Great Wall Motor (2333 HK)

2Q26: Earnings Dragged By Deferred Booking Of Tax Rebate And Forex Loss

Highlights

- 2Q26 net profit met estimates at Rmb1,519m (-66.9% yoy/+60.7% qoq). The earnings were dragged by deferred booking of overseas tax rebate and forex loss. Revenue outpaced sales volume growth by virtue of the ASP hike. Gross margin remained flat at 18.3%, in line with expectations.
- We expect earnings to resume growth in 2027, driven by new product debuts (eg WEY V9X, mass-market Haval H10, refreshed off-road Tank 300, and Cannon Hi4-T PHEV pickup) and buoyant overseas sales.
- We maintain our 2026-28 net profit forecasts at Rmb5,733m/Rmb8,171m/Rmb10,160m (-41.9%/+42.5%/+24.3% yoy). Maintain HOLD with target price of HK$9.90.

2Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	2026F	yoy %	1H26/2026	Comment
Total sales volume	315	0.6	17.0	584	2.5	1,350	2.0	0.43	In line
ASP (Rmb'000)	n.a.	n.a.	n.a.	152.1	8.7	152.0	2.7	1.00	In line
NP per unit (Rmb'000)	4.8	(67.1)	37.3	4.2	(62.0)	4.2	(43.3)	1.00	In line
NP per unit (adj) (Rmb'000)	3.6	(46.9)	100.1	2.8	(56.1)	3.0	(35.2)	0.93	In line
Revenue	56,992	8.9	26.3	102,101	10.6	233,464	4.8	0.44	In line
Gross profit	10,436	6.1	25.4	18,759	10.5	42,024	4.5	0.45	In line
Gross margin (%)	*18.3*	*(0.5)*	*(0.1)*	*18.4*	*(0.0)*	*18.0*	*(0.0)*	*1.02*	Beat on product mix
EBIT	1,858	(57.5)	85.4	2,860	(44.0)	6,770	(11.6)	0.42	Miss on lower other income
EBIT margin (%)	*3.3*	*(5.1)*	*1.0*	*2.8*	*(2.7)*	*2.9*	*(0.5)*	*0.97*	Miss on lower other income
Net profit (GAAP)	1,519	(66.9)	60.7	2,465	(61.1)	5,703	(42.5)	0.43	In line
Net profit – adj	1,128	(46.6)	134.0	1,610	(55.0)	4,003	(35.0)	0.40	In line,
Net margin (%)	*2.7*	*(6.1)*	*0.6*	*2.4*	*(4.4)*	*2.4*	*(2.0)*	*0.99*	Miss on deferred tax rebate and forex
Net margin – adj (%)	*2.0*	*(2.1)*	*0.9*	*1.6*	*(2.3)*	*1.7*	*(1.0)*	*0.92*	Miss on deferred tax rebate

Source: Great Wall Motor, Bloomberg, UOB Kay Hian

Analysis

- **2Q26 results met expectations** with net profit of Rmb1,519m (−66.9% yoy/+60.7% qoq), at the mid-point of the guided range of Rmb1,404m-1,654m, and adjusted net profit of Rmb1,128m (−46.6% yoy/+134.0% qoq), at the mid-point of the guided range of Rmb1,018m-1,268m.
- **Earnings were dragged by deferred booking of overseas tax rebate and forex loss.** A Rmb2.27b tax-policy subsidy was booked in 1H25, but the equivalent 1H26 subsidy was deferred and is expected in 2H26. Additionally, the forex gain (loss) swung from a net loss of Rmb266m in 1H26 from a net gain of Rmb1,493m in 1H25, due to the appreciation of the renminbi.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	202,194	222,824	233,464	264,524	294,731
EBITDA	24,299	18,946	16,189	19,206	21,502
Operating profit	14,133	7,655	6,770	9,787	12,084
Net profit (rep./act.)	12,660	9,865	5,733	8,171	10,160
Net profit (adj.)	9,695	6,059	4,033	6,271	8,060
EPS (Fen)	148.0	115.3	67.0	95.5	119.7
PE (x)	4.9	6.3	10.9	7.6	6.1
P/B (x)	0.8	0.7	0.7	0.6	0.6
EV/EBITDA (x)	3.0	3.8	4.5	3.8	3.4
Dividend yield (%)	6.2	4.8	1.9	3.0	3.9
Net margin (%)	6.3	4.4	2.5	3.1	3.4
Net debt/(cash) to equity (%)	(15.8)	(17.8)	(2.4)	(7.7)	(16.0)
Interest cover (x)	142.3	n.a.	44.4	95.0	n.a.
ROE (%)	17.2	11.8	6.4	8.7	10.0
Consensus net profit	-	-	13,114	15,370	16,792
UOBKH/Consensus (x)	-	-	0.44	0.53	0.61

