

NIO Inc. (NIO US)

Still no sign of turning profitable

Maintain HOLD. Both NIO's ASP and vehicle GPM missed in 1Q24, while R&D expenses and GPM for other income beat. Although its planned launch time for its third brand is earlier than we had expected, we believe management's GPM guidance and assumptions for breakeven could be too optimistic.

■ **1Q24 ASP miss.** NIO's average selling price (ASP) in 1Q24 fell by RMB12,000 QoQ, or 2% lower than our prior projection. Its 2Q24 guidance implies a further QoQ drop of about RMB23,000. Vehicle GPM in 1Q24 was about 1ppt lower than our forecast, whereas GPM for other income was better than expected, which led to an in-line overall GPM in 1Q24. R&D expenses in 1Q24 were lower than our estimates while interest income was also lower than expected. All combined resulted in an in-line net loss of RMB5.3bn. Net cash was reduced by RMB 10bn QoQ, worse than our prior projection.

■ **Still no sign of turning profitable.** Although management has laid out the breakeven assumptions for both NIO and Onvo brands, as well as battery swap, we are of the view that it could be a bit too optimistic, especially amid the ongoing price war. Even if its battery swap could be close to break even in FY25E, NIO's gross margin is not high enough to support its R&D and SG&A expenses. We see no signal of turning profitable in FY25E or even in FY26E.

We project NIO's FY24E sales volume to rise 25% YoY to 0.2mn units, implying average monthly sales of about 19,000 units in 2H24E. We cut our FY24E revenue forecast by 5%, as the ASP has been falling faster than we had previously expected. We project YoY declines for both R&D and SG&A expenses despite a 25% YoY growth assumption in sales volume, assuming the company's very disciplined investments. Accordingly, we revise our FY24E net loss from RMB17.2bn to RMB17.8bn. We expect net losses in both FY25E and FY26E to be larger than RMB10bn.

■ **Valuation/Key risks.** We maintain our HOLD rating but cut target price from US\$6.20 to US\$5.60, based on 1.3x (prior 1.4x) our revised FY24E revenue estimates. Li Auto (LI US, BUY), with much better profitability, now trades at 1.0x our FY24E P/S. Key risks to our rating and target price include higher or lower sales volume and margins 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)	49,269	55,618	62,040	79,852	95,893
YoY growth (%)	36.3	12.9	11.5	28.7	20.1
Gross margin (%)	10.4	5.5	7.5	9.5	10.1
Operating profit (RMB mn)	(15,640.7)	(22,655.2)	(19,267.8)	(15,775.7)	(14,376.0)
Net profit (RMB mn)	(14,559.4)	(21,147.0)	(17,785.2)	(14,416.5)	(12,887.0)
Adjusted net profit (RMB mn)	(11,984.2)	(18,474.8)	(15,475.2)	(12,396.5)	(11,057.0)
EPS (Reported) (RMB cents)	(889.40)	(1,243.79)	(862.12)	(646.64)	(526.33)
P/S (x)	1.6	1.4	1.3	1.0	0.8
P/B (x)	2.3	2.2	5.6	5.0	8.4

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$5.60
(Previous TP)	US\$6.20
Up/Downside	6.3%
Current Price	US\$5.27

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Stock Data

Mkt Cap (US\$ mn)	11,055.1
Avg 3 mths t/o (US\$ mn)	98.3
52w High/Low (US\$)	15.46/3.80
Total Issued Shares (mn)	2097.8

Source: FactSet

Shareholding Structure

CYVN Holdings	20.0%
Mr. Li Bin	8.5%

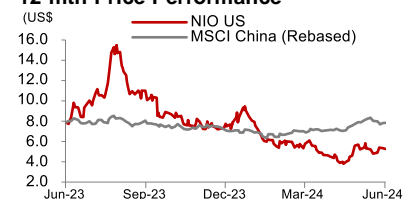
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	-7.4%	-6.6%
3-mth	-8.7%	-18.9%
6-mth	-32.0%	-38.2%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["NIO Inc. \(NIO US\) - Cash burn speeds up with capital injection" - 6 Mar 2024](#)

