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KEY HIGHLIGHTS

Economics

Inflation

Oct 23 inflation lower on pockets of weakness in consumer demand.

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Results

Galaxy Entertainment Group (27 HK/BUY/HK\$44.10/Target: HK\$57.00)

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3Q23: Luck-adjusted EBITDA in line; expect higher opex to meet growing demand.

Li Auto (2015 HK/BUY/HK\$154.90/Target: HK\$312.00)

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3Q23: Net profit up 23% qoq to Rmb2.823b, 28% above consensus. Maintain BUY. Target price: HK\$312.00.

TRADERS' CORNER

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Johnson Electric Holdings Ltd. (179 HK): Trading Buy range: HK\$10.80-11.10

Meituan (3690 HK): Trading Buy range: HK\$112.00-115.00

UOBKH EVENTS

Date	Corporate/Stock Code	Event
16 Nov	Expert Talk (Virtual) on China GBA Property Market	Virtual Meeting @ 4:00pm HKT

CORPORATE AND MACRO CALENDAR

Date	Country/Region	Economic Indicator
09-15 Nov	China	Oct Money Supply And Credit
15 Nov	China	Oct Economic Activities
20 Nov	China	Nov Loan Prime Rate
27 Nov	China	Oct Industrial Profits

KEY INDICES

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	33891.9	(0.6)	0.2	0.9	2.2
S&P 500	4347.4	(0.8)	0.7	0.3	13.2
FTSE 100	7455.7	0.7	0.1	(0.5)	0.1
AS30	7215.1	0.2	1.7	(0.2)	(0.1)
CSI 300	3612.8	0.0	1.6	(1.2)	(6.7)
FSSTI	3135.3	0.2	1.7	(2.0)	(3.6)
HSCEI	6030.3	(0.2)	2.0	(0.4)	(10.1)
HSI	17511.3	(0.3)	1.6	(0.9)	(11.5)
JCI	6838.2	0.5	1.3	(1.2)	(0.2)
KLCI	1452.3	(0.4)	0.9	1.2	(2.9)
KOSPI	2427.1	0.2	3.6	1.0	8.5
Nikkei 225	32646.5	1.5	3.3	2.8	25.1
SET	1405.0	(0.5)	0.1	(2.1)	(15.8)
TWSE	16745.7	0.0	2.1	1.4	18.4
BDI	1598	4.4	15.4	(19.7)	5.5
CPO (RM/mt)	3653	0.1	1.3	2.1	(9.8)
Brent Crude (US\$/bbl)	80	0.5	(8.0)	(9.3)	(7.0)

Source: Bloomberg

TOP TRADING TURNOVER

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
XIAOMI CORP-W	16.52	2.4	2,261.7
SMIC	23.40	(2.1)	1,443.4
HKEX	287.00	(0.1)	1,418.6
WUXI BIOLOGICS C	50.40	(1.2)	1,299.1
KUAISHOU-W	57.45	0.1	1,165.7

TOP GAINERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
LI AUTO INC-A	154.90	3.8	1,060.1
LINK REIT	39.50	2.9	448.4
XIAOMI CORP-W	16.52	2.4	2,261.7
BRILLIANCE CHINA	3.65	2.2	28.6
CHINA RES GAS	23.60	2.2	49.8

TOP LOSERS

Company	Price (HK\$)	Chg (%)	5-day ADT (HK\$m)
YUEXIU PROPERTY	7.18	(8.9)	49.4
COUNTRY GARDEN S	7.16	(7.6)	225.6
CHINA RESOURCES	29.00	(5.7)	45.0
LONGFOR GROUP HO	12.24	(5.4)	193.5
CHINA JINMAO HOL	0.94	(5.1)	27.9

*ADT: Average daily turnover

KEY ASSUMPTIONS

GDP (% yoy)	2022	2023F	2024F
US	2.1	2.0	1.0
Euro Zone	3.5	0.5	0.8
Japan	1.0	1.5	1.0
Singapore	3.6	0.7	3.0
Malaysia	8.7	4.0	4.6
Thailand	2.6	3.1	3.5
Indonesia	5.4	5.1	5.2
Hong Kong	-3.5	4.6	3.0
China	3.0	5.0	4.6
CPO (RM/mt)	5,088	4,000	4,200
Brent (Average) (US\$/bbl)	99.0	81.0	84.0

Source: Bloomberg, UOB ETR, UOB Kay Hian

ECONOMICS – CHINA

Inflation

Oct 23 Inflation Lower On Pockets Of Weakness In Consumer Demand

October CPI inflation came in at -0.2% yoy, slightly below market expectations and September level. Weaker food and core CPI inflation contributed to the declines in October. Prices of daily necessities saw bigger declines yoy, while inflation in the recreation and education category, which has been the strongest, also slowed. Upstream inflation was at -2.6% yoy, mainly lower due to a bigger fall in the prices of consumer goods.