Source: Great Wall Motor, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

852-2236 6760

HOLD (Maintained)

Share Price	HK$8.36
Target Price	HK$9.90
Upside	18.4%

Stock Data

Sector	Automobile
Bloomberg ticker	2333 HK
Shares issued (m)	2,318.8
Market cap (HK$m)	19,385.0
Market cap (US$m)	2,485.3
3-mth avg daily t'over (US$m)	23.0

Price Performance (%)

52-week high/low				HK$/HK$
1mth	3mth	6mth	1yr	YTD
(6.1)	(27.5)	(34.6)	(54.8)	(42.0)

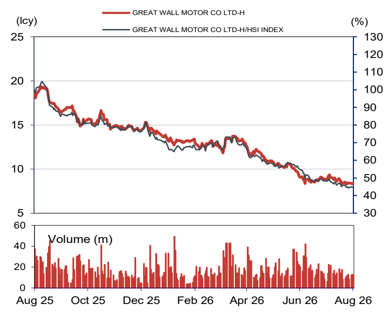
Major Shareholders (%)

Baoding Innovation Great Wall Asset Mgmt	59.77

Balance Sheet Metrics

FY26 NAV/Share (HK$)	8.04
FY26 Net Debt/Share (HK$)	0.36

Price Chart



Source: Bloomberg

Company Description

Great Wall Motor, through its subsidiaries, manufactures and distributes automobile glass, decorated glassware, and other industrial glassware. The company also provides glass installation service. Great Wall Motor markets its products to automakers in China, North America, Europe and other countries.

- **Revenue outpaced sales volume on ASP hike.** Revenue grew 8.9% yoy to Rmb56.99b in 2Q26 and rose 10.6% yoy to Rmb102.1b in 1H26, outpacing the low single-digit sales volume growth during the periods, by virtue of the ASP hike. Vehicle sales revenue grew 11.4% yoy to Rmb88.82b in 1H26 on sales volume of 583,900 units (+2.5% yoy) and ASP of Rmb152,100 (+8.7% yoy). The ASP hike was due to the optimisation of sales mix with a rising share of premium products and overseas sales in revenue.
- **Maintain our 2026-28 sales volume estimates at 1.35m/1.50m/1.65m units (up 2%/11%/10% yoy),** including overseas sales of 0.73m/0.87m/1.00m units. Great Wall Motor's (GWM) sales will be primarily driven by debuts of new models and overseas sales.
  - **2H26 product cycle as a key volume catalyst:** The upcoming launch cadence – spanning the premium WEY V9X, mass-market Haval H10, refreshed off-road Tank 300, and Cannon Hi4-T PHEV pickup – positions the company for a pronounced sales ramp in 3Q/4Q26. This diversified model rollout across the SUV, off-road, and pickup segments directly supports the 1.35m 2026 target, with the Hi4-T technology further bolstering the brand's new-energy credentials in higher-margin categories.
  - **Overseas expansion as the primary growth engine:** To achieve overseas sales growth from 0.73m units in 2026 to 1.00m by 2028, the company is leveraging three concrete levers. It will introduce at least 10 new models in Europe by 2028, including the Ora 5 and Haval Jolion MAX. Production capacity is scaling up – Thailand from 80,000 to 140,000, Brazil from 50,000 to 100,000 (with a second 200,000 plant), and Russia to 200,000 annually. The dealer network already exceeds 1,600 outlets across 170 countries, and a new Dubai flagship showroom opened in Jun 26. These efforts together support the volume target.
- **We maintain our 2026-28 ASP assumptions at Rmb152,000/Rmb155,000/Rmb157,000 respectively (up 3%/2%/1% yoy),** based on the increasing share of premium products and overseas sales in the revenue mix.
- **Gross margin remained steady.** Gross margin remained flat qoq at 18.3% in 2Q26, albeit down 0.5ppt yoy, and remained flat yoy at 18.4% in 1H26, roughly on par with our full-year assumption of 18.0%. We maintain our 2026-28 gross margin assumptions at 18.0%/18.2%/18.5% respectively, with ASP hikes offsetting cost increases.

