

Auto

BYD is set to lead a new round of price war

We summarize the Dec 2024 and 4Q24 price discounts at dealers for major automakers in this report. Note that Dec discounts for each automaker are calculated based on the weighted average of Nov 2024 retail sales volume for each model, as Dec retail sales volume data have not been released yet.

The industrywide average discounts widened by 0.6ppts MoM in Dec, based on our calculations, mainly driven by some Chinese automakers including BYD, Leapmotor and Changan. We expect major leading Chinese OEMs' 4Q24 earnings to be resilient, as their discounts narrowed QoQ with higher sales volume aided by new models. On the other hand, most foreign brands' discounts at dealers hit all-time highs in 2024, with their market share shrinking by about 10ppts YoY in China. We expect price war to persist in 2025, as we estimate more than 140 new NEV models to be launched in 2025, even higher than 127 in 2024.

- The NEV trio and Leapmotor.** In Dec 2024, NIO's average discounts remained stable MoM at about 4.3% (Figure 1). However, it provided higher incentives for NOP+ and BaaS, based on our channel checks. We estimate that NIO's 4Q24 average discounts narrowed by 1.9ppts QoQ, mainly due to the sales ramp-up of the Onvo L60. Although NIO's 4Q24E vehicle GPM could improve QoQ amid greater economies of scale, GPM for other revenue may narrow QoQ, in our view. **Li Auto's** average discounts rose 0.4ppts MoM in Dec (Figure 2), along with a 3-year zero-interest auto financing promotion. Although Li Auto's 4Q24 average discounts widened by 0.9ppts QoQ on our estimates, we believe its 4Q24E vehicle gross margin could remain above 20%, aided by better trim mix and rebates from suppliers. **Xpeng's** Dec average discounts remained stable MoM (Figure 3) and its 4Q24 average discounts narrowed by 3.3ppts QoQ, thanks to sales ramp-up of the *Mona M03* and *P7+*. Management expects 4Q24 total gross margin to remain at low-to-mid teens as 3Q24, as higher vehicle gross margin could be offset by a lower proportion of revenue from the high-margin IP licensing. **Leapmotor's** average discounts widened by 2.6ppts MoM to 6.3% in Dec (Figure 4). Its 4Q24 average discounts remained stable QoQ, as wider discounts for the *C10* and *C16* were offset by narrower discounts for the *C11* and *C01*. We expect Leapmotor's 4Q24 gross margin to improve QoQ on greater economies of scale, which could lift its FY24E gross margin to 6.5% or even above.
- Great Wall Motor.** Great Wall's average discounts at dealers narrowed by 0.4ppts MoM to 10.1% in Dec (Figure 5), mainly due to the inventory clearance of the Model Year 2023 *Wey Lanshan*. The average discounts narrowed slightly QoQ in 4Q24, based on our calculations. Although both Tank and exports made up a lower portion of sales volume in 4Q24 than 3Q24, management expects 4Q24 GPM excluding the year-end bonus effect (which usually drags down GPM by 2-3ppts) to widen both QoQ and YoY, as it believes greater economies of scale could more than offset the worse product mix.
- Geely.** Geely's average discounts at dealers remained stable MoM at 10.3% in Dec (Figure 6). Its 4Q24 average discounts narrowed by 0.9ppts QoQ, thanks to the sales ramp-up of the *Galaxy E5*, *Starwish* and *Starship 7*. The initial success of these three NEV models gives the automaker more confidence about its upcoming new NEVs and it appears to have accelerated its NEV rollouts with five new Galaxy models in 2025. Geely targets total sales volume to rise 25% YoY to 2.71mn units in FY25E, driven by 10 new NEV models, which is a bit

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(Maintain)

China Auto Sector

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

Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	30
Li Auto	2015 HK	BUY	117
NIO	NIO US	HOLD	5
Xpeng	XPEV US	BUY	16
Xpeng	9868 HK	BUY	62.4
Geely	175 HK	BUY	19
GWM	2333 HK	BUY	17
GWM	601633 CH	BUY	35
BYD	1211 HK	BUY	350
BYD	002594 CH	BUY	382
GAC	2238 HK	BUY	3.3
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	40
Yongda	3669 HK	BUY	1.8
Meidong	1268 HK	BUY	2.8
Tuhu	9690 HK	BUY	26
Minth	425 HK	BUY	21
EVA	838 HK	BUY	1.4

