



Rating
Sell

Asia
China

Automobiles & Components

Company
NavInfo Co., Ltd.

Reuters 002405.SZ Bloomberg 002405 CH Exchange SHZ Ticker 002405

Date
27 February 2018

Results

Price at 26 Feb 2018 (CNY)	21.90
Price target - 12mth (CNY)	13.10
52-week range (CNY)	32.64 - 16.55
Shenzhen Index	1,898

Preliminary FY17 results at the high end of company guidance

70% YoY growth in preliminary FY17 net profit on new contribution of Jiefa

On 27 February, NavInfo announced its unaudited preliminary FY17 results after market close. In summary, the company recorded a 35.9% YoY increase in gross revenue to RMB2.2bn and a 69.5% YoY jump in net profit to RMB265.4m. The earnings are near the higher end of the company's FY17E net profit guidance of RMB219.2-266.2m in October 2017. In addition, the preliminary FY17 net profit translates to 4Q17 net profit of RMB107m (up 91% YoY). According to the announcement, NavInfo attributes the FY17 earnings growth to 1) auto chip and navigation business from Jiefa Tech, and 2) fast growth of ADAS business.

Deutsche Bank view - maintain sell on valuation

We consider NavInfo's preliminary FY17 net profit a small beat to our FY17E earnings estimate of RMB244.0m, probably due to higher-than-expected revenue contribution from Jiefa, partially offset by lower profit margin. Our TP is set at 45x FY18E P/E (unchanged), c.60% below its mid-cycle P/E of 108x. This is justified, in our view, since we expect the company to deliver a 43% net profit CAGR in FY16-19. We have a Sell rating since the stock is trading at an excessive 75x FY18E P/E. Key upside risks: 1) less-than-expected competition in in-dash navigation market; 2) stronger-than-expected auto sales volume; 3) faster-than-expected development in the IoVs and ADAS businesses; and 4) a more efficient consolidation of Jiefa Tech.

Valuation & Risks

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Price/price relative



Performance (%)	1m	3m	12m
Absolute	-15.2	-27.2	15.9
Shenzhen Index	-6.9	-5.6	-9.3

Source: Deutsche Bank

Figure 1: NavInfo - Preliminary FY17 results vs. Deutsche Bank estimate

(RMBm)	FY16	FY17	YoY%	FY17DBe	Difference%
Gross turnover	1585.3	2154.7	35.9%	1882.1	14.5%
Operating profit	85.0	271.6	219.6%	n.a.	n.a.
Net profit	156.6	265.4	69.5%	244.0	8.8%

Source: Company data, Deutsche bank estimate

Key indicators (FY1)

ROE (%)	5.1
Net debt/equity (%)	-24.9
Book value/share (CNY)	5.26
Price/book (x)	4.2
Net interest cover (x)	-
Operating profit margin (%)	5.2

Source: Deutsche Bank

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Appendix 1

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*Other information available upon request

Disclosure checklist			
Company	Ticker	Recent price*	Disclosure
NavInfo Co., Ltd.	002405.SZ	21.90 (CNY) 26 Feb 2018	NA

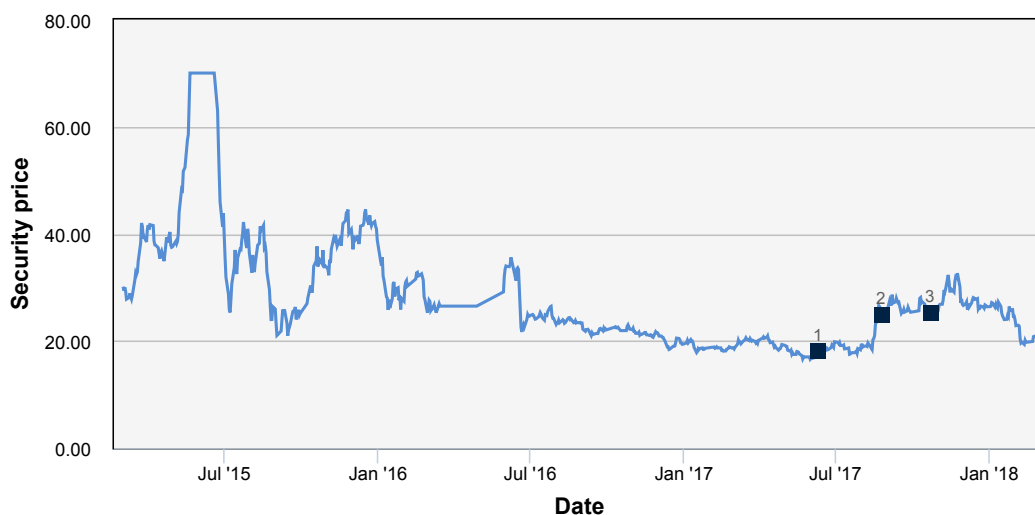
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Historical recommendations and target price. NavInfo Co., Ltd. (002405.SZ)

(as of 02/26/2018)



Current Recommendations

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

** Analyst is no longer at Deutsche Bank

1.	06/11/2017	Sell, Target Price Change CNY 14,90	Vincent Ha, CFA	3.	10/24/2017	Sell, Target Price Change CNY 13,10	Vincent Ha, CFA
2.	08/27/2017	Sell, Target Price Change CNY 13,20	Vincent Ha, CFA				



Equity Rating Key

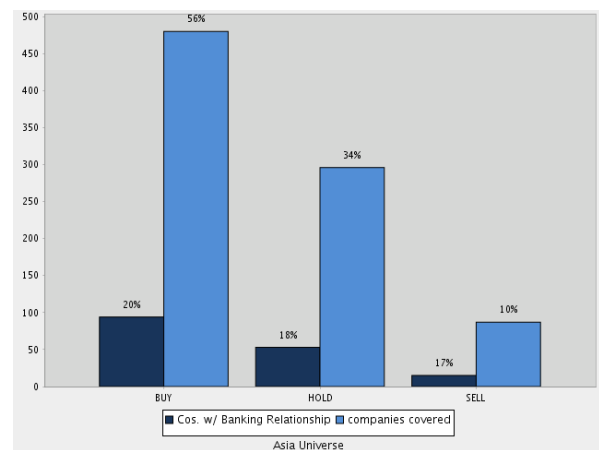
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield) , we recommend that investors buy the stock.

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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