

Geely Automobile (175 HK)

More synergies to come

Maintain BUY. Geely's 1Q25 net profit of RMB5.7bn was in line with its previous profit alert of RMB5.2-5.8bn, while its SG&A expenses were significantly lower than our prior forecast. This may have reflected the initial synergies between Zeekr and Lynk & Co, and we expect more synergies to come after the integration of different brands, platforms and management. We revise up our FY25E and FY26E net profit forecast both by 4%.

■ **1Q25 cost control better than expected.** Geely's 1Q25 revenue and GPM both were below our prior expectation, probably due to the price reduction in early Mar in order to compete with BYD's facelifted models. Zeekr's GPM in 1Q25 was about 3ppts higher than our forecast, as the Zeekr 009's GPM could be significantly higher than our projection. That also resulted in a better-than-expected net profit for Zeekr. Total selling and administrative expenses in 1Q25 fell 12% YoY and 2% YoY, respectively, despite 25% YoY growth in revenue. That, along with higher-than-expected government grants, resulted in a 10% beat in its operating profit in 1Q25.

■ **More synergies to come.** It appears to us that Geely's superb cost control in 1Q25 has reflected the initial synergies between Zeekr and Lynk & Co. Total savings in procurement costs, SG&A and R&D expenses combined could be as much as several billion RMB, based on management's guidance, after the full integration of brands, platforms and management. Should Geely's share price continue to rise, more shareholders of Zeekr (ZK US, NR) may convert their shares to Geely's, which could lower Geely's cash burden to privatize Zeekr. We expect a significant profit increase at Zeekr to start from FY26E, which means now could be a good timing for the privatization.

■ **Earnings/Valuation.** Although Geely's inventories increased by about 156,000 units in the first four months of 2025, Geely's retail sales volume rose 41% YoY during the same period. We raise our FY25E sales volume forecast from 2.74mn units to 2.8mn units. We also revise up FY25E forecast for GPM by 0.7ppts to 16.1%. Accordingly, we revise up our FY25E net profit by 4% to RMB15.2bn. We also raise our FY26E net profit by 4% to RMB16.7bn for two reasons: 1) cost savings from synergies; 2) greater stakes in Zeekr (100% vs. 65.7%) after the proposed privatization.

We maintain our BUY rating and raise our target price slightly from HK\$23.00 to HK\$24.00, based on 15x our FY25E P/E. We change our valuation methodology from sum-of-the-parts to P/E, as Geely's businesses are to be more integrated. We are of the view that such multiple is justified given that BYD (1211 HK, BUY) is now trading at 21x our FY25E P/E.

Earnings Summary

| (YE 31 Dec) | FY23A | FY24A | FY25E | FY26E | FY27E |
|----------------------|---------|----------|----------|----------|----------|
| Revenue (RMB mn) | 179,204 | 240,194 | 341,339 | 384,555 | 399,725 |
| YoY growth (%) | 21.1 | 34.0 | 42.1 | 12.7 | 3.9 |
| Net profit (RMB mn) | 5,308.4 | 16,632.4 | 15,162.6 | 16,707.4 | 16,813.8 |
| YoY growth (%) | 0.9 | 213.3 | (8.8) | 10.2 | 0.6 |
| EPS (Reported) (RMB) | 0.53 | 1.65 | 1.50 | 1.64 | 1.63 |
| P/E (x) | 34.3 | 10.9 | 12.1 | 11.0 | 11.1 |
| Yield (%) | 1.1 | 1.7 | 3.3 | 3.6 | 3.6 |
| ROE (%) | 6.8 | 19.9 | 17.4 | 17.8 | 16.0 |
| Net gearing (%) | (38.8) | (45.9) | (49.9) | (57.8) | (60.5) |

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

| | |
|----------------------|------------------|
| Target Price | HK\$24.00 |
| (Previous TP) | HK\$23.00) |
| Up/Downside | 22.6% |
| Current Price | HK\$19.58 |

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Stock Data

| | |
|--------------------------|------------|
| Mkt Cap (HK\$ mn) | 197,328.1 |
| Avg 3 mths t/o (HK\$ mn) | 1,527.4 |
| 52w High/Low (HK\$) | 19.58/7.47 |
| Total Issued Shares (mn) | 10078.0 |

