



Global Autos

Chinese OEMs in Europe: varied motivations

Equities Automobiles

Europe

- ◆ The best performing auto stocks in 2025 were not those that won share; we question if market share is the ultimate prize
- ◆ Chinese OEMs' share in Europe has more than doubled in the last 12 months to c6.8% and it is likely to go higher
- ◆ Europeans unlikely to defend share aggressively, preferring to protect profits and cash-flow, whilst working hard on costs

It might be more than one acorn, but the sky is not falling. The rapid rise of Chinese OEMs in Europe is to many, startling. Volumes have been regularly doubling YoY and their collective market share has risen to close to 7% in April 2026. Perhaps more worrying is the pace of the ascent – in the UK, one of the markets where they have been strongest, brands such as Chery Group and BYD have reached 3-4% market share in a fraction of the time it took previous “new” entrants like Toyota and Hyundai to hit that mark.

Substance over price – Chinese cars are better. China speed is a common refrain from automotive execs, but never is it more obvious than in the quality that the Chinese now offer – equipment, fit and finish, features. This is not a desktop analysis, but rather our observation from the Beijing Show in April and from visiting local UK dealers (with our resident automotive engineer Mick Cameron in tow). It shouldn't be too much of a surprise – perfect competition (an abundance of production licences together with state funding) creates perfect products – at least in theory.

Impediments to the Chinese so far have proved to ineffective. Anti-subsidy duties don't seem to have caused the Chinese OEMs much trouble. It seems they simply absorbed them. The structure of the market (60% corporate) means residual values are important, but this has meant the Chinese have limited their price aggression. There is a degree of loyalty/patriotism that may limit how far the share of the Chinese can rise, but the bigger issue, to our minds, is that Chinese cars are evolving toward a bigger footprint, which might make them less relevant to Europe. Maybe.

European OEMs to double down on cost reduction and settle in for a fight. Prior to recent developments in China, we would argue Europe is one of the most competitive auto markets globally. Excess capacity, rigid labour laws, and the prevalence of small cars made it a tough market to generate healthy profits. It is against this backdrop that the Europeans now find themselves facing a fresh round of competition. We see them focusing on protecting profits, lowering variable (LFP will help) and fixed costs (an ageing workforce helps), but the fight is likely to be tough.

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Chinese win share in EU

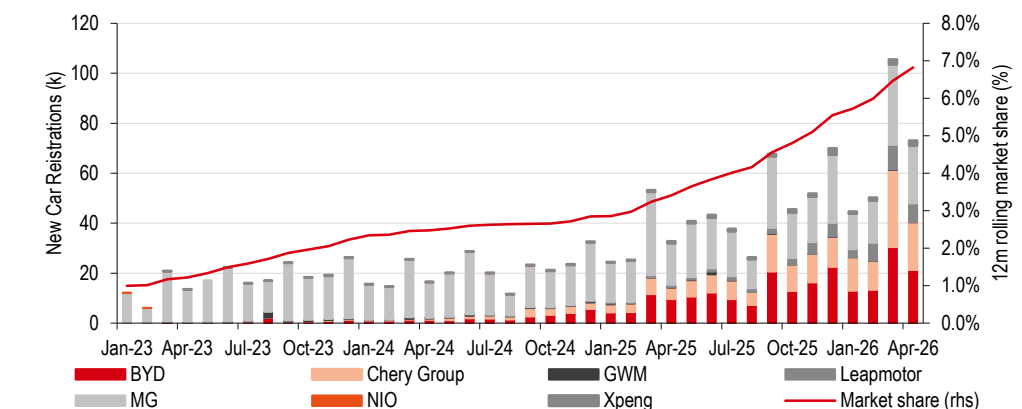
- ◆ Chinese OEMs' market share in Europe has doubled in the last year to c6.8%, with gains taken mainly from non-EU brands and STLAM
- ◆ Product substance over aggressive pricing continues to shine through; more choice, more options, more features
- ◆ As concerning as this appears, engaging in a head-to-head fight might not be the wisest (or most rewarding) plan for the Europeans

Chinese carmakers taking share in Europe at an alarming pace

The Chinese OEMs are here, and their market share growth shows no sign of easing. For many years now Europe has been concerned about the threat Chinese OEMs pose to the local car industry. Early attempts met with ridicule, but those failings are now a distant memory. A quick appraisal of the current Chinese offer shows, arguably, superior products that offer better value for money. As market data indicates, European consumers have shown little hesitation to embrace these new entrants. The European market share of the Chinese OEMs has been steadily growing (see below); it now stands at close to 7%, but looks set to go much higher.

Incumbents weigh up their responses with a view to protecting profits. To a casual observer it might seem that existing European carmakers (local and foreign) have been caught flat footed by the arrival of competition from China and as a consequence will find themselves increasingly marginalised and scrambling to catch-up. There's little doubt to our minds that work needs to be done to catch up (especially with regard to using the cheaper LFP battery chemistry favoured by the Chinese OEMs). However, for some carmakers (e.g. Korean + Japanese + Ford) it might be that lower exposure to (low-margin) Europe is not the burden it first seems, providing they can find a relatively painless way to reduce their footprint.

New car registrations of Chinese brands in the Big 5 + Norway – doubled in the last year



Chinese carmakers making serious headway in EU markets

Media focus on growth in Chinese brands continues to dominate news. Rapid volume growth and a doubling YoY of market share for Chinese OEMs in Europe has met extensive media coverage, with increasing discussions as to how big and how quickly the Chinese OEMs will expand in the coming months and years, and what that might mean for the incumbents:

Recent Media comments on the threat of Chinese OEMs in Europe

Date	Comments	Source
27-May-26	Global carmakers are facing a reckoning as US, European, and Japanese brands lose ground to Chinese rivals, setting the pace not only in electric vehicles, but also in batteries, design, and software	The BBC
01-Apr-26	Don't Stop Me Now: Chinese Cars Are Having a Good Time in Europe. A year and a half after the EU slapped duties on electric vehicles produced in China, imports of Chinese cars are accelerating and member states are at odds over whether additional protection is needed	Rhodium Group
15-Mar-26	EU carmakers pave way for Chinese rivals as balance in market shifts. Many European motoring manufacturers are in retreat with plants to off-load – while China's industry is on the march	The Guardian
12-Mar-26	VW wary of Chinese car threat that's only going to grow. Volkswagen's electric car fortunes are on the Auto Express rise but it's only too aware of the price pressure coming from China to Europe	The Times
09-Mar-26	Chinese carmakers motor towards taking a fifth of UK market share	The Times
24-Feb-26	BYD could overtake Tesla as newer brands such as Changan, Aion, and Geely gain ground	The Irish Times
30-Jan-26	Chinese brand sales accelerated by 80 percent in Europe as the rest of the European car market fell by 3.6 percent. Awareness of Chinese brands is now widespread, with just 3 percent of respondents saying they are unaware of any Chinese car brand. BYD leads in terms of awareness at 40 percent, followed by MG at 31 percent, Xpeng on 18 per cent and Leapmotor at 9 percent.	Bloomberg
15-Jan-26	One in 10 Cars Sold in Europe Is Now Made by a Chinese Brand	Car Magazine
	Chinese car sales are booming in the UK and it's not just about the cars	
	The ambition is huge. China's most prosperous car maker and EV market leader BYD expects to be the number one name plate in the UK in 'three years', according to its UK boss, Bono Ge	

Source: Media Sources as listed

The OEMs are acutely aware of the Chinese challenge in Europe. After a period of explaining how they might cope with the challenges of the Chinese domestic market (for the most part this involves imitating the locals via a China-for-China strategy), management of the major OEMs have changed focus, with most now commenting more specifically on Chinese cars entering Europe, with fewer European OEMs commenting about selling in China and the challenges faced there. (see [The Rise of Chinese OEMs in Europe](#), 14 August 2025)

