

Auto

Price war to intensify amid AI arms race

We summarize the Feb 2025 price discounts at dealers for major automakers in this report. Note that Feb discounts for each automaker are calculated based on the weighted average of Jan 2025 retail sales volume for each model, as Feb 2025 retail sales volume data have not been released yet.

The industrywide average discounts widened by 0.1ppts MoM in Feb 2025, based on our calculations, as the widening discounts for German and Chinese brands outweighed the narrowed discounts of Japanese and Korean brands. As most automakers are set to launch a plethora of new models after Chinese New Year, we believe price war could intensify again in the following months, especially with a focus on autonomous driving (AD) this year.

We still believe Geely could gain more market share than some investors' expectation in 2025, given its comprehensive capabilities in AI and vehicle architecture. Xpeng could continue to benefit from its leading AD technologies and strong model cycle this year.

■ **The NEV trio and Leapmotor.** In Feb 2025, **Li Auto's** average discounts widened by 2ppts MoM to 4.5% (Figure 1). We expect it to further widen MoM in Mar given the new incentives of up to RMB16,000 announced on 28 Feb. It appears that Li Auto's sales volume has been regaining traction with wider discounts, based on the latest weekly sales volume. The company plans to roll out facelifted models with upgraded AD functions in May and brand-new *i8* SUV in Jul. **NIO's** average discounts narrowed again to 2.6% in Feb (Figure 2), underscoring management's efforts in margin improvement. Although there was still no price discount for the Onvo brand in Feb, we note that the number of complimentary battery swap vouchers increased from 12 to 24 last month. **Xpeng's** average discounts widened by 0.7ppts MoM in Feb (Figure 3), driven by the G6, G9 and X9. The facelifted G6 and G9 are expected to be rolled out this month. **Leapmotor's** average discounts at dealers widened 0.5ppts MoM to 9.8% in Feb (Figure 4), as most models increased discounts in a bid to regain sales traction. The company will start the pre-sale of the *B10* on 10 Mar.

■ **Great Wall Motor.** Great Wall's average discounts at dealers widened by 0.4ppts MoM to 11.8% in Feb (Figure 5), mainly due to the Ora *Haomao* EV and Wey *Lanshan* PHEV. Great Wall's sales volume had been weaker than peers in the first two months of 2025 amid lack of new models. Three key models, including the facelifted *Tank 300*, redesigned Haval *Xiaolong Max* PHEV and facelifted Wey *Gaoshan* PHEV are scheduled to be launched during Mar and Apr, which could become sales drivers in 2Q25, in our view.

■ **Geely.** Geely's average discounts at dealers narrowed by 0.3ppts MoM to 9.4% in Feb (Figure 6), thanks to the *Starship 7* and the launches of the EM-i versions for the *Galaxy L6* and *L7* last month. We expect Geely's discounts to widen MoM in Mar, as the company announced discounts of RMB3,000-6,000 for all the models under the Galaxy brand at its AI event on 3 Mar. Geely followed its major competitor to equip AD functions on most of its future models. We are of the view that initial customer experience, technology iteration and model rollout time would be keys to withstanding the competition.

■ **GAC Group.** Both Trumpchi and Aion's average discounts rose 0.1-0.2ppts MoM in Feb (Figure 7-8), mainly due to the Trumpchi *E9* PHEV and Aion *RT* EV, respectively. With the launch of the Aion *UT* EV on 28

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	30
Li Auto	2015 HK	BUY	117
NIO	NIO US	HOLD	5
Xpeng	XPEV US	BUY	16
Xpeng	9868 HK	BUY	62.4
Geely	175 HK	BUY	19
GWM	2333 HK	BUY	17
GWM	601633 CH	BUY	35
GAC	2238 HK	BUY	3.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	40
Yongda	3669 HK	BUY	1.8
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	20
Minth	425 HK	BUY	21
EVA	838 HK	BUY	1.3

