

## Li Auto

# MEGA: competitive as expected; lift 2024 sales volume/earnings estimate by 4%

Reiterate Rating: BUY | PO: 60.00 USD | Price: 45.88 USD

## MEGA flagship MPV: Official price inline with expectation

On 1 March, Li Auto officially launched its first pure-EV, MEGA (a family-use flagship MPV), during its Spring launch event. MEGA measures 5,350mm/1,965mm/1,850mm in length/width/height with a wheel base of 3,300mm, and its drag coefficient is only 0.215, the lowest among existing MPV models. The retail price of MEGA came in at RMB559.8k, lower than its pre-sale price of RMB600.0k, but in line with expectation. MEGA is equipped with Li Auto's magic carpet air suspension Pro and two electric motors, enabling acceleration from 0 to 100km/hour in 5.5 seconds. MEGA deploys CATL's Qilin 5C battery, which enables 710km CLTC range and supports 800V DC fast charging, allowing it to charge 500km in 12 minutes. The CLTC electricity consumption for MEGA is 15.9kWh/100km. Li Auto plans to start delivery of MEGA from 11 March. Li Auto targets to expand 5C super-charging stations to 2,000 units by end-2024.

## AD max with two Orin-X chips + Qualcomm 8295P chip

Li MEGA is equipped with AD max system, which provides full-scenario autonomous driving and assisted driving features, supported by two NVIDIA Orin-X chips with 508TOPS. In addition, MEGA deploys 25 sensors, including 1 mmWave radar, 12 ultrasonic sensors, 11 cameras, and 1 LiDAR. As for intelligent cockpit, MEGA is powered by Qualcomm Snapdragon 8295P high-performance chip, and is equipped with two 15.7-inch monitors, a 17-inch screen, and a large AR-HUD.

## Raise 2024/25E volume sales and earnings; reiterate Buy

We lift our 2024/25E volume sales by 4%/2%, and raise our 2024/25E EPS by 4%/2% to reflect our more positive view on volume sales of new model MEGA MPV and L6. We lift our PO to USD60/ADS or HKD234 (previously USD57/ADS or HKD222) as we factor in our new sales/FCF estimates. We reiterate Buy for its strong model pipeline, well-managed GPM, and strong FCF.

Estimates (Dec) (CNY)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	(2,012)	11,704	15,417	25,527	28,497
EPS	(1.93)	11.03	14.53	24.06	26.86
EPS Change (YoY)	-520.5%	NM	31.7%	65.6%	11.6%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	2.16	41.65	14.00	39.64	41.08
Common EPS (CNY)	(0.966)	5.52	7.27	12.03	13.43
Common Dividend / Share (CNY)	0	0	0	0	0
<b>Valuation (Dec)</b>					
P/E	NM	29.50x	22.71x	13.72x	12.29x
EV / EBITDA*	NM	32.21x	16.03x	9.79x	8.73x
Free Cash Flow Yield*	0.655%	12.85%	4.32%	12.23%	12.67%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 8.

01 March 2024

### Equity

#### Key Changes

(CNY)	Previous	Current
Price Obj.	US\$57	US\$60
2024E Rev (m)	204,333	213,792
2025E Rev (m)	298,260	305,779
2026E Rev (m)	322,037	332,857
2024E EPS	14.02	14.53
2025E EPS	23.52	24.06
2026E EPS	26.12	26.86
2024E EBITDA (m)	18,229	18,866
2025E EBITDA (m)	30,233	30,901
2026E EBITDA (m)	33,737	34,660

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### Stock Data

Price (ADR / Common)	45.88 USD / 179.20 HKD
Price Objective	60.00 USD / 234.00 HKD
Date Established	1-Mar-2024 / 1-Mar-2024
Investment Opinion	C-1-9 / C-1-9
52-Week Range	20.80 USD-47.33 USD
Market Value (mn)	47,807 USD
Shares Outstanding (mn)	1,042.0 / 2,084.0
Average Daily Value (mn)	386.69 USD
Free Float	17.4%
BofA Ticker / Exchange	LI / NAS
BofA Ticker / Exchange	LAAOF / HKG
Bloomberg / Reuters	LI US / LI.OQ
ROE (2024E)	22.7%
Net Dbt to Eqty (Dec-2023A)	-156.1%

