Automobile

China Auto Sector Weekly (13 Nov 26)

Highlights

- NEV sales hit a monthly record of 1.94m units in October on exports; domestic NEV sales fell 9% yoy.
- China extended its suspension of battery export controls to 10 Jan 27.
- Momenta forms a 51:49 intelligent-driving JV with SAIC Motor, which facilitates its foray into overseas markets.
- Hesai posted mixed 3Q26 results and expects robotics to contribute 50-60% of its revenue in 2027.
- XPeng will post its 3Q26 results on 16 Nov 26. We estimate 3Q26 net loss at Rmb1b (+162.6 yoy/-25.2% qoq) on ASP decline, gross margin squeeze, and spike in R&D expenses.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely. Top SELLs: Li Auto, XPeng.

Analysis

- **October sales: Exports pushed NEV sales to a monthly record, while domestic demand weakened further.** The China Association of Automobile Manufacturers (CAAM) stated on 11 November that NEV sales, including exports and commercial vehicles, rose 13% yoy and 6% mom to 1.94m units in October, 64.3% of total vehicle sales. NEV exports rose 140% yoy to 606,000 units, while domestic NEV sales fell 9% yoy to 1.334m units, its 11th consecutive yoy decline.
  - **Retail sales came in below the preliminary estimate.** The China Passenger Car Association's (CPCA) final data put October passenger vehicle retail sales at 1.643m units, down 27% yoy, and NEV retail sales at 1.109m units, down 14% yoy, both below its preliminary estimates of 1.693m/1.148m units respectively. NEV penetration of retail sales rose to 67.5%.

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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	67.55	100.00
Geely	175 HK	BUY	13.92	21.00
Li Auto	2015 HK	SELL	46.76	30.00
XPeng	9868 HK	SELL	38.14	30.00

Source: Bloomberg, UOB Kay Hian

Peer Comparison

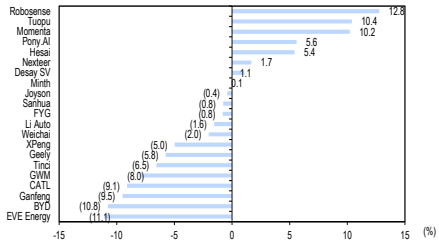
			Price	Target	Upside	Market	Last	PE			Price/	Div	ROE
Company	Ticker	Rec*	12 Nov 26	Price	To TP	Cap	Year	2025	2026F	2027F	NAV	Yield	
			(Lcy)	(Lcy)	(%)	(Lcy m)	End	(x)	(x)	(x)	(x)	(%)	(%)
BYD – H	1211 HK	BUY	67.55	100.00	48.0	248,814	12/25	16.1	15.4	10.1	1.9	0.7	15.4
Geely	175 HK	BUY	13.92	21.00	50.9	150,143	12/25	7.1	6.8	4.8	1.2	4.2	20.1
Great Wall Motor - H	2333 HK	HOLD	6.01	7.00	16.6	13,784	12/25	4.5	7.9	7.8	0.5	2.7	6.3
Li Auto	2015 HK	SELL	46.76	30.00	(35.8)	97,495	12/25	181.7	Loss	Loss	1.3	0.0	(11.5)
XPeng	9868 HK	SELL	38.14	30.00	(21.3)	59,888	12/25	Loss	Loss	Loss	2.4	0.0	(15.2)
Fuyao Glass - H	3606 HK	BUY	54.80	77.00	40.5	33,250	12/25	13.1	14.2	11.4	3.0	4.2	24.8
Huizhou Desay SV	002920 CH	BUY	81.97	105.00	28.1	48,920	12/25	19.9	19.3	17.0	2.8	1.6	15.6
Minth	425 HK	BUY	23.80	56.00	135.3	27,884	12/25	8.5	7.6	6.4	0.9	3.8	12.4
Nexteer	1316 HK	BUY	4.57	11.40	149.5	11,470	12/25	14.5	9.2	8.1	0.7	4.9	7.5
Ningbo Joyson	600699 CH	HOLD	21.56	19.00	(11.9)	30,091	12/25	22.7	31.7	27.5	1.8	0.6	5.9
Ningbo Tuopu	601689 CH	BUY	50.55	64.00	26.6	87,848	12/25	30.7	32.7	25.6	3.3	0.9	9.8
Weichai Power - H	2338 HK	BUY	23.20	31.00	33.6	45,079	12/25	15.8	11.4	9.2	1.7	5.3	13.4
Zhejiang Sanhua	002050 CH	BUY	34.61	41.00	18.5	129,146	12/25	36.2	34.0	27.7	4.2	1.2	13.7
Hesai	2525 HK	BUY	14.40	29.00	101.4	15,050	12/25	31.4	53.8	20.5	1.7	0.0	3.2
RoboSense	2498 HK	BUY	15.89	33.00	107.7	7,479	12/25	Loss	-22.4	42.7	1.8	0.0	(7.8)
Pony AI	PONY US	BUY	4.72	15.00	217.8	1,671	12/25	Loss	Loss	Loss	1.4	0.0	(13.4)
Momenta	6880 HK	BUY	153.20	270.00	76.2	31,590	12/26	Loss	Loss	Loss	1.9	0.0	n.a.
CATL	300750 CH	BUY	240.00	343.00	42.9	1,052,880	12/25	15.2	12.3	10.4	2.8	4.1	21.9
EVE Energy	300014 CH	BUY	47.00	57.00	21.3	103,763	12/25	23.6	14.5	12.4	2.1	1.7	10.6
Ganfeng Lithium - H	1772 HK	HOLD	23.60	24.00	1.7	11,401	12/25	26.2	6.8	11.9	0.8	2.9	12.9
Tinci Materials	002709 CH	SELL	27.11	19.00	(29.9)	55,265	12/25	38.4	9.7	15.3	2.4	2.8	5.4

