

What's Hot Today:

► NIO (9866 HK, HK\$42.36, HK\$105bn) Coming Back to the Premium Segment

NIO is a leading Chinese EV maker. 1Q26 revenue of RMB25.5bn (+112% YoY / -26% QoQ) beat guidance but slightly below consensus. Operating loss of RMB0.31bn was far better than market expectations of a loss of RMB1bn. Despite a seasonally weak quarter and industry-wide domestic sales decline of 20%, NIO delivered a solid performance driven by its high-margin product mix.

Fig 1: YoY and QoQ Comparison (RMB'bn)

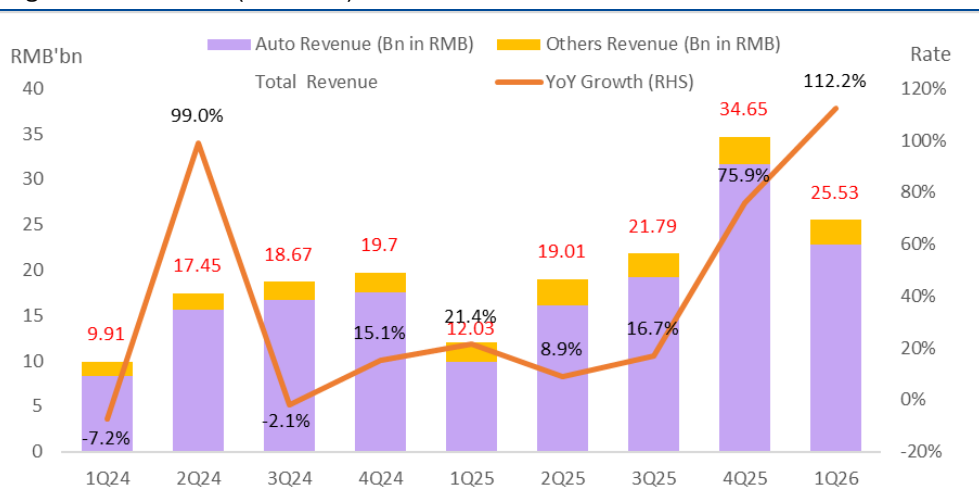
9866.HK NIO	1Q25		4Q25		1Q26		YoY	QoQ
	RMB bn	% of Rev	RMB bn	% of Rev	RMB bn	% of Rev		
Total Revenue	12.03		34.7		25.5		112%	-26%
COGS	10.13		28.6		20.7		104%	-28%
Gross Profit	1.90	15.8%	6.1	17.5%	4.9	19.0%	3.2 ppt	1.5 ppt
R&D Expense	3.18	26%	2.0	6%	1.9	7%	-41%	-7%
S&GA expense	4.40	37%	3.5	10%	3.5	14%	-20%	-1%
OPEX	7.58	63%	5.6	16%	5.4	21%	-25%	-3%
Core Operating Profit	(5.7)	-47%	0.5	1%	(0.5)	-2%	90%	TA
Operating Profit	(6.4)	-53%	0.81	2%	(0.31)	-1%	95%	TA

Source: Company Data, Sunwah Kingsway Research

High-margin product mix drives GPM improvement: Auto revenue reached RMB22.8bn (+129% YoY / -28% QoQ), slightly below market expectations of RMB23.1bn. Despite a seasonally weak quarter with vehicle sales of 83k units (+98% YoY / -33% QoQ), the product mix continued to further optimize, especially the sales of the high-margin ES8 rose 14% QoQ to 45k units, accounting for 54% of total sales. This resulted in a vehicle ASP of RMB273k and vehicle gross profit per unit of RMB51k, both increasing on a YoY and QoQ basis, lifting vehicle GPM to 18.8%, the highest in three years.

Other sales (including after-sales service, parts sales, battery swap station services, and other businesses) also grew solidly, with revenue standing at RMB3.04bn and GPM improved significantly to a record-high 20%, mainly due to improved operating efficiency at battery swap stations and peak-valley electricity price arbitrage.

