Geely Auto (175 HK)

3Q26: Earnings Slightly Miss Our Estimates On Share-based Payments

Highlights

- 3Q26 adjusted net profit of Rmb5.2b (+31.6% yoy/+1.7% qoq) met consensus forecast but slightly missed our estimate, due to share-based payment.
- Forward earnings growth will be driven by new techs, strong product line-ups, overseas expansion and premiumisation.
- We cut our 2026-28 net profit forecasts by 11%/2%/2% to Rmb18.91b/Rmb26.86b/Rmb33.64b respectively to factor in forex loss and share-based payments.
- Maintain BUY and cut target price from HK$29.00 to HK$21.00.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q26	yoy %	qoq %	9M26	yoy %	2026F	yoy %
Sales volume ('000 units)	813	6.8	13.9	2,235	3.0	3,200	5.8
NP per vehicle (Rmb'000)	6.415	23.3	(10.6)	6.663	37.0	6.798	42.7
Revenue	98,964	11.0	10.2	272,564	13.1	390,607	13.1
Gross profit	17,776	20.2	7.8	48,930	23.6	71,091	24.0
Gross margin (%)	*18.0*	*1.4*	*(0.4)*	*18.0*	*1.5*	*18.2*	*1.6*
EBIT	5,505	27.2	5.7	15,379	7.0	24,025	35.8
EBIT margin (%)	*5.6*	*0.7*	*(0.2)*	*5.6*	*(0.3)*	*6.2*	*1.0*
Shared results of assoc.	138	53.2	(44.0)	403.0	(33.8)	100	(86.8)
Shared results of JVs	296	12.2	126.2	789.0	(8.5)	1,400	(14.7)
Net profit	4,837	26.6	(1.8)	13,928	6.7	21,358	26.7
Net profit – adj	5,212	31.6	1.7	14,896	41.1	21,753	51.0
Net margin (%)	*4.9*	*0.6*	*(0.6)*	*5.1*	*(0.3)*	*5.5*	*0.6*
Net margin – adj (%)	*5.3*	*0.8*	*(0.4)*	*5.5*	*1.1*	*5.6*	*1.4*

Source: Geely, UOB Kay Hian

Analysis

- **3Q26 core earnings slightly missed our estimates but met consensus,** with reported net profit of Rmb4,837m (+26.6% yoy/-1.8% qoq), vs our estimate of Rmb5,125m and consensus estimate of Rmb4,847m, and adjusted net profit of Rmb5,212m (+31.6% yoy/+1.7% qoq), vs our forecast of Rmb5,525m and consensus forecast of Rmb5,186m. The slight core earnings miss to our estimates stemmed from share-based payments.
  - **Revenue in line.** Revenue grew 11% yoy/10% qoq in 3Q26 on 6.8%/13.9% qoq sales volume growth. This brings 9M26 revenue to Rmb272.56b (+13.1% yoy), representing 70% of our 2026 estimate.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	275,910	345,232	390,607	487,432	600,324
EBITDA	22,218	33,605	37,116	46,862	54,794
Operating profit	8,467	17,685	20,789	29,970	37,501
Net profit (rep./act.)	16,812	16,852	18,914	26,864	33,644
Net profit (adj.)	10,596	14,410	20,062	26,864	33,644
EPS (Fen)	166.4	162.8	175.4	249.1	312.0
PE (x)	7.0	7.1	6.6	4.7	3.7
P/B (x)	2.3	2.3	1.8	1.4	1.1
EV/EBITDA (x)	4.2	2.5	2.1	1.0	0.1
Dividend yield (%)	2.4	3.7	4.3	6.1	7.6
Net margin (%)	3.8	4.2	5.1	5.5	5.6
Net debt/(cash) to equity (%)	(37.0)	(45.7)	(42.7)	(61.7)	(77.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	12.5	16.1	20.1	22.7	23.7
Consensus net profit	-	-	21,241	25,804	30,452
UOBKH/Consensus (x)	-	-	0.89	1.04	1.10

Source: Geely, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	HK$13.57
Target Price	HK$21.00
Upside	58.4%
Previous TP	HK$29.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	175 HK
Shares issued (m)	10,785
Market cap (HK$m)	160,591
Market cap (US$m)	20,589
3-mth avg daily t'over (US$m)	90

Price Performance (%)

52-week high/low				HK$25.62/HK$13.53
1mth	3mth	6mth	1yr	YTD
(9.4)	(33.2)	(39.3)	(28.3)	(24.2)

