

Xpeng Inc. (XPEV US/9868 HK)

Entered a virtuous circle

Maintain BUY. Xpeng's 1Q25 earnings beat on GPM and government subsidies. We further raise our FY25E sales volume and GPM forecasts given the current sales momentum and more new model rollouts in 2H25. We are of the view that Xpeng may achieve a breakeven at the net level in 3Q25. Such profit growth path has helped Xpeng enter a virtuous circle with more R&D investments and even higher profits, in our view.

- **1Q25 earnings beat on GPM and government subsidies.** Xpeng's 1Q25 revenue beat our prior forecast by 1.7%, mainly due to higher-than-expected average selling price (ASP). Vehicle GPM of 10.5% in 1Q25 was in line with our forecast, while GPM for services and others was about 10ppts higher than our projection. SG&A and R&D expenses combined were about RMB180mn higher than expected, which was offset by higher government subsidies. Net loss of RMB664mn was about RMB260mn narrower than our forecast. Both operating loss and net loss excluding extraordinary items were largely in line with our prior forecasts.
- **Improving profitability could support more new models and AI investments.** We raise our FY25E sales volume forecast by 20,000 units to 460,000 units amid strong sales in the first four months of 2025 and more new model rollouts in 2H25. We revise up FY25E vehicle GPM from 11.3% to 12.0%, as new models with higher GPMs are to contribute more sales. We are of the view that it is possible for Xpeng to achieve a breakeven at the net level in 3Q25. A guidance of 32% YoY increase in R&D expenses in FY25E means a good number of new models could be unveiled in FY26E. Xpeng's proprietary AI chip plans to be equipped from 3Q25 means another big step forward in autonomous driving progress.
- **Earnings/Valuation.** We revise our FY25E net loss from RMB1.7bn to RMB0.9bn after raising sales volume and GPM forecasts. We also revise up FY26E GPM by 1.2ppts to 16.8%. We raise our FY26E net profit from RMB1.2bn to RMB3.7bn, by taking a possible tax credit into consideration. We maintain our BUY rating and ADR/H-share target price of US\$28.00/HK\$110, still based on 1.8x our FY26E P/S (unchanged). We think a valuation that is slightly higher than peers is justified given its leading AI capabilities and clearer profit growth path. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, slower monetization timeline for robots and a sector de-rating.

Earnings Summary - XPEV US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	30,676	40,866	86,862	109,437	126,942
YoY growth (%)	14.2	33.2	112.6	26.0	16.0
Gross margin (%)	1.5	14.3	16.1	16.8	16.7
Operating profit (RMB mn)	(10,889.4)	(6,658.1)	(2,608.5)	849.0	2,344.3
Net profit (RMB mn)	(10,375.8)	(5,790.3)	(907.2)	3,683.0	3,842.6
YoY growth (%)	na	na	na	na	4.3
EPS (Reported) (RMB cents)	(595.99)	(306.14)	(47.60)	191.76	198.52
P/S (x)	4.4	3.3	1.6	1.2	1.1
P/E (x)	ns	ns	ns	37.1	35.8
P/B (x)	3.4	4.3	4.4	3.9	3.5

Source: Company data, Bloomberg, CMBIGM estimates

XPEV US 9868 HK

BUY BUY

Maintain Maintain

TP	US\$28.00	HK\$110.00
Prior TP	US\$28.00	HK\$110.00
Up/Downside	42.2%	41.8%
Current Price	US\$19.7	HK\$77.6

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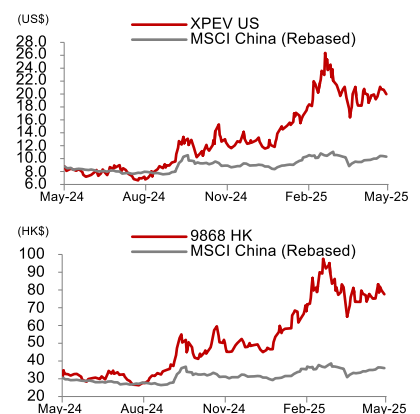
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12-mth Price Performance



Source: FactSet

Stock Performance

	XPEV US		9868 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	8.2%	-1.4%	5.4%	-1.4%
3-mth	7.0%	8.4%	7.9%	8.4%
6-mth	60.2%	37.2%	63.8%	37.2%

Source: FactSet

Stock Data

(LC)	XPEV US	9868 HK
Mkt Cap (mn)	18740.45	147380.1
Avg 3 mths t/o (mn)	159.93	2438.05
52w High	26.34	97.45
52w Low	6.63	26.05
Issued Shares (mn)	1903.55	1900.452

