



# China Harmony New Energy Auto Holding Limited

## 2017 Interim Results Presentation

Stock Code : 3836.HK

August, 2017



# Agenda



## **1) Results Overview**

## **2) Business Review and Investment Highlights**

### **1. Dealership Business**

### **2. Independent After-sales Business**

### **3. New Energy Vehicle Business**

### **4. Partnership with Tesla**

### **5. Auto Financing Business**

## **3) Financial Performance**

## **4) Outlook and Strategy**



1

# Results Overview



# Company Overview

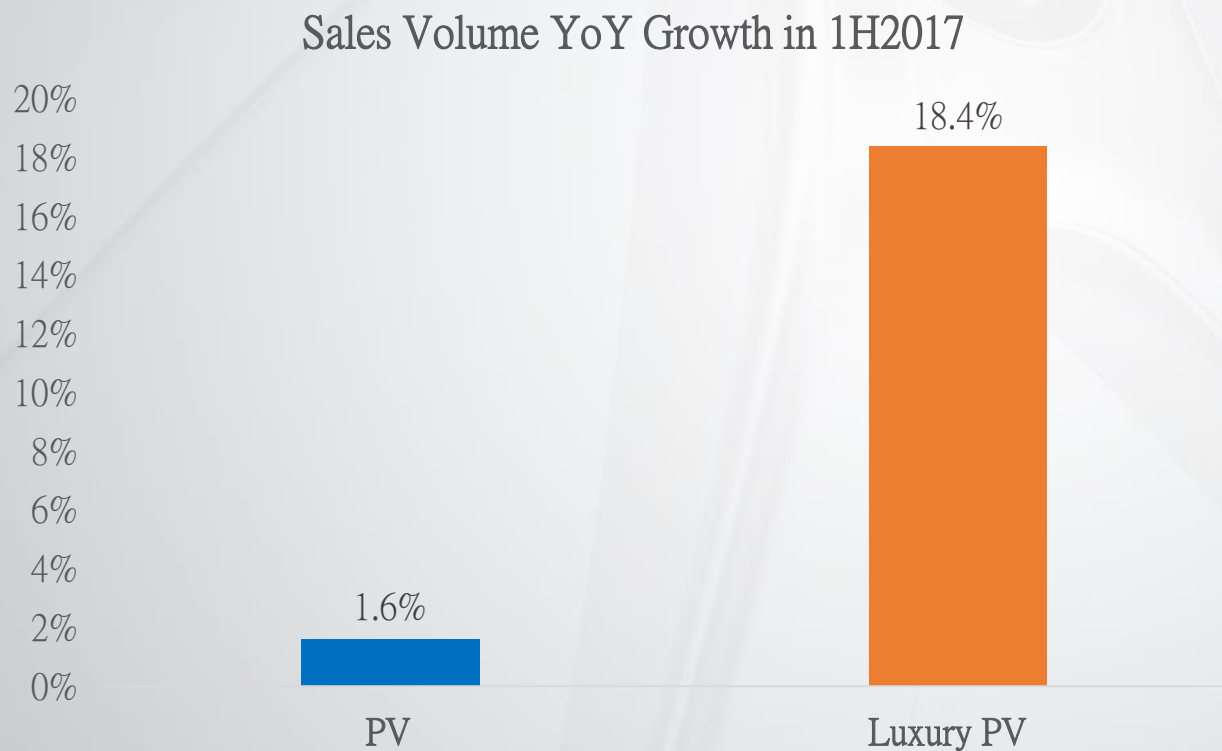
- The Group is one of the largest distributor focusing on luxury and ultra luxury brands in China. We distribute 12 brands including BMW, MINI, Lexus, Jaguar, Land Rover, Volvo, Zinoro, Alfa Romeo, Ferrari, Maserati, Rolls-Royce and Aston Martin. The Group is also one of the major after-sales services partners of Tesla in China. The Group is currently the largest distributor of BMW in central China and largest distributor of Maserati in China. We now have a national wide network of more than 200 outlets, including 52 dealership outlets, 47 after-sales services center outlets and 104 community stores.
- In 1H2017 , the Group continued enhancing our dealership business, and had investment gain from disposal of after-sales services and successful Series B fund raising of our new energy vehicle business. In 1H2017, net profit attributable to shareholders of the Company reached RMB 565 million, up 84.5% YoY. Contribution by 4s stores business was RMB 271 million, up 22%; net gain from independent after-sales services business was 36 million; investment gain from FMC was 253 million.
- The Group will further expand the dealership network, steadily develop after-sales services and the new energy vehicle business. We will fully utilize the internet platform to facilitate after-sales services, businesses of pre-owned automobiles and parallel-import automobiles, realizing online and offline interaction and complementation. We believe that the above adjustments will bring great value and profitability to the Company and its shareholders.



# Industry Overview – Growth of Luxury Automobiles Outpaced Overall Auto Industry






According to CAAM, China's PV sales volume in 1H2017 recorded slight growth to reach 11.253 million units, representing a YoY growth of 1.6%.

Increasing per capita disposable income of urban residents, upgrading consumption and penetrating consumption of inland cities drove sales volume of the twelve luxury brands to reach up to 1.206 million units, up 18.4% YoY, significantly outpaced the overall growth of passenger vehicles.



# Industry Overview – Rapid Growth for Most Luxury Brands

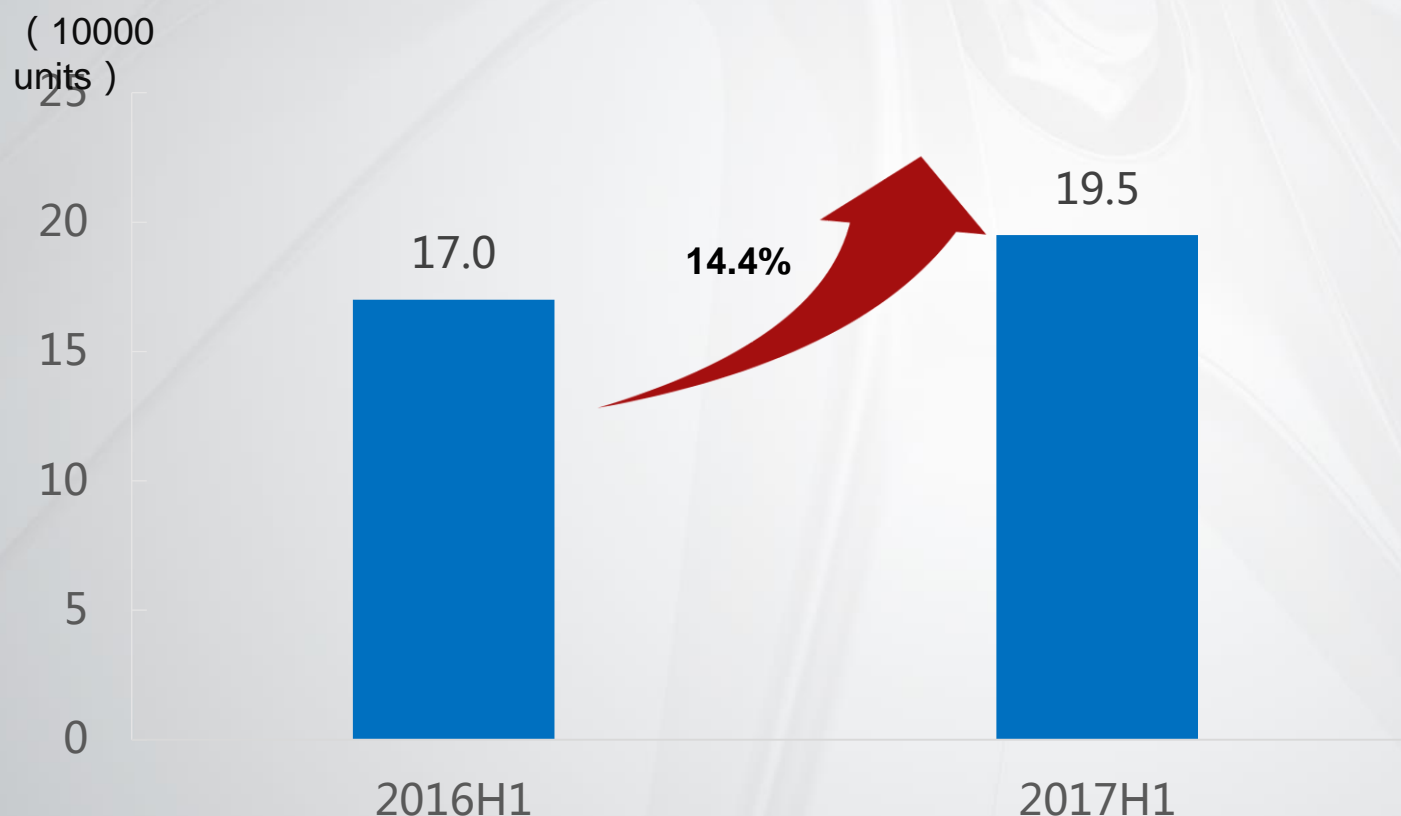
In 1H 2017, most luxury and ultra luxury brands we distribute had a rapid growth in sales volume.

Brands	Sales Volume Growth in 1H2017
 <b>BMW</b>	<b>18.4%</b>
Mercedes Benz	34.0%
Audi	-12.2%
 <b>Lexus</b>	<b>31.0%</b>
 <b>Maserati</b>	<b>110.4%</b>
Cadillac	71.0%
 <b>Jaguar Land Rover</b>	<b>26.2%</b>
 <b>Volvo</b>	<b>27.6%</b>
Porsche	18.0%
Lincoln	97.1%
Infiniti	4.2%
Acura	442.0%

