

NIO Inc. (NIO US)

New brands unlikely to help NIO break even

Maintain HOLD. We are of the view that NIO's 2Q24 earnings were mixed as the QoQ rise in gross profit was offset by the increases in R&D and SG&A expenses. We project FY25/26 sales volume to surge 54%/23% YoY to 324,000/400,000 units, respectively, contributed by the Onvo and Firefly brands. However, we believe such top-line growth with GPM expansion is still far away from covering R&D and SG&A expenses, especially with extra expenses for the new brands, such as sales channels and battery-swap stations.

■ **2Q24 earnings: GPM beat, SG&A miss.** NIO's 2Q24 revenue was 2% higher than our prior forecast and GPM beat our estimates by 2.2ppts. GPMs for both vehicle and other revenue were better than our prior projection. The QoQ growth in gross profit of RMB1.2bn was offset by the increases in R&D and SG&A expenses. That led to a net loss of RMB5.1bn in 2Q24, vs. our estimates of RMB4.9bn for 2Q24 and RMB5.3bn in 1Q24.

■ **Little hope of breakeven amid massive R&D and SG&A expenses.** We are a bit disappointed with NIO's efforts in cost control, even it claimed that it had cancelled quite a few R&D projects. Should such patterns continue, we estimate that NIO would be still far away from turning profitable even if it sells 400,000 units a year in such a competitive market. We revise up our FY24E sales volume forecast by 11% to 222,000 units (135,000 units for 2H24E) and raise FY24E GPM by 2.2ppts to 9.7% (vehicle margin of 13.6% for 2H24E). However, even if we assume R&D and SG&A expenses to rise only 10% and 8% HoH, respectively (vs. 54% HoH growth in sales volume), we still project a net loss of RMB8.3bn in 2H24E.

The same story could repeat in FY25E. We project FY25E sales volume to surge 54% YoY to 342,000 units and revenue to rise 34% YoY (as higher contribution from Onvo could drag the average selling price down). Even if we assume FY25E GPM to widen by 1.4 ppts YoY to 11.1% and R&D + SG&A ratio (to revenue) to narrow 8 ppts YoY to 32.2% (both R&D and selling expenses are likely to rise as much more new models are to be launched in 2025), we will still forecast an operating loss of RMB18.0bn and a net loss of RMB16.7bn in FY25E.

■ **Valuation/Key risks.** We expect NIO to raise funds again in 2025 given the current cash burn rate. We maintain our HOLD rating and cut target price from US\$5.60 to US\$5.10, based on 0.9x our revised FY25E revenue estimates (prior 1.3x FY24E P/S). Li Auto (LI US, BUY), with much better profitability, now trades at 0.7x our FY25E 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	66,730	89,501	102,325
YoY growth (%)	36.3	12.9	20.0	34.1	14.3
Gross margin (%)	10.4	5.5	9.7	11.1	11.5
Operating profit (RMB mn)	(15,640.7)	(22,655.2)	(19,908.8)	(17,990.6)	(16,582.1)
Net profit (RMB mn)	(14,559.4)	(21,147.0)	(18,692.7)	(16,733.8)	(15,205.7)
Adjusted net profit (RMB mn)	(11,984.2)	(18,474.8)	(16,362.7)	(14,683.8)	(13,355.7)
EPS (Reported) (RMB cents)	(889.40)	(1,243.79)	(906.11)	(750.57)	(596.66)
P/S (x)	1.5	1.3	1.1	0.8	0.7
P/B (x)	2.1	2.0	5.4	7.2	13.2

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price **US\$5.10**
(Previous TP US\$5.60)
Up/Downside **5.2%**
Current Price **US\$4.85**

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Stock Data

Mkt Cap (US\$ mn)	10,122.1
Avg 3 mths t/o (US\$ mn)	53.7
52w High/Low (US\$)	10.57/3.67
Total Issued Shares (mn)	2087.0

