

NIO Inc. (NIO US)

4Q25 breakeven unlikely amid legacy burden

Maintain HOLD. NIO's 4Q24 vehicle GPM was in line with [our estimate](#) despite a revenue miss. We are of the view that management's expectation on 4Q25 breakeven is too optimistic, as our best scenario analysis still suggests a net loss. We believe the way NIO builds its premium brand image and some unnecessary investments have put the automaker in a difficult position to significantly cut costs.

■ **4Q24 core GP in line, NP miss.** NIO's 4Q24 revenue missed our prior forecast by 4% on lower average selling price (ASP). Gross profit was RMB180mn higher than our forecast, mainly due to unexpected R&D service income, while vehicle GPM in 4Q24 was in line with our estimates. SG&A expenses were a bit higher than our forecast, which led to an in-line operating profit. 4Q24 net loss of RMB7.1bn was about RMB1.6bn wider than our forecast, due to fair value loss of equity investments and forex loss.

■ **Smaller room for cost reduction than some may expect.** Management focused on the new-model cycle and cost reduction during the earnings call. We are of the view that NIO's cost reduction room is more limited than many investors may expect, as the automaker is either in the process of some giant projects, such as in-house chip and battery swap, or is unlikely to change its brand perception, such as NIO house operations or separated Onvo showrooms. That would make NIO's capex and SG&A consistently higher than peers'.

■ **Our best scenario analysis suggests net loss in 4Q25.** Although we believe FY25 sales target of 440,000mn units, 20% GPM for NIO brand in 4Q25 and 15% GPM for Onvo in 4Q25 are hard to achieve, we assume such GPMs and 180,000 units sold in 4Q25, and derive a gross profit of RMB7.6bn with a GPM of 17%. However, we estimate R&D and SG&A combined ratio still to be 24%, leading to an operating loss of RMB2.9bn in 4Q25.

■ **Earnings/Valuation.** We raise our FY25E sales volume forecast by 20,000 units to 380,000 units, as we expect management to prioritize sales, which also makes us revise down ASP slightly. We project FY25E GPM to widen 3.6ppts YoY to 13.5% (NIO: 18.7%, Onvo: 11%). We also assume huge cost reduction efforts from management to lower R&D and SG&A combined ratio by 13.1ppts YoY. That would result in FY25E net loss of RMB16bn on our estimates, still far away from breakeven. In fact, we project FY26E sales volume to be 0.5mn units; with continuous cost reduction efforts, we still expect a net loss of RMB13bn in FY26E. We maintain our HOLD rating and target price of US\$5.00, still based on 0.8x our FY25E revenue estimates. 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)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	49,269	55,618	65,732	102,015	126,159
YoY growth (%)	36.3	12.9	18.2	55.2	23.7
Gross margin (%)	10.4	5.5	9.9	13.5	13.1
Operating profit (RMB mn)	(15,640.7)	(22,655.2)	(21,874.1)	(16,909.1)	(14,867.3)
Net profit (RMB mn)	(14,559.4)	(21,147.0)	(22,657.7)	(16,010.7)	(13,488.2)
Adjusted net profit (RMB mn)	(11,984.2)	(18,474.8)	(20,381.7)	(13,810.7)	(11,288.2)
EPS (Reported) (RMB cents)	(889.40)	(1,243.79)	(1,102.77)	(734.62)	(562.37)
P/S (x)	1.4	1.2	1.0	0.7	0.5
P/B (x)	1.9	1.9	7.3	10.7	123.7

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$5.00
Up/Downside	11.1%
Current Price	US\$4.50

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Stock Data

Mkt Cap (US\$ mn)	9,391.6
Avg 3 mths t/o (US\$ mn)	242.1
52w High/Low (US\$)	7.21/3.67
Total Issued Shares (mn)	2087.0

