

China / Hong Kong Industry Focus

Regional Auto Sector

Refer to important disclosures at the end of this report

DBS Group Research . Equity

25 Jan 2024

Why we still favour Chinese OEMs

- **Forecast China, US and Europe vehicle sales to grow by 3-5% in 2024, with NEV strongly outperforming ICE**
- **Cost cutting measures and a sharp drop in EV battery lithium prices should alleviate margin pressure, with Chinese automakers doing the best given extensive control over their value chain**
- **Project FY24F net earnings growth of 14-35%/3-21% y-o-y for Chinese /US automakers, whereas market expects European automakers to post earnings decline of 7-14% due to a more challenging operating environment**
- **Favour China automakers [BYD](#) and [Great Wall](#) over foreign peers for 1) comprehensive supply chain to weather industry volatility; 2) decent FY24F earnings growth; and 3) compelling valuations at around 1 SD below 5-year historical average**

NEV sales to post 20% growth or more in major markets even as demand normalises post covid. We forecast China's PV sales growth to moderate to 4%/3% in 2024-25, compared to c.10.5% expansion in 2023. Sales growth in 2024-25 would be largely underpinned by the NEV market, which is projected to expand by c.20% CAGR over the same period. Vehicle sales in the US and EU are estimated to grow 3%-5%, with EV sales rising faster by >20% p.a. in 2024-25. Overall, we are seeing a normalisation of the global auto industry post Covid.

Chinese automakers can manage margin pressure better. We are seeing rising price competition and margin pressure in major auto markets. China was the worst hit in 2023 and the trend is expected to continue in 2024. Our metals team has forecast prices of key EV battery materials, such as lithium, to decline by 45%-55% y-o-y (vs. 38%-50% in 2023) and automakers are also taking steps to lower production cost (aided by scale effect), to alleviate the margin pressure. Chinese automakers' gross margin estimates to range 18-20% in FY24 while the US / EU automakers at 12-20%

We favour Chinese automakers. We lean towards Chinese auto OEMs over global counterparts, given their robust EV strategy and resilience against supply chain disruptions from the Red Sea situation, as well as compelling valuations. We prefer Great Wall Motor (GWM; 2333 HK) for its improving EV sales mix to defend rising market competition and BYD for its deepening global strategy to drive earnings growth. GWM and BYD are trading at 0.5/1 SD below the 5-year historical average PE. Besides, FY24F net earnings growth is decent at around 25% each.

HSI: 15,354

ANALYST

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Recommendation & valuation

Company	Price Local\$	Target Price Local\$	Recom	Mkt Cap US\$m	PE 24F x	
Auto Parts						
Mint Group (425 HK)	HKD	11.84	20.3	BUY	1,733	5.4
Nexteer (1316 HK)	HKD	3.70	5.10	BUY	1,188	7.1
Auto Makers						
BYD 'H' (1211 HK)	HKD	197.00	347.00	BUY	75,146	13.5
Geely Auto (175 HK)	HKD	7.79	10.80	BUY	10,022	10.9
Great Wall Motor Co.'H' (2333 HK)	HKD	8.90	12.90	BUY	21,845	8.2
Guangzhou Auto 'H' (2238 HK)	HKD	3.16	4.10	BUY	9,597	4.7
Ford Motor (F US)	USD	11.37	11.00	HOLD	45,515	6.5
General Motors (GM US)	USD	35.23	36.50	HOLD	48,247	4.5
Tesla (TSLA US)	USD	209.14	240.00	HOLD	664,839	56.5
BMW (BMW GR)	EUR	93.78	115.0	BUY	65,278	5.8
Volkswagen (VOW GR)	EUR	126.00	135.0	BUY	68,835	4.0
Mercedes-Benz Group (MBG GR)	EUR	60.37	70.0	BUY	70,386	5.1

Company	Price Local\$	Target Price Local\$	Recom	Mkt Cap US\$m	P/S 24F xx	
NEV						
NIO Inc (9866 HK)	HKD	47.90	68.0	BUY	11,006	0.9
XPENG (9868 HK)	HKD	37.35	66.0	BUY	7,345	0.9
Li Auto (2015 HK)	HKD	111.50	170.0	BUY	25,177	0.9

Source: Thomson Reuters, DBS Bank (Hong Kong) Limited ("DBS HK")

Closing price as of 23 Jan 2024

2023 review: A rough year due to macro / industry uncertainties

The China auto sector's landscape in 2023 can be defined by intensifying competition, margin compression, and de-rating. Macro headwinds, intense market competition and a sluggish HSI were huge factors that resulted in a weak auto sector in 2023. Auto companies' valuations headed lower in general, despite some showing improving fundamentals and financial health. Investor concerns largely centred on intensifying competition and valuation derating. The auto sector is trading at its 5-year low after the recent selling.

Automakers – headwinds led to de-rating. Despite higher PV volume sales in China in 2023, the Chinese auto sector had de-rated in 2023. Currently trading at over 1 SD below the 5-year historical average PE, mainly due to rising headwinds - weak macro environment and consumption, and increased market competition, causing selling pressure on automaker names. We noted that most automakers prioritized sales over margins in 2023 to gain market share in the fragmented market, and we saw price wars and additional promotions (such as BYD's price cut in Nov 2023 and recently Tesla also reduced its vehicle prices by up to 6%). There are concerns that the continuous price war could dampen companies' profitability and financials.

Chinese automaker sector PE chart

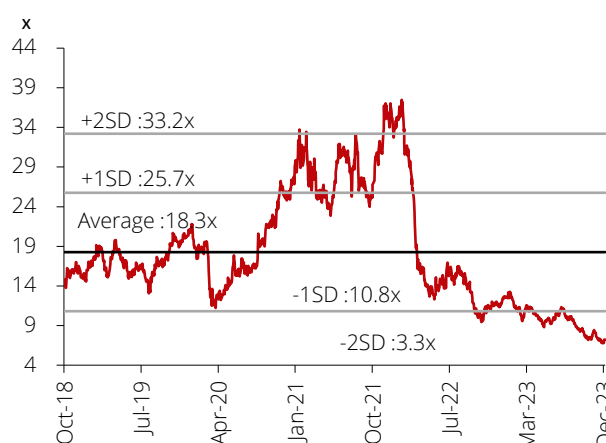


Source: Thomson Reuters, DBS HK

In terms of share price performance in 2023, most Chinese automakers fell by 10-50%, with the exception of Li Auto (2015 HK) which rose by around 30%.

Auto parts – hammered by weak demand. The sector is currently trading at 1.5 SD lower than the 5-year historical average PE. We believe the sector derating was due to sluggish consumption in the auto industry. Thus, auto parts companies such as Minth (425 HK) and Nexteer (1316 HK) traded lower during the year.

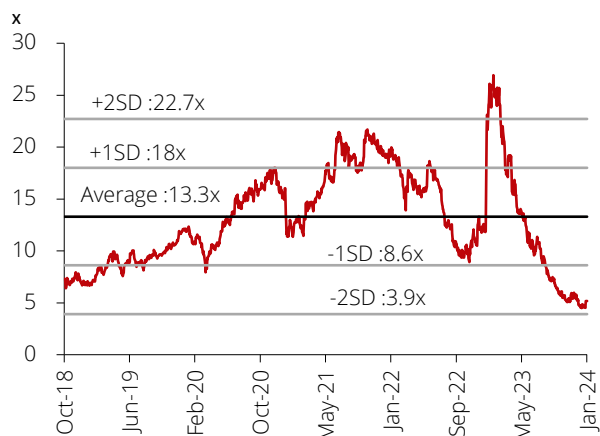
Chinese auto parts sector PE chart



Source: Thomson Reuters, DBS HK

Auto dealership – took the biggest hit in 2023 due to margin compression and weak demand for premium cars. The auto dealership sector took the largest hit in 2023, trading at a distressed valuation of almost 2 SD below historical average PE. Automakers were fighting for market share in 2023 via price wars. The steep discounts and increased promotions led to margin compression for the auto dealers. Together with inventory issues due to weakening demand, the auto dealers suffered a double whammy. Some new EV players such as NIO and Li Auto were selling their vehicles on their own, bypassing the auto dealers. Thus, auto dealers were unable to capture much of the EV market share expansion. This worsened the fundamentals of auto dealers in 2023, causing the sector to underperform.

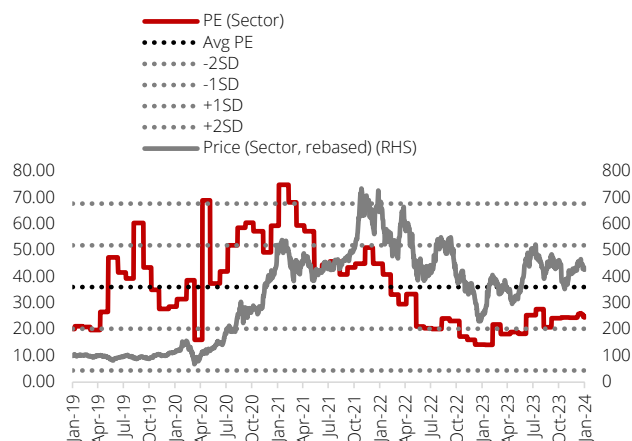
Chinese auto dealership sector PE chart



Source: Thomson Reuters, DBS HK

US auto sector – relatively strong sales momentum in 2023. The share price performance of US automotive companies rebounded from its 2022 lows (see chart below, grey line), as 2023 vehicle sales recovered to 90% of the pre-pandemic levels on the back of c.12% y-o-y growth. Despite the robust recovery in auto sales volume, US auto sector valuations continue to be weighed down by a double whammy of interest rate hikes and declining margins amid price cuts and higher expenses (e.g., material, freight, warranty, R&D expenses). Furthermore, legacy OEMs such as Ford and General Motors also faced a triple whammy from the United Auto Workers (UAW) labour strikes that persisted between Sept to Nov 2023 and led to work stoppages, lost revenues, higher labour costs, and downgrades in FY23 earnings guidance. As a result, whilst 2023 marks the best year for US auto sales since the pandemic, sector earnings and valuations were weighed down, with it currently trading at a forward PE ratio of 24.5x (-0.7SD below the historical average of 36x) (see chart below, red line).

US auto sector share price and valuations

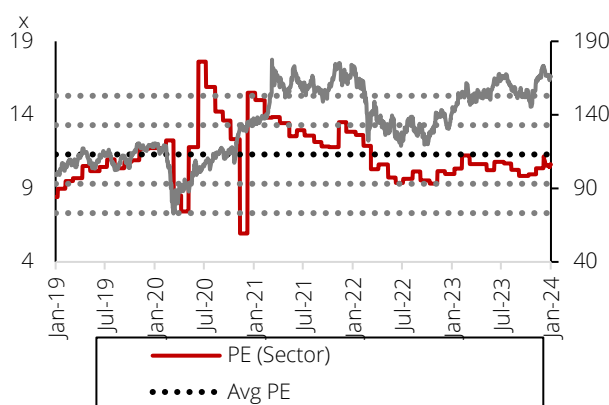


Source: Thomson Reuters, DBS Bank

Note: (1) US sector refers to an equally weighted basket of key US automotive companies, which includes Tesla, General Motors, and Ford. (2) Price index base is as of Jan 2019. (3) Grey dotted lines represent standard deviations.

EU auto sector – improvement in supply chain lifted 2023 new car registrations. EU automotive companies saw a similar recovery in their share prices from the 2022 lows (see chart below, grey line) in tandem with a recovery in EU auto sales, with 2023 new car registrations rising c.14% y-o-y. The EU automotive companies faced downward pressure on earnings and valuations amid slowing sales (especially from sales exposure to the China market) and softer margins due to higher inflation, supply chain-related costs, and more. The EU auto sector is currently trading at a forward PE ratio of 10.6x (-0.3SD below the historical average of 11.3x) (see chart below, red line).

EU auto sector share price and valuations



Source: Thomson Reuters, DBS Bank

Note: (1) US sector refers to an equally weighted basket of key US automotive companies, which includes Tesla, General Motors, and Ford. (2) Price index base is as of Jan 2019. (3) Grey dotted lines represent standard deviations.

Regional Auto Sector

2024 sector outlook

China auto sector - softer sector sales outlook warrants lower PE valuation targets. The anticipated soft landing of the Chinese economy could impact the outlook of the auto sector in 2024. We estimate the Chinese vehicle market to post slower growth due to macro uncertainties and front-loading of demand in 4Q23. We forecast sales growth in the PV market to moderate to 4%/3% y-o-y in 2024-25, compared to 2023 expansion of c.10.5% y-o-y. The sales growth is largely underpinned by the NEV market, which is estimated to grow at a 20% CAGR over the same period.

A projected soft-landing of the Chinese economy could potentially affect the valuation multiples of the auto sector. Hence, we have cut our target PEs and P/S ratios to reflect the sector de-rating and macro uncertainties.

Sector currently trading at attractive valuations. The Chinese auto sector is trading at 1 to 2 SD below the historical average PE, and should have largely factored in the anticipated softer growth outlook in 2024. In the automaker segment, the Chinese OEMs stand out better compared to the global names, given their more comprehensive EV business strategy to capture sales both domestically and overseas. Besides, the auto value chain is probably to be least affected by the current Red Sea situation. We also like profitable auto names with decent FY24F net earnings growth. We recommend accumulating Chinese auto OEMs on dips.

Great Wall Motor (GWM) is becoming interesting as the company's NEV sales have been improving (doubled on-year), and its NEV portfolio has been refreshed to further lift sales. Share of its high-margin products has also risen from 6.6% in FY21 to about 13.2% in FY23. Its overseas foray is also another growth catalyst, with the commencement of its Thailand operation. The stock is trading 0.5 SD below its historical average PE valuation and with projected net earnings growth of 25% for FY24F. GWM share price fell by about 18% in 2023 due to a volatile stock market and price competition. Its preliminary FY23 results showed net earnings fell by c.15% to Rmb7bn.

We still like the NEV market leader - BYD (1211 HK) for its innovative product strategy and overseas expansion to drive medium-term earnings growth. Based on the high base of 3m unit sales in FY23 (+62% y-o-y), we forecast FY24F NEV sales growth of c.30% on year. Its share of export business is estimated to account for c.15-20% of the total sales in the next 2-3 years, up from the current c.8%. The company is building an EV assembly plant in Hungary with an initial reported capacity of c.200k units by 2026. We project BYD to post net earnings growth of c.26% for FY24F to support its valuation expansion. After the recent selling, the stock is

trading at attractive valuation of 1 SD below its historical average PE. BYD share price declined about 13% in 2023.

US auto sector – elevated interest rate environment could potentially drag on vehicle demand in 1H24. Going forward into 2024, we expect US auto sales to see moderate growth of +3% to reach 16.0 million vehicles, moderating from the +12% growth in 2023. Our US economist (see [report](#)) expects the US economy to slow but remain strong, with the FY24F GDP growth rate at 1.2% (versus FY23F's 2.4%) and a protracted recession scenario being unlikely. This is on the back of resilient retail sales and consumer loan delinquencies with no evidence of major consumer distress, supported by easing inflation and robust public sector industrial policy, which is expected to add tailwind to job creation and capital investment. Whilst higher interest rates are expected to weigh on consumer demand, we expect US auto sales to see some support from US IRA EV tax credits and healthy US auto inventory that is below pre-pandemic levels. Slowing economic growth and inflation could also pave the way for rate cuts in 2H24, with our economist forecasting a 100bps cut from July 2024 onwards, which can act as tailwind to the US auto sector's valuations. We forecast the EV market to grow by ~20% in 2024 on year.

We currently have HOLD calls for our US auto coverage: Tesla (HOLD, TP US\$255), General Motors (HOLD, TP US\$36.50), and Ford (HOLD, TP US\$11). We continue to watch for 2024 delivery and gross margins guidance, and progress on the EV transition by Ford/GM.

EU auto sector – tight liquidity could potentially drag on consumption. We estimate the EU auto sales to see similar levels of moderation as the US, with 3-5% growth to approximately 13.5m units (versus forecast of +12% growth in 2023) in 2024. Our economist expects the EU's economy to moderate, with the FY24F GDP growth rate at 0.2% (versus FY23F's 0.5%). This is on the back of the lagged impact of a tight monetary policy, difficult geopolitical backdrop, energy supply disruptions, and high above-target inflation. We continue to watch for constraints on household budgets (arising from high interest rates and inflation), which could limit more meaningful growth in auto sales. Whilst we see some positive support arising from the newly passed France 2024 ecological bonus subsidies of up to €5,000 starting from Jan 2024, auto sales and EV adoption may see some near-term headwinds from the sudden end to Germany's EV subsidies on the back of the government's budget constraints. But overall, we anticipate the EU market to post c.22% in EV sales expansion.