Source: Bloomberg, CMBIGM

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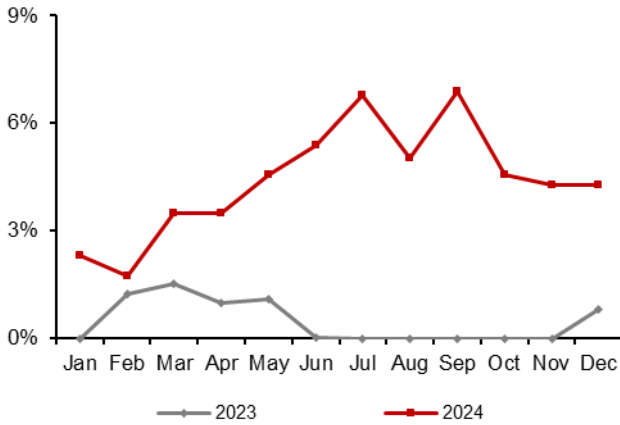
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ambitious, in our view, especially with aging internal-combustion engine (ICE) models.

- **BYD.** BYD's average discounts at dealers rose 1.8ppts MoM to 4.9% in Dec (Figure 7), mainly due to the *Qin Plus* EV, *Qin L* PHEV, *Song Pro* PHEV, *Song L* PHEV, *Seal 06* PHEV and *Destroyer 05* PHEV. BYD's average discounts widened by 0.7ppts QoQ in 4Q24, based on our calculations. We expect BYD's 4Q24E GPM to be still resilient given its 34% QoQ growth in sales volume. As BYD usually starts to roll out a plethora of facelifted models from March every year, it could lead another round of price war again. BYD has been gaining NEV market share for three years in a row. It could be interesting to see if such trend could continue in 2025, given its current market share of 35% in China's NEV segment.
- **GAC Group.** Both Trumpchi and Aion's average discounts at dealers remained largely stable MoM in Dec (Figure 8-9). Trumpchi's 4Q24 average discounts widened by 1ppt QoQ, while Aion's narrowed by 1.7ppts QoQ given the sales ramp-up of the Aion *RT*. Therefore, we expect GAC's 4Q24 gross margin to recover slightly QoQ. However, both Aion and GAC Honda pushed inventories to dealers in Dec in order to help GAC achieve 2mn-unit sales volume in 2024. That could make their discounts wider in 1Q25.

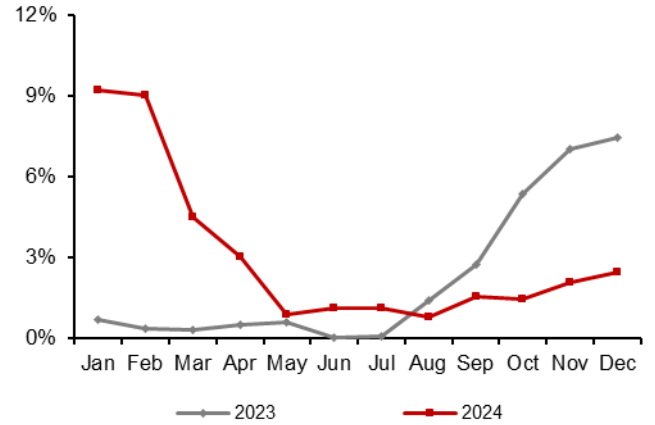
The average discounts at GAC Toyota (Figure 10) narrowed by 0.4ppts MoM in Dec, which resulted in a discount narrowing of 0.5ppts QoQ in 4Q24, mainly due to the *Camry* and *Frontlander*. We expect GAC Toyota to be still profitable in 2H24E. The average discounts at GAC Honda (Figure 11) remained flat MoM in Dec, and its 4Q24 average discounts widened by 0.3ppts QoQ, based on our calculations. We still see no signals of a turnaround despite its doubled MoM wholesale volume in Dec 2024.
- **BMW.** Discounts at BMW Brilliance widened by 0.3ppts MoM to 30.7% in Dec (Figure 12), a record high again. Its 4Q24 average discounts widened by 2.4ppts QoQ, based on our calculations. We estimate new-car gross margin for BMW's dealers in China to be at a similar level in 2H24E vs. 1H24, taking the OEM's rebates into consideration. That means BMW dealers' new-car gross loss could have narrowed HoH, as its retail sales volume fell about 10% HoH in 2H24. BMW is very likely to lose the crown of China's largest luxury brand by sales volume to Mercedes-Benz in 2024.
- **Mercedes-Benz.** Discounts at Beijing Benz remained stable MoM in Dec (Figure 14). Its 4Q24 average discounts widened by 1.6ppts QoQ. Although Mercedes-Benz did not follow suit after BMW's efforts to narrow its discounts in China in 3Q24, its average discounts were still lower than BMW's by 4.6ppts in 2H24, based on our calculations. More premium NEVs on sale in China could make traditional luxury brands' competition even stiffer in 2025, in our view.

