BYD (1211 HK/002594 CH)

4Q26 could be key for assessing FY27E earnings

Maintain BUY. BYD's 3Q26 net profit missed our forecast by 12% with several transitional factors. We view 4Q26 margin realization as key for assessing its FY27E earnings trajectory. We also believe BYD's first-mover global manufacturing footprint could help mitigate trade risks.

- **3Q26 earnings miss on ASP, GPM and impairment.** BYD's 3Q26 revenue expanded 13.6% YoY to RMB221.5bn, trailing our prior forecast by 3.5%. GPM in 3Q26 widened by 0.6ppts YoY but narrowed by 0.9ppts QoQ, lower than our projection by 0.4ppts. SG&A and R&D expensed combined were largely in line. Impairment losses reached RMB1.7bn in 3Q26, or about RMB750mn higher than our projection. Consequently, 3Q26 net profit rose 28.1% YoY to RMB10.0bn, falling RMB1.4bn short of our estimate. Net profit per vehicle rose by 1.8% QoQ to about RMB7,600.
- **4Q26 margin realization serves as a key signal for FY27E profitability.** We believe that multiple transitional factors distorted 3Q26 results, including the initial rollouts of a few 2nd-generation blade battery models, forex loss and larger-than-expected impairment losses. Margin impact could be more tangible in 4Q26E when the production of new models ramps up. We view 4Q26 margin execution as a critical signal for assessing FY27E earnings.
- **First-mover advantage in European localization.** Mass production at its Hungary plant is scheduled for 4Q26, making BYD one of the first Chinese automakers to operate a fully integrated EU manufacturing process encompassing stamping, welding, painting and final assembly. This local footprint provides structural insulation against upcoming EU import quotas and tariff burdens on Chinese hybrid vehicles. BYD's Brazil plant, operational since 2025, demonstrates strong early execution, with the company currently seeking regulatory permits to double annual capacity to 600,000 units.
- **Earnings/Valuation.** We cut our FY26E net profit forecast by 5.2% following 3Q26 miss, implying a net profit of RMB11.9bn in 4Q26E. We maintain our FY27E sales volume forecast of 5mn units and trim net profit by 2.2% to RMB42.2bn, assuming lower impairment and forex losses. We maintain our BUY rating but cut H-share target price from HK$125 to HK$109, based on 20x (prior 22x) our revised FY27E EPS to reflect persisting sector headwinds. We cut A-share target price from RMB125 to RMB108 based on YTD AH premium of 17%. Key risks include lower sales volume margins than we expect, as well as a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	777,102	803,965	815,343	898,208	956,051
YoY growth (%)	29.0	3.5	1.4	10.2	6.4
Net profit (RMB mn)	40,254.3	32,619.0	34,229.6	42,243.2	49,140.8
YoY growth (%)	34.0	(19.0)	4.9	23.4	16.3
EPS (Reported) (RMB)	13.85	3.61	3.75	4.63	5.39
P/S (x)	0.7	0.7	0.7	0.6	0.6
P/E (x)	4.2	16.1	15.5	12.6	10.8
Yield (%)	7.1	0.6	1.3	1.6	1.8
ROE (%)	24.8	15.1	13.1	14.3	14.8
Net gearing (%)	(50.7)	(1.1)	(8.8)	(16.3)	(33.3)

Source: Company data, Bloomberg, CMBIGM estimates

	1211 HK	002594 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$109.00	RMB108.00
Prior TP	HK$125.00	RMB125.00
Up/Downside	58.8%	30.9%
Current Price	HK$68.7	RMB82.5

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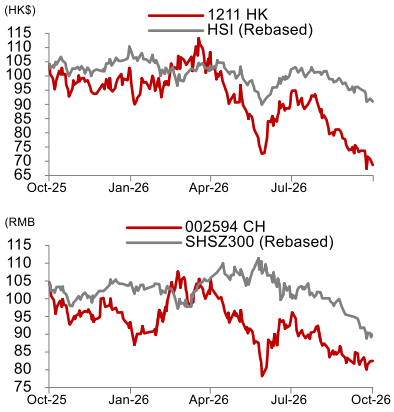
12-mth Price Performance



Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-9.4%	-3.2%	0.6%	-3.6%
3-mth	-26.7%	-17.6%	-13.0%	-17.4%
6-mth	-36.6%	-27.9%	-21.7%	-25.3%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	625895.6	752168.8
Avg 3 mths t/o (mn)	1469.96	2411.81
52w High	113.2	107.63
52w Low	67.4	78.2
Issued Shares (mn)	9117.207	9117.2067

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY	QoQ
Sales volume (units)	1,000,804	1,145,150	1,114,192	1,342,290	700,463	1,108,048	1,323,065	18.7%	19.4%
Revenue	170,360	200,921	194,985	237,699	150,225	194,590	221,488	13.6%	13.8%
Gross profit	34,185	32,681	34,346	41,448	28,252	36,737	39,887	16.1%	8.6%
R&D expenses	(14,223)	(15,373)	(14,152)	(14,230)	(11,344)	(11,964)	(12,970)	-8.4%	8.4%
SG&A expenses	(11,087)	(11,710)	(10,979)	(12,608)	(10,910)	(11,979)	(12,686)	15.5%	5.9%
Operating profit	11,021	7,699	10,186	11,279	4,696	10,048	12,268	20.4%	22.1%
Net profit	9,155	6,356	7,823	9,286	4,085	8,241	10,020	28.1%	21.6%
Gross margin	20.1%	16.3%	17.6%	17.4%	18.8%	18.9%	18.0%	0.4 ppts	-0.9 ppts
Operating margin	6.5%	3.8%	5.2%	4.7%	3.1%	5.2%	5.5%	0.3 ppts	0.4 ppts
Net margin	5.4%	3.2%	4.0%	3.9%	2.7%	4.2%	4.5%	0.5 ppts	0.3 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	815,343	898,208	956,051	831,389	898,585	956,447	-1.9%	0.0%	0.0%
Gross profit	149,896	161,048	172,005	153,209	161,074	172,035	-2.2%	0.0%	0.0%
Operating profit	41,521	51,977	60,720	43,764	53,098	62,303	-5.1%	-2.1%	-2.5%
Net profit	34,230	42,243	49,141	36,113	43,186	50,471	-5.2%	-2.2%	-2.6%
Gross margin	18.4%	17.9%	18.0%	18.4%	17.9%	18.0%	0.0 ppts	0.0 ppts	0.0 ppts
Operating margin	5.1%	5.8%	6.4%	5.3%	5.9%	6.5%	-0.2 ppts	-0.1 ppts	-0.2 ppts
Net margin	4.2%	4.7%	5.1%	4.3%	4.8%	5.3%	-0.1 ppts	-0.1 ppts	-0.1 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	815,343	898,208	956,051	892,863	1,021,478	1,135,476	-8.7%	-12.1%	-15.8%
Gross profit	149,896	161,048	172,005	164,644	194,367	221,145	-9.0%	-17.1%	-22.2%
Operating profit	41,521	51,977	60,720	47,696	59,502	71,120	-12.9%	-12.6%	-14.6%
Net profit	34,230	42,243	49,141	38,953	50,164	60,249	-12.1%	-15.8%	-18.4%
Gross margin	18.4%	17.9%	18.0%	18.4%	19.0%	19.5%	-0.1 ppts	-1.1 ppts	-1.5 ppts
Operating margin	5.1%	5.8%	6.4%	5.3%	5.8%	6.3%	-0.2 ppts	0.0 ppts	0.1 ppts
Net margin	4.2%	4.7%	5.1%	4.4%	4.9%	5.3%	-0.2 ppts	-0.2 ppts	-0.2 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**602,315**	**777,102**	**803,965**	**815,343**	**898,208**	**956,051**
Cost of goods sold	(490,399)	(626,047)	(661,305)	(665,447)	(737,160)	(784,046)
Gross profit	**111,916**	**151,056**	**142,660**	**149,896**	**161,048**	**172,005**
Operating expenses	**(78,757)**	**(110,677)**	**(117,943)**	**(110,340)**	**(117,567)**	**(122,429)**
Selling expense	(15,371)	(24,085)	(26,185)	(28,674)	(29,683)	(30,767)
Admin expense	(13,462)	(18,645)	(20,200)	(20,516)	(23,487)	(24,384)
R&D expense	(39,575)	(53,195)	(57,978)	(49,600)	(51,200)	(53,300)
Others	(10,350)	(14,752)	(13,581)	(11,550)	(13,197)	(13,978)
Operating profit	**33,159**	**40,379**	**24,717**	**39,556**	**43,482**	**49,577**
Other income	5,965	15,303	14,932	14,600	13,500	12,700
Other expense	(1,546)	(2,057)	(1,564)	(800)	(1,300)	(1,400)
Gain/loss on financial assets at FVTPL	258	532	364	1,400	500	550
Investment gain/loss	1,635	2,291	2,857	538	1,058	1,558
Other gains/(losses)	(3,677)	(5,552)	(2,202)	(4,900)	(3,089)	(3,284)
EBITDA	**82,649**	**118,681**	**122,830**	**136,103**	**158,515**	**177,239**
Depreciation	37,718	56,922	72,048	81,806	93,468	102,843
Depreciation of ROU assets	1,390	2,643	2,655	2,922	3,327	3,777
Other amortisation	4,444	7,341	5,823	6,421	7,003	7,599
EBIT	**39,096**	**51,774**	**42,305**	**44,953**	**54,716**	**63,019**
Interest income	2,796	2,484	2,437	2,259	2,565	3,318
Interest expense	(1,828)	(2,094)	(2,552)	(3,732)	(3,039)	(2,499)
Net Interest income/(expense)	**1,475**	**(1,216)**	**649**	**(9,173)**	**(2,474)**	**819**
Foreign exchange gain/loss	639	(1,532)	1,034	(7,700)	(2,000)	0
Pre-tax profit	**37,269**	**49,681**	**39,753**	**41,221**	**51,677**	**60,520**
Income tax	(5,925)	(8,093)	(5,992)	(6,552)	(8,366)	(9,798)
After tax profit	**31,344**	**41,588**	**33,761**	**34,669**	**43,310**	**50,721**
Minority interest	(1,303)	(1,334)	(1,142)	(439)	(1,067)	(1,581)
Net profit	**30,041**	**40,254**	**32,619**	**34,230**	**42,243**	**49,141**
Gross dividends	9,012	12,077	3,264	6,846	8,449	9,828