## Industry Overview——Rapid Growth for New Energy Vehicles

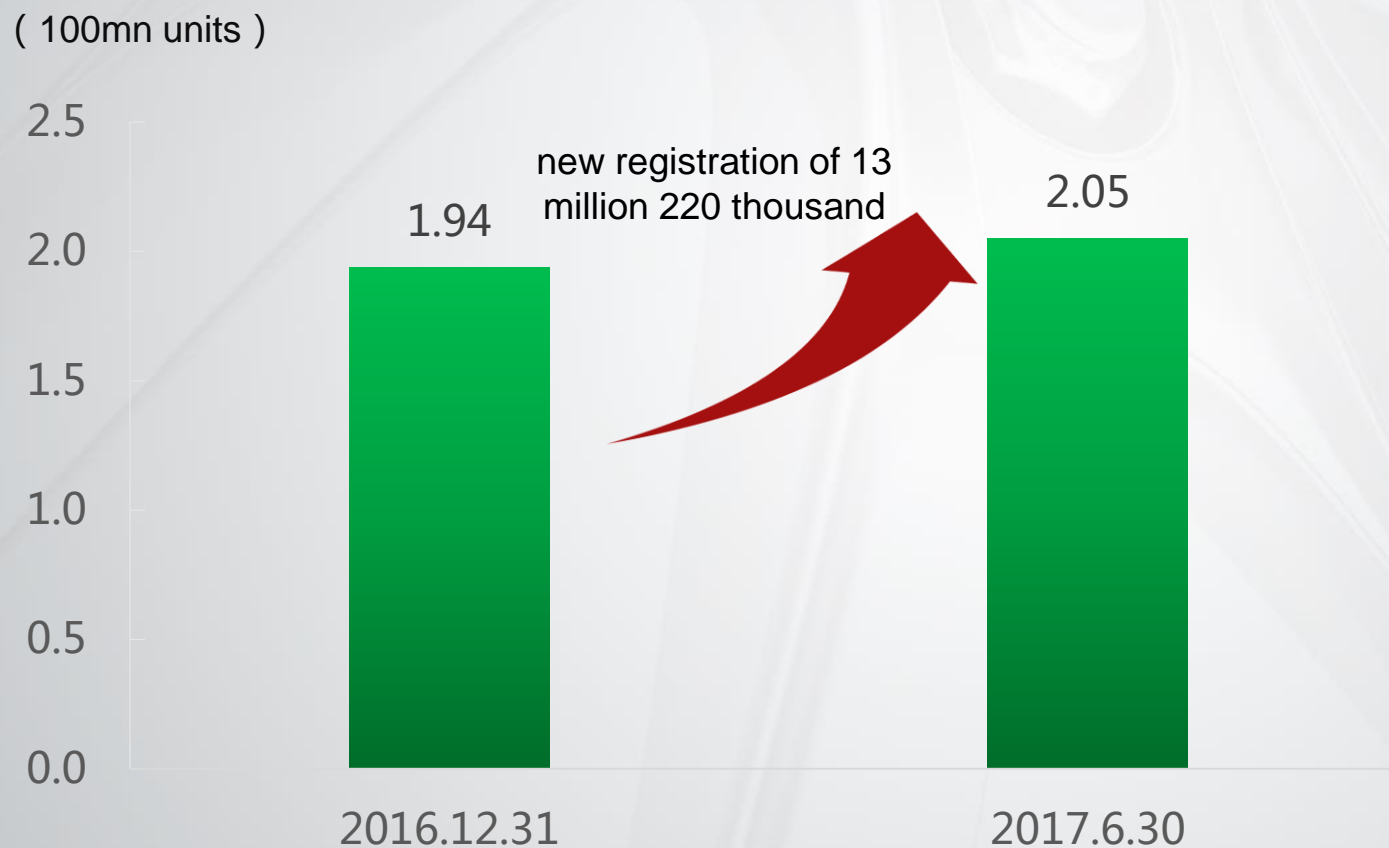
In 1H 2017, sales volume of new energy vehicles reached 195 thousand units, up 14.4% YoY, among which pure EV reached 160 thousand units, up 26.2% YoY. Sales volume of pure EV accounted for 82% of new energy vehicles.

EV industry in China will keep the high growing speed, with the expected sales volume of 1.5 million units in 2020.



## Industry Overview——Rapid Growth of Auto Possession Bring Great Opportunities for After-sales Market

According to the statistics of the Traffic Control Bureau of the Public Security Ministry, auto possession in China has reached 205 million units by end of June 2017. In 1H 2017, the number of new registration reached 13 million 220 thousand. The rapid growth of auto possession will continuously bring great business opportunities for after-sales market.





2

## Business Review and Investment Highlights



# Network Coverage



Provinces covered



- 52 Dealership Stores



- 47 Independent After-Sales Service Center Stores



- 104 Independent After Sales Service Community Stores

# Brands Portfolio

- 8 Luxury Brands:  
BMW, MINI, Lexus,  
Jaguar, Land Rover,  
Volvo, Zinoro, Alfa  
Romeo



- 4 Ultra Luxury Brands:  
Rolls-Royce, Ferrari,  
Aston Martin, Maserati

- Strategic partner of Tesla after- sales services in China



## (1) Progressive Growth of Dealership Business

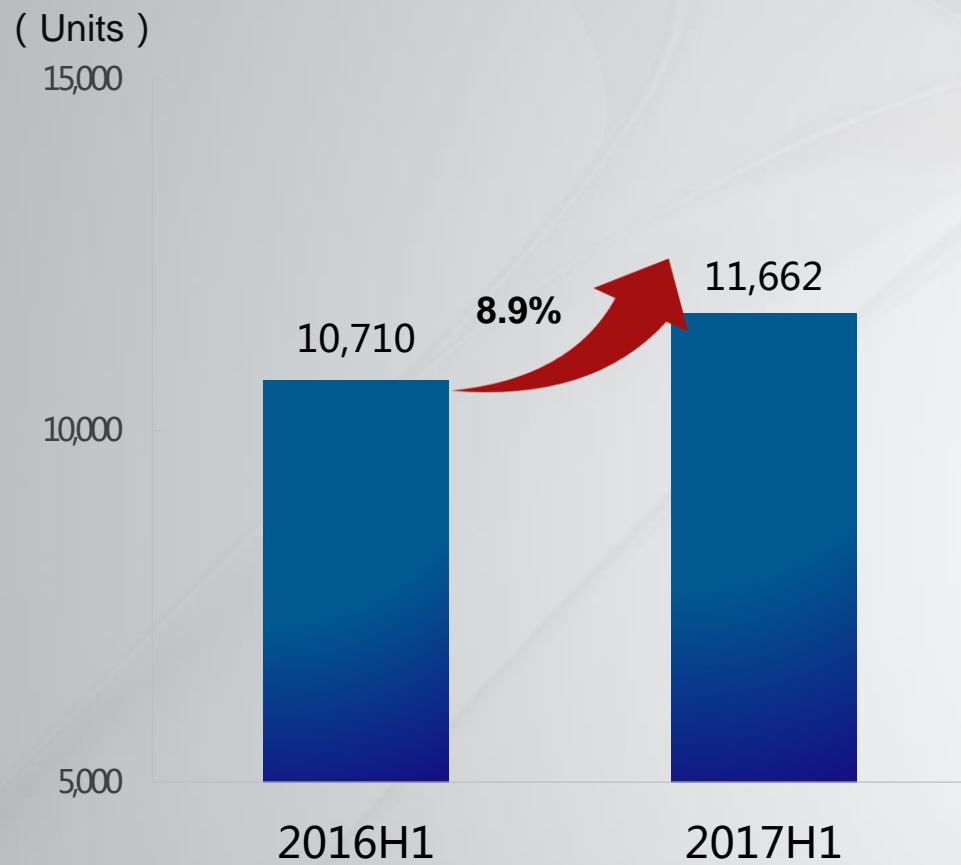


# 1. Distinctive Strategy in Network Distribution

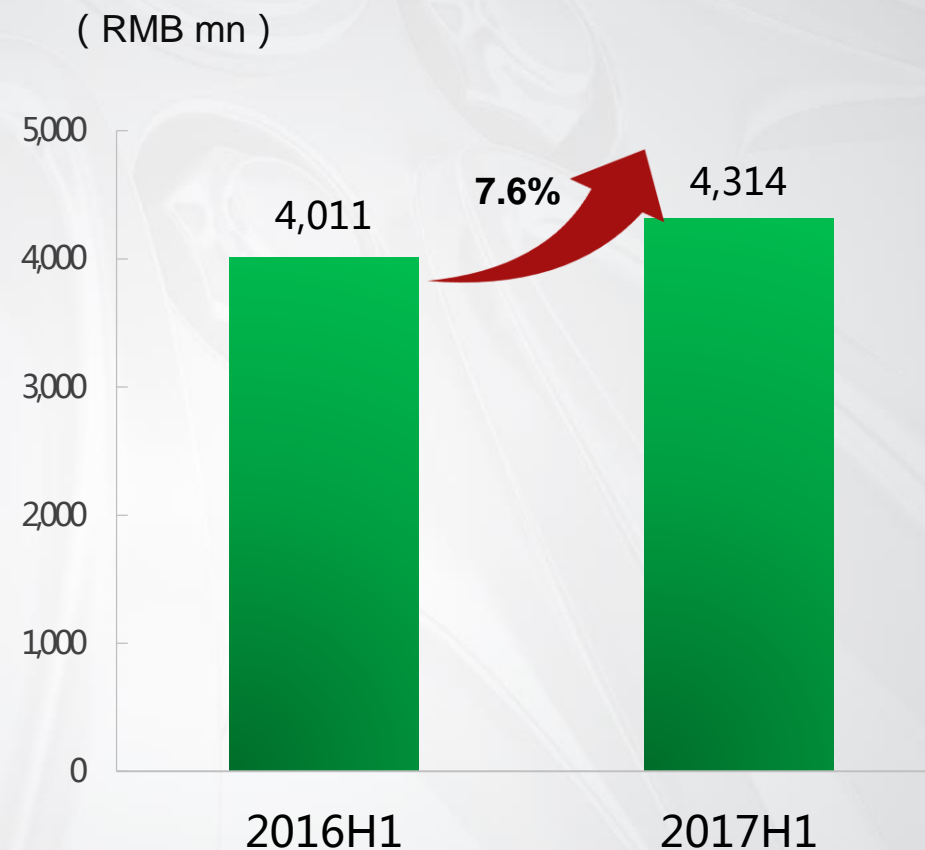
The Group further strengthened the dominated market position in central China and aggressively improved operations at coastal areas. We consider to further expand our network by opening new stores and through acquisition, adhering our distinctive distribution strategy:

- ① Focusing on luxury and ultra luxury brands
- ② Maintaining our dominated advantage in central and western China to preserve profit margin
- ③ Developing our network of ultra luxury brands in top tiered cities and urban eastern coast
- ④ Focusing on premium location of core urban areas
- ⑤ Maintaining asset light and high efficiency business model
- ⑥ Aggressively develop value added businesses and after-sales services
- ⑦ Sustaining high profitability by expanding network through opening new stores and acquisition

