

NIO Inc. (NIO US/9866 HK)

Challenges remain despite 4Q25 beat on opex

Maintain HOLD. We are of the view that NIO's R&D and SG&A expenses in 4Q25 are hard to sustain. As the Onvo L90 has likely been a one-hit wonder, we are concerned if any new models would follow the pattern given China's highly competitive market. We think NIO's profitability still trails its peers.

■ **R&D, SG&A expenses significantly below our expectation.** NIO's revenue rose 76% YoY to RMB34.7bn in 4Q25, 0.2% lower than our prior projection. GPM rose by 3.7ppts QoQ to 17.5% in 4Q25, or 0.1ppt higher than our expectation. NIO recorded a non-GAAP operating profit of RMB1.25bn in 4Q25, higher than its previous profit alert of RMB0.8-1.2bn. R&D and SG&A expenses were about RMB0.5bn and RMB1.6bn lower than our estimates, respectively, which was the main reason for the earnings beat. NIO posted its first-ever net profit of RMB122mn in 4Q25.

■ **FY26 still challenging amid competition, AI race and component price volatility.** We view NIO's 4Q25 R&D and SG&A difficult to sustain, as it appears that management tried their best to deliver its previous breakeven guidance. We revise down our FY26E sales volume forecast by 10,000 units to 460,000 units due to the Onvo L90's recent sales plunge, which is still in line with management guidance of 40-50% growth. We are concerned whether the ES8 could follow the same pattern, although we still project a sales volume of 80,000 units for the ES8 in FY26E. We believe management's 1Q26 GPM guidance of being flat QoQ is largely due to the ES8. Should the ES8 sales volume decline at a faster pace, NIO's FY26E GPM could be under pressure. We also project its R&D and SG&A expenses to be RMB9.9bn and RMB15.5bn (12% of revenue) in FY26E, respectively, taking AI race and operating costs of NIO House into account.

■ **Earnings/Valuation.** We project NIO's FY26E GPM to be 16.3% with a sales assumption of 460,000 units and 60% being the ES9, ES8, ES7, L90 and L80. We still project a net loss of RMB3.8bn for FY26E. We acknowledge NIO's competitive edge in building brand value, which could result in greater marginal sales increase when cutting prices, as what occurred to the redesigned ES8 last year. However, such advantage is not free. Management mentioned that battery swap could mitigate the lifespan mismatch of battery and vehicle by continuously upgrading batteries, which is at the cost of the company's profitability. We maintain our HOLD rating and cut our ADR prices slightly from US\$6.40 to US\$6.00 (translating into HK\$47.00 for H-share), still based on 0.8x our revised FY26E revenue. Key risks to our rating and target price include higher or lower sales volume and margins than we expect, as well as a sector re-rating or de-rating.

Earnings Summary - NIO US

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	55,618	65,732	87,488	128,659	147,282
YoY growth (%)	12.9	18.2	33.1	47.1	14.5
Gross margin (%)	5.5	9.9	13.6	16.1	15.0
Operating profit (RMB mn)	(22,655.2)	(21,874.1)	(14,041.2)	(3,811.1)	(2,734.5)
Net profit (RMB mn)	(21,147.0)	(22,657.7)	(15,570.7)	(3,828.5)	(2,228.3)
Adjusted net profit (RMB mn)	(18,474.8)	(20,381.7)	(12,940.8)	(1,725.9)	(74.5)
EPS (Reported) (RMB cents)	(1,243.79)	(1,102.77)	(689.02)	(150.84)	(83.83)
P/S (x)	1.8	1.5	1.1	0.8	0.7
P/B (x)	2.3	6.0	7.1	6.2	6.5

Source: Company data, Bloomberg, CMBIGM estimates

	NIO US	9866 HK
	HOLD	HOLD
	Maintain	Maintain

TP	US\$6.00	HK\$47.00
Prior TP	US\$6.40	HK\$50.00
Up/Downside	5.3%	23.2%
Current Price	US\$5.7	HK\$38.1

China Auto

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751

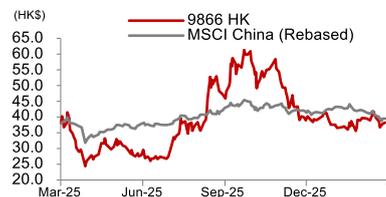
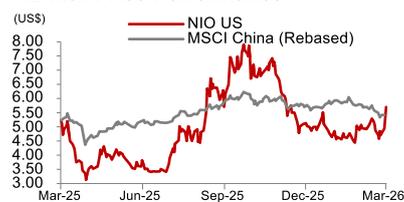
douwenjing@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

12-mth Price Performance



Source: FactSet

Stock Performance

	NIO US		9866 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	12.4%	22.0%	-3.9%	22.0%
3-mth	11.1%	17.2%	-2.8%	17.2%
6-mth	-6.1%	2.6%	-16.9%	2.6%

