Great Wall Motor (2333 HK/601633 CH)

2H26 earnings inflection with attractive valuation

Maintain BUY. Great Wall's 2Q26 results were in line with its profit alert, with ASP beating our forecast on a record export mix. We see an earnings inflection in 2H26E, driven by the expected receipt of RMB3-4bn in Russian recycling-fee reimbursement by Dec 2026, new model ramp-ups (such as the *H10*), and stabilizing selling expenses following the completion of its direct-sales network expansion. Exports—now accounting for more than half of total sales volume with structurally higher margins—underpin earnings quality, while the Guiyuan platform should revive domestic sales, in our view.

- **2Q26 core profit in line, revenue beat**. Great Wall's 2Q26 net profit of RMB1,519mn (-67% YoY, +61% QoQ) fell within its profit-alert range of RMB1.4-1.7bn. The YoY decline was mainly due to the delayed recognition of about RMB2.0bn of recycling-fee reimbursement in Russia (vs. RMB2.3bn recognized in 2Q25); excluding this drag and adverse forex, core net profit was largely flat YoY. Revenue rose 9% YoY to RMB57.0bn, 4% above our forecast, driven by a record quarterly ASP of RMB181,000 (+8% YoY). GPM remained resilient at 18.3% (vs 18.8% in 2Q25).
- **Prioritizing profit over volume**. We cut our FY26E sales volume forecast by 30,000 units to 1.35mn units (0.7mn units for exports and 0.65mn units for domestic market), as it appears to us that Great Wall continues to prioritize profitability over volume. This implies 2H26 sales volume of about 0.77mn units, up 31% HoH and 2% YoY. Factoring in a higher export contribution offset by year-end bonus accruals, we expect 2H26 GPM to narrow 0.5ppts HoH to 17.9%. We conservatively assume RMB3.0bn of recycling-fee reimbursement to be received in 2H26. Accordingly, we trim our FY26E net profit by 1.3% to RMB9.2bn. For FY27E, we lower sales volume forecast from 1.6mn to 1.53mn units but expect rising exports and the Guiyuan platform to support margins, bringing our FY27E net profit forecast to RMB10.9bn (-7.5%).
- **Valuation/Key risks**. We maintain BUY and cut our H-share target price from HK$19.00 to HK$14.00, now based on 10x FY27E P/E (prior 12x), to reflect compressed sector-wide valuation multiples. Our A-share target price is adjusted to RMB25.00, based on the current A/H premium of about 110%. Key risks to our rating and target price include lower sales volume and margins than we expect, as well as a further sector de-rating.

Earnings Summary - 2333 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	202,195	222,824	233,775	266,440	287,715
YoY growth (%)	16.7	10.2	4.9	14.0	8.0
Net profit (RMB mn)	12,692.2	9,865.3	9,231.7	10,897.8	12,077.2
YoY growth (%)	80.8	(22.3)	(6.4)	18.0	10.8
EPS (Reported) (RMB)	1.49	1.16	1.07	1.26	1.39
P/E (x)	4.8	6.2	6.7	5.7	5.2
P/B (x)	0.8	0.7	0.6	0.6	0.5
Yield (%)	6.3	4.9	4.5	5.3	5.8
ROE (%)	17.2	11.8	10.1	10.9	10.9

Source: Company data, Bloomberg, CMBIGM estimates

	2333 HK	601633 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$14.00	RMB25.00
Prior TP	HK$19.00	RMB28.50
Up/Downside	67.5%	62.3%
Current Price	HK$8.4	RMB15.4

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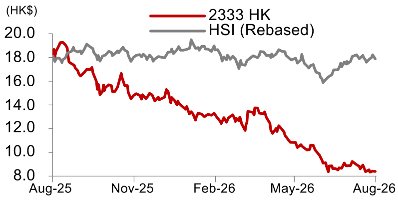
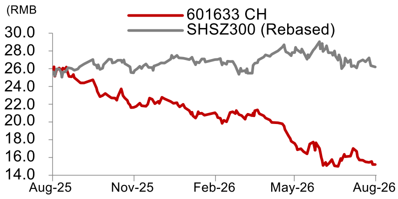
12-mth Price Performance





