

EVA Holdings (838 HK)

Poised to grow faster in FY25-26E

Maintain BUY. We believe that EVA is well positioned for higher growth in revenue and profit in the next two years, aided by more higher-margin tier-1 business in both China and Mexico, new businesses including AI server control box components and robot assembly, as well as improving operational efficiency. EVA's current dividend yield is about 5.4%.

■ **On track to tier-1 transformation.** EVA's auto component revenue rose 4% YoY to HK\$1,955mn in FY24, with its tier-1 business making up about 40%. More than 60% of its current order backlog is from tier-1 business. Revenue from Great Wall Motor (2333 HK/601633 CH, BUY) rose 24% YoY to HK\$420mn in FY24. It is the 2nd largest client for EVA's auto components business after Faurecia now. We project revenue from Great Wall to rise by HK\$80mn YoY in FY25E. The largest auto components revenue increase could come from Changan (000625 CH, NR) in FY25E, based on its current order backlog of more than HK\$1bn. We expect revenue from Changan to rise by HK\$180mn in FY25E. Accordingly, we project auto components revenue in FY25E to rise 12% YoY, driven by tier-1 business.

■ **Mexico plant may benefit from more tier-1 business and the current tariffs.** Revenue from Mexico rose 9% YoY to HK\$927mn in FY24 and the plant continued to be profitable for two years in a row. We are of the view that its Mexico plant needs more tier-1 business in order to be more profitable, although Faurecia has already raised prices since FY23. In fact, EVA has been laying the foundation for such transformation, in our opinion. Stellantis (STLA US, NR) may start to contribute revenue in Mexico from FY25E with higher margins. EVA's auto components supplied to Tesla are likely to expand from front seat frames to chassis and body parts from FY26E.

It appears to us that the Trump Administration's current tariff policies could benefit auto parts plants in Mexico given the new tariff exemption now. In the base scenario, EVA is at least not worse off with the current US-Mexico-Canada Agreement, in our view.

■ **Improving operational efficiency.** Although EVA's transition to a tier-1 supplier has not been fully reflected in its revenue and net profit yet, its operational efficiency has been improved, in our view. Gross margin in FY24 widened by 0.9ppts YoY to 21.8%. We estimate that gross margin for auto components widened by 0.4ppts to 21% in FY24. Net debt narrowed from HK\$755mn in FY23 to HK\$472mn in FY24. The 5% YoY decline in operating profit mainly came from higher R&D expenses, depreciation and amortization expenses, as well as forex losses. Its cash conversion days also improved from 44 days in FY23 to 40 days in FY24.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (HK\$ mn)	6,268	6,183	6,297	6,618	6,970
YoY growth (%)	22.7	(1.4)	1.8	5.1	5.3
Net profit (HK\$ mn)	206.0	237.1	243.5	277.8	321.8
YoY growth (%)	32.8	15.1	2.7	14.1	15.8
EPS (Reported) (HK\$)	0.12	0.14	0.14	0.16	0.19
P/E (x)	6.6	5.7	5.6	4.8	4.2
P/B (x)	0.5	0.5	0.4	0.4	0.4
Yield (%)	4.5	5.2	5.4	6.2	7.7
ROE (%)	7.3	8.1	7.9	8.6	9.3

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$1.30
Up/Downside	66.7%
Current Price	HK\$0.78

China Auto

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	1,357.9
Avg 3 mths t/o (HK\$ mn)	2.9
52w High/Low (HK\$)	0.86/0.60
Total Issued Shares (mn)	1740.9

Source: FactSet

Shareholding Structure

Zhang Hwo Jie's Family	42.0%
Others	58.0%

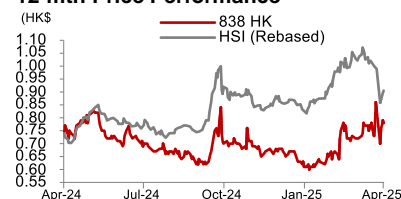
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	8.3%	23.2%
3-mth	27.9%	16.6%
6-mth	11.4%	13.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["EVA Holdings \(838 HK\) - 2H24 preview: both revenue, NP stable HoH"- 3 Feb 2025](#)