OUR VIEWS

- **October consumer price inflation came in at -0.2% yoy**, below Bloomberg consensus forecast of -0.1% yoy and September's 0.0% yoy. Both services and core inflation edged lower on a yoy basis, while goods CPI and food CPI inflation fell to -1.1% yoy and -4.0% yoy respectively. Inflation in daily necessities and services fell to -0.6% yoy, while recreation and educational category, which has been the strongest, also saw inflation drop by 0.2ppt.
- **PPI fell 2.6% yoy over the same period**, above Bloomberg consensus forecast of -2.7% yoy, but slightly below September's -2.5% yoy. The decline in producer goods PPI stayed at -3.0% yoy, helped by smaller yoy declines in global commodity prices. However, consumer goods PPI fell 0.9% yoy, down from -0.3% yoy a month ago as inflation in food, clothing, daily used articles and durable consumer goods all fell. Thus, consumer demand is likely to have weakened over this period, despite the relatively stable headline inflation data.

CPI

(yoy % chg)	Oct 23	ppt chg	Sep 23	Aug 23
Headline CPI	-0.2	-0.2	0.0	0.1
Food	-4.0	-0.8	-3.2	-1.7
Core CPI	0.6	-0.2	0.8	0.8
Goods	-1.1	-0.2	-0.9	-0.7
Services	1.2	-0.1	1.3	1.3
Food, Tobacco And Liquor	-2.1	-0.6	-1.5	-0.5
Clothing	1.1	0.0	1.1	1.1
Residence	0.3	0.1	0.2	0.1
Daily Necessities And Services	-0.6	-0.2	-0.4	-0.5
Transportation And Communication	-0.9	0.4	-1.3	-2.1
Recreational, Educational And Cultural Articles	2.3	-0.2	2.5	2.5
Medical-Related Articles	1.3	0.0	1.3	1.2
Other Products And Services	3.6	-0.3	3.9	3.8

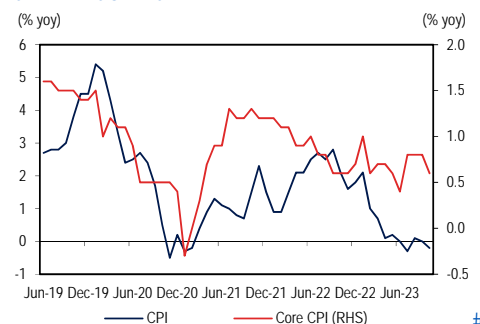
Source: NBS, Wind, UOB Kay Hian

PPI

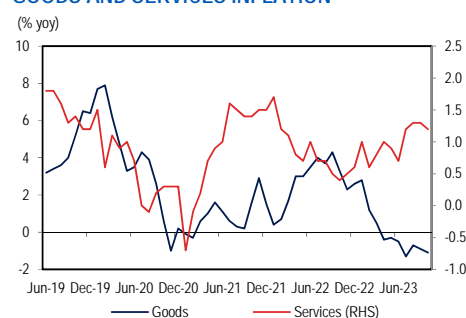
(yoy % chg)	Oct 23	ppt chg	Sep 23	Aug 23
Headline PPI	-2.6	-0.1	-2.5	-3.0
Producer Goods	-3.0	0.0	-3.0	-3.7
Mining And Quarrying	-6.2	1.2	-7.4	-9.9
Raw Materials	-2.3	0.5	-2.8	-4.0
Processing	-3.0	-0.2	-2.8	-3.1
Consumer Goods	-0.9	-0.6	-0.3	-0.2
Food	-1.2	-0.9	-0.3	-0.2
Clothing	0.4	-0.4	0.8	1.0
Articles For Daily Use	0.4	-0.3	0.7	0.6
Durable Consumer Goods	-2.0	-0.8	-1.2	-1.2
Purchasing Price Index	-3.7	-0.1	-3.6	-4.6
Fuel And Power	-6.7	0.3	-7.0	-9.1
Ferrous Metal Materials	-2.1	1.3	-3.4	-5.6
Non-Ferrous Metal Materials And Wires	3.7	-0.5	4.2	2.6
Chemical Raw Materials	-6.3	1.0	-7.3	-10.4
Wood And Pulp	-7.1	0.0	-7.1	-6.6
Building Materials And Non-Metallic	-7.3	-0.7	-6.6	-6.0
Other Industrial Raw Materials And Semi-Products	-2.0	-0.2	-1.8	-1.8
Agricultural And Sideline Products	-6.2	-2.0	-4.2	-3.7
Textile Raw Materials	-0.7	0.6	-1.3	-2.4

