

BYD (1211 HK/002594 CH)

Recover gradually

Maintain BUY. BYD's 3Q25 earnings recovered QoQ, although the pace was below our prior expectation. We believe its industry-leading technologies, previous high earnings quality, lessons learnt from pricing strategy and inventory management in FY25 could support its earnings resilience ahead.

- **3Q25 earnings miss on GPM, forex loss.** BYD's 3Q25 revenue fell 3% YoY amid a 2% sales volume decline YoY. GPM in 3Q25 widened 0.7ppts QoQ but narrowed 2.5ppts YoY to 17.6%, lower than our forecast. Its business tax, SG&A and R&D ratios combined fell 0.4ppts QoQ to 14.4% in 3Q25. Net profit rose 23% QoQ but fell 33% YoY to RMB7.8bn in 3Q25, implying a net profit per vehicle of about RMB7,000. We view such sequential earnings recovery as slower than our prior expectation.
- **4Q25 outlook.** BYD continued to cut its inventories at dealers in 3Q25, which could pave the way for 4Q25 sales volume. We cut our FY25E sales volume forecast from 4.9mn units to 4.61mn units, or 1.34mn units for 4Q25E. We also expect GPM in 4Q25 to recover gradually QoQ to 18.0% despite year-end bonus and rebates. Accordingly, we project net profit per vehicle to rise to about RMB7,700 in 4Q25.
- **Previous high earnings quality, industry-leading technologies key to earnings in FY26-27E.** We believe the declining profitability for BYD since 2Q25 reflects the heightened competition in China, as other automakers have been launching competitive PHEVs with similar architecture as its DM-i and EREVs. In fact, BYD rolled out in-house ADAS technologies, 1,000kw supercharge, 2nd-generation blade batteries etc. in 2025. We expect more industry-leading technologies to come in 2026, which could be key to its sales volume and earnings, as BYD has almost laid out its comprehensive model line-ups. We also project higher overseas sales volume to lift margins. Therefore, we project BYD's sales volumes to be 5.25mn/5.8mn units in FY26-27E, with GPMs to be 18.1%/18.1%, respectively. We also expect BYD to be more prudent on SG&A and R&D. Accordingly, we project its net profits to rise 30%/20% YoY to RMB43.8bn/52.5bn in FY26-27E, respectively.
- **Valuation/Key risks.** We maintain our BUY rating but trim our H-share target price from HK\$140 to HK\$125, still based on 20x our FY27E P/E. Our A-share target price of RMB125 is based on its A/H premium of 8%. Key risks to our rating and TP include lower sales volume or margins than we expect, and a sector de-rating.

Earnings Summary - 1211 HK

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Revenue (RMB mn)	602,315	777,102	803,938	922,339	1,001,409
YoY growth (%)	42.0	29.0	3.5	14.7	8.6
Net profit (RMB mn)	30,040.8	40,254.3	33,665.0	43,776.4	52,510.7
YoY growth (%)	80.7	34.0	(16.4)	30.0	20.0
EPS (Reported) (RMB)	10.34	13.85	3.69	4.80	5.76
P/S (x)	1.4	1.1	1.1	0.9	0.9
P/E (x)	9.2	6.9	25.8	19.8	16.5
Yield (%)	3.3	2.9	0.8	1.0	1.2
ROE (%)	24.0	24.8	15.4	16.3	17.0
Net gearing (%)	(69.5)	(50.7)	(62.1)	(84.6)	(100.0)

Source: Company data, Bloomberg, CMBIGM estimates

	1211 HK	002594 CH
BUY	BUY	
Maintain	Maintain	

TP	HK\$125.00	RMB125.00
Prior TP	HK\$140.00	RMB140.00
Up/Downside	20.0%	20.6%
Current Price	HK\$104.2	RMB103.6

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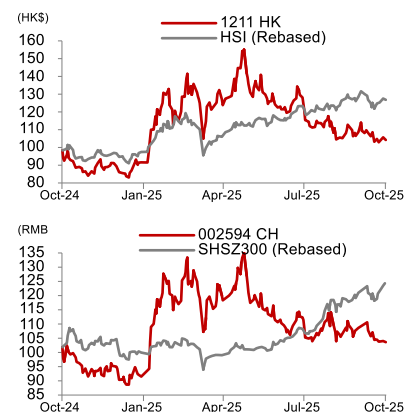
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12-mth Price Performance



