

China / Hong Kong Company Update

XPeng Inc

Bloomberg: 9868 HK Equity | XPEV US Equity | Reuters: 9868.HK | XPEV.K

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\$37.35 (HSI : 15,354)
Price Target 12-mth: HK\$66.00 (76.7% upside) (Prev HK\$86.00)

US: BUY

Last Traded Price (23 Jan 2024): US\$9.72 (NASDAQ : 15,426)
Price Target 12-mth: US\$16.80 (72.8% upside) (Prev US\$22.00)

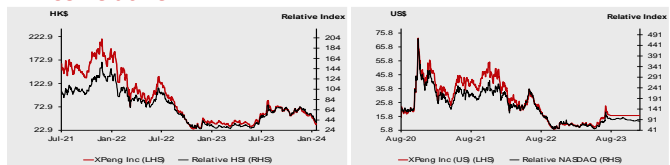
Analyst

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What's New

- Ramping up NGP capabilities in more Chinese cities; a leading player in autonomous driving development
- Post business transformation, we forecast strong 2024 vehicle shipments, with 75% expansion
- Prospects turning more positive on launch of mid-market brand
- Maintain BUY; lower TPs on macro uncertainties, pegged to 2x P/S FY24F

Price Relative



Forecasts and Valuation (HK Shares)

FY Dec (RMBm)	2022A	2023F	2024F	2025F
Turnover	26,855	30,627	57,910	81,049
EBITDA	(7,924)	(11,533)	(6,732)	(2,614)
Pre-tax Profit	(9,118)	(12,620)	(8,377)	(4,643)
Net Profit	(9,139)	(12,684)	(8,536)	(4,709)
Net Pft (Pre Ex) (core profit)	(8,428)	(11,973)	(7,826)	(3,998)
Net Profit Gth (Pre-ex) (%)	(87.9)	(38.8)	32.7	44.8
EPS (RMB)	(5.34)	(7.36)	(4.45)	(2.42)
EPS (HK\$)	(5.82)	(8.03)	(4.86)	(2.64)
Core EPS (RMB)	(4.92)	(6.95)	(4.08)	(2.05)
Core EPS (HK\$)	(5.37)	(7.58)	(4.45)	(2.24)
EPS Gth (%)	(80.3)	(37.9)	39.5	45.7
Core EPS Gth (%)	(80.4)	(41.2)	41.2	49.7
Diluted EPS (HK\$)	(5.82)	(8.03)	(4.86)	(2.64)
DPS (HK\$)	0.00	0.00	0.00	0.00
BV Per Share (HK\$)	23.51	19.11	12.33	9.49
PE (X)	nm	nm	nm	nm
CorePE (X)	nm	nm	nm	nm
P/Cash Flow (X)	nm	nm	nm	nm
P/Free CF (X)	nm	nm	nm	nm
EV/EBITDA (X)	nm	nm	nm	nm
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.6	2.0	3.0	3.9
Net Debt/Equity (X)	CASH	CASH	0.1	0.4
ROAE (%)	(23.1)	(37.8)	(32.9)	(24.4)
Earnings Rev (%)		n.m.	n.m.	n.m.
Consensus EPS (RMB)		(5.93)	(3.97)	(1.73)
Other Broker Recs:		B:26	S:5	H:4

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

Rapid advancement in autonomous driving

Investment Thesis

Expansion of XNGP capabilities into more Chinese cities. XPeng, a leading smart EV maker with an edge in autonomous driving development, is rapidly expanding the road coverage to 200 Chinese cities in 2024 with its navigation guided pilot (NGP) system, up from about 50+ cities in 2023. This massive rollout places XPeng as a leading player in ADAS capabilities – in terms of both urban coverage and the commercialisation of its technology, especially when China is placing greater emphasis on ADAS development. In fact, this should help enhance the company's future growth direction, following its strategic collaboration with Volkswagen.

