Leapmotor (9863 HK)

Clear brand positioning with unique overseas model; initiate with BUY

Initiate with BUY and TP of HK$40.00. We believe Leapmotor could post faster sales volume growth than most of its peers in the next few years, aided by a plethora of new models and unique overseas expansion model supported by Stellantis (STLA US, NR). The company plans to launch three new models (B-series) based on an upgraded platform in FY25E, and small-size (A-series) and medium-to-large--size (D-series) models from FY26E, following the success of the C-series. We estimate Leapmotor to break even at the net profit level in 2H26E amid greater economies of scale, overseas contribution at the JV, and solid R&D capabilities to control costs, which could be earlier than most of its NEV start-up peers.

- **Its value-for-money brand image has been strengthened after the successful launches of the *C10* and *C16*, and could benefit from consumption downgrade.** The medium-size SUV *C10* and 6-seat SUV *C16*, both of which were launched in 2024, provide good quality and functions that target consumers need, despite prices that are about 35-50% lower than its rival models. We believe sales volume of both models have exceeded the company's and investors' prior expectations, which could pave the way for its upcoming new models. We attribute such success partially to its solid R&D capabilities which may have been underestimated by some investors, in our view. We project its sales volume to double YoY to 285,000 units in FY24E and rise 51% YoY to 430,000 units in FY25E aided by new models and overseas sales.
- **Unique overseas expansion could be a positive surprise to its sales and profit.** Leapmotor's JV with Stellantis has an exclusive license to sell Leapmotor's vehicles in overseas markets until 2051. We are of the view that such asset-light model with leverage from Stellantis' established global sales network and brand image could be a better way for Leapmotor which has relatively limited resources to expand overseas business, although it needs to share potential profits with Stellantis. The majority of overseas profits should come from the JV, according to the framework agreement. We project overseas sales volume to be 60,000 units in FY25E and 100,000 units in FY26E, with possible local production in the EU from late 2025. We forecast the JV's net margin to be 10% in FY25E and 12% in FY26E, based on our cost structure analysis. These would translate into a share of profits of RMB391mn in FY25E and RMB814mn in FY26E, on our estimates.
- **Earnings/Valuation**. We project Leapmotor's sales volume to rise 98%/51%/28% YoY to 0.285/0.43/0.55mn units in FY24-26E, with overseas contribution of 2%/14%/18%, respectively. We expect its net loss to narrow to RMB3.9bn/3.0bn/1.2bn in FY24-26E, respectively. We initiate our coverage with a BUY rating and target price of HK$40.00, based on 1.2x our FY25E revenue estimates, at a similar current P/S level as its peers. Key risks to our rating and target price include lower sales volume/margins, slower overseas expansion than we expect, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	12,385	16,747	29,495	41,971	55,531
YoY growth (%)	295.4	35.2	76.1	42.3	32.3
Gross margin (%)	(15.4)	0.5	5.2	7.2	8.3
Operating profit (RMB mn)	(5,226.8)	(4,377.4)	(4,253.8)	(3,811.9)	(2,519.8)
Net profit (RMB mn)	(5,108.9)	(4,216.3)	(3,901.1)	(2,991.1)	(1,197.1)
EPS (Reported) (RMB cents)	(488.79)	(362.06)	(285.39)	(202.49)	(80.44)
P/S (x)	3.2	2.3	1.3	0.9	0.7
P/B (x)	3.7	2.7	3.4	4.7	5.1

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Initiate)

Target Price	**HK$40.00**
Up/Downside	**26.2%**
Current Price	**HK$31.70**

China Auto

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Stock Data

Mkt Cap (HK$ mn)	42,381.8
Avg 3 mths t/o (HK$ mn)	145.4
52w High/Low (HK$)	41.00/19.54
Total Issued Shares (mn)	1337.0

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert parties	24.2%
Stellantis N.V.	21.2%

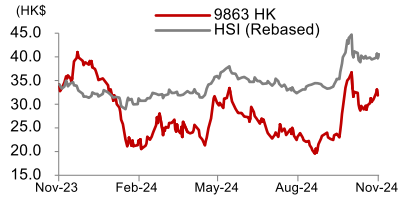
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-13.6%	-4.8%
3-mth	36.9%	10.3%
6-mth	5.8%	-6.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

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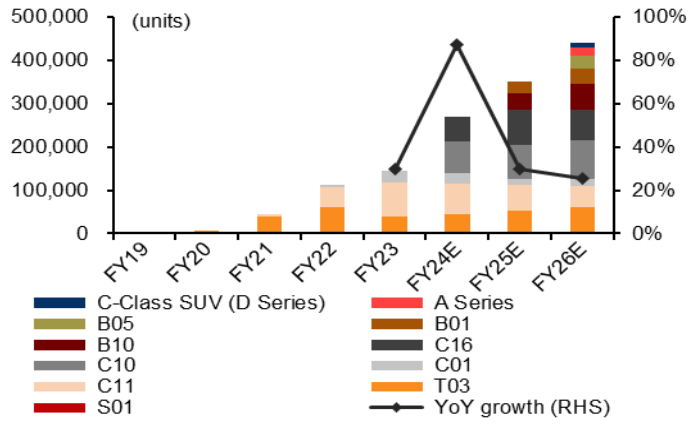
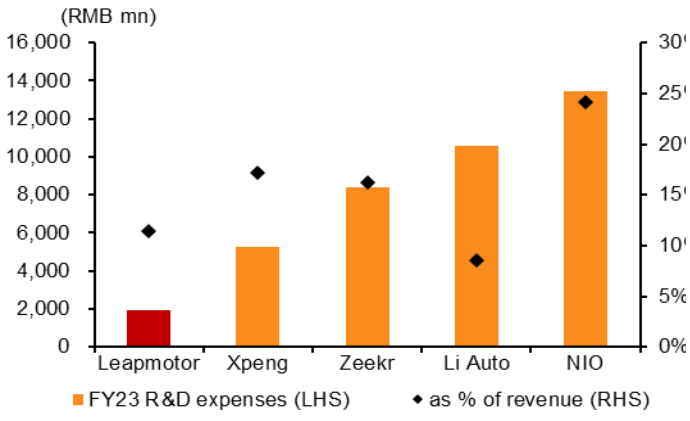
Focus Charts

Figure 1: Sales volume forecasts by model



Source: Company data, CMBIGM estimates

Figure 2: Leapmotor's R&D expenses vs. peers



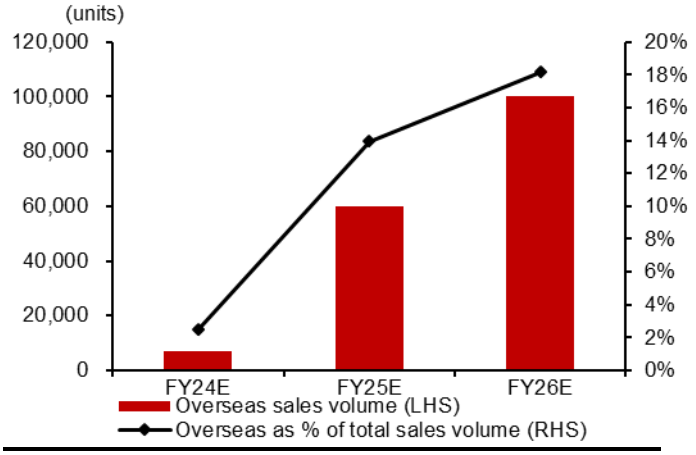
Source: Company data, CMBIGM

Figure 3: Cost structure analysis for the *T03*'s sales in the EU through CBU and CKD

CBU (RMB, unless specified otherwise)	T03	KD (assuming 40% local content)	T03
Leap COGS	50,000	Leap COGS	45,000
		KD export as % of CKD	*63.0%*
		Leap KD COGS	28,337
Leap ex-factory@2% margin	51,000	Leap ex-factory@2% margin	28,904
Freight related costs	10,000	Freight related costs	8,000
Tariff@30.8%	18,788	KD tariff@10%	3,690
		Local procurement costs (assuming price hike of 25% vs. in China)	20,781
Total costs after tariff	79,788	Total costs before assembly	61,375
		Contract manufacturing related costs required by counterparty and local gov't@30%	18,413
Warranty@5%	3,989	Warranty@5%	3,989
MSRP (EUR) in the EU	18,900	MSRP (EUR) in the EU	18,900
MSRP (RMB) in the EU	147,420	MSRP (RMB) in the EU	147,420
VAT and other taxes@25%	29,484	VAT and other taxes@25%	29,484
Dealer rebates@10%	11,794	Dealer rebates@10%	11,794
For the JV:		**For the JV:**	
ASP	106,142	ASP	106,142
COGS	83,777	COGS	83,777
Gross profit	22,365	Gross profit	22,365
GPM (%)	*21.1%*	*GPM (%)*	*21.1%*
SG&A assumption (%)	*4.0%*	*SG&A assumption (%)*	*4.0%*
Income tax (%)	*25.0%*	*Income tax (%)*	*25.0%*
NPM (%)	*12.8%*	*NPM (%)*	*12.8%*
NP per vehicle	**13,589**	**NP per vehicle**	**13,589**
For Leapmotor:		**For Leapmotor:**	
Share of profit per vehicle from JV	6,659	Share of profit per vehicle from JV	6,659
Profit from selling vehicles to JV	1,000	Profit from selling vehicles to JV	567
Licensing fee	0	Licensing fee	1,545
Total NP per vehicle	**7,659**	**Total NP per vehicle**	**8,770**

