

NIO Inc. (NIO US)

NIO's cost control disappoints us again

Maintain HOLD. Despite NIO's efforts to lift GPM in 3Q24, its cost control capabilities disappointed us once again. With the *Onvo L60*'s designed GPM and continuous investments in battery swap, we see limited GPM improvement in FY25E despite 45% YoY growth in revenue on our estimates. We are of the view that management's guidance for breakeven in FY26 is too optimistic.

■ **3Q24 GPM beat, SG&A miss.** NIO's 3Q24 revenue was 1% higher than our prior forecast. 3Q24 GPM of 10.7% was 0.9ppts higher than our estimates, as GPMs for both vehicles and other income beat. Gross profit beat of RMB200mn was not enough to offset the SG&A miss of RMB259mn. Net loss of RMB5.1bn in 3Q24 was about RMB170mn larger than our prior forecast of RMB5.0bn, as its R&D expense was also about RMB100mn higher than our prior projection.

■ **FY25 sales and GPM targets could be too optimistic.** Management targets to double sales volume in FY25E to about 440,000 units with the *Onvo L60* reaching 20,000 units from Mar 2025. We are of the view that such projection could be a bit too optimistic. We project FY25E sales volume to be 360,000 units, with the *Onvo* and *Firefly* contributing 192,000 units. We believe the sales cannibalization between the *Onvo* and *NIO* brands could be more severe than management's expectation, especially as management prioritizes the *NIO* brand's GPM. In addition, *Onvo*'s GPM could be lower than our prior forecast, which could widen the 4Q24 net loss on our calculations, despite higher sales volume and wider GPM for the *NIO* brand vs. 3Q24. Even as we assume the *NIO* brand's GPM to improve to 15.4% in FY25E from 12.6% in FY24E, we project the overall vehicle GPM to be 12.9% in FY25E, which is still far away from breakeven.

■ **No signs for cost and capex tightening.** Sales network expansion for *Onvo* and investments in battery swap stations would continue in FY25E, which will drag margins. We project SG&A and R&D combined ratio to drop from 42.9% in FY24E to 30.6% in FY25E, even as we assume 45% YoY growth in revenue and 3% YoY growth in total SG&A and R&D expenses in FY25E. We see no signs of net profit breakeven even if its sales volume hits 700,000 units, should its current cost control mentality continue.

■ **Valuation/Key risks.** We maintain our HOLD rating and cut target price slightly from US\$5.10 to US\$5.00, based on 0.8x (prior 0.9x) our FY25E revenue estimates, amid its lack of profit turnaround signs. 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	67,067	97,018	124,224
YoY growth (%)	36.3	12.9	20.6	44.7	28.0
Gross margin (%)	10.4	5.5	9.7	10.1	10.6
Operating profit (RMB mn)	(15,640.7)	(22,655.2)	(21,822.1)	(19,267.1)	(16,277.3)
Net profit (RMB mn)	(14,559.4)	(21,147.0)	(21,098.9)	(17,796.3)	(14,203.4)
Adjusted net profit (RMB mn)	(11,984.2)	(18,474.8)	(18,768.9)	(15,746.3)	(12,353.4)
EPS (Reported) (RMB cents)	(889.40)	(1,243.79)	(1,022.75)	(798.23)	(557.33)
P/S (x)	1.4	1.3	1.0	0.7	0.6
P/B (x)	2.0	1.9	6.4	10.3	20.5

Source: Company data, Bloomberg, CMBIGM estimates

HOLD (Maintain)

Target Price	US\$5.00
(Previous TP)	US\$5.10
Up/Downside	8.0%
Current Price	US\$4.63

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Stock Data

Mkt Cap (US\$ mn)	9,662.9
Avg 3 mths t/o (US\$ mn)	149.3
52w High/Low (US\$)	9.43/3.67
Total Issued Shares (mn)	2087.0

Source: FactSet

Shareholding Structure

CYVN Holdings	20.1%
Mr. Li Bin	8.6%

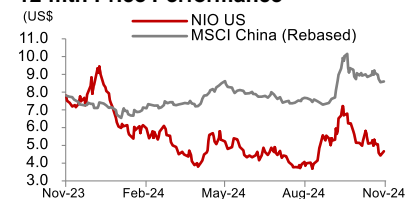
Source: NYSE

Share Performance

	Absolute	Relative
1-mth	-11.3%	-6.9%
3-mth	20.3%	5.9%
6-mth	-11.3%	-11.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

