

Xpeng Inc. (XPEV US)

Margin lift mixed with unexciting new models

Maintain HOLD. We cut our FY24E net loss by RMB2.6bn to RMB6.7bn, as the 4Q23 GPM beat and the X9 may contribute a larger portion of sales. On the other hand, Xpeng's model pipeline in 2024 underscored our prior argument that the automaker has not found its brand proposition and comprehensive product mix. We still see little signals for Xpeng to turn profitable in the foreseeable future, as it could be difficult for the automaker to achieve sizable sales and 15% GPM at the same time, in our view.

- **4Q23 earnings beat on GPM.** Xpeng's 4Q23 revenue was in line with our prior forecast, whereas its vehicle GPM of 4.1% beat our projection by 4ppts, probably due to a more positive impact from economies of scale. Xpeng's cautious investment in R&D, along with government grants, led to an operating loss of RMB 2.1bn in 4Q23, vs. our prior forecast of RMB3.0bn.
- **1Q24 outlook: GPM to widen QoQ on the X9.** Despite a more-than-60% QoQ plunge in sales volume, we project Xpeng's GPM in 1Q24E to exceed 10%, largely due to the high-margin X9 which may contribute 40% of 1Q24 sales volume. We expect 1Q24E net loss to narrow YoY to RMB1.6bn.
- **We cut FY24E sales volume and net loss.** We revise down our FY24E sales volume by 40,000 units to 220,000 units, as sales in Jan-Feb missed our expectation. Although we have taken exports and dealers' inventories into consideration, Xpeng's new-model launch schedules appear to below our expectation. It previously guided two new models in 2024 based on the F platform (apart from the Mona). Now there seems to be only one new model which is likely to be rolled out in 4Q24E. On the other hand, we raise our sales-volume forecast for the X9 from 35,000 units to 40,000 units, which help lift Xpeng's average selling price and GPM. We revise up our FY24E GPM from 8.1% to 9.9%, along with the IP licensing contribution from Volkswagen (VOW GR, NR). Accordingly, we project FY24E net loss to be RMB6.7bn. However, the X9 alone is unable to make Xpeng profitable, not mentioning the possibility for the model to follow the G6's sales pattern. Relying on the ride-hailing fleets is not a sustainable way to drive sales, in our view.
- **Valuation/Key risks.** We maintain our HOLD rating and target price of US\$10.50, still based on 1.3x our revised FY24E P/S. Li Auto (LI US, BUY) and BYD (1211 HK, BUY) are trading at 1.2x and 0.7x our FY24E P/S, respectively, despite their strong profitability. Key risks to our rating and target price include faster or slower autonomous driving technology advancement than its peers, higher or lower sales volume and/or gross margin than we expect, as well as a sector re-rating or de-rating.

Earnings Summary

| (YE 31 Dec) | FY21A | FY22A | FY23A | FY24E | FY25E |
|----------------------------|-----------|-----------|------------|-----------|-----------|
| Revenue (RMB mn) | 20,988 | 26,855 | 30,676 | 50,924 | 65,527 |
| YoY growth (%) | 259.1 | 28.0 | 14.2 | 66.0 | 28.7 |
| Gross margin (%) | 12.5 | 11.5 | 1.5 | 9.9 | 10.9 |
| Operating profit (RMB mn) | (6,579.4) | (8,705.5) | (10,889.4) | (8,315.5) | (7,625.3) |
| Net profit (RMB mn) | (4,863.1) | (9,139.0) | (10,375.8) | (6,673.6) | (5,858.5) |
| EPS (Reported) (RMB cents) | (296.01) | (533.65) | (595.99) | (372.83) | (324.58) |
| P/S (x) | 3.2 | 2.5 | 2.2 | 1.3 | 1.0 |
| P/B (x) | 5.0 | 3.5 | 1.7 | 2.1 | 2.5 |

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

| | |
|----------------------|------------------|
| Target Price | US\$10.50 |
| (Previous TP) | US\$10.50) |
| Up/Downside | 6.9% |
| Current Price | US\$9.82 |

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Stock Data

| | |
|--------------------------|------------|
| Mkt Cap (US\$ mn) | 9,264.4 |
| Avg 3 mths t/o (US\$ mn) | 121.5 |
| 52w High/Low (US\$) | 23.39/7.87 |
| Total Issued Shares (mn) | 1886.9 |

Source: FactSet

Shareholding Structure

| | |
|-----------------|-------|
| Mr. He Xiaopeng | 18.7% |
| Taobao China | 7.5% |

