



HARMONY AUTO
和諧汽車

2021 Interim Results Presentation

China Harmony Auto Holding Ltd.



Stock Code : 03836.HK

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Content



Business Overview



Financial Analysis



Development Strategies

Business Overview | Highlights of 1H2021 results



Total Revenue

RMB9.6 billion (incl. commission income) in 1H2021, up by **62.2%** year on year



Net Profit

RMB401 million in 1H2021, expanding by **65.4%** year on year



New cars sale volume

22,447 units in 1H2021, increasing by **53.6%** from the same period last year



Revenue from new cars sale

RMB8.3 billion in 1H2021, a year-on-year growth of **64.3%**



Gross margin for new cars sale

in 1H2021 expanded by 0.5% pts to **4.2%**, the highest level in recent years



Comprehensive gross profit

RMB1.1 billion in 1H2021, representing a year-on-year growth of **58.9%**;



Used cars business

saw a drastic increase in trading volume by **79.3%** year over year to **3,678** units



Strategic holdings

received a strategic shareholding from a **renown state-owned investment institution** that look positive on China's luxury cars development in the long run

Operating 9 luxury brands



And 5 ultra-luxury brands



Business Overview | Overview of sales network



As of 30 Jun 2021, a total number of **79** authorized outlets across 15 provinces in 39 cities



Added **4** outlets in 1H2021, in which **1** is a newly developed ultra luxury brand Lamborghini

- 2 Ferrari: located in Nanjing and Qingdao
- 1 Lexus: located in Cangzhou
- 1 Lamborghini: located in Wenzhou

Received **4** brands authorization

- 1 Ferrari: located in Zhengzhou
- 1 Bentley: located in Beijing
- 1 Lamborghini: located in Tianjin
- 1 Lexus: located in Shenyang



Keep eyes on suitable M&A targets that are in line with our developing philosophy, and that can help meet our stores-opening target this year

