

SECTOR UPDATE

Automobile – China

Weekly: PV Sales Down 4.8% yoy, Missing Estimates

China's PV insurance registrations fell by 4.8% yoy and 4.4% woy during 16-22 Sep 24, missing estimates. PEV market share dipped by 3.6ppt woy to 49.5%. Denza has become a wholly-owned subsidiary of BYD but has dropped out of the top 10 in the weekly sales rankings for pure-play EV names, replaced by GWM's Wey brand. Joyson is rapidly ramping up production capacity to fulfil the new orders intake. Maintain MARKET WEIGHT. Top BUYs: CATL, Desay SV and Geely. Top SELL: GAC.

WHAT'S NEW

- China's PV insurance registrations fell 4.8% yoy and 4.4% woy in the 38th week of 2024, missing expectations, due to sluggish PEV sales. China's passenger vehicle (PV) insurance registrations came in lower than expected at 460,565 units (-4.8% yoy/+0.8% mom/-4.4% woy) in the 38th week of 2024 (16-22 Sep 24). By segment, insurance registrations of passenger electric vehicles (PEV) and ICE-cars reached 228,205 units (+26.8% yoy/-5.2% mom/-10.9% woy) and 232,360 units (-23.6% yoy/+7.5% mom/+2.8% woy) respectively during the week, implying a PEV market share of 49.5% (+12.4ppt yoy/-3.1ppt mom/-3.6ppt woy). In the first 38 weeks of 2024, PV insurance registrations in China totalled 14.89m units (+3.7% yoy), including 6.67m PEVs (+41.5% yoy) and 8.22m ICE-cars (-14.8% yoy). This compares with our full-year 2024 PV retail sales estimate of 22m units (+1% yoy), including 9.75m PEVs (+34% yoy) and 12.25m ICE-cars (-15% yoy).
- BYD (1211 HK/HOLD/Target: HK\$220.00). BYD brand's insurance registrations came in as expected at 80,600 units (+30.6% yoy/-8.2% mom/-6.3% woy) in the 38th week of 2024 (16-22 Sep 24), bringing the cumulative insurance registrations in the first 38 weeks of 2024 (1 Jan-8 Sep 24) to 2.20m units (+28.5% yoy), in line with expectations when compared with our estimated 2024 domestic sales of 3.6m units. On 23 Sep 24, BYD launched the compact hybrid SUVs Sealion 05 DM-i and the second-generation Song Pro DM-i, both equipped with the more fuel-efficient DM-i 5.0 technology and with a starting price of Rmb112,800. The starting price of the second-generation Song Pro DM-i has been increased by Rmb3,000 or 2.7% over the Song Pro DM-i Glory Edition.

MARKET WEIGHT

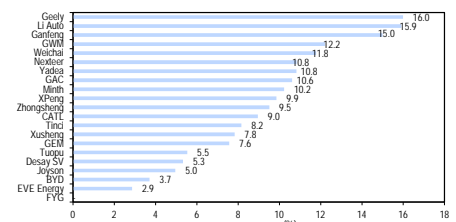
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TOP PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Geely	175 HK	BUY	10.52	13.00
CATL	300750 CH	BUY	203.10	250.00
Desay SV	002920 CH	BUY	98.80	145.00
GAC	2238 HK	SELL	2.50	1.80

