

# China / Hong Kong Company Update

# BYD Company

Bloomberg: 1211 HK EQUITY | 002594 CH Equity | Reuters: 1211.HK | 002594.SZ

Refer to important disclosures at the end of this report

DBS Group Research . Equity

22 Jun 2022

## H: BUY

Last Traded Price (21 Jun 2022): HK\$299.60 (HSI : 21,560)  
Price Target 12-mth: HK\$380 (26.8% upside) (Prev HK\$330)

## A: HOLD

Last Traded Price (21 Jun 2022): RMB341.00 (CSI300 Index : 4,326)  
Price Target 12-mth: RMB330 (3.2% downside) (Prev RMB250)

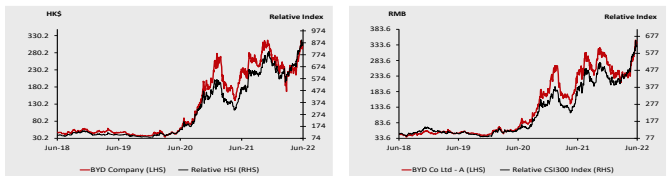
### Analyst

Rachel Miu +852 36684191 rachel\_miu@dbs.com

### What's New

- Surging gasoline price positive on NEV market; BYD's rich line up of new models signal better profit outlook
- Favourable policies with possible extension of NEV tax savings
- Transition into a global EV player with an aggressive overseas expansion strategy; business scale could potentially account for 10% of total in the medium-term
- Reiterate BUY with higher TP of HK\$380 based on SOTP

### Price Relative



### Forecasts and Valuation (H Shares)

FY Dec (RMBm)	2021A	2022F	2023F	2024F
Turnover	211,300	340,854	449,454	524,749
EBITDA	20,047	28,557	38,053	48,132
Pre-tax Profit	4,518	11,383	17,971	24,697
Net Profit	3,026	7,342	11,524	15,837
Net Pft (Pre Ex) (core profit)	3,026	7,342	11,524	15,837
Net Profit Gth (Pre-ex) (%)	(24.7)	142.6	57.0	37.4
EPS (RMB)	1.06	2.52	3.96	5.44
EPS (HK\$)	1.24	2.96	4.65	6.38
EPS Gth (%)	(28.0)	137.9	57.0	37.4
Diluted EPS (HK\$)	1.24	2.96	4.65	6.38
DPS (HK\$)	0.13	0.30	0.46	0.64
BV Per Share (HK\$)	39.09	41.16	45.51	51.43
PE (X)	240.8	101.2	64.5	46.9
CorePE (X)	240.8	101.2	64.5	46.9
P/Cash Flow (X)	11.1	36.0	37.4	27.1
P/Free CF (X)	13.1	nm	nm	nm
EV/EBITDA (X)	36.0	26.3	20.3	16.4
Net Div Yield (%)	0.0	0.1	0.2	0.2
P/Book Value (X)	7.7	7.3	6.6	5.8
Net Debt/Equity (X)	CASH	CASH	0.1	0.2
ROAE(%)	4.0	7.4	10.7	13.2
Earnings Rev (%)		NIL	NIL	New
Consensus EPS (RMB)		2.49	3.80	5.76
Other Broker Recs:		B:31	S:1	H:2

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

## Overtaking Tesla as a global EV player

### Investment Thesis

**Solid fundamentals to drive valuation higher.** BYD's migration up the value chain (with more advanced new NEV models embedded with its latest connectivity and intelligent driving technology), expanding NEV market share (could hit a high of 40% by 2024), export sales opportunities (potentially 10% of total in the medium-term), and battery capacity expansion are strong re-rating catalysts. The incorporation of DM-i / e3.0 technology and smart features support a rich new model pipeline and is expected to almost double its FY22 vehicle sales to 1.4m units. More importantly, surging gasoline prices is expected to further boost the NEV market.

**Capacity expansion critical on its EV and battery business.** With planned capacity reaching 100GWh this year, BYD aims to further raise its battery capacity to 300GWh in the next few years, a strategic move to ensure stable supply of car batteries for its EV business and explore supplying the batteries to external parties.

**Volume and margins expansion to drive robust earnings growth.** We forecast NEV sales to expand c.50% p.a. from FY21-24 and blended gross margin to improve from 11.2% in FY21 to 15.1% by FY24F. Net earnings is expected to post CAGR of 70% in FY21-24F. To support the business growth, we project annual capex of Rmb30-35bn.

### Valuation:

We shifted our SOTP valuation base to FY23F to better reflect its growth potential to arrive at new TP of HK\$380, based on 3x P/S for its auto operations, 8x EV/EBITDA for battery, 7.5x EV/EBITDA for mobile handsets and 2x P/B for semiconductor segment.

### Where we differ:

We believe current share price has yet to reflect BYD's advanced technology capability and ability to produce critical EV parts, which other peers are lacking, and placing BYD ahead of the EV industry.

### Key Risks to Our View:

Outbreak of pandemic could hurt its factory operations. Intense NEV market competition, slowdown in demand for smartphones and photovoltaic products could also hurt earnings.

