

BYD (1211 HK/002594 CH)

1Q25 earnings on track

Maintain BUY. We are of the view that BYD's 1Q25 results, including all the key metrics, continued to show its high earnings quality, despite the ongoing vehicle model transition. We believe both sales volume and gross margin in 1Q25 are on track to achieve our full-year forecasts. New models, including the *Han L*, *Tang L* and *Titanium 3*, could boost its sales from 2Q25. Although it is possible for BYD to lead another round of price war in 2H25 to maintain its market share, we believe its high earnings quality could help keep its net profit per vehicle above RMB10,000.

- **Net profit of RMB9,148 per vehicle in 1Q25.** BYD's 1Q25 net profit of RMB9.2bn was in line with its preliminary announcement of RMB8.5bn-10bn. Gross margin of 20.1% was in line with our prior forecast. R&D expenses of RMB14.2bn in 1Q25 were about RMB1.5bn higher than our projection, which was offset by lower selling expenses and higher forex gains than we had expected.
- **Both sales volume and gross margin in 1Q25 are on track to achieve our full-year forecasts.** We are of the view that BYD's 1Q25 sales volume is on track to meet our full-year forecast of 5.25mn units. Its 1Q25 gross margin of 20.1% despite rising discounts for inventory clearance of old models is also close to our full-year forecast of 19.7%, taking extra costs from ADAS into consideration. It is also possible for BYD to lead another round of price war in 2H25 given its current inventory level, in our view. Although we do not expect ADAS functions equipped on the Model Year 2025 vehicles to bring significant new demand, BYD's comprehensive model line-up, leading cost reduction capabilities and new technologies, especially those related to batteries, could make itself well positioned in maintaining its market share in FY25. Overseas sales volume of 0.2mn units (or 20% of total sales volume) in 1Q25 also exceeded our prior expectation.
- **Earnings/Valuation.** We fine-tune our FY25E earnings forecast by lowering average selling price slightly and raising R&D expenses and forex gains a bit, which results in an unchanged net profit of RMB57.5bn. We have also added our FY27E earnings forecasts. We maintain our BUY rating and target price of HK\$470 for H share and RMB440 for A share, both of which are still based on 23x (unchanged) our FY25E EPS. Key risks to our rating and target price include lower sales or margins than we expect, and a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	602,315	777,102	970,122	1,045,753	1,149,559
YoY growth (%)	42.0	29.0	24.8	7.8	9.9
Net profit (RMB mn)	30,040.8	40,254.3	57,457.3	63,255.8	68,747.2
YoY growth (%)	80.7	34.0	42.7	10.1	8.7
EPS (Reported) (RMB)	10.34	13.85	19.09	20.81	22.62
P/S (x)	1.9	1.5	1.2	1.1	1.0
P/E (x)	36.1	26.9	19.5	17.9	16.5
Yield (%)	0.8	0.7	1.0	1.1	1.2
ROE (%)	24.0	24.8	25.0	21.1	19.4
Net gearing (%)	(69.5)	(50.7)	(92.8)	(103.8)	(117.7)

Source: Company data, Bloomberg, CMBIGM estimates

1211 HK	002594 CH
BUY	BUY
Maintain	Maintain

TP	HK\$470.00	RMB440.00
Prior TP	HK\$470.00	RMB440.00
Up/Downside	18.4%	18.7%
Current Price	HK\$397.0	RMB370.8

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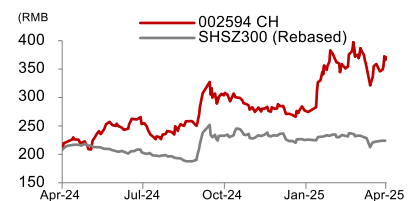
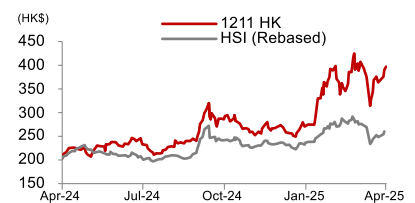
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12-mth Price Performance



Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	2.0%	8.3%	0.3%	5.9%
3-mth	44.7%	32.1%	32.9%	46.4%
6-mth	35.7%	27.1%	20.3%	41.8%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	1206509	1126977
Avg 3 mths t/o (mn)	5813.79	6216.24
52w High	424.2	399.99
52w Low	206.6	207.38
Issued Shares (mn)	3039.066	3039.066

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	YoY	QoQ
Sales volume (units)	626,263	986,720	1,134,892	1,524,270	1,000,804	59.8%	-34.3%
Revenue	124,944	176,182	201,125	274,851	170,360	36.3%	-38.0%
Gross profit	25,870	34,397	44,031	46,758	34,185	32.1%	-26.9%
R&D expenses	(10,611)	(9,010)	(13,698)	(19,876)	(14,223)	34.0%	-28.4%
SG&A expenses	(9,101)	(12,911)	(14,318)	(6,400)	(11,087)	21.8%	73.2%
Operating profit	5,798	11,525	14,423	18,739	11,021	90.1%	-41.2%
Net profit	4,569	9,062	11,607	15,016	9,155	100.4%	-39.0%
Gross margin	20.7%	19.5%	21.9%	17.0%	20.1%	-0.6 ppts	3.1 ppts
Operating margin	4.6%	6.5%	7.2%	6.8%	6.5%	1.8 ppts	-0.3 ppts
Net margin	3.7%	5.1%	5.8%	5.5%	5.4%	1.7 ppts	-0.1 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	970,122	1,045,753	1,149,559	984,878	1,071,877	N/A	-1.5%	-2.4%	N/A
Gross profit	191,500	211,039	229,177	192,779	214,458	N/A	-0.7%	-1.6%	N/A
Operating profit	71,663	79,441	86,274	71,473	84,580	N/A	0.3%	-6.1%	N/A
Net profit	57,457	63,256	68,747	57,457	67,911	N/A	0.0%	-6.9%	N/A
Gross margin	19.7%	20.2%	19.9%	19.6%	20.0%	N/A	0.2 ppt	0.2 ppt	N/A
Operating margin	7.4%	7.6%	7.5%	7.3%	7.9%	N/A	0.1 ppt	-0.3 ppt	N/A
Net margin	5.9%	6.0%	6.0%	5.8%	6.3%	N/A	0.1 ppt	-0.3 ppt	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	970,122	1,045,753	1,149,559	988,632	1,116,709	1,309,014	-1.9%	-6.4%	-12.2%
Gross profit	191,500	211,039	229,177	200,119	229,607	270,207	-4.3%	-8.1%	-15.2%
Operating profit	71,663	79,441	86,274	66,630	78,163	92,918	7.6%	1.6%	-7.1%
Net profit	57,457	63,256	68,747	54,945	66,333	78,090	4.6%	-4.6%	-12.0%
Gross margin	19.7%	20.2%	19.9%	20.2%	20.6%	20.6%	-0.5 ppts	-0.4 ppts	-0.7 ppts
Operating margin	7.4%	7.6%	7.5%	6.7%	7.0%	7.1%	0.6 ppts	0.6 ppts	0.4 ppts
Net margin	5.9%	6.0%	6.0%	5.6%	5.9%	6.0%	0.4 ppts	0.1 ppts	0.0 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	424,061	602,315	777,102	970,122	1,045,753	1,149,559
Cost of goods sold	(351,816)	(490,399)	(626,047)	(778,622)	(834,714)	(920,382)
Gross profit	72,245	111,916	151,056	191,500	211,039	229,177
Operating expenses	(50,990)	(78,757)	(110,677)	(132,631)	(142,777)	(153,128)
Selling expense	(15,061)	(15,371)	(24,085)	(28,729)	(31,293)	(33,678)
Admin expense	(10,007)	(13,462)	(18,645)	(22,157)	(23,811)	(25,664)
R&D expense	(18,654)	(39,575)	(53,195)	(62,720)	(66,980)	(70,920)
Others	(7,267)	(10,350)	(14,752)	(19,026)	(20,692)	(22,866)
Operating profit	21,255	33,159	40,379	58,869	68,262	76,049
Other income	2,248	5,965	15,303	14,000	11,400	9,400
Other expense	(989)	(1,546)	(2,057)	(2,100)	(2,200)	(2,200)
Gain/loss on financial assets at FVTPL	126	258	532	800	950	950
Investment gain/loss	(792)	1,635	2,291	2,458	2,558	2,558
Other gains/(losses)	(2,387)	(3,677)	(5,552)	(5,835)	(6,236)	(6,861)
EBITDA	42,766	82,649	118,681	147,620	163,794	179,512
Depreciation	14,605	37,718	56,922	64,819	72,732	80,607
Depreciation of ROU assets	584	1,390	2,643	3,094	3,569	4,044
Other amortisation	5,181	4,444	7,341	7,044	7,559	8,119
EBIT	22,396	39,096	51,774	72,662	79,934	86,742
Interest income	1,830	2,796	2,484	3,670	5,199	6,846
Interest expense	(1,316)	(1,828)	(2,094)	(1,599)	(1,293)	(1,268)
Net Interest income/(expense)	1,618	1,475	(1,216)	2,871	3,906	5,578
Foreign exchange gain/loss	1,216	639	(1,532)	800	0	0
Pre-tax profit	21,080	37,269	49,681	71,063	78,641	85,474
Income tax	(3,367)	(5,925)	(8,093)	(11,699)	(12,898)	(14,033)
After tax profit	17,713	31,344	41,588	59,364	65,743	71,442
Minority interest	(1,091)	(1,303)	(1,334)	(1,906)	(2,487)	(2,694)
Net profit	16,622	30,041	40,254	57,457	63,256	68,747
Gross dividends	3,325	9,012	8,051	11,491	12,651	13,749