## 2. Stable New Car Sales and Revenue Growth



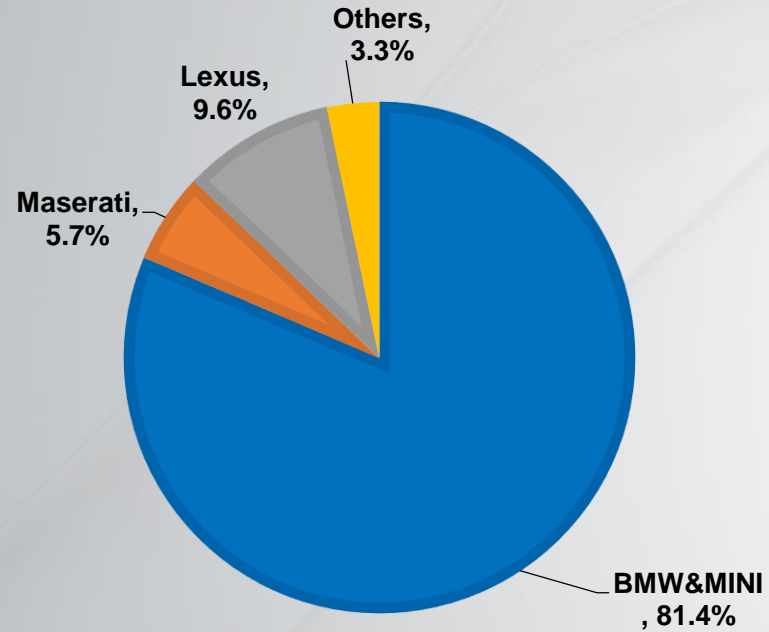
New Car Sales Volume



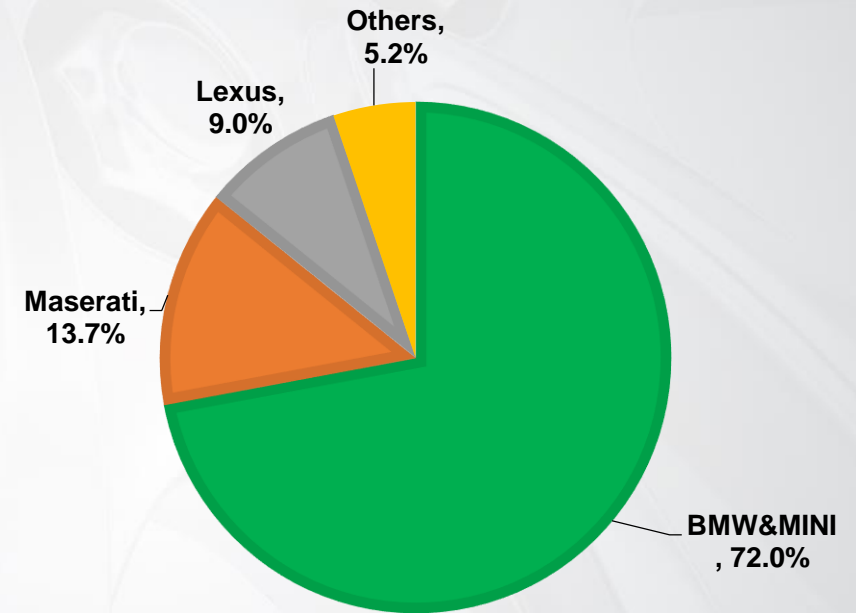
New Car Sales Revenue



### 3. Breakdown of New Car Sales by Brands



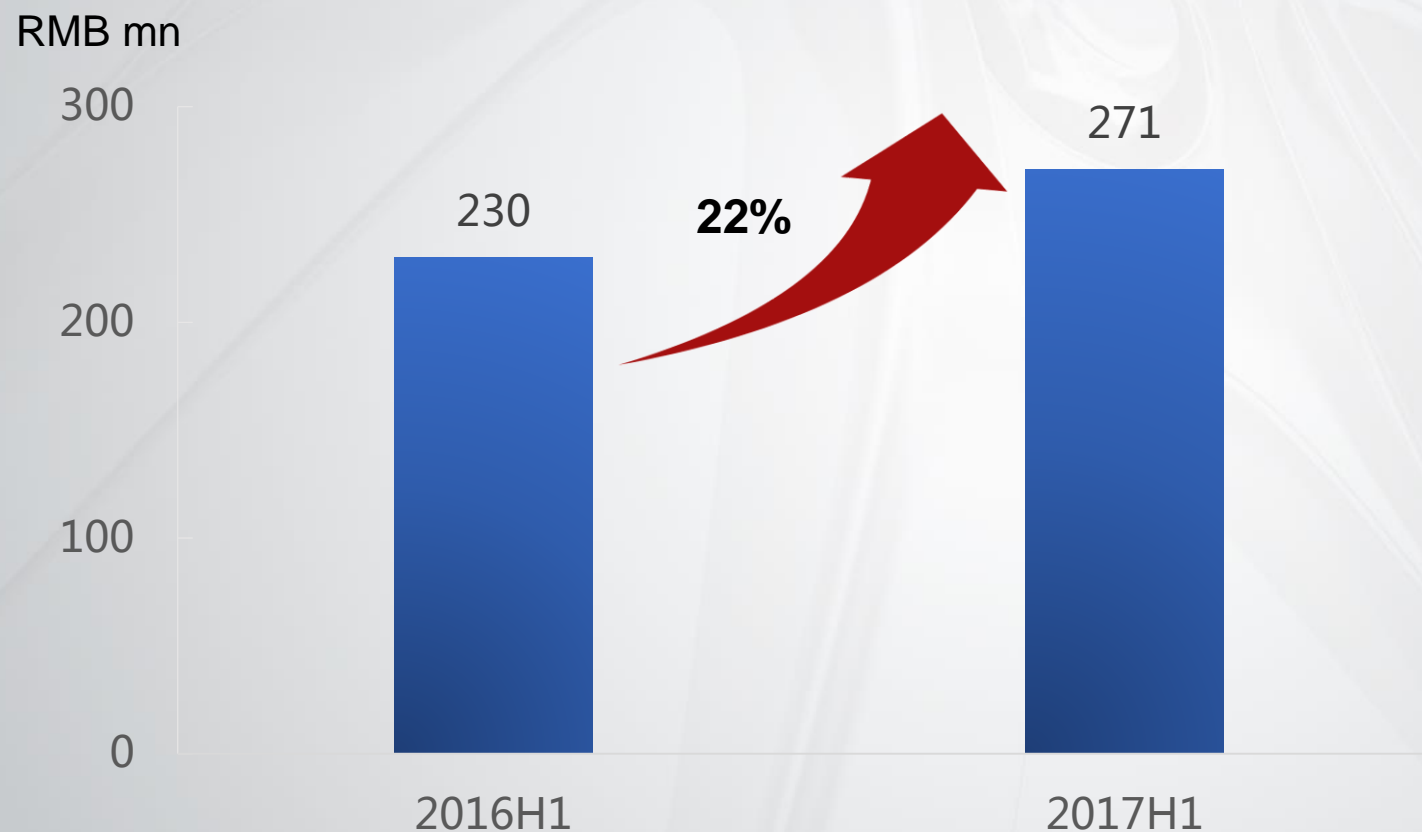
New Car Sales Volume (1H2017)



New Car Sales Revenue (1H2017)

## 4. Rapid Growth in Profit for Dealership Business

In 1H2017 , dealership business of our Group has reached net profit of RMB 271 million, up 22% YoY.



## 5. Significantly Benefiting from Strong Model Cycle of BMW

In 1H2017, BMW contributed approximately 72% of our total new car sales volume, which is the highest among distributors listed in Hong Kong.

In June 2017, BMW released its new 5 series in China, market response was very well due to strongly competitive product and reasonable pricing. Model 530 from our BMW stores currently requires approximately 2 months of waiting period, with premium of RMB 20,000 on top of MSRP. Model 528 requires RMB 10,000 – 20,000 spending on decoration and accessories.

Total sales volume of new BMW 5 series reached 5,275 units in June 2017 and 8,393 units in July 2017. New 5 series will be a key driver for new car sales margin expansion in 2H17.





# Strong Model Cycle of BMW will continue till year 2020

X3 SUV is expected to be domestically produced in 3Q18, to increase BMW's market shares in SUV segment in China.

New generation of 3-series is expected to be launched in 2019.

X2 SUV is expected to be domestically produced in 2020.

**BMW X3 SUV**

(Expected to be domestically produced in 2018)



**BMW New Generation of 3-series**  
(Expected to be launched in 2019)



**BMW X2 SUV**

(Expected to be domestically produced in 2020)



## 6. Lexus, Maserati and Other Main Brands Also Entering Strong Model Cycle

### Lexus:

Currently one of the most profitable brands in the market.

Launched new generations for most series in 2015-2016 , premium asked for key models such as LX570 and RX200T.

### Maserati:

Launched SUV Levante in mid 2016, contributing full-year in 2017.

### Alfa Romeo:

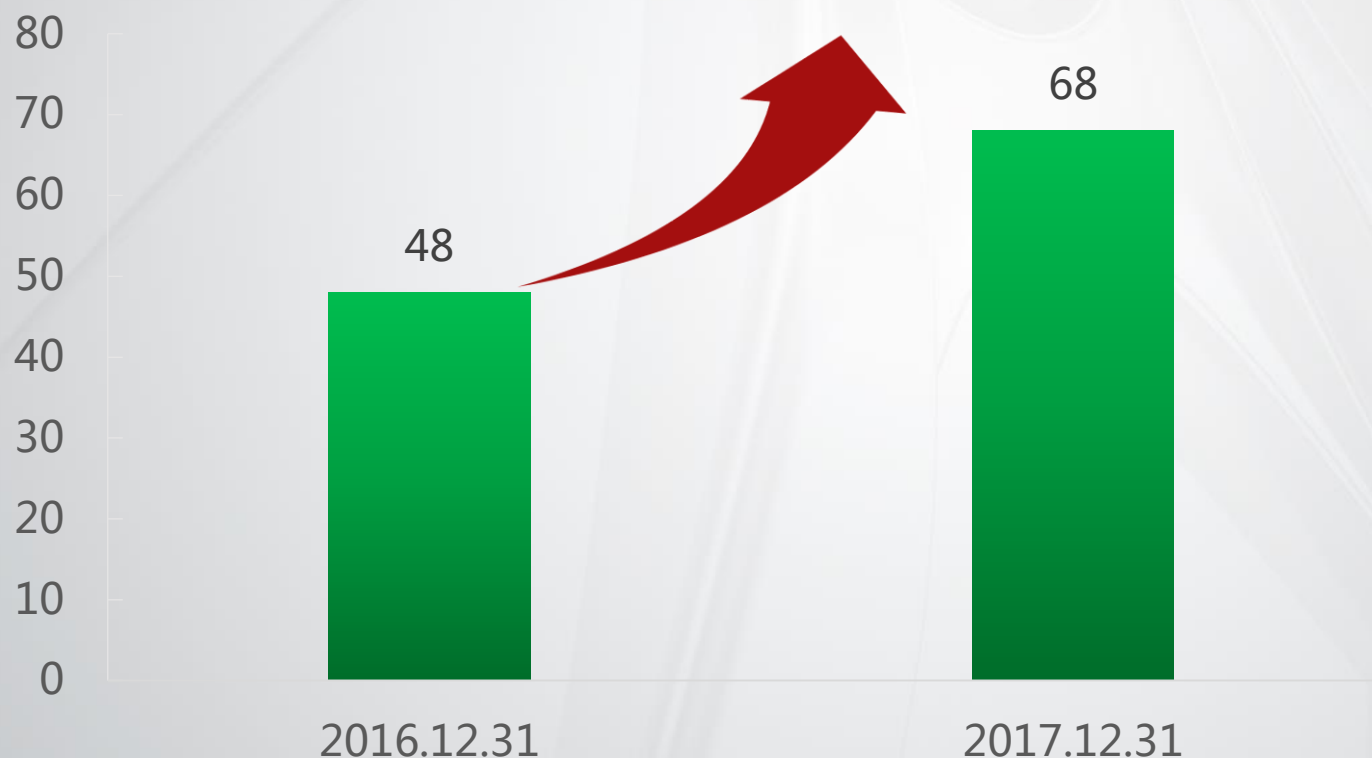
Recently launched Sedan Giulia and SUV Stelvio, will release another 2 new models in China in 2018.

## 7. Progressively Expand the Dealership Network

Our Group will continue to focus in luxury and ultra luxury brands, and to expand network via opening and acquisition.

