



Sector Report: Automobiles Sector

行业报告：汽车行业

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Bi-Weekly Update: In the Post-Pandemic Era, Auto Industry Competition Has Intensified, And Marginal Repair Has Begun

双周报：后疫情时代下，汽车行业竞争加剧，边际修复已开启

- **H-shares have entered a new round of rebound, and marginal repair of the auto industry has begun.** Our view on the market has gradually become optimistic, and we reiterate that the pessimism of the industry in 4Q22 has been reflected by the market. Anti-epidemic control measures in 2022 had an impact on downstream consumption, coupled with factors such as pessimistic sales expectations and fierce competition, causing the auto index to lag behind the HSI. Entering the post-pandemic era, the auto sector, which was with premium valuation before, has also entered a stage of marginal repair. With the further recovery of the market and the expectation of favourable factors in the industry, such as in the demand and policy side, auto sector opportunities lie in OEMs, and some components companies will also benefit.
- **In the post-pandemic era, sales may exceed expectations.** We believe that the economic recovery in the post-pandemic era will drive growth of auto final sales, coming from 1) the recovery of domestic market sales and 2) growth of PV export business. Meanwhile, even if some auto-related policies have expired, the market need not be overly pessimistic. Considering the important position of the auto industry in the domestic economy and the country's efforts to promote the recovery of consumption after the local Covid-19 epidemic, we believe that new corresponding support policies for the auto industry will be introduced in the future to stimulate consumption.
- **Industry competition is further intensified, which is expected to accelerate acceptance and penetration growth of NEVs.** Tesla's sharp price cuts again have put pressure on competing models, especially in terms of pricing strategies. Such strategies may directly lead to passive changes in the timing of pricing strategies of other vehicle companies in the auto industry. Overall, we characterize Tesla's price cut strategy as neutral. Although it may accelerate vicious competition in the domestic auto industry, it will also help promote acceptance and penetration growth of NEVs.
- **A landscape of several major powers has been formed, and the opportunity is still in OEMs.** For the OEM sector, we recommend **Geely Auto (00175 HK)**, **Great Wall Motor-H (02333 HK)** and **Li Auto-W (02015 HK)**; for the components sector, we recommend **Nexteer (01316 HK)**.
- **Risk warning:** 1) Increasing industry competition; 2) sales and policies may fall short of expectations.
- **港股已进入新一轮反弹，汽车行业边际修复已开启。**我们对市场的看法逐步乐观，并再次强调行业2022年第四季度悲观情绪已被市场反映。2022年疫情管控对下游消费造成冲击，叠加悲观销量预期和激烈竞争格局等因素，导致汽车指数落后于恒指。进入后疫情时代，此前被杀估值的汽车板块也进入边际修复阶段。随着市场进一步回暖，叠加需求和政策端等行业利好因素出现的预期，汽车板块机会仍在于整车，个别零部件企业也将受益。
- **后疫情时代，销量存在超预期可能。**我们认为后疫情时代经济复苏会带动汽车终端销量增长，一是来自国内市场销售回暖，二是来自出口业务增长。同时，即使部分汽车相关政策已到期，市场也不必过分悲观。考虑到汽车行业在国内经济的重要地位，以及国家在促进疫情后消费复苏，我们认为未来会出台新的针对汽车行业的相应扶持政策来刺激消费。
- **行业竞争进一步加剧，有望加快新能源汽车的接受度提升和渗透率增长。**特斯拉再次大幅降价给同行竞争车型造成压力，尤其是在定价策略上。这可能直接引致同行其他车企定价策略时点被动转变。整体而言，我们定性此次特斯拉降价策略为偏中性，虽然可能会加速国内汽车行业恶性竞争，但也有助于推动新能源汽车的接受度提升和渗透率增长。
- **多强格局已形成，机会仍在整车。**整车板块，我们推荐**吉利汽车（00175 HK）、长城汽车-H（02333 HK）和理想汽车-W（02015 HK）**；零部件板块，我们推荐**耐世特（01316 HK）**。
- **风险提示：**1）行业竞争加剧；2）销量和政策端不及预期。