Recent management comments on the threat of Chinese OEMs in Europe

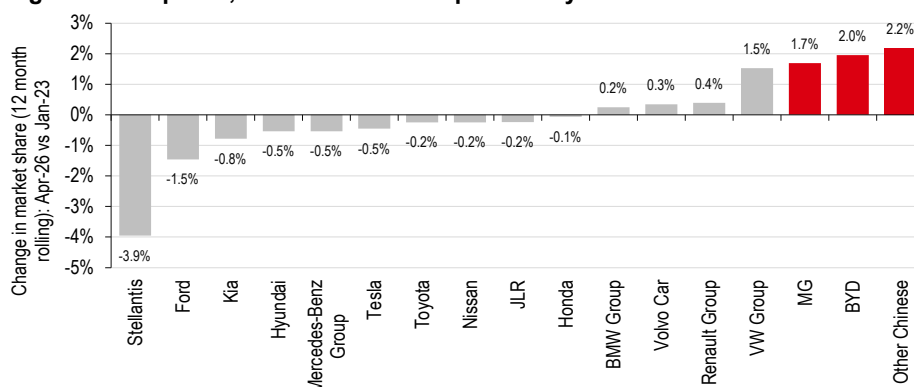
	Comments	Source	Speaker
Ford	"We know we're in a fight for our lives in our industry", referencing the "threat posed by cheaper Chinese competition"	Reuters, quoting an interview with the Ford CEO 9 Dec 2025	Jim Farley (Ford CEO)
Renault	"In terms of calling out competition, is it just Chinese? Is it other generalist market? I'd say it's broadly across the whole market"	1Q26 earnings call 23 Apr 2026	Duncan Minto (CFO)
	"Chinese OEMs are welcome in Europe, but they should partner with us, they should produce, develop, use our suppliers, invest in Europe"	4Q25 earnings call 19 Feb 2026	François Provost (CEO)
	"I do not underestimate the strong Chinese push because I know very well the strength of Chinese industry"		
	"We know what Chinese competition is and we are ready to fight and to grow in Europe"		
Stellantis	"So we all realize and recognize within Stellantis that our large portfolio of very iconic brands is one strength that we have against our competitors. For instance, the new Chinese entrants"	2Q25 earnings call 29 Jul 2025	Antonio Filosa (CEO)
	"Rising Chinese competition" highlighted as a key perspective of the auto industry	CMD investor presentation 25 May 2026	Antonio Filosa (CEO)
Volvo Car	"the Chinese car industry will for sure enter Europe, and they will be new unpleasant competitors. They will probably replace some of the old-school competitors we have"	1Q26 earnings call 29 Apr 2026	Håkan Samuelsson (CEO)

Source: Company transcripts from Alphasense

Market share gains of Chinese brands are largely at the expense of Stellantis, Ford and other Asian brands.

Below we show, the winners / losers in European market share over the past 3 years. If we look at the total market (ICE + EV), the biggest winners have been the Chinese brands, although most of the EU OEMs (except Stellantis) still gained market share. Tesla's volumes have suffered in the face of increased competition, aging models, and a pricing policy that did not align with fleet buyers (60% of the market). MBG's loss of share is likely attributable to its strategy of reducing exposure to the entry segment. Stellantis, on the other hand, may well be deliberately reducing the overlap between its brands, although this appears to have stopped. Ostensibly, the market share gains of Chinese brands have come from the Japanese and Korean brands, as well as Ford.

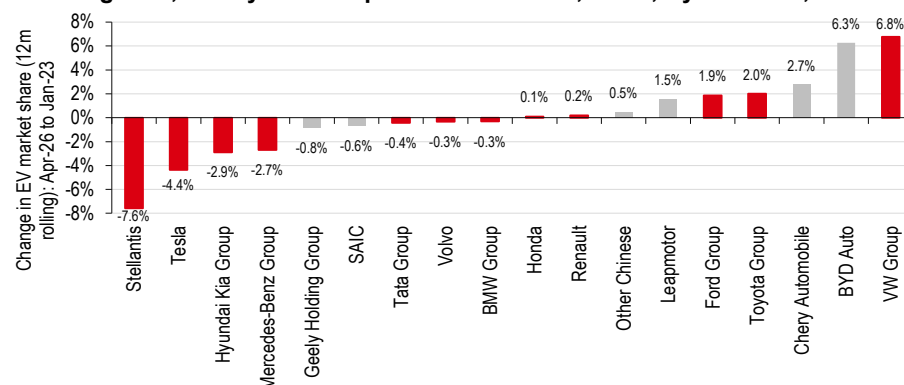
Chinese brands have grown at the expense of Japanese, Korean, Tesla, and Ford brands. Amongst the Europeans, Stellantis has been particularly weak



Source: ACEA, ANFAC, ANFIA, CCFA, KBA, SMMT, HSBC Note: This chart looks at market share in the Big 5 (UK, Germany, Spain, Italy and France) and Norway

It is a battle in the EV space, which is a growth market in Europe. Introduction of new EV products in the relevant segments (partially as a result of implementation of stricter CO₂ targets in the EU) has begun a period of EVs becoming significant. Traditional European OEMs have started to regain ground and push back against the new arrivals from Chinese OEMs. This growth should continue as new EVs are launched in 2026 by the European OEMs, in our view. However, localisation of production in the EU by the Chinese manufacturers and their ability to sell in the PHEV segment (after anti-subsidy duties were imposed by the EU on China-made BEVs), could help the Chinese brands remain competitive.

Strong growth by VW, but Chinese brands made significant gains across multiple brands in the EV segment, mainly at the expense of Stellantis, Tesla, Hyundai/Kia, and MBG



Source: Rho Motion Note: This chart looks at market share in the Big 5 (UK, Germany, Spain, Italy and France) and Norway

According to the 2025 *Closing the Gap* study by JATO Dynamics, the average price of EVs in Europe declined to cEUR63,000 in 2024 (from cEUR74,000 in 2018), but EVs remained 22% more expensive than ICE vehicles (from 53% in 2018). The latest data¹ show that average EV prices in the EU fell to cEUR43,000 in 2025, driven by the arrival of more affordable B segment EVs, like Renault 5 and Citroen eC3.

¹ Average price of EVs fell in Europe last year, Sustainabilityonline, 17 Mar 26

Substance over pricing, a key differentiator for Chinese brands

Cost advantage provides Chinese brands an opportunity to price low(er). We are often asked why European buyers opt for Chinese brands? We cannot be definitive, but the most obvious reason could well be price, but product substance for the Chinese OEMs is now comparative if not better in most cases. So, value for money is probably the best explanation. This stems from the structure of the Chinese domestic market. The starting point is that EV prices in China are lower than ICE equivalents, partially due to mix (the Chinese BEV market is heavily skewed towards the entry segment, while the US/EU markets have been focussed on the higher-value segments). An abundance of new entrants into the EV segment has created competitive pressure that has meant Chinese OEMs need to be low-cost producers of high content products. Perfect competition has, arguably, created (near) perfect products.

As yet the Chinese OEMs don't appear to be pushing too hard on pricing in Europe. In [The Rise of Chinese OEMs in Europe](#) (14 August 2025) we looked at product offerings and prices across the main segments; below we show updated data for those models and compare with June 2025 prices. We use Germany as a reference market for the EU, which seems reasonable given it is the largest market in Europe and one of the leaders in terms of EV adoption.

