

Li Auto Inc. (LI US)

Solid earnings, thorough preparation pave way for FY25

Maintain BUY. We view Li Auto's 3Q24 earnings as strong from average selling price, gross margin and operating cost control aspects. The drag mainly came from share-based payment and fair value loss from its investee's share price decline. Although the information about its new BEVs in 2025 is very limited, we believe that the company has been building a solid foundation, including comprehensive charging infrastructure, larger showrooms and rapidly improving autonomous driving technologies, for new BEVs, especially after the failure of the *Mega*. We are of the view that the share price drop after 3Q24 results could provide an entry opportunity to accumulate shares.

■ **3Q24 non-GAAP net profit beat with strong GPM and effective cost control.** Li Auto's 3Q24 GPM was 1.6ppts higher than our prior forecast, aided by its effective cost cut efforts. R&D expenses fell 15% QoQ, or RMB360mn lower than our forecast. Non-GAAP SG&A expenses were flat QoQ despite a 35% QoQ growth in revenue. Operating margin in 3Q24 widened to 8%, an all-time high, despite a share-based payment of RMB593mn awarded to CEO. Net profit of RMB2.8bn in 3Q24 was only about RMB0.3bn higher than our estimates amid larger-than-expected investment loss and tax. Non-GAAP net profit in 3Q24 reached RMB3.8bn, the highest in history, or about RMB0.8bn higher than our forecast.

■ **We revise up 4Q24E and FY25E earnings after a strong quarter.** We maintain our FY24E sales volume forecast of 0.51mn units but project a GPM lift of 0.7ppts QoQ for 4Q24 (22.2%) amid Li Auto's cost control capabilities and the government's stimulus measures. We expect 4Q24 operating margin to reach a new high of 9.1% and therefore driving a net profit of RMB4.3bn. We raise our FY25E sales volume from 0.65mn units to 0.66mn units amid the stronger-than-expected *L6* sales. We lower our FY25E BEV sales volume forecast slightly given the uncertain launch time. We cut our FY25E R&D and SG&A forecasts given the company's more self-disciplined investments from 2Q24. Therefore, we raise FY25E net profit estimates by 7% to RMB13.2bn.

■ **Valuation/Key risks.** We maintain our BUY rating and raise our target price from US\$25.00 to US\$30.00, based 16x (prior 15x) our revised FY25E EPS amid the recently improved market sentiment. Key risks to our rating and target price include lower sales and/or gross margin than our expectation, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	45,287	123,851	147,717	184,558	228,876
YoY growth (%)	67.7	173.5	19.3	24.9	24.0
Gross margin (%)	19.4	22.2	21.2	20.7	20.1
Operating profit (RMB mn)	(3,654.9)	7,142.7	7,037.0	10,086.3	14,832.6
Net profit (RMB mn)	(2,012.2)	11,704.1	8,843.6	13,160.0	18,054.2
YoY growth (%)	na	na	(24.4)	48.8	37.2
Adjusted net profit (RMB mn)	41.0	12,092.6	11,291.3	14,519.2	19,348.0
EPS (Reported) (RMB)	(1.04)	5.95	4.43	6.53	8.86
P/S (x)	4.2	1.5	1.3	1.0	0.8
P/E (x)	ns	15.0	20.1	13.6	10.0
P/B (x)	3.9	2.9	2.5	2.1	1.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	US\$30.00
(Previous TP)	US\$25.00)
Up/Downside	20.0%
Current Price	US\$25.01

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Stock Data

Mkt Cap (US\$ mn)	26,535.9
Avg 3 mths t/o (US\$ mn)	60.6
52w High/Low (US\$)	46.21/17.80
Total Issued Shares (mn)	2122.0

