

# Xpeng Inc. (XPEV US)

## 4Q22 earnings miss; sales may rise QoQ in FY23E

Both Xpeng's revenue and net loss in 4Q22 missed our prior forecasts, largely due to more intensified competition than expected. On the other hand, we expect its sales volume to rise sequentially every quarter in FY23E, based on our channel checks with its battery supplier and the rollouts of the G6 in 2Q23. It appears to us that the automaker has started to prioritize cost optimization and customer needs after senior management changes. The new G6 is pivotal to Xpeng as investors would take this as a signal whether the company could turn around and survive in the short to medium term.

- **4Q22 earnings miss.** Xpeng's 4Q22 revenue was 4% lower than our prior forecast due to higher sales promotion. Gross margin was 2.5 ppts lower than we had expected, as vehicle gross margin narrowed to 5.7%, the lowest since 4Q20. SG&A expenses were also about RMB 270mn higher than our prior estimates. Accordingly, Xpeng's 4Q22 net loss was about RMB 2.4bn, or RMB 400mn wider than we had expected. Xpeng's net cash was reduced by about RMB 4.5bn in 4Q22, larger than we had projected.
- **Sales volume may rise sequentially in FY23E.** Based on our channel checks with its battery supplier, Xpeng's production plan in 2Q23 should be higher than 1Q23. With the new G6 going on sale from Jun, sales volume at Xpeng may continue to rise sequentially. We cut our FY23E sales volume forecast by 20,000 units to 135,000 units. We also cut our FY23E average selling price forecast by 10% amid price war.
- **Cost reduction and customer needs are now prioritized.** Management projects a large room for cost reduction including a 50% cut in autonomous driving (AD) and a 25% cut for powertrain within two years. Should this be realized, we project its gross margin to be above 20%. This is the main reason why we keep our FY23E gross margin estimates largely unchanged. We also lower our SG&A forecasts amid new management. We believe Xpeng has learnt a lesson that it overestimated the contribution of AD to the P7's success.
- **Valuation/Key risks.** We maintain our BUY rating but cut target price from US\$ 18.00 to US\$ 14.00, still based on 2.5x our revised FY23E revenue estimates, a lower target valuation than Li Auto (LI US, BUY) and NIO (NIO US, BUY), given its lower projected sales volume growth. Key risks to our rating and target price include slower AD technology advancement and a faster catch up from other automakers, lower sales volume and/or gross margin than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,844	20,988	26,855	31,995	47,210
YoY growth (%)	151.8	259.1	28.0	19.1	47.6
Net income (RMB mn)	(4,890)	(4,863)	(9,139)	(8,066)	(6,472)
EPS (RMB)	(6.48)	(2.96)	(5.34)	(4.70)	(3.75)
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	3.7	2.2	1.9	1.6	1.1
P/B (x)	0.6	1.1	1.6	2.1	2.8
Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	(35.4)	(12.7)	(24.3)	(27.7)	(29.5)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	US\$ 14.00
(Previous TP	US\$ 18.00)
Up/Downside	+58.4%
Current Price	US\$ 8.84

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#### Stock Data

Mkt Cap (US\$ mn)	7,627
Avg 3 mths t/o (US\$ mn)	169
52w High/Low (US\$)	35.35/6.18
Total Issued Shares (mn)	1,726
Source: Bloomberg	

#### Shareholding Structure

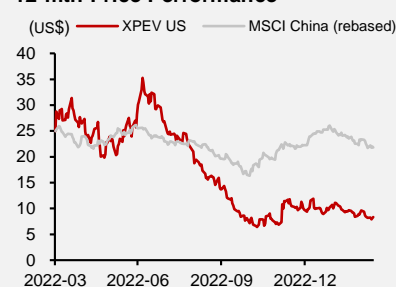
He Xiaopeng	21.2%
Taobao China	11.2%
Others	67.6%
Source: Bloomberg	

#### Share Performance

	Absolute	Relative
1-mth	-7.2%	-1.2%
3-mth	-8.5%	-8.9%
6-mth	-44.5%	-48.1%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers  
Zhong Tian**

#### Related Reports:

["Xpeng Inc. – 4Q22E net loss to narrow: sales as key to FY23" – 1 Feb 2023](#)