Business Overview | Network Expansion



Ferrari Qingdao



Ferrari Nanjing



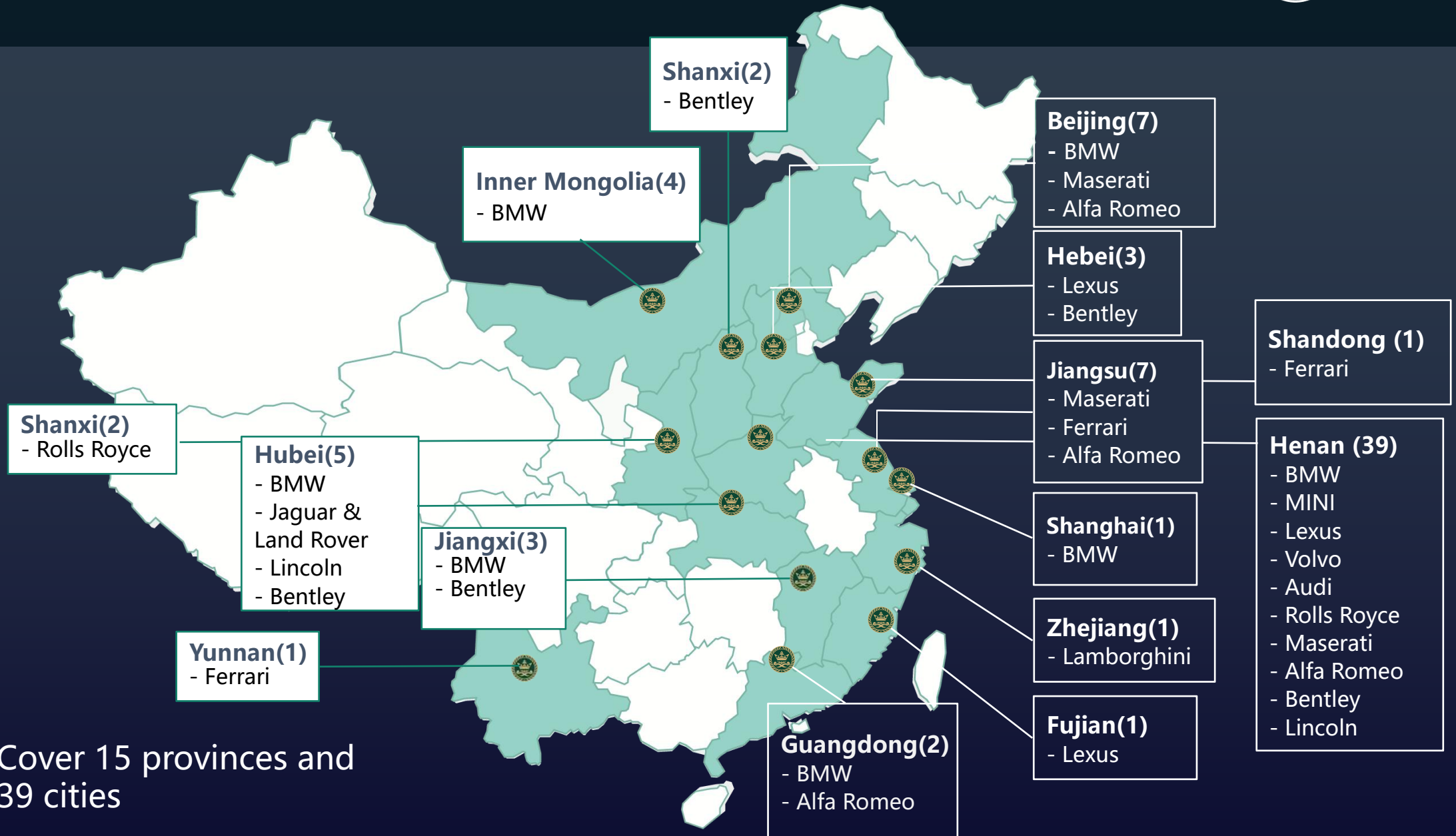
Lexus Cangzhou



Lamborghini Wenzhou



Business Overview | Outlets distribution map



- Cover 15 provinces and 39 cities

Business Overview | Awards of our outlets in 1H2021



BMW & Mini

Beijing	Excellent Award for coating in 2021
Henan	Champion under sales skills competition in Hubei and Henan areas
Zhengzhou	Award for best services package under sales competition of BMW/Mini during May – Jun
Shanghai	Award for accidents service in eastern region
Luoyang	Award for excellent marketing campaign in the western region in Q2 by BMW brand
Wuhan	Award for excellent order taking by Mini; Award for customers serving in western region by BMW
Xinxiang	Award for the best case study in Q2 by BMW
Luohe	Award for the excellent customers experience in Q2
Shangqiu	Award for the all-rounded service and auto financing in Henan region
Zhoukou	Award for the best improvement of aftersales service in western region
Jiujiang	Award for the top selling in southern area



Maserati

Beijing	Award for the best sales manager in northern region in Q1 and 1H2021
Changzhou	Award for the best improvement of market shares
Wuxi	Silver Award in the nationwide sales competition
Suzhou	Silver Award in the nationwide sales competition



Lexus

Zhengzhou	Role-modelling outlet awarded by Toyota in northeastern region in Q1/2
Handan	Role-modelling outlet awarded by Toyota in Q1



Lincoln

Wuhan	Best-selling award in the first half of 2021
Xinxiang	Best marketing award in the western region in 1H2021

Business Overview | NEV layout

NEV manufacturing



- Byton, a premium brand that focus on "Automation, Connectivity, Electrification, and Shared Mobility"
- "Go Smart" as the key development philosophy

Financial investment



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Financial investment

NEV aftersales



- Navigating the new business model in the world of NEV
- Focus on building up an ecosystem that covers the frontend (manufacturing + sales) to backend demand (aftersales + Repair)
- Dangdang Cars Repair, an O2O platform specializing in NEV aftersales services
- Established strategic partnership with 10 NEV brands, incl. Nio, Xpeng, and Li Auto;

Business Overview | Revitalization of Byton



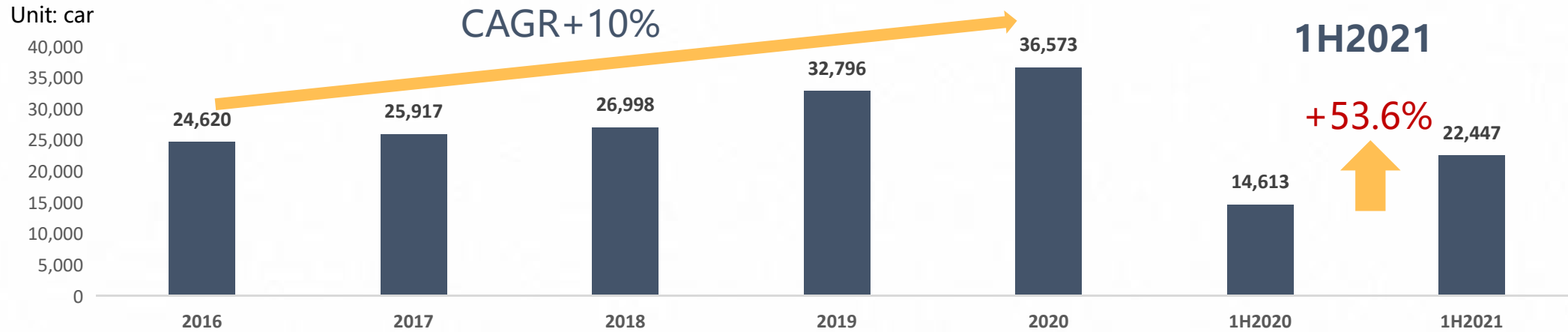
- Received \$200 million from Foxconn in early 2021, with the aim of helping Byton reach the start of production (SOP) at its best
- Various parties, including China Harmony, local government and FAW, are working on the debt recapitalization
- Looking for strategic investors to bring new blood to Byton

Business Overview | New cars sales business:

