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Contemporary Amperex Technology Co. Ltd.

Correction: Embracing a New Product Cycle

CATL is entering a new and increasingly powerful product cycle, reinforcing three-year earnings visibility while continuing to gain market share. With more next-gen technologies ahead, the company is reshaping the future architecture of energy. Upgrade CATL-H to OW and Top Pick.

Innovation-led demand creation: CATL is not passively responding to demand cycles; per our assessment, it operates in a self-reinforcing loop of innovation: strengthening EV model cycles, unlocking new customers, and increasingly creating energy storage as well as truck electrification – from virtually non-existent to highly scalable now. Raw material price volatility, demand noise, and even geopolitics have not derailed CATL's structural trajectory, which remains anchored in its product-cycle innovation and multi-year technology initiatives.

The company is entering a new and strong product cycle, with the push for two next-generation battery technologies into near-term commercialization: **1) sodium-ion batteries** represent the MVP (most valuable product), potentially driving the strongest wave to-date of mass-market vehicle electrification, with strategically higher levels of energy/mineral security; and **2) condensed batteries** are set to create luxury BEV model cycles, delivering structural improvement in powertrain. Yet the market seems to be not recognizing either of the technologies.

Strengthened earnings visibility over longer horizon: We expect both technologies to scale rapidly, driving growth acceleration and sustained market share gains over the next three years. We estimate that condensed battery alone could expand the addressable market by roughly 350GWh with margin-accretive economics, while sodium-ion batteries could create and/or disrupt a ~1,000 GWh battery market, vs. the market's 2025 sales of 662 GWh. We are now looking for a 2026-28E earnings CAGR of 30% (vs. 25% previously).

Strong catalysts ahead: We expect that: 1) sodium-ion batteries as a strategic security initiative should gain China's incentive support in the near-to-medium term; 2) condensed batteries will tangibly differentiate luxury BEV from ordinary premium class in powertrain performance, receiving strong order intake from luxury models in the next few quarters; and 3) energy storage is likely to emerge as a Powering AI solution and see order backlog from AIDC in the near term.

We have made corrections to EPS numbers in the databox on page 1 and the Risk Reward pages of this note. This note was originally published on May 4, 2026, at 8.10 am GMT and is being republished on the same day. Pricing data and disclosures reflect original publication date. To receive an electronic copy of the original version of this publication, please send an e-mail to Equity_Research_Publishing@morganstanley.com with the publication title and date.

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Top Pick

China Energy & Chemicals | China

Stock Rating	**Overweight**
Industry View	**In-Line**
Price target	HK$815.00
Up/downside to price target (%)	29
Shr price, close (May 4, 2026)	HK$631.50
52-Week Range	HK$745.00-288.51
Sh out, dil, curr (mn)	177
Mkt cap, curr (mn)	Rmb2,087,176.7
EV, curr (mn)	Rmb1,904,433.8
Avg daily trading value (mn)	HK$1,512

Fiscal Year Ending	12/25	12/26e	12/27e	12/28e
EPS (Rmb)**	16.14	20.53	27.78	34.15
Prior EPS (Rmb)**	16.19	20.87	26.44	31.46
EPS (Rmb)§	15.32	20.76	25.03	29.65
Revenue, net (Rmb mn)	423,702	584,041	750,418	899,217
EBITDA (Rmb mn)	97,874	129,464	171,617	213,597
ModelWare net inc (Rmb mn)	72,201	94,572	128,512	157,988
P/E	29.0	26.8	19.7	16.0
P/BV	6.2	6.4	5.3	4.4
RNOA (%)	57.1	52.4	89.0	116.2
ROE (%)	29.2	28.1	32.5	33.1
EV/EBITDA	16.1	14.1	10.1	7.8
Div yld (%)	1.3	1.4	1.9	2.5
FCF yld ratio (%)**	4.1	4.6	5.2	5.7
Leverage (EOP) (%)	(64.3)	(76.4)	(82.0)	(83.6)

framework
§ = Consensus data is provided by Refinitiv Estimates
** = Based on consensus methodology

Why Upgrade CATL-H Now?

Future of Energy

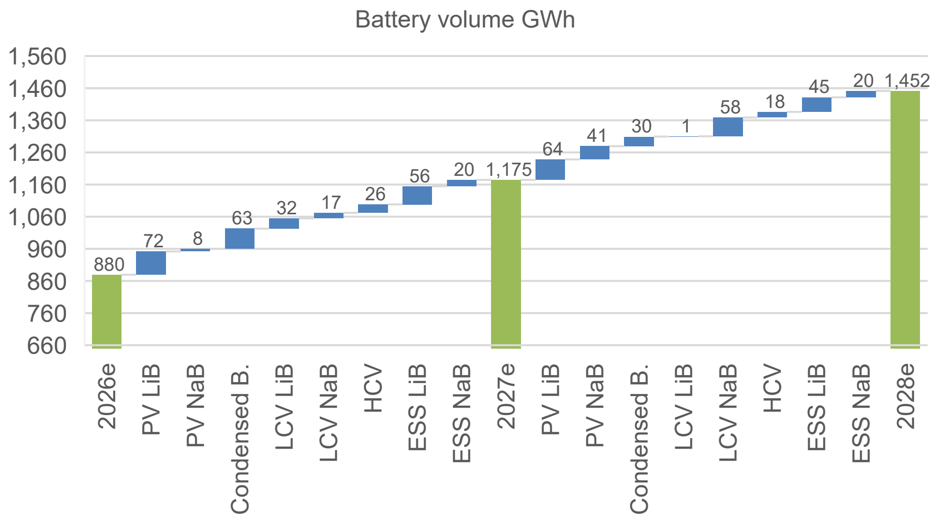
A Morgan Stanley Research Key Theme of 2026

Tech Diffusion

A Morgan Stanley Research Key Theme of 2026

The focus is shifting toward growth visibility in 2027–28, which we see as increasingly critical for the stock's next leg of performance. Following the stronger-than-expected 1Q26 volume performance, CATL's volume growth outlook for 2026 is now largely well understood and reflected in market consensus. Our detailed breakdown of underlying growth drivers gives us confidence in CATL's volume visibility over the next three years, supported by incremental penetration from sodium-ion batteries and the ramp-up of condensed battery adoption, providing a clearer and more durable medium-term growth trajectory.

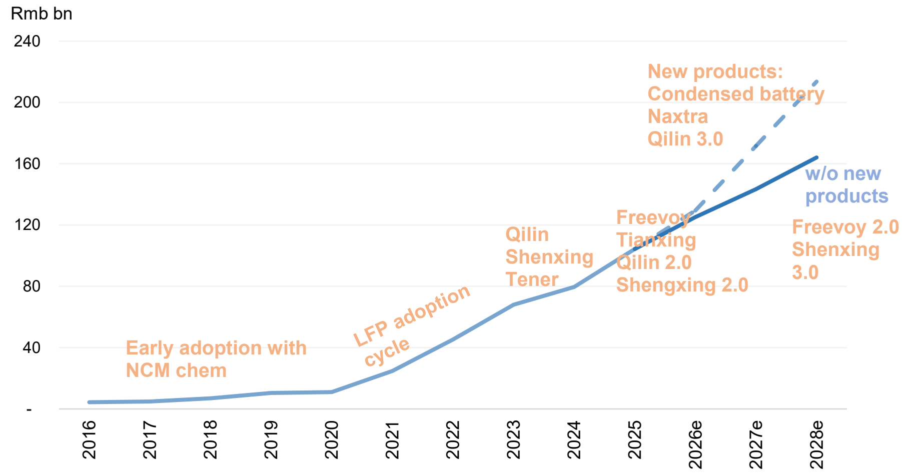
Exhibit 1: CATL's battery volume growth contribution, by type



commercial vehicle; HCV=heavy-duty commercial vehicle.

CATL is entering a new strong product cycle, with a domain-wide technology platform allowing it to address the full spectrum of the automotive market, from luxury premium to mass-market. At the high end, its condensed battery technology targets luxury automobiles, enabling higher energy density, longer range, and performance differentiation. At the other end, sodium-ion batteries ("Naxtra") are designed for entry-level, cost-sensitive models and light trucks, offering improved safety, cold-weather performance, and reduced reliance on lithium. By spanning both extremes with differentiated chemistries and system solutions, we see CATL positioning itself as a universal energy partner to automakers, increasing its addressable market and enhancing growth visibility over a longer horizon.

Exhibit 2: CATL's product-innovation cycles, strengthening EV model cycle, and development of energy storage market solutions, help support EBITDA growth



Sodium-ion batteries are likely to trigger a powerful mass-market vehicle cycle, potentially exceeding the impact that LFP batteries had during the 2019-2021 adoption phase. With continued cost evolution, sodium-ion batteries materially improve affordability for entry-level EVs. At the same time, superior cold-weather performance removes a key adoption barrier in northern climates, expanding geographic penetration. Combined, these attributes position sodium-ion to drive a broader, faster diffusion curve across mass-market models, creating a deeper and more durable demand cycle than prior battery chemistry transitions.

