

Geely Automobile (175 HK)

Solid earnings with more competitive models ahead

Maintain BUY. Geely's 2Q25 earnings were in line with our prior forecast and beat market expectation with its QoQ improvement in GPM despite a prolonged price war. We expect its upcoming new models from different brands to be well received, which could lift average selling price and gross margin. There is still enough room for growth for Geely's NEVs, as its current NEV model line-ups only cover a few sub-segments. We raise our FY25-26E net profit estimates by 0.9%/1.2% to RMB17.7bn/18.6bn, respectively.

- **Solid 2Q25 earnings with GPM beat.** Geely's 2Q25 revenue was about 2% higher than our prior forecast. GPM widened by 1.3ppts QoQ to 17.1% despite a merely 0.2% QoQ growth in sales volume, 1ppt higher than our projection. Although we underestimated selling and R&D expenses due to the consolidation of Lynk & Co, Geely's gross profit beat. This, along with stronger-than-expected equity income from joint ventures and associates, led to a 2Q25 net profit of RMB3.6bn, which was in line with our forecast and stronger than market expectation.
- **Still lots of growth potential for its new NEVs.** Geely appears to have found keys to making successful NEV models after the Galaxy E5. We believe that there is still enough room for growth for Geely's upcoming new NEVs, as the recently launched models (the E5, Starwish, Starship 7 and Xingyao 8) only cover part of the small and compact segments, as well as the medium-to-large sedan market. We expect the Galaxy A7, M9 and Xingyao 6, scheduled for launch in 2H25, to be well received. We raise our FY25E sales volume forecast from 3mn units to 3.02mn units.
- **FY25-26E outlook.** We revise up FY25E GPM forecast by 0.7ppts to 16.7% (2H25E: 17.0%), as its cost reduction efforts, especially from the integration synergies, appear to beat our prior expectation. We also raise selling expenses and finance costs to better reflect Lynk & Co integration, which also results in a 0.9% upward revision for our FY25E net profit forecast (RMB17.7bn). We raise our FY26E sales volume slightly to 3.26mn units, but revise up FY26E GPM forecast by 1ppt to 17%. Accordingly, we raise FY26E net profit estimates by 1.2% to RMB18.6bn.
- **Valuation/Key risks.** We maintain our BUY rating and raise our target price slightly from HK\$24.00 to HK\$25.00, based on 13x FY26E (prior 15x FY25E) P/E. Key risks include lower sales volume and/or gross margin than we expect, especially from new NEV models, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	179,204	240,194	338,675	369,620	385,385
YoY growth (%)	21.1	34.0	41.0	9.1	4.3
Net profit (RMB mn)	5,308.4	16,632.4	17,703.0	18,627.6	19,557.1
YoY growth (%)	0.9	213.3	6.4	5.2	5.0
EPS (Reported) (RMB)	0.53	1.65	1.75	1.83	1.90
P/E (x)	32.8	10.5	9.9	9.5	9.1
P/B (x)	2.2	2.0	1.9	1.7	1.5
Yield (%)	1.2	1.8	4.0	4.2	4.4
ROE (%)	6.8	19.9	20.0	19.2	17.8
Net gearing (%)	(38.8)	(45.9)	(47.9)	(58.5)	(66.0)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$25.00
(Previous TP)	HK\$24.00)
Up/Downside	31.9%
Current Price	HK\$18.95

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Stock Data

Mkt Cap (HK\$ mn)	191,094.1
Avg 3 mths t/o (HK\$ mn)	1,310.4
52w High/Low (HK\$)	20.35/7.70
Total Issued Shares (mn)	10084.1

Source: FactSet

Shareholding Structure

Mr. Li Shufu	41.3%
Others	58.7%

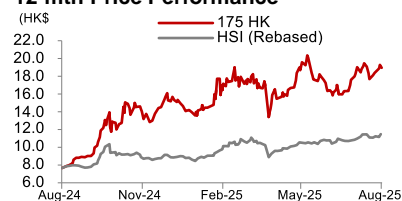
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	5.4%	0.0%
3-mth	-1.0%	-8.3%
6-mth	10.6%	-2.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

["China Autos - 2Q25 earnings preview and 2H25 outlook" - 11 Jul 2025](#)

["Geely Automobile \(175 HK\) - More synergies to come" - 16 May 2025](#)

