid volume growth, with bumper assemblies and exterior accessories generating revenue of RMB474 million and RMB229 million, up 415.0% and 29.0% yoy, respectively. The Company is currently accelerating capacity deployment for its seat business, with planned seat back panel capacities of 400 thousand sets in Mexico and 500 thousand sets in Slovakia. Additionally, the Company recently acquired a 70% equity interest in Anhui Ruiqi to accelerate seat business expansion with Chery Automobile. The new business is expected to further enhance the per-vehicle value contribution and lay a solid foundation for the Company's long-term development.

BUY (Upgrade)

CMP CNY 45.27

(Closing price as at 7 July)

TARGET CNY 54.37 (+20.1%)

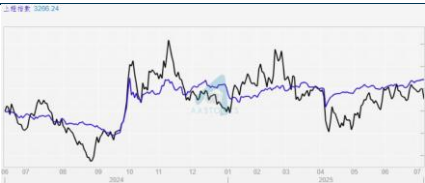
COMPANY DATA

O/S SHARES (MN) :	487
MARKET CAP (CNY MN) :	22060
52 - WK HI/LO (CNY):	58.12/ 32.33

SHARE HOLDING PATTERN, %

Mr tang'	37.2
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PRICE VS. SHCOMP



Source: Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	13264	17210	20418	24529
Net Profit	977	1324	1561	2046
EPS, CNY	2.00	2.72	3.20	4.20
P/E, x	22.6	16.7	14.1	10.8
BVPS, CNY	11.50	13.73	16.53	20.11
P/BV, x	3.9	3.3	2.7	2.3
DPS (CNY)	0.30	0.40	0.50	0.70
Div. Yield (%)	0.7%	0.9%	1.1%	1.5%

Source: Company reports, Phillip Securities Est.

Research Analyst

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Accelerated globalization with strong contribution from the North American market

The Company has invested in and established production bases in Malaysia, Mexico, and Slovakia, and set up subsidiaries in the United States and Germany to cultivate the Southeast Asian, North American, and European markets, thereby promoting global expansion. In 2024, the overseas markets made rapid progress, with revenue in Southeast Asia, North America, and Europe all achieving high yoy growth. Among them, the North American market was the standout performer, with revenue reaching RMB700 million, up 89.14% yoy, and a gross margin of 26.37%, up 2.1 ppts yoy. This was mainly driven by the Company's channel expansion and acquisition of new customers in North America, including a significant increase in orders from internationally renowned electric vehicle brands. Looking ahead to 2025, the production base in Slovakia is expected to commence operations, which will further expand the Company's channels and customer base in the European market.

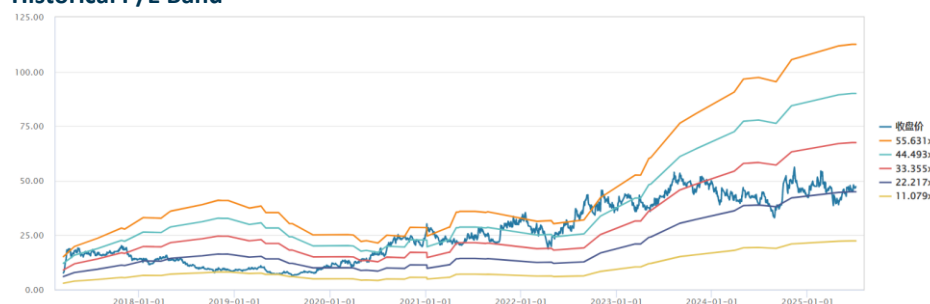
Investment Thesis

Xinquan is a promising domestic automotive interior and exterior decoration enterprise. With the continuous expansion of the clients base and production capacity, it is expected to maintain sustained growth. We are optimistic about the long-term development of the Company and expect EPS to be 2.72/3.20/4.20 yuan respectively for 2025/2026/2027, a yoy increase of 35.5%/18.0%/31.0%. We offer a target price of 54.37 yuan, respectively 20/17/12.9 P/E for 2025/2026/2027, and an "Buy" rating. (Closing price as at 7 July)

Risk

Progress of new production line is below expectations
Electric vehicle sales fall short of expectations
Macroeconomic downturn affects product demand
Sharply rising raw material prices or sharply falling product prices

Historical P/E Band



Source: Wind, Company, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY23	FY24	FY25F	FY26F	FY27F
Valuation Ratios					
P/E (X), adj.	27.4	22.6	16.7	14.1	10.8
P/B (X)	4.4	3.9	3.3	2.7	2.3
Dividend payout ratio(%)	18.2%	15.0%	14.7%	15.6%	16.7%
Dividend Yield (%)	0.7%	0.7%	0.9%	1.1%	1.5%
Per share data (RMB)					
EPS, (Basic)	1.65	2.00	2.72	3.20	4.20
EPS, (Diluted)	1.65	2.00	2.72	3.20	4.20
DPS	0.30	0.30	0.40	0.50	0.70
BVPS	10.17	11.50	13.73	16.53	20.11
Growth & Margins (%)					
Growth					
Revenue	52.2%	25.5%	29.8%	18.6%	20.1%
EBIT	71.6%	34.4%	31.8%	17.0%	23.2%
Net Income, adj.	71.2%	21.2%	35.5%	18.0%	31.0%
Margins					
Gross margin	19.0%	19.6%	20.0%	20.0%	20.7%
EBIT margin	8.7%	9.3%	9.5%	9.4%	9.6%
Net Profit Margin	7.6%	7.4%	7.7%	7.6%	8.3%
Key Ratios					
ROE	17.8%	18.5%	21.5%	21.2%	22.9%
Income Statement (RMB mn)					
Revenue	10572	13264	17210	20418	24529
Gross profit	2011	2605	3442	4084	5078
EBIT	922	1239	1633	1911	2355
Profit before tax	914	1106	1507	1779	2335
Tax	109	132	185	219	287
Profit for the period	805	974	1322	1560	2047
Minority interests	0	-3	-2	-2	1
Total capital share	487.3	487.3	487.3	487.3	487.3
Net profit	806	977	1324	1561	2046

Source: PSR

(Closing price as at 7 July)

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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