

Geely Automobile (175 HK)

Economies of scale lays foundation for FY25 profit

Geely's 4Q24 net profit was a mixed bag with many moving parts. GPM beat in 4Q24, which gives us more confidence in both NEV and ICE margins in FY25E. We are more positive than management in Geely and Galaxy sales volume but more conservative on Zeekr and Lynk & Co. We believe Geely is still well-positioned to withstand the rising competition, aided by its economies of scale.

■ **4Q24 GPM beat.** Geely's 4Q24 revenue was about 6% lower than our prior forecast, mainly due to Viridi's sales decline. 4Q24 GPM of 17.3% beat our prior forecast by 1.2ppts, leading to an in-line gross profit. Net profit in 4Q24 was mixed, as the forex loss and intangible asset impairment were offset by gains from partial disposal of equity-method entities and fair value change in Horse Powertrain joint venture (JV). Net profit excluding forex loss and fair value gains from Horse Powertrain was about RMB9.2bn in FY24, slightly higher than our prior forecast.

■ **FY25 outlook.** We raise our FY25E sales volume forecast from 2.46mn units to 2.74mn units, following strong momentum in the first two months of 2025. Unlike management's guidance, we are more positive about Geely and Galaxy brands with a forecast of 2.13mn units, following the success of the recent new models, but a bit concerned about Zeekr (0.27mn units) and Lynk & Co (0.34mn units). We project FY25E GPMs for Galaxy and Geely brands to widen by 3.2ppts YoY and 0.3ppts YoY, respectively, taking greater economies of scale, lowered export portion and rising competition into consideration. We expect Zeekr's (incl. Lynk & Co) GPM to fall YoY, as Lynk & Co may drag it down in FY25E during its transition. Therefore, we project Geely's overall GPM to narrow by 0.4ppts YoY to 15.5% in FY25E, despite management guidance of a YoY improvement. On the other hand, we expect impairment and share-based payment to decline significantly in FY25E. That, along with a possible forex gain, could lift its FY25E net profit.

■ **Valuation/Key risks.** We raise our FY25E net profit estimates by 7% to RMB14.6bn. We maintain our BUY rating and raise our target price from HK\$19.00 to HK\$23.00, based on our sum-of-the-parts valuation. We value Zeekr at 0.6x (prior 0.7x) our revised FY25E core revenue, which implies US\$8.5bn for Zeekr's valuation. We lower our multiple to reflect some challenges that Zeekr may face this year, including rising competition and how to turn around Lynk & Co. We value Geely's all other businesses excluding Zeekr at 12x (unchanged) FY25E P/E. Key risks to our rating and target price include lower sales volume and GPM than we expect, slower catch up in autonomous driving than we expect and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	147,965	179,204	240,194	342,845	392,625
YoY growth (%)	45.6	21.1	34.0	42.7	14.5
Net profit (RMB mn)	5,260.4	5,308.4	16,632.4	14,636.0	16,083.9
YoY growth (%)	8.5	0.9	213.3	(12.0)	9.9
EPS (Reported) (RMB)	0.52	0.53	1.65	1.45	1.58
P/E (x)	32.4	32.2	10.3	11.7	10.8
P/B (x)	2.3	2.1	2.0	1.7	1.6
Yield (%)	1.1	1.2	1.6	3.1	3.3
ROE (%)	7.3	6.8	19.9	15.7	15.2
Net gearing (%)	(33.2)	(38.8)	(45.9)	(56.5)	(63.5)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$23.00
(Previous TP)	HK\$19.00)
Up/Downside	26.1%
Current Price	HK\$18.24

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Stock Data

Mkt Cap (HK\$ mn)	183,774.8
Avg 3 mths t/o (HK\$ mn)	1,335.3
52w High/Low (HK\$)	18.98/7.47
Total Issued Shares (mn)	10075.4

