

# BYD (1211 HK/002594 CH)

## 4Q24 margins lay foundation for FY25 earnings

**Maintain BUY.** BYD's strong 4Q24 earnings once again underscored the importance of economies of scale. We expect BYD to prioritize sales volume again in FY25E, by leveraging new models, overseas expansion, battery technology upgrades and AD catch-up, which could lead to solid earnings in FY25E again.

■ **4Q24 results beat with high quality earnings.** BYD's 4Q24 revenue beat our prior forecast by 6%. In fact, BYD's average selling price (ASP) excluding BYDE rose sequentially for two consecutive quarters, despite the prolonged price war. The accounting standard change by moving after-sales provision from selling expenses to COGS lowered its 4Q24 GPM to 17.0%. 4Q24 GPM by previous accounting standards would have been 21.5%, 0.9ppts higher than our forecast. Meanwhile, BYD's 4Q24 R&D expenses were about 16% higher than our estimates (BYD invested RMB54bn in R&D and expensed 98% of it in FY24), leading to a beat of 14% from our estimates at the net profit level.

■ **More comprehensive model portfolio, overseas expansion, battery technology upgrade and AD catch-up to fuel FY25 sales growth.** We are of the view that BYD's 4Q24 earnings once again underscored the importance of economies of scale. We project BYD's FY25 sales volume to rise 23% YoY to 5.25mn units, maintaining its current EV market share in China. We expect its overseas sales volume to double YoY to 0.8mn units, following strong momentum in Jan-Feb 2025. We expect a plethora of new models, especially the *Han L*, *Tang L* and *Denza N9*, to lift its ASP and GPM. We project its premium brands (Denza, Fangchengbao and Yangwang) to deliver 0.37mn units in FY25E. We also expect more technological upgrades in FY25 to strengthen its brand value. The recently showcased 1kW fast charging could also aid its energy storage battery sales. We are of the view that BYD could absorb its extra costs from autonomous driving (AD) functions (which we estimate to be RMB3,000-4,000 per vehicle), should it deliver our projected sales volume.

■ **Earnings/Valuation.** We revise up our FY25E net profit by 8% to RMB57.5bn, implying net profit of RMB10,900 per vehicle (vs. RMB9,400 in FY24). We maintain our BUY rating and raise target price to HK\$470 for H share and RMB440 for A share, both of which are based on 23x (prior 20x) our FY25E EPS to reflect BYD's leading position and recently improving investor sentiment. Key risks to our rating and target price include lower sales or margins than we expect, and a sector de-rating.

### Earnings Summary - 1211 HK

(YE 31 Dec)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue (RMB mn)	424,061	602,315	777,102	984,878	1,071,877
YoY growth (%)	96.2	42.0	29.0	26.7	8.8
Net profit (RMB mn)	16,622.4	30,040.8	40,254.3	57,456.6	67,910.6
YoY growth (%)	445.9	80.7	34.0	42.7	18.2
EPS (Reported) (RMB)	5.72	10.34	13.83	19.08	22.33
P/S (x)	2.7	1.9	1.5	1.2	1.1
P/E (x)	65.8	36.4	27.2	19.7	16.8
Yield (%)	0.3	0.8	0.7	1.0	1.2
ROE (%)	16.1	24.0	26.0	29.4	27.3
Net gearing (%)	(39.3)	(69.5)	(52.1)	(104.2)	(123.6)

Source: Company data, Bloomberg, CMBIGM estimates

	1211 HK	002594 CH
<b>BUY</b>	<b>BUY</b>	
<b>Maintain</b>	<b>Maintain</b>	

<b>TP</b>	HK\$470.00	RMB440.00
<b>Prior TP</b>	HK\$350.00	RMB382.00
<b>Up/Downside</b>	16.5%	17.2%
<b>Current Price</b>	HK\$403.4	RMB375.4