Source: FactSet

Shareholding Structure

| | |
|--------------|-------|
| Mr. Li Shufu | 41.4% |
| Others | 58.6% |

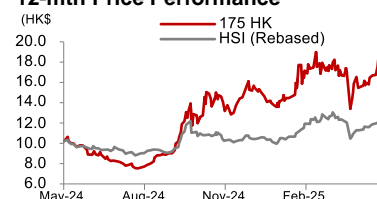
Source: HKEx

Share Performance

| | Absolute | Relative |
|-------|----------|----------|
| 1-mth | 19.7% | 9.5% |
| 3-mth | 14.2% | 10.2% |
| 6-mth | 48.6% | 23.1% |

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Geely Automobile \(175 HK\) - Economies of scale lays foundation for FY25 profit" - 21 Mar 2025](#)

Figure 1: Quarterly results

| RMB mn | 1Q24 (Restated) | 2Q24 | 3Q24 | 4Q24 | 1Q25 | YoY | QoQ |
|----------------------|-----------------|--------------|--------------|--------------|--------------|---------------|--------------|
| Sales volume (units) | 475,720 | 480,010 | 533,960 | 686,877 | 703,824 | 47.9% | 2.5% |
| ASP (RMB) | 140,415 | 132,486 | 130,026 | 121,450 | 103,002 | -26.6% | -15.2% |
| Total revenue | 58,225 | 54,990 | 60,379 | 72,510 | 72,495 | 24.5% | 0.0% |
| Gross profit | 9,097 | 9,074 | 9,408 | 12,572 | 11,437 | 25.7% | -9.0% |
| Selling exp. | (4,133) | (2,938) | (2,696) | (4,260) | (3,635) | -12.0% | -14.7% |
| Admin exp. | (1,441) | (3,854) | (3,515) | (4,885) | (1,412) | -2.0% | -71.1% |
| R&D exp. | (2,672) | | | | (3,328) | 24.6% | N/A |
| Operating profit | 1,216 | 2,397 | 3,035 | 2,780 | 6,604 | 443.1% | 137.5% |
| Net profit | 1,560 | 9,037 | 2,455 | 3,580 | 5,672 | 263.6% | 58.4% |
| Gross margin | 15.6% | 16.5% | 15.6% | 17.3% | 15.8% | 0.2 pts | -1.6 pts |
| Operating margin | 2.1% | 4.4% | 5.0% | 3.8% | 9.1% | 7.0 pts | 5.3 pts |
| Net margin | 2.7% | 16.4% | 4.1% | 4.9% | 7.8% | 5.1 pts | 2.9 pts |

Source: Company data, CMBIGM

Notes: The data for 1Q24 is restated due to consolidation of Lynk & Co in 1Q25, while the data for 2Q-4Q24 is pre-restated. The admin expenses in 2Q-4Q24 include R&D expenses.

Figure 2: Earnings revision

| RMB mn | New | | | Old | | | Diff (%) | | |
|------------------|---------|---------|---------|---------|---------|-------|----------|---------|-------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 341,339 | 384,555 | 399,725 | 342,845 | 392,625 | NA | -0.4% | -2.1% | NA |
| Gross profit | 55,037 | 61,228 | 63,748 | 53,000 | 61,040 | NA | 3.8% | 0.3% | NA |
| Operating profit | 15,848 | 16,990 | 16,535 | 15,895 | 17,464 | NA | -0.3% | -2.7% | NA |
| Net profit | 15,163 | 16,707 | 16,814 | 14,636 | 16,084 | NA | 3.6% | 3.9% | NA |
| Gross margin | 16.1% | 15.9% | 15.9% | 15.5% | 15.5% | NA | 0.7 pts | 0.4 pts | NA |
| Operating margin | 4.6% | 4.4% | 4.1% | 4.6% | 4.4% | NA | 0.0 pts | 0.0 pts | NA |
| Net margin | 4.4% | 4.3% | 4.2% | 4.3% | 4.1% | NA | 0.2 pts | 0.2 pts | NA |

