

Geely Automobile (175 HK)

Still better positioned than peers despite 3Q miss

Maintain BUY. Geely's 3Q26 earnings missed our expectation, leading to a 9% downward revision to our FY26E net profit forecast. However, we believe Geely remains better positioned than peers against macro headwinds due to its leading profit per vehicle and de-risked international expansion model. We project Geely's FY27E sales volume to outpace industry average, given substantial overseas growth runway.

■ **3Q26 ASP, GPM miss with intact opex efficiency.** Geely's 3Q26 revenue rose 10.3% YoY, trailing our prior forecast by 2.6%. GPM in 3Q26 narrowed by 0.4ppts QoQ and about 0.5ppts lower than our projection. The combined SG&A and R&D ratio narrowed by 0.5ppts QoQ to 12.5% in 3Q26, or 0.2ppts lower than our projection. That, along with forex loss and elevated share-based payment, led to a net profit of RMB4.8bn in 3Q26 (core profit of RMB5.2bn), or 14% lower than our forecast.

■ **Strong positioning with industry-leading profitability and a de-risked global model.** Despite industrywide headwinds likely persisting into 2027, we view Geely as better positioned than most peers, supported by its leading profitability and a de-risked global footprint built on strategic automaker partnerships. In our view, this asset-light, partnership-oriented overseas expansion framework offers higher resilience against EU trade friction and tariff risks. Overseas growth runway remains substantial given that only three Galaxy models are currently on sale abroad. We also believe management's strategic R&D shift—prioritizing tech-leading, volume-driven models backed by comprehensive charging infrastructure over prolific model launches—is well-calibrated for China's shortened model cycle with huge sales volume volatility.

■ **4Q26E and FY27E outlook.** We project 4Q26E sales volume to rise 7.0% YoY to about 0.91mn units, driving FY26E sales volume to 3.15mn units. We cut FY26E net profit by 9% to RMB19.0bn, implying a net profit of RMB5.1bn in 4Q26E. We forecast FY27E sales volume to rise 7.9% YoY to 3.4mn units and net profit to reach RMB21.8bn, implying a net profit per vehicle of about RMB6,400.

■ **Valuation/Key risks.** We maintain our BUY rating but trim target price from HK\$27.00 to HK\$24.00, still based on 10x (unchanged) FY27E P/E. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	275,910	345,232	384,834	418,920	428,255
YoY growth (%)	54.0	25.1	11.5	8.9	2.2
Net profit (RMB mn)	16,811.9	16,852.2	19,048.0	21,849.4	22,392.3
YoY growth (%)	216.7	0.2	13.0	14.7	2.5
EPS (Reported) (RMB)	1.67	1.67	1.74	1.98	2.01
P/E (x)	6.9	6.9	6.6	5.8	5.7
P/B (x)	1.3	1.3	1.2	1.0	0.9
ROE (%)	20.1	18.8	19.0	18.6	16.7
Net gearing (%)	(45.1)	(55.6)	(63.0)	(74.2)	(80.2)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$24.00
(Previous TP)	HK\$27.00)
Up/Downside	76.9%
Current Price	HK\$13.57

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Stock Data

Mkt Cap (HK\$ mn)	147,212.0
Avg 3 mths t/o (HK\$ mn)	682.8
52w High/Low (HK\$)	24.98/13.57
Total Issued Shares (mn)	10848.3

