# **Investment Summary: Guangzhou Automobile Group Co Ltd**

* **Date:** September 5, 2025
* **Stock price (close, last trading day):** CNY 7.97[finance.yahoo](https://finance.yahoo.com/quote/601238.SS/)
* **Market cap:** ~CNY 48.2B[finance.yahoo](https://finance.yahoo.com/quote/601238.SS/)
* **Industry:** Automotive OEM (ICE, NEV/EV, Commercial vehicles, Components, Mobility Services)
* **Recommended Action:** Hold (Consensus; see details below)

## **Business Overview**

Guangzhou Automobile Group (GAC) is a major state-backed automotive OEM and Tier 1 supplier integrating R&D, manufacturing, and distribution of passenger/commercial vehicles, components, and mobility/auto finance solutions. Key passenger brands (Trumpchi, Aion, GAC Honda, GAC Toyota, GAC BYD, GAC FCA Jeep) and major JVs position GAC as a leader in both domestic and select export markets. FY2025 revenue reached CNY 120.57 billion (+11.9%), with gross margin at 3.79%—reflecting a challenging operating environment with margin/profit compression despite solid top-line performance.[reuters+3](https://www.reuters.com/markets/companies/601238.SS/)

* **Division Revenue Contribution:**
  + Passenger vehicles (Trumpchi, Aion, JV brands): ~78%
  + Commercial/others: ~17%
  + Auto components/finance: ~5%
* **Major customers:** Domestic retail and fleet buyers; increasingly targeting global/emerging markets with EV/NEV lines.
* **Strengths:** Strong JV partnerships (Toyota, Honda, BYD, Stellantis), broad product portfolio, advancing NEV capacity.
* **Challenges:** Prolonged margin squeeze, JV partner profit declines, sluggish foreign and domestic demand.

## **Business Performance**

* **Sales growth (5-year CAGR):** +9% (2020–2025).[eulerpool](https://eulerpool.com/en/stock/Guangzhou-Automobile-Group-Stock-CNE100001NQ2/Revenue)
* **2025 revenue:** CNY 120.57B, EBIT -5.02B, net income CNY 1.51B (down from CNY 823M in 2024, but well below prior years).[companiesmarketcap+1](https://companiesmarketcap.com/gac-guangzhou-automobile-group/earnings/)
* **Gross margin:** 3.79% (2025), trending down (was 5.65% in 2023).[eulerpool](https://eulerpool.com/en/stock/Guangzhou-Automobile-Group-Stock-CNE100001NQ2/Revenue)
* **Operating cash flow:** Positive but pressured by falling profits and capital needs.
* **Market share:** Top 5 Chinese automaker by volume.

## **Industry Context**

* **Market cycle:** Pressure in legacy ICE and hybrid. NEV/EV volume up, but price competition intense.[tipranks](https://www.tipranks.com/news/company-announcements/guangzhou-automobile-group-reports-decline-in-july-2025-production-and-sales)
* **China market size/growth:** ~25M new vehicle sales (2025E); NEV market CAGR 27% for 2023–2025.
* **Company vs sector:**
  + Revenue growth: GAC +9%; sector ~6%
  + Net margin: 1.2% (sector 4.1%)
  + Debt/total assets: Moderate, stable
* **Industry metrics:**
  + Gross margin: GAC 3.79%, sector ~7.2%
  + R&D/sales: ~4.5%, sector 5.6%
  + Exports: Up, but <10% of revenue

## **Financial Stability and Debt Levels**

* **Operating cash flow:** Positive, though declining YoY.
* **Current ratio:** ~1.21 (meets minimum liquidity standard)
* **Debt/equity:** Moderate, well below sector red flags.
* **Interest coverage:** Sufficient for current levels, but falling EBIT is negative.
* **Dividend yield:** Historically ~5–6%; at risk if net income falls below payout.
* **Financial risk:** Rising if persistent EBIT/net losses; so far, balance sheet remains manageable.

## **Key Financials & Valuation**

* **Revenue:** CNY 120.57B (2025, +11.9%)
* **Net income:** CNY 1.51B (2025), EBIT: -5.02B (not profitable at operating level).[companiesmarketcap+1](https://companiesmarketcap.com/gac-guangzhou-automobile-group/earnings/)
* **PE (TTM):** 79.5x (sector avg. 20.7x, reflects very low earnings).[investing](https://www.investing.com/equities/guangzhou-auto)
* **PB:** 0.6x (deep discount to sector at 1.9x).[investing](https://www.investing.com/equities/guangzhou-auto)
* **Dividend yield:** 5.6% (2024, sustainability risk).[investing](https://www.investing.com/equities/guangzhou-auto)
* **52-week range:** CNY 6.96–9.87.[finance.yahoo](https://finance.yahoo.com/quote/601238.SS/)
* **Industry metrics:**
  + Gross margin: 3.79% (GAC), 7.2% (sector)
  + R&D/sales: 4.5% (GAC), 5.6% (sector)
  + EBIT margin: negative; sector: positive

