

Li Auto

4Q23 core earnings beat; reiterating 650-800k volume sales & 20%+ GPM targets

Reiterate Rating: BUY | PO: 57.00 USD | Price: 34.80 USD

4Q23: GPM beat/tax benefit/warranty reserve adjustment

Li Auto (Li) announced 4Q23 results and hosted a conference call on 26 February. Total revenue came in at RMB41.7bn, up 136% YoY/20% QoQ. Overall GPM was up 3.3ppt YoY/up 1.5ppt QoQ to 23.5%, beat our expectation of 20.8%, while vehicle GPM was up 2.7ppt YoY on robust shipments and warranty reserve reversal on Li One (+1ppt positive impact). Opex to sales ratio came in at 16.2%, down 4.8ppt YoY/up 0.9ppt QoQ, indicating better operating leverage despite (1) increased number of staff; (2) rising R&D for new models; (3) increased store expansion costs. Net income was RMB5.7bn in 4Q23 vs. RMB257mn in 4Q22, beating our estimate of RMB2.8bn, due to better GPM and RMB2bn one-off tax benefit. In 4Q23, Li's net cash from operating activities was RMB17.3bn, up 251% YoY/19% QoQ, while free cash flow (FCF) was RMB14.6bn, up 349% YoY/11% QoQ.

Target 50k+ sales in March; 70k+ sales in June

Li has a robust model pipeline in 2024 and will have 4 BEV models + 4 EREV models with strong product competitiveness by end-2024. In March, Li will launch and deliver Mega, as well as start mass delivery of 2024 version of L7/8/9. In 2Q24, Li will introduce L6. In 2H24, Li will introduce three BEV models with four-wheel drive and 5C charging. With the strong model lineup, Li targets 50k+ volume sales in March and 70k+ in June. Li Auto reiterates its 2024 goal of 650-800k units and aims to become the number one premium brand in China. Li will focus on RMB200k+ pricing segment only.

Raise 2024/25E volume sales and earnings; Lift PO

Management guided 1Q24 deliveries to be 100-103k units, up 90-96% YoY/down 22-24% QoQ. Li Auto targets 20%+ GPM in every quarter going forward. We lift 2024/25E volume sales forecast by 3%/3%, and raise 2024/25E EPS by 41%/70% to reflect our more positive view on GPM/OPM outlook. We lift our PO to USD57/ADS to HKD222 (previously USD48/ADS or HKD187) as we factor in our new sales/FCF forecast. We reiterate our Buy rating 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	14,875	24,958	27,712
EPS	(1.93)	11.03	14.02	23.52	26.12
EPS Change (YoY)	-520.5%	NM	27.1%	67.8%	11.0%
Dividend / Share	0	0	0	0	0
Free Cash Flow / Share	2.16	41.65	9.29	44.52	32.96
Common EPS (CNY)	(0.966)	5.52	7.01	11.76	13.06
Common Dividend / Share (CNY)	0	0	0	0	0
Valuation (Dec)					
P/E	NM	22.37x	17.87x	10.65x	9.59x
EV / EBITDA*	NM	23.39x	12.05x	7.26x	6.51x
Free Cash Flow Yield*	0.863%	16.93%	3.77%	18.10%	13.40%

* For full definitions of *IQmethod*SM measures, see page 8.

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27 February 2024

Equity

Key Changes

(CNY)	Previous	Current
Price Obj.	US\$48	US\$57
2024E Rev (m)	191,663	204,333
2025E Rev (m)	272,685	298,260
2026E Rev (m)	NA	322,037
2024E EPS	9.93	14.02
2025E EPS	13.84	23.52
2026E EPS	NA	26.12
2024E EBITDA (m)	12,560	18,229
2025E EBITDA (m)	16,988	30,233
2026E EBITDA (m)	NA	33,737

