

GAC Group (2238 HK/601238 CH)

Eyes on Aistaland and exports

Maintain BUY. We expect the launch of GAC's first model co-developed with Huawei in Jun 2026 to be a positive catalyst, following non-event FY25 results. We also expect exports to double YoY, cost reduction to be more apparent and equity income to stabilize, which help GAC narrow its net loss in FY26E.

- **4Q25 results in line with profit warning.** GAC's 4Q25 revenue rose 22% QoQ to RMB29.6bn, 23% higher than our forecast. GPM improved 3.8ppts QoQ to -0.8%, beating our forecast by 2.9ppts. Share of profits from JVs and associates in 4Q25 turned negative (RMB-390mn) for the first time since FY12 amid widening losses at GAC Honda. That, along with a larger-than-expected impairment of RMB2.4bn, resulted in a net loss of RMB4.5bn in 4Q25, in line with its previous profit warning.
- **Aistaland and exports as keys to FY26E.** The G77, the first mid-to-large car under the Aistaland brand co-developed with Huawei, will be launched in Jun 2026, which could be a positive catalyst for GAC's shares. In addition, GAC aims to double export volume to 0.25mn units for its homegrown brands this year. We expect an increased export mix to lift GPM by 3.3ppts YoY to 0.5% in FY26E, given that overseas GPM was 10.7ppts higher than domestic one in FY25.
- **Equity income could stabilize in FY26E.** We believe GAC Toyota remains better positioned than most of its JV peers in China, with a resilient 4.6% NPM and earnings contribution of RMB2.5bn in FY25. The success of the bZ3X has provided a viable path for Toyota's NEV transition in China. We expect GAC Honda's loss in FY26E to narrow from RMB981mn in FY25 with capacity and personnel downsizing. Therefore, we expect GAC's equity income to be RMB2.2bn in FY26E, vs. RMB2.5bn in FY25. In addition, we also expect more cooperation between GAC and its JVs during NEV transition, which could increase GAC's income.
- **Earnings/Valuation.** We expect GAC's SG&A and R&D ratios combined to fall 1.7ppts YoY to 10.5% in FY26E amid its continued cost reduction efforts. Therefore, we estimate FY26E net loss to narrow to RMB4.8bn. We maintain our BUY rating and cut our H-share target price slightly from HK\$4.30 to HK\$4.20, based on the sum-of-the-parts valuation. We value all GAC's consolidated businesses at HK\$3.40 per share, based on 0.3x (unchanged) our FY26E P/S. We value its JVs and associates at HK\$0.80 per share based on 3x (unchanged) FY26E P/E. Our A-share TP of RMB9.00 is based on an A/H premium of 142%. Key risks to our rating and TP include lower sales volume and margins than we expect, slower electrification for its JVs than we expect, and a sector de-rating.

Earnings Summary - 2238 HK

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	129,706	107,784	96,542	95,880	102,370
YoY growth (%)	17.6	(16.9)	(10.4)	(0.7)	6.8
Net profit (RMB mn)	4,428.9	823.6	(8,783.6)	(4,842.9)	(1,230.5)
YoY growth (%)	(45.1)	(81.4)	na	na	na
EPS (Reported) (RMB cents)	42.47	7.92	(85.35)	(47.49)	(12.04)
P/E (x)	6.6	35.6	na	na	na
P/B (x)	0.3	0.3	0.3	0.3	0.3
ROE (%)	3.9	0.7	(8.0)	(4.7)	(1.2)
Net gearing (%)	(24.5)	(20.6)	(4.8)	(9.3)	(7.5)

Source: Company data, Bloomberg, CMBIGM estimates

2238 HK 601238 CH

BUY BUY

Maintain Maintain

TP	HK\$4.20	RMB9.00
Prior TP	HK\$4.30	RMB10.00
Up/Downside	31.3%	24.1%
Current Price	HK\$3.2	RMB7.3

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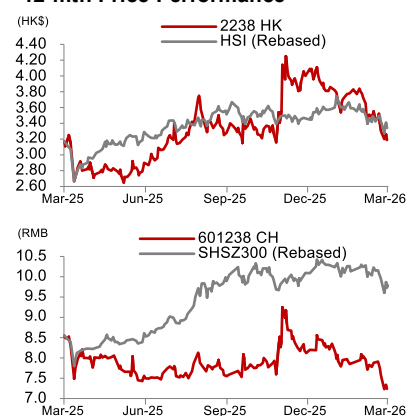
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12-mth Price Performance



