

Company Report: Nexteer (01316 HK)

Toliver Ma 马守彰
(852) 2509 5317
toliver.ma@gtjas.com.hk

公司报告: 耐世特 (01316 HK)

19 August 2022

NEV Penetration Exceeded Expectations, and the US Will Become a New Growth Engine

新能源汽车渗透率超预期, 美国将成为新增长点

- We maintain our investment rating as "Buy"; lift TP to HK\$8.40 on expected faster earnings growth. Our TP represents 12.2x 2023 PER and 7.4x 2024 PER.
- Nexteer is well positioned in rapid NEV adoption around the world. In particular, we believe that the US has reached a tipping point for mass NEV adoption, expecting a faster-than-expected adoption growth rate in the next few years, faster than that in China and Europe. As a long-term supplier of GM and Ford, the Company will highly benefit from this megatrend. In 1H22, 90% of new business wins were related to EVs, boding well for strong growth as supported by fast NEV penetration.
- Steer-by-wire products achieved a milestone in 1H22, and heading for faster growth in the future. The development of brake-to-steer technology with Continental has also seen a major breakthrough, compatible with all variant electric steering and all SAE levels of automation.
- Earnings has reached a turning point. Despite recording its first interim loss since being listed, we believe that the Company will improve in 2H22 onwards. With increasing NEV exposure in the US, Europe and China, the Company is looking for fast and sustainable growth in the next years as supported by strong revenue growth and gross margin recovery. We expect that full-year 2022 will remain profitable and exhibit a 44.7% 3-year CAGR during 2022-2024.
- Risks: Uncertainty on the pandemic; weakened downstream demand; raw material price fluctuation.
- 我们维持“买入”的投资评级, 但因预期较快的利润增长而上调目标价至 8.40 港元。我们的目标价相当于 12.2 倍 2023 年市盈率, 7.4 倍 2024 年市盈率。
- 耐世特将受惠于全球新能源汽车的快速发展。其中, 我们认为美国已经达到新能源汽车大规模应用的临界点, 预计未来几年渗透速度将快于预期, 并快于中国和欧洲。作为通用和福特的长期供应商, 公司将从这一大趋势中极度受益。2022 年上半年, 90% 的新获取业务与电动汽车相关, 在新能源汽车快速渗透的支持下, 未来增长前景有望加快。
- 线控转向产品在 2022 年上半年实现里程碑, 未来有望实现更快增长。与大陆集团研发的制动转向技术的发展也取得了重大突破, 兼容所有电动转向和所有 SAE 自动驾驶等级。
- 盈利已到拐点。尽管录得上市以来的首次中期亏损, 我们相信公司将在 2022 年下半年起有所改善。随着新能源汽车在美国、欧洲和中国的敞口不断增加, 在强劲收入增长和毛利率复苏的支持下, 公司未来几年有望实现快速且可持续的增长。我们预计公司 2022 年全年将保持盈利, 2022-2024 年的 3 年复合年增长率为 44.7%。
- 风险提示: 疫情反复; 下游需求减弱; 原材料价格波动。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$8.40

Revised from 原目标价:

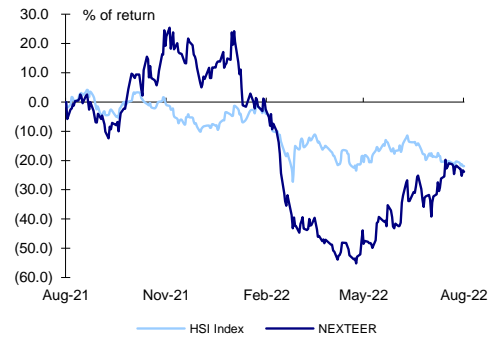
HK\$6.15

Share price 股价:

HK\$6.500

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	14.4	45.7	(24.9)
Rel. % to HS Index 相对恒指变动 %	18.7	47.5	(3.0)
Avg. Share price(HK\$) 平均股价 (港元)	6.3	5.7	7.3

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(US\$ m)	(US\$ m)	(US\$)	(Δ %)	(x)	(US\$)	(x)	(US\$)	(%)	(%)
2020A	3,032	117	0.047	(49.5)	17.8	0.751	1.1	0.009	1.1	6.3
2021A	3,359	118	0.047	0.0	17.7	0.779	1.1	0.010	1.1	6.2
2022F	3,840	23	0.009	(80.9)	92.0	0.786	1.1	0.002	0.2	1.2
2023F	4,574	221	0.088	877.8	9.4	0.852	1.0	0.022	2.7	10.7
2024F	5,367	359	0.143	62.5	5.8	0.960	0.9	0.036	4.3	15.8

Shares in issue (m) 总股数 (m)	2,509.0	Major shareholder 大股东	PCM Holding 67.2%
Market cap. (HK\$ m) 市值 (HK\$ m)	16,308.5	Free float(%) 自由流通比率(%)	32.8
3 month average vol. 3 个月平均成交股数('000)	7,076.1	FY22 Net gearing (%) FY22 净负债/股东资金 (%)	Net cash
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	11.180 / 3.840	FY22 Est. NAV (HK\$) FY22 每股估值 (港元)	8.8

