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China Autos: China Summit and Asia Tour highlights

One step forward, but one step back

- **Five structural themes at 12th Annual APAC Auto Tour:** Our global auto team conducted its annual Asia tour alongside the JPM China summit. Over the past week we visited over 30 companies in Japan, Korea and China, and present the five most discussed and debated topics below. All in all, in China auto space, we recommend long-term investors focus on 1) NEVs with rapid global production footprint e.g. **BYD** or 2) OEMs with earnings upgrade momentum e.g. **Geely**. Investors looking for shorter-term catalysts should watch Leapmotor (2H26 volume surge), Nio (earnings turnaround) and XPeng (AI initiative from 4Q26). On the flip side, we would avoid SOE JVs as well as Li Auto for relatively weaker sales or earnings downside risk. We saw five structural trends:
- **Theme 1-Domestic PV demand to fall further**: When asked about the domestic demand outlook, "lack of consumer confidence " was the most frequent reply from global/Chinese OEMs. We were advocating a "recovery trade" in early March (see *Entry point emerging*) on anticipation that 2Q26 PV demand would rebound by 25-30% QoQ (vs. seasonality of ~5%). This recovery is taking place, but the magnitude is more moderate (JPMe now ~10-15% QoQ). With this mild improvement to linger, ***we now expect PV domestic demand to slip by 15% this year (previously 4%)*** (Tables 1-3).
- **Theme 2-Exports beating expectations:** China's export story is not new to investors-we highlighted recently the structural shifts towards more NEVs and Europe (YTD 46%/21% of total exports per CPCA data) and China OEMs' market share gains in Europe (here) and Aisa (here). We believe Chinese OEMs will replicate the same strategy in overseas market by offering advanced connectivity content and interior features as standard, which works well especially for young buyers. **We now project China's total exports (PV+CV) to hit another record high of ~9.8mn units in 2026 from 7.1mn last year** (previous JPMe estimate 8.0mn in 2026).
- **Theme 3-"In China and for Global":** We were struck by the speed of selected global OEMs bringing lessons learnt in China to global markets, including a) exporting selected models produced in China to overseas markets - Hyundai Motor's LT ambition to export 40% of China capacity was the most noticeable; and b) leveraging China's cost-competitive supply chain for the global supply network-as highlighted by leading Japanese and German OEMs.
- **Theme 4-Foreign brands strive to come back in China**: This includes a) German premium OEMs continuing to right-size their China dealer network and production capacity, and b) embracing Chinese tech content e.g. Huawei, Momenta for new models that we saw at the recent Beijing auto show (click here). Among foreign brands, we think Toyota, Volkswagen, BMW and Benz will be critical players against Chinese rivals in China in the next few years.
- **Theme 5-Better revenue mix through high-end models and exports to mitigate cost inflation that will fully kick in from 2Q26**.

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See page 15 for analyst certification and important disclosures, including non-US analyst disclosures.

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12th Annual APAC Auto Tour Highlights

In this note, we summarize key takeaways or comments from OEMs and suppliers we met during the tour and China summit as well as our views on the subjects. In summary, most discussed and rebated topics include:

- **China's domestic demand- any meaningful sign of improvement in 2H26 and beyond?**
- **Competition and pricing- Now one year after China's anti-involution campaign, how are we doing?**
- **Overseas opportunity- Fast and furious!!**
- **Embracing Technology- a key to building entry barriers**
- **Product strategy by leading Chinese OEMs**

1. Domestic PV demand- sliding with little sign of meaningful rebound

China Summit takeaway: Domestic auto demand appears soft at the industry level but uneven across OEMs, with stronger NEV players still seeing selective order recovery. Among OEMs we met at the conference: **Leapmotor** cited April sales of 40k units, May target of 80k units and June target of 90k units, with May orders improving month-on-month and market sentiment recovering. **Great Wall Motor** (GWM) also pointed to domestic orders up 30% month-on-month as of May 20, while Haval's first 20 days of May orders rose 45% month-on-month. The broader demand backdrop remains cautious: GWM acknowledged its domestic target faces industry-wide decline pressure; **Guangzhou Auto** (GAC) is repositioning Aion away from the sub-Rmb60k A0 low-price segment toward the Rmb100k–150k value segment; and multiple OEMs emphasized pricing discipline, inventory management, replacement demand, and product-led pull rather than broad demand recovery. The powertrain mix continues to move toward NEVs, with **BYD** focused on flash charging to attract ICE users, GAC and **Geely** emphasizing multi-energy platforms, and Leapmotor expecting overseas markets to remain PHEV/EREV-led over the next five years before BEV penetration rises with charging infrastructure.

J.P. Morgan view: We are turning more cautious on domestic demand, **and have revised down China auto domestic retail demand in 2026 from -4% y/y to -15% y/y and wholesale demand from 1% y/y to -4% y/y.** The latest May industry data showed April PV wholesales down 4% y/y and 12% m/m, while domestic PV sales declined 20% m/m versus normal seasonality of -9% m/m, highlighting the risk that the year's demand recovery needs a sharp May/June rebound to stay on track. We still see NEVs as the relative bright spot, with NEV PV retail penetration surpassing 60% in April and our full-year PV NEV penetration forecast maintained at around 55%, helped by elevated oil prices and buyer preference shifting toward electrified portfolios. The demand implication is that industry growth is no longer the core support; share gains, NEV mix, new-model cycles and overseas exposure are becoming more important earnings drivers.