Source: FactSet

Stock Performance

	2238 HK		601238 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-14.2%	-8.4%	-9.9%	-10.2%
3-mth	-20.0%	-17.2%	-11.0%	-17.3%
6-mth	-2.4%	2.2%	-4.0%	-1.4%

Source: FactSet

Stock Data

(LC)	2238 HK	601238 CH
Mkt Cap (mn)	32630.61	73928.73
Avg 3 mths t/o (mn)	54.19	236.29
52w High	4.25	9.25
52w Low	2.65	7.23
Issued Shares (mn)	10197.07	10197.07

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ
Sales volume (units)	409,698	453,340	472,012	668,008	371,087	384,213	428,353	537,836	-19.5%	25.6%
Revenue	21,566	24,689	28,486	33,043	19,879	22,732	24,318	29,614	-10.4%	21.8%
Gross profit	987	843	867	1,455	(216)	(1,107)	(1,133)	(244)	N/A	N/A
R&D expenses	(375)	(305)	(353)	(778)	(377)	(329)	(299)	(634)	-18.5%	112.4%
SG&A expenses	(2,157)	(2,383)	(2,621)	(2,653)	(2,370)	(2,310)	(2,486)	(2,885)	8.7%	16.0%
Investment Income	1,844	1,414	385	3,675	1,174	1,229	1,105	(240)	N/A	N/A
Operating profit	961	179	(2,134)	175	(1,276)	(2,625)	(2,428)	(5,858)	N/A	N/A
Net profit	1,220	296	(1,396)	704	(732)	(1,807)	(1,774)	(4,472)	N/A	N/A
Gross margin	4.6%	3.4%	3.0%	4.4%	-1.1%	-4.9%	-4.7%	-0.8%	-5.2 ppts	3.8 ppts
Operating margin	4.5%	0.7%	-7.5%	0.5%	-6.4%	-11.5%	-10.0%	-19.8%	-20.3 ppts	-9.8 ppts
Net margin	5.7%	1.2%	-4.9%	2.1%	-3.7%	-7.9%	-7.3%	-15.1%	-17.2 ppts	-7.8 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	96,542	95,880	102,370	90,967	88,675	98,037	6.1%	8.1%	4.4%
Gross profit	(2,700)	483	4,704	(3,355)	206	4,819	-19.5%	133.7%	-2.4%
Operating profit	(12,186)	(6,513)	(2,106)	(9,845)	(5,509)	(1,131)	N/A	N/A	N/A
Net profit	(8,784)	(4,843)	(1,231)	(7,007)	(3,688)	(185)	25.3%	31.3%	566.2%
Gross margin	-2.8%	0.5%	4.6%	-3.7%	0.2%	4.9%	0.9 ppts	0.3 ppts	-0.3 ppts
Operating margin	-12.6%	-6.8%	-2.1%	-10.8%	-6.2%	-1.2%	-1.8 ppts	-0.6 ppts	-0.9 ppts
Net margin	-9.1%	-5.1%	-1.2%	-7.7%	-4.2%	-0.2%	-1.4 ppts	-0.9 ppts	-1.0 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	96,542	95,880	102,370	91,870	108,385	126,933	5.1%	-11.5%	-19.4%
Gross profit	(2,700)	483	4,704	(2,764)	3,750	8,493	-2.3%	-87.1%	-44.6%
Operating profit	(12,186)	(6,513)	(2,106)	(10,504)	(6,561)	(4,972)	N/A	N/A	N/A
Net profit	(8,784)	(4,843)	(1,231)	(5,666)	(462)	1,284	55.0%	947.3%	-195.9%
Gross margin	-2.8%	0.5%	4.6%	-3.0%	3.5%	6.7%	0.2 ppts	-3.0 ppts	-2.1 ppts
Operating margin	-12.6%	-6.8%	-2.1%	-11.4%	-6.1%	-3.9%	-1.2 ppts	-0.7 ppts	1.9 ppts
Net margin	-9.1%	-5.1%	-1.2%	-6.2%	-0.4%	1.0%	-2.9 ppts	-4.6 ppts	-2.2 ppts

