

Xpeng Inc. (XPEV US)

Await more details about *Mona*

Maintain HOLD. Management's upbeat view on the *Mona* and the new B-class sedan has probably given investors more confidence in Xpeng's substantial sales growth in 4Q24 (similar to 4Q23) and FY25. We have largely factored in such growth in our prior forecast. 1Q24 GPM was largely lifted by service revenue, as vehicle sales only accounted for 36% of total gross profit. We are of the view that Xpeng is still unlikely to turn profitable in FY25E.

■ **1Q24 earnings slightly beat.** Xpeng's 1Q24 revenue was 4% higher than our prior forecast, mainly due to higher-than-expected average selling price (ASP) despite rising incentives. Its 1Q24 GPM of 12.9% beat our projection by 1.8ppts, mainly due to higher R&D service income from Volkswagen (VOW GR, NR), while the vehicle GPM of 5.5% was weaker than our prior forecast given the impairment related to the *P5*. R&D and SG&A expenses were both in line with our estimates. Therefore, 1Q24 net loss of RMB1.4bn beat our projection by about RMB0.2bn.

■ **Management's upbeat view on *Mona* has been largely factored in our forecasts.** We have turned more positive on Xpeng's sales volume in 4Q24 after a disappointing 1Q24. On the other hand, such sales growth has been factored into our prior forecast. In fact, we cut our FY24E sales volume forecast by 20,000 units to 200,000 units, implying almost 150,000-unit sales in 2H24E. We project FY24E vehicle GPM to be 5.8% (vs. 5.5% in 1Q24) and overall GPM to be 10.3% (vs. 12.9% in 1Q24). Gross profit from other revenue which includes R&D services for VW took up 64% of total gross profit in 1Q24. Such ratio would be lower when vehicle sales volume rises in 2H24, dragging the overall GPM down. Profit contribution from the high-margin *X9* could also be lower in 2H24, when the *Mona* ramps up.

We maintain our FY25E sales volume forecast of 330,000 units. However, we cut FY25E revenue by 6%, as we lower ASPs for the *Mona* and the new B-class sedan. We project FY25E GPM to be 11.4%, which still cannot cover SG&A expenses on our estimates, especially as Xpeng appears to plan to build separate sales network for the *Mona*.

■ **Earnings/Valuation.** We cut our FY24-25E net loss by RMB0.6bn and RMB0.2bn, respectively. It is still unlikely for Xpeng to turn profitable in FY25E, in our view. We maintain our HOLD rating and cut target price slightly from US\$10.50 to US\$10.00, based on 1.1x our revised FY25E P/S. Li Auto (LI US, BUY) and BYD (1211 HK, BUY) are trading at 0.8x and 0.7x our FY25E P/S, respectively, despite their much better profitability. Key risks to our rating and target price include faster or slower autonomous driving technology advancement than its peers, higher or lower sales volume and/or GPM than we expect, as well as a sector re-rating or de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	26,855	30,676	44,692	61,947	67,497
YoY growth (%)	28.0	14.2	45.7	38.6	9.0
Gross margin (%)	11.5	1.5	10.3	11.4	12.4
Operating profit (RMB mn)	(8,705.5)	(10,889.4)	(7,716.8)	(7,356.5)	(6,411.5)
Net profit (RMB mn)	(9,139.0)	(10,375.8)	(6,047.3)	(5,616.1)	(4,696.2)
EPS (Reported) (RMB cents)	(533.65)	(595.99)	(319.71)	(294.58)	(244.40)
P/S (x)	2.2	2.0	1.3	1.0	0.9
P/B (x)	1.5	1.5	2.0	2.4	2.9

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$10.00
(Previous TP)	US\$10.50
Up/Downside	14.0%
Current Price	US\$8.77

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Stock Data

Mkt Cap (US\$ mn)	8,285.8
Avg 3 mths t/o (US\$ mn)	62.9
52w High/Low (US\$)	23.39/6.93
Total Issued Shares (mn)	1889.6

Source: FactSet

Shareholding Structure

Mr. He Xiaopeng	18.7%
Volkswagen AG	5.0%

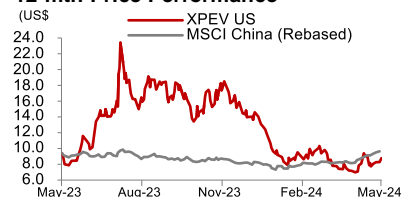
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	25.6%	7.0%
3-mth	-4.0%	-18.5%
6-mth	-49.7%	-54.7%

