Contemporary Amperex Technology Co (300750 CH)

Fears Overdone; Bottom Fishing Opportunity Emerges

Highlights

- CATL's installations continue to outgrow the market. Order flows remain strong, and capacity utilisation remains tight through year-end.
- The Hungary plant launch is delayed to at least 1Q27, but other plants can cover the shortfall. The Chongqing plant acquisition adds 18GWh in capacity, saves build time, and extends CATL's coverage to southwest China.
- Fears that OEMs will switch away from CATL are groundless, due to its moats in technology, reliability and brand equity. Maintain BUY and keep the target prices for A-share/H-share at Rmb585.00/HK$675.00. Valuation is attractive at 12.3x 2027F PE.

Analysis

- **Installations continue to outgrow the market.** According to SNE Research data, Contemporary Amperex Technology Co (CATL) supplied 289.6GWh of global installations in 7M26, up 26.6% yoy against a market that grew 20.4% yoy, lifting its market share by 1.9ppt yoy to 39.9%. Order flows remain strong, and capacity utilisation remains tight through year-end, driven by strong demand for energy storage battery.
- **Capacity is running flat out.** CATL's battery capacity reached 525GWh in 1H26, annualised capacity of 1,050GWh already met the 2026 target, and utilisation was 94.9%. A further 764GWh was under construction as of 30 June, and most of it is due to come on stream within two years. At that level of utilisation, there is almost no headroom until the new lines arrive.
- **The launch of the Hungary plant delayed to 1Q27.** Hungarian regulators stopped work in the laser-cutting, winding and cell-drying workshops on 25 August after nine employees showed elevated nickel readings, and confirmed the suspension on 31 August; commissioning may continue, but no cells may be produced. The launch of Phase 1 (40GWh out of the 100GWh total designed capacity) will probably be delayed to at least 1Q27, which removes 8-12GWh, or 0.8-1.2%, from our 2026 volume, and Mercedes-Benz VLE supply has moved to China. The 5GWh module plant opened in May and the Arnstadt plant in Germany both keep running; CATL has 15 production bases worldwide that can make up the shortfall.

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	137,463	168,036	198,168
Operating profit	63,672	81,120	108,633	137,006	164,938
Net profit (rep./act.)	50,744	72,201	93,637	117,643	141,875
Net profit (adj.)	44,993	64,508	83,659	105,107	126,757
EPS (fens)	1,156.6	1,582.0	2,051.7	2,577.7	3,108.7
PE (x)	27.4	20.0	15.4	12.3	10.2
P/B (x)	5.6	4.3	3.7	3.1	2.6
EV/EBITDA (x)	6.6	5.6	4.7	4.8	4.5
Dividend yield (%)	1.4	2.5	3.2	4.1	4.9
Net margin (%)	12.4	15.2	13.1	13.2	13.4
Net debt/(cash) to equity	(67.9)	(64.3)	(68.9)	(93.5)	(97.6)
Interest cover (x)	(15.4)	(10.2)	(13.5)	(11.7)	(10.3)
ROE (%)	20.2	22.1	22.9	24.4	25.0
Consensus net profit	-	-	95,894	119,341	143,213
UOBKH/Consensus (x)	-	-	0.98	0.99	0.99

Source: CATL, Bloomberg, UOB Kay Hian

Analyst(s)

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BUY (Maintained)

Share Price	Rmb316.36
Target Price	Rmb585.00
Upside	84.9%

Stock Data

Sector	Industrial
Bloomberg ticker	300750 CH
Shares issued (m)	4,564
Market cap (Rmbm)	1,443,805
Market cap (US$m)	209,247
3-mth avg daily t'over (US$m)	1,732

Price Performance (%)

52-week high/low: HK$468.75/HK$316.00

1mth	3mth	6mth	1yr	YTD
(19.7)	(20.5)	(19.4)	(9.8)	(12.9)

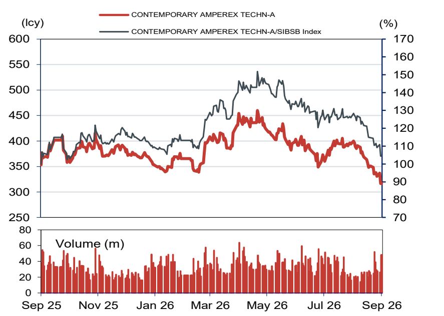
Major Shareholders (%)

Zeng Yuqun (Ruiting Investment)	23.32
Huang Shilin	10.60

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	74.0
FY26 Net Cash/Share (Rmb)	59.5

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.

- **The Chongqing purchase buys three years of build time.** On 3 Sep 26, CATL acquired equity in Chongqing Yaoning New Energy, alongside Zeekr Shanghai. The target, wholly held by Geely, is building a cell and pack plant at Fuling for about Rmb8.5b, scaled up from 12GWh to 18GWh, which topped out in June and is due for completion in Dec 26. CATL therefore skips land approval and construction while new battery capacity is hard to permit, and fills its last gap in the southwest.
- **Tectrans II extends heavy-truck range by 25%.** CATL launched Tectrans II at Hannover on 14 Sep 26: the heavy-truck version runs 1,000km, a 25% gain on the 2024 platform, charges to 80% in 25 minutes on megawatt charging, is rated for 12 years or 1.5m km, and achieves 96% round-trip efficiency, 3ppt above the industry. The light commercial 8C cell launched in July reaches 80% in 6 minutes 48 seconds.
- **The sell-off prices in a market share loss that will not happen.** Li Auto put Rmb2.65b into Sunwoda Power on 4 Sep 26 for 11.17% and said on 7 Sep 26 that in-house cells now power the L8, L6 and i8, with the MEGA and i9 to follow; Xiaomi named CALB and Sunwoda for its Longjia pack. The same fear peaked in late-23, when the market expected CATL to lose a third of its share; it did not. Three moats held firm.
  - **Technology.** CATL's R&D expense reached Rmb22.1b in 2025, a month-long programme opened the 21C Lab for the first time on 10 Sep 26, and all 20 plants carry the ISO 14068-1 certification European tenders require.
  - **Reliability.** GAC Aion moved models to CALB and moved back after complaints mounted, and Sunwoda paid Geely Rmb608m to settle a cell-quality claim.
  - **Brand.** The flagships stay: Li Auto's MEGA and i9 still use CATL 5C cells, as does Xiaomi's high-end SU7. Car buyers prefer CATL battery to others.