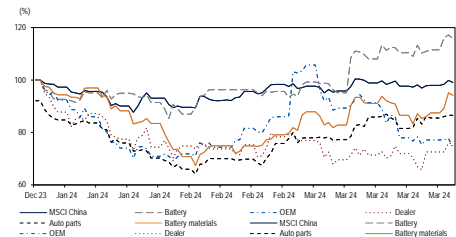
Source: UOB Kay Hian

WEEKLY STOCK PERFORMANCE



Source: Bloomberg

RELATIVE PERFORMANCE OF AUTO STOCKS



Source: Bloomberg

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PEER COMPARISON

Company	Ticker	Rec	Price @ 12 Sep 24 (lcy)	Target Price (lcy)	Upside/Downside to TP (%)	Market Cap (US\$m)	PE		P/B		ROE 2024F (%)	Net Gearing (Cash) (%)
							2024F (x)	2025F (x)	2024F (x)	2025F (x)		
BYD	1211 HK	HOLD	251.80	220.00	(12.6)	733,026	17.9	17.7	4.0	3.4	22.8	(44.8)
Geely Automobile	175 HK	BUY	10.52	13.00	23.6	105,867	10.7	8.5	1.0	0.9	10.2	(34.3)
Great Wall Motors	2333 HK	BUY	12.50	20.00	60.0	106,219	7.9	6.4	1.8	1.4	20.3	9.8
Guangzhou Auto	2238 HK	SELL	2.50	1.80	(28.0)	25,970	11.1	11.3	0.2	0.2	3.3	(14.9)
Li Auto Inc	2015 HK	SELL	91.45	70.00	(23.5)	190,673	36.0	39.8	2.7	2.5	7.7	(149.2)
XPeng	9868 HK	SELL	39.00	18.00	(53.8)	73,586	Loss	Loss	3.0	3.9	(24.1)	(64.5)
Weichai Power	2338 HK	BUY	11.90	16.00	34.5	103,846	7.6	6.6	1.1	0.9	11.7	(57.1)
Fuyao Glass	3606 HK	BUY	49.00	61.00	24.5	127,877	17.1	14.5	3.3	3.0	20.5	(12.7)
Desay SV	002920 CH	BUY	98.80	145.00	46.8	54,836	27.6	20.7	5.8	4.8	22.8	(0.5)
Nexteer	1316 HK	SELL	2.66	1.50	(43.6)	6,676	17.1	18.5	0.4	0.4	2.5	(13.4)
Minth	425 HK	BUY	14.44	27.00	87.0	16,777	7.0	6.1	0.7	0.7	11.1	20.6
Ningbo Tuopu	601689 CH	BUY	37.57	86.00	128.9	60,036	14.3	11.3	2.6	2.2	17.2	33.9
Joyson Electronics	600699 CH	BUY	14.39	26.00	80.7	20,142	13.1	9.7	1.3	1.2	10.6	112.0
Ningbo Xusheng	603305 CH	HOLD	9.09	9.50	4.5	8,483	13.5	13.7	1.3	1.2	12.4	(2.9)
CATL	300750 CH	BUY	203.10	250.00	23.1	890,140	18.7	15.1	4.0	3.5	21.5	(70.5)
EVE Energy	300014 CH	SELL	33.41	20.00	(40.1)	68,348	17.0	17.1	1.8	1.6	7.7	32.2
Ganfeng Lithium	1772 HK	SELL	18.40	12.00	(34.8)	37,116	83.6	92.9	0.7	0.7	0.9	33.5
GEM	002340 CH	HOLD	5.97	5.80	(2.8)	30,659	19.7	15.3	1.5	1.4	8.0	76.0
Tinci Materials	002709 CH	SELL	14.32	10.00	(30.2)	27,321	64.8	68.2	2.1	2.0	3.2	27.1
Zhongsheng Group	881 HK	SELL	9.90	8.00	(19.2)	23,729	7.1	7.3	0.5	0.4	6.9	37.5
Yadea Group	1585 HK	SELL	11.88	8.60	(27.6)	35,581	14.1	12.4	3.5	3.0	26.3	(137.8)

Source: Bloomberg, UOB Kay Hian

Recently, BYD has acquired Mercedes-Benz's entire 10% stake in Denza. As a result, BYD's stake in Denza has increased from 90% to 100%, achieving full ownership of Denza and transforming the company from a JV into a fully-owned proprietary brand. In May 10, BYD and Mercedes-Benz's parent company signed a contract to establish Shenzhen BYD Daimler, with equal shares. In 2021, Denza underwent a major transformation, with BYD's stake in Denza expanding from 50% to 90%. This allowed BYD to carry out comprehensive reforms of Denza's technology, products, and target markets, positioning itself in the luxury segment. Denza's weekly sales remained stable at around 2,000 units ytd.

However, we found that Denza has dropped out of the top 10 in the weekly sales rankings for pure-play EV names, which means Denza's sales last week were below 1,700 units. The lukewarm sales of Denza underline the formidable challenges BYD is facing in moving up the price curve to the high-end segment.

We maintain our 2024-26 net profit forecasts for BYD at Rmb37.07b/Rmb37.54b/Rmb38.87b respectively, based on sales volume of 4.0m/4.5m/5.0m units and net profit per vehicle of Rmb8,060/Rmb7,060/Rmb6,400.