### At A Glance

Issued Capital - H shares (m shs)	1,098
- Non H shrs (m shs)	1,813
H shs as a % of Total	38
Total Mkt Cap (HK\$m/US\$m)	1,054,505 / 134,331
Major Shareholders (%)	
Wang (Chuanfu)	28.3
Lv (Xiangyang)	13.2
Young Investment Holding Group Co., Ltd.	8.6
Major H Shareholders (As % of H shares)	
Berkshire Hathaway Energy Company	20.5
H Shares-Free Float (%)	79.5
3m Avg. Daily Val. (US\$m)	252.59
GICS Industry: Consumer Discretionary / Automobiles & Components	



Watchlist the stock on Insights Direct to receive prompt updates



Live more, Bank less

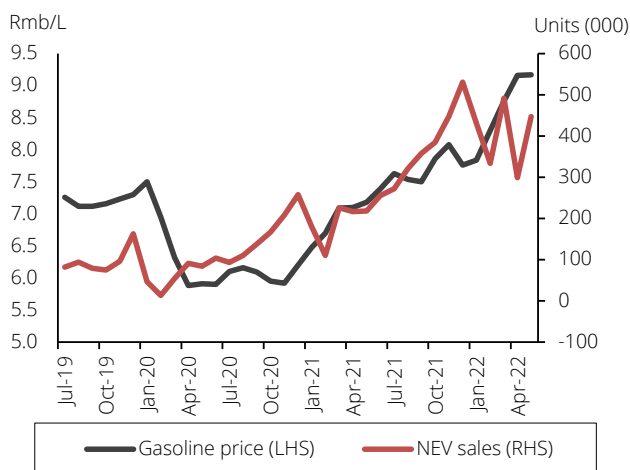
**BYD Company**

**WHAT'S NEW**

**Transforming into a global EV player**

**Rising gasoline price favourable on NEV sales.** The rise in gasoline prices is affecting the sentiment on internal combustion engine car market and favouring NEV sales. The table below shows NEV volume sales climbed along with the rise in gasoline price (92). We anticipate this trend to continue as DBS Group Research has revised up 2022 Brent crude oil average price to US\$102-107/bbl from US\$97-102 previously. Therefore, this should be positive on the overall NEV market.

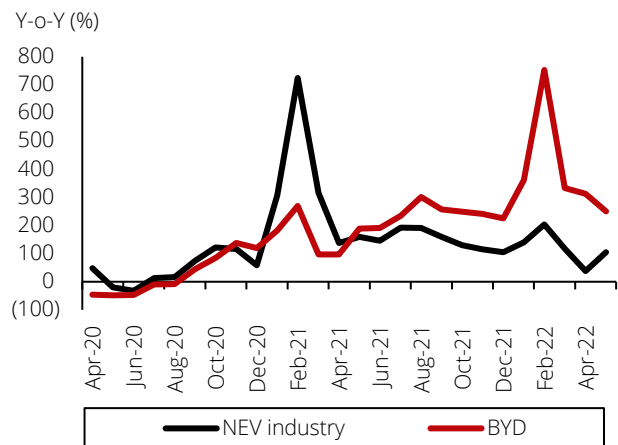
**Gasoline price (92) vs NEV monthly sales**



Source: CEIC

**Strong NEV sales signals better profit outlook.** BYD has been chalking up above market NEV volume sales growth, largely attributable to its rich model offerings. In May-22 and 5M22, volume sales surged 250%/348% y-o-y, compared to NEV market expansion of 105%/111%, respectively. As we had previously mentioned, the company's twin NEV technology pillars (e-platform plus DM-i technology) are the key drivers for its strong vehicle sales, and we anticipate this robust trend to continue in the next few years. We forecast vehicle sales to grow by c.50% per annum from FY21-24F to about 2.5m units.

**BYD NEV monthly sales ahead of industry**



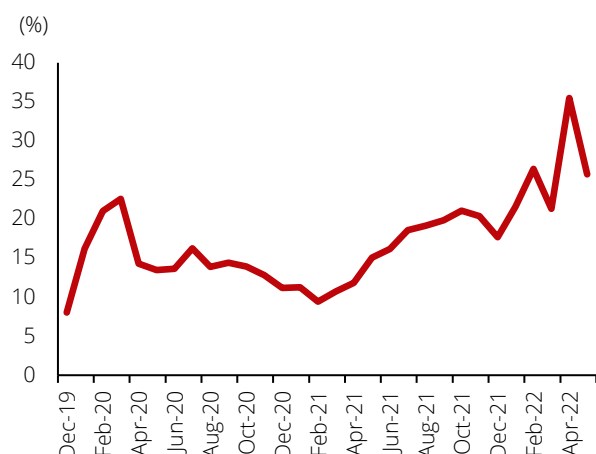
Source: Company; DBS HK

While high raw material costs have affected BYD's profit margins, we anticipate the higher volume scale and in-house production of certain key components could generate better product margins. Based on the strong volume growth outlook, we estimate gross margins to improve from 11.2% in FY21 to 15.1% in FY24.

**Rising market share.** Strong vehicle sales has also lifted its market share in recent years. As of end May-22, BYD's NEV market share reached about 26% and is possible to hit c.35-40% by 2024, as the company is channelling all its resources onto growing its NEV operations. Besides, its strong presence in critical technology knowhow is advantageous to support a faster growth trajectory for its NEV business than peers.

## BYD Company

### BYD NEV market share on the rise

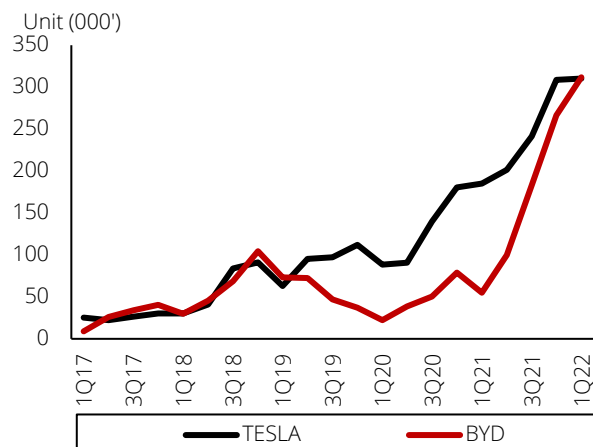


Source: Company, CEIC

**Moving up the value-chain with a rich new vehicle pipeline at higher ASP.** 2022 is an exciting year for BYD, with numerous new models lined up for launch. New models include Song Max (both hybrid and pure electric), Yuan EV, Qin EV, Tang DM-P to name a few, and they are priced at higher ASPs, partly to mitigate the rising raw material cost pressure as well as to factor in its higher technology content. In our view, BYD's NEV models are still priced competitively in the market (ranging between Rmb100k and Rmb300k), and these new models incorporate the latest smart technologies, such as its DiLink 4.0 connectivity system and DiPilot intelligent driving assistance system.