Our observation is that within each segment, Chinese brands continue to price in alignment with other brands, being within the range of segment pricing, rather than leading with lowest pricing in all segments. Looking across all segments over the last 12 months, there has been little price movement, either up or down, with the exception of price reductions on Japanese vehicles across most segments. In the next section, we further discuss the pricing development of Chinese and European models in each segment.

How do they compare by sector? – based on German market availability June 2025 vs June 2026

Automotive segment	Vehicle make/model	OEM home market	June 2025 German MSP (EUR)	June 2026 German MSP (EUR)	Change in MSP 2025-2026	Comments
B - Small	Renault 5	EU	24,900	24,900	0.0%	R5 replaced Peugeot e-208 in Jun 2026 update
	BYD Atto 2	China	31,990	31,990	0.0%	BYD replaced MG in Jun 2026 update
	Toyota Urban Cruiser - 61	Japan	38,990	38,990	0.0%	Toyota UC replaced Honda e:Ny1 in Jun 2026 update
	Kia EV3 LR	Korea	41,390	41,390	0.0%	
	Jeep Avenger	USA	38,500	38,500	0.0%	
C - Medium	Renault Megane E-Tech EV60	EU	40,990	40,990	0.0%	
	BYD ATTO 3	China	38,990	38,990	0.0%	
	Nissan Ariya	Japan	47,490	43,490	-8.4%	
	Kia EV6 SR 2WD	Korea	44,990	44,990	0.0%	Updated model
	Ford Capri ER - RWD	USA	51,400	51,400	0.8%	Capri replaced Explorer in Jun 2026 update
D/E – Large Mass	VW ID7 Pro S	EU	58,985	59,495	0.9%	
	XPeng G6 LR AWD	China	47,600	47,600	0.0%	Xpeng G6 replaced Nio ET5 75 in Jun 2026 update
	Toyota bZ4X AWD	Japan	57,390	55,000	-4.2%	
	Hyundai IONIQ 6 LR AWD	Korea	61,100	61,550	0.7%	Updated model – increased range
	Tesla Model Y LR Dual Motor	USA	52,990	54,970	3.7%	
D/E – Large Premium	Mercedes EQE 350 4Matic	EU	74,149	74,149	0.0%	Updated model
	BYD Tang	China	69,615	69,615	0.0%	Tang replaced Han in Jun 2026 update
	Lexus RZ 500e	Japan	68,000	63,000	-7.4%	450e replaced by 500e (Oct 2025)
	Genesis GV70	Korea	67,300	70,230	4.4%	Updated model – increased range
	Ford Mustang Mach-e ER-AWD	USA	65,900	66,600	1.1%	Updated model
F - Luxury	Audi e-tron GT quattro	EU	108,900	108,900	0.0%	
	Nio EL8 SR	China	94,900	94,900	0.0%	EL8 replaced ET7 in Jun 2026 update
	Kia EV9 AWD	Korea	68,990	68,990	0.0%	
	Lucid Air Pure RWD	USA	85,000	85,900	1.1%	Lucid replaced Tesla in Jun 2026 update

Source: ev-database.org, OEM websites

Battery chemistry a key source of pricing power (in most cases). Looking a little deeper into pricing at the segment level we see somewhat varied dynamics. Oddly, the Chinese OEMs seem to be pricing at a premium to local peers in the smaller car segments. Below we compare prices of a small sample of Chinese made vehicles with a selection of direct European competitor vehicles in the B, C and D segments, whilst looking to ensure similar battery size and range wherever possible. The details are in the tables below.

B Segments EVs – Price comparison June 2025 to June 2026

Make	Model	Range (km)	Battery size (kWh)	Efficiency (Wh/km)	Battery chemistry	Price (Jun 2025)	Price (Jun 2026)	Change
BYD	Dolphin Surf Boost	270	43.2	160	LFP	25,000	26,990	8.0%
BYD	Atto 2	245	45.1	184	LFP	31,990	31,990	0.0%
Smart	#1 Pure	250	47	188	LFP	34,990	34,990	0.0%
Zeekr	X Core RWD	270	49	181	LFP	39,850	39,850	0.0%
Average price Chinese OEMs						32,958	33,455	1.5%
Citroen	e-C3	255	43.8	172	LFP	23,300	23,300	0.0%
Fiat	Grande Panda	260	43.8	168	LFP	24,990	24,990	0.0%
Renault	5 E-Tech	260	40	154	NCM	24,900	24,900	0.0%
Opel	Frontera	240	43.8	183	LFP	28,990	28,990	0.0%
Average price EU OEMs						25,545	25,545	0.0%

Prices in EUR
 Source: ev-database.com

In the B segment, Chinese made products generally appear to be higher priced than those made by the European manufacturers, with the exception of the Dolphin Surf. All the Chinese vehicles are priced well above the average price of EUR25,545 for the European products shown. This is unchanged since we last reported. Despite an 8% price increase in the last 9 months, we would suggest BYD, with the Dolphin Surf, continues to actively target pricing close to the European average in this keenly contested segment. It is an important segment, making up close to 20% of the market, which perhaps explains why BYD is going head-to-head with the new B segment products that are being launched from the EU carmakers.

C Segments EVs – Price comparison June 2025 to June 2026

Make	Model	Range (km)	Battery size (kWh)	Efficiency (Wh/km)	Battery Chemistry	Price (Jun 2025)	Price (Jun 2026)	Change
BYD	Dolphin	350	60.5	173	LFP	32,990	34,640	5.0%
MG	4 - 64kWh	360	64	171	NCM	39,990	39,990	0.0%
GWM	ORA 3	340	59.3	174	NCM	32,490	32,490	0.0%
Leapmotor	B10	360	65	181	LFP	32,000	32,400	1.3%
Average Price Chinese OEMs						34,368	34,880	1.5%
Cupra	Born	360	59	164	NCM	41,450	39,990	-3.5%
Skoda	Elroq 60	350	59	169	NCM	38,400	37,390	-2.6%
Volkswagen	ID.3 Pro	365	59	162	NCM	39,995	36,425	-8.9%
Renault	Megane EV60	376	60	158	NCM	40,990	40,990	0.0%
Average Price EU OEMs						40,209	38,699	-3.8%

Prices in EUR
 Source: ev-database.com

In the C segment, the MG4 continues to be the exception, with all the Chinese vehicles priced significantly below the average for the European brands despite the overall average price increasing (+1.5%). However the MG4 has recently been refreshed and whilst not yet available in Germany, based on the UK prices we expect the new 26MY MG4 will be cEUR2,000 cheaper than the model listed above. This would align the price more closely with other Chinese OEMs, in part driven by the replacement of the NCM battery with a new, cheaper LFP alternative. The higher average pricing of all the European vehicles, whilst 3.8% lower since we last reported, continues to be driven, at least partially, by the use of more expensive NCM battery chemistry in these cars, in our view. This presents an opportunity for future reductions that we cover later in this report, as European OEMs transition to alternative, lower cost battery chemistries on future models.