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**302,121**	**370,572**	**371,468**	**388,305**	**456,424**	**557,342**
Cash & equivalents	108,512	102,257	68,395	86,000	102,546	159,289
Restricted cash	583	482	7,030	4,000	5,000	5,000
Account receivables	67,431	72,749	42,489	46,463	51,973	55,320
Inventories	87,677	116,036	138,421	131,266	141,373	150,365
Prepayment	2,215	3,974	5,025	5,324	5,160	5,488
Financial assets at FVTPL	9,563	40,939	54,533	55,633	85,833	116,083
Other current assets	23,481	32,725	54,411	58,190	62,915	64,069
Contract assets	2,660	1,411	1,165	1,430	1,624	1,729
Non-current assets	**377,426**	**412,784**	**512,262**	**523,564**	**513,323**	**480,950**
PP&E	230,904	262,287	292,776	303,972	288,505	248,664
Right-of-use assets	9,679	10,575	9,083	8,560	8,133	7,256
Deferred income tax	6,584	8,559	15,358	15,358	15,358	15,358
Investment in JVs & assos	17,647	19,082	21,781	23,681	25,281	27,081
Intangibles	37,236	38,424	41,485	43,161	44,675	46,032
Goodwill	4,428	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,696	2,655	3,080	3,980	4,380	4,780
Other non-current assets	68,252	66,773	124,271	120,423	122,563	127,351
Total assets	**679,548**	**783,356**	**883,730**	**911,869**	**969,748**	**1,038,292**
Current liabilities	**453,667**	**495,985**	**468,451**	**460,130**	**488,268**	**518,008**
Short-term borrowings	18,323	12,103	38,485	24,714	0	0
Account payables	194,430	241,643	186,742	188,695	212,666	226,192
Tax payable	7,852	10,097	10,716	10,465	11,310	12,029
Other current liabilities	198,363	188,412	181,037	188,855	213,802	226,085
Contract liabilities	34,699	43,730	51,471	47,402	50,490	53,702
Non-current liabilities	**75,419**	**88,682**	**156,739**	**162,251**	**155,741**	**152,673**
Long-term borrowings	11,975	8,258	60,706	55,706	44,706	33,706
Bond payables	0	0	4,998	5,998	6,998	7,998
Other non-current liabilities	63,444	80,425	91,036	100,547	104,037	110,970
Total liabilities	**529,086**	**584,668**	**625,191**	**622,381**	**644,008**	**670,681**
Share capital	2,911	2,909	9,117	9,117	9,117	9,117

