Geely Automobile (175 HK)

We see margin lift potential on a solid 3Q25

Maintain BUY. We view Geely's 3Q25 earnings as solid and we believe Geely could accomplish its both sales and GPM targets in FY25. We are of the opinion that Geely's sales volume growth could continue at least throughout FY26, given its current incomprehensive NEV model line-up and well-received new models including the Galaxy *M9*, *A7* and Zeekr *9X*. We also expect these new models, along with rising NEV exports, to lift its margins in FY26. We believe Geely is well positioned among its peers with attractive valuation.

- **Solid 3Q25 earnings.** Geely's 3Q25 revenue rose 48% YoY amid a YoY sales volume growth rate of 43%, or about 6% higher than our prior forecast, mainly due to Zeekr's more resilient-than-expected pricing. GPM in 3Q25 widened by 1ppt YoY but narrowed by 0.5ppts QoQ to 16.6%, or 0.7ppts lower than our projection. SG&A and R&D combined ratio was about 12.4% in 3Q25, 0.2ppts lower than our forecast. These key metrics, along with better-than-expected forex loss and higher tax rate, resulted in an in-line net profit of RMB3.8bn in 3Q25.
- **Better product mix to lift margins in 4Q25 and FY26.** We are of the view that QoQ GPM decline could be short-lived, as high-margin new models, including the Zeekr *9X*, Lynk & Co *900* and Galaxy *M9* are to contribute more sales volume in 4Q25 and FY26. We project the sales volume of these three models combined to more than double YoY to 285,000 units in FY26 with a gross margin range of 20-31%. Therefore, we expect GPMs in 4Q25 and FY26 to be 17.1% and 17.8%, respectively.
- **Rising NEV exports to fuel sales volume, margins in FY26.** Geely's NEV exports accelerated from Aug 2025, with an average monthly volume of 13,700 units in Aug-Oct 2025, doubled from the average in Jan-Jul 2025, aided by the Galaxy *Starship 7* and Zeekr *7X*. We expect Geely's NEV exports to almost triple YoY to 0.3mn units in FY26, as more models are set to be sold abroad. These exports could also contribute higher GPM.
- **Earnings/Valuation.** We project Geely's sales volume in FY25-26 to be 3.08mn/3.42mn units, with about half of growth in FY26 from exports. We estimate FY25 net profit to be RMB17.4bn, implying 4Q25 net profit forecast of RMB4.3bn. We revise up FY26-27 net profit forecasts by 7.5%/9.0% to RMB20.0bn/RMB21.3bn, respectively. We maintain our BUY rating and target price of HK$25.00, based on 12x (prior 13x) our FY26E P/E, to reflect investors' recent concerns about industrywide sales slowdown in 2026. Key risks include lower sales volume and/or gross margin than we expect, especially from new NEV models, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	179,204	240,194	346,288	385,418	410,136
YoY growth (%)	21.1	34.0	44.2	11.3	6.4
Net profit (RMB mn)	5,308.4	16,632.4	17,441.9	20,025.4	21,311.1
YoY growth (%)	0.9	213.3	4.9	14.8	6.4
EPS (Reported) (RMB)	0.53	1.65	1.72	1.96	2.07
P/E (x)	29.8	9.5	9.1	8.0	7.6
P/B (x)	2.0	1.8	1.8	1.5	1.4
Yield (%)	1.3	2.0	4.4	5.0	5.3
ROE (%)	6.8	19.9	19.7	20.5	19.1
Net gearing (%)	(38.8)	(45.9)	(47.4)	(57.0)	(65.8)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$25.00**
Up/Downside	**45.3%**
Current Price	**HK$17.20**

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Stock Data

Mkt Cap (HK$ mn)	174,043.3
Avg 3 mths t/o (HK$ mn)	1,267.7
52w High/Low (HK$)	20.44/12.84
Total Issued Shares (mn)	10118.8