  Some marginal carmakers are trying to pass on the pricing pressure to battery manufacturers: the auto industry's 7M26 net margin was 3.6%, a 10-year low; 15 listed carmakers earned Rmb21b in 1H26, down 40% yoy; CATL alone earned Rmb43.3b. The 2% battery consumption tax levied since 1 Sep 26, rising to 4% in Sep 27, hands them a fresh cost to push upstream, but we expect them to fail because CATL competes on quality, not price.
- **Share buyback scheme boosts confidence.** CATL bought the first 604,293 shares for Rmb200m on 11 Sep 26 at Rmb330.15-331.61, opening a Rmb20b-40b buyback mandate that runs 12 months and cancels the stock; the full amount retires 60.4m-120.9m shares, or 1.31-2.61% of capital.
- **Maintain our 2026-28 battery sales volume estimates at 1□000GWh/1□230GWh/1□450GWh (30% three-year CAGR) respectively□** including 730GWh/880GWh/1,000GWh of power battery and 270GWh/350GWh/450GWh of energy storage battery. This compares with the company's target of 20-30% sales volume growth.
- **Unit profit is protected by the price-cost linkage.** Lithium carbonate swings pass through to the battery price and the new tax falls on the buyer, so neither reaches unit profit. We therefore maintain our 2026-28 net profit per GWh assumptions at Rmb93.6m, Rmb95.6m and Rmb97.8m.

Earnings Revision/Risk

- **Maintain 2026-28 net profit at Rmb93.64b/Rmb117.64b/Rmb141.875b.**
- **Risks:** A longer delay in the launch of the Hungary plant, and a lithium carbonate price hike that outpaces the cost pass-through.

Valuation/Recommendation

- **Maintain BUY and keep target prices for A-share/H-share at Rmb585.00/HK$675.00 respectively□**pegged to 23x 2027F PE, on a par with the historical mean.
- **Valuation undemanding vs growth.** At Rmb316.36, the stock trades at 12.3x 2027F PE, below our 23x target, against a 2026 ROE of around 23% and a 2026-28 net profit CAGR of around 25%.

Share Price Catalyst

- 3Q26 results in late-Oct 26, and further share buyback execution.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	423,702	639,243	795,789	944,352
EBITDA	108,056	137,463	168,036	198,168
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	8,059	11,666	16,019
Pre-tax profit	89,527	119,797	150,510	181,513
Tax	(12,740)	(18,569)	(23,329)	(28,134)
Minorities	(4,585)	(7,592)	(9,539)	(11,503)
Net profit	72,201	93,637	117,643	141,875
Net profit (adj.)	64,508	83,659	105,107	126,757

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	355,009	518,565	618,822
Other current assets	338,552	432,580	415,516	472,203
Total assets	974,828	1,161,066	1,342,487	1,532,161
ST debt	12,935	12,935	12,935	12,935
Other current liabilities	386,690	507,796	608,854	703,971
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	394,648	465,473	548,526
Minority interest	33,919	41,511	51,049	62,553
Total liabilities & equity	974,828	1,161,066	1,342,487	1,532,161

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	133,220	145,077	260,668	205,019
Pre-tax profit	76,786	101,229	127,181	153,378
Tax	(12,740)	(18,569)	(23,329)	(28,134)
Deprec. & amort.	26,937	28,830	31,030	33,230
Associates	(7,353)	(8,000)	(8,000)	(8,000)
Working capital changes	33,216	27,077	118,123	38,430
Non-cash items	16,374	14,510	15,663	16,115
Other operating cashflows	-	-	-	-
Investing	(94,476)	(50,045)	(46,438)	(42,085)
Capex (growth)	(42,345)	(61,960)	(61,960)	(61,960)
Investments	57,534	-	-	-
Others	(109,665)	11,915	15,522	19,875
Financing	(6,310)	(39,952)	(50,674)	(62,677)
Dividend payments	(34,923)	(39,952)	(50,674)	(62,677)
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	55,080	163,556	100,257
Beginning cash & cash equivalent	270,160	299,930	355,009	518,565
Changes due to forex impact	(2,665)	-	-	-
Ending cash & cash equivalent	299,930	355,009	518,565	618,822

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.5	21.5	21.1	21.0
Pre-tax margin	20.6	17.2	17.2	17.4
Net margin	15.2	13.1	13.2	13.4
ROA	7.3	7.8	8.4	8.8
ROE	22.1	22.9	24.4	25.0
Growth				
Turnover	17.0	50.9	24.5	18.7
EBITDA	21.9	27.2	22.2	17.9
Pre-tax profit	41.7	33.8	25.6	20.6
Net profit	42.3	29.7	25.6	20.6
Net profit (adj.)	43.4	29.7	25.6	20.6
EPS	36.8	29.7	25.6	20.6
Leverage				
Debt to total capital	12.0	10.1	8.7	7.6
Debt to equity	34.7	29.6	25.1	21.3
Net debt/(cash) to equity	34.7	29.6	25.1	21.3
Interest cover (x)	(10.2)	(13.5)	(11.7)	(10.3)