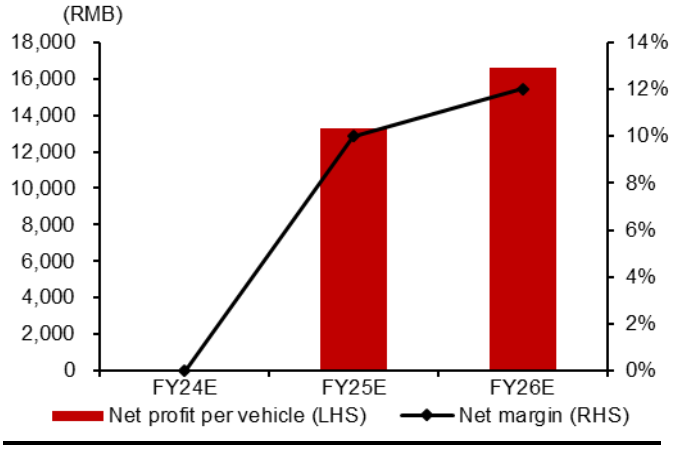
Source: Company data, CMBIGM estimates
Note: CBU – completely built-up, meaning autos exported/imported as fully assembled vehicles; CKD – completely knocked-down, meaning autos assembled locally in a manufacturing plant

Figure 4: Leapmotor's overseas sales volume forecasts



Source: CMBIGM estimates

Figure 5: Net profit and net margin forecasts for Leapmotor International



Source: CMBIGM estimates

Company Overview

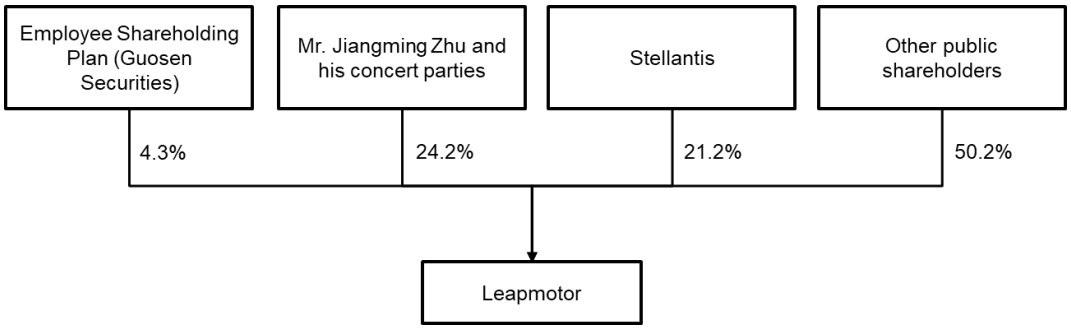
■ **Emerged from Dahua Technology; Stellantis' strategic investment in 2023**

Founded in 2015 by Mr. Jiangming Zhu and Mr. Liquan Fu (both are also the co-founders of Dahua Technology (002236 CH, NR)), Leapmotor is a Chinese new-energy vehicle (NEV) start-up, producing both battery electric vehicles (BEVs) and extended-range electric vehicles (EREVs). Mr. Zhu is the chairman of the board and CEO of the company, and holds a 9% stake directly and indirectly. Mr. Zhu and Mr. Fu, as concert party, hold about a 24.2% stake combined in Leapmotor.

In Oct 2023, Stellantis (STLA US, NR) announced plans to acquire a 21.2% stake in Leapmotor with 14.5% from new shares issuance (worth HK$8.5bn) and 6.7% from Dahua Technology which sold all its Leapmotor's shares to Stellantis. The deal was completed in Nov 2023. Stellantis and Leapmotor also established a 51:49 joint venture (JV) named Leapmotor International to distribute Leapmotor's vehicles in overseas markets through Stellantis's dealer stores. All necessary approvals for the JV establishment were obtained in May 2024.

On 9 Oct 2024, Leapmotor announced a domestic share subscription agreement with four entities controlled by local governments (Wuyi County, Jinhua, Hangzhou and Huzhou of Zhejiang Province) to issue about 5% of the enlarged issued shares of the company at the subscription price of HK$40.80, in order to deepen the cooperation with local governments and related parties.

Figure 6: Leapmotor's shareholding structure



Source: Company data, CMBIGM; data as of 6 Nov 2024.

■ **The 3rd best-seller among Chinese NEV start-ups with five models on sale**

Leapmotor delivered about 144,000 units in 2023, with BEVs accounting for 76%. Its wholesale volume in 2023 was ranked 11th among all the NEV makers in China, and 3rd among all the Chinese NEV start-ups (after Li Auto (LI US, BUY) and NIO (NIO US, HOLD)). It retained the 3rd place among Chinese NEV start-ups in the first 10 months of 2024, after Li Auto and Huawei-backed Seres (601127 CH, NR).

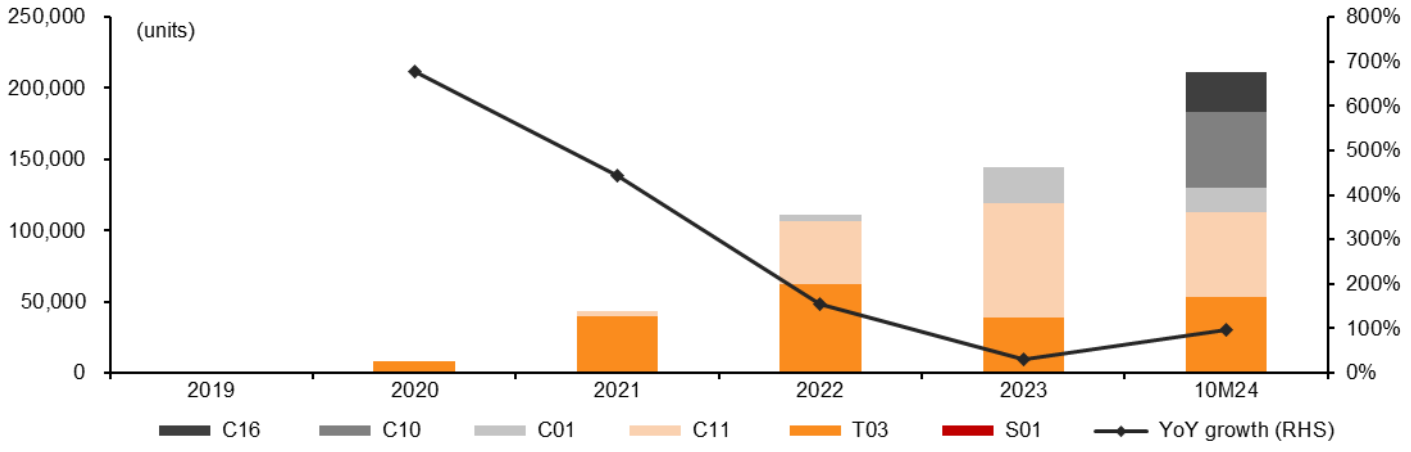
Figure 7: China's NEV wholesale volume by OEM in the first nine months of 2024

Ranking	NEV maker	Sales volume (units)	YoY growth	Market share
1	BYD (1211 HK/002594 CH)	2,732,901	32%	34.4%
2	Tesla (TSLA US)	675,758	-3%	8.5%
3	Geely (175 HK)	545,854	82%	6.9%
4	Changan (000625 CH)	414,416	45%	5.2%
5	SAIC-GM-Wuling	390,574	86%	4.9%
6	Li Auto (LI US/2015 HK)	341,814	40%	4.3%
7	Seres (601127 CH)	293,175	596%	3.7%
8	Chery	286,975	262%	3.6%
9	GAC Motor	264,029	-27%	3.3%
10	Great Wall (2333 HK/601633 CH)	210,909	24%	2.7%
11	**Leapmotor**	**172,861**	**95%**	**2.2%**
12	NIO (NIO US/9866 HK)	149,281	35%	1.9%
	Total	**7,940,169**	**32%**	**100.0%**

Source: CAAM, CMBIGM

Leapmotor currently offers five models: *T03*, *C11*, *C01*, *C10* and *C16*. All the models offer both BEV and EREV versions, except the *T03* mini car which only offers the BEV version. The *C11* medium-size SUV accounted for 56% of Leapmotor's total sales volume in 2023. The model continued to contribute the most sales volume in 1H24 (34%), while new models have been ramping up, such as the *C10* medium-size SUV and *C16* medium-to-large-size SUV.

Figure 8: Leapmotor's sales volume by model



Source: Company data, CMBIGM

Figure 9: Leapmotor's models on sale

	T03	C11	C01	C10	C16
Model					
L x W x H (mm)	3,620 x 1,652 x 1,605	4,780 x 1,905 x 1,675	5,050 x 1,902 x 1,515	4,739 x 1,900 x 1,680	4,915 x 1,905 x 1,770
Wheelbase (mm)	2,400	2,930	2,930	2,825	2,825
Subsegment	Mini-size Car	Medium-size SUV	Medium-to-large-size Car	Medium-size SUV	Medium-to-large-size SUV
MSRP Range (RMB)	49,900-69,900	148,800-209,800	136,800-199,800	128,800-168,800	155,800-185,800
Launch Time	May 2020	Sep 2021	Sep 2022	Mar 2024	Jun 2024

Source: Company data, Autohome, CMBIGM

■ Manufacturing license obtained in 2021; 2nd plant to start production in 2025

Leapmotor's first model, the *S01* sedan, was launched in 2019 and contract manufactured by Hangzhou Changjiang Auto, as Leapmotor did not have the automotive manufacturing license. Leapmotor obtained the automotive manufacturing license in Apr 2021 through the acquisition of Fujian Xinfuda Auto with a consideration of about RMB411mn. Leapmotor began to produce the *T03* at its own Jinhua Plant following that. The annual production capacity of the plant is 300,000 units as of 2024. The *T03*, *C11* and *C01* share the same production line while the *C10* and *C16* are manufactured on the other line. We expect Leapmotor's 2nd plant, the Hangzhou Plant, to start mass production in 2025, where the B-series models are to be produced.