Exhibit 3: Sodium-ion battery penetration in China's PV mass market

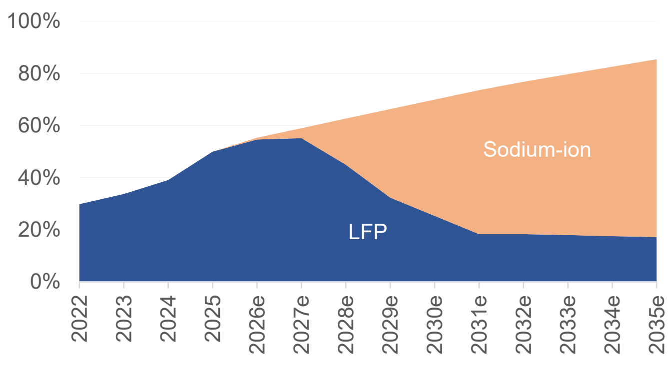


Exhibit 4: Sodium-ion battery penetration in light commercial vehicles in China

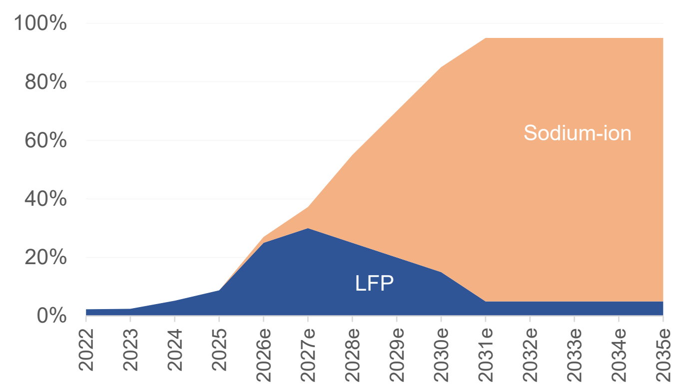
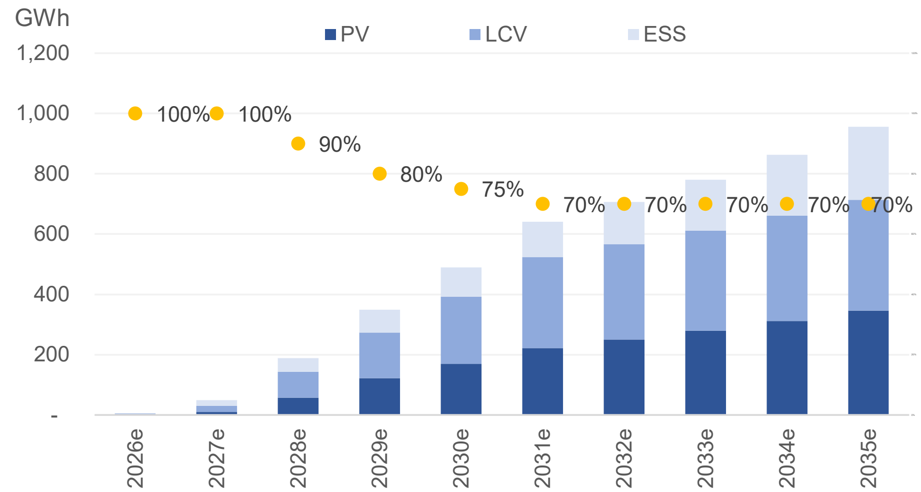


Exhibit 5: Sodium ion battery shipment forecasts in China, and CATL's estimated market share



Accelerating sodium-ion battery adoption has become strategically critical within China's energy security agenda. Sodium batteries offer a domestically abundant, low-cost and inherently safer alternative to lithium-ion batteries, in our view. Sodium is widely available from salt lakes and seawater, increasingly positioning as a complementary solution to lithium-ion – particularly for supply security. In this context, scaling sodium batteries is less a technology choice and more a strategic lever to underpin long-term power system stability and national energy security. While the government has not commented on future plans, we would expect incentive support to emerge as a reinforcing catalyst, supporting near-term adoption and rapid scale-up for sodium-ion batteries.

We turn constructive on CATL-H, as near-term challenges (e.g., placement) appear priced in, while medium-to long-term growth optionality is becoming clearer. Also, CATL appears well positioned to benefit from the accelerating "power-for-AI" theme, as surging data centre build-outs drive structurally higher demand for large-scale high-reliability energy storage solutions. Taken together, we think these catalysts should help re-rate the stock as investors refocus on CATL's ability to build an even more dominant and diversified EV/ESS proposition over the next product cycle.

Given the enhanced medium-term earnings visibility, we roll forward our price-target valuation of CATL-H to 2027, while keeping our target multiple unchanged. The applied multiple is in line with pure-play LG Energy Solution's current trading levels, which we view as an appropriate global peer benchmark given its scale. This rollover primarily reflects improved visibility rather than any change in multiple assumptions, underpinning our valuation discipline. We raise our price target for CATL-H by 17%, to HK$815. We also upgrade the shares to Overweight relative to our coverage, given the significant upside we see from here.

Where we could be wrong: Geopolitical tension may hurt the company's US exposure or market sentiment; across-the-board material cost inflation may weigh on near-term gross margin.

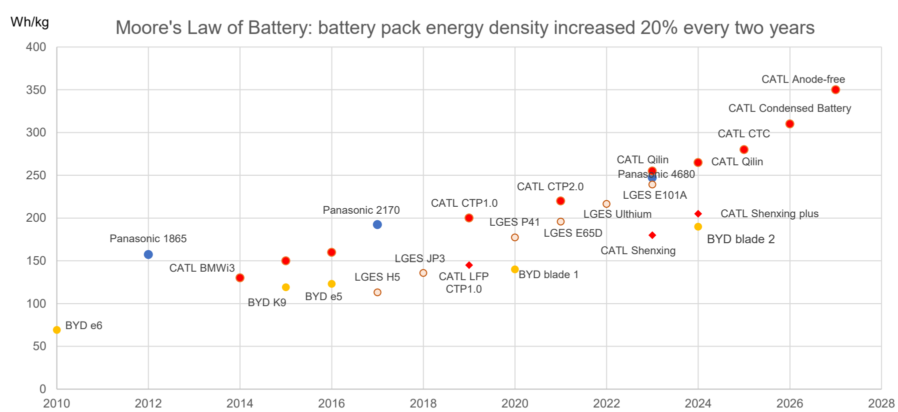
Product Cycle in Luxury Market

Battery's "Moore's Law" – A Foundational Pillar of Future Energy

Our proprietary analysis suggests that battery energy density improves by ~20% every two years, a powerful rule of thumb we refer to as the battery industry's own "Moore's Law" – analogous to the semiconductor Moore's Law, where transistor counts in integrated circuits have doubled roughly every two years. This sustained, structural improvement in energy density is likely to become a foundational pillar of the future energy transition. Higher energy density directly translates into improved powertrain performance and a favorable long-term cost trajectory, accelerating the electrification of transportation across an expanding range of applications – from passenger cars and commercial vehicles to vessels, ships, and ultimately aircraft.

The commercialization of condensed batteries marks a continuation of this battery "Moore's Law," translating long-term energy density gains into real-world products. Looking ahead, the next-gen anode-free technologies provide a credible pathway to sustain or accelerate this trajectory, reinforcing the structural foundations of a battery Moore's Law and making electrification viable across more demanding use cases.

Exhibit 6: CATL's condensed battery and the next-gen anode-free technologies further mark a continuation of a "Moore's Law" of batteries



Market Size

CATL highlighted that its condensed battery is engineered to deliver ultra-long driving ranges of up to ~1,500km for sedans and ~1,000km for SUVs, underpinned by best-in-class cell energy density of ~360Wh/kg, or ~760Wh/L. Importantly, safety has been materially enhanced as well, as the condensed-matter electrolyte mitigates risk of battery leaks and thermal runaway, significantly reducing the possibility of fires, and elevating the overall safety profile of next-generation EVs. As such, several premium branding auto names have recently expressed interest in battery adoption for their flagship models.

The addressable market for condensed batteries is substantial, with China's ~1.5mn-unit and the EU's ~2mn-unit annual luxury car markets forming a natural early-adoption base where energy density carries high willingness to pay. Together, these segments imply potential condensed-battery demand of ~350 GWh. Assuming a conservative penetration rate of 30% (vs. an EV penetration rate of >50% in China's premium model market from 2022-2025), over the next three years, this translates into ~105 GWh of annual condensed battery sales by year three.

Margin Accretive

High-end batteries command much higher ASPs because of their superior energy density, tighter integration with OEM vehicle platforms, and more stringent safety requirements. At the same time, luxury EV volumes are typically less price sensitive, allowing CATL to better pass through technology value rather than compete on cost. As the mix shifts toward premium solutions, such as CATL's Qilin-based and condensed batteries, overall margins should benefit.

We expect battery margins to structurally improve as condensed batteries gain mix, reflecting their higher value-added positioning and superior economics versus conventional lithium-ion products. We estimate gross margin for condensed batteries at ~Rmb0.25/Wh in a conservative scenario (or ~Rmb0.2/Wh at net profit level), compared with CATL's current battery gross margin of ~Rmb0.14/Wh at the GP level (and ~Rmb0.10/Wh at the NP level). Under our base-case assumptions, condensed batteries account for ~2% of battery volume by 2026E, rising to ~7%/8% by 2027/2028E, implying a meaningful and visible uplift to blended battery margins over the medium term.

Sodium-ion Adoption Cycle

Sodium-ion readiness & cost backdrop

CATL's sodium-ion ("Naxtra") cells have reached ~175 Wh/kg with 10k cycle life and are slated for large-scale deployment starting in 2026 across passenger EVs, commercial EVs, battery-swap stations and ESS. We calculate current production cost has reached cost parity with LFP batteries (at current lithium prices), and we expect established-scale sodium-ion battery costs in a range of US$30–$40/kWh, and supply chain to scale as volumes rise through 2030. More importantly, sodium-ion's superior cold-weather energy persistence provides a compelling performance advantage over lithium-ion batteries, that should help create rapid adoption in the future.

CATL's progress in Naxtra confirms that the technology can be put into near-term commercialization, rather than being just a lab-level concept. Chang'an Auto has plans to adopt sodium-ion batteries in all of its EV models this year. Beijing Hyperstrong Tech (688411.SS, not covered) has also recently placed 60GWh orders of sodium-ion batteries for energy storage application in the next three years, further confirming the technology's readiness in both the EV and energy storage markets. We expect the sodium-ion battery supply chain to scale-up rapidly, boosted by strong order intake.

Penetration trajectory

- **Light commercial EV market in China:** Lithium-ion batteries tend to experience energy "decay" in colder climates. Colder temperatures significantly slow down the chemical reactions and physical movement of the ions in the lithium batteries, which can lead to lower energy generation. This issue occurs more frequently in China's northern regions during winter. Lithium-ion batteries had a penetration rate in electric light trucks of only 10% in 2025. Sodium-ion batteries, which form weaker bonds with electrolyte solvents allowing active ion movement during cold weather, should significantly enhance reliability and expedite electrification rapidly in the light commercial vehicle market, given the significant profit arbitrage in switching from diesel to electricity. This market has a 400GWh size.
- **Entry-level passenger car market in China:** Powertrains are dominated by low-quality LFP batteries and ICEs in this market. We think sodium-ion battery winter performance will allow a trade-off from LFP battery cars. Also, potential incentive support to help promote sodium batteries could help accelerate adoption, allowing rapid scale-up for this new technology across the supply chain. After scale-up, we expect sodium-ion battery costs to be more compelling than that of LFP batteries, allowing further penetration in ICE models.
- **Energy storage market:** Hyperstrong's 60GWh of orders for sodium-ion batteries showcases energy storage demand for a cold-weather solution that can help control energy decay, as well as the technology's higher safety level. After scale-up, the levelised cost of energy (LCOE) of sodium-ion battery energy storage should be more compelling than that of LFP batteries, on our estimates.
- **Global expansion:** China will likely lead adoption of sodium-ion batteries, validating economics and reliability in real-use cases, which should then expand to the global market.

