Leapmotor (9863 HK)

All set for a stronger 2H26

Maintain BUY. Leapmotor posted a third consecutive set of profitable interim results, with 2Q26 revenue and net profit both reaching record highs. We expect 2H26E to deliver significantly stronger earnings driven by volume ramp-up and margin expansion. Leapmotor leads China's NEV start-ups in scale, with 2027 set as another major product year. Meanwhile, exports have been forming a second growth engine abroad. We view its positioning favorably amid domestic industry headwinds and expect its partnership with Stellantis (STLA US, NR) to help it accelerate international market penetration.

- **Record net profit with core earnings in line**. Leapmotor's 2Q26 revenue rose 92% YoY to RMB27.3bn, a record high and 4% above our estimate, driven by higher-than-expected service and carbon credit sales. GPM improved 3.2ppts QoQ to 12.6%, largely in line with our forecast. 2Q26 net profit of RMB598mn reached an all-time high, while below our RMB878mn projection due to lower government grants and forex losses. Core operating performance was fully in line with our expectation.
- **Strong volume outlook with 2027 being another big product year**. We raise our FY26E sales volume forecast by 3% to 1.0mn units (+68% YoY), implying 2H26E deliveries of 0.64mn units (+72% YoY, +81% HoH). Following the launch of the *A05* on 11 Aug (MSRP from RMB63.9k) which extends the A-series down-market, we expect A-series monthly volume to remain above 30,000 units in 2H26E. Leapmotor has completed its A/B/C/D matrix spanning RMB60k-300k. Management expects 2027 to be another major product year, featuring new D-series launches and upgraded B/C-series. Management expects the number of new 2027 launches to exceed this year's, beating market expectations and underpinning continued domestic growth.
- **Still prioritizing export volume over profit.** Leapmotor International (JV with Stellantis) posted a net loss in 1H26 due to forex loss, but remains on track to turn profitable for the full year, on our estimates. We maintain our FY26E export forecast of 0.22mn units. The automaker targets 0.35-0.4mn overseas units in 2027, still primarily driven by direct exports as local assembly ramps up (Malaysia C10 in production; Spain B10 from 3Q26; Brazil B10 in 2H27). While localization remains the long-term goal, management prioritizes volume growth over near-term profitability, leading us to maintain conservative FY27-28E JV earnings adjustments despite higher volume assumptions.
- **Earnings/Valuation.** We revise our FY26-28E net profit forecasts slightly by 1.1%/-0.6%/1.2% to RMB3.2bn/4.9bn/7.6bn, respectively. We maintain BUY rating and target price of HK$60.00, based on 15x FY27E P/E (prior 21x FY26E P/E). Key risks to our rating and target price include lower sales/GPM, slower overseas ramp-up than we expect and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	32,164	64,732	103,541	120,569	145,651
YoY growth (%)	92.1	101.3	60.0	16.4	20.8
Gross margin (%)	8.4	14.5	13.3	13.3	13.7
Operating profit (RMB mn)	(3,171.1)	177.4	2,553.8	3,675.7	6,240.3
Net profit (RMB mn)	(2,820.8)	538.4	3,160.5	4,949.2	7,647.0
YoY growth (%)	na	na	487.0	56.6	54.5
P/S (x)	1.6	0.8	0.5	0.4	0.4
P/E (x)	ns	94.7	16.6	10.7	7.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$60.00**
Up/Downside	**40.3%**
Current Price	**HK$42.76**

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Stock Data

Mkt Cap (HK$ mn)	60,796.7
Avg 3 mths t/o (HK$ mn)	335.3
52w High/Low (HK$)	69.00/33.46
Total Issued Shares (mn)	1421.8

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert partie	25.5%
Stellantis N.V.	20.0%

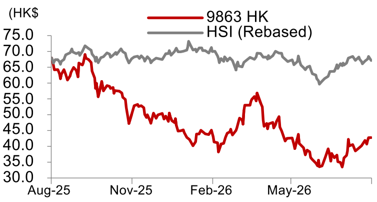
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.7%	15.1%
3-mth	0.2%	0.5%
6-mth	-4.4%	-0.4%