D Segments EVs – Price comparison June 2025 to June 2026

Make	Model	Range (km)	Battery size (kWh)	Efficiency (Wh/km)	Battery chemistry	Price (Jun 2025)	Price (Jun 2026)	Change
BYD	Sealion Comfort	420	82.5	196	LFP	47,990	47,990	0.0%
GWM	ORA 7 GT	430	83.5	194	NCM	53,490	53,490	0.0%
Leapmotor	C10 RWD	355	69.9	197	LFP	36,400	37,600	3.3%
Smart	#5 Pro	370	74.4	201	LFP	45,900	45,900	0.0%
Average Price	Chinese OEMs					45,945	46,245	0.7%
Peugeot	e-5008	368	73	197	NCM	51,250	51,250	0.0%
Ford	Capri ER	470	79	168	NCM	50,911	51,400	1.0%
Mercedes	CLA 250+	585	85	145	NCM	55,859	55,728	-0.2%
Tesla	Model Y LR	490	77	157	NCM	49,990	47,970	-4.0%
Average Price	EU OEMs					52,003	51,587	-0.8%

Prices in EUR
Source: ev-database.com

In the D segment, the comparison is slightly harder, with more diverse products in the segment, the Chinese made vehicles continue on average to be cheaper than the European products, albeit the gap is compressing as Chinese average prices have increased and European average prices have decreased, but the gap still remains comparable with C segment vehicles. The Leapmotor C10, priced c20% below the average, is still the outlier among the Chinese products, but all other Chinese products are priced on a par with the European vehicles, with only a small difference in prices. The European EVs in the segment mainly use NCM batteries, whereas most Chinese EVs have LFP batteries, which are cheaper but often have a lower range compared to the European NCM powered vehicles. As with the C segment, battery chemistry could be the key to reducing European OEM prices.

In conclusion, the Chinese brands are not materially undercutting the incumbent EU OEMs on price. The differences in MSRPs appear to be a function of battery chemistry (cheaper LFP vs NMC) rather than discounting. To our minds, this is a logical approach, because “cheap” is not necessarily a good starting point for brand building and does not support future residual values. Competing on product rather than pricing is an opportunity to drive better margins than at home (see [BYD: Domestic price war and overseas expansion](#), 20 June 2025)

Features galore – leading on substance

The Chinese brand's market share gains are not just about price, but also substance. As we suggest above, Chinese OEMs are not relying on heavy discounting to gain market share, especially in the key European small-car segments. They appear to be going head to head with the European OEMs on substance, more content and more features as standard, delivering arguably more substantive products for similar prices.

To further support our position of substance being a key driver of interest in Chinese vehicles, we have compared two D segment cars, both July 2025 releases, on the UK EV market; the SAIC MG IM6 Long Range and the VW ID.7 Pro Match Plus.

MG IM6 vs VW ID.7 Comparison Data – More car, less money

	Battery (kWh)	Range WLTP (km)	Efficiency (Wh/km)	Max DC charge rate (kW)	EV architecture (v)	0-100 time (sec)	Total power (kW)	Battery type	RRP (GBP)
MG IM6 LR	96.5	625	182	369	800	5.4	300	NCM	47995
VW ID.7 Pro	77	621	140	190	400	6.5	210	NCM	51035

Source: OEMs Websites

The lower priced MG IM6 is a car that has performance in excess of the VW ID.7, with a larger battery and faster charging rate (due to 800v architecture), although the same range as it falls short on efficiency. But the value proposition gap grows further when you consider Advanced Driver Assistance Systems (ADAS) and other unique features offered by the MG, as shown in the table below.

Unique Standard / ADAS features comparison – MG includes many new features like 4-wheel steering and noise cancellation, and higher specification levels than the VW

MG IM6 LR	VW ID.7 Pro
ADAS Feature Counts = 27	ADAS Feature Counts = 21
20 speaker audio	9 speaker audio
26.3" Infotainment and drivers display	10" drivers display
10.5" Central touch screen	15" Central touch screen
Rainy Night Mode	Head Up Display
4 Wheel Steering - Crab Mode	
Road Noise Cancellation	
V2L Charging	
Hands Free Tailgate	

Source: OEM Websites

Taking lessons from the home market to export markets. Chinese OEMs tend to actively highlight the number of ADAS features on their vehicles. Aside from being keen to highlight the level of technology fitted as standard to their vehicles, we suspect this is a carryover from the competitive dynamic in their domestic market (see [China 'Autono-mass' Driving](#), 21 Mar 2025). This also informs prospective European buyers that the cars are well equipped, technically advanced, safe, and able to compete with the best of the European brands.

In the following chart, it is clear that the Chinese brands are not only competitive, but in many cases leading the market on standard fitment of ADAS features, with only VW Group and Renault vehicles matching most of the Chinese vehicles on feature count. Interestingly, the only Chinese products that seems less well endowed with standard ADAS features is Stellantis JV partner Leapmotor, which matches closely the level of feature count of the other Stellantis vehicles in our study. Some ADAS features are mandated in EU law, highlighted bold in the following table (see [EU Autos - Pricing: Higher content makes reversal less likely](#), 27 September 2024), but for now the majority are optional, until demand or regulations makes them standard fitment.

