

China Auto Sector

2H23 auto sales could beat amid resilient Jul, Aug

China's passenger-vehicle (PV) retail sales volume fell 0.4% YoY and 10% MoM in Jul 2023 amid high base, 2% higher than our prior forecast. YTD retail sales volume rose 4% YoY. Wholesale volume fell 3% YoY and 7% MoM to 2.10mn units in Jul 2023, the second highest Jul in history, and 2% higher than our prior forecast. Wholesale volume rose 7% YoY (or +0.84mn units YoY) YTD, aided by 78% YoY growth (or +0.92mn units YoY) of exports.

Inventories at dealers in China rose about 34,000 units last month, higher than our expectation, leading to a restocking of 0.22mn units in the first seven months of 2023, based on our calculations. In fact, inventories for internal-combustion engine (ICE) vehicles have been falling for four months in a row, leading to a destocking of about 28,000 units in the first seven months of 2023. NEV makers added 0.25mn units of inventories YTD. We estimate both industrywide and NEV inventory levels to be about 1.9 months, based on our retail sales volume forecasts for the next few months.

■ **Aug 2023 sales volume could beat our prior expectation.** We project retail sales volume in Aug 2023 to rise 1% YoY to 1.9mn units, based on the sales data during 1-20 Aug that we have compiled. This is 19% higher than our prior forecast made at the end of 2022. We are of the view that stronger-than-expected retail sales volume since Jun 2023 could set the tone for 4Q23. We think China's PV sales volume in 2023 could beat our revised forecast last month again. We project wholesale volume in Aug 2023 to rise 6% YoY to 2.25mn units, the best Aug in history, assuming an inventory restocking of 50,000 units.

We estimate NEV retail sales volume to rise 40% YoY to 0.67mn units in Aug 2023, assuming market share of 35.5%. NEV market share on a retail basis has been rising sequentially since Apr 2023, as we had expected, and we expect such trend to continue. NEV wholesale volume may hit 0.8mn units in Aug, the highest in history, in our view.

■ **We still see range trading trend despite Chinese automakers' better-than-expected 1H23 earnings:** 1H23 earnings for most Chinese automakers, including BYD, Geely, Great Wall and Li Auto, beat our prior forecasts, which means the margin dent amid price war appeared to be less severe than expected. However, we still believe it is a range trading market, as earnings risk may not be over yet. On the other hand, sequentially rising NEV sales volume could support a potential short-term rebound after share prices for most Chinese automakers falling 20-30% since the end of Jul 2023. We suggest investors pay attention to new PHEV models' sales ramp-up at traditional automakers.

In this report, we summarize key auto data for both industrywide and key companies in Jul 2023 from different perspectives, such as retail sales volume, inventories, discounts etc.

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Source: CATARC, CMBIGM

Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	55
Li Auto	2015 HK	BUY	215
NIO	NIO US	HOLD	9.2
Xpeng	XPEV US	HOLD	14
Xpeng	9868 HK	HOLD	55
Geely	175 HK	BUY	14
GWM	2333 HK	BUY	12
GWM	601633 CH	BUY	32
GAC	2238 HK	BUY	7
GAC	601238 CH	BUY	14
BYD	1211 HK	HOLD	240
BYD	002594 CH	HOLD	265
Yongda	3669 HK	BUY	6.5
Meidong	1268 HK	HOLD	11
EVA	838 HK	BUY	1.5

Source: Bloomberg, CMBIGM

Related Report:

["China Auto Sector - Strong June provides more confidence for 2H23" - 24 Jul 2023](#)

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Company Watch List

Great Wall Motor

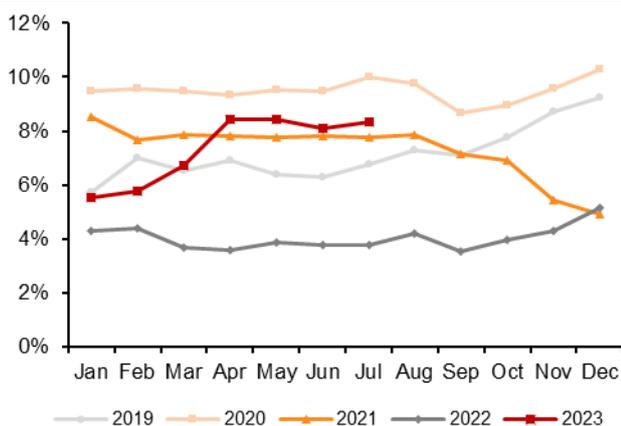
Great Wall's wholesale volume, including pick-up trucks, rose 7% YoY and 4% MoM to about 109,000 units in Jul 2023, stronger than the overall industry's 3% YoY decline. Retail sales volume of PVs and pick-up trucks combined remained flat YoY and fell 7% MoM to about 75,000 units last month, leading to an inventory addition of about 6,800 units, based on our calculation. Great Wall's inventory level is about 1.7 months now, still better than the industry average level.

Great Wall's cumulative wholesale volume rose 1% YoY to about 628,000 units in the first seven months of 2023, weaker than the overall industry's 7% YoY increase. The key to Great Wall's 2H23E sales volume growth still lies in new PHEVs. NEVs accounted for 31% of Great Wall's PV wholesale volume in Jul 2023, the highest in history. The wholesale volume of the *Tank 500* PHEV reached 2,000 units in Jul 2023, the first month of its deliveries. Management expects its monthly sales volume to be around 3,000 units as the production ramps up. Although the wholesale volume of the Haval *Xiaolong* Series PHEVs (6,200 units) and Wey *Lanshan* PHEV (5,600 units) remained stable MoM in Jul 2023, retail sales volume for both models appeared to be sluggish last month.

The redesigned Haval *H5*, Wey *Gaoshan* MPV (family-use version) and new Wey *Latte* PHEV are scheduled to be rolled out in Aug-Sep 2023, followed by a Haval A+ class SUV (the *Menglong* PHEV, coded B26) and *Tank 400*. We project these new models, along with more PHEV variants for existing models, to contribute about 20,000 units per month in 2H23, leading to an average monthly sales volume of about 120,000 units in 2H23, or about 1.25mn units in 2023E.

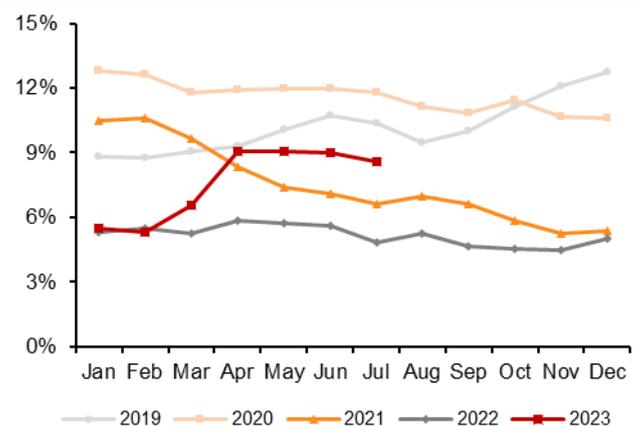
In Jul 2023, the weighted average discounts at Great Wall's dealers widened slightly MoM amid some aging models such as the *M6*. We expect Great Wall's discounts to narrow slightly with more new models on sale in 2H23.

Figure 1: Great Wall Motor discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



Source: ThinkerCar, CMBIGM

Geely

Geely's wholesale volume rose 13% YoY to about 138,000 units in Jul 2023, with Zeekr's sales volume surging 140% YoY to about 13,000 units. NEVs accounted for 30% of Geely's total wholesale volume last month. Retail sales volume at Geely rose 28% YoY and fell 7% MoM to about 116,000 units in Jul.

Geely added its inventories at dealers by about 1,200 units in Jul 2023, after 3-month destocking during Apr-Jun 2023. Its inventory level at dealers was still about two months as of Jul 2023, based on our calculations. Geely's average discounts at dealers narrowed MoM in Jul 2023, aided by better product mix. On the other hand, the automaker provides additional floating rebates to dealers in Aug for most internal-combustion engine (ICE) models, based on our channel checks, which may lead to higher discounts this month.

The *Zeekr 001* provided price discounts of RMB 30,000-37,000 (about 10%) from 11 Aug, which was in line with our prior argument in the [report published on 24 Jul 2023](#), as more rival models have been launched recently.

Geely's cumulative wholesale volume rose 13% YoY to about 832,000 units in the first seven months of 2023. We revised up our FY23E sales volume forecast slightly from 1.52mn units to 1.55mn units on 23 Aug 2023, as the sales volume for the *Xingyue L* and *Emgrand EC7* in recent monthly exceeded our prior expectation. The *Galaxy L7* PHEV's wholesale volume exceeded 10,000 units with retail sales volume over 7,700 units last month, stronger than the initial ramp-up of the Haval *Xiaolong* PHEV. The *Galaxy L6* PHEV (compact sedan) and *E8* EV (mid-size sedan) are scheduled to be launched in 3Q23 and 4Q23, respectively. The mid-to-large size SUV *Jiyue 01* EV, joint developed by Geely (65%) and Baidu (45%), may be launched in Oct 2023, which could be a positive catalyst for Geely's share price, should its features and pricing beat investors' expectation.

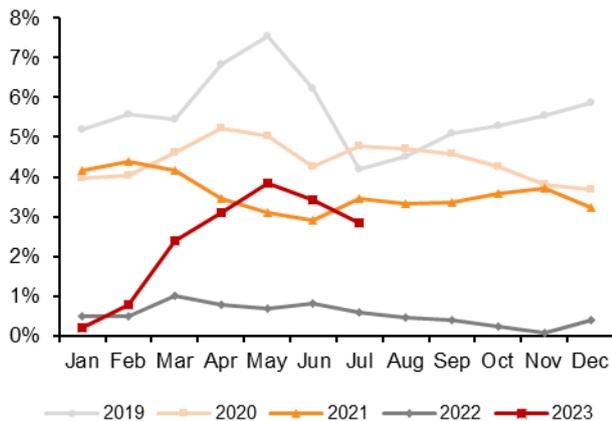
BYD

BYD's PV wholesale volume rose 61% YoY and 4% MoM to about 261,000 units in Jul 2023, the highest in history again. BYD's retail sales volume rose 52% YoY and fell 9% MoM to about 211,000 units last month, which led to an inventory restocking of about 31,000 units. Its inventory level at dealers was about 1.4 months as of Jul 2023, still the lowest among automakers which adopt dealer sales network. BYD's average discounts narrowed to around 2.9% in Jul 2023.