Source: NBS, Wind, UOB Kay Hian

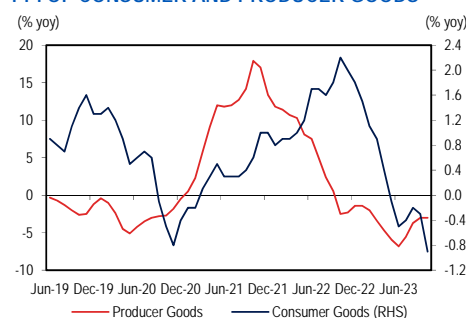
CPI AND CORE CPI



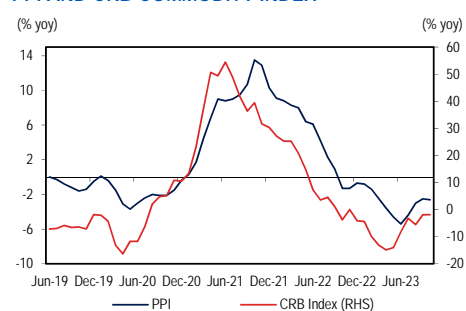
GOODS AND SERVICES INFLATION



PPI OF CONSUMER AND PRODUCER GOODS



PPI AND CRB COMMODITY INDEX



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COMPANY RESULTS

Galaxy Entertainment Group (27 HK)

3Q23: Luck-adjusted EBITDA In Line; Expect Higher Opex To Meet Growing Demand

3Q23 luck-adjusted EBITDA is in line with our and consensus estimates. GGR growth outperformed the market in 3Q23, thanks to new property launches and the number of concerts held. Galaxy has gained more market share qtd, with mass GGR exceeding 10-20% vs 2019's level. To better satisfy growing demand in 4Q23, we expect Galaxy to incur a higher opex, as well as to reallocate tables from the Peninsula to Galaxy Macau. Maintain BUY. Trim target price to HK\$57.00 as we lift 2024 opex assumptions.

3Q23 RESULTS

Year to 31 Dec (HK\$m)	3Q19	3Q22	2023	3Q23	yoy chg	qoq chg	% of 3Q19
Net revenue	12,710	2,034	8,661	9,650	374.4%	11.4%	75.9%
Adjusted EBITDA	4,112	-581	2,473	2,768	-	11.9%	67.3%
EBITDA margin	32.4%	-28.6%	28.6%	28.7%	57.2pts	0.1pts	-
Gross Gaming Revenue	14,329	918	7,659	8,746	852.7%	14.2%	61.0%
VIP Revenue	6,369	56	931	813	1351.8%	-12.7%	12.8%
Mass Revenue	7,319	798	6,285	7,441	832.5%	18.4%	101.7%
Slot Revenue	641	64	443	492	668.8%	11.1%	76.8%
- VIP Rolling Chip Volume	160,269	2,782	29,054	32,459	1066.8%	11.7%	20.3%
Win Rate	4.0%	2.0%	3.2%	2.5%	0.5pts	-0.7pts	-
- Mass Market Chip Drop	30,424	3,301	26,254	29,906	806.0%	13.9%	98.3%
Hold Rate	24.1%	24.2%	23.9%	24.9%	0.7pts	0.9pts	-

Source: Galaxy Entertainment, UOB Kay Hian

RESULTS

- 3Q23 luck-adjusted EBITDA in line with our expectation.** Galaxy Entertainment Group (Galaxy) reported adjusted EBITDA of HK\$2,768m in 3Q23 (+12% qoq; 67% of 3Q19's), which was 3% below our and consensus' estimates. On a luck normalised basis, adjusted EBITDA was HK\$2,890m, 1% above our and consensus' estimates.
- Mass GGR sequentially grew 18% qoq in 3Q23.** Gross gaming revenue (GGR) was HK\$8,746m in 3Q23 (+14% qoq; 61% of 3Q19's), of which VIP/Mass/Slot GGR was HK\$813m/HK\$7,441m/HK\$492m (-13% qoq/+18% qoq/+11% qoq; 13%/102%/77% of 3Q19's), respectively. Revenue from mall rental in 3Q23 was HK\$379m (114% of 2019's level).
- Solid cash position.** As of end-Sep 23, cash and liquid investments stood at HK\$24.8b (vs HK\$24.4b as of end-Jun 23). Net cash position was higher at HK\$23.3b (vs HK\$22b as of end-Jun 23).

KEY FINANCIALS

Year to 31 Dec (HK\$m)	2021	2022	2023F	2024F	2025F
Net turnover	19,696	11,474	39,967	48,814	53,554
EBITDA	3,537	(553)	10,968	15,811	17,471
Operating profit	253	(3,884)	7,815	12,917	14,394
Net profit (rep./act.)	1,326	(3,434)	8,277	12,920	15,031
Net profit (adj.)	1,326	(3,434)	8,277	12,920	15,031
EPS (sen)	30.4	(78.7)	189.7	296.2	344.6
PE (x)	145.0	n.m.	23.2	14.9	12.8
P/B (x)	2.8	3.0	2.8	2.4	2.2
EV/EBITDA (x)	50.1	n.m.	16.2	11.2	10.1
Dividend yield (%)	0.7	0.0	1.3	2.0	2.3
Net margin (%)	6.7	(29.9)	20.7	26.5	28.1
Net debt/(cash) to equity (%)	(17.5)	(10.2)	(23.3)	(19.3)	(15.5)
ROE (%)	2.0	n.a.	12.4	17.4	17.9
Consensus net profit	-	-	8,584	13,113	15,893
UOBKH/Consensus (x)	-	-	0.96	0.99	0.95

Source: Galaxy Entertainment, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	HK\$44.10
Target Price	HK\$57.00
Upside	+29.3%
(Previous TP)	HK\$60.50

COMPANY DESCRIPTION

Galaxy Entertainment Group is one of the six concessions which operate casinos in Macau. The company also manufactures, sells, and distributes construction materials.

