

SECTOR UPDATE

Automobile - China

Weekly: PV Sales Up 16% yoy Last Week, Beating Estimates

China's PV insurance registrations grew by 16% yoy during 25 Nov-1 Dec 24. China's PEV wholesale shipments grew 51% yoy in Nov 24. The buoyant sales growth was driven by trade-in subsidies. However, China EVs are moving down the price curve, and the favourable policies for EVs are being rolled back. China's vehicle export growth slowed to 11% yoy in Oct 24, due to a slowdown in the overseas EV markets. Maintain MARKET WEIGHT. Top BUYs: Geely, Fuyao, and Desay SV.

WHAT'S NEW

- **China's PEV wholesale shipments rose 51% yoy/6% mom to a record of 1.46m units in Nov 24, beating estimates.** China Passenger Car Association (CPCA) estimates China's passenger electric vehicle (PEV) wholesale shipments at 1.46m units (+51% yoy/+6% mom) for Nov 24. The buoyant sales growth was driven by the trade-in subsidies. As of 18 Nov 24, there had been more than 2m applications for the cash-for-clunker subsidies. China began subsidising the trade-in of vehicles at the end of Apr 24 and doubled the amount of trade-in subsidies for ICE-cars and PEVs to Rmb15,000/Rmb20,000 respectively at the end of Jul 24. OEMs generally posted yoy/mom sales growth in Nov 24. This came as no surprise as: a) 4Q24 is traditionally the high season for auto sales in China, and b) the car purchase subsidies will expire on 31 Dec 24, which prompted people to buy cars before the year-end to tap on this benefit.
- **China's PV insurance registrations grew 16% yoy/15% mom/10% wow in the 48th week of 2024, beating expectations.** China's passenger vehicle (PV) insurance registrations came in above estimates at 644,000 units (+16.2% yoy/+14.6% mom/+9.7% wow) in the 48th week of 2024 (25 Nov-1 Dec 24). Insurance registrations of PEVs and ICE-cars reached 310,000 units (+55.0% yoy/+5.6% mom/+3.7% wow) and 334,000 units (-5.6% yoy/+24.5% mom/+16.0% wow) respectively during the week, implying a PEV market share of 48.1% (+12.0ppt yoy/-4.1ppt mom/-2.8ppt wow). In the first 48 weeks of 2024, China's PV insurance registrations totalled 20.45m units (+8.4% yoy), which included 9.50m PEVs (+47.7% yoy) and 10.95m ICE-cars (-12% yoy). This compares with our full-year 2024 PV retail sales estimate of 22.36m units (+3% yoy), which includes 10.72m PEVs (+47% yoy) and 11.64m ICE-cars (-19% yoy).

MARKET WEIGHT

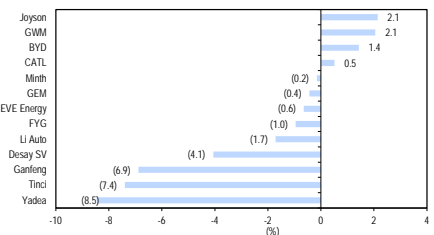
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TOP PICKS

Company	Ticker	Rec	Share Price (lcy)	Target Price (lcy)
Geely	175 HK	BUY	14.52	23.00
Fuyao Glass	3606 HK	BUY	52.05	68.00
Desay SV	002920 CH	BUY	117.19	190.00