Fig 2: Total Revenue (RMB\$ bn)



Source: Company Data, Sunwah Kingsway Research

China & HK Indices	CLOSE	1D	YTD
HSI	25,599	-0.0%	-0.1%
HSCEI	8,576	0.3%	-3.8%
HSCCI	4,444	0.1%	10.7%
CSI300	4,947	0.5%	6.9%
Shanghai A	4,347	-0.2%	10.4%
Shanghai B	280	-0.5%	10.4%
Shenzhen A	3,005	-0.6%	13.5%
Shenzhen B	1,128	-0.5%	-10.7%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	50,461	-0.2%	5.0%
S&P 500	7,519	0.6%	9.8%
Nasdaq	26,656	1.2%	14.7%
NIKKEI Index	65,925	1.4%	31.0%
FTSE Index	10,491	0.2%	5.6%
CAC Index	8,173	-1.0%	0.3%
DAX Index	25,184	-0.8%	2.8%

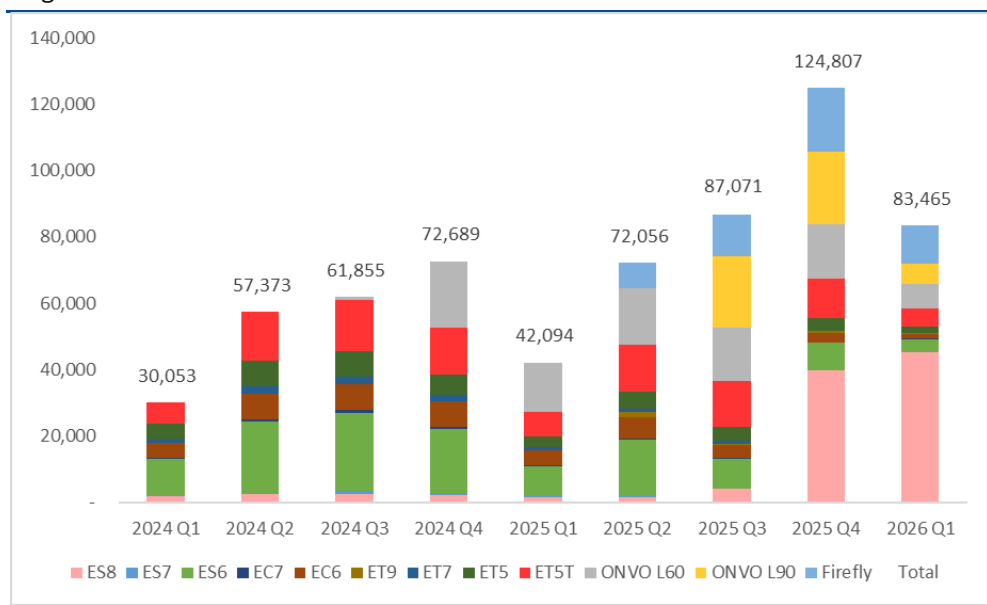
Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,507	-1.4%	4.6%
STEEL (US\$/oz.)	3,317	4.7%	30.4%
SILVER (US\$/oz.)	76	-1.5%	8.1%
CRUDE OIL (US\$/bbl)	93	-2.8%	62.2%
COPPER (US\$/oz.)	13,623	0.8%	9.7%
ALUMINIUM (US\$/oz.)	3,672	1.0%	22.6%
PLATINUM (US\$/oz.)	1,963	-0.4%	-4.7%
ZINC (US\$/oz.)	3,533	0.3%	13.3%
WHEAT (US\$/bu)	635	-1.7%	25.7%
CORN (US\$/bu)	457	-1.2%	1.0%
SUGAR (US\$/lb)	117	-3.7%	
SOYBEAN (US\$/bu)	1,186	-0.9%	10.5%
PVC (US\$/t)	4,876	-0.4%	58.3%
CRB	388	-1.0%	3.0%
BDI			59.4%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.836	0.860	159.300	0.786	6.786
HKD	0.128		0.110	20.328	10.027	0.866
EUR	1.163	9.115		185.260	1.094	7.893
JPY	0.006	4.919	0.540		0.493	0.043
CHF	1.273	9.974	1.094	202.724		8.637
RMB	0.147	1.155	0.127	23.479	0.116	

Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	17	-4.5%

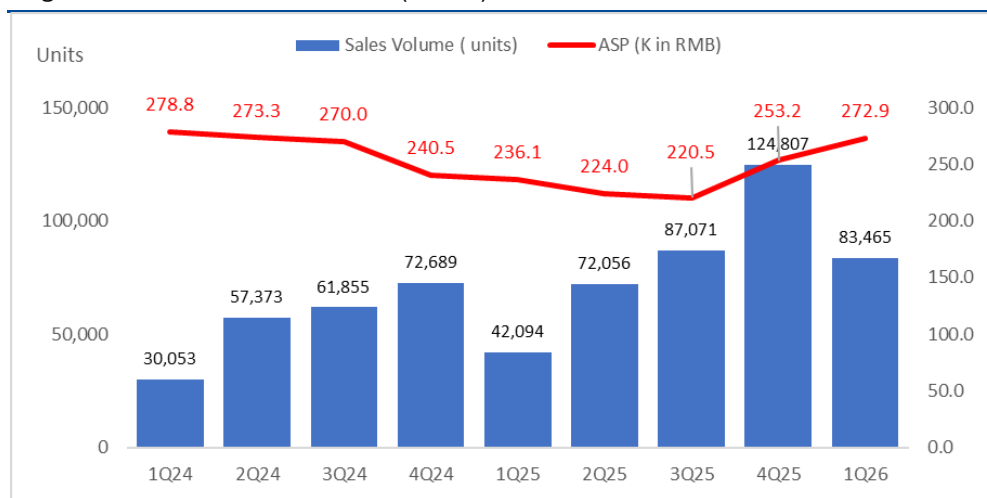
Source: Bloomberg

Fig 3: NIO Product Sales Structure



Source: Company Data, Sunwah Kingsway Research

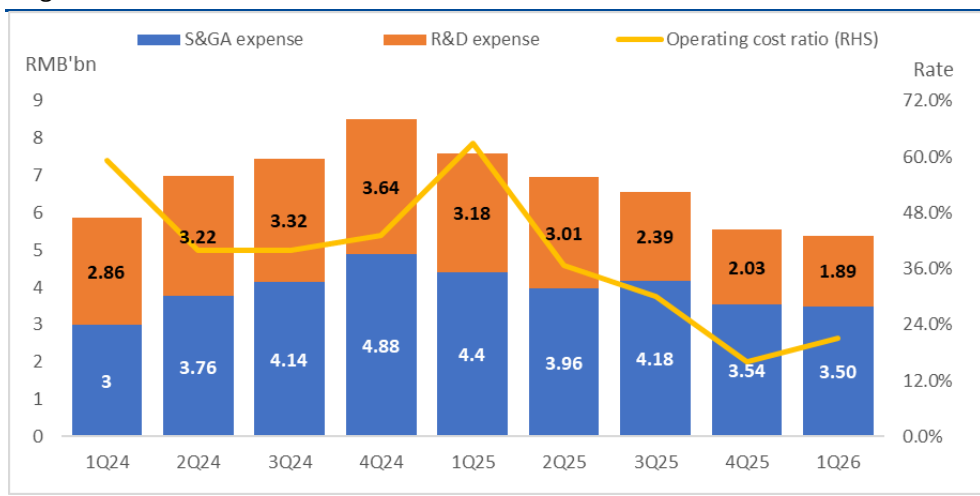
Fig 4: NIO Sales Volume and ASP (RMB'k)



