

Xpeng Inc. (XPEV US)

Mona M03, P7+'s success with 3Q24 GPM beat could make Xpeng's breakeven possible

Upgrade to BUY. The success of Xpeng's recent two new models, the *Mona M03* and *P7+* could help Xpeng better understand its target customers' needs and increase the chance of success for its four new models in 2025. We raise our FY25E sales volume forecast to 390,000 units accordingly. Such topline growth, along with its improving GPM, could turn Xpeng profitable in FY26E, based on our estimates.

■ **3Q24 GPM, SG&A beat.** Xpeng's 3Q24 revenue was 2% lower than our prior forecast. GPM of 15.3% in 3Q24 was 1.7ppts higher than our estimates. We attribute such beat largely to the reduction of the *P5* inventory provision and possible GPM beat from the *Mona M03*. SG&A and R&D expenses combined were about RMB280mn lower than our forecast. The loss on long-term investment of RMB216mn and the QoQ decline of RMB240mn in other income resulted in a net loss of RMB1.8bn, in line with [our prior forecast](#).

■ **Mona M03, P7+ help Xpeng find the key to sales volume driver.** Both models had a great start with attractive pricing and clear positioning. Xpeng's 4Q24 sales guidance of 87,000-91,000 units has demonstrated its improving supply chain management. More importantly, the success of these two models would help Xpeng better understand its target customers' needs and increase the chance of success for its four scheduled new models in FY25. We raise our FY25E sales volume forecast by 26% to 390,000 units with new models (including the *Mona M03* and *P7+*) making up 75% of total sales.

■ **We see early signs of profit breakeven.** Although the 3Q24 net loss and our projected 4Q24 net loss (RMB1.6bn) widened from RMB1.3-1.4bn in 1Q24 and 2Q24, we see possible narrowing of net loss in FY25E and breakeven in FY26E. We expect GPM for the *P7+* and upcoming new models to be above 10%, aided by cost reduction efforts, which could lift its FY25E GPM to 15.1%. We project SG&A and R&D combined ratio to narrow to 21% in FY25E from 32.6% in FY24E amid 78% YoY growth in revenue and stringent cost control in recent quarters. Therefore, we project net loss to narrow to RMB2.3bn in FY25E from RMB6.0bn in FY24E.

The key to our FY26E breakeven assumption still lies in sales volume growth, although the visibility for FY26E is still low. We project FY26E sales volume to be 490,000 units and we expect net profit of RMB103mn with a GPM of 15.3%.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	26,855	30,676	40,377	71,790	88,440
YoY growth (%)	28.0	14.2	31.6	77.8	23.2
Gross margin (%)	11.5	1.5	14.1	15.1	15.3
Operating profit (RMB mn)	(8,705.5)	(10,889.4)	(6,942.2)	(3,496.7)	(1,512.6)
Net profit (RMB mn)	(9,139.0)	(10,375.8)	(6,021.4)	(2,260.8)	103.1
EPS (Reported) (RMB cents)	(533.65)	(595.99)	(318.34)	(118.58)	5.36
P/S (x)	3.3	2.9	2.2	1.2	1.0
P/B (x)	2.2	2.3	2.9	3.1	3.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Up)

Target Price US\$16.00
 (Previous TP) US\$8.00
Up/Downside 23.0%
Current Price US\$13.01

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Stock Data

Mkt Cap (US\$ mn)	12,354.2
Avg 3 mths t/o (US\$ mn)	76.1
52w High/Low (US\$)	18.48/6.63
Total Issued Shares (mn)	1899.2

Source: FactSet

Shareholding Structure

Mr. He Xiaopeng	18.6%
Volkswagen AG	5.0%

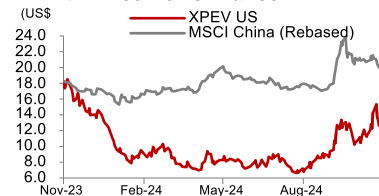
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	24.0%	30.8%
3-mth	80.7%	61.3%
6-mth	56.7%	56.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

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- **Valuation/Key risks.** We upgrade our rating from Hold to **BUY** and raise our target price from US\$8.00 to US\$16.00, mainly due to its better sales outlook and early signs of profit breakeven. Our target price is based on 1.5x our revised FY25E P/S, higher than its peers. We are of the view that such valuation multiple is justified due to its possible breakeven in FY26E on our estimates. Key risks to our rating and target price include lower sales volume and/or GPM than we expect and a sector de-rating.

