

NIO (NIO US)

Surprising high GPM in 1Q21

NIO released strong set of 1Q21 results. Vehicle shipment read 20,060 units in 1Q21, up 423% YoY. In Apr, NIO delivered 7,102 units of vehicle, largely flat vs Mar. Vehicle GPM was a highlight and read 21.2% in 1Q21, reflecting substantial improvement in operating leverage. Mgmt. saw chip supply as a major challenge in 2Q/3Q21E for further delivery ramp-up. We revised our GPM outlook based on 1Q21 performance. **Our valuation and outlook on NIO are unchanged with BUY rating and a TP of US\$46.67.**

- **Operating loss shrunk to RMB451mn in 1Q21.** The Company recorded a faster revenue growth (RMB8bn, up 481.8% YoY) than that of vehicle sales volume on higher ASP (RMB369.2k per unit, up 12.8%/3.8% YoY/QoQ). OPEX remained largely stable as both R&D and SG&A have yet expanded at an accelerating pace. Interest expense experienced a one-off jump due to CB conversion in 1Q21. Operating loss of the period was RMB451mn, shrinking from loss of ~RMB1.4bn in 4Q20. NIO also had realized negative accretion of redeemable NCI value of RMB4.4bn from share repurchase from NIO China in 1Q21.
- **Vehicle GPM a highlight in 1Q21.** Vehicle GPM expanded another 2.3ppt QoQ to 21.2%, beating our expectation. Mgmt. also felt surprised on GPM, and attributed the good performance to 1) unexpected high ASP driven by consumer demand for 100kWh battery and NIO pilot option; and 2) operating leverage by increasing component discount as shipment volume increased. Looking ahead, mgmt. expected operating leverage to outweigh material cost hike, and guided stable margin outlook in the remaining 2021.
- **Chip supply remains challenging.** NIO delivered 20,060/7,102 vehicles in 1Q21/Apr respectively. After 5-day temporary production suspension due to chip supply shortage in Mar, mgmt. thought chip supply will remain a challenge in 2Q21E and expected the situation to ease gradually from 3Q21E. NIO saw satisfactory vehicle order book, but guided 21,000-22,000 units of vehicle delivery in the constraint of tightened chip supply in 2Q21E.
- **On track to ET7 delivery.** NIO was on track to its R&D progress with its high-end smart sedan, ET7, pending to deliver in 1Q22E. According to mgmt., the first ET7 had come off production line in Apr, and solid-state battery development was also in schedule. We expect R&D expenses to accelerate from 2Q21E.
- **Maintain BUY with TP unchanged at US\$46.32.** According to NIO's 1Q21 performance, we revised up GPM outlook slightly. Our valuation methodology remains unchanged with discounted valuation based on 6x/25x 2025E P/S multiples on vehicle and services revenue.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	7,825	16,258	33,069	47,224	63,329
YoY growth (%)	58	108	103	43	34
Net income (RMB mn)	(11,413)	(5,611)	(8,791)	(3,256)	(695)
EPADS(RMB)	(11.08)	(4.74)	(5.48)	(1.98)	(0.42)
YoY growth (%)	NA	NA	NA	NA	NA
Consensus EPADS (RMB)	NA	NA	-2.54	0.09	1.89
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	53.6	25.8	12.7	8.9	6.6
Yield (%)	-	-	-	-	-
ROE (%)	(171)	(10)	(8)	(4)	(1)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	US\$46.32
(Target Price	US\$46.32)
Up/Downside	+16.3%
Current Price	US\$39.84

China Auto Sector

Jack Bai, CFA

(852) 3900 0835

jackbai@cmbi.com.hk

Robin Xiao

(852) 3900 0849

robinxiao@cmbi.com.hk

Stock Data

Mkt Cap (US\$ mn)	65,279
Avg 3 mths t/o (US\$ mn)	4,078
52w High/Low (US\$)	66.99/2.88
Total Issued Shares (mn)	1,362
Source: Bloomberg	

Shareholding Structure

Li Bin	10.6%
Founder vehicles	10.1%
Tencent	10.0%

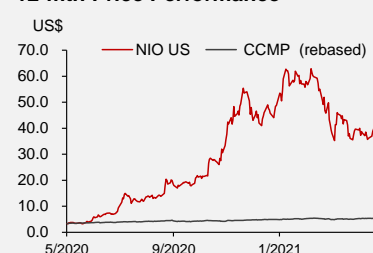
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	0.5%	-3.0%
3-mth	-28.6%	-30.4%
6-mth	19.6%	-6.2%
12-mth	1152.8%	672.1%

