

China Auto Sector

2023 ended with rising NEV leading indicators

We summarize the Dec 2023 leading indicators as below, including number of leads, customer flows, and new orders generated, for Tesla, NIO, Li Auto, Xpeng, BYD and Aion. Note that such data are based on a sample size of 96 stores (15-18 stores for each brand) in 15 major cities in China. The following data reflect same-store metrics, and the total new orders and other metrics could rise more than these figures, as most players have reaccelerated their store expansion.

We estimate China's NEV retail sales volume to rise 13% MoM to about 0.87mn units in Dec 2023, lower than our prior expectation, as ICE makers pushed sales at year end. China's NEV retail volume in 2023 could rise 39% YoY to 7.29mn units in 2023, with market share of 34%. Most leading indicators of major NEV brands rose MoM in Dec, which could imply a strong NEV sales volume before Chinese New Year in Feb 2024.

- **Number of leads: all brands rose MoM.** The number of leads per store for NIO rose the most (+6% MoM) among all the six brands in Dec (see Figure 1), after it fell 6% MoM in Nov. Such number for BYD rose 4% MoM last month, thanks to its sales promotion in Dec. Number of leads per store of Tesla is still the highest among all the six brands, which rose 3% MoM in Dec. Such numbers for Li Auto, Xpeng and Aion rose 1-2% MoM in Dec. The conversion ratios from leads to store visit for all the brands remained largely stable MoM at 10-13% in Dec (see Figure 2). The ratio for Li Auto surpassed Aion's to be the highest among the six brands in Dec, while NIO had the lowest ratio for 10 consecutive months.
- **Customer flow: only Xpeng fell MoM.** Customer flow per store was largely in line with the trend for the number of leads last month (see Figure 3). Such number for Li Auto rose the most (+4% MoM) among all the six brands in Dec, followed by Tesla, NIO and BYD (+3% MoM). Customer flow per store for Xpeng fell 3% MoM in Dec. It appears to us that the launch of Xpeng's city XNGP in 25 cities has not attracted more customer flow now. During our XNGP test driver in a non-tier 1 city in mid-Dec, the sales representative told us that we were the first one to specifically request for city XNGP test drive. Customer flow per store for Aion remained flat MoM in Dec.

The conversion ratios from store visit to order generation for all the brands rose 0.1-0.8 ppt MoM in Dec, reflecting the peak season effect (see Figure 4). Such ratio for NIO remained the lowest (7%) among the six brands, while BYD still had the highest ratio (12%) among the six brands.
- **Li Auto tops new-order MoM increase.** Unlike 2022 when NEV new orders declined sequentially during Nov-Dec, new orders per store rose MoM for all six brands in Dec 2023. New orders per store for Li Auto rose 14.1% MoM in Dec (see Figure 5), the largest increase since Mar 2023. We estimate Li Auto's new order intake in Dec could be at a similar level of its 50,000-unit deliveries, better than some investors' expectation. New orders per store for NIO, BYD and Tesla rose 14%, 11% and 5% MoM, respectively, in Dec 2023. New orders per store for Xpeng only rose 1% MoM last month. Its new X9 could be the key to maintaining its current sales-volume level, as we expect the sales volume of its other models to decline sequentially.

OUTPERFORM
(Maintain)

China Auto Sector

SHI Ji, CFA

(852) 3761 8728
shiji@cmbi.com.hk

DOU Wenjing, CFA

(852) 6939 4751
douwenjing@cmbi.com.hk

GU Sijie

jasongu@cmbi.com.hk

Stocks Covered:

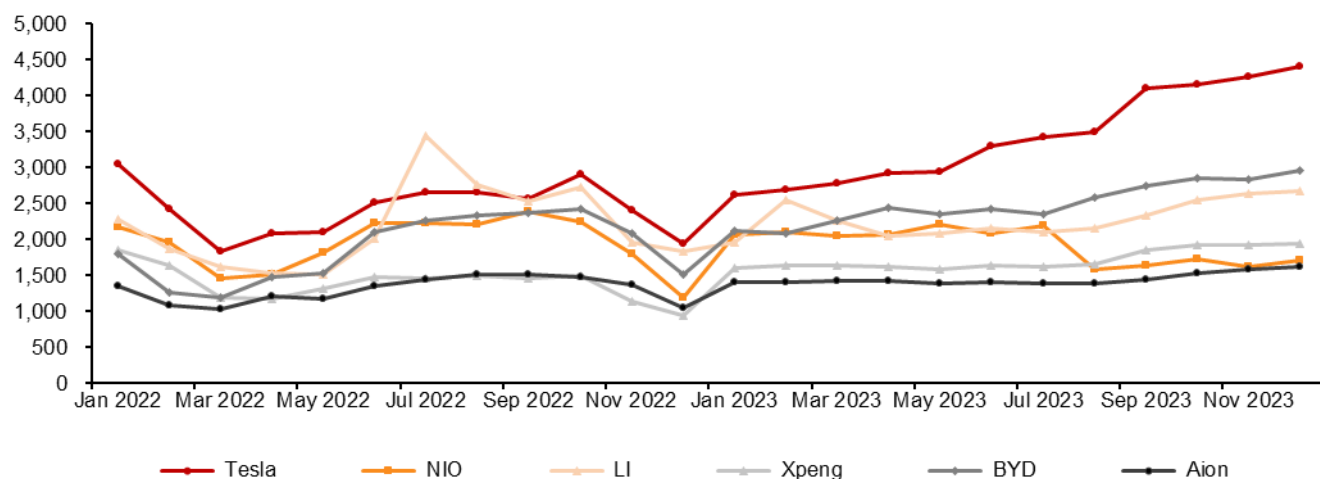
Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	50
Li Auto	2015 HK	BUY	194
NIO	NIO US	HOLD	8.5
Xpeng	XPEV US	HOLD	16
Xpeng	9868 HK	HOLD	62
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	13
GWM	601633 CH	BUY	32
BYD	1211 HK	BUY	290
BYD	002594 CH	BUY	300
GAC	2238 HK	BUY	6.5
GAC	601238 CH	BUY	14
Meidong	1268 HK	BUY	7.2
Yongda	3669 HK	BUY	5
EVA	838 HK	BUY	1.5

