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CMB International Global Markets | Equity Research | Sector Update

Auto

2Q25 earnings preview and 2H25 outlook

We project **core earnings** (excluding forex gains and government grants) **of eight** Chinese automakers **to improve QoQ in 2Q25E**, despite prolonged price wars**.** We raise FY25E earnings forecasts for Geely, Xpeng and Leapmotor, either due to upward revision of sales volume or operational efficiency**.** We revise down FY25E earnings estimates for Li Auto, NIO, BYD, Great Wall Motor and GAC, largely due to sales volume forecast cuts. We expect China's sales volume growth industry-wide to slow down HoH in 2H25 amid high comparison base last year.

- **2H25E industry sales forecast.** We raise our forecast by 4% to 24.1mn units (+2.8% YoY) for China's passenger vehicle (PV) retail sales volume in 2025, given stronger-than-expected sales in 1H25 (+7% YoY). Our new forecast implies flat sales volume in 2H25E vs. 2H24, given the high YoY comparison base. We project PV wholesale volume to rise 8% YoY to 29.8mn units for 2025, as we also lift export forecast by 2% to 5.6mn units (+14% YoY).

  We revise down our NEV retail sales volume forecast by 5% to 12.7mn units in 2025 (+18% YoY, market share of 52.6%), given slower-than-expected market share increase in 1H25. We expect NEV wholesale volume to rise 23% YoY to 15.1mn units in 2025, as we lift NEV export by 71% to 2.1mn units given BYD's rapid growth in NEV exports.

- **Xpeng: 2Q25E net loss to narrow by 17% QoQ**. We expect Xpeng's 2Q25E revenue to rise 129% YoY and 18% QoQ to RMB18.6bn, as its total sales volume surged 242% YoY to an all-time high of about 103,000 units in 2Q25. We project its vehicle average selling price (ASP) to rise 8% QoQ to about RMB165,000 in 2Q25E amid a better product mix given higher contribution from the *G6/G9/X9*. We expect its vehicle gross margin to improve from 10.5% in 1Q25 to 11.1% in 2Q25E given the higher sales volume of the *X9*. We project revenue from services and others to rise 11% YoY to RMB1.6bn in 2Q25, which may lead to a stable overall GPM of 15.4% in 2Q25E, as the high-margin service business made up a lower portion of total revenue. We estimate Xpeng's SG&A and R&D ratios combined to narrow by 2.8ppts QoQ to 22.0% (or RMB4.1bn) in 2Q25E, thanks to greater economies of scale and management's efforts in cost control. That, along with potential QoQ lower government grants and QoQ higher forex gains from the depreciation of yuan against euro, could lead to a narrowing of net loss by 17% QoQ to RMB553mn in 2Q25E, based on our estimates.

  We maintain our sales volume forecast of 460,000 units (+142% YoY) in FY25E. We cut our FY25E net loss forecast from RMB907mn to RMB638mn, implying a net profit of RMB611mn in 2H25E. We raise our FY26E net profit forecast from RMB3.7bn to RMB4.0bn, given better profitability of new models with new platforms and self-developed AI chips.

- **Li Auto: 2Q25E net profit to double QoQ.** We expect Li Auto's 2Q25E revenue to rise 19% QoQ to RMB30.9bn, as its total deliveries rose 20% QoQ to 111,000 units in 2Q25. We project a largely QoQ stable ASP in 2Q25E. We expect both its 2Q25E vehicle GPM and overall GPM to narrow 0.3ppts to 19.5% and 20.2%, respectively. We expect its SG&A and R&D ratios combined to fall 2ppts QoQ to 17.5% in 2Q25E amid its higher operational efficiency. We project its interest income (including investment income) to rise slightly QoQ to about RMB550mn, driven by potentially higher net cash positions and reduced volatility from listed-

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Stocks Covered:

Name	Ticker	Rating	TP (LC)
Li Auto	LI US	BUY	33
Li Auto	2015 HK	BUY	131
NIO	NIO US	HOLD	4
NIO	9866 HK	HOLD	31
Xpeng	XPEV US	BUY	28
Xpeng	9868 HK	BUY	110
Geely	175 HK	BUY	24
GWM	2333 HK	BUY	14
GWM	601633 CH	BUY	27
BYD	1211 HK	BUY	470
BYD	002594 CH	BUY	440
GAC	2238 HK	BUY	3.6
GAC	601238 CH	BUY	10
Leapmotor	9863 HK	BUY	72
Yongda	3669 HK	BUY	3.2
Meidong	1268 HK	BUY	3.2
Tuhu	9690 HK	BUY	21.5
Minth	425 HK	BUY	26
EVA	838 HK	BUY	1.3

