

Great Wall Motor (2333 HK/601633 CH)

Wey could be key to FY25 earnings growth

Maintain BUY. Great Wall's 4Q24 earnings were a mixed bag, in our view, as revenue missed but GPM and SG&A expenses beat our prior estimates. We believe a stronger model cycle in FY25E than FY24 could be a positive catalyst for its share price. In particular, new Wey-brand models could be key to Great Wall's sales volume and profit growth in FY25E. We still see room for Great Wall's overseas sales growth, as it expands its footprint in Latin America.

■ **4Q24 revenue miss, GPM and SG&A beat.** Although Great Wall's 4Q24 net profit was in line with the company's preliminary results announced in Jan 2025, its 4Q24 revenue missed our prior forecast by 9%, as the average selling price (ASP) declined QoQ. 4Q24 GPM without the warranty provision adjustment was 19.1%, or 0.4ppts higher than our projection. 4Q24 SG&A expenses (incl. warranty provision) were about RMB900mn lower than our forecast. Forex loss from ruble depreciation was also lower than most of its peers.

■ **FY25E outlook.** We project FY25E sales volume to rise 9% YoY to 1.35mn units (10,000 units lower than our prior forecast), driven by the Haval and Wey brands. A plethora of new models (likely 3 for Haval and 3 for Wey) in FY25E and overseas growth (+28% YoY to 0.58mn units in FY25E) are key to FY25E sales volume, in our view. We also expect vehicle ASP to continue rising 1% YoY in FY25E to about RMB143,000, aided by higher sales contribution from Wey.

We project Great Wall's FY25E gross profit to rise RMB3.0bn YoY to RMB42.5bn, with 36% of the growth being from Wey, as sales volume growth from Tank slows down. We also expect its net cash position to be further strengthened in FY25E, which could lift net finance income. A possible forex gain in FY25E could also aid Great Wall's net profit. Taken together, we cut our FY25E net profit estimates by 5% to RMB13.1bn, as we revise down its overseas ASP and GPM slightly.

■ **Valuation/Key risks.** We maintain our BUY rating for both A and H shares. Our H-share target price of HK\$17.00 is based on 10x (unchanged) our revised FY25E EPS and our A-share target price of RMB32.00 is based on Great Wall's current A/H premium of about 100% (vs. the average A/H premium of about 120% in the past 12 months). Key risks to our rating and target prices include lower sales volume and margins, slower tech transformation than we expect, as well as a sector de-rating.

Earnings Summary - 2333 HK

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	137,340	173,212	202,195	221,460	238,775
YoY growth (%)	0.7	26.1	16.7	9.5	7.8
Net profit (RMB mn)	8,266.0	7,021.6	12,692.2	13,130.0	12,895.7
YoY growth (%)	22.9	(15.1)	80.8	3.4	(1.8)
EPS (Reported) (RMB)	0.91	0.82	1.49	1.53	1.50
P/E (x)	14.5	16.3	8.9	8.7	8.9
P/B (x)	1.8	1.7	1.4	1.3	1.2
Yield (%)	2.1	2.2	3.4	3.5	3.4
ROE (%)	13.0	10.5	17.2	15.6	13.7

Source: Company data, Bloomberg, CMBIGM estimates

	2333 HK	601633 CH
	BUY	BUY
	Maintain	Maintain

TP	HK\$17.00	RMB32.00
Prior TP	HK\$17.00	RMB35.00
Up/Downside	19.7%	21.1%
Current Price	HK\$14.2	RMB26.4

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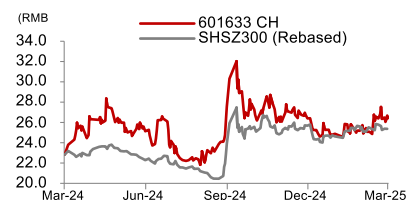
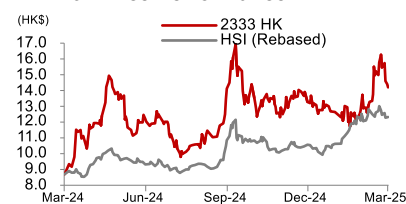
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12-mth Price Performance



