

Leapmotor (9863 HK)

Competitive pricing for B10 with strong 4Q24 margins

Maintain BUY. Leapmotor's aggressive pre-sale price for its new B10 EV, along with its in-house autonomous driving (AD) and chassis capabilities, gives us more confidence about its sales. We revise up its FY25E sales volume by 7% to 0.48mn units. We also project a minimal net loss in FY25E and a net profit of RMB1.26bn in FY26E with more new A and D series models. We estimate its undervalued R&D capabilities in chassis and key components could make B series GPM beat some investors' forecasts. Its investor day on 11 Mar to showcase its technologies could be a positive catalyst for its share price.

■ **Competitive pricing for B10 with underestimated R&D capabilities.** Leapmotor rolled out its B10 EV on 10 Mar with a pre-sale price range of RMB109,800-139,800. The model with LiDAR and city NOA functionality is priced as low as RMB129,800. We view such prices as competitive. We are of the opinion that many investors have still underestimated Leapmotor's R&D capabilities, given its in-house AD development utilizing the Qualcomm 8650 chip. We therefore raise its B series sales volume by 25,000 units in FY25E. We revise up Leapmotor's total sales volume by 30,000 units to 0.48mn units in FY25E.

■ **A possible breakeven in FY25E amid greater economies of scale and strong 4Q24 margins.** Leapmotor's 4Q24 gross margin rose 5.2ppts QoQ to 13.3%, in line with its profit alert. Its 4Q24 revenue rose 37% QoQ to RMB13.5bn with a net profit of RMB81mn, even stronger than [our prior forecast](#). We expect overall gross margin to rise 2.9ppts YoY to 11.2% in FY25E, as the Leap 3.5 architecture cuts costs to make B-series' GPM at a similar level as C-series'. We lower our FY25E profit forecast for Leapmotor International, given that the company mainly targets overseas network expansion this year and a possible production delay in its overseas KD plant. We estimate that Leapmotor could be close to a breakeven in net profit in FY25E with management's efforts in cost control.

■ **Valuation/Key risks.** We forecast Leapmotor's revenue to rise 59%/13% YoY to RMB51.0bn/57.5bn, respectively, in FY25-26E. Although our net loss forecast of RMB98mn for FY25E could be a bit lower than management guidance, it still showcases Leapmotor's superb cost reduction capabilities. We forecast its FY26E net profit to be RMB1.26bn, as it continues to launch the A and D series models. We raise our target price from HK\$40.00 to HK\$50.00, still based on 1.2x FY25E P/S, equivalent to the average FY25E P/S of Chinese NEV start-ups. Key risks to our rating and target price include lower sales volume/margins, as well as a sector de-rating.

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue (RMB mn)	12,385	16,747	32,164	51,023	57,538
YoY growth (%)	295.4	35.2	92.1	58.6	12.8
Gross margin (%)	(15.4)	0.5	8.4	11.2	12.3
Operating profit (RMB mn)	(5,226.8)	(4,377.4)	(3,171.1)	(692.1)	227.0
Net profit (RMB mn)	(5,108.9)	(4,216.3)	(2,820.8)	(98.0)	1,257.6
EPS (Reported) (RMB cents)	(488.79)	(362.06)	(210.98)	(6.68)	85.19
P/S (x)	4.2	3.1	1.6	1.0	0.9
P/E (x)	ns	ns	ns	ns	45.4
P/B (x)	4.9	3.6	4.0	4.3	3.9

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price **HK\$50.00**
(Previous TP HK\$40.00)
Up/Downside **20.5%**
Current Price **HK\$41.50**

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Stock Data

Mkt Cap (HK\$ mn)	55,484.1
Avg 3 mths t/o (HK\$ mn)	196.0
52w High/Low (HK\$)	41.75/19.54
Total Issued Shares (mn)	1337.0

Source: FactSet

Shareholding Structure

Mr. Jiangming Zhu and his concert partie	24.5%
Stellantis N.V.	21.3%

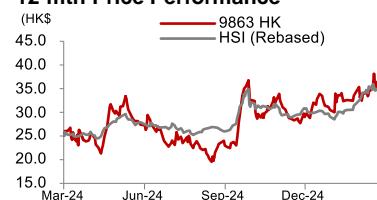
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	17.4%	6.2%
3-mth	43.1%	22.2%
6-mth	80.4%	30.7%

Source: FactSet

12-mth Price Performance



Source: FactSet

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["Leapmotor \(9863 HK\) - Clear brand positioning with unique overseas model: initiate with BUY" - 8 Nov 2024](#)

