

Li Auto Inc. (LI US)

4Q23 results set the tone for resilient FY24

Maintain our top pick. Li Auto's strong beat in 4Q23 GPM led to an all-time high operating margin of 7.3%. Its FY23 net margin of 9.5% was also much higher than its guidance of 5% in mid-2023. Management has also provided a clear path to achieve its FY24 sales target and is still quite self-disciplined in costs and expansion. We revise up our FY24E sales volume forecast by 7% and net profit by 16%.

■ **4Q23 earnings beat on GPM.** Li Auto's 4Q23 revenue implies our prior estimates for its 4Q23 discount increase was in line. However, its cost reduction was more significant than expected, leading to a QoQ lift in GPM. Excluding warranty adjustment, we estimate its 4Q23 GPM was still about 1.5ppts higher than our prior forecast. Li Auto's operating profit in 4Q23 was about RMB460mn higher than our forecast.

■ **1Q24E and FY24E outlook.** Li Auto's 1Q24 sales-volume guidance was about 5% higher than our projection. Its clear path to achieve its FY24 sales target gives us more confidence, despite stiffer competition. We raise our FY24E sales volume forecast from 0.61mn units to 0.65mn units.

The resilient margins in 4Q23 have also set the tone for FY24. We project Li Auto's 1Q24 net profit to exceed RMB2bn, implying a net profit per vehicle of more than RMB20,000. Our revised FY24E net profit of RMB14.5bn (16% higher than previous estimates) is feasible, even assuming 1Q24E GPM to extend into the whole year (meaning the cost reduction from greater economies of scale is to offset the discounts amid intensifying competition).

■ **Valuation/Key risks.** Exports start to account for 10% of Li Auto's total sales volume, according to management, which probably gives the automaker more confidence in accelerating its overseas expansion. This could be a positive surprise for its sales volume growth. Management has also lowered its FY24E R&D guidance from about RMB18bn to RMB14-16bn, which again reflects its self-discipline in costs.

We maintain our BUY rating and raise our target price from US\$45.00 to US\$48.00, based on 23x (prior 25x) our revised FY24 EPS. We lower our valuation multiple to reflect the increasing competition. Key risks to our rating and target price include lower sales and/or gross margin, slower autonomous driving development than our expectation, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue (RMB mn)	27,010	45,287	123,851	201,900	263,000
YoY growth (%)	185.6	67.7	173.5	63.0	30.3
Gross margin (%)	21.3	19.4	22.2	21.0	20.5
Operating profit (RMB mn)	(1,017)	(3,655)	7,143	13,248	17,460
Net profit (RMB mn)	(321.5)	(2,012.2)	11,704.1	14,501.8	18,619.1
YoY growth (%)	na	na	na	23.9	28.4
Adjusted net profit (RMB mn)	779.9	41.0	12,092.6	15,458.6	19,495.4
EPS (Reported) (RMB cents)	(17.34)	(103.66)	594.76	733.39	932.19
P/S (x)	9.8	5.9	2.1	1.3	1.0
P/E (x)	na	na	21.1	17.1	13.4
P/B (x)	4.1	3.8	4.1	3.1	2.5

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$48.00
(Previous TP)	US\$45.00)
Up/Downside	37.9%
Current Price	US\$34.80

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Stock Data

Mkt Cap (US\$ mn)	36,923.2
Avg 3 mths t/o (US\$ mn)	215.8
52w High/Low (US\$)	46.65/21.35
Total Issued Shares (mn)	2122.0

Source: FactSet

Shareholding Structure

Mr. Li Xiang	21.9%
Mr. Wang Xing	18.1%

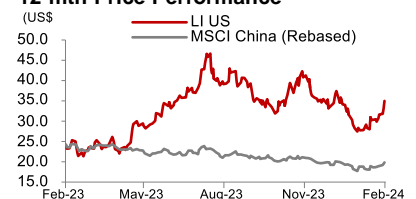
Source: NASDAQ

Share Performance

	Absolute	Relative
1-mth	22.8%	12.4%
3-mth	-14.5%	-9.3%
6-mth	-10.6%	-4.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Li Auto Inc. \(LI US\) – 4Q23 earnings preview: NP to be flat QoQ" – 19 Jan 2024](#)

["Li Auto Inc. – Best positioned among NEV start-ups" – 18 Dec 2023, page 253](#)

