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CMB International Global Markets | Equity Research | Sector Update

Auto

Weak 4Q25 sales may lead to earning miss

We maintain our China PV sales volume growth forecasts for 2026 on both retail and wholesale basis after weaker-than-expected Nov and Dec sales. We revise down our 2026 NEV sales volume slightly, as the new trade-in subsidies have stringent requirements.

We are of the view that weaker-than-expected 4Q25 sales volume may result in earnings miss for some automakers. We revise down 4Q25E earnings forecasts for Great Wall, Xpeng, Leapmotor and GAC. Nevertheless, we still expect Xpeng to break even and Leapmotor to achieve all-time high net profit in 4Q25E. We revise up our 4Q25E earnings forecasts for BYD, NIO and Li Auto. Yet, we still project NIO and Li Auto to post net losses in 4Q25E. We maintain our earnings forecast for Geely in both 4Q25E and FY26E. Geely remains our top pick in the automaker sector given its earnings visibility and attractive valuation. We believe BYD may have more positive catalysts for share price in 1Q26 than its peers. We believe the possible battery price hike (see our 2026 outlook report for details) has not been fully priced in, which could be one of the major risks for Chinese automakers in the next few months.

- **We maintain our PV sales volume growth forecasts for 2026**. 2025 ended with weak retail sales volumes in Nov and Dec, leading to a 0.7% YoY decline for China's passenger-vehicle (PV) retail sales volume. That also reflects subsidies' significant impact on China's PV sales volume. Weak sales in Nov and Dec have made investors worry about sales growth in 2026. On the other hand, continued trade-in subsidies (with stringent requirements) as we had expected earlier, and lower comparison base than we projected, made us maintain our growth forecasts in 2026: 0.1% YoY decline for PV retail sales volume and 2.9% YoY growth for PV wholesale volume.

- **We lower 2026 NEV market share forecast slightly**. Although both NEV retail and wholesale volumes in Nov and Dec 2025 were slightly lower than our prior forecasts, we lower our NEV market share forecast by 1.8ppts in 2026 on both retail (from 61.8% to 60.0%) and wholesale (from 59.2% to 57.4%) basis, mainly due to the reduced trade-in subsidies for cheaper NEVs. In other words, we now project NEV retail sales volume to rise 12.6% YoY to 13.95mn units and NEV wholesale volume to rise 15.1% YoY to 17.78mn units in 2026.

- **We expect Geely's gross margin to widen QoQ in 4Q25**. Unlike most of its peers, we expect Geely's ASP to rise QoQ with improved model mix in 4Q25E. We project Geely's revenue to rise 17% QoQ to all-time high again in 4Q25E. More importantly, we expect better product mix and narrowing discounts to lift Geely's 4Q25E gross margin to 17.7%. We project its net profit to rise 13% QoQ to RMB4.3bn with limited forex volatility in 4Q25E. That implies a net profit per vehicle of about RMB5,000 in 4Q25E, similar to the 3Q25 level, as we take year-end bonus and other expenses into account.

  We revise down our FY26E sales volume by 0.6% to 3.4mn units, slightly lower than its sales target of 3.45mn units. Our downward revision was mainly for its small BEV Starwish. We reiterate our previous argument that better product mix and larger export volume could lift its gross margin in FY26E. We maintain our FY26E net profit of RMB20.0bn for Geely.

OUTPERFORM (Maintain)

China Auto Sector

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Xpeng	XPEV US	BUY	29
Xpeng	9868 HK	BUY	113
Geely	175 HK	BUY	25
GWM	2333 HK	BUY	20
GWM	601633 CH	BUY	28
BYD	1211 HK	BUY	125
BYD	002594 CH	BUY	125
GAC	2238 HK	BUY	4.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	73
Yongda	3669 HK	BUY	2.5
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	23
Minth	425 HK	BUY	38
Zenergy	3677 HK	BUY	18
EVA	838 HK	BUY	1.3
Li Auto	LI US	HOLD	18
Li Auto	2015 HK	HOLD	70
NIO	NIO US	HOLD	6.4
NIO	9866 HK	HOLD	50

Source: Bloomberg, CMBIGM

Related Reports:

"China Auto Sector - 2026 Outlook: Second half of the NEV match" – 5 Dec 2025

- **Xpeng to break even in 4Q25E**. Although Xpeng's sales volume in 4Q25 was below its previous guidance, we still expect it to break even at the net level. We project its revenue to rise 4% QoQ and gross margin to widen by 0.4ppts QoQ in 4Q25E amid better product mix. We also expect its combined SG&A and R&D ratio to narrow by 0.3ppts QoQ, which could lead to an operating loss of RMB374mn in 4Q25E on our estimates. Therefore, we estimate Xpeng's net profit to be RMB79mn in 4Q25E.