Source: FactSet

Shareholding Structure

CYVN Holdings	20.1%
Mr. Li Bin	8.6%

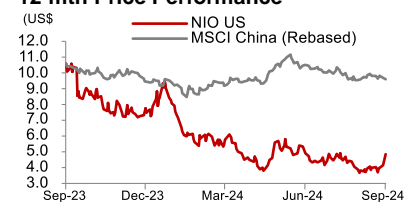
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	28.6%	26.9%
3-mth	-1.2%	8.2%
6-mth	-15.9%	-18.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	YoY	QoQ
Sales volume (units)	31,041	23,520	55,432	50,045	30,053	57,373	143.9%	90.9%
ASP (RMB)	343,947	372,948	343,963	341,756	329,705	304,080	-18.5%	-7.8%
Revenue	10,676	8,772	19,067	17,103	9,909	17,446	98.9%	76.1%
Gross profit	162	87	1,523	1,279	488	1,689	1842.0%	246.2%
R&D expenses	(3,076)	(3,345)	(3,039)	(3,972)	(2,864)	(3,219)	-3.8%	12.4%
SG&A expenses	(2,446)	(2,857)	(3,609)	(3,973)	(2,997)	(3,757)	31.5%	25.4%
Operating profit	(5,112)	(6,074)	(4,844)	(6,625)	(5,394)	(5,209)	N/A	N/A
Net profit	(4,804)	(6,122)	(4,629)	(5,593)	(5,258)	(5,126)	N/A	N/A
Gross margin	1.5%	1.0%	8.0%	7.5%	4.9%	9.7%	8.7 ppt	4.8 ppt
Operating margin	-47.9%	-69.2%	-25.4%	-38.7%	-54.4%	-29.9%	39.4 ppt	24.6 ppt
Net margin	-45.0%	-69.8%	-24.3%	-32.7%	-53.1%	-29.4%	40.4 ppt	23.7 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	66,730	89,501	102,325	62,040	79,852	95,893	7.6%	12.1%	6.7%
Gross profit	6,443	9,932	11,757	4,648	7,595	9,695	38.6%	30.8%	21.3%
Operating profit	(19,909)	(17,991)	(16,582)	(19,268)	(15,776)	(14,376)	N/A	N/A	N/A
Net profit	(18,693)	(16,734)	(15,206)	(17,785)	(14,417)	(12,887)	N/A	N/A	N/A
Gross margin	9.7%	11.1%	11.5%	7.5%	9.5%	10.1%	2.2 ppt	1.6 ppt	1.4 ppt
Operating margin	-29.8%	-20.1%	-16.2%	-31.1%	-19.8%	-15.0%	1.2 ppt	-0.3 ppt	-1.2 ppt
Net margin	-28.0%	-18.7%	-14.9%	-28.7%	-18.1%	-13.4%	0.7 ppt	-0.6 ppt	-1.4 ppt

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	66,730	89,501	102,325	68,242	95,364	115,988	-2.2%	-6.1%	-11.8%
Gross profit	6,443	9,932	11,757	6,462	12,497	18,234	-0.3%	-20.5%	-35.5%
Operating profit	(19,909)	(17,991)	(16,582)	(19,169)	(14,674)	(8,989)	N/A	N/A	N/A
Net profit	(18,693)	(16,734)	(15,206)	(17,722)	(13,485)	(7,793)	N/A	N/A	N/A
Gross margin	9.7%	11.1%	11.5%	9.5%	13.1%	15.7%	0.2 ppt	-2.0 ppt	-4.2 ppt
Operating margin	-29.8%	-20.1%	-16.2%	-28.1%	-15.4%	-7.8%	-1.7 ppt	-4.7 ppt	-8.5 ppt
Net margin	-28.0%	-18.7%	-14.9%	-26.0%	-14.1%	-6.7%	-2.0 ppt	-4.6 ppt	-8.1 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	66,730	89,501	102,325
Cost of goods sold	(29,315)	(44,125)	(52,566)	(60,287)	(79,569)	(90,568)
Gross profit	6,821	5,144	3,052	6,443	9,932	11,757
Operating expenses	(11,318)	(20,785)	(25,707)	(26,352)	(27,923)	(28,339)
SG&A expense	(6,878)	(10,537)	(12,885)	(14,073)	(15,523)	(16,147)
R&D expense	(4,592)	(10,836)	(13,431)	(12,779)	(13,199)	(13,192)
Others	152	589	609	500	800	1,000
Operating profit	(4,496)	(15,641)	(22,655)	(19,909)	(17,991)	(16,582)
Other gains/(losses)	185	(145)	325	300	500	550
Share of (losses)/profits of associates/JV	63	378	64	80	100	90
EBITDA	(985)	(10,055)	(15,148)	(10,341)	(6,883)	(4,447)
Depreciation	1,708	2,852	3,378	5,107	6,173	7,140
Depreciation of ROU assets	644	1,142	1,529	2,209	2,781	2,776
EBIT	(3,337)	(14,049)	(20,055)	(17,657)	(15,838)	(14,363)
Interest income	912	1,359	2,210	1,872	1,553	1,579
Interest expense	(637)	(333)	(404)	(709)	(543)	(493)
Foreign exchange gain/loss	10	283	(55)	0	0	0
Pre-tax profit	(3,975)	(14,382)	(20,459)	(18,366)	(16,381)	(14,856)
Income tax	(42)	(55)	(261)	(37)	(33)	(30)
After tax profit	(4,017)	(14,437)	(20,720)	(18,403)	(16,414)	(14,886)
Minority interest	31	157	(124)	40	30	30
Others	(6,587)	(279)	(303)	(330)	(350)	(350)
Net profit	(10,572)	(14,559)	(21,147)	(18,693)	(16,734)	(15,206)
Adjusted net profit	(2,976)	(11,984)	(18,475)	(16,363)	(14,684)	(13,356)

