

Baolong (603197 CH)

The momentum of new business is becoming more evident China | Automobile Parts | Company Update

25 November 2025

Company profile:

Shanghai Baolong Automotive Corporation (Baolong or the "Company") started with tire valves. Later, following the automobile development trend, the Company continuously expanded the product line, and successively engaged in wheel weights, exhaust pipes, lightweight structural parts, TPMS (tire pressure monitoring system), as well as the intelligent automotive field of sensors, ADAS (that is, advanced driver assistance systems, mainly based on vision products and millimeter-wave radars), and air suspension. After more than 20 years of development, the Company is at the forefront of the segment in terms of the market share of its traditional business, namely, tire valves, wheel weights, exhaust pipes, and TPMS, which is currently the main source of revenue and profit. The Company's emerging business covers intelligent drive solutions-related parts and hydraulic lightweight structural parts, such as sensors, air suspension, and ADAS. The emerging business is currently the core direction of the Company's vigorous development, and will be an important growth point for future revenue and profit.

Investment Summary

Revenue Maintains Rapid Growth, but Profitability is Weighed Down

In the first three quarters of 2025, Baolong achieved total revenue of RMB6.048 billion (RMB, the same below), representing a year-on-year increase of 20.32%. In terms of individual quarters, Q1/Q2/Q3 generated revenue of RMB1.905 billion, RMB2.045 billion, and RMB2.098 billion, respectively, reflecting year-on-year growth of 28.46%, 20.23%, and 13.85%.

The company continues to experience rapid revenue growth, driven by steady year-on-year growth across most of its business segments. Notably, emerging businesses such as intelligent suspension systems and sensors are rapidly ramping up, while traditional businesses such as TPMS also recorded strong performance, demonstrating strong market expansion capabilities, especially in the areas of automotive intelligence and lightweighting. However, the company's net profit attributable to the parent in the first three quarters of the year was RMB198 million, a year-on-year decrease of 20.35%. The net profit after excluding non-recurring gains and losses stood at RMB132 million, a decline of 36.95%, indicating a clear squeeze on profitability. Specifically, the net profit attributable to the parent in Q1/Q2/Q3 was RMB95 million, RMB40 million, and RMB63 million, respectively, with year-on-year changes of +39.99%, -50.76%, and -36.92%.

The pressure on net profit is primarily due to the impact of price wars in the automotive market, which have affected upstream parts suppliers, as well as the negative effects of tariffs imposed by the United States..

Gross Margin Under Pressure in Q3, but Slight QoQ Improvement, which Expected Going Forward

Due to the factors mentioned earlier, coupled with the rapid growth of products with lower gross margins, such as air suspension systems and ADAS, which led to an increase in their proportion, the company's gross margin for the first three quarters of 2025 was 21.65%, a year-on-year decrease of 4.6 percentage points. However, the company has intensified cost control efforts, and the expanding revenue scale has led to economies of scale, with the period expense ratio decreasing by 3.3 percentage points year-on-year, reaching 16.33%.

Accumulate (Downgrade)

CMP CNY 34.4

(Closing price as at 21 November)

TARGET CNY 39 (+13.4%)

COMPANY DATA

O/S SHARES (MN) :	214
MARKET CAP (CNY MN) :	7350
52 - WK HI/LO (CNY):	53.81/ 34.4

SHARE HOLDING PATTERN, %

Mr Chen	16.07
Mr Zhang	9.69

PRICE VS. SHCOMP



Source: Aastock, Phillip Securities (HK) Research

KEY FINANCIALS

CNY mn	FY24	FY25E	FY26E	FY27E
Net Sales	7025	8428	10379	12482
Net Profit	303	312	416	581
EPS, CNY	1.42	1.46	1.95	2.72
P/E, x	24.2	23.6	17.7	12.7
BVPS, CNY	15.07	16.42	18.52	21.62
P/BV, x	2.3	2.1	1.9	1.6
DPS (CNY)	0.72	0.80	1.00	1.35
Div. Yield (%)	2.1%	2.3%	2.9%	3.9%

Source: Company reports, Phillip Securities Est.

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In the third quarter of 2025, the company's gross margin was 21.34%, a year-on-year decrease of 3.26 percentage points, but a quarter-on-quarter increase of 0.86 percentage points. This indicates that cost pressures are easing at the margin, primarily due to the recovery in the proportion of high-margin products, the reduced impact of price cuts and rebates by automakers, and the decline in shipping costs from the previous peak caused by "export rush" activities. The period expense ratio for the third quarter was 16.57%, a year-on-year decrease of 1.2 percentage points. With the upcoming agreements on tariff-sharing with customers, some tariff expenses may be backdated to revenue. Additionally, rebates for popular models are expected to be collected in due course, which is expected to drive further performance improvement in the coming quarters.

Net cash outflow from investment activities reached RMB1.633 billion, with RMB649 million used for the purchase and construction of fixed assets and RMB983 million invested externally, indicating that the company is accelerating its capacity expansion and strategic positioning.

