

Xpeng Inc. (XPEV US/9868 HK)

Cost reduction, economies of scale pave way for profit

Maintain BUY. We are of the view that the GPM beat in 2Q25 largely reflected Xpeng's superb cost reduction efforts on the facelifted models including the G6, G9 and X9, despite lower selling prices. That could indicate solid GPMs in 2H25E and FY26E, with more new/facelifted models and a better model mix. We project a net profit of RMB255mn in 4Q25E and RMB4.2bn in FY26E.

■ **2Q25 GPM beat.** Xpeng's 2Q25 revenue was 1.8% lower than our prior forecast, while vehicle margin widened by 3.9ppts QoQ to 14.3%, or 1.9ppts higher than our projection. R&D expenses in 2Q25 were about RMB200mn higher than our forecast, leading to an in-line operating loss. Net loss of RMB478mn in 2Q25 was about RMB186mn narrower than 1Q25 and RMB75mn narrower than our forecast.

■ **GPM beat reflects Xpeng's cost reduction efforts on facelifted models.** We are of the view that the most important reason for the QoQ lift in vehicle GPM in 2Q25 was the significant margin improvement from the facelifted G6, G9 and X9, despite price cuts for most configurations. That gives us more confidence in the margins for new models including the P7 and X9 EREV. We project vehicle GPM to rise by 0.5ppts/0.9ppts QoQ to 14.8%/15.7% in 3Q25 and 4Q25, respectively, aided by a better model mix and greater economies of scale.

■ **Well on track to turn profitable.** We revise down our FY25E sales volume forecast slightly by 10,000 units to 450,000 units to adjust for new model delivery schedules. We also revise up FY25E R&D expense forecast by RMB0.2bn to RMB8.6bn, as higher sales and margins give Xpeng more flexibility in investing in new models, robotics and AI. Therefore, we project a net loss of RMB148mn in 3Q25E and a net profit of RMB255mn in 4Q25E. We still believe Xpeng could be close to a breakeven at the non-GAAP level in 3Q25E. We raise our FY26E sales volume forecast by 20,000 units to 620,000 units, mainly due to the new P7, as the company targets a top 3 best-selling BEV sedan priced RMB200,000-300,000 for the P7, following the success of the Xiaomi SU7 and Tesla Model 3. We thus raise FY26E net profit by 6% to RMB4.2bn, taking a possible tax credit into account.

■ **Valuation/Key risks.** We maintain our BUY rating and ADR/H share target price of US\$28.00/HK\$110.00, still based on 1.8x FY26E P/S (unchanged). 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	79,544	110,329	125,527
YoY growth (%)	14.2	33.2	94.6	38.7	13.8
Gross margin (%)	1.5	14.3	17.3	17.7	17.3
Operating profit (RMB mn)	(10,889.4)	(6,658.1)	(2,685.7)	1,104.9	2,274.6
Net profit (RMB mn)	(10,375.8)	(5,790.3)	(1,035.0)	4,230.0	4,064.4
YoY growth (%)	na	na	na	na	(3.9)
EPS (Reported) (RMB cents)	(595.99)	(306.14)	(54.31)	220.24	209.98
P/S (x)	4.6	3.5	1.8	1.3	1.1
P/E (x)	ns	ns	ns	33.8	35.5
P/B (x)	3.6	4.5	4.6	4.0	3.6

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	35.0%	42.8%
Current Price	US\$20.7	HK\$77.1

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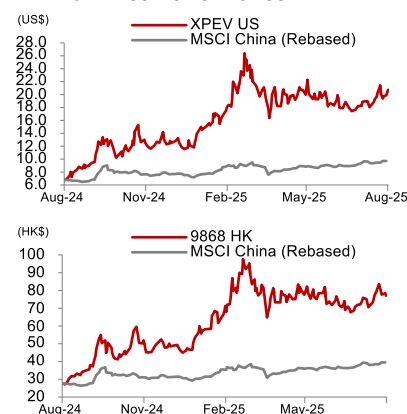
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12-mth Price Performance



Source: FactSet

Stock Performance

	XPEV US		9868 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	13.3%	8.7%	7.1%	8.7%
3-mth	5.3%	-3.1%	-0.6%	-3.1%
6-mth	17.2%	4.7%	13.1%	4.7%