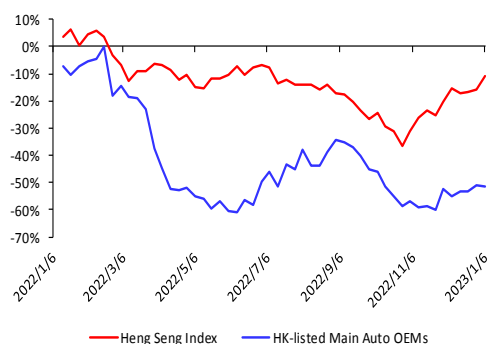
Rating:

Outperform
Maintained

评级:

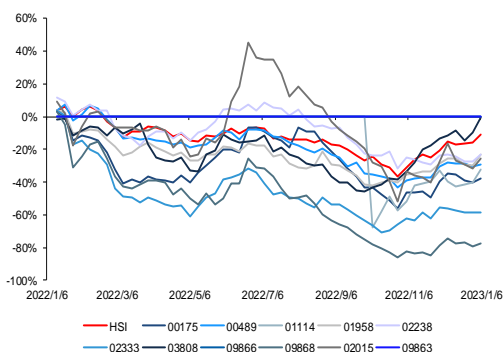
跑赢大市（维持）

HK-listed OEMs and HSI performance 港股上市整车企业和恒生指数表现



Source: Bloomberg, Guotai Junan International.

HK main OEMs and HSI performance 港股主要整车企业和恒生指数表现



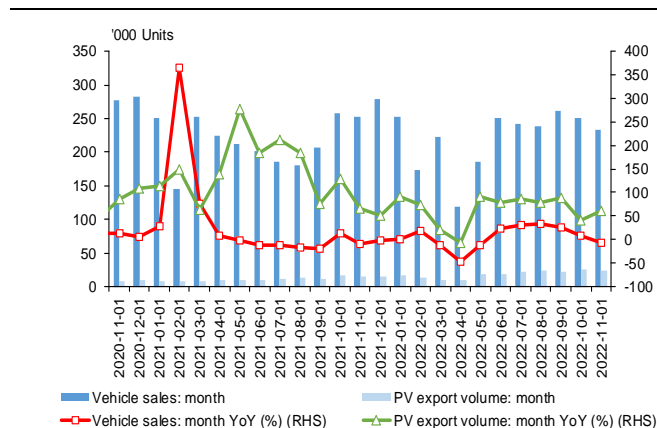
Source: Bloomberg, Guotai Junan International.

H-shares have entered a new round of rebound, and marginal repair of the auto industry has begun. Our view on the market has gradually become optimistic, and we reiterate that the industry's pessimistic sentiment in 4Q22 has been reflected by the market. Anti-epidemic control measures in 2022 had a negative impact on downstream consumption, coupled with factors such as pessimistic sales expectations and fierce competition, causing the auto index to lag behind the HSI. The full withdrawal of China's epidemic prevention and control policies will help stabilise consumer confidence and promote consumption recovery. Entering the post-pandemic era, the auto sector, which was with premium valuation before, has also entered a stage of marginal repair. We see that the auto industry has passed the worst point of this round of Hong Kong stock market downturn. With the further recovery of the market and the expectation of favourable factors in the industry such as in the demand and policy side, the auto sector's opportunity still lies in OEMs, and some components companies with better sales volume will also benefit.

In the post-pandemic era, sales may exceed expectations. We believe that economic recovery in the post-pandemic era will drive growth of auto final sales. The Central Economic Working Conference (CEWC) mentioned the new energy vehicle (NEV) industry and consumption industry in December 2022. In addition, the withdrawal of domestic Covid-19 epidemic control measures will boost the domestic auto market to recover. Strong growth in passenger vehicle (PV) export business also will help sales beat expectations. Meanwhile, even if some auto-related policies have expired, the market need not be overly pessimistic. Considering the important position of the auto industry in domestic economy in China and the country's efforts to promote the recovery of consumption after the epidemic, we believe that new corresponding support policies for the auto industry will be introduced in the future to stimulate consumption.

