

NIO Inc. (NIO US)

Need persuasive strategies to turn profitable

Maintain HOLD. We project NIO's 4Q23 net loss to narrow QoQ to RMB4.4bn with a GPM improvement. However, such GPM lift could still result in a net loss of RMB14.6bn in FY24E on our estimates. Although the capital injection from CYVN could probably support NIO's cash burn for two years, we think NIO still needs to lay out persuasive strategies to turn profitable to increase investors' confidence, especially for its second brand launch in 2H24, as the NIO brand lacks new models in 1H24.

■ **We expect 4Q23 GPM to widen QoQ.** We project NIO's vehicle average selling price (ASP) to fall 2% QoQ to about RMB309,000 in 4Q23 amid milder discounts than most of its peers. We also expect battery price declines to offset such discounts and aid NIO's 4Q23 vehicle GPM, which we estimate to be 11.7%, or 0.7 ppt higher than 3Q23. On the other hand, we expect NIO's other revenue in 4Q23 to decline QoQ with margin deterioration, as income from battery swap fell. Accordingly, we project NIO's overall ASP to fall 3% QoQ to RMB334,000 and GPM to be 8.9% in 4Q23. We expect its 4Q23 net loss to narrow slightly QoQ to RMB4.4bn.

■ **1H24 lacks new models and more importantly, the company needs new strategies to turn profitable.** We maintain our FY24E sales volume forecast of 210,000 units and GPM of 8.1%. We are of the view that NIO's sales growth in FY24E could be the lowest among the NEV trio (NIO, Xpeng (XPEV US, HOLD), Li Auto (LI US, BUY)) given its lack of new models and cannibalization of current models on sale. Although we project NIO's R&D and SG&A expenses both to decline YoY in FY24E, we still expect a net loss of RMB14.6bn in FY24E. We cannot rule out the possibility that NIO continues to accelerate R&D for more projects after the fundraising. We are of the view that the capital injection of more than RMB20bn from CYVN should provide enough cash for NIO during FY24-25 and these two years could be crucial for NIO. The company should lay out a clear roadmap with practical strategies to turn profitable for investors, in our view, as we still cannot see any signal of profitability.

■ **Valuation/Key risks.** We maintain our HOLD rating and cut our target price from US\$8.50 to US\$6.80, based on 1.4x (prior 1.5x) our revised FY24E revenue estimates (revenue per share has been diluted after the placement to CYVN, as the number of shares outstanding increased by about 16%, which could be overlooked by some investors). Li Auto, with much better profitability, now trades at 1.2x our FY24E P/S. Key risks to our rating and target price include higher or lower sales volume and margins than we expect, as well as a sector re-rating or de-rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	36,136	49,269	55,228	70,107	83,127
YoY growth (%)	122.3	36.3	12.1	26.9	18.6
Gross margin (%)	18.9	10.4	5.9	8.1	9.4
Operating profit (RMB mn)	(4,496)	(15,641)	(20,768)	(15,477)	(12,727)
Net profit (RMB mn)	(10,572.3)	(14,559.4)	(19,967.5)	(14,580.8)	(11,902.4)
Adjusted net profit (RMB mn)	(2,975.6)	(11,984.2)	(17,867.5)	(12,680.8)	(10,202.4)
EPS (Reported) (RMB cents)	(672.24)	(889.40)	(1,069.78)	(702.40)	(570.62)
P/S (x)	2.5	1.8	1.6	1.3	1.1
P/B (x)	11.2	7.3	2.5	4.6	9.0

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$6.80
(Previous TP)	US\$8.50
Up/Downside	14.1%
Current Price	US\$5.96

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Stock Data

Mkt Cap (US\$ mn)	12,419.1
Avg 3 mths t/o (US\$ mn)	447.0
52w High/Low (US\$)	15.46/5.38
Total Issued Shares (mn)	2083.7

Source: FactSet

Shareholding Structure

CYVN Holdings	20.1%
Mr. Li Bin	8.5%

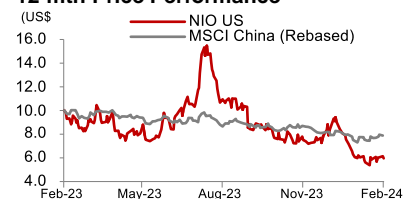
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	-1.7%	-6.5%
3-mth	-20.6%	-12.6%
6-mth	-45.6%	-40.3%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports

["NIO Inc. \(NIO US\) – Back to square one?" – 6 Dec 2023](#)

["China Auto Sector – Jan NEV sales in line; more catalysts after CNY" – 2 Feb 2024](#)