Figure 1: Quarterly results

RMB mn	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	YoY	QoQ
Sales volume (units)	10,509	33,993	44,325	55,328	33,410	53,286	86,165	120,863	118.4%	40.3%
ASP (RMB)	137,263	128,575	127,592	95,396	104,346	100,574	114,385	111,389	16.8%	-2.6%
Revenue	1,443	4,371	5,656	5,278	3,486	5,359	9,856	13,463	155.1%	36.6%
Gross profit	(113)	(229)	67	355	(48)	148	802	1,792	404.9%	123.5%
R&D expenses	(412)	(411)	(474)	(623)	(520)	(701)	(780)	(895)	43.8%	14.8%
SG&A expenses	(574)	(642)	(652)	(785)	(567)	(770)	(890)	(1,048)	33.5%	17.7%
Operating profit	(1,160)	(1,174)	(1,025)	(1,018)	(1,126)	(1,269)	(740)	(36)	N/A	N/A
Net profit	(1,133)	(1,143)	(986)	(954)	(1,013)	(1,199)	(690)	81	N/A	N/A
Gross margin	-7.8%	-5.2%	1.2%	6.7%	-1.4%	2.8%	8.1%	13.3%	6.6 ppts	5.2 ppts
Operating margin	-80.4%	-26.9%	-18.1%	-19.3%	-32.3%	-23.7%	-7.5%	-0.3%	19.0 ppts	7.2 ppts
Net margin	-78.5%	-26.2%	-17.4%	-18.1%	-29.1%	-22.4%	-7.0%	0.6%	18.7 ppts	7.6 ppts

Source: Company data, CMBIGM

Figure 2: Earnings revision

	New			Old			Diff (%)		
RMB mn	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24A	FY25E	FY26E
Revenue	32,164	51,023	57,538	30,842	47,042	55,728	4.3%	8.5%	3.2%
Gross profit	2,694	5,734	7,088	2,572	5,253	6,790	4.7%	9.2%	4.4%
Operating profit	(3,171)	(692)	227	(3,217)	(1,379)	(395)	N/A	N/A	N/A
Net profit	(2,821)	(98)	1,258	(2,869)	(681)	799	N/A	N/A	57.5%
Gross margin	8.4%	11.2%	12.3%	8.3%	11.2%	12.2%	0.0 ppts	0.1 ppts	0.1 ppts
Operating margin	-9.9%	-1.4%	0.4%	-10.4%	-2.9%	-0.7%	0.6 ppts	1.6 ppts	1.1 ppts
Net margin	-8.8%	-0.2%	2.2%	-9.3%	-1.4%	1.4%	0.5 ppts	1.3 ppts	0.8 ppts

Source: CMBIGM estimates

Figure 3: CMBI estimates vs consensus

	CMBIGM			Consensus			Diff (%)		
RMB mn	FY24A	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Revenue	32,164	51,023	57,538	31,527	55,501	78,731	2.0%	-8.1%	-26.9%
Gross profit	2,694	5,734	7,088	2,251	6,167	10,192	19.7%	-7.0%	-30.5%
Operating profit	(3,171)	(692)	227	(3,434)	(904)	1,184	N/A	N/A	-80.8%
Net profit	(2,821)	(98)	1,258	(3,179)	(582)	1,873	N/A	N/A	-32.9%
Gross margin	8.4%	11.2%	12.3%	7.1%	11.1%	12.9%	1.2 ppts	0.1 ppts	-0.6 ppts
Operating margin	-9.9%	-1.4%	0.4%	-10.9%	-1.6%	1.5%	1.0 ppt	0.3 ppts	-1.1 ppts
Net margin	-8.8%	-0.2%	2.2%	-10.1%	-1.0%	2.4%	1.3 ppts	0.9 ppts	-0.2 ppts

Source: Bloomberg, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Revenue	3,132	12,385	16,747	32,164	51,023	57,538
Cost of goods sold	(4,520)	(14,296)	(16,666)	(29,470)	(45,289)	(50,450)
Gross profit	(1,388)	(1,911)	80	2,694	5,734	7,088
Operating expenses	(1,481)	(3,315)	(4,458)	(5,866)	(6,426)	(6,861)
Selling expense	(428)	(1,114)	(1,795)	(2,138)	(2,254)	(2,398)
Admin expense	(398)	(842)	(858)	(1,137)	(1,285)	(1,394)
R&D expense	(740)	(1,411)	(1,920)	(2,896)	(3,244)	(3,506)
Others	85	51	115	306	358	438
Operating profit	(2,868)	(5,227)	(4,377)	(3,171)	(692)	227
Share of (losses)/profits of associates/JV	0	12	4	42	91	415
EBITDA	(2,565)	(4,656)	(3,543)	(2,026)	946	2,521
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)	(2,781)	(40)	1,326
Interest income	84	143	229	348	561	684
Interest expense	(62)	(37)	(72)	(40)	(58)	(68)
Pre-tax profit	(2,846)	(5,109)	(4,216)	(2,821)	(98)	1,258
Income tax	0	(0)	(0)	(0)	0	0
After tax profit	(2,846)	(5,109)	(4,216)	(2,821)	(98)	1,258
Net profit	(2,846)	(5,109)	(4,216)	(2,821)	(98)	1,258

