31 Aug 2026

CMB International Global Markets | Equity Research | Company Update

招銀国际
CMB INTERNATIONAL
招商银行全资附属机构
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BYD (1211 HK/002594 CH)

2Q26 earnings signal enhanced cost discipline

	1211 HK	002594 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$125.00	RMB125.00
Prior TP	HK$125.00	RMB125.00
Up/Downside	35.9%	35.4%
Current Price	HK$92.0	RMB92.3

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Maintain BUY. We view BYD's 2Q26 earnings as resilient despite bottom-line performance missing by revenue drag and higher impairment losses. We believe tightening cost control, marked by stabilizing 1H26 R&D spend and slowing D&A growth, underscores long-term margin resilience anchored by superior scale and vertical integration.

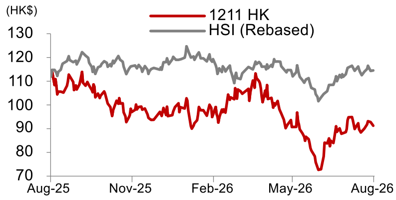
- **2Q26 GPM beat; net profit missed on revenue and impairment.** BYD's 2Q26 revenue fell 3.2% YoY to RMB195bn, or 8.6% lower than our prior forecast. GPM expanded 0.1ppts QoQ to 18.9% in 2Q26, the highest since 2Q25, and 0.5ppts higher than our projection. SG&A and R&D expenses were largely in line while impairment losses were about RMB1.1bn higher than our forecast. Net profit surged 30% YoY to RMB8.2bn, yet trailing our projection by 15%. Excluding impairment, net profit per vehicle was about RMB8,900 (RMB300 below our estimate).

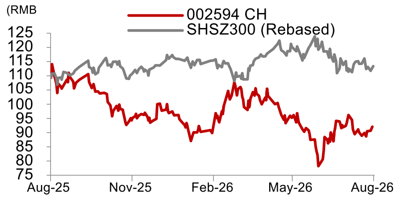
- **Stricter cost control unlocks earnings upside.** Total R&D investment in 1H26 declined 6.5% YoY, signaling cost stabilization, while the R&D capitalization ratio rose from 4% in 1H25 to 19% in 1H26. Total depreciation and amortization only rose 5% YoY in 1H26, the slowest pace since 1H20. We expect cost reduction efforts to become increasingly pronounced in the next few years, as BYD's production capacity, sales network and R&D resources have been well established, especially in China. We believe BYD's greater economies of scale and vertical integration could result in more resilient profitability than most peers, as evidenced by its robust 1H26 GPM.

- **2H26 and FY27 outlook.** We maintain our FY26E sales volume forecast of 4.5mn units with overseas contributing 40%. We cut FY26E revenue forecast by 1% following 2Q26 ASP miss but raise FY26E GPM by 0.2ppts and trim R&D expenses by 9%. Accordingly, we raise our FY26E net profit by 3% to RMB36.1bn. We project FY27E sales volume to rise 11% YoY to 5.0mn units, aided by overseas markets. We expect stringent cost cuts to extend into FY27E and thus we revise up our FY27E net profit by 5% to RMB44.1bn.

- **Valuation/Key risks.** We maintain our BUY rating and H-share target price of HK$125.00, still based on 22x our revised FY27E P/E. Our unchanged A-share target price is based on the current A/H premium of 18%. Key risks to our rating and target prices include lower sales volume or margins than we expect, as well as a sector de-rating.

12-mth Price Performance





Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	2.4%	1.3%	-1.1%	1.5%
3-mth	1.8%	-0.5%	-3.7%	8.6%
6-mth	-3.2%	0.8%	3.4%	-1.0%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	838326.3	841699.68
Avg 3 mths t/o (mn)	2015.39	3749.38
52w High	114.4	114.06
52w Low	72.45	78.2
Issued Shares (mn)	9117.207	9117.2067

Source: FactSet

Earnings Summary - 1211 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	777,102	803,965	825,103	902,415	966,157
YoY growth (%)	29.0	3.5	2.6	9.4	7.1
Net profit (RMB mn)	40,254.3	32,619.0	36,112.1	44,079.7	52,606.5
YoY growth (%)	34.0	(19.0)	10.7	22.1	19.3
EPS (Reported) (RMB)	13.85	3.61	3.96	4.83	5.77
P/S (x)	0.9	0.9	0.9	0.8	0.7
P/E (x)	5.7	21.8	19.9	16.3	13.7
Yield (%)	5.3	0.5	1.0	1.2	1.5
ROE (%)	24.8	15.1	13.7	14.8	15.6
Net gearing (%)	(50.7)	(1.1)	(8.7)	(13.7)	(31.4)

