

NIO Inc. (NIO US)

Cash burn speeds up with capital injection

Maintain HOLD. NIO's all-time high R&D and SG&A expenses in 4Q23 once again confirm that it is probably too difficult for the company to control costs. The cash burn from CYVN's capital injection may last shorter than we expected before. We see no sign or persuasive strategies to turn profitable from the earnings call. We believe management's guidance for FY24E GPM could be too optimistic.

■ **4Q23 earnings miss on other income and SG&A:** NIO's revenue and gross profit from vehicles in 4Q23 were both in line with our prior forecast, but its vehicle GPM of 11.9% in 4Q23 missed its guidance of 15%. Gross margin of -34% for other revenue was also below our projection of -25%. That underscored our prior [argument on 4 Jul 2023](#) that the elimination of service benefits could weigh on margins more than expected by some investors in the next few years, and it seems to come earlier than our expectation. Both R&D and SG&A expenses in 4Q23 were about RMB720mn higher than our estimates. That resulted in an operating loss of RMB6.6bn in 4Q23, about RMB1.9bn higher than our projection.

■ **No sign or persuasive strategies to turn profitable.** We cut our FY24 sales volume forecast from 0.21mn units to 0.19mn units, largely due to later-than-expected deliveries (in 4Q24) of the second brand Alps. Management maintains its vehicle GPM guidance of 15-18% for FY24E, which, in our view, is too optimistic, especially as it believes the facelifted models from 2Q24 could lift margins throughout the year. The vehicle GPM did not hit 15% in either 3Q23 or 4Q23 when key models were just upgraded into the NT2.0. The discounts have started to increase two quarters after the upgrade despite NIO's efforts to maintain its pricing.

Even if we assume a 15% vehicle GPM and very disciplined investments in R&D and SG&A, its FY24E net loss would still be higher than RMB10bn, far away from turning profitable. We do not think the Alps and its third brand Firefly from FY25 are able to turn the company profitable.

■ **Earnings/Valuation.** We revise our FY24E net loss from RMB14.7bn to RMB17.2bn, as noted above. We maintain our HOLD rating and cut target price from US\$6.80 to US\$6.20, based on 1.4x (unchanged) our revised FY24E revenue estimates. Li Auto (LI US, BUY), with much better profitability, now trades at 1.3x our FY24E P/S. Key risks to our rating and target price include higher or lower sales volume and margins than we expect, as well as a sector re-rating or de-rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue (RMB mn)	36,136	49,269	55,618	65,239	77,197
YoY growth (%)	122.3	36.3	12.9	17.3	18.3
Gross margin (%)	18.9	10.4	5.5	8.1	7.4
Operating profit (RMB mn)	(4,496.3)	(15,640.7)	(22,655.2)	(18,814.0)	(15,839.3)
Net profit (RMB mn)	(10,572.3)	(14,559.4)	(21,147.0)	(17,169.9)	(14,582.5)
Adjusted net profit (RMB mn)	(2,975.6)	(11,984.2)	(18,474.8)	(15,269.9)	(12,882.5)
EPS (Reported) (RMB cents)	(672.24)	(889.40)	(1,243.79)	(827.13)	(699.12)
P/S (x)	2.3	1.7	1.5	1.3	1.1
P/B (x)	11.2	7.3	2.3	5.1	22.5

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$6.20
(Previous TP)	US\$6.80)
Up/Downside	13.1%
Current Price	US\$5.48

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Stock Data

Mkt Cap (US\$ mn)	11,418.9
Avg 3 mths t/o (US\$ mn)	426.4
52w High/Low (US\$)	15.46/5.33
Total Issued Shares (mn)	2083.7

Source: FactSet

Shareholding Structure

CYVN Holdings	20.1%
Mr. Li Bin	8.6%

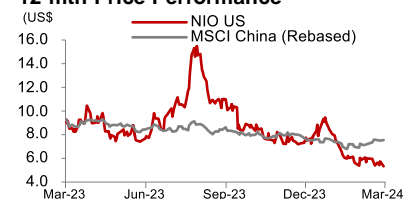
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	-9.1%	-12.3%
3-mth	-29.3%	-28.2%
6-mth	-48.2%	-41.6%

Source: FactSet

12-month Price Performance



Source: FactSet

Related Reports

["NIO \(NIO US\) - Need persuasive strategies to turn profitable" - 21 Feb 2024](#)

