

Geely Automobile (175 HK)

More synergies to come

Maintain BUY. Geely's 1Q25 net profit of RMB5.7bn was in line with its previous profit alert of RMB5.2-5.8bn, while its SG&A expenses were significantly lower than our prior forecast. This may have reflected the initial synergies between Zeekr and Lynk & Co, and we expect more synergies to come after the integration of different brands, platforms and management. We revise up our FY25E and FY26E net profit forecast both by 4%.

■ **1Q25 cost control better than expected.** Geely's 1Q25 revenue and GPM both were below our prior expectation, probably due to the price reduction in early Mar in order to compete with BYD's facelifted models. Zeekr's GPM in 1Q25 was about 3ppts higher than our forecast, as the Zeekr 009's GPM could be significantly higher than our projection. That also resulted in a better-than-expected net profit for Zeekr. Total selling and administrative expenses in 1Q25 fell 12% YoY and 2% YoY, respectively, despite 25% YoY growth in revenue. That, along with higher-than-expected government grants, resulted in a 10% beat in its operating profit in 1Q25.

■ **More synergies to come.** It appears to us that Geely's superb cost control in 1Q25 has reflected the initial synergies between Zeekr and Lynk & Co. Total savings in procurement costs, SG&A and R&D expenses combined could be as much as several billion RMB, based on management's guidance, after the full integration of brands, platforms and management. Should Geely's share price continue to rise, more shareholders of Zeekr (ZK US, NR) may convert their shares to Geely's, which could lower Geely's cash burden to privatize Zeekr. We expect a significant profit increase at Zeekr to start from FY26E, which means now could be a good timing for the privatization.

■ **Earnings/Valuation.** Although Geely's inventories increased by about 156,000 units in the first four months of 2025, Geely's retail sales volume rose 41% YoY during the same period. We raise our FY25E sales volume forecast from 2.74mn units to 2.8mn units. We also revise up FY25E forecast for GPM by 0.7ppts to 16.1%. Accordingly, we revise up our FY25E net profit by 4% to RMB15.2bn. We also raise our FY26E net profit by 4% to RMB16.7bn for two reasons: 1) cost savings from synergies; 2) greater stakes in Zeekr (100% vs. 65.7%) after the proposed privatization.

We maintain our BUY rating and raise our target price slightly from HK\$23.00 to HK\$24.00, based on 15x our FY25E P/E. We change our valuation methodology from sum-of-the-parts to P/E, as Geely's businesses are to be more integrated. We are of the view that such multiple is justified given that BYD (1211 HK, BUY) is now trading at 21x our FY25E P/E.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	179,204	240,194	341,339	384,555	399,725
YoY growth (%)	21.1	34.0	42.1	12.7	3.9
Net profit (RMB mn)	5,308.4	16,632.4	15,162.6	16,707.4	16,813.8
YoY growth (%)	0.9	213.3	(8.8)	10.2	0.6
EPS (Reported) (RMB)	0.53	1.65	1.50	1.64	1.63
P/E (x)	34.3	10.9	12.1	11.0	11.1
Yield (%)	1.1	1.7	3.3	3.6	3.6
ROE (%)	6.8	19.9	17.4	17.8	16.0
Net gearing (%)	(38.8)	(45.9)	(49.9)	(57.8)	(60.5)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$24.00
(Previous TP)	HK\$23.00)
Up/Downside	22.6%
Current Price	HK\$19.58

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Stock Data

Mkt Cap (HK\$ mn)	197,328.1
Avg 3 mths t/o (HK\$ mn)	1,527.4
52w High/Low (HK\$)	19.58/7.47
Total Issued Shares (mn)	10078.0

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.4%
Others	58.6%

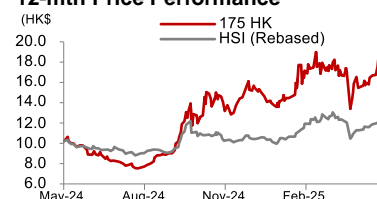
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	19.7%	9.5%
3-mth	14.2%	10.2%
6-mth	48.6%	23.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Geely Automobile \(175 HK\) - Economies of scale lays foundation for FY25 profit" - 21 Mar 2025](#)

Figure 1: Quarterly results

RMB mn	1Q24 (Restated)	2Q24	3Q24	4Q24	1Q25	YoY	QoQ
Sales volume (units)	475,720	480,010	533,960	686,877	703,824	47.9%	2.5%
ASP (RMB)	140,415	132,486	130,026	121,450	103,002	-26.6%	-15.2%
Total revenue	58,225	54,990	60,379	72,510	72,495	24.5%	0.0%
Gross profit	9,097	9,074	9,408	12,572	11,437	25.7%	-9.0%
Selling exp.	(4,133)	(2,938)	(2,696)	(4,260)	(3,635)	-12.0%	-14.7%
Admin exp.	(1,441)	(3,854)	(3,515)	(4,885)	(1,412)	-2.0%	-71.1%
R&D exp.	(2,672)				(3,328)	24.6%	N/A
Operating profit	1,216	2,397	3,035	2,780	6,604	443.1%	137.5%
Net profit	1,560	9,037	2,455	3,580	5,672	263.6%	58.4%
Gross margin	15.6%	16.5%	15.6%	17.3%	15.8%	0.2 pts	-1.6 pts
Operating margin	2.1%	4.4%	5.0%	3.8%	9.1%	7.0 pts	5.3 pts
Net margin	2.7%	16.4%	4.1%	4.9%	7.8%	5.1 pts	2.9 pts

