

# China / Hong Kong Company Update

## NIO Inc

Bloomberg: 9866 HK Equity | NIO US Equity | Reuters: 9866.HK | NIO

Refer to important disclosures at the end of this report

DBS Group Research . Equity

25 Jan 2024

### HK: BUY

Last Traded Price ( 23 Jan 2024): HK\$47.90 (HSI : 15,354)  
Price Target 12-mth: HK\$68.00 (42.0% upside) (Prev HK\$91.00)

### US: BUY

Last Traded Price ( 23 Jan 2024): US\$6.21 (NASDAQ : 15,426)  
Price Target 12-mth: US\$9.00 (44.9% upside) (Prev US\$11.6)

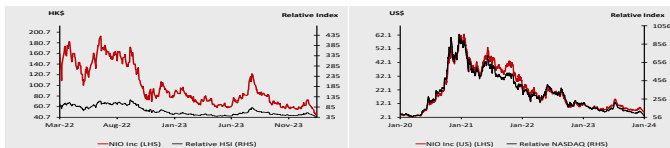
#### Analyst

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#### What's New

- Broadening EV product offerings and better production cost control to boost business prospect
- New EV battery swapping agreements with other auto OEMs and support from Anhui government enhance growth potential
- Lowered FY24F vehicle sales growth to 60% vs 70% previously due to intense market competition, but stronger balance sheet should support new brands launch and growth
- Maintain BUY; lowered TPs to factor in share dilution and China's macro uncertainties

#### Price Relative



#### Forecasts and Valuation (HK Shares)

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	49,269	56,929	85,231	116,798
EBITDA	(10,259)	(14,508)	(6,734)	180
Pre-tax Profit	(14,661)	(19,596)	(12,350)	(6,425)
Net Profit	(14,559)	(19,359)	(12,084)	(6,071)
Net Pft (Pre Ex) (core profit)	(11,984)	(17,059)	(9,784)	(3,771)
Net Profit Gth (Pre-ex) (%)	n.a.	n.a.	n.a.	n.a.
EPS (RMB)	(8.89)	(11.55)	(5.81)	(2.92)
EPS (HK\$)	(9.71)	(12.61)	(6.35)	(3.19)
Core EPS (RMB)	(7.32)	(10.18)	(4.70)	(1.81)
Core EPS (HK\$)	(8.00)	(11.12)	(5.14)	(1.98)
EPS Gth (%)	(32.3)	(29.9)	49.7	49.8
Core EPS Gth (%)	(286.9)	(39.0)	53.8	61.5
Diluted EPS (HK\$)	(9.71)	(12.61)	(6.35)	(3.19)
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	18.30	20.16	11.11	9.13
PE (X)	nm	nm	nm	nm
CorePE (X)	nm	nm	nm	nm
P/Cash Flow (X)	nm	nm	nm	22.5
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	nm	nm	nm	415.5
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	2.6	2.4	4.3	5.3
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE(%)	(44.5)	(66.3)	(46.4)	(31.5)
Earnings Rev (%)	nm	nm	nm	nm
Consensus EPS (RMB)		(10.42)	(6.55)	(3.09)
Other Broker Recs:		B:15	S:1	H:5

Source of all data on this page: Company, DBS Bank (Hong Kong) Limited ("DBS HK"), Thomson Reuters

### EV battery swapping leader

#### Investment Thesis

**Production ramp-up to support margin improvements.** With the new product line-up on its NT2 platform completed, we expect NIO, a leading Chinese EV maker, to maintain high shipments in 2024. NIO is preparing to launch a high-end premium sedan flagship model in 2025 – NIO ET9 – to enhance its market presence in the premium car market. Following the launch of "ALPS" brand in 2H24 and probably "Firefly" in 2025, the production volume expects to increase rapidly. By manufacturing the cars itself, NIO can better manage production cost and enhance vehicle margins.

#### Ramping up EV battery swapping agreements with other auto OEMs.

As of Dec 2023, NIO has 2,310 power swap stations and 21,000 power charging stations. NIO target to build another 1,000 battery swap stations and 20,000 battery charging stations in 2024, under their latest 4.0 technology platform. As NIO's battery network is open to other automakers, it should solidify its industry-leading position in EV battery swapping in the long run. So far, several major Chinese auto OEMs (including Changan Auto, Geely, Chery Auto, and Jianghuai Auto) have signed agreements with NIO to collaborate on the development of EV battery technology and swapping networks. In addition, the support from the Anhui province government can help to speed up battery swap network coverage and lower the investment cost on NIO.