Automobile sector performance table

Company	Code	Share Price Performance (%)				
		1-month	3-month	6-month	1-year	YTD
Grand Baoxin Auto	HK1293	(23.1)	0.5	(36.5)	(60.0)	(27.3)
China Harmony	HK3836	2.0	(23.9)	(32.9)	(53.2)	(12.1)
China Meidong	HK1268	(16.3)	(7.8)	(57.6)	(82.2)	(25.5)
China Yongda	HK3669	(18.8)	(19.4)	(34.4)	(67.3)	(23.2)
China ZhengTong	HK1728	(20.6)	(48.8)	(58.3)	(64.9)	(25.5)
Zhongsheng	HK881	(10.1)	(21.0)	(47.0)	(68.0)	(22.1)
Fuyao Glass	HK3606	(6.3)	(2.5)	6.7	(6.3)	(7.5)
Minth	HK425	(21.4)	(36.3)	(46.2)	(48.0)	(25.0)
Nexteer	HK1316	(17.8)	(0.5)	(29.4)	(34.5)	(24.9)
Weichai Power	HK2338	(1.4)	17.2	10.2	5.6	(4.0)
Xingda	HK1899	12.8	22.3	12.0	0.0	9.7
Xinyi Glass	HK868	(15.8)	(23.9)	(40.2)	(58.3)	(19.5)
BAIC Motor	HK1958	(5.5)	(10.9)	3.5	(13.5)	(10.1)
BYD	HK1211	(2.8)	(19.4)	(26.2)	(13.0)	(8.1)
Chongqing Changan	CH200625	(6.1)	17.3	8.7	2.0	(8.4)
Dongfeng Motor	HK489	(16.2)	(4.9)	(12.7)	(34.0)	(20.3)
Geely Auto	HK175	0.0	(11.1)	(18.5)	(35.3)	(9.3)
Great Wall Motor	HK2333	(8.3)	(11.2)	(7.1)	(17.9)	(12.2)
Guangzhou Auto	HK2238	(8.4)	(13.9)	(31.3)	(44.1)	(12.9)
Li Auto	HK2015	(13.0)	(11.0)	(23.0)	30.9	(24.2)
Qingling	HK1122	13.7	0.0	(26.6)	(49.1)	13.7
SAIC Motor	CH600104	(1.5)	(9.6)	(6.8)	(11.1)	(2.4)
Sinotruk	HK3808	(0.8)	6.8	(9.6)	9.1	(5.9)
XPENG	HK9868	(30.1)	(30.4)	(36.0)	2.9	(34.1)
NIO	HK9866	(24.1)	(19.2)	(41.3)	(43.6)	(34.9)
HSI	HSI	(6.0)	(10.6)	(19.5)	(30.4)	(9.9)

Based on closing prices as at 23 Jan 2024

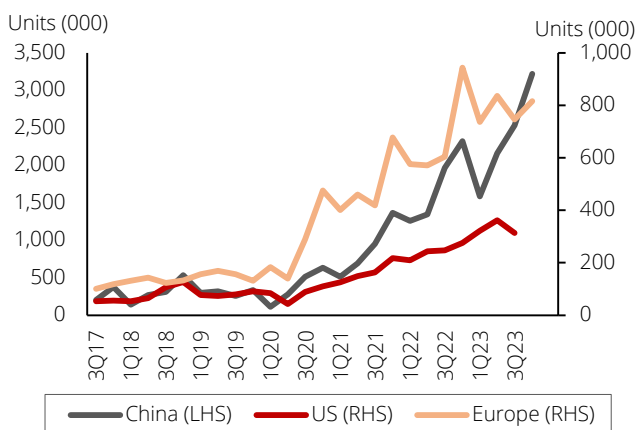
Source: Thomson Reuters

2024 trend #1: Softer global auto market prospects due to concerns on macro and consumer confidence

Elevated interest rate environment to impact car consumption in 1H24. A pause in interest rate hikes is providing some stability to the global vehicle market but general consumer sentiment remains challenging. Our economics team expects interest rate cuts to take place in 2H24, which would be positive on consumer sentiment and for the global vehicle market.

While EV sales in the US/Europe are expected to stay strong in the long-term, we can expect to see short-term fluctuations as EV prices are generally higher compared to gasoline cars and the macro environment affecting consumer spending patterns in 1H24. In fact, the general sentiment has softened recently, especially when interest rates remain elevated.

EV sales comparison in China, US and Europe

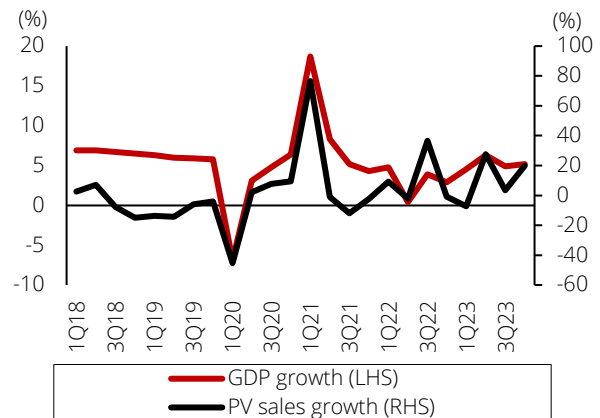


Source: CEIC; ACEA; DBS Bank, Bloomberg Finance L.P.

China auto industry remains important, but sales growth projected to moderate. For the first time, China total vehicle deliveries crossed the 30m units mark in 2023, translating to y-o-y growth of c.12%. Among which, passenger vehicle sales amounted to 26m units, representing 10.5% growth, largely attributable to local governments' incentives and subsidies to boost domestic consumption. However, such actions resulted in bringing demand forward. Therefore, PV sales growth is likely to normalise in 2024. Although the favourable EV tax policy remains relevant in 2024, we anticipate the NEV market to normalise given the high base.

China is expected to transit to a new pillar of economic growth from consumption to demand led growth. According to DBS economists, 2024 will see a soft landing, with a projected GDP growth of 4.5%, a slowdown from 5% growth in 2023.

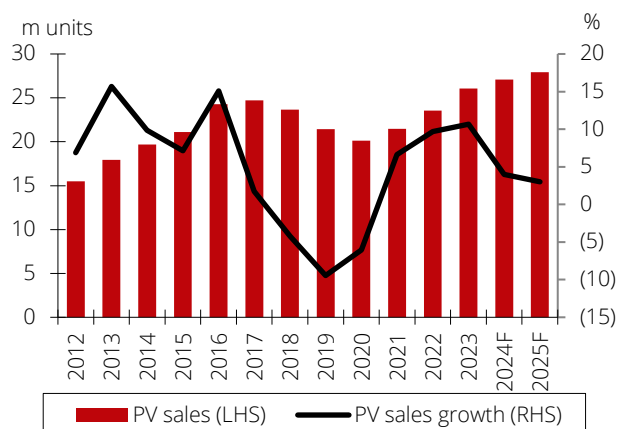
China GDP vs PV sales growth



Source: CEIC

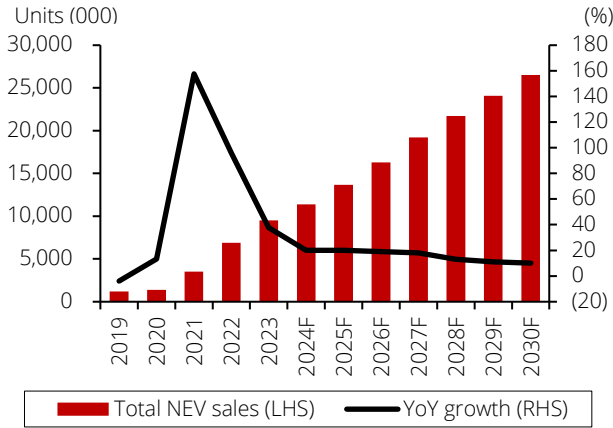
As a result, we forecast overall PV market sales growth to moderate to 4%/3% y-o-y in 2024-25. The increase is largely underpinned by higher NEV sales of 20% CAGR over the same period. The Chinese NEV market expanded rapidly by c.90% per annum from 2020-2023. With vehicle electrification rising to c.37.7% as at end Dec-23, we believe the sales growth rate would normalise given the high base effect. On a long-term horizon, the outlook of the Chinese EV market remains encouraging, estimated to grow at a CAGR of 16% from 2022-2030F).

China passenger vehicle market sales projections



Source: CEIC; DBS Bank

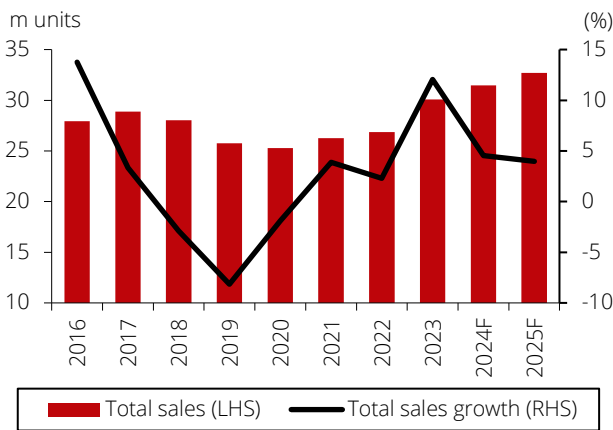
China NEV market sales projections



Source: CEIC; DBS Bank

All in, we forecast the Chinese total vehicle market sales to hit about 31.4m units in 2024, growth of 4.5% on year.

China total vehicle market sales projections



Source: CEIC; DBS Bank

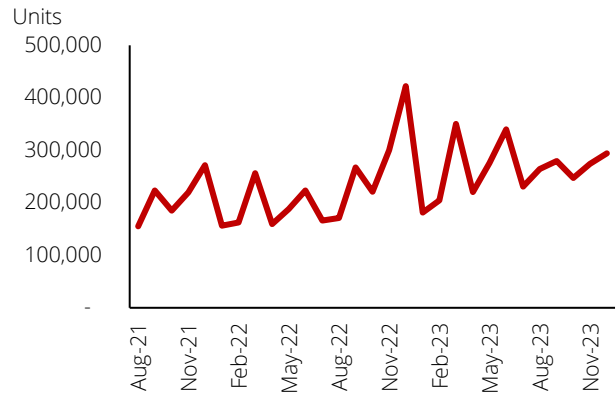
Europe EV market has long-term growth prospects, but expiry of EV subsidies could lead to short-term fluctuations.

Total EV sales in Europe climbed by about 16% y-o-y to approximately 3m units for 2023, largely driven by France (+40% on year), while Germany fell by c.16% y-o-y. Germany scaled down its EV subsidy scheme, and as a result, total EV sales growth slowed to 4.4% and 12% y-o-y in Sep/Oct-23, compared to average monthly sales growth of almost 40% from Jan-Aug-23.

However, in order to meet the decarbonisation requirement in the European Union, automakers are expected to increase their share of EV sales, and this should drive the EV market in the long-term. We estimate new EV sales to post

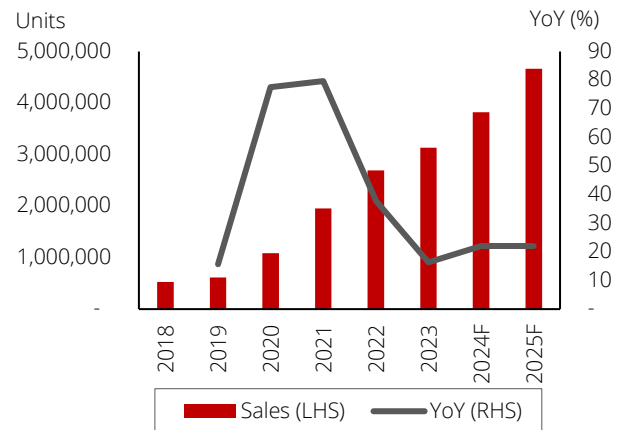
2023-2025F CAGR of c.22% to reach approximately 4.6m units by 2025.

Europe electric vehicle monthly sales performance



Source: ACEA

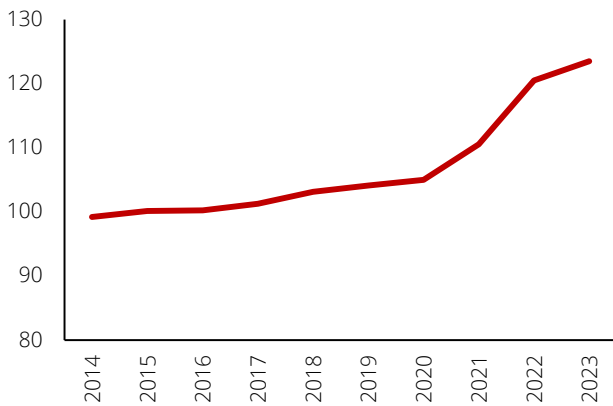
Europe EV sales projections



Source: ACEA; DBS Bank

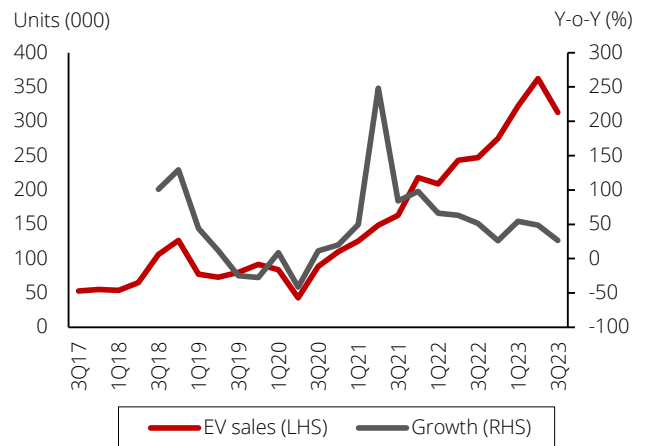
The chart below shows cost of cars in the EU is getting more expensive in recent years, largely attributable to commodity inflation in recent years.

EU CPI Motor Cars Index



Source: Bloomberg Finance L.P.

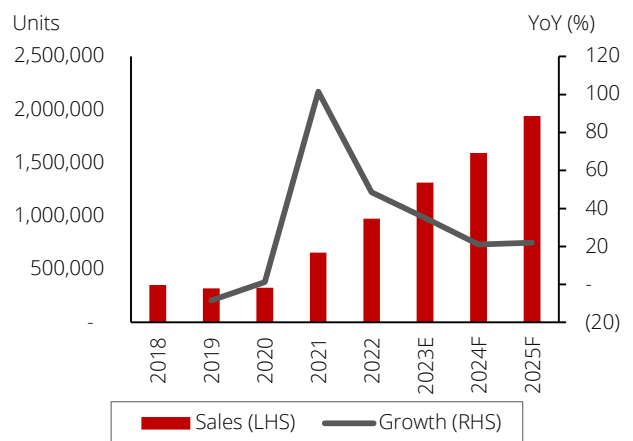
US electric car sales performance



Source: Bloomberg Finance L.P.; DBS Bank

US EV sales boosted by generous EV incentives in 2023 but high interest rates could impact consumption growth. The US government’s generous EV incentives of up to US\$7500 per eligible EV model has boosted EV sales, which reached an all-time high in 2Q23 to about 362k units, but slowed to 313k units in 3Q23, a sequential decline of about 14% (but y-o-y expansion of 26.5%). For 9M23, total EV sales rose by c.42.6% y-o-y to almost 1m units. But the high interest rate environment is impacting consumer sentiment, especially for big-ticket items like vehicles. With the support of EV incentives and California banning new gasoline car sales by 2035, the long-term prospects of the EV industry remain positive. However, in the near-term, we anticipate some bumpiness in EV sales in the US, again due to the elevated interest rates environment. We project EV sales in the US to post about 21% CAGR from 2023 to 2025 to just under 2m units, down from estimated 30%+ expansion in 2023.

US EV sales projections



Source: Bloomberg Finance L.P.; DBS Bank

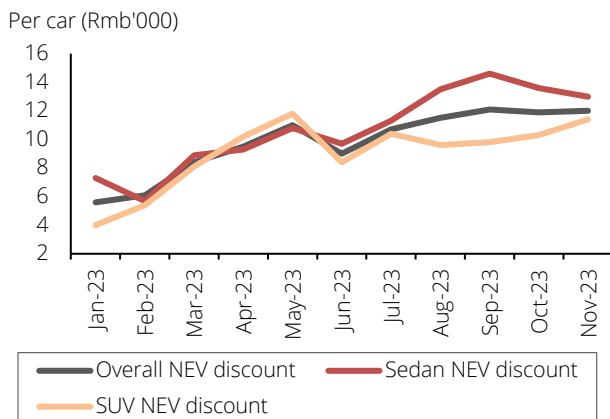
2024 trend #2: Anticipate market competition to intensify

Vehicle pricing pressure to remain in 2024. 2023 was a challenging year for Chinese OEMs given the severe pricing pressure compared to other developed markets. Generally, the Chinese OEMs are rolling out new models/capacity at a faster pace than real demand, hence resulting in inventory pressure and price competition.

Chinese OEMs had suffered from margin compression in 1H23 and we expect market sales in 2024 to remain challenging given the recent intense price competition.

