

BYD (1211 HK/002594 CH)

Overseas sales could be a positive surprise in FY26

Maintain BUY. Despite its 4Q25 earnings miss, we are of the view that the cash dent from shortening payable days could be over now and BYD could be one of the biggest beneficiaries from rising oil price in its overseas markets. We believe BYD's previous high earnings quality and industry-leading technologies could also lay foundation for its net profit growth in FY26-27E.

- **4Q25 earnings miss on GPM, finance cost.** BYD's 4Q25 revenue was largely in line with our forecast while GPM narrowed by 0.2ppts QoQ, or 0.6ppts lower than our projection. Such miss was offset by its stringent R&D expenses. On the other hand, BYD's finance cost (incl. forex loss) and government grants in 4Q25 were both below our prior expectation, leading to a net profit miss of 18% in 4Q25. Net profit per vehicle was about RMB6,900 in 4Q25, about RMB100 lower than that in 3Q25.
- **Cash flow dent from shortening payable days may be over.** BYD's operating cash flow of RMB59bn in FY25 hit its lowest level since FY21 due to shortened payable days. Its net cash at the end of FY25 was narrowed by about RMB62bn YoY. We estimate that BYD's interest expense and receivable discounts rose by almost RMB1.3bn YoY in FY25, dragging down its net profit by about 4%. We are of the view that such dent is short-lived, should BYD be able to keep its current payable days.
- **Overseas markets, energy storage to lift profit.** We maintain our FY26E sales volume forecast of 5mn units, with overseas markets contributing 1.5mn units (implying 1% YoY decline for domestic sales volume). We believe BYD could be one of the biggest beneficiaries from rising oil price amid the current geopolitical tension, not only for its overseas NEV sales, but also photovoltaic and energy storage battery sales. We thus project its revenue to rise 9%/8% YoY and GPM to be largely flat at 17.8% in FY26-27E.
- **Earnings/Valuation.** It appears to us that BYD has been more prudent on R&D expenses with only 9% YoY growth and 8.6% capitalization ratio in FY25 (vs. 1.8% in FY24). We expect R&D expenses to rise 3%/2% YoY in FY26-27E. We also expect government grants in FY26-27E to be at a similar level as FY25, given the continuously rising deferred income balance. Accordingly, we project BYD's net profit to rise 11%/21% YoY to RMB36.3bn/43.8bn in FY26-27E. We maintain our BUY rating and A/H share target price of HK\$125/RMB125, based on 23x (prior 20x) our FY27E P/E, to reflect its brighter overseas outlook. Key risks include lower sales volume or margins than we expect, and a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	602,315	777,102	803,965	872,654	945,030
YoY growth (%)	42.0	29.0	3.5	8.5	8.3
Net profit (RMB mn)	30,040.8	40,254.3	32,619.0	36,305.4	43,828.3
YoY growth (%)	80.7	34.0	(19.0)	11.3	20.7
EPS (Reported) (RMB)	10.34	13.85	3.61	3.98	4.81
P/S (x)	1.4	1.1	1.1	1.0	0.9
P/E (x)	9.1	6.8	26.0	23.6	19.5
Yield (%)	3.3	4.4	0.4	0.8	1.0
ROE (%)	24.0	24.8	15.1	13.8	14.7
Net gearing (%)	(69.5)	(50.7)	(1.1)	(12.3)	(21.0)

Source: Company data, Bloomberg, CMBIGM estimates

1211 HK 002594 CH

BUY BUY

Maintain Maintain

TP	HK\$125.00	RMB125.00
Prior TP	HK\$125.00	RMB125.00
Up/Downside	17.4%	18.7%
Current Price	HK\$106.5	RMB105.3