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.4%
Others	58.6%

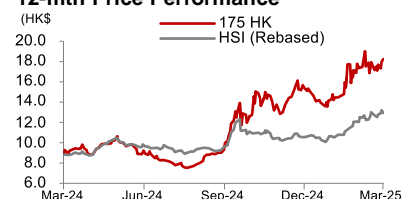
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.1%	-2.1%
3-mth	19.1%	-3.1%
6-mth	82.9%	37.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

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["Geely Automobile \(175 HK\) - 3Q24 NEV sales and profits pave way for FY25" - 15 Nov 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	YoY	QoQ
Sales volume (units)	371,592	461,233	531,238	475,720	480,010	533,960	686,877	29.3%	28.6%	371,592
ASP (RMB)	126,027	127,785	127,004	126,162	132,486	130,026	121,450	-4.4%	-6.6%	126,027
Total revenue	39,676	50,107	55,915	52,315	54,990	60,379	72,510	29.7%	20.1%	39,676
Gross profit	5,793	7,739	9,136	7,147	9,074	9,408	12,572	37.6%	33.6%	5,793
Selling exp.	(2,569)	(3,106)	(3,958)	(3,389)	(2,938)	(2,696)	(4,260)	7.6%	58.0%	(2,569)
Admin exp.	(2,514)	(3,182)	(4,507)	(3,105)	(4,089)	(3,496)	(5,741)	27.4%	64.2%	(2,514)
Operating profit	1,155	1,678	1,170	1,179	2,397	3,035	2,780	137.7%	-8.4%	1,155
Net profit	857	1,276	2,461	1,561	9,037	2,455	3,580	45.4%	45.8%	857
Gross margin	14.6%	15.4%	16.3%	13.7%	16.5%	15.6%	17.3%	1.0 ppts	1.8 ppts	14.6%
Operating margin	2.9%	3.3%	2.1%	2.3%	4.4%	5.0%	3.8%	1.7 ppts	-1.2 ppts	2.9%
Net margin	2.2%	2.5%	4.4%	3.0%	16.4%	4.1%	4.9%	0.5 ppts	0.9 ppts	2.2%

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	240,194	342,845	392,625	244,977	333,335	357,255	-2.0%	2.9%	9.9%
Gross profit	38,201	53,000	61,040	38,086	50,268	54,579	0.3%	5.4%	11.8%
Operating profit	9,391	15,895	17,464	9,981	15,333	17,492	-5.9%	3.7%	-0.2%
Net profit	16,632	14,636	16,084	16,331	13,746	15,213	1.8%	6.5%	5.7%
Gross margin	15.9%	15.5%	15.5%	15.5%	15.1%	15.3%	0.4 ppts	0.4 ppts	0.3 ppts
Operating margin	3.9%	4.6%	4.4%	4.1%	4.6%	4.9%	-0.2 ppts	0.0 ppts	-0.4 ppts
Net margin	6.9%	4.3%	4.1%	6.7%	4.1%	4.3%	0.3 ppts	0.1 ppts	-0.2 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	240,194	342,845	392,625	239,866	313,062	368,602	0.1%	9.5%	6.5%
Gross profit	38,201	53,000	61,040	37,210	49,896	60,329	2.7%	6.2%	1.2%
Operating profit	9,391	15,895	17,464	8,771	12,130	15,867	7.1%	31.0%	10.1%
Net profit	16,632	14,636	16,084	14,767	13,425	16,467	12.6%	9.0%	-2.3%
Gross margin	15.9%	15.5%	15.5%	15.5%	15.9%	16.4%	0.4 ppts	-0.5 ppts	-0.8 ppts
Operating margin	3.9%	4.6%	4.4%	3.7%	3.9%	4.3%	0.3 ppts	0.8 ppts	0.1 ppts
Net margin	6.9%	4.3%	4.1%	6.2%	4.3%	4.5%	0.8 ppts	0.0 ppts	-0.4 ppts

Source: Bloomberg, CMBIGM estimates

Figure 4: Geely's SOTP valuation table

	FY25E (RMB bn)	Target P/E Multiple	Target P/S Multiple	Geely's Stake	Target Market Cap (HK\$ bn)	Target Price (HK\$)
Estimated core revenue of Zeekr (incl. Lynk & Co)	118	-	0.6x	60%	47	4.67
Estimated net profit for Geely's all other businesses	14	12x	-	-	184	18.33
SOTP					231	23.00

