BYD (1211 HK/002594 CH)

Overseas sales could be a positive surprise in FY26

Maintain BUY. Despite its 4Q25 earnings miss, we are of the view that the cash dent from shortening payable days could be over now and BYD could be one of the biggest beneficiaries from rising oil price in its overseas markets. We believe BYD's previous high earnings quality and industry-leading technologies could also lay foundation for its net profit growth in FY26-27E.

- **4Q25 earnings miss on GPM, finance cost.** BYD's 4Q25 revenue was largely in line with our forecast while GPM narrowed by 0.2ppts QoQ, or 0.6ppts lower than our projection. Such miss was offset by its stringent R&D expenses. On the other hand, BYD's finance cost (incl. forex loss) and government grants in 4Q25 were both below our prior expectation, leading to a net profit miss of 18% in 4Q25. Net profit per vehicle was about RMB6,900 in 4Q25, about RMB100 lower than that in 3Q25.
- **Cash flow dent from shortening payable days may be over.** BYD's operating cash flow of RMB59bn in FY25 hit its lowest level since FY21 due to shortened payable days. Its net cash at the end of FY25 was narrowed by about RMB62bn YoY. We estimate that BYD's interest expense and receivable discounts rose by almost RMB1.3bn YoY in FY25, dragging down its net profit by about 4%. We are of the view that such dent is short-lived, should BYD be able to keep its current payable days.
- **Overseas markets, energy storage to lift profit.** We maintain our FY26E sales volume forecast of 5mn units, with overseas markets contributing 1.5mn units (implying 1% YoY decline for domestic sales volume). We believe BYD could be one of the biggest beneficiaries from rising oil price amid the current geopolitical tension, not only for its overseas NEV sales, but also photovoltaic and energy storage battery sales. We thus project its revenue to rise 9%/8% YoY and GPM to be largely flat at 17.8% in FY26-27E.
- **Earnings/Valuation.** It appears to us that BYD has been more prudent on R&D expenses with only 9% YoY growth and 8.6% capitalization ratio in FY25 (vs. 1.8% in FY24). We expect R&D expenses to rise 3%/2% YoY in FY26-27E. We also expect government grants in FY26-27E to be at a similar level as FY25, given the continuously rising deferred income balance. Accordingly, we project BYD's net profit to rise 11%/21% YoY to RMB36.3bn/43.8bn in FY26-27E. We maintain our BUY rating and A/H share target price of HK$125/RMB125, based on 23x (prior 20x) our FY27E P/E, to reflect its brighter overseas outlook. Key risks include lower sales volume or margins than we expect, and a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY23A	FY24A	FY25A	FY26E	FY27E
Revenue (RMB mn)	602,315	777,102	803,965	872,654	945,030
YoY growth (%)	42.0	29.0	3.5	8.5	8.3
Net profit (RMB mn)	30,040.8	40,254.3	32,619.0	36,305.4	43,828.3
YoY growth (%)	80.7	34.0	(19.0)	11.3	20.7
EPS (Reported) (RMB)	10.34	13.85	3.61	3.98	4.81
P/S (x)	1.4	1.1	1.1	1.0	0.9
P/E (x)	9.1	6.8	26.0	23.6	19.5
Yield (%)	3.3	4.4	0.4	0.8	1.0
ROE (%)	24.0	24.8	15.1	13.8	14.7
Net gearing (%)	(69.5)	(50.7)	(1.1)	(12.3)	(21.0)

Source: Company data, Bloomberg, CMBIGM estimates

	1211 HK	002594 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$125.00	RMB125.00
Prior TP	HK$125.00	RMB125.00
Up/Downside	17.4%	18.7%
Current Price	HK$106.5	RMB105.3

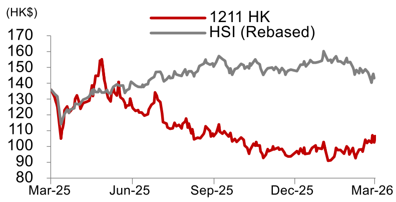
China Auto

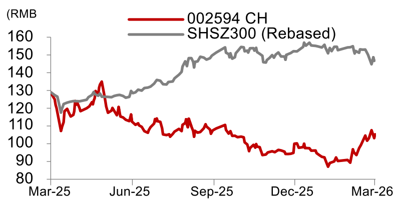
Ji SHI, CFA
(852) 3761 8728
shiji@cmbi.com.hk

