Li Auto (2015 HK)

3Q26: Net Loss Narrows 50% yoy; 4Q26 Guidance Disappoints

Highlights

- 3Q26 net loss narrowed 50% yoy to Rmb314m, beating estimates.
- 4Q26 delivery guidance falls 12–16% short of market expectations.
- Management expects Li Auto to return to profit in 4Q26. However, we expect sustained losses in 2027-28, due to competitive pressure and higher R&D for AI and humanoid robot.
- We narrow our 2026–28 net loss forecasts by 43%/49%/48%.
- Maintain SELL and target price of HK$30.00, implying 0.8x 2027F P/B.

3Q26 Results

Year to 31 Dec (Rmbm)	3Q25	2Q26	3Q26	yoy %	qoq %	9M26	yoy %	Prev. 2026F	yoy %
Deliveries ('000 units)	93.2	98.3	100.0	7.2	1.7	293.4	(1.2)	405.9	(0.1)
ASP (Rmb'000)	278	244.8	271	(2.3)	10.7	248	(7.3)	254	(3.2)
NP per vehicle (Rmb'000)	(7.5)	(20.1)	(4.3)	(42.6)	(78.7)	(16.6)	n.m.	(10.2)	n.a.
Revenue	27,365	25,667	28,834	5.4	12.3	77,484.2	(7.2)	109,884	(2.2)
Gross profit	4,469	2,836	4,816	7.8	69.8	9,460.2	(40.3)	15,073	(28.2)
Gross margin (%)	16.3	11.0	16.7	0.4	5.7	12.2	(6.8)	13.7	(5.0)
EBIT	(1,177)	(2,301)	(700)	(40.6)	(69.6)	(5,999.2)	7,539.5	(6,083)	n.a.
EBIT margin (%)	(4.3)	(9.0)	(2.4)	1.9	6.5	(7.7)	(7.6)	(5.5)	(5.1)
Net profit (GAAP)	(625)	(1,704)	(314)	(49.7)	(81.6)	(4,307.8)	n.m.	(4,131)	n.a.
Net profit – adj	(697)	(1,978)	(429)	(38.5)	(78.3)	(4,857.6)	n.m.	(4,131)	n.a.
Net margin (%)	*(2.3)*	*(6.6)*	*(1.1)*	*1.2*	*5.6*	*(5.6)*	*(6.9)*	*(3.8)*	*(4.8)*
Core net margin (%)	*(2.5)*	*(7.7)*	*(1.5)*	*1.1*	*6.2*	*(6.3)*	*(7.2)*	*(3.8)*	*(4.2)*

Source: Li Auto, Bloomberg, UOB Kay Hian

Analysis

- **3Q26 results beat expectations** with revenue of Rmb28.83b (+5.4% yoy/+12.3% qoq), vs Li Auto's guidance of Rmb26.6b-28.0b, and net loss of Rmb314m (-49.7% yoy/-81.6% qoq), vs our estimate of Rmb1.7b in net loss and consensus estimate of Rmb700m in net loss. The beat stemmed from upbeat ASP of Rmb271,000 (-2.3% yoy/+10.7% qoq) and higher gross margin of 16.7% (+0.4ppt yoy/+5.7ppt qoq) given a shift in product mix. Vehicle gross margin dipped 0.3ppt yoy but rebounded 5.8ppt qoq to 15.3%. SG&A decreased 14.7% yoy and edged up 3.7% qoq to Rmb2.36b, representing 8.2% of revenue (-1.9ppt yoy/-0.7ppt qoq). R&D/revenue ratio remained roughly flat at 10.8%. Operating loss narrowed to Rmb700m (-40.6% yoy/-69.6% qoq).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	144,460	112,313	109,884	105,350	104,160
EBITDA	10,077	4,114	(1,683)	1,097	1,918
Operating profit	7,019	(521)	(6,083)	(4,103)	(3,582)
Net profit (rep./act.)	8,032	1,124	(4,131)	(2,901)	(2,449)
Net profit (adj.)	8,032	1,124	(4,131)	(2,901)	(2,449)
EPS (Fen)	385.3	52.5	(199.4)	(140.0)	(118.2)
PE (x)	9.6	70.2	n.a.	n.a.	n.a.
P/B (x)	1.1	1.1	1.1	1.2	1.2
EV/EBITDA (x)	n.m.	n.m.	n.m.	n.m.	n.m.
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net margin (%)	5.6	1.0	(3.8)	(2.8)	(2.4)
Net debt/(cash) to equity (%)	(137.0)	(115.4)	(116.9)	(113.6)	(113.3)
Interest cover (x)	(4.3)	0.3	n.a.	n.a.	n.a.
ROE (%)	12.3	1.6	(5.9)	(4.3)	(3.8)
Consensus net profit	-	-	(3,555)	2,552	5,289
UOBKH/Consensus (x)	-	-	n.a.	n.a.	n.a.

