

Leapmotor (9863 HK)

More positive on FY25E after 1Q25 beat

Maintain BUY. Leapmotor's 1Q25 net loss of RMB130mn beat our prior forecasts on higher average selling price (ASP) and GPM, as well as unexpected contribution from the strategic cooperation. We believe its cost reduction efforts, driven by its undervalued in-house R&D capabilities, have started to be reflected by its 1Q25 GPM and could be even more apparent after all the models are shifted to the Leap 3.5 architecture in mid-2025. We raise our FY25E sales volume forecast by 15% to 0.55mn units. We project breakeven at a net level in FY25E, followed by a tenfold increase to RMB1.2bn for FY26E net profit.

■ **1Q25 results beat on higher GPM.** Leapmotor's 1Q25 revenue was higher than our expectation by 8%, partly due to its better-than-expected ASP despite higher discounts. Its 1Q25 GPM rose 1.6ppts QoQ to 14.9%, a record high, due in part to an unexpected service income from the strategic cooperation with FAW. We estimate that its vehicle 1Q25 GPM widened by more than 4ppts from 3Q24 with similar sales volume levels, which reflects Leapmotor's superb cost reduction capabilities. SG&A and R&D expenses combined were also higher than our forecast by RMB350mn. Accordingly, its 1Q25 net loss of RMB130mn beat our forecast by about RMB350mn.

■ **We have turned more optimistic about its FY25E sales volume and earnings.** We raise our FY25E sales volume forecast from 0.48mn units to 0.55mn units, given stronger-than-expected sales performance and order intake during Apr to May. We lift our FY25E GPM forecast from 11.2% to 12.1%, taking into account the contribution from strategic cooperation with other OEMs and better-than-expected cost reduction capabilities related to the Leap 3.5 architecture. Management indicated that the Leap 3.5 could cut the smart cockpit and autonomous driving chip-related costs by 30-40% compared with the Leap 3.0. We expect Leapmotor International to contribute a share of profits of RMB110mn in FY25E, based on our sales volume forecast of 70,000 units for overseas markets. We also raise our forecast for the combined SG&A and R&D ratios by 0.5ppts to 13.8% due to higher-than-expected expenditures in 1Q25.

■ **Earnings/Valuation.** We raise our FY25E net profit forecast from -RMB98mn to RMB118mn. We also believe that Leapmotor will achieve more significant profit growth in FY26E. We maintain our BUY rating and raise our target price from HK\$50.00 to HK\$72.00, based on 1.5x FY25E P/S (prior 1.3x), given the recently improving market sentiment and higher visibility for Leapmotor's earnings. Key risks to our rating and target price include lower sales volume and/or margins than we expect, and a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	16,747	32,164	58,993	63,046	67,905
YoY growth (%)	35.2	92.1	83.4	6.9	7.7
Gross margin (%)	0.5	8.4	12.1	12.9	12.8
Operating profit (RMB mn)	(4,377.4)	(3,171.1)	(404.7)	206.8	350.1
Net profit (RMB mn)	(4,216.3)	(2,820.8)	118.4	1,234.5	1,563.4
YoY growth (%)	na	na	na	943.0	26.6
EPS (Reported) (RMB cents)	(362.06)	(210.98)	8.82	86.87	108.86
P/S (x)	4.6	2.4	1.3	1.2	1.1
P/E (x)	na	na	650.1	66.0	52.7

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$72.00
(Previous TP)	HK\$50.00)
Up/Downside	15.8%
Current Price	HK\$62.20

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Stock Data

Mkt Cap (HK\$ mn)	83,159.3
Avg 3 mths t/o (HK\$ mn)	695.7
52w High/Low (HK\$)	65.80/19.54
Total Issued Shares (mn)	1337.0

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert partie	25.0%
Stellantis N.V.	21.3%

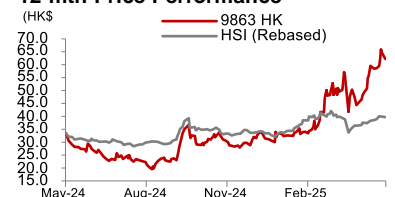
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	38.4%	26.9%
3-mth	79.8%	76.8%
6-mth	106.3%	73.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["Leapmotor \(9863 HK\) - Competitive pricing for B10 with strong 4Q24 margins" - 11 Mar 2025](#)

