

NIO Inc

Sector headwinds offsetting operating leverage improvement

13 March 2026

Company Overview

NIO is a pioneer and leading Chinese company in the premium smart electric vehicle market. The company was listed on the NYSE in 2018, and SEHK and SGX in 2022. Its vehicle products are largely mid-large size vehicles, covering four SUV and two sedan models. It targets at the high-end premium vehicle market with ASP mostly falling between Rmb300-500k per car. A new mass market sub-brand - ONVO with lower ASP at Rmb200-300k was launched in 2H24 and follows by Fireflies in 2025. Although majority of its sales takes place in China, NIO has also ventured into the Western and Northern European market by setting up sales network in Germany, Denmark, Sweden and the Netherlands. NIO has advanced battery swapping technology, and it is the first in industry to roll out battery as a service (BaaS) package for its customers. It is also planning to launch its autonomous driving system through monthly subscription.

Investment Overview

Brand diversification strategy. NIO Inc., a leading player in the premium EV segment, is seeing positive results from its recent brand diversification strategy. Monthly shipments exceeded 40k units in Oct 2025 and the company plans to further strengthen its brand architecture with a broader product spectrum targeting different customer groups. For 4Q25, management guided vehicle deliveries and total revenue growth of 65.1–72% y/y and 66.3–72.8% y/y, respectively.

3Q25 results beat. NIO delivered a solid 3Q, with vehicle sales up 15% y/y to RMB19.2bn, supported by a 40.8% increase in deliveries. Vehicle margin improved to 14.7% (+1.6ppt y/y and +4.4ppt q/q). Operating expenses declined, driven by a 28% y/y drop in R&D spending and disciplined SG&A. As a result, non-GAAP net loss narrowed to RMB2.76bn, improving 37% y/y and 33% q/q, better than market expectations.

Improving operating leverage but challenges remain. NIO is moving closer to breakeven in 4Q25, with product mix improvement expected to lift vehicle margin to 18%, up 3.3ppts q/q. However, volatility in China's auto market and persisting competitive pressure, particularly as industry stimulus winds down, remain key risks.

Maintain HOLD; TPs unchanged at HKD52.00/USD6.60. We maintain our HOLD rating, as the outlook for the Chinese auto sector remains challenging despite NIO's improving fundamentals. Our target prices are based on a rolling EV/revenue multiple of 1.2x, reflecting the company's sales trajectory and gradual profitability improvement. While NIO's operational progress is encouraging, sector headwinds and competitive intensity limit re-rating potential.

Risks

Slowdown of the Chinese auto market could derail the company's plans to turn around its business.

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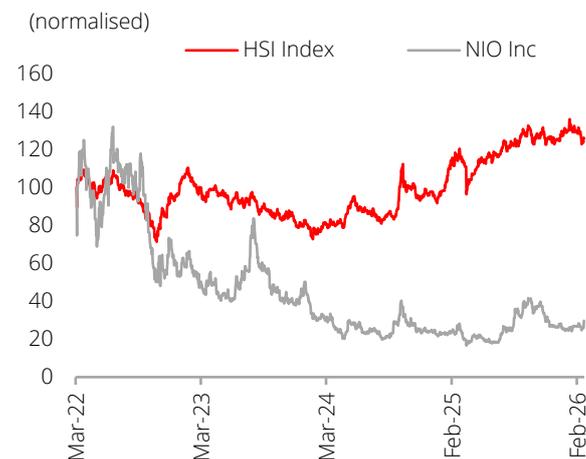
Key Financial Data

Bloomberg Ticker	9866 HK
Sector	Automobiles & Components
Share Price (HKD)	44.90
DBS Rating	HOLD
12-mth Target Price (HKD)	52.00
Market Cap (USD bn)	na
Volume (m shares)	28.8
Dividend yield (%)	na
Fwd. P/E (x)	-10.4
P/Book (x)	57.6
ROE (%)	-241.0