- Li Auto (2015 HK/SELL/Target: HK\$70.00).** Li Auto's insurance registrations grew 33.3% yoy and 3.4% mom but fell 4.8% wow to 12,000 units in the 38th week of 2024, in line with our estimate. This brings cumulative insurance registrations in the first 38 weeks of 2024 to 328,274 units vs our estimated 2024 deliveries of 500,000 units and the company's targeted 2024 deliveries of 560,000-640,000 units. We maintain our 2024-26 net profit forecasts for Li Auto at Rmb4,814m/Rmb4,355m/Rmb3,941m respectively, based on deliveries of 500,000/550,000/600,000 units.
 - XPeng (9868 HK/SELL/Target: HK\$18.00).** XPeng's insurance registrations came in as expected at 3,500 units (-3% yoy/+25% mom/-17% wow) in the 38th week of 2024. This brings cumulative insurance registrations in the first 38 weeks of 2024 to 82,000 units, vs our estimated 2024 deliveries of 200,000 units and the company's targeted 2024 deliveries of 280,000 units. XPeng is moving down the price curve to penetrate into the more competitive mass-market segment, and it is facing stiff competition from the established incumbent BYD and up-and-coming players like Geely. At Rmb119,800, Mona M03 is selling at a gross margin that is much lower than XPeng's overall level. We maintain our estimates on XPeng's 2024-26 net loss at Rmb7.80b/Rmb6.13b/Rmb5.22b respectively, based on deliveries of 200,000/230,000/280,000 units. Our 2024-26 delivery estimates have factored in Mona's sales contribution. Maintain SELL based on the sustained losses and cash outflows.
 - Geely (175 HK/BUY/Target: HK\$13.00).** Zeekr's insurance registrations grew 31% yoy and 27% mom but fell 19% wow to 3,800 units in the 38th week of 2024, in line with market estimates. Looking ahead, Zeekr's sales will be driven by the launches of new models and the ramp-up of new production lines. Zeekr has recently rolled out new models Zeekr 009 facelift and Zeekr 7X, and will launch Zeekr Mix at end-Oct 24. Zeekr received over 20,000 pre-orders for Zeekr 7X in the first week after pre-sales began, beating our forecast. We maintain our 2024-26 delivery estimates for Zeekr at 200,000/300,000/400,000 units respectively.
- Galaxy's insurance registrations dropped 25% mom and 14% wow to 5,000 units in the 38th week of 2024, in line with expectations. The wow sales decline of Galaxy last week was due to the market pullback during the period, and the yoy sales spikes were driven by the E5 that debuted on 3 Aug 24. We maintain our 2024-26 net profit forecasts for Geely at Rmb8,980m/Rmb11,264m/Rmb13,495m respectively, based on sales volume of 2.00m/2.35m/2.70m units.
- GWM (2333 HK/BUY/Target: HK\$20.00).** GWM's Wey brand emerged among the top 10 best-selling pure-play EV brands in the 38th weekly sales, with weekly sales of 1,700 units, of which 1,536 units were from the new Lanshan model. Equipped with the intelligent driving system CoffeePilot Ultra 3.0, the new Lanshan supports all-scenario navigation on autopilot (NOA) without high-precision maps. Going forward, we believe the launch of new high-end models will support sales and margin growth due to product mix optimisation. We maintain our 2024-26 net profit forecasts at Rmb15.17b/Rmb18.05b/Rmb20.63b respectively based on our sales volume estimates of 1.3m/1.5m/1.7m units respectively. Maintain BUY with a target price of HK\$20.00.

UOBKH FORECASTS ON CHINA VEHICLE SALES

	Wholesale shipment (m units)		----- yoy chg (%) -----	
	2023	2024F	2023	2024F
Total EV	9.45	11.55	37.5	22.2
- PEV	9.00	10.95	37.7	21.6
- CEV	0.45	0.60	32.8	34.8
ICE-car	20.60	19.45	3.1	(5.6)
- PV	17.01	16.05	0.0	(5.6)
- CV	3.59	3.40	21.0	(5.2)
Total vehicle	30.05	31.00	11.9	3.2
- PV	26.01	27.00	10.5	3.8
- CV	4.03	4.00	22.2	(0.8)
EV share	31.4	37.3	5.9	5.8
- PV	34.6	40.6	6.9	5.9
- CV	11.2	15.0	0.9	4.0