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ
Sales volume (units)	18,230	23,205	40,008	60,158	21,821	30,207	46,533	16.3%	54.0%
ASP (RMB)	221,252	218,173	213,195	216,936	300,082	268,527	217,087	1.8%	-19.2%
Revenue	4,033	5,063	8,530	13,050	6,548	8,111	10,102	18.4%	24.5%
Gross profit	67	(197)	(228)	809	844	1,136	1,541	N/A	35.7%
R&D expenses	(1,296)	(1,367)	(1,306)	(1,308)	(1,350)	(1,467)	(1,633)	25.1%	11.3%
SG&A expenses	(1,387)	(1,544)	(1,692)	(1,937)	(1,388)	(1,574)	(1,633)	-3.5%	3.8%
Operating profit	(2,585)	(3,090)	(3,161)	(2,053)	(1,646)	(1,609)	(1,847)	N/A	N/A
Net profit	(2,337)	(2,805)	(3,887)	(1,348)	(1,368)	(1,285)	(1,808)	N/A	N/A
Gross margin	1.7%	-3.9%	-2.7%	6.2%	12.9%	14.0%	15.3%	17.9 ppt	1.3 ppt
Operating margin	-64.1%	-61.0%	-37.1%	-15.7%	-25.1%	-19.8%	-18.3%	18.8 ppt	1.6 ppt
Net margin	-57.9%	-55.4%	-45.6%	-10.3%	-20.9%	-15.8%	-17.9%	27.7 ppt	-2.1 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	40,377	71,790	88,440	41,666	60,527	71,472	-3.1%	18.6%	23.7%
Gross profit	5,708	10,848	13,502	5,412	8,030	9,785	5.5%	35.1%	38.0%
Operating profit	(6,942)	(3,497)	(1,513)	(7,508)	(6,750)	(4,815)	N/A	N/A	N/A
Net profit	(6,021)	(2,261)	103	(6,172)	(5,308)	(3,254)	N/A	N/A	N/A
Gross margin	14.1%	15.1%	15.3%	13.0%	13.3%	13.7%	1.1 ppt	1.8 ppt	1.6 ppt
Operating margin	-17.2%	-4.9%	-1.7%	-18.0%	-11.2%	-6.7%	0.8 ppt	6.3 ppt	5.0 ppt
Net margin	-14.9%	-3.1%	0.1%	-14.8%	-8.8%	-4.6%	-0.1 ppt	5.6 ppt	4.7 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	40,377	71,790	88,440	41,439	66,585	85,988	-2.6%	7.8%	2.9%
Gross profit	5,708	10,848	13,502	5,604	10,044	14,571	1.9%	8.0%	-7.3%
Operating profit	(6,942)	(3,497)	(1,513)	(7,386)	(5,080)	(2,174)	N/A	N/A	N/A
Net profit	(6,021)	(2,261)	103	(5,712)	(3,502)	(479)	N/A	N/A	N/A
Gross margin	14.1%	15.1%	15.3%	13.5%	15.1%	16.9%	0.6 ppt	0.0 ppt	-1.7 ppt
Operating margin	-17.2%	-4.9%	-1.7%	-17.8%	-7.6%	-2.5%	0.6 ppt	2.8 ppt	0.8 ppt
Net margin	-14.9%	-3.1%	0.1%	-13.8%	-5.3%	-0.6%	-1.1 ppt	2.1 ppt	0.7 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	40,377	71,790	88,440
Cost of goods sold	(18,366)	(23,767)	(30,225)	(34,669)	(60,941)	(74,937)
Gross profit	2,623	3,088	451	5,708	10,848	13,502
Operating expenses	(9,202)	(11,794)	(11,341)	(12,650)	(14,345)	(15,015)
SG&A expense	(5,305)	(6,688)	(6,559)	(6,750)	(8,045)	(8,715)
R&D expense	(4,114)	(5,215)	(5,277)	(6,400)	(7,000)	(7,300)
Others	218	109	495	500	700	1,000
Operating profit	(6,579)	(8,706)	(10,889)	(6,942)	(3,497)	(1,513)
Gain/loss on financial assets at FVTPL	671	84	(635)	(290)	(170)	0
Other gains/(losses)	384	(1,424)	139	100	150	150
EBITDA	(3,944)	(7,571)	(7,963)	(2,900)	1,121	3,744
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)	(5,700)	(1,994)	326
Interest income	743	1,059	1,260	1,412	1,473	1,588
Interest expense	(55)	(132)	(269)	(322)	(267)	(204)
Pre-tax profit	(4,837)	(9,114)	(10,339)	(6,021)	(2,261)	121
Income tax	(26)	(25)	(37)	0	0	(18)
After tax profit	(4,863)	(9,139)	(10,376)	(6,021)	(2,261)	103
Others	0	0	0	0	0	0
Net profit	(4,863)	(9,139)	(10,376)	(6,021)	(2,261)	103
BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	48,831	43,527	54,522	50,216	69,435	84,203
Cash & equivalents	11,025	14,608	21,127	14,982	23,886	28,785
Restricted cash	610	106	3,175	3,000	2,000	2,000
Account receivables	2,673	3,873	2,716	3,319	5,901	7,269
Inventories	2,662	4,521	5,526	5,224	8,348	10,265
ST bank deposits	25,858	15,349	16,812	18,000	20,000	25,000
Financial assets at FVTPL	2,834	1,262	781	591	601	611
Other current assets	3,169	3,808	4,384	5,100	8,700	10,272
Non-current assets	16,821	27,964	29,641	32,089	31,909	29,985
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	1,805	1,655	1,755
Intangibles	879	1,043	4,949	4,599	4,285	3,954
Other non-current assets	7,407	12,064	10,197	13,433	14,251	13,380
Total assets	65,651	71,491	84,163	82,305	101,344	114,188
Current liabilities	18,013	24,115	36,112	38,307	58,329	69,902
Short-term borrowings	0	2,419	3,889	4,263	0	0
Account payables	12,362	14,223	22,210	25,646	45,080	55,433
Tax payable	23	28	6	40	50	50
Other current liabilities	5,254	6,954	9,640	8,021	12,906	14,163
Lease liabilities	373	491	366	337	293	257
Non-current liabilities	5,492	10,465	11,722	13,281	14,250	15,106
Long-term borrowings	1,675	4,613	5,651	6,651	6,151	5,851
Deferred income	479	694	669	1,005	1,406	1,899
Other non-current liabilities	3,338	5,158	5,403	5,625	6,693	7,356
Total liabilities	23,505	34,580	47,834	51,588	72,578	85,008
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)	(39,941)	(42,192)	(42,079)
Other reserves	0	0	0	0	0	0
Total shareholders equity	42,147	36,911	36,329	30,717	28,766	29,179
Total equity and liabilities	65,651	71,491	84,163	82,305	101,344	114,188

