

Geely Automobile (175 HK)

We expect more resilient margins than peers

Maintain BUY. Although Geely's 4Q25 GPM missed our prior forecast, its management's upbeat tone gives us more confidence in its GPM outlook. We believe that Geely is better positioned than most peers with its sales growth outlook, cost reduction efforts, and overseas sales potential. Unlike some investors, we do not view its synergy with parent company and partnerships with other players as a valuation drag given its track record in the past years.

■ **4Q25 miss on GPM and R&D.** Geely's 4Q25 revenue rose 22% YoY to RMB106bn, 1% higher than our prior forecast. GPM in 4Q25 widened by 0.3ppts QoQ to 16.9%, or 0.8ppts lower than our projection. We estimate the miss was mainly from Geely and Galaxy brands, and we wish the company could continue to disclose Zeekr's revenue and gross profit after its privatization. R&D expenses in 4Q25 rose 35% QoQ to RMB5.9bn, or RMB1bn higher than our forecast, largely due to lower capitalization ratio. Accordingly, net profit in 4Q25 rose 4% YoY to RMB3.7bn, or RMB0.6bn lower than our prior projection.

■ **We expect resilient GPM in FY26E despite component price volatility.** We project Geely's GPM in FY26E to rise by 0.8ppts YoY to 17.4%, aided by greater economies of scale, rising exports, improving model mix (Zeekr 9X, 8X, Galaxy M9 etc.) and continued synergies from brand integration. Management believes the margin dent from rising component prices is limited and expects 1Q26 GPM to be no worse than 4Q25 despite a traditional low season, which should be better than most peers. Geely's exports likely beat its target of 0.64mn units in FY26E and we see more room for growth in the medium to long term, as Geely is actively seeking local production in different regions with its partners.

■ **Improving earnings quality.** Management expects R&D capitalization ratio to continue declining for better earnings quality. That also implies its confidence in earnings outlook, in our view. We maintain our FY26E sales volume forecast of 3.4mn units with slightly lower GPM projection, higher R&D expenses and forex loss. Accordingly, we revise down our FY26E net profit forecast by 3% to RMB19.4bn, which reflects better earnings quality than FY25. In fact, we raise FY27E net profit forecast by 3% to RMB21.7bn due to continued cost reduction and lower amortization burden from decreased R&D capitalization ratio.

■ **Valuation/Key risks.** We maintain our BUY rating and target price of HK\$25.00, which is still based on 12x our FY26E P/E. 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.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25A | FY26E | FY27E |
|----------------------|---------|----------|----------|----------|----------|
| Revenue (RMB mn) | 179,204 | 240,194 | 345,232 | 384,228 | 407,506 |
| YoY growth (%) | 21.1 | 34.0 | 43.7 | 11.3 | 6.1 |
| Net profit (RMB mn) | 5,308.4 | 16,632.4 | 16,852.2 | 19,389.8 | 21,660.3 |
| YoY growth (%) | 0.9 | 213.3 | 1.3 | 15.1 | 11.7 |
| EPS (Reported) (RMB) | 0.53 | 1.65 | 1.67 | 1.77 | 1.96 |
| P/E (x) | 30.2 | 9.6 | 9.6 | 9.0 | 8.1 |
| P/B (x) | 2.0 | 1.8 | 1.7 | 1.6 | 1.4 |
| Yield (%) | 1.3 | 1.9 | 2.9 | 4.5 | 4.9 |
| ROE (%) | 6.8 | 19.9 | 18.8 | 19.3 | 18.7 |
| Net gearing (%) | (38.8) | (45.9) | (55.6) | (63.4) | (71.6) |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

| | |
|---------------|-----------|
| Target Price | HK\$25.00 |
| Up/Downside | 37.7% |
| Current Price | HK\$18.15 |

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Stock Data

| | |
|--------------------------|-------------|
| Mkt Cap (HK\$ mn) | 183,656.1 |
| Avg 3 mths t/o (HK\$ mn) | 902.6 |
| 52w High/Low (HK\$) | 20.44/13.42 |
| Total Issued Shares (mn) | 10118.8 |

