

# Xpeng Inc. (XPEV US)

## In-line 1Q22 results; Awaiting G9 debut

We are of the view that Xpeng Inc.'s 1Q22 earnings were in line with our prior expectation and underscored some key points we made in our previous report on 29 Mar 2022. We cut our FY22E sales volume and gross margin forecasts, as the production loss in 2Q22 is difficult to catch up. We believe 3Q22 could be a better timing given the debut of the more premium G9 and margin recovery.

- 1Q22 earnings in line.** Xpeng's revenue in 1Q22 was 1% higher and its gross margin was 0.1 ppt lower than our prior estimates, respectively. Both R&D and SG&A costs in 1Q22 were lower than our forecasts, leading to a slightly better net loss than our expectation. Vehicle gross margin narrowed 0.5 ppt QoQ.
- 2Q22 outlook and FY22E earnings revision.** We expect Xpeng's gross margin in 2Q22 to narrow slightly QoQ amid rising raw-material prices, which could lead to a slightly worse net loss in 2Q22 than 1Q22. We cut our FY22E sales volume forecast from 210,000 units to 190,000 units, which implies an average monthly sales volume of about 20,000 units in 2H22. According to management, Xpeng's new orders in the regions without the COVID-19 dent in May 2022 rebounded to the same level before the price hike, which exceeded our expectation. We also lower our gross margin projection for FY22E from 16.0% to 14.8%, amid lower sales volume forecast. We estimate that its gross margin is of little change from Xpeng's new user benefit policy that makes the XPilot software free for some trim levels but takes back lifetime free charging benefit.
- G9 as catalyst.** Although we believe making the XPilot software free is a right move to maintain Xpeng's leading position in the evolving autonomous driving (AD) technologies, it appears to us that the XPilot 3.0/3.5 take rate did not meet management's prior expectation. Therefore, upmarket could be crucial for Xpeng, not only for its margins and brand image, but also for software iteration, given that consumers are more price sensitive in lower price range to make AD features less attractive.
- Valuation/Key risks.** We cut our FY22E revenue by 7.7% and project a net loss of RMB 5,449mn in FY22E, or RMB 337mn more than before. Accordingly, we maintain our BUY rating but lower our target price from US\$ 67.00 to US\$ 60.00, still based on 7.5x of our revised FY22E revenue estimates. Key risks to our rating and target price include slower AD technology advancement and a faster catch up from other automakers, lower sales volume and/or gross margin than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	5,844	20,988	43,768	75,523	94,548
YoY growth (%)	151.8	259.1	108.5	72.6	25.2
Net income (RMB mn)	(4,890)	(4,863)	(5,449)	(2,804)	11
EPS (RMB)	(6.48)	(2.96)	(3.19)	(1.63)	0.01
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	9.8	5.8	2.9	1.7	1.3
P/B (x)	1.7	2.9	3.4	3.7	3.7
Yield (%)	N/A	N/A	N/A	N/A	check
ROE (%)	(35)	(12.7)	(13.8)	(7.9)	0.0
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

**Target Price** US\$ 60.00  
 (Previous TP US\$ 67.00)  
**Up/Downside** +157.8%  
**Current Price** US\$ 23.27

### China Auto Sector

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#### Stock Data

Mkt Cap (US\$ mn)	19,970
Avg 3 mths t/o (US\$ mn)	340
52w High/Low (US\$)	56.45/18.01
Total Issued Shares (mn)	1,713

Source: Bloomberg

#### Shareholding Structure

He Xiaopeng	21.2%
Taobao China	11.2%
Others	67.6%

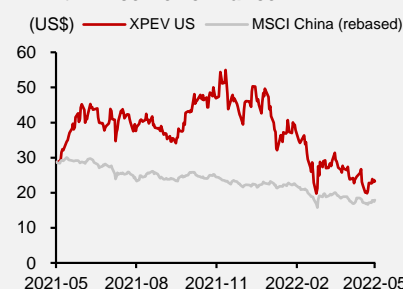
Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	-6.4%	-5.3%
3-mth	-33.1%	-14.9%
6-mth	-50.4%	-23.6%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

