

Li Auto Inc. (LI US/2015 HK)

More aggressive pricing, shorter model cycle to regain sales traction

Maintain BUY. We are of the view that management is likely to prioritize sales volume over margins for the upcoming *i6* following its weak sales in recent months. We expect aggressive pricing to help Li Auto regain sales traction. Moreover, management has also decided to shorten the model cycle from FY26E. Both could be positive catalysts for its share price, in our view.

- 2Q25 net profit miss on lower ASP. Li Auto's revenue in 2Q25 fell 4.5% YoY to RMB30.2bn, or 2% lower than our prior forecast. GPM of 20.1% in 2Q25 was largely in line with our projection. SG&A and R&D expenses were about RMB130mn higher than our estimates. That led to a net profit of RMB1.1bn in 2Q25, or 21% lower than our prior forecast.
- Likely to prioritize *i6*'s sales volume over margins with aggressive pricing. As noted in our previous report, we still expect the *i6*'s pricing to be more aggressive than other models, which could be crucial to enhance Li Auto's brand perception and sales volume in BEVs. We view such possible aggressive pricing as a positive catalyst for its shares. Meanwhile, we project the *i6*'s GPM to be lower than the *L6*'s. Similar to 3Q24, we expect Li Auto's sales volume to regain traction from 4Q25, aided by the *i6*. Such greater economies of scale could offset the margin drag from the *i6* in 4Q25, based on our calculations.
- Shorter model cycle from FY26E. Management emphasized shortening model cycles for existing products with more frequent upgrades in design, chassis, powertrain, software etc. from FY26E during the earnings call. We expect such changes to help Li Auto gain market share again.
- Earnings/Valuation. We project its FY25-27E sales volume to be 0.44mn/0.63mn/0.82mn units, respectively, with FY25-27E GPM of 19.7%/18.7%/18.7%, respectively. Accordingly, we estimate its net profits to be RMB4.0bn/9.2bn/14.1bn during FY25-27E, respectively. We maintain our BUY rating but trim our ADS/H-share target price from US\$33/HK\$131 to US\$28/HK\$109, based on 15x our revised FY27E P/E (prior 17x FY26E). We roll over our valuation multiple from FY26 to FY27, as we believe the impact from shorter model cycles may be fully reflected on FY27E earnings. Key risks to our rating and target price include lower sales and/or GPM than our expectation, as well as a sector de-rating.

Earnings Summary - LI US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	123,851	144,460	121,462	165,587	203,747
YoY growth (%)	173.5	16.6	(15.9)	36.3	23.0
Gross margin (%)	22.2	20.5	19.7	18.7	18.7
Operating profit (RMB mn)	7,142.7	6,355.5	1,825.8	6,877.1	12,043.1
Net profit (RMB mn)	11,704.1	8,032.4	3,986.5	9,190.3	14,102.7
YoY growth (%)	na	(31.4)	(50.4)	130.5	53.5
Adjusted net profit (RMB mn)	12,092.6	10,663.3	5,147.1	10,384.8	15,647.0
EPS (Reported) (RMB)	5.95	4.03	1.95	4.39	6.67
P/S (x)	1.4	1.2	1.4	1.0	0.9
P/E (x)	13.6	20.1	41.5	18.4	12.1
P/B (x)	2.6	2.3	2.2	2.0	1.6

Source: Company data, Bloomberg, CMBIGM estimates

	LIUS	2015 HK
	BUY	BUY
	Maintain	Maintain
TP	US\$28.00	HK\$109.00
Prior TP	US\$33.00	HK\$131.00
Up/Downside	23.9%	23.7%
Current Price	US\$22.6	HK\$88.2

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Source: FactSet
Stock Performance

Nov-24

	LI	US	201	5 HK
	Abs.	Rel.	Abs.	Rel.
1-mth	-22.6%	-23.9%	-23.9%	-23.9%
3-mth	-19.0%	-27.8%	-19.1%	-27.8%
6-mth	-26.5%	-34.8%	-25.0%	-34.8%
Source	: FactSet			

Feb-25

May-25

Stock Date

90

80

Stock Data		
(LC)	LIUS	2015 HK
Mkt Cap (mn)	24191.97	188718.8
Avg 3 mths t/o (mn)	48.62	1895.12
52w High	32.92	128.7
52w Low	18.31	71.9
Issued Shares (mn)	2140.882	2140.882
Source: FactSet		



Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	YoY	QoQ
Sales volume (units)	80,400	108,581	152,831	158,696	92,864	111,074	2.3%	19.6%
ASP (RMB)	318,827	291,749	280,534	278,984	279,191	272,301	-6.7%	-2.5%
Revenue	25,634	31,678	42,874	44,274	25,927	30,246	-4.5%	16.7%
Gross profit	5,284	6,177	9,225	8,970	5,318	6,067	-1.8%	14.1%
R&D expenses	(3,049)	(3,028)	(2,587)	(2,408)	(2,514)	(2,810)	-7.2%	11.8%
SG&A expenses	(2,978)	(2,815)	(3,360)	(3,077)	(2,531)	(2,718)	-3.5%	7.4%
Operating profit	(585)	468	3,433	3,703	272	827	76.7%	204.4%
Net profit	593	1,103	2,814	3,523	650	1,093	-0.9%	68.0%
Gross margin	20.6%	19.5%	21.5%	20.3%	20.5%	20.1%	0.6 ppts	-0.5 ppts
Operating margin	-2.3%	1.5%	8.0%	8.4%	1.0%	2.7%	1.3 ppts	1.7 ppts
Net margin	2.3%	3.5%	6.6%	8.0%	2.5%	3.6%	0.1 ppts	1.1 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

		New			Old			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	
Revenue	121,462	165,587	203,747	153,868	186,770	226,235	-21.1%	-11.3%	-9.9%	
Gross profit	23,968	31,018	38,011	31,362	37,790	45,012	-23.6%	-17.9%	-15.6%	
Operating profit	2,626	7,977	13,243	7,707	12,179	17,128	-65.9%	-34.5%	-22.7%	
Net profit	3,986	9,190	14,103	9,129	13,433	18,011	-56.3%	-31.6%	-21.7%	
Gross margin	19.7%	18.7%	18.7%	20.4%	20.2%	19.9%	-0.6 ppts	-1.5 ppts	-1.2 ppts	
Operating margin	2.2%	4.8%	6.5%	5.0%	6.5%	7.6%	-2.8 ppts	-1.7 ppts	-1.1 ppts	
Net margin	3.3%	5.6%	6.9%	5.9%	7.2%	8.0%	-2.7 ppts	-1.6 ppts	-1.0 ppts	

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

		CMBIGM		Consensus			Diff (%)		
RMB mn	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	121,462	165,587	203,747	162,407	211,027	247,402	-25.2%	-21.5%	-17.6%
Gross profit	23,968	31,018	38,011	32,774	42,480	50,492	-26.9%	-27.0%	-24.7%
Operating profit	2,626	7,977	13,243	8,368	13,064	17,012	-68.6%	-38.9%	-22.2%
Net profit	3,986	9,190	14,103	9,847	14,651	18,619	-59.5%	-37.3%	-24.3%
Gross margin	19.7%	18.7%	18.7%	20.2%	20.1%	20.4%	-0.4 ppts	-1.4 ppts	-1.8 ppts
Operating margin	2.2%	4.8%	6.5%	5.2%	6.2%	6.9%	-3.0 ppts	-1.4 ppts	-0.4 ppts
Net margin	3.3%	5.6%	6.9%	6.1%	6.9%	7.5%	-2.8 ppts	-1.4 ppts	-0.6 ppts

Source: Bloomberg, CMBIGM estimates



Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	45,287	123,851	144,460	121,462	165,587	203,747
Cost of goods sold	(36,496)	(96,355)	(114,804)	(97,494)	(134,569)	(165,736)
Gross profit	8,790	27,497	29,656	23,968	31,018	38,011
Operating expenses	(12,445)	(20,354)	(23,301)	(22,142)	(24,141)	(25,968)
SG&A expense	(5,665)	(9,768)	(12,229)	(10,801)	(11,970)	(12,911)
R&D expense	(6,780)	(10,586)	(11,071)	(11,341)	(12,171)	(13,056)
Operating profit	(3,655)	7,143	6,355	1,826	6,877	12,043
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	376	783	320	970	1,376	1,611
Other gains/(losses)	626	1,048	664	217	415	522
EBITDA	(839)	12,343	12,561	9,144	16,536	23,777
Depreciation	1,214	1,805	3,058	4,347	5,790	7,293
EBIT	(2,053)	10,538	9,503	4,797	10,746	16,485
Interest income	600	1,300	1,500	984	977	1,108
Interest expense	(106)	(86)	(188)	(165)	(147)	(135)
Pre-tax profit	(2,159)	10,452	9,316	4,632	10,598	16,350
Income tax	127	1,357	(1,270)	(625)	(1,378)	(2,207)
After tax profit	(2,032)	11,809	8,045	4,006	9,220	14,143
Minority interest	20	(105)	(13)	(20)	(30)	(40)
Discontinued operations	0	0	0	0	0	0
Others	0	0	0	0	0	0
Net profit	(2,012)	11,704	8,032	3,986	9,190	14,103
Adjusted net profit	41	12,093	10,663	5,147	10,385	15,647
BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	66,992	114,526	126,310	122,229	152,599	186,315
Cash & equivalents	38,478	91,329	65,901	49,787	58,655	71,530
Restricted cash	1,940	0	7	50	80	100
Account receivables	48	144	135	166	272	335
Inventories	6,805	6,872	8,186	6,678	9,217	11,352
ST bank deposits	18,031	11,933	46,905	61,905	79,905	97,905
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Other current assets	1,690	4,247	5,177	3,644	4,471	5,094
Non-current assets	19,545	28,942	36,039	38,856	43,419	45,389
PP&E	11,188	15,745	21,141	25,704	29,922	32,637
Right-of-use assets	3,539	5,939	8,324	7,408	6,954	5,858
Deferred income tax	75	1,990	2,542	1,500	1,500	1,500
Investment in JVs & assos	1,484	1,595	923	1,440	1,855	2,277
Intangibles	833	864	915	977	1,030	1,074
Other non-current assets	2,427	2,808	2,194	1,827	2,158	2,043
Total assets	86,538	143,467	162,349	161,085	196,018	231,704
Current liabilities	27,373	72,743	69,216	65,421	89,126	113,243
Short-term borrowings	0	688	0	0	0	0
Account payables	20,024	51,870	53,596	53,421	73,736	90,814
Other current liabilities	6,652	19,038	14,086	10,343	13,866	21,207
Lease liabilities	696	1,146	1,533	1,657	1,524	1,222
Non-current liabilities	13,979	10,150	21,813	19,122	19,920	13,960
Long-term borrowings	3,317	1,747	1,897	2,184	1,884	1,784
Convertible bonds	5,914	0	6,255	6,255	6,255	0
Obligations under finance leases	0	0	643	559	487	423
Deferred income	582	812	721	896	962	1,044
Other non-current liabilities	4,167	7,590	12,298	9,228	10,333	10,709
Total liabilities	41,352	82,892	91,029	84,543	109,046	127,203
Share capital	1	1	1	1	1	1
Capital surplus	53,869	57,480	60,127	61,341	62,551	65,938
Retained earnings	(9,012)	2,661	10,747	14,733	23,924	38,026
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Other reserves	(0)	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	44,859	60,143	70,875	76,076	86,477	103,966
Minority interest	328	433	445	465	495	535
Total equity and liabilities	86,538	143,467	162,349	161,085	196,018	231,704



CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,159)	10,452	9,316	4,632	10,598	16,350
Depreciation & amortization	1,214	1,805	3,058	4,347	5,790	7,293
Change in working capital	5,035	36,612	2,070	(2,561)	21,163	18,234
Others	3,290	1,825	1,490	1,899	175	(273)
Net cash from operations	7,380	50,694	15,933	8,316	37,726	41,603
Investing						
Capital expenditure	(5,128)	(6,507)	(7,730)	(9,000)	(10,100)	(10,100)
Acquisition of subsidiaries/ investments	(762)	(198)	(31)	(400)	(300)	(300)
Net proceeds from disposal of short-term investments	1,686	16,316	(4,415)	(8,000)	(8,000)	(8,000)
Others	(161)	(9,622)	(28,961)	(7,000)	(10,000)	(10,000)
Net cash from investing	(4,365)	(12)	(41,137)	(24,400)	(28,400)	(28,400)
Financing						
Net borrowings	3,080	(1,001)	(996)	(42)	(444)	(307)
Proceeds from share issues	2,469	1,186	486	54	16	0
Others	90	0	95	0	0	0
Net cash from financing	5,639	185	(416)	12	(428)	(307)
Net change in cash						
Cash at the beginning of the year	30,493	40,418	91,330	65,908	49,837	58,735
Exchange difference	1,270	45	198	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	40,418	91,330	65,908	49,837	58,735	71,630
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec				4		
Revenue	67.7%	173.5%	16.6%	(15.9%)	36.3%	23.0%
Gross profit	52.6%	212.8%	7.9%	(19.2%)	29.4% 276.7%	22.5% 75.1%
Operating profit EBITDA	na na	na na	(11.0%) 1.8%	(71.3%) (27.2%)	80.8%	43.8%
EBIT	na	na	(9.8%)	(49.5%)	124.0%	53.4%
Net profit	na	na	(31.4%)	(50.4%)	130.5%	53.5%
Adj. net profit	(94.7%)	29,430.1%	(11.8%)	(51.7%)	101.8%	50.7%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec	ZUZZA	2023A	2024A	2023L	2020	ZUZIL
Gross profit margin	19.4%	22.2%	20.5%	19.7%	18.7%	18.7%
Operating margin	(8.1%)	5.8%	4.4%	1.5%	4.2%	5.9%
EBITDA margin	(1.9%)	10.0%	8.7%	7.5%	10.0%	11.7%
Adj. net profit margin	0.1%	9.8%	7.4%	4.2%	6.3%	7.7%
Return on equity (ROE)	(4.7%)	22.3%	12.3%	5.4%	11.3%	14.8%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.4	1.6	1.8	1.9	1.7	1.6
Receivable turnover days	0.4	0.4	0.3	0.5	0.6	0.6
Inventory turnover days	68.1	26.0	26.0	25.0	25.0	25.0
Payable turnover days	200.3	196.5	170.4	200.0	200.0	200.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	13.6	20.1	41.5	18.4	12.1
P/E (diluted)	ns	14.6	21.5	44.4	19.7	12.9
P/B	3.5	2.6	2.3	2.2	2.0	1.6
P/CFPS	21.3	3.1	10.1	19.9	4.5	4.1
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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