Source: Bloomberg, UOB Kay Hian

- **Exports are now the only source of NEV volume growth**. Passenger NEV exports rose 145% yoy to 582,000 units, or about 344,000 units more than a year earlier, while domestic NEV retail sales fell by about 173,000 units. BYD and Geely exported about 165,000 and 80,000 NEVs respectively, making up 42% of the total, so exports, rather than the domestic market, are driving their volume growth.
- **November started weak**. Passenger vehicle retail sales fell 21% yoy to 293,000 units from 1-8 November and NEV retail sales fell 7% yoy to 219,000 units, according to the CPCA. The CPCA expects no year-end rally against last year's high base, and stated that carmakers are pushing stock into dealers to meet full-year targets, so wholesale data will overstate retail demand into December.
- **Domestic NEV sales face a high base in November**. They reached 1.52m units in November last year, which we attribute to buying ahead of the halving of the NEV purchase tax exemption on 1 Jan 26. Domestic NEV sales would need to rise 14% mom in November to stay flat yoy, while NEV retail sales were still down 7% yoy during 1-8 November. This favours exporters BYD and Geely over carmakers that rely on the domestic market, such as Li Auto.

- **China extends the suspension of its battery export controls by only two months.** The Ministry of Commerce (MOFCOM) and the General Administration of Customs stated on 9 Nov 26 that six export-control announcements from Oct 25 will stay suspended from 11 Nov 26 to 10 Jan 27. They cover lithium-ion batteries of at least 300Wh/kg, high-end lithium iron phosphate (LFP) cathode materials, ternary precursors, artificial graphite anode materials, superhard materials and four sets of rare-earth controls. The previous suspension, announced in Nov 25, ran for one year.
  - **No near-term change for exporters, but less certainty for overseas customers.** Exports of these products do not require a licence until 10 Jan 27, so there is no near-term impact on CATL (300750 CH/BUY/Target: Rmb343.00) or EVE Energy (300014 CH/BUY/Target: Rmb57.00). The two-month window, rather than one year, means the duration of the controls will depend on progress in US-China trade talks, leaving overseas customers with no certainty on supply beyond that date.
  - **The suspension runs on the same two-month clock as China's tariff truce with the US**. From 10 Nov 26, China also extended its suspension of the 24% additional tariff on US goods by two months, to implement the consensus reached at the US-China leaders' meeting in Washington. Both measures now lapse around 10 Jan 27, so the next decision on battery-material exports will come with the wider trade talks.
- **Momenta (6880 HK/BUY/Target: HK$270.00) will hold 51% of an intelligent-driving JV with SAIC Motor.** Momenta will subscribe for Rmb153m of the Rmb300m registered capital, and SAIC Motor (600104 CH) and its subsidiary Yandian Technology will hold the rest. The JV will supply Level 2 (L2) and Level 3 (L3) intelligent driving products across all of SAIC's vehicle platforms in China and abroad, so SAIC becomes a group-wide customer and Momenta will consolidate the JV's revenue. SAIC sold 1.33m vehicles overseas in 10M26, up 54% yoy and 37% of its total sales of 3.58m units, so a mandate that covers SAIC's vehicles abroad opens a tremendous overseas market for Momenta.
- **Ningbo Tuopu (601689 CH/BUY/Target: Rmb64.00) receives the filing notice for its H-share listing from the China Securities Regulatory Commission.** The filing covers up to 272.5m H-shares, or 13.6% of the enlarged share capital. At the 9 November A-share close of Rmb46.70, the maximum issue would raise about Rmb12.7b before any discount. The listing still needs approval from the Securities and Futures Commission and the Hong Kong Stock Exchange. According to its H-share application, Tuopu will use the proceeds mainly for R&D, humanoid robot components and auto parts capacity; its robot actuators generated only Rmb13.6m of revenue in 2025. A full issue would dilute EPS by up to 13.6%.

