

# Xpeng Inc. (XPEV US)

## Short-term negatives have been priced in

Market reacts positively after Xpeng's in-line 3Q22 earnings, as some investors may believe the worst is over for the company. We are of the view that Xpeng still has a chance to turn around, as its RMB 35bn net cash position could support Xpeng for 2-3 years until Xpeng finds out a winning model. Therefore, its three new models next year could be key catalysts. It is still difficult to quantify the improvement after the organizational structure and personnel changes, but the hard lesson learnt could make management more focused and cost cautious.

- **3Q22 earnings in line.** Xpeng's 3Q22 earnings, including revenue, gross profit and net loss, were all largely in line with our prior forecasts. Its 4Q22 sales-volume guidance of 20,000-21,000 units slightly missed our expectation.
- **Sufficient cash reserves to support its possible turnaround.** We believe Xpeng's current share price has factored in the gloomy G9 sales outlook, although management is still confident about the model. The key now is whether Xpeng can survive amid the more intensified competition, in our view. We believe Xpeng still has a chance to turn around as its RMB 35bn net cash position could at least support Xpeng for 2-3 years, which means Xpeng can still afford a few unsuccessful new models before it finds out a winning model. Its recent organizational structure and personnel changes could make the automaker more focused on product development.
- **4Q22E and FY23E outlook.** We project 4Q22 net loss to narrow to RMB 1.7bn, as it may enjoy forex gains. In fact, Xpeng's net loss in the first nine months of 2022 would be about RMB 5.3bn, if we exclude forex losses. We cut our FY23E sales volume forecast from 250,000 units to 180,000 units amid the G9 miss. We project net loss in FY23E to be RMB5.8bn, aided by its cost reduction efforts.
- **Valuation/Key risks.** We maintain our BUY rating but lower our target price from US\$ 40.00 to US\$ 20.00, based on 2.5x (prior 3.2x) our revised FY23E revenue estimates, a lower target valuation than Li Auto (LI US, BUY) and NIO (NIO US, BUY), given its worse sales momentum now. We give Xpeng higher valuation than some traditional automakers because its leading autonomous driving (AD) technology in China could still provide the company an edge to change the industry landscape, should its all-scenario NGP be ready by 2024. 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	26,999	47,469	65,162
YoY growth (%)	151.8	259.1	28.6	75.8	37.3
Net income (RMB mn)	(4,890)	(4,863)	(8,527)	(5,822)	(3,148)
EPS (RMB)	(6.48)	(2.96)	(5.00)	(3.39)	(1.83)
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	3.5	2.1	1.9	1.1	0.8
P/B (x)	0.6	1.0	1.5	1.8	2.0
Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	(35.4)	(12.7)	(22.5)	(18.9)	(11.9)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	US\$ 20.00
(Previous TP	US\$ 40.00)
Up/Downside	+172.5%
Current Price	US\$ 7.34

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### Stock Data

Mkt Cap (US\$ mn)	6,326
Avg 3 mths t/o (US\$ mn)	284
52w High/Low (US\$)	56.45/6.18
Total Issued Shares (mn)	1,724
Source: Bloomberg	

