

Geely Automobile (175 HK)

A disciplined route to intelligent transformation and global expansion

Maintain BUY. We attended Geely's investor day on 9 Jun 2026, where the company showcased its latest autonomous driving (AD) and smart cockpit functionalities. We are of the view that Geely has been catching up with leading peers in its tech transformation with all the R&D resources integrated. Geely has also been accelerating global expansion, especially in Europe, following its parent company's previous approach: asset-light and partnerships with local automakers. We lift our FY26E net profit forecast by 8.5% to RMB22.7bn with higher export volume and better model mix assumptions.

- Catching up in AD and smart cockpit.** We participated in an on-road demonstration of a Zeekr 8X in Shenzhen, experiencing the G-ASD 4.0 with the H7 hardware and Super Eva agent, as it navigated complex urban road conditions. We are of the view that Geely has been catching up with leading peers in AD and smart cockpit functionalities with all the R&D resources integrated now. The current AD version is based on the one-stage end-to-end (E2E) framework, with plans to integrate the Vision-Language-Action (VLA) model onto higher-computing-power SoCs in the near term, according to management. We view Super Eva as a prototype of an AI agent leveraging Step 3.5 Flash. The system is capable of seamlessly merging AD functions with route planning and real-time interaction with the vehicle's surroundings, as well as personalized communications.
- Driving global expansion via an asset-light model.** With its YTD export volume beat, Geely continues to accelerate its global expansion, especially in Europe. Leveraging its NEV technologies and its parent company's global ecosystem, Geely is positioned to establish partnerships with local automakers, offering its NEV architecture in exchange for local production capacity in Europe. Therefore, we expect overseas sales to continue surging in FY27E. We lift our FY26E overseas sales volume by 25% to 1mn units and project 1.4mn units for FY27E.
- 2Q26 earnings preview: core net profit to rise 14% QoQ.** We project Geely's 2Q26 revenue to rise 26% YoY with higher exports and better model mix, which could also result in a GPM lift of 1.3ppts YoY to 18.4%, based on our estimates. We expect SG&A and R&D combined ratio to narrow by 0.8ppts YoY to 12.4% in 2Q26. That, along with our assumption of a forex gain of RMB700mn, leads to our net profit forecast of RMB5.8bn, or a core net profit (adjusted for forex and non-financial assets impairment) forecast of RMB5.2bn, a QoQ increase of 14%.
- Earnings/Valuation.** We maintain our FY26E sales volume forecast of 3.5mn units with upgraded assumption for exports and high-end models. Therefore, we revise up our FY26E gross profit forecast by 5.8% and net profit forecast by 8.5% to RMB22.7bn. We also raise our FY27/28E net profit estimates by 10.9%/9.6%, respectively. We maintain our BUY rating and target price of HK\$27.00, based on 11x (prior 12x) our revised P/E, to reflect the recent weak market sentiment in China auto sector. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, especially from NEV models, as well as a sector de-rating.

BUY (Maintain)

Target Price HK\$27.00
Up/Downside 45.4%
Current Price HK\$18.57

China Auto

Ji SHI, CFA

(852) 3761 8728
shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751
douwenjing@cmbi.com.hk

Austin Liang

(852) 3900 0856
austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	201,393.3
Avg 3 mths t/o (HK\$ mn)	1,816.8
52w High/Low (HK\$)	24.98/15.13
Total Issued Shares (mn)	10845.1

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.6%
Others	58.4%

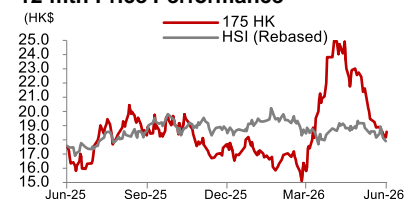
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-18.3%	-12.3%
3-mth	17.5%	21.5%
6-mth	6.1%	9.8%

