

Geely Automobile (175 HK)

Higher earnings visibility after strong 1Q26

Maintain BUY. Geely's 1Q26 net profit beat our forecast on strong GPM. We expect resilient GPM to continue despite rising raw material costs, thanks to higher overseas sales, better model mix and continuous cost reduction efforts from "One Geely" strategy. Overseas sales in 1Q26 were stronger than our prior forecast, and thus we revise up FY26E sales volume forecast to 3.5mn units. We also believe that Zeekr is now better positioned than before, which could lift margins and valuation.

- 1Q26 earnings beat on GPM.** Geely's 1Q26 revenue was largely in line amid the highest sales volume among all the automakers in China. GPM in 1Q26 widened by 0.6ppts QoQ to 17.5%, 0.7ppts higher than our prior forecast. SG&A and R&D expenses combined were slightly lower than our projection, despite declining capitalization ratio (56% in 1Q26 vs. 64% in FY25). Net profit of RMB4.2bn in 1Q26 was 9% higher than our forecast. Core net profit (excluding forex gain/loss and impairment on non-financial assets) rose 31% YoY, implying a core net profit per vehicle of about RMB6,400 in 1Q26.
- More positive outlook for FY26E.** We revise up our FY26E sales volume forecast by 0.1mn units to 3.5mn units mainly for exports, as management has turned more positive on overseas sales. That also leads to our upward revision for FY26E GPM (from 17.4% to 17.7%), especially following 1Q26 beat. Management expects GPM in 2Q26 to be stable or even rise slightly. Meanwhile, we also revise down R&D capitalization ratio forecast from 64% to 58% in FY26E. Accordingly, we revise up FY26E net profit forecast by 8% to RMB20.9bn.
- Zeekr's accelerated sales volume growth to provide greater margins and valuation.** We believe that Zeekr is now better positioned in the upscale market than a year ago after successful rollouts of the 9X and 8X. That could give investors more confidence in Geely, not only because of a larger room for growth in the premium segment, but also higher margins and better overall company image.
- Valuation/Key risks.** We maintain our BUY rating and raise our target price from HK\$25.00 to HK\$27.00, which is still based on 12x our FY26E P/E. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, especially from NEV models, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	275,910	345,232	403,803	442,886	485,405
YoY growth (%)	54.0	25.1	17.0	9.7	9.6
Net profit (RMB mn)	16,811.9	16,852.2	20,886.3	24,112.1	26,239.1
YoY growth (%)	216.7	0.2	23.9	15.4	8.8
EPS (Reported) (RMB)	1.67	1.67	1.91	2.18	2.35
P/E (x)	11.7	11.7	10.2	8.9	8.3
P/B (x)	2.3	2.1	1.9	1.7	1.5
Yield (%)	1.6	2.4	3.9	4.5	4.8
ROE (%)	20.1	18.8	20.7	20.4	19.4
Net gearing (%)	(45.1)	(55.6)	(66.9)	(78.0)	(88.1)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$27.00
(Previous TP)	HK\$25.00)
Up/Downside	20.9%
Current Price	HK\$22.34

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Stock Data

Mkt Cap (HK\$ mn)	242,279.3
Avg 3 mths t/o (HK\$ mn)	1,611.2
52w High/Low (HK\$)	24.98/15.13
Total Issued Shares (mn)	10845.1