### Shareholding Structure

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

### Share Performance

	Absolute	Relative
1-mth	10.9%	-15.3%
3-mth	-57.6%	-48.6%
6-mth	-69.4%	-55.7%

Source: Bloomberg

### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers**  
**Zhong Tian**

### Related Reports:

"Xpeng Inc. – New Xpeng in the making?" – 24 Aug 2022

**Figure 1: Quarterly results**

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	YoY	QoQ
Sales volume (units)	13,340	17,398	25,666	41,751	34,561	34,422	29,386	14.5%	-14.6%
ASP (RMB)	221,209	216,190	222,860	204,929	215,704	216,035	232,202	4.2%	7.5%
Revenue	2,951	3,761	5,720	8,556	7,455	7,436	6,823	19.3%	-8.2%
Gross profit	330	449	821	1,023	911	809	923	12.5%	14.1%
R&D expenses	(535)	(864)	(1,264)	(1,451)	(1,221)	(1,265)	(1,499)	18.5%	18.5%
SG&A expenses	(721)	(1,031)	(1,538)	(2,015)	(1,642)	(1,665)	(1,626)	5.7%	-2.3%
Operating profit	(904)	(1,443)	(1,803)	(2,430)	(1,920)	(2,091)	(2,177)	N/A	N/A
<b>Net profit</b>	<b>(787)</b>	<b>(1,195)</b>	<b>(1,595)</b>	<b>(1,287)</b>	<b>(1,701)</b>	<b>(2,701)</b>	<b>(2,376)</b>	<b>N/A</b>	<b>N/A</b>
Gross margin	11.2%	11.9%	14.4%	12.0%	12.2%	10.9%	13.5%	-0.8 ppt	2.6 ppt
Operating margin	-30.6%	-38.4%	-31.5%	-28.4%	-25.8%	-28.1%	-31.9%	-0.4 ppt	-3.8 ppt
Net margin	-26.7%	-31.8%	-27.9%	-15.0%	-22.8%	-36.3%	-34.8%	-6.9 ppt	1.5 ppt

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	26,999	47,469	65,162	34,176	67,953	85,775	-21.0%	-30.1%	-24.0%
Gross profit	3,270	7,057	11,133	4,178	11,113	16,469	-21.7%	-36.5%	-32.4%
Operating profit	(8,530)	(6,823)	(4,008)	(7,709)	(5,187)	(1,632)	N/A	N/A	N/A
Net profit	(8,527)	(5,822)	(3,148)	(7,507)	(4,189)	(714)	N/A	N/A	N/A
Gross margin	12.1%	14.9%	17.1%	12.2%	16.4%	19.2%	-0.1 ppt	-1.5 ppt	-2.1 ppt
Operating margin	-31.6%	-14.4%	-6.2%	-22.6%	-7.6%	-1.9%	-9.0 ppt	-6.7 ppt	-4.2 ppt
Net margin	-31.6%	-12.3%	-4.8%	-22.0%	-6.2%	-0.8%	-19.1 ppt	-8.6 ppt	-4.8 ppt