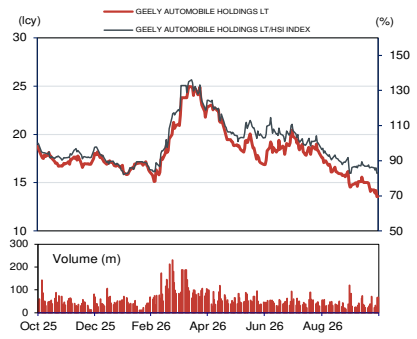
Major Shareholders (%)

Li Shu Fu	63.93

Balance Sheet Metrics

FY26 NAV/Share (HK$)	7.38
FY26 Net Cash/Share (HK$)	4.99

Price Chart



Source: Bloomberg

Company Description

Based in Hangzhou of China, Geely Auto (Geely) manufactures and sells vehicles under the brands of Geely, Galaxy, Zeekr and Lynk & Co.

- **Gross margin held up well, but still below our estimate.** Gross margin dipped 0.4ppt qoq to 18.0% in 3Q26, still up 1.4ppt yoy. This takes 9M26 gross margin to 18.0%, below our full-year assumption of 18.2%.
- **Forex loss bigger than expected.** Forex loss spiked 157.5% qoq to Rmb453m in 3Q26, bigger than expected, due to renminbi appreciation.
- **Opex in line.** The 3Q26 opex/revenue ratio dipped 0.5ppt qoq to 12.5% (flat yoy). The SG&A/revenue ratio fell to 7.2% (-0.3ppt yoy/-0.7ppt qoq); the R&D/revenue ratio rose to 5.3% (+0.4ppt yoy/+0.1ppt qoq).
- **Share-based payments higher than expected.** Share-based payments grew 4.5% and surged 424.7% qoq to Rmb332m in 3Q26.
- **Per-vehicle margin came in slightly below expectations.** Core net profit per vehicle grew 23.3% yoy but dropped 10.6% qoq to Rmb6,415.

- **Forward earnings growth will be driven by new techs, strong product line-ups, overseas expansion and premiumisation.** Management maintains its 2026 sales target of 3.45m units, including over 1m units for export. It expects qoq growth in 4Q26, based on ramp-up of new models, fast-charging tech in 3Q26 and a strong product pipeline. We keep our 2026-28 sales volume estimates at 3.2m/3.75m/4.35m units (+6%/17%/16% yoy), including 1.1m/1.5m/2.0m overseas sales. The rising share of overseas sales and premium models in its revenue mix will boost overall profitability, offsetting the chip cost hike.
  - **Overseas sales** as a percentage of total sales volume is expected to rise from 14% in 2025 to 35%/40%/46% in 2026/27/28, driven by model debuts in overseas markets (eg Galaxy EX2/EX5, Zeekr 7X/8X/9X), the launch of the Ford JV in Spain (4Q27), and the doubling of overseas outlets to around 2,200 by end-26 with the partnerships with Volvo. The selling prices in overseas markets are 1.5-3.0x of those in China; overseas sales boast a net profit per vehicle of Rmb12,000-15,000 (vs Rmb2,000-6,000 domestically).
  - **Production localisation.** China will cut the VAT rebate rate for EV exports from 13% to 9% on 1 Apr 27. Foreign countries (eg the EU) are also raising trade barriers. Geely Auto (Geely) manages the issues via production localisation – Volvo, the 34%-owned JV with Ford in Spain, the partnership with Renault in Brazil, and Proton in Malaysia. The VAT rebate cut and trade barriers make production localisation a moat for leading OEMs like Geely.
  - **Premiumisation.** Geely is rolling out more premium models, eg Zeekr 8X and 9X. The order intake for these premium line-ups is proving far stronger than expected. Zeekr's share in total sales volume is expected to rise from 7% in 2025 to 13%/16%/18% in 2026/28/30 respectively. This will enhance product mix, boosting ASP and margins.
  - **Geely's new fast-charging technology will be rolled out through 22,000 stations by end-27.** The 6C battery charges 10-97% in 10 minutes and the 12C in 8 minutes 40 seconds at 2.2 GW power. The tech enables safer charging with AI monitoring the charging process. A 27%-owned associate of Geely will build 22,000 stations with 100,000 guns by end-27, and 150,000 stations with 600,000 guns across all counties by 2030.
  - **Strong product pipeline.** Geely will launch 11 new models in 4Q26, including Galaxy Cruiser 700, Xingrui L PLUS, Xingyue L PLUS, Galaxy M8, Lynk & Co 900L, Lynk & Co 03 facelift, Zeekr 8X, Zeekr 7X facelift, all-new Emgrand, Galaxy Starshine 6 EF, Xingyuan.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecasts by 11%/2%/2% to Rmb18.91b/ Rmb26.86b/Rmb33.64b respectively** to factor in forex loss (2026) and share-based payments (2026-28).