Ming Hsun Lee, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 5006

Jessie Lo >>
Research Analyst
Merrill Lynch (Singapore)
+65 6678 1134

Joey Yang, CFA >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 4021

Stock Data

Price (ADR / Common)	34.80 USD / 139.90 HKD
Price Objective	57.00 USD / 222.00 HKD
Date Established	27-Feb-2024 / 27-Feb-2024
Investment Opinion	C-1-9 / C-1-9
52-Week Range	20.80 USD-47.33 USD
Market Value (mn)	36,262 USD
Shares Outstanding (mn)	1,042.0 / 2,084.0
Average Daily Value (mn)	247.94 USD
Free Float	17.4%
BofA Ticker / Exchange	LI / NAS
BofA Ticker / Exchange	LAOF / HKG
Bloomberg / Reuters	LI US / LI.OQ
ROE (2024E)	22.0%
Net Dbt to Eqty (Dec-2023A)	-156.1%

NOA: Navigation on advanced driver assistance systems

BEV: battery electric vehicle

EREV: extended range electric vehicle

iQprofileSM Li Auto

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(CNY Millions)					
Sales	45,287	123,851	204,333	298,260	322,037
Gross Profit	8,790	27,497	44,707	66,109	72,683
Sell General & Admin Expense	(5,665)	(9,768)	(14,748)	(21,164)	(22,909)
Operating Profit	(3,655)	7,407	14,695	26,478	29,718
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	17,500	29,363	32,603
Tax (expense) / Benefit	127	1,357	(2,625)	(4,404)	(4,890)
Net Income (Adjusted)	(2,012)	11,704	14,875	24,958	27,712
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	14,875	24,958	27,712
Depreciation & Amortization	1,214	1,982	3,534	3,755	4,019
Change in Working Capital	4,746	31,683	5,944	23,520	6,242
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	24,352	52,233	37,973
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	9,852	47,233	34,973
Net Debt	(48,828)	(94,540)	(104,393)	(151,626)	(186,599)
Change in Net Debt	(6,845)	(46,411)	(9,852)	(47,233)	(34,973)

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	416	401	481
Cash & Equivalents	58,450	103,263	113,115	160,348	195,321
Other Current Assets	8,495	11,119	19,242	22,326	21,693
Total Assets	86,538	143,467	172,682	224,229	257,630
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	80,107	106,696	112,384
Total Liabilities	41,352	82,892	97,232	123,821	129,509
Total Equity	45,186	60,575	75,450	100,409	128,121
Total Equity & Liabilities	86,538	143,467	172,682	224,229	257,630

iQmethod SM - Bus Performance*	2022A	2023A	2024E	2025E	2026E
Return On Capital Employed	-4.4%	12.4%	16.9%	23.2%	20.7%
Return On Equity	-4.7%	22.3%	22.0%	28.5%	24.3%
Operating Margin	-8.1%	6.0%	7.2%	8.9%	9.2%
EBITDA Margin	-5.4%	7.6%	8.9%	10.1%	10.5%

iQmethod SM - Quality of Earnings*	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	NM	4.3x	1.6x	2.1x	1.4x
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%	-138.4%	-151.0%	-145.6%
Interest Cover	-34.4x	NM	NM	NM	NM

Key Metrics

* For full definitions of iQmethodSM 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	3.5x

Key Changes

(CNY)	Previous	Current
Price Obj.	HK\$187	HK\$222
2024E EPS	4.96	7.01
2025E EPS	6.92	11.76
2026E EPS	NA	13.06

Other key takeaways

Expect 20%+ GPM; enter Middle East/Central Asia

In 4Q23, Li was able to maintain 20%+ GPM excluding one-off factors, mainly as Li targets 20%+ GPM in every quarter in 2024. By brand, Li mentioned that Mega and 2024 L7/L8/L9 series will be a positive GPM factor from March while L6 will be a negative factor. In the overseas space, Li is accelerating sales and aftermarket network expansion. In 1H24, Li Auto will set up aftermarket centers in the Middle East and Central Asia.

