

Zenergy (3677 HK)

Higher earnings visibility amid better client mix, possible battery price hike

BUY (Maintain)

Maintain BUY. We revise up Zenergy's FY25E net profit forecast by 4% to RMB591mn with better product mix than we had expected. Such trend would continue in FY26E to benefit Zenergy's revenue and gross margin. We expect GAC Toyota to surpass Leapmotor (9863 HK, BUY) to be Zenergy's largest revenue contributor. That, along with possible battery price hike which we did not factor in before, has made us raise our FY26E net profit forecast by 4% to RMB1.36bn.

■ **We expect solid 2H25 earnings with possible beat on revenue.** We revise up our FY25E battery sales volume forecast on Zenergy from 18.4GWh to 19.6GWh, as sales volume of the Toyota *bZ3X BEV* and *IM LS6 EREV* exceeded our prior expectation. We also expect improved product mix, benefited from higher revenue contribution from GAC Toyota and SAIC GM, to lift its average selling price (ASP) to RMB0.43/Wh in 2H25E from RMB0.41/Wh in 1H25. We project gross margin to widen by 0.2ppcts HoH to 18.1% in 2H25E due to the same reason. Accordingly, we project Zenergy's operating margin to widen by 2.2ppcts HoH to 6% in 2H25E with an operating profit of RMB302mn. With a stable profit contribution from STAES joint venture, we estimate Zenergy's net profit to be RMB591mn in FY25E, or RMB370mn in 2H25E.

■ **FY26E outlook.** Recent new models, including the VW *ID. ERA 9X EREV*, Leap *A10 EV* and Hongqi *HQ9 PHEV* have chosen Zenergy as their battery supplier, according to MIIT's announcement on new vehicle models. We maintain our FY26E sales volume forecast of 30GWh for Zenergy, as we revise up sales volume forecast from VW and cut estimates for SAIC-GM-Wuling. We revise up FY26E revenue forecast by 8% to RMB14.6bn amid better client mix and possible battery price hike. We also project FY26E gross margin to widen by 0.5ppcts to 18.5% due to the same reasons. Accordingly, we revise up our FY26E net profit forecast by 4% to RMB1.36bn. We maintain our FY27E net profit forecast at RMB1.88bn.

■ **Valuation/Key risks.** We maintain our BUY rating and target price of HK\$18.00, still based on 22x our FY27E P/E. We believe such valuation is justified given its peers' median FY27E P/E of 15x and Zenergy's higher profit growth outlook. Key risks to our rating and target price include lower NEV sales volume from major clients, slower expansion into new models, lower gross margin than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	4,162	5,130	8,200	14,564	20,803
YoY growth (%)	26.5	23.3	59.8	77.6	42.8
Gross margin (%)	5.0	14.6	18.0	18.5	18.6
Operating profit (RMB mn)	(505.8)	(90.9)	423.1	1,174.1	1,955.2
Net profit (RMB mn)	(589.9)	91.0	590.9	1,357.3	1,883.4
YoY growth (%)	na	na	549.3	129.7	38.8
EPS (Reported) (RMB cents)	(30.84)	3.93	23.12	52.18	72.27
P/S (x)	4.8	3.9	2.5	1.4	1.0
P/E (x)	ns	200.2	34.1	15.1	10.9
ROE (%)	(16.3)	1.7	8.5	15.6	18.2
Net gearing (%)	21.7	12.8	(1.1)	(19.5)	(33.9)

Source: Company data, Bloomberg, CMBIGM estimates

Target Price	HK\$18.00
Up/Downside	103.4%
Current Price	HK\$8.85

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Stock Data	
Mkt Cap (HK\$ mn)	22,606.6
Avg 3 mths t/o (HK\$ mn)	20.2
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	2554.4

Source: FactSet

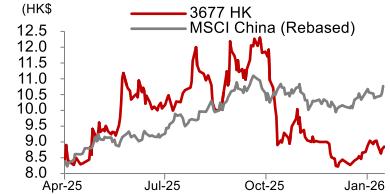
Shareholding Structure	
Ms. Cao Fang and concert parties	45.4%
Others	54.6%

Source: HKEx

Share Performance		
	Absolute	Relative
1-mth	7.0%	0.1%
3-mth	-1.4%	-1.7%
6-mth	-13.2%	-20.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Zenergy \(3677 HK\) - Minimal legacy burden, operational efficiency, improving client mix to drive sales, profit" - 12 Sep 2025](#)