Wenjing DOU, CFA
(852) 6939 4751
douwenjing@cmbi.com.hk

Austin Liang
(852) 3900 0856
austinliang@cmbi.com.hk

12-mth Price Performance





Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	12.2%	19.7%	17.9%	17.3%
3-mth	13.8%	17.7%	5.3%	17.7%
6-mth	0.0%	4.7%	-1.9%	1.1%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	970981.5	960040.9
Avg 3 mths t/o (mn)	2792.02	5117.37
52w High	155.07	135
52w Low	90	87.05
Issued Shares (mn)	9117.207	9117.207

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	YoY	QoQ
Sales volume (units)	626,263	986,720	1,134,892	1,524,270	1,000,804	1,145,150	1,114,192	1,342,290	-11.9%	20.5%
Revenue	124,944	176,182	201,125	274,851	170,360	200,921	194,985	237,699	-13.5%	21.9%
Gross profit	25,870	30,680	40,470	54,036	34,185	32,681	34,346	41,448	-23.3%	20.7%
R&D expenses	(10,611)	(9,010)	(13,698)	(19,876)	(14,223)	(15,373)	(14,152)	(14,230)	-28.4%	0.5%
SG&A expenses	(9,101)	(9,194)	(10,757)	(13,678)	(11,087)	(11,710)	(10,979)	(12,608)	-7.8%	14.8%
Operating profit	5,798	11,525	14,423	18,739	11,021	7,699	10,186	11,279	-39.8%	10.7%
Net profit	4,569	9,062	11,607	15,016	9,155	6,356	7,823	9,286	-38.2%	18.7%
Gross margin	20.7%	17.4%	20.1%	19.7%	20.1%	16.3%	17.6%	17.4%	-2.2 ppts	-0.2 ppts
Operating margin	4.6%	6.5%	7.2%	6.8%	6.5%	3.8%	5.2%	4.7%	-2.1 ppts	-0.5 ppts
Net margin	3.7%	5.1%	5.8%	5.5%	5.4%	3.2%	4.0%	3.9%	-1.6 ppts	-0.1 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY25A	FY26E	FY27E	FY25E	FY26E	FY27E	FY25A	FY26E	FY27E
Revenue	803,965	872,654	945,030	810,263	877,372	956,240	-0.8%	-0.5%	-1.2%
Gross profit	142,660	155,061	167,871	145,197	157,754	171,361	-1.7%	-1.7%	-2.0%
Operating profit	40,185	45,152	54,508	43,007	46,959	57,087	-6.6%	-3.8%	-4.5%
Net profit	32,619	36,305	43,828	34,697	38,061	46,422	-6.0%	-4.6%	-5.6%
Gross margin	17.7%	17.8%	17.8%	17.9%	18.0%	17.9%	-0.2 ppts	-0.2 ppts	-0.2 ppts
Operating margin	5.0%	5.2%	5.8%	5.3%	5.4%	6.0%	-0.3 ppts	-0.2 ppts	-0.2 ppts
Net margin	4.1%	4.2%	4.6%	4.3%	4.3%	4.9%	-0.2 ppts	-0.2 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	803,965	872,654	945,030	836,875	959,034	1,086,653	-3.9%	-9.0%	-13.0%
Gross profit	142,660	155,061	167,871	150,930	177,949	206,660	-5.5%	-12.9%	-18.8%
Operating profit	40,185	45,152	54,508	37,696	49,664	61,048	6.6%	-9.1%	-10.7%
Net profit	32,619	36,305	43,828	35,543	44,828	54,715	-8.2%	-19.0%	-19.9%
Gross margin	17.7%	17.8%	17.8%	18.0%	18.6%	19.0%	-0.3 ppts	-0.8 ppts	-1.3 ppts
Operating margin	5.0%	5.2%	5.8%	4.5%	5.2%	5.6%	0.5 ppts	0.0 ppts	0.1 ppts
Net margin	4.1%	4.2%	4.6%	4.2%	4.7%	5.0%	-0.2 ppts	-0.5 ppts	-0.4 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	**424,061**	**602,315**	**777,102**	**803,965**	**872,654**	**945,030**
Cost of goods sold	(351,816)	(490,399)	(626,047)	(661,305)	(717,594)	(777,159)
Gross profit	**72,245**	**111,916**	**151,056**	**142,660**	**155,061**	**167,871**
Operating expenses	**(50,990)**	**(78,757)**	**(110,677)**	**(117,943)**	**(124,345)**	**(129,950)**
Selling expense	(15,061)	(15,371)	(24,085)	(26,185)	(28,211)	(30,223)
Admin expense	(10,007)	(13,462)	(18,645)	(20,200)	(21,779)	(23,211)
R&D expense	(18,654)	(39,575)	(53,195)	(57,978)	(59,520)	(60,450)
Others	(7,267)	(10,350)	(14,752)	(13,581)	(14,835)	(16,066)
Operating profit	**21,255**	**33,159**	**40,379**	**24,717**	**30,715**	**37,922**
Other income	2,248	5,965	15,303	14,932	15,500	16,000
Other expense	(989)	(1,546)	(2,057)	(1,564)	(1,600)	(1,400)
Gain/loss on financial assets at FVTPL	126	258	532	364	500	700
Investment gain/loss	(792)	1,635	2,291	2,857	3,438	3,758
Other gains/(losses)	(2,387)	(3,677)	(5,552)	(2,202)	(1,859)	(2,552)
EBITDA	**42,766**	**82,649**	**118,681**	**122,830**	**142,958**	**165,903**
Depreciation	14,605	37,718	56,922	72,048	84,920	98,134
Depreciation of ROU assets	584	1,390	2,643	2,655	2,922	3,327
Other amortisation	5,181	4,444	7,341	5,823	6,422	7,002
EBIT	**22,396**	**39,096**	**51,774**	**42,305**	**48,693**	**57,441**
Interest income	1,830	2,796	2,484	2,437	2,598	3,013
Interest expense	(1,316)	(1,828)	(2,094)	(2,552)	(3,641)	(2,832)
Net Interest income/(expense)	**1,618**	**1,475**	**(1,216)**	**649**	**(1,643)**	**181**
Foreign exchange gain/loss	1,216	639	(1,532)	1,034	(600)	0
Pre-tax profit	**21,080**	**37,269**	**49,681**	**39,753**	**45,052**	**54,608**
Income tax	(3,367)	(5,925)	(8,093)	(5,992)	(7,080)	(8,555)
After tax profit	**17,713**	**31,344**	**41,588**	**33,761**	**37,972**	**46,054**
Minority interest	(1,091)	(1,303)	(1,334)	(1,142)	(1,666)	(2,225)
Net profit	**16,622**	**30,041**	**40,254**	**32,619**	**36,305**	**43,828**
Gross dividends	3,325	9,012	12,077	3,264	7,261	8,766