Source: FactSet

12-mth Price Performance



Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Sales volume (units)	87,552	134,112	173,852	201,039	110,155	246,332	83.7%	123.6%
ASP (RMB)	114,446	106,102	111,877	104,618	98,225	110,771	4.4%	12.8%
Revenue	10,020	14,230	19,450	21,032	10,820	27,287	91.8%	152.2%
Gross profit	1,493	1,933	2,820	3,166	1,017	3,428	77.4%	237.1%
R&D expenses	(800)	(1,094)	(1,210)	(1,188)	(1,040)	(1,277)	16.7%	22.8%
SG&A expenses	(990)	(1,205)	(1,580)	(1,820)	(1,120)	(1,879)	55.9%	67.8%
Operating profit	(150)	61	50	216	(410)	538	777.4%	N/A
Net profit	(130)	163	150	355	(390)	598	267.1%	N/A
Gross margin	14.9%	13.6%	14.5%	15.1%	9.4%	12.6%	-1.0 ppts	3.2 ppts
Operating margin	-1.5%	0.4%	0.3%	1.0%	-3.8%	2.0%	1.5 ppts	5.8 ppts
Net margin	-1.3%	1.1%	0.8%	1.7%	-3.6%	2.2%	1.0 ppts	5.8 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	103,541	120,569	145,651	101,413	115,439	139,651	2.1%	4.4%	4.3%
Gross profit	13,790	16,023	19,940	13,123	15,610	19,615	5.1%	2.6%	1.7%
Operating profit	2,554	3,676	6,240	2,321	3,298	6,015	10.0%	11.4%	3.8%
Net profit	3,160	4,949	7,647	3,126	4,977	7,554	1.1%	-0.6%	1.2%
Gross margin	13.3%	13.3%	13.7%	12.9%	13.5%	14.0%	0.4 ppts	-0.2 ppts	-0.4 ppts
Operating margin	2.5%	3.0%	4.3%	2.3%	2.9%	4.3%	0.2 ppts	0.2 ppts	0.0 ppts
Net margin	3.1%	4.1%	5.3%	3.1%	4.3%	5.4%	0.0 ppts	-0.2 ppts	-0.2 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	103,541	120,569	145,651	104,005	137,633	161,541	-0.4%	-12.4%	-9.8%
Gross profit	13,790	16,023	19,940	14,796	20,473	24,721	-6.8%	-21.7%	-19.3%
Operating profit	2,554	3,676	6,240	2,594	5,050	6,804	-1.5%	-27.2%	-8.3%
Net profit	3,160	4,949	7,647	3,117	5,673	7,889	1.4%	-12.8%	-3.1%
Gross margin	13.3%	13.3%	13.7%	14.2%	14.9%	15.3%	-0.9 ppts	-1.6 ppts	-1.6 ppts
Operating margin	2.5%	3.0%	4.3%	2.5%	3.7%	4.2%	0.0 ppts	-0.6 ppts	0.1 ppts
Net margin	3.1%	4.1%	5.3%	3.0%	4.1%	4.9%	0.1 ppts	0.0 ppts	0.4 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**16,747**	**32,164**	**64,732**	**103,541**	**120,569**	**145,651**
Cost of goods sold	(16,666)	(29,470)	(55,320)	(89,751)	(104,546)	(125,711)
Gross profit	**80**	**2,694**	**9,412**	**13,790**	**16,023**	**19,940**
Operating expenses	**(4,458)**	**(5,866)**	**(9,235)**	**(11,236)**	**(12,348)**	**(13,699)**
Selling expense	(1,795)	(2,138)	(3,654)	(4,562)	(4,640)	(5,104)
Admin expense	(858)	(1,137)	(1,941)	(2,355)	(2,539)	(2,960)
R&D expense	(1,920)	(2,896)	(4,292)	(5,471)	(6,374)	(7,045)
Others	115	306	653	1,152	1,206	1,409
Operating profit	**(4,377)**	**(3,171)**	**177**	**2,554**	**3,676**	**6,240**
Share of (losses)/profits of associates/JV	4	42	67	175	691	1,333
EBITDA	**(3,543)**	**(2,110)**	**1,820**	**5,124**	**7,520**	**11,433**
Depreciation	436	521	934	1,515	2,120	2,674
Depreciation of ROU assets	138	114	203	273	297	310
Other amortisation	27	35	40	48	58	68
EBIT	**(4,144)**	**(2,781)**	**644**	**3,288**	**5,045**	**8,381**
Interest income	229	348	400	560	678	808
Interest expense	(72)	(40)	(106)	(128)	(96)	(69)
Pre-tax profit	**(4,216)**	**(2,821)**	**538**	**3,160**	**4,949**	**8,312**
Income tax	(0)	(0)	0	0	0	(665)
After tax profit	**(4,216)**	**(2,821)**	**538**	**3,160**	**4,949**	**7,647**
Net profit	**(4,216)**	**(2,821)**	**538**	**3,160**	**4,949**	**7,647**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**22,470**	**26,453**	**39,662**	**63,513**	**76,409**	**93,676**
Cash & equivalents	11,731	6,378	10,985	19,729	24,708	31,252
Restricted cash	2,800	1,254	3,148	3,551	3,953	4,375
Account receivables	926	1,981	5,210	7,659	8,258	9,577
Inventories	1,719	2,023	4,548	7,131	8,020	9,299
ST bank deposits	2,087	1,318	3,446	8,635	13,740	18,683
Financial assets at FVTPL	2,770	11,473	10,172	13,349	13,537	15,727
Other current assets	422	2,026	2,152	3,460	4,193	4,763
Contract assets	14	0	0	0	0	0