Source: FactSet

Stock Performance

	1211 HK		002594 CH	
	Abs.	Rel.	Abs.	Rel.
1-mth	-5.4%	-3.4%	-5.1%	-7.6%
3-mth	-13.8%	-17.4%	-4.7%	-24.6%
6-mth	-15.6%	-28.9%	-12.0%	-32.9%

Source: FactSet

Stock Data

(LC)	1211 HK	002594 CH
Mkt Cap (mn)	950012	944632.8
Avg 3 mths t/o (mn)	3802.14	6022.62
52w High	155.07	135
52w Low	83.07	88.67
Issued Shares (mn)	9117.207	9117.207

Source: FactSet

Figure 1: Quarterly results

RMB mn	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	YoY	QoQ
Sales volume (units)	626,263	986,720	1,134,892	1,524,270	1,000,804	1,145,150	1,114,192	-1.8%	-2.7%
Revenue	124,944	176,182	201,125	274,851	170,360	200,921	194,985	-3.1%	-3.0%
Gross profit	25,870	30,680	40,470	54,036	34,185	32,681	34,346	-15.1%	5.1%
R&D expenses	(10,611)	(9,010)	(13,698)	(19,876)	(14,223)	(15,373)	(14,152)	3.3%	-7.9%
SG&A expenses	(9,101)	(9,194)	(10,757)	(13,678)	(11,087)	(11,710)	(10,979)	2.1%	-6.2%
Operating profit	5,798	11,525	14,423	18,739	11,021	7,699	10,186	-29.4%	32.3%
Net profit	4,569	9,062	11,607	15,016	9,155	6,356	7,823	-32.6%	23.1%
Gross margin	20.7%	17.4%	20.1%	19.7%	20.1%	16.3%	17.6%	-2.5 ppts	1.3 ppts
Operating margin	4.6%	6.5%	7.2%	6.8%	6.5%	3.8%	5.2%	-1.9 ppts	1.4 ppts
Net margin	3.7%	5.1%	5.8%	5.5%	5.4%	3.2%	4.0%	-1.8 ppts	0.8 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

