



Rating
Hold

Asia
China

Automobiles & Components

Company
SAIC Motor

Reuters 600104.SS Bloomberg 600104 CH Exchange SHH Ticker 600104

Date
11 January 2018

Company Update

Price at 10 Jan 2018 (CNY)	33.88
Price target - 12mth (CNY)	30.50
52-week range (CNY)	34.17 - 23.86
Shanghai Composite	3,392

Access China conference highlights 2018

SAIC Motor attended our Access China conference on 10 January. The following are the key takeaways from investor meetings:

- SAIC expects China passenger vehicle (PV) sales volume to grow by about 3-4% YoY in 2018 and commercial vehicle (CV) to decline by 6-8% YoY. In total, China vehicle sales volume will grow 2-3% YoY in 2018. The company thinks ASP will continue to go up given mix improvement.

- SAIC expects the SUV segment to remain the growth driver and will make up half of total PV sales in the next 2-3 years. To benefit from the faster growth, the company will launch more SUVs in FY18E, and expects SUV to account for at least 30% of its total sales. Meanwhile, management thinks price competition in the SUV segment will intensify, especially for low-end SUVs.

- SAIC sold 60k new energy vehicles (NEV) in 2017 and target to double that this year. To support this goal, the company will launch 7 NEV models, 4 of which will be pure electric cars and 3 will be plug-in hybrids. SAIC will continue to be a local brand leader in NEV technologies, such as for the battery management system, and will implement a flexible strategy in R&D while complying to the national standard. Going forward, the company will also widen its battery supplier base.

- SAIC is one of the biggest auto financing groups in China. By 2020E, its auto financing business will probably contribute c. RMB6.5bn net profit (FY16: RMB3bn). The company's auto finance business is mainly operated by two subsidiaries, namely the 100%-owned SAIC Finance and the SAIC GMAC JV. The total loan balance at yearend 2017 is c. RMB200bn.

- SAIC sold 520k local brand vehicles and expects to sell 650k-700k units in 2018. The gross profit margin of the local brand is around 20%. Excluding R&D, operating profit improved in 9M17. The company expects profitability to continue to improve going forward.

Deutsche Bank view

In 2017, SAIC achieved 6.8% YoY vehicle sales growth. Going forward, we expect SAIC Motor's sales momentum to be sustained with further product mix improvement. On a high base, we envision a stable earnings growth trajectory for the company, which should support its generous dividend payout. We maintain

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	8.3	11.1	41.1
Shanghai Composite	3.8	0.9	8.0

Source: Deutsche Bank

Key indicators (FY1)

ROE (%)	16.7
Net debt/equity (%)	-9.8
Book value/share (CNY)	19.03
Price/book (x)	1.8
Net interest cover (x)	-
Operating profit margin (%)	2.6

Source: Deutsche Bank

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Hold on SAIC Motor because we think the current valuation is fair. 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- expected sales volume and pricing; and 2) better-than-expected local brand profitability.

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
EBITDA (CNYm)	23,055.3	28,629.0	34,076.0	39,772.2	44,633.1
Reported NPAT (CNYm)	29,793.8	32,008.6	34,654.9	37,484.5	39,540.1
Reported EPS FD (CNY)	2.70	2.90	2.98	3.21	3.38
DB EPS FD (CNY)	2.48	2.75	2.98	3.21	3.38
DB EPS growth (%)	5.5	11.0	8.2	7.8	5.5
PER (x)	8.6	7.7	11.4	10.6	10.0
EV/EBITDA (x)	5.2	3.8	7.3	6.1	5.2
DPS (net) (CNY)	1.36	1.75	1.79	1.93	2.03
Yield (net) (%)	6.4	8.2	5.3	5.7	6.0
Source: Deutsche Bank estimates, company data					



Appendix 1

Important Disclosures

*Other information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
SAIC Motor	600104.SS	33.88 (CNY) 10 Jan 2018	NA

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

(as of 01/10/2018)



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



Equity Rating Key

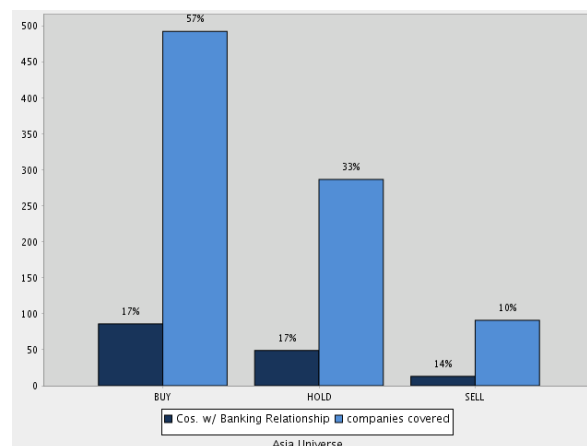
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

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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