

Leapmotor (9863 HK)

On track to book another year of strong growth

Maintain BUY. We view Leapmotor's 1Q26 earnings as largely in line and its 2Q26 sales volume and GPM guidance as positive. We project its D-series sales volume to be 0.1mn units in FY26E and we revise up FY26E total sales volume forecast by 8% to 0.97mn units due to strong overseas sales. We believe Leapmotor is still better positioned than most peers amid industry headwinds with its strong sales momentum. We stay neutral to its upcoming new brand for now, awaiting more details.

- **1Q26 earnings largely in line.** Leapmotor's 1Q26 revenue rose 8% YoY, or 1% higher than our prior forecast. GPM in 1Q26 fell 5.7ppts QoQ to 9.4%, or 2.4ppts lower than our forecast, likely due to lower-than-expected other income and diseconomies of scale. SG&A and R&D expenses were also higher than our projection, which was offset by greater government grants. Net loss of RMB390mn was about RMB23mn better than our forecast.
- **Strong 2Q26 outlook.** Management projects sales volume of 0.24-0.25mn units and GPM of 12-13% for 2Q26E during the earnings call. We view such guidance as positive and we estimate Leapmotor to post an all-time high net profit in 2Q26E. That gives us more confidence in its FY26E profitability.
- **Overseas sales to contribute meaningful profit from FY27E.** We revise up Leapmotor's FY26 sales volume forecast by 70,000 units to 0.97mn units, largely due to stronger-than-expected overseas sales. Although the profit contribution could be limited in FY26E as GPM for vehicles sold to Leapmotor International JV was lower than China market's and the JV still needs time to ramp up, we expect the JV to contribute an equity income of RMB871mn in FY27E with a sales volume of 0.28mn units. In addition, GPM for vehicles sold to the JV would be higher than now from FY28E, according to the agreement with Stellantis (STLA US, NR).
- **Revenue from other automakers could be underestimated.** It appears that Leapmotor has been sacrificing profits from overseas due to the strategic partnership with Stellantis. We believe that such sacrifice is the foundation of deeper and wider cooperation and could be more than offset by other sources of income. It appears to us that the cooperation with FAW is also on the right track.
- **Valuation/Key risks.** We cut our FY26E net profit forecast by 3% to RMB3.5bn largely due to higher overseas sales. We revise up FY27E net profit forecast by 10% to RMB5.0bn. We maintain our BUY rating and target price of HK\$60.00, still based on 21 our FY26E P/E. Key risks to our rating and target price include lower sales/GPM than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	32,164	64,732	103,556	115,442	139,654
YoY growth (%)	92.1	101.3	60.0	11.5	21.0
Gross margin (%)	8.4	14.5	13.3	13.5	14.0
Operating profit (RMB mn)	(3,171.1)	177.4	2,701.7	3,300.4	6,015.6
Net profit (RMB mn)	(2,820.8)	538.4	3,484.0	4,990.2	7,560.0
YoY growth (%)	na	na	547.1	43.2	51.5
EPS (Reported) (RMB)	(2.11)	0.39	2.44	3.46	5.21
P/S (x)	1.7	0.9	0.5	0.5	0.4
P/E (x)	ns	101.1	16.0	11.3	7.5
P/B (x)	5.2	3.9	3.1	2.4	1.8

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$60.00
Up/Downside	32.7%
Current Price	HK\$45.22

China Auto

Wenjing DOU, CFA

(852) 6939 4751

douwenjing@cmbi.com.hk

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	64,294.4
Avg 3 mths t/o (HK\$ mn)	507.7
52w High/Low (HK\$)	73.50/38.26
Total Issued Shares (mn)	1421.8

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert partie	23.9%
Stellantis N.V.	20.0%

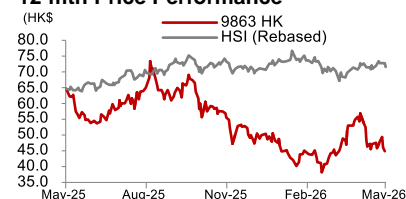
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-16.9%	-16.9%
3-mth	-0.1%	2.7%
6-mth	-18.5%	-16.6%