Source: FactSet

Stock Performance

	2333 HK		601633 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	10.2%	8.0%	6.1%	9.5%
3-mth	6.9%	-8.3%	0.1%	8.7%
6-mth	0.6%	-11.4%	-4.1%	-4.9%

Source: FactSet

Stock Data

(LC)	2333 HK	601633 CH
Mkt Cap (mn)	121589.7	226225.3
Avg 3 mths t/o (mn)	437.07	520.91
52w High	16.94	32.03
52w Low	9.17	21.83
Issued Shares (mn)	8562.655	8562.655

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	YoY	QoQ
Sales volume (units)	220,074	298,722	344,819	366,659	275,333	279,523	294,144	379,479	3.5%	29.0%
ASP (RMB)	131,949	137,026	143,648	146,481	155,665	173,757	172,791	157,957	7.8%	-8.6%
Revenue	29,039	40,933	49,532	53,709	42,860	48,569	50,825	59,941	11.6%	17.9%
Gross profit	4,666	7,124	10,728	8,921	8,587	10,374	10,574	9,913	11.1%	-6.3%
R&D expenses	(1,534)	(1,975)	(1,992)	(2,553)	(1,960)	(2,225)	(2,014)	(3,086)	20.9%	53.2%
SG&A expenses	(2,515)	(2,810)	(2,876)	(3,822)	(2,708)	(3,097)	(3,437)	(3,345)	-12.5%	-2.7%
Operating profit	(71)	1,296	4,130	1,846	3,633	4,501	3,725	2,062	11.7%	-44.6%
Net profit	174	1,187	3,634	2,027	3,228	3,851	3,350	2,264	11.7%	-32.4%
Gross margin	16.1%	17.4%	21.7%	16.6%	20.0%	21.4%	20.8%	16.5%	-0.1 ppts	-4.3 ppts
Operating margin	-0.2%	3.2%	8.3%	3.4%	8.5%	9.3%	7.3%	3.4%	0.0 ppts	-3.9 ppts
Net margin	0.6%	2.9%	7.3%	3.8%	7.5%	7.9%	6.6%	3.8%	0.0 ppts	-2.8 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	202,195	221,460	238,775	208,035	234,600	257,100	-2.8%	-5.6%	-7.1%
Gross profit	39,449	42,472	45,353	41,826	47,333	51,052	-5.7%	-10.3%	-11.2%
Operating profit	13,921	14,342	14,244	14,279	15,349	15,541	-2.5%	-6.6%	-8.3%
Net profit	12,692	13,130	12,896	12,772	13,868	13,928	-0.6%	-5.3%	-7.4%
Gross margin	19.5%	19.2%	19.0%	20.1%	20.2%	19.9%	-0.6 ppts	-1.0 ppts	-0.9 ppts
Operating margin	6.9%	6.5%	6.0%	6.9%	6.5%	6.0%	0.0 ppts	-0.1 ppts	-0.1 ppts
Net margin	6.3%	5.9%	5.4%	6.1%	5.9%	5.4%	0.1 ppts	0.0 ppts	0.0 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	202,195	221,460	238,775	203,654	236,442	266,798	-0.7%	-6.3%	-10.5%
Gross profit	39,449	42,472	45,353	42,006	49,071	55,609	-6.1%	-13.4%	-18.4%
Operating profit	13,921	14,342	14,244	13,570	15,485	17,658	2.6%	-7.4%	-19.3%
Net profit	12,692	13,130	12,896	12,586	14,491	16,643	0.8%	-9.4%	-22.5%
Gross margin	19.5%	19.2%	19.0%	20.6%	20.8%	20.8%	-1.1 ppts	-1.6 ppts	-1.8 ppts
Operating margin	6.9%	6.5%	6.0%	6.7%	6.5%	6.6%	0.2 ppts	-0.1 ppts	-0.7 ppts
Net margin	6.3%	5.9%	5.4%	6.2%	6.1%	6.2%	0.1 ppts	-0.2 ppts	-0.8 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	136,405	137,340	173,212	202,195	221,460	238,775
Cost of goods sold	(114,367)	(110,739)	(141,772)	(162,747)	(178,988)	(193,422)
Gross profit	22,037	26,601	31,440	39,449	42,472	45,353
Operating expenses	(17,959)	(22,335)	(26,062)	(29,281)	(32,215)	(35,155)
Selling expense	(5,192)	(5,876)	(7,286)	(7,830)	(8,701)	(9,023)
Admin expense	(4,043)	(4,893)	(4,735)	(4,756)	(4,860)	(5,136)
R&D expense	(4,490)	(6,445)	(8,054)	(9,284)	(10,571)	(12,161)
Others	(4,234)	(5,121)	(5,986)	(7,409)	(8,083)	(8,835)
Operating profit	4,078	4,265	5,378	10,168	10,257	10,198
Other income	1,161	886	744	435	500	500
Other expense	(47)	(46)	(121)	(72)	(100)	(100)
Gain/loss on financial assets at FVTPL	306	50	(26)	42	0	0
Investment gain/loss	1,109	671	761	877	966	967
Other gains/(losses)	427	492	962	2,924	2,319	2,023
EBITDA	13,547	16,132	16,599	25,318	26,840	28,573
Depreciation	3,928	4,000	4,081	4,722	5,030	5,315
Depreciation of ROU assets	216	427	463	740	1,099	1,429
Other amortisation	1,449	2,182	3,284	4,691	5,463	6,746
EBIT	7,954	9,523	8,771	15,165	15,248	15,083
Interest income	313	475	249	299	640	1,096
Interest expense	(472)	(716)	(947)	(882)	(505)	(439)
Net Interest income/(expense)	448	2,488	126	(91)	800	1,056
Foreign exchange gain/loss	147	2,027	(127)	(343)	200	0
Pre-tax profit	7,482	8,807	7,824	14,283	14,742	14,644
Income tax	(757)	(554)	(801)	(1,591)	(1,622)	(1,757)
After tax profit	6,725	8,253	7,023	12,692	13,121	12,887
Minority interest	1	13	(1)	(0)	9	9
Net profit	6,726	8,266	7,022	12,692	13,130	12,896
Gross dividends	3,418	2,534	2,563	3,853	3,939	3,869

