UOBKayHian

Company – Results | Greater China

Monday, 31 August 2026

BYD Company (1211 HK)

2Q26: Core Earnings Surge 141% yoy On Margin Beat; Raise Target Price To HK$150.00

Highlights

- 2Q26 adjusted net profit beat estimates at Rmb8,226m (+51.5% yoy/+98.3% qoq). Stripping out forex gain/(loss), core net profit surged 141% yoy and 80% qoq to Rmb10.6b in 2Q26. The earnings beat stemmed from margins.
- BYD's FCF resumed positive at Rmb11.855b in 2Q26, as operating cash flow surged 48.6% yoy and capex plummeted 47.6%.
- Raise our 2026-28 net profit forecasts by 5%/14%/15% on higher margins. Maintain BUY and lift target price from HK$135.00 to HK$150.00.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Sales volume ('000 units)	1,108	(3.2)	58.2	1,809	(15.7)	5,000	8.6	0.36	
Net profit per vehicle (Rmb)	7.0	41.1	29.2	6.37	(0.3)	6.8	7.0	0.94	
Revenue	194,590	(3.2)	29.5	344,815	(7.1)	905,704	12.7	0.38	
Gross profit	36,737	12.4	30.0	64,989	(2.8)	170,155	19.3	0.38	
Gross margin (%)	*18.9*	*2.6*	*0.1*	*18.8*	*0.8*	*18.8*	*1.0*	1.00	
EBIT	14,097	130.4	96.4	21,273	41.9	51,961	36.3	0.41	
EBIT margin (%)	*7.2*	*4.2*	*2.5*	*6.2*	*2.1*	*5.7*	*1.0*	1.08	
Net profit (GAAP)	8,241	29.7	101.8	12,325	(20.5)	39,458	21.0	0.31	
Net profit (adj)j	8,226	51.5	98.3	12,373	(9.0)	40,620	37.9	0.30	
Net margin	*4.2*	*1.1*	*1.5*	*3.6*	*(0.6)*	*4.4*	*0.3*	0.82	

Source: BYD, Bloomberg, UOB Kay Hian

Analysis

- **Coe earnings surged 141% yoy in 2Q26 on margin beat.** 2Q26 results beat expectations with GAAP net profit of Rmb8,241m (+29.7% yoy/+101.8% qoq) and adjusted net profit of Rmb8,226m (+51.5% yoy/+98.3% qoq). Forex gain/(loss) swung to a net loss of Rmb4,703m in 1H26 from a net gain of Rmb3,160m in 1H25, dragging earnings. Stripping out forex gain (loss), core net profit surged 141% yoy and 80% qoq to Rmb10.6b in 2Q26, and grew 50% yoy to Rmb16.3b, beating estimates. The beat stemmed from upbeat margins, due to the increased share of exports in total sales.
  - **Revenue in line.** Revenue dipped 3.2% yoy but grew 29.5% qoq to Rmb194.59b in 2Q26, and fell 7.1% yoy to Rmb344.815b in 1H26, in line with estimates. In 1H26, the auto segment's revenue dropped 9% yoy to Rmb275.07b, while the electronics segment's revenue edged up 1% yoy to Rmb69.375b.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	777,102	803,965	905,704	1,082,205	1,244,933
EBITDA	119,783	118,636	143,568	169,357	191,363
Operating profit	52,877	38,110	54,678	71,683	88,073
Net profit (rep./act.)	40,254	32,619	41,297	60,934	76,164
Net profit (adj.)	36,983	29,446	42,280	55,006	68,754
EPS (Fen)	461.2	357.8	453.0	668.3	835.4
PE (x)	17.3	22.3	17.7	12.0	9.6
P/B (x)	3.8	3.0	2.6	2.1	1.8
EV/EBITDA (x)	1.4	1.4	1.2	1.0	0.9
Dividend yield (%)	1.7	0.4	0.6	0.8	1.0
Net margin (%)	4.8	3.7	4.7	5.1	5.5
Net debt/(cash) to equity (%)	(33.6)	17.7	9.8	(1.8)	(23.0)
Interest cover (x)	43.5	(58.7)	9.0	168.4	(72.4)
ROE (%)	22.8	13.6	15.9	17.6	18.3
Consensus net profit	-	-	40,139	51,342	60,908
UOBKH/Consensus (x)	-	-	1.03	1.19	1.25