Figure 1: Quarterly results

RMB mn	1Q24 (Restated)	2Q24 (Restated)	3Q24	4Q24	1Q25	2Q25	YoY	QoQ
Sales volume (units)	475,720	480,010	533,960	686,877	703,824	705,356	46.9%	0.2%
ASP (RMB)	122,393	126,180	130,026	121,450	103,002	110,284	-12.6%	7.1%
Total revenue	58,225	60,568	60,379	72,510	72,495	77,790	28.4%	7.3%
Gross profit	9,097	10,771	9,408	12,572	11,437	13,282	23.3%	16.1%
Selling exp.	(4,133)	(3,748)	(2,696)	(4,260)	(3,635)	(4,750)	26.7%	30.7%
Admin exp.	(1,441)	(1,645)	(3,515)	(4,885)	(1,412)	(1,486)	-9.7%	5.2%
R&D exp.	(2,672)	(3,368)			(3,328)	(4,000)	18.7%	20.2%
Operating profit	1,216	2,220	3,035	2,780	6,604	4,213	89.8%	-36.2%
Net profit	1,560	9,230	2,455	3,580	5,672	3,618	-60.8%	-36.2%
Gross margin	15.6%	17.8%	15.6%	17.3%	15.8%	17.1%	-0.7 pts	1.3 pts
Operating margin	2.1%	3.7%	5.0%	3.8%	9.1%	5.4%	1.8 pts	-3.7 pts
Net margin	2.7%	15.2%	4.1%	4.9%	7.8%	4.7%	-10.6 pts	-3.2 pts

Source: Company data, CMBIGM

Notes: The data for 1Q-2Q24 is restated due to consolidation of Lynk & Co in 1Q25, while the data for 3Q-4Q24 is pre-restated. The admin expenses in 3Q-4Q24 include R&D expenses.

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	338,675	369,620	385,385	340,358	376,695	391,465	-0.5%	-1.9%	-1.6%
Gross profit	56,680	62,699	64,792	54,328	60,105	62,307	4.3%	4.3%	4.0%
Operating profit	20,953	20,474	20,486	19,794	19,257	18,893	5.9%	6.3%	8.4%
Net profit	17,703	18,628	19,557	17,538	18,400	18,948	0.9%	1.2%	3.2%
Gross margin	16.7%	17.0%	16.8%	16.0%	16.0%	15.9%	0.8 pts	1.0 pts	0.9 pts
Operating margin	6.2%	5.5%	5.3%	5.8%	5.1%	4.8%	0.4 pts	0.4 pts	0.5 pts
Net margin	5.2%	5.0%	5.1%	5.2%	4.9%	4.8%	0.1 pts	0.2 pts	0.2 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	338,675	369,620	385,385	334,721	399,222	456,696	1.2%	-7.4%	-15.6%
Gross profit	56,680	62,699	64,792	53,549	65,153	75,939	5.8%	-3.8%	-14.7%
Operating profit	20,953	20,474	20,486	15,223	19,132	23,361	37.6%	7.0%	-12.3%
Net profit	17,703	18,628	19,557	15,123	18,152	22,166	17.1%	2.6%	-11.8%
Gross margin	16.7%	17.0%	16.8%	16.0%	16.3%	16.6%	0.7 pts	0.6 pts	0.2 pts
Operating margin	6.2%	5.5%	5.3%	4.5%	4.8%	5.1%	1.6 pts	0.7 pts	0.2 pts
Net margin	5.2%	5.0%	5.1%	4.5%	4.5%	4.9%	0.7 pts	0.5 pts	0.2 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	338,675	369,620	385,385
Cost of goods sold	(127,069)	(151,789)	(201,993)	(281,994)	(306,921)	(320,593)
Gross profit	20,896	27,415	38,201	56,680	62,699	64,792
Operating expenses	(10,398)	(14,675)	(17,275)	(19,667)	(23,685)	(24,259)
Selling expense	(8,228)	(11,832)	(13,283)	(18,548)	(19,716)	(20,071)
Admin expense	(3,327)	(4,210)	(4,897)	(6,419)	(6,470)	(6,840)
Others	1,157	1,367	905	5,301	2,501	2,653
Operating profit	10,497	12,740	20,926	37,014	39,014	40,533
Other expense	(1,489)	(646)	(1,747)	(1,210)	(801)	(496)
Other gains/(losses)	1,750	0	9,098	0	0	0
Share of (losses)/profits of associates/JV	651	599	969	1,936	2,090	2,260
EBITDA	13,551	13,570	28,347	36,646	40,225	42,218
Depreciation	8,318	8,203	9,393	14,078	17,141	18,378
EBIT	5,233	5,367	18,954	22,568	23,084	23,840
Interest income	931	961	1,243	888	1,321	1,591
Interest expense	(551)	(417)	(550)	(721)	(825)	(627)
Net Interest income/(expense)	380	544	692	167	497	965
Foreign exchange gain/loss	(79)	(126)	(1,619)	3,000	0	0
Pre-tax profit	4,682	4,950	18,404	21,847	22,259	23,214
Income tax	(32)	(15)	(1,604)	(3,385)	(3,126)	(3,143)
After tax profit	4,650	4,935	16,799	18,462	19,133	20,070
Minority interest	611	373	(167)	(759)	(505)	(513)
Net profit	5,260	5,308	16,632	17,703	18,628	19,557
Gross dividends	1,916	2,051	3,113	7,081	7,451	7,823

