

# NIO Inc. (NIO US)

## 4Q22 miss; 5 new models in the next 5 months

NIO's 4Q22 earnings missed our prior forecast on inventory provision, R&D and SG&A. We are of the view that NIO's 1Q23E sales and margin weakness should be largely priced in. Sales in 2H23E could be crucial as supply chain constraints should no longer be an excuse for sales miss. We maintain our FY23E sales volume forecast of 200,000 units, with 65% coming from 2H23E. On the other hand, NIO's 4Q22 earnings once again underscores NIO's heavy investments in a wide range of areas, which lays out foundation for its mass-market brand but delays its breakeven point. Maintain BUY.

- **4Q22 earnings miss on inventory provision, R&D and SG&A.** NIO's 4Q22 revenue was 1% higher than our prior forecast. Its gross margin of 3.9% was 9.8 pts lower than our expectation amid inventory provision of RMB 985mn for old models. It would have been 10% without such inventory provision. Both R&D and SG&A expenses in 4Q22 were higher than we had expected. Accordingly, its net loss of RMB 5.8bn was RMB 2bn more than our prior estimate.
- **Possible strong sequential sales growth in 2H23E.** NIO plans to launch five new or redesigned models in the next five months, which could lift sales volume in 2H23. We are of the view that the eight models on sale by then are essentially three SUVs and two sedans in different variants. NIO sold about 91,000 units of three SUVs in FY21, which could be a good reference to estimate potential sales cannibalization. We keep our FY23E sales volume forecast of 200,000 units unchanged. We estimate NIO's sales volume in 2H23E could account for 65% of its total sales in FY23E.
- **NIO may need mass-market brand to turn profitable.** We are of the view that NIO's 4Q22 earnings once again underscored our previous argument that it takes longer time to break even than management targets. We maintain our forecasts for FY23E revenue and gross profit but expect wider net loss (RMB 12.2bn vs. RMB 11.3bn) to account for higher R&D and SG&A given NIO's heavy investments in different areas. We expect NIO to continue making loss in FY24E and we still believe that it needs mass-market brand to turn profitable.
- **Valuation/Key risks.** We maintain our BUY rating but lower target price slightly from US\$ 23.00 to US\$ 21.00, based on 3x (previously 3.5x) our FY23E revenue estimates to reflect possible wider net loss than we had estimated before. Key risks to our rating and target price include lower sales volume and margins than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	16,258	36,136	49,269	76,245	92,222
YoY growth (%)	107.8	122.3	36.3	54.8	21.0
Net income (RMB mn)	-5,611	-10,572	-14,559	-12,215	-10,562
EPS (RMB)	-4.74	-6.72	-8.89	-7.22	-6.19
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	5.7	3.3	2.8	1.8	1.5
P/B (x)	3.4	3.5	5.7	10.0	24.0
Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	(53.8)	(34.2)	(49.7)	(64.9)	(107.8)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	US\$ 21.00
(Previous TP	US\$ 23.00)
Up/Downside	+123.6%
Current Price	US\$ 9.39

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#### Stock Data

Mkt Cap (US\$ mn)	15,888
Avg 3 mths t/o (US\$ mn)	558
52w High/Low (US\$)	24.08/9.25
Total Issued Shares (mn)	1,692
Source: Bloomberg	

#### Shareholding Structure

Li Bin	10.3%
Tencent entities	9.7%
Others	80.0%

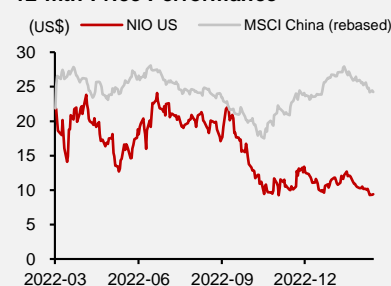
Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	-22.8%	-9.5%
3-mth	-6.3%	-22.4%
6-mth	-50.7%	-48.9%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers  
Zhong Tian**

#### Related Reports

[“NIO Inc. – 4Q22E loss to narrow; FY23 sales to outperform” – 1 Feb 2023](#)

