

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

25 Jan 2024

H: BUY

Last Traded Price (23 Jan 2024): HK\$197.00(HSI : 15,354)
Price Target 12-mth: HK\$347 (76.1% upside) (Prev HK\$410)

A: BUY

Last Traded Price (23 Jan 2024): RMB187.85(CSI300 Index : 3,232)
Price Target 12-mth: RMB318 (69.3% upside) (Prev RMB350)

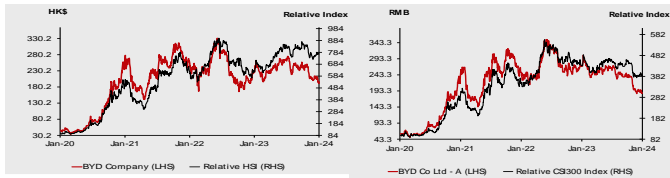
Analyst

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What's New

- FY24F vehicle sales projected to grow c.30% following a 62% surge in FY23
- Globalisation strategy to accelerate; building an EV factory in Hungary to penetrate European market
- Market challenges remain, rising market competition and slower industry sales growth in 2024
- TP cut to HK\$347/RMB318 (based on SOTP) to reflect macro uncertainties; maintain BUY on attractive valuation and globalization strategy

Price Relative



Forecasts and Valuation (H Shares)

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	424,061	630,859	782,186	912,258
EBITDA	40,518	65,882	86,686	107,477
Pre-tax Profit	21,080	40,732	52,545	65,881
Net Profit	16,622	30,793	38,841	48,119
Net Pft (Pre Ex) (core profit)	16,622	30,793	38,841	48,119
Net Profit Gth (Pre-ex) (%)	449.3	85.3	26.1	23.9
EPS (RMB)	5.72	10.60	13.37	16.56
EPS (HK\$)	6.23	11.56	14.58	18.06
EPS Gth (%)	439.2	85.4	26.1	23.9
Diluted EPS (HK\$)	6.23	11.56	14.58	18.06
DPS (HK\$)	1.25	1.16	1.46	1.81
BV Per Share (HK\$)	41.64	51.99	65.41	82.01
PE (X)	31.7	17.1	13.6	10.9
P/Cash Flow (X)	3.7	5.2	4.9	4.7
P/Free CF (X)	12.1	30.4	16.0	12.1
EV/EBITDA (X)	11.8	7.3	5.4	4.2
Net Div Yield (%)	0.6	0.6	0.7	0.9
P/Book Value (X)	4.7	3.8	3.0	2.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	16.1	24.7	24.8	24.5
Earnings Rev (%)		25	21	New
Consensus EPS (RMB)		10.75	14.04	17.72
Other Broker Recs:		B:37	S:1	H:1

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

Deepening global strategy as new growth driver

Investment Thesis

Expect decent sales growth in 2024 although slower compared to 2023.

BYD's strength lies in its broad NEV model portfolio under its five NEV brands and integrated production, which are important to drive its future business growth and maintain its market position. The company is expanding into the high-end auto market, especially when consumers are focusing more on technology, innovation and design. We also expect newer products to protect margins especially with market competition intensifying. Based on the high base of 3m unit sales in FY23(+62% y-o-y), we forecast FY24/25F NEV sales growth of c.30%/20%, hitting c.4.7m units by FY25F.

Exploring overseas market as medium-term growth driver. Auto OEMs were facing sales pressure in 2023 as demand was affected by macro uncertainties. We project the PV market to grow moderately by 4% in 2024, which implies market competition could persist. Hence, BYD is exploring the overseas market as a medium-term growth catalyst, after gaining a sizeable NEV market share of c.30% in FY23. Its share of export business is estimated to account for c.15-20% of the total in the next 2-3 years, up from the current c.8%. The company is building an EV assembly plant in Hungary with an initial reported capacity of c.200k units by 2026.

Share price performance depends on market demand and margin outlook.

Apart from volume sales, vehicle margin is the next share price driver. BYD's quarterly gross margin hit a record level of 20% in 3Q23 but could face some downward pressure given the current intense market competition. Plus, a volatile stock market has not been favourable to BYD's recent share price performance.

Maintain BUY rating but cut TP to reflect a slower industry outlook and margin pressure. Our new TPs of HK\$347/Rmb318 per share are based on SOTP (13x/8x FY24F EV/adjusted EBITDA on auto & battery/handset assembly and 2x PB on semiconductor unit), lower to factor in macro uncertainties (previously FY23-24 rolling 16x/9x EV/adjusted EBITDA on auto & battery/handset assembly and 3x PB on semiconductor unit). The stock is currently trading 1SD below its historical average valuation, which is attractive given that FY24F net earnings is expected to increase by c.26% y-o-y.