Source: FactSet

12-month Price Performance



Source: FactSet

Related Report

["Xpeng Inc. \(XPEV US\) - Margin lift mixed with unexciting new models" - 20 Mar 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	YoY	QoQ
Sales volume (units)	18,230	23,205	40,008	60,158	21,821	19.7%	-63.7%
ASP (RMB)	221,252	218,173	213,195	216,936	300,082	35.6%	38.3%
Revenue	4,033	5,063	8,530	13,050	6,548	62.3%	-49.8%
Gross profit	67	(197)	(228)	809	844	1158.7%	4.2%
R&D expenses	(1,296)	(1,367)	(1,306)	(1,308)	(1,350)	4.2%	3.3%
SG&A expenses	(1,387)	(1,544)	(1,692)	(1,937)	(1,388)	0.1%	-28.3%
Operating profit	(2,585)	(3,090)	(3,161)	(2,053)	(1,646)	N/A	N/A
Net profit	(2,337)	(2,805)	(3,887)	(1,348)	(1,368)	N/A	N/A
Gross margin	1.7%	-3.9%	-2.7%	6.2%	12.9%	11.2 ppt	6.7 ppt
Operating margin	-64.1%	-61.0%	-37.1%	-15.7%	-25.1%	39.0 ppt	-9.4 ppt
Net margin	-57.9%	-55.4%	-45.6%	-10.3%	-20.9%	37.0 ppt	-10.6 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	44,692	61,947	67,497	50,924	65,527	N/A	-12.2%	-5.5%	N/A
Gross profit	4,583	7,074	8,389	5,045	7,115	N/A	-9.2%	-0.6%	N/A
Operating profit	(7,717)	(7,356)	(6,411)	(8,315)	(7,625)	N/A	N/A	N/A	N/A
Net profit	(6,047)	(5,616)	(4,696)	(6,674)	(5,859)	N/A	N/A	N/A	N/A
Gross margin	10.3%	11.4%	12.4%	9.9%	10.9%	N/A	0.3 ppt	0.6 ppt	N/A
Operating margin	-17.3%	-11.9%	-9.5%	-16.3%	-11.6%	N/A	-0.9 ppt	-0.2 ppt	N/A
Net margin	-13.5%	-9.1%	-7.0%	-13.1%	-8.9%	N/A	-0.4 ppt	-0.1 ppt	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	44,692	61,947	67,497	49,914	74,442	93,897	-10.5%	-16.8%	-28.1%
Gross profit	4,583	7,074	8,389	5,088	9,831	14,694	-9.9%	-28.0%	-42.9%
Operating profit	(7,717)	(7,356)	(6,411)	(9,165)	(6,179)	(2,174)	N/A	N/A	N/A
Net profit	(6,047)	(5,616)	(4,696)	(7,244)	(4,092)	(1,295)	N/A	N/A	N/A
Gross margin	10.3%	11.4%	12.4%	10.2%	13.2%	15.6%	0.1 ppt	-1.8 ppt	-3.2 ppt
Operating margin	-17.3%	-11.9%	-9.5%	-18.4%	-8.3%	-2.3%	1.1 ppt	-3.6 ppt	-7.2 ppt
Net margin	-13.5%	-9.1%	-7.0%	-14.5%	-5.5%	-1.4%	1.0 ppt	-3.6 ppt	-5.6 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	20,988	26,855	30,676	44,692	61,947	67,497
Cost of goods sold	(18,366)	(23,767)	(30,225)	(40,109)	(54,874)	(59,109)
Gross profit	2,623	3,088	451	4,583	7,074	8,389
Operating expenses	(9,202)	(11,794)	(11,341)	(12,300)	(14,430)	(14,800)
SG&A expense	(5,305)	(6,688)	(6,559)	(7,200)	(9,030)	(9,200)
R&D expense	(4,114)	(5,215)	(5,277)	(5,700)	(6,000)	(6,200)
Others	218	109	495	600	600	600
Operating profit	(6,579)	(8,706)	(10,889)	(7,717)	(7,356)	(6,411)
Gain/loss on financial assets at FVTPL	671	84	(635)	30	80	80
Other gains/(losses)	384	(1,424)	139	300	300	300
EBITDA	(3,944)	(7,571)	(7,963)	(2,987)	(2,296)	(1,067)
Depreciation	573	915	1,646	2,028	2,311	2,584
Depreciation of ROU assets	229	379	182	258	273	283
Other amortisation	36	116	279	514	531	552
EBIT	(4,782)	(8,982)	(10,070)	(5,787)	(5,411)	(4,485)
Interest income	743	1,059	1,260	1,520	1,446	1,426
Interest expense	(55)	(132)	(269)	(261)	(205)	(211)
Pre-tax profit	(4,837)	(9,114)	(10,339)	(6,047)	(5,616)	(4,696)
Income tax	(26)	(25)	(37)	0	0	0
After tax profit	(4,863)	(9,139)	(10,376)	(6,047)	(5,616)	(4,696)
Others	0	0	0	0	0	0
Net profit	(4,863)	(9,139)	(10,376)	(6,047)	(5,616)	(4,696)
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	48,831	43,527	54,522	53,534	62,980	64,054
Cash & equivalents	11,025	14,608	21,127	19,581	26,262	28,956
Restricted cash	610	106	3,175	3,000	2,000	2,000
Account receivables	2,673	3,873	2,716	3,673	5,092	5,548
Inventories	2,662	4,521	5,526	6,044	7,517	8,097
ST bank deposits	25,858	15,349	16,812	15,000	14,000	11,000
Financial assets at FVTPL	2,834	1,262	781	591	601	611
Other current assets	3,169	3,808	4,384	5,644	7,509	7,843
Non-current assets	16,821	27,964	29,641	29,921	29,447	28,357
PP&E	5,425	10,607	10,954	10,854	10,493	9,854
Right-of-use assets	1,561	1,955	1,456	1,398	1,225	1,042
Investment in JVs & assos	1,549	2,295	2,085	2,145	2,315	2,515
Intangibles	879	1,043	4,949	4,599	4,285	3,954
Other non-current assets	7,407	12,064	10,197	10,925	11,129	10,992
Total assets	65,651	71,491	84,163	83,454	92,427	92,411
Current liabilities	18,013	24,115	36,112	39,063	51,788	55,562
Short-term borrowings	0	2,419	3,889	0	0	0
Account payables	12,362	14,223	22,210	29,670	40,591	43,724
Tax payable	23	28	6	40	50	50
Other current liabilities	5,254	6,954	9,640	9,016	10,854	11,532
Lease liabilities	373	491	366	337	293	257
Non-current liabilities	5,492	10,465	11,722	13,700	15,254	15,850
Long-term borrowings	1,675	4,613	5,651	6,651	7,651	7,851
Deferred income	479	694	669	1,029	1,375	1,752
Other non-current liabilities	3,338	5,158	5,403	6,020	6,228	6,248
Total liabilities	23,505	34,580	47,834	52,763	67,042	71,413
Share capital	0	0	0	0	0	0
Capital surplus	59,987	60,697	70,258	70,658	70,958	71,258
Retained earnings	(17,840)	(23,787)	(33,930)	(39,967)	(45,573)	(50,259)
Other reserves	0	0	0	0	0	0
Total shareholders equity	42,147	36,911	36,329	30,691	25,385	20,999
Total equity and liabilities	65,651	71,491	84,163	83,454	92,427	92,411