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(4,837)	(9,114)	(10,339)	(6,021)	(2,261)	121
Depreciation & amortization	838	1,411	2,107	2,800	3,115	3,419
Change in working capital	3,584	(2,709)	7,352	121	11,981	6,193
Others	(679)	2,181	1,836	(189)	(422)	(749)
Net cash from operations	(1,095)	(8,232)	956	(3,290)	12,413	8,984
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	(3,185)	1,000	(2,000)
Others	37	408	805	1,412	1,473	1,588
Net cash from investing	(33,076)	4,846	631	(4,022)	(27)	(2,912)
Financing						
Net borrowings	(143)	6,119	3,110	1,010	(4,263)	(1,000)
Proceeds from share issues	13,110	(2)	5,020	0	0	0
Others	1,660	(113)	(114)	(18)	(219)	(173)
Net cash from financing	14,627	6,004	8,015	992	(4,482)	(1,173)
Net change in cash						
Cash at the beginning of the year	31,542	11,635	14,714	24,302	17,982	25,886
Exchange difference	(363)	462	(15)	0	0	0
Cash at the end of the year	11,635	14,714	24,302	17,982	25,886	30,785
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	259.1%	28.0%	14.2%	31.6%	77.8%	23.2%
Gross profit	886.0%	17.8%	(85.4%)	1,165.2%	90.1%	24.5%
EBITDA	na	na	na	na	na	234.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	12.5%	11.5%	1.5%	14.1%	15.1%	15.3%
Operating margin	(31.3%)	(32.4%)	(35.5%)	(17.2%)	(4.9%)	(1.7%)
EBITDA margin	(18.8%)	(28.2%)	(26.0%)	(7.2%)	1.6%	4.2%
Return on equity (ROE)	(12.7%)	(23.1%)	(28.3%)	(18.0%)	(7.6%)	0.4%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.7	1.8	1.5	1.3	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	878.4
P/E (diluted)	ns	ns	ns	ns	ns	878.4
P/B	1.8	2.2	2.3	2.9	3.1	3.1
P/CFPS	ns	ns	85.8	ns	7.2	10.1
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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