Source: FactSet

Stock Performance

	2333 HK		601633 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-5.5%	-7.6%	-4.5%	-3.8%
3-mth	-23.6%	-23.3%	-12.4%	-18.9%
6-mth	-37.7%	-34.6%	-26.6%	-35.3%

Source: FactSet

Stock Data

(LC)	2333 HK	601633 CH
Mkt Cap (mn)	71543.81	131791.23
Avg 3 mths t/o (mn)	150.56	343.97
52w High	19.36	26.28
52w Low	8.32	15
Issued Shares (mn)	8557.872	8557.872

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Sales volume (units)	256,807	312,982	353,569	400,314	269,104	314,791	0.6%	17.0%
ASP (RMB)	155,833	167,152	173,226	172,970	167,628	181,047	8.3%	8.0%
Revenue	40,019	52,316	61,247	69,242	45,109	56,992	8.9%	26.3%
Gross profit	7,139	9,836	11,281	11,947	8,324	10,436	6.1%	25.4%
R&D expenses	(1,906)	(2,333)	(2,396)	(3,797)	(2,242)	(2,326)	-0.3%	3.8%
SG&A expenses	(3,234)	(3,696)	(3,903)	(5,188)	(3,595)	(4,453)	20.5%	23.9%
Operating profit	1,724	5,138	2,913	1,759	1,205	2,016	-60.8%	67.2%
Net profit	1,751	4,586	2,298	1,230	945	1,519	-66.9%	60.7%
Gross margin	17.8%	18.8%	18.4%	17.3%	18.5%	18.3%	-0.5 ppts	-0.1 ppts
Operating margin	4.3%	9.8%	4.8%	2.5%	2.7%	3.5%	-6.3 ppts	0.9 ppts
Net margin	4.4%	8.8%	3.8%	1.8%	2.1%	2.7%	-6.1 ppts	0.6 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	233,775	266,440	287,715	230,030	272,490	283,640	1.6%	-2.2%	1.4%
Gross profit	42,333	48,464	52,452	41,558	48,785	50,525	1.9%	-0.7%	3.8%
Operating profit	10,590	12,621	14,121	10,668	13,435	13,434	-0.7%	-6.1%	5.1%
Net profit	9,232	10,898	12,077	9,352	11,785	11,784	-1.3%	-7.5%	2.5%
Gross margin	18.1%	18.2%	18.2%	18.1%	17.9%	17.8%	0.0 ppts	0.3 ppts	0.4 ppts
Operating margin	4.5%	4.7%	4.9%	4.6%	4.9%	4.7%	-0.1 ppts	-0.2 ppts	0.2 ppts
Net margin	3.9%	4.1%	4.2%	4.1%	4.3%	4.2%	-0.1 ppts	-0.2 ppts	0.0 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	233,775	266,440	287,715	250,343	284,535	311,483	-6.6%	-6.4%	-7.6%
Gross profit	42,333	48,464	52,452	45,535	52,542	58,817	-7.0%	-7.8%	-10.8%
Operating profit	10,590	12,621	14,121	11,296	13,778	16,108	-6.3%	-8.4%	-12.3%
Net profit	9,232	10,898	12,077	10,465	12,546	14,532	-11.8%	-13.1%	-16.9%
Gross margin	18.1%	18.2%	18.2%	18.2%	18.5%	18.9%	-0.1 ppts	-0.3 ppts	-0.7 ppts
Operating margin	4.5%	4.7%	4.9%	4.5%	4.8%	5.2%	0.0 ppts	-0.1 ppts	-0.3 ppts
Net margin	3.9%	4.1%	4.2%	4.2%	4.4%	4.7%	-0.2 ppts	-0.3 ppts	-0.5 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**173,212**	**202,195**	**222,824**	**233,775**	**266,440**	**287,715**
Cost of goods sold	(141,772)	(162,747)	(182,622)	(191,442)	(217,976)	(235,263)
Gross profit	**31,440**	**39,449**	**40,202**	**42,333**	**48,464**	**52,452**
Operating expenses	**(26,062)**	**(29,281)**	**(34,936)**	**(36,462)**	**(40,867)**	**(42,819)**
Selling expense	(7,286)	(7,830)	(11,273)	(12,338)	(13,669)	(14,206)
Admin expense	(4,735)	(4,756)	(4,747)	(4,886)	(5,351)	(5,451)
R&D expense	(8,054)	(9,284)	(10,432)	(10,822)	(11,989)	(12,517)
Others	(5,986)	(7,409)	(8,483)	(8,416)	(9,858)	(10,645)
Operating profit	**5,378**	**10,168**	**5,267**	**5,871**	**7,597**	**9,634**
Other income	744	435	337	500	550	550
Other expense	(121)	(72)	(113)	(100)	(120)	(120)
Gain/loss on financial assets at FVTPL	(26)	42	167	0	0	0
Investment gain/loss	761	877	574	1,053	1,109	1,118
Other gains/(losses)	962	2,924	3,557	3,375	3,301	2,433
EBITDA	**16,599**	**25,318**	**23,785**	**23,938**	**27,124**	**28,953**
Depreciation	4,081	4,722	4,598	4,884	5,159	5,441
Depreciation of ROU assets	463	740	1,515	1,616	1,901	2,171
Other amortisation	3,284	4,691	5,179	5,839	6,477	6,515
EBIT	**8,771**	**15,165**	**12,493**	**11,599**	**13,586**	**14,826**
Interest income	249	299	358	531	655	976
Interest expense	(947)	(882)	(736)	(609)	(535)	(275)
Net Interest income/(expense)	**126**	**(91)**	**1,970**	**291**	**615**	**936**
Foreign exchange gain/loss	(127)	(343)	1,640	(200)	0	0
Pre-tax profit	**7,824**	**14,283**	**11,758**	**10,990**	**13,051**	**14,551**
Income tax	(801)	(1,591)	(1,893)	(1,758)	(2,153)	(2,474)
After tax profit	**7,023**	**12,692**	**9,865**	**9,232**	**10,898**	**12,077**
Minority interest	(1)	(0)	0	0	0	0
Net profit	**7,022**	**12,692**	**9,865**	**9,232**	**10,898**	**12,077**
Gross dividends	2,563	3,853	2,995	2,770	3,269	3,623

