Automobile

Weekly: Beijing Backs Smart EVs as Washington Shuts the Robot Door

MARKET WEIGHT
(Maintained)

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Highlights

- July PV demand soft: CPCA retail fell ~18% yoy in the first 26 days, but NEV penetration held firm at ~66%.
- MIIT fast-tracks a dedicated “15th Five-Year Plan” for intelligent-connected NEVs, while regulators tighten ADAS rules and curb price wars; cities resume robotaxi licensing.
- The US has barred new Chinese humanoid/quadruped robots and connected inverters, escalating tech decoupling.
- Geely acquires stake in Ford’s Spain plant; BYD prepares a robot and model offensive at the Chengdu show.
- Maintain MARKET WEIGHT. Top BUYs: CATL, EVE Energy, BYD, Geely, and XPeng.

Analysis

- **Weekly PV sales: Soft July, resilient NEVs.** July passenger-vehicle demand remained under seasonal and price-war pressure, but the ongoing shift to new energy again cushioned the shock.
  - **Retail declined sharply while NEVs held up.** CPCA data for 1–26 July showed PV retail of 1.123m units (–18% yoy), while NEV retail reached 738,000 units (–2% yoy), lifting penetration to 65.7% (+3.8ppt yoy). Full-month NEV retail is projected near 980,000.
  - **With the contraction concentrated in ICE demand, volume continues to migrate to NEV-heavy names like BYD and Geely (NEVs accounted for ~56% of Geely’s 1H26 volume).** A sustained ~66% penetration also underpins battery demand for CATL and EVE Energy.

Segmental Rating

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

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
CATL	300750 CH	BUY	401.88	585.00
EVE Energy	300014 CH	BUY	54.22	83.50
BYD	1211 HK	BUY	94.80	135.00
Geely	175 HK	BUY	20.46	27.00
XPeng	9868 HK	BUY	50.50	90.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 30 Jul 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	94.80	135.00	42.4	12/25	23.0	16.6	13.3	0.6	15.3	349,186	2.6
Geely	175 HK	BUY	20.46	27.00	32.0	12/25	12.5	10.9	8.6	2.6	17.8	220,664	2.9
Great Wall Motor - H	2333 HK	HOLD	9.35	9.90	5.9	12/25	7.1	7.5	6.2	2.5	10.2	21,574	0.7
Li Auto	2015 HK	SELL	54.25	40.00	(26.3)	12/25	214.4	67.6	83.6	0.0	2.0	113,111	1.4
XPeng	9868 HK	BUY	50.50	90.00	78.2	12/25	Loss	160.4	19.3	0.0	1.7	79,155	2.7
Fuyao Glass - H	3606 HK	BUY	58.95	100.00	69.6	12/25	14.4	13.4	11.2	4.9	27.2	35,768	3.1
Huizhou Desay SV	002920 CH	BUY	88.94	150.00	68.7	12/25	21.6	21.6	18.3	1.6	24.8	53,080	3.0
Minth	425 HK	BUY	27.42	56.00	104.2	12/25	9.9	9.4	8.0	3.0	11.7	32,121	1.1
Nexteer	1316 HK	BUY	4.20	8.30	97.6	12/25	13.2	10.1	9.1	4.5	6.2	10,541	0.6
Ningbo Joyson	600699 CH	BUY	20.02	43.00	114.8	12/25	21.1	15.8	13.9	1.3	9.9	27,941	1.5
Ningbo Tuopu	601689 CH	BUY	44.10	100.00	126.8	12/25	28.5	25.2	22.0	0.0	11.7	76,639	3.1
Pony AI	PONY US	BUY	7.66	16.00	108.9	12/25	Loss	Loss	Loss	0.0	n.a.	2,706	0.3
Weichai Power - H	2338 HK	HOLD	30.62	35.00	14.3	12/25	38.6	20.1	18.9	3.0	10.7	59,496	2.4
Zhejiang Sanhua	002050 CH	BUY	35.46	57.00	60.7	12/25	37.1	31.6	27.4	1.3	14.2	132,318	4.3
Hesai	2983 HK	BUY	15.98	33.00	106.5	12/25	35.5	31.9	19.2	0.0	5.9	20,089	1.8
RoboSense	2498 HK	BUY	22.06	50.00	126.7	12/25	Loss	99.6	22.9	0.0	2.4	10,412	2.3
CATL	300750 CH	BUY	401.88	585.00	45.6	12/25	25.4	19.4	14.7	2.6	20.8	1,763,048	4.6
EVE Energy	300014 CH	BUY	54.22	83.50	54.0	12/25	27.2	14.3	10.9	1.8	6.8	117,836	2.2
Ganfeng Lithium - H	1772 HK	BUY	37.76	120.00	217.8	12/25	42.7	20.6	12.6	1.0	(1.2)	18,242	1.4
Tinci Materials	002709 CH	BUY	35.68	75.00	110.2	12/25	50.5	14.2	11.9	2.1	5.4	72,736	3.1