Figure 1: Quarterly results

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	YoY	QoQ
Sales volume (units)	20,060	21,896	24,439	25,034	25,768	25,059	31,607	40,052	60.0%	26.7%
ASP (RMB)	397,923	385,826	401,215	395,492	384,608	410,725	411,368	401,066	1.4%	-2.5%
Revenue	7,982	8,448	9,805	9,901	9,911	10,292	13,002	16,064	62.2%	23.5%
Gross profit	1,555	1,574	1,993	1,700	1,447	1,340	1,735	622	-63.4%	-64.2%
R&D expenses	(687)	(884)	(1,193)	(1,829)	(1,762)	(2,149)	(2,945)	(3,981)	117.7%	35.2%
SG&A expenses	(1,197)	(1,498)	(1,825)	(2,358)	(2,015)	(2,282)	(2,712)	(3,527)	49.6%	30.0%
Operating profit	(296)	(763)	(992)	(2,445)	(2,189)	(2,846)	(3,870)	(6,736)	N/A	N/A
Net profit	(4,875)	(659)	(2,859)	(2,179)	(1,825)	(2,745)	(4,142)	(5,847)	N/A	N/A
Gross margin	19.5%	18.6%	20.3%	17.2%	14.6%	13.0%	13.3%	3.9%	-13.3 ppt	-9.5 ppt
Operating margin	-3.7%	-9.0%	-10.1%	-24.7%	-22.1%	-27.6%	-29.8%	-41.9%	-17.2 ppt	-12.2 ppt
Net margin	-61.1%	-7.8%	-29.2%	-22.0%	-18.4%	-26.7%	-31.9%	-36.4%	-14.4 ppt	-4.5 ppt

Source: Company data, CMBIGM estimates

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Revenue	49,269	76,245	92,222	49,089	76,245	92,222	0.4%	0.0%	0.0%
Gross profit	5,144	11,951	16,347	6,692	11,951	16,347	-23.1%	0.0%	0.0%
Operating profit	(15,641)	(12,999)	(11,232)	(12,862)	(12,174)	(10,382)	N/A	N/A	N/A
Net profit	(14,559)	(12,215)	(10,562)	(12,514)	(11,320)	(9,599)	N/A	N/A	N/A
Gross margin	10.4%	15.7%	17.7%	13.6%	15.7%	17.7%	-3.2 ppt	0.0 ppt	0.0 ppt
Operating margin	-31.7%	-17.0%	-12.2%	-26.2%	-16.0%	-11.3%	-5.5 ppt	-1.1 ppt	-0.9 ppt
Net margin	-29.6%	-16.0%	-11.5%	-25.5%	-14.8%	-10.4%	-4.1 ppt	-1.2 ppt	-1.0 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Revenue	49,269	76,245	92,222	51,125	94,806	126,088	-3.6%	-19.6%	-26.9%
Gross profit	5,144	11,951	16,347	7,142	15,651	24,229	-28.0%	-23.6%	-32.5%
Operating profit	(15,641)	(12,999)	(11,232)	(11,685)	(8,375)	(1,939)	N/A	N/A	N/A
Net profit	(14,559)	(12,215)	(10,562)	(10,744)	(7,145)	(965)	N/A	N/A	N/A
Gross margin	10.4%	15.7%	17.7%	14.0%	16.5%	19.2%	-3.5 ppt	-0.8 ppt	-1.5 ppt
Operating margin	-31.7%	-17.0%	-12.2%	-22.9%	-8.8%	-1.5%	-8.9 ppt	-8.2 ppt	-10.6 ppt
Net margin	-29.6%	-16.0%	-11.5%	-21.0%	-7.5%	-0.8%	-8.5 ppt	-8.5 ppt	-10.7 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22A	FY23E	FY24E
<b>Revenue</b>	<b>16,258</b>	<b>36,136</b>	<b>49,269</b>	<b>76,245</b>	<b>92,222</b>
Cost of sales	(14,385)	(29,315)	(44,125)	(64,294)	(75,875)
<b>Gross profit</b>	<b>1,873</b>	<b>6,821</b>	<b>5,144</b>	<b>11,951</b>	<b>16,347</b>
R&D exp.	(2,488)	(4,592)	(10,836)	(12,508)	(12,726)
SG&A exp.	(3,932)	(6,878)	(10,537)	(13,342)	(15,854)
Other income	(61)	152	589	900	1,000
<b>Operating profit</b>	<b>(4,608)</b>	<b>(4,496)</b>	<b>(15,641)</b>	<b>(12,999)</b>	<b>(11,232)</b>
Net finance costs	(259)	274	1,026	567	248
Gain/(Loss) of investee	(66)	63	378	150	150
Other non-oper exp.	(365)	185	(145)	200	300
<b>Pre-tax profit</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(14,382)</b>	<b>(12,082)</b>	<b>(10,534)</b>
Income tax	(6)	(42)	(55)	(36)	(32)
Accr. on redeemable int.	(312)	(6,587)	(279)	(100)	-
Minority interests	5	31	157	3	3
<b>Net profit</b>	<b>(5,611)</b>	<b>(10,572)</b>	<b>(14,559)</b>	<b>(12,215)</b>	<b>(10,562)</b>

