18 Aug 2026

CMB International Global Markets | Equity Research | Company Update

Geely Automobile (175 HK)

2Q26 in-line; export, margin traction to continue

Maintain BUY. Following Geely's in-line 2Q26 earnings print, we view the company as well-positioned to unlock further structural cost optimization. We also believe Geely's global expansion model may carry a lower regulatory risk profile, while maintaining high efficiency. We also view its valuation as attractive.

- **In-line 2Q26 earnings.** Geely's 2Q26 revenue was about 3% lower than our prior forecast, probably due to its lower-than-expected income from R&D services, IP licensing and collaborative manufacturing. GPM expanded by 0.9ppts QoQ to 18.4%, in line with our projection. SG&A and R&D expenses combined were about 2% higher than our forecast. Core net profit (excl. forex and impairment on non-financial assets) surged about 61% YoY to RMB5.1bn in 2Q26, or about RMB0.1bn higher than our prior forecast, implying a core net profit per vehicle of about RMB7,200.
- **Further room for cost optimization.** We believe quite a few Chinese carmakers, including Geely, have demonstrated the technical capabilities required to move upmarket, unlocking larger total addressable market than before. As technological gap narrows, cost reduction capabilities could become a key differentiator. We view Geely as well-positioned to drive continued cost optimization, leveraged by deepening synergies from restructuring, richer model portfolio and strategic peer partnerships. Reflecting these operational efficiencies, management expects GPM to widen sequentially in 2H26E.
- **Overseas expansion in the fast lane.** We raise our FY26E overseas sales volume forecast by 17% to 1.17mn units. Management targets overseas sales to hit 2mn units within three years, with long-term international deliveries expected to account for 2/3 of Geely's total sales volume. We reiterate our structural thesis that Geely's partnership-oriented, multi-powertrain global strategy could be a less risky, more sustainable expansion model over the long run compared with peers.
- **Earnings/Valuation.** We maintain our FY26-27E sales volume forecasts at 3.28mn/3.70mn units, respectively, with higher overseas volume projection. We also maintain our FY26-27E GPM forecasts at 18.3%/18.3%. Following minor fine-tuning of SG&A, other income and share-based payment, we trim FY26-27E net profit estimates by 0.6%/1.1% to RMB21.5bn/RMB25.6bn, respectively. We maintain our BUY rating and target price of HK$27.00, now rolled over to 10x FY27E P/E (from 11x FY26E P/E). Key risks to our rating and target price include lower sales volume and/or GPM than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	275,910	345,232	398,665	447,687	486,295
YoY growth (%)	54.0	25.1	15.5	12.3	8.6
Net profit (RMB mn)	16,811.9	16,852.2	21,514.6	25,564.5	26,710.1
YoY growth (%)	216.7	0.2	27.7	18.8	4.5
EPS (Reported) (RMB)	1.67	1.67	1.97	2.31	2.40
P/E (x)	9.6	9.6	8.2	6.9	6.7
P/B (x)	1.9	1.8	1.6	1.4	1.2
Yield (%)	1.9	2.9	4.3	5.5	6.0
ROE (%)	20.1	18.8	21.2	21.3	19.2
Net gearing (%)	(45.1)	(55.6)	(65.6)	(78.7)	(88.3)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$27.00**
Up/Downside	**44.6%**
Current Price	**HK$18.67**

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Stock Data

Mkt Cap (HK$ mn)	202,538.5
Avg 3 mths t/o (HK$ mn)	915.4
52w High/Low (HK$)	24.98/15.13
Total Issued Shares (mn)	10848.3

