

# Minth Group (425 HK)

## Well on track; new businesses as a call option

**Maintain BUY.** We are of the view that Minth's 1H25 earnings were well on track and more importantly, its key operating metrics such as new orders, R&D, capex and cash flow are solid. We still believe Minth is better positioned than most peers in the global auto parts industry. We expect steady revenue growth to continue in the next few years, with possible positive surprise from new businesses.

- **1H25 earnings largely in line.** Minth's revenue rose 11% YoY in 1H25, largely in line with our prior forecast. During the period, GPM narrowed by 0.2ppts YoY to 28.3%, slightly lower than our expectation. SG&A and R&D ratios combined narrowed by 1.3ppts YoY to 16.6%, better than our projections. That led to an in-line net profit of RMB1.3bn in 1H25.
- **We expect steady revenue growth to continue with possible spike from new businesses.** We view Minth's key operating metrics including new business orders, R&D, capex, localization and cash flow as solid in 1H25, which gives us more confidence in its operational efficiency capabilities. That reaffirms our previous view that Minth is better positioned than most peers in the global auto parts industry. We project Minth's revenue to rise 12% and 13% YoY in FY26-27E, respectively, based on its rising order backlog, with minimal expectation for robotic and eVTOL products. Revenue growth could even be higher, should any new business reach an inflection point. We believe Minth has learnt a hard lesson in evaluating investment return in a new business during FY21-23 when it deployed capital heavily in a bid to expand its businesses.
- **Earnings/Valuation.** We project Minth's GPM to be 28.5%-28.7% during FY25-27E, vs. 28.9% in FY24, as economies of scale are to partially offset slightly-lower-margin battery housing's higher sales contribution. With strict cost control in SG&A, we estimate its net profits to rise 15%/15%/19% YoY to RMB2.7bn/3.1bn/3.7bn in FY25-27E, respectively. We maintain our BUY rating and raise target price from HK\$26.00 to HK\$38.00, based on 13x our revised FY26E EPS (prior 10x FY25E). We believe such valuation multiple is justified given Minth's early exposure in new businesses with high growth potential and improved market sentiment. Key risks to our rating and target price include lower revenue/margins, higher risks in overseas operation than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	20,524	23,147	25,797	28,968	32,652
YoY growth (%)	18.6	12.8	11.4	12.3	12.7
Net profit (RMB mn)	1,903.2	2,319.3	2,669.2	3,071.0	3,665.2
YoY growth (%)	26.8	21.9	15.1	15.1	19.3
EPS (Reported) (RMB)	1.65	2.02	2.33	2.69	3.19
P/E (x)	19.4	15.9	13.7	11.9	10.0
P/B (x)	2.0	1.8	1.6	1.5	1.3
Yield (%)	0.0	1.3	2.9	3.4	4.0
ROE (%)	10.8	12.0	12.4	12.9	14.1
Net gearing (%)	17.6	15.4	7.9	3.1	(2.9)

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

<b>Target Price</b>	<b>HK\$38.00</b>
(Previous TP)	HK\$26.00)
<b>Up/Downside</b>	<b>9.1%</b>
<b>Current Price</b>	<b>HK\$34.82</b>

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#### Stock Data

Mkt Cap (HK\$ mn)	40,609.1
Avg 3 mths t/o (HK\$ mn)	160.2
52w High/Low (HK\$)	35.36/12.10
Total Issued Shares (mn)	1166.3

Source: FactSet

#### Shareholding Structure

Chin Jong-Hwa's family	38.7%
Invesco Asset Management	6.1%

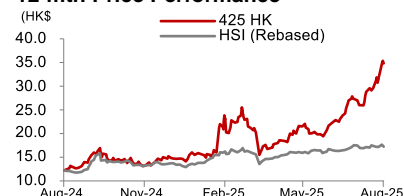
Source: HKEx

#### Share Performance

	Absolute	Relative
1-mth	27.5%	28.5%
3-mth	63.1%	51.3%
6-mth	51.4%	42.5%

Source: FactSet

#### 12-mth Price Performance



Source: FactSet

#### Related Report

["Minth Group \(425 HK\) - Solid revenue and profit growth could continue" - 25 Mar 2025](#)

**Figure 1: Interim results**

RMB mn	1H23	2H23	1H24	2H24	1H25	YoY	HoH
Revenue	9,747	10,776	11,090	12,057	12,287	10.8%	1.9%
Gross profit	2,563	3,059	3,162	3,536	3,473	9.9%	-1.8%
Selling expenses	(360)	(432)	(531)	(516)	(512)	-3.6%	-0.8%
Admin expenses	(623)	(826)	(743)	(896)	(805)	8.4%	-10.2%
R&D expenses	(616)	(781)	(715)	(735)	(726)	1.6%	-1.2%
Operating profit	1,017	1,100	1,380	1,642	1,555	12.7%	-5.3%
Net profit	887	1,016	1,068	1,251	1,277	19.5%	2.0%
Gross margin	26.3%	28.4%	28.5%	29.3%	28.3%	-0.2 ppts	-1.1 ppts
Operating margin	10.4%	10.2%	12.4%	13.6%	12.7%	0.2 ppts	-1.0 ppts
Net margin	9.1%	9.4%	9.6%	10.4%	10.4%	0.8 ppts	0.0 ppts