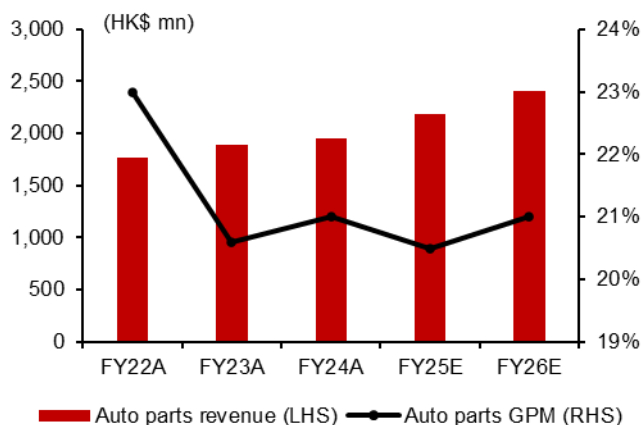
- **New businesses to support future growth: server control box and robot assembly.** Revenue from server control box and case components (under the office automation (OA) segment now) reached HK\$275mn in FY24, according to management. Huawei and xFusion are EVA's largest clients now, combined accounting for more than 90% of the segment's FY24 revenue. Management expects such revenue to exceed HK\$400mn in FY25E with net profit doubling YoY, as it has become Huawei's major supplier of server structural parts, with possibly significant market share increase. EVA is currently involved in the mould development and parts production, which probably has a revenue potential of HK\$1bn in China. In the medium-to long-term, EVA could expand its business into design and production of other parts of servers, which could lift its revenue potential a few times higher. With its production base in Mexico, EVA could also explore such business in North America.

EVA has also started humanoid robot arm assembly from this year in order to tap into the potential robot boom. We expect revenue and profit contribution to be significant from FY26E.

- **Earnings/Valuation.** We project EVA's auto components revenue to rise 12% YoY to HK\$2.2bn in FY25E, driven by Great Wall and Changan. We project its OA revenue to rise 2% YoY to HK\$4.4bn, aided by the server control box business. We take a conservative approach in EVA's gross margin forecast (21.5% in FY25E vs. 21.8% in FY24) to account for possibly higher initial costs for new businesses and customers. We project EVA's operating profit to surge 16% YoY to HK\$432mn in FY25E. We also lower our finance cost forecast to HK\$104mn in FY25E with lowered debt level. Accordingly, we estimate its FY25E net profit to rise 14% YoY to HK\$278mn, taking a possibly higher tax rate into consideration. We project its FY26E net profit to rise 16% YoY to HK\$322mn, as new businesses and customers start to contribute more significant revenue and profit.

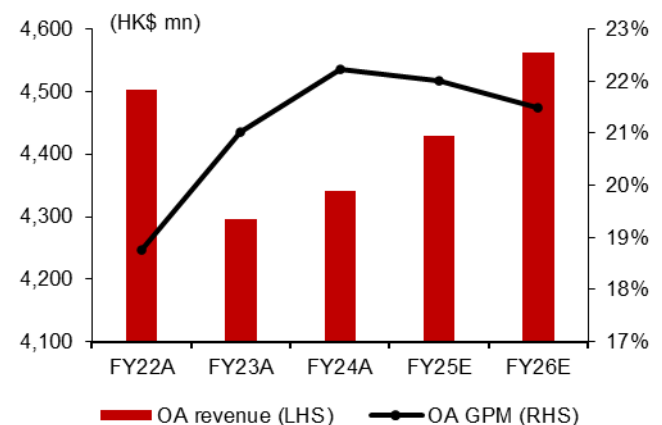
We maintain our BUY rating and target price of HK\$1.30, based on the sum-of-the-parts (SOTP) valuation (details in Figure 6). We value its auto components business at HK\$0.45 (unchanged) per share, still based on 11x our revised FY25E P/E. We value its OA business at HK\$0.85 (unchanged) per share, 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 gross margin than we expect.

