

XPENG (XPEV US)

1Q21 performance ahead of projections; 2Q21E auto-delivery curb by chip supply

XPEV delivered 13,340 units of vehicle and realized sales revenue of RMB2.95bn in 1Q21. 1Q21 GPM of 11.2% outperformed our full-year estimate of 9.3%, on the back of cost reduction and increasing take rate of XPilot 3.0. Mgmt. guided 2Q21E auto-shipment/revenue to increase by 15-20% to 15,500-16,000, implying flattish monthly shipment compared to Apr due to chip supply constraint. We lifted XPEV's 2021E auto-sales volume by 21.5% to 58,920 units. **We trim XPEV's TP by 9.6% to US\$39.0 per share based on more conservative 3x 2025E P/S multiple on vehicle sales.** Trading at 9.2x 2021E P/S multiple, we think XPEV's valuation turns more attractive. **Maintain BUY.**

- **1Q21 performance beat estimates.** Sales revenue and auto shipment volume were ahead of our estimates in the low season quarter. GPM came with surprise on the back of better-than-expected material cost control and good take rate of optional XPilot 3.0 sales. GPM improved 3.8ppt QoQ to 11.2% during the quarter. R&D expenses increased 16.3% QoQ while SD&A expense contracted 21.5% QoQ. Net loss was RMB786mn in 1Q21, flat vs 4Q20. We think XPEV's operating performance beat our estimates, while financial performance was largely in line.
- **Guiding 2Q21E auto-shipment of 15.5-16.0k units.** The guidance implies monthly shipment of 5.1-5.3k units, largely flattish compared with 5.2k units delivery in Apr. Mgmt. explained chip supply would be a key constraint that curbs shipment growth, while order flow remains strong. Based on 1Q21 performance and 2Q21E guidance, we lifted XPEV's 2021E auto sales forecast by 21.6% to 58,920 units. Our sales projections assume tightened chip supply situation will be eased from 3Q21E.
- **GPM to improve with LFP version vehicle sales.** Mgmt. attributed 2.5ppt out of the 3.8ppt QoQ GPM improvement in 1Q21 to optional software sales of XPilot 3.0. XPEV recorded successful usage millage above 2.3mn kilometers by Mar after launching NGP function in Jan 2021. Looking ahead into 2Q21E, we expect GPM improvement to continue on LFP version vehicle sales that will likely lead to considerable battery cost saving. Mgmt. disclosed LFP version of G3 and P7 was quite popular for consumers, and accounts for considerable portion (>20%) of vehicle orders.
- **P5 delivery on schedule; G3 to have a facelift in 3Q21.** XPEV is on track to deliver P5, a newly reviled A+ size sedan equipped with Lidar, in 4Q20. P5 will be priced at a range between G3 and P7, and had received more than 10k preliminary orders. Mgmt. expressed optimistic outlook on newly launched P5 sedan, as sales and marketing feedback from retail stores as well as pre-order statistics is far beyond P7 during the same period. For G3, XPEV will launch a facelift version with minor upgrade in 3Q21E.

Earnings Summary

(YE 31 Dec)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (RMB mn)	2,321	5,844	13,000	20,251	33,976
YoY growth (%)	23,815.3	151.8	122.4	55.8	67.8
Adj. net income (RMB mn)	-4,654	-4,890	-3,970	-3,494	-2,117
Adj. EPADS(RMB)	-27	-13	-5	-4	-3
YoY growth (%)	N/A	-51.3	-60.9	-13.1	-40
Consensus EPS (RMB)	NA	NA	-5.4	0.02	2.64
P/E (x)	NA	NA	NA	NA	NA
P/S (x)	51.5	20.5	9.2	5.9	3.5
Yield (%)	0	0	0	0	0
ROE (%)	na	-35%	-12%	-12%	-8%
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIS estimates

BUY (maintain)

Target Price	US\$ 39.00
(Previous TP)	US\$ 43.12)
Up/Downside	+65.5%
Current Price	US\$ 23.56