Vehicle price competition remains intense in early Jan-24, extending the pace noted in Dec-23, where many Chinese automakers rolling out aggressive promotions to entice car buyers. The recent moves by Tesla to cut its China vehicle ASP by up to about 6% also signals a challenging market. Tesla has been aggressive in its vehicle pricing strategy given its high product margins.

China NEV market price discounting trends



Source: CPCA

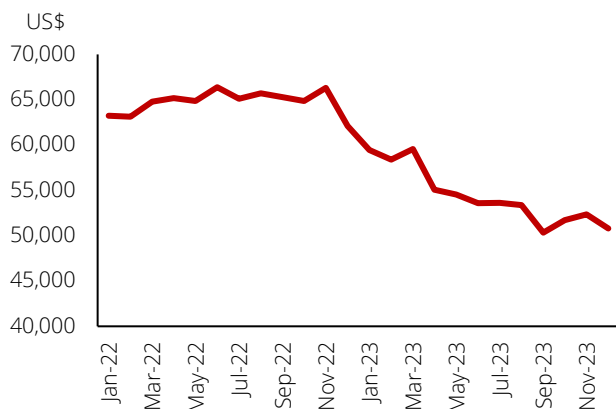
Vehicle price promotion packages for Dec-23

Brands	Models	Discount (RMB)
	Frigate 07	18,000
	Seal Champion	7,000
	Song Plus Champion	5,000
	Destroyer 05 Champion	5,000
	Seal DM-i	5,000, 5,000 replacement subsidy, 30% down payment, 3-year interest free
	Qin Plus DM-i 2023 Champion	10,000
	Qin Plus EV 2023 Champion	10,000
BYD	Han DM-i Champion, Han DM-p Mars	10,000
	Han EV Champion	20,000
	Tang DM-i Champion	15,000
	Tang EV Champion, Tang DM-p Champion/Mars	10,000
	Song ProDM-i Champion	10,000
	Song MAX DM-i	10,000
	Yuan Pro 2023	6,000
	Yuan PLUS Champion	3,000
	AION S MAX	3 year interest-free loan worth 100,000, 6,000 replacement subsidy, free installation of battery charging pile worth 4,999
Aion	AION Y	4,000 replacement subsidy, RMB5,999 purchase coupon for RMB99, 80% for installing battery charging pile
	AION V	6,000 replacement subsidy, free battery charging pile, full insurance subsidy worth 6,500
Haval	Raptor	4,000
	Xiaolong MAX	6,000
Ora	Lightning Cat	30,000
	Good Cat/ Good Cat GT	22,000
Geely Galaxy	L7	8,000 cash, gift pack worth of 5,000, option upgrade gift pack
	L6	8,000 cash, gift pack worth of 5,000, option upgrade gift pack
Zeekr	Zeekr 001	44,000 cash, 6,000 insurance subsidy
Tesla	Model 3	8,000 insurance subsidy, lowered interest rate
Xpeng	P7i	10,000 final payment subsidy or 24-term interest-free loan, 5,000 insurance subsidy for 715km model
NIO	ES6	Purchase tax exempted, 30 battery swap vouchers, 5,000 subsidy for decoration, 5,000 subsidy from Xi'an govt
Li Auto	L7	36,000
	L8	36,000
	ID.4 X	Max 42,000
Volkswagen	ID.3	Max 42,000
	ID.6 Crozz	Max 68,000
BMW	i3	146,000 (loan required)
Mercedes Benz	EQE SUV	100,000

Source: Company

EV prices in the US are also trending down, given weaker demand and rising competition. In fact, after peaking in Jun-22, the average transacted price of EVs has been declining. In 2023, EV prices in the US have fallen by about 14.5%, but this was better compared to China's c.30% drop in electric sedan ASP.

US EV average transacted price performance



Source: Cox Automotive

Easing input costs provide some relief to auto OEMs' margins. Our metals team is forecasting that key EV battery material prices will continue to drop in 2024, which is positive for global auto OEMs to mitigate the impact from rising price competition (refer to latest EV battery material outlook via [report](#)). The anticipated significant drop in lithium prices in 2024 by 45-55% y-o-y would be positive to the auto OEMs as EV battery accounts for about 40%-50% of total vehicle cost.

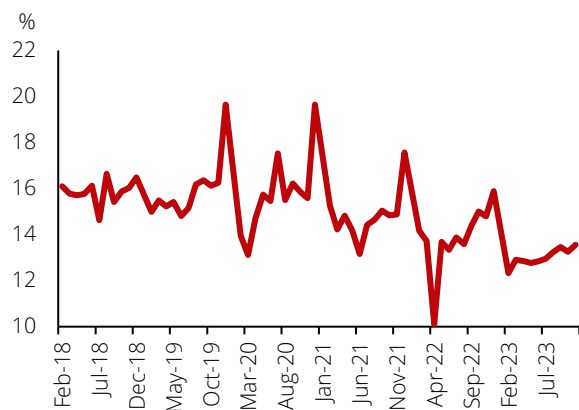
Metals ASP forecast 2024-2025

ASP (US\$/tonne)	2021	2022	2023E	2024F	2025F
Lithium	16174	71200	35500	19500	20500
% y-o-y		340.2	(50.1)	(45.1)	5.1
Lithium Concentrate	1102	6005	3800	1700	1800
% y-o-y		444.9	(36.7)	(55.3)	5.9
LME nickel		25607	22000	19500	20000
% y-o-y			(14.1)	(11.4)	2.6
LME aluminium	2480	2703	2250	2300	2350
% y-o-y		9.0	(16.8)	2.2	2.2
LME copper	9317	8797	8530	8500	8600
% y-o-y		(5.6)	(3.0)	(0.4)	1.2

Source: Bloomberg Finance L.P.; WBMS; INSG; DBS Bank

Severe vehicle price discounting had dented the Chinese automobile companies' profit margins in 1H23. The plunge in EV battery metal prices in 2023 has helped to mitigate the pricing pressure and provide some support to profit margins.

China auto sector GP margin trends



Source: CEIC

Apart from lower battery cost, automakers are also improving on their manufacturing processes to lower production cost to mitigate the pricing pressure. For instance, NIO's decision to self-manufacture vehicles through the acquisition of JAC's production facilities is expected to enable the company to recognise about 10% production cost saving. Some auto OEMs are adopting new production technology (e.g. Tesla's giga casting) and in-housing certain automotive parts production as ways to reduce vehicle production costs.

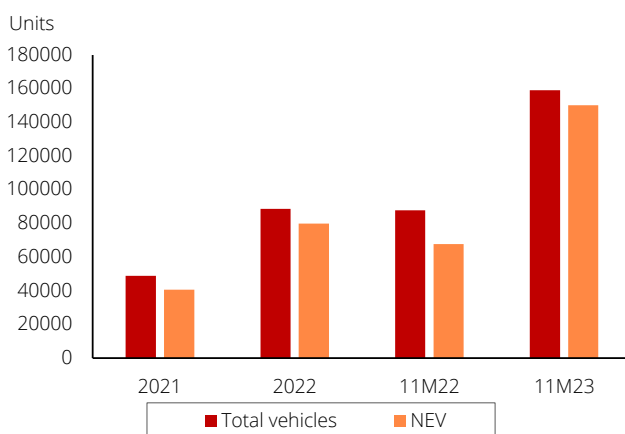
All in, we expect the Chinese automakers to manage margin pressure better given their extensive control over their value chain to weather the industry volatility. Chinese automakers' gross margin estimates to range 18-20% in FY24 while the US / EU automakers at 12-20%.

2023 trend #3: Localisation strategy changes auto parts sourcing solutions

Chinese auto OMEs building factories overseas for new growth levers. Asian and international auto OEMs are expanding overseas for new growth opportunities and to avoid potential protectionism issues such as tariffs. They are building vehicle assembly factories and related projects in developed / emerging markets and establishing sales distribution channels in the next few years.

The governments of Thailand, Malaysia and Indonesia are also rolling out favourable policies to attract investments into the EV value chain. In ASEAN, Thailand is becoming an important automotive market to Chinese OEMs like BYD, Neta, Great Wall Motor, SAIC, Changan Auto, and Guangzhou Auto to name a few. The Thailand government is interested to expand the automotive industry into the EV space, hence this is an attractive growth lever for the Chinese OEMs, given their extensive experience and capabilities in the EV value chain. China exports of vehicles and NEV to Thailand has been rising, as shown in the chart below.

China exports of vehicles /NEV to Thailand



Source: CPCA

Changan Auto is injecting some Rmb1.8bn in the first phase to build a plant that will produce BEVs and PHEVs in Thailand, while BYD's factory (expected annual capacity of 150,000 units) is scheduled for operation in 2024. Great Wall Motor plans to produce eight EV models starting 1Q24. In fact, Geely Group has already established a presence in Malaysia via its stake in Proton, working closely with its Malaysian partner to expand its business presence in ASEAN.

BYD is setting up a factory in Hungary as part of its global footprint in view of the potential protectionism from the EU Commission. Other Chinese auto OEMs may follow to assemble cars in Europe in the future to gain access to the growth opportunity.

Japanese auto OEMs rushing to map EV footprint in ASEAN. Besides Chinese auto OEMs, Japanese auto OEMs are reported to have plans to pump in some US\$4.3bn into Thailand EV industry in the coming five years. Toyota, Honda, Isuzu, and Mitsubishi Motors intend to boost their presence in Thailand. Also, Tesla may also consider setting a production base to take advantage of the favourable value chain support and government incentives.

Auto parts manufacturers adapting to new sourcing solutions. As international and Chinese auto OEMs are building new factories overseas, auto parts producers along the value-chain are also moving closer to the auto OEMs to better support their customers sourcing needs as well as meeting the localisation requirements. These auto parts producers can expand their customer reach and widen their market coverage to bolster long-term growth.

In our opinion, market diversification is becoming an important growth catalyst and lowers the earnings risk profile. The rising global vehicle electrification rate also benefits the parts manufacturers with a wide product offering that cater to EV makers in these overseas markets as well.

Red sea situation probably less impact on Chinese auto value chain. Given that China's auto value chain is well established and comprehensive, the conflict at the Red Sea is probably to have a smaller impact on the Chinese automobile companies compared to the global peers, which the latter may experience some disruptions especially for their plants located in the Europe. Also, we can draw reference to the COVID situation that the Chinese auto sector managed to rebound quite quickly, thanks to their well-managed vehicle value chain.

On the other hand, auto OEMs with EU manufacturing and EU bound exposure may see some headwinds. Tesla, Volvo Cars, and Suzuki Motors have reported impacted EU production volume due to automotive components shortage, whilst Stellantis and VW have tapped on alternative transportation options through South Africa and even via airfreight. So far, the impact has been immaterial but if the disruption is prolonged beyond six months, European automakers' vehicle shipments could potentially fall by about 5%.

Regional Auto Sector

Company TP revisions and top picks

Slower sector sales outlook and macro uncertainties warrant lower valuation PE targets. The overall stock market is expected to navigate a soft landing of the Chinese economy, and this could potentially affect the forward valuation multiples of the auto sector. Further, rising

competition is expected to be a drag on valuation multiples as more players enter the EV market. To reflect the changing market conditions, we have lowered our target PEs and P/S ratios after considering the stock's underlying earnings fundamentals, as summarised in the table below.

Company outlook summary and TP revisions

Company	Ticker	Rating	Current price (local currency)	Old TP	New TP	Investment key points
BYD	1211 HK 002594 CH	Buy Buy	HK\$197.0 RMB187.85	HK\$410 RMB350	HK\$347 RMB318	<ul style="list-style-type: none"> Expect multi-brand strategy to drive 2024 volume sales. Expect decent sales growth of c.30% in FY24 although slower compared to a 62% surge in FY23. Exploring overseas market as medium-term growth driver; estimate overseas business to account for c.15-20% of the total in the next 2-3 years. Estimate FY24 to post about 26% net earnings growth; currently trading at forward 14x PE, 1 SD below historical average.
Li Auto	2015 HK LI US	Buy Buy	HK\$111.5 US\$28.35	HK\$224 US\$57	HK\$170 US\$43	<ul style="list-style-type: none"> A key year for Li Auto to pivot to fully electric technology segment; expect its navigate on autopilot slate for launch in 1H24 to enhance its ADAS capability. Anticipate EREV business to remain a key income driver; estimate a 60% y-o-y increase in sales volume for FY24. We expect 2024 to be a year with more competition for Li Auto. As one of the best pure EV companies, maintain BUY rating but cut TP to HK\$170/US\$43 due to macro challenges. We estimate Li Auto to post 46% earnings growth in FY24 and the stock is trading at c.18x PE FY24F.
NIO	9866 HK NIO US	Buy Buy	HK\$47.9 US\$6.21	HK\$91 US\$11.60	HK\$68 US\$9	<ul style="list-style-type: none"> Launch of a high-end premium sedan model - NIO ET9 and two mid-market brands - ALPS/Firefly in 2H24/2025 should lift sales volume. Also self-production of its cars should better manage its production cost and enhance vehicle margins. New strategic battery swapping network agreements with several Chinese automakers plus the support from Anhui province government place NIO as a leading EV battery swapping player. Cut FY24F vehicle deliveries growth to 60% from 70% due to rising market competition and TP accordingly adjusted to HK\$68/US\$11.60 to factor in the share capital dilution at end Dec-23.

Source: Thomson / Bloomberg Finance L.P.; DBS Bank

Company outlook summary and TP revisions

Company	Ticker	Rating	Current price (local currency)	Old TP	New TP	Investment key points
Xpeng	9868 HK XPEV US	Buy Buy	HK\$37.35 US\$9.72	HK\$86 US\$22	HK\$66 US\$16.80	<ul style="list-style-type: none"> Rolling out navigation guided pilot services to some 200 cities in 2024, a leading player in ADAS capabilities, both in terms of urban coverage and the commercialisation of its technology. Anticipate stronger sales growth after streamlining business. Estimate FY24 vehicle shipments to increase by 75% y-o-y compared to 17% in FY23. Launch of a mid-market brand to broaden customer reach. Maintain BUY rating on improving outlook but cut TP to HK\$66/US\$16.80, given a lacklustre stock market and macro uncertainties
Geely	175 HK	Buy	HK\$7.79	HK\$13.2	HK\$10.80	<ul style="list-style-type: none"> A mid-priced NEV brand Galaxy lifted total NEV sales by 48% y-o-y in 2023. Aims to achieve a 66% growth in NEV sales in 2024 to about 812k units. Target to record about 1.9m total vehicle sales in 2024, to be supported by new models and ramp up of existing vehicle portfolio. However, margin pressure remain given intense market competition. We estimate Geely to post 26% net earnings growth in FY24 and given the attractive valuation (FY24 PE of 11x), maintain BUY. However, given the de-rating of the sector and a volatile stock market, we have cut to HK\$11.80, pegged to 11x PE FY24F.
Great Wall Motor (GWM)	2333 HK 601633 CH	Buy Hold	HK\$8.9 RMB 22.51	HK\$11 RMB 28.3	HK\$12.90 RMB 25.0	<ul style="list-style-type: none"> Rising EV sales and share of high-margin- models positive on 2024 growth outlook. GWM's strengths in EV technology (intelligent & connectivity) key to its 2024 new model launches. FY23 NEV sales doubled and we estimate FY24 to grow by c.40% on year. The higher volume sales and lower EV battery cost should lend support to vehicle margins. Overseas growth a potential share price driver; we estimate total vehicle deliveries to increase by 15% y-o-y to 1.4m units. Maintain BUY rating and TP of HK\$12.90 based on 11x PE (from rolling 13x PE previously) after considering the macro uncertainty. We estimate Great Wall Motor to post 25% earnings growth in FY24. The stock is currently trading at attractive valuation of 0.5 SD below its historical average.

Source: Thomson / Bloomberg Finance L.P.; DBS Bank

Company outlook summary and TP revisions

Company	Ticker	Rating	Current price (local currency)	Old TP	New TP	Investment key points
GAC	2238 HK 601238 CH	Buy Hold	HK\$3.16 US\$8.12	HK\$5.60 RMB10.0	HK\$4.10 RMB8.90	<ul style="list-style-type: none"> GAC AION is the rising star within the NEV space and expects to post a healthy sales growth of 30% in 2024. Japanese JV are rolling out new EV models to address rising market competition; weak profit contributions in FY23 had impacted GAC share price performance. Factoring in market competition and Japanese JV's performance, we cut TP to HK\$5.60, pegged to 6x PE FY24 (previous was 7x rolling PE FY23-24).
Mint	425 HK	Buy	HK\$11.84	HK\$30.00	HK\$20.30	<ul style="list-style-type: none"> Mint's extensive global footprint is riding on automakers' localisation strategy to secure more overseas contracts. In 1H23, overseas new projects accounted for c.58% of total new contracts. Ramping up innovative automotive products to drive sales and profits, including body & chassis components and intelligent exterior decorative parts catering for smart EVs. Project FY24 to post 20% yoy earnings growth, supported by a strong backlog order of Rmb200bn. Pegged new TP to 9x PE FY24F (previously 13x rolling PE) to arrive at HK\$20.30 per share.
Nexteer	1316 HK	Buy	HK\$3.70	HK\$6.20	HK\$5.10	<ul style="list-style-type: none"> Nexteer is diversifying into new markets, deepening customers value chain and expanding its product offerings to drive growth. Project new contract wins for FY23 expect to hit US\$6bn to boost earnings stream. Nexteer is advancing fast in new technology development, especially with its steer-by-wire (SbW) product being a potentially long-term growth catalyst. Estimate FY24F core net earnings growth of c.19% yoy. Our new TP of HK\$5.10 is pegged to 10x PE FY24F (previously 12x rolling PE).

