招銀国际 CMB INTERNATIONAL
招商银行全资附属机构 A Wholly Owned Subsidiary Of China Merchants Bank

# BYD (1211 HK/002594 CH)

## 2Q25 miss may be good for long-term expansion

**Maintain BUY.** We view BYD's setback in 2Q25 as positive for its long-term expansion and product development. We believe BYD's high earnings quality could still pave way for its solid earnings ahead.

- **2Q25 miss on lower GPM.** BYD's 2Q25 revenue rose 14% YoY to RMB200.9bn, in line with our prior forecast. Its gross margin fell 3.8ppts QoQ to 16.3%, lower than our forecast by 3ppts. We attribute such miss to higher rebates for old model destocking in 2Q25 and higher cost for ADAS functionalities during sales ramp-up. Its business tax, SG&A and R&D expense ratios combined fell 2ppts QoQ to 14.8% in 2Q25, better than our forecast by 1ppt. BYD's 2Q25 net profit fell 30% YoY to RMB6.4bn (or RMB5,600 per vehicle), lower than our forecast by 36%.
- **2H25 earnings to recover on greater economies of scale.** We cut our FY25E sales volume forecast by 5% to 4.9mn units (2.75mn units in 2H25E), as we believe BYD has become more cautious about its inventories. We expect 2H25E gross margin to rise 1.3ppts HoH to 19.3% amid greater economies of scale. With conservative forecasts for forex and government grants, we project BYD's 2H25E net profit to rise 2% YoY and 75% HoH to RMB27.1bn, equivalent to RMB9,800 per vehicle.
- **High earnings quality paves way for FY26-27E.** We view 2Q25's setback as positive for the company to review its expansion strategies and investment priorities, which is crucial for its long-term premiumization and globalization. We believe it is better to encounter such problems earlier than later during the rapid expansion. The key reason why we still project a net profit of RMB9,800 per vehicle in 2H25 is BYD's high earnings quality in R&D and fixed assets accounting treatment. About 96% of its total R&D investment was expensed in 1H25, vs. 35-70% for peers. We also believe BYD would be more aggressive on sales volume in FY26-27E, with lower priority on GPM. Therefore, we project sales volume YoY growth to be 14%/7% and GPMs to be 18.9%/18.8% in FY26-27E, respectively. We trim our FY26-27E net profit forecasts by 13-16% to RMB51.3bn/58.0bn, or RMB9,150/9,500 per vehicle, respectively.
- **Valuation/Key risks.** We maintain our BUY rating and trim H-share target price from HK$156.67 (HK$470 prior to share dividend distribution and capital reserve conversion) to HK$140, based on 20x FY27E P/E (prior 23x FY25E P/E). Our A-share target price of RMB140 is based on its A/H premium of 10%. Key risks to our rating and target price include lower sales or margins than we expect, and a sector de-rating.

### Earnings Summary - 1211 HK

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|---|---|---|---|---|---|
| **Revenue (RMB mn)** | 602,315 | 777,102 | 865,547 | 984,999 | 1,056,239 |
| **YoY growth (%)** | 42.0 | 29.0 | 11.4 | 13.8 | 7.2 |
| **Net profit (RMB mn)** | 30,040.8 | 40,254.3 | 42,616.1 | 51,262.5 | 58,024.0 |
| **YoY growth (%)** | 80.7 | 34.0 | 5.9 | 20.3 | 13.2 |
| **EPS (Reported) (RMB)** | 10.34 | 13.85 | 4.67 | 5.62 | 6.36 |
| **P/S (x)** | 1.6 | 1.2 | 1.1 | 1.0 | 0.9 |
| **P/E (x)** | 10.1 | 7.6 | 22.4 | 18.6 | 16.4 |
| **Yield (%)** | 3.0 | 2.6 | 0.9 | 1.1 | 1.2 |
| **ROE (%)** | 24.0 | 24.8 | 19.1 | 18.3 | 17.8 |
| **Net gearing (%)** | (69.5) | (50.7) | (68.9) | (90.0) | (103.4) |

Source: Company data, Bloomberg, CMBIGM estimates

| | 1211 HK | 002594 CH |
|---|---|---|
| | BUY | BUY |
| | Maintain | Maintain |
| **TP** | HK$140.00 | RMB140.00 |
| Prior TP | HK$156.67 | RMB146.67 |
| **Up/Downside** | 22.4% | 22.7% |
| **Current Price** | HK$114.4 | RMB114.1 |