RMB mn	New			Old			Diff (%)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	803,938	922,339	1,001,409	865,547	984,999	1,056,239	-7.1%	-6.4%	-5.2%
Gross profit	144,178	167,027	181,519	162,470	186,185	198,779	-11.3%	-10.3%	-8.7%
Operating profit	41,842	53,819	64,354	51,900	63,113	71,199	-19.4%	-14.7%	-9.6%
Net profit	33,665	43,776	52,511	42,616	51,263	58,024	-21.0%	-14.6%	-9.5%
Gross margin	17.9%	18.1%	18.1%	18.8%	18.9%	18.8%	-0.8 ppts	-0.8 ppts	-0.7 ppts
Operating margin	5.2%	5.8%	6.4%	6.0%	6.4%	6.7%	-0.8 ppts	-0.6 ppts	-0.3 ppts
Net margin	4.2%	4.7%	5.2%	4.9%	5.2%	5.5%	-0.7 ppts	-0.5 ppts	-0.2 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	803,938	922,339	1,001,409	907,013	1,008,303	1,156,762	-11.4%	-8.5%	-13.4%
Gross profit	144,178	167,027	181,519	168,450	192,596	222,573	-14.4%	-13.3%	-18.4%
Operating profit	41,842	53,819	64,354	45,405	61,343	73,679	-7.8%	-12.3%	-12.7%
Net profit	33,665	43,776	52,511	41,997	54,153	65,542	-19.8%	-19.2%	-19.9%
Gross margin	17.9%	18.1%	18.1%	18.6%	19.1%	19.2%	-0.6 ppts	-1.0 ppts	-1.1 ppts
Operating margin	5.2%	5.8%	6.4%	5.0%	6.1%	6.4%	0.2 ppts	-0.2 ppts	0.1 ppts
Net margin	4.2%	4.7%	5.2%	4.6%	5.4%	5.7%	-0.4 ppts	-0.6 ppts	-0.4 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Revenue	424,061	602,315	777,102	803,938	922,339	1,001,409
Cost of goods sold	(351,816)	(490,399)	(626,047)	(659,925)	(755,312)	(819,891)
Gross profit	72,245	111,916	151,056	144,013	167,027	181,519
Operating expenses	(50,990)	(78,757)	(110,677)	(119,688)	(128,207)	(133,130)
Selling expense	(15,061)	(15,371)	(24,085)	(25,666)	(29,717)	(31,410)
Admin expense	(10,007)	(13,462)	(18,645)	(20,808)	(22,383)	(23,293)
R&D expense	(18,654)	(39,575)	(53,195)	(60,270)	(61,070)	(62,055)
Others	(7,267)	(10,350)	(14,752)	(12,944)	(15,037)	(16,372)
Operating profit	21,255	33,159	40,379	24,324	38,820	48,389
Other income	2,248	5,965	15,303	16,200	14,000	13,000
Other expense	(989)	(1,546)	(2,057)	(1,800)	(1,600)	(1,400)
Gain/loss on financial assets at FVTPL	126	258	532	800	950	950
Investment gain/loss	(792)	1,635	2,291	2,803	2,458	2,758
Other gains/(losses)	(2,387)	(3,677)	(5,552)	(3,265)	(3,163)	(3,005)
EBITDA	42,766	82,649	118,681	118,098	138,868	158,481
Depreciation	14,605	37,718	56,922	64,819	72,732	80,607
Depreciation of ROU assets	584	1,390	2,643	3,094	3,569	4,044
Other amortisation	5,181	4,444	7,341	7,043	7,554	8,108
EBIT	22,396	39,096	51,774	43,142	55,013	65,722
Interest income	1,830	2,796	2,484	2,679	3,548	5,029
Interest expense	(1,316)	(1,828)	(2,094)	(1,599)	(1,293)	(1,268)
Net Interest income/(expense)	1,618	1,475	(1,216)	2,479	2,255	3,762
Foreign exchange gain/loss	1,216	639	(1,532)	1,400	0	0
Pre-tax profit	21,080	37,269	49,681	41,542	53,720	64,454
Income tax	(3,367)	(5,925)	(8,093)	(6,509)	(8,442)	(10,117)
After tax profit	17,713	31,344	41,588	35,033	45,278	54,337
Minority interest	(1,091)	(1,303)	(1,334)	(1,368)	(1,501)	(1,827)
Net profit	16,622	30,041	40,254	33,665	43,776	52,511
Gross dividends	3,325	9,012	8,051	6,733	8,755	10,502

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Current assets	240,804	302,121	370,572	452,040	573,887	684,386
Cash & equivalents	51,182	108,512	102,257	164,137	251,229	338,476
Restricted cash	289	583	482	1,000	1,000	1,000
Account receivables	51,723	67,431	72,749	86,693	103,605	112,487
Inventories	79,107	87,677	116,036	121,137	134,508	146,008
Prepayment	8,224	2,215	3,974	6,599	7,553	8,199
Financial assets at FVTPL	20,627	9,563	40,939	41,439	42,039	42,639
Other current assets	16,099	23,481	32,725	26,806	28,898	30,090
Contract assets	13,553	2,660	1,411	4,229	5,054	5,487
Non-current assets	253,057	377,426	412,784	403,246	396,790	380,754
PP&E	131,880	230,904	262,287	262,470	254,240	238,136
Right-of-use assets	3,137	9,679	10,575	10,231	9,361	8,017
Deferred income tax	3,687	6,584	8,559	8,559	8,559	8,559
Investment in JVs & assos	15,485	17,647	19,082	20,782	22,482	24,182
Intangibles	23,223	37,236	38,424	37,025	36,210	34,940
Goodwill	66	4,428	4,428	4,428	4,428	4,428
Financial assets at FVTPL	2,147	2,696	2,655	3,055	3,505	3,955
Other non-current assets	73,431	68,252	66,773	56,696	58,003	58,537
Total assets	493,861	679,548	783,356	855,286	970,677	1,065,140
Current liabilities	333,345	453,667	495,985	495,187	562,454	607,254
Short-term borrowings	5,153	18,323	12,103	0	0	0
Account payables	140,437	194,430	241,643	240,972	273,775	297,182
Tax payable	4,326	7,852	10,097	9,040	10,347	11,231
Other current liabilities	147,911	198,363	188,412	198,166	224,529	242,684
Contract liabilities	35,517	34,699	43,730	47,008	53,803	56,157
Non-current liabilities	39,126	75,419	88,682	94,392	104,802	109,727
Long-term borrowings	7,594	11,975	8,258	7,258	6,258	5,258
Bond payables	0	0	0	1,000	2,000	3,000
Other non-current liabilities	31,533	63,444	80,425	86,135	96,544	101,469
Total liabilities	372,471	529,086	584,668	589,579	667,255	716,981
Share capital	2,911	2,911	2,909	3,039	3,039	3,039