Figure 1: Quarterly results

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23E	YoY	QoQ
Sales volume (units)	25,768	25,059	31,607	40,052	31,041	23,520	55,432	50,045	25.0%	-9.7%
ASP (RMB)	384,608	410,725	411,368	401,066	343,947	372,948	343,963	333,973	-16.7%	-2.9%
Revenue	9,911	10,292	13,002	16,064	10,676	8,772	19,067	16,714	4.0%	-12.3%
Gross profit	1,447	1,340	1,735	622	162	87	1,523	1,491	139.8%	-2.1%
R&D expenses	(1,762)	(2,149)	(2,945)	(3,981)	(3,076)	(3,345)	(3,039)	(3,257)	-18.2%	7.2%
SG&A expenses	(2,015)	(2,282)	(2,712)	(3,527)	(2,446)	(2,857)	(3,609)	(3,254)	-7.8%	-9.8%
Operating profit	(2,189)	(2,846)	(3,870)	(6,736)	(5,112)	(6,074)	(4,844)	(4,739)	N/A	N/A
Net profit	(1,825)	(2,745)	(4,142)	(5,847)	(4,804)	(6,122)	(4,629)	(4,413)	N/A	N/A
Gross margin	14.6%	13.0%	13.3%	3.9%	1.5%	1.0%	8.0%	8.9%	5.0 ppt	0.9 ppt
Operating margin	-22.1%	-27.6%	-29.8%	-41.9%	-47.9%	-69.2%	-25.4%	-28.4%	13.6 ppt	-2.9 ppt
Net margin	-18.4%	-26.7%	-31.9%	-36.4%	-45.0%	-69.8%	-24.3%	-26.4%	10.0 ppt	-2.1 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	55,228	70,107	83,127	54,776	69,988	83,108	0.8%	0.2%	0.0%
Gross profit	3,263	5,713	7,810	3,175	5,693	7,775	2.8%	0.4%	0.4%
Operating profit	(20,768)	(15,477)	(12,727)	(20,457)	(15,497)	(12,762)	N/A	N/A	N/A
Net profit	(19,968)	(14,581)	(11,902)	(19,653)	(14,699)	(12,042)	N/A	N/A	N/A
Gross margin	5.9%	8.1%	9.4%	5.8%	8.1%	9.4%	0.1 ppt	0.0 ppt	0.0 ppt
Operating margin	-37.6%	-22.1%	-15.3%	-37.3%	-22.1%	-15.4%	-0.3 ppt	0.1 ppt	0.0 ppt
Net margin	-36.2%	-20.8%	-14.3%	-35.9%	-21.0%	-14.5%	-0.3 ppt	0.2 ppt	0.2 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	55,228	70,107	83,127	56,681	80,494	111,392	-2.6%	-12.9%	-25.4%
Gross profit	3,263	5,713	7,810	3,841	10,543	18,193	-15.0%	-45.8%	-57.1%
Operating profit	(20,768)	(15,477)	(12,727)	(19,609)	(13,067)	(6,593)	N/A	N/A	N/A
Net profit	(19,968)	(14,581)	(11,902)	(17,616)	(10,766)	(4,832)	N/A	N/A	N/A
Gross margin	5.9%	8.1%	9.4%	6.8%	13.1%	16.3%	-0.9 ppt	-4.9 ppt	-6.9 ppt
Operating margin	-37.6%	-22.1%	-15.3%	-34.6%	-16.2%	-5.9%	-3.0 ppt	-5.8 ppt	-9.4 ppt
Net margin	-36.2%	-20.8%	-14.3%	-31.1%	-13.4%	-4.3%	-5.1 ppt	-7.4 ppt	-10.0 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	16,258	36,136	49,269	55,228	70,107	83,127
Cost of goods sold	(14,385)	(29,315)	(44,125)	(51,965)	(64,394)	(75,318)
Gross profit	1,873	6,821	5,144	3,263	5,713	7,810
Operating expenses	(6,481)	(11,318)	(20,785)	(24,032)	(21,191)	(20,537)
SG&A expense	(3,932)	(6,878)	(10,537)	(12,166)	(11,538)	(11,441)
R&D expense	(2,488)	(4,592)	(10,836)	(12,716)	(10,653)	(10,195)
Others	(61)	152	589	850	1,000	1,100
Operating profit	(4,608)	(4,496)	(15,641)	(20,768)	(15,477)	(12,727)
Other gains/(losses)	(365)	185	(145)	200	400	500
Share of (losses)/profits of associates/JV	(66)	63	378	60	80	100
EBITDA	(3,326)	(985)	(10,055)	(12,859)	(5,889)	(1,963)
Depreciation	1,046	1,708	2,852	4,487	5,937	6,954
Depreciation of ROU assets	499	644	1,142	1,935	2,006	2,248
EBIT	(4,872)	(3,337)	(14,049)	(19,281)	(13,833)	(11,166)
Interest income	167	912	1,359	1,228	1,165	962
Interest expense	(426)	(637)	(333)	(382)	(460)	(444)
Foreign exchange gain/loss	457	10	283	0	0	0
Pre-tax profit	(5,298)	(3,975)	(14,382)	(19,663)	(14,292)	(11,609)
Income tax	(6)	(42)	(55)	(39)	(29)	(23)
After tax profit	(5,304)	(4,017)	(14,437)	(19,703)	(14,321)	(11,632)
Minority interest	5	31	157	35	40	30
Others	(312)	(6,587)	(279)	(300)	(300)	(300)
Net profit	(5,611)	(10,572)	(14,559)	(19,968)	(14,581)	(11,902)
Adjusted net profit	(5,112)	(2,976)	(11,984)	(17,868)	(12,681)	(10,202)