Source: Company data, Bloomberg, CMBIGM estimates

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	YoY	QoQ
Sales volume (units)	1,000,804	1,145,150	1,114,192	1,342,290	700,463	1,108,048	-3.2%	58.2%
Revenue	170,360	200,921	194,985	237,699	150,225	194,590	-3.2%	29.5%
Gross profit	34,185	32,681	34,346	41,448	28,252	36,737	12.4%	30.0%
R&D expenses	(14,223)	(15,373)	(14,152)	(14,230)	(11,344)	(11,964)	-22.2%	5.5%
SG&A expenses	(11,087)	(11,710)	(10,979)	(12,608)	(10,910)	(11,979)	2.3%	9.8%
Operating profit	11,021	7,699	10,186	11,279	4,696	10,048	30.5%	114.0%
Net profit	9,155	6,356	7,823	9,286	4,085	8,241	29.7%	101.8%
Gross margin	20.1%	16.3%	17.6%	17.4%	18.8%	18.9%	2.6 ppts	0.1 ppts
Operating margin	6.5%	3.8%	5.2%	4.7%	3.1%	5.2%	1.3 ppts	2.0 ppts
Net margin	5.4%	3.2%	4.0%	3.9%	2.7%	4.2%	1.1 ppts	1.5 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	825,103	902,415	966,157	835,458	929,318	1,004,947	-1.2%	-2.9%	-3.9%
Gross profit	150,288	160,549	173,052	150,633	165,220	179,545	-0.2%	-2.8%	-3.6%
Operating profit	43,663	54,155	64,836	42,966	51,737	59,625	1.6%	4.7%	8.7%
Net profit	36,112	44,080	52,606	34,952	41,845	48,152	3.3%	5.3%	9.3%
Gross margin	18.2%	17.8%	17.9%	18.0%	17.8%	17.9%	0.2 ppts	0.0 ppts	0.0 ppts
Operating margin	5.3%	6.0%	6.7%	5.1%	5.6%	5.9%	0.1 ppts	0.4 ppts	0.8 ppts
Net margin	4.4%	4.9%	5.4%	4.2%	4.5%	4.8%	0.2 ppts	0.4 ppts	0.7 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff.		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	825,103	902,415	966,157	910,470	1,001,368	1,101,072	-9.4%	-9.9%	-12.3%
Gross profit	150,288	160,549	173,052	169,102	191,091	213,784	-11.1%	-16.0%	-19.1%
Operating profit	43,663	54,155	64,836	45,620	58,756	70,039	-4.3%	-7.8%	-7.4%
Net profit	36,112	44,080	52,606	39,388	50,580	60,213	-8.3%	-12.9%	-12.6%
Gross margin	18.2%	17.8%	17.9%	18.6%	19.1%	19.4%	-0.4 ppts	-1.3 ppts	-1.5 ppts
Operating margin	5.3%	6.0%	6.7%	5.0%	5.9%	6.4%	0.3 ppts	0.1 ppts	0.3 ppts
Net margin	4.4%	4.9%	5.4%	4.3%	5.1%	5.5%	0.1 ppts	-0.2 ppts	0.0 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Revenue	**602,315**	**777,102**	**803,965**	**825,103**	**902,415**	**966,157**
Cost of goods sold	(490,399)	(626,047)	(661,305)	(674,815)	(741,866)	(793,104)
Gross profit	**111,916**	**151,056**	**142,660**	**150,288**	**160,549**	**173,052**
Operating expenses	**(78,757)**	**(110,677)**	**(117,943)**	**(110,631)**	**(115,107)**	**(118,157)**
Selling expense	(15,371)	(24,085)	(26,185)	(26,780)	(27,923)	(28,657)
Admin expense	(13,462)	(18,645)	(20,200)	(21,317)	(21,315)	(21,757)
R&D expense	(39,575)	(53,195)	(57,978)	(50,400)	(52,000)	(53,300)
Others	(10,350)	(14,752)	(13,581)	(12,134)	(13,868)	(14,444)
Operating profit	**33,159**	**40,379**	**24,717**	**39,657**	**45,443**	**54,895**
Other income	5,965	15,303	14,932	14,100	13,500	11,200
Other expense	(1,546)	(2,057)	(1,564)	(800)	(1,300)	(1,400)
Gain/loss on financial assets at FVTPL	258	532	364	350	500	550
Investment gain/loss	1,635	2,291	2,857	338	1,058	1,558
Other gains/(losses)	(3,677)	(5,552)	(2,202)	(3,747)	(3,107)	(3,320)
EBITDA	**82,649**	**118,681**	**122,830**	**138,373**	**160,758**	**181,222**
Depreciation	37,718	56,922	72,048	81,806	93,468	102,843
Depreciation of ROU assets	1,390	2,643	2,655	2,922	3,327	3,777
Other amortisation	4,444	7,341	5,823	6,422	7,005	7,602
EBIT	**39,096**	**51,774**	**42,305**	**47,223**	**56,957**	**66,999**
Interest income	2,796	2,484	2,437	2,824	2,864	3,516
Interest expense	(1,828)	(2,094)	(2,552)	(3,760)	(3,102)	(2,364)
Net Interest income/(expense)	**1,475**	**(1,216)**	**649**	**(6,436)**	**(2,239)**	**1,153**
Foreign exchange gain/loss	639	(1,532)	1,034	(5,500)	(2,000)	0
Pre-tax profit	**37,269**	**49,681**	**39,753**	**43,463**	**53,855**	**64,636**
Income tax	(5,925)	(8,093)	(5,992)	(6,911)	(8,707)	(10,447)
After tax profit	**31,344**	**41,588**	**33,761**	**36,552**	**45,148**	**54,189**
Minority interest	(1,303)	(1,334)	(1,142)	(439)	(1,068)	(1,582)
Net profit	**30,041**	**40,254**	**32,619**	**36,112**	**44,080**	**52,606**
Gross dividends	9,012	12,077	3,264	7,222	8,816	10,521