**Comparing with Tesla, BYD's volume performance is remarkable.** BYD's volume sales is catching up rapidly with global EV maker, Tesla, as shown in the chart below. With the strong lineup of new models, BYD volume sales is projected to stay robust.

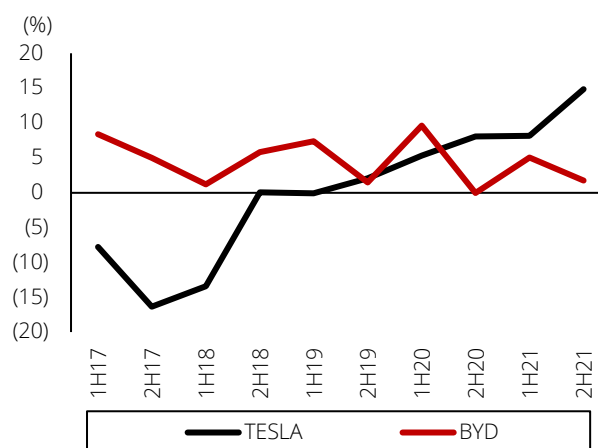
### EV volume sales comparison



Source: Companies

However, on the profitability front, BYD is behind Tesla. Comparing the operating margins of the two companies, we think there are rooms for BYD to lift its product margins, which is possible with the migration up the value chain. BYD current heavy investment into the production of certain key EV components and parts, which is in a ramp-up stage, is also positive on future profit outlook.

### Operating margins comparison



Source: Companies; DBS HK

**Favourable policy support.** The Chinese government is studying the possibility of extending the favourable tax policy to support the NEV industry development. The current vehicle tax waiver will expire after Dec-22 and any extension is positive for the NEV market.

## BYD Company

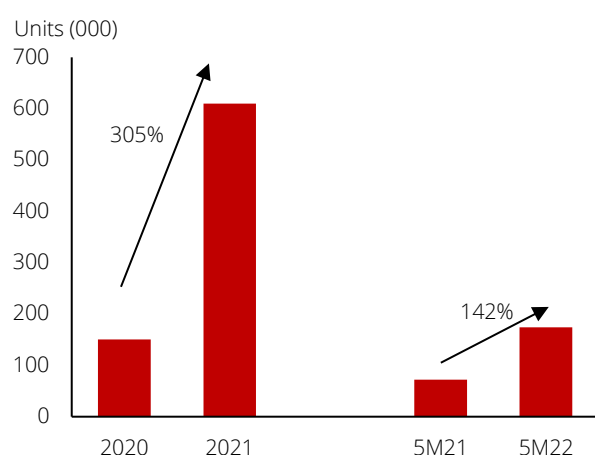
BYD is also well positioned to benefit from the Shenzhen government's stimulus, under a series of supportive measures to mitigate macro headwinds. For instance, the Shenzhen government is giving an NEV subsidy of Rmb5,000-10,000 for vehicles with ASP at Rmb100-200k and >Rmb200k respectively to stimulate industry sales. Other local governments have also introduced stimulus to encourage vehicle purchases post the lockdowns. Besides, BYD is also making inroads to the lower tier cities with its smaller NEV models. Since BYD is rapidly expanding its range of NEV models to cater various consumer groups, all these should be positive on its NEV sales.

### Long-term growth vision – aggressive overseas expansion and battery capacity expansion.

Since gaining wide acceptance in the domestic NEV market, BYD is venturing more aggressively into the overseas passenger EV market with its A-segment sedan – ATTO 3. Earlier, BYD was targeting the overseas commercial electric vehicle market and this new direction could provide more growth potential for the company. In the medium-term, overseas business could potentially account for 10% of total (Tesla currently derives over 60% of sales from overseas).

In 2021, China ranked 3<sup>rd</sup> in the world after Japan and Germany on vehicle exports. China's exports of passenger EVs have been strong and for May-22/5M22, with volumes growing by 131%/141% y-o-y to 43,000/174,000 units respectively (largely led by Tesla). BYD is taking advantage of its strong product quality to grow its overseas business.

### China export of NEVs



Source: CEIC

Another important long-term growth catalyst comes from the supply of its blade battery to third-party OEMs. Currently, BYD caters largely to in-house consumption to

support its growing NEV portfolio, hence third-party sales has been minimal. This will open the doors to more business opportunities from other OEMs. It has been reported that BYD might supply its blade battery to Tesla China, which produced about 480,000 vehicles in 2021.

Based on market research, BYD Battery is ranked 2nd in China in terms of EV battery installation volume for 5M22, at about 18.8 GWh, which translates to about 23% of market share. BYD is expanding its battery production capacity to support its NEV business growth, estimated at about 30% to reach some 100GWh by this year and potentially hit c.300GWh in next two years. Hence, it looks possible that with the planned capacity expansion, BYD is well positioned to support other auto OEMs. Tesla. Assuming a 10% of its battery production capacity is designated to Tesla, it could potentially cover some 30% of Tesla's 2021 vehicle output.

However, the pace of expansion will largely depend on the availability of raw materials for EV battery production.

### Raised TP; anticipate some near-term profit-taking after recent rally but underlying fundamentals remain healthy.

BYD's share price has appreciated by about 80% from the trough level this year. After the strong rally, we anticipate some near-term corrections, which should provide attractive accumulation opportunities. We have shifted our SOTP valuation base to FY23F to better reflect its growth potential to arrive at new TP of HK\$380, based on 3x P/S for its auto operations, 8x EV/EBITDA for battery, 7.5x EV/EBITDA for mobile handsets and 2x P/B for the semiconductor segment. Our FY21-24F net earnings CAGR estimate is 70%. Maintain BUY.

