

China Auto Sector

Improving leading indicators imply strong 4Q23

We summarize the Oct 2023 leading indicators as below, including number of leads, customer flows, and new orders generated, for Tesla, NIO, Li Auto, Xpeng, BYD and Aion. Note that such data are based on a sample size of 96 stores (15-18 stores for each brand) in 15 major cities in China. In general, new orders per store for most brands have been rising MoM since Apr 2023, which have been consistent with our prior projection that NEV market share in China could rise sequentially for the remainder of the year. NEV sales volume for leading players is likely to be strong in Nov-Dec 2023. Note that the following data reflects same-store metrics, and the total new orders and other metrics could rise more than these figures, as most players have reaccelerated their store expansion.

- **Number of leads: all brands rose MoM.** Number of leads per store for Li Auto rose the most (+9% MoM) among all the six brands in Oct (see Figure 1), being its largest MoM increase since Mar 2023. It appears to us that the facelifted Aito M7 has also brought more attention to its rival models, such as Li Auto's. Such number for NIO rose 6% MoM in Oct, the highest since Jun 2023, which may be aided by its increased number of sales personnel. Number of leads per store of Tesla is still the highest among all the six brands, and such number rose 1% MoM in Oct. Such number for BYD, Xpeng and Aion rose 4-6% MoM in Oct.

The conversion ratios from leads to store visit for all the brands remained largely stable MoM at 10-13% in Oct. Aion still had the highest ratio among the six brands last month, followed by Li Auto, while NIO had the lowest ratio for eight consecutive months (see Figure 2).

- **Customer flow: all brands rose MoM, except for Aion.** Customer flow per store was largely in line with the trend for number of leads last month (see Figure 3). Such number for Li Auto rose the most (+7% MoM) among all the six brands in Oct. Customer flow per store for Tesla, NIO, Xpeng and BYD rose 3-6% MoM last month. Such number fell 1% MoM for Aion in Oct. Customer flow per store for Xpeng surpassed Aion in Oct, after four months of underperformance.

The conversion ratios from store visit to order generation increased MoM in Oct for all the brands, except Aion. Such number for Tesla recovered the most, from 8% in Sep to 10% in Oct. Such ratio for NIO increased by 1 ppt MoM to 5.3% in Oct, although it remained the lowest among all the brands. BYD still had the highest ratio (11%) among the six brands.

- **New orders: NIO led the MoM increase amid low base, Aion was the only brand with MoM decline.** NIO's new orders per store remained the lowest among all the brands, despite a 30% MoM increase in Oct from low base. Its order backlog could also decline slightly MoM, implied by our sample store data. New orders per store for Tesla also rose 23% MoM in Oct, after a MoM decline in Sep caused by the unexpected price hike of the facelifted Model 3. Such number for Li Auto, Xpeng and BYD rose 5-9% MoM in Oct. We estimate Li Auto's new orders generated in Oct could be about 40,000-45,000 units. New orders per store for Aion fell 5% MoM in Oct, the only decline among all the six brands. Such number could result in further destocking for Aion in Nov-Dec 2023.

OUTPERFORM
(Maintain)

China Auto Sector

SHI Ji, CFA

(852) 3761 8728

shiji@cmbi.com.hk

DOU Wenjing, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

GU Sijie

jasongu@cmbi.com.hk

Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	55
Li Auto	2015 HK	BUY	215
NIO	NIO US	HOLD	10
Xpeng	XPEV US	HOLD	14
Xpeng	9868 HK	HOLD	55
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	290
BYD	002594 CH	BUY	300
GAC	2238 HK	BUY	6.5
GAC	601238 CH	BUY	14
Meidong	1268 HK	BUY	7.2
Yongda	3669 HK	BUY	5
EVA	838 HK	BUY	1.5

