

Tuhu Car (9690 HK)

Still better positioned than most rivals

Maintain BUY. Tuhu's 2H24 earnings were largely in line with our expectation. We find that the profitability of Tuhu's franchised stores has been better than most auto after-market peers', as more than 90% of Tuhu's stores operating for over six months made profits in FY24. Although it remains challenging for Tuhu to achieve a YoY increase in single-store revenue metrics amid macro uncertainties, we believe store number expansion could continue to drive revenue growth over the next few years. We are of the view that the company is poised to benefit from three key trends: growing vehicle ages, consumption downgrade and the shift toward online purchasing among younger consumers.

■ **2H24 GPM slightly better than our expectation.** Tuhu's 2H24 revenue rose 7% HoH to RMB7.6bn, in line with our prior forecast. Its 2H24 gross margin fell 1ppt HoH to 24.9%, higher than our forecast by 0.5ppts, mainly due to better margins from car wash and detailing businesses. Therefore, its 2H24 net profit fell 31% HoH to RMB198mn, higher than our prior forecast by RMB39mn. Its adjusted net profit (excluding share-based payments) remained flat YoY at RMB266mn in 2H24.

■ **Both revenue growth and margins to improve in FY25E.** We expect Tuhu's revenue growth to accelerate to 12% YoY in FY25E from 8.5% YoY in FY24, as the YoY decline in single-store revenue contribution could slow down amid the recovery in consumer confidence in China. We project Tuhu's store number to rise by more than 900 YoY to about 7,800 in FY25E following the net addition of 965 stores YoY in FY24, as franchisees' willingness to open new stores has been increasing since 4Q24, according to management. We expect overall gross margin to rise 0.8ppts YoY to 26.1% in FY25E, driven by lower procurement costs amid greater economies of scale and higher sales portions from the high-margin exclusive and private-label products. The company has tried to improve customer experience and operational efficiency with AI technology. Therefore, although the advertising and promotion-related expenses may remain at a high level of about RMB160,000 per store in FY25E in a bid to grab market share, the total operating expense ratio (as % of revenue) may fall 0.7ppts YoY to 22.9% in FY25E, based on our estimates.

■ **Earnings forecasts and valuation.** We raise our FY25E net profit by 10% to RMB703mn. The adjusted net profit could rise 32% YoY to RMB826mn this year on our estimates. We maintain BUY rating and lift target price from HK\$20.00 to HK\$21.50, still based on 20x adjusted FY25E P/E. Key risks include slower network expansion, lower revenue and/or margins than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	11,547	13,601	14,759	16,470	17,759
YoY growth (%)	(1.5)	17.8	8.5	11.6	7.8
Net profit (RMB mn)	(2,136.2)	6,702.9	483.8	703.1	858.7
YoY growth (%)	na	na	(92.8)	45.3	22.1
Adjusted net profit (RMB mn)	(551.9)	481.3	624.1	826.3	970.3
EPS (Reported) (RMB)	(14.82)	20.80	0.60	0.86	1.03
P/E (x)	ns	0.8	28.3	19.7	16.4
P/E (Adjusted) (x)	ns	11.3	21.9	16.8	14.5
P/B (x)	ns	1.2	2.8	2.4	2.1
ROE (%)	na	na	10.4	13.3	13.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$21.50
(Previous TP)	HK\$20.00)
Up/Downside	18.4%
Current Price	HK\$18.16

China Auto

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	14,867.9
Avg 3 mths t/o (HK\$ mn)	35.4
52w High/Low (HK\$)	27.65/14.24
Total Issued Shares (mn)	818.7

Source: FactSet

Shareholding Structure

Tencent Holdings	19.4%
Mr. Chen Min	10.1%

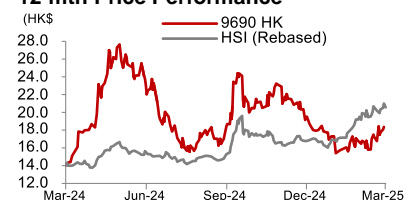
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	10.3%	2.8%
3-mth	-7.0%	-24.2%
6-mth	-2.8%	-26.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Tuhu Car \(9690 HK\) - FY25 to regain traction after 2H24 slowdown" - 22 Jan 2025](#)

