29 May 2026

CMB International Global Markets | Equity Research | Company Update

Li Auto Inc. (LI US/2015 HK)

Earnings recovery may take time after 1Q26 loss

Maintain HOLD. Li Auto recorded the largest quarterly net loss since its 2020 IPO. We expect net loss to extend into 2Q26E. While we still believe it is an outstanding company, we are of the view that Li Auto's advantage over peers has been narrowing before physical AI become pivotal in the future. We cut our FY26-27E net profit forecasts, which make its valuation unattractive (now trading at 213x FY26E P/E and 18x FY27E P/E).

- **1Q26 revenue, GPM in line; strict SG&A control.** Li Auto's 1Q26 revenue declined 11% YoY to RMB23.0bn, landing precisely in line with our prior forecast. GPM narrowed by 10ppts QoQ to 7.9% in 1Q26, or 0.4ppts higher than our projection. SG&A expenses were about RMB650mn lower than our forecast, resulting in a narrower-than-expected net loss of RMB2.3bn. Despite its cost control beat, the result still marks the automaker's largest quarterly net loss since its IPO in 2020.
- **Portfolio maturity and mix shifts limit Li Auto's near-term upside.** We maintain our FY26E sales volume forecast of 0.49mn units, albeit with a worse model mix—we have raised sales volume assumption for the low-margin *i6* and trimmed our outlook for the premium *L9*. Management has guided a monthly sales volume of 6,000-8,000 units for the redesigned *L9* after ramping up amid heightened competition. More importantly, we see limited growth headroom for FY27-28E deliveries given the maturity and comprehensiveness of Li Auto's existing model portfolio.
- **GPM pressure could be more prolonged than previously anticipated.** Management has guided a vehicle GPM of about 10% for 2Q26, as the *i6*'s GPM is still low at a single digit. We cut our FY26 GPM forecast from 17.6% to 15.0%—a trajectory that still optimistically requires 4Q26 recovery to 18-19%. More structurally, despite its premiumization efforts, Li Auto is now in a more difficult position to differentiate its products from competitors. Therefore, we project its GPM to be 17.4% in FY27E and 17.1% in FY28E, even as component prices fully normalize.
- **Earnings/Valuation.** With key assumptions outlined above, we cut our FY26E net profit forecast by 85% to RMB511mn and FY27E net profit by 21% to RMB6.1bn. We maintain our HOLD ratings for ADS/H-share and trim target prices from US$18.00/HK$70.00 to US$16.00/HK$62.00, which is based on 18x (prior 17x) our FY27E P/E. Key risks to our ratings and target prices include higher or lower sales volume and GPM than we expect, and a sector re-rating or de-rating.

Earnings Summary - LI US

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	144,460	112,313	131,191	151,803	163,226
YoY growth (%)	16.6	(22.3)	16.8	15.7	7.5
Gross margin (%)	20.5	18.7	15.0	17.4	17.1
Operating profit (RMB mn)	7,019.1	(521.1)	(1,424.6)	4,932.0	6,240.7
Net profit (RMB mn)	8,032.4	1,124.4	511.1	6,139.9	7,435.4
YoY growth (%)	(31.4)	(86.0)	(54.5)	1,101.2	21.1
Adjusted net profit (RMB mn)	10,663.3	2,382.2	1,742.7	7,702.8	8,877.4
EPS (Reported) (RMB)	4.03	0.56	0.25	2.98	3.55
P/S (x)	0.8	1.0	0.9	0.8	0.7
P/E (x)	13.3	95.9	213.4	17.9	15.1
P/B (x)	1.5	1.5	1.5	1.3	1.2

Source: Company data, Bloomberg, CMBIGM estimates

	LI US	2015 HK
	HOLD	HOLD
	Maintain	Maintain
TP	US$16.00	HK$62.00
Prior TP	US$18.00	HK$70.00
Up/Downside	1.4%	2.6%
Current Price	US$15.8	HK$60.5

