Automobile

China Auto Sector Weekly (19-25 Sep 26)

Highlights

- Three recent launches – BYD Denza Z9S, Geely Galaxy all-new E5, and XPeng G9L – have attracted high market attention.
- Competition has shifted from the vehicle to the network, favouring big OEMs as scale matters.
- Lithium carbonate recovered to Rmb128,900/tonne; CATL began trial cell production in Hungary.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

Analysis

- **New model launches:** Three recent launches – BYD Denza Z9S, Geely Galaxy all-new E5, and XPeng G9L – have attracted high market attention.
  - **Denza Z9S.** BYD opened Z9S pre-sales on 16 Sep 26 at Rmb319,800-389,800, and then launched the car on 23 Sep 26 at Rmb255,800-325,800, vs Xiaomi SU7's Rmb219,900-303,900, Luxeed S7's Rmb239,800-299,800, and Zeekr 001's Rmb269,800-329,800. The lower launch prices vs the pre-sales prices should be viewed as a normal market strategy, not a disguised discount. We expect Z9S to contribute steady-state monthly sales of 5,000 in 4Q26, vs August sales of 373,626 units.
  - **Geely Galaxy E5.** Geely launched the new Galaxy E5 on 23 Sep 26 at a limited-time starting price of Rmb97,800, vs old Galaxy E5's Rmb109,800, BYD Yuan Plus' Rmb119,800, Aion Y's Rmb109,800, Leapmotor C10's Rmb128,800, and Deepal S05's Rmb119,900. Additionally, the new Galaxy E5 has some features unseen in the old version: 800V platform, 6C charging at a peak 460 kW, and a LiDAR-based assisted-driving system. The old Galaxy E5 sold 4,617 units in Aug 26, vs a peak of 14,000 units, and we expect monthly sales of the new Galaxy E5 to exceed 10,000 units before end-26, vs August sales of 270,194 units.

Analyst(s)

Ken Lee

ken.lee@uobkh.com

+852 2236 6760

MARKET WEIGHT (Maintained)

Segmental Rating

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

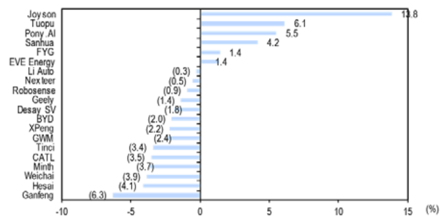
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	79.50	150.00
Geely	175 HK	BUY	15.78	29.00
CATL	300750 CH	BUY	293.50	585.00
Minth	425 HK	BUY	23.12	56.00
Li Auto	2015 HK	SELL	46.76	35.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 24 Sep 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	79.50	150.00	88.7	12/25	19.3	13.9	11.2	0.7	15.3	292,830	2.2
Geely	175 HK	BUY	15.78	29.00	83.8	12/25	9.6	8.4	6.6	3.3	17.8	170,200	2.2
Great Wall Motor - H	2333 HK	HOLD	7.29	9.90	35.9	12/25	5.5	5.9	4.8	3.1	10.2	16,730	0.6
Li Auto	2015 HK	SELL	46.76	35.00	(25.1)	12/25	184.8	58.3	72.0	0.0	2.0	97,495	1.2
XPeng	9868 HK	BUY	40.28	60.00	49.0	12/25	Loss	127.9	15.4	0.0	1.7	63,238	2.1
Fuyao Glass - H	3606 HK	BUY	54.80	84.00	53.3	12/25	13.4	12.5	10.4	5.3	27.2	33,250	2.9
Huizhou Desay SV	002920 CH	BUY	82.88	135.00	62.9	12/25	20.2	20.1	17.1	1.7	24.8	49,464	2.8
Minth	425 HK	BUY	23.12	56.00	142.2	12/25	8.4	8.0	6.8	3.6	11.7	27,085	0.9
Nexteer	1316 HK	BUY	4.69	11.40	143.1	12/25	14.8	11.3	10.1	4.0	6.2	11,771	0.7
Ningbo Joyson	600699 CH	BUY	22.62	25.00	10.5	12/25	23.9	17.9	15.7	1.1	9.9	31,570	1.7
Ningbo Tuopu	601689 CH	BUY	46.44	64.00	37.8	12/25	30.0	26.6	23.2	0.0	11.7	80,705	3.3
Pony AI	PONY US	BUY	7.26	15.00	106.6	12/25	Loss	Loss	Loss	0.0	n.a.	2,565	0.3
Weichai Power - H	2338 HK	HOLD	29.94	31.00	3.5	12/25	37.7	19.7	18.5	3.1	10.7	58,175	2.3
Zhejiang Sanhua	002050 CH	BUY	36.08	43.00	19.2	12/25	37.7	32.2	27.9	1.2	14.2	134,632	4.4
Hesai	2525 HK	BUY	15.96	29.00	81.7	12/25	35.4	31.8	19.2	0.0	5.9	16,617	1.8
RoboSense	2498 HK	BUY	16.12	33.00	104.7	12/25	Loss	72.8	16.8	0.0	2.4	7,591	1.7
CATL	300750 CH	BUY	293.50	585.00	99.3	12/25	18.6	14.2	10.7	3.5	20.8	1,287,585	3.4
EVE Energy	300014 CH	BUY	48.91	85.00	73.8	12/25	24.5	12.9	9.8	1.9	6.8	106,296	2.0
Ganfeng Lithium - H	1772 HK	BUY	31.24	75.00	140.1	12/25	35.3	17.1	10.5	1.2	(1.2)	15,092	1.1
Tinci Materials	002709 CH	BUY	31.76	54.00	70.0	12/25	44.9	12.6	10.6	2.4	5.4	64,745	2.8

