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X Peng is a leading Chinese smart electric vehicle (Smart EV) company. The company showed excellent revenue growth of + 375% (!) with an acceleration in the last quarter of 2020, is undervalued in terms of the forward EV / Annualized Revenue, while on the rise in rates, quotes have greatly decreased in value (-45%) relative to the maximum, which, by in our opinion provides a good buying opportunity.

Today the company is a recognized leader in the fast-growing Smart EV market in China, with 2 main models: a SUV (G3) and a four-door sports sedan (P7):

X Peng G3



X Peng P7

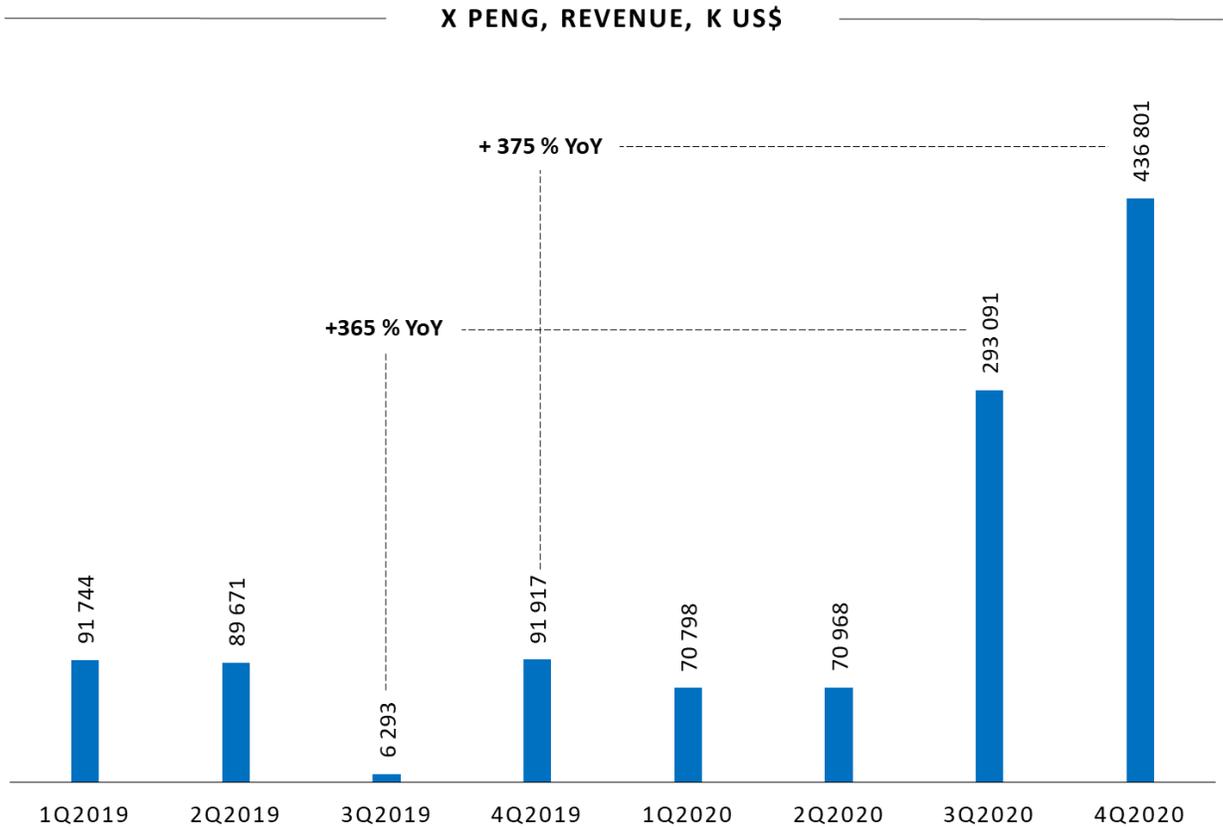


X Peng considers it a strategic priority to develop fully autonomous driving technology, intelligent car operating systems and other core vehicle systems entirely within the company, which will lay the foundation for a strong competitive position in the future.

Both models are equipped with voice assist, advanced XPILOT 3.0 driver assistance technology, which helps the driver to lane, accelerate or decelerate faster, overtake, and enter and exit the highway.

In the second half of 2021, the announcement of the 3rd X Peng model, which will be equipped with a lidar, is planned.