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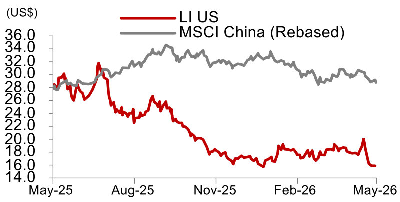
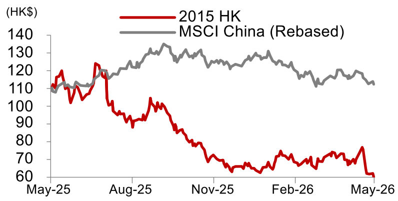
12-mth Price Performance





Source: FactSet

Stock Performance

	LI US		2015 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	-11.2%	-8.8%	-9.8%	-8.8%
3-mth	-10.3%	-3.4%	-12.1%	-3.4%
6-mth	-14.2%	-4.8%	-16.0%	-4.8%

Source: FactSet

Stock Data

(LC)	LI US	2015 HK
Mkt Cap (mn)	17075.82	130828.05
Avg 3 mths t/o (mn)	31.18	875.08
52w High	31.8	124.5
52w Low	15.73	60.2
Issued Shares (mn)	2164.236	2164.2357

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	YoY	QoQ
Sales volume (units)	92,864	111,074	93,211	109,194	95,142	2.5%	-12.9%
ASP (RMB)	279,191	272,301	293,578	263,526	241,564	-13.5%	-8.3%
Revenue	25,927	30,246	27,365	28,775	22,983	-11.4%	-20.1%
Gross profit	5,318	6,067	4,469	5,131	1,808	-66.0%	-64.8%
R&D expenses	(2,514)	(2,810)	(2,974)	(3,017)	(2,722)	8.3%	-9.8%
SG&A expenses	(2,531)	(2,718)	(2,769)	(2,647)	(2,049)	-19.0%	-22.6%
Operating profit	272	827	(1,177)	(443)	(2,999)	N/A	N/A
Net profit	650	1,093	(625)	7	(2,290)	N/A	N/A
Gross margin	20.5%	20.1%	16.3%	17.8%	7.9%	-12.6 ppts	-10.0 ppts
Operating margin	1.0%	2.7%	-4.3%	-1.5%	-13.0%	-14.1 ppts	-11.5 ppts
Net margin	2.5%	3.6%	-2.3%	0.0%	-10.0%	-12.5 ppts	-10.0 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	131,191	151,803	163,226	130,666	153,836	N/A	0.4%	-1.3%	N/A
Gross profit	19,702	26,425	27,922	22,974	28,038	N/A	-14.2%	-5.8%	N/A
Operating profit	(1,425)	4,932	6,241	1,794	6,785	N/A	-179.4%	-27.3%	N/A
Net profit	511	6,140	7,435	3,351	7,744	N/A	-84.7%	-20.7%	N/A
Gross margin	15.0%	17.4%	17.1%	17.6%	18.2%	N/A	-2.6 ppts	-0.8 ppts	N/A
Operating margin	-1.1%	3.2%	3.8%	1.4%	4.4%	N/A	-2.5 ppts	-1.2 ppts	N/A
Net margin	0.4%	4.0%	4.6%	2.6%	5.0%	N/A	-2.2 ppts	-1.0 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	131,191	151,803	163,226	129,720	156,897	173,481	1.1%	-3.2%	-5.9%
Gross profit	19,702	26,425	27,922	21,205	28,441	32,309	-7.1%	-7.1%	-13.6%
Operating profit	(1,425)	4,932	6,241	(461)	4,465	7,382	N/A	10.5%	-15.5%
Net profit	511	6,140	7,435	1,866	6,471	9,139	-72.6%	-5.1%	-18.6%
Gross margin	15.0%	17.4%	17.1%	16.3%	18.1%	18.6%	-1.3 ppts	-0.7 ppts	-1.5 ppts
Operating margin	-1.1%	3.2%	3.8%	-0.4%	2.8%	4.3%	-0.7 ppts	0.4 ppts	-0.4 ppts
Net margin	0.4%	4.0%	4.6%	1.4%	4.1%	5.3%	-1.0 ppts	-0.1 ppts	-0.7 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**123,851**	**144,460**	**112,313**	**131,191**	**151,803**	**163,226**
Cost of goods sold	(96,355)	(114,804)	(91,327)	(111,488)	(125,378)	(135,304)
Gross profit	**27,497**	**29,656**	**20,985**	**19,702**	**26,425**	**27,922**
Operating expenses	**(20,090)**	**(22,637)**	**(21,506)**	**(21,127)**	**(21,493)**	**(21,681)**
SG&A expense	(9,768)	(12,229)	(10,665)	(10,036)	(10,919)	(11,237)