Source: Company Data, Sunwah Kingsway Research

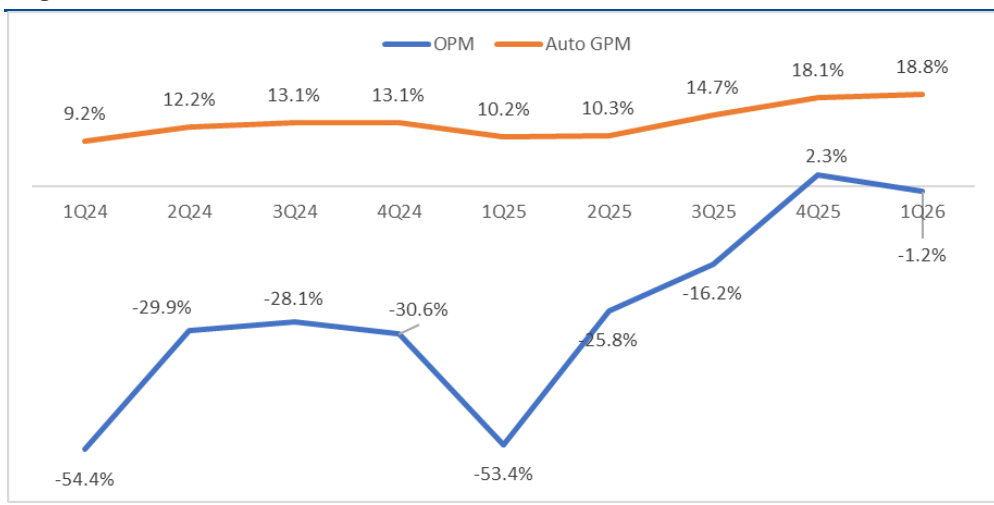
Profitability and cash flow continue to improve: 1Q26 operating loss amounted to RMB0.31bn, a significant reduction from a loss of RMB6.42bn in 1Q25. The sequential swing from a profit of RMB0.81bn in 4Q25 was mainly due to a 26% QoQ revenue decline (seasonal weakness). The YoY improvement was driven by OPEX reduction to RMB5.39bn (both down YoY and QoQ), led by lower R&D as the heavy investment phase ended and the CBU mechanism boosted efficiency. As a result, the OPEX ratio narrowed sharply from 63% in 1Q25 to 21.1%. This operational leverage drove cash balance up RMB2.3bn QoQ to RMB48.2bn.

Fig 5: NIO Auto OPEX Breakdown



Source: Company Data, Sunwah Kingsway Research

Fig 6: NIO Profit Breakdown



Source: Company Data, Sunwah Kingsway Research

Business Outlook: Management guided 2Q26 deliveries of 110k–115k units (+53% to 60% YoY) revenue at RMB 32.8 to 34.4bn (+72% to 81% YoY), also reaffirmed FY2026 positive Non-GAAP operating profit. Despite rising raw material costs (e.g. memory chips, lithium, copper, aluminum) which add over RMB10k in cost per vehicle, NIO aims to maintain blended vehicle GPM at 17-18% in 2Q26 and FY26. It is expected that new models will command a much higher margin, but there will be margin squeeze in the older models. Meanwhile, supply chain optimization could contribute a 5-10% cost cut.

New model ES9 (50k+ RMB pure electric SUV) which was launched in May 2026 is seeing strong order flow. The first car is expected to be delivered by the end of May 2026. Moreover, the introduction of ES9 has not cannibalized ES8 sales and instead driven positive spillover effect. As such, ES8 orders increased 30% QoQ in the first week of ES9 test drives, and ES8 order intake remains robust. In 2H26, a new five-seat version of the ES8 and ES7 are scheduled to launch, followed by mid-sized products (ET5, ET5T, ES6 and EC6).

On autonomous driving, the company's in-house developed chips have shipped 250k units and powering all product lines now. The autonomous driving algorithm has transitioned to the New World Model (NWM), enabling premium ADAS experiences with lower computing power. Going forward, ADAS subscription is expected to become a key growth driver for other sales revenue.