Key Risks

Slowdown of the Chinese vehicle market and surge in raw material cost could impact BYD's future earnings outlook.

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)	587,709 / 75,135
Major Shareholders (%)	
Wang (Chuanfu)	28.3
Lv (Xiangyang)	13.2
Youngy Investment Holding Group Co., Ltd.	8.6
Major H Shareholders (As % of H shares)	
Berkshire Hathaway Inc.	8.0
H Shares-Free Float (%)	92.0
3m Avg. Daily Val. (US\$m)	206.26
GIICS Industry: Consumer Discretionary / Automobiles & Components	

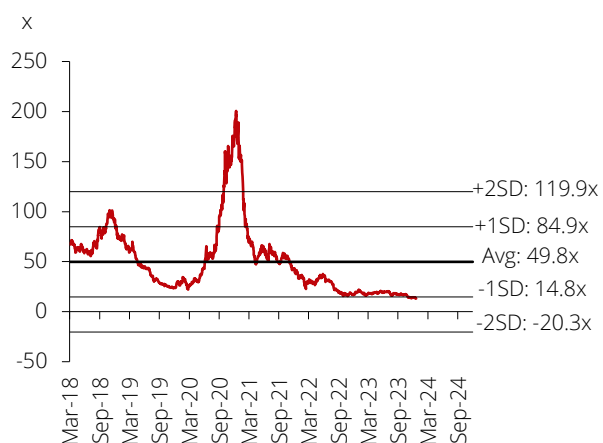
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Company Background

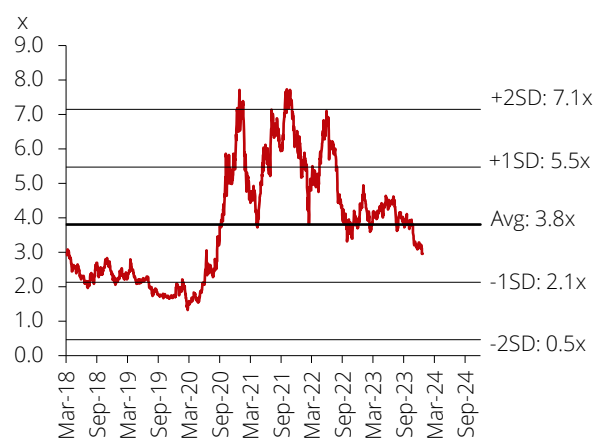
BYD's main businesses include the development, manufacture, and sales of vehicles (both gasoline and new energy vehicles) and rechargeable batteries. The cars are sold under the "BYD" brand. It also provides handset and component assembly services for global/domestic mobile phone companies such as Samsung,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

Historical PE and PB band

Forward PE band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

BYD Company

Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
NEV sales ('000 units)	593.7	1,857.4	3,012.9	3,916.8	4,700.1
Traditional vehicle sales ('000 units)	136.3	5.0	0.0	0.0	0.0

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenues (RMB m)					
Automobile & batteries	128,960	324,480	521,377	662,899	782,287
Mobile handset components	85,454	98,779	108,657	118,436	129,096
Others	1,727	802	826	850	876
Total	216,142	424,061	630,859	782,186	912,258
EBIT (RMB m)					
Automobile & batteries	3,620	18,642	31,283	40,437	48,502
Mobile handset components	1,853	1,893	2,716	2,842	3,227
Others	35	544	599	647	698
Total	5,509	21,080	34,598	43,926	52,427
EBIT Margins (%)					
Automobile & batteries	2.8	5.7	6.0	6.1	6.2
Mobile handset components	2.2	1.9	2.5	2.4	2.5
Others	2.1	67.9	72.5	76.0	79.7
Total	2.5	5.0	5.5	5.6	5.7

