UOBKayHian

Sector – Update | China

Friday, 11 September 2026

Automobile

Weekly: 60-Day Payment Policy Reinforced; September's New Model Launch Calendar Busier Than That Of Chengdu Auto Show

Highlights

- The yoy drop in the China PV wholesale shipment rose to 5.7% yoy in August from 0.2% yoy in July, but mom sales growth remained positive at 4.7%.
- The authorities reinforced the 60-day payment term policy taking cash from OEMs back to auto parts suppliers, but the realisation remains remote.
- CATL's stock sank on worries of Li Auto's diversifying into other battery suppliers and scrapping of its deal with Ford. We see it as a buying opportunity.
- All of the five OEMs we cover are launching key new models in September. We expect BYD's Sealion 08, and Geely's Galaxy TT/Cruiser 700 to drive sales and share prices over the next month.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely, CATL and Minth. Top SELL: Li Auto. We add CATL into our top BUY list this week.

Analysis

- **Yoy drop in China PV wholesale expanded to 5.7% yoy in August from 0.2% yoy in July, but mom sales growth remained positive at 4.7%.**
  - **Retail fell for an 11th consecutive month; PEVs' market share topped record 64.7%.** PV retail sales volume in China fell 23.9% yoy but rose 5.4% mom to 1.554m units. ICE-car and passenger electric vehicle (PEV) retail sales volumes fell 39.2%/9.9% yoy and grew 5%/5.7% mom to 549,000 units/1.005m units respectively. The share of PEVs in total PV retail sales volume soared to a record of 64.7%.
  - **Exports surged 77.4% yoy, accounting for 37.7% of wholesale volume.** China's PV exports surged 77.4% yoy and dipped 3.1% mom to 894,000 units (37.7% of wholesale shipment), of which 519,000 units were PEVs (+154.4% yoy). BYD exported 184,000 units, ahead of Geely's 70,000, and has raised its 2026 overseas sales target to 1.9m-2.0m units(up 82-91% yoy), vs our estimate of 2.0m units. We continue to prefer leading OEMs with rising overseas exposure like BYD and Geely and globally geared suppliers such as Fuyao Glass, Minth and Nexteer.

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MARKET WEIGHT (Maintained)