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Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	YoY	QoQ
Sales volume (units)	31,041	23,520	55,432	50,045	30,053	57,373	61,855	11.6%	7.8%
ASP (RMB)	343,947	372,948	343,963	341,756	329,705	304,080	301,892	-12.2%	-0.7%
Revenue	10,676	8,772	19,067	17,103	9,909	17,446	18,674	-2.1%	7.0%
Gross profit	162	87	1,523	1,279	488	1,689	2,007	31.8%	18.9%
R&D expenses	(3,076)	(3,345)	(3,039)	(3,972)	(2,864)	(3,219)	(3,319)	9.2%	3.1%
SG&A expenses	(2,446)	(2,857)	(3,609)	(3,973)	(2,997)	(3,757)	(4,109)	13.8%	9.4%
Operating profit	(5,112)	(6,074)	(4,844)	(6,625)	(5,394)	(5,209)	(5,238)	N/A	N/A
Net profit	(4,804)	(6,122)	(4,629)	(5,593)	(5,258)	(5,126)	(5,142)	N/A	N/A
Gross margin	1.5%	1.0%	8.0%	7.5%	4.9%	9.7%	10.7%	2.8 ppt	1.1 ppt
Operating margin	-47.9%	-69.2%	-25.4%	-38.7%	-54.4%	-29.9%	-28.0%	-2.6 ppt	1.8 ppt
Net margin	-45.0%	-69.8%	-24.3%	-32.7%	-53.1%	-29.4%	-27.5%	-3.3 ppt	1.8 ppt

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	67,067	97,018	124,224	66,730	89,501	102,325	0.5%	8.4%	21.4%
Gross profit	6,480	9,762	13,180	6,443	9,932	11,757	0.6%	-1.7%	12.1%
Operating profit	(21,822)	(19,267)	(16,277)	(19,909)	(17,991)	(16,582)	N/A	N/A	N/A
Net profit	(21,099)	(17,796)	(14,203)	(18,693)	(16,734)	(15,206)	N/A	N/A	N/A
Gross margin	9.7%	10.1%	10.6%	9.7%	11.1%	11.5%	0.0 ppt	-1.0 ppt	-0.9 ppt
Operating margin	-32.5%	-19.9%	-13.1%	-29.8%	-20.1%	-16.2%	-2.7 ppt	0.2 ppt	3.1 ppt
Net margin	-31.5%	-18.3%	-11.4%	-28.0%	-18.7%	-14.9%	-3.4 ppt	0.4 ppt	3.4 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	67,067	97,018	124,224	70,346	101,089	120,375	-4.7%	-4.0%	3.2%
Gross profit	6,480	9,762	13,180	6,820	13,389	18,399	-5.0%	-27.1%	-28.4%
Operating profit	(21,822)	(19,267)	(16,277)	(19,693)	(14,989)	(10,065)	N/A	N/A	N/A
Net profit	(21,099)	(17,796)	(14,203)	(17,723)	(13,372)	(8,478)	N/A	N/A	N/A
Gross margin	9.7%	10.1%	10.6%	9.7%	13.2%	15.3%	0.0 ppt	-3.2 ppt	-4.7 ppt
Operating margin	-32.5%	-19.9%	-13.1%	-28.0%	-14.8%	-8.4%	-4.5 ppt	-5.0 ppt	-4.7 ppt
Net margin	-31.5%	-18.3%	-11.4%	-25.2%	-13.2%	-7.0%	-6.3 ppt	-5.1 ppt	-4.4 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	67,067	97,018	124,224
Cost of goods sold	(29,315)	(44,125)	(52,566)	(60,586)	(87,256)	(111,044)
Gross profit	6,821	5,144	3,052	6,480	9,762	13,180
Operating expenses	(11,318)	(20,785)	(25,707)	(28,303)	(29,029)	(29,457)
SG&A expense	(6,878)	(10,537)	(12,885)	(15,473)	(16,529)	(17,165)
R&D expense	(4,592)	(10,836)	(13,431)	(13,279)	(13,199)	(13,192)
Others	152	589	609	450	700	900
Operating profit	(4,496)	(15,641)	(22,655)	(21,822)	(19,267)	(16,277)
Other gains/(losses)	185	(145)	325	800	1,000	1,000
Share of (losses)/profits of associates/JV	63	378	64	(400)	(200)	100
EBITDA	(985)	(10,055)	(15,148)	(12,314)	(7,357)	(2,826)
Depreciation	1,708	2,852	3,378	5,107	6,173	7,140
Depreciation of ROU assets	644	1,142	1,529	2,609	3,342	3,397
EBIT	(3,337)	(14,049)	(20,055)	(20,030)	(16,872)	(13,363)
Interest income	912	1,359	2,210	1,392	1,595	1,814
Interest expense	(637)	(333)	(404)	(737)	(569)	(493)
Foreign exchange gain/loss	10	283	(55)	0	0	0
Pre-tax profit	(3,975)	(14,382)	(20,459)	(20,767)	(17,441)	(13,856)
Income tax	(42)	(55)	(261)	(42)	(35)	(28)
After tax profit	(4,017)	(14,437)	(20,720)	(20,809)	(17,476)	(13,883)
Minority interest	31	157	(124)	40	30	30
Others	(6,587)	(279)	(303)	(330)	(350)	(350)
Net profit	(10,572)	(14,559)	(21,147)	(21,099)	(17,796)	(14,203)
Adjusted net profit	(2,976)	(11,984)	(18,475)	(18,769)	(15,746)	(12,353)

