Contemporary Amperex Technology Co (300750 CH)

2Q26: In Line; Cutting Margins, Lifting Volumes

Highlights

- 2Q26 net profit of Rmb22.5b (+36.5% yoy/+8.7% qoq) was in line, taking 1H26 net profit to Rmb43.3b (+42.0% yoy). However, gross profit per GWh fell to Rmb147m and net profit per GWh dropped to Rmb97m.
- We raise 2026-28 sales volume by 10%/7%/0% to 1,000/1,230/1,450GWh respectively on ESS/AIDC demand, but cut gross margin to 23.4%/23.7%/23.9%; we expect margins to stabilise from 2H26.
- We cut net profit by 1%/7%/12% to Rmb93.6b/Rmb116.4b/Rmb139.1b respectively. Maintain BUY; we cut target price to Rmb585.00/HK$675.00 (23x 2027F PE).

2Q26 Results Summary

(Rmbm)	2Q26	yoy % chg	qoq % chg	1H26	yoy % chg	Prev 2026F	yoy % chg	Comment
Revenue	147,786	56.9	14.4	276,917	54.8	633,183	1.0	Beat
Gross profit	34,217	42.0	6.8	66,262	48.0	153,332	(2.4)	Miss
Gross margin (%)	23.2	(2.4)	(1.6)	23.9	(4.4)	24.2	(0.8)	Miss
EBIT	24,382	38.5	(2.9)	49,502	52.9	107,109	1.4	In line
EBIT margin (%)	16.5	(2.2)	(3.0)	17.9	(1.2)	16.9	0.1	Miss
Net profit	22,546	36.5	8.7	43,284	42.0	94,501	(0.9)	Beat
Core net profit	20,921	36.1	15.6	39,013	43.4	84,431	(0.9)	In line
Net margin (%)	15.3	(2.2)	(0.8)	15.6	(1.4)	14.9	(0.3)	In line

Source: *CATL, UOB Kay Hian*

Analysis

- **2Q26 earnings in line; 1H26 net profit up 42% yoy.** Contemporary Amperex Technology Co's (CATL) 2Q26 net profit was Rmb22.55b (+36.5% yoy/+8.7% qoq) and recurring net profit came in at Rmb20.92b (+36.1% yoy). 1H26 net profit reached Rmb43.28b (+42.0% yoy) and recurring net profit was Rmb39.01b (+43.4% yoy), accounting for about 46% of our full-year forecast, ahead of the 42% during 1H25. 1H26 operating cash flow was Rmb60.2b (+2.6% yoy), effective tax rate was 15.7% and annualised ROE stood at a healthy 24.2%. By segment, 1H26 power-battery revenue rose 46% yoy to Rmb192.1b at a 20.6% gross margin, while energy-storage revenue jumped 88% yoy to Rmb53.3b at a 24.0% gross margin.

  Minority interests took 8.7% of net profit and 1H26 capex was Rmb25.1b; the board also declared an interim dividend of Rmb6.5b, proposed an Rmb20b-40b A-share buyback for cancellation and completed a US$5b H-share placement in May, keeping the balance sheet in a comfortable net-cash position.

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	362,013	423,702	639,243	795,789	944,352
EBITDA	88,610	108,056	137,463	168,036	198,168
Operating profit	63,672	81,120	108,633	137,006	164,938
Net profit (rep./act.)	50,744	72,201	93,637	116,388	139,104
Net profit (adj.)	44,923	64,508	83,659	103,986	124,282
EPS	11.6	15.8	20.5	25.5	30.5
PE	33.1	24.2	18.7	15.0	12.6
P/B	6.8	5.2	4.4	3.8	3.2
EV/EBITDA	17.4	14.2	11.1	8.8	7.1
Dividend yield	1.2	2.1	2.7	3.3	4.0
Net margin	12.4	15.2	13.1	13.1	13.2
Net debt/(cash) to equity	(54.4)	(61.9)	(56.4)	(59.5)	(63.2)
Interest cover	(15.4)	(10.2)	(15.2)	(17.3)	(18.3)
ROE	20.2	22.1	22.9	24.2	24.6
Consensus net profit	-	-	95,876	116,910	142,411
UOBKH/Consensus (x)	-	-	0.98	1.00	0.98

Source: *CATL, Bloomberg, UOB Kay Hian*

BUY (Maintained)

Share Price	Rmb383.01
Target Price	Rmb585.00
Upside	+52.7%
Previous TP	Rmb640.00

Analyst(s)
Ken Lee
ken.lee@uobkh.com
+852 2236 6760

Stock Data

GICS Sector	Industrial
Bloomberg ticker	300750 CH
Shares issued (m)	4,532
Market cap (Rmbm)	1,688,083
Market cap (US$m)	257,287
3-mth avg daily t'over (US$m)	2,119