Figure 1: NIO's discounts



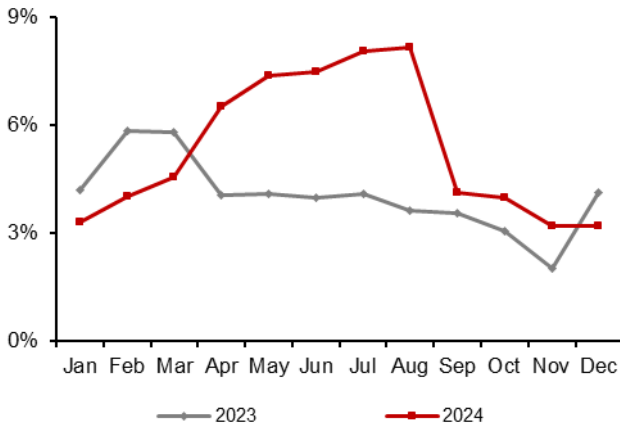
Source: ThinkerCar, CMBIGM

Figure 2: Li Auto's discounts



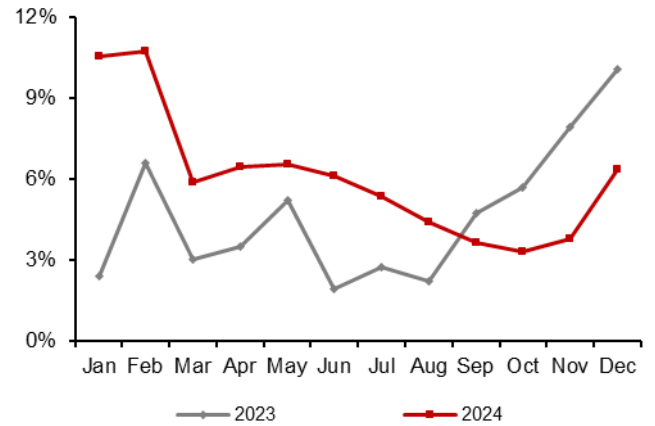
Source: ThinkerCar, CMBIGM

Figure 3: Xpeng's discounts



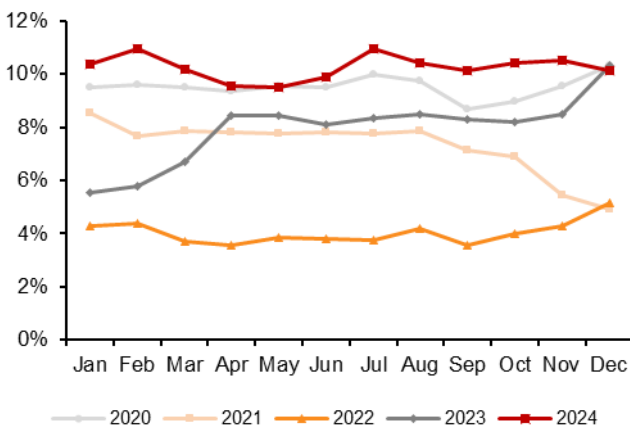
Source: ThinkerCar, CMBIGM

Figure 4: Leapmotor's discounts



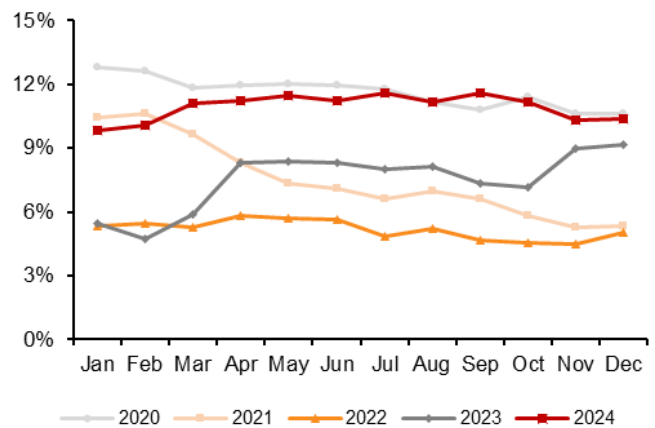
Source: ThinkerCar, CMBIGM

Figure 5: Great Wall Motor discounts at dealers



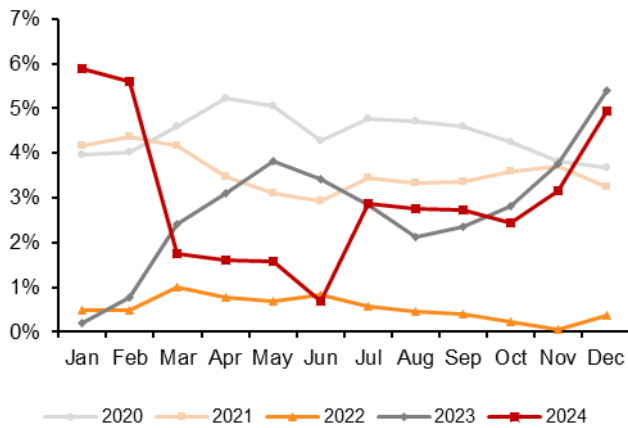
Source: ThinkerCar, CMBIGM

