

NEV automakers show differentiated sales trends

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July 6, 2023

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The NEV industry is in a period of rapid growth. The competitive landscape is constantly changing, yet not all automakers can seize the opportunity with a firm grip. Major NEV manufacturers have announced their sales or delivery data for June. In this report, we will analyze the latest trends. In addition, competition in the NEV industry is multi-faceted- brand, model, price, BEV, plug-in hybrid, range extender, battery type, driving range, battery replacement, charging speed, depth of intelligent hardware and software technology, distribution network, after-sales service, and the reputation of shareholders and business partners behind the automakers are often highlighted. Capital and financial markets can easily be misled by these marketing features, leading to misjudgments or erroneous evaluation.

Our views:

1. Good transparency

Transparency in the automotive manufacturing industry is crucial. Major automakers release monthly sales data within the first two weeks of each month. Automotive industry associations also release industry statistics on a weekly or monthly basis. Therefore, capital and financial markets can easily identify winners or losers. We have prepared an analysis of the sales trends of major NEV manufacturers. Sales data spanning one to two months may be distorted due to certain short-term promotions or market activities. We are more concerned about the trend of the 3-month moving average.

2. Avoiding pitfalls

New energy vehicles are a rapidly growing business area in the automotive manufacturing industry. According to the China Passenger Car Association (CPCA) statistics, in the first five months of 2023, retail sales of NEV (BEV and PHEV) reached 2.42mn units, an increase of 41%. According to the Ministry of Industry and Information Technology (MIIT) statistics, the production of new energy vehicles increased by 37% YoY in the first five months. Therefore, we should maintain a cautious attitude towards automakers whose NEV sales show a relatively low growth or fail to indicate an uptrend.

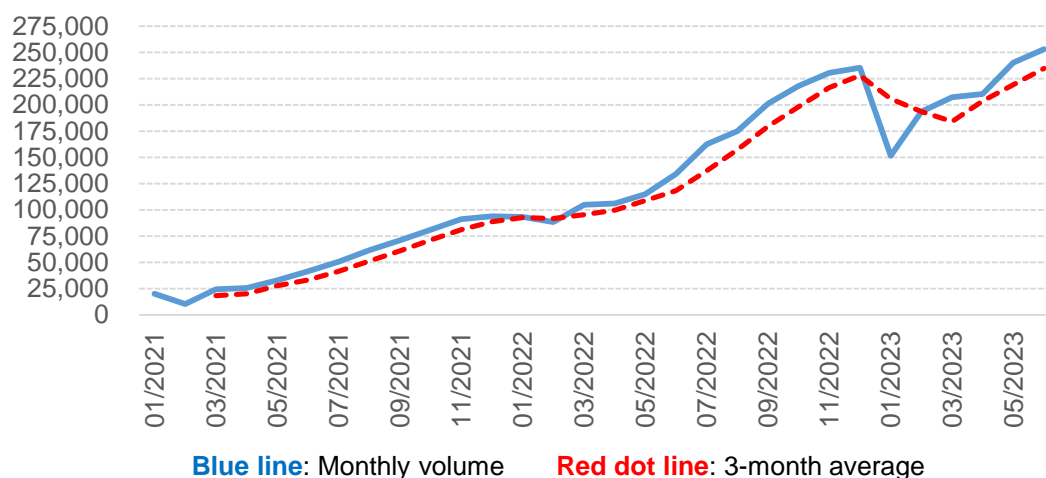
3. Winners

BYD (1211 HK, 002594 CH) and Li Auto (2015 HK, LI US) continued to perform well in Jun 2023 and 2Q23. BYD's sales in June increased to 253,046 units, implying a MoM growth of 5.3% and a YoY growth of 88.8%. In 2Q23 and