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25E	YoY	HoH
Revenue	1,845	3,286	3,172	5,028	53.0%	58.5%
Gross profit	183	565	569	909	60.8%	59.9%
Selling expenses	(17)	(19)	(16)	(31)	62.2%	89.7%
G&A expenses	(135)	(167)	(173)	(215)	29.3%	24.7%
R&D expenses	(260)	(296)	(253)	(404)	36.5%	59.6%
Operating profit	(206)	116	121	302	160.9%	148.4%
Net profit	(130)	221	220	370	67.6%	68.1%
Gross margin	9.9%	17.2%	17.9%	18.1%	0.9 ppts	0.2 ppts
Operating margin	-11.2%	3.5%	3.8%	6.0%	2.5 ppts	2.2 ppts
Net margin	-7.0%	6.7%	6.9%	7.4%	0.6 ppts	0.4 ppts

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	8,200	14,564	20,803	7,668	13,491	19,986	6.9%	8.0%	4.1%
Gross profit	1,478	2,689	3,867	1,394	2,544	3,794	6.0%	5.7%	1.9%
Operating profit	423	1,174	1,955	401	1,123	1,954	5.4%	4.5%	0.1%
Net profit	591	1,357	1,883	569	1,307	1,880	3.8%	3.9%	0.2%
Gross margin	18.0%	18.5%	18.6%	18.2%	18.9%	19.0%	-0.2 ppts	-0.4 ppts	-0.4 ppts
Operating margin	5.2%	8.1%	9.4%	5.2%	8.3%	9.8%	-0.1 ppts	-0.3 ppts	-0.4 ppts
Net margin	7.2%	9.3%	9.1%	7.4%	9.7%	9.4%	-0.2 ppts	-0.4 ppts	-0.4 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	8,200	14,564	20,803	7,667	12,450	19,101	7.0%	17.0%	8.9%
Gross profit	1,478	2,689	3,867	1,375	2,389	3,762	7.5%	12.6%	2.8%
Operating profit	423	1,174	1,955	375	993	1,954	12.8%	18.2%	0.1%
Net profit	591	1,357	1,883	546	1,191	1,805	8.3%	13.9%	4.3%
Gross margin	18.0%	18.5%	18.6%	17.9%	19.2%	19.7%	0.1 ppts	-0.7 ppts	-1.1 ppts
Operating margin	5.2%	8.1%	9.4%	4.9%	8.0%	10.2%	0.3 ppts	0.1 ppts	-0.8 ppts
Net margin	7.2%	9.3%	9.1%	7.1%	9.6%	9.5%	0.1 ppts	-0.2 ppts	-0.4 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	3,290	4,162	5,130	8,200	14,564	20,803
Cost of goods sold	(3,581)	(3,953)	(4,382)	(6,722)	(11,875)	(16,936)
Gross profit	(290)	208	748	1,478	2,689	3,867
Operating expenses	(1,409)	(714)	(839)	(1,055)	(1,515)	(1,912)
Selling expense	(20)	(58)	(36)	(48)	(86)	(114)
Admin expense	(241)	(259)	(301)	(388)	(524)	(644)
R&D expense	(329)	(424)	(556)	(657)	(965)	(1,217)
Others	(819)	27	54	37	59	63
Operating profit	(1,699)	(506)	(91)	423	1,174	1,955
Share of (losses)/profits of associates/JV	1	(25)	302	327	339	352
EBITDA	(1,404)	(117)	821	1,445	2,368	3,351
Depreciation	218	334	530	613	771	959
Other amortisation	76	79	79	83	84	86
EBIT	(1,698)	(531)	212	750	1,513	2,307
Interest expense	(33)	(73)	(133)	(159)	(156)	(130)
Pre-tax profit	(1,731)	(604)	79	591	1,357	2,177
Income tax	11	15	12	0	0	(294)
After tax profit	(1,720)	(590)	91	591	1,357	1,883
Minority interest	0	0	0	0	0	0
Net profit	(1,720)	(590)	91	591	1,357	1,883
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	4,671	4,355	5,732	8,820	12,773	17,028
Cash & equivalents	936	2,034	2,199	3,357	4,394	5,898
Restricted cash	1,035	472	1,060	1,000	800	800
Account receivables	326	1,147	1,623	2,359	4,309	5,984
Inventories	1,013	614	679	1,031	1,789	2,320
Financial assets at FVTPL	1,163	0	0	811	1,035	1,464
Other current assets	198	88	171	261	445	563
Non-current assets	5,780	9,775	9,862	11,259	12,558	13,446
PP&E	4,707	5,619	5,704	6,563	7,595	8,447
Right-of-use assets	303	257	226	668	866	755
Investment in JVs & assos	65	3,351	3,467	3,572	3,681	3,893
Intangibles	549	491	423	361	296	220
Goodwill	1	1	1	1	1	1
Other non-current assets	154	55	40	94	119	129
Total assets	10,451	14,131	15,594	20,079	25,331	30,474
Current liabilities	5,288	6,150	6,497	8,114	12,310	16,069
Short-term borrowings	579	694	1,246	1,200	1,000	1,200
Account payables	3,012	3,416	3,743	5,341	8,947	12,064
Tax payable	24	0	0	0	0	0
Other current liabilities	1,493	1,968	1,463	1,394	1,861	2,153
Lease liabilities	34	27	30	86	112	95
Contract liabilities	145	45	15	92	390	557
Non-current liabilities	2,690	3,234	3,200	3,990	3,647	3,122
Long-term borrowings	2,310	2,841	2,769	3,069	2,369	1,669
Other non-current liabilities	380	392	432	921	1,278	1,453
Total liabilities	7,978	9,384	9,697	12,104	15,957	19,191
Share capital	1,882	2,256	2,387	2,598	2,604	2,607
Other reserves	591	2,491	3,510	5,377	6,769	8,676
Total shareholders equity	2,473	4,747	5,897	7,975	9,373	11,283
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,451	14,131	15,594	20,079	25,331	30,474