R&D expense	(10,586)	(11,071)	(11,315)	(11,491)	(11,074)	(11,044)
Others	264	664	474	400	500	600
Operating profit	**7,407**	**7,019**	**(521)**	**(1,425)**	**4,932**	**6,241**
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	783	320	469	847	1,027	1,261
Other gains/(losses)	1,048	664	67	315	322	322
EBITDA	**12,343**	**12,561**	**6,100**	**6,124**	**13,313**	**15,548**
Depreciation	1,805	3,058	4,635	5,345	6,039	6,817
EBIT	**10,538**	**9,503**	**1,465**	**779**	**7,273**	**8,731**
Interest income	1,300	1,500	1,450	1,042	992	907
Interest expense	(86)	(188)	(168)	(187)	(152)	(112)
Pre-tax profit	**10,452**	**9,316**	**1,297**	**592**	**7,121**	**8,619**
Income tax	1,357	(1,270)	(158)	(71)	(961)	(1,164)
After tax profit	**11,809**	**8,045**	**1,139**	**521**	**6,160**	**7,455**
Minority interest	(105)	(13)	(15)	(10)	(20)	(20)
Discontinued operations	0	0	0	0	0	0
Others	0	0	0	0	0	0
Net profit	**11,704**	**8,032**	**1,124**	**511**	**6,140**	**7,435**
Adjusted net profit	**12,093**	**10,663**	**2,382**	**1,743**	**7,703**	**8,877**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**114,526**	**126,310**	**115,286**	**132,983**	**150,793**	**167,510**
Cash & equivalents	91,329	65,901	56,692	58,784	57,729	55,462
Restricted cash	0	7	216	80	100	100
Account receivables	144	135	120	216	250	268
Inventories	6,872	8,186	8,752	7,636	8,588	9,267
ST bank deposits	11,933	46,905	44,331	62,331	80,331	98,331
Other current assets	4,247	5,177	5,174	3,936	3,795	4,081
Non-current assets	**28,942**	**36,039**	**39,010**	**34,187**	**33,701**	**30,886**
PP&E	15,745	21,141	22,775	23,466	22,467	20,695
Right-of-use assets	5,939	8,324	9,099	5,024	5,281	3,690
Deferred income tax	1,990	2,542	3,334	1,500	1,500	1,500
Investment in JVs & assos	1,595	923	849	1,264	1,686	2,108
Intangibles	864	915	1,192	1,222	1,243	1,256
Other non-current assets	2,808	2,194	1,761	1,711	1,524	1,638
Total assets	**143,467**	**162,349**	**154,296**	**167,170**	**184,494**	**198,396**
Current liabilities	**72,743**	**69,216**	**63,548**	**73,916**	**87,033**	**88,888**
Short-term borrowings	688	100	0	0	0	0
Account payables	51,870	53,596	40,579	61,089	68,700	74,139
Other current liabilities	19,038	13,986	21,278	11,787	17,269	14,121
Lease liabilities	1,146	1,533	1,690	1,040	1,063	628
Non-current liabilities	**10,150**	**21,813**	**17,608**	**18,344**	**12,986**	**11,995**
Long-term borrowings	1,747	1,897	3,299	2,999	2,899	2,799
Convertible bonds	0	6,255	0	5,982	0	0
Obligations under finance leases	0	643	349	303	264	229
Deferred income	812	721	625	951	1,012	1,078
Other non-current liabilities	7,590	12,298	13,336	8,108	8,811	7,889
Total liabilities	**82,892**	**91,029**	**81,156**	**92,260**	**100,019**	**100,883**
Share capital	1	1	1	1	1	2
Capital surplus	57,480	60,127	61,400	62,649	66,054	71,636