["NIO \(NIO US\) - Need persuasive strategies to turn profitable" - 21 Feb 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	YoY	QoQ
Sales volume (units)	31,041	23,520	55,432	50,045	30,053	-3.2%	-39.9%
ASP (RMB)	343,947	372,948	343,963	341,756	329,705	-4.1%	-3.5%
Revenue	10,676	8,772	19,067	17,103	9,909	-7.2%	-42.1%
Gross profit	162	87	1,523	1,279	488	200.5%	-61.9%
R&D expenses	(3,076)	(3,345)	(3,039)	(3,972)	(2,864)	-6.9%	-27.9%
SG&A expenses	(2,446)	(2,857)	(3,609)	(3,973)	(2,997)	22.5%	-24.6%
Operating profit	(5,112)	(6,074)	(4,844)	(6,625)	(5,394)	N/A	N/A
Net profit	(4,804)	(6,122)	(4,629)	(5,593)	(5,258)	N/A	N/A
Gross margin	1.5%	1.0%	8.0%	7.5%	4.9%	3.4 ppt	-2.6 ppt
Operating margin	-47.9%	-69.2%	-25.4%	-38.7%	-54.4%	-6.6 ppt	-15.7 ppt
Net margin	-45.0%	-69.8%	-24.3%	-32.7%	-53.1%	-8.1 ppt	-20.4 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	62,040	79,852	95,893	65,239	77,197	N/A	-4.9%	3.4%	N/A
Gross profit	4,648	7,595	9,695	5,273	5,693	N/A	-11.8%	33.4%	N/A
Operating profit	(19,268)	(15,776)	(14,376)	(18,814)	(15,839)	N/A	N/A	N/A	N/A
Net profit	(17,785)	(14,417)	(12,887)	(17,170)	(14,583)	N/A	N/A	N/A	N/A
Gross margin	7.5%	9.5%	10.1%	8.1%	7.4%	N/A	-0.6 ppt	2.1 ppt	N/A
Operating margin	-31.1%	-19.8%	-15.0%	-28.8%	-20.5%	N/A	-2.2 ppt	0.8 ppt	N/A
Net margin	-28.7%	-18.1%	-13.4%	-26.3%	-18.9%	N/A	-2.3 ppt	0.8 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	62,040	79,852	95,893	67,388	97,386	115,847	-7.9%	-18.0%	-17.2%
Gross profit	4,648	7,595	9,695	6,778	12,652	18,042	-31.4%	-40.0%	-46.3%
Operating profit	(19,268)	(15,776)	(14,376)	(17,335)	(12,354)	(7,562)	N/A	N/A	N/A
Net profit	(17,785)	(14,417)	(12,887)	(15,612)	(10,984)	(5,494)	N/A	N/A	N/A
Gross margin	7.5%	9.5%	10.1%	10.1%	13.0%	15.6%	-2.6 ppt	-3.5 ppt	-5.5 ppt
Operating margin	-31.1%	-19.8%	-15.0%	-25.7%	-12.7%	-6.5%	-5.3 ppt	-7.1 ppt	-8.5 ppt
Net margin	-28.7%	-18.1%	-13.4%	-23.2%	-11.3%	-4.7%	-5.5 ppt	-6.8 ppt	-8.7 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	36,136	49,269	55,618	62,040	79,852	95,893
Cost of goods sold	(29,315)	(44,125)	(52,566)	(57,392)	(72,257)	(86,197)
Gross profit	6,821	5,144	3,052	4,648	7,595	9,695
Operating expenses	(11,318)	(20,785)	(25,707)	(23,916)	(23,371)	(24,071)
SG&A expense	(6,878)	(10,537)	(12,885)	(12,743)	(13,533)	(14,140)
R&D expense	(4,592)	(10,836)	(13,431)	(11,973)	(10,838)	(11,031)
Others	152	589	609	800	1,000	1,100
Operating profit	(4,496)	(15,641)	(22,655)	(19,268)	(15,776)	(14,376)
Other gains/(losses)	185	(145)	325	400	500	550
Share of (losses)/profits of associates/JV	63	378	64	80	100	90
EBITDA	(985)	(10,055)	(15,148)	(9,674)	(5,060)	(2,601)
Depreciation	1,708	2,852	3,378	5,072	6,104	7,071
Depreciation of ROU assets	644	1,142	1,529	2,109	2,465	2,427
EBIT	(3,337)	(14,049)	(20,055)	(16,856)	(13,629)	(12,099)
Interest income	912	1,359	2,210	1,932	1,547	1,637
Interest expense	(637)	(333)	(404)	(625)	(470)	(463)
Foreign exchange gain/loss	10	283	(55)	0	0	0
Pre-tax profit	(3,975)	(14,382)	(20,459)	(17,480)	(14,098)	(12,562)
Income tax	(42)	(55)	(261)	(35)	(28)	(25)
After tax profit	(4,017)	(14,437)	(20,720)	(17,515)	(14,127)	(12,587)
Minority interest	31	157	(124)	40	30	30
Others	(6,587)	(279)	(303)	(310)	(320)	(330)
Net profit	(10,572)	(14,559)	(21,147)	(17,785)	(14,417)	(12,887)
Adjusted net profit	(2,976)	(11,984)	(18,475)	(15,475)	(12,397)	(11,057)

