

Zenergy (3677 HK)

Brighter sales outlook after strong 2H25 earnings

Maintain BUY. Zenergy's 2H25 earnings beat on GPM and opex, reflecting its operational efficiency, improving client mix and minimal legacy burden, as we noted in our previous reports. We raise our sales volume forecast for both FY26E and FY27E, following management's more positive guidance for FY26E and more aggressive capacity expansion plans in FY26-27E. We revise up our FY26-27E net profit estimates by 7%/10%, respectively.

- 2H25 earnings beat on GPM, opex.** Zenergy's 2H25 revenue surged 50% YoY to RMB4.9bn, or 2% lower than our prior forecast. GPM in 2H25 reached an all-time high again, at 18.7%, 0.6ppts higher than our projection. SG&A and R&D ratios combined were only 9.4%, much lower than our forecast of 12.9%. Despite an unexpected impairment loss on PP&E of RMB236mn, Zenergy's 2H25 profit before tax of RMB396mn was still 5% higher than our forecast.
- New orders could be better than expected.** Management turned more positive on its sales volume in FY26E, with a new guidance of 30+GWh, up from 30GWh in Aug 2025, as it secured design wins for 32 new models in FY25. The company also expects energy storage to account for 10-15% of total sales volume this year with new capacity available. Therefore, we revise up our FY26E sales volume forecast from 30GWh to 33GWh. Zenergy is likely to further expand its capacity in FY27E after a planned capacity increase of 35GWh in FY26E, which probably implies more solid order backlog than we had expected. We raise our FY27E sales volume forecast from 45GWh to 50GWh.
- Superb opex control to offset possible GPM pressure.** We are of the view that battery makers could face more GPM pressure this year amid rising raw-material costs, stiffer competition in China's NEV market and current geopolitical tension. We believe such possible dent could be offset by Zenergy's stringent opex control and greater economies of scale. We project GPM to narrow by 1.5ppts YoY to 16.9% in FY26E and SG&A and R&D combined ratio to drop by 2.7ppts YoY to 8.5% during the same period.
- Earnings/Valuation.** We revise up our FY26-27E net profit estimates by 7%/10% to RMB1.46bn/2.07bn, respectively. We maintain our BUY rating and target price of HK\$18.00, based on 20x (prior 22x) our revised FY27E P/E to reflect GPM uncertainties. Key risks to our rating and target price include lower NEV sales volume from major clients, slower expansion into new models, lower margins than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	4,162	5,130	8,101	16,058	22,628
YoY growth (%)	26.5	23.3	57.9	98.2	40.9
Gross margin (%)	5.0	14.6	18.4	16.9	17.3
Operating profit (RMB mn)	(505.8)	(90.9)	377.2	1,389.6	2,090.7
Net profit (RMB mn)	(589.9)	91.0	808.6	1,454.8	2,066.7
YoY growth (%)	na	na	788.4	79.9	42.1
EPS (Reported) (RMB cents)	(30.84)	3.93	32.57	55.93	79.31
P/S (x)	4.6	3.7	2.3	1.2	0.8
P/E (x)	ns	188.8	22.8	13.3	9.4
ROE (%)	(16.3)	1.7	11.6	16.5	19.4
Net gearing (%)	21.7	12.8	5.4	(7.3)	(14.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$18.00
Up/Downside	113.8%
Current Price	HK\$8.42

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)	21,508.2
Avg 3 mths t/o (HK\$ mn)	12.5
52w High/Low (HK\$)	NA/NA
Total Issued Shares (mn)	2554.4

Source: FactSet

Shareholding Structure

Ms. Cao Fang and concert parties	45.4%
Others	54.6%

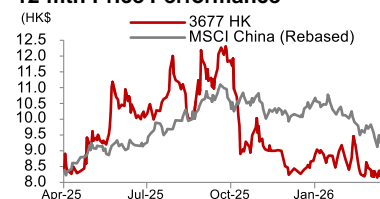
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-8.5%	-2.3%
3-mth	1.9%	10.9%
6-mth	-30.2%	-18.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Interim results