1. In the last two quarters, the company has shown record revenue growth:

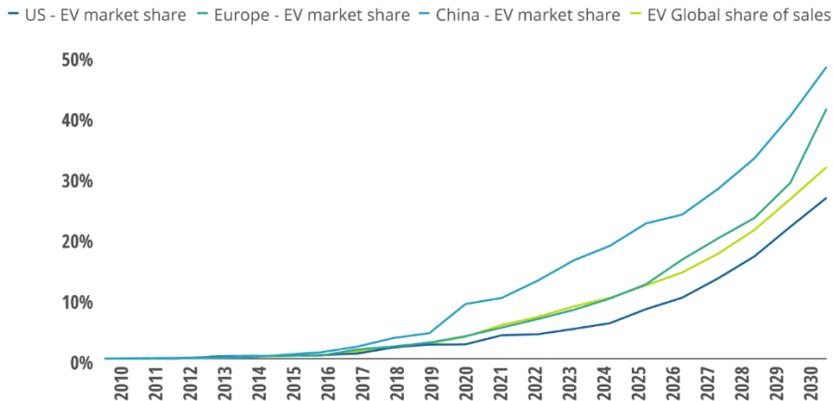


This was driven by a 303% increase in vehicle sales in Q4 2020 and 51.1% in Q3 2020.

2. Growth prospects: expanding the electric vehicle market, increasing the company's market share, smart electric vehicles as an additional competitive advantage of the company

The trend is to replace dirty vehicles with EVs. It is a well-known fact that lies behind any investment in electric vehicles. For example, we like the Deloitte forecast:

Outlook for EV market share by major region

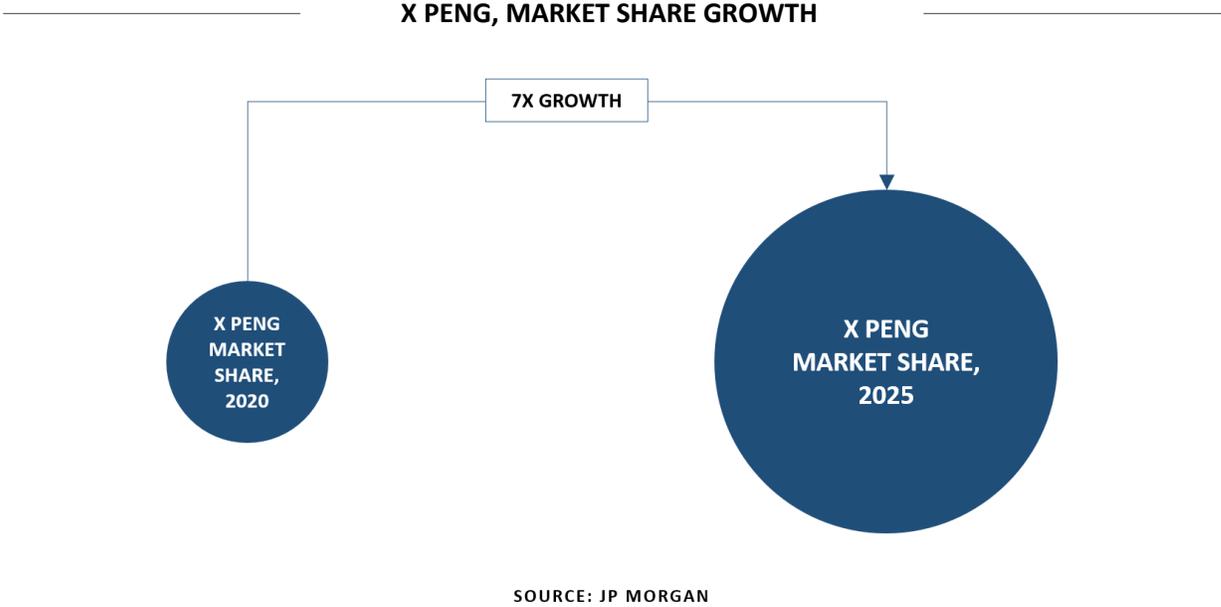


Source: Deloitte analysis, IHS Markit, EV-Volumes.com¹⁷

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So, by 2025, electric vehicles are expected to occupy 20% of the total market in China, and by 2030 - 50%.

