

Xpeng Inc. (XPEV US)

Lack of new model catalysts

Maintain HOLD. We expect Xpeng's 4Q23E vehicle GPM to turn positive. However, such margin lift may not be enough to narrow its net loss significantly in FY24E. Although we see possible share price recovery for automakers, Xpeng may lack positive catalysts, as its new models are scheduled in 2H24.

■ **4Q23 earnings preview: Can vehicle GPM turn positive?** Xpeng delivered an average monthly sales volume of 20,000 units in 4Q23 as guided. Now whether its vehicle gross margin can turn positive in 4Q23 as guided could be important to investors' confidence about Xpeng's margins in FY24E. We project its 4Q23 vehicle gross margin to be 0.1%, as we see margin improvement for the facelifted P7i and G9. On the other hand, such limited margin lift is not enough to offset the R&D and SG&A expenses. We expect 4Q23 R&D and SG&A expenses to be RMB3.4bn, the highest in history, but with the lowest expense ratio of 26%. Therefore, we project Xpeng's net loss to narrow QoQ to RMB 2.6bn in 4Q23.

■ **X9's margin contribution could be limited in FY24E.** It appears to us that the current generation P7i and G6 have passed their sales volume peak and most models of Xpeng cannot maintain the sales momentum despite strong starts. Xpeng's sluggish sales volume in Jan 2024 has probably set the tone for 1Q24. We maintain our FY24E sales volume of 260,000 units, assuming new models in 2H24 to contribute to the growth. We project the X9's sales volume to be 35,000 units in FY24E with a gross margin of 12%, which results in an overall gross margin of 8.1% for Xpeng in FY24E based on our estimates. However, such margin lift is still far away to cover R&D and SG&A expenses, and we project its FY24E net loss to be RMB8.8bn.

■ **Still looking for optimal product mix and brand proposition.** Although we see the efforts made by the company on the G6 and X9, it appears to us that Xpeng has not found its brand proposition and comprehensive product mix, especially as its peers are catching up in autonomous driving (AD). That probably explains its unsustainable sales momentum for most models.

■ **Valuation/Risks.** We maintain our HOLD rating and cut our target price from US\$ 16.00 to US\$ 10.50, based on 1.3x (prior 2x) our revised FY24E P/S. We cut our valuation multiples to reflect stiffer competition and investors' growing concerns about profitability. We still see little signals for Xpeng to turn profitable in the foreseeable future. Li Auto (LI US, BUY) and BYD (1211 HK, BUY) are trading at 1.2x and 0.7x our FY24E P/S, respectively, despite their strong profitability. Key risks to our rating and target price include faster or slower AD technology advancement than its peers, higher or lower sales volume and/or gross margin than we expect, as well as a sector re-rating or de-rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	20,988	26,855	30,631	55,140	63,627
YoY growth (%)	259.1	28.0	14.1	80.0	15.4
Gross margin (%)	12.5	11.5	(0.2)	8.1	9.7
Operating profit (RMB mn)	(6,579)	(8,706)	(11,872)	(10,147)	(9,028)
Net profit (RMB mn)	(4,863.1)	(9,139.0)	(11,579.6)	(8,755.9)	(7,705.9)
EPS (Reported) (RMB cents)	(296.01)	(533.65)	(661.13)	(489.16)	(426.93)
P/S (x)	3.1	2.4	2.1	1.2	1.0
P/B (x)	1.2	1.5	1.9	2.6	3.8

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price **US\$10.50**

(Previous TP) US\$16.00

Up/Downside **10.3%**

Current Price **US\$9.52**

China Auto

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	8,981.4
Avg 3 mths t/o (US\$ mn)	145.4
52w High/Low (US\$)	23.39/7.87
Total Issued Shares (mn)	943.4
Source: FactSet	

Shareholding Structure

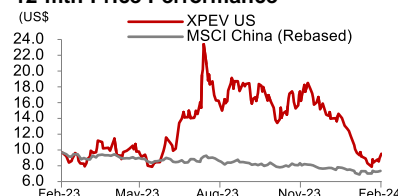
Mr. He Xiaopeng	18.7%
Taobao China	7.5%
Source: NYSE	

Share Performance

	Absolute	Relative
1-mth	-10.4%	-10.3%
3-mth	-41.3%	-34.3%
6-mth	-38.9%	-29.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

["Xpeng Inc. – GPM pressure persists despite possible sales beat" – 16 Nov 2023](#)