Source: Bloomberg

12-mth Price Performance



Source: Bloomberg

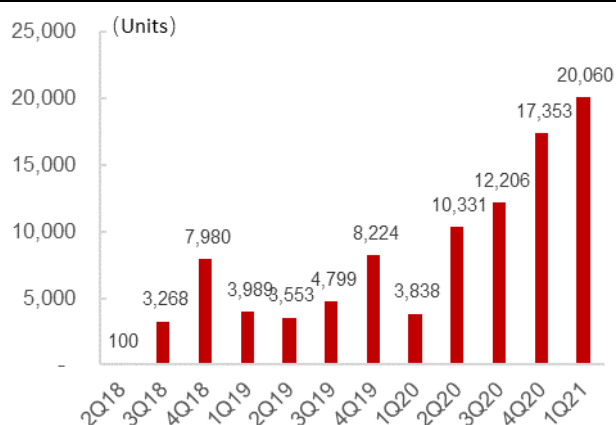
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Figure 1: NIO's 1Q21 results summary

	1Q20	4Q20	1Q21	YoY	QoQ
Revenue	1,372	6,641	7,982	481.8%	20.2%
Vehicle sales	1,256	6,174	7,406	489.8%	20.0%
Other sales	116	467	577	395.5%	23.4%
Costs of sales	(1,539)	(5,499)	(6,428)	317.5%	16.9%
Vehicle sales	(1,349)	(5,109)	(5,839)	332.9%	14.3%
Other sales	(191)	(390)	(589)	208.7%	51.0%
Gross profit/(loss)	(167)	1,142	1,555	-1028.4%	36.2%
Gross profit margin	-12.2%	17.2%	19.5%	31.7ppt	2.3ppt
Vehicle	-7.4%	17.2%	21.2%	28.6ppt	3.9ppt
Other sales	-63.9%	16.5%	-2.1%	61.8ppt	-18.6ppt
Vehicle shipment volume	3,838	17,353	20,060	422.7%	15.6%
ASP - k RMB tax excl.	327.1	355.8	369.2	12.8%	3.8%
QoQ change	0.2%	1.8%	3.8%	n/a	n/a
Operating expenses	(1,402)	(2,073)	(1,850)	32.0%	-10.7%
R&D exps	(522)	(829)	(687)	31.4%	-17.2%
... as % to revenue	38.1%	12.5%	8.6%	-29.5ppt	-3.9ppt
SG&A exps	(848)	(1,207)	(1,197)	41.1%	-0.8%
... as % to revenue	61.8%	18.2%	15.0%	-46.8ppt	-3.2ppt
Other operating profit/(loss)	(32)	(37)	33	-203.1%	-189.2%
Profit/(loss) from operation	(1,569)	(931)	(296)	-81.2%	-68.2%
Interest income	18	77	120	577.8%	55.3%
Interest expenses	(110)	(94)	(424)	283.5%	351.6%
Share profit/loss	(14)	(34)	103	-837.0%	-404.1%
Investment income	0	0	0	n/a	n/a
Other income/(loss), net	(13)	(405)	50	-476.3%	-112.3%
Profit/(loss) before tax	(1,689)	(1,387)	(447)	-73.5%	-67.8%
Income tax expenses	(1)	(2)	(4)	168.5%	137.8%
Effective tax rate	-0.1%	-0.1%	-0.9%	-0.8ppt	-0.8ppt
Profit/(loss) for the period	(1,691)	(1,388)	(451)	-73.3%	-67.5%
Accretion on preferred share value	0	0	0	n/a	n/a
Accretion on NCI value	(32)	(106)	(4,424)	13917.3%	4081.2%
Non-controlling interests	1	2	0	-84.2%	-96.3%
Net profit/loss attributable to shareholders	(1,722)	(1,492)	(4,875)	183.1%	226.8%