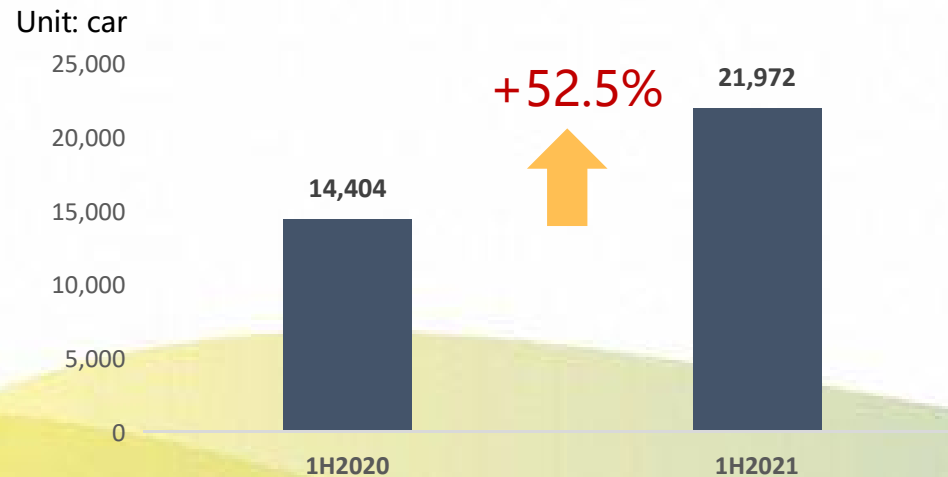
Growth engine is continuing in 1H2021



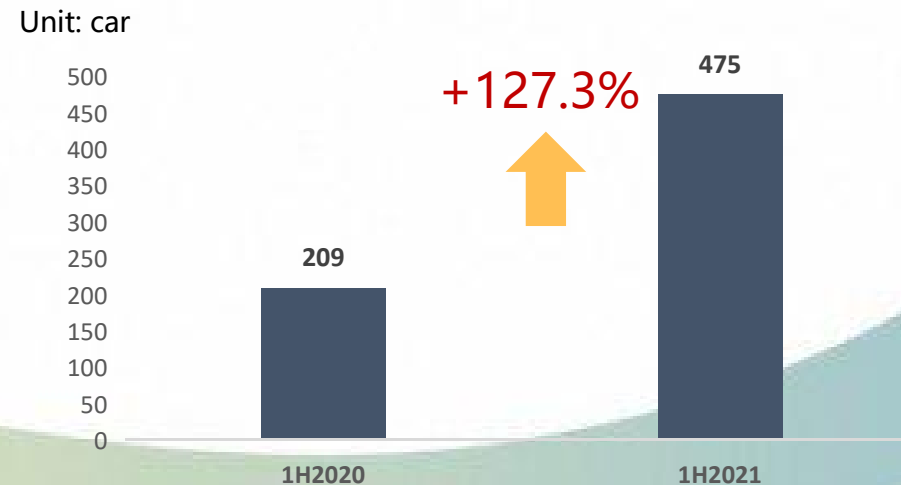
Historical new cars sale volume



Sale volume of Luxury brands

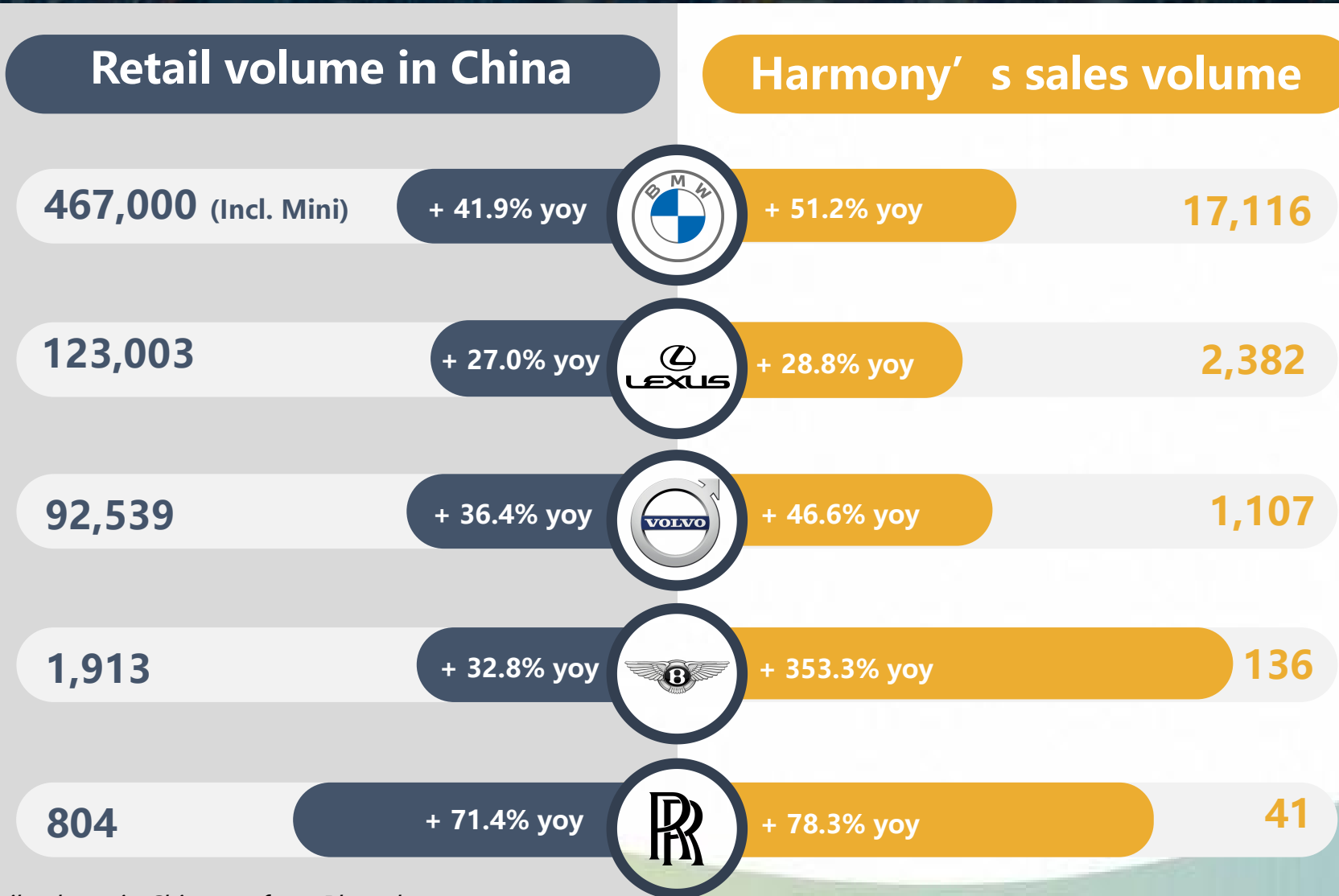


Sale volume of ultra luxury brands



Business Overview | Key brands' volume analysis

The Group's major luxury brands achieved higher volume growth than the brands' growth in China



