

Geely Auto (175 HK)

Exports And New Technologies Offset Weak Domestic Sales

Highlights

- 2026 sales will probably miss the 3.45m target on the ongoing run rate.
- Geely targets doubling exports from about 1m to 2m within 1-2 years on model launches, eg iHEV, Zeekr, and overseas capacity.
- Fast-charging, L3 ADAS, and iHEV technologies will drive growth.
- Exports and premium models underpin net profit per vehicle.
- We raise 2026 EPS by 7%, keep 2027 EPS unchanged, and trim 2028 EPS by 3%, based on lower sales estimates of higher profit per vehicle.
- We estimate 3Q26 net profit at Rmb5,525m (+39.5% yoy/+7.9% qoq).
- Maintain BUY and target price of HK\$29.00 (10x 2027F PE).

Analysis

- 2026 sales will probably miss the 3.45m-unit target, based on ongoing run rate.** 9M26 sales of 2.235m units (+3.0% yoy) make up 64.8% of the full-year target. It requires average sales of 404,840 units/month (+42.2% yoy) in 4Q26 to reach the company's full-year target of 3.45m units, which seems unlikely. We now expect Geely's 2026 sales at 3.00m-3.45m units on the ongoing run rate, vs its target of 3.45m units (+14.1% yoy).
- Domestic sales dragged by high oil prices, and Geely will add BEVs in 2H26.** Domestic sales fell 23.3% yoy to 1,437,811 units in 9M26, which management attributed to higher oil prices dampening internal combustion engine (ICE) car and plug-in hybrid electric vehicle (PHEV) sales, with Galaxy skewed towards PHEVs. The new EV models, eg Galaxy TT and new E5, will boost sales in 2H26. Channel inventory level stands at below one month, implying no need for further destocking, except for certain models in transition. Looking into 2027, Geely expects to increase its market share from 11% in 2026 as China's auto sales stop falling.
- Exports are offsetting part of the domestic weakness.** 9M26 exports of 797,670 units (+169% yoy) are 80% of the full-year target of 1m units. Exports exceeded 100,000 units a month from June. September export dipped 3% mom to 106,685 units, which management attributed to production at Proton in Malaysia. Management expects export at around 100,000 units a month in 4Q26, with the mix shifting to premium models such as the Zeekr 9X. The preliminary 2027 export target is 1m-2m units. The long-term aim is two-thirds of sales overseas, vs 35% in 2026.

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	40,352	47,850	55,894
Operating profit	8,467	17,685	24,025	30,958	38,601
Net profit (rep./act.)	16,812	16,852	21,358	27,373	34,165
Net profit (adj.)	10,596	14,410	21,753	27,373	34,165
EPS (Fen)	166.4	162.8	198.0	253.8	316.8
PE (x)	7.7	7.9	6.5	5.0	4.0
P/B (x)	2.5	2.5	2.0	1.6	1.2
EV/EBITDA (x)	4.4	2.9	2.2	1.2	0.3
Dividend yield (%)	2.2	3.3	4.4	5.6	7.0
Net margin (%)	3.8	4.2	5.6	5.6	5.7
Net debt/(cash) to equity (%)	(37.0)	(45.7)	(43.7)	(62.5)	(78.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.	n.a.
ROE (%)	12.5	16.1	21.5	22.8	23.9
Consensus net profit	-	-	21,241	25,804	30,452
UOBKH/Consensus (x)	-	-	1.02	1.06	1.12

Source: Geely, Bloomberg, Visible Alpha, UOB Kay Hian

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BUY (Maintained)

Share Price	HK\$14.97
Target Price	HK\$29.00
Upside	93.7%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	175 HK
Shares issued (m)	10,785
Market cap (HK\$m)	161,453
Market cap (US\$m)	20,699
3-mth avg daily t'over (US\$m)	96

Price Performance (%)

52-week high/low			HK\$24.98/HK\$14.55	
1mth	3mth	6mth	1yr	YTD
(10.8)	(22.1)	(37.2)	(21.3)	(16.6)

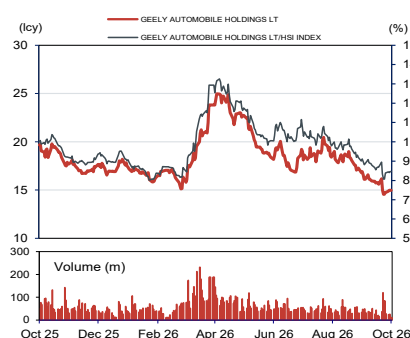
Major Shareholders (%)

Li Shu Fu	63.93
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Balance Sheet Metrics

FY26 NTAV/Share (HK\$)	7.59
FY26 Net Cash/Share (HK\$)	5.19

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.