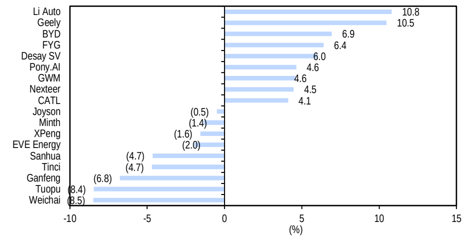
Source: UOB Kay Hian

- **Structural share shift continues.** Foreign brands held <30% of the China market in 1H26, and imports fell ~11%. The ceded share was captured mainly by BYD and Geely, as well as suppliers such as Minth and Fuyao Glass.

- **Policy update: Beijing deepens smart-EV push, Washington raises barriers.** The week paired a stronger domestic blueprint for intelligent-connected NEVs with tighter safety and anti-price-war enforcement, while the US escalated technology decoupling around robotics.
  - **MIIT to fast-track a "15th Five-Year Plan" for intelligent-connected NEVs.** At the World Intelligent Connected Vehicle Conference (27 July), MIIT announced a standalone plan targeting all-solid-state batteries, high-level autonomous driving, and vehicle-road-cloud integration. Hong Kong auto stocks rallied (Li Auto: up ~11%, XPeng and BYD: up ~4%). The plan channels national resources toward autonomy leader XPeng, LiDAR suppliers Hesai and RoboSense, and solid-state front-runners CATL and EVE Energy, though the earnings impact will be gradual given the multi-year horizon.
  - **Tighter ADAS and anti-involution rules.** MIIT has banned blue lights signalling hands-off driving, conducted on-site inspections at GAC Aion and XPeng plants, and urged automakers to end irrational competition. The mixed read implies that compliance costs and restrained ADAS marketing are modest headwinds for XPeng and LiDAR vendors, but curbing the price war benefits scaled, integrated OEMs (BYD, Geely) and suppliers like Desay SV, while penalising long-tail discounters most exposed to aggressive discounting.
  - **Robotaxi licensing resumes after mid-year freeze.** Cities have begun reissuing permits following the industry-wide safety review that ended in late June. This restores the growth path for LiDAR suppliers Hesai and RoboSense (whose robotaxi shipments had stalled) and supports Pony.ai's fleet expansion, though these volumes remain small relative to passenger-vehicle LiDAR ramp.
  - **US bars new Chinese humanoid/quadruped robots and connected inverters.** The FCC placed them on its Covered List on national-security grounds, affecting only new authorisations. The immediate earnings impact is negligible - US humanoid shipments are minimal, and China already accounts for ~85% of a tiny global market. However, the move caps the robotics second-growth-curve that had re-rated BYD, XPeng, and actuator supplier Tuopu; the inverter ban is a marginal negative for storage exporters CATL and EVE Energy. More importantly, it signals decoupling spreading from chips into robotics and power electronics.

- **Company news: Globalisation and capital returns lead the week**
  - **CATL (300750 CH/BUY/Target: Rmb585) posted a record 1H26 and the largest-ever A-share buyback.** Revenue rose 54.8% yoy to Rmb276.9b, net profit surged 42% to Rmb43.28b (attributable net margin ~16%), driven by battery volumes rising ~60%, with storage now accounting for ~25% of shipments. Alongside the results, CATL announced a Rmb20b-40b buyback for cancellation, a mid-term dividend, and a sodium-ion storage deal in Europe. This validates our BUY, compounding volume and profitability with an EPS-accretive buyback, and is positive for materials suppliers like Tinci; storage pricing remains the key risk.
  - **Geely (175 HK/BUY/Target: HK$27.00) secured a European production foothold by agreeing to buy 34% of Ford's Almussafes plant in Spain for US$252m to build EVs in Europe (JV from 1H27, first vehicle 2028).** It also debuted the Galaxy Cruiser 700. Local EU production sidesteps tariffs of up to ~35% on China-made EVs, protecting export momentum that rose >120% yoy in 1Q26 and supporting a raised 750,000-unit 2026 export target. This is incrementally positive and consistent with our BUY.