EV: electric vehicle  
BEV: battery electric vehicle  
CLTC: China Light-Duty Vehicle Test Cycle  
WLTC: Worldwide Harmonized Light Vehicles Test Cycle  
AD: autonomous driving  
LiDAR: Light Detection and Ranging  
TOPS: Tera Operations per Second  
mmWave: millimeter wave

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**Refer to important disclosures on page 9 to 12. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.**

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Timestamp: 01 March 2024 09:55AM EST

# iQprofile<sup>SM</sup> Li Auto

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(CNY Millions)					
Sales	45,287	123,851	213,792	305,779	332,857
Gross Profit	8,790	27,497	46,722	67,737	75,044
Sell General & Admin Expense	(5,665)	(9,768)	(15,415)	(21,684)	(23,677)
Operating Profit	(3,655)	7,407	15,333	27,146	30,641
Net Interest & Other Income	1,496	3,045	2,805	2,885	2,885
Associates	0	0	0	0	0
Pretax Income	(2,159)	10,452	18,138	30,031	33,526
Tax (expense) / Benefit	127	1,357	(2,721)	(4,505)	(5,029)
Net Income (Adjusted)	(2,012)	11,704	15,417	25,527	28,497
Average Fully Diluted Shares Outstanding	1,042	1,061	1,061	1,061	1,061

Key Cash Flow Statement Data	2022A	2023A	2024E	2025E	2026E
Net Income	(2,012)	11,704	15,417	25,527	28,497
Depreciation & Amortization	1,214	1,982	3,534	3,755	4,019
Change in Working Capital	4,746	31,683	10,405	17,773	14,068
Deferred Taxation Charge	0	0	0	0	0
Other Adjustments, Net	3,433	5,324	0	0	0
Cash Flow from Operations	7,380	50,694	29,356	47,054	46,584
Capital Expenditure	(5,128)	(6,507)	(14,500)	(5,000)	(3,000)
(Acquisition) / Disposal of Investments	1,686	0	0	0	0
Other Cash Inflow / (Outflow)	(922)	6,495	0	0	0
Cash Flow from Investing	(4,365)	(12)	(14,500)	(5,000)	(3,000)
Shares Issue / (Repurchase)	2,559	0	0	0	0
Cost of Dividends Paid	0	0	0	0	0
Cash Flow from Financing	5,639	185	0	0	0
Free Cash Flow	2,252	44,186	14,856	42,054	43,584
Net Debt	(48,828)	(94,540)	(109,396)	(151,450)	(195,034)
Change in Net Debt	(6,845)	(46,411)	(14,856)	(42,054)	(43,584)

Key Balance Sheet Data	2022A	2023A	2024E	2025E	2026E
Property, Plant & Equipment	11,188	15,745	26,766	28,103	27,239
Other Non-Current Assets	8,358	13,197	13,143	13,051	12,896
Trade Receivables	48	144	442	396	516
Cash & Equivalents	58,450	103,263	118,118	160,172	203,757
Other Current Assets	8,495	11,119	20,262	22,146	23,078
Total Assets	86,538	143,467	178,730	223,867	267,486
Long-Term Debt	9,231	1,747	1,747	1,747	1,747
Other Non-Current Liabilities	4,748	8,402	8,402	8,402	8,402
Short-Term Debt	391	6,975	6,975	6,975	6,975
Other Current Liabilities	26,982	65,767	85,613	105,223	120,345
Total Liabilities	41,352	82,892	102,738	122,348	137,470
Total Equity	45,186	60,575	75,992	101,519	130,016
Total Equity & Liabilities	86,538	143,467	178,730	223,867	267,486