STOCK DATA

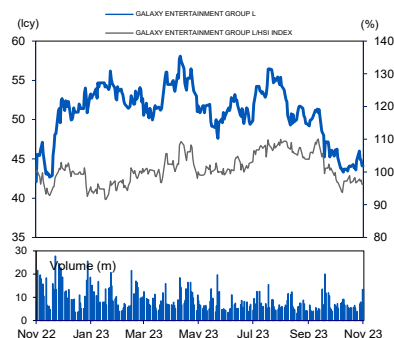
GICS sector	Consumer Discretionary
Bloomberg ticker:	27 HK
Shares issued (m):	4,373.6
Market cap (HK\$m):	192,875.2
Market cap (US\$m):	24,701.0
3-mth avg daily t'over (US\$m):	40.4
Price Performance (%)	

52-week high/low HK\$58.07/HK\$42.09

1mth	3mth	6mth	1yr	YTD
(2.8)	(19.0)	(13.5)	3.0	(14.2)

Major Shareholders	%
City Lion Profits Corp	22.3
Lui Che Woo	9.1
FY23 NAV/Share (US\$)	15.98
FY23 Net Cash/Share (US\$)	3.73

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Galaxy gained market share qtd (vs 18.5% in 3Q23)**, with mass GGR reaching 110-120% of 2019's level (vs 102% in 3Q23), which we attribute it to the launch of Raffles (Aug 23) and Andaz (mid-Sep 23), as well as concerts being held. The casino performance in Raffles has logged in the highest rolling drop and hold rates among all premium mass areas, according to management. The company intends to expand the casino areas next to Raffles in the coming few quarters, likely at the expense of StarWorld's table inventory (-54 tables as of end-3Q23).
- **Planning to reposition StarWorld.** The company explained that StarWorld has undergone casino floor layout changes during mid-Aug 23 to end-Sep 23, which resulted in slower EBITDA ramp-up in 3Q23 (-4.1% qoq). We expect a better performance in 4Q23 as operations have normalised in Oct 23. The company also sees unique opportunities to reposition its StarWorld property in Peninsula, which will take about one year to complete.
- **Expect higher opex run rate in 4Q23.** The daily opex run rate (c.US\$3.1m) is currently at 90% of pre-pandemic level, which we expect it to rise alongside higher frontline headcounts. Andaz has only ramped up to c.43% of full room capacity (700 rooms), and management expects rooms to be in full operation by Chinese New Year in 2024. Nevertheless, management expects >1,000 headcounts would be saved, vs pre-pandemic times, after the full opening of hotels and amenities.

EARNINGS REVISION/RISK

- **Changes to earnings forecasts.** We lower our EBITDA estimates for 2024 and 2025 by 8% and 7% respectively as we increase our opex assumptions. We keep earnings for 2023 unchanged.

VALUATION/RECOMMENDATION

- **Maintain BUY and lower target price to HK\$57.00.** We like Galaxy for its premium mass positioning and strong net cash position. Moreover, its strong presence in premium non-gaming amenities is poised to attract visitation in the coming quarters. Our target price is now based on 14.5x 2024F EV/EBITDA.