Source: FactSet

Stock Data

(LC)	NIO US	9866 HK
Mkt Cap (mn)	14299.92	95684
Avg 3 mths t/o (mn)	198.63	221.99
52w High	7.89	61.2
52w Low	3.14	24.5
Issued Shares (mn)	2508.757	2508.757

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ
Sales volume (units)	30,053	57,373	61,855	72,689	42,094	72,056	87,071	124,807	71.7%	43.3%
ASP (RMB)	329,705	304,080	301,892	271,065	285,901	263,804	250,300	277,631	2.4%	10.9%
Revenue	9,909	17,446	18,674	19,703	12,035	19,009	21,794	34,650	75.9%	59.0%
Gross profit	488	1,689	2,007	2,309	920	1,898	3,025	6,074	163.1%	100.8%
R&D expenses	(2,864)	(3,219)	(3,319)	(3,636)	(3,181)	(3,007)	(2,391)	(2,026)	-44.3%	-15.3%
SG&A expenses	(2,997)	(3,757)	(4,109)	(4,878)	(4,401)	(3,965)	(4,185)	(3,537)	-27.5%	-15.5%
Operating profit	(5,394)	(5,209)	(5,238)	(6,033)	(6,418)	(4,909)	(3,522)	807	N/A	N/A
Net profit	(5,258)	(5,126)	(5,142)	(7,132)	(6,891)	(5,141)	(3,661)	122	N/A	N/A
Gross margin	4.9%	9.7%	10.7%	11.7%	7.6%	10.0%	13.9%	17.5%	5.8 ppts	3.7 ppts
Operating margin	-54.4%	-29.9%	-28.0%	-30.6%	-53.3%	-25.8%	-16.2%	2.3%	32.9 ppts	18.5 ppts
Net margin	-53.1%	-29.4%	-27.5%	-36.2%	-57.3%	-27.0%	-16.8%	0.4%	36.5 ppts	17.2 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	87,488	128,659	147,282	87,565	129,657	147,375	-0.1%	-0.8%	-0.1%
Gross profit	11,916	20,760	22,139	11,884	21,397	22,842	0.3%	-3.0%	-3.1%
Operating profit	(14,041)	(3,811)	(2,734)	(16,314)	(3,874)	(2,032)	N/A	N/A	N/A
Net profit	(15,571)	(3,828)	(2,228)	(17,185)	(3,925)	(1,555)	N/A	N/A	N/A
Gross margin	13.6%	16.1%	15.0%	13.6%	16.5%	15.5%	0.0 ppts	-0.4 ppts	-0.5 ppts
Operating margin	-16.0%	-3.0%	-1.9%	-18.6%	-3.0%	-1.4%	2.6 ppts	0.0 ppts	-0.5 ppts
Net margin	-17.8%	-3.0%	-1.5%	-19.6%	-3.0%	-1.1%	1.8 ppts	0.1 ppts	-0.5 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	87,488	128,659	147,282	87,304	126,097	146,592	0.2%	2.0%	0.5%
Gross profit	11,916	20,760	22,139	11,341	20,139	24,803	5.1%	3.1%	-10.7%
Operating profit	(14,041)	(3,811)	(2,734)	(14,939)	(5,370)	(1,269)	N/A	N/A	N/A
Net profit	(15,571)	(3,828)	(2,228)	(14,690)	(4,949)	(68)	N/A	N/A	N/A
Gross margin	13.6%	16.1%	15.0%	13.0%	16.0%	16.9%	0.6 ppts	0.2 ppts	-1.9 ppts
Operating margin	-16.0%	-3.0%	-1.9%	-17.1%	-4.3%	-0.9%	1.1 ppts	1.3 ppts	-1.0 ppts
Net margin	-17.8%	-3.0%	-1.5%	-16.8%	-3.9%	0.0%	-1.0 ppts	0.9 ppts	-1.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	49,269	55,618	65,732	87,488	128,659	147,282
Cost of goods sold	(44,125)	(52,566)	(59,239)	(75,572)	(107,900)	(125,142)
Gross profit	5,144	3,052	6,493	11,916	20,760	22,139
Operating expenses	(20,785)	(25,707)	(28,367)	(25,957)	(24,571)	(24,874)
SG&A expense	(10,537)	(12,885)	(15,741)	(16,088)	(15,483)	(15,932)
R&D expense	(10,836)	(13,431)	(13,037)	(10,605)	(9,888)	(9,942)
Others	589	609	412	736	800	1,000
Operating profit	(15,641)	(22,655)	(21,874)	(14,041)	(3,811)	(2,734)
Other gains/(losses)	(145)	325	(103)	436	500	300
Share of (losses)/profits of associates/JV	378	64	(503)	(1,092)	(300)	100
EBITDA	(10,055)	(15,148)	(13,925)	(5,391)	7,460	10,235
Depreciation	2,852	3,378	5,875	5,905	6,985	7,951
Depreciation of ROU assets	1,142	1,529	1,825	2,640	3,129	3,263
EBIT	(14,049)	(20,055)	(21,626)	(13,935)	(2,655)	(978)
Interest income	1,359	2,210	854	762	956	1,356
Interest expense	(333)	(404)	(798)	(885)	(515)	(543)
Foreign exchange gain/loss	283	(55)	212	0	0	0
Pre-tax profit	(14,382)	(20,459)	(22,425)	(14,821)	(3,170)	(1,521)
Income tax	(55)	(261)	23	(122)	(6)	(3)
After tax profit	(14,437)	(20,720)	(22,402)	(14,943)	(3,176)	(1,524)
Minority interest	157	(124)	92	(18)	30	30
Others	(279)	(303)	(348)	(610)	(683)	(734)
Net profit	(14,559)	(21,147)	(22,658)	(15,571)	(3,828)	(2,228)
Adjusted net profit	(11,984)	(18,475)	(20,382)	(12,941)	(1,726)	(74)
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	59,150	70,380	61,886	59,215	93,155	110,633
Cash & equivalents	19,888	32,935	19,329	21,564	48,259	62,047
Restricted cash	3,154	5,542	8,321	3,000	2,500	2,500
Account receivables	5,118	4,658	1,676	7,191	10,575	12,105
Inventories	8,191	5,278	7,087	5,383	7,686	8,914
ST bank deposits	19,171	16,810	14,138	10,000	10,000	10,000
Other current assets	3,627	5,157	11,335	12,077	14,135	15,066
Non-current assets	37,114	47,003	45,719	47,752	51,618	50,143
PP&E	15,659	24,847	25,893	26,914	26,840	25,787
Right-of-use assets	7,374	11,404	12,797	10,078	10,522	8,234
Investment in JVs & assos	6,356	5,487	3,126	2,514	2,314	2,514
Intangibles	0	30	30	25	21	16
Other non-current assets	7,725	5,235	3,873	8,221	11,921	13,592
Total assets	96,264	117,383	107,605	106,966	144,772	160,776
Current liabilities	45,852	57,798	62,311	61,961	86,982	99,921
Short-term borrowings	4,039	5,085	5,730	0	0	0
Account payables	25,224	29,766	34,387	35,198	50,255	58,285
Tax payable	286	349	400	400	400	400
Other current liabilities	15,277	20,854	19,848	24,081	33,779	38,952
Lease liabilities	1,026	1,743	1,946	2,282	2,548	2,283
Non-current liabilities	22,765	29,989	31,787	29,900	36,781	39,790
Long-term borrowings	10,886	13,043	11,441	11,575	13,514	15,514
Other non-current liabilities	11,879	16,946	20,346	18,325	23,267	24,276
Total liabilities	68,617	87,787	94,098	91,861	123,763	139,711
Share capital	3	4	4	4	5	5
Capital surplus	94,593	117,717	118,688	131,669	138,239	139,809
Retained earnings	(69,914)	(90,758)	(113,068)	(128,639)	(132,467)	(134,696)
Other reserves	2,744	2,444	7,785	9,465	10,168	10,922
Total shareholders equity	27,425	29,407	13,409	12,500	15,944	16,039
Minority interest	221	189	98	2,606	5,066	5,026
Total equity and liabilities	96,264	117,383	107,605	106,966	144,772	160,776

