

NIO Inc. (NIO US/9866 HK)

Narrower loss possible, 4Q25 breakeven unlikely

Maintain HOLD. NIO still targets 4Q25 breakeven despite a wider net loss YoY in 1Q25. We are of the view that management's breakeven assumptions are a bit unrealistic. Unlike its peers, we are of the view that NIO's heavier investments in battery swap, sales channels and other unnecessary projects require a much higher sales volume to achieve breakeven.

■ **1Q25 earnings miss on SG&A.** NIO's 1Q25 revenue was 2% lower than our prior forecast. GPM in 1Q25 was 0.7ppts lower than our projection, mainly due to the vehicle GPM miss. Operating loss of RMB6.4bn in 1Q25 missed our forecast by RMB1.0bn, as SG&A expenses were RMB0.9bn higher than expected. That also led to a miss of RMB1.3bn for net loss.

■ **Company's 4Q25 breakeven assumption a bit ideal.** Management's target for 4Q25 breakeven is based on the following key assumptions: sales volume of 150,000-160,000 units, GPM of 17%, R&D ratio of 7% and SG&A ratio of 10%. We are of the view that such assumptions are unlikely to become reality, especially for SG&A. It requires NIO to quadruple its sales volume from its 1Q25 level with a 15% reduction in SG&A from the 1Q25 level of RMB4.4bn.

We cut our FY25E sales volume forecast by 30,000 units to 350,000 units, taking the Onvo models' contribution into consideration. That also implies a sales volume of 235,000 units in 2H25E, or an average monthly volume of about 40,000 units in 2H25E. We project FY25E vehicle GPM to be 14.7% (NIO: 17.1%, Onvo: 11.4%, Firefly: 8%). We also cut R&D and SG&A expenses forecasts following management's cost reduction efforts. That would still result in a net loss of RMB16.2bn in FY25E, or RMB0.2bn higher than our prior forecast, as we cut sales volume forecast.

■ **FY26E breakeven still unlikely.** We reiterate our prior argument that an annual sales volume of 0.5mn units is not enough for NIO to achieve breakeven. Compared with its peers, NIO's heavier investments in battery swap and sales channels either drag its GPM or SG&A quite significantly, in our view. We project NIO's FY26E sales volume to be 0.47mn units and net loss to be RMB9.4bn.

■ **Valuation/Key risks.** We maintain our HOLD rating and trim target price from US\$5.00 to US\$4.00, based on 0.7x (prior 0.8x) our FY25E revenue estimates, as we revise up our FY25E net loss forecast. We believe NIO deserves a lower P/S multiple than Li Auto (1.3x FY25E) and Xpeng (1.6x FY25E), as NIO has much worse profitability. We also add HOLD rating and target price of HK\$31.00 for NIO's H-share, as it is convertible with its US ADS. Key risks to our rating and target price include higher or lower sales volume and margins than we expect, as well as a sector re-rating or de-rating.

Earnings Summary - NIO US

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|------------------------------|------------|------------|------------|-----------|-----------|
| Revenue (RMB mn) | 55,618 | 65,732 | 92,972 | 120,080 | 136,422 |
| YoY growth (%) | 12.9 | 18.2 | 41.4 | 29.2 | 13.6 |
| Gross margin (%) | 5.5 | 9.9 | 13.0 | 13.9 | 14.6 |
| Operating profit (RMB mn) | (22,655.2) | (21,874.1) | (15,561.4) | (9,299.3) | (5,059.5) |
| Net profit (RMB mn) | (21,147.0) | (22,657.7) | (16,241.9) | (9,382.1) | (4,482.1) |
| Adjusted net profit (RMB mn) | (18,474.8) | (20,381.7) | (14,042.6) | (7,274.2) | (2,322.7) |
| P/S (x) | 1.0 | 0.9 | 0.6 | 0.5 | 0.4 |
| P/B (x) | 1.5 | 3.9 | 12.6 | 26.6 | 674.0 |

Source: Company data, Bloomberg, CMBIGM estimates

| NIO US | 9866 HK |
|----------|----------|
| HOLD | HOLD |
| Maintain | Initiate |

| | | |
|---------------|----------|-----------|
| TP | US\$4.00 | HK\$31.00 |
| Prior TP | US\$5.00 | N/A |
| Up/Downside | 13.6% | 12.7% |
| Current Price | US\$3.5 | HK\$27.5 |

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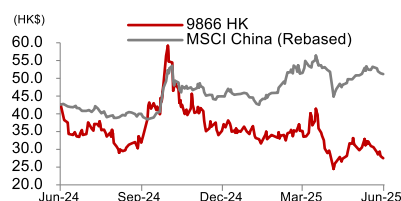
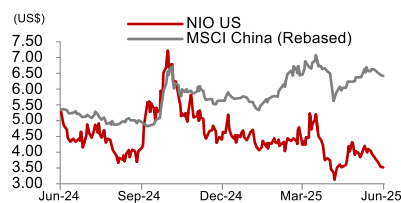
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12-mth Price Performance