Investment Thesis

Its value-for-money label could benefit from consumption downgrade

■ ***C10* and *C16* have paved the way for its value-for-money brand image**

We are of the view that Leapmotor's has built a value-for-money brand image through its recent new models including the *C10* and *C16*. The Leap *C10* BEV, a mid-size SUV, is only priced at RMB128,800-168,800, or about RMB71,000-121,000 lower than its rival models including the Tesla *Model Y,* BYD *Tang* and Xpeng *G6*. It is even priced lower than some internal-combustion-engine (ICE) models, such as the VW *Tiguan L* (the MSRP of RMB186,800-266,800).

Figure 10: Leap *C10*, *C11* BEVs vs. its rival models

Model	Leap C10	Leap C11	Tesla Model Y	Xpeng G6	BYD Tang
					
Best-selling BEV trim	530 zhixiang	580 zunxiang	Long-range all-wheel drive	580 long-range Max	730 zunxiang
MSRP (RMB)	148,800	158,800	290,900	229,900	239,800
Launch time of this generation	Mar 2024	Sep 2021	Jan 2021	Jun 2023	Apr 2021
L * W * H (mm)	4,739*1,900*1,680	4,750*1,905*1,675	4,750*1,921*1,624	4,753*1,920*1,650	4,900*1,950*1,725
Wheelbase (mm)	2,825	2,930	2,890	2,890	2,820
No. of seats	5	5	5	5	7
CLTC range (km)	530	580	688	580	730
Fast-charging time (h)	0.5	0.67	1	0.33	0.5
Battery capacity (kWh)	69.9	78.5	78.4	66	108.8
Battery type	LFP	LFP	NCM	LFP	LFP
No. of motors	1	1	2	1	1
Max power (kW)	170	200	331	218	180
Front suspension	MacPherson strut	Double wishbone	Double wishbone	Double wishbone	MacPherson strut
Rear suspension	Multi-link	Five-link	Multi-link	Five-link	Multi-link
No. of cameras	6	6	7	12	5
No. of ultrasonic radars	12	12	-	12	8
No. of millimeter-wave radars	3	3	-	5	5
No. of Lidars	-	-	-	2	-
ADAS chip	-	-	HW 4.0 * 2	Orin-X * 2	-
Computing power of ADAS chip	-	-	720 TOPS	508 TOPS	-
ADAS software	Leapmotor Pilot	Leapmotor Pilot	Autopilot	XNGP	DiPilot
ADAS level	L2	L2	L2+	L2+	L2
Navigated autopilot	-	-	Optional (RMB32k/64K)	Standard	-
Cockpit chip	Snapdragon 8295	Snapdragon 8295	AMD Ryzen	Snapdragon 8155	-
Center screen size (inches)	14.6	14.6	15	14.96	15.6
Entertainment screen for front passenger	No	Yes	No	No	No

Source: Company data, Autohome, CMBIGM

In our view, such pricing strategy is more apparent for its mid-to-large size SUV, the *C16*. Modified from the 5-seat *C10* which was launched in Mar 2024, the *C16* was rolled out three months later than the *C10*, in a bid to grab market share in the growing segment of 6-seat SUVs. Although the *C16* does not provide the navigation on autopilot (NOA) functions within the cities now, its configurations including smart cockpit, driving range on battery and interior design are similar to its peers' such as the Li *L8*, Aito *M7* and Wey *Lanshan*. It also provides enough legroom for the 3rd row despite its shorter wheelbase compared with some of its peers'. Its MSRP of RMB155,800-185,800 is about RMB94,000-200,000 lower than its peers'. The *C16*'s sales volume in Oct 2024, four months after the launch date, has been close to 10,000 units for the BEV and EREV versions combined.

Figure 11: Leap *C16* EREV vs. its rival models

Model	Leap C16	Li L8	Aito M7	Wey Lanshan
				
Best-selling 6-seat EREV trim	200 zunxiang	Max	Rear-drive Pro 6-seat	All-wheel drive AD Max PHEV
MSRP (RMB)	162,800	349,800	269,800	299,800
Launch time of this generation	Jun 2024	Nov 2022	Jul 2022	Apr 2023
L * W * H (mm)	4915*1905*1770	5080*1995*1800	5020*1945*1760	5156*1980*1805
Wheelbase (mm)	2,825	3,005	2,820	3,050
No. of seats	6	6	6	6
CLTC range (km)	200	225	230	221
Fast-charging time (h)	0.5	0.5	0.3	0.43
Battery capacity (kWh)	28.4	42.8	38.5	44.5
Battery type	LFP	NCM	LFP	NCM
Engine	1.5L 95Ps	1.5T 154Ps	1.5T 152Ps	1.5T 170Ps
No. of motors	1	2	1	2
Max power of motors (kW)	170	330	200	380
Front suspension	MacPherson strut	Double wishbone	MacPherson strut	MacPherson strut
Rear suspension	Five-link	Five-link	Multi-link	Five-link
No. of cameras	6	11	10	11
No. of ultrasonic radars	12	12	12	12
No. of millimeter-wave radars	3	1	3	3
No. of Lidars	-	1	-	1
ADAS chip	-	Nvidia Orin-X * 2	MDC 610	Nvidia Orin-X
Computing power of ADAS chip	-	508 TOPS	200 TOPS	254 TOPS
ADAS software	Leapmotor Pilot	Li AD Max	Huawei ADS	Coffee Pilot
ADAS level	L2	L2+	L2+	L2+
Navigated autopilot	-	Highway (standard) City (standard)	Highway (standard) City (optional)	Highway (standard) City (available in some cities and more to come)
Cockpit chip	Snapdragon 8295P	Snapdragon 8295P	Kirin 990A	Snapdragon 8295
Center screen size (inches)	14.6	15.7	15.6	15.6
Entertainment screen size for front passenger (inches)	-	15.7	-	15.6

Source: Company data, Autohome, CMBIGM

We view the *C10* and *C16* launches as successful given their recent sales volume momentum, which has laid a solid foundation for Leapmotor's new models in the future. In fact, making a car with a significantly lower price but still providing good quality and functions that consumers really need could be more difficult than many people think. We believe Leapmotor could be a beneficiary from potential consumption downgrade or more cautious spending on pricey durables amid the macro uncertainties.

■ **B-series new models, followed by D- and A-series to drive sales in FY25-26E**

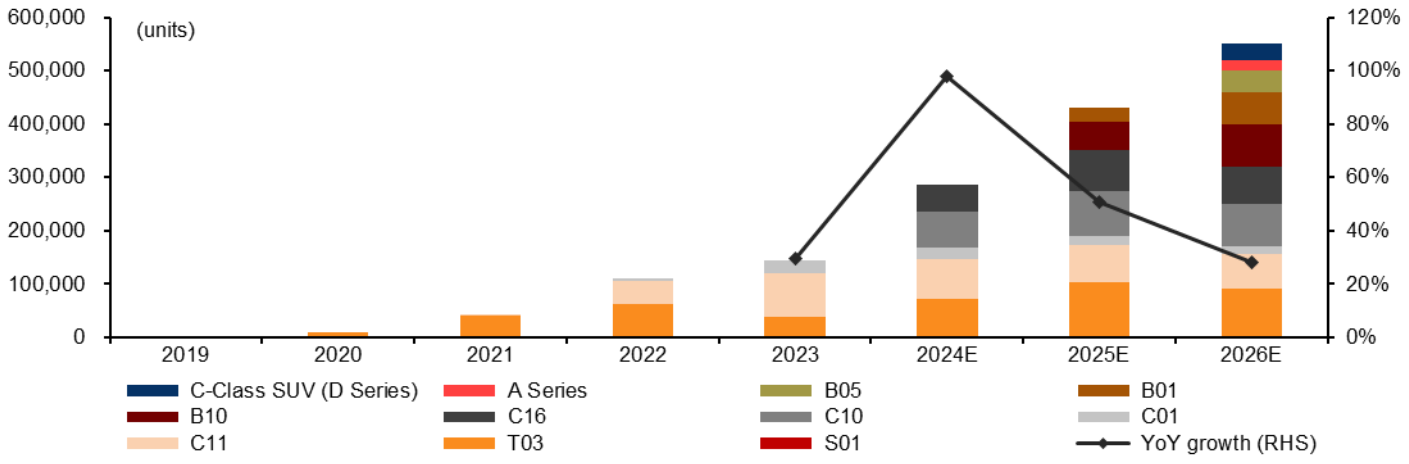
We project Leapmotor's wholesale volume to double YoY to 285,000 units in FY24E, with 83% of the YoY growth contributed by the *C10* and *C16*. The sales ramp-up of the *C16* was faster than our prior expectation. The sales cannibalization of the *C10* and *C11* was also less severe than our expectation. Both led to an all-time high sales volume of more than 38,000 units in Oct 2024.

We project FY25E wholesale volume to surge 51% YoY to 430,000 units, driven by new models and overseas sales. We forecast overseas sales, including completely-built-up (CBU) and completely-knocked-down (CKD), to rise to 60,000 units in FY25E. We expect the new models' (the *B10* and *B05*) domestic sales volume to be 70,000 units. The compact SUV *B10*, which is scheduled to be delivered in 2Q25, made its debut at Paris Auto Show in Oct 2024. The company plans to roll out the 2nd B-series model, a compact car *B01*, in mid-2025, followed by a crossover *B05* at the end of 2025.

Leapmotor plans to launch D-series models, which has larger size than the current C-series models, and small-size A-series models during 2026-27 to complete its model line-up, covering different segments for both China and overseas markets.