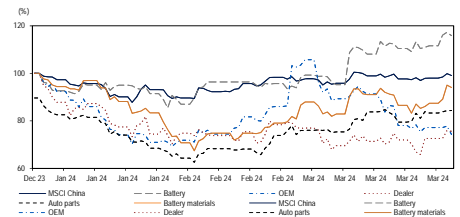
Source: UOB Kay Hian

WEEKLY STOCK PERFORMANCE



Source: Bloomberg

RELATIVE PERFORMANCE OF AUTO STOCKS



Source: Bloomberg

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PEER COMPARISON

Company	Ticker	Rec	Price @ 5 Dec 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 Company	1211 HK	HOLD	255.80	275.00	7.5	744,670	17.1	15.9	4.0	3.4	24.3	(44.8)
Geely Automobile	175 HK	BUY	14.52	23.00	58.4	146,120	14.5	12.4	3.9	3.9	10.4	(34.3)
Great Wall Motors	2333 HK	BUY	12.92	23.00	78.0	109,788	8.2	6.6	1.2	1.0	20.3	(12.2)
Guangzhou Auto	2238 HK	SELL	3.37	1.00	(70.3)	35,008	Loss	45.3	0.3	0.3	3.3	(14.9)
Li Auto Inc	2015 HK	HOLD	86.25	100.00	15.9	179,831	27.3	30.0	2.5	2.3	9.5	(149.2)
XPeng	9868 HK	SELL	49.95	35.00	(29.9)	94,247	Loss	Loss	2.9	3.5	(20.2)	(64.5)
Weichai Power	2338 HK	BUY	11.16	20.00	79.2	97,388	7.8	6.4	1.0	1.0	11.7	(57.1)
Fuyao Glass	3606 HK	BUY	52.05	68.00	30.6	135,837	16.4	13.9	3.5	3.1	22.5	(12.7)
Desay SV	002920 CH	BUY	117.19	190.00	62.1	65,043	32.7	24.6	6.9	5.7	22.8	(0.5)
Nexteer	1316 HK	SELL	3.01	2.00	(33.6)	7,555	20.1	21.8	0.5	0.5	2.4	(13.4)
Minth	425 HK	BUY	13.26	39.50	197.9	15,406	0.6	0.6	0.7	0.6	12.2	20.6
Ningbo Tuopu	601689 CH	BUY	54.38	65.00	19.5	86,898	31.6	25.0	5.7	4.9	17.2	33.9
Joyson Electronics	600699 CH	BUY	15.76	30.00	90.4	22,059	14.3	10.6	1.5	1.3	10.6	112.0
Ningbo Xusheng	603305 CH	SELL	15.94	7.60	(52.3)	14,875	33.9	33.2	2.3	2.2	6.3	(2.9)
CATL	300750 CH	BUY	256.00	350.00	36.7	1,121,989	23.5	19.1	5.0	4.4	21.5	(70.5)
EVE Energy	300014 CH	SELL	47.67	30.00	(37.1)	97,520	24.3	24.5	2.5	2.3	7.7	32.2
Ganfeng Lithium	1772 HK	HOLD	23.00	20.00	(13.0)	46,395	104.5	116.1	0.9	0.9	0.9	33.5
GEM	002340 CH	HOLD	6.86	8.00	16.6	35,230	28.7	26.7	1.8	1.7	4.1	37.6
Tinci Materials	002709 CH	HOLD	22.55	18.00	(20.2)	43,023	102.0	107.4	3.3	3.2	3.2	27.1
Zhongsheng Group	881 HK	SELL	16.00	11.00	(31.3)	38,350	11.4	11.9	0.7	0.7	6.9	37.5
Yadea Group	1585 HK	HOLD	11.26	13.50	19.9	33,724	13.4	11.7	3.3	2.9	26.3	(137.8)

Source: Bloomberg, UOB Kay Hian

• **China EVs are moving down the price curve. A price war is brewing in China's EV market as 2024 comes to an end.** Tesla kick-started a new round of price war on 23 Nov 24 by cutting the starting prices on Model Y by Rmb10,000 to Rmb239,000 and offering five-year interest-free loans. BYD also recently started to offer Rmb1,000-3,000 discounts on some models. Zeekr, Li Auto and Denza have also begun providing 3-5-year interest-free loans. Additionally, OEMs are launching cheaper new models to boost sales, eg Geely's Galaxy E5/Xingyuan/Starship 7 EM-i, XPeng's Mona M03 and P7+, Nio's Onvo, etc.

• **BYD (1211 HK/HOLD/Target: HK\$275.00).** BYD Company's (BYD) wholesale shipments grew 67.9% yoy and 0.8% mom to a record of 506,804 units in Nov 24, in line with our estimate. This brings 11M24 wholesale shipment to around 3.76m units (+40.0% yoy), compared with our estimated 2024 wholesale shipment of 4.25m units. On a weekly basis, BYD's insurance registrations came in as expected at 102,080 units (+73.0% yoy/+1.6% mom/+1.9% wow) in the 48th week of 2024. We maintain our 2024-26 net profit forecasts for BYD at Rmb39,627m/Rmb42,435m/Rmb43,549m respectively, based on sales volume estimates of 4.25m units/5.00m units/5.50m units and net profit per vehicle of Rmb8,190/Rmb7,340/Rmb6,670.