Source: FactSet

12-mth Price Performance



Source: FactSet

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	275,910	345,232	418,743	470,977	512,495
YoY growth (%)	54.0	25.1	21.3	12.5	8.8
Net profit (RMB mn)	16,811.9	16,852.2	22,669.9	26,737.3	28,747.3
YoY growth (%)	216.7	0.2	34.5	17.9	7.5
EPS (Reported) (RMB)	1.67	1.67	2.07	2.42	2.58
P/E (x)	9.6	9.6	7.7	6.6	6.2
P/B (x)	1.9	1.8	1.6	1.3	1.2
Yield (%)	1.9	2.9	4.5	5.7	6.4
ROE (%)	20.1	18.8	22.2	21.9	20.2
Net gearing (%)	(45.1)	(55.6)	(69.3)	(81.9)	(91.1)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	YoY	QoQ
Sales volume (units)	703,824	705,356	761,009	854,378	709,358	752,801	6.7%	6.1%
ASP (RMB)	103,282	110,005	117,203	123,780	118,101	130,000	18.2%	10.1%
Total revenue	72,692	77,593	89,192	105,755	83,776	97,864	26.1%	16.8%
Gross profit	11,446	13,273	14,793	17,835	14,664	18,007	35.7%	22.8%
Selling exp.	(3,651)	(4,734)	(5,358)	(6,681)	(4,384)	(5,676)	19.9%	29.5%
Admin exp.	(1,422)	(1,476)	(1,353)	(2,231)	(1,341)	(1,468)	-0.6%	9.5%
R&D exp.	(3,314)	(4,014)	(4,389)	(5,907)	(4,558)	(5,000)	24.6%	9.7%
Operating profit	6,604	4,213	4,628	3,393	4,826	6,803	61.5%	41.0%
Net profit	5,673	3,617	3,820	3,742	4,166	5,763	59.3%	38.3%
Adj. net profit	3,480	3,180	3,960	3,790	4,561	5,203	63.6%	14.1%
Gross margin	15.7%	17.1%	16.6%	16.9%	17.5%	18.4%	1.3 ppts	0.9 ppts
Operating margin	9.1%	5.4%	5.2%	3.2%	5.8%	7.0%	1.5 ppts	1.2 ppts
Net margin	7.8%	4.7%	4.3%	3.5%	5.0%	5.9%	1.2 ppts	0.9 ppts
Adj. net margin	4.8%	4.1%	4.4%	3.6%	5.4%	5.3%	1.2 ppts	-0.1 ppts

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	418,743	470,977	512,495	403,803	442,886	485,405	3.7%	6.3%	5.6%
Gross profit	75,791	85,444	92,094	71,620	78,988	85,781	5.8%	8.2%	7.4%
Operating profit	25,862	29,928	32,045	23,172	26,256	28,181	11.6%	14.0%	13.7%
Net profit	22,670	26,737	28,747	20,886	24,112	26,239	8.5%	10.9%	9.6%
Gross margin	18.1%	18.1%	18.0%	17.7%	17.8%	17.7%	0.4 ppts	0.3 ppts	0.3 ppts
Operating margin	6.2%	6.4%	6.3%	5.7%	5.9%	5.8%	0.4 ppts	0.4 ppts	0.4 ppts
Net margin	5.4%	5.7%	5.6%	5.2%	5.4%	5.4%	0.2 ppts	0.2 ppts	0.2 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	418,743	470,977	512,495	428,351	493,008	555,538	-2.2%	-4.5%	-7.7%
Gross profit	75,791	85,444	92,094	72,383	84,506	96,125	4.7%	1.1%	-4.2%
Operating profit	25,862	29,928	32,045	21,191	26,316	30,922	22.0%	13.7%	3.6%
Net profit	22,670	26,737	28,747	20,504	24,741	29,042	10.6%	8.1%	-1.0%
Gross margin	18.1%	18.1%	18.0%	16.9%	17.1%	17.3%	1.2 ppts	1.0 ppts	0.7 ppts
Operating margin	6.2%	6.4%	6.3%	4.9%	5.3%	5.6%	1.2 ppts	1.0 ppts	0.7 ppts
Net margin	5.4%	5.7%	5.6%	4.8%	5.0%	5.2%	0.6 ppts	0.7 ppts	0.4 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	418,743	470,977	512,495
Cost of goods sold	(151,789)	(230,107)	(287,885)	(342,952)	(385,533)	(420,401)
Gross profit	27,415	45,804	57,347	75,791	85,444	92,094
Operating expenses	(14,675)	(21,568)	(20,738)	(27,645)	(29,362)	(31,216)
Selling expense	(11,832)	(16,441)	(20,424)	(23,001)	(25,351)	(27,103)
Admin expense	(4,210)	(6,250)	(6,482)	(7,304)	(7,842)	(8,078)
Others	1,367	1,122	6,167	2,661	3,831	3,966
Operating profit	12,740	24,236	36,608	48,146	56,081	60,878
Other expense	(646)	(1,753)	(1,181)	(895)	(688)	(609)
Other gains/(losses)	0	9,354	38	0	0	0
Share of (losses)/profits of associates/JV	599	1,783	2,399	2,211	2,329	2,364
EBITDA	13,570	32,896	36,848	45,883	52,862	58,037
Depreciation	8,203	13,750	15,920	17,729	20,124	22,831
EBIT	5,367	19,146	20,927	28,154	32,737	35,205
Interest income	961	1,331	834	976	1,167	1,406
Interest expense	(417)	(1,019)	(698)	(586)	(341)	(341)
Net Interest income/(expense)	544	312	137	390	826	1,065
Foreign exchange gain/loss	(126)	(1,619)	3,186	(1,000)	0	0
Pre-tax profit	4,950	18,127	20,230	27,568	32,396	34,864
Income tax	(15)	(1,782)	(3,601)	(4,691)	(5,412)	(5,850)
After tax profit	4,935	16,345	16,628	22,877	26,984	29,014
Minority interest	373	467	224	(207)	(247)	(267)
Net profit	5,308	16,812	16,852	22,670	26,737	28,747
Gross dividends	2,051	3,119	4,732	7,934	10,160	11,499