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**118,584**	**133,435**	**137,647**	**153,259**	**163,573**	**179,705**
Cash & equivalents	38,337	30,741	28,846	36,262	35,840	44,895
Account receivables	41,235	54,149	39,591	44,834	51,098	55,178
Inventories	26,628	25,408	26,148	28,847	32,846	35,451
Prepayment	3,873	1,942	2,112	1,836	2,090	2,256
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	8,511	21,195	40,949	41,480	41,699	41,925
Non-current assets	**82,686**	**83,831**	**87,641**	**89,669**	**90,558**	**91,376**
PP&E	30,235	30,014	29,282	28,387	27,397	26,126
Right-of-use assets	736	1,831	3,133	2,516	1,515	243
Deferred income tax	4,660	5,450	6,913	6,913	6,913	6,913
Investment in JVs & assos	10,751	11,551	12,222	12,822	13,471	14,131
Intangibles	11,310	12,345	12,235	12,354	12,118	12,189
Goodwill	28	28	28	28	28	28
Financial assets at FVTPL	2,128	1,771	1,703	1,703	1,703	1,703
Other non-current assets	22,838	20,841	22,125	24,946	27,412	30,043
Total assets	**201,270**	**217,266**	**225,288**	**242,928**	**254,131**	**271,081**
Current liabilities	**110,835**	**122,229**	**126,216**	**136,708**	**138,836**	**145,559**
Short-term borrowings	12,221	9,597	8,234	18,949	7,195	5,500
Account payables	81,488	93,844	95,025	97,032	109,287	116,020
Other current liabilities	16,771	18,048	21,465	19,510	21,139	22,823
Lease liabilities	354	739	1,491	1,216	1,216	1,216
Non-current liabilities	**21,926**	**16,041**	**11,180**	**10,645**	**10,119**	**10,079**
Long-term borrowings	13,331	6,639	1,147	647	647	1,147
Convertible bonds	3,418	3,517	3,611	2,891	2,171	1,451
Deferred income	3,198	3,455	3,322	3,632	3,826	4,005
Other non-current liabilities	1,979	2,431	3,100	3,475	3,475	3,475
Total liabilities	**132,762**	**138,270**	**137,396**	**147,353**	**148,955**	**155,638**
Share capital	8,498	8,556	8,558	8,613	8,680	8,747
Capital surplus	7,731	10,915	12,822	13,857	14,937	16,004

