

Auto

New models with lower MSRPs made discounts artificially stable

We summarize the Mar 2024 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on the weighted average of Feb 2024 retail sales volume for each model, as Mar 2024 retail sales volume data have not been released yet.

On the surface, the industrywide average discounts remained flat MoM in Mar 2024. However, similar to Feb 2024, the competition has been stiffer than what the discounts showed, as more automakers launched facelifted models with lower manufacturer's suggested retail prices (MSRPs), such as BYD and Li Auto. We take a deep dive into different automakers' pricing in this report.

- Great Wall Motor.** In Mar 2024, Great Wall's average discounts at dealers widened by 0.6ppts MoM to a record high again (Figure 1). Almost all the models posted higher discounts in Mar. The *Xiaolong* PHEVs posted the largest discount increases last month amid competition and upcoming model transition. The *Tank 300* also showed wider-than-average discount increase in Mar, as its PHEV version is going to be rolled out in 2Q24. The discount for the *Tank 500* PHEV narrowed a bit last month, thanks to the launch of its facelifted version. Such widening discounts failed to lift Great Wall's sales volume in Mar 2024, especially for Wey and Ora. Although the Tank brand contributes significant profits, we think Great Wall needs new models in the mainstream NEV market to drive sales and lower discounts.
- Geely.** Geely's average discounts at dealers widened by 1.5ppts MoM in Mar 2024 (Figure 2). The discount for the *Galaxy L6* PHEV widened by 6.4ppts MoM last month for the launch of the facelifted version. The facelifted model launched at the end of Mar 2024 cut its MSRP by about RMB12,000-27,000. Some of Geely's internal-combustion engine (ICE) models also offered higher discounts last month, including the *Emgrand*, *Haoyue*, *Binrui* and *Binyue*. The total non-refundable order backlog for the facelifted Zeekr *001* exceeded 30,000 units at end-Mar. It is also interesting to watch the new order dynamics for the Zeekr *001* and *007* after the rollouts of the Xiaomi *SU7* on 28 Mar 2024.
- BYD.** BYD's average discounts at dealers narrowed by 4ppts MoM in Mar 2024 (Figure 3), in line with our prior expectation, as BYD launched facelifted versions for almost all its models with MSRP cuts by about RMB20,000-30,000 (or 11-15%). That has lifted BYD's new orders, and it is important to watch how long such low discounts could last for these facelifted models. The discount for the Denza *N7* widened by 4.5ppts MoM to about 15% in Mar, as its facelifted version was rolled out with a MSRP cut of RMB62,000 (or 20%) on 1 Apr. BYD is likely to unveil new-generation DM-i technology and more new models at the Beijing Auto Show in late Apr. Despite the MSRP cuts, we estimate that BYD's 1Q24E earnings could be resilient, given its capabilities in cost control.
- GAC Group.** Trumpchi's average discounts at dealers remained largely stable in Mar (Figure 3), while Aion's widened by 0.4ppt MoM last month (Figure 4) despite MSRP cuts for some of its models. The discount for the Hyper *G7* widened by 9ppts MoM to about 12% in Mar, in line with our prior forecast given its sluggish sales.

Discounts at GAC Honda widened by 1ppt MoM in Mar 2024 (Figure 7), mainly due to the discount increase of about 4ppts for the *Accord*. We expect discounts at GAC Honda's dealers to widen to all-time highs in 2024.

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	48
Li Auto	2015 HK	BUY	187
NIO	NIO US	HOLD	6.2
Xpeng	XPEV US	HOLD	10.5
Xpeng	9868 HK	HOLD	41
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	262
BYD	002594 CH	BUY	285
GAC	2238 HK	BUY	5.5
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	2.7
Meidong	1268 HK	BUY	4

Source: Bloomberg, CMBIGM

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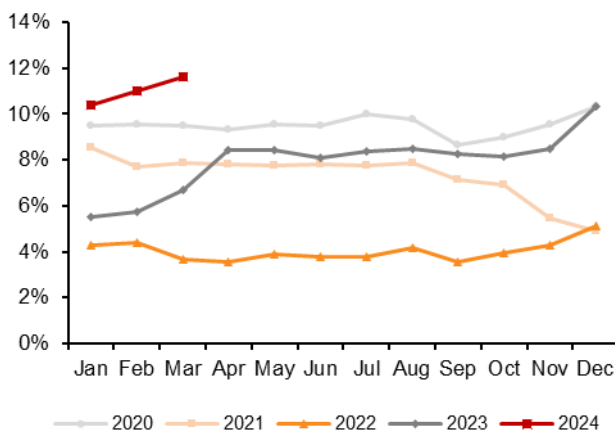
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Discounts at GAC Toyota narrowed a bit MoM in Mar 2024 (Figure 6) as we had expected, given the new-generation *Camry* was rolled out on 6 Mar. However, we project such narrowing discounts to be short-lived, as our channel checks indicate lackluster new orders for the *Camry*.