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(14,382)	(20,459)	(22,425)	(14,821)	(3,170)	(1,521)
Depreciation & amortization	3,994	4,907	7,701	8,545	10,115	11,214
Change in working capital	4,444	13,286	3,527	(3,115)	14,794	7,441
Others	2,078	884	3,348	2,781	1,957	1,596
Net cash from operations	(3,866)	(1,382)	(7,849)	(6,610)	23,696	18,730
Investing						
Capital expenditure	(6,973)	(14,341)	(9,142)	(7,001)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(2,229)	(500)	(587)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	19,027	3,854	4,456	4,138	0	0
Others	560	101	315	12	0	0
Net cash from investing	10,385	(10,885)	(4,958)	(2,951)	(7,101)	(7,101)
Financing						
Net borrowings	(1,632)	1,918	1,706	(5,421)	2,000	2,000
Proceeds from share issues	0	20,962	0	10,842	5,000	0
Others	15	4,782	66	1,107	2,599	160
Net cash from financing	(1,616)	27,663	1,772	6,528	9,599	2,160
Net change in cash						
Cash at the beginning of the year	18,375	23,155	38,622	27,747	24,714	50,909
Exchange difference	(122)	70	161	0	0	0
Cash at the end of the year	23,155	38,622	27,747	24,714	50,909	64,697

Source: Company data, CMBIGM estimates. Notes: 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

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

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : 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.