  Although Xpeng may face a net loss again in 1Q26E, we expect it to turn profitable in full-year 2026 with a sales volume forecast of 0.58mn units. We project profit before tax to be RMB1.8bn in FY26E with a gross margin of 18.3% (-0.3ppts YoY) and a combined SG&A and R&D ratio of 19.7% (-4.4ppts). We estimate its net profit to be RMB3.1bn in FY26E with a tax credit of RMB1.3bn.

- **Unlikely for NIO to break even in 4Q25E despite an all-time high sales volume**. We project NIO's 4Q25E revenue to surge 59% QoQ amid a 43% QoQ growth in sales volume. We also expect its gross margin to widen by 3.5ppts QoQ to 17.4% in 4Q25E, the highest since 4Q21. Despite that, we still estimate a net loss of RMB1.5bn in 4Q25E, as we believe its SG&A ratio would still be higher than its peers. That also means we expect a non-GAAP net loss for NIO in 4Q25E.

  We lower our FY26E sales volume forecast for NIO by 30,000 units to 0.47mn units, as our previous argument appears to be more apparent now: the *Onvo L90* may have hit a sales volume peak in Oct 2025. We still expect a net loss of RMB3.9bn in FY26E, but much lower than RMB17.2bn in FY25E. We reaffirm our previous argument that an annual sales volume of 0.5mn units is not enough for NIO to break even.

- **Li Auto may extend its net loss into 4Q25E**. We project Li Auto's 4Q25E revenue to rise 4% QoQ, despite a 17% QoQ growth in sales volume, as we expect its vehicle average selling price (ASP) to fall 11% QoQ amid worse product mix and wider discounts. Such factors could also drag Li Auto's gross margin to 16.7% in 4Q25E based on our estimates. We expect both SG&A and R&D expenses to be around RMB2.8-2.9bn in 4Q25E, or about 10% of revenue. That would lead to an operating loss of RMB643mn and a net loss of RMB112mn, on our estimates. We are of the view that the weak gross margin is likely to make Li Auto's 4Q25 profitability at around breakeven level, despite its efforts to control other operating expenses.

  We maintain our FY26E sales volume forecast of 0.5mn units for Li Auto with almost 50% coming from the L6 and i6. Therefore, we project its gross margin to narrow by 1.4ppts YoY to 17.0% in FY26E. Although Li Auto's transformation into an AI device company makes its R&D expenses more uncertain, we still project such expenses to fall 7% YoY to about RMB10.3bn in FY26E. Accordingly, we project Li Auto's net profit in FY26E to be RMB3.4bn.

- **Leapmotor likely hit all-time high net profit in 4Q25**. We project Leapmotor's revenue to rise 11% QoQ in 4Q25E amid a 16% QoQ growth in sales volume. We expect ASP to decline sequentially in 4Q25 as we take possible dealer rebate increase into account. We project gross margin for vehicles and parts to narrow slightly QoQ to 12.5% in 4Q25E amid stiffer competition and a higher portion of exports. On the other hand, we expect other revenue including services and R&D support to aid gross profit, resulting in an overall gross margin of 15.1% in 4Q25E, on our estimates. Accordingly, we estimate Leapmotor's 4Q25E net profit to be RMB424mn, which would lead to the first profitable fiscal year in Leapmotor's history.

  We lower our FY26E sales volume forecast by 4% to 0.9mn units, largely due to our lowered expectation on the T03 and upcoming A-series models. We expect a stable gross margin (14.7%) in FY26E, aided by greater economies of scale. We project Leapmotor's FY26E net profit to quintuple YoY to RMB3.0bn.

- **BYD's 4Q25 earnings could be resilient**. We project BYD's revenue to fall 11% YoY in 4Q25 with a 12% YoY sales volume decline. We expect ASP to rise 1% YoY and 4% QoQ amid narrowing discounts and rebates, as BYD did not push sales aggressively at year end. We also project its gross margin to widen slightly QoQ to 18.0% in 4Q25E. Government grants and impairment could be factors causing earnings volatility in 4Q25E. Nevertheless, we estimate BYD's net profit to decline 24% YoY but rise 45% QoQ to RMB11.4bn in 4Q25E. That implies a net profit of about RMB8,500 per vehicle in 4Q25E, higher than RMB7,000 in 3Q25.

  We project BYD's FY26E sales volume to rise 9% YoY to 5mn units, lower than our industrywide NEV wholesale volume growth of 15% in 2026E. However, we still see BYD's earnings resilience despite its sales growth slowdown, and therefore, we project its FY26E net profit to rise 10% YoY to RMB38.1bn.

