

Great Wall Motor (2333 HK/601633 CH)

2H26 earnings inflection with attractive valuation

Maintain BUY. Great Wall's 2Q26 results were in line with its profit alert, with ASP beating our forecast on a record export mix. We see an earnings inflection in 2H26E, driven by the expected receipt of RMB3-4bn in Russian recycling-fee reimbursement by Dec 2026, new model ramp-ups (such as the *H10*), and stabilizing selling expenses following the completion of its direct-sales network expansion. Exports—now accounting for more than half of total sales volume with structurally higher margins—underpin earnings quality, while the Guiyuan platform should revive domestic sales, in our view.

- **2Q26 core profit in line, revenue beat.** Great Wall's 2Q26 net profit of RMB1,519mn (-67% YoY, +61% QoQ) fell within its profit-alert range of RMB1.4-1.7bn. The YoY decline was mainly due to the delayed recognition of about RMB2.0bn of recycling-fee reimbursement in Russia (vs. RMB2.3bn recognized in 2Q25); excluding this drag and adverse forex, core net profit was largely flat YoY. Revenue rose 9% YoY to RMB57.0bn, 4% above our forecast, driven by a record quarterly ASP of RMB181,000 (+8% YoY). GPM remained resilient at 18.3% (vs 18.8% in 2Q25).
- **Prioritizing profit over volume.** We cut our FY26E sales volume forecast by 30,000 units to 1.35mn units (0.7mn units for exports and 0.65mn units for domestic market), as it appears to us that Great Wall continues to prioritize profitability over volume. This implies 2H26 sales volume of about 0.77mn units, up 31% HoH and 2% YoY. Factoring in a higher export contribution offset by year-end bonus accruals, we expect 2H26 GPM to narrow 0.5ppts HoH to 17.9%. We conservatively assume RMB3.0bn of recycling-fee reimbursement to be received in 2H26. Accordingly, we trim our FY26E net profit by 1.3% to RMB9.2bn. For FY27E, we lower sales volume forecast from 1.6mn to 1.53mn units but expect rising exports and the Guiyuan platform to support margins, bringing our FY27E net profit forecast to RMB10.9bn (-7.5%).
- **Valuation/Key risks.** We maintain BUY and cut our H-share target price from HK\$19.00 to HK\$14.00, now based on 10x FY27E P/E (prior 12x), to reflect compressed sector-wide valuation multiples. Our A-share target price is adjusted to RMB25.00, based on the current A/H premium of about 110%. Key risks to our rating and target price include lower sales volume and margins than we expect, as well as a further sector de-rating.

Earnings Summary - 2333 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	202,195	222,824	233,775	266,440	287,715
YoY growth (%)	16.7	10.2	4.9	14.0	8.0
Net profit (RMB mn)	12,692.2	9,865.3	9,231.7	10,897.8	12,077.2
YoY growth (%)	80.8	(22.3)	(6.4)	18.0	10.8
EPS (Reported) (RMB)	1.49	1.16	1.07	1.26	1.39
P/E (x)	4.8	6.2	6.7	5.7	5.2
P/B (x)	0.8	0.7	0.6	0.6	0.5
Yield (%)	6.3	4.9	4.5	5.3	5.8
ROE (%)	17.2	11.8	10.1	10.9	10.9

Source: Company data, Bloomberg, CMBIGM estimates

	2333 HK	601633 CH
	BUY	BUY
	Maintain	Maintain

TP	HK\$14.00	RMB25.00
Prior TP	HK\$19.00	RMB28.50
Up/Downside	67.5%	62.3%
Current Price	HK\$8.4	RMB15.4

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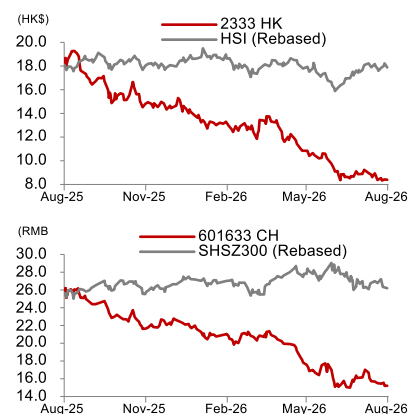
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12-mth Price Performance



