



Rating
Hold

Asia
China

Automobiles & Components

Company
SAIC Motor

Reuters 600104.SS Bloomberg 600104 CH Exchange SHH Ticker 600104

Date
31 October 2017

Forecast Change

Price at 30 Oct 2017 (CNY)	32.82
Price target - 12mth (CNY)	30.50
52-week range (CNY)	32.99 - 22.80
Shanghai Composite	3,416

3Q17 a small miss with higher selling cost and flat JVs' earnings growth

8% 3Q16 net profit YoY growth on decent sales at both local brands and JVs

SAIC Motor released 3Q17 results after the market close on 30 October. The company's 3Q17 gross revenue grew 17.4% YoY to RMB211.6bn, on the back of 11.3% growth in vehicle sales volume during the period, probably due to product mix improvement. Meanwhile, SAIC Motor's 3Q17 gross profit rose 26.1% YoY to RMB29.7bn with 1.0ppt YoY gross profit margin improvement, possibly also due to better sales mix. Yet with a 46.7% higher selling expense YoY and flat profit contribution from its JVs (despite 9.7% and 7.7% YoY sales volume growth at SAIC Volkswagen and SAIC GM, respectively), 3Q17 net profit increased only 8.1% YoY to RMB8.7bn. On a 9M17 basis, SAIC Motor's net profit of RMB24.6bn was up 6.7% YoY, accounting for 70% of DB's FY17 forecast and 68% of Bloomberg's full-year FY17 forecast. We consider the results slightly below expectations as nine months' net profit accounted for 71-72% of full-year net profits in the past two years.

Deutsche Bank view – stable earnings growth and attractive yield in the price

Going forward, we expect SAIC Motor's 4Q17 sales momentum to be sustained with year-end sales rush and further product mix improvement. However, we think that extra promotional efforts will be needed to push sales amid intensifying competition. All in all, we envision a stable earnings growth trajectory for the company, which should support its generous dividend payout. We maintain Hold on SAIC Motor because we think the current valuation is fair.

We raise our FY17-19 revenue forecasts marginally, by 3.7-5.2%, on higher sales volume estimates, but trim our FY17-19 net profit forecasts 0.3-2.1% mainly on lower consolidated EBIT margin assumptions. We value SAIC Motor at 9.5x FY18E P/E (from 9x FY18E given recent auto rector re-rating), which is above the company's historical trading average and close to the industry's long-term P/E average. This is justified, in our view, as we expect SAIC Motor to achieve a three-year net profit CAGR of 7% in FY16-19. On a P/BV basis, we believe the company's implied FY18E target P/BV of 1.5x is justified, considering its 16-17% sustainable ROE.

Key downside risks include: 1) a weak reception for its new models from various SAIC brands; 2) pricing pressure amid industry competition; and 3) worse-than-expected local brand profitability. Key upside risks include: 1) better-than-

Valuation & Risks

Vincent Ha, CFA
Research Analyst
+852-2203 6247

Fei Sun, CFA
Research Analyst
+852-2203 6130

Yuki Lu
Research Associate
+852-2203 5925

Key changes

TP	29.10 to 30.50	↑	4.8%
Sales (FYE)	834,359 to 865,301	↑	3.7%
Op prof margin (FYE)	2.7 to 2.6	↓	-4.0%
Net profit (FYE)	35,382.9 to 34,654.9	↓	-2.1%

Source: Deutsche Bank

Price/price relative



Performance (%)	1m	3m	12m
Absolute	8.7	8.1	40.3
Shanghai Composite	2.0	5.0	10.0

Source: Deutsche Bank



expected sales volume and pricing; and 2) better-than-expected local brand profitability.

Figure 1: SAIC Motor - quarterly results summary

	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
Gross revenue (RMBm)	185,156	166,109	180,318	224,833	196,282	200,124	211,643
YoY (%)	9.0%	8.0%	18.3%	15.7%	6.0%	20.5%	17.4%
Gross profit (RMBm)	23,130	20,346	23,568	29,448	25,983	25,585	29,729
YoY (%)	29.0%	35.1%	26.8%	22.2%	12.3%	25.8%	26.1%
Gross profit margin (%)	12.6%	12.4%	13.1%	13.3%	13.4%	12.9%	14.2%
JVs/associates contribution (RMBm)	6,388	6,813	6,735	7,815	7,139	6,550	6,739
YoY (%)	-9.8%	5.0%	14.1%	9.2%	11.8%	-3.9%	0.1%
Net profit (RMBm)	7,935	7,126	8,031	8,917	8,261	7,697	8,680
YoY (%)	6.3%	6.4%	13.2%	4.5%	4.1%	8.0%	8.1%

