Automobile

MARKET WEIGHT
(Maintained)

Weekly: June Sets Records As 1H26 Profit Alerts Split The Value Chain

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Highlights

- Record June: NEV sales rose 23.6% yoy to 1.643m units (58.5% penetration); exports first topped 500,000. BYD led both.
- 1H26 profits split on the lithium surge: GWM -59-63% yoy; Ganfeng 787-966%, Tinci 908-1,020%.
- Launch wave favoured scale: BYD Denza Z and new Seagull, Li L6, Geely Cruiser 700, Xiaomi Sky Nomad vs Li Auto.
- Maintain MARKET WEIGHT. Top BUYs: CATL, BYD, Geely, Ganfeng, Tinci; SELL Li Auto. Downgrade GWM to HOLD (Target: HK$9.90).

Analysis

- **June data: Record volumes, but the margin gap widens.** June NEV sales rose 23.6% yoy to a record 1.643m units (58.5% of all sales) and NEV exports first topped 500,000. Volume is not the problem; profitability is where the sector separates.
  - **Domestic share – BYD extends its lead.** BYD took 22.3% of China's June NEV market (Tesla 5th for a second month); Nio retail jumped 62.6% yoy. Scale leaders keep compounding volume despite the price war — positive for BYD and Geely, negative for the long tail.
  - **Exports – The structural growth leg.** BYD led June NEV exports with 34.2% share (170,897 units) vs Tesla China's 7.2%, with a two-player structure (BYD plus Chery) forming — positive for globally geared parts names (Fuyao, Nexteer, Minth) and BYD's volume story.
  - **Batteries – China keeps the global lead.** 5M26 battery installations kept Chinese makers ahead globally (CATL, BYD, EVE); global June EV sales rose about 7% yoy. This supports our OVERWEIGHT rating on the battery segment, as the cell volume base continues to expand.

Segmental Rating

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

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
CATL	300750 CH	BUY	375.50	640.00
BYD	1211 HK	BUY	82.65	135.00
Geely	175 HK	BUY	18.13	27.00
Minth	425 HK	BUY	27.50	56.00
Li Auto	2015 HK	SELL	46.76	40.00

Source: Bloomberg, UOB Kay Hian

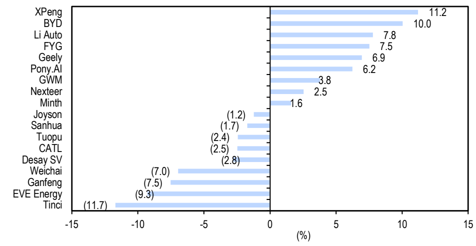
Peer Comparison

Company	Ticker	Rec	Price 16 Jul 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	90.95	135.00	48.4	12/25	22.1	15.9	12.8	0.6	15.3	335,005	2.5
Geely	175 HK	BUY	19.39	27.00	39.2	12/25	11.8	10.3	8.2	2.7	17.8	209,124	2.8
Great Wall Motor - H	2333 HK	HOLD	8.81	9.90	12.4	12/25	6.6	7.1	5.8	2.6	10.2	20,328	0.7
Li Auto	2015 HK	SELL	50.40	40.00	(20.6)	12/25	199.2	62.8	77.7	0.0	2.0	105,084	1.3
XPeng	9868 HK	BUY	56.55	90.00	59.2	12/25	Loss	179.6	21.7	0.0	1.7	88,638	3.0
Fuyao Glass - H	3606 HK	BUY	54.40	100.00	83.8	12/25	13.3	12.4	10.3	5.3	27.2	33,008	2.9
Huizhou Desay SV	002920 CH	BUY	85.93	150.00	74.6	12/25	20.9	20.8	17.7	1.6	24.8	51,284	2.9
Minth	425 HK	BUY	27.94	56.00	100.4	12/25	10.1	9.6	8.2	3.0	11.7	32,730	1.1
Nexteer	1316 HK	BUY	4.03	8.30	106.0	12/25	12.7	9.7	8.7	4.7	6.2	10,115	0.6
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	54.47	100.00	83.6	12/25	35.2	31.2	27.2	0.0	11.7	94,660	3.8
Pony AI	PONY US	BUY	7.15	16.00	123.8	12/25	Loss	Loss	Loss	0.0	n.a.	2,526	0.3
Weichai Power - H	2338 HK	HOLD	32.04	35.00	9.2	12/25	40.4	21.0	19.8	2.9	10.7	62,255	2.5
Zhejiang Sanhua	002050 CH	BUY	41.83	57.00	36.3	12/25	43.7	37.3	32.3	1.1	14.2	156,088	5.1
Hesai	2983 HK	BUY	15.72	33.00	109.9	12/25	34.9	31.4	18.9	0.0	5.9	16,367	1.8
RoboSense	2498 HK	BUY	23.74	50.00	110.6	12/25	Loss	107.2	24.7	0.0	2.4	11,205	2.5
CATL	300750 CH	BUY	366.20	640.00	74.8	12/25	23.1	17.7	13.4	2.8	20.8	1,606,519	4.2
EVE Energy	300014 CH	BUY	51.61	83.50	61.8	12/25	25.9	13.6	10.4	1.8	6.8	112,164	2.1
Ganfeng Lithium - H	1772 HK	BUY	39.84	120.00	201.2	12/25	45.0	21.8	13.3	0.9	(1.2)	19,247	1.5
Tinci Materials	002709 CH	BUY	36.61	75.00	104.9	12/25	51.8	14.5	12.2	2.1	5.4	74,632	3.2

Source: UOB Kay Hian

- **1H26 profit alerts split the value chain based on lithium prices.** Lithium carbonate has roughly doubled yoy, from about Rmb80,000/tonne to about Rmb180,000/tonne, and this squeezed OEM margins while handing the upstream a windfall. We derive implied 2Q26 as the 1H26 guidance less the reported 1Q26, and we judge each alert against 2026 consensus.
  - **GWM (2333 HK/HOLD/Target: HK$9.90) – 1H26 results missed sharply.** GWM guided 1H26 net profit of Rmb2,350m-2,600m (down 59-63% yoy) and core net profit of Rmb1,500m-1,750m. We estimate that implied 2Q26 net profit was Rmb1,404m-1,654m (down 64-69% yoy but up 49-75% qoq) and that core net profit was Rmb1,018m-1,268m (down 40-52% yoy but up 111-163% qoq). The 1H26 mid-point equals only about 19% of the Rmb13,114m full-year consensus, and the miss sits below the operating line because a Rmb2.27b tax subsidy booked in 1H25 was not repeated (it was deferred to 2H26) and forex swung by Rmb1.76b, even though volume rose 2.5%. We have cut our 2026-28 net profit forecasts by 34%/17%/9% to Rmb5,733m/Rmb8,171m/Rmb10,160m respectively and downgraded the stock to HOLD with a HK$9.90 target price, and we expect consensus to fall.
  - **Ganfeng Lithium (BUY) – Swung to a large profit and is tracking to beat.** Ganfeng guided 1H26 net profit of Rmb3,650m-4,600m (up 787-966% yoy from a Rmb531m loss) and core net profit of Rmb3,000m-4,200m. We estimate that implied 2Q26 net profit was Rmb1,813m-2,763m, which compares with a Rmb175m loss in 2Q25 and ranges from 1% lower to 50% higher qoq, while core net profit was Rmb1,581m-2,781m. The 1H26 mid-point of about Rmb4.1b already equals roughly 63% of the approximately Rmb6.6b full-year consensus, so Ganfeng is tracking to beat. The lithium-price recovery and capacity ramp-up drove the swing, a non-prosecution ruling has removed a legal overhang, and Ganfeng is the sharpest upgrade candidate if carbonate holds near Rmb180,000/t.
  - **Tinci Materials (BUY) – Profit rose roughly tenfold but only matched consensus.** Tinci guided 1H26 net profit of Rmb2,700m-3,000m (up 908-1,020% yoy) and core net profit of Rmb2,650m-2,950m. We estimate that implied 2Q26 net profit was Rmb1,046m-1,346m (up 784-1,038% yoy but down 19-37% qoq, because 1Q26 was an unusually high Rmb1,654m) and that core net profit was Rmb1,090m-1,390m. The 1H26 mid-point of about Rmb2.85b equals roughly 43% of the approximately Rmb6.6b full-year consensus, so Tinci needs a stronger 2H to meet it. Electrolyte shipments rose more than 40% yoy, third-quarter output is guided higher qoq and LiPF6 demand remains strong, which makes Tinci the cleanest volume inflection in battery materials.
- **New model debuts: A launch wave that rewards scale and integration.** Product cycle, not price, drove the week – and a new competitive front opened in the large-EREV segment.
  - **BYD – Milestone plus a full-line blitz.** BYD's 17-millionth NEV rolled off just 82 days after its 16-millionth; it launched the Seal 08, a longer new Seagull with optional LiDAR, the flash-charging Qin Max and the Denza Z supercar (from about US$190,000; pre-orders over 1,000). Vertical integration shields BYD from the carbonate price spike as it pushes further up-market – its relative position strengthens.
  - **Xiaomi Sky Nomad – A new threat to Li Auto.** Xiaomi confirmed that Sky Nomad, an EREV series led by the full-size N90 SUV targeting over 1,500km range, is taking a direct aim at Li Auto's family-SUV franchise (and Nio/AITO). With SU7/YU7 proving Xiaomi converts hype into volume, this is structurally negative for Li Auto's pricing power.
  - **Li Auto & Geely – Defence and expansion.** Li Auto launched a revamped L6 (16 July) to revive slumping sales and teased its largest SUV, the i9 (September launch); Geely filed the off-road Galaxy Cruiser 700. Li Auto is

Weekly Stock Performance



Source: Bloomberg

the coverage OEM under the most competitive pressure; Geely's cadence supports its return to growth.

- **LiDAR and smart-driving – Attach rates broaden.** LiDAR is moving down-market – BYD's Seagull (~Rmb70,000) offers it optionally and Leapmotor previewed a LiDAR-equipped A05s, while Hesai completed a share subdivision and RoboSense issued a business update; XPeng began robotaxi beta testing and VW filed the XPeng-co-developed ID. UNYX 09. This is a positive volume read-through for Hesai and RoboSense.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector.** Our segment preference in descending order is: battery and battery materials > auto parts > OEMs. The lithium-cost cycle rewards the upstream and the vertically integrated while squeezing volume-led OEMs.
- **Top BUYs: CATL, BYD, Geely, and Minth. Top SELL: Li Auto.** We downgrade GWM to HOLD (target price HK$9.90, from HK$12.00) after its 1H26 miss; Ganfeng and Tinci are the sharpest positive-revision names, while Li Auto faces the toughest competitive setup (Xiaomi Sky Nomad).

Sector Catalyst/Risk

- **Catalysts:** 2Q26 results and 3Q26 guidance; further lithium-carbonate price gains lifting materials earnings; sustained NEV export share gains; new-model order momentum (Seal 08, Li L6, Denza Z).

Probable Catalysts For Individual Stocks

Company	Catalysts	Timeline	Direction
BYD (1211 HK)	July sales will likely grow further from 410,000 units in June with yoy growth accelerating to 25-30% 2Q26 results: We estimate net profit at Rmb7b (+11% yoy/+72% qoq)	August	Upside
Geely (175 HK)	July sales will likely grow to nearly 300,000 units from 241,000 units in June with yoy growth accelerating to >20%	August	Upside
CATL (300750 CH)	2Q26 results: We estimate adjusted net profit at Rmb20.5b (up 33% yoy) on 220GWh of volume (up 38% yoy), with margins the key focus. Market is concerned on possible inventory write-down from the recent pull back of lithium carbonate prices, triggering sell-off; but the company denies further write-down as it already did it in 2025.	Late-July	Upside if margins hold

Source: UOB Kay Hian

- **Risks:** A reversal in carbonate prices; a deeper domestic price war compressing OEM margins; import barriers abroad (Malaysia, Korea, Brazil); re-certification drag from the July safety standards; geopolitics (tariffs, chip curbs).