We project its wholesale volume to rise 28% YoY to 550,000 units in FY26E, with the current C-series models only contributing 42%. We expect overseas sales volume to rise 67% YoY to 100,000 units in FY26E.

Figure 12: Sales volume forecasts by model



Source: Company data, CMBIGM estimates

Unique overseas expansion model could be a positive surprise

■ Cooperation with Stellantis speeds up Leapmotor's overseas expansion

Leapmotor's overseas expansion business model has been unique among Chinese automakers so far. Its overseas business is operated through a JV with Stellantis named Leapmotor International (51% owned by Stellantis and 49% by Leapmotor). The JV has an exclusive license to sell Leapmotor's vehicles and parts, provide services and locally manufacture Leapmotor's vehicles in overseas markets until the end of 2051.

In our view, such arrangement could be a better way for Leapmotor which has relatively limited resources to expand its overseas business. It is difficult for us to forecast the JV's sales volume in the long term with the uncertainties around Stellantis' electrification progress. However, utilizing Stellantis' global sales network, along with its global plants and global operation experience, could accelerate Leapmotor's expansion in the overseas markets with less assets burden and reduced risks, although it needs to share potential profits with Stellantis.

According to the framework agreement (see the table below), the selling prices of vehicles from Leapmotor to the JV will only cover the costs of goods sold and related R&D expenses at Leapmotor during Oct 2023-Oct 2027. Leapmotor could charge a thin margin (2-5%) on top of the relevant costs afterwards. Should any vehicles be produced at Stellantis' local plants, Leapmotor can charge license fees of 2-5% on the ex-factory price of locally-produced models excluding procurement expenses that are already paid to Leapmotor for components and parts. Therefore, the majority of profits from overseas for Leapmotor, if any, should come from the JV.

Figure 13: The reference margins for Leapmotor under the framework agreement with the JV

Time period	Vehicle export		Local production	
	Sales of vehicles	Sales of parts	Sales of parts	Manufacturing license fee
	Reference margin		Reference margin	Reference profit
26 Oct 2023 ~ 25 Oct 2027	0	≥2%	≥2%	For the first localized model: 2% * (ex-factory price of locally manufactured vehicles - costs paid to Leapmotor for components and parts) For the following models: 2-5% * (ex-factory price of locally manufactured vehicles - costs paid to Leapmotor for components and parts)
26 Oct 2027 ~ 25 Oct 2030	2-5%			
26 Oct 2030 and forward	≥2%			

Source: Company data, CMBIGM

■ CBU or CKD: it depends on local supply chain and manufacturing costs which are correlated with sales volume

A new tariff of 7.8-35.3% (about 21% for Leapmotor) on China-made BEVs and EREVs has been imposed by the European Union (EU) since Jul 2024. That, along with the standard 10% car import duty, would make Leapmotor and the JV rethink its Europe strategy.

Intuitively, if the relevant cost increase from parts sourcing and local production in Europe is lower than the new tariff, CKD could be better off for the JV and Leapmotor. We use the *T03* model as an example to compare the different cost structures for the CBU and CKD with a series of assumptions in the table below.

The cost estimates for CBU are relatively straightforward, as the tariff, freight, warranty, dealer rebates and taxes are the major expenses. We estimate the *T03*'s COGS in China to be RMB42,000 per vehicle and its COGS for the CBU to Europe to be 19% higher (RMB50,000 per vehicle), given stringent requirements from the EU. We calculate that gross margin for the *T03* CBU at the JV is about 21.1%, assuming its freight cost of RMB10,000, warranty provision of 5%, dealer rebates of 10% and taxes (mainly VAT) of

25%. That would translate into a net profit per vehicle of about RMB13,600 at the JV and a share of profit per vehicle of about RMB6,700 for Leapmotor, assuming SG&A expenses of 4% and income tax of 25%.

Apart from the costs mentioned above for CBU, the costs for CKD also depend on the local parts procurement and contract manufacturing costs, which could vary with sales volume changes. In order to bypass the new tariff, the EU may require 40% of components to be procured locally, according to Leapmotor's management. The local government may also require a certain value-add for the contract manufacturing plant. Therefore, we assume a 30% addition on top of the costs before assembly. We calculate that the gross margin for CKD at the JV would be the same as CBU when the local parts procurement cost is about 25% higher than that in China.

In our view, local production is possible for Leapmotor, should its sales volume ramp up in Europe. We assume that Leapmotor's majority of sales in Europe are CBUs in FY25E and local production of the *T03* or equivalent models starts from late FY25E or FY26E.

Figure 14: Cost structure analysis for the *T03*'s sales in EU through CBU and CKD

CBU (RMB, unless specified otherwise)	T03	CKD (assuming 40% local content, RMB, unless specified otherwise)	T03
Leap COGS	50,000	Leap COGS	45,000
		KD export as % of CKD	*63.0%*
		Leap KD COGS	28,337
Leap ex-factory@2% margin	51,000	Leap ex-factory@2% margin	28,904
Freight related costs	10,000	Freight related costs	8,000
Tariff@30.8%	18,788	KD tariff@10%	3,690
		Local procurement costs (assuming price hike of 25% vs. in China)	20,781
Total costs after tariff	79,788	Total costs before assembly	61,375
		Contract manufacturing related costs required by counterparty and local gov't@30%	18,413
Warranty@5%	3,989	Warranty@5%	3,989
MSRP (EUR) in the EU	18,900	MSRP (EUR) in the EU	18,900
MSRP (RMB) in the EU	147,420	MSRP (RMB) in the EU	147,420
VAT and other taxes@25%	29,484	VAT and other taxes@25%	29,484
Dealer rebates@10%	11,794	Dealer rebates@10%	11,794
For the JV:		**For the JV:**	
ASP	106,142	ASP	106,142
COGS	83,777	COGS	83,777
Gross profit	22,365	Gross profit	22,365
GPM (%)	*21.1%*	*GPM (%)*	*21.1%*
SG&A assumption (%)	*4.0%*	*SG&A assumption (%)*	*4.0%*
Income tax (%)	*25.0%*	*Income tax (%)*	*25.0%*
NPM (%)	*12.8%*	*NPM (%)*	*12.8%*
NP per vehicle	**13,589**	**NP per vehicle**	**13,589**
For Leapmotor:		**For Leapmotor:**	
Share of profit per vehicle from JV	6,659	Share of profit per vehicle from JV	6,659
Profit from selling vehicles to JV	1,000	Profit from selling vehicles to JV	567
Licensing fee	0	Licensing fee	1,545
Total NP per vehicle	**7,659**	**Total NP per vehicle**	**8,770**

Source: CMBIGM estimates

We have also done a sensitivity analysis in the table below to assess the impact of contract manufacturing fees and the extra costs on the decision of CBU or CKD. It appears to us that the contract manufacturing related costs play a more important role. If such costs could be lowered to 20%, net profit per vehicle for CKD would be RMB416 higher than CBU, even if the parts procurement is 60% higher in the EU than in China.

Although there may be other factors to influence the contract manufacturing fees, we are of the view that Stellantis has incentives to manufacture vehicles for Leapmotor, as it has aligned interests at the JV and idle capacity in Europe, which gives Leapmotor more advantages in local production than other Chinese automakers. We estimate Stellantis' current capacity utilization in Europe to be lower than 70%.

Figure 15: Sensitivity analysis for JV's profits from CKD vs CBU

NP per vehicle difference for CKD and CBU		% higher for the procurement costs of the 40% components sourced in the EU vs. in China				
		20%	30%	40%	50%	60%
Contract manufacturing related costs as % of total costs before assembly	10%	10,320	8,971	7,748	6,635	5,617
	20%	5,546	4,074	2,740	1,526	416
	30%	772	(823)	(2,268)	(3,583)	(4,786)
	40%	(4,002)	(5,719)	(7,275)	(8,692)	(9,987)
	50%	(8,776)	(10,616)	(12,283)	(13,801)	(15,189)

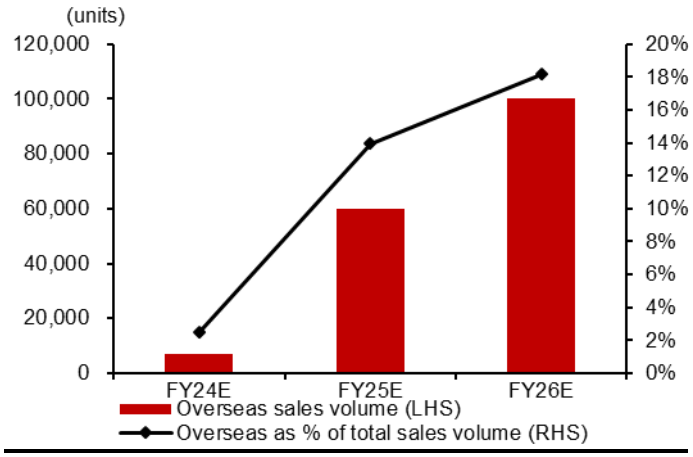
Source: CMBIGM estimates

■ Overseas sales volume and profits forecasts

The European versions of the *T03* and *C10* have been officially rolled out in late Sep 2024 in 13 European countries including France, Germany, Italy and Spain. The MSRP of the *T03* starts from approximately EUR18,900, and that of the *C10* starts from EUR36,400. It will be delivered to European consumers from 4Q24. Although the MSRPs in the EU are about 2-3 times higher than the equivalent models sold in China, we believe such prices could still be competitive, as they are still cheaper than rival models in the EU market (such as the Renault *Twingo*, Fiat *500e* and VW *ID.4*). The vehicles are available in 200 Stellantis' showrooms across Europe and related auto parts are distributed by nearly 140 logistic centers selected from Stellantis's logistics system, according to the company. The JV targets 500 showrooms in Europe by the end of 2025. Meanwhile, the JV has started expansion in the Middle East, Africa, South America and Asia Pacific since 4Q24.