#### Cut FY24F vehicle deliveries due to intense market competition; but stronger balance sheet should support business growth.

While the recovery of vehicle shipments and margins are important share price catalysts, the recent US\$2.2bn capital injection by CVN Investments (based in Abu Dhabi) has strengthened its capital base. However, due to intense market competition, we cut FY24F vehicle sales growth to 60% from 70% to approximately 258k units.

#### Maintain BUY rating but lowered TPs to HK\$68/US\$9 (vs. HK\$91/US\$11.60 previously) on share dilution and lower target P/S.

The issuance of 294m new shares had resulted in about a 20% dilution. Also, given the macro uncertainties, we have also lowered our target P/S ratio to 1.5x from 2x, our revised TPs are HK\$68/US\$9 per share. We maintain our BUY rating. The stock is currently trading at an attractive forward 1.1x P/S.

#### Key Risks

Weaker-than-expected demand and a severe price war could result in a decline in vehicle shipments and margin compression.

#### At A Glance

Issued Capital (m shrs)	1,662
Mkt Cap (HKm/US\$m)	79,610 / 10,178
Major Shareholders (%)	
CVN Investments RSC Ltd	26.7
Free Float (%)	73.3
3m Avg. Daily Val. (US\$m)	11.96
GICS Industry: Consumer Discretionary / Automobiles & Components	

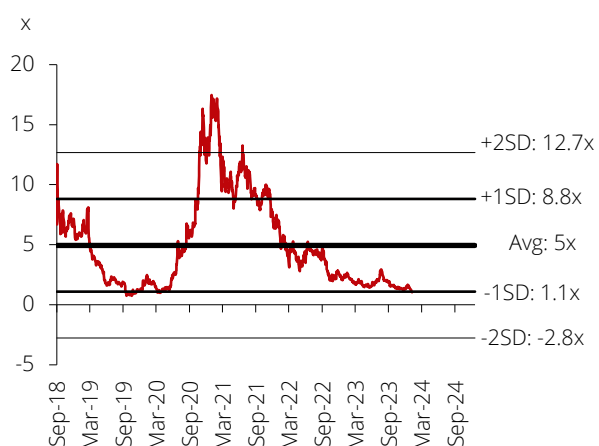
**NIO Inc**

**Company Background**

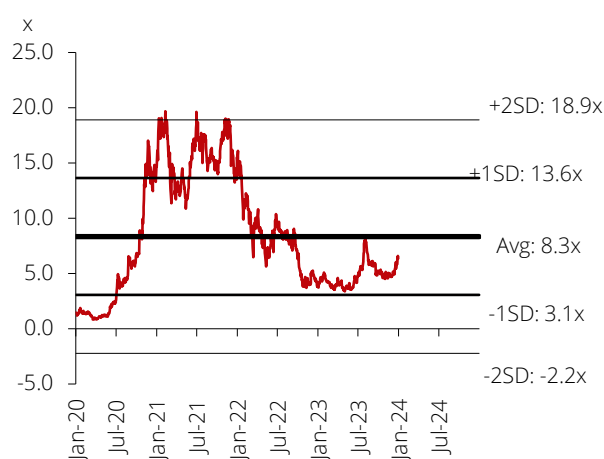
NIO Inc. is a leading premium smart electric vehicle (EV) manufacturer in China, founded in November 2014. The company designs, develops, manufactures, and sells premium smart EVs. NIO also provides ancillary services to enhance the car owners' driving experience with its Battery as a Service (BaaS) and Autonomous Driving as a Service (ADaaS). Its vehicle portfolio includes premium smart electric SUVs and sedans.

**Historical PS and PB band**

**Forward PS band (x)**



**PB band (x)**



Source: Thomson Reuters, DBS HK

## NIO Inc

### Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
Vehicle sales volume	91,429	122,486	160,038	256,060	345,682
ASP (Rmb'000)	362.8	371.5	315.8	290.5	293.4