Source: FactSet

Shareholding Structure

| | |
|--------------|-------|
| Mr. Li Shufu | 44.6% |
| Others | 55.4% |

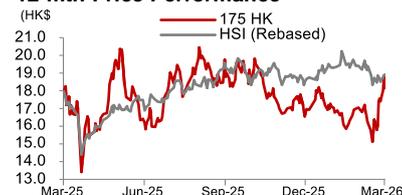
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 6.5% | 9.2% |
| 3-mth | 8.1% | 5.9% |
| 6-mth | -3.5% | -1.6% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["China Auto Sector - Weak 4Q25 sales may lead to earning miss" – 21 Jan 2026](#)

["Geely Automobile \(175 HK\) - We see margin lift potential on a solid 3Q25" - 18 Nov 2025](#)

Figure 1: Quarterly results

| RMB mn | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | 3Q25 | 4Q25 | YoY | QoQ |
|----------------------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| Sales volume (units) | 475,720 | 480,010 | 533,960 | 686,877 | 703,824 | 705,356 | 761,009 | 854,378 | 24.4% | 12.3% |
| ASP (RMB) | 122,393 | 126,180 | 132,484 | 125,752 | 103,002 | 110,284 | 117,203 | 123,780 | -1.6% | 5.6% |
| Total revenue | 58,225 | 60,568 | 70,741 | 86,376 | 72,495 | 77,790 | 89,192 | 105,755 | 22.4% | 18.6% |
| Gross profit | 9,097 | 10,771 | 10,918 | 15,018 | 11,437 | 13,282 | 14,793 | 17,835 | 18.8% | 20.6% |
| Selling exp. | (4,133) | (3,748) | (3,395) | (5,165) | (3,635) | (4,750) | (5,358) | (6,681) | 29.4% | 24.7% |
| Admin exp. | (1,441) | (1,645) | (1,495) | (1,669) | (1,412) | (1,486) | (1,353) | (2,231) | 33.7% | 64.9% |
| R&D exp. | (2,672) | (3,368) | (3,235) | (4,413) | (3,328) | (4,000) | (4,389) | (5,907) | 33.8% | 34.6% |
| Operating profit | 1,216 | 2,220 | 2,194 | 2,801 | 6,604 | 4,213 | 4,628 | 3,393 | 21.1% | -26.7% |
| Net profit | 1,560 | 9,230 | 2,424 | 3,599 | 5,672 | 3,618 | 3,820 | 3,742 | 4.0% | -2.0% |
| Gross margin | 15.6% | 17.8% | 15.4% | 17.4% | 15.8% | 17.1% | 16.6% | 16.9% | -0.5 ppts | 0.3 ppts |
| Operating margin | 2.1% | 3.7% | 3.1% | 3.2% | 9.1% | 5.4% | 5.2% | 3.2% | 0.0 ppts | -2.0 ppts |
| Net margin | 2.7% | 15.2% | 3.4% | 4.2% | 7.8% | 4.7% | 4.3% | 3.5% | -0.6 ppts | -0.7 ppts |

Source: Company data, CMBIGM

Notes: The data for 1Q-4Q24 is restated due to consolidation of Lynk & Co in 1Q25.

Figure 2: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------|---------|---------|---------|---------|---------|---------|-----------|-----------|-----------|
| | FY25A | FY26E | FY27E | FY25E | FY26E | FY27E | FY25A | FY26E | FY27E |
| Revenue | 345,232 | 384,228 | 407,506 | 344,026 | 385,463 | 409,176 | 0.4% | -0.3% | -0.4% |
| Gross profit | 57,347 | 67,009 | 71,154 | 58,028 | 68,279 | 71,796 | -1.2% | -1.9% | -0.9% |
| Operating profit | 18,838 | 21,236 | 23,292 | 20,817 | 22,823 | 22,863 | -9.5% | -7.0% | 1.9% |
| Net profit | 16,852 | 19,390 | 21,660 | 17,408 | 20,015 | 20,999 | -3.2% | -3.1% | 3.2% |
| Gross margin | 16.6% | 17.4% | 17.5% | 16.9% | 17.7% | 17.5% | -0.3 ppts | -0.3 ppts | -0.1 ppts |
| Operating margin | 5.5% | 5.5% | 5.7% | 6.1% | 5.9% | 5.6% | -0.6 ppts | -0.4 ppts | 0.1 ppts |
| Net margin | 4.9% | 5.0% | 5.3% | 5.1% | 5.2% | 5.1% | -0.2 ppts | -0.1 ppts | 0.2 ppts |