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: Interim results

RMB mn	1H22	2H22	1H23	2H23	1H24	2H24	YoY	HoH
Revenue	2,940	3,328	2,862	3,321	3,000	3,297	-0.7%	9.9%
Gross profit	565	686	545	747	603	773	3.5%	28.3%
Selling expenses	(124)	(245)	(125)	(201)	(117)	(202)	0.4%	72.6%
Admin expenses	(333)	(282)	(289)	(372)	(304)	(388)	4.4%	27.5%
Operating profit	121	152	189	202	196	183	-9.4%	-6.7%
Net profit	103	103	123	114	128	122	6.4%	-4.7%
Operating margin	19.2%	20.6%	19.0%	22.5%	20.1%	23.4%	1.0 pts	3.4 pts
Net margin	4.1%	4.6%	6.6%	6.1%	6.5%	5.5%	-0.5 pts	-1.0 pts
Revenue	3.5%	3.1%	4.3%	3.4%	4.3%	3.7%	0.2 pts	-0.6 pts

Source: Company data, CMBIGM estimate

Figure 4: Earnings revision

RMB mn	FY24A	New FY25E	FY26E	FY24E	Old FY25E	FY26E	FY24E	Diff (%) FY25E	FY26E
Revenue	6,297	6,618	6,970	6,358	6,687	7,046	-1.0%	-1.0%	-1.1%
Gross profit	1,376	1,423	1,487	1,334	1,416	1,485	3.1%	0.5%	0.1%
Operating profit	373	432	474	372	445	472	0.2%	-2.9%	0.5%
Net profit	244	278	322	244	289	322	-0.2%	-3.9%	-0.1%
Gross margin	21.8%	21.5%	21.3%	21.0%	21.2%	21.1%	0.9 pts	0.3 pts	0.3 pts
Operating margin	5.9%	6.5%	6.8%	5.9%	6.7%	6.7%	0.1 pts	-0.1 pts	0.1 pts
Net margin	3.9%	4.2%	4.6%	3.8%	4.3%	4.6%	0.0 pts	-0.1 pts	0.0 pts

Source: CMBIGM estimates

Figure 5: CMBI estimates vs consensus

RMB mn	FY24A	CMBIGM FY25E	FY26E	FY24E	Consensus FY25E	FY26E	FY24E	Diff (%) FY25E	FY26E
Revenue	6,297	6,618	6,970	6,358	6,687	7,046	-1.0%	-1.0%	-1.1%
Gross profit	1,376	1,423	1,487	1,334	1,416	1,485	3.1%	0.5%	0.1%
Operating profit	373	432	474	372	445	472	0.2%	-2.9%	0.5%
Net profit	244	278	322	244	289	322	-0.2%	-3.9%	-0.1%
Gross margin	21.8%	21.5%	21.3%	21.0%	21.2%	21.1%	0.9 pts	0.3 pts	0.3 pts
Operating margin	5.9%	6.5%	6.8%	5.9%	6.7%	6.7%	0.1 pts	-0.1 pts	0.1 pts
Net margin	3.9%	4.2%	4.6%	3.8%	4.3%	4.6%	0.0 pts	-0.1 pts	0.0 pts

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	70	11x	780	0.45
Office automation	208	7x	1,483	0.85
SOTP			2,263	1.30

