Automobile

China Auto Sector Weekly (20 Nov 26)

Highlights

- NEV retail sales fell 13% yoy during 1-15 November, while ICE car retail sales almost halved.
- Memory chip prices could add Rmb4,000-8,000 to an ADAS-equipped BEV's cost in 2027.
- MIIT will check supplier payment terms at 17 carmakers annually.
- We estimate Li Auto's and Robosense's 3Q26 net loss at Rmb1.7b (+172% yoy/flat qoq) and Rmb225m (+248% yoy/+186% qoq) respectively.
- Maintain MARKET WEIGHT. Top BUYs: BYD, Geely. Top SELLs: Li Auto, XPeng.

Analysis

- **November sales: NEV retail sales continued to fall in 1-15 November, while ICE car retail sales almost halved.** According to the China Passenger Car Association (CPCA), passenger vehicle retail sales fell 25% yoy and 6% mom to 611,000 units, and NEV retail sales fell 13% yoy but rose 7% mom to 447,000 units. NEV penetration of retail sales rose to 73.2% from 67.5% for the whole of October.
  - **Retail sales of internal combustion engine (ICE) cars fell about 46% yoy.** By our calculation, this is about 137,000 units, two-thirds of the fall in total retail sales. The CPCA attributed the ICE decline to high fuel prices.
  - **NEV wholesale rose 3% yoy while retail fell 13%.** Exports explain part of the gap, but the CPCA stated that carmakers are also pushing stock onto dealers to meet year-end targets. The extra dealer stock raises the risk of December and January price cuts for domestically focused Li Auto (2015 HK/SELL/Target: HK$30.00), while BYD (1211 HK/BUY/Target: HK$100.00) and Geely (175 HK/BUY/Target: HK$21.00) are less exposed, as most of their sales growth will come from exports.

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)

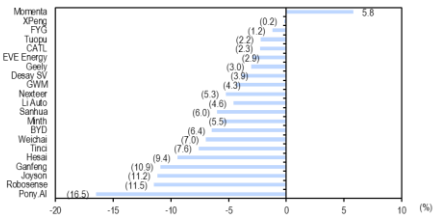
Source: Bloomberg, UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (Lcy)	Target Price (Lcy)
BYD	1211 HK	BUY	63.20	100.00
Geely	175 HK	BUY	13.50	21.00
Li Auto	2015 HK	SELL	30.00	30.00
XPeng	9868 HK	SELL	30.00	30.00

Source: Bloomberg, UOB Kay Hian

Weekly Stock Performance



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec*	Price 19 Nov 26 (Lcy)	Target Price (Lcy)	Upside To TP (%)	Market Cap (Lcy m)	Last Year End	PE 2025 (x)	PE 2026F (x)	PE 2027F (x)	Price/ NAV (x)	Div Yield (%)	ROE (%)
BYD – H	1211 HK	BUY	63.20	100.00	58.2	232,791	12/25	15.1	14.4	9.5	1.8	0.7	15.4
Geely	175 HK	BUY	13.50	21.00	55.6	145,614	12/25	6.9	6.6	4.6	1.2	4.3	20.1
Great Wall Motor - H	2333 HK	HOLD	5.75	7.00	21.8	13,187	12/25	4.3	7.5	7.5	0.5	2.8	6.3
Li Auto	2015 HK	SELL	44.62	30.00	(32.8)	93,033	12/25	173.3	Loss	Loss	1.3	0.0	(11.5)
XPeng	9868 HK	SELL	38.08	30.00	(21.2)	59,794	12/25	Loss	Loss	Loss	2.3	0.0	(14.9)
Fuyao Glass - H	3606 HK	BUY	54.15	77.00	42.2	32,856	12/25	13.0	14.1	11.3	3.0	4.3	24.8
Huizhou Desay SV	002920 CH	BUY	78.80	105.00	33.2	47,029	12/25	19.2	18.5	16.3	2.7	1.6	15.6
Minth	425 HK	BUY	22.48	56.00	149.1	26,338	12/25	8.0	7.2	6.1	0.9	4.1	12.4
Nexteer	1316 HK	BUY	4.33	11.40	163.3	10,868	12/25	13.7	8.7	7.6	0.6	5.2	7.5
Ningbo Joyson	600699 CH	HOLD	19.15	19.00	(0.8)	26,727	12/25	20.2	28.2	24.4	1.6	0.7	5.9
Ningbo Tuopu	601689 CH	BUY	49.44	64.00	29.4	85,919	12/25	30.0	32.0	25.1	3.2	0.9	9.8
Weichai Power - H	2338 HK	BUY	21.58	31.00	43.7	41,931	12/25	14.7	10.6	8.6	1.6	5.7	13.4
Zhejiang Sanhua	002050 CH	BUY	32.54	41.00	26.0	121,422	12/25	34.0	32.0	26.1	4.0	1.2	13.7
Hesai	2525 HK	BUY	13.04	29.00	122.4	13,629	12/25	28.5	48.7	18.5	1.5	0.0	3.2
RoboSense	2498 HK	BUY	14.07	33.00	134.5	6,623	12/25	Loss	-19.9	37.8	1.6	0.0	(7.8)
Pony AI	PONY US	BUY	3.70	7.00	89.2	1,310	12/25	Loss	Loss	Loss	1.1	0.0	(13.4)
Momenta	6880 HK	BUY	162.10	270.00	66.6	33,410	12/26	Loss	Loss	Loss	2.0	0.0	n.a.
CATL	300750 CH	BUY	234.58	343.00	46.2	1,029,102	12/25	14.8	12.0	10.2	2.7	4.2	21.9
EVE Energy	300014 CH	BUY	45.62	57.00	24.9	100,717	12/25	22.9	14.1	12.0	2.1	1.8	10.6
Ganfeng Lithium - H	1772 HK	HOLD	21.02	24.00	14.2	10,155	12/25	23.4	6.1	10.6	0.7	3.3	12.9
Tinci Materials	002709 CH	SELL	25.05	19.00	(24.2)	51,066	12/25	35.4	8.9	14.2	2.2	3.0	5.4