Ten-year sodium-ion penetration forecast (2026–2035)

For the light commercial vehicle (LCV) market, we believe that sodium-ion battery adoption will be rapid, reaching a 90% penetration rate in five years, similar to the speed of electrification in the share mobility market, driven by the superior economics generated from oil-to-electricity arbitrage. Current electrification challenges include reliability, which is impacted by issues like winter energy decay. We think this issue could be resolved by sodium-ion battery technology.

Exhibit 7: Sodium-ion battery adoption in China's LCV market

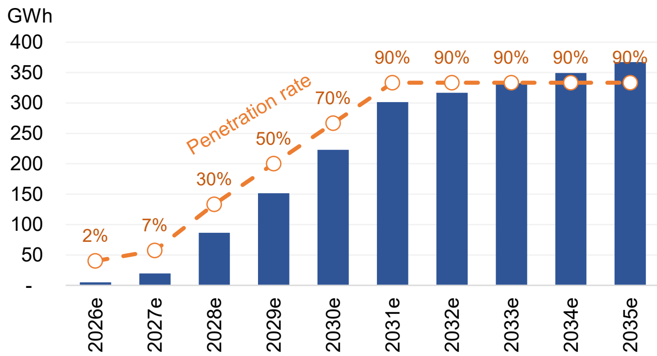
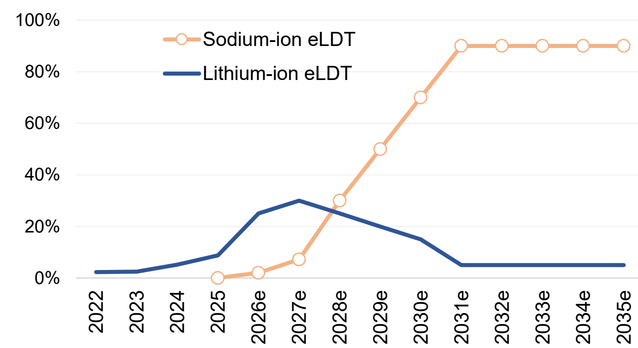


Exhibit 8: Sodium-ion battery penetration, replacing lithium-ion batteries in China's LCV market



Sodium-ion battery adoption in the PV market is likely to proceed at a slower pace than for lithium-ion batteries, but we think the penetration will be still meaningful, given likely significant cost reductions after scale-up, and improved cold-weather performance. As noted, we also think potential incentive support is a possibility to help spur sodium-ion battery adoption and strengthen China's mineral security position.

Exhibit 9: Sodium-ion battery adoption in China's PV market

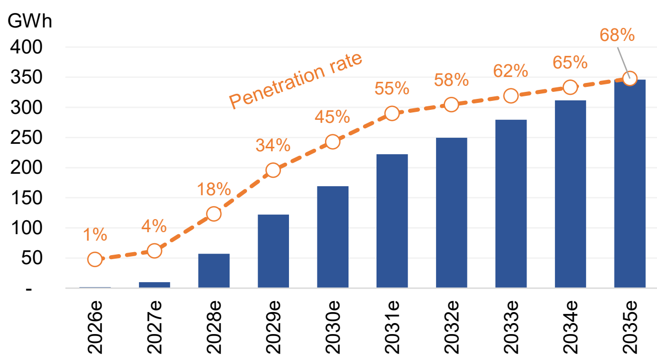


Exhibit 10: Sodium-ion battery penetration, replacing lithium-ion batteries in China's PV market

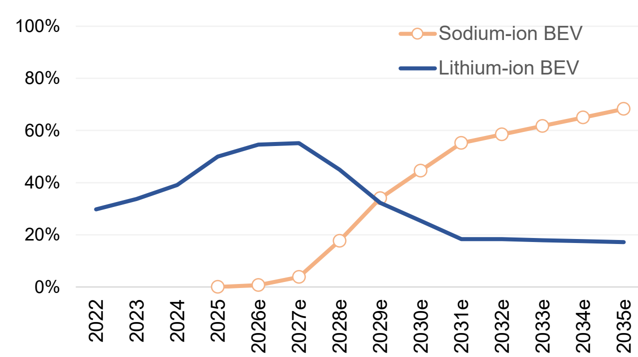
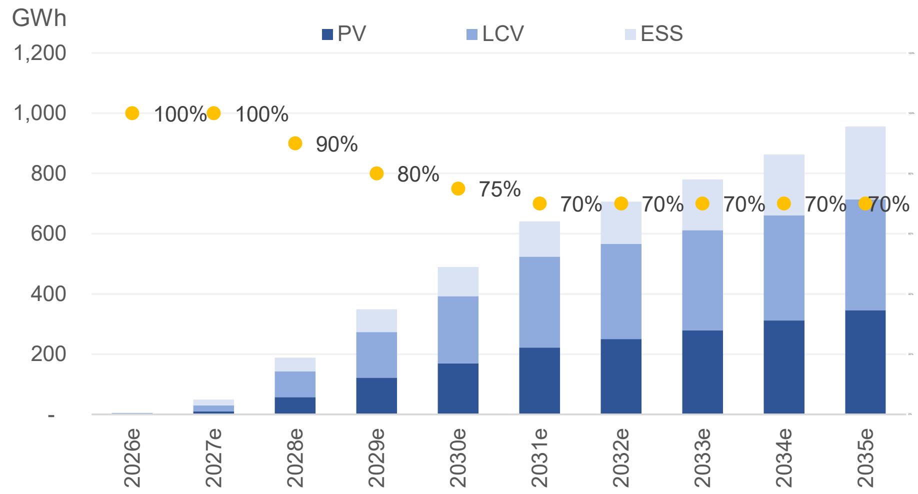


Exhibit 11:

Total sodium-ion battery shipment forecasts in China



Sodium-ion Battery to Expedite Electrification of Light Commercial Vehicles

China's LCV electrification challenge is fundamentally one of reliability rather than economics. The key constraint lies in winter performance, where energy density loss in cold conditions raises concerns around range consistency and operational uptime. From a total-cost-of-ownership perspective, however, electric LCVs already offer an attractive payback – with or without subsidies – driven by the compelling arbitrage in switching oil to electricity. As a result, once cold-weather reliability improves through battery technology upgrades, the economic case for electrification is already firmly in place.

China's eTruck subsidies continue in 2026, enhancing economics

Exhibit 12: China's eTruck trade-in program (which started in August 2024) will continue in 2026

Retirement subsidy

	Retirement of old truck	Subsidy ('000 Rmb/unit)
Medium-duty truck	1<= early retired years <2	10
	2<= early retired years <4	18
	>= 4 early retired years	25
Heavy-duty truck	1<= early retired years <2	12
	2<= early retired years <4	35
	>= 4 early retired years	45

New acquisition subsidy

	Vehicle type	Subsidy ('000 Rmb/unit)
Light-duty truck	Refrigerated vehicle	35
Medium-duty truck		35
Heavy-duty truck	2-axle	70
	3-axle	85
	4-axle	95

Source: China Ministry of Transport, retirement requirement=15 years

Exhibit 13: We estimate that, with or without subsidy, electric LCV payback has reached 1.9 and 2.3 years, respectively, in China now

Without subsidy	US$/CNY rate	6.9	With subsidy	US$/CNY rate	6.9
Electric LCV			**Electric LCV**		
Range	km	350	Range	km	350
Max carring weight	ton	4.5	Max carring weight	ton	4.5
E_{kg}	Wh/kg*km	0.19	E_{kg}	Wh/kg*km	0.19
Battery pack price	US$/kWh	90	Battery pack price	US$/kWh	90
Battery capacity	kWh	150	Battery capacity	kWh	150
Battery cost	US$	13,500	Battery cost	US$	13,500
Purchase price	US$	24,638	Purchase price	US$	24,638
- Purchase tax	US$	0	- Purchase tax	US$	0
- Subsidy	US$	0	- Subsidy	US$	5,072
+ Battery replacement cost	US$	0	+ Battery replacement cost	US$	0
Net payment	US$	24,638	Net payment	US$	19,565
Eletricity price	US$/kWh	0.12	Eletricity price	US$/kWh	0.12
Annual mileage	km/year	122,500	Annual mileage	km/year	122,500
Annual electricity cost	US$/year	6,087	Annual electricity cost	US$/year	6,087
Brent price	US$/bbl	100	Brent price	US$/bbl	100
Diesel Price	US$/liter	1.13	Diesel Price	US$/liter	1.13
Diesel consumed	liter per km	0.12	Diesel consumed	liter per km	0.12
Diesel cost per year	US$/year	16,619	Diesel cost per year	US$/year	16,619
Emission cost	US$/year	0	Emission cost	US$/year	0
Net cash flow	US$/year	10,532	Net cash flow	US$/year	10,532
Payback period	year	2.3	Payback period	year	1.9

Exhibit 14: China's eLDT monthly sales

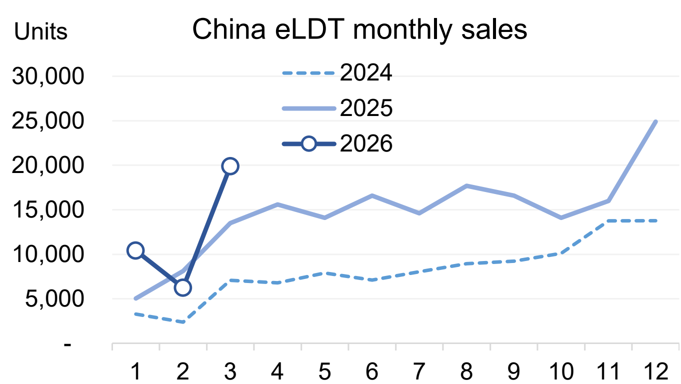


Exhibit 15: China's eLDT historical penetration rate

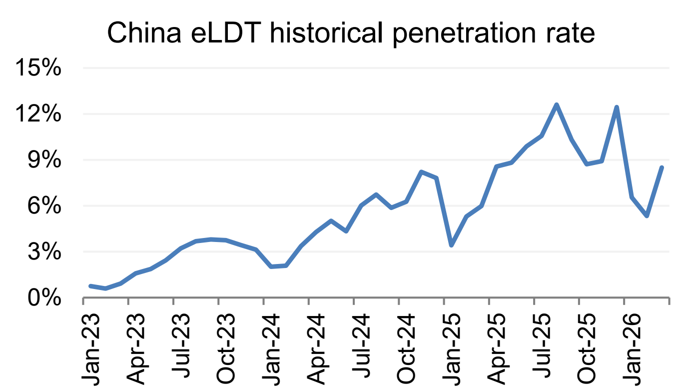


Exhibit 16:
China's electric light truck penetration – Base/Bull/Bear cases; we see upside risk to our bull case with sodium-ion batteries enhancing reliability