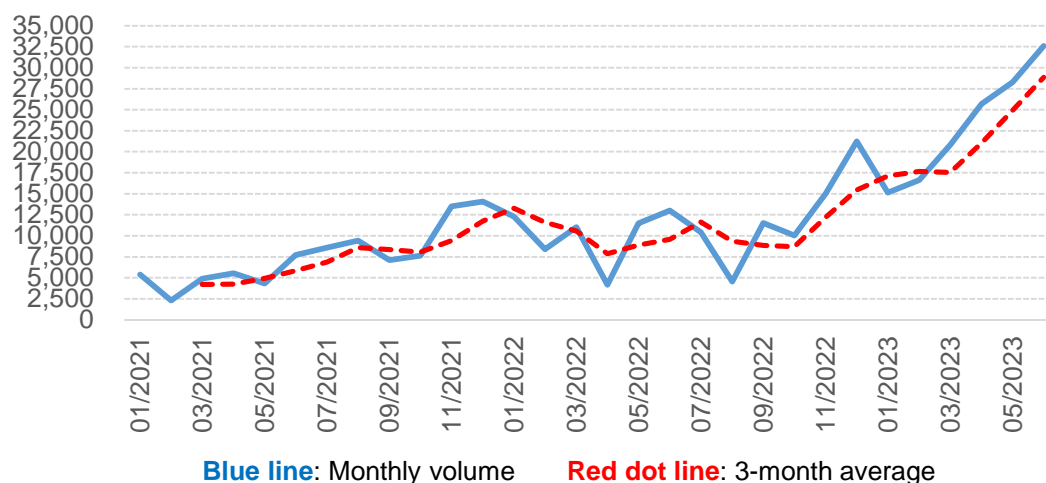
1H23, BYD's sales increased by 98.2% and 95.8% YoY to 703,561 units and 1,255,637 units, respectively. Li Auto delivered 32,575 units in June, up 15.2% MoM and 150.1% YoY. In 2Q23 and 1H23, Li Auto's delivery volume increased by 201.6% and 130.3% YoY to 86,533 units and 139,117 units, respectively. The target customer groups of BYD and Li Auto are different. Most of BYD's cars are priced below RMB 300,000, while Li Auto's cars are usually priced at RMB 300,000-400,000.

Exhibit 1: BYD (1211 HK, 002594 CH)'s NEV sales volume



Source(s): Company announcement, ABCI Securities

Exhibit 2: Li Auto (2015 HK, LI US)'s NEV delivery volume



Source(s): Company announcement, ABCI Securities

4. The Dark Horse of 2023

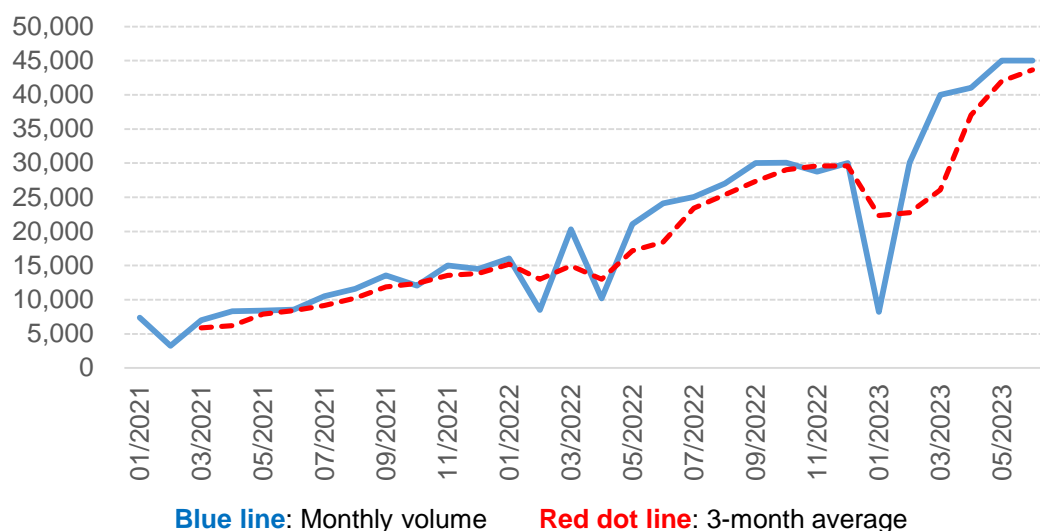
Guangzhou Automobile Group (2238 HK, 601238 CH)'s Aion is one of the dark horses, challenging BYD but with its strength limited by production capacity. Aion's production is approaching full capacity. The company announced on its WeChat public account that sales in June increased by 86.7% YoY to 45,013 units, but remained flat compared to May. Aion's sales in 2Q23 and 1H23 increased by 137% and 109% YoY, respectively, but June sales remained flat compared to May. Aion's sales in May and June were around 45,000 units each, with an annual production capacity of 400,000 units (or 33,000 units /month), putting its production over 100% of designed capacity. It is worth noting that the sales announced by Aion's WeChat public account may differ from the sales disclosed by Guangzhou Automobile Group, with the latter lagging behind Aion's overall sales announcement. Aion competes directly with BYD. Most of Aion's NEV is priced below RMB 200,000. If Aion faces capacity constraints, its threat to BYD will be limited.

Great Wall Motor (2333 HK, 601633 CH) is another dark horse. Throughout 6M23, its monthly NEV sales grew MoM. In 2Q23 and 1H23, its NEV sales increased 132% and 46% YoY respectively. In June, NEV sales grew 12% MoM and 110% YoY. Great Wall Motor has launched NEV models under its traditional Haval brand, which has a well-established distribution network, and we believe this is a positive catalyst.