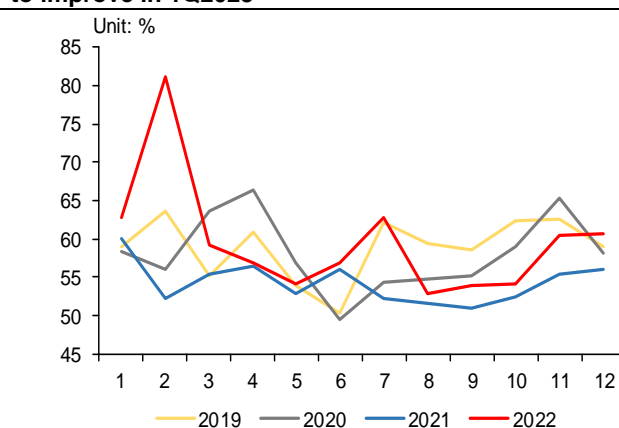
Industry competition has been further intensified, which is expected to accelerate acceptance and penetration growth of NEVs. On 6 Jan. 2023, Tesla announced price cuts on its Model 3 and Model Y vehicles. This is Tesla's second price cut since 4Q22. We believe that it is mainly due to the continued decline in the domestic macroeconomic environment in China, which led to worse-than-expected final sales, and Tesla may launch a replacement model soon. Tesla's sharp price cuts again have put pressure on competing models, especially in terms of pricing strategies. Although other vehicle companies in the market have not yet made major adjustments to their pricing strategies, we believe that Tesla's price cuts will have a direct impact on the timing of their pricing strategies. Overall, we characterize Tesla's price cut strategy as neutral. Although it may accelerate vicious competition in the domestic auto industry, it will also help promote acceptance and penetration growth of NEVs.

Figure 1: Vehicle sales and PV export volume are expected to exceed expectations in the post-pandemic era in 2023



Source: China Association of Automobile Manufacturers, Guotai Junan International.

Figure 2: The Vehicle Inventory Alert Index shows that the recent inventory pressure is still high, and it is expected to improve in 1Q2023



Source: China Association of Automobile Manufacturers, Guotai Junan International.

A landscape of several major powers has been formed, and the opportunity is still in OEMs. We believe that with the advent of the post-pandemic era and state support for the consumer market, marginal repair of the auto industry has begun. But, the competitive landscape of the industry has also become more complex. For the OEM sector, we continue to recommend **Geely Auto (00175 HK)**, **Great Wall Motor-H (02333 HK)** and **Li Auto-W (02015 HK)**, due to their more solid operation fundamentals within the industry. Meanwhile, for the components sector, we recommend **Nexteer (01316 HK)**, as the company has entered a recovery phase with new business orders reaching US\$1.0 bn, marking US\$5.4 bn year-to-date, the highest in the past 3 years.

Risk warning: 1) Increasing industry competition has put pressure on the industry's recovery; 2) sales and policies may fall short of expectations.