Figure 1: Quarterly results

RMB mn	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	YoY	QoQ
Sales volume (units)	31,716	28,687	26,524	46,319	52,584	86,533	105,108	131,805	184.6%	25.4%
ASP (RMB)	301,489	304,410	352,220	381,050	357,277	331,119	329,941	316,620	-16.9%	-4.0%
Revenue	9,562	8,733	9,342	17,650	18,787	28,653	34,679	41,732	136.4%	20.3%
Gross profit	2,164	1,878	1,182	3,566	3,830	6,235	7,644	9,787	174.4%	28.0%
R&D expenses	(1,374)	(1,532)	(1,804)	(2,070)	(1,852)	(2,426)	(2,817)	(3,491)	68.6%	23.9%
SG&A expenses	(1,203)	(1,325)	(1,507)	(1,630)	(1,645)	(2,309)	(2,544)	(3,270)	100.6%	28.5%
Operating profit	(413)	(978)	(2,130)	(134)	405	1,626	2,339	3,036	N/A	29.8%
Net profit	(11)	(618)	(1,640)	257	930	2,293	2,823	5,658	2102.1%	100.4%
Gross margin	22.6%	21.5%	12.7%	20.2%	20.4%	21.8%	22.0%	23.5%	3.2 ppt	1.4 ppt
Operating margin	-4.3%	-11.2%	-22.8%	-0.8%	2.2%	5.7%	6.7%	7.3%	8.0 ppt	0.5 ppt
Net margin	-0.1%	-7.1%	-17.6%	1.5%	4.9%	8.0%	8.1%	13.6%	12.1 ppt	5.4 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	123,851	201,900	263,000	123,635	190,320	254,600	0.2%	6.1%	3.3%
Gross profit	27,497	42,472	53,933	26,431	39,462	51,057	4.0%	7.6%	5.6%
Operating profit	7,407	13,648	17,960	6,946	10,752	16,543	6.6%	26.9%	8.6%
Net profit	11,704	14,502	18,619	8,926	12,551	17,399	31.1%	15.5%	7.0%
Gross margin	22.2%	21.0%	20.5%	21.4%	20.7%	20.1%	0.8 ppt	0.3 ppt	0.5 ppt
Operating margin	6.0%	6.8%	6.8%	5.6%	5.6%	6.5%	0.4 ppt	1.1 ppt	0.3 ppt
Net margin	9.5%	7.2%	7.1%	7.2%	6.6%	6.8%	2.2 ppt	0.6 ppt	0.2 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	123,851	201,900	263,000	122,999	199,137	267,738	0.7%	1.4%	-1.8%
Gross profit	27,497	42,472	53,933	26,352	42,195	57,856	4.3%	0.7%	-6.8%
Operating profit	7,407	13,648	17,960	6,748	12,044	19,749	9.8%	13.3%	-9.1%
Net profit	11,704	14,502	18,619	9,313	14,194	22,003	25.7%	2.2%	-15.4%
Gross margin	22.2%	21.0%	20.5%	21.4%	21.2%	21.6%	0.8 ppt	-0.2 ppt	-1.1 ppt
Operating margin	6.0%	6.8%	6.8%	5.5%	6.0%	7.4%	0.5 ppt	0.7 ppt	-0.5 ppt
Net margin	9.5%	7.2%	7.1%	7.6%	7.1%	8.2%	1.9 ppt	0.1 ppt	-1.1 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2020A	2021A	2022A	2023A	2024E	2025E
YE 31 Dec (RMB mn)						
Revenue	9,457	27,010	45,287	123,851	201,900	263,000
Cost of goods sold	(7,907)	(21,248)	(36,496)	(96,355)	(159,428)	(209,068)
Gross profit	1,549	5,761	8,790	27,497	42,472	53,933
Operating expenses	(2,219)	(6,779)	(12,445)	(20,354)	(29,223)	(36,473)
SG&A expense	(1,119)	(3,492)	(5,665)	(9,768)	(14,209)	(17,999)
R&D expense	(1,100)	(3,286)	(6,780)	(10,586)	(15,014)	(18,474)
Operating profit	(669)	(1,017)	(3,655)	7,143	13,248	17,460
Gain/loss on financial assets at FVTPL	272	0	0	0	0	0
Investment gain/loss	214	527	376	897	483	649
Other gains/(losses)	20	187	626	1,048	915	1,020
EBITDA	199	501	(839)	12,931	20,893	27,685
Depreciation	321	590	1,214	2,393	4,042	5,825
EBIT	(122)	(90)	(2,053)	10,538	16,851	21,860
Interest income	41	213	600	1,186	1,805	2,231
Interest expense	(67)	(63)	(106)	(86)	(67)	(35)
Pre-tax profit	(189)	(153)	(2,159)	10,452	16,784	21,825
Income tax	23	(169)	127	1,357	(2,182)	(3,055)
After tax profit	(166)	(321)	(2,032)	11,809	14,602	18,769
Minority interest	0	0	20	(105)	(100)	(150)
Discontinued operations	14	0	0	0	0	0
Others	(640)	0	0	0	0	0
Net profit	(792)	(321)	(2,012)	11,704	14,502	18,619
Adjusted net profit	(281)	780	41	12,093	15,459	19,495