Source: Li Auto, Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

852-2236 6760

SELL (Maintained)

Share Price	HK$42.40
Target Price	HK$30.00
Upside	-29.2%

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	2015 HK
Shares issued (m)	1,716.0
Market cap (HK$m)	72,759.7
Market cap (US$m)	9,328.2
3-mth avg daily t'over (US$m)	53.4

Price Performance (%)

52-week high/low				HK$78.90/HK$40.08
1mth	3mth	6mth	1yr	YTD
(5.9)	(11.1)	(31.4)	(41.1)	(34.6)

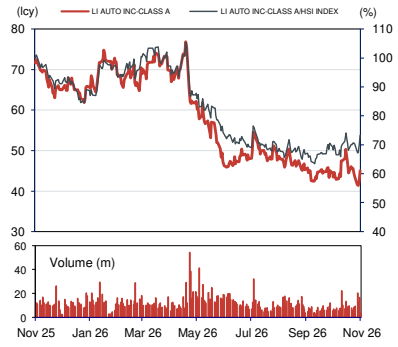
Major Shareholders (%)

Mr. Li Xiang	21.7
Mr. Wang Xing	17.2

Balance Sheet Metrics

FY26 NAV/Share (HK$)	38.0
FY26 Net Debt/Share (HK$)	(44.4)

Price Chart



Source: Bloomberg

Company Description

Li Auto develops and manufactures smart electric vehicles under the brand Lixiang.

- **4Q26 deliveries and revenue guided to grow 0.7-5.3% yoy and 10-15% yoy respectively.** The company guides for 4Q26 deliveries of between 110,000 units (+0.7% yoy/+10% qoq) and 115,000 units (+5.3% yoy/+15% qoq) and 4Q26 revenue of between Rmb31.7b (+10.1% yoy/+9.9% qoq) and Rmb33.1b (+15.1% yoy/+14.8% qoq).
- **Losses should return in 2027–28, as lower ASP keeps gross profit below operating expenses.** Management expects a return to profit in 4Q26, as gross margin keeps improving on the new-model mix and lower lithium prices, and our forecasts imply a 4Q26 net profit of Rmb177m. However, only one or two models will be updated in 2027, and we forecast gross profit of Rmb15.88b/Rmb15.90b in 2027/28 respectively, against the combined R&D and SG&A expenses of Rmb20.50b/Rmb20.00b respectively.
  - **We raise 2026 delivery estimates to 405,900 units, from 400,000, based on the mid-point of 4Q26 guidance, and maintain 2027–28 estimates at 400,000 units p.a. (–1.5% yoy in 2027),** as we expect China's domestic passenger vehicle sales to be flat in 2027–28, although management expects overseas sales to double in 2027. We estimate 2026 overseas sales, which Li Auto does not disclose, at only 5,000–10,000 units, or 1–2.5% of our 2026 delivery estimate. Doubling them would lift our 2027 delivery growth only to between –0.2% and +1.0%, from –1.5%.
  - **We raise 2026–28 ASP assumptions by 6%/11%/14% to Rmb254,100/Rmb245,000/Rmb240,000, respectively,** as 4Q26 revenue guidance implies a vehicle ASP of about Rmb270,700. We expect ASP to fall 3.6%/2.0% yoy in 2027/28 respectively, as competition intensifies in the Rmb200,000–300,000 price band. We also cut our ratio of service and other revenue to vehicle sales to 6.5%/7.5%/8.5%, from 7.0%/8.0%/9.0% respectively.
  - **We raise 2026–28 vehicle gross margin assumptions to 12.2%/13.5%/13.5%, from 10.0%/11.0%/11.0% respectively, based on a 16.0% vehicle margin in 4Q26,** as management expects gross margin to keep improving on the new-model mix and lower lithium prices. Our 2027–28 assumptions stay below that level, as we estimate that higher chip prices add about Rmb2,000 to the cost of each vehicle in 2027 and only one or two models are updated in 2027. We also raise our services gross margin assumptions to 36.8%/36.0%/36.0% respectively, from 35.0% p.a.
  - **Sustaining expenditure on AI and humanoid robots.** Li Auto is allocating about 50% of its around Rmb12b 2026 R&D budget to AI and humanoid robotics. Management admitted commercialisation of humanoid robots remains at an early stage and is at least three years away. We envision an even longer timeframe for the commercialisation of humanoid robots, and see no meaningful revenue contribution from these initiatives in the foreseeable future, weighing on profitability.