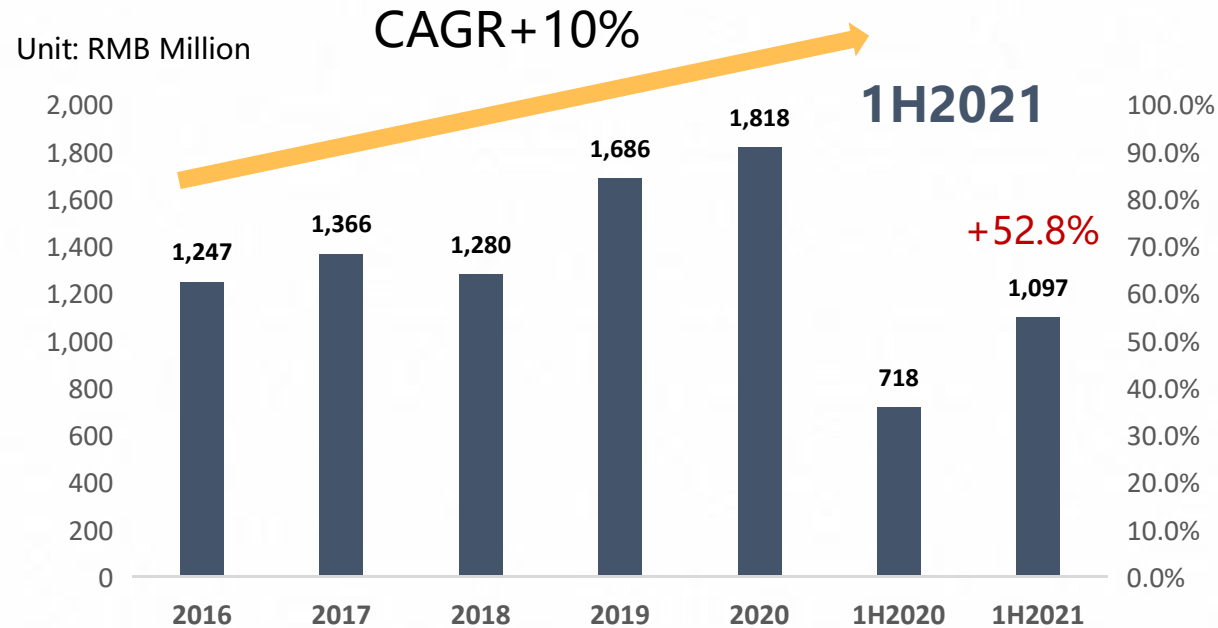
Note: figures for brands' retail volume in China are from Bloomberg

Business Overview | Aftersales Service:

