



巨头崛起：加入强力买入名单（摘要）

建议理由

我们重申对上汽集团的买入评级，并将该股加入亚太强力买入名单。我们认为未来几年产品周期将走强（尤其是其合资公司），并预计2014-17年每股盈利年均复合增速为9%，受到下列因素推动：(1) **新车型**销量增长潜力可观，合资公司年销量最多可达46万-67万辆。我们预计这将带动上海大众和上海通用实现11%/7%的销量年均复合增速，而**产品结构改善和销售均价上升**将推动盈利实现14%/9%的更快年均复合增长。(2) 入门级乘用车（通用五菱宝骏）的销量和市场份额扩张。(3) 2016年名爵和荣威生产平台整合后亏损减少。

推动因素

(1) 11月17日沪港通启动后，我们看到海外投资者对于上汽集团兴趣浓厚；我们预计这一情形将会持续。(2) 我们预计新面市车型的销量将稳健增长：**大众**：紧凑型三厢车凌渡（11月份广州车展上推出）；C级轿车/B级SUV（预计将于2016年面市）。**通用**：紧凑型SUV昂科威（2014年11月推出）；新一代君越和君威（预计将于2017/2016年推出）。**五菱**：宝骏730（2014年8月面市）。

估值

我们仍然使用2015年预期行业相对市净率-净资产回报率进行估值。上调每股盈利预测后并基于1.7倍市净率，我们将12个月目标价格从人民币21.03元上调至24.94元。我们将2015-2017年每股盈利预测上调了5%-8%。由于我们预计每股盈利增速将加快、且该股较高的股息收益率对沪港通投资者具有吸引力，我们还取消了12%的估值折让。该股潜在总回报为24%（估值上行空间17%+股息收益率7%），在研究范围内车企中处于最高水平，因此我们将该股加入强力买入名单。我们认为上汽集团是受益于大众和通用的中国增长的最佳投资标的。

主要风险

(1) 宏观经济减速（我们的宏观经济研究团队预计2014-17年中国经济增速为7.3%/7.0%/6.7%/6.5%）导致乘用车市场增速放缓；(2) 来自国际和本土竞争对手的激烈竞争导致市场份额下降。

*全文翻译将随后提供

所属投资名单

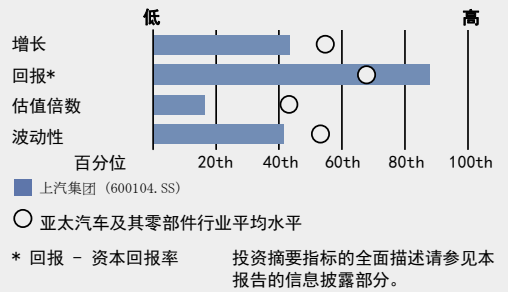
亚太买入名单
亚太强力买入名单

行业评级：中性

杨一朋（分析师）执业证书编号：S1420511100006
+86(10)6627-3189 yipeng.yang@ghsl.cn 北京高华证券有限责任公司
丁好倩（研究助理）
+86(10)6627-3327 yuqian.ding@ghsl.cn 北京高华证券有限责任公司

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投资摘要



主要数据

	12/13	12/14E	12/15E	12/16E
当前				
股价(Rmb)				21.30
12个月目标价格(Rmb)				24.94
市值(Rmb mn / US\$ mn)				181,398.0 / 29,473.6
外资持股比例(%)				--
每股盈利(Rmb) 新	2.25	2.51	2.79	3.07
每股盈利调整幅度(%)	0.0	0.3	4.7	7.0
每股盈利增长(%)	19.5	11.7	11.0	10.0
每股摊薄盈利(Rmb) 新	2.25	2.51	2.79	3.07
市盈率(X)	6.6	8.5	7.6	6.9
市净率(X)	1.2	1.6	1.4	1.3
EV/EBITDA(X)	6.8	9.8	9.1	8.6
股息收益率(%)	8.1	6.3	7.0	7.7
净资产回报率(%)	19.1	19.2	19.5	19.6
CROCI(%)	26.8	31.5	29.6	28.0

股价走势图



股价表现(%)

	3个月	6个月	12个月
绝对	18.8	47.1	33.5
相对于沪深300指数	(7.2)	0.8	6.4

资料来源：公司数据、高盛研究预测、FactSet（股价为12/04/2014收盘价）

上汽集团：财务数据概要

损益表(Rmb mn)	12/13	12/14E	12/15E	12/16E	资产负债表(Rmb mn)	12/13	12/14E	12/15E	12/16E
主营业务收入	563,345.7	613,457.3	682,673.2	760,589.9	现金及等价物	89,097.6	90,677.4	92,687.2	95,236.8
主营业务成本	(489,570.2)	(532,635.6)	(592,072.9)	(660,607.1)	应收账款	51,794.7	56,402.1	62,765.9	69,929.6
销售、一般及管理费用	(53,075.1)	(59,023.3)	(66,365.5)	(73,940.1)	存货	30,914.5	33,633.9	37,387.2	41,714.9
研发费用	--	--	--	--	其它流动资产	60,377.5	60,377.5	60,377.5	60,377.5
其它营业收入/(支出)	1,738.2	1,892.9	2,447.8	3,107.4	流动资产	232,184.4	241,091.0	253,217.8	267,258.8
EBITDA	22,438.6	23,691.4	26,682.6	29,150.1	固定资产净额	38,130.5	50,868.1	64,381.7	78,833.6
折旧和摊销	(4,857.7)	(5,274.5)	(6,423.6)	(7,652.4)	无形资产净额	5,710.7	4,760.9	3,811.1	2,861.3
EBIT	17,580.9	18,416.9	20,259.0	21,497.8	长期投资	73,594.1	85,941.7	99,315.1	113,443.1
利息收入	922.5	1,096.3	1,115.7	1,140.4	其它长期资产	24,020.9	24,020.9	24,020.9	24,020.9
财务费用	(656.1)	(768.6)	(1,039.0)	(1,309.2)	资产合计	373,640.7	406,682.6	444,746.6	486,417.8
联营公司	9.3	0.0	0.0	0.0	应付账款	92,501.0	100,637.9	111,868.2	124,817.3
其它	23,636.5	25,724.0	28,192.5	31,299.8	短期贷款	48,023.3	48,023.3	48,023.3	48,023.3
税前利润	41,493.0	44,468.5	48,528.2	52,628.7	其它流动负债	45,815.3	47,368.2	48,996.3	50,631.7
所得税	(5,909.1)	(6,332.8)	(6,910.9)	(7,494.9)	流动负债	186,339.7	196,029.4	208,887.9	223,472.4
少数股东损益	(10,780.3)	(10,420.9)	(10,850.1)	(11,300.9)	长期贷款	6,264.2	6,264.2	6,264.2	6,264.2
优先股股息前净利润	24,803.6	27,714.8	30,767.1	33,832.9	其它长期负债	19,304.8	19,304.8	19,304.8	19,304.8
优先股股息	0.0	0.0	0.0	0.0	长期负债	25,569.0	25,569.0	25,569.0	25,569.0
非经常性项目前净利润	24,803.6	27,714.8	30,767.1	33,832.9	负债合计	211,908.6	221,598.4	234,456.9	249,041.3
税后非经常性损益	0.0	0.0	0.0	0.0	优先股	0.0	0.0	0.0	0.0
净利润	24,803.6	27,714.8	30,767.1	33,832.9	普通股权益	137,757.2	150,688.4	165,043.9	180,829.7
每股基本盈利(非经常性项目前)(Rmb)	2.25	2.51	2.79	3.07	少数股东权益	23,974.9	34,395.8	45,245.9	56,546.7
每股基本盈利(非经常性项目后)(Rmb)	2.25	2.51	2.79	3.07	负债及股东权益合计	373,640.7	406,682.6	444,746.6	486,417.8
每股摊薄盈利(非经常性项目后)(Rmb)	2.25	2.51	2.79	3.07	每股净资产(Rmb)	12.49	13.67	14.97	16.40
每股股息(Rmb)	1.20	1.34	1.49	1.64					
股息支付率(%)	53.3	53.3	53.3	53.3					
自由现金流收益率(%)	(8.6)	0.8	0.8	0.7					
增长率和利润率(%)	12/13	12/14E	12/15E	12/16E	比率	12/13	12/14E	12/15E	12/16E
主营业务收入增长率	17.7	8.9	11.3	11.4	CROCI(%)	26.8	31.5	29.6	28.0
EBITDA增长率	(31.1)	5.6	12.6	9.2	净资产回报率(%)	19.1	19.2	19.5	19.6
EBIT增长率	(32.6)	4.8	10.0	6.1	总资产回报率(%)	7.2	7.1	7.2	7.3
净利润增长率	19.5	11.7	11.0	10.0	平均运用资本回报率(%)	28.3	27.5	25.9	24.6
每股盈利增长	19.5	11.7	11.0	10.0	存货周转天数	20.8	22.1	21.9	21.9
毛利率	13.1	13.2	13.3	13.1	应收账款周转天数	33.1	32.2	31.9	31.8
EBITDA利润率	4.0	3.9	3.9	3.8	应付账款周转天数	61.6	66.2	65.5	65.4
EBIT利润率	3.1	3.0	3.0	2.8	净负债/股东权益(%)	(21.5)	(19.7)	(18.3)	(17.3)
					EBIT利息保障倍数(X)	NM	NM	NM	127.3
现金流量表(Rmb mn)	12/13	12/14E	12/15E	12/16E	估值	12/13	12/14E	12/15E	12/16E
优先股股息前净利润	24,803.6	27,714.8	30,767.1	33,832.9	基本市盈率(X)	6.6	8.5	7.6	6.9
折旧及摊销	4,857.7	5,274.5	6,423.6	7,652.4	市净率(X)	1.2	1.6	1.4	1.3
少数股东权益	10,780.3	10,420.9	10,850.1	11,300.9	EV/EBITDA(X)	6.8	9.8	9.1	8.6
运营资本增减	(7,538.3)	810.2	1,113.2	1,457.6	企业价值/总投资现金(X)	0.9	1.2	1.1	1.0
其它	(33,221.2)	(25,064.8)	(27,842.5)	(31,099.8)	股息收益率(%)	8.1	6.3	7.0	7.7
经营活动产生的现金流	(317.8)	19,155.6	21,311.5	23,144.1					
资本开支	(15,659.4)	(17,052.4)	(18,976.4)	(21,142.3)					
收购	0.0	0.0	0.0	0.0					
剥离	415.1	0.0	0.0	0.0					
其它	37,954.1	12,707.3	14,458.2	16,959.5					
投资活动产生的现金流	22,709.8	(4,345.2)	(4,518.2)	(4,182.7)					
支付股息的现金(普通股和优先股)	(6,615.3)	(13,230.7)	(14,783.5)	(16,411.7)					
借款增减	4,263.9	0.0	0.0	0.0					
普通股发行(回购)	595.1	0.0	0.0	0.0					
其它	7,615.6	0.0	0.0	0.0					
筹资活动产生的现金流	5,859.3	(13,230.7)	(14,783.5)	(16,411.7)					
总现金流	28,251.2	1,579.8	2,009.8	2,549.6					