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(4,837)	(9,114)	(10,339)	(6,047)	(5,616)	(4,696)
Depreciation & amortization	838	1,411	2,107	2,800	3,115	3,419
Change in working capital	3,584	(2,709)	7,352	3,324	6,727	1,467
Others	(679)	2,181	1,836	(612)	(772)	(789)
Net cash from operations	(1,095)	(8,232)	956	(535)	3,454	(599)
Investing						
Capital expenditure	(4,318)	(4,680)	(2,312)	(2,250)	(2,500)	(2,500)
Acquisition of subsidiaries/ investments	(1,033)	(619)	(699)	0	0	0
Net proceeds from disposal of short-term investments	(27,762)	9,736	2,837	2,815	3,000	4,000
Others	37	408	805	1,520	1,446	1,426
Net cash from investing	(33,076)	4,846	631	2,085	1,946	2,926
Financing						
Net borrowings	(143)	6,119	3,110	(3,253)	500	500
Proceeds from share issues	13,110	(2)	5,020	0	0	0
Others	1,660	(113)	(114)	(18)	(219)	(133)
Net cash from financing	14,627	6,004	8,015	(3,271)	281	367
Net change in cash						
Cash at the beginning of the year	31,542	11,635	14,714	24,302	22,581	28,262
Exchange difference	(363)	462	(15)	0	0	0
Cash at the end of the year	11,635	14,714	24,302	22,581	28,262	30,956
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	259.1%	28.0%	14.2%	45.7%	38.6%	9.0%
Gross profit	886.0%	17.8%	(85.4%)	915.9%	54.3%	18.6%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	12.5%	11.5%	1.5%	10.3%	11.4%	12.4%
Operating margin	(31.3%)	(32.4%)	(35.5%)	(17.3%)	(11.9%)	(9.5%)
EBITDA margin	(18.8%)	(28.2%)	(26.0%)	(6.7%)	(3.7%)	(1.6%)
Return on equity (ROE)	(12.7%)	(23.1%)	(28.3%)	(18.0%)	(20.0%)	(20.2%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.7	1.8	1.5	1.4	1.2	1.2
Receivable turnover days	46.5	52.6	32.3	30.0	30.0	30.0
Inventory turnover days	52.9	69.4	66.7	55.0	50.0	50.0
Payable turnover days	245.7	218.4	268.2	270.0	270.0	270.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/E (diluted)	ns	ns	ns	ns	ns	ns
P/B	1.2	1.5	1.5	2.0	2.4	2.9
P/CFPS	ns	ns	57.8	ns	17.5	ns
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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