BALANCE SHEET	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	**240,804**	**302,121**	**370,572**	**371,468**	**417,643**	**487,927**
Cash & equivalents	51,182	108,512	102,257	68,395	86,000	107,970
Restricted cash	289	583	482	7,030	4,000	5,000
Account receivables	51,723	67,431	72,749	42,489	49,729	54,682
Inventories	79,107	87,677	116,036	138,421	141,553	149,044
Prepayment	8,224	2,215	3,974	5,025	5,741	5,440
Financial assets at FVTPL	20,627	9,563	40,939	54,533	69,833	100,233
Other current assets	16,099	23,481	32,725	54,411	59,258	63,849
Contract assets	13,553	2,660	1,411	1,165	1,530	1,709
Non-current assets	**253,057**	**377,426**	**412,784**	**512,262**	**512,632**	**504,436**
PP&E	131,880	230,904	262,287	292,776	305,858	295,726
Right-of-use assets	3,137	9,679	10,575	9,083	8,560	8,133
Deferred income tax	3,687	6,584	8,559	15,358	15,358	15,358
Investment in JVs & assos	15,485	17,647	19,082	21,781	23,481	25,181
Intangibles	23,223	37,236	38,424	41,485	43,200	44,576
Goodwill	66	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,147	2,696	2,655	3,080	3,380	3,780
Other non-current assets	73,431	68,252	66,773	124,271	108,367	107,254
Total assets	**493,861**	**679,548**	**783,356**	**883,730**	**930,276**	**992,363**
Current liabilities	**333,345**	**453,667**	**495,985**	**468,451**	**484,087**	**513,049**
Short-term borrowings	5,153	18,323	12,103	38,485	6,608	0
Account payables	140,437	194,430	241,643	186,742	203,482	224,205
Tax payable	4,326	7,852	10,097	10,716	11,285	11,924
Other current liabilities	147,911	198,363	188,412	181,037	211,595	223,691
Contract liabilities	35,517	34,699	43,730	51,471	51,116	53,230
Non-current liabilities	**39,126**	**75,419**	**88,682**	**156,739**	**153,398**	**148,311**
Long-term borrowings	7,594	11,975	8,258	60,706	45,706	34,706
Bond payables	0	0	0	4,998	5,998	6,998
Other non-current liabilities	31,533	63,444	80,425	91,036	101,695	106,608
Total liabilities	**372,471**	**529,086**	**584,668**	**625,191**	**637,485**	**661,361**