Source: Company data, Deutsche Bank

Key indicators (FY1)

ROE (%)	16.7
Net debt/equity (%)	-9.8
Book value/share (CNY)	19.03
Price/book (x)	1.7
Net interest cover (x)	-
Operating profit margin (%)	2.6

Source: Deutsche Bank

Figure 2: SAIC Motor – major assumptions and changes underlying Deutsche Bank's forecasts

	2017E	2018E	2019E
Sales volume (incl. JVs) (units)			
New	6,876,103	7,200,196	7,435,813
Old	6,527,197	6,787,741	6,987,355
% Chg	5.3%	6.1%	6.4%
Net revenue (RMBm)			
New	865,301	929,211	973,185
Old	834,359	885,810	924,819
% Chg	3.7%	4.9%	5.2%
Profit contribution from JVs (RMBm)			
New	28,703	30,261	31,305
Old	29,068	30,253	31,179
% Chg	-1.3%	0.0%	0.4%
Net profit (RMBm)			
New	34,655	37,484	39,540
Old	35,383	37,772	39,675
% Chg	-2.1%	-0.8%	-0.3%

Source: Deutsche Bank estimates

Forecasts and ratios

Year End Dec 31	2015A	2016A	2017E	2018E	2019E
Sales (CNYm)	663,904.0	748,895.4	865,300.8	929,211.5	973,184.6
Reported NPAT (CNYm)	29,793.8	32,008.6	34,654.9	37,484.5	39,540.1
DB EPS FD (CNY)	2.48	2.75	2.98	3.21	3.38
OLD DB EPS FD (CNY)	2.48	2.75	3.04	3.23	3.40
% Change	0.0%	0.0%	-2.1%	-0.8%	-0.3%
DB EPS growth (%)	5.5	11.0	8.2	7.8	5.5
PER (x)	8.6	7.7	11.0	10.2	9.7
Yield (net) (%)	6.4	8.2	5.4	5.9	6.2

Source: Deutsche Bank estimates, company data



Model updated: 30 October 2017

Running the numbers

Asia
China
Automobiles & Components

SAIC Motor

Reuters: 600104.SS Bloomberg: 600104 CH

Hold

Price (30 Oct 17) CNY 32.82

Target Price CNY 30.50

52 Week range CNY 22.80 - 32.99

Market cap (m) CNYm 383,451
USDm 57,662

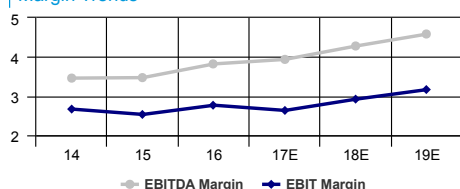
Company Profile

SAIC Motor Corporation Limited (SAIC) was founded in 1997 and is the largest Chinese auto group in terms of 1H14 sales volume. SAIC provides whole-vehicle sales, auto parts sales, trade and services and auto financing services. The company's business mainly covers SAIC local brand, 50%-owned Shanghai Volkswagen (SVW), 50%-owned Shanghai GM (SGM), 50.1%-owned Shanghai GM Wuling (SGM), 50%-owned NAVECO, 50%-owned SAIC-IVECO Hongyan and 50%-owned S

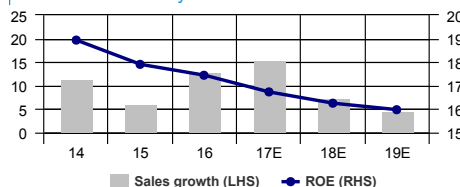
Price Performance



Margin Trends



Growth & Profitability



Vincent Ha, CFA

+852 2203 6247

vincent.ha@db.com

Fiscal year end 31-Dec 2014 2015 2016 2017E 2018E 2019E

Financial Summary

DB EPS (CNY)	2.35	2.48	2.75	2.98	3.21	3.38
Reported EPS (CNY)	2.54	2.70	2.90	2.98	3.21	3.38
DPS (CNY)	1.30	1.36	1.75	1.79	1.93	2.03
BVPS (CNY)	14.3	15.9	17.4	19.0	20.5	21.9
Weighted average shares (m)	11,026	11,026	11,026	11,647	11,683	11,683
Average market cap (CNYm)	162,182	234,901	234,700	383,451	383,451	383,451
Enterprise value (CNYm)	47,989	119,934	108,720	236,954	229,040	219,065