Source: Thomson / Bloomberg Finance L.P.; DBS Bank

Great Wall Motor (2333 HK/601633 CH; TP HK\$12.90/RMB25.0) – Strong recovery in NEV sales and improving EV sales mix

Great Wall Motor (GWM) is becoming interesting as the company's NEV sales have been improving (doubled on-year), and its NEV portfolio has been refreshed to further lift sales. Share of its high-margin products has also risen from 6.6% in FY21 to about 13.2% in FY23. Its overseas foray is also another growth catalyst, with the commencement of its Thailand operation. The stock is trading 0.5 SD below its historical average PE valuation and with projected earnings growth of 25% for FY24F. GWM share price fell by about 18% in 2023 due to a volatile stock market.

BYD (1211 HK/002594 CH; TP HK\$347/RMB318) – Deepening global strategy as new growth driver

We still like the NEV market leader - BYD (1211 HK) for its innovative product strategy and overseas expansion to drive medium-term earnings growth. Based on the high base of 3m unit sales in FY23 (+62% y-o-y), we forecast FY24F NEV sales growth of c.30% on year. Its share of export business is estimated to account for c.15-20% of the total in the next 2-3 years, up from the current c.8%. The company is building an EV assembly plant in Hungary with an initial reported capacity of c.200k units by 2026. We project BYD to post net earnings growth of c.26% for FY24F to support its valuation expansion. After the recent selling, the stock is trading at attractive valuation of 1 SD below its historical average. BYD share price declined about 13% in 2023.

Automobile sector performance table

		Share Price Performance (%)					
Company	Code	1-month	3-month	6-month	1-year	YTD	
Grand Baoxin Auto	HK1293	(23.1)	0.5	(36.5)	(60.0)	(27.3)	
China Harmony	HK3836	2.0	(23.9)	(32.9)	(53.2)	(12.1)	
China Meidong	HK1268	(16.3)	(7.8)	(57.6)	(82.2)	(25.5)	
China Yongda	HK3669	(18.8)	(19.4)	(34.4)	(67.3)	(23.2)	
China ZhengTong	HK1728	(20.6)	(48.8)	(58.3)	(64.9)	(25.5)	
Zhongsheng	HK881	(10.1)	(21.0)	(47.0)	(68.0)	(22.1)	
Fuyao Glass	HK3606	(6.3)	(2.5)	6.7	(6.3)	(7.5)	
Minth	HK425	(21.4)	(36.3)	(46.2)	(48.0)	(25.0)	
Nexteer	HK1316	(17.8)	(0.5)	(29.4)	(34.5)	(24.9)	
Weichai Power	HK2338	(1.4)	17.2	10.2	5.6	(4.0)	
Xingda	HK1899	12.8	22.3	12.0	0.0	9.7	
Xinyi Glass	HK868	(15.8)	(23.9)	(40.2)	(58.3)	(19.5)	
BAIC Motor	HK1958	(5.5)	(10.9)	3.5	(13.5)	(10.1)	
BYD	HK1211	(2.8)	(19.4)	(26.2)	(13.0)	(8.1)	
Chongqing Changan	CH200625	(6.1)	17.3	8.7	2.0	(8.4)	
Dongfeng Motor	HK489	(16.2)	(4.9)	(12.7)	(34.0)	(20.3)	
Geely Auto	HK175	0.0	(11.1)	(18.5)	(35.3)	(9.3)	
Great Wall Motor	HK2333	(8.3)	(11.2)	(7.1)	(17.9)	(12.2)	
Guangzhou Auto	HK2238	(8.4)	(13.9)	(31.3)	(44.1)	(12.9)	
Li Auto	HK2015	(13.0)	(11.0)	(23.0)	30.9	(24.2)	
Qingling	HK1122	13.7	0.0	(26.6)	(49.1)	13.7	
SAIC Motor	CH600104	(1.5)	(9.6)	(6.8)	(11.1)	(2.4)	
Sinotruk	HK3808	(0.8)	6.8	(9.6)	9.1	(5.9)	
XPENG	HK9868	(30.1)	(30.4)	(36.0)	2.9	(34.1)	
NIO	HK9866	(24.1)	(19.2)	(41.3)	(43.6)	(34.9)	
HSI	HSI	(6.0)	(10.6)	(19.5)	(30.4)	(9.9)	

Based on closing prices as at 23 Jan 2024

Source: Thomson Reuters

Peers' comparison table (Auto Parts)

Company Name	Code	Currency	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE 23F x	PE 24F x	Yield 23F %	Yield 24F %	P/Bk 23F x	P/Bk 24F x	EV/EBITDA 23F x	EV/EBITDA 24F x	ROE 23F %	ROE 24F %
Hong Kong															
Fuyao Glass Industry Gp. Co.'H'	3606	HK	HKD 35.15	12,919	Dec	14.8	13.1	4.2	4.5	2.6	2.4	10.1	8.8	18.1	18.6
Minth Group*	425	HK	HKD 11.84	1,733	Dec	6.5	5.4	6.2	7.3	0.7	0.6	5.4	4.6	10.8	12.1
Nexteer*	1316	HK	HKD 3.70	1,188	Dec	13.3	7.1	1.5	2.8	0.6	0.5	2.8	2.2	4.5	8.0
Weichai Power 'H'	2338	HK	HKD 12.52	15,361	Dec	11.6	9.5	3.4	4.1	1.2	1.2	3.8	3.4	11.0	11.9
Xinyi Glass Holdings	868	HK	HKD 7.05	3,808	Dec	5.3	4.5	9.1	10.9	0.8	0.7	6.2	5.5	16.1	17.8
Average						10.3	7.9	4.9	5.9	1.2	1.1	5.7	4.9	12.1	13.7
China															
Fangda Special Stl.Tech. 'A'	600507	CH	CNY 4.13	1,338	Dec	6.5	5.8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15.0	15.0
Fuyao Gls.Ind.Group 'A'	600660	CH	CNY 37.52	13,234	Dec	17.1	15.4	3.7	4.0	3.1	2.8	10.8	9.3	18.2	18.3
Huayu Automotive Sys.'A'	600741	CH	CNY 16.17	7,087	Dec	7.3	6.6	5.2	5.4	0.9	0.8	2.6	2.3	12.7	13.0
Jiangsu Pac.Precn.Frgg. 'A'	300258	CH	CNY 10.02	671	Dec	17.8	14.3	1.5	2.0	1.4	1.3	10.3	8.8	7.6	8.8
Ningbo Huaxiang Elt.'A'	002048	CH	CNY 11.48	1,299	Dec	7.8	6.6	2.8	3.8	0.8	0.7	3.9	3.5	10.1	11.1
Weifu High Tech.Gp.'B'	200581	CH	HKD 8.26	1,059	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Zhejiang Wanliyang Tnsm. 'A'	002434	CH	CNY 5.98	1,091	Dec	18.7	15.3	n.a.	n.a.	1.3	1.2	n.a.	n.a.	7.0	7.9
Weifu High Tech.Gp.'A'	000581	CH	CNY 14.52	2,023	Dec	8.4	8.0	n.a.	n.a.	0.7	0.7	n.a.	n.a.	8.7	8.8
Zhejiang Yinlun Mch.'A'	002126	CH	CNY 15.63	1,747	Dec	20.7	15.2	1.0	1.4	2.4	2.1	13.4	10.6	11.8	14.1
Changzhou Xingyu Autv. Ltg.'A'	601799	CH	CNY 131.48	5,222	Dec	32.8	24.3	0.9	1.2	4.0	3.5	22.9	17.8	12.4	14.8
Average						16.0	13.0	1.9	2.3	1.7	1.6	11.8	9.6	10.8	11.7

FY23: FY24; FY24: FY25

Source: Thomson Reuters, *DBS HK

Peers' comparison table (Automakers)

Company Name	Code	Currency	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE 23F x	PE 24F x	Yield 23F %	Yield 24F %	P/Bk 23F x	P/Bk 24F x	EV/EBITDA 23F x	EV/EBITDA 24F x	ROE 23F %	ROE 24F %	
Hong Kong																
Guangzhou Automobile 'H'*	2238	HK	HKD	3.16	9,572	Dec	5.4	4.7	5.6	6.4	0.3	0.2	1.8	2.0	4.9	5.4
Sinotruk (Hong Kong)	3808	HK	HKD	14.42	5,092	Dec	9.0	7.0	4.6	5.9	0.9	0.8	3.3	2.6	10.5	12.1
Dongfeng Motor Gp.'H'*	489	HK	HKD	3.1	3,283	Dec	3.5	3.5	7.1	7.2	0.2	0.1	(0.8)	(1.0)	4.4	4.3
Great Wall Motor 'H'*	2333	HK	HKD	8.9	21,786	Dec	10.3	8.2	4.7	5.9	1.1	1.0	5.3	4.6	10.3	12.1
BYD 'H'*	1211	HK	HKD	197	75,016	Dec	17.1	13.6	0.6	0.7	3.8	3.0	7.1	5.2	24.7	24.8
Geely Automobile Hdg.*	175	HK	HKD	7.79	10,027	Dec	14.7	10.9	2.5	3.4	1.0	0.9	3.3	2.6	6.7	8.5
BAIC Motor 'H'*	1958	HK	HKD	2.05	2,102	Dec	3.9	3.8	7.7	7.9	0.2	0.3	0.6	0.5	7.0	6.8
Average^							7.1	5.8	9.8	6.1	0.6	0.5	1.4	1.0	8.3	8.9
China																
Saic Motor 'A'	600104	CH	CNY	13.2	21,241	Dec	10.4	9.6	2.8	3.0	0.5	0.5	5.9	5.2	5.1	5.3
Faw Jiefang Group 'A'	000800	CH	CNY	7.68	4,951	Dec	12.3	29.5	4.1	n.a.	1.2	1.4	8.0	17.0	9.7	4.7
CQ Changan Auto 'A'*	000625	CH	CNY	13.76	18,970	Dec	n.a.	n.a.	0.0	0.0	n.a.	n.a.	0.0	0.0	0.0	0.0
CQ Changan Auto 'B'	200625	CH	HKD	4.01	5,087	Dec	3.2	4.3	8.5	10.6	0.5	0.5	6.1	7.7	16.5	11.0
Anhui Jianghuai Auto 'A'	600418	CH	CNY	13.07	3,968	Dec	107.1	242.0	0.2	0.3	2.1	2.1	16.9	21.2	1.9	0.7
Yutong Bus 'A'	600066	CH	CNY	15.28	4,703	Dec	21.9	16.4	6.2	6.6	2.4	2.3	9.5	7.6	10.9	14.3
Great Wall Motor 'A'	601633	CH	CNY	22.51	21,786	Dec	28.3	22.6	1.7	2.1	2.9	2.7	15.0	12.1	10.3	12.1
Guangzhou Auto 'A'*	601238	CH	CNY	8.12	9,572	Dec	15.0	13.1	2.0	2.3	0.7	0.7	6.0	5.8	4.9	5.4
BYD 'A'*	002594	CH	CNY	187.85	75,016	Dec	17.7	14.1	0.6	0.7	3.9	3.1	7.5	5.6	24.7	24.8
Average							27.0	43.9	2.9	3.2	1.8	1.7	8.3	9.1	9.3	8.7

^ Exclude outliers

FY23: FY24; FY24: FY25

Source: Thomson Reuters, *DBS HK

Peers' comparison table (Auto Dealers)

Company Name	Code	Currency	Price Local\$	Mkt Cap US\$m	Fiscal Yr	PE 23F x	PE 24F x	Yield 23F %	Yield 24F %	P/Bk 23F x	P/Bk 24F x	EV/EBITDA 23F x	EV/EBITDA 24F x	ROE 23F %	ROE 24F %	
Zhongsheng*	881	HK	HKD	14.56	4,443	Dec	4.5	4.0	6.6	7.6	0.7	0.6	2.8	2.3	15.4	15.7
China Zhengtong	1728	HK	HKD	0.246	90	Dec	n.a.	3.2	0.0	0.0	n.a.	n.a.	13.5	10.0	n.a.	n.a.
Grand Baoxin Auto	1293	HK	HKD	0.2	73	Dec	1.4	1.7	0.0	0.0	0.1	0.1	3.2	3.4	4.6	3.9
China Yongda Auto*	3669	HK	HKD	2.25	557	Dec	2.7	2.1	14.2	18.5	0.3	0.2	2.3	1.8	10.2	12.3
China Meidong Auto	1268	HK	HKD	3.54	610	Dec	16.7	6.5	3.4	7.3	0.9	0.9	4.8	3.4	5.6	12.9
China Harmony	3836	HK	HKD	0.51	99	Dec	2.2	1.3	0.0	0.0	n.a.	n.a.	n.a.	n.a.	5.3	8.5
Average							5.5	3.1	4.0	5.6	0.5	0.4	5.3	4.2	8.2	10.7
Tan Chong Motor Holdings	TCM	MK	MYR	0.995	142	Dec	n.a.	n.a.	2.1	2.1	0.2	0.2	n.a.	n.a.	(3.4)	(1.7)
Wuchan Zhongda 'A'	600704	CH	CNY	4.11	2,967	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Offcn Education Tech 'A'	002607	CH	CNY	4.03	3,455	Dec	60.1	29.9	0.2	0.7	19.3	12.2	24.7	14.8	41.5	45.4
Chd.Autv.Ssgp.'A'	600297	CH	CNY	1.48	1,669	Dec	9.5	9.3	n.a.	n.a.	0.3	0.3	6.7	6.7	3.1	3.3
Wuxi Coml.Mansion 'A'	600327	CH	CNY	4.33	533	Dec	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average^							34.8	19.6	0.2	0.7	9.8	6.3	15.7	10.8	22.3	24.3

^ Exclude outliers

FY23: FY24; FY24: FY25

Source: Thomson Reuters, *DBS HK

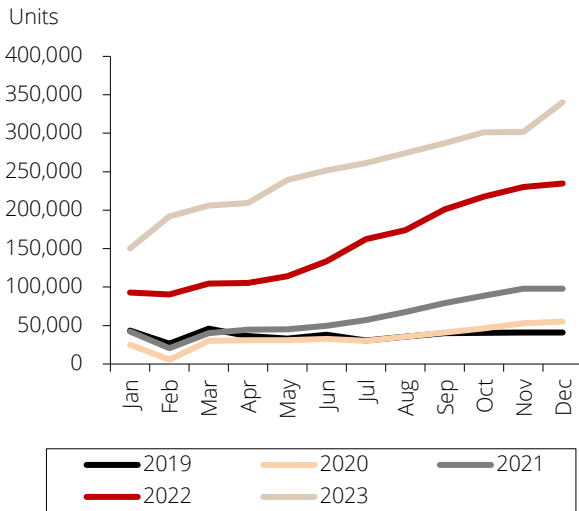
Peers' comparison table (NEV) (update)

Company Name	Code	Price Local\$	Mkt Cap US\$m	PE	PE	P/S	P/S	P/Bk	P/Bk	EV/EBITDA		EV/GP		ROE	ROE
				23F	24F	23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
BYD 'H'*	1211 HK	197	87,205	17.0	13.5	0.8	0.7	3.8	3.0	7.3	5.4	4.2	3.3	24.7	24.8
BYD 'A'*	002594 CH	187.85	80,985	17.7	14.1	0.9	0.7	3.9	3.1	7.6	5.7	4.7	3.7	24.7	24.8
NIO*	9866 HK	47.9	11,006	n.a.	n.a.	1.4	0.9	7.1	208.6	n.a.	n.a.	45.7	16.4	(101.9)	(226.2)
NIO ADR 1:1*	NIO US	6.21	11,161	n.a.	n.a.	1.4	0.9	7.2	211.5	n.a.	n.a.	45.7	16.4	(101.9)	(226.2)
NIO	NIO SP	6.13	11,017	n.a.	n.a.	1.4	1.0	7.0	65.7	n.a.	n.a.	45.7	16.4	(120.9)	(151.5)
Tesla	TSLA US	209.14	664,839	66.3	56.5	6.8	5.7	12.7	10.7	44.3	36.8	38.9	30.7	19.2	19.1
Xpeng ADR 1:2*	XPEV US	9.72	7,475	n.a.	n.a.	1.8	0.9	2.0	3.1	n.a.	n.a.	167.5	12.3	(37.8)	(32.9)
Xpeng*	9868 HK	37.35	7,345	n.a.	n.a.	1.7	0.9	2.0	3.0	n.a.	n.a.	167.5	12.3	(37.8)	(32.9)
Li Auto ADR 2 1:2*	LI US	28.35	25,036	29.1	18.1	1.5	0.9	3.8	3.2	13.7	8.7	8.6	5.4	14.1	19.3
Li Auto*	2015 HK	111.5	25,177	29.3	18.2	1.5	0.9	3.9	3.2	15.2	9.1	8.6	5.4	14.1	19.3
Rivian Automotive	RIVN US	16.04	15,365	n.a.	n.a.	3.5	2.5	1.6	2.0	n.a.	n.a.	n.a.	n.a.	(41.9)	(41.8)
Lucid Group	LCID US	3.03	6,937	n.a.	n.a.	11.1	5.3	1.4	2.1	n.a.	n.a.	n.a.	n.a.	(58.1)	(46.8)
Zhejiang Leapmotor	9863 HK	22.3	3,183	n.a.	n.a.	1.1	0.6	3.0	3.9	n.a.	n.a.	n.a.	11.7	(60.4)	(75.7)
Average				31.9	24.1	2.7	1.7	4.6	40.2	17.6	13.1	53.7	12.2	(35.7)	(55.9)