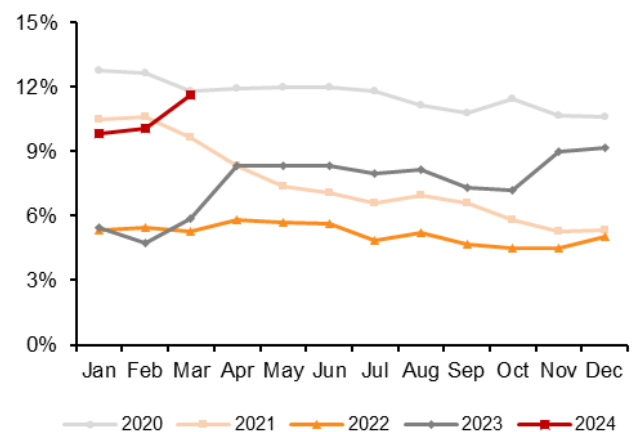
- BMW.** Discounts at BMW Brilliance widened by 1.6ppts MoM to about 23% in Mar (Figure 8), a record high again. To make it worse, the new *5-Series* launched in Jan 2024 has started to offer discounts of as high as 10%, based on our channel checks. We still project 1Q24E new-car gross margin for BMW's dealers to be 2-3ppts lower than that in 2H23, as we did in Mar. Therefore, we expect BMW to increase special subsidies for dealers in 1H24.
- Mercedes-Benz.** Discounts at Beijing Benz widened 1.2ppts MoM to about 19% in Mar 2024 (Figure 9), an all-time high level, still about 4ppts lower than BMW Brilliance's. Similar to BMW, the discount widening for Mercedes-Benz last month was largely driven by the *C-Class*. The discounts for the three BEVs (the *EQA*, *EQB* and *EQC*) also widened by 2-5ppts MoM last month. As Mercedes-Benz is less aggressive in sales volume than BMW in China, new-car gross margin at Mercedes' dealers is likely to be better than that for BMW's dealers in 2024, in our view.

Figure 1: Great Wall Motor discounts at dealers



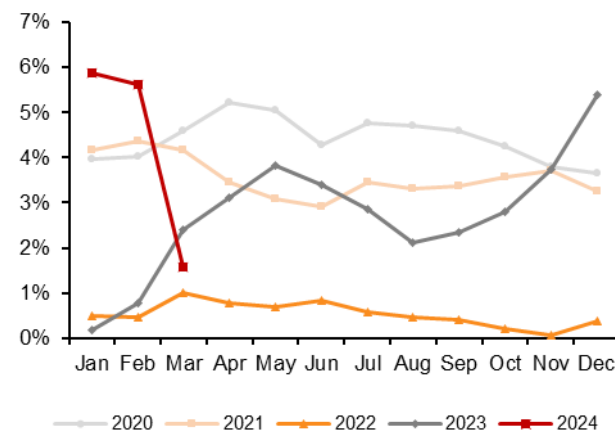
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



