

SECTOR UPDATE

Automobile – China

Weekly: Sales Of Top EV Companies Up 49% yoy/5% mom In September; In Line

The combined sales of China's top eight EV companies (excluding Tesla) grew 49% yoy and 5% mom in Sep 23. BYD's wholesale shipment grew 57% yoy/5% mom to a record high of 287,454 units in Sep 23. The Big Three are reported to be reaching a deal with UAW after 16 days of strike, boding well for Chinese auto part suppliers. The EU has started anti-trust probes into China-made EVs, which should not impact Chinese EV companies much. Maintain UNDERWEIGHT. Top picks: BYD, CATL and Li Auto.

WHAT'S NEW

- **Combined sales of top eight Chinese EV companies up 49% yoy/5% mom in Sep 23.** At least eight EV companies announced September sales data, which in descending order by sales included BYD, GAC's Aion, Li Auto, Leapmotor, Nio, XPeng, Neta and Geely's Zeekr. The combined sales of these eight companies reached 447,125 units (+49% yoy/+5% mom) in Sep 23 and 3,133,874 units (+68% yoy) in 9M23. These compare to CPCA's estimated China's passenger electric vehicle (PEV) retail sales volume of 750,000 units (+22.7% yoy/+7.4% mom) for Sep 23 and 5.177m units (+33.8% yoy) for 9M23. These eight companies should have jointly contributed c.60% of China's PEV sales volume in Sep 23 and 9M23. In general, these companies posted in-line Sep 23 sales.

- **BYD remained the largest EV manufacturer in China, with wholesale shipment at a record 287,454 units (+56.9% yoy/+4.7% mom) in Sep 23, in line with estimates.** This brings 9M23 wholesale shipment to 2.08m units (+77.1% yoy), on track to meet our estimate and the company's target of 3.0m units (+62% yoy) for full-year 2023. Overseas wholesale shipment spiked by 262% yoy and 12% mom to 28,039 units in Sep 23 and by 550% yoy to 145,520 units, vs our full-year 2023F estimate of 250,000 units.

BYD's sales are being driven by launches of new models like Seagull, Denza N7, Seal DM-i, Song L, Bao 5 and Yangwang U8. We keep our estimates on BYD's 2023-24 net profit and EPS estimates at Rmb23.81b/Rmb37.57b/Rmb53.36b and Rmb8.18/Rmb12.93/Rmb18.37 respectively, based on EV sales volume estimates of 3.0m/4.0m/5.2m units respectively. Maintain BUY with a target price of HK\$590.00 based on 10-year DCF (WACC: 12%, terminal growth: 4%).