Source: FactSet

12-month Price Performance



Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Sales volume (units)	87,552	134,112	173,852	201,039	110,155	25.8%	-45.2%
ASP (RMB)	114,446	106,102	111,877	104,618	98,225	-14.2%	-6.1%
Revenue	10,020	14,230	19,450	21,032	10,820	8.0%	-48.6%
Gross profit	1,493	1,933	2,820	3,166	1,017	-31.9%	-67.9%
R&D expenses	(800)	(1,094)	(1,210)	(1,188)	(1,040)	30.0%	-12.5%
SG&A expenses	(990)	(1,205)	(1,580)	(1,820)	(1,120)	13.1%	-38.5%
Operating profit	(150)	61	50	216	(410)	N/A	N/A
Net profit	(130)	163	150	355	(390)	N/A	N/A
Gross margin	14.9%	13.6%	14.5%	15.1%	9.4%	-5.5 ppts	-5.7 ppts
Operating margin	-1.5%	0.4%	0.3%	1.0%	-3.8%	-2.3 ppts	-4.8 ppts
Net margin	-1.3%	1.1%	0.8%	1.7%	-3.6%	-2.3 ppts	-5.3 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	103,556	115,442	139,654	98,999	111,840	N/A	4.6%	3.2%	N/A
Gross profit	13,765	15,611	19,616	14,638	15,594	N/A	-6.0%	0.1%	N/A
Operating profit	2,702	3,300	6,016	2,961	3,230	N/A	-8.8%	2.2%	N/A
Net profit	3,484	4,990	7,560	3,586	4,556	N/A	-2.9%	9.5%	N/A
Gross margin	13.3%	13.5%	14.0%	14.8%	13.9%	N/A	-1.5 ppts	-0.4 ppts	N/A
Operating margin	2.6%	2.9%	4.3%	3.0%	2.9%	N/A	-0.4 ppts	0.0 ppts	N/A
Net margin	3.4%	4.3%	5.4%	3.6%	4.1%	N/A	-0.3 ppts	0.2 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	103,556	115,442	139,654	102,945	136,070	157,194	0.6%	-15.2%	-11.2%
Gross profit	13,765	15,611	19,616	15,100	20,627	24,353	-8.8%	-24.3%	-19.5%
Operating profit	2,702	3,300	6,016	3,142	5,365	6,992	-14.0%	-38.5%	-14.0%
Net profit	3,484	4,990	7,560	3,437	6,042	7,665	1.4%	-17.4%	-1.4%
Gross margin	13.3%	13.5%	14.0%	14.7%	15.2%	15.5%	-1.4 ppts	-1.6 ppts	-1.4 ppts
Operating margin	2.6%	2.9%	4.3%	3.1%	3.9%	4.4%	-0.4 ppts	-1.1 ppts	-0.1 ppts
Net margin	3.4%	4.3%	5.4%	3.3%	4.4%	4.9%	0.0 ppts	-0.1 ppts	0.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	16,747	32,164	64,732	103,556	115,442	139,654
Cost of goods sold	(16,666)	(29,470)	(55,320)	(89,791)	(99,831)	(120,038)
Gross profit	80	2,694	9,412	13,765	15,611	19,616
Operating expenses	(4,458)	(5,866)	(9,235)	(11,064)	(12,310)	(13,600)
Selling expense	(1,795)	(2,138)	(3,654)	(4,199)	(4,640)	(5,104)
Admin expense	(858)	(1,137)	(1,941)	(2,333)	(2,539)	(2,960)
R&D expense	(1,920)	(2,896)	(4,292)	(5,621)	(6,423)	(7,045)
Others	115	306	653	1,089	1,292	1,508
Operating profit	(4,377)	(3,171)	177	2,702	3,300	6,016
Share of (losses)/profits of associates/JV	4	42	67	223	905	1,151
EBITDA	(3,543)	(2,110)	1,820	5,429	7,543	11,313
Depreciation	436	521	934	1,515	2,120	2,674
Depreciation of ROU assets	138	114	203	273	297	310
Other amortisation	27	35	40	48	58	68
EBIT	(4,144)	(2,781)	644	3,594	5,068	8,261
Interest income	229	348	400	669	862	1,094
Interest expense	(72)	(40)	(106)	(110)	(78)	(44)
Pre-tax profit	(4,216)	(2,821)	538	3,484	4,990	8,217
Income tax	(0)	(0)	0	0	0	(657)
After tax profit	(4,216)	(2,821)	538	3,484	4,990	7,560
Net profit	(4,216)	(2,821)	538	3,484	4,990	7,560
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	22,470	26,453	39,662	63,775	72,857	89,338
Cash & equivalents	11,731	6,378	10,985	19,872	22,161	27,878
Restricted cash	2,800	1,254	3,148	3,577	3,546	3,903
Account receivables	926	1,981	5,210	7,660	7,907	9,183
Inventories	1,719	2,023	4,548	7,134	7,658	8,880
ST bank deposits	2,087	1,318	3,446	8,663	13,851	18,911
Financial assets at FVTPL	2,770	11,473	10,172	13,408	13,679	15,975
Other current assets	422	2,026	2,152	3,461	4,056	4,609
Contract assets	14	0	0	0	0	0
Non-current assets	5,984	11,194	23,156	28,361	32,313	38,733
PP&E	3,868	5,537	10,243	12,649	15,428	16,674
Right-of-use assets	732	736	1,830	1,657	1,460	1,250
Investment in JVs & assos	44	164	231	354	859	1,211
Intangibles	450	450	463	464	456	438
Other non-current assets	889	4,306	10,390	13,238	14,109	19,161
Total assets	28,453	37,647	62,818	92,136	105,169	128,072
Current liabilities	13,954	24,975	42,829	67,962	75,631	89,398
Short-term borrowings	1,581	1,266	654	923	1,384	300
Account payables	9,847	18,903	33,099	52,890	58,805	70,707
Other current liabilities	2,399	4,499	8,749	13,514	14,839	17,808
Lease liabilities	104	145	237	479	429	373
Contract liabilities	23	161	91	155	173	209
Non-current liabilities	2,002	2,601	5,871	5,884	5,778	6,869
Long-term borrowings	892	1,108	2,307	1,384	300	300
Deferred income	382	348	606	718	863	988
Other non-current liabilities	728	1,144	2,959	3,782	4,615	5,581
Total liabilities	15,955	27,576	48,700	73,845	81,409	96,267
Share capital	1,337	1,337	1,422	1,437	1,446	1,455
Retained earnings	(13,897)	(16,717)	(16,179)	(12,715)	(7,715)	(140)
Other reserves	25,058	25,451	28,875	29,569	30,029	30,490
Total shareholders equity	12,498	10,071	14,118	18,291	23,760	31,805
Total equity and liabilities	28,453	37,647	62,818	92,136	105,169	128,072