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	YoY	QoQ
Sales volume (units)	33,410	53,286	86,165	120,863	87,552	162.1%	-27.6%
ASP (RMB)	104,346	100,574	114,385	111,389	114,446	9.7%	2.7%
Revenue	3,486	5,359	9,856	13,463	10,020	187.4%	-25.6%
Gross profit	(48)	148	802	1,792	1,493	N/A	-16.7%
R&D expenses	(520)	(701)	(780)	(895)	(800)	53.8%	-10.6%
SG&A expenses	(567)	(770)	(890)	(1,048)	(990)	74.5%	-5.5%
Operating profit	(1,126)	(1,269)	(740)	(36)	(150)	N/A	N/A
Net profit	(1,013)	(1,199)	(690)	81	(130)	N/A	N/A
Gross margin	-1.4%	2.8%	8.1%	13.3%	14.9%	16.3 pts	1.6 pts
Operating margin	-32.3%	-23.7%	-7.5%	-0.3%	-1.5%	30.8 pts	-1.2 pts
Net margin	-29.1%	-22.4%	-7.0%	0.6%	-1.3%	27.8 pts	-1.9 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	58,993	63,046	67,905	51,023	57,538	N/A	15.6%	9.6%	N/A
Gross profit	7,154	8,139	8,723	5,734	7,088	N/A	24.8%	14.8%	N/A
Operating profit	(405)	207	350	(692)	227	N/A	N/A	-8.9%	N/A
Net profit	118	1,235	1,563	(98)	1,258	N/A	N/A	-1.9%	N/A
Gross margin	12.1%	12.9%	12.8%	11.2%	12.3%	N/A	0.9 pts	0.6 pts	N/A
Operating margin	-0.7%	0.3%	0.5%	-1.4%	0.4%	N/A	0.7 pts	-0.1 pts	N/A
Net margin	0.2%	2.0%	2.3%	-0.2%	2.2%	N/A	0.4 pts	-0.2 pts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	58,993	63,046	67,905	58,973	84,134	105,586	0.0%	-25.1%	-35.7%
Gross profit	7,154	8,139	8,723	6,626	10,582	14,791	8.0%	-23.1%	-41.0%
Operating profit	(405)	207	350	(486)	1,469	4,005	N/A	-85.9%	-91.3%
Net profit	118	1,235	1,563	(7)	2,056	4,450	N/A	-39.9%	-64.9%
Gross margin	12.1%	12.9%	12.8%	11.2%	12.6%	14.0%	0.9 pts	0.3 pts	-1.2 pts
Operating margin	-0.7%	0.3%	0.5%	-0.8%	1.7%	3.8%	0.1 pts	-1.4 pts	-3.3 pts
Net margin	0.2%	2.0%	2.3%	0.0%	2.4%	4.2%	0.2 pts	-0.5 pts	-1.9 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	12,385	16,747	32,164	58,993	63,046	67,905
Cost of goods sold	(14,296)	(16,666)	(29,470)	(51,838)	(54,907)	(59,183)
Gross profit	(1,911)	80	2,694	7,154	8,139	8,723
Operating expenses	(3,315)	(4,458)	(5,866)	(7,559)	(7,933)	(8,373)
Selling expense	(1,114)	(1,795)	(2,138)	(2,645)	(2,749)	(2,875)
Admin expense	(842)	(858)	(1,137)	(1,634)	(1,742)	(1,933)
R&D expense	(1,411)	(1,920)	(2,896)	(3,854)	(4,077)	(4,331)
Others	51	115	306	574	635	766
Operating profit	(5,227)	(4,377)	(3,171)	(405)	207	350
Share of (losses)/profits of associates/JV	12	4	42	128	466	666
EBITDA	(4,656)	(3,543)	(2,110)	1,099	2,490	3,035
Depreciation	263	436	521	738	999	1,192
Depreciation of ROU assets	132	138	114	145	165	180
Other amortisation	21	27	35	46	57	70
EBIT	(5,072)	(4,144)	(2,781)	170	1,269	1,593
Interest income	143	229	348	447	597	576
Interest expense	(37)	(72)	(40)	(52)	(35)	(29)
Pre-tax profit	(5,109)	(4,216)	(2,821)	118	1,235	1,563
Income tax	(0)	(0)	(0)	0	0	0
After tax profit	(5,109)	(4,216)	(2,821)	118	1,235	1,563
Net profit	(5,109)	(4,216)	(2,821)	118	1,235	1,563

