

# NIO Inc. (NIO US)

## 1Q22 slight miss; 2Q guidance implies strong 3Q

NIO Inc.'s 1Q22 earnings are slightly missed mainly in the gross profit level. In our view, management's 2Q22 sales guidance could be an indication for supply chain constraints ease and heightened production level in 3Q22 given strong order backlog. Management expects 2Q22 GPM to be under pressure, which could be priced in quickly and presents an opportunity to accumulate shares.

- **GP missed, net loss in line.** Revenue in 1Q22 was slightly below our prior estimates as worse product mix dragged down average selling price. Vehicle GPM of 18.1% (-2.8 pts QoQ) was below our forecast, especially as both Li Auto (LI US, BUY) and Xpeng (XPEV US, BUY) posted flat GPM QoQ. Net loss was in line with our estimates with lowered R&D and higher other income.
- **2Q sales guidance provides positive signal for 2H22.** Management's sales guidance of 23,000-25,000 units in 2Q22 implies a monthly sales volume of 11,000-13,000 units in Jun 2022. We are of the view that monthly capacity in 3Q22 could be higher than that in Jun, as its 2<sup>nd</sup> plant starts producing the ET5 in 3Q22. To account for the production loss amid the lockdowns, we lower our FY22 sales volume forecast from 170,000 units to 144,000 units, which implies an average monthly sales volume of about 15,600 units in 2H22. New orders in May 2022 reached all-time high, according to management.
- **2Q22 margin headwinds could be quickly priced in and present opportunity to accumulate shares.** Management expects 2Q22 GPM to be under pressure given the rising battery costs. Yet, such statement could be priced in quickly and presents a buying opportunity. We maintain our vehicle GPM of 19% for FY22E amid new product launches.
- **Maintain BUY.** We cut our FY22E revenue estimates by 15% as we lower our sales volume forecast. We also lower GPM projection for non-vehicle revenue, as management expects operating loss from power swap stations to widen in FY22E. We cut R&D and SG&A costs as we believe the company could tighten some of its budget amid such economic environment. Accordingly, we raise our FY22E net loss forecast by RMB 300mn to RMB 8,531mn.

We maintain our BUY rating but lower target price from US\$ 45.00 to US\$ 35.00, based on 7.0x (previously 7.3x) of our revised FY22E revenue estimates. Key risks to our rating and target price include slower autonomous driving technology advancement, lower sales volume of new models than we expect, as well as a sector de-rating.

### Earnings Summary

(YE 31 Dec)	FY20A	FY21A	FY22E	FY23E	FY24E
Revenue (RMB mn)	16,258	36,136	56,464	101,595	127,965
YoY growth (%)	107.8	122.3	56.3	79.9	26.0
Net income (RMB mn)	(5,611)	(10,572)	(8,531)	(3,270)	(483)
EPS (RMB)	(4.74)	(6.72)	(5.10)	(1.93)	(0.28)
YoY growth (%)	N/A	N/A	N/A	N/A	N/A
P/S (x)	9.7	5.6	4.0	2.3	1.8
P/B (x)	5.8	5.9	7.6	8.0	7.5
Yield (%)	N/A	N/A	N/A	N/A	N/A
ROE (%)	(54)	(34.2)	(26.4)	(11.2)	(1.6)
Net gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash

Source: Company data, Bloomberg, CMBIGM estimates

### BUY (Maintain)

Target Price	US\$ 35.00
(Previous TP)	US\$ 45.00)
Up/Downside	+71.7%
Current Price	US\$ 20.38

### China Auto Sector

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#### Stock Data

Mkt Cap (US\$ mn)	34,483
Avg 3 mths t/o (US\$ mn)	1,381
52w High/Low (US\$)	55.13/11.67
Total Issued Shares (mn)	1,692