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	YoY	QoQ
Sales volume (units)	21,821	30,207	46,533	91,507	94,008	330.8%	2.7%
ASP (RMB)	300,082	268,527	217,087	175,999	168,184	-44.0%	-4.4%
Revenue	6,548	8,111	10,102	16,105	15,811	141.5%	-1.8%
Gross profit	844	1,136	1,541	2,325	2,460	191.5%	5.8%
R&D expenses	(1,350)	(1,467)	(1,633)	(2,006)	(1,981)	46.7%	-1.3%
SG&A expenses	(1,388)	(1,574)	(1,633)	(2,275)	(1,946)	40.2%	-14.5%
Operating profit	(1,646)	(1,609)	(1,847)	(1,556)	(1,041)	N/A	N/A
Net profit	(1,368)	(1,285)	(1,808)	(1,330)	(664)	N/A	N/A
Gross margin	12.9%	14.0%	15.3%	14.4%	15.6%	2.7 pts	1.1 pts
Operating margin	-25.1%	-19.8%	-18.3%	-9.7%	-6.6%	18.5 pts	3.1 pts
Net margin	-20.9%	-15.8%	-17.9%	-8.3%	-4.2%	16.7 ppt	4.1 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	86,862	109,437	126,942	79,177	106,967	N/A	9.7%	2.3%	N/A
Gross profit	13,971	18,399	21,244	12,310	16,717	N/A	13.5%	10.1%	N/A
Operating profit	(2,609)	849	2,344	(3,010)	(483)	N/A	N/A	N/A	N/A
Net profit	(907)	3,683	3,843	(1,718)	1,229	N/A	N/A	199.7%	N/A
Gross margin	16.1%	16.8%	16.7%	15.5%	15.6%	N/A	0.5 pts	1.2 pts	N/A
Operating margin	-3.0%	0.8%	1.8%	-3.8%	-0.5%	N/A	0.8 pts	1.2 pts	N/A
Net margin	-1.0%	3.4%	3.0%	-2.2%	1.1%	N/A	1.1 pts	2.2 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	86,862	109,437	126,942	82,661	114,462	139,421	5.1%	-4.4%	-9.0%
Gross profit	13,971	18,399	21,244	13,284	19,801	25,138	5.2%	-7.1%	-15.5%
Operating profit	(2,609)	849	2,344	(3,531)	621	4,018	N/A	36.7%	-41.6%
Net profit	(907)	3,683	3,843	(1,934)	2,382	5,865	N/A	54.6%	-34.5%
Gross margin	16.1%	16.8%	16.7%	16.1%	17.3%	18.0%	0.0 pts	-0.5 pts	-1.3 pts
Operating margin	-3.0%	0.8%	1.8%	-4.3%	0.5%	2.9%	1.3 pts	0.2 pts	-1.0 pts
Net margin	-1.0%	3.4%	3.0%	-2.3%	2.1%	4.2%	1.3 pts	1.3 pts	-1.2 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	26,855	30,676	40,866	86,862	109,437	126,942
Cost of goods sold	(23,767)	(30,225)	(35,021)	(72,891)	(91,038)	(105,698)
Gross profit	3,088	451	5,846	13,971	18,399	21,244
Operating expenses	(11,794)	(11,341)	(12,504)	(16,580)	(17,550)	(18,900)
SG&A expense	(6,688)	(6,559)	(6,871)	(9,180)	(9,550)	(10,900)
R&D expense	(5,215)	(5,277)	(6,457)	(8,400)	(9,500)	(10,000)
Others	109	495	823	1,000	1,500	2,000
Operating profit	(8,706)	(10,889)	(6,658)	(2,609)	849	2,344
Gain/loss on financial assets at FVTPL	84	(635)	(262)	230	0	0
Other gains/(losses)	(1,424)	139	59	250	150	150
EBITDA	(7,571)	(7,963)	(2,943)	2,313	6,120	8,115
Depreciation	915	1,646	1,572	2,063	2,394	2,646
Depreciation of ROU assets	379	182	413	275	285	295
Other amortisation	116	279	588	599	621	644
EBIT	(8,982)	(10,070)	(5,516)	(624)	2,820	4,531
Interest income	1,059	1,260	1,375	1,454	1,721	1,936
Interest expense	(132)	(269)	(344)	(283)	(190)	(164)
Pre-tax profit	(9,114)	(10,339)	(5,860)	(907)	2,631	4,367
Income tax	(25)	(37)	70	0	1,052	(524)
After tax profit	(9,139)	(10,376)	(5,790)	(907)	3,683	3,843
Others	0	0	0	0	0	0
Net profit	(9,139)	(10,376)	(5,790)	(907)	3,683	3,843

