

Business under pressure in 4Q21, outlook still optimistic

Huatai Research

4 April 2022 | China (Mainland)

Annual Results Review

Auto Parts

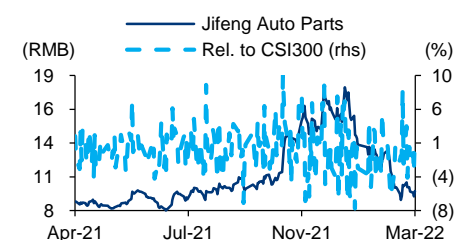
Rating (Maintain): **OVERWEIGHT**Target price (RMB): **12.48**
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Key data

Target price (RMB)	12.48
Closing price (RMB as of 30 Mar)	9.59
Potential upside +/- (%)	30
Mkt cap (RMBmn)	10,732
6m avg daily val (RMBmn)	215.79
52wk price range (RMB)	8.01-18.11
BVPS (RMB)	4.15

Share performance



Source: Wind

Attributable net loss in 4Q21

Ningbo Jifeng Auto Parts released annual results on 30 March, reporting revenue of RMB16.83bn (+7% yoy) and attributable net profit of RMB126mn (a turnaround yoy) for 2021. Its attributable net profit missed our estimate of RMB510mn, mainly because of a chip supply shortage and rising raw material prices per our estimates. For 4Q21, revenue was RMB4.33bn, down 9% yoy, and the company logged a net loss of RMB35.13mn. We expect its 2022E/2023E/2024E EPS to be RMB0.52/0.67/1.07. Given uncertainties over its overseas business and pressure on a profitability recovery over the short term, we value its stock at a 24x 2022E PE, a discount to its Wind consensus-based peers' average of 31.4x, for our target price of RMB12.48. Maintain OVERWEIGHT.

Business under pressure in 4Q21

According to the announcement, in 4Q21, the company's GPM came in at 11.6% (4Q20: 16.8%; 3Q21: 12.4%), and its sales/administrative/R&D expense ratios came to 1.2/8.2/1.8% (4Q20: 2.8/6.8/1.3%; 3Q21: 1.8/8.0/2.2%). Its attributable NPM came in at -1.2% (4Q20: 0.4%; 3Q21: -0.8%). Its business came under pressure in 4Q21, mainly because of a chip supply shortage and rising raw material prices, in our view.

Grammer continued to expand in domestic market

According to the announcement, in 2021, its subsidiary Grammer (the company held an 88.1% stake) posted revenue of RMB14.65bn, up 11% yoy, and net profit of RMB11.82mn, which marked a turnaround yoy. Grammer stepped up its efforts in the domestic market. To increase its production capacity, the company established production bases in Harbin, Shenyang, and Hefei. On the production front, Grammer and Jifeng carried out joint procurement, creating synergistic effects in raw materials such as molds and foams. As for customer development, the company continued to cooperate with major HDT manufacturers in China, increasing its market share in HDT seats from 4% in 2019 to 8% in 2021. The PV seat business achieved a zero-to-one breakthrough and secured an order from a new automaker, which further unlocked its growth potential.

Maintain OVERWEIGHT

As the 2021 performance was weaker than we expected, we cut our 2022E/2023E revenue forecasts by 8.1/7.4% to RMB19.0/21.7bn and net profit forecasts by 9.6/9.4% to RMB580/750mn. We expect 2024 net profit at RMB1.20bn. Given uncertainties over the company's overseas business and pressure on a profitability recovery over the short term, we value its stock at a 24x 2022E PE (previous: 25x 2021E PE), a discount to the Wind consensus-based peer average of 31.4x (previous: 27.9x 2021E PE), for a target price of RMB12.48 (previous: RMB12.00).

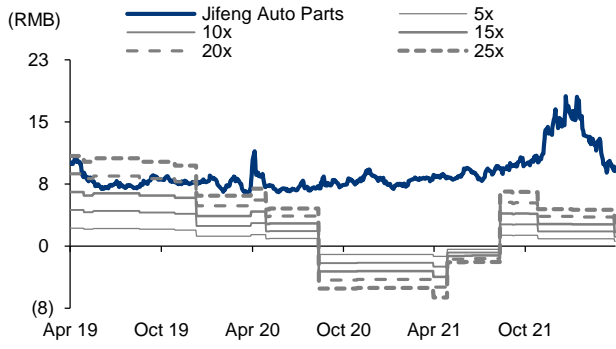
Risks: weaker auto demand; disappointing overseas business integration.