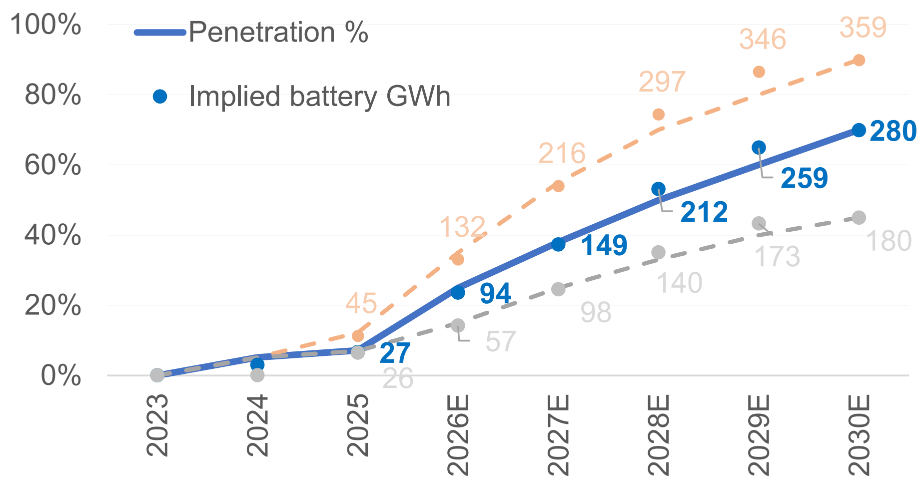
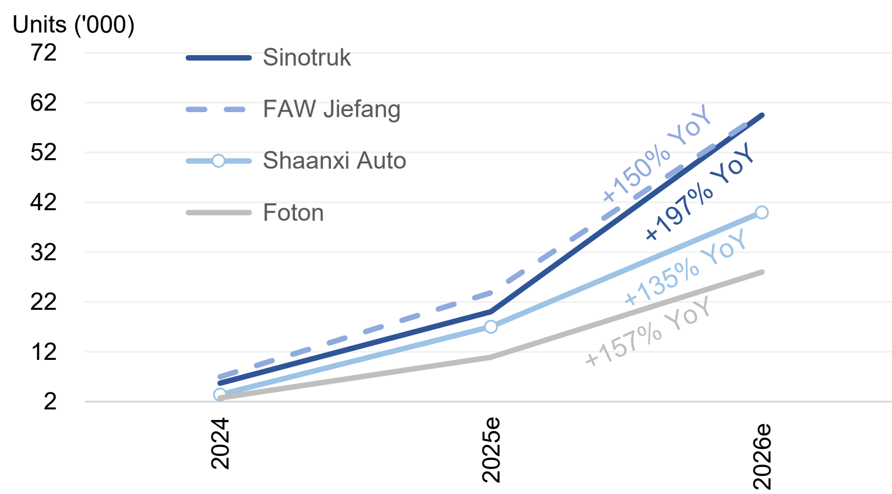


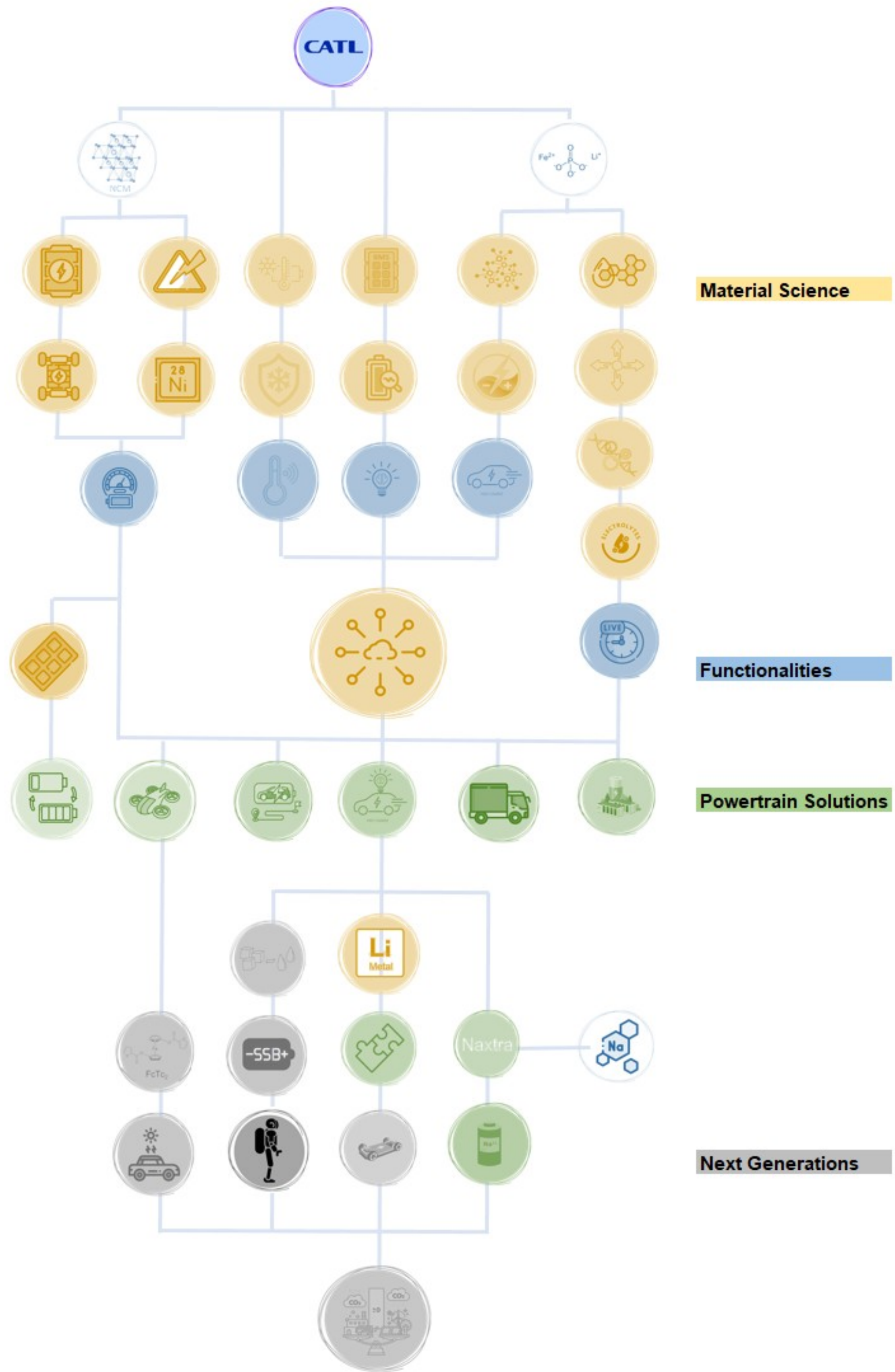
Exhibit 17: Major electric truck companies set ambitious sales targets for 2026



Next-gen Technologies on CATL's Tech Tree

On the battery technology tree, next-generation innovations tend to extend in a clear, evolutionary path, rather than a single disruptive leap. From high-nickel and LFP chemistries to condensed batteries, CATL is climbing the energy-density frontier through incremental but compounding advances in materials, cell architecture, and system integration. Further up the tech tree, lithium-metal anode-free designs represent the next logical nodes, removing inactive materials and unlocking step-change gains. This structured progression underpins the durability of a battery "Moore's Law," providing a visible roadmap for sustained performance improvement and anchoring the long-term trajectory of transportation electrification and the broader energy transition.

Exhibit 18: CATL's tech tree: More next-gen technologies to frame future architecture of energy – from medium to long term: lithium-metal anode-free, dual-power system, solid state, perovskite, and the ultimate zero carbon solution



Source: CATL

Navigating the Sodium-ion Battery Supply Chain

Cathode

Similar to lithium-ion batteries, based on cathode materials, sodium-ion batteries mainly include layered oxides, Prussian blue analogs, and polyanionic compound systems. The layered oxide structure is similar to the ternary materials used in lithium-ion batteries. Due to its ease of technological transition, high energy density, and good rate performance, the layered oxide structure has become the fastest-developing battery system in terms of industrialization.

Exhibit 19: Comparison of three sodium-ion battery cathode materials

	Layered oxides	Prussian blue analogs	Polyanionic compound systems
Chemical formula	NaxMO2 (M=Co,Fe,Mn & Ni etc.)	$Na_xMA[MB(CN)_6]\cdot zH_2O$ (MA & MB=transition metal ions)	$Na_xM_y[(XOm)n-]z$ (M=metal ion with variable valence states, X= P, S & V)
Representative products	$NaFeO_2$ and $Na_{2/3}MnO_2$	$Na_3V_2(PO_4)_3$, $NaFePO_4$	$Na_2MnFe(CN)_6\cdot zH_2O$
Advantages	1. Easy to synthesize 2. Simple in structure 3. Relatively high specific capacity and voltage plateau	1. High voltage plateau 2. Stable framework structure 3. Good thermal stability, safety, and cycling performance	1.Relatively high specific capacity
Disadvantages	1. Phase transitions exist 2. Relatively inferior cycling stability 3. Some layered metal oxides show limited water resistance	1. Relatively low theoretical specific capacity 2. Poor electrical conductivity	1. Crystallization water is difficult to remove 2. Cycling stability and thermal stability need to be improved

Layered oxides exhibit a relatively high level of technological maturity and overall excellent performance. Layered oxide cathodes, similar to ternary layered materials used in lithium-ion batteries, belong to the intercalation-type compound family. As a result, their manufacturing processes and production lines are largely compatible with those of lithium-ion battery ternary materials, leading to relatively high process maturity. In addition, layered oxides offer advantages such as high specific capacity and high compaction density. However, owing to the large ionic radius of sodium ions, irreversible structural changes may occur during Na^+ intercalation and deintercalation, thereby reducing cycling stability. Furthermore, due to the high mobility of sodium ions within the two-dimensional layered structure, layered oxides are highly susceptible to reactions with moisture and carbon dioxide in air, resulting in the formation of surface by-products on the crystal structure.

