Contemporary Amperex Technology Co (300750 CH)

3Q26: Earnings Miss Due To Delayed Pass-through Of Tax Hikes

Highlights

- 3Q26 net profit missed expectations at Rmb21.25b (+14.5% yoy/-5.8% qoq), as CATL bore all the export VAT hikes and 2% consumption tax.
- We expect margins to recover in 4Q26, as the tax rate hikes will be partly passed through to customers via higher battery prices. Having said that, the further roll-back of tax concession in 2027 will remain a drag on margins.
- We cut our 2026-28 net profit forecasts by 5%/10%/16% to Rmb89,121m/Rmb104,895m/Rmb116,370m respectively, as we now expect CATL to bear part of the tax hikes.
- Maintain BUY and cut target prices for A-share from Rmb585 to Rmb343, and H-share from HK$675.00 to HK$400.00.

3Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	Prev. 2026F	yoy %	1H26 / 2026
Total shipment (GWh)	260	44.4	12.1	692.0	53.8	1,000	51.3	0.69
NP per GWh	81.7	(20.7)	(15.9)	93.3	(14.4)	93.6	(14.3)	1.00
Revenue	165,221	58.6	11.8	442,137	56.2	639,243	50.9	0.69
Gross profit	34,181	27.2	(0.1)	100,442	40.2	149,864	34.6	0.67
Gross margin (%)	20.7	(5.1)	(2.5)	22.7	(2.6)	23.4	(2.8)	0.97
EBIT	21,944	15.3	(10.0)	71,446	39.0	108,633	33.9	0.66
EBIT margin (%)	13.3	(5.0)	(3.2)	16.2	(2.0)	17.0	(2.2)	0.95
Net profit	21,246	14.5	(5.8)	64,530	31.6	93,637	29.7	0.69
Net profit – adj	18,862	14.9	(9.8)	57,876	32.7	83,659	29.7	0.69
Net margin (%)	12.9	(4.9)	(2.4)	14.6	(2.7)	14.6	(2.4)	1.00
Core net margin (%)	11.4	(4.3)	(2.7)	13.1	(2.3)	13.1	(2.1)	1.00

Source: CATL, UOB Kay Hian

Analysis

- **3Q26 results came in below estimates with GAAP net profit of Rmb21,246m (+14.5% yoy/-5.8% qoq) and adjusted net profit of Rmb18,862m (+14.9% yoy/-9.8% qoq),** vs our estimate of Rmb23.92b. This brings 9M26 net profit and adjusted net profit to Rmb64,530m (+31.6% yoy) and Rmb57,876m (+32.7% yoy) respectively, representing 69% of our full-year estimates of Rmb93,637m (+29.7% yoy) and Rmb83,659m (+29.7% yoy). The earnings miss stemmed from margin contraction.
  - **Battery shipment grew 44.4% yoy and 12.1% qoq to Rmb260 GWh in 3Q26, in line with estimates,** including 195 GWh EV battery (+35.4% yoy/+12.1% qoq) and 65 GWh energy storage system (ESS) battery (+80.6% yoy/+12.1% qoq).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	362,013	423,702	639,243	795,789	944,352
EBITDA	88,610	108,056	132,505	155,477	173,013
Operating profit	63,672	81,120	103,675	124,447	139,783
Net profit (rep./act.)	50,744	72,201	89,121	104,895	116,370
Net profit (adj.)	44,993	64,508	79,625	93,718	103,970
EPS (US cents)	1,156.6	1,582.0	1,952.8	2,298.4	2,549.9
PE (x)	20.1	14.7	11.9	10.1	9.1
P/B (x)	4.1	3.1	2.7	2.4	2.1
EV/EBITDA (x)	6.0	5.0	4.1	3.7	3.3
Dividend yield (%)	2.0	3.4	4.2	4.9	5.5
Net margin (%)	12.4	15.2	12.5	11.8	11.0
Net debt/(cash) to equity	(67.9)	(64.3)	(56.9)	(57.2)	(50.6)
Interest cover (x)	(15.4)	(10.2)	(14.3)	(15.7)	(16.4)
ROE (%)	20.2	22.1	21.9	22.3	21.6
Consensus net profit	-	-	95,894	119,341	143,213
UOBKH/Consensus (x)	-	-	0.93	0.88	0.81

Source: EVE Energy, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb227.90
Target Price	Rmb343.00
Upside	50.5%
Previous TP	Rmb585.00

