Great Wall Motor (2333 HK/601633 CH)

Overseas localization as key after 3Q26 miss

Maintain BUY. Great Wall's 3Q26 net profit missed our estimate by 36% as gross margin fell 1.0ppts QoQ. Great Wall has higher international exposure than some of its peers, as its YTD overseas sales volume exceeded half of total deliveries. It has been expanding global footprint outside Russia in both sales and production in a bid to mitigate trade risks.

- **3Q26 miss on GPM.** Great Wall's 3Q26 revenue fell 5.7% YoY to RMB57.8bn, trailing our forecast by 3.0%. GPM fell 1.1ppts YoY and 1.0ppts QoQ to 17.3%, coming in 1.1ppts lower than our prior forecast. Management attributed it to launch-stage incentives and ramp-up costs for newly introduced models in China, while reiterating a healthy overseas GPM. Combined SG&A and R&D ratio fell 1.0ppt QoQ to 10.9%, 0.2ppts better than our forecast. Net profit fell 40.7% YoY and 10.4% QoQ to RMB1,362mn, missing our estimate by 36%.
- **Overseas localization expansion to mitigate tariffs and supports long-term upside**. Overseas markets accounted for about 52% of Great Wall's total wholesale volume in the first nine months this year, with locally produced vehicles comprising 35%-45% of total overseas deliveries. Management projects overseas capacity to reach 250,000-300,000 units in FY26E (including 220,000 units in full-process manufacturing facilities across Russia, Brazil and Thailand), with further expansion targeted for FY27E. Its KD plant in Bulgaria provides strategic positioning to mitigate upcoming EU tariffs on Chinese hybrid vehicles. Management still sees substantial overseas growth potential and expects locally produced vehicles to achieve superior profitability over CBUs (Complete Built Units) over time, potentially exceeding consensus expectations.
- **Earnings forecasts**. We expect 4Q26E sales volume to rise 9.3% QoQ to about 0.37mn units, supported by new models (the *H10*, new *Lanshan* and Ora models). We expect year-end bonus accruals to drive down GPM by 1.1ppts QoQ and increase the combined SG&A and R&D ratio by 2.7ppts QoQ in 4Q26E. We forecast 4Q26E net profit to rise 7.8% YoY to RMB1.3bn, assuming the receipt of RMB2.0bn in Russia's recycling-fee reimbursements. We cut both FY26-27E net profit forecasts by 30% to RMB5.3bn and RMB6.4bn, respectively, reflecting structural policy headwinds (export VAT rebate reduction and battery consumption tax increase) and uncertainties surrounding Russia's recycling-fee refunds.
- **Valuation/Risks.** We maintain our BUY rating and cut our H-share target price from HK$14.00 to HK$8.50, still based on 10x FY27E P/E. Our A-share target price is adjusted to RMB18.20, based on a 150% A/H premium. Key risks to our rating and target prices include lower sales volume and margins than we expect, as well as a sector de-rating.

Earnings Summary - 2333 HK

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue (RMB mn)	202,195	222,824	223,423	241,125	263,895
YoY growth (%)	16.7	10.2	0.3	7.9	9.4
Net profit (RMB mn)	12,692.2	9,865.3	5,309.0	6,354.9	8,071.2
YoY growth (%)	80.8	(22.3)	(46.2)	19.7	27.0
EPS (Reported) (RMB)	1.49	1.16	0.62	0.74	0.93
P/E (x)	3.7	4.8	8.9	7.5	5.9
P/B (x)	0.6	0.5	0.5	0.5	0.5
Yield (%)	8.2	6.4	3.4	4.0	5.0
ROE (%)	17.2	11.8	5.9	6.7	7.9

