Leapmotor (9863 HK)

3Q26 miss; volume growth thesis intact

Maintain BUY. We view Leapmotor as more sensitive to raw-material price fluctuations than most peers–a dynamic that weighed on its 3Q26 earnings, but should conversely amplify its earnings rebound as input costs ease. We continue to favor volume growth leaders amid soft domestic demand. Moreover, Leapmotor's tie-up with Stellantis enables rapid localized overseas production to sidestep tariffs and trade barriers, providing a structural advantage for mid-to-long-term brand building, channel expansion and global scaling.

- **3Q26 miss on ASP and GPM.** 3Q26 revenue rose 63% YoY to RMB31.7bn, missing our estimate by 5%. GPM contracted 1.7ppts QoQ to 10.9%, falling short of our forecast by 1.9ppts. Management attributed the miss to an increased *A-series* mix, higher freight costs for overseas deliveries, and–most notably–raw-material inflation, which had been buffered in 1H26 by lower-cost inventories. 3Q26 net profit thus came in at RMB40mn, about RMB1.08bn lower than our forecast and down from RMB150mn in 3Q25 and RMB598mn in 2Q26. While it appears to us that Leapmotor's margins are more sensitive to raw-material prices than most peers, this same operating leverage could position earnings for a sharper recovery once input-cost pressure subsides.
- **Margin trough likely behind us; on track for 1.0mn-unit FY26E target.** We maintain our FY26E full-year sales volume forecast of 1.0mn units. We expect 4Q26 GPM to recover modestly by 0.2ppts to 11.1%, aided by lower battery costs, although partly offset by higher year-end dealer rebates. Consequently, we forecast net profit to be RMB259mn in 4Q26, bringing FY26E net profit to RMB508mn.
- **Scale and growth resilience matter more in a tough profit environment.** We stay constructive as Leapmotor's volume trajectory remains intact and its earnings sensitivity to margin normalization is substantial. For FY27E, we assume a conservative 20% YoY volume growth to 1.2mn units (driven by new models and overseas expansion), a 1.4ppts YoY GPM rebound to 12.6%, and a modest RMB300mn share of profit from Leapmotor International, which collectively drive an estimated ~7x YoY surge in FY27E net profit to RMB4.0bn. In addition, the newly signed Opel C-SUV engineering partnership–comprising EUR100mn in development and licensing fees alongside post-SOP core-component supply–opens an incremental high-margin earnings stream.
- **Valuation.** We maintain our BUY rating while trimming our target price from HK$60 to HK$43, based on 13x (prior 15x) FY27E EPS, to reflect softer broader sector sentiment. Key risks include raw-material or freight cost inflation, overseas localization and tariff uncertainties, slower-than-expected new model ramp-ups and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	32,164	64,732	101,869	129,598	156,305
Gross margin (%)	8.4	14.5	11.2	12.6	13.1
Operating profit (RMB mn)	(3,171.1)	177.4	65.6	3,129.0	6,083.9
Net profit (RMB mn)	(2,820.8)	538.4	507.8	3,982.5	6,604.1
YoY growth (%)	na	na	(5.7)	684.3	65.8
EPS (Reported) (RMB)	(2.11)	0.39	0.36	2.76	4.55
P/E (x)	na	67.0	72.9	9.4	5.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$43.00**
(Previous TP	HK$60.00)
Up/Downside	**41.1%**
Current Price	**HK$30.48**

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Stock Data

Mkt Cap (HK$ mn)	43,336.8
Avg 3 mths t/o (HK$ mn)	216.3
52w High/Low (HK$)	56.95/29.42
Total Issued Shares (mn)	1421.8

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert partie	25.5%
Stellantis N.V.	20.0%

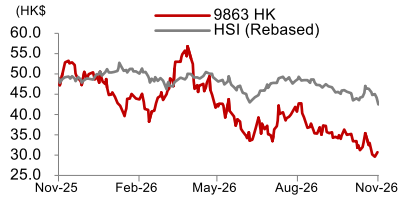
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.5%	-7.8%
3-mth	-27.2%	-16.5%
6-mth	-28.3%	-18.0%