ADAS Features Comparison Matrix

OEMs	Brand	Model	ADAS Feature Count	Parking radars front	**Parking radars rear	Rear Camera	360deg view camera	540deg View Camera	**Cruise Control	**Adaptive Cruise Control (ACC)	Traffic Sign Recognition (TSR)	Intelligent Speed Limit Control (ISLC)	Forward Collision Warning (FCW)	Rear Collision Warning (RCW)	Predictive Collision Warning (PCW)	Front Cross Traffic Alert (FCTA)	Rear Cross Traffic Alert (RCTA)	Front Cross Traffic Brake (FCTB)	Rear Cross Traffic Brake (RCTB)	Lane Departure Warning (LDW)	Lane Departure Assist (LDA)	Traffic Jam Assist (TJA)	**Emergency Lane Keeping Assist (ELKA)	Lane Centring Control (LCC)	Intelligent High beam control (IHBC)	**Automatic Emergency Braking (AEB)	Door Opening Warning (DOW)	Blind Spot Detection (BSD)	**Direct Driver Fatigue Management (DFM)	Driver distraction warning (DDW)	Anti-lock Braking System (ABS)	Electronic stability control (ESC)	Intelligent Power Brake System (IPB)	Hydraulic Brake Assist (HBA)	Hill Start Assist (HSA)	Traction Control System (TCS)	Controller Deceleration Parking (CDP)	Vehicle Dynamics Control (VDC)	Electronic Brake Distribution (EBD)	Hill Hold Control (HHC)	Electric Parking Brake (EPB)	Auto Hold Brake	*Price From (GBP)				
European																																															
Renault	Dacia	Spring	11		Y				Y		Y		Y							Y			Y			Y			Y		Y	Y								Y					15,990		
Renault	Renault	R5	24	Y	Y	Y	Y			Y	Y	Y	Y	Y				Y		Y			Y		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y		Y	Y			25,245		
Stellantis	Citroen	eC3	14		Y				Y		Y	Y	Y							Y			Y		Y	Y				Y		Y	Y	Y							Y				19,995		
Stellantis	Peugeot	e208	11		Y					Y	Y	Y											Y		Y	Y				Y		Y	Y	Y					Y						30,150		
Stellantis	Peugeot	e2008	14	Y	Y					Y	Y	Y											Y		Y	Y				Y		Y	Y	Y		Y				Y		Y			35,400		
Renault	Renault	e-Scenic	19	Y	Y		Y			Y			Y	Y				Y		Y	Y			Y		Y	Y		Y	Y	Y	Y	Y	Y		Y			Y		Y				36,995		
Stellantis	Citroen	eC4	14		Y	Y			Y				Y	Y							Y		Y		Y	Y	Y		Y		Y	Y	Y	Y		Y					Y				27,650		
Stellantis	Citroen	eC5 Aircross	14		Y					Y	Y	Y	Y	Y							Y		Y		Y	Y			Y		Y	Y	Y	Y	Y		Y				Y				33,005		
Stellantis	Peugeot	e308	13		Y	Y				Y	Y	Y											Y		Y	Y			Y		Y	Y	Y	Y		Y				Y		Y			30,995		
Stellantis	Peugeot	e408	13		Y	Y				Y	Y	Y											Y		Y	Y			Y		Y	Y	Y	Y		Y				Y		Y			36,170		
VW	Cupra	Born 170	17	Y	Y		Y			Y	Y							Y					Y		Y	Y		Y	Y	Y	Y	Y	Y	Y			Y				Y	Y			34,190		
VW	Skoda	Elroq 60	17	Y	Y	Y				Y	Y		Y										Y	Y		Y	Y		Y	Y	Y	Y	Y	Y			Y					Y	Y			33,560	
VW	Skoda	Enyaq 60	17	Y	Y	Y				Y	Y		Y									Y		Y	Y		Y	Y	Y	Y	Y	Y	Y	Y			Y				Y	Y			39,010		
VW	VW	ID.3 Pure	18	Y	Y		Y			Y	Y		Y					Y			Y		Y		Y	Y		Y	Y	Y	Y	Y	Y	Y			Y				Y	Y			30,860		
Stellantis	Peugeot	e3008	14		Y	Y				Y	Y	Y											Y		Y				Y		Y	Y	Y	Y		Y	Y			Y		Y			46,060		
Stellantis	Peugeot	e5008	14		Y	Y				Y	Y	Y											Y		Y				Y		Y	Y	Y			Y	Y			Y		Y			48,560		
Chinese																																															
BYD	BYD	Dolphin Surf	18		Y	Y	Y			Y	Y	Y	Y							Y			Y			Y			Y		Y	Y	Y	Y	Y			Y		Y	Y		Y	Y			18,650
Chery	Jaecoo	Jaecoo 5 - EV	16	Y	Y			Y		Y								Y					Y		Y		Y		Y	Y	Y	Y	Y			Y		Y	Y							27,505	
Chery	Omoda	Omoda E5 - EV	16	Y	Y			Y		Y			Y										Y		Y		Y	Y		Y	Y	Y	Y	Y			Y		Y							33,055	
Chery	Omoda	Omoda 5 - HEV	16	Y	Y			Y		Y			Y										Y		Y		Y	Y		Y	Y	Y	Y	Y	Y			Y								25,740	
BYD	BYD	Dolphin	24	Y	Y		Y			Y	Y	Y	Y				Y	Y	Y	Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y	Y	Y	Y			Y			Y	Y	Y			30,205	
Chery	Jaecoo	Jaecoo 7 - PHEV	17	Y	Y			Y		Y		Y	Y										Y		Y		Y		Y	Y	Y	Y	Y	Y	Y			Y		Y	Y					35,165	
Chery	Omoda	Omoda 7 - PHEV	18	Y	Y			Y		Y			Y										Y		Y		Y		Y	Y	Y	Y	Y	Y			Y			Y		Y			32,000		
BYD	BYD	Seal	31	Y	Y		Y			Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y		Y	Y	Y	Y	Y	Y	Y	Y	Y		Y			Y	Y	Y	Y			45,685	
BYD	BYD	Sealion 7	32	Y	Y		Y			Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y		Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y			51,990	
Chery	Omoda	Omoda 9 - PHEV	21	Y	Y			Y		Y		Y	Y					Y		Y		Y	Y		Y	Y		Y	Y	Y	Y	Y	Y	Y		Y			Y		Y				44,990		
Stellantis	Leapmotor	C10 - REEV	12	Y	Y		Y			Y													Y	Y		Y		Y	Y	Y	Y	Y	Y			Y										39,495	

*ECG not applied to above prices shown and **EU General Safety Regulation 2 (GSR2) mandated features from 7 July 2024 for all EU markets. Chinese OEM products highlighted in Red
Source: OEM Websites

European & Chinese Auto OEMs London Field Trip Assessment Summary

Brand / cars	Perceived quality	Fit and finish	Seating comfort and adjustment	Technology	Voice controls	Brand consistency	The people	The premises
BYD	+++++	++++	+++	+++++	++++	++++	Friendly and informative staff in a very informal, welcoming environment	Shopping centre/mall retail outlet, liked by the team, good access, and range of vehicle on display in modern environment
Chery - Jaecoo	+++	++	+++	+++	++++	+++	Staff friendly, but over eager to engage Quite informative, but autopilot feature poorly explained by showroom team, with actual capability oversold	Showroom was small and cramped, customer parking was underground and impossible to use, rest was street-based parking Poor external image Poor maintenance of showroom cars evident, i.e. one car smelled of cigarette smoke
Chery - Omoda	+++	++++	+++	++++	++++	++++	Comments above for Jaecoo apply	Comments above for Jaecoo apply
Stellantis - Peugeot, Citroen, Fiat	++	++	++	++	+	+++	Peugeot, Citroen. Sales people were attentive and attended to us quickly – quite friendly, but a bit varied	Sense of chaos in the showroom, with one side (Citroen) crowded with cars, the other (Peugeot) empty, but few people to demo. Most EVs had flat batteries, no showroom chargers, so many features not demonstrated. Customer parking very poor and cramped
Stellantis - Leapmotor	+++	++++	+++	+++	+++	+++	Staff reluctant to engage in conversations or demonstrate the Leapmotor C10. They seemed reticent to promote the car (tucked away in a corner and they could not find the keys)	Leapmotor hidden in a corner behind a screen
VW - VW, Cupra	+++++	++++	+++	++++	not assessed	++++	Staff not very attentive – we spent c15 minutes with Seat and Skoda, and no-one approached us EVs not present – VW BEVs are sold on an agency basis, so dealer has little incentive to promote them	Huge showroom, but a limited range of cars – especially EVs The few EVs in the showroom were not charged or live, so limited ability to assess Great customer parking area; very large and typical of German OEM retailer layout
Renault	++++	++++	++++	++++	not assessed	+++	Showroom cramped, with too many cars in a small space. Staff were inattentive No-one spoke to us or approached us. One salesperson just smiled	Car park was chaotic. Neither a welcoming site, nor a great location
Dacia	++	++	+++	+++	+	+++	Comments above for Renault apply	Comments above for Renault apply

Source: HSBC

Whilst the sample size was small, we believe the output is a valuable indication of how the Chinese OEM's retail outlets and their products are performing against the European OEMs. After considering each element, our order of preference and top picks from the field trip are shown below.

