

SECTOR UPDATE

Automobile – China

Weekly: China's PEV Sales Growth Accelerates To 40% During 18-24 Sep 23

China's PEV retail sales growth accelerated to 40% yoy in the third week of September, driven by seasonality and stimulus measures. CPCA estimates Sep 23 PEV sales at 750,000 units (+22.7% yoy/+7.4% mom), in line with expectations. The top EV companies in China jointly saw 7% mom and 17% wow growth in insurance registrations. BYD's insurance registrations grew 19.8% mom/20.7% wow to 64,700 units during 18-24 Sep 23, hitting a record high. Maintain UNDERWEIGHT. Top picks: BYD, CATL and Li Auto.

WHAT'S NEW

- China's PEV retail sales growth accelerated to 40% in the third week of September with market share reaching a record high of 43%. According to China Passenger Car Association (CPCA), China's retail sales volume and wholesale shipment of passenger vehicles (PV) grew 19%/21% yoy and 14%/19% mom to 452,000/534,000 units respectively during 18-24 Sep 23, mainly driven by passenger electric vehicle (PEV) sales. PEV retail sales volume and wholesale shipment spiked by 40%/76% yoy and 16%/20% mom to 195,000/249,000 units during 18-24 Sep 23, and PEV market share reached a record-high 43.1%/46.6% in retail sales and wholesale shipments respectively during the period. On a weekly basis, the third week of September saw a 38%/40% wow surge in retail sales volume and wholesale shipments of PEVs. The spike in PEV sales last week was due to seasonality and stimulus measures kicking in in more cities and provinces such as Shenzhen.
- Top EV companies in China jointly saw 7% mom and 17% wow growth in insurance registrations in the third week of September. Among these 14 EV companies, eight recorded mom growth in insurance registrations (which is a proxy to retail sales volume). The six companies that registered mom retail sales declines were Tesla, Aion, Changan, NIO, Zeekr and Neta. Since the week ending 17 Sep 23, this was the second week that Tesla has seen a drop in insurance registrations. This was due to the generation transition of Model 3. Tesla's sales will probably recover from October once the deliveries of the revamped Model 3 commence.

BYD remained the biggest EV manufacturer in China with insurance registrations growing 19.3% mom/20.7% wow to 61,700 units during 18-24 Sep 23. Together with Denza, BYD's insurance registrations grew 19.8% mom/20.7% wow to 64,700 units during 18-24 Sep 23, hitting a record high. We keep our estimates on BYD's 2023-25 sales at 3m units/4m units/5.2m units, including 250,000 units/0.5m units/1m units of overseas sales.

PEER COMPARISON

Company	Ticker	Rec	Price @ 27 Sep 23 (lcy)	Target Price (lcy)	Upside/ (Downside) to TP (%)	Market Cap (US\$m)	PE		P/B		ROE (%)	Net Gearing (Cash) (%)
							2023F (x)	2024F (x)	2023F (x)	2024F (x)		
BYD	1211 HK	BUY	235.00	590.00	151.1	87,239	26.1	16.5	4.7	3.8	19.6	(26.7)
Geely Automobile	175 HK	SELL	9.07	6.50	(28.3)	11,609	21.5	18.0	1.1	1.0	5.0	(26.9)
Great Wall Motors	2333 HK	SELL	9.22	5.20	(43.6)	10,324	20.3	20.5	1.1	1.0	5.3	(7.7)
Guangzhou Auto	2238 HK	SELL	3.72	3.20	(14.0)	4,936	7.6	9.2	0.3	0.3	4.1	(14.9)
Li Auto Inc	2015 HK	BUY	133.50	312.00	133.7	35,555	29.1	17.3	4.7	3.7	17.7	(103.0)
XPeng	9868 HK	SELL	64.55	18.00	(72.1)	15,242	Loss	Loss	4.2	6.3	(43.3)	(58.3)
Weichai Power	2338 HK	BUY	10.54	16.00	51.8	11,634	9.9	8.5	1.6	1.4	11.0	(51.1)
Fuyao Glass	3606 HK	BUY	35.70	42.00	17.6	11,903	17.1	14.7	2.8	2.6	16.6	(18.3)
Desay SV	002920 CH	HOLD	143.64	135.00	(6.0)	10,915	54.5	41.3	10.4	8.7	20.8	0.5
Nexteer	1316 HK	SELL	4.18	2.70	(35.4)	1,340	12.7	13.8	0.7	0.6	5.4	(10.1)
Minth	425 HK	BUY	20.05	33.00	64.6	2,976	10.8	9.0	1.2	1.1	11.0	17.9
Ningbo Xusheng	603305 CH	BUY	23.49	36.00	53.3	2,143	25.3	20.3	3.4	3.0	16.9	(9.9)
CATL	300750 CH	BUY	203.03	410.00	101.9	67,667	21.0	13.6	4.4	3.5	21.9	(46.1)
EVE Energy	300014 CH	BUY	45.12	92.00	103.9	12,596	20.3	15.0	2.7	2.3	10.5	37.2
Ganfeng Lithium	1772 HK	HOLD	31.55	33.00	4.6	8,122	6.2	8.2	1.1	1.0	14.8	6.5
GEM	002340 CH	SELL	6.09	4.00	(34.3)	4,245	64.8	75.5	1.7	1.6	2.6	53.0
Tinci Materials	002709 CH	SELL	27.03	20.00	(26.0)	7,071	19.4	22.1	4.4	4.1	21.9	2.3
Zhongsheng Group	881 HK	SELL	20.60	14.00	(32.0)	6,347	7.9	8.9	0.9	0.9	13.0	38.8
Yadea Group	1585 HK	BUY	14.32	20.00	39.7	5,480	15.5	13.2	4.9	4.0	34.7	(139.1)