Source: FactSet

Shareholding Structure

CYVN Holdings	20.1%
Mr. Li Bin	8.6%

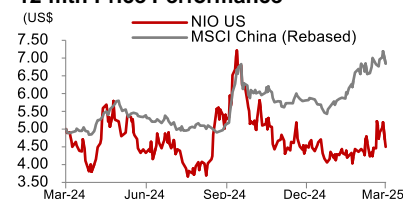
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	1.4%	1.2%
3-mth	-0.9%	-16.1%
6-mth	-14.8%	-35.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["China Auto - 4Q24 earnings preview: Growing divergence" - 20 Jan 2025](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	YoY	QoQ
Sales volume (units)	31,041	23,520	55,432	50,045	30,053	57,373	61,855	72,689	45.2%	17.5%
ASP (RMB)	343,947	372,948	343,963	341,756	329,705	304,080	301,892	271,065	-20.7%	-10.2%
Revenue	10,676	8,772	19,067	17,103	9,909	17,446	18,674	19,703	15.2%	5.5%
Gross profit	162	87	1,523	1,279	488	1,689	2,007	2,309	80.5%	15.0%
R&D expenses	(3,076)	(3,345)	(3,039)	(3,972)	(2,864)	(3,219)	(3,319)	(3,636)	-8.5%	9.6%
SG&A expenses	(2,446)	(2,857)	(3,609)	(3,973)	(2,997)	(3,757)	(4,109)	(4,878)	22.8%	18.7%
Operating profit	(5,112)	(6,074)	(4,844)	(6,625)	(5,394)	(5,209)	(5,238)	(6,033)	N/A	N/A
Net profit	(4,804)	(6,122)	(4,629)	(5,593)	(5,258)	(5,126)	(5,142)	(7,132)	N/A	N/A
Gross margin	1.5%	1.0%	8.0%	7.5%	4.9%	9.7%	10.7%	11.7%	4.2 ppts	1.0 ppts
Operating margin	-47.9%	-69.2%	-25.4%	-38.7%	-54.4%	-29.9%	-28.0%	-30.6%	8.1 ppts	-2.6 ppts
Net margin	-45.0%	-69.8%	-24.3%	-32.7%	-53.1%	-29.4%	-27.5%	-36.2%	-3.5 ppts	-8.7 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24A	FY25E	FY26E
Revenue	65,732	102,015	126,159	66,590	97,006	124,212	-1.3%	5.2%	1.6%
Gross profit	6,493	13,797	16,585	6,315	9,763	13,180	2.8%	41.3%	25.8%
Operating profit	(21,874)	(16,909)	(14,867)	(21,788)	(19,266)	(16,277)	N/A	N/A	N/A
Net profit	(22,658)	(16,011)	(13,488)	(21,107)	(17,827)	(14,253)	N/A	N/A	N/A
Gross margin	9.9%	13.5%	13.1%	9.5%	10.1%	10.6%	0.4 ppts	3.5 ppts	2.5 ppts
Operating margin	-33.3%	-16.6%	-11.8%	-32.7%	-19.9%	-13.1%	-0.6 ppts	3.3 ppts	1.3 ppts
Net margin	-34.5%	-15.7%	-10.7%	-31.7%	-18.4%	-11.5%	-2.8 ppts	2.7 ppts	0.8 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	65,732	102,015	126,159	67,443	98,670	123,499	-2.5%	3.4%	2.2%
Gross profit	6,493	13,797	16,585	6,483	12,481	18,554	0.1%	10.5%	-10.6%
Operating profit	(21,874)	(16,909)	(14,867)	(20,651)	(16,203)	(10,921)	N/A	N/A	N/A
Net profit	(22,658)	(16,011)	(13,488)	(18,670)	(14,915)	(10,661)	N/A	N/A	N/A
Gross margin	9.9%	13.5%	13.1%	9.6%	12.6%	15.0%	0.3 ppts	0.9 ppts	-1.9 ppts
Operating margin	-33.3%	-16.6%	-11.8%	-30.6%	-16.4%	-8.8%	-2.7 ppts	-0.2 ppts	-2.9 ppts
Net margin	-34.5%	-15.7%	-10.7%	-27.7%	-15.1%	-8.6%	-6.8 ppts	-0.6 ppts	-2.1 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	36,136	49,269	55,618	65,732	102,015	126,159
Cost of goods sold	(29,315)	(44,125)	(52,566)	(59,239)	(88,218)	(109,574)
Gross profit	6,821	5,144	3,052	6,493	13,797	16,585
Operating expenses	(11,318)	(20,785)	(25,707)	(28,367)	(30,706)	(31,453)
SG&A expense	(6,878)	(10,537)	(12,885)	(15,741)	(18,207)	(19,760)
R&D expense	(4,592)	(10,836)	(13,431)	(13,037)	(13,099)	(12,592)
Others	152	589	609	412	600	900
Operating profit	(4,496)	(15,641)	(22,655)	(21,874)	(16,909)	(14,867)
Other gains/(losses)	185	(145)	325	(103)	700	700
Share of (losses)/profits of associates/JV	63	378	64	(503)	(200)	100
EBITDA	(985)	(10,055)	(15,148)	(13,910)	(4,950)	(1,458)
Depreciation	1,708	2,852	3,378	5,107	6,173	7,140
Depreciation of ROU assets	644	1,142	1,529	2,609	3,742	3,669
EBIT	(3,337)	(14,049)	(20,055)	(21,626)	(14,865)	(12,267)
Interest income	912	1,359	2,210	854	1,544	1,800
Interest expense	(637)	(333)	(404)	(798)	(644)	(525)
Foreign exchange gain/loss	10	283	(55)	0	0	0
Pre-tax profit	(3,975)	(14,382)	(20,459)	(22,425)	(15,510)	(12,793)
Income tax	(42)	(55)	(261)	23	(31)	(26)
After tax profit	(4,017)	(14,437)	(20,720)	(22,402)	(15,541)	(12,818)
Minority interest	31	157	(124)	92	30	30
Others	(6,587)	(279)	(303)	(348)	(500)	(700)
Net profit	(10,572)	(14,559)	(21,147)	(22,658)	(16,011)	(13,488)
Adjusted net profit	(2,976)	(11,984)	(18,475)	(20,382)	(13,811)	(11,288)