注：最后一个实际年度数据可能包括已公布和预测数据。

资料来源：公司数据、高盛研究预测

对此报告有贡献的人员

杨一朋

yipeng.yang@ghsl.cn

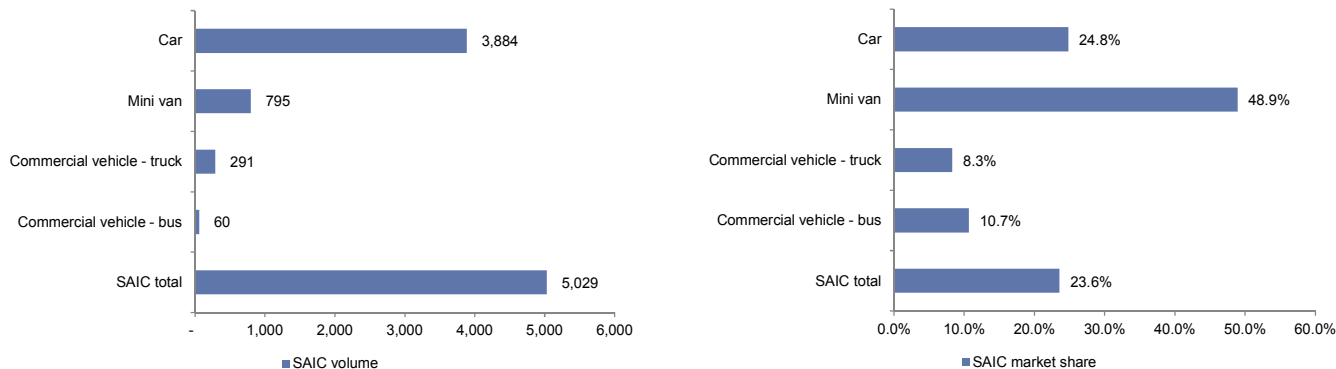
丁好倩

yuqian.ding@ghsl.cn

Clear market share leader in China, especially in passenger cars

SAIC is the biggest auto OEM group in China if we take all its JV volumes into account: in 2013, it captured 23.6% volume share in China's total auto market. In the passenger car market it had 24.8% market share (domestic-made only) in 2013 and had registered five consecutive years of market share increase (average +1.4% per year from 2008-2013).

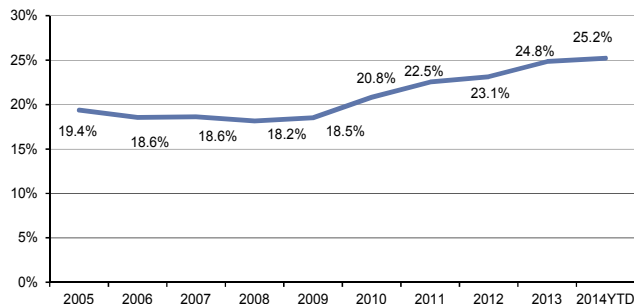
Exhibit 2: In 2013 SAIC had 23.6% share of China total auto market and 24.8% share of its passenger car market
SAIC volume and market share by segment in domestic-made auto market; in '000 units, %; 2013



Source: ChinaAutoMarket, company data.

Exhibit 3: SAIC has a leading market share in domestic-made passenger car market

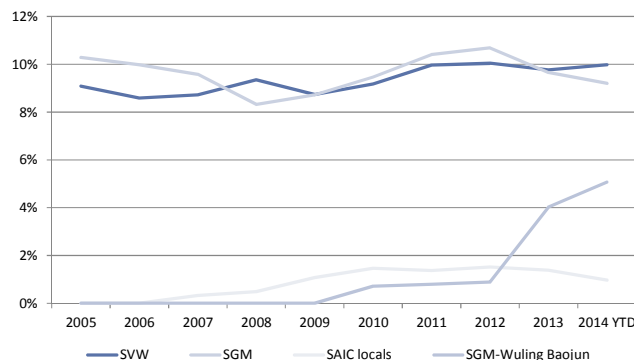
Combined MS in domestic-made passenger car market, retail volume and locally made only; %, 2005-2014 YTD



Source: ChinaAutoMarket.

Exhibit 4: SAIC passenger car has 4 business units (BU): SVW, SGM, SAIC local brands, and SGM Wuling Baojun

Market share by BU, in passenger car market, retail volume and locally made only; %, 2005-2014 YTD



Source: ChinaAutoMarket.

Joint ventures with VW and GM contribute the lion's share of profit

Due to its complicated corporate structure and limited disclosure, we make our own estimates of revenue and net profit by division (Exhibits 4-5). We calculate SAIC's joint ventures with and General Motors contributed 62% of SAIC's consolidated revenue (including 100% of the revenue from the sales companies of SVW and SGM) and 90% of its net profit in 2013.

Exhibit 5: Most of SAIC revenue was contributed by vehicle manufacturing business

SAIC consolidated revenue breakdown, Rmb bn/%, 2013E

2013 SAIC revenue breakdown

	Amount	%	incl sales co	sales co markup%
SGM	165.32	29%	179.70	8.0%
SVW	188.60	33%	205.00	8.0%
SAIC Local brands (Roewe/MG)	19.25	3%		
SGM Wuling	44.46	8%		
Other - OEMs	14.97	3%		
Subtotal - OEMs	432.61	76%		
Huayu	69.33	12%		
Other - Components	38.52	7%		
Subtotal - components	107.85	19%		
Finance service	2.46	0%		
Trading and service	22.89	4%		
Total	565.81	100%		
Revenue - exclude financial service	563.35	100%		
Revenue - finance service	2.46	0%		

Source: Company data, Gao Hua Securities Research.