China Auto

Ji SHI, CFA

(852) 3761 8728

shiji@cmbi.com.hk

Wenjing DOU, CFA

(852) 6939 4751

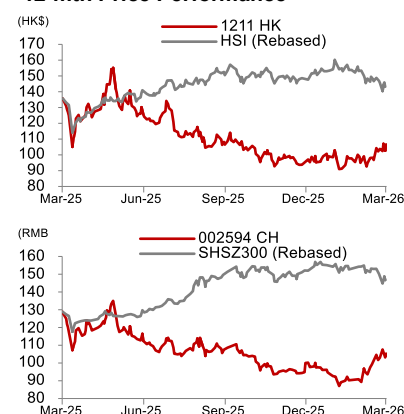
douwenjing@cmbi.com.hk

Austin Liang

(852) 3900 0856

austinliang@cmbi.com.hk

12-mth Price Performance



Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	12.2%	19.7%	17.9%	17.3%
3-mth	13.8%	17.7%	5.3%	17.7%
6-mth	0.0%	4.7%	-1.9%	1.1%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	970981.5	960040.9
Avg 3 mths t/o (mn)	2792.02	5117.37
52w High	155.07	135
52w Low	90	87.05
Issued Shares (mn)	9117.207	9117.207

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ
Sales volume (units)	626,263	986,720	1,134,892	1,524,270	1,000,804	1,145,150	1,114,192	1,342,290	-11.9%	20.5%
Revenue	124,944	176,182	201,125	274,851	170,360	200,921	194,985	237,699	-13.5%	21.9%
Gross profit	25,870	30,680	40,470	54,036	34,185	32,681	34,346	41,448	-23.3%	20.7%
R&D expenses	(10,611)	(9,010)	(13,698)	(19,876)	(14,223)	(15,373)	(14,152)	(14,230)	-28.4%	0.5%
SG&A expenses	(9,101)	(9,194)	(10,757)	(13,678)	(11,087)	(11,710)	(10,979)	(12,608)	-7.8%	14.8%
Operating profit	5,798	11,525	14,423	18,739	11,021	7,699	10,186	11,279	-39.8%	10.7%
Net profit	4,569	9,062	11,607	15,016	9,155	6,356	7,823	9,286	-38.2%	18.7%
Gross margin	20.7%	17.4%	20.1%	19.7%	20.1%	16.3%	17.6%	17.4%	-2.2 pts	-0.2 pts
Operating margin	4.6%	6.5%	7.2%	6.8%	6.5%	3.8%	5.2%	4.7%	-2.1 pts	-0.5 pts
Net margin	3.7%	5.1%	5.8%	5.5%	5.4%	3.2%	4.0%	3.9%	-1.6 pts	-0.1 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	803,965	872,654	945,030	810,263	877,372	956,240	-0.8%	-0.5%	-1.2%
Gross profit	142,660	155,061	167,871	145,197	157,754	171,361	-1.7%	-1.7%	-2.0%
Operating profit	40,185	45,152	54,508	43,007	46,959	57,087	-6.6%	-3.8%	-4.5%
Net profit	32,619	36,305	43,828	34,697	38,061	46,422	-6.0%	-4.6%	-5.6%
Gross margin	17.7%	17.8%	17.8%	17.9%	18.0%	17.9%	-0.2 pts	-0.2 pts	-0.2 pts
Operating margin	5.0%	5.2%	5.8%	5.3%	5.4%	6.0%	-0.3 pts	-0.2 pts	-0.2 pts
Net margin	4.1%	4.2%	4.6%	4.3%	4.3%	4.9%	-0.2 pts	-0.2 pts	-0.2 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	803,965	872,654	945,030	836,875	959,034	1,086,653	-3.9%	-9.0%	-13.0%
Gross profit	142,660	155,061	167,871	150,930	177,949	206,660	-5.5%	-12.9%	-18.8%
Operating profit	40,185	45,152	54,508	37,696	49,664	61,048	6.6%	-9.1%	-10.7%
Net profit	32,619	36,305	43,828	35,543	44,828	54,715	-8.2%	-19.0%	-19.9%
Gross margin	17.7%	17.8%	17.8%	18.0%	18.6%	19.0%	-0.3 pts	-0.8 pts	-1.3 pts
Operating margin	5.0%	5.2%	5.8%	4.5%	5.2%	5.6%	0.5 pts	0.0 pts	0.1 pts
Net margin	4.1%	4.2%	4.6%	4.2%	4.7%	5.0%	-0.2 pts	-0.5 pts	-0.4 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	424,061	602,315	777,102	803,965	872,654	945,030
Cost of goods sold	(351,816)	(490,399)	(626,047)	(661,305)	(717,594)	(777,159)
Gross profit	72,245	111,916	151,056	142,660	155,061	167,871
Operating expenses	(50,990)	(78,757)	(110,677)	(117,943)	(124,345)	(129,950)
Selling expense	(15,061)	(15,371)	(24,085)	(26,185)	(28,211)	(30,223)
Admin expense	(10,007)	(13,462)	(18,645)	(20,200)	(21,779)	(23,211)
R&D expense	(18,654)	(39,575)	(53,195)	(57,978)	(59,520)	(60,450)
Others	(7,267)	(10,350)	(14,752)	(13,581)	(14,835)	(16,066)
Operating profit	21,255	33,159	40,379	24,717	30,715	37,922
Other income	2,248	5,965	15,303	14,932	15,500	16,000
Other expense	(989)	(1,546)	(2,057)	(1,564)	(1,600)	(1,400)
Gain/loss on financial assets at FVTPL	126	258	532	364	500	700
Investment gain/loss	(792)	1,635	2,291	2,857	3,438	3,758
Other gains/(losses)	(2,387)	(3,677)	(5,552)	(2,202)	(1,859)	(2,552)
EBITDA	42,766	82,649	118,681	122,830	142,958	165,903
Depreciation	14,605	37,718	56,922	72,048	84,920	98,134
Depreciation of ROU assets	584	1,390	2,643	2,655	2,922	3,327
Other amortisation	5,181	4,444	7,341	5,823	6,422	7,002
EBIT	22,396	39,096	51,774	42,305	48,693	57,441
Interest income	1,830	2,796	2,484	2,437	2,598	3,013
Interest expense	(1,316)	(1,828)	(2,094)	(2,552)	(3,641)	(2,832)
Net Interest income/(expense)	1,618	1,475	(1,216)	649	(1,643)	181
Foreign exchange gain/loss	1,216	639	(1,532)	1,034	(600)	0
Pre-tax profit	21,080	37,269	49,681	39,753	45,052	54,608
Income tax	(3,367)	(5,925)	(8,093)	(5,992)	(7,080)	(8,555)
After tax profit	17,713	31,344	41,588	33,761	37,972	46,054
Minority interest	(1,091)	(1,303)	(1,334)	(1,142)	(1,666)	(2,225)
Net profit	16,622	30,041	40,254	32,619	36,305	43,828
Gross dividends	3,325	9,012	12,077	3,264	7,261	8,766

