Automobile

Weekly: Lithium Carbonate Price Drop Reconfirms Our Preference For OEMs; Bottom-fishing Opportunity Emerges For CATL

Highlights

- Lithium carbonate fell more than 20% during September to Rmb124,020/tonne, cutting revenue at Ganfeng and Tinci.
- Geely received more than 43,900 Cruiser 700 pre-orders in an hour, and four September launches are now priced.
- BYD, CATL and Pony AI showed electric trucks at the IAA Hannover, opening a second export front.
- CATL dropped 10.0% to Rmb304.30, a one-year low; we see the switching fear as overdone.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

Analysis

- **Battery: Lithium gave back the year's gain while CATL hit a one-year low.**
  - **The most-active Jan 27 futures contract (2701) fell to as low as Rmb124,020/tonne on 16 Sep 26, down more than 20% in September,** on reports that the leading cell makers have trimmed production schedules and on Shanghai Metals Market's (SMM) switch to a broader inventory methodology that raised reported weekly stocks from roughly 70,000 tonnes to 169,300 tonnes in one adjustment, and it has pulled the listed lithium miners down with it. Even after that retreat, battery-grade lithium carbonate spot is still quoted at Rmb128,850-133,200/tonne, leaving the 2701 contract at a Rmb6,380-7,900/tonne discount to physical material.

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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)

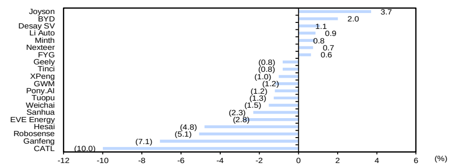
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	81.15	150.00
Geely	175 HK	BUY	16.00	29.00
CATL	300750 CH	BUY	304.30	585.00
Minth	425 HK	BUY	24.00	56.00
Li Auto	2015 HK	SELL	46.88	35.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 17 Sep 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	81.15	150.00	84.8	12/25	19.7	14.2	11.4	0.7	15.3	298,907	2.2
Geely	175 HK	BUY	16.00	29.00	81.2	12/25	9.7	8.5	6.7	3.3	17.8	172,569	2.3
Great Wall Motor - H	2333 HK	HOLD	7.47	9.90	32.5	12/25	5.6	6.0	4.9	3.0	10.2	17,168	0.6
Li Auto	2015 HK	SELL	46.88	35.00	(25.3)	12/25	185.3	58.4	72.2	0.0	2.0	97,745	1.2
XPeng	9868 HK	BUY	41.18	60.00	45.7	12/25	Loss	130.8	15.7	0.0	1.7	64,547	2.2
Fuyao Glass - H	3606 HK	BUY	55.20	84.00	52.2	12/25	13.5	12.6	10.5	5.3	27.2	33,493	2.9
Huizhou Desay SV	002920 CH	BUY	84.43	135.00	59.9	12/25	20.5	20.5	17.4	1.7	24.8	50,389	2.9
Minth	425 HK	BUY	24.00	56.00	133.3	12/25	8.7	8.3	7.1	3.5	11.7	28,116	0.9
Nexteer	1316 HK	BUY	4.72	11.40	141.5	12/25	14.9	11.3	10.2	4.0	6.2	11,846	0.7
Ningbo Joyson	600699 CH	BUY	19.87	25.00	25.8	12/25	20.9	15.7	13.8	1.3	9.9	27,732	1.5
Ningbo Tuopu	601689 CH	BUY	43.76	64.00	46.3	12/25	28.2	25.1	21.8	0.0	11.7	76,048	3.1
Pony AI	PONY US	BUY	6.55	15.00	129.0	12/25	Loss	Loss	Loss	0.0	n.a.	2,314	0.3
Weichai Power - H	2338 HK	HOLD	31.14	31.00	(0.4)	12/25	39.2	20.5	19.2	2.9	10.7	60,506	2.4
Zhejiang Sanhua	002050 CH	BUY	34.64	43.00	24.1	12/25	36.2	30.9	26.8	1.3	14.2	129,258	4.2
Hesai	2525 HK	BUY	16.65	29.00	74.2	12/25	36.9	33.2	20.1	0.0	5.9	17,335	1.9
RoboSense	2498 HK	BUY	16.27	33.00	102.8	12/25	Loss	73.5	16.9	0.0	2.4	7,674	1.7
CATL	300750 CH	BUY	304.30	585.00	92.2	12/25	19.3	14.7	11.1	3.4	20.8	1,334,964	3.5
EVE Energy	300014 CH	BUY	48.23	85.00	76.2	12/25	24.2	12.7	9.7	2.0	6.8	104,818	2.0
Ganfeng Lithium - H	1772 HK	BUY	33.34	75.00	125.0	12/25	37.7	18.2	11.2	1.1	(1.2)	16,107	1.2
Tinci Materials	002709 CH	BUY	32.88	54.00	64.2	12/25	46.5	13.1	10.9	2.3	5.4	67,028	2.9

Source: Bloomberg, UOB Kay Hian

CATL's price-cost linkage passes lithium swings through to the battery price, and the 2% battery consumption tax levied from 1 Sep 26, rising to 4% in Sep 27, falls on the buyer, so neither hit unit profit: we hold CATL's 2026-28 net profit per GWh at Rmb93.6m, Rmb95.6m and Rmb97.8m respectively. The drop in lithium carbonate prices benefit OEMs at the expense of Ganfeng and Tinci. In the 2Q26 results note, we already cut Ganfeng's 2027-28 ASP assumptions to Rmb142,000 per tonne (ex-VAT) and its target price to HK$75.00. The Rmb124,020 per tonne (including 13% VAT) is below our full-year assumption, and the spot-futures gap means the contract is discounting a weaker balance than the physical market has so far confirmed.

- **CATL fell 10.0% to a one-year low, and we published on it this week.** The A shares fell 10.0% to Rmb304.30 over the five sessions to 17 Sep 26 and the H shares dropped 9.7% to HK$507.00, after reports that Li Auto, Xiaomi, Aito and XPeng have all widened their cell sourcing. The company bought back Rmb947m of stock on 16 Sep 26, and August installations rose 26.3% yoy to 79.0GWh. The switching fear is groundless, as CATL has technology, reliability and brand moats, and the same fear peaked in late-23 without costing CATL share. OEMs that switched battery sourcing away from CATL to smaller suppliers saw the move end in failure – as illustrated by Geely’s recall over defects in Sunwoda battery. We maintain BUY on CATL, with 2026-28 net profit at Rmb93.64b, Rmb117.64b and Rmb141.88b respectively, and at Rmb304.30 the stock trades on about 12x our 2027 earnings.
- **BYD restated a 2027 launch for its first solid-state battery (SSB) model.** Executive vice-president Stella Li said in an interview published on 14 September that BYD holds “the leading position” in SSB and will prove it with its first model in 2027. BYD’s own timetable, set out by group chief scientist Lian Yubo, is for a sulphide all-solid-state cell in bulk demonstration vehicles in 2027, on the flagship brands and in the order of 1,000 units, with large-scale application only around 2030. BYD’s SSB launch may raise concerns that CATL’s battery technology moat is being eroded. We think that fear is misplaced. Apart from BYD, CATL, Geely, Changan, Toyota and Mercedes-Benz all target the same 2027 pilot date for SSB. 2027 is an engineering milestone rather than an earnings event - about 1,000 demonstration cars is immaterial against BYD’s volume base, so we have not input any SSB volume into either company’s 2027 forecasts. CATL’s chairman Robin Zeng said in June that sulphide cells still cost 3-5x a conventional lithium-ion cell and called mass commercialisation by 2030 unlikely. The technology is nobody’s advantage yet, and our BYD and CATL estimates are unchanged.

• **Corporate update: September launch calendar landing on schedule.** All five OEMs we cover have now priced or launched their September models, and the order data is running ahead of the Chengdu Auto Show cohort.

- **Geely received more than 43,900 Cruiser 700 pre-orders in an hour.** Pre-sales opened on 15 Sep 26 at Rmb199,800-269,800 across five versions, with a Rmb389,800 Land Ark edition limited to 700 units that sold out in 12 minutes, on a 47.14kWh CATL lithium iron phosphate pack giving 270-305km of electric range. Formal launch is due by year-end, and Geely also launched the Galaxy TT on 10 Sep 26 at Rmb129,900. The Cruiser 700 boost the blended ASP of Geely rather than sales volume.
- **Geely started building the EX5 EM-i in Brazil.** The first unit came off the line at the Ayrton Senna complex on 15 Sep 26 under the Renault partnership, in which Geely holds 26.4% of Renault do Brasil, with the EX2 to follow in December. Geely's overseas sales rose 205% yoy in August. The localisation of production enables Geely to bypass the trade barriers. Overseas volume is already the driver in our Geely estimates, so Brazil supports the forecast rather than changes it.

China PV Sales (Aug 26)

(‘000 units)	Aug 26	yoy %	mom %	8M26	yoy %
Production volume					
EV	1,529	19.7	5.5	9,758	9.7
BEV	1,036	28.1	8.0	6,247	12.6
PHEV	391	4.8	0.0	2,805	8.9
EREV	102	7.4	3.0	706	(9.0)
ICE-car	832	(31.5)	5.7	7,436	(20.0)
Total	2,361	(5.3)	5.6	17,194	(5.5)
EV share (%)	*64.8*	*13.5*	*0.0*	*56.8*	*7.8*
Wholesale					
EV	1,511	16.7	4.6	9,779	9.1
BEV	1,032	26.5	7.7	6,310	13.7
PHEV	386	2.9	(0.3)	2,771	5.6
EREV	93	(10.6)	(7.0)	698	(11.9)
ICE-car	860	(29.4)	4.9	7,538	(19.2)
Total	2,371	(5.7)	4.7	17,317	(5.3)
EV share (%)	*63.7*	*12.2*	*(0.1)*	*56.5*	*7.5*
Retail sales					
EV	1,005	(9.9)	5.7	6,675	(12.1)
BEV	698	1.2	7.9	4,469	(3.9)
PHEV	226	(29.4)	3.2	1,600	(27.1)
EREV	81	(22.9)	(4.7)	606	(19.3)
ICE-car	549	(39.2)	5.0	5,151	(30.0)
Total	1,554	(23.9)	5.4	11,826	(20.9)
EV share (%)	*64.7*	*10.0*	*0.2*	*56.4*	*5.7*
Export					
EV	519	154.4	(3.9)	3,328	135.0
BEV	329	145.5	2.5	1,998	118.6
PHEV	171	163.1	(11.9)	1,209	158.3
EREV	19	280.0	(24.0)	121	255.9
ICE-car	375	25.0	(2.1)	2,815	35.0
Total	894	77.4	(3.1)	6,143	75.5
EV share (%)	58.1	17.6	(0.5)	54.2	13.7
Chg in inventories					
EV	5	n.a.	n.a.	(245)	n.a.
ICE-car	(92)	n.a.	n.a.	(530)	n.a.
Total	(87)	n.a.	n.a.	(775)	n.a.

Source: China Passenger Car Association (CPCA), UOB Kay Hian

- **BYD priced three new models in a week, and moved Fang Cheng Bao into sedans.** Denza added the battery electric N8L at Rmb299,800 with 960km of range, in a line-up previously limited to plug-in hybrids, and opens Z9S pre-sales on 23 Sep 26 at Rmb319,800-389,800 for up to 1,100km of CLTC range on a 102.3kWh second-generation Blade pack. Fang Cheng Bao launched the Formula S on 16 Sep 26 at Rmb189,900-229,900, its first sedan, priced into the Xiaomi SU7 and Tesla Model 3 band. BYD is meeting a soft domestic market with new products like Formula S rather than with price cuts, which is what our volume and margin estimates assume.
- **XPeng launched the G9L on 17 Sep 26 and Li Auto launched the i9 on 16 Sep 26.** The G9L five-seat sport utility vehicle has been on pre-sale since 11 Aug 26 at Rmb259,800 upwards, and the i9 is Li Auto's flagship battery electric sport utility vehicle. The i9 therefore arrives alongside the G9L, Denza's N8L and Z9S and Geely's Cruiser 700, four comparable large electric sport utility vehicles were launched within three weeks; Li Auto's product is not competitive enough in regards to pricing, and that supports our SELL rating on the stock.
- **XPeng opened its first megawatt charging station and widened the Volkswagen tie-up.** XPeng and Halo opened an X-Energy megawatt flash-charging station in Hong Kong on 15 Sep 26, open to all brands, and Europe is next. XPeng also extended the Volkswagen cooperation beyond battery electric vehicles to internal combustion and hybrids, and has taken its Turing chip from vehicles into humanoid robots. The charging network is capital XPeng carries for the whole market, while the Volkswagen extension earns platform and software fees at a far higher margin than vehicles; that moves its breakeven date rather than its deliveries, so our delivery forecasts are unchanged.
- **Great Wall Motor remains the exception, with no new nameplate this month.** It is extending the Wey Gaoshan multi-purpose vehicle family instead. That leaves Great Wall Motor as the only OEM in our coverage without a September volume catalyst going into the National Day peak, and the one with the least cover if the holiday turns to discounting; it is the risk to its September retail share and our estimates are unchanged ahead of the print.

• **Commercial vehicles: China brought truck electrification to IAA Hannover.** BYD unveiled the ETT 44 heavy-duty electric tractor, with up to 600km of range and 1.5MW charging, CATL launched the Tectrans II commercial-vehicle battery for up to 1,000km of truck range, 25% more than its 2024 platform, and a megawatt charge to 80% in 25 minutes, and Pony AI showed a fourth-generation Level 4 electric robotruck with GAC on the T9 platform, for volume production later in 2026.

- **Trucks opened a second export front, and a higher-margin one.** Chinese manufacturers have almost no installed base in European heavy trucks, so the entry point is a product gap rather than a price war, and megawatt charging answers diesel on downtime. Weichai Power is the direct read-across on powertrain, and Pony AI's Level 4 truck with GAC moves the autonomy case from robotaxis to freight, where the labour saving is easier to underwrite. Neither carries any of this in our 2026 estimates, because European heavy-truck orders convert into revenue from 2027 at the earliest, so it lengthens the runway behind Weichai Power and Pony AI without changing our forecasts.

• **The next month: National Day sell-through, the September prints, and whether the discounting spreads.**

- **Positive: The National Day peak follows four priced launches.** XPeng launched the G9L on 17 Sep 26, Geely formalises Cruiser 700 pricing by year-end, Denza opens Z9S pre-sales on 23 Sep 26 and Fang Cheng Bao's Formula S is already on sale. Orderbooks, not discounts, carry the quarter if the pre-order run rates hold.

- **Negative: Whether Tesla's discounting spreads through the holiday.** Tesla China is running cash incentives of Rmb5,000 on the Model 3 and Rmb10,000 on the Model Y. A response from the domestic brands during the holiday would land on 4Q margins rather than on volumes, and the OEMs with the thinnest cover are those without a September launch.
- **Watch lithium carbonate, CATL's response and the September installation ranking.** CATL has said it will respond to reports of customers moving to other suppliers; that answer, and whether the lithium carbonate price holds at Rmb124,020/tonne, will set the near-term direction for the battery chain. The China Automotive Power Battery Industry Innovation Alliance will publish the September ranking in mid-October, and September deliveries will land on 1 Oct 26.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is OEMs > auto parts > battery > battery materials, based on: a) the accelerating sales growth of the leading OEMs; b) their structural profitability improvement from moving upmarket and going overseas; c) the new growth engines for the auto parts companies, eg ADAS, AI, and robotics; and d) the falling lithium carbonate prices, which benefits the OEMs at the expense of the battery materials producers.
- Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

Sector Catalyst/Risk

- **Catalysts:** Denza's Z9S pre-sales on 23 Sep 26; CATL's response to the supplier reports and further buyback execution; September delivery numbers on 1 Oct 26; the CPCA September retail print in the second week of October; the September battery installation ranking in mid-October; 3Q26 results from late-October.
- **Risks:** A discounting round that spreads through the National Day holiday; fluctuations in lithium carbonate prices, which move revenue at Ganfeng and Tinci; input cost inflation that cannot be passed through; a longer delay to CATL's Hungary plant; export barriers in Europe, Brazil and Mexico.

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