European & Chinese auto OEMs London field trip – autos team top picks

Ranking	Brand / Car	Comments
1	BYD	Scored highly in the majority of our assessed criteria, with perceived quality, fit & finish, and technology content all scoring highly. The most professional sales team of the day, who were well trained and informed in a welcoming, relaxed retail environment
2	VW	Like BYD, scoring highly in most of the assessments; well-engineered, solid build quality, good technology content and alignment across all their products. Spacious showroom, but let down by inattentive staff and lack of supported static demonstration vehicles. Limited BEV models. Mixed-agency model means there seems limited incentive for the retailer to showcase EVs
3	Renault	The Renault products assessed scored consistently highly across most categories, with perceived quality, fit & finish, seats, and technology being the highlights. We believe Renault is not given nearly enough credit for its great execution. However, the sales staff need significant improvement, with no contacts actively being made by the team with prospective customers, who are left to seek assistance as required. A crammed showroom and poor parking further detracted from the experience and what are some great products
4	Omoda	Scored consistently across all categories and would have been closer to BYD's positioning, but held back by perceived quality, and the choice and harmony of materials and finishes in the cars. Whilst the staff were friendly and knowledgeable, their retail outlet was small and in a poor location that was hard to access, hard to park at, and with too few cars on display
5	Leapmotor	Leapmotor scored well across all criteria, splitting cross the Chery products, with good scores for fit and finish and build quality. However, scores were a little light for ADAS features / technology, particularly for one of the higher priced cars assessed. Hidden within a corner of the Stellantis showroom is not the best place to promote sales, Stellantis needs to define where Leapmotor fits in its portfolio and support accordingly
6	Jaecoo	Well equipped cars at their price points, scoring better than several of the established Europeans, but let down by poor execution in fit & finish and material choices / finishes. Comments on people and premises are the same as Omoda (dual branded outlet): well-staffed, but let down by poor location and parking, and being too small for the number of vehicles on display
7	Dacia	At its price point, Dacia scored acceptably vs other higher cost brands, but were lacking in perceived quality and fit & finish, with poor choice of materials and finishes, and execution thereof. Comments about people and premises are the same as for Renault (dual branded outlet), with a lack of sales staff engagement with prospective customers, an overly crowded showroom at a poor location, and lack of parking on site all detracted from the Dacia purchase experience
8	Stellantis	In the face of all the other products assessed, Stellantis, with Peugeot, Citroen, and Fiat vehicles, was weak in almost all areas we reviewed, scoring at or near the bottom in all categories. Leapmotor was the only high point for the group. Whilst the sales team were arguably the most attentive, engaging as soon as we walked into the retailer, the showroom and car park were chaotic, with cars all crowded in one area of the showroom and other areas almost empty, which extended into the customer parking where new cars were intermixed with customer cars

Source: HSBC

Of the elements assessed on each of the vehicles, the majority were subjective and comparative across the vehicles and OEMs, with our team's consensus comments recorded as part of this process. If you would like more information on; the process, the cars or the detailed comments, please [contact us](#).

The ultimate goal – profits and cash flow, not market share

Market share may not be the ultimate prize – for shareholders or CEOs. Yes, the Chinese OEMs are winning market share in Europe (at pace) and a part of this is at the expense of incumbent European OEMs. However, market share is not the ultimate prize, in our opinion, both for shareholders and company management. The availability of high frequency data in the sector probably puts an undue importance on volume growth and resultant market share development. However, when looking at the incentive structure for the management of large carmakers, we observe that, barring BMW (some Asian companies have business performance as a KPI), market share does not feature as a KPI for their remuneration and bonuses. Rather profitability, cashflow, and importantly share price development feature as drivers (see table below).

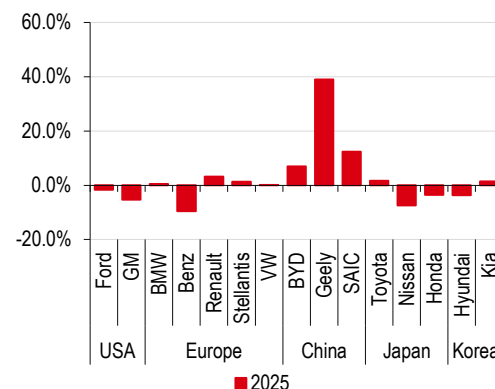
Management incentive structure / KPI: focus on profitability, cashflows and share price rather than market share growth

	Operating profit and/or margin	Cash flow	Market share	Share price appreciation	CEO holding
BMW Group	Margin		Y		Negligible
Mercedes Benz Group	Margin	Y		Y	Negligible
Volkswagen Group	Margin	Y			Negligible
Stellantis	Absolute	Y		Y	0.10%
Ford Motor Company	Margin	Y		Y	0.20%
GM	Margin	Y		Y	0.20%
Honda Motors	Margin			Y	0.01%
Toyota Motors	Absolute			Y	Negligible
Nissan Motors	Margin	Y		Y	Negligible
BYD	Absolute	?	?		17.00%
SAIC Motors	Absolute				0.00%
Geely Automobile Holding	Absolute	?	?		0.28%
Chery Automobiles	Absolute				0.00%
Hyundai Motors	Absolute	?	?		2.73%
Kia Motors	Absolute	?	?		1.80%

Source: company data

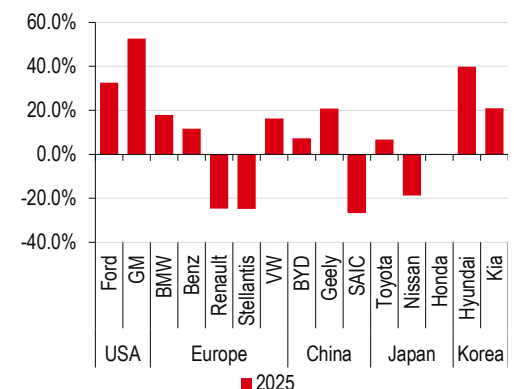
Market share gains do not appear to drive share prices. The charts below show volume development and share price performance in 2025, as well as a three-year trailing average. There is no visible correlation between volume growth (our proxy for global market share) and share prices. The OEM with the strongest price rally, namely GM, saw its volume decline YoY in 2025. Its share price, though, was supported by cash flow and buybacks, in our view.

Volume growth (2025): Chinese OEMs take the top 3 spots



Source: Visible Alpha

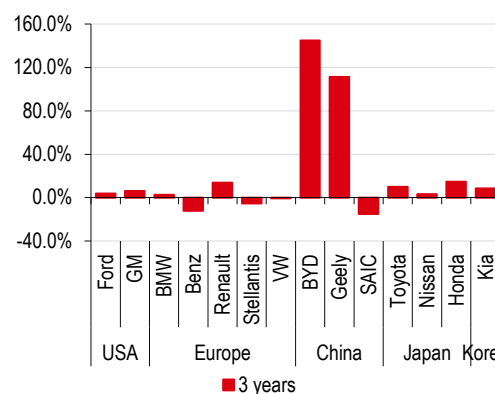
Share price performance (2025): very little correlation with volume growth



Source: LSEG Datastream

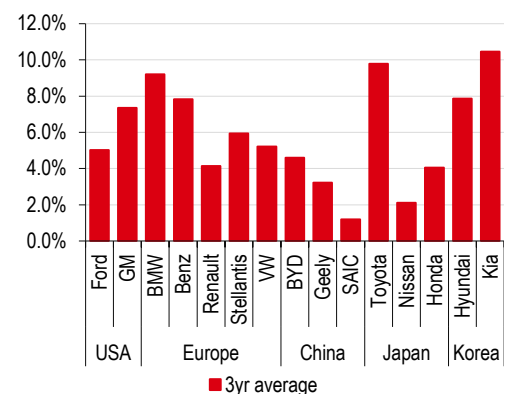
Volume growth helps profits, but doesn't exclusively determine them. Higher volumes deliver better utilisation and therefore operating profit improvement – potentially. But that is only a part of the picture, because profitability depends on how a company is gaining market share. In most cases volume growth (especially in a flattish market environment) is largely driven by pricing, which is a bigger burden on profitability. A good case in point is Stellantis in Europe, which in 1Q26 grew wholesales volumes by 12% YoY but did so with weaker pricing, which meant operating profit was barely breakeven. We see a largely similar trend across the cohort; the Chinese OEMs, despite their strong volume growth, have one of the lowest profit margins in the industry (see charts below). Adjusting capacity lower might be a better strategy.

Volume growth (2022-25): Chinese OEMs far above the group...



Source: Visible Alpha

EBIT margins (3yr avg): volume growth not necessarily the driver of margins

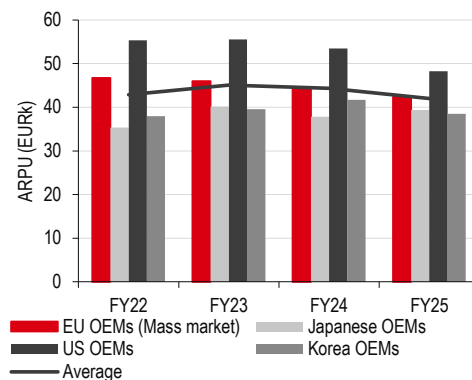


Source: Visible Alpha

Regional profitability is a key driver of overall margins – North America is most profitable.