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.6%
Others	58.4%

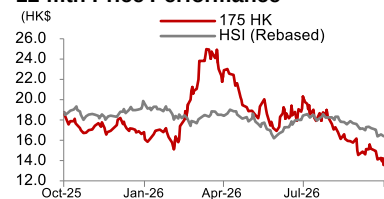
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-9.4%	-3.2%
3-mth	-33.2%	-24.9%
6-mth	-39.3%	-30.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY	QoQ
Sales volume (units)	703,824	705,356	761,009	854,378	709,358	713,600	812,523	6.8%	13.9%
ASP (RMB)	103,282	111,572	117,873	121,889	118,101	125,875	121,798	3.3%	-3.2%
Total revenue	72,692	78,698	89,703	104,139	83,776	89,824	98,964	10.3%	10.2%
Gross profit	11,446	13,337	14,801	17,763	14,664	16,490	17,776	20.1%	7.8%
Selling exp.	(3,651)	(4,800)	(5,396)	(6,577)	(4,384)	(5,442)	(5,570)	3.2%	2.3%
Admin exp.	(1,422)	(1,493)	(1,357)	(2,210)	(1,341)	(1,589)	(1,534)	13.0%	-3.5%
R&D exp.	(3,314)	(4,016)	(4,389)	(5,905)	(4,558)	(4,641)	(5,239)	19.4%	12.9%
Operating profit	6,604	4,172	4,599	3,463	4,826	5,270	5,837	26.9%	10.7%
Net profit	5,673	3,583	3,793	3,803	4,166	4,925	4,837	27.5%	-1.8%
Adj. net profit	3,480	3,180	3,935	3,815	4,561	5,123	5,212	32.5%	1.7%
Gross margin	15.7%	16.9%	16.5%	17.1%	17.5%	18.4%	18.0%	1.5 ppts	-0.4 ppts
Operating margin	9.1%	5.3%	5.1%	3.3%	5.8%	5.9%	5.9%	0.8 ppts	0.0 ppts
Net margin	7.8%	4.6%	4.2%	3.7%	5.0%	5.5%	4.9%	0.7 ppts	-0.6 ppts
Adj. net margin	4.8%	4.0%	4.4%	3.7%	5.4%	5.7%	5.3%	0.9 ppts	-0.4 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	384,834	418,920	428,255	388,811	442,307	485,575	-1.0%	-5.3%	-11.8%
Gross profit	69,843	76,718	78,632	70,879	79,814	86,290	-1.5%	-3.9%	-8.9%
Operating profit	22,136	25,384	25,172	23,768	27,030	28,173	-6.9%	-6.1%	-10.7%
Net profit	19,047	21,847	22,389	20,930	24,024	25,237	-9.0%	-9.1%	-11.3%
Gross margin	18.1%	18.3%	18.4%	18.2%	18.0%	17.8%	-0.1 ppts	0.3 ppts	0.6 ppts
Operating margin	5.8%	6.1%	5.9%	6.1%	6.1%	5.8%	-0.4 ppts	-0.1 ppts	0.1 ppts
Net margin	4.9%	5.2%	5.2%	5.4%	5.4%	5.2%	-0.4 ppts	-0.2 ppts	0.0 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	384,834	418,920	428,255	413,125	482,725	543,619	-6.8%	-13.2%	-21.2%
Gross profit	69,843	76,718	78,632	72,838	85,853	97,895	-4.1%	-10.6%	-19.7%
Operating profit	22,136	25,384	25,172	22,810	28,331	33,246	-3.0%	-10.4%	-24.3%
Net profit	19,047	21,847	22,389	21,241	25,821	30,441	-10.3%	-15.4%	-26.5%
Gross margin	18.1%	18.3%	18.4%	17.6%	17.8%	18.0%	0.5 ppts	0.5 ppts	0.4 ppts
Operating margin	5.8%	6.1%	5.9%	5.5%	5.9%	6.1%	0.2 ppts	0.2 ppts	-0.2 ppts
Net margin	4.9%	5.2%	5.2%	5.1%	5.3%	5.6%	-0.2 ppts	-0.1 ppts	-0.4 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	179,204	275,910	345,232	384,834	418,920	428,255
Cost of goods sold	(151,789)	(230,107)	(287,885)	(314,991)	(342,202)	(349,623)
Gross profit	27,415	45,804	57,347	69,843	76,718	78,632
Operating expenses	(14,675)	(21,568)	(20,738)	(26,817)	(27,592)	(27,627)
Selling expense	(11,832)	(16,441)	(20,424)	(22,003)	(23,006)	(23,278)
Admin expense	(4,210)	(6,250)	(6,482)	(6,638)	(6,747)	(6,741)
Others	1,367	1,122	6,167	1,824	2,161	2,392
Operating profit	12,740	24,236	36,608	43,026	49,126	51,005
Other expense	(646)	(1,753)	(1,181)	(1,060)	(1,600)	(900)
Other gains/(losses)	0	9,354	38	0	0	0
Share of (losses)/profits of associates/JV	599	1,783	2,399	1,699	2,043	2,071
EBITDA	13,570	32,896	36,848	41,337	46,706	49,861
Depreciation	8,203	13,750	15,920	17,645	19,854	22,326
EBIT	5,367	19,146	20,927	23,692	26,852	27,535
Interest income	961	1,331	834	916	1,023	1,187
Interest expense	(417)	(1,019)	(698)	(686)	(411)	(431)
Net interest income/(expense)	544	312	137	230	612	756
Foreign exchange gain/loss	(126)	(1,619)	3,186	(1,500)	(500)	200
Pre-tax profit	4,950	18,127	20,230	23,006	26,441	27,103
Income tax	(15)	(1,782)	(3,601)	(3,835)	(4,392)	(4,506)
After tax profit	4,935	16,345	16,628	19,170	22,049	22,598
Minority interest	373	467	224	(122)	(200)	(205)
Net profit	5,308	16,812	16,852	19,048	21,849	22,392