Source: CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	101,611	147,965	179,204	240,194	342,845	392,625
Cost of goods sold	(84,199)	(127,069)	(151,789)	(201,993)	(289,845)	(331,585)
Gross profit	17,412	20,896	27,415	38,201	53,000	61,040
Operating expenses	(13,020)	(17,506)	(22,962)	(28,809)	(37,105)	(43,575)
Selling expense	(6,323)	(8,228)	(11,832)	(13,283)	(18,558)	(20,772)
Admin expense	(8,036)	(10,435)	(12,497)	(16,431)	(21,411)	(24,679)
Others	1,339	1,157	1,367	905	2,864	1,876
Operating profit	4,393	3,389	4,453	9,391	15,895	17,464
Other expense	(1,213)	(1,489)	(646)	(1,747)	(606)	(415)
Other gains/(losses)	0	1,750	0	9,098	0	0
Share of (losses)/profits of associates/JV	1,205	651	599	969	1,664	1,986
EBITDA	11,823	13,551	13,570	28,347	28,349	33,183
Depreciation	6,893	8,318	8,203	9,393	10,094	12,455
EBIT	4,930	5,233	5,367	18,954	18,255	20,728
Interest income	545	931	961	1,243	1,302	1,692
Interest expense	(265)	(551)	(417)	(550)	(335)	(331)
Net interest income/(expense)	280	380	544	692	967	1,361
Foreign exchange gain/loss	125	(79)	(126)	(1,619)	1,200	0
Pre-tax profit	4,665	4,682	4,950	18,404	17,920	20,397
Income tax	(312)	(32)	(15)	(1,604)	(2,438)	(2,762)
After tax profit	4,353	4,650	4,935	16,799	15,481	17,635
Minority interest	494	611	373	(167)	(845)	(1,551)
Net profit	4,847	5,260	5,308	16,632	14,636	16,084
Gross dividends	1,788	1,916	2,033	2,712	5,269	5,790
BALANCE SHEET						
YE 31 Dec (RMB mn)						
Current assets	65,296	79,064	113,635	125,322	176,249	207,496
Cash & equivalents	28,014	33,341	35,746	40,865	57,553	72,049
Restricted cash	4	387	943	2,881	2,881	2,881
Account receivables	31,549	34,392	42,711	58,307	83,861	96,037
Inventories	5,522	10,822	15,422	23,078	31,764	36,338
Prepayment	0	0	0	0	0	0
Other current assets	207	121	18,813	191	191	191
Non-current assets	69,046	78,762	78,963	104,070	126,610	134,988
PP&E	30,859	32,201	27,351	26,384	42,820	39,768
Right-of-use assets	3,436	3,402	3,600	4,126	4,074	4,022
Deferred income tax	2,435	4,573	6,342	8,461	8,461	8,461
Investment in JVs & assos	10,205	14,235	15,703	31,424	30,787	33,092
Intangibles	20,901	22,548	23,920	28,751	36,861	45,529
Goodwill	58	61	34	34	34	34
Financial assets at FVTPL	352	0	0	0	0	0
Other non-current assets	801	1,742	2,013	4,890	3,573	4,080
Total assets	134,341	157,826	192,598	229,392	302,859	342,485
Current liabilities	60,351	68,953	96,824	127,200	178,954	204,467
Short-term borrowings	1,907	0	0	30	0	0
Account payables	57,393	65,481	87,398	125,379	177,163	202,676
Tax payable	853	773	774	960	960	960
Other current liabilities	0	2,143	7,898	28	28	28
Lease liabilities	198	557	754	803	803	803
Non-current liabilities	3,770	12,677	10,622	9,772	11,841	12,630
Long-term borrowings	0	2,758	2,840	414	414	414
Bond payables	1,901	6,000	2,600	3,500	3,500	3,500
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	1,869	3,919	5,182	5,858	7,926	8,715
Total liabilities	64,120	81,631	107,446	136,972	190,794	217,096
Share capital	183	184	184	184	186	187
Other reserves	68,423	74,947	80,325	86,558	99,771	111,572
Total shareholders equity	68,606	75,130	80,509	86,742	99,957	111,759
Minority interest	1,615	1,065	4,643	5,678	12,108	13,629
Total equity and liabilities	134,341	157,826	192,598	229,392	302,859	342,485