We have opened 5 new 4S stores in 1H2017, with a total of 52 stores. We currently also have 16 4S stores authorized in construction or to commence construction.

Through self-construction and acquisitions, we plan to reach a number of 68 stores by end of this year.





## Jiaozuo Yuanda Lexus (Opened in April, 2017)



## Beijing Alfa Romeo (Opened in April, 2017)



## Changzhou Alfa Romeo (Opened in May, 2017)





## Zhengzhou Maserati & Alfa Romeo (Opened in July, 2017)





## (2) Independent After-sales Services Business



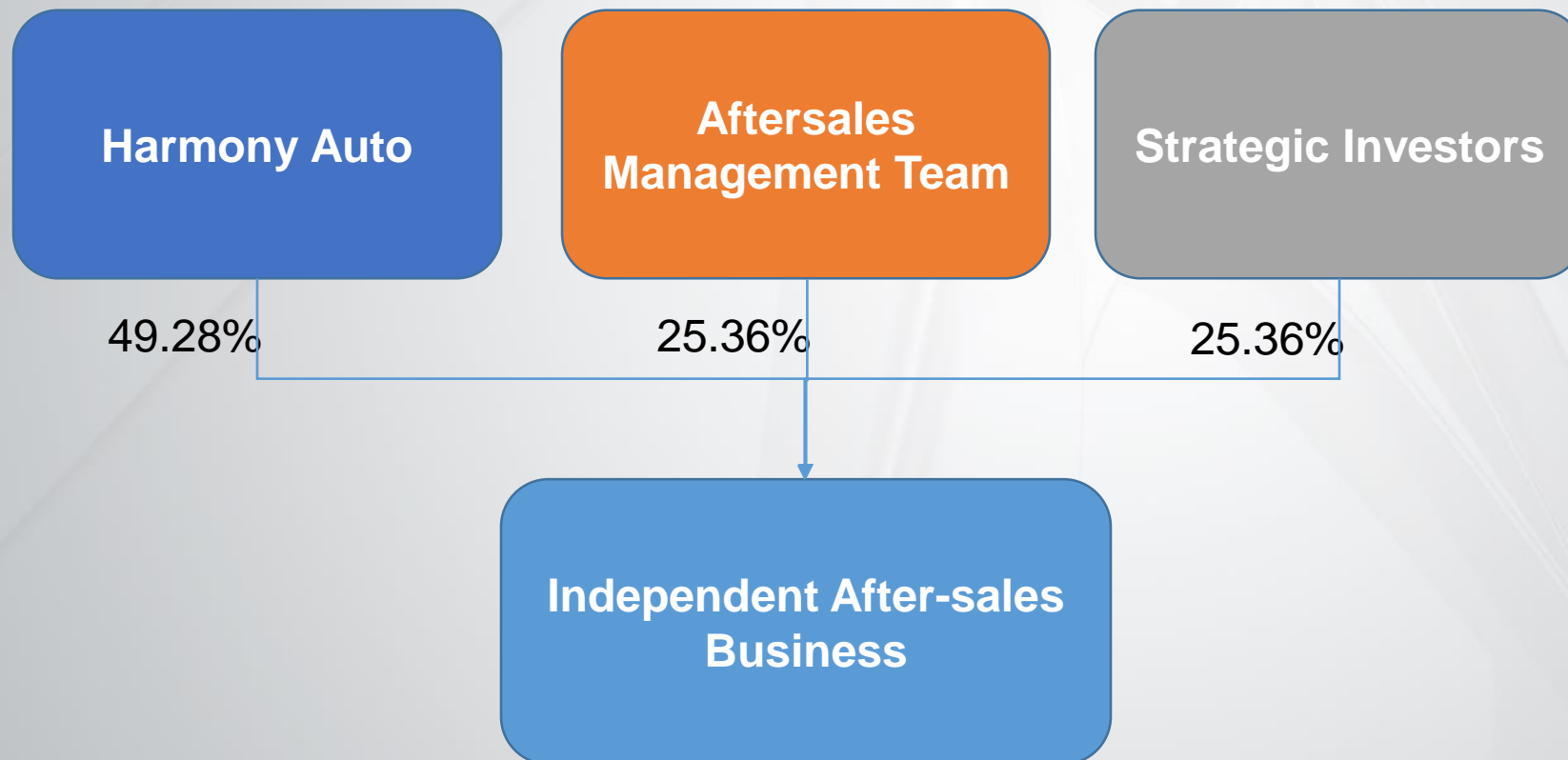
# China's Leading Comprehensive After-sales Business Focusing On Luxury and Ultra Luxury Auto Maintenance

- Up to now, we have established 151 independent after-sales service centers covering 42 cities, including 47 Service Centers, 104 Community Stores, and 9 Tesla maintenance service centers in operation.



# Independent After-sales Business Spin-off Completed, Aiming A-share IPO in the Future

- In 1H2017, the Group restructured the independent after-sales business, introducing investment from management team and strategic investors. The shareholding percentage owned by the Group was diluted to 49.28%.
- After the restructuring, Harmony Auto will continue to be an important investor of the independent after-sales business, which will seek for A-share IPO in the future.



# **We Continue to be Optimistic about the Independent After-sales Business**

**The Company continues to hold a positive attitude towards the development of the independent automobile after-sales industry, believing that there will be huge room for the development of comprehensive after-sales business in the future.**

**As a result of the restructuring of the Independent Aftersales Company and increase in valuation, the Group recognized investment income of RMB36.2 million in the first half of 2017.**

**The Company believe that with the great efforts on the development of comprehensive after-sales business and several rounds of financing in the future, the valuation of the Independent Aftersales Company will continue to increase and the Group can continuously receive investment return from comprehensive after-sales business in a long run.**



### **(3) New Energy Vehicle Business**

**- FMC Successfully Completed Financings and Harmony Auto Benefited with High Appreciation Gain**



# 1. FMC is Shaping the Future for Automobiles Globally

- In 2016, Harmony Auto, as the founding investor, invested in the establishment of FMC, which focuses on the R&D and manufacturing of high-end intelligent electric vehicles
- As a global intelligent electric vehicle company, FMC has dedicated to manufacture high-end intelligent electric vehicles in China and build up the future for global automobile industry to provide pleasant travelling experience for people.

## Technology competencies

- Disruptive technology advantage
- Innovation leading to unconventional consumer behavioral changes
- User experience oriented



## Future Mobility corp.

**FMC** is leading the next-generation technology innovation and integration for the global auto industry

## Automotive OEM competencies

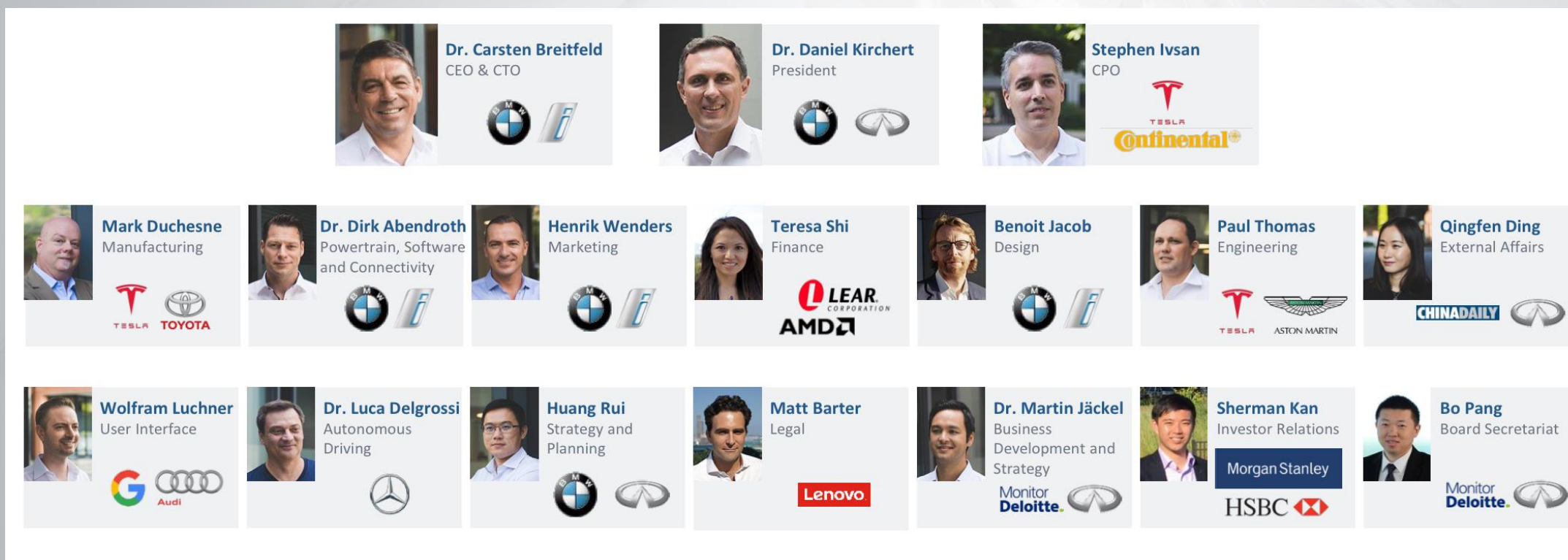
- Design and manufacturing know-how
- Track record in introducing successful products to the market





## 2. FMC's Highly Committed, World-class Management Team

- The core team of FMC are elite talents from large auto companies and technology companies such as BMW, Tesla, Google, Apple and Infiniti, etc. Powerful research and development teams and experienced management teams provide strong guarantee for the development of high-end intelligent Internet electric vehicles.
- FMC's core team has strong entrepreneurial spirit and invested US\$ 15mn in FMC.



### 3. Global Presence of FMC





## 4. Headquartered in Nanjing with Strong Government Support



- In January 2017, FMC entered into an agreement with Nanjing Economic and Technological Development Zone, pursuant to which the High-end Intelligent Electric Vehicles Manufacturing Base is expected to be constructed in Nanjing Economic and Technological Development Zone.
- FMC's planned total annual production capacity is 300,000 intelligent electric vehicles. Among which, the Phase I Project has a designed annual production capacity of 50,000 intelligent electric vehicles, and is expected to commence construction in 2017 and to commence production upon completion in 2019.
- The local government has placed FMC as an important project at provincial level in Jiangsu Province, and will provide substantial support in capital, land, tax and R&D incentives, etc.

## 5. Product Strategy : Three Premium Models with Chassis, First SUV Showcar to Release in 4Q2017 and Deliver in 2019

### 1<sup>st</sup> Model: SUV

Start Production in 2019



#### Selected Competitors



Audi Q5



BMW X3



Tesla Model X . . .

### 2<sup>nd</sup> Model: Sedan

Start Production in 2020



#### Selected Competitors



BMW  
3 series



BMW  
5 series



Tesla  
Model 3



Tesla  
Model S . . .

Currently no  
premium MPV  
in the Market

### 3<sup>rd</sup> Model: MPV

Start Production in 2021



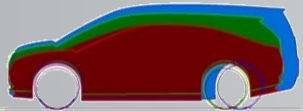
#### Selected Competitors



Toyota  
Alphard



Buick  
GL8 . . .