Source: Company, DBS HK

BYD Company

Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	216,142	424,061	630,859	782,186	912,258
Cost of Goods Sold	(191,033)	(359,083)	(522,019)	(643,232)	(747,448)
Gross Profit	25,110	64,978	108,841	138,954	164,810
Other Opng (Exp)/Inc	(18,208)	(43,841)	(67,739)	(85,201)	(97,585)
Operating Profit	6,902	21,137	41,102	53,753	67,225
Other Non Opg (Exp)/Inc	(452)	(989)	(1,471)	(1,564)	(1,825)
Associates & JV Inc	(145)	(686)	652	456	547
Net Interest (Exp)/Inc	(1,787)	1,618	450	(100)	(67)
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	4,518	21,080	40,732	52,545	65,881
Tax	(551)	(3,367)	(6,517)	(8,407)	(11,200)
Minority Interest	(922)	(1,091)	(3,421)	(5,297)	(6,562)
Preference Dividend	(19)	0	0	0	0
Net Profit	3,026	16,622	30,793	38,841	48,119
Net Profit before Except.	3,026	16,622	30,793	38,841	48,119
EBITDA	20,531	40,518	65,882	86,686	107,477
Growth					
Revenue Gth (%)	40.8	96.2	48.8	24.0	16.6
EBITDA Gth (%)	(8.7)	97.3	62.6	31.6	24.0
Opg Profit Gth (%)	(48.9)	206.2	94.5	30.8	25.1
Net Profit Gth (%)	(24.7)	449.3	85.3	26.1	23.9
Margins & Ratio					
Gross Margins (%)	11.6	15.3	17.3	17.8	18.1
Opg Profit Margin (%)	3.2	5.0	6.5	6.9	7.4
Net Profit Margin (%)	1.4	3.9	4.9	5.0	5.3
ROAE (%)	4.0	16.1	24.7	24.8	24.5
ROA (%)	1.2	4.2	5.7	6.1	6.5
ROCE (%)	4.7	11.8	18.8	20.1	20.3
Div Payout Ratio (%)	10.1	20.0	10.0	10.0	10.0
Net Interest Cover (x)	3.9	NM	NM	536.8	1,002.2

Source: Company, DBS HK

Interim Income Statement (RMB m)

FY Dec	1H2021	2H2021	1H2022	2H2022	1H2023
Revenue	89,131	127,012	150,607	273,453	260,124
Cost of Goods Sold	(79,210)	(111,822)	(132,646)	(226,437)	(217,100)
Gross Profit	9,921	15,189	17,961	47,016	43,024
Other Oper. (Exp)/Inc	(5,830)	(11,746)	(13,833)	(28,178)	(30,994)
Operating Profit	4,091	3,443	4,128	18,838	12,030
Other Non Opg (Exp)/Inc	(788)	337	19	(1,008)	(331)
Associates & JV Inc	(78)	(67)	(405)	(281)	598
Net Interest (Exp)/Inc	(1,020)	(1,399)	898	(1,110)	1,103
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	2,204	2,314	4,641	16,438	13,400
Tax	(393)	(157)	(708)	(2,658)	(1,960)
Minority Interest	(637)	(285)	(338)	(753)	(486)
Net Profit	1,154	1,872	3,595	13,027	10,954
Net profit bef Except.	1,154	1,872	3,595	13,027	10,954
Growth					
Revenue Gth (%)	53.6	33.1	69.0	115.3	72.7
Opg Profit Gth (%)	(26.6)	(57.7)	0.9	447.1	191.4
Net Profit Gth (%)	(24.4)	(24.9)	211.5	596.0	204.7
Margins					
Gross Margins (%)	11.1	12.0	11.9	17.2	16.5
Opg Profit Margins (%)	4.6	2.7	2.7	6.9	4.6
Net Profit Margins (%)	1.3	1.5	2.4	4.8	4.2

Source: Company, DBS HK

BYD Company

Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	75,545	176,502	238,144	283,081	316,187
Invt in Associates & JVs	7,905	40,819	46,471	50,927	56,474
Other LT Assets	46,220	35,736	41,842	47,209	51,826
Cash & ST Invt	56,620	72,087	76,534	97,284	126,669
Inventory	43,355	79,107	90,973	104,619	115,081
Debtors	36,251	38,828	42,711	46,555	50,745
Other Current Assets	29,884	50,781	55,522	60,760	65,663
Total Assets	295,780	493,861	592,197	690,434	782,646
ST Debt	10,204	5,153	10,153	15,153	20,153
Creditors	80,492	143,766	172,519	198,397	216,252
Other Current Liab	80,608	184,426	218,119	244,420	262,979
LT Debt	10,790	7,594	7,594	7,594	7,594
Other LT Liabilities	9,442	31,533	31,533	31,533	31,533
Shareholder's Equity	95,070	111,029	138,498	174,260	218,495
Minority Interests	9,175	10,361	13,782	19,079	25,640
Total Cap. & Liab.	295,780	493,861	592,197	690,434	782,646
Non-Cash Wkg. Capital	(51,609)	(159,475)	(201,432)	(230,882)	(247,742)
Net Cash/(Debt)	35,626	59,340	58,788	74,537	98,923
Debtors Turn (avg days)	63.8	32.3	23.6	20.8	19.5
Creditors Turn (avg days)	134.4	120.8	116.4	111.2	107.3
Inventory Turn (avg days)	77.1	66.0	62.6	58.6	56.8
Asset Turnover (x)	0.9	1.1	1.2	1.2	1.2
Current Ratio (x)	1.0	0.7	0.7	0.7	0.7
Quick Ratio (x)	0.5	0.3	0.3	0.3	0.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	47.0	764.6	473.3	328.8	251.6
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