Figure 1: Quarterly results

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	YoY	QoQ
Sales volume (units)	34,561	34,422	29,570	22,204	18,230	23,205	40,008	60,158	170.9%	50.4%
ASP (RMB)	215,704	216,035	230,757	231,506	221,252	218,173	213,195	216,185	-6.6%	1.4%
Revenue	7,455	7,436	6,823	5,140	4,033	5,063	8,530	13,005	153.0%	52.5%
Gross profit	911	809	923	445	67	(197)	(228)	294	-34.0%	N/A
R&D expenses	(1,221)	(1,265)	(1,499)	(1,230)	(1,296)	(1,367)	(1,306)	(1,431)	16.4%	9.6%
SG&A expenses	(1,642)	(1,665)	(1,626)	(1,756)	(1,387)	(1,544)	(1,692)	(1,955)	11.3%	15.5%
Operating profit	(1,920)	(2,091)	(2,177)	(2,517)	(2,585)	(3,090)	(3,161)	(3,035)	N/A	N/A
Net profit	(1,701)	(2,701)	(2,376)	(2,361)	(2,337)	(2,805)	(3,887)	(2,551)	N/A	N/A
Gross margin	12.2%	10.9%	13.5%	8.7%	1.7%	-3.9%	-2.7%	2.3%	-6.4 ppt	4.9 ppt
Operating margin	-25.8%	-28.1%	-31.9%	-49.0%	-64.1%	-61.0%	-37.1%	-23.3%	25.6 ppt	13.7 ppt
Net margin	-22.8%	-36.3%	-34.8%	-45.9%	-57.9%	-55.4%	-45.6%	-19.6%	26.3 ppt	25.9 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	30,631	55,140	63,627	31,208	52,806	64,243	-1.8%	4.4%	-1.0%
Gross Profit	(65)	4,473	6,192	(2)	3,935	6,123	N/A	13.7%	1.1%
Operating Profit	(11,872)	(10,147)	(9,028)	(11,830)	(10,685)	(9,097)	N/A	N/A	N/A
Net profit	(11,580)	(8,756)	(7,706)	(11,535)	(9,302)	(7,788)	N/A	N/A	N/A
Gross Margin	-0.2%	8.1%	9.7%	0.0%	7.5%	9.5%	-0.2 ppt	0.7 ppt	0.2 ppt
Operating Margin	-38.8%	-18.4%	-14.2%	-37.9%	-20.2%	-14.2%	-0.9 ppt	1.8 ppt	0.0 ppt
Net Margin	-37.8%	-15.9%	-12.1%	-37.0%	-17.6%	-12.1%	-0.8 ppt	1.7 ppt	0.0 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	30,631	55,140	63,627	31,964	57,966	79,949	-4.2%	-4.9%	-20.4%
Gross profit	(65)	4,473	6,192	482	6,373	11,547	N/A	-29.8%	-46.4%
Operating profit	(11,872)	(10,147)	(9,028)	(11,764)	(8,491)	(4,858)	N/A	N/A	N/A
Net profit	(11,580)	(8,756)	(7,706)	(11,378)	(7,715)	(3,947)	N/A	N/A	N/A
Gross margin	-0.2%	8.1%	9.7%	1.5%	11.0%	14.4%	-1.7 ppt	-2.9 ppt	-4.7 ppt
Operating margin	-38.8%	-18.4%	-14.2%	-36.8%	-14.6%	-6.1%	-2.0 ppt	-3.8 ppt	-8.1 ppt
Net margin	-37.8%	-15.9%	-12.1%	-35.6%	-13.3%	-4.9%	-2.2 ppt	-2.6 ppt	-7.2 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	5,844	20,988	26,855	30,631	55,140	63,627
Cost of goods sold	(5,578)	(18,366)	(23,767)	(30,695)	(50,668)	(57,435)
Gross profit	266	2,623	3,088	(65)	4,473	6,192
Operating expenses	(4,560)	(9,202)	(11,794)	(11,807)	(14,620)	(15,220)
SG&A expense	(2,921)	(5,305)	(6,688)	(6,577)	(8,370)	(9,020)
R&D expense	(1,726)	(4,114)	(5,215)	(5,400)	(6,500)	(6,500)
Others	87	218	109	170	250	300
Operating profit	(4,294)	(6,579)	(8,706)	(11,872)	(10,147)	(9,028)
Gain/loss on financial assets at FVTPL	1,362	671	84	(940)	100	100
Other gains/(losses)	90	384	(1,424)	150	300	300
EBITDA	(2,270)	(3,944)	(7,571)	(9,221)	(5,759)	(4,060)
Depreciation	303	573	915	1,426	1,852	2,294
Depreciation of ROU assets	109	229	379	527	687	794
Other amortisation	25	36	116	149	189	222
EBIT	(2,708)	(4,782)	(8,982)	(11,323)	(8,487)	(7,370)
Interest income	133	743	1,059	1,269	1,161	1,058
Interest expense	(22)	(55)	(132)	(257)	(269)	(336)
Pre-tax profit	(2,731)	(4,837)	(9,114)	(11,580)	(8,756)	(7,706)
Income tax	(1)	(26)	(25)	0	0	0
After tax profit	(2,732)	(4,863)	(9,139)	(11,580)	(8,756)	(7,706)
Others	(2,158)	0	0	0	0	0
Net profit	(4,890)	(4,863)	(9,139)	(11,580)	(8,756)	(7,706)
BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	39,679	48,831	43,527	42,379	49,066	52,774
Cash & equivalents	29,209	11,025	14,608	12,881	13,881	15,880
Restricted cash	2,332	610	106	106	106	106
Account receivables	1,129	2,673	3,873	3,776	6,043	6,973
Inventories	1,343	2,662	4,521	5,046	7,635	7,868
ST bank deposits	980	25,858	15,349	16,000	15,000	15,000
Financial assets at FVTPL	2,821	2,834	1,262	272	82	92
Other current assets	1,865	3,169	3,808	4,298	6,319	6,855
Non-current assets	5,028	16,821	27,964	28,554	31,196	33,095
PP&E	3,082	5,425	10,607	11,128	12,219	12,873
Right-of-use assets	461	1,561	1,955	2,427	2,740	2,946
Investment in JVs & assos	1	1,549	2,295	2,375	2,575	2,875
Intangibles	608	879	1,043	1,048	1,035	1,006
Other non-current assets	876	7,407	12,064	11,576	12,626	13,395
Total assets	44,707	65,651	71,491	70,934	80,262	85,869
Current liabilities	7,837	18,013	24,115	26,277	40,822	52,518
Short-term borrowings	128	0	2,419	1,021	1,656	8,118
Account payables	5,112	12,362	14,223	16,819	27,763	31,471
Tax payable	1	23	28	30	40	50
Other current liabilities	2,477	5,254	6,954	7,729	10,603	12,051
Lease liabilities	120	373	491	677	761	829
Non-current liabilities	2,440	5,492	10,465	13,581	16,410	17,417
Long-term borrowings	1,645	1,675	4,613	6,113	7,113	7,613
Deferred income	145	479	694	901	1,202	1,549
Other non-current liabilities	650	3,338	5,158	6,567	8,095	8,254
Total liabilities	10,277	23,505	34,580	39,858	57,232	69,935
Share capital	0	0	0	0	0	0
Capital surplus	46,483	59,987	60,697	66,432	67,132	67,732
Retained earnings	(12,053)	(17,840)	(23,787)	(35,356)	(44,102)	(51,798)
Other reserves	0	0	0	0	0	0
Total shareholders equity	34,430	42,147	36,911	31,076	23,030	15,934
Total equity and liabilities	44,707	65,651	71,491	70,934	80,262	85,869

