

China Auto Sector

Sep discounts widened again

We summarize the Sep 2023 price discounts at dealers for major automakers in this report. Note that such discounts for each automaker are calculated based on weighted average of Aug 2023 retail sales volume for each model, as Sep retail sales volume data have not been released yet. Discounts at dealers for most brands widened MoM in Sep 2023, as the price war persists with more and more competitive product rollouts and raw material price decline. Nevertheless, investors may pay less attention towards the widening discounts during the so-called "golden Sep and silver Oct", as the new model effect and sales performance could be more important for automakers amid the replacement of ICE vehicles by NEVs.

- **Great Wall Motor.** Great Wall's average discounts at dealers remained largely stable in Sep 2023 compared with Aug, per our calculation based on Aug retail sales volume for each model (Figure 1). **Great Wall's 3Q23 overall discounts were at a similar level compared to 2Q23.** There was still no discount for the Wey *Lanshan* PHEV last month, although its retail sales volume fell to about 2,000 units in Sep. The competition among 6-seat mid-to-large-size SUVs has been intensifying, especially along with the launch of the new Aito *M7*. We expect the discounts for the Wey *Lanshan* to widen in the next few months. The wholesale volume for the Tank brand reached an all-time high of about 18,000 units in Sep, with their discounts remaining at very low levels. The discounts for the *Haomao* and *Flash Cat* EVs continued to widen in Sep.
- **Geely.** Geely's average discounts at dealers narrowed a bit MoM in Sep 2023 (Figure 2), mainly due to the *Xingyue* and *Xingrui*, as well as the launches of the Model Year 2024 versions for the *Emgrand L* PHEV, *Geometry G6* EV and *Geometry E* EV. The discounts of the *Galaxy L7* PHEV widened slightly to about 3% in Sep, and the *Galaxy L6* PHEV also offered small discounts right after the rollouts. Geely's overall discounts have been around 7-9% for seven months, and we expect its discounts to be largely stable for the next few months.
- **BYD.** BYD's average discounts at dealers widened MoM last month (Figure 3), mainly due to higher discounts for the *Dolphin EV*, *Qin Plus DM* and *Yuan Plus EV*. BYD's discounts remained the lowest among all major automakers. Given BYD's current cost advantage in NEVs, we believe its pricing strategy could partially depend on the sales gap between its target and actual volume. The Denza *N7* and *N8*'s discounts remained flat MoM in Sep. We expect such discounts to widen in 4Q23 amid heightened competition in this segment. **We project BYD's net profit per vehicle to widen slightly QoQ in 3Q23 amid stable discounts and raw material prices.**
- **GAC Group.** Trumpchi's discounts at dealers widened a bit MoM in Sep, driven by the *M8* and *GS3*. Aion's discounts at dealers continued to widen by about 1 ppt MoM in Sep, mainly due to the *Aion S* and *Aion V* EVs. Aion's wholesale volume exceeded 50,000 units in Sep, which may lead to inventory increase again last month. The sales ramp-up of the *Hyper GT* EV may be worth paying attention to, as all variants started deliveries from Sep with a price cut of RMB 20,000 for the 710km rear-drive super-charging version.

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China Auto Sector

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Li Auto	2015 HK	BUY	215
NIO	NIO US	HOLD	10
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
BYD	1211 HK	HOLD	240
BYD	002594 CH	HOLD	265
GAC	2238 HK	BUY	7
GAC	601238 CH	BUY	14
EVA	838 HK	BUY	1.5
Yongda	3669 HK	BUY	5
Meidong	1268 HK	BUY	7.2

Source: Bloomberg, CMBIGM

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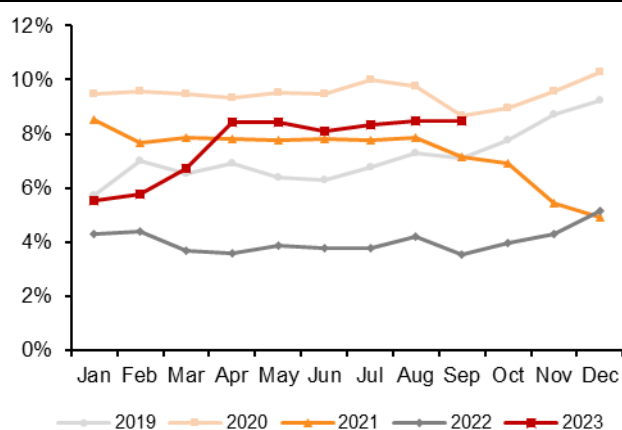
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Discounts at dealers of GAC Toyota and GAC Honda continued to widen MoM to record highs in Sep 2023 (Figure 5 and 6).