BALANCE SHEET	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	108,366	107,681	118,584	133,435	149,067	168,224
Cash & equivalents	33,048	35,773	38,337	30,741	40,856	55,092
Account receivables	41,497	33,919	41,235	54,149	55,820	58,876
Inventories	13,966	22,375	26,628	25,408	29,423	31,795
Prepayment	1,749	2,229	3,873	1,942	1,962	1,855
Financial assets at FVTPL	414	495	0	0	0	0
Other current assets	17,691	12,890	8,511	21,195	21,007	20,606
Non-current assets	67,042	77,677	82,686	83,831	84,631	84,923
PP&E	27,441	26,949	30,235	30,014	30,993	29,698
Right-of-use assets	227	1,093	736	1,831	1,932	1,503
Deferred income tax	2,777	3,253	4,660	5,450	5,450	5,450
Investment in JVs & assos	9,524	10,286	10,751	11,551	12,204	12,862
Intangibles	7,091	8,197	11,310	12,345	13,052	13,125
Goodwill	28	28	28	28	28	28
Financial assets at FVTPL	871	1,615	2,128	1,771	1,771	1,771
Other non-current assets	19,083	26,256	22,838	20,841	19,200	20,486
Total assets	175,408	185,357	201,270	217,266	233,698	253,147
Current liabilities	95,597	95,802	110,835	122,229	128,433	138,527
Short-term borrowings	8,721	10,425	12,221	9,597	6,200	6,500
Account payables	74,793	71,638	81,488	93,844	102,979	111,284
Other current liabilities	11,932	13,337	16,771	18,048	18,399	19,853
Lease liabilities	151	402	354	739	854	889
Non-current liabilities	17,683	24,339	21,926	16,041	16,452	15,634
Long-term borrowings	8,917	15,600	13,331	6,639	6,439	5,939
Convertible bonds	3,215	3,317	3,418	3,517	3,484	2,833
Deferred income	4,113	3,585	3,198	3,455	3,883	4,151
Other non-current liabilities	1,437	1,838	1,979	2,431	2,646	2,711
Total liabilities	113,280	120,141	132,762	138,270	144,885	154,161
Share capital	9,236	8,765	8,498	8,556	8,582	8,637
Capital surplus	10,907	6,690	6,927	9,964	10,576	11,746

