

# NIO Inc. (NIO US)

## Strongest 4Q22 sales volume among NEV trio

Apart from the strongest sales volume guidance for 3Q22 among the NEV trio, NIO could also post the highest sales volume in 4Q22, in our view, aided by new models, including the *ET7*, *ES7* and *ET5*. We estimate that NIO's current order backlog for the *ET7* and *ES7* is already enough to meet our 4Q22 sales assumption. The sales MoM growth could be a positive catalyst for its share price.

- GP in line, net loss miss on R&D and SG&A.** NIO's revenue and gross margin in 2Q22 were in line with our prior expectation, whereas both R&D and SG&A expenses exceeded our projection. That, along with forex loss, resulted in wider-than-expected net loss in 2Q22.
- Probably the strongest 4Q22 sales volume among the NEV trio.** As noted in our previous reports for several times, we believe NIO may post the strongest sequential improvement in sales volume in 3Q22 among the NEV trio. Now it appears that such momentum could continue in 4Q22. Management thinks a full-year sales target of 150,000 units could still be feasible, which implies about 66,000 units, aided by a monthly production capacity of 10,000 units for the *ET5* in Dec 2022. We take a slightly cautious view to account for supply chain and macro uncertainties with a sales assumption of 48,000 units in 4Q22, which could still be the highest among the NEV trio. We estimate that NIO's current order backlog for the *ET7* and *ES7* is already enough to meet our 4Q22 sales assumption.
- Likely margin improvement in 2H22.** Management was still cautious about gross margin outlook in 3Q22, while we are more optimistic about it in 2H22, should sales volume meet management's expectation. We project NIO's gross margin to rebound to about 17% in 4Q22.
- Maintain BUY.** We cut our FY22E revenue by 5% based on our sales volume assumption of 133,000 units. We also project FY23E sales volume of 250,000 units, as management said to accelerate new model launches with the NT2.0 platform next year. We maintain our BUY rating but lower target price from US\$ 35.00 to US\$ 28.00, based on 3.5x our revised FY23E revenue estimates (previously 7.0x FY22E) to account for rising competition and macro uncertainties. Key risks to our rating and target price include slower autonomous driving technology advancement and a faster catch up from other OEMs than our expectation, lower sales volume of new models than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	16,258	36,136	53,591	93,104	117,788
YoY growth (%)	107.8	122.3	48.3	73.7	26.5
Net income (RMB mn)	(5,611)	(10,572)	(9,668)	(6,397)	(3,692)
EPS (RMB)	(4.74)	(6.72)	(5.77)	(3.78)	(2.16)
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	8.1	4.7	3.7	2.2	1.7
P/B (x)	4.9	4.9	7.0	8.3	8.7
Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	(53.8)	(34.2)	(30.5)	(24.0)	(15.4)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$ 28.00  
 (Previous TP US\$ 35.00)  
**Up/Downside** +63.6%  
**Current Price** US\$ 17.11

### China Auto Sector

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### Stock Data

Mkt Cap (US\$ mn)	28,580
Avg 3 mths t/o (US\$ mn)	1,029
52w High/Low (US\$)	44.27/11.67
Total Issued Shares (mn)	1,692

Source: Bloomberg

### Shareholding Structure

Li Bin	10.5%
Tencent entities	9.8%
Others	79.7%

Source: Bloomberg

### Share Performance

	Absolute	Relative
1-mth	-15.4%	-7.6%
3-mth	-10.8%	-15.1%
6-mth	-5.6%	-3.5%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers**  
**Zhong Tian**

**Figure 1: Quarterly results**

RMB mn	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	YoY	QoQ
Sales volume (units)	12,206	17,353	20,060	21,896	24,439	25,034	25,768	25,059	14.4%	-2.8%
ASP (RMB)	370,798	382,706	397,923	385,826	401,215	395,492	384,608	410,725	6.5%	6.8%
Revenue	4,526	6,641	7,982	8,448	9,805	9,901	9,911	10,292	21.8%	3.9%
Gross profit	586	1,142	1,555	1,574	1,993	1,700	1,447	1,340	-14.8%	-7.4%
R&D expenses	(591)	(829)	(687)	(884)	(1,193)	(1,829)	(1,762)	(2,149)	143.2%	22.0%
SG&A expenses	(940)	(1,207)	(1,197)	(1,498)	(1,825)	(2,358)	(2,015)	(2,282)	52.4%	13.3%
Operating profit	(946)	(931)	(296)	(763)	(992)	(2,445)	(2,189)	(2,846)	N/A	N/A
Net profit	(1,188)	(1,492)	(4,875)	(659)	(2,859)	(2,179)	(1,825)	(2,745)	N/A	N/A
Gross margin	12.9%	17.2%	19.5%	18.6%	20.3%	17.2%	14.6%	13.0%	-5.6 ppt	-1.6 ppt
Operating margin	-20.9%	-14.0%	-3.7%	-9.0%	-10.1%	-24.7%	-22.1%	-27.6%	-18.6 ppt	-5.6 ppt
Net margin	-26.2%	-22.5%	-61.1%	-7.8%	-29.2%	-22.0%	-18.4%	-26.7%	-18.9 ppt	-8.3 ppt

