

Auto

OEMs' different strategies amid higher discount

We summarize the Apr 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 Mar 2024 retail sales volume for each model, as Apr 2024 retail sales volume data have not been released yet.

The industrywide average discounts widened by 0.2ppt MoM in Apr based on our calculations, mainly due to German and Japanese brands. Similar to Feb and Mar 2024, competition was stiffer than what the discounts showed, especially for Chinese brands, as they continued to cut MSRPs (manufacturer's suggested retail prices) for existing models and facelifted models last month. We see more room for discount expansion for foreign brands, as they continue to lose market share and face overcapacity issues. Different automakers have been exploring different ways to withstand the storm. BYD prioritizes market share, whereas Great Wall focuses more on its high-margin models. VW tries its best to balance sales and profit by not setting any hard targets amid the fast-changing dynamics.

- **Great Wall Motor.** In Apr 2024, Great Wall's average discounts at dealers remained largely flat MoM (Figure 1), better than some peers. Rising discounts for most models at Great Wall were offset by narrower discounts for the facelifted models including the Ora *Haomao* EV, *Menglong* and *Tank 400* PHEV during late Mar to Apr. Although the *Tank 300* PHEV was rolled out on 22 Apr, its deliveries were limited to 3,000 units this year, as the company plans to roll out mass production after clearer pricing strategies from rival models at its peers. Great Wall has also been attempting different sales strategies, such as building direct-sale channels for the Tank and Wey brands. The number of stores is to reach 100 by Jun and 200 by the end of this year. It appears to us that Great Wall has been prioritizing profit maximization of high-margin vehicles (Tank), but not the market share growth for all the models, especially for its BEVs.
- **BYD.** BYD's average discounts at dealers remained largely flat at about 2% in Apr (Figure 3), after its aggressive MSRP cuts for the facelifted models. Despite a MSRP cut of RMB62,000 for the facelifted Denza *N7* launched in early Apr, the model started to offer a discount of 3% last month, implying sluggish sales outlook ahead. Discounts for the facelifted *D9* PHEV (launched in early Mar) remained at about 2% in Apr. Unlike Great Wall, BYD prioritizes market share with aggressive pricing. It starts to offer free insurance and other benefits for the *Dolphin* EV in May to boost sales, apart from the government's new stimulus measures.

- **GAC Group.** Both Trumpchi and Aion's average discounts at dealers widened MoM in the 1st half of Apr but narrowed sequentially in the 2nd half of Apr due to new models and MSRP cuts. Discounts for the *GS4* narrowed by almost 7ppts MoM in Apr, thanks to the launch of the *GS4 Max*. On the surface, Aion's average discounts fell by nearly 2ppts in the 2nd half of Apr compared with the 1st half, but the effective discounts increased as the MSRPs for the *Aion S/Y/V* were cut by RMB10,000 during 15-19 Apr.

Discounts at GAC Toyota widened by 0.7ppt MoM to an all-time high in Apr (Figure 6) as we had expected. All models showed higher discounts in Apr, and the discount for the new *Camry* (launch on 6 Mar) rose to 7% in the 2nd half of Apr, in line with our prior channel checks for its lackluster new orders.

Discounts at GAC Honda widened by 1.2ppts MoM to an all-time high in Apr 2024 (Figure 7), mainly due to the discount increase of about 3ppts for the

OUTPERFORM
(Maintain)

China Auto Sector

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

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 |
| GWM | 2333 HK | BUY | 14 |
| 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

Related Reports:

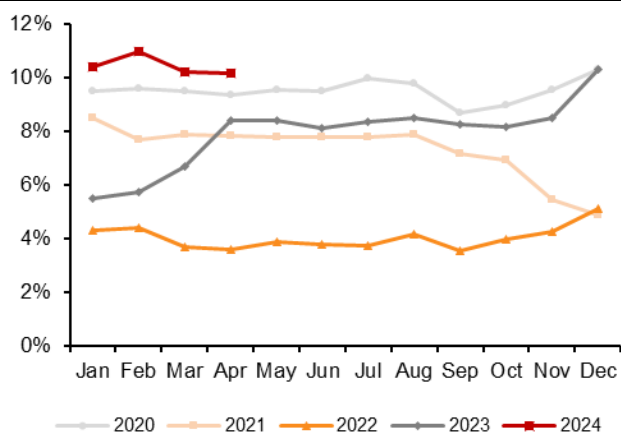
["Auto - Leading indicators, policy imply a strong May" – 7 May 2024](#)

["Auto - Apr NEV sales beat; Price war continues" – 2 May 2024](#)