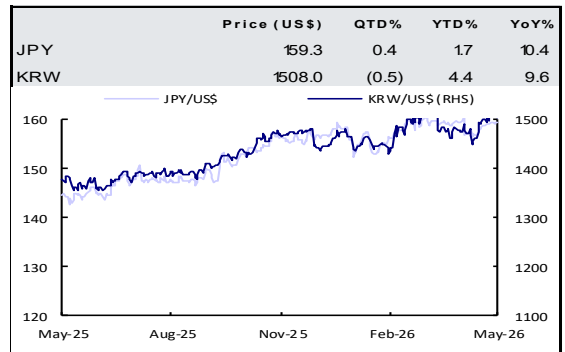
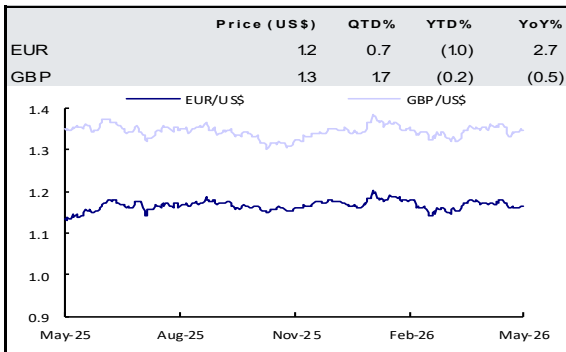
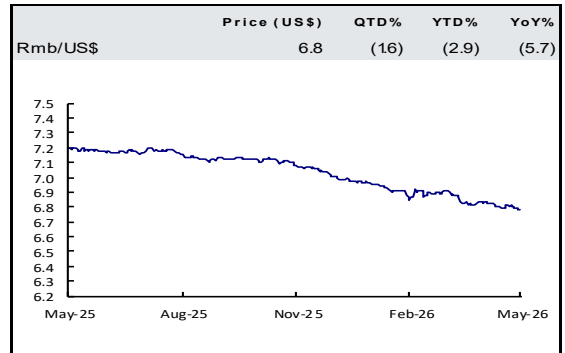
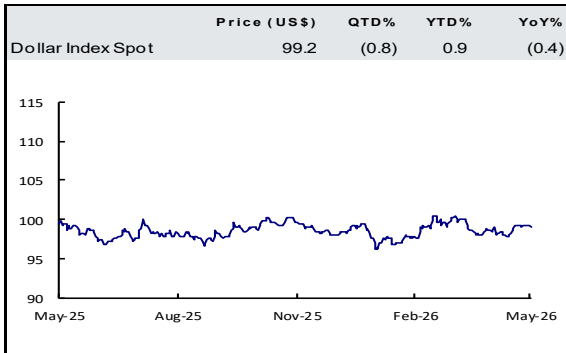
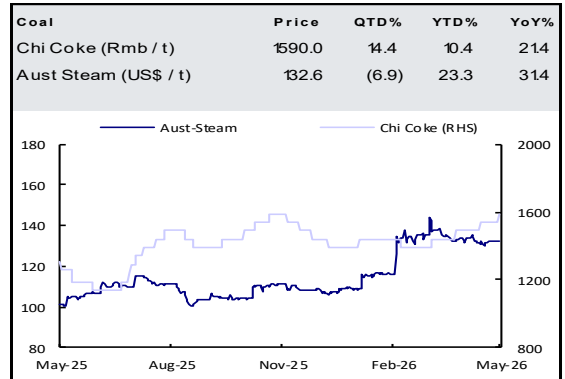
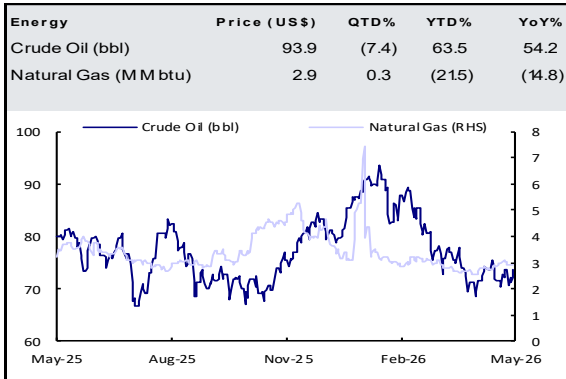
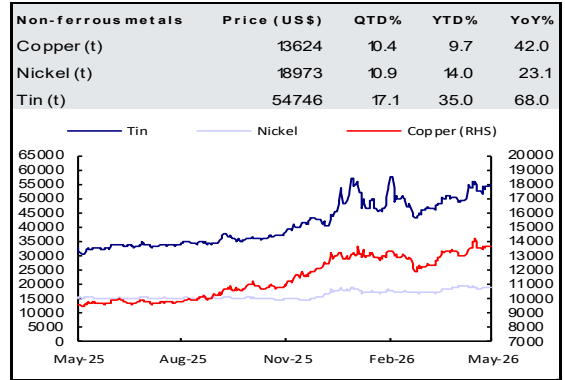
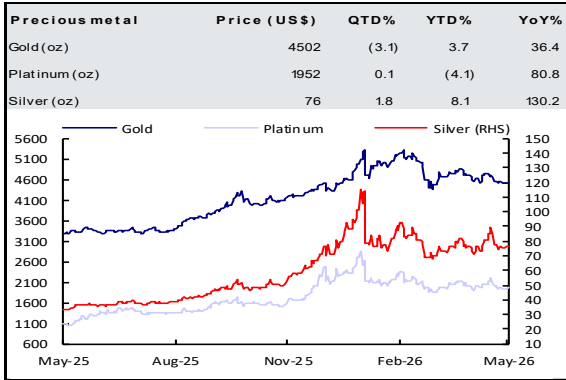
Our view: NIO demonstrated resilience in 1Q26 sales. Deliveries of 83.5k units (at the high end of guidance) declined sequentially, but through product mix optimization, high-margin ES8 accounted for over half of sales, driving vehicle gross margin to new highs. This shows that NIO is regaining competitiveness in the premium market. Moreover, NIO's operating cash flow turned positive for three straight quarters and net current assets swung to positive.

