



Rating
Hold

Company
SAIC Motor Alert

Date
28 April 2017

Asia
China

Automobiles &
Components

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

Results

Price at 28 Apr 2017 (CNY)	27.27
Price target - 12mth (CNY)	25.70
52-week range (CNY)	28.06 - 19.73
Shanghai Composite	3,153

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1Q17 results in-line on strong JV contribution; Hold on fair valuation

12% JV/associate earnings growth, offsetting higher consolidated SG&A

SAIC Motor released its 1Q17 results on 28 April. The company's 1Q17 gross revenue grew 6.0% YoY to RMB196.3bn, with a 3.0% YoY increase in vehicle sales volume to 1.7m units. Meanwhile, SAIC's 1Q17 gross profit grew 12.3% YoY to RMB26.0bn with 75bps YoY gross profit margin improvement, probably due to increase in SUV sales mix, in our view. Meanwhile, profit contribution from JVs/associates grew 11.8% YoY (mainly attributable to product mix improvement despite merely 2.3% sales volume growth at SAIC-GM (SGM) and 4.7% sales volume drop at SAIC-Volkswagen (SVW), and overall commercial vehicle sales recovery in 1Q17, in our view). However, together with 17.4% YoY increase in SG&A expenses, probably attributable to higher promotional efforts and R&D, in our view, SAIC's 1Q17 net profit just increased 4.1% YoY to RMB8.3bn with 2.1ppt YoY net margin contraction to 4.1%.

DB view – stable earnings growth with attractive yield; Hold on valuation

As SAIC's 1Q17 net profit accounts for 23% of our full-year FY17 earnings forecasts, we consider the results in line since we expect sales at its various entities to pick up with more new SUV rollouts going forward. However, a high growth pace is unlikely given the already high sales base of the company. 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, given fair valuation currently, in our view. Key downside risks include: 1) a weak reception for its new models; 2) pricing pressure amid industry competition; and 3) worse-than-expected local brand profitability. Key upside risks include: 1) better-than-expected sales volume and pricing; and 2) better-than-expected local brand profitability.

Stock data

Market cap (CNYm)	318,608
Market cap (USDm)	46,217
Shares outstanding (m)	11,683.5
Major shareholders	SAIC Group (71.2%)
Free float (%)	17
Avg daily value traded (USDm)	118.8

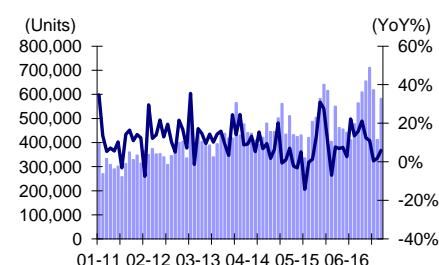
Source: Deutsche Bank

Key data

FYE 12/31	2016A	2017E	2018E
Sales (CNYm)	748,895	841,856	885,780
Net Profit (CNYm)	32,008.6	35,194.6	37,226.2
DB EPS (CNY)	2.75	3.02	3.19
PER (x)	7.7	9.0	8.6
Yield (net) (%)	8.2	6.6	7.0

Source: Deutsche Bank

SAIC - monthly sales



Source: Company data

Figure 1: SAIC Motor – quarterly results summary

	1Q16	2Q16	3Q16	4Q16	1Q17
Gross revenue (RMBm)	185,156	166,109	180,318	224,833	196,282
YoY (%)	9.0%	8.0%	18.3%	15.7%	6.0%
Gross profit (RMBm)	23,130	20,721	23,193	29,448	25,983
YoY (%)	29.0%	37.6%	24.8%	22.2%	12.3%
Gross profit margin (%)	12.6%	12.6%	12.9%	13.3%	13.4%
JVs/associates contribution (RMBm)	6,388	6,813	6,735	7,815	7,139
YoY (%)	-9.8%	5.0%	14.1%	9.2%	11.8%
Net profit (RMBm)	7,936	7,124	8,032	8,917	8,261
YoY (%)	6.3%	6.4%	13.2%	4.5%	4.1%

Source: Company data, Deutsche Bank

Deutsche Bank AG/Hong Kong

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