FY23: FY24; FY24: FY25

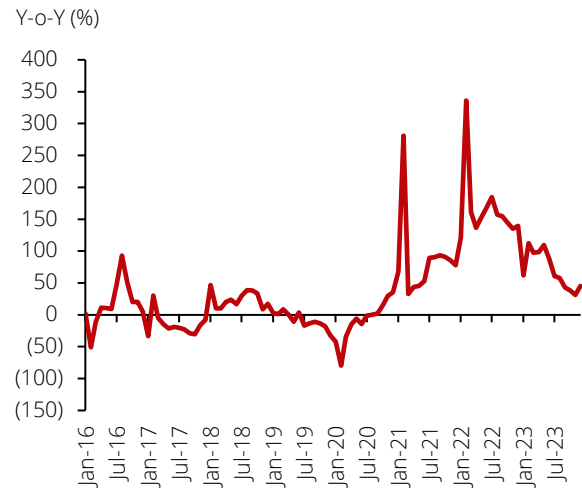
Source: Thomson Reuters, *DBS HK

BYD – total PV monthly sales

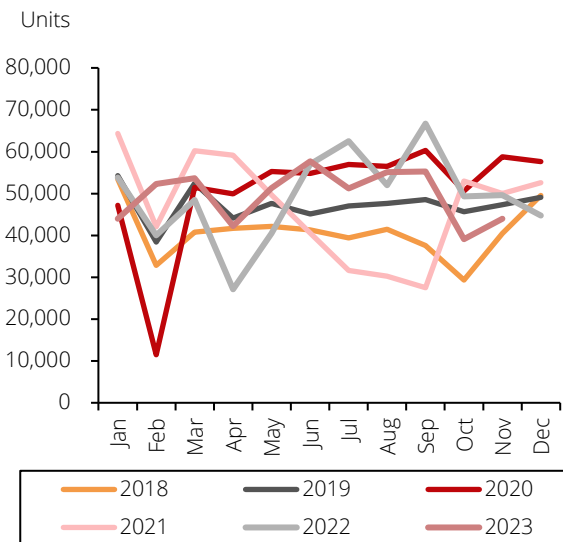


Source: Company

BYD – total PV monthly sales growth

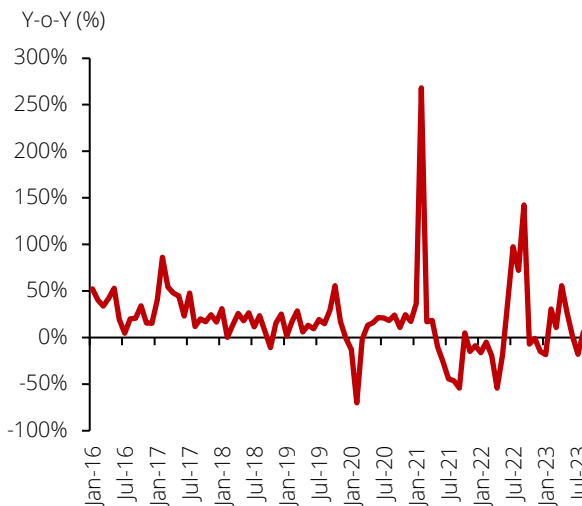


BAIC Benz – total monthly sales

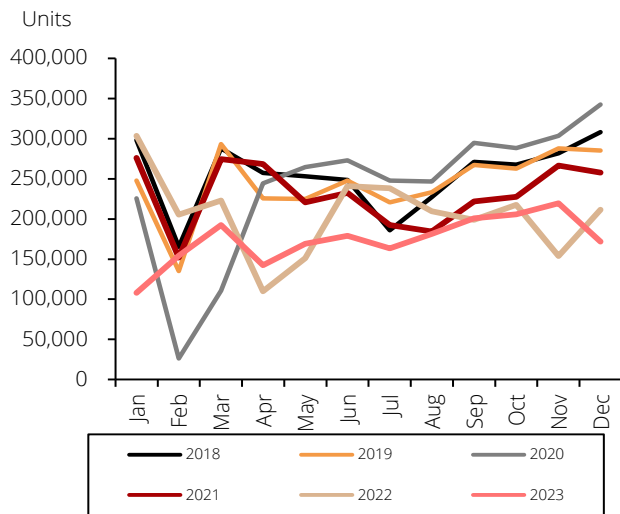


Source: Company

BAIC Benz – monthly sales growth

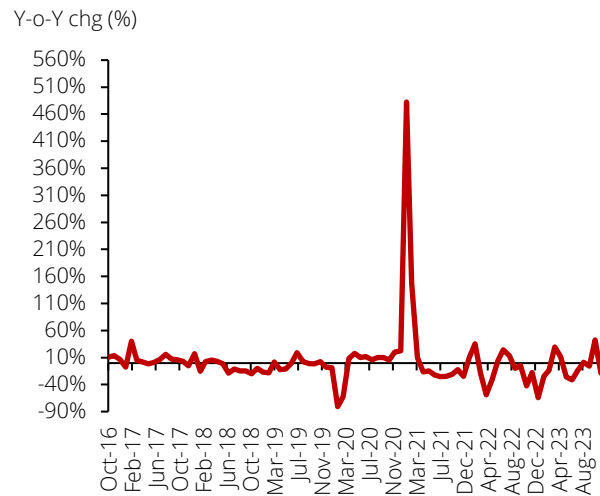


Dongfeng - total monthly sales

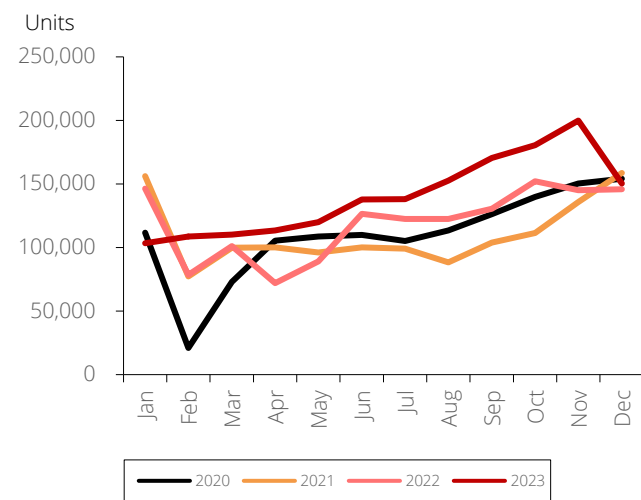


Source: Company

Dongfeng - total monthly sales growth

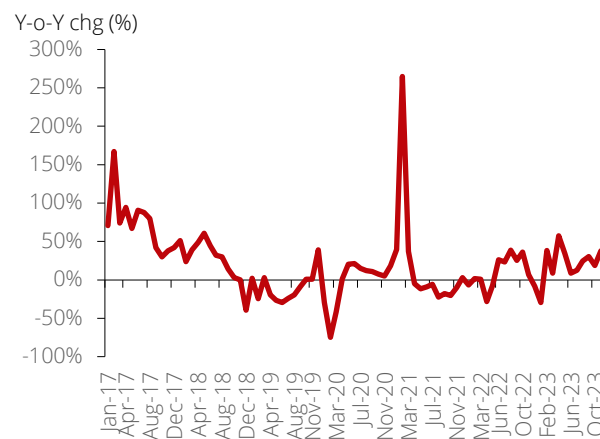


Geely - total monthly sales

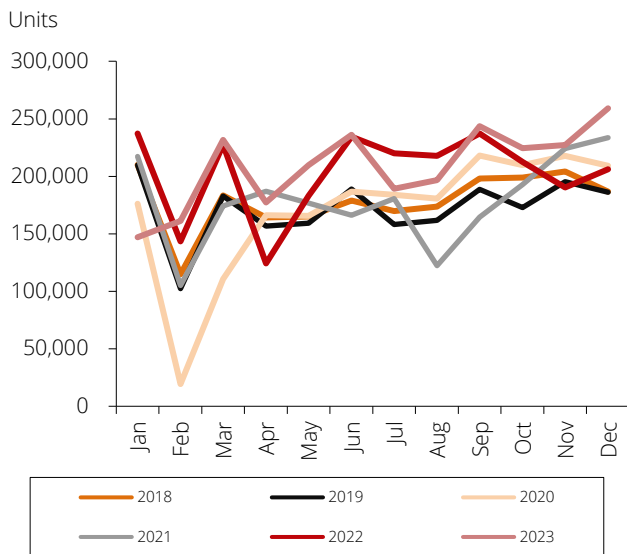


Source: Company

Geely - total monthly sales growth

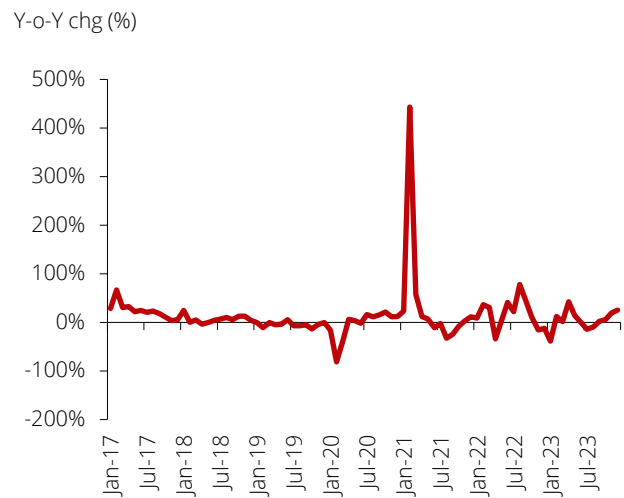


GAC - total monthly sales

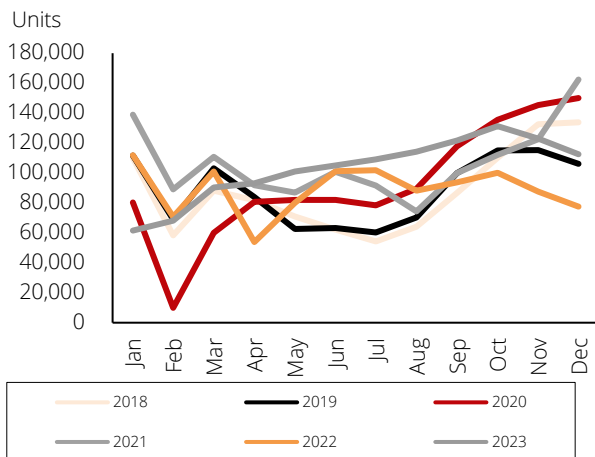


Source: Company

GAC - total monthly sales growth

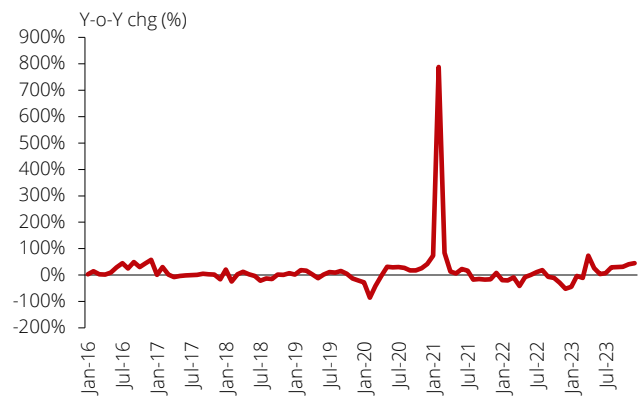


Great Wall China - total monthly sales

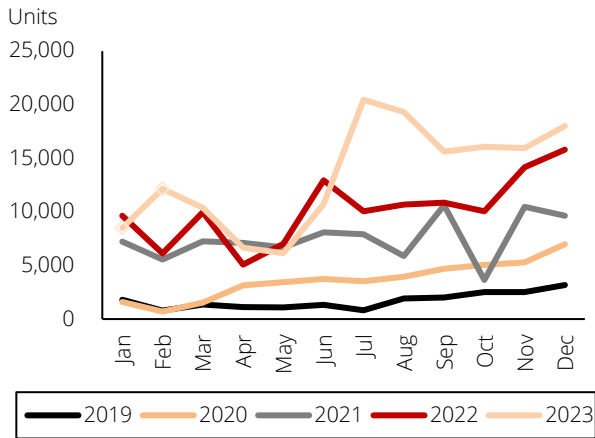


Source: Company

Great Wall China - total monthly sales growth

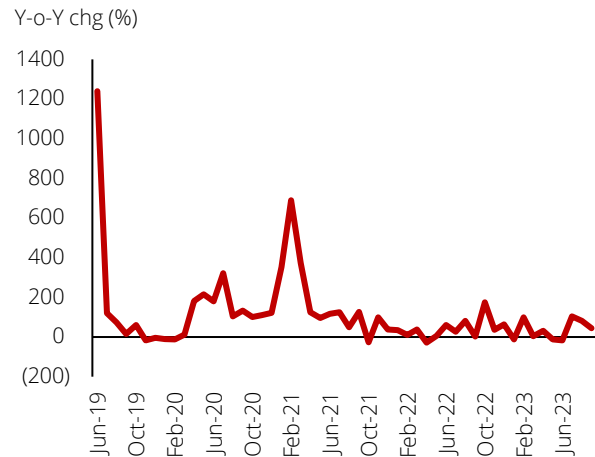


NIO - total monthly sales

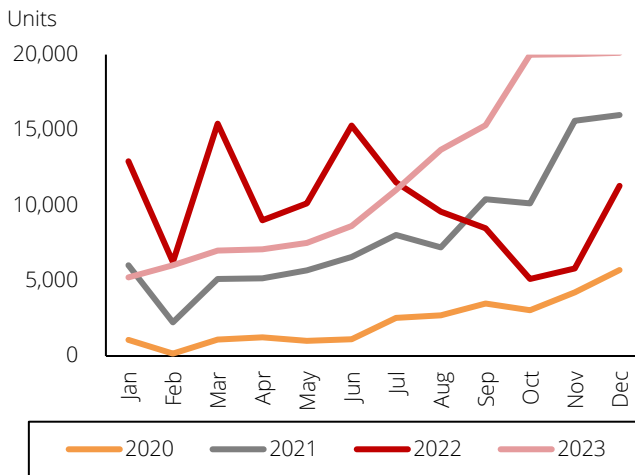


Source: Company

NIO - total monthly sales growth

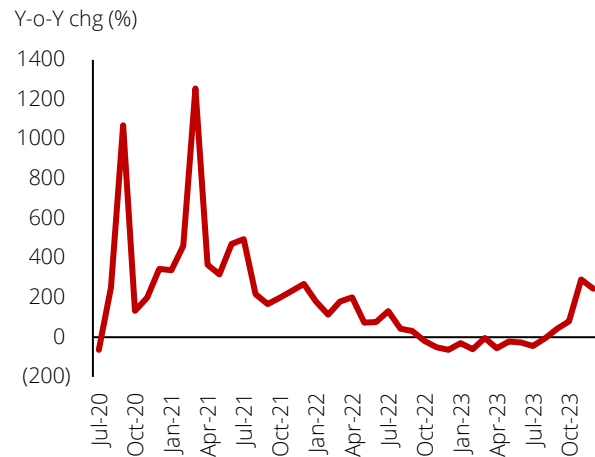


XPeng - total monthly sales

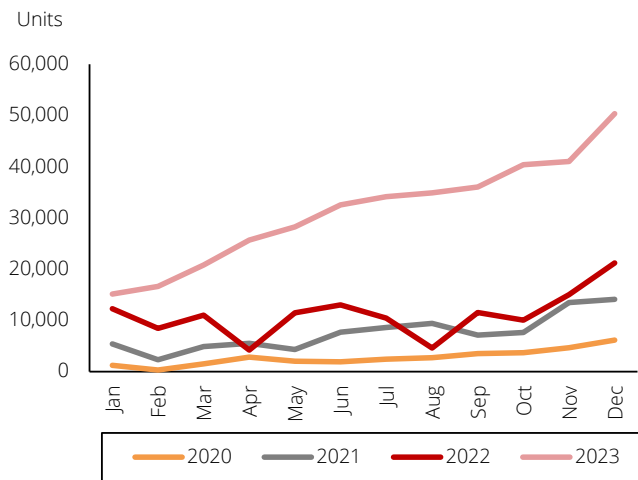


Source: Company

XPeng - total monthly sales growth

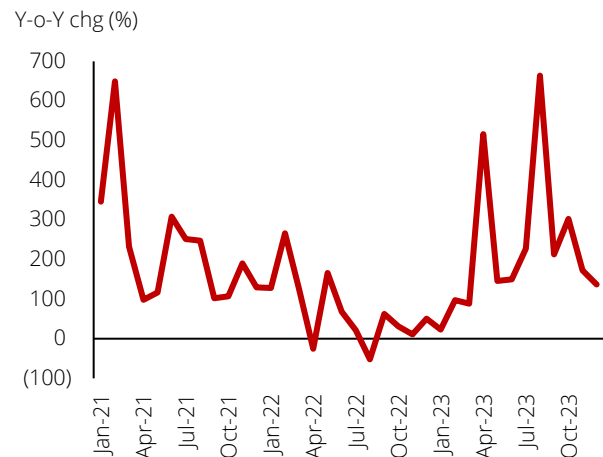


Li Auto - total monthly sales

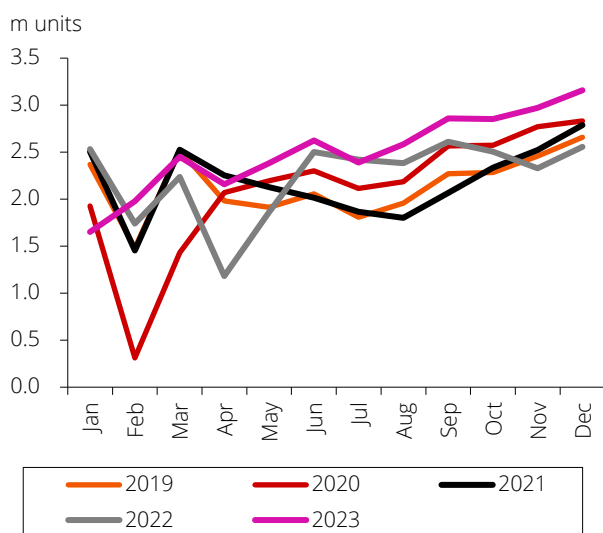


Source: Company

Li Auto - total monthly sales growth

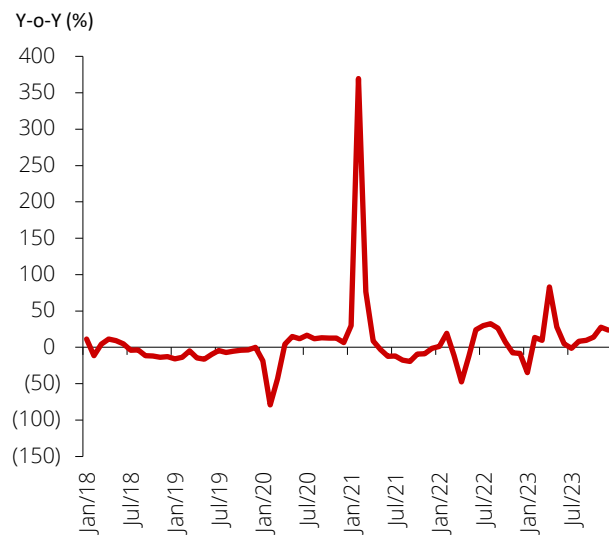


Monthly total vehicle sales in China

