

EVA Holdings (838 HK)

2H24 preview: both revenue, NP stable HoH

Maintain BUY. We project EVA's 2H24E revenue to rise 1% YoY and net profit to increase 2% YoY. We expect auto component revenue to grow faster in FY25E, as new business ramps up. We also expect its office automation (OA) business to remain stable with slight increase in gross margin. We estimate EVA's net profit to rise 18% YoY to HK\$289mn in FY25E.

■ **We project 2H24E net profit to rise 2% YoY.** We project EVA's 2H24E revenue to rise 1% YoY to HK\$3.4bn, aided by 4% YoY growth from auto component business. We expect auto components' revenue growth in 2H24E to be driven by its Wuhan and Mexico plants.

We project auto component gross margin in 2H24E to be flat HoH and narrow by 1.2ppts YoY for the following reasons: 1) stiffer competition, 2) heavier capex in order to transit to a tier-1 supplier, 3) all the subsidies from Faurecia in 2023 were booked in 2H23, which made the comparison base higher. Therefore, we project overall gross margin in 2H24E to narrow by 0.7ppts YoY to 21.8%. We assume SG&A expenses to be stable YoY and finance cost to reduce by HK\$10mn YoY in 2H24E. Accordingly, we estimate EVA's 2H24E net profit to rise 2% YoY to HK\$116mn.

■ **Auto component business could accelerate in FY25E.** We expect auto component's revenue to rise 12% (or about HK\$250mn) YoY in FY25E, as the contribution from the new hot forming business could more than offset the decline from low-margin revenue from Faurecia. We thus expect gross margin for auto components to widen slightly as product mix improves. We also expect gross margin for OA to increase slightly with more revenue from Vietnam. We project EVA's total debts to drop from HK\$2.5bn in FY23 to HK\$2.3bn in FY24E and HK\$2.2bn in FY25E. On the other hand, EVA may face higher tax rate in FY25E, which may offset the possible finance cost decline. We revise up our FY25E operating profit forecast by 2% to HK\$445mn (+20% YoY) but revise down our FY25E net profit forecast by 4% to HK\$289mn, mainly due to the increased tax forecast.

■ **Valuation/Key risks.** We maintain our BUY rating but cut our target price slightly from HK\$1.40 to HK\$1.30, based on the sum-of-the-parts (SOTP) valuation (details in Figure 6). We value HK\$0.45 (previously HK\$0.50) per share for its auto component business, still based on 11x our revised FY25E P/E. We value HK\$0.85 (previously HK\$0.90) per share for its OA business, still based on 7x our FY25E P/E. Key risks to our rating and target price include lower order intake from new businesses and lower GPM than we expect.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (HK\$ mn)	6,268	6,183	6,358	6,687	7,046
YoY growth (%)	22.7	(1.4)	2.8	5.2	5.4
Net profit (HK\$ mn)	206.0	237.1	244.1	288.8	322.4
YoY growth (%)	32.8	15.1	2.9	18.3	11.6
EPS (Reported) (HK\$)	0.12	0.14	0.14	0.17	0.19
P/E (x)	5.3	4.6	4.5	3.8	3.4
P/B (x)	0.4	0.4	0.3	0.3	0.3
Yield (%)	5.6	6.5	6.7	7.9	9.4
ROE (%)	7.3	8.1	7.9	8.8	9.2

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$1.30
(Previous TP)	HK\$1.40)
Up/Downside	106.3%
Current Price	HK\$0.63

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Stock Data

Mkt Cap (HK\$ mn)	1,096.8
Avg 3 mths t/o (HK\$ mn)	1.0
52w High/Low (HK\$)	0.84/0.60
Total Issued Shares (mn)	1740.9

