



Rating
Hold

Asia
China

Automobiles & Components

Company
SAIC Motor

Reuters 600104.SS Bloomberg 600104 CH Exchange SHH Ticker 600104

Date
19 January 2018

Results

Price at 17 Jan 2018 (CNY)	32.55
Price target - 12mth (CNY)	30.50
52-week range (CNY)	34.17 - 24.28
Shanghai Composite	3,429

FY17 preliminary profit does not bring much surprise

FY17E net profit to increase by 7% YoY

On 18 January after market closed, SAIC Motor announced preliminary profit guidance that its unaudited FY17 reported net profit is expected to increase by c.7% YoY to around RMB34.2bn. The company attributed the earnings growth to the 6.8% YoY vehicle sales volume improvement. To elaborate on major JVs' sales performance, SAIC-Volkswagen recorded 3.1% YoY growth, SAIC-GM recorded 6.0% YoY growth, and SAIC-GM Wuling recorded 0.9% YoY growth in FY17. Meanwhile, sales of SAIC Passenger Vehicle Company surged 62.3% YoY due to the popularity of own brand SUV models. On a quarterly basis, since SAIC Motor reported a 9M17 net profit of RMB24.6bn, the profit guidance implies that the company's 4Q17E net profit would be about RMB9.6bn, up by more than 10% QoQ and 7% YoY.

DB view – stable earnings growth with attractive yield; Hold

Since SAIC Motor's FY17 earnings growth is broadly in line with its volume growth, we do not see much surprises. Going forward, we envision a stable growth trajectory for the company, with steady growth in JVs mitigating the strong local brand sales. As we do not expect much sales outperformance vs. the industry given the already-high total sales base, we have a Hold rating on SAIC Motor. We value the stock at 9.5x FY18E P/E and believe this is justified, as we expect SAIC to achieve a three-year net profit CAGR of 7% in FY16-19. Key company downside risks include: 1) 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.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	4.7	3.3	31.5
Shanghai Composite	5.5	2.1	10.8

Source: 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



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	10.9	10.1	9.6
EV/EBITDA (x)	5.2	3.8	6.9	5.7	4.8
DPS (net) (CNY)	1.36	1.75	1.79	1.93	2.03
Yield (net) (%)	6.4	8.2	5.5	5.9	6.2

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	32.52 (CNY) 18 Jan 2018	NA

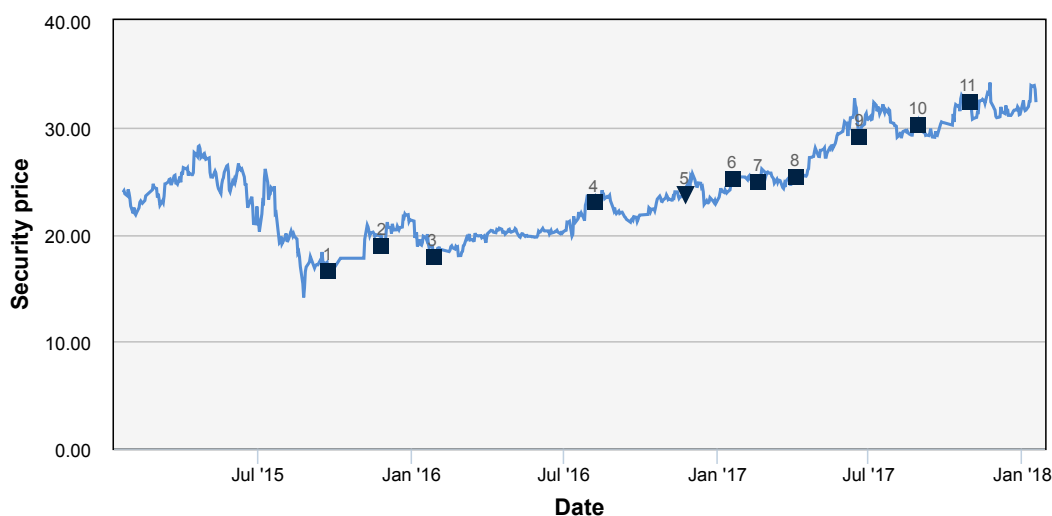
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Historical recommendations and target price. SAIC Motor (600104.SS)

(as of 01/17/2018)



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

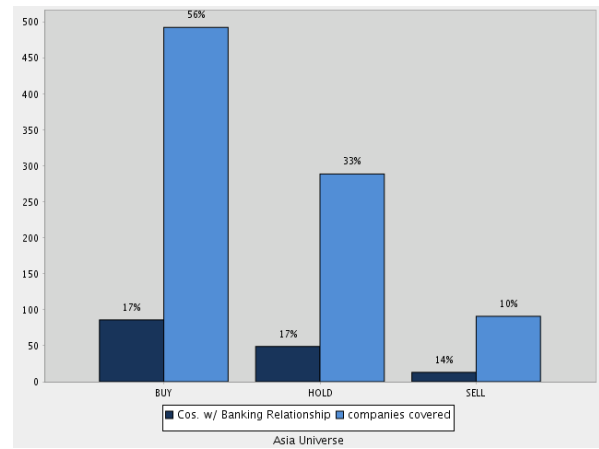
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

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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