Exhibit 6: 90% of SAIC net profit was contributed by its joint ventures with VW and GM

SAIC profit net profit breakdown, Rmb bn/%, 2013E

	Amount	%	100% profit	SAIC stake
SGM	9.90	40%	19.80	50.0%
SVW	12.50	50%	25.00	50.0%
SAIC Local brands (Roewe/MG)	(3.00)	-12%	(3.00)	100.0%
SGM Wuling	1.63	7%	3.25	50.1%
Other - OEMs	n/a	n/a		
Subtotal - OEMs	21.03	85%		
Huayu	2.08	8%	3.46	60.0%
Other - Components	0.99	4%		
Subtotal - components	3.06	12%		
Finance service (before MI)	1.96	8%		
Trading, service, and others	(1.25)	-5%		
Total	24.80	100%		

Source: Company data, Gao Hua Securities Research.

We expect strong product cycles for SVW and SGM

SAIC plans 16 new product launches in 2015 and 17 in 2016, higher than the 11 in 2014. In 2017, there is less visibility in the model cycle, and so there might be more than the 12 new products we currently expect.

Exhibit 7: Product cycle by OEM/brand of SAIC, 2014-17E

	Model #	Mini (A00)	Small (A0)	Compact (A)	Mid-size (B)	Full-Size (C)	SUV	MPV	New energy
2014	11								
SGM - Cadillac	1				ATS-L				
SGM - Buick	1						Envision		
SGM - Chevrolet	3		Aveo	New Cruz HB			Trax		
SVW - VW	1			Lamando (Nov)					
SVW - Skoda	2			Rapid Spaceback/New Octavia					
SGMW	2			610 A HB (Apr)				730 MPV (Aug)	
SAIC local brands - Roewe	0								
SAIC local brands - MG	1			MG GT					
2015	16								
SGM - Cadillac	1					CT6 (CTS, Audi A6 competitor)			
SGM - Buick	3			New Excelle/HRV/Excelle GT					
SGM - Chevrolet	1		Sail NB		Malibu				
SVW - VW	1		Santana HB	Lavida FL				New Touran	
SVW - Skoda	2		New Fabia		Superb				
SGMW	4		AO HB/NB				Compact SUV (2H)	MPV (Sep)+Hongguang Upgraded	
SAIC local brands - Roewe	2			350FL		950 1.8T			
SAIC local brands - MG	2		MG3				MG CS (1Q)		
2016	17								
SGM - Cadillac	1						SRX		
SGM - Buick	3			Excelle XT		LaCrosse		New GL8	
SGM - Chevrolet	1		Sail HB						
SVW - VW	4				Passat		New Tiguan/B SUV		
SVW - Skoda	2						New Yeti	A-MPV	
SGMW	2			New 630 NB				New Hongguang MPV	
SAIC local brands - Roewe	3			550 (first A-structure car)		950 FL	New Roewe SUV		
SAIC local brands - MG	1			MG6					
2017	12								
SGM - Cadillac	1			New A model?					
SGM - Buick	1				Regal				
SGM - Chevrolet	3		Aveo	Cruz			Captiva		
SVW - VW	2		New Polo				A0 SUV		
SVW - Skoda	1						Skoda B SUV		
SGMW	1	Lechi							
SAIC local brands - Roewe	2			350				MPV	
SAIC local brands - MG	1			MG5					

Source: Company data, ChinaAutoMarket, HIS Global Insight, Gao Hua Securities Research.

New models take to the grid

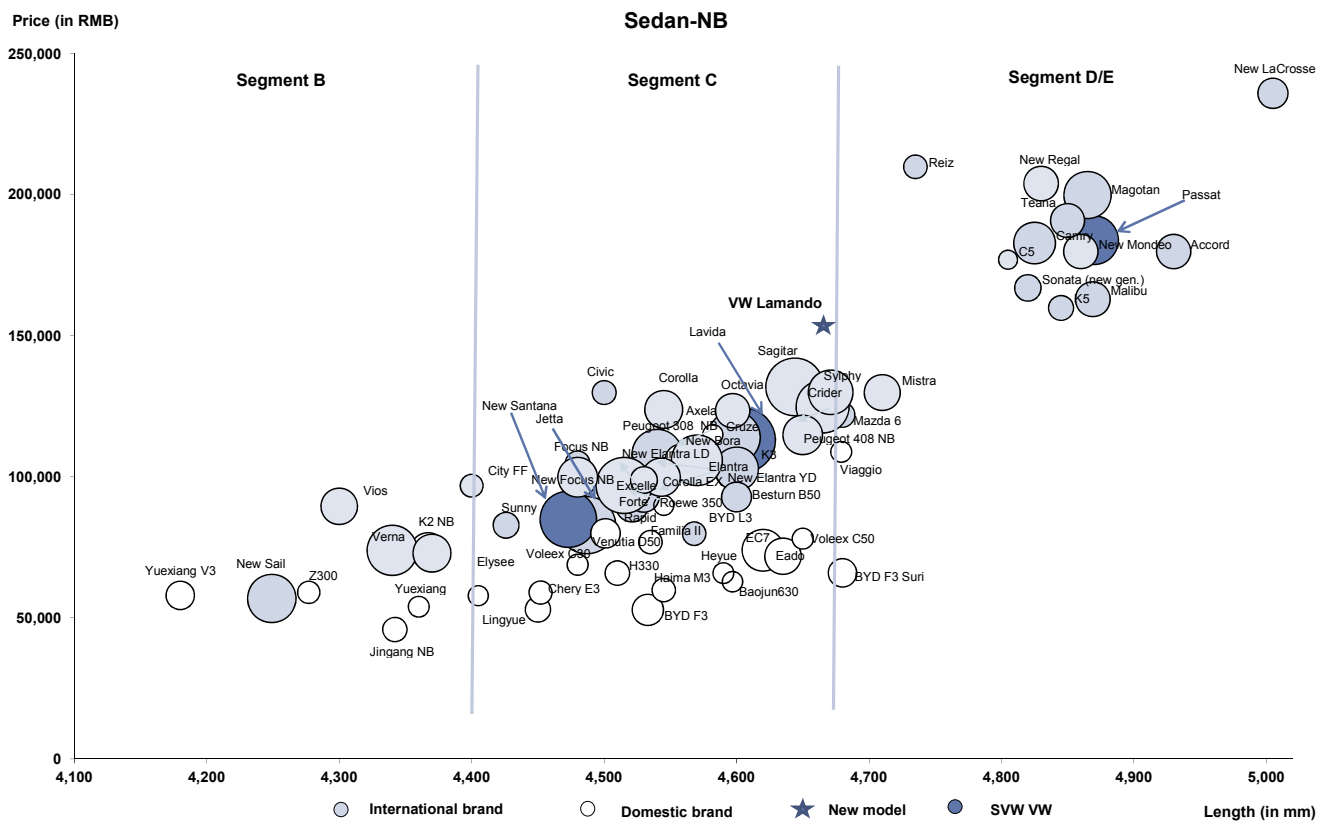
We highlight various new models being launched by SAIC over the next three years that we believe will be most important in driving both sales volumes and profit margins. For these key new VW/GM models, we see additional volume potential as around 250-380k and 210-290k units per year for SVW and SGM respectively.

SVW Lamando: 120k-200k vol. potential per year in Compact+ NB sedan

Compact notchback (NB) sedan is the biggest car segment in China (59.7% in volume mix in 2013). Due to considerable segment demand and substantial differences in customer wallet size and product preference, we subdivide the segment into three: Compact- (A-), Compact (A), and Compact + (A+).

Using Volkswagen product portfolio as an example, we can see in the A- sub-segment, FAW-VW has Jetta and SVW has Santana (entry price at ~Rmb80k); in the A sub-segment, FAW-VW has Bora and SVW has Lavida (entry price at ~Rmb100k); in A+ sub-segment, FAW-VW has Sagitar, although there is no model under SVW VW brand.