Source: UOB Kay Hian

WEEKLY INSURANCE REGISTRATIONS BY BRAND

('000 units)	W38 (16-22 Sep)	yoy % chg	mom % chg	wow % chg	W1-38 (1 Jan-22 Sep)	yoy % chg
BYD Co	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- BYD brand	80.6	30.6	(8.2)	(6.3)	2,198.9	28.5
- Denza	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- FCB	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
- YW	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Wuling (EV)	15.5	82.4	3.3	(1.9)	n.a.	n.a.
Tesla	13.8	4.5	(2.8)	(11.5)	438.1	n.a.
Li Auto	12.0	33.3	3.4	(4.8)	328.3	n.a.
Aito	7.3	630.0	(18.9)	(24.0)	278.6	n.a.
Leapmotor	6.3	57.5	1.6	(20.3)	150.4	n.a.
Aion	5.7	(48.6)	(27.8)	(26.9)	235.2	5.7
Galaxy	5.0	n.a.	(25.4)	(13.8)	n.a.	n.a.
Changan	4.5	9.8	(18.2)	(8.2)	n.a.	n.a.
Zeekr	3.8	31.0	26.7	(19.1)	128.2	n.a.
Deepal	3.8	(5.0)	-	(5.0)	103.1	n.a.
Nio	3.7	(7.5)	(19.6)	(11.9)	140.7	n.a.
XPeng	3.5	(2.8)	25.0	(18.6)	82.0	3.5
Xiaomi	2.9	n.a.	38.1	(6.5)	62.9	n.a.
PEV	228.2	26.8	(5.2)	(10.9)	6,674.5	41.5
ICE-car	232.4	(23.6)	7.5	2.8	8,217.0	(14.8)
Total PV	460.6	(4.8)	0.8	(4.4)	14,891.5	3.7
PEV share (%)	49.5	12.4	(3.1)	(3.6)	44.8	12.0

Source: Yiche, Zheneng Auto

YTD SALES VS FULL-YEAR SALES ESTIMATES

('000 units)	Avg weekly sales W1-38	Weekly sales W35	Implied avg weekly sales based on 2024F		Total sales W1-38	2024F
			W36-52	W1-38		
BYD Co	n.a.	n.a.	n.a.	n.a.	n.a.	3,600
- BYD brand	57.9	80.6	88.3	2,199	3,435	
- Denza	n.a.	n.a.	n.a.	n.a.	n.a.	100
- FCB	n.a.	n.a.	n.a.	n.a.	n.a.	50
- YW	n.a.	n.a.	n.a.	n.a.	n.a.	15
Li Auto	8.6	12.0	12.3	328	500	
Aito	7.3	7.3	23.0	279	600	
Aion	6.2	5.7	7.5	235	340	
Leapmotor	4.0	6.3	10.7	150	300	
Zeekr	3.4	3.8	5.1	128	200	
Nio	3.7	3.7	6.4	141	230	
Deepal	2.7	3.8	24.8	103	450	
XPeng	2.2	3.5	8.4	82	200	
Xiaomi	2.3	2.9	4.1	63	120	
PEV	175.6	228.2	219.7	6,675	9,750	
ICE-car	216.2	232.4	288.1	8,217	12,250	
Total PV	391.9	460.6	507.7	14,892	22,000	
PEV share (%)	44.8	49.5	43.3	44.8	44.3	

Source: Yiche, Zheneng Auto, UOB Kay Hian

- Joyson (600699 CH/BUY/Target: Rmb26.00).** Recently, Joyson's automotive safety business announced that its Hefei plant has further increased production capacity. Less than a year after starting operations at the end of 2023, the plant's monthly sales revenue has already exceeded Rmb100m. Hefei plant mainly serves leading domestic EV manufacturers. Joyson's automotive safety business has now covered the top 10 China's EV companies. Previously, Joyson stated that after the first phase of Hefei plant's project went into operation, production capacity has been ramping up rapidly to meet the growing market demand from downstream customers such as BYD, Leapmotor, and Chery. Hefei plant is planned to have an annual production capacity of 4m units of steering wheels and 10m units of airbags.

We believe that Joyson has sufficient capacity to converse the Rmb40b new orders intake for the auto safety business in 1H24, and the economies of scale will also drive its profit margins. We maintain our 2024-26 net profit forecasts at Rmb1,507m/Rmb2,029m/Rmb2,587m respectively, and maintain BUY with a target price of Rmb26.00.

- The US is mulling over restricting the use of China-made vehicle connectivity parts and components in cars due to security concerns.** We think that this would not impact the Chinese smart cockpit and ADAS suppliers much. Desay SV, for example, only derived 7.5% of revenue from overseas markets in 1H24, and the US should have only contributed less than 5% of revenue during the period. Joyson Electronics derived 76% of revenue from overseas markets in 1H24, but these businesses were related to automobile safety such as seat belt and airbag. Joyson's smart cockpit and ADAS businesses are concentrated in the China market.
- CADA calls for policies to curb price war in China automobile market and bail out automobile dealers.** China Automobile Dealer Association (CADA) has recently submitted to multiple authorities a report regarding the tough conditions its members are facing amid the intense price competition. This was demonstrated by the poor 1H24 results of listed automobile dealers such as Zhongsheng. We expect China automobile dealers to be continuously squeezed by the stiff price competition against the backdrop of vehicle electrification.
- EV and power battery manufacturers that establish overseas factories in advance are more likely to seize overseas market share.** In early October, the 27 member states of the EU Commission are expected to hold a final vote on imposing a final tariff of up to 35.3% on EVs manufactured in China, in addition to the standard 10% EU import tariff on automobiles. Unless a majority of 15 EU member states, representing 65% of the EU's population, vote against it, these tariffs will be implemented by the end of October.