Source: Bloomberg, CMBIGM

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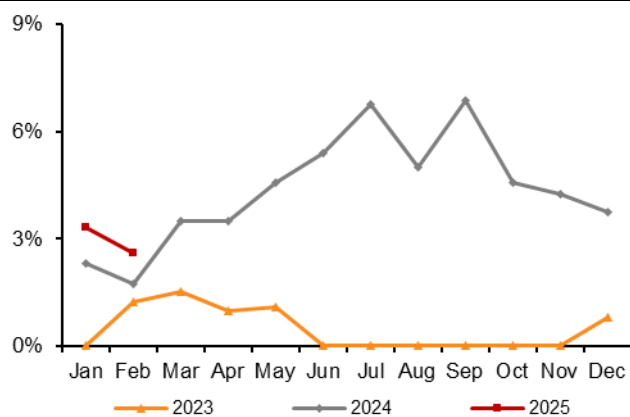
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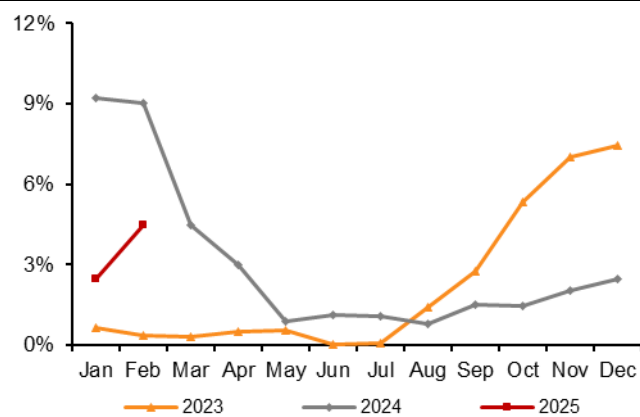
Feb, we expect Aion's average discounts to narrow a bit in the following months.

The average discounts at GAC Toyota (Figure 10) narrowed by 0.8ppts MoM to about 20.3% in Feb, the lowest since Jul 2024, mainly due to the *Wildlander*. Similar to Jan, its retail sales volume may fall by more than 20% MoM in Feb, based on the weekly data. The average discounts at GAC Honda (Figure 9) rose 0.3ppts MoM to 21.1% in Feb, a record high. Rising discounts may not drive its sales volume higher, as we estimate its retail sales volume to drop by more than 40% MoM in Feb.

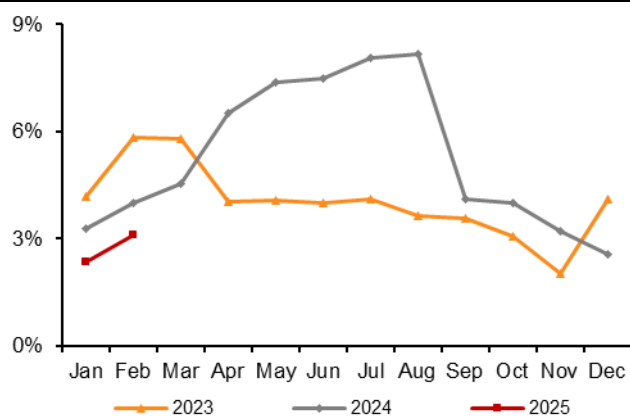
- **BMW.** Discounts at BMW Brilliance narrowed by 1.1ppts MoM to 29.2% in Feb (Figure 12), given the launch of the redesigned X3 with a longer wheelbase and a MSRP cut of up to RMB50,000 (about 10%) on 14 Feb. We believe the MSRP cut reflects BMW management's rising awareness of the competition in China. New-car margins for BMW dealers in China this year still largely rely on BMW's special rebates, in our view.
- **Mercedes-Benz.** Discounts at Beijing Benz rose 0.7ppts MoM to 25.9% in Feb (Figure 11), a record high again, mainly due to the *C-Class* and *E-Class*. Mercedes-Benz appears to be less aggressive in terms of sales volume target in China than BMW, based on our channel checks.