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (HK\$ mn)						
Revenue	5,109	6,268	6,183	6,297	6,618	6,970
Cost of goods sold	(4,096)	(5,017)	(4,891)	(4,921)	(5,195)	(5,484)
Gross profit	1,013	1,251	1,292	1,376	1,423	1,487
Operating expenses	(789)	(962)	(938)	(969)	(998)	(1,026)
Selling expense	(315)	(369)	(326)	(319)	(328)	(336)
Admin expense	(506)	(615)	(661)	(693)	(717)	(744)
Others	32	22	49	42	47	54
Operating profit	224	289	354	406	425	461
Gain/loss on financial assets at FVTPL	(24)	(8)	0	0	0	0
Other gains/(losses)	(5)	(8)	37	(27)	7	19
Share of (losses)/profits of associates/JV	0	(0)	(0)	(8)	(1)	(1)
EBITDA	483	556	709	702	785	848
Depreciation	241	229	243	274	290	312
Depreciation of ROU assets	33	42	31	30	32	33
Other amortisation	2	2	2	1	1	1
EBIT	208	283	433	398	463	502
Interest income	13	10	42	32	31	29
Interest expense	(28)	(53)	(129)	(121)	(104)	(84)
Pre-tax profit	180	231	304	276	358	418
Income tax	(25)	(25)	(67)	(33)	(81)	(96)
After tax profit	155	206	237	244	278	322
Minority interest	0	0	0	0	0	0
Net profit	155	206	237	244	278	322
Gross dividends	47	61	71	73	83	103

BALANCE SHEET	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (HK\$ mn)						
Current assets	3,642	4,297	4,319	4,312	4,356	4,518
Cash & equivalents	1,318	1,722	1,611	1,739	1,577	1,599
Account receivables	1,382	1,681	1,820	1,794	1,886	1,967
Inventories	688	639	641	640	655	691
Prepayment	150	146	143	65	139	146
ST bank deposits	103	109	104	74	100	115
Non-current assets	2,932	2,960	3,122	3,163	3,181	3,170
PP&E	2,418	2,454	2,682	2,681	2,726	2,734
Right-of-use assets	384	378	294	335	317	294
Deferred income tax	7	7	5	4	4	4
Investment in JVs & assos	35	31	30	21	20	19
Intangibles	8	6	4	3	3	3
Other non-current assets	81	86	107	119	110	115
Total assets	6,574	7,257	7,440	7,475	7,537	7,688
Current liabilities	3,226	2,859	3,040	2,812	2,881	2,806
Short-term borrowings	1,448	966	1,149	848	883	709
Account payables	1,373	1,490	1,492	1,510	1,580	1,668
Other current liabilities	307	261	287	301	305	321
Lease liabilities	31	44	15	21	20	18
Contract liabilities	68	99	96	132	93	91
Non-current liabilities	559	1,559	1,403	1,521	1,318	1,312
Long-term borrowings	460	1,460	1,321	1,437	1,237	1,237
Other non-current liabilities	99	99	82	84	81	76
Total liabilities	3,785	4,418	4,442	4,333	4,198	4,119
Share capital	175	174	174	174	172	172
Other reserves	2,614	2,664	2,824	2,968	3,166	3,397
Total shareholders equity	2,788	2,838	2,998	3,142	3,339	3,569
Total equity and liabilities	6,574	7,257	7,440	7,475	7,537	7,688

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (HK\$ mn)						
Operating						
Profit before taxation	180	231	304	276	358	418
Depreciation & amortization	276	272	276	305	323	346
Tax paid	(10)	(26)	(53)	(33)	(81)	(96)
Change in working capital	(213)	(134)	(139)	165	(134)	(29)
Others	27	30	(13)	145	113	96
Net cash from operations	259	372	375	858	580	735
Investing						
Capital expenditure	(368)	(339)	(401)	(290)	(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)	32	(9)	5
Net cash from investing	(337)	(346)	(424)	(258)	(370)	(347)
Financing						
Dividend paid	(21)	(57)	(67)	(73)	(68)	(91)
Net borrowings	6	518	35	(119)	(266)	(255)
Share repurchases	0	(11)	0	0	(15)	0
Others	(3)	(35)	(24)	(22)	(22)	(20)
Net cash from financing	(18)	415	(56)	(213)	(371)	(366)
Net change in cash						
Cash at the beginning of the year	1,406	1,318	1,722	1,611	1,739	1,577
Exchange difference	9	(37)	(7)	0	0	0
Cash at the end of the year	1,318	1,722	1,611	1,997	1,577	1,599

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.