Automobile

China Auto Sector Weekly (27 Nov 26)

Highlights

- NEV retail sales fell 13% yoy during 1–22 November (total retail: -25%).
- The EU will cap China-made hybrid imports from 1 December. Meanwhile, BYD is in negotiations to buy a French plant.
- CATL's share price fell on 25 November, but battery concerns do not impact our forecasts. Although Li Auto's 3Q26 net loss narrowed 50% yoy, its 4Q26 guidance disappointed. RoboSense's 3Q26 revenue missed on lower ASP and recall costs; its 4Q26 volume target is 1m.
- Maintain MARKET WEIGHT. Top BUYs: BYD and Geely. Top SELLs: Li Auto and XPeng.

Analysis

- **November sales: NEV retail sales fell 13% yoy during 1–22 November, while total retail sales fell 25%.** According to the China Passenger Car Association (CPCA), passenger vehicle retail sales fell 25% yoy and 1% mom to 984,000 units, and NEV retail sales fell 13% yoy but rose 7% mom to 702,000 units. NEV penetration of retail sales was 71.3%.
  - **Retail sales of internal combustion engine (ICE) cars fell about 44% yoy.** By our calculation, sales of ICE cars fell to about 282,000 units during 1-22 November, which means ICE cars accounted for almost all of the decline in total sales. This favours NEV-focused BYD and Geely over Great Wall Motor, whose sales mainly comprise ICE cars.
  - **NEV wholesales exceeded NEV retail sales by 263,000 units.** NEV wholesales rose 3% yoy and 13% mom to 965,000 units. Exports explain part of the gap, while the remainder reflects dealer stockpiling ahead of the expiry of trade-in subsidies at end-26, raising the risk of price cuts in December.
- **Policy: The EU will cap imports of China-made hybrids at 191,780 units from 1 Dec 26 to 18 Jun 27.** The European Commission's provisional safeguard covers full, plug-in and mild hybrids from all countries for up to 200 days, with quotas a little over 15% above 2025 volumes; hybrids above the quota will not be allowed in. EU hybrid imports from China rose 182% yoy to 302,000 units in 2025.

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MARKET WEIGHT (Maintained)

Segmental Rating

Segment	Rating
OEMs	OVERWEIGHT (Maintained)
Auto parts	MARKET WEIGHT (Maintained)
Battery	MARKET WEIGHT (Maintained)
Battery materials	UNDERWEIGHT (Maintained)

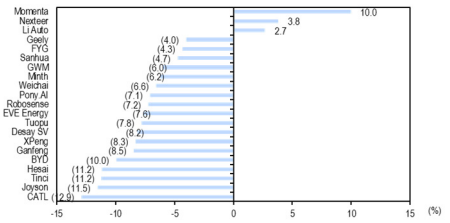
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	56.90	100.00
Geely	175 HK	BUY	12.96	21.00
Li Auto	2015 HK	SELL	45.82	30.00
XPeng	9868 HK	SELL	34.92	30.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 26 Nov 26 (Lcy)	Target Price (Lcy)	Upside To TP (%)	Market Cap (Lcy m)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Price/ NAV (x)	Div Yield (%)	ROE (%)
BYD – H	1211 HK	BUY	56.90	100.00	75.7	209,585	12/25	13.6	12.9	8.5	1.6	0.8	15.4
Geely	175 HK	BUY	12.96	21.00	62.0	139,790	12/25	6.6	6.3	4.4	1.1	4.5	20.1
Great Wall Motor - H	2333 HK	HOLD	5.40	7.00	29.6	12,395	12/25	4.0	7.1	7.0	0.4	3.0	6.3
Li Auto	2015 HK	SELL	45.82	30.00	(34.5)	95,535	12/25	178.0	Loss	Loss	1.2	0.0	(5.9)
XPeng	9868 HK	SELL	34.92	30.00	(14.1)	54,832	12/25	Loss	Loss	Loss	2.2	0.0	(14.9)
Fuyao Glass - H	3606 HK	BUY	51.80	77.00	48.6	31,430	12/25	12.4	13.5	10.8	2.8	4.5	24.8
Huizhou Desay SV	002920 CH	BUY	72.35	105.00	45.1	43,179	12/25	17.6	17.0	15.0	2.5	1.8	15.6
Minth	425 HK	BUY	21.08	56.00	165.7	24,698	12/25	7.5	6.7	5.7	0.8	4.3	12.4
Nexteer	1316 HK	BUY	4.50	11.40	153.6	11,282	12/25	14.3	9.0	7.9	0.7	5.0	7.5
Ningbo Joyson	600699 CH	HOLD	16.94	19.00	12.2	23,643	12/25	17.9	24.9	21.6	1.5	0.8	5.9
Ningbo Tuopu	601689 CH	BUY	45.59	64.00	40.4	79,228	12/25	27.7	29.5	23.1	3.0	1.0	9.8
Weichai Power - H	2338 HK	BUY	20.16	31.00	53.8	39,172	12/25	13.8	9.9	8.0	1.5	6.1	13.4
Zhejiang Sanhua	002050 CH	BUY	31.00	41.00	32.3	115,676	12/25	32.4	30.5	24.8	3.8	1.3	13.7
Hesai	2525 HK	BUY	11.58	29.00	150.4	12,103	12/25	25.3	43.2	16.5	1.3	0.0	3.2
RoboSense	2498 HK	BUY	13.05	29.00	122.2	6,143	12/25	Loss	Loss	1,004.7	1.5	0.0	(9.4)
Pony AI	PONY US	BUY	3.27	7.00	114.1	1,158	12/25	Loss	Loss	Loss	1.0	0.0	(13.4)
Momenta	6880 HK	BUY	178.30	270.00	51.4	36,744	12/26	Loss	Loss	Loss	2.2	0.0	n.a.
CATL	300750 CH	BUY	204.22	343.00	68.0	895,913	12/25	12.9	10.5	8.9	2.4	4.8	21.9
EVE Energy	300014 CH	BUY	42.14	57.00	35.3	93,034	12/25	21.1	13.0	11.1	1.9	1.9	10.6
Ganfeng Lithium - H	1772 HK	HOLD	19.24	24.00	24.7	9,295	12/25	21.4	5.6	9.7	0.7	3.6	12.9
Tinci Materials	002709 CH	SELL	22.24	19.00	(14.6)	45,338	12/25	31.5	7.9	12.6	2.0	3.4	5.4