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.2%
Others	58.8%

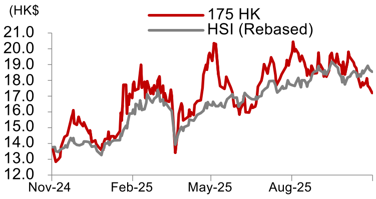
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-6.4%	-10.5%
3-mth	-10.6%	-14.4%
6-mth	-12.9%	-22.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

"Geely Automobile (175 HK) - Solid earnings with more competitive models ahead" - 15 Aug 2025

"Geely Automobile (175 HK) - 2Q25 earnings preview and 2H25 outlook" - 11 Jul 2025

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	YoY	QoQ
Sales volume (units)	475,720	480,010	533,960	686,877	703,824	705,356	761,009	42.5%	7.9%
ASP (RMB)	122,393	126,180	132,484	121,450	103,002	110,284	117,203	-11.5%	6.3%
Total revenue	58,225	60,568	70,741	72,510	72,495	77,790	89,192	26.1%	14.7%
Gross profit	9,097	10,771	10,918	12,572	11,437	13,282	14,793	35.5%	11.4%
Selling exp.	(4,133)	(3,748)	(3,395)	(4,260)	(3,635)	(4,750)	(5,358)	57.8%	12.8%
Admin exp.	(1,441)	(1,645)	(1,495)	(4,885)	(1,412)	(1,486)	(1,353)	-9.5%	-9.0%
R&D exp.	(2,672)	(3,368)	(3,235)		(3,328)	(4,000)	(4,389)	35.7%	9.7%
Operating profit	1,216	2,220	2,194	2,780	6,604	4,213	4,628	110.9%	9.9%
Net profit	1,560	9,230	2,424	3,580	5,672	3,618	3,820	57.6%	5.6%
Gross margin	15.6%	17.8%	15.4%	17.3%	15.8%	17.1%	16.6%	1.2 ppts	-0.5 ppts
Operating margin	2.1%	3.7%	3.1%	3.8%	9.1%	5.4%	5.2%	2.1 ppts	-0.2 ppts
Net margin	2.7%	15.2%	3.4%	4.9%	7.8%	4.7%	4.3%	0.9 ppts	-0.4 ppts

Source: Company data, CMBIGM

Notes: The data for 1Q-3Q24 is restated due to consolidation of Lynk & Co in 1Q25, while the data for 4Q24 is pre-restated. The admin expenses in 4Q24 include R&D expenses.