Source: FactSet

Shareholding Structure

Zhang Hwo Jie's Family	42.0%
Others	58.0%

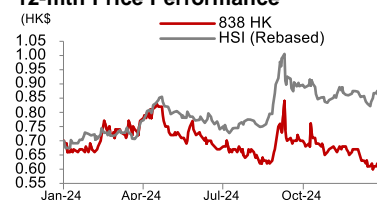
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.0%	-6.6%
3-mth	-10.0%	-8.3%
6-mth	-6.0%	-20.9%

Source: FactSet

12-mth Price Performance

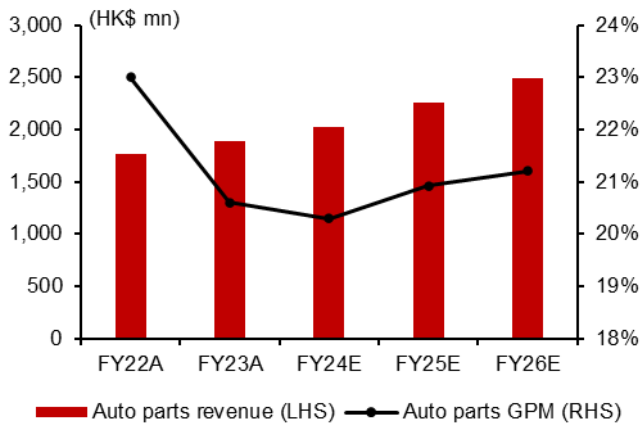


Source: FactSet

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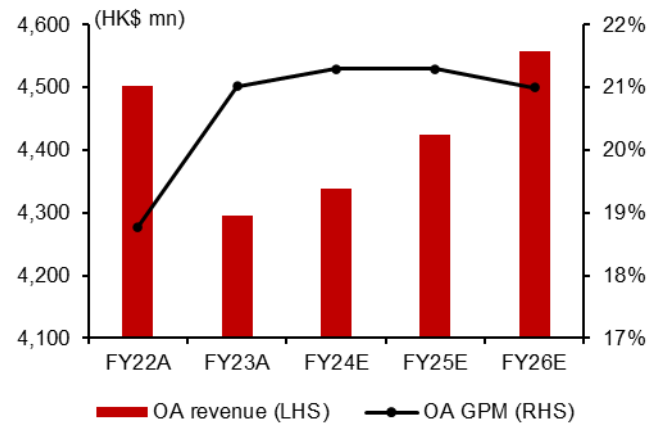
["EVA Holdings \(838 HK\) - On track to tier-1 supplier transformation"- 13_Sep 2024](#)

Figure 1: Auto parts revenue and GPM



Source: Company data, CMBIGM estimates

Figure 2: OA revenue and GPM



Source: Company data, CMBIGM estimates

Figure 3: 2H24E earnings forecast

RMB mn	1H22	2H22	1H23	2H23	1H24	2H24E	YoY	HoH
Revenue	2,940	3,328	2,862	3,321	3,000	3,358	1.1%	11.9%
Gross profit	565	686	545	747	603	731	-2.0%	21.4%
Selling expenses	(124)	(245)	(125)	(201)	(117)	(205)	1.8%	74.9%
Admin expenses	(333)	(282)	(289)	(372)	(304)	(375)	0.8%	23.1%
Operating profit	121	152	189	202	189	183	-9.2%	-2.9%
Net profit	103	103	123	114	128	116	1.5%	-9.1%
Operating margin	19.2%	20.6%	19.0%	22.5%	20.1%	21.8%	-0.7 ppts	1.7 ppts
Net margin	4.1%	4.6%	6.6%	6.1%	6.3%	5.5%	-0.6 ppts	-0.8 ppts
Revenue	3.5%	3.1%	4.3%	3.4%	4.3%	3.5%	0.0 ppts	-0.8 ppts