Air Suspension Business Has Abundant Orders, Emerging Business Expansion Accelerates

In the first three quarters, according to business segment classification, the company's revenues from its major divisions—TPMS, automotive metal fittings, valve cores, air suspension, and sensors—reached RMB1.822 billion, RMB1.121 billion, RMB618 million, RMB953 million, and RMB557 million, respectively, reflecting year-on-year growth of 13.1%, 0.35%, 5.1%, 51.7%, and 18.2%. The company has become one of the global leading suppliers in specialized fields such as valve cores, balance blocks, exhaust pipes, and TPMS.

According to the company's official WeChat account, orders for its intelligent suspension business have exceeded expectations. As of the end of Q3, the cumulative orders for the intelligent suspension business surpassed RMB24.070 billion. With the strong sales of models such as the NIO ES8, ONVO L90, Li Auto i8, and BYD DENZA, the visibility for rapid growth in air suspension sales remains high.

Additionally, the expansion of the sensor business and emerging businesses such as ADAS is also accelerating: COB-packaged cameras have passed the AEC-Q certification, and wheel speed sensors and height sensors have been selected by several leading domestic joint venture and independent brands as well as overseas brands, with mass production expected to start between Q4 2025 and 2027. As of the end of Q3, the cumulative orders for the ADAS business exceeded RMB6.870 billion.

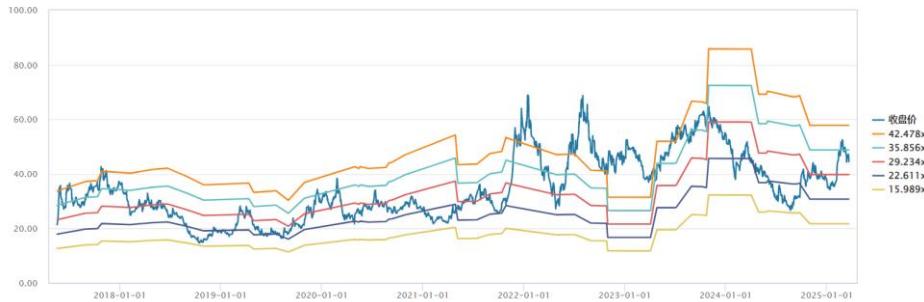
The company's overseas expansion is progressing steadily: the Thai factory is expected to begin mass production in Q1 next year; the second phase of the Hungarian production line is scheduled for equipment installation and commissioning by mid-next year, with mass production starting in Q1 2027; new projects in the U.S. and Mexico are also being actively pursued. The establishment of a global production capacity supply chain provides strong support for the company's future development.

Investment Thesis & Valuation

Overall, the company has strong growth momentum, but short-term profitability is impacted by disturbances from automotive price wars. In the medium to long term, benefiting from its forward-looking strategy and accumulated competitive advantages in emerging businesses, the company is expected to usher in a new growth cycle.

As analyzed above, we expected diluted EPS of the Company to RMB 1.46/1.95/2.72 of 2025/2026/2027. And we accordingly gave the target price to 39, respectively 26.7/20/14.4x P/E for 2025/2026/2027. "Accumulate" rating. (Closing price as at 21 November)

P/E Band



Source: Wind, Phillip Securities Hong Kong Research

Financials

FYE DEC	FY24	FY25E	FY26E	FY27E
Valuation Ratios				
P/E (X), adj.	24.2	23.6	17.7	12.7
P/B (X)	2.3	2.1	1.9	1.6
Dividend payout ratio(%)	50.7%	54.8%	51.3%	49.7%
Dividend Yield (%)	2.1%	2.3%	2.9%	3.9%
Per share data (RMB)				
EPS, (Basic)	1.42	1.46	1.95	2.72
EPS, (Diluted)	1.42	1.46	1.95	2.72
DPS	0.72	0.80	1.00	1.35
BVPS	15.07	16.42	18.52	21.62
Growth & Margins (%)				
Growth				
Revenue	19.1%	20.0%	23.1%	20.3%
EBIT	-4.3%	0.6%	30.5%	31.2%
Net Income, adj.	-20.1%	3.1%	33.5%	39.5%
Margins				
Gross margin	25.1%	22.3%	23.0%	23.6%
EBIT margin	7.7%	6.5%	6.9%	7.5%
Net Profit Margin	4.3%	3.7%	4.0%	4.7%
Key Ratios				
ROE	9.8%	9.3%	11.2%	13.5%
ROA	3.1%	2.6%	3.1%	3.9%
Income Statement (RMB mn)				
Revenue	7025	8428	10379	12482
Gross profit	1760	1880	2388	2947
EBIT	543	546	713	935
Profit before tax	432	459	610	837
Tax	98	101	134	184
Profit for the period	334	358	476	652
Minority interests	32	46	60	72
Total capital share	212	214	214	214
Net profit	303	312	416	581

Source: PSR

(Closing price as at 21 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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