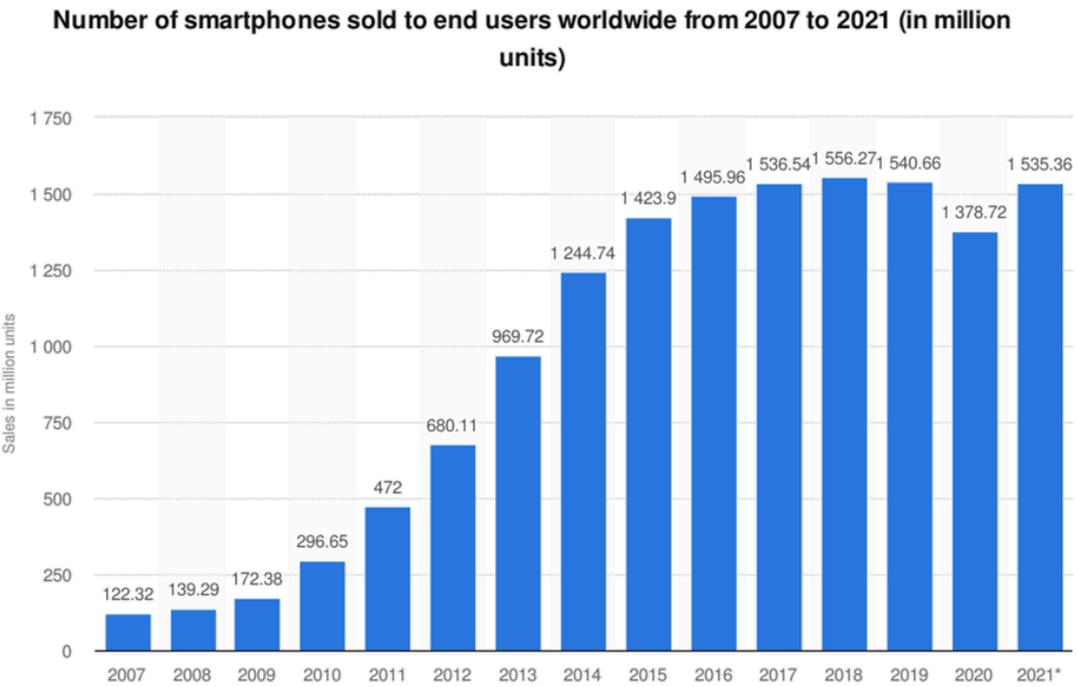
Moreover, according to JP Morgan forecasts, the market share of X Peng will increase from 1% to 7% by 2025:



That is, the company itself will increase its market share and will additionally benefit from the expansion of this market.

The trend for "smart" devices. Electric cars are most strongly susceptible to the introduction of various hi-techs and innovations: touch panels, self-driving, etc., which is an additional motivation for car owners to switch to EV.

The closest analogy here is the replacement (and its speed) of standard phones with smartphones:

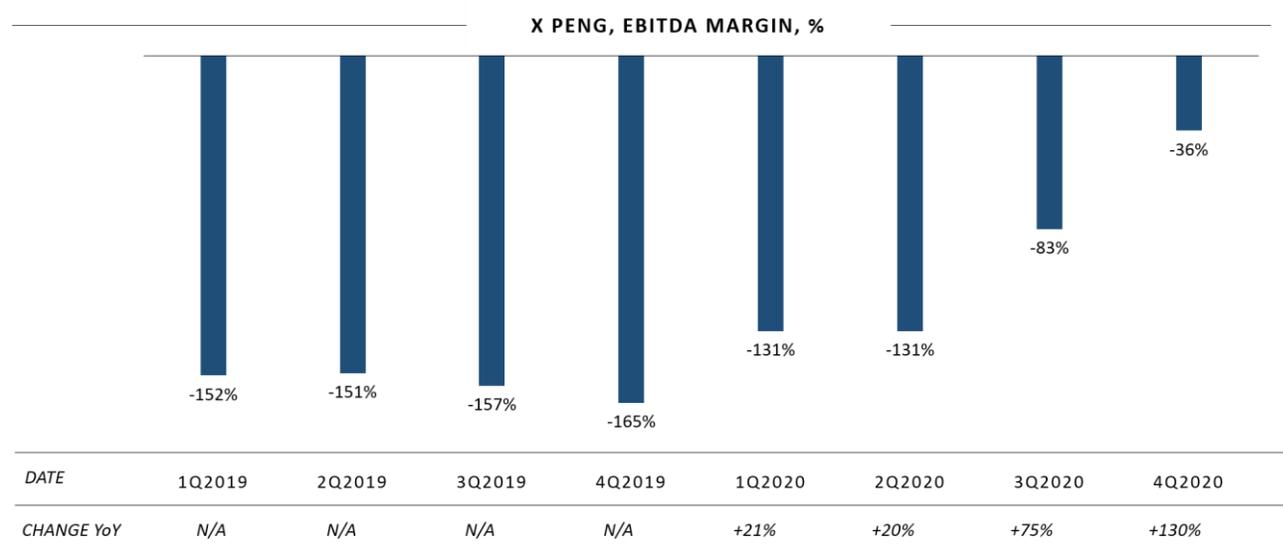


As we said earlier, the X Peng is focused on innovation, and therefore can be a good "bet" in this trend.

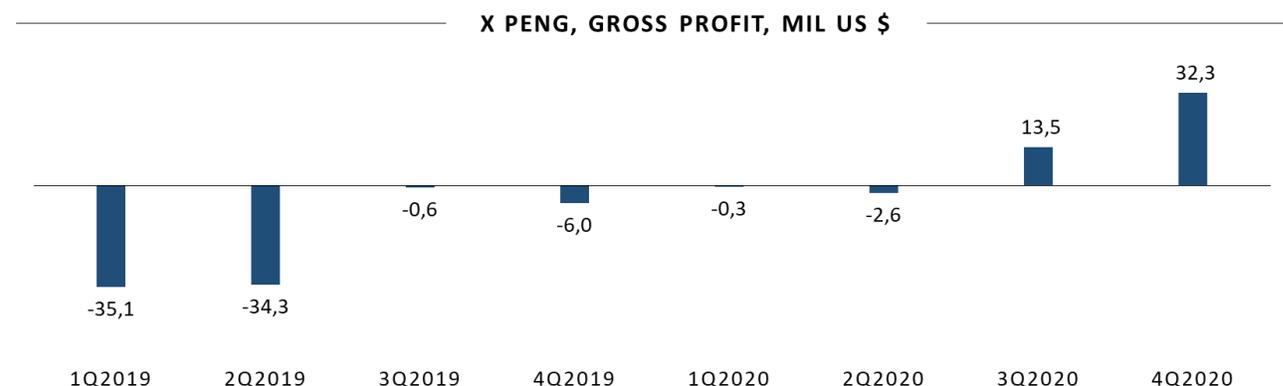
The trend for political decisions in favor of electric vehicles. In China, this is expressed in the form of financial aid for the purchase of electric vehicles and government support for EV manufacturers. ([source](#)).

This is especially interesting in the context of the previous example about the "revolution" in mobile devices: there were no such incentives then, but the transition of the majority of users to smart devices occurred in about 5 years.

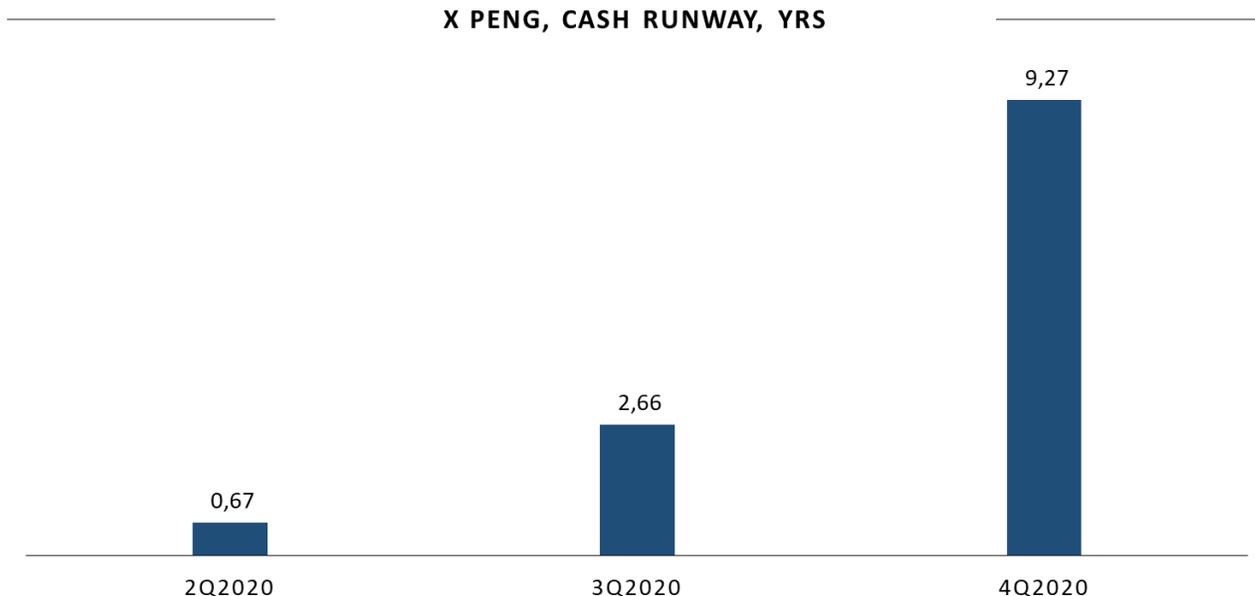
3. Improving the company's economy: in recent quarters, there has been consistent growth with an acceleration of EBITDA margin (YoY), which gives grounds for assumptions about a positive value of this indicator in the future:



Also, in the 4th quarter, the company was again able to reach positive gross profit:



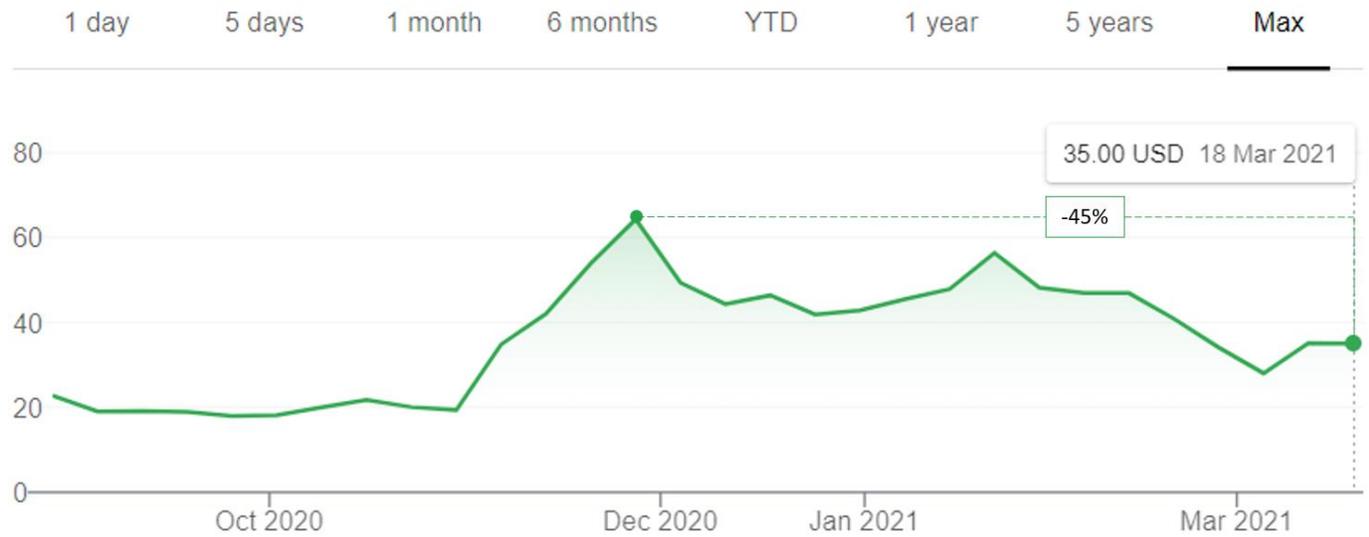
In addition, the company has a good cash runway indicator: at the current level of quarterly losses, thanks to an impressive cash reserve (USD 4.5 billion), **X Peng can exist for more than 5 years without the need to attract additional funding:**



4. Undervaluation relative to other EV makers: given the rate of revenue growth, the company is undervalued in EV/Annualized Sales relative to other players:

Company	Revenue 4Q2020, M\$	EV, M\$	EV/Ann. Sales	Last revenue growth	Fundamental value growth LTM
X Peng	437	23 624	13,7x	375%	52%
NIO	1017	66 340	16,2x	148%	41%
Tesla	10744	653 423	15,1x	45%	20%

5. Local undervaluation of shares, giving a good time to enter: **despite the previous positive preconditions, the price of X Peng shares corrected more strongly relative to other electric vehicle manufacturers and by 45% from its ATH:**



CAPITALCOM:XPEV, 1D 35.22 ▲ +0.18 (+0.51%) O:36.01 H:36.22 L:34.45 C:35.22



Increase in the share of large shareholders: On September 8, 2020, Alibaba Group acquired additional shares of X Peng for 49,875,000 USD, increasing its stake in the company to 19%. Positive signal.

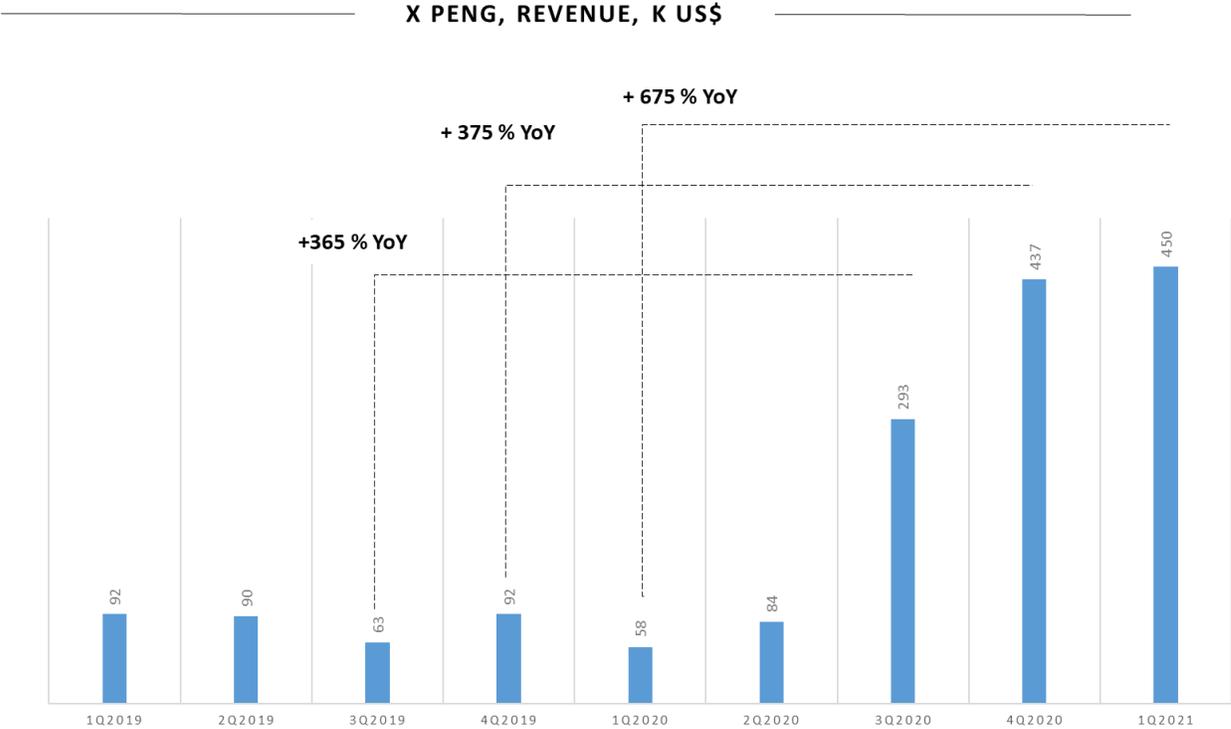
6. Further growth in rates as the main risk: although Jerome Powell announced on 17.03.21 that the Fed is not going to raise the key rate until 2023, there is a consistent increase in yields on long-term treasuries, negatively affecting the value of all technology companies.

Despite this, we view X Peng as an attractive investment with long-term growth potential.