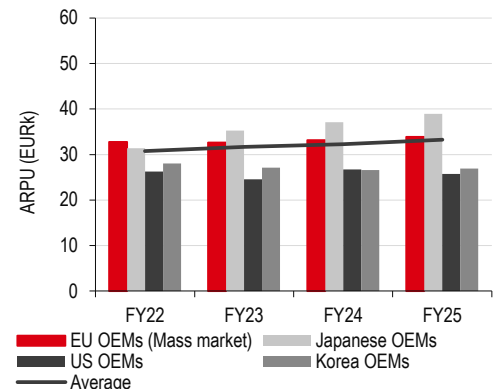
Most carmakers don't provide regional profitability data, but we can draw inferences from relative average revenue per unit (ARPU). The higher ARPU in the US of cEUR42,000 vs cEUR33,000 in Europe would suggest that North America is a more lucrative market, although tariffs have definitely complicated the picture. We think the reason for the higher North American profitability is relatively straightforward – bigger vehicles, easier regulations, and a mix biased towards trucks and large SUVs (c73% of 2025 volumes, S&P Mobility). In contrast, the share of these vehicles in Europe is only c35%, while small vehicles account for c30% of the mix. Stellantis's 2030 targets seem to confirm our suspicions – an 8-10% adj. operating income margin for North America vs 3-5% in Europe.

Average revenue per unit in North America at EUR42,000 is much higher than



Source: Visible Alpha

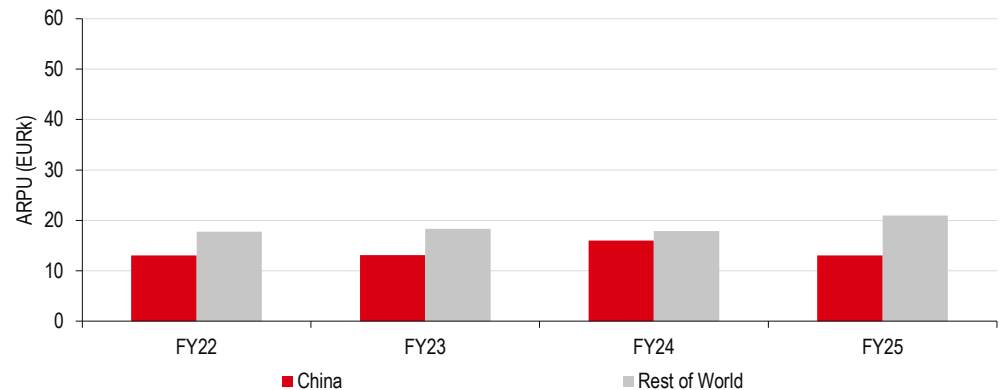
...the ArPU in Europe of EUR33,000 – smaller, but better-equipped vehicles



Source: Visible Alpha

For non-Chinese OEMs it might be better to focus on the US rather than Europe. Due to its higher profitability, US/North America is a significantly more lucrative market for the European, Japanese, and Korean OEMs that have localised. However, access to this market is virtually cut off for the Chinese OEMs due to the 100% import duties on EVs and the restriction on selling cars with autonomous / connected software developed in China (under the Securing the Information and Communications Technology and Services Supply Chain: Connected Vehicles rule).

For Chinese OEMs, ArpU outside China is c60% higher than in the domestic market



Source: Visible Alpha

Mixed motivation – Europe is more attractive to the Chinese OEMs than home. Ignoring the burden of fixed costs (more on this later), a lower European exposure (lower profitability due to a higher share of smaller cars and higher enrichment due to stricter emission/safety regulations) might be better for the European, Japanese, and Korean OEMs. We would argue this is one of the reasons that GM has largely exited the market. However, as the US market is virtually closed to the Chinese OEMs and their domestic market is afflicted with hyper-competition, Europe is an attractive source of growth and profitability for the Chinese OEMs. This goes some way to explaining why it was the #1 destination of Chinese vehicle exports in 2025 (below right).

To offset domestic competition Chinese OEMs are increasingly looking at exports

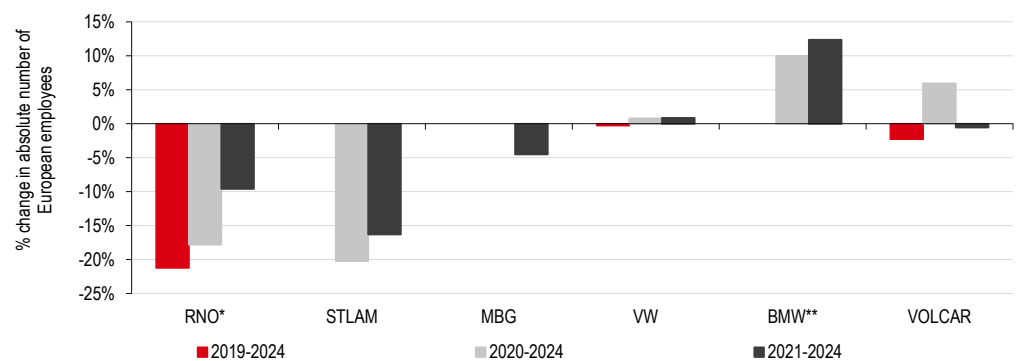


Source: Volkswagen group

What can European OEMs do? Reduce footprint, cut costs, and prepare for a fight. Post the COVID-19 pandemic, demand in Europe remains c15% below pre COVID-19 levels. In response, European OEMs are adjusting to this lower volume level (full details overleaf). With their domestic market under pressure, the focus of the European OEMs has been to lower both variable and fixed costs. They are likely to accelerate restructuring of their production footprint. Rather than pursue a headline market share target, most European OEMs prefer to lower costs and be selective about where (and how) they complete. This is good news, because it is what shareholders want, in our view.

Renault has arguably been the leader in adjusting its footprint to the new market environment (as the chart below shows it has seen the highest reduction in European workforce), helping it to drive capacity utilisation of c90%.

European OEMs have adjusted their employee headcount in the region to varying degrees, but more needs to be done



Source: company data, note: *excluded AvtoVAZ (Russia) in base; **impacted by the full consolidation of BBA

The carmakers continue to improve their cost structures in the region. For example:

- ◆ STLAM at its recent (21 May) investor day indicated its ambition to improve capacity utilisation in Europe from 60% currently to 80% by 2030, which amongst other measures includes reducing capacity by 800,000 (without plant shutdown).
- ◆ VW Group is progressing with its efficiency programme, which targets to cut German capacity by 700,000 units (c40%) and 35,000 staff at VW AG by 2030. Audi closed its Brussels plant, is aiming for a 7,500 staff reduction by 2029 and is looking to reduce capacity at Ingolstadt.
- ◆ Mercedes' Next Level Performance programme targets a 300,000-500,000 reduction in global capacity by 2027 (vs 2024), though without any plant shutdown in Germany.
- ◆ Having already undergone substantial restructuring, Renault now targets a further EUR400 per vehicle average variable cost reduction as part of its strategic plan (futuREady) announced in March 2026.

If profit and cashflow are the preferred goals, rather than market share, then the European OEMs appear on the right track. They are rightsizing capacity, reducing costs, and protecting residual values, rather than fighting over market share with the Chinese OEMs and running the risk of bringing a China-like competitive environment to Europe.