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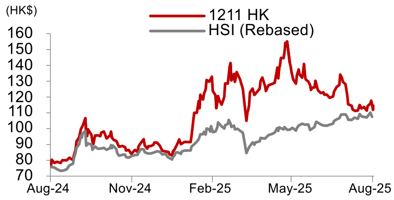
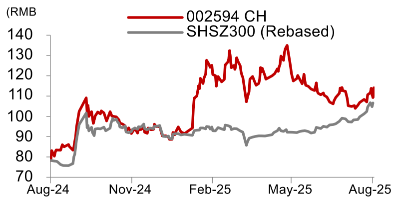
**12-mth Price Performance**




Source: FactSet

**Stock Performance**

| | 1211 HK | | 002594 CH | |
|---|---|---|---|---|
| | Abs. | Rel. | Abs. | Rel. |
| 1-mth | -10.8% | -9.2% | 2.4% | -17.7% |
| 3-mth | -15.5% | -20.5% | -5.2% | -27.5% |
| 6-mth | -7.6% | -15.5% | -5.4% | -20.1% |

Source: FactSet

**Stock Data**

| (LC) | 1211 HK | 002594 CH |
|---|---|---|
| Mkt Cap (mn) | 1043007 | 1039908 |
| Avg 3 mths t/o (mn) | 3516.7 | 3038.52 |
| 52w High | 155.07 | 135 |
| 52w Low | 78.27 | 80.37 |
| Issued Shares (mn) | 9117.207 | 9117.207 |

Source: FactSet

## Figure 1: Quarterly results

| RMB mn | 1Q24 | 2Q24 | 3Q24 | 4Q24 | 1Q25 | 2Q25 | YoY | QoQ |
|---|---|---|---|---|---|---|---|---|
| Sales volume (units) | 626,263 | 986,720 | 1,134,892 | 1,524,270 | 1,000,804 | 1,145,150 | 16.1% | 14.4% |
| Revenue | 124,944 | 176,182 | 201,125 | 274,851 | 170,360 | 200,921 | 14.0% | 17.9% |
| Gross profit | 25,870 | 30,680 | 47,748 | 46,758 | 34,185 | 32,681 | 6.5% | -4.4% |
| R&D expenses | (10,611) | (9,010) | (13,698) | (19,876) | (14,223) | (15,373) | 70.6% | 8.1% |
| SG&A expenses | (9,101) | (9,194) | (18,035) | (6,400) | (11,087) | (11,710) | 27.4% | 5.6% |
| Operating profit | 5,798 | 11,525 | 14,423 | 18,739 | 11,021 | 7,699 | -33.2% | -30.1% |
| Net profit | 4,569 | 9,062 | 11,607 | 15,016 | 9,155 | 6,356 | -29.9% | -30.6% |
| Gross margin | 20.7% | 17.4% | 23.7% | 17.0% | 20.1% | 16.3% | -1.1 ppts | -3.8 ppts |
| Operating margin | 4.6% | 6.5% | 7.2% | 6.8% | 6.5% | 3.8% | -2.7 ppts | -2.6 ppts |
| Net margin | 3.7% | 5.1% | 5.8% | 5.5% | 5.4% | 3.2% | -2.0 ppts | -2.2 ppts |

Source: Company data, CMBIGM

## Figure 2: Earnings revision

| | New | | | Old | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 865,547 | 984,999 | 1,056,239 | 946,467 | 1,044,743 | 1,148,509 | -8.5% | -5.7% | -8.0% |
| Gross profit | 162,470 | 186,185 | 198,779 | 184,176 | 209,324 | 227,883 | -11.8% | -11.1% | -12.8% |
| Operating profit | 51,900 | 63,113 | 71,199 | 64,256 | 76,805 | 83,767 | -19.2% | -17.8% | -15.0% |
| Net profit | 42,616 | 51,263 | 58,024 | 51,275 | 61,064 | 66,659 | -16.9% | -16.1% | -13.0% |
| Gross margin | 18.8% | 18.9% | 18.8% | 19.5% | 20.0% | 19.8% | -0.7 ppts | -1.1 ppts | -1.0 ppts |
| Operating margin | 6.0% | 6.4% | 6.7% | 6.8% | 7.4% | 7.3% | -0.8 ppts | -0.9 ppts | -0.6 ppts |
| Net margin | 4.9% | 5.2% | 5.5% | 5.4% | 5.8% | 5.8% | -0.5 ppts | -0.6 ppts | -0.3 ppts |