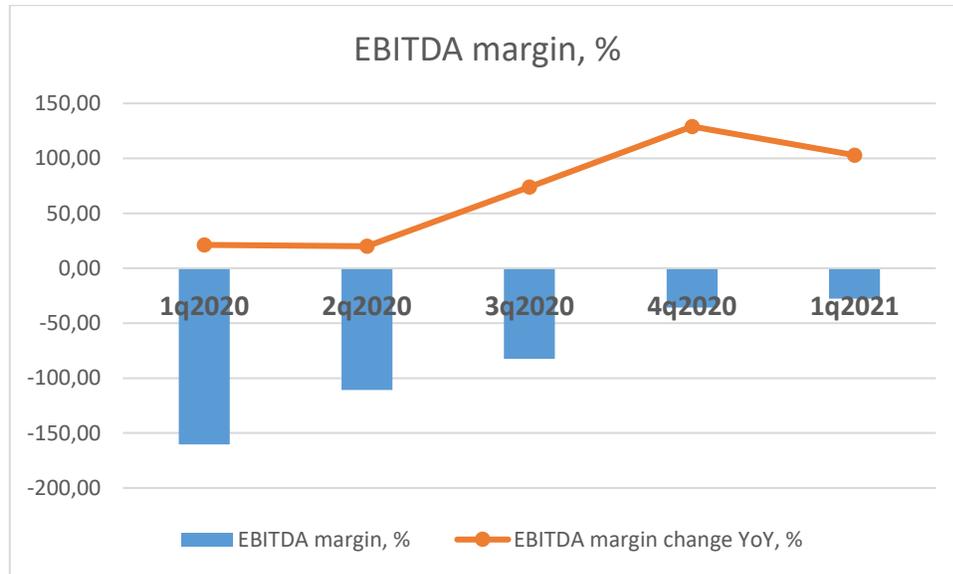
XPeng's 2021Q1 Earnings Have a Lot to Like

XPeng (XPEV) shareholders have had a rough 2021, as Mr. Market chopped off 36% of the company's stock price. However, Deutsche Bank urges investors to "hold the line again" on XPeng stock, in anticipation of a second-half-of-the-year "inflection" that will cause XPeng's stock to "quickly recover." XPeng is poised to see a large increase in vehicle deliveries in the 2H of the year, driven by the LFP (lithium iron phosphate) battery rollout, mid-cycle G3 (electric SUV) refresh, and deliveries of P5 (compact electric sedan) in 4Q.

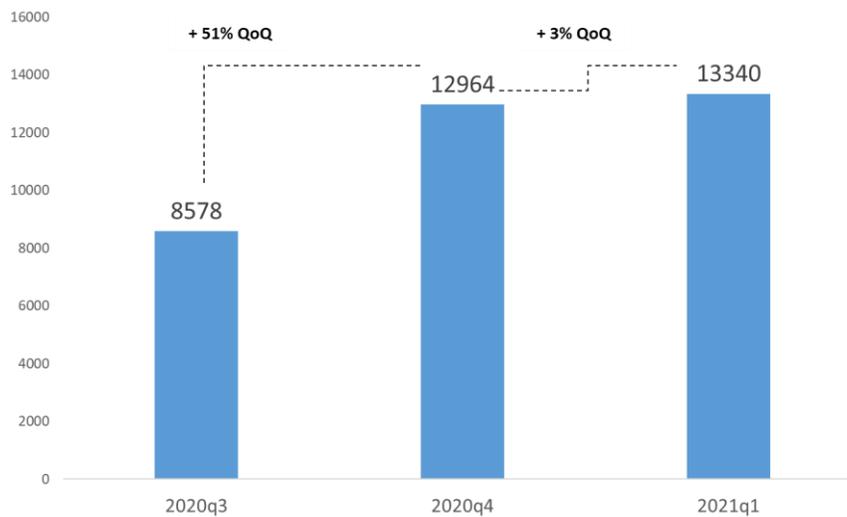
The electric vehicle-maker delivered an "earnings beat" when it reported its Q1 2021 results, increasing vehicle deliveries 487% year-over-year (13,340 units), growing revenues 675% (\$450.4 million), reversing last year's negative gross profit margin to replace it with an 11.2% gross margin in Q1 2021.



EBITDA margin reached -28% during last quarter from -36% in 2020q4 and giving +103% growth year-over-year.



X PENG, VEHICLES DELIVERED



Semiconductor shortage: pros and cons

As with other automakers, XPeng's production numbers have been impacted by shortages of semiconductors for automobiles. On the one hand, that's certainly a short-term negative for the stock. On the other hand, though, the semi shortages are artificially depressing sales, and that "underlying demand" for XPeng's electric cars "is actually much stronger" than current sales indicate.

EV/AS Actualization

EV/Annualized Revenue of XPEV decreased from x13.7 to x9.3 during the 1st quarter of 2021, which offers a greater base for growth in the coming periods.

Company	EV, B \$	Ann. Sales, B\$	EV/AS
X Peng	16,82	1,80	9,3
NIO	50,51	4,88	10,4
Li auto	13,65	2,56	5,3
Tesla	539,62	42	13,0

Kind Regards,
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