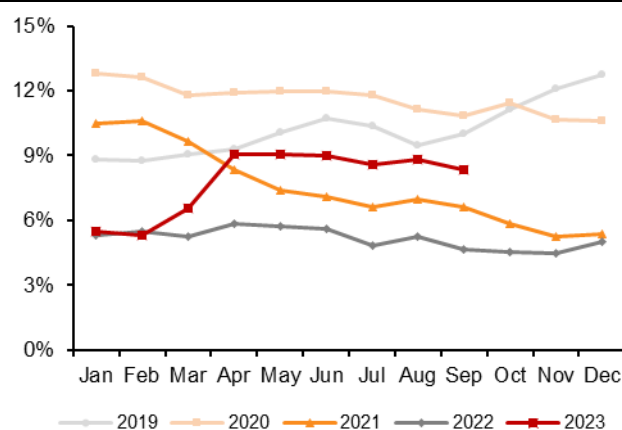
- **BMW.** Discounts for BMW Brilliance widened MoM to around 20% in Sep 2023, an all-time high level again (Figure 7), as BMW announced similar additional rebates for dealers in 3Q23 compared with 2Q23. Although the OEM revised down NEV market share target in China for 2H23, discounts for the *i3* and *iX3* EV continued to widen, and the new *iX1* also started to offer discounts of about 15% in Sep. **We expect new car gross margin for BMW dealers in 3Q23 to be even worse than 2Q23, excluding the half-year special subsidies.**
- **Mercedes-Benz.** Discounts for Beijing Benz remained largely stable MoM in Sep (Figure 8), as widened discounts for the *EQE* EV, *EQE SUV* EV and *GLC* were largely offset by narrowed discounts of the *A-Class*, *E-Class* and *GLB*.

Figure 1: Great Wall Motor discounts at dealers



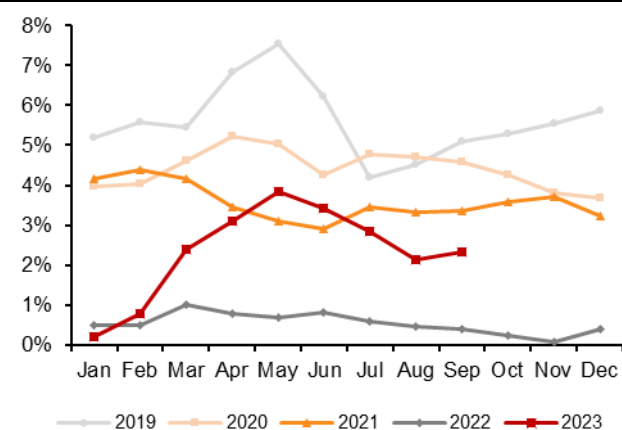
Source: ThinkerCar, CMBIGM

Figure 2: Geely discounts at dealers



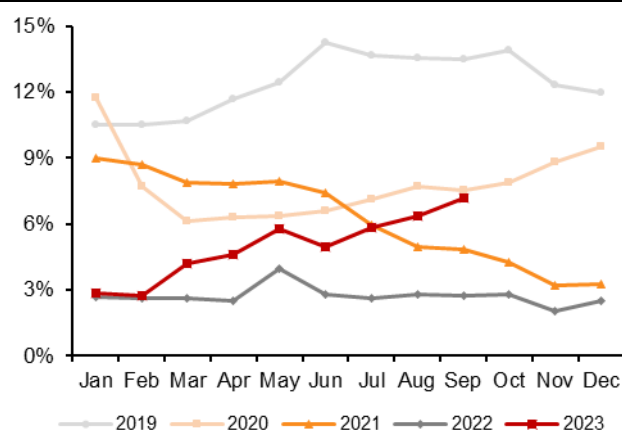
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Figure 3: BYD discounts at dealers