**Auditor: PricewaterhouseCoopers**  
**Zhong Tian**

#### Related Reports:

"Xpeng Inc. – Mixed 4Q21 results; G9, new platforms key drivers" – 29 Mar 2022

**Figure 1: Quarterly results**

RMB mn	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	YoY	QoQ
Sales volume (units)	3,228	8,578	12,964	13,340	17,398	25,666	41,751	34,561	159.1%	-17.2%
ASP (RMB)	183,018	232,003	219,944	221,209	216,190	222,860	204,929	215,704	-2.5%	5.3%
Revenue	591	1,990	2,851	2,951	3,761	5,720	8,556	7,455	152.6%	-12.9%
Gross profit	(16)	92	211	330	449	821	1,023	911	176.1%	-11.0%
R&D expenses	(320)	(635)	(460)	(535)	(864)	(1,264)	(1,451)	(1,221)	128.2%	-15.9%
SG&A expenses	(477)	(1,204)	(918)	(721)	(1,031)	(1,538)	(2,015)	(1,642)	127.7%	-18.5%
Operating profit	(779)	(1,744)	(1,121)	(904)	(1,443)	(1,803)	(2,430)	(1,920)	N/A	N/A
Net profit	(769)	(865)	(713)	(696)	(1,096)	(1,492)	(1,198)	(1,528)	N/A	N/A
Gross margin	-2.7%	4.6%	7.4%	11.2%	11.9%	14.4%	12.0%	12.2%	1.0 ppt	0.3 ppt
Operating margin	-131.9%	-87.6%	-39.3%	-30.6%	-38.4%	-31.5%	-28.4%	-25.8%	4.9 ppt	2.6 ppt
Net margin	-130.2%	-43.5%	-25.0%	-23.6%	-29.2%	-26.1%	-14.0%	-20.5%	3.1 ppt	-6.5 ppt

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	43,768	75,523	94,548	47,421	75,529	N/A	-7.7%	0.0%	N/A
Gross profit	6,499	12,751	17,270	7,569	13,405	N/A	-14.1%	-4.9%	N/A
Operating profit	(6,691)	(3,889)	(1,030)	(5,831)	(3,235)	N/A	N/A	N/A	N/A
Net profit	(5,449)	(2,804)	11	(5,112)	(2,659)	N/A	N/A	N/A	N/A
Gross margin	14.8%	16.9%	18.3%	16.0%	17.7%	N/A	-1.1 ppt	-0.9 ppt	N/A
Operating margin	-15.3%	-5.1%	-1.1%	-12.3%	-4.3%	N/A	-3.0 ppt	-0.9 ppt	N/A
Net margin	-12.4%	-3.7%	0.0%	-10.8%	-3.5%	N/A	-1.7 ppt	-0.2 ppt	N/A

Source: CMBIGM estimates

**Figure 3: CMBI estimates vs consensus**

RMB mn	CMBIGM			Consensus			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	43,768	75,523	94,548	42,677	71,902	98,297	2.6%	5.0%	-3.8%
Gross profit	6,499	12,751	17,270	6,107	12,069	17,915	6.4%	5.6%	-3.6%
Operating profit	(6,691)	(3,889)	(1,030)	(7,750)	(5,159)	(646)	N/A	N/A	N/A
Net profit	(5,449)	(2,804)	11	(6,967)	(4,418)	47	N/A	N/A	-77.4%
Gross margin	14.8%	16.9%	18.3%	14.3%	16.8%	18.2%	0.5 ppt	0.1 ppt	0.0 ppt
Operating margin	-15.3%	-5.1%	-1.1%	-18.2%	-7.2%	-0.7%	2.9 ppt	2.0 ppt	-0.4 ppt
Net margin	-12.4%	-3.7%	0.0%	-16.3%	-6.1%	0.0%	3.9 ppt	2.4 ppt	0.0 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>5,844</b>	<b>20,988</b>	<b>43,768</b>	<b>75,523</b>	<b>94,548</b>
Cost of sales	(5,578)	(18,366)	(37,269)	(62,772)	(77,278)
<b>Gross profit</b>	<b>266</b>	<b>2,623</b>	<b>6,499</b>	<b>12,751</b>	<b>17,270</b>
R&D exp.	(1,726)	(4,114)	(6,400)	(7,500)	(8,500)
SG&A exp.	(2,921)	(5,305)	(7,190)	(9,840)	(10,800)
Other income	87	218	400	700	1,000
<b>Operating profit</b>	<b>(4,294)</b>	<b>(6,579)</b>	<b>(6,691)</b>	<b>(3,889)</b>	<b>(1,030)</b>
Net finance costs	111	688	742	586	542
Other non-oper exp.	1,452	1,055	500	500	500
<b>Pre-tax profit</b>	<b>(2,731)</b>	<b>(4,837)</b>	<b>(5,449)</b>	<b>(2,804)</b>	<b>12</b>
Income tax	(1)	(26)	-	-	(2)
Accr. on preferred shares	(2,158)	-	-	-	-
<b>Net profit</b>	<b>(4,890)</b>	<b>(4,863)</b>	<b>(5,449)</b>	<b>(2,804)</b>	<b>11</b>

