

NIO Inc. (NIO US/9866 HK)

Competition likely underestimated despite 3Q beat

Maintain HOLD. Despite 3Q25 GPM beat, we still project a net loss in 4Q25. We think that management's key assumption for FY26E underestimates competition and sales cannibalization. We project net losses in FY26-27E to narrow significantly, but sustainable profits are in doubt, in our view, which means NIO's profitability still trails its peers.

- **3Q25 GPM beat with weak 4Q25 sales guidance.** NIO's 3Q25 revenue was in line with our prior forecast while its GPM was about 3.2ppts higher than our projection. The beat was probably due to higher margins from the *ES6*, *EC6*, *ET5* and *ET5T*. SG&A and R&D expenses combined were about RMB120mn lower than our estimates. That, along with higher GPM and greater investment income, resulted in a net loss of RMB3.66bn in 3Q25, about RMB890mn narrower than our forecast. On the other hand, the company's sales guidance of 120,000-125,000 units for 4Q25 was lower than its previous target of 150,000 units during 2Q25 earnings call.
- **4Q25 breakeven still unlikely.** We believe that management has turned more cautious about 4Q25 non-GAAP breakeven now vs. 2Q25 earnings call. We believe NIO's overall 4Q25 sales guidance and the *ES8* sales target imply a sales volume peak in Oct 2025 (11,722 units) for the *Onvo L90*. Although we revise up our 4Q25 GPM forecast to 17.1% (with vehicle GPM of 17.9%, in line with its guidance of 18%), we still estimate a GAAP net loss of RMB1.6bn and a non-GAAP net loss of RMB0.7bn in 4Q25, as we believe it is unrealistic to control its non-GAAP SG&A expenses in 4Q25 at a similar level as in 3Q25 given QoQ sales volume growth of 40+%.
- **Linear extrapolation is not suitable given China's highly competitive auto dynamics.** Management aims to turn profitable in FY26E with a vehicle GPM assumption of 20%, as it believes more large-size SUVs (the *NIO ES8*, *Onvo L90* and three new models in FY26E) would improve product mix next year. Such assumption has a key prerequisite: strong sales volume, which requires very competitive pricing in China. As almost all Chinese automakers have large-size SUV models on sale, competition will likely make high margins unsustainable, as we have seen many times. In fact, almost no automakers in China could now maintain a GPM of 20%.
- **Valuation/Key risks.** We maintain our HOLD rating and cut our ADR/H-share target prices from US\$7.00/HK\$55.00 to US\$6.40/HK\$50.00, based on 0.8x (prior 0.9x) our revised FY26E sales to reflect the recent weak market sentiment on Chinese auto sector. 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 and de-rating.

Earnings Summary - NIO US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	55,618	65,732	86,788	137,451	155,132
YoY growth (%)	12.9	18.2	32.0	58.4	12.9
Gross margin (%)	5.5	9.9	13.4	16.6	15.3
Operating profit (RMB mn)	(22,655.2)	(21,874.1)	(16,347.3)	(2,509.2)	(1,208.8)
Net profit (RMB mn)	(21,147.0)	(22,657.7)	(17,327.8)	(2,740.0)	(779.5)
Adjusted net profit (RMB mn)	(18,474.8)	(20,381.7)	(15,196.3)	(637.3)	1,374.4
EPS (Reported) (RMB cents)	(1,243.79)	(1,102.77)	(798.92)	(116.29)	(31.48)
P/S (x)	1.8	1.6	1.2	0.7	0.7
P/B (x)	2.4	6.3	27.7	12.5	10.9

Source: Company data, Bloomberg, CMBIGM estimates

NIO US	9866 HK
HOLD	HOLD
Maintain	Maintain

TP	US\$6.40	HK\$50.00
Prior TP	US\$7.00	HK\$55.00
Up/Downside	11.3%	6.8%
Current Price	US\$5.8	HK\$46.8

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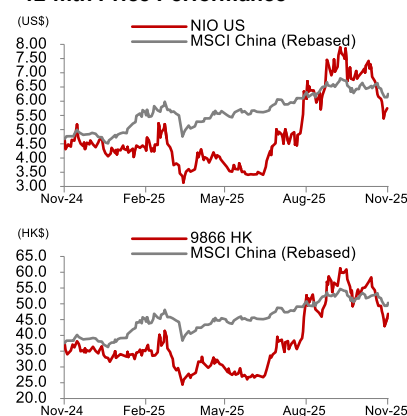
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12-mth Price Performance



Source: FactSet

Stock Performance

	NIO US		9866 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	-16.7%	-12.9%	-11.1%	-12.9%
3-mth	-5.6%	-4.7%	-11.2%	-4.7%
6-mth	50.5%	34.8%	55.8%	34.8%

Source: FactSet

Stock Data

(LC)	NIO US	9866 HK
Mkt Cap (mn)	14425.35	117460
Avg 3 mths t/o (mn)	194.56	516.95
52w High	7.89	61.2
52w Low	3.14	24.5
Issued Shares (mn)	2508.757	2508.757