RMB mn	1H24	2H24	1H25	2H25	YoY	HoH
Revenue	1,845	3,286	3,172	4,929	50.0%	55.4%
Gross profit	183	565	569	923	63.2%	62.3%
Selling expenses	(17)	(19)	(16)	(16)	-16.6%	-2.5%
G&A expenses	(135)	(167)	(173)	(179)	7.7%	3.8%
R&D expenses	(260)	(296)	(253)	(267)	-9.6%	5.8%
Operating profit	(206)	116	121	256	121.2%	110.6%
Net profit	(130)	221	220	588	166.1%	166.8%
Gross margin	9.9%	17.2%	17.9%	18.7%	1.5 pts	0.8 pts
Operating margin	-11.2%	3.5%	3.8%	5.2%	1.7 pts	1.4 pts
Net margin	-7.0%	6.7%	6.9%	11.9%	5.2 pts	5.0 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	8,101	16,058	22,628	8,200	14,564	20,803	-1.2%	10.3%	8.8%
Gross profit	1,491	2,721	3,923	1,478	2,689	3,867	0.9%	1.2%	1.4%
Operating profit	377	1,390	2,091	423	1,174	1,955	-10.9%	18.4%	6.9%
Net profit	809	1,455	2,067	591	1,357	1,883	36.8%	7.2%	9.7%
Gross margin	18.4%	16.9%	17.3%	18.0%	18.5%	18.6%	0.4 pts	-1.5 pts	-1.3 pts
Operating margin	4.7%	8.7%	9.2%	5.2%	8.1%	9.4%	-0.5 pts	0.6 pts	-0.2 pts
Net margin	10.0%	9.1%	9.1%	7.2%	9.3%	9.1%	2.8 pts	-0.3 pts	0.1 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	8,101	16,058	22,628	7,933	12,808	19,509	2.1%	25.4%	16.0%
Gross profit	1,491	2,721	3,923	1,418	2,440	3,804	5.2%	11.5%	3.1%
Operating profit	377	1,390	2,091	386	1,018	1,955	-2.2%	36.5%	6.9%
Net profit	809	1,455	2,067	553	1,208	1,807	46.2%	20.4%	14.4%
Gross margin	18.4%	16.9%	17.3%	17.9%	19.1%	19.5%	0.5 pts	-2.1 pts	-2.2 pts
Operating margin	4.7%	8.7%	9.2%	4.9%	7.9%	10.0%	-0.2 pts	0.7 pts	-0.8 pts
Net margin	10.0%	9.1%	9.1%	7.0%	9.4%	9.3%	3.0 pts	-0.4 pts	-0.1 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	3,290	4,162	5,130	8,101	16,058	22,628
Cost of goods sold	(3,581)	(3,953)	(4,382)	(6,610)	(13,337)	(18,705)
Gross profit	(290)	208	748	1,491	2,721	3,923
Operating expenses	(1,409)	(714)	(839)	(1,114)	(1,332)	(1,832)
Selling expense	(20)	(58)	(36)	(32)	(70)	(91)
Admin expense	(241)	(259)	(301)	(352)	(477)	(592)
R&D expense	(329)	(424)	(556)	(520)	(817)	(1,027)
Others	(819)	27	54	(209)	33	(122)
Operating profit	(1,699)	(506)	(91)	377	1,390	2,091
Share of (losses)/profits of associates/JV	1	(25)	302	360	377	380
EBITDA	(1,404)	(117)	821	1,496	2,776	3,791
Depreciation	218	334	530	677	925	1,235
Other amortisation	76	79	79	82	84	85
EBIT	(1,698)	(531)	212	737	1,767	2,471
Interest expense	(33)	(73)	(133)	(128)	(123)	(109)
Pre-tax profit	(1,731)	(604)	79	609	1,644	2,362
Income tax	11	15	12	199	(189)	(295)
After tax profit	(1,720)	(590)	91	809	1,455	2,067
Minority interest	0	0	0	0	0	0
Net profit	(1,720)	(590)	91	809	1,455	2,067
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	4,671	4,355	5,732	8,905	12,048	15,616
Cash & equivalents	936	2,034	2,199	4,183	3,638	4,070
Restricted cash	1,035	472	1,060	1,077	1,200	1,200
Account receivables	326	1,147	1,623	1,700	3,520	5,270
Inventories	1,013	614	679	1,227	2,740	3,587
Financial assets at FVTPL	1,163	0	0	109	322	740
Other current assets	198	88	171	609	628	749
Non-current assets	5,780	9,775	9,862	12,251	15,123	17,591
PP&E	4,707	5,619	5,704	7,605	10,162	12,282
Right-of-use assets	303	257	226	506	721	914
Investment in JVs & assos	65	3,351	3,467	3,511	3,631	3,852
Intangibles	549	491	423	354	290	215
Goodwill	1	1	1	1	1	1
Other non-current assets	154	55	40	274	318	327
Total assets	10,451	14,131	15,594	21,156	27,172	33,207
Current liabilities	5,288	6,150	6,497	8,679	13,472	17,640
Short-term borrowings	579	694	1,246	1,858	1,000	1,200
Account payables	3,012	3,416	3,743	5,014	9,866	13,324
Tax payable	24	0	0	0	0	0
Other current liabilities	1,493	1,968	1,463	1,736	2,088	2,378
Lease liabilities	34	27	30	31	80	123
Contract liabilities	145	45	15	39	438	615
Non-current liabilities	2,690	3,234	3,200	4,385	4,112	3,887
Long-term borrowings	2,310	2,841	2,769	3,835	3,135	2,435
Other non-current liabilities	380	392	432	550	977	1,451
Total liabilities	7,978	9,384	9,697	13,064	17,584	21,526
Share capital	1,882	2,256	2,387	2,554	2,561	2,564
Other reserves	591	2,491	3,510	5,537	7,027	9,117
Total shareholders equity	2,473	4,747	5,897	8,092	9,588	11,680
Minority interest	0	0	0	0	0	0
Total equity and liabilities	10,451	14,131	15,594	21,156	27,172	33,207

