

BYD (1211 HK/002594 CH)

Overseas, R&D support 1Q26 earnings resilience

Maintain BUY. BYD's 1Q26 average selling price (ASP) and GPM both beat our prior forecast with overseas contribution, which echoed our previous report titled "overseas sales could be a positive surprise in FY26" ([link](#)). We expect FY26E GPM to sustain, as we estimate overseas vehicle GPM could be 6-8ppts higher than that in China. BYD also becomes more prudent on expenses, especially on R&D, which could provide earnings resilience with higher capitalization ratio. We still believe BYD is one of the biggest beneficiaries from high oil price.

■ **1Q26 revenue, GPM beat on overseas.** BYD's 1Q26 revenue fell by 12% YoY amid a sales volume decline of 30% YoY, or 13% higher than our prior forecast, as overseas accounted for 46% of BYD's total sales volume in 1Q26. That also lifted its GPM by 1.4ppts QoQ to 18.8%, 0.3ppts higher than our forecast. R&D expenses were more disciplined than we had projected while forex loss was higher than expected. All combined resulted in a net profit of RMB4.1bn in 1Q26, or about RMB0.7bn higher than our forecast.

■ **BYD's overseas potential could still be underestimated.** We estimate that BYD's overseas vehicle GPM could be 6-8ppts higher than that in China, based on 1Q26 and 4Q25 data with assumptions of minimal QoQ changes in ASPs and GPMs. We maintain our FY26E total sales volume forecast of 5mn units but revise up overseas sales volume by 0.1mn units to 1.6mn units. Accordingly, we raise our FY26E revenue forecast by 2%. We also believe higher sales volume from overseas could sustain BYD's FY26E GPM, despite raw-material price hike and heavy capex. We project FY26 GPM to only narrow by 0.1ppt YoY to 17.6%.

■ **R&D capitalization provides earnings resilience.** We estimate that R&D capitalization ratio rose to about 17% in 1Q26 from 9% in FY25, which was one of the reasons for the net profit beat. As we noted a few times before, BYD's low R&D capitalization ratios in the past four years have minimized its amortization burden in the future, which could provide its earnings resilience. We raise its FY26/27E R&D capitalization ratio assumptions from 7%/7% to 15%/12%. Accordingly, we revise up FY26/27E net profit forecasts by 4%/6% to RMB37.9bn/46.3bn.

■ **Valuation/Key risks.** We maintain our BUY rating and A/H share target price of HK\$125/RMB125, based on 22x (prior 23x) our FY27E P/E, to reflect the recent market volatility. Key risks to our rating and target price include lower sales volume or margins than we expect, as well as a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	777,102	803,965	888,026	966,928	1,017,597
YoY growth (%)	29.0	3.5	10.5	8.9	5.2
Net profit (RMB mn)	40,254.3	32,619.0	37,884.1	46,257.5	49,092.9
YoY growth (%)	34.0	(19.0)	16.1	22.1	6.1
EPS (Reported) (RMB)	13.85	3.61	4.16	5.07	5.38
P/S (x)	1.1	1.0	0.9	0.9	0.8
P/E (x)	6.5	25.0	21.7	17.8	16.8
Yield (%)	4.6	0.4	0.9	1.1	1.2
ROE (%)	24.8	15.1	14.4	15.4	14.5
Net gearing (%)	(50.7)	(1.1)	(12.2)	(16.7)	(18.6)

Source: Company data, Bloomberg, CMBIGM estimates

	1211 HK	002594 CH
	BUY	BUY
	Maintain	Maintain

TP	HK\$125.00	RMB125.00
Prior TP	HK\$125.00	RMB125.00
Up/Downside	20.5%	23.2%
Current Price	HK\$103.7	RMB101.5