Source: Bloomberg

#### Shareholding Structure

Li Bin	10.5%
Tencent entities	9.8%
Others	79.7%

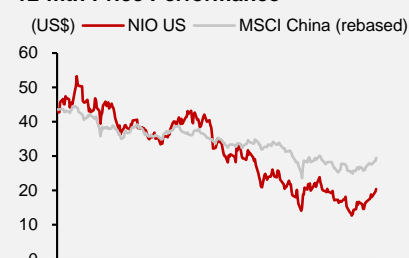
Source: Bloomberg

#### Share Performance

	Absolute	Relative
1-mth	50.4%	34.9%
3-mth	13.3%	8.8%
6-mth	-41.9%	-26.4%

Source: Bloomberg

#### 12-mth Price Performance



Source: Bloomberg

Auditor: PricewaterhouseCoopers  
Zhong Tian

**Figure 1: Quarterly results**

RMB mn	1Q21	2Q21	3Q21	4Q21	1Q22	YoY	QoQ
Sales volume (units)	20,060	21,896	24,439	25,034	25,768	28.5%	2.9%
ASP (RMB)	397,923	385,826	401,215	395,492	384,608	-3.3%	-2.8%
Revenue	7,982	8,448	9,805	9,901	9,911	24.2%	0.1%
Gross profit	1,555	1,574	1,993	1,700	1,447	-6.9%	-14.9%
R&D expenses	(687)	(884)	(1,193)	(1,829)	(1,762)	156.6%	-3.7%
SG&A expenses	(1,197)	(1,498)	(1,825)	(2,358)	(2,015)	68.3%	-14.6%
Operating profit	(296)	(763)	(992)	(2,445)	(2,189)	N/A	N/A
Net profit	(4,875)	(659)	(2,859)	(2,179)	(1,825)	N/A	N/A
Gross margin	19.5%	18.6%	20.3%	17.2%	14.6%	-4.9 ppt	-2.6 ppt
Operating margin	-3.7%	-9.0%	-10.1%	-24.7%	-22.1%	-18.4 ppt	2.6 ppt
Net margin	-61.1%	-7.8%	-29.2%	-22.0%	-18.4%	42.7 ppt	3.6 ppt

Source: Company data, CMBIGM

**Figure 2: Earnings revision**

RMB mn	New			Old			Diff (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	56,464	101,595	127,965	66,596	105,838	N/A	-15.2%	-4.0%	N/A
Gross Profit	9,455	19,285	24,069	12,056	20,625	N/A	-21.6%	-6.5%	N/A
Operating Profit	(9,534)	(4,158)	(1,435)	(8,684)	(2,423)	N/A	N/A	N/A	N/A
Net profit	(8,531)	(3,270)	(483)	(8,231)	(2,022)	N/A	N/A	N/A	N/A
Gross Margin	16.7%	19.0%	18.8%	18.1%	19.5%	N/A	-1.4 ppt	-0.5 ppt	N/A
Operating Margin	-16.9%	-4.1%	-1.1%	-13.0%	-2.3%	N/A	-3.8 ppt	-1.8 ppt	N/A
Net Margin	-15.1%	-3.2%	-0.4%	-12.4%	-1.9%	N/A	-2.7 ppt	-1.3 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	56,464	101,595	127,965	62,352	107,924	146,889	-9.4%	-5.9%	-12.9%
Gross Profit	9,455	19,285	24,069	11,014	21,362	31,658	-14.2%	-9.7%	-24.0%
Operating Profit	(9,534)	(4,158)	(1,435)	(6,789)	(2,495)	3,347	N/A	N/A	-142.9%
Net profit	(8,531)	(3,270)	(483)	(6,631)	(2,234)	2,957	N/A	N/A	-116.3%
Gross Margin	16.7%	19.0%	18.8%	17.7%	19.8%	21.6%	-0.9 ppt	-0.8 ppt	-2.7 ppt
Operating Margin	-16.9%	-4.1%	-1.1%	-10.9%	-2.3%	2.3%	-6.0 ppt	-1.8 ppt	-3.4 ppt
Net Margin	-15.1%	-3.2%	-0.4%	-10.6%	-2.1%	2.0%	-4.5 ppt	-1.1 ppt	-2.4 ppt

Source: Bloomberg, CMBIGM estimates

## Financial Summary

### Income statement

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Revenue</b>	<b>16,258</b>	<b>36,136</b>	<b>56,464</b>	<b>101,595</b>	<b>127,965</b>
Cost of sales	(14,385)	(29,315)	(47,009)	(82,310)	(103,895)
<b>Gross profit</b>	<b>1,873</b>	<b>6,821</b>	<b>9,455</b>	<b>19,285</b>	<b>24,069</b>
R&D exp.	(2,488)	(4,592)	(8,867)	(10,197)	(10,704)
SG&A exp.	(3,932)	(6,878)	(10,572)	(13,746)	(15,350)
Other income	(61)	152	450	500	550
<b>Operating profit</b>	<b>(4,608)</b>	<b>(4,496)</b>	<b>(9,534)</b>	<b>(4,158)</b>	<b>(1,435)</b>
Net finance costs	(259)	274	894	795	801
Gain/(Loss) of investee	(66)	63	80	100	100
Other non-oper exp.	(365)	185	100	100	50
<b>Pre-tax profit</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(8,460)</b>	<b>(3,163)</b>	<b>(485)</b>
Income tax	(6)	(42)	(25)	(9)	(1)
Accr. on redeemable int.	(312)	(6,587)	(50)	(100)	-
Minority interests	5	31	5	3	3
<b>Net profit</b>	<b>(5,611)</b>	<b>(10,572)</b>	<b>(8,531)</b>	<b>(3,270)</b>	<b>(483)</b>