Source: Bloomberg, UOB Kay Hian

- **The quota works out to be about 350,000 units a year, in line with October's agreement, so this does not affect our forecasts.** It limits only cars built in China, so EU plants will be the deciding factor in how fast BYD (1211 HK/BUY/Target: HK$100.00) and Geely (175 HK/BUY/Target: HK$21.00) are able to grow plug-in hybrid sales in Europe beyond the quota. BYD is in exclusive talks to buy Ineos Automotive's plant in Hambach, France, which has capacity of about 30,000 vehicles a year; details are due at the Choose France summit on 18 Jan 27. Our forecasts are unchanged.

- **CATL (300750 CH/BUY/Target: Rmb343.00): Share price fell on 25 November on four battery-sector concerns, none of which impacts our forecasts.** The fall coincided with a market-wide sell-off and four battery-sector concerns. None of the four concerns listed below changes our earnings estimates or target price, as they have already been accounted for in our forecasts or are too small to matter.
  - **Lithium carbonate prices fell below our range.** The battery-grade price fell Rmb4,250 to Rmb86,250/tonne on 26 November, below our estimated range of Rmb90,000–105,000. Battery prices are linked to lithium carbonate prices, so a lower lithium price cuts CATL's revenue rather than the net profit per GWh.
  - **China's total lithium-ion battery production schedule for December (ESS, EV and consumer combined) has reportedly fallen by nearly 18% mom, steeper than November's decline.** The 18% cut is an unnamed industry forecast, not a published figure. The unnamed source attributes the cut to the consumption tax introduced on 26 Sep and the expiry of the export VAT rebate on 1 Jan 27, which pulled customer orders forward into the Sep-Oct production schedules. This front-loading shifted volume between months rather than reducing demand, and our forecasts have already accounted for it. Our model already treats 2026 growth as inflated by these brought-forward orders, which is why we forecast ESS battery growth to slow from 68.8% in 2026 to 18.2% in 2027. If CATL's December output falls 18% from November's level, the loss would be about 1.5% of a year's output, or around 15GWh against our 1,000GWh 2026 volume forecast, which already allows for part of it. We keep our 2027 volume forecast of 1,230GWh, which assumes CATL grows in line with the market; the brought-forward orders lower the 2026 base rather than 2027 demand.
  - **Market reports suggest battery makers cannot pass the 4% consumption tax on to auto OEMs.** OEMs are asking battery suppliers to share the burden, and no OEM has guided for higher car prices to offset the tax. This matches our base case. Some analysts have cut China battery earnings forecasts again and lowered the CATL H-share target to HK$420.00, vs our HK$400.00. Burden sharing is our base case - we assume CATL and its customers split the tax 50:50, and is the main reason we expect net profit per GWh to fall 3-5% in 2027; the risk is CATL absorbing more than half. If CATL absorbs the full tax, the extra cost would be up to ~Rmb9.0b after tax in 2027, or 8.6% of our Rmb104.9b 2027 net profit forecast, cutting our target price to around Rmb314 on the same 15x 2027F PE. For 2028, with the full 4% rate in force all year, the upper bound rises to around Rmb16.1b, or 13.8% of our Rmb116.37b forecast. These figures overstate the risk, as they apply the tax to all of CATL's revenue, including normally exempt exports and non-battery revenue.
  - **XPeng is diversifying away from CATL.** XPeng is investing Rmb1.8b in battery pack production. Packs are assembled from cells, so this does not on its own remove CATL's cell orders.

