

China Auto Sector

Oct discounts widened after 3Q23 earnings beat

We summarize the Oct 2023 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on weighted average of Sep 2023 retail sales volume for each model, as Oct retail sales volume data have not been released yet. Discounts at dealers for most brands continued to widen MoM in Oct 2023. Nevertheless, investors may pay less attention to the widening discounts during the so-called “golden Sep and silver Oct”, especially after stronger-than-expected 3Q23 earnings for most Chinese automakers, as the new model effect and sales performance could be more important for automakers amid the replacement of ICE vehicles by NEVs.

- Great Wall Motor.** Great Wall's average discounts at dealers remained largely stable in Oct 2023 compared with Sep, as per our calculation based on Sep retail sales volume for each model (Figure 1). Most internal-combustion-engine (ICE) models posted wider discounts in Oct, except *Dagou*, as its discount narrowed by 3-4 ppts MoM last month. *Menglong* and *Gaoshan* PHEVs provided small discounts right after their launches while there is still no discount for *Lanshan* PHEV. The company may have little incentive to significantly increase discounts in Nov-Dec 2023 in our view, as its FY23 share option scheme target is likely to be met (at least 80%), given its stronger-than-expected results in 3Q23.
- Geely.** Geely's average discounts at dealers widened a bit MoM in Oct 2023 (Figure 2), mainly due to *Xingyue* and *Lynk & Co 06*. We expect its average discounts to continue to widen a bit MoM this month, as the OEM has offered additional floating rebates to dealers in Nov for most ICE models, based on our channel checks. Nevertheless, Geely's overall discounts have been around 7-9% for seven months. We expect such a trend to continue in the next few months.
- BYD.** BYD's average discounts at dealers widened by almost 0.5 ppt MoM last month (Figure 3), mainly due to higher discounts for the *Han EV*, *Seal EV*, *Tang EV* and *Destroyer 07 EV*. The *Denza N7*'s discount also widened by 4 ppts MoM in Oct, in line with our projection in the report published on 9 Oct. We believe the widening discounts for these models reflect heightened competition in the B-class segment. BYD's discounts remained the lowest among all major automakers. On 1 Nov, BYD announced a promotion valued RMB 5,000-18,000 for major models under its “Ocean Series” in Nov, which will lead to wider average discounts this month.
- GAC Group.** Trumpchi's discounts at dealers widened a bit MoM in Oct (Figure 4), driven by *GS4* and *Emkoo*. Aion's discounts at dealers widened by about 0.4 ppt MoM in Oct, mainly due to *Aion S* and *Aion V* EVs. Aion's wholesale volume fell 20% MoM to about 42,000 units in Oct amid inventory destocking. The sales ramp-up of the *Hyper GTEV* has been slower than our expectation. That could increase investors' concerns about its upcoming second model, the *Hyper HTEV*, to be launched in Nov. Discounts at dealers of both GAC Toyota and GAC Honda continued to widen by 0.4 ppt MoM and 1.4 ppts MoM, respectively, to record highs in Oct 2023 (Figure 5 and 6).
- BMW.** Discounts for BMW Brilliance widened MoM to over 20% in Oct 2023, an all-time high level again (Figure 7). The *i3* and *iX1* EVs posted the largest

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	55
Li Auto	2015 HK	BUY	215
NIO	NIO US	HOLD	10
Xpeng	XPEV US	HOLD	14
Xpeng	9868 HK	HOLD	55
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	290
BYD	002594 CH	BUY	300
GAC	2238 HK	BUY	6.5
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	5
Meidong	1268 HK	BUY	7.2