Earnings Revision/Risk

- **We narrow our 2026–28 net loss forecasts by 43%/49%/48% to Rmb4.13b/Rmb2.90b/Rmb2.45b respectively,** on higher ASP and gross margin assumptions, a higher assumed yield on cash of 1.6%, from 1.0%, and, for 2026, the tax credit and non-operating income booked in 9M26. Our forecasts compare with consensus estimates of a Rmb3.55b net loss in 2026 and net profits of Rmb2.55b/Rmb5.29b in 2027/28 respectively.
- Risks: a) stronger-than-expected demand for the new Li i9, Li MEGA and Li i6; b) faster overseas expansion; and c) lower lithium, chip and metal costs.

Valuation/Recommendation

- **Maintain SELL and target price of HK$30.00. Our target price implies 0.8x 2027F P/B, while the stock trades at 1.2x 2027F P/B.**

Share Price Catalyst

- Deliveries below 4Q26 guidance, slow Li 6 deliveries in Europe, L-series price cuts, 4Q26 results.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	**112,313**	**109,884**	**105,350**	**104,160**
EBITDA	4,114	(1,683)	1,097	1,918
Deprec. & amort.	(4,635)	(4,400)	(5,200)	(5,500)
EBIT	(521)	(6,083)	(4,103)	(3,582)
Total other non-operating income	67	87	-	-
Associate contributions	-	-	-	-
Net interest income/(expense)	1,751	1,276	1,202	1,134
Pre-tax profit	**1,297**	**(4,721)**	**(2,901)**	**(2,449)**
Tax	(158)	590	-	-
Minorities	(15)	-	-	-
Net profit	**1,124**	**(4,131)**	**(2,901)**	**(2,449)**
Net profit (adj.)	1,124	(4,131)	(2,901)	(2,449)

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	22,775	23,875	24,175	24,175
Other LT assets	16,235	16,235	16,235	16,235
Cash/ST investment	56,908	53,203	47,666	44,687
Other current assets	58,378	58,968	58,146	57,959
Total assets	**154,296**	**152,281**	**146,221**	**143,056**
ST debt	6,218	6,218	6,218	6,218
Other current liabilities	57,330	59,446	56,287	55,570
LT debt	3,299	3,299	3,299	3,299
Other LT liabilities	14,309	14,309	14,309	14,309
Shareholders' equity	72,619	68,488	65,587	63,139
Minority interest	520	520	520	520
Total liabilities & equity	**154,296**	**152,281**	**146,221**	**143,056**

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	**(8,611)**	**1,795**	**(37)**	**2,521**
Pre-tax profit	1,297	(4,721)	(2,901)	(2,449)
Tax	-	-	-	-
Deprec. & amort.	4,635	4,400	5,200	5,500
Associates	-	-	-	-
Working capital changes	-	-	-	-
Non-cash items	(14,544)	2,116	(2,336)	(530)
Other operating cashflows	-	-	-	-
Investing	**(703)**	**(5,500)**	**(5,500)**	**(5,500)**
Capex (growth)	(4,206)	(5,500)	(5,500)	(5,500)
Investments	-	-	-	-
Others	3,502	-	-	-
Financing	**767**	**-**	**-**	**-**
Dividend payments	-	-	-	-
Proceeds from borrowings	1,636	1,000	1,000	1,000
Loan repayment	(279)	(1,000)	(1,000)	(1,000)
Others/interest paid	(589)	-	-	-
Net cash inflow (outflow)	**(9,000)**	**(3,705)**	**(5,537)**	**(2,979)**
Beginning cash & cash equivalent	**65,908**	**56,908**	**53,203**	**47,666**
Changes due to forex impact	(453)	-	-	-
Ending cash & cash equivalent	**56,908**	**53,203**	**47,666**	**44,687**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	3.7	(1.5)	1.0	1.8
Pre-tax margin	1.2	(4.3)	(2.8)	(2.4)
Net margin	1.0	(3.8)	(2.8)	(2.4)
ROA	0.7	(2.7)	(1.9)	(1.7)
ROE	1.6	(5.9)	(4.3)	(3.8)
Growth				
Turnover	(22.3)	(2.2)	(4.1)	(1.1)
EBITDA	(59.2)	n.a.	n.a.	74.8
Pre-tax profit	(86.1)	n.a.	n.a.	n.a.
Net profit	(86.0)	n.a.	n.a.	n.a.
Net profit (adj.)	(86.0)	n.a.	n.a.	n.a.
EPS	(86.4)	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	11.3	11.5	11.9	12.2
Debt to equity	24.1	25.5	26.6	27.7
Net debt/(cash) to equity	(115.4)	(116.9)	(113.6)	(113.3)
Interest cover (x)	0.3	n.a.	n.a.	n.a.

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