Table 1: Global Peers Comparison

Company	Stock Code	Currency	Last Price	PE (fiscal year)				PB (fiscal year)				ROE (%)	D/Y (%)	EV/EBITDA	
				2021A	2022F	2023F	2024F	2021A	2022F	2023F	2024F				
Hong Kong-listed OEMs															
Dongfeng Motor Grp Co Ltd-H	00489 HK	HKD	4.600	2.9	3.1	3.0	3.0	0.2	0.2	0.2	0.2	7.2	11.1	4.1	
Geely Automobile Holdings Lt	00175 HK	HKD	12.360	21.4	20.0	14.0	10.8	1.5	1.5	1.4	1.3	7.1	1.7	7.8	
Brilliance China Automotive	01114 HK	HKD	4.530	1.6	3.7	2.7	2.6	0.4	0.5	0.4	0.4	9.2	8.7	n.a.	
Great Wall Motor Company-H	02333 HK	HKD	10.680	12.1	8.6	8.6	7.1	1.3	1.2	1.1	1.0	14.9	4.8	13.9	
Qingling Motors Co Ltd-H	01122 HK	HKD	1.090	7.0	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Byd Co Ltd-H	01211 HK	HKD	207.200	162.2	37.1	23.7	16.7	5.2	4.9	4.0	3.2	13.6	0.3	18.3	
Guangzhou Automobile Group-H	02238 HK	HKD	5.640	6.4	5.0	4.4	3.9	0.5	0.5	0.5	0.4	10.4	5.7	70.6	
Baic Motor Corp Ltd-H	01958 HK	HKD	2.350	4.1	4.4	4.3	4.2	0.3	0.3	0.3	0.3	7.3	7.2	0.4	
Nio Inc-Class A	9866 HK	HKD	86.050	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(37.1)	0.0	n.a.	
Xpeng Inc - Class A Shares	9868 HK	HKD	40.650	n.a.	n.a.	n.a.	n.a.	1.3	2.1	2.1	2.1	(21.7)	0.0	n.a.	
Li Auto Inc-Class A	2015 HK	HKD	88.550	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	(4.6)	0.0	n.a.	
Weichai Power Co Ltd-H	02338 HK	HKD	11.280	8.5	16.8	12.2	10.7	1.1	1.2	1.1	1.0	6.1	1.5	6.2	
Sinotruk Hong Kong Ltd	03808 HK	HKD	12.380	6.5	12.7	8.5	7.2	0.8	0.8	0.8	0.7	6.7	3.1	3.9	
Simple Average				23.3	12.4	9.1	7.4	1.2	1.3	1.2	1.1	1.6	3.7	15.6	
Weighted Average				90.6	24.7	16.7	12.3	3.1	3.0	2.6	2.1	5.4	1.7	19.0	
Median				6.7	8.6	8.5	7.1	0.8	1.0	0.9	0.9	7.2	2.4	7.0	
Mainland China-listed OEMs															
Dongfeng Automobile Co Ltd-A	600006 CH	CNY	5.920	31.8	21.9	16.9	n.a.	1.5	n.a.	n.a.	n.a.	6.5	n.a.	n.a.	
Great Wall Motor Co Ltd-A	601633 CH	CNY	30.240	41.4	27.5	26.4	20.7	4.5	4.1	3.7	3.2	15.1	1.3	14.6	
Faw Jiefang Group Co Ltd	000800 CH	CNY	7.990	9.5	n.a.	399.5	28.5	1.4	1.6	1.5	1.6	5.6	0.9	18.4	
Saic Motor Corp Ltd-A	600104 CH	CNY	14.490	6.8	8.4	7.5	6.6	0.6	0.6	0.6	0.5	7.1	4.1	6.4	
Chongqing Changan Automob-A	000625 CH	CNY	13.360	37.0	15.9	16.8	15.0	2.4	2.1	1.9	1.7	13.6	2.1	8.0	
Weichai Power Co Ltd-A	000338 CH	CNY	10.730	9.8	18.9	13.1	10.4	1.3	1.3	1.2	1.1	6.4	1.5	5.7	
Beiqi Foton Motor Co Ltd-A	600166 CH	CNY	3.080	n.a.	n.a.	14.0	11.0	1.9	1.7	1.5	1.3	3.5	n.a.	n.a.	
Anhui Jianghuai Auto Group-A	600418 CH	CNY	15.420	154.2	145.5	75.6	43.3	2.2	2.2	2.1	2.0	(0.5)	0.2	29.7	
Cnhc Jinan Truck Co Ltd-A	000951 CH	CNY	15.820	17.6	33.0	14.9	11.1	1.3	1.4	1.3	1.2	4.2	0.9	9.2	
Yutong Bus Co Ltd-A	600066 CH	CNY	8.010	28.6	43.1	22.3	19.0	1.2	1.2	1.2	1.3	3.1	1.4	12.2	
Xiamen King Long Motor Gr -A	600686 CH	CNY	6.200	n.a.	n.a.	n.a.	n.a.	1.2	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Jiangling Motors Corp Ltd-A	000550 CH	CNY	14.450	21.6	17.8	17.7	18.6	1.5	1.4	1.3	1.3	7.3	2.7	n.a.	