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	240,804	302,121	370,572	595,381	700,428	841,433
Cash & equivalents	51,182	108,512	102,257	263,268	346,438	456,936
Restricted cash	289	583	482	1,000	1,000	1,000
Account receivables	51,723	67,431	72,749	104,614	117,468	129,129
Inventories	79,107	87,677	116,036	142,925	148,648	163,904
Prepayment	8,224	2,215	3,974	7,786	8,347	9,204
Financial assets at FVTPL	20,627	9,563	40,939	41,439	42,039	42,639
Other current assets	16,099	23,481	32,725	29,246	30,758	32,322
Contract assets	13,553	2,660	1,411	5,103	5,730	6,299
Non-current assets	253,057	377,426	412,784	405,425	399,508	384,633
PP&E	131,880	230,904	262,287	262,470	254,240	238,136
Right-of-use assets	3,137	9,679	10,575	10,231	9,361	8,017
Deferred income tax	3,687	6,584	8,559	8,559	8,559	8,559
Investment in JVs & assos	15,485	17,647	19,082	21,382	23,882	26,382
Intangibles	23,223	37,236	38,424	37,049	36,290	35,098
Goodwill	66	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,147	2,696	2,655	3,055	3,505	3,955
Other non-current assets	73,431	68,252	66,773	58,251	59,241	60,057
Total assets	493,861	679,548	783,356	1,000,806	1,099,936	1,226,065
Current liabilities	333,345	453,667	495,985	614,798	649,376	712,138
Short-term borrowings	5,153	18,323	12,103	0	0	0
Account payables	140,437	194,430	241,643	303,129	324,967	358,319
Tax payable	4,326	7,852	10,097	11,413	11,777	12,986
Other current liabilities	147,911	198,363	188,412	244,793	253,173	277,793
Contract liabilities	35,517	34,699	43,730	55,464	59,459	63,040
Non-current liabilities	39,126	75,419	88,682	95,970	107,155	112,674
Long-term borrowings	7,594	11,975	8,258	7,258	6,258	5,258
Bond payables	0	0	0	1,000	2,000	3,000
Other non-current liabilities	31,533	63,444	80,425	87,712	98,897	104,417
Total liabilities	372,471	529,086	584,668	710,768	756,531	824,813