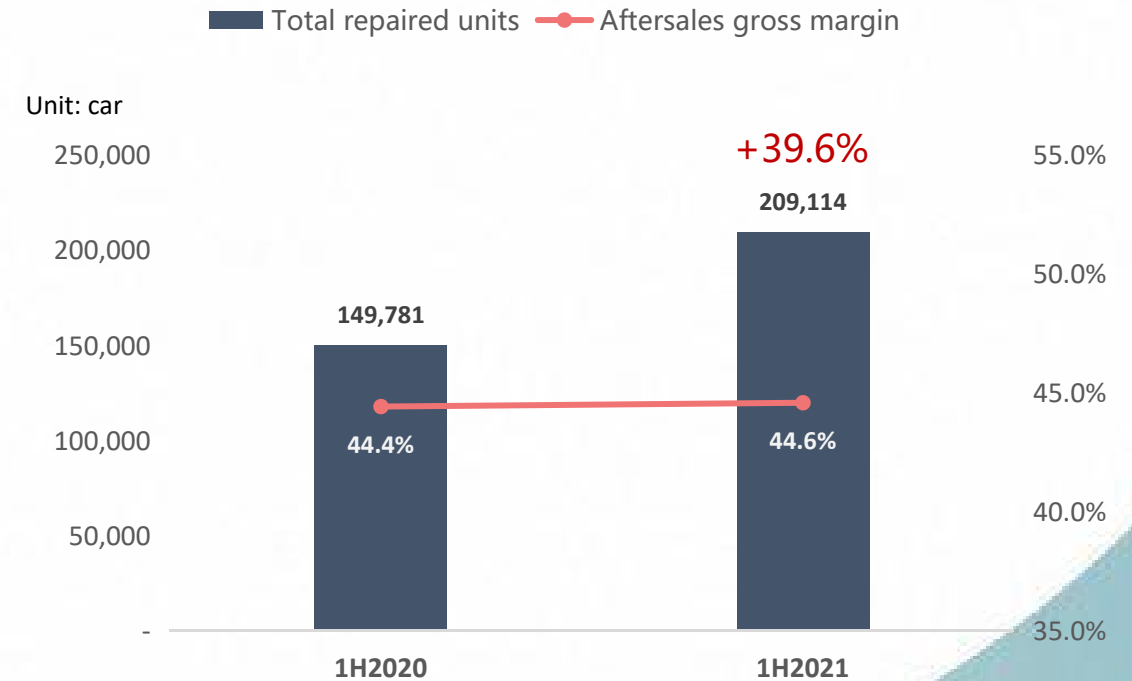
Steady growth sustains



Revenue from aftersales service



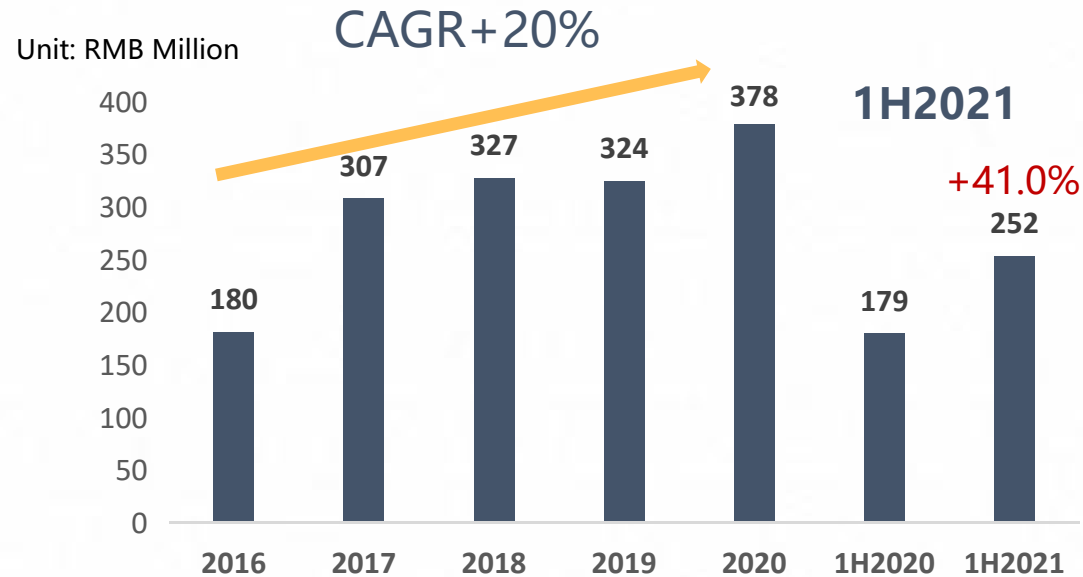
A remarkable increase in repaired units



Business Overview | Value-added business: Auto financing to drive commission income growth

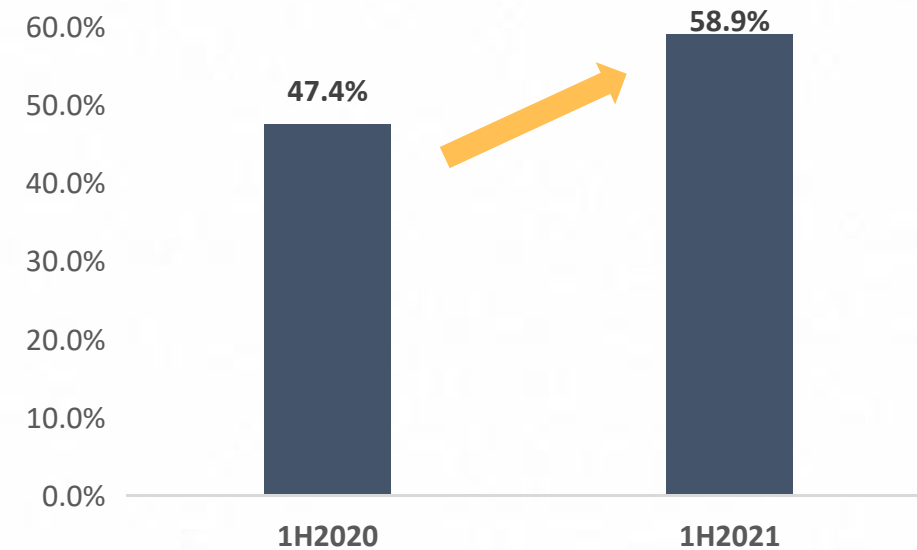


Revenue from Value-added service



*Value-added business include financing leasing, auto financing and car insurance

Penetration of auto financing



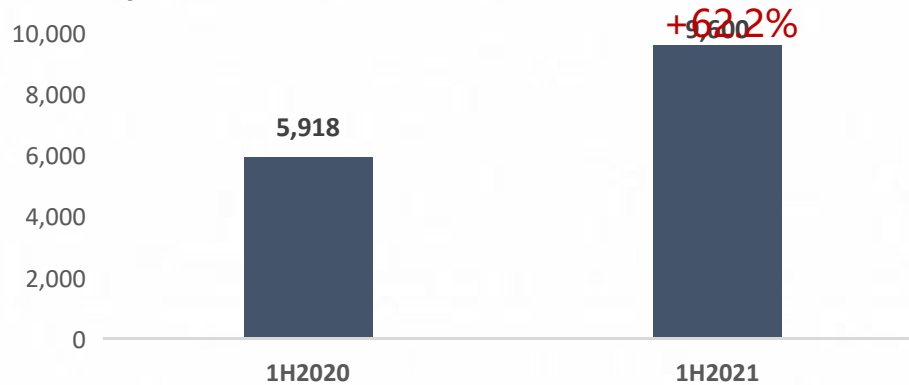
I Financial Analysis

- 🎯 Financial performance
- 🎯 Analysis over operating expenses and liability
- 🎯 Overview of financials
- 🎯 Analysis over key indicators