Source: Bloomberg, UOB Kay Hian

- **XPeng G9L.** XPeng launched the G9L on 17 Sep 26 at Rmb241,800, about 7% below its pre-sale price, vs Tesla Model Y's Rmb249,900, Li Auto L6's Rmb249,800, Zeekr 7X's Rmb229,900, and Luxeed R7's Rmb259,800. It is reported that the model received over 30,000 orders within three days. We expect G9L to contribute 5,000 units of sales per month, vs XPeng's August sales of 39,107 units.

- **Charging: Competition has shifted from the vehicle to the network, favouring big OEMs as scale matters.** Shortly after BYD announced plans to build flash-charging stations, Geely also joined the 800V fast-charging race. Other OEMs will probably be forced to join the race. That shift favours large OEMs, because building a charging network requires scale: capital, grid access, buffer storage, land, partnerships, and enough vehicles on the road to make the investment pay off. Smaller OEMs cannot match that easily.
  - **Geely on 23 Sep 26 unveiled a charging station rated at a peak 2,250kW that charges a battery to 70% in 4 minutes 30 seconds.** Geely's launch of fast-charging stations closes the gap with BYD. BYD's Flash-Charging 2.0 delivers 1,500 kW per connector and takes five minutes.
  - **BYD on 24 Sep 26 opened its 2,000th highway flash-charging station,** three months ahead of schedule, out of 10,000 stations in total against a target of 20,000. The network has delivered 210m kWh to more than 1.83m users, nearly a third of whom drive other brands, so the spending earns a return beyond BYD's own fleet.

  The real cost of the 800V fast-charging lies in the charging network and in silicon carbide, not in the vehicle itself. A megawatt-class station requires grid capacity and buffer storage, so the critical questions are how many stations each company builds and who funds them. Silicon carbide underpins every 800V claim made this month. DigiTimes reported on 22 Sep 26 that Chinese wafer capacity has tightened due to demand from charging infrastructure and AI servers, pushing spillover orders to foundries in Taiwan. If wafer prices stop falling, the cost of the 800V architecture will be felt most acutely at entry price points, where a Rmb97,800 model carries much the same inverter content as a Rmb300,000 one.

- **CATL (300750 HK/BUY/Target: Rmb585) – Positive catalysts coming through.**
  - **CATL began trial cell production in Hungary.** CATL said on 22 Sep 26 that its Hungary plant had obtained every permit required for trial operations and had begun trial cell production that day. No mass-production date was given, and the plant will have a capacity of 100GWh. The progress of the Hungary plant boosts sentiments.
  - **The regulator pushed back on the debate over CATL substitution.** China Information Industry Net under the Ministry of Industry and Information Technology, pushed back on the CATL-substitution debate, warning EV low-price competition is spreading up the supply chain. The regulator opposes procurement-driven battery-chain repricing that sacrifices quality and safety.
  - **CATL's Jianxiawo lithium mine restarted its environmental impact assessment on 18 Sep 26**, after regulators withdrew an earlier acceptance notice in late-August. A safety permit was secured on 29 Jun 26, but restart is delayed due to environmental assessment. It remains unsure whether the Yichun government will accept it, and even if it does, mining and carbon reduction approvals remain.