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**302,121**	**370,572**	**371,468**	**405,033**	**464,198**	**569,387**
Cash & equivalents	108,512	102,257	68,395	86,000	95,000	154,678
Restricted cash	583	482	7,030	4,000	5,000	5,000
Account receivables	67,431	72,749	42,489	47,020	52,216	55,905
Inventories	87,677	116,036	138,421	133,114	142,276	152,102
Prepayment	2,215	3,974	5,025	5,399	5,193	5,552
Financial assets at FVTPL	9,563	40,939	54,533	69,683	99,883	130,133
Other current assets	23,481	32,725	54,411	58,372	62,999	64,270
Contract assets	2,660	1,411	1,165	1,447	1,632	1,747
Non-current assets	**377,426**	**412,784**	**512,262**	**523,117**	**512,989**	**480,709**
PP&E	230,904	262,287	292,776	303,972	288,505	248,664
Right-of-use assets	9,679	10,575	9,083	8,560	8,133	7,256
Deferred income tax	6,584	8,559	15,358	15,358	15,358	15,358
Investment in JVs & assos	17,647	19,082	21,781	23,481	25,081	26,881
Intangibles	37,236	38,424	41,485	43,181	44,716	46,078
Goodwill	4,428	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,696	2,655	3,080	3,380	3,780	4,180
Other non-current assets	68,252	66,773	124,271	120,757	122,988	127,865
Total assets	**679,548**	**783,356**	**883,730**	**928,150**	**977,188**	**1,050,095**
Current liabilities	**453,667**	**495,985**	**468,451**	**474,656**	**492,491**	**523,495**
Short-term borrowings	18,323	12,103	38,485	33,539	1,384	0
Account payables	194,430	241,643	186,742	191,352	214,023	228,805
Tax payable	7,852	10,097	10,716	10,612	11,382	12,168
Other current liabilities	198,363	188,412	181,037	191,085	214,889	228,199
Contract liabilities	34,699	43,730	51,471	48,069	50,813	54,322
Non-current liabilities	**75,419**	**88,682**	**156,739**	**162,123**	**155,613**	**152,546**
Long-term borrowings	11,975	8,258	60,706	55,706	44,706	33,706
Bond payables	0	0	4,998	5,998	6,998	7,998
Other non-current liabilities	63,444	80,425	91,036	100,420	103,910	110,842
Total liabilities	**529,086**	**584,668**	**625,191**	**636,780**	**648,105**	**676,041**
Share capital	2,911	2,909	9,117	9,117	9,117	9,117