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	63,641	59,150	70,380	52,158	66,108	78,598
Cash & equivalents	15,334	19,888	32,935	22,326	31,616	39,892
Restricted cash	2,994	3,154	5,542	3,200	3,000	2,500
Account receivables	2,781	5,118	4,658	5,403	8,385	10,369
Inventories	2,056	8,191	5,278	4,220	6,284	7,805
ST bank deposits	37,058	19,171	16,810	12,000	10,000	10,000
Other current assets	3,418	3,627	5,157	5,009	6,823	8,031
Non-current assets	19,242	37,114	47,003	47,686	55,112	53,045
PP&E	7,400	15,659	24,847	27,178	27,927	27,696
Right-of-use assets	2,988	7,374	11,404	9,906	14,427	10,228
Investment in JVs & assos	3,059	6,356	5,487	4,309	3,209	3,409
Intangibles	0	0	30	25	21	16
Other non-current assets	5,795	7,725	5,235	6,268	9,528	11,696
Total assets	82,884	96,264	117,383	99,844	121,220	131,642
Current liabilities	29,198	45,852	57,798	57,082	72,788	88,541
Short-term borrowings	6,458	4,039	5,085	6,952	0	0
Account payables	12,639	25,224	29,766	29,214	41,088	51,034
Tax payable	628	286	349	349	349	349
Other current liabilities	8,729	15,277	20,854	18,333	28,027	34,434
Lease liabilities	745	1,026	1,743	2,233	3,324	2,724
Non-current liabilities	15,622	22,765	29,989	33,433	39,233	39,961
Long-term borrowings	9,739	10,886	13,043	17,178	15,138	15,704
Other non-current liabilities	5,883	11,879	16,946	16,254	24,095	24,256
Total liabilities	44,820	68,617	87,787	90,515	112,021	128,502
Share capital	3	3	4	4	4	4
Capital surplus	92,467	94,593	117,717	119,842	127,742	134,492
Retained earnings	(55,634)	(69,914)	(90,758)	(113,416)	(129,426)	(142,915)
Other reserves	1,152	2,744	2,444	2,811	8,331	9,051
Total shareholders equity	37,988	27,425	29,407	9,241	6,651	633
Minority interest	76	221	189	88	2,548	2,508
Total equity and liabilities	82,884	96,264	117,383	99,844	121,220	131,642

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(3,975)	(14,382)	(20,459)	(22,425)	(15,510)	(12,793)
Depreciation & amortization	2,352	3,994	4,907	7,716	9,915	10,809
Change in working capital	2,693	4,444	13,286	(296)	10,995	9,416
Others	896	2,078	884	2,674	2,072	1,619
Net cash from operations	1,966	(3,866)	(1,382)	(12,331)	7,472	9,052
Investing						
Capital expenditure	(4,079)	(6,973)	(14,341)	(7,501)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(2,543)	(2,229)	(500)	(200)	(100)	(100)
Net proceeds from disposal of short-term investments	(33,194)	19,027	3,854	4,810	2,000	0
Others	51	560	101	875	1,000	0
Net cash from investing	(39,765)	10,385	(10,885)	(2,016)	(4,101)	(7,101)
Financing						
Net borrowings	3,680	(1,632)	1,918	3,417	(5,952)	2,000
Proceeds from share issues	12,678	0	20,962	0	6,000	5,000
Others	1,771	15	4,782	(2,016)	5,670	(1,174)
Net cash from financing	18,129	(1,616)	27,663	1,401	5,718	5,826
Net change in cash						
Cash at the beginning of the year	38,545	18,375	23,155	38,622	25,676	34,766
Exchange difference	(501)	(122)	70	0	0	0
Cash at the end of the year	18,375	23,155	38,622	25,676	34,766	42,542
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	122.3%	36.3%	12.9%	18.2%	55.2%	23.7%
Gross profit	264.1%	(24.6%)	(40.7%)	112.8%	112.5%	20.2%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	18.9%	10.4%	5.5%	9.9%	13.5%	13.1%
Operating margin	(12.4%)	(31.7%)	(40.7%)	(33.3%)	(16.6%)	(11.8%)
EBITDA margin	(2.7%)	(20.4%)	(27.2%)	(21.2%)	(4.9%)	(1.2%)
Adj. net profit margin	(8.2%)	(24.3%)	(33.2%)	(31.0%)	(13.5%)	(8.9%)
Return on equity (ROE)	(30.3%)	(44.5%)	(74.4%)	(117.3%)	(201.5%)	(370.4%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	1.3	1.2	0.9	0.9	0.9
Receivable turnover days	28.1	37.9	30.6	30.0	30.0	30.0
Inventory turnover days	25.6	67.8	36.6	26.0	26.0	26.0
Payable turnover days	157.4	208.7	206.7	180.0	170.0	170.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/E (diluted)	ns	ns	ns	ns	ns	ns
P/B	1.4	1.9	1.9	7.3	10.7	123.7
P/CFPS	26.1	ns	ns	ns	9.5	8.6
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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