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,731)	(4,837)	(9,114)	(11,580)	(8,756)	(7,706)
Depreciation & amortization	438	838	1,411	2,102	2,728	3,310
Change in working capital	2,495	3,584	(2,709)	1,886	5,251	2,125
Others	(342)	(679)	2,181	758	(205)	(336)
Net cash from operations	(140)	(1,095)	(8,232)	(6,833)	(983)	(2,607)
Investing						
Capital expenditure	(1,362)	(4,318)	(4,680)	(3,100)	(4,100)	(3,400)
Acquisition of subsidiaries/ investments	(1)	(1,033)	(619)	0	0	0
Net proceeds from disposal of short-term investments	(3,327)	(27,762)	9,736	2,176	3,300	0
Others	284	37	408	1,269	1,161	1,058
Net cash from investing	(4,406)	(33,076)	4,846	345	361	(2,342)
Financing						
Net borrowings	(352)	(143)	6,119	(160)	1,635	6,962
Proceeds from share issues	27,399	13,110	(2)	4,935	0	0
Others	7,283	1,660	(113)	(13)	(13)	(14)
Net cash from financing	34,330	14,627	6,004	4,762	1,622	6,948
Net change in cash						
Cash at the beginning of the year	2,408	31,542	11,635	14,714	12,987	13,987
Exchange difference	(650)	(363)	462	0	0	0
Cash at the end of the year	31,542	11,635	14,714	12,987	13,987	15,986
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	151.8%	259.1%	28.0%	14.1%	80.0%	15.4%
Gross profit	na	886.0%	17.8%	na	na	38.4%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	4.6%	12.5%	11.5%	(0.2%)	8.1%	9.7%
Operating margin	(73.5%)	(31.3%)	(32.4%)	(38.8%)	(18.4%)	(14.2%)
EBITDA margin	(38.8%)	(18.8%)	(28.2%)	(30.1%)	(10.4%)	(6.4%)
Return on equity (ROE)	(26.2%)	(12.7%)	(23.1%)	(34.1%)	(32.4%)	(39.6%)
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	5.1	2.7	1.8	1.6	1.2	1.0
Receivable turnover days	70.5	46.5	52.6	45.0	40.0	40.0
Inventory turnover days	87.9	52.9	69.4	60.0	55.0	50.0
Payable turnover days	334.5	245.7	218.4	200.0	200.0	200.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/B	1.2	1.5	1.9	2.6	3.8	1.2
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong. Tel: (852) 3900 0888 Fax: (852) 3900 0800

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