Source: FactSet

Stock Performance

| | NIO US | | 9866 HK | |
|-------|--------|--------|---------|--------|
| | Abs. | Rel. | Abs. | Rel. |
| 1-mth | -12.7% | -13.3% | -13.5% | -13.3% |
| 3-mth | -16.8% | -16.2% | -21.8% | -16.2% |
| 6-mth | -24.1% | -32.9% | -22.5% | -32.9% |

Source: FactSet

Stock Data

| (LC) | NIO US | 9866 HK |
|---------------------|----------|----------|
| Mkt Cap (mn) | 7905.887 | 61764.74 |
| Avg 3 mths t/o (mn) | 116.22 | 304.34 |
| 52w High | 7.21 | 59.15 |
| 52w Low | 3.14 | 24.5 |
| Issued Shares (mn) | 2245.991 | 2245.991 |

Source: FactSet

Figure 1: Quarterly results

| RMB mn | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | YoY | QoQ |
|----------------------|---------|---------|---------|---------|---------|----------|-----------|
| Sales volume (units) | 30,053 | 57,373 | 61,855 | 72,689 | 42,094 | 40.1% | -42.1% |
| ASP (RMB) | 329,705 | 304,080 | 301,892 | 271,065 | 285,901 | -13.3% | 5.5% |
| Revenue | 9,909 | 17,446 | 18,674 | 19,703 | 12,035 | 21.5% | -38.9% |
| Gross profit | 488 | 1,689 | 2,007 | 2,309 | 920 | 88.5% | -60.2% |
| R&D expenses | (2,864) | (3,219) | (3,319) | (3,636) | (3,181) | 11.1% | -12.5% |
| SG&A expenses | (2,997) | (3,757) | (4,109) | (4,878) | (4,401) | 46.8% | -9.8% |
| Operating profit | (5,394) | (5,209) | (5,238) | (6,033) | (6,418) | N/A | N/A |
| Net profit | (5,258) | (5,126) | (5,142) | (7,132) | (6,891) | N/A | N/A |
| Gross margin | 4.9% | 9.7% | 10.7% | 11.7% | 7.6% | 2.7 pts | -4.1 pts |
| Operating margin | -54.4% | -29.9% | -28.0% | -30.6% | -53.3% | 1.1 pts | -22.7 pts |
| Net margin | -53.1% | -29.4% | -27.5% | -36.2% | -57.3% | -4.2 pts | -21.1 pts |

Source: Company data, CMBIGM

Figure 2: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------|----------|---------|---------|----------|----------|-------|----------|---------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 92,972 | 120,080 | 136,422 | 102,015 | 126,159 | N/A | -8.9% | -4.8% | N/A |
| Gross profit | 12,041 | 16,744 | 19,885 | 13,797 | 16,585 | N/A | -12.7% | 1.0% | N/A |
| Operating profit | (15,561) | (9,299) | (5,060) | (16,909) | (14,867) | N/A | N/A | N/A | N/A |
| Net profit | (16,242) | (9,382) | (4,482) | (16,011) | (13,488) | N/A | N/A | N/A | N/A |
| Gross margin | 13.0% | 13.9% | 14.6% | 13.5% | 13.1% | N/A | -0.6 pts | 0.8 pts | N/A |
| Operating margin | -16.7% | -7.7% | -3.7% | -16.6% | -11.8% | N/A | -0.2 pts | 4.0 pts | N/A |
| Net margin | -17.5% | -7.8% | -3.3% | -15.7% | -10.7% | N/A | -1.8 pts | 2.9 pts | 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 | 92,972 | 120,080 | 136,422 | 90,530 | 113,648 | 130,501 | 2.7% | 5.7% | 4.5% |
| Gross profit | 12,041 | 16,744 | 19,885 | 10,995 | 16,474 | 20,246 | 9.5% | 1.6% | -1.8% |
| Operating profit | (15,561) | (9,299) | (5,060) | (17,335) | (10,756) | (8,235) | N/A | N/A | N/A |
| Net profit | (16,242) | (9,382) | (4,482) | (17,597) | (11,515) | (8,199) | N/A | N/A | N/A |
| Gross margin | 13.0% | 13.9% | 14.6% | 12.1% | 14.5% | 15.5% | 0.8 pts | -0.6 pts | -0.9 pts |
| Operating margin | -16.7% | -7.7% | -3.7% | -19.1% | -9.5% | -6.3% | 2.4 pts | 1.7 pts | 2.6 pts |
| Net margin | -17.5% | -7.8% | -3.3% | -19.4% | -10.1% | -6.3% | 2.0 pts | 2.3 pts | 3.0 pts |

Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|----------|----------|----------|----------|-----------|-----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 49,269 | 55,618 | 65,732 | 92,972 | 120,080 | 136,422 |
| Cost of goods sold | (44,125) | (52,566) | (59,239) | (80,931) | (103,336) | (116,536) |
| Gross profit | 5,144 | 3,052 | 6,493 | 12,041 | 16,744 | 19,885 |
| Operating expenses | (20,785) | (25,707) | (28,367) | (27,602) | (26,044) | (24,945) |
| SG&A expense | (10,537) | (12,885) | (15,741) | (17,048) | (16,376) | (15,723) |
| R&D expense | (10,836) | (13,431) | (13,037) | (11,154) | (10,468) | (10,122) |
| Others | 589 | 609 | 412 | 600 | 800 | 900 |
| Operating profit | (15,641) | (22,655) | (21,874) | (15,561) | (9,299) | (5,060) |
| Other gains/(losses) | (145) | 325 | (103) | 300 | 400 | 500 |
| Share of (losses)/profits of associates/JV | 378 | 64 | (503) | (500) | (200) | 100 |
| EBITDA | (10,055) | (15,148) | (13,925) | (6,075) | 1,933 | 8,018 |
| Depreciation | 2,852 | 3,378 | 5,875 | 5,905 | 6,985 | 7,951 |
| Depreciation of ROU assets | 1,142 | 1,529 | 1,825 | 2,840 | 3,065 | 3,289 |
| EBIT | (14,049) | (20,055) | (21,626) | (14,820) | (8,118) | (3,222) |
| Interest income | 1,359 | 2,210 | 854 | 941 | 982 | 1,237 |
| Interest expense | (333) | (404) | (798) | (741) | (589) | (543) |
| Foreign exchange gain/loss | 283 | (55) | 212 | 0 | 0 | 0 |
| Pre-tax profit | (14,382) | (20,459) | (22,425) | (15,561) | (8,707) | (3,765) |
| Income tax | (55) | (261) | 23 | (31) | (17) | (8) |
| After tax profit | (14,437) | (20,720) | (22,402) | (15,593) | (8,724) | (3,773) |
| Minority interest | 157 | (124) | 92 | 30 | 30 | 30 |
| Others | (279) | (303) | (348) | (679) | (688) | (739) |
| Net profit | (14,559) | (21,147) | (22,658) | (16,242) | (9,382) | (4,482) |
| Adjusted net profit | (11,984) | (18,475) | (20,382) | (14,043) | (7,274) | (2,323) |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------|----------|----------|-----------|-----------|-----------|-----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 59,150 | 70,380 | 61,886 | 59,016 | 75,915 | 87,747 |
| Cash & equivalents | 19,888 | 32,935 | 19,329 | 20,258 | 32,478 | 41,210 |
| Restricted cash | 3,154 | 5,542 | 8,321 | 3,000 | 2,500 | 2,500 |
| Account receivables | 5,118 | 4,658 | 1,676 | 7,642 | 9,870 | 11,213 |
| Inventories | 8,191 | 5,278 | 7,087 | 5,765 | 7,361 | 8,301 |
| ST bank deposits | 19,171 | 16,810 | 14,138 | 10,000 | 10,000 | 10,000 |
| Other current assets | 3,627 | 5,157 | 11,335 | 12,351 | 13,706 | 14,523 |
| Non-current assets | 37,114 | 47,003 | 45,719 | 49,705 | 50,543 | 49,494 |
| PP&E | 15,659 | 24,847 | 25,893 | 26,914 | 26,840 | 25,787 |
| Right-of-use assets | 7,374 | 11,404 | 12,797 | 11,337 | 9,919 | 8,263 |
| Investment in JVs & assos | 6,356 | 5,487 | 3,126 | 2,714 | 2,614 | 2,814 |
| Intangibles | 0 | 30 | 30 | 25 | 21 | 16 |
| Other non-current assets | 7,725 | 5,235 | 3,873 | 8,714 | 11,149 | 12,614 |
| Total assets | 96,264 | 117,383 | 107,605 | 108,721 | 126,458 | 137,242 |
| Current liabilities | 45,852 | 57,798 | 62,311 | 70,247 | 83,382 | 93,347 |
| Short-term borrowings | 4,039 | 5,085 | 5,730 | 3,926 | 0 | 0 |
| Account payables | 25,224 | 29,766 | 34,387 | 37,694 | 48,129 | 54,277 |
| Tax payable | 286 | 349 | 400 | 400 | 400 | 400 |
| Other current liabilities | 15,277 | 20,854 | 19,848 | 25,689 | 32,410 | 36,370 |
| Lease liabilities | 1,026 | 1,743 | 1,946 | 2,538 | 2,443 | 2,300 |
| Non-current liabilities | 22,765 | 29,989 | 31,787 | 31,566 | 35,813 | 38,824 |
| Long-term borrowings | 10,886 | 13,043 | 11,441 | 11,575 | 13,514 | 15,514 |