Full scenario NOA to be available nationwide in 2Q24

In Dec 2023, Li Auto released the OTA (Over the Air) 5.0 and provided full scenario NOA (Navigation on advanced driver assistance system) in over 110 cities. After two months, Li Auto's NOA daily active usage was up by 50%. For AD (autonomous driving) max versions, NOA without high-definition maps will be available in all cities in China in 2Q24. For AD Pro versions, Li Auto will upgrade its highway NOA functions. Meanwhile, with the OTA release, Li Xiang Tong Xue, the upgraded smart in-car voice assistant built upon Mind GPT (Generative Pre-trained Transformer), has improved with enhanced interactive experience.

Update on sales network and charging stations

By end-January, Li Auto has 474 retail centers across 142 cities, in addition to 360 servicing centers and Li Auto-authorized body and paint shops operating in 209 cities. Li Auto targets 800 retail centers and to further penetrate into tier 3/4 cities by end 2024. Li Auto has 340 supercharging stations in operation to date, and targets to build 2,000 supercharging stations (700 highway + 1,300 city) by end 2024.

Earnings review and revision

Li Auto 4Q23 total revenue came in at RMB41.7bn, up 136% YoY/20% QoQ. Overall GPM was up 3.3ppt YoY/up 1.5ppt QoQ to 23.5%, beat our expectation of 20.8%, while vehicle GPM was up 2.7ppt YoY and up 1.5ppt QoQ to 22.7%. The opex to sales ratio came in at 16.2%, down 4.8ppt YoY/up 0.9ppt QoQ, indicating better operating leverage despite (1) increased number of staff; (2) rising R&D for new models; (3) increased store expansion costs. Net income was RMB5.7bn vs. RMB257mn in 4Q22, beating our estimate of RMB2.8bn. On a non-GAAP basis, its earnings were RMB4.5bn (add back share based compensation, but deduct one-off release of valuation allowance on deferred tax asset) vs. our forecast of RMB3.5bn.

Exhibit 1: 4Q23 results comparison

4Q23 beat mainly on one-off items, including RMB400mn warranty reserve true-up, RMB2bn tax benefit, RMB200mn+ investment income on iMotion Automotive Technology listing

RMB mn	4Q23 (A)	4Q23 (F)	Diff (%)	YoY	QoQ	3Q23	2Q23	1Q23	4Q22	3Q22	2Q22	1Q22
Revenue	41,732	41,057	1.6%	136.4%	20.3%	34,679	28,653	18,787	17,650	9,342	8,733	9,562
COGS	31,945	32,525	-1.8%	126.8%	18.2%	27,035	22,417	14,957	14,084	8,160	6,854	7,398
Gross profit	9,787	8,532	14.7%	174.4%	28.0%	7,644	6,235	3,830	3,566	1,182	1,878	2,164
Operating exp	6,750	6,241	8.2%	82.4%	27.2%	5,305	4,609	3,425	3,700	3,312	2,857	2,577
Income/(Loss) from operation	3,036	2,291	32.5%	N.M.	29.8%	2,339	1,626	405	-134	-2,130	-978	-413
Non-GAAP income/(loss) from operations	3,863	2,941	31.3%	N.M.	29.0%	2,994	2,043	885	569	-1,724	-521	75
Income/(Loss) before Income tax expense	4,176	2,906	43.7%	N.M.	41.5%	2,951	2,352	973	168	-1,702	-645	19
Net income/(loss)	5,752	2,848	102.0%	N.M.	104.5%	2,813	2,310	934	265	-1,646	-641	-11
Net income/(loss) attributable to ordinary shareholders	5,658	2,848	98.7%	N.M.	100.4%	2,823	2,293	930	257	-1,640	-618	-11
Non-GAAP net (loss)/income attributable to ordinary shareholders	4,494	3,498	28.5%	368.5%	29.2%	3,478	2,711	1,410	959	-1,235	-160	477
Earnings/(Loss) per ADS	5.33	2.68	98.7%	N.M.	100.4%	2.66	2.16	0.88	0.25	-1.57	-0.59	-0.01
GM	23.5%	20.8%				22.0%	21.8%	20.4%	20.2%	12.7%	21.5%	22.6%
Op. margin	7.3%	5.6%				6.7%	5.7%	2.2%	-0.8%	-22.8%	-11.2%	-4.3%
NM	13.8%	6.9%				8.1%	8.1%	5.0%	1.5%	-17.6%	-7.3%	-0.1%
OPEX to sales	16.2%	15.2%				15.3%	16.1%	18.2%	21.0%	35.4%	32.7%	26.9%