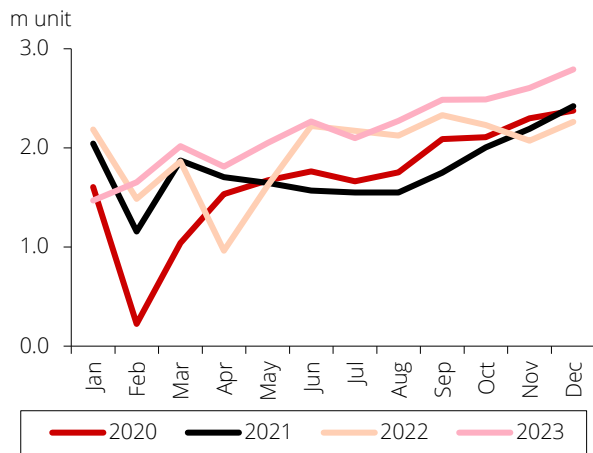


Source: CEIC

Monthly total vehicle sales growth

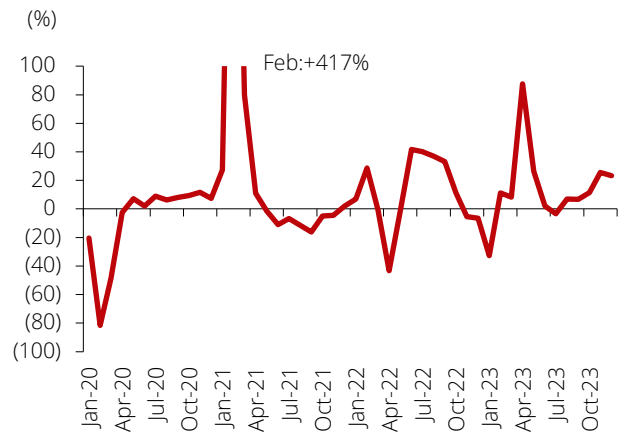


Monthly PV sales in China

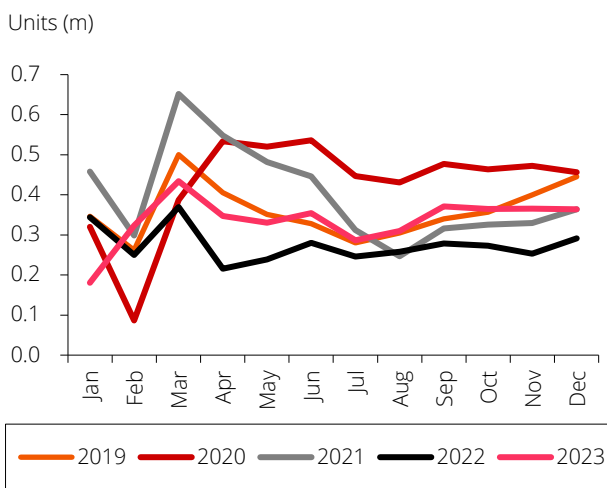


Source: CEIC

Monthly PV sales growth

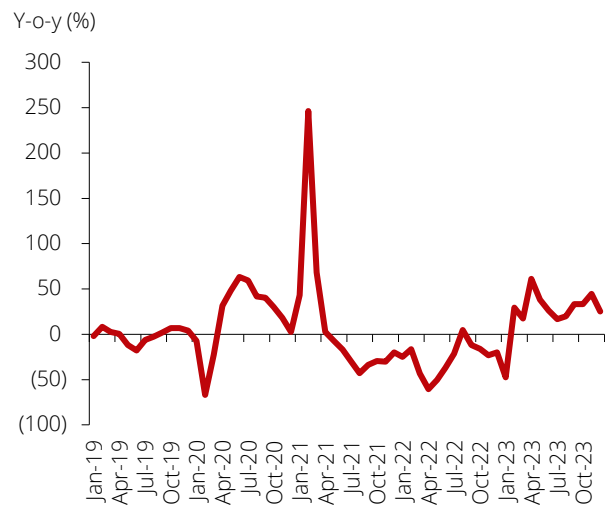


Monthly CV sales in China

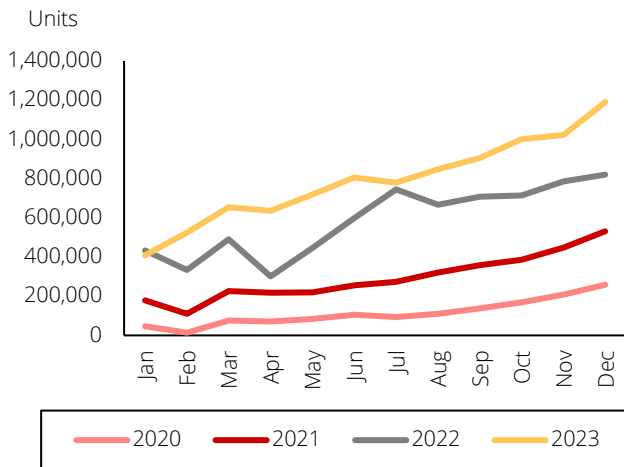


Source: CEIC

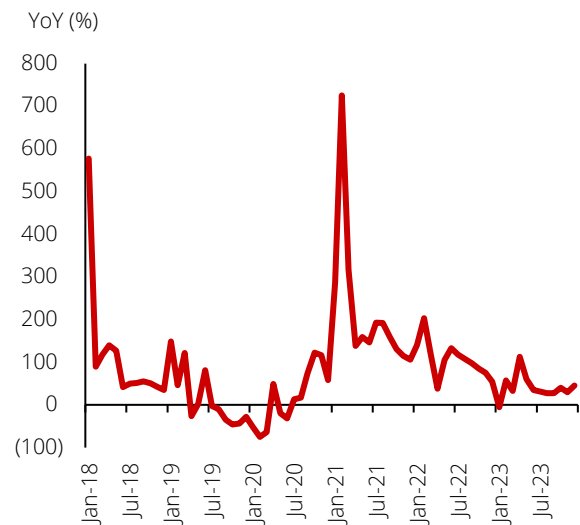
Monthly CV sales growth



Monthly NEV sales in China

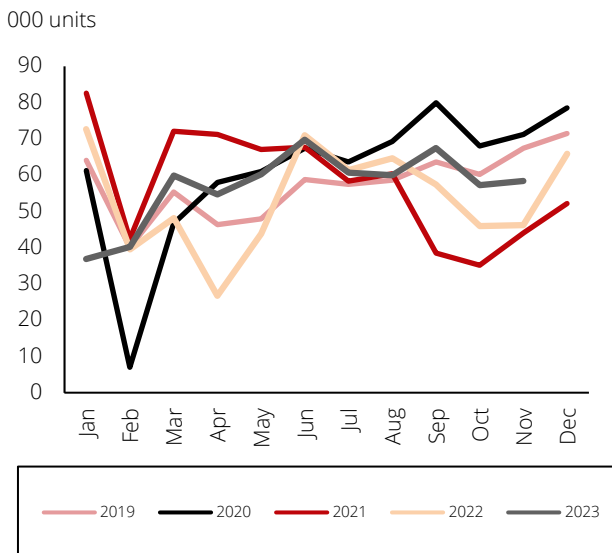


Monthly NEV sales growth

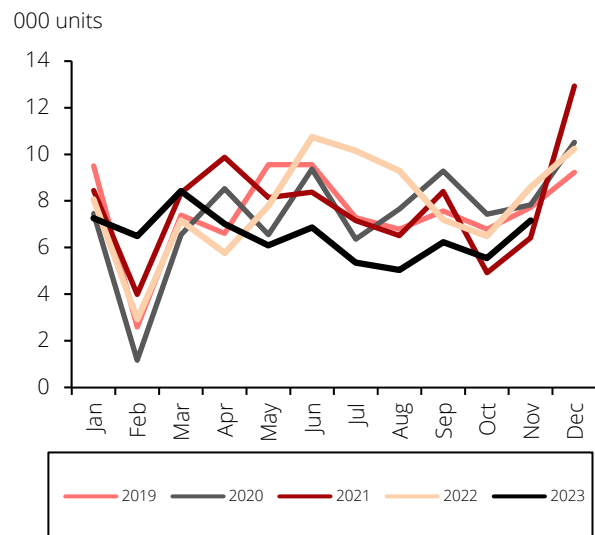


Source: CEIC

Audi - monthly volume sales

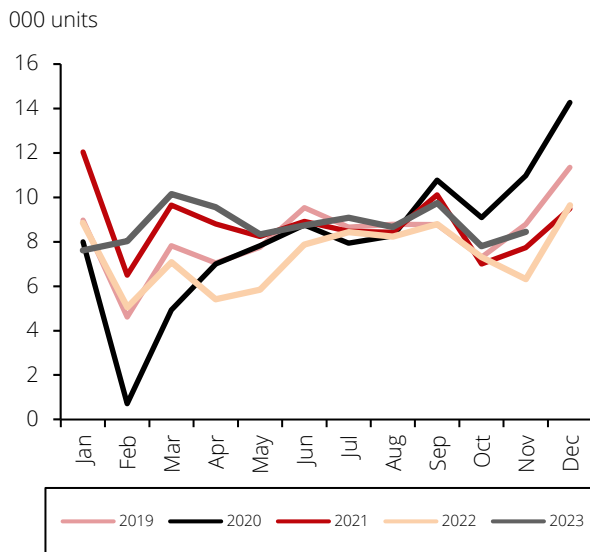


Porsche - monthly volume sales



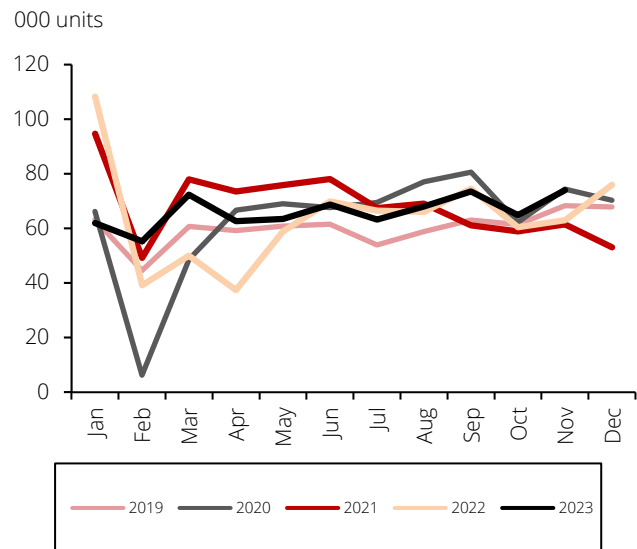
Source: Company

Jaguar Land Rover - monthly volume sales

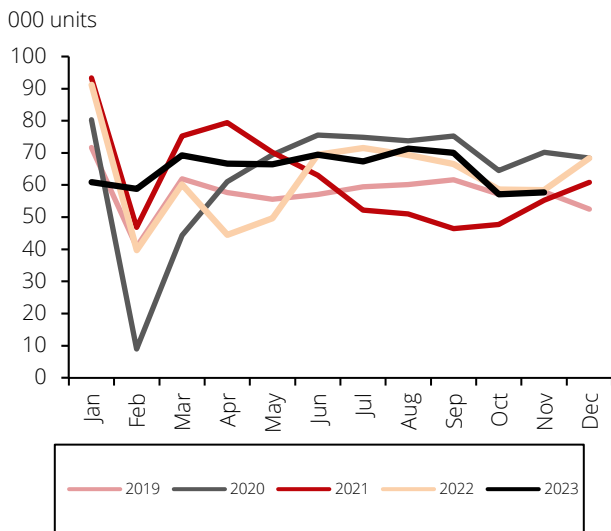


Source: Company

BMW - monthly volume sales

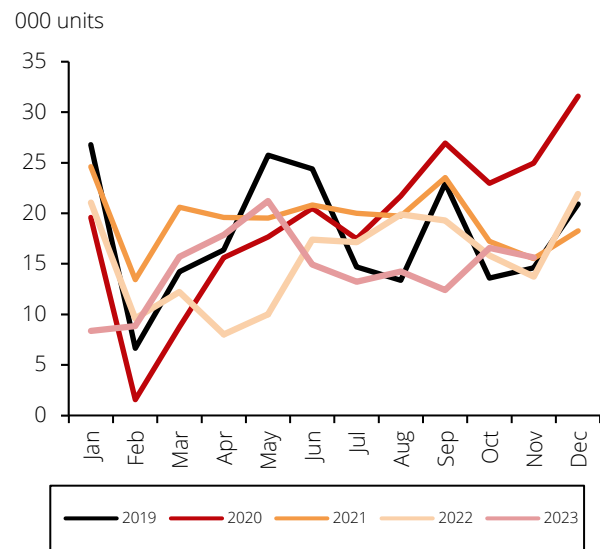


Mercedes Benz - monthly volume sales

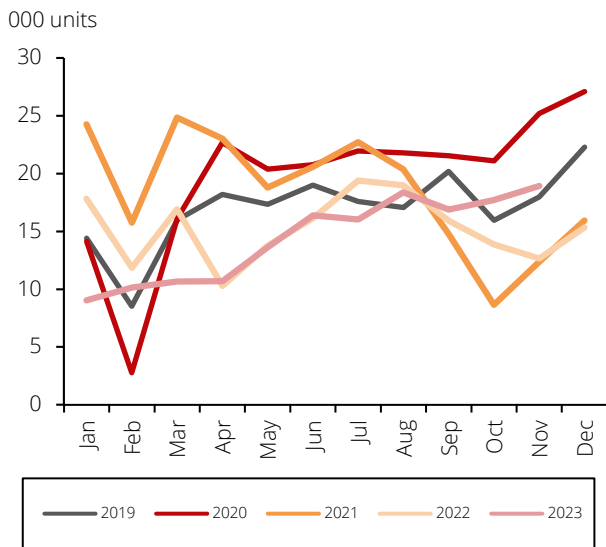


Source: Company

Cadillac - monthly volume sales

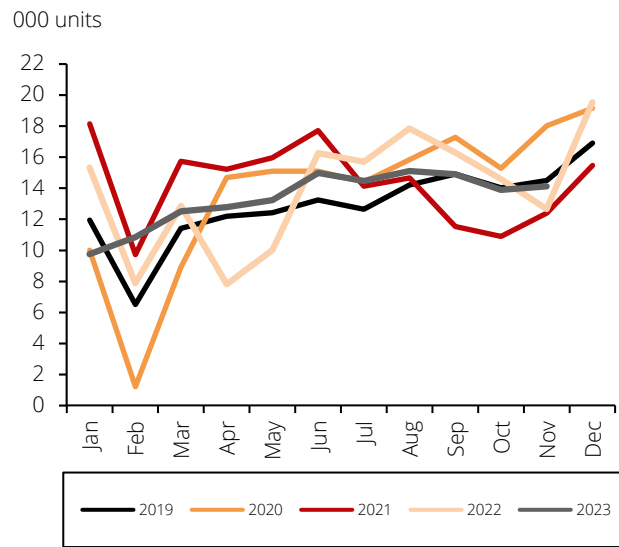


Lexus - monthly volume sales

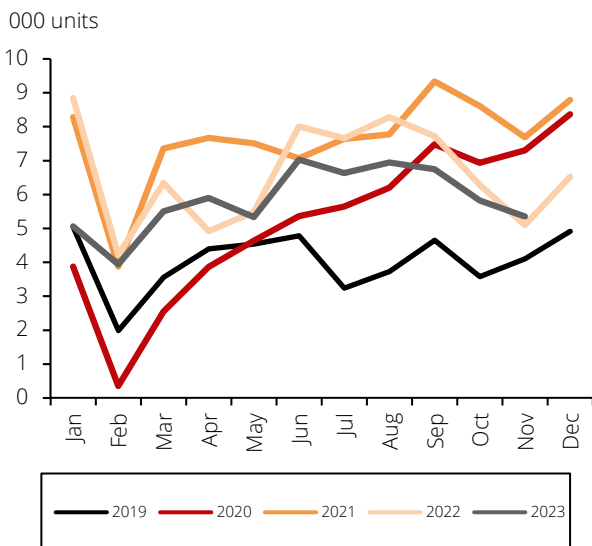


Source: Company

Volvo - monthly volume sales

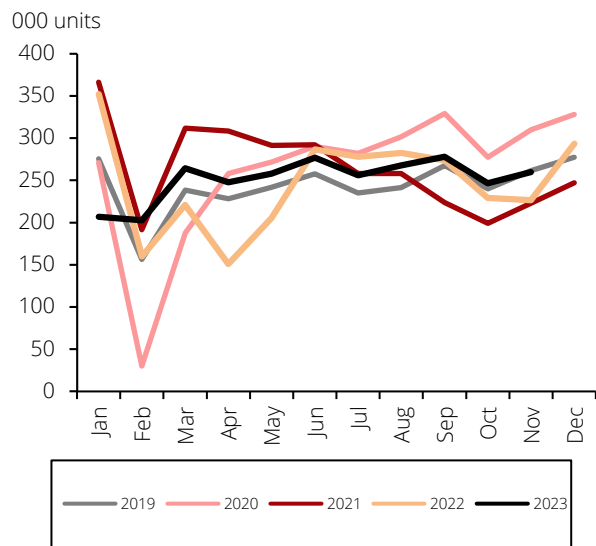


Lincoln - monthly volume sales

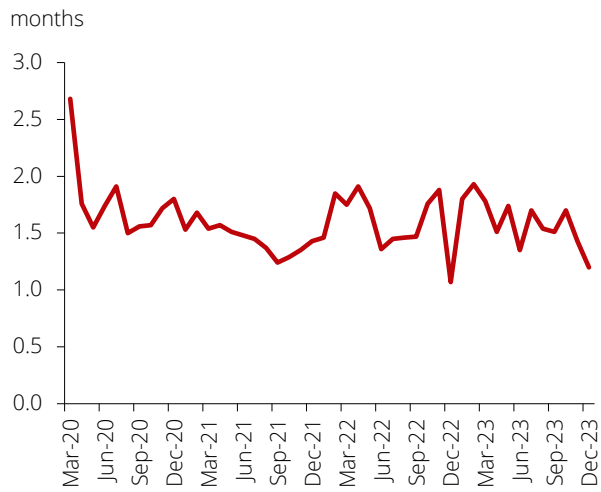


Source: Company

Premium cars - monthly volume sales

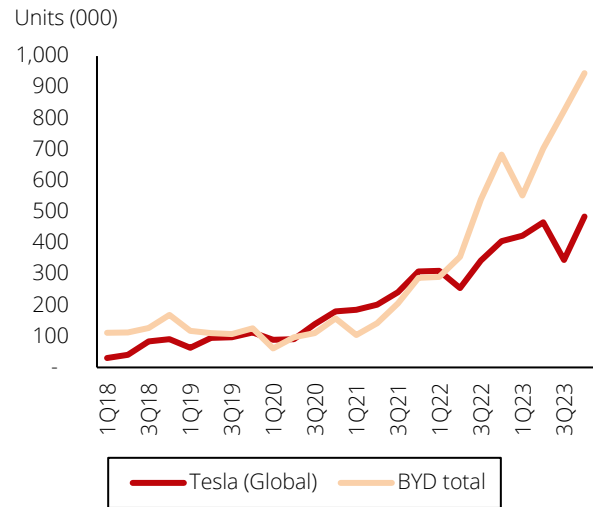


Vehicle inventory average turnover days



Source: CEIC

BYD vs Tesla volume sales

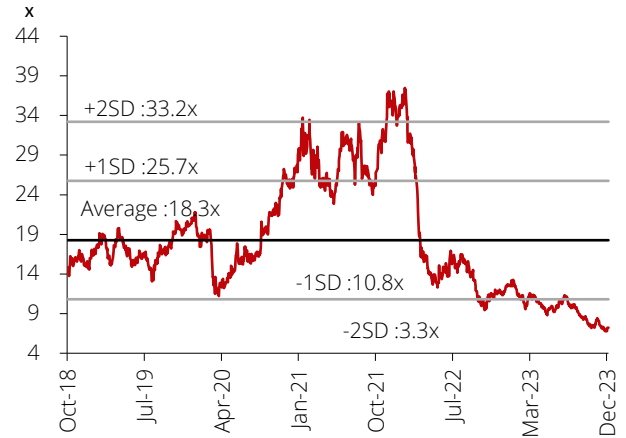


Source: Company

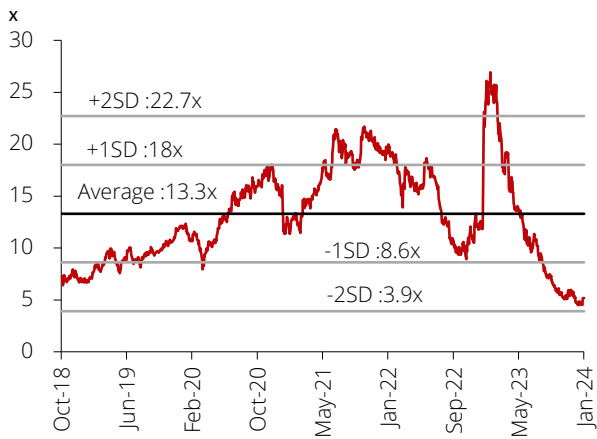
Automaker sector PE chart



Auto parts sector PE chart



