

NIO Inc. (NIO US/9866 HK)

Fair valuation with continued net loss in FY26E

Maintain HOLD. We acknowledge NIO's cost reduction efforts, which has been partially reflected in 2Q25 earnings. However, we expect losses to continue in FY26E even with our sales volume assumption of 0.5mn units. We believe its recent share price rally has pushed its valuation to a fair level.

- **2Q25 earnings largely in line.** NIO's revenue in 2Q25 was about 5% higher than our prior forecast amid slightly higher average selling price and R&D services. GPM of 10% during the period was about 0.2ppts higher than our projection. R&D expenses were about RMB200mn higher than our forecast, mainly due to organizational optimization charges. SG&A expenses were about RMB350mn lower than our forecast. Accordingly, its net loss of RMB5.1bn in 2Q25 was about RMB300mn lower than our prior projection.
- **We expect 4Q25E net loss to narrow significantly but not to break even yet.** Management laid out key assumptions for 4Q25 non-GAAP net profit breakeven: unit sales of 0.15mn, vehicle GPM of 16-17%, non-GAAP R&D expenses of RMB2bn, and SG&A ratio of 10%. We acknowledge management's cost reduction efforts, which was partially reflected in 2Q25. However, we are not convinced with its Onvo L90's 20% GPM target, given its aggressive pricing, especially when compared to the Onvo L60's GPM. We raise our FY25E sales volume forecast to 0.345mn units with 4Q25E being 0.158mn units, and project vehicle GPM to be 15.7% in 4Q25E. We also do not expect SG&A expenses to remain the same as 2Q25 when sales volume is to be more than doubled. Therefore, we expect GAAP net loss of RMB1.6bn and non-GAAP net loss of RMB1bn in 4Q25E.
- **Investors should not overlook competition in FY26E.** We are of the view that we could not draw a linear extrapolation on NIO's sales volume in FY26E, based on its 4Q25 figures, as other automakers could launch new models with even more aggressive pricing. Even as we project NIO's FY26E sales volume to be 0.5mn units, we still expect NIO to post a GAAP net loss of RMB7.8bn in FY26E. We believe NIO's three-brand strategy, heavy investments in NIO House, battery swap, chips and even mobile phones, would require a higher sales volume threshold for breakeven.
- **Valuation/Key risks.** We maintain our HOLD rating but raise target price from US\$4.00 to US\$7.00, based on 0.9x our FY26E P/S (prior 0.8x FY25). We believe such valuation is fair given both Li Auto (LI US/2015 HK, BUY) and Leapmotor (9863 HK, BUY) are now trading at slightly lower than 0.9x, with much better profitability than NIO. Key risks to our rating and target price include higher or lower sales volume and margins than we expect, as well as a sector re-rating or de-rating.

Earnings Summary - NIO US

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	55,618	65,732	91,769	130,787	146,127
YoY growth (%)	12.9	18.2	39.6	42.5	11.7
Gross margin (%)	5.5	9.9	11.9	13.7	13.9
Operating profit (RMB mn)	(22,655.2)	(21,874.1)	(16,949.0)	(7,435.3)	(4,443.0)
Net profit (RMB mn)	(21,147.0)	(22,657.7)	(18,142.4)	(7,771.2)	(4,110.7)
Adjusted net profit (RMB mn)	(18,474.8)	(20,381.7)	(16,002.5)	(5,667.8)	(1,956.1)
EPS (Reported) (RMB cents)	(1,243.79)	(1,102.77)	(836.48)	(329.80)	(166.00)
P/S (x)	1.8	1.6	1.1	0.8	0.7
P/B (x)	2.6	7.0	41.3	56.7	1,060.8

Source: Company data, Bloomberg, CMBIGM estimates

	NIO US	9866 HK
	HOLD	HOLD
	Maintain	Maintain

TP	US\$7.00	HK\$55.00
Prior TP	US\$4.00	HK\$31.00
Up/Downside	9.7%	7.7%
Current Price	US\$6.4	HK\$51.1

