

Sinotruk (Hong Kong) (3808 HK)

Earnings risk not yet priced in

We revise down our 2024E/25E earnings forecast by 5/2%, after incorporating our new industry HDT sales forecast (*for details, please refer to our sector [report](#) "China Heavy-duty Truck – Headwinds in 4Q24 in both China & export; Eyes on policy-driven recovery in 2025"*). We forecast ~20% YoY earnings decline in 2H24E, before recovering in 2025E. We rolled over our target valuation to 2025E, with a new TP of HK\$21.4 (previously HK\$19.5) which is based on 4.5x EV/EBITDA (equivalent to the historical average). We believe the earnings downside risk has yet to be reflected in the current share price, in particular after recent rally. Maintain **HOLD**.

- **Upside risks:** (1) Stronger-than-expected replacement demand; (2) further expansion of new overseas markets.
- **Downside risks:** (1) further weakness in export sales; (3) lack of recovery in China.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	59,291	85,041	91,906	97,978	104,067
YoY growth (%)	(36.5)	43.4	8.1	6.6	6.2
Net profit (RMB mn)	1,796.6	5,318.1	5,685.1	6,166.7	6,535.2
EPS (Reported) (RMB)	0.65	1.93	2.06	2.23	2.37
YoY growth (%)	(58.4)	196.0	6.9	8.5	6.0
Consensus EPS (RMB)	na	na	2.27	2.60	2.96
P/E (x)	32.4	10.9	10.2	9.4	8.9
P/B (x)	1.6	1.4	1.3	1.2	1.2
Yield (%)	1.4	4.6	4.9	5.3	5.6
ROE (%)	5.0	14.0	13.6	13.7	13.5
Net gearing (%)	(44.3)	(37.6)	(47.3)	(56.5)	(61.9)

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	HK\$21.40
Previous	HK\$19.5
Up/Downside	(7.6%)
Current Price	HK\$23.15

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Stock Data

Mkt Cap (HK\$ mn)	63,917.2
Avg 3 mths t/o (HK\$ mn)	85.0
52w High/Low (HK\$)	24.65/13.50
Total Issued Shares (mn)	2761.0

Source: FactSet

Shareholding Structure

CNHTC	51.0%
MAN SE	25.0%

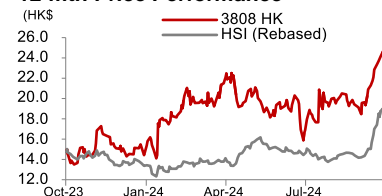
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	23.1%	-0.9%
3-mth	35.9%	14.0%
6-mth	3.1%	-17.1%

