

Auto

4Q24 earnings preview: Growing divergence

We are of the view that 4Q24 earnings of Geely, BYD and Li Auto could continue to be more resilient than most peers. Net losses of Xpeng could narrow QoQ in 4Q24, while that of NIO may continue to widen QoQ, in our view. Leapmotor turned profitable for the first time on a quarterly basis in 4Q24, stronger than most investors' expectation. We believe that it is possible for Xpeng, Leapmotor and Zeekr to achieve full-year net profits from FY26. We believe GAC Group still faces challenges for both its home-grown brands and JVs, although it plans to strengthen the cooperation with Huawei this year.

- **Geely: FY24E core net profit to rise 67% YoY.** We expect Geely's 4Q24E revenue to rise 38% QoQ to RMB77.3bn, as the Geely brand's sales volume rose 26% QoQ and the Zeekr brand's sales volume surged 44% QoQ. We project Geely's overall gross margin to improve from 15.6% in 3Q24 to 16.1% in 4Q24E despite a higher sales portion from Galaxy NEVs, aided by greater economies of scale and better profitability from the GEA platform and the EM-i architecture. We expect SG&A ratio to rise 1.6ppts QoQ to 11.8% in 4Q24E amid four new model rollouts and year-end bonus. We estimate Zeekr's net profit attributable to Geely based on HK accounting standards to be about RMB296mn in 4Q24E. Therefore, we project Geely's 4Q24E net profit to rise 33% QoQ and 34% YoY to RMB3.3bn, with FY24 core net profit (excluding gains from the formation of Horse JV) up 67% YoY to about RMB8.9bn. We have revised down our FY24E net profit forecast by about RMB250mn, mainly due to higher FX losses from the ruble depreciation against yuan in 4Q24 than we had expected. We revise up our FY25E net profit by 10% to RMB13.7bn, as we raise our FY25E sales volume to 2.46mn units with higher profits from the NEV segment.
- **Xpeng: FY24E net loss to narrow by 44% YoY.** We expect Xpeng's 4Q24E revenue to rise 61% QoQ to RMB16.2bn, as its total sales volume surged 97% QoQ to an all-time high of 91,500 units. We project its 4Q24E gross margin to fall 1.3ppts QoQ to 14.0%, given a higher sales portion from the low-margin *Mona M03* and a lower revenue portion from high-margin R&D services to VW. We estimate Xpeng's SG&A and R&D ratios combined to narrow by 7.5ppts QoQ to 24.8% in 4Q24E, thanks to greater economies of scale and management's efforts in cost control. Accordingly, we project Xpeng's 4Q24E net loss to narrow from RMB1.8bn in 3Q24 to RMB1.3bn in 4Q24E, with net loss per vehicle down to RMB14,000, the lowest in history. We also expect Xpeng's net loss to narrow from RMB5.8bn in FY24E to RMB2.1bn in FY25E, aided by doubled sales volume and higher margins from new models.
- **Li Auto: Margins to improve QoQ in 4Q24.** We expect Li Auto's 4Q24E revenue to rise 3% QoQ to RMB44.2bn, as its total deliveries rose 4% QoQ to 0.16mn units in 4Q24. We project its 4Q24E gross margin to improve slightly QoQ to 21.7% despite higher discounts, aided by a better trim mix and rebates from suppliers. We expect Li Auto's SG&A and R&D ratios combined to rise 0.7ppts QoQ to 14.6% in 4Q24E due to higher expenditure in R&D. We estimate its investment loss on iMotion (1274 HK, NR) in 4Q24E to be about RMB110mn. Therefore, we forecast Li Auto's 4Q24E net profit to rise 20% QoQ to RMB3.4bn, or FY24E net profit of RMB7.9bn. The net profit per vehicle may rise from RMB18,000 in 3Q24 to RMB21,000 in 4Q24, which could be more resilient than some investors' expectation.