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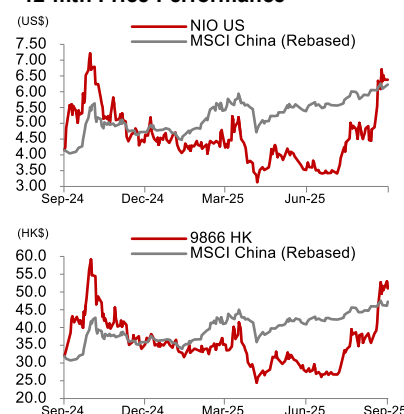
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12-mth Price Performance



Source: FactSet

Stock Performance

	NIO US		9866 HK	
	Abs.	Rel.	Abs.	Rel.
1-mth	27.3%	18.0%	35.1%	18.0%
3-mth	81.3%	56.8%	85.6%	56.8%
6-mth	37.8%	19.6%	44.8%	19.6%

Source: FactSet

Stock Data

(LC)	NIO US	9866 HK
Mkt Cap (mn)	14329.42	114657.8
Avg 3 mths t/o (mn)	112.43	329.96
52w High	7.21	59.15
52w Low	3.14	24.5
Issued Shares (mn)	2245.991	2245.991

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	YoY	QoQ
Sales volume (units)	30,053	57,373	61,855	72,689	42,094	72,056	25.6%	71.2%
ASP (RMB)	329,705	304,080	301,892	271,065	285,901	263,804	-13.2%	-7.7%
Revenue	9,909	17,446	18,674	19,703	12,035	19,009	9.0%	57.9%
Gross profit	488	1,689	2,007	2,309	920	1,898	12.4%	106.4%
R&D expenses	(2,864)	(3,219)	(3,319)	(3,636)	(3,181)	(3,007)	-6.6%	-5.5%
SG&A expenses	(2,997)	(3,757)	(4,109)	(4,878)	(4,401)	(3,965)	5.5%	-9.9%
Operating profit	(5,394)	(5,209)	(5,238)	(6,033)	(6,418)	(4,909)	N/A	N/A
Net profit	(5,258)	(5,126)	(5,142)	(7,132)	(6,891)	(5,141)	N/A	N/A
Gross margin	4.9%	9.7%	10.7%	11.7%	7.6%	10.0%	0.3 ppts	2.3 ppts
Operating margin	-54.4%	-29.9%	-28.0%	-30.6%	-53.3%	-25.8%	4.0 ppts	27.5 ppts
Net margin	-53.1%	-29.4%	-27.5%	-36.2%	-57.3%	-27.0%	2.3 ppts	30.2 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	91,769	130,787	146,127	79,876	111,753	124,770	14.9%	17.0%	17.1%
Gross profit	10,952	17,917	20,310	9,048	15,574	18,219	21.0%	15.0%	11.5%
Operating profit	(16,949)	(7,435)	(4,443)	(18,544)	(10,463)	(6,716)	N/A	N/A	N/A
Net profit	(18,142)	(7,771)	(4,111)	(19,400)	(10,816)	(6,400)	N/A	N/A	N/A
Gross margin	11.9%	13.7%	13.9%	11.3%	13.9%	14.6%	0.6 ppts	-0.2 ppts	-0.7 ppts
Operating margin	-18.5%	-5.7%	-3.0%	-23.2%	-9.4%	-5.4%	4.7 ppts	3.7 ppts	2.3 ppts
Net margin	-19.8%	-5.9%	-2.8%	-24.3%	-9.7%	-5.1%	4.5 ppts	3.7 ppts	2.3 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	91,769	130,787	146,127	88,476	117,102	136,567	3.7%	11.7%	7.0%
Gross profit	10,952	17,917	20,310	10,666	17,631	22,669	2.7%	1.6%	-10.4%
Operating profit	(16,949)	(7,435)	(4,443)	(16,248)	(8,514)	(4,342)	N/A	N/A	N/A
Net profit	(18,142)	(7,771)	(4,111)	(16,404)	(8,470)	(4,296)	N/A	N/A	N/A
Gross margin	11.9%	13.7%	13.9%	12.1%	15.1%	16.6%	-0.1 ppts	-1.4 ppts	-2.7 ppts
Operating margin	-18.5%	-5.7%	-3.0%	-18.4%	-7.3%	-3.2%	-0.1 ppts	1.6 ppts	0.1 ppts
Net margin	-19.8%	-5.9%	-2.8%	-18.5%	-7.2%	-3.1%	-1.2 ppts	1.3 ppts	0.3 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	49,269	55,618	65,732	91,769	130,787	146,127
Cost of goods sold	(44,125)	(52,566)	(59,239)	(80,817)	(112,870)	(125,817)
Gross profit	5,144	3,052	6,493	10,952	17,917	20,310
Operating expenses	(20,785)	(25,707)	(28,367)	(27,901)	(25,352)	(24,753)
SG&A expense	(10,537)	(12,885)	(15,741)	(17,547)	(16,285)	(15,731)
