

EVE Energy (300014 CH)

3Q26: Earnings Up 60% yoy/4.5% qoq, Missing Estimates; Cut Target Price To Rmb57.00

Highlights

- 3Q26 net profit missed our estimate at Rmb1,939m (+60.2% yoy/+4.5% qoq), due to subsidy cuts, tax hikes, and R&D costs.
- Forward revenue will be driven by a strong orderbook, but tax hikes will cap margins, and the inventory build-up amid a slump in lithium carbonate prices will probably lead to inventory provisions.
- We cut our 2026-28 net profit forecasts by 7%/17%/6% to Rmb7.04b/Rmb8.24b/Rmb10.93b respectively.
- Maintain BUY and cut target price from Rmb85.00 to Rmb57.00 (15x 2027F PE).

3Q26 Results

Year to 31 Dec (Rmbm)	2Q26	yoy %	qoq %	1H26	yoy %	Prev. 2026F	yoy %	1H26 / 2026
Total shipment (GWh)	53.5	63.0	17.5	133.69	61.1	185.0	52.6	0.72
Revenue	27,698	64.6	10.7	73,390	63.1	101,388	64.9	0.72
Gross profit	4,069	76.9	11.9	10,607	47.7	14,701	47.9	0.72
Gross margin (%)	14.7	1.0	0.2	14.5	(1.5)	14.5	(1.7)	1.00
EBIT	1,920	96.2	(11.7)	5,440	70.3	7,807	82.7	0.70
EBIT margin (%)	6.9	1.1	(1.8)	7.4	0.3	7.7	(0.2)	0.96
Net profit	1,939	60.2	4.5	5,240	86.1	7,583	83.4	0.69
Net profit – adj	1,644	110.6	23.0	4,095	111.4	5,232	69.0	0.78
Net margin (%)	7.0	(0.2)	(0.4)	7.1	0.9	7.5	(1.7)	0.95
Core net margin (%)	5.9	1.3	0.6	5.6	1.3	5.2	(1.5)	1.08

Source: EVE Energy, UOB Kay Hian

Analysis

- 3Q26 net profit missed expectations** at Rmb1,939m (+60.2% yoy/+4.5% qoq), above the mid-point of the guided range of Rmb1,767m-2,049m, but below our estimate of Rmb2.1b and consensus estimate of Rmb2.0b. The earnings miss stemmed from lower subsidies, higher taxes, and inventory provision, which more than offset the shipment beat.
- Lithium-ion battery (LIB) battery shipment grew 63% yoy and 17.5% qoq to 53.5 GWh, beating estimates**, with the beat on EV battery shipment (30.4 GWh/+132% yoy/+32% qoq) more than offsetting the miss on energy storage system (ESS) battery shipment (23.1 GWh/+17.1% yoy/-4.2% qoq).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	48,615	61,470	106,308	128,844	166,142
EBITDA	7,621	7,660	10,964	13,320	16,891
Operating profit	4,863	4,272	7,442	9,148	12,128
Net profit (rep./act.)	4,076	4,134	7,036	8,244	10,927
Net profit (adj.)	3,162	3,096	4,822	5,650	7,488
EPS (Fen)	199.2	199.3	323.8	379.3	502.8
PE (x)	23.7	23.7	14.6	12.4	9.4
P/B (x)	2.6	2.3	2.1	1.9	1.6
EV/EBITDA (x)	14.1	14.1	9.8	8.1	6.4
Dividend yield (%)	1.1	1.0	1.7	2.0	2.7
Net margin (%)	6.5	5.0	4.5	4.4	4.5
Net debt/(cash) to equity (%)	43.8	58.0	52.4	45.9	31.9
Interest cover (x)	11.3	6.2	8.3	10.2	14.0
ROE (%)	8.7	7.7	10.6	11.0	12.7
Consensus net profit	-	-	7,012	9,414	11,981
UOBKH/Consensus (x)	-	-	1.00	0.88	0.91

Source: Geely, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Rmb47.21
Target Price	Rmb57.00
Upside	20.7%
Previous	Rmb85.00

Stock Data

Sector	Consumer Discretionary
Bloomberg ticker	300014 CH
Shares issued (m)	2,173
Market cap (HK\$m)	96,342
Market cap (US\$m)	12,431
3-mth avg daily t'over (US\$m)	240