### Cash flow

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(2,731)</b>	<b>(4,837)</b>	<b>(5,449)</b>	<b>(2,804)</b>	<b>12</b>
Depreciation/amortization	438	838	1,343	2,337	3,455
Change in working capital	2,495	3,584	3,601	2,142	5,158
Others	(340)	(653)	(565)	(381)	(335)
<b>Net cash from operating</b>	<b>(140)</b>	<b>(1,095)</b>	<b>(1,071)</b>	<b>1,294</b>	<b>8,289</b>
Capex	(1,362)	(4,318)	(6,650)	(9,150)	(9,150)
Others	(3,044)	(28,758)	7,764	6,156	3,885
<b>Net cash from investing</b>	<b>(4,406)</b>	<b>(33,076)</b>	<b>1,114</b>	<b>(2,994)</b>	<b>(5,265)</b>
Share issuance	27,399	13,110	-	-	-
Net borrowings	(352)	(143)	1,321	2,699	(2,024)
Others	7,283	1,660	(0)	0	(0)
<b>Net cash from financing</b>	<b>34,330</b>	<b>14,627</b>	<b>1,321</b>	<b>2,699</b>	<b>(2,024)</b>
<b>Net change in cash</b>	<b>29,784</b>	<b>(19,543)</b>	<b>1,365</b>	<b>1,000</b>	<b>1,000</b>
Cash at beginning of year	2,408	31,542	11,635	13,000	14,000
Exchange difference	(650)	(363)	-	-	-
<b>Cash at the end of year</b>	<b>31,542</b>	<b>11,635</b>	<b>13,000</b>	<b>14,000</b>	<b>15,000</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>39,679</b>	<b>48,831</b>	<b>50,164</b>	<b>55,128</b>	<b>60,714</b>
Cash & equivalents	29,209	11,025	12,390	13,390	14,390
Account receivables	1,129	2,673	5,996	10,346	12,952
Inventories	1,343	2,662	5,105	7,739	8,469
Other current assets	7,998	32,470	26,673	23,654	24,903
<b>Non-current assets</b>	<b>5,028</b>	<b>16,821</b>	<b>23,654</b>	<b>34,100</b>	<b>38,373</b>
PP&E	3,082	5,425	9,461	16,534	22,477
Intangibles	608	879	893	899	894
Other non-current assets	1,338	10,517	13,300	16,667	15,002
<b>Total assets</b>	<b>44,707</b>	<b>65,651</b>	<b>73,819</b>	<b>89,229</b>	<b>99,086</b>
<b>Current liabilities</b>	<b>7,837</b>	<b>18,013</b>	<b>30,061</b>	<b>45,619</b>	<b>54,448</b>
Bank borrowings	173	-	841	3,061	1,537
Account payables	5,112	12,362	20,421	30,956	38,110
Current deferred revenue	164	418	842	1,676	2,720
Other current liabilities	2,389	5,232	7,957	9,927	12,082
<b>Non-current liabilities</b>	<b>2,440</b>	<b>5,492</b>	<b>6,939</b>	<b>9,535</b>	<b>10,493</b>
Bank borrowings	1,645	1,675	2,155	2,635	2,135
Other non-current liabilities	795	3,817	4,784	6,900	8,358
<b>Total liabilities</b>	<b>10,277</b>	<b>23,505</b>	<b>37,001</b>	<b>55,154</b>	<b>64,941</b>
Mezzanine equity	-	-	-	-	-
Ordinary shares	0	0	0	0	0
Reserves	34,430	42,146	36,818	34,074	34,145
<b>Shareholders' equity</b>	<b>34,430</b>	<b>42,147</b>	<b>36,818</b>	<b>34,074</b>	<b>34,145</b>
<b>Total equity and liabilities</b>	<b>44,707</b>	<b>65,651</b>	<b>73,819</b>	<b>89,229</b>	<b>99,086</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	94.9	95.5	94.6	96.2	96.2
Services and others	5.1	4.5	5.4	3.8	3.8
<b>Growth (%)</b>					
Revenue	151.8	259.1	108.5	72.6	25.2
Gross profit	N/A	886.0	147.8	96.2	35.4
Operating profit	N/A	N/A	N/A	N/A	N/A
Net profit	N/A	N/A	N/A	N/A	N/A
<b>Profit &amp; loss ratio (%)</b>					
Gross margin	4.6	12.5	14.8	16.9	18.3
Operating margin	(73.5)	(31.3)	(15.3)	(5.1)	(1.1)
Net profit margin	(83.7)	(23.2)	(12.4)	(3.7)	0.0
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.0	1.0	0.9	0.8	0.8
Current ratio (x)	5.1	2.7	1.7	1.2	1.1
Receivable turnover days	71	46	50	50	50
Inventory turnover days	88	53	50	45	40
Payable turnover days	334	246	200	180	180
<b>Profitability (%)</b>					
ROE	(35.4)	(12.7)	(13.8)	(7.9)	0.0
ROA	(18.1)	(8.8)	(7.8)	(3.4)	0.0
<b>Per share data (RMB)</b>					
EPS	(6.48)	(2.96)	(3.19)	(1.63)	0.01
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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