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	63,641	59,150	70,380	52,430	63,720	80,868
Cash & equivalents	15,334	19,888	32,935	22,326	29,957	42,314
Restricted cash	2,994	3,154	5,542	3,200	3,000	2,500
Account receivables	2,781	5,118	4,658	5,512	7,974	10,210
Inventories	2,056	8,191	5,278	4,316	6,215	7,910
ST bank deposits	37,058	19,171	16,810	12,000	10,000	10,000
Other current assets	3,418	3,627	5,157	5,076	6,573	7,934
Non-current assets	19,242	37,114	47,003	47,909	52,247	51,660
PP&E	7,400	15,659	24,847	27,178	27,927	27,696
Right-of-use assets	2,988	7,374	11,404	9,906	11,908	8,915
Investment in JVs & assos	3,059	6,356	5,487	4,412	3,312	3,512
Intangibles	0	0	30	25	21	16
Other non-current assets	5,795	7,725	5,235	6,388	9,079	11,522
Total assets	82,884	96,264	117,383	100,340	115,966	132,528
Current liabilities	29,198	45,852	57,798	55,823	71,540	89,365
Short-term borrowings	6,458	4,039	5,085	4,625	0	0
Account payables	12,639	25,224	29,766	29,878	40,640	51,719
Tax payable	628	286	349	349	349	349
Other current liabilities	8,729	15,277	20,854	18,738	27,738	34,875
Lease liabilities	745	1,026	1,743	2,233	2,812	2,422
Non-current liabilities	15,622	22,765	29,989	33,595	37,071	38,930
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	16,416	21,932	23,226
Total liabilities	44,820	68,617	87,787	89,418	108,610	128,296
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)	(111,857)	(129,653)	(143,857)
Other reserves	1,152	2,744	2,444	2,794	3,164	3,534
Total shareholders equity	37,988	27,425	29,407	10,783	7,256	4,173
Minority interest	76	221	189	139	99	59
Total equity and liabilities	82,884	96,264	117,383	100,340	115,966	132,528

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(3,975)	(14,382)	(20,459)	(20,767)	(17,441)	(13,856)
Depreciation & amortization	2,352	3,994	4,907	7,716	9,515	10,537
Change in working capital	2,693	4,444	13,286	540	10,848	10,835
Others	896	2,078	884	2,508	2,064	1,616
Net cash from operations	1,966	(3,866)	(1,382)	(10,003)	4,986	9,132
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	1,090	(3,625)	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	(926)	6,545	9,826
Net change in cash						
Cash at the beginning of the year	38,545	18,375	23,155	38,622	25,676	33,107
Exchange difference	(501)	(122)	70	0	0	0
Cash at the end of the year	18,375	23,155	38,622	25,676	33,107	44,964
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	122.3%	36.3%	12.9%	20.6%	44.7%	28.0%
Gross profit	264.1%	(24.6%)	(40.7%)	112.3%	50.6%	35.0%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	18.9%	10.4%	5.5%	9.7%	10.1%	10.6%
Operating margin	(12.4%)	(31.7%)	(40.7%)	(32.5%)	(19.9%)	(13.1%)
EBITDA margin	(2.7%)	(20.4%)	(27.2%)	(18.4%)	(7.6%)	(2.3%)
Adj. net profit margin	(8.2%)	(24.3%)	(33.2%)	(28.0%)	(16.2%)	(9.9%)
Return on equity (ROE)	(30.3%)	(44.5%)	(74.4%)	(105.0%)	(197.3%)	(248.5%)
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Current ratio (x)	2.2	1.3	1.2	0.9	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	2.0	1.9	6.4	10.3	20.5
P/CFPS	26.8	ns	ns	ns	15.0	9.4
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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