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)	87,552	134,112	173,852	201,039	110,155	246,332	310,052	78.3%	25.9%
ASP (RMB)	114,446	106,102	111,877	104,618	98,225	110,771	102,241	-8.6%	-7.7%
Revenue	10,020	14,230	19,450	21,032	10,820	27,287	31,700	63.0%	16.2%
Gross profit	1,493	1,933	2,820	3,166	1,017	3,428	3,455	22.5%	0.8%
R&D expenses	(800)	(1,094)	(1,210)	(1,188)	(1,040)	(1,277)	(1,480)	22.3%	15.9%
SG&A expenses	(990)	(1,205)	(1,580)	(1,820)	(1,120)	(1,879)	(2,050)	29.7%	9.1%
Operating profit	(150)	61	50	216	(410)	538	(30)	N/A	N/A
Net profit	(130)	163	150	355	(390)	598	40	-73.3%	-93.3%
Gross margin	14.9%	13.6%	14.5%	15.1%	9.4%	12.6%	10.9%	-3.6 ppts	-1.7 ppts
Operating margin	-1.5%	0.4%	0.3%	1.0%	-3.8%	2.0%	-0.1%	-0.4 ppts	-2.1 ppts
Net margin	-1.3%	1.1%	0.8%	1.7%	-3.6%	2.2%	0.1%	-0.6 ppts	-2.1 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	101,869	129,598	156,305	105,633	129,948	156,655	-3.6%	-0.3%	-0.2%
Gross profit	11,450	16,273	20,501	13,727	17,018	21,237	-16.6%	-4.4%	-3.5%
Operating profit	66	3,129	6,084	2,373	4,026	7,320	-97.2%	-22.3%	-16.9%
Net profit	508	3,983	6,604	3,006	5,342	8,343	-83.1%	-25.4%	-20.8%
Gross margin	11.2%	12.6%	13.1%	13.0%	13.1%	13.6%	-1.8 ppts	-0.5 ppts	-0.4 ppts
Operating margin	0.1%	2.4%	3.9%	2.2%	3.1%	4.7%	-2.2 ppts	-0.7 ppts	-0.8 ppts
Net margin	0.5%	3.1%	4.2%	2.8%	4.1%	5.3%	-2.3 ppts	-1.0 ppts	-1.1 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	101,869	129,598	156,305	105,395	138,217	161,074	-3.3%	-6.2%	-3.0%
Gross profit	11,450	16,273	20,501	14,052	19,595	23,522	-18.5%	-17.0%	-12.8%
Operating profit	66	3,129	6,084	2,286	4,561	6,540	-97.1%	-31.4%	-7.0%
Net profit	508	3,983	6,604	2,757	5,187	7,274	-81.6%	-23.2%	-9.2%
Gross margin	11.2%	12.6%	13.1%	13.3%	14.2%	14.6%	-2.1 ppts	-1.6 ppts	-1.5 ppts
Operating margin	0.1%	2.4%	3.9%	2.2%	3.3%	4.1%	-2.1 ppts	-0.9 ppts	-0.2 ppts
Net margin	0.5%	3.1%	4.2%	2.6%	3.8%	4.5%	-2.1 ppts	-0.7 ppts	-0.3 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**16,747**	**32,164**	**64,732**	**101,869**	**129,598**	**156,305**
Cost of goods sold	(16,666)	(29,470)	(55,320)	(90,419)	(113,325)	(135,804)
Gross profit	**80**	**2,694**	**9,412**	**11,450**	**16,273**	**20,501**
Operating expenses	**(4,458)**	**(5,866)**	**(9,235)**	**(11,384)**	**(13,144)**	**(14,417)**
Selling expense	(1,795)	(2,138)	(3,654)	(4,990)	(5,602)	(5,879)
Admin expense	(858)	(1,137)	(1,941)	(2,284)	(2,711)	(2,957)
R&D expense	(1,920)	(2,896)	(4,292)	(5,264)	(6,030)	(6,789)
Others	115	306	653	1,153	1,199	1,208
Operating profit	**(4,377)**	**(3,171)**	**177**	**66**	**3,129**	**6,084**
Share of (losses)/profits of associates/JV	4	42	67	24	301	700
EBITDA	**(3,543)**	**(2,110)**	**1,820**	**2,471**	**6,554**	**10,625**
Depreciation	436	521	934	1,515	2,120	2,674
Depreciation of ROU assets	138	114	203	273	297	310
Other amortisation	27	35	40	48	58	68
EBIT	**(4,144)**	**(2,781)**	**644**	**635**	**4,078**	**7,573**
Interest income	229	348	400	546	649	789
Interest expense	(72)	(40)	(106)	(128)	(96)	(69)
Pre-tax profit	**(4,216)**	**(2,821)**	**538**	**508**	**3,983**	**7,505**
Income tax	(0)	(0)	0	0	0	(901)
After tax profit	**(4,216)**	**(2,821)**	**538**	**508**	**3,983**	**6,604**
Net profit	**(4,216)**	**(2,821)**	**538**	**508**	**3,983**	**6,604**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**22,470**	**26,453**	**39,662**	**61,339**	**79,398**	**97,032**
Cash & equivalents	11,731	6,378	10,985	17,933	25,951	32,687
Restricted cash	2,800	1,254	3,148	3,228	4,152	4,576
Account receivables	926	1,981	5,210	7,536	8,877	10,278
Inventories	1,719	2,023	4,548	7,184	8,693	10,046
ST bank deposits	2,087	1,318	3,446	8,635	13,740	18,683
Financial assets at FVTPL	2,770	11,473	10,172	13,349	13,537	15,727
Other current assets	422	2,026	2,152	3,475	4,448	5,036
Contract assets	14	0	0	0	0	0
