19 Mar 2026

CMB International Global Markets | Equity Research | Company Update

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Geely Automobile (175 HK)

We expect more resilient margins than peers

Maintain BUY. Although Geely's 4Q25 GPM missed our prior forecast, its management's upbeat tone gives us more confidence in its GPM outlook. We believe that Geely is better positioned than most peers with its sales growth outlook, cost reduction efforts, and overseas sales potential. Unlike some investors, we do not view its synergy with parent company and partnerships with other players as a valuation drag given its track record in the past years.

- **4Q25 miss on GPM and R&D.** Geely's 4Q25 revenue rose 22% YoY to RMB106bn, 1% higher than our prior forecast. GPM in 4Q25 widened by 0.3ppts QoQ to 16.9%, or 0.8ppts lower than our projection. We estimate the miss was mainly from Geely and Galaxy brands, and we wish the company could continue to disclose Zeekr's revenue and gross profit after its privatization. R&D expenses in 4Q25 rose 35% QoQ to RMB5.9bn, or RMB1bn higher than our forecast, largely due to lower capitalization ratio. Accordingly, net profit in 4Q25 rose 4% YoY to RMB3.7bn, or RMB0.6bn lower than our prior projection.
- **We expect resilient GPM in FY26E despite component price volatility.** We project Geely's GPM in FY26E to rise by 0.8ppts YoY to 17.4%, aided by greater economies of scale, rising exports, improving model mix (Zeekr *9X*, *8X*, Galaxy *M9* etc.) and continued synergies from brand integration. Management believes the margin dent from rising component prices is limited and expects 1Q26 GPM to be no worse than 4Q25 despite a traditional low season, which should be better than most peers. Geely's exports likely beat its target of 0.64mn units in FY26E and we see more room for growth in the medium to long term, as Geely is actively seeking local production in different regions with its partners.
- **Improving earnings quality.** Management expects R&D capitalization ratio to continue declining for better earnings quality. That also implies its confidence in earnings outlook, in our view. We maintain our FY26E sales volume forecast of 3.4mn units with slightly lower GPM projection, higher R&D expenses and forex loss. Accordingly, we revise down our FY26E net profit forecast by 3% to RMB19.4bn, which reflects better earnings quality than FY25. In fact, we raise FY27E net profit forecast by 3% to RMB21.7bn due to continued cost reduction and lower amortization burden from decreased R&D capitalization ratio.
- **Valuation/Key risks.** We maintain our BUY rating and target price of HK$25.00, which is still based on 12x our FY26E P/E. Key risks to our rating and target price include lower sales volume and/or GPM than we expect, especially from NEV models, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	179,204	240,194	345,232	384,228	407,506
YoY growth (%)	21.1	34.0	43.7	11.3	6.1
Net profit (RMB mn)	5,308.4	16,632.4	16,852.2	19,389.8	21,660.3
YoY growth (%)	0.9	213.3	1.3	15.1	11.7
EPS (Reported) (RMB)	0.53	1.65	1.67	1.77	1.96
P/E (x)	30.2	9.6	9.6	9.0	8.1
P/B (x)	2.0	1.8	1.7	1.6	1.4
Yield (%)	1.3	1.9	2.9	4.5	4.9
ROE (%)	6.8	19.9	18.8	19.3	18.7
Net gearing (%)	(38.8)	(45.9)	(55.6)	(63.4)	(71.6)

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	**HK$25.00**
Up/Downside	**37.7%**
Current Price	**HK$18.15**

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Stock Data

Mkt Cap (HK$ mn)	183,656.1
Avg 3 mths t/o (HK$ mn)	902.6
52w High/Low (HK$)	20.44/13.42
Total Issued Shares (mn)	10118.8

Source: FactSet

Shareholding Structure

Mr. Li Shufu	44.6%
Others	55.4%

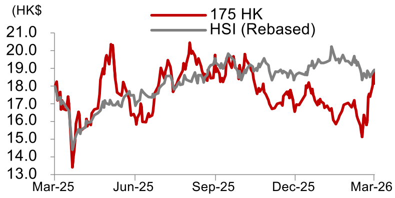
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	6.5%	9.2%
3-mth	8.1%	5.9%
6-mth	-3.5%	-1.6%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Report