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Table 1: PV quarterly sales trend- JPMe

	1Q26A	2Q26E	3Q26E	4Q26E
PV Wholesales	**5,935,284**	**6,801,672**	**7,405,260**	**8,821,221**
QoQ-JPMe	-33%	15%	9%	19%
Seasonal QoQ	-10%	4%	-1%	22%
YoY-JPMe	-8%	-4.3%	-4%	0%
Retail PV	**4,012,284**	**4,415,172**	**5,305,260**	**6,721,221**
QoQ-JPMe	-43%	10%	20%	27%
YoY-JPMe	-23%	-23%	-13%	-4%

Source: CAAM, J.P. Morgan estimates

Table 2: China auto sales forecasts

Sales Unit ('000)	2018	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Sedan	11,528	10,308	9,275	9,934	11,116	11,490	11,517	12,424	11,703	11,727	11,750
MPV	1,735	1,384	1,054	1,055	937	1,102	1,050	1,213	1,176	1,191	1,205
SUV	9,995	9,353	9,461	10,101	11,187	13,206	14,722	16,123	15,833	15,960	16,088
Crossover	453	400	388	391	323	265	274	343	312	318	325
Total PV	**23,710**	**21,444**	**20,178**	**21,481**	**23,563**	**26,063**	**27,563**	**30,103**	**29,025**	**29,196**	**29,367**
(yoy % change)	-4%	-10%	-6%	6%	10%	11%	6%	9%	-4%	1%	1%
PV Export	758	725	760	1,603	2,527	4,140	4,955	6,038	8,574	9,388	9,905
(yoy % change)	19%	-4%	5%	111%	58%	64%	20%	22%	42%	10%	6%
PV Import	1,120	1,119	1,000	939	769	767	686	470	418	397	377
(yoy % change)	-1%	0%	-11%	-6%	-18%	0%	-11%	-31%	-11%	-5%	-5%
Total PV retail sales	**22,745**	**21,016**	**19,598**	**20,397**	**20,809**	**21,937**	**23,098**	**23,995**	**20,396**	**20,600**	**20,806**
(yoy % change)	-5%	-8%	-7%	4%	2.0%	5%	5%	4%	-15%	1%	1%
Bus	450	444	430	489	398	483	503	565	596	608	620
Truck	2,871	2,720	3,140	2,972	2,324	2,786	2,594	2,786	2,892	2,949	3,008
Tractor	483	565	835	677	299	504	468	591	662	675	689
Bus chassis	35	30	18	16	10	8	8	9	10	10	10
Truck chassis	532	565	710	639	270	249	300	346	366	370	374
Total CV	**4,371**	**4,324**	**5,133**	**4,793**	**3,300**	**4,031**	**3,873**	**4,296**	**4,526**	**4,613**	**4,701**
(yoy % change)	5%	-1%	19%	-7%	-31%	22%	-4%	11%	5.3%	2%	2%
CV Export	283	299	235	402	581	770	904	1,060	1,272	1,374	1,484
(yoy % change)	12%	6%	-21%	71%	45%	33%	17%	17%	20%	8%	8%
CV Import	15	16	18	6	13	17	18	10	11	12	13
(yoy % change)	52%	11%	11%	-64%	103%	26%	10%	-43%	7%	7%	7%
Total domestic CV wholesales	**4,103**	**4,042**	**4,917**	**4,397**	**2,733**	**3,277**	**2,987**	**3,247**	**3,265**	**3,251**	**3,230**
(yoy % change)	5%	-1%	22%	-11%	-38%	20%	-9%	9%	1%	0%	-1%
Total vehicles	**28,081**	**25,769**	**25,311**	**26,274**	**26,864**	**30,094**	**31,436**	**34,400**	**33,551**	**33,808**	**34,068**
(yoy % change)	-3%	-8%	-2%	4%	2%	12%	4%	9%	-2.5%	0.8%	0.8%
Total Export	1,041.00	1,024.00	995.00	2,005	3,108	4,910	5,859	7,098	9,846	10,762	11,389
(yoy % change)	17%	-2%	-3%	102%	55%	58%	19%	21%	39%	9%	6%
Total Import	1,135.02	1,135.39	1,018.46	945.02	782.43	784	704	480.00	429.06	408.94	389.91
(yoy % change)	-1%	0%	-10%	-7%	-17%	0%	-10%	-32%	-11%	-5%	-5%
Total domestic auto sales	**28,175**	**25,880**	**25,335**	**25,214**	**24,538**	**25,967**	**26,281**	**27,782**	**24,134**	**23,455**	**23,070**
(yoy % change)	-3%	-8%	-2%	0%	-3%	6%	1%	6%	-13%	-3%	-2%

Source: CAAM, J.P. Morgan estimates.

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Table 3: China NEV sales forecasts (Unit: 000 units)