R&D expense	(10,836)	(13,431)	(13,037)	(11,154)	(10,068)	(10,122)
Others	589	609	412	800	1,000	1,100
Operating profit	(15,641)	(22,655)	(21,874)	(16,949)	(7,435)	(4,443)
Other gains/(losses)	(145)	325	(103)	300	400	500
Share of (losses)/profits of associates/JV	378	64	(503)	(600)	(200)	100
EBITDA	(10,055)	(15,148)	(13,925)	(7,940)	3,569	8,384
Depreciation	2,852	3,378	5,875	5,905	6,985	7,951
Depreciation of ROU assets	1,142	1,529	1,825	2,840	3,065	3,289
EBIT	(14,049)	(20,055)	(21,626)	(16,684)	(6,482)	(2,856)
Interest income	1,359	2,210	854	565	753	987
Interest expense	(333)	(404)	(798)	(833)	(621)	(543)
Foreign exchange gain/loss	283	(55)	212	0	0	0
Pre-tax profit	(14,382)	(20,459)	(22,425)	(17,517)	(7,104)	(3,399)
Income tax	(55)	(261)	23	(35)	(14)	(7)
After tax profit	(14,437)	(20,720)	(22,402)	(17,552)	(7,118)	(3,406)
Minority interest	157	(124)	92	30	30	30
Others	(279)	(303)	(348)	(620)	(683)	(735)
Net profit	(14,559)	(21,147)	(22,658)	(18,142)	(7,771)	(4,111)
Adjusted net profit	(11,984)	(18,475)	(20,382)	(16,002)	(5,668)	(1,956)

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	59,150	70,380	61,886	58,849	83,144	95,207
Cash & equivalents	19,888	32,935	19,329	20,258	37,612	46,726
Restricted cash	3,154	5,542	8,321	3,000	2,500	2,500
Account receivables	5,118	4,658	1,676	7,543	10,750	12,010
Inventories	8,191	5,278	7,087	5,757	8,040	8,962
ST bank deposits	19,171	16,810	14,138	10,000	10,000	10,000
Other current assets	3,627	5,157	11,335	12,291	14,242	15,009
Non-current assets	37,114	47,003	45,719	49,497	51,406	50,268
PP&E	15,659	24,847	25,893	26,914	26,840	25,787
Right-of-use assets	7,374	11,404	12,797	11,337	9,919	8,263
Investment in JVs & assos	6,356	5,487	3,126	2,614	2,514	2,714
Intangibles	0	30	30	25	21	16
Other non-current assets	7,725	5,235	3,873	8,606	12,113	13,488
Total assets	96,264	117,383	107,605	108,345	134,550	145,475
Current liabilities	45,852	57,798	62,311	71,845	90,683	100,454
Short-term borrowings	4,039	5,085	5,730	5,611	0	0
Account payables	25,224	29,766	34,387	37,641	52,570	58,600
Tax payable	286	349	400	400	400	400
Other current liabilities	15,277	20,854	19,848	25,654	35,270	39,155
Lease liabilities	1,026	1,743	1,946	2,538	2,443	2,300
Non-current liabilities	22,765	29,989	31,787	31,553	36,957	39,938
Long-term borrowings	10,886	13,043	11,441	11,575	13,514	15,514
Other non-current liabilities	11,879	16,946	20,346	19,978	23,443	24,424
Total liabilities	68,617	87,787	94,098	103,398	127,640	140,392
Share capital	3	4	4	4	4	4
Capital surplus	94,593	117,717	118,688	124,122	130,691	132,261
Retained earnings	(69,914)	(90,758)	(113,068)	(131,211)	(138,982)	(143,093)
Other reserves	2,744	2,444	7,785	9,475	10,179	10,933
Total shareholders equity	27,425	29,407	13,409	2,390	1,892	106
Minority interest	221	189	98	2,558	5,018	4,978
Total equity and liabilities	96,264	117,383	107,605	108,345	134,550	145,475