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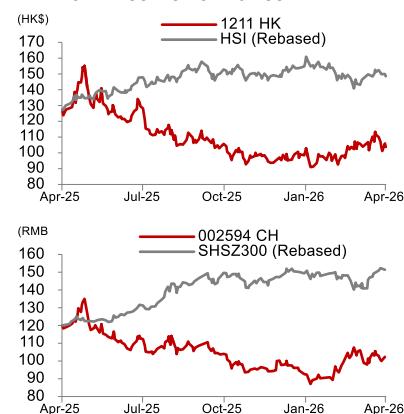
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12-mth Price Performance



Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-2.6%	-5.4%	-3.6%	-8.1%
3-mth	0.9%	9.3%	8.7%	-0.2%
6-mth	-1.0%	1.5%	-2.2%	-2.7%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	945453.4	925213.21
Avg 3 mths t/o (mn)	3138.9	5521.86
52w High	155.07	135
52w Low	90	87.05
Issued Shares (mn)	9117.207	9117.2067

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Sales volume (units)	1,000,804	1,145,150	1,114,192	1,342,290	700,463	-30.0%	-47.8%
Revenue	170,360	200,921	194,985	237,699	150,225	-11.8%	-36.8%
Gross profit	34,185	32,681	34,346	41,448	28,252	-17.4%	-31.8%
R&D expenses	(14,223)	(15,373)	(14,152)	(14,230)	(11,344)	-20.2%	-20.3%
SG&A expenses	(11,087)	(11,710)	(10,979)	(12,608)	(10,910)	-1.6%	-13.5%
Operating profit	11,021	7,699	10,186	11,279	4,696	-57.4%	-58.4%
Net profit	9,155	6,356	7,823	9,286	4,085	-55.4%	-56.0%
Gross margin	20.1%	16.3%	17.6%	17.4%	18.8%	-1.3 pts	1.4 pts
Operating margin	6.5%	3.8%	5.2%	4.7%	3.1%	-3.3 pts	-1.6 pts
Net margin	5.4%	3.2%	4.0%	3.9%	2.7%	-2.7 pts	-1.2 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	888,026	966,928	1,017,597	872,654	945,030	N/A	1.8%	2.3%	N/A
Gross profit	156,700	171,989	181,263	155,061	167,871	N/A	1.1%	2.5%	N/A
Operating profit	46,156	56,790	60,545	45,152	54,508	N/A	2.2%	4.2%	N/A
Net profit	37,884	46,257	49,093	36,305	43,828	N/A	4.3%	5.5%	N/A
Gross margin	17.6%	17.8%	17.8%	17.8%	17.8%	N/A	-0.1 pts	0.0 pts	N/A
Operating margin	5.2%	5.9%	5.9%	5.2%	5.8%	N/A	0.0 pts	0.1 pts	N/A
Net margin	4.3%	4.8%	4.8%	4.2%	4.6%	N/A	0.1 pts	0.1 pts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	888,026	966,928	1,017,597	927,553	1,045,687	1,158,862	-4.3%	-7.5%	-12.2%
Gross profit	156,700	171,989	181,263	170,262	197,854	223,869	-8.0%	-13.1%	-19.0%
Operating profit	46,156	56,790	60,545	46,721	59,888	72,337	-1.2%	-5.2%	-16.3%
Net profit	37,884	46,257	49,093	41,921	52,319	62,962	-9.6%	-11.6%	-22.0%
Gross margin	17.6%	17.8%	17.8%	18.4%	18.9%	19.3%	-0.7 pts	-1.1 pts	-1.5 pts
Operating margin	5.2%	5.9%	5.9%	5.0%	5.7%	6.2%	0.2 pts	0.1 pts	-0.3 pts
Net margin	4.3%	4.8%	4.8%	4.5%	5.0%	5.4%	-0.3 pts	-0.2 pts	-0.6 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	602,315	777,102	803,965	888,026	966,928	1,017,597
Cost of goods sold	(490,399)	(626,047)	(661,305)	(731,326)	(794,940)	(836,334)
Gross profit	111,916	151,056	142,660	156,700	171,989	181,263
Operating expenses	(78,757)	(110,677)	(117,943)	(119,502)	(128,408)	(132,013)
Selling expense	(15,371)	(24,085)	(26,185)	(28,213)	(30,215)	(31,795)
Admin expense	(13,462)	(18,645)	(20,200)	(22,032)	(23,502)	(25,504)
R&D expense	(39,575)	(53,195)	(57,978)	(55,250)	(59,840)	(59,500)
Others	(10,350)	(14,752)	(13,581)	(14,007)	(14,851)	(15,215)
Operating profit	33,159	40,379	24,717	37,198	43,581	49,249
Other income	5,965	15,303	14,932	14,500	14,500	11,500