Price Performance (%)

52-week high/low: Rmb468.75 /Rmb257.72

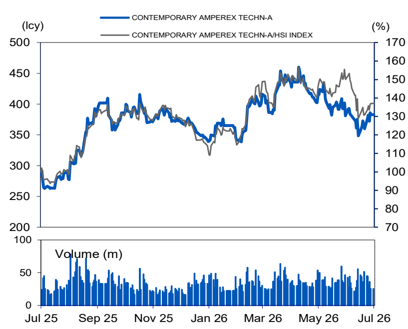
1mth	3mth	6mth	1yr	YTD
0.5	(12.7)	8.3	34.3	1.5

Major Shareholders	%
Zeng Yuqun (Ruiting Investment)	23.32
Huang Shilin	10.60

Balance Sheet Metrics

FY26 NTAV/Share (Rmb)	81.5
FY26 Net Cash/Share (Rmb)	48.8

Price Chart



Source: *Bloomberg*

Company Description

Contemporary Amperex Technology is a Chinese battery manufacturer and technology company that specialises in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, as well as battery management systems.

- **Revenue rose 57% yoy in 2Q26, 55% in 1H26.** 2Q26 revenue was Rmb147.79b (+56.9% yoy/+14.4% qoq) and 1H26 revenue was Rmb276.92b (+54.8% yoy). Management guided 1H26 shipments rose about 60% yoy (we estimate ~432GWh, ~232GWh in 2Q26), storage accounted for a quarter of total volume, and reiterated full-year volume could reach about 1,000GWh. Domestic power-battery installation share was 46.7% (+5.6ppt yoy) while overseas was 33.7% (SNE, Jan-May 26).
- **Overseas accounted for about 31% of 1H26 revenue.** Overseas revenue accounted for approximately 31% of the group's 1H26 revenue as it had higher margins than the domestic business. Management expects the export tax-rebate step-down (13% to 9% during 2H26, to zero by 2027) to be shared with major customers, limiting the earnings impact, while overseas storage order intake is growing faster than domestic.
- **We raise 2026-27 sales volume by 10%/7% to 1,000/1,230 GWh respectively, and keep that for 2028 at 1,450GWh.** The growth will be driven by energy storage systems and AI data centres. Storage economics have been improving on capacity-price policy, AIDC backup is emerging as a new demand leg. CATL's 587Ah cell and sodium-ion battery (Naxtra) are ramping up. Management said 1H26 capacity ran at full saturation (~1,050GWh annualised, ~764GWh under construction).
- **Gross/net profit per GWh fell 8%/12% yoy respectively; we cut margin assumptions.** 2Q26 gross margin was 23.2% (-2.4ppt yoy, -1.6ppt qoq); gross profit per GWh fell to Rmb147m (-8% yoy/-8% qoq) and net profit per GWh dropped to Rmb97m (-12% yoy/-6% qoq), both declining in 1Q25-2Q26 on raw-material cost inflation and a rising, lower-margin storage mix (1H26 power-battery gross margin 20.6%, storage 24.0%). As 1H26 ran below our full-year assumptions, we cut our 2026-28 gross margin forecasts to 23.4%/23.7%/23.9% (from 24.2%/24.3%/26.8%) and net profit per GWh to Rmb94m/Rmb95m/Rmb96m (from Rmb106m/Rmb111m/Rmb110m) respectively. We expect margins to stabilise starting from 2H26, as management's metal-linkage pricing passes raw-material cost moves through to customers.
- **Interim dividend Rmb6.5b; Rmb20b-40b buyback proposed.** The board has declared an interim dividend of Rmb6.5b (now in our model), proposed a Rmb20b-40b A-share buyback for cancellation, and also completed a US$5b H-share placement in May. R&D/SG&A remained disciplined, accounting for 4.1%/3.0% of revenue respectively.
- **Net cash of about Rmb223b underpinned the balance sheet.** CATL ended 1H26 with Rmb340.6b of cash and a net-cash position, underpinning capacity, returns and vertical integration.

Earnings Revision/Risk

- **We cut our 2026/27/28 net profit forecasts by 0.9%/6.9%/11.6%** to Rmb93.64b/Rmb116.39b/Rmb139.10b respectively, as lower gross margin and net profit per GWh outweigh higher sales volume. Our 2026/27/28 EPS estimates stand at Rmb20.50/Rmb25.50/Rmb30.50 respectively.
- **Risks:** Market competition, raw material price fluctuations, and further export tax-rebate or overseas policy changes.