Source: Bloomberg, UOB Kay Hian

- **Rising memory chip prices could add Rmb4,000-8,000 to the cost of a vehicle in 2027.** Bosch stated on 16 November that higher DDR memory prices had added about €2b to its global costs and that component price increases will add Rmb4,000-8,000 to the 2027 cost of a battery electric vehicle (BEV) with advanced driver assistance system (ADAS).
  - **Carmakers selling EVs with advanced driver assistance bear more of the cost.** Rmb4,000-8,000 is equivalent to 2.6-5.2% of the Rmb154,000 average NEV retail price in October, against a 1.5% profit margin for China's vehicle-making industry in 1H26. Hence, carmakers will have to raise prices or cut specifications. XPeng and Li Auto, whose cars carry more chips, are the most exposed among the carmakers we cover.
  - **Despite this, we expect BYD and Geely to deliver steady margins, while smaller domestically focused OEMs see further compression.** With their overseas gross margins of 25-30% (about 10ppt above domestic) and overseas ASPs 1.5-1.8x domestic, the rise in their overseas sales mix boost profit per vehicle, and their overseas plants help them avoid trade barriers.
- **China starts an annual assessment of supplier payment terms at 17 carmakers.** Commissioned by the Ministry of Industry and Information Technology (MIIT), the China Association of Automobile Manufacturers stated on 16 November that it will check that payment terms at 17 carmakers, including BYD, Geely, GWM, Li Auto and XPeng, are no longer than 60 days. The carmakers must submit their first reports by 31 Jan 27.
  - **XPeng would need to pay suppliers about Rmb10b to meet the 60-day limit.** On 3Q26 balance sheets, accounts and notes payable equal about 214 days of cost of sales at XPeng, 163 days at GWM (2333 HK/HOLD/Target: HK$7.00) and 149 days at BYD. As bank acceptance bills count as compliant payment, the limit applies to accounts payable, and XPeng's Rmb20.5b would need to halve, using 23% of its Rmb45.4b cash.
- **Hesai (2525 HK/BUY/Target: HK$29.00) announces a share buyback of up to US$100m**. The 12-month programme from 18 November will be funded from existing cash, and Hesai expects to cancel the shares it buys.
  - **The US$100m programme would buy back about 4.7% of Hesai's total issued shares**, or about 5.7% of the listed Class B shares, at the 19 November closing price.
  - **The buyback would use less than 10% of Hesai's cash, and cancelling the shares will raise EPS**. US$100m is equivalent to about 9.6% of its Rmb6.98b cash at end-September, leaving funds for robotics LiDAR.
- **XPeng (9868 HK/SELL/Target: HK$30.00) – 3Q26 net loss was smaller than expected, but service revenue missed.** Net loss narrowed 35.1% qoq to Rmb868m, smaller than our forecast loss of Rmb1.00b, as vehicle ASP rose 10.7% qoq to Rmb183,000. Service revenue fell 1.9% qoq to Rmb2.65b, as 3Q26 had no technology development revenue from Volkswagen, which XPeng booked in 2Q26.
  - **Volume growth will come at a lower ASP, and losses will continue.** XPeng guides for 4Q26 deliveries to rise 45-50% yoy, but expects ASP to fall 8-10% qoq as cheaper Mona models ramp up. We expect net losses of Rmb4.22b/Rmb1.33b in 2026/27 respectively, and maintain SELL with a target price of HK$30.00.
- **Pony AI (PONY US/BUY/Target: US$7.00) – 3Q26 revenue beat our estimate, but a fair value loss widened the net loss.** Revenue rose 75.2% yoy to US$44.6m on the back of higher-than-expected sales of Robotrucks, beating our estimates. Net loss widened 72.2% yoy to US$105.6m on a US$77.0m fair value loss on trading securities, while adjusted net loss narrowed 14.1% yoy to US$48.5m.
  - **Overseas partnerships and port Robotrucks should drive 2027 growth.** Management reaffirms its 2026 target of 3,500 Robotaxis, and overseas partners bear the vehicle cost, which should lift per-vehicle