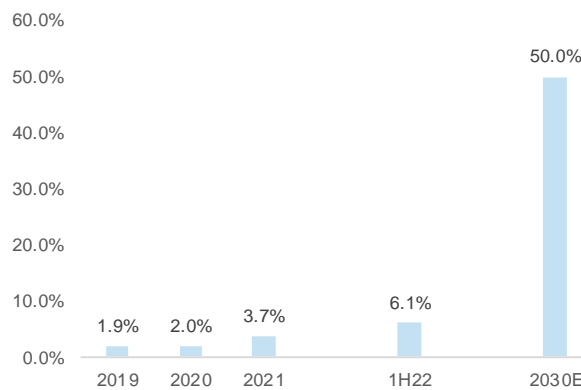
Source: the Company, Guotai Junan International.

1 Well positioned on faster NEV adoption

1.1 NEV adoption in the US has reached a tipping point

US NEV penetration surged past the 5% threshold, a tipping point for mass adoption. In 1H22, sales of new electric vehicles (NEV) increased by 64% yoy to 418,000 units, a stark contrast with a 17.9% yoy decline of the auto market. NEV penetration rate increased 3 pts to 6.1% in 1H22, surpassing the critical EV tipping point of 5%. This pivot has been verified by two of the largest auto markets, i.e. China and Europe (see Figure-1 and 2). Most successful new technologies such as electricity, televisions, mobile phones, the internet, even LED lightbulbs follow an S-shaped adoption curve. New technology industrialization in the automotive field also conforms to nonlinear patterns, this includes power steering, disc brakes and front-wheel drive, just to name a few. Therefore, with only 6% adoption rate and a more aggressive NEV target as compared to China and Europe, we believe that US NEV sales growth will exceed that of both China and Europe, strongly benefiting Nexteer.

Figure-1: US NEV penetration surged past the 5% threshold in 1H22



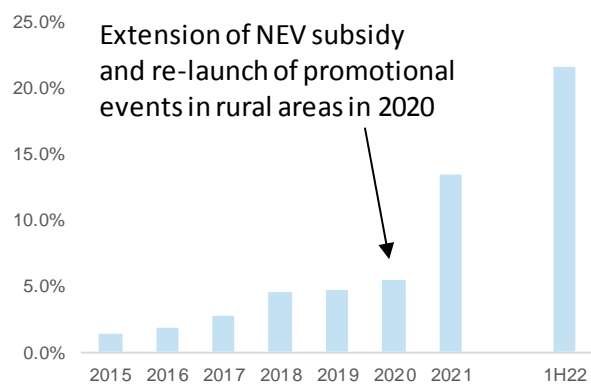
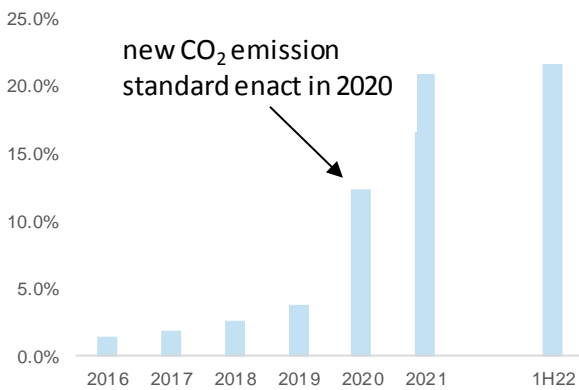
Source: COX Automobile, PWC, Guotai Junan International.

Just like in China and Europe, strong support from the government is the catalyst. We reference to Europe and China which have both experienced significant growth in NEVs in 2020 to 2021 due to a series of factors including tightened carbon emissions standards and extensions of relevant subsidies. Both regions saw fast NEV adoption and we expect the same could happen in US.

Europe: The boom in NEV sales in Europe happened in 2020, which saw an 8.5 ppt yoy increase in NEV sales penetration. We believe that the catalyst of such growth is regulatory-driven, as the EU sets CO₂ emissions performance for new cars to be 95g CO₂/km for 2020 to 2024 (130g CO₂/km for the period 2015-2019). The European Commission proposes to tighten these targets further. The required CO₂ reduction from 2021 to 2030 will rise from 37.5% to 55%. To comply, at least 60% of new car sales will have to be electric in 2030. This figure assumes that all of the EVs are all-electric battery electric vehicles (BEV). By 2035, all cars will be required to be electric.

China: NEV sales penetration has been steadily improving pre-2020. NEV sales started to accelerate in 2H20 as the government slowed down the reduction of NEV subsidy, as well as extended the subsidy scheme for another two years as a way to tackle negative impacts brought by COVID-19. Further, China re-launched promotional events in rural areas for vehicle purchase, which was first seen in 2010. These events have proven to be a strong catalyst. In 2021, a total of 1.068 million units of NEVs sold under the policy in 2021, representing an increase of 169.2% yoy, about 10 pts higher than the overall NEV growth rate, and also represents about 30% of total NEV sales of 2021.

Figure-2: Europe NEV sales penetration accelerated in 2020 **Figure-3: China NEV sales penetration accelerated in 2021**



Source: European Automobile Manufacturers' Association, Guotai Junan International.