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|------------------|---------|---------|---------|-----------|---------|---------|----------|----------|-----------|
| | FY25A | FY26E | FY27E | FY25E | FY26E | FY27E | FY25A | FY26E | FY27E |
| Revenue | 345,232 | 384,228 | 407,506 | 339,785 | 408,537 | 460,691 | 1.6% | -6.0% | -11.5% |
| Gross profit | 57,347 | 67,009 | 71,154 | 56,578 | 69,651 | 79,999 | 1.4% | -3.8% | -11.1% |
| Operating profit | 18,838 | 21,236 | 23,292 | 17,060 | 22,193 | 27,198 | 10.4% | -4.3% | -14.4% |
| Net profit | 16,852 | 19,390 | 21,660 | 16,520 | 19,833 | 24,214 | 2.0% | -2.2% | -10.5% |
| Gross margin | 16.6% | 17.4% | 17.5% | 16.7% | 17.0% | 17.4% | 0.0 ppts | 0.4 ppts | 0.1 ppts |
| Operating margin | 5.5% | 5.5% | 5.7% | 5.0% | 5.4% | 5.9% | 0.4 ppts | 0.1 ppts | -0.2 ppts |
| Net margin | 4.9% | 5.0% | 5.3% | 4.9% | 4.9% | 5.3% | 0.0 ppts | 0.2 ppts | 0.1 ppts |

Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025A | 2026E | 2027E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 147,965 | 179,204 | 240,194 | 345,232 | 384,228 | 407,506 |
| Cost of goods sold | (127,069) | (151,789) | (201,993) | (287,885) | (317,219) | (336,352) |
| Gross profit | 20,896 | 27,415 | 38,201 | 57,347 | 67,009 | 71,154 |
| Operating expenses | (10,398) | (14,675) | (17,275) | (20,738) | (26,467) | (26,723) |
| Selling expense | (8,228) | (11,832) | (13,283) | (20,424) | (21,846) | (22,858) |
| Admin expense | (3,327) | (4,210) | (4,897) | (6,482) | (7,170) | (7,490) |
| Others | 1,157 | 1,367 | 905 | 6,167 | 2,549 | 3,624 |
| Operating profit | 10,497 | 12,740 | 20,926 | 36,608 | 40,542 | 44,431 |
| Other expense | (1,489) | (646) | (1,747) | (1,181) | (899) | (692) |
| Other gains/(losses) | 1,750 | 0 | 9,098 | 38 | 0 | 0 |
| Share of (losses)/profits of associates/JV | 651 | 599 | 969 | 2,399 | 2,411 | 2,329 |
| EBITDA | 13,551 | 13,570 | 28,347 | 36,848 | 39,914 | 43,548 |
| Depreciation | 8,318 | 8,203 | 9,393 | 15,920 | 16,249 | 17,543 |
| EBIT | 5,233 | 5,367 | 18,954 | 20,927 | 23,665 | 26,005 |
| Interest income | 931 | 961 | 1,243 | 834 | 917 | 1,076 |
| Interest expense | (551) | (417) | (550) | (698) | (586) | (341) |
| Net interest income/(expense) | 380 | 544 | 692 | 137 | 331 | 735 |
| Foreign exchange gain/loss | (79) | (126) | (1,619) | 3,186 | (1,000) | 0 |
| Pre-tax profit | 4,682 | 4,950 | 18,404 | 20,230 | 23,079 | 25,664 |
| Income tax | (32) | (15) | (1,604) | (3,601) | (3,555) | (3,850) |
| After tax profit | 4,650 | 4,935 | 16,799 | 16,628 | 19,524 | 21,814 |
| Minority interest | 611 | 373 | (167) | 224 | (134) | (153) |
| Net profit | 5,260 | 5,308 | 16,632 | 16,852 | 19,390 | 21,660 |
| Gross dividends | 1,916 | 2,051 | 3,119 | 4,732 | 7,756 | 8,664 |
| BALANCE SHEET | | | | | | |
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 79,064 | 113,635 | 125,322 | 159,413 | 175,848 | 200,718 |
| Cash & equivalents | 33,341 | 35,746 | 40,865 | 65,319 | 70,682 | 90,625 |
| Restricted cash | 387 | 943 | 2,881 | 2,898 | 2,200 | 2,000 |
| Account receivables | 34,392 | 42,711 | 58,307 | 58,768 | 67,708 | 70,739 |
| Inventories | 10,822 | 15,422 | 23,078 | 31,934 | 34,764 | 36,861 |
| Prepayment | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 121 | 18,813 | 191 | 494 | 494 | 494 |
| Non-current assets | 78,762 | 78,963 | 104,070 | 130,997 | 131,692 | 133,573 |
| PP&E | 32,201 | 27,351 | 26,384 | 34,370 | 31,739 | 28,828 |
| Right-of-use assets | 3,402 | 3,600 | 4,126 | 3,998 | 3,949 | 3,901 |
| Deferred income tax | 4,573 | 6,342 | 8,461 | 10,871 | 10,871 | 10,871 |
| Investment in JVs & assos | 14,235 | 15,703 | 31,424 | 40,022 | 42,742 | 45,253 |
| Intangibles | 22,548 | 23,920 | 28,751 | 36,446 | 39,507 | 41,710 |
| Goodwill | 61 | 34 | 34 | 0 | 0 | 0 |
| Financial assets at FVTPL | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 1,742 | 2,013 | 4,890 | 5,290 | 2,884 | 3,010 |
| Total assets | 157,826 | 192,598 | 229,392 | 290,410 | 307,540 | 334,291 |
| Current liabilities | 68,953 | 96,824 | 127,200 | 179,460 | 183,376 | 194,308 |
| Short-term borrowings | 0 | 0 | 30 | 10,496 | 0 | 0 |
| Account payables | 65,481 | 87,398 | 125,379 | 165,337 | 181,249 | 192,181 |
| Tax payable | 773 | 774 | 960 | 1,025 | 1,025 | 1,025 |
| Other current liabilities | 2,143 | 7,898 | 28 | 1,500 | 0 | 0 |
| Lease liabilities | 557 | 754 | 803 | 1,101 | 1,101 | 1,101 |
| Non-current liabilities | 12,677 | 10,622 | 9,772 | 17,335 | 14,474 | 14,812 |
| Long-term borrowings | 2,758 | 2,840 | 414 | 4,320 | 2,320 | 2,320 |
| Bond payables | 6,000 | 2,600 | 3,500 | 2,000 | 2,000 | 2,000 |
| Convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current liabilities | 3,919 | 5,182 | 5,858 | 11,015 | 10,154 | 10,492 |