Figure 1: Quarterly results

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	YoY	QoQ
Sales volume (units)	25,768	25,059	31,607	40,052	31,041	23,520	55,432	50,045	25.0%	-9.7%
Overall ASP (RMB)	384,608	410,725	411,368	401,066	343,947	372,948	343,963	341,756	-14.8%	-0.6%
Revenue	9,911	10,292	13,002	16,064	10,676	8,772	19,067	17,103	6.5%	-10.3%
Gross profit	1,447	1,340	1,735	622	162	87	1,523	1,279	105.7%	-16.0%
R&D expenses	(1,762)	(2,149)	(2,945)	(3,981)	(3,076)	(3,345)	(3,039)	(3,972)	-0.2%	30.7%
SG&A expenses	(2,015)	(2,282)	(2,712)	(3,527)	(2,446)	(2,857)	(3,609)	(3,973)	12.6%	10.1%
Operating profit	(2,189)	(2,846)	(3,870)	(6,736)	(5,112)	(6,074)	(4,844)	(6,625)	N/A	N/A
Net profit	(1,825)	(2,745)	(4,142)	(5,847)	(4,804)	(6,122)	(4,629)	(5,593)	N/A	N/A
Gross margin	14.6%	13.0%	13.3%	3.9%	1.5%	1.0%	8.0%	7.5%	3.6 ppt	-0.5 ppt
Operating margin	-22.1%	-27.6%	-29.8%	-41.9%	-47.9%	-69.2%	-25.4%	-38.7%	3.2 ppt	-13.3 ppt
Net margin	-18.4%	-26.7%	-31.9%	-36.4%	-45.0%	-69.8%	-24.3%	-32.7%	3.7 ppt	-8.4 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	55,618	65,239	77,197	55,228	70,107	83,127	0.7%	-6.9%	-7.1%
Gross profit	3,052	5,273	5,693	3,263	5,713	7,810	-6.5%	-7.7%	-27.1%
Operating profit	(22,655)	(18,814)	(15,839)	(20,768)	(15,477)	(12,727)	N/A	N/A	N/A
Net profit	(21,147)	(17,170)	(14,583)	(19,968)	(14,581)	(11,902)	N/A	N/A	N/A
Gross margin	5.5%	8.1%	7.4%	5.9%	8.1%	9.4%	-0.4 ppt	-0.1 ppt	-2.0 ppt
Operating margin	-40.7%	-28.8%	-20.5%	-37.6%	-22.1%	-15.3%	-3.1 ppt	-6.8 ppt	-5.2 ppt
Net margin	-38.0%	-26.3%	-18.9%	-36.2%	-20.8%	-14.3%	-1.9 ppt	-5.5 ppt	-4.6 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY23A	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	55,618	65,239	77,197	56,681	80,494	111,392	-1.9%	-19.0%	-30.7%
Gross profit	3,052	5,273	5,693	3,841	10,543	18,193	-20.6%	-50.0%	-68.7%
Operating profit	(22,655)	(18,814)	(15,839)	(19,609)	(13,067)	(6,593)	N/A	N/A	N/A
Net profit	(21,147)	(17,170)	(14,583)	(17,616)	(10,766)	(4,832)	N/A	N/A	N/A
Gross margin	5.5%	8.1%	7.4%	6.8%	13.1%	16.3%	-1.3 ppt	-5.0 ppt	-9.0 ppt
Operating margin	-40.7%	-28.8%	-20.5%	-34.6%	-16.2%	-5.9%	-6.1 ppt	-12.6 ppt	-14.6 ppt
Net margin	-38.0%	-26.3%	-18.9%	-31.1%	-13.4%	-4.3%	-6.9 ppt	-12.9 ppt	-14.6 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	16,258	36,136	49,269	55,618	65,239	77,197
Cost of goods sold	(14,385)	(29,315)	(44,125)	(52,566)	(59,966)	(71,504)
Gross profit	1,873	6,821	5,144	3,052	5,273	5,693
Operating expenses	(6,481)	(11,318)	(20,785)	(25,707)	(24,087)	(21,532)
SG&A expense	(3,932)	(6,878)	(10,537)	(12,885)	(12,834)	(12,337)
R&D expense	(2,488)	(4,592)	(10,836)	(13,431)	(12,053)	(10,195)
Others	(61)	152	589	609	800	1,000
Operating profit	(4,608)	(4,496)	(15,641)	(22,655)	(18,814)	(15,839)
Other gains/(losses)	(365)	185	(145)	325	400	500
Share of (losses)/profits of associates/JV	(66)	63	378	64	80	100
EBITDA	(3,326)	(985)	(10,055)	(13,633)	(8,373)	(4,573)
Depreciation	1,046	1,708	2,852	4,487	5,937	6,954
Depreciation of ROU assets	499	644	1,142	1,935	2,106	2,313
EBIT	(4,872)	(3,337)	(14,049)	(20,055)	(16,417)	(13,840)
Interest income	167	912	1,359	2,210	1,917	1,399
Interest expense	(426)	(637)	(333)	(404)	(460)	(444)
Foreign exchange gain/loss	457	10	283	0	0	0
Pre-tax profit	(5,298)	(3,975)	(14,382)	(20,459)	(16,876)	(14,284)
Income tax	(6)	(42)	(55)	(261)	(34)	(29)
After tax profit	(5,304)	(4,017)	(14,437)	(20,720)	(16,910)	(14,313)
Minority interest	5	31	157	(124)	40	30
Others	(312)	(6,587)	(279)	(303)	(300)	(300)
Net profit	(5,611)	(10,572)	(14,559)	(21,147)	(17,170)	(14,583)
Adjusted net profit	(5,112)	(2,976)	(11,984)	(18,475)	(15,270)	(12,883)