BALANCE SHEET	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Current assets	31,391	52,380	66,992	114,526	144,958	185,098
Cash & equivalents	8,938	27,854	38,478	91,329	106,197	135,232
Restricted cash	1,234	2,639	1,940	0	3,000	3,500
Account receivables	116	121	48	144	1,106	1,441
Inventories	1,048	1,618	6,805	6,872	15,288	17,184
ST bank deposits	19,701	19,668	18,031	11,933	15,733	23,533
Other current assets	354	481	1,690	4,247	3,634	4,208
Non-current assets	4,982	9,468	19,545	28,942	43,951	54,843
PP&E	2,479	4,498	11,188	15,745	25,121	31,173
Right-of-use assets	1,277	2,061	3,539	5,939	10,125	12,416
Deferred income tax	59	20	75	1,990	100	110
Investment in JVs & assos	163	156	1,484	1,595	2,450	3,330
Intangibles	683	751	833	864	1,102	1,234
Other non-current assets	321	1,981	2,427	2,808	5,053	6,580
Total assets	36,373	61,849	86,538	143,467	188,909	239,942
Current liabilities	4,309	12,108	27,373	72,743	85,666	111,912
Short-term borrowings	0	0	0	0	0	0
Account payables	3,161	9,376	20,024	51,870	65,519	85,918
Other current liabilities	938	2,259	6,652	19,726	17,327	22,401
Lease liabilities	211	473	696	1,146	2,821	3,592
Non-current liabilities	2,260	8,676	13,979	10,150	22,372	27,499
Long-term borrowings	512	563	3,317	1,747	1,013	1,013
Convertible bonds	0	5,398	5,914	0	5,914	5,914
Obligations under finance leases	367	0	0	0	0	0
Deferred income	136	390	582	812	2,237	3,578
Other non-current liabilities	1,246	2,326	4,167	7,590	13,209	16,994
Total liabilities	6,570	20,785	41,352	82,892	108,038	139,410
Share capital	1	1	1	1	1	1
Capital surplus	37,290	49,390	53,869	55,099	56,068	56,959
Retained earnings	(7,487)	(8,328)	(9,012)	5,042	24,344	42,963
Other reserves	0	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	29,804	41,064	44,859	60,143	80,414	99,924
Total equity and liabilities	36,373	61,849	86,210	143,035	188,452	239,334

CASH FLOW	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(189)	(153)	(2,159)	10,452	16,784	21,825
Depreciation & amortization	321	590	1,214	2,393	4,042	5,825
Change in working capital	3,068	6,565	5,035	31,446	14,712	25,383
Others	(60)	1,338	3,290	6,402	(967)	(1,941)
Net cash from operations	3,140	8,340	7,380	50,694	34,570	51,091
Investing						
Capital expenditure	(675)	(3,445)	(5,128)	(9,650)	(11,200)	(12,200)
Acquisition of subsidiaries/ investments	(100)	(631)	(762)	3,540	(800)	(800)
Net proceeds from disposal of short-term investments	(17,580)	(504)	1,686	6,298	(4,000)	(8,000)
Others	(382)	323	(161)	(200)	200	200
Net cash from investing	(18,738)	(4,257)	(4,365)	(12)	(15,800)	(20,800)
Financing						
Net borrowings	(145)	170	3,080	176	(915)	(770)
Proceeds from share issues	21,026	11,006	2,469	9	12	15
Others	3,830	5,533	90	0	0	0
Net cash from financing	24,711	16,710	5,639	185	(903)	(755)
Net change in cash						
Cash at the beginning of the year	1,436	10,173	30,493	40,418	91,330	109,197
Exchange difference	(377)	(472)	1,270	45	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	10,173	30,493	40,418	91,330	109,197	138,732
GROWTH	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Revenue	3,225.5%	185.6%	67.7%	173.5%	63.0%	30.3%
Gross profit	na	271.9%	52.6%	212.8%	54.5%	27.0%
Operating profit	na	na	na	na	85.5%	31.8%
EBITDA	na	151.6%	na	na	61.6%	32.5%
EBIT	na	na	na	na	59.9%	29.7%
Net profit	na	na	na	na	23.9%	28.4%
Adj. net profit	na	na	(94.7%)	29,430.1%	27.8%	26.1%
PROFITABILITY	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Gross profit margin	16.4%	21.3%	19.4%	22.2%	21.0%	20.5%
Operating margin	(7.1%)	(3.8%)	(8.1%)	5.8%	6.6%	6.6%
EBITDA margin	2.1%	1.9%	(1.9%)	10.4%	10.3%	10.5%
Adj. net profit margin	(3.0%)	2.9%	0.1%	9.8%	7.7%	7.4%
Return on equity (ROE)	(4.6%)	(0.9%)	(4.7%)	22.3%	20.6%	20.6%
GEARING/LIQUIDITY/ACTIVITIES	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
Current ratio (x)	7.3	4.3	2.4	1.6	1.7	1.7
Receivable turnover days	4.5	1.6	0.4	2.0	2.0	2.0
Inventory turnover days	48.4	27.8	68.1	35.0	35.0	30.0
Payable turnover days	145.9	161.1	200.3	196.5	150.0	150.0
VALUATION	2020A	2021A	2022A	2023E	2024E	2025E
YE 31 Dec						
P/E	ns	ns	ns	21.1	17.1	13.4
P/E (diluted)	ns	ns	ns	22.6	17.1	13.4
P/B	2.2	4.1	3.8	4.1	3.1	2.5
P/CFPS	21.2	20.3	23.0	4.9	7.2	4.9
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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