Retained earnings	41,893	49,177	52,729	61,431	70,622	79,649
Other reserves	89	570	348	(964)	(967)	(1,036)
Total shareholders equity	62,124	65,201	68,501	78,988	88,814	98,996
Minority interest	4	15	8	8	(1)	(10)
Total equity and liabilities	175,408	185,357	201,270	217,266	233,698	253,147

CASH FLOW	2021A	2022A	2023A	2024A	2025E	2026E
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YE 31 Dec (RMB mn)**Operating**

Profit before taxation	7,482	8,807	7,824	14,283	14,742	14,644
Depreciation & amortization	5,594	6,609	7,828	10,153	11,593	13,490
Tax paid	(757)	(554)	(801)	(1,591)	(1,622)	(1,757)
Change in working capital	24,154	(1,909)	3,521	4,382	2,864	2,277
Others	(1,156)	(642)	(618)	555	(1,049)	291
Net cash from operations	35,316	12,311	17,754	27,783	26,528	28,944

Investing

Capital expenditure	(13,091)	(16,301)	(16,713)	(11,737)	(11,884)	(13,318)
Acquisition of subsidiaries/ investments	(36,849)	(18,945)	(14,139)	(75,457)	0	0
Net proceeds from disposal of short-term investments	37,251	23,699	18,362	63,169	200	200
Others	1,515	1,042	2,039	730	2,543	1,910
Net cash from investing	(11,175)	(10,505)	(10,451)	(23,296)	(9,141)	(11,208)

Financing

Dividend paid	(5,340)	(647)	(2,563)	(3,853)	(3,939)	(3,869)
Net borrowings	(92)	8,925	526	(8,686)	(4,467)	(1,100)
Others	(4,200)	(11,412)	3,089	361	1,134	1,468
Net cash from financing	(9,632)	(3,133)	1,052	(12,178)	(7,272)	(3,500)

Net change in cash

Cash at the beginning of the year	13,591	27,908	26,899	35,272	27,210	37,325
Exchange difference	(192)	317	18	(371)	0	0
Cash at the end of the year	27,908	26,899	35,272	27,210	37,325	51,561

GROWTH	2021A	2022A	2023A	2024A	2025E	2026E
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YE 31 Dec

Revenue	32.0%	0.7%	26.1%	16.7%	9.5%	7.8%
Gross profit	24.0%	20.7%	18.2%	25.5%	7.7%	6.8%
Operating profit	(16.1%)	4.6%	26.1%	89.1%	0.9%	(0.6%)
EBITDA	19.2%	19.1%	2.9%	52.5%	6.0%	6.5%
EBIT	22.5%	19.7%	(7.9%)	72.9%	0.5%	(1.1%)
Net profit	25.4%	22.9%	(15.1%)	80.8%	3.4%	(1.8%)

PROFITABILITY	2021A	2022A	2023A	2024A	2025E	2026E
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YE 31 Dec

Gross profit margin	16.2%	19.4%	18.2%	19.5%	19.2%	19.0%
Operating margin	3.0%	3.1%	3.1%	5.0%	4.6%	4.3%
EBITDA margin	9.9%	11.7%	9.6%	12.5%	12.1%	12.0%
Return on equity (ROE)	11.3%	13.0%	10.5%	17.2%	15.6%	13.7%

GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024A	2025E	2026E
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YE 31 Dec

Current ratio (x)	1.1	1.1	1.1	1.1	1.2	1.2
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VALUATION	2021A	2022A	2023A	2024A	2025E	2026E
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YE 31 Dec

P/E	18.1	14.5	16.3	8.9	8.7	8.9
P/B	2.0	1.8	1.7	1.4	1.3	1.2
P/CFPS	3.4	9.7	6.4	4.1	4.3	3.9
Div yield (%)	2.8	2.1	2.2	3.4	3.5	3.4

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

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NOT RATED : Stock is not rated by CMBIGM

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