| Other non-current liabilities | 11,879 | 16,946 | 20,346 | 19,992 | 22,299 | 23,310 |
| Total liabilities | 68,617 | 87,787 | 94,098 | 101,813 | 119,195 | 132,171 |
| Share capital | 3 | 4 | 4 | 4 | 4 | 4 |
| Capital surplus | 94,593 | 117,717 | 118,688 | 124,122 | 130,691 | 132,261 |
| Retained earnings | (69,914) | (90,758) | (113,068) | (129,310) | (138,692) | (143,174) |
| Other reserves | 2,744 | 2,444 | 7,785 | 9,535 | 10,243 | 11,002 |
| Total shareholders equity | 27,425 | 29,407 | 13,409 | 4,350 | 2,246 | 93 |
| Minority interest | 221 | 189 | 98 | 2,558 | 5,018 | 4,978 |
| Total equity and liabilities | 96,264 | 117,383 | 107,605 | 108,721 | 126,458 | 137,242 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|----------------|-----------------|----------------|----------------|----------------|----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | (14,382) | (20,459) | (22,425) | (15,561) | (8,707) | (3,765) |
| Depreciation & amortization | 3,994 | 4,907 | 7,701 | 8,745 | 10,051 | 11,240 |
| Change in working capital | 4,444 | 13,286 | 3,527 | (155) | 9,966 | 4,618 |
| Others | 2,078 | 884 | 3,348 | 2,178 | 1,838 | 1,580 |
| Net cash from operations | (3,866) | (1,382) | (7,849) | (4,793) | 13,147 | 13,672 |
| Investing | | | | | | |
| Capital expenditure | (6,973) | (14,341) | (9,142) | (7,001) | (7,001) | (7,001) |
| Acquisition of subsidiaries/ investments | (2,229) | (500) | (587) | (100) | (100) | (100) |
| Net proceeds from disposal of short-term investments | 19,027 | 3,854 | 4,456 | 4,138 | 0 | 0 |
| Others | 560 | 101 | 315 | 12 | 0 | 0 |
| Net cash from investing | 10,385 | (10,885) | (4,958) | (2,951) | (7,101) | (7,101) |
| Financing | | | | | | |
| Net borrowings | (1,632) | 1,918 | 1,706 | (1,495) | (1,926) | 2,000 |
| Proceeds from share issues | 0 | 20,962 | 0 | 3,794 | 5,000 | 0 |
| Others | 15 | 4,782 | 66 | 1,107 | 2,599 | 160 |
| Net cash from financing | (1,616) | 27,663 | 1,772 | 3,406 | 5,674 | 2,160 |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 18,375 | 23,155 | 38,622 | 27,747 | 23,408 | 35,128 |
| Exchange difference | (122) | 70 | 161 | 0 | 0 | 0 |
| Cash at the end of the year | 23,155 | 38,622 | 27,747 | 23,408 | 35,128 | 43,860 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 36.3% | 12.9% | 18.2% | 41.4% | 29.2% | 13.6% |
| Gross profit | (24.6%) | (40.7%) | 112.8% | 85.4% | 39.1% | 18.8% |
| EBITDA | na | na | na | na | na | 314.7% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 10.4% | 5.5% | 9.9% | 13.0% | 13.9% | 14.6% |
| Operating margin | (31.7%) | (40.7%) | (33.3%) | (16.7%) | (7.7%) | (3.7%) |
| EBITDA margin | (20.4%) | (27.2%) | (21.2%) | (6.5%) | 1.6% | 5.9% |
| Adj. net profit margin | (24.3%) | (33.2%) | (31.0%) | (15.1%) | (6.1%) | (1.7%) |
| Return on equity (ROE) | (44.5%) | (74.4%) | (105.8%) | (182.9%) | (284.5%) | (383.3%) |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Current ratio (x) | 1.3 | 1.2 | 1.0 | 0.8 | 0.9 | 0.9 |
| Receivable turnover days | 37.9 | 30.6 | 9.3 | 30.0 | 30.0 | 30.0 |
| Inventory turnover days | 67.8 | 36.6 | 43.7 | 26.0 | 26.0 | 26.0 |
| Payable turnover days | 208.7 | 206.7 | 211.9 | 170.0 | 170.0 | 170.0 |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | ns | ns | ns | ns | ns | ns |
| P/E (diluted) | ns | ns | ns | ns | ns | ns |
| P/B | 1.5 | 1.5 | 3.9 | 12.6 | 26.6 | 674.0 |
| P/CFPS | ns | ns | ns | ns | 4.5 | 4.6 |
| 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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SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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