Source: CAAM, Guotai Junan International.

US: The Biden administration ramped up measures promoting NEVs, setting a strong case for an NEV boom in the US.

In Nov. 2021, Biden signed a US\$1.2 trillion infrastructure bill, which touches every sector of infrastructure, from transportation and water to energy. The infrastructure bill will allocate US\$15 billion on delivering electric vehicles and building charging posts. In Aug. 2022, Biden signed the Inflation Reduction Act, which also represents the largest climate investment in the US, containing significant tax and other governmental incentives for the energy industry, in particular the renewable energy industry. The US will invest US\$370 billion over the next 10 years, including subsidies to new energy vehicles. Essentially, EV tax credit will remain at US\$7,500, though there will be less credit for people who buy used EVs. One of the major differences is that the bill removed the 200,000 units rule that previously prevented Tesla, GM and Toyota from receiving the subsidy. We believe that this would be a huge catalyst to spur EV consumption in the US as these big players have the largest capacity to support Biden's EV ambitions, currently aiming to achieve 50% EV sales out of total vehicle sales by 2030. In terms of emissions standards, the Environmental Protection Agency (EPA) requires passenger vehicles to travel an average of 55 miles per gallon for gasoline vehicles by 2026, from just under 38 miles per gallon today, representing a 44% increase in efficiency.

1.2 High exposure on GM and Ford will benefit Nexteer

Faster-than-expected revenue recognition. Despite Tesla being a clear leader in the US market (63% EV market share in 1H22), we expect that both Ford and GM will start to accumulate a larger bite of the market, especially with the start of deliveries of their pick-up trucks (GMC Hummer and F-150) this year. Further, after suffering months of production halts due to battery issues, the Chevy EV is running again, recording 7,300 units in sales in 1H22. GM is Nexteer's single largest customer; the Company is supplying all of its EV models to GM. Therefore, with the removal of the 200,000 cap for EV subsidies, GM EVs are now eligible for the subsidy, benefiting growth of EV sales. For Ford, Nexteer is currently supplying the F-150 Lightning, which is expected to sell over 150,000 units in 2023.

Table-1: Both GM and Ford target to be pure EV players by 2035

	GM	Ford
EV ambition	Offer only electric vehicles by 2035	Offer only electric vehicles by 2035
Short-term target	Targets 400,000 EV sold (cumulatively) by 2023	Reach a 600,000 global EV run rate by late 2023
Mid-term target	Production target of 2 million units by 2025.	Scale to an annual output of over 2 million units by 2026.
	Current GMC Hummer EV (Note1) Cadillac LYRIQ (Note1) Chevy Bolt EV (Note1) Chevy Bolt EUV (Note1)	Current Mustang Mach-E F-150 Lightning (Note1) Transit EV
Model pipeline	2023 pipeline GMC Hummer EV SUV (Note1) Chevy Silverado EV (Note1) Chevy Equinox EV (Note1) Chevy Blazer EV (Note1) GMC Sierra EV (Note1) BrightDrop EV410.	2023 pipeline New mid-size crossover EV All-new Transit Custom EV All-new Tourneo Custom EV New Sport Crossover Puma EV Transit Courier EV Tourneo Courier EV

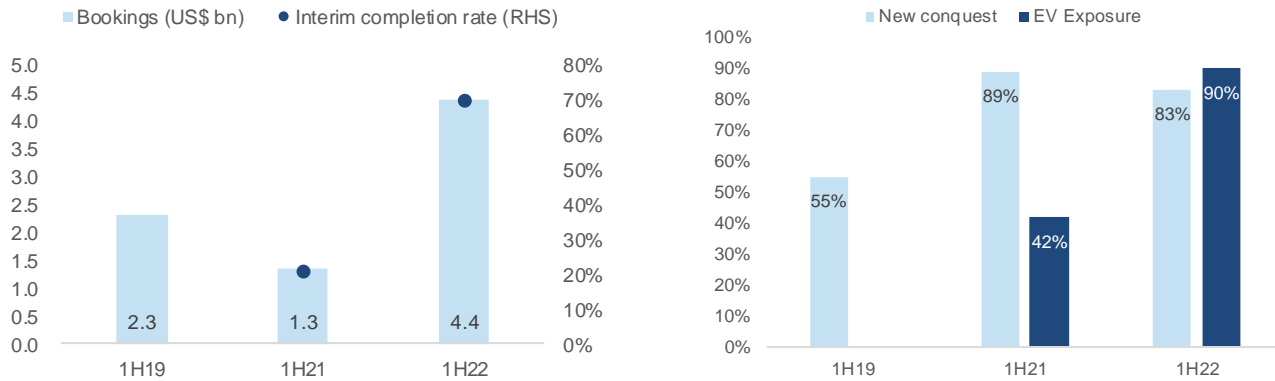
Source: the Companies, insideEVs, Guotai Junan International.

Note 1: These models use Nexteer technology.

