

Li Auto Inc. (LI US/2015 HK)

Facelifted *Mega* offers more confidence in BEVs

Maintain BUY. Li Auto's 1Q25 net profit was in line with our forecast, while its cost reduction efforts still exceeded our expectation. We believe such capabilities are to be the foundation for its FY25E earnings resilience, although we have lowered our full-year sales volume forecast. We are still more positive than the market about Li Auto's upcoming BEVs, especially with the facelifted *Mega* being better received by customers.

- **1Q25 earnings in line on cost reduction.** Li Auto's 1Q25 revenue was 1% lower than our prior projection, mainly due to other sales and services. GPM in 1Q25 widened by 0.2ppts QoQ, or 1.3ppts higher than our forecast. We attribute such beat to Li Auto's superb cost reduction efforts, as discount rose QoQ. R&D and SG&A expenses were largely in line with our prior estimates, which led to in-line operating profit and net profit.
- **Cost reduction as key to FY25E earnings growth.** Although we have already highlighted the importance of the cost control for Li Auto in FY25E in our last [report](#), its cost reduction capabilities still exceeded our prior expectation in 1Q25. The company has lowered its FY25 R&D expense guidance to RMB11-12bn. We also cut our FY25E SG&A expenses forecast by 8% to RMB12.5bn.
- **Facelifted *Mega* may provide more confidence for the upcoming BEVs.** Although no guidance was given for the *i8*'s sales volume, the company had a lesson learnt from the *Mega*: focus on customers' needs. New orders from the facelifted *Mega* significantly exceeded the company's expectation, which could be a good sign for the upcoming *i8* and *i6*. We cut our FY25E sales volume forecast by 8% to 0.58mn units, largely due to EREVs, which is still in line with the company's broad guidance. We project FY26E sales volume to rise 24% YoY to 0.72mn units, aided by more BEVs.
- **Earnings/Valuation.** We cut our FY25E revenue forecast by 7% but only trim our net profit estimates by 13% to RMB10.4bn, partially due to lowered operating expense assumption. We expect Li Auto's cost reduction efforts to continue aiding profits in FY26E. We project FY26E net profit to rise 41% YoY to RMB14.6bn. We maintain our BUY rating and target price of US\$33.00 (or HK\$131), based on 17x our revised FY26E P/E (prior 20x FY25E). We roll over our valuation to FY26E with a lower target multiple to reflect higher uncertainties. Key risks to our rating and target price include lower sales and/or GPM than our expectation, as well as a sector de-rating.

Earnings Summary - LI US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	123,851	144,460	161,161	193,322	232,835
YoY growth (%)	173.5	16.6	11.6	20.0	20.4
Gross margin (%)	22.2	20.5	20.3	20.2	19.9
Operating profit (RMB mn)	7,142.7	6,355.5	8,279.9	12,300.3	17,176.9
Net profit (RMB mn)	11,704.1	8,032.4	10,360.6	14,572.5	19,178.6
YoY growth (%)	na	(31.4)	29.0	40.7	31.6
Adjusted net profit (RMB mn)	12,092.6	10,663.3	11,521.2	15,766.9	20,722.9
EPS (Reported) (RMB)	5.95	4.03	5.07	6.96	9.07
P/S (x)	1.8	1.5	1.4	1.1	0.9
P/E (x)	17.2	25.4	20.2	14.7	11.3
P/B (x)	3.4	2.9	2.5	2.2	1.8

Source: Company data, Bloomberg, CMBIGM estimates

	LI US	2015 HK
	BUY	BUY
	Maintain	Maintain

TP	US\$33.00	HK\$131.00
Prior TP	US\$33.00	HK\$131.00
Up/Downside	15.8%	21.1%
Current Price	US\$28.5	HK\$108.2

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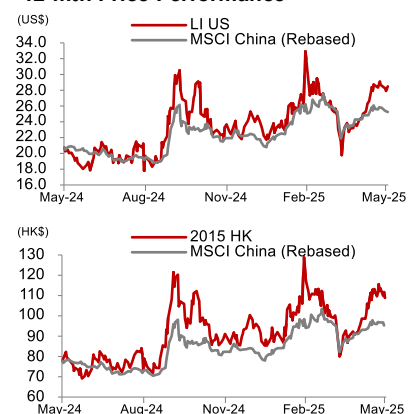
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12-mth Price Performance



Source: FactSet

Stock Performance

	LI US		2015 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	16.8%	12.6%	13.6%	12.6%
3-mth	-7.3%	-7.9%	-7.9%	-7.9%
6-mth	20.3%	3.5%	18.8%	3.5%

Source: FactSet

Stock Data

(LC)	LI US	2015 HK
Mkt Cap (mn)	30496.87	231643.5
Avg 3 mths t/o (mn)	82.74	1912.46
52w High	32.92	128.7
52w Low	17.8	69.15
Issued Shares (mn)	2140.882	2140.882