One Chassis

In the first half of 2017, the businesses of FMC have developed steadily with remarkable achievements in research and development and manufacturing. FMC is expected to introduce the first prototype vehicle at the end of 2017 and to present it at the CES to be held in January 2018 and to officially launch the first vehicle for mass production in 2019.

## 6. FMC Will Deliver Perfect Balance Among Quality, Design and Pricing, Strong Advantage in Product Positioning

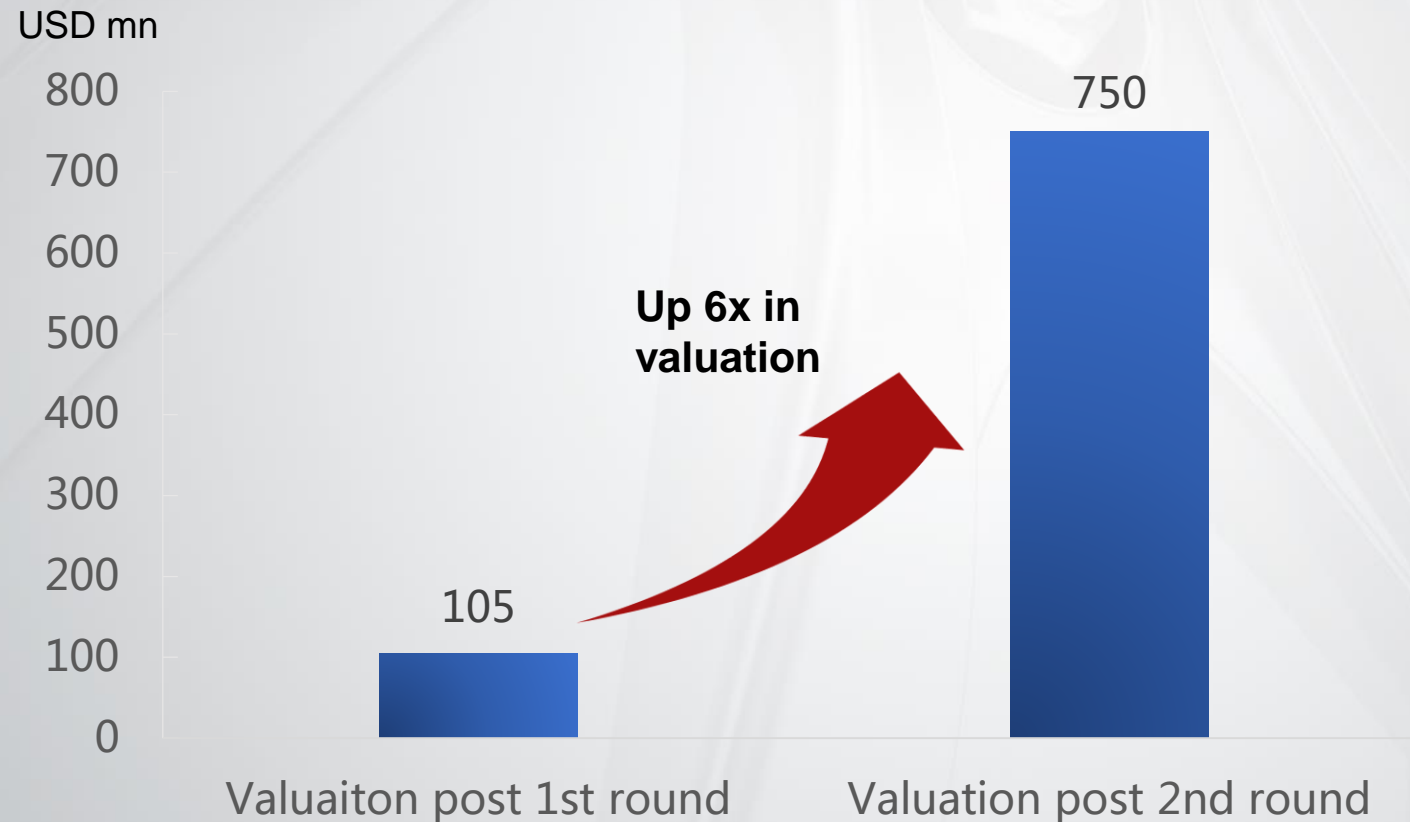
Implements / Performances



Pricing Position

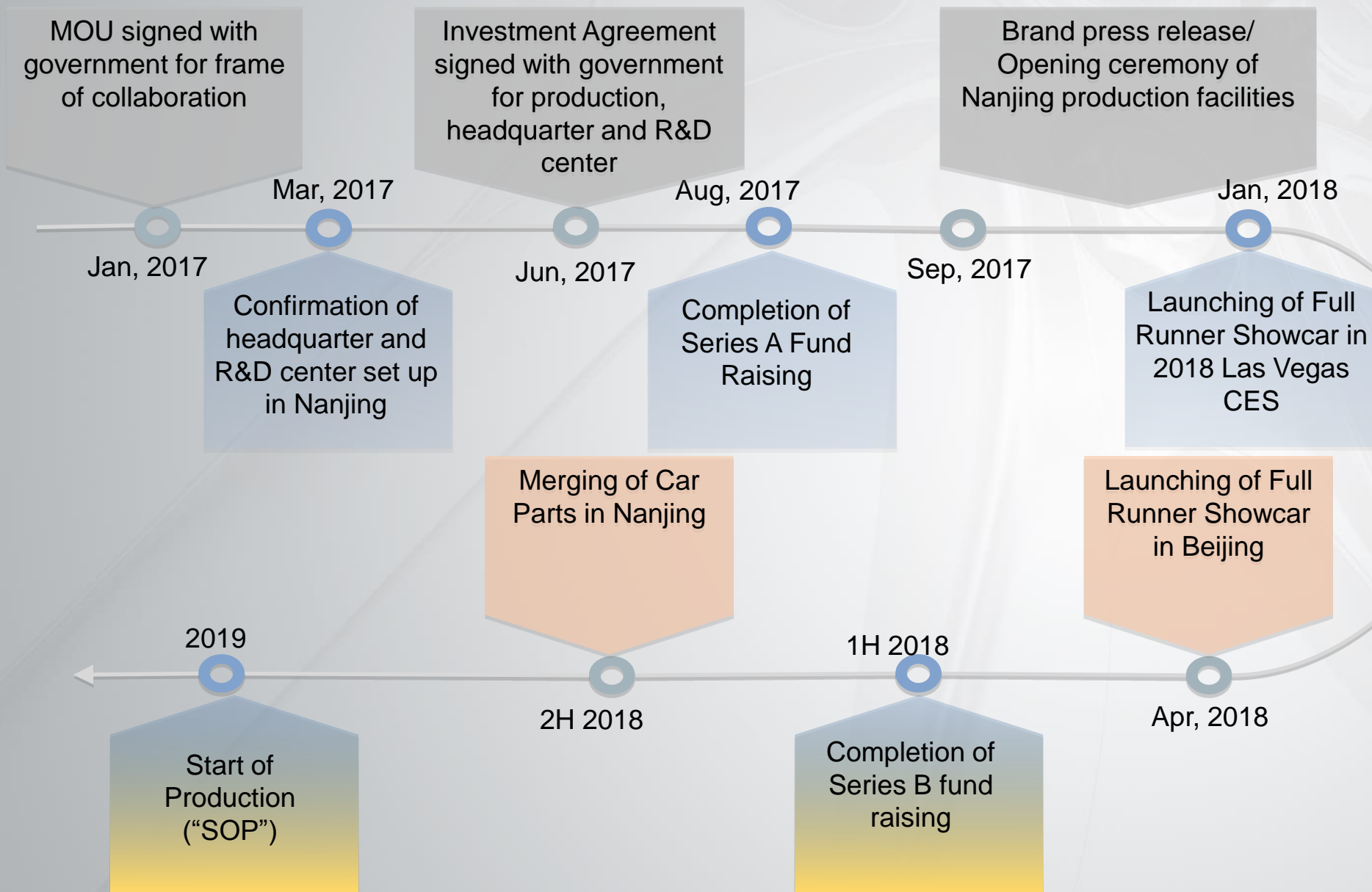
## 7. Harmony Auto Recorded High Appreciation Gains from FMC's Successful Completion of 2<sup>nd</sup> Round of Financing

- FMC has conducted the first round financing in December 2016 and the second round in July 2017. FMC's pre-investment valuation in the second round of financing was USD550 million with the financing scale of USD200 million and the corresponding post-investment valuation of USD750 million.
- FMC has received very strong interests from lots of investors and will launch another round of financing recently.





## 8. Continuous Investment Gains to be Recorded from FMC



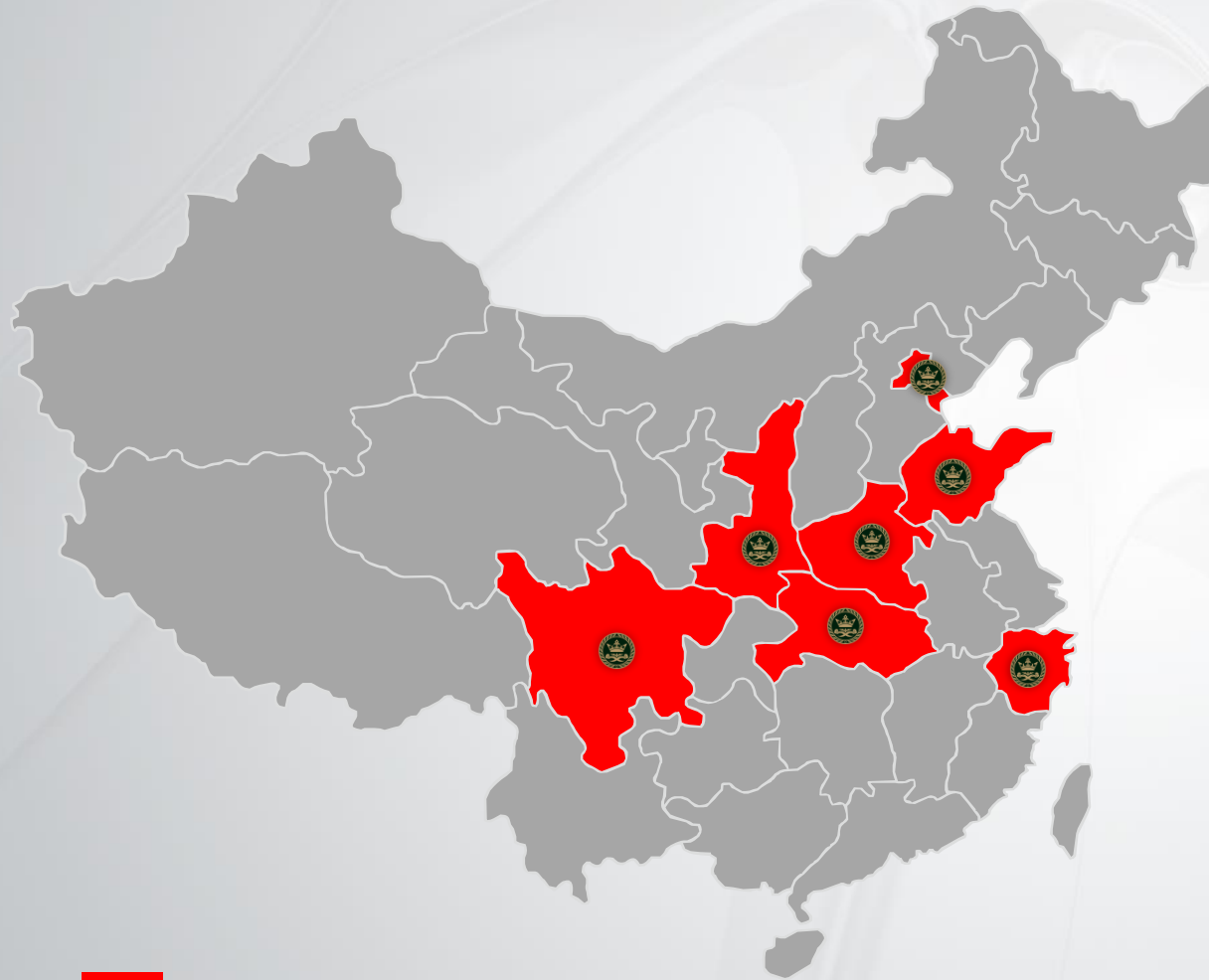
- Harmony Auto recorded a gain of RMB 253.3 million from FMC in 1H2017.
- Continuous investment returns to be recorded with the progress of businesses, subsequent financing activities and future listing of FMC.

