



Rating
Hold

Company
SAIC Motor Alert

Date
30 August 2017

Asia
China

Automobiles &
Components

Reuters 600104.SS Bloomberg 600104.CH Exchange SHH Ticker 600104

Results

Price at 29 Aug 2017 (CNY)	30.20
Price target - 12mth (CNY)	28.35
52-week range (CNY)	32.69 - 21.13
Shanghai Composite	3,363

Vincent Ha, CFA Fei Sun, CFA

Research Analyst Research Analyst
(+852) 2203 6247 (+852) 2203 6130
vincent.ha@db.com fei.sun@db.com

1H17 in line; Hold on mild growth outlook

6% earnings growth on rising SG&A ratio and soft JVs contribution

SAIC Motor released its 1H17 results after market close on 29 August. The company's 1H17 net revenue grew by 13.0% YoY to RMB393.0bn, on the back of 5.8% growth in vehicle sales volume to 3.2m units during the period. Meanwhile, SAIC's 1H17 gross profit grew by 18.6% YoY to RMB51.6bn with 62.3bps YoY gross profit margin improvement, possibly due to decent sales for new local brand models such as Roewe RX5 SUV, Roewe i6, MG ZS, and Baojun 510, in our view. However, with 1) 21.1% YoY increase in SG&A expenses and 2) only 3.7% YoY increase in profit contribution from its JVs/associates, 1H17 net profit only increased 6.0% YoY to RMB16.0bn. On a quarterly basis, SAIC's 2Q17 net profit reached RMB7.7bn, implying an 8.0% YoY growth (-6.8% QoQ due to seasonality), on 8.9% YoY increase (8.3% QoQ drop) in vehicle sales. 2Q17 JVs' earnings was down 3.9% YoY on 5.6% sales growth at Shanghai-Volkswagen (SVW) and SAIC-GM (SGM).

Deutsche Bank view – stable earnings growth outlook; Hold on valuation

SAIC's 1H17 net profit accounts for 45% of DBE and 44% of Bloomberg estimates. We consider the results in line as 1H15/1H16 net profits account for 47-48% of full year net profits. Going forward, we expect 2H17E sales momentum to further ease on a higher base, but we still expect stable sales and earnings growth with more new SUV rollouts going forward. All in all, we envision a stable earnings growth trajectory for SAIC, with full-year growth in SVW and SGM, driven by new models, and strong Roewe local brand sales. This should support the company's generous dividend payout. We have a Hold rating on SAIC on fair valuation, and have our target benchmark at 9.0x FY17/18E P/E, which is about one standard deviation above the company's historical trading average. This is justified, in our view, as we expect SAIC to achieve a three-year EPS CAGR of 8% in FY16-19E.

Figure 1: SAIC Motor – 1H17 and 2Q17 results summary

(RMBm)	1H17	1H16	YoY	2Q17	2Q16	YoY	1Q17	QoQ
Net revenue	393,016	347,856	13.0%	198,593	164,482	20.7%	194,423	2.1%
Gross profit	51,568	43,475	18.6%	25,585	20,346	25.8%	25,983	-1.5%
Gross profit margin	13.1%	12.5%		12.9%	12.4%		13.4%	
Operating profit (EBIT)	9,764	8,945	9.1%	4,399	3,381	30.1%	5,365	-18.0%
Operating profit margin	2.5%	2.6%		2.2%	2.1%		2.8%	
Share of JV/associates	13,689	13,201	3.7%	6,550	6,813	-3.9%	7,139	-8.3%
Net profit	15,958	15,060	6.0%	7,697	7,126	8.0%	8,261	-6.8%
Net profit margin	4.1%	4.3%		3.9%	4.3%		4.2%	

Source: Company data, Deutsche Bank

Stock data

Market cap (CNYm)	352,841
Market cap (USDm)	53,130
Shares outstanding (m)	11,683.5
Major shareholders	SAIC Group (71.2%)
Free float (%)	17
Avg daily value traded (USDm)	141.9

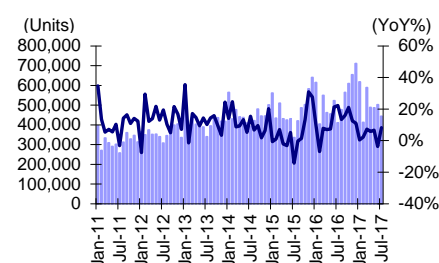
Source: Deutsche Bank

Key data

FYE 12/31	2016A	2017E	2018E
Sales (CNYm)	748,895	851,052	915,246
Net Profit (CNYm)	32,008.6	35,406.1	38,148.3
DB EPS (CNY)	2.75	3.04	3.27
PER (x)	7.7	9.9	9.2
Yield (net) (%)	8.2	6.0	6.5

Source: Deutsche Bank

SAIC Motor - PV monthly sales volume



Source: CAAM

Deutsche Bank AG/Hong Kong

Distributed on: 29/08/2017 17:39:29 GMT

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Deutsche Bank does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors. FOR OTHER **IMPORTANT** DISCLOSURES PLEASE VISIT <http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=600104.SS> MCI (P) 083/04/2017.