China NEV Sector

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Stock Data

Mkt Cap (US\$ mn)	18,906
Avg 3 mths t/o (US\$ mn)	603.5
52w High/Low (US\$)	74.49/15.00
Total Issued Shares (mn)	498

Source: Bloomberg

Shareholding Structure

He Xiaopeng	25.0%
Simplicity & Respect entities	22.3%
Alibaba	12.3%

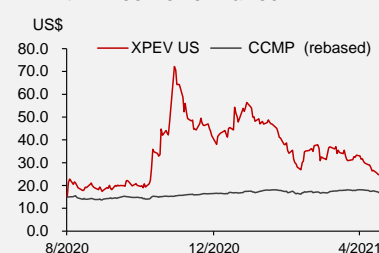
Source: Bloomberg

Share Performance

	Absolute	Relative
1-mth	-33.6%	-29.2%
3-mth	-49.8%	-46.0%
6-mth	-43.9%	-49.4%

Source: Bloomberg

12-mth Price Performance

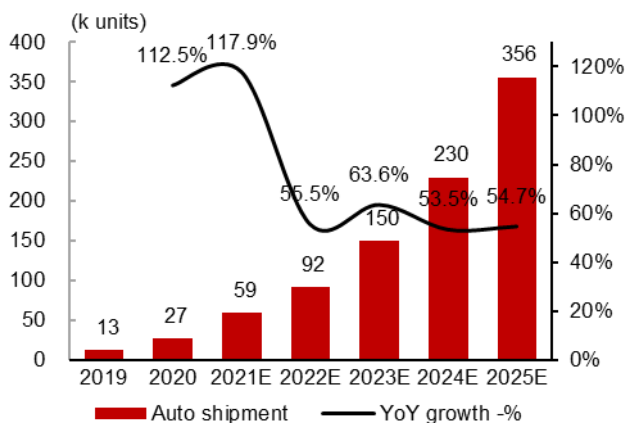


Source: Bloomberg

Auditor: PwC Zhong Tian LLP

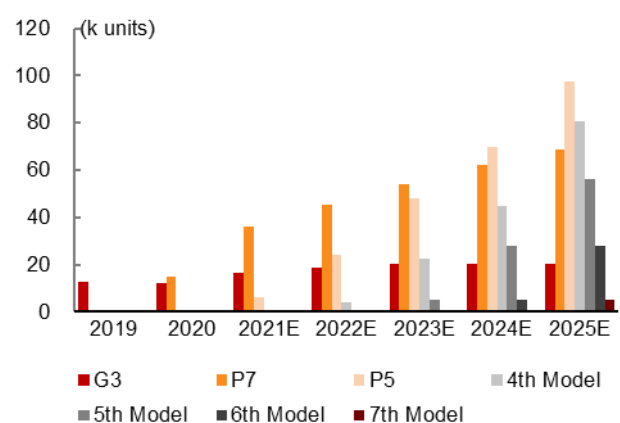
- **Valuation turns more attractive after recent share price retreat.** Based on our revised outlook for auto sales volume and GPM, we expect XPEV's net loss to narrow by 3.5/4.0/2.0% in 2021-23E compared to our previous estimates. We also lifted XPEV's 2025E auto sales volume by 27.6% to 355.97k units. Given recent market volatility and sector valuation correction, we take a more conservative 2025E P/S multiple of 3x for vehicle sales segment and discount back. We trimmed XPEV's TP by 9.6% to US\$39.00, implying 65.8% upside. We think XPEV has an increasing risk-reward. Maintain BUY.