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.6%
Others	58.4%

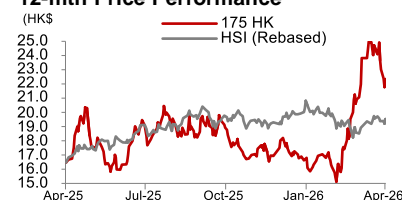
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.9%	2.1%
3-mth	33.0%	42.4%
6-mth	18.1%	19.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Sales volume (units)	703,824	705,356	761,009	854,378	709,358	0.8%	-17.0%
ASP (RMB)	103,282	110,005	117,203	123,780	118,101	14.3%	-4.6%
Total revenue	72,692	77,593	89,192	105,755	83,776	15.2%	-20.8%
Gross profit	11,446	13,273	14,793	17,835	14,664	28.1%	-17.8%
Selling exp.	(3,651)	(4,734)	(5,358)	(6,681)	(4,384)	20.1%	-34.4%
Admin exp.	(1,422)	(1,476)	(1,353)	(2,231)	(1,341)	-5.7%	-39.9%
R&D exp.	(3,314)	(4,014)	(4,389)	(5,907)	(4,558)	37.5%	-22.8%
Operating profit	6,604	4,213	4,628	3,393	4,826	-26.9%	42.3%
Net profit	5,673	3,617	3,820	3,742	4,166	-26.6%	11.3%
Gross margin	15.7%	17.1%	16.6%	16.9%	17.5%	1.8 ppts	0.6 ppts
Operating margin	9.1%	5.4%	5.2%	3.2%	5.8%	-3.3 ppts	2.6 ppts
Net margin	7.8%	4.7%	4.3%	3.5%	5.0%	-2.8 ppts	1.4 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	403,803	442,886	485,405	384,228	407,506	N/A	5.1%	8.7%	N/A
Gross profit	71,620	78,988	85,781	67,009	71,154	N/A	6.9%	11.0%	N/A
Operating profit	23,172	26,256	28,181	21,236	23,292	N/A	9.1%	12.7%	N/A
Net profit	20,886	24,112	26,239	19,390	21,660	N/A	7.7%	11.3%	N/A
Gross margin	17.7%	17.8%	17.7%	17.4%	17.5%	N/A	0.3 ppts	0.4 ppts	N/A
Operating margin	5.7%	5.9%	5.8%	5.5%	5.7%	N/A	0.2 ppts	0.2 ppts	N/A
Net margin	5.2%	5.4%	5.4%	5.0%	5.3%	N/A	0.1 ppts	0.1 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	403,803	442,886	485,405	428,351	493,008	555,538	-5.7%	-10.2%	-12.6%
Gross profit	71,620	78,988	85,781	72,383	84,506	96,125	-1.1%	-6.5%	-10.8%
Operating profit	23,172	26,256	28,181	21,191	26,316	30,922	9.3%	-0.2%	-8.9%
Net profit	20,886	24,112	26,239	20,504	24,741	29,042	1.9%	-2.5%	-9.7%
Gross margin	17.7%	17.8%	17.7%	16.9%	17.1%	17.3%	0.8 ppts	0.7 ppts	0.4 ppts
Operating margin	5.7%	5.9%	5.8%	4.9%	5.3%	5.6%	0.8 ppts	0.6 ppts	0.2 ppts
Net margin	5.2%	5.4%	5.4%	4.8%	5.0%	5.2%	0.4 ppts	0.4 ppts	0.2 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	403,803	442,886	485,405
Cost of goods sold	(151,789)	(230,107)	(287,885)	(332,183)	(363,898)	(399,624)
Gross profit	27,415	45,804	57,347	71,620	78,988	85,781
Operating expenses	(14,675)	(21,568)	(20,738)	(26,572)	(27,437)	(29,225)
Selling expense	(11,832)	(16,441)	(20,424)	(22,294)	(23,686)	(25,213)
Admin expense	(4,210)	(6,250)	(6,482)	(6,890)	(7,490)	(7,890)
Others	1,367	1,122	6,167	2,612	3,739	3,878
Operating profit	12,740	24,236	36,608	45,048	51,551	56,556
Other expense	(646)	(1,753)	(1,181)	(899)	(692)	(613)
Other gains/(losses)	0	9,354	38	0	0	0
Share of (losses)/profits of associates/JV	599	1,783	2,399	2,211	2,329	2,364
EBITDA	13,570	32,896	36,848	43,123	49,050	54,057
Depreciation	8,203	13,750	15,920	17,692	19,981	22,599
EBIT	5,367	19,146	20,927	25,432	29,069	31,457
Interest income	961	1,331	834	948	1,175	1,526
Interest expense	(417)	(1,019)	(698)	(586)	(341)	(341)
Net interest income/(expense)	544	312	137	362	834	1,185
Foreign exchange gain/loss	(126)	(1,619)	3,186	(1,000)	0	0
Pre-tax profit	4,950	18,127	20,230	24,846	28,728	31,116
Income tax	(15)	(1,782)	(3,601)	(3,848)	(4,488)	(4,744)
After tax profit	4,935	16,345	16,628	20,998	24,240	26,372
Minority interest	373	467	224	(111)	(128)	(133)
Net profit	5,308	16,812	16,852	20,886	24,112	26,239
Gross dividends	2,051	3,119	4,732	8,355	9,645	10,496
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	113,635	152,128	159,413	183,518	218,006	257,518
Cash & equivalents	35,746	43,058	65,319	75,487	101,156	129,602
Restricted cash	943	3,546	2,898	2,200	2,000	2,000
Account receivables	42,711	75,663	58,768	68,934	74,478	81,628
Inventories	15,422	29,359	31,934	36,404	39,879	43,794
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	134,310	135,812	135,414
PP&E	27,351	34,851	34,370	33,347	31,545	28,811
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	42,542	45,053	47,590
Intangibles	23,920	35,625	36,446	38,357	38,789	38,104
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	5,251	5,669	6,207
Total assets	192,598	271,074	290,410	317,829	353,818	392,932
Current liabilities	96,824	162,919	179,460	191,926	210,047	230,459
Short-term borrowings	0	1,358	10,496	0	0	0
Account payables	87,398	159,497	165,337	189,799	207,920	228,333
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	14,738	15,299	15,930
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	10,418	10,979	11,610
Total liabilities	107,446	177,083	196,795	206,664	225,345	246,389
Share capital	184	184	199	200	203	205
Other reserves	80,325	86,354	92,200	109,466	126,474	144,238
Total shareholders equity	80,509	86,539	92,398	109,666	126,677	144,443
Minority interest	4,643	7,453	1,217	1,498	1,796	2,099
Total equity and liabilities	192,598	271,074	290,410	317,829	353,818	392,932