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	43,527	54,522	49,736	79,672	102,171	120,667
Cash & equivalents	14,608	21,127	18,586	29,232	40,196	53,204
Restricted cash	106	3,175	3,153	2,000	2,000	2,000
Account receivables	3,873	2,716	2,450	7,139	8,995	10,434
Inventories	4,521	5,526	5,563	9,985	12,471	14,479
ST bank deposits	15,349	16,812	13,495	20,000	25,000	25,000
Financial assets at FVTPL	1,262	781	751	761	771	781
Other current assets	3,808	4,384	5,738	10,554	12,738	14,769
Non-current assets	27,964	29,641	32,970	34,822	33,691	34,691
PP&E	10,607	10,954	11,522	11,411	10,962	10,255
Right-of-use assets	1,955	1,456	1,262	1,087	902	707
Investment in JVs & assos	2,295	2,085	1,963	2,213	2,313	2,413
Intangibles	1,043	4,949	4,610	4,216	3,803	3,371
Other non-current assets	12,064	10,197	13,613	15,895	15,711	17,944
Total assets	71,491	84,163	82,706	114,494	135,863	155,358
Current liabilities	24,115	36,112	39,865	69,703	85,279	99,032
Short-term borrowings	2,419	3,889	4,609	0	0	0
Account payables	14,223	22,210	23,080	53,919	67,343	78,187
Tax payable	28	6	15	50	50	50
Other current liabilities	6,954	9,640	11,836	15,433	17,613	20,545
Lease liabilities	491	366	324	301	273	249
Non-current liabilities	10,465	11,722	11,566	13,914	15,613	17,103
Long-term borrowings	4,613	5,651	5,665	5,165	5,165	5,165
Deferred income	694	669	823	1,453	1,962	2,552
Other non-current liabilities	5,158	5,403	5,079	7,296	8,486	9,386
Total liabilities	34,580	47,834	51,431	83,616	100,892	116,135
Share capital	0	0	0	0	0	0
Capital surplus	60,697	70,258	70,767	71,267	71,667	72,067
Retained earnings	(23,787)	(33,930)	(39,492)	(40,389)	(36,696)	(32,844)
Other reserves	0	0	0	0	0	0
Total shareholders equity	36,911	36,329	31,275	30,878	34,971	39,223
Total equity and liabilities	71,491	84,163	82,706	114,494	135,863	155,358

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(9,114)	(10,339)	(5,860)	(907)	2,631	4,367
Depreciation & amortization	1,411	2,107	2,573	2,937	3,300	3,585
Change in working capital	(2,709)	7,352	(443)	18,233	7,870	6,918
Others	2,181	1,836	1,718	(498)	412	(1,263)
Net cash from operations	(8,232)	956	(2,012)	19,765	14,213	13,606
Investing						
Capital expenditure	(4,680)	(2,312)	(2,428)	(2,500)	(2,500)	(2,500)
Acquisition of subsidiaries/ investments	(619)	(699)	(144)	0	0	0
Net proceeds from disposal of short-term investments	9,736	2,837	1,128	(3,528)	(2,000)	0
Others	408	805	189	1,454	1,721	1,936
Net cash from investing	4,846	631	(1,255)	(4,574)	(2,779)	(564)
Financing						
Net borrowings	6,119	3,110	1,229	(5,468)	(500)	0
Proceeds from share issues	(2)	5,020	0	0	0	0
Others	(113)	(114)	(559)	(231)	30	(34)
Net cash from financing	6,004	8,015	669	(5,699)	(470)	(34)
Net change in cash						
Cash at the beginning of the year	11,635	14,714	24,302	21,740	31,232	42,196
Exchange difference	462	(15)	36	0	0	0
Cash at the end of the year	14,714	24,302	21,740	31,232	42,196	55,204
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	28.0%	14.2%	33.2%	112.6%	26.0%	16.0%
Gross profit	17.8%	(85.4%)	1,195.7%	139.0%	31.7%	15.5%
Operating profit	na	na	na	na	na	176.1%
EBITDA	na	na	na	na	164.7%	32.6%
EBIT	na	na	na	na	na	60.6%
Net profit	na	na	na	na	na	4.3%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	11.5%	1.5%	14.3%	16.1%	16.8%	16.7%
Operating margin	(32.4%)	(35.5%)	(16.3%)	(3.0%)	0.8%	1.8%
EBITDA margin	(28.2%)	(26.0%)	(7.2%)	2.7%	5.6%	6.4%
Return on equity (ROE)	(23.1%)	(28.3%)	(17.1%)	(2.9%)	11.2%	10.4%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.8	1.5	1.2	1.1	1.2	1.2
Receivable turnover days	52.6	32.3	21.9	30.0	30.0	30.0
Inventory turnover days	69.4	66.7	58.0	50.0	50.0	50.0
Payable turnover days	218.4	268.2	240.6	270.0	270.0	270.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	37.1	35.8
P/E (diluted)	ns	ns	ns	ns	37.1	35.8
P/B	3.3	3.4	4.3	4.4	3.9	3.5
P/CFPS	ns	129.4	ns	6.9	9.6	10.1
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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