INDIVIDUAL CASINO PERFORMANCE

(HK\$m)	3Q19	3Q22	2Q23	3Q23	qoq % chg	yoy % chg	% of 3Q19
GALAXY MACAU							
Net revenue	9,315	1,072	6,550	7,628	16.5%	611.6%	81.9%
Property EBITDA	3,172	(299)	2,172	2,562	18.0%	-	80.8%
EBITDA Margin (%)	34.1%	-27.9%	33.2%	33.6%	0.4 ppt	-	98.6%
VIP GGR	4,805	56	931	778	-16.4%	1289.3%	16.2%
VIP Rolling Chip Volume	110,279	2,782	29,054	31,090	7.0%	1017.5%	28.2%
VIP Win Rate (%)	4.4%	2.0%	3.2%	2.5%	-0.7 ppt	0.5 ppt	-
Mass GGR	5,129	641	5,038	6,197	23.0%	866.8%	120.8%
Mass Drop Volume	18,403	2,422	19,146	22,812	19.1%	841.9%	124.0%
Mass Win Rate (%)	2787%	26%	26%	27%	0.9 ppt	0.7 ppt	-
Slot GGR	523	52	379	411	8.4%	690.4%	78.6%
Slot Handle	11,359	1,021	8,414	10,188	21.1%	897.8%	89.7%
Slot Win Rate (%)	4.6%	5.1%	4.5%	4.0%	-0.5 ppt	-1.1 ppt	-
STARWORLD MACAU							
Net revenue	2,521	158	1,223	1,228	0.4%	677.2%	48.7%
Property EBITDA	828	(169)	362	347	-4.1%	-	41.9%
EBITDA Margin (%)	32.8%	-107.0%	29.6%	28.3%	-1.3 ppt	-	86.0%
VIP GGR	1,394	0	0	35	-	-	2.5%
VIP Rolling Chip Volume	49,990	0	0	1,369	-	-	2.7%
VIP Win Rate (%)	2.8%	-	-	2.6%	-	-	-
Mass GGR	1,694	144	1,206	1,204	-0.2%	736.1%	71.1%
Mass Drop Volume	8,915	795	6,842	6,830	-0.2%	759.1%	76.6%
Mass Win Rate (%)	19%	18%	18%	18%	0 ppt	-0.5 ppt	-
Slot GGR	55	6	48	62	29.2%	933.3%	112.7%
Slot Handle	2,226	228	2,250	2,981	32.5%	1207.5%	133.9%
Slot Win Rate (%)	2.5%	2.6%	2.1%	2.1%	-0.1 ppt	-0.6 ppt	-
BROADWAY MACAU							
Net revenue	141	10	23	24	4.3%	140.0%	17.0%
Property EBITDA	2	(16)	(10)	(14)	-	-	-
CITY CLUB							
Net revenue	33	19	56	57	1.8%	200.0%	172.7%
Property EBITDA	33	(26)	4	5	25.0%	-	15.2%

Source: Galaxy, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Net turnover	11,473.8	39,966.7	48,813.7	53,553.6
EBITDA	(552.8)	10,968.3	15,811.2	17,470.6
Deprec. & amort.	3,331.0	3,153.8	2,894.3	3,076.5
EBIT	(3,883.8)	7,814.5	12,916.8	14,394.1
Associate contributions	(89.6)	(91.4)	(94.2)	(97.0)
Net interest income/(expense)	621.1	662.3	818.7	993.3
Pre-tax profit	(3,352.3)	8,385.4	13,641.3	15,290.4
Tax	(95.9)	(83.9)	(682.1)	(183.5)
Minorities	14.4	(24.9)	(38.9)	(75.5)
Net profit	(3,433.8)	8,276.6	12,920.4	15,031.4
Net profit (adj.)	(3,433.8)	8,276.6	12,920.4	15,031.4

BALANCE SHEET

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Fixed assets	50,330.1	60,719.7	75,641.9	90,229.2
Other LT assets	12,719.0	12,504.6	12,287.4	12,067.3
Cash/ST investment	14,022.7	21,524.0	20,485.4	19,098.0
Other current assets	3,889.4	7,731.7	8,768.5	9,324.9
Total assets	80,961.3	102,479.9	117,183.2	130,719.5
ST debt	7,511.5	5,253.7	5,253.7	5,253.7
Other current liabilities	7,787.5	25,745.4	31,365.5	34,304.2
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	1,197.0	1,197.0	1,197.0	1,197.0
Shareholders' equity	63,913.9	69,707.6	78,751.8	89,273.8
Minority interest	551.4	576.3	615.2	690.7
Total liabilities & equity	80,961.3	102,479.9	117,183.2	130,719.5

CASH FLOW

Year to 31 Dec (HK\$m)	2022	2023F	2024F	2025F
Operating	(3,091.9)	24,526.1	19,585.9	19,870.3
Pre-tax profit	(3,352.3)	9,112.9	14,514.4	16,338.1
Tax	(96.5)	(83.9)	(682.1)	(183.5)
Deprec. & amort.	2,088.3	2,017.3	1,948.9	2,283.9
Associates	89.6	91.6	94.4	97.2
Working capital changes	(1,579.6)	14,115.6	4,583.3	2,382.3
Non-cash items	(627.8)	(727.6)	(873.1)	(1,047.7)
Other operating cashflows	386.4	0.0	0.0	0.0
Investing	3,035.4	(12,290.3)	(16,748.3)	(16,748.3)
Capex (growth)	(5,062.7)	(12,052.5)	(16,748.3)	(16,748.3)
Investments	(14.5)	0.0	0.0	0.0
Proceeds from sale of assets	62.0	0.0	0.0	0.0
Others	8,050.7	(237.7)	0.0	0.0
Financing	(43.4)	(4,734.6)	(3,876.1)	(4,509.4)
Dividend payments	(1,351.4)	(2,483.0)	(3,876.1)	(4,509.4)
Issue of shares	256.2	0.0	0.0	0.0
Proceeds from borrowings	11,077.1	0.0	0.0	0.0
Loan repayment	(9,938.6)	(2,251.6)	0.0	0.0
Others/interest paid	(86.8)	0.0	0.0	0.0
Net cash inflow (outflow)	(99.9)	7,501.2	(1,038.6)	(1,387.4)
Beginning cash & cash	13,606.7	13,495.8	20,997.0	19,958.5
Changes due to forex impact	515.9	527.0	527.0	527.0
Ending cash & cash equivalent	14,022.7	21,524.0	20,485.4	19,098.0