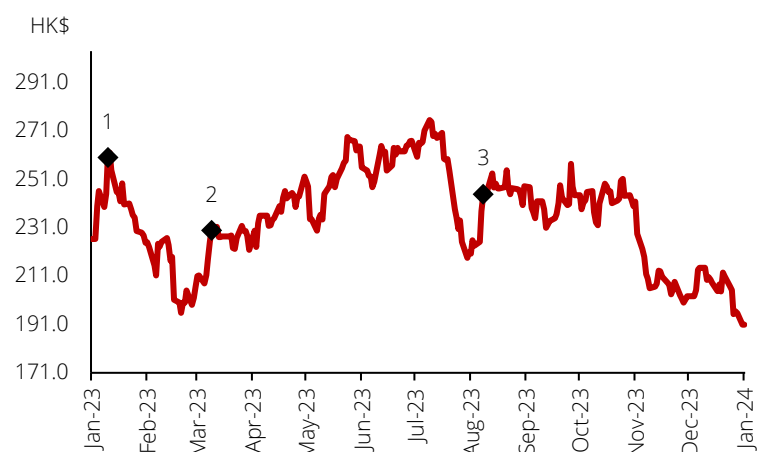
Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	4,518	21,080	40,732	52,545	65,881
Dep. & Amort.	14,081	20,288	26,252	34,497	42,076
Tax Paid	(869)	(551)	(3,367)	(6,517)	(8,407)
Assoc. & JV Inc/(loss)	(32)	769	(652)	(456)	(547)
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	47,610	83,899	38,807	27,560	14,067
Other Operating CF	158	15,352	(450)	100	67
Net Operating CF	65,467	140,838	101,322	107,729	113,137
Capital Exp.(net)	(9,862)	(97,457)	(84,000)	(74,800)	(69,800)
Other Invt.(net)	0	0	0	0	0
Invt in Assoc. & JV	(3,464)	(10,477)	(5,000)	(4,000)	(5,000)
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(32,078)	(12,662)	(7,953)	(8,053)	(7,709)
Net Investing CF	(45,404)	(120,596)	(96,953)	(86,853)	(82,509)
Div Paid	(609)	(1,633)	(3,325)	(3,079)	(3,884)
Chg in Gross Debt	(18,106)	(16,413)	5,000	5,000	5,000
Capital Issues	36,232	508	0	0	0
Other Financing CF	(816)	(1,662)	(1,308)	(1,758)	(2,070)
Net Financing CF	16,700	(19,200)	367	162	(954)
Currency Adjustments	(44)	610	0	0	0
Chg in Cash	36,719	1,651	4,737	21,038	29,674
Opg CFPS (RMB)	6.26	19.58	21.52	27.59	34.10
Free CFPS (RMB)	19.48	14.92	5.96	11.33	14.91

Source: Company, DBS HK

BYD Company

H Share - Target Price & Ratings 12-mth History

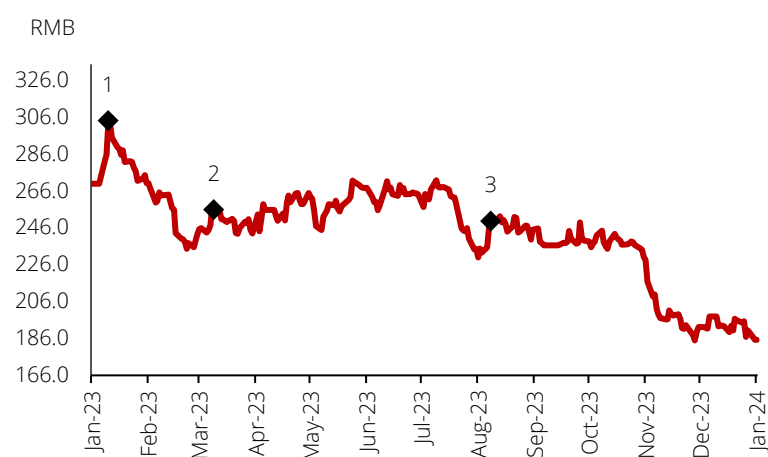


S.No.	Date	Closing Price	Target Price	Rating
1	1-Feb-23	HK\$260.00	HK\$395.00	BUY
2	31-Mar-23	HK\$225.20	HK\$395.00	BUY
3	30-Aug-23	HK\$244.80	HK\$410	BUY

Source: DBS HK

Analyst: Rachel Miu

A Share - Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	1-Feb-23	RMB304.33	RMB342.00	HOLD
2	31-Mar-23	RMB257.20	RMB342.00	BUY
3	30-Aug-23	RMB249.80	RMB350	BUY

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: 24 Jan 2024 09:29:38 (HKT)

Dissemination Date: 25 Jan 2024 17:04:03 (HKT)

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

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