

Auto

1Q26 carmakers' margins under pressure amid rising discounts

We summarize the Feb 2026 price discounts at dealers for major automakers in this report. Note that Feb discounts for each automaker are calculated based on the weighted average of Jan 2026 retail sales volume for each model, as Feb 2026 retail sales volume data have not been released yet.

On the surface, China's industrywide average discounts remained flat in Feb 2026 vs. Jan 2026 and Dec 2025 based on our calculations, as narrower discounts for German brands offset wider discounts for other brands. However, it was at the cost of BMW and Mercedes-Benz cutting their manufacturer's suggested retail price (MSRP) substantially for major models in Jan-Feb 2026. Although new orders post Chinese New Year appear to recover at a slower pace than last year based on our channel checks, we believe the 1Q26 weakness for Chinese automakers' profits has been largely priced in, and a plethora of upcoming new models in Mar-Apr could be a positive catalyst for share prices.

■ **The NEV trio and Leapmotor.** In Feb 2026, **Li Auto's** average discounts remained flat MoM at 5.3% (Figure 2), lower than 4Q25 amid a higher sales contribution from the low-discount *i6* in Jan-Feb 2026. Discount widened by 3ppts for the *i8* in Jan-Feb 2026, vs. 4Q25. We expect the discounts for the current L-series to rise in the following months, as the redesigned models are scheduled to be rolled out in 2Q26, starting from the *L9*. **Xpeng's** average discounts rose 2.9ppts MoM to 5.7% in Feb (Figure 3) with wider discounts for all the models except the recently launched EREV models. We believe Xpeng now needs a new volume driver, especially as the *Mona M03* starts to be aging. New SUVs under the *Mona* series could be crucial, in our view. **NIO's** average discounts widened 0.1ppts MoM to 1.6% in Feb (Figure 1), mainly due to higher discounts for the *ES6/EC6* and the *ET5/ET5T*. We expect discounts for these four models to increase in the next few months. The *Onvo L90* still offers no discount despite its sales plunge. **Leapmotor's** average discounts rose 1.1ppts MoM to 8.5% in Feb (Figure 4), mainly due to the C-series. Starting from the launch of the brand-new *A10* (small SUV) in Mar, Leapmotor aims to introduce four new models in 2026, start from a small SUV *A10* in Mar, which could lead to lower discounts, in our view.

■ **Geely.** Geely's average discounts at dealers rose 0.8ppts MoM to 13.1% in Feb (Figure 6), the highest at least since 2017, based on our calculations. The *Galaxy L7* and *A7 PHEVs* posted the largest discount increases (nearly 6ppts MoM) last month, likely due to the upcoming launch of their successors, the *Galaxy M7* and *Xingyao 7 PHEVs*. *Galaxy* brand's rebates for dealers also increased by about 4ppts in Jan-Feb 2026 compared with 4Q25, according to our channel checks. Despite its cost reduction initiatives under the "One Geely" strategy, 1Q26 profitability is likely under pressure, compounded with rising raw material costs.

■ **Great Wall Motor.** Great Wall's average discounts at dealers rose 0.4ppts MoM to 13.0% in Feb (Figure 5), as the high-discount *Dagou* contributed a higher sales portion. Similar to Geely, Haval brand's rebates to dealers rose about 2ppts in Jan-Feb 2026 compared with 4Q25, according to our channel checks, denting profits in 1Q26. Great Wall's first batch of new models this year, including the *Wey V9X*, *Menglong Plus* and *Tank 700*, is scheduled to be rolled out around the Beijing Auto Show in Apr.