### Cash flow summary

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(14,382)</b>	<b>(12,082)</b>	<b>(10,534)</b>
Depreciation/amortization	1,546	2,352	3,389	4,735	6,049
Change in working capital	4,830	2,693	2,654	1,734	1,423
Others	873	896	1,413	1,489	1,422
<b>Net cash from operating</b>	<b>1,951</b>	<b>1,966</b>	<b>(6,926)</b>	<b>(4,124)</b>	<b>(1,640)</b>
Capex	(1,128)	(4,079)	(4,501)	(7,001)	(7,001)
Others	(3,943)	(35,686)	11,058	6,500	7,500
<b>Net cash from investing</b>	<b>(5,071)</b>	<b>(39,765)</b>	<b>6,557</b>	<b>(501)</b>	<b>499</b>
Share issuance	34,762	12,822	800	600	1,080
Net borrowings	615	3,680	(1,784)	4,221	91
Others	5,981	1,627	20	(3,637)	20
<b>Net cash from financing</b>	<b>41,357</b>	<b>18,129</b>	<b>(964)</b>	<b>1,184</b>	<b>1,191</b>
<b>Net change in cash</b>	<b>38,237</b>	<b>(19,670)</b>	<b>(1,334)</b>	<b>(3,441)</b>	<b>50</b>
Cash at beginning of the year	990	38,545	18,375	17,041	13,600
Exchange difference	(682)	(501)	-	-	-
<b>Cash at the end of the year</b>	<b>38,545</b>	<b>18,375</b>	<b>17,041</b>	<b>13,600</b>	<b>13,650</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>46,207</b>	<b>63,641</b>	<b>51,761</b>	<b>45,312</b>	<b>39,805</b>
Cash & equivalents	38,426	15,334	13,441	9,950	10,000
Account receivables	1,079	2,781	3,510	5,431	6,569
Inventories	1,082	2,056	3,022	4,580	5,405
Other current assets	5,620	43,470	31,788	25,351	17,831
<b>Non-current assets</b>	<b>8,435</b>	<b>19,242</b>	<b>23,435</b>	<b>28,210</b>	<b>32,097</b>
PP&E	4,996	7,400	9,552	13,067	15,435
Right-of-use assets	1,350	2,988	3,239	2,853	2,289
Other non-current assets	2,089	8,854	10,644	12,289	14,373
<b>Total assets</b>	<b>54,642</b>	<b>82,884</b>	<b>75,196</b>	<b>73,522</b>	<b>71,901</b>
<b>Current liabilities</b>	<b>13,976</b>	<b>29,198</b>	<b>31,341</b>	<b>41,601</b>	<b>47,273</b>
Bank borrowings	1,931	7,298	4,535	7,757	7,847
Account payables	6,368	12,639	16,924	23,780	28,063
Tax payable	182	628	628	628	628
Other current liabilities	5,496	8,633	9,253	9,437	10,735
<b>Non-current liabilities</b>	<b>8,803</b>	<b>15,622</b>	<b>16,547</b>	<b>18,208</b>	<b>18,920</b>
Bank borrowings incl. CB	5,938	9,739	9,625	10,625	10,625
Other non-current liabilities	2,865	5,883	6,921	7,583	8,295
<b>Total liabilities</b>	<b>22,780</b>	<b>44,820</b>	<b>47,888</b>	<b>59,809</b>	<b>66,194</b>
Mezzanine equity	4,691	3,278	3,557	-	-
Share capital	3	3	3	3	3
Treasury shares	-	(1,850)	(3,672)	(3,672)	(3,672)
Reserves	27,166	36,557	27,502	17,467	9,464
Non-controlling interests	2	76	(81)	(84)	(87)
<b>Shareholders' equity</b>	<b>27,169</b>	<b>34,710</b>	<b>23,833</b>	<b>13,797</b>	<b>5,795</b>
<b>Total equity &amp; liabilities</b>	<b>54,642</b>	<b>82,884</b>	<b>75,196</b>	<b>73,522</b>	<b>71,901</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	93.4	91.8	92.4	91.5	90.9
Others	6.6	8.2	7.6	8.5	9.1
<b>Growth (%)</b>					
Revenue	107.8	122.3	36.3	54.8	21.0
Gross profit	N/A	264.1	(24.6)	132.3	36.8
Operating profit	N/A	N/A	N/A	N/A	N/A
Net profit	N/A	N/A	N/A	N/A	N/A
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	11.5	18.9	10.4	15.7	17.7
Operating margin	(28.3)	(12.4)	(31.7)	(17.0)	(12.2)
Net profit margin	(34.5)	(29.3)	(29.6)	(16.0)	(11.5)
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.1	1.0	1.0	1.0	0.9
Current ratio (x)	3.3	2.2	1.7	1.1	0.8
Receivable turnover days	24	28	26	26	26
Inventory turnover days	27	26	25	26	26
Payable turnover days	162	157	140	135	135
<b>Profitability (%)</b>					
ROE	(53.8)	(34.2)	(49.7)	(64.9)	(107.8)
ROA	(16.2)	(15.4)	(18.4)	(16.4)	(14.5)
<b>Per share data (RMB)</b>					
EPS	-4.74	-6.72	-8.89	-7.22	-6.19
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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