Exhibit 8: VW Lamando fills the blank for SVW-VW in Compact+ NB sedan sub-segment
Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan- Oct



Source: Autohome.com, ChinaAutoMarket.

We estimate that the newly launched SVW Lamando model will fill the void for SVW in the A+ sub-segment, with 120-200k vol potential per year (vs Sagitar 2013 sales volumes of 272k). The Lamando body style is more like a coupe and its entry price might be higher than Sagitar, therefore we estimate a lower volume potential vs. Sagitar.

Exhibit 9: Competitors achieved high volumes in Compact+ NB sedan sub-segment
Spec/price/vol of key competitors of VW Lamando

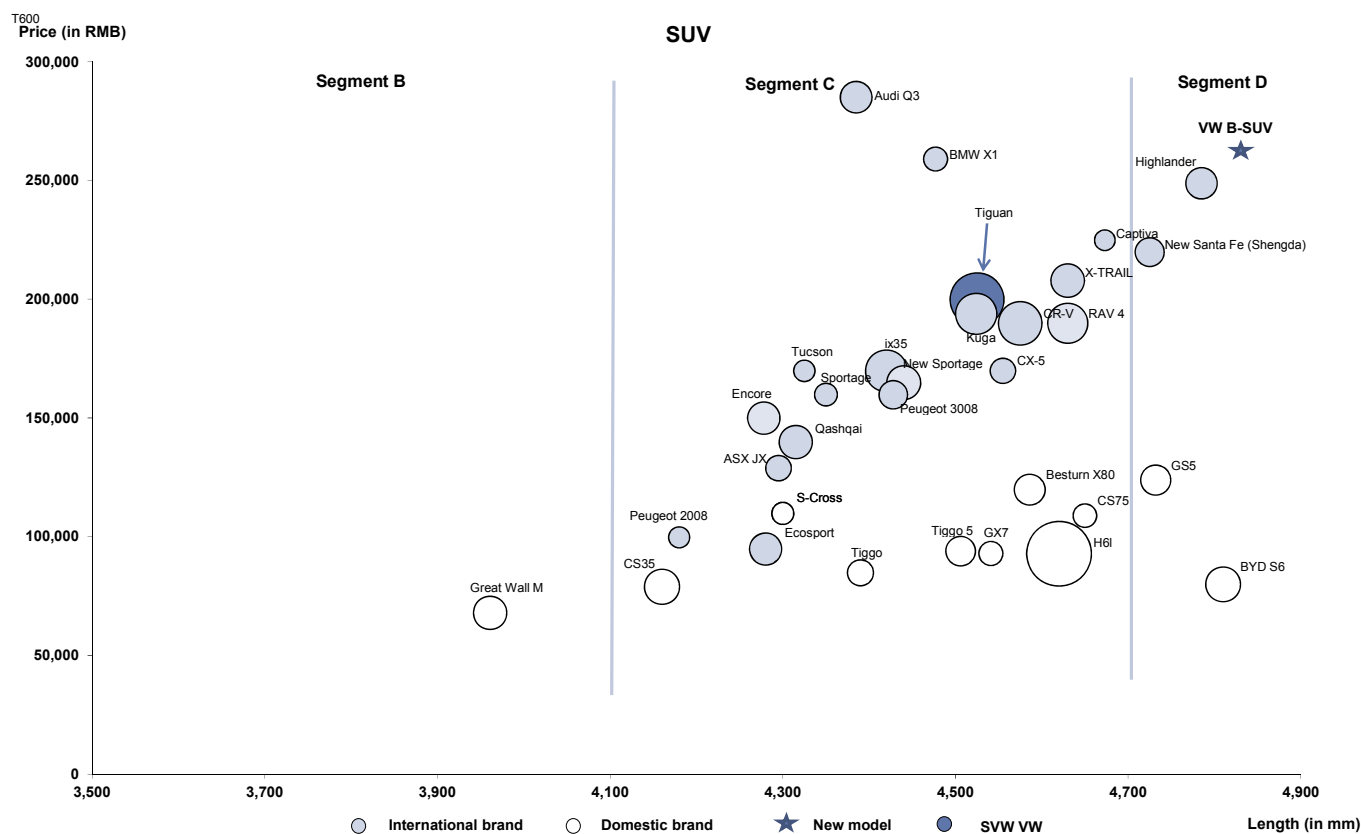
	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Model	Sagitar	Excelle GT	Focus	Corolla
OEM	FAW VW	SGM	Changan Ford	FAW Toyota
Brand	VW	Buick	Ford	Toyota
Length (mm)	4644	4671	4534	4630
Width (mm)	1778	1815	1823	1775
Height (mm)	1482	1478	1483	1480
Engine size	1.4T/1.6L/1.8T/2.0T	1.6L/1.8L	1.6L/1.8L/2.0L	1.6L/1.8L
Transmission	MT/Tiptronic/DSG	MT/Tiptronic	MT/Tiptronic/DSG	MT/CVT
MSRP (Rmb'000)	131.8-225.8	132.7-187.3	119.9-169.9	107.8-159.8
Retail Vol (Jan-Oct 2014)	250K	151K	118K	108K

Source: Autohome.com, ChinaAutoMarket.

SVW B-SUV: 80k-100k volume potential per year in mid-size SUV market

Currently the Volkswagen brand has no mid-size SUV product globally. By 2016E the new B-SUV will be launched to fill the blank. With reference to sales of competitor models sales (e.g., Toyota's Highlander sold 95k unit in FY13 and 65k units in Jan-Oct 2014 in China), we estimate the SVW B-SUV has 80-100k volume potential per year.

Exhibit 10: VW B-SUV fills the blank of SVW-VW in midsize SUV segment
Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan – Oct



Source: Autohome.com, ChinaAutoMarket.

Exhibit 11: B-SUV targets key players in midsize SUV market

Spec/price/vol of key competitors of VW B-SUV

	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Model	Highlander	Edge	Santa Fe	CX-7
OEM	GAC Toyota	Ford imported	Beijing Hyundai	FAW Car
Brand	Toyota	Ford	Hyundai	Mazda
Length (mm)	4795	4699	4725	4705
Width (mm)	1910	1930	1880	1872
Height (mm)	1730	1705	1686	1645
Engine size	2.7L/3.5L	2.0T/3.5T	2.0T/2.4L	2.3T/2.5L
Transmission	Tiptronic	AT/Tiptronic	MT/Tiptronic	Tiptronic
MSRP (Rmb'000)	248.8-429.8	292.8-429.8	209.8-311.8	199.8-273.8
Retail Vol (Jan-Oct 2014)	65K	c.20K	55K	1.2K

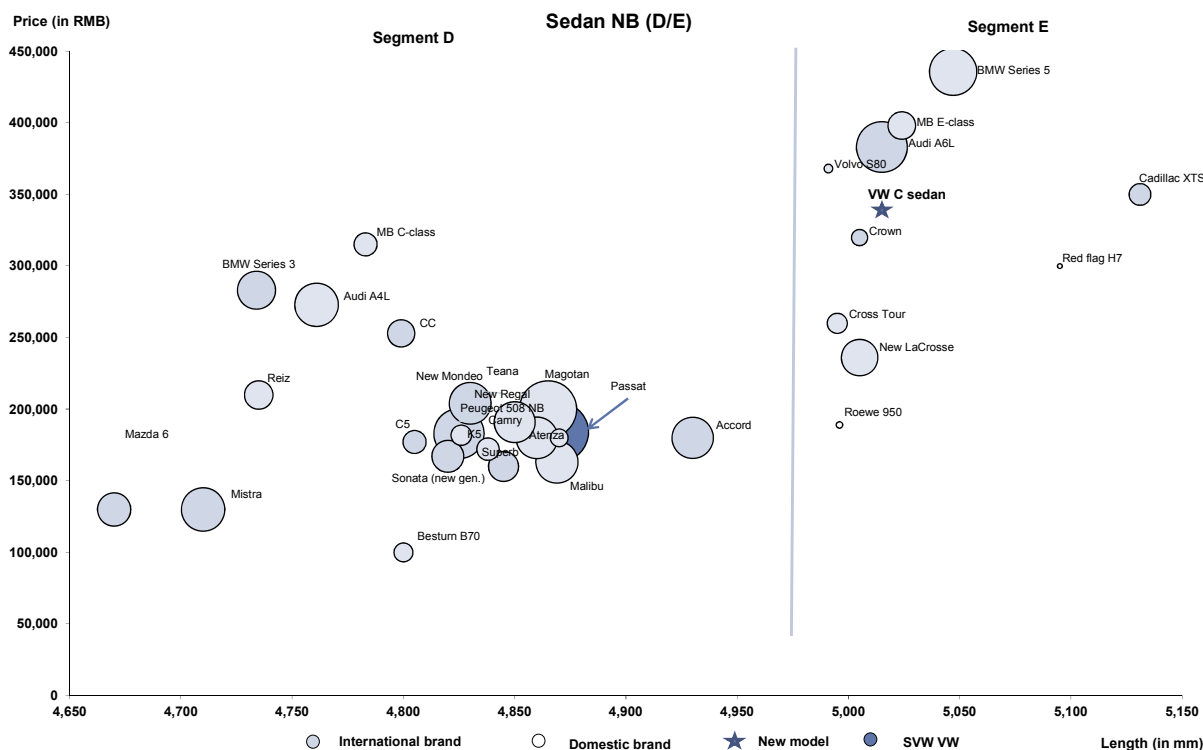
Source: Autohome.com, ChinaAutoMarket.