- **Li Auto's (2015 HK/SELL/Target: HK$30.00) 3Q26 results: Net loss narrows 50% yoy; 4Q26 top-line guidance disappoints.**
  - **3Q26 net loss narrowed 49.7% yoy to Rmb314m,** vs our estimate of a Rmb1.7b loss and consensus estimate of a Rmb700m loss, on an ASP of Rmb271,000 (–2.3% yoy/+10.7% qoq) and gross margin of 16.7%

(+0.4ppt yoy/+5.7ppt qoq). 4Q26 delivery guidance of 110,000–115,000 units (+0.7–5.3% yoy) falls 12-16% short of market expectations, although management expects a return to profit in 4Q26.

- **We cut our 2026–28 net loss forecasts by 43%/49%/48% to Rmb4.13b/ Rmb2.90b/Rmb2.45b respectively, but expect losses in 2027-28 as gross profit stays below R&D and SG&A expenses.**
- **Maintain SELL and target price of HK$30.00,** implying 0.8x 2027F P/B.

- **RoboSense's (2498 HK/BUY/Target: HK$29.00) 3Q26 results are mixed on lower ASP and one-off costs.**
  - **3Q26 results were a mixed bag** with revenue missing our estimate at Rmb673m (+65.2%yoy/+19.9% qoq) and net loss smaller than our estimate but bigger than consensus at Rmb169m (+67.6% yoy/+74.6% qoq). Management targets shipments of 1m units in 4Q26 and expects to turn profitable in one quarter of 2027. We expect its LiDAR shipment volume to grow at 59% two-year CAGR from 2.3m units in 2026 to 3.8m units/5.8m units in 2027/28 respectively.
  - **We cut our 2026-28 net profit forecasts to -Rmb340m/Rmb5m/ Rmb340m respectively,** as we lowered blended ASP estimates by 10%/8%/4% to Rmb1,183/Rmb1,055/Rmb968 and raised opex/revenue ratios.
  - **Maintain BUY and cut target price from HK$33.00 to HK$29.00,** based on DCF (WACC: 17%, terminal growth: 4%), implying 2.8x 2027F P/S.
- **Key events to look out for next month include:**
  - **Positive: The Guangzhou Auto Show (27 November to 6 December).** The number of debut models carrying LiDAR will matter to Hesai (2525 HK/BUY/Target: HK$29.00) and RoboSense (2498 HK/BUY/Target: HK$33.00). BYD's Shark plug-in hybrid pickup, reportedly launching on 2 December, will compete with Great Wall Motor's pickup models and could put pressure on their prices. Geely's Galaxy M8 will make its public debut while the Lynk 900L opens for pre-sale at the Guangzhou Auto Show.
  - **Negative: November deliveries (1 December).** Weak deliveries or rising dealer stock would increase the risk of December price cuts, which would hurt Li Auto and XPeng the most; XPeng needs about 60,000 units a month in November and December to meet its 4Q26 guidance.
  - **Watch: The Central Economic Work Conference (mid-December) and November battery installations.** A continuation of car trade-in subsidies into 2027 will matter the most to Li Auto, XPeng and Great Wall Motor, aw as they depend on domestic sales. November's installation data will show whether CATL and EVE Energy maintained their market shares.

Valuation/Recommendation

- **Maintain MARKET WEIGHT** on China's auto sector. Our preference for segments in descending order is OEMs > auto parts > battery > battery materials.
- Top BUYs: BYD and Geely. Top SELLs: Li Auto and XPeng.

Sector Catalyst/Risk

- **Catalysts:** a) The Guangzhou Auto Show (27 November to 6 December); b) November deliveries and the start of the EU hybrid import quota (1 December); c) November CPCA sales and battery installation data (December); d) the Central Economic Work Conference decision on car trade-in subsidies (mid-December).
- **Risks:** a) A lapse of the export-control and tariff suspensions after 10 Jan 27; b) deeper domestic price cuts; input cost inflation that cannot be fully passed through to customers; c) export barriers; d) fluctuations in lithium carbonate prices.

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