Price Performance (%)

52-week high/low			Rmb89.90/HK\$41.21	
1mth	3mth	6mth	1yr	YTD
(4.5)	(13.4)	(35.8)	(41.8)	(28.9)

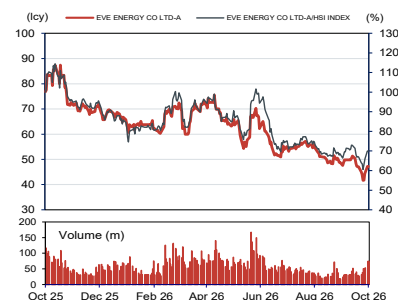
Major Shareholders (%)

Yizang Yiwei Holding Co., Ltd.	32.02
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Balance Sheet Metrics

FY26 NAV/Share (Rmb)	20.34
FY26 Net Debt/Share (Rmb)	11.65

Price Chart



Source: Bloomberg

Company Description

EVE Energy Co. develops, manufactures and sells lithium-ion batteries of consumer electronics, cordless power tools, two-wheeled electric vehicles and electric vehicles.

- **Revenue surged 64.6% yoy and 10.7% qoq to Rmb27.7b in 3Q26**, roughly on par with shipment growth and beating expectations.
- **Gross margin held up well.** Gross margin rose to 14.7% (+1.0ppt yoy/+0.2ppt qoq) in 3Q26, but 9M26 gross margin still fell 1.5ppt yoy to 14.5%, on par with our 2026 assumption.
- **EBIT margin squeezed by subsidy cuts, tax hikes, and higher R&D expenses.** Other incomes/revenue ratio dropped to 0.2% (-0.7ppt yoy/-1.6ppt qoq) due to lower government grants. Taxes/revenue ratio rose to 0.48% (+0.2ppt yoy/+0.1ppt qoq) in 3Q26, due to the imposition of 2% LIB consumption tax since 1 Sep 26. R&D/revenue soared to 4.0% (+0.3ppt yoy/+0.5ppt qoq). SG&A/revenue fell to 3.5% (-1.3ppt yoy/-0.3ppt qoq). All-in, EBIT margin fell 1.8ppt qoq to 6.9% in 3Q26, albeit still up 1.1ppt yoy.
- **Cash flow absorbed by inventory build-up.** Operating cash flow turned positive at Rmb2,086m in 3Q26, but still down 17.6% yoy. Inventory days rose to 65 days as of 30 Sep 26 from 57 days as of 31 Mar 26 and 38 days as of 30 Sep 25. Free cash flow remained negative at Rmb790m (+57.6% yoy/-66.7% qoq) in 3Q26.
- **Forward earnings will be driven by volume, but margins will probably be dragged by inventory write-down and tax hikes.**
 - **Top-line growth driven by strong orderbook.** Management indicates that 4Q26 capacity is fully booked and production scheduling is expected to rise qoq, implying continued volume-led revenue growth.
 - **Raise our 2026 battery shipment estimate by 3% to 185 GWh, and keep those for 2027-28 at 230/300 GWh respectively**, implying yoy growths of 57%/21%/30%. These include 98/115/150 GWh EV battery and 92/115/150 GWh ESS battery for 2026-28.
 - **Cut 2027-28 ASPs by 1-2%.** We maintain our 2026 ASP assumptions for EV battery and ESS battery at Rmb0.480/Rmb0.340, respectively. We trim our 2027 ASP assumptions by 1% each to Rmb0.485/Rmb0.347, and our 2028 ASP assumptions by 2% each to Rmb0.485/Rmb0.354. We assume the additional tax burden will be shared by the company and its customers.
 - **Maintain our 2026 gross margin assumption at 14.5%, and trim our 2027-28 gross margin assumptions from 15.0%/15.0% to 14.5%/14.5% respectively**, based on the bigger-than-expected impact of tax hikes. China cut the LIB export VAT rebate from 9% to 6% on 1 Apr 26, and will cancel it by 1 Jan 27, weighing on EVE Energy's (EVE) gross margin.
 - **Raise 2026-27 opex/revenue ratio to 7.9%/7.7% from 7.5%/7.5% respectively, and keep that for 2028 at 7.5%**, based on the higher-than-expected opex/revenue ratio in 3Q26.