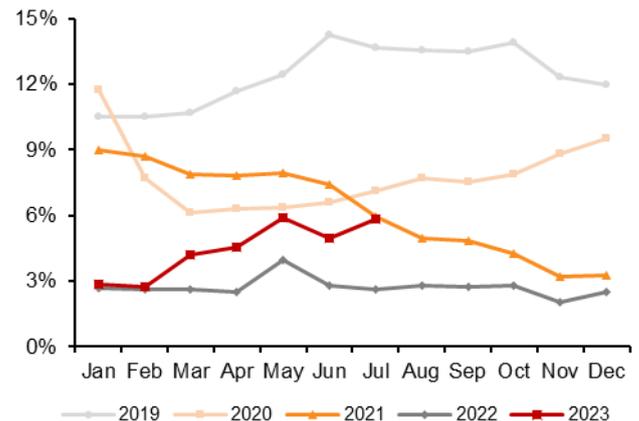
BYD's exports increased to about 18,000 units in Jul, from about 10,500 units in Jun, driven by the *Dolphin* EV. The company targets 200,000-unit exports for FY23E, implying average monthly export to be around 21,500 units for the remaining five months. BYD targets 400,000-500,000 units of exports for FY24E, which could be the company's growth driver next year.

The *Denza D9* MPV's monthly sales volume has been stabilized at around 10,000 units in these months. The mid-size SUV *Denza N7* EV just started deliveries, and management expects a monthly delivery of 2,000 units in Aug. The new mid-to large-size SUV *Denza N8* PHEV was launched with an MSRP of RMB 319,800-326,800 on 5 Aug, which will start deliveries in late Aug, competing with the *Li L8* and *Wey Lanshan*. We are still of the view that the pricing for the *Denza N7* and *N8* is a bit too high, after the success of the *D9*. Denza targets 210,000-unit sales volume in FY23E, implying monthly sales of over 28,000 units for the remaining five months, which could be aggressive in our view.

Two premium off-road style SUVs, the *Bao 5* (likely priced above RMB 400,000) and Yangwang *U8* (priced at about RMB 1mn), are scheduled to deliver in 4Q23. Both brands (Fangchengbao and Yangwang) plan to launch three more new models in 2024, respectively. In our view, it is still a bit early to draw a conclusion for BYD's upmarket attempt. Similar to the Denza *N7* and *N8*, we are concerned about these two premium brands' pricing strategy.

Figure 3: BYD discounts at dealers


Source: ThinkerCar, CMBIGM

Figure 4: GAC Trumpchi & Aion discounts at dealers


Source: ThinkerCar, CMBIGM

Guangzhou Automobile Group

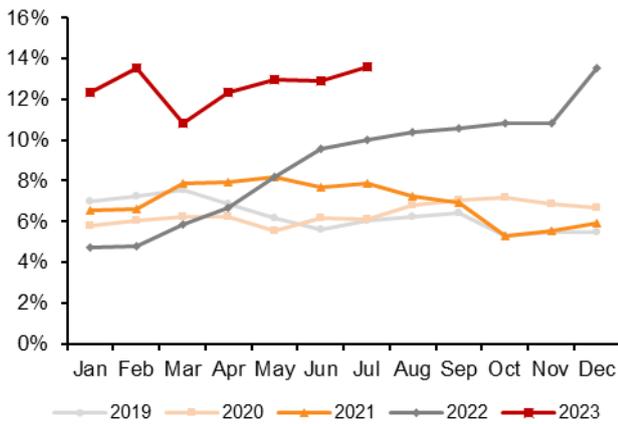
Total wholesale volume at GAC Group fell 14% YoY and 20% MoM to about 189,000 units in Jul 2023, much weaker than the industry average. GAC's sales volume was mainly dragged by GAC Honda (-44% YoY) and GAC Toyota (-17% YoY). Sales volume of GAC Aion remained flat MoM at around 45,000 units last month (+80% YoY).

Retail sales volume of Aion dropped 12% MoM to about 36,000 units in Jul 2023, leading to an inventory increase of 8,700 units. We estimate Aion's inventory level to be about 2.1 months now. The *Hyper GT* started deliveries in late Jul, with wholesale volume of 2,000 units and retail sales volume of 673 units. Management expects *Hyper GT*'s monthly deliveries to exceed 10,000 units in 2-3 months.

GAC Toyota's retail sales volume fell 14% YoY and 18% MoM to about 73,000 units in Jul 2023. Its inventory level declined for a fourth consecutive month to about 1.1 months as of Jul 2023. GAC Toyota's average discounts widened slightly MoM in Jul 2023. GAC Toyota has cut its 2023 sales-volume target to 0.95mn units as we had expected, based on our dealer channel checks. Toyota has also raised rebates to dealers amid high discounts.

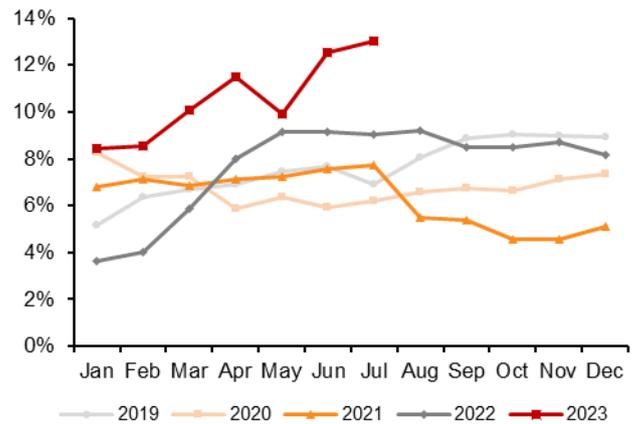
Retail volume of GAC Honda fell 35% YoY and 32% MoM to about 44,000 units in Jul 2023, which led to an inventory cut of about 2,800 units. Yet, its inventory level is still close to two months, based on our calculations. GAC Honda's discounts at dealers widened to a record high again last month. GAC Honda faces more challenges this year than ever before, in our view.

Figure 5: GAC Toyota discounts at dealers



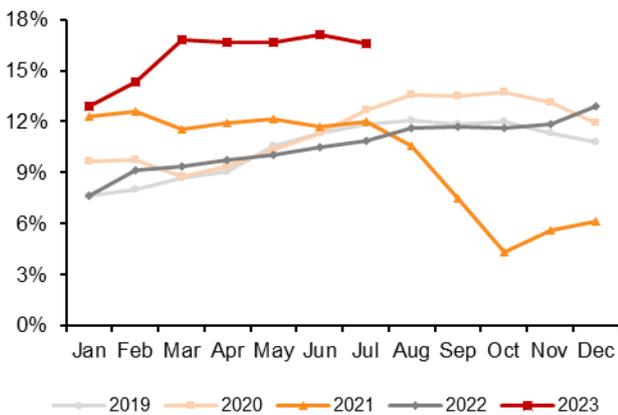
Source: ThinkerCar, CMBIGM

Figure 6: GAC Honda discounts at dealers



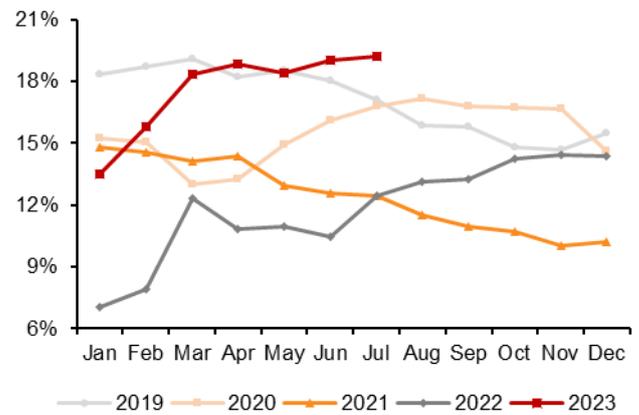
Source: ThinkerCar, CMBIGM

Figure 7: Beijing Benz discounts at dealers



Source: ThinkerCar, CMBIGM

Figure 8: BMW Brilliance discounts at dealers



Source: ThinkerCar, CMBIGM

Discounts for BMW Brilliance widened MoM in Jul 2023, to an all-time high level, worse than our prior expectation. The lowered discounts for the new-generation X1 were not enough to offset rising discounts for other models, especially the i3 EV in Jul. Last month, we expected BMW to provide special subsidies to dealers again in 2H23, as the automaker only raised its incentives per vehicle by about RMB 1,000 in 3Q23 vs. 2Q23 (excluding the special subsidies announced on 1 Jun 2023), based on our channel checks. It has come sooner than we had expected. On 13 Jul 2023, BMW announced additional subsidies of RMB 5,000-7,000 per vehicle for locally-produced models and RMB 4,000 per vehicle for imported models in 3Q23.

Average discounts for Beijing Benz narrowed slightly in Jul from the record high of about 17% in Jun, given sales ramp-up of new GLC. However, the discounts at model level still widened in late Jul compared with early Jul and Jun.