Valuation Metrics

P/E (DB) (x)	6.3	8.6	7.7	11.0	10.2	9.7
P/E (Reported) (x)	5.8	7.9	7.3	11.0	10.2	9.7
P/BV (x)	1.42	1.34	1.35	1.72	1.60	1.50
FCF Yield (%)	5.7	4.7	nm	0.4	1.5	2.6
Dividend Yield (%)	8.8	6.4	8.2	5.4	5.9	6.2
EV/Sales (x)	0.1	0.2	0.1	0.3	0.2	0.2
EV/EBITDA (x)	2.2	5.2	3.8	7.0	5.8	4.9
EV/EBIT (x)	2.9	7.1	5.2	10.4	8.4	7.1

Income Statement (CNYm)

Sales revenue	626,244	663,904	748,895	865,301	929,211	973,185
Gross profit	76,097	75,679	96,491	117,116	126,591	133,500
EBITDA	21,668	23,055	28,629	34,076	39,772	44,633
Depreciation	4,175	5,454	6,733	9,804	10,915	11,899
Amortisation	777	790	1,166	1,474	1,691	1,905
EBIT	16,715	16,812	20,730	22,798	27,165	30,829
Net interest income/(expense)	165	231	332	58	361	523
Associates/affiliates	25,301	26,631	27,751	28,703	30,261	31,305
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	509	2,136	1,679	950	1,367	1,590
Profit before tax	42,689	45,810	50,492	52,509	59,154	64,247
Income tax expense	4,438	5,736	6,530	5,951	7,223	8,235
Minorities	10,277	10,280	11,953	11,903	14,447	16,471
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	27,973	29,794	32,009	34,655	37,484	39,540
DB adjustments (including dilution)	-2,057	-2,463	-1,680	0	0	0
DB Net profit	25,916	27,331	30,329	34,655	37,484	39,540

Cash Flow (CNYm)

Cash flow from operations	23,284	25,993	11,377	24,178	29,331	34,533
Net Capex	-14,080	-14,856	-15,955	-22,585	-23,412	-24,499
Free cash flow	9,204	11,137	-4,578	1,594	5,918	10,034
Equity raised/(bought back)	313	1,007	5,515	15,000	0	0
Dividends paid	-13,231	-14,333	-14,995	-19,278	-20,793	-22,491
Net inc/(dec) in borrowings	881	448	14,093	90	138	182
Other investing/financing cash flows	1,729	-7,560	36,226	23,395	24,780	25,104
Net cash flow	-1,104	-9,302	36,261	20,802	10,043	12,829
Change in working capital	2,738	4,439	-14,297	-7,615	-4,891	-2,032

Balance Sheet (CNYm)

Cash and other liquid assets	87,949	72,673	105,933	125,219	133,564	145,160
Tangible fixed assets	45,296	53,232	62,867	72,288	80,920	89,209
Goodwill/intangible assets	6,569	8,829	11,465	14,214	17,284	20,621
Associates/investments	108,591	160,412	160,942	174,441	188,870	204,182
Other assets	166,466	217,811	249,422	275,167	290,102	305,280
Total assets	414,871	512,956	590,628	661,328	710,741	764,452
Interest bearing debt	55,013	82,329	97,720	98,084	98,499	98,960
Other liabilities	174,859	219,709	257,812	285,868	303,728	323,457
Total liabilities	229,872	302,039	355,532	383,952	402,227	422,417
Shareholders' equity	157,664	175,129	191,921	222,298	238,990	256,039
Minorities	27,335	35,789	43,175	55,078	69,525	85,996
Total shareholders' equity	184,999	210,917	235,096	277,376	308,514	342,035
Net debt	-32,936	9,657	-8,213	-27,135	-35,065	-46,200

Key Company Metrics

Sales growth (%)	11.4	6.0	12.8	15.5	7.4	4.7
DB EPS growth (%)	13.8	5.5	11.0	8.2	7.8	5.5
EBITDA Margin (%)	3.5	3.5	3.8	3.9	4.3	4.6
EBIT Margin (%)	2.7	2.5	2.8	2.6	2.9	3.2
Payout ratio (%)	51.2	50.3	60.2	60.0	60.0	60.0
ROE (%)	18.9	17.9	17.4	16.7	16.3	16.0
Capex/sales (%)	2.3	2.3	2.3	2.8	2.7	2.7
Capex/depreciation (x)	2.9	2.5	2.2	2.1	2.0	1.9
Net debt/equity (%)	-17.8	4.6	-3.5	-9.8	-11.4	-13.5
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Securities estimates



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
SAIC Motor	600104.SS	32.82 (CNY) 30 Oct 2017	NA