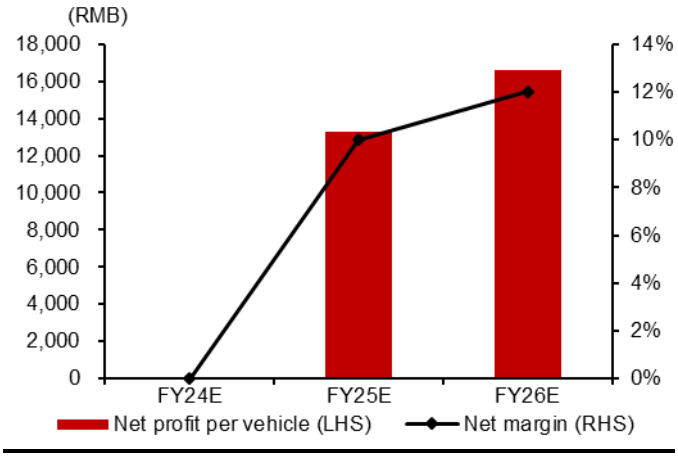
The company plans to ship 5,000-10,000 units of the *T03* and *C10* to Europe this year. With the deliveries of the new B-series models and expansion into more overseas markets, we expect Leapmotor's overseas sales volume to jump to 60,000 units and 100,000 units in FY25-26E, respectively. Both shareholders operates the JV in an asset-light approach by sharing back-office employees and functions with Stellantis, according to management. Therefore, we project the JV's total SG&A expenses to be 4% of its revenue in FY25E and net margin to be 10% in FY25E (or net profit of RMB13,300 per vehicle), a similar level as our previous estimates for the CBU exports to EU in Fig. 14. We expect the JV's net margin to widen to 12% in FY26E (or net profit of RMB16,600 per vehicle) with greater economies of scale and possible CKD to lift margins. The corresponding share of profit of JV for Leapmotor would be RMB391mn and RMB814mn in FY25E and FY26E, respectively.

Figure 16: Leapmotor overseas sales volume forecasts



Source: CMBIGM estimates

Figure 17: Net profit per vehicle for the JV



Source: CMBIGM estimates

Leapmotor's R&D capabilities could be better than investors expect

Unlike some start-ups that pursue the state-of-the-art technologies, Leapmotor focuses on vehicle platform, electrical/electronic architecture (EEA) and self-development of core components, which could have been underestimated by some investors. We are of the view that such R&D capabilities are the foundation of the quality and design for its value-for-money vehicles. One simple example is the *C16*'s unexpectedly large legroom in the 3rd row given its wheelbase of only 2,825mm. Its user experience-oriented mentality makes the *C16* competitive among the 6-seat SUVs. Its vehicle platform technology cuts the costs of the *C16* significantly as it shares about 88% of components with the *C10*, according to management. We believe such engineering-focused R&D capabilities are partially related to its founder, Mr. Zhou, who has a background in electrical engineering.

■ CTC and proprietary EEA to showcase Leapmotor's R&D capabilities

The launch of Cell-to-Chassis (CTC) battery technologies in Apr 2022 and more integrated EEA (named Four-Leaf Clover Architecture) in Jul 2023 should be two notable examples for Leapmotor's in-house R&D capabilities, in our view.

The CTC technology can integrate the battery, chassis and lower body design to simplify product design and manufacturing processes, which could decrease the number of components and improve space utilization (+14.5%), as well as enhance the battery's impact resistance and the body's torsional rigidity (+25%). The *C01* became the world's first mass-produced model with CTC technology in Sep 2022. Now, all the C-series models are designed based on the CTC 2.0 technology.

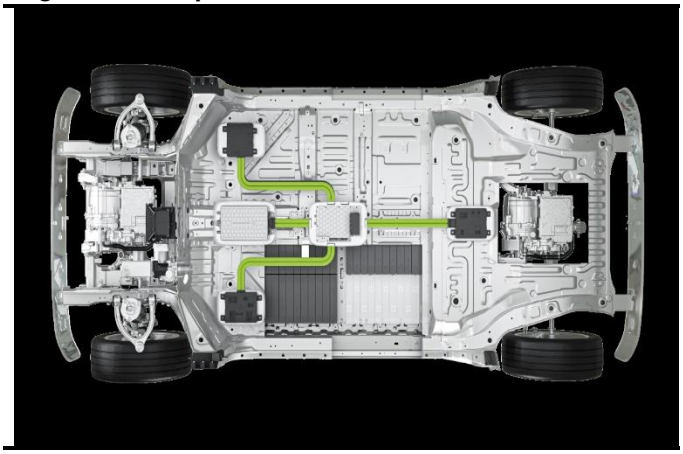
The Four-Leaf Clover Architecture uses one system-on-chip (SOC) chip (Qualcomm 8295) and one microcontroller unit (MCU) chip (NXP S32G) to form a "central supercomputer", which can integrate the cockpit domain, ADAS domain, power domain and vehicle body domain. That can not only improve communication speed within a vehicle and achieve L2 ADAS functions on one single 8295 chip, but also reduce costs by cutting the number of controllers from 42 to 28 and shortening wiring harness from 1,800 meters to 1,500 meters, etc., according to the company.

The Four-Leaf Clover Architecture, as part of the Leap 3.0 architecture technology, was adopted on the *C10* as the first model, which started deliveries in Mar 2024. All the C-series models on sale now adopt the Leap 3.0 technology, which share 88% of components, the highest in the industry, according to management. The architecture will be upgraded to the Leap 3.5 in 2025 for new models, starting from the *B10*.

Figure 18: Leapmotor's CTC technology

Source: Company data

Figure 19: Leapmotor's EEA



Source: Company data

Figure 20: Leapmotor's E/E architecture roadmap

Source: Company data, CMBIGM

Although there have not been any specific plans for Stellantis to utilize Leapmotor's technology so far, to the best of our knowledge, especially given the potential management changes, we cannot rule out such possibilities. We have not factored in any IP licensing income at this stage. Should such cooperation start, it could also contribute to Leapmotor's revenue and profits.

■ **Robust R&D capabilities does not mean massive investments**

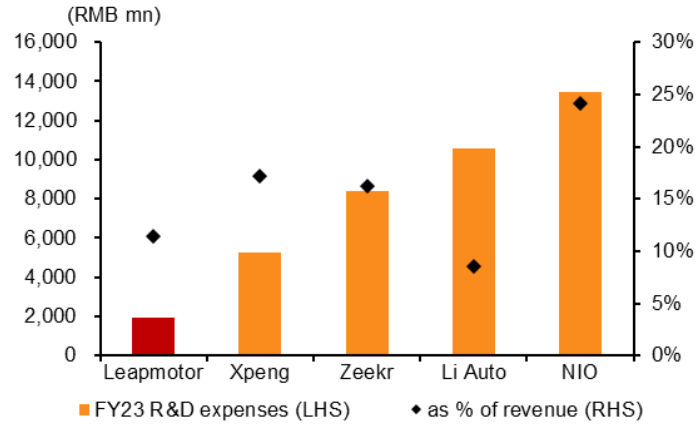
Leapmotor's R&D investments are all expensed, which make its R&D expenses in the income statement comparable to its US-listed peers, including Xpeng, Li Auto, NIO and Zeekr (ZK US, NR). Leapmotor's R&D expenses were about RMB1.9bn in FY23, significantly lower than the range of RMB5bn-13.5bn for its peers. The company had about 2,900 R&D employees at the end of FY23, vs. 5,400-11,000 at its peers.

Despite the robust R&D capabilities it has in our view, Leapmotor is able to manage its R&D expenses, which is important to its potential breakeven in the future. We attribute it to two reasons:

1) Concentrate on technologies that consumers need for a value-for-money vehicle and be a follower with limited spending on technologies that take a long time to monetize or is full of uncertainties, such as autonomous driving.
2) The company's founder Mr. Zhu's expertise in electrical and electronic engineering could make the relevant R&D work more efficient.

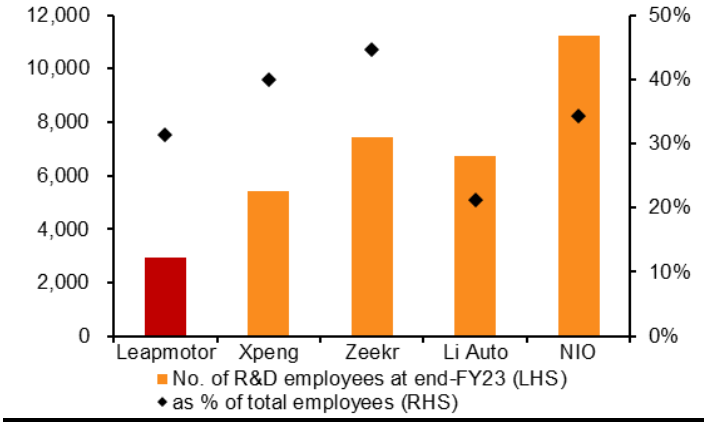
We are of the view that being selective in certain technologies that are crucial for vehicles with specific audience is a right strategy for Leapmotor, which has limited resources compared with most of its peers.

Figure 21: Leapmotor's R&D expenses vs. peers



Source: Company data, CMBIGM

Figure 22: Leapmotor's No. of R&D staff vs. peers



Source: Company data, CMBIGM

Financial Analysis

Fast revenue growth with better GPM in FY24-26E

As elaborated in detail in the section above, we project Leapmotor's FY24-26E sales volume to rise 98%/51%/28% YoY to 285,000/430,000/550,000 units, respectively, driven by new models and overseas markets, following the success the *C10* and *C16*. We expect overseas sales to account for 2%/14%/18% of Leapmotor's total sales volume in FY24-26E, respectively.