Anticipate stronger growth post transformation. In 4Q23, XPeng's shipment volume posted a marked improvement, both y-o-y (+170%) and q-o-q (+50%), after the company completed its business transformation. In FY24, we estimate vehicle shipments would record a sharp increase of c.75% y-o-y to about 247.8k units, supported by several new models, including the latest XPENG X9 MPV based on the SEPA2.0 architecture. Besides, the adoption of integrated die-casting and the AI computing capability would improve its smart EV efficiency, like driving range and central computing speed, and reduce production cost by 10%-30%.

A mid-market brand to lift sales outlook. XPeng will be launching a new brand in 2024, targeting the mid-market segment, with ASP of around Rmb150k per unit. Coupled with the strategic investment from Volkswagen in 2023, XPeng's prospects is improving. With the anticipated expansion in sales volume, it is expected to lift vehicle margins from a negative 6.1% in 3Q23 to positive 9% in FY24F.

Maintain BUY; valuation yet to factor in improving prospects. The stock is currently trading at 1.4x P/S FY24F, 1 SD below its historical average, – undemanding considering XPeng's improving business outlook. Due to the macro challenges, we lower our TPs to HK\$66/US\$16.80, pegged to 2x P/S and factoring in the share dilution post the new shares issued to Volkswagen and Didi (previous 3x P/S 12-month rolling).

Key Risks

Slower-than-expected vehicle sales and severe market competition could delay its recovery pace.

At A Glance

Issued Capital (m shrs)	1,720
Mkt Cap (HKm/US\$m)	64,242 / 8,213
Major Shareholders (%)	
Alibaba Group Holding Ltd.	8.4
Volkswagen Finance Luxemburg SA	6.1
Free Float (%)	85.5
3m Avg. Daily Val. (US\$m)	96.08
GICS Industry: Consumer Discretionary / Automobiles & Components	

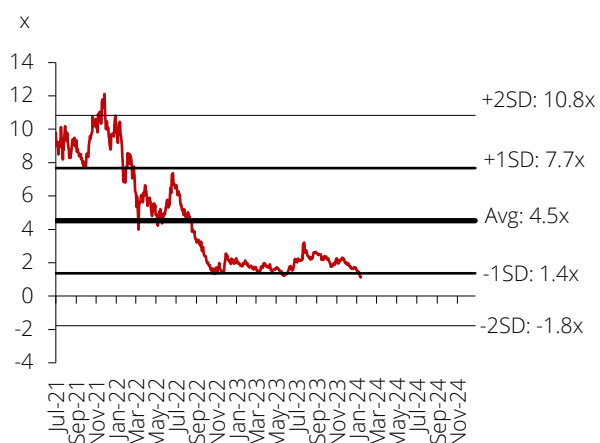
XPeng Inc

Company Background

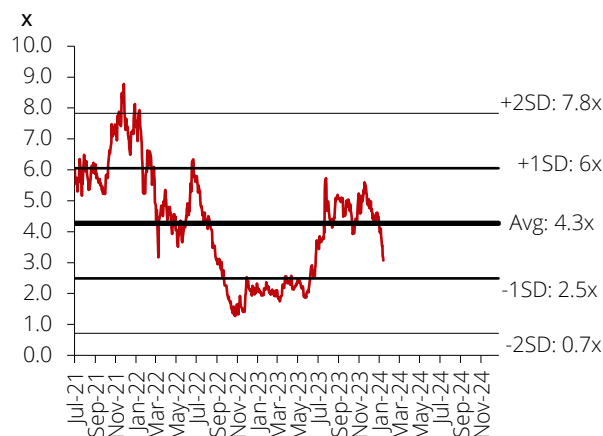
XPeng Inc. designs, develops, manufactures, and sells smart EVs in China. The company is a pioneer in smart technology with its in-house full-stack advanced driver-assistance system and in-car intelligent operating systems, leveraging on its core powertrain architecture. XPeng is exploring the implementation of its latest navigation-guided pilot software into the new models to monetise its software and content offerings to its customers once regulatory approval is obtained.