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

| RMB mn | CMBIGM | | | Consensus | | | Diff (%) | | |
|------------------|---------|---------|---------|-----------|---------|---------|----------|----------|----------|
| | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E | FY25E | FY26E | FY27E |
| Revenue | 341,339 | 384,555 | 399,725 | 332,169 | 396,522 | 450,767 | 2.8% | -3.0% | -11.3% |
| Gross profit | 55,037 | 61,228 | 63,748 | 53,051 | 64,748 | 74,985 | 3.7% | -5.4% | -15.0% |
| Operating profit | 15,848 | 16,990 | 16,535 | 13,722 | 18,684 | 23,380 | 15.5% | -9.1% | -29.3% |
| Net profit | 15,163 | 16,707 | 16,814 | 14,203 | 17,301 | 21,171 | 6.8% | -3.4% | -20.6% |
| Gross margin | 16.1% | 15.9% | 15.9% | 16.0% | 16.3% | 16.6% | 0.2 pts | -0.4 pts | -0.7 pts |
| Operating margin | 4.6% | 4.4% | 4.1% | 4.1% | 4.7% | 5.2% | 0.5 pts | -0.3 pts | -1.1 pts |
| Net margin | 4.4% | 4.3% | 4.2% | 4.3% | 4.4% | 4.7% | 0.2 pts | 0.0 pts | -0.5 pts |

Source: Bloomberg, CMBIGM estimates

Financial Summary

| INCOME STATEMENT | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| YE 31 Dec (RMB mn) | | | | | | |
| Revenue | 147,965 | 179,204 | 240,194 | 341,339 | 384,555 | 399,725 |
| Cost of goods sold | (127,069) | (151,789) | (201,993) | (286,303) | (323,327) | (335,977) |
| Gross profit | 20,896 | 27,415 | 38,201 | 55,037 | 61,228 | 63,748 |
| Operating expenses | (10,398) | (14,675) | (17,275) | (23,670) | (27,064) | (28,076) |
| Selling expense | (8,228) | (11,832) | (13,283) | (19,560) | (21,324) | (21,986) |
| Admin expense | (3,327) | (4,210) | (4,897) | (6,969) | (7,590) | (7,990) |
| Others | 1,157 | 1,367 | 905 | 2,859 | 1,850 | 1,899 |
| Operating profit | 10,497 | 12,740 | 20,926 | 31,367 | 34,164 | 35,672 |
| Other expense | (1,489) | (646) | (1,747) | (962) | (550) | (372) |
| Other gains/(losses) | 1,750 | 0 | 9,098 | 8 | 0 | 0 |
| Share of (losses)/profits of associates/JV | 651 | 599 | 969 | 2,214 | 2,254 | 2,304 |
| EBITDA | 13,551 | 13,570 | 28,347 | 29,445 | 33,756 | 35,573 |
| Depreciation | 8,318 | 8,203 | 9,393 | 10,983 | 13,517 | 15,293 |
| EBIT | 5,233 | 5,367 | 18,954 | 18,461 | 20,239 | 20,279 |
| Interest income | 931 | 961 | 1,243 | 1,353 | 1,544 | 1,812 |
| Interest expense | (551) | (417) | (550) | (321) | (289) | (289) |
| Net Interest income/(expense) | 380 | 544 | 692 | 1,032 | 1,255 | 1,523 |
| Foreign exchange gain/loss | (79) | (126) | (1,619) | 1,200 | 0 | 0 |
| Pre-tax profit | 4,682 | 4,950 | 18,404 | 18,140 | 19,949 | 19,990 |
| Income tax | (32) | (15) | (1,604) | (2,626) | (2,743) | (2,653) |
| After tax profit | 4,650 | 4,935 | 16,799 | 15,514 | 17,206 | 17,337 |
| Minority interest | 611 | 373 | (167) | (351) | (499) | (524) |
| Net profit | 5,260 | 5,308 | 16,632 | 15,163 | 16,707 | 16,814 |
| Gross dividends | 1,916 | 2,051 | 3,113 | 6,065 | 6,683 | 6,726 |