	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2029E	2030E	25-30E CAGR
China auto sales (wholesales)	**25,311**	**26,274**	**26,864**	**30,094**	**31,436**	**34,400**	**33,551**	**33,808**	**34,068**	**34,452**	**34,841**	**0%**
PV	20,178	21,481	23,563	26,063	27,563	30,103	29,025	29,196	29,367	29,661	29,958	0%
CV	5,133	4,793	3,300	4,031	3,873	4,296	4,526	4,613	4,701	4,791	4,883	3%
China PV retail	*19,598*	*20,397*	*20,810*	*21,929*	23,098	23,996	20,396	20,600	20,806	20,806	20,806	-3%
Y/Y growth												
China auto sales	-2%	4%	2%	12%	4%	9%	-2%	1%	1%	1%	1%	
PV	-6%	6%	10%	11%	6%	9%	-4%	1%	1%	1%	1%	
CV	19%	-7%	-31%	15%	-4%	11%	5%	2%	2%	2%	2%	
China PV retail	-7%	4%	2%	5%	5%	4%	-15%	1%	1%	0%	0%	
China NEV wholesales	**1,367**	**3,519**	**6,883**	**9,495**	**12,866**	**16,440**	**17,295**	**18,724**	**19,982**	**21,338**	**22,434**	**6%**
PV NEV	1,247	3,334	6,548	9,048	12,290	15,466	16,074	17,248	18,289	19,421	20,335	6%
BEV	1,000	2,734	5,033	6,258	7,176	9,708	10,086	10,875	11,614	12,324	12,806	6%
PHEV	247	600	1,515	2,789	5,113	5,759	5,988	6,373	6,675	7,098	7,528	6%
CV NEV	120	185	335	447	576	974	1,222	1,476	1,692	1,916	2,100	17%
China NEV retails	**1,109**	**2,987**	**5,674**	**7,736**	**10,899**	**12,788**	**11,626**	**12,247**	**12,900**	**13,420**	**13,836**	**2%**
BEV	908	2,442	4,254	5,144	6,314	7,882	7,342	7,828	8,322	8,738	9,155	3%
PHEV+EREV	201	545	1,420	2,592	4,585	4,906	4,283	4,419	4,577	4,681	4,681	-1%
PHEV+EREV mix	18%	18%	25%	34%	42%	38%	37%	36%	35%	35%	34%	
China NEV wholesales y/y growth												
China NEV	**14%**	**157%**	**96%**	**38%**	**35%**	**28%**	5%	8%	7%	7%	5%	
PV NEV wholesales	**18%**	**167%**	**96%**	**38%**	**36%**	**26%**	4%	7%	6%	6%	5%	
BEV	20%	173%	84%	24%	15%	35%	4%	8%	7%	6%	4%	
PHEV	9%	143%	153%	84%	83%	13%	4%	6%	5%	6%	6%	
CV NEV	**-15%**	**54%**	**81%**	**34%**	**29%**	**69%**	25%	21%	15%	13%	10%	
PV NEV retail	**10%**	**169%**	**90%**	**36%**	**41%**	**17%**	-9%	5%	5%	4%	3%	
BEV	13%	169%	74%	21%	23%	25%	-7%	7%	6%	5%	5%	
PHEV	-1%	171%	161%	83%	77%	7%	-13%	3%	4%	2%	0%	
Penetration												
China NEV (wholesales)	**5%**	**13%**	**26%**	**32%**	**41%**	**48%**	**52%**	**55%**	**59%**	**62%**	**64%**	
PV NEV	**6%**	**16%**	**28%**	**35%**	**45%**	**51%**	**55%**	**59%**	**62%**	**65%**	**68%**	
BEV	5%	13%	21%	24%	26%	32%	35%	37%	40%	42%	43%	
PHEV	1%	3%	6%	11%	19%	19%	21%	22%	23%	24%	25%	
CV NEV	**2%**	**4%**	**10%**	**11%**	**15%**	**23%**	**27%**	**32%**	**36%**	**40%**	**43%**	
China PV NEV (retails)	**6%**	**15%**	**27%**	**35%**	**47%**	**53%**	**57%**	**59%**	**62%**	**65%**	**67%**	
BEV	5%	12%	20%	23%	27%	33%	36%	38%	40%	42%	44%	
PHEV	1%	3%	7%	12%	20%	20%	21%	21%	22%	23%	23%	

Source: CAAM, CPCA PHEV includes EREV, J.P. Morgan estimates.

Table 4: JPM full year sales volume forecasts and YTD run rate

	2025A	2026E	2027E	4M26	YTD Run rate
Geely*	3,025,405	3,475,819	3,892,130	944,522	27%
[illegible]	[illegible]	[illegible]	[illegible]		
BYD	4,550,346	5,000,665	5,371,456	1,021,586	20%
[illegible]	[illegible]	[illegible]	[illegible]		
Leapmotor	596,555	955,335	1,307,048	181,542	19%
[illegible]	[illegible]	[illegible]	[illegible]		
Xpeng	429,445	447,438	738,697	93,693	21%
[illegible]	[illegible]	[illegible]	[illegible]		
NIO	326,028	451,347	535,717	112,821	25%
[illegible]	[illegible]	[illegible]	[illegible]		
GWM	1,323,672	1,442,137	1,561,597	375,416	26%
[illegible]	[illegible]	[illegible]	[illegible]		
Li Auto	406,344	411,095	478,409	129,227	31%
[illegible]	[illegible]	[illegible]	[illegible]		
GAC	1,726,325	1,914,663	2,052,800	500,889	26%
[illegible]	[illegible]	[illegible]	[illegible]		
SAIC	4,163,360	4,357,427	4,481,275	1,301,589	30%
[illegible]	[illegible]	[illegible]	[illegible]		
Changan	2,913,000	3,109,442	3,223,559	736,815	24%
[illegible]	[illegible]	[illegible]	[illegible]		

Source: Company data, J.P. Morgan estimates.

2. Competition and Pricing - Still intense

China Summit takeaway: Competitive intensity remains high, but OEMs are increasingly trying to compete through content, technology, channels and product differentiation rather than only headline price cuts. All in all, competitive intensity remains elevated, but OEMs appear to be shifting from pure headline price cuts towards more disciplined pricing behavior, product-content upgrades and channel management. Among the OEMs we met at China summit, **BYD** focuses on flash charging to support pricing power, while **GAC** is using new launches to reset price bands rather than repricing legacy models, with mid-range discounts used for inventory clearance. **Leapmotor's** decision to stop selling the negative-gross-margin T03 compact car domestically, while keeping it overseas where margins are positive, also points to stricter portfolio discipline.

Channel and brand separation are becoming more important: GAC is separating Aion's B-end and C-end channels, logos and product lines to avoid retail brand dilution, while **GWM** is using a broader Rmb70k–420k product ladder to cover multiple demand segments. The Korea auto meetings reinforce the global dimension of competition, with **Kia** noting aggressive Chinese OEM pricing in emerging markets and incumbents relying more on brand, quality and after-sales rather than matching price cuts directly.

J.P. Morgan view: We still see a structurally competitive domestic market, but pricing discipline is showing early signs of moderate improvement after the sharp discount cycle earlier in the year. We see competition becoming more product-led: during our April Beijing auto show (our note here), we saw heavy overlap in large displays, onboard fridges, massage seats and L2 ADAS, increasing the risk of product homogeneity and making true differentiation through design, software, charging, brand and online mindshare more important. The relative winners are likely to be OEMs with stronger model-cycle momentum, overseas growth and earnings revision support, while most SOE/JV names remain constrained by own-brand profitability pressure and slower domestic demand.