Source: Company data, Bloomberg, CMBIGM estimates

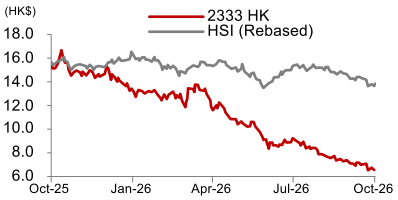
	2333 HK	601633 CH
	BUY	BUY
	Maintain	Maintain
TP	HK$8.50	RMB18.20
Prior TP	HK$14.00	RMB25.00
Up/Downside	31.0%	29.8%
Current Price	HK$6.5	RMB14.0

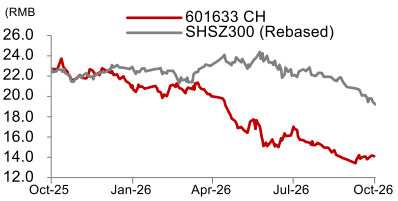
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12-mth Price Performance





Source: FactSet

Stock Performance

	2333 HK		601633 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-10.2%	-5.1%	2.1%	-1.8%
3-mth	-30.6%	-22.9%	-17.6%	-20.8%
6-mth	-44.1%	-38.1%	-29.5%	-32.5%

Source: FactSet

Stock Data

(LC)	2333 HK	601633 CH
Mkt Cap (mn)	55672.54	120266.42
Avg 3 mths t/o (mn)	114.45	209.76
52w High	16.64	23.73
52w Low	6.49	13.41
Issued Shares (mn)	8578.204	8578.2037

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	YoY	QoQ
Sales volume (units)	256,807	312,982	353,569	400,314	269,104	314,791	336,407	-4.9%	6.9%
ASP (RMB)	155,833	167,152	173,226	172,970	167,628	181,047	171,718	-0.9%	-5.2%
Revenue	40,019	52,316	61,247	69,242	45,109	56,992	57,767	-5.7%	1.4%
Gross profit	7,139	9,836	11,281	11,947	8,324	10,436	9,981	-11.5%	-4.4%
R&D expenses	(1,906)	(2,333)	(2,396)	(3,797)	(2,242)	(2,326)	(2,318)	-3.3%	-0.4%
SG&A expenses	(3,234)	(3,696)	(3,903)	(5,188)	(3,595)	(4,453)	(3,982)	2.0%	-10.6%
Operating profit	1,724	5,138	2,913	1,759	1,205	2,016	1,780	-38.9%	-11.7%
Net profit	1,751	4,586	2,298	1,230	945	1,519	1,362	-40.7%	-10.4%
Gross margin	17.8%	18.8%	18.4%	17.3%	18.5%	18.3%	17.3%	-1.1 ppts	-1.0 ppts
Operating margin	4.3%	9.8%	4.8%	2.5%	2.7%	3.5%	3.1%	-1.7 ppts	-0.5 ppts
Net margin	4.4%	8.8%	3.8%	1.8%	2.1%	2.7%	2.4%	-1.4 ppts	-0.3 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	223,423	241,125	263,895	227,612	253,075	270,970	-1.8%	-4.7%	-2.6%
Gross profit	39,064	42,603	47,567	41,137	45,894	49,307	-5.0%	-7.2%	-3.5%
Operating profit	6,846	8,152	10,390	9,453	11,073	12,510	-27.6%	-26.4%	-16.9%
Net profit	5,309	6,355	8,071	7,579	9,131	10,295	-29.9%	-30.4%	-21.6%
Gross margin	17.5%	17.7%	18.0%	18.1%	18.1%	18.2%	-0.6 ppts	-0.5 ppts	-0.2 ppts
Operating margin	3.1%	3.4%	3.9%	4.2%	4.4%	4.6%	-1.1 ppts	-1.0 ppts	-0.7 ppts
Net margin	2.4%	2.6%	3.1%	3.3%	3.6%	3.8%	-1.0 ppts	-1.0 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	223,423	241,125	263,895	238,552	269,637	290,165	-6.3%	-10.6%	-9.1%
Gross profit	39,064	42,603	47,567	43,507	49,619	54,055	-10.2%	-14.1%	-12.0%
Operating profit	6,846	8,152	10,390	10,377	12,723	14,715	-34.0%	-35.9%	-29.4%
Net profit	5,309	6,355	8,071	8,809	10,479	11,921	-39.7%	-39.4%	-32.3%
Gross margin	17.5%	17.7%	18.0%	18.2%	18.4%	18.6%	-0.8 ppts	-0.7 ppts	-0.6 ppts
Operating margin	3.1%	3.4%	3.9%	4.3%	4.7%	5.1%	-1.3 ppts	-1.3 ppts	-1.1 ppts
Net margin	2.4%	2.6%	3.1%	3.7%	3.9%	4.1%	-1.3 ppts	-1.3 ppts	-1.0 ppts

