

COMPANY RESULTS

Li Auto (2015 HK)

3Q23: Net Profit Up 23% qoq To Rmb2.823b, 28% Above Consensus

Li Auto posted upbeat 3Q23 results with net profit growing 23% qoq to Rmb2.823b on delivery growth and margin improvement. Looking ahead, management guides for 4Q23 deliveries of between 125,000 units (+170% yoy/+19% qoq) and 128,000 units (+176% yoy/+22% qoq) and revenue of between Rmb38.46b (+118% yoy/+11% qoq) and Rmb39.38b (+123% yoy/+14% qoq). We raise 2023 net profit forecast by 7% and keep those for 2024-25 unchanged. Maintain BUY. Target price: HK\$312.00.

3Q23 RESULTS

Year to 31 Dec (Rmbm)	3Q22	2Q23	3Q23	yoy % chg	qoq % chg	9M23	yoy % chg
Deliveries ('000 units)	26,524	86,533	105,108	296.3	21.5	244,225	181.0
Revenue	9,342	28,653	34,679	271.2	21.0	82,119	197.1
Gross profit	1,182	6,235	7,644	546.8	22.6	17,710	239.0
Gross margin (%)	12.7	21.8	22.0	9.4	0.3	21.6	2.7
EBIT	(2,130)	1,626	2,339	(209.8)	43.9	4,370	n.a
EBIT margin (%)	(1.3)	5.7	6.7	(636.3)	18.9	5.3	18.1
Net profit / (loss)	(1,640)	2,293	2,823	n.a.	23.1	6,050	n.a.
Net margin (%)	(17.6)	8.0	8.1	25.7	0.1	7.4	15.6
Operating cash flow	(508)	11,112	14,507	(2,953.9)	30.5	33,399	1,260.5
FCF	(1,959)	9,621	13,225	(775.2)	37.5	29,548	n.a.

Source: Li Auto, UOB Kay Hian

RESULTS

- **3Q23 earnings up 23% qoq, in line.** Li Auto Inc (Li Auto) posted 3Q23 net profit of Rmb2.823b (+23% qoq), roughly in line with our estimate of Rmb2.8b and 28% above consensus estimate of Rmb2.2b. Net profit reached Rmb6.05b in 9M23, representing 70% of our estimated 2023 net profit of Rmb8.7b and 75% of consensus' 2023 net profit of Rmb8.1b.
- **Deliveries beat guidance.** Li Auto's deliveries quadrupled yoy and grew 21.5% qoq to 105,775 units in 3Q23, beating management's guidance of 100,000-103,000 units. The buoyant sales growth was driven by L9 and L8. Monthly deliveries of L9 and L8 grew 51%/40% qoq to 32,242 units/33,735 units in 3Q23.
- **ASP remained flat qoq at Rmb320,000 units, albeit down 6%,** with the launch of the cheaper L7 dragging down overall ASP.

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2021	2022	2023F	2024F	2025F
Net turnover	27,010	45,287	124,284	192,964	279,491
EBITDA	(427)	(2,441)	10,839	16,600	23,717
Operating profit	(1,017)	(3,655)	8,699	13,556	19,707
Net profit (rep./act.)	(321)	(2,012)	9,278	14,577	21,285
Net profit (adj.)	(321)	(2,012)	9,278	14,577	21,285
EPS (sen)	(15.6)	(96.5)	445.1	699.3	1,021.1
PE (x)	n.a.	n.a.	30.3	19.3	13.2
P/B (x)	6.8	6.3	5.2	4.1	3.1
EV/EBITDA (x)	n.a.	n.a.	23.6	15.4	10.8
Dividend yield (%)	-	-	-	-	-
Net margin (%)	(1.2)	(4.4)	7.5	7.6	7.6
Net debt/(cash) to equity (%)	(103.1)	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	n.a.	4.2	39.4	61.4	89.3
ROE (%)	(0.9)	(4.7)	18.7	23.7	26.8
Consensus net profit	-	-	8,099	13,967	21,170
UOBKH/Consensus (x)	-	-	1.15	1.04	1.01