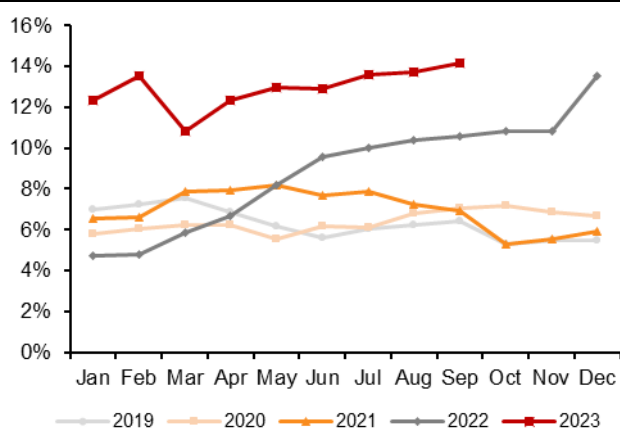


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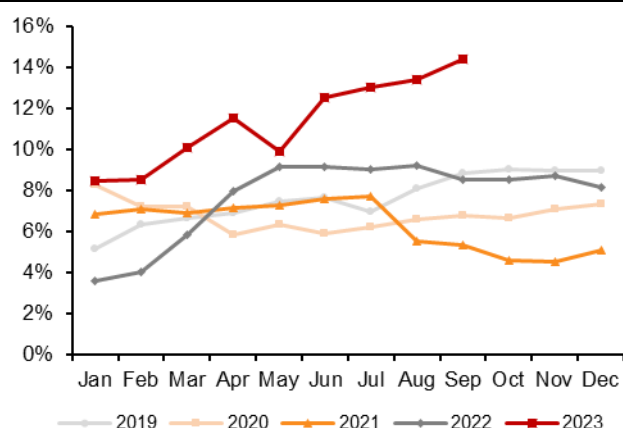
Figure 4: GAC Trumpchi & Aion discounts at dealers



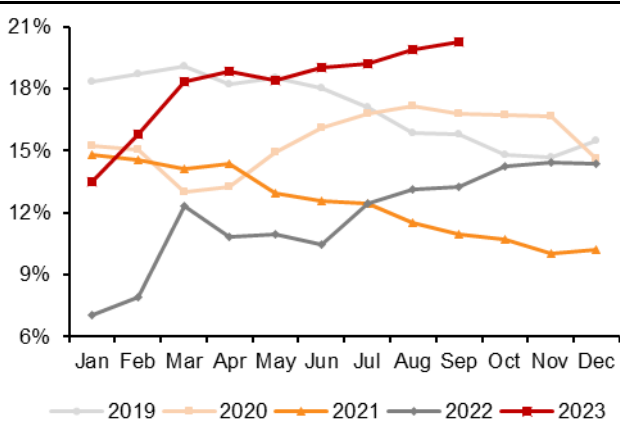
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Figure 5: GAC Toyota discounts at dealers

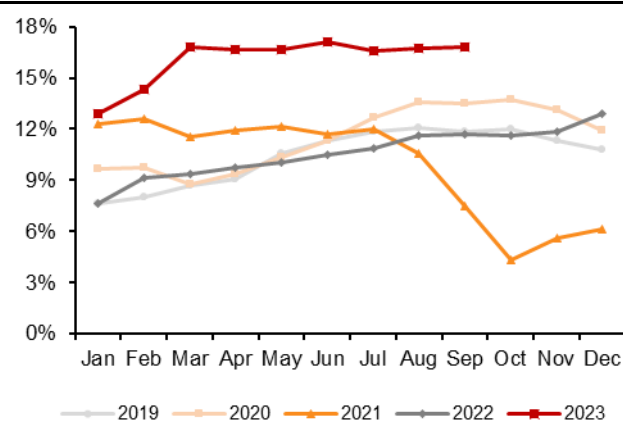
Source: ThinkerCar, CMBIGM

Figure 6: GAC Honda discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 7: BMW Brilliance discounts at dealers

Source: ThinkerCar, CMBIGM

Figure 8: Beijing Benz discounts at dealers

Source: ThinkerCar, CMBIGM

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