Source: CMBIGM estimates

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	26,999	47,469	65,162	32,971	59,326	86,369	-18.1%	-20.0%	-24.6%
Gross profit	3,270	7,057	11,133	4,057	8,929	15,198	-19.4%	-21.0%	-26.8%
Operating profit	(8,530)	(6,823)	(4,008)	(8,534)	(6,640)	(3,342)	N/A	N/A	N/A
Net profit	(8,527)	(5,822)	(3,148)	(7,863)	(5,667)	(2,282)	N/A	N/A	N/A
Gross margin	12.1%	14.9%	17.1%	12.3%	15.1%	17.6%	-0.2 ppt	-0.2 ppt	-0.5 ppt
Operating margin	-31.6%	-14.4%	-6.2%	-25.9%	-11.2%	-3.9%	-5.7 ppt	-3.2 ppt	-2.3 ppt
Net margin	-31.6%	-12.3%	-4.8%	-23.8%	-9.6%	-2.6%	-13.8 ppt	-5.7 ppt	-4.6 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>5,844</b>	<b>20,988</b>	<b>26,999</b>	<b>47,469</b>	<b>65,162</b>
Cost of sales	(5,578)	(18,366)	(23,729)	(40,412)	(54,030)
<b>Gross profit</b>	<b>266</b>	<b>2,623</b>	<b>3,270</b>	<b>7,057</b>	<b>11,133</b>
R&D exp.	(1,726)	(4,114)	(5,600)	(6,300)	(6,500)
SG&A exp.	(2,921)	(5,305)	(6,400)	(8,280)	(9,640)
Other income	87	218	200	700	1,000
<b>Operating profit</b>	<b>(4,294)</b>	<b>(6,579)</b>	<b>(8,530)</b>	<b>(6,823)</b>	<b>(4,008)</b>
Net finance costs	111	688	903	501	359
Other non-oper exp.	1,452	1,055	(900)	500	500
<b>Pre-tax profit</b>	<b>(2,731)</b>	<b>(4,837)</b>	<b>(8,527)</b>	<b>(5,822)</b>	<b>(3,148)</b>
Income tax	(1)	(26)	-	-	-
Accr. on preferred shares	(2,158)	-	-	-	-
<b>Net profit</b>	<b>(4,890)</b>	<b>(4,863)</b>	<b>(8,527)</b>	<b>(5,822)</b>	<b>(3,148)</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>(8,527)</b>	<b>(5,822)</b>	<b>(3,148)</b>
Depreciation/amortization	438	838	1,343	2,337	3,515
Change in working capital	2,495	3,584	(191)	1,352	3,972
Others	(340)	(653)	(994)	(597)	(497)
<b>Net cash from operating</b>	<b>(140)</b>	<b>(1,095)</b>	<b>(8,369)</b>	<b>(2,730)</b>	<b>3,843</b>
Capex	(1,362)	(4,318)	(6,650)	(9,150)	(10,150)
Others	(3,044)	(28,758)	7,989	6,253	3,976
<b>Net cash from investing</b>	<b>(4,406)</b>	<b>(33,076)</b>	<b>1,339</b>	<b>(2,897)</b>	<b>(6,174)</b>
Share issuance	27,399	13,110	-	-	-
Net borrowings	(352)	(143)	8,396	6,627	3,331
Others	7,283	1,660	-	-	-
<b>Net cash from financing</b>	<b>34,330</b>	<b>14,627</b>	<b>8,396</b>	<b>6,627</b>	<b>3,331</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>44,335</b>	<b>46,004</b>	<b>51,643</b>
Cash & equivalents	29,209	11,025	12,390	13,390	14,390
Account receivables	1,129	2,673	3,698	6,503	8,926
Inventories	1,343	2,662	3,251	4,982	5,921
Other current assets	7,998	32,470	24,996	21,129	22,405
<b>Non-current assets</b>	<b>5,028</b>	<b>16,821</b>	<b>22,077</b>	<b>31,395</b>	<b>36,616</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	11,723	13,962	12,310
<b>Total assets</b>	<b>44,707</b>	<b>65,651</b>	<b>66,413</b>	<b>77,399</b>	<b>88,259</b>
<b>Current liabilities</b>	<b>7,837</b>	<b>18,013</b>	<b>26,824</b>	<b>41,746</b>	<b>55,035</b>
Bank borrowings	173	-	7,916	14,063	17,894
Account payables	5,112	12,362	13,002	19,929	26,645
Current deferred revenue	164	418	657	1,181	1,900
Other current liabilities	2,389	5,232	5,249	6,573	8,595
<b>Non-current liabilities</b>	<b>2,440</b>	<b>5,492</b>	<b>5,849</b>	<b>7,675</b>	<b>8,334</b>
Bank borrowings	1,645	1,675	2,155	2,635	2,135
Other non-current liabilities	795	3,817	3,694	5,040	6,199
<b>Total liabilities</b>	<b>10,277</b>	<b>23,505</b>	<b>32,673</b>	<b>49,421</b>	<b>63,369</b>
Mezzanine equity	-	-	-	-	-
Ordinary shares	0	0	0	0	0
Reserves	34,430	42,146	33,739	27,978	24,889
<b>Shareholders' equity</b>	<b>34,430</b>	<b>42,147</b>	<b>33,740</b>	<b>27,978</b>	<b>24,890</b>
<b>Total equity and liabilities</b>	<b>44,707</b>	<b>65,651</b>	<b>66,413</b>	<b>77,399</b>	<b>88,259</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	94.9	95.5	93.8	94.3	94.7
Services and others	5.1	4.5	6.2	5.7	5.3
<b>Growth (%)</b>					
Revenue	151.8	259.1	28.6	75.8	37.3
Gross profit	N/A	886.0	24.7	115.8	57.8
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	12.1	14.9	17.1
Operating margin	(73.5)	(31.3)	(31.6)	(14.4)	(6.2)
Net profit margin	(83.7)	(23.2)	(31.6)	(12.3)	(4.8)
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.0	1.0	0.8	0.6	0.4
Current ratio (x)	5.1	2.7	1.7	1.1	0.9
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)	(22.5)	(18.9)	(11.9)
ROA	(18.1)	(8.8)	(12.9)	(8.1)	(3.8)
<b>Per share data (RMB)</b>					
EPS	(6.48)	(2.96)	(5.00)	(3.39)	(1.83)
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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