Other expense	(1,546)	(2,057)	(1,564)	(1,600)	(1,400)	(1,400)
Gain/loss on financial assets at FVTPL	258	532	364	350	500	550
Investment gain/loss	1,635	2,291	2,857	1,938	1,958	2,358
Other gains/(losses)	(3,677)	(5,552)	(2,202)	(1,892)	(1,999)	(2,101)
EBITDA	82,649	118,681	122,830	143,796	168,058	185,639
Depreciation	37,718	56,922	72,048	84,972	97,968	111,468
Depreciation of ROU assets	1,390	2,643	2,655	2,922	3,327	3,777
Other amortisation	4,444	7,341	5,823	6,423	7,008	7,603
EBIT	39,096	51,774	42,305	49,479	59,755	62,790
Interest income	2,796	2,484	2,437	2,485	2,615	2,634
Interest expense	(1,828)	(2,094)	(2,552)	(3,422)	(2,865)	(2,145)
Net Interest income/(expense)	1,475	(1,216)	649	(4,437)	(250)	489
Foreign exchange gain/loss	639	(1,532)	1,034	(3,500)	0	0
Pre-tax profit	37,269	49,681	39,753	46,056	56,890	60,645
Income tax	(5,925)	(8,093)	(5,992)	(7,237)	(8,900)	(9,527)
After tax profit	31,344	41,588	33,761	38,819	47,990	51,118
Minority interest	(1,303)	(1,334)	(1,142)	(935)	(1,732)	(2,025)
Net profit	30,041	40,254	32,619	37,884	46,257	49,093
Gross dividends	9,012	12,077	3,264	7,577	9,251	9,819
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	302,121	370,572	371,468	421,501	479,885	525,808
Cash & equivalents	108,512	102,257	68,395	86,000	95,000	98,411
Restricted cash	583	482	7,030	4,000	5,000	5,000
Account receivables	67,431	72,749	42,489	50,605	55,949	58,881
Inventories	87,677	116,036	138,421	144,262	152,454	160,393
Prepayment	2,215	3,974	5,025	5,851	5,565	5,854
Financial assets at FVTPL	9,563	40,939	54,533	69,683	99,883	130,133
Other current assets	23,481	32,725	54,411	59,544	64,286	65,296
Contract assets	2,660	1,411	1,165	1,557	1,748	1,840
Non-current assets	377,426	412,784	512,262	538,093	548,679	546,360
PP&E	230,904	262,287	292,776	320,806	320,839	307,373
Right-of-use assets	9,679	10,575	9,083	8,560	8,133	7,256
Deferred income tax	6,584	8,559	15,358	15,358	15,358	15,358
Investment in JVs & assos	17,647	19,082	21,781	23,481	25,081	26,881
Intangibles	37,236	38,424	41,485	43,220	44,754	46,060
Goodwill	4,428	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,696	2,655	3,080	3,380	3,780	4,180
Other non-current assets	68,252	66,773	124,271	118,860	126,306	134,824
Total assets	679,548	783,356	883,730	959,594	1,028,564	1,072,168
Current liabilities	453,667	495,985	468,451	512,557	546,563	550,520
Short-term borrowings	18,323	12,103	38,485	26,689	22,699	0
Account payables	194,430	241,643	186,742	207,376	229,335	241,277
Tax payable	7,852	10,097	10,716	11,501	12,196	12,831
Other current liabilities	198,363	188,412	181,037	214,897	227,885	239,129
Contract liabilities	34,699	43,730	51,471	52,094	54,448	57,283
Non-current liabilities	75,419	88,682	156,739	153,398	148,311	146,693
Long-term borrowings	11,975	8,258	60,706	45,706	34,706	23,706
Bond payables	0	0	4,998	5,998	6,998	7,998
Other non-current liabilities	63,444	80,425	91,036	101,695	106,608	114,989
Total liabilities	529,086	584,668	625,191	665,955	694,874	697,213
Share capital	2,911	2,909	9,117	9,117	9,117	9,117