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	346,288	385,418	410,136	338,675	369,620	385,385	2.2%	4.3%	6.4%
Gross profit	57,820	68,689	72,291	56,680	62,699	64,792	2.0%	9.6%	11.6%
Operating profit	20,576	22,912	23,241	20,953	20,474	20,486	-1.8%	11.9%	13.5%
Net profit	17,442	20,025	21,311	17,703	18,628	19,557	-1.5%	7.5%	9.0%
Gross margin	16.7%	17.8%	17.6%	16.7%	17.0%	16.8%	0.0 ppts	0.9 ppts	0.8 ppts
Operating margin	5.9%	5.9%	5.7%	6.2%	5.5%	5.3%	-0.2 ppts	0.4 ppts	0.4 ppts
Net margin	5.0%	5.2%	5.2%	5.2%	5.0%	5.1%	-0.2 ppts	0.2 ppts	0.1 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	346,288	385,418	410,136	341,393	408,596	466,185	1.4%	-5.7%	-12.0%
Gross profit	57,820	68,689	72,291	54,954	67,075	77,708	5.2%	2.4%	-7.0%
Operating profit	20,576	22,912	23,241	16,251	20,417	25,258	26.6%	12.2%	-8.0%
Net profit	17,442	20,025	21,311	16,107	19,129	23,307	8.3%	4.7%	-8.6%
Gross margin	16.7%	17.8%	17.6%	16.1%	16.4%	16.7%	0.6 ppts	1.4 ppts	1.0 ppts
Operating margin	5.9%	5.9%	5.7%	4.8%	5.0%	5.4%	1.2 ppts	0.9 ppts	0.2 ppts
Net margin	5.0%	5.2%	5.2%	4.7%	4.7%	5.0%	0.3 ppts	0.5 ppts	0.2 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**147,965**	**179,204**	**240,194**	**346,288**	**385,418**	**410,136**
Cost of goods sold	(127,069)	(151,789)	(201,993)	(288,468)	(316,729)	(337,845)
Gross profit	**20,896**	**27,415**	**38,201**	**57,820**	**68,689**	**72,291**
Operating expenses	**(10,398)**	**(14,675)**	**(17,275)**	**(20,117)**	**(26,353)**	**(27,944)**
Selling expense	(8,228)	(11,832)	(13,283)	(20,123)	(21,735)	(23,037)
Admin expense	(3,327)	(4,210)	(4,897)	(6,219)	(7,170)	(7,640)
Others	1,157	1,367	905	6,225	2,553	2,733
Operating profit	**10,497**	**12,740**	**20,926**	**37,703**	**42,337**	**44,346**
Other expense	(1,489)	(646)	(1,747)	(1,317)	(801)	(496)
Other gains/(losses)	1,750	0	9,098	0	0	0
Share of (losses)/profits of associates/JV	651	599	969	2,052	2,049	2,169
EBITDA	**13,551**	**13,570**	**28,347**	**36,725**	**42,991**	**45,434**
Depreciation	8,318	8,203	9,393	14,528	17,521	18,924
EBIT	**5,233**	**5,367**	**18,954**	**22,197**	**25,470**	**26,510**
Interest income	931	961	1,243	887	1,311	1,596
Interest expense	(551)	(417)	(550)	(895)	(907)	(736)
Net Interest income/(expense)	**380**	**544**	**692**	**(8)**	**404**	**860**
Foreign exchange gain/loss	(79)	(126)	(1,619)	3,500	0	0
Pre-tax profit	**4,682**	**4,950**	**18,404**	**21,302**	**24,563**	**25,775**
Income tax	(32)	(15)	(1,604)	(3,561)	(4,008)	(3,895)
After tax profit	**4,650**	**4,935**	**16,799**	**17,741**	**20,556**	**21,880**
Minority interest	611	373	(167)	(299)	(530)	(569)
Net profit	**5,260**	**5,308**	**16,632**	**17,442**	**20,025**	**21,311**
Gross dividends	1,916	2,051	3,113	6,977	8,010	8,524