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Xpeng	XPEV US	BUY	29
Xpeng	9868 HK	BUY	113
Geely	175 HK	BUY	25
GWM	2333 HK	BUY	20
GWM	601633 CH	BUY	28
BYD	1211 HK	BUY	125
BYD	002594 CH	BUY	125
GAC	2238 HK	BUY	4.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	73
Yongda	3669 HK	BUY	2.5
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	23
Minth	425 HK	BUY	42
Zenergy	3677 HK	BUY	18
EVA	838 HK	BUY	1.3
Li Auto	LI US	HOLD	18
Li Auto	2015 HK	HOLD	70
NIO	NIO US	HOLD	6.4
NIO	9866 HK	HOLD	50

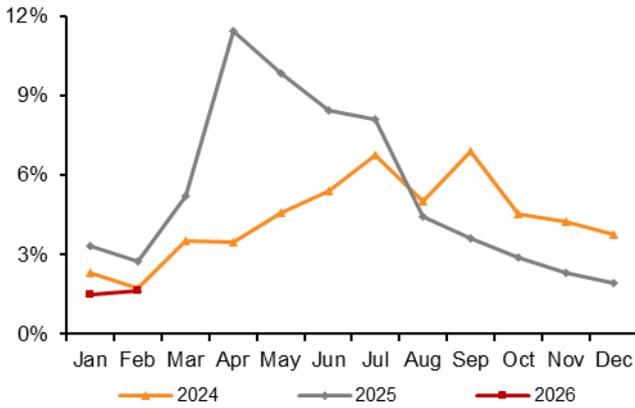
Source: Bloomberg, CMBIGM

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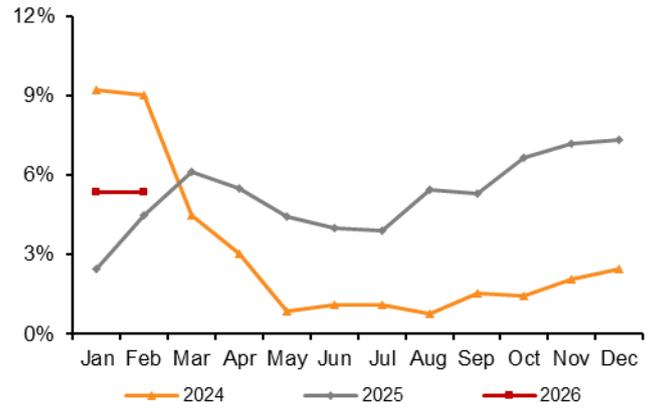
- **BYD.** BYD's average discounts at dealers remained largely flat MoM at 7.0% in Feb (Figure 7), which made BYD's rebates to dealers largely flat in Jan-Feb 2026 compared with 4Q25, according to our channel checks. It appears to us that BYD has put a higher priority on pricing stability than sales volume growth since 3Q25. The company is to showcase the 2nd-generation blade battery and flash charging technologies on 5 Mar 2026, which are expected to be equipped on more new models. The ADAS and flash charging features unveiled last year did not aid BYD's sales volume much, which could be a hard lesson for BYD when launching new technologies this year. We are of the view that pricing is still the key to BYD's target customers.
- **GAC Group.** GAC Trumpchi's average discounts at dealers rose 2.8ppts to 17.6% in Feb 2026 compared with Dec 2025 (Figure 8), partly due to a higher sales contribution from the high-discount GS3. GAC Aion's average discounts at dealers rose 2.3ppts to 10.2% in Feb compared with Dec 2025 (Figure 9), driven by the Aion Y and i60. Aion's retail sales volume continued to be volatile. Discounts at GAC Toyota rose 2.1ppts to 20.3% in Feb compared with Dec 2025 (Figure 10), driven by the *Frontlander*, *Wildlander* and *bZ3X* EV. Discounts for the *bZ3X* EV have widened to about 7% since Jan 2026 compared with almost null on average in 2025. GAC Honda's average discounts rose 0.6ppts to 24.9% in Feb compared with Dec 2025 (Figure 11), a record high again. The *Accord* and *Breeze* contributed over 80% of GAC Honda's retail sales volume in Jan 2026.
- **BMW Brilliance.** Discounts at BMW Brilliance further narrowed to 25.3% in Feb 2026, 4.2ppts lower than Jan 2026 and 7.8ppts lower than Dec 2025 (Figure 12). BMW cut MSRPs of almost all the major models by about RMB60,000 from Jan 2026. That, along with slightly increased transaction prices, could turn BMW dealers' new-car gross margin (including commissions from auto finance and insurance) to positive territory, based on our estimates. We believe that a significant portion of BMW dealers made a net loss last year, as we estimate the average new-car gross margin (including commissions from auto finance and insurance) was about -2% in 2025, despite year-end special subsidies. That was one of the important reasons why BMW dealers raised transaction prices at the beginning of 2026 in a bid to revive profits. However, such trend could be short-lived, as new orders for BMW fell 15-20% YoY in the first two months based on our channel checks and stiffer competition from NEV makers could place an extra burden on BMW.
- **Beijing Benz.** Similar to BMW Brilliance, discounts at Beijing Benz also fell by 5.1ppts MoM in Feb 2026 (Figure 13). Mercedes-Benz followed suit by cutting MSRPs for the *C-Class*, *GLB* and *GLC* by RMB33,700-62,500 from Feb 2026. We expect the margin lift for Mercedes-Benz dealers to be milder than that for BMW dealers, as these three models account for about 45-50% of Mercedes-Benz's total retail sales volume. Transaction prices for these three models remained at similar levels after the MSRP cuts.