- **Battery: Lithium carbonate has stopped falling and the futures discount to spot has closed.**
  - **The Jan 27 contract recovered to Rmb128,900/tonne and the basis narrowed to Rmb2,100.** The most-active LC2701 (Jan 27) lithium carbonate futures contract closed at Rmb128,900/tonne on 23 Sep 26, 3.9% above the Rmb124,020/tonne low on 16 Sep 26, with spot price at Rmb131,000/tonne. The contract's discount to physical material has narrowed to Rmb2,100/tonne, having been about three times as wide a week earlier, which means the futures market has stopped discounting a balance weaker than the physical market has confirmed.

- **SMM inventory methodology change triggered the LC2701 futures sell-off.** Reported weekly inventory jumped from around 70,000 tonnes to 169,300 tonnes without adding real supply — only shifting perception. Ganfeng noted that true industry inventory is unknown and SMM estimates are subjective and may double-count. Actual available supply is far below book inventory, and spot supply-demand remains tight, with even low-quality lithium carbonate fully absorbed.
- **Lithium carbonate prices bottoming out.** Ganfeng expects a cut in lithium carbonate supply at around Rmb120,000/tonne (including 13% VAT; ex-VAT price at Rmb106,200) as marginal producers exit. Ganfeng's all-in cash cost exceeds US$10,000/tonne (equivalent to Rmb67,000/tonne) for the Salt Lake projects and higher for the spodumene ones. The smaller lithium carbonate producers have much higher cash costs, given the break-even lithium concentrate prices of US$1,500/tonne for Australian miners.
- **We expect lithium carbonate prices to rebound to Rmb150,000-160,000 in 4Q26,** driven by a visible decline in warehouse receipts as downstream restocking resumes after the National Day holiday. Maintain our earnings estimates and target price for Ganfeng, based on an ASP of Rmb142,000 (ex-VAT) in 2026-28.
- **Risks include China's renewable energy policies and Jianxiaowo mine**. China's energy storage policies, including the operation fees, renewable power tariffs and subsidies, are emerging as an overhang on lithium demand. CATL's Jianxiawo mine remains a wildcard of supply, as the mine accounts for 3-4% of global lithium supply at full capacity.

• **The next month: National Day sell-through, September figures, and the EU's position on plug-in hybrids.**
  - **Positive: The holiday follows four priced launches.** Denza's Z9S, XPeng's G9L, Geely's new Galaxy E5 and Fang Cheng Bao's Formula S are all on sale. The September delivery numbers on 1 Oct 26 will show whether the launch cohort converted its pre-orders.
  - **Negative: Whether launch-price discounting spreads through the holiday.** Tesla China is running cash incentives of Rmb5,000 on the Model 3 and Rmb10,000 on the Model Y. A response from the domestic brands during the holiday would affect 4Q26 margins rather than volumes, and the companies most exposed are those that have already priced a new model below pre-sale guidance.
  - **Watch the EU's position on plug-in hybrids.** The EU asked China on 18 Sep 26 to restrain its exports of plug-in hybrid electric vehicles (PHEV) voluntarily and the Ministry of Commerce refused the same evening. The definitive duties of Oct 24 apply to battery electric vehicles (BEV) only, which is why China's PHEV exports grew 163.1% yoy in August against 145.5% yoy for BEVs, and extending the duty would change the export case for BYD and Geely, whose overseas volumes are led by plug-in hybrids.

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, CATL, and Minth. Top SELL: Li Auto.

Sector Catalyst/Risk

• **Catalysts:** Sep 26 deliveries; the CPCA Sep 26 retail figures in the second week of Oct 26; the Sep 26 battery installation ranking in mid-Oct 26; the EU's decision on whether to extend its duties to PHEVs; a mass-production date for CATL's Hungary plant; 3Q26 results from late-October.

• **Risks:** Launch pricing below pre-sale guidance spreading through 4Q; fluctuations in lithium carbonate prices; export barriers in Europe, Brazil and Mexico.

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