- **Wey, Tank and exports to make Great Wall's earnings resilient**. We project Great Wall's 4Q25E revenue to rise 6% YoY amid a 4% YoY growth in sales volume. We expect a higher portion of sales volume from exports and better product mix aided by Wey and Tank to drive Great Wall's ASP higher YoY, despite stiffer competition. Those factors could also make Great Wall's gross margin more resilient. We expect gross margin to narrow by 1.3ppts QoQ (mainly due to year-end bonus) to 17.1% in 4Q25E, vs. a 1.6ppts QoQ decline in 4Q24. Russia's recycling fee reimbursement also leads to Great Wall's earnings volatility. We assume other income (largely including recycling fee reimbursement, VAT refunds and other government grants) to be RMB1.9bn for Great Wall in 4Q25E, which is conservative in our view, given the uncertain timing. Accordingly, we estimate Great Wall's net profit to be flat YoY and QoQ at RMB2.3bn.

  We revise down our FY26E sales volume by 3% to 1.49mn units, mainly due to Ora. On the other hand, we expect the model mix and export contribution to continue improving in FY26E, lifting Great Wall's gross margin. We project its net profit to rise 14% YoY to RMB12.5bn in FY26E.

- **GAC may extend its net loss into 4Q25 and FY26**. Forecasting GAC's 4Q earnings is always difficult given the uncertainty in impairment loss. Nevertheless, we expect GAC's gross margin to widen by 1ppt QoQ to -3.7% in 4Q25E, given a 22% QoQ growth in its homegrown brands. We also project its equity income from joint ventures and associates to be RMB619mn in 4Q25E. That would result in a net loss of RMB2.7bn in 4Q25E, assuming an impairment loss of RMB1.1bn.

  We project GAC's homegrown-brand sales volume to rise 2.4% YoY to 624,000 units in FY26E, with NEVs being 359,000 units. We also expect its gross margin to widen by 3.9ppts to 0.2% in FY26E, aided by its cost reduction efforts and new brand Qijing partnered with Huawei. Meanwhile, we estimate its equity income from joint ventures and associates to fall 16% YoY to RMB2.9bn in FY26E. Accordingly, we expect GAC's net loss to narrow to RMB3.7bn in FY26E.

Figure 1: 4Q25 earnings forecasts for NEV Trio, Leapmotor, Geely, BYD, GWM and GAC

	Li Auto			Xpeng			NIO			Leapmotor		
RMB mn	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**
Sales volume (units)	158,696	93,211	109,194	91,507	116,007	116,249	72,689	87,071	124,807	120,863	173,852	201,039
Revenue	44,274	27,365	28,439	16,105	20,381	21,212	19,703	21,794	34,728	13,463	19,450	21,486
GP	8,970	4,469	4,735	2,325	4,104	4,339	2,309	3,025	6,042	1,792	2,820	3,237
GPM	**20.3%**	**16.3%**	**16.7%**	**14.4%**	**20.1%**	**20.5%**	**11.7%**	**13.9%**	**17.4%**	**13.3%**	**14.5%**	**15.1%**
R&D & SG&A	(5,485)	(5,743)	(5,645)	(4,282)	(4,922)	(5,049)	(8,514)	(6,575)	(7,668)	(1,943)	(2,790)	(3,114)
OP	3,703	(1,177)	(643)	(1,556)	(751)	(374)	(6,033)	(3,522)	(1,466)	(36)	50	299
OPM	8.4%	-4.3%	-2.3%	-9.7%	-3.7%	-1.8%	-30.6%	-16.2%	-4.2%	-0.3%	0.3%	1.4%
NP	**3,523**	**(625)**	**(112)**	**(1,330)**	**(381)**	**79**	**(7,132)**	**(3,661)**	**(1,492)**	**81**	**150**	**424**
NPM	8.0%	-2.3%	-0.4%	-8.3%	-1.9%	0.4%	-36.2%	-16.8%	-4.3%	0.6%	0.8%	2.0%