Valuation/Recommendation

- **Maintain BUY.** We lower target prices to Rmb585.00/HK$675.00 (from Rmb640.00), rolling the valuation base year from 2026 to 2027 and lowering the target PE to 23x (the three-year historic mean) from 31x.
- **Valuation undemanding vs growth.** At Rmb383.01 the A-share trades at 15.0x 2027F PE, below our 23x target, against a ~23% 2026F ROE and a ~24% 2025-28 net profit CAGR.

Share Price Catalyst

- 3Q26 deliveries and further ESS/AIDC order wins.
- Margin stabilisation from 2H26; sodium-ion and solid-state progress.

Profit & Loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	423,702	639,243	795,789	944,352
EBITDA	108,056	137,463	168,036	198,168
Deprec. & amort.	(26,937)	(28,830)	(31,030)	(33,230)
EBIT	81,120	108,633	137,006	164,938
Total other non-operating income	(6,886)	(6,000)	(6,500)	(7,000)
Associate contributions	7,353	8,000	8,000	8,000
Net interest income/(expense)	7,940	7,165	7,899	9,030
Pre-tax profit	89,527	119,797	148,905	177,968
Tax	(12,740)	(18,569)	(23,080)	(27,585)
Minorities	(4,585)	(7,592)	(9,437)	(11,279)
Net profit	72,201	93,637	116,388	139,104
Net profit (adj.)	64,508	83,659	103,986	124,282

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	146,401	167,901	187,401	204,901
Other LT assets	189,945	205,575	221,005	236,235
Cash/ST investment	299,930	313,743	367,508	435,721
Other current assets	338,552	409,268	482,522	551,847
Total assets	974,828	1,096,487	1,258,435	1,428,704
ST debt	12,935	12,935	12,935	12,935
Other current liabilities	386,690	443,217	526,160	604,239
LT debt	78,235	78,235	78,235	78,235
Other LT liabilities	125,940	125,940	125,940	125,940
Shareholders' equity	337,108	394,648	464,218	545,128
Minority interest	33,919	41,511	50,948	62,226
Total liabilities & equity	974,828	1,096,487	1,258,435	1,428,704

Cash Flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	133,220	104,705	154,645	179,337
Pre-tax profit	89,527	119,797	148,905	177,968
Tax	(12,740)	(18,569)	(23,080)	(27,585)
Deprec. & amort.	26,937	28,830	31,030	33,230
Associates	(7,353)	(8,000)	(8,000)	(8,000)
Working capital changes	33,216	(14,189)	9,688	8,754
Non-cash items	9,079	6,000	6,500	7,000
Other operating cashflows	(5,445)	(7,165)	(8,286)	(9,793)
Investing	(94,476)	(51,290)	(50,556)	(49,424)
Capex (growth)	(42,345)	(61,960)	(61,960)	(61,960)
Investments	(51,284)	10,670	11,404	12,536
Others	(848)	0	0	0
Financing	(6,310)	(39,602)	(50,324)	(61,699)
Dividend & interest payments	(34,923)	(39,602)	(50,324)	(61,699)
Proceeds from borrowings	39,790	60,000	60,000	60,000
Loan repayment	(51,702)	(60,000)	(60,000)	(60,000)
Others/equity raised	40,525	0	0	0
Net cash inflow (outflow)	29,770	13,813	53,765	68,213
Beginning cash & cash equivalent	270,160	299,930	313,743	367,508
Changes due to forex impact	(2,665)	0	0	0
Ending cash & cash equivalent	299,930	313,743	367,508	435,721

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	25.5	21.5	21.1	21.0
Pretax margin	20.6	17.2	17.0	17.1
Net margin	15.2	13.1	13.1	13.2
ROA	7.3	8.1	8.8	9.3
ROE	22.1	22.9	24.2	24.6
Growth				
Turnover	17.0	50.9	24.5	18.7
EBITDA	21.9	30.8	29.3	22.9
Pre-tax profit	41.7	33.8	24.3	19.5
Net profit (reported)	42.3	29.7	24.3	19.5
Net profit (adj.)	43.4	29.7	24.3	19.5
EPS	36.8	29.7	24.3	19.5
Leverage				
Debt to total capital	12.0	10.7	9.3	8.2
Debt to equity	34.7	29.6	25.2	21.4
Net debt/(cash) to equity	(61.9)	(56.4)	(59.5)	(63.2)
Interest cover (x)	(10.2)	(15.2)	(17.3)	(18.3)