| BALANCE SHEET | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|-------------------------------|---------|---------|---------|---------|---------|---------|
| YE 31 Dec (RMB mn) | | | | | | |
| Current assets | 79,064 | 113,635 | 125,322 | 162,444 | 190,714 | 205,263 |
| Cash & equivalents | 33,341 | 35,746 | 40,865 | 44,987 | 58,315 | 67,428 |
| Restricted cash | 387 | 943 | 2,881 | 1,500 | 1,700 | 2,000 |
| Account receivables | 34,392 | 42,711 | 58,307 | 84,390 | 95,075 | 98,825 |
| Inventories | 10,822 | 15,422 | 23,078 | 31,376 | 35,433 | 36,819 |
| Prepayment | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 121 | 18,813 | 191 | 191 | 191 | 191 |
| Non-current assets | 78,762 | 78,963 | 104,070 | 124,646 | 131,786 | 136,964 |
| PP&E | 32,201 | 27,351 | 26,384 | 40,181 | 36,859 | 33,263 |
| Right-of-use assets | 3,402 | 3,600 | 4,126 | 4,074 | 4,022 | 3,972 |
| Deferred income tax | 4,573 | 6,342 | 8,461 | 8,461 | 8,461 | 8,461 |
| Investment in JVs & assos | 14,235 | 15,703 | 31,424 | 31,264 | 33,611 | 35,894 |
| Intangibles | 22,548 | 23,920 | 28,751 | 37,036 | 44,758 | 51,142 |
| Goodwill | 61 | 34 | 34 | 34 | 34 | 34 |
| Financial assets at FVTPL | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current assets | 1,742 | 2,013 | 4,890 | 3,595 | 4,040 | 4,197 |
| Total assets | 157,826 | 192,598 | 229,392 | 287,089 | 322,500 | 342,227 |
| Current liabilities | 68,953 | 96,824 | 127,200 | 176,788 | 199,419 | 207,151 |
| Short-term borrowings | 0 | 0 | 30 | 0 | 0 | 0 |
| Account payables | 65,481 | 87,398 | 125,379 | 174,998 | 197,628 | 205,360 |
| Tax payable | 773 | 774 | 960 | 960 | 960 | 960 |
| Other current liabilities | 2,143 | 7,898 | 28 | 28 | 28 | 28 |
| Lease liabilities | 557 | 754 | 803 | 803 | 803 | 803 |
| Non-current liabilities | 12,677 | 10,622 | 9,772 | 10,474 | 11,174 | 11,413 |
| Long-term borrowings | 2,758 | 2,840 | 414 | 114 | 114 | 114 |
| Bond payables | 6,000 | 2,600 | 3,500 | 2,500 | 2,500 | 2,500 |
| Convertible bonds | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current liabilities | 3,919 | 5,182 | 5,858 | 7,859 | 8,559 | 8,799 |
| Total liabilities | 81,631 | 107,446 | 136,972 | 187,262 | 210,592 | 218,564 |
| Share capital | 184 | 184 | 184 | 186 | 187 | 190 |
| Other reserves | 74,947 | 80,325 | 86,558 | 87,728 | 99,138 | 110,198 |
| Total shareholders equity | 75,130 | 80,509 | 86,742 | 87,914 | 99,325 | 110,387 |
| Minority interest | 1,065 | 4,643 | 5,678 | 11,914 | 12,583 | 13,276 |
| Total equity and liabilities | 157,826 | 192,598 | 229,392 | 287,089 | 322,500 | 342,227 |