Financial Analysis | Financial performance

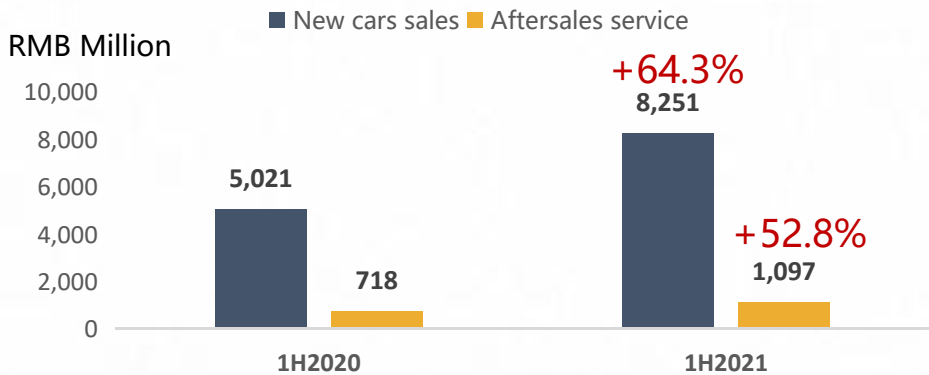
Comprehensive Revenue (incl. commission income)

Unit: RMB Million



Revenue from new cars sales and aftersales services

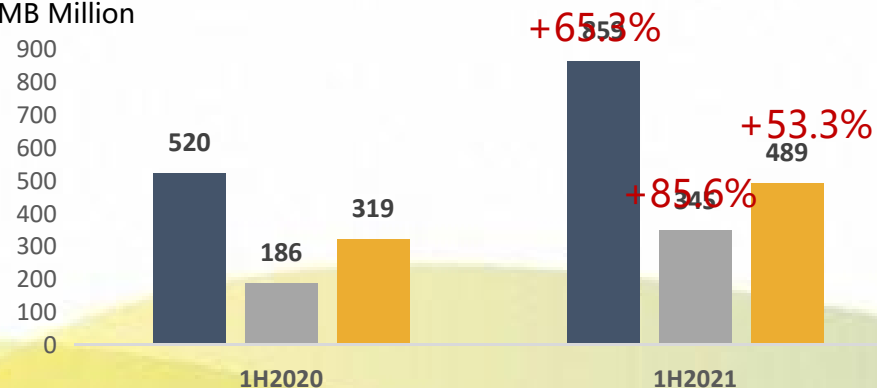
Unit: RMB Million



Gross profit and its breakdown

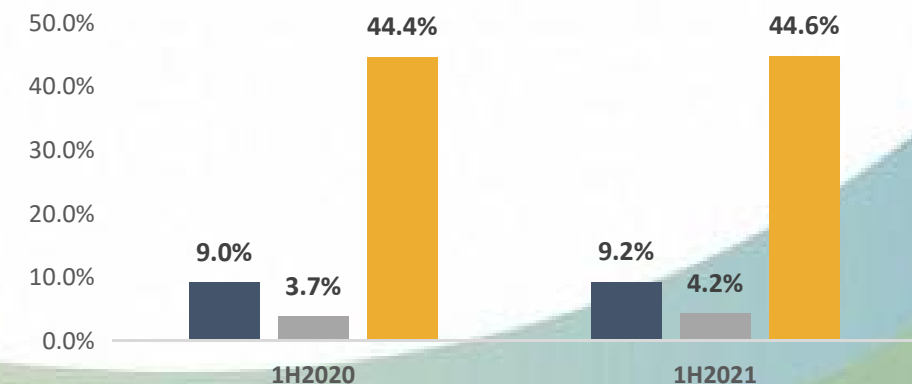
■ Main businesses ■ New cars sales ■ Aftersales service

Unit: RMB Million



Gross Margin by Business Segment

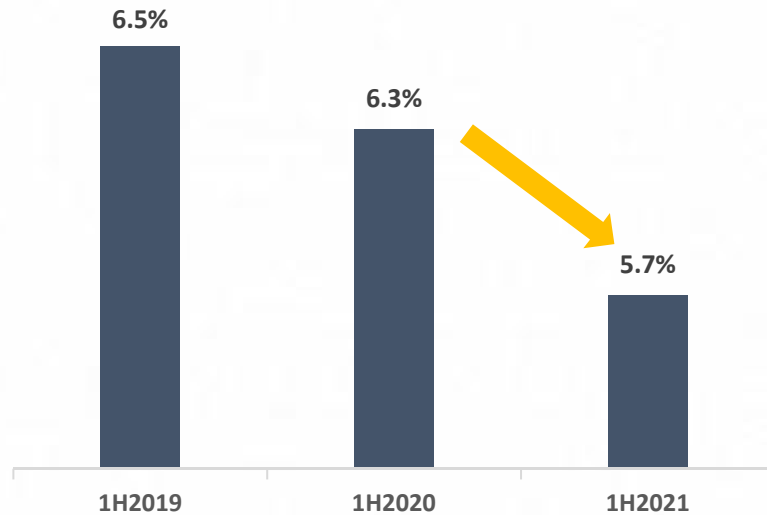
■ Main businesses ■ New cars sales ■ Aftersales service