Figure 1: Quarterly results

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	YoY	QoQ
Sales volume (units)	13,340	17,398	25,666	41,751	34,561	34,422	29,570	22,204	-46.8%	-24.9%
ASP (RMB)	221,209	216,190	222,860	204,929	215,704	216,035	230,757	231,506	13.0%	0.3%
Revenue	2,951	3,761	5,720	8,556	7,455	7,436	6,823	5,140	-39.9%	-24.7%
Gross profit	330	449	821	1,023	911	809	923	445	-56.5%	-51.8%
R&D expenses	(535)	(864)	(1,264)	(1,451)	(1,221)	(1,265)	(1,499)	(1,230)	-15.3%	-17.9%
SG&A expenses	(721)	(1,031)	(1,538)	(2,015)	(1,642)	(1,665)	(1,626)	(1,756)	-12.9%	8.0%
Operating profit	(904)	(1,443)	(1,803)	(2,430)	(1,920)	(2,091)	(2,177)	(2,517)	N/A	N/A
Net profit	(787)	(1,195)	(1,595)	(1,287)	(1,701)	(2,701)	(2,376)	(2,361)	N/A	N/A
Gross margin	11.2%	11.9%	14.4%	12.0%	12.2%	10.9%	13.5%	8.7%	-3.3 ppt	-4.9 ppt
Operating margin	-30.6%	-38.4%	-31.5%	-28.4%	-25.8%	-28.1%	-31.9%	-49.0%	-20.6 ppt	-17.1 ppt
Net margin	-26.7%	-31.8%	-27.9%	-15.0%	-22.8%	-36.3%	-34.8%	-45.9%	-30.9 ppt	-11.1 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22	FY23E	FY24E	FY22E	FY23E	FY24E	FY22	FY23E	FY24E
Revenue	26,855	31,995	47,210	27,100	41,060	51,380	N/A	-22.1%	-8.1%
Gross profit	3,088	3,987	7,141	3,246	5,347	7,686	N/A	-25.4%	-7.1%
Operating profit	(8,706)	(9,213)	(7,389)	(8,651)	(8,363)	(7,224)	N/A	N/A	N/A
Net profit	(9,139)	(8,066)	(6,472)	(8,733)	(7,389)	(6,462)	N/A	N/A	N/A
Gross margin	11.5%	12.5%	15.1%	12.0%	13.0%	15.0%	N/A	-0.6 ppt	0.2 ppt
Operating margin	-32.4%	-28.8%	-15.7%	-31.9%	-20.4%	-14.1%	N/A	-8.4 ppt	-1.6 ppt
Net margin	-34.0%	-25.2%	-13.7%	-32.2%	-18.0%	-12.6%	N/A	-7.2 ppt	-1.1 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22	FY23E	FY24E	FY22E	FY23E	FY24E	FY22	FY23E	FY24E
Revenue	26,855	31,995	47,210	27,173	44,663	65,743	-1.2%	-28.4%	-28.2%
Gross profit	3,088	3,987	7,141	3,401	6,224	10,737	-9.2%	-35.9%	-33.5%
Operating profit	(8,706)	(9,213)	(7,389)	(8,498)	(7,090)	(4,103)	N/A	N/A	N/A
Net profit	(9,139)	(8,066)	(6,472)	(8,278)	(6,453)	(3,651)	N/A	N/A	N/A
Gross margin	11.5%	12.5%	15.1%	12.5%	13.9%	16.3%	N/A	-1.5 ppt	-1.2 ppt
Operating margin	-32.4%	-28.8%	-15.7%	-31.3%	-15.9%	-6.2%	N/A	-12.9 ppt	-9.4 ppt
Net margin	-34.0%	-25.2%	-13.7%	-30.5%	-14.4%	-5.6%	N/A	-10.8 ppt	-8.2 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenue</b>	<b>5,844</b>	<b>20,988</b>	<b>26,855</b>	<b>31,995</b>	<b>47,210</b>
Cost of sales	(5,578)	(18,366)	(23,767)	(28,008)	(40,069)
<b>Gross profit</b>	<b>266</b>	<b>2,623</b>	<b>3,088</b>	<b>3,987</b>	<b>7,141</b>
R&D exp.	(1,726)	(4,114)	(5,215)	(6,500)	(6,800)
SG&A exp.	(2,921)	(5,305)	(6,688)	(7,400)	(8,730)
Other income	87	218	109	700	1,000
<b>Operating profit</b>	<b>(4,294)</b>	<b>(6,579)</b>	<b>(8,706)</b>	<b>(9,213)</b>	<b>(7,389)</b>
Net finance costs	111	688	927	447	217
Other non-oper exp.	1,452	1,055	(1,339)	700	700
<b>Pre-tax profit</b>	<b>(2,731)</b>	<b>(4,837)</b>	<b>(9,114)</b>	<b>(8,066)</b>	<b>(6,472)</b>
Income tax	(1)	(26)	(25)	-	-
Accr. on preferred shares	(2,158)	-	-	-	-
<b>Net profit</b>	<b>(4,890)</b>	<b>(4,863)</b>	<b>(9,139)</b>	<b>(8,066)</b>	<b>(6,472)</b>