	Geely			BYD			GWM			GAC		
RMB mn	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**	**4Q24**	**3Q25**	**4Q25E**
Sales volume (units)	686,877	761,009	854,378	1,524,270	1,114,192	1,342,290	385,528	353,569	400,314	668,008	428,353	537,836
Revenue	72,510	89,192	104,549	274,851	194,985	243,998	59,943	61,247	63,389	33,043	24,318	24,038
GP	12,572	14,793	18,516	54,036	34,346	43,985	11,051	11,281	10,809	1,455	(1,133)	(900)
GPM	**17.3%**	**16.6%**	**17.7%**	**19.7%**	**17.6%**	**18.0%**	**18.4%**	**18.4%**	**17.1%**	**4.4%**	**-4.7%**	**-3.7%**
R&D & SG&A	(9,145)	(11,101)	(13,243)	(33,554)	(25,131)	(29,446)	(7,531)	(6,299)	(8,019)	(3,431)	(2,784)	(2,862)
OP	2,780	4,628	5,372	18,739	10,186	14,102	2,101	2,913	2,294	175	(2,428)	(3,517)
OPM	3.8%	5.2%	5.1%	6.8%	5.2%	5.8%	3.5%	4.8%	3.6%	0.5%	-10.0%	-14.6%
NP	**3,580**	**3,820**	**4,298**	**15,016**	**7,823**	**11,364**	**2,293**	**2,298**	**2,302**	**704**	**(1,774)**	**(2,696)**
NPM	4.9%	4.3%	4.1%	5.5%	4.0%	4.7%	3.8%	3.8%	3.6%	2.1%	-7.3%	-11.2%

Source: Company data, CMBIGM estimates

Figure 2: FY25 and FY26 earnings forecasts for NEV Trio, Leapmotor, Geely, BYD, GWM and GAC

	Li Auto			Xpeng			NIO			Leap		
RMB mn	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**
Sales volume (units)	500,508	406,343	500,000	190,068	429,445	580,000	221,970	326,028	470,000	295,595	596,555	900,000
Revenue	144,460	111,976	129,871	40,866	75,678	102,709	65,732	87,565	129,657	32,164	65,185	95,239
GP	29,656	20,589	22,080	5,846	14,070	18,837	6,493	11,884	21,397	2,694	9,483	14,036
GPM	**20.5%**	**18.4%**	**17.0%**	**14.3%**	**18.6%**	**18.3%**	**9.9%**	**13.6%**	**16.5%**	**8.4%**	**14.5%**	**14.7%**
R&D & SG&A	(23,301)	(21,961)	(21,124)	(13,327)	(18,271)	(20,290)	(28,778)	(28,798)	(26,071)	(6,172)	(9,994)	(12,638)
OP	7,019	(722)	1,806	(6,658)	(3,101)	(253)	(21,874)	(16,314)	(3,874)	(3,171)	260	2,244
OPM	4.9%	-0.6%	1.4%	-16.3%	-4.1%	-0.2%	-33.3%	-18.6%	-3.0%	-9.9%	0.4%	2.4%
NP	**8,032**	**1,006**	**3,360**	**(5,790)**	**(1,443)**	**3,080**	**(22,658)**	**(17,185)**	**(3,925)**	**(2,821)**	**607**	**2,986**
NPM	5.6%	0.9%	2.6%	-14.2%	-1.9%	3.0%	-34.5%	-19.6%	-3.0%	-8.8%	0.9%	3.1%

	Geely			BYD			GWM			GAC		
RMB mn	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**	**FY24**	**FY25E**	**FY26E**
Sales volume (units)	2,176,567	3,024,567	3,400,000	4,272,145	4,602,436	5,000,000	1,234,528	1,323,672	1,490,000	789,475	609,242	624,000
Revenue	240,194	344,026	385,463	777,102	810,263	877,372	202,195	216,970	249,185	107,784	90,967	88,675
GP	38,201	58,028	68,279	151,056	145,197	157,754	39,449	39,064	46,388	4,152	(3,355)	206
GPM	**15.9%**	**16.9%**	**17.7%**	**19.4%**	**17.9%**	**18.0%**	**19.5%**	**18.0%**	**18.6%**	**3.9%**	**-3.7%**	**0.2%**
R&D & SG&A	(28,599)	(42,954)	(47,578)	(95,925)	(106,971)	(111,948)	(21,871)	(25,487)	(28,123)	(11,625)	(11,033)	(10,127)
OP	9,391	20,817	22,823	50,486	43,007	46,959	13,921	12,069	13,884	(820)	(9,845)	(5,509)
OPM	3.9%	6.1%	5.9%	6.5%	5.3%	5.4%	6.9%	5.6%	5.6%	-0.8%	-10.8%	-6.2%
NP	**16,632**	**17,408**	**20,015**	**40,254**	**34,697**	**38,061**	**12,692**	**10,937**	**12,499**	**824**	**(7,007)**	**(3,688)**
NPM	6.9%	5.1%	5.2%	5.2%	4.3%	4.3%	6.3%	5.0%	5.0%	0.8%	-7.7%	-4.2%

Source: Company data, CMBIGM estimates

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