VW C-Sedan: 50k-80k volume potential per year in full-size sedan market

Similarly, Volkswagen brand has no product in the full-size sedan segment globally. By 2016 the new C-Sedan should be launched to fill the blank. With reference to the competitor model sales (e.g., SGM's LaCrosse sales volume of 89k unit in FY13 and 69k unit in Jan-Oct 2014), we estimate the SVW C-Sedan has 50-80k volume potential per year.

Exhibit 12: VW C-Sedan fills the blank of SVW-VW in full size sedan segment

Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan – Oct



Source: Autohome.com, ChinaAutoMarket.

Exhibit 13: VW C-Sedan targets key players in full-size sedan market

Spec/price/vol of key competitors of VW C-Sedan

	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Model	Crown	Lacrosse	A6	5 series
OEM	FAW Toyota	SGM	FAW Audi	Brilliance BMW
Brand	Toyota	Buick	Audi	BMW
Length (mm)	5005	5005	5015	5047
Width (mm)	1810	1858	1874	1860
Height (mm)	1500	1500	1455	1491
Engine size	2.5L/3.0L	2.0T/2.4L/3.0L	2.0T/2.5L/2.8L/3.0T	2.0T/3.0T
Transmission	Tiptronic	Tiptronic	MT/CVT/DSG	Tiptronic
MSRP (Rmb'000)	319.8-519.8	235.9-369.9	383.0-742.6	435.6-778.6
Retail Vol (Jan-Oct 2014)	13K	69K	133K	115K

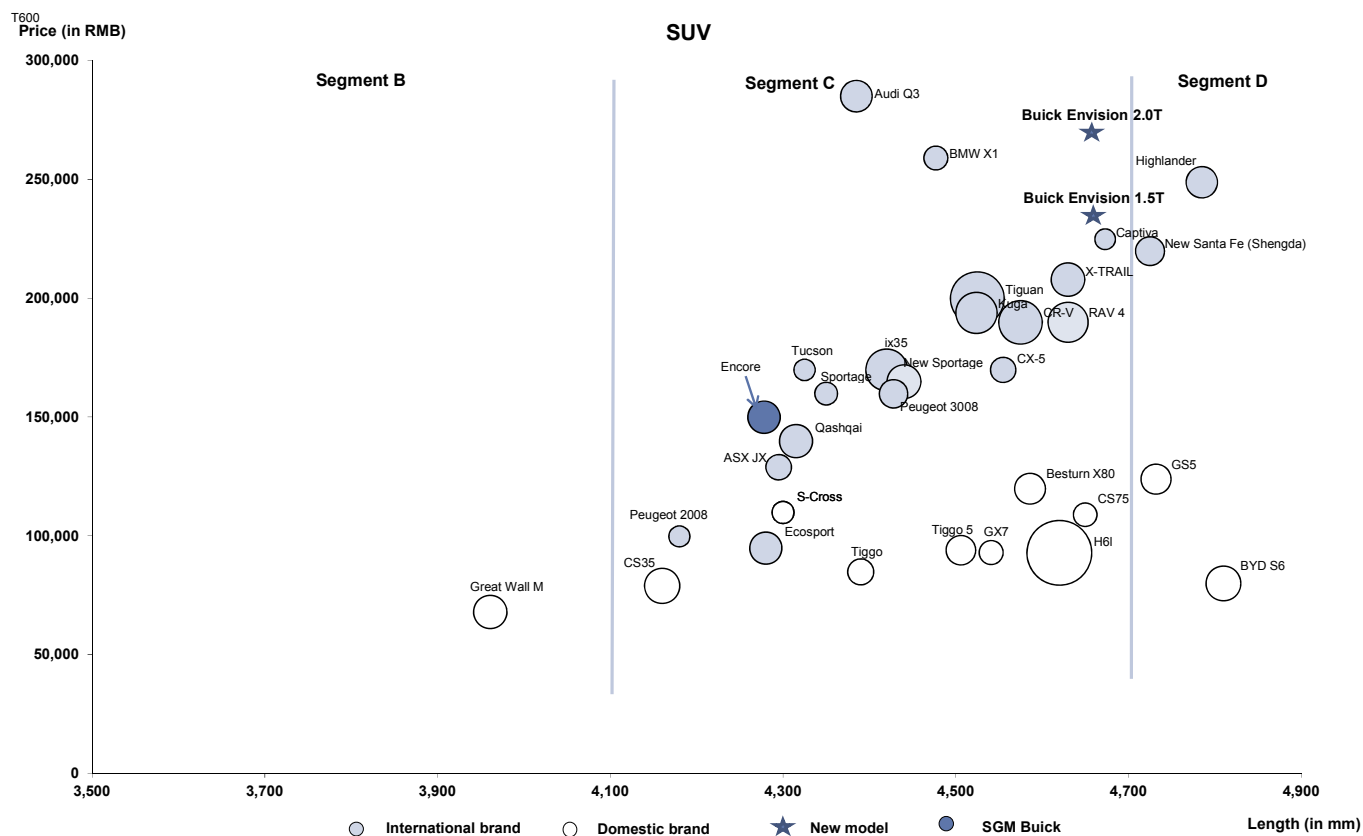
Source: Autohome.com, ChinaAutoMarket.

Buick Envision: 150k-200k volume potential per year in compact SUV market

SGM Buick also has no compact SUV product in China. In Nov. 14, Buick launched its compact SUV model Envision to fill the blank in the segment. Referencing competitor model sales (e.g., SVW Tiguan had sales volume of 197k units in FY13 and 191k units in Jan-Oct 2014), we estimate that Envision has 150-200k volume potential per year.

Exhibit 14: Buick Envision fills the blank of Buick in Compact SUV segment

Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan – Oct



Source: Autohome.com, ChinaAutoMarket.

Exhibit 15: Buick Envision targets key players in compact SUV market
Spec/price/vol of key competitors of Buick Envision

	Model	Competitor 1	Competitor 2	Competitor 3	Competitor 4
Model	Envision	Tiguan	CRV	Kuga	RAV 4
OEM	SGM	SVW	Dongfeng Honda	Changan Ford	FAW Toyota
Brand	Buick	VW	Honda	Ford	Toyota
Length (mm)	4667	4506	4550	4524	4570
Width (mm)	1839	1809	1820	1838	1845
Height (mm)	1694	1685	1685	1685	1670
Engine size	2.0T	1.4T/1.8T/2.0T	2.0L/2.4L	1.6T/2.0T	2.0L/2.5L
Transmission	Tiptronic	MT/Tiptronic	AT	Tiptronic	MT/CVT/Tiptronic
MSRP (Rmb'000)	269.9-349.9	199.8-315.8	193.8-262.8	193.8-275.8	183.8-272.8
Retail Vol (Jan-Oct 2014)	n/a	191K	126K	112K	106K

Note: the Envision 2.0T version was newly launched in Nov 2014, in 2015 we expect an entry version with smaller engine will be launched with a lower price, as is common practice.