Other reserves	135,899	182,342	237,157	271,697	310,296	350,057
Total shareholders equity	138,810	185,251	246,275	280,814	319,413	359,174
Minority interest	11,652	13,437	12,265	12,825	14,276	15,781
Total equity and liabilities	679,548	783,356	883,730	959,594	1,028,564	1,072,168

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	37,269	49,681	39,753	46,056	56,890	60,645
Depreciation & amortization	43,553	66,906	80,526	94,317	108,303	122,849
Change in working capital	91,094	18,291	(57,100)	33,910	23,049	19,529
Others	(2,190)	(1,424)	(4,043)	(375)	(7,987)	(6,981)
Net cash from operations	169,725	133,454	59,136	173,909	180,256	196,041
Investing						
Capital expenditure	(122,094)	(97,360)	(156,808)	(125,750)	(114,160)	(116,500)
Acquisition of subsidiaries/ investments	(16,163)	(3,792)	(2,998)	(16,100)	(31,100)	(31,100)
Net proceeds from disposal of short-term investments	0	129	1,727	0	0	0
Others	12,593	(28,060)	(39,385)	2,450	2,450	2,450
Net cash from investing	(125,664)	(129,082)	(197,463)	(139,400)	(142,810)	(145,150)
Financing						
Dividend paid	(3,325)	(9,012)	(12,077)	(3,264)	(7,577)	(9,251)
Net borrowings	18,073	(9,480)	84,783	(10,012)	(13,990)	(32,699)
Proceeds from share issues	0	0	40,075	0	0	0
Others	(1,931)	8,225	(8,167)	(3,628)	(6,879)	(5,530)
Net cash from financing	12,817	(10,268)	104,614	(16,904)	(28,446)	(47,481)
Net change in cash						
Cash at the beginning of the year	51,182	108,512	102,257	68,395	86,000	95,000
Exchange difference	451	(359)	(148)	0	0	0
Cash at the end of the year	108,512	102,257	68,395	86,000	95,000	98,411

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	42.0%	29.0%	3.5%	10.5%	8.9%	5.2%
Gross profit	54.9%	35.0%	(5.6%)	9.8%	9.8%	5.4%
Operating profit	56.0%	21.8%	(38.8%)	50.5%	17.2%	13.0%
EBITDA	93.3%	43.6%	3.5%	17.1%	16.9%	10.5%
EBIT	74.6%	32.4%	(18.3%)	17.0%	20.8%	5.1%
Net profit	80.7%	34.0%	(19.0%)	16.1%	22.1%	6.1%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	18.6%	19.4%	17.7%	17.6%	17.8%	17.8%
Operating margin	5.5%	5.2%	3.1%	4.2%	4.5%	4.8%
EBITDA margin	13.7%	15.3%	15.3%	16.2%	17.4%	18.2%
Return on equity (ROE)	24.0%	24.8%	15.1%	14.4%	15.4%	14.5%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.5)	(0.0)	(0.1)	(0.2)	(0.2)
Current ratio (x)	0.7	0.7	0.8	0.8	0.9	1.0
Receivable turnover days	52.0	45.0	30.9	32.0	33.0	33.0
Inventory turnover days	65.3	67.7	76.4	72.0	70.0	70.0
Payable turnover days	147.7	142.3	115.5	115.0	117.0	117.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	8.7	6.5	25.0	21.7	17.8	16.8
P/B	1.9	1.4	3.3	2.9	2.6	2.3
P/CFPS	1.5	2.0	13.8	4.7	4.6	4.2
Div yield (%)	3.4	4.6	0.4	0.9	1.1	1.2

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

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