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(4,216)	(2,821)	538	3,484	4,990	8,217
Depreciation & amortization	601	671	1,176	1,836	2,475	3,052
Tax paid	(0)	(0)	0	0	0	(657)
Change in working capital	3,941	10,092	9,774	17,489	5,169	10,579
Others	756	529	1,134	1,140	269	126
Net cash from operations	1,082	8,471	12,623	23,948	12,903	21,316
Investing						
Capital expenditure	(1,394)	(2,151)	(4,799)	(4,050)	(5,050)	(4,050)
Acquisition of subsidiaries/ investments	(10)	(106)	(49)	0	0	0
Net proceeds from disposal of short-term investments	(3,527)	(11,228)	(6,680)	(11,000)	(6,000)	(12,000)
Others	71	162	442	635	1,210	1,670
Net cash from investing	(4,860)	(13,323)	(11,086)	(14,415)	(9,840)	(14,380)
Financing						
Net borrowings	689	(99)	586	(654)	(623)	(1,084)
Proceeds from share issues	7,778	0	2,600	0	0	0
Others	85	(404)	(89)	8	(151)	(135)
Net cash from financing	8,552	(503)	3,097	(646)	(774)	(1,219)
Net change in cash						
Cash at the beginning of the year	6,949	11,731	6,378	10,985	19,872	22,161
Exchange difference	9	3	(27)	0	0	0
Cash at the end of the year	11,731	6,378	10,985	19,872	22,161	27,878
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	35.2%	92.1%	101.3%	60.0%	11.5%	21.0%
Gross profit	na	3,248.4%	249.3%	46.3%	13.4%	25.7%
Operating profit	na	na	na	1,423.2%	22.2%	82.3%
EBITDA	na	na	na	198.2%	38.9%	50.0%
EBIT	na	na	na	457.8%	41.0%	63.0%
Net profit	na	na	na	547.1%	43.2%	51.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	0.5%	8.4%	14.5%	13.3%	13.5%	14.0%
Operating margin	(26.1%)	(9.9%)	0.3%	2.6%	2.9%	4.3%
EBITDA margin	(21.2%)	(6.6%)	2.8%	5.2%	6.5%	8.1%
Return on equity (ROE)	(40.6%)	(25.0%)	4.5%	21.5%	23.7%	27.2%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(1.2)	(1.1)	(1.8)	(2.3)	(2.2)	(2.2)
Current ratio (x)	1.6	1.1	0.9	0.9	1.0	1.0
Receivable turnover days	20.2	22.5	29.4	27.0	25.0	24.0
Inventory turnover days	37.7	25.1	30.0	29.0	28.0	27.0
Payable turnover days	215.7	234.1	218.4	215.0	215.0	215.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	101.1	16.0	11.3	7.5
P/E (diluted)	ns	ns	101.9	16.0	11.3	7.5
P/B	3.7	5.2	3.9	3.1	2.4	1.8
P/CFPS	42.2	6.2	4.3	2.3	4.4	2.7
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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