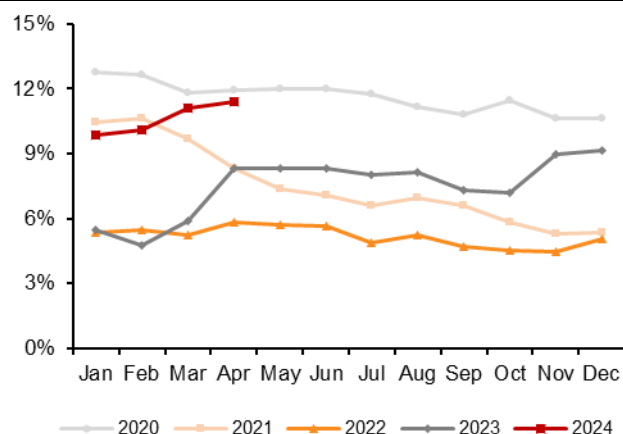
["China Auto Sector – New models with lower MSRPs made discounts artificially stable" – 9 Apr 2024](#)

Accord. Discounts for the *Accord* reached 20% in Apr after being launched for just one year. Although we had projected discounts at GAC Honda's dealers to widen to all-time highs in 2024, the actual pace of discount expansion was faster than our prior expectation.

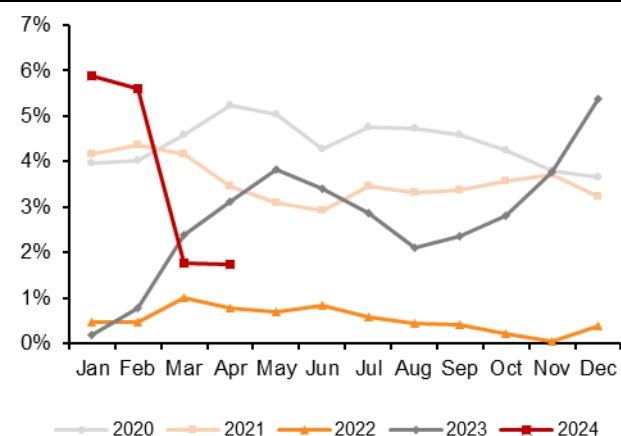
- **BMW.** Discounts at BMW Brilliance widened by 0.7ppt MoM to almost 25% in Apr (Figure 8), a record high again. The new *5-Series* launched in Jan 2024 offered a discount of 13% in the 2nd half of Apr. All other models' discounts also widened MoM last month. We also expect the new *i5*'s discounts to rise in the next few months, should BMW target higher sales volume. Its retail sales volume was only about 1,000 units in the first three months of deliveries. We still expect BMW to increase special subsidies for dealers in 1H24.
- **Mercedes-Benz.** Discounts at Beijing Benz widened by about 0.6ppt MoM to about 19% in Apr (Figure 9), an all-time high level again. The rising discount last month was mainly driven by the *C-Class* and *GLC*. Discounts for both models reached record highs last month. The redesigned *GLC* was only launched in May 2023. Discounts for the *E-Class* narrowed slightly MoM, as the Model Year 2023 versions were phased out at the end of Mar 2024. Although Mercedes-Benz is less aggressive in sales volume than BMW in China, its Apr retail sales volume is likely to surpass BMW. We also expect new-car gross margin at Mercedes' dealers to be higher than that for BMW's dealers in 2024.

Figure 1: Great Wall Motor discounts at dealers

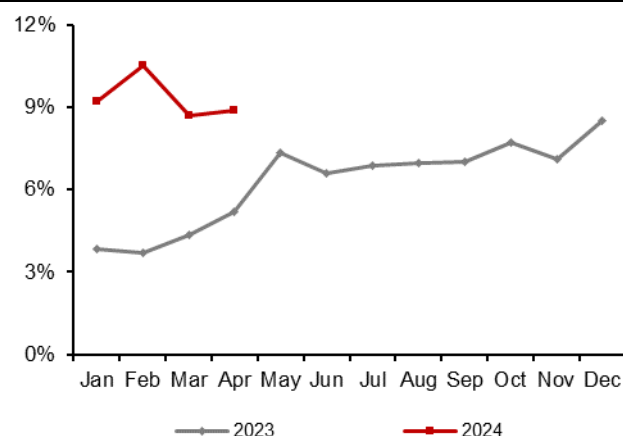
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers

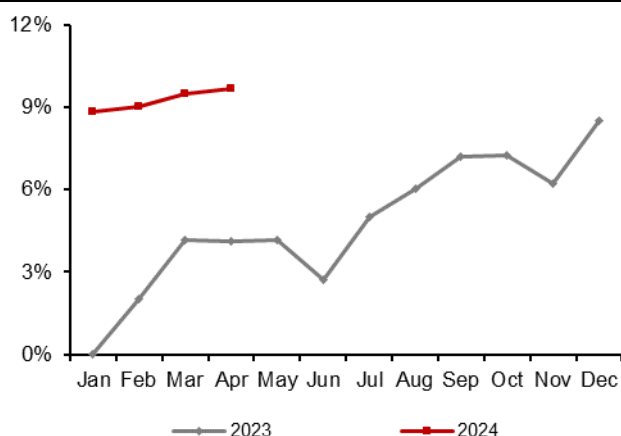
Source: ThinkerCar, CMBIGM

Figure 3: BYD discounts at dealers

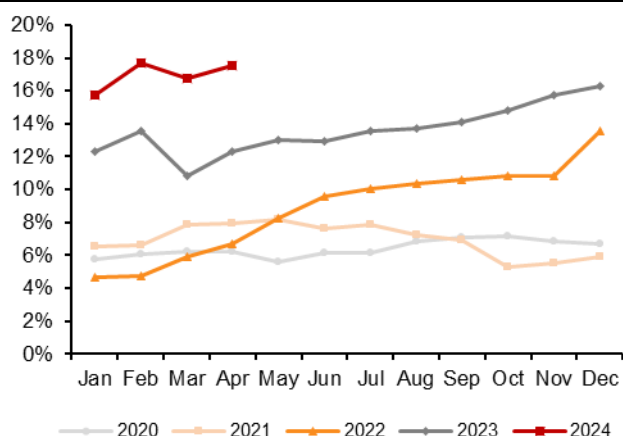
Source: ThinkerCar, CMBIGM

Figure 4: GAC Trumpchi discounts at dealers

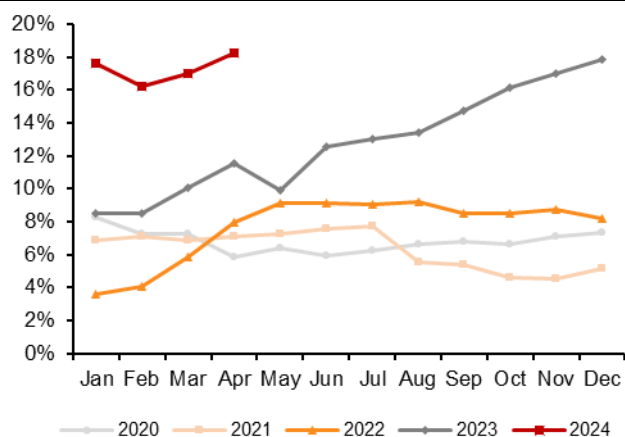
Source: ThinkerCar, CMBIGM

Figure 5: GAC Aion discounts at dealers

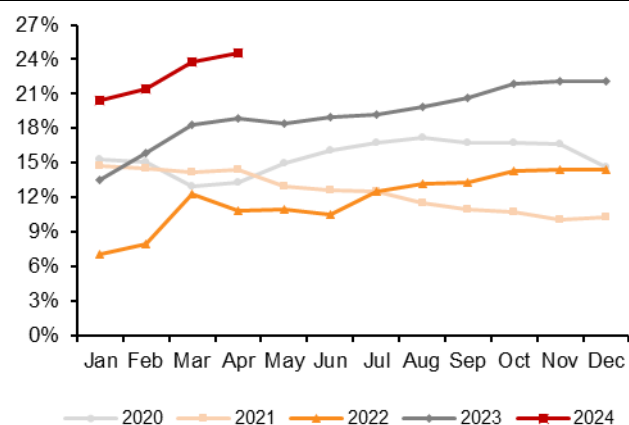
Source: ThinkerCar, CMBIGM

Figure 6: GAC Toyota discounts at dealers

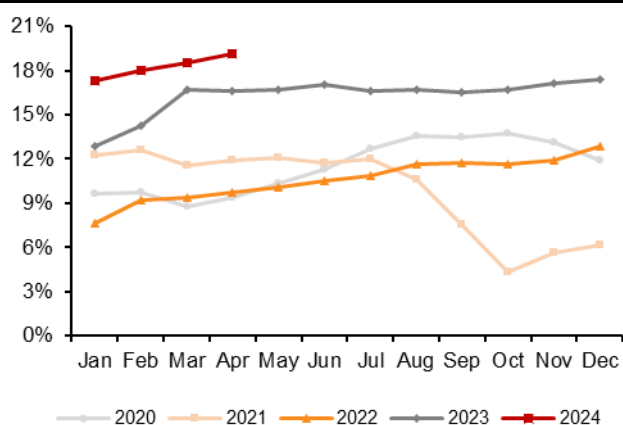
Source: ThinkerCar, CMBIGM

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

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.