Source: FactSet

Stock Performance

	2333 HK		601633 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-5.5%	-7.6%	-4.5%	-3.8%
3-mth	-23.6%	-23.3%	-12.4%	-18.9%
6-mth	-37.7%	-34.6%	-26.6%	-35.3%

Source: FactSet

Stock Data

(LC)	2333 HK	601633 CH
Mkt Cap (mn)	71543.81	131791.23
Avg 3 mths t/o (mn)	150.56	343.97
52w High	19.36	26.28
52w Low	8.32	15
Issued Shares (mn)	8557.872	8557.872

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Sales volume (units)	256,807	312,982	353,569	400,314	269,104	314,791	0.6%	17.0%
ASP (RMB)	155,833	167,152	173,226	172,970	167,628	181,047	8.3%	8.0%
Revenue	40,019	52,316	61,247	69,242	45,109	56,992	8.9%	26.3%
Gross profit	7,139	9,836	11,281	11,947	8,324	10,436	6.1%	25.4%
R&D expenses	(1,906)	(2,333)	(2,396)	(3,797)	(2,242)	(2,326)	-0.3%	3.8%
SG&A expenses	(3,234)	(3,696)	(3,903)	(5,188)	(3,595)	(4,453)	20.5%	23.9%
Operating profit	1,724	5,138	2,913	1,759	1,205	2,016	-60.8%	67.2%
Net profit	1,751	4,586	2,298	1,230	945	1,519	-66.9%	60.7%
Gross margin	17.8%	18.8%	18.4%	17.3%	18.5%	18.3%	-0.5 pts	-0.1 pts
Operating margin	4.3%	9.8%	4.8%	2.5%	2.7%	3.5%	-6.3 pts	0.9 pts
Net margin	4.4%	8.8%	3.8%	1.8%	2.1%	2.7%	-6.1 pts	0.6 pts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff.		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	233,775	266,440	287,715	230,030	272,490	283,640	1.6%	-2.2%	1.4%
Gross profit	42,333	48,464	52,452	41,558	48,785	50,525	1.9%	-0.7%	3.8%
Operating profit	10,590	12,621	14,121	10,668	13,435	13,434	-0.7%	-6.1%	5.1%
Net profit	9,232	10,898	12,077	9,352	11,785	11,784	-1.3%	-7.5%	2.5%
Gross margin	18.1%	18.2%	18.2%	18.1%	17.9%	17.8%	0.0 pts	0.3 pts	0.4 pts
Operating margin	4.5%	4.7%	4.9%	4.6%	4.9%	4.7%	-0.1 pts	-0.2 pts	0.2 pts
Net margin	3.9%	4.1%	4.2%	4.1%	4.3%	4.2%	-0.1 pts	-0.2 pts	0.0 pts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff.		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	233,775	266,440	287,715	250,343	284,535	311,483	-6.6%	-6.4%	-7.6%
Gross profit	42,333	48,464	52,452	45,535	52,542	58,817	-7.0%	-7.8%	-10.8%
Operating profit	10,590	12,621	14,121	11,296	13,778	16,108	-6.3%	-8.4%	-12.3%
Net profit	9,232	10,898	12,077	10,465	12,546	14,532	-11.8%	-13.1%	-16.9%
Gross margin	18.1%	18.2%	18.2%	18.2%	18.5%	18.9%	-0.1 pts	-0.3 pts	-0.7 pts
Operating margin	4.5%	4.7%	4.9%	4.5%	4.8%	5.2%	0.0 pts	-0.1 pts	-0.3 pts
Net margin	3.9%	4.1%	4.2%	4.2%	4.4%	4.7%	-0.2 pts	-0.3 pts	-0.5 pts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	173,212	202,195	222,824	233,775	266,440	287,715
Cost of goods sold	(141,772)	(162,747)	(182,622)	(191,442)	(217,976)	(235,263)
Gross profit	31,440	39,449	40,202	42,333	48,464	52,452
Operating expenses	(26,062)	(29,281)	(34,936)	(36,462)	(40,867)	(42,819)
Selling expense	(7,286)	(7,830)	(11,273)	(12,338)	(13,669)	(14,206)
Admin expense	(4,735)	(4,756)	(4,747)	(4,886)	(5,351)	(5,451)
R&D expense	(8,054)	(9,284)	(10,432)	(10,822)	(11,989)	(12,517)
Others	(5,986)	(7,409)	(8,483)	(8,416)	(9,858)	(10,645)
Operating profit	5,378	10,168	5,267	5,871	7,597	9,634
Other income	744	435	337	500	550	550
Other expense	(121)	(72)	(113)	(100)	(120)	(120)
Gain/loss on financial assets at FVTPL	(26)	42	167	0	0	0
Investment gain/loss	761	877	574	1,053	1,109	1,118
Other gains/(losses)	962	2,924	3,557	3,375	3,301	2,433
EBITDA	16,599	25,318	23,785	23,938	27,124	28,953
Depreciation	4,081	4,722	4,598	4,884	5,159	5,441
Depreciation of ROU assets	463	740	1,515	1,616	1,901	2,171
Other amortisation	3,284	4,691	5,179	5,839	6,477	6,515
EBIT	8,771	15,165	12,493	11,599	13,586	14,826
Interest income	249	299	358	531	655	976
Interest expense	(947)	(882)	(736)	(609)	(535)	(275)
Net Interest income/(expense)	126	(91)	1,970	291	615	936
Foreign exchange gain/loss	(127)	(343)	1,640	(200)	0	0
Pre-tax profit	7,824	14,283	11,758	10,990	13,051	14,551
Income tax	(801)	(1,591)	(1,893)	(1,758)	(2,153)	(2,474)
After tax profit	7,023	12,692	9,865	9,232	10,898	12,077
Minority interest	(1)	(0)	0	0	0	0
Net profit	7,022	12,692	9,865	9,232	10,898	12,077
Gross dividends	2,563	3,853	2,995	2,770	3,269	3,623