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	30
Li Auto	2015 HK	BUY	117
NIO	NIO US	HOLD	5
Xpeng	XPEV US	BUY	16
Xpeng	9868 HK	BUY	62.4
Geely	175 HK	BUY	19
GWM	2333 HK	BUY	17
GWM	601633 CH	BUY	35
BYD	1211 HK	BUY	350
BYD	002594 CH	BUY	382
GAC	2238 HK	BUY	3.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	40
Yongda	3669 HK	BUY	1.8
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	26
Minth	425 HK	BUY	21
EVA	838 HK	BUY	1.4

Source: Bloomberg, CMBIGM

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- **NIO: 4Q24 net loss may widen QoQ.** We estimate NIO's 4Q24E revenue to rise 10% QoQ to RMB20.6bn, as total sales volume rose 18% QoQ with the lower-priced Onvo L60 accounting for 27%. Although we expect 4Q24E gross margin for the NIO brand to rise 1.3ppts QoQ to 14.5% given narrowed discounts, its vehicle gross margin may remain flat QoQ at 13.1% in 4Q24 due to the lower margin of the Onvo L60. We expect the automaker's overall gross margin to fall slightly QoQ to 10.4% in 4Q24E, given the deteriorating gross margin for other revenue and continuous expansion of battery swap stations for the Onvo brand. We project NIO's SG&A and R&D ratios combined to rise 0.5ppts QoQ to 40.3% in 4Q24E, which could result in a net loss of RMB5.6bn in 4Q24E, wider than RMB5.1bn in 3Q24. We are of the view that NIO's FY25E earnings could still be challenging for several reasons: 1) The Onvo brand could still be loss-making despite management's targeted gross margin of 10%; 2) possible sales cannibalization between the NIO and Onvo brands, and 3) rising tariffs in different countries to possibly curb the Firefly's sales.
- **BYD: To maintain high profit quality.** We expect BYD's 4Q24E revenue to rise 29% QoQ, as its total sales volume rose 34% QoQ to 1.5mn units in 4Q24, an all-time high level. We project its overall gross margin to fall 1.3ppts QoQ to 20.6% in 4Q24E, given higher discounts and year-end rebates for dealers. We estimate BYD's SG&A ratio to narrow slightly QoQ to 13.6% in 4Q24E. Unlike Geely and Great Wall, BYD may achieve FX gains in 4Q24E due to RMB depreciation against major foreign currencies in the countries where BYD sells its cars, in our view. Accordingly, we expect BYD's 4Q24E net profit to rise 13% QoQ to RMB13.2bn, equivalent to net profit per vehicle of RMB8,600, down from about RMB10,000 in 3Q24. We still expect solid earnings growth for BYD in FY25E, assuming a slower R&D investment growth. We believe BYD still has enough resources to lead a new round of price war after the Chinese New Year.
- **Leapmotor: 4Q24 net profit gives more confidence about its FY25E earnings.** Leapmotor released a profit alert on 13 Jan 2025 that it turned to a net profit in 4Q24 with full-year gross margin of no less than 8%, stronger than most investors' expectation. It became the second Chinese NEV start-up to achieve profitability after Li Auto, driven by the sales growth of the C series models. We estimate Leapmotor's 4Q24E revenue to rise 23% QoQ to about RMB12.1bn, as its 4Q24 sales volume rose 40% QoQ to 0.12mn units. Its 4Q24 gross margin could reach 13.8% based on our full-year gross margin assumption of 8.3%, showing its progressive improvement quarter by quarter (-1.4% in 1Q24, 2.8% in 2Q24 and 8.1% in 3Q24). We estimate Leapmotor's R&D and SG&A ratios combined to be 15.4% in 4Q24, which could result in a net profit of RMB33mn in 4Q24. We project Leapmotor's net loss to narrow significantly to RMB681mn in FY25E from RMB2.9bn in FY24E. We also expect Leapmotor to achieve a full-year net profit of RMB799mn in FY26E.
- **Great Wall Motor: In-line 4Q24 results.** Great Wall announced its preliminary FY24 results on 14 Jan 2025 with a full-year net profit range of RMB12.4-13.0bn, in line with our prior expectation. With year-end bonus of RMB2.6bn booked in the income statement according to management, Great Wall's net profit may rise 16% YoY and fall 30% QoQ to RMB2.3bn in 4Q24, based on our estimates. Therefore, net profit per vehicle may fall from RMB11,000 in 3Q24 to about RMB5,700 in 4Q24. Net profit per vehicle could have been RMB13,000 in 4Q24 without the effect from the year-end bonus. Although the company failed to reach the FY24 sales volume target of 1.9mn units (vs. 1.23mn units delivered) set by the employee equity incentive schemes, we estimate the related share awards can be vested, aided by its strong net profit beat to the requirement in the schemes. The company plans to roll out

two new PHEVs for both Haval and Wey brands this year, which could be key for it to catch up in the NEV segment, in our view.

