Automobile

Weekly: A Product Wave Rolls Into The Chengdu Auto Show

Highlights

- July passenger vehicle retail fell 21.1% yoy and 8.9% mom to 1.474m units, a seventh straight decline.
- Exports rose 89.9% yoy to 923,000 units and accounted for 40.8% of wholesale volume, up 19.4ppt yoy.
- New energy vehicles set a record monthly high of 64.5% of retail, and the industry destocked 161,000 units.
- BYD, Geely, GWM, XPeng and Li Auto will all launch new models at the Chengdu Auto Show.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL, Hesai, and Desay SV.

Analysis

- **July PV sales: Exports now carry the volume base.** Production and wholesale volumes were close to flat yoy only because exports nearly doubled. The domestic market declined again, and almost all of the fall was in petrol cars. According to CAAM data, new energy vehicles accounted for 60.4% of all vehicle sales in July, exceeding 60% for the first time.
  - **Retail fell for a seventh month, but only internal combustion volume is collapsing.** Retail sales fell 21.1% yoy and 8.9% mom to 1.474m units, taking 7M26 retail to 10.270m units, down 20.5% yoy and accounting for 52.7% of our 2026 forecast of 19.472m units (down 19.0% yoy). Internal combustion retail fell 39.0% yoy to 523,000 units, while new energy retail fell only 3.6% yoy to 951,000 units. The CPCA attributes the petrol-car weakness to a Rmb1,575/tonne cumulative rise in domestic petrol prices this year.

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MARKET WEIGHT (Maintained)

Segmental Rating

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

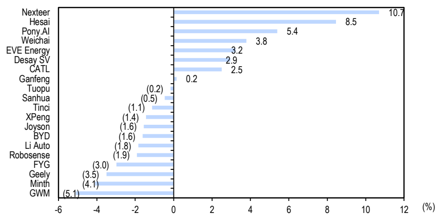
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	88.40	135.00
Geely	175 HK	BUY	17.91	27.00
CATL	300750 CH	BUY	396.30	585.00
Hesai	2525 HK	BUY	18.50	33.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 12 Aug 26 (Lcy)	Target Price (Lcy)	Upside To TP (%)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (Lcy m)	Price/ NAV ps (x)
BYD – H	1211 HK	BUY	88.40	135.00	52.7	12/25	21.5	15.4	12.4	0.6	15.3	325,613	2.4
Geely	175 HK	BUY	17.91	27.00	50.8	12/25	10.9	9.6	7.5	2.9	17.8	193,162	2.5
Great Wall Motor - H	2333 HK	HOLD	8.38	9.90	18.2	12/25	6.3	6.7	5.5	2.7	10.2	19,324	0.7
Li Auto	2015 HK	SELL	48.22	40.00	(17.0)	12/25	190.6	60.1	74.3	0.0	2.0	100,539	1.2
XPeng	9868 HK	BUY	45.38	90.00	98.3	12/25	Loss	144.1	17.4	0.0	1.7	71,130	2.4
Fuyao Glass - H	3606 HK	BUY	55.40	100.00	80.5	12/25	13.5	12.6	10.5	5.2	27.2	33,614	2.9
Huizhou Desay SV	002920 CH	BUY	96.05	150.00	56.2	12/25	23.4	23.3	19.8	1.5	24.8	57,324	3.3
Minth	425 HK	BUY	27.66	56.00	102.5	12/25	10.0	9.5	8.1	3.0	11.7	32,403	1.1
Nexteer	1316 HK	BUY	4.92	11.40	131.7	12/25	15.5	11.8	10.6	3.8	6.2	12,336	0.7
Ningbo Joyson	600699 CH	BUY	20.95	43.00	105.3	12/25	22.1	16.5	14.5	1.2	9.9	29,239	1.6
Ningbo Tuopu	601689 CH	BUY	49.69	100.00	101.2	12/25	32.1	28.4	24.8	0.0	11.7	86,353	3.5
Pony AI	PONY US	BUY	8.20	16.00	95.1	12/25	Loss	Loss	Loss	0.0	n.a.	2,897	0.3
Weichai Power - H	2338 HK	HOLD	35.64	35.00	(1.8)	12/25	44.9	23.4	22.0	2.6	10.7	69,250	2.8
Zhejiang Sanhua	002050 CH	BUY	38.53	57.00	47.9	12/25	40.3	34.4	29.8	1.2	14.2	143,774	4.7
Hesai	2525 HK	BUY	18.50	33.00	78.4	12/25	41.1	36.9	22.3	0.0	5.9	23,257	2.1
RoboSense	2498 HK	BUY	22.60	50.00	121.2	12/25	Loss	102.1	23.5	0.0	2.4	10,667	2.4
CATL	300750 CH	BUY	396.30	585.00	47.6	12/25	25.0	19.1	14.5	2.6	20.8	1,738,568	4.6
EVE Energy	300014 CH	BUY	55.88	83.50	49.4	12/25	28.0	14.7	11.2	1.7	6.8	121,444	2.3
Ganfeng Lithium - H	1772 HK	BUY	39.40	120.00	204.6	12/25	44.5	21.5	13.2	0.9	(1.2)	19,034	1.4
Tinci Materials	002709 CH	BUY	38.81	75.00	93.2	12/25	54.9	15.4	12.9	1.9	5.4	79,117	3.4