Source: Bloomberg, CMBIGM

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company equity investment. Therefore, we forecast Li Auto's net profit to rise 26% YoY and 113% QoQ to RMB1.4bn in 2Q25E, equivalent to earnings per vehicle of RMB12,000 (vs. RMB7,000 in 1Q25 and RMB10,000 in 2Q24).

We cut FY25E sales volume forecast from 0.58mn units to 0.55mn units due to lower-than-expected sales volume in 2Q25. Accordingly, we cut our FY25-26E net profit forecasts by 12% and 8% to RMB9.1bn and RMB13.4bn, respectively. That implies 2H25E net profit to rise 12% YoY to RMB7.1bn, based on our estimates.

- **NIO: 2Q25E net loss to narrow QoQ but still far away from breakeven.** We estimate NIO's 2Q25E revenue to rise 4% YoY and 50% QoQ to RMB18.1bn, lower than its guidance of RMB19.5-20.1bn. NIO's total sales volume rose 26% YoY and 71% QoQ to about 72,000 units in 2Q25, hitting the lower end of its guidance. We forecast a QoQ lower ASP given higher sales contribution from the Onvo *L60* and *Firefly* as well as increased discounts. We expect NIO's overall GPM to improve from 7.6% in 1Q25 to 9.8% in 2Q25E thanks to greater economies of scale and cost reductions in the facelifted models. We project NIO's SG&A and R&D ratios combined to fall 23.4ppts QoQ to 39.6% (or RMB7.2bn) in 2Q25E, as the company has been trying its best to enhance efficiency. Therefore, we project NIO's net loss to narrow by 21% QoQ to about RMB5.4bn in 2Q25E.

  We cut FY25E sales volume forecast from 0.35mn units to 0.31mn units given intensified competition. We also lower GPM forecast for FY25E, due to larger discounts than we expected. Accordingly, we lift FY25E net loss forecast from RMB16.2bn to RMB19.4bn, implying a net loss of RMB7.1bn in 2H25E. This forecast already factors in the company's aggressive cost reduction measures in 2H25.

- **Leapmotor: To turn profitable in 2Q25E.** We project Leapmotor's revenue to surge 173% YoY and 46% QoQ to RMB14.7bn in 2Q25E, amid an all-time high quarterly sales volume of 134,000 units (+152% YoY, +53% QoQ). We estimate that its overall ASP could fall 5% QoQ to about RMB109,000 in 2Q25E, given higher sales contribution from the *B10* in China and the *T03* in overseas markets. We project its GPM to fall from 14.9% in 1Q25 to 12.7% in 2Q25E, given higher discounts for inventory clearance of the old models. The R&D and SG&A ratios combined may fall 3.7ppts QoQ to 14.1% in 2Q25E, based on our estimates. We expect its net finance gains and share of profits of associates (mainly Leapmotor International) combined to be about RMB100mn in 2Q25E. Therefore, we estimate that Leapmotor could turn profitable with a net profit of RMB48mn in 2Q25E.

  We maintain our sales volume forecast of 0.55mn units for FY25E, which implies 2H25E sales volume to rise 48% HoH to 0.33mn units driven by new models and exports. We lift FY25E GPM forecast from 12.1% to 12.8%, given better vehicle GPM than we expected and higher revenue from strategic cooperation with other OEMs. Accordingly, we raise our FY25-27E net profit forecasts from RMB118mn/1.2bn/1.6bn to RMB289mn/1.5bn/2.1bn, respectively. We have not yet fully factored in the revenue contribution from the carbon dioxide credits transfer agreement with Stellantis (STLA US, NR), which could be as much as RMB1.5bn in FY25E.