Figure 6: Geely discounts at dealers



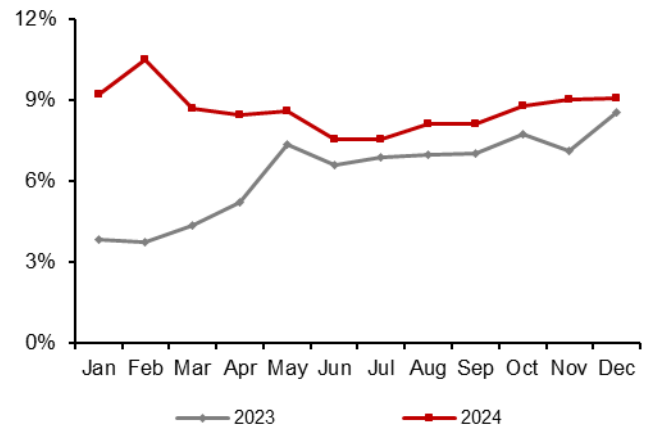
Source: ThinkerCar, CMBIGM

Figure 7: BYD discounts at dealers



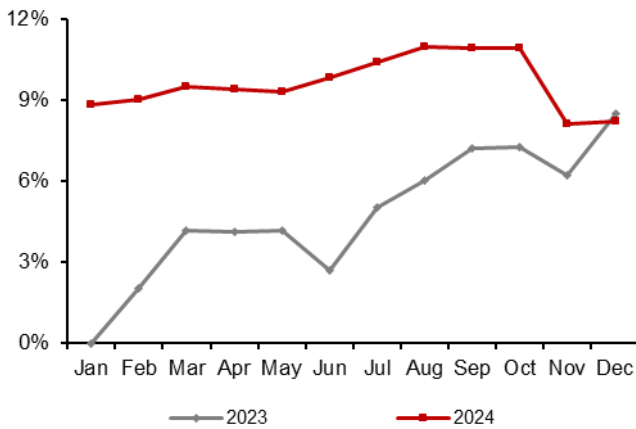
Source: ThinkerCar, CMBIGM

Figure 8: GAC Trumpchi discounts at dealers



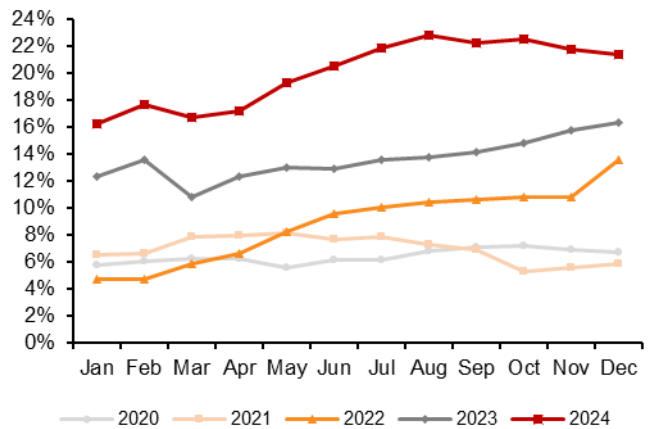
Source: ThinkerCar, CMBIGM

Figure 9: GAC Aion discounts at dealers



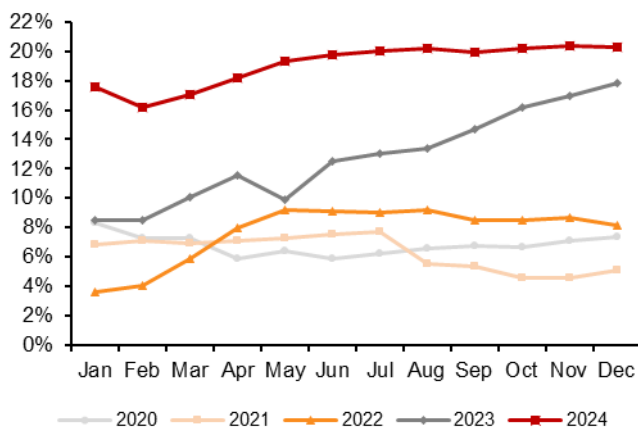
Source: ThinkerCar, CMBIGM

Figure 10: GAC Toyota discounts at dealers



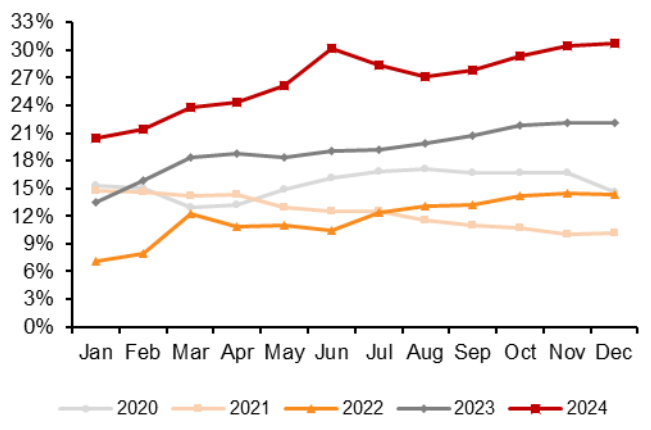
Source: ThinkerCar, CMBIGM

Figure 11: GAC Honda discounts at dealers



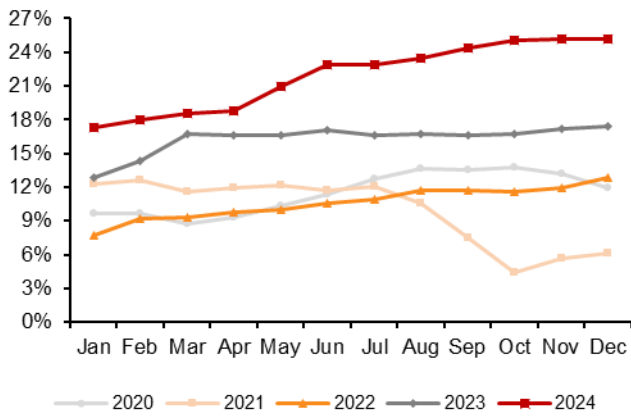
Source: ThinkerCar, CMBIGM

Figure 12: BMW Brilliance discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 13: Beijing Benz discounts at dealers



Source: ThinkerCar, CMBIGM

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CMB International Global Markets Limited

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

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