Source: Bloomberg, CMBIGM

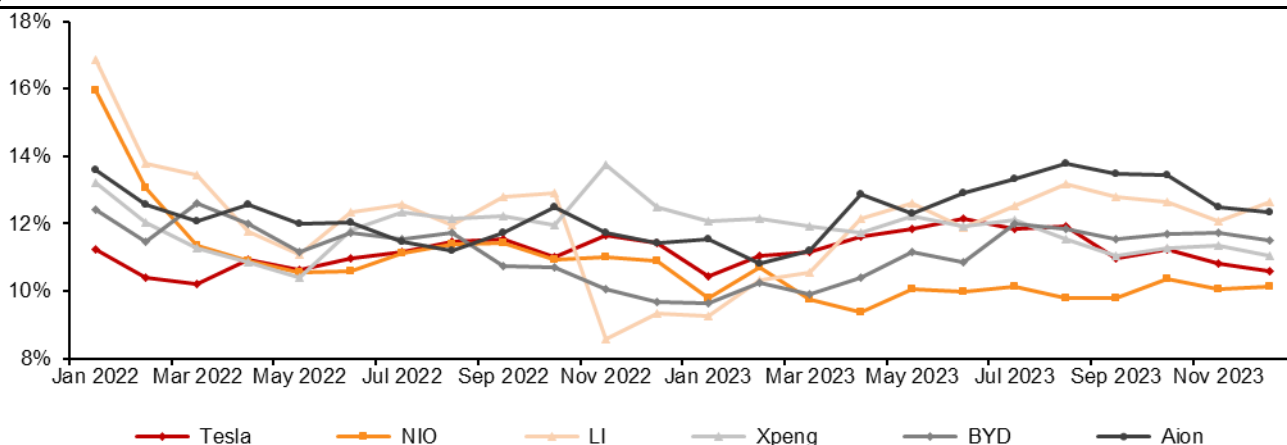
Related Reports:

["China Auto Sector – Nov leading indicators" slower MoM growth partially reflected in mild Nov NEV sales" – 6 Dec 2023](#)

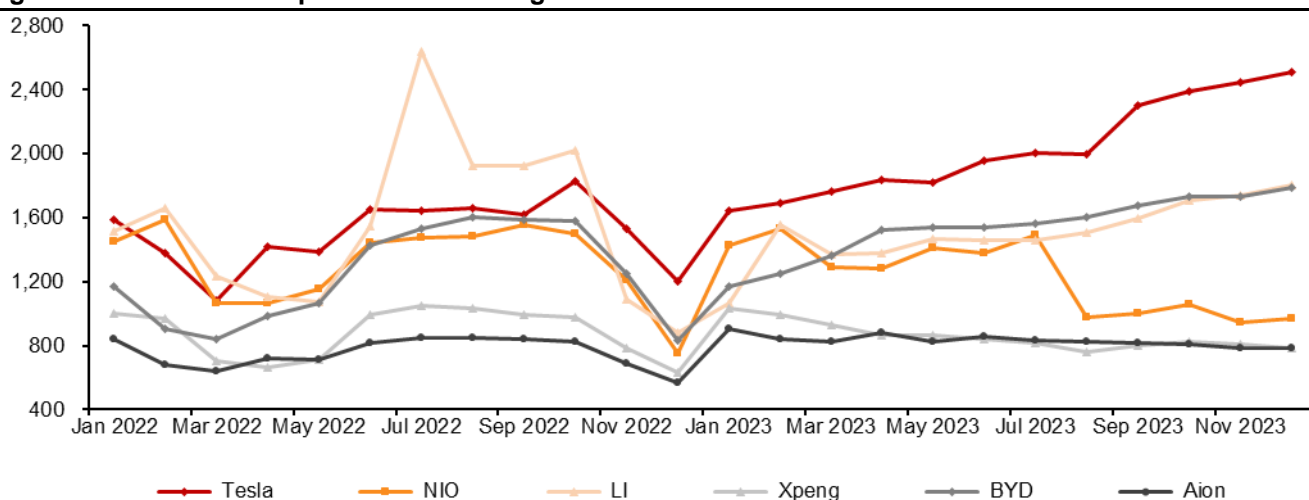
["China Auto Sector – 2024 Outlook: Competition pushes technological advancement, overseas expansion" – 30 Nov 2023](#)