iQmethod <sup>SM</sup> - Bus Performance*	2022A	2023A	2024E	2025E	2026E
Return On Capital Employed	-4.4%	12.4%	17.5%	23.6%	21.0%
Return On Equity	-4.7%	22.3%	22.7%	28.9%	24.7%
Operating Margin	-8.1%	6.0%	7.2%	8.9%	9.2%
EBITDA Margin	-5.4%	7.6%	8.8%	10.1%	10.4%

iQmethod <sup>SM</sup> - Quality of Earnings*	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	4.3x	1.9x	1.8x	1.6x
Asset Replacement Ratio	4.3x	3.3x	4.2x	1.4x	0.8x
Tax Rate (Reported)	5.9%	NM	15.0%	15.0%	15.0%
Net Debt-to-Equity Ratio	-108.1%	-156.1%	-144.0%	-149.2%	-150.0%
Interest Cover	-34.4x	NM	NM	NM	NM

## Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 8.

## Company Sector

Autos/Car Manufacturers

## Company Description

Li Auto was founded in 2015, and it mainly manufactures and sells premium smart electric vehicles (EVs). Li Auto is the first Chinese auto company to sell Extended-Range Electric Vehicles (EREV) in China. Li Auto was listed on the Nasdaq in July 2020.

## Investment Rationale

We have a Buy rating on Li Auto: 1) rising EV penetration and robust demand on luxury/premium segment; 2) solid new model pipeline; 3) fast point of sales (POS) expansion; 4) extended range EV (EREV) is a practical solution to mitigate consumers' concern about range anxiety and proven by Li Auto to create demand in China EV market.

## Stock Data

Shares / Common	0.50
Price to Book Value	4.6x

## Key Changes

(CNY)	Previous	Current
Price Obj.	HK\$222	HK\$234
2024E EPS	7.01	7.27
2025E EPS	11.76	12.03
2026E EPS	13.06	13.43

## 2024 version Li L7/L8/L9: similar price with updated specs

During the Spring launch event, Li Auto also launched 2024 facelifted Li L7, L8, and L9 models equipped with enhanced functions and features. Major upgrades include the following: 1) the intelligent cockpit chip is upgraded to Qualcomm Snapdragon 8295P for Air and Pro versions, and 8295P high-performance version for Max versions; 2) Air versions will also be equipped with magic carpet air suspension; 3) L7 Pro/L8 Pro AD systems are upgraded to AD max while Air versions still deploy AD Pro; and 4) Max versions battery capacity is increased to 52.3kWh with CLTC range of 286km under battery mode, etc. Li Auto maintains retail price of 2024 L7/L8/L9 largely unchanged, while it hiked price by RMB10k for L7 Pro/L8 Pro mainly on AD system upgrade.

### Exhibit 1: MPV's average monthly sales

We summarize full-size MPV average monthly retail sales below

	2022	2023
SAIC GM Buick GL8 (HEV)	8,854	9,868
BYD Denza D9 (PHEV)	4,676	8,350
GAC Toyota Sienna (HEV)	6,226	6,509
GAC Trumpchi E9 (BEV)	NA	2,091
Toyota Alphard (HEV)	1,705	1,628
GWM WEY Gaoshan (PHEV)	NA	714
BYD Denza D9 (BEV)	NA	626

Source: CIRC

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### Exhibit 2: Li Auto MEGA's specs comparison with EV peers' products

We see Li Auto MEGA performing better in terms of space, powertrain, and electricity consumption