Prussian blue analogs (PBAs) offer key advantages, including low cost and relatively favorable energy density; however, their shortcomings include poor electrical conductivity, limited cycling stability, and the potential toxicity of cyanide groups. Prussian blue compounds possess a perovskite-like structure with a face-centered cubic (FCC) lattice. PBAs feature an open three-dimensional framework with large ion-transport channels, enabling fast sodium-ion migration within the tunnels. As a result, they exhibit good structural stability and excellent rate performance. Nevertheless, Prussian blue materials are typically synthesized in aqueous solutions, which inevitably introduce residual lattice water. During electrochemical cycling, this crystallization water may be released, posing risks such as internal short circuits or parasitic reactions with the electrolyte that can lead to material degradation.

Polyanionic cathode materials exhibit high structural stability and long cycle life; however, they suffer from relatively high cost and inferior energy density performance. In these materials, the metal–oxygen polyhedra form a robust framework structure, which endows polyanionic compounds with excellent cycling stability and safety performance. Nevertheless, the presence of heavy polyanionic groups reduces electrical conductivity and specific capacity. To address the poor rate capability and limited energy density arising from low conductivity, modification strategies such as carbon coating or the incorporation of conductive additives are commonly employed.

Anode

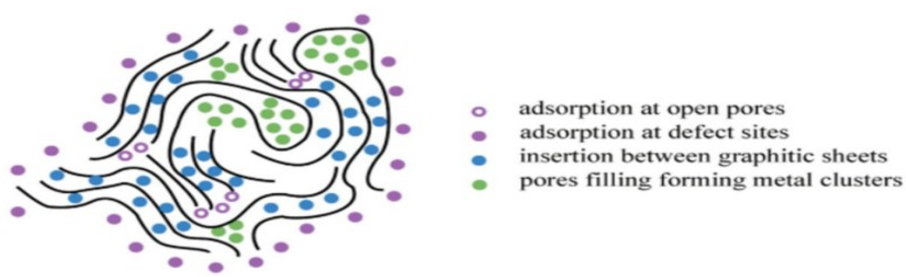
Different from lithium-ion batteries, graphite is not suitable as an anode material for sodium-ion batteries. The mainstream solution for anodes in a sodium-ion battery is hard carbon.

Although graphite possesses a relatively high lithium storage specific capacity (372 mAh/g), the larger radius of sodium ions hinders their insertion and extraction during the charge-discharge process. As a result, graphite is not a suitable anode material for sodium-ion batteries.

Owing to its larger inter-layer spacing and disordered microcrystalline structure, amorphous carbon is more favorable for the insertion and extraction of sodium ions, and therefore more appropriate for sodium-ion batteries.

Compared with the long-range ordered layered structure of graphite, hard carbon exhibits a more complex structure at the molecular level. The sodium storage active sites in hard carbon benefit from its relatively disordered structure, which is more conducive to sodium storage. The unique structure of hard carbon gives rise to multiple types of reversible sodium storage sites, including sodium storage via intercalation reactions, the formation of atomic clusters within closed pores, capacitive adsorption at surfaces in contact with the electrolyte, and pseudocapacitive sodium storage at internal surfaces and defect-related sites.

Exhibit 20: Na storage active sites in hard carbon



Hard carbon exhibits both sloping and plateau regions during charge-discharge processes, with a typical specific capacity of 300-350 mAh/g, which can be increased to around 400 mAh/g after optimization and modification, exceeding the theoretical specific capacity of graphite for lithium-ion batteries (372 mAh/g).

Electrolyte

In terms of electrolyte, the components of sodium-ion batteries are similar to those of lithium-ion batteries, both consisting of solvents, solutes, and additives. The main difference between the two lies in the electrolyte salt: sodium-ion batteries typically use $NaPF_6$. $NaPF_6$ exhibits higher electrochemical stability than $LiPF_6$ and provides the highest ionic conductivity in propylene carbonate–based electrolytes.

Positive/negative electrode

Currently, lithium-ion batteries mainly use aluminum foil for the cathode and copper foil for the anode, whereas sodium-ion batteries can also use aluminum foil for the anode instead of the more expensive copper foil, which could help lower the cell cost.

In lithium-ion batteries, the anode operates at a low electrochemical potential, under which aluminum foil readily undergoes alloying reactions with lithium. As a result, aluminum foil cannot be used as the anode electrode, and copper foil is required instead. In contrast, sodium does not readily form alloys with aluminum in sodium-ion batteries; therefore, aluminum foil is commonly selected as the anode electrode in sodium-ion batteries.

Separator

Lithium-ion battery separators can be applied in sodium-ion batteries.

However, they suffer from drawbacks such as poor electrolyte wettability and slow sodium-ion transport. These issues: (1) adversely affect the cycling performance of the battery, and (2) lead to relatively high interfacial resistance, which increases the likelihood of sodium dendrite formation on the anode surface. The growth of sodium dendrites may pierce the separator, resulting in internal short circuits and compromising the safety of sodium-ion batteries.

Thus, sodium-ion and lithium-ion batteries impose different requirements on separator properties, including porosity, tensile strength, and thermal stability.

Economic analysis of sodium-ion batteries

Currently, the cell cost of sodium-ion batteries is on par with that of lithium-ion batteries, even in small-batch production conditions. Looking ahead, as production volume increases, we believe the cost curve of sodium-ion batteries will continue to decline, similar to the cost trajectory of lithium-ion batteries over the past decade.

Exhibit 21: Cathode cost evolution

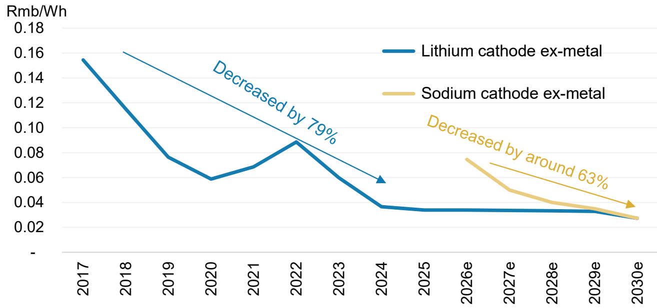


Exhibit 22: Anode cost evolution

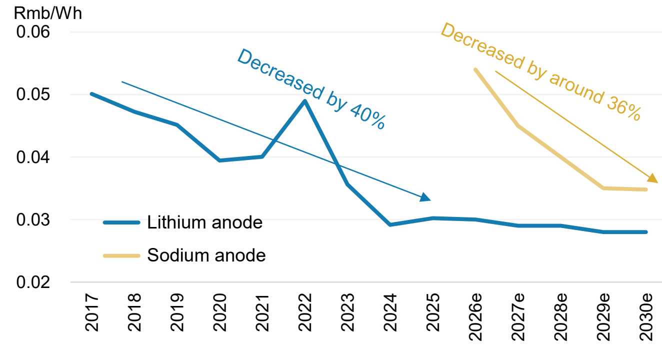


Exhibit 23: Electrolyte price changes

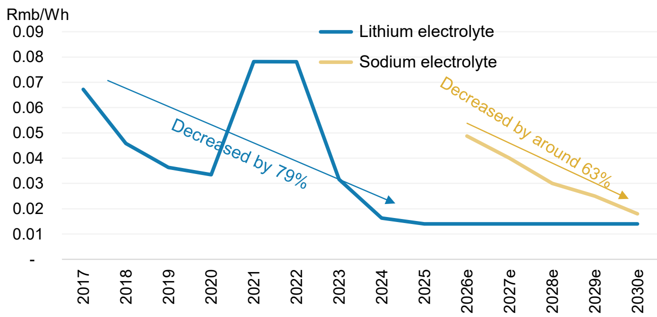
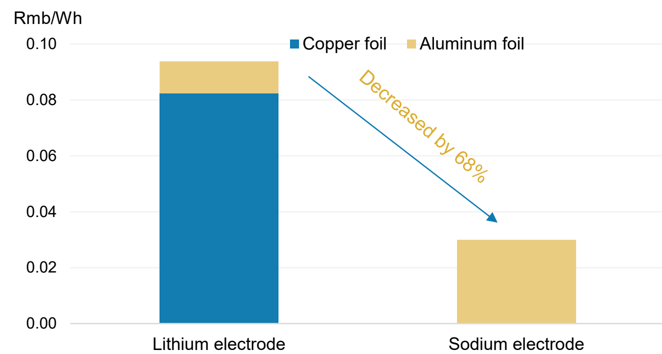
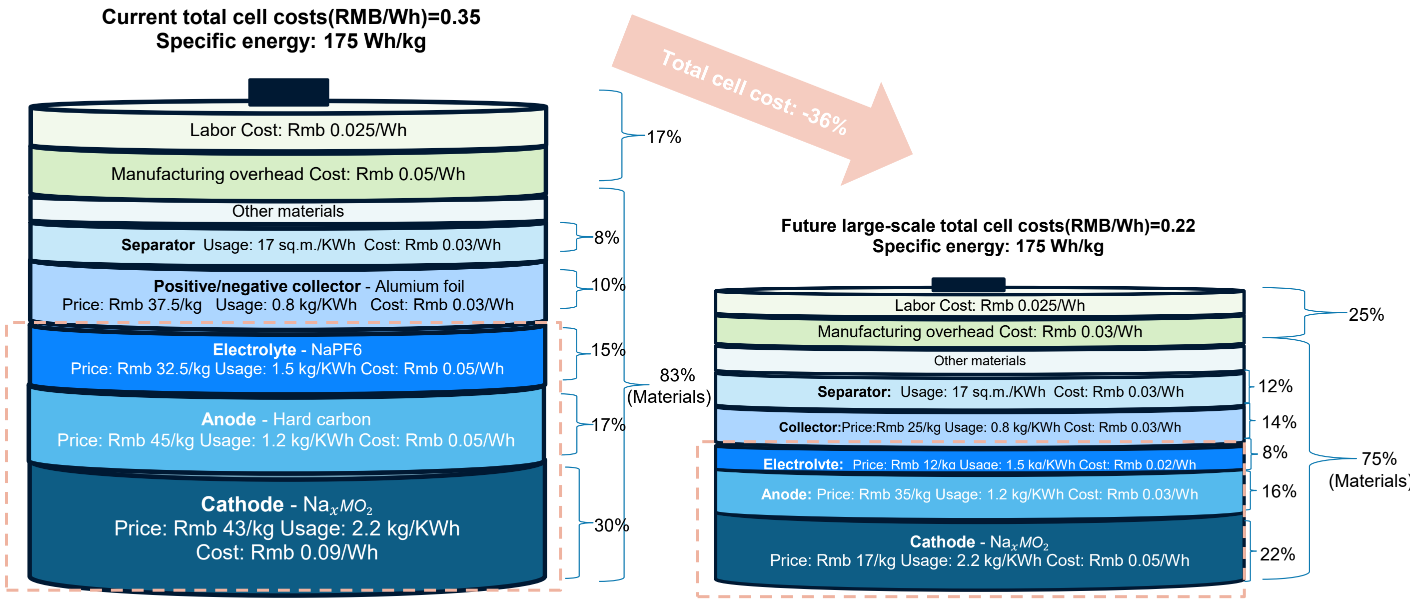