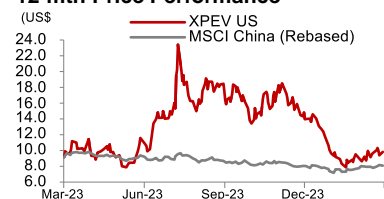
Source: NYSE

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 3.2% | -1.0% |
| 3-mth | -33.6% | -34.7% |
| 6-mth | -43.9% | -40.2% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results

| RMB mn | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | 3Q23 | 4Q23 | YoY | QoQ |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|
| Sales volume (units) | 34,561 | 34,422 | 29,570 | 22,204 | 18,230 | 23,205 | 40,008 | 60,158 | 170.9% | 50.4% |
| ASP (RMB) | 215,704 | 216,035 | 230,757 | 231,506 | 221,252 | 218,173 | 213,195 | 216,936 | -6.3% | 1.8% |
| Revenue | 7,455 | 7,436 | 6,823 | 5,140 | 4,033 | 5,063 | 8,530 | 13,050 | 153.9% | 53.0% |
| Gross profit | 911 | 809 | 923 | 445 | 67 | (197) | (228) | 809 | 81.9% | N/A |
| R&D expenses | (1,221) | (1,265) | (1,499) | (1,230) | (1,296) | (1,367) | (1,306) | (1,308) | 6.3% | 0.1% |
| SG&A expenses | (1,642) | (1,665) | (1,626) | (1,756) | (1,387) | (1,544) | (1,692) | (1,937) | 10.3% | 14.4% |
| Operating profit | (1,920) | (2,091) | (2,177) | (2,517) | (2,585) | (3,090) | (3,161) | (2,053) | N/A | N/A |
| Net profit | (1,701) | (2,701) | (2,376) | (2,361) | (2,337) | (2,805) | (3,887) | (1,348) | N/A | N/A |
| Gross margin | 12.2% | 10.9% | 13.5% | 8.7% | 1.7% | -3.9% | -2.7% | 6.2% | -2.5 ppt | 8.9 ppt |
| Operating margin | -25.8% | -28.1% | -31.9% | -49.0% | -64.1% | -61.0% | -37.1% | -15.7% | 33.2 ppt | 21.3 ppt |
| Net margin | -22.8% | -36.3% | -34.8% | -45.9% | -57.9% | -55.4% | -45.6% | -10.3% | 35.6 ppt | 35.2 ppt |

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------|----------|---------|---------|----------|----------|---------|----------|---------|---------|
| | FY23A | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Revenue | 30,676 | 50,924 | 65,527 | 30,631 | 55,140 | 63,627 | 0.1% | -7.6% | 3.0% |
| Gross profit | 451 | 5,045 | 7,115 | (65) | 4,473 | 6,192 | N/A | 12.8% | 14.9% |
| Operating profit | (10,889) | (8,315) | (7,625) | (11,872) | (10,147) | (9,028) | N/A | N/A | N/A |
| Net profit | (10,376) | (6,674) | (5,859) | (11,580) | (8,756) | (7,706) | N/A | N/A | N/A |
| Gross margin | 1.5% | 9.9% | 10.9% | -0.2% | 8.1% | 9.7% | 1.7 ppt | 1.8 ppt | 1.1 ppt |
| Operating margin | -35.5% | -16.3% | -11.6% | -38.8% | -18.4% | -14.2% | 3.3 ppt | 2.1 ppt | 2.6 ppt |
| Net margin | -33.8% | -13.1% | -8.9% | -37.8% | -15.9% | -12.1% | 4.0 ppt | 2.8 ppt | 3.2 ppt |

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|------------------|----------|---------|---------|-----------|---------|---------|----------|----------|----------|
| | FY23A | FY24E | FY25E | FY23E | FY24E | FY25E | FY23E | FY24E | FY25E |
| Revenue | 30,676 | 50,924 | 65,527 | 31,855 | 57,397 | 78,917 | -3.7% | -11.3% | -17.0% |
| Gross profit | 451 | 5,045 | 7,115 | 505 | 6,082 | 11,504 | -10.7% | -17.1% | -38.2% |
| Operating profit | (10,889) | (8,315) | (7,625) | (11,770) | (8,626) | (4,789) | N/A | N/A | N/A |
| Net profit | (10,376) | (6,674) | (5,859) | (11,318) | (7,821) | (3,828) | N/A | N/A | N/A |
| Gross margin | 1.5% | 9.9% | 10.9% | 1.6% | 10.6% | 14.6% | -0.1 ppt | -0.7 ppt | -3.7 ppt |
| Operating margin | -35.5% | -16.3% | -11.6% | -36.9% | -15.0% | -6.1% | 1.5 ppt | -1.3 ppt | -5.6 ppt |
| Net margin | -33.8% | -13.1% | -8.9% | -35.5% | -13.6% | -4.9% | 1.7 ppt | 0.5 ppt | -4.1 ppt |

Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2020A | 2021A | 2022A | 2023A | 2024E | 2025E |
|--|----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 5,844 | 20,988 | 26,855 | 30,676 | 50,924 | 65,527 |
| Cost of goods sold | (5,578) | (18,366) | (23,767) | (30,225) | (45,880) | (58,412) |
| Gross profit | 266 | 2,623 | 3,088 | 451 | 5,045 | 7,115 |
| Operating expenses | (4,560) | (9,202) | (11,794) | (11,341) | (13,360) | (14,740) |
| SG&A expense | (2,921) | (5,305) | (6,688) | (6,559) | (7,860) | (8,840) |
| R&D expense | (1,726) | (4,114) | (5,215) | (5,277) | (6,000) | (6,500) |
| Others | 87 | 218 | 109 | 495 | 500 | 600 |
| Operating profit | (4,294) | (6,579) | (8,706) | (10,889) | (8,315) | (7,625) |
| Gain/loss on financial assets at FVTPL | 1,362 | 671 | 84 | (635) | 100 | 100 |
| Other gains/(losses) | 90 | 384 | (1,424) | 139 | 300 | 300 |
| EBITDA | (2,270) | (3,944) | (7,571) | (7,968) | (3,675) | (2,319) |
| Depreciation | 303 | 573 | 915 | 1,426 | 1,852 | 2,294 |
| Depreciation of ROU assets | 109 | 229 | 379 | 527 | 687 | 794 |
| Other amortisation | 25 | 36 | 116 | 149 | 189 | 222 |
| EBIT | (2,708) | (4,782) | (8,982) | (10,070) | (6,402) | (5,629) |
| Interest income | 133 | 743 | 1,059 | 1,260 | 1,413 | 1,396 |
| Interest expense | (22) | (55) | (132) | (269) | (271) | (229) |
| Pre-tax profit | (2,731) | (4,837) | (9,114) | (10,339) | (6,674) | (5,859) |
| Income tax | (1) | (26) | (25) | (37) | 0 | 0 |
| After tax profit | (2,732) | (4,863) | (9,139) | (10,376) | (6,674) | (5,859) |
| Others | (2,158) | 0 | 0 | 0 | 0 | 0 |
| Net profit | (4,890) | (4,863) | (9,139) | (10,376) | (6,674) | (5,859) |
| BALANCE SHEET | | | | | | |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 39,679 | 48,831 | 43,527 | 54,522 | 58,026 | 63,981 |
| Cash & equivalents | 29,209 | 11,025 | 14,608 | 21,127 | 21,541 | 24,550 |
| Restricted cash | 2,332 | 610 | 106 | 3,175 | 3,000 | 2,000 |
| Account receivables | 1,129 | 2,673 | 3,873 | 2,716 | 6,278 | 8,079 |
| Inventories | 1,343 | 2,662 | 4,521 | 5,526 | 6,285 | 7,202 |
| ST bank deposits | 980 | 25,858 | 15,349 | 16,812 | 15,000 | 15,000 |
| Financial assets at FVTPL | 2,821 | 2,834 | 1,262 | 781 | 82 | 92 |
| Other current assets | 1,865 | 3,169 | 3,808 | 4,384 | 5,840 | 7,059 |
| Non-current assets | 5,028 | 16,821 | 27,964 | 29,641 | 30,811 | 33,262 |
| PP&E | 3,082 | 5,425 | 10,607 | 10,954 | 12,219 | 12,873 |
| Right-of-use assets | 461 | 1,561 | 1,955 | 1,456 | 2,740 | 2,946 |
| Investment in JVs & assos | 1 | 1,549 | 2,295 | 2,085 | 2,575 | 2,875 |
| Intangibles | 608 | 879 | 1,043 | 4,949 | 1,035 | 1,006 |
| Other non-current assets | 876 | 7,407 | 12,064 | 10,197 | 12,242 | 13,562 |
| Total assets | 44,707 | 65,651 | 71,491 | 84,163 | 88,838 | 97,243 |
| Current liabilities | 7,837 | 18,013 | 24,115 | 36,112 | 45,417 | 57,575 |
| Short-term borrowings | 128 | 0 | 2,419 | 3,889 | 0 | 0 |
| Account payables | 5,112 | 12,362 | 14,223 | 22,210 | 35,195 | 44,809 |
| Tax payable | 1 | 23 | 28 | 6 | 40 | 50 |
| Other current liabilities | 2,477 | 5,254 | 6,954 | 9,640 | 9,726 | 12,219 |
| Lease liabilities | 120 | 373 | 491 | 366 | 456 | 497 |
| Non-current liabilities | 2,440 | 5,492 | 10,465 | 11,722 | 13,056 | 14,551 |
| Long-term borrowings | 1,645 | 1,675 | 4,613 | 5,651 | 6,651 | 7,151 |
| Deferred income | 145 | 479 | 694 | 669 | 1,179 | 1,537 |
| Other non-current liabilities | 650 | 3,338 | 5,158 | 5,403 | 5,226 | 5,863 |
| Total liabilities | 10,277 | 23,505 | 34,580 | 47,834 | 58,473 | 72,127 |
| Share capital | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital surplus | 46,483 | 59,987 | 60,697 | 70,258 | 70,958 | 71,558 |
| Retained earnings | (12,053) | (17,840) | (23,787) | (33,930) | (40,593) | (46,442) |
| Other reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Total shareholders equity | 34,430 | 42,147 | 36,911 | 36,329 | 30,365 | 25,116 |
| Total equity and liabilities | 44,707 | 65,651 | 71,491 | 84,163 | 88,838 | 97,243 |

