

NIO Inc. (NIO US/9866 HK)

Historical detractors appear resolved

Upgrade to BUY. NIO's 1Q26 earnings beat our estimates largely due to its strong GPM. It appears to us that NIO's cost reduction efforts this time are not short-lived, which has resolved our previous concerns including low GPM for other revenue and high opex due to investments in unnecessary areas. The success of the *ES8* is also a learning experience for NIO when launching new models this year. We believe NIO is also better positioned than most peers amid raw-material cost hikes.

- 1Q26 earnings beat on GPM.** NIO's 1Q26 revenue surged 112% YoY amid a 98% YoY growth in sales volume, or 2% lower than our prior forecast. GPM widened to 19.0% in 1Q26, the highest since 4Q21, or 1.7ppts higher than our projection. SG&A and R&D expenses were slightly lower than our forecast, which resulted in an operating loss of RMB309mn and a net loss of RMB496mn, vs. our net loss forecast of RMB741mn.
- Consistent cost reduction efforts and improving GPM lead to better earnings visibility.** In the past, we were concerned about NIO's higher-than-peers expenses due to its heavy investments in unnecessary areas and short-lived sales boom for new models. Now, they seem to be resolved. NIO's restructuring since FY25 has led to sustainable cost reduction. Even GPM for other revenue, which significantly dragged overall GPM in the past, reached 20.6% in 1Q26. Management expects such GPM to continue throughout the year. The *ES8*'s sales momentum also appears to be longer than its other models in the past. We maintain our FY26E sales volume forecast of 0.46mn units and raise FY26E GPM forecast by 1.5ppts. Accordingly, we project NIO to post a GAAP net loss of RMB1.3bn and a non-GAAP operating profit of RMB145mn in FY26E. We expect NIO to record a GAAP net profit of RMB324mn in FY27E.
- Better positioned than peers amid raw-material cost hikes, aided by its premium brand image.** We agree with management that Chinese consumers now have clearer labels for so-called NEV start-up brands and NIO is perceived as a more premium brand than most peers. That could give NIO more bargaining power and make its GPM more resilient than its peers when raw-material costs keep rising.
- Valuation/Key risks.** We upgrade our rating to BUY from Hold and raise our target prices from US\$6.00/HK\$47.00 to US\$7.00/HK\$55.00, based on 0.9x (prior 0.8x) our FY26E P/S. We raise our target valuation multiple due to our upward earnings revision and its better positioning than peers when facing raw-material inflation. Key risks to our rating and target price include lower sales volume and/or GPM than we expect and a sector de-rating.

Earnings Summary - NIO US

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	65,732	87,488	138,656	156,917	167,288
YoY growth (%)	18.2	33.1	58.5	13.2	6.6
Gross margin (%)	9.9	13.6	17.6	16.9	17.3
Operating profit (RMB mn)	(21,874.1)	(14,041.2)	(1,654.5)	(148.3)	1,857.6
Net profit (RMB mn)	(22,657.7)	(15,570.7)	(1,298.9)	324.5	2,529.7
YoY growth (%)	na	na	na	na	679.6
Adjusted net profit (RMB mn)	(20,381.7)	(12,432.4)	1,180.0	2,904.3	5,214.2
EPS (Reported) (RMB cents)	(1,102.77)	(685.14)	(50.27)	12.00	92.88
P/S (x)	1.5	1.1	0.7	0.6	0.6

Source: Company data, Bloomberg, CMBIGM estimates

	NIO US	9866 HK
	BUY	BUY
	Up	Up

TP	US\$7.00	HK\$55.00
Prior TP	US\$6.00	HK\$47.00
Up/Downside	25.2%	28.0%
Current Price	US\$5.6	HK\$43.0

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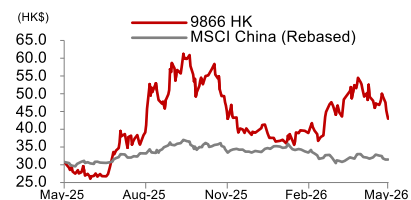
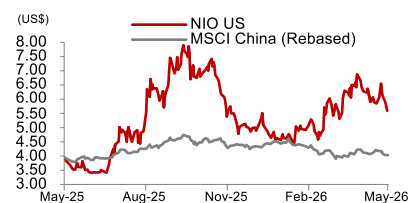
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12-mth Price Performance



Source: FactSet

Stock Performance

	NIO US		9866 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	-13.1%	-8.9%	-18.4%	-8.9%
3-mth	10.3%	17.1%	10.3%	17.1%
6-mth	0.2%	6.3%	0.0%	6.3%

Source: FactSet

Stock Data

(LC)	NIO US	9866 HK
Mkt Cap (mn)	14023.95	107776.21
Avg 3 mths t/o (mn)	116.99	287.11
52w High	7.89	61.2
52w Low	3.41	26.05
Issued Shares (mn)	2508.757	2508.7572