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	25,797	28,968	32,652	26,186	29,881	N/A	-1.5%	-3.1%	N/A
Gross profit	7,395	8,281	9,306	7,482	8,527	N/A	-1.2%	-2.9%	N/A
Operating profit	3,101	3,532	4,157	3,122	3,644	N/A	-0.7%	-3.1%	N/A
Net profit	2,669	3,071	3,665	2,719	3,248	N/A	-1.8%	-5.4%	N/A
Gross margin	28.7%	28.6%	28.5%	28.6%	28.5%	N/A	0.1 ppts	0.1 ppts	N/A
Operating margin	12.0%	12.2%	12.7%	11.9%	12.2%	N/A	0.1 ppts	0.0 ppts	N/A
Net margin	10.3%	10.6%	11.2%	10.4%	10.9%	N/A	0.0 ppts	-0.3 ppts	N/A

Source: CMBIGM estimates

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	25,797	28,968	32,652	26,768	30,976	35,900	-3.6%	-6.5%	-9.0%
Gross profit	7,395	8,281	9,306	7,792	9,091	10,612	-5.1%	-8.9%	-12.3%
Operating profit	3,101	3,532	4,157	3,607	4,227	4,992	-14.0%	-16.4%	-16.7%
Net profit	2,669	3,071	3,665	2,753	3,299	3,934	-3.0%	-6.9%	-6.8%
Gross margin	28.7%	28.6%	28.5%	29.1%	29.3%	29.6%	-0.4 ppts	-0.8 ppts	-1.1 ppts
Operating margin	12.0%	12.2%	12.7%	13.5%	13.6%	13.9%	-1.5 ppts	-1.5 ppts	-1.2 ppts
Net margin	10.3%	10.6%	11.2%	10.3%	10.7%	11.0%	0.1 ppts	-0.1 ppts	0.3 ppts

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	17,306	20,524	23,147	25,797	28,968	32,652
Cost of goods sold	(12,522)	(14,902)	(16,449)	(18,402)	(20,686)	(23,346)
Gross profit	4,784	5,622	6,698	7,395	8,281	9,306
Operating expenses	(3,203)	(3,505)	(3,974)	(4,294)	(4,749)	(5,148)
Selling expense	(868)	(792)	(1,048)	(1,045)	(1,169)	(1,260)
Admin expense	(1,292)	(1,449)	(1,638)	(1,783)	(1,949)	(2,069)
R&D expense	(1,172)	(1,397)	(1,449)	(1,588)	(1,785)	(1,975)
Others	130	133	162	122	155	155
Operating profit	1,581	2,117	2,725	3,101	3,532	4,157
Other income	186	281	298	230	260	280
Investment gain/loss	286	356	325	261	311	349
Other gains/(losses)	(21)	61	(24)	31	(36)	(28)
Share of (losses)/profits of associates/JV	10	16	4	23	28	27
EBITDA	3,163	4,225	4,872	5,413	5,986	6,815
Depreciation	1,038	1,302	1,452	1,667	1,783	1,915
Depreciation of ROU assets	46	47	45	48	50	52
Other amortisation	37	45	47	52	58	62
EBIT	2,042	2,831	3,328	3,646	4,095	4,786
Interest expense	(263)	(515)	(521)	(388)	(368)	(338)
Foreign exchange gain/loss	34	8	31	(20)	10	10
Pre-tax profit	1,779	2,315	2,807	3,258	3,727	4,448
Income tax	(249)	(351)	(431)	(521)	(578)	(689)
After tax profit	1,530	1,964	2,376	2,737	3,149	3,758
Minority interest	(30)	(61)	(56)	(68)	(78)	(93)
Net profit	1,501	1,903	2,319	2,669	3,071	3,665
Gross dividends	609	0	464	1,068	1,228	1,466