• **Li Auto (2015 HK/HOLD/Target: HK\$100.00).** Li Auto's wholesale shipments grew 18.8% yoy and dipped 5.3% mom to 48,740 units in Nov 24, bringing 11M24 deliveries to 441,995 units (+35.7% yoy). On a weekly basis, Li Auto recorded 11,900 units (+23.7 yoy/+4.4% mom/+2.6% wow) of insurance registrations in the 48th week of 2024. This brings cumulative insurance registrations in the first 48 weeks of 2024 to 446,900 units vs our estimated 2024 deliveries of 505,000 units and the company's targeted 2024 deliveries of 502,000-512,000 units. While Li Auto has recently seen a recovery in sales, we believe it will be facing increasing competition from peers such as XPeng and Leapmotor in the extended range electric vehicle (EREV) segment. We maintain our 2024-26 net profit forecasts for Li Auto at Rmb5,992m/Rmb5,440m/Rmb5,074m respectively, based on deliveries of 505,000 units/550,000 units/600,000 units and net profit per vehicle of Rmb11,864/Rmb9,892/Rmb8,457.

• **Geely (175 HK/BUY/Target: HK\$23.00).** Geely's wholesale shipments grew 27.0% yoy/10.3% mom to a record of 250,136 units in Nov 24, bringing 11M24 wholesale shipment to 1.97m units (+30.9% yoy), vs the company's full-year 2024 target of 2.0m units and our forecast 2024 sales of 2.1m units. Driven by Galaxy and Zeekr, Geely's EV sales spiked by 93.9% yoy/12.6% mom to a record of 122,453 units in Nov 24, representing 49% of total wholesale shipments.

On a weekly basis, the combined insurance registrations of Geely branded EVs and Galaxy branded EVs grew 7.7% mom/3.7% wow to 16,700 units in the 48th week of 2024, in line with estimates, driven by the ramp-up of Galaxy E5 and Xingyuan. The Geely Galaxy Starship 7 EM-i will officially debut on 6 Dec 24 with a pre-sale price starting from Rmb109,800, targeting the segment of BYD Song Plus DM-i.

Zeekr's insurance registrations remained flat wow at 6,200 units in the 48th week of 2024, still up 114% yoy and 7% mom, in line with expectation. This brings cumulative insurance registrations in the first 48 weeks of 2024 to 183,400 units vs our estimated 2024 deliveries of 200,000 units and the company's targeted 2024 deliveries of 230,000 vehicles. Looking ahead, Zeekr's sales will be driven by the ramp-up of the production of Zeekr 7X and Zeekr Mix. Zeekr 7X has registered 30,000 units of sales over the past 75 days.

Going forward, Geely will continue to expand its product line-up into the mass market of EVs, aiming to capture market share from BYD. We maintain 2024-26 net profit forecasts for Geely at Rmb9.17b/Rmb10.67b/Rmb13.03b respectively, based on sales volume of 2.10m units/2.50m units/2.90m units.

After Chairman Li Shufu increased his stake in Geely on 26 Nov and 27 Nov 24, Geely's Executive Directors Li Donghui, Gui Shengyue, and Gan Jiayue also increased their holdings in Geely on 2-3 Dec 24 by a total of 849,000 shares, 830,000 shares, and 792,000 shares respectively, at an average price of HK\$14.48, HK\$14.46, and HK\$14.48. These actions indicate management's confidence in Geely.