## (4) Partnership with Tesla in After-sales Services



# Tesla Partnership Network Coverage

9 Tesla maintenance service centers in operation: Shanghai, Hangzhou, Xi' an, Wuhan, Chengdu, Jinan and Zhengzhou



 Provinces covered



## (5) Auto Financing Business

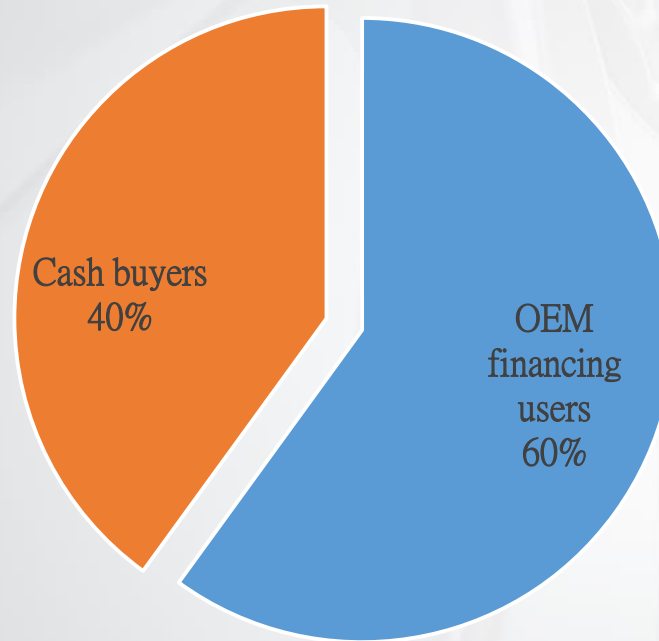




# 1. Huge Potential in Auto Financing Business

## Developing new car financing clients


- The penetration rate of car financing in our 4S stores is approximately 60%. Younger generation of customers show better acceptance of using car financing services.
- Having the car purchasing happening at our stores, along with strong cash position, Harmony Auto has great potentials in car financing business.



## Cooperation with OEM financing

- The main purpose of OEM financing is to promote new car sales, however it's hard for OEM to fund the financing business under such rapid growth.
- Harmony Auto will cooperate with OEM financing in the near future to strive for preferential policies such as interest discounts.










## 2. Financial Leasing Business Officially Launched in July, 2017



和谐汽车融资租赁  
HEXIEQICHE RONGZIZULIN

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全部品牌 宝马 MINI 雷克萨斯 法拉利 捷豹 路虎 玛莎拉蒂 劳斯莱斯 沃尔沃

搜索关键词

搜索

宝马

MINI

雷克萨斯

法拉利










捷豹

路虎

玛莎拉蒂

劳斯莱斯

沃尔沃



42

### 3. Currently Penetrating in Self-owned 4S Stores, to Enter External Network in the Future



## 4. Continuously Offering New Products

### • Corporate Clients

OEM Finance
Down payments: 30% or more
High requirements
Thorough credit investigation and supervised by the CBRC
VAT invoice of bare cars by 4S store and depreciation for tax deduction

VS

Harmony Auto Finance
Down payments: $\leq$ OEM finance
Lower requirements
Simpler credit investigation
Tax deduction: monthly rent matching VAT invoice

↓  
**Clients'  
Choice**



## 4. Continuously Offering New Products

### • Premium clients - Non promoted models

OEM Finance
Down payments: 20% or more
Interest rate: 9.95%
Coverage: bare car + insurance + purchase tax
Service charge: bare car price*4%
Accessories: 10000+

VS

Harmony Auto Finance
Down payments: $\leq$ OEM finance
Interest rate: $\geq$ OEM finance
Coverage: bare car + insurance + purchase tax + accessories + service charge (total amount $\leq$ MSRP)
Service charge: flexible
Tax deduction: monthly rent matching VAT invoice



**Clients'  
Choice**

## 4. Continuously Offering New Products

- Premium clients – Car loans

OEM Finance
Not available

VS

Harmony Auto Finance
Premium clients with financial needs after the full cash payment
Premium clients with financial needs after paying off OEM Financing.



**Clients'  
Choice**



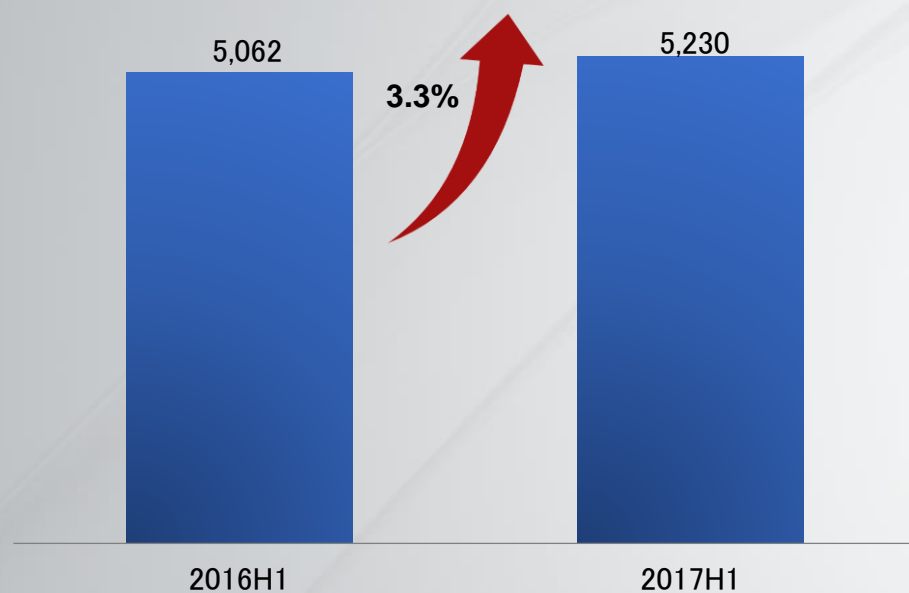
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## Financial Performance

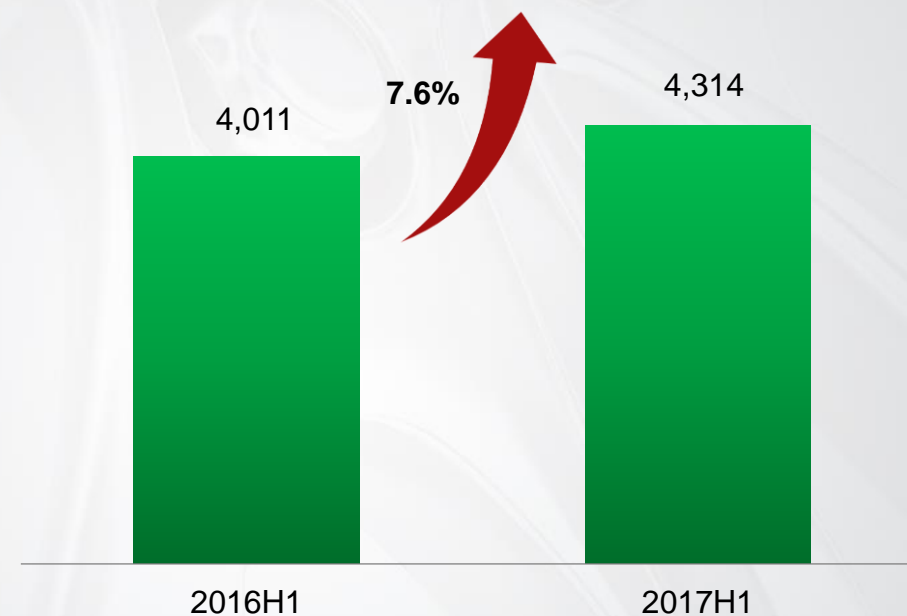


# Stable Growth in Total Revenue and New Car Sales Revenue

( RMB mn )



**Total Revenue  
(including commission income)**

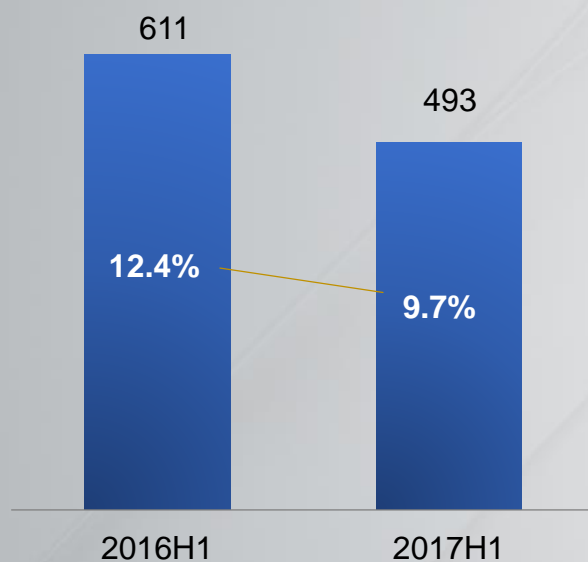


**New Car Sales Revenue**

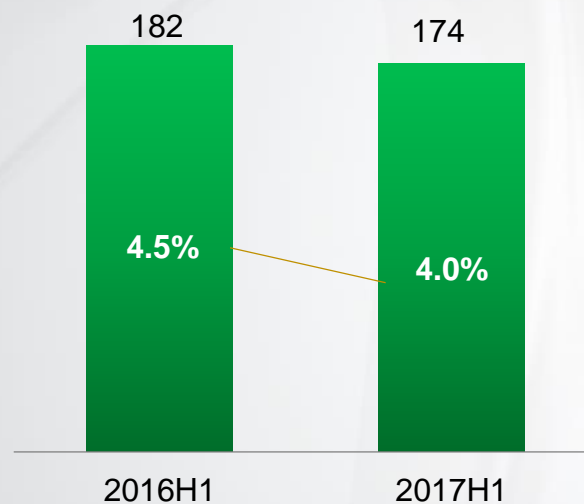


# After-sales and Accessories Contributed 65% of Gross Profit

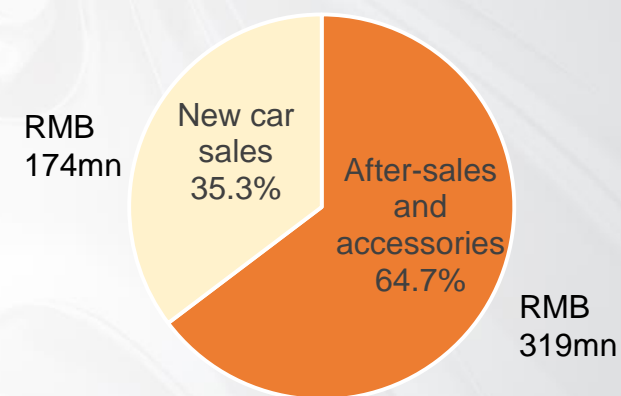
( RMB mn )