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	YoY	QoQ
Sales volume (units)	30,053	57,373	61,855	72,689	42,094	72,056	87,071	40.8%	20.8%
ASP (RMB)	329,705	304,080	301,892	271,065	285,901	263,804	250,300	-17.1%	-5.1%
Revenue	9,909	17,446	18,674	19,703	12,035	19,009	21,794	16.7%	14.7%
Gross profit	488	1,689	2,007	2,309	920	1,898	3,025	50.7%	59.4%
R&D expenses	(2,864)	(3,219)	(3,319)	(3,636)	(3,181)	(3,007)	(2,391)	-28.0%	-20.5%
SG&A expenses	(2,997)	(3,757)	(4,109)	(4,878)	(4,401)	(3,965)	(4,185)	1.8%	5.5%
Operating profit	(5,394)	(5,209)	(5,238)	(6,033)	(6,418)	(4,909)	(3,522)	N/A	N/A
Net profit	(5,258)	(5,126)	(5,142)	(7,132)	(6,891)	(5,141)	(3,661)	N/A	N/A
Gross margin	4.9%	9.7%	10.7%	11.7%	7.6%	10.0%	13.9%	3.1 pts	3.9 pts
Operating margin	-54.4%	-29.9%	-28.0%	-30.6%	-53.3%	-25.8%	-16.2%	11.9 pts	9.7 pts
Net margin	-53.1%	-29.4%	-27.5%	-36.2%	-57.3%	-27.0%	-16.8%	10.7 pts	10.3 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	86,788	137,451	155,132	91,769	130,787	146,127	-5.4%	5.1%	6.2%
Gross profit	11,650	22,769	23,671	10,952	17,917	20,310	6.4%	27.1%	16.6%
Operating profit	(16,347)	(2,509)	(1,209)	(16,949)	(7,435)	(4,443)	N/A	N/A	N/A
Net profit	(17,328)	(2,740)	(780)	(18,142)	(7,771)	(4,111)	N/A	N/A	N/A
Gross margin	13.4%	16.6%	15.3%	11.9%	13.7%	13.9%	1.5 pts	2.9 pts	1.4 pts
Operating margin	-18.8%	-1.8%	-0.8%	-18.5%	-5.7%	-3.0%	-0.4 pts	3.9 pts	2.3 pts
Net margin	-20.0%	-2.0%	-0.5%	-19.8%	-5.9%	-2.8%	-0.2 pts	3.9 pts	2.3 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	86,788	137,451	155,132	90,192	128,725	150,587	-3.8%	6.8%	3.0%
Gross profit	11,650	22,769	23,671	10,890	19,360	24,397	7.0%	17.6%	-3.0%
Operating profit	(16,347)	(2,509)	(1,209)	(15,272)	(6,370)	(2,192)	N/A	N/A	N/A
Net profit	(17,328)	(2,740)	(780)	(14,983)	(5,566)	(1,274)	N/A	N/A	N/A
Gross margin	13.4%	16.6%	15.3%	12.1%	15.0%	16.2%	1.3 pts	1.5 pts	-0.9 pts
Operating margin	-18.8%	-1.8%	-0.8%	-16.9%	-4.9%	-1.5%	-1.9 pts	3.1 pts	0.7 pts
Net margin	-20.0%	-2.0%	-0.5%	-16.6%	-4.3%	-0.8%	-3.4 pts	2.3 pts	0.3 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	49,269	55,618	65,732	86,788	137,451	155,132
Cost of goods sold	(44,125)	(52,566)	(59,239)	(75,138)	(114,682)	(131,461)
Gross profit	5,144	3,052	6,493	11,650	22,769	23,671
Operating expenses	(20,785)	(25,707)	(28,367)	(27,997)	(25,278)	(24,880)
SG&A expense	(10,537)	(12,885)	(15,741)	(17,543)	(16,190)	(15,938)
R&D expense	(10,836)	(13,431)	(13,037)	(11,054)	(9,888)	(9,942)
Others	589	609	412	600	800	1,000
Operating profit	(15,641)	(22,655)	(21,874)	(16,347)	(2,509)	(1,209)
Other gains/(losses)	(145)	325	(103)	450	500	300
Share of (losses)/profits of associates/JV	378	64	(503)	(700)	(300)	100
EBITDA	(10,055)	(15,148)	(13,925)	(7,100)	8,639	11,707
Depreciation	2,852	3,378	5,875	5,905	6,985	7,951
Depreciation of ROU assets	1,142	1,529	1,825	2,840	3,065	3,289
EBIT	(14,049)	(20,055)	(21,626)	(15,844)	(1,412)	468
Interest income	1,359	2,210	854	753	897	1,276
Interest expense	(333)	(404)	(798)	(869)	(671)	(543)
Foreign exchange gain/loss	283	(55)	212	0	0	0
Pre-tax profit	(14,382)	(20,459)	(22,425)	(16,713)	(2,083)	(75)
Income tax	(55)	(261)	23	(33)	(4)	(0)
After tax profit	(14,437)	(20,720)	(22,402)	(16,746)	(2,087)	(76)
Minority interest	157	(124)	92	30	30	30
Others	(279)	(303)	(348)	(611)	(683)	(734)
Net profit	(14,559)	(21,147)	(22,658)	(17,328)	(2,740)	(780)
Adjusted net profit	(11,984)	(18,475)	(20,382)	(15,196)	(637)	1,374