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Current assets	8,955	13,638	22,470	31,904	44,679	50,896
Cash & equivalents	4,338	6,949	11,731	16,879	24,209	28,438
Restricted cash	1,376	1,822	2,800	3,376	4,842	5,688
Account receivables	782	1,685	926	1,762	2,516	2,837
Inventories	749	1,749	1,719	2,826	3,971	4,147
ST bank deposits	0	81	2,087	3,000	3,242	2,918
Financial assets at FVTPL	1,260	930	2,770	3,376	4,842	5,688
Other current assets	421	385	422	653	1,006	1,123
Contract assets	28	37	14	32	51	58
Non-current assets	3,572	5,629	5,984	7,226	7,944	8,156
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	162	253	668
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	39,130	52,623	59,052
Current liabilities	4,330	9,257	13,954	22,664	34,710	38,780
Short-term borrowings	340	1,019	1,581	357	614	768
Account payables	2,596	5,987	9,847	17,763	27,297	30,408
Other current liabilities	1,365	2,072	2,399	4,271	6,569	7,371
Lease liabilities	25	149	104	201	115	103
Contract liabilities	4	31	23	72	115	129
Non-current liabilities	967	1,752	2,002	3,564	4,692	5,480
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	1,540	2,137	2,652
Total liabilities	5,296	11,009	15,955	26,228	39,402	44,260
Share capital	1,012	1,143	1,337	1,462	1,471	1,479
Retained earnings	(4,571)	(9,680)	(13,897)	(16,722)	(16,830)	(15,578)
Other reserves	10,790	16,796	25,058	28,162	28,581	28,891
Total shareholders equity	7,230	8,259	12,498	12,902	13,221	14,793
Total equity and liabilities	12,526	19,268	28,453	39,130	52,623	59,052

CASH FLOW	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (RMB mn)						
Operating						
Profit before taxation	(2,846)	(5,109)	(4,216)	(2,821)	(98)	1,258
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	6,973	7,939	2,144
Others	543	837	756	989	909	419
Net cash from operations	(1,019)	(2,400)	1,082	5,897	9,736	5,015
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)	(1,530)	(1,563)	(219)
Others	244	152	71	196	316	221
Net cash from investing	(3,003)	(1,292)	(4,860)	(2,750)	(2,947)	(1,048)
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	(18)	(102)	(124)
Net cash from financing	8,259	6,355	8,552	2,001	542	262
Net change in cash						
Cash at the beginning of the year	101	4,338	6,949	11,731	16,879	24,209
Exchange difference	(0)	(53)	9	0	0	0
Cash at the end of the year	4,338	6,949	11,731	16,879	24,209	28,438
GROWTH	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Revenue	396.1%	295.4%	35.2%	92.1%	58.6%	12.8%
Gross profit	na	na	na	3,248.4%	112.8%	23.6%
EBITDA	na	na	na	na	na	166.5%
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Gross profit margin	(44.3%)	(15.4%)	0.5%	8.4%	11.2%	12.3%
Operating margin	(91.6%)	(42.2%)	(26.1%)	(9.9%)	(1.4%)	0.4%
EBITDA margin	(81.9%)	(37.6%)	(21.2%)	(6.3%)	1.9%	4.4%
Return on equity (ROE)	(85.4%)	(66.0%)	(40.6%)	(22.2%)	(0.8%)	9.0%
GEARING/LIQUIDITY/ACTIVITIES	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Net debt to equity (x)	(0.8)	(1.0)	(1.2)	(1.7)	(2.3)	(2.4)
Current ratio (x)	2.1	1.5	1.6	1.4	1.3	1.3
Receivable turnover days	91.2	49.7	20.2	20.0	18.0	18.0
Inventory turnover days	60.5	44.7	37.7	35.0	32.0	30.0
Payable turnover days	209.7	152.9	215.7	220.0	220.0	220.0
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/E	ns	ns	ns	ns	ns	45.4
P/E (diluted)	ns	ns	ns	ns	ns	45.4
P/B	5.0	4.9	3.6	4.0	4.3	3.9
P/CFPS	ns	ns	41.6	8.8	5.8	11.4
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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