- **GAC Group: Core net loss to widen QoQ in 4Q24.** GAC released its preliminary FY24 results on 10 Jan 2025 with a full-year net profit range of RMB0.8-1.2bn and core net loss (excluding extraordinary items) of RMB3.3-4.7bn. That could indicate a 4Q24 core net loss of about RMB2.1bn based on our estimates, still wider than the core net loss of RMB1.5bn in 3Q24, despite a 42% QoQ sales volume increase in 4Q24. Its gains from extraordinary items could be about RMB3.0bn in 4Q24, based on our estimates, mainly including gains related to the disposal of an 18.82% stake in Guangzhou Juwan Technology Research Co., Ltd. to parent company (RMB2.26bn) and government grants. We expect the gross margin for GAC Trumpchi and Aion combined to improve QoQ in 4Q24 on greater economies of scale, which could be offset by larger impairment booked at the year-end. The earnings from GAC Toyota and GAC Honda may not show significant QoQ improvement in 4Q24 in our view, despite a 21% and 59% QoQ sales volume increase, respectively, given higher rebates for dealers amid the price war. We expect GAC Aion and GAC Honda to face larger challenges in 1Q25, after pushing inventories of about 30,000 units and 20,000 units to dealers in Dec 2024, respectively, based on our calculations.

Figure 1: 4Q24 earnings forecasts for NEV Trio, Leapmotor, Geely, BYD, GWM and GAC

RMB mn	Li Auto			Xpeng			NIO			Leap		
	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E
Sales volume (units)	131,805	152,831	158,696	60,158	46,533	91,507	50,045	61,855	72,689	55,328	86,165	120,863
Revenue	41,732	42,874	44,246	13,050	10,102	16,245	17,103	18,674	20,561	5,278	9,856	12,141
GP	9,787	9,225	9,601	809	1,541	2,274	1,279	2,007	2,131	355	802	1,670
GPM	23.5%	21.5%	21.7%	6.2%	15.3%	14.0%	7.5%	10.7%	10.4%	6.7%	8.1%	13.8%
R&D & SG&A	(6,761)	(5,946)	(6,468)	(3,244)	(3,266)	(4,036)	(7,945)	(7,428)	(8,288)	(1,407)	(1,670)	(1,876)
OP	3,036	3,433	3,288	(2,053)	(1,847)	(1,584)	(6,625)	(5,238)	(5,946)	(1,018)	(740)	(82)
OPM	7.3%	8.0%	7.4%	-15.7%	-18.3%	-9.8%	-38.7%	-28.0%	-28.9%	-19.3%	-7.5%	-0.7%
NP	5,658	2,814	3,381	(1,348)	(1,808)	(1,300)	(5,593)	(5,142)	(5,581)	(954)	(690)	33
NPM	13.6%	6.6%	7.6%	-10.3%	-17.9%	-8.0%	-32.7%	-27.5%	-27.1%	-18.1%	-7.0%	0.3%

RMB mn	Geely			BYD			GWM			GAC		
	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E	4Q23	3Q24	4Q24E
Sales volume (units)	531,238	533,960	686,877	944,779	1,134,892	1,524,270	366,659	294,144	379,479	710,711	472,012	668,008
Revenue	55,915	60,379	77,293	180,041	201,125	259,880	53,709	50,825	65,781	31,524	28,486	40,795
GP	9,136	9,408	12,457	38,209	44,031	53,545	9,920	10,574	12,290	1,783	1,034	2,448
GPM	16.3%	15.6%	16.1%	21.2%	21.9%	20.6%	18.5%	20.8%	18.7%	5.7%	3.6%	6.0%
R&D & SG&A	(8,465)	(6,192)	(9,137)	(25,802)	(28,017)	(35,424)	(7,373)	(5,451)	(8,543)	(3,699)	(3,140)	(4,262)
OP	1,170	3,035	3,370	11,466	14,423	17,204	1,846	3,725	2,420	(583)	(2,134)	720
OPM	2.1%	5.0%	4.4%	6.4%	7.2%	6.6%	3.4%	7.3%	3.7%	-1.8%	-7.5%	1.8%
NP	2,461	2,455	3,278	8,674	11,607	13,159	2,027	3,350	2,344	(82)	(1,396)	907
NPM	4.4%	4.1%	4.2%	4.8%	5.8%	5.1%	3.8%	6.6%	3.6%	-0.3%	-4.9%	2.2%

Source: Company data, CMBIGM estimates

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