	Li Auto MEGA	XPeng X9	BYD Denza D9	GWM WEY Gaoshan	SAIC GM Buick GL8	Toyota Alphard	GAC Toyota Sienna
Launch Time	2024.3	2024.1	2022.8	2023.1	2022.8	2023.6	2023.3
Powertrain	BEV	BEV	BEV	PHEV	ICEV + 48V	HEV	HEV
MSRP (RMB)	559.8k	359.8-419.8k	395.8-465.8k	335.8-405.8k	232.9-473.9k	899-928k	309.8-411.8k
Length/Width/Height (mm)	5350/1965/1850	5293/1988/1785	5250/1960/1920	5045/1960/1900 5405/1960/1890	5219/1878/1799	5005/1850/1950	5165/1995/1765
Wheelbase (mm)	3300	3160	3110	3085/3275	3088	3000	3060
Max No of Seats	7	7	7	7	7	7	7
Electric Motor	Permanent magnet synchronous/induction motor	Permanent magnet synchronous	Permanent magnet synchronous motor	Permanent magnet synchronous	NA	Permanent magnet synchronous	Permanent magnet synchronous
Horse Power (hp)	544	503	374	458/487	237	163/250	246
Maximum Power (kw)	400	370	275	337/358	174	120/184	181
Maximum Torque (N.m)	542	450	470	644/762	350	391/409	NA
Acceleration time from 0 to 100km/h (s)	5.5	5.7/7.7	6.9	5.7	9.5/9.8/9.9	NA	NA
Top Speed (km/h)	180	200	180	170/200	195	152/180	180
Capacity of Battery (kWh)	102.7	84.5/101.5	103.4	38/44	NA	NA	NA
Driving Range (km)	710 (CLTC)	610/640/702 (CLTC)	600 (CLTC)	140/170 (WLTC)	NA	NA	NA
Electricity Consumption (kWh/100km)	15.9	16.2/16.3/17.7	18.4	23.4	NA	NA	NA
Fuel consumption under low battery mode (L/100km)	NA	NA	NA	7.2	NA	NA	NA
Autonomous Driving	Level 3	Level 3	Level 2+	Level 2+	Level 2	Level 2	Level 2

Source: Company report \*Note that we highlighted the model specs that outperform among most similar peers with red frame

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**Exhibit 3: Li Auto MEGA's external design**

Li Auto MEGA is a large-size MPV



Source: Company report

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**Exhibit 4: Li Auto MEGA's internal design**

Li Auto MEGA's length/width/height is 5350/1965/1850mm



Source: Company report

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## Earnings revisions

**Exhibit 6: New vs. old estimates**

We revise 2024/25E volume sales by +4%/+2%

RMB mn	Old	2024F New	diff. (%)	Old	2025F New	diff. (%)
Volume (units)	674,576	700,781	3.9%	1,033,991	1,049,399	1.5%
Consolidated sales	204,333	213,792	4.6%	298,260	305,779	2.5%
Gross Profit	44,707	46,722	4.5%	66,109	67,737	2.5%
Income/(Loss) from operation	14,695	15,333	4.3%	26,478	27,146	2.5%
Non-GAAP income/(loss) from operations	17,695	18,333	3.6%	29,478	30,146	2.3%
Income/(Loss) before Income tax expense	17,500	18,138	3.6%	29,363	30,031	2.3%
Net income/(loss)	14,875	15,417	3.6%	24,958	25,527	2.3%
Net income/(loss) attributable to ordinary shareholders	14,875	15,417	3.6%	24,958	25,527	2.3%
Non-GAAP net income/(loss) attributable to ordinary shareholders	17,875	18,417	3.0%	27,958	28,527	2.0%
Earnings/(Loss) per ADS (RMB)	14.02	14.53	3.6%	23.52	24.06	2.3%
Earnings/(Loss) per ADS (USD)	1.97	2.05	3.6%	3.31	3.39	2.3%
ASP per car (RMB, K)	294	296	0.9%	281	284	1.1%
<b>Key ratios (%)</b>						
Sales growth	65.0%	72.6%		46.0%	43.0%	
Earnings/(Loss) per ADS growth	27.1%	31.7%		67.8%	65.6%	
Gross margin	21.9%	21.9%		22.2%	22.2%	
Operating margin	7.2%	7.2%		8.9%	8.9%	
Net margin	7.3%	7.2%		8.4%	8.3%	
OPEX to sales	14.7%	14.7%		13.3%	13.3%	

Source: BofA Global Research estimates

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**Exhibit 7: P&L summary (quarterly)**