- **Geely: 2Q25E core net profit to rise 38% QoQ.** We project Geely's 2Q25E revenue to surge 39% YoY amid a total sales volume increase of 47% YoY. We expect its overall ASP to rise 5% QoQ in 2Q25E, largely due to possibly increasing sales from auto parts, R&D services and subcontracting, although these are more difficult to forecast. We forecast Geely's 2Q25 GPM to widen 0.2ppts QoQ to 16.0%, as the increase in high-margin revenue and cost reduction efforts were likely to more than offset the GPM decline for Zeekr, in our view. We project

SG&A and R&D ratios to be stable QoQ. We expect Geely to continue booking forex gains in 2Q25 (RMB0.5bn on our estimates), although these may be less than RMB2.2bn in 1Q25. Therefore, we project Geely's net profit in 2Q25 to be RMB3.6bn. In other words, we expect Geely's net profit excluding other income (mainly government grants and forex changes) to rise 38% QoQ in 2Q25.

We raise our FY25E sales volume forecast from 2.8mn units to 3.0mn units, in line with the company's revised guidance. We also expect ASPs for all the brands to increase HoH in 2H25 with new models, which could also lead to a slightly higher GPM. Therefore, we revise up our FY25E net profit forecast by 16% to RMB17.5bn, which also takes favorable forex changes so far this year into consideration.

- **BYD: Net profit per vehicle may fall 5% QoQ in 2Q25E.** We project BYD's 2Q25E revenue to rise 18% YoY and 14% QoQ to RMB200bn, as total sales volume rose 16% YoY and 14% QoQ to 1.15mn units. We estimate that its GPM may fall 0.6ppts QoQ to 19.5% in 2Q25E, as higher discounts may be partially offset by greater economies of scale and higher contribution from exports. We expect BYD's 2Q25E selling expenses to rise 21% QoQ to RMB7.5bn, or 3.7% as of revenue, given higher rebates for dealers. On the other hand, we project its administrative and R&D expenses ratios to fall QoQ in 2Q25E amid higher revenue. We project net finance gains to be RMB1.3bn in 2Q25E given potential forex gains. We estimate its other income (mainly government grants) to rise 12% QoQ to RMB3.7bn in 2Q25E. Accordingly, we forecast BYD's net profit to rise 10% YoY and 9% QoQ to RMB10.0bn in 2Q25E, equivalent to net profit per vehicle of RMB8,700 (vs. RMB9,100 in 1Q25).

  We cut our FY25E sales volume forecast from 5.25mn units to 5.15mn units, given its lower-than-expected domestic sales in 2Q25. We estimate BYD's inventories at dealers to be around 0.72mn units, or 2.4 months, at the end of Jun 2025. We also raise our selling expenses forecast and cut net finance gains forecast given potentially higher rebates for dealers and shortening payable days for suppliers. Accordingly, we cut FY25E net profit forecast by 11% to RMB51.3bn, equivalent to a net profit per vehicle of RMB10,000 (vs. RMB9,400 in FY24).

- **Great Wall Motor: 2Q25E net profit to rise 50% QoQ on higher sales and government grants.** We project Great Wall's revenue to rise 4% YoY and 26% QoQ to RMB50.5bn in 2Q25E, as sales volume rose 12% YoY and 22% QoQ to 313,000 units. We expect its GPM to improve by 0.5ppts QoQ to 18.3% in 2Q25E amid higher sales volume, especially higher contribution from Tank. The SG&A and R&D ratios combined may fall 1.4ppts QoQ to 11.5% in 2Q25E, based on our estimates. We project its net finance gains to fall from RMB1.0bn in 1Q25 to RMB300mn in 2Q25E with forex gains of about RMB200mn. Other income may increase from RMB396mn in 1Q25 to RMB1.1bn in 2Q25E, primarily driven by the receipt of delayed reimbursement for Russia's vehicle recycling fees. Accordingly, we expect Great Wall's 2Q25E net profit to fall 32% YoY and rise 50% QoQ to RMB2.6bn, equivalent to a net profit per vehicle of RMB8,400 (vs. RMB6,800 in 1Q25, RMB14,000 in 2Q24).

  We cut FY25E sales volume forecast from 1.30mn units to 1.28mn units, due to lower-than-expected export volume from Russia. That, along with fiercer competition, may lead to a lower GPM forecast of 18.5% for FY25E. Accordingly, we cut our FY25E net profit forecast by 7% to RMB10.0bn, equivalent to a net profit per vehicle of RMB7,800 (vs. RMB10,000 in FY24).