Localisation – the next step for Chinese OEMs in Europe

Localising to avoid anti-subsidy tariffs and gain eligibility for incentive programmes. A close to 7% market share for the Chinese OEMs from negligible presence five years ago is an impressive arc. However, there are risks to the sustainability of this growth based purely on an export-oriented model. The major impediment today is the anti-subsidy duty on China-made BEVs introduced by the EU in late 2024 to address the issue of state support for Chinese manufactured vehicles and batteries, but there is growing noise about further protectionist measures (see *Beijing threatens retaliation over EU moves to curb China imports*, Politico, 30 May 2026). We cover this issue in detail in [EU Autos: China BEV tariffs now a reality](#), 31 October 2024.

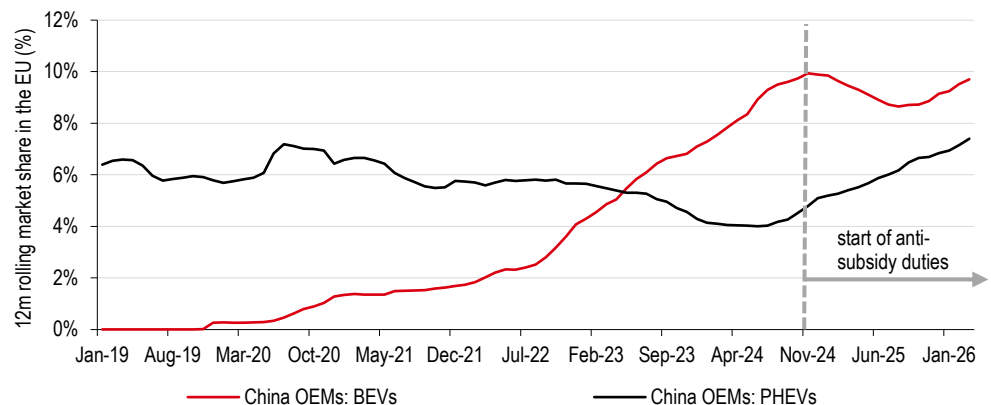
China manufactured BEV tariffs from 30 October 2024

OEM	Original tariff	Original proposed incremental tariff	Final imposed incremental tariff	Total tariff
BYD Group	10.0%	17.4%	17.0%	27.0%
Geely Group	10.0%	20.0%	18.8%	28.8%
SAIC Group	10.0%	38.1%	35.3%	45.3%
Tesla	10.0%	9.0%	7.8%	17.8%
Other Co-operating OEMs	10.0%	21.3%	20.7%	30.7%
Other Non-co-operating OEMs	10.0%	38.1%	35.3%	45.3%

Source: EU Commission, Reuters

Following the introduction of these anti-subsidy duties, the market share of the Chinese OEMs in the BEV segment has plateaued, while growth has come mainly from PHEVs.

With introduction of the EU's anti subsidy duties in late 2024, the Chinese brands have seen growth moderate in the BEV segment and pivoted towards PHEVs



Source: Rho Motion

Localisation offers an opportunity to avoid tariffs and improve competitiveness in the European BEV segment. The choice for the Chinese OEMs is between:

- ◆ a greenfield plant that could take up to 5 years to start production and require considerable upfront investments, as well as requiring the setting up local supply chain, and
- ◆ buying or sharing plant capacity of incumbent western OEMs in Europe. This gives them quicker access to the market. As we understand, anti-subsidy duties are applicable only to fully built units, so partial assembly in Europe would be exempt from the duties, thus bypassing the need to set up a supply chain network in Europe and allowing Chinese manufacturers to benefit from their domestic supply base.

It appears that the Chinese OEMs are increasingly pursuing the latter optionality.

A possible win-win for both the Chinese and Western OEMs. While the benefits of localisation (particularly via buying/sharing existing western OEM capacity) are quite obvious for the Chinese OEMs, namely to avoid tariffs, we also see opportunities for the European OEMs to improve utilisation at plants currently struggling with low productivity levels. The catch, of course, is that localisation might effectively provide Chinese OEMs with a stronger foundation to compete. This would certainly be true if they were currently passing through the anti-subsidy tariffs, but based on the data we track we don't believe they have. So empowering the competition might not be the issue it first appears to be.

In the table below we list the plants of Renault, Volkswagen and Stellantis that have had production levels <70% of their peak production over the past 10 years (2026e, S&P Mobility). Admittedly, this is a simplistic calculation as in the interim the OEMs have also restructured their employee bases. Nevertheless, it does show that there are quite a few plants (particularly for Stellantis) that could benefit from sharing/selling production footprints to Chinese OEMs.

On its 1Q26 earnings call, VW indicated that it is in discussion with the defence industry to utilise the Osnabrück plant; however, as per Reuters (21 May) citing CEO Oliver Blume, the company is not, apparently, in talks with Chinese manufacturers to share capacity in Europe.

On the other hand, Stellantis sharing capacity at Zaragoza, Rennes, and Madrid with Chinese partners such as Leapmotor and Dongfeng is one of the levers the company sees to improve utilisation from 60% currently to 80% by 2030 without plant shutdowns.

Opportunities for European OEMs (esp. Stellantis) to improve capacity utilisation at European plants struggling with low production levels

Plant location	Brand	Max prod last 10 years	Max year	2026 production	2026 production utilisation (as % of max production)
Renault					
Batilly	Renault	137,976	2023	95,626	69%
Novo Mesto	Dacia + Renault	168,368	2019	66,678	40%
Palencia	Renault	332,243	2016	103,142	31%
Stellantis					
Cassino	Alfa Romeo + Maserati	135,598	2017	11,242	8%
Eisenach	Opel	119,633	2016	62,955	53%
Ellesmere Port	Citroen + Fiat + Opel + Peugeot	118,180	2016	11,851	10%
Gliwice	Citroen + Fiat + Opel + Peugeot	201,234	2016	64,796	32%
Madrid	Citroen + Peugeot	105,810	2023	51,803	49%
Melfi	DS + Fiat + Jeep + Lancia	392,851	2015	83,143	21%
Modena	Alfa Romeo + Maserati	6,327	2015	1,060	17%
Mulhouse	Citroen + DS + Peugeot	271,938	2016	99,453	37%
Pomigliano	Alfa Romeo + Dodge + Fiat	215,458	2023	108,340	50%
Rennes	Citroen + Peugeot	153,841	2019	83,637	54%
Russelsheim	DS + Opel	142,394	2015	52,720	37%
Sochaux	Citroen + Opel + Peugeot	514,231	2019	215,737	42%
Tychy	Alfa Romeo + Fiat + Jeep + Lancia	263,422	2017	146,406	56%
Val di Sangro	Citroen + Fiat + Opel + Peugeot	292,919	2018	157,166	54%
Valenciennes	Citroen + Fiat + Opel + Peugeot	137,070	2018	95,078	69%
Zaragoza	Citroen + Lancia + Opel + Peugeot	470,371	2019	240,464	51%
Volkswagen group					
Crewe	Bentley	15,639	2022	8,819	56%
Emden	Volkswagen	263,729	2015	149,723	57%
Ingolstadt #1	Audi	291,366	2017	111,751	38%
Ingolstadt #2	Audi	349,249	2016	202,375	58%
Leipzig	Porsche	187,328	2017	82,657	44%
Mosel	Audi	301,298	2015	187,741	62%
Poznan	Volkswagen	197,805	2017	102,815	52%
Zuffenhausen	Porsche	105,227	2023	63,261	60%

Source: S&P Mobility, HSBC estimates

Disclosure appendix

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The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

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Upside/Downside is the percentage difference between the target price and the share price.

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