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.6%
Others	58.4%

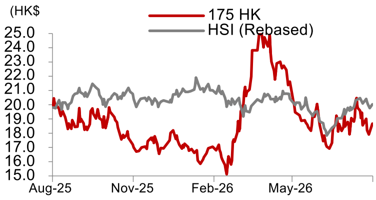
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.0%	-2.5%
3-mth	-13.6%	-11.9%
6-mth	9.5%	14.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Sales volume (units)	703,824	705,356	761,009	854,378	709,358	713,600	1.2%	0.6%
ASP (RMB)	103,282	111,572	115,750	123,780	118,101	125,875	12.8%	6.6%
Total revenue	**72,692**	**78,698**	**88,087**	**105,755**	**83,776**	**89,824**	**14.1%**	**7.2%**
Gross profit	11,446	13,337	14,729	17,835	14,664	16,490	23.6%	12.5%
Selling exp.	(3,651)	(4,800)	(5,292)	(6,681)	(4,384)	(5,442)	13.4%	24.1%
Admin exp.	(1,422)	(1,493)	(1,336)	(2,231)	(1,341)	(1,589)	6.5%	18.5%
R&D exp.	(3,314)	(4,016)	(4,387)	(5,907)	(4,558)	(4,641)	15.6%	1.8%
Operating profit	6,604	4,172	4,669	3,393	4,826	5,270	26.3%	9.2%
Net profit	**5,673**	**3,583**	**3,854**	**3,742**	**4,166**	**4,925**	**37.4%**	**18.2%**
Adj. net profit	**3,480**	**3,180**	**3,960**	**3,790**	**4,561**	**5,123**	**61.1%**	**12.3%**
Gross margin	15.7%	16.9%	16.7%	16.9%	17.5%	18.4%	1.4 ppts	0.9 ppts
Operating margin	9.1%	5.3%	5.3%	3.2%	5.8%	5.9%	0.6 ppts	0.1 ppts
Net margin	7.8%	4.6%	4.4%	3.5%	5.0%	5.5%	0.9 ppts	0.5 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	398,665	447,687	486,295	398,665	447,687	486,295	0.0%	0.0%	0.0%
Gross profit	72,759	81,997	87,898	72,759	81,997	87,898	0.0%	0.0%	0.0%
Operating profit	24,449	28,551	29,611	24,625	28,883	30,101	-0.7%	-1.1%	-1.6%
Net profit	21,515	25,565	26,710	21,646	25,837	27,113	-0.6%	-1.1%	-1.5%
Gross margin	18.3%	18.3%	18.1%	18.3%	18.3%	18.1%	0.0 ppts	0.0 ppts	0.0 ppts
Operating margin	6.1%	6.4%	6.1%	6.2%	6.5%	6.2%	0.0 ppts	-0.1 ppts	-0.1 ppts
Net margin	5.4%	5.7%	5.5%	5.4%	5.8%	5.6%	0.0 ppts	-0.1 ppts	-0.1 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	398,665	447,687	486,295	428,124	495,759	552,356	-6.9%	-9.7%	-12.0%
Gross profit	72,759	81,997	87,898	73,329	86,044	96,961	-0.8%	-4.7%	-9.3%