Source: Company data, CMBIGM

Notes: The data for 1Q24 is restated due to consolidation of Lynk & Co in 1Q25, while the data for 2Q-4Q24 is pre-restated. The admin expenses in 2Q-4Q24 include R&D expenses.

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	341,339	384,555	399,725	342,845	392,625	NA	-0.4%	-2.1%	NA
Gross profit	55,037	61,228	63,748	53,000	61,040	NA	3.8%	0.3%	NA
Operating profit	15,848	16,990	16,535	15,895	17,464	NA	-0.3%	-2.7%	NA
Net profit	15,163	16,707	16,814	14,636	16,084	NA	3.6%	3.9%	NA
Gross margin	16.1%	15.9%	15.9%	15.5%	15.5%	NA	0.7 pts	0.4 pts	NA
Operating margin	4.6%	4.4%	4.1%	4.6%	4.4%	NA	0.0 pts	0.0 pts	NA
Net margin	4.4%	4.3%	4.2%	4.3%	4.1%	NA	0.2 pts	0.2 pts	NA

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	341,339	384,555	399,725	332,169	396,522	450,767	2.8%	-3.0%	-11.3%
Gross profit	55,037	61,228	63,748	53,051	64,748	74,985	3.7%	-5.4%	-15.0%
Operating profit	15,848	16,990	16,535	13,722	18,684	23,380	15.5%	-9.1%	-29.3%
Net profit	15,163	16,707	16,814	14,203	17,301	21,171	6.8%	-3.4%	-20.6%
Gross margin	16.1%	15.9%	15.9%	16.0%	16.3%	16.6%	0.2 pts	-0.4 pts	-0.7 pts
Operating margin	4.6%	4.4%	4.1%	4.1%	4.7%	5.2%	0.5 pts	-0.3 pts	-1.1 pts
Net margin	4.4%	4.3%	4.2%	4.3%	4.4%	4.7%	0.2 pts	0.0 pts	-0.5 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	147,965	179,204	240,194	341,339	384,555	399,725
Cost of goods sold	(127,069)	(151,789)	(201,993)	(286,303)	(323,327)	(335,977)
Gross profit	20,896	27,415	38,201	55,037	61,228	63,748
Operating expenses	(10,398)	(14,675)	(17,275)	(23,670)	(27,064)	(28,076)
Selling expense	(8,228)	(11,832)	(13,283)	(19,560)	(21,324)	(21,986)
Admin expense	(3,327)	(4,210)	(4,897)	(6,969)	(7,590)	(7,990)
Others	1,157	1,367	905	2,859	1,850	1,899
Operating profit	10,497	12,740	20,926	31,367	34,164	35,672
Other expense	(1,489)	(646)	(1,747)	(962)	(550)	(372)
Other gains/(losses)	1,750	0	9,098	8	0	0
Share of (losses)/profits of associates/JV	651	599	969	2,214	2,254	2,304
EBITDA	13,551	13,570	28,347	29,445	33,756	35,573
Depreciation	8,318	8,203	9,393	10,983	13,517	15,293
EBIT	5,233	5,367	18,954	18,461	20,239	20,279
Interest income	931	961	1,243	1,353	1,544	1,812
Interest expense	(551)	(417)	(550)	(321)	(289)	(289)
Net Interest income/(expense)	380	544	692	1,032	1,255	1,523
Foreign exchange gain/loss	(79)	(126)	(1,619)	1,200	0	0
Pre-tax profit	4,682	4,950	18,404	18,140	19,949	19,990
Income tax	(32)	(15)	(1,604)	(2,626)	(2,743)	(2,653)
After tax profit	4,650	4,935	16,799	15,514	17,206	17,337
Minority interest	611	373	(167)	(351)	(499)	(524)
Net profit	5,260	5,308	16,632	15,163	16,707	16,814
Gross dividends	1,916	2,051	3,113	6,065	6,683	6,726