PEER COMPARISON

Company	Ticker	Rec	Price @ 5 Oct 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (US\$m)	PE		P/B		ROE (%)	Net Gearing (Cash) (%)
							20232F (x)	2024F (x)	2023F (x)	2024F (x)		
BYD	1211 HK	BUY	232.20	590.00	154.1	86,185	25.8	16.3	4.7	3.7	19.6	(26.7)
Geely Automobile	175 HK	SELL	8.86	6.50	(26.6)	11,339	21.0	17.6	1.0	1.0	5.0	(26.9)
Great Wall Motors	2333 HK	SELL	8.84	5.20	(41.2)	9,897	19.5	19.7	1.0	1.0	5.3	(7.7)
Guangzhou Auto	2238 HK	SELL	3.67	3.20	(12.8)	4,869	7.5	9.1	0.3	0.3	4.1	(14.9)
Li Auto Inc	2015 HK	BUY	135.40	312.00	130.4	36,055	29.5	17.5	4.8	3.8	17.7	(103.0)
XPeng	9868 HK	SELL	70.00	18.00	(74.3)	16,549	Loss	Loss	4.6	6.9	(43.3)	(58.3)
Weichai Power	2338 HK	BUY	9.91	16.00	61.5	10,937	9.3	8.0	1.5	1.3	11.0	(51.1)
Fuyao Glass	3606 HK	BUY	35.20	42.00	19.3	11,735	16.9	14.5	2.7	2.5	16.6	(18.3)
Desay SV	002920 CH	HOLD	143.64	135.00	(6.0)	10,929	54.5	41.3	10.4	8.7	20.8	0.5
Nexteer	1316 HK	SELL	4.03	2.70	(33.0)	1,292	12.2	13.3	0.6	0.6	5.4	(10.1)
Minhth	425 HK	BUY	19.66	33.00	67.9	2,918	10.6	8.8	1.1	1.0	11.0	17.9
Ningbo Xusheng	603305 CH	BUY	23.49	36.00	53.3	2,146	25.3	20.3	3.4	3.0	16.9	(9.9)
CATL	300750 CH	BUY	203.03	410.00	101.9	67,751	21.0	13.6	4.4	3.5	21.9	(46.1)
EVE Energy	300014 CH	BUY	45.12	92.00	103.9	12,612	20.3	15.0	2.7	2.3	10.5	37.2
Ganfeng Lithium	1772 HK	HOLD	29.05	33.00	13.6	7,477	5.7	7.5	1.0	0.9	14.8	6.5
GEM	002340 CH	SELL	6.09	4.00	(34.3)	4,250	64.8	75.5	1.7	1.6	2.6	53.0
Tinci Materials	002709 CH	SELL	27.03	20.00	(26.0)	7,080	19.4	22.1	4.4	4.1	21.9	2.3
Zhongsheng Group	881 HK	SELL	20.10	14.00	(30.3)	6,192	7.7	8.7	0.9	0.9	13.0	38.8
Yadea Group	1585 HK	BUY	14.24	20.00	40.4	5,448	15.4	13.1	4.9	4.0	34.7	(139.1)

Source: Bloomberg, UOB Kay Hian

UNDERWEIGHT

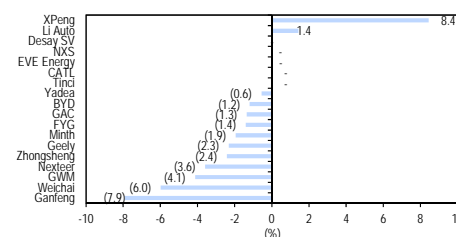
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TOP PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
BYD	1211 HK	BUY	232.20	590.00
Li Auto	2015 HK	BUY	135.40	312.00
CATL	300750 CH	BUY	203.03	410.00