Segmental Rating

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

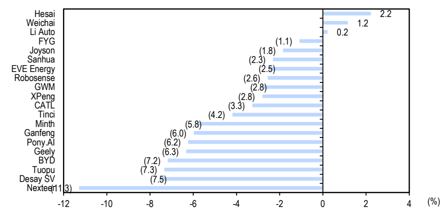
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	79.55	150.00
Geely	175 HK	BUY	16.13	29.00
Minth	425 HK	BUY	338.06	585.00
Li Auto	2015 HK	SELL	23.80	56.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 10 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	79.55	150.00	88.6	12/25	19.3	13.9	11.2	0.7	15.3	293,014	2.2
Geely	175 HK	BUY	16.13	29.00	79.8	12/25	9.8	8.6	6.8	3.3	17.8	173,971	2.3
Great Wall Motor - H	2333 HK	HOLD	7.56	9.90	31.0	12/25	5.7	6.1	5.0	3.0	10.2	17,375	0.6
Li Auto	2015 HK	SELL	46.48	35.00	(24.7)	12/25	183.7	57.9	71.6	0.0	2.0	96,911	1.2
XPeng	9868 HK	BUY	41.60	60.00	44.2	12/25	Loss	132.1	15.9	0.0	1.7	65,205	2.2
Fuyao Glass - H	3606 HK	BUY	54.85	84.00	53.1	12/25	13.4	12.5	10.4	5.3	27.2	33,281	2.9
Huizhou Desay SV	002920 CH	BUY	83.52	135.00	61.6	12/25	20.3	20.3	17.2	1.7	24.8	49,846	2.9
Minth	425 HK	BUY	23.80	56.00	135.3	12/25	8.6	8.2	7.0	3.5	11.7	27,882	0.9
Nexteer	1316 HK	BUY	4.68	11.40	143.6	12/25	14.8	11.2	10.1	4.0	6.2	11,746	0.7
Ningbo Joyson	600699 CH	BUY	19.16	25.00	30.5	12/25	20.2	15.1	13.3	1.3	9.9	26,741	1.4
Ningbo Tuopu	601689 CH	BUY	44.32	64.00	44.4	12/25	28.6	25.4	22.1	0.0	11.7	77,021	3.1
Pony AI	PONY US	BUY	6.76	15.00	121.9	12/25	Loss	Loss	Loss	0.0	n.a.	2,388	0.3
Weichai Power - H	2338 HK	HOLD	31.62	31.00	(2.0)	12/25	39.8	20.8	19.5	2.9	10.7	61,439	2.4
Zhejiang Sanhua	002050 CH	BUY	35.46	43.00	21.3	12/25	37.1	31.6	27.4	1.3	14.2	132,318	4.3
Hesai	2525 HK	BUY	17.49	29.00	65.8	12/25	38.8	34.9	21.1	0.0	5.9	18,210	2.0
RoboSense	2498 HK	BUY	17.14	33.00	92.5	12/25	Loss	77.4	17.8	0.0	2.4	8,084	1.8
CATL	300750 CH	BUY	338.06	585.00	73.0	12/25	21.4	16.3	12.3	3.1	20.8	1,483,069	3.9
EVE Energy	300014 CH	BUY	49.87	85.00	70.4	12/25	25.0	13.1	10.0	1.9	6.8	108,382	2.1
Ganfeng Lithium - H	1772 HK	BUY	35.88	75.00	109.0	12/25	40.6	19.6	12.0	1.0	(1.2)	17,334	1.3
Tinci Materials	002709 CH	BUY	33.15	54.00	62.9	12/25	46.9	13.2	11.0	2.3	5.4	67,578	2.9

Source: Bloomberg, UOB Kay Hian

- **The industry destocked for a fourth consecutive month.** PV inventories in China decreased by about 90,000 units in August – all ICE-cars, of which around 80,000 units were at dealers. From Jan-Aug 26, the industry destocked 775,000 units. However, inventory-to-sales ratio in channel remained above the alert threshold at 1.58 at end-Aug 26, above 1.48 at end-Jul 26 and 1.31 at end-Aug 25, due to weak retail sales.

- **Policy: The authorities reinforce the 60-day payment term policy, but the realisation remains remote.** On 7 Sep 26, the Ministry of Industry and Information Technology (MIIT) and the State Administration of Market Regulation (SAMR) jointly issued a notice, which stipulates that the payment clock starts at acceptance rather than delivery, requires acceptance within 3-5 working days, bans forced commercial-paper acceptance, and mandates 70-90% advance payments during price talks.
  - **Financial data confirms that little has changed.** Payable days at the auto OEMs under our coverage remain at 160-170 days and receivable days at the auto parts companies are at 110-120 days from end-24 to mid-26. Only the battery manufacturers saw receivable days shortening from 110-120 days at end-24 to below 100 days as of 30 Jun 26.
  - **The industry-wide funding gap from full compliance exceeds Rmb1t, making uniform enforcement financially untenable.** If the auto OEMs comply with the rule by 2027, their 2027 net profit would be 11% below our estimates, and their net cash would fall 73% by end-27.
  - **Battery manufacturers and auto parts suppliers would enjoy a 2-3% uplift in 2027 net profit and a 240% surge in 2027 net cash.**
  - **Despite regulatory teeth, entrenched practices resist change.** OEMs can make up the differences via tightening acceptance criteria, prolonging consignment inventory or renegotiating purchase prices. We foresee limited improvement in payment cycles regardless of official rhetoric.
  - **We maintain our preference for the leading auto OEMs (BYD and Geely) to auto parts companies and battery manufacturers,** as the former are riding on multiple tailwinds – accelerating domestic sales momentum, burgeoning export growth, and flattening battery prices.