Stock Data

Sector	Industrial
Bloomberg ticker	300750 CH
Shares issued (m)	4,564
Market cap (Rmbm)	1,040,091
Market cap (US$m)	150,738
3-mth avg daily t'over (US$m)	1,674

Price Performance (%)

52-week high/low				Rmb467.35/Rmb227.08
1mth	3mth	6mth	1yr	YTD
(23.3)	(40.4)	(49.1)	(39.4)	(37.9)

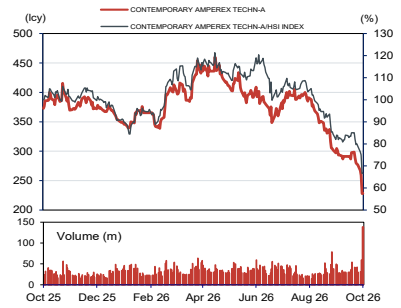
Major Shareholders (%)

Zeng Yuqun (Ruiting Investment)	23.32
Huang Shilin	10.60

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	20.59
FY26 Net Debt/Share (Rmb)	9.76

Price Chart



Source: Bloomberg

Company Description

Contemporary Amperex Technology (CATL) is a Chinese battery manufacturer and technology company that specialises in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, as well as battery management systems.

- **Revenue grew 58.6% yoy and 11.8% qoq to Rmb165.22b in 3Q26, in line with estimates.** This takes 9M26 revenue to Rmb442.14b (+56.2% yoy), representing 69% of our full-year estimate of Rmb639.24b (+50.9% yoy). By comparison, 9M23/9M24/9M25 revenue constituted 74%/72%/67% of full-year 2023/24/25 revenue.
- **Gross margin plunged 5.1ppt yoy and 2.5ppt qoq to 20.7% in 3Q26,** and dropped 2.6ppt yoy to 22.7% in 9M26, vs our full-year 2026 assumption of 23.4%. The gross margin contraction in 3Q26 was due to China's cut to the lithium-ion battery (LIB) export VAT rebate and the imposition of the LIB consumption tax, as well as the time lag in the company's passing the relevant cost increases through to customers.
- **EBIT margin plummeted 5.0ppt yoy and 3.2ppt qoq to 13.3% in 3Q26,** and dropped 2.0ppt yoy to 16.2% in 9M26, vs our full-year 2026 assumption of 17.0%. Other income/revenue ratio fell 0.5ppt yoy and hiked 0.2ppt qoq to 1.1%; taxes/revenue ratio soared 0.8ppt yoy and 0.9ppt qoq to 1.3%; SG&A/revenue ratio dropped 1.0ppt yoy and 0.1ppt qoq to 2.7%; R&D/revenue ratio fell 0.5ppt yoy and edged up 0.2ppt qoq to 4.3%.
- **Provision for asset write-down surged to Rmb1,712m (+8.4% yoy/+226.1% qoq) in 3Q26,** bigger than expected, due to the decline in lithium carbonate prices.
- **Operating cash flow plummeted 93.6% yoy and 94.7% qoq to Rmb1,409m, due to payable days shortening.** Trade payable days decreased to 134 days as of 30 Sep 26, from 158 days as of 30 Sep 25 and 162 as of 30 Jun 26. CATL's free cash flow turned negative at Rmb15.89b in 3Q26, from positive Rmb10.05b/Rmb13.88b in 3Q25/2Q26.

- **VAT cut and consumption tax as the drag and overhang on earnings.** Note that China cut the VAT rebate on LIB exports from 9% to 6% (ie VAT rate up from 4% to 7%) on 1 Apr 26, and began imposing a 2% consumption tax on LIBs on 1 Sep 26. It appears that CATL bore the additional costs and did not pass them on to customers in 2Q-3Q26. Going forward, we expect CATL's margins to recover in 3Q26, as the tax rate hikes will be partly passed through to customers via higher battery prices. China's VAT rebate on the LIB exports will be cancelled by 1 Jan 27, and the consumption tax on LIBs will also rise to 4% by 1 Sep 27. That will probably weigh on CATL's margins, based on 2Q-3Q26 experiences.
- **The worry of market share loss is overdone, as CATL has formidable moats in technology, reliability and brand.** CATL's R&D expense reached Rmb22.1b in 2025, exceeding the combined R&D expense of Rmb13.3b for the second- to fifth-largest non-BYD players. This scale, patent lead, and quality gap make substitution costly.
- **Trim 2026-28 gross margin estimates to 22.7%/22.1%/21.3%, from 23.4%/23.7%/23.9% respectively,** to factor in the increased VAT and consumption tax. That is based on the assumption of a 50:50 split of the tax burden between CATL and its customers.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecasts by 5%/10%/16% to Rmb89,121m/Rmb104,895m/Rmb116,370m respectively.**
- **Risks:** a) slower-than-expected recovery of global EV sales, b) commodity cost hikes, and c) delay of battery price increases following cost hikes.