Figure 1: We lift 2025E sales projection by 27.6%



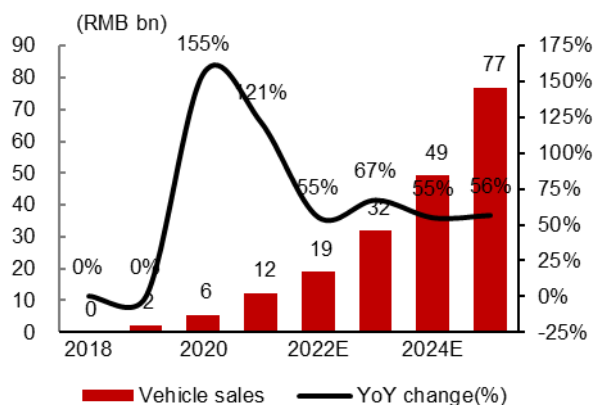
Source: Company data, CMBIS estimates

Figure 2: Sales volume forecast: by model



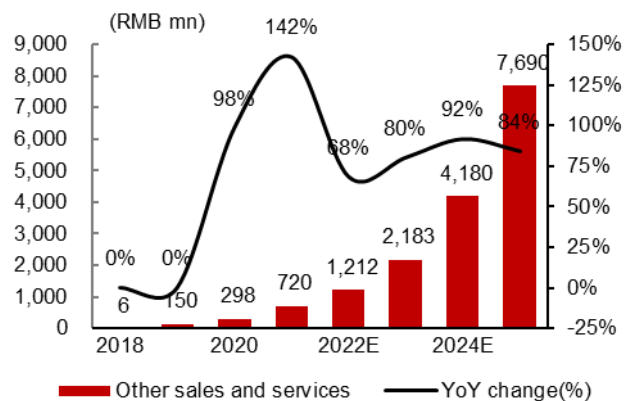
Source: Company data, CMBIS estimates

Figure 3: Auto sales revenue projection



Source: Company data, CMBIS estimates

Figure 4: Others and services sales projection



Source: Company data, CMBIS estimates

Figure 5: XPEV's 1Q21 results summary

	1Q20	4Q20	1Q21	YoY	QoQ
Revenue	412	2,851	2,951	616.1%	3.5%
Vehicle sales	372	2,735	2,810	655.2%	2.7%
Services and others	40	116	141	252.2%	21.3%
Sales volume	2,271	12,964	13,340	487.4%	2.9%
Vehicle ASP - k RMB	163.9	211.0	210.7	28.6%	-0.2%
Service ASP - k RMB	17.6	8.9	10.5	-40.0%	17.9%
Shipment volume	2,271	12,964	13,340	487.4%	2.9%
G3	2,271	4,437	5,366	136.3%	20.9%
P7	-	8,527	7,974	N/A	-6.5%
Costs of sales	(432)	(2,641)	(2,621)	506.8%	-0.7%
Vehicle sales	(392)	(2,551)	(2,526)	544.8%	-1.0%
Services and others	(40)	(90)	(95)	137.0%	5.6%
Gross profit	(20)	211	330	-1759.7%	56.6%
Vehicle sales	(20)	185	285	-1552.8%	53.9%
Services and others	(0)	26	45	n/a	76.2%
Gross profit margin	-4.82%	7.38%	11.18%	12.2ppt	3.8ppt
Vehicle sales	-5.26%	6.76%	10.12%	12.0ppt	3.4ppt
Services and others	-0.72%	22.18%	32.23%	22.9ppt	10.0ppt
Operating expenses	(632)	(1,378)	(1,256)	98.7%	-8.8%
R&D expenses	(311)	(460)	(535)	72.2%	16.3%
...as % to revenue	75.4%	16.1%	18.1%	-59.3ppt	2.0ppt
SD&A expenses	(322)	(918)	(721)	124.0%	-21.5%
...as % to revenue	78.1%	32.2%	24.4%	-45.9ppt	-7.8ppt
Other income	3.197	46.10	22	593.2%	-51.9%
Gain/loss from operations	- 648.53	- 1,121.02	- 903.75	39.4%	-19.4%
Interest income	11	89	135	1167.6%	52.0%
Interest expense	(8)	(3)	(1)	-86.2%	-55.6%
Fair value gain on derivative liabilities	(5)	123	(2)	-63.6%	-101.5%
Other non-operating income/(loss), net	2	125	(15)	-800.5%	-111.8%
Gain/loss before income tax	(649)	(786)	(786)	21.2%	0.0%
Income tax expenses	-	(1)	-	n/a	-100.0%
Effective tax rate	0.0%	-0.2%	0.0%	n/a	-100.0%
Profit/loss of the period	(649)	(787)	(786)	21.2%	-0.1%
Accretion on preferred shares to redemption value	(285)	-	-		
Net loss attributable to ordinary shareholders	(934)	(787)	(786)	-15.8%	-0.1%
EPADS	(5.15)	(1.05)	(0.99)	-80.8%	-5.9%