Source: CMBIGM estimates

## Figure 3: CMBI estimates vs consensus

| | CMBIGM | | | Consensus | | | Diff (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| RMB mn | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 865,547 | 984,999 | 1,056,239 | 965,798 | 1,073,668 | 1,258,117 | -10.4% | -8.3% | -16.0% |
| Gross profit | 162,470 | 186,185 | 198,779 | 193,314 | 216,172 | 254,077 | -16.0% | -13.9% | -21.8% |
| Operating profit | 51,900 | 63,113 | 71,199 | 62,804 | 77,585 | 91,755 | -17.4% | -18.7% | -22.4% |
| Net profit | 42,616 | 51,263 | 58,024 | 53,743 | 65,497 | 77,654 | -20.7% | -21.7% | -25.3% |
| Gross margin | 18.8% | 18.9% | 18.8% | 20.0% | 20.1% | 20.2% | -1.2 ppts | -1.2 ppts | -1.4 ppts |
| Operating margin | 6.0% | 6.4% | 6.7% | 6.5% | 7.2% | 7.3% | -0.5 ppts | -0.8 ppts | -0.6 ppts |
| Net margin | 4.9% | 5.2% | 5.5% | 5.6% | 6.1% | 6.2% | -0.6 ppts | -0.9 ppts | -0.7 ppts |

