

# Li Auto Inc. (LI US/2015 HK)

## More aggressive pricing, shorter model cycle to regain sales traction

**Maintain BUY.** We are of the view that management is likely to prioritize sales volume over margins for the upcoming *i6* following its weak sales in recent months. We expect aggressive pricing to help Li Auto regain sales traction. Moreover, management has also decided to shorten the model cycle from FY26E. Both could be positive catalysts for its share price, in our view.

- **2Q25 net profit miss on lower ASP.** Li Auto's revenue in 2Q25 fell 4.5% YoY to RMB30.2bn, or 2% lower than our prior forecast. GPM of 20.1% in 2Q25 was largely in line with our projection. SG&A and R&D expenses were about RMB130mn higher than our estimates. That led to a net profit of RMB1.1bn in 2Q25, or 21% lower than our prior forecast.
- **Likely to prioritize *i6*'s sales volume over margins with aggressive pricing.** As noted in our [previous report](#), we still expect the *i6*'s pricing to be more aggressive than other models, which could be crucial to enhance Li Auto's brand perception and sales volume in BEVs. We view such possible aggressive pricing as a positive catalyst for its shares. Meanwhile, we project the *i6*'s GPM to be lower than the *L6*'s. Similar to 3Q24, we expect Li Auto's sales volume to regain traction from 4Q25, aided by the *i6*. Such greater economies of scale could offset the margin drag from the *i6* in 4Q25, based on our calculations.
- **Shorter model cycle from FY26E.** Management emphasized shortening model cycles for existing products with more frequent upgrades in design, chassis, powertrain, software etc. from FY26E during the earnings call. We expect such changes to help Li Auto gain market share again.
- **Earnings/Valuation.** We project its FY25-27E sales volume to be 0.44mn/0.63mn/0.82mn units, respectively, with FY25-27E GPM of 19.7%/18.7%/18.7%, respectively. Accordingly, we estimate its net profits to be RMB4.0bn/9.2bn/14.1bn during FY25-27E, respectively. We maintain our BUY rating but trim our ADS/H-share target price from US\$33/HK\$131 to US\$28/HK\$109, based on 15x our revised FY27E P/E (prior 17x FY26E). We roll over our valuation multiple from FY26 to FY27, as we believe the impact from shorter model cycles may be fully reflected on FY27E earnings. Key risks to our rating and target price include lower sales and/or GPM than our expectation, as well as a sector de-rating.

### Earnings Summary - LI US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	123,851	144,460	121,462	165,587	203,747
YoY growth (%)	173.5	16.6	(15.9)	36.3	23.0
Gross margin (%)	22.2	20.5	19.7	18.7	18.7
Operating profit (RMB mn)	7,142.7	6,355.5	1,825.8	6,877.1	12,043.1
Net profit (RMB mn)	11,704.1	8,032.4	3,986.5	9,190.3	14,102.7
YoY growth (%)	na	(31.4)	(50.4)	130.5	53.5
Adjusted net profit (RMB mn)	12,092.6	10,663.3	5,147.1	10,384.8	15,647.0
EPS (Reported) (RMB)	5.95	4.03	1.95	4.39	6.67
P/S (x)	1.4	1.2	1.4	1.0	0.9
P/E (x)	13.6	20.1	41.5	18.4	12.1
P/B (x)	2.6	2.3	2.2	2.0	1.6

Source: Company data, Bloomberg, CMBIGM estimates

	LI US	2015 HK
	BUY	BUY
	Maintain	Maintain

TP	US\$28.00	HK\$109.00
Prior TP	US\$33.00	HK\$131.00
Up/Downside	23.9%	23.7%
Current Price	US\$22.6	HK\$88.2

#### China Auto

##### Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

##### Wenjing DOU, CFA

(852) 6939 4751

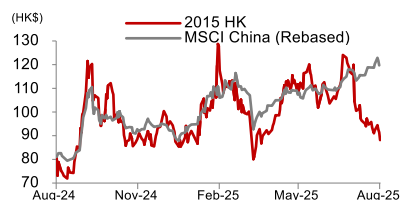
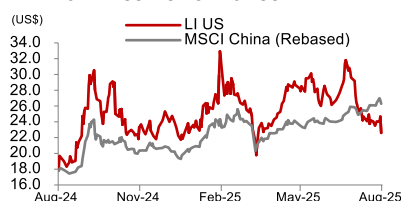
douwenjing@cmbi.com.hk

#### Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

#### 12-mth Price Performance



Source: FactSet

#### Stock Performance

	LI US		2015 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	-22.6%	-23.9%	-23.9%	-23.9%
3-mth	-19.0%	-27.8%	-19.1%	-27.8%
6-mth	-26.5%	-34.8%	-25.0%	-34.8%

Source: FactSet

#### Stock Data

(LC)	LI US	2015 HK
Mkt Cap (mn)	24191.97	188718.8
Avg 3 mths t/o (mn)	48.62	1895.12
52w High	32.92	128.7
52w Low	18.31	71.9
Issued Shares (mn)	2140.882	2140.882

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	YoY	QoQ
Sales volume (units)	80,400	108,581	152,831	158,696	92,864	111,074	2.3%	19.6%
ASP (RMB)	318,827	291,749	280,534	278,984	279,191	272,301	-6.7%	-2.5%
Revenue	25,634	31,678	42,874	44,274	25,927	30,246	-4.5%	16.7%
Gross profit	5,284	6,177	9,225	8,970	5,318	6,067	-1.8%	14.1%
R&D expenses	(3,049)	(3,028)	(2,587)	(2,408)	(2,514)	(2,810)	-7.2%	11.8%
SG&A expenses	(2,978)	(2,815)	(3,360)	(3,077)	(2,531)	(2,718)	-3.5%	7.4%
Operating profit	(585)	468	3,433	3,703	272	827	76.7%	204.4%
Net profit	593	1,103	2,814	3,523	650	1,093	-0.9%	68.0%
Gross margin	20.6%	19.5%	21.5%	20.3%	20.5%	20.1%	0.6 pts	-0.5 pts
Operating margin	-2.3%	1.5%	8.0%	8.4%	1.0%	2.7%	1.3 pts	1.7 pts
Net margin	2.3%	3.5%	6.6%	8.0%	2.5%	3.6%	0.1 pts	1.1 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	121,462	165,587	203,747	153,868	186,770	226,235	-21.1%	-11.3%	-9.9%
Gross profit	23,968	31,018	38,011	31,362	37,790	45,012	-23.6%	-17.9%	-15.6%
Operating profit	2,626	7,977	13,243	7,707	12,179	17,128	-65.9%	-34.5%	-22.7%
Net profit	3,986	9,190	14,103	9,129	13,433	18,011	-56.3%	-31.6%	-21.7%
Gross margin	19.7%	18.7%	18.7%	20.4%	20.2%	19.9%	-0.6 pts	-1.5 pts	-1.2 pts
Operating margin	2.2%	4.8%	6.5%	5.0%	6.5%	7.6%	-2.8 pts	-1.7 pts	-1.1 pts
Net margin	3.3%	5.6%	6.9%	5.9%	7.2%	8.0%	-2.7 pts	-1.6 pts	-1.0 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	121,462	165,587	203,747	162,407	211,027	247,402	-25.2%	-21.5%	-17.6%
Gross profit	23,968	31,018	38,011	32,774	42,480	50,492	-26.9%	-27.0%	-24.7%
Operating profit	2,626	7,977	13,243	8,368	13,064	17,012	-68.6%	-38.9%	-22.2%
Net profit	3,986	9,190	14,103	9,847	14,651	18,619	-59.5%	-37.3%	-24.3%
Gross margin	19.7%	18.7%	18.7%	20.2%	20.1%	20.4%	-0.4 pts	-1.4 pts	-1.8 pts
Operating margin	2.2%	4.8%	6.5%	5.2%	6.2%	6.9%	-3.0 pts	-1.4 pts	-0.4 pts
Net margin	3.3%	5.6%	6.9%	6.1%	6.9%	7.5%	-2.8 pts	-1.4 pts	-0.6 pts