Source: FactSet

Shareholding Structure

Mr. Li Xiang	21.9%
Mr. Wang Xing	17.9%

Source: NASDAQ

Share Performance

	Absolute	Relative
1-mth	-12.6%	-7.4%
3-mth	29.1%	9.4%
6-mth	-5.1%	-16.6%

Source: FactSet

12-month Price Performance



Source: FactSet

Related Report

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["Li Auto Inc. \(LI US\) - 4Q23 results set the tone for resilient FY24" - 27 Feb 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ
Sales volume (units)	52,584	86,533	105,108	131,805	80,400	108,581	152,831	45.4%	40.8%
ASP (RMB)	357,277	331,119	329,941	316,620	318,827	291,749	280,534	-15.0%	-3.8%
Revenue	18,787	28,653	34,679	41,732	25,634	31,678	42,874	23.6%	35.3%
Gross profit	3,830	6,235	7,644	9,787	5,284	6,177	9,225	20.7%	49.3%
R&D expenses	(1,852)	(2,426)	(2,817)	(3,491)	(3,049)	(3,028)	(2,587)	-8.2%	-14.6%
SG&A expenses	(1,645)	(2,309)	(2,544)	(3,270)	(2,978)	(2,815)	(3,360)	32.1%	19.3%
Operating profit	405	1,626	2,339	3,036	(585)	468	3,433	46.7%	633.4%
Net profit	930	2,293	2,823	5,658	593	1,103	2,814	-0.3%	155.2%
Gross margin	20.4%	21.8%	22.0%	23.5%	20.6%	19.5%	21.5%	-0.5 ppt	2.0 ppt
Operating margin	2.2%	5.7%	6.7%	7.3%	-2.3%	1.5%	8.0%	1.3 ppt	6.5 ppt
Net margin	4.9%	8.0%	8.1%	13.6%	2.3%	3.5%	6.6%	-1.6 ppt	3.1 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	147,717	184,558	228,876	145,604	184,278	220,498	1.5%	0.2%	3.8%
Gross profit	31,244	38,234	46,061	28,888	37,106	44,179	8.2%	3.0%	4.3%
Operating profit	7,637	10,786	15,633	4,201	8,647	12,925	81.8%	24.7%	20.9%
Net profit	8,844	13,160	18,054	7,249	11,941	15,768	22.0%	10.2%	14.5%
Gross margin	21.2%	20.7%	20.1%	19.8%	20.1%	20.0%	1.3 ppt	0.6 ppt	0.1 ppt
Operating margin	5.2%	5.8%	6.8%	2.9%	4.7%	5.9%	2.3 ppt	1.2 ppt	1.0 ppt
Net margin	6.0%	7.1%	7.9%	5.0%	6.5%	7.2%	1.0 ppt	0.7 ppt	0.7 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	147,717	184,558	228,876	145,258	193,768	242,444	1.7%	-4.8%	-5.6%
Gross profit	31,244	38,234	46,061	28,928	39,302	50,377	8.0%	-2.7%	-8.6%
Operating profit	7,637	10,786	15,633	4,811	9,846	15,327	58.7%	9.5%	2.0%
Net profit	8,844	13,160	18,054	8,662	13,290	19,100	2.1%	-1.0%	-5.5%
Gross margin	21.2%	20.7%	20.1%	19.9%	20.3%	20.8%	1.2 ppt	0.4 ppt	-0.7 ppt
Operating margin	5.2%	5.8%	6.8%	3.3%	5.1%	6.3%	1.9 ppt	0.8 ppt	0.5 ppt
Net margin	6.0%	7.1%	7.9%	6.0%	6.9%	7.9%	0.0 ppt	0.3 ppt	0.0 ppt

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	27,010	45,287	123,851	147,717	184,558	228,876
Cost of goods sold	(21,248)	(36,496)	(96,355)	(116,473)	(146,324)	(182,815)
Gross profit	5,761	8,790	27,497	31,244	38,234	46,061
Operating expenses	(6,779)	(12,445)	(20,354)	(24,207)	(28,147)	(31,228)
SG&A expense	(3,492)	(5,665)	(9,768)	(12,431)	(14,556)	(16,082)
R&D expense	(3,286)	(6,780)	(10,586)	(11,776)	(13,591)	(15,146)
Operating profit	(1,017)	(3,655)	7,143	7,037	10,086	14,833
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	527	376	783	358	1,677	2,225
Other gains/(losses)	187	626	1,048	1,015	1,120	1,220
EBITDA	501	(839)	12,343	13,478	20,009	27,596
Depreciation	590	1,214	1,805	2,953	4,679	6,399
EBIT	(90)	(2,053)	10,538	10,525	15,330	21,197
Interest income	213	600	1,300	1,515	1,746	2,119
Interest expense	(63)	(106)	(86)	(172)	(123)	(87)
Pre-tax profit	(153)	(2,159)	10,452	10,353	15,207	21,110
Income tax	(169)	127	1,357	(1,449)	(1,977)	(2,955)
After tax profit	(321)	(2,032)	11,809	8,904	13,230	18,154
Minority interest	0	20	(105)	(60)	(70)	(100)
Discontinued operations	0	0	0	0	0	0
Others	0	0	0	0	0	0
Net profit	(321)	(2,012)	11,704	8,844	13,160	18,054
Adjusted net profit	780	41	12,093	11,291	14,519	19,348