Separately, BYD has completed its A-share repurchase cum employee share ownership plans after buying back some 5.5m A- shares at approximately Rmb290-360/sh recently. These shares will be awarded to important employees as part of its staff incentive scheme.

## BYD Company

### Company Background

BYD's main businesses include the development, manufacture, and sales of vehicles (both gasoline and new energy vehicles) and rechargeable batteries. The cars are sold under the "BYD" brand. It also provides handset and component assembly services for global/domestic mobile phone companies such as Samsung, Huawei, LG, Vivo, etc. BYD started the monorail business in 2017 and this is expected to become an important revenue contributor going forward.

### Peers' comparison table (Automakers)

Company Name	Currency Code	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE 22F x	PE 23F x	Yield 22F %	Yield 23F %	P/Bk 22F x	P/Bk 23F x	EV/EBITDA 22F x	EV/EBITDA 23F x	ROE 22F %	ROE 23F %	
<b>Hong Kong</b>															
Guangzhou Automobile 'H'*	2238 HK	HKD	7.57	21,384	Dec	7.0	5.8	4.3	5.2	0.7	0.6	4.2	3.8	10.1	11.3
Sinotruk (Hong Kong)	3808 HK	HKD	10.82	3,806	Dec	5.9	5.3	6.3	6.7	0.7	0.6	0.8	0.7	11.1	11.3
Dongfeng Motor Gp.'H'*	489 HK	HKD	5.65	6,201	Dec	3.4	3.1	8.8	9.6	0.3	0.3	0.7	0.9	8.1	8.3
Great Wall Motor 'H'*	2333 HK	HKD	15.88	41,369	Dec	12.4	9.1	4.1	5.5	1.8	1.6	7.3	5.7	15.4	18.7
BYD 'H'*	1211 HK	HKD	299.6	134,331	Dec	101.2	64.5	0.1	0.2	7.3	6.6	26.3	20.3	7.4	10.7
Geely Automobile Hdg.*	175 HK	HKD	15.06	19,225	Dec	14.4	11.1	1.4	1.8	1.7	1.5	7.0	5.8	12.7	14.7
BAIC Motor 'H'*	1958 HK	HKD	2.55	2,604	Dec	4.4	3.9	6.8	7.6	0.2	0.3	0.6	0.4	7.4	7.8
<b>Average^</b>						<b>7.4</b>	<b>6.0</b>	<b>5.2</b>	<b>5.7</b>	<b>0.9</b>	<b>0.8</b>	<b>(0.7)</b>	<b>(3.4)</b>	<b>12.1</b>	<b>13.1</b>
<b>China</b>															
Saic Motor 'A'	600104 CH	CNY	17.8	31,088	Dec	8.2	7.0	3.8	5.0	0.7	0.7	5.5	4.6	8.7	9.5
Faw Jiefang Group 'A'	000800 CH	CNY	9.39	6,533	Dec	11.6	10.4	4.3	4.9	1.5	1.4	2.4	2.1	13.4	13.9
CQ Changan Auto 'A'*	000625 CH	CNY	20.2	23,046	Dec	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0	0.0	0.0	0.0
CQ Changan Auto 'B'	200625 CH	HKD	5.16	5,017	Dec	5.0	4.5	9.6	9.9	0.5	0.5	3.0	2.7	11.4	11.6
Anhui Jianghuai Auto 'A'	600418 CH	CNY	13.16	4,297	Dec	96.8	53.5	0.5	0.4	1.8	1.8	13.8	11.0	1.9	3.4
Yutong Bus 'A'	600066 CH	CNY	8.08	2,674	Dec	22.6	15.0	3.1	3.7	1.3	1.2	8.0	5.8	5.3	8.1
Great Wall Motor 'A'	601633 CH	CNY	38.32	41,369	Dec	35.2	25.9	1.4	1.9	5.1	4.6	21.9	16.6	15.4	18.7
Guangzhou Auto 'A'*	601238 CH	CNY	16.73	21,384	Dec	18.1	15.0	1.7	2.0	1.8	1.6	10.8	9.4	10.1	11.3
BYD 'A'*	002594 CH	CNY	341	134,331	Dec	135.2	86.1	0.1	0.1	9.7	8.8	35.0	26.8	7.4	10.7
<b>Average</b>						<b>41.6</b>	<b>27.2</b>	<b>2.7</b>	<b>3.1</b>	<b>2.8</b>	<b>2.6</b>	<b>11.2</b>	<b>8.8</b>	<b>8.2</b>	<b>9.7</b>