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(4.8)	27.4	32.4	32.6
Pre-tax margin	(29.2)	21.0	27.9	28.6
Net margin	(29.9)	20.7	26.5	28.1
ROA	n.a.	9.0	11.8	12.1
ROE	n.a.	12.4	17.4	17.9
Growth				
Turnover	(41.7)	248.3	22.1	9.7
EBITDA	(115.6)	n.a.	44.2	10.5
Pre-tax profit	(320.4)	n.a.	62.7	12.1
Net profit	(358.9)	n.a.	56.1	16.3
Net profit (adj.)	(358.9)	n.a.	56.1	16.3
EPS	(358.9)	n.a.	56.1	16.3
Leverage				
Debt to total capital	10.4	7.0	6.2	5.5
Debt to equity	11.8	7.5	6.7	5.9
Net debt/(cash) to equity	(10.2)	(23.3)	(19.3)	(15.5)
Interest cover (x)	(4.8)	27.4	32.4	32.6

COMPANY RESULTS

Li Auto (2015 HK)

3Q23: Net Profit Up 23% qoq To Rmb2.823b, 28% Above Consensus

Li Auto posted upbeat 3Q23 results with net profit growing 23% qoq to Rmb2.823b on delivery growth and margin improvement. Looking ahead, management guides for 4Q23 deliveries of between 125,000 units (+170% yoy/+19% qoq) and 128,000 units (+176% yoy/+22% qoq) and revenue of between Rmb38.46b (+118% yoy/+11% qoq) and Rmb39.38b (+123% yoy/+14% qoq). We raise 2023 net profit forecast by 7% and keep those for 2024-25 unchanged. Maintain BUY. Target price: HK\$312.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Deliveries ('000 units)	26,524	86,533	105,108	296.3	21.5	244,225	181.0
Revenue	9,342	28,653	34,679	271.2	21.0	82,119	197.1
Gross profit	1,182	6,235	7,644	546.8	22.6	17,710	239.0
Gross margin (%)	12.7	21.8	22.0	9.4	0.3	21.6	2.7
EBIT	(2,130)	1,626	2,339	(209.8)	43.9	4,370	n.a
EBIT margin (%)	(1.3)	5.7	6.7	(636.3)	18.9	5.3	18.1
Net profit / (loss)	(1,640)	2,293	2,823	n.a.	23.1	6,050	n.a.
Net margin (%)	(17.6)	8.0	8.1	25.7	0.1	7.4	15.6
Operating cash flow	(508)	11,112	14,507	(2,953.9)	30.5	33,399	1,260.5
FCF	(1,959)	9,621	13,225	(775.2)	37.5	29,548	n.a.

Source: Li Auto, UOB Kay Hian

RESULTS

- **3Q23 earnings up 23% qoq, in line.** Li Auto Inc (Li Auto) posted 3Q23 net profit of Rmb2.823b (+23% qoq), roughly in line with our estimate of Rmb2.8b and 28% above consensus estimate of Rmb2.2b. Net profit reached Rmb6.05b in 9M23, representing 70% of our estimated 2023 net profit of Rmb8.7b and 75% of consensus' 2023 net profit of Rmb8.1b.
- **Deliveries beat guidance.** Li Auto's deliveries quadrupled yoy and grew 21.5% qoq to 105,775 units in 3Q23, beating management's guidance of 100,000-103,000 units. The buoyant sales growth was driven by L9 and L8. Monthly deliveries of L9 and L8 grew 51%/40% qoq to 32,242 units/33,735 units in 3Q23.
- **ASP remained flat qoq at Rmb320,000 units, albeit down 6%,** with the launch of the cheaper L7 dragging down overall ASP.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	27,010	45,287	124,284	192,964	279,491
EBITDA	(427)	(2,441)	10,839	16,600	23,717
Operating profit	(1,017)	(3,655)	8,699	13,556	19,707
Net profit (rep./act.)	(321)	(2,012)	9,278	14,577	21,285
Net profit (adj.)	(321)	(2,012)	9,278	14,577	21,285
EPS (sen)	(15.6)	(96.5)	445.1	699.3	1,021.1
PE (x)	n.a.	n.a.	30.3	19.3	13.2
P/B (x)	6.8	6.3	5.2	4.1	3.1
EV/EBITDA (x)	n.a.	n.a.	23.6	15.4	10.8
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(1.2)	(4.4)	7.5	7.6	7.6
Net debt/(cash) to equity (%)	(103.1)	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	n.a.	4.2	39.4	61.4	89.3
ROE (%)	(0.9)	(4.7)	18.7	23.7	26.8
Consensus net profit	-	-	8,099	13,967	21,170
UOBKH/Consensus (x)	-	-	1.15	1.04	1.01

Source: Li Auto, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$154.90
Target Price	HK\$312.00
Upside	+101.2%

COMPANY DESCRIPTION

Li Auto Inc develops and manufactures smart electric vehicles under the brand Lixiang.