Valuation/Recommendation

- **Maintain BUY and cut target price from HK$29.00 to HK$21.00,** as we lower our target 2027F PE multiple from 10x (10-year historical mean) to 7.5x (three-year historical mean).

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**345,232**	**390,607**	**487,432**	**600,324**
EBITDA	33,605	37,116	46,862	54,794
Deprec. & amort.	(15,920)	(16,327)	(16,892)	(17,293)
EBIT	-	-	-	-
Total other non-operating income	17,694	20,789	29,970	37,501
Associate contributions	2,399	1,800	2,000	2,200
Net interest income/(expense)	137	249	466	922
Pre-tax profit	**20,230**	**22,838**	**32,437**	**40,623**
Tax	(3,601)	(4,111)	(5,839)	(7,312)
Minorities	(224)	(187)	(266)	(333)
Net profit	**16,852**	**18,914**	**26,864**	**33,644**
Net profit (adj.)	14,410	20,062	26,864	33,644

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	34,370	32,899	31,650	30,589
Other LT assets	96,627	102,020	107,016	111,785
Cash/ST investment	65,319	66,490	100,165	140,963
Other current assets	94,094	108,053	133,836	163,982
Total assets	**290,410**	**309,462**	**372,668**	**447,319**
ST debt	13,097	10,496	10,496	10,496
Other current liabilities	166,362	173,021	214,870	264,075
LT debt	14,476	14,476	14,476	14,476
Other LT liabilities	2,860	2,860	2,860	2,860
Shareholders' equity	92,398	107,580	129,203	154,982
Minority interest	1,217	1,029	763	430
Total liabilities & equity	**290,410**	**309,462**	**372,668**	**447,319**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**47,274**	**26,255**	**57,451**	**66,741**
Pre-tax profit	20,230	22,838	32,437	40,623
Tax	(4,040)	(4,560)	(6,477)	(8,112)
Deprec. & amort.	5,629	5,471	5,249	5,061
Associates	(2,399)	(1,800)	(2,000)	(2,200)
Working capital changes	18,278	(7,301)	16,066	19,059
Non-cash items	9,576	11,608	12,176	12,309
Other operating cashflows	-	-	-	-
Investing	**(23,370)**	**(17,011)**	**(16,750)**	**(16,192)**
Capex (growth)	(17,918)	(18,000)	(18,000)	(18,000)
Investments	-	-	-	-
Others	(5,453)	989	1,250	1,808
Financing	**(1,839)**	**(8,073)**	**(7,025)**	**(9,751)**
Dividend payments	(3,119)	(4,732)	(6,242)	(8,865)
Proceeds from borrowings	17,466	3,000	3,000	3,000
Loan repayment	(7,433)	(3,000)	(3,000)	(3,000)
Others/interest paid	(8,753)	(3,341)	(784)	(886)
Net cash inflow (outflow)	**22,065**	**1,170**	**33,675**	**40,798**
Beginning cash & cash equivalent	43,058	65,319	66,490	100,165
Changes due to forex impact	197	-	-	-
Ending cash & cash equivalent	**65,319**	**66,490**	**100,165**	**140,963**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	0.3	0.3	0.2	0.2
Pre-tax margin	5.9	5.8	6.7	6.8
Net margin	4.2	5.1	5.5	5.6
ROA	5.1	6.7	7.9	8.2
ROE	16.1	20.1	22.7	23.7
Growth				
Turnover	25.1	13.1	24.8	23.2
EBITDA	51.3	10.4	26.3	16.9
Pre-tax profit	11.6	12.9	42.0	25.2
Net profit	0.2	12.2	42.0	25.2
Net profit (adj.)	36.0	39.2	33.9	25.2
EPS	(0.2)	5.2	42.0	25.2
Leverage				
Debt to total capital	8.0	6.6	5.5	4.6
Debt to equity	25.0	19.1	15.9	13.2
Net debt/(cash) to equity	(45.7)	(42.7)	(61.7)	(77.7)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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