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	79,064	113,635	125,322	162,444	190,714	205,263
Cash & equivalents	33,341	35,746	40,865	44,987	58,315	67,428
Restricted cash	387	943	2,881	1,500	1,700	2,000
Account receivables	34,392	42,711	58,307	84,390	95,075	98,825
Inventories	10,822	15,422	23,078	31,376	35,433	36,819
Prepayment	0	0	0	0	0	0
Other current assets	121	18,813	191	191	191	191
Non-current assets	78,762	78,963	104,070	124,646	131,786	136,964
PP&E	32,201	27,351	26,384	40,181	36,859	33,263
Right-of-use assets	3,402	3,600	4,126	4,074	4,022	3,972
Deferred income tax	4,573	6,342	8,461	8,461	8,461	8,461
Investment in JVs & assos	14,235	15,703	31,424	31,264	33,611	35,894
Intangibles	22,548	23,920	28,751	37,036	44,758	51,142
Goodwill	61	34	34	34	34	34
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,742	2,013	4,890	3,595	4,040	4,197
Total assets	157,826	192,598	229,392	287,089	322,500	342,227
Current liabilities	68,953	96,824	127,200	176,788	199,419	207,151
Short-term borrowings	0	0	30	0	0	0
Account payables	65,481	87,398	125,379	174,998	197,628	205,360
Tax payable	773	774	960	960	960	960
Other current liabilities	2,143	7,898	28	28	28	28
Lease liabilities	557	754	803	803	803	803
Non-current liabilities	12,677	10,622	9,772	10,474	11,174	11,413
Long-term borrowings	2,758	2,840	414	114	114	114
Bond payables	6,000	2,600	3,500	2,500	2,500	2,500
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	3,919	5,182	5,858	7,859	8,559	8,799
Total liabilities	81,631	107,446	136,972	187,262	210,592	218,564
Share capital	184	184	184	186	187	190
Other reserves	74,947	80,325	86,558	87,728	99,138	110,198
Total shareholders equity	75,130	80,509	86,742	87,914	99,325	110,387
Minority interest	1,065	4,643	5,678	11,914	12,583	13,276
Total equity and liabilities	157,826	192,598	229,392	287,089	322,500	342,227

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,682	4,950	18,404	18,140	19,949	19,990
Depreciation & amortization	8,318	8,203	9,393	10,983	13,517	15,293
Tax paid	(2,082)	(2,307)	(3,499)	(2,626)	(2,743)	(2,653)
Change in working capital	5,672	11,238	9,316	18,264	7,874	2,399
Others	(571)	259	(7,107)	(1,661)	(2,239)	(2,496)
Net cash from operations	16,018	22,342	26,507	43,100	36,359	32,534
Investing						
Capital expenditure	(10,337)	(15,322)	(13,314)	(16,362)	(18,313)	(18,663)
Acquisition of subsidiaries/ investments	(2,831)	(1,570)	6,958	(15,370)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,037	748	(2,775)	(8,491)	2,266	2,494
Net cash from investing	(12,130)	(16,145)	(9,132)	(40,223)	(17,047)	(17,169)
Financing						
Dividend paid	(1,788)	(1,916)	(2,120)	(3,113)	(6,065)	(6,683)
Net borrowings	4,603	(4,237)	(3,386)	(1,330)	0	0
Proceeds from share issues	0	0	1,322	0	0	0
Others	(1,490)	3,389	(9,112)	5,689	81	431
Net cash from financing	1,325	(2,764)	(13,297)	1,246	(5,984)	(6,252)
Net change in cash						
Cash at the beginning of the year	28,014	33,341	35,746	40,865	44,987	58,315
Exchange difference	114	(1,029)	1,040	0	0	0
Cash at the end of the year	33,341	35,746	40,865	44,987	58,315	67,428
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	45.6%	21.1%	34.0%	42.1%	12.7%	3.9%
Gross profit	20.0%	31.2%	39.3%	44.1%	11.2%	4.1%
Operating profit	4.1%	21.4%	64.3%	49.9%	8.9%	4.4%
EBITDA	14.6%	0.1%	108.9%	3.9%	14.6%	5.4%
EBIT	6.1%	2.6%	253.2%	(2.6%)	9.6%	0.2%
Net profit	8.5%	0.9%	213.3%	(8.8%)	10.2%	0.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	14.1%	15.3%	15.9%	16.1%	15.9%	15.9%
Operating margin	7.1%	7.1%	8.7%	9.2%	8.9%	8.9%
EBITDA margin	9.2%	7.6%	11.8%	8.6%	8.8%	8.9%
Return on equity (ROE)	7.3%	6.8%	19.9%	17.4%	17.8%	16.0%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)	(0.6)
Current ratio (x)	1.1	1.2	1.0	0.9	1.0	1.0
Receivable turnover days	88.7	91.1	96.2	94.0	94.0	94.0
Inventory turnover days	31.2	37.2	41.8	40.0	40.0	40.0
Payable turnover days	193.2	217.3	233.4	230.0	230.0	230.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	34.5	34.3	10.9	12.1	11.0	11.1
P/E (diluted)	34.9	34.5	11.0	12.2	11.1	11.2
P/B	2.4	2.3	2.1	2.1	1.9	1.7
P/CFPS	11.3	8.1	6.9	4.2	5.1	5.7
Div yield (%)	1.1	1.1	1.7	3.3	3.6	3.6

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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