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	2015 HK
Shares issued (m):	2,085
Market cap (HK\$m):	322,901
Market cap (US\$m):	41,398
3-mth avg daily t'over (US\$m):	126.3
Price Performance (%)	

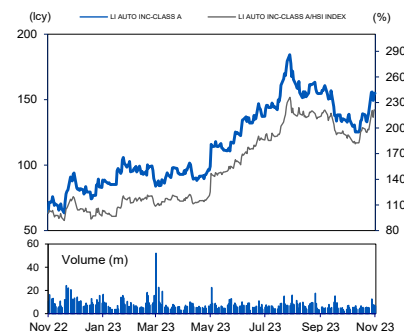
52-week high/low HK\$185.50/HK\$62.20

1mth	3mth	6mth	1yr	YTD
15.7	(7.6)	61.3	124.5	101.7

Major Shareholders

	%
Mr. Li Xiang	21.4
Mr. Wang Xing	18.0
FY23 NAV/Share (HK\$)	29.0
FY23 Net Cash/Share (HK\$)	41.7

PRICE CHART



Source: Bloomberg

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- **3Q23 revenue grew 271% yoy and 21% qoq to Rmb34.68b**, beating guidance of Rmb32.33b-33.33b, due to upbeat deliveries and steady ASP.
- **3Q23 earnings beat lies in margins.** Gross margin improved by 0.3ppt qoq to 22% in 3Q23, due to halt of the production of the lower-margin Li ONE. Due to the improvement in gross margin and drop in expense ratio as a percentage of revenue, EBIT margin rose 1.1ppt qoq to 6.7%.
- **Strong cash flows.** Operating cash flow and free cash flow surged by 31%/37% qoq to Rmb14.5b/Rmb13.2b in 3Q23. This boosted net cash by 27% qoq to a record of Rmb80.2b as of 30 Sep 23.

STOCK IMPACT

- **We raise our delivery estimates for 2023 by 6%** to 370,000 units and keep those for 2024-25 at 580,000 units/840,000 units respectively, based on the upbeat 3Q23 deliveries and 4Q23 guidance of 125,000-128,000 units. These compare with the company's delivery targets of 600,000 units and 1.2m units for 2024-25. Due to capacity expansion at the Changzhou Plant, Li Auto's deliveries grew to over 40,000 units in Oct 23. Going forward, Li Auto's deliveries will be driven by the launches of new models. It will roll out eight new models from now till 2025, including Mega, L6 and others. By 2025, Li Auto targets to have 11 models in total, including six battery electric vehicle (BEV) models and five extended range electric vehicle (EREV) models. These models will include mid- to large-sized SUVs, MPVs or crossover models with prices ranging from Rmb200,000 to Rmb500,000. The EREV models and BEV models are produced at the Changzhou Plant and Beijing Plant respectively. Li Auto will start the presale of its first BEV model Mega at the Guangzhou Auto Show on 17 Nov 23 and the deliveries of Mega will kickstart by the beginning of 2024. Mega is a streamline-shaped large-sized electric MPV with big interior space and the lowest drag coefficient of 0.215 among all MPVs. Equipped with 800V high-voltage 5C fast-charging technology, Mega can be charged up to 500km in range within 12 minutes at a maximum power of 520kW. The next new model of Li Auto for 2024 will be L6, a mid-sized five-seat SUV priced below Rmb300,000, in 2024.
- **We maintain 2023-25 assumptions on ASP at Rmb324,000/Rmb321,000/Rmb320,000 and gross margin at 22%**, as we expect the improving economies of scale from sales volume growth and platformisation and strong product pipelines to offset promotions and discounting on the model models.

EARNINGS REVISION/RISK

- We raise 2023 net profit forecast by 7% to Rmb9.3b, based on higher deliveries and keep those for 2024-25 at Rmb14.6b/Rmb21.3b respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY and keep target price at HK\$312.00**, based on higher FCF estimates in our 10-year DCF model (WACC: 20%; terminal growth: 4%). Our target price of HK\$264.00 implies 30.5x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	45,287	124,284	192,964	279,491
EBITDA	(2,441)	10,839	16,600	23,717
Depreciation & amortization	(1,214)	(2,141)	(3,044)	(4,010)
EBIT	-	-	-	-
Total other non-operating income	(3,029)	9,499	14,798	21,506
Associate contribution	-	-	-	-
Net interest income/(expense)	870	(221)	(221)	(221)
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	127	-	-	-
Minorities	-	-	-	-
Net profit	(2,012)	9,278	14,577	21,285
Net profit (recurrent)	(2,012)	9,278	14,577	21,285