1.3 Well-positioned on EV growth as shown in backlog

Highest interim backlog booked business ("backlog") with EV-related application dominates. The Company won US\$4.4 billion in new business in 1H22, which was the highest level of business win in recent years. The amount represents 70% of the management's guidance. Based on historical patterns, 2H tends to have more business wins and we expect new bookings will exceed expectations, indicating that the Company's future growth could speed up. Another favorable trend noticed in the backlog is the high level of conquest business and the high level of business related to EV application. Again, this indicates that future business growth will be highly supported by EV growth, translating to more visible revenue growth.

Figure-4: 1H22 booked business reached US\$4.4 billion, the highest level in recent years **Figure-5: 90% of new bookings are contributed by products on EV Applications**



Source: the Company, Guotai Junan International.
Note: Figure of 2020 is not available due to the pandemic.

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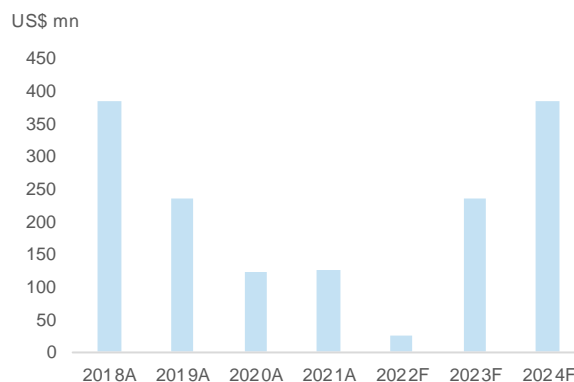
2 Steer-by-wire (SbW) products looking for faster growth

Promising outlook for Nexteer's ADAS-related products. A significant upgrade was noted in its steer-by-wire technology in 1H22. In particular, its brake-to-steer software functions were recently expanded to cover all variants of electric steering and steer-by-wire across all SAE levels of automation. Also in the first half, the Company won its first steer-by-wire program with leading global automakers, a record-setting lifetime revenue contract. These technologies have been gaining traction, with lots of enquiries according to the management. Steer-by-wire will provide immense opportunities as autonomous driving is another area heavily invested in by OEMs.

3 Earnings also reached a turning point

We believe that the worst is behind. Despite recording its first interim loss since being listed, we believe that the Company will improve in 2H22 onwards. With increasing exposure of NEVs in the US, Europe and China, the Company is looking for fast and sustainable growth in the next years as supported by strong revenue growth and gross margin recovery. We expect that full-year 2022 will remain profitable and will further grow to US\$237 million/ US\$384 million in 2023-2024, respectively, representing 3-year CAGR of 44.7%.

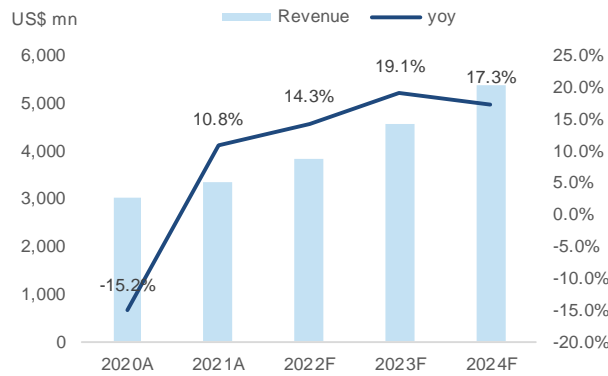
Figure-6: Shareholder's profit back to strong growth in 2023-2024.



Source: the Company, Guotai Junan International.

Revenue poised for faster growth in 2H22 onwards. We expect full-year revenue to reach US\$3,840 million, implying 17.3% yoy growth in 2022. 2H22 revenue to reach US\$2,049 million, implying 26.1% yoy growth. This will be supported by stabilizing pandemic situation, low inventory and easing supply chain situation. The increasing exposure of NEVs will help support growth in both volume and price. This is a strong premiumization strategy. As EVs are normally heavier and have heavier steering loads, the price point will be higher.

Figure-7: Revenue to grow faster in 2022-2024



Source: the Company, Guotai Junan International.

Inflationary pressure expected to ease in 2H22 onwards. Prices of commodities have been softening. Crude oil and other base metals have all experienced double-digit decrease from their respective highs, suggesting an easing case of inflationary pressure. We believe part of the reason is due to the stabilizing pandemic situation in general, therefore economic activities are able to resume normal. This will provide strong support for margin recovery. In 1H22, EBITDA margin dropped by 3.5 pts, mainly due to the increase in commodity prices and other elevated costs. Therefore, with the overall easing of material costs in 2Q22, we expect margin to recover in 2H22 onwards.

Figure-8: Brent crude oil dropped 27% from its last high



Source: Bloomberg, Guotai Junan International.

Figure-9: Copper dropped 25% from its last high



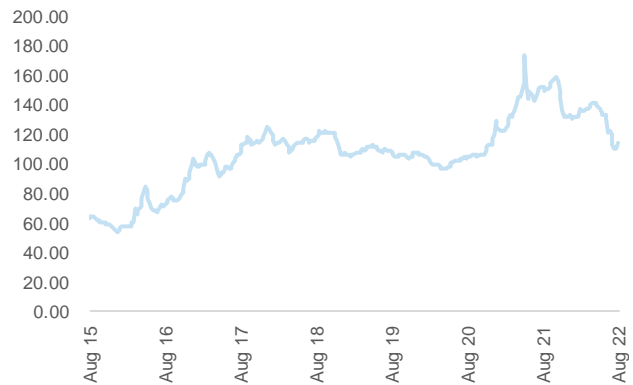
Source: Bloomberg, Guotai Junan International.