Another dark horse is BAIC BluePark (600733 CH). In 2Q23 and 1H23, its NEV sales increased by 155% and 107% YoY, respectively. In June, NEV sales grew 175% MoM and 212% YoY. BAIC BluePark outsources part of its NEV production to its parent, BAIC Group, to overcome capacity constraints. As a result, BAIC BluePark's sales have been able to increase rapidly.

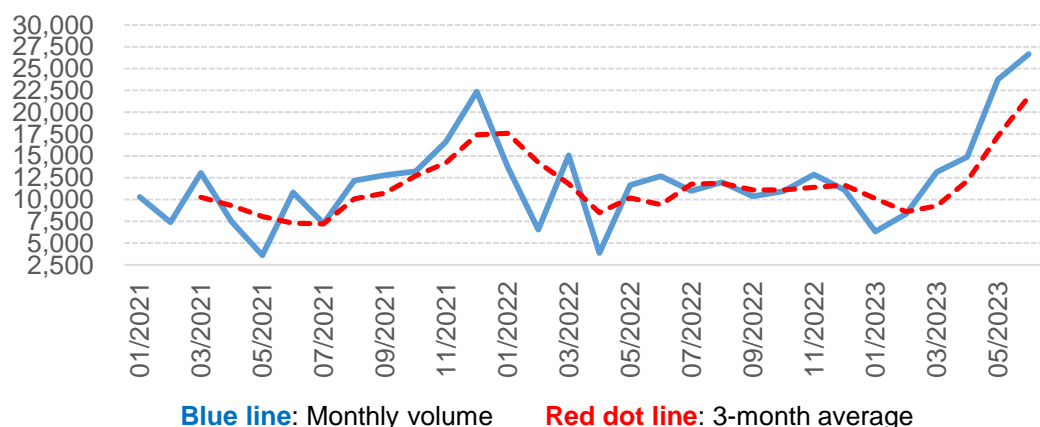


Exhibit 3: Guangzhou Automobile Group (2238 HK, 601238 CH)'s Aion NEV sales volume

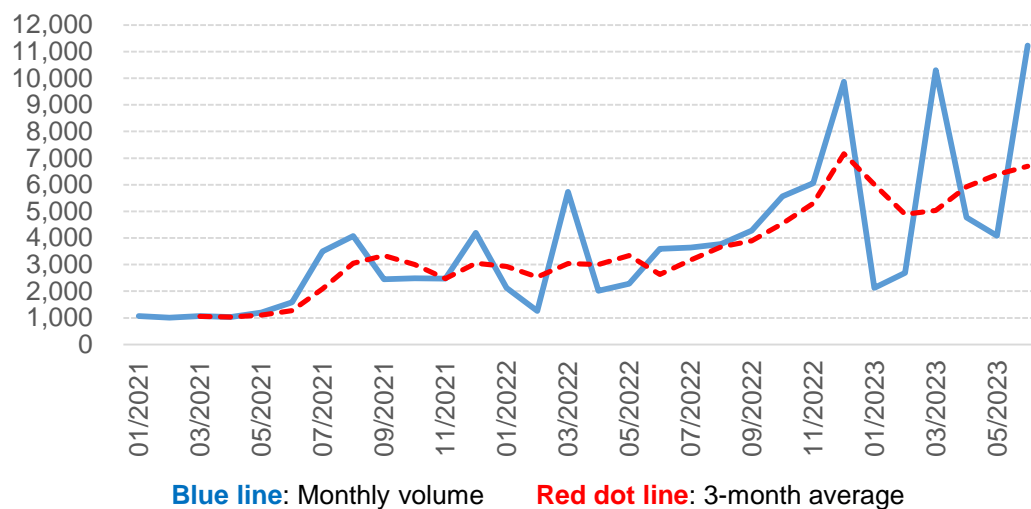


Source(s): Aion WeChat Public Account, ABCI Securities

Exhibit 3: Great Wall Motor (2333 HK, 601633 CH)'s NEV sales volume



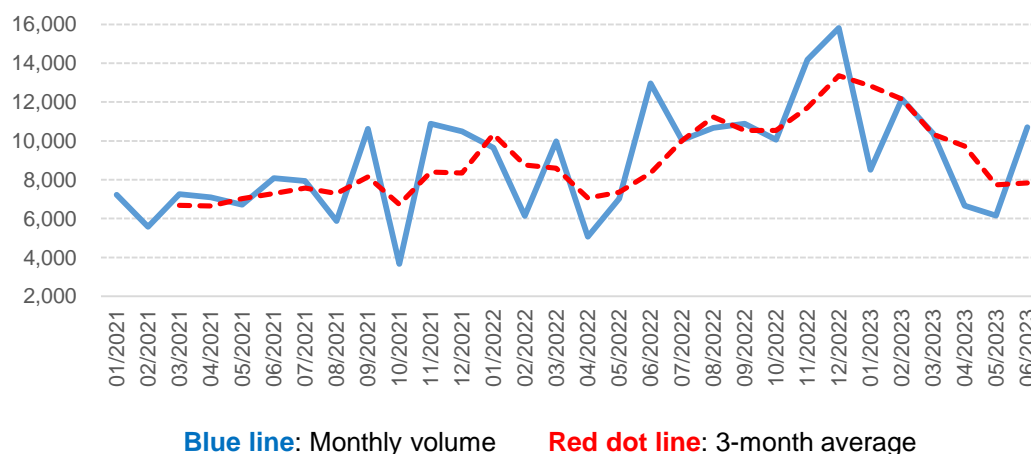
Source(s): Company announcement, ABCI Securities