Source: Bloomberg, UOB Kay Hian

- **Exports now account for 40.8% of wholesale volume.** Exports rose 89.9% yoy and 4.6% mom to 923,000 units, a 19.4ppt yoy gain in share, and new energy exports rose 147.7% yoy to 540,000 units, or 58.5% of the total. 7M26 exports of 5.206m units are up 73.7% yoy, accounting for 52.9% of our 2026 forecast of 9.838m units (up 70.0% yoy). BYD (1211 HK/BUY/Target: HK$135.00) exported 173,721 units, ahead of Chery's 82,768 and Tesla China's 66,330, while Geely (175 HK/BUY/Target: HK$27.00) exported 60,584 units. We therefore prefer globally geared suppliers such as Fuyao Glass (3606 HK/BUY/Target: HK$100.00), Minth (425 HK/BUY/Target: HK$56.00) and Nexteer (1316 HK/BUY/Target: HK$11.40) to the OEMs.
- **Production held up only because of exports, and the industry destocked again.** Production fell 2.1% yoy and 5.3% mom to 2.236m units and wholesale fell 0.2% yoy and 4.8% mom to 2.265m units. However, domestic wholesale volume, excluding exports, fell 24.8% yoy to 1.342m units. The industry destocked 161,000 units in July, with 132,000 from dealers; this took 7M26 destocking to 658,000 units. Scale is concentrating - five manufacturers sold more than 100,000 units each, accounting for 50.3% of the market, while domestic brands accounted for 71.0% of retail, up 5.4ppt yoy. That favours BYD and Geely and hurts the smaller OEMs that depend on domestic sales - Li Auto (2015 HK/SELL/Target: HK$40.00) has the least export volume.

- **Policy: Costs are rising at home while trade terms abroad may ease.** The battery consumption tax starting on 1 Sep 26 is being passed on to carmakers rather than absorbed. The new battery safety standard is clearing low-priced models out of the market, while Mexico is asking Washington to lower North American vehicle tariffs.
  - **EVE Energy will add the tax to its domestic prices on 1 Sep 26.** EVE Energy (300014 CH/BUY/Target: Rmb83.50) said on 10 Aug 26 it will add the 2% tax to the pre-tax supply price of some domestically sold batteries, starting with lithium primary and lithium-ion cells, and affecting consumer, power and storage customers. Its orderbook already exceeds capacity, so it does not expect to lose share. A full pass-through protects cell-maker margins and moves the cost to the carmakers, and CATL (300750 CH/BUY/Target: Rmb585.00) can do the same. Because the tax is levied at production, BYD, which makes its own cells, is least exposed among carmakers under our coverage.
  - **The new battery safety standard has begun to clear low-priced models out of the market.** GB 38031-2025 came into effect on 1 Jul 26, and the CPCA attributes part of July's weakness to the clearing of models that cannot meet the new standard, noting that domestic economy battery electric cars were hit hardest by the fall in subsidies.
  - **Mexico is pushing Washington to lower North American vehicle tariffs.** It is seeking them in the US-Mexico-Canada Agreement renegotiation, answering a US proposal for more American content (Wall Street Journal, 13 Aug 26). Any easing helps Chinese suppliers building there - Minth broke ground on 3 Aug 26 on a US$430m campus in Gadsden, Alabama, the largest in its history by land area, and Nexteer already manufactures in North America.
- **Corporate update: OEMs are pushing new products during the Chengdu Auto Show.** The show opens on 21 Aug 26 with nearly 120 brands and about 1,600 vehicles, and BYD, Geely, GWM, XPeng and Li Auto are all launching or showing new models there. The new models are mainly large SUVs and family sedans, which would boost ASP rather than volume.
  - **BYD's Da Han flagship sedan will make its global debut at the show.** BYD (1211 HK/BUY/Target: HK$135.00) will show the Da Han at Chengdu alongside Denza, Fang Cheng Bao and Yangwang. It launched the 2027 Seal 06 on 11 Aug 26 with a 630km range, the second-generation Blade Battery and LiDAR-based God's Eye B assisted driving, and its Racco kei car received 1,002 orders in Japan in two weeks, above its 1,000-unit

China PV Sales (Jul 26)