Financials

YE 31 Dec	2020	2021	2022E	2023E	2024E
Revenue (RMBmn)	15,733	16,832	19,026	21,738	24,656
+/-%	(12.60)	6.99	13.03	14.26	13.42
Net profit (RMBmn)	(258.23)	126.37	583.09	753.00	1,196
+/-%	(186.74)	148.94	361.42	29.14	58.82
EPS (diluted, RMB)	(0.23)	0.11	0.52	0.67	1.07
ROE (%)	(7.46)	2.52	12.83	14.21	18.41
PE (x)	(41.56)	84.93	18.41	14.25	8.97
PB (x)	2.51	2.31	2.14	1.86	1.54
EV EBITDA (x)	22.88	13.06	9.27	7.36	5.27

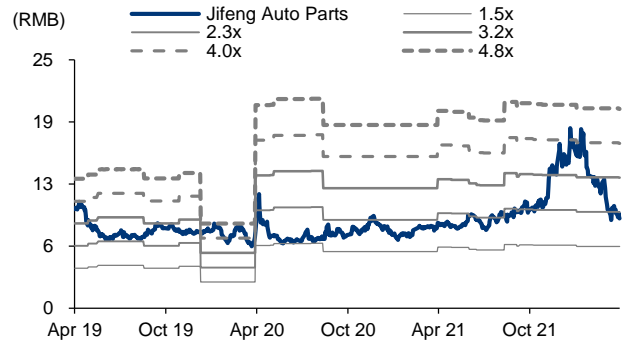
Source: Company announcements, Huatai Research estimates

Fig.1: Ningbo Jifeng Auto Parts PE-Bands



Source: Wind, Huatai Research

Fig.2: Ningbo Jifeng Auto Parts PB-Bands



Source: Wind, Huatai Research

Full financials

Balance sheet

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Current assets	6,700	6,515	6,509	6,800	8,553
Cash & equivalents	1,503	1,406	82.68	172.71	493.12
Account receivables	2,338	2,310	2,944	3,059	3,750
Other receivables	51.39	67.39	66.87	86.53	87.46
Prepayments	54.16	93.30	73.38	117.06	98.94
Inventories	1,504	1,730	1,758	2,205	2,268
Other current assets	1,249	908.86	1,585	1,161	1,856
Non-current assets	10,626	9,694	10,049	10,460	10,837
Long-term investment	6.89	9.17	9.98	12.47	14.39
Fixed investment	3,811	3,540	3,703	3,909	4,071
Intangible assets	1,732	1,455	1,613	1,786	1,974
Other non-curr. assets	5,077	4,690	4,723	4,752	4,778
Total assets	17,326	16,209	16,558	17,261	19,391
Current liabilities	6,898	6,069	6,422	6,694	7,869
Short-term borrowings	2,476	1,638	1,638	1,638	2,174
Account payables	2,381	2,279	2,747	2,964	3,483
Other current liabilities	2,040	2,151	2,036	2,092	2,212
Non-current liabilities	5,861	5,141	4,659	4,182	3,696
Long-term borrowings	2,138	2,631	2,148	1,671	1,185
Other non-curr. liabilities	3,723	2,511	2,511	2,511	2,511
Total liabilities	12,759	11,211	11,081	10,876	11,565
Minority interest	297.67	353.71	473.13	627.36	872.30
Share capital	1,021	1,119	1,119	1,119	1,119
Capital reserves	2,855	3,442	3,442	3,442	3,442
Retained profit	561.82	493.47	1,196	2,103	3,544
Shareholders' equity attr. to parent	4,269	4,645	5,004	5,757	6,953
Equity & liabilities	17,326	16,209	16,558	17,261	19,391