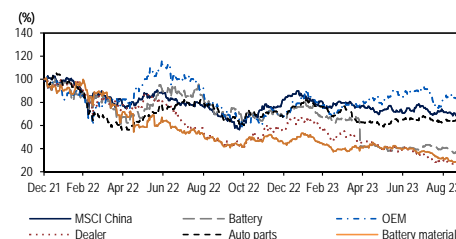
Source: UOB Kay Hian

WEEKLY STOCK PERFORMANCE



Source: Bloomberg

RELATIVE PERFORMANCE OF AUTO STOCKS



Source: Bloomberg

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- Li Auto delivered a record 36,060 EVs in Sep 23 (+213% yoy/+3% mom), beating estimates.** This brings 9M23 deliveries to 244,225 units (+181% yoy), well on track to meet our full-year estimate of 350,000 units for 2023. Li Auto's sales are being driven by the capacity expansion and the ramp-up of the production of L7. We maintain our 2023-25 net profit forecasts and EPS estimates for Li Auto at Rmb8.70b/Rmb14.63b/Rmb21.38b and Rmb4.17/Rmb7.02/Rmb10.26 respectively. Maintain BUY with target price of HK\$312.00 based on 10-year DCF (WACC: 20%/terminal growth: 4%).
- NIO's deliveries grew 43.8% yoy but plummeted 19% mom to 15,641 units in Sep 23,** bringing 9M23 deliveries to 109,993 units (+33.4% yoy). This was the second month of mom delivery decline since August after the spike in July as a result of the Rmb30,000 price cut for debundling the cars and the lifetime battery swap service. It seems that Nio will need brand-new models rather than revamped versions of the existing ones to drive sales growth.
- GAC's Aion delivered a record 51,596 EVs in Sep 23 (+71.9% yoy/+14.6% mom), beating estimates.** This brings 9M23 deliveries to 352,986 (+90.6% yoy), compared with the company's target of 500,000 units (+84% yoy) for 2023. We maintain our 2023-25 estimates on Aion's deliveries at 500,000/750,000/1m units and GAC's total sales volume at 2.38m/2.34m/2.30m units respectively. Meanwhile, we keep GAC's net profit and EPS estimates at Rmb4.68b/Rmb3.85b/Rmb3.60b and Rmb0.45/Rmb0.37/Rmb0.34 respectively, based on falling profit contributions from the JV brands. Maintain SELL on GAC with a target price of HK\$3.20 pegged to 6x 2023F PE.
- Geely's Zeekr's deliveries grew 45.6% yoy but dipped 2% mom to 12,053 units in Sep 23, missing estimates.** This brings 9M23 deliveries to 79,037 units (+100.2% yoy). Despite the debut of Zeekr X, Zeekr's September sales momentum seemed to miss expectations when compared with its 2023 delivery target of 140,000 units (+100% yoy). We maintain our 2023-25 estimates on Zeekr's deliveries at 140,000/300,000/400,000 units and Geely's total sales volume at 1.65m/1.80m/2.00m units respectively. Maintain 2023-25 net profit forecasts and EPS estimates for Geely at Rmb3.865b/Rmb4.60b/Rmb5.08b and Rmb0.384/Rmb0.458/Rmb0.505. Maintain SELL with target price of HK\$6.50 pegged to 15x 2024F PE.
- XPeng delivered 15,310 EVs in Sep 23 (+80.8% yoy/+11.8% mom) and 81,443 in 9M23: (-17.4% yoy), in line.** This compares to our full-year 2023 delivery estimate of 140,000 units. XPeng's sales growth was driven by the production ramp-up of its new model G6 and price cuts on other models. Going forward, XPeng will launch the revamped version of G9 at c.20% lower price. Despite the delivery growth, we remain pessimistic on XPeng's earnings outlook, based on the negative gross margin and aggressive price cuts. Maintain 2023-25 net loss estimates at Rmb13.14b/Rmb7.85b/Rmb6.17b respectively. Maintain SELL with target price of HK\$18.00 based on DCF (WACC: 20.5%/terminal growth: 4%).
- Tesla posted 3Q23 global delivery of 435,059 units (+26.5% yoy/-6.7% qoq), below consensus estimate of 456,722 units.** This brings 9M23 global deliveries to 1.324m units (+45.7% yoy), vs the company's full-year 2023 target of 1.8m units (+37% yoy). As Elon Musk said during the 2Q23 results conference call, 3Q23 deliveries declined qoq due to the revamping of its factories for the launch of facelifted Model 3, and deliveries will probably recover in 4Q23 with the completion of the revamping and the debut of facelifted Model 3. Tesla maintains 2023 delivery target at 1.8m units.
- The EU has started an anti-dumping probe on China-made EVs; we see limited impact on China's automobile industry for now.** Recently, the European Union (EU) formally started an anti-subsidy investigation into electric vehicles (EV) from China, claiming that prices are artificially low due to huge state subsidies. The investigation will last for 12 months and provisional measures may be imposed during the period. Chinese Ministry of Commerce (MOC) and China Association of Automobile Manufacturers (CAAM) have expressed oppositions to the EU's anti-dumping claim. In our view, the EU's dumping accusation against China-made cars is not valid, and even if the EU goes ahead with the restriction, the impact would be limited.