	Jul 26	yoy %	mom %	7M26	yoy %
Production volume					
EV	1,449	25.8	0.7	8,213	7.9
BEV	959	33.0	2.5	5,195	9.8
PHEV	391	19.2	(3.7)	2,414	9.6
EREV	99	(3.9)	2.1	604	(11.3)
ICE-car	787	(30.4)	(14.5)	6,605	(18.3)
Total	2,236	(2.1)	(5.3)	14,818	(5.6)
EV share (%)	64.8	14.3	3.8	55.4	6.9
Wholesale					
EV	1,445	21.5	(2.4)	8,249	7.6
BEV	958	29.1	(2.3)	5,259	11.2
PHEV	387	14.5	(4.7)	2,385	6.1
EREV	100	(8.3)	6.4	605	(12.2)
ICE-car	820	(24.1)	(8.7)	6,677	(17.6)
Total	2,265	(0.2)	(4.8)	14,926	(5.4)
EV share (%)	63.8	11.4	1.5	55.3	6.7
Retail sales					
EV	951	(3.6)	(5.7)	5,668	(12.5)
BEV	647	6.6	(5.5)	3,770	(4.8)
PHEV	219	(21.2)	(9.1)	1,374	(26.7)
EREV	85	(16.7)	3.7	524	(18.9)
ICE-car	523	(39.0)	(14.3)	4,602	(28.6)
Total	1,474	(21.1)	(8.9)	10,270	(20.5)
EV share (%)	64.5	11.7	2.2	55.2	5.1
Chg in inventories					
EV	(42)	n.a.	n.a.	(226)	n.a.
ICE-car	(119)	n.a.	n.a.	(432)	n.a.
Total	(161)	n.a.	n.a.	(658)	n.a.

Source: China Passenger Car Association (CPCA), UOB Kay Hian target. We expect the three models to contribute 17,500 units in sales a month, 4% of BYD's July volume of 419,211 units: a) 4,000 for the Da Han, a D-segment flagship that sits above the Han and will sell in smaller numbers than the mass Dynasty sedans; b) 12,000 for the Seal 06, up 25% vs the 9,583/month it averaged in 2Q26; and c) 1,500 for the Racco. These will lift BYD's ASP rather than its group volume.

- **Geely will bring the Galaxy Cruiser 700 and the all-electric Galaxy TT to Chengdu.** Geely (175 HK/BUY/Target: HK$27.00) will show both under its Galaxy brand, with the locally built Zeekr X and Lynk & Co Z20 on its stand. Galaxy is the brand behind Geely's domestic share gain, so a C-segment battery electric sedan will mark the brand’s entrance into the most contested part of the market. We estimate that the two models will contribute 13,000 units in sales a month, 5% of Geely's July volume of 250,161 units.
- **GWM received 31,826 orders for the Haval H10 in its first 24 hours and will launch the Wey V8X on 14 Aug 26.** GWM (2333 HK/HOLD/Target: HK$9.90) said the H10 intake was helped by a limited-time price of Rmb201,800; both join the Tank 300 on the Chengdu stand. We estimate H10 sales at 8,000 units in sales a month as those orders convert, and the V8X sales at 2,500. The two models will likely jointly contribute 10% of GWM's total sales volume. We keep our HOLD rating until the orders become deliveries.
- **XPeng opened pre-sales of the G9L in both battery electric and extended-range versions.** XPeng (9868 HK/BUY/Target: HK$90.00) put the G9L large five-seat SUV on pre-sale on 11 Aug 26 at Rmb259,800 across six versions, and will show it at Chengdu. The battery electric version uses 91.9kWh or 110kWh packs for 672–805km of CLTC range on an 800V architecture; the extended-range version pairs a 1.5-litre engine with a 63.3kWh pack. XPeng has named the Li L7 and the Huawei-backed Aito M7 as the G9L's targets, so it will target Li Auto's core segment. We estimate the G9L at 5,000–6,000 units a month, accounting for 14% of XPeng's July volume of 38,027 units, and marking a bigger proportionate addition than any of the other four OEMs. The GX sold 6,739 units in its first full month, vs the G9 (that it sits above) that sold only 1,599 in June, while the Li L7 it targets only sold 754 units.
- **Li Auto is cutting the i8's entry price rather than launching a new model.** Li Auto launched the rear-drive long-range i8 on 6 Aug 26 at Rmb309,800, which is Rmb30,000 below the all-wheel-drive version, with the same 97.8kWh 5C pack and 780km of CLTC range, with a discount of up to Rmb35,750 until 31 Aug 26. The i8 delivered only 779 units in June, down 50.2% mom and its lowest since launch. The cheaper trim answers weak demand rather than starts a cycle, and with the G9L aimed at the same buyers. We retain our SELL rating ahead of 2Q26 results on 26 Aug 26.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is battery and battery materials > auto parts > OEMs.
- **Top BUYs: BYD, Geely, CATL, Hesai, and Desay SV. Top SELL: Li Auto.**

Sector Catalyst/Risk

- Catalysts: the Chengdu Auto Show and the August retail print; the battery consumption tax on 1 Sep 26; 1H26 results from the covered OEMs; a further rise in exports.
- Risks: A petrol price reversal removing the switching incentive; export barriers in Europe, Brazil and Mexico; a deeper domestic price war; lithium carbonate volatility.