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Sales volume (units)	42,094	72,056	87,071	124,807	83,465	98.3%	-33.1%
ASP (RMB)	285,901	263,804	250,300	277,631	305,909	7.0%	10.2%
Revenue	12,035	19,009	21,794	34,650	25,533	112.2%	-26.3%
Gross profit	920	1,898	3,025	6,074	4,859	428.4%	-20.0%
R&D expenses	(3,181)	(3,007)	(2,391)	(2,026)	(1,885)	-40.7%	-7.0%
SG&A expenses	(4,401)	(3,965)	(4,185)	(3,537)	(3,497)	-20.5%	-1.1%
Operating profit	(6,418)	(4,909)	(3,522)	807	(309)	N/A	N/A
Net profit	(6,891)	(5,141)	(3,661)	122	(496)	N/A	N/A
Gross margin	7.6%	10.0%	13.9%	17.5%	19.0%	11.4 ppts	1.5 ppts
Operating margin	-53.3%	-25.8%	-16.2%	2.3%	-1.2%	52.1 ppts	-3.5 ppts
Net margin	-57.3%	-27.0%	-16.8%	0.4%	-1.9%	55.3 ppts	-2.3 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	138,656	156,917	167,288	128,659	147,282	N/A	7.8%	6.5%	N/A
Gross profit	24,400	26,457	28,958	20,760	22,139	N/A	17.5%	19.5%	N/A
Operating profit	(1,655)	(148)	1,858	(3,811)	(2,734)	N/A	N/A	N/A	N/A
Net profit	(1,299)	324	2,530	(3,828)	(2,228)	N/A	N/A	N/A	N/A
Gross margin	17.6%	16.9%	17.3%	16.1%	15.0%	N/A	1.5 ppts	1.8 ppts	N/A
Operating margin	-1.2%	-0.1%	1.1%	-3.0%	-1.9%	N/A	1.8 ppts	1.8 ppts	N/A
Net margin	-0.9%	0.2%	1.5%	-3.0%	-1.5%	N/A	2.0 ppts	1.7 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	138,656	156,917	167,288	130,396	151,904	168,405	6.3%	3.3%	-0.7%
Gross profit	24,400	26,457	28,958	21,742	26,354	30,341	12.2%	0.4%	-4.6%
Operating profit	(1,655)	(148)	1,858	(2,476)	1,141	3,886	N/A	-113.0%	-52.2%
Net profit	(1,299)	324	2,530	(1,843)	1,826	4,459	N/A	-82.2%	-43.3%
Gross margin	17.6%	16.9%	17.3%	16.7%	17.3%	18.0%	0.9 ppts	-0.5 ppts	-0.7 ppts
Operating margin	-1.2%	-0.1%	1.1%	-1.9%	0.8%	2.3%	0.7 ppts	-0.8 ppts	-1.2 ppts
Net margin	-0.9%	0.2%	1.5%	-1.4%	1.2%	2.6%	0.5 ppts	-1.0 ppts	-1.1 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	55,618	65,732	87,488	138,656	156,917	167,288
Cost of goods sold	(52,566)	(59,239)	(75,572)	(114,255)	(130,460)	(138,331)
Gross profit	3,052	6,493	11,916	24,400	26,457	28,958
Operating expenses	(25,707)	(28,367)	(25,957)	(26,055)	(26,606)	(27,100)
SG&A expense	(12,885)	(15,741)	(16,088)	(16,346)	(16,818)	(17,315)
R&D expense	(13,431)	(13,037)	(10,605)	(10,509)	(10,788)	(10,986)
Others	609	412	736	800	1,000	1,200
Operating profit	(22,655)	(21,874)	(14,041)	(1,655)	(148)	1,858
Other gains/(losses)	325	(103)	436	500	400	300
Share of (losses)/profits of associates/JV	64	(503)	(1,092)	200	300	500
EBITDA	(15,148)	(13,925)	(4,560)	10,965	13,964	17,708
Depreciation	3,378	5,875	7,147	8,391	9,475	10,655
Depreciation of ROU assets	1,529	1,825	2,229	2,737	3,025	3,259
EBIT	(20,055)	(21,626)	(13,935)	(163)	1,464	3,794
Interest income	2,210	854	762	791	913	1,137
Interest expense	(404)	(798)	(885)	(485)	(440)	(510)
Foreign exchange gain/loss	(55)	212	(341)	0	0	0
Pre-tax profit	(20,459)	(22,425)	(14,821)	(649)	1,024	3,284
Income tax	(261)	23	(122)	(1)	0	0
After tax profit	(20,720)	(22,402)	(14,943)	(650)	1,024	3,284
Minority interest	(124)	92	(18)	30	30	30
Others	(303)	(348)	(610)	(679)	(730)	(785)
Net profit	(21,147)	(22,658)	(15,571)	(1,299)	324	2,530
Adjusted net profit	(18,475)	(20,382)	(12,432)	1,180	2,904	5,214