Historical PS and PB band

Forward PS band (x)



PB band (x)



Source: Thomson Reuters, DBS HK

XPeng Inc

Key Assumptions

FY Dec	2021A	2022A	2023F	2024F	2025F
Vehicle sales volume	98,155	120,757	141,601	247,801	334,532
ASP (Rmb'000)	204.2	205.7	198.5	214.4	220.8

Source: Company, DBS HK

Segmental Breakdown (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenues					
Vehicle	20,042	24,840	28,108	53,124	73,869
Services and others	946	2,015	2,519	4,787	7,180
Total	20,988	26,855	30,627	57,910	81,049
Gross Profit					
Vehicle	2,309	2,347	(281)	4,781	9,603
Services and others	314	742	756	1,675	2,728
Total	2,623	3,088	475	6,457	12,331
Gross Profit Margins (%)					
Vehicle	11.5	9.4	(1.0)	9.0	13.0
Services and others	33.1	36.8	30.0	35.0	38.0
Total	12.5	11.5	1.6	11.1	15.2

Source: Company, DBS HK

Income Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Revenue	20,988	26,855	30,627	57,910	81,049
Cost of Goods Sold	(18,366)	(23,767)	(30,152)	(51,454)	(68,717)
Gross Profit	2,623	3,088	475	6,457	12,331
Other Opg (Exp)/Inc	(8,822)	(11,083)	(12,328)	(14,775)	(16,795)
Operating Profit	(6,199)	(7,995)	(11,853)	(8,318)	(4,464)
Other Non Opg (Exp)/Inc	1,055	(1,339)	(872)	108	119
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	688	927	815	544	413
Dividend Income	0	0	0	0	0
Exceptional Gain/(Loss)	(380)	(710)	(710)	(710)	(710)
Pre-tax Profit	(4,837)	(9,118)	(12,620)	(8,377)	(4,643)
Tax	(26)	(25)	(114)	(209)	(116)
Minority Interest	0	4	50	50	50
Preference Dividend	0	0	0	0	0
Net Profit	(4,863)	(9,139)	(12,684)	(8,536)	(4,709)
Net Profit before Except.	(4,483)	(8,428)	(11,973)	(7,826)	(3,998)
EBITDA	(4,307)	(7,924)	(11,533)	(6,732)	(2,614)
Growth					
Revenue Gth (%)	259.1	28.0	14.0	89.1	40.0
EBITDA Gth (%)	(206.1)	(84.0)	(45.6)	41.6	61.2
Opg Profit Gth (%)	88.0	29.0	48.3	(29.8)	(46.3)
Net Profit Gth (%)	0.5	(87.9)	(38.8)	32.7	44.8
Margins & Ratio					
Gross Margins (%)	12.5	11.5	1.6	11.1	15.2
Opg Profit Margin (%)	(29.5)	(29.8)	(38.7)	(14.4)	(5.5)
Net Profit Margin (%)	(23.2)	(34.0)	(41.4)	(14.7)	(5.8)
ROAE (%)	(12.7)	(23.1)	(37.8)	(32.9)	(24.4)
ROA (%)	(8.8)	(13.3)	(17.9)	(12.5)	(7.0)
ROCE (%)	(14.6)	(16.3)	(24.5)	(19.3)	(11.5)
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

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Interim Income Statement (RMB m)

FY Dec	1H2021	2H2021	1H2022	2H2022	1H2023
Revenue	6,712	14,276	14,891	11,964	9,096
Cost of Goods Sold	(5,934)	(12,432)	(13,171)	(10,596)	(9,226)
Gross Profit	778	1,844	1,720	1,368	(130)
Other Oper. (Exp)/Inc	(2,937)	(5,885)	(5,322)	(5,761)	(5,286)
Operating Profit	(2,159)	(4,041)	(3,602)	(4,393)	(5,416)
Other Non Opg (Exp)/Inc	106	949	(826)	(513)	25
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	260	428	453	473	474
Exceptional Gain/(Loss)	(188)	(192)	(409)	(301)	(259)
Pre-tax Profit	(1,981)	(2,856)	(4,384)	(4,734)	(5,177)
Tax	0	(26)	(18)	(7)	(14)
Minority Interest	0	0	0	4	50
Net Profit	(1,981)	(2,882)	(4,402)	(4,737)	(5,142)
Net profit bef Except.	(1,793)	(2,690)	(3,993)	(4,436)	(4,882)
Growth					
Revenue Gth (%)	569.3	194.9	121.9	(16.2)	(38.9)
Opg Profit Gth (%)	51.1	116.2	66.9	8.7	50.4
Net Profit Gth (%)	4.6	(2.4)	(122.2)	(64.4)	(16.8)
Margins					
Gross Margins (%)	11.6	12.9	11.6	11.4	(1.4)
Opg Profit Margins (%)	(32.2)	(28.3)	(24.2)	(36.7)	(59.5)
Net Profit Margins (%)	(29.5)	(20.2)	(29.6)	(39.6)	(56.5)