Source: Bloomberg, CMBIGM

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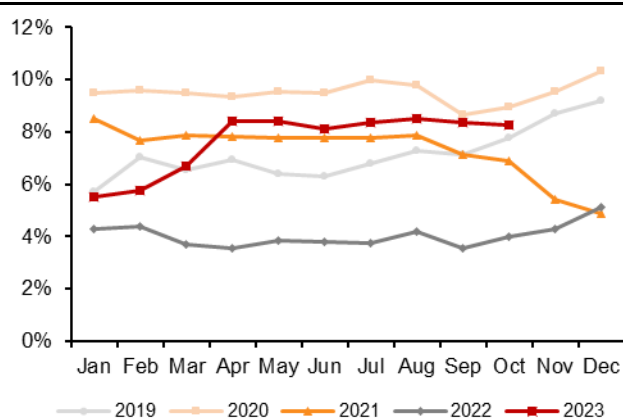
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discount increase among all the BMW Brilliance models in Oct. In the 4th week of Oct, BMW announced additional subsidies of RMB 12,000 per vehicle for both locally-produced and imported models sold in 2H23. Such subsidy was similar to the one announced on 1 Jun 2023 for 1H23, but came much earlier than expected with much easier criteria to meet. **We expect new-car gross margin for BMW dealers in 3Q23 to be a bit better than 2Q23, with all the subsidies included.** On the other hand, new-car gross margins for BMW dealers in 4Q23 could still be challenging, implied by the earlier-than-expected 2H23 subsidies.

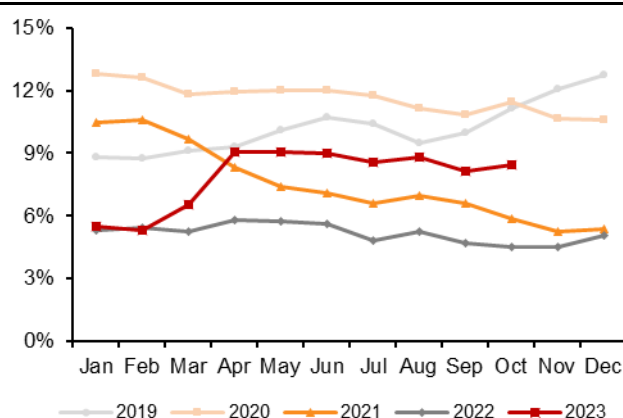
- **Mercedes-Benz.** Discounts for Beijing Benz remained largely stable MoM in Oct (Figure 8), as widened discounts for the *EQE EV* and *EQE SUV EV* were largely offset by narrowed discounts of the *A-Class*.

Figure 1: Great Wall Motor discounts at dealers



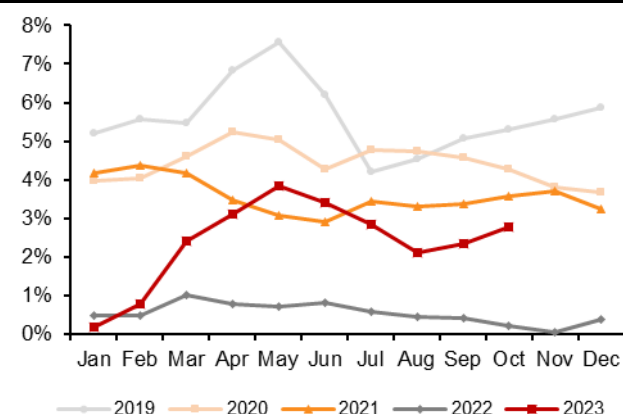
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



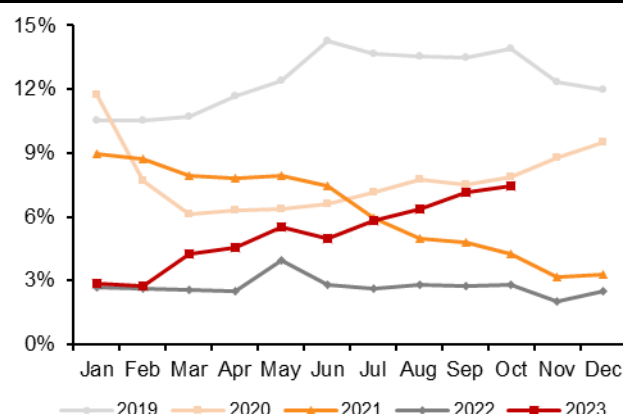
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Figure 3: BYD discounts at dealers