Source: Company data, CMBIS

Figure 6: Earnings revisions

	Old			New			Change(%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Vehicle sales volume	48,499	73,468	121,980	58,920	91,634	149,916	21.5%	24.7%	22.9%
ASP (k RMB, VAT excl.)	208	209	215	208	208	212	0.1%	-0.5%	-1.5%
Revenue (RMB mn)	10,694	16,320	28,055	13,000	20,251	33,976	21.6%	24.1%	21.1%
Net Income (RMB mn)	-4,116	-3,641	-2,160	-3,970	-3,494	-2,117	-3.5%	-4.0%	-2.0%
EPADS (RMB)	-5.25	-4.59	-2.70	-5.07	-4.40	-2.64	-3.5%	-4.0%	-2.0%

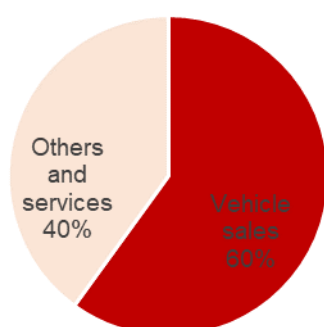
Source: Company data, CMBIS estimates

Figure 7: Valuation for XPEV

(YE 31 Dec)	FY21E	FY22E	FY23E	FY24E	FY25E
XPEV					
Vehicle sales volume (uni)	58,920	91,634	149,916	230,050	355,965
Total revenue - RMB mn	13,000	20,251	33,976	53,356	84,591
Vehicle sales	12,280	19,039	31,794	49,176	76,901
Others and services	720	1,212	2,183	4,180	7,690
Net profit	(3,970)	(3,494)	(2,117)	1,128	6,441
Share number - mn	789				
Current price - US\$	23.56				
Discount years		1	2	3	4
Discount factors		84.7%	71.8%	60.9%	51.6%
Market cap - US\$ mn					30,843
Vehicle sales - 5x 2025E P/S					18,506
Others and services - 20x 2025E P/S					12,337
2021 TP - US\$					39.00
Vehicle sales					23.44
Others and services					15.63
Upside					65.8%
PE - 2025E					30.8
2021 P/S					15.26
2022 P/S					9.79

Source: Company data, CMBIS estimates

Figure 8: Segment composition for overall valuation



Source: Company data, CMBIS estimates

Financial Summary

Income statement

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	2,321	5,844	13,000	20,251	33,976
Vehicle sales	2,171	5,547	12,280	19,039	31,794
Other sales	150	298	720	1,212	2,183
Cost of sales	(2,879)	(5,578)	(11,636)	(17,798)	(28,755)
Gross profit	(558)	266	1,364	2,453	5,222
R&D exps	(2,070)	(1,726)	(3,020)	(3,322)	(3,655)
SG&A exps	(1,165)	(2,921)	(3,196)	(3,480)	(4,555)
Other operating profit/(loss)	12	87	-	-	-
EBIT	(3,781)	(4,294)	(4,853)	(4,349)	(2,988)
Interest income	89	133	615	529	423
Interest expenses	(32)	(22)	(62)	(77)	(92)
Fair value gain	27	1,362	200	200	200
Other income/(loss)	4	90	130	203	340
Pre-tax profit	(11,288)	(5,298)	(7,185)	(3,956)	(1,452)
Income tax	(0)	(1)	-	-	-
Accretion on NCI value	(961)	(2,158)	-	-	-
Net profit - GAAP	(4,654)	(4,890)	(3,970)	(3,494)	(2,117)
Net profit - Non-GAAP	(4,653)	(3,893)	(3,470)	(2,994)	(1,617)

