



## Flash Note: Nexteer (01316 HK)

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# Net Loss in 1H22, but Profit Inflection Point Has Arrived

2022年上半年录得净亏损，但盈利拐点已现

- **Investment suggestion:** With the pandemic under control, gradual improvement in supply chain constraints and the easing of raw material cost pressures, we believe that an inflection point for earnings growth has occurred. With the fast increase in penetration rate of global new energy vehicles, we expect that revenue and profit margins will have faster-than-expected growth. Currently, we have a "Buy" rating for Nexteer (the "Company"). We will likely increase our earnings forecasts and TP in the next Company Report, to reflect improving operating environment, and maintain our "Buy" investment rating.
- **Nexteer recognized net loss of US\$11.1 million in 1H22 (US\$83.1 million net profit in 1H21).** During the period, the Company recognized US\$49.4 million in income tax expense due to a decrease in deferred tax asset; excluding such expense, shareholders' profit would be US\$38.3 million, which represents a 54.0% yoy decrease or an 8.4% hoh improvement.
- **Revenue increased by 3.3% yoy or 10.3% hoh to US\$1,791 million, outperforming the overall industry.** The improvement was mainly contributed by North America segment business, which increased by 7.0% yoy to US\$1,095 million. North America remained as the largest revenue contributor, up 2.2 ppts to 61.1%. In contrast, revenue from APAC and EMEASA decreased by 2.5% yoy and 1.7% yoy, respectively. The decline was mainly due to partial lockdowns in China during the period and the Russia-Ukraine conflict in Europe. During the period, there were 14 major programs launched in Asia Pacific, the most among the Company's operating segment. By product, sales of electric power steering (EPS) systems increased 2.8% yoy to US\$1,226 million, making up 68.5% of total revenue in 1H22 (1H21: 69.6%). Driveline increased 5.5% yoy to US\$313 million, thanks to volume contribution from Morocco and India.
- **Gross margin decreased 4.7 ppts yoy to 8.4%.** The gross margin was weaker than expected as raw material costs increased significantly. In addition, chip shortages also created operating inefficiency and significantly increased transportation and logistics costs. Such situation was similar to that in 2H21, making gross margin flat on a hoh basis.
- **EBITDA was down 25.7% yoy to US\$158 million.** The decline was driven by negative impact from increased commodity prices and logistics costs. In terms of EBITDA, APAC region remained the most profitable, only having declined by 2.8 ppts to 18.1%. Meanwhile EMEASA region continued to improve to 8.4% due to expanding business scale.
- **1H22 results conclusion:** The weaker-than-expected results were mainly affected by chip shortage and rising commodity prices, largely uncontrollable by the Company. The management expects that such environment will continue will improve in 2H22, implying that gross margin pressure will ease. Nexteer won US\$4.4 billion in new business in 1H22, which already represents 73% of the management's guidance.
- **Risks:** Uncertainty on the pandemic, weakened downstream demand, fluctuation in raw material prices.

- **投资建议：**随着疫情受控、供应链问题逐步改善及原材料成本压力有所舒缓，我们认为盈利增长拐点已经出现。而随着全球新能源汽车渗透率快速提升，我们预计收入及利润率将有超预期增长。目前，我们给予耐世特（“公司”）“买入”评级。我们可能会在下一份公司报告中上调盈利预测和目标价，以反映经营环境的改善，并维持“买入”的投资评级。
- **耐世特 2022 年上半年录得净亏损 1,110 万美元（2021 年上半年为净利润 8,310 万美元）。**期内，公司因递延所得税资产减少确认所得税费用 4,940 万美元，剔除该费用后，股东利润为 3,830 万美元，同比减少 54.0%或环比改善 8.4%。
- **收入同比增长 3.3%或环比增长 10.3%至 17.91 亿美元 表现优于行业。**改善主要来自北美地区业务，其收入同比增长 7.0%至 10.95 亿美元。北美仍然是最大的收入来源，占比提升 2.2 个百分点至 61.1%。相比之下，来自亚太和欧洲、中东、非洲和南美地区的收入分别同比下降 2.5%和 1.7%。下降主要受期内中国部分地区封控和俄罗斯-乌克兰紧张局势的影响。期内，亚太地区推出项目 14 个，为公司经营板块中最多的。按产品划分，电动助力转向（EPS）系统销售额同比增长 2.8%至 12.26 亿美元，占 2022 年上半年总收入的 68.5%（2021 年上半年：69.6%）。得益于摩洛哥和印度的销量贡献，传动系统同比增长 5.5%至 3.13 亿美元。
- **毛利率同比下降 4.7 个百分点至 8.4%。**由于原材料成本显著增加，毛利率低于预期。此外，芯片短缺还造成运营效率低下，运输和物流成本显著增加。这些影响因素与 2021 年下半年类似，使得毛利率环比持平。
- **EBITDA 同比下降 25.7%至 1.58 亿美元。**下降的原因是受到商品价格和物流成本上涨的负面影响。在 EBITDA 利润率方面，亚太地区仍然是利润最好的地区，仅下降 2.8 个百分点至 18.1%。同时，由于业务规模不断扩大，欧洲、中东、非洲和南美地区的 EBITDA 利润率继续改善至 8.4%。
- **2022 年上半年业绩总结：**业绩不及预期主要受芯片短缺和商品价格上涨影响，在很大程度上不受公司控制。管理层预计该环境将在 2022 年下半年有所改善，意味着毛利率压力将有所缓解。耐世特在 2022 年上半年赢得 44 亿美元的已签约业务订单，已占管理层指引的 73%。
- **风险提示：**疫情反复；下游需求放缓；原材料价格波动。

**Company Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

**Sector Rating Definition**

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; Or the fundamental outlook of the sector is unfavorable.

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