CASH FLOW	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,665	4,682	4,950	18,404	17,920	20,397
Depreciation & amortization	6,893	8,318	8,203	9,393	10,094	12,455
Tax paid	(1,197)	(2,082)	(2,307)	(3,499)	(2,438)	(2,762)
Change in working capital	5,161	5,672	11,238	9,316	20,930	9,044
Others	(174)	(571)	259	(7,107)	(1,770)	(2,619)
Net cash from operations	15,348	16,018	22,342	26,507	44,735	36,515
Investing						
Capital expenditure	(6,100)	(10,337)	(15,322)	(13,314)	(16,421)	(18,362)
Acquisition of subsidiaries/ investments	(2,609)	(2,831)	(1,570)	6,958	(16,737)	(1,000)
Net proceeds from disposal of short-term investments	(323)	0	0	0	0	0
Others	1,873	1,037	748	(2,775)	2,094	2,493
Net cash from investing	(7,159)	(12,130)	(16,145)	(9,132)	(31,064)	(16,870)
Financing						
Dividend paid	(1,611)	(1,788)	(1,916)	(2,120)	(2,712)	(5,269)
Net borrowings	0	4,603	(4,237)	(3,386)	(30)	0
Proceeds from share issues	0	0	0	1,322	0	0
Others	2,527	(1,490)	3,389	(9,112)	5,760	120
Net cash from financing	916	1,325	(2,764)	(13,297)	3,017	(5,149)
Net change in cash						
Cash at the beginning of the year	18,977	28,014	33,341	35,746	40,865	57,553
Exchange difference	(68)	114	(1,029)	1,040	0	0
Cash at the end of the year	28,014	33,341	35,746	40,865	57,553	72,049
GROWTH	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec						
Revenue	10.3%	45.6%	21.1%	34.0%	42.7%	14.5%
Gross profit	18.2%	20.0%	31.2%	39.3%	38.7%	15.2%
Operating profit	(11.6%)	(22.8%)	31.4%	110.9%	69.3%	9.9%
EBITDA	(2.3%)	14.6%	0.1%	108.9%	0.0%	17.1%
EBIT	(25.4%)	6.1%	2.6%	253.2%	(3.7%)	13.5%
Net profit	(12.4%)	8.5%	0.9%	213.3%	(12.0%)	9.9%
PROFITABILITY	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec						
Gross profit margin	17.1%	14.1%	15.3%	15.9%	15.5%	15.5%
Operating margin	4.3%	2.3%	2.5%	3.9%	4.6%	4.4%
EBITDA margin	11.6%	9.2%	7.6%	11.8%	8.3%	8.5%
Return on equity (ROE)	7.3%	7.3%	6.8%	19.9%	15.7%	15.2%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.3)	(0.4)	(0.5)	(0.6)	(0.6)
Current ratio (x)	1.1	1.1	1.2	1.0	1.0	1.0
Receivable turnover days	116.5	88.7	91.1	96.2	93.0	93.0
Inventory turnover days	24.0	31.2	37.2	41.8	40.0	40.0
Payable turnover days	253.7	193.2	217.3	233.4	230.0	230.0
VALUATION	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec						
P/E	34.4	32.4	32.2	10.3	11.7	10.8
P/E (diluted)	34.6	32.8	32.4	10.3	11.8	10.9
P/B	2.4	2.3	2.1	2.0	1.7	1.6
P/CFPS	10.9	10.6	7.6	6.5	3.8	4.7
Div yield (%)	1.1	1.1	1.2	1.6	3.1	3.3

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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