Figure-10: Aluminium dropped 37% from its last high



Source: Bloomberg, Guotai Junan International.

Figure-11: Steel Composite Price Index is almost back to pre-pandemic levels



Source: China Iron and Steel Association, Guotai Junan International.

VALUATION

We maintain our investment rating as "Buy"; lift TP to HK\$8.40 on expected faster earnings growth. Our TP represents 12.2x 2023 PER and 7.4x 2024 PER.

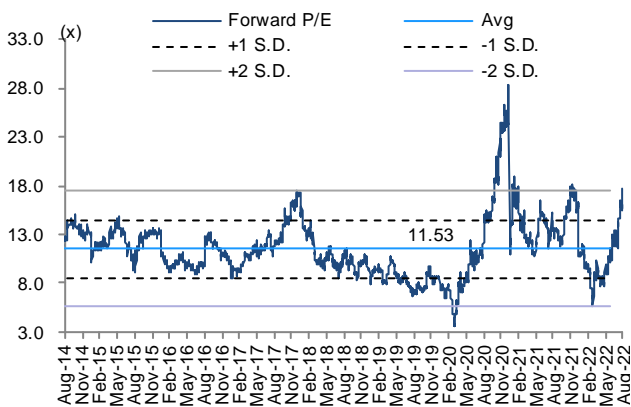
Risks: Uncertainty on the pandemic; weakened downstream demand; fluctuation in raw material prices.

Table-2: Summary of Financial Forecasts

	2020A	2021A	2022F	2023F	2024F
Sales revenue (USD mn)	3,032	3,359	3,840	4,574	5,367
yoy	-15.2%	10.8%	14.3%	19.1%	17.3%
Gross profit	411	363	365	618	832
yoy	-23.6%	-11.7%	0.4%	69.3%	34.7%
Operating profit	118.7	115.2	75.0	270.6	429.4
yoy	-56.5%	-3.0%	-34.9%	261.0%	58.7%
EBITDA	334.2	343.3	308.1	513.7	693.3
yoy	-31.3%	2.7%	-10.2%	66.7%	35.0%
Shareholders' profit	117	118	23	221	359
yoy	-49.8%	1.4%	-80.6%	862.8%	62.4%
Gross profit margin	13.6%	10.8%	9.5%	13.5%	15.5%
Operating margin	3.9%	3.4%	2.0%	5.9%	8.0%
EBITDA margin	11.0%	10.2%	8.0%	11.2%	12.9%
Effective tax rate	-6.9%	-10.9%	59.6%	8.2%	8.4%
Net profit margin	4.0%	3.8%	0.6%	5.2%	7.2%

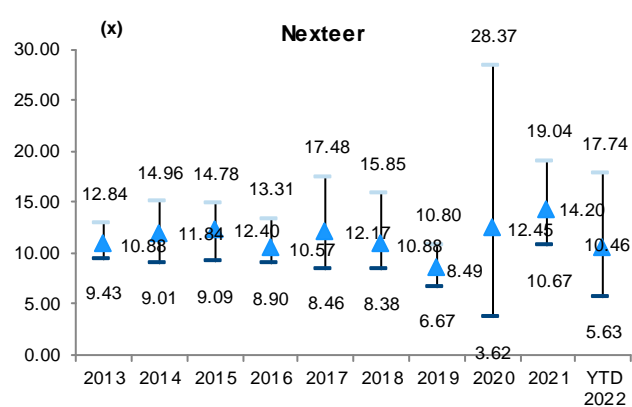
Source: the Company, Guotai Junan International.

Figure-12: PER of Nexteer



Source: Bloomberg, Guotai Junan International.

Figure-13: PER Range of Nexteer



Source: Bloomberg, Guotai Junan International.