### Cash flow

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Profit before taxation</b>	<b>(5,298)</b>	<b>(3,975)</b>	<b>(8,460)</b>	<b>(3,163)</b>	<b>(485)</b>
Depreciation/amortization	1,546	2,352	3,389	4,645	5,869
Change in working capital	4,830	2,693	2,708	5,785	4,389
Others	873	896	1,747	1,589	1,536
<b>Net cash from operating</b>	<b>1,951</b>	<b>1,966</b>	<b>(617)</b>	<b>8,857</b>	<b>11,309</b>
Capex	(1,128)	(4,079)	(4,501)	(6,001)	(7,001)
Others	(3,943)	(35,686)	11,058	(500)	(500)
<b>Net cash from investing</b>	<b>(5,071)</b>	<b>(39,765)</b>	<b>6,557</b>	<b>(6,501)</b>	<b>(7,501)</b>
Share issuance	34,76	12,822	800	600	1,080
Net borrowings	615	3,680	(6,070)	750	-
Others	5,981	1,627	20	(3,408)	20
<b>Net cash from financing</b>	<b>41,357</b>	<b>18,129</b>	<b>(5,250)</b>	<b>(2,058)</b>	<b>1,100</b>
<b>Net change in cash</b>	<b>38,237</b>	<b>(19,670)</b>	<b>690</b>	<b>298</b>	<b>4,908</b>
Cash at beginning of year	990	38,545	18,375	19,064	19,362
Exchange difference	(682)	(501)	-	-	-
<b>Cash at the end of year</b>	<b>38,545</b>	<b>18,375</b>	<b>19,064</b>	<b>19,362</b>	<b>24,270</b>

### Balance sheet

YE 31 Dec (RMB mn)	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Current assets</b>	<b>46,207</b>	<b>63,641</b>	<b>54,747</b>	<b>61,924</b>	<b>71,039</b>
Cash & equivalents	38,426	15,334	15,464	15,212	20,120
Account receivables	1,079	2,781	4,022	7,237	9,115
Inventories	1,082	2,056	3,220	5,863	7,401
Other current assets	5,620	43,470	32,040	33,612	34,403
<b>Non-current assets</b>	<b>8,435</b>	<b>19,242</b>	<b>24,001</b>	<b>29,235</b>	<b>34,189</b>
PP&E	4,996	7,400	9,552	12,158	14,708
Right-of-use assets	1,350	2,988	3,239	2,853	2,289
Other non-current assets	2,089	8,854	11,210	14,223	17,192
<b>Total assets</b>	<b>54,642</b>	<b>82,884</b>	<b>78,747</b>	<b>91,159</b>	<b>105,228</b>
<b>Current liabilities</b>	<b>13,976</b>	<b>29,198</b>	<b>28,652</b>	<b>42,670</b>	<b>53,152</b>
Bank borrowings	1,931	7,298	250	-	-
Account payables	6,368	12,639	18,031	30,443	38,427
Tax payable	182	628	628	628	628
Other current liabilities	5,496	8,633	9,743	11,599	14,097
<b>Non-current liabilities</b>	<b>8,803</b>	<b>15,622</b>	<b>16,835</b>	<b>19,649</b>	<b>21,162</b>
Bank borrowings incl. CB	5,938	9,739	9,625	10,625	10,625
Other non-current liabilities	2,865	5,883	7,210	9,024	10,537
<b>Total liabilities</b>	<b>22,780</b>	<b>44,820</b>	<b>45,487</b>	<b>62,319</b>	<b>74,314</b>
Mezzanine equity	4,691	3,278	3,328	-	-
Share capital	3	3	3	3	3
Treasury shares	-	(1,850)	(3,672)	(3,672)	(3,672)
Reserves	27,166	36,557	33,531	32,441	34,518
Non-controlling interests	2	76	71	68	65
<b>Shareholders' equity</b>	<b>27,169</b>	<b>34,710</b>	<b>29,861</b>	<b>28,772</b>	<b>30,849</b>
<b>Total equity &amp; liabilities</b>	<b>54,642</b>	<b>82,884</b>	<b>78,747</b>	<b>91,159</b>	<b>105,228</b>

### Key ratios

YE 31 Dec	FY20A	FY21A	FY22E	FY23E	FY24E
<b>Sales mix (%)</b>					
Vehicle sales	93.4	91.8	93.2	91.6	90.9
Others	6.6	8.2	6.8	8.4	9.1
<b>Growth (%)</b>					
Revenue	107.8	122.3	56.3	79.9	26.0
Gross profit	N/A	264.1	38.6	104.0	24.8
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	11.5	18.9	16.7	19.0	18.8
Operating margin	(28.3)	(12.4)	(16.9)	(4.1)	(1.1)
Net profit margin	(34.5)	(29.3)	(15.1)	(3.2)	(0.4)
<b>Balance sheet ratio</b>					
Net cash/total equity (x)	1.1	1.0	1.0	1.2	1.3
Current ratio (x)	3.3	2.2	1.9	1.5	1.3
Receivable turnover days	24	28	26	26	26
Inventory turnover days	27	26	25	26	26
Payable turnover days	162	157	140	135	135
<b>Profitability (%)</b>					
ROE	(53.8)	(34.2)	(26.4)	(11.2)	(1.6)
ROA	(16.2)	(15.4)	(10.6)	(3.8)	(0.5)
<b>Per share data (RMB)</b>					
EPS	(4.74)	(6.72)	(5.10)	(1.93)	(0.28)
DPS	N/A	N/A	N/A	N/A	N/A

Source: Company data, CMBIGM estimates

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