### Cash flow

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(2,731)</b>	<b>(4,837)</b>	<b>(9,114)</b>	<b>(8,066)</b>	<b>(6,472)</b>
Depreciation/amortization	438	838	1,343	2,337	3,515
Change in working capital	2,495	3,584	(121)	(1,091)	3,214
Others	(340)	(653)	(792)	(664)	(542)
<b>Net cash from operating</b>	<b>(140)</b>	<b>(1,095)</b>	<b>(8,709)</b>	<b>(7,484)</b>	<b>(285)</b>
Capex	(1,362)	(4,318)	(6,650)	(9,150)	(10,150)
Others	(3,044)	(28,758)	8,002	6,253	3,976
<b>Net cash from investing</b>	<b>(4,406)</b>	<b>(33,076)</b>	<b>1,352</b>	<b>(2,897)</b>	<b>(6,174)</b>
Share issuance	27,399	13,110	-	-	-
Net borrowings	(352)	(143)	8,722	11,381	7,458
Others	7,283	1,660	-	-	-
<b>Net cash from financing</b>	<b>34,330</b>	<b>14,627</b>	<b>8,722</b>	<b>11,381</b>	<b>7,458</b>
<b>Net change in cash</b>	<b>29,784</b>	<b>(19,543)</b>	<b>1,365</b>	<b>1,000</b>	<b>1,000</b>
Cash at beginning of year	2,408	31,542	11,635	13,000	14,000
Exchange difference	(650)	(363)	-	-	-
<b>Cash at the end of year</b>	<b>31,542</b>	<b>11,635</b>	<b>13,000</b>	<b>14,000</b>	<b>15,000</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>39,679</b>	<b>48,831</b>	<b>44,307</b>	<b>40,962</b>	<b>46,128</b>
Cash & equivalents	29,209	11,025	12,390	13,390	14,390
Account receivables	1,129	2,673	3,679	4,383	6,467
Inventories	1,343	2,662	3,256	3,453	4,391
Other current assets	7,998	32,470	24,982	19,736	20,879
<b>Non-current assets</b>	<b>5,028</b>	<b>16,821</b>	<b>21,848</b>	<b>29,632</b>	<b>34,695</b>
PP&E	3,082	5,425	9,461	16,534	23,412
Intangibles	608	879	893	899	894
Other non-current assets	1,338	10,517	11,493	12,199	10,389
<b>Total assets</b>	<b>44,707</b>	<b>65,651</b>	<b>66,154</b>	<b>70,594</b>	<b>80,822</b>
<b>Current liabilities</b>	<b>7,837</b>	<b>18,013</b>	<b>27,177</b>	<b>38,676</b>	<b>54,893</b>
Bank borrowings	173	-	8,242	19,143	27,102
Account payables	5,112	12,362	13,023	13,812	19,760
Current deferred revenue	164	418	655	1,009	1,530
Other current liabilities	2,389	5,232	5,257	4,712	6,501
<b>Non-current liabilities</b>	<b>2,440</b>	<b>5,492</b>	<b>5,849</b>	<b>6,796</b>	<b>7,220</b>
Bank borrowings	1,645	1,675	2,155	2,635	2,135
Other non-current liabilities	795	3,817	3,694	4,161	5,085
<b>Total liabilities</b>	<b>10,277</b>	<b>23,505</b>	<b>33,026</b>	<b>45,472</b>	<b>62,113</b>
Mezzanine equity	-	-	-	-	-
Ordinary shares	0	0	0	0	0
Reserves	34,430	42,146	33,127	25,122	18,710
<b>Shareholders' equity</b>	<b>34,430</b>	<b>42,147</b>	<b>33,128</b>	<b>25,122</b>	<b>18,710</b>
<b>Total equity and liabilities</b>	<b>44,707</b>	<b>65,651</b>	<b>66,154</b>	<b>70,594</b>	<b>80,822</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	94.9	95.5	92.5	92.8	93.9
Services and others	5.1	4.5	7.5	7.2	6.1
<b>Growth (%)</b>					
Revenue	151.8	259.1	28.0	19.1	47.6
Gross profit	N/A	886.0	17.8	29.1	79.1
Operating profit	N/A	N/A	N/A	N/A	N/A
Net profit	N/A	N/A	N/A	N/A	N/A
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	4.6	12.5	11.5	12.5	15.1
Operating margin	(73.5)	(31.3)	(32.4)	(28.8)	(15.7)
Net profit margin	(83.7)	(23.2)	(34.0)	(25.2)	(13.7)
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.0	1.0	0.8	0.4	0.1
Current ratio (x)	5.1	2.7	1.6	1.1	0.8
Receivable turnover days	71	46	50	50	50
Inventory turnover days	88	53	50	45	40
Payable turnover days	334	246	200	180	180
<b>Profitability (%)</b>					
ROE	(35.4)	(12.7)	(24.3)	(27.7)	(29.5)
ROA	(18.1)	(8.8)	(13.9)	(11.8)	(8.5)
<b>Per share data (RMB)</b>					
EPS	(6.48)	(2.96)	(5.34)	(4.70)	(3.75)
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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