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	45,287	123,851	144,460	121,462	165,587	203,747
Cost of goods sold	(36,496)	(96,355)	(114,804)	(97,494)	(134,569)	(165,736)
Gross profit	8,790	27,497	29,656	23,968	31,018	38,011
Operating expenses	(12,445)	(20,354)	(23,301)	(22,142)	(24,141)	(25,968)
SG&A expense	(5,665)	(9,768)	(12,229)	(10,801)	(11,970)	(12,911)
R&D expense	(6,780)	(10,586)	(11,071)	(11,341)	(12,171)	(13,056)
Operating profit	(3,655)	7,143	6,355	1,826	6,877	12,043
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	376	783	320	970	1,376	1,611
Other gains/(losses)	626	1,048	664	217	415	522
EBITDA	(839)	12,343	12,561	9,144	16,536	23,777
Depreciation	1,214	1,805	3,058	4,347	5,790	7,293
EBIT	(2,053)	10,538	9,503	4,797	10,746	16,485
Interest income	600	1,300	1,500	984	977	1,108
Interest expense	(106)	(86)	(188)	(165)	(147)	(135)
Pre-tax profit	(2,159)	10,452	9,316	4,632	10,598	16,350
Income tax	127	1,357	(1,270)	(625)	(1,378)	(2,207)
After tax profit	(2,032)	11,809	8,045	4,006	9,220	14,143
Minority interest	20	(105)	(13)	(20)	(30)	(40)
Discontinued operations	0	0	0	0	0	0
Others	0	0	0	0	0	0
Net profit	(2,012)	11,704	8,032	3,986	9,190	14,103
Adjusted net profit	41	12,093	10,663	5,147	10,385	15,647

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	66,992	114,526	126,310	122,229	152,599	186,315
Cash & equivalents	38,478	91,329	65,901	49,787	58,655	71,530
Restricted cash	1,940	0	7	50	80	100
Account receivables	48	144	135	166	272	335
Inventories	6,805	6,872	8,186	6,678	9,217	11,352
ST bank deposits	18,031	11,933	46,905	61,905	79,905	97,905
Other current assets	1,690	4,247	5,177	3,644	4,471	5,094
Non-current assets	19,545	28,942	36,039	38,856	43,419	45,389
PP&E	11,188	15,745	21,141	25,704	29,922	32,637
Right-of-use assets	3,539	5,939	8,324	7,408	6,954	5,858
Deferred income tax	75	1,990	2,542	1,500	1,500	1,500
Investment in JVs & assos	1,484	1,595	923	1,440	1,855	2,277
Intangibles	833	864	915	977	1,030	1,074
Other non-current assets	2,427	2,808	2,194	1,827	2,158	2,043
Total assets	86,538	143,467	162,349	161,085	196,018	231,704
Current liabilities	27,373	72,743	69,216	65,421	89,126	113,243
Short-term borrowings	0	688	0	0	0	0
Account payables	20,024	51,870	53,596	53,421	73,736	90,814
Other current liabilities	6,652	19,038	14,086	10,343	13,866	21,207
Lease liabilities	696	1,146	1,533	1,657	1,524	1,222
Non-current liabilities	13,979	10,150	21,813	19,122	19,920	13,960
Long-term borrowings	3,317	1,747	1,897	2,184	1,884	1,784
Convertible bonds	5,914	0	6,255	6,255	6,255	0
Obligations under finance leases	0	0	643	559	487	423
Deferred income	582	812	721	896	962	1,044
Other non-current liabilities	4,167	7,590	12,298	9,228	10,333	10,709
Total liabilities	41,352	82,892	91,029	84,543	109,046	127,203
Share capital	1	1	1	1	1	1
Capital surplus	53,869	57,480	60,127	61,341	62,551	65,938
Retained earnings	(9,012)	2,661	10,747	14,733	23,924	38,026
Other reserves	(0)	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	44,859	60,143	70,875	76,076	86,477	103,966
Minority interest	328	433	445	465	495	535
Total equity and liabilities	86,538	143,467	162,349	161,085	196,018	231,704