Source: CMBIGM estimates

Figure 4: SOTP valuation

GAC (2238 HK)	FY26E (RMB bn)	Target P/E Multiple	Target P/S Multiple	Target Market Cap (HK\$ bn)	Target Price (HK\$)
Estimated revenue of homegrown brands	95,880		0.3x	34,670	3.4
Estimated share of profits of joint ventures & associates	2,156	3x		8,158	0.8
SOTP				42,828	4.2

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	110,272	129,706	107,784	96,542	95,880	102,370
Cost of goods sold	(102,755)	(121,097)	(100,742)	(97,052)	(93,192)	(95,312)
Others	(2,235)	(2,942)	(2,890)	(2,191)	(2,205)	(2,355)
Gross profit	5,282	5,667	4,152	(2,700)	483	4,704
Operating expenses	(8,367)	(9,547)	(8,899)	(10,473)	(8,321)	(7,961)
Selling expense	(3,923)	(5,048)	(5,417)	(5,891)	(4,941)	(5,011)
Admin expense	(3,796)	(4,301)	(4,397)	(4,160)	(3,569)	(3,564)
R&D expense	(1,707)	(1,734)	(1,812)	(1,639)	(1,511)	(1,480)
Others	1,058	1,535	2,726	1,217	1,700	2,094
Operating profit	(3,085)	(3,881)	(4,747)	(13,173)	(7,839)	(3,257)
Gain/loss on financial assets at FVTPL	(319)	(41)	(405)	265	113	87
Investment gain/loss	14,317	8,660	7,319	3,267	2,948	2,841
Other gains/(losses)	(3,131)	(772)	(2,370)	(1,446)	(760)	(972)
EBITDA	14,542	10,764	8,871	(1,621)	4,287	9,399
Depreciation	2,553	2,660	3,351	2,935	3,322	3,543
Depreciation of ROU assets	325	521	640	750	808	934
Goodwill amortisation	3,719	3,269	4,720	5,598	5,438	5,903
Other amortisation	163	349	364	182	256	320
EBIT	7,782	3,966	(204)	(11,087)	(5,537)	(1,301)
Interest income	481	773	569	409	336	286
Interest expense	(328)	(441)	(523)	(974)	(806)	(586)
Pre-tax profit	7,454	3,525	(727)	(12,060)	(6,343)	(1,886)
Income tax	536	215	233	578	510	244
After tax profit	7,990	3,740	(494)	(11,482)	(5,833)	(1,643)
Minority interest	74	689	1,318	2,698	990	412
Net profit	8,064	4,429	824	(8,784)	(4,843)	(1,231)
Gross dividends	2,516	1,573	514	0	0	0
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	91,603	101,111	112,026	99,110	74,897	77,342
Cash & equivalents	39,524	48,895	51,624	38,776	28,341	28,922
Account receivables	8,192	5,756	3,433	5,114	5,516	5,890
Inventories	12,362	16,720	15,688	16,446	14,809	14,362
Prepayment	1,239	2,108	1,507	1,986	1,532	1,567
Financial assets at FVTPL	4,220	2,791	2,559	2,008	1,559	1,591
Other current assets	26,066	24,841	37,215	34,781	23,141	25,010
Non-current assets	98,229	117,284	120,432	115,833	114,626	114,114
PP&E	19,284	21,927	25,252	25,208	25,306	24,882
Right-of-use assets	1,480	1,896	2,146	2,172	2,065	1,831
Deferred income tax	3,715	4,366	5,777	6,204	6,204	6,204
Investment in JVs & assos	37,788	37,137	30,100	35,533	35,638	35,950
Intangibles	16,122	19,873	19,352	20,541	19,788	18,500
Goodwill	103	57	71	71	71	71
Financial assets at FVTPL	2,169	2,364	1,972	2,733	1,275	1,301
Other non-current assets	17,567	29,665	35,763	23,370	24,279	25,375
Total assets	189,832	218,395	232,458	214,943	189,523	191,456
Current liabilities	56,606	77,127	90,456	86,681	68,471	72,326
Short-term borrowings	6,309	11,674	16,577	24,379	9,861	12,512
Account payables	17,746	27,584	35,496	28,632	29,362	30,030
Tax payable	763	947	1,487	630	671	717
Other current liabilities	31,788	36,922	36,896	33,040	28,577	29,069
Non-current liabilities	10,948	16,868	20,225	18,579	17,071	16,664
Long-term borrowings	4,854	8,903	11,514	6,873	9,097	8,913
Bond payables	0	0	0	2,507	0	0
Deferred income	2,295	2,178	2,880	3,185	2,922	2,594
Other non-current liabilities	3,799	5,787	5,831	6,013	5,052	5,156
Total liabilities	67,554	93,995	110,682	105,260	85,542	88,990
Share capital	10,487	10,490	10,342	10,197	10,197	10,247
Other reserves	102,763	105,230	104,013	95,034	90,302	89,129
Total shareholders equity	113,250	115,720	114,354	105,232	100,499	99,376
Minority interest	9,027	8,680	7,423	4,452	3,482	3,090