For 2Q26, management guided deliveries of 110k units. Given April sales of 30k units, this implies a monthly average of over 40k units in May and June. Meanwhile, revenue guidance of RMB33bn suggests vehicle ASP will rise further from RMB273k in 1Q to around RMB290k, reflecting strong confidence in the sales and delivery of the ES9 and ONVO L80 (both launching in May). Nevertheless, 2026 is a competitive year for large six-seat SUVs. Xiaopeng's GX, a direct rival to ES8/ES9, has been selling strongly recently and could pose near-term pressures for NIO.

Even so, against the backdrop of NEV tax reform in 2026, NIO's BaaS model offers tangible tax savings by excluding the battery from the tax base. The recently launched SUVs match current consumer preferences in design, interior and space, while expense control has notably improved. Based on the above, we believe NIO's revenue and profitability are well-positioned to continue recovering and improving this year. The counter is trading at 0.7X FY26 P/S. (Research Department)

NIO (HK 9866)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
Unit: RMB'bn													
Total Revenue	10.68	8.77	19.07	17.11	9.91	17.45	18.67	19.7	12.03	19.01	21.79	34.65	25.53
YoY Growth	7.7%	-14.8%	46.6%	6.2%	-7.2%	99.0%	-2.1%	15.1%	21.4%	8.9%	16.7%	75.9%	34.3%
QoQ Growth		-17.9%	117.4%	-10.3%	-42.1%	76.1%	7.0%	5.5%	-38.9%	58.0%	14.6%	59.0%	-26.3%
Gross Profit	0.16	0.1	1.52	1.28	0.49	1.96	2.01	2.31	0.76	1.9	3.02	6.07	4.86
GPM	1.5%	1.1%	8.0%	7.5%	4.9%	11.2%	10.8%	11.7%	6.3%	10.0%	13.9%	17.5%	19.0%
S&GA expense	2.45	2.86	3.61	3.97	3	3.76	4.14	4.88	4.4	3.96	4.18	3.54	3.50
S&GA ratio	22.9%	32.6%	18.9%	23.2%	30.3%	21.5%	22.2%	24.8%	36.6%	20.8%	19.2%	10.2%	13.7%
R&D expense	3.08	3.34	3.04	3.97	2.86	3.22	3.32	3.64	3.18	3.01	2.39	2.03	1.89
R&D ratio	28.8%	38.1%	15.9%	23.2%	28.9%	18.5%	17.8%	18.5%	26.4%	15.8%	11.0%	5.8%	7.4%
Operating Cost	5.53	6.20	6.65	7.94	5.86	6.98	7.46	8.52	7.58	6.97	6.57	5.56	5.39
OPEX ratio	51.8%	70.7%	34.9%	46.4%	59.1%	40.0%	40.0%	43.2%	63.0%	36.7%	30.2%	16.1%	21.1%
Operating Profit	-5.11	-6.07	-4.84	-6.63	-5.39	-5.21	-5.24	-6.03	-6.42	-4.91	-3.52	0.81	-0.31
OPM	-47.9%	-69.0%	-129.5%	-39.0%	-54.4%	-30.0%	-28.1%	-30.6%	-53.5%	-53.5%	-53.5%	2.3%	-1.2%
Auto Revenue	9.22	7.19	17.41	15.44	8.38	15.68	16.7	17.48	9.94	16.14	19.2	31.6	22.8
YoY Growth	-0.2%	-24.9%	45.9%	4.6%	-9.1%	118.1%	-4.1%	13.2%	18.6%	2.9%	15.0%	80.8%	129.2%
QoQ Growth	-37.5%	-22.0%	142.1%	-11.3%	-45.7%	87.1%	6.5%	4.7%	-43.1%	62.4%	19.0%	64.6%	-27.9%
Auto Cost	8.76	6.74	15.49	13.6	7.61	13.77	14.52	15.19	8.93	14.48	16.38	25.9	18.5
Sales Volume (units)	31,041	23,520	55,432	50,045	30,053	57,373	61,855	72,689	42,094	72,056	87,071	124,807	83,465
YoY Growth	20.5%	-6.1%	75.4%	25.0%	-3.2%	143.9%	11.6%	45.2%	40.1%	25.6%	40.8%	71.7%	98.3%
QoQ Growth	-22.5%	-24.2%	135.7%	-9.7%	-39.9%	90.9%	7.8%	17.5%	-42.1%	71.2%	20.8%	43.3%	-33.1%
Auto Gross Profit	0.46	0.45	1.92	1.84	0.77	1.91	2.18	2.29	1.01	1.66	2.82	5.73	4.29
Auto GPM	5.0%	6.3%	11.0%	11.9%	9.2%	12.2%	13.1%	13.1%	10.2%	10.3%	14.7%	18.1%	18.8%
Auto rev per car (RMB'k)	297.0	305.7	314.1	308.5	278.8	273.3	270.0	240.5	236.1	224.0	220.5	253.2	272.9
Auto cost per car (RMB'k)	282	287	279	272	253	240	235	209	212	201	188	207	222
Auto profit per car (RMB'k)	15	19	35	37	26	33	35	32	24	23	32	46	51
YoY Growth					72.9%	74.0%	1.8%	-14.3%	-6.4%	-30.8%	-8.1%	45.7%	114.2%
QoQ Growth		29.1%	81.0%	6.1%	-30.3%	29.9%	5.9%	-10.6%	-23.8%	-4.0%	40.6%	41.8%	12.0%
Others Revenue	1.45	1.59	1.66	1.66	1.53	1.77	1.98	2.23	2.1	2.87	2.59	3.0	2.8
Others Gross Profit	-0.3	-0.36	-0.39	-0.56	-0.28	-0.22	-0.17	0.02	-0.09	0.24	0.2	0.4	0.6
Others GPM	-20.7%	-22.6%	-23.5%	-33.7%	-18.3%	-12.4%	-8.6%	0.9%	-4.3%	8.4%	7.7%	11.9%	20.7%
Cash and cash equivalents, rest	37.8	41.6	45.2	57.3	45.3	41.6	42.2	41.9	26	27.2	36.7	45.9	48.2