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**	**223,423**	**241,125**	**263,895**
Cost of goods sold	(141,772)	(162,747)	(182,622)	(184,359)	(198,522)	(216,328)
Gross profit	**31,440**	**39,449**	**40,202**	**39,064**	**42,603**	**47,567**
Operating expenses	**(26,062)**	**(29,281)**	**(34,936)**	**(35,666)**	**(38,373)**	**(40,660)**
Selling expense	(7,286)	(7,830)	(11,273)	(12,109)	(13,048)	(13,807)
Admin expense	(4,735)	(4,756)	(4,747)	(4,847)	(5,190)	(5,399)
R&D expense	(8,054)	(9,284)	(10,432)	(10,576)	(11,334)	(11,822)
Others	(5,986)	(7,409)	(8,483)	(8,133)	(8,801)	(9,632)
Operating profit	**5,378**	**10,168**	**5,267**	**3,398**	**4,230**	**6,907**
Other income	744	435	337	200	300	350
Other expense	(121)	(72)	(113)	(60)	(90)	(120)
Gain/loss on financial assets at FVTPL	(26)	42	167	200	0	0
Investment gain/loss	761	877	574	1,053	1,109	1,118
Other gains/(losses)	962	2,924	3,557	2,691	2,549	1,845
EBITDA	**16,599**	**25,318**	**23,785**	**20,038**	**22,681**	**25,150**
Depreciation	4,081	4,722	4,598	4,884	5,162	5,446
Depreciation of ROU assets	463	740	1,515	1,616	1,901	2,171
Other amortisation	3,284	4,691	5,179	5,821	6,406	6,368
EBIT	**8,771**	**15,165**	**12,493**	**7,716**	**9,212**	**11,164**
Interest income	249	299	358	344	303	559
Interest expense	(947)	(882)	(736)	(731)	(850)	(544)
Net Interest income/(expense)	**126**	**(91)**	**1,970**	**(496)**	**263**	**519**
Foreign exchange gain/loss	(127)	(343)	1,640	(800)	0	0
Pre-tax profit	**7,824**	**14,283**	**11,758**	**6,986**	**8,362**	**10,620**
Income tax	(801)	(1,591)	(1,893)	(1,677)	(2,007)	(2,549)
After tax profit	**7,023**	**12,692**	**9,865**	**5,309**	**6,355**	**8,071**
Minority interest	(1)	(0)	0	0	0	0
Net profit	**7,022**	**12,692**	**9,865**	**5,309**	**6,355**	**8,071**
Gross dividends	2,563	3,853	2,995	1,593	1,906	2,421