"China Auto Sector - Weak 4Q25 sales may lead to earning miss" – 21 Jan 2026

"Geely Automobile (175 HK) - We see margin lift potential on a solid 3Q25" - 18 Nov 2025

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ
Sales volume (units)	475,720	480,010	533,960	686,877	703,824	705,356	761,009	854,378	24.4%	12.3%
ASP (RMB)	122,393	126,180	132,484	125,752	103,002	110,284	117,203	123,780	-1.6%	5.6%
Total revenue	58,225	60,568	70,741	86,376	72,495	77,790	89,192	105,755	22.4%	18.6%
Gross profit	9,097	10,771	10,918	15,018	11,437	13,282	14,793	17,835	18.8%	20.6%
Selling exp.	(4,133)	(3,748)	(3,395)	(5,165)	(3,635)	(4,750)	(5,358)	(6,681)	29.4%	24.7%
Admin exp.	(1,441)	(1,645)	(1,495)	(1,669)	(1,412)	(1,486)	(1,353)	(2,231)	33.7%	64.9%
R&D exp.	(2,672)	(3,368)	(3,235)	(4,413)	(3,328)	(4,000)	(4,389)	(5,907)	33.8%	34.6%
Operating profit	1,216	2,220	2,194	2,801	6,604	4,213	4,628	3,393	21.1%	-26.7%
Net profit	1,560	9,230	2,424	3,599	5,672	3,618	3,820	3,742	4.0%	-2.0%
Gross margin	15.6%	17.8%	15.4%	17.4%	15.8%	17.1%	16.6%	16.9%	-0.5 ppts	0.3 ppts
Operating margin	2.1%	3.7%	3.1%	3.2%	9.1%	5.4%	5.2%	3.2%	0.0 ppts	-2.0 ppts
Net margin	2.7%	15.2%	3.4%	4.2%	7.8%	4.7%	4.3%	3.5%	-0.6 ppts	-0.7 ppts

Source: Company data, CMBIGM

Notes: The data for 1Q-4Q24 is restated due to consolidation of Lynk & Co in 1Q25.

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	345,232	384,228	407,506	344,026	385,463	409,176	0.4%	-0.3%	-0.4%
Gross profit	57,347	67,009	71,154	58,028	68,279	71,796	-1.2%	-1.9%	-0.9%
Operating profit	18,838	21,236	23,292	20,817	22,823	22,863	-9.5%	-7.0%	1.9%
Net profit	16,852	19,390	21,660	17,408	20,015	20,999	-3.2%	-3.1%	3.2%
Gross margin	16.6%	17.4%	17.5%	16.9%	17.7%	17.5%	-0.3 ppts	-0.3 ppts	-0.1 ppts
Operating margin	5.5%	5.5%	5.7%	6.1%	5.9%	5.6%	-0.6 ppts	-0.4 ppts	0.1 ppts
Net margin	4.9%	5.0%	5.3%	5.1%	5.2%	5.1%	-0.2 ppts	-0.1 ppts	0.2 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	345,232	384,228	407,506	339,785	408,537	460,691	1.6%	-6.0%	-11.5%
Gross profit	57,347	67,009	71,154	56,578	69,651	79,999	1.4%	-3.8%	-11.1%
Operating profit	18,838	21,236	23,292	17,060	22,193	27,198	10.4%	-4.3%	-14.4%
Net profit	16,852	19,390	21,660	16,520	19,833	24,214	2.0%	-2.2%	-10.5%
Gross margin	16.6%	17.4%	17.5%	16.7%	17.0%	17.4%	0.0 ppts	0.4 ppts	0.1 ppts
Operating margin	5.5%	5.5%	5.7%	5.0%	5.4%	5.9%	0.4 ppts	0.1 ppts	-0.2 ppts
Net margin	4.9%	5.0%	5.3%	4.9%	4.9%	5.3%	0.0 ppts	0.2 ppts	0.1 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**147,965**	**179,204**	**240,194**	**345,232**	**384,228**	**407,506**
Cost of goods sold	(127,069)	(151,789)	(201,993)	(287,885)	(317,219)	(336,352)
Gross profit	**20,896**	**27,415**	**38,201**	**57,347**	**67,009**	**71,154**
Operating expenses	**(10,398)**	**(14,675)**	**(17,275)**	**(20,738)**	**(26,467)**	**(26,723)**
Selling expense	(8,228)	(11,832)	(13,283)	(20,424)	(21,846)	(22,858)
Admin expense	(3,327)	(4,210)	(4,897)	(6,482)	(7,170)	(7,490)
Others	1,157	1,367	905	6,167	2,549	3,624
Operating profit	**10,497**	**12,740**	**20,926**	**36,608**	**40,542**	**44,431**
Other expense	(1,489)	(646)	(1,747)	(1,181)	(899)	(692)
Other gains/(losses)	1,750	0	9,098	38	0	0
Share of (losses)/profits of associates/JV	651	599	969	2,399	2,411	2,329
EBITDA	**13,551**	**13,570**	**28,347**	**36,848**	**39,914**	**43,548**
Depreciation	8,318	8,203	9,393	15,920	16,249	17,543
EBIT	**5,233**	**5,367**	**18,954**	**20,927**	**23,665**	**26,005**
Interest income	931	961	1,243	834	917	1,076
Interest expense	(551)	(417)	(550)	(698)	(586)	(341)
Net Interest income/(expense)	**380**	**544**	**692**	**137**	**331**	**735**
Foreign exchange gain/loss	(79)	(126)	(1,619)	3,186	(1,000)	0
Pre-tax profit	**4,682**	**4,950**	**18,404**	**20,230**	**23,079**	**25,664**
Income tax	(32)	(15)	(1,604)	(3,601)	(3,555)	(3,850)
After tax profit	**4,650**	**4,935**	**16,799**	**16,628**	**19,524**	**21,814**
Minority interest	611	373	(167)	224	(134)	(153)
Net profit	**5,260**	**5,308**	**16,632**	**16,852**	**19,390**	**21,660**
Gross dividends	1,916	2,051	3,119	4,732	7,756	8,664