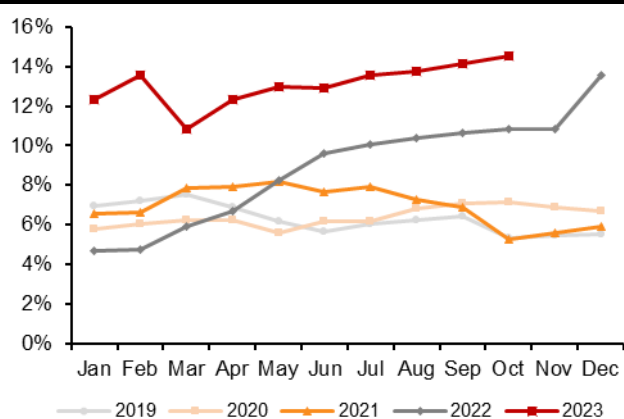


Source: ThinkerCar, CMBIGM

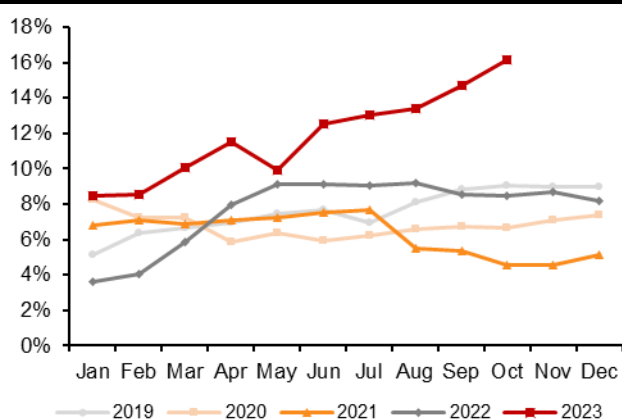
Figure 4: GAC Trumpchi & Aion discounts at dealers



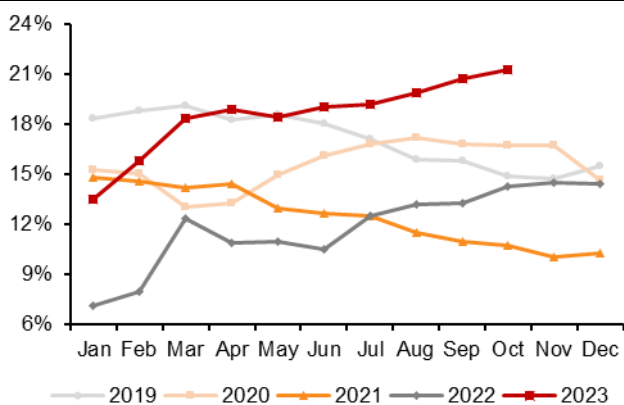
Source: ThinkerCar, CMBIGM

Figure 5: GAC Toyota discounts at dealers

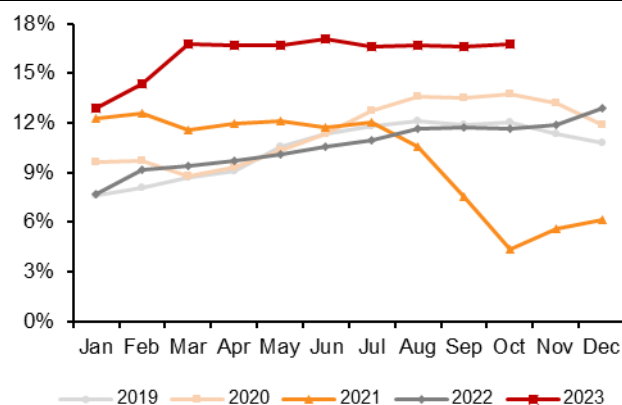
Source: ThinkerCar, CMBIGM

Figure 6: GAC Honda discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 7: BMW Brilliance discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 8: Beijing Benz discounts at dealers

Source: ThinkerCar, CMBIGM

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