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (RMB mn)						
Current assets	**118,584**	**133,435**	**137,647**	**150,121**	**155,294**	**162,270**
Cash & equivalents	38,337	30,741	28,846	36,262	35,840	35,340
Account receivables	41,235	54,149	39,591	42,848	46,243	50,610
Inventories	26,628	25,408	26,148	27,780	29,914	32,597
Prepayment	3,873	1,942	2,112	1,768	1,904	2,074
Financial assets at FVTPL	0	0	0	200	200	200
Other current assets	8,511	21,195	40,949	41,262	41,193	41,448
Non-current assets	**82,686**	**83,831**	**87,641**	**89,426**	**89,817**	**90,245**
PP&E	30,235	30,014	29,282	28,407	27,454	26,217
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	12,288	11,883	11,760
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	24,750	26,850	29,250
Total assets	**201,270**	**217,266**	**225,288**	**239,547**	**245,111**	**252,516**
Current liabilities	**110,835**	**122,229**	**126,216**	**137,307**	**137,175**	**136,995**
Short-term borrowings	12,221	9,597	8,234	23,954	17,258	8,147
Account payables	81,488	93,844	95,025	93,442	99,533	106,682
Other current liabilities	16,771	18,048	21,465	18,695	19,168	20,950
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**	**147,953**	**147,294**	**147,074**
Share capital	8,498	8,556	8,558	8,613	8,680	8,747
Capital surplus	7,731	10,915	12,822	13,800	14,867	15,934

Retained earnings	52,729	61,431	66,249	68,563	73,325	79,490
Other reserves	(456)	(1,914)	263	619	945	1,270
Total shareholders equity	**68,501**	**78,988**	**87,892**	**91,594**	**97,817**	**105,441**
Minority interest	8	8	0	0	0	0
Total equity and liabilities	**201,270**	**217,266**	**225,288**	**239,547**	**245,111**	**252,516**
CASH FLOW	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**7,824**	**14,283**	**11,758**	**6,986**	**8,362**	**10,620**
Depreciation & amortization	7,828	10,153	11,291	12,321	13,469	13,986
Tax paid	(801)	(1,591)	(1,893)	(1,677)	(2,007)	(2,549)
Change in working capital	3,521	4,382	20,543	(6,901)	37	(440)
Others	(618)	555	(1,344)	(4,184)	(732)	(48)
Net cash from operations	**17,754**	**27,783**	**40,355**	**6,546**	**19,128**	**21,569**
Investing						
Capital expenditure	(16,713)	(11,737)	(11,509)	(13,064)	(13,335)	(13,881)
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	2,244	1,770	1,769
Net cash from investing	**(10,451)**	**(23,296)**	**(29,154)**	**(10,620)**	**(11,365)**	**(11,911)**
Financing						
Dividend paid	(2,534)	(2,563)	(3,853)	(2,995)	(1,593)	(1,906)
Net borrowings	526	(8,686)	(6,867)	14,320	(7,596)	(9,511)
Others	3,060	(929)	(2,725)	166	1,003	1,259
Net cash from financing	**1,052**	**(12,178)**	**(13,445)**	**11,490**	**(8,185)**	**(10,158)**
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**	**31,751**
GROWTH	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Revenue	26.1%	16.7%	10.2%	0.3%	7.9%	9.4%
Gross profit	18.2%	25.5%	1.9%	(2.8%)	9.1%	11.7%
Operating profit	26.1%	89.1%	(48.2%)	(35.5%)	24.5%	63.3%
EBITDA	2.9%	52.5%	(6.1%)	(15.8%)	13.2%	10.9%
EBIT	(7.9%)	72.9%	(17.6%)	(38.2%)	19.4%	21.2%
Net profit	(15.1%)	80.8%	(22.3%)	(46.2%)	19.7%	27.0%
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin	18.2%	19.5%	18.0%	17.5%	17.7%	18.0%
Operating margin	3.1%	5.0%	2.4%	1.5%	1.8%	2.6%
EBITDA margin	9.6%	12.5%	10.7%	9.0%	9.4%	9.5%
Return on equity (ROE)	10.5%	17.2%	11.8%	5.9%	6.7%	7.9%
GEARING/LIQUIDITY/ACTIVITIES	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Current ratio (x)	1.1	1.1	1.1	1.1	1.1	1.2
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E	6.8	3.7	4.8	8.9	7.5	5.9
P/B	0.7	0.6	0.5	0.5	0.5	0.5
P/CFPS	2.7	1.7	1.2	7.2	2.5	2.2
Div yield (%)	5.4	8.2	6.4	3.4	4.0	5.0

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

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