Figure 9: China passenger-vehicle wholesale volume by OEM / brand

	Total					NEV				
	Jul 2023	YoY %	MoM %	YTD	YTD YoY %	Jul 2023	YoY %	MoM %	YTD	YTD YoY %
Chinese OEMs	1,211,840	11.4%	-0.3%	7,351,600	20.0%	617,174	27.6%	1.8%	3,483,359	38.1%
Geely	138,135	12.6%	0.2%	832,180	13.0%	41,014	28.0%	6.3%	198,908	41.5%
Great Wall Motor	93,225	8.9%	5.5%	509,644	0.0%	28,896	162.8%	8.5%	121,965	64.7%
Changan	136,252	4.6%	-2.3%	907,081	16.7%	36,899	65.2%	0.7%	198,843	118.3%
SAIC-GM-Wuling	84,059	-31.8%	14.4%	424,442	-32.3%	34,537	-41.8%	13.3%	145,237	-50.5%
SAIC	71,771	-16.9%	-0.9%	482,071	6.7%	25,150	18.3%	-15.6%	186,726	90.1%
BYD	261,105	61.0%	3.7%	1,509,266	87.3%	261,105	61.0%	3.7%	1,509,266	88.5%
GAC Motor	76,369	35.5%	-11.3%	477,444	44.7%	47,486	89.7%	-0.4%	263,160	109.0%
Chery	142,397	14.0%	3.7%	837,573	48.0%	8,830	-65.4%	-16.5%	53,814	-60.8%
Dongfeng	18,861	-38.8%	-28.9%	145,103	-43.8%	6,309	-57.9%	-25.2%	38,487	-51.2%
FAW	39,715	35.2%	-17.9%	238,392	28.4%	5,011	11.4%	-34.9%	41,221	139.5%
BAIC	9,540	10.7%	-52.3%	80,586	74.7%	4,518	24.1%	-63.4%	43,191	109.2%
NIO	20,462	103.6%	91.1%	75,023	23.2%	20,462	103.6%	91.1%	75,023	23.2%
Li Auto	34,134	227.5%	4.8%	173,251	144.6%	34,134	227.5%	4.8%	173,251	144.6%
Xpeng	11,008	-4.5%	27.7%	52,443	-34.9%	11,008	-4.5%	27.7%	52,443	-34.9%
Neta	10,039	-28.5%	-17.3%	72,456	-6.1%	10,039	-28.5%	-17.3%	72,456	-6.1%
Leap Motor	14,335	19.0%	8.5%	58,837	-8.1%	14,335	19.0%	8.5%	58,837	-8.1%
Jinkang Seres	4,231	-41.5%	-17.2%	27,477	0.1%	4,231	-41.5%	-17.2%	27,477	0.1%
German Brands	353,784	-14.2%	-14.8%	2,341,651	-1.4%	34,448	-8.0%	2.1%	164,851	28.0%
VW	168,293	-25.4%	-17.8%	1,135,434	-11.1%	18,195	-31.5%	25.7%	78,257	-26.9%
Audi	52,691	-11.7%	-24.8%	345,113	2.3%	3,423	184.3%	3.2%	15,988	239.4%
BMW	60,985	20.3%	8.4%	395,086	8.1%	5,388	-6.4%	-23.9%	49,079	77.0%
Mercedes-Benz	54,528	-17.6%	-10.6%	371,097	6.4%	2,688	-31.7%	-7.6%	21,527	2.2%
Jetta	12,533	25.3%	-26.3%	94,921	7.6%	-	N/A	N/A	-	N/A
Japanese Brands	284,374	-31.1%	-15.2%	1,958,955	-21.2%	4,655	39.3%	-42.8%	36,372	75.9%
Honda	93,898	-38.8%	-8.4%	607,548	-27.7%	3,476	46.5%	-13.8%	14,119	16.3%
Toyota	139,740	-16.1%	-12.2%	951,333	-9.8%	1,057	18.6%	-70.0%	20,159	164.0%
Nissan	45,400	-44.0%	-31.3%	350,591	-29.4%	93	N/A	-82.0%	1,787	N/A
Mazda	4,937	-30.6%	-33.4%	37,034	-41.1%	29	20.8%	-50.0%	138	-46.1%
Mitsubishi	-	-100.0%	N/A	8,943	-49.5%	-	-100.0%	N/A	169	-71.5%
American Brands	173,325	-0.9%	-20.4%	1,244,865	12.8%	74,649	118.8%	-27.4%	579,658	65.7%
Buick	45,839	-34.6%	-12.6%	310,694	-17.1%	9,020	103.7%	11.5%	32,269	56.3%
Chevrolet	19,162	-18.6%	-10.6%	129,410	-13.7%	501	-29.9%	-50.0%	4,341	14.3%
Cadillac	20,300	-5.2%	6.3%	96,155	-1.1%	500	1036.4%	2531.6%	1,584	2946.2%
Ford	16,213	-35.2%	-33.5%	132,020	12.7%	342	-38.0%	344.2%	636	-67.4%
Lincoln	7,526	13.3%	11.5%	35,762	-9.4%	1	-99.4%	N/A	4	-98.7%
Tesla	64,285	127.8%	-31.4%	540,824	67.5%	64,285	127.8%	-31.4%	540,824	67.5%
Korean Brands	28,366	-26.8%	-28.8%	210,550	7.8%	13	-94.4%	N/A	13	-98.4%
Hyundai	12,530	-47.9%	-47.8%	130,857	10.7%	-	-100.0%	N/A	-	-100.0%
Kia	15,836	7.5%	-0.1%	79,693	3.3%	13	-93.5%	N/A	13	-97.5%
Others	29,502	-24.5%	-9.8%	166,335	-8.4%	7,345	-3.5%	28.6%	11,491	32.9%
PSA	4,862	-48.2%	-31.6%	45,728	-28.2%	127	-83.3%	15.5%	3,746	-24.4%
Volvo	12,975	-14.3%	-14.0%	81,086	3.2%	1,034	39.0%	-0.5%	7,014	73.6%
Jaguar	1,587	5.4%	-13.7%	12,804	12.1%	-	N/A	N/A	-	N/A
Land Rover	2,461	-25.5%	-5.5%	17,010	1.4%	65	1525.0%	-27.0%	731	-43.4%
Total	2,081,191	-3.9%	-7.8%	13,273,956	6.3%	738,284	30.3%	-2.4%	13,273,956	40.9%

Source: CPCA, CMBIGM

Figure 10: China passenger-vehicle monthly retail sales volume by OEM / brand

	Total					NEV				
	Jul 2023	YoY %	MoM %	YTD	YTD YoY %	Jul 2023	YoY %	MoM %	YTD	YTD YoY %
Chinese OEMs										
Geely	105,426	20.7%	-9.2%	637,991	7.9%	29,636	41.7%	1.3%	137,876	62.0%
Zeekr	11,025	190.7%	16.3%	51,971	129.8%	11,025	190.7%	16.3%	51,971	129.8%
Great Wall	62,921	0.9%	-8.4%	388,826	-8.2%	17,806	113.7%	-16.0%	86,663	25.4%
Changan	117,088	17.8%	1.7%	701,385	21.7%	37,224	102.6%	35.0%	159,074	96.1%
SAIC Motor	21,895	-26.9%	-9.2%	161,923	-29.6%	8,054	-3.2%	-5.7%	47,155	-2.7%
GAC Trumpchi	28,518	9.2%	-14.3%	189,995	14.2%	2,742	5993.3%	47.8%	5,084	2708.8%
GAC Aion	36,317	57.2%	-12.3%	235,121	121.3%	36,317	57.2%	-12.3%	235,121	121.3%
BYD	211,554	51.6%	-9.4%	1,300,929	79.1%	211,553	52.1%	-9.4%	1,300,786	83.7%
SAIC-GM-Wuling	55,407	-19.3%	9.4%	366,599	-21.2%	34,761	-13.1%	14.7%	211,686	-17.4%
BAIC Magna	1,289	4.2%	-26.6%	7,745	31.7%	1,289	4.2%	-26.6%	7,745	31.7%
Voyah	1,920	26.8%	-14.4%	10,845	31.6%	1,920	26.8%	-14.4%	10,845	31.6%
NIO	18,764	82.5%	69.8%	75,284	26.0%	18,764	82.5%	69.8%	75,284	26.0%
Lixiang	33,574	203.6%	3.0%	174,971	143.4%	33,574	203.6%	3.0%	174,971	143.4%
Xpeng	10,644	-8.3%	19.6%	51,773	-35.6%	10,644	-8.3%	19.6%	51,773	-35.6%
Neta	8,597	-25.0%	-11.9%	58,148	-17.3%	8,597	-25.0%	-11.9%	58,148	-17.3%
Leapmotor	11,838	8.5%	-13.5%	52,224	-8.5%	11,838	8.5%	-13.5%	52,224	-8.5%
Human Horizons	414	-21.3%	-29.6%	2,852	-8.3%	414	-21.3%	-29.6%	2,852	-8.3%
Jinkang Seres	4,506	-31.1%	0.1%	28,970	22.9%	4,506	-31.1%	0.1%	28,970	22.8%
Foreign OEMs										
SAIC VW	96,718	-15.7%	-3.4%	615,199	-4.4%	12,633	1.7%	103.9%	45,374	-8.2%
FAW VW	163,370	5.6%	-8.6%	993,799	5.8%	7,483	-30.6%	-15.4%	46,817	-3.8%
Beijing Benz	53,137	-5.0%	-3.5%	350,322	6.1%	3,474	-4.8%	-16.0%	23,753	17.7%
BMW Brilliance	55,524	-2.9%	-8.2%	389,067	6.4%	6,497	11.5%	-27.6%	53,141	91.5%
FAW Toyota	64,176	-23.8%	-19.0%	418,176	-2.7%	2,651	257.3%	-24.0%	14,737	238.9%
GAC Toyota	73,200	-13.8%	-18.3%	490,172	-10.5%	704	42.8%	-54.4%	5,527	24.2%
Dongfeng Honda	46,763	-31.5%	-9.6%	285,987	-27.8%	1,870	-3.2%	201.1%	9,276	-17.2%
GAC Honda	43,810	-34.7%	-32.1%	315,228	-22.7%	1,184	40.6%	-12.5%	6,346	-3.8%
Dongfeng Nissan	54,023	-32.7%	-18.1%	372,269	-23.9%	3,472	#DIV/0!	11.4%	7,254	42570.6%
GAC Mitsubishi	2,318	-16.1%	42.2%	11,233	-44.7%	2	-96.8%	-50.0%	35	-89.6%
SAIC GM	72,642	-27.0%	-11.5%	477,118	-12.0%	5,875	38.0%	-11.7%	29,696	37.0%
Changan Ford	12,187	-12.7%	-7.6%	72,744	-22.2%	136	-80.2%	-40.4%	1,500	-66.8%
Tesla China	32,593	265.0%	-55.5%	327,408	58.1%	32,593	265.0%	-55.5%	327,408	58.1%
Volvo Asia Pacific	12,848	-7.4%	-3.8%	76,835	2.2%	1,142	40.6%	1.5%	7,475	32.7%
Chery JLR	4,316	-8.2%	2.2%	29,732	9.3%	87	-64.6%	-13.9%	1,151	-12.9%
Beijing Hyundai	18,838	-14.5%	-11.3%	132,607	0.6%	2	-96.1%	100.0%	17	-93.7%
Yueda Kia	6,824	-17.1%	-3.0%	45,394	-22.2%	0	-100.0%	-100.0%	79	-83.6%
Total (excl. imports)	1,723,361	0.4%	-9.7%	10,922,810	4.0%	607,127	38.1%	-6.5%	3,528,203	39.2%
Imports by Brand										
Lexus	16,008	-17.5%	-2.4%	86,600	-18.2%	494	29.3%	-56.6%	5,530	157.0%
BMW	7,921	-15.8%	-7.0%	59,395	-8.0%	738	472.1%	-18.6%	3,814	240.5%
Mercedes-Benz	11,244	-27.6%	-0.6%	91,713	-4.4%	279	-49.4%	40.9%	2,501	-31.2%
Porsche	5,352	-47.3%	-22.0%	49,377	-6.1%	546	-62.9%	-46.2%	8,232	27.4%
Audi	5,775	47.4%	-6.9%	34,983	30.6%	60	106.9%	252.9%	201	-31.4%
Total Imports	60,463	-18.6%	-7.5%	425,474	-3.7%	2,533	-17.6%	-53.2%	24,754	53.4%
Total	1,783,824	-0.4%	-9.6%	11,348,284	3.7%	609,660	37.7%	-6.9%	3,552,957	39.3%