Valuation/Recommendation

- **Maintain BUY and cut target prices for** A-share from Rmb585 to Rmb343, and H-share from HK$675.00 to HK$400.00, based on a lower 2027F PE of 15x (1SD below historical mean) and lower 2027F EPS.

Share Price Catalyst

- **Catalysts:** Margin recovery in 4Q26; the mass production of new products like the third-generation Shenxing Battery and third-generation Qilin Battery.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	423,702	639,243	795,789	944,352
EBITDA	108,056	132,505	155,477	173,013
Deprec. & amort.	(26,937)	(28,830)	(31,030)	(33,230)
EBIT	8,660	4,000	4,000	4,000
Total other non-operating income/(expense)	8	-	-	-
Associate contributions	7,353	8,000	8,000	8,000
Net interest income/(expense)	7,940	7,240	7,916	8,544
Pre-tax profit	89,527	114,021	134,201	148,882
Tax	(12,740)	(17,673)	(20,801)	(23,077)
Minorities	(4,585)	(7,226)	(8,505)	(9,435)
Net profit	72,201	89,121	104,895	116,370
Net profit (adj.)	64,508	79,625	93,718	103,970

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	146,401	167,901	187,401	204,901
Other LT assets	189,945	205,575	221,005	236,235
Cash/ST investment	299,930	305,388	340,894	343,441
Other current assets	338,552	433,803	510,183	587,071
Total assets	974,828	1,112,667	1,259,482	1,371,648
ST debt	12,935	12,935	12,935	12,935
Other current liabilities	386,690	464,279	542,255	581,062
LT debt	78,235	78,235	78,235	78,235
Other LT liabilities	125,940	125,940	125,940	125,940
Shareholders' equity	337,108	390,133	450,467	514,390
Minority interest	33,919	41,145	49,650	59,085
Total liabilities & equity	974,828	1,112,667	1,259,482	1,371,648

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	133,220	96,275	134,110	108,411
Pre-tax profit	76,786	96,347	113,400	125,806
Tax	(12,740)	(17,673)	(20,801)	(23,077)
Deprec. & amort.	26,937	28,830	31,030	33,230
Associates	(7,353)	(8,000)	(8,000)	(8,000)
Working capital changes	33,216	(17,663)	1,596	(38,081)
Non-cash items	16,374	14,433	16,885	18,533
Other operating cashflows	-	-	-	-
Investing	(94,476)	(50,864)	(50,188)	(49,560)
Capex (growth)	(42,345)	(61,960)	(61,960)	(61,960)
Investments	57,534	-	-	-
Others	(109,665)	11,096	11,772	12,400
Financing	(6,310)	(39,952)	(48,417)	(56,304)
Dividend payments	(34,923)	(39,952)	(48,417)	(56,304)
Proceeds from borrowings	39,790	60,000	60,000	60,000
Loan repayment	(51,702)	(60,000)	(60,000)	(60,000)
Others/interest paid	40,525	-	-	-
Net cash inflow (outflow)	29,770	5,458	35,506	2,547
Beginning cash & cash equivalent	270,160	299,930	305,388	340,894
Changes due to forex impact	(2,665)	-	-	-
Ending cash & cash equivalent	299,930	305,388	340,894	343,441

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.5	20.7	19.5	18.3
Pre-tax margin	20.6	16.3	15.2	14.0
Net margin	15.2	12.5	11.8	11.0
ROA	7.3	7.6	7.9	7.9
ROE	22.1	21.9	22.3	21.6
Growth				
Turnover	17.0	50.9	24.5	18.7
EBITDA	21.9	22.6	17.3	11.3
Pre-tax profit	41.7	27.4	17.7	10.9
Net profit	42.3	23.4	17.7	10.9
Net profit (adj.)	43.4	23.4	17.7	10.9
EPS	36.8	23.4	17.7	10.9
Leverage				
Debt to total capital	12.0	10.5	9.3	8.5
Debt to equity	34.7	30.0	25.9	22.7
Net debt/(cash) to equity	34.7	30.0	25.9	22.7
Interest cover (x)	(10.2)	(14.3)	(15.7)	(16.4)

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