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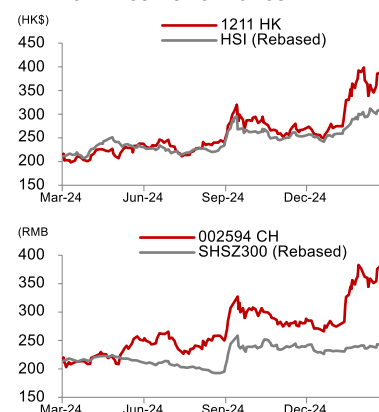
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### 12-mth Price Performance



Source: FactSet

### Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	3.7%	1.3%	-0.2%	5.2%
3-mth	47.3%	23.9%	30.1%	50.0%
6-mth	62.1%	28.9%	47.6%	38.8%

Source: FactSet

### Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	1225959	1140744
Avg 3 mths t/o (mn)	4314.63	5056.91
52w High	424.2	399.99
52w Low	197.5	203.06
Issued Shares (mn)	3039.066	3039.066

Source: FactSet

**Figure 1: Quarterly results**

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	YoY	QoQ
Sales volume (units)	552,076	703,561	824,001	944,779	626,263	986,720	1,134,892	1,524,270	61.3%	34.3%
Revenue	120,174	139,951	162,151	180,041	124,944	176,182	201,125	274,851	52.7%	36.7%
Gross profit	21,467	26,206	35,876	38,209	27,341	32,926	44,031	46,758	22.4%	6.2%
R&D expenses	(6,238)	(7,597)	(11,104)	(14,637)	(10,611)	(9,010)	(13,698)	(19,876)	35.8%	45.1%
SG&A expenses	(8,014)	(9,643)	(9,851)	(11,166)	(10,572)	(11,440)	(14,318)	(6,400)	-42.7%	-55.3%
Operating profit	5,299	8,433	12,906	11,466	5,798	11,525	14,423	18,739	63.4%	29.9%
Net profit	4,130	6,824	10,413	8,674	4,569	9,062	11,607	15,016	73.1%	29.4%
Gross margin	17.9%	18.7%	22.1%	21.2%	21.9%	18.7%	21.9%	17.0%	-4.2 ppts	-4.9 ppts
Operating margin	4.4%	6.0%	8.0%	6.4%	4.6%	6.5%	7.2%	6.8%	0.4 ppts	-0.4 ppts
Net margin	3.4%	4.9%	6.4%	4.8%	3.7%	5.1%	5.8%	5.5%	0.6 ppts	-0.3 ppts

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	777,102	984,878	1,071,877	762,132	898,981	980,465	2.0%	9.6%	9.3%
Gross profit	151,056	192,779	214,458	157,842	184,459	199,691	-4.3%	4.5%	7.4%
Operating profit	50,486	71,473	84,580	48,951	65,436	72,538	3.1%	9.2%	16.6%
Net profit	40,254	57,457	67,911	38,398	53,176	58,602	4.8%	8.0%	15.9%
Gross margin	19.4%	19.6%	20.0%	20.7%	20.5%	20.4%	-1.3 ppts	-0.9 ppts	-0.4 ppts
Operating margin	6.5%	7.3%	7.9%	6.4%	7.3%	7.4%	0.1 ppts	0.0 ppts	0.5 ppts
Net margin	5.2%	5.8%	6.3%	5.0%	5.9%	6.0%	0.1 ppts	-0.1 ppts	0.4 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	777,102	984,878	1,071,877	766,480	952,937	1,075,912	1.4%	3.4%	-0.4%
Gross profit	151,056	192,779	214,458	157,558	198,802	225,597	-4.1%	-3.0%	-4.9%
Operating profit	50,486	71,473	84,580	47,659	62,243	74,451	5.9%	14.8%	13.6%
Net profit	40,254	57,457	67,911	39,453	51,519	61,689	2.0%	11.5%	10.1%
Gross margin	19.4%	19.6%	20.0%	20.6%	20.9%	21.0%	-1.1 ppts	-1.3 ppts	-1.0 ppts
Operating margin	6.5%	7.3%	7.9%	6.2%	6.5%	6.9%	0.3 ppts	0.7 ppts	1.0 ppts
Net margin	5.2%	5.8%	6.3%	5.1%	5.4%	5.7%	0.0 ppts	0.4 ppts	0.6 ppts