Other reserves	135,899	182,342	237,157	269,925	306,701	350,410
Total shareholders equity	**138,810**	**185,251**	**246,275**	**279,042**	**315,818**	**359,528**
Minority interest	11,652	13,437	12,265	12,329	13,265	14,527
Total equity and liabilities	**679,548**	**783,356**	**883,730**	**928,150**	**977,188**	**1,050,095**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**37,269**	**49,681**	**39,753**	**43,463**	**53,855**	**64,636**
Depreciation & amortization	43,553	66,906	80,526	91,150	103,801	114,223
Change in working capital	91,094	18,291	(57,100)	13,491	21,788	19,382
Others	(2,190)	(1,424)	(4,043)	2,143	(6,448)	(6,463)
Net cash from operations	**169,725**	**133,454**	**59,136**	**150,246**	**172,996**	**191,777**
Investing						
Capital expenditure	(122,094)	(97,360)	(156,808)	(108,600)	(89,000)	(77,700)
Acquisition of subsidiaries/ investments	(16,163)	(3,792)	(2,998)	(16,100)	(31,100)	(31,100)
Net proceeds from disposal of short-term investments	0	129	1,727	0	0	0
Others	12,593	(28,060)	(39,385)	2,450	2,450	2,450
Net cash from investing	**(125,664)**	**(129,082)**	**(197,463)**	**(122,250)**	**(117,650)**	**(106,350)**
Financing						
Dividend paid	(3,325)	(9,012)	(12,077)	(3,264)	(7,222)	(8,816)
Net borrowings	18,073	(9,480)	84,783	(3,162)	(32,155)	(11,384)
Proceeds from share issues	0	0	40,075	0	0	0
Others	(1,931)	8,225	(8,167)	(3,966)	(6,968)	(5,549)
Net cash from financing	**12,817**	**(10,268)**	**104,614**	**(10,391)**	**(46,346)**	**(25,749)**
Net change in cash						
Cash at the beginning of the year	51,182	108,512	102,257	68,395	86,000	95,000
Exchange difference	451	(359)	(148)	0	0	0
Cash at the end of the year	**108,512**	**102,257**	**68,395**	**86,000**	**95,000**	**154,678**

GROWTH	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Revenue	42.0%	29.0%	3.5%	2.6%	9.4%	7.1%
Gross profit	54.9%	35.0%	(5.6%)	5.3%	6.8%	7.8%
Operating profit	56.0%	21.8%	(38.8%)	60.4%	14.6%	20.8%
EBITDA	93.3%	43.6%	3.5%	12.7%	16.2%	12.7%
EBIT	74.6%	32.4%	(18.3%)	11.6%	20.6%	17.6%
Net profit	80.7%	34.0%	(19.0%)	10.7%	22.1%	19.3%

PROFITABILITY	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Gross profit margin	18.6%	19.4%	17.7%	18.2%	17.8%	17.9%
Operating margin	5.5%	5.2%	3.1%	4.8%	5.0%	5.7%
EBITDA margin	13.7%	15.3%	15.3%	16.8%	17.8%	18.8%
Return on equity (ROE)	24.0%	24.8%	15.1%	13.7%	14.8%	15.6%

GEARING/LIQUIDITY/ACTIVITIES	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
Net debt to equity (x)	(0.7)	(0.5)	(0.0)	(0.1)	(0.1)	(0.3)
Current ratio (x)	0.7	0.7	0.8	0.9	0.9	1.1
Receivable turnover days	52.0	45.0	30.9	32.0	33.0	33.0
Inventory turnover days	65.3	67.7	76.4	72.0	70.0	70.0
Payable turnover days	147.7	142.3	115.5	115.0	117.0	117.0

VALUATION	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec						
P/E	7.6	5.7	21.8	19.9	16.3	13.7
P/B	1.7	1.2	2.9	2.6	2.3	2.0
P/CFPS	1.3	1.7	12.0	4.8	4.2	3.7
Div yield (%)	3.9	5.3	0.5	1.0	1.2	1.5

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

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HOLD	: Stock with potential return of +15% to -10% over next 12 months
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
MARKET-PERFORM	: Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM	: Industry expected to underperform the relevant broad market benchmark over next 12 months

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