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	YoY	QoQ
Sales volume (units)	80,400	108,581	152,831	158,696	92,864	15.5%	-41.5%
ASP (RMB)	318,827	291,749	280,534	278,984	279,191	-12.4%	0.1%
Revenue	25,634	31,678	42,874	44,274	25,927	1.1%	-41.4%
Gross profit	5,284	6,177	9,225	8,970	5,318	0.6%	-40.7%
R&D expenses	(3,049)	(3,028)	(2,587)	(2,408)	(2,514)	-17.5%	4.4%
SG&A expenses	(2,978)	(2,815)	(3,360)	(3,077)	(2,531)	-15.0%	-17.7%
Operating profit	(585)	468	3,433	3,703	272	N/A	-92.7%
Net profit	593	1,103	2,814	3,523	650	9.7%	-81.5%
Gross margin	20.6%	19.5%	21.5%	20.3%	20.5%	-0.1 ppts	0.3 ppts
Operating margin	-2.3%	1.5%	8.0%	8.4%	1.0%	3.3 ppts	-7.3 ppts
Net margin	2.3%	3.5%	6.6%	8.0%	2.5%	0.2 ppts	-5.4 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	161,161	193,322	232,835	173,947	218,582	N/A	-7.4%	-11.6%	N/A
Gross profit	32,748	39,018	46,268	35,724	44,155	N/A	-8.3%	-11.6%	N/A
Operating profit	9,080	13,400	18,377	10,024	15,643	N/A	-9.4%	-14.3%	N/A
Net profit	10,361	14,572	19,179	11,890	17,241	N/A	-12.9%	-15.5%	N/A
Gross margin	20.3%	20.2%	19.9%	20.5%	20.2%	N/A	-0.2 ppts	0.0 ppts	N/A
Operating margin	5.6%	6.9%	7.9%	5.8%	7.2%	N/A	-0.1 ppts	-0.2 ppts	N/A
Net margin	6.4%	7.5%	8.2%	6.8%	7.9%	N/A	-0.4 ppts	-0.3 ppts	N/A

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	161,161	193,322	232,835	170,805	219,403	254,526	-5.6%	-11.9%	-8.5%
Gross profit	32,748	39,018	46,268	34,918	44,993	52,868	-6.2%	-13.3%	-12.5%
Operating profit	9,080	13,400	18,377	8,675	13,901	17,965	4.7%	-3.6%	2.3%
Net profit	10,361	14,572	19,179	11,016	16,158	19,296	-6.0%	-9.8%	-0.6%
Gross margin	20.3%	20.2%	19.9%	20.4%	20.5%	20.8%	-0.1 ppts.	-0.3 ppts.	-0.9 ppts.
Operating margin	5.6%	6.9%	7.9%	5.1%	6.3%	7.1%	0.6 ppts.	0.6 ppts.	0.8 ppts.
Net margin	6.4%	7.5%	8.2%	6.4%	7.4%	7.6%	0.0 ppts.	0.2 ppts.	0.7 ppts.

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	45,287	123,851	144,460	161,161	193,322	232,835
Cost of goods sold	(36,496)	(96,355)	(114,804)	(128,414)	(154,304)	(186,567)
Gross profit	8,790	27,497	29,656	32,748	39,018	46,268
Operating expenses	(12,445)	(20,354)	(23,301)	(24,468)	(26,718)	(29,091)
SG&A expense	(5,665)	(9,768)	(12,229)	(12,526)	(13,417)	(14,385)
R&D expense	(6,780)	(10,586)	(11,071)	(11,941)	(13,301)	(14,706)
Operating profit	(3,655)	7,143	6,355	8,280	12,300	17,177
Gain/loss on financial assets at FVTPL	0	0	0	0	0	0
Investment gain/loss	376	783	320	1,079	1,376	1,611
Other gains/(losses)	626	1,048	664	617	765	822
EBITDA	(839)	12,343	12,561	16,444	22,722	29,645
Depreciation	1,214	1,805	3,058	4,347	5,790	7,293
EBIT	(2,053)	10,538	9,503	12,097	16,932	22,353
Interest income	600	1,300	1,500	1,321	1,390	1,542
Interest expense	(106)	(86)	(188)	(165)	(147)	(135)
Pre-tax profit	(2,159)	10,452	9,316	11,932	16,784	22,218
Income tax	127	1,357	(1,270)	(1,551)	(2,182)	(2,999)
After tax profit	(2,032)	11,809	8,045	10,381	14,602	19,219
Minority interest	20	(105)	(13)	(20)	(30)	(40)
Discontinued operations	0	0	0	0	0	0
Others	0	0	0	0	0	0
Net profit	(2,012)	11,704	8,032	10,361	14,572	19,179
Adjusted net profit	41	12,093	10,663	11,521	15,767	20,723