We expect Li Auto 1Q24 GPM to drop QoQ, and gradually improve in 2Q-4Q24

(RMB mn)	1Q23	2Q23	3Q23	4Q23	FY '23	1Q24	2Q24	3Q24	4Q24	FYE '24
Revenue	18,787	28,653	34,679	41,732	123,851	31,321	47,518	59,630	75,322	213,792
Total cost of goods sold	14,957	22,417	27,035	31,945	96,355	24,728	37,430	46,500	58,411	167,070
Gross profit	3,830	6,235	7,644	9,787	27,497	6,593	10,088	13,130	16,911	46,722
SG&A	1,645	2,309	2,544	3,270	9,768	2,662	3,564	4,293	4,896	15,415
R&D	1,852	2,426	2,817	3,491	10,586	2,506	3,801	4,770	4,896	15,974
Operating expenses	3,498	4,735	5,361	6,761	20,354	5,168	7,365	9,064	9,792	31,389
Income/(Loss) from operation	333	1,500	2,284	3,026	7,143	1,425	2,722	4,066	7,119	15,333
Non-GAAP income/(loss) from operations	885	2,043	2,994	3,863	9,786	2,075	3,472	4,841	7,944	18,333
Income/(Loss) before Income tax expense	973	2,352	2,951	4,176	10,452	2,070	3,417	4,786	7,864	18,138
Taxes or tax credit	39	42	138	-1,576	-1,357	311	513	718	1,180	2,721
Net income/(loss)	934	2,310	2,813	5,752	11,809	1,760	2,905	4,068	6,685	15,417
Net income/(loss) attribute to shareholder	930	2,293	2,823	5,658	11,704	1,760	2,905	4,068	6,685	15,417
Non-GAAP net income/(loss) attributable to ordinary shareholders	1,410	2,711	3,478	4,494	12,092	2,410	3,655	4,843	7,510	18,417
Earnings/(Loss) per ADS (RMB)	0.88	2.16	2.66	5.33	11.03	1.66	2.74	3.83	6.30	14.53
Fully diluted shares (mn)	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061
<b>Operating Ratios</b>										
Gross margin	20.4%	21.8%	22.0%	23.5%	22.2%	21.1%	21.2%	22.0%	22.5%	21.9%
SG&A/sales	8.8%	8.1%	7.3%	7.8%	7.9%	8.5%	7.5%	7.2%	6.5%	7.2%
R&D/sales	9.9%	8.5%	8.1%	8.4%	8.5%	8.0%	8.0%	8.0%	6.5%	7.5%
Operating margin	1.8%	5.2%	6.6%	7.3%	5.8%	4.6%	5.7%	6.8%	9.5%	7.2%
Pre-tax margin	5.2%	8.2%	8.5%	10.0%	8.4%	6.6%	7.2%	8.0%	10.4%	8.5%
Tax rate	4.0%	1.8%	4.7%	-37.7%	-13.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Net margin	5.0%	8.1%	8.1%	13.8%	9.5%	5.6%	6.1%	6.8%	8.9%	7.2%

Source: Company report, BofA Global Research estimates

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**Valuation**

We derive our PO of USD60 per ADS (HKD234 per share) using an average of EV/sales valuation method and DCF valuation method, vs. previously USD57 per ADS (HKD222 per share).

DCF-based fair value: We derive a fair value of USD58.5 (previously USD58) from our DCF calculation, with assumptions of 2% FCF perpetuity growth and discount rate (WACC) of 13% (previously 13.1%).

EV/sales-based fair value: We derive a fair value of USD61 (previously USD56.1). We apply an unchanged target EV/sales multiple of 1.6x to the latest 2024E sales.

**Exhibit 8: Valuation summary**

Our new PO is USD60/ADS or HKD234

Valuation methodology	Implied value	Upside Potential	Parameters
Methodology 1			
EV/Sales (USD)	61.0		1.6x EV/sales
Methodology 2			
DCF (USD)	58.5		WACC of 13%
Price Objective (USD)	60.0	33%	
Price Objective (HKD)	234.0	30%	

Source: BofA Global Research estimates

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## Price objective basis & risk

### Li Auto (LI / LAAOF)

We derive our PO of USD60 per ADS (HKD234 per share) using an average of EV/sales valuation method and DCF valuation method.