Exhibit 24: Positive/ negative electrode price changes



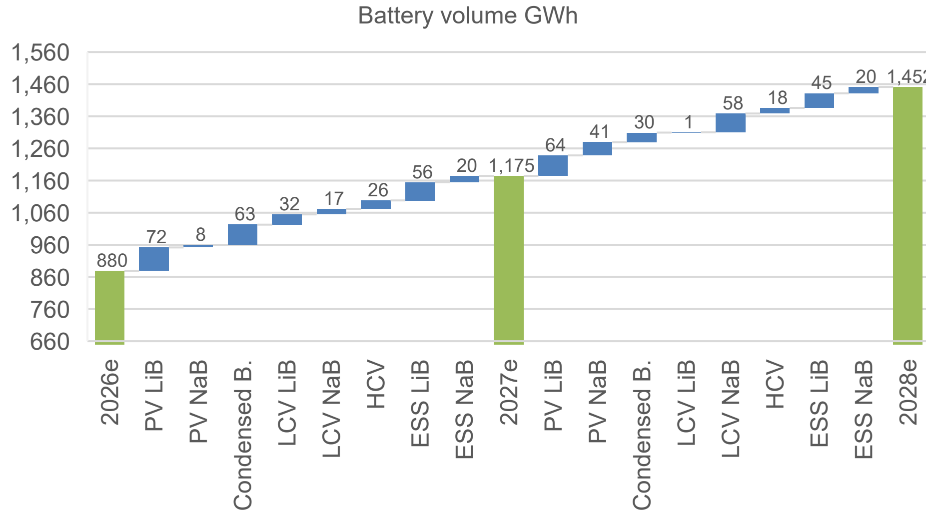
Because of the scaling effect, supply chain cost will likely be reduced significantly, following a similar path to the lithium-ion battery scaling effect in the past. As a result, we forecast that the sodium-ion battery cell cost will decrease to Rmb0.22/Wh, which would be 36% cheaper compared with the current level.

Exhibit 25: Sodium-ion cell cost: current vs. future



Strengthened Earnings Visibility

Exhibit 26: CATL's battery volume growth contribution, by type



Following CATL's stronger-than-expected 1Q26 volume performance, its volume growth outlook for 2026 is now largely well understood and reflected in market consensus. The focus is therefore shifting toward growth visibility in 2027–28, which we see as increasingly critical for the stock's next leg of performance. We project 34% and 24% volume growth in 2026 and 2027, respectively, owing to robust, ongoing truck electrification that we expect will be further strengthened by sodium-ion battery adoption, longer-duration ESS deployment, data center ESS adoption, and sodium-ion penetration in the passenger car market and condensed battery adoption in the luxury model cycle – all of which should help CATL resume a high-growth profile in the next three years, per our analysis.

1) Global ESS demand to remain robust, and CATL gaining share in China.

ESS economics at utility scale has improved significantly in the past two years, enhancing good project IRR across the region, although lithium price inflation has narrowed some return. Energy security initiatives across globe should also boost ESS deployment as a strategic power solution over the long term. Importantly, we see energy storage as the next critical leg of power for the AI theme as inference scales (see our report, "Flexible Power- Next Wave of Growth in AI"). We expect CATL's ESS sales volume to grow at a 37% CAGR, 2026E-2028E.

2) Truck electrification appears set to hit the threshold of inflected adoption.

China's ePV penetration hit 10% in 2021, and then reached 50% in three years, in 2024. We expect China's penetration rate of electric light trucks to increase from 10% in 2025 to 25%/40%/55% in 2026/2027/2028E. Electrification of heavy-duty trucks will also accelerate, and we expect the penetration rate of electric heavy trucks to increase from 25% in 2025 to 40%/55%/65% in 2026/2027/2028E. Please refer to our in-depth report on Truck Electrification.

3) Sodium-ion penetration. CATL has industrialized sodium-ion battery technology, with proven use in passenger vehicles and readiness for broader deployment, including light commercial vehicles. While current commercialization remains limited, sodium-ion batteries could soon reach cost parity with LFP and potentially become over 30% cheaper at scale. With advantages in low-temperature performance, durability, and material sourcing diversification, sodium-ion batteries are positioned to disrupt both entry-level automotive segments and the ESS market.

4) Electric car penetration trajectory in China and Europe. Although the EV demand

global autos team forecasts a 7% demand CAGR for China EV sales and a 12% demand CAGR for European EV sales in 2026-28E.

5) Rising battery capacity per unit. In China, we expect both BEV's and PHEV's battery capacity per unit to rise at a 3-5% CAGR in the next three years, driven by the larger proportion of longer-range BEV models, as well as new powertrain solutions for extended-range PHEV enabling larger battery capacity installation.

6) Condensed battery adoption to strengthen luxury model cycle. The addressable market for condensed batteries is substantial, with China's ~1.5mn-unit and the EU's ~2mn-unit annual luxury car markets forming a natural early-adoption base where energy density carries a high willingness to pay. Together, these segments imply potential condensed-battery demand of ~350 GWh. Assuming a conservative 30% penetration rate over the next three years, this translates into ~105 GWh of annual condensed battery sales potential by year three.

Exhibit 27: Earnings revisions - Factoring in sodium-ion battery adoption and market share gain in China's ePV market

	FY2026E				FY2027E				FY2028E			
(RMB mn)	New	Old	chg%	yoy%	New	Old	chg%	yoy%	New	Old	chg%	yoy%
EV battery sales (GWh)	712	712	0.0%	31.7%	929	841	10.4%	30.4%	1,142	987	15.7%	22.9%
ESS battery sales (GWh)	169	169	0.0%	39.3%	245	228	7.6%	45.4%	310	295	5.0%	26.4%
Battery ASP (Rmb/Wh)	0.60	0.60	0.0%	5.6%	0.59	0.59	-0.3%	-2.7%	0.57	0.58	-0.5%	-2.6%
Unit COGS (Rmb/Wh)	0.46	0.46	0.0%	6.5%	0.44	0.44	-0.4%	-5.5%	0.42	0.42	-0.8%	-4.4%
Battery GP margin (Rmb/Wh)	0.143	0.143	0.0%	2.5%	0.151	0.151	0.1%	6.2%	0.155	0.155	0.4%	2.5%
Revenue	**584,041**	**584,041**	**0.0%**	**37.8%**	**750,418**	**689,048**	**8.9%**	**28.5%**	**899,217**	**800,481**	**12.3%**	**19.8%**
Gross Profit	**146,281**	**146,281**	**0.0%**	**31.4%**	**200,564**	**184,376**	**8.8%**	**37.1%**	**249,908**	**222,051**	**12.5%**	**24.6%**
GP mgn %	25%	25%	0.0 ppt	-1.2 ppt	27%	27%	0.0 ppt	1.7 ppt	28%	28%	0.0 ppt	0.0 ppt
SG&A	(51,104)	(51,104)	0.0%	26.6%	(64,161)	(58,914)	8.9%	25.6%	(76,883)	(68,441)	12.3%	19.8%
Adj. EBITDA	129,464	129,464	0.0%	21.4%	171,617	160,676	6.8%	32.6%	213,597	190,052	12.4%	24.5%
EBITDA mgn %	22%	22%	0.0 ppt	-3.0 ppt	23%	23%	-0.4 ppt	0.7 ppt	24%	24%	0.0 ppt	0.0 ppt
EBIT	95,177	95,177	0.0%	34.2%	136,403	125,462	8.7%	43.3%	173,025	153,610	12.6%	26.8%
EBIT mgn-%	16%	16%	0.0 ppt	-0.4 ppt	18%	18%	0.0 ppt	1.9 ppt	19%	19%	0.0 ppt	0.1 ppt
Financial cost, net	8,131	8,131	0.0%	2.4%	9,906	10,101	-1.9%	21.8%	9,909	10,104	-1.9%	0.0%
PBT	116,787	116,787	0.0%	30.4%	158,887	148,142	7.3%	36.0%	195,513	176,293	10.9%	23.1%
Net Income	94,572	94,572	0.0%	31.0%	128,512	119,815	7.3%	35.9%	157,988	142,593	10.8%	22.9%
Net mgn-%	16%	16%	0.0 ppt	-0.8 ppt	17%	17%	-0.3 ppt	0.9 ppt	18%	18%	0.0 ppt	0.0 ppt
EPS	20.53	20.87	-1.6%	27.2%	27.78	26.44	5.1%	35.3%	34.15	31.46	8.5%	22.9%

Exhibit 28: Financial Summary

Assumptions	2024	2025	2026e	2027e	2028e
Sales - EV battery (GWh)	381.0	541.0	712.4	929.1	1,141.9
Sales - ESS (GWh)	93.0	121.0	168.5	245.0	309.8
ASP - EV battery (Rmb/Wh)	0.66	0.59	0.62	0.61	0.59
ASP - ESS (Rmb/Wh)	0.62	0.52	0.53	0.51	0.50
GP margin - EV battery (%)	24%	24%	23%	25%	27%
GP margin - ESS (%)	27%	27%	27%	28%	28%
Income Statement (Rmb mn)	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Net sales	362,013	423,702	584,041	750,418	899,217
Gross profit	88,494	111,319	146,281	200,564	249,908
EBITDA	**79,515**	**97,874**	**129,464**	**171,617**	**213,597**
EBIT	**54,577**	**70,938**	**95,177**	**136,403**	**173,025**
Net financing cost	4,132	7,940	8,131	9,906	9,909
Pre-tax profit	**63,182**	**89,527**	**116,787**	**158,887**	**195,513**
Tax	(9,175)	(12,740)	(16,620)	(22,611)	(27,823)
Minority interest	(3,262)	(4,585)	(5,595)	(7,765)	(9,702)
Net profit	**50,745**	**72,201**	**94,572**	**128,512**	**157,988**
MW net income	**50,745**	**72,201**	**94,572**	**128,512**	**157,988**
Cash Flow (Rmb mn)	**2024**	**2025**	**2026e**	**2027e**	**2028e**
EBITDA	79,515	97,874	129,464	171,617	213,597
-Taxes paid	(9,175)	(12,740)	(16,620)	(22,611)	(27,823)
-Working capital	14,775	33,134	34,804	35,837	31,528
-Others	(4,811)	(9,427)	(7,971)	(7,971)	(7,971)
Operating cash flow	**96,990**	**133,220**	**167,490**	**205,376**	**237,527**
-Capex	(31,180)	(42,345)	(44,660)	(66,477)	(82,897)
FCF	65,810	90,875	122,829	138,899	154,631
Investing cash flow	**(48,875)**	**(94,503)**	**(40,166)**	**(62,330)**	**(79,132)**
Equity raised	2,560	44,814	-	-	-
Debt raised	30,540	39,790	-	-	-
Dividend	(25,807)	(34,923)	(35,918)	(47,286)	(64,256)
Financing cash flow	**(14,524)**	**(6,310)**	**(33,911)**	**(54,285)**	**(72,224)**
Net cash flow	**31,994**	**29,743**	**93,413**	**88,760**	**86,171**
Per Share Data (Rmb)	**2024**	**2025**	**2026e**	**2027e**	**2028e**
EPS for Consensus	11.55	16.14	20.53	27.78	34.15
DPS	6.05	8.03	10.27	13.89	18.78
BVPS	62.25	82.94	93.90	111.87	133.18