Figure 1: NIO's discounts



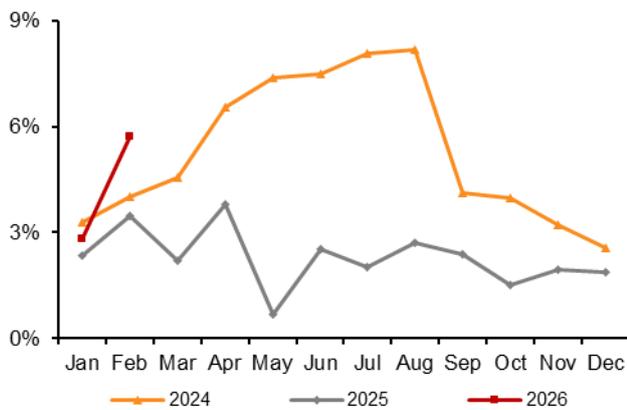
Source: ThinkerCar, CMBIGM

Figure 2: Li Auto's discounts



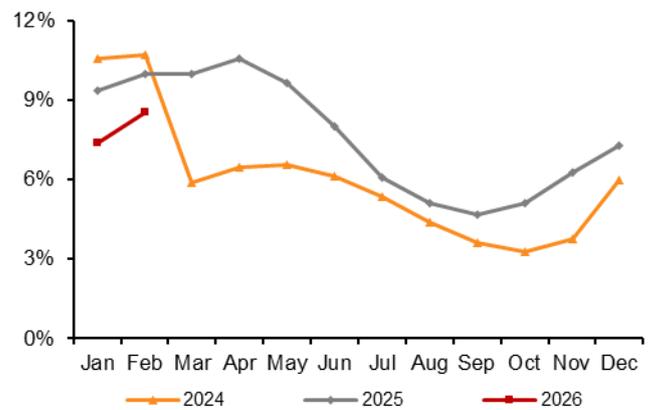
Source: ThinkerCar, CMBIGM

Figure 3: Xpeng's discounts



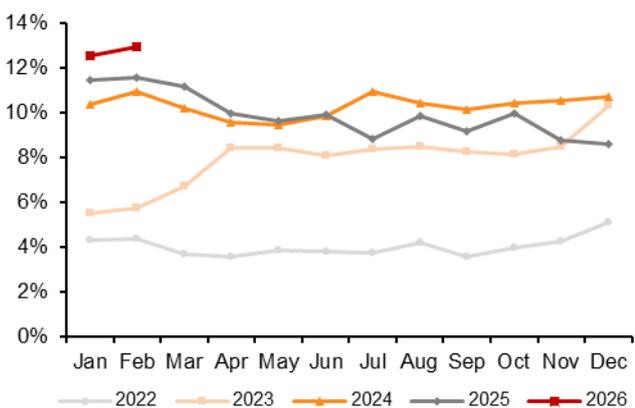
Source: ThinkerCar, CMBIGM

Figure 4: Leapmotor's discounts at dealers



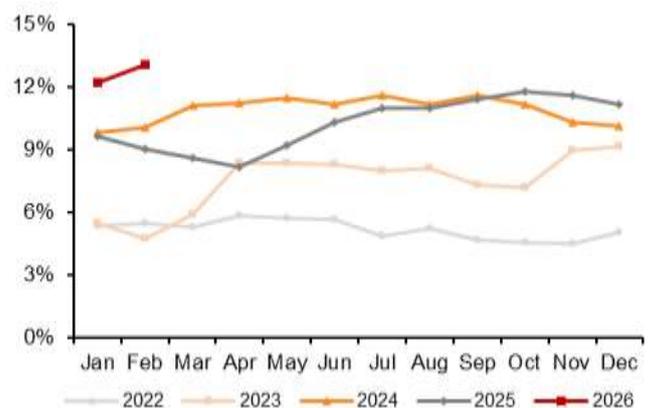
Source: ThinkerCar, CMBIGM

Figure 5: Great Wall Motor's discounts at dealers