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	79,064	113,635	125,322	175,605	196,558	218,368
Cash & equivalents	33,341	35,746	40,865	59,279	69,650	85,764
Restricted cash	387	943	2,881	1,500	1,700	2,000
Account receivables	34,392	42,711	58,307	83,731	91,382	95,280
Inventories	10,822	15,422	23,078	30,903	33,635	35,134
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	126,631	128,240	128,887
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	31,059	33,282	35,539
Intangibles	22,548	23,920	28,751	39,255	41,695	43,568
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	3,568	3,886	4,049
Total assets	157,826	192,598	229,392	302,236	324,798	347,256
Current liabilities	68,953	96,824	127,200	180,536	189,391	197,748
Short-term borrowings	0	0	30	6,381	0	0
Account payables	65,481	87,398	125,379	172,364	187,600	195,957
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	18,692	19,163	19,422
Long-term borrowings	2,758	2,840	414	7,414	7,414	7,414
Bond payables	6,000	2,600	3,500	3,500	3,500	3,500
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	3,919	5,182	5,858	7,778	8,249	8,508
Total liabilities	81,631	107,446	136,972	199,228	208,555	217,170
Share capital	184	184	184	186	187	190
Other reserves	74,947	80,325	86,558	90,501	103,059	116,216
Total shareholders equity	75,130	80,509	86,742	90,686	103,247	116,406
Minority interest	1,065	4,643	5,678	12,321	12,997	13,680
Total equity and liabilities	157,826	192,598	229,392	302,236	324,798	347,256

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	4,682	4,950	18,404	21,847	22,259	23,214
Depreciation & amortization	8,318	8,203	9,393	14,078	17,141	18,378
Tax paid	(2,082)	(2,307)	(3,499)	(3,385)	(3,126)	(3,143)
Change in working capital	5,672	11,238	9,316	16,711	4,749	2,788
Others	(571)	259	(7,107)	(207)	(1,068)	(1,768)
Net cash from operations	16,018	22,342	26,507	49,043	39,955	39,469
Investing						
Capital expenditure	(10,337)	(15,322)	(13,314)	(15,757)	(16,670)	(17,251)
Acquisition of subsidiaries/ investments	(2,831)	(1,570)	6,958	(21,370)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,037	748	(2,775)	(9,029)	2,003	2,254
Net cash from investing	(12,130)	(16,145)	(9,132)	(46,156)	(15,668)	(15,997)
Financing						
Dividend paid	(1,788)	(1,916)	(2,120)	(3,113)	(7,081)	(7,451)
Net borrowings	4,603	(4,237)	(3,386)	13,351	(6,381)	0
Proceeds from share issues	0	0	1,322	0	0	0
Others	(1,490)	3,389	(9,112)	5,290	(454)	94
Net cash from financing	1,325	(2,764)	(13,297)	15,527	(13,916)	(7,357)
Net change in cash						
Cash at the beginning of the year	28,014	33,341	35,746	40,865	59,279	69,650
Exchange difference	114	(1,029)	1,040	0	0	0
Cash at the end of the year	33,341	35,746	40,865	59,279	69,650	85,764
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	45.6%	21.1%	34.0%	41.0%	9.1%	4.3%
Gross profit	20.0%	31.2%	39.3%	48.4%	10.6%	3.3%
Operating profit	4.1%	21.4%	64.3%	76.9%	5.4%	3.9%
EBITDA	14.6%	0.1%	108.9%	29.3%	9.8%	5.0%
EBIT	6.1%	2.6%	253.2%	19.1%	2.3%	3.3%
Net profit	8.5%	0.9%	213.3%	6.4%	5.2%	5.0%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	14.1%	15.3%	15.9%	16.7%	17.0%	16.8%
Operating margin	7.1%	7.1%	8.7%	10.9%	10.6%	10.5%
EBITDA margin	9.2%	7.6%	11.8%	10.8%	10.9%	11.0%
Return on equity (ROE)	7.3%	6.8%	19.9%	20.0%	19.2%	17.8%
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)	(0.7)
Current ratio (x)	1.1	1.2	1.0	1.0	1.0	1.1
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	33.0	32.8	10.5	9.9	9.5	9.1
P/E (diluted)	33.4	33.1	10.5	10.0	9.6	9.2
P/B	2.3	2.2	2.0	1.9	1.7	1.5
P/CFPS	10.9	7.8	6.6	3.6	4.4	4.5
Div yield (%)	1.1	1.2	1.8	4.0	4.2	4.4

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

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