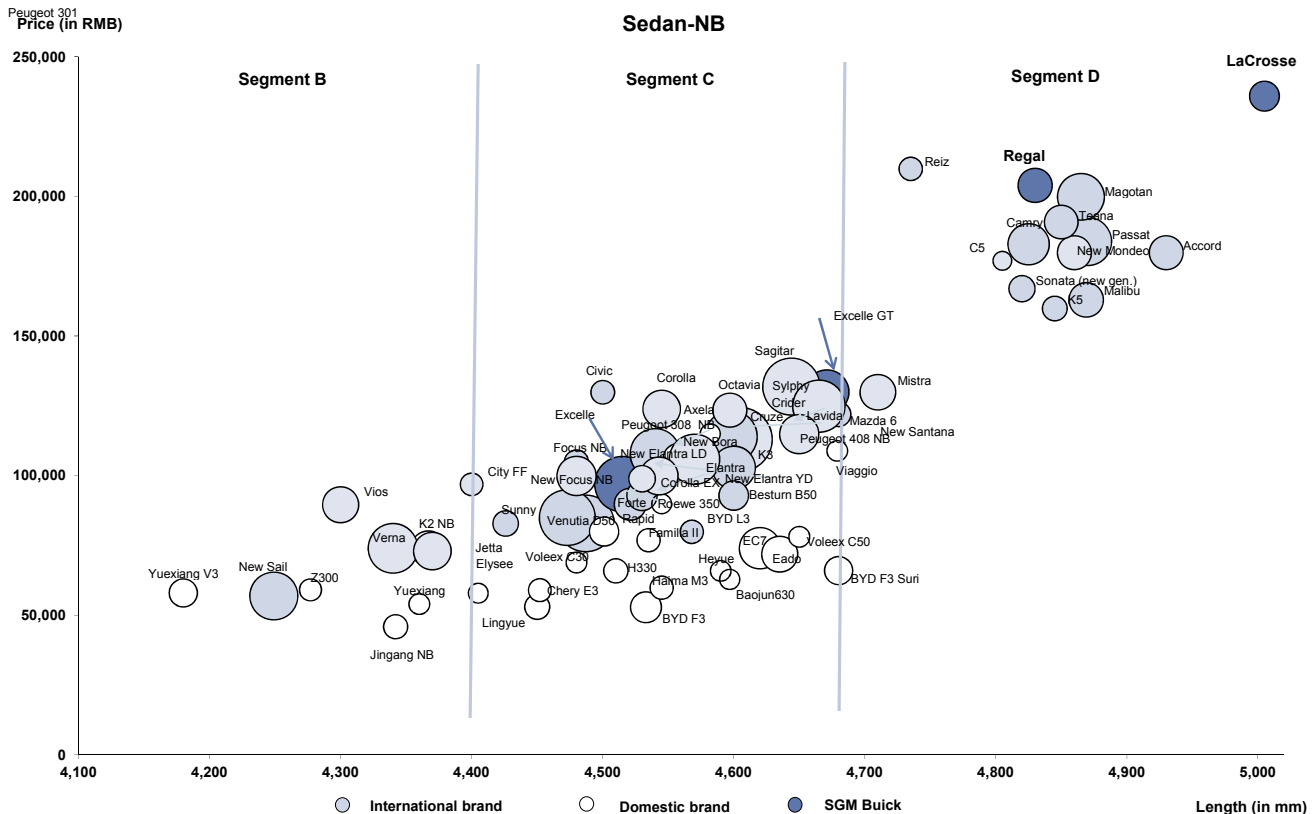
Source: Autohome.com, ChinaAutoMarket.

New generation of Buick Regal/LaCrosse: additional 70-90k unit per year

The current generation of Buick Regal/LaCrosse were launched on 2008/2009 and will be refreshed only in 2017/2016, due to interrupted R&D around the bankruptcy of GM in 2008. We expect sales of new generation of Regal and LaCrosse will represent a 50% increase over their current sales (86k/89k in FY13) per year after refresh.

Exhibit 16: Buick Regal/Lacrosse were positioned in competitive mid-size sedan market

Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan – Oct



Source: Autohome.com, ChinaAutoMarket.

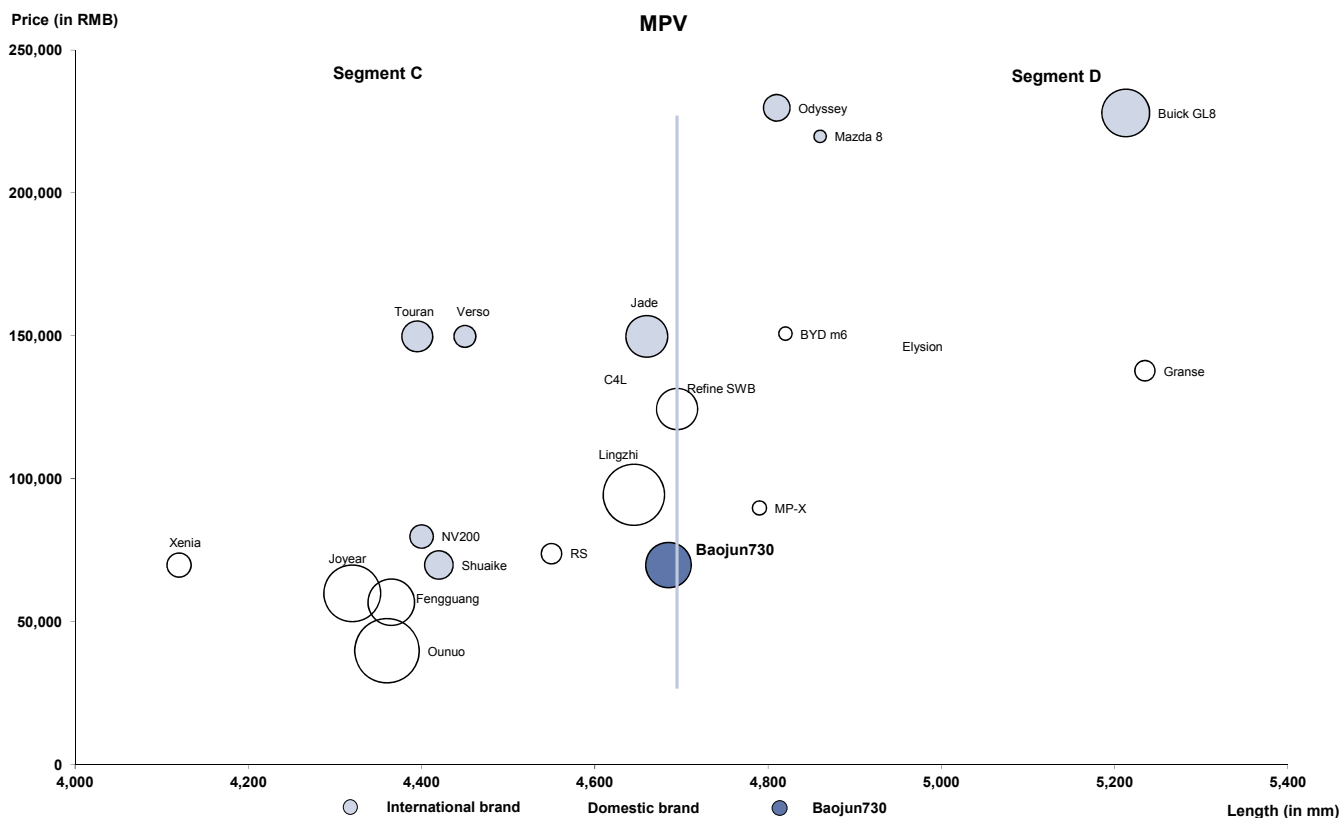
Local brands: cost leadership for Baojun; scale for Roewe/MG

SGM Wuling Baojun: set to leverage its cost leadership in entry car market

Since launch in Aug 2014, the New Baojun 730 achieved 59k unit sales to the end of Oct 2014 (sales volume grew from 12k in Aug to 26k sales in Oct) with volume performance and ramp-up momentum stronger than our expectations. We think this strong volume as being largely attributed to its unique positioning (Exhibit 17), with more space and better equipment than 5-seater competitors like the Changan Ounuo. It is also priced more affordably than 7-seater models like Dongfeng Lingzhi and JAC Refine (short wheel-base). It is precisely positioned between these two groups and therefore looks to be creating new demand.