Source: FactSet

Stock Data

(LC)	XPEV US	9868 HK
Mkt Cap (mn)	19770.44	146896.1
Avg 3 mths t/o (mn)	57.26	1588.03
52w High	26.34	97.45
52w Low	6.91	26.95
Issued Shares (mn)	1906.503	1906.503

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	YoY	QoQ
Sales volume (units)	21,821	30,207	46,533	91,507	94,008	103,181	241.6%	9.8%
ASP (RMB)	300,082	268,527	217,087	175,999	168,184	177,110	-34.0%	5.3%
Revenue	6,548	8,111	10,102	16,105	15,811	18,274	125.3%	15.6%
Gross profit	844	1,136	1,541	2,325	2,460	3,167	178.9%	28.8%
R&D expenses	(1,350)	(1,467)	(1,633)	(2,006)	(1,981)	(2,206)	50.4%	11.4%
SG&A expenses	(1,388)	(1,574)	(1,633)	(2,275)	(1,946)	(2,167)	37.7%	11.4%
Operating profit	(1,646)	(1,609)	(1,847)	(1,556)	(1,041)	(935)	N/A	N/A
Net profit	(1,368)	(1,285)	(1,808)	(1,330)	(664)	(478)	N/A	N/A
Gross margin	12.9%	14.0%	15.3%	14.4%	15.6%	17.3%	3.3 pts	1.8 pts
Operating margin	-25.1%	-19.8%	-18.3%	-9.7%	-6.6%	-5.1%	14.7 pts	1.5 pts
Net margin	-20.9%	-15.8%	-17.9%	-8.3%	-4.2%	-2.6%	13.2 pts	1.6 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	79,544	110,329	125,527	85,620	109,437	126,942	-7.1%	0.8%	-1.1%
Gross profit	13,739	19,505	21,705	14,170	18,675	21,322	-3.0%	4.4%	1.8%
Operating profit	(2,686)	1,105	2,275	(2,410)	1,125	2,422	N/A	-1.8%	-6.1%
Net profit	(1,035)	4,230	4,064	(638)	3,996	3,854	N/A	5.9%	5.5%
Gross margin	17.3%	17.7%	17.3%	16.6%	17.1%	16.8%	0.7 pts	0.6 pts	0.5 pts
Operating margin	-3.4%	1.0%	1.8%	-2.8%	1.0%	1.9%	-0.6 pts	0.0 pts	-0.1 pts
Net margin	-1.3%	3.8%	3.2%	-0.7%	3.7%	3.0%	-0.6 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	79,544	110,329	125,527	83,018	114,937	138,671	-4.2%	-4.0%	-9.5%
Gross profit	13,739	19,505	21,705	13,633	20,450	25,119	0.8%	-4.6%	-13.6%
Operating profit	(2,686)	1,105	2,275	(2,924)	794	3,546	N/A	39.1%	-35.8%
Net profit	(1,035)	4,230	4,064	(1,475)	2,349	5,559	N/A	80.1%	-26.9%
Gross margin	17.3%	17.7%	17.3%	16.4%	17.8%	18.1%	0.9 pts	-0.1 pts	-0.8 pts
Operating margin	-3.4%	1.0%	1.8%	-3.5%	0.7%	2.6%	0.1 pts	0.3 pts	-0.7 pts
Net margin	-1.3%	3.8%	3.2%	-1.8%	2.0%	4.0%	0.5 pts	1.8 pts	-0.8 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	79,544	110,329	125,527
Cost of goods sold	(23,767)	(30,225)	(35,021)	(65,805)	(90,824)	(103,822)
Gross profit	3,088	451	5,846	13,739	19,505	21,705
Operating expenses	(11,794)	(11,341)	(12,504)	(16,425)	(18,400)	(19,430)
SG&A expense	(6,688)	(6,559)	(6,871)	(9,025)	(10,100)	(10,630)
R&D expense	(5,215)	(5,277)	(6,457)	(8,600)	(9,800)	(10,800)
Others	109	495	823	1,200	1,500	2,000
Operating profit	(8,706)	(10,889)	(6,658)	(2,686)	1,105	2,275
Gain/loss on financial assets at FVTPL	84	(635)	(262)	200	200	200
Other gains/(losses)	(1,424)	139	59	400	200	300
EBITDA	(7,571)	(7,963)	(2,943)	2,306	6,779	8,829
Depreciation	915	1,646	1,572	2,161	2,653	3,099
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)	(728)	3,220	4,791
Interest income	1,059	1,260	1,375	1,307	1,615	1,916
Interest expense	(132)	(269)	(344)	(307)	(198)	(172)
Pre-tax profit	(9,114)	(10,339)	(5,860)	(1,035)	3,021	4,619
Income tax	(25)	(37)	70	0	1,209	(554)
After tax profit	(9,139)	(10,376)	(5,790)	(1,035)	4,230	4,064
Others	0	0	0	0	0	0
Net profit	(9,139)	(10,376)	(5,790)	(1,035)	4,230	4,064