Retained earnings	2,661	10,747	11,218	11,729	17,869	25,304
Other reserves	(0)	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	**60,143**	**70,875**	**72,619**	**74,379**	**83,924**	**96,942**
Minority interest	433	445	520	530	550	570
Total equity and liabilities	**143,467**	**162,349**	**154,296**	**167,170**	**184,494**	**198,396**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**10,452**	**9,316**	**1,297**	**592**	**7,121**	**8,619**
Depreciation & amortization	1,805	3,058	4,635	5,345	6,039	6,817
Change in working capital	36,612	2,070	(15,126)	17,252	8,559	5,450
Others	1,825	1,490	582	3,572	943	499
Net cash from operations	**50,694**	**15,933**	**(8,611)**	**26,761**	**22,662**	**21,384**
Investing						
Capital expenditure	(6,507)	(7,730)	(4,206)	(6,100)	(5,100)	(5,100)
Acquisition of subsidiaries/ investments	(198)	(31)	(61)	(300)	(300)	(300)
Net proceeds from disposal of short-term investments	16,316	(4,415)	(128)	(8,000)	(8,000)	(8,000)
Others	(9,622)	(28,961)	3,691	(10,000)	(10,000)	(10,000)
Net cash from investing	**(12)**	**(41,137)**	**(703)**	**(24,400)**	**(23,400)**	**(23,400)**
Financing						
Net borrowings	(1,001)	(996)	(944)	(422)	(297)	(251)
Proceeds from share issues	1,186	486	1,651	17	0	0
Others	0	95	60	0	0	0
Net cash from financing	**185**	**(416)**	**767**	**(405)**	**(297)**	**(251)**
Net change in cash						
Cash at the beginning of the year	40,418	91,330	65,908	56,908	58,864	57,829
Exchange difference	45	198	(453)	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	**91,330**	**65,908**	**56,908**	**58,864**	**57,829**	**55,562**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	173.5%	16.6%	(22.3%)	16.8%	15.7%	7.5%
Gross profit	212.8%	7.9%	(29.2%)	(6.1%)	34.1%	5.7%
Operating profit	na	(5.2%)	na	na	na	26.5%
EBITDA	na	1.8%	(51.4%)	0.4%	117.4%	16.8%
EBIT	na	(9.8%)	(84.6%)	(46.8%)	833.7%	20.0%
Net profit	na	(31.4%)	(86.0%)	(54.5%)	1,101.2%	21.1%
Adj. net profit	29,430.1%	(11.8%)	(77.7%)	(26.8%)	342.0%	15.2%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	22.2%	20.5%	18.7%	15.0%	17.4%	17.1%
Operating margin	6.0%	4.9%	(0.5%)	(1.1%)	3.2%	3.8%
EBITDA margin	10.0%	8.7%	5.4%	4.7%	8.8%	9.5%
Adj. net profit margin	9.8%	7.4%	2.1%	1.3%	5.1%	5.4%
Return on equity (ROE)	22.3%	12.3%	1.6%	0.7%	7.8%	8.2%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Current ratio (x)	1.6	1.8	1.8	1.8	1.7	1.9
Receivable turnover days	0.4	0.3	0.4	0.6	0.6	0.6
Inventory turnover days	26.0	26.0	35.0	25.0	25.0	25.0
Payable turnover days	196.5	170.4	162.2	200.0	200.0	200.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	9.0	13.3	95.9	213.4	17.9	15.1
P/E (diluted)	9.7	14.2	102.0	228.1	19.2	16.1
P/B	1.8	1.5	1.5	1.5	1.3	1.2
P/CFPS	2.1	6.7	ns	4.1	4.9	5.2
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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