**Exhibit 5: BAIC BluePark (600733 CH)'s NEV sales volume**

Source(s): Company announcement, ABCI Securities

5. Changing Competitive Landscape, Growth Momentum Hindered

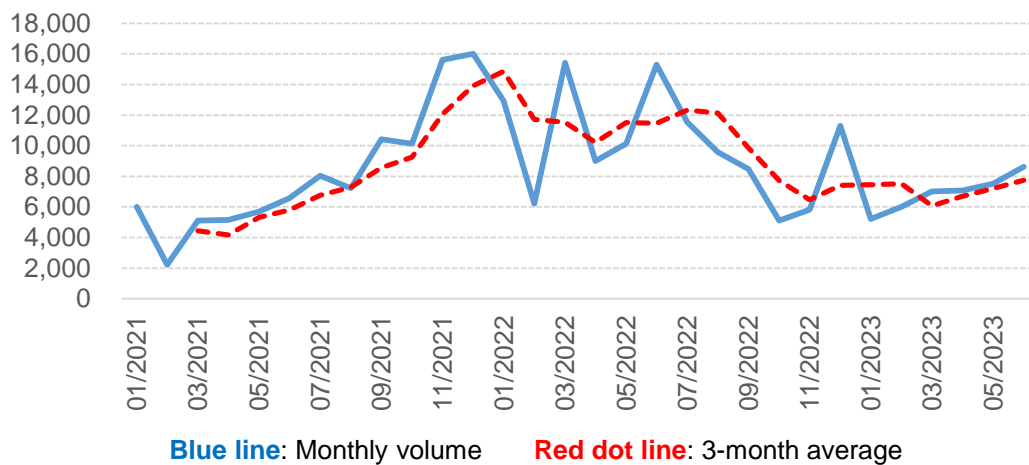
NIO Inc (9866 HK, NIO US) saw its NEV deliveries declined by 6.1% YoY to 23,520 units in 2Q23. In 1H23, NEV deliveries increased by 7.3% YoY to 54,561 units. Boosted by the new model in June, the delivery volume increased by 74% MoM but decreased by 17.4% YoY to 10,707 units. The launch of the new ET5 model will drive the deliveries in 3Q23. However, the competitive landscape for high-priced NEV (especially in the RMB 300,000-400,000 range) has changed in ways unfavorable to NIO. First, within this price range, Li Auto has gained more consumer recognition and directly competes with NIO. Other NEVs by domestic brands, such as SAIC Motor (600104 CH)'s IM Motors and Dongfeng Motor Group (489 HK)'s Voyah, also have a price range of RMB 300,000-400,000. As such, competition in this segment is intensifying.