Source: Bloomberg, CMBIGM estimates

# Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Revenue** | **424,061** | **602,315** | **777,102** | **865,547** | **984,999** | **1,056,239** |
| Cost of goods sold | (351,816) | (490,399) | (626,047) | (703,077) | (798,814) | (857,460) |
| **Gross profit** | **72,245** | **111,916** | **151,056** | **162,470** | **186,185** | **198,779** |
| **Operating expenses** | **(50,990)** | **(78,757)** | **(110,677)** | **(128,628)** | **(136,814)** | **(141,751)** |
| Selling expense | (15,061) | (15,371) | (24,085) | (27,523) | (30,321) | (32,001) |
| Admin expense | (10,007) | (13,462) | (18,645) | (21,973) | (23,375) | (24,233) |
| R&D expense | (18,654) | (39,575) | (53,195) | (63,700) | (65,010) | (65,995) |
| Others | (7,267) | (10,350) | (14,752) | (15,432) | (18,109) | (19,523) |
| **Operating profit** | **21,255** | **33,159** | **40,379** | **33,842** | **49,371** | **57,028** |
| Other income | 2,248 | 5,965 | 15,303 | 17,200 | 13,500 | 11,500 |
| Other expense | (989) | (1,546) | (2,057) | (1,800) | (2,100) | (1,800) |
| Gain/loss on financial assets at FVTPL | 126 | 258 | 532 | 800 | 950 | 950 |
| Investment gain/loss | (792) | 1,635 | 2,291 | 2,553 | 2,558 | 2,558 |
| Other gains/(losses) | (2,387) | (3,677) | (5,552) | (4,106) | (4,461) | (3,603) |
| **EBITDA** | **42,766** | **82,649** | **118,681** | **128,357** | **147,666** | **164,934** |
| Depreciation | 14,605 | 37,718 | 56,922 | 64,819 | 72,732 | 80,607 |
| Depreciation of ROU assets | 584 | 1,390 | 2,643 | 3,094 | 3,569 | 4,044 |
| Other amortisation | 5,181 | 4,444 | 7,341 | 7,045 | 7,559 | 8,116 |
| **EBIT** | **22,396** | **39,096** | **51,774** | **53,399** | **63,806** | **72,166** |
| Interest income | 1,830 | 2,796 | 2,484 | 2,910 | 3,988 | 5,533 |
| Interest expense | (1,316) | (1,828) | (2,094) | (1,599) | (1,293) | (1,268) |
| **Net Interest income/(expense)** | **1,618** | **1,475** | **(1,216)** | **3,311** | **2,695** | **4,266** |
| Foreign exchange gain/loss | 1,216 | 639 | (1,532) | 2,000 | 0 | 0 |
| **Pre-tax profit** | **21,080** | **37,269** | **49,681** | **51,800** | **62,513** | **70,899** |
| Income tax | (3,367) | (5,925) | (8,093) | (8,189) | (9,849) | (11,148) |
| **After tax profit** | **17,713** | **31,344** | **41,588** | **43,611** | **52,664** | **59,751** |
| Minority interest | (1,091) | (1,303) | (1,334) | (994) | (1,401) | (1,727) |
| **Net profit** | **16,622** | **30,041** | **40,254** | **42,616** | **51,263** | **58,024** |
| Gross dividends | 3,325 | 9,012 | 8,051 | 8,523 | 10,253 | 11,605 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Current assets** | **240,804** | **302,121** | **370,572** | **491,397** | **619,118** | **729,262** |
| Cash & equivalents | 51,182 | 108,512 | 102,257 | 187,269 | 279,953 | 369,000 |
| Restricted cash | 289 | 583 | 482 | 1,000 | 1,000 | 1,000 |
| Account receivables | 51,723 | 67,431 | 72,749 | 93,337 | 110,644 | 118,646 |
| Inventories | 79,107 | 87,677 | 116,036 | 129,058 | 142,255 | 152,698 |
| Prepayment | 8,224 | 2,215 | 3,974 | 7,031 | 7,988 | 8,575 |
| Financial assets at FVTPL | 20,627 | 9,563 | 40,939 | 41,439 | 42,039 | 42,639 |
| Other current assets | 16,099 | 23,481 | 32,725 | 27,710 | 29,842 | 30,916 |
| Contract assets | 13,553 | 2,660 | 1,411 | 4,553 | 5,397 | 5,788 |
| **Non-current assets** | **253,057** | **377,426** | **412,784** | **404,282** | **398,715** | **383,455** |
| PP&E | 131,880 | 230,904 | 262,287 | 262,470 | 254,240 | 238,136 |
| Right-of-use assets | 3,137 | 9,679 | 10,575 | 10,231 | 9,361 | 8,017 |
| Deferred income tax | 3,687 | 6,584 | 8,559 | 8,559 | 8,559 | 8,559 |
| Investment in JVs & assos | 15,485 | 17,647 | 19,082 | 21,182 | 23,682 | 26,182 |
| Intangibles | 23,223 | 37,236 | 38,424 | 37,058 | 36,280 | 35,041 |
| Goodwill | 66 | 4,428 | 4,428 | 4,428 | 4,428 | 4,428 |
| Financial assets at FVTPL | 2,147 | 2,696 | 2,655 | 3,055 | 3,505 | 3,955 |
| Other non-current assets | 73,431 | 68,252 | 66,773 | 57,298 | 58,659 | 59,137 |
| **Total assets** | **493,861** | **679,548** | **783,356** | **895,679** | **1,017,833** | **1,112,717** |
| | | | | | | |
| **Current liabilities** | **333,345** | **453,667** | **495,985** | **526,288** | **593,836** | **634,418** |
| Short-term borrowings | 5,153 | 18,323 | 12,103 | 0 | 0 | 0 |
| Account payables | 140,437 | 194,430 | 241,643 | 256,729 | 289,543 | 310,800 |
| Tax payable | 4,326 | 7,852 | 10,097 | 9,631 | 10,943 | 11,746 |
| Other current liabilities | 147,911 | 198,363 | 188,412 | 209,845 | 236,449 | 253,142 |
| Contract liabilities | 35,517 | 34,699 | 43,730 | 50,082 | 56,902 | 58,730 |
| **Non-current liabilities** | **39,126** | **75,419** | **88,682** | **95,107** | **106,365** | **112,003** |
| Long-term borrowings | 7,594 | 11,975 | 8,258 | 7,258 | 6,258 | 5,258 |
| Bond payables | 0 | 0 | 0 | 1,000 | 2,000 | 3,000 |
| Other non-current liabilities | 31,533 | 63,444 | 80,425 | 86,850 | 98,107 | 103,745 |
| **Total liabilities** | **372,471** | **529,086** | **584,668** | **621,395** | **700,201** | **746,421** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Share capital | 2,911 | 2,911 | 2,909 | 3,039 | 3,039 | 3,039 |
| Other reserves | 108,118 | 135,899 | 182,342 | 256,814 | 298,859 | 345,937 |
| **Total shareholders equity** | **111,029** | **138,810** | **185,251** | **259,853** | **301,898** | **348,976** |
| Minority interest | 10,361 | 11,652 | 13,437 | 14,432 | 15,733 | 17,320 |
| **Total equity and liabilities** | **493,861** | **679,548** | **783,356** | **895,679** | **1,017,833** | **1,112,717** |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec (RMB mn)** | | | | | | |
| **Operating** | | | | | | |
| **Profit before taxation** | **21,080** | **37,269** | **49,681** | **51,800** | **62,513** | **70,899** |
| Depreciation & amortization | 20,370 | 43,553 | 66,906 | 74,958 | 83,860 | 92,768 |
| Change in working capital | 97,849 | 91,094 | 18,291 | 18,700 | 33,741 | 22,014 |
| Others | 1,539 | (2,190) | (1,424) | (4,331) | (1,395) | (9,077) |
| **Net cash from operations** | **140,838** | **169,725** | **133,454** | **141,127** | **178,719** | **176,603** |
| | | | | | | |
| **Investing** | | | | | | |
| Capital expenditure | (97,457) | (122,094) | (97,360) | (65,900) | (66,590) | (66,605) |
| Acquisition of subsidiaries/ investments | (10,573) | (16,163) | (3,792) | (1,100) | (1,100) | (1,100) |
| Net proceeds from disposal of short-term investments | 14 | 0 | 129 | 0 | 0 | 0 |
| Others | (12,580) | 12,593 | (28,060) | (4,400) | (3,850) | (3,850) |
| **Net cash from investing** | **(120,596)** | **(125,664)** | **(129,082)** | **(71,400)** | **(71,540)** | **(71,555)** |
| | | | | | | |
| **Financing** | | | | | | |
| Dividend paid | (306) | (3,325) | (9,012) | (8,051) | (8,523) | (10,253) |
| Net borrowings | (16,413) | 18,073 | (9,480) | (10,326) | 0 | 0 |
| Proceeds from share issues | 0 | 0 | 0 | 40,792 | 0 | 0 |
| Others | (2,770) | (1,931) | 8,225 | (7,129) | (5,973) | (5,748) |
| **Net cash from financing** | **(19,489)** | **12,817** | **(10,268)** | **15,286** | **(14,496)** | **(16,000)** |
| | | | | | | |
| **Net change in cash** | | | | | | |
| Cash at the beginning of the year | 49,820 | 51,182 | 108,512 | 102,257 | 187,269 | 279,953 |
| Exchange difference | 610 | 451 | (359) | 0 | 0 | 0 |
| **Cash at the end of the year** | **51,182** | **108,512** | **102,257** | **187,269** | **279,953** | **369,000** |

| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Revenue | 96.2% | 42.0% | 29.0% | 11.4% | 13.8% | 7.2% |
| Gross profit | 156.7% | 54.9% | 35.0% | 7.6% | 14.6% | 6.8% |
| Operating profit | 299.0% | 56.0% | 21.8% | (16.2%) | 45.9% | 15.5% |
| EBITDA | 108.2% | 93.3% | 43.6% | 8.2% | 15.0% | 11.7% |
| EBIT | 248.1% | 74.6% | 32.4% | 3.1% | 19.5% | 13.1% |
| Net profit | 445.9% | 80.7% | 34.0% | 5.9% | 20.3% | 13.2% |

| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Gross profit margin | 17.0% | 18.6% | 19.4% | 18.8% | 18.9% | 18.8% |
| Operating margin | 5.0% | 5.5% | 5.2% | 3.9% | 5.0% | 5.4% |
| EBITDA margin | 10.1% | 13.7% | 15.3% | 14.8% | 15.0% | 15.6% |
| Return on equity (ROE) | 16.1% | 24.0% | 24.8% | 19.1% | 18.3% | 17.8% |

| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| Net debt to equity (x) | (0.4) | (0.7) | (0.5) | (0.7) | (0.9) | (1.0) |
| Current ratio (x) | 0.7 | 0.7 | 0.7 | 0.9 | 1.0 | 1.1 |
| Receivable turnover days | 58.1 | 52.0 | 45.0 | 48.0 | 50.0 | 50.0 |
| Inventory turnover days | 82.1 | 65.3 | 67.7 | 67.0 | 65.0 | 65.0 |
| Payable turnover days | 149.2 | 147.7 | 142.3 | 136.0 | 135.0 | 135.0 |

| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **YE 31 Dec** | | | | | | |
| P/E | 18.3 | 10.1 | 7.6 | 22.4 | 18.6 | 16.4 |
| P/B | 2.7 | 2.2 | 1.6 | 3.7 | 3.2 | 2.7 |
| P/CFPS | 2.2 | 1.8 | 2.3 | 6.8 | 5.3 | 5.4 |
| Div yield (%) | 1.1 | 3.0 | 2.6 | 0.9 | 1.1 | 1.2 |

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

# Disclosures & Disclaimers

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## CMBIGM Ratings

| | |
|---|---|
| **BUY** | : Stock with potential return of over 15% over next 12 months |
| **HOLD** | : Stock with potential return of +15% to -10% over next 12 months |
| **SELL** | : Stock with potential loss of over 10% over next 12 months |
| **NOT RATED** | : Stock is not rated by CMBIGM |
| **OUTPERFORM** | : Industry expected to outperform the relevant broad market benchmark over next 12 months |
| **MARKET-PERFORM** | : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months |
| **UNDERPERFORM** | : Industry expected to underperform the relevant broad market benchmark over next 12 months |

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