Exhibit 17: Baojun 730 is well positioned among the competition

Length (mm), entry price (Rmb), and retail volume (bubble size) by model, 2014 Jan - Oct



Note: due to big pricing range of Dongfeng Lingzhi and JAC Refine, we used the average price rather than the entry version price for the two models.

Source: Autohome.com, ChinaAutoMarket.

Exhibit 18: Baojun 730 as a leading entry 7-seater MPV

Spec/price/vol of key competitors of VW C-Sedan

	Model	Competitor 1	Competitor 2	Competitor 3	Competitor 4	Competitor 5
Model	730	Lingzhi	Refine SWB	Ou Nuo	Joyear	RS
OEM	SGM Wuling	Dongfeng Liuqi	JAC	Changan	Dongfeng Liuqi	JAC
Brand	Baojun	Dongfeng Fengxing	JAC	Changan	Dongfeng Fengxing	Heyue
Length (mm)	4685	4645	4695-4740	4360	4320	4550
Width (mm)	1785	1695	1820	1685	1804	1775
Height (mm)	1715	1940	1880-1950	1820	1620	1600
Seats	7	7	7	5	5	5
Engine size	1.5L/1.8L	1.5L/1.6L/2.0L/2.4L	1.8L/1.8T/2.0L/2.0T/2.4L	1.3L/1.5L	1.5L	1.5L/1.8L
Transmission	MT	MT	MT	MT	MT/AMT	MT/AT
MSRP (Rmb'000)	69.8-82.8	49.9-138.9	85.0-163.8	39.8-66.9	59.9-79.9	73.8-93.8
Retail Vol (Jan-Oct 2014)	59K	106K	48K	117K	91K	12K

Source: Autohome.com, ChinaAutoMarket.

We note the new low cost **Baojun SUV** will be launched in 2015E, and we expect 100-150k volume potential for the model per year in the low-cost compact SUV market.

Roewe/MG: we expect roll-out of the modular platform (Structure-A) from 2016 to help SAIC local brands gain scale and reduce losses.

Exhibit 19: SAIC local brands will reduce no. of platforms from 7 now to 3 after 2018

	Brands/Models		Platforms by 2014E	Platforms after 2018E
	Roewe	MG		
Small Sedan		3	ZP	Structure A
Compact Sedan	350	5, GT	AP	
	550	6	IP	
Mid-size Sedan	750		BP	Share with GM Lacrosse
Full-size Sedan	950		GM Global E	
SUV	W5		Ssangyong Kyron	One SUV platform
		CS (15E)	Ssangyong Korando	

Source: Company data.

Earnings and valuation rise on new launches

We revise our 2015-17E earnings estimates up by 5%-8% on the strong new product cycle.

Exhibit 20: We revise our 2014-17E earnings estimates

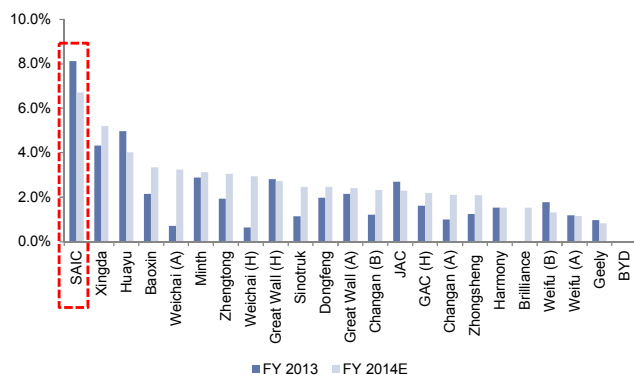
(Rmb mn)	2014E			2015E			2016E			2017E		
	New	Old	Diff.	New	Old	Diff.	New	Old	Diff.	New	Old	Diff.
Revenue	613,457	619,152	-0.9%	682,673	675,044	1.1%	760,590	730,851	4.1%	830,808	772,903	7.5%
Gross profit (excl. D&A)	80,822	80,448	0.5%	90,600	89,018	1.8%	99,983	96,731	3.4%	107,849	102,589	5.1%
Gross profit (incl. D&A)	80,822	80,448	0.5%	90,600	89,018	1.8%	99,983	96,731	3.4%	107,849	102,589	5.1%
EBIT	18,417	17,500	5.2%	20,259	19,396	4.4%	21,498	21,085	2.0%	21,954	22,248	-1.3%
Pretax profit	44,468	44,379	0.2%	48,528	46,933	3.4%	52,629	50,056	5.1%	55,535	52,299	6.2%
Reported net profit	27,715	27,638	0.3%	30,767	29,399	4.7%	33,833	31,627	7.0%	35,787	33,012	8.4%
Reported EPS (Rmb)	2.51	2.51	0.3%	2.79	2.67	4.7%	3.07	2.87	7.0%	3.25	2.99	8.4%

Source: Gao Hua Securities Research.

SAIC has the highest dividend yield among covered OEMs in China and looks to be undervalued based on our sector P/B-ROE matrix.

Exhibit 21: SAIC has the highest 2013/2014E dividend yield among our auto coverage

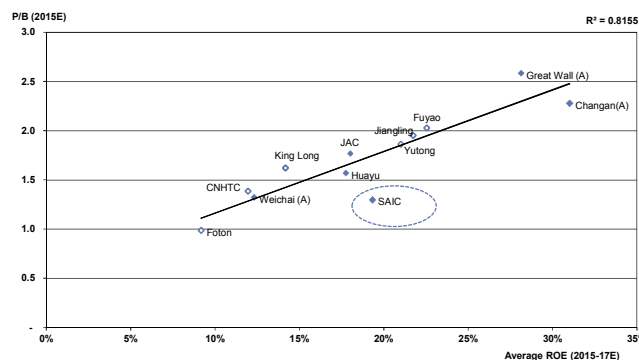
Dividend yield, 2013/2014E



Source: Company data, Gao Hua Securities Research.

Exhibit 22: Among A shares, we believe SAIC is undervalued relative to the sector

P/B (X) 2015E vs. 2015-17E average ROE, auto sector, A-share



Note: Gao Hua estimates for SAIC/FAW-Car/ChangAn/Weichai/JAC/Great Wall (A) (in blue dots), Wind consensus EPS and BPS for the rest, which we do not cover.

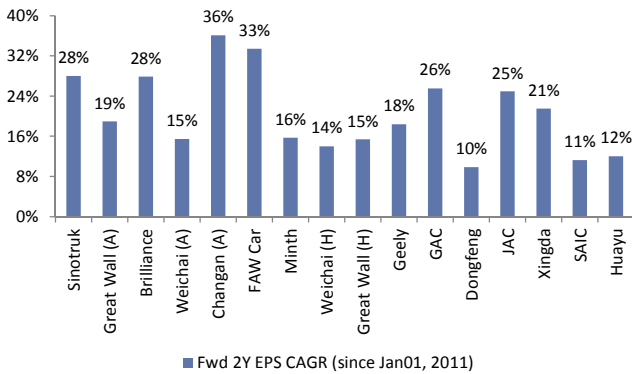
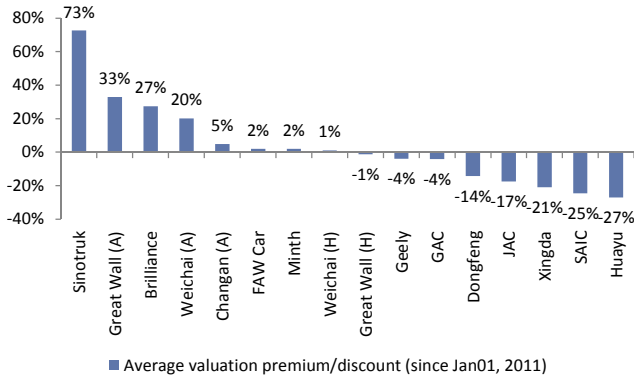
Source: Datastream, Wind, Gao Hua Securities Research.

We remove the 12% valuation discount on higher EPS growth

Historically, SAIC has traded at a discount to the industry PB-ROE line due to its fourth quartile EPS growth profile and that many A-share investors used to prefer growth over dividend yield. Nevertheless, with our projection for SAIC EPS growth accelerating to 9% CAGR in 2014-17E, putting it in the third quartile, with think it appropriate to remove our previous 12% valuation discount.

