

Auto

Competition is stiffer than what discounts show

We summarize the Feb 2024 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on the weighted average of Jan 2023 retail sales volume for each model, as Feb 2024 retail sales volume data have not been released yet. The industrywide average discounts remained largely flat MoM in Feb 2024, partially due to the Chinese New Year (CNY). We also believe that discount itself cannot precisely reflect the increasing competition now, as more automakers have launched facelifted models with lower manufacturer's suggested retail prices (MSRPs), such as BYD. We take a deep dive into different automakers' pricing in this report.

- **Great Wall Motor.** In Feb 2024, Great Wall's average discounts at dealers widened slightly MoM to a record high again (Figure 1). Almost all the models posted higher discounts in Feb. Major PHEVs posted the largest MoM discount increases, such as the *Xiaolong series*, *H6* and *Gaoshan* PHEVs. The discounts for the Tank brand continued to widen MoM, reflecting stiffer competition in the off-road SUV segment. The *Tank 700* PHEV was rolled out with a MSRP of RMB428,000-700,000 on 26 Feb. Its non-refundable orders exceeded 6,000 units within one day. The company expects its stable monthly sales volume to be 2,000 units. Unlike Tank, the *Wey Gaoshan* MPV seems to have failed again to turn the Wey brand around. Great Wall guided its overall production volume in Mar to exceed that in Jan 2024 (wholesale volume of 104,000 units).
- **Geely.** Geely's average discounts at dealers remained flat MoM in Feb 2024 (Figure 2). We estimate Geely's inventories at dealers to fall by nearly 10,000 units in Feb 2024. Interestingly, discounts for the *Galaxy L6* and *L7* PHEVs narrowed by about 3ppts MoM in Feb. Discounts for the *Haoyue* and *Emgrand L* PHEV also narrowed by 2-3ppts MoM last month with their Model Year 2024 versions being launched. The minimum MSRP of the *Emgrand L* PHEV fell by 18% to RMB89,800 in Feb 2024, following the price cuts of the *BYD Qin*. The *Zeekr 001* also followed suit, with better functionalities and lower MSRPs for its facelifted version. Profitable ICE vehicles at Geely could also make the automaker more aggressive in the NEV competition, in our view.
- **BYD.** BYD's average discounts at dealers narrowed MoM after the CNY, as it cut the MSRPs for the facelifted *Qin*, *Destroyer 05*, *Han*, *Tang*, *Song*, *Dolphin* and *Seal* by about RMB20,000-30,000 (or 11-15%). We estimate that could be equivalent to widening the overall discounts by about 5ppts. We are of the view that such margin dent is likely to be offset by cost reduction from suppliers. However, we project gross margin for the BYD brand to narrow YoY in FY24E, as we expect its discounts for the facelifted models to widen further in the remainder of the year. Meanwhile, discounts for the *Denza D9* and *N8* widened to about 6%, while that for the *Denza N7* even widened by 9ppts MoM to 15% in Feb 2024.
- **GAC Group.** Aion also implemented MSRP cuts to boost sales as expected. The automaker cut the *Aion Y*'s minimum MSRP by 17% to RMB99,800 on 3 Mar and trimmed the price of the *Aion S Max Xinghan* by 11% two days later. In our view, Aion should also widen the discounts for the Hyper series to boost sales. The *Hyper GT* and *HT* still offered low discounts in Feb 2024. Discounts at GAC Honda narrowed slightly MoM in Feb 2024, but still remained at high levels in GAC Honda's history. The short-lived discount narrowing was largely due to the *Accord* and *Breeze*. The *Accord* added two trim levels at the end of Jan 2024 and low discounts only lasted half a month. The similar situation also occurred to the *Breeze*. We expect discounts at GAC Honda's dealers to widen again to all-time highs in 2024.

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Name	Ticker	Rating	TP (LC)
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Li Auto	2015 HK	BUY	187
NIO	NIO US	HOLD	6.8
Xpeng	XPEV US	HOLD	10.5
Xpeng	9868 HK	HOLD	41
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	290
BYD	002594 CH	BUY	300
GAC	2238 HK	BUY	6
GAC	601238 CH	BUY	14
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Source: Bloomberg, CMBIGM