Earnings Revision/Risk

- **Maintain our 2026-28 net profit forecasts at Rmb5,733m/Rmb8,171m/ Rmb10,160m respectively (-41.9%/+42.5%/+24.3% yoy).** We expect the company's earnings to resume growth from 2027, driven by new product debuts and overseas sales.
- **Risks:** a) Slower-than-expected recovery of China's auto industry, b) foreign trade barriers on automobiles, c) hikes in raw material prices, and d) forex loss from renminbi appreciation.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of HK$9.90,** pegged to 9x 2027F PE (on par with historical mean).

Share Price Catalyst

- Recovery of monthly sales volume, debuts of blockbuster new models, eg the Hi4-T models.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	222,824	233,464	264,524	294,731
EBITDA	18,946	16,189	19,206	21,502
Deprec. & amort.	(11,291)	(9,418)	(9,418)	(9,418)
EBIT	7,655	6,770	9,787	12,084
Total other non-operating income	1,469	48	29	61
Associate contributions	664	500	500	500
Net interest income/(expense)	1,970	(152)	(103)	55
Pre-tax profit	11,758	7,166	10,213	12,700
Tax	(1,893)	(1,433)	(2,043)	(2,540)
Minorities	0	-	-	-
Net profit	9,865	5,733	8,171	10,160
Net profit (adj.)	6,059	4,033	6,271	8,060

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	29,282	31,082	32,882	34,682
Other LT assets	58,359	57,841	57,323	56,804
Cash/ST investment	25,281	21,739	37,136	59,744
Other current assets	112,367	140,553	152,929	158,872
Total assets	225,288	251,214	280,270	310,102
ST debt	9,727	19,727	29,727	39,727
Other current liabilities	116,488	129,677	141,771	153,325
LT debt	1,069	1,069	1,069	1,069
Other LT liabilities	174	174	174	174
Shareholders' equity	87,892	90,630	97,591	105,869
Minority interest	-	-	-	-
Total liabilities & equity	225,288	251,214	280,270	310,102

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	40,355	(494)	16,910	18,634
Pre-tax profit	11,758	7,166	10,213	12,700
Tax	(1,893)	(1,433)	(2,043)	(2,540)
Deprec. & amort.	11,291	9,418	9,418	9,418
Associates	(664)	(500)	(500)	(500)
Working capital changes	20,543	(14,997)	(282)	(389)
Non-cash items	-	-	-	-
Other operating cashflows	(679)	(148)	103	(55)
Investing	(29,154)	(9,198)	(8,979)	(2,276)
Capex (growth)	11,509	10,200	10,200	10,200
Investments	127,763	20,000	20,000	14,000
Others	(168,427)	(39,398)	(39,179)	(26,476)
Financing	(13,445)	6,151	7,466	6,250
Dividend payments	(4,379)	(3,849)	(2,534)	(3,750)
Proceeds from borrowings	12,869	20,000	20,000	20,000
Loan repayment	19,447	10,000	10,000	10,000
Others/interest paid	(41,382)	(20,000)	(20,000)	(20,000)
Net cash inflow (outflow)	(1,953)	(3,542)	15,397	22,608
Beginning cash & cash equivalent	27,233	25,281	21,739	37,136
Changes due to forex impact	292	-	-	-
Ending cash & cash equivalent	25,281	21,739	37,136	59,744

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	8.5	6.9	7.3	7.3
Pre-tax margin	5.3	3.1	3.9	4.3
Net margin	2.7	1.7	2.4	2.7
ROA	4.5	2.4	3.1	3.4
ROE	11.8	6.4	8.7	10.0
Growth				
Turnover	10.2	4.8	13.3	11.4
EBITDA	(22.0)	(14.6)	18.6	12.0
Pre-tax profit	(17.3)	(39.1)	42.5	24.3
Net profit	(22.1)	(41.9)	42.5	24.3
Net profit (adj.)	(37.5)	(33.4)	55.5	28.5
EPS	(22.1)	(41.9)	42.5	25.3
Leverage				
Debt to total capital	5.8	9.2	11.8	15.0
Debt to equity	15.0	25.6	34.0	43.8
Net debt/(cash) to equity	(17.8)	(2.4)	(7.7)	(16.0)
Interest cover (x)	n.a.	44.4	95.0	n.a.