Cash flow

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
EBIT	(3,636)	(2,620)	(3,417)	(3,042)	(1,786)
Depreciation and amortization	138	256	293	319	344
Change in working capital	1,706	(213)	856	(2,159)	(4,158)
Taxation	(0)	(0)	0	0	0
Others	(1,771)	(1,380)	(613)	(514)	(393)
CF from operating	(3,563)	(3,958)	(2,881)	(5,397)	(5,992)
Change in investments	(685)	(2,738)	(174)	(136)	(110)
Others	1,425	(1,000)	-	-	-
CF from investing	740	(3,737)	(174)	(136)	(110)
Equity raised	2,725	37,181	-	-	-
Change of Debts	970	(352)	500	500	500
Dividend paid	-	-	-	-	-
Others	(102)	-	-	-	-
CF from financing	3,594	36,829	500	500	500
Net change in cash	771	29,134	(2,555)	(5,033)	(5,603)
Cash at the beginning of the year	1,632	2,408	31,542	28,986	23,954
Restricted cash	461	2,332	2,565	2,822	3,104
Exchange difference	5	-	-	-	-
Cash at the end of the year	1,947	29,209	26,421	21,132	15,247

Balance sheet

YE 31 Dec (RMB mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	4,291	5,028	5,356	5,738	6,104
Fixed asset	3,230	3,082	3,322	3,537	3,727
Right-of-use assets	440	461	466	470	475
Finance lease receivables	110	397	581	814	1,058
Others	511	1,087	987	916	844
Current assets	4,961	39,679	39,968	38,158	37,015
Cash	1,947	29,209	26,421	21,132	15,247
Trade receivables	539	1,129	1,950	2,633	4,077
Inventory	454	1,343	2,080	3,240	4,077
Short term investments	408	2,821	2,821	2,821	2,821
Others	1,613	5,177	6,696	8,333	10,79
Current liabilities	3,298	7,837	11,720	12,989	13,246
Short-term borrowings	420	128	232	282	332
Trade payable	954	5,112	8,336	9,190	9,097
Current portion of LT borrowings	60	45	70	85	100
Accruals and other liabilities	1,756	2,256	2,595	2,854	2,997
Others	108	296	489	579	721
Non-current liabilities	3,091	2,440	3,144	3,941	5,024
Borrowings	1,690	1,645	2,017	2,452	2,887
Lease liabilities	361	353	372	390	410
Others	1,039	442	756	1,099	1,728
Total net assets	2,863	34,430	30,460	26,965	24,848
Mezzanine Equity	9,693	-	-	-	-
Shareholder's equity	(6,830)	34,430	30,460	26,965	24,848

Key ratios

YE 31 Dec	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Vehicle	94%	95%	94%	94%	94%
Other	6%	5%	6%	6%	6%
Total	100%	100%	100%	100%	100%
Profit & loss ratios (%)					
Gross margin	-24%	5%	10%	12%	15%
Pre-tax margin	-486%	-91%	-55%	-20%	-4%
Net margin	-200%	-84%	-31%	-17%	-6%
Effective tax rate	0%	0%	0%	0%	0%
Balance sheet ratios					
Current ratio (x)	1.5	5.1	3.4	2.9	2.8
Quick ratio (x)	1.0	4.7	3.0	2.4	2.0
Cash ratio (x)	0.7	4.1	2.6	2.0	1.5
Debtors turnover days	296	794	844	719	464
Inventory turnover days	158	235	215	218	186
Creditors turnover days	88	87	71	65	58
Total debt / equity ratio (%)	74%	5%	7%	10%	13%
Net debt / equity ratio (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Returns (%)					
ROE	N/A	-35%	-12%	-12%	-8%
ROA	-54%	-18%	-7%	-6%	-4%
Per ADS share					
EPS (USD)	(26.6)	(13.0)	(5.1)	(4.4)	(2.6)
DPS (USD)	-	-	-	-	-
BVPS (USD)	4.71	44.27	38.59	33.82	30.86

Source: Company data, CMBIS estimates

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