Operating profit	24,449	28,551	29,611	22,368	28,140	32,792	9.3%	1.5%	-9.7%
Net profit	21,515	25,565	26,710	21,208	25,911	30,276	1.4%	-1.3%	-11.8%
Gross margin	18.3%	18.3%	18.1%	17.1%	17.4%	17.6%	1.1 ppts	1.0 ppts	0.5 ppts
Operating margin	6.1%	6.4%	6.1%	5.2%	5.7%	5.9%	0.9 ppts	0.7 ppts	0.2 ppts
Net margin	5.4%	5.7%	5.5%	5.0%	5.2%	5.5%	0.4 ppts	0.5 ppts	0.0 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**179,204**	**275,910**	**345,232**	**398,665**	**447,687**	**486,295**
Cost of goods sold	(151,789)	(230,107)	(287,885)	(325,906)	(365,690)	(398,397)
Gross profit	**27,415**	**45,804**	**57,347**	**72,759**	**81,997**	**87,898**
Operating expenses	**(14,675)**	**(21,568)**	**(20,738)**	**(26,574)**	**(28,044)**	**(30,359)**
Selling expense	(11,832)	(16,441)	(20,424)	(22,362)	(24,169)	(26,124)
Admin expense	(4,210)	(6,250)	(6,482)	(6,572)	(7,130)	(7,616)
Others	1,367	1,122	6,167	2,359	3,255	3,380
Operating profit	**12,740**	**24,236**	**36,608**	**46,184**	**53,953**	**57,539**
Other expense	(646)	(1,753)	(1,181)	(421)	(688)	(609)
Other gains/(losses)	0	9,354	38	0	0	0
Share of (losses)/profits of associates/JV	599	1,783	2,399	1,840	2,329	2,364
EBITDA	**13,570**	**32,896**	**36,848**	**44,489**	**51,258**	**55,253**
Depreciation	8,203	13,750	15,920	17,678	19,966	22,558
EBIT	**5,367**	**19,146**	**20,927**	**26,811**	**31,292**	**32,695**
Interest income	961	1,331	834	943	1,100	1,330
Interest expense	(417)	(1,019)	(698)	(586)	(341)	(341)
Net Interest income/(expense)	**544**	**312**	**137**	**356**	**759**	**988**
Foreign exchange gain/loss	(126)	(1,619)	3,186	(1,000)	0	0
Pre-tax profit	**4,950**	**18,127**	**20,230**	**26,224**	**30,951**	**32,354**
Income tax	(15)	(1,782)	(3,601)	(4,511)	(5,152)	(5,398)
After tax profit	**4,935**	**16,345**	**16,628**	**21,713**	**25,799**	**26,956**
Minority interest	373	467	224	(199)	(235)	(246)
Net profit	**5,308**	**16,812**	**16,852**	**21,515**	**25,565**	**26,710**
Gross dividends	2,051	3,119	4,732	7,530	9,715	10,684

