

Automobile

China Auto Sector Weekly

Highlights

- China and the EU have agreed on a hybrid export quota. China will cut the export VAT rebate on EVs to 9% from 13% from 1 Apr 27. BYD and Geely can navigate these measures by producing overseas.
- Lithium carbonate prices are weaker than expected; downgrade Ganfeng Lithium from BUY to HOLD.
- RoboSense's 3Q26 LiDAR sales volume rose 221% yoy and 53% qoq, in line. However, its 3Q26 bottom line was dragged by the product recall.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, and CATL. Top SELLs: Li Auto, and XPeng.

Analysis

- September PV sales down 9.3% yoy and up 8.2% mom, with domestic sales decline offsetting export growth.** China Passenger Car Association (CPCA) reported China's Sep 26 passenger vehicle (PV) wholesale sales at 2.566m units (-9.3% yoy/+8.2% mom), domestic retail sales at 1.631m units (-28.1% yoy/+5% mom), and export at 923,000 units (+73.2% yoy/+3.2% mom), in line with our estimates. China's PV export growth ytd was driven by EVs. Among the 923,000 units of PV exports, 559,000 units (+163.7% yoy/+7.7% mom) or 60.6% were EVs.
- China-EU hybrid deal: A 350,000-unit quota pushes Chinese OEMs to build cars in Europe.** After talks in Beijing on 8-9 October, China accepted a quota on hybrid exports to the EU. Bloomberg reported that the cap would be 350,000 units a year from as early as 1 Dec 26, rising 6% a year from the second year over four years; the European Commission has not published the figure. China's Ministry of Commerce said the quota is set based on the 302,000 China-made hybrids the EU imported in 2025 and an annual growth rate. The deal is yet to be finalised, and EU leaders will discuss further at the 15-16 October summit.

Peer Comparison

Company	Ticker	Rec*	Price 14 Oct 26 (Lcy)	Target Price (Lcy)	Upside To TP (%)	Last Year End	2025 (x)	2026F (x)	2027F (x)	Yield 2026F (%)	ROE 2026F (%)	Market Cap. (Lcy m)	Price/ NAV ps (x)
BYD – H	1211 HK	BUY	72.85	140.00	92.2	12/25	17.7	12.7	10.2	0.8	15.3	268,520	2.0
Geely	175 HK	BUY	15.19	29.00	90.9	12/25	9.3	8.1	6.4	3.5	17.8	157,582	2.1
Great Wall Motor - H	2333 HK	HOLD	6.99	7.00	0.1	12/25	5.3	5.6	4.6	3.3	10.2	15,868	0.5
Li Auto	2015 HK	SELL	45.30	30.00	(33.8)	12/25	179.0	56.4	69.8	0.0	2.0	89,697	1.1
XPeng	9868 HK	SELL	38.62	30.00	(22.3)	12/25	Loss	122.6	14.8	0.0	1.7	58,883	2.0
Fuyao Glass - H	3606 HK	BUY	55.60	84.00	51.1	12/25	13.5	12.7	10.6	5.2	27.2	32,188	2.8
Huizhou Desay SV	002920 CH	BUY	74.22	135.00	81.9	12/25	18.1	18.0	15.3	1.9	24.8	46,593	2.7
Mint	425 HK	BUY	22.38	56.00	150.2	12/25	8.1	7.7	6.6	3.7	11.7	26,405	0.9
Nexteer	1316 HK	BUY	4.42	11.40	158.2	12/25	13.9	10.6	9.5	4.2	6.2	11,294	0.7
Ningbo Joyson	600699 CH	BUY	19.40	25.00	28.9	12/25	20.5	15.3	13.5	1.3	9.9	29,463	1.6
Ningbo Tuopu	601689 CH	BUY	39.59	64.00	61.7	12/25	25.6	22.7	19.8	0.0	11.7	74,518	3.0
Pony AI	PONY US	BUY	5.59	15.00	168.3	12/25	Loss	Loss	Loss	0.0	n.a.	2,149	0.2
Weichai Power - H	2338 HK	HOLD	26.44	31.00	17.2	12/25	33.3	17.4	16.3	3.5	10.7	55,182	2.2
Zhejiang Sanhua	002050 CH	BUY	31.29	43.00	37.4	12/25	32.7	27.9	24.2	1.4	14.2	126,646	4.1
Hesai	2525 HK	BUY	14.12	29.00	105.4	12/25	4.6	9.7	8.3	0.0	5.9	16,304	1.8
RoboSense	2498 HK	BUY	15.22	33.00	116.8	12/25	Loss	0.0	0.1	0.0	2.4	7,249	1.6
CATL	300750 CH	BUY	280.12	585.00	108.8	12/25	17.7	13.5	10.2	3.7	20.8	1,257,972	3.3
EVE Energy	300014 CH	BUY	47.29	85.00	79.7	12/25	23.7	12.5	9.5	2.0	6.8	109,708	2.1
Ganfeng Lithium - H	1772 HK	HOLD	26.60	28.00	5.3	12/25	30.1	14.5	8.9	1.4	(1.2)	14,174	1.1
Tinci Materials	002709 CH	BUY	30.90	54.00	74.8	12/25	43.7	12.3	10.3	2.4	5.4	66,641	2.8