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	46,207	63,641	59,150	63,627	57,419	55,174
Cash & equivalents	38,426	15,334	19,888	32,515	28,735	26,601
Restricted cash	78	2,994	3,154	3,000	2,500	2,500
Account receivables	1,079	2,781	5,118	4,539	5,762	6,832
Inventories	1,082	2,056	8,191	4,983	4,587	5,365
ST bank deposits	3,951	37,058	19,171	15,000	12,000	10,000
Other current assets	1,592	3,418	3,627	3,590	3,835	3,875
Non-current assets	8,435	19,242	37,114	39,050	39,170	37,991
PP&E	4,996	7,400	15,659	19,128	20,131	19,105
Right-of-use assets	1,350	2,988	7,374	9,109	7,612	7,092
Investment in JVs & assos	300	3,059	6,356	5,484	4,764	3,964
Intangibles	1	0	0	0	1	1
Other non-current assets	1,788	5,795	7,725	5,328	6,662	7,829
Total assets	54,642	82,884	96,264	102,677	96,588	93,164
Current liabilities	13,976	29,198	45,852	42,690	48,420	53,682
Short-term borrowings	1,550	6,458	4,039	0	0	0
Account payables	6,368	12,639	25,224	27,050	31,756	35,080
Tax payable	182	628	286	286	286	286
Other current liabilities	5,329	8,729	15,277	13,376	14,551	16,448
Lease liabilities	547	745	1,026	1,977	1,827	1,868
Non-current liabilities	8,803	15,622	22,765	28,279	28,571	29,507
Long-term borrowings	5,938	9,739	10,886	14,436	14,285	14,285
Other non-current liabilities	2,865	5,883	11,879	13,843	14,286	15,222
Total liabilities	22,780	44,820	68,617	70,969	76,991	83,189
Share capital	3	3	3	4	4	4
Capital surplus	78,880	92,467	94,593	118,346	120,546	122,546
Retained earnings	(51,714)	(55,910)	(68,878)	(88,826)	(103,386)	(115,269)
Other reserves	4,691	1,428	1,708	2,008	2,308	2,608
Total shareholders equity	31,860	37,988	27,425	31,532	19,471	9,889
Minority interest	2	76	221	176	126	86
Total equity and liabilities	54,642	82,884	96,264	102,677	96,588	93,164

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,298)	(3,975)	(14,382)	(19,663)	(14,292)	(11,609)
Depreciation & amortization	1,546	2,352	3,994	6,422	7,944	9,202
Change in working capital	4,830	2,693	4,444	6,591	3,173	315
Others	873	896	2,078	1,821	1,638	1,449
Net cash from operations	1,951	1,966	(3,866)	(4,829)	(1,538)	(643)
Investing						
Capital expenditure	(1,128)	(4,079)	(6,973)	(8,001)	(7,001)	(6,001)
Acquisition of subsidiaries/ investments	(251)	(2,543)	(2,229)	(300)	(200)	(100)
Net proceeds from disposal of short-term investments	(3,856)	(33,194)	19,027	4,171	3,000	2,000
Others	163	51	560	1,232	1,000	1,000
Net cash from investing	(5,071)	(39,765)	10,385	(2,898)	(3,201)	(3,101)
Financing						
Net borrowings	615	3,680	(1,632)	(5,277)	2,000	1,000
Proceeds from share issues	34,607	12,678	0	21,054	0	0
Others	6,135	1,771	15	4,460	(1,541)	610
Net cash from financing	41,357	18,129	(1,616)	20,237	459	1,610
Net change in cash						
Cash at the beginning of the year	990	38,545	18,375	23,155	35,665	31,385
Exchange difference	(682)	(501)	(122)	0	0	0
Cash at the end of the year	38,545	18,375	23,155	35,665	31,385	29,251
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	107.8%	122.3%	36.3%	12.1%	26.9%	18.6%
Gross profit	na	264.1%	(24.6%)	(36.6%)	75.1%	36.7%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	11.5%	18.9%	10.4%	5.9%	8.1%	9.4%
Operating margin	(28.3%)	(12.4%)	(31.7%)	(37.6%)	(22.1%)	(15.3%)
EBITDA margin	(20.5%)	(2.7%)	(20.4%)	(23.3%)	(8.4%)	(2.4%)
Adj. net profit margin	(31.4%)	(8.2%)	(24.3%)	(32.4%)	(18.1%)	(12.3%)
Return on equity (ROE)	(41.5%)	(30.3%)	(44.5%)	(67.7%)	(57.2%)	(81.1%)
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	3.3	2.2	1.3	1.5	1.2	1.0
Receivable turnover days	24.2	28.1	37.9	30.0	30.0	30.0
Inventory turnover days	27.4	25.6	67.8	35.0	26.0	26.0
Payable turnover days	161.6	157.4	208.7	190.0	180.0	170.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/B	3.9	11.2	7.3	2.5	4.6	9.0
P/CFPS	63.7	217.3	na	na	na	na
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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