Exhibit 6: NIO (9866 HK, NIO US)'s NEV delivery volume

Source(s): Company announcement, ABCI Securities

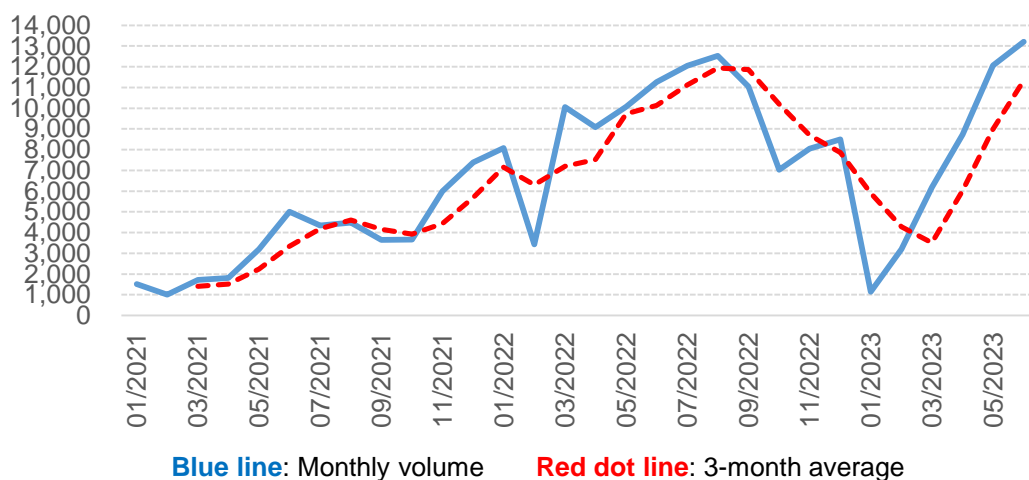
XPeng Inc (9868 HK, XPEV US) competes directly with Leapmotor (9863 HK). We believe Leapmotor's C-series NEV models are a threat to XPeng due to comparable pricing. XPeng announced that its delivery volume in June increased by 14.8% MoM but decreased by 43.6% YoY to 8,620 units. In 2Q23 and 1H23, its delivery volumes declined by 32.6% and 39.9% YoY to 23,205 units and 41,435 units, respectively. Leapmotor announced that its delivery volume in June grew by 9.5% MoM and 17.3% YoY to 13,209 units. Leapmotor further revealed that 87% of its June deliveries were C-series models, which we believe directly compete with XPeng. In 2Q23, Leapmotor delivered 33,993 units, an 11.8% YoY increase. However, its deliveries in 1H23 totaled 44,502 units, down 14.4% YoY. The growth in C-series model sales drove the delivery volume in 2Q23.

Exhibit 7: XPeng Inc (9868 HK, XPEV US)'s NEV delivery volume



Source(s): Company announcement, ABCI Securities

Exhibit 8: Leapmotor (9863 HK)'s NEV delivery volume



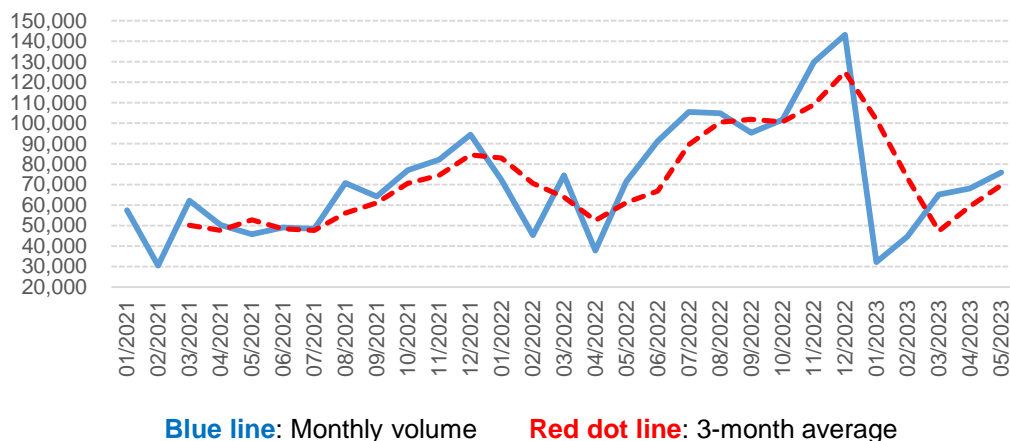
Source(s): Company announcement, ABCI Securities

6. Traditional Automakers Struggle with Transformation

We believe NEV manufacturers will not diversify their products from NEV to internal combustion engine (ICE) vehicles. However, we believe that traditional ICE vehicle manufacturers will diversify their products into NEV. Traditional automakers such as SAIC Motor, Dongfeng Motor Group, Changan Automobile (000625 CH), Jianghuai Automobile (600418 CH), and Geely Automobile (175 HK) are all ramping up their NEV offerings. Given their well-established supply chains (including upstream automotive components and downstream sales distribution networks), their product diversification process should encounter fewer obstacles. However, their NEV sales indicate significant challenges. As ICE vehicles remain their primary source of revenue and profit, we believe most of their internal resources are mainly allocated to the traditional ICE vehicle business.

Some traditional automakers have launched NEV brands by setting up new subsidiaries to seize new growth opportunities and raise funds to finance the development of their NEV business. Private equity investors are eager to inject capital into these NEV subsidiaries. Currently, the business performance of NEV subsidiaries varies significantly. Guangzhou Automobile Group's Aion is one of the few successful ones that are able to raise funds and achieve satisfactory sales. Dongfeng Motor Group, Geely Automobile, and Changan Automobile have smaller and more volatile NEV sales, and have not yet established a clear uptrend in sales. To note, a crucial competitive factor in developing NEV business is the degree of commitment. Manufacturing and selling vehicles are the core businesses of traditional automakers; many see expanding into NEV market as one of their product diversification strategies. These traditional auto manufacturers are unlikely to give up their ICE vehicle business.