Source: CATARC, CMBIGM

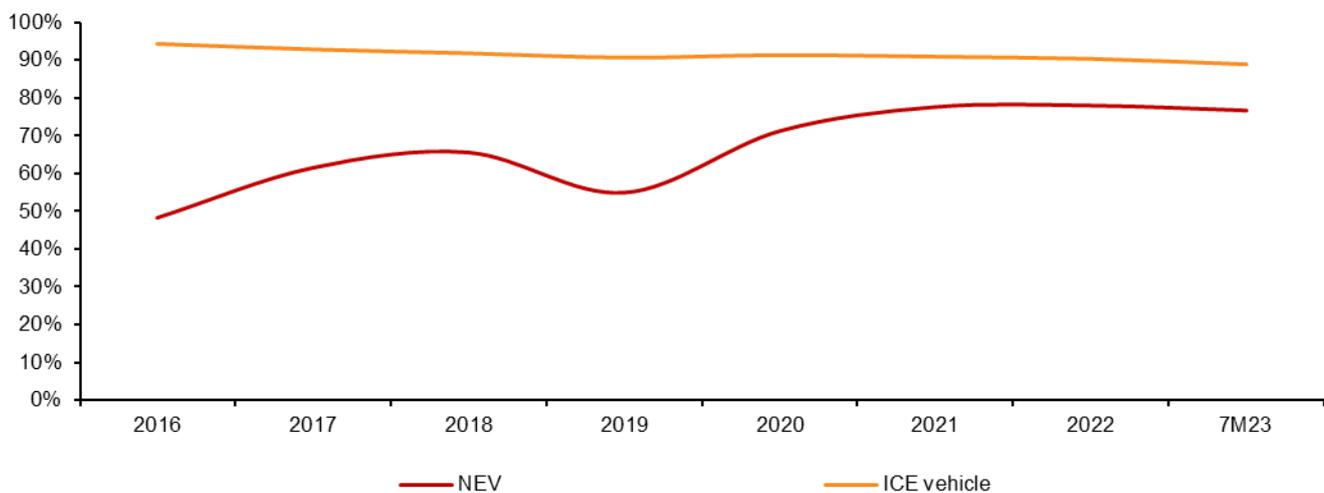
NEV Segment

Trailing 12-month NEV market share reached 30%

In Jul 2023, retail sales volume of passenger NEVs rose 38% YoY and fell 7% MoM to about 610,000 units, in line with our prior forecast. NEV's market share climbed to 34.2% in Jul 2023 from 33.2% in Jun 2023 on a retail basis. The trailing 12-month NEV market share rose for 37 months in a row to 29.9% as of Jul 2023. The cumulative NEV retail sales volume rose 40% YoY to 3.5mn units in the first seven months of 2023, well on track towards our full-year forecast of 7.1mn units.

Individual customers accounted for about 76% of total NEV retail sales in Jul 2023. Such ratio hit a record high of 83% in Jan 2023, as purchases of more price-sensitive ride-hailing cars were pulled ahead of the subsidy phase-out. We expect such ratio to be stable now.

Figure 11: Proportion of NEVs sold to individual customers vs that of ICE vehicles in China



Source: CATARC, CMBIGM

Wholesale volume of passenger NEVs rose 31% YoY and fell 3% MoM to about 745,000 units in Jul 2023, with market share of 35.5%. NEV wholesale volume beat our prior expectation by 25,000 units last month, amid an inventory increase of about 46,000 units. NEV inventories at dealers have increased by about 0.25mn units in the first seven months of 2023.

We estimate the current nationwide NEV inventory level to be about 2.0 months based on our NEV sales forecasts for the next few months. In fact, the figure could be even higher for individual NEV makers because about 20% of total NEVs sold in 1H23 were through direct-sales model (excluding agency model) which is supposed to have minimal inventories.

NEV exports jumped 100% YoY and 43% MoM to about 92,000 units in Jul 2023, slightly lower than our prior expectation. BYD's exports almost doubled MoM to about 18,000 units, right after Tesla's 33,000 units of exports. The cumulative NEV exports rose 151% YoY to about 0.54mn units in the first seven months of 2023. Tesla accounted for 40% of China's total NEV exports in the first seven months of 2023 (vs. 48% in 2022), followed by BYD (17% vs. 10% in 2022) and MG (15% vs. 11% in 2022). Our full-year forecast of 0.99mn units assumes more Chinese brands to start or increase NEV exports in 2H23 but a moderate decline for Tesla in 4Q23.

We still expect NEV market share to rise sequentially for the remainder of the year with sales ramp-up of new models. Based on the data we compiled, four brand-new NEV models were launched in Jul 2023, including *Denza N7 EV*, *Venucia V-Online PHEV*, *Hyper GT EV*, and *HiPhi Y EV*. We expect at least three new NEV models to be rolled out this month, including *Baojun Yunduo EV*, *BMW iX1 EV* and *Kia EV6 EV*. We projected about 110 new NEV models or models with NEV powertrain available to be launched in 2023 in our [outlook report published on 7 Dec 2022](#). About 41 new NEV models were rolled out in the first seven months of 2023.

NEV by city-tier: Tier-1 cities underperformed in Jul

NEV market share, on a trailing 12-month basis, rose to 41.5% (+0.5 ppt MoM), 31.5% (+0.9 ppt MoM), 27.1% (+1.0 ppt MoM) and 22.1% (+0.7 ppt MoM), in tier-1, tier-2, tier-3, and tier-4 and below cities as of Jul 2023, respectively.

On a MoM basis, NEV retail sales volume in tier-1 cities fell 20% in Jul 2023, mainly due to the pre-buying effect before the expiration of local subsidies in Jun, especially in Shanghai and Shenzhen. NEV retail sales volume in tier-2 cities fell 7% MoM in Jul, while that of tier-3 and below cities remained flat MoM.

On a YoY basis, NEV retail sales volume in tier-1 cities only rose 10% in Jul 2023 amid high comparison base. NEV retail sales volume in tier-2 and below cities rose 45% YoY in Jul 2023. That was in line with our prior argument that NEV retail sales growth in lower tier cities could outpace that in tier-1 cities in 2H23.

The Tesla *Model Y* retained the best-selling NEV model with market share of 9% in tier-1 and -2 cities combined in the first seven months of 2023. In Jul 2023, the NIO *ES6*'s retail sales volume jumped to the 5th place in tier-1 cities, with an all-time high of about 2,800 units. The *Wuling Hongguang Mini EV* still tops in the tier-3 and below cities, with market share declining to 8% in the first seven months of 2023 (vs. 15% in 2022). The market share for mini-size BEVs has been falling as we expected. Mini BEVs accounted for 15% of total BEV retail sales volume nationwide in the first seven months of 2023, down from 26% in 2022.

Figure 12: China NEV market share by city tier (trailing 12-month basis)

Market Share	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023
Tier 1	39.4%	39.7%	40.1%	40.3%	40.6%	40.9%	41.5%
Tier 2	28.2%	28.8%	29.1%	29.4%	29.9%	30.6%	31.5%
Tier 3	23.7%	24.4%	24.5%	24.7%	25.3%	26.1%	27.1%
Tier 4 and below	19.3%	19.8%	20.0%	20.3%	20.8%	21.3%	22.1%
Nationwide	26.8%	27.3%	27.6%	27.9%	28.4%	29.1%	29.9%

Source: CATARC, CMBIGM

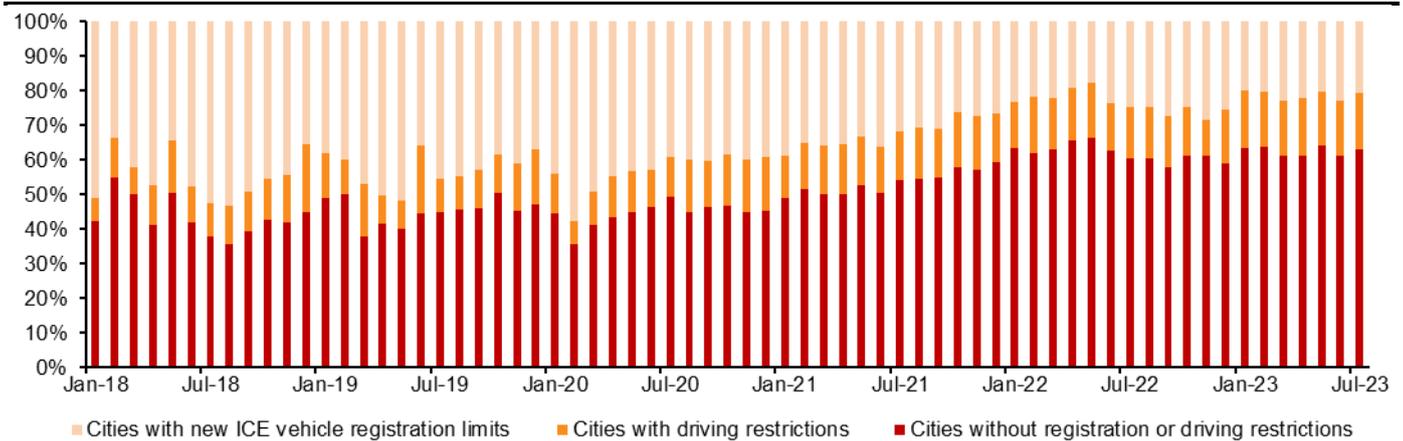
NEV by city type: Cities with ICE restrictions underperformed in Jul