Closing Price as of 12 Mar 2026

Source: Bloomberg, DBS

Indexed Share price vs Composite Index Performance



Source: Thomson Reuters

Financial Summary (CNYmn)

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Sales	49,269	55,618	65,732	89,219	130,323
% y/y	36.3	12.9	18.2	35.7	46.1
Gross Profit	5,144	3,052	6,493	11,034	20,381
% y/y	(24.6)	(40.7)	112.8	69.9	84.7
EBITDA	(10,259)	(16,518)	(14,675)	(9,833)	(765.4)
% y/y	nm	nm	nm	nm	nm
Net Profit (Loss)	(14,559)	(21,147)	(22,658)	(17,733)	(10,021)
% y/y	nm	nm	nm	nm	nm
FCF	(10,839)	(15,722)	(16,991)	(9,115)	950.2
% y/y	nm	nm	nm	nm	nm
CAPEX	(6,973)	(14,341)	(9,142)	(6,450)	(5,250)
% y/y	71.0	105.7	(36.2)	(29.4)	(18.6)
EBITDA Margin (%)	(20.8)	(29.7)	(22.3)	(11.0)	(0.6)
Net Margin (%)	(29.6)	(38.0)	(34.5)	(19.9)	(7.7)
ROA (%)	(16.3)	(19.8)	(20.1)	(17.1)	(9.5)
ROE (%)	(44.5)	(74.4)	(105.8)	(241.0)	(443.8)
Tax Rate (%)	nm	nm	nm	nm	nm

Source: DBS

Valuation Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
PE (x)	nm	nm	nm	nm	nm
P/B (x)	2.5	2.5	6.5	71.7	29.6
Dividend Yield (%)	nm	nm	nm	nm	nm
EV/EBITDA (x)	nm	nm	nm	nm	nm
FCF Yield (%)	nm	nm	nm	nm	1.5
Net DPS (HKD)	0.00	0.00	0.00	0.00	0.00
BV Per Share (HKD)	19.0	19.0	6.9	0.7	1.6

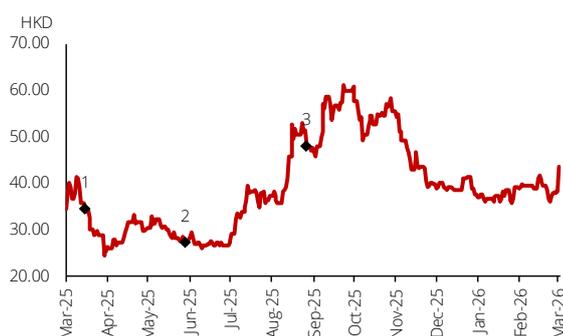
Source: DBS

Credit & Cashflow Metrics

FY Dec	FY2022(A)	FY2023(A)	FY2024(A)	FY2025(F)	FY2026(F)
Debt / Equity (x)	0.5	0.6	1.3	9.5	4.6
Net Debt / Equity (x)	cash	cash	cash	cash	cash
Debt / Assets (x)	0.2	0.2	0.2	0.2	0.2
EBITDA / Int Exp (x)	nm	nm	nm	nm	nm
Debt / EBITDA (x)	(1.5)	(1.1)	(1.2)	(1.6)	(23.7)
Receivables Days	40.2	42.3	43.8	37.1	24.4
Days Payable	172.2	207.5	222.7	180.7	133.6
Inventory Days	45.3	50.0	42.3	36.8	27.2

Source: DBS

Target Price & Ratings History



S.No.	Date	Closing Price	Target Price	Rating
1	24-Mar-25	34.70	38.00	HOLD
2	6-Jun-25	27.55	30.60	HOLD
3	4-Sep-25	48.24	52.00	HOLD

Note: Share price and Target price are adjusted for corporate actions

Source: DBS

Analyst: Raphael Wut Hei TSE
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HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
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*Share price appreciation + dividends

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