Share capital	2,911	2,911	2,909	9,117	9,117	9,117
Other reserves	108,118	135,899	182,342	237,157	270,118	306,604
Total shareholders equity	**111,029**	**138,810**	**185,251**	**246,275**	**279,235**	**315,721**
Minority interest	10,361	11,652	13,437	12,265	13,556	15,281
Total equity and liabilities	**493,861**	**679,548**	**783,356**	**883,730**	**930,276**	**992,363**

CASH FLOW	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**21,080**	**37,269**	**49,681**	**39,753**	**45,052**	**54,608**
Depreciation & amortization	20,370	43,553	66,906	80,526	94,265	108,463
Change in working capital	97,849	91,094	18,291	(57,100)	29,805	21,455
Others	1,539	(2,190)	(1,424)	(4,043)	(183)	(7,421)
Net cash from operations	**140,838**	**169,725**	**133,454**	**59,136**	**168,938**	**177,105**
Investing						
Capital expenditure	(97,457)	(122,094)	(97,360)	(156,808)	(100,480)	(95,550)
Acquisition of subsidiaries/ investments	(10,573)	(16,163)	(3,792)	(2,998)	(16,100)	(31,100)
Net proceeds from disposal of short-term investments	14	0	129	1,727	0	0
Others	(12,580)	12,593	(28,060)	(39,385)	2,450	2,450
Net cash from investing	**(120,596)**	**(125,664)**	**(129,082)**	**(197,463)**	**(114,130)**	**(124,200)**
Financing						
Dividend paid	(306)	(3,325)	(9,012)	(12,077)	(3,264)	(7,261)
Net borrowings	(16,413)	18,073	(9,480)	84,783	(30,092)	(16,608)
Proceeds from share issues	0	0	0	40,075	0	0
Others	(2,770)	(1,931)	8,225	(8,167)	(3,847)	(7,066)
Net cash from financing	**(19,489)**	**12,817**	**(10,268)**	**104,614**	**(37,203)**	**(30,935)**
Net change in cash						
Cash at the beginning of the year	49,820	51,182	108,512	102,257	68,395	86,000
Exchange difference	610	451	(359)	(148)	0	0
Cash at the end of the year	**51,182**	**108,512**	**102,257**	**68,395**	**86,000**	**107,970**

GROWTH	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Revenue	96.2%	42.0%	29.0%	3.5%	8.5%	8.3%
Gross profit	156.7%	54.9%	35.0%	(5.6%)	8.7%	8.3%
Operating profit	299.0%	56.0%	21.8%	(38.8%)	24.3%	23.5%
EBITDA	108.2%	93.3%	43.6%	3.5%	16.4%	16.1%
EBIT	248.1%	74.6%	32.4%	(18.3%)	15.1%	18.0%
Net profit	445.9%	80.7%	34.0%	(19.0%)	11.3%	20.7%

PROFITABILITY	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Gross profit margin	17.0%	18.6%	19.4%	17.7%	17.8%	17.8%
Operating margin	5.0%	5.5%	5.2%	3.1%	3.5%	4.0%
EBITDA margin	10.1%	13.7%	15.3%	15.3%	16.4%	17.6%
Return on equity (ROE)	16.1%	24.0%	24.8%	15.1%	13.8%	14.7%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
Net debt to equity (x)	(0.4)	(0.7)	(0.5)	(0.0)	(0.1)	(0.2)
Current ratio (x)	0.7	0.7	0.7	0.8	0.9	1.0
Receivable turnover days	58.1	52.0	45.0	30.9	32.0	33.0
Inventory turnover days	82.1	65.3	67.7	76.4	72.0	70.0
Payable turnover days	149.2	147.7	142.3	115.5	115.0	117.0

VALUATION	2022A	2023A	2024A	2025A	2026E	2027E
YE 31 Dec						
P/E	16.4	9.1	6.8	26.0	23.6	19.5
P/B	2.5	2.0	1.5	3.4	3.1	2.7
P/CFPS	1.9	1.6	2.0	14.3	5.1	4.8
Div yield (%)	1.2	3.3	4.4	0.4	0.8	1.0

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

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SELL	: Stock with potential loss of over 10% over next 12 months
NOT RATED	: Stock is not rated by CMBIGM
OUTPERFORM	: Industry expected to outperform the relevant broad market benchmark over next 12 months
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CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

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