Table-3: Peers comparison

Company	Stock Code	Currency	Last price	PE				PB				ROE(%)	D/Y(%)	EV/EBITDA
				21A	22F	23F	24F	21A	22F	23F	24F	22F	22F	22F
Wuling Motors Ho	00305 HK	HKD	1.06	n.a.	n.a.	117.8	36.6	0.9	1.6	1.5	1.5	(0.1)	0.3	n.a.
Minh Group Ltd	00425 HK	HKD	20.50	13.1	12.7	9.9	8.4	1.2	1.2	1.1	1.1	9.7	3.1	8.0
Fuyao Glass In-H	03606 HK	HKD	36.65	24.7	20.2	16.2	13.3	3.0	2.9	2.7	2.4	15.3	3.3	13.3
Zhejiang Shiba-H	01057 HK	HKD	1.83	38.0	n.a.	n.a.	n.a.	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xinchen China Po	01148 HK	HKD	0.53	n.a.	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shuanghua Hldgs	01241 HK	HKD	0.08	n.a.	n.a.	n.a.	n.a.	0.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nexteer	01316 HK	HKD	6.50	16.7	17.6	10.1	8.0	1.1	1.0	0.9	0.8	5.8	1.1	4.7
Xin Point Holdin	01571 HK	HKD	2.96	11.7	7.3	6.0	5.0	1.0	n.a.	n.a.	n.a.	11.4	n.a.	n.a.
Xingda Intl	01899 HK	HKD	1.60	9.9	n.a.	n.a.	n.a.	0.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Prinx Chengshan	01809 HK	HKD	7.08	13.7	9.8	3.6	3.0	0.9	n.a.	n.a.	0.6	9.5	1.8	n.a.
Huazhong In-V	06830 HK	HKD	2.65	76.9	n.a.	n.a.	n.a.	3.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average				25.6	13.5	27.3	12.4	1.2	1.7	1.6	1.3	8.6	1.9	8.7
Weighted Average				23.2	16.7	15.2	11.3	2.3	2.2	2.0	1.8	12.1	2.7	10.1
Anhui Zhongdi-A	000887 CH	CNY	18.86	23.9	21.2	17.3	14.7	2.5	2.4	2.1	1.9	11.3	1.3	n.a.
Jiangnan Mould-A	000700 CH	CNY	5.71	n.a.	n.a.	n.a.	n.a.	2.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Songz Automobi-A	002454 CH	CNY	9.83	54.6	23.4	18.5	n.a.	1.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wanxiang Qian-A	000559 CH	CNY	6.20	29.5	n.a.	n.a.	n.a.	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Avic Electrome-A	002013 CH	CNY	11.70	35.5	29.0	23.9	20.0	3.2	3.0	2.7	2.5	5.4	0.9	n.a.
Lingyun Indust-A	600480 CH	CNY	9.37	26.0	24.7	18.7	15.4	1.5	n.a.	n.a.	n.a.	5.7	n.a.	n.a.
Ningbo Huaxian-A	002048 CH	CNY	16.58	8.2	10.1	8.9	7.0	1.0	1.2	1.0	0.8	11.8	3.6	n.a.
Wanfeng Auto -A	002085 CH	CNY	6.90	43.1	24.2	19.4	16.8	2.8	2.5	2.3	2.1	10.5	1.3	n.a.
Zhejiang Yinlu-A	002126 CH	CNY	15.50	55.4	32.1	22.5	16.7	2.8	2.6	2.3	2.0	8.4	0.8	n.a.
Zhejiang Asia -A	002284 CH	CNY	10.79	179.8	n.a.	n.a.	n.a.	3.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Xingmin Intel-A	002355 CH	CNY	5.87	n.a.	n.a.	n.a.	n.a.	1.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Changchun Fawa-A	600742 CH	CNY	9.66	9.8	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Huayu Autom-A	600741 CH	CNY	20.22	9.9	8.8	7.8	7.1	1.3	1.1	1.0	0.9	13.4	4.6	3.9
Dongfeng Elect-A	600081 CH	CNY	11.71	17.8	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greatoo Intellig	002031 CH	CNY	4.08	n.a.	n.a.	n.a.	n.a.	3.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhejiang Wanli-A	002434 CH	CNY	9.21	n.a.	22.5	16.7	n.a.	2.3	2.1	1.8	n.a.	9.5	n.a.	n.a.
Xuchang Yuando-A	002406 CH	CNY	5.77	15.2	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhejiang Jingu-A	002488 CH	CNY	7.98	113.5	27.5	11.2	n.a.	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Simple Average				44.4	22.4	16.5	13.9	2.1	2.1	1.9	1.7	9.5	2.1	3.9