Source: FactSet

12-mth Price Performance



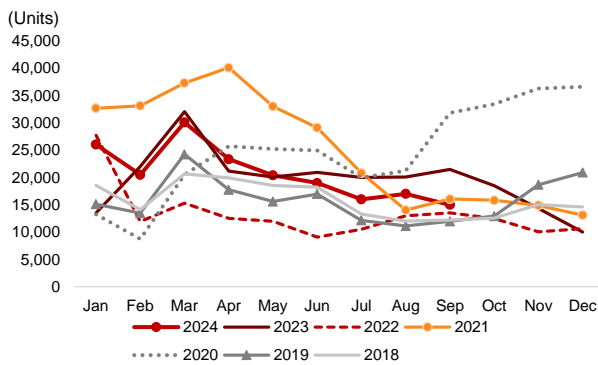
Source: FactSet

Figure 1: Changes in key assumptions

Sales volume (units)	2024E			2025E			2026E		
	Old	New	Diff	Old	New	Diff	Old	New	Diff
Truck	351,076	340,206	-3.1%	370,060	363,627	-1.7%	383,393	386,266	0.7%
HDT	244,852	235,913	-3.7%	258,525	254,120	-1.7%	266,281	271,283	1.9%
China	101,785	101,300	-0.5%	106,874	111,430	4.3%	110,080	121,459	10.3%
Export	143,067	134,613	-5.9%	151,651	142,690	-5.9%	156,201	149,824	-4.1%
LDT	106,224	104,292	-1.8%	111,535	109,507	-1.8%	117,112	114,982	-1.8%
Engine	140,313	104,571	-25.5%	147,329	109,799	-25.5%	148,802	115,289	-22.5%
Internal use	134,798	100,486	-25.5%	141,538	105,510	-25.5%	142,954	110,786	-22.5%
External sales	5,514	4,085	-25.9%	5,790	4,289	-25.9%	5,848	4,503	-23.0%
Segment revenue									
(RMB mn)									
Truck	92,273	92,517	0.3%	97,359	99,323	2.0%	100,521	105,804	5.3%
HDT	80,801	80,211	-0.7%	85,313	86,401	1.3%	87,873	92,236	5.0%
LDT	11,472	12,306	7.3%	12,046	12,922	7.3%	12,648	13,568	7.3%
Engine	17,667	13,799	-21.9%	18,487	14,097	-23.8%	18,660	14,739	-21.0%
Finance	1,429	1,429	0.0%	1,443	1,443	0.0%	1,458	1,458	0.0%
Intersegment sales	-17,819	-15,838	-11.1%	-18,766	-16,885	-10.0%	-19,302	-17,934	-7.1%
Total	93,550	91,906	-1.8%	98,524	97,978	-0.6%	101,336	104,067	2.7%
Segment operating margin									
<i>ppt</i>									
Truck	4.7%	4.4%	(0.4)	5.1%	4.9%	(0.1)	5.1%	5.0%	(0.1)
HDT	5.9%	5.5%	(0.4)	5.7%	5.6%	(0.1)	5.7%	5.6%	(0.1)
LDT	-3.0%	-3.0%	0.0	0.5%	0.5%	0.0	0.8%	0.8%	0.0
Engine	14.2%	16.5%	2.3	14.0%	16.0%	2.0	14.0%	16.0%	2.0
Finance	56.0%	51.0%	(5.0)	56.0%	51.0%	(5.0)	56.0%	51.0%	(5.0)
Average	8.1%	7.7%	(0.4)	8.4%	8.0%	(0.4)	8.3%	8.0%	(0.4)
Net profit	5,957	5,685	-4.6%	6,265	6,167	-1.6%	6,454	6,535	1.3%

Source: Company data, CMBIGM estimates

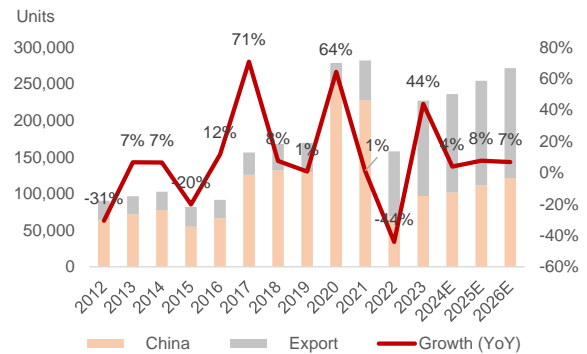
Figure 2: CNHTC monthly sales



Source: Cvworld, Find800, CMBIGM

Note: CNHTC is the controlling shareholder of Sinotruk

Figure 3: Sinotruk's HDT sales volume projection



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	93,357	59,291	85,041	91,906	97,978	104,067
Cost of goods sold	(77,693)	(49,277)	(71,263)	(78,120)	(83,183)	(88,353)
Gross profit	15,664	10,013	13,778	13,786	14,795	15,714
Operating expenses	(9,904)	(7,110)	(7,291)	(6,752)	(7,017)	(7,462)
Operating profit	5,760	2,903	6,487	7,034	7,778	8,252
Share of (losses)/profits of associates/JV	(6)	(23)	111	124	109	113
EBITDA	7,203	4,327	7,961	8,629	9,495	10,072
Depreciation	1,443	1,424	1,474	1,595	1,717	1,820
Interest income	120	138	314	298	343	408
Interest expense	(11)	(9)	(29)	(51)	(52)	(53)
Net Interest income/(expense)	109	128	284	247	291	355
Pre-tax profit	5,863	3,008	6,883	7,405	8,178	8,720
Income tax	(1,153)	(958)	(1,056)	(1,185)	(1,431)	(1,570)
After tax profit	4,709	2,051	5,827	6,220	6,747	7,150
Minority interest	(387)	(254)	(509)	(535)	(580)	(615)
Net profit	4,322	1,797	5,318	5,685	6,167	6,535
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	79,984	79,758	87,067	90,106	98,794	102,335
Cash & equivalents	24,692	15,262	17,474	22,929	28,889	33,618
Restricted cash	3,614	4,542	2,711	2,711	2,711	2,711
Account receivables	24,063	16,145	17,078	15,656	17,093	16,550
Inventories	16,667	13,496	13,338	12,345	13,636	12,991
Financial assets at FVTPL	2,977	4,500	10,522	10,522	10,522	10,522
Other current assets	4,058	7,359	8,924	8,924	8,924	8,924
Non-current assets	27,036	25,721	34,719	36,260	37,667	38,974
PP&E	14,215	15,487	15,823	17,295	18,647	19,878
Right-of-use assets	2,554	2,320	2,260	2,260	2,260	2,260
Investment in JVs & assos	1,338	1,971	2,018	2,124	2,218	2,315
Intangibles	270	232	152	115	77	54
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	8,659	5,711	14,466	14,466	14,466	14,466
Total assets	107,020	105,479	121,785	126,366	136,461	141,309
Current liabilities	62,889	61,314	72,530	73,554	79,745	80,527
Short-term borrowings	3,511	3,890	4,907	5,007	5,107	5,207
Account payables	37,479	33,221	46,624	47,548	53,639	54,321
Other current liabilities	21,900	24,203	20,999	20,999	20,999	20,999
Non-current liabilities	1,363	1,196	1,295	1,295	1,295	1,295
Long-term borrowings	0	0	142	142	142	142
Deferred income	657	560	643	643	643	643
Other non-current liabilities	706	635	510	510	510	510
Total liabilities	64,252	62,510	73,825	74,849	81,040	81,822
Total shareholders equity	35,671	35,909	40,272	43,293	46,617	50,069
Minority interest	7,097	7,060	7,688	8,223	8,804	9,418
Total equity and liabilities	107,020	105,479	121,785	126,366	136,461	141,309