Source: BofA Global Research estimates, company report

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Exhibit 2: New vs. old estimates

We revise 2024/25E volume sales forecast by +3%/+3%, respectively

	2023			2024F			2025F		
RMB mn	Old	Actual	diff. (%)	Old	New	diff. (%)	Old	New	diff. (%)
Volume (units)	376,030	376,030	0.0%	621,038	674,576	8.6%	918,808	1,033,991	12.5%
Consolidated sales	123,176	123,851	0.5%	191,663	204,333	6.6%	272,685	298,260	9.4%
Gross Profit	26,242	27,497	4.8%	38,953	44,707	14.8%	52,667	66,109	25.5%
Income/(Loss) from operation	6,662	7,407	11.2%	8,587	14,695	71.1%	12,834	26,478	106.3%
Non-GAAP income/(loss) from operations	8,864	9,786	10.4%	10,817	17,695	63.6%	15,154	29,478	94.5%
Income/(Loss) before Income tax expense	9,182	10,452	13.8%	11,087	17,500	57.8%	15,459	29,363	89.9%
Net income/(loss)	8,905	11,809	32.6%	10,533	14,875	41.2%	14,686	24,958	69.9%
Net income/(loss) attributable to ordinary shareholders	8,894	11,704	31.6%	10,533	14,875	41.2%	14,686	24,958	69.9%
Non-GAAP net income/(loss) attributable to ordinary shareholders	11,096	14,083	26.9%	12,763	17,875	40.1%	17,006	27,958	64.4%
Earnings/(Loss) per ADS (RMB)	8.38	11.03	31.6%	9.93	14.02	41.2%	13.84	23.52	69.9%
Earnings/(Loss) per ADS (USD)	1.18	1.55	31.6%	1.40	1.97	41.2%	1.95	3.31	69.9%
ASP per car (RMB, K)	319	320	0.4%	300	294	-1.8%	289	281	-2.9%
Key ratios (%)									
Sales growth	172.0%	173.5%		55.6%	65.0%		42.3%	46.0%	
Earnings/(Loss) per ADS growth	N.M.	N.M.		18.4%	27.1%		39.4%	67.8%	
Gross margin	21.3%	22.2%		20.3%	21.9%		19.3%	22.2%	
Operating margin	5.4%	6.0%		4.5%	7.2%		4.7%	8.9%	
Net margin	7.2%	9.5%		5.5%	7.3%		5.4%	8.4%	
OPEX to sales	15.9%	16.2%		15.8%	14.7%		14.6%	13.3%	

Source: BofA Global Research estimates

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Exhibit 3: P&L summary (quarterly)