Source: Company data, CMBIGM estimates

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	53,591	93,104	117,788	56,464	101,595	127,965	-5.1%	-8.4%	-8.0%
Gross profit	8,062	16,818	22,126	9,455	19,285	24,069	-14.7%	-12.8%	-8.1%
Operating profit	(10,295)	(7,219)	(4,521)	(9,534)	(4,158)	(1,435)	N/A	N/A	N/A
Net profit	(9,668)	(6,397)	(3,692)	(8,531)	(3,270)	(483)	N/A	N/A	N/A
Gross margin	15.0%	18.1%	18.8%	16.7%	19.0%	18.8%	-1.7 ppt	-0.9 ppt	0.0 ppt
Operating margin	-19.2%	-7.8%	-3.8%	-16.9%	-4.1%	-1.1%	-2.3 ppt	-3.7 ppt	-2.7 ppt
Net margin	-18.0%	-6.9%	-3.1%	-15.1%	-3.2%	-0.4%	-2.9 ppt	-3.7 ppt	-2.8 ppt

Source: CMBIGM estimates

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	53,591	93,104	117,788	60,136	106,745	143,654	-10.9%	-12.8%	-18.0%
Gross profit	8,062	16,818	22,126	9,841	20,536	29,528	-18.1%	-18.1%	-25.1%
Operating profit	(10,295)	(7,219)	(4,521)	(7,770)	(2,888)	2,233	N/A	N/A	-302.4%
Net profit	(9,668)	(6,397)	(3,692)	(6,838)	(2,185)	2,514	N/A	N/A	-246.8%
Gross margin	15.0%	18.1%	18.8%	16.4%	19.2%	20.6%	-1.3 ppt	-1.2 ppt	-1.8 ppt
Operating margin	-19.2%	-7.8%	-3.8%	-12.9%	-2.7%	1.6%	-6.3 ppt	-5.0 ppt	-5.4 ppt
Net margin	-18.0%	-6.9%	-3.1%	-11.4%	-2.0%	1.7%	-6.7 ppt	-4.8 ppt	-4.9 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>16,258</b>	<b>36,136</b>	<b>53,591</b>	<b>93,104</b>	<b>117,788</b>
Cost of sales	(14,385)	(29,315)	(45,529)	(76,286)	(95,662)
<b>Gross profit</b>	<b>1,873</b>	<b>6,821</b>	<b>8,062</b>	<b>16,818</b>	<b>22,126</b>
R&D exp.	(2,488)	(4,592)	(8,867)	(10,197)	(10,704)
SG&A exp.	(3,932)	(6,878)	(10,290)	(14,740)	(16,943)
Other income	(61)	152	800	900	1,000
<b>Operating profit</b>	<b>(4,608)</b>	<b>(4,496)</b>	<b>(10,295)</b>	<b>(7,219)</b>	<b>(4,521)</b>
Net finance costs	(259)	274	660	688	638
Gain/(Loss) of investee	(66)	63	150	150	150
Other non-oper exp.	(365)	185	100	100	50
<b>Pre-tax profit</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(9,385)</b>	<b>(6,281)</b>	<b>(3,684)</b>
Income tax	(6)	(42)	(28)	(19)	(11)
Accr. on redeemable int.	(312)	(6,587)	(260)	(100)	-
Minority interests	5	31	5	3	3
<b>Net profit</b>	<b>(5,611)</b>	<b>(10,572)</b>	<b>(9,668)</b>	<b>(6,397)</b>	<b>(3,692)</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(9,385)</b>	<b>(6,281)</b>	<b>(3,684)</b>
Depreciation/amortization	1,546	2,352	3,389	4,645	5,869
Change in working capital	4,830	2,693	2,494	4,629	3,620
Others	873	896	1,671	1,522	1,466
<b>Net cash from operating</b>	<b>1,951</b>	<b>1,966</b>	<b>(1,831)</b>	<b>4,516</b>	<b>7,271</b>
Capex	(1,128)	(4,079)	(4,501)	(6,001)	(7,001)
Others	(3,943)	(35,686)	11,058	(500)	(500)
<b>Net cash from investing</b>	<b>(5,071)</b>	<b>(39,765)</b>	<b>6,557</b>	<b>(6,501)</b>	<b>(7,501)</b>
Share issuance	34,762	12,822	800	600	1,080
Net borrowings	615	3,680	(6,070)	5,752	(320)
Others	5,981	1,627	20	(3,618)	20
<b>Net cash from financing</b>	<b>41,357</b>	<b>18,129</b>	<b>(5,250)</b>	<b>2,734</b>	<b>780</b>