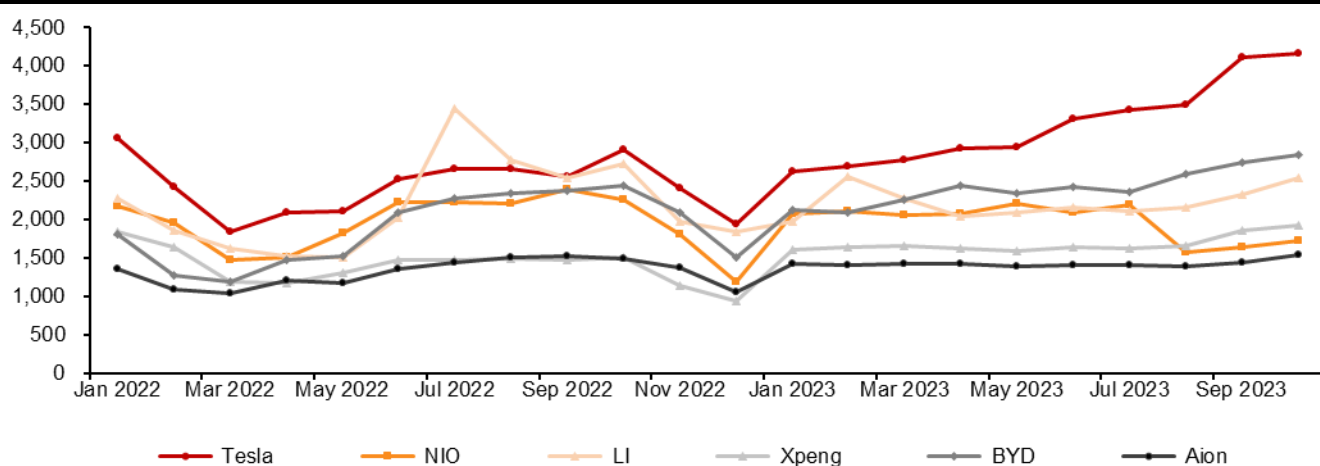
Source: Bloomberg, CMBIGM

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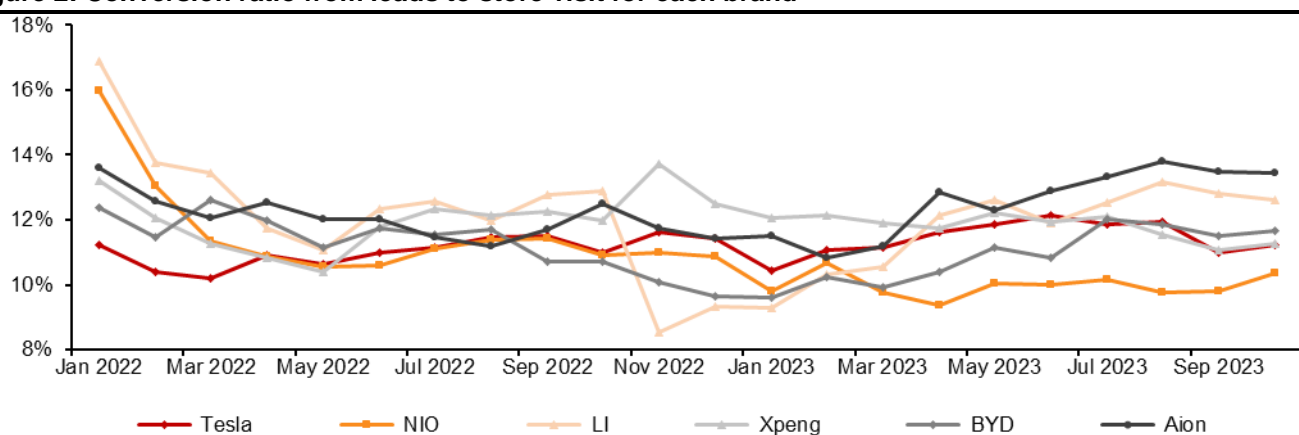
["China Auto Sector – NEV sales push at month-end leads to Oct beat" – 2 Nov 2023](#)

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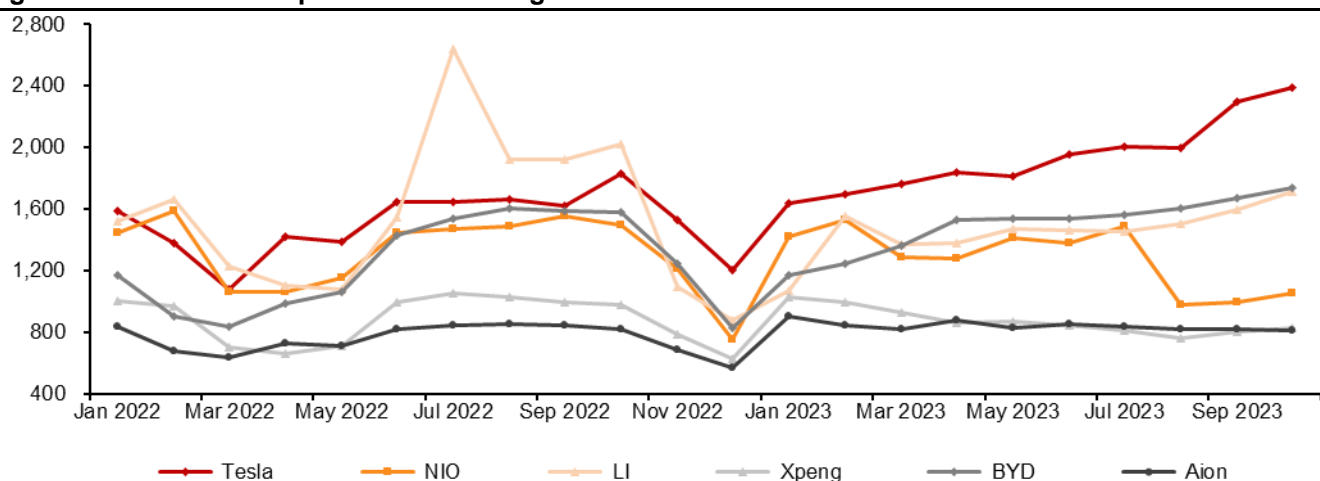
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Figure 1: Number of leads per store on average for each brand