Non-current assets	**5,984**	**11,194**	**23,156**	**28,270**	**31,940**	**38,425**
PP&E	3,868	5,537	10,243	12,649	15,428	16,674
Right-of-use assets	732	736	1,830	1,657	1,460	1,250
Investment in JVs & assos	44	164	231	306	597	1,130
Intangibles	450	450	463	464	456	438
Other non-current assets	889	4,306	10,390	13,195	13,998	18,933
Total assets	**28,453**	**37,647**	**62,818**	**91,784**	**108,349**	**132,101**
Current liabilities	**13,954**	**24,975**	**42,829**	**67,933**	**79,084**	**93,559**
Short-term borrowings	1,581	1,266	654	923	1,384	300
Account payables	9,847	18,903	33,099	52,867	61,582	74,049
Other current liabilities	2,399	4,499	8,749	13,509	15,508	18,618
Lease liabilities	104	145	237	479	429	373
Contract liabilities	23	161	91	155	181	218
Non-current liabilities	**2,002**	**2,601**	**5,871**	**5,883**	**5,869**	**7,015**
Long-term borrowings	892	1,108	2,307	1,384	300	300
Deferred income	382	348	606	718	863	988
Other non-current liabilities	728	1,144	2,959	3,781	4,706	5,727
Total liabilities	**15,955**	**27,576**	**48,700**	**73,816**	**84,953**	**100,573**
Share capital	1,337	1,337	1,422	1,437	1,446	1,455
Retained earnings	(13,897)	(16,717)	(16,179)	(13,039)	(8,079)	(417)
Other reserves	25,058	25,451	28,875	29,569	30,029	30,490
Total shareholders equity	**12,498**	**10,071**	**14,118**	**17,968**	**23,396**	**31,527**
Total equity and liabilities	**28,453**	**37,647**	**62,818**	**91,784**	**108,349**	**132,101**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(4,216)**	**(2,821)**	**538**	**3,160**	**4,949**	**8,312**
Depreciation & amortization	601	671	1,176	1,836	2,475	3,052
Tax paid	(0)	(0)	0	0	0	(665)
Change in working capital	3,941	10,092	9,774	17,483	7,369	11,080
Others	756	529	1,134	1,343	818	388
Net cash from operations	**1,082**	**8,471**	**12,623**	**23,823**	**15,612**	**22,167**
Investing						
Capital expenditure	(1,394)	(2,151)	(4,799)	(4,050)	(5,050)	(4,050)
Acquisition of subsidiaries/ investments	(10)	(106)	(49)	0	0	0
Net proceeds from disposal of short-term investments	(3,527)	(11,228)	(6,680)	(11,000)	(6,000)	(12,000)
Others	71	162	442	635	1,210	1,670
Net cash from investing	**(4,860)**	**(13,323)**	**(11,086)**	**(14,415)**	**(9,840)**	**(14,380)**
Financing						
Net borrowings	689	(99)	586	(654)	(623)	(1,084)
Proceeds from share issues	7,778	0	2,600	0	0	0
Others	85	(404)	(89)	(10)	(169)	(160)
Net cash from financing	**8,552**	**(503)**	**3,097**	**(664)**	**(792)**	**(1,244)**
Net change in cash						
Cash at the beginning of the year	6,949	11,731	6,378	10,985	19,729	24,708
Exchange difference	9	3	(27)	0	0	0
Cash at the end of the year	**11,731**	**6,378**	**10,985**	**19,729**	**24,708**	**31,252**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	35.2%	92.1%	101.3%	60.0%	16.4%	20.8%
Gross profit	na	3,248.4%	249.3%	46.5%	16.2%	24.4%
Operating profit	na	na	na	1,339.8%	43.9%	69.8%
EBITDA	na	na	na	181.5%	46.8%	52.0%
EBIT	na	na	na	410.3%	53.4%	66.1%
Net profit	na	na	na	487.0%	56.6%	54.5%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	0.5%	8.4%	14.5%	13.3%	13.3%	13.7%
Operating margin	(26.1%)	(9.9%)	0.3%	2.5%	3.0%	4.3%
EBITDA margin	(21.2%)	(6.6%)	2.8%	4.9%	6.2%	7.8%
Return on equity (ROE)	(40.6%)	(25.0%)	4.5%	19.7%	23.9%	27.8%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(1.2)	(1.1)	(1.8)	(2.4)	(2.3)	(2.3)
Current ratio (x)	1.6	1.1	0.9	0.9	1.0	1.0
Receivable turnover days	20.2	22.5	29.4	27.0	25.0	24.0
Inventory turnover days	37.7	25.1	30.0	29.0	28.0	27.0
Payable turnover days	215.7	234.1	218.4	215.0	215.0	215.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	ns	ns	94.7	16.6	10.7	7.0
P/E (diluted)	ns	ns	95.4	16.6	10.7	7.0
P/B	3.4	4.9	3.6	2.9	2.3	1.7
P/CFPS	39.5	5.8	4.0	2.2	3.4	2.4
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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