BALANCE SHEET	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**79,064**	**113,635**	**125,322**	**159,413**	**175,848**	**200,718**
Cash & equivalents	33,341	35,746	40,865	65,319	70,682	90,625
Restricted cash	387	943	2,881	2,898	2,200	2,000
Account receivables	34,392	42,711	58,307	58,768	67,708	70,739
Inventories	10,822	15,422	23,078	31,934	34,764	36,861
Prepayment	0	0	0	0	0	0
Other current assets	121	18,813	191	494	494	494
Non-current assets	**78,762**	**78,963**	**104,070**	**130,997**	**131,692**	**133,573**
PP&E	32,201	27,351	26,384	34,370	31,739	28,828
Right-of-use assets	3,402	3,600	4,126	3,998	3,949	3,901
Deferred income tax	4,573	6,342	8,461	10,871	10,871	10,871
Investment in JVs & assos	14,235	15,703	31,424	40,022	42,742	45,253
Intangibles	22,548	23,920	28,751	36,446	39,507	41,710
Goodwill	61	34	34	0	0	0
Financial assets at FVTPL	0	0	0	0	0	0
Other non-current assets	1,742	2,013	4,890	5,290	2,884	3,010
Total assets	**157,826**	**192,598**	**229,392**	**290,410**	**307,540**	**334,291**
Current liabilities	**68,953**	**96,824**	**127,200**	**179,460**	**183,376**	**194,308**
Short-term borrowings	0	0	30	10,496	0	0
Account payables	65,481	87,398	125,379	165,337	181,249	192,181
Tax payable	773	774	960	1,025	1,025	1,025
Other current liabilities	2,143	7,898	28	1,500	0	0
Lease liabilities	557	754	803	1,101	1,101	1,101
Non-current liabilities	**12,677**	**10,622**	**9,772**	**17,335**	**14,474**	**14,812**
Long-term borrowings	2,758	2,840	414	4,320	2,320	2,320
Bond payables	6,000	2,600	3,500	2,000	2,000	2,000
Convertible bonds	0	0	0	0	0	0
Other non-current liabilities	3,919	5,182	5,858	11,015	10,154	10,492
Total liabilities	**81,631**	**107,446**	**136,972**	**196,795**	**197,850**	**209,120**
Share capital	184	184	184	199	200	203
Other reserves	74,947	80,325	86,558	92,200	107,969	123,124
Total shareholders equity	**75,130**	**80,509**	**86,742**	**92,398**	**108,170**	**123,327**
Minority interest	1,065	4,643	5,678	1,217	1,521	1,844
Total equity and liabilities	**157,826**	**192,598**	**229,392**	**290,410**	**307,540**	**334,291**