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	59,150	70,380	61,886	57,786	90,186	108,763
Cash & equivalents	19,888	32,935	19,329	20,258	43,644	58,689
Restricted cash	3,154	5,542	8,321	3,000	2,500	2,500
Account receivables	5,118	4,658	1,676	7,133	11,297	12,751
Inventories	8,191	5,278	7,087	5,352	8,169	9,364
ST bank deposits	19,171	16,810	14,138	10,000	10,000	10,000
Other current assets	3,627	5,157	11,335	12,042	14,575	15,459
Non-current assets	37,114	47,003	45,719	48,948	51,806	50,878
PP&E	15,659	24,847	25,893	26,914	26,840	25,787
Right-of-use assets	7,374	11,404	12,797	11,337	9,919	8,263
Investment in JVs & assos	6,356	5,487	3,126	2,514	2,314	2,514
Intangibles	0	30	30	25	21	16
Other non-current assets	7,725	5,235	3,873	8,158	12,712	14,298
Total assets	96,264	117,383	107,605	106,734	141,992	159,641
Current liabilities	45,852	57,798	62,311	70,109	92,071	104,776
Short-term borrowings	4,039	5,085	5,730	8,224	0	0
Account payables	25,224	29,766	34,387	34,996	53,414	61,228
Tax payable	286	349	400	400	400	400
Other current liabilities	15,277	20,854	19,848	23,951	35,814	40,848
Lease liabilities	1,026	1,743	1,946	2,538	2,443	2,300
Non-current liabilities	22,765	29,989	31,787	30,871	37,174	40,615
Long-term borrowings	10,886	13,043	11,441	11,575	13,514	15,514
Other non-current liabilities	11,879	16,946	20,346	19,297	23,661	25,101
Total liabilities	68,617	87,787	94,098	100,980	129,245	145,390
Share capital	3	4	4	4	4	4
Capital surplus	94,593	117,717	118,688	124,122	130,691	132,261
Retained earnings	(69,914)	(90,758)	(113,068)	(130,396)	(133,136)	(133,916)
Other reserves	2,744	2,444	7,785	9,467	10,170	10,923
Total shareholders equity	27,425	29,407	13,409	3,196	7,729	9,273
Minority interest	221	189	98	2,558	5,018	4,978
Total equity and liabilities	96,264	117,383	107,605	106,734	141,992	159,641

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(14,382)	(20,459)	(22,425)	(16,713)	(2,083)	(75)
Depreciation & amortization	3,994	4,907	7,701	8,745	10,051	11,240
Change in working capital	4,444	13,286	3,527	(3,493)	18,675	7,214
Others	2,078	884	3,348	2,369	1,969	1,608
Net cash from operations	(3,866)	(1,382)	(7,849)	(9,092)	28,612	19,986
Investing						
Capital expenditure	(6,973)	(14,341)	(9,142)	(7,001)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(2,229)	(500)	(587)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	19,027	3,854	4,456	4,138	0	0
Others	560	101	315	12	0	0
Net cash from investing	10,385	(10,885)	(4,958)	(2,951)	(7,101)	(7,101)
Financing						
Net borrowings	(1,632)	1,918	1,706	2,803	(6,224)	2,000
Proceeds from share issues	0	20,962	0	3,794	5,000	0
Others	15	4,782	66	1,107	2,599	160
Net cash from financing	(1,616)	27,663	1,772	7,704	1,375	2,160
Net change in cash						
Cash at the beginning of the year	18,375	23,155	38,622	27,747	23,408	46,294
Exchange difference	(122)	70	161	0	0	0
Cash at the end of the year	23,155	38,622	27,747	23,408	46,294	61,339
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	36.3%	12.9%	18.2%	32.0%	58.4%	12.9%
Gross profit	(24.6%)	(40.7%)	112.8%	79.4%	95.4%	4.0%
EBITDA	na	na	na	na	na	35.5%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	10.4%	5.5%	9.9%	13.4%	16.6%	15.3%
Operating margin	(31.7%)	(40.7%)	(33.3%)	(18.8%)	(1.8%)	(0.8%)
EBITDA margin	(20.4%)	(27.2%)	(21.2%)	(8.2%)	6.3%	7.5%
Adj. net profit margin	(24.3%)	(33.2%)	(31.0%)	(17.5%)	(0.5%)	0.9%
Return on equity (ROE)	(44.5%)	(74.4%)	(105.8%)	(208.7%)	(50.2%)	(9.2%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.3	1.2	1.0	0.8	1.0	1.0
Receivable turnover days	37.9	30.6	9.3	30.0	30.0	30.0
Inventory turnover days	67.8	36.6	43.7	26.0	26.0	26.0
Payable turnover days	208.7	206.7	211.9	170.0	170.0	170.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/E (diluted)	ns	ns	ns	ns	ns	ns
P/B	2.4	2.4	6.3	27.7	12.5	10.9
P/CFPS	ns	ns	ns	ns	3.4	5.1
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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