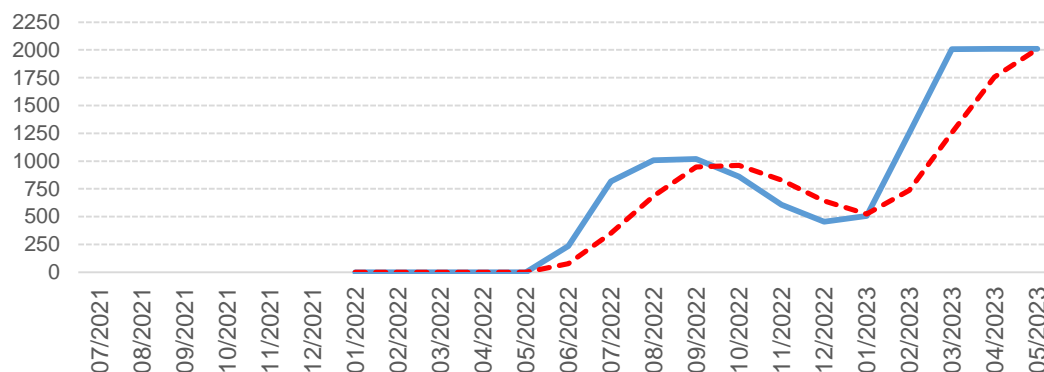
Exhibit 9: SAIC Motor (600104 CH)'s NEV sales volume



Source(s): Company announcement, ABCI Securities



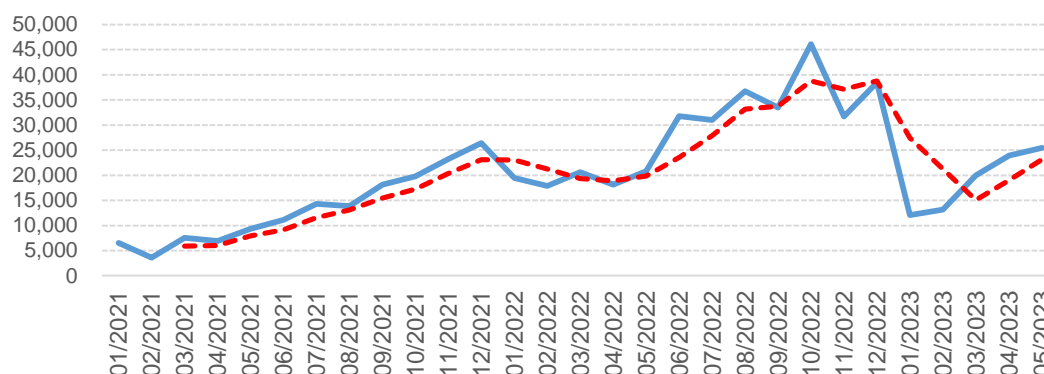
Exhibit 10: SAIC Motor (600104 CH)'s IM Motors NEV sales volume



Blue line: Monthly volume Red dot line: 3-month average

Source(s): Company announcement, ABCI Securities

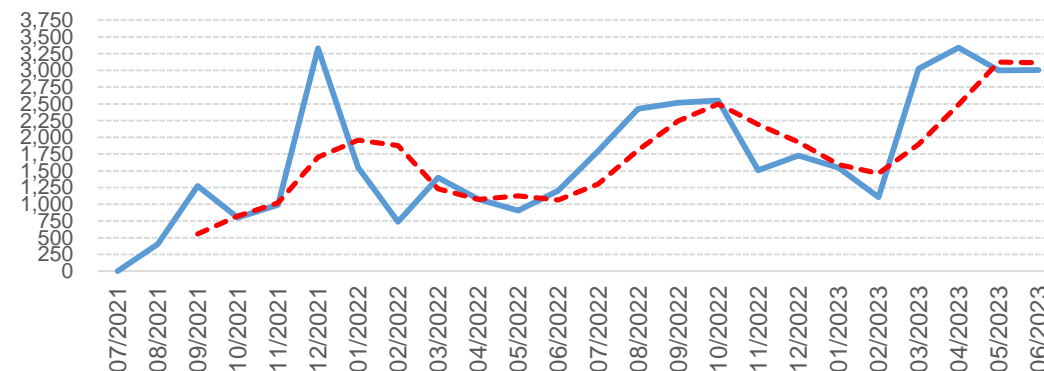
Exhibit 11: Dongfeng Motor Group (489 HK)'s NEV sales volume