Source: Bloomberg, UOB Kay Hian

Analyst(s)

Ken Lee

ken.lee@uobkh.com

+852 2236 6760

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	72.85	140.00
Geely	175 HK	BUY	15.19	29.00
CATL	300750 CH	BUY	280.12	585.00
Li Auto	2015 HK	SELL	45.30	30.00
XPeng	9868 HK	SELL	38.62	30.00

Source: Bloomberg, UOB Kay Hian

- **The cap is about 42% below the current run-rate.** EU imports of China-made hybrids reached about 50,000 units a month in Jul 26 (Financial Times), or 600,000 units a year. An annual quota that starts at 350,000 units would therefore cut current shipments, and the plug-in hybrid-led European sales of BYD (1211 HK/BUY/Target: HK\$140.00) and Geely (175 HK/BUY/Target: HK\$29.00) are the most exposed under our coverage.
- **Both BYD and Geely are better positioned than peers to navigate EU trade barriers.** The EU's Industrial Accelerator Act will require 70% local content for vehicles to qualify for subsidies and public procurement. BYD's Hungarian plant and Geely's Valencia JV directly address this requirement, while most Chinese peers remain reliant on exports subject to the 27% tariff. Peers pursuing greenfield plants face 2-3 years of potential losses during ramp-up and uncertain regulatory approvals, whereas BYD's and Geely's brownfield/early-mover strategies provide a structural cost and compliance advantage. Initially, the overseas plants would have a gross margin below exports. After reaching 70% capacity utilisation, the overseas plants would have a gross margin on par with and even above export gross margin.
 - **BYD.** The Szeged plant in Hungary (300,000 units/year at full capacity, initial phase 150,000 units) will start mass production in 4Q26, and BYD plans two more European plants, with France under evaluation. BYD sold 234,099 EVs (+144% yoy) in 32 European countries in 8M26, vs the Szeged plant's annual capacity of 300,000 units, and it will need to build more capacity in Europe to sustain the sales growth in the long term.
 - **Geely** has agreed to take a 34% stake in a Ford plant in Valencia, Spain (500,000 units/year). Geely will use the plant for assembling modules from China into vehicles for the European market, and it is aimed to start operations by end-27 or early-28. That will be enough for Geely to sustain substantial sales growth, as it only sold 18,020 vehicles in 32 countries in Europe in 1H26.
- **China will cut the export VAT rebate on EVs to 9% from 13% from 1 Apr 27.** The Ministry of Finance and the State Taxation Administration announced on 12 October that the export VAT rebate rate for EVs will fall to 9% from 13% from 1 Apr 27, with the applicable rate set by the export date on the customs declaration. The cut covers 67 product codes, including battery electric vehicle (BEV) and plug-in hybrid (including extended-range) passenger vehicles, electric buses and electric truck tractors.
 - **The policy is designed to curb low-price competition overseas and reduce the risk of anti-subsidy investigations by foreign countries (eg the EU), given China's burgeoning EV exports.** China exported 4m EVs in 9M26, up 130% yoy.
 - **Insignificant margin impact for leading Chinese carmakers.**
 - **The VAT cut will only take effect from 1 Apr 27, and the roughly six-month buffer period allows auto OEMs to respond to the cut.** Large auto OEMs like BYD and Geely can mitigate the impact via price hikes, and production localisation.
 - **Premium position means easier cost pass-through.** BYD's and Geely's overseas selling prices are around 1-2.5x domestic prices, and thus their overseas sales boast a gross margin of 25-30%, 10ppt higher than their domestic sales. That provides room to absorb cost increases without sacrificing competitiveness.
 - **Overseas capacity.** As aforementioned, they also have overseas production capacity that is not exposed to any tariff hike and VAT cut.
- **Lithium carbonate prices weaker than expected; downgrade Ganfeng Lithium from BUY to HOLD.** The Jan 27 lithium carbonate futures contract (LC2701) closed 11.8% lower at Rmb104,740/tonne on 12 Oct 26, the first close below Rmb110,000/tonne since end-Dec 25. The contract has fallen more than 37% since the start of Sep 26, and it is almost half its mid-May peak of above Rmb200,000/tonne. Battery-grade lithium carbonate spot

prices fell Rmb8,500/tonne on the day to Rmb108,500-115,000/tonne (Mysteel), and the futures price fell more than 4% at the open on 13 Oct 26.