Total equity and liabilities	189,832	218,395	232,458	214,943	189,523	191,456
CASH FLOW	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	7,454	3,525	(727)	(12,060)	(6,343)	(1,886)
Depreciation & amortization	6,760	6,798	9,075	9,465	9,824	10,700
Change in working capital	(10,074)	2,601	5,907	(13,274)	(3,777)	(362)
Others	(9,489)	(6,196)	(3,336)	843	(491)	(631)
Net cash from operations	(5,349)	6,728	10,919	(15,026)	(786)	7,821
Investing						
Capital expenditure	(8,014)	(11,577)	(10,859)	(8,961)	(10,289)	(10,062)
Acquisition of subsidiaries/ investments	(9,644)	(23,309)	(35,425)	(78,476)	3,404	(658)
Net proceeds from disposal of short-term investments	4,256	18,394	21,769	73,823	2,436	530
Others	9,568	14,021	12,765	7,972	12,459	2,228
Net cash from investing	(3,834)	(2,471)	(11,751)	(5,642)	8,010	(7,962)
Financing						
Dividend paid	(3,388)	(3,558)	(2,467)	(816)	(886)	(666)
Net borrowings	3,539	6,688	8,605	7,731	(15,214)	2,368
Proceeds from share issues	22,324	489	373	40	100	98
Others	1,803	455	(4,304)	(1,439)	(1,659)	(1,078)
Net cash from financing	24,277	4,074	2,207	5,515	(17,659)	722
Net change in cash						
Cash at the beginning of the year	22,340	37,479	45,865	47,284	32,151	21,716
Exchange difference	44	56	45	20	0	0
Cash at the end of the year	37,479	45,865	47,284	32,151	21,716	22,298
GROWTH	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Revenue	45.7%	17.6%	(16.9%)	(10.4%)	(0.7%)	6.8%
Gross profit	15.1%	7.3%	(26.7%)	na	na	874.9%
EBITDA	7.7%	(26.0%)	(17.6%)	na	na	119.2%
EBIT	1.2%	(49.0%)	na	na	na	na
Net profit	9.9%	(45.1%)	(81.4%)	na	na	na
PROFITABILITY	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Gross profit margin	4.8%	4.4%	3.9%	(2.8%)	0.5%	4.6%
Operating margin	(2.8%)	(3.0%)	(4.4%)	(13.6%)	(8.2%)	(3.2%)
EBITDA margin	13.2%	8.3%	8.2%	(1.7%)	4.5%	9.2%
Return on equity (ROE)	7.9%	3.9%	0.7%	(8.0%)	(4.7%)	(1.2%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.2)	(0.2)	(0.0)	(0.1)	(0.1)
Current ratio (x)	1.6	1.3	1.2	1.1	1.1	1.1
Receivable turnover days	26.8	14.9	11.4	17.4	20.0	20.0
Inventory turnover days	43.9	50.4	56.8	61.8	58.0	55.0
Payable turnover days	63.0	83.1	128.6	107.7	115.0	115.0
VALUATION	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
P/E	3.6	6.6	35.6	ns	ns	ns
P/E (diluted)	3.6	6.7	35.6	ns	ns	ns
P/B	0.3	0.3	0.3	0.3	0.3	0.3
P/CFPS	ns	4.4	2.7	ns	ns	3.7
Div yield (%)	8.6	5.3	1.8	0.0	0.0	0.0

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

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HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

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