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	118,584	133,435	137,647	153,259	163,573	179,705
Cash & equivalents	38,337	30,741	28,846	36,262	35,840	44,895
Account receivables	41,235	54,149	39,591	44,834	51,098	55,178
Inventories	26,628	25,408	26,148	28,847	32,846	35,451
Prepayment	3,873	1,942	2,112	1,836	2,090	2,256
Financial assets at FVTPL	0	0	0	0	0	0
Other current assets	8,511	21,195	40,949	41,480	41,699	41,925
Non-current assets	82,686	83,831	87,641	89,669	90,558	91,376
PP&E	30,235	30,014	29,282	28,387	27,397	26,126
Right-of-use assets	736	1,831	3,133	2,516	1,515	243
Deferred income tax	4,660	5,450	6,913	6,913	6,913	6,913
Investment in JVs & assos	10,751	11,551	12,222	12,822	13,471	14,131
Intangibles	11,310	12,345	12,235	12,354	12,118	12,189
Goodwill	28	28	28	28	28	28
Financial assets at FVTPL	2,128	1,771	1,703	1,703	1,703	1,703
Other non-current assets	22,838	20,841	22,125	24,946	27,412	30,043
Total assets	201,270	217,266	225,288	242,928	254,131	271,081
Current liabilities	110,835	122,229	126,216	136,708	138,836	145,559
Short-term borrowings	12,221	9,597	8,234	18,949	7,195	5,500
Account payables	81,488	93,844	95,025	97,032	109,287	116,020
Other current liabilities	16,771	18,048	21,465	19,510	21,139	22,823
Lease liabilities	354	739	1,491	1,216	1,216	1,216
Non-current liabilities	21,926	16,041	11,180	10,645	10,119	10,079
Long-term borrowings	13,331	6,639	1,147	647	647	1,147
Convertible bonds	3,418	3,517	3,611	2,891	2,171	1,451
Deferred income	3,198	3,455	3,322	3,632	3,826	4,005
Other non-current liabilities	1,979	2,431	3,100	3,475	3,475	3,475
Total liabilities	132,762	138,270	137,396	147,353	148,955	155,638
Share capital	8,498	8,556	8,558	8,613	8,680	8,747
Capital surplus	7,731	10,915	12,822	13,857	14,937	16,004