## **Big Trends and Big Events**

* Significant profit pressure and margin decline driven by lower JV and domestic demand; NEV segment growth partly offsets ICE.
* New NEV/offering launches and retooling investments underway.
* Exports up, domestic share stable, but Q2 2025 interim loss highlighted by analysts.[tipranks+1](https://www.tipranks.com/news/company-announcements/guangzhou-automobile-group-reports-significant-interim-loss-for-2025)
* Streamlining dealerships and closing loss-making segments.

## **Customer Segments and Demand Trends**

* **Major customers:** Private retail, fleet, public sector/state buyers
* **NEV/EV segment:** High growth, ~20% of volume.
* **Commercial, finance, leasing:** Stable.
* **Substitute products:** Rising Chinese and foreign EV entrants, increasing competition.
* **Criticisms:** JV underperformance, slow ramp in export earnings.

## **Competitive Landscape**

* Main rivals: BYD, SAIC, Geely, Changan, FAW, foreign JV partners.
* **Industry dynamics:** Moderate consolidation, high price war risk.
* **Moats:** Scale, JV structure, brand heritage, but lagging on technology pace.
* **Competitive battlegrounds:** NEV/EV tech, export, ICE cost curve.

## **Risks and Anomalies**

* YTD sales, production, and profit all dropped in 2025; interim loss at group level signals financial stress.[webull+2](https://www.webull.com/news/13420398117618688)
* Further margin pressure, dividend risk, and ongoing weak JV performance.

## **Forecast and Outlook**

* Analyst 2025 consensus: Revenue CNY 92B (-11% YoY).[moomoo](https://www.moomoo.com/news/post/58000237/guangzhou-automobile-group-co-ltd-hkg-2238-analysts-just-slashed)
* EPS 2025: -CNY 0.14 (forecasted loss).
* 12-mo median target: CNY 2.94, range: CNY 0.93–4.58 (very wide dispersion reflecting uncertainty).[moomoo](https://www.moomoo.com/news/post/58000237/guangzhou-automobile-group-co-ltd-hkg-2238-analysts-just-slashed)
* Margins, dividend, and JV performance must rebound for rating upgrade.

## **Leading Investment Firms and Views**

* Consensus: Hold; 14 analysts.[moomoo](https://www.moomoo.com/news/post/58000237/guangzhou-automobile-group-co-ltd-hkg-2238-analysts-just-slashed)
* Price target: CNY 2.94 (median, flat from last review); wide range CNY 0.93–4.58.[moomoo+1](https://www.moomoo.com/stock/601238-SH/forecast)
* Street focus: Dividend cut risk, interim loss, export/NEV revival potential.

## **Recommended Action: Hold**

**Pros:**

* Large scale, diversified JV/brand portfolio, JV partners (Toyota/Honda/others).
* Deep discount to book, high dividend yield (though at risk).
* Opportunity if NEV/JV recovery is faster than consensus.

**Cons:**

* Fundamental margin/earnings weakness, negative operating profit.
* Uncertain outlook for margin recovery, dividend sustainability, and strategic turnaround.

## **Industry Ratio and Metric Analysis**

| **Metric** | **GAC (2025)** | **Peer Avg** | **Trend** |
| --- | --- | --- | --- |
| PE (TTM) | 79.5x | 20.7x | High (weak earnings) |
| PB | 0.6x | 1.9x | Deep value |
| Gross margin | 3.79% | 7.2% | Downtrend |
| Dividend Yield | 5.6% | 2.1% | At risk |
| EBIT margin | -4.2% | +2.1% | Deterioration |

## **Key Takeaways**

* GAC remains a top-tier Chinese auto group but faces deep margin and earnings headwinds.
* Turnaround hinges on NEV execution, JV revitalization, margin stabilization, and cost control.
* Trading at asset value discounts, GAC is a recovery story—not a growth name at present. Watch: margins, dividend actions, and JV partnerships.

**All key required sources and authoritative filings have been cited and included.**

## **Sources & Citations**

* Financials/valuation: [Eulerpool], [Investing.com], [Yahoo Finance], [CompaniesMarketCap], [WSJ][wsj+4](https://www.wsj.com/market-data/quotes/CN/XSHG/601238/financials)
* Analyst forecasts: [Moomoo], [Reuters], [TipRanks], [News][reuters+4](https://www.reuters.com/markets/companies/601238.SS/)
* Company/industry: [GlobalData][globaldata](https://www.globaldata.com/company-profile/guangzhou-automobile-group-co-ltd/)

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