Source: Li Auto, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$154.90
Target Price	HK\$312.00
Upside	+101.2%

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Automobile
Bloomberg ticker:	2015 HK
Shares issued (m):	2,085
Market cap (HK\$m):	322,901
Market cap (US\$m):	41,398
3-mth avg daily t'over (US\$m):	126.3
Price Performance (%)	

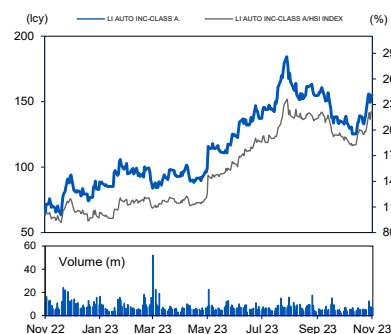
52-week high/low HK\$185.50/HK\$62.20

1mth	3mth	6mth	1yr	YTD
15.7	(7.6)	61.3	124.5	101.7

Major Shareholders

Mr. Li Xiang	21.4
Mr. Wang Xing	18.0
FY23 NAV/Share (HK\$)	29.0
FY23 Net Cash/Share (HK\$)	41.7

PRICE CHART



Source: Bloomberg

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- **3Q23 revenue grew 271% yoy and 21% qoq to Rmb34.68b**, beating guidance of Rmb32.33b-33.33b, due to upbeat deliveries and steady ASP.
- **3Q23 earnings beat lies in margins.** Gross margin improved by 0.3ppt qoq to 22% in 3Q23, due to halt of the production of the lower-margin Li ONE. Due to the improvement in gross margin and drop in expense ratio as a percentage of revenue, EBIT margin rose 1.1ppt qoq to 6.7%.
- **Strong cash flows.** Operating cash flow and free cash flow surged by 31%/37% qoq to Rmb14.5b/Rmb13.2b in 3Q23. This boosted net cash by 27% qoq to a record of Rmb80.2b as of 30 Sep 23.

STOCK IMPACT

- **We raise our delivery estimates for 2023 by 6%** to 370,000 units and keep those for 2024-25 at 580,000 units/840,000 units respectively, based on the upbeat 3Q23 deliveries and 4Q23 guidance of 125,000-128,000 units. These compare with the company's delivery targets of 600,000 units and 1.2m units for 2024-25. Due to capacity expansion at the Changzhou Plant, Li Auto's deliveries grew to over 40,000 units in Oct 23. Going forward, Li Auto's deliveries will be driven by the launches of new models. It will roll out eight new models from now till 2025, including Mega, L6 and others. By 2025, Li Auto targets to have 11 models in total, including six battery electric vehicle (BEV) models and five extended range electric vehicle (EREV) models. These models will include mid- to large-sized SUVs, MPVs or crossover models with prices ranging from Rmb200,000 to Rmb500,000. The EREV models and BEV models are produced at the Changzhou Plant and Beijing Plant respectively. Li Auto will start the presale of its first BEV model Mega at the Guangzhou Auto Show on 17 Nov 23 and the deliveries of Mega will kickstart by the beginning of 2024. Mega is a streamline-shaped large-sized electric MPV with big interior space and the lowest drag coefficient of 0.215 among all MPVs. Equipped with 800V high-voltage 5C fast-charging technology, Mega can be charged up to 500km in range within 12 minutes at a maximum power of 520kW. The next new model of Li Auto for 2024 will be L6, a mid-sized five-seat SUV priced below Rmb300,000, in 2024.
- **We maintain 2023-25 assumptions on ASP at Rmb324,000/Rmb321,000/Rmb320,000 and gross margin at 22%**, as we expect the improving economies of scale from sales volume growth and platformisation and strong product pipelines to offset promotions and discounting on the model models.