Retained earnings	52,729	61,431	66,249	72,486	80,614	89,422
Other reserves	(456)	(1,914)	263	619	945	1,270
Total shareholders equity	68,501	78,988	87,892	95,575	105,176	115,444
Minority interest	8	8	0	0	0	0
Total equity and liabilities	201,270	217,266	225,288	242,928	254,131	271,081

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
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YE 31 Dec (RMB mn)**Operating**

Profit before taxation	7,824	14,283	11,758	10,990	13,051	14,551
Depreciation & amortization	7,828	10,153	11,291	12,339	13,538	14,127
Tax paid	(801)	(1,591)	(1,893)	(1,758)	(2,153)	(2,474)
Change in working capital	3,521	4,382	20,543	(6,498)	1,415	(574)
Others	(618)	555	(1,344)	(3,862)	(246)	(415)
Net cash from operations	17,754	27,783	40,355	11,211	25,605	25,216

Investing

Capital expenditure	(16,713)	(11,737)	(11,509)	(13,321)	(13,936)	(14,452)
Acquisition of subsidiaries/ investments	(14,139)	(75,457)	(127,763)	0	0	0
Net proceeds from disposal of short-term investments	18,362	63,169	109,502	200	200	200
Others	2,039	730	616	2,054	1,780	1,779
Net cash from investing	(10,451)	(23,296)	(29,154)	(11,068)	(11,957)	(12,472)

Financing

Dividend paid	(2,534)	(2,563)	(3,853)	(2,995)	(2,770)	(3,269)
Net borrowings	526	(8,686)	(6,867)	9,315	(12,655)	(2,095)
Others	3,060	(929)	(2,725)	953	1,355	1,676
Net cash from financing	1,052	(12,178)	(13,445)	7,273	(14,070)	(3,688)

Net change in cash

Cash at the beginning of the year	26,899	35,272	27,210	25,257	32,673	32,251
Exchange difference	18	(371)	292	0	0	0
Cash at the end of the year	35,272	27,210	25,257	32,673	32,251	41,306

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
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YE 31 Dec

Revenue	26.1%	16.7%	10.2%	4.9%	14.0%	8.0%
Gross profit	18.2%	25.5%	1.9%	5.3%	14.5%	8.2%
Operating profit	26.1%	89.1%	(48.2%)	11.5%	29.4%	26.8%
EBITDA	2.9%	52.5%	(6.1%)	0.6%	13.3%	6.7%
EBIT	(7.9%)	72.9%	(17.6%)	(7.2%)	17.1%	9.1%
Net profit	(15.1%)	80.8%	(22.3%)	(6.4%)	18.0%	10.8%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
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YE 31 Dec

Gross profit margin	18.2%	19.5%	18.0%	18.1%	18.2%	18.2%
Operating margin	3.1%	5.0%	2.4%	2.5%	2.9%	3.3%
EBITDA margin	9.6%	12.5%	10.7%	10.2%	10.2%	10.1%
Return on equity (ROE)	10.5%	17.2%	11.8%	10.1%	10.9%	10.9%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
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YE 31 Dec

Current ratio (x)	1.1	1.1	1.1	1.1	1.2	1.2
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VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
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YE 31 Dec

P/E	8.8	4.8	6.2	6.7	5.7	5.2
P/B	0.9	0.8	0.7	0.6	0.6	0.5
P/CFPS	3.5	2.2	1.5	5.5	2.4	2.5
Div yield (%)	4.1	6.3	4.9	4.5	5.3	5.8

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

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