<b>Net change in cash</b>	<b>38,237</b>	<b>(19,670)</b>	<b>(524)</b>	<b>749</b>	<b>550</b>
Cash at beginning of the year	990	38,545	18,375	17,851	18,600
Exchange difference	(682)	(501)	-	-	-
<b>Cash at the end of the year</b>	<b>38,545</b>	<b>18,375</b>	<b>17,851</b>	<b>18,600</b>	<b>19,150</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>46,207</b>	<b>63,641</b>	<b>53,126</b>	<b>59,873</b>	<b>64,302</b>
Cash & equivalents	38,426	15,334	14,251	14,450	15,000
Account receivables	1,079	2,781	3,817	6,632	8,390
Inventories	1,082	2,056	3,118	5,434	6,814
Other current assets	5,620	43,470	31,940	33,357	34,098
<b>Non-current assets</b>	<b>8,435</b>	<b>19,242</b>	<b>23,726</b>	<b>28,590</b>	<b>33,443</b>
PP&E	4,996	7,400	9,552	12,158	14,708
Right-of-use assets	1,350	2,988	3,239	2,853	2,289
Other non-current assets	2,089	8,854	10,935	13,579	16,446
<b>Total assets</b>	<b>54,642</b>	<b>82,884</b>	<b>76,852</b>	<b>88,464</b>	<b>97,745</b>
<b>Current liabilities</b>	<b>13,976</b>	<b>29,198</b>	<b>27,832</b>	<b>44,722</b>	<b>53,802</b>
Bank borrowings	1,931	7,298	250	5,002	4,682
Account payables	6,368	12,639	17,463	28,215	35,382
Tax payable	182	628	628	628	628
Other current liabilities	5,496	8,633	9,492	10,876	13,109
<b>Non-current liabilities</b>	<b>8,803</b>	<b>15,622</b>	<b>16,687</b>	<b>19,167</b>	<b>20,503</b>
Bank borrowings incl. CB	5,938	9,739	9,625	10,625	10,625
Other non-current liabilities	2,865	5,883	7,062	8,542	9,878
<b>Total liabilities</b>	<b>22,780</b>	<b>44,820</b>	<b>44,520</b>	<b>63,889</b>	<b>74,305</b>
Mezzanine equity	4,691	3,278	3,538	-	-
Share capital	3	3	3	3	3
Treasury shares	-	(1,850)	(3,672)	(3,672)	(3,672)
Reserves	27,166	36,557	32,393	28,176	27,045
Non-controlling interests	2	76	71	68	65
<b>Shareholders' equity</b>	<b>27,169</b>	<b>34,710</b>	<b>28,724</b>	<b>24,507</b>	<b>23,375</b>
<b>Total equity &amp; liabilities</b>	<b>54,642</b>	<b>82,884</b>	<b>76,852</b>	<b>88,464</b>	<b>97,745</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	93.4	91.8	93.1	91.6	90.7
Others	6.6	8.2	6.9	8.4	9.3
<b>Growth (%)</b>					
Revenue	107.8	122.3	48.3	73.7	26.5
Gross profit	N/A	264.1	18.2	108.6	31.6
Operating profit	N/A	N/A	N/A	N/A	N/A
Net profit	N/A	N/A	N/A	N/A	N/A
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	11.5	18.9	15.0	18.1	18.8
Operating margin	(28.3)	(12.4)	(19.2)	(7.8)	(3.8)
Net profit margin	(34.5)	(29.3)	(18.0)	(6.9)	(3.1)
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.1	1.0	1.0	1.1	1.2
Current ratio (x)	3.3	2.2	1.9	1.3	1.2
Receivable turnover days	24	28	26	26	26
Inventory turnover days	27	26	25	26	26
Payable turnover days	162	157	140	135	135
<b>Profitability (%)</b>					
ROE	(53.8)	(34.2)	(30.5)	(24.0)	(15.4)
ROA	(16.2)	(15.4)	(12.1)	(7.7)	(4.0)
<b>Per share data (RMB)</b>					
EPS	-4.74	-6.72	-5.77	-3.78	-2.16
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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