CASH FLOW	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**4,682**	**4,950**	**18,404**	**20,230**	**23,079**	**25,664**
Depreciation & amortization	8,318	8,203	9,393	15,920	16,249	17,543
Tax paid	(2,082)	(2,307)	(3,499)	(4,040)	(3,555)	(3,850)
Change in working capital	5,672	11,238	9,316	18,278	5,532	5,870
Others	(571)	259	(7,107)	(3,114)	(1,471)	(1,991)
Net cash from operations	**16,018**	**22,342**	**26,507**	**47,274**	**39,834**	**43,235**
Investing						
Capital expenditure	(10,337)	(15,322)	(13,314)	(17,920)	(16,848)	(16,970)
Acquisition of subsidiaries/ investments	(2,831)	(1,570)	6,958	(8,282)	(1,000)	(1,000)
Net proceeds from disposal of short-term investments	0	0	0	0	0	0
Others	1,037	748	(2,775)	2,831	2,320	2,055
Net cash from investing	**(12,130)**	**(16,145)**	**(9,132)**	**(23,370)**	**(15,528)**	**(15,916)**
Financing						
Dividend paid	(1,788)	(1,916)	(2,120)	(3,119)	(4,732)	(7,756)
Net borrowings	4,603	(4,237)	(3,386)	9,549	(13,996)	0
Proceeds from share issues	0	0	1,322	(350)	0	0
Others	(1,490)	3,389	(9,112)	(7,919)	(215)	379
Net cash from financing	**1,325**	**(2,764)**	**(13,297)**	**(1,839)**	**(18,944)**	**(7,377)**
Net change in cash						
Cash at the beginning of the year	28,014	33,341	35,746	43,058	65,319	70,682
Exchange difference	114	(1,029)	3,233	197	0	0
Cash at the end of the year	**33,341**	**35,746**	**43,058**	**65,319**	**70,682**	**90,625**

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	45.6%	21.1%	34.0%	43.7%	11.3%	6.1%
Gross profit	20.0%	31.2%	39.3%	50.1%	16.8%	6.2%
Operating profit	4.1%	21.4%	64.3%	74.9%	10.7%	9.6%
EBITDA	14.6%	0.1%	108.9%	30.0%	8.3%	9.1%
EBIT	6.1%	2.6%	253.2%	10.4%	13.1%	9.9%
Net profit	8.5%	0.9%	213.3%	1.3%	15.1%	11.7%

PROFITABILITY	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Gross profit margin	14.1%	15.3%	15.9%	16.6%	17.4%	17.5%
Operating margin	7.1%	7.1%	8.7%	10.6%	10.6%	10.9%
EBITDA margin	9.2%	7.6%	11.8%	10.7%	10.4%	10.7%
Return on equity (ROE)	7.3%	6.8%	19.9%	18.8%	19.3%	18.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.3)	(0.4)	(0.5)	(0.6)	(0.6)	(0.7)
Current ratio (x)	1.1	1.2	1.0	0.9	1.0	1.0
Receivable turnover days	88.7	91.1	96.2	67.8	67.0	66.0
Inventory turnover days	31.2	37.2	41.8	40.6	40.0	40.0
Payable turnover days	193.2	217.3	233.4	218.4	215.0	215.0

VALUATION	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
P/E	30.4	30.2	9.6	9.6	9.0	8.1
P/E (diluted)	30.7	30.4	9.7	9.8	9.1	8.2
P/B	2.1	2.0	1.8	1.7	1.6	1.4
P/CFPS	10.0	7.2	6.0	3.4	4.4	4.1
Div yield (%)	1.2	1.3	1.9	2.9	4.5	4.9

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

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