Figure 1: Number of leads per store on average for each brand

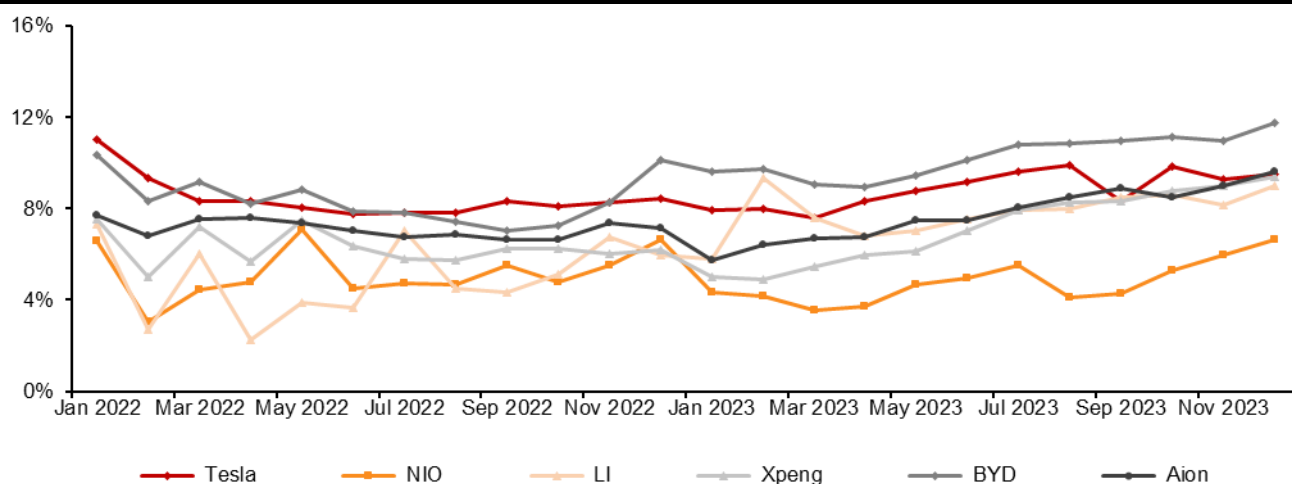
Source: Thinkercar, CMBIGM

Figure 2: Conversion ratio from leads to store visit for each brand

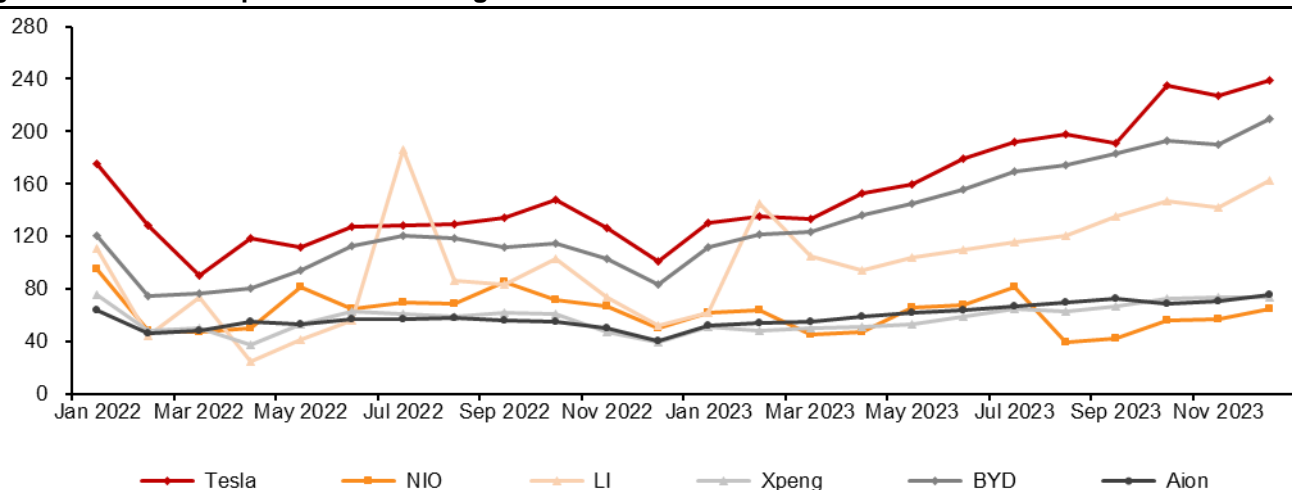
Source: Thinkercar, CMBIGM

Figure 3: Customer flow per store on average for each brand

Source: Thinkercar, CMBIGM

Figure 4: Conversion ratio from store visit to new order generation for each brand

Source: Thinkercar, CMBIGM

Figure 5: New orders per store on average for each brand

Source: Thinkercar, CMBIGM

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

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

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.