Exhibit 23: Historically, SAIC has traded at a discount on low growth

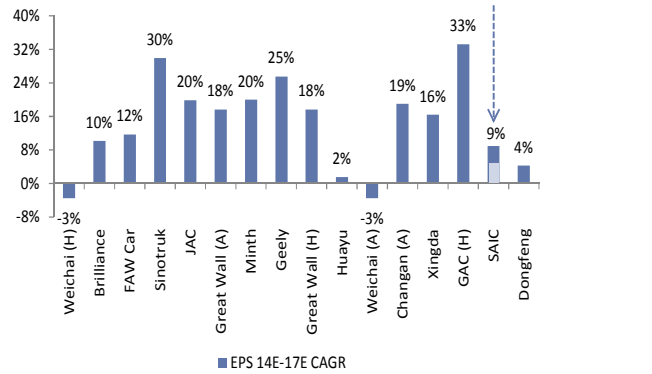
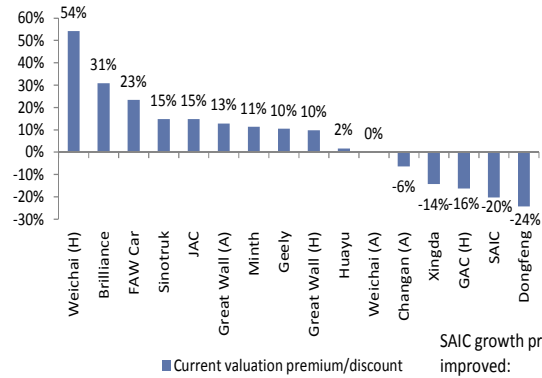
Valuation premium/discount as defined by residual value, Jan. 1, 2011 to Nov. 30, 2014



Source: Datastream, I/B/E/S, Gao Hua Securities Research.

Exhibit 24: We remove the 12% valuation discount on higher EPS growth

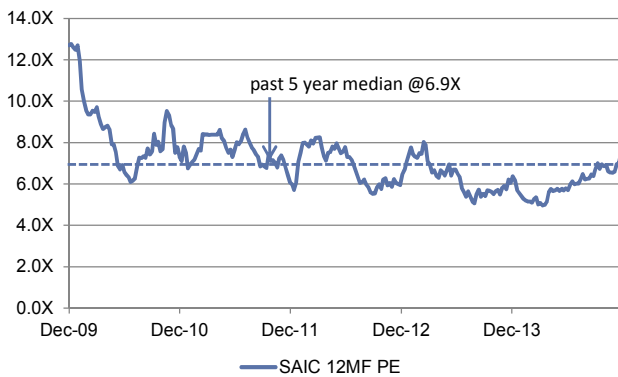
Valuation premium/discount as defined by residual value, as of December 1, 2014



Source: Datastream, Gao Hua Securities Research.

Exhibit 25: SAIC is trading at 7.6X 12 month forward P/E vs. historical median at 6.9X

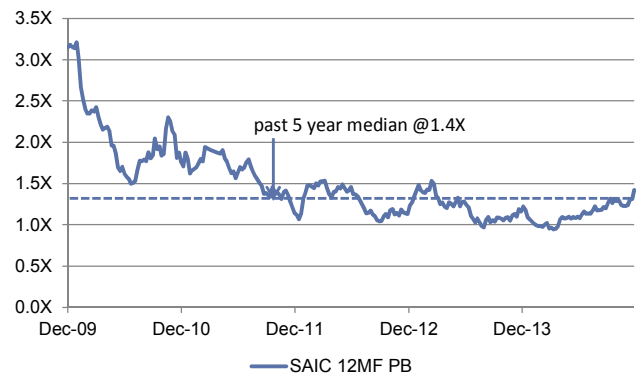
Past 5-years 12-month forward P/E



Source: Gao Hua Securities Research.

Exhibit 26: SAIC is trading at 1.4X 12 month forward P/B vs. historical median at 1.4X

Past 5-years 12-month forward P/B



Source: Gao Hua Securities Research.

Adding to Conviction Buy, with 24.3% total return over 12 months

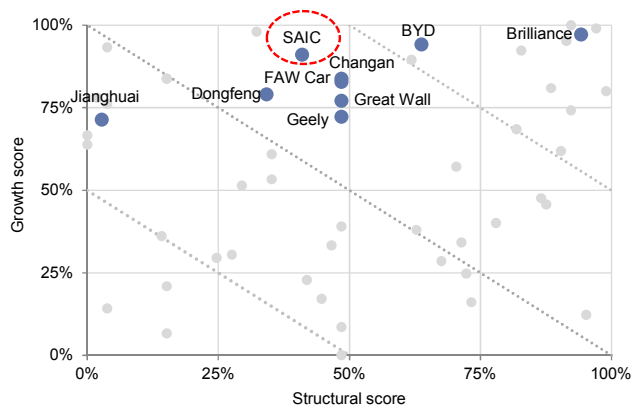
We continue to use 2015 P/B vs 2015-17E sector average ROE as our primary valuation methodology for A-share auto makers. We raise our 12-month target price on SAIC by 18.6% to Rmb24.94 (from Rmb21.03) on higher EPS estimates and the removal of the previous 12% valuation discount. We derive our target price using a 1.7x 2015E target P/B and 19.3% avg. 2015-17E ROE.

We reiterate our Buy rating and add the stock to our regional Conviction list, with 24.3% total potential return in coming 12 months (17.1% capital return upside to the December 4 close of Rmb21.30, plus 7.2% 2015E dividend yield) the highest among our A-share OEM coverage.

We see SAIC as the way to monetize VW/GM China growth

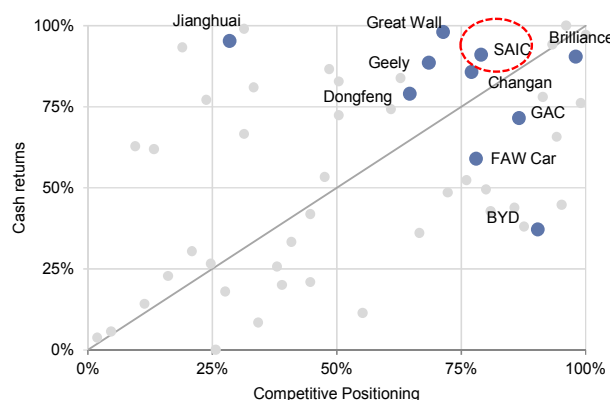
As indicated in our previous global auto report: *Upward mobility: The rise of global autos*, May 1, 2014, we believe SAIC is well positioned on both growth and structure scores, as well as cash return and competitive positioning.

Exhibit 27: SAIC is well positioned on both growth & structural scores...



Source: Gao Hua Securities Research.

Exhibit 28: ... as well as in cash return and competitive positioning



Source: Gao Hua Securities Research.

Benchmarking its VW and GM joint ventures

As 90% of SAIC's 2013 earnings were contributed by its JVs with Volkswagen and General Motors in China, we can benchmark SAIC vs. VW and GM globally: SAIC enjoys a higher revenue growth, higher profitability, higher dividend yield, and attractive valuation compared to Volkswagen (covered by Stefan Burgstaller) and GM (covered by Patrick Archambault) globally. We believe SAIC is the best way to monetize the VW/GM China growth story.

Exhibit 29: SAIC vs. VW and GM — higher in CROCI and dividend yield, yet appealing valuation

Multiple and financials comparison

	2014-17E Revenue CAGR	2014-17E EPS CAGR	Avg. 15-17E dividend yield	Avg. 15-17E ROE	Avg. 15-17E CROCI	2015E PE	2015E PB
SAIC	10.6%	8.9%	7.6%	15.0%	27.5%	7.6	1.4
VW	4.0%	5.0%	3.5%	9.9%	8.9%	8.5	0.8
GM	1.9%	18.2%	3.9%	14.1%	16.2%	8.1	1.2

Source: Goldman Sachs Global Investment Research, Gao Hua Securities Research.

Risks

Key risks include: (1) lower car market growth on macro slowdown (our Macro team forecasts China's economy to grow by 7.3%/7.0%/6.7%/6.5% in 2014-17E); (2) lower market share from fierce competition from both international and local competitors; (3) lower volume contribution from new models.

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每项指标的准确计算方式可能随着财务年度、行业和所属地区的不同而有所变化，但标准方法如下：

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