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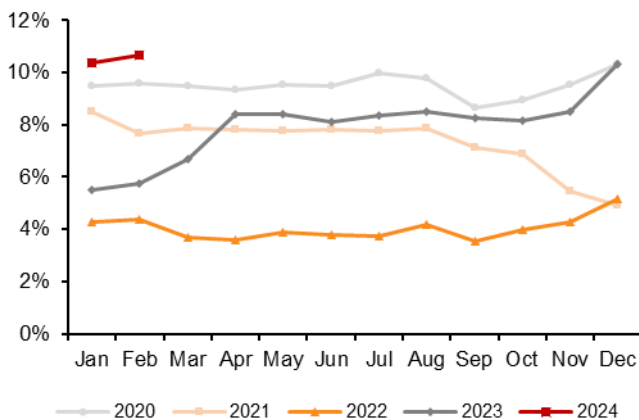
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Discounts at GAC Toyota reached an all-time high again in Feb 2024, as almost all the models posted wider discounts compared with Jan 2024 except the *Camry*. We expect the new-generation *Camry* in Mar 2024 to help narrow the discounts, but the effect could be short-lived.

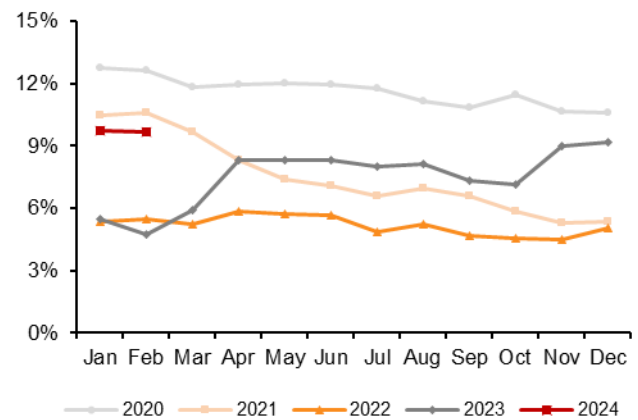
- **BMW.** Discounts at BMW Brilliance remained at a high level of around 21% in Feb (Figure 7). It appears to us that the feedback of the new *5-Series* was even worse than [we had expected](#). Discount for the new *5-Series* has exceeded 5% based on our channel checks after two months of the launch, higher than the discount for the new Mercedes *E-Class* launched three months before. The *i5* started to deliver with low volume. We project 1Q24E new-car gross margin for BMW's dealers to be 2-3ppts lower than that in 2H23. Therefore, we expect BMW to increase special subsidies for dealers in 1H24.
- **Mercedes-Benz.** Discounts at Beijing Benz widened 0.6ppt MoM to almost 18% in Feb 2024 (Figure 8), an all-time high level, still about 3ppts lower than BMW Brilliance's. The discount widening last month was largely driven by the *C-Class*. We expect discount expansion at Beijing Benz to be still slower than BMW Brilliance this year, as Mercedes-Benz is less aggressive in sales volume of locally-produced models than BMW, especially for NEV models. New-car gross margin at Mercedes' dealers is likely to be better than that for BMW's dealers in 2024, in our view.

Figure 1: Great Wall Motor discounts at dealers



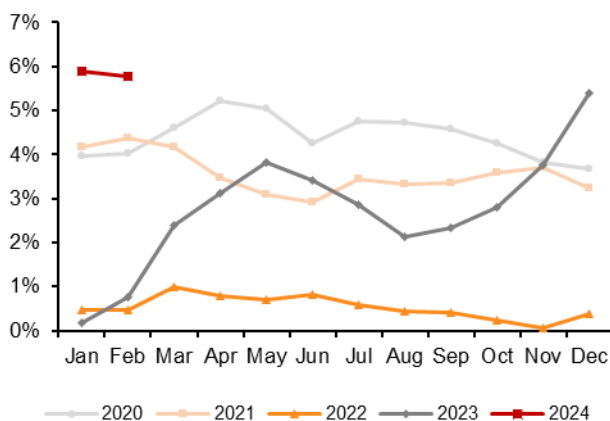
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