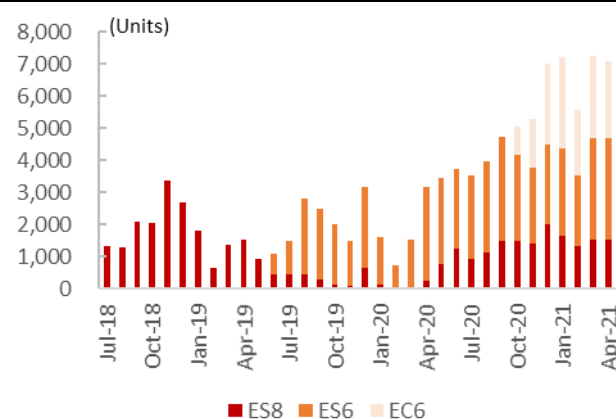
Source: Company data, CMBIS

Figure 2: NIO's quarter shipment performance



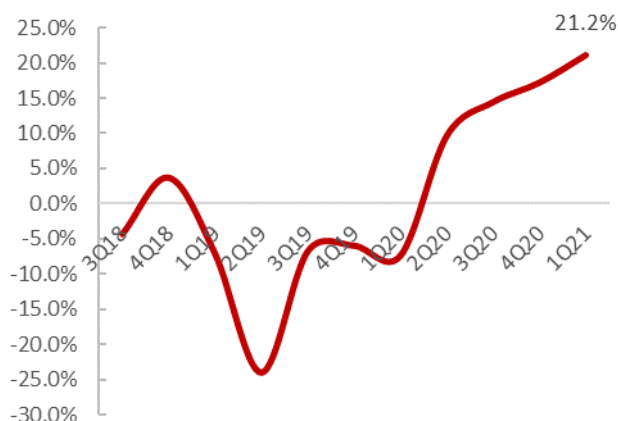
Source: Company data, CMBIS

Figure 3: NIO's monthly auto shipment and composition



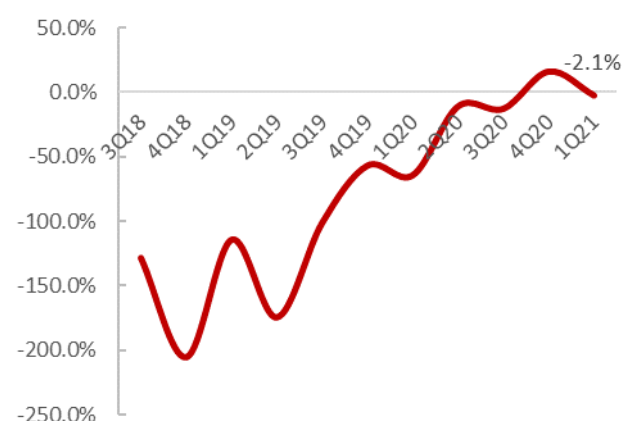
Source: Company data, CMBIS

Figure 4: Auto sales gross profit margin



Source: Company data, CMBIS

Figure 5: Other sales & services gross profit margin



Source: Company data, CMBIS

Figure 6: Earnings revision

	Old			New			Change(%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Vehicle sales volume	87,175	124,501	167,591	87,175	124,501	167,591	0.0%	0.0%	0.0%
ASP (k RMB, VAT excl.)	351	350	346	351	350	346	0.0%	0.0%	0.0%
Revenue (RMB mn)	33,069	47,224	63,329	33,069	47,224	63,329	0.0%	0.0%	0.0%
Net Income (RMB mn)	-5,740	-4,479	-2,040	-8,791	-3,256	-695	53.1%	-27.3%	-66.0%
EPS (RMB)	-3.58	-2.72	-1.23	-5.48	-1.98	-0.42	53.1%	-27.3%	-66.0%

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	7,825	16,258	33,069	47,224	63,329
Vehicle sales	7,367	15,183	30,619	43,524	58,047
Other sales	458	1,075	2,450	3,700	5,282
Cost of sales	(9,024)	(14,385)	(27,047)	(38,611)	(51,232)
Gross profit	(1,199)	1,873	6,022	8,613	12,097
R&D exps	(4,429)	(2,488)	(5,034)	(5,267)	(5,408)
SG&A exps	(5,452)	(3,932)	(4,926)	(5,769)	(6,990)
Other operating profit/(loss)	-	(61)	(60)	(60)	(59)
EBIT	(11,079)	(4,608)	(3,999)	(2,483)	(359)
Interest income	160	167	337	292	312
Interest expenses	(371)	(426)	(447)	(470)	(503)
Share profit	(64)	(66)	(40)	(24)	(14)
Investment income	-	-	-	-	-
Other income/(loss)	66	(365)	(219)	(131)	130
Pre-tax profit	(11,288)	(5,298)	(4,368)	(2,816)	(434)
Income tax	(8)	(6)	(4)	(3)	(0)
Accretion on NCI value	(127)	(312)	(4,424)	(442)	(265)
Minority interests	9	5	5	5	6
Net profit	(11,413)	(5,611)	(8,791)	(3,256)	(695)