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	13,638	22,470	26,453	45,870	49,356	54,204
Cash & equivalents	6,949	11,731	6,378	20,269	21,803	21,969
Restricted cash	1,822	2,800	1,254	3,040	3,270	2,856
Account receivables	1,685	926	1,981	2,909	3,109	3,349
Inventories	1,749	1,719	2,023	3,551	4,062	4,378
ST bank deposits	81	2,087	1,318	3,404	3,174	2,938
Financial assets at FVTPL	930	2,770	11,473	10,134	10,902	15,378
Other current assets	385	422	2,026	2,504	2,973	3,268
Contract assets	37	14	0	59	63	68
Non-current assets	5,629	5,984	11,194	10,414	11,091	11,732
PP&E	3,208	3,868	5,537	6,305	6,706	6,809
Right-of-use assets	820	732	736	876	828	859
Investment in JVs & assos	30	44	164	291	757	1,423
Intangibles	447	450	450	444	436	417
Other non-current assets	1,124	889	4,306	2,498	2,363	2,224
Total assets	19,268	28,453	37,647	56,283	60,447	65,935
Current liabilities	9,257	13,954	24,975	39,478	41,847	45,260
Short-term borrowings	1,019	1,581	1,266	443	466	699
Account payables	5,987	9,847	18,903	31,245	33,094	35,672
Other current liabilities	2,072	2,399	4,499	7,517	8,018	8,596
Lease liabilities	149	104	145	149	136	151
Contract liabilities	31	23	161	124	132	143
Non-current liabilities	1,752	2,002	2,601	3,601	3,631	3,804
Long-term borrowings	773	892	1,108	1,165	699	300
Deferred income	414	382	348	381	451	554
Other non-current liabilities	564	728	1,144	2,055	2,481	2,950
Total liabilities	11,009	15,955	27,576	43,079	45,479	49,065
Share capital	1,143	1,337	1,337	1,416	1,431	1,440
Retained earnings	(9,680)	(13,897)	(16,717)	(16,609)	(15,354)	(13,771)
Other reserves	16,796	25,058	25,451	28,397	28,891	29,202
Total shareholders equity	8,259	12,498	10,071	13,204	14,968	16,871
Total equity and liabilities	19,268	28,453	37,647	56,283	60,447	65,935

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(5,109)	(4,216)	(2,821)	118	1,235	1,563
Depreciation & amortization	416	601	671	929	1,221	1,442
Tax paid	(0)	(0)	(0)	0	0	0
Change in working capital	1,456	3,941	10,092	10,504	518	2,208
Others	837	756	529	628	133	(108)
Net cash from operations	(2,400)	1,082	8,471	12,179	3,106	5,106
Investing						
Capital expenditure	(1,418)	(1,394)	(2,151)	(1,700)	(1,550)	(1,450)
Acquisition of subsidiaries/ investments	0	(10)	(106)	0	0	0
Net proceeds from disposal of short-term investments	(26)	(3,527)	(11,228)	1,409	6	(3,622)
Others	152	71	162	211	271	326
Net cash from investing	(1,292)	(4,860)	(13,323)	(80)	(1,273)	(4,746)
Financing						
Net borrowings	915	689	(99)	(766)	(443)	(166)
Proceeds from share issues	5,688	7,778	0	2,598	0	0
Others	(248)	85	(404)	(40)	144	(29)
Net cash from financing	6,355	8,552	(503)	1,792	(299)	(195)
Net change in cash						
Cash at the beginning of the year	4,338	6,949	11,731	6,378	20,269	21,803
Exchange difference	(53)	9	3	0	0	0
Cash at the end of the year	6,949	11,731	6,378	20,269	21,803	21,969
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	295.4%	35.2%	92.1%	83.4%	6.9%	7.7%
Gross profit	na	na	3,248.4%	165.5%	13.8%	7.2%
Operating profit	na	na	na	na	na	69.3%
EBITDA	na	na	na	na	126.6%	21.9%
EBIT	na	na	na	na	646.7%	25.5%
Net profit	na	na	na	na	943.0%	26.6%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	(15.4%)	0.5%	8.4%	12.1%	12.9%	12.8%
Operating margin	(42.2%)	(26.1%)	(9.9%)	(0.7%)	0.3%	0.5%
EBITDA margin	(37.6%)	(21.2%)	(6.6%)	1.9%	4.0%	4.5%
Return on equity (ROE)	(66.0%)	(40.6%)	(25.0%)	1.0%	8.8%	9.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(1.0)	(1.2)	(1.1)	(2.1)	(2.0)	(1.7)
Current ratio (x)	1.5	1.6	1.1	1.2	1.2	1.2
Receivable turnover days	49.7	20.2	22.5	18.0	18.0	18.0
Inventory turnover days	44.7	37.7	25.1	25.0	27.0	27.0
Payable turnover days	152.9	215.7	234.1	220.0	220.0	220.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	650.1	66.0	52.7
P/E (diluted)	ns	ns	ns	650.1	66.0	52.7
P/B	7.3	5.3	7.6	5.8	5.4	4.9
P/CFPS	ns	61.7	9.1	6.3	26.2	16.1
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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