**Total Gross Profit and Margin**



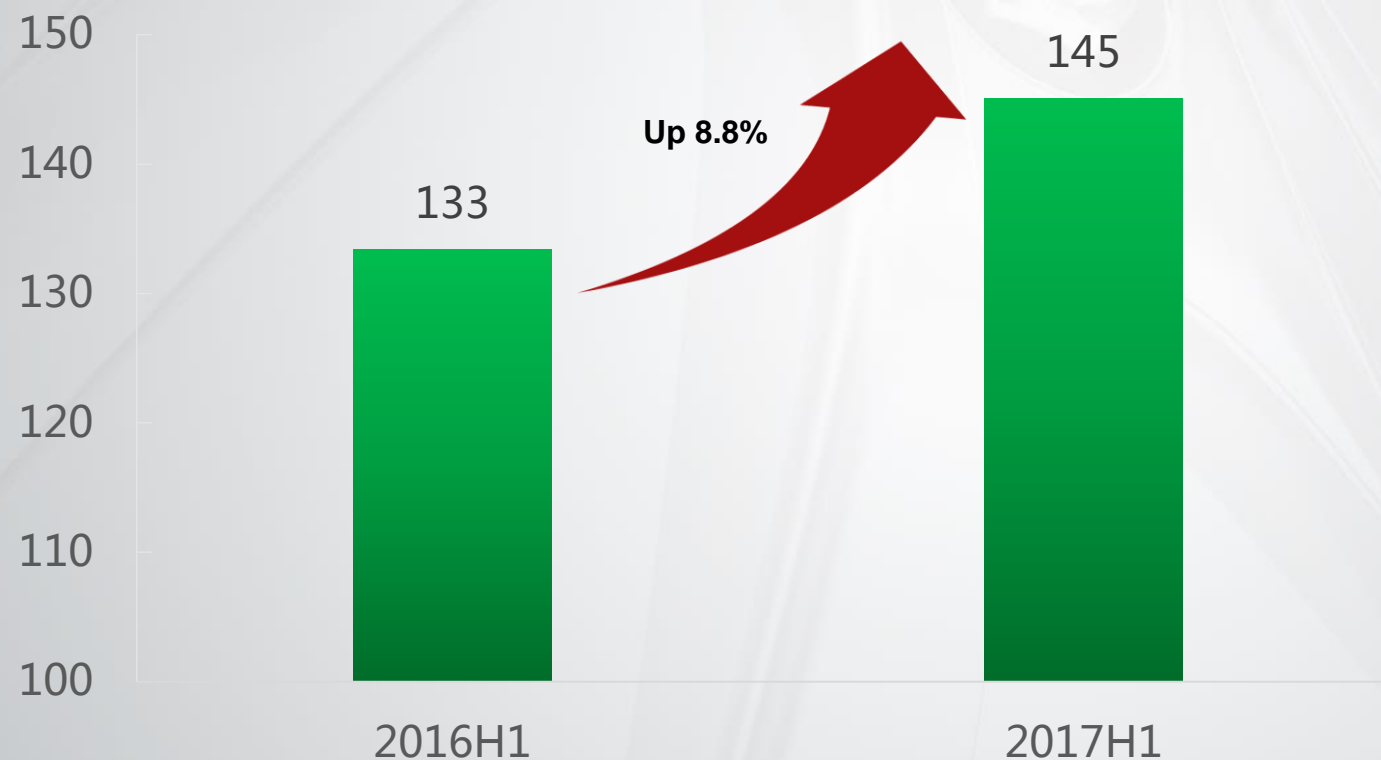
**New Car Sales Gross Profit and Margin**



**Gross Profit Breakdown**

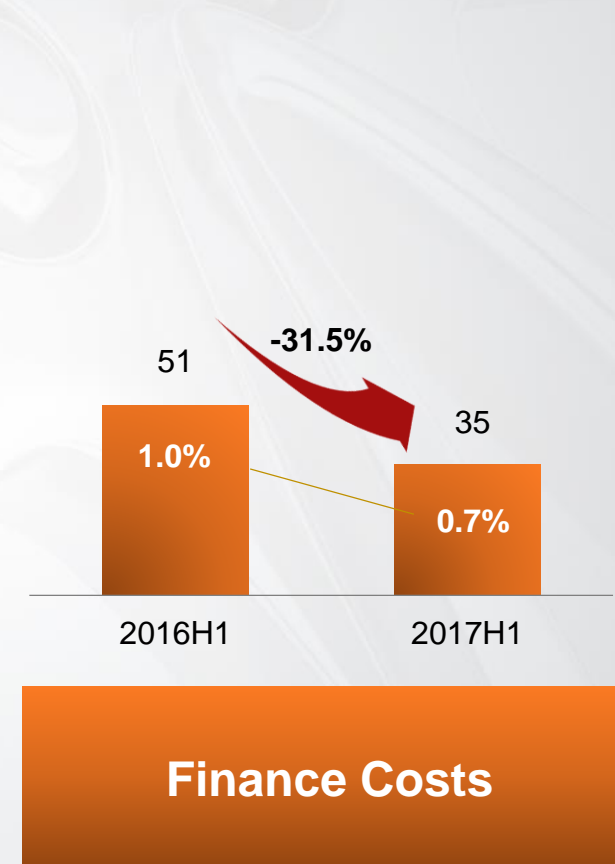
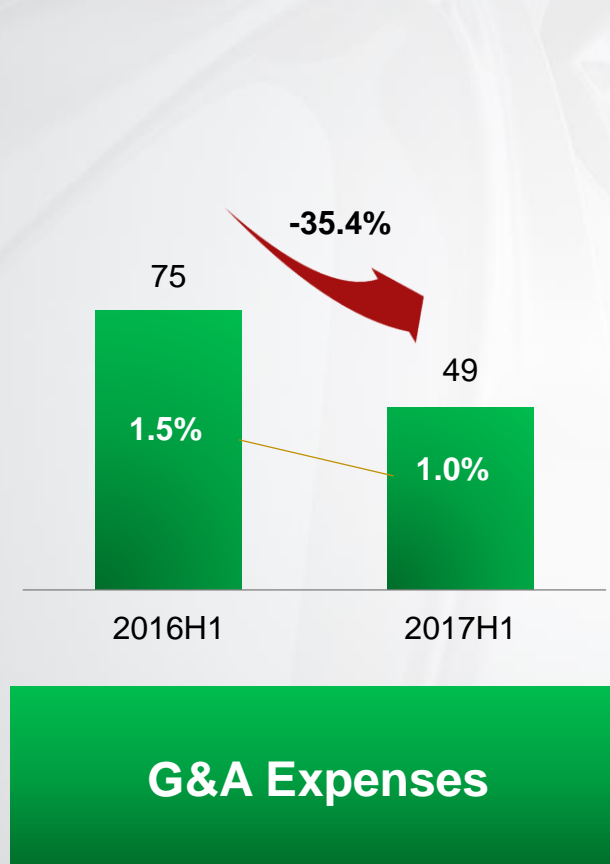
## Stable Growth with Commission Income

Main sources of our Group's commission income includes car financing, insurance selling and handling of pre-owned cars. With the increase of penetration rate of car financing, commission income of 1H2017 reached RMB 145 million, up 8.8% YoY.



# Significant Decrease in Expenses

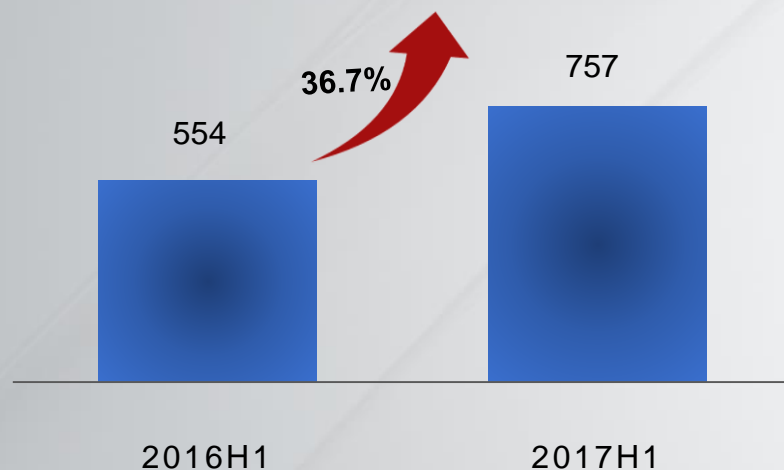
( RMB mn )



# Net Profit Attributable to Shareholders Grew Substantially by 84.5% YoY

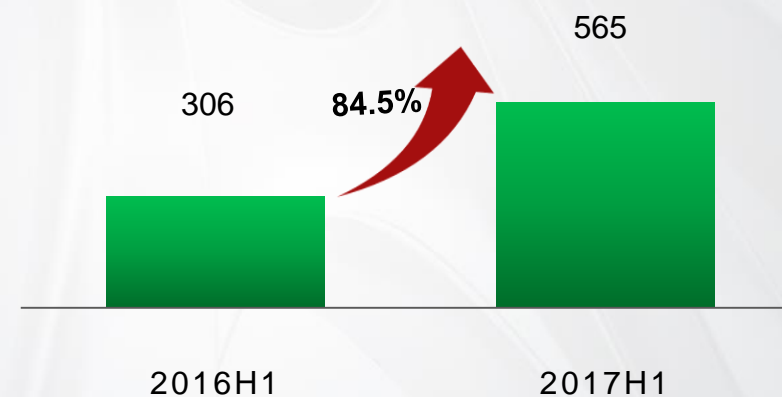
( RMB mn )