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	63,641	59,150	70,380	47,569	59,925	66,214
Cash & equivalents	15,334	19,888	32,935	18,357	29,499	33,175
Restricted cash	2,994	3,154	5,542	3,200	3,000	2,500
Account receivables	2,781	5,118	4,658	5,099	6,563	7,882
Inventories	2,056	8,191	5,278	4,088	5,147	6,140
ST bank deposits	37,058	19,171	16,810	12,000	10,000	10,000
Other current assets	3,418	3,627	5,157	4,825	5,715	6,517
Non-current assets	19,242	37,114	47,003	44,048	45,794	44,551
PP&E	7,400	15,659	24,847	26,713	27,534	27,373
Right-of-use assets	2,988	7,374	11,404	6,481	6,614	3,908
Investment in JVs & assos	3,059	6,356	5,487	4,892	4,092	4,282
Intangibles	0	0	30	25	21	16
Other non-current assets	5,795	7,725	5,235	5,936	7,534	8,972
Total assets	82,884	96,264	117,383	91,617	105,719	110,765
Current liabilities	29,198	45,852	57,798	47,970	58,933	69,200
Short-term borrowings	6,458	4,039	5,085	0	0	0
Account payables	12,639	25,224	29,766	28,303	33,654	40,147
Tax payable	628	286	349	349	349	349
Other current liabilities	8,729	15,277	20,854	17,779	23,239	27,421
Lease liabilities	745	1,026	1,743	1,538	1,691	1,283
Non-current liabilities	15,622	22,765	29,989	29,431	29,786	30,393
Long-term borrowings	9,739	10,886	13,043	16,178	14,138	14,704
Other non-current liabilities	5,883	11,879	16,946	13,253	15,648	15,688
Total liabilities	44,820	68,617	87,787	77,401	88,719	99,593
Share capital	3	3	4	4	4	4
Capital surplus	92,467	94,593	117,717	119,842	136,742	143,492
Retained earnings	(55,910)	(68,878)	(90,325)	(108,090)	(122,487)	(135,354)
Other reserves	1,428	1,708	2,011	2,321	2,641	2,971
Total shareholders equity	37,988	27,425	29,407	14,076	16,900	11,113
Minority interest	76	221	189	139	99	59
Total equity and liabilities	82,884	96,264	117,383	91,617	105,719	110,765

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(3,975)	(14,382)	(20,459)	(17,480)	(14,098)	(12,562)
Depreciation & amortization	2,352	3,994	4,907	7,181	8,569	9,498
Change in working capital	2,693	4,444	13,286	(578)	4,652	5,920
Others	896	2,078	884	2,029	1,750	1,595
Net cash from operations	1,966	(3,866)	(1,382)	(8,848)	873	4,451
Investing						
Capital expenditure	(4,079)	(6,973)	(14,341)	(7,001)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(2,543)	(2,229)	(500)	(200)	(100)	(100)
Net proceeds from disposal of short-term investments	(33,194)	19,027	3,854	4,810	2,000	0
Others	51	560	101	875	1,000	0
Net cash from investing	(39,765)	10,385	(10,885)	(1,516)	(4,101)	(7,101)
Financing						
Net borrowings	3,680	(1,632)	1,918	(4,535)	1,000	2,000
Proceeds from share issues	12,678	0	20,962	0	15,000	5,000
Others	1,771	15	4,782	(2,016)	(1,830)	(1,174)
Net cash from financing	18,129	(1,616)	27,663	(6,551)	14,170	5,826
Net change in cash						
Cash at the beginning of the year	38,545	18,375	23,155	38,622	21,707	32,649
Exchange difference	(501)	(122)	70	0	0	0
Cash at the end of the year	18,375	23,155	38,622	21,707	32,649	35,825
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	122.3%	36.3%	12.9%	11.5%	28.7%	20.1%
Gross profit	264.1%	(24.6%)	(40.7%)	52.3%	63.4%	27.7%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	18.9%	10.4%	5.5%	7.5%	9.5%	10.1%
Operating margin	(12.4%)	(31.7%)	(40.7%)	(31.1%)	(19.8%)	(15.0%)
EBITDA margin	(2.7%)	(20.4%)	(27.2%)	(15.6%)	(6.3%)	(2.7%)
Adj. net profit margin	(8.2%)	(24.3%)	(33.2%)	(24.9%)	(15.5%)	(11.5%)
Return on equity (ROE)	(30.3%)	(44.5%)	(74.4%)	(81.8%)	(93.1%)	(92.0%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	1.3	1.2	1.0	1.0	1.0
Receivable turnover days	28.1	37.9	30.6	30.0	30.0	30.0
Inventory turnover days	25.6	67.8	36.6	26.0	26.0	26.0
Payable turnover days	157.4	208.7	206.7	180.0	170.0	170.0
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	1.6	2.3	2.2	5.6	5.0	8.4
P/CFPS	30.5	ns	ns	ns	97.5	21.0
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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