Source: Company data, CMBIGM estimates

Figure 4: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,358	6,687	7,046	6,377	6,856	7,226	-0.3%	-2.5%	-2.5%
Gross profit	1,334	1,416	1,485	1,338	1,437	1,513	-0.3%	-1.5%	-1.9%
Operating profit	372	445	472	380	437	470	-2.1%	1.9%	0.5%
Net profit	244	289	322	260	301	327	-6.1%	-4.1%	-1.4%
Gross margin	21.0%	21.2%	21.1%	21.0%	21.0%	20.9%	0.0 ppts	0.2 ppts	0.1 ppts
Operating margin	5.9%	6.7%	6.7%	6.0%	6.4%	6.5%	-0.1 ppts	0.3 ppts	0.2 ppts
Net margin	3.8%	4.3%	4.6%	4.1%	4.4%	4.5%	-0.2 ppts	-0.1 ppts	0.1 ppts

Source: CMBIGM estimates

Figure 5: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	6,358	6,687	7,046	6,377	6,856	7,226	-0.3%	-2.5%	-2.5%
Gross profit	1,334	1,416	1,485	1,338	1,437	1,513	-0.3%	-1.5%	-1.9%
Operating profit	372	445	472	380	437	470	-2.1%	1.9%	0.5%
Net profit	244	289	322	260	301	327	-6.1%	-4.1%	-1.4%
Gross margin	21.0%	21.2%	21.1%	21.0%	21.0%	20.9%	0.0 ppts	0.2 ppts	0.1 ppts
Operating margin	5.9%	6.7%	6.7%	6.0%	6.4%	6.5%	-0.1 ppts	0.3 ppts	0.2 ppts
Net margin	3.8%	4.3%	4.6%	4.1%	4.4%	4.5%	-0.2 ppts	-0.1 ppts	0.1 ppts

Source: Bloomberg, CMBIGM estimates

Figure 6: SOTP valuation

Segment	FY25E Net profit (HK\$ mn)	Target P/E Multiple	Target Market Cap (HK\$ mn)	Target Price (HK\$)
Auto components	68	11x	775	0.45
Office automation	221	7x	1,488	0.85
SOTP			2,263	1.30

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Revenue	5,109	6,268	6,183	6,358	6,687	7,046
Cost of goods sold	(4,096)	(5,017)	(4,891)	(5,024)	(5,271)	(5,561)
Gross profit	1,013	1,251	1,292	1,334	1,416	1,485
Operating expenses	(789)	(962)	(938)	(951)	(977)	(1,031)
Selling expense	(315)	(369)	(326)	(322)	(336)	(355)
Admin expense	(506)	(615)	(661)	(679)	(697)	(734)
Others	32	22	49	50	55	58
Operating profit	224	289	354	383	438	454
Gain/loss on financial assets at FVTPL	(24)	(8)	0	(7)	0	0
Other gains/(losses)	(5)	(8)	37	(4)	7	19
Share of (losses)/profits of associates/JV	0	(0)	(0)	(1)	(1)	(1)
EBITDA	483	556	709	716	802	852
Depreciation	241	229	243	274	297	320
Depreciation of ROU assets	33	42	31	28	29	30
Other amortisation	2	2	2	2	2	2
EBIT	208	283	433	412	474	500
Interest income	13	10	42	41	29	29
Interest expense	(28)	(53)	(129)	(122)	(103)	(82)
Pre-tax profit	180	231	304	291	370	419
Income tax	(25)	(25)	(67)	(46)	(81)	(96)
After tax profit	155	206	237	244	289	322
Minority interest	0	0	0	0	0	0
Net profit	155	206	237	244	289	322
Gross dividends	47	61	71	73	87	103