DCF-based fair value: We derive a fair value of USD58.5 from our DCF calculation, with assumptions of 2% FCF perpetuity growth. For WACC, we use a 4.0% risk-free rate, 12% market return and Beta of 1.1 to calculate and derive the discount rate (WACC) of 13%.

EV/sales-based fair value: We derive a fair value of USD61 from our EV/sales calculation. We apply a target EV/sales multiple of 1.6x to 2024E sales. The 1.6x target multiple is based on updated one standard deviation below historical average one-year forward EV/sales since IPO.

Downside risk: weak macro, competition from Tesla and other EV startups, policy change on subsidy, raw material cost hike.

## Analyst Certification

I, Ming Hsun Lee, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Aima Technology	XIHB	603529 CH	Joey Yang, CFA
	Bajaj Auto	XBJB	BJAUT IN	Gunjan Prithyani
	BYD	BYDD	1211 HK	Ming Hsun Lee, CFA
	BYD	XYMP	002594 CH	Ming Hsun Lee, CFA
	BYD	BYDDY	BYDDY US	Ming Hsun Lee, CFA
	CATL	XMOQ	300750 CH	Ming Hsun Lee, CFA
	DENSO	DNZO	6902 JP	Kei Nihonyanagi
	EVE	XEVF	300014 CH	Ming Hsun Lee, CFA
	Fuyao Glass	XFGI	600660 CH	Edward Leung, CFA
	Fuyao Glass	FIGI	3606 HK	Edward Leung, CFA
	Great Wall Motor	GWLL	2333 HK	Ming Hsun Lee, CFA
	GS Yuasa	GYUA	6674 JP	Kentaro Hosoda
	Guangzhou Automobile Group	GNZU	2238 HK	Ming Hsun Lee, CFA
	Hankook Tire	XHTR	161390 KS	KJ Hwang
	Hero Motocorp	HRHD	HMCL IN	Gunjan Prithyani
	Hesai	HSAI	HSAI US	Jessie Lo
	HL Mando	XMAD	204320 KS	KJ Hwang
	Honda Motor	HMC	HMC US	Kei Nihonyanagi
	Honda Motor	HNDAF	7267 JP	Kei Nihonyanagi
	Huayu	XHAS	600741 CH	Jessie Lo
	Hyundai Motor	HYML	005380 KS	KJ Hwang
	Isuzu Motors	ISUZ	7202 JP	Kei Nihonyanagi
	Joyson	XQMW	600699 CH	Jessie Lo
	Leapmotor	XZSS	9863 HK	Ming Hsun Lee, CFA
	Li Auto	LI	LI US	Ming Hsun Lee, CFA
	Li Auto	LAAOF	2015 HK	Ming Hsun Lee, CFA
	Maruti	MUDG	MSIL IN	Gunjan Prithyani
	Mazda Motor	MZDA	7261 JP	Kei Nihonyanagi
	Minh	MNTH	425 HK	Jessie Lo
	Ningbo Tuopu	XNCG	601689 CH	Joey Yang, CFA
	Nissan Motor	NSAN	7201 JP	Kei Nihonyanagi
	Nissan Motor	NSANY	NSANY US	Kei Nihonyanagi
	PARK24	PKCO	4666 JP	Kei Nihonyanagi



## APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	SAMIL (Motherson International)	XMSUF	MOTHERSO IN	Gunjan Prithyani
	Shenzhen Kedali	XWCSF	002850 CH	Jessie Lo
	Shuanghuan Driveline	XZSHF	002472 CH	Jessie Lo
	Sumitomo Rubber Industries	SMTUF	5110 JP	Kentaro Hosoda
	Suzuki Motor	SZKMF	7269 JP	Kei Nihonyanagi
	Tata Motors	XTTSF	TTMT IN	Gunjan Prithyani
	Toyo Tire	TOTTF	5105 JP	Kentaro Hosoda
	Toyota Motor	TOYOF	7203 JP	Kei Nihonyanagi
	Toyota Motor	TM	TM US	Kei Nihonyanagi
	Wencan	XSCDF	603348 CH	Joey Yang, CFA
	Wuxi Lead	XZSRF	300450 CH	Ming Hsun Lee, CFA
	XPeng Inc	XPEV	XPEV US	Ming Hsun Lee, CFA
	XPeng Inc.	XPNGF	9868 HK	Ming Hsun Lee, CFA
	Yadea	YADGF	1585 HK	Joey Yang, CFA
	Yunnan Energy	XLGFF	002812 CH	Jessie Lo
	Zhejiang Sanhua	XZSIF	002050 CH	Jessie Lo
	Zhongsheng Auto	ZHSHF	881 HK	Joey Yang, CFA