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**79,064**	**113,635**	**125,322**	**178,022**	**200,642**	**227,777**
Cash & equivalents	33,341	35,746	40,865	59,105	68,754	87,163
Restricted cash	387	943	2,881	1,500	1,700	2,000
Account receivables	34,392	42,711	58,307	85,614	95,288	101,399
Inventories	10,822	15,422	23,078	31,613	34,710	37,024
Prepayment	0	0	0	0	0	0
Other current assets	121	18,813	191	191	191	191
Non-current assets	**78,762**	**78,963**	**104,070**	**128,144**	**131,250**	**132,514**
PP&E	32,201	27,351	26,384	40,181	36,915	33,372
Right-of-use assets	3,402	3,600	4,126	4,074	4,022	3,972
Deferred income tax	4,573	6,342	8,461	8,461	8,461	8,461
Investment in JVs & assos	14,235	15,703	31,424	31,138	33,321	35,487
Intangibles	22,548	23,920	28,751	40,610	44,447	46,883
Goodwill	61	34	34	34	34	34
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,742	2,013	4,890	3,646	4,049	4,304
Total assets	**157,826**	**192,598**	**229,392**	**306,167**	**331,892**	**360,291**
Current liabilities	**68,953**	**96,824**	**127,200**	**184,957**	**195,386**	**208,293**
Short-term borrowings	0	0	30	6,845	0	0
Account payables	65,481	87,398	125,379	176,321	193,595	206,502
Tax payable	773	774	960	960	960	960
Other current liabilities	2,143	7,898	28	28	28	28
Lease liabilities	557	754	803	803	803	803
Non-current liabilities	**12,677**	**10,622**	**9,772**	**18,815**	**19,349**	**19,748**
Long-term borrowings	2,758	2,840	414	7,414	7,414	7,414
Bond payables	6,000	2,600	3,500	3,500	3,500	3,500
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	3,919	5,182	5,858	7,900	8,435	8,834
Total liabilities	**81,631**	**107,446**	**136,972**	**203,772**	**214,735**	**228,041**
Share capital	184	184	184	186	187	190
Other reserves	74,947	80,325	86,558	90,298	104,359	118,710
Total shareholders equity	**75,130**	**80,509**	**86,742**	**90,483**	**104,546**	**118,900**
Minority interest	1,065	4,643	5,678	11,911	12,612	13,350
Total equity and liabilities	**157,826**	**192,598**	**229,392**	**306,167**	**331,892**	**360,291**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**4,682**	**4,950**	**18,404**	**21,302**	**24,563**	**25,775**
Depreciation & amortization	8,318	8,203	9,393	14,528	17,521	18,924
Tax paid	(2,082)	(2,307)	(3,499)	(3,561)	(4,008)	(3,895)
Change in working capital	5,672	11,238	9,316	18,203	4,445	4,447
Others	(571)	259	(7,107)	(249)	(1,221)	(2,096)
Net cash from operations	**16,018**	**22,342**	**26,507**	**50,222**	**41,301**	**43,154**
Investing						
Capital expenditure	(10,337)	(15,322)	(13,314)	(17,435)	(18,286)	(17,979)
Acquisition of subsidiaries/ investments	(2,831)	(1,570)	6,958	(21,370)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,037	748	(2,775)	(8,995)	1,992	2,259
Net cash from investing	**(12,130)**	**(16,145)**	**(9,132)**	**(47,799)**	**(17,294)**	**(16,720)**
Financing						
Dividend paid	(1,788)	(1,916)	(2,120)	(3,113)	(6,977)	(8,010)
Net borrowings	4,603	(4,237)	(3,386)	13,815	(6,845)	0
Proceeds from share issues	0	0	1,322	0	0	0
Others	(1,490)	3,389	(9,112)	5,115	(536)	(15)
Net cash from financing	**1,325**	**(2,764)**	**(13,297)**	**15,817**	**(14,358)**	**(8,025)**
Net change in cash						
Cash at the beginning of the year	28,014	33,341	35,746	40,865	59,105	68,754
Exchange difference	114	(1,029)	1,040	0	0	0
Cash at the end of the year	**33,341**	**35,746**	**40,865**	**59,105**	**68,754**	**87,163**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	45.6%	21.1%	34.0%	44.2%	11.3%	6.4%
Gross profit	20.0%	31.2%	39.3%	51.4%	18.8%	5.2%
Operating profit	4.1%	21.4%	64.3%	80.2%	12.3%	4.7%
EBITDA	14.6%	0.1%	108.9%	29.6%	17.1%	5.7%
EBIT	6.1%	2.6%	253.2%	17.1%	14.7%	4.1%
Net profit	8.5%	0.9%	213.3%	4.9%	14.8%	6.4%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	14.1%	15.3%	15.9%	16.7%	17.8%	17.6%
Operating margin	7.1%	7.1%	8.7%	10.9%	11.0%	10.8%
EBITDA margin	9.2%	7.6%	11.8%	10.6%	11.2%	11.1%
Return on equity (ROE)	7.3%	6.8%	19.9%	19.7%	20.5%	19.1%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.4)	(0.5)	(0.5)	(0.6)	(0.7)
Current ratio (x)	1.1	1.2	1.0	1.0	1.0	1.1
Receivable turnover days	88.7	91.1	96.2	94.0	94.0	94.0
Inventory turnover days	31.2	37.2	41.8	40.0	40.0	40.0
Payable turnover days	193.2	217.3	233.4	230.0	230.0	230.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	30.0	29.8	9.5	9.1	8.0	7.6
P/E (diluted)	30.3	30.0	9.5	9.2	8.1	7.7
P/B	2.1	2.0	1.8	1.8	1.5	1.4
P/CFPS	9.8	7.1	6.0	3.2	3.9	3.8
Div yield (%)	1.2	1.3	2.0	4.4	5.0	5.3

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

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