Source: Bloomberg, CMBIGM estimates

## Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024A	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	216,142	424,061	602,315	777,102	984,878	1,071,877
Cost of goods sold	(187,998)	(351,816)	(480,558)	(626,047)	(792,098)	(857,418)
<b>Gross profit</b>	<b>28,145</b>	<b>72,245</b>	<b>121,757</b>	<b>151,056</b>	<b>192,779</b>	<b>214,458</b>
<b>Operating expenses</b>	<b>(22,818)</b>	<b>(50,990)</b>	<b>(88,598)</b>	<b>(110,677)</b>	<b>(131,840)</b>	<b>(140,508)</b>
Selling expense	(6,082)	(15,061)	(25,211)	(24,085)	(28,384)	(30,537)
Admin expense	(5,710)	(10,007)	(13,462)	(18,645)	(22,367)	(22,396)
R&D expense	(7,991)	(18,654)	(39,575)	(53,195)	(62,370)	(67,320)
Others	(3,035)	(7,267)	(10,350)	(14,752)	(18,719)	(20,255)
<b>Operating profit</b>	<b>5,327</b>	<b>21,255</b>	<b>33,159</b>	<b>40,379</b>	<b>60,939</b>	<b>73,950</b>
Other income	2,608	2,248	5,965	15,303	13,300	11,400
Other expense	(452)	(989)	(1,546)	(2,057)	(2,100)	(2,200)
Gain/loss on financial assets at FVTPL	47	126	258	532	800	950
Investment gain/loss	(57)	(792)	1,635	2,291	2,358	2,558
Other gains/(losses)	(1,168)	(2,387)	(3,677)	(5,552)	(6,335)	(6,493)
<b>EBITDA</b>	<b>20,542</b>	<b>42,766</b>	<b>82,649</b>	<b>118,681</b>	<b>146,581</b>	<b>168,319</b>
Depreciation	10,880	14,605	37,718	56,922	64,459	72,372
Depreciation of ROU assets	273	584	1,390	2,643	3,131	3,606
Other amortisation	2,956	5,181	4,444	7,341	6,567	7,081
<b>EBIT</b>	<b>6,433</b>	<b>22,396</b>	<b>39,096</b>	<b>51,774</b>	<b>72,423</b>	<b>85,259</b>
Interest income	632	1,830	2,796	2,484	3,461	5,095
Interest expense	(1,915)	(1,316)	(1,828)	(2,094)	(1,750)	(1,480)
<b>Net interest income/(expense)</b>	<b>(1,787)</b>	<b>1,618</b>	<b>1,475</b>	<b>(1,216)</b>	<b>1,711</b>	<b>3,615</b>
Foreign exchange gain/loss	(533)	1,216	639	(1,532)	0	0
<b>Pre-tax profit</b>	<b>4,518</b>	<b>21,080</b>	<b>37,269</b>	<b>49,681</b>	<b>70,673</b>	<b>83,780</b>
Income tax	(551)	(3,367)	(5,925)	(8,093)	(11,331)	(13,389)
<b>After tax profit</b>	<b>3,967</b>	<b>17,713</b>	<b>31,344</b>	<b>41,588</b>	<b>59,342</b>	<b>70,390</b>
Minority interest	(922)	(1,091)	(1,303)	(1,334)	(1,885)	(2,480)
<b>Net profit</b>	<b>3,045</b>	<b>16,622</b>	<b>30,041</b>	<b>40,254</b>	<b>57,457</b>	<b>67,911</b>
Gross dividends	306	3,325	9,012	8,051	11,491	13,582