Yangzhou Yaxing Motor Co-A	600213 CH	CNY	12.330	1,233.0	n.a.	n.a.	n.a.	136.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Zhongtong Bus Co Ltd-A	000957 CH	CNY	12.640	n.a.	n.a.	n.a.	n.a.	2.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Simple Average				144.7	36.9	56.8	18.4	11.5	1.8	1.6	1.5	6.5	1.7	13.0	
Weighted Average				36.6	25.8	38.8	16.0	2.9	2.1	1.9	1.8	9.6	2.0	10.9	
Median				28.6	21.9	16.9	16.8	1.5	1.5	1.4	1.3	6.4	1.4	10.7	
Japan-listed OEMs															
Nissan Motor Co Ltd	7201 JP	JPY	431.200	n.a.	7.8	8.6	5.1	0.4	0.4	0.3	0.3	5.1	0.9	3.9	
Toyota Motor Corp	7203 JP	JPY	1,827.000	11.4	8.9	9.5	8.3	1.1	1.0	0.9	0.8	11.5	2.3	5.7	
Honda Motor Co Ltd	7267 JP	JPY	3,157.000	8.3	7.7	7.2	6.4	0.6	0.5	0.5	0.5	7.2	3.4	7.4	
Mazda Motor Corp	7261 JP	JPY	1,007.000	n.a.	7.8	4.5	5.0	0.5	0.5	0.4	0.4	6.6	2.2	2.7	
Mitsubishi Heavy Industries	7011 JP	JPY	4,990.000	41.3	14.8	12.1	10.6	1.2	1.1	1.0	0.9	7.7	2.5	7.3	
Subaru Corp	7270 JP	JPY	2,068.500	20.7	22.7	7.0	6.0	0.9	0.8	0.8	0.7	3.8	2.9	2.6	
Suzuki Motor Corp	7269 JP	JPY	4,275.000	14.2	12.9	9.5	8.3	1.2	1.1	1.0	0.9	9.0	2.2	5.8	
Hino Motors Ltd	7205 JP	JPY	500.000	n.a.	n.a.	n.a.	11.3	0.5	0.6	0.7	0.6	(16.7)	1.4	6.5	
Isuzu Motors Ltd	7202 JP	JPY	1,524.000	26.3	9.4	7.9	6.5	1.1	1.0	0.9	0.8	11.4	4.2	5.5	
Simple Average				20.4	11.5	8.3	7.5	0.8	0.8	0.7	0.7	5.1	2.4	5.3	
Weighted Average				13.1	9.6	9.0	7.9	1.0	0.9	0.8	0.8	9.9	2.5	5.7	
Median				17.5	9.1	8.2	6.5	0.9	0.8	0.8	0.7	7.2	2.3	5.7	
Other Nation-listed OEMs															
Hyundai Motor Co	005380 KS	KRW	163,000.000	8.6	5.1	5.0	5.0	0.4	0.5	0.5	0.4	10.3	3.4	8.8	
Ford Motor Co	F US	USD	12.690	2.8	6.5	7.1	7.6	1.0	1.1	1.1	1.0	15.2	3.9	2.6	
Paccar Inc	PCAR US	USD	99.790	18.7	12.3	12.3	13.0	3.0	2.7	2.4	2.2	24.5	3.2	11.5	
Volkswagen Ag	VOW GR	EUR	159.400	5.4	4.9	5.4	5.0	0.6	0.5	0.5	0.5	11.3	9.1	1.0	
Bayerische Motoren Werke Ag	BMW GR	EUR	90.100	4.8	3.8	6.5	6.3	0.8	0.7	0.7	0.6	21.0	8.2	4.3	
Renault Sa	RNO FP	EUR	35.905	11.0	8.7	4.2	3.5	0.4	0.4	0.3	0.3	3.0	1.1	2.1	
Volvo Ab-B Shs	VOLVB SS	SEK	194.560	12.1	10.4	11.0	10.6	2.8	2.6	2.4	2.3	25.4	5.4	5.1	
General Motors Co	GM US	USD	35.920	5.3	5.0	6.1	6.0	0.9	0.8	0.7	0.6	17.3	0.4	2.9	
Tata Steel Ltd	TATA IN	INR	118.750	18.2	3.6	8.1	8.8	1.9	1.3	1.1	1.0	42.6	3.9	3.4	
Simple Average				9.7	6.7	7.3	7.3	1.3	1.2	1.1	1.0	19.0	4.3	4.6	
Weighted Average				7.9	6.3	7.2	7.2	1.2	1.1	1.0	1.0	18.1	5.2	4.2	
Median				8.6	5.1	6.5	6.3	0.9	0.8	0.7	0.6	17.3	3.9	3.4	
Global Average				56.5	17.0	22.7	10.4	4.5	1.3	1.2	1.1	7.5	3.1	9.4	
Global Weighted Average				28.5	12.8	13.0	9.3	1.7	1.5	1.4	1.2	11.7	3.2	8.2	

Source: Bloomberg, Guotai Junan International.

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance >15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance <-15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance >5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance <-5%; or the fundamental outlook of the sector is unfavorable.

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