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	7,380	39,935	42,842	57,055
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	-	-	-	-
Depreciation/amortization	1,214	2,141	3,044	4,010
Associates	-	-	-	-
Working capital changes	-	-	-	-
Non-cash items	8,326	28,517	25,221	31,760
Other operating cashflows	-	-	-	-
Investing	5,639	-	-	-
Capex (growth)	(5,128)	(7,000)	(7,500)	(8,000)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	10,767	7,000	7,500	8,000
Financing	5,639	-	-	-
Dividend payments	-	-	-	-
Issue of shares	7	-	-	-
Proceeds from borrowings	3,741	1,000	1,000	1,000
Loan repayment	(661)	(1,000)	(1,000)	(1,000)
Others/interest paid	2,552	-	-	-
Net cash inflow (outflow)	9,925	32,935	35,342	49,055
Beginning cash & cash equivalent	30,493	40,418	73,354	108,696
Changes due to forex impact	1,270	-	-	-
Ending cash & cash equivalent	40,418	73,354	108,696	157,751

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	11,188	15,968	20,348	24,264
Other LT assets	8,358	8,436	8,513	8,587
Cash/ST investment	40,418	73,354	108,696	157,751
Other current assets	26,574	40,607	53,071	68,766
Total assets	86,538	138,365	190,627	259,367
ST debt	391	391	391	391
Other current liabilities	26,982	69,531	107,216	154,670
LT debt	9,231	9,231	9,231	9,231
Other LT liabilities	4,748	4,748	4,748	4,748
Shareholders' equity	44,859	54,137	68,714	89,999
Minority interest	-	-	-	-
Total liabilities & equity	86,538	138,365	190,627	259,367

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(5.4)	8.7	8.6	8.5
Pretax margin	(4.8)	7.5	7.6	7.6
Net margin	(4.4)	7.5	7.6	7.6
ROA	(2.7)	8.3	8.9	9.5
ROE	(4.7)	18.7	23.7	26.8
Growth				
Turnover	67.7	174.4	55.3	44.8
EBITDA	n.a.	n.a.	53.1	42.9
Pre-tax profit	n.a.	n.a.	57.1	46.0
Net profit	n.a.	n.a.	57.1	46.0
Net profit (adj.)	n.a.	n.a.	57.1	46.0
EPS	n.a.	n.a.	57.1	46.0
Leverage				
Debt to total capital	14.2	8.9	6.4	4.7
Debt to equity	27.3	22.7	17.8	13.6
Net debt to equity	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	4.2	39.4	61.4	89.3

TRADERS' CORNER



Chart by Bloomberg

Johnson Electric Holdings Ltd. (179 HK)

Trading Buy range: HK\$10.80-11.10

Last price: HK\$11.14

Target price: HK\$11.80/HK\$12.20

Protective stop: Breaks below HK\$10.00

Stock Highlights:

For the six months ending 30 Sep 23, net profit attributable to shareholders increased 115% to US\$120m.

Technical View:

Share price opened with an upside gap and rose on 9 Nov 23, in line with an increase in trading volume. It also closed with a long white candlestick and hit a 3-month high. The gap was between HK\$10.32 and HK\$11.00. It has risen above all major moving averages, including its 10-day (light blue), 20-day (orange), 50-day (red), 100-day (pink) and 200-day (purple) moving averages. The 14-day RSI is above the midline level of 50 and is currently around 60, indicating strong momentum. The MACD line is higher than the signal line, showing a bullish crossover.

Average timeframe: Around two weeks.



Chart by Bloomberg

Meituan (3690 HK)

Trading Buy range: HK\$112.00-115.00

Last price: HK\$115.00

Target price: HK\$119.00/HK\$122.00

Protective stop: Breaks below HK\$106.00

Stock Highlights:

The group recently launched its first AI product "Wow" standalone app, which is positioned as a community of AI friends. Wow features advanced AIGC technology, which can realise anthropomorphic dialogue effects, exquisite character images, and highly anthropomorphic voice synthesis. It offers a wide range of settings, allowing users to find their ideal characters and role-play with their AI friends.

Technical View:

Share price formed a double bottom pattern in September and October. In addition, it opened with an upside gap on 6 Nov 23 and closed with a white candlestick, in line with the incremental trading volume. It subsequently entered a sideways trend. It has risen to higher than its 10-day (light blue) and 20-day (orange) moving averages, but is restricted by its 50-day moving average (red) at the moment. The 14-day RSI is higher than the midline level of 50 and is now around 52, indicating that momentum has gradually strengthened. The MACD line is higher than the signal line, showing a bullish crossover. If share price breaks through the 50-day moving average, it could rise further.

Average timeframe: Around two weeks.

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