- **Local production reduces exposure to trade barriers.** Geely Auto (Geely) has agreed to take a 34% stake in a Ford plant in Valencia, Spain (500,000 units/year), which it will revamp and automate. Geely will use the plant for assembling modules from China into vehicles for the European market, and it is aimed to start operations by end-27 or early-28. Geely also partners with Renault in Brazil and Proton in Malaysia for supplies to the Latin America and Southeast Asia markets respectively.
- **L3 autonomous driving will not contribute before mid-27.** Geely uses its own G-ASD system. The Zeekr 9X holds an L3 permit covering all 9,224 km² of Hangzhou, but L3 models can only be certified after 1 Jul 27, and each city must grant its own permit. L3 differs from L2 NOA in having redundancy, as the OEM carries the liability.
- **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, on 900V (Zeekr), 400V (Galaxy) and 800V (Galaxy TT, E5 and Warship) architectures. A 27%-owned associate of Geely, ie not consolidated, will build 22,000 stations with 100,000 guns by end-27. With partnership with NIO, the construction cost for each charging station would be lower than the industry's Rmb400,000-500,000.
- **Geely plans to replace all its ICE models with iHEVs.** The intelligent hybrid electric vehicle (iHEV) launched in China in Apr 26 and goes overseas in 2027. Geely's iHEV is 12% more fuel-efficient than Toyota's HEV as the former pairs with a fast-charging, fast-discharging 60C battery. This enables quicker energy recovery and deployment, allowing more efficient engine operation and greater electric assistance. Geely sees a global addressable market of 10m-20m units for its iHEV, based on Toyota's HEV sales.
- **Cut our 2026-28 sales volume estimates by 7%/13%/16% to 3.20m/3.75m/4.35m units respectively, including 1.13m/1.50m/2.00m units of overseas sales,** based on the lower-than-expected 9M26 sales and the company's more conservative export targets in 2027-28. ASP assumptions of Rmb112,000/Rmb120,000/Rmb128,000 are unchanged.
- **Raise our 2026-28 net profit per vehicle assumptions by 18%/15%/15% to Rmb6,800/Rmb7,300/Rmb7,850,** vs Rmb6,806 in 1H26, based on the upbeat margins of the premium products and exports.
- **Geely expects margins to hold up well in 2H26, based on optimisation of sales mix.** Net profit per vehicle depends on the shares of exports and premium models in sales. Exports earn a gross margin about 10ppt above domestic sales, and overseas net profit per vehicle of Rmb13,000-15,000 is roughly three times the domestic level. 4Q26 launches are mainly premium models, and the price war has eased though new models are priced lower. The drop in battery costs offsets the rise in chip costs.

Earnings Revision/Risk

- **We raise 2026 EPS by 7% to Rmb1.98 (net profit Rmb21.36b), keep 2027 EPS unchanged at Rmb2.54 (Rmb27.37b), and trim 2028 EPS by 3% to Rmb3.17 (Rmb34.17b),** on lower sales volume but higher net profit per vehicle.
- **For 3Q26, we estimate net profit at Rmb5,525m (+39.5% yoy/+7.9% qoq),** on sales volume of 812,523 units (+6.8% yoy/+13.9% qoq) and net profit per vehicle of Rmb6,800 (+30.7% yoy/-5.3% qoq).

Valuation/Recommendation

- **Maintain BUY and keep target price at HK\$29.00, pegged to 10x 2027F PE, on par with the historical mean.** Geely trades at 6.5x 2026F PE and 5.0x 2027F PE, much lower than the historical mean of 10x.

Share Price Catalyst

- Strong monthly sales, debuts of blockbuster new models, 3Q26 results beat expectations.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	345,232	390,607	487,432	600,324
EBITDA	33,605	40,352	47,850	55,894
Deprec. & amort.	(15,920)	(16,327)	(16,892)	(17,293)
EBIT	17,694	24,025	30,958	38,601
Total other non-operating income	-	-	-	-
Associate contributions	2,399	1,500	1,600	1,700
Net interest income/(expense)	137	263	494	951
Pre-tax profit	20,230	25,788	33,051	41,252
Tax	(3,601)	(4,642)	(5,949)	(7,425)
Minorities	(224)	(211)	(271)	(338)
Net profit	16,852	21,358	27,373	34,165
Net profit (adj.)	14,410	21,753	27,373	34,165

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	47,274	28,068	58,149	67,216
Pre-tax profit	20,230	25,788	33,051	41,252
Tax	(4,040)	(5,150)	(6,600)	(8,238)
Deprec. & amort.	5,629	5,471	5,249	5,061
Associates	(2,399)	(1,500)	(1,600)	(1,700)
Working capital changes	18,278	(7,635)	16,400	19,059
Non-cash items	9,576	11,094	11,649	11,781
Other operating cashflows	-	-	-	-
Investing	(23,370)	(16,998)	(16,723)	(16,163)
Capex (growth)	(17,918)	(18,000)	(18,000)	(18,000)
Investments	-	-	-	-
Others	(5,453)	1,002	1,277	1,837
Financing	(1,839)	(8,073)	(7,831)	(9,919)
Dividend payments	(3,119)	(4,732)	(7,048)	(9,033)
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)	(783)	(886)
Net cash inflow (outflow)	22,065	2,997	33,595	41,134
Beginning cash & cash equivalent	43,058	65,319	68,317	101,912
Changes due to forex impact	197	-	-	-
Ending cash & cash equivalent	65,319	68,317	101,912	143,045

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	101,778	106,386	110,667
Cash/ST investment	65,319	68,317	101,912	143,045
Other current assets	94,094	107,967	133,836	163,982
Total assets	290,410	310,961	373,784	448,283
ST debt	13,097	10,496	10,496	10,496
Other current liabilities	166,362	172,601	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	109,524	130,349	155,981
Minority interest	1,217	1,005	734	396
Total liabilities & equity	290,410	310,961	373,784	448,283

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.7	10.3	9.8	9.3
Pre-tax margin	5.9	6.6	6.8	6.9
Net margin	4.2	5.6	5.6	5.7
ROA	5.1	7.2	8.0	8.3
ROE	16.1	21.5	22.8	23.9
Growth				
Turnover	25.1	13.1	24.8	23.2
EBITDA	51.3	20.1	18.6	16.8
Pre-tax profit	11.6	27.5	28.2	24.8
Net profit	0.2	26.7	28.2	24.8
Net profit (adj.)	36.0	51.0	25.8	24.8
EPS	(0.2)	18.8	28.2	24.8
Leverage				
Debt to total capital	8.0	6.6	5.5	4.6
Debt to equity	25.0	18.7	15.7	13.1
Net debt/(cash) to equity	(45.7)	(43.7)	(62.5)	(78.6)
Interest cover (x)	n.a.	n.a.	n.a.	n.a.

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