Profitability Ratios %	2024	2025	2026e	2027e	2028e
ROE	23%	25%	26%	29%	30%
EBITDA margin	22%	23%	22%	23%	24%
EBIT margin	15%	17%	16%	18%	19%
Net profit margin	14%	17%	16%	17%	18%
Net Debt / Equity %	-61%	-58%	-70%	-76%	-77%
Days sales AR outstanding	127	119	119	119	119
Days in inventory	60	81	80	77	77
Days payable outstanding	245	266	260	254	250
Cash conversion cycle	(57)	(66)	(61)	(59)	(55)
Balance Sheet (Rmb mn)	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Cash & equivalents	303,512	333,513	426,926	515,686	601,858
Receivables	126,153	137,766	189,900	243,997	292,379
Inventories	59,836	94,526	128,489	157,588	188,836
PP&E	112,589	146,401	150,774	176,037	212,362
Intangible asset	14,420	15,264	15,264	15,264	15,264
Long-term investment	54,792	64,884	64,884	64,884	64,884
Other current asset	6,286	12,379	12,379	12,379	12,379
Other asset	109,071	170,094	176,387	183,309	190,924
Total Assets	**786,658**	**974,828**	**1,165,004**	**1,369,146**	**1,578,886**
Payables	242,585	308,996	415,872	522,361	616,844
Borrowings	135,739	116,851	124,675	124,675	124,675
Other current liability	32,009	55,457	69,482	82,026	98,701
Other liabilities	102,869	122,497	122,497	122,497	122,497
Total Liabilities	**513,202**	**603,801**	**732,526**	**851,559**	**962,716**
Shareholders equity	246,930	337,108	395,763	476,988	570,720
Minority interest	26,526	33,919	36,716	40,598	45,450
Total Equity	**273,456**	**371,026**	**432,479**	**517,587**	**616,170**
Growth %	**2024**	**2025**	**2026e**	**2027e**	**2028e**
Battery volume	22%	40%	33%	33%	24%
Battery ASP	-25%	-12%	6%	-2%	-3%
Battery GP per Wh	-1%	-12%	2%	8%	3%
Sales	-10%	17%	38%	28%	20%
Gross profit	15%	26%	31%	37%	25%
EBITDA	17%	23%	32%	33%	24%
EBIT	20%	30%	34%	43%	27%
Net profit	15%	42%	31%	36%	23%

Valuation

We continue to adopt an EV/EBITDA methodology to value CATL, as most listed global peers remain at break-even or are still loss-making, limiting the relevance of earnings-based multiples. EV/EBITDA therefore remains the most appropriate framework to capture CATL's scale, profitability, and technology leadership relative to global peers.

Given the enhanced medium-term earnings visibility, we roll forward our price-target valuation of CATL-H to 2027, while keeping our 17x target multiple unchanged. The applied multiple is in line with LG Energy Solution's current trading levels, which we view as an appropriate global peer benchmark because of its pure play nature and scale. This rollover primarily reflects improved visibility rather than any change in multiple assumptions, underpinning our valuation discipline. We raise our price target for CATL-H by 17%, to HK$815. This implies 25.4x 2027E P/E, in line with its H-share historical NTM average of 25.5x since listing in May 2025..

We also revise our H-share/A-share target premium upward from 10% to 20%, reflecting both historical trading patterns and current market conditions. The revised premium is in line with CATL's average H/A premium level since the H-share IPO, and it is broadly consistent with the current premium, which we view as more appropriate given sustained global investor demand for this industry leader, with appreciation on the company's structural innovation cycles and proven execution. Importantly, many offshore funds remain structurally unable to access A-shares because of mandate constraints, making H-shares the primary channel for participation. This supply-demand imbalance, combined with CATL's expanding global relevance, supports a sustainably higher H/A premium and underpins our upward revision to a 20% target level. As such, we raise our CATL-A price target by 6%, to Rmb595.

Exhibit 29: Price target valuation

Base case - Old	Rmb mn
26E EBITDA	129,464
X multiple	17
EV	2,252,674
Minus:	
'26 net debt	(314,345)
MI	36,716
Target value	2,530,302
÷ Shares out	4,532
Value/shr (Rmb)	558
Roundup PT-H (HK$)	695
Roundup PT-A (Rmb)	560
@ target H/A premium	10%
@ex-rate	1.13

Base case - New	Rmb mn
27E EBITDA	171,617
X multiple	17
EV	2,986,137
Minus:	
'26 net debt	(302,251)
MI	36,716
Target value	3,251,672
÷ Shares out	4,606
Value/shr (Rmb)	706
Roundup PT-H (HK$)	815
Roundup PT-A (Rmb)	595
@ target H/A premium	20%
@ex-rate	1.15

Exhibit 30: Comps of global battery value chain

Company	CURR	Last px 5/1/26	Mkt Cap (LC Mn)	Mkt Cap (USD Mn)	Total Return 3-mo	Total Return 12-mo	52-wk High	52-wk Low	P/E (x) 25	P/E (x) 26E	P/E (x) 27E	P/B (x) 25	P/B (x) 26E	P/B (x) 27E
EV Batteries														
CATL-A	CNY	427.7	2,031,055	297,046	25%	84%	460	231	23.4	20.9	15.4	5.1	5.2	4.3
CATL-H	HKD	608.0	2,066,482	302,679	25%	100%	745	289	28.7	25.4	18.7	6.2	6.1	5.0
Gotion High-Tech	CNY	39.0	70,350	10,289	4%	91%	50	20	40.0	24.5	22.6	2.6	2.2	2.0
EVE Energy	CNY	70.4	144,080	21,072	16%	73%	94	41	25.9	24.3	21.5	3.2	3.2	2.8
CALB*	HKD	36.5	64,689	8,254	44%	116%	39	15	37.5	20.2	13.4	1.4	1.3	1.2
Sunwoda*	CNY	27.8	54,975	8,045	17%	44%	38	18	48.1	21.0	14.2	2.1	1.9	1.7
LGES	KRW	460,500	107,757,000	72,395	11%	32%	527,000	266,000	NM	238.6	68.0	4.3	5.2	4.8
EV Materials														
Putailai	CNY	35.5	75,869	11,096	28%	109%	38	16	24.6	28.7	24.5	2.9	3.4	3.0
Energy New Material	CNY	78.5	76,010	11,117	61%	189%	86	26	NM	44.8	29.2	2.3	3.1	2.8
Ningbo Shanshan*	CNY	16.9	38,015	5,563	29%	138%	17	7	--	--	--	--	--	--
Beijing Easpring*	CNY	65.0	35,363	5,175	11%	68%	76	37	54.7	31.5	24.9	2.4	2.2	2.1
Posco Chemical	KRW	252,000	20,967,534	14,087	7%	100%	268,500	95,478	264.1	239.2	185.7	4.1	5.5	5.4
L&F*	KRW	209,000	8,436,454	5,706	54%	201%	201,500	47,000	--	8,864.4	118.9	13.9	13.1	11.7
Umicore SA*	EUR	17.1	4,206	4,921	-16%	112%	22	8	13.9	11.9	10.6	1.7	1.6	1.5
Capchem	CNY	66.5	50,141	7,333	30%	110%	72	30	32.6	32.0	32.6	3.7	4.4	3.8
Tinci Material	CNY	55.3	105,787	15,472	34%	227%	61	17	62.4	23.4	21.7	6.4	6.8	7.0
Ningbo Ronbay	CNY	35.5	24,894	3,556	14%	64%	39	18	NM	NM	152.0	3.0	3.0	2.9
Shenzhen Senior	CNY	15.8	21,209	3,102	16%	76%	19	9	81.7	25.2	17.2	2.1	2.0	1.8
Shenzhen Dynanonic	CNY	53.1	14,878	2,176	24%	94%	75	27	NM	NM	154.2	2.4	4.1	4.0
Batteries &Materials Mean									**56.7**	**604.7**	**52.5**	**3.9**	**4.1**	**3.8**
EV Makers														
BYD-A	CNY	101	865,556	126,590	10%	-14%	139	86	27.0	22.6	17.7	3.6	3.5	3.1
BYD-H	HKD	103	865,556	126,590	2%	-16%	159	89	23.7	19.6	15.4	3.1	3.0	2.7
Tesla	USD	373	1,321,626	1,321,626	-11%	28%	499	271	419.4	551.8	321.1	19.4	14.8	13.7
NIO	USD	6	175,541	25,673	33%	50%	8	3	NM	NM	NM	9.3	79.7	NM
Xpeng	USD	16	103,235	15,098	-15%	-15%	28	15	NM	688.4	93.2	4.4	3.4	3.3
Li Auto	USD	18	122,278	17,883	3%	-27%	32	16	106.1	77.0	13.7	1.6	1.6	1.4
EV Makers Mean									**144.1**	**271.9**	**92.2**	**6.9**	**17.7**	**4.8**
Overall Mean									***77.3***	***525.5***	***61.1***	***4.6***	***7.5***	***4.0***