Source: Company, DBS HK

### Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
<b>Revenues (RMB m)</b>					
Vehicle	33,170	45,507	50,539	74,394	101,436
Other sales	2,967	3,762	6,390	10,837	15,362
<b>Total</b>	<b>36,136</b>	<b>49,269</b>	<b>56,929</b>	<b>85,231</b>	<b>116,798</b>
<b>Gross Profit (RMB m)</b>					
Vehicle	6,653	6,235	5,307	11,531	19,273
Other sales	168	(1,091)	(1,470)	(867)	307
<b>Total</b>	<b>6,821</b>	<b>5,144</b>	<b>3,837</b>	<b>10,664</b>	<b>19,580</b>
<b>Gross Profit Margins (%)</b>					
Vehicle	20.1	13.7	10.5	15.5	19.0
Other sales	5.7	(29.0)	(23.0)	(8.0)	2.0
<b>Total</b>	<b>18.9</b>	<b>10.4</b>	<b>6.7</b>	<b>12.5</b>	<b>16.8</b>

Source: Company, DBS HK

### Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	36,136	49,269	56,929	85,231	116,798
Cost of Goods Sold	(29,315)	(44,125)	(53,092)	(74,567)	(97,218)
<b>Gross Profit</b>	<b>6,821</b>	<b>5,144</b>	<b>3,837</b>	<b>10,664</b>	<b>19,580</b>
Other Opng (Exp)/Inc	(10,308)	(18,489)	(22,066)	(21,666)	(24,687)
<b>Operating Profit</b>	<b>(3,486)</b>	<b>(13,345)</b>	<b>(18,229)</b>	<b>(11,002)</b>	<b>(5,107)</b>
Other Non Opg (Exp)/Inc	185	(145)	(152)	(149)	(146)
Associates & JV Inc	63	378	385	393	401
Net Interest (Exp)/Inc	169	1,026	699	708	727
Dividend Income	106	0	0	0	0
Exceptional Gain/(Loss)	(7,597)	(2,575)	(2,300)	(2,300)	(2,300)
<b>Pre-tax Profit</b>	<b>(10,561)</b>	<b>(14,661)</b>	<b>(19,596)</b>	<b>(12,350)</b>	<b>(6,425)</b>
Tax	(42)	(55)	(98)	(370)	(321)
Minority Interest	31	157	335	636	675
Preference Dividend	0	0	0	0	0
<b>Net Profit</b>	<b>(10,572)</b>	<b>(14,559)</b>	<b>(19,359)</b>	<b>(12,084)</b>	<b>(6,071)</b>
Net Profit before Except.	(2,976)	(11,984)	(17,059)	(9,784)	(3,771)
EBITDA	(1,425)	(10,259)	(14,508)	(6,734)	180
<b>Growth</b>					
Revenue Gth (%)	122.3	36.3	15.5	49.7	37.0
EBITDA Gth (%)	62.5	(619.8)	(41.4)	53.6	N/A
Opg Profit Gth (%)	(21.1)	282.8	36.6	(39.6)	(53.6)
Net Profit Gth (%)	(88.4)	(37.7)	(33.0)	37.6	49.8
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	18.9	10.4	6.7	12.5	16.8
Opg Profit Margin (%)	(9.6)	(27.1)	(32.0)	(12.9)	(4.4)
Net Profit Margin (%)	(29.3)	(29.6)	(34.0)	(14.2)	(5.2)
ROAE (%)	(30.3)	(44.5)	(66.3)	(46.4)	(31.5)
ROA (%)	(15.4)	(16.3)	(18.2)	(10.4)	(5.1)
ROCE (%)	(6.9)	(23.5)	(29.6)	(16.7)	(8.1)
Div Payout Ratio (%)	N/A	N/A	N/A	N/A	N/A
Net Interest Cover (x)	NM	NM	NM	NM	NM