Following the EU's imposition of additional tariffs on Chinese EVs, lithium batteries are also likely to face similar restrictions. Currently, Chinese battery manufacturers, including CATL, EVE Energy, SVOLT, Farasis, Gotion, Sunwoda, Envision, and CALB, have already established overseas factories with planned capacities exceeding 500GWh. For example, CATL's European factory has a planned capacity of over 100GWh. We believe the aforementioned Chinese lithium battery companies that have ventured abroad early will likely have a competitive edge in terms of market share and profitability.

ACTION

- Maintain MARKET WEIGHT on China's automobile sector.** We prefer auto part manufacturers to OEMs and other segments, as the former are riding on the electrification and intelligentisation trends, eg Tuopu and Desay SV. Our preference for segments in descending order of preference are: auto part manufacturers > OEMs > battery material suppliers > auto dealers.
- Top BUYs: CATL, Desay SV and Geely.** Our BUY calls in descending order of preference are: CATL, Desay SV, Geely, Ningbo Tuopu, Fuyao Glass, Joyson Electronics, Minth, GWM.
- Top SELL: GAC.** GAC remains our top SELL based on the double whammy of falling sales and margin squeeze.

POWER BATTERY – PRODUCTION, SALES AND INSTALLATION VOLUME (AUG 24)

(GWh)	Aug 24	yoy % chg	mom % chg	8M24	yoy % chg
Supply-demand balance					
Production volume*	64.0	3.0	10.0	427.8	4.9
Sales volume	47.1	35.1	13.3	291.9	33.1
Export volume	11.1	4.4	15.6	80.9	3.6
Change in inventories	5.8	(65.3)	(17.7)	55.1	(50.1)
Ending inventories	357.8	30.0	1.6	357.8	30.0
Inventory days (months)	7.6	(0.3)	(0.9)	9.8	(0.2)
Production utilisation (%)	91.0	17.8	3.0	87.1	14.2
Installation volume					
CATL	20.98	35.8	8.0	133.3	40.4
BYD	11.78	25.2	25.7	71.4	11.3
CALB	3.47	2.7	18.0	19.5	2.1
EVE Energy	1.28	4.9	(16.3)	10.1	10.8
Gotion	2.16	74.2	24.9	10.7	25.6
Others	7.43	76.9	13.1	46.7	100.3
Total	47.10	35.0	13.3	291.9	33.1
Market share (%)					
CATL	44.5	0.3	(0.9)	45.7	2.4
BYD	25.0	(2.1)	0.5	24.5	(4.8)
CALB	7.4	(0.2)	0.3	6.7	(2.0)
EVE Energy	2.7	(0.8)	(0.2)	3.5	(0.7)
Gotion	4.6	(0.4)	(0.5)	3.7	(0.2)
Others	15.8	1.6	0.7	16.0	5.4
Total	100.0			100.0	

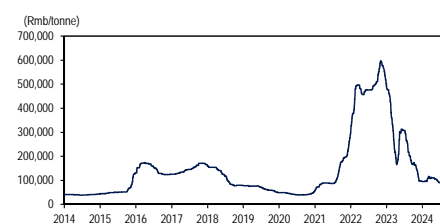
Source: China Power Battery Innovation Alliance

POWER BATTERY AND ENERGY STORAGE BATTERY – PRODUCTION, SALES AND EXPORT

(GWh)	Aug 24	yoy % chg	mom % chg	8M24	yoy % chg
Production volume	101.3	36.8	10.3	623.1	36.3
Sales volume	92.8	43.2	7.5	590.4	44.2
Power battery	68.4	26.6	10.0	457.4	27.9
ESS battery	24.4	126.4	1.2	133.0	157.0
Export volume	16.7	36.5	7.1	106.1	22.6
Power battery	11.1	6.1	15.6	80.9	4.4
ESS battery	5.6	215.9	(6.7)	25.2	176.6
Change in inventories	13.1	(19.0)	24.3	92.2	(7.5)

Source: China Power Battery Innovation Alliance

LITHIUM CARBONATE PRICES IN CHINA



Source: Bloomberg

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