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(14,382)	(20,459)	(22,425)	(17,517)	(7,104)	(3,399)
Depreciation & amortization	3,994	4,907	7,701	8,745	10,051	11,240
Change in working capital	4,444	13,286	3,527	20	15,166	4,623
Others	2,078	884	3,348	2,273	1,853	1,592
Net cash from operations	(3,866)	(1,382)	(7,849)	(6,479)	19,967	14,055
Investing						
Capital expenditure	(6,973)	(14,341)	(9,142)	(7,001)	(7,001)	(7,001)
Acquisition of subsidiaries/ investments	(2,229)	(500)	(587)	(100)	(100)	(100)
Net proceeds from disposal of short-term investments	19,027	3,854	4,456	4,138	0	0
Others	560	101	315	12	0	0
Net cash from investing	10,385	(10,885)	(4,958)	(2,951)	(7,101)	(7,101)
Financing						
Net borrowings	(1,632)	1,918	1,706	190	(3,611)	2,000
Proceeds from share issues	0	20,962	0	3,794	5,000	0
Others	15	4,782	66	1,107	2,599	160
Net cash from financing	(1,616)	27,663	1,772	5,092	3,988	2,160
Net change in cash						
Cash at the beginning of the year	18,375	23,155	38,622	27,747	23,408	40,262
Exchange difference	(122)	70	161	0	0	0
Cash at the end of the year	23,155	38,622	27,747	23,408	40,262	49,376
GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Revenue	36.3%	12.9%	18.2%	39.6%	42.5%	11.7%
Gross profit	(24.6%)	(40.7%)	112.8%	68.7%	63.6%	13.4%
EBITDA	na	na	na	na	na	134.9%
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Gross profit margin	10.4%	5.5%	9.9%	11.9%	13.7%	13.9%
Operating margin	(31.7%)	(40.7%)	(33.3%)	(18.5%)	(5.7%)	(3.0%)
EBITDA margin	(20.4%)	(27.2%)	(21.2%)	(8.7%)	2.7%	5.7%
Adj. net profit margin	(24.3%)	(33.2%)	(31.0%)	(17.4%)	(4.3%)	(1.3%)
Return on equity (ROE)	(44.5%)	(74.4%)	(105.8%)	(229.7%)	(362.9%)	(411.4%)
GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Current ratio (x)	1.3	1.2	1.0	0.8	0.9	0.9
Receivable turnover days	37.9	30.6	9.3	30.0	30.0	30.0
Inventory turnover days	67.8	36.6	43.7	26.0	26.0	26.0
Payable turnover days	208.7	206.7	211.9	170.0	170.0	170.0
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	ns
P/E (diluted)	ns	ns	ns	ns	ns	ns
P/B	2.7	2.6	7.0	41.3	56.7	1,060.8
P/CFPS	ns	ns	ns	ns	5.4	8.0
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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