Non-current assets	**5,984**	**11,194**	**23,156**	**28,220**	**31,898**	**38,051**
PP&E	3,868	5,537	10,243	12,649	15,428	16,674
Right-of-use assets	732	736	1,830	1,657	1,460	1,250
Investment in JVs & assos	44	164	231	255	556	756
Intangibles	450	450	463	464	456	438
Other non-current assets	889	4,306	10,390	13,195	13,998	18,933
Total assets	**28,453**	**37,647**	**62,818**	**89,558**	**111,296**	**135,083**
Current liabilities	**13,954**	**24,975**	**42,829**	**68,390**	**85,504**	**100,956**
Short-term borrowings	1,581	1,266	654	923	1,384	300
Account payables	9,847	18,903	33,099	53,261	66,753	79,994
Other current liabilities	2,399	4,499	8,749	13,575	16,743	20,055
Lease liabilities	104	145	237	479	429	373
Contract liabilities	23	161	91	153	194	234
Non-current liabilities	**2,002**	**2,601**	**5,871**	**5,853**	**6,015**	**7,261**
Long-term borrowings	892	1,108	2,307	1,384	300	300
Deferred income	382	348	606	718	863	988
Other non-current liabilities	728	1,144	2,959	3,751	4,852	5,973
Total liabilities	**15,955**	**27,576**	**48,700**	**74,243**	**91,519**	**108,218**
Share capital	1,337	1,337	1,422	1,437	1,446	1,455
Retained earnings	(13,897)	(16,717)	(16,179)	(15,691)	(11,699)	(5,080)
Other reserves	25,058	25,451	28,875	29,569	30,029	30,490
Total shareholders equity	**12,498**	**10,071**	**14,118**	**15,315**	**19,777**	**26,865**
Total equity and liabilities	**28,453**	**37,647**	**62,818**	**89,558**	**111,296**	**135,083**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(4,216)**	**(2,821)**	**538**	**508**	**3,983**	**7,505**
Depreciation & amortization	601	671	1,176	1,836	2,475	3,052
Tax paid	(0)	(0)	0	0	0	(901)
Change in working capital	3,941	10,092	9,774	18,313	11,234	11,830
Others	756	529	1,134	1,471	1,358	1,173
Net cash from operations	**1,082**	**8,471**	**12,623**	**22,127**	**19,050**	**22,660**
Investing						
Capital expenditure	(1,394)	(2,151)	(4,799)	(4,050)	(5,050)	(4,050)
Acquisition of subsidiaries/ investments	(10)	(106)	(49)	0	0	0
Net proceeds from disposal of short-term investments	(3,527)	(11,228)	(6,680)	(11,000)	(6,000)	(12,000)
Others	71	162	442	535	810	1,370
Net cash from investing	**(4,860)**	**(13,323)**	**(11,086)**	**(14,515)**	**(10,240)**	**(14,680)**
Financing						
Net borrowings	689	(99)	586	(654)	(623)	(1,084)
Proceeds from share issues	7,778	0	2,600	0	0	0
Others	85	(404)	(89)	(10)	(169)	(160)
Net cash from financing	**8,552**	**(503)**	**3,097**	**(664)**	**(792)**	**(1,244)**
Net change in cash						
Cash at the beginning of the year	6,949	11,731	6,378	10,985	17,933	25,951
Exchange difference	9	3	(27)	0	0	0
Cash at the end of the year	**11,731**	**6,378**	**10,985**	**17,933**	**25,951**	**32,687**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	35.2%	92.1%	101.3%	57.4%	27.2%	20.6%
Gross profit	na	3,248.4%	249.3%	21.7%	42.1%	26.0%
Operating profit	na	na	na	(63.0%)	4,672.6%	94.4%
EBITDA	na	na	na	35.7%	165.2%	62.1%
EBIT	na	na	na	(1.4%)	541.9%	85.7%
Net profit	na	na	na	(5.7%)	684.3%	65.8%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	0.5%	8.4%	14.5%	11.2%	12.6%	13.1%
Operating margin	(26.1%)	(9.9%)	0.3%	0.1%	2.4%	3.9%
EBITDA margin	(21.2%)	(6.6%)	2.8%	2.4%	5.1%	6.8%
Return on equity (ROE)	(40.6%)	(25.0%)	4.5%	3.5%	22.7%	28.3%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(1.2)	(1.1)	(1.8)	(2.6)	(2.8)	(2.8)
Current ratio (x)	1.6	1.1	0.9	0.9	0.9	1.0
Receivable turnover days	20.2	22.5	29.4	27.0	25.0	24.0
Inventory turnover days	37.7	25.1	30.0	29.0	28.0	27.0
Payable turnover days	215.7	234.1	218.4	215.0	215.0	215.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	67.0	72.9	9.4	5.7
P/E (diluted)	ns	ns	67.5	72.9	9.4	5.7
P/B	2.4	3.4	2.6	2.4	1.9	1.4
P/CFPS	27.9	4.1	2.9	1.7	2.0	1.7
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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