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Current assets	3,642	4,297	4,319	4,244	4,426	4,558
Cash & equivalents	1,318	1,722	1,611	1,459	1,577	1,601
Account receivables	1,382	1,681	1,820	1,881	1,924	1,988
Inventories	688	639	641	661	664	701
Prepayment	150	146	143	134	140	148
ST bank deposits	103	109	104	110	120	120
Non-current assets	2,932	2,960	3,122	3,223	3,251	3,239
PP&E	2,418	2,454	2,682	2,808	2,846	2,852
Right-of-use assets	384	378	294	286	272	252
Deferred income tax	7	7	5	5	5	5
Investment in JVs & assos	35	31	30	21	20	19
Intangibles	8	6	4	4	3	1
Other non-current assets	81	86	107	99	106	111
Total assets	6,574	7,257	7,440	7,467	7,677	7,797
Current liabilities	3,226	2,859	3,040	3,001	3,192	3,089
Short-term borrowings	1,448	966	1,149	1,066	1,167	964
Account payables	1,373	1,490	1,492	1,528	1,603	1,691
Other current liabilities	307	261	287	292	311	326
Lease liabilities	31	44	15	19	18	16
Contract liabilities	68	99	96	95	94	92
Non-current liabilities	559	1,559	1,403	1,300	1,097	1,091
Long-term borrowings	460	1,460	1,321	1,221	1,021	1,021
Other non-current liabilities	99	99	82	79	76	70
Total liabilities	3,785	4,418	4,442	4,300	4,289	4,180
Share capital	175	174	174	174	174	174
Other reserves	2,614	2,664	2,824	2,993	3,214	3,443
Total shareholders equity	2,788	2,838	2,998	3,167	3,388	3,617
Total equity and liabilities	6,574	7,257	7,440	7,467	7,677	7,797

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	180	231	304	291	370	419
Depreciation & amortization	276	272	276	304	328	352
Tax paid	(10)	(26)	(53)	(46)	(81)	(96)
Change in working capital	(213)	(134)	(139)	(34)	25	(21)
Others	27	30	(13)	148	121	97
Net cash from operations	259	372	375	663	763	750
Investing						
Capital expenditure	(368)	(339)	(401)	(422)	(361)	(351)
Acquisition of subsidiaries/ investments	(4)	(14)	0	0	0	0
Net proceeds from disposal of short-term investments	14	0	9	0	0	0
Others	22	7	(32)	4	7	20
Net cash from investing	(337)	(346)	(424)	(418)	(354)	(332)
Financing						
Dividend paid	(21)	(57)	(67)	(73)	(70)	(93)
Net borrowings	6	518	35	(302)	(200)	(282)
Share repurchases	0	(11)	0	0	0	0
Others	(3)	(35)	(24)	(22)	(22)	(20)
Net cash from financing	(18)	415	(56)	(397)	(291)	(395)
Net change in cash						
Cash at the beginning of the year	1,406	1,318	1,722	1,611	1,459	1,577
Exchange difference	9	(37)	(7)	0	0	0
Cash at the end of the year	1,318	1,722	1,611	1,459	1,577	1,601
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	27.4%	22.7%	(1.4%)	2.8%	5.2%	5.4%
Gross profit	37.2%	23.6%	3.2%	3.3%	6.1%	4.9%
Operating profit	194.0%	29.2%	22.3%	8.3%	14.3%	3.6%
EBITDA	82.4%	15.0%	27.6%	1.0%	12.0%	6.3%
EBIT	597.3%	36.5%	52.7%	(4.8%)	14.9%	5.7%
Net profit	na	32.8%	15.1%	2.9%	18.3%	11.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	19.8%	20.0%	20.9%	21.0%	21.2%	21.1%
Operating margin	4.4%	4.6%	5.7%	6.0%	6.6%	6.4%
EBITDA margin	9.5%	8.9%	11.5%	11.3%	12.0%	12.1%
Return on equity (ROE)	5.7%	7.3%	8.1%	7.9%	8.8%	9.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	1.1	1.5	1.4	1.4	1.4	1.5
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	7.0	5.3	4.6	4.5	3.8	3.4
P/E (diluted)	7.0	5.3	4.6	4.5	3.8	3.4
P/B	0.4	0.4	0.4	0.3	0.3	0.3
P/CFPS	4.2	3.0	2.9	1.7	1.4	1.5
Div yield (%)	4.3	5.6	6.5	6.7	7.9	9.4

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

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