Source: BYD, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

852-2236 6760

BUY (Maintained)

Share Price	HK$91.95
Target Price	HK$150.00
Upside	63.1%
Previous TP	HK$135.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	1211 HK
Shares issued (m)	3,683
Market cap (HK$m)	338,689
Market cap (US$m)	43,422
3-mth avg daily t'over (US$m)	278

Price Performance (%)

52-week high/low HK$117.19/ HK$71.40

1mth	3mth	6mth	1yr	YTD
2.4	2.3	(2.7)	17.5	(3.1)

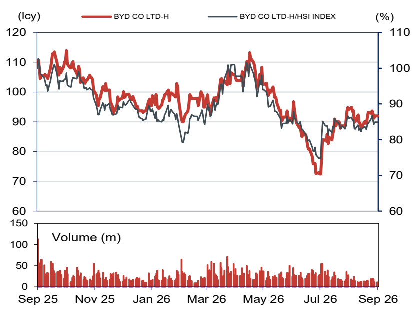
Major Shareholders (%)

Wang Chuan Fu	16.90
Lv Xiang Yang	7.87

Balance Sheet Metrics

FY26 NAV/Share (HK$)	26.7
FY26 Net Debt/Share (HK$)	3.5

Price Chart



Source: Bloomberg

Company Description

BYD Company produces electric vehicles (EV), EV batteries, rechargeable batteries and handset components in China.

- **Upbeat margins on robust overseas sales.** Gross margin rose 2.6ppt yoy and 0.1ppt qoq to 18.9% in 2Q26, and expanded 0.8ppt yoy to 18.8% in 1H26, vs our full-year estimate of 18.8%. The share of overseas sales in total shipments doubled yoy to 43.8% in 1H26, and overseas sales boast a gross margin 10ppt above that of domestic sales. Opex/revenue ratio dropped 1.2ppt yoy and 2.5ppt qoq to 12.3%. This, coupled with the gross margin gain, boosted 2Q26 EBIT margin by 4.2ppt yoy and 2.5ppt qoq to 7.2% and 1H26 EBIT margin up by 2.1ppt yoy to 6.2%, vs our full-year estimate of 5.7ppt. Net profit per vehicle grew 41% yoy and 29% qoq to Rmb6,980 in 2Q26, beating our estimate.
- **Strong cash flows.** Operating cash flow surged 48.6% yoy to Rmb34.54b in 2Q26, and capex plummeted 47.6% yoy to Rmb22.64b. As such, BYD Company (BYD) registered Rmb11.855b in FCF in 2Q26, vs negative FCF of Rmb19.895b/Rmb19.27b in 2Q25/1Q25 respectively.

• **Earnings driven by sales recovery and margin improvement with optimisation of sales mix.**
  - **Maintain our 2026-28 sales volume estimates at 5m/6m/7m units, including 2m/3m/4m units of overseas sales.** BYD's sales volume has resumed positive growth since May, and the yoy growth accelerated to over 20% in July, driven by a series of product launches across its multi-brand portfolio, including flash-charging variants of the "Seal 07EV," "Song Ultra EV," and "Tang EV," alongside the continued ramp-up of premium models under "Fangchengbao," "Denza," and "Yangwang." Overseas expansion serves as another key growth pillar, with export volumes, and the company's footprint now spanning 121 countries. This is complemented by the ongoing commissioning of localised production facilities in Brazil and Thailand, while additional overseas plant expansions are steadily advancing to support rising global demand and strengthen supply chain resilience.
  - **Maintain our 2026-28 gross margin assumptions at 18.8%/19.3%/19.6% respectively.** The prospective gross margin gain will be driven by an increasing share of the more lucrative overseas sales in its sales mix. Overseas sales as a percentage of BYD's total sales volume is expected to rise from 23% in 2025 to 40%/50%/57%. Overseas sales gross margin is 10ppt above domestic sales, as BYD car prices in overseas markets are 1-3x of domestic prices.
  - **Cut our 2026-28 opex/revenue ratio forecasts from 13.5%/13.5%/13.5% to 12.6%/12.5%/12.4% respectively,** due to the lower-than-expected expense ratios in 1H26 and the company's cost saving initiatives. Our gross margin estimates and assumptions on opex/revenue ratio imply 2026-28 EBIT margin of 6.0%/6.6%/7.1%.