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
<b>Current assets</b>	<b>166,110</b>	<b>240,804</b>	<b>302,121</b>	<b>405,040</b>	<b>593,674</b>	<b>722,158</b>
Cash & equivalents	49,820	51,182	108,512	101,739	242,376	354,991
Restricted cash	637	289	583	1,000	1,000	1,000
Account receivables	44,994	51,723	67,431	94,849	117,268	125,219
Inventories	43,355	79,107	87,677	128,640	147,569	152,691
Prepayment	2,037	8,224	2,215	6,260	7,921	8,574
Financial assets at FVTPL	5,606	20,627	9,563	40,913	41,413	42,013
Other current assets	11,168	16,099	23,481	26,955	30,407	31,563
Contract assets	8,493	13,553	2,660	4,684	5,720	6,108
<b>Non-current assets</b>	<b>129,670</b>	<b>253,057</b>	<b>377,426</b>	<b>417,879</b>	<b>419,126</b>	<b>413,253</b>
PP&E	61,221	131,880	230,904	261,984	262,527	254,657
Right-of-use assets	1,573	3,137	9,679	10,736	10,354	9,448
Deferred income tax	1,913	3,687	6,584	6,584	6,584	6,584
Investment in JVs & assos	7,905	15,485	17,647	20,297	22,597	25,097
Intangibles	17,105	23,223	37,236	36,156	34,929	34,322
Goodwill	66	66	4,428	4,428	4,428	4,428
Financial assets at FVTPL	234	2,147	2,696	2,996	3,396	3,846
Other non-current assets	39,652	73,431	68,252	74,697	74,311	74,870
<b>Total assets</b>	<b>295,780</b>	<b>493,861</b>	<b>679,548</b>	<b>822,918</b>	<b>1,012,800</b>	<b>1,135,411</b>
<b>Current liabilities</b>	<b>171,304</b>	<b>333,345</b>	<b>453,667</b>	<b>559,356</b>	<b>695,464</b>	<b>756,545</b>
Short-term borrowings	10,204	5,153	18,323	9,194	0	0
Account payables	73,160	140,437	194,430	257,880	336,805	364,579
Tax payable	1,779	4,326	7,852	10,291	13,021	14,095
Other current liabilities	71,227	147,911	198,363	221,960	280,535	307,398
Contract liabilities	14,934	35,517	34,699	60,032	65,104	70,473
<b>Non-current liabilities</b>	<b>20,232</b>	<b>39,126</b>	<b>75,419</b>	<b>80,125</b>	<b>82,540</b>	<b>85,160</b>
Long-term borrowings	8,744	7,594	11,975	11,975	10,975	9,975
Bond payables	2,046	0	0	1,000	2,000	3,000
Other non-current liabilities	9,442	31,533	63,444	67,149	69,565	72,185
<b>Total liabilities</b>	<b>191,536</b>	<b>372,471</b>	<b>529,086</b>	<b>639,480</b>	<b>778,004</b>	<b>841,705</b>

Share capital	2,911	2,911	2,911	2,911	3,041	3,041
Other reserves	92,159	108,118	135,899	167,541	217,017	273,636
<b>Total shareholders equity</b>	<b>95,070</b>	<b>111,029</b>	<b>138,810</b>	<b>170,452</b>	<b>220,058</b>	<b>276,677</b>
Minority interest	9,175	10,361	11,652	12,986	14,737	17,029
<b>Total equity and liabilities</b>	<b>295,780</b>	<b>493,861</b>	<b>679,548</b>	<b>822,918</b>	<b>1,012,800</b>	<b>1,135,411</b>