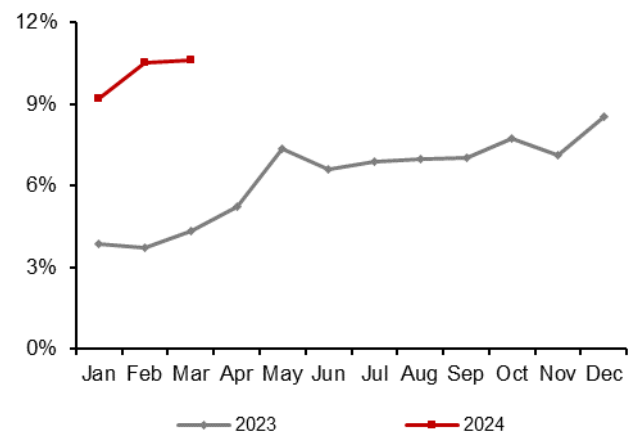
Source: ThinkerCar, CMBIGM

Figure 3: BYD discounts at dealers



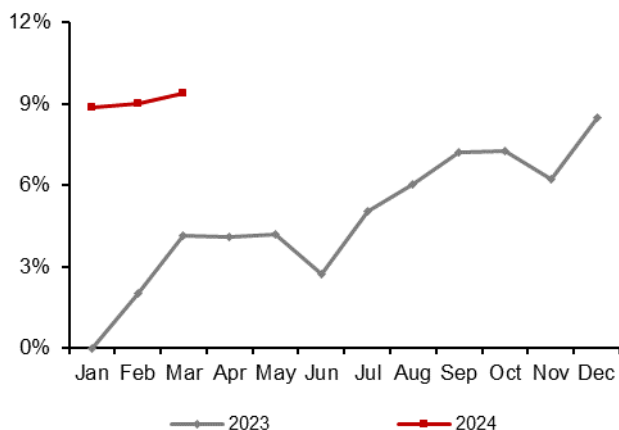
Source: ThinkerCar, CMBIGM

Figure 4: GAC Trumpchi discounts at dealers



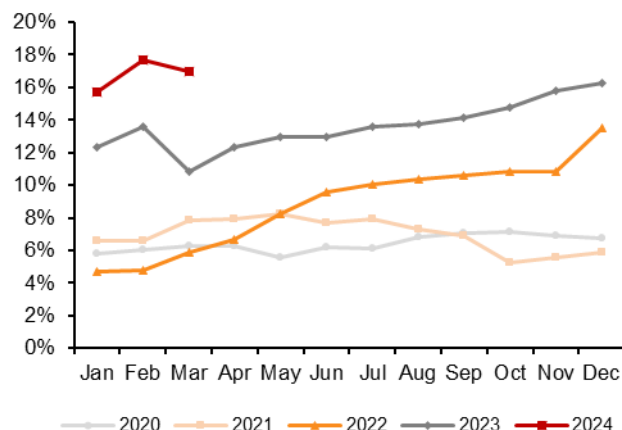
Source: ThinkerCar, CMBIGM

Figure 5: GAC Aion discounts at dealers



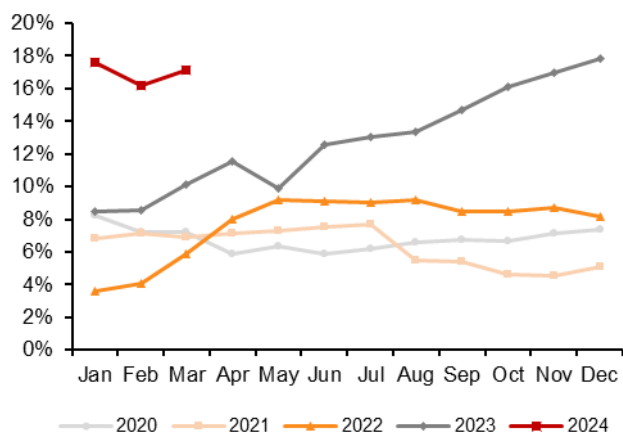
Source: ThinkerCar, CMBIGM

Figure 6: GAC Toyota discounts at dealers



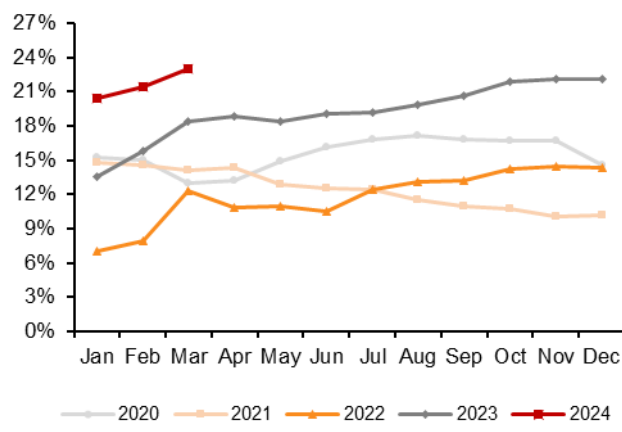
Source: ThinkerCar, CMBIGM

Figure 7: GAC Honda discounts at dealers



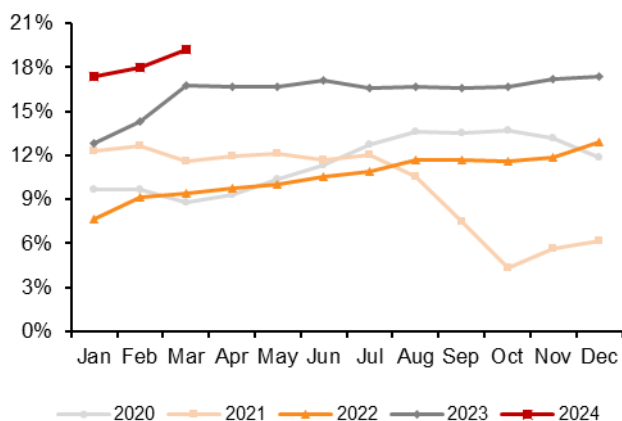
Source: ThinkerCar, CMBIGM

Figure 8: BMW Brilliance discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 9: Beijing Benz discounts at dealers



Source: ThinkerCar, CMBIGM

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