- **CATL's share price sank this week on worries about customers' diversifying away from it and the US banning its deal with Ford. We see it as overdone, and recommend accumulating the stock on weakness.**
  - **Li Auto is moving the Mega, i9 and refreshed i6 onto in-house 5C cells built by its 50:50 JV with Sunwoda, and is qualifying CALB as a third supplier.** This would only reduce CATL's power battery sales volume by under 1%. The worry of OEMs' reducing reliance on CATL has been around since 2017, but the impact remains minimal due to CATL's tech leadership.
  - **US Transportation Secretary Sean Duffy urged Ford to drop its licensed manufacturing deal with CATL.** We do not see any impact, as the market has not factored in any contribution from the deal.

- **Corporate update: September's launch calendar is busier than the Chengdu Auto Show was.** Five of our covered OEMs are launching flagship models this month – large SUVs, MPVs and family sedans above Rmb200,000 – so they should support ASP rather than volume.
  - **BYD launched the Sealion 08 as the Ocean line-up's flagship SUV.** The mid-to-large SUV went on sale on 2 Sep 26 at Rmb229,900-279,900 in eight versions, offering 900km of CLTC range as a battery electric car and 1,650km as a DM-i plug-in hybrid, and it received more than 12,000 orders in its first day. We estimate Sealion 08 sales at 12,000 units/month, or 2.7% of BYD's August volume, so it should lift ASP rather than volume.
  - **Geely launched the Galaxy TT on 10 Sep 26 and will begin Cruiser 700 pre-sales on 15 Sep 26.** The Galaxy TT is a battery electric mid-to-large fastback sedan priced at Rmb145,900-169,900 in rear-drive form with 540-640km of CLTC range, and pre-orders exceeded 20,000 units by 28 Aug 26. Cruiser 700 is Geely's first rugged off-road SUV. We estimate the two models' sales at 15,000 units/month, or 5.6% of Geely's August volume.
  - **GWM is expanding the Wey Gaoshan MPV family rather than launching a new nameplate.** Plug-in hybrid versions of the Gaoshan 9, a six-seat

China PV Sales (Aug 26)

('000 units)	Aug26	yoy %	mom %	8M26	yoy %
Production volume					
EV	1,529	19.7	5.5	9,758	9.7
BEV	1,036	28.1	8.0	6,247	12.6
PHEV	391	4.8	0.0	2,805	8.9
EREV	102	7.4	3.0	706	(9.0)
ICE-car	832	(31.5)	5.7	7,436	(20.0)
Total	2,361	(5.3)	5.6	17,194	(5.5)
EV share (%)	*64.8*	*13.5*	*0.0*	*56.8*	*7.8*
Wholesale					
EV	1,511	16.7	4.6	9,779	9.1
BEV	1,032	26.5	7.7	6,310	13.7
PHEV	386	2.9	(0.3)	2,771	5.6
EREV	93	(10.6)	(7.0)	698	(11.9)
ICE-car	860	(29.4)	4.9	7,538	(19.2)
Total	2,371	(5.7)	4.7	17,317	(5.3)
EV share (%)	*63.7*	*12.2*	*(0.1)*	*56.5*	*7.5*
Retail sales					
EV	1,005	(9.9)	5.7	6,675	(12.1)
BEV	698	1.2	7.9	4,469	(3.9)
PHEV	226	(29.4)	3.2	1,600	(27.1)
EREV	81	(22.9)	(4.7)	606	(19.3)
ICE-car	549	(39.2)	5.0	5,151	(30.0)
Total	1,554	(23.9)	5.4	11,826	(20.9)
EV share (%)	*64.7*	*10.0*	*0.2*	*56.4*	*5.7*
Export					
EV	519	154.4	(3.9)	3,328	135.0
BEV	329	145.5	2.5	1,998	118.6
PHEV	171	163.1	(11.9)	1,209	158.3
EREV	19	280.0	(24.0)	121	255.9
ICE-car	375	25.0	(2.1)	2,815	35.0
Total	894	77.4	(3.1)	6,143	75.5
EV share (%)	58.1	17.6	(0.5)	54.2	13.7
Chg in inventories					
EV	5	n.a.	n.a.	(245)	n.a.
ICE-car	(92)	n.a.	n.a.	(530)	n.a.
Total	(87)	n.a.	n.a.	(775)	n.a.