Retained earnings	52,729	61,431	66,249	72,486	80,614	89,422
Other reserves	(456)	(1,914)	263	619	945	1,270
Total shareholders equity	**68,501**	**78,988**	**87,892**	**95,575**	**105,176**	**115,444**
Minority interest	8	8	0	0	0	0
Total equity and liabilities	**201,270**	**217,266**	**225,288**	**242,928**	**254,131**	**271,081**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**7,824**	**14,283**	**11,758**	**10,990**	**13,051**	**14,551**
Depreciation & amortization	7,828	10,153	11,291	12,339	13,538	14,127
Tax paid	(801)	(1,591)	(1,893)	(1,758)	(2,153)	(2,474)
Change in working capital	3,521	4,382	20,543	(6,498)	1,415	(574)
Others	(618)	555	(1,344)	(3,862)	(246)	(415)
Net cash from operations	**17,754**	**27,783**	**40,355**	**11,211**	**25,605**	**25,216**
Investing						
Capital expenditure	(16,713)	(11,737)	(11,509)	(13,321)	(13,936)	(14,452)
Acquisition of subsidiaries/ investments	(14,139)	(75,457)	(127,763)	0	0	0
Net proceeds from disposal of short-term investments	18,362	63,169	109,502	200	200	200
Others	2,039	730	616	2,054	1,780	1,779
Net cash from investing	**(10,451)**	**(23,296)**	**(29,154)**	**(11,068)**	**(11,957)**	**(12,472)**
Financing						
Dividend paid	(2,534)	(2,563)	(3,853)	(2,995)	(2,770)	(3,269)
Net borrowings	526	(8,686)	(6,867)	9,315	(12,655)	(2,095)
Others	3,060	(929)	(2,725)	953	1,355	1,676
Net cash from financing	**1,052**	**(12,178)**	**(13,445)**	**7,273**	**(14,070)**	**(3,688)**
Net change in cash						
Cash at the beginning of the year	26,899	35,272	27,210	25,257	32,673	32,251
Exchange difference	18	(371)	292	0	0	0
Cash at the end of the year	**35,272**	**27,210**	**25,257**	**32,673**	**32,251**	**41,306**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	26.1%	16.7%	10.2%	4.9%	14.0%	8.0%
Gross profit	18.2%	25.5%	1.9%	5.3%	14.5%	8.2%
Operating profit	26.1%	89.1%	(48.2%)	11.5%	29.4%	26.8%
EBITDA	2.9%	52.5%	(6.1%)	0.6%	13.3%	6.7%
EBIT	(7.9%)	72.9%	(17.6%)	(7.2%)	17.1%	9.1%
Net profit	(15.1%)	80.8%	(22.3%)	(6.4%)	18.0%	10.8%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	18.2%	19.5%	18.0%	18.1%	18.2%	18.2%
Operating margin	3.1%	5.0%	2.4%	2.5%	2.9%	3.3%
EBITDA margin	9.6%	12.5%	10.7%	10.2%	10.2%	10.1%
Return on equity (ROE)	10.5%	17.2%	11.8%	10.1%	10.9%	10.9%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.1	1.1	1.2	1.2

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	8.8	4.8	6.2	6.7	5.7	5.2
P/B	0.9	0.8	0.7	0.6	0.6	0.5
P/CFPS	3.5	2.2	1.5	5.5	2.4	2.5
Div yield (%)	4.1	6.3	4.9	4.5	5.3	5.8

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

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