• **XPeng (9868 HK/SELL/Target: HK\$35.00).** XPeng's wholesale shipments grew 54.2%

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)	W48 (25 Nov-1 Dec)		mom % chg		wow % chg		W1-48 (24 Nov-Dec)		yoy % chg	
	Nov-1 Dec	yoy % chg	% chg	% chg	% chg	% chg	Nov-Dec	% chg	% chg	% chg
BYD Co	102.1	73.0	1.6	1.9	3,276.2	40.1				
- BYD brand	97.8	78.5	1.6	2.0	3,132.5	40.2				
- Denza	2.3	(35.7)	(19.6)	18.4	94.1	(9.7)				
- FCB	2.0	275.0	48.9	(13.7)	42.6	n.a.				
- YW	0.1	(59.0)	14.3	14.3	7.0	n.a.				
Wuling (EV)	19.5	57.3	(2.5)	(5.3)	551.2	n.a.				
Tesla	18.7	7.5	19.1	12.0	580.2	n.a.				
Li Auto	11.9	23.7	4.4	2.6	446.9	n.a.				
XPeng	9.4	100.0	74.1	30.6	137.0	n.a.				
Leapmotor	9.2	114.0	12.2	1.1	232.4	n.a.				
Aito	7.7	37.5	(8.3)	2.7	354.3	n.a.				
Aion	7.4	(23.7)	7.2	4.2	299.4	n.a.				
Galaxy	6.9	n.a.	(10.4)	(6.8)	n.a.	n.a.				
Deepal	6.3	117.2	3.3	3.3	154.9	n.a.				
Xiaomi	6.3	n.a.	103.2	37.0	111.6	n.a.				
Zeekr	6.2	113.8	6.9	-	183.4	n.a.				
Nio	4.1	10.8	(6.8)	2.5	183.4	n.a.				
PEV	310.0	55.0	5.6	3.7	9,503.4	47.7				
ICE-car	334.0	(5.6)	24.5	16.0	10,946.7	(12.0)				
Total PV	644.0	16.2	14.6	9.7	20,450.0	8.4				
PEV share (%)	48.1	12.0	(4.1)	(2.8)	46.5	12.4				

Source: Yiche, Zheneng Auto

YTD SALES VS FULL-YEAR SALES ESTIMATES

('000 units)	Avg weekly sales		Implied avg weekly sales based on 2024F sales		Total sales	
	W1-48	W48	W49-52	W1-48	W1-48	2024F
BYD Co	68.3	102.1	143.4	3,276	3,850	
- BYD brand	65.3	97.8	138.1	3,132	3,685	
- Denza	2.0	2.3	1.5	94	100	
- FCB	0.9	2.0	1.8	43	50	
- YW	0.1	0.1	2.0	7	15	
Li Auto	9.3	11.9	14.5	447	505	
Aito	7.4	7.7	61.4	454	600	
Aion	6.2	7.4	10.1	299	340	
Leapmotor	4.8	9.2	16.9	232	300	
Zeekr	3.8	6.2	4.2	183	200	
Nio	3.8	4.1	4.2	183	200	
Deepal	3.2	6.3	73.8	155	450	
XPeng	2.9	9.4	12.8	137	180	
Xiaomi	3.0	6.3	4.6	112	130	
PEV	198.0	310.0	303.9	9,503	10,719	
ICE-car	228.1	334.0	172.8	10,947	11,638	
Total PV	426.0	644.0	476.7	20,450	22,357	
PEV share (%)	46.5	48.1	63.7	46.5	47.9	

Source: Yiche, Zheneng Auto, UOB Kay Hian

yoy/29.2% mom to 30,895 units in Nov 24. XPeng's insurance registrations came in as expected at 9,400 units (+100% yoy/+74% mom/+31% wow) in the 48th week of 2024. This brings cumulative insurance registrations in the first 48 weeks of 2024 to 137,000 units, vs our estimated 2024 deliveries of 188,000 units and the company's targeted 2024 deliveries of 280,000 units. XPeng's recent sales growth was primarily driven by the cheaper new models – Mona M03 and P7+, implying lower ASP and margins. We maintain 2024-26 net loss estimates for XPeng at Rmb6,679m/Rmb5,487m/Rmb4,229m respectively.