Source: China Passenger Car Association (CPCA), UOB Kay Hian

MPV, go on sale within September and the Gaoshan 8 Hi4 hybrid will follow in 4Q26. GWM's August sales fell 1.9% yoy to 113,400 units and overseas markets supplied 55.1% of them, so a domestic refresh matters less to GWM than to peers.

- **XPeng launches the G9L this month and the Mona L05 in 4Q26.** The G9L large five-seat SUV has been on pre-sale since 11 Aug 26 at Rmb259,800, and first deliveries are due in September. Management is targeting 60,000 units a month, against August deliveries of 39,107 units. We estimate the G9L at 6,000 units a month, or 15.3% of August volume, a bigger proportionate addition than any of the other four OEMs.
- **Li Auto has the busiest September, with the new Mega being delivered and the i9 launching on 16 Sep 26.** The new-generation Mega went on sale on 2 Sep 26 at Rmb509,800, Rmb50,000 below the previous Home version, with first national deliveries on 5 Sep 26; the outgoing Mega delivered only 336 units in July, down 88.1% yoy. The i9 is a six-seat flagship electric SUV 5,225mm long. August deliveries rose 32.1% yoy to 37,679 units. We retain our SELL rating, because the i9 and the Mega compete directly with the G9L and Xiaomi's SkyNomad SUVs.

• **The next month: Three dated launches, the National Day selling peak, and the risk that discounting reopens.**
  - **Positive: Pricing on three flagship launches, then the National Day retail peak.** Geely opens pre-sales for Cruiser 700 on 15 Sep 26; Li Auto will launch the Li i9 on 16 Sep 26; and the XPeng G9L will reach customers during September. The 1 Oct 26 delivery prints and the CPCA September retail print in the second week of October are the first read on whether they convert into sales. Geely and BYD have the most to gain, as both are also compounding export growth.
  - **Negative: The discount cycle may reopen before the peak selling season ends.** Tesla China is offering cash incentives of Rmb5,000 on the Model 3 and Rmb10,000 on the Model Y on stock cars ordered by 30 Sep 26, on top of five-year interest-free financing. Whether the domestic brands match it over the National Day holiday is the swing factor for 4Q26 margins, and Li Auto and XPeng are the most exposed because the i9 and the G9L launch into the same segment.
  - **Watch the monthly battery installation rankings and lithium carbonate.** The China Automotive Power Battery Industry Innovation Alliance publishes its August installation ranking in mid-September and its September ranking in mid-October, the only regular external scorecard for the share held by CATL and EVE Energy; CATL accounted for 42.33% of the 74.6GWh installed in July and EVE Energy for 6.05%. Lithium carbonate futures fell more than 15% in the four sessions to 4 Sep 26 but remain about 91% higher yoy, and a sustained fall would cut battery cost for BYD, Geely and GWM while cutting revenue at Ganfeng and Tinci.

Valuation/Recommendation

• **We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is battery and battery materials > auto parts > OEMs.

• Top BUYs: BYD, Geely, CATL, and Minth. Top SELL: Li Auto.

Sector Catalyst/Risk

• **Catalysts**: The September retail print; the launches of the Galaxy TT and the XPeng G9L; a further rise in exports; 3Q26 results.

• **Risks**: Export barriers in Europe, Brazil and Mexico; a deeper domestic price war; lithium carbonate volatility.