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,950	18,127	20,230	24,846	28,728	31,116
Depreciation & amortization	8,203	13,750	15,920	17,692	19,981	22,599
Tax paid	(2,307)	(3,788)	(4,040)	(3,848)	(4,488)	(4,744)
Change in working capital	11,238	15,331	18,278	9,106	9,085	9,265
Others	259	(6,553)	(3,114)	(1,401)	(2,129)	(2,566)
Net cash from operations	22,342	36,867	47,274	46,394	51,177	55,671
Investing						
Capital expenditure	(15,322)	(16,910)	(17,920)	(18,634)	(18,687)	(19,272)
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	2,351	2,155	2,313
Net cash from investing	(16,145)	(14,532)	(23,370)	(17,283)	(17,532)	(19,960)
Financing						
Dividend paid	(1,916)	(2,120)	(3,119)	(4,732)	(8,355)	(9,645)
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)	(215)	379	379
Net cash from financing	(2,764)	(21,643)	(1,839)	(18,944)	(7,975)	(9,265)
Net change in cash						
Cash at the beginning of the year	33,341	42,320	43,058	65,319	75,487	101,156
Exchange difference	(1,029)	46	197	0	0	0
Cash at the end of the year	35,746	43,058	65,319	75,487	101,156	129,602
GROWTH						
YE 31 Dec	2023A	2024A	2025A	2026E	2027E	2028E
Revenue	21.1%	54.0%	25.1%	17.0%	9.7%	9.6%
Gross profit	31.2%	67.1%	25.2%	24.9%	10.3%	8.6%
Operating profit	21.4%	90.2%	51.1%	23.1%	14.4%	9.7%
EBITDA	0.1%	142.4%	12.0%	17.0%	13.7%	10.2%
EBIT	2.6%	256.7%	9.3%	21.5%	14.3%	8.2%
Net profit	0.9%	216.7%	0.2%	23.9%	15.4%	8.8%
PROFITABILITY						
YE 31 Dec	2023A	2024A	2025A	2026E	2027E	2028E
Gross profit margin	15.3%	16.6%	16.6%	17.7%	17.8%	17.7%
Operating margin	7.1%	8.8%	10.6%	11.2%	11.6%	11.7%
EBITDA margin	7.6%	11.9%	10.7%	10.7%	11.1%	11.1%
Return on equity (ROE)	6.8%	20.1%	18.8%	20.7%	20.4%	19.4%
GEARING/LIQUIDITY/ACTIVITIES						
YE 31 Dec	2023A	2024A	2025A	2026E	2027E	2028E
Net debt to equity (x)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)
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						
YE 31 Dec	2023A	2024A	2025A	2026E	2027E	2028E
P/E	36.9	11.7	11.7	10.2	8.9	8.3
P/E (diluted)	37.2	11.7	12.0	10.3	9.0	8.4
P/B	2.4	2.3	2.1	1.9	1.7	1.5
P/CFPS	8.8	5.3	4.2	4.6	4.2	3.9
Div yield (%)	1.0	1.6	2.4	3.9	4.5	4.8

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

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