Weighted Average				29.4	15.3	12.0	8.9	2.2	1.4	1.3	1.1	7.2	1.6	0.9
Denso Corp	6902 JP	JPY	7,927.00	49.1	23.1	14.8	12.2	1.6	1.4	1.3	1.2	7.4	2.0	8.9
Aisin Seiki Co	7259 JP	JPY	4,330.00	11.0	8.2	7.7	6.5	0.8	0.7	0.6	0.6	8.9	3.9	4.2
Toyota Industrie	6201 JP	JPY	7,980.00	18.1	13.7	12.7	11.3	0.8	0.6	0.6	0.6	5.4	2.2	12.1
Nok	7240 JP	JPY	1,231.00	n.a.	8.2	9.5	7.8	0.5	0.4	0.4	0.4	4.6	4.1	0.9
Stanley Elec Co	6923 JP	JPY	2,620.00	18.4	19.6	15.1	11.7	1.1	1.0	0.9	0.9	5.1	1.9	5.7
Bridgestone Corp	5108 JP	JPY	5,447.00	9.7	13.0	10.9	10.1	1.5	1.4	1.3	1.2	11.2	3.1	5.4
Sumitomo Rubber	5110 JP	JPY	1,203.00	10.7	11.5	10.0	8.6	0.6	0.6	0.6	0.6	5.5	3.8	5.3
Toyota Boshoku	3116 JP	JPY	2,088.00	12.5	9.9	8.2	7.0	1.2	1.0	0.9	0.8	10.1	3.1	3.6
Yokohama Rubber	5101 JP	JPY	2,295.00	5.6	9.4	7.7	6.8	0.7	0.7	0.7	0.6	7.3	2.9	5.5
Jtekt Corp	6473 JP	JPY	1,034.00	443.8	17.1	9.8	7.9	0.6	0.6	0.5	0.5	4.0	1.6	5.9
Nsk Ltd	6471 JP	JPY	780.00	1,130.4	24.1	13.8	11.4	0.7	0.6	0.6	0.6	3.6	3.2	7.4
Hanon Systems	018880 KS	KRW	10,500.00	18.2	31.4	16.2	13.3	2.4	2.3	2.1	2.0	8.2	3.4	9.1
Hankook Technolo	000240 KS	KRW	13,400.00	6.4	7.1	6.3	4.8	0.3	0.3	0.3	0.3	4.7	4.9	4.2
Kumho Tire Co In	073240 KS	KRW	3,710.00	n.a.	n.a.	49.5	14.7	0.9	0.9	0.9	0.9	n.a.	n.a.	14.5
Hyundai Mobis	012330 KS	KRW	214,500.00	8.4	7.6	6.6	5.9	0.6	0.5	0.5	0.5	7.3	2.1	4.7
Mando Corp	204320 KS	KRW	54,700.00	15.3	14.3	11.0	9.5	1.3	1.3	1.2	1.1	9.1	1.6	6.3
Tong Yang Ind	1319 TT	TWD	52.10	44.9	16.2	15.9	12.5	1.4	1.3	1.3	1.1	7.3	3.0	6.9
Cheng Shin	2105 TT	TWD	35.35	21.7	16.0	13.8	n.a.	1.4	1.3	1.3	n.a.	8.5	4.5	5.1
Amer Axle & Mfg	AXL US	USD	11.26	225.2	11.1	7.3	6.6	2.8	2.6	2.0	1.6	22.8	0.0	4.5
Meritor Inc	MTOR US	USD	36.50	13.1	9.8	7.5	n.a.	4.5	3.6	2.7	n.a.	40.1	n.a.	6.9
Borgwarner Inc	BWA US	USD	39.51	17.6	9.3	7.8	6.8	1.4	1.3	1.1	1.0	12.6	1.8	5.3
Johnson Controls	JCI US	USD	58.93	25.8	19.6	16.6	14.5	2.4	2.4	2.2	2.0	11.1	2.2	13.1
Lear Corp	LEA US	USD	148.65	23.9	17.2	9.6	7.0	1.9	2.9	2.6	2.7	10.4	2.1	7.3
Stoneridge Inc	SRI US	USD	22.02	169.4	n.a.	32.9	n.a.	2.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tenneco Inc-A	TEN US	USD	19.29	44.9	10.9	4.4	3.6	18.6	6.1	2.6	n.a.	104.4	0.0	5.0
Goodyear Tire	GT US	USD	15.14	5.2	7.3	5.7	5.0	0.9	0.8	0.7	0.6	11.4	0.0	4.7
Gentex Corp	GNTX US	USD	29.34	19.4	19.8	14.7	12.0	3.6	3.3	2.9	n.a.	18.2	1.6	n.a.
General Motors C	GM US	USD	38.72	5.7	5.7	6.1	6.0	1.0	0.8	0.7	0.6	16.7	0.2	3.2
Valeo Sa	FR FP	EUR	20.33	27.8	22.7	9.4	6.2	1.3	1.3	1.2	1.1	6.0	2.1	4.0
Brembo Spa	BRE IM	EUR	10.20	15.2	11.9	11.3	10.5	1.9	1.7	1.6	1.4	14.7	2.7	6.1
Faurecia	EO FP	EUR	16.27	n.a.	13.8	4.2	3.5	0.7	0.7	0.7	0.7	5.2	2.9	4.1
Autoliv Inc	ALV US	USD	84.40	17.0	19.4	11.1	8.5	2.8	2.7	2.5	2.2	14.7	2.9	8.5
Continental Ag	CON GY	EUR	64.00	8.8	11.7	6.9	5.5	1.0	1.0	0.9	0.8	8.2	2.8	4.1
Michelin	ML FP	EUR	25.93	10.1	8.7	7.9	7.3	1.2	1.2	1.1	1.0	13.5	5.0	4.1
Simple Average				79.1	14.1	11.8	8.6	1.9	1.5	1.3	1.0	13.4	2.5	6.2
Weighted Average				33.7	14.0	10.8	9.0	1.5	1.4	1.3	1.1	11.4	2.1	6.7
Global Simple Average				49.7	16.6	18.5	11.6	1.7	1.8	1.6	1.3	10.5	2.2	6.2
Global Weighted Average				32.7	14.3	11.2	9.2	1.6	1.4	1.3	1.1	11.0	2.1	6.3