BALANCE SHEET	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	240,804	302,121	370,572	371,468	417,643	487,927
Cash & equivalents	51,182	108,512	102,257	68,395	86,000	107,970
Restricted cash	289	583	482	7,030	4,000	5,000
Account receivables	51,723	67,431	72,749	42,489	49,729	54,682
Inventories	79,107	87,677	116,036	138,421	141,553	149,044
Prepayment	8,224	2,215	3,974	5,025	5,741	5,440
Financial assets at FVTPL	20,627	9,563	40,939	54,533	69,833	100,233
Other current assets	16,099	23,481	32,725	54,411	59,258	63,849
Contract assets	13,553	2,660	1,411	1,165	1,530	1,709
Non-current assets	253,057	377,426	412,784	512,622	512,632	504,436
PP&E	131,880	230,904	262,287	292,776	305,858	295,726
Right-of-use assets	3,137	9,679	10,575	9,083	8,560	8,133
Deferred income tax	3,687	6,584	8,559	15,358	15,358	15,358
Investment in JVs & assos	15,485	17,647	19,082	21,781	23,481	25,181
Intangibles	23,223	37,236	38,424	41,485	43,200	44,576
Goodwill	66	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,147	2,696	2,655	3,080	3,380	3,780
Other non-current assets	73,431	68,252	66,773	124,271	108,367	107,254
Total assets	493,861	679,548	783,356	883,730	930,276	992,363
Current liabilities	333,345	453,667	495,985	468,451	484,087	513,049
Short-term borrowings	5,153	18,323	12,103	38,485	6,608	0
Account payables	140,437	194,430	241,643	186,742	203,482	224,205
Tax payable	4,326	7,852	10,097	10,716	11,285	11,924
Other current liabilities	147,911	198,363	188,412	181,037	211,595	223,691
Contract liabilities	35,517	34,699	43,730	51,471	51,116	53,230
Non-current liabilities	39,126	75,419	88,682	156,739	153,398	148,311
Long-term borrowings	7,594	11,975	8,258	60,706	45,706	34,706
Bond payables	0	0	0	4,998	5,998	6,998
Other non-current liabilities	31,533	63,444	80,425	91,036	101,695	106,608
Total liabilities	372,471	529,086	584,668	625,191	637,485	661,361