<b>CASH FLOW</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec (RMB mn)</b>						
<b>Operating</b>						
Profit before taxation	4,518	21,080	37,269	49,681	70,673	83,780
Depreciation & amortization	14,108	20,370	43,553	66,906	74,158	83,060
Change in working capital	44,083	97,849	91,094	25,758	92,047	38,829
Others	2,757	1,539	(2,190)	417	(2,695)	(5,216)
<b>Net cash from operations</b>	<b>65,467</b>	<b>140,838</b>	<b>169,725</b>	<b>142,762</b>	<b>234,182</b>	<b>200,452</b>
<b>Investing</b>						
Capital expenditure	(37,344)	(97,457)	(122,094)	(95,566)	(65,230)	(66,280)
Acquisition of subsidiaries/ investments	(3,527)	(10,573)	(16,163)	(32,100)	(1,100)	(1,100)
Net proceeds from disposal of short-term investments	0	14	0	0	0	0
Others	(4,534)	(12,580)	12,593	(2,450)	(4,400)	(3,850)
<b>Net cash from investing</b>	<b>(45,404)</b>	<b>(120,596)</b>	<b>(125,664)</b>	<b>(130,116)</b>	<b>(70,730)</b>	<b>(71,230)</b>
<b>Financing</b>						
Dividend paid	(423)	(306)	(3,325)	(9,012)	(8,051)	(11,491)
Net borrowings	(17,006)	(16,413)	18,073	(4,376)	(9,194)	0
Proceeds from share issues	37,314	0	0	0	0	0
Others	(3,821)	(2,770)	(1,931)	(6,031)	(5,571)	(5,115)
<b>Net cash from financing</b>	<b>16,063</b>	<b>(19,489)</b>	<b>12,817</b>	<b>(19,419)</b>	<b>(22,816)</b>	<b>(16,607)</b>
<b>Net change in cash</b>						
Cash at the beginning of the year	13,738	49,820	51,182	108,512	101,739	242,376
Exchange difference	(44)	610	451	0	0	0
<b>Cash at the end of the year</b>	<b>49,820</b>	<b>51,182</b>	<b>108,512</b>	<b>101,739</b>	<b>242,376</b>	<b>354,991</b>

<b>GROWTH</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Revenue	38.0%	96.2%	42.0%	29.0%	26.7%	8.8%
Gross profit	(7.3%)	156.7%	68.5%	24.1%	27.6%	11.2%
Operating profit	(53.1%)	299.0%	56.0%	21.8%	50.9%	21.4%
EBITDA	(9.0%)	108.2%	93.3%	43.6%	23.5%	14.8%
EBIT	(36.0%)	248.1%	74.6%	32.4%	39.9%	17.7%
Net profit	(28.1%)	445.9%	80.7%	34.0%	42.7%	18.2%

<b>PROFITABILITY</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Gross profit margin	13.0%	17.0%	20.2%	19.4%	19.6%	20.0%
Operating margin	2.5%	5.0%	5.5%	5.2%	6.2%	6.9%
EBITDA margin	9.5%	10.1%	13.7%	15.3%	14.9%	15.7%
Return on equity (ROE)	4.0%	16.1%	24.0%	26.0%	29.4%	27.3%

<b>GEARING/LIQUIDITY/ACTIVITIES</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
Net debt to equity (x)	(0.4)	(0.4)	(0.7)	(0.5)	(1.0)	(1.2)
Current ratio (x)	1.0	0.7	0.7	0.7	0.9	1.0
Receivable turnover days	94.4	58.1	52.0	55.0	53.0	52.0
Inventory turnover days	84.2	82.1	66.6	75.0	68.0	65.0
Payable turnover days	156.3	149.2	150.8	155.0	160.0	160.0

<b>VALUATION</b>	<b>2021A</b>	<b>2022A</b>	<b>2023A</b>	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>YE 31 Dec</b>						
P/E	352.6	65.8	36.4	27.2	19.7	16.8
P/B	11.3	9.9	7.9	6.4	5.1	4.1
P/CFPS	16.4	7.8	6.4	7.7	4.8	5.7
Div yield (%)	0.0	0.3	0.8	0.7	1.0	1.2

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

# Disclosures & Disclaimers

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## CMBIGM Ratings

**BUY** : Stock with potential return of over 15% over next 12 months  
**HOLD** : Stock with potential return of +15% to -10% over next 12 months  
**SELL** : Stock with potential loss of over 10% over next 12 months  
**NOT RATED** : Stock is not rated by CMBIGM

**OUTPERFORM** : Industry expected to outperform the relevant broad market benchmark over next 12 months  
**MARKET-PERFORM** : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months  
**UNDERPERFORM** : Industry expected to underperform the relevant broad market benchmark over next 12 months

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