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	63,641	59,150	70,380	52,365	60,041	65,922
Cash & equivalents	15,334	19,888	32,935	22,326	27,819	31,721
Restricted cash	2,994	3,154	5,542	3,200	3,000	2,500
Account receivables	2,781	5,118	4,658	5,485	7,356	8,410
Inventories	2,056	8,191	5,278	4,294	5,668	6,451
ST bank deposits	37,058	19,171	16,810	12,000	10,000	10,000
Other current assets	3,418	3,627	5,157	5,059	6,198	6,839
Non-current assets	19,242	37,114	47,003	45,619	48,996	47,292
PP&E	7,400	15,659	24,847	27,178	27,927	27,696
Right-of-use assets	2,988	7,374	11,404	7,166	8,555	5,747
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	6,358	8,402	9,551
Total assets	82,884	96,264	117,383	97,984	109,037	113,214
Current liabilities	29,198	45,852	57,798	53,321	64,936	72,957
Short-term borrowings	6,458	4,039	5,085	2,916	0	0
Account payables	12,639	25,224	29,766	29,731	37,060	42,182
Tax payable	628	286	349	349	349	349
Other current liabilities	8,729	15,277	20,854	18,648	25,432	28,732
Lease liabilities	745	1,026	1,743	1,677	2,095	1,693
Non-current liabilities	15,622	22,765	29,989	31,335	33,277	33,558
Long-term borrowings	9,739	10,886	13,043	17,178	15,138	15,704
Other non-current liabilities	5,883	11,879	16,946	14,156	18,139	17,854
Total liabilities	44,820	68,617	87,787	84,656	98,213	106,515
Share capital	3	3	4	4	4	5
Capital surplus	92,467	94,593	117,717	119,842	133,742	144,491
Retained earnings	(55,634)	(69,914)	(90,758)	(109,451)	(126,184)	(141,390)
Other reserves	1,152	2,744	2,444	2,794	3,164	3,534
Total shareholders equity	37,988	27,425	29,407	13,189	10,725	6,639
Minority interest	76	221	189	139	99	59
Total equity and liabilities	82,884	96,264	117,383	97,984	109,037	113,214

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(3,975)	(14,382)	(20,459)	(18,366)	(16,381)	(14,856)
Depreciation & amortization	2,352	3,994	4,907	7,316	8,954	9,917
Change in working capital	2,693	4,444	13,286	723	6,809	4,018
Others	896	2,078	884	2,032	1,757	1,598
Net cash from operations	1,966	(3,866)	(1,382)	(8,294)	1,140	677
Investing						
Capital expenditure	(4,079)	(6,973)	(14,341)	(7,501)	(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)	(2,016)	(4,101)	(7,101)
Financing						
Net borrowings	3,680	(1,632)	1,918	(619)	(1,916)	2,000
Proceeds from share issues	12,678	0	20,962	0	12,000	9,000
Others	1,771	15	4,782	(2,016)	(1,830)	(1,174)
Net cash from financing	18,129	(1,616)	27,663	(2,635)	8,254	9,826
Net change in cash						
Cash at the beginning of the year	38,545	18,375	23,155	38,622	25,676	30,969
Exchange difference	(501)	(122)	70	0	0	0
Cash at the end of the year	18,375	23,155	38,622	25,676	30,969	34,371
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	122.3%	36.3%	12.9%	20.0%	34.1%	14.3%
Gross profit	264.1%	(24.6%)	(40.7%)	111.1%	54.1%	18.4%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	18.9%	10.4%	5.5%	9.7%	11.1%	11.5%
Operating margin	(12.4%)	(31.7%)	(40.7%)	(29.8%)	(20.1%)	(16.2%)
EBITDA margin	(2.7%)	(20.4%)	(27.2%)	(15.5%)	(7.7%)	(4.3%)
Adj. net profit margin	(8.2%)	(24.3%)	(33.2%)	(24.5%)	(16.4%)	(13.1%)
Return on equity (ROE)	(30.3%)	(44.5%)	(74.4%)	(87.8%)	(139.9%)	(175.1%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	1.3	1.2	1.0	0.9	0.9
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	1.4	2.1	2.0	5.4	7.2	13.2
P/CFPS	27.5	ns	ns	ns	67.4	129.6
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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