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**113,635**	**152,128**	**159,413**	**181,054**	**222,379**	**261,146**
Cash & equivalents	35,746	43,058	65,319	74,587	104,525	133,215
Restricted cash	943	3,546	2,898	2,200	2,000	2,000
Account receivables	42,711	75,663	58,768	68,057	75,285	81,777
Inventories	15,422	29,359	31,934	35,716	40,076	43,660
Prepayment	0	0	0	0	0	0
Other current assets	18,813	502	494	494	494	494
Non-current assets	**78,963**	**118,946**	**130,997**	**133,708**	**135,509**	**134,590**
PP&E	27,351	34,851	34,370	33,347	31,545	28,811
Right-of-use assets	3,600	4,103	3,998	3,941	3,886	3,831
Deferred income tax	6,342	10,419	10,871	10,871	10,871	10,871
Investment in JVs & assos	15,703	28,796	40,022	42,172	44,682	47,219
Intangibles	23,920	35,625	36,446	38,192	38,796	37,640
Goodwill	34	0	0	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	2,013	5,151	5,290	5,185	5,729	6,218
Total assets	**192,598**	**271,074**	**290,410**	**314,762**	**357,888**	**395,737**
Current liabilities	**96,824**	**162,919**	**179,460**	**188,339**	**211,071**	**229,758**
Short-term borrowings	0	1,358	10,496	0	0	0
Account payables	87,398	159,497	165,337	186,213	208,944	227,632
Tax payable	774	1,007	1,025	1,025	1,025	1,025
Other current liabilities	7,898	28	1,500	0	0	0
Lease liabilities	754	1,029	1,101	1,101	1,101	1,101
Non-current liabilities	**10,622**	**14,164**	**17,335**	**14,627**	**15,330**	**15,908**
Long-term borrowings	2,840	2,737	4,320	2,320	2,320	2,320
Bond payables	2,600	3,500	2,000	2,000	2,000	2,000
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	5,182	7,927	11,015	10,307	11,010	11,588
Total liabilities	**107,446**	**177,083**	**196,795**	**202,967**	**226,401**	**245,667**
Share capital	184	184	199	201	203	204
Other reserves	80,325	86,354	92,200	110,209	129,694	148,060
Total shareholders equity	**80,509**	**86,539**	**92,398**	**110,410**	**129,897**	**148,264**
Minority interest	4,643	7,453	1,217	1,385	1,590	1,806
Total equity and liabilities	**192,598**	**271,074**	**290,410**	**314,762**	**357,888**	**395,737**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**4,950**	**18,127**	**20,230**	**26,224**	**30,951**	**32,354**
Depreciation & amortization	8,203	13,750	15,920	17,678	19,966	22,558
Tax paid	(2,307)	(3,788)	(4,040)	(4,511)	(5,152)	(5,398)
Change in working capital	11,238	15,331	18,278	7,042	11,141	8,525
Others	259	(6,553)	(3,114)	(1,506)	(2,056)	(2,373)
Net cash from operations	**22,342**	**36,867**	**47,274**	**44,928**	**54,850**	**55,665**
Investing						
Capital expenditure	(15,322)	(16,910)	(17,920)	(18,461)	(18,840)	(18,756)
Acquisition of subsidiaries/ investments	(1,570)	2,703	(8,282)	(1,000)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	748	(326)	2,831	2,345	2,079	2,116
Net cash from investing	**(16,145)**	**(14,532)**	**(23,370)**	**(17,116)**	**(17,761)**	**(17,639)**
Financing						
Dividend paid	(1,916)	(2,120)	(3,119)	(4,732)	(7,530)	(9,715)
Net borrowings	(4,237)	(10,965)	9,549	(13,996)	0	0
Proceeds from share issues	0	1,322	(350)	0	0	0
Others	3,389	(9,880)	(7,919)	184	379	379
Net cash from financing	**(2,764)**	**(21,643)**	**(1,839)**	**(18,544)**	**(7,151)**	**(9,336)**
Net change in cash						
Cash at the beginning of the year	33,341	42,320	43,058	65,319	74,587	104,525
Exchange difference	(1,029)	46	197	0	0	0
Cash at the end of the year	**35,746**	**43,058**	**65,319**	**74,587**	**104,525**	**133,215**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	21.1%	54.0%	25.1%	15.5%	12.3%	8.6%
Gross profit	31.2%	67.1%	25.2%	26.9%	12.7%	7.2%
Operating profit	21.4%	90.2%	51.1%	26.2%	16.8%	6.6%
EBITDA	0.1%	142.4%	12.0%	20.7%	15.2%	7.8%
EBIT	2.6%	256.7%	9.3%	28.1%	16.7%	4.5%
Net profit	0.9%	216.7%	0.2%	27.7%	18.8%	4.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	15.3%	16.6%	16.6%	18.3%	18.3%	18.1%
Operating margin	7.1%	8.8%	10.6%	11.6%	12.1%	11.8%
EBITDA margin	7.6%	11.9%	10.7%	11.2%	11.4%	11.4%
Return on equity (ROE)	6.8%	20.1%	18.8%	21.2%	21.3%	19.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.5)	(0.6)	(0.7)	(0.8)	(0.9)
Current ratio (x)	1.2	0.9	0.9	1.0	1.1	1.1
Receivable turnover days	91.1	107.1	67.8	67.0	66.0	0.0
Inventory turnover days	37.2	46.7	40.6	40.0	40.0	0.0
Payable turnover days	217.3	261.4	218.4	215.0	215.0	0.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	30.4	9.6	9.6	8.2	6.9	6.7
P/E (diluted)	30.6	9.6	9.9	8.2	7.0	6.7
P/B	2.0	1.9	1.8	1.6	1.4	1.2
P/CFPS	7.2	4.4	3.4	3.9	3.2	3.2
Div yield (%)	1.3	1.9	2.9	4.3	5.5	6.0

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

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