Other reserves	135,899	182,342	237,157	268,042	303,358	343,969
Total shareholders equity	**138,810**	**185,251**	**246,275**	**277,159**	**312,476**	**353,087**
Minority interest	11,652	13,437	12,265	12,329	13,264	14,524
Total equity and liabilities	**679,548**	**783,356**	**883,730**	**911,869**	**969,748**	**1,038,292**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**37,269**	**49,681**	**39,753**	**41,221**	**51,677**	**60,520**
Depreciation & amortization	43,553	66,906	80,526	91,149	103,799	114,220
Change in working capital	91,094	18,291	(57,100)	9,486	23,173	18,201
Others	(2,190)	(1,424)	(4,043)	2,487	(6,188)	(5,715)
Net cash from operations	**169,725**	**133,454**	**59,136**	**144,343**	**172,461**	**187,226**
Investing						
Capital expenditure	(122,094)	(97,360)	(156,808)	(108,400)	(88,800)	(77,700)
Acquisition of subsidiaries/ investments	(16,163)	(3,792)	(2,998)	(1,600)	(31,100)	(31,100)
Net proceeds from disposal of short-term investments	0	129	1,727	0	0	0
Others	12,593	(28,060)	(39,385)	2,450	2,450	2,450
Net cash from investing	**(125,664)**	**(129,082)**	**(197,463)**	**(107,550)**	**(117,450)**	**(106,350)**
Financing						
Dividend paid	(3,325)	(9,012)	(12,077)	(3,264)	(6,846)	(8,449)
Net borrowings	18,073	(9,480)	84,783	(11,987)	(24,714)	(10,000)
Proceeds from share issues	0	0	40,075	0	0	0
Others	(1,931)	8,225	(8,167)	(3,938)	(6,905)	(5,684)
Net cash from financing	**12,817**	**(10,268)**	**104,614**	**(19,188)**	**(38,465)**	**(24,133)**
Net change in cash						
Cash at the beginning of the year	51,182	108,512	102,257	68,395	86,000	102,546
Exchange difference	451	(359)	(148)	0	0	0
Cash at the end of the year	**108,512**	**102,257**	**68,395**	**86,000**	**102,546**	**159,289**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	42.0%	29.0%	3.5%	1.4%	10.2%	6.4%
Gross profit	54.9%	35.0%	(5.6%)	5.1%	7.4%	6.8%
Operating profit	56.0%	21.8%	(38.8%)	60.0%	9.9%	14.0%
EBITDA	93.3%	43.6%	3.5%	10.8%	16.5%	11.8%
EBIT	74.6%	32.4%	(18.3%)	6.3%	21.7%	15.2%
Net profit	80.7%	34.0%	(19.0%)	4.9%	23.4%	16.3%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	18.6%	19.4%	17.7%	18.4%	17.9%	18.0%
Operating margin	5.5%	5.2%	3.1%	4.9%	4.8%	5.2%
EBITDA margin	13.7%	15.3%	15.3%	16.7%	17.6%	18.5%
Return on equity (ROE)	24.0%	24.8%	15.1%	13.1%	14.3%	14.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.5)	(0.0)	(0.1)	(0.2)	(0.3)
Current ratio (x)	0.7	0.7	0.8	0.8	0.9	1.1
Receivable turnover days	52.0	45.0	30.9	32.0	33.0	33.0
Inventory turnover days	65.3	67.7	76.4	72.0	70.0	70.0
Payable turnover days	147.7	142.3	115.5	115.0	117.0	117.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	5.6	4.2	16.1	15.5	12.6	10.8
P/B	1.2	0.9	2.1	1.9	1.7	1.5
P/CFPS	1.0	1.3	8.9	3.7	3.1	2.8
Div yield (%)	5.3	7.1	0.6	1.3	1.6	1.8

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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