Source: the Company, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (USD m)	2020A	2021A	2022F	2023F	2024F
Total Revenue	3,032	3,359	3,840	4,574	5,367
Cost of sales	(2,621)	(2,995)	(3,475)	(3,957)	(4,535)
Gross profit	411	363	365	618	832
Engineering and product development costs	(154)	(116)	(133)	(158)	(186)
Selling and distribution expenses	(17)	(18)	(21)	(24)	(29)
Administrative expenses	(113)	(131)	(143)	(170)	(194)
Other gains (losses), net	(10)	17	7	6	6
Operating Profit	119	115	75	271	429
Share of results of joint ventures	1	1	1	1	1
Finance costs, net	(5)	(2)	(15)	(13)	(11)
Profit Before Tax	114	114	61	258	419
Income Tax	8	12	(36)	(21)	(35)
profit After Tax	122	126	25	237	384
Non-controlling Interest	(6)	(8)	(2)	(16)	(26)
Shareholders' Profit / Loss	117	118	23	221	359
Basic EPS	0.047	0.047	0.009	0.088	0.143
Dividend per share (USD)	0.009	0.010	0.002	0.022	0.036

Cash Flow Statement					
Year end 31 Dec (USD m)	2020A	2021A	2022F	2023F	2024F
EBT	114	114	61	258	419
Depreciation and amortization	191	233	208	217	236
Finance cost, net	9	6	18	17	15
Changes in working capital	87	(42)	80	(66)	(49)
Share of results of JV and associates	(1)	(1)	(1)	(1)	(1)
Change of other operating Items	47	8	16	9	10
Income taxes paid	(29)	(32)	(24)	(36)	(21)
Cash from Operating Activities	420	287	359	398	609
Net investments in PPE	(148)	(139)	(169)	(204)	(246)
Net change of intangible assets	(138)	(147)	(134)	(160)	(188)
Net change of restricted cash	0	0	(0)	0	0
Net investments in Asso. and JV	(2)	0	0	0	0
Cash from Investing Activities	(288)	(286)	(304)	(364)	(433)
Net change of LT bank loan	(74)	(178)	10	25	25
Issuance of shares	0	0	0	0	0
Dividend paid	(81)	(24)	(24)	(5)	(55)
Others	(32)	(14)	(14)	(12)	(11)
Cash from Financing Activities	(187)	(215)	(28)	9	(41)
Net Changes in Cash	(55)	(214)	28	43	135
Other adjustment	7	(13)	0	0	0
Cash at Beg of Year	602	553	327	354	397
Cash at End of Year	553	327	354	397	532

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (USD m)	2020A	2021A	2022F	2023F	2024F
Property, plant and equipment	1,009	989	1,057	1,122	1,219
Right-of-use assets	57	63	65	66	67
Land use rights	0	0	0	0	0
Intangible assets	657	709	798	817	884
Deferred income tax assets	12	11	32	36	39
Other receivables and prepayments	51	51	59	69	82
Investment in a joint venture	22	23	24	24	25
Total Non-current Assets	1,810	1,846	2,034	2,135	2,315
Inventories	234	289	314	363	429
Trade receivables	593	626	709	837	986
Other receivables and prepayments	115	119	134	160	188
Restricted bank deposits	0	0	0	0	0
Cash & Cash Equivalents	553	327	354	397	532
Total Current Assets	1,496	1,360	1,511	1,757	2,135
Total Assets	3,306	3,206	3,545	3,892	4,450
Trade payables	657	667	789	915	1,081
Other payables and accruals	132	120	178	196	229
Borrowings	249	84	94	119	144
Current income tax liabilities	12	14	36	21	35
Others	57	57	32	41	64
Total Current Liabilities	1,108	942	1,130	1,293	1,553
Borrowings	0	0	0	0	0
Deferred income tax liabilities	63	27	151	147	145
Provisions	59	61	76	73	71
Deferred revenue	69	87	93	99	106
Other payables and accruals	86	88	73	75	76
Total Non-current Liabilities	277	262	393	394	398
Total Liabilities	1,385	1,204	1,522	1,687	1,951
Total Shareholders' Equity	1,882	1,955	1,973	2,139	2,408
Minority Interest	39	48	50	66	91
Total Equity	1,921	2,003	2,023	2,204	2,499
BPS(USD)	0.751	0.779	0.786	0.852	0.960

Financial Ratios					
	2020A	2021A	2022F	2023F	2024F
Profitability					
Gross profit margin (%)	13.6	10.8	9.5	13.5	15.5
EBITDAR (%)	11.0	10.2	8.0	11.2	12.9
EBIT Margin (%)	3.9	3.4	2.0	5.9	8.0
Net profit margin (%)	4.0	3.8	0.6	5.2	7.2
ROE (%)	6.3	6.2	1.2	10.7	15.8
ROA (%)	3.6	3.5	2.2	7.3	10.3
Growth					
Revenue growth (%)	(15.2)	10.8	14.3	19.1	17.3
EPS (%)	(49.8)	1.4	(80.6)	862.8	62.4
BPS (%)	3.8	3.8	0.9	8.4	12.6
Liquidity and solvency					
Gearing ratio (%)	net cash	net cash	net cash	net cash	net cash
Interest cover ratio	23.5	62.1	5.0	20.4	40.6
Cash ratio	0.5	0.3	0.3	0.3	0.3
Quick ratio	1.0	1.0	0.9	1.0	1.0
Current ratio	1.4	1.4	1.3	1.4	1.4
Efficiency					
Inventory turnover	50	45	48	47	47
Days receivable	68	66	67	67	67
Days payable	125	115	120	117	119

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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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk