

Automobile

China Auto Sector Weekly (26 Sep-8 Oct 26)

Highlights

- We cut our 2026-28 sales estimates for auto OEMs, based on lower-than-expected 9M26 sales.
- 2027 sales are poised for a modest recovery on stabilisation of domestic sales and sustained buoyant export growth.
- Trade barriers to China's EVs are rising globally through tariffs and localisation rules that force Chinese OEMs from exports to local production. This favours the leading OEMs – BYD and Geely.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL. Top SELLs: Li Auto, XPeng.

Analysis

- Auto OEMs' 9M26 sales came in below estimates, due to weaker-than-expected domestic market and ICE-car sales amid the expiry of the purchase tax exception and spike in oil prices.**
 - BYD (1211 HK/BUY/Target: HK\$140.00)** has resumed positive yoy sales growth since May. Monthly sales recovered from a recent trough of 190,190 units (-41% yoy/-9% mom) in Feb 26 to 463,561 units (+17% yoy/+5% mom) in Sep 26, the seventh month of positive growth in a row. This brings 9M26 sales to 3.13m units (-3.9% yoy). Attaining BYD's 2026 sales target of 5m units requires average monthly sales of 622,800 units (+39% yoy) in 4Q26, well above September sales of 463,561 units.
 - Geely (175 HK/BUY/Target: HK\$29.00)** has kept positive yoy sales growth ytd. Monthly sales remained at 200,000-300,000 units ytd, with export growth offset by a drop in domestic sales. September sales grew 7% yoy and 8% mom to a ytd record of 292,168 units, bringing 9M26 sales to 2.235m units (+3% yoy). It requires average monthly sales of 404,840 units (+42% yoy) in 4Q26 to reach Geely's 2026 target of 3.45m units.

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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)

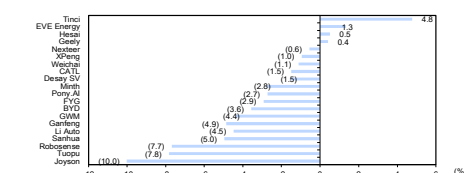
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	72.90	140.00
Geely	175 HK	BUY	14.61	29.00
CATL	300750 CH	BUY	286.75	585.00
Li Auto	2015 HK	SELL	43.02	30.00
XPeng	9868 HK	SELL	37.50	30.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 8 Oct 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	72.90	140.00	92.0	12/25	17.7	12.7	10.3	0.8	15.3	268,520	2.0
Geely	175 HK	BUY	14.61	29.00	98.5	12/25	8.9	7.8	6.2	3.6	17.8	157,582	2.1
Great Wall Motor - H	2333 HK	HOLD	6.91	7.00	1.3	12/25	5.2	5.6	4.5	3.3	10.2	15,868	0.5
Li Auto	2015 HK	SELL	43.02	30.00	(30.3)	12/25	170.0	53.6	66.3	0.0	2.0	89,697	1.1
XPeng	9868 HK	SELL	37.50	30.00	(20.0)	12/25	Loss	119.1	14.4	0.0	1.7	58,883	2.0
Fuyao Glass - H	3606 HK	BUY	53.05	84.00	58.3	12/25	12.9	12.1	10.1	5.5	27.2	32,188	2.8
Huizhou Desay SV	002920 CH	BUY	78.07	135.00	72.9	12/25	19.0	18.9	16.1	1.8	24.8	46,593	2.7
Minth	425 HK	BUY	22.54	56.00	148.4	12/25	8.1	7.8	6.6	3.7	11.7	26,405	0.9
Nexteer	1316 HK	BUY	4.50	11.40	153.3	12/25	14.2	10.8	9.7	4.2	6.2	11,294	0.7
Ningbo Joyson	600699 CH	BUY	21.11	25.00	18.4	12/25	22.3	16.7	14.6	1.2	9.9	29,463	1.6
Ningbo Tuopu	601689 CH	BUY	42.88	64.00	49.3	12/25	27.7	24.5	21.4	0.0	11.7	74,518	3.0
Pony AI	PONY US	BUY	6.07	15.00	147.1	12/25	Loss	Loss	Loss	0.0	n.a.	2,149	0.2
Weichai Power - H	2338 HK	HOLD	28.40	31.00	9.2	12/25	35.8	18.6	17.5	3.2	10.7	55,182	2.2
Zhejiang Sanhua	002050 CH	BUY	33.94	43.00	26.7	12/25	35.5	30.3	26.2	1.3	14.2	126,646	4.1
Hesai	2525 HK	BUY	15.66	29.00	85.2	12/25	34.8	31.2	18.8	0.0	5.9	16,304	1.8
RoboSense	2498 HK	BUY	15.40	33.00	114.3	12/25	Loss	69.5	16.0	0.0	2.4	7,249	1.6
CATL	300750 CH	BUY	286.75	585.00	104.0	12/25	18.1	13.8	10.5	3.6	20.8	1,257,972	3.3
EVE Energy	300014 CH	BUY	50.48	85.00	68.4	12/25	25.3	13.3	10.1	1.9	6.8	109,708	2.1
Ganfeng Lithium - H	1772 HK	BUY	29.34	75.00	155.6	12/25	33.2	16.0	9.8	1.2	(1.2)	14,174	1.1
Tinci Materials	002709 CH	BUY	32.69	54.00	65.2	12/25	46.2	13.0	10.9	2.3	5.4	66,641	2.8

Source: Bloomberg, UOB Kay Hian

- **Great Wall Motor (GWM) (2333 HK/HOLD/Target: HK\$7.00).** Yoy sales growth has hovered around zero ytd. September sales dropped 14% yoy and edged up 1% mom to 114,944 units, bringing 9M26 sales to 920,302 units. It takes average monthly sales of 143,233 units (+7% yoy) in 4Q26 to reach our 2026 estimate of 1.35m units.
- **Li Auto (2015 HK/SELL/Target: HK\$30.00).** Sales rebounded from a trough of 26,421 units in Feb 26 to a peak of 41,053 units in Mar 26 and then dropped to 31,817 units (-6% yoy/-16% mom) in Sep 26. This takes 9M26 sales to 293,436 units (-1% yoy). It requires average monthly sales of 42,188 units (+16% yoy) to hit our 2026 sales estimate of 420,000 units.
- **XPeng (9868 HK/SELL/Target: HK\$30.00).** Yoy sales reversed into positive territory in Jun-Aug 26, and returned to a negative trajectory in Sep 26 with sales of 41,256 units (-1% yoy/+5% mom). 9M26 sales fell 9% yoy to 284,367 units. It takes average monthly sales of 65,211 units (+68% yoy) to reach our full-year estimate of 480,000 units.
- **2027 sales poised for a modest recovery on stabilisation of domestic sales and sustained buoyant export growth.** We expect China's passenger vehicle (PV) wholesales to drop 7.1% yoy to 27.8m units and grow 9.1% yoy to 30.3m units in 2027.
 - **Modest domestic recovery.** After falling 22.9% yoy to 18.6m units in 2026, we expect China's domestic PV wholesales to recover 4.8% yoy to 19.5m units in 2027. The 2026 rebound will be driven by replacement demand from 2016-17 high-sales cohort, and the front-loading effect from the doubling of EV purchase tax from 5% currently to 10% by 1 Jan 28.
 - **EV penetration continues to rise even as absolute volumes moderate.** We expect domestic passenger EV sales to grow from 10.9m units (-15% yoy) in 2026 to 12.6m units (+15.7% yoy) in 2027, representing 65% penetration (+8.0ppt yoy). This trajectory is driven by: a) model launches in the Rmb100,000-200,000 mass-market segment, where EV price parity with ICE-cars has largely been achieved; and b) fast-charging tech launches and improving charging infrastructure.
 - **Overseas sales become the primary growth engine, but localisation is the new battleground.** We expect China's PV export volume to reach 10.8m units (+18% yoy) in 2027, including 6.8m passenger EVs (+43% yoy). The export growth will be driven by Chinese OEMs launching new EV models and expanding production capacity overseas. Trade barriers to China's EVs are rising globally – the UK, EU, Thailand, Malaysia, India, Brazil, Turkey and beyond – through tariffs and localisation rules that force Chinese OEMs from exports to local production. The cost of access is now a factory, not a border tax, and fast localisers turn barriers into competitive moats. This favours leading auto OEMs – BYD and Geely, due to their extensive sales network and production bases overseas.
- **We are cutting our 2026-28 sales estimates on 9M26 sales.** Having said that, we still expect the leading auto OEMs to deliver above-industry sales CAGR in 2027-28 – BYD (21%) and Geely (17%).
 - **BYD (1211 HK/BUY/Target: HK\$140.00).** BYD's earnings will be driven by the ramp-up of the Flash-Charging models along with the capacity of the 2nd-gen Blade Battery, and the ramp-up of overseas capacity in Brazil, Thailand, and Hungary.
 - **Cut our 2026 sales estimate by 5% to 4.75m units (+3% yoy), and keep our 2027-28 sales estimates at 6m units (+26% yoy)/7m units (+17% yoy) respectively.** Our 2026-28 sales estimates include 1.95m units (+86% yoy)/3m units (+54% yoy)/4m units (+33% yoy) respectively.
 - **Cut 2026-28 net profit per vehicle by 9%/11%/11% to Rmb7,000/Rmb8,500/Rmb9,100 respectively.**
 - **Cut 2026-28 net profit by 14%/11%/11% to Rmb35,609m/Rmb54,326m/Rmb67,441m respectively.**
 - **We estimate 3Q26 net profit at Rmb10.38b (+33% yoy/+26% qoq).**

Auto OEMs' Sales (Sep 26)

(units)	Sep 26	yoy %	mom %	9M26	yoy %
BYD	463,561	17.0	5.3	3,131,576	(3.9)
Domestic	282,861	(13.0)	12.8	1,788,616	(30.2)
Exports	180,700	153.6	(4.6)	1,342,960	92.7
Geely	292,168	7.0	8.1	2,235,481	3.0
EV	190,868	15.5	8.5	1,326,364	13.6
ICE-car	101,300	(6.1)	7.4	909,117	(9.3)
Domestic	185,483	(20.2)	15.9	1,437,811	(23.3)
Exports	106,685	162.4	(3.1)	797,670	170.5
GWM	114,944	(14.0)	1.4	920,302	(0.3)
EV	41,982	(8.7)	3.1	267,253	(4.0)
ICE-car	72,962	(16.8)	0.4	653,049	1.3
Domestic	54,925	(34.1)	8.0	444,325	(24.6)
Exports	60,019	19.4	(4.0)	475,977	42.4
Li Auto	31,817	(6.3)	(15.6)	293,436	(1.2)
XPeng	41,256	(0.8)	5.5	284,367	(9.2)

Source: Respective companies

Our Estimates On Auto OEM Sales

	----- Old -----			----- New -----		
('000 units)	26F	27F	28F	26F	27F	28F
BYD						
Domestic	3,000	3,000	3,000	2,800	3,000	3,000
Export	2,000	3,000	4,000	1,950	3,000	4,000
Total	5,000	6,000	7,000	4,750	6,000	7,000
Export/Total	40.0	50.0	57.1	41.1	50.0	57.1
Geely						
Domestic	2,250	2,300	2,350	2,070	2,250	2,350
Export	1,200	2,000	2,800	1,130	1,500	2,000
Total	3,450	4,300	5,150	3,200	3,750	4,350
Export/Total	34.8	46.5	54.4	35.3	40.0	46.0
EV	2,100	2,790	3,600	1,950	2,440	3,050
ICE-car	1,350	1,510	1,550	1,250	1,310	1,300
Total	3,450	4,300	5,150	3,200	3,750	4,350
EV/Total	60.9	64.9	69.9	60.9	65.1	70.1
GWM						
Domestic	620	630	650	640	580	520
Export	730	870	1,000	660	720	780
Total	1,350	1,500	1,650	1,300	1,300	1,300
Export/Total	54.1	58.0	60.6	50.8	55.4	60.0
EV	400	530	660	410	450	500
ICE-car	950	970	990	890	850	800
Total	1,350	1,500	1,650	1,300	1,300	1,300
EV/Total	29.6	35.3	40.0	31.5	34.6	38.5
Li Auto						
Total	420	450	480	400	400	400
XPeng						
Domestic	390	510	590	340	390	420
Export	90	140	190	90	110	130
Total	480	650	780	430	500	550
Export/Total	18.8	21.5	24.4	20.9	22.0	23.6

Source: UOB Kay Hian

- **Maintain BUY, but cut target price from HK\$150.00 to HK\$140.00** pegged to an unchanged 20x 2027F PE (on par with historical mean) and lower 2027 EPS.
- **Geely (175 HK/BUY/Target: HK\$29.00).** Geely's earnings growth will be driven by the launch of new fast-charging tech, the debuts of more battery electric vehicle (BEV) models, eg Zeekr 9X, Galaxy TT, new E5, and the launch of iHEV models in overseas markets.
 - **Cut our 2026-28 sales estimates by 7%/13%/16% to 3.20m/3.75m/4.35m units respectively**, including 1.13m/1.50m/2.00m overseas sales.
 - **Raise 2026-28 net profit per vehicle by 18%/15%/15%**, based on the upbeat margins of the premium products and exports.
 - **Raise 2026 net profit by 7% to Rmb21.36b, keep 2027 net profit unchanged at Rmb27.37b, and trim 2028 net profit by 3% to Rmb34.17b.**
 - **We estimate 3Q26 net profit at Rmb5,525m (+36% yoy/+18% qoq).**
 - **Maintain BUY with a target price of HK\$29.00**, pegged to 10x 2027F PE (on par with historical mean).
- **GWM (2333 HK/HOLD/Target: HK\$7.00).** GWM will face earnings headwinds from losing market share in the SUV market, a decline in ICE-car sales in both domestic and overseas markets, and margin contraction.
 - **Cut our 2026-28 sales estimates by 4%/13%/21% to 1.3m/1.3m/1.3m units respectively.**
 - **Cut 2026-28 net profit by 3%/31%/51% to Rmb5,587/Rmb5,620m/Rmb4,962m, respectively.**
 - **We estimate 3Q26 net profit at Rmb1,615m (-30% yoy/+6% qoq).**
 - **Maintain HOLD and cut target price from HK\$9.90 to HK\$7.00**, pegged to an unchanged target 2027F PE of 9x and lower 2027 EPS.
- **Li Auto (2015 HK/SELL/Target: HK\$30.00).** Li Auto will see sustained loss in 2026-28, due to its extended-range electric vehicle products losing market share, the rising share of lower-margin BEV models in its sales mix, and the substantial spending in AI and robotics.
 - **Cut 2026-28 deliveries by 5%/11%/17% to 400,000/400,000/400,000 units respectively.**
 - **Increase our 2026-28 net loss estimates by 8%/27%/53% to Rmb7,885m/Rmb7,284m/Rmb7,141m.**
 - **We estimate 3Q26 net loss at Rmb1.7b (+172% yoy/flat qoq).**
 - **Maintain SELL and cut target price from HK\$35.00 to HK\$30.00**, based on DCF. Our target price implies 1.0x 2027F P/B.
- **XPeng (9868 HK/SELL/Target: HK\$30.00).** XPeng's bottom line will be dragged by increasing competition in the premium BEV segment and its substantial spending on AI and robotics.
 - **Cut 2026-28 deliveries by 10%/23%/29% to 430,000/500,000/550,000 units respectively.**
 - **Cut our 2026-28 bottom line estimates to -Rmb4,282m/-Rmb1,376m/Rmb1,195m.**
 - **We estimate 3Q26 net loss at Rmb1b (+163% yoy/-25% qoq).**
 - **Downgrade from BUY to SELL, and slash target price from HK\$60.00 to HK\$30.00**, based on DCF. Our target price implies 2.0x 2027F PEG.

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, Geely, and CATL. Top SELLs: Li Auto, and XPeng.**

3Q26 Earnings Preview

(Rmbm)	3Q26	yoy % chg	qoq % chg	9M26	yoy % chg
BYD					
Sales ('000 units)	1,323	18.7	19.4	3,132	(3.9)
Net profit	10,378	32.7	25.9	22,704	(2.7)
NP/vehicle (Rmb)	7,300	25.6	4.5	6,765	7.5
Geely					
Sales ('000 units)	813	6.8	13.9	2,235	3.0
Net profit	5,525	36.2	18.2	14,616	11.5
NP/vehicle (Rmb)	6,800	35.5	(1.5)	6,538	8.2
GWM					
Sales ('000 units)	336	(4.9)	6.9	920	(0.3)
Net profit	1,615	(29.7)	6.3	4,079	(52.8)
NP/vehicle (Rmb)	4,800	(26.1)	(0.5)	4,433	(52.6)
Li Auto					
Sales ('000 units)	100	7.2	1.7	293	(1.2)
Net profit	(1,700)	172.0	(0.2)	(5,694)	n.m.
NP/vehicle (Rmb)	(17,000)	153.6	(1.9)	(19,404)	n.m.
XPeng					
Sales ('000 units)	118	2.1	14.6	284	(9.2)
Net profit	(1,000)	162.6	(25.2)	(4,121)	170.7
NP/vehicle (Rmb)	(8,450)	157.3	(34.7)	(14,492)	198.1

Source: UOB Kay Hian

Earnings Revisions (2026-28)

(Rmbm)	Old			New		
	26F	27F	28F	26F	27F	28F
BYD						
Net profit	41,297	60,934	76,164	35,609	54,326	67,441
EPS (Rmb)	4.530	6.684	8.354	3.906	5.959	7.397
Geely						
Net profit	19,891	27,265	35,086	21,358	27,373	34,165
EPS (Rmb)	1.844	2.528	3.253	1.980	2.538	3.168
GWM						
Net profit	5,733	8,171	10,160	5,587	5,620	4,962
EPS (Rmb)	0.670	0.955	1.196	0.653	0.657	0.584
Li Auto						
Net profit	(7,275)	(5,720)	(4,672)	(7,885)	(7,284)	(7,141)
EPS (Rmb)	(3.425)	(2.693)	(2.199)	(3.712)	(3.429)	(3.361)
XPeng						
Net profit	(3,235)	1,437	4,620	(4,282)	(1,376)	1,195
EPS (Rmb)	(1.715)	0.761	2.450	(2.270)	(0.730)	0.633

Source: UOB Kay Hian

Rating Upgrade/Downgrade

(Rmbm)	Rating		Target price (HK\$)	
	Old	New	Old	New
BYD	BUY	BUY	150.00	140.00
Geely	BUY	BUY	29.00	29.00
GWM	HOLD	SELL	9.90	7.00
Li Auto	SELL	SELL	35.00	30.00
XPeng	BUY	SELL	60.00	30.00

Source: UOB Kay Hian

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