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	46,207	63,641	59,150	70,380	50,923	46,836
Cash & equivalents	38,426	15,334	19,888	32,935	22,783	18,859
Restricted cash	78	2,994	3,154	5,542	2,500	2,500
Account receivables	1,079	2,781	5,118	4,658	5,362	6,345
Inventories	1,082	2,056	8,191	5,278	4,272	5,093
ST bank deposits	3,951	37,058	19,171	16,810	12,000	10,000
Other current assets	1,592	3,418	3,627	5,157	4,006	4,039
Non-current assets	8,435	19,242	37,114	47,003	39,347	37,761
PP&E	4,996	7,400	15,659	24,847	20,131	19,105
Right-of-use assets	1,350	2,988	7,374	11,404	8,228	7,396
Investment in JVs & assos	300	3,059	6,356	5,487	4,764	3,964
Intangibles	1	0	0	30	1	1
Other non-current assets	1,788	5,795	7,725	5,235	6,224	7,295
Total assets	54,642	82,884	96,264	117,383	90,270	84,597
Current liabilities	13,976	29,198	45,852	57,798	45,628	51,454
Short-term borrowings	1,550	6,458	4,039	5,085	0	0
Account payables	6,368	12,639	25,224	29,766	29,572	33,303
Tax payable	182	628	286	349	349	349
Other current liabilities	5,329	8,729	15,277	20,854	13,754	15,862
Lease liabilities	547	745	1,026	1,743	1,952	1,939
Non-current liabilities	8,803	15,622	22,765	29,989	28,601	29,404
Long-term borrowings	5,938	9,739	10,886	13,043	14,285	14,285
Other non-current liabilities	2,865	5,883	11,879	16,946	14,316	15,119
Total liabilities	22,780	44,820	68,617	87,787	74,228	80,858
Share capital	3	3	3	4	4	4
Capital surplus	78,880	92,467	94,593	118,346	120,546	122,546
Retained earnings	(51,714)	(55,910)	(68,878)	(90,954)	(106,943)	(121,505)
Other reserves	4,691	1,428	1,708	2,011	2,308	2,608
Total shareholders equity	31,860	37,988	27,425	29,407	15,915	3,652
Minority interest	2	76	221	189	126	86
Total equity and liabilities	54,642	82,884	96,264	117,383	90,270	84,597

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,298)	(3,975)	(14,382)	(20,459)	(16,876)	(14,284)
Depreciation & amortization	1,546	2,352	3,994	6,422	8,044	9,268
Change in working capital	4,830	2,693	4,444	10,572	(3,241)	1,146
Others	873	896	2,078	1,592	1,627	1,438
Net cash from operations	1,951	1,966	(3,866)	(1,872)	(10,446)	(2,433)
Investing						
Capital expenditure	(1,128)	(4,079)	(6,973)	(8,001)	(7,001)	(6,001)
Acquisition of subsidiaries/ investments	(251)	(2,543)	(2,229)	(300)	(200)	(100)
Net proceeds from disposal of short-term investments	(3,856)	(33,194)	19,027	4,171	3,000	2,000
Others	163	51	560	1,232	1,000	1,000
Net cash from investing	(5,071)	(39,765)	10,385	(2,898)	(3,201)	(3,101)
Financing						
Net borrowings	615	3,680	(1,632)	(5,277)	2,000	1,000
Proceeds from share issues	34,607	12,678	0	21,054	0	0
Others	6,135	1,771	15	4,460	(1,541)	610
Net cash from financing	41,357	18,129	(1,616)	20,237	459	1,610
Net change in cash						
Cash at the beginning of the year	990	38,545	18,375	23,155	38,622	25,433
Exchange difference	(682)	(501)	(122)	0	0	0
Cash at the end of the year	38,545	18,375	23,155	38,622	25,433	21,509
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	107.8%	122.3%	36.3%	12.9%	17.3%	18.3%
Gross profit	na	264.1%	(24.6%)	(40.7%)	72.8%	8.0%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	11.5%	18.9%	10.4%	5.5%	8.1%	7.4%
Operating margin	(28.3%)	(12.4%)	(31.7%)	(40.7%)	(28.8%)	(20.5%)
EBITDA margin	(20.5%)	(2.7%)	(20.4%)	(24.5%)	(12.8%)	(5.9%)
Adj. net profit margin	(31.4%)	(8.2%)	(24.3%)	(33.2%)	(23.4%)	(16.7%)
Return on equity (ROE)	(41.5%)	(30.3%)	(44.5%)	(74.4%)	(75.8%)	(149.1%)
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	3.3	2.2	1.3	1.2	1.1	0.9
Receivable turnover days	24.2	28.1	37.9	25.0	30.0	30.0
Inventory turnover days	27.4	25.6	67.8	35.0	26.0	26.0
Payable turnover days	161.6	157.4	208.7	210.0	180.0	170.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/E (diluted)	ns	ns	ns	ns	ns	ns
P/B	3.9	11.2	7.3	2.3	5.1	22.5
P/CFPS	63.7	217.3	ns	ns	ns	ns
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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