| CASH FLOW | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
|--|----------------|-----------------|----------------|---------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | (2,731) | (4,837) | (9,114) | (10,339) | (6,674) | (5,859) |
| Depreciation & amortization | 438 | 838 | 1,411 | 2,102 | 2,728 | 3,310 |
| Change in working capital | 2,495 | 3,584 | (2,709) | 8,920 | 6,385 | 6,768 |
| Others | (342) | (679) | 2,181 | 556 | (517) | (693) |
| Net cash from operations | (140) | (1,095) | (8,232) | 1,239 | 1,922 | 3,526 |
| Investing | | | | | | |
| Capital expenditure | (1,362) | (4,318) | (4,680) | (3,100) | (4,100) | (3,400) |
| Acquisition of subsidiaries/ investments | (1) | (1,033) | (619) | 0 | 0 | 0 |
| Net proceeds from disposal of short-term investments | (3,327) | (27,762) | 9,736 | 2,176 | 3,300 | 0 |
| Others | 284 | 37 | 408 | 1,260 | 1,413 | 1,396 |
| Net cash from investing | (4,406) | (33,076) | 4,846 | 336 | 613 | (2,004) |
| Financing | | | | | | |
| Net borrowings | (352) | (143) | 6,119 | 3,238 | (2,283) | 500 |
| Proceeds from share issues | 27,399 | 13,110 | (2) | 4,935 | 0 | 0 |
| Others | 7,283 | 1,660 | (113) | (13) | (13) | (14) |
| Net cash from financing | 34,330 | 14,627 | 6,004 | 8,161 | (2,296) | 486 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 2,408 | 31,542 | 11,635 | 14,714 | 24,302 | 24,541 |
| Exchange difference | (650) | (363) | 462 | (148) | 0 | 0 |
| Cash at the end of the year | 31,542 | 11,635 | 14,714 | 24,302 | 24,541 | 26,550 |
| GROWTH | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Revenue | 151.8% | 259.1% | 28.0% | 14.2% | 66.0% | 28.7% |
| Gross profit | na | 886.0% | 17.8% | (85.4%) | 1,018.1% | 41.0% |
| PROFITABILITY | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 4.6% | 12.5% | 11.5% | 1.5% | 9.9% | 10.9% |
| Operating margin | (73.5%) | (31.3%) | (32.4%) | (35.5%) | (16.3%) | (11.6%) |
| EBITDA margin | (38.8%) | (18.8%) | (28.2%) | (26.0%) | (7.2%) | (3.5%) |
| Return on equity (ROE) | (26.2%) | (12.7%) | (23.1%) | (28.3%) | (20.0%) | (21.1%) |
| GEARING/LIQUIDITY/ACTIVITIES | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| Current ratio (x) | 5.1 | 2.7 | 1.8 | 1.5 | 1.3 | 1.1 |
| Receivable turnover days | 70.5 | 46.5 | 52.6 | 32.3 | 45.0 | 45.0 |
| Inventory turnover days | 87.9 | 52.9 | 69.4 | 66.7 | 50.0 | 45.0 |
| Payable turnover days | 334.5 | 245.7 | 218.4 | 268.2 | 280.0 | 280.0 |
| VALUATION | 2020A | 2021A | 2022A | 2023E | 2024E | 2025E |
| YE 31 Dec | | | | | | |
| P/E | ns | ns | ns | ns | ns | ns |
| P/E (diluted) | ns | ns | ns | ns | ns | ns |
| P/B | 2.3 | 5.0 | 3.5 | 1.7 | 2.1 | 2.5 |
| P/CFPS | ns | ns | ns | 49.7 | 32.9 | 18.1 |
| 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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