Other reserves	108,118	135,899	182,342	247,863	284,212	327,274
Total shareholders equity	111,029	138,810	185,251	250,902	287,251	330,313
Minority interest	10,361	11,652	13,437	14,805	16,170	17,847
Total equity and liabilities	493,861	679,548	783,356	855,286	970,677	1,065,140

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec (RMB mn)

Operating

Profit before taxation	21,080	37,269	49,681	41,542	53,720	64,454
Depreciation & amortization	20,370	43,553	66,906	74,957	83,855	92,759
Change in working capital	97,849	91,094	18,291	4,518	34,226	23,886
Others	1,539	(2,190)	(1,424)	(3,092)	(486)	(7,844)
Net cash from operations	140,838	169,725	133,454	117,925	171,315	173,255

Investing

Capital expenditure	(97,457)	(122,094)	(97,360)	(65,830)	(66,530)	(66,545)
Acquisition of subsidiaries/ investments	(10,573)	(16,163)	(3,792)	(1,100)	(1,100)	(1,100)
Net proceeds from disposal of short-term investments	14	0	129	0	0	0
Others	(12,580)	12,593	(28,060)	(4,400)	(3,850)	(3,850)
Net cash from investing	(120,596)	(125,664)	(129,082)	(71,330)	(71,480)	(71,495)

Financing

Dividend paid	(306)	(3,325)	(9,012)	(8,051)	(6,733)	(8,755)
Net borrowings	(16,413)	18,073	(9,480)	(10,326)	0	0
Proceeds from share issues	0	0	0	40,792	0	0
Others	(2,770)	(1,931)	8,225	(7,129)	(6,010)	(5,758)
Net cash from financing	(19,489)	12,817	(10,268)	15,286	(12,743)	(14,513)

Net change in cash

Cash at the beginning of the year	49,820	51,182	108,512	102,257	164,137	251,229
Exchange difference	610	451	(359)	0	0	0
Cash at the end of the year	51,182	108,512	102,257	164,137	251,229	338,476

GROWTH	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Revenue	96.2%	42.0%	29.0%	3.5%	14.7%	8.6%
Gross profit	156.7%	54.9%	35.0%	(4.7%)	16.0%	8.7%
Operating profit	299.0%	56.0%	21.8%	(39.8%)	59.6%	24.6%
EBITDA	108.2%	93.3%	43.6%	(0.5%)	17.6%	14.1%
EBIT	248.1%	74.6%	32.4%	(16.7%)	27.5%	19.5%
Net profit	445.9%	80.7%	34.0%	(16.4%)	30.0%	20.0%

PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Gross profit margin	17.0%	18.6%	19.4%	17.9%	18.1%	18.1%
Operating margin	5.0%	5.5%	5.2%	3.0%	4.2%	4.8%
EBITDA margin	10.1%	13.7%	15.3%	14.7%	15.1%	15.8%
Return on equity (ROE)	16.1%	24.0%	24.8%	15.4%	16.3%	17.0%

GEARING/LIQUIDITY/ACTIVITIES	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

Net debt to equity (x)	(0.4)	(0.7)	(0.5)	(0.6)	(0.8)	(1.0)
Current ratio (x)	0.7	0.7	0.7	0.9	1.0	1.1
Receivable turnover days	58.1	52.0	45.0	48.0	50.0	50.0
Inventory turnover days	82.1	65.3	67.7	67.0	65.0	65.0
Payable turnover days	149.2	147.7	142.3	136.0	135.0	135.0

VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
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YE 31 Dec

P/E	16.7	9.2	6.9	25.8	19.8	16.5
P/B	2.5	2.0	1.5	3.5	3.0	2.6
P/CFPS	2.0	1.6	2.1	7.4	5.1	5.0
Div yield (%)	1.2	3.3	2.9	0.8	1.0	1.2

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

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