## NEUTRAL

	Aisin	ASEKF	7259 JP	Kei Nihonyanagi
	Ashok Leyland	XDBVF	AL IN	Gunjan Prithyani
	Bridgestone	BRDCF	5108 JP	Kei Nihonyanagi
	Bridgestone	BRDCY	BRDCY US	Kei Nihonyanagi
	CALB	XCLSF	3931 HK	Ming Hsun Lee, CFA
	Dong Feng	DNFGF	489 HK	Ming Hsun Lee, CFA
	Eicher Motors	XEIMF	EIM IN	Gunjan Prithyani
	Hino Motors	HINOF	7205 JP	Kei Nihonyanagi
	Hyundai Mobis	HYPLF	012330 KS	KJ Hwang
	Kia Corp	KIMTF	000270 KS	KJ Hwang
	Mahindra & Mahindra (M&M)	XKQRF	MM IN	Gunjan Prithyani
	MeiDong Auto	CMEIF	1268 HK	Joey Yang, CFA
	Motherson Sumi Wiring	XMWDF	MSUMI IN	Gunjan Prithyani
	NIO	NIO	NIO US	Ming Hsun Lee, CFA
	NIO	NIOIF	9866 HK	Ming Hsun Lee, CFA
	NIO	XLTWF	NIO SP	Ming Hsun Lee, CFA
	Shenzhen Senior	XHYRF	300568 CH	Jessie Lo
	Subaru Corp	FUJHF	7270 JP	Kei Nihonyanagi
	Subaru Corp	FUJHY	FUJHY US	Kei Nihonyanagi
	Toyota Industries Corporation	TYIDF	6201 JP	Kentaro Hosoda
	Toyota Industries Corporation	TYIDY	TYIDY US	Kentaro Hosoda
	TVS Motors	XFKMF	TVSL IN	Gunjan Prithyani
	Yokohama Rubber	YORUF	5101 JP	Kentaro Hosoda
	Yongda	CYHMF	3669 HK	Joey Yang, CFA

## UNDERPERFORM

	Astra International	PTAIF	ASII IJ	Paul Dewberry
	BAIC Motor	BMCLF	1958 HK	Ming Hsun Lee, CFA
	Bharat Forge	XUUVF	BHFC IN	Gunjan Prithyani
	China Grand Auto	XMURF	600297 CH	Joey Yang, CFA
	Desay SV	XGDFF	002920 CH	Jessie Lo
	Escorts Kubota	XSCOF	ESCORTS IN	Gunjan Prithyani
	GAC	XGNHF	601238 CH	Ming Hsun Lee, CFA
	Great Wall Motor	XGWMF	601633 CH	Ming Hsun Lee, CFA
	Hyundai Wia	XWHYF	011210 KS	KJ Hwang
	Mitsubishi Motors	MMTOF	7211 JP	Kei Nihonyanagi
	Nextage	NXAGF	3186 JP	Kentaro Hosoda
	Nexteer	NTXVF	1316 HK	Jessie Lo
	Putailai	XVHGF	603659 CH	Jessie Lo
	SAIC Motor	XZNJF	600104 CH	Ming Hsun Lee, CFA
	Sona Comstar	XBNXF	SONACOMS IN	Gunjan Prithyani
	Tinci Materials	XCVHF	002709 CH	Miriam Chan, CFA
	Yamaha Motor	YAMHF	7272 JP	Kei Nihonyanagi

## RVW

	Geely	GELYF	175 HK	Ming Hsun Lee, CFA
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## iQmethod<sup>SM</sup> Measures Definitions

### Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

### Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

### Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

### Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

### Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

### Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

### Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

### Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

### Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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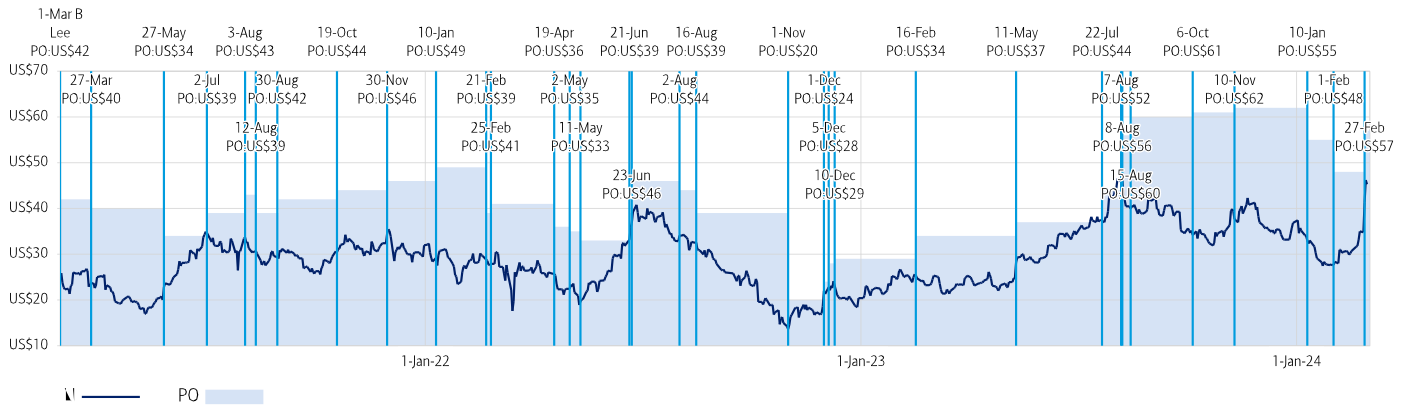
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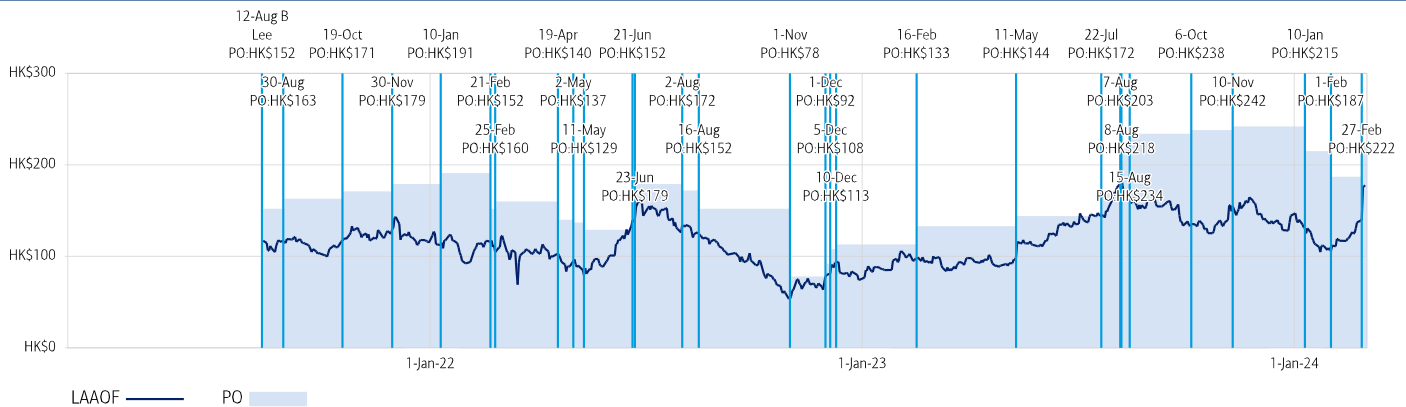
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### Li Auto (LI) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Li Auto (LAAOF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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