We expect Li Auto GPM to drop in 1Q24 on a QoQ basis

(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	44,883	55,922	72,206	204,333
Total cost of goods sold	14,957	22,417	27,035	31,945	96,355	24,728	35,338	43,582	55,977	159,626
Gross profit	3,830	6,235	7,644	9,787	27,497	6,593	9,545	12,340	16,229	44,707
SG&A	1,645	2,309	2,544	3,270	9,768	2,662	3,366	4,026	4,693	14,748
R&D	1,852	2,426	2,817	3,491	10,586	2,506	3,591	4,474	4,693	15,264
Operating expenses	3,498	4,735	5,361	6,761	20,354	5,168	6,957	8,500	9,387	30,012
Income/(Loss) from operation	333	1,500	2,284	3,026	7,143	1,425	2,588	3,840	6,842	14,695
Non-GAAP income/(loss) from operations	885	2,043	2,994	3,863	9,786	2,075	3,338	4,615	7,667	17,695
Income/(Loss) before Income tax expense	973	2,352	2,951	4,176	10,452	2,070	3,283	4,560	7,587	17,500
Taxes or tax credit	39	42	138	-1,576	-1,357	311	492	684	1,138	2,625
Net income/(loss)	934	2,310	2,813	5,752	11,809	1,760	2,791	3,876	6,449	14,875
Net income/(loss) attribute to shareholder	930	2,293	2,823	5,658	11,704	1,760	2,791	3,876	6,449	14,875
Non-GAAP net income/(loss) attributable to ordinary shareholders	1,410	2,711	3,478	4,494	12,092	2,410	3,541	4,651	7,274	17,875
Earnings/(Loss) per ADS (RMB)	0.88	2.16	2.66	5.33	11.03	1.66	2.63	3.65	6.08	14.02
Fully diluted shares (mn)	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061	1,061
Operating Ratios										
Gross margin	20.4%	21.8%	22.0%	23.5%	22.2%	21.1%	21.3%	22.1%	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%	5.8%	6.9%	9.5%	7.2%
Pre-tax margin	5.2%	8.2%	8.5%	10.0%	8.4%	6.6%	7.3%	8.2%	10.5%	8.6%
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%	6.2%	6.9%	8.9%	7.3%

Source: Company report, BofA Global Research estimates

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We derive our PO of USD57 per ADS (HKD222 per share) using an average of EV/sales valuation method and DCF valuation method, vs previously USD48 per ADS (HKD187 per share).

DCF-based fair value: We derive a fair value of USD58 (previously USD45.6) from our DCF calculation, with assumptions of 2% FCF perpetuity growth and discount rate (WACC) of 13.1% (previously 12.1%, updated to reflect latest capital structure).

EV/sales-based fair value: We derive a fair value of USD56.1 (previously USD50). We apply an unchanged target EV/sales multiple of 1.6x to latest 2024E sales.

Exhibit 4: Valuation summary
Our new PO is USD57/ADS or HKD222

Valuation methodology	Implied value	Upside/downside	Parameters
Methodology 1			
EV/Sales (USD)	58.0		1.6x EV/sales
Methodology 2			
DCF (USD)	56.1		WACC of 13.1%
Price Objective (rounded) (USD)	57.0	64%	
Price Objective (rounded) (HKD)	222.0	59%	

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH



Price objective basis & risk

Li Auto (LI / LAAOF)

We derive our PO of USD57 per ADS (HKD222 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 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 13.1%.

EV/sales-based fair value: We derive a fair value of USD56.1 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