Earnings Revision/Risk

- **We cut our 2026-28 net profit forecasts by 7%/17%/6% to Rmb7.04b/Rmb8.24b/Rmb10.93b respectively.**
- **Risks:** Inventory provision due to inventory build-up amid a slump in lithium carbonate prices; lower-than-expected cost pass-through.

Valuation/Recommendation

- **Maintain BUY and cut target price from Rmb85.00 to Rmb57.00**, as we now target the stock at 15x (1SD below historical mean) 2027F PE, vs DCF or 18.5x 2027F PE previously.

Share Price Catalyst

- Monthly battery installation volumes, stabilisation of margins in 4Q26.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	61,470	106,308	128,844	166,142
EBITDA	7,660	10,964	13,320	16,891
Deprec. & amort.	(3,388)	(3,523)	(4,172)	(4,763)
EBIT	4,272	7,442	9,148	12,128
Total other non-operating income	(373)	(653)	-	-
Associate contributions	1,227	2,000	1,000	1,000
Net interest income/(expense)	(685)	(892)	(895)	(864)
Pre-tax profit	4,440	7,897	9,253	12,264
Tax	(138)	(790)	(925)	(1,226)
Minorities	(168)	(71)	(83)	(110)
Net profit	4,134	7,036	8,244	10,927
Net profit (adj.)	3,096	4,822	5,650	7,488

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	7,492	13,446	15,178	20,270
Pre-tax profit	4,440	7,897	9,253	12,264
Tax	(138)	(790)	(925)	(1,226)
Deprec. & amort.	3,388	3,523	4,172	4,763
Associates	(1,227)	(2,000)	(1,000)	(1,000)
Working capital changes	245	3,924	2,783	4,606
Non-cash items	784	892	895	864
Other operating cashflows	-	-	-	-
Investing	(12,616)	(12,203)	(12,156)	(12,125)
Capex (growth)	(10,446)	(12,300)	(12,250)	(12,250)
Investments	(264)	-	-	-
Others	(1,905)	97	94	125
Financing	4,383	(1,997)	(2,834)	(3,241)
Dividend payments	(3,029)	(1,997)	(2,834)	(3,241)
Proceeds from borrowings	15,313	9,000	9,000	9,000
Loan repayment	(7,791)	(9,000)	(9,000)	(9,000)
Others/interest paid	(110)	-	-	-
Net cash inflow (outflow)	(741)	(754)	188	4,904
Beginning cash & cash equivalent	8,512	7,837	7,083	7,271
Changes due to forex impact	66	-	-	-
Ending cash & cash equivalent	7,837	7,083	7,271	12,175

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	49,675	58,711	66,993	74,648
Other LT assets	22,194	23,936	24,731	25,564
Cash/ST investment	7,837	7,083	7,271	12,175
Other current assets	45,837	55,947	64,935	79,810
Total assets	125,542	145,676	163,930	192,197
ST debt	7,246	7,246	7,246	7,246
Other current liabilities	45,005	59,039	70,810	90,292
LT debt	25,815	25,815	25,815	25,815
Other LT liabilities	2,505	2,505	2,505	2,505
Shareholders' equity	42,320	48,348	54,748	63,423
Minority interest	2,652	2,723	2,806	2,916
Total liabilities & equity	125,542	145,676	163,930	192,197

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	12.5	10.3	10.3	10.2
Pre-tax margin	7.2	7.4	7.2	7.4
Net margin	5.0	4.5	4.4	4.5
ROA	2.7	3.6	3.6	4.2
ROE	7.7	10.6	11.0	12.7
Growth				
Turnover	26.4	72.9	21.2	28.9
EBITDA	0.5	43.1	21.5	26.8
Pre-tax profit	(4.3)	77.9	17.2	32.5
Net profit	1.4	70.2	17.2	32.5
Net profit (adj.)	(2.1)	55.8	17.2	32.5
EPS	0.1	62.4	17.2	32.5
Leverage				
Debt to total capital	26.3	22.7	20.2	17.2
Debt to equity	78.1	68.4	60.4	52.1
Net debt/(cash) to equity	58.0	52.4	45.9	31.9
Interest cover (x)	6.2	8.3	10.2	14.0

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