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Consumer Confidence	MoM		26-May-26
Initial Jobless Claims	WoW		28-May-26
GDP	QoQ		28-May-26
New home Sales	MoM		28-May-26
Wholesale Inventories	MoM		29-May-26
Factory Orders	MoM		3-Jun-26
Existing Home Sales	MoM		9-Jun-26
CPI	MoM		10-Jun-26
PPI	MoM		11-Jun-26
Industrial Production	MoM		15-Jun-26
Housing Starts / Building Permits	MoM		16-Jun-26
Business Inventories	MoM		17-Jun-26
ISM Manufacturing PMI	MoM		1-Jun-26
Personal Income & Spending	MoM		28-May-26
Durable Goods Orders	MoM		28-May-26
Trade Balance	MoM		9-Jun-26
Employment Report	MoM		5-Jun-26
Retail Sales	MoM		17-Jun-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
PMI Manufacturing	MoM		31-May-26
Foreign Exchange Reserves	QoQ		7-Jun-26
Money Supply - M2	MoM		9-Jun-26
Trade Balance	MoM		9-Jun-26
PPI	MoM		10-Jun-26
CPI	MoM		10-Jun-26
Retail Sales	MoM		16-Jun-26
Industrial Production	MoM		16-Jun-26
GDP	YoY		15-Jul-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Trade Balance	MoM		28-May-26
Money Supply - M2	MoM		29-May-26
Retail Sales	MoM		2-Jun-26
PMI	MoM		3-Jun-26
Foreign Currency Reserve	MoM		5-Jun-26
Producer Prices Index	QoQ		12-Jun-26
Industrial Production	QoQ		12-Jun-26
Unemployment Rate	MoM		16-Jun-26
CPI	MoM		23-Jun-26
GDP	QoQ		31-Jul-26
Composite Interest Rate	MoM		

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