<b>CASH FLOW</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	(2,159)	10,452	9,316	4,632	10,598	16,350
Depreciation & amortization	1,214	1,805	3,058	4,347	5,790	7,293
Change in working capital	5,035	36,612	2,070	(2,561)	21,163	18,234
Others	3,290	1,825	1,490	1,899	175	(273)
<b>Net cash from operations</b>	<b>7,380</b>	<b>50,694</b>	<b>15,933</b>	<b>8,316</b>	<b>37,726</b>	<b>41,603</b>
<b>Investing</b>						
Capital expenditure	(5,128)	(6,507)	(7,730)	(9,000)	(10,100)	(10,100)
Acquisition of subsidiaries/ investments	(762)	(198)	(31)	(400)	(300)	(300)
Net proceeds from disposal of short-term investments	1,686	16,316	(4,415)	(8,000)	(8,000)	(8,000)
Others	(161)	(9,622)	(28,961)	(7,000)	(10,000)	(10,000)
<b>Net cash from investing</b>	<b>(4,365)</b>	<b>(12)</b>	<b>(41,137)</b>	<b>(24,400)</b>	<b>(28,400)</b>	<b>(28,400)</b>
<b>Financing</b>						
Net borrowings	3,080	(1,001)	(996)	(42)	(444)	(307)
Proceeds from share issues	2,469	1,186	486	54	16	0
Others	90	0	95	0	0	0
<b>Net cash from financing</b>	<b>5,639</b>	<b>185</b>	<b>(416)</b>	<b>12</b>	<b>(428)</b>	<b>(307)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	30,493	40,418	91,330	65,908	49,837	58,735
Exchange difference	1,270	45	198	0	0	0
Others	0	0	0	0	0	0
<b>Cash at the end of the year</b>	<b>40,418</b>	<b>91,330</b>	<b>65,908</b>	<b>49,837</b>	<b>58,735</b>	<b>71,630</b>
<b>GROWTH</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Revenue	67.7%	173.5%	16.6%	(15.9%)	36.3%	23.0%
Gross profit	52.6%	212.8%	7.9%	(19.2%)	29.4%	22.5%
Operating profit	na	na	(11.0%)	(71.3%)	276.7%	75.1%
EBITDA	na	na	1.8%	(27.2%)	80.8%	43.8%
EBIT	na	na	(9.8%)	(49.5%)	124.0%	53.4%
Net profit	na	na	(31.4%)	(50.4%)	130.5%	53.5%
Adj. net profit	(94.7%)	29,430.1%	(11.8%)	(51.7%)	101.8%	50.7%
<b>PROFITABILITY</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Gross profit margin	19.4%	22.2%	20.5%	19.7%	18.7%	18.7%
Operating margin	(8.1%)	5.8%	4.4%	1.5%	4.2%	5.9%
EBITDA margin	(1.9%)	10.0%	8.7%	7.5%	10.0%	11.7%
Adj. net profit margin	0.1%	9.8%	7.4%	4.2%	6.3%	7.7%
Return on equity (ROE)	(4.7%)	22.3%	12.3%	5.4%	11.3%	14.8%
<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
Current ratio (x)	2.4	1.6	1.8	1.9	1.7	1.6
Receivable turnover days	0.4	0.4	0.3	0.5	0.6	0.6
Inventory turnover days	68.1	26.0	26.0	25.0	25.0	25.0
Payable turnover days	200.3	196.5	170.4	200.0	200.0	200.0
<b>VALUATION</b>	<b>2022A</b>	<b>2023A</b>	<b>2024A</b>	<b>2025E</b>	<b>2026E</b>	<b>2027E</b>
<b>YE 31 Dec</b>						
P/E	ns	13.6	20.1	41.5	18.4	12.1
P/E (diluted)	ns	14.6	21.5	44.4	19.7	12.9
P/B	3.5	2.6	2.3	2.2	2.0	1.6
P/CFPS	21.3	3.1	10.1	19.9	4.5	4.1
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.

# Disclosures & Disclaimers

## Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

## CMBIGM Ratings

<b>BUY</b>	: Stock with potential return of over 15% over next 12 months
<b>HOLD</b>	: Stock with potential return of +15% to -10% over next 12 months
<b>SELL</b>	: Stock with potential loss of over 10% over next 12 months
<b>NOT RATED</b>	: Stock is not rated by CMBIGM

<b>OUTPERFORM</b>	: Industry expected to outperform the relevant broad market benchmark over next 12 months
<b>MARKET-PERFORM</b>	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
<b>UNDERPERFORM</b>	: Industry expected to underperform the relevant broad market benchmark over next 12 months

## CMB International Global Markets Limited

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

**CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)**

## Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

### For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

### For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

### For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.