Weekly Stock Performance



Source: UOB Kay Hian

- **Nexteer (1316 HK/BUY/Target: HK$11.40) approves a share buyback of up to US$60m.** The programme, Nexteer's first, equals about HK$471m, or 4.1% of its market capitalisation at the 11 Nov 26 close of HK$4.61. It follows a dividend of about US$46m paid in July, 45% of 2025 net profit. Nexteer had net cash of US$545m at the end of 1H26, so the buyback uses 11% of it and leaves room for both capex on its Asia-Pacific expansion and dividends.
- **Hesai (2525 HK/BUY/Target: HK$29.00) posts mixed 3Q26 results, with beats on LiDAR ASP and Strategic Growth Initiatives (SGI) revenue offsetting the LiDAR shipment miss.** Adjusted net profit, stripping out a one-off gain in 3Q25, grew 16% yoy, as LiDAR operating profit rose 88% yoy to Rmb146m, partly offset by an operating loss of Rmb83m in SGI.
  - **Shipments missed, but ASP beat**. LiDAR shipments missed estimates at 729,673 units (+65% yoy/+16% qoq), dragged by robotic lawn mower LiDAR sales. Blended ASP beat estimates at Rmb1,334 (-24% yoy/+3% qoq) due to sales mix optimisation. SGI revenue doubled qoq to Rmb90.5m. Total revenue grew 34% yoy to Rmb1,068m, vs the company's guidance of Rmb1.1b-1.15b. The company guides for Rmb1.1b-1.15b 4Q26 revenue (up 10-15% yoy, flat qoq). Gross margin held up well at 41.0% (-1.1ppt yoy/+0.9ppt qoq), and management expects 39-40% gross margin in 2026.
  - **Stable ADAS LiDAR prices and robotics will drive earnings**. ADAS LiDAR prices are stabilising as competition turns more rational after industry consolidation. Hesai expects robotics to contribute 50-60% of revenue in 2027, up from 40-50% in 2026. The rising share of the high-end robotics products in sales mix will boost blended ASP and gross margin, as these products boast an ASP of Rmb2,000-30,000 and gross margin of 40-50%, vs under Rmb1,000 and 30-35% for ADAS LiDARs.
  - **Earnings to grow at 73% two-year CAGR in 2027-28**. We maintain our 2027-28 adjusted net profit forecasts at Rmb400m/Rmb758b/Rmb1.2b respectively. Our target price of HK$29.00 is based on a 10-year DCF (WACC: 15%/terminal growth: 4%), implying 6.3x 2027F PS.
- **XPeng (9868 HK/SELL/Target: HK$30.00) – 3Q26 results preview.** The company is due to release its 3Q26 results on 16 Nov 26 (Mon).
  - **Deliveries rose 2.1% yoy and 14.6% qoq to 118,390 units, but growth was supply-capped**: MONA L03 hit a production bottleneck, leaving volume at guidance midpoint. Locked orders grew over 50% qoq to record high confirm demand; MONA made up 57% of mix, diluting ASP to about Rmb183,000 (-4% qoq).
  - **We expect 3Q26 net loss at Rmb1b (+162.6 yoy/-25.2% qoq)**. Yoy widening reflects a tough base, vehicle margin at 12% (vs 14%), lower IP licensing, and R&D of Rmb29b (+32% yoy); qoq narrowing reflects volume leverage and expense discipline, not margin recovery, with gross margin at about 17.6% (-3.1ppts qoq).

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 and Geely. Top SELLs: Li Auto and XPeng.**

Sector Catalyst/Risk

- **Catalysts:** 3Q26 results of XPeng (16 November), Pony AI (18 November) and Li Auto (25 November); the Guangzhou Auto Show from 27 November; November sales data in early-December; the Central Economic Work Conference in mid-December.
- **Risks:** A lapse of the export-control and tariff suspensions after 10 Jan 27; a deeper domestic price war; export barriers in Europe, Brazil and Mexico; lithium carbonate price volatility.

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