Source: Company, DBS HK

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Balance Sheet (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Net Fixed Assets	5,425	10,607	12,069	12,858	13,003
Invt in Associates & JVs	0	0	0	0	0
Other LT Assets	11,396	17,357	16,297	17,093	17,907
Cash & ST Invt	14,469	15,976	12,260	8,847	6,209
Inventory	2,662	4,521	5,426	5,968	6,565
Debtors	2,706	3,920	4,898	5,877	7,053
Other Current Assets	28,994	19,110	18,921	16,193	16,491
Total Assets	65,651	71,491	69,871	66,837	67,227
ST Debt	0	3,181	3,181	3,181	3,181
Creditors	12,387	14,314	16,447	18,901	21,346
Other Current Liab	5,626	6,620	7,240	7,922	8,538
LT Debt	1,675	4,613	6,613	8,613	10,613
Other LT Liabilities	3,817	5,852	6,191	6,557	6,595
Shareholder's Equity	42,147	36,911	30,199	21,662	16,954
Minority Interests	0	0	0	0	0
Total Cap. & Liab.	65,651	71,491	69,871	66,837	67,227
Non-Cash Wkg. Capital	16,349	6,617	5,557	1,215	225
Net Cash/(Debt)	12,794	8,182	2,466	(2,947)	(7,585)
Debtors Turn (avg days)	33.4	45.0	52.5	34.0	29.1
Creditors Turn (avg days)	182.3	218.0	193.8	129.1	109.7
Inventory Turn (avg days)	41.7	58.6	62.7	41.6	34.1
Asset Turnover (x)	0.4	0.4	0.4	0.8	1.2
Current Ratio (x)	2.7	1.8	1.5	1.2	1.1
Quick Ratio (x)	1.0	0.8	0.6	0.5	0.4
Net Debt/Equity (X)	CASH	CASH	CASH	0.1	0.4
Net Debt/Equity ex MI (X)	CASH	CASH	CASH	0.1	0.4
Capex to Debt (%)	137.3	54.9	26.5	18.7	13.0
Z-Score (X)	NA	NA	NA	NA	NA

Source: Company, DBS HK

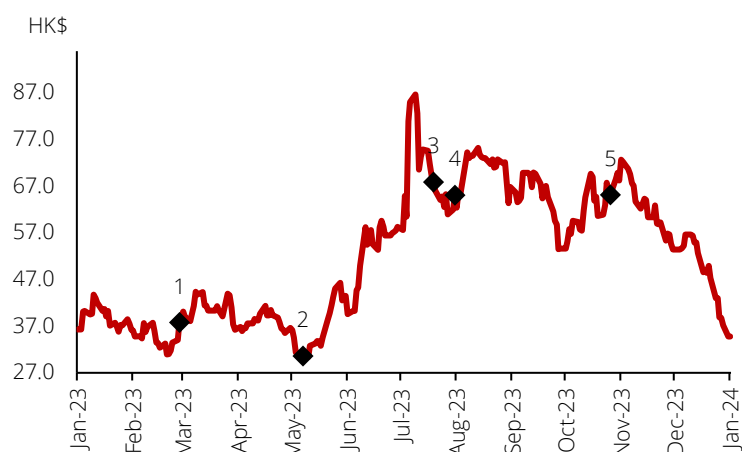
Cash Flow Statement (RMB m)

