Automobile

China Auto Sector Weekly (5 Nov 26)

Highlights

- October sales grew yoy at BYD, Geely and XPeng on exports, and fell at GWM and Li Auto.
- The EU opened a safeguard investigation into hybrid imports, and Chinese automakers are negotiating their individual shares of the EU hybrid export quota.
- Hesai launched Kosmo, a 3D world data engine for physical AI, but did not disclose any pricing or revenue target.
- XHEART, Momenta's chip spin-off, launched the 700-TOPS X7 Ultra, on which Momenta's R7 Ultra world model runs.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely. Top SELLs: Li Auto, XPeng.

Analysis

- **October sales and deliveries: Exports drove growth at BYD, Geely and XPeng, while GWM and Li Auto saw declines.** The CPCA estimates October passenger NEV wholesales at 1.8m units, up 12% yoy and 8% mom and above the previous monthly high of 1.71m in Nov 25. However, as wholesales includes exports, PEV retail sales still fell 13% yoy during 1–25 October, which implies that growth depends on exports and new models.
  - **BYD (1211 HK/BUY/Target: HK$100.00).** Sales rose 11% yoy and 6% mom to 490,168 units, its highest monthly total this year, as BEV sales rose 37% yoy and 11.9% mom to 305,743 units. Exports rose 103% yoy and fell 5.8% qoq to 170,194 units, accounting for 35% of the total. Exports and BEVs are carrying BYD, with its domestic sales falling 11% yoy and growing 13.1% mom to 319,974 units.

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)

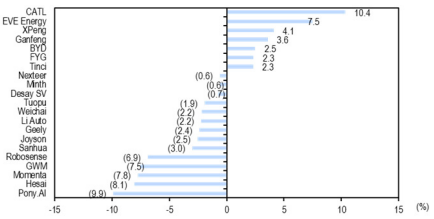
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	72.30	100.00
Geely	175 HK	BUY	13.87	21.00
Li Auto	2015 HK	SELL	43.60	30.00
XPeng	9868 HK	SELL	38.08	30.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 4 Nov 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	72.30	100.00	38.3	12/25	17.6	12.6	10.2	0.8	15.3	266,310	2.0
Geely	175 HK	BUY	13.87	21.00	51.4	12/25	8.5	7.4	5.8	3.8	17.8	149,600	2.0
Great Wall Motor - H	2333 HK	HOLD	6.23	7.00	12.4	12/25	4.7	5.0	4.1	3.7	10.2	14,289	0.5
Li Auto	2015 HK	SELL	43.60	30.00	(31.2)	12/25	172.3	54.4	67.2	0.0	2.0	90,906	1.1
XPeng	9868 HK	SELL	38.08	30.00	(21.2)	12/25	Loss	120.9	14.6	0.0	1.7	59,794	2.0
Fuyao Glass - H	3606 HK	BUY	52.90	77.00	45.6	12/25	12.9	12.1	10.1	5.5	27.2	32,097	2.8
Huizhou Desay SV	002920 CH	BUY	79.92	105.00	31.4	12/25	19.4	19.4	16.5	1.8	24.8	47,697	2.7
Minth	425 HK	BUY	23.00	56.00	143.5	12/25	8.3	7.9	6.7	3.6	11.7	26,945	0.9
Nexteer	1316 HK	BUY	4.33	11.40	163.6	12/25	13.6	10.4	9.3	4.3	6.2	10,855	0.6
Ningbo Joyson	600699 CH	HOLD	21.32	19.00	(10.9)	12/25	22.5	16.8	14.8	1.2	9.9	29,756	1.6
Ningbo Tuopu	601689 CH	BUY	45.51	64.00	40.6	12/25	29.4	26.0	22.7	0.0	11.7	79,089	3.2
Pony AI	PONY US	BUY	4.55	15.00	229.7	12/25	Loss	Loss	Loss	0.0	n.a.	1,611	0.2
Weichai Power - H	2338 HK	BUY	24.98	31.00	24.1	12/25	31.5	16.4	15.4	3.7	10.7	48,537	1.9
Zhejiang Sanhua	002050 CH	BUY	34.57	43.00	24.4	12/25	36.1	30.8	26.7	1.3	14.2	128,997	4.2
Hesai	2525 HK	BUY	12.82	29.00	126.2	12/25	4.1	8.8	7.6	0.0	4.4	13,399	0.0
RoboSense	2498 HK	BUY	13.38	33.00	146.6	12/25	Loss	0.0	0.1	0.0	(7.8)	6,298	0.7
CATL	300750 CH	BUY	252.88	343.00	35.6	12/25	16.0	12.2	9.2	4.1	20.8	1,109,385	2.9
EVE Energy	300014 CH	BUY	49.91	57.00	14.2	12/25	25.0	13.1	10.0	1.9	6.8	108,469	2.1
Ganfeng Lithium - H	1772 HK	HOLD	24.10	24.00	(0.4)	12/25	27.2	13.2	8.1	1.5	(1.2)	11,643	0.9
Tinci Materials	002709 CH	SELL	27.51	19.00	(30.9)	12/25	38.9	10.9	9.2	2.7	5.4	56,081	2.4

Source: Bloomberg, UOB Kay Hian

  - **Geely (175 HK/BUY/Target: HK$21.00).** Sales rose 1% yoy and 6% mom to 310,183 units, as exports rose 158% yoy to 107,153 units and domestic sales fell 24%. 10M26 exports already account for 98% of the 920,000-unit full-year target, which implies that Geely will exceed this target in November. However, growth in total sales slowed to 1% yoy from 7% in September as the domestic decline deepened.
  - **GWM (2333 HK/HOLD/Target: HK$7.00).** Sales fell 16% yoy to 120,374 units, as overseas sales rose only 10% and domestic sales fell 33%. Overseas growth slowed to a single-digit rate for the first time this year and is no longer offsetting the fall at home.
  - **Li Auto (2015 HK/SELL/Target: HK$30.00).** Deliveries fell 9% yoy and 9% mom to 29,025 units, the lowest since February. The 2026 i6 is now the swing factor – its production capacity has risen to 20,000 units a month in November, equal to 69% of October's total deliveries. Its seven-to-eight-week order wait means that capacity, and not demand, limits the model's sales.
  - **XPeng (9868 HK/SELL/Target: HK$30.00).** Deliveries rose 20% yoy and 22% mom to 50,237 units in Oct 26, surpassing 50,000 for the first time, with overseas deliveries up 166% yoy to 13,326. October's total came before the Mona L05 added any volume, so the 60,000-a-month 4Q26 target is within reach. However, the Rmb15,000 cut in L05 guide prices before launch will weigh on ASPs.

- **The EU has launched a safeguard investigation into hybrid imports, and Chinese automakers are seeking their shares of the export quota.** The European Commission launched a safeguard investigation into hybrid passenger vehicle imports from all countries on 30 October, after EU hybrid imports rose 49% from 2023 to 1.4m units in mid-26. The UK, South Korea, Japan and Türkiye voiced their objections to the World Trade Organization.
  - **China's quota is set based on its 2025 base.** China agreed to an arrangement with the EU in October based on its 2025 hybrid exports of 302,000 units. Bloomberg reported a first-year quota of 350,000 units, rising 6% a year for four years, which neither side has published. A 2022–24 base would have given China only about 70,000 units.
  - **Allocation between automakers is now the constraint.** On 2 November, Cailian reported that several Chinese automakers had gone to Beijing to negotiate their individual quotas. Because the total is capped, BYD and Geely draw on the same limited pool, so a larger allocation for one leaves less for the other. This raises the value of their local plants in Hungary and Spain, whose output falls outside the quota.
- **Hesai (2525 HK/BUY/Target: HK$29.00) has launched Kosmo, a 3D world data engine for physical AI.** At its KOSMO AI DAY on 14 October, Hesai launched Kosmo One, an AI spatial camera combining LiDAR, 8K imaging and an inertial measurement unit that scans a 100 sqm room in about 15 minutes, and Kosmo World, a cloud platform that converts the scans into simulation-ready environments for embodied AI training. Kosmo also integrates with NVIDIA Isaac Sim, Isaac Lab, Unreal Engine, RenderMan and Houdini.
  - **Two business lines and a wider customer base.** Hesai will sell hardware-software solutions to embodied AI, film and tourism customers, and run a spatial data production service for world-model companies. Galbot and Dexmal have signed partnerships, and Amap is opening 1,000 pilot sites.
  - **No pricing, volumes or revenue targets were disclosed, so we make no changes to our forecasts.** Hesai guides for the non-LiDAR or Strategic Growth Initiative (SGI) revenue of Rmb200m-300m in 2026 and about Rmb700m in 2027, and 3Q26 is the first quarter of Kosmo revenue. We expect Hesai's revenue to grow at 41% three-year CAGR to Rmb4.07b/Rmb6.12b/Rmb8.55b in 2026-28 respectively, with SGI revenue's share doubling from 6% in 2026 to 12% in 2028.

- **XHEART, Momenta's chip spin-off, has launched the X7 Ultra, and Momenta (6880 HK) has built its R7 Ultra world model on it.** XHEART launched the X7 Ultra in Suzhou on 29 October, with 700 TOPS of compute measured on a mass-production driving model rather than a peak rating, and brought its 3,000-TOPS X9 forward to 2027 from the 2028 that Momenta gave in September.
  - **X7 shipments have exceeded 200,000 units thus far, with 2026 shipment targeted at 300,000 units.** The X7 has been in mass production for eight months, with more than 200,000 chips shipped and orders for more than 40 vehicle models, against Momenta's guidance of about 300,000 chips in 2026.
  - **Momenta has gained a stronger software-hardware bundle, but not chip earnings.** Momenta CEO Cao Xudong said the R7 Ultra raises parameter scale and safety performance by 5-10 times, and expects L3/L4 to reach an inflection point in 2028. Momenta holds no economic interest in XHEART, according to its investor relations, so XHEART's chip sales do not flow into Momenta's earnings.

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.**

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.