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	66,992	114,526	126,310	148,891	177,361	216,983
Cash & equivalents	38,478	91,329	65,901	73,086	81,270	99,996
Restricted cash	1,940	0	7	50	80	100
Account receivables	48	144	135	221	318	383
Inventories	6,805	6,872	8,186	8,795	10,569	12,779
ST bank deposits	18,031	11,933	46,905	61,905	79,905	97,905
Other current assets	1,690	4,247	5,177	4,835	5,220	5,821
Non-current assets	19,545	28,942	36,039	40,219	44,643	46,928
PP&E	11,188	15,745	21,141	25,704	29,922	32,637
Right-of-use assets	3,539	5,939	8,324	8,176	7,818	7,106
Deferred income tax	75	1,990	2,542	1,500	1,500	1,500
Investment in JVs & assos	1,484	1,595	923	1,440	1,855	2,277
Intangibles	833	864	915	977	1,030	1,074
Other non-current assets	2,427	2,808	2,194	2,423	2,519	2,334
Total assets	86,538	143,467	162,349	189,110	222,004	263,911
Current liabilities	27,373	72,743	69,216	85,356	101,967	126,895
Short-term borrowings	0	688	0	0	0	0
Account payables	20,024	51,870	53,596	70,364	84,550	102,229
Other current liabilities	6,652	19,038	14,086	13,149	15,683	23,140
Lease liabilities	696	1,146	1,533	1,843	1,734	1,527
Non-current liabilities	13,979	10,150	21,813	20,839	21,309	15,683
Long-term borrowings	3,317	1,747	1,897	2,184	1,884	1,784
Convertible bonds	5,914	0	6,255	6,255	6,255	0
Obligations under finance leases	0	0	643	559	487	423
Deferred income	582	812	721	912	989	1,083
Other non-current liabilities	4,167	7,590	12,298	10,929	11,694	12,393
Total liabilities	41,352	82,892	91,029	106,195	123,276	142,577
Share capital	1	1	1	1	1	1
Capital surplus	53,869	57,480	60,127	61,341	62,551	65,938
Retained earnings	(9,012)	2,661	10,747	21,107	35,680	54,858
Other reserves	(0)	(0)	(0)	(0)	(0)	(0)
Total shareholders equity	44,859	60,143	70,875	82,450	98,233	120,798
Minority interest	328	433	445	465	495	535
Total equity and liabilities	86,538	143,467	162,349	189,110	222,004	263,911

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,159)	10,452	9,316	11,932	16,784	22,218
Depreciation & amortization	1,214	1,805	3,058	4,347	5,790	7,293
Change in working capital	5,035	36,612	2,070	14,300	15,070	18,979
Others	3,290	1,825	1,490	1,037	(602)	(1,037)
Net cash from operations	7,380	50,694	15,933	31,615	37,043	47,453
Investing						
Capital expenditure	(5,128)	(6,507)	(7,730)	(9,000)	(10,100)	(10,100)
Acquisition of subsidiaries/ investments	(762)	(198)	(31)	(400)	(300)	(300)
Net proceeds from disposal of short-term investments	1,686	16,316	(4,415)	(8,000)	(8,000)	(8,000)
Others	(161)	(9,622)	(28,961)	(7,000)	(10,000)	(10,000)
Net cash from investing	(4,365)	(12)	(41,137)	(24,400)	(28,400)	(28,400)
Financing						
Net borrowings	3,080	(1,001)	(996)	(42)	(444)	(307)
Proceeds from share issues	2,469	1,186	486	54	16	0
Others	90	0	95	0	0	0
Net cash from financing	5,639	185	(416)	12	(428)	(307)
Net change in cash						
Cash at the beginning of the year	30,493	40,418	91,330	65,908	73,136	81,350
Exchange difference	1,270	45	198	0	0	0
Others	0	0	0	0	0	0
Cash at the end of the year	40,418	91,330	65,908	73,136	81,350	100,096
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	67.7%	173.5%	16.6%	11.6%	20.0%	20.4%
Gross profit	52.6%	212.8%	7.9%	10.4%	19.1%	18.6%
Operating profit	na	na	(11.0%)	30.3%	48.6%	39.6%
EBITDA	na	na	1.8%	30.9%	38.2%	30.5%
EBIT	na	na	(9.8%)	27.3%	40.0%	32.0%
Net profit	na	na	(31.4%)	29.0%	40.7%	31.6%
Adj. net profit	(94.7%)	29,430.1%	(11.8%)	8.0%	36.9%	31.4%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	19.4%	22.2%	20.5%	20.3%	20.2%	19.9%
Operating margin	(8.1%)	5.8%	4.4%	5.1%	6.4%	7.4%
EBITDA margin	(1.9%)	10.0%	8.7%	10.2%	11.8%	12.7%
Adj. net profit margin	0.1%	9.8%	7.4%	7.1%	8.2%	8.9%
Return on equity (ROE)	(4.7%)	22.3%	12.3%	13.5%	16.1%	17.5%
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	2.4	1.6	1.8	1.7	1.7	1.7
Receivable turnover days	0.4	0.4	0.3	0.5	0.6	0.6
Inventory turnover days	68.1	26.0	26.0	25.0	25.0	25.0
Payable turnover days	200.3	196.5	170.4	200.0	200.0	200.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	17.2	25.4	20.2	14.7	11.3
P/E (diluted)	ns	18.5	27.2	21.6	15.7	12.0
P/B	4.4	3.4	2.9	2.5	2.2	1.8
P/CFPS	26.9	4.0	12.8	6.6	5.8	4.6
Div yield (%)	0.0	0.0	0.0	0.0	0.0	0.0

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

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