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	Fuyao Glass	XFGIF	600660 CH	Edward Leung, CFA
	Fuyao Glass	FIGIF	3606 HK	Edward Leung, CFA
	Great Wall Motor	GWLLF	2333 HK	Ming Hsun Lee, CFA
	GS Yuasa	GYUAF	6674 JP	Kentaro Hosoda
	Guangzhou Automobile Group	GNZUF	2238 HK	Ming Hsun Lee, CFA
	Hankook Tire	XHTRF	161390 KS	KJ Hwang
	Hero Motocorp	HRHDF	HMCL IN	Gunjan Prithyani
	Hesai	HSAL	HSAL US	Jessie Lo
	HL Mando	XMADF	204320 KS	KJ Hwang
	Honda Motor	HMC	HMC US	Kei Nihonyanagi
	Honda Motor	HNDAF	7267 JP	Kei Nihonyanagi
	Huayu	XHASF	600741 CH	Jessie Lo
	Hyundai Motor	HYMLF	005380 KS	KJ Hwang
	Isuzu Motors	ISUF	7202 JP	Kei Nihonyanagi
	Joyson	XQMWF	600699 CH	Jessie Lo
	Leapmotor	XZSSF	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	MUDGF	MSIL IN	Gunjan Prithyani
	Mazda Motor	MZDAF	7261 JP	Kei Nihonyanagi
	Minh	MNTHF	425 HK	Jessie Lo
	Ningbo Tuopu	XNCGF	601689 CH	Joey Yang, CFA
	Nissan Motor	NSANF	7201 JP	Kei Nihonyanagi
	Nissan Motor	NSANY	NSANY US	Kei Nihonyanagi
	PARK24	PKCOF	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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iQmethodSM 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 & 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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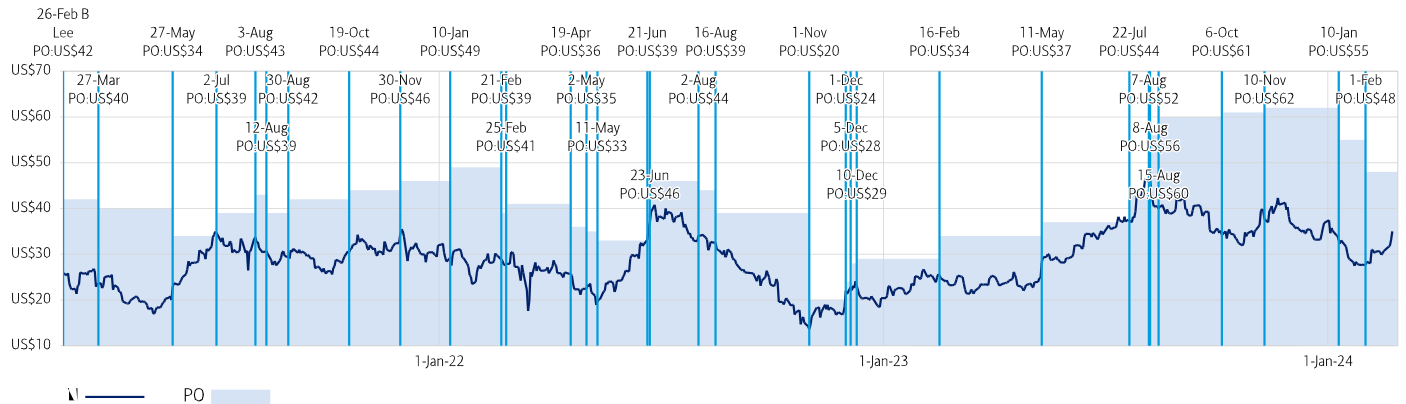
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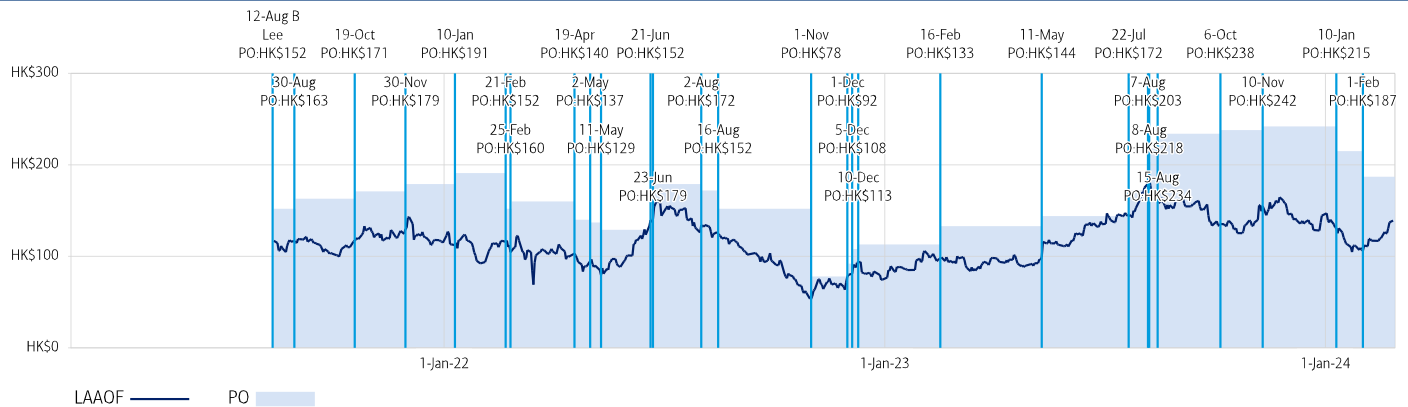
Li Auto (LI) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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 ^{R1}	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 ^{R1}	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%

^{R1} 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 ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}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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