We forecast Leapmotor's total revenue in FY24-26E to rise 76%/42%/32% YoY to RMB29.5bn/42.0bn/55.5bn, respectively, as a higher contribution from the B-series and falling raw materials could drag its average selling price (ASP) down. Unlike other Chinese automakers, we expect exports to drag Leapmotor's ASP and gross margin, as it only charges minimal mark-ups when selling vehicles or CKDs to the JV (Leapmotor International). In fact, if Europe is to be the largest overseas market for Leapmotor in FY25-26E, small and low-priced models could make up a large portion of its overseas sales and potentially drag down its overall ASP. Note that Leapmotor's ASP is a net of dealers' rebates, as it adopts a dealership model. Leapmotor's ASP and gross margin are lower than those who adopt a direct-sales model, holding everything else equal. It also means a lower gross margin is required for a breakeven compared with those who adopt the direct-sales model, all else being equal, as Leapmotor's selling expenses would be lower as well.

Figure 23: Our forecasts for sales volume, revenue and gross margin

	FY22	FY23	FY24E	FY25E	FY26E
Total sales volume (units)	**111,168**	**144,155**	**285,000**	**430,000**	**550,000**
Domestic	111,168	144,155	278,000	370,000	450,000
Overseas	-	-	7,000	60,000	100,000
ASP (RMB)	**111,345**	**116,075**	**103,411**	**97,442**	**100,682**
Domestic	111,345	116,075	104,504	102,027	106,944
Overseas	N/A	N/A	60,000	69,167	72,500
Revenue (RMB mn)	**12,385**	**16,747**	**29,495**	**41,971**	**55,531**
Sales of Vehicles and Parts	12,378	16,733	29,472	41,900	55,375
Domestic	12,378	16,733	29,052	37,750	48,125
Overseas	0	0	420	4,150	7,250
Others	7	14	23	71	156
Gross profit (RMB mn)	**(1,911)**	**80**	**1,536**	**3,035**	**4,631**
Sales of Vehicles and Parts	(1,913)	76	1,529	3,002	4,534
Domestic	(1,913)	76	1,520	2,919	4,389
Overseas	0	0	8	83	145
Others	2	4	7	34	97
Gross margin (%)	***-15.4%***	***0.5%***	***5.2%***	***7.2%***	***8.3%***
Sales of Vehicles and Parts	*-15.5%*	*0.5%*	*5.2%*	*7.2%*	*8.2%*
Domestic	*-15.5%*	*0.5%*	*5.2%*	*7.7%*	*9.1%*
Overseas	*N/A*	*N/A*	*2.0%*	*2.0%*	*2.0%*
Others	*30.0%*	*30.0%*	*30.0%*	*47.8%*	*62.2%*

Source: Company data, CMBIGM estimates

Despite low gross margins from overseas sales (we assume 2% for FY24-26E), we project Leapmotor's overall gross margin to widen from 0.5% in FY23 to 5.2% in FY24E, 7.2% in FY25E and 8.3% in FY26E amid greater economies of scale and cost reduction efforts. Another source of income could come from licensing fees, if it starts local production in Europe, although such revenue and gross profit could be insignificant during FY25-26E.

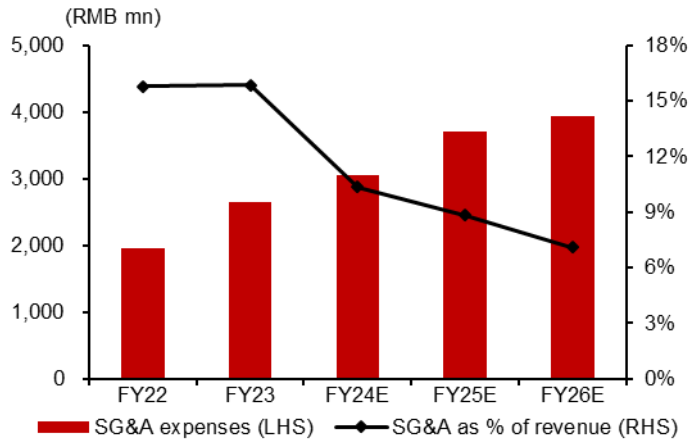
SG&A and R&D ratios could drop substantially on high sales growth

As explained above, Leapmotor's selling expenses are more comparable to traditional automakers which adopt the dealership model. We project its selling expense ratio (as % of revenue) to drop from 10.7% in FY23 to 6.9%/5.8%/4.7% during FY24-26E, respectively, given fast revenue growth and good track record in selling expense control. Unlike many Chinese automakers, Leapmotor's overseas-related expenses including marketing and sales networking expansion, could be lower and are booked in the JV, but not selling expenses.

As Leapmotor does not capitalize its R&D spending (up to now), its G&A expenses could be lower than those automakers which capitalize their R&D investments to generate amortization expenses in the future. We project its G&A expense ratio (as % of revenue) to decline from 5.1% in FY23 to 3.5%/3.0%/2.4% during FY24-26E, respectively.

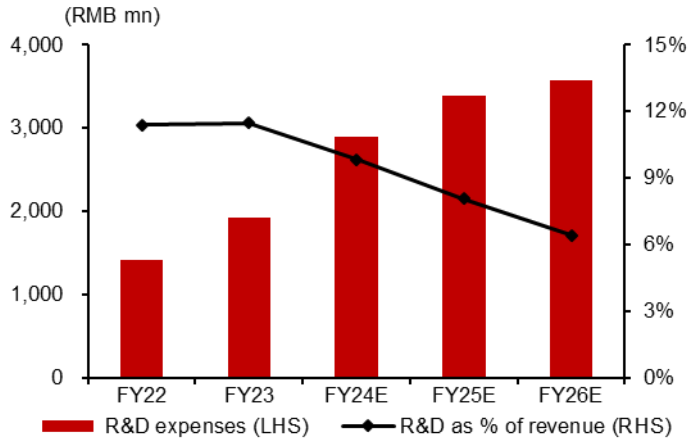
We expect its R&D expenses to rise 51%/17%/5% YoY to RMB2.9bn/3.4bn/3.6bn in FY24-26E, as new B-series models and the Leap 3.5 architecture are to start mass production in 1H25. As elaborated in detail in the previous section, we expect Leapmotor to remain self-disciplined in R&D investments in FY24-26E, as it is selective in key technologies and a follower in areas that need heavy investments. We project its R&D expense ratio (as % of revenue) to drop from 11.5% in FY23 to 9.8%/8.1%/6.4% during FY24-26E, respectively.

Figure 24: SG&A expenses forecasts



Source: Company data, CMBIGM estimates

Figure 25: R&D expenses forecasts



Source: Company data, CMBIGM estimates

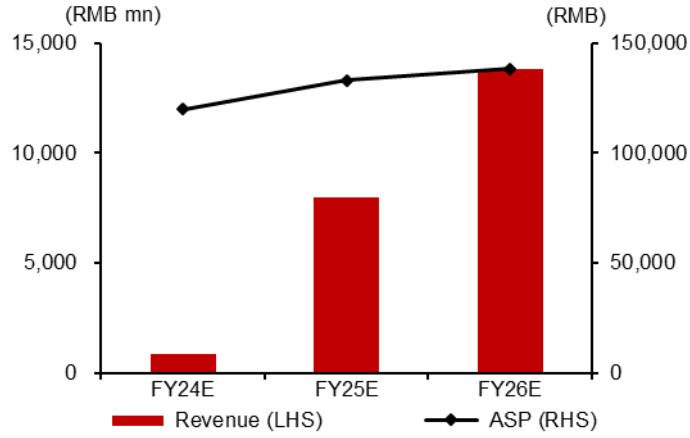
Overseas business to contribute profits through the associate

Although we usually call Leapmotor International as a JV for Leapmotor, given the nature of the cooperation between Leapmotor and Stellantis, it should be classified as an associate to be in accordance with the general accounting standards, as Leapmotor only holds a 49% stake of Leapmotor International.

As noted in detail about overseas business above, we project the revenue of Leapmotor International to be RMB0.8bn/8.0bn/13.8bn in FY24-26E, respectively, with sales volume of 7,000/60,000/100,000 units in FY24-26E, respectively. We expect its share of profit to be RMB0/391mn/814mn in FY24-26E, respectively.

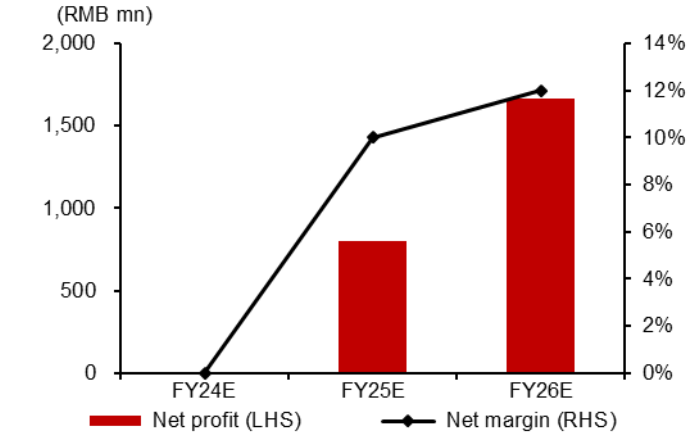
In addition, the company has another two associates in partnership with suppliers. Leapmotor holds a 20% stake at Huaruijie (Dahua holds 51%) and 49% stake at Leap Faurecia Automotive Parts (Faurecia holds 51%). We do not expect large profit volatility from these two associates in the next few years given their limited contribution to the company, as the main purpose for these associates is to ensure supply chain security. Therefore, we project Leapmotor's total share of losses/profits from associates to be RMB-2mn, RMB396mn, and RMB822mn in FY24-26E, respectively.