German premium OEMs strive to right-size dealer network and China production

During the tour, we met key German OEMs (covered by Jose Asumendi). In Jose's latest China summit takeaway note (click here, published on May 26), he highlighted two important strategic shifts by German OEMs:

- **On the dealer front**, since 2024, German OEMs have begun consolidating their dealer networks in China, with an average ~20% reduction in 2025 vs 2024 levels. We view this as a positive step that should help these OEMs better protect their market share and profitability in the region. Jose expects this consolidation process, particularly for the premium OEMs, to end by the end of 2026 as we are seeing early trends of price stabilization through our channel checks. We expect premium OEMs to remain particularly focused on pricing power in China, maintaining the right balance between volume momentum and pricing power in the market.

- **On German OEM production's in China**, Jose sees clear evidence of ongoing right-sizing: BMW has reduced production by ~39% from peak 2023 levels, while Mercedes has followed by curtailing production by ~24% from its peak, and Audi has downsized by nearly ~15% from peak capacity. This highlights the

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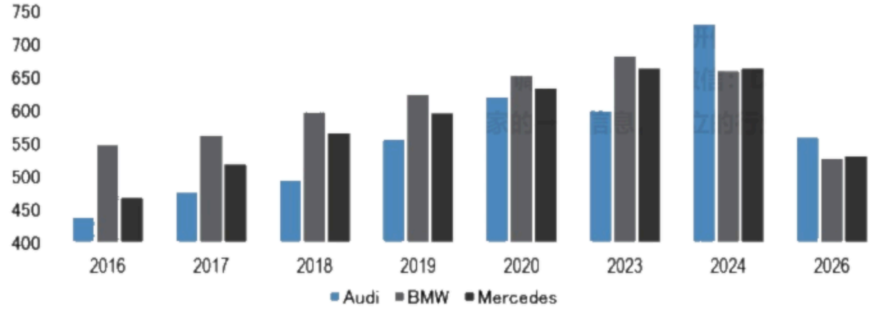
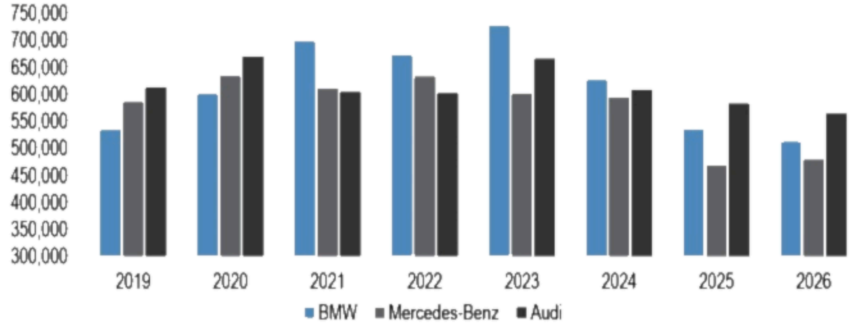
extent to which Chinese OEMs/brands have disrupted the market. In response, these OEMs are pursuing cost-cutting initiatives to protect profitability.

Figure 1: German OEMs' dealer network in China analysis



Source: China Auto Dealer Association, J.P. Morgan estimates for 2026.

Figure 2: German OEMs' production capacity in China



Source: CAAM, J.P. Morgan estimates for 2026.

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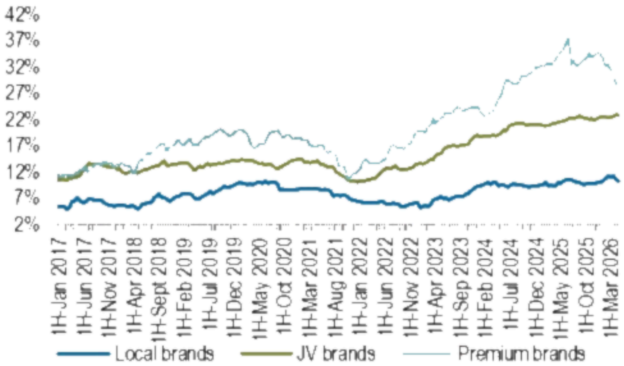
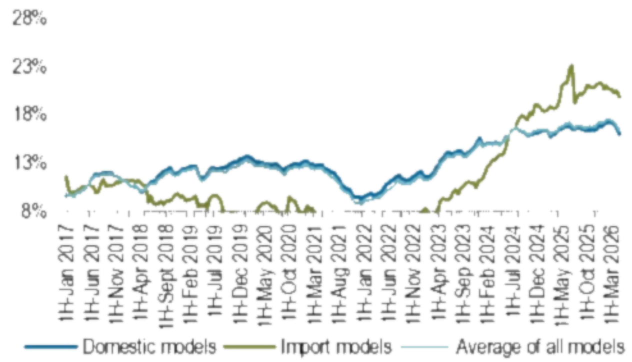
Figure 3: Average discount of domestic-made models by brand



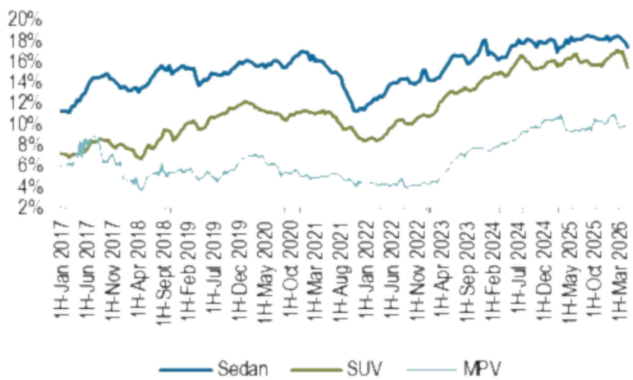
Source: China Auto Market, monthly pricing discount database, May 11 2026