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,731)	(604)	79	591	1,357	2,177
Depreciation & amortization	294	414	609	695	855	1,044
Tax paid	(5)	(24)	(0)	0	0	(294)
Change in working capital	1,323	64	(1,012)	483	1,766	1,421
Others	1,472	435	(37)	(64)	(87)	(121)
Net cash from operations	1,354	284	(361)	1,705	3,892	4,228
Investing						
Capital expenditure	(2,708)	(814)	(625)	(1,520)	(1,820)	(1,820)
Acquisition of subsidiaries/ investments	(240)	0	0	0	0	0
Net proceeds from disposal of short-term investments	(1,147)	1,169	0	(800)	(200)	(400)
Others	81	(53)	(150)	292	315	232
Net cash from investing	(4,013)	303	(775)	(2,028)	(1,705)	(1,988)
Financing						
Net borrowings	2,886	1,221	1,369	1,500	300	500
Proceeds from share issues	2,415	5	1,000	1,447	15	8
Others	(2,478)	(715)	(1,071)	(1,466)	(1,465)	(1,244)
Net cash from financing	2,824	511	1,298	1,481	(1,150)	(736)
Net change in cash						
Cash at the beginning of the year	767	936	2,034	2,199	3,357	4,394
Exchange difference	4	0	3	0	0	0
Cash at the end of the year	936	2,034	2,199	3,357	4,394	5,898
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	119.5%	26.5%	23.3%	59.8%	77.6%	42.8%
Gross profit	na	na	259.0%	97.5%	82.0%	43.8%
Operating profit	na	na	na	na	177.5%	66.5%
EBITDA	na	na	na	76.1%	63.9%	41.5%
EBIT	na	na	na	254.3%	101.8%	52.5%
Net profit	na	na	na	549.3%	129.7%	38.8%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	(8.8%)	5.0%	14.6%	18.0%	18.5%	18.6%
Operating margin	(51.6%)	(12.2%)	(1.8%)	5.2%	8.1%	9.4%
EBITDA margin	(42.7%)	(2.8%)	16.0%	17.6%	16.3%	16.1%
Return on equity (ROE)	(77.2%)	(16.3%)	1.7%	8.5%	15.6%	18.2%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.4	0.2	0.1	(0.0)	(0.2)	(0.3)
Current ratio (x)	0.9	0.7	0.9	1.1	1.0	1.1
Receivable turnover days	36.2	100.6	115.5	105.0	108.0	105.0
Inventory turnover days	103.3	56.7	56.5	56.0	55.0	50.0
Payable turnover days	307.1	315.4	311.7	290.0	275.0	260.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	200.2	34.1	15.1	10.9
P/E (diluted)	ns	ns	200.2	34.2	15.1	10.9
P/B	5.4	3.2	3.1	2.5	2.2	1.8
P/CFPS	9.9	53.0	ns	11.8	5.3	4.9
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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