Figure 1: Interim results

RMB mn	1H23	2H23	1H24	2H24	YoY	HoH
Revenue	6,522	7,079	7,126	7,633	7.8%	7.1%
Gross profit	1,578	1,781	1,846	1,900	6.7%	2.9%
Operation and support expenses	(272)	(328)	(283)	(293)	-10.6%	3.7%
R&D expenses	(298)	(282)	(302)	(338)	19.9%	11.8%
SG&A expenses	(1,027)	(1,108)	(1,094)	(1,177)	6.2%	7.6%
Operating profit	67	95	212	119	25.7%	-43.8%
Net profit	60	6,643	286	198	-97.0%	-30.6%
Adj. net profit	214	267	358	266	-0.5%	-25.7%
Gross margin	24.2%	25.2%	25.9%	24.9%	-0.3 ppt	-1.0 ppt
Operating margin	1.0%	1.3%	3.0%	1.6%	0.2 ppt	-1.4 ppt
Net margin	0.9%	93.8%	4.0%	2.6%	-91.2 ppt	-1.4 ppt
Adj. net margin	3.3%	3.8%	5.0%	3.5%	-0.3 ppt	-1.5 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,759	16,470	17,759	14,764	16,749	18,153	0.0%	-1.7%	-2.2%
Gross profit	3,746	4,305	4,723	3,712	4,311	4,805	0.9%	-0.1%	-1.7%
Operating profit	331	614	781	290	522	795	14.1%	17.6%	-1.8%
Net profit	484	703	859	445	640	882	8.7%	9.9%	-2.6%
Adj. net profit	624	826	970	601	763	994	3.8%	8.3%	-2.4%
Gross margin	25.4%	26.1%	26.6%	25.1%	25.7%	26.5%	0.2 ppt	0.4 ppt	0.1 ppt
Operating margin	2.2%	3.7%	4.4%	2.0%	3.1%	4.4%	0.3 ppt	0.6 ppt	0.0 ppt
Net margin	3.3%	4.3%	4.8%	3.0%	3.8%	4.9%	0.3 ppt	0.4 ppt	0.0 ppt
Adj. net margin	4.2%	5.0%	5.5%	4.1%	4.6%	5.5%	0.2 ppt	0.5 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	14,759	16,470	17,759	14,742	16,300	17,919	0.1%	1.0%	-0.9%
Gross Profit	3,746	4,305	4,723	3,736	4,238	4,815	0.3%	1.6%	-1.9%
Operating Profit	331	614	781	380	681	1,034	-12.9%	-9.9%	-24.5%
Net profit	484	703	859	581	821	1,101	-16.7%	-14.3%	-22.0%
Gross Margin	25.4%	26.1%	26.6%	25.3%	26.0%	26.9%	0.0 ppt	0.1 ppt	-0.3 ppt
Operating Margin	2.2%	3.7%	4.4%	2.6%	4.2%	5.8%	-0.3 ppt	-0.5 ppt	-1.4 ppt
Net Margin	3.3%	4.3%	4.8%	3.9%	5.0%	6.1%	-0.7 ppt	-0.8 ppt	-1.3 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	11,724	11,547	13,601	14,759	16,470	17,759
Cost of goods sold	(9,854)	(9,277)	(10,242)	(11,013)	(12,166)	(13,036)
Gross profit	1,870	2,270	3,359	3,746	4,305	4,723
Operating expenses	(3,184)	(3,034)	(3,198)	(3,415)	(3,691)	(3,942)
Selling expense	(1,681)	(1,542)	(1,715)	(1,916)	(2,125)	(2,307)
Admin expense	(351)	(399)	(420)	(355)	(382)	(394)
R&D expense	(620)	(621)	(580)	(640)	(668)	(694)
Other rental related expenses	(654)	(627)	(600)	(577)	(601)	(630)
Others	122	156	117	73	85	82
Operating profit	(1,314)	(764)	162	331	614	781
Other gains/(losses)	(4,441)	(1,339)	6,465	0	0	0
Share of (losses)/profits of associates/JV	(53)	(34)	(11)	(12)	(7)	(6)
EBITDA	(5,440)	(1,716)	7,106	819	1,155	1,412
Depreciation	121	157	160	156	181	218
Depreciation of ROU assets	182	203	196	154	173	196
Other amortisation	2	4	5	5	5	6
EBIT	(5,744)	(2,080)	6,744	503	795	992
Interest income	64	57	129	183	189	218
Interest expense	(66)	(28)	(19)	(16)	(16)	(19)
Pre-tax profit	(5,810)	(2,108)	6,725	487	779	973
Income tax	(35)	(31)	(25)	(5)	(78)	(117)
After tax profit	(5,845)	(2,138)	6,701	482	701	857
Minority interest	4	2	2	2	2	2
Net profit	(5,841)	(2,136)	6,703	484	703	859
Adjusted net profit	(1,264)	(552)	481	624	826	970