Figure 4: Average discount of domestic-made and imported models



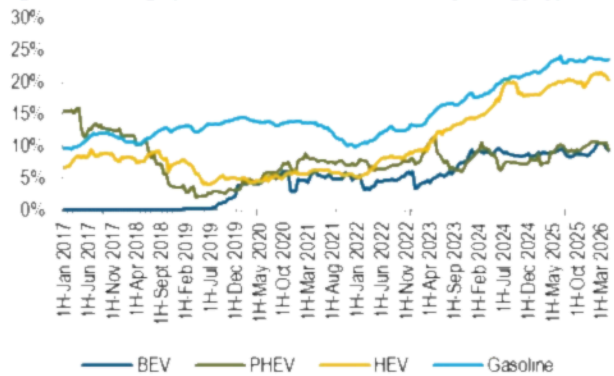
Source: China Auto Market, monthly pricing discount database, May 11 2026

Figure 5: Average discount by vehicle type



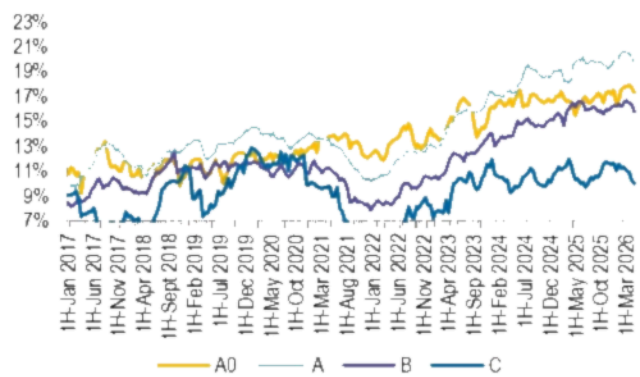
Source: China Auto Market, monthly pricing discount database, May 11 2026

Figure 6: Average price discounts of domestic by energy type



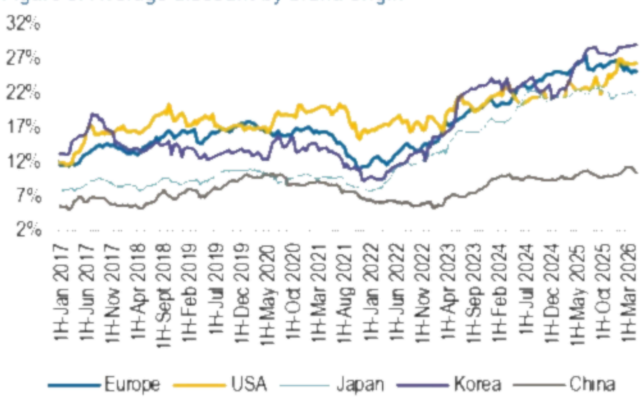
Source: China Auto Market, monthly pricing discount database, May 11 2026

Figure 7: Average discount by segment



Source: China Auto Market, monthly pricing discount database, May 11 2026

Figure 8: Average discount by brand origin



Source: China Auto Market, monthly pricing discount database, May 11 2026

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3. Overseas Markets and Opportunities

China Summit takeaway: Overseas expansion was the clearest common growth theme across the Summit, with Chinese OEMs using exports, local assembly, brand building and regional channel expansion to offset domestic pressure. Among OEMs we met at China summit, **Leapmotor** targets around 150k units of overseas sales this year, has roughly 1,000 overseas stores including more than 800 in Europe, and plans B10 small-batch localized production overseas in 4Q26 followed by A/B-series overseas production in 2027. **GAC** targets 250k overseas units, with 70k sold in January-April, and is using a light-asset model through Malaysia KD production, small KD operations in Indonesia and Nigeria, and Magna contract manufacturing in Europe. **Geely** is building owned subsidiaries and direct teams in major European markets, while Lynk will use Volvo's European dealer network. **GWM** targets 600k overseas units, with full-process plants in Russia, Thailand and Brazil plus KD assembly elsewhere. **BYD's** overseas strategy is more integrated, combining capacity, batteries, vessels and flash-charging infrastructure. By volume, BYD's overseas sales volume (JPMe 1.5mn units with possible upside toward 1.7mn units this year) is the highest across peers.

J.P. Morgan view: We see exports as the most compelling structural theme for China autos, and our latest May work shows the export story is increasingly dominating the sector narrative. **We raise China's total exports forecast (PV + CV) to around 9.8mn units, implying a ~40% y/y growth rate.** April PV exports reached around 800k units, a historical high, up 85% y/y and 6% m/m, with the YTD export run rate up 69%.

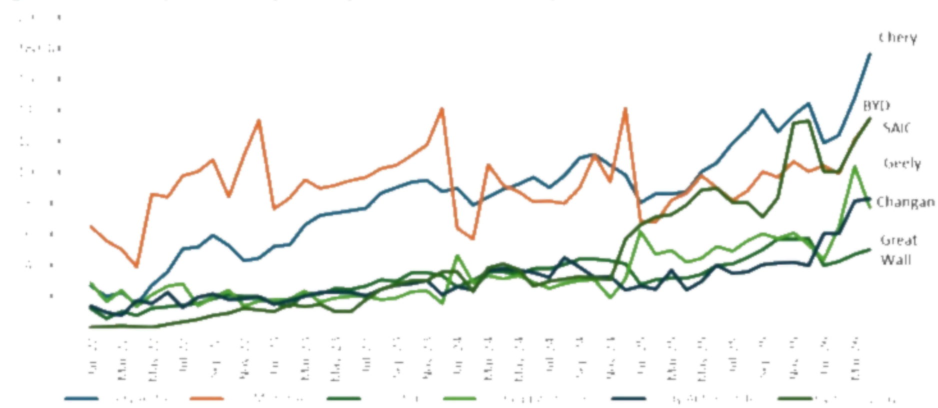
In overseas markets, we have also recently raised **Chinese OEMs' expected Western Europe market share to 20% by 2028** from the prior 10–15% by 2030 (click here), implying potential Western Europe PV sales of around 2.5mn units by 2028 versus roughly 1mn last year. **We forecast Chinese OEMs to achieve ~20-25% market share in ASEAN by 2030, up from 11% in 2025** (click here), implying ~400-600k units of volume opportunity between 2025-2030. Localization is becoming the decisive strategic variable, both to mitigate tariff/regulatory risks and to move closer to end markets, with BYD, GWM, Leapmotor, XPeng, Geely and SAIC all building or evaluating overseas production capacity. Although the main risks existed, e.g., tariffs, minimum-price or local-content rules, execution delays in localized capacity and incumbents' ability to refresh products before Chinese brands consolidate their foothold.