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	113,635	152,128	159,413	191,479	234,611	275,708
Cash & equivalents	35,746	43,058	65,319	79,717	110,666	140,959
Restricted cash	943	3,546	2,898	2,200	2,000	2,000
Account receivables	42,711	75,663	58,768	71,485	79,202	86,183
Inventories	15,422	29,359	31,934	37,584	42,250	46,071
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	134,971	137,393	137,030
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	42,542	45,053	47,590
Intangibles	23,920	35,625	36,446	38,826	40,014	39,377
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	5,443	6,024	6,550
Total assets	192,598	271,074	290,410	326,450	372,004	412,738
Current liabilities	96,824	162,919	179,460	198,079	222,409	242,331
Short-term borrowings	0	1,358	10,496	0	0	0
Account payables	87,398	159,497	165,337	195,953	220,282	240,205
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	14,928	15,681	16,297
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	10,608	11,361	11,977
Total liabilities	107,446	177,083	196,795	213,008	238,090	258,628
Share capital	184	184	199	201	203	204
Other reserves	80,325	86,354	92,200	111,849	132,102	152,059
Total shareholders equity	80,509	86,539	92,398	112,049	132,304	152,263
Minority interest	4,643	7,453	1,217	1,393	1,610	1,846
Total equity and liabilities	192,598	271,074	290,410	326,450	372,004	412,738

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,950	18,127	20,230	27,568	32,396	34,864
Depreciation & amortization	8,203	13,750	15,920	17,729	20,124	22,831
Tax paid	(2,307)	(3,788)	(4,040)	(4,691)	(5,412)	(5,850)
Change in working capital	11,238	15,331	18,278	11,521	11,948	9,025
Others	259	(6,553)	(3,114)	(1,427)	(2,116)	(2,440)
Net cash from operations	22,342	36,867	47,274	50,700	56,941	58,430
Investing						
Capital expenditure	(15,322)	(16,910)	(17,920)	(19,137)	(19,584)	(19,548)
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	2,379	2,147	2,193
Net cash from investing	(16,145)	(14,532)	(23,370)	(17,758)	(18,437)	(18,355)
Financing						
Dividend paid	(1,916)	(2,120)	(3,119)	(4,732)	(7,934)	(10,160)
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)	(7,556)	(9,781)
Net change in cash						
Cash at the beginning of the year	33,341	42,320	43,058	65,319	79,717	110,666
Exchange difference	(1,029)	46	197	0	0	0
Cash at the end of the year	35,746	43,058	65,319	79,717	110,666	140,959
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	21.1%	54.0%	25.1%	21.3%	12.5%	8.8%
Gross profit	31.2%	67.1%	25.2%	32.2%	12.7%	7.8%
Operating profit	21.4%	90.2%	51.1%	31.5%	16.5%	8.6%
EBITDA	0.1%	142.4%	12.0%	24.5%	15.2%	9.8%
EBIT	2.6%	256.7%	9.3%	34.5%	16.3%	7.5%
Net profit	0.9%	216.7%	0.2%	34.5%	17.9%	7.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	15.3%	16.6%	16.6%	18.1%	18.1%	18.0%
Operating margin	7.1%	8.8%	10.6%	11.5%	11.9%	11.9%
EBITDA margin	7.6%	11.9%	10.7%	11.0%	11.2%	11.3%
Return on equity (ROE)	6.8%	20.1%	18.8%	22.2%	21.9%	20.2%
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	7.7	6.6	6.2
P/E (diluted)	30.6	9.6	9.9	7.8	6.7	6.3
P/B	2.0	1.9	1.8	1.6	1.3	1.2
P/CFPS	7.2	4.4	3.4	3.5	3.1	3.1
Div yield (%)	1.3	1.9	2.9	4.5	5.7	6.4

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

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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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