Source: Company, DBS HK

**NIO Inc**
**Interim Income Statement (RMB m)**

<b>FY Dec</b>	<b>1H2021</b>	<b>2H2021</b>	<b>1H2022</b>	<b>2H2022</b>	<b>1H2023</b>
Revenue	16,430	19,706	20,203	29,066	19,448
Cost of Goods Sold	(13,302)	(16,013)	(17,416)	(26,709)	(19,199)
<b>Gross Profit</b>	<b>3,129</b>	<b>3,693</b>	<b>2,787</b>	<b>2,357</b>	<b>249</b>
Other Oper. (Exp)/Inc	(3,840)	(6,467)	(6,858)	(12,000)	(10,236)
<b>Operating Profit</b>	<b>(711)</b>	<b>(2,775)</b>	<b>(4,071)</b>	<b>(9,643)</b>	<b>(9,987)</b>
Other Non Opg (Exp)/Inc	99	86	(103)	(42)	(10)
Associates & JV Inc	100	(37)	74	303	24
Net Interest (Exp)/Inc	(172)	340	552	474	403
Exceptional Gain/(Loss)	(4,844)	(2,753)	(1,099)	(1,107)	(1,347)
<b>Pre-tax Profit</b>	<b>(5,529)</b>	<b>(5,033)</b>	<b>(4,647)</b>	<b>(10,014)</b>	<b>(10,916)</b>
Tax	(6)	(36)	(29)	(26)	(26)
Minority Interest	0	31	106	51	17
<b>Net Profit</b>	<b>(5,534)</b>	<b>(5,038)</b>	<b>(4,570)</b>	<b>(9,989)</b>	<b>(10,926)</b>
Net profit bef Except.	(690)	(2,285)	(3,471)	(8,881)	(9,578)
<b>Growth</b>					
Revenue Gth (%)	222.7	76.5	23.0	47.5	(3.7)
Opg Profit Gth (%)	(73.2)	56.9	472.2	247.5	145.3
Net Profit Gth (%)	(88.8)	(88.0)	17.4	(98.3)	(139.1)
<b>Margins</b>					
Gross Margins (%)	19.0	18.7	13.8	8.1	1.3
Opg Profit Margins (%)	(4.3)	(14.1)	(20.1)	(33.2)	(51.3)
Net Profit Margins (%)	(33.7)	(25.6)	(22.6)	(34.4)	(56.2)

Source: Company, DBS HK

## NIO Inc

**Balance Sheet (RMB m)**

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	7,400	15,659	20,476	24,158	25,531
Invt in Associates & JVs	0	0	0	0	0
Other LT Assets	11,796	21,342	22,881	24,520	25,819
Cash & ST Invt	55,432	42,326	54,114	45,732	46,550
Inventory	2,056	8,191	9,011	10,813	12,975
Debtors	4,349	6,499	7,149	8,427	9,945
Other Current Assets	1,850	2,246	2,471	2,718	2,990
<b>Total Assets</b>	<b>82,884</b>	<b>96,264</b>	<b>116,101</b>	<b>116,367</b>	<b>123,811</b>
ST Debt	5,230	4,039	4,039	4,039	4,039
Creditors	13,326	25,608	28,150	30,945	34,018
Other Current Liab	10,642	16,205	19,052	22,457	26,530
LT Debt	9,739	10,886	20,886	23,886	26,886
Other LT Liabilities	5,883	11,879	12,952	14,239	15,783
Shareholder's Equity	37,988	27,425	30,936	21,151	17,380
Minority Interests	76	221	87	(349)	(824)
<b>Total Cap. &amp; Liab.</b>	<b>82,884</b>	<b>96,264</b>	<b>116,101</b>	<b>116,367</b>	<b>123,811</b>
Non-Cash Wkg. Capital	(15,713)	(24,876)	(28,572)	(31,444)	(34,637)
Net Cash/(Debt)	40,463	27,401	29,189	17,807	15,625
Debtors Turn (avg days)	28.3	40.2	43.8	33.4	28.7
Creditors Turn (avg days)	132.5	172.2	197.8	152.9	128.6
Inventory Turn (avg days)	20.7	45.3	63.3	51.3	47.1
Asset Turnover (x)	0.5	0.6	0.5	0.7	1.0
Current Ratio (x)	2.2	1.3	1.4	1.2	1.1
Quick Ratio (x)	2.0	1.1	1.2	0.9	0.9
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	27.2	46.7	33.5	27.8	20.9
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