■ EBITDA



EBITDA

■ Net Profit Margin

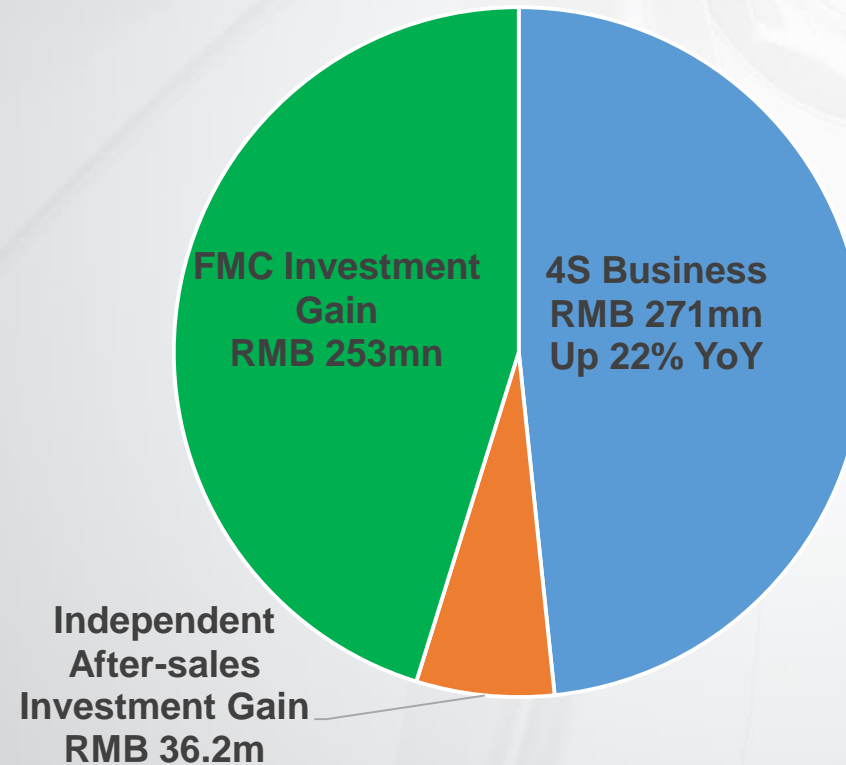


Net Profit Attributable to Shareholders  
of the Company



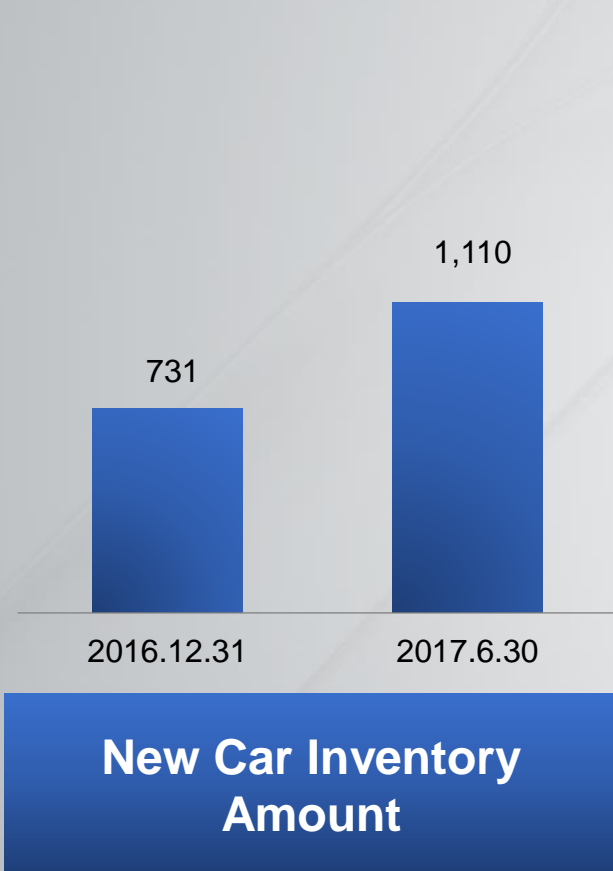
# Breakdown of 2017H1 Net Profit Attributable to Shareholders

2017H1 Net Profit Attributable to Shareholders  
Total: RMB 565 million

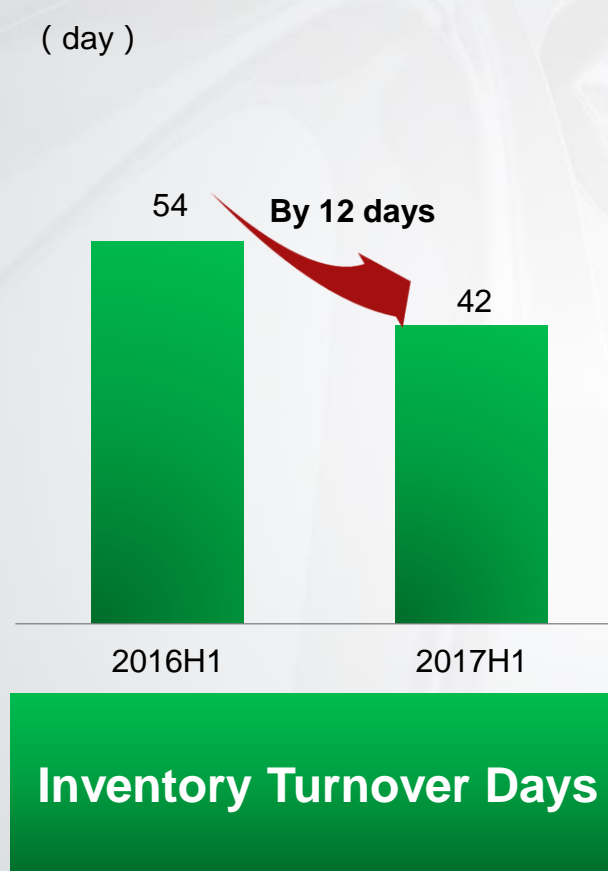


# Stable Operational Efficiency

( RMB mn )



( day )



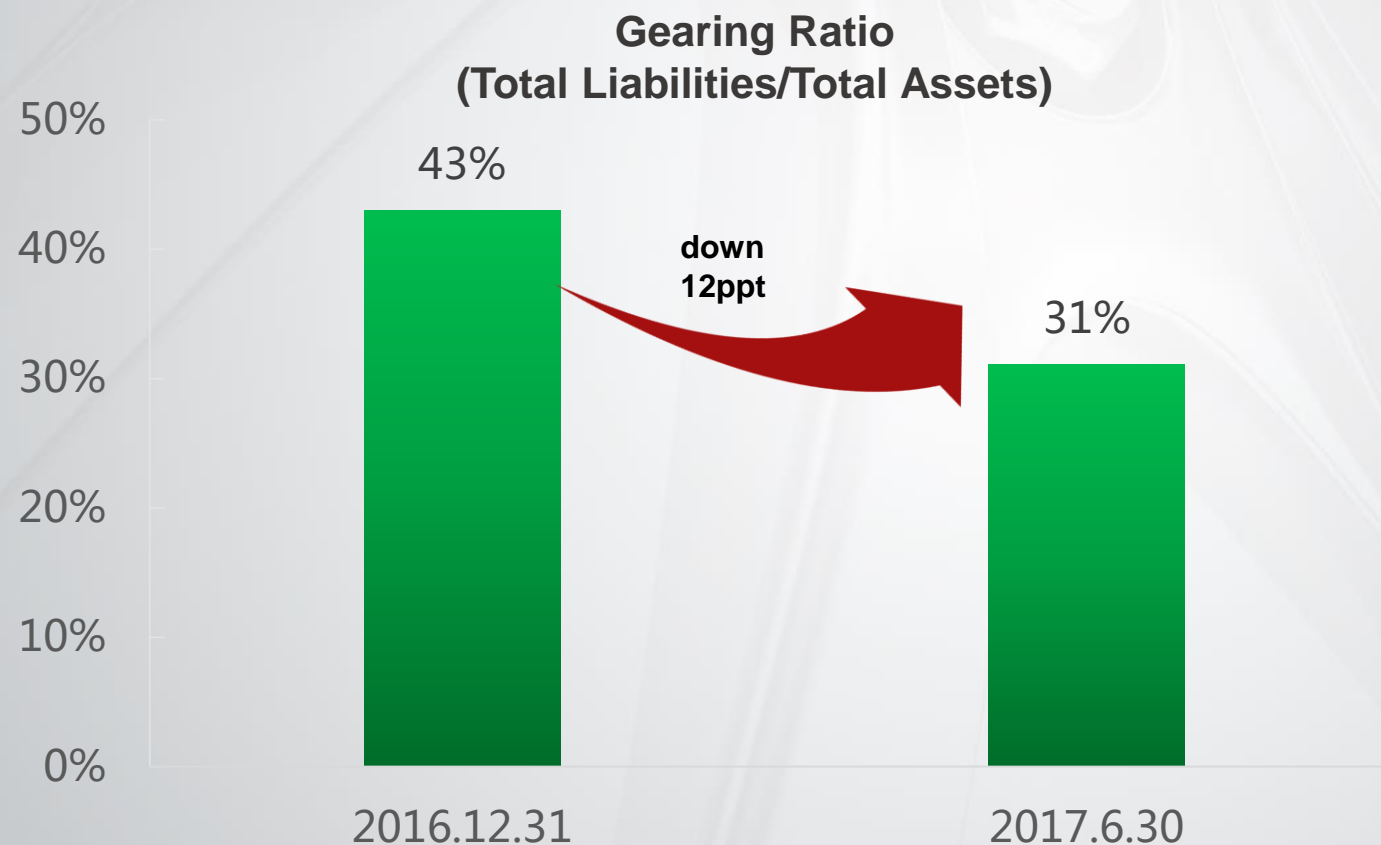
( day )



# Gearing Ratio Far Below Industry Average, with Huge Potential in Leverage

As at 30 Jun, 2017, the Group's leverage ratio (total liabilities/total assets) was 31%, down by 12ppt as compared with 31 Dec, 2016. The Group's leverage ratio is far below peers (~70%).

The Group will utilize syndicate loans and bonds in the future to increase leverage, with proceeds to expand business scale and acquisitions.



## Stock Buy-back and Stake Increase

- In Jan 2017, the Company announced a stock buy-back plan of up to 10% of total share capital. Up to now, the Company has repurchased ~37.66 million shares with HK\$ 140 million. All of the repurchases shares have been canceled on 17 Jul, 2017.
- Since Apr, 2017, the controlling shareholder has acquired 8 million shares on the market.
- Since May, 2017, senior management including CEO, COO, CFO have acquired 1.5 million shares on the market.
- The Company does not rule out the possibility of further stock buy-back, and the controlling shareholder and senior management do not rule out the possibility of further acquisition of shares on the market.



4

## Outlook & Strategy



# Outlook & Strategy

- Focusing on luxury and ultra-luxury brands, rapidly expanding the business scale of 4S outlets and accelerating the expansion of dealership outlets by way of self construction and merger and acquisition.
- Actively supporting the development of chain comprehensive after-sales business and seeking for independent listing in A shares market in the future.  
actively supporting the development and financing of FMC and introducing more external
- Strategic investors in order to accelerate product launch and seeking for independent listing in the future.
- Proactively enhancing the penetration of automobile finance, increasing commission income and commencing financial leasing business.
- Fully utilizing internet platform, facilitating after-sales services and businesses of pre-owned automobiles and parallel imports of automobiles, realizing online and offline interaction and complementary functions.



**Thank You!**