Earnings Revision/Risk

• **We raise our 2026-28 net profit forecasts by 5%/14%/15% to Rmb41.30b/Rmb60.93b/Rmb76.16b respectively,** based on lower expense ratios.

• **Risks:** Trade restrictions by overseas countries; appreciation of the renminbi.

Valuation/Recommendation

• **Maintain BUY and raise target price from HK$135.00 to HK$150.00,** pegged to an unchanged 20x 2027F PE (on par with historical mean).

Share Price Catalyst

• Overseas production ramp-up, premium brand volume growth, flash-charging model penetration, autonomous driving monetisation, and energy storage order expansion.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	803,965	905,704	1,082,205	1,244,933
EBITDA	118,636	143,568	169,357	191,363
Deprec. & amort.	(80,526)	(88,890)	(97,674)	(103,290)
EBIT	38,110	54,678	71,683	88,073
Total other non-operating income	(1,863)	-	-	-
Associate contributions	2,857	569	1,283	1,382
Net interest income/(expense)	649	(6,084)	(426)	1,217
Pre-tax profit	39,753	49,163	72,540	90,671
Tax	(5,992)	(7,866)	(11,606)	(14,507)
Minorities	(1,142)	-	-	-
Net profit	32,619	41,297	60,934	76,164
Net profit (adj.)	29,446	42,280	55,006	68,754

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	350,152	420,142	491,499	517,360
Other LT assets	162,110	163,799	166,051	168,282
Cash/ST investment	68,395	84,337	144,092	222,581
Other current assets	303,072	330,080	370,751	408,188
Total assets	883,730	998,359	1,172,394	1,316,411
ST debt	44,797	44,797	70,790	60,790
Other current liabilities	423,655	500,250	591,488	675,434
LT debt	69,326	69,326	69,326	69,326
Other LT liabilities	87,413	87,413	87,413	87,413
Shareholders' equity	246,275	284,308	341,112	411,183
Minority interest	12,265	12,265	12,265	12,265
Total liabilities & equity	883,730	998,359	1,172,394	1,316,411

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	59,136	180,290	208,317	223,365
Pre-tax profit	39,753	49,163	72,540	90,671
Tax	(5,992)	(7,866)	(11,606)	(14,507)
Deprec. & amort.	80,526	88,890	97,674	103,290
Associates	(3,654)	(569)	(1,283)	(1,382)
Working capital changes	(47,933)	44,588	50,566	46,510
Non-cash items	(3,564)	6,084	426	(1,217)
Other operating cashflows	-	-	-	-
Investing	(197,463)	(157,748)	(166,726)	(124,860)
Capex (growth)	(156,808)	(160,000)	(170,000)	(130,000)
Investments	(2,815)	-	-	-
Others	(37,841)	2,252	3,274	5,140
Financing	104,614	(6,599)	18,165	(20,017)
Dividend payments	(14,125)	(6,599)	(7,829)	(10,017)
Proceeds from borrowings	134,006	134,006	160,000	150,000
Loan repayment	(69,220)	(134,006)	(134,006)	(160,000)
Others/interest paid	53,953	-	-	-
Net cash inflow (outflow)	(33,714)	15,942	59,755	78,488
Beginning cash & cash equivalent	102,257	68,395	84,337	144,092
Changes due to forex impact	(148)	-	-	-
Ending cash & cash equivalent	68,395	84,337	144,092	222,581

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	14.8	15.9	15.6	15.4
Pre-tax margin	4.9	5.4	6.7	7.3
Net margin	4.1	4.6	5.6	6.1
ROA	3.5	4.5	5.1	5.5
ROE	13.6	15.9	17.6	18.3
Growth				
Turnover	3.5	12.7	19.5	15.0
EBITDA	(1.0)	21.0	18.0	13.0
Pre-tax profit	(20.0)	23.7	47.5	25.0
Net profit	(19.0)	26.6	47.5	25.0
Net profit (adj.)	(20.4)	43.6	30.1	25.0
EPS	(22.4)	26.6	47.5	25.0
Leverage				
Debt to total capital	13.5	11.9	12.4	10.3
Debt to equity	48.4	41.9	42.5	32.9
Net debt/(cash) to equity	17.7	9.8	(1.8)	(23.0)
Interest cover (x)	(58.7)	9.0	168.4	(72.4)