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	43,527	54,522	49,736	71,998	99,916	115,537
Cash & equivalents	14,608	21,127	18,586	24,016	37,794	48,611
Restricted cash	106	3,175	3,153	2,000	2,000	2,000
Account receivables	3,873	2,716	2,450	6,538	9,068	10,317
Inventories	4,521	5,526	5,563	9,014	12,442	14,222
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	9,669	12,842	14,605
Non-current assets	27,964	29,641	32,970	35,358	36,098	38,571
PP&E	10,607	10,954	11,522	12,811	13,097	13,926
Right-of-use assets	1,955	1,456	1,262	1,087	902	707
Investment in JVs & assos	2,295	2,085	1,963	2,183	2,483	2,783
Intangibles	1,043	4,949	4,610	4,216	3,803	3,371
Other non-current assets	12,064	10,197	13,613	15,060	15,813	17,783
Total assets	71,491	84,163	82,706	107,356	136,015	154,108
Current liabilities	24,115	36,112	39,865	63,223	85,057	97,308
Short-term borrowings	2,419	3,889	4,609	0	0	0
Account payables	14,223	22,210	23,080	48,678	67,185	76,800
Tax payable	28	6	15	50	50	50
Other current liabilities	6,954	9,640	11,836	14,194	17,549	20,209
Lease liabilities	491	366	324	301	273	249
Non-current liabilities	10,465	11,722	11,566	13,384	15,568	16,935
Long-term borrowings	4,613	5,651	5,665	5,165	5,165	5,165
Deferred income	694	669	823	1,419	1,932	2,516
Other non-current liabilities	5,158	5,403	5,079	6,800	8,472	9,255
Total liabilities	34,580	47,834	51,431	76,606	100,625	114,243
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)	(40,517)	(36,277)	(32,203)
Other reserves	0	0	0	0	0	0
Total shareholders equity	36,911	36,329	31,275	30,750	35,390	39,864
Total equity and liabilities	71,491	84,163	82,706	107,356	136,015	154,108

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(9,114)	(10,339)	(5,860)	(1,035)	3,021	4,619
Depreciation & amortization	1,411	2,107	2,573	3,034	3,559	4,038
Change in working capital	(2,709)	7,352	(443)	14,576	11,072	6,254
Others	2,181	1,836	1,718	(379)	481	(1,476)
Net cash from operations	(8,232)	956	(2,012)	16,196	18,133	13,435
Investing						
Capital expenditure	(4,680)	(2,312)	(2,428)	(4,000)	(3,500)	(4,500)
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	1,307	1,615	1,916
Net cash from investing	4,846	631	(1,255)	(6,221)	(3,885)	(2,584)
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	26,016	39,794
Exchange difference	462	(15)	36	0	0	0
Cash at the end of the year	14,714	24,302	21,740	26,016	39,794	50,611
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	28.0%	14.2%	33.2%	94.6%	38.7%	13.8%
Gross profit	17.8%	(85.4%)	1,195.7%	135.0%	42.0%	11.3%
Operating profit	na	na	na	na	na	105.9%
EBITDA	na	na	na	na	194.0%	30.2%
EBIT	na	na	na	na	na	48.8%
Net profit	na	na	na	na	na	(3.9%)
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	11.5%	1.5%	14.3%	17.3%	17.7%	17.3%
Operating margin	(32.4%)	(35.5%)	(16.3%)	(3.4%)	1.0%	1.8%
EBITDA margin	(28.2%)	(26.0%)	(7.2%)	2.9%	6.1%	7.0%
Return on equity (ROE)	(23.1%)	(28.3%)	(17.1%)	(3.3%)	12.8%	10.8%
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	33.8	35.5
P/E (diluted)	ns	ns	ns	ns	33.8	35.5
P/B	3.5	3.6	4.5	4.6	4.0	3.6
P/CFPS	ns	135.6	ns	8.8	7.9	10.7
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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