We divide cities in China into three types based on whether there are restrictions for ICE vehicle registration or driving. In the first seven months of 2023, about 21% of NEV retail sales volume came from the seven regions with new ICE vehicle registration limits (Beijing, Shanghai, Shenzhen, Guangzhou, Tianjin, Hangzhou and Hainan province), down from 24% in 2022, partly due to Shanghai's cancellation of green license for PHEVs from 2023. Shanghai accounted for 5% of nationwide NEV retail sales in the first seven months of 2023, down from 6.4% in 2022. Despite that, China's PHEV retail sales volume YoY growth

still outpaced BEV in 1H23, which underscored our previous argument that Shanghai's green license cancellation for PHEVs should have limited dent on PHEVs.

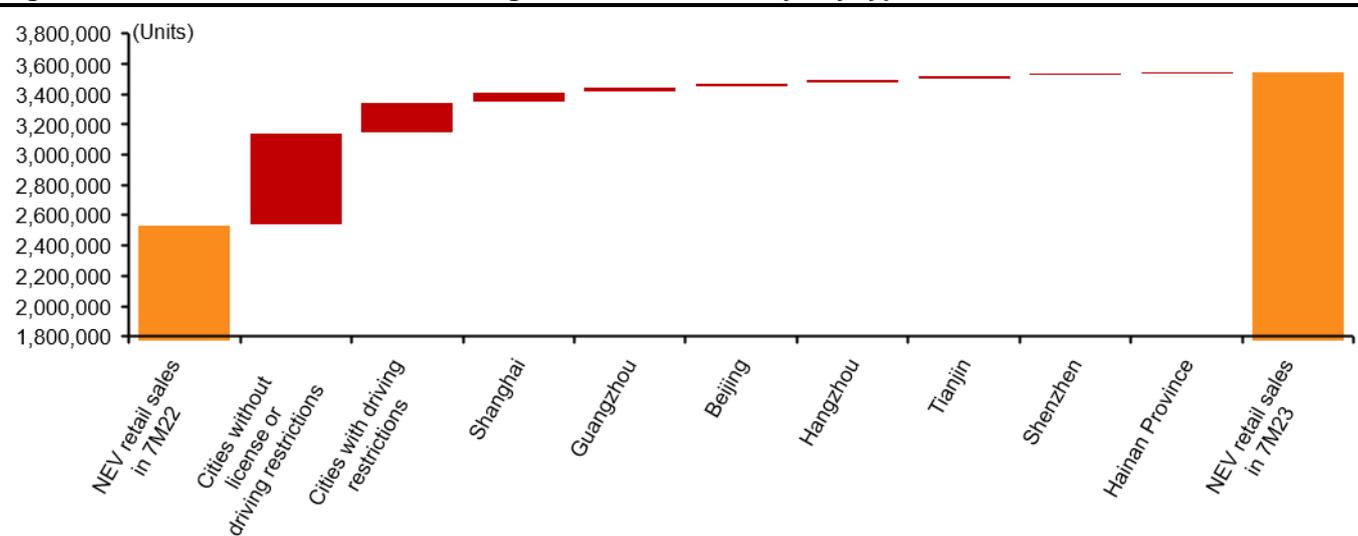
About 16% of NEV retail sales volume was from cities with driving restrictions (including 24 cities, like Baoding, Chongqing, Wuhan, Xi'an, etc.) in the first seven months of 2023, up from 14% in 2022. The remaining 62% of NEV retail sales volume was contributed by cities without license or driving restrictions in the first seven months of 2023, rising by 1 ppt from that of 2022.

Figure 13: NEV market share by city type



Source: CATARC, CMBIGM

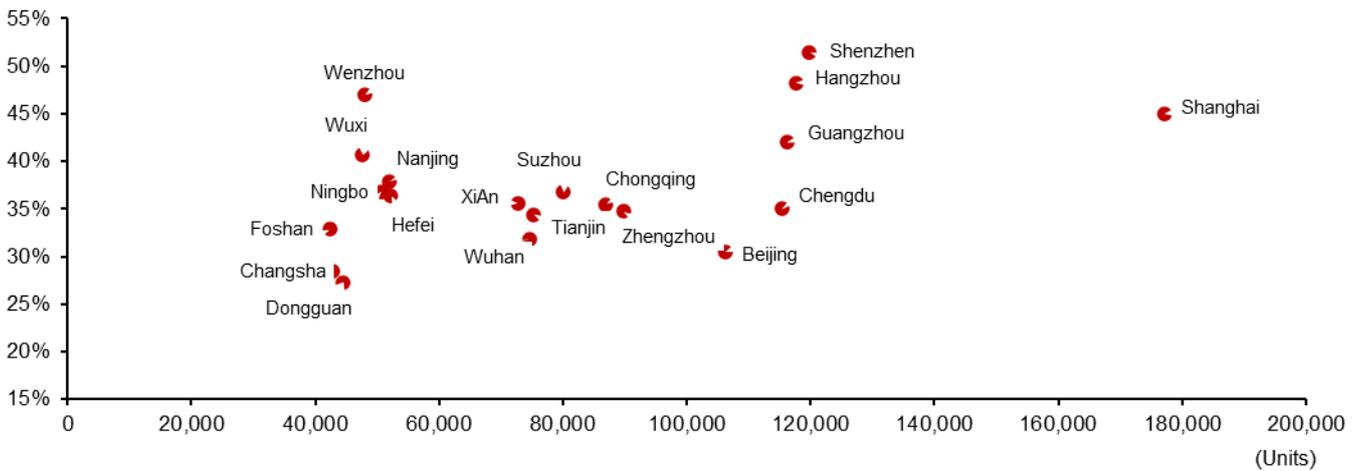
Figure 14: NEV retail sales volume YoY growth contribution by city type in 7M23



Source: CATARC, CMBIGM

China's total NEV retail sales volume increased by about 1mn units YoY in the first seven months of 2023. About 61% of the increment was from cities without license or driving restrictions. Despite the cancellation of green license for PHEVs, NEV retail sales volume in Shanghai rose by about 65,000 units or 58% YoY in the first seven months of 2023, due to low comparison base. Therefore, Shanghai retained the NEV retail sales crown among all cities in China in the first seven months of 2023. PHEVs only accounted for 7% of total NEV retail sales volume in Shanghai in the first seven months of 2023, down from 37% in 2022.

Figure 15: NEV retail sales volume in top 20 cities with corresponding NEV market share in 7M23



Source: CATARC, CMBIGM

Among the top 20 cities in terms of NEV retail sales volume, Shenzhen had the largest NEV market share of 51% in the first seven months of 2023, followed by Hangzhou and Wenzhou in Zhejiang Province. Shanghai ranked the 4th place with 45% of retail sales volume from NEVs in the first seven months of 2023. Beijing’s NEV market share rose to 30% in the first seven months of 2023, just ahead of Dongguan and Changsha to be the third lowest among these 20 cities, but still below the national average, due to its caps on new NEV registrations every year.

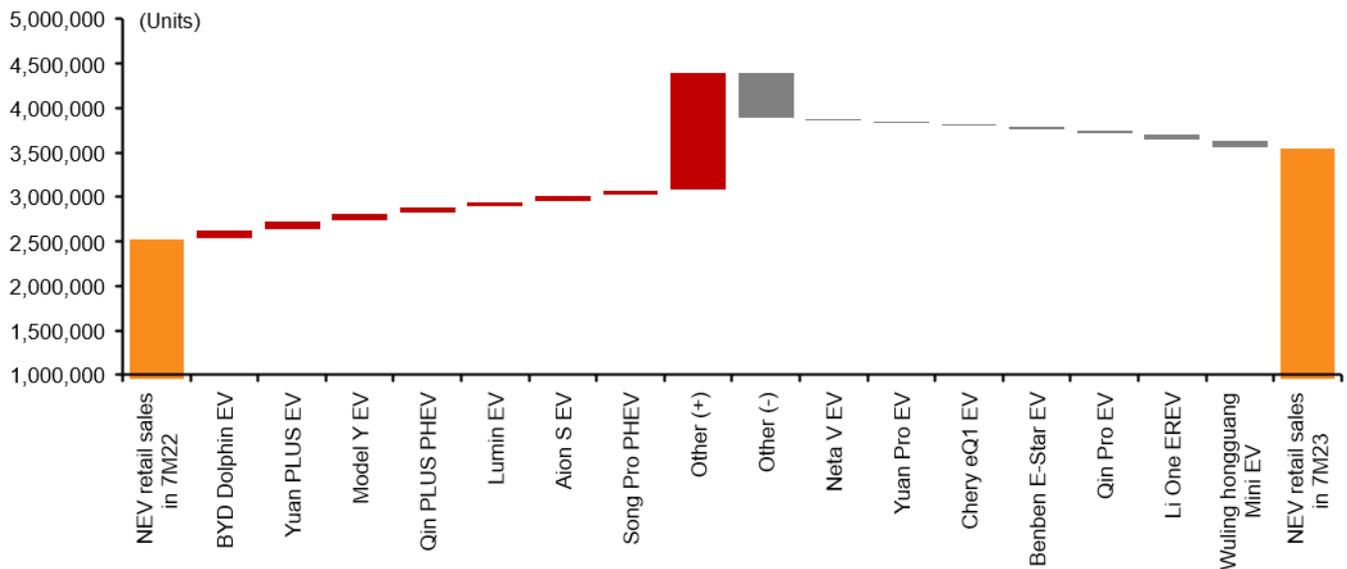
NEV by model: BYD Song Series PHEVs exceeded the Model Y YTD

BYD took up half of the top 10 best-selling NEV models, with the *Dolphin EV*, *Qin Plus PHEV*, *Song Plus PHEV*, *Yuan Plus EV* and *Song Pro PHEV*. In fact, the combined retail sales volume of BYD’s *Song Plus* and *Song Pro PHEVs* exceeded the Tesla *Model Y* in the first seven months of 2023 by about 13,000 units. Including exports, the *Model Y* still topped the NEV sales volume in the first seven months of 2023, ahead of the combined wholesale volume of the BYD *Song Series*. The Wuling *Hongguang Mini EV* fell to the 6th place in the first seven months of 2023, from the No.1 in 2020-22.