Share capital	2,911	2,911	2,909	3,039	3,039	3,039
Other reserves	108,118	135,899	182,342	271,655	322,726	378,128
Total shareholders equity	111,029	138,810	185,251	274,694	325,765	381,167
Minority interest	10,361	11,652	13,437	15,343	17,640	20,086
Total equity and liabilities	493,861	679,548	783,356	1,000,806	1,099,936	1,226,065

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec (RMB mn)

Operating

Profit before taxation	21,080	37,269	49,681	71,063	78,641	85,474
Depreciation & amortization	20,370	43,553	66,906	74,958	83,860	92,771
Change in working capital	97,849	91,094	18,291	77,397	12,464	31,096
Others	1,539	(2,190)	(1,424)	(6,312)	(2,669)	(8,705)
Net cash from operations	140,838	169,725	133,454	217,105	172,295	200,636

Investing

Capital expenditure	(97,457)	(122,094)	(97,360)	(65,880)	(66,620)	(66,680)
Acquisition of subsidiaries/ investments	(10,573)	(16,163)	(3,792)	(1,100)	(1,100)	(1,100)
Net proceeds from disposal of short-term investments	14	0	129	0	0	0
Others	(12,580)	12,593	(28,060)	(4,400)	(3,850)	(3,850)
Net cash from investing	(120,596)	(125,664)	(129,082)	(71,380)	(71,570)	(71,630)

Financing

Dividend paid	(306)	(3,325)	(9,012)	(8,051)	(11,491)	(12,651)
Net borrowings	(16,413)	18,073	(9,480)	(10,326)	0	0
Proceeds from share issues	0	0	0	40,792	0	0
Others	(2,770)	(1,931)	8,225	(7,129)	(6,064)	(5,856)
Net cash from financing	(19,489)	12,817	(10,268)	15,286	(17,555)	(18,507)

Net change in cash

Cash at the beginning of the year	49,820	51,182	108,512	102,257	263,268	346,438
Exchange difference	610	451	(359)	0	0	0
Cash at the end of the year	51,182	108,512	102,257	263,268	346,438	456,936

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Revenue	96.2%	42.0%	29.0%	24.8%	7.8%	9.9%
Gross profit	156.7%	54.9%	35.0%	26.8%	10.2%	8.6%
Operating profit	299.0%	56.0%	21.8%	45.8%	16.0%	11.4%
EBITDA	108.2%	93.3%	43.6%	24.4%	11.0%	9.6%
EBIT	248.1%	74.6%	32.4%	40.3%	10.0%	8.5%
Net profit	445.9%	80.7%	34.0%	42.7%	10.1%	8.7%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Gross profit margin	17.0%	18.6%	19.4%	19.7%	20.2%	19.9%
Operating margin	5.0%	5.5%	5.2%	6.1%	6.5%	6.6%
EBITDA margin	10.1%	13.7%	15.3%	15.2%	15.7%	15.6%
Return on equity (ROE)	16.1%	24.0%	24.8%	25.0%	21.1%	19.4%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Net debt to equity (x)	(0.4)	(0.7)	(0.5)	(0.9)	(1.0)	(1.2)
Current ratio (x)	0.7	0.7	0.7	1.0	1.1	1.2
Receivable turnover days	58.1	52.0	45.0	48.0	50.0	50.0
Inventory turnover days	82.1	65.3	67.7	67.0	65.0	65.0
Payable turnover days	149.2	147.7	142.3	145.0	145.0	145.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

P/E	65.2	36.1	26.9	19.5	17.9	16.5
P/B	9.8	7.8	5.8	4.1	3.5	3.0
P/CFPS	7.7	6.4	8.1	5.2	6.6	5.6
Div yield (%)	0.3	0.8	0.7	1.0	1.1	1.2

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

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