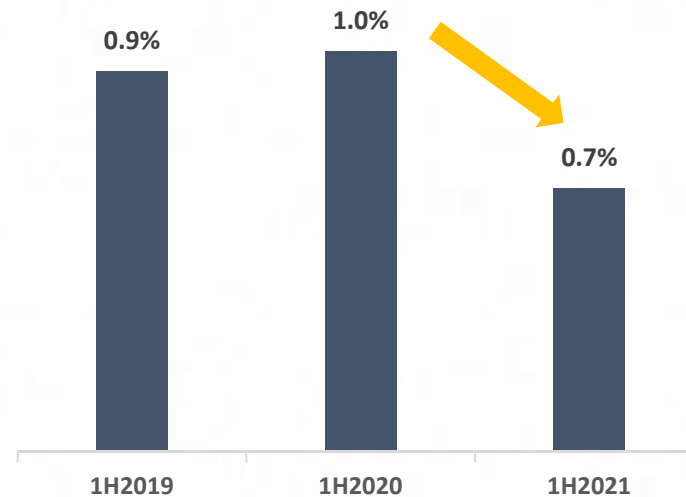
Financial Analysis | Cost management and debt analysis



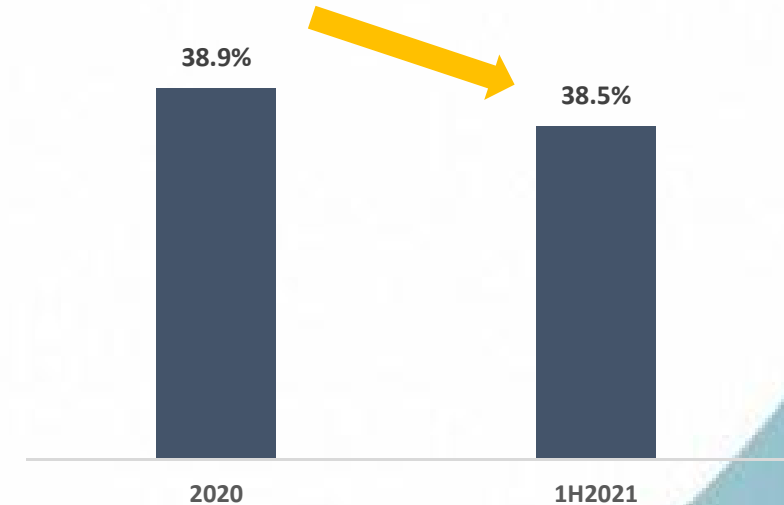
SG&A Expense Ratio



Financial Expense Ratio

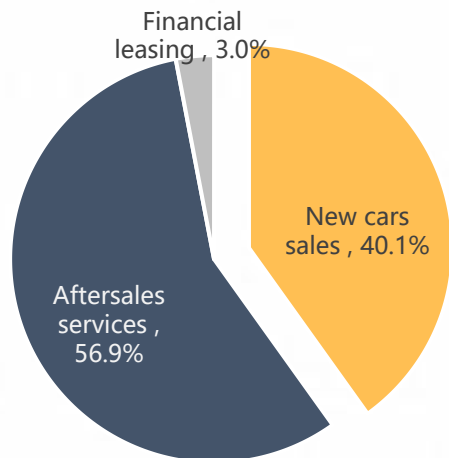


Liability-To-Asset Ratio

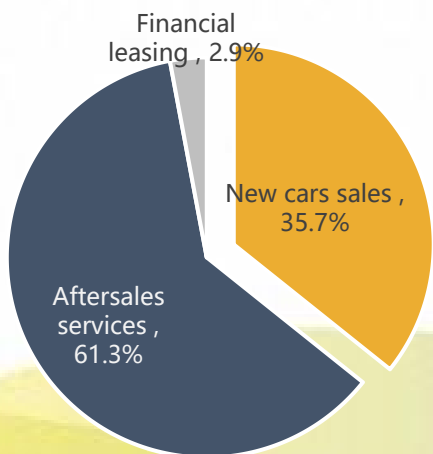


Financial Analysis | Summary of key financials

Breakdown of Gross Profit for 1H2021



Breakdown of Gross Profit for 1H2020



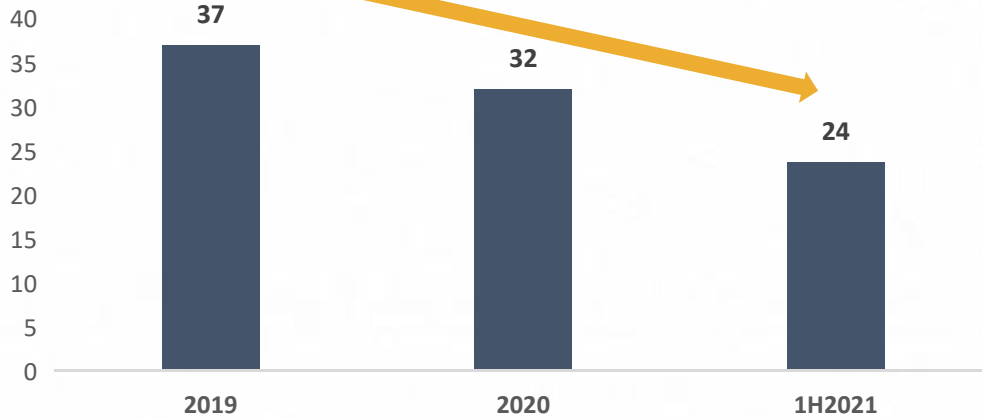
Unit: RMB Million	1H2020	1H2021	Year-on-Year Change
Comprehensive Revenue (incl. commission income)	5,918	9,600	62.2%
Gross Profit	520	859	65.3%
SG&A and Financial Expense	417	599	43.7%
Net Profit	242	400	65.4%
Inventories	1,025	1,118	9.0%
Total Assets	11,688	12,852	10.0%
Bank Loans and Other Borrowings	2,408	2,596	7.8%
Net Assets	7,427	7,902	6.4%