Blue line: Monthly volume Red dot line: 3-month average

Source(s): Company announcement, ABCI Securities

Exhibit 12: Dongfeng Motor Group (489 HK)'s Voyah NEV sales volume

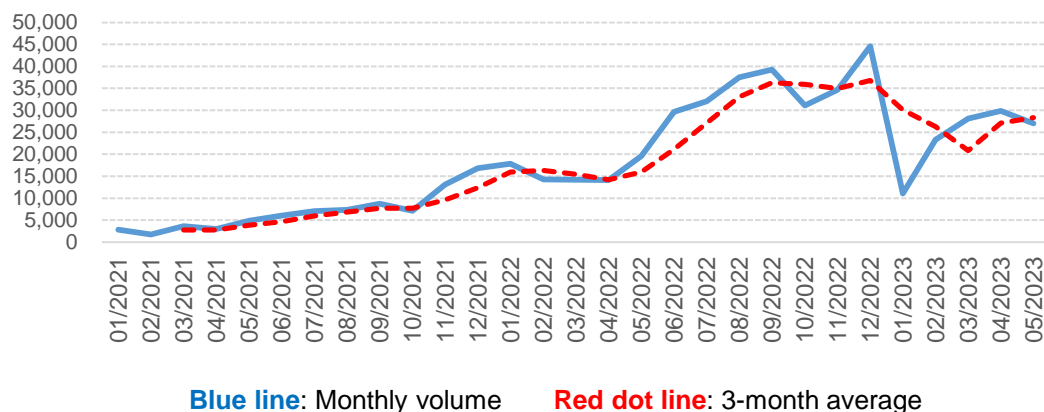


Blue line: Monthly volume Red dot line: 3-month average

Source(s): Company announcement, ABCI Securities

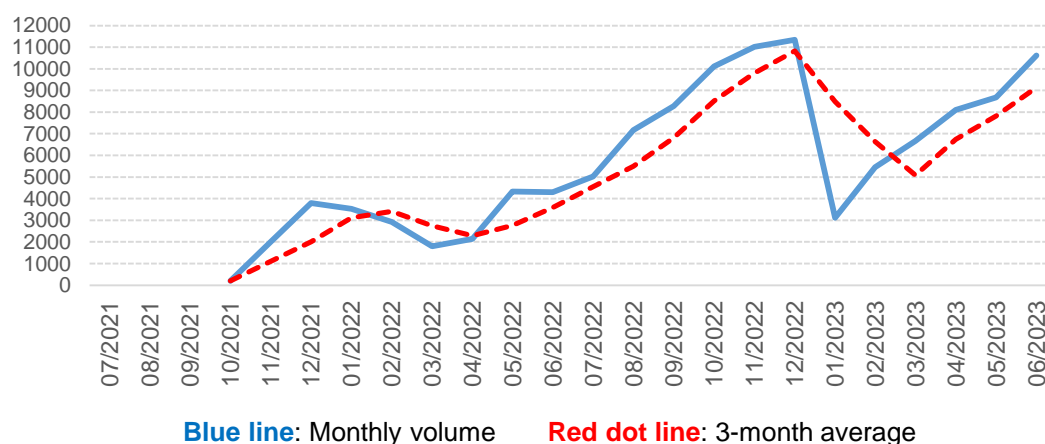


Exhibit 13: Geely (175 HK)'s NEV sales volume



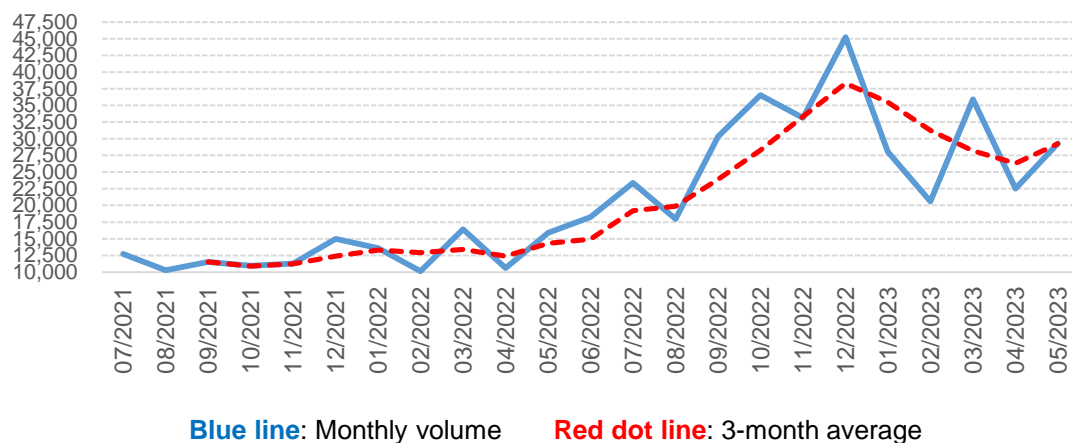
Source(s): Company announcement, ABCI Securities