Figure 26: Revenue and ASP forecasts for Leapmotor International



Source: Company data, CMBIGM estimates

Figure 27: Net profit and net margin forecasts for Leapmotor International



Source: Company data, CMBIGM estimates

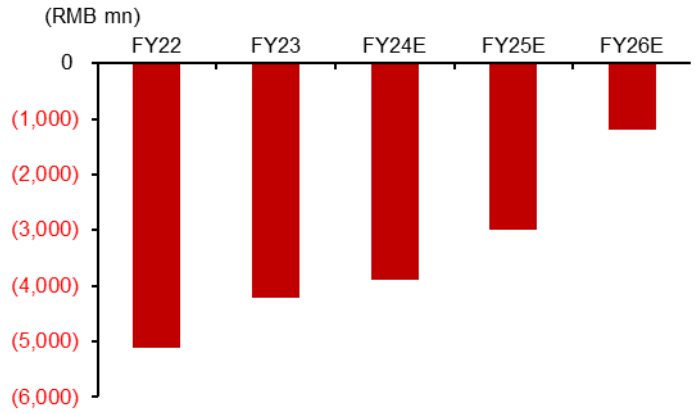
Likely to turn profitable in 2H26

Accordingly, we expect Leapmotor's net loss to narrow from RMB4.2bn in FY23 to RMB3.9bn/3.0bn/1.2bn in FY24-26E, respectively. In fact, we believe it is possible for Leapmotor to turn profitable in 2H26E with our assumptions of monthly sales volume of above 50,000 units and gross margin of about 10%.

As noted earlier, a lower gross margin is required for a breakeven for Leapmotor compared with its peers. To be specific, we believe a 10% gross margin with a fairly large sales volume (e.g. 50,000 units per month) could help Leapmotor achieve breakeven:

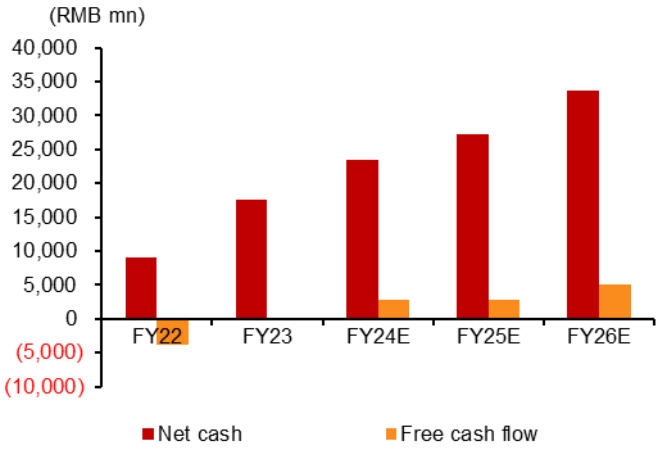
1) We expect Leapmotor's SG&A ratio (as % of revenue) to drop to 6-7% by then, given its dealership model reduces selling expenses and no R&D capitalization lowers G&A expenses. Traditional automakers' selling expenses and G&A expenses without R&D amortization could be a good reference for such estimates.
2) We expect Leapmotor's R&D ratio (as % of revenue) to drop to about 6% by then given Leapmotor's mentality in R&D spending as mentioned above several times. Traditional automakers' R&D ratio before the electrification and autonomous driving race could be a good reference for such estimates.
3) That could result in an operating margin of -3% to -2%. Share of profit from Leapmotor International could lift Leapmotor's profit margin before tax by 1.8ppts, if the JV makes up 20% of Leapmotor's sales volume with a 50%-higher ASP and 12% net margin.
4) Net finance income could roughly lift Leapmotor's profit margin before tax by 1ppt, if Leapmotor has a net cash of about RMB30bn with an interest rate of 2%.

Figure 28: Net loss forecasts



Source: Company data, CMBIGM estimates

Figure 29: Net cash and free cash flow forecasts



Source: Company data, CMBIGM estimates

Figure 30: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	29,495	41,971	55,531	28,391	49,916	69,067	3.9%	-15.9%	-19.6%
Gross profit	1,536	3,035	4,631	1,558	4,861	8,113	-1.4%	-37.6%	-42.9%
Operating profit	(4,254)	(3,812)	(2,520)	(4,243)	(2,088)	(62)	N/A	N/A	N/A
Net profit	(3,901)	(2,991)	(1,197)	(3,889)	(1,543)	1,010	N/A	N/A	-218.5%
Gross margin	5.2%	7.2%	8.3%	5.5%	9.7%	11.7%	-0.3 ppt	-2.5 ppt	-3.4 ppt
Operating margin	-14.4%	-9.1%	-4.5%	-14.9%	-4.2%	-0.1%	0.5 ppt	-4.9 ppt	-4.4 ppt
Net margin	-13.2%	-7.1%	-2.2%	-13.7%	-3.1%	1.5%	0.5 ppt	-4.0 ppt	-3.6 ppt

Source: Bloomberg, CMBIGM estimates

Healthy balance sheet

Leapmotor had a net cash of about RMB17.5bn (including wealth management products categorized as short-term financial assets at fair value through profit and loss) at the end of FY23, aided by the strategic investment from Stellantis of about RMB7.8bn and positive operating cash flow of RMB1.1bn. We expect operating cash flow to increase to RMB4.1bn in FY24E amid narrowed net loss and improving working capital. Therefore, we project Leapmotor to achieve positive free cash flow in FY24E, the first time in its history.

We believe the majority of Leapmotor's capex should be related to new capacity expansion, especially for the new Hangzhou Plant, given its dealership model and unique overseas expansion model. Therefore, we expect its capex during FY24-26E to be at RMB1.1-1.7bn per year, vs. RMB1.4bn per year in FY22-23. Accordingly, we expect the company's free cash flow to increase in FY25-26E, which could result in increase in its net cash in FY25-26E.

Valuation and Risks

Initiate coverage with BUY and TP of HK$40.00

We initiate coverage on Leapmotor with a BUY rating and target price of HK$40.00, based on 1.2x our FY25E revenue estimates, similar to Li Auto and Xpeng's current P/S multiples. We believe such valuation is justified given Leapmotor's faster revenue growth in FY24-26E and a possible earlier breakeven timeline than most of its peers. Our target valuation multiple is 1.8 standard deviation higher than its historical average forward 12-month P/S in the past two years. We are of the view that the limited historical data and overestimated historical revenue consensus could make such data biased. Nevertheless, we believe higher-than-historical average target P/S multiple is justified given the aforementioned reasons.

Figure 31: Sales volume and major financials comparison among comparable NEV start-ups

	Leapmotor 9863.HK		Li Auto LI.US		Xpeng XPEV.US		Zeekr ZK.US	
Year of establishment	2015		2015		2014		2021	
Market cap (RMB mn)	38,949		185,458		85,680		44,012	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Sales volume (units)	**285,000**	**430,000**	**510,000**	**650,000**	**190,000**	**350,000**	**220,000**	**330,000**
ASP of vehicle (RMB)	103,411	97,442	272,047	265,846	189,579	160,643	255,759	258,409
Revenue (RMB mn)*	29,495	41,971	145,604	184,278	41,657	64,737	56,267	85,275
Revenue growth YoY %	***76.1%***	***42.3%***	***17.6%***	***26.6%***	***35.8%***	***55.4%***	***63.1%***	***41.0%***
P/S (x)	1.3	0.9	1.3	1.0	2.1	1.3	0.8	0.5
Gross margin %	*5.2%*	*7.2%*	*19.8%*	*20.1%*	*13.3%*	*13.9%*	*14.2%*	*14.0%*
Gross margin of vehicle %	**5.2%**	**7.2%**	**18.7%**	**18.6%**	**6.8%**	**8.3%**	**14.7%**	**15.1%**
SG&A expenses (RMB mn)	(3,051)	(3,703)	(13,161)	(14,757)	(7,040)	(8,650)	(9,349)	(10,316)
SG&A as % of revenue	*10.3%*	*8.8%*	*9.0%*	*8.0%*	*16.9%*	*13.4%*	*16.6%*	*12.1%*
R&D expenses (RMB mn)	(2,897)	(3,385)	(12,026)	(14,401)	(6,800)	(7,200)	(9,743)	(9,841)
R&D as % of revenue	*9.8%*	*8.1%*	*8.3%*	*7.8%*	*16.3%*	*11.1%*	*17.3%*	*11.5%*
Share of profits from JVs and assos (RMB mn)	(2)	396	(5)	0	80	120	250	300
Net profit/(loss) (RMB mn)	**(3,901)**	**(2,991)**	**7,249**	**11,941**	**(6,257)**	**(4,480)**	**(7,308)**	**(3,257)**
Net margin %	*-13.2%*	*-7.1%*	*5.0%*	*6.5%*	*-15.0%*	*-6.9%*	*-13.0%*	*-3.8%*
Net cash (RMB mn)*	20,372	23,624	108,164	132,472	30,998	36,686	6,360	12,223

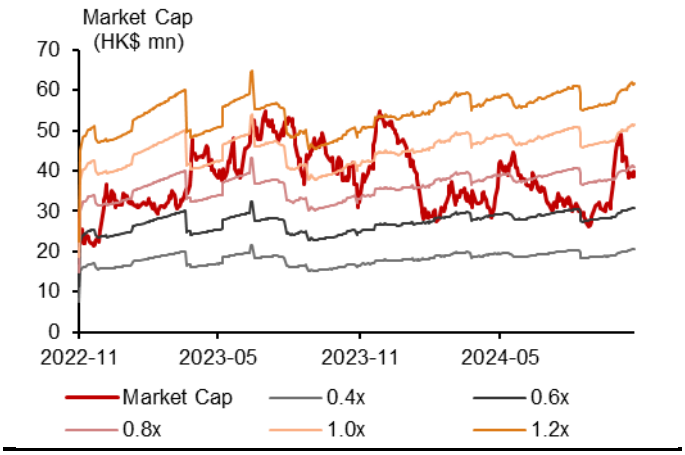
Source: Company data, CMBIGM estimates; market data as of 6 Nov 2024.
Notes: Net cash includes wealth management products. Revenue of Zeekr here only includes vehicle sales. Zeekr's estimates are based on Bloomberg consensus, while others are CMBIGM estimates.