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	7,746	6,906	8,271	8,977	10,460	11,541
Cash & equivalents	1,472	2,686	2,715	2,126	3,173	4,288
Restricted cash	2,480	1,507	1,455	1,326	1,433	1,388
Account receivables	203	174	218	243	271	292
Inventories	1,714	1,543	1,800	1,810	2,000	2,143
Financial assets at FVTPL	1,338	540	1,587	2,988	3,087	2,944
Other current assets	539	456	496	485	496	487
Non-current assets	2,086	2,108	3,493	3,507	3,812	4,265
PP&E	539	671	899	1,032	1,189	1,261
Right-of-use assets	518	468	467	394	429	490
Investment in JVs & assos	194	279	363	351	344	338
Intangibles	63	70	58	54	52	51
Goodwill	16	16	20	20	20	20
Financial assets at FVTPL	201	227	191	176	168	160
Other non-current assets	555	378	1,495	1,480	1,609	1,945
Total assets	9,832	9,014	11,765	12,485	14,272	15,807
Current liabilities	5,743	5,572	6,602	6,858	7,679	8,066
Short-term borrowings	264	0	1	8	0	0
Account payables	3,240	3,119	3,887	4,073	4,666	4,822
Tax payable	68	97	120	117	184	287
Other current liabilities	1,464	1,566	1,720	1,810	1,933	2,000
Lease liabilities	148	137	132	88	94	122
Contract liabilities	559	653	743	763	801	835
Non-current liabilities	19,454	22,398	704	785	905	1,053
Long-term borrowings	0	0	8	50	100	150
Other non-current liabilities	19,454	22,398	697	735	805	903
Total liabilities	25,197	27,971	7,306	7,643	8,584	9,118
Share capital	0	0	0	0	0	0
Other reserves	(15,367)	(18,957)	4,460	4,845	5,693	6,695
Total shareholders equity	(15,367)	(18,957)	4,460	4,845	5,693	6,696
Minority interest	2	0	(2)	(3)	(5)	(7)
Total equity and liabilities	9,832	9,014	11,765	12,485	14,272	15,807

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,810)	(2,108)	6,725	487	779	973
Depreciation & amortization	305	364	362	316	359	419
Tax paid	(2)	(1)	(5)	(8)	(10)	(12)
Change in working capital	771	(197)	269	382	345	64
Others	4,638	1,630	(6,330)	20	(6)	(44)
Net cash from operations	(99)	(313)	1,021	1,197	1,467	1,401
Investing						
Capital expenditure	(347)	(401)	(362)	(291)	(344)	(295)
Acquisition of subsidiaries/ investments	(32)	(136)	(69)	0	0	0
Net proceeds from disposal of short-term investments	(518)	1,346	(2,108)	(1,335)	(99)	(57)
Others	(21)	(328)	167	188	189	218
Net cash from investing	(918)	481	(2,372)	(1,438)	(254)	(135)
Financing						
Net borrowings	(1,749)	(264)	(1)	49	43	50
Proceeds from share issues	0	0	1,168	0	0	0
Share repurchases	0	0	0	(191)	0	0
Others	3,157	1,200	182	(206)	(207)	(201)
Net cash from financing	1,408	936	1,350	(348)	(165)	(151)
Net change in cash						
Cash at the beginning of the year	1,165	1,472	2,686	2,715	2,126	3,173
Exchange difference	(84)	109	30	0	0	0
Cash at the end of the year	1,472	2,686	2,715	2,126	3,173	4,288
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	33.9%	(1.5%)	17.8%	8.5%	11.6%	7.8%
Gross profit	73.2%	21.4%	48.0%	11.5%	14.9%	9.7%
Operating profit	na	na	na	104.9%	85.4%	27.2%
EBITDA	na	na	na	(88.5%)	41.0%	22.3%
EBIT	na	na	na	(92.5%)	58.2%	24.8%
Net profit	na	na	na	(92.8%)	45.3%	22.1%
Adj. net profit	na	na	na	29.7%	32.4%	17.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	16.0%	19.7%	24.7%	25.4%	26.1%	26.6%
Operating margin	(11.2%)	(6.6%)	1.2%	2.2%	3.7%	4.4%
EBITDA margin	(46.4%)	(14.9%)	52.2%	5.5%	7.0%	7.9%
Adj. net profit margin	(10.8%)	(4.8%)	3.5%	4.2%	5.0%	5.5%
Return on equity (ROE)	na	na	na	10.4%	13.3%	13.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	na	na	(0.9)	(0.7)	(0.8)	(0.9)
Current ratio (x)	1.3	1.2	1.3	1.3	1.4	1.4
Receivable turnover days	6.3	5.5	5.9	6.0	6.0	6.0
Inventory turnover days	63.5	60.7	64.1	60.0	60.0	60.0
Payable turnover days	120.0	122.7	138.5	135.0	140.0	135.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	0.8	28.3	19.7	16.4
P/E (diluted)	ns	ns	28.3	22.7	17.2	14.7
P/B	ns	ns	1.2	2.8	2.4	2.1
P/CFPS	ns	ns	5.3	11.4	9.5	10.0
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report. Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.