Per CPCA data, in 4M26, China total (PV+CV) exports grew by 51%y/y.

Europe accounted for ~21% of total exports

NEV accounted for ~50% of PV exports

Figure 9: China export monthly data by OEM from 2022 to April 2026



Source: CAAM

Table 5: China Auto Export Structure Share by powertrain

Vehicle Category	Powertrain	2024	2025	4M26	Share Change 4M26 vs 2025
Passenger Vehicles	BEV	30%	31%	32%	4%
	PHEV	6%	15%	18%	0%
	HEV	5%	7%	8%	1%
	ICE	59%	46%	41%	-5%
	Total	**85%**	**85%**	**84%**	**-1%**
Trucks	BEV	3%	8%	11%	3%
	PHEV	2%	5%	3%	-1%
	ICE	90%	85%	82%	-3%
	Others	5%	3%	4%	0%
	Total	**12%**	**13%**	**14%**	**1%**

Source: CPCA

Table 6: China Auto Export Structure Share by region

Region	2020	2021	2022	2023	2024	2025	4M26
Central and South America	20%	23%	23%	17%	18%	20%	21%
Middle East	14%	10%	15%	13%	15%	17%	10%
Europe	9%	16%	20%	18%	15%	17%	21%
Former Soviet Union	8%	9%	8%	25%	26%	15%	15%
Southeast Asia	13%	11%	13%	10%	10%	15%	11%
Africa	14%	10%	7%	4%	6%	9%	11%
Asia (others)	13%	10%	5%	3%	4%	4%	3%
Oceania	5%	6%	6%	4%	3%	4%	4%
US/Canada	4%	3%	3%	2%	3%	1%	1%
Japan/South Korea	0%	1%	1%	1%	2%	2%	2%

Source: CPCA

Table 7: Chinese OEMs' overseas % volume/revenue in 2025-26E

	Export volume as% of total sales		Export revenue % of auto revenue	
	2025	2026-JPMe	2025- JPMe	2026-JPMe
XPeng	10%	15%	~15%	~20%
BYD	23%	28%	~40%	~50-60%
Leapmotor	11%	8-10%	~12%	10%-12%
Geely	14%	19%	~30%	~40%
GWM	38%	~30%	70-80%	~50-60%

Source: Company reports and J.P. Morgan estimates.

4. Embracing Technology beyond ADAS

China Summit takeaway: Technology differentiation is shifting from standalone ADAS to a broader system of charging, electrical architecture, software, smart cockpit, powertrain efficiency and platform modularity. Among OEMs we met, **BYD** positioned flash charging as the core differentiator for the next NEV penetration stage, arguing that it requires integration across battery, E/E architecture and charging ecosystem and has a longer catch-up cycle than ADAS. **Leapmotor's** intelligent-driving solution is self-developed overall, with some third-party modules during transition, and the company plans to install its self-developed VLA model in 2026 Q4. **Geely** highlighted 12C charging, V4 supercharging stations, smart driving on Zeekr 8X, HEV-dedicated batteries and modular technology allocation by brand. **GAC's** Huawei Qijing collaboration targets a Rmb300k smart electric SUV with Huawei hardware/software and service-fee economics, while GWM's Guiyuan platform supports BEV, PHEV, HEV and hydrogen on one architecture.

J.P. Morgan view: We see smartification moving rapidly from optional differentiation to baseline competitiveness, with L2+ increasingly standard and L3 functionality becoming the next battleground in 2026. At the Beijing Auto Show (click here for our note), we observed OEMs advancing from L2+ as a standard feature toward L3 functionality in 2026, selected L4/robotaxi commercialization as early as 2027 in Chinese cities, and possible extension of similar AI stacks into robotics.

Technology competition is also expanding beyond ADAS into replenishment ecosystems: BYD's second-generation flash-charging battery can charge from 10% to 97% SOC in about nine minutes at room temperature, while BYD is scaling a proprietary megawatt-class charging network toward 20,000 stations by end-2026. For BYD, we view ultra-fast charging as a genuine game changer for global competitiveness, with the technology expected to extend to PHEVs and reduce one of the remaining buyer objections to electrified powertrains. In Europe, the key technology battleground will likely be content rather than price, including ultra-fast charging, intelligent powertrains, physical AI/world-model applications and, where permitted, L3 functionality.

5. Mitigating Cost Inflation Headwinds

China Summit takeaway: Margin pressure was a broad and recurring Summit theme, with OEMs pointing to raw-material inflation, subsidy rollback, export mix dilution, pricing pressure and higher operating expenses as near-term headwinds. The most immediate pressure points were battery cells, lithium carbonate, storage chips, aluminum, copper and steel, with several companies indicating that the cost impact becomes more visible from 2Q/June as inventory buffers fade; **Leapmotor** for instance quantified the non-battery raw-material impact at around Rmb2,000–3,000 per unit from June though this may not fully impacted on financials and cited a potential cell-price increase. Management teams generally framed the offset as a combination of supplier cost sharing, vertical integration, platform commonality, higher self-manufacturing, overseas mix improvement and richer product mix, rather than full price pass-through. The key implication is that margin recovery is likely to be uneven: OEMs with stronger technology differentiation, higher-margin new models, deeper supply-chain control and better scale benefits should be better positioned, while those still carrying low-margin export mix, subsidy rollback effects or weak own-brand profitability remain more exposed.