Financial Analysis | Analysis on key indicators



Overall Inventory Days

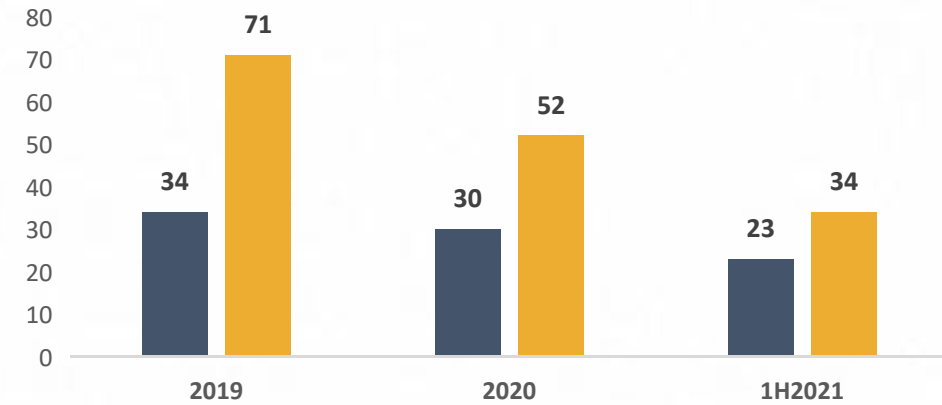
Unit: Day



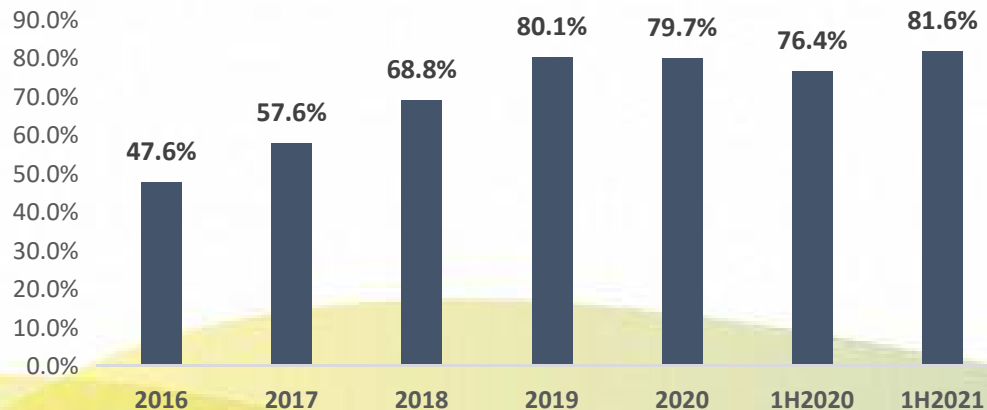
Inventory Days by brands

Unit: Day

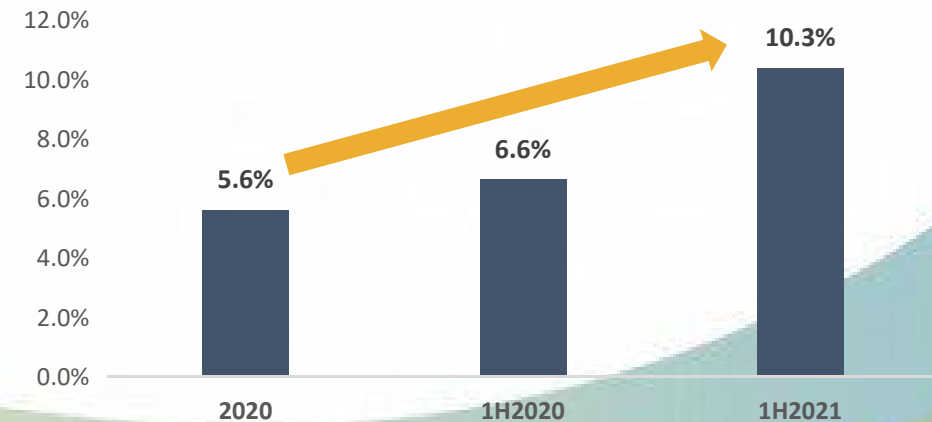
■ Luxury brands ■ Ultra luxury brands



Absorption Ratio



Annualized ROE



In line with China' s development policies
(Big consumption and “From virtual economy to real economy”)

A huge market
(with 1.4 billion population)

Rapid
growth in
next five
years

Consumption upgrade

Power of branding

Development Strategies | “ Three Focuses”

Focus on the core business



Keep
improving
return on
equity


Focus on the
key brands



Focus on efficiency
and quality growth

Development strategies | Focus on the core business


One Core Two Wings” : focus on the core business, and spin off NEV business



Unlock the value
through independent
financing



Focus on the core business



To seek independent
financing

Development Strategies | Focus on the key brands

Keep focusing on strategically important brands

Consolidate BMW, Lexus, Ferrari, Bentley,
Rolls Royce



Keep eyes on the network expansion

- Optimize distribution network in the core regions
- Expand the coverage into areas with great potentials



Go boldly toward digitalization

- Manage every working process by the means of digitalization
- Use data analytics to improve sales channels

Continue to enhance efficiency in our day-to-day operation

- **One standard:** Performance-centric
- **Two mindsets:** Capability | Performance
- **Three reforms:** Simplify corporate hierarchy | Reform the budgeting | Reform the incentive package
- **Four cultures:** Simplicity | Efficiency | Happiness | Endeavour





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Thank you!

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