Excluding those discontinued models, such as the *Li ONE EREV* and *Qin Pro EV*, three mini-size BEVs (the Wuling *Hongguang Mini EV*, Chery *eQ1* and Changan *Benben E-Star*) posted the largest sales volume YoY decline in the first seven months of 2023. Their market share might be partly gained by Changan *Lumin EV*, which posted retail sales YoY growth of 67,000 units in the first seven months of 2023.

It appears to us that the low-end BEV market also shows consumption upgrade, as small-size and compact BEVs are gaining market share from mini-size BEVs. The BYD *Yuan BEVs* (including the *Yuan Plus* and *Yuan Pro*) combined posted YoY unit growth of about 58,000 units in the first seven months of 2023. The BYD *Dolphin EV* also posted YoY growth of about 100,000 units YTD.

Although no single model had a significant contribution to the nationwide NEV retail sales volume YTD growth based on the chart below, BYD (including Denza) contributed 59% of China’s NEV retail sales volume growth in the seven months of 2023 while Tesla contributed about 12%.

Figure 16: NEV retail sales volume growth contribution by model in 7M23


Source: CATARC, CMBIGM

BEV brands: VW entered the top 10 amid price cuts for the ID.3 EV

In the first seven months of 2023, total BEV retail sales volume rose 23% YoY to about 2.4mn units. BEV's market share in the NEV segment dropped to 68.2% in the first seven months of 2023 from 77.2% in 2022.

BYD and Tesla's market share increased to 26% and 13% in the BEV segment in the first seven months of 2023, from 20% and 11% in 2022, respectively. Although Tesla only delivered about 33,000 units in China in Jul, we expect its deliveries to rebound to above 60,000 units in Aug, partly driven by its price cuts of RMB 14,000 for the *Model Y* and insurance subsidy of RMB 8,000 for the *Model 3*. The facelifted *Model 3* may start deliveries in China from Sep 2023. GAC Aion retained the 3rd place in Jul 2023. These top 3 brands all gained market share in the first seven months of 2023 compared with last year.

Wuling retained the 4th place in Jul 2023 (vs. No.3 in 2022), Chery further slid to the 10th place last month (vs. No.6 in 2022), and Neta dropped out of the top 10 list last month (vs. No.7 in 2022). All three brands were dented by the shrinking mini-BEV segment and aging models. In contrast, Geely and Changan secured the 5th and 6th places, respectively, thanks to sales growth from the *Panda mini EV* and *Lumin EV*.

VW returned to the top 10 list in Jul 2023, after being kicked out for six months. Such MoM sales volume growth was mainly driven by a price cut of RMB 37,000 for the *ID.3 EV*. It appears to us that such sales lift has been gradually fading away in Aug 2023. VW's BEV retail sales volume in China fell 29% YoY in the first seven months of 2023 amid intensifying competition.

BMW ranked No.9 in terms of the BEV retail sales volume in the first seven months of 2023. BMW posted the highest YTD YoY sales volume growth among the top 10. In the first seven months of 2023, the *i3 BEV* and *iX3 BEV* contributed about 47% and 46% of BMW's NEV retail sales volume in China, respectively.

The competition, especially for the 5th-10th positions in China's BEV segment has been intensified. Compared with the top 10 list of 2022, Geely, NIO and BMW were the new joiners in the first seven months of 2023, while Dongfeng, Xpeng and Neta were kicked out.

Figure 17: Top 10 BEV brands' retail sales volume in China

Units	Jul 2023	YoY	YTD	YTD YoY	YTD Market Share in BEV Segment
Total BEV	418,014	24.0%	2,419,778	22.9%	100.0%
BYD	113,327	47.0%	629,929	69.6%	26.0%
Tesla	32,911	268.5%	329,695	59.2%	13.6%
GAC Aion	35,644	54.3%	234,174	120.4%	9.7%
Wuling	31,279	-17.0%	202,281	-15.8%	8.4%
Geely (incl. Geometry & Galaxy)	14,007	14.1%	89,565	65.8%	3.7%
Changan	17,280	2.3%	82,872	14.3%	3.4%
NIO	18,764	82.5%	75,284	26.0%	3.1%
VW	15,176	-20.7%	53,206	-29.1%	2.2%
BMW	6,795	45.9%	52,440	199.5%	2.2%
Chery	7,979	-44.7%	52,243	-51.5%	2.2%

Source: CATARC, CMBIGM

PHEV brands: Changan, Great Wall and Geely are catching up

In the first seven months of 2023, total PHEV (EREV included) retail sales volume rose 99% YoY to about 1.1mn units. PHEV's market share in the NEV segment increased to 31.8% in the first seven months of 2023 from 22.8% in 2022, in line with our previous forecast that PHEV's sales volume growth would outpace BEV's in 2023.

BYD's market share in the PHEV segment dropped to 54% in the first seven months of 2023 from 61% in 2022. Including Denza, the combined YTD market share of 59% was also lower than 61%, reflecting the heightened competition.

Lixiang's market share in the PHEV segment rose to 15.5% in the first seven months of 2023 from 10.4% in 2022. We project Li Auto's full-year sales volume to reach 360,000 units.

Changan Deepal retained the 4th position in the PHEV segment in Jul, with the highest YTD YoY growth rate among the top 10 brands. The retail sales volume of Deepal S7 EREV ramped up and rose to about 7,000 units in Jul 2023. Changan (ranked No.5) and Deepal's combined market share rose to 6% in the first seven months of 2023.

Haval climbed to the 6th position in the first seven months of 2023, as VW's PHEV retail sales volume continued to drop last month. Geely also climbed to the 7th place, as the retail sales volume of the *Galaxy L7* PHEV rose to about 7,700 units in Jul, in line with our prior expectation. The cumulative retail sales volume of Haval and Geely was very close in Jul. We forecast Geely to surpass Haval in Aug 2023.

Aito fell into the 9th place in terms of the PHEV retail sales volume in the first seven months of 2023, compared with the 3rd position last year. Wey retained the No.10 spot in Jul, despite the retail sales volume of the *Lanshan* PHEV fell to about 3,000 units from 4,800 units in Jun.

Only one foreign brand (VW) is still in the top 10 list, vs. four last year (VW, Mercedes-Benz, Nissan and BMW). As more EREV models are on sale from brands like Neta and Leap, Chinese brands could take all the spots among the top 10 list. In fact, Chinese brands' combined market share in the PHEV segment rose to 93% in the first seven months of 2023, from 89% in 2022. We expect such trend to continue based on the model pipeline.

Figure 18: Top 10 PHEV (EREV included) brands' retail sales volume in China

Units	Jul 2023	YoY	YTD	YTD YoY	YTD Market Share in PHEV Segment
Total PHEV	191,448	85.7%	1,128,081	98.8%	100.0%
BYD	87,680	41.5%	608,550	81.1%	53.9%
Lixiang	33,574	203.6%	174,971	143.4%	15.5%
Denza	9,491	105355.6%	57,964	6311.9%	5.1%
Deepal	10,734	33443.8%	37,811	118059.4%	3.4%
Changan	7,611	436.7%	29,641	246.0%	2.6%
Haval	5,785	N/A	24,033	N/A	2.1%
Geely (incl. Geometry & Galaxy)	8,763	212.6%	23,911	314.5%	2.1%
VW	2,245	-31.2%	22,556	16.4%	2.0%
Aito	3,113	-52.2%	20,842	-10.3%	1.8%
Wey	4,179	524.7%	16,771	331.8%	1.5%

Source: CATARC, CMBIGM

Other Industry Indicators to Watch

PV by city tier: Higher-tier cities outperformed YTD

Total PV retail sales volume dropped 0.4% YoY and 10% MoM to 1.78mn units in Jul 2023, largely in line with our prior forecast of 1.75mn units. Cumulative PV retail sales volume increased 3.7% YoY in the first seven months of 2023. Tier-1 cities underperformed tier-2 and below cities in terms of YoY growth in Jul 2023, given the high YoY comparison base due to the pent-up demand post the lockdowns. Yet, tier-1 and -2 cities are more resilient than lower tier cities during the down cycle, as they outperformed YTD.