Share capital	2,911	2,911	2,909	9,117	9,117	9,117
Other reserves	108,118	135,899	182,342	237,157	270,118	306,604
Total shareholders equity	111,029	138,810	185,251	246,275	279,235	315,721
Minority interest	10,361	11,652	13,437	12,265	13,556	15,281
Total equity and liabilities	493,861	679,548	783,356	883,730	930,276	992,363

CASH FLOW	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	21,080	37,269	49,681	39,753	45,052	54,608
Depreciation & amortization	20,370	43,553	66,906	80,526	94,265	108,463
Change in working capital	97,849	91,094	18,291	(57,100)	29,805	21,455
Others	1,539	(2,190)	(1,424)	(4,043)	(183)	(7,421)
Net cash from operations	140,838	169,725	133,454	59,136	168,938	177,105
Investing						
Capital expenditure	(97,457)	(122,094)	(97,360)	(156,808)	(100,480)	(95,550)
Acquisition of subsidiaries/ investments	(10,573)	(16,163)	(3,792)	(2,998)	(16,100)	(31,100)
Net proceeds from disposal of short-term investments	14	0	129	1,727	0	0
Others	(12,580)	12,593	(28,060)	(39,385)	2,450	2,450
Net cash from investing	(120,596)	(125,664)	(129,082)	(197,463)	(114,130)	(124,200)
Financing						
Dividend paid	(306)	(3,325)	(9,012)	(12,077)	(3,264)	(7,261)
Net borrowings	(16,413)	18,073	(9,480)	84,783	(30,092)	(16,608)
Proceeds from share issues	0	0	0	40,075	0	0
Others	(2,770)	(1,931)	8,225	(8,167)	(3,847)	(7,066)
Net cash from financing	(19,489)	12,817	(10,268)	104,614	(37,203)	(30,935)
Net change in cash						
Cash at the beginning of the year	49,820	51,182	108,512	102,257	68,395	86,000
Exchange difference	610	451	(359)	(148)	0	0
Cash at the end of the year	51,182	108,512	102,257	68,395	86,000	107,970

GROWTH	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Revenue	96.2%	42.0%	29.0%	3.5%	8.5%	8.3%
Gross profit	156.7%	54.9%	35.0%	(5.6%)	8.7%	8.3%
Operating profit	299.0%	56.0%	21.8%	(38.8%)	24.3%	23.5%
EBITDA	108.2%	93.3%	43.6%	3.5%	16.4%	16.1%
EBIT	248.1%	74.6%	32.4%	(18.3%)	15.1%	18.0%
Net profit	445.9%	80.7%	34.0%	(19.0%)	11.3%	20.7%

PROFITABILITY	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Gross profit margin	17.0%	18.6%	19.4%	17.7%	17.8%	17.8%
Operating margin	5.0%	5.5%	5.2%	3.1%	3.5%	4.0%
EBITDA margin	10.1%	13.7%	15.3%	15.3%	16.4%	17.6%
Return on equity (ROE)	16.1%	24.0%	24.8%	15.1%	13.8%	14.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.7)	(0.5)	(0.0)	(0.1)	(0.2)
Current ratio (x)	0.7	0.7	0.7	0.8	0.9	1.0
Receivable turnover days	58.1	52.0	45.0	30.9	32.0	33.0
Inventory turnover days	82.1	65.3	67.7	76.4	72.0	70.0
Payable turnover days	149.2	147.7	142.3	115.5	115.0	117.0

VALUATION	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
P/E	16.4	9.1	6.8	26.0	23.6	19.5
P/B	2.5	2.0	1.5	3.4	3.1	2.7
P/CFPS	1.9	1.6	2.0	14.3	5.1	4.8
Div yield (%)	1.2	3.3	4.4	0.4	0.8	1.0

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

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.