Source: Thomson Reuters, \*DBS HK

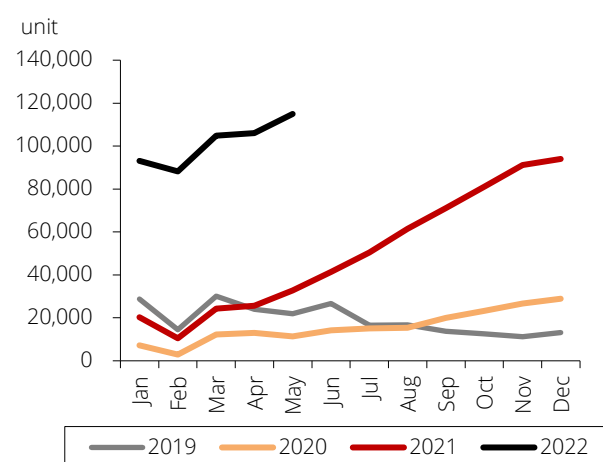
## BYD Company

### Peers' comparison table (NEV)

Company Name	Code	Price		Mkt Cap	PE 22F	PE 23F	P/S 22F	P/S 23F	P/Bk 22F	P/Bk 23F	EV/EBITDA		ROE 22F	ROE 23F
		Local\$	US\$m								22F	23F		
BYD 'H'*	1211 HK	299.6	134,331	134,331	101.2	64.5	2.6	2.0	7.3	6.6	26.3	20.3	7.4	10.7
BYD 'A'*	002594 CH	341	134,331	134,331	135.2	86.1	2.6	2.0	9.7	8.8	35.0	26.8	7.4	10.7
NIO 'A'	9866 HK	175.1	40,609	40,609	n.a.	n.a.	4.4	2.5	8.4	9.4	(51.2)	132.1	(25.3)	(13.7)
NIO ADR 1:1	NIO US	22.66	41,254	41,254	n.a.	n.a.	4.5	2.6	9.3	9.8	(26.5)	118.3	(21.7)	(7.2)
NIO 'A' (Ses)	NIO SP	22.13	40,289	40,289	n.a.	n.a.	4.3	2.5	8.3	9.3	(51.2)	132.1	(25.3)	(13.7)
Tesla	TSLA US	711.11	736,717	736,717	58.7	44.6	8.6	6.3	17.5	12.4	32.8	23.8	33.8	32.2
Xpeng ADR 1:2	XPEV US	30.09	28,782	28,782	n.a.	n.a.	4.6	2.7	5.1	5.9	(16.0)	(31.6)	(19.2)	(13.4)
Xpeng 'A'	9868 HK	118	14,379	14,379	n.a.	n.a.	2.4	1.3	4.1	5.0	(16.7)	(33.0)	(17.3)	(12.5)
Li Auto ADR 2 1:2	LI US	35.75	36,432	36,432	n.a.	154.6	4.9	2.7	7.0	6.4	937.0	37.3	(0.9)	4.8
Li Auto 'A'	2015 HK	137.3	17,824	17,824	n.a.	124.6	2.3	1.2	5.2	4.8	238.5	34.8	(1.4)	4.6
Rivian Automotive A	RIVN US	29.07	26,187	26,187	n.a.	n.a.	14.3	4.1	1.8	2.3	(0.0)	(0.0)	(37.5)	(45.4)
Lucid Group	LCID US	17.9	29,854	29,854	n.a.	n.a.	21.6	8.6	12.5	14.6	(18.1)	(25.6)	(59.4)	(90.0)
<b>Average</b>					<b>80.0</b>	<b>54.5</b>	<b>6.4</b>	<b>3.2</b>	<b>8.0</b>	<b>8.0</b>	<b>90.8</b>	<b>36.3</b>	<b>(13.3)</b>	<b>(11.1)</b>

Source: Thomson Reuters, \*DBS HK

### BYD NEV monthly sales



Source: Company

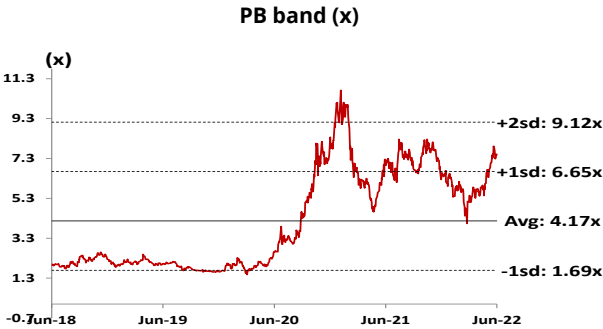
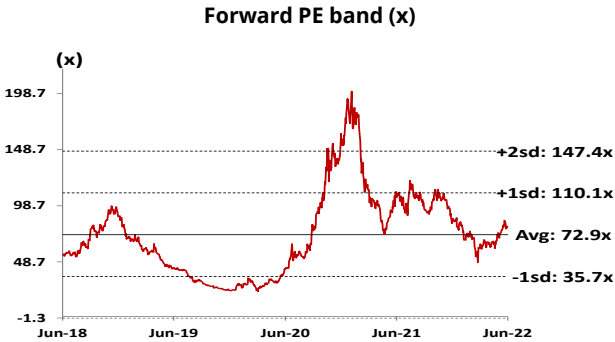
### BYD vs Tesla share price performance



Source: Thomson Reuters

**BYD Company**

**Historical PE and PB band**



Source: Thomson Reuters, DBS HK

## BYD Company

### Key Assumptions

FY Dec	2020A	2021A	2022F	2023F	2024F
NEV sales ('000 units)	179.1	593.7	1,425.0	2,137.5	2,565.0
Traditional vehicle sales ('000 units)	237.3	136.3	5.0	0.0	0.0

Source: Company, DBS HK

### Segmental Breakdown (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
<b>Revenues (RMB m)</b>					
Batteries & other products	11,705	15,402	21,563	28,032	37,843
Mobile handset components	59,354	85,546	111,209	129,003	149,643
Automobile & related prods	81,958	109,659	207,251	291,422	336,066
Others	452	693	831	998	1,197
<b>Total</b>	<b>153,469</b>	<b>211,300</b>	<b>340,854</b>	<b>449,454</b>	<b>524,749</b>

### EBIT (RMB m)

Batteries & other products	810	433	798	1,121	1,514
Mobile handset components	6,261	1,853	4,448	5,805	7,482
Automobile & related prods	2,907	3,188	6,839	10,783	13,443
Others	1	35	50	55	61
<b>Total</b>	<b>9,979</b>	<b>5,509</b>	<b>12,135</b>	<b>17,764</b>	<b>22,499</b>

### EBIT Margins (%)

Batteries & other products	6.9	2.8	3.7	4.0	4.0
Mobile handset components	10.5	2.2	4.0	4.5	5.0
Automobile & related prods	3.5	2.9	3.3	3.7	4.0
Others	0.3	5.1	6.0	5.5	5.1
<b>Total</b>	<b>6.5</b>	<b>2.6</b>	<b>3.6</b>	<b>4.0</b>	<b>4.3</b>