Auto dealership sector PE chart

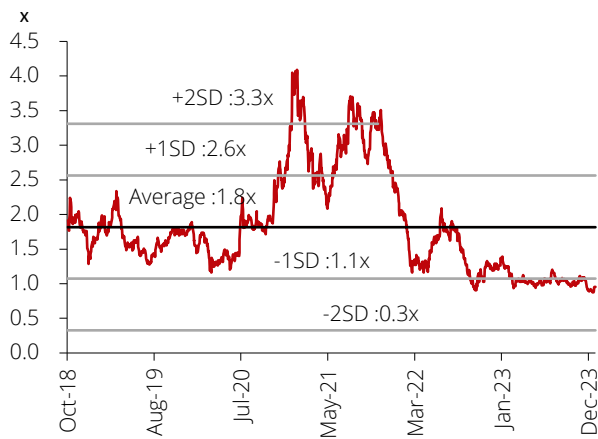


NEV sector PS chart

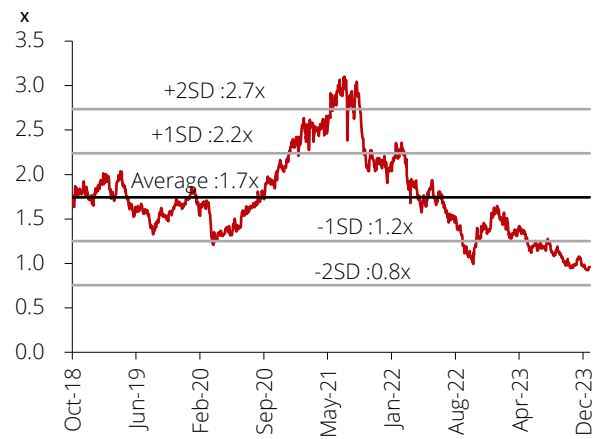


Source: Thomson Reuters, DBS HK

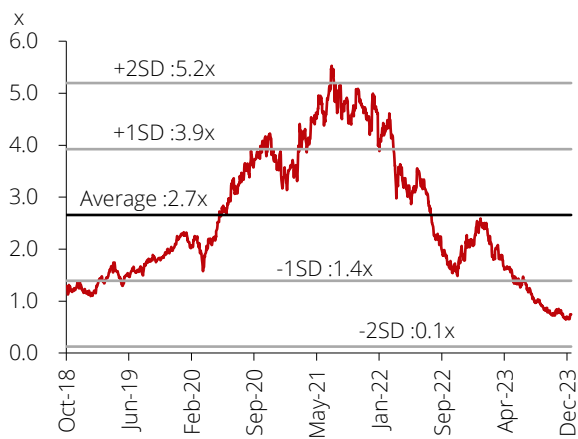
Automaker sector PB chart



Auto parts sector PB chart



Auto dealership sector PB chart



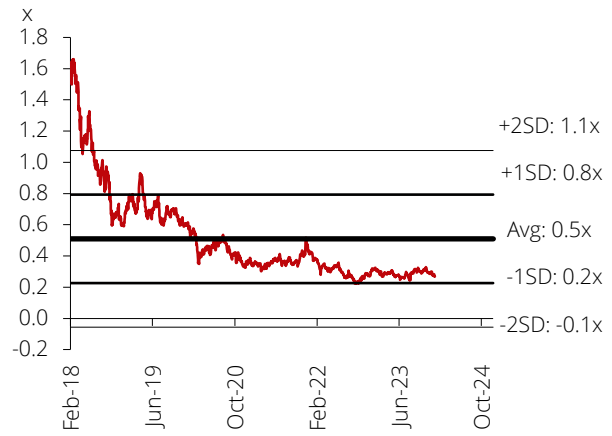
Source: Thomson Reuters, DBS HK

BAIC Motor (1958 HK) - PE band chart



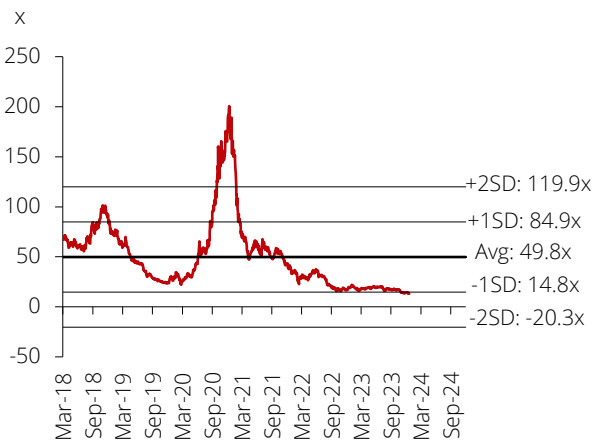
Source: Thomson Reuters, DBS HK

BAIC Motor (1958 HK) - PB band chart



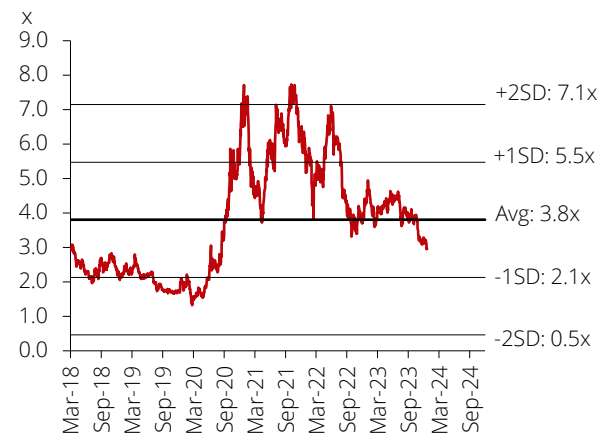
Source: Thomson Reuters, DBS HK

BYD (1211 HK) - PE band chart



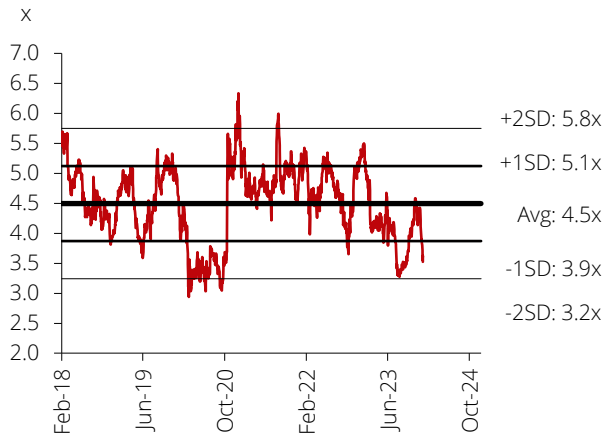
Source: Thomson Reuters, DBS HK

BYD (1211 HK) - PB band chart



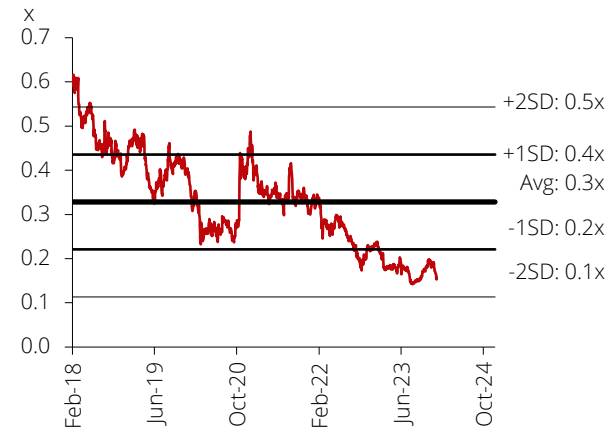
Source: Thomson Reuters, DBS HK

Dongfeng Motor (489 HK) - PE band chart



Source: Thomson Reuters, DBS HK

Dongfeng Motor (489 HK) - PB band chart



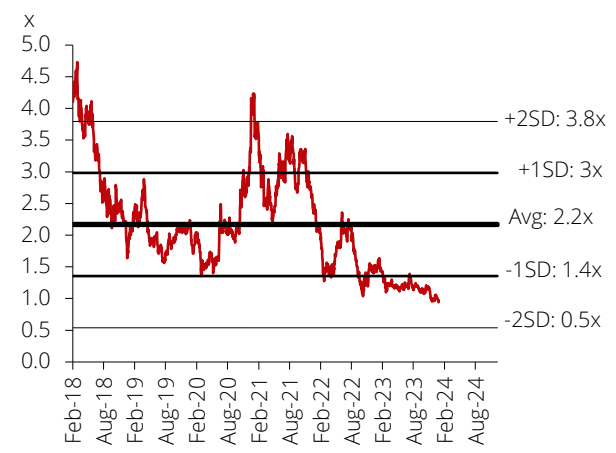
Source: Thomson Reuters, DBS HK

Geely (175 HK) - PE band chart



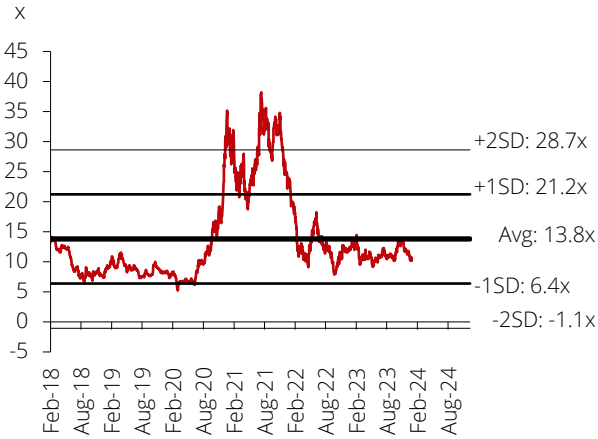
Source: Thomson Reuters, DBS HK

Geely (175 HK) - PB band chart



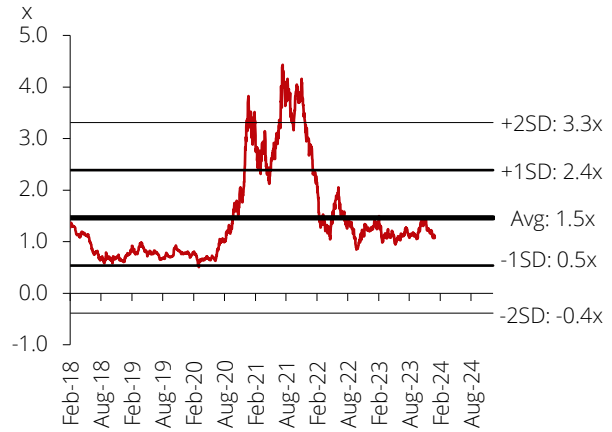
Source: Thomson Reuters, DBS HK

Great Wall Motor (2333 HK) - PE band chart



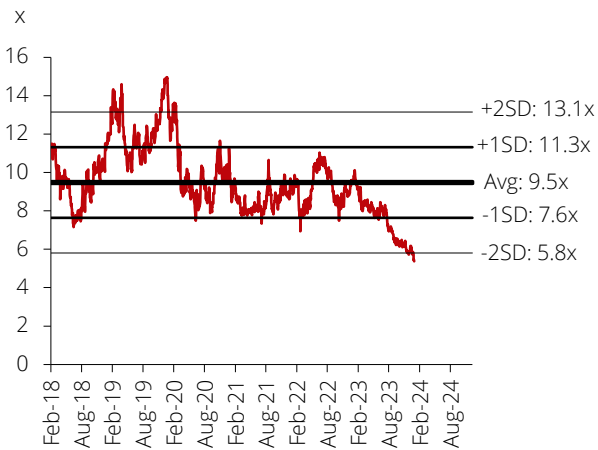
Source: Thomson Reuters, DBS HK

Great Wall Motor (2333 HK) - PB band chart



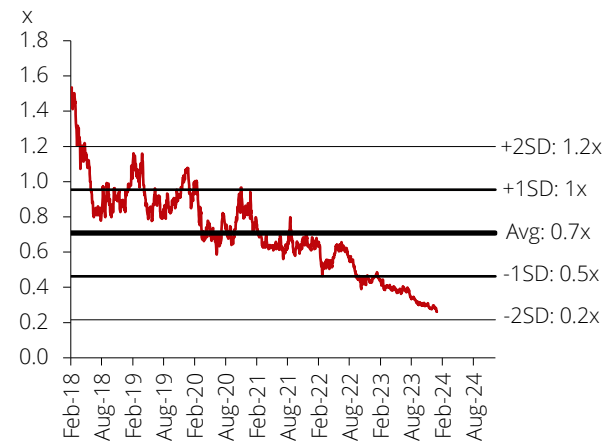
Source: Thomson Reuters, DBS HK

Guangzhou Automobile (2238 HK) - PE band chart



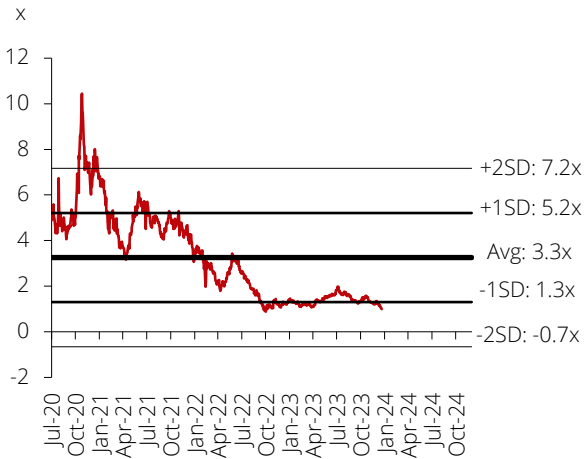
Source: Thomson Reuters, DBS HK

Guangzhou Automobile (2238 HK) - PB band chart



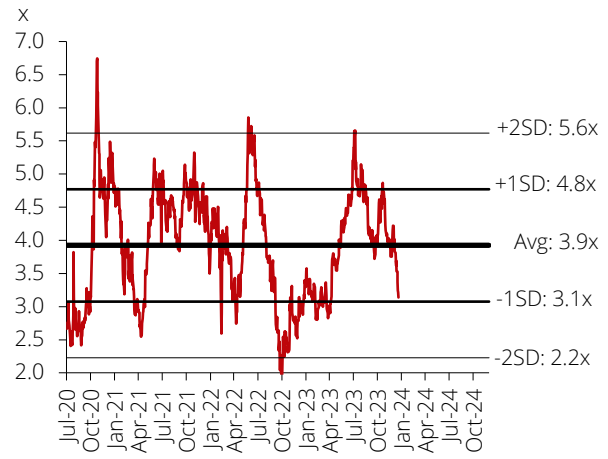