Cash flow statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Operating cash flow	809.93	718.91	970.85	2,156	1,587
Net profit	(340.48)	125.82	702.52	907.23	1,441
Depreciation/amortization	625.05	824.60	824.60	653.17	798.54
Financial costs	351.34	192.63	370.93	393.25	0.00
Investment losses	(2.57)	20.37	(2.62)	(2.71)	(2.71)
Chg in working capital	137.17	(253.19)	(756.15)	56.29	(809.22)
Other operating activ's	39.42	(191.32)	(168.43)	148.37	159.52
Investing cash flow	(771.80)	(587.69)	(1,008)	(1,211)	(1,332)
Capex	(726.06)	(740.29)	(886.18)	(1,056)	(1,136)
Long-term investment	2,392	2,050	(0.81)	(2.49)	(1.92)
Other investing activ's	(2,438)	(1,897)	(121.16)	(152.52)	(194.72)
Financing cash flow	(644.21)	(40.09)	(1,286)	(854.87)	(469.19)
Short-term borrowings	4.57	(837.61)	0.00	0.00	535.01
Long-term borrowings	364.41	492.74	(482.70)	(476.69)	(485.76)
Increase in common stock	(2.35)	97.72	0.16	0.00	0.00
Additional paid-in capital	193.83	587.51	0.00	0.00	0.00
Other financing activ's	(1,205)	(380.46)	(803.23)	(378.18)	(518.45)
Net change in cash	(560.42)	(23.30)	(1,323)	90.03	(214.60)

Income statement

YE 31 Dec (RMBmn)	2020	2021	2022E	2023E	2024E
Revenue	15,733	16,832	19,026	21,738	24,656
Operating costs	13,598	14,451	15,586	17,708	19,991
Business taxes & surcharges	43.15	45.82	51.37	58.69	66.57
Operating expenses	381.21	297.25	418.57	478.23	542.43
Admin expenses	1,282	1,353	1,360	1,543	1,751
Financial costs	351.34	192.63	370.93	393.25	0.00
Asset impairment losses	(155.10)	(18.32)	(31.00)	(33.00)	0.00
P&L from fair value changes	(0.00)	0.00	0.00	0.00	0.00
Investment income	2.57	(20.37)	2.62	2.71	2.71
Operating profit	(331.37)	170.80	971.05	1,249	1,990
Non-operating income	3.86	24.27	15.00	15.00	15.00
Non-operating expenses	10.27	1.70	3.50	4.00	4.00
Total profit	(337.78)	193.36	982.55	1,260	2,001
Income tax expenses	2.70	67.55	280.03	352.81	560.32
Profit after tax	(340.48)	125.82	702.52	907.23	1,441
Minority interest	(82.25)	(0.56)	119.43	154.23	244.94
Net profit attr. to parent	(258.23)	126.37	583.09	753.00	1,196
EBITDA	746.84	1,244	1,833	2,256	3,148
EPS (RMB, basic)	(0.23)	0.11	0.52	0.67	1.07

Performance

YE 31 Dec	2020	2021	2022E	2023E	2024E
Growth (%)					
Revenue	(12.60)	6.99	13.03	14.26	13.42
Operating profit	(163.68)	151.54	468.54	28.63	59.33
Net profit attr. to parent	(186.74)	148.94	361.42	29.14	58.82
Profitability (%)					
Gross profit margin	13.57	14.14	18.08	18.54	18.92
Net profit margin	(2.16)	0.75	3.69	4.17	5.84
ROE	(7.46)	2.52	12.83	14.21	18.41
ROIC	(0.82)	3.03	8.44	10.29	14.19
Solvency					
Liabilities/assets (%)	73.64	69.16	66.92	63.01	59.64
Net gearing ratio (%)	132.66	103.19	105.71	82.05	63.69
Current ratio (x)	0.97	1.07	1.01	1.02	1.09
Quick ratio (x)	0.71	0.73	0.69	0.63	0.75
Operating capability					
Total assets t/o ratio (x)	0.90	1.00	1.16	1.29	1.35
Receivables t/o ratio (x)	7.03	7.24	7.24	7.24	7.24
Payables t/o ratio (x)	5.31	6.20	6.20	6.20	6.20
Per-share data (RMB)					
EPS (diluted)	(0.23)	0.11	0.52	0.67	1.07
OCFPS (diluted)	0.72	0.64	0.87	1.93	1.42
BVPS (diluted)	3.81	4.15	4.47	5.14	6.21
Valuation (x)					
PE	(41.56)	84.93	18.41	14.25	8.97
PB	2.51	2.31	2.14	1.86	1.54
EV EBITDA	22.88	13.06	9.27	7.36	5.27

Source: Company announcements, Huatai Research estimates

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