- **The fall can be attributed to expectations of more supply rather than weaker current demand.** Yichun restarted the environmental review of CATL's Jianxiawo lepidolite mine on 8 Oct 26. Ore arrivals from Zimbabwe and Australia are expected to rise in 4Q26. Physical demand is holding up - total domestic lithium carbonate inventory fell 6.2% over the National Day holiday to 139,517 tonnes on 8 Oct 26 (SMM), and lithium iron phosphate (LFP) cathode output is expected to rise 3.6% mom in Oct 26 (Mysteel) on top of 603,200 tonnes in Sep 26. We now expect the global lithium carbonate market to remain balanced at 2.6m tonnes of demand in 2027.
- **Cut 2026-28 ASP assumptions for Ganfeng Lithium by 9%/46%/46% to Rmb130,000/Rmb97,000/Rmb97,000 respectively.** Spot battery-grade lithium carbonate, net of 13% VAT, is about Rmb99,000/tonne, about 30% below our previous 2026-28 ASP assumption of Rmb142,000/tonne (ex-VAT). Our new 2026-28 ASP assumption implies that the lithium carbonate spot price (including the 13% VAT) remains at the current level of around Rmb110,000 from now till end-28.
- **Slash 2026-28 net profit forecasts for Ganfeng Lithium by 22%/51%/51% to Rmb7,214m/Rmb5,029m/Rmb6,053m respectively; cut target price from HK\$75.00 to HK\$28.00 based on DCF; downgrade from BUY to HOLD.**
- **We estimate Ganfeng Lithium's 3Q26 net profit at Rmb1.75b (+214% yoy/-28% qoq),** based on 60,000 tonnes of sales volume (+20% yoy/+9% qoq) and an ASP of Rmb131,000/tonne (+103% yoy/-15% qoq).
- **The converter Tinci Materials (002709 CH/BUY/Target: Rmb54) gains from lower input costs.**
- **For CATL (300750 CH/BUY/Target: Rmb585), price-cost linkage passes lower lithium costs on to its customers, so the benefit goes to the OEMs rather than to CATL's unit profit.**
- **RoboSense's (2498 HK/BUY/Target: HK\$33) 3Q26 LiDAR sales volume rose 221% yoy and 53% qoq, in line.** RoboSense reported 3Q26 LiDAR sales of 595,600 units (+221% yoy/+53% qoq). Advanced driver-assistance system (ADAS) LiDAR volume was 450,400 units (+200% yoy/54% qoq), and robotics and other uses was about 145,200 units (+309% yoy/50% qoq).
 - **We estimate 3Q26 revenue at Rmb808m (+99% yoy/+44% qoq),** based on a sales volume of 595,600 units (+221% yoy/+53% qoq) and blended ASP of Rmb1,300 (-38% yoy/-2% qoq).
 - **3Q26 earnings dampened by the Geely recall.** Geely recalled 92,915 vehicles for the defects of RoboSense's LiDARs. We estimate the cost of the recall at Rmb145m. Assuming all the cost was booked in 3Q26, this would drag RoboSense's 3Q26 gross margin to 4.1%, resulting in a net loss of Rmb225m (+248% yoy/+186% qoq).
 - **4Q26 earnings recovery driven by sales growth and absence of one-off cost for the recall.** We expect RoboSense to turn around in 4Q26 with a net profit of Rmb62m, based on a sales volume of 985,200 units (+114% yoy/+65% qoq) and blended ASP of Rmb1,297 (-16% yoy/flat qoq).
 - **Maintain our 2026 net loss estimate at Rmb286m and 2027-28 net profit forecasts at Rmb150m/Rmb474m respectively,** based on sales volumes of 2.3m/3.8m/5.8m units (85% three-year CAGR) and blended ASP of Rmb1,309/Rmb1,142/Rmb1,006 (-34%/-13%/-12%).

Valuation/Recommendation

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

IMPORTANT NOTICE - DISCLOSURES AND DISCLAIMERS

This report is provided subject to various disclosures and disclaimers (the "Disclosures / Disclaimers") which form an integral part of this report and are available at [this link](#) or by scanning the QR code below:



The Disclosures / Disclaimers contain important information, including without limitation, (a) exclusions of liability, (b) confidentiality obligations, (c) restrictions on publication, circulation, reproduction, distribution and use of the report, (d) potential conflicts of interest, and (e) disclosures and requirements specific to recipients in the United States and other applicable jurisdictions.

Specifically, this report is intended for general circulation and informational purposes only and does not take into account the specific investment objectives, financial situation, or particular needs of any individual person. It is not intended to constitute personal investment advice or a recommendation to buy or sell any investment product or security. You should independently evaluate the information and, where necessary, seek advice from a qualified financial adviser regarding the suitability of any investment, taking into account your specific objectives, financial situation and needs, before making any investment decision. Analyst certifications required under applicable regulations, including SEC Regulation AC (where relevant), are included in this report.

Recipients of this report must carefully read, review and understand the full Disclosures / Disclaimers before using or relying on any information in this report. By accessing, receiving or using this report, you acknowledge and confirm that you have read, understood, accepted and agreed to be bound by the Disclosures / Disclaimers (as may be amended or updated from time to time) in full."