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	52,380	66,992	114,526	130,722	157,823	196,227
Cash & equivalents	27,854	38,478	91,329	86,375	96,423	114,463
Restricted cash	2,639	1,940	0	500	500	500
Account receivables	121	48	144	243	253	376
Inventories	1,618	6,805	6,872	7,978	10,022	12,522
ST bank deposits	19,668	18,031	11,933	31,933	46,933	64,933
Other current assets	481	1,690	4,247	3,693	3,691	3,433
Non-current assets	9,468	19,545	28,942	39,600	50,932	56,327
PP&E	4,498	11,188	15,745	23,804	31,134	36,743
Right-of-use assets	2,061	3,539	5,939	8,276	10,479	8,691
Deferred income tax	20	75	1,990	1,200	1,500	1,500
Investment in JVs & assos	156	1,484	1,595	1,710	2,230	2,650
Intangibles	751	833	864	911	968	1,016
Other non-current assets	1,981	2,427	2,808	3,698	4,619	5,727
Total assets	61,849	86,538	143,467	170,322	208,754	252,553
Current liabilities	12,108	27,373	72,743	79,165	100,031	123,866
Short-term borrowings	0	0	688	0	0	0
Account payables	9,376	20,024	51,870	63,821	80,178	100,173
Other current liabilities	2,259	6,652	19,038	13,521	17,486	21,750
Lease liabilities	473	696	1,146	1,823	2,367	1,943
Non-current liabilities	8,676	13,979	10,150	19,218	22,180	22,680
Long-term borrowings	563	3,317	1,747	1,513	1,113	613
Convertible bonds	5,398	5,914	0	6,032	6,032	6,032
Obligations under finance leases	0	0	0	0	0	0
Deferred income	390	582	812	1,529	2,271	3,191
Other non-current liabilities	2,326	4,167	7,590	10,144	12,765	12,844
Total liabilities	20,785	41,352	82,892	98,382	122,211	146,546
Share capital	1	1	1	1	1	1
Capital surplus	49,390	53,869	57,480	59,940	61,315	62,624
Retained earnings	(8,328)	(9,012)	2,661	11,505	24,665	42,719
Other reserves	(0)	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	41,064	44,859	60,143	71,447	85,981	105,345
Total equity and liabilities	61,849	86,210	143,035	169,829	208,192	251,891

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(153)	(2,159)	10,452	10,353	15,207	21,110
Depreciation & amortization	590	1,214	1,805	2,953	4,679	6,399
Change in working capital	6,565	5,035	36,612	11,830	18,732	23,422
Others	1,338	3,290	1,825	2,493	(728)	(1,520)
Net cash from operations	8,340	7,380	50,694	27,629	37,890	49,411
Investing						
Capital expenditure	(3,445)	(5,128)	(6,507)	(11,080)	(12,100)	(12,100)
Acquisition of subsidiaries/ investments	(631)	(762)	(198)	(400)	(400)	(300)
Net proceeds from disposal of short-term investments	(504)	1,686	16,316	0	(8,000)	(8,000)
Others	323	(161)	(9,622)	(20,000)	(7,000)	(10,000)
Net cash from investing	(4,257)	(4,365)	(12)	(31,480)	(27,500)	(30,400)
Financing						
Net borrowings	170	3,080	(1,001)	(616)	(357)	(987)
Proceeds from share issues	11,006	2,469	1,186	13	15	15
Others	5,533	90	0	0	0	0
Net cash from financing	16,710	5,639	185	(603)	(342)	(972)
Net change in cash						
Cash at the beginning of the year	10,173	30,493	40,418	91,330	86,875	96,923
Exchange difference	(472)	1,270	45	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	30,493	40,418	91,330	86,875	96,923	114,963
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	185.6%	67.7%	173.5%	19.3%	24.9%	24.0%
Gross profit	271.9%	52.6%	212.8%	13.6%	22.4%	20.5%
Operating profit	na	na	na	(1.5%)	43.3%	47.1%
EBITDA	151.6%	na	na	9.2%	48.5%	37.9%
EBIT	na	na	na	(0.1%)	45.7%	38.3%
Net profit	na	na	na	(24.4%)	48.8%	37.2%
Adj. net profit	na	(94.7%)	29,430.1%	(6.6%)	28.6%	33.3%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	21.3%	19.4%	22.2%	21.2%	20.7%	20.1%
Operating margin	(3.8%)	(8.1%)	5.8%	4.8%	5.5%	6.5%
EBITDA margin	1.9%	(1.9%)	10.0%	9.1%	10.8%	12.1%
Adj. net profit margin	2.9%	0.1%	9.8%	7.6%	7.9%	8.5%
Return on equity (ROE)	(0.9%)	(4.7%)	22.3%	13.4%	16.7%	18.9%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	4.3	2.4	1.6	1.7	1.6	1.6
Receivable turnover days	1.6	0.4	0.4	0.6	0.5	0.6
Inventory turnover days	27.8	68.1	26.0	25.0	25.0	25.0
Payable turnover days	161.1	200.3	196.5	200.0	200.0	200.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	15.0	20.1	13.6	10.0
P/E (diluted)	ns	ns	16.1	21.5	14.6	10.7
P/B	4.0	3.9	2.9	2.5	2.1	1.7
P/CFPS	19.8	23.4	3.5	6.4	4.7	3.7
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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