Source: Thomson Reuters, DBS HK

Li Auto (LI US) - PS band chart



Source: Thomson Reuters, DBS HK

Li Auto (LI US) - PB band chart



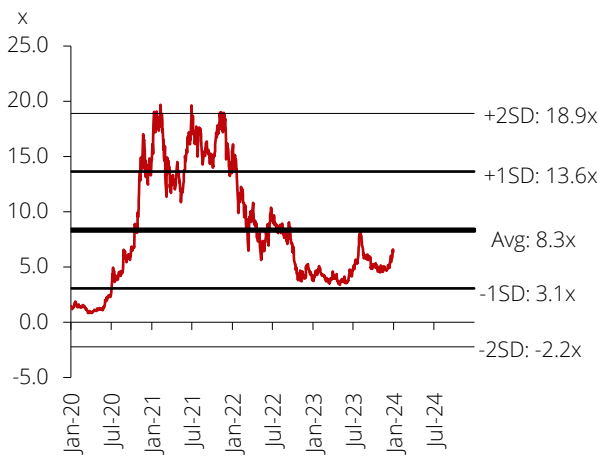
Source: Thomson Reuters, DBS HK

NIO (NIO US) - PS band chart



Source: Thomson Reuters, DBS HK

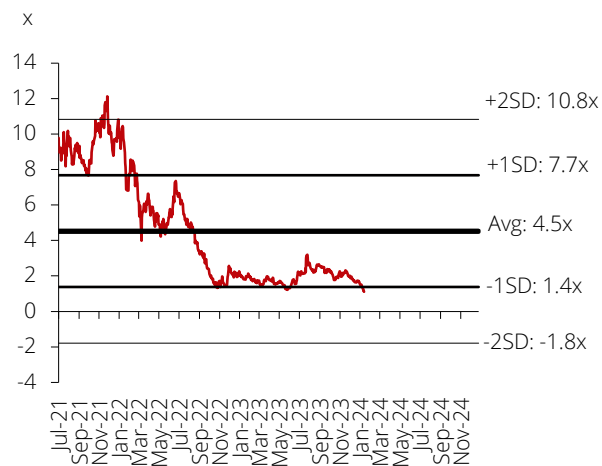
NIO (NIO US) - PB band chart



Source: Thomson Reuters, DBS HK

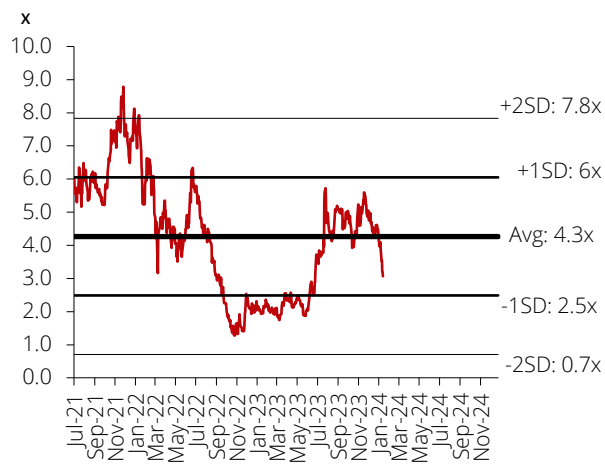
Regional Auto Sector

XPeng (9868 HK) - PS band chart



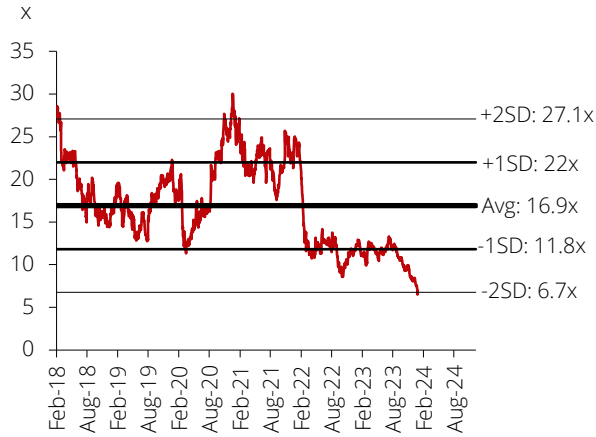
Source: Thomson Reuters, DBS HK

XPeng (9868 HK) - PB band chart



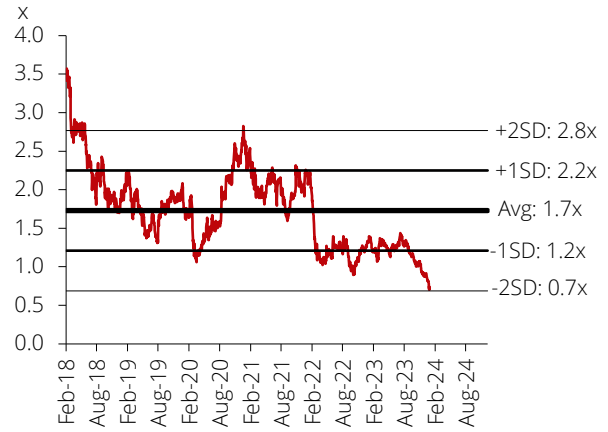
Source: Thomson Reuters, DBS HK

Minth Group (425 HK) - PE band chart



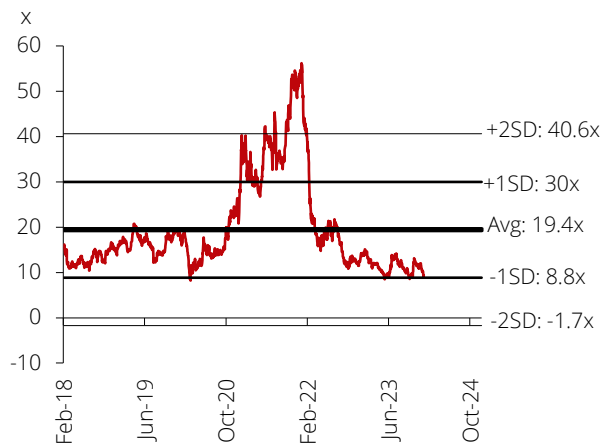
Source: Thomson Reuters, DBS HK

Minth Group (425 HK) - PB band chart



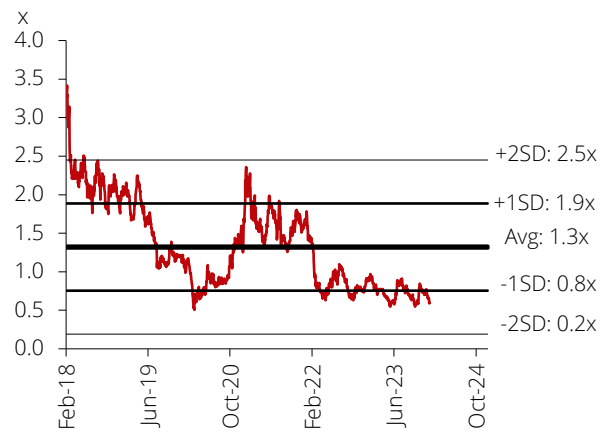
Source: Thomson Reuters, DBS HK

Nexteer Automotive (1316 HK) - PE band chart



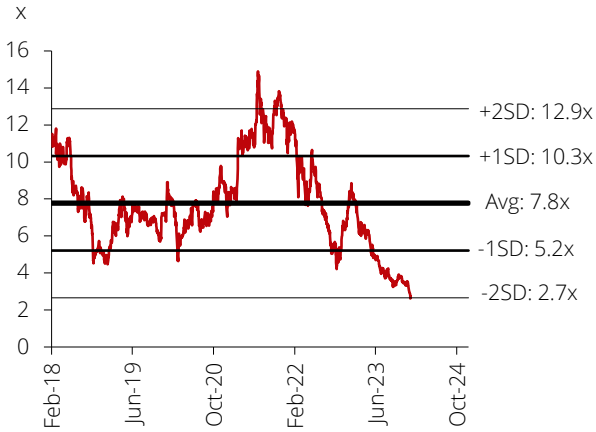
Source: Thomson Reuters, DBS HK

Nexteer Automotive (1316 HK) - PB band chart



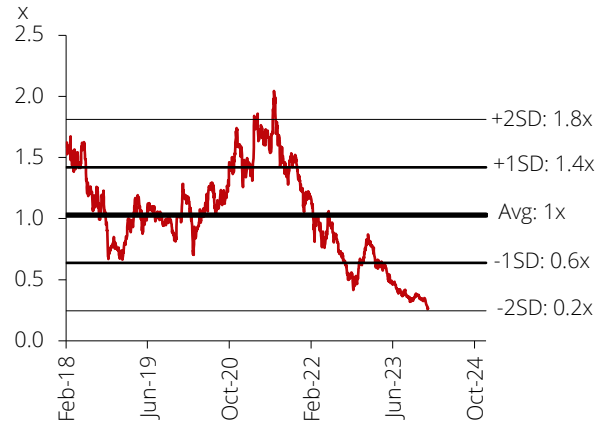
Source: Thomson Reuters, DBS HK

China Yongda (3669 HK) - PE band chart



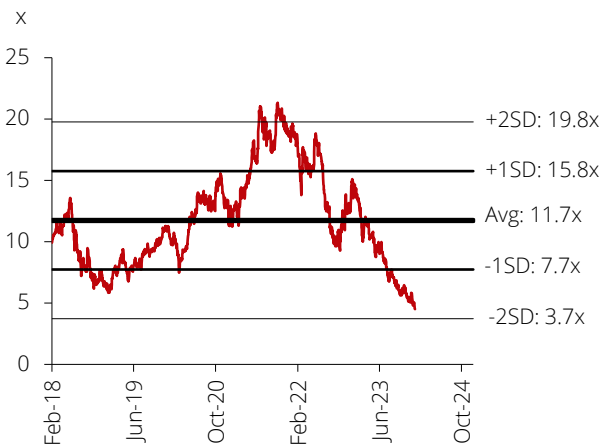
Source: Thomson Reuters, DBS HK

China Yongda (3669 HK) - PB band chart



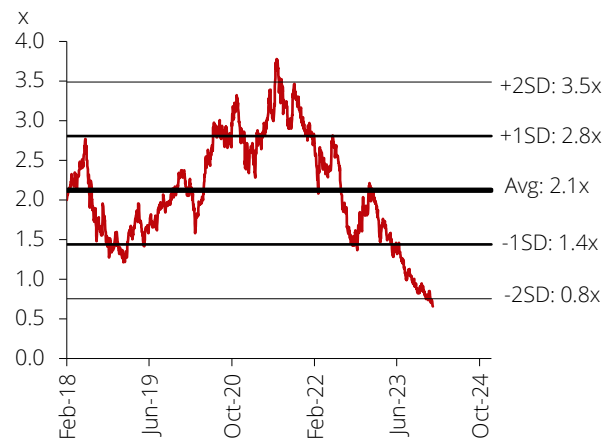
Source: Thomson Reuters, DBS HK

Zhongsheng (881 HK) - PE band chart



Source: Thomson Reuters, DBS HK

Zhongsheng (881 HK) (881 HK) - PB band chart



Source: Thomson Reuters, DBS HK

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*Share price appreciation + dividends

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