EARNINGS REVISION/RISK

- We raise 2023 net profit forecast by 7% to Rmb9.3b, based on higher deliveries and keep those for 2024-25 at Rmb14.6b/Rmb21.3b respectively.

VALUATION/RECOMMENDATION

- **Maintain BUY and keep target price at HK\$312.00**, based on higher FCF estimates in our 10-year DCF model (WACC: 20%; terminal growth: 4%). Our target price of HK\$264.00 implies 30.5x 2024F PE.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Net turnover	45,287	124,284	192,964	279,491
EBITDA	(2,441)	10,839	16,600	23,717
Depreciation & amortization	(1,214)	(2,141)	(3,044)	(4,010)
EBIT	-	-	-	-
Total other non-operating income	(3,029)	9,499	14,798	21,506
Associate contribution	-	-	-	-
Net interest income/(expense)	870	(221)	(221)	(221)
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	127	-	-	-
Minorities	-	-	-	-
Net profit	(2,012)	9,278	14,577	21,285
Net profit (recurrent)	(2,012)	9,278	14,577	21,285

CASH FLOW

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Operating	7,380	39,935	42,842	57,055
Pre-tax profit	(2,159)	9,278	14,577	21,285
Tax	-	-	-	-
Depreciation/amortization	1,214	2,141	3,044	4,010
Associates	-	-	-	-
Working capital changes	-	-	-	-
Non-cash items	8,326	28,517	25,221	31,760
Other operating cashflows	-	-	-	-
Investing	5,639	-	-	-
Capex (growth)	(5,128)	(7,000)	(7,500)	(8,000)
Investments	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Others	10,767	7,000	7,500	8,000
Financing	5,639	-	-	-
Dividend payments	-	-	-	-
Issue of shares	7	-	-	-
Proceeds from borrowings	3,741	1,000	1,000	1,000
Loan repayment	(661)	(1,000)	(1,000)	(1,000)
Others/interest paid	2,552	-	-	-
Net cash inflow (outflow)	9,925	32,935	35,342	49,055
Beginning cash & cash equivalent	30,493	40,418	73,354	108,696
Changes due to forex impact	1,270	-	-	-
Ending cash & cash equivalent	40,418	73,354	108,696	157,751

BALANCE SHEET

Year to 31 Dec (Rmbm)	2022	2023F	2024F	2025F
Fixed assets	11,188	15,968	20,348	24,264
Other LT assets	8,358	8,436	8,513	8,587
Cash/ST investment	40,418	73,354	108,696	157,751
Other current assets	26,574	40,607	53,071	68,766
Total assets	86,538	138,365	190,627	259,367
ST debt	391	391	391	391
Other current liabilities	26,982	69,531	107,216	154,670
LT debt	9,231	9,231	9,231	9,231
Other LT liabilities	4,748	4,748	4,748	4,748
Shareholders' equity	44,859	54,137	68,714	89,999
Minority interest	-	-	-	-
Total liabilities & equity	86,538	138,365	190,627	259,367

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	(5.4)	8.7	8.6	8.5
Pretax margin	(4.8)	7.5	7.6	7.6
Net margin	(4.4)	7.5	7.6	7.6
ROA	(2.7)	8.3	8.9	9.5
ROE	(4.7)	18.7	23.7	26.8
Growth				
Turnover	67.7	174.4	55.3	44.8
EBITDA	n.a.	n.a.	53.1	42.9
Pre-tax profit	n.a.	n.a.	57.1	46.0
Net profit	n.a.	n.a.	57.1	46.0
Net profit (adj.)	n.a.	n.a.	57.1	46.0
EPS	n.a.	n.a.	57.1	46.0
Leverage				
Debt to total capital	14.2	8.9	6.4	4.7
Debt to equity	27.3	22.7	17.8	13.6
Net debt to equity	(103.0)	(146.1)	(166.6)	(181.7)
Interest cover (x)	4.2	39.4	61.4	89.3