Source: Company, DBS HK



## BYD Company

### Income Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Revenue	153,469	211,300	340,854	449,454	524,749
Cost of Goods Sold	(126,226)	(187,667)	(295,859)	(384,710)	(444,739)
<b>Gross Profit</b>	<b>27,244</b>	<b>23,633</b>	<b>44,995</b>	<b>64,744</b>	<b>80,010</b>
Other Opng (Exp)/Inc	(13,742)	(15,174)	(27,436)	(39,134)	(46,370)
<b>Operating Profit</b>	<b>13,501</b>	<b>8,459</b>	<b>17,558</b>	<b>25,610</b>	<b>33,640</b>
Other Non Opg (Exp)/Inc	(3,522)	(2,520)	(4,065)	(5,360)	(6,258)
Associates & JV Inc	(187)	(145)	(131)	(118)	(106)
Net Interest (Exp)/Inc	(2,909)	(1,276)	(1,979)	(2,160)	(2,578)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>6,883</b>	<b>4,518</b>	<b>11,383</b>	<b>17,971</b>	<b>24,697</b>
Tax	(869)	(551)	(1,594)	(2,606)	(3,581)
Minority Interest	(1,780)	(922)	(2,447)	(3,841)	(5,279)
Preference Dividend	(217)	(19)	0	0	0
<b>Net Profit</b>	<b>4,018</b>	<b>3,026</b>	<b>7,342</b>	<b>11,524</b>	<b>15,837</b>
Net Profit before Except.	4,018	3,026	7,342	11,524	15,837
EBITDA	22,497	20,047	28,557	38,053	48,132
<b>Growth</b>					
Revenue Gth (%)	26.0	37.7	61.3	31.9	16.8
EBITDA Gth (%)	42.1	(10.9)	42.4	33.3	26.5
Opg Profit Gth (%)	87.6	(37.3)	107.6	45.9	31.4
Net Profit Gth (%)	196.2	(24.7)	142.6	57.0	37.4
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	17.8	11.2	13.2	14.4	15.2
Opg Profit Margin (%)	8.8	4.0	5.2	5.7	6.4
Net Profit Margin (%)	2.6	1.4	2.2	2.6	3.0
ROAE (%)	7.1	4.0	7.4	10.7	13.2
ROA (%)	2.0	1.2	2.4	3.4	4.4
ROCE (%)	8.9	5.5	9.6	12.4	14.5
Div Payout Ratio (%)	10.0	10.1	10.0	10.0	10.0
Net Interest Cover (x)	4.6	6.6	8.9	11.9	13.0

Source: Company, DBS HK

### Interim Income Statement (RMB m)

FY Dec	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	62,563	58,028	95,441	89,131	122,169
Cost of Goods Sold	(53,668)	(47,553)	(78,672)	(79,210)	(108,457)
<b>Gross Profit</b>	<b>8,895</b>	<b>10,475</b>	<b>16,769</b>	<b>9,921</b>	<b>13,712</b>
Other Oper. (Exp)/Inc	(5,437)	(4,899)	(8,629)	(5,830)	(8,712)
<b>Operating Profit</b>	<b>3,459</b>	<b>5,576</b>	<b>8,140</b>	<b>4,091</b>	<b>5,000</b>
Other Non Opg (Exp)/Inc	(685)	(821)	(2,702)	(788)	(1,732)
Associates & JV Inc	(330)	(95)	(92)	(78)	(67)
Net Interest (Exp)/Inc	(1,886)	(1,732)	(1,392)	(1,020)	(888)
Exceptional Gain/(Loss)	0	0	0	0	0
<b>Pre-tax Profit</b>	<b>557</b>	<b>2,928</b>	<b>3,955</b>	<b>2,204</b>	<b>2,314</b>
Tax	(87)	(545)	(324)	(393)	(157)
Minority Interest	(311)	(721)	(1,059)	(637)	(285)
<b>Net Profit</b>	<b>23</b>	<b>1,527</b>	<b>2,491</b>	<b>1,154</b>	<b>1,872</b>
Net profit bef Except.	23	1,527	2,491	1,154	1,872
<b>Growth</b>					
Revenue Gth (%)	(10.5)	(2.0)	52.6	53.6	28.0
Opg Profit Gth (%)	(43.3)	36.3	135.3	(26.6)	(38.6)
Net Profit Gth (%)	(99.0)	14.4	10,940.8	(24.4)	(24.9)
<b>Margins</b>					
Gross Margins (%)	14.2	18.1	17.6	11.1	11.2
Opg Profit Margins (%)	5.5	9.6	8.5	4.6	4.1
Net Profit Margins (%)	0.0	2.6	2.6	1.3	1.5