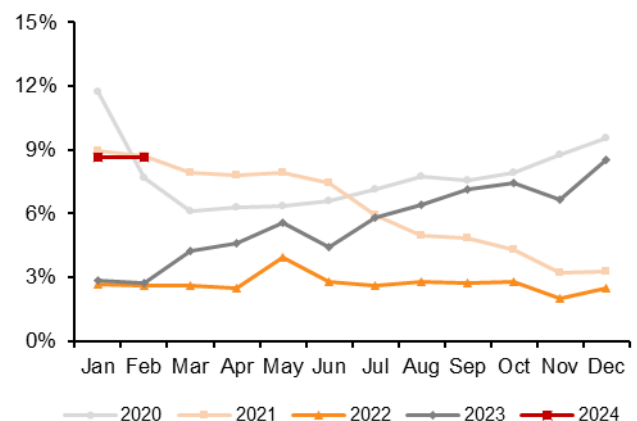
Source: ThinkerCar, CMBIGM

Figure 3: BYD discounts at dealers

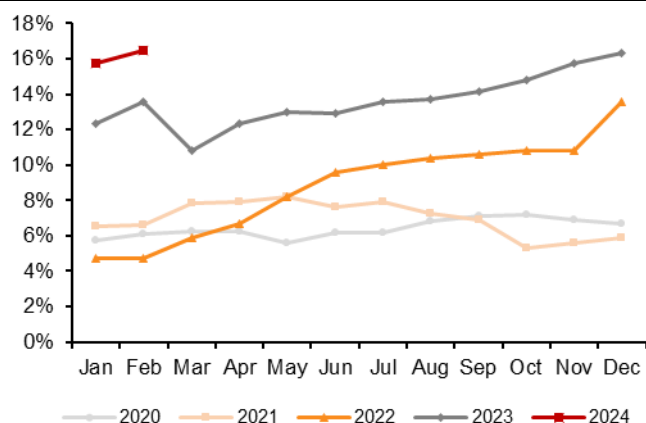


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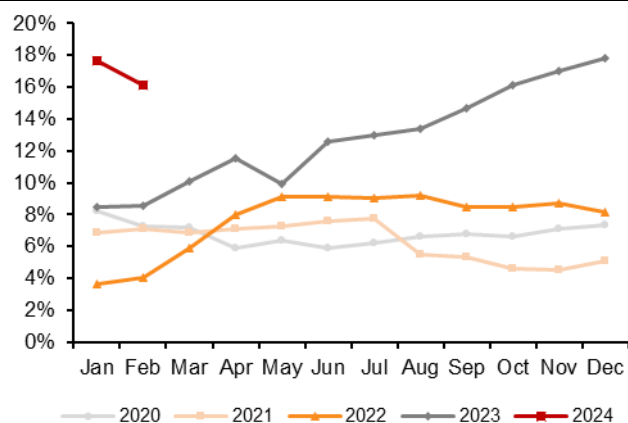
Figure 4: GAC Trumpchi & Aion discounts at dealers



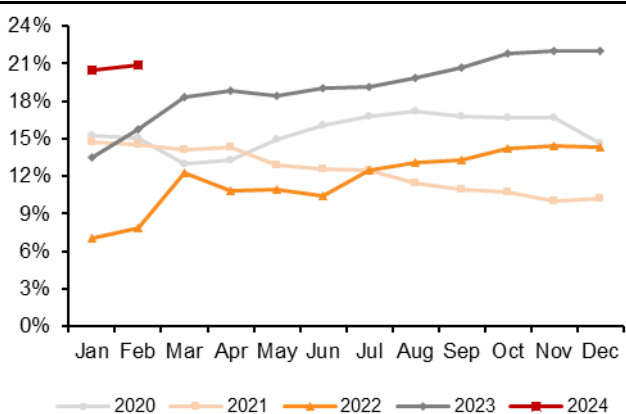
Source: ThinkerCar, CMBIGM

Figure 5: GAC Toyota discounts at dealers

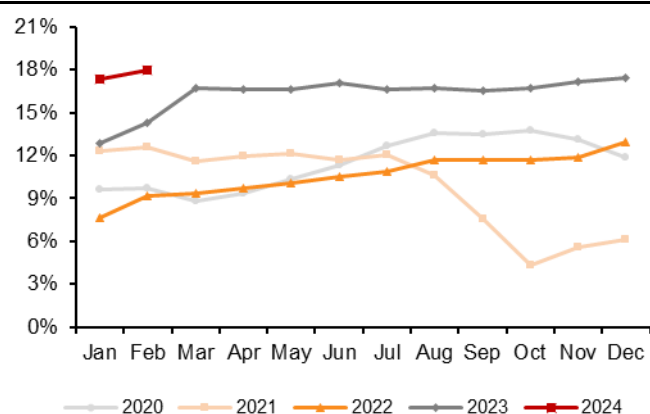
Source: ThinkerCar, CMBIGM

Figure 6: GAC Honda discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 7: BMW Brilliance discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 8: Beijing Benz discounts at dealers

Source: ThinkerCar, CMBIGM

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