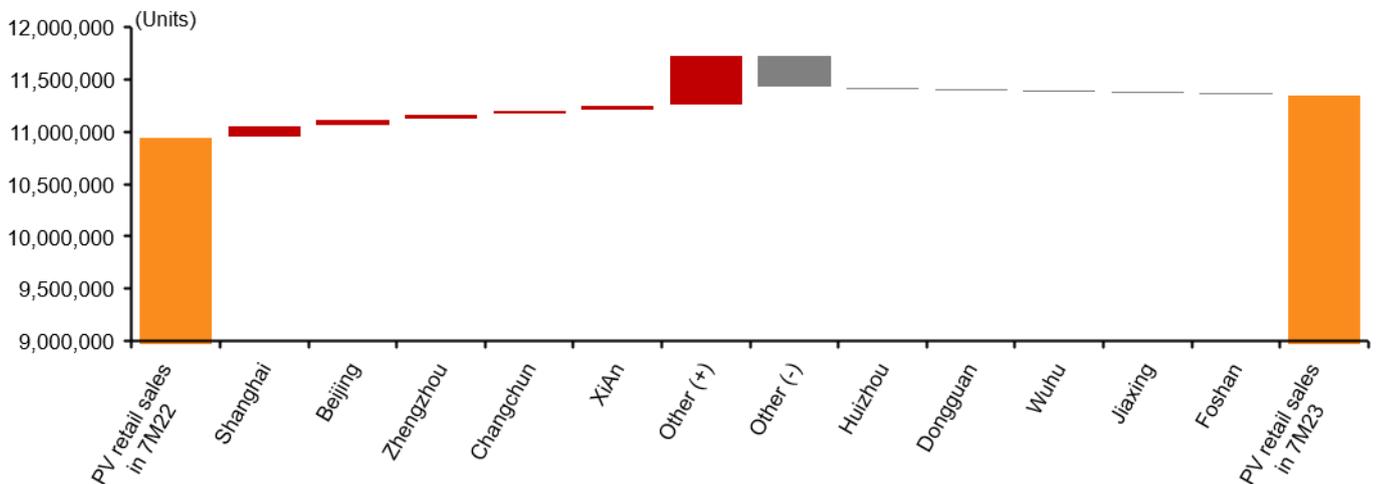
Figure 19: China auto retail sales growth by city tier

Retail Sales YoY Growth	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	YTD
Tier 1	-48.6%	28.2%	17.7%	97.6%	102.4%	15.3%	-6.7%	15.0%
Tier 2	-43.2%	17.4%	13.0%	63.5%	28.2%	2.0%	2.7%	5.7%
Tier 3	-39.4%	-0.2%	9.8%	52.9%	33.3%	-1.2%	0.4%	1.2%
Tier 4 and below	-42.8%	2.9%	6.4%	40.4%	22.1%	-1.8%	-4.9%	-3.6%
Nationwide	-42.8%	11.2%	11.5%	59.5%	33.1%	2.1%	-0.4%	3.7%

Source: CATARC, CMBIGM

The low base effect resulted from COVID last year still dominated the city-level retail sales volume YoY growth in the first seven months of 2023. Shanghai, Beijing, Zhengzhou, Changchun and Xi'an posted the largest YoY retail sales volume growth in the first seven months of 2023.

Figure 20: PV retail sales volume YoY growth contribution by city in 7M23



Source: CATARC, CMBIGM

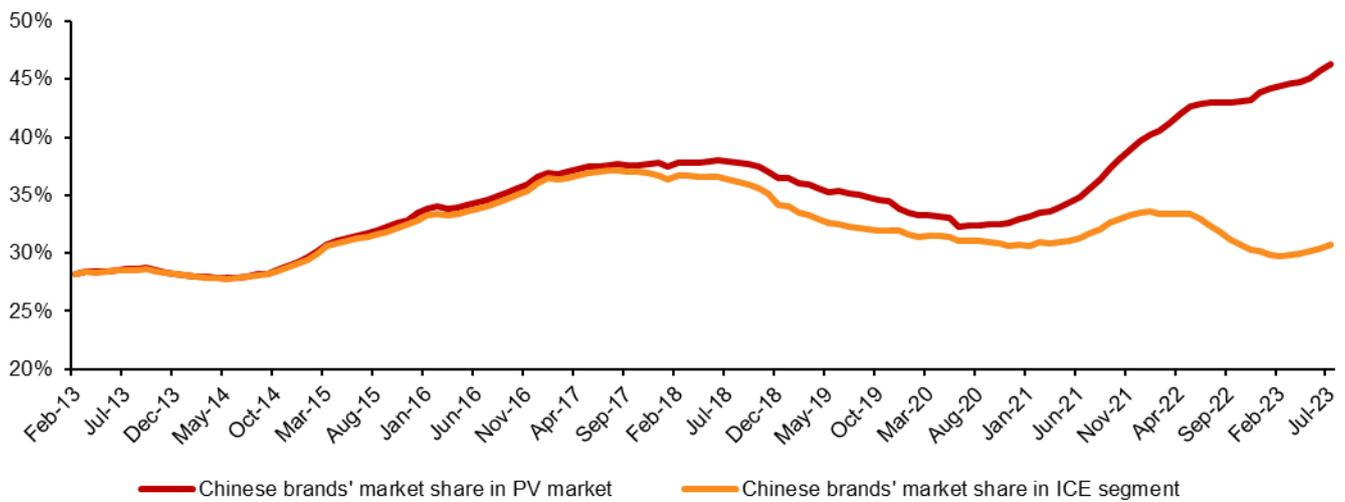
Chinese-brand trailing 12-month market share rose to 46.3%

Cumulative retail sales volume for Chinese brands rose 15% YoY in the first seven months of 2023, outpacing the overall industry by 11 ppts, thanks to higher NEV penetration in China. Chinese-brand NEV retail sales volume rose 38% YoY in the first seven months of 2023, underperforming the overall NEV segment by 2 ppts. Excluding NEVs, retail sales volume of Chinese-brand ICE vehicles fell 4% YoY in the first seven months of 2023, stronger than the overall ICE segment by 3 ppts. Therefore, we can see from the chart below that Chinese brands' trailing 12-month market share in the ICE segment started to

rise since Apr 2023, as Chinese brands' dominance in the NEV segment probably gives consumers more confidence on its ICE models. It became more apparent in Jul 2023, as the ICE retail sales volume for Chinese brands only fell 2% YoY last month, significantly better than 13% YoY decline for the overall ICE segment.

US brands achieved market share gain in the NEV segment aided by Tesla while German brands' market share rose in the ICE segment in the first seven months of 2023. Chinese brands largely grabbed market share from Japanese brands, as Japanese brands posted the largest retail sales volume decline among all the brands in the first seven months of 2023 (-18% YoY).

Figure 21: Chinese brands' market share (trailing 12-month basis)



Source: CATARC, CMBIGM

Traditional luxury underperformed for a third month

The retail sales volume of traditional luxury brands fell 8% YoY and 7% MoM to about 0.26mn units in Jul 2023, underperforming the overall industry for a third consecutive month after outperforming for eight months in a row, in line with our prior expectation. The cumulative retail sales volume of traditional luxury brands rose 4% YoY to 1.8mn units in the first seven months of 2023, largely in line with the overall industry. We have been expecting a slight underperformance for traditional luxury brands compared with the overall industry in 2023, which is well on track as major luxury brands have cut their full-year targets. Luxury market share, on a trailing 12-month basis, remained at 15% as of Jul 2023.

Figure 22: China traditional luxury auto market share by city tier (trailing 12-month basis)

Market Share	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023
Tier 1	20.7%	20.8%	21.0%	20.9%	21.0%	20.8%	20.6%
Tier 2	18.3%	18.4%	18.4%	18.4%	18.3%	18.2%	18.0%
Tier 3	10.8%	11.0%	11.1%	11.2%	11.1%	11.1%	11.1%
Tier 4 and below	7.3%	7.4%	7.4%	7.5%	7.5%	7.5%	7.5%
Nationwide	14.8%	15.0%	15.1%	15.1%	15.1%	15.0%	14.9%

Source: CATARC, CMBIGM

Mercedes-Benz retained the No.1 place among the traditional luxury brands in China in the first seven months of 2023, widening the YTD sales gap with BMW to about 8,800 units. The German "Big Three" (Mercedes-Benz, BMW, Audi) accounted for market share of 73%

YTD, up from 72% in 2022. The German “Big Three” all achieved positive YoY growth (4-5%) in the first seven months of 2023, which was higher than our prior expectation, at a cost of higher discounts.

Cadillac, Volvo and Lexus retained the 4-6th places in the first seven months of 2023. Lexus posted the largest YTD YoY decline among the top 10. We note in our report in Jul 2023 that Porsche had decided to cut its full-year sales target in China by about 10% to 83,000 units in order to maintain its brand proposition. That probably explains why its retail sales volume plunged 47% YoY and 22% MoM to about 5,400 units last month. Smart retained the 10th place in the first seven months of 2023, despite the potential cannibalization between the Smart #1 EV and #3 EV.

Figure 23: Top 10 traditional luxury auto brands’ retail sales volume in China

Units	Jul 2023	YoY	YTD	YTD YoY	YTD Market Share in Luxury Segment
Total Luxury	263,789	-7.5%	1,765,334	3.9%	100.0%
Mercedes-Benz	66,851	-10.2%	457,273	3.6%	25.9%
BMW	63,445	-4.7%	448,462	4.3%	25.4%
Audi	60,748	-1.0%	382,527	5.4%	21.7%
Cadillac	13,271	-22.5%	100,324	5.1%	5.7%
Volvo	14,474	-7.8%	88,635	3.2%	5.0%
Lexus	16,008	-17.5%	86,600	-18.2%	4.9%
Porsche	5,352	-47.3%	49,377	-6.1%	2.8%
Land Rover	7,054	9.1%	47,794	26.0%	2.7%
Lincoln	6,641	-13.3%	39,551	-13.0%	2.2%
Smart	4,449	5912.2%	27,860	37548.6%	1.6%

Source: CATARC, CMBIGM

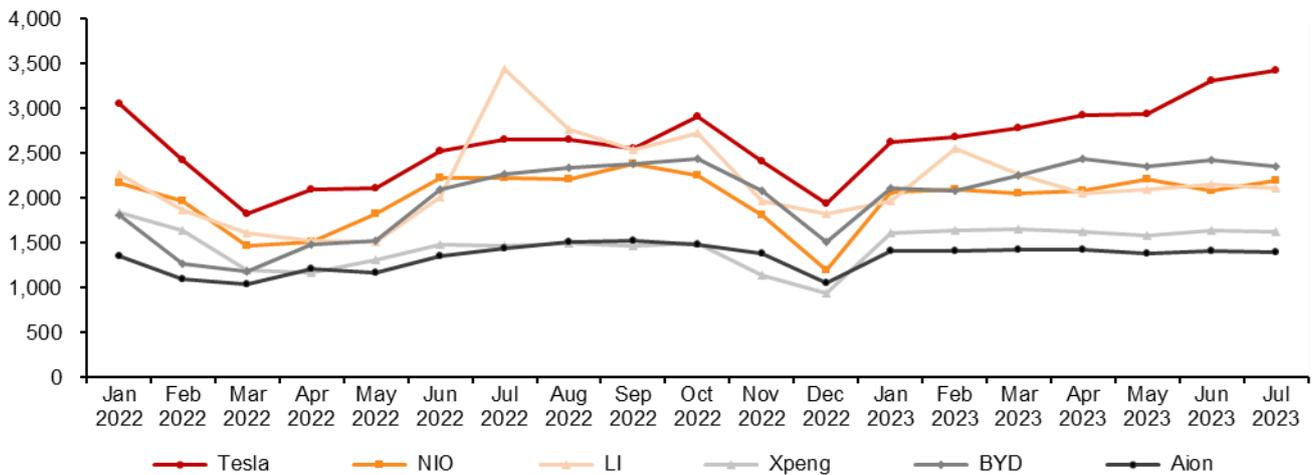
Appendix: NEV Leading Indicators

The leading indicators below, including number of leads, customer flows, and new orders generated, for Tesla, NIO, Lixiang, Xpeng, BYD and Aion are based on data from a sample size of 96 stores (15-18 stores for each brand) in 15 major cities in China.