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	113,635	152,128	159,413	173,420	206,291	228,859
Cash & equivalents	35,746	43,058	65,319	70,511	95,849	116,033
Restricted cash	943	3,546	2,898	2,200	2,000	2,000
Account receivables	42,711	75,663	58,768	65,696	70,447	72,017
Inventories	15,422	29,359	31,934	34,520	37,502	38,315
Prepayment	0	0	0	0	0	0
Other current assets	18,813	502	494	494	494	494
Non-current assets	78,963	118,946	130,997	133,000	133,860	131,579
PP&E	27,351	34,851	34,370	33,397	31,698	29,063
Right-of-use assets	3,600	4,103	3,998	3,941	3,886	3,831
Deferred income tax	6,342	10,419	10,871	10,871	10,871	10,871
Investment in JVs & assos	15,703	28,796	40,022	42,033	44,259	46,507
Intangibles	23,920	35,625	36,446	37,750	37,780	35,823
Goodwill	34	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	2,013	5,151	5,290	5,008	5,365	5,483
Total assets	192,598	271,074	290,410	306,420	340,151	360,438
Current liabilities	96,824	162,919	179,460	182,103	197,650	201,891
Short-term borrowings	0	1,358	10,496	0	0	0
Account payables	87,398	159,497	165,337	179,976	195,524	199,764
Tax payable	774	1,007	1,025	1,025	1,025	1,025
Other current liabilities	7,898	28	1,500	0	0	0
Lease liabilities	754	1,029	1,101	1,101	1,101	1,101
Non-current liabilities	10,622	14,164	17,335	14,434	14,915	15,046
Long-term borrowings	2,840	2,737	4,320	2,320	2,320	2,320
Bond payables	2,600	3,500	2,000	2,000	2,000	2,000
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	5,182	7,927	11,015	10,114	10,595	10,726
Total liabilities	107,446	177,083	196,795	196,537	212,565	216,937
Share capital	184	184	199	201	203	204
Other reserves	80,325	86,354	92,200	108,373	125,904	141,642
Total shareholders equity	80,509	86,539	92,398	108,574	126,107	141,846
Minority interest	4,643	7,453	1,217	1,309	1,479	1,654
Total equity and liabilities	192,598	271,074	290,410	306,420	340,151	360,438

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,950	18,127	20,230	23,006	26,441	27,103
Depreciation & amortization	8,203	13,750	15,920	17,645	19,854	22,326
Tax paid	(2,307)	(3,788)	(4,040)	(3,835)	(4,392)	(4,506)
Change in working capital	11,238	15,331	18,278	4,388	7,824	1,755
Others	259	(6,553)	(3,114)	(692)	(874)	(1,740)
Net cash from operations	22,342	36,867	47,274	40,512	48,853	44,939
Investing						
Capital expenditure	(15,322)	(16,910)	(17,920)	(17,992)	(18,157)	(17,711)
Acquisition of subsidiaries/ investments	(1,570)	2,703	(8,282)	(1,000)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	748	(326)	2,831	2,317	1,999	1,971
Net cash from investing	(16,145)	(14,532)	(23,370)	(16,675)	(17,157)	(16,741)
Financing						
Dividend paid	(1,916)	(2,120)	(3,119)	(4,732)	(6,667)	(8,303)
Net borrowings	(4,237)	(10,965)	9,549	(13,996)	0	0
Proceeds from share issues	0	1,322	(350)	0	0	0
Others	3,389	(9,880)	(7,919)	84	309	289
Net cash from financing	(2,764)	(21,643)	(1,839)	(18,644)	(6,358)	(8,014)
Net change in cash						
Cash at the beginning of the year	33,341	42,320	43,058	65,319	70,511	95,849
Exchange difference	(1,029)	46	197	0	0	0
Cash at the end of the year	35,746	43,058	65,319	70,511	95,849	116,033
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	21.1%	54.0%	25.1%	11.5%	8.9%	2.2%
Gross profit	31.2%	67.1%	25.2%	21.8%	9.8%	2.5%
Operating profit	21.4%	90.2%	51.1%	17.5%	14.2%	3.8%
EBITDA	0.1%	142.4%	12.0%	12.2%	13.0%	6.8%
EBIT	2.6%	256.7%	9.3%	13.2%	13.3%	2.5%
Net profit	0.9%	216.7%	0.2%	13.0%	14.7%	2.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	15.3%	16.6%	16.6%	18.1%	18.3%	18.4%
Operating margin	7.1%	8.8%	10.6%	11.2%	11.7%	11.9%
EBITDA margin	7.6%	11.9%	10.7%	10.7%	11.1%	11.6%
Return on equity (ROE)	6.8%	20.1%	18.8%	19.0%	18.6%	16.7%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)	(0.8)
Current ratio (x)	1.2	0.9	0.9	1.0	1.0	1.1
Receivable turnover days	91.1	107.1	67.8	67.0	66.0	0.0
Inventory turnover days	37.2	46.7	40.6	40.0	40.0	0.0
Payable turnover days	217.3	261.4	218.4	215.0	215.0	0.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	21.8	6.9	6.9	6.6	5.8	5.7
P/E (diluted)	22.0	6.9	7.1	6.7	5.9	5.8
P/B	1.4	1.3	1.3	1.2	1.0	0.9
P/CFPS	5.2	3.1	2.5	3.1	2.6	2.9

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

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