margins. We maintain BUY but cut our target price from US$15.00 to US$7.00, as we raise the WACC in our 10-year DCF to 19% from 13%.

- **3Q26 earnings preview – Li Auto and RoboSense.** Both companies will post their 3Q26 results on 25 November.
  - **Li Auto (2015 HK/SELL/Target: HK$30.00)**.
    - **3Q26 deliveries grew 7.2% yoy and 1.7% qoq to 99,964 units, at the top end of its guidance of 95,000-100,000 units.**
    - **We estimate 3Q26 net loss at Rmb1.7b (+172% yoy/flat qoq), vs consensus estimate of about Rmb942m.**
    - **Li Auto will see sustained losses in 2026-28**, due to its extended-range electric vehicle products losing market share, a rising share of lower-margin BEV models in its sales mix, and the substantial spending in AI and robotics.
  - **RoboSense (2498 HK/BUY/Target: HK$33.00).**
    - **3Q26 LiDAR sales volume rose 221% yoy and 53% qoq, in line.** ADAS LiDAR volume was 450,400 units (+200% yoy/+54% qoq), and robotics and other uses were about 145,200 units (+309% yoy/+50% qoq).
    - **We estimate 3Q26 revenue at Rmb808m (+99% yoy/+44% qoq)**, based on a sales volume of 595,600 units (+221% yoy/+53% qoq) and blended ASP of Rmb1,300 (-38% yoy/-2% qoq).
    - **3Q26 earnings dampened by the Geely recall.** Geely recalled 92,915 vehicles for the defects of RoboSense's LiDARs. We estimate the cost of the recall at Rmb145m.
    - **We estimate 3Q26 net loss at Rmb225m (+248% yoy/+186% qoq).**
- **The next month: The Guangzhou Auto Show, the November sales data and the trade-in subsidy decision.**
  - **Positive: LiDAR fitment at the Guangzhou Auto Show (27 November to 6 December).** The number of the 115 debut models equipped with LiDAR and ADAS will provide an indication of 2027 demand for Hesai, RoboSense, Momenta, and Desay SV.
  - **Negative: November deliveries (1 December) and CPCA data (second week of December) may show rising dealer stock.** XPeng needs about 60,000 units a month in November and December to meet its 4Q26 guidance. If wholesale again exceeds retail, price cuts in December will become more likely, which would hurt domestically focused Li Auto and XPeng the most.
  - **Watch: The Central Economic Work Conference (mid-December).** The key question is whether the car trade-in subsidies, which are due to expire at end-26, will be extended. An extension would help Li Auto, XPeng and GWM more than exporters BYD and Geely; without an extension, buyers would bring purchases forward into December, resulting in weak 1Q27 sales.

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 Li Auto and RoboSense (25 November); the Guangzhou Auto Show from 27 November; November deliveries on 1 December.
- **Risks:** a) A lapse of the export-control and tariff suspensions after 10 Jan 27; b) deeper domestic price cuts; c) input cost inflation that cannot be fully passed through to customers; d) export barriers; e) fluctuations in lithium carbonate prices.

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