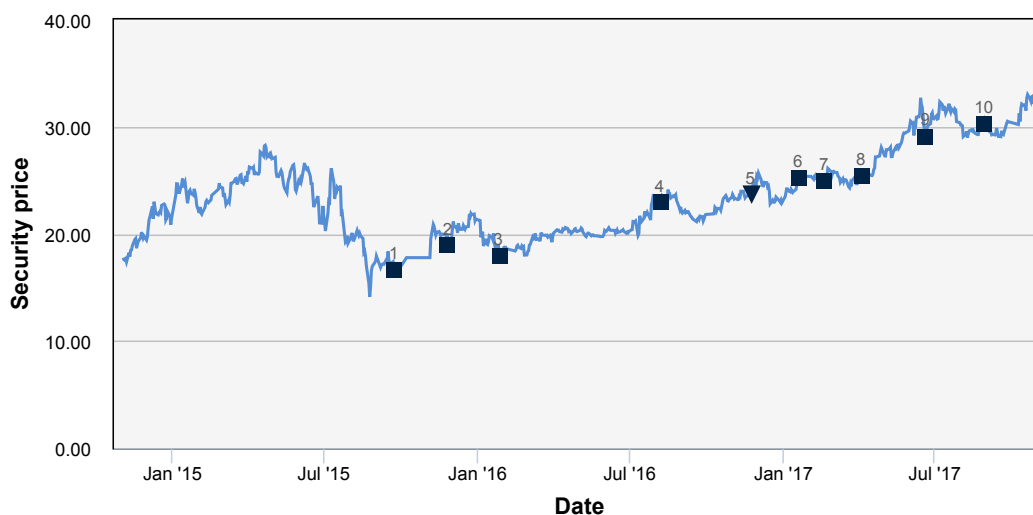
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Historical recommendations and target price. SAIC Motor (600104.SS)

(as of 10/30/2017)



Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

** Analyst is no longer at Deutsche Bank

1.	09/24/2015	Buy, Target Price Change CNY 20,50	Vincent Ha, CFA	6.	01/20/2017	Hold, Target Price Change CNY 23,85	Vincent Ha, CFA
2.	11/27/2015	Buy, Target Price Change CNY 23,20	Vincent Ha, CFA	7.	02/20/2017	Hold, Target Price Change CNY 25,30	Vincent Ha, CFA
3.	01/28/2016	Buy, Target Price Change CNY 23,80	Vincent Ha, CFA	8.	04/06/2017	Hold, Target Price Change CNY 25,70	Vincent Ha, CFA
4.	08/08/2016	Buy, Target Price Change CNY 25,25	Vincent Ha, CFA	9.	06/21/2017	Hold, Target Price Change CNY 28,35	Vincent Ha, CFA
5.	11/24/2016	Downgraded to Hold, Target Price Change CNY 24,35	Vincent Ha, CFA	10.	08/30/2017	Hold, Target Price Change CNY 29,10	Vincent Ha, CFA



Equity Rating Key

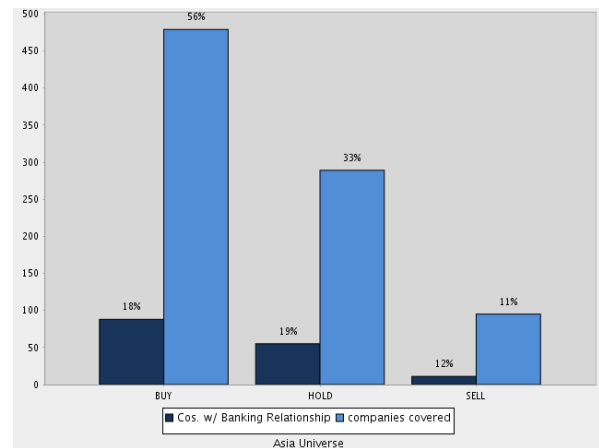
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

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Equity rating dispersion and banking relationships





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David Folkerts-Landau

Group Chief Economist and Global Head of Research

Raj Hindocha
Global Chief Operating Officer
Research

Michael Spencer
Head of APAC Research
Global Head of Economics

Steve Pollard
Head of Americas Research
Global Head of Equity Research

Anthony Klarman
Global Head of
Debt Research

Paul Reynolds
Head of EMEA
Equity Research

Dave Clark
Head of APAC
Equity Research

Pam Finelli
Global Head of
Equity Derivatives Research

Andreas Neubauer
Head of Research - Germany

Spyros Mesomeris
Global Head of Quantitative
and QIS Research

International locations

Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
Chiyoda-ku, Tokyo 100-6171
Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500