Cash flow

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Profit before tax	(11,288)	(5,298)	(4,368)	(2,816)	(434)
Interest payment	210	259	110	178	191
Depreciation and amortization	999	1,109	1,212	1,362	1,512
Change in working capital	1,298	3,807	1,637	1,999	1,987
Taxation	(8)	(6)	(4)	(3)	(0)
Others	67	2,080	411	549	99
Operating Cash Flow	(8,722)	1,951	(1,002)	1,269	3,355
Change in investments	3,405	(4,591)	(5,168)	(1,112)	(1,113)
Others	(23)	(481)	-	-	-
Investing Cash Flow	3,382	(5,071)	(5,168)	(1,112)	(1,113)
Equity raised	(1,429)	42,177	-	-	-
Change of debts	5,126	(494)	500	1,000	1,000
Dividend paid	-	-	-	-	-
Others	(602)	(326)	(4,082)	(255)	(152)
Financing Cash Flow	3,095	41,35	(3,582)	745	848
Net change in cash	(2,245)	38,237	(9,753)	901	3,090
Cash at the beginning of the yr.	3,224	990	38,545	28,792	29,693
Restricted cash	127	120	131	139	149
Exchange difference	10	(682)	-	-	-
Cash at the end of the yr.	863	38,426	28,661	29,554	32,635

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	9,654	8,435	8,490	8,391	8,151
Fixed asset	5,533	4,996	4,901	4,655	4,259
Right-of-use assets	1,998	1,350	1,418	1,489	1,563
Long-term investments	115	300	300	300	300
Others	2,008	1,788	1,871	1,948	2,028
Current assets	4,928	46,207	43,774	47,039	52,472
Cash	863	38,426	28,661	29,554	32,635
Trade receivables	1,352	1,083	2,204	3,147	4,220
Inventory	890	1,082	2,034	2,710	3,340
Short term investments	111	3,951	8,000	8,000	8,000
Others	1,713	1,666	2,875	3,628	4,278
Current liabilities	9,499	13,976	19,085	23,828	28,547
Short-term borrowings	886	1,550	1,674	1,874	2,074
Trade payable	3,112	6,368	10,819	14,672	18,444
Current portion of LT borrowings	322	381	418	468	518
Accruals and other liabilities	4,217	4,604	5,064	5,571	6,128
Others	962	1,073	1,109	1,243	1,383
Non-current liabilities	9,905	8,803	10,107	11,786	12,954
Borrowings	7,155	5,938	6,277	7,495	8,295
Operating lease	1,598	1,015	1,148	1,206	1,266
Others	1,152	1,850	2,682	3,085	3,393
Total net assets	(4,822)	31,862	23,072	19,816	19,122
Minority Interest	22	2	2	3	3
Mezzanine Equity	1,456	4,691	4,691	4,691	4,691
Shareholders equity/(deficit)	(6,300)	27,169	18,378	15,122	14,428

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Vehicle	94%	93%	93%	92%	92%
Other	6%	7%	7%	8%	8%
Total	100%	100%	100%	100%	100%
Profit & loss ratios (%)					
Gross margin	-15%	12%	18%	18%	19%
Pre-tax margin	-144%	-33%	-13%	-6%	-1%
Net margin	-146%	-35%	-27%	-7%	-1%
Effective tax rate	0%	0%	0%	0%	0%
Balance sheet ratios					
Current ratio (x)	0.5	3.3	2.3	2.0	1.8
Quick ratio (x)	0.3	3.1	2.0	1.7	1.6
Cash ratio (x)	0.1	2.8	1.5	1.2	1.1
Debtors turnover days	484	481	464	482	472
Inventory turnover days	190	100	84	90	86
Creditors turnover days	197	109	73	83	85
Total debt / equity ratio (%)	-167%	24%	34%	47%	54%
Net debt / equity ratio (%)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash
Returns (%)					
ROE	-171%	-10%	-8%	-4%	-1%
ROA	-67%	-15%	-16%	-6%	-1%
Per ADS share					
EPADS (RMB)	(11.1)	(4.7)	(5.5)	(2.0)	(0.4)
DPS (RMB)	-	-	-	-	-
BVPADS (RMB)	(4.68)	26.94	14.39	12.03	11.50

Source: Company data, CMBIS estimates

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CMB International Securities Limited

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

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