New orders per store for these six NEV brands have been rising MoM since Apr 2023, which is consistent with our prior argument that NEV market share in China could rise sequentially for the remainder of the year. NEV sales volume for leading players is likely to be strong in Aug-Sep 2023, in our view.

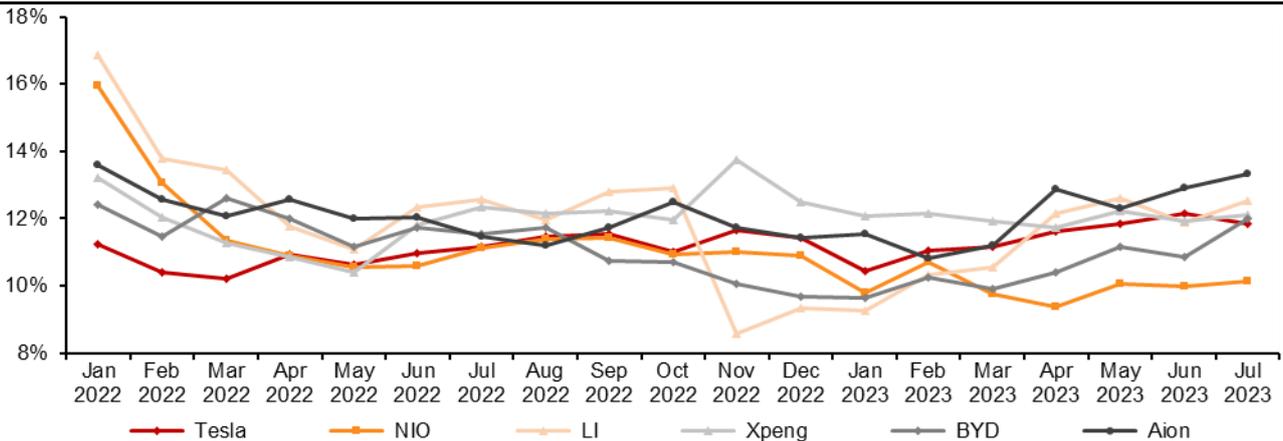
We have more detailed discussions in the report [“China Auto Sector – Jul leading indicators: NEV new orders rose MoM”](#) published on 7 Aug 2023.

Figure 24: Number of leads per store on average for each brand



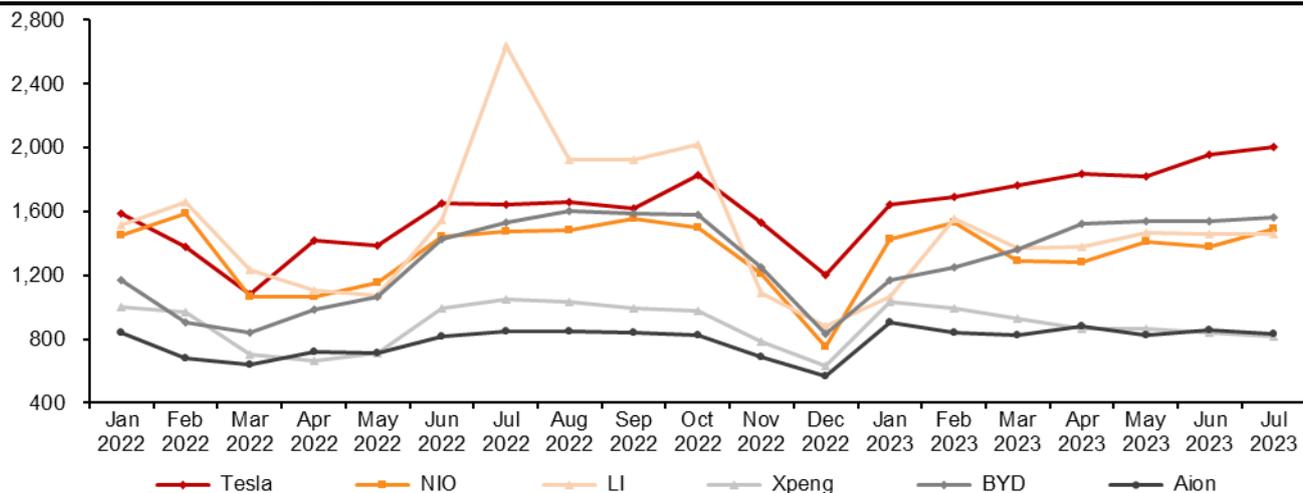
Source: Thinkercar, CMBIGM

Figure 25: Conversion ratio from leads to store visit for each brand



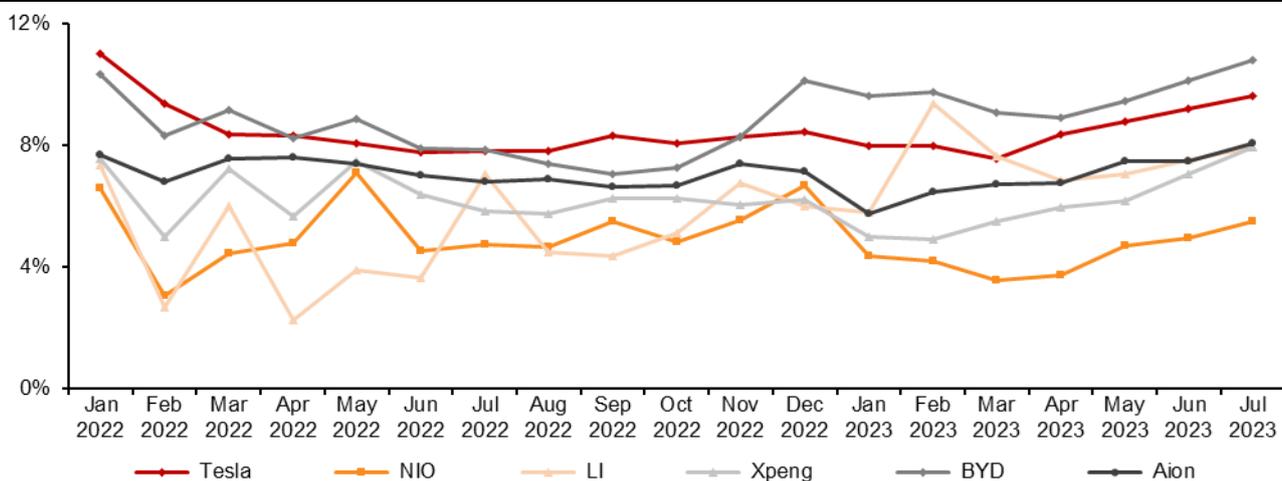
Source: Thinkercar, CMBIGM

Figure 26: Customer flow per store on average for each brand



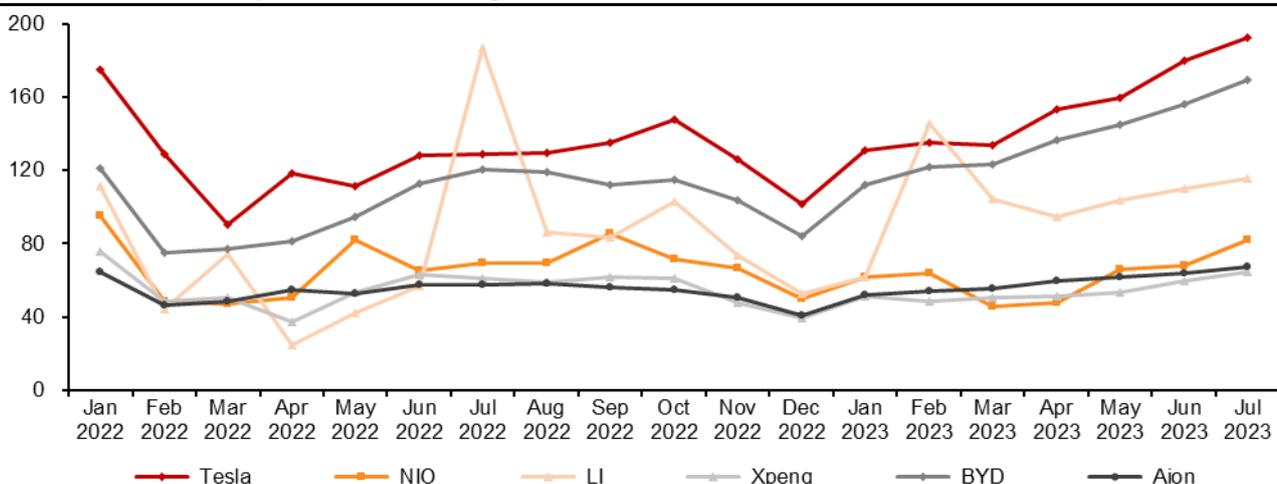
Source: Thinkercar, CMBIGM

Figure 27: Conversion ratio from store visit to new order generation for each brand



Source: Thinkercar, CMBIGM

Figure 28: New orders per store on average for each brand



Source: Thinkercar, CMBIGM

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