Figure 1: NIO's discounts

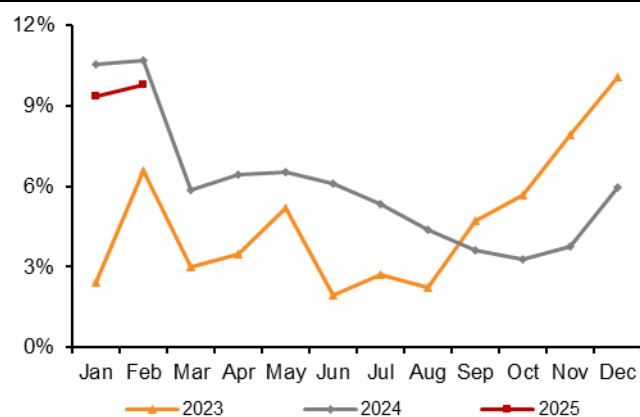
Source: ThinkerCar, CMBIGM

Figure 2: Li Auto's discounts

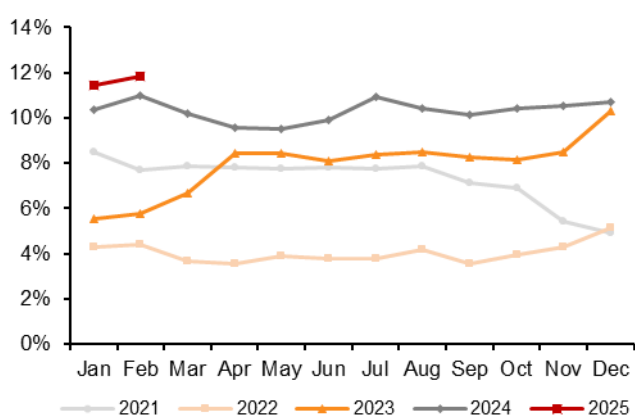
Source: ThinkerCar, CMBIGM

Figure 3: Xpeng's discounts

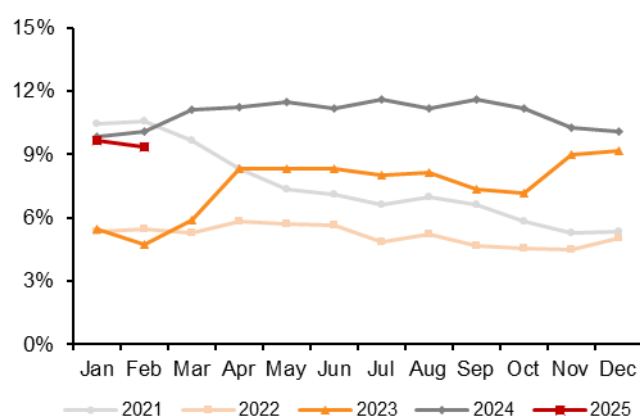
Source: ThinkerCar, CMBIGM

Figure 4: Leapmotor's discounts

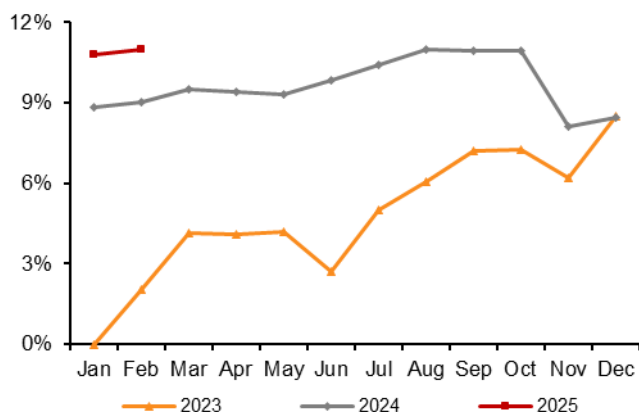
Source: ThinkerCar, CMBIGM

Figure 5: Great Wall Motor discounts at dealers

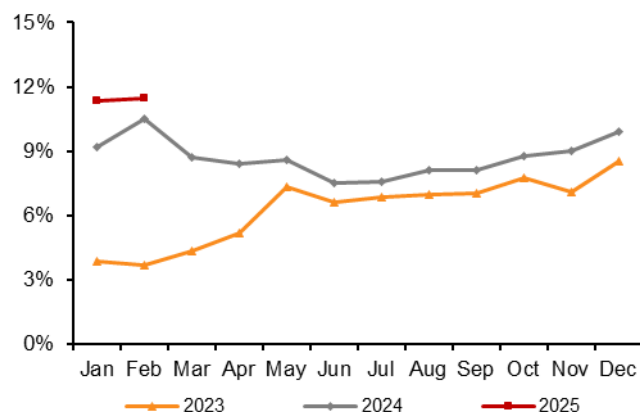
Source: ThinkerCar, CMBIGM

Figure 6: Geely discounts at dealers

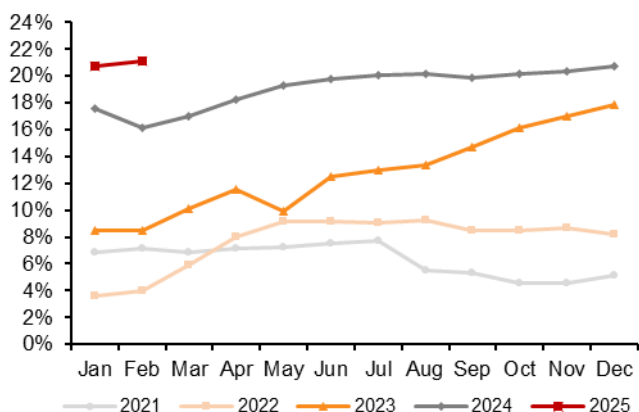
Source: ThinkerCar, CMBIGM