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	70,380	61,886	76,633	92,830	112,727	129,388
Cash & equivalents	32,935	19,329	11,274	17,876	27,504	35,753
Restricted cash	5,542	8,321	14,746	15,000	16,000	17,000
Account receivables	4,658	1,676	1,394	2,089	2,150	2,292
Inventories	5,278	7,087	8,531	8,139	9,293	9,854
ST bank deposits	16,810	14,138	19,756	20,000	25,000	30,000
Other current assets	5,157	11,335	20,932	29,725	32,781	34,489
Non-current assets	47,003	45,719	47,768	48,097	45,718	40,991
PP&E	24,847	25,893	25,828	24,398	21,878	18,171
Right-of-use assets	11,404	12,797	11,711	9,469	8,544	6,991
Investment in JVs & assos	5,487	3,126	2,481	2,771	3,171	3,771
Intangibles	30	30	30	25	21	16
Other non-current assets	5,235	3,873	7,719	11,434	12,105	12,041
Total assets	117,383	107,605	124,401	140,926	158,445	170,378
Current liabilities	57,798	62,311	78,583	85,353	94,983	98,703
Short-term borrowings	5,085	5,730	4,692	3,900	3,900	3,900
Account payables	29,766	34,387	53,310	53,215	60,762	64,428
Tax payable	349	400	439	439	439	439
Other current liabilities	20,854	19,848	17,978	25,620	27,718	27,909
Lease liabilities	1,743	1,946	2,164	2,180	2,164	2,027
Non-current liabilities	29,989	31,787	33,126	36,070	40,925	43,794
Long-term borrowings	13,043	11,441	8,626	6,672	8,672	10,672
Other non-current liabilities	16,946	20,346	24,500	29,398	32,253	33,122
Total liabilities	87,787	94,098	111,709	121,424	135,909	142,497
Share capital	4	4	4	5	5	5
Capital surplus	117,717	118,688	131,728	138,678	140,678	142,728
Retained earnings	(90,758)	(113,068)	(128,029)	(129,328)	(129,003)	(126,474)
Other reserves	2,444	7,785	9,008	10,207	10,956	11,761
Total shareholders equity	29,407	13,409	12,711	19,561	22,636	28,020
Minority interest	189	98	(19)	(59)	(99)	(139)
Total equity and liabilities	117,383	107,605	124,401	140,926	158,445	170,378

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(20,459)	(22,425)	(14,821)	(649)	1,024	3,284
Depreciation & amortization	4,907	7,701	9,375	11,129	12,500	13,914
Change in working capital	13,286	3,527	5,797	(1,194)	5,371	457
Others	884	3,348	2,641	1,710	1,674	1,535
Net cash from operations	(1,382)	(7,849)	2,993	10,996	20,569	19,190
Investing						
Capital expenditure	(14,341)	(9,142)	(6,065)	(7,001)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(500)	(587)	(574)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	3,854	4,456	(5,788)	(244)	(5,000)	(5,000)
Others	101	315	967	9	0	0
Net cash from investing	(10,885)	(4,958)	(11,460)	(7,336)	(12,101)	(12,101)
Financing						
Net borrowings	1,918	1,706	(2,661)	(2,341)	2,000	2,000
Proceeds from share issues	20,962	0	11,855	5,000	0	0
Others	4,782	66	(2,349)	599	160	160
Net cash from financing	27,663	1,772	6,844	3,258	2,160	2,160
Net change in cash						
Cash at the beginning of the year	23,155	38,622	27,747	26,108	33,026	43,654
Exchange difference	70	161	(16)	0	0	0
Cash at the end of the year	38,622	27,747	26,108	33,026	43,654	52,903
GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	12.9%	18.2%	33.1%	58.5%	13.2%	6.6%
Gross profit	(40.7%)	112.8%	83.5%	104.8%	8.4%	9.5%
EBITDA	na	na	na	na	27.4%	26.8%
EBIT	na	na	na	na	na	159.1%
Net profit	na	na	na	na	na	679.6%
Adj. net profit	na	na	na	na	146.1%	79.5%
PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	5.5%	9.9%	13.6%	17.6%	16.9%	17.3%
Operating margin	(40.7%)	(33.3%)	(16.0%)	(1.2%)	(0.1%)	1.1%
EBITDA margin	(27.2%)	(21.2%)	(5.2%)	7.9%	8.9%	10.6%
Adj. net profit margin	(33.2%)	(31.0%)	(14.2%)	0.9%	1.9%	3.1%
Return on equity (ROE)	(74.4%)	(105.8%)	(119.2%)	(8.0%)	1.5%	10.0%
GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.2	1.0	1.0	1.1	1.2	1.3
Receivable turnover days	30.6	9.3	5.8	5.5	5.0	5.0
Inventory turnover days	36.6	43.7	41.2	26.0	26.0	26.0
Payable turnover days	206.7	211.9	257.5	170.0	170.0	170.0
VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	ns	ns	317.0	41.0
P/E (diluted)	ns	ns	ns	ns	317.0	41.0
P/B	2.2	5.8	6.8	5.0	4.5	3.7
P/CFPS	ns	ns	28.9	8.9	5.0	5.4
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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