J.P. Morgan view: We expect cost inflation to become more visible from 2Q26, but the margin impact should be differentiated by OEM depending on vertical integration, product mix, pricing discipline and overseas exposure. We estimate that if spot prices flow through to full-year contract prices, BOM inflation could reach at least Rmb6,000 or more per vehicle, with storage chips alone contributing Rmb2,500–3,000 and representing the largest single cost item to monitor. For example, BYD's vertical integration and scale provide a relative advantage on lithium and copper cost management, though storage-chip exposure remains similar to peers. Pricing is also becoming less negative, with market discounts easing to ~16% in May from 17.3% in late March. At the company level, we expect BYD's higher-priced flash-charging models to support more than Rmb5k per-unit profit uplift (else equal) by 4Q26 or beyond; Leapmotor's gross margin should recover slowly as volume scales, Geely full-year gross margin to benefit from ASP and mix improvement, and GAC's turnaround to remain slower, with profitability expected only in 2027 in our base case.

Table 8: China auto OEM FY26 earnings JPMe vs Consensus

Company	Ticker	2026 consensus	2026 JPMe	JPMe vs. consensus	YTD consensus estimates change%
Geely	175 HK	21,086	23,994	14%	7%
Sinotruk	3808 HK	8,245	8,453	3%	7%
BYD	1211 HK	40,677	40,966	1%	-15%
GWM	2333 HK	10,999	10,515	-4%	-26%
Leapmotor	9863 HK	3,150	2,605	-17%	-16%
Changan	000625 CH	5,495	3,476	-37%	-28%
Xpeng	XPEV US	(1,640)	(3,891)	-137%	-168%
NIO	NIO US	(177)	(490)	-177%	96%
LI Auto	LI US	2,060	(3,392)	-265%	-64%

Source: Bloomberg Finance L.P., J.P. Morgan estimates

6. OEM Product Strategy

At China summit, we met several key Chinese OEMs and we highlight their key product strategy here:

BYD

China Summit takeaway: BYD's product strategy is anchored on flash-charging-led premiumization, vertical battery integration and global capacity deployment. Management positioned flash charging as the next major NEV technology iteration, with the goal of reducing charging time to single-digit minutes and narrowing the user-experience gap versus ICE refueling. BYD also expects BEV and hybrid architectures to converge over time, with BEVs using lower energy consumption and potentially smaller battery packs for the same range, while hybrids move toward 200–400km pure-electric range with larger batteries and smaller fuel tanks. The company does not externally source batteries, continues to supply selected external customers, and is shifting CapEx from saturated domestic vehicle capacity toward overseas capacity, battery retrofits and flash-charging network buildout.

J.P. Morgan view: We see BYD's 2026 product strategy as increasingly centered on product refresh, flash-charging ecosystem buildout and higher-priced model mix, which should support both domestic share recovery and margin resilience. We forecast 3.5mn units of domestic units in 2026 and a 1.5mn overseas sales target, with potential upside if demand remains robust and battery capacity is not a bottleneck. We also see the flash-charging network as a strategic differentiator, with more than 5,700 domestic stations operational by end-April and 6,000 overseas stations planned within 12 months, including 3,000 in Europe.

Great Wall Motor

China Summit takeaway: GWM's product strategy is built around broad portfolio coverage, multi-energy platforming and overseas replication of domestic product strengths. The company targets 1.8mn total sales in 2026, split between 1.2mn domestic and 0.6mn overseas units, supported by 10–11 all-new models across brands. Its Guiyuan platform is positioned as the core 2026 technology base, supporting BEV, PHEV, HEV and hydrogen on the same platform, enabling "one car sold globally" and targeting around 50% full-chain cost reduction. Brand roles are clearly segmented, with Ora covering the Rmb70k 150k range, Haval adding models such as H10 around the Rmb200k segment, and Tank extending into the Rmb426k-plus premium off-road/luxury segment. Overseas expansion is supported by full-process plants in Russia, Thailand and Brazil, KD plants across several regions, and new wholly owned sales subsidiaries in Italy and Spain.

J.P. Morgan view: We concur with GWM's strategic direction, particularly overseas, but the investment debate remains whether globalization and the new product cycle can translate into sustained domestic share stabilization and margin recovery in our view. Overseas remains the more compelling part of the story: GWM is one of the Chinese OEMs with substantial overseas exposure, with 2026 overseas revenue estimated at around 50% of auto revenue, supported by full-process capacity in Thailand, Russia and Brazil and KD projects across markets including Malaysia, Indonesia, Vietnam, Pakistan, Tunisia and Ecuador. We are constructive on management's focus on globalization, premiumization and an aggressive cross-brand pipeline, including EC15 and the AI-powered Guiyuan platform, but domestic execution remains the key swing factor, as domestic market share has slipped from 3.4% in 2022 to 2.7% in 2024 and 2.6%/2.3% in 2025/1Q26. Outside GWM, we also think BYD, Geely and Leapmotor are strongly positioned among selected Chinese OEMs with meaningful overseas capacity.

Leapmotor

China Summit takeaway: Leapmotor's product strategy prioritizes rapid volume ramp, platform commonality, margin repair and overseas localization. The company's annual plan implies around 350k units in 1H and 650k units in 2H, with overseas volume of around 150k units. Its core model pipeline includes the A10 launched in March, B19 launched in April with volume ramp from July as a flagship high-margin model, D19/D99 with planned gross margin of 15%–20%, and A05 launching in August as a hatchback differentiated from A10. Leapmotor's four platforms share 88%–90% commonality and support flexible production, while manufacturing is split across series. Overseas strategy includes around 1,000 stores, B10 overseas localized small-batch production in 2026 Q4, and A/B-series overseas production in 2027 to ease export pressure.

J.P. Morgan view: We see Leapmotor entering one of the strongest model-cycle inflection points in the China EV universe, with the Summit's volume ramp broadly consistent with our latest post-1Q view. Management guided 2Q26 volume of 240k–250k units, implying around 120% q/q growth (higher than JPMe 90-100%), the strongest momentum across China EV names, supported by new models- A10 and B19 order momentum, the upcoming D99 MPV launch and facelifts of existing models. We maintain a 2026 volume projection of 955k units, or 60% y/y growth, with upside risk if the new-model cycle continues to execute. The overseas strategy also looks positive, with management highlighting more than 1,000 global outlets, including 850+ in Europe, confidence in reaching the upper end of the 150k export target, and continued progress on the Stellantis Spain factory acquisition and additional localized hubs in Southeast Asia and South America.