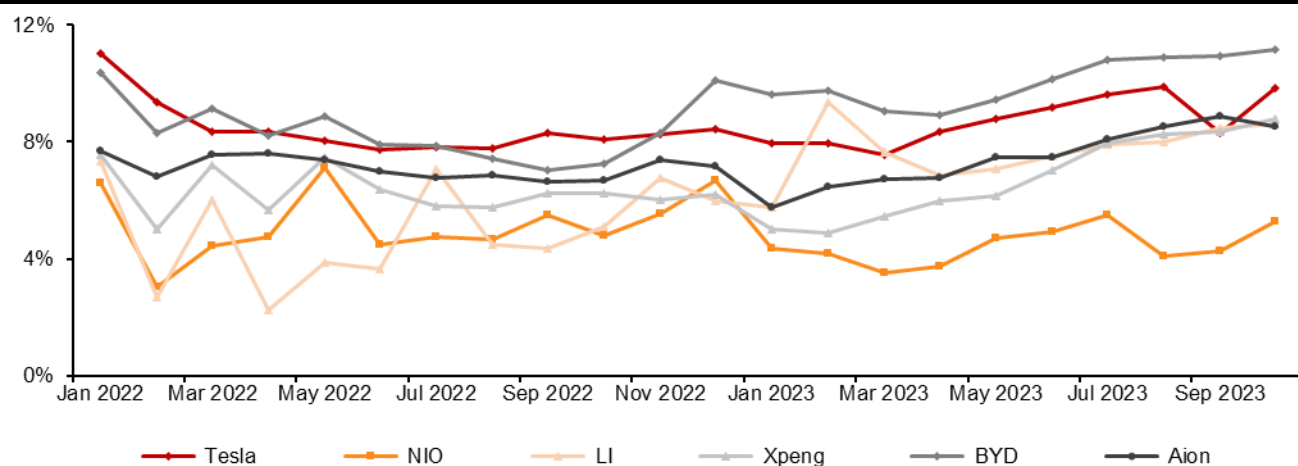
Source: Thinkercar, CMBIGM

Figure 2: Conversion ratio from leads to store visit for each brand

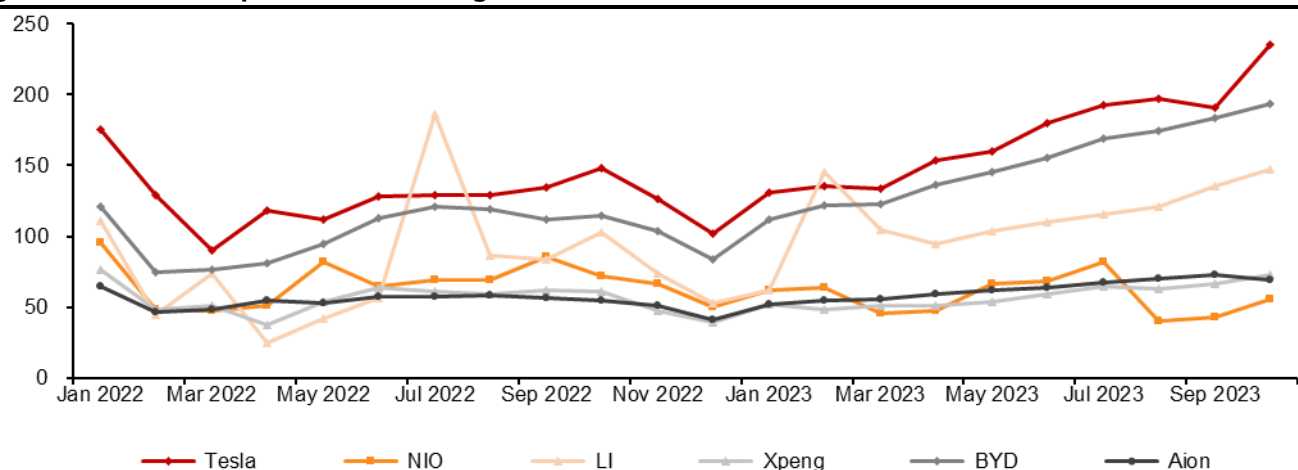
Source: Thinkercar, CMBIGM

Figure 3: Customer flow per store on average for each brand

Source: Thinkercar, CMBIGM

Figure 4: Conversion ratio from store visit to new order generation for each brand

Source: Thinkercar, CMBIGM

Figure 5: New orders per store on average for each brand

Source: Thinkercar, CMBIGM

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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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