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	15,995	17,493	17,169	19,187	21,789	24,176
Cash & equivalents	4,221	4,165	2,441	3,485	4,500	5,000
Restricted cash	1,055	1,840	1,771	1,700	1,700	1,700
Account receivables	6,541	6,610	7,476	8,106	9,102	10,260
Inventories	3,633	3,982	4,641	5,028	5,539	6,187
Prepayment	0	0	0	0	0	0
Other current assets	545	895	841	868	948	1,029
Non-current assets	17,279	20,054	21,590	20,794	21,640	22,063
PP&E	13,435	15,476	15,798	15,809	15,791	15,540
Right-of-use assets	1,083	1,058	1,035	1,037	1,037	1,035
Deferred income tax	270	419	483	483	483	483
Investment in JVs & assos	394	407	384	397	415	427
Intangibles	113	112	92	90	81	69
Goodwill	98	98	98	98	98	98
Financial assets at FVTPL	28	30	1,075	684	1,135	1,594
Other non-current assets	1,858	2,454	2,625	2,197	2,601	2,817
Total assets	33,274	37,547	38,759	39,981	43,429	46,238
Current liabilities	13,314	14,117	14,577	13,932	15,432	15,670
Short-term borrowings	7,192	5,851	5,894	5,460	5,937	4,984
Account payables	5,765	7,004	7,260	8,045	9,043	10,206
Tax payable	157	226	206	206	206	206
Other current liabilities	180	1,016	1,194	198	220	245
Lease liabilities	19	20	22	24	26	29
Non-current liabilities	2,262	4,290	2,923	2,523	2,343	2,364
Long-term borrowings	1,006	3,837	2,525	2,125	1,925	1,925
Deferred income	27	45	20	20	20	20
Other non-current liabilities	1,229	409	378	378	397	419
Total liabilities	15,576	18,407	17,500	16,455	17,774	18,034
Share capital	116	116	116	116	117	117
Other reserves	16,801	18,202	20,329	22,575	24,688	27,228
Total shareholders equity	16,918	18,318	20,445	22,691	24,805	27,346
Minority interest	780	821	814	834	850	859
Total equity and liabilities	33,274	37,547	38,759	39,981	43,429	46,238

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	1,779	2,315	2,807	3,258	3,727	4,448
Depreciation & amortization	1,121	1,394	1,544	1,767	1,891	2,029
Tax paid	(270)	(390)	(542)	(521)	(578)	(689)
Change in working capital	(1,190)	(399)	(798)	(415)	(630)	(772)
Others	415	446	263	93	96	19
<b>Net cash from operations</b>	<b>1,855</b>	<b>3,366</b>	<b>3,274</b>	<b>4,182</b>	<b>4,506</b>	<b>5,035</b>
<b>Investing</b>						
Capital expenditure	(3,432)	(3,279)	(1,938)	(1,950)	(2,050)	(1,950)
Acquisition of subsidiaries/ investments	(71)	(103)	1	0	0	0
Net proceeds from disposal of short-term investments	(16)	120	(1,211)	590	(500)	(500)
Others	482	(238)	(47)	1,005	231	474
<b>Net cash from investing</b>	<b>(3,037)</b>	<b>(3,500)</b>	<b>(3,194)</b>	<b>(355)</b>	<b>(2,319)</b>	<b>(1,976)</b>
<b>Financing</b>						
Dividend paid	(626)	(744)	(33)	(511)	(1,130)	(1,312)
Net borrowings	644	1,202	(1,104)	(834)	277	(953)
Proceeds from share issues	na	0	na	(15)	0	0
Share repurchases	(47)	0	(130)	0	0	0
Others	na	(406)	na	(1,423)	(318)	(294)
<b>Net cash from financing</b>	<b>(125)</b>	<b>52</b>	<b>(1,795)</b>	<b>(2,783)</b>	<b>(1,171)</b>	<b>(2,560)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	5,492	4,221	4,165	2,441	3,485	4,500
Exchange difference	35	27	(9)	0	0	0
<b>Cash at the end of the year</b>	<b>4,221</b>	<b>4,165</b>	<b>2,441</b>	<b>3,485</b>	<b>4,500</b>	<b>5,000</b>
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Revenue	24.3%	18.6%	12.8%	11.4%	12.3%	12.7%
Gross profit	17.2%	17.5%	19.1%	10.4%	12.0%	12.4%
Operating profit	27.2%	33.9%	28.7%	13.8%	13.9%	17.7%
EBITDA	4.4%	33.6%	15.3%	11.1%	10.6%	13.9%
EBIT	(3.2%)	38.6%	17.6%	9.6%	12.3%	16.9%
Net profit	0.3%	26.8%	21.9%	15.1%	15.1%	19.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Gross profit margin	27.6%	27.4%	28.9%	28.7%	28.6%	28.5%
Operating margin	9.1%	10.3%	11.8%	12.0%	12.2%	12.7%
EBITDA margin	18.3%	20.6%	21.0%	21.0%	20.7%	20.9%
Return on equity (ROE)	9.1%	10.8%	12.0%	12.4%	12.9%	14.1%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
Net debt to equity (x)	0.2	0.2	0.2	0.1	0.0	(0.0)
Current ratio (x)	1.2	1.2	1.2	1.4	1.4	1.5
Receivable turnover days	137.9	117.6	117.9	115.0	115.0	115.0
Inventory turnover days	105.9	97.5	103.0	100.0	98.0	97.0
Payable turnover days	168.1	171.6	161.1	160.0	160.0	160.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
P/E	24.6	19.4	15.9	13.7	11.9	10.0
P/E (diluted)	24.6	19.4	15.9	13.7	11.9	10.0
P/B	2.2	2.0	1.8	1.6	1.5	1.3
P/CFPS	19.9	10.9	11.2	8.8	8.1	7.3
Div yield (%)	1.7	0.0	1.3	2.9	3.4	4.0

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

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