Geely

China Summit takeaway: Geely's product strategy is a multi-brand, modular technology strategy combining overseas expansion, premium EV positioning and hybrid penetration in infrastructure-constrained markets. Galaxy is expanding globally through owned subsidiaries and direct teams in the UK, France, Germany, the Netherlands and Italy. Zeekr is reinforcing its technology-flagship role through ZEEKR new models- 9X, 8X, 7X and 07 GT, with self-developed intelligent driving and L4 testing in Hangzhou. Lynk&Co brand is ending its subscription model in EU and shifting to vehicle sales through Volvo's European dealer network, while HEV is positioned as a practical overseas solution for Southeast Asia, Latin America and the Middle East given charging infrastructure, grid stability and low-temperature constraints.

J.P. Morgan view: We remain constructive on Geely's product strategy because it combines a strong model cycle, overseas expansion and credible hybrid technology. We concur with management's aggressive guidance of 750k-unit overseas target for 2026, up 79% y/y, built around three 200k-unit regional hubs in Latin America, ASEAN and Europe, supported by 14 subsidiaries and more than 1,900 dealerships. We also see international dealer recognition for Zeekr 9X and 8X SUVs, particularly around power, handling and smart features, as evidence that premiumization can travel beyond China. On powertrain strategy, the proprietary iHEV system is strategically important, with management citing 48.41% thermal efficiency, 2.22L/100km fuel consumption and a cost structure 20%–30% more efficient than peers; we expect this to strengthen Geely's product competitiveness in both domestic and overseas markets. Overall, our FY26 earnings forecast is 14% above Bloomberg consensus forecast.

Guangzhou Auto

China Summit takeaway: GAC's product strategy is focused on repositioning Aion, separating B-end and C-end channels, using multi-energy platforms and expanding overseas through a light-asset model. Aion is moving away from the sub-Rmb60k A0 low-price segment toward the Rmb100k–150k value segment, while B-end operating vehicles and C-end retail channels are separated by channel, logo and product line. GAC is not abandoning B-end volume, which still contributes around 100k units per year of scale, but no longer plans to expand that business. The company is using multi-energy platforms that support BEV, EREV and PHEV, with Aion focused on BEV/EREV and Trumpchi on ICE/PHEV. Overseas growth is led by Southeast Asia, Europe, Brazil, the Middle East and Russia, with Malaysia KD production, smaller KD plants in Indonesia and Nigeria, and Magna contract manufacturing in Europe.

J.P. Morgan view: We are more cautious on GAC than on the leading private NEV names, even though the strategic direction is improving. Management plans to launch more than 11 new or modified models across its own brands in 2026, with a focus on NEV upgrades, while targeting a 25% cost reduction on mass-produced models and aiming to double overseas sales through expanded channels across Southeast Asia, South America, the Middle East, Africa and Europe. However, the near-term industry setup remains challenging with own-brand losses remaining a key structural drag. We therefore view GAC's product and overseas strategy as directionally

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positive but still execution-dependent, with our base case calling for a return to profit only in 2027 given the domestic and global competitive environment.

Table 9: Valuation Summary

Company	Ticker	Rating	Price(LC)	Target	Mkt Cap	PE(x)		PB		ROE		Div		EV/EBITDA	
			May 28	Mkt Cap	(US$ Mn)	26E	27E	26E	27E	26E	27E	26E	27E	26E	27E
Brilliance China	1114 HK	N	2.6	1.933	1,701	4.8	4.1	0.6	0.6	12%	15%	45.4%	10.5%	9.8	8.9
Great Wall Motor	2333 HK	N	10.4	20.524	18.597	7.3	6.8	0.8	0.7	11%	11%	3.9%	4.1%	7.6	7.9
Geely Auto	175 HK	OW	19.0	38.556	26.135	6.9	5.8	1.5	1.2	23%	23%	2.7%	4.0%	2.8	2.2
Guangzhou Auto-H	2238 HK	N	2.5	9.772	7,522	nm	29.8	0.2	0.2	-1%	1%	0.0%	0.0%	27.5	20.8
SAIC Motor	600104 CH	N	12.0	27.122	20.410	11.5	10.1	0.4	0.4	4%	4%	2.2%	2.6%	4.3	5.9
BAIC Motor	1958 HK	N	1.2	1.638	1,238	nm	5.8	0.1	0.1	0%	2%	0.0%	0.2%	1.9	1.8
Changan -B	200625 CH	UW	3.4	7.684	10.328	8.3	7.7	0.4	0.3	4%	5%	4.1%	3.5%	9.2	10.0
BYD -H	1211 HK	OW	90.6	158,211	119,383	17.3	13.4	2.5	2.1	15%	17%	0.5%	0.6%	1.5	0.7
Li Auto – Adr	Li US	UW	15.8	16.646	16.946	nm	24.6	1.5	1.4	-5%	6%	0.0%	0.0%	nm	8.9
Nio – Adr	NIO US	OW	5.8	17.540	14.408	nm	nm	nm	11.4	nm	47%	0.0%	0.0%	nm	28.9
Xpeng - Adr	XPEV US	OW	16.5	32.546	15.746	nm	nm	4.0	4.1	-14%	-5%	0.0%	0.0%	nm	nm
Leapmotor	9863 HK	OW	41.4	15.532	7,138	19.1	11.0	2.9	2.2	17%	23%	0.0%	0.0%	2.5	-2.6
Simple Average						**14.3**	**13.2**	**1.7**	**2.1**	**10%**	**14%**	**4%**	**3%**	**7.4**	**8.5**

Source: Bloomberg Finance L.P., J.P. Morgan estimates

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