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(1,731)	(604)	79	609	1,644	2,362
Depreciation & amortization	294	414	609	759	1,009	1,320
Tax paid	(5)	(24)	(0)	199	(189)	(295)
Change in working capital	1,323	64	(1,012)	549	2,193	1,365
Others	1,472	435	(37)	66	(115)	27
Net cash from operations	1,354	284	(361)	2,182	4,542	4,780
Investing						
Capital expenditure	(2,708)	(814)	(625)	(2,620)	(3,520)	(3,520)
Acquisition of subsidiaries/ investments	(240)	0	0	0	0	0
Net proceeds from disposal of short-term investments	(1,147)	1,169	0	(108)	(200)	(400)
Others	81	(53)	(150)	253	342	252
Net cash from investing	(4,013)	303	(775)	(2,475)	(3,378)	(3,668)
Financing						
Net borrowings	2,886	1,221	1,369	1,369	300	500
Proceeds from share issues	2,415	5	1,000	1,447	15	8
Others	(2,478)	(715)	(1,071)	(1,045)	(2,024)	(1,188)
Net cash from financing	2,824	511	1,298	1,771	(1,709)	(680)
Net change in cash						
Cash at the beginning of the year	767	936	2,034	2,199	4,183	3,638
Exchange difference	4	0	3	505	0	0
Cash at the end of the year	936	2,034	2,199	4,183	3,638	4,070
GROWTH	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Revenue	119.5%	26.5%	23.3%	57.9%	98.2%	40.9%
Gross profit	na	na	259.0%	99.3%	82.5%	44.1%
Operating profit	na	na	na	na	268.4%	50.4%
EBITDA	na	na	na	82.3%	85.5%	36.6%
EBIT	na	na	na	248.3%	139.7%	39.8%
Net profit	na	na	na	788.4%	79.9%	42.1%
PROFITABILITY	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Gross profit margin	(8.8%)	5.0%	14.6%	18.4%	16.9%	17.3%
Operating margin	(51.6%)	(12.2%)	(1.8%)	4.7%	8.7%	9.2%
EBITDA margin	(42.7%)	(2.8%)	16.0%	18.5%	17.3%	16.8%
Return on equity (ROE)	(77.2%)	(16.3%)	1.7%	11.6%	16.5%	19.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	0.4	0.2	0.1	0.1	(0.1)	(0.1)
Current ratio (x)	0.9	0.7	0.9	1.0	0.9	0.9
Receivable turnover days	36.2	100.6	115.5	76.6	80.0	85.0
Inventory turnover days	103.3	56.7	56.5	67.7	75.0	70.0
Payable turnover days	307.1	315.4	311.7	276.9	270.0	260.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	188.8	22.8	13.3	9.4
P/E (diluted)	ns	ns	188.8	22.8	13.3	9.4
P/B	5.1	3.0	2.9	2.3	2.0	1.7
P/CFPS	9.3	50.0	ns	8.4	4.3	4.1
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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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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