FY Dec	2021A	2022A	2023F	2024F	2025F
Pre-Tax Profit	(4,863)	(9,139)	(12,684)	(8,536)	(4,709)
Dep. & Amort.	838	1,411	1,192	1,478	1,731
Tax Paid	0	0	0	0	0
Assoc. & JV Inc/(loss)	0	0	0	0	0
(Pft)/ Loss on disposal of FAs	(671)	(84)	972	0	0
Chg in Wkg.Cap.	3,584	(2,709)	725	1,446	739
Other Operating CF	18	2,294	710	710	710
Net Operating CF	(1,095)	(8,228)	(9,085)	(4,902)	(1,528)
Capital Exp.(net)	(2,300)	(4,276)	(2,600)	(2,200)	(1,800)
Other Invt.(net)	(28,722)	9,283	37	0	0
Invt in Assoc. & JV	0	0	0	0	0
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	(2,054)	(161)	(600)	(600)	(600)
Net Investing CF	(33,076)	4,846	(3,163)	(2,800)	(2,400)
Div Paid	0	0	0	0	0
Chg in Gross Debt	(143)	6,119	2,000	2,000	2,000
Capital Issues	13,147	0	5,000	0	0
Other Financing CF	1,623	(115)	2,290	2,290	(710)
Net Financing CF	14,627	6,004	9,290	4,290	1,290
Currency Adjustments	(363)	462	0	0	0
Chg in Cash	(19,907)	3,083	(2,959)	(3,413)	(2,638)
Opg CFPS (RMB)	(2.85)	(3.22)	(5.69)	(3.31)	(1.16)
Free CFPS (RMB)	(2.07)	(7.30)	(6.78)	(3.71)	(1.71)

Source: Company, DBS HK

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HK Share - Target Price & Ratings 12-mth History

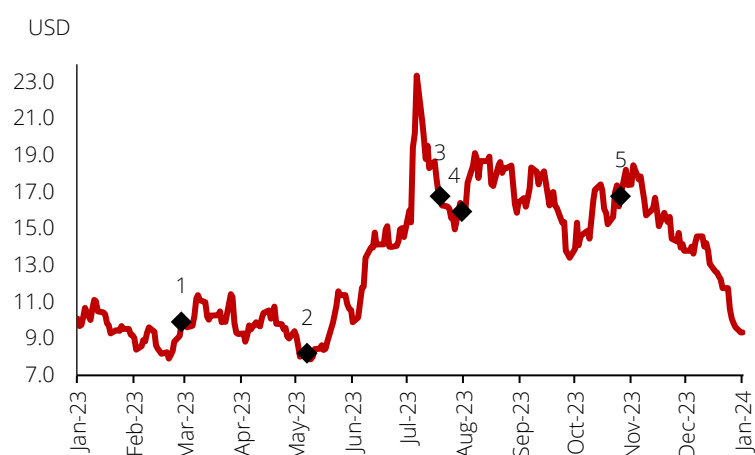


S.No.	Date	Closing Price	Target Price	Rating
1	21-Mar-23	HK\$34.00	HK\$48.00	BUY
2	29-May-23	HK\$31.35	HK\$52.00	BUY
3	10-Aug-23	HK\$69.10	HK\$86.00	BUY
4	22-Aug-23	HK\$62.00	HK\$86.00	BUY
5	17-Nov-23	HK\$65.15	HK\$86.00	BUY

Source: DBS HK

Analyst: Rachel Miu

US Share - Target Price & Ratings 12-mth History



S.No.	Date	Closing Price	Target Price	Rating
1	21-Mar-23	US\$9.37	US\$12.50	BUY
2	29-May-23	US\$9.37	US\$13.00	BUY
3	10-Aug-23	US\$16.94	US\$22.00	BUY
4	22-Aug-23	US\$16.43	US\$22.00	BUY
5	17-Nov-23	US\$16.43	US\$22.00	BUY

Source: DBS HK

Analyst: Rachel Miu

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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

Completed Date: 25 Jan 2024 09:21:59 (HKT)

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

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