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	5,863	3,008	6,883	7,405	8,178	8,720
Depreciation & amortization	1,443	1,424	1,474	1,595	1,717	1,820
Tax paid	(2,504)	(521)	(1,186)	(1,185)	(1,431)	(1,570)
Change in working capital	(16,848)	3,458	9,019	3,340	3,362	1,869
Others	8,845	3,526	(4,821)	(371)	(400)	(468)
Net cash from operations	(3,200)	10,895	11,368	10,785	11,426	10,372
Investing						
Capital expenditure	(2,491)	(1,429)	(2,430)	(3,000)	(3,000)	(3,000)
Others	2,454	(17,177)	(8,629)	285	329	393
Net cash from investing	(37)	(18,606)	(11,059)	(2,715)	(2,671)	(2,607)
Financing						
Dividend paid	(2,430)	(1,519)	(801)	(2,664)	(2,843)	(3,083)
Net borrowings	(412)	0	1,159	100	100	100
Proceeds from share issues	5,528	0	0	0	0	0
Others	(740)	(329)	(829)	(51)	(52)	(53)
Net cash from financing	1,947	(1,847)	(471)	(2,615)	(2,795)	(3,036)
Net change in cash						
Cash at the beginning of the year	26,049	24,692	15,262	17,474	22,929	28,889
Exchange difference	(67)	128	2,374	0	0	0
Cash at the end of the year	24,692	15,262	17,474	22,929	28,889	33,618
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	(4.9%)	(36.5%)	43.4%	8.1%	6.6%	6.2%
Gross profit	(20.0%)	(36.1%)	37.6%	0.1%	7.3%	6.2%
Operating profit	(39.2%)	(49.6%)	123.5%	8.4%	10.6%	6.1%
EBITDA	(35.0%)	(39.9%)	84.0%	8.4%	10.0%	6.1%
Net profit	(36.9%)	(58.4%)	196.0%	6.9%	8.5%	6.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.8%	16.9%	16.2%	15.0%	15.1%	15.1%
Operating margin	6.2%	4.9%	7.6%	7.7%	7.9%	7.9%
EBITDA margin	7.7%	7.3%	9.4%	9.4%	9.7%	9.7%
Return on equity (ROE)	12.8%	5.0%	14.0%	13.6%	13.7%	13.5%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.4)	(0.4)	(0.5)	(0.6)	(0.6)
Current ratio (x)	1.3	1.3	1.2	1.2	1.2	1.3
Receivable turnover days	86.6	123.8	71.3	65.0	61.0	59.0
Inventory turnover days	88.0	111.7	68.7	60.0	57.0	55.0
Payable turnover days	216.5	261.8	204.5	220.0	222.0	223.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	13.4	32.4	10.9	10.2	9.4	8.9
P/B	1.6	1.6	1.4	1.3	1.2	1.2
Div yield (%)	2.6	1.4	4.6	4.9	5.3	5.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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