Exhibit 14: Geely (175 HK) 's Zeekr NEV sales volume



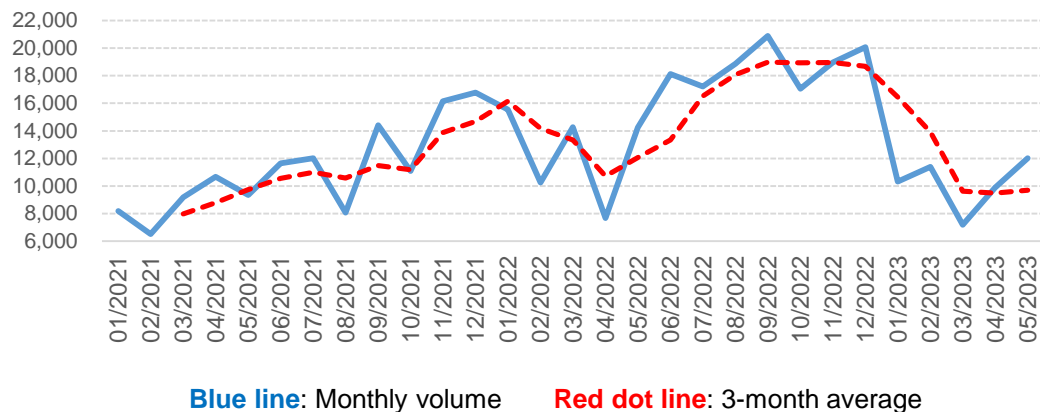
Source(s): Company announcement, ABCI Securities

Exhibit 15: Changan Automobile (000625 CH)'s NEV sales volume



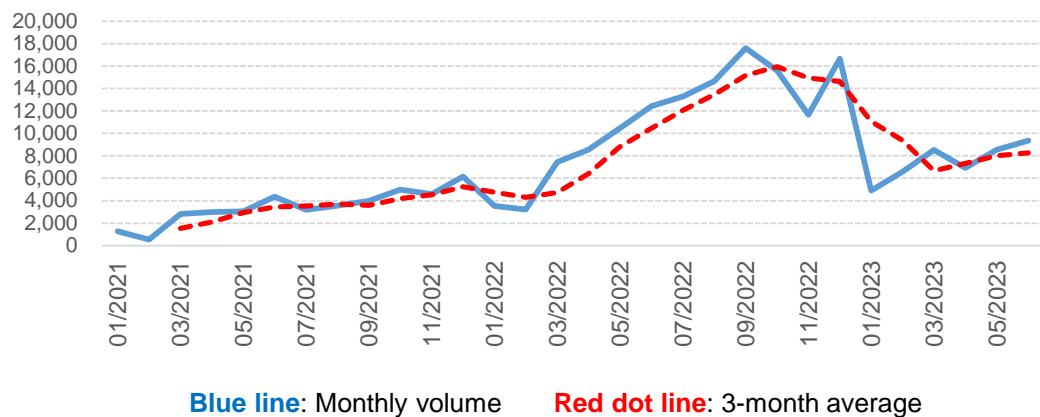
Source(s): Company announcement, ABCI Securities

Exhibit 16: Jianghuai Auto (600418 CH)'s NEV sales volume



Source(s): Company announcement, ABCI Securities

Exhibit 17: Seres Group (601127 CH)'s NEV sales volume



Source(s): Company announcement, ABCI Securities

In summary, the trend in NEV sales is a result of the comprehensive competitive strength of automakers and consumer's preference. As more and more traditional automakers diversify their products to include NEV, competition in the NEV market will intensify. NEV players will be competing on brand, vehicle type, price, battery type, driving range, battery charging time, depth of intelligent technology, after-sales service, etc. Capital and financial markets can be easily misled by these marketing features, which may lead to erroneous judgments. The competitive landscape and consumer behavior will continue to change. Monthly sales are one of the most revealing indicators of success. Due to the high transparency of the industry, capital and financial markets can closely track the sales trends of automakers to determine which companies can tightly capture the development opportunities in the NEV industry.

Disclosures

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Definition of equity rating

Rating	Definition
Buy	Stock return rate \geq Market return rate ($\sim 9\%$)
Hold	- Market return rate ($\sim 9\%$) \leq Stock return rate $<$ Market return rate ($\sim 9\%$)
Sell	Stock return $<$ - Market return ($\sim 9\%$)

Notes: Stock return rate: expected percentage change of share price plus gross dividend yield over the next 12 months

Market return rate: average market return rate since 2006 (For reference: HSI total return index 2006-22 averaged at 8.4%)

Time horizon of share price target: 12-month

Stock rating, however, may vary from the stated framework due to factors including but not limited to: corporate governance, market capitalization, historical price volatility relative to corresponding benchmark index, average daily turnover of the stock relative to market capitalization of the stock, competitive advantages in corresponding industry, etc.

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