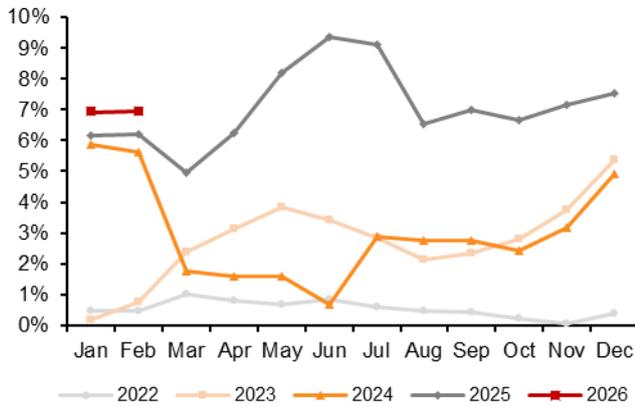
Source: ThinkerCar, CMBIGM

Figure 6: Geely's discounts at dealers



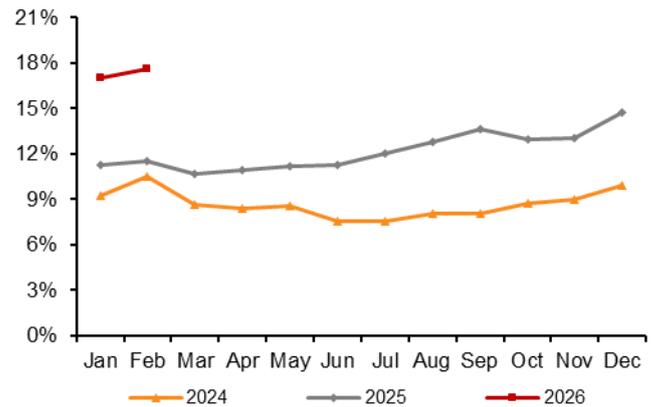
Source: ThinkerCar, CMBIGM

Figure 7: BYD's discounts at dealers



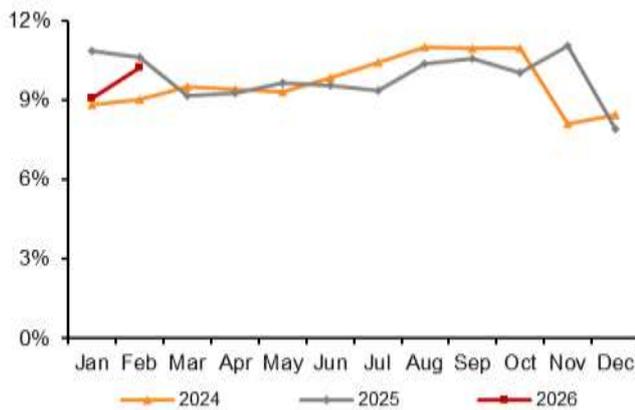
Source: ThinkerCar, CMBIGM

Figure 8: GAC Trumpchi's discounts at dealers



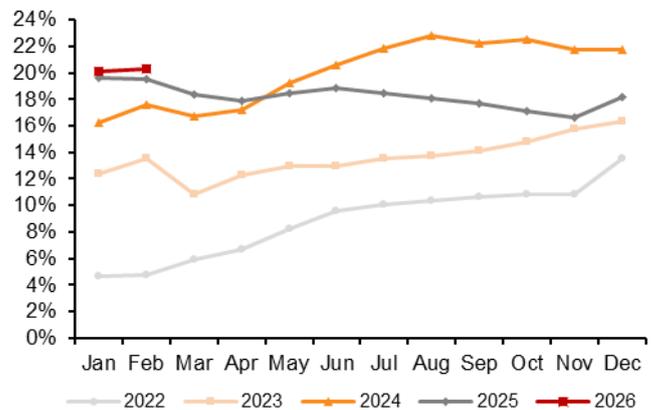
Source: ThinkerCar, CMBIGM

Figure 9: GAC Aion's discounts at dealers



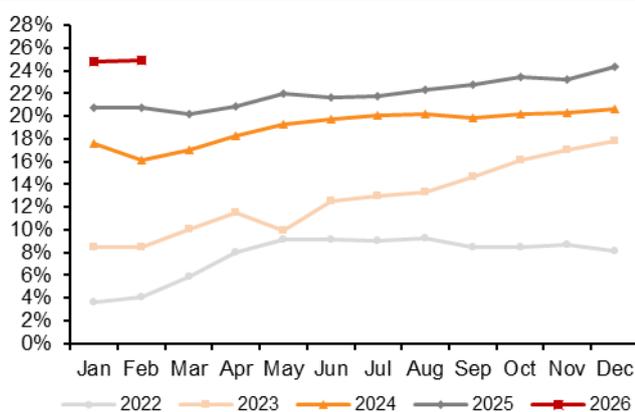