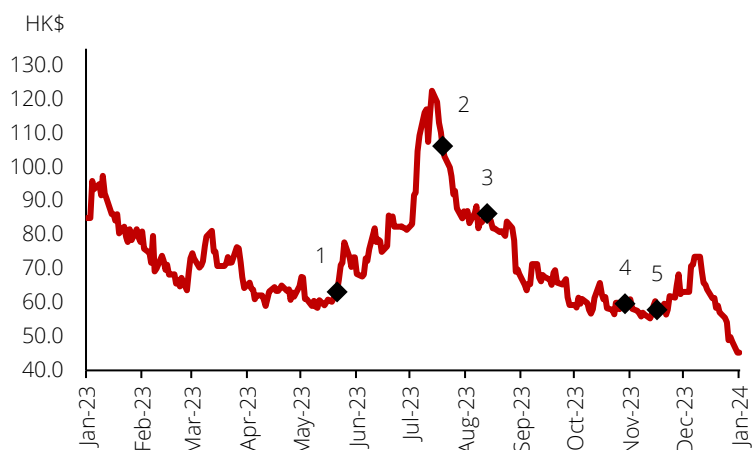
**Cash Flow Statement (RMB m)**

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	(4,017)	(14,437)	(19,694)	(12,720)	(6,746)
Dep. & Amort.	1,708	2,852	3,488	4,024	5,032
Tax Paid	0	0	0	0	0
Assoc. & JV Inc/(loss)	(63)	(378)	(385)	(393)	(401)
(Pft)/ Loss on disposal of FAs	0	0	0	0	0
Chg in Wkg.Cap.	2,693	4,444	3,660	2,959	3,883
Other Operating CF	1,645	3,653	2,300	2,300	2,300
<b>Net Operating CF</b>	<b>1,966</b>	<b>(3,866)</b>	<b>(10,632)</b>	<b>(3,831)</b>	<b>4,068</b>
Capital Exp.(net)	(4,079)	(6,973)	(8,350)	(7,750)	(6,450)
Other Invt.(net)	(33,194)	19,297	5,000	0	0
Invt in Assoc. & JV	(593)	8	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(1,899)	(1,946)	0	0	0
<b>Net Investing CF</b>	<b>(39,765)</b>	<b>10,385</b>	<b>(3,350)</b>	<b>(7,750)</b>	<b>(6,450)</b>
Div Paid	0	0	0	0	0
Chg in Gross Debt	13,241	(1,632)	10,000	3,000	3,000
Capital Issues	12,822	79	20,570	0	0
Other Financing CF	(7,934)	(63)	200	200	200
<b>Net Financing CF</b>	<b>18,129</b>	<b>(1,616)</b>	<b>30,770</b>	<b>3,200</b>	<b>3,200</b>
Currency Adjustments	(501)	(122)	0	0	0
Chg in Cash	(20,171)	4,781	16,787	(8,381)	818
Opg CFPS (RMB)	(0.46)	(5.08)	(8.53)	(3.26)	0.09
Free CFPS (RMB)	(1.34)	(6.62)	(11.32)	(5.57)	(1.15)

Source: Company, DBS HK

**NIO Inc**

**HK Share - Target Price & Ratings 12-mth History**

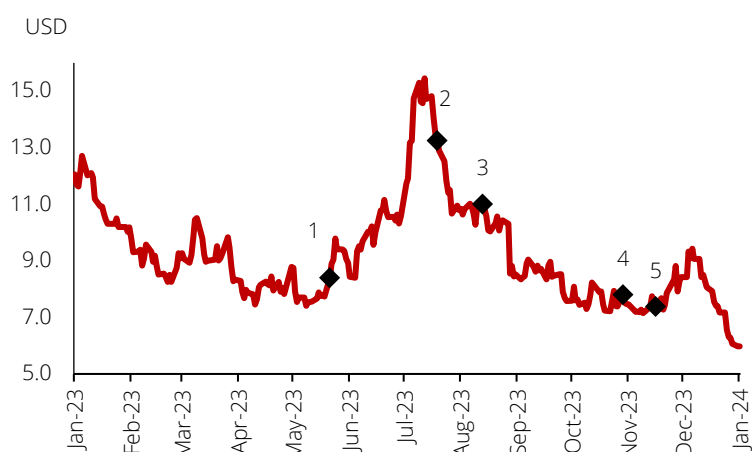


S.No.	Date	Closing Price	Target Price	Rating
1	12-Jun-23	HK\$60.30	HK\$94.50	BUY
2	10-Aug-23	HK\$110.30	HK\$150.00	BUY
3	4-Sep-23	HK\$83.75	HK\$140	BUY
4	20-Nov-23	HK\$58.10	HK\$140.00	BUY
5	8-Dec-23	HK\$60.45	HK\$91	BUY

Source: DBS HK

Analyst: Rachel Miu

**US Share - Target Price & Ratings 12-mth History**



S.No.	Date	Closing Price	Target Price	Rating
1	12-Jun-23	US\$7.73	US\$12.00	BUY
2	10-Aug-23	US\$13.46	US\$19.00	BUY
3	4-Sep-23	US\$10.27	US\$18	BUY
4	20-Nov-23	US\$7.39	US\$18.00	BUY
5	8-Dec-23	US\$7.49	US\$11.60	BUY

Source: DBS HK

Analyst: Rachel Miu

DBS HK recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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Sources for all charts and tables are DBS HK unless otherwise specified.

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