Source: Bloomberg, UOB Kay Hian

UNDERWEIGHT

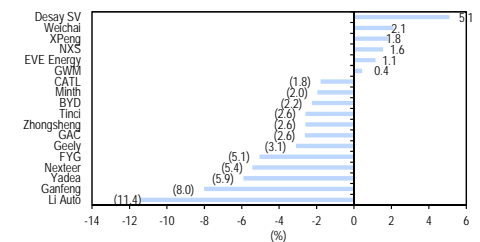
(Maintained)

TOP PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
BYD	1211 HK	BUY	235.00	590.00
Li Auto	2015 HK	BUY	133.50	312.00
CATL	300750 CH	BUY	203.03	410.00

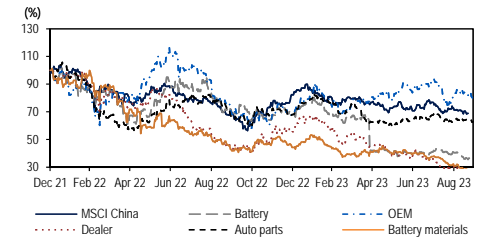
Source: UOB Kay Hian

WEEKLY STOCK PERFORMANCE



Source: Bloomberg

RELATIVE PERFORMANCE OF AUTO STOCKS



Source: Bloomberg

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Li Auto's insurance registrations remained at a record high of 9,100 units during 18-24 Sep 23, up 18.2% mom, due to increasing capacity and an implicit 2-3% price cut via insurance subsidies. Recently, Li Auto has started to offer Rmb10,000 in insurance subsidies for customers. We believe the modest discount would be mitigated by the growth in volume. The debut of the competing extended range electric vehicle (EREV) M7 by Huawei-backed Aito did not impact sales of Li Auto. We maintain our estimates on Li Auto's 2023-25 sales at 350,000 units/580,000 units/840,000 units respectively.

XPeng's insurance registration also remained flat wow at 3,600 units during 18-24 Sep 23, due to the ramp-up of G6's sales and a price cut. XPeng is offering a 7-11% discount for its new model P7i. Additionally, XPeng will launch the new G9 at Rmb263,900-359,900, 13-19% below the prices of the existing G9, by end-23. XPeng's gross margin had already turned negative in 2Q23, and the substantial price cuts will further squeeze its margins.

- **CPCA estimates September PEV retail sales at 750,000 units (+22.7% yoy/+7.4% mom), in line with expectation.** CPCA estimates September total PV retail sales at 1.98m units (+3% yoy/+3.1% mom), of which 750,000 units are passenger electric vehicles (PEVs) and 1.23m units are ICE-cars (-6.3% yoy/+0.7% mom). Based on CPCA's estimates, China's PV retail sales reached 15.202m units (+2.2% yoy) in 9M23, including 5.177m units of PEVs (+33.8% yoy) and 10.025m units of ICE-cars (-9% yoy).
- **We keep our estimates on China's 2023 PV sales and passenger EV sales at 23.8m (+1% yoy) and 8.5m (+30% yoy) units 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 to the year's end. We project China's 2023 passenger EV wholesale shipment at 8.5m units, comprising 7.5m units in domestic sales and 1.0m units in exports.
- The South China International Auto Show will be held from 29 Sep 23 to 2 Oct 23. A few dozen new car models will be showcased at the auto show, including BYD Seal DM-i, GAC Hyper GT, an all-new Accord, Arcfox Koala, IM LS6, Voyah's new FREE, Dongfeng Honda's all-new M-NV, a South China version of Avalon, Aito's new M7, HiPhi Y, MG Cyberster, Haval Menglong, Neta S 2024, Zeekr 001 FR, and more.