Weekly Stock Performance



Source: Bloomberg

- **BYD (1211 HK/BUY/Target: HK$135.00) prepares a robot-and-model blitz at the Chengdu show.** It will unveil its first humanoid robot in early August and showcase the 1,008km Da Han, FangChengBao S, and Qin Max at the show opening 21 August, alongside the HyWorldVLA driving model and the Racco kei-EV in Japan. The premium lineup lifts ASPs and defends BYD's ~30% NEV share. The US robot ban closes the door on opportunities in the US market but carries no current earnings impact.
- **XPeng (9868 HK/BUY/Target: HK$90.00) advances global expansion with two minor blemishes.** It began MONA L03 deliveries (August ramp-up), delivered its 200,000th G6, entered Bahrain, restarted Australia, and expanded its VW tie-up to ICE and hybrids. It also recalled X9 MPVs over air-springs and faced a plant inspection. As a new top pick, XPeng offers the clearest volume inflection among our OEM coverage, with consensus expecting a maiden quarterly profit during its 25 August results announcement and ~75% upside to our HK$90.00 target from ~HK$52.00.
- **Li Auto (2015 HK/SELL/Target: HK$40.00) faced supply constraints while expanding overseas.** Headlight shortages resulted in i6 output being cut by ~4,000 units, even though the i6 accounts for nearly 70% of deliveries. Li Auto has also signed a Kazakhstan assembly deal. Li Auto remains the clearest relative loser in our OEM coverage, with earnings hostage to a single model as Xiaomi, AITO, and a refreshed BYD intensify competition. The Kazakhstan deal is immaterial; maintain SELL.

Valuation/Recommendation

- **We maintain MARKET WEIGHT on China's auto sector, with preference for battery and battery materials > auto parts > OEMs.** The week's events - a stronger smart-EV blueprint, stricter safety and anti-price-war enforcement, CATL's record result and buyback, and fresh US technology barriers - reward scale, compliance, capital returns, and next-generation technology over volume-led long-tail strategies.
- **Top BUYs: CATL, EVE Energy, BYD, Geely, and XPeng.** We add XPeng for its MONA L03-led volume inflection, global expansion, and likely maiden profit on 25 August. EVE Energy is the purest second play on the storage boom behind CATL's beat, cheaper and with its own 1H26 catalyst. We retain CATL, BYD, and Geely, and drop Minth and Li Auto.

Sector Catalyst/Risk

- **Catalysts:** 2Q26/1H26 results and 3Q26 guidance through August (Hesai 18 August, XPeng 25 August, EVE late-Aug 26); Chengdu Auto Show (21 August); BYD's robot debut; final July sales and 15th Five-Year Plan details; further sodium-ion storage wins for CATL.
- **Risks:** Deeper price war compressing OEM margins; US technology barriers (robot and inverter bans) capping overseas optionality; compliance drag from tighter ADAS review; persistently soft July demand.

Stock Catalysts

Company	Catalysts	Timeline	Direction
CATL (300750 CH)	Rmb20b-40b buyback, monthly battery-installation share and sodium-ion storage wins.	August	Upside
EVE Energy (300014 CH)	1H26 results and the storage order pipeline.	Late August	Upside
BYD (1211 HK)	Humanoid-robot debut and Chengdu Auto Show launches (Da Han, FangChengBao S), plus July sales.	Early-mid August	Upside
Geely (175 HK)	July sales, the Ford Spain JV and the Galaxy Cruiser 700 launch.	August	Upside
XPeng	MONA L03 nationwide ramp and 2Q26 results (maiden quarterly profit expected).	25 August	Upside

Source: UOB Kay Hian