| Total liabilities | 81,631 | 107,446 | 136,972 | 196,795 | 197,850 | 209,120 |
| Share capital | 184 | 184 | 184 | 199 | 200 | 203 |
| Other reserves | 74,947 | 80,325 | 86,558 | 92,200 | 107,969 | 123,124 |
| Total shareholders equity | 75,130 | 80,509 | 86,742 | 92,398 | 108,170 | 123,327 |
| Minority interest | 1,065 | 4,643 | 5,678 | 1,217 | 1,521 | 1,844 |
| Total equity and liabilities | 157,826 | 192,598 | 229,392 | 290,410 | 307,540 | 334,291 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025A | 2026E | 2027E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 4,682 | 4,950 | 18,404 | 20,230 | 23,079 | 25,664 |
| Depreciation & amortization | 8,318 | 8,203 | 9,393 | 15,920 | 16,249 | 17,543 |
| Tax paid | (2,082) | (2,307) | (3,499) | (4,040) | (3,555) | (3,850) |
| Change in working capital | 5,672 | 11,238 | 9,316 | 18,278 | 5,532 | 5,870 |
| Others | (571) | 259 | (7,107) | (3,114) | (1,471) | (1,991) |
| Net cash from operations | 16,018 | 22,342 | 26,507 | 47,274 | 39,834 | 43,235 |
| Investing | | | | | | |
| Capital expenditure | (10,337) | (15,322) | (13,314) | (17,920) | (16,848) | (16,970) |
| Acquisition of subsidiaries/ investments | (2,831) | (1,570) | 6,958 | (8,282) | (1,000) | (1,000) |
| Net proceeds from disposal of short-term investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 1,037 | 748 | (2,775) | 2,831 | 2,320 | 2,055 |
| Net cash from investing | (12,130) | (16,145) | (9,132) | (23,370) | (15,528) | (15,916) |
| Financing | | | | | | |
| Dividend paid | (1,788) | (1,916) | (2,120) | (3,119) | (4,732) | (7,756) |
| Net borrowings | 4,603 | (4,237) | (3,386) | 9,549 | (13,996) | 0 |
| Proceeds from share issues | 0 | 0 | 1,322 | (350) | 0 | 0 |
| Others | (1,490) | 3,389 | (9,112) | (7,919) | (215) | 379 |
| Net cash from financing | 1,325 | (2,764) | (13,297) | (1,839) | (18,944) | (7,377) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 28,014 | 33,341 | 35,746 | 43,058 | 65,319 | 70,682 |
| Exchange difference | 114 | (1,029) | 3,233 | 197 | 0 | 0 |
| Cash at the end of the year | 33,341 | 35,746 | 43,058 | 65,319 | 70,682 | 90,625 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 45.6% | 21.1% | 34.0% | 43.7% | 11.3% | 6.1% |
| Gross profit | 20.0% | 31.2% | 39.3% | 50.1% | 16.8% | 6.2% |
| Operating profit | 4.1% | 21.4% | 64.3% | 74.9% | 10.7% | 9.6% |
| EBITDA | 14.6% | 0.1% | 108.9% | 30.0% | 8.3% | 9.1% |
| EBIT | 6.1% | 2.6% | 253.2% | 10.4% | 13.1% | 9.9% |
| Net profit | 8.5% | 0.9% | 213.3% | 1.3% | 15.1% | 11.7% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025A | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 14.1% | 15.3% | 15.9% | 16.6% | 17.4% | 17.5% |
| Operating margin | 7.1% | 7.1% | 8.7% | 10.6% | 10.6% | 10.9% |
| EBITDA margin | 9.2% | 7.6% | 11.8% | 10.7% | 10.4% | 10.7% |
| Return on equity (ROE) | 7.3% | 6.8% | 19.9% | 18.8% | 19.3% | 18.7% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025A | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.3) | (0.4) | (0.5) | (0.6) | (0.6) | (0.7) |
| Current ratio (x) | 1.1 | 1.2 | 1.0 | 0.9 | 1.0 | 1.0 |
| Receivable turnover days | 88.7 | 91.1 | 96.2 | 67.8 | 67.0 | 66.0 |
| Inventory turnover days | 31.2 | 37.2 | 41.8 | 40.6 | 40.0 | 40.0 |
| Payable turnover days | 193.2 | 217.3 | 233.4 | 218.4 | 215.0 | 215.0 |
| VALUATION | 2022A | 2023A | 2024A | 2025A | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | 30.4 | 30.2 | 9.6 | 9.6 | 9.0 | 8.1 |
| P/E (diluted) | 30.7 | 30.4 | 9.7 | 9.8 | 9.1 | 8.2 |
| P/B | 2.1 | 2.0 | 1.8 | 1.7 | 1.6 | 1.4 |
| P/CFPS | 10.0 | 7.2 | 6.0 | 3.4 | 4.4 | 4.1 |
| Div yield (%) | 1.2 | 1.3 | 1.9 | 2.9 | 4.5 | 4.9 |

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

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| | |
|-----------------------|---|
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