| CASH FLOW | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| YE 31 Dec (RMB mn) | | | | | | |
| Operating | | | | | | |
| Profit before taxation | 4,682 | 4,950 | 18,404 | 18,140 | 19,949 | 19,990 |
| Depreciation & amortization | 8,318 | 8,203 | 9,393 | 10,983 | 13,517 | 15,293 |
| Tax paid | (2,082) | (2,307) | (3,499) | (2,626) | (2,743) | (2,653) |
| Change in working capital | 5,672 | 11,238 | 9,316 | 18,264 | 7,874 | 2,399 |
| Others | (571) | 259 | (7,107) | (1,661) | (2,239) | (2,496) |
| Net cash from operations | 16,018 | 22,342 | 26,507 | 43,100 | 36,359 | 32,534 |
| Investing | | | | | | |
| Capital expenditure | (10,337) | (15,322) | (13,314) | (16,362) | (18,313) | (18,663) |
| Acquisition of subsidiaries/ investments | (2,831) | (1,570) | 6,958 | (15,370) | (1,000) | (1,000) |
| Net proceeds from disposal of short-term investments | 0 | 0 | 0 | 0 | 0 | 0 |
| Others | 1,037 | 748 | (2,775) | (8,491) | 2,266 | 2,494 |
| Net cash from investing | (12,130) | (16,145) | (9,132) | (40,223) | (17,047) | (17,169) |
| Financing | | | | | | |
| Dividend paid | (1,788) | (1,916) | (2,120) | (3,113) | (6,065) | (6,683) |
| Net borrowings | 4,603 | (4,237) | (3,386) | (1,330) | 0 | 0 |
| Proceeds from share issues | 0 | 0 | 1,322 | 0 | 0 | 0 |
| Others | (1,490) | 3,389 | (9,112) | 5,689 | 81 | 431 |
| Net cash from financing | 1,325 | (2,764) | (13,297) | 1,246 | (5,984) | (6,252) |
| Net change in cash | | | | | | |
| Cash at the beginning of the year | 28,014 | 33,341 | 35,746 | 40,865 | 44,987 | 58,315 |
| Exchange difference | 114 | (1,029) | 1,040 | 0 | 0 | 0 |
| Cash at the end of the year | 33,341 | 35,746 | 40,865 | 44,987 | 58,315 | 67,428 |
| GROWTH | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Revenue | 45.6% | 21.1% | 34.0% | 42.1% | 12.7% | 3.9% |
| Gross profit | 20.0% | 31.2% | 39.3% | 44.1% | 11.2% | 4.1% |
| Operating profit | 4.1% | 21.4% | 64.3% | 49.9% | 8.9% | 4.4% |
| EBITDA | 14.6% | 0.1% | 108.9% | 3.9% | 14.6% | 5.4% |
| EBIT | 6.1% | 2.6% | 253.2% | (2.6%) | 9.6% | 0.2% |
| Net profit | 8.5% | 0.9% | 213.3% | (8.8%) | 10.2% | 0.6% |
| PROFITABILITY | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Gross profit margin | 14.1% | 15.3% | 15.9% | 16.1% | 15.9% | 15.9% |
| Operating margin | 7.1% | 7.1% | 8.7% | 9.2% | 8.9% | 8.9% |
| EBITDA margin | 9.2% | 7.6% | 11.8% | 8.6% | 8.8% | 8.9% |
| Return on equity (ROE) | 7.3% | 6.8% | 19.9% | 17.4% | 17.8% | 16.0% |
| GEARING/LIQUIDITY/ACTIVITIES | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| Net debt to equity (x) | (0.3) | (0.4) | (0.5) | (0.5) | (0.6) | (0.6) |
| Current ratio (x) | 1.1 | 1.2 | 1.0 | 0.9 | 1.0 | 1.0 |
| Receivable turnover days | 88.7 | 91.1 | 96.2 | 94.0 | 94.0 | 94.0 |
| Inventory turnover days | 31.2 | 37.2 | 41.8 | 40.0 | 40.0 | 40.0 |
| Payable turnover days | 193.2 | 217.3 | 233.4 | 230.0 | 230.0 | 230.0 |
| VALUATION | 2022A | 2023A | 2024A | 2025E | 2026E | 2027E |
| YE 31 Dec | | | | | | |
| P/E | 34.5 | 34.3 | 10.9 | 12.1 | 11.0 | 11.1 |
| P/E (diluted) | 34.9 | 34.5 | 11.0 | 12.2 | 11.1 | 11.2 |
| P/B | 2.4 | 2.3 | 2.1 | 2.1 | 1.9 | 1.7 |
| P/CFPS | 11.3 | 8.1 | 6.9 | 4.2 | 5.1 | 5.7 |
| Div yield (%) | 1.1 | 1.1 | 1.7 | 3.3 | 3.6 | 3.6 |

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

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