Source: Company, DBS HK

## BYD Company

### Balance Sheet (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Net Fixed Assets	58,202	75,545	87,854	102,648	114,719
Invt in Associates & JVs	5,466	7,905	9,774	11,657	13,551
Other LT Assets	25,745	46,220	46,847	47,250	47,428
Cash & ST Invt	14,445	50,457	48,829	35,823	29,496
Inventory	31,396	43,355	52,026	59,830	68,804
Debtors	39,308	35,593	39,152	43,068	47,374
Other Current Assets	26,456	36,705	41,384	45,427	49,922
<b>Total Assets</b>	<b>201,017</b>	<b>295,780</b>	<b>325,867</b>	<b>345,701</b>	<b>371,294</b>
ST Debt	27,645	22,939	32,939	37,939	42,939
Creditors	49,792	79,044	85,367	81,099	77,044
Other Current Liab	28,994	69,321	73,600	78,072	82,755
LT Debt	23,626	10,790	10,790	10,790	10,790
Other LT Liabilities	6,507	9,442	9,442	9,442	9,442
Shareholder's Equity	56,874	95,070	102,106	112,896	127,581
Minority Interests	7,580	9,175	11,622	15,463	20,742
<b>Total Cap. &amp; Liab.</b>	<b>201,017</b>	<b>295,780</b>	<b>325,867</b>	<b>345,702</b>	<b>371,294</b>
Non-Cash Wkg. Capital	18,374	(32,712)	(26,405)	(10,846)	6,302
Net Cash/(Debt)	(36,826)	16,728	5,100	(12,906)	(24,234)
Debtors Turn (avg days)	94.5	64.7	40.0	33.4	31.5
Creditors Turn (avg days)	136.6	135.5	106.9	82.8	68.1
Inventory Turn (avg days)	91.4	78.6	62.0	55.6	55.4
Asset Turnover (x)	0.8	0.9	1.1	1.3	1.5
Current Ratio (x)	1.0	1.0	0.9	0.9	1.0
Quick Ratio (x)	0.5	0.5	0.5	0.4	0.4
Net Debt/Equity (X)	0.6	CASH	CASH	0.1	0.2
Net Debt/Equity ex MI (X)	0.6	CASH	CASH	0.1	0.2
Capex to Debt (%)	11.6	29.2	57.2	61.6	55.8
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

### Cash Flow Statement (RMB m)

FY Dec	2020A	2021A	2022F	2023F	2024F
Pre-Tax Profit	6,881	4,518	11,383	17,971	24,697
Dep. & Amort.	12,519	14,108	15,064	17,804	20,751
Tax Paid	(449)	(254)	(551)	(1,594)	(2,606)
Assoc. & JV Inc/(loss)	187	145	131	118	106
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	21,386	44,160	(7,350)	(16,571)	(18,123)
Other Operating CF	4,870	2,790	1,979	2,160	2,578
<b>Net Operating CF</b>	<b>45,393</b>	<b>65,467</b>	<b>20,657</b>	<b>19,889</b>	<b>27,403</b>
Capital Exp.(net)	(5,964)	(9,862)	(25,000)	(30,000)	(30,000)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	(1,597)	(3,464)	(2,000)	(2,000)	(2,000)
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(6,883)	(32,078)	(2,502)	(2,422)	(2,578)
<b>Net Investing CF</b>	<b>(14,444)</b>	<b>(45,404)</b>	<b>(29,502)</b>	<b>(34,422)</b>	<b>(34,578)</b>
Div Paid	(218)	(609)	(306)	(734)	(1,152)
Chg in Gross Debt	(27,790)	(18,106)	10,000	5,000	5,000
Capital Issues	0	36,232	0	0	0
Other Financing CF	(899)	(1,453)	(2,477)	(2,739)	(3,001)
<b>Net Financing CF</b>	<b>(28,907)</b>	<b>16,063</b>	<b>7,217</b>	<b>1,527</b>	<b>847</b>
Currency Adjustments	23	(44)	0	0	0
Chg in Cash	2,064	36,081	(1,628)	(13,006)	(6,328)
Opg CFPS (RMB)	8.80	7.47	9.62	12.52	15.64
Free CFPS (RMB)	14.45	19.48	(1.49)	(3.47)	(0.89)

Source: Company, DBS HK

## BYD Company

### H Share - Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	31-Aug-21	HK\$261.40	HK\$330.00	Buy
2:	2-Nov-21	HK\$287.20	HK\$360.00	Buy
3:	19-Jan-22	HK\$266.00	HK\$360.00	Buy
4:	31-Mar-22	HK\$223.80	HK\$330.00	Buy

Source: DBS HK

Analyst: Rachel Miu

### A Share - Target Price & Ratings History



S.No.	Date	Closing Price	12-mth Target Price	Rating
1:	31-Aug-21	RMB281.97	RMB290.00	Hold
2:	2-Nov-21	RMB302.00	RMB299.00	Hold
3:	19-Jan-22	RMB266.08	RMB299.00	Hold
4:	31-Mar-22	RMB237.02	RMB250.00	Hold

Source: DBS HK

Analyst: Rachel Miu

## BYD Company

DBS HK recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 22 Jun 2022 15:09:38 (HKT)

Dissemination Date: 22 Jun 2022 18:01:28 (HKT)

Sources for all charts and tables are DBS HK unless otherwise specified.

### GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank (Hong Kong) Limited ("DBS HK"). This report is solely intended for the clients of DBS Bank Ltd., DBS HK, DBS Vickers (Hong Kong) Limited ("DBSV HK"), DBS Vickers Securities (Singapore) Pte Ltd. ("DBSVS"), DBSVI, DBSVTH, DBS Vickers Securities (UK) Ltd (DBSVUK"), DBS Vickers Securities (USA) Inc ("DBSV USA"), DBS Bank Ltd (London Branch) ("DBS UK"), its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS HK.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd., DBS HK, DBSV HK, DBSVS, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "DBS Group") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

- (a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
- (b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets. Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

## BYD Company

DBS Vickers Securities (USA) Inc ("DBSVUSA"), a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

### ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate<sup>1</sup> does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests<sup>2</sup> in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

### COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBSVS or their subsidiaries and/or other affiliates have proprietary positions in BYD Co Ltd (1211 HK), XPENG 'A' (9868 HK), Li Auto Inc (2015 HK), Guangzhou Automobile Group Co Ltd (2238 HK), Sinotruk Hong Kong Ltd (3808 HK), Dongfeng Motor Group Co Ltd (489 HK), Great Wall Motor Co Ltd (2333 HK) and Geely Automobile Holdings Ltd (175 HK) recommended in this report as of 20 Jun 2022.
2. **Compensation for investment banking services:**  
DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Dongfeng Motor Group Co Ltd (489 HK) as of 31 May 2022.
3. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Dongfeng Motor Group Co Ltd (489 HK) in the past 12 months, as of 31 May 2022.

DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.


4. **Disclosure of previous investment recommendation produced:**  
DBS Bank Ltd, DBSVS, DBS HK, their subsidiaries and/or other affiliates of DBSVUSA may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed on page 1 of this report to view previous investment recommendations published by DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA in the preceding 12 months.

### RESTRICTIONS ON DISTRIBUTION

<sup>1</sup> An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

<sup>2</sup> Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

**BYD Company**

<b>General</b>	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
<b>Australia</b>	<p>This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946.</p> <p>DBS Bank Ltd, DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws.</p> <p>Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.</p>
<b>Hong Kong</b>	This report is being distributed in Hong Kong by DBS Bank Ltd, DBS Bank (Hong Kong) Limited and DBS Vickers (Hong Kong) Limited, all of which are registered with or licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities. DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore.
<b>Indonesia</b>	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
<b>Malaysia</b>	<p>This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies.</p> <p style="text-align: right;"> Wong Ming Tek, Executive Director, ADBSR</p>
<b>Singapore</b>	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6878 8888 for matters arising from, or in connection with the report.
<b>Thailand</b>	<p>This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.</p> <p>For any query regarding the materials herein, please contact [Chanpen Sirithanarattanaku] at [research@th.dbs.com]</p>
<b>United Kingdom</b>	<p>This report is produced by DBS HK which is regulated by the Hong Kong Monetary Authority</p> <p>This report is disseminated in the United Kingdom by DBS Bank Ltd, London Branch ("DBS UK"). DBS Bank Ltd is regulated by the Monetary Authority of Singapore. DBS UK is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.</p> <p>In respect of the United Kingdom, this report is solely intended for the clients of DBS UK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS UK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.</p>

**BYD Company**

<b>Dubai International Financial Centre</b>	<p>This communication is provided to you as a Professional Client or Market Counterparty as defined in the DFSA Rulebook Conduct of Business Module (the "COB Module"), and should not be relied upon or acted on by any person which does not meet the criteria to be classified as a Professional Client or Market Counterparty under the DFSA rules.</p> <p>This communication is from the branch of DBS Bank Ltd operating in the Dubai International Financial Centre (the "DIFC") under the trading name "DBS Bank Ltd. (DIFC Branch)" ("DBS DIFC"), registered with the DIFC Registrar of Companies under number 156 and having its registered office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates.</p> <p>DBS DIFC is regulated by the Dubai Financial Services Authority (the "DFSA") with a DFSA reference number F000164. For more information on DBS DIFC and its affiliates, please see <a href="http://www.dbs.com/ae/our--network/default.page">http://www.dbs.com/ae/our--network/default.page</a>.</p> <p>Where this communication contains a research report, this research report is prepared by the entity referred to therein, which may be DBS Bank Ltd or a third party, and is provided to you by DBS DIFC. The research report has not been reviewed or authorised by the DFSA. Such research report is distributed on the express understanding that, whilst the information contained within is believed to be reliable, the information has not been independently verified by DBS DIFC.</p> <p>Unless otherwise indicated, this communication does not constitute an "Offer of Securities to the Public" as defined under Article 12 of the Markets Law (DIFC Law No.1 of 2012) or an "Offer of a Unit of a Fund" as defined under Article 19(2) of the Collective Investment Law (DIFC Law No.2 of 2010).</p> <p>The DFSA has no responsibility for reviewing or verifying this communication or any associated documents in connection with this investment and it is not subject to any form of regulation or approval by the DFSA. Accordingly, the DFSA has not approved this communication or any other associated documents in connection with this investment nor taken any steps to verify the information set out in this communication or any associated documents, and has no responsibility for them. The DFSA has not assessed the suitability of any investments to which the communication relates and, in respect of any Islamic investments (or other investments identified to be Shari'a compliant), neither we nor the DFSA has determined whether they are Shari'a compliant in any way.</p> <p>Any investments which this communication relates to may be illiquid and/or subject to restrictions on their resale. Prospective purchasers should conduct their own due diligence on any investments. If you do not understand the contents of this document you should consult an authorised financial adviser.</p>
<b>United States</b>	<p>This report was prepared by DBS HK. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.</p>
<b>Other jurisdictions</b>	<p>In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.</p>

**DBS Bank (Hong Kong) Limited**

13<sup>th</sup> Floor One Island East, 18 Westlands Road, Quarry Bay, Hong Kong

Tel: (852) 3668-4181, Fax: (852) 2521-1812

**BYD Company**

---

**DBS Regional Research Offices**

---

**HONG KONG**

DBS Bank (Hong Kong) Ltd

Contact: Dennis Lam

13th Floor One Island East,  
18 Westlands Road, Quarry Bay, Hong Kong

Tel: 852 3668 4181

Fax: 852 2521 1812

e-mail: dbsvhk@dbs.com

**SINGAPORE**

DBS Bank Ltd

Contact: Paul Yong

12 Marina Boulevard,  
Marina Bay Financial Centre Tower 3  
Singapore 018982

Tel: 65 6878 8888

e-mail: groupresearch@dbs.com

Company Regn. No. 196800306E

**INDONESIA**

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif

DBS Bank Tower  
Ciputra World 1, 32/F  
Jl. Prof. Dr. Satrio Kav. 3-5  
Jakarta 12940, Indonesia

Tel: 62 21 3003 4900

Fax: 6221 3003 4943

e-mail: indonesiaresearch@dbs.com

**THAILAND**

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul

989 Siam Pivat Tower Building,  
9th, 14th-15th Floor

Rama 1 Road, Pathumwan,

Bangkok Thailand 10330

Tel. 66 2 857 7831

Fax: 66 2 658 1269

e-mail: research@th.dbs.com

Company Regn. No 0105539127012

Securities and Exchange Commission, Thailand