For example, the BYD Atto 3 and Seal sell for Eur38,000 and Eur44,990 respectively, or roughly Rmb295,000 and Rmb350,000, in Europe, well above the two models' starting prices of Rmb139,800 and Rmb189,800 in China. The Chinese government has expressed objection to the EU's accusation and called for collaboration in the EV development.

UOBKHS FORECASTS ON CHINA AUTO SALES

(m units)	2022	2023F	yoy % chg
EV	6.9	9.0	30.9
- PV	6.5	8.5	30.0
- CV	0.3	0.5	48.4
ICE-car	20.0	18.6	(6.9)
- PV	17.0	15.3	(10.1)
- CV	3.0	3.3	11.4
Total auto	26.9	27.6	2.8
- PV	23.6	23.8	1.0
- CV	3.3	3.8	15.2
EVs' share (%)			
PV	27.8	35.7	8.0
CV	10.2	13.2	2.9
Overall	25.6	32.6	7.0

Source: CAAM, CPCA, UOB Kay Hian

ESTIMATED CHINA'S PV SALES (SEP 23)

	Sep 23	yoy % chg	mom % chg	9M23	yoy % chg
PEV	750	22.7	7.4	5,177	33.8
ICE-car	1,230	(6.3)	0.7	10,025	(9.0)
Total	1,980	3.0	3.1	15,202	2.2
EV market share (%)	37.9	6.1	1.5	34.1	8.0

Note: PEV stands for passenger electric vehicle; while ICE-car stands for internal combustion engine car.

Source: CPCA

SALES BY OEM (SEP 23)

	Sep 23	yoy % chg	% chg	9M23	yoy % chg
BYD	287,454	56.9	4.7	2,079,638	77.1
Aion	51,596	71.9	14.6	352,986	90.6
Li Auto	36,060	212.7	3.3	244,225	181.0
Leapmotor	15,800	43.1	11.3	88,782	1.3
Nio	15,641	43.8	(19.1)	109,993	33.4
XPeng	15,310	80.8	11.8	81,443	(17.4)
Neta	13,211	(26.6)	9.2	97,770	(12.1)
Zeekr	12,053	45.6	(2.0)	79,037	100.2
Total	447,125	49.3	5.0	3,133,874	68.0

Note: The sales figures of BYD refer to wholesale shipment; while those of other companies refer to deliveries to end-customers.

Source: Respective companies

AVERAGE TRANSACTION PRICES

	Price @	chg			
	5 Oct 23	1W	1M	3M	Ytd
	(Rmb'000)	(%)	(%)	(%)	(%)
BYD					
Qin Plus DM-i (2023) 55km	94.8	-	-	(5.0)	(5.0)
Han EV (2023) 610km 4WD	299.8	-	-	-	-
Han DM-i (2023) 121km	189.8	-	-	-	-
Tang DM-i (2023) 112km	209.8	0.7	0.7	-	-
Song Plus DM-i (2023) 110km	159.8	-	-	-	-
Yuan Plus DM-i (2022) 430km	134.0	-	-	-	(3.5)
Dolphin (2023) 420km	116.8	4.5	-	-	-
Seal EV (2022) 700km	230.3	-	(3.2)	(3.2)	(11.4)
Seal EV (2023) 700km	222.8	-	-	-	-
Seal DM-i (2023) 121km	166.8	-	-	-	-
Seagull (2023)	73.8	-	-	-	-
Denza D9 DM-i (2022)	335.8	-	-	-	1.8
Denza N7 (2023) Long Range	339.8	-	-	-	-
Li Auto					
L7 (2023) Air	319.8	-	-	-	-
L8 (2023) Air	339.8	-	-	-	-
L9 (2022) Max	459.8	-	-	-	-

Source: UOB Kay Hian

Chinese auto exports to Europe are currently still small, though their share in the European market has risen fast. The share of Chinese cars in the total European car market has risen from 0.1% in 2019 to 2.8% in 7M23. The share of the market for pure battery electric cars spiked from 0.5% in 2019 to 8.2% in 7M23, selling 86,000 battery electric cars. European officials have argued this could reach 15% by 2025. However these 86,000 BEVs only accounted for 1.9% of China's total EV wholesale shipment of 4.53m units in 7M23. BYD, for example, only sold 2,492 EVs in Europe in 7M23, representing 0.16% of its total sales during the period.