Figure 32: Peers' valuation

Company	Ticker	Rating	Mkt Cap (HK$ mn)	Price (LC)	P/S (x)		P/B (x)		ROE (%)	
					FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Leapmotor	9863 HK	BUY	42,382	31.70	1.3	0.9	4.4	6.3	(37.6)	(43.2)
Li Auto	LI US	BUY	203,833	24.71	1.3	1.0	2.7	2.3	11.2	15.8
NIO	NIO US	HOLD	80,605	5.00	1.1	0.8	8.3	12.0	(108.2)	(220.4)
Xpeng	XPEV US	HOLD	90,808	12.30	2.1	1.3	2.7	3.2	(18.7)	(15.8)
Tesla	TSLA US	NR	7,200,874	288.53	9.3	8.0	13.6	11.9	11.4	14.9
Zeekr	ZK US	NR	48,199	25.04	0.5	0.4	N/A	N/A	N/A	N/A
Seres	601127 CH	NR	222,561	135.87	1.5	1.2	12.1	7.3	35.0	35.7
	Average				**2.4**	**2.0**	**7.3**	**7.2**	**(17.8)**	**(35.5)**

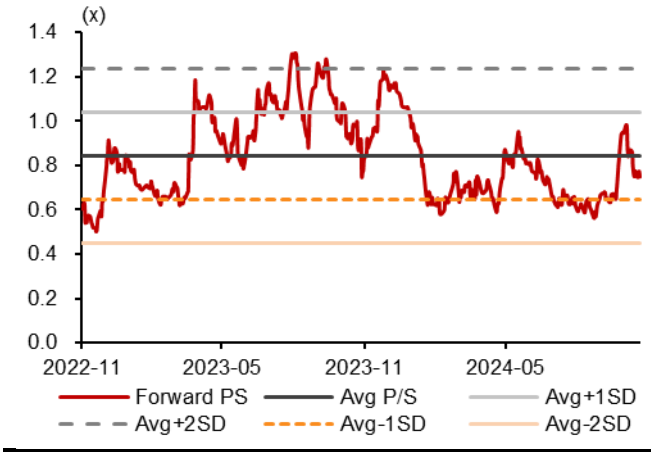
Source: Bloomberg, Wind, CMBIGM estimates; market data as of 6 Nov 2024.

Figure 33: Leapmotor's forward 12-month P/S band



Source: Bloomberg, CMBIGM

Figure 34: Leapmotor's forward 12-month P/S range



Source: Bloomberg, CMBIGM

Key risks to our rating and target price

1) Lower sales volume than we expect due to delays in new model launches or slower technology iterations than rivals;
2) Slower overseas sales volume growth than we expect amid geopolitical tensions;
3) Weaker margins than we expect given fiercer competition;
4) Weaker cost control than we expect given changes in management's mentality;
5) A sector de-rating amid macro uncertainties.

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	**3,132**	**12,385**	**16,747**	**29,495**	**41,971**	**55,531**
Cost of goods sold	(4,520)	(14,296)	(16,666)	(27,960)	(38,935)	(50,901)
Gross profit	**(1,388)**	**(1,911)**	**80**	**1,536**	**3,035**	**4,631**
Operating expenses	**(1,481)**	**(3,315)**	**(4,458)**	**(5,789)**	**(6,847)**	**(7,151)**
Selling expense	(428)	(1,114)	(1,795)	(2,030)	(2,433)	(2,613)
Admin expense	(398)	(842)	(858)	(1,020)	(1,270)	(1,329)
R&D expense	(740)	(1,411)	(1,920)	(2,897)	(3,385)	(3,569)
Others	85	51	115	158	240	361
Operating profit	**(2,868)**	**(5,227)**	**(4,377)**	**(4,254)**	**(3,812)**	**(2,520)**
Share of (losses)/profits of associates/JV	0	12	4	(2)	396	822
EBITDA	**(2,565)**	**(4,656)**	**(3,543)**	**(3,074)**	**(1,947)**	**66**
Depreciation	180	263	436	548	749	936
Depreciation of ROU assets	28	132	138	170	190	200
Other amortisation	11	21	27	37	47	59
EBIT	**(2,784)**	**(5,072)**	**(4,144)**	**(3,829)**	**(2,933)**	**(1,129)**
Interest income	84	143	229	427	483	569
Interest expense	(62)	(37)	(72)	(72)	(58)	(68)
Pre-tax profit	**(2,846)**	**(5,109)**	**(4,216)**	**(3,901)**	**(2,991)**	**(1,197)**
Income tax	0	(0)	(0)	0	0	0
After tax profit	**(2,846)**	**(5,109)**	**(4,216)**	**(3,901)**	**(2,991)**	**(1,197)**
Net profit	**(2,846)**	**(5,109)**	**(4,216)**	**(3,901)**	**(2,991)**	**(1,197)**

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	**8,955**	**13,638**	**22,470**	**29,543**	**35,420**	**44,021**
Cash & equivalents	4,338	6,949	11,731	15,428	18,422	23,570
Restricted cash	1,376	1,822	2,800	3,086	3,684	4,714
Account receivables	782	1,685	926	1,616	2,070	2,739
Inventories	749	1,749	1,719	2,681	3,414	4,184
ST bank deposits	0	81	2,087	3,000	3,242	2,918
Financial assets at FVTPL	1,260	930	2,770	3,086	3,684	4,714
Other current assets	421	385	422	617	862	1,128
Contract assets	28	37	14	29	42	56
Non-current assets	**3,572**	**5,629**	**5,984**	**7,182**	**8,205**	**8,825**
PP&E	1,929	3,208	3,868	4,540	5,291	5,255
Right-of-use assets	454	820	732	1,015	826	789
Investment in JVs & assos	19	30	44	118	514	1,336
Intangibles	420	447	450	452	445	437
Other non-current assets	750	1,124	889	1,056	1,128	1,007
Total assets	**12,526**	**19,268**	**28,453**	**36,725**	**43,625**	**52,846**
Current liabilities	**4,330**	**9,257**	**13,954**	**21,518**	**29,931**	**39,035**
Short-term borrowings	340	1,019	1,581	357	614	768
Account payables	2,596	5,987	9,847	16,852	23,468	30,680
Other current liabilities	1,365	2,072	2,399	4,042	5,640	7,359
Lease liabilities	25	149	104	201	115	103
Contract liabilities	4	31	23	66	94	125
Non-current liabilities	**967**	**1,752**	**2,002**	**3,495**	**4,438**	**5,311**
Long-term borrowings	534	773	892	1,535	1,921	2,153
Deferred income	330	414	382	489	634	675
Other non-current liabilities	103	564	728	1,471	1,883	2,483
Total liabilities	**5,296**	**11,009**	**15,955**	**25,013**	**34,369**	**44,346**
Share capital	1,012	1,143	1,337	1,472	1,483	1,493
Retained earnings	(4,571)	(9,680)	(13,897)	(17,803)	(20,804)	(22,006)
Other reserves	10,790	16,796	25,058	28,043	28,577	29,013
Total shareholders equity	**7,230**	**8,259**	**12,498**	**11,712**	**9,256**	**8,500**
Total equity and liabilities	**12,526**	**19,268**	**28,453**	**36,725**	**43,625**	**52,846**

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	**(2,846)**	**(5,109)**	**(4,216)**	**(3,901)**	**(2,991)**	**(1,197)**
Depreciation & amortization	219	416	601	756	986	1,195
Tax paid	0	(0)	(0)	0	0	0
Change in working capital	1,065	1,456	3,941	6,442	6,002	5,977
Others	543	837	756	803	551	165
Net cash from operations	**(1,019)**	**(2,400)**	**1,082**	**4,100**	**4,548**	**6,140**
Investing						
Capital expenditure	(1,525)	(1,418)	(1,394)	(1,340)	(1,700)	(1,050)
Acquisition of subsidiaries/ investments	0	0	(10)	(76)	0	0
Net proceeds from disposal of short-term investments	(1,722)	(26)	(3,527)	(1,243)	(714)	(429)
Others	244	152	71	241	316	221
Net cash from investing	**(3,003)**	**(1,292)**	**(4,860)**	**(2,418)**	**(2,098)**	**(1,258)**
Financing						
Net borrowings	(1,464)	915	689	(581)	643	386
Proceeds from share issues	6,081	5,688	7,778	2,600	0	0
Others	3,643	(248)	85	(4)	(99)	(120)
Net cash from financing	**8,259**	**6,355**	**8,552**	**2,015**	**544**	**266**
Net change in cash						
Cash at the beginning of the year	101	4,338	6,949	11,731	15,428	18,422
Exchange difference	(0)	(53)	9	0	0	0
Cash at the end of the year	**4,338**	**6,949**	**11,731**	**15,428**	**18,422**	**23,570**

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

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