Source: ThinkerCar, CMBIGM

Figure 10: GAC Toyota's discounts at dealers



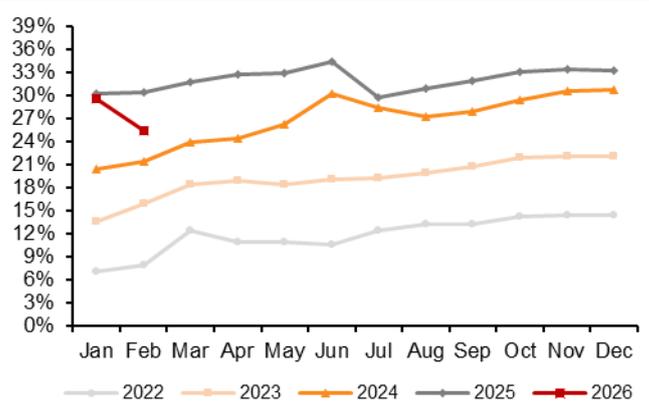
Source: ThinkerCar, CMBIGM

Figure 11: GAC Honda's discounts at dealers



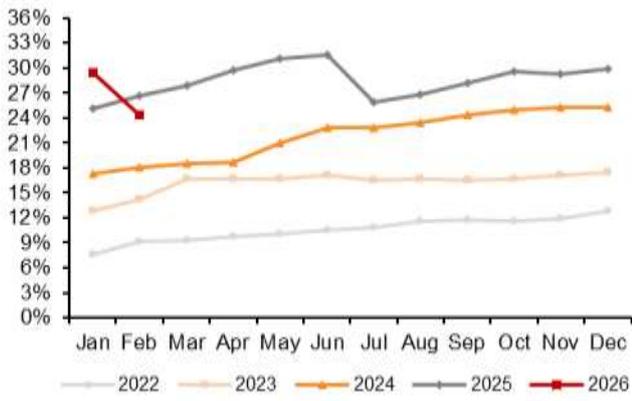
Source: ThinkerCar, CMBIGM

Figure 12: BMW Brilliance's discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 13: Beijing Benz's discounts at dealers



Source: ThinkerCar, CMBIGM

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