Last but not least, Chinese carmakers, eg BYD, Geely, have been planning to build plants in Europe to penetrate into the continent. This enables them to bypass the potential trade restrictions that will be imposed by the EU.

- **We keep our estimates on China's 2023 PV sales and passenger EV sales at 23.8m units (+1% yoy) and 8.5m units (+30% yoy) respectively**, implying 36% EV penetration. We expect China's EV sales to be driven by the country's supportive policies, plug-in hybrid electric vehicles (PHEV) continuously taking market share from ICE-cars, and burgeoning exports. Shenzhen, for example, has given out Rmb10,000/vehicle in EV purchase subsidies effective from this week through to the year end. Our estimate of 8.5m units of China's 2023 passenger EV wholesale shipment comprises 7.5m units of domestic sales and 1m units of exports.
- **The Big Three are close to reaching a deal with UAW, boding well for Chinese auto part suppliers.** Until 5 Oct 23, United Auto Workers (UAW) had gone on strike for 16 days, demanding 40% wage hike, four-day 32-hour workweek and defined benefit retirement plans. According to Reuters, the Big Three, General Motors (GM), Ford and Stellantis, are close to reaching a deal with UAW by offering 30% wage hike and shifting the retirement plan to defined benefit scheme. The UAW's strike has caused production halt at the Big Three's plants in the US for 16 days and incurred extra cost for the automakers. GM, for example, has lost US\$200m over the past 16 days.

These should have hit sales of the Big Three's suppliers in China. With the end of the strike, the production at the Big Three's plants in the US will resume. Nexteer has been hit the hardest by the strike, as North America accounted for 57% of its total revenue in 1H23, almost all from the Big Three. And the resumption of production by the Big Three would benefit Nexteer the most. The impacts on other Chinese auto part companies we cover are limited. Fuyao Glass and Minth respectively had 5-6% and 8-9% of 1H23 revenue coming from the Big Three's plants in the US. Thus far, Ningbo Xusheng has seen no impact from the UAW's strike, as all of its orders are coming from the EV companies, eg Tesla, Rivian, and Chinese automakers, eg BYD, Geely, Great Wall Motor, etc.

ACTIONS

- **Maintain UNDERWEIGHT on China's automobile sector**, with a preference for the EV segment. Based on the expected decline in China's ICE-car sales and the intensifying price war in the ICE-car market, we maintain UNDERWEIGHT on China's automobile sector. However, based on the expected faster EV sales CAGR of 30% in 2023-25, we still like the EV segment. Given the declines in battery material prices due to increasing supply, we prefer the leading midstream and downstream EV plays with strong capabilities in cost control.
- **Our top BUYs include** BYD (1211 HK/BUY/Target: HK\$590.00), CATL (300750 CH/BUY/Target: Rmb390.00), and Li Auto (2015 HK/BUY/Target: HK\$312.00). Our BUY calls are in the following order of preference: BYD, CATL, Li Auto, Yadea, Fuyao Glass, Minth, Ningbo Xusheng, EVE Energy, Weichai Power.
- **Maintain SELL** on Geely (175 HK/SELL/Target: HK\$6.50), Great Wall Motor (2333 HK/SELL/Target: HK\$5.20), Guangzhou Auto (2238 HK/SELL/Target: HK\$3.20), Nexteer (1316 HK/SELL/Target: HK\$2.70), GEM (002340 CH/SELL/Target: Rmb4.00), Tinci Materials (002709 CH/SELL/Target: Rmb20.00), and Zhongsheng (881 HK/SELL/Target: HK\$14.00).