Figure 7: GAC Aion discounts at dealers

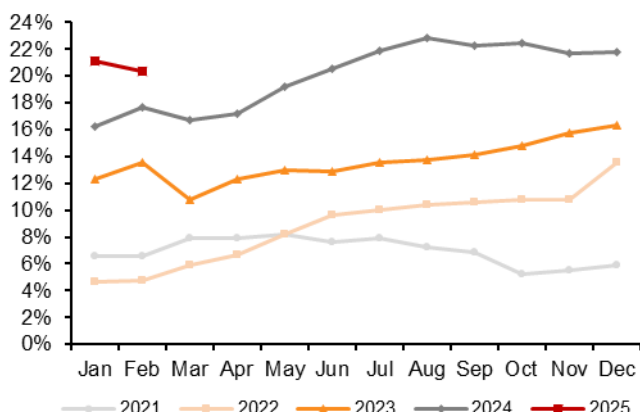
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Figure 8: GAC Trumpchi discounts at dealers

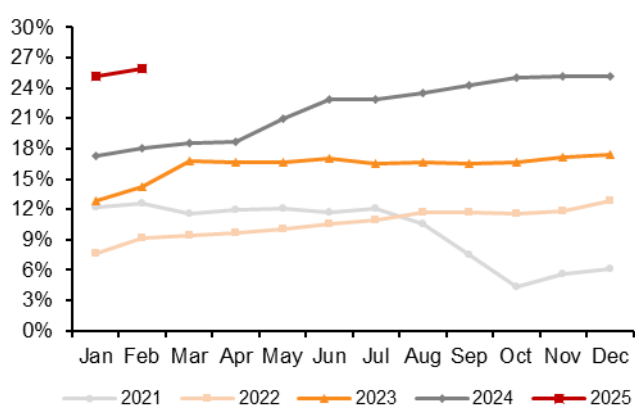
Source: ThinkerCar, CMBIGM

Figure 9: GAC Honda discounts at dealers

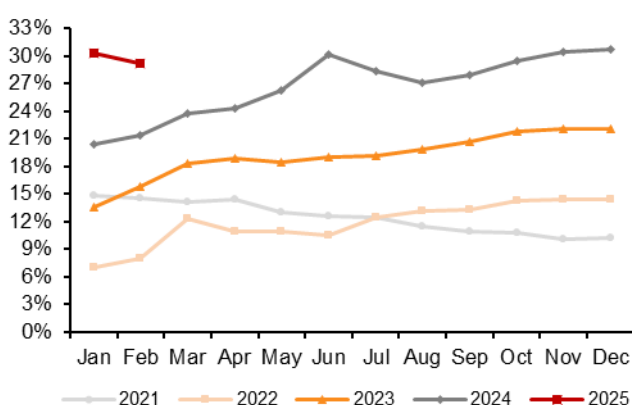
Source: ThinkerCar, CMBIGM

Figure 10: GAC Toyota discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 11: Beijing Benz discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 12: BMW Brilliance discounts at dealers

Source: ThinkerCar, CMBIGM

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