- **GAC Group: Net loss may narrow QoQ in 2Q25E.** We forecast that GAC's revenue may fall 21% YoY and 2% QoQ to RMB19.4bn in 2Q25E, given sales volume of GAC Trumpchi and GAC Aion combined fell 23%

YoY to 139,000 units. We expect GPM (after business taxes) to rise 1.6ppts QoQ to 0.5% in 2Q25E, driven by greater economies of scale and largely stable discounts. The SG&A and R&D ratios combined may rise 0.9ppts QoQ to 14.7% in 2Q25E, due to the potentially higher rebates to dealers compared with 1Q25, based on our estimates. We estimate that share of profits from joint ventures and associates may fall 13% QoQ to RMB950mn, as higher earnings contribution from GAC Toyota may not be able to offset larger loss from GAC Honda. Therefore, we expect GAC's net loss to narrow from RMB732mn in 1Q25 to RMB468mn in 2Q25E. We now project GAC to turn to a net loss of RMB946mn in FY25E.

Figure 1: 2Q25 earnings forecasts for NEV Trio, Leapmotor, Geely, BYD, GWM and GAC

	Li Auto			Xpeng			NIO			Leap		
RMB mn	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**
Sales volume (units)	108,581	92,864	111,074	30,207	94,008	103,181	57,373	42,094	72,056	53,286	87,552	134,112
Revenue	31,678	25,927	30,916	8,111	15,811	18,607	17,446	12,035	18,071	5,359	10,020	14,655
GP	6,177	5,318	6,242	1,136	2,460	2,857	1,689	920	1,769	148	1,493	1,868
GPM	**19.5%**	**20.5%**	**20.2%**	**14.0%**	**15.6%**	**15.4%**	**9.7%**	**7.6%**	**9.8%**	**2.8%**	**14.9%**	**12.7%**
R&D & SG&A	(5,843)	(5,045)	(5,400)	(3,040)	(3,927)	(4,100)	(6,976)	(7,582)	(7,150)	(1,472)	(1,790)	(2,070)
OP	468	272	1,042	(1,609)	(1,041)	(1,043)	(5,209)	(6,418)	(5,081)	(1,269)	(150)	(52)
OPM	1.5%	1.0%	3.4%	-19.8%	-6.6%	-5.6%	-29.9%	-53.3%	-28.1%	-23.7%	-1.5%	-0.4%
NP	**1,103**	**650**	**1,384**	**(1,285)**	**(664)**	**(553)**	**(5,126)**	**(6,891)**	**(5,441)**	**(1,199)**	**(130)**	**48**
NPM	3.5%	2.5%	4.5%	-15.8%	-4.2%	-3.0%	-29.4%	-57.3%	-30.1%	-22.4%	-1.3%	0.3%

	Geely			BYD			GWM			GAC		
RMB mn	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**	**2Q24**	**1Q25**	**2Q25E**
Sales volume (units)	480,010	703,824	705,356	986,720	1,000,804	1,145,150	279,523	256,807	312,982	453,340	371,087	384,213
Revenue	54,990	72,495	76,162	176,182	170,360	200,233	48,570	40,019	50,547	24,689	19,879	19,407
GP	9,074	11,437	12,219	34,397	34,185	38,971	10,660	7,139	9,250	1,194	(216)	97
GPM	**16.5%**	**15.8%**	**16.0%**	**19.5%**	**20.1%**	**19.5%**	**21.9%**	**17.8%**	**18.3%**	**4.8%**	**-1.1%**	**0.5%**
R&D & SG&A	(6,792)	(8,375)	(8,675)	(21,921)	(25,310)	(28,000)	(5,599)	(5,140)	(5,790)	(3,039)	(2,747)	(2,850)
OP	2,397	6,604	3,952	11,525	11,021	12,072	4,511	1,724	3,029	179	(1,276)	(973)
OPM	4.4%	9.1%	5.2%	6.5%	6.5%	6.0%	9.3%	4.3%	6.0%	0.7%	-6.4%	-5.0%
NP	**9,037**	**5,672**	**3,569**	**9,062**	**9,155**	**9,985**	**3,859**	**1,751**	**2,625**	**296**	**(732)**	**(468)**
NPM	16.4%	7.8%	4.7%	5.1%	5.4%	5.0%	7.9%	4.4%	5.2%	1.2%	-3.7%	-2.4%

Source: Company data, CMBIGM estimates

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