- Tesla Shanghai factory delivered 78,856 units in Nov 24, down 4.3% yoy but up 15.5% mom.** Tesla China's Oct 24 sales were the lowest since Apr 24. The company aims to sell over 515,000 vehicles globally in 4Q24 to ensure that 2024's full-year deliveries exceed last year's 1.81m units. In order to boost sales, Tesla on 23 Nov 24 announced that it would cut the starting price of Model Y by Rmb10,000 and also extend the five-year, zero-interest financing incentive in China for all models. These promotional activities proved effective as shown by the insurance registrations last week. Tesla China's insurance registrations came in at 18,700 units (+8% yoy/+19% mom/+12% wow) in the 48th week of 2024. This brings cumulative insurance registrations in the first 48 weeks of 2024 to 580,200 units. The price cuts by Tesla prompted other OEMs to follow suit in cutting prices.
- Favourable policies for EVs in China are being rolled back.** Hainan recently announced that it would start collecting road maintenance fee from EV owners in the province. Given an annual mileage of 15,000km, the road maintenance fee is estimated at Rmb5,000. It cannot be ruled out that other provinces will follow suit in collecting road maintenance fees from EV owners. Additionally, charging prices for EVs in many provinces have been increased by 40-90% to nearly Rmb3.0/kWh, making the energy cost of EVs on a par with ICE-cars. Pursuant to China's newly released Energy Act, only EVs which use electricity generated from renewable sources will enjoy favourable charging prices. EVs purchased in 2024 and 2025 will be exempted from purchase tax amounting to Rmb30,000 per vehicle. The exemption will be halved and capped at Rmb15,000 for purchases made in 2026 and 2027. EVs are banned from basement car parks in some cities, due to the fire hazard of EVs.

We expect China to gradually cancel the favourable policies for EVs as the penetration rate of EVs increases. This would level the playing field for both ICE-cars and EVs. At present, ICE-cars are contributing in all taxes for China automobile industry and EVs are receiving subsidies, which will be unsustainable from a fiscal perspective once the EV market share exceeds 50%. As such, the NDRC has recently stated to support the development of ICE-car technology, while supporting the EV industry. The ICE-car industry remains a pillar industry of China, contributing nearly half of vehicle sales volume, 10% of GDP and taxes and over 70% of vehicle export volume of the country. ICE-cars will remain the mainstream of global automobile industry excluding China in the foreseeable future, as major overseas EV markets like Europe and Southeast Asia are seeing a slowdown.

- China's vehicle export growth slowed to 11% in Oct 24.** China's vehicle export volume grew 11% yoy and dipped 3% qoq to 586,000 units in Oct 24. By product, the slowdown of exports was mainly attributable to EVs (+3% yoy/+9% mom). By market, the slowdown in exports was mainly seen in major markets – Russia (+9% yoy/-19% mom), Latin America (+7% yoy/+5% mom), Europe (-17% yoy/-14% mom) and Southeast Asia (-3% yoy/+4% mom). In Nov 24, the export growth of some OEMs, eg BYD, slowed further. This was due to the slowdown of major overseas EV markets as a result of the rollback of subsidies. On the other hand, the Middle East is emerging as a new growth driver for China's vehicle exports (both EVs and ICE-cars).

ACTION

- We maintain MARKET WEIGHT on China's auto sector.** Our preference for segments in descending order is: OEMs > automotive part manufacturers > automobile dealers. OEMs generally have stronger bargaining power vs automotive part suppliers along the supply chain, and the former also has lower exposure to the US and faster-growing overseas markets in developing countries. Compared with OEMs, automotive part manufacturers will be subject to bigger risk from the US tariffs. Automobile dealers will continue to see earnings headwinds from vehicle electrification.
- Our top BUYs are Geely, Fuyao Glass and Desay SV.**

CHINA'S VEHICLE EXPORT VOLUME (OCT 24)

('000 units)	Oct 24	yoy % chg	mom % chg	10M24	yoy % chg
By product					
EV	198	3	9	1,713	19
BEV	162	(10)	4	1,454	8
PHEV	36	204	44	259	152
ICE-car	388	16	(9)	3,572	31
Total	586	11	(3)	5,285	27
By Market					
Russia and Middle Asia	154	9	(19)	1,334	28
Latin America	84	7	5	959	33
EU	93	(17)	(14)	812	1
Middle East	112	74	39	804	46
Southeast Asia	56	(3)	4	514	16
Africa	33	81	(1)	284	64
Other Asian countries	17	21	(14)	183	22
Oceania-]	18	3	20	164	(21)
US and Canada	13	13	(10)	135	36
Japan and South Korea	6	(43)	(9)	92	98
Total	586	11	(3)	5,281	25

Source: China Passenger Car Association (CPCA)

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