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).**
- **Upgrade Ganfeng Lithium (1772 HK/HOLD/Target: HK\$33.00) from SELL to HOLD on valuation, as its share price has hit our target price of HK\$33.00.**

UOBK'S 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
EV	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

Source: CPCA

WEEKLY PV SALES VOLUME IN CHINA

('000 units)	--- Retail sales ---			-- Wholesale shipment --		
	Total	EV	ICE	Total	EV	ICE
<i>Daily avg sales</i>						
1-10 Sep 23	44	17	27	46	17	29
11-17 Sep 23	52	20	32	67	25	42
18-24 Sep 23	65	28	37	76	36	41
yoy % chg	19	40	7	21	76	(5)
mom % chg	14	16	12	19	20	18
wow % chg	24	38	15	14	43	(3)
<i>Sales volume</i>						
1-10 Sep 23	439	172	267	460	172	288
11-17 Sep 23	365	141	224	467	174	293
18-24 Sep 23	452	195	257	534	249	285
yoy % chg (%)	19	40	7	21	76	(5)
mom % chg (%)	14	16	12	19	20	18
1-24 Sep 23	1,256	508	748	1,461	595	866
yoy % chg (%)	13	33	3	17	40	5
mom % chg (%)	6	11	3	19	17	20

Source: CPCA

WEEKLY INSURANCE REGISTRATIONS BY BRAND

	14-20 Aug	4-10 Sep	11-17 Sep	mom % chg	wow % chg
BYD	45.9	51.1	61.7	19.3	20.7
Tesla	10.6	8.4	13.2	(21.9)	57.1
Aion	8.2	9.8	11.1	(11.2)	13.3
Li Auto	8.5	9.1	9.1	18.2	-
Wuling	7.5	8.0	8.5	9.0	6.3
VW	4.4	4.6	5.5	12.2	19.6
Changan	3.7	4.1	4.1	(4.7)	-
NIO	3.8	3.9	4.0	(20.0)	2.6
Leapmotor	2.7	3.4	4.0	29.0	17.6
Deepal	2.9	3.2	4.0	37.9	25.0
XPeng	2.5	3.6	3.6	9.1	-
Denza	2.5	2.5	3.0	30.4	20.0
Zeekr	1.8	2.4	2.9	(6.5)	20.8
Neta	1.7	2.0	1.5	(34.8)	(25.0)

Source: Dongchedi

BYD SEAL DM-I



Source: Sohu.com

IM LS6



Source: Sohu.com

HIPHI Y



Source: Sohu.com

AITO M7



Source: Sohu.com

GAC HYPER GT



Source: Sohu.com

ARCFOX KOALA



Source: Sohu.com

SPECIFICATIONS OF NEW EV MODELS

	BYD Seal DM-i 2023	Hyper GT 2023	Aito M7 2024	Arcfox Koala	IM LS6	Voyah New FREE	HiPhi Y
MSRP (Rmb'000)	166.8-236.8	219.9-339.9	249.8-379.8	131.8-169.8	230-300	266.9	339-459
Segment	B-segment	C-segment	C-segment	n.a.	C-segment	C-segment	C-segment
Type	Sedan	Sedan	SUV	MPV	SUV	SUV	SUV
Powertrain	PHEV	BEV	EREV	BEV	BEV	EREV	BEV
Length	4,980	4,886	5,020	4,500	4,904	4,905	4,938
Width	1,890	1,885	1,945	1,870	1,988	1,950	1,958
Height	1,495	1,449	1,760	1,655	1,669	1,645	1,658
Wheelbase	2,900	2,920	2,820	2,820	2,950	2,960	2,950
Acceleration 0-100km/h (s)	7.9-8.2	4.9-6.5	4.8-7.8	n.a.	n.a.	4.8	n.a.
CLTC electric-only range (km)	n.a.	560-710	200-240	500	n.a.	210	560-810
WLTC electric-only range (km)	100-160	n.a.	135-200	n.a.	n.a.	160	n.a.
WLTC all-in range (km)	1,300	n.a.	1,000-1,150	n.a.	n.a.	n.a.	n.a.
WLTC overall fuel economy (L/100km)	0.84-1.14	n.a.	0.85-1.09	n.a.	n.a.	0.81	n.a.
Power consumption (kWh/100km)	n.a.	11.9-12.9	n.a.	11.8	n.a.	n.a.	n.a.
Battery type	LFP	LFP/NCM	NCM	LFP	NCM	NCM	LFP/NCM
Battery capacity (kWh)	17.6-30.7	60-80	40	58.86	n.a.	39.2	76.6-115

Note: BEV, PHEV and EREV respectively stand for battery electric vehicle, plug-in hybrid electric vehicle and extended range electric vehicle.
Source: Autohom, UOB Kay Hian

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