Company	EV/EBITDA(x) 25	EV/EBITDA(x) 26E	EV/EBITDA(x) 27E	ROE (%) 25	ROE (%) 26E	ROE (%) 27E	Net debt/Equity (%) 25	Net debt/Equity (%) 26E	Unlevered FCF Yield (%) 25	Unlevered FCF Yield (%) 26E	Unlevered FCF Yield (%) 27E	Earnings 3Y-CAGR	EBITDA 3Y-CAGR
EV Batteries													
CATL-A	15.8	12.9	9.7	29.2	28.1	32.5	(58.4)	(71.4)	5.2	7.3	8.3	30%	27%
CATL-H	22.6	16.8	12.7	29.2	28.1	32.5	(58.4)	(71.4)	4.1	5.7	6.4	30%	27%
Guoxuan High-Tech	21.4	17.1	15.4	6.8	9.8	0.1	104.7	86.4	(13.1)	3.8	1.0	34%	17%
EVE Energy	17.0	13.5	12.7	13.8	14.6	14.7	48.0	39.9	(1.2)	5.0	2.8	19%	24%
CALB*	15.2	11.8	9.0	3.8	6.5	9.0	123.8	135.7	(20.4)	(10.4)	(12.8)	56%	0%
Sunwoda*	22.4	24.0	17.1	4.3	9.0	12.0	47.5	45.7	(8.8)	1.2	8.2	63%	0%
LGES	26.6	23.6	16.9	(5.1)	2.2	7.7	88.5	105.1	(6.1)	(2.4)	0.9	-229%	19%
EV Battery Materials													
Putailai	19.8	16.9	14.8	12.9	13.2	13.8	15.0	18.9	1.6	1.6	3.2	25%	21%
Energy New Material	47.3	18.0	2.5	(2.8)	7.5	0.1	75.3	95.1	(1.3)	0.9	4.4	-285%	195%
Ningbo Shanshan*	26.2	20.5	16.1	--	--	--	NM	NM	--	--	--	-	0%
Beijing Easpring*	70.1	59.8	46.6	4.3	7.1	8.3	(43.5)	(38.6)	--	--	--	42%	0%
Posco Chemical	84.1	58.6	45.6	2.0	2.3	3.0	95.9	70.8	(6.9)	(3.8)	(2.2)	-181%	40%
L&F*	6.7	6.0	5.6	(104.2)	0.1	9.8	197.2	286.7	(1.3)	(1.3)	(1.2)	-160%	0%
Umicore SA*	21.7	21.7	16.8	12.3	13.4	13.8	62.4	63.1	5.9	6.2	5.1	4%	0%
Capchem	-	-	-	12.5	15.3	18.0	2.4	(3.5)	--	--	--	26%	23%
Tinci Materials	41.5	15.8	14.7	10.9	35.7	31.1	35.9	30.0	--	4.0	--	123%	59%
Ningbo Ronbay	32.1	29.7	23.1	(2.6)	(0.9)	0.0	19.2	10.0	(6.2)	(5.9)	(20.2)	-18%	2%
Shenzhen Senior	25.3	12.8	9.6	2.6	8.8	0.1	86.9	97.3	--	--	--	52%	41%
Shenzhen Dynanonic	197.8	17.4	10.9	(13.3)	(4.2)	0.0	95.5	102.1	(8.9)	(0.7)	6.5	-146%	NM
Batteries &Materials Mean	**37.6**	**20.9**	**15.8**	**0.9**	**10.9**	**11.5**	**52.1**	**55.7**	**(4.1)**	**0.8**	**0.8**	**-29%**	**27%**
EV Makers													
BYD-A	7.5	6.6	5.4	17.6	16.7	19.5	12.2	7.0	(10.8)	4.7	6.9	24%	18%
BYD-H	7.5	6.6	5.4	17.6	16.7	19.5	12.2	7.0	(11.0)	4.9	7.1	24%	18%
Tesla	122.5	137.6	105.8	5.2	2.9	4.6	(48.9)	(27.4)	0.4	(0.5)	(0.1)	21%	17%
NIO	(16.5)	(65.7)	85.4	(116.8)	(109.9)	(310.6)	(6.4)	(128.0)	(12.3)	2.9	7.1	-153%	NM
Xpeng	331.8	28.0	18.9	(3.6)	0.5	3.6	(26.4)	(44.7)	4.0	2.5	8.2	-235%	201%
Li Auto	(57.4)	175.2	3.5	1.6	2.2	11.8	(66.6)	(58.8)	(10.6)	4.1	6.9	132%	NM
EV Makers Mean	**65.9**	**48.0**	**37.4**	**(13.1)**	**(11.8)**	**(41.9)**	**(20.6)**	**(40.8)**	**(6.7)**	**3.1**	**6.0**	**-31%**	**64%**
Overall Mean	***44.4***	***27.4***	***21.0***	***(2.6)***	***5.2***	***(1.9)***	***33.9***	***31.5***	***(4.6)***	***1.9***	***3.4***	***-28%***	***35%***

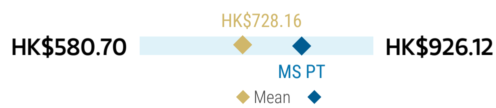
Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK) Top Pick

New product cycle strengthening growth visibility

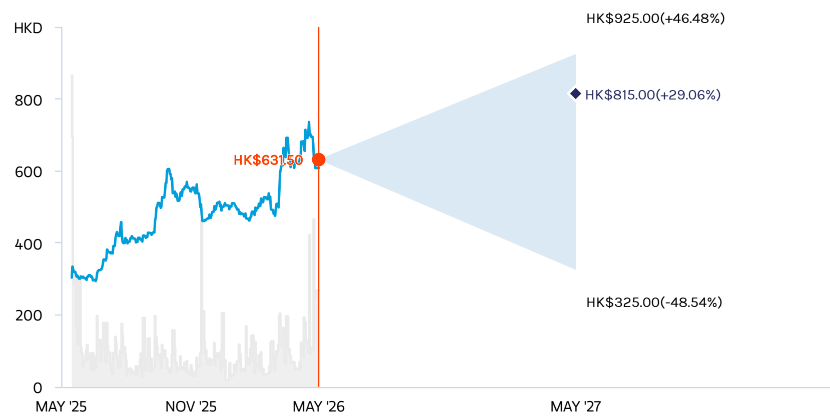
PRICE TARGET HK$815.00

- Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 17x EV/EBITDA multiple to 2027E EBITDA, which implies a 25.4x P/E for 2027E. For CATL-H share, we assign a 20% H/A premium.

Consensus Price Target Distribution



RISK REWARD CHART

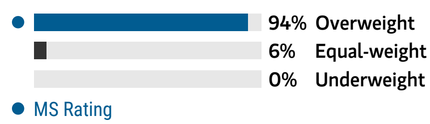


Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- The company appears well positioned to benefit from the power-for-AI opportunity through energy storage.
- Although the ePV trajectory is slowing in China, truck electrification and robust ESS deployment should continue to support a strong growth profile.
- CATL seems set to gain more share in the domestic ESS market as the industry shifts from mandatory deployment to economy-oriented operation.
- CATL appears to be an AI enabler, which in turn, could double the battery TAM in the long term.
- We expect condensed batteries to penetrate the luxury car market.

Consensus Rating Distribution



Risk Reward Themes

Electric Vehicles:	*Positive*
Renewable Energy:	*Positive*
Secular Growth:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE HK$925.00

20x 2027e EV/EBITDA

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Therefore, we think that under this scenario, valuation may jump to 20x EV/EBITDA in 2027, anchoring to LGES's average EV/EBITDA multiple over the past three years.

BASE CASE HK$815.00

17x 2027e EV/EBITDA

We expect EBITDA growth of ~24% in 2026-27, driven by robust ESS demand, electric truck adoption, and market share gains.

BEAR CASE HK$325.00

6x 2027e EV/EBITDA

Battery competition becomes severe owing to technology breakthroughs by Tier 2 battery makers; CATL faces market share loss and margin pressure.

Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK)

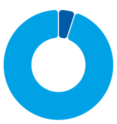
KEY EARNINGS INPUTS

Drivers	2025	2026e	2027e	2028e
EV Battery sales volume (GWh)	541.0	712.4	929.1	1,141.9
EV Battery ASP (Rmb/Wh)	0.6	0.6	0.6	0.6
EV Battery gross margin (%)	23.8	23.0	25.4	26.8

INVESTMENT DRIVERS

- EV penetration (including both PV and CV)
- ESS economics and adoption
- Product mix improvement
- New technology development
- Market share development

GLOBAL REVENUE EXPOSURE



- 0-10% Europe ex UK
- 90-100% Mainland China

View explanation of regional hierarchies here

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

RISKS TO DOWNSIDE

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

OWNERSHIP POSITIONING

Inst. Owners, % Active 68%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (Rmb, mn)	510,120.9	584,041.0	594,088.4	669,445.0
EBIT (Rmb, mn)	82,443.0	95,177	103,549.2	118,432.0
Net income (Rmb, mn)	86,852.0	94,572	94,713.3	103,899.4
EPS (Rmb)	19.0	20.5	20.8	22.8

Mean

Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ)

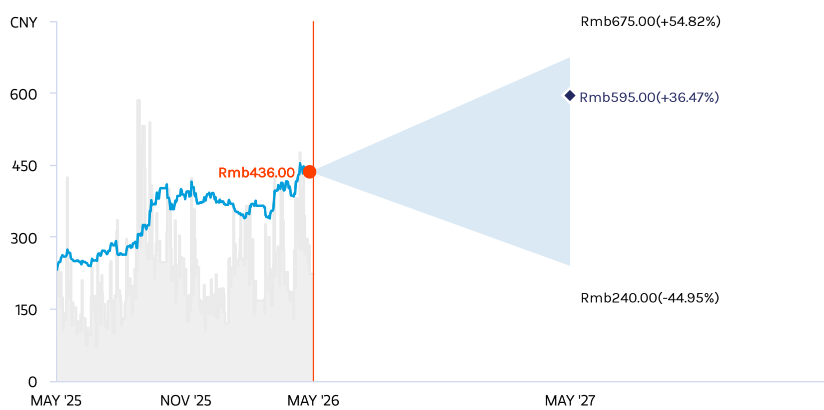
New product cycle strengthening growth visibility

PRICE TARGET Rmb595.00

- Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 17x EV/EBITDA multiple to 2027E EBITDA, which implies a 25.4x P/E for 2027E.

Consensus Price Target Distribution Rmb450.00 — Rmb553.88 (Mean) — MS PT — Rmb640.00

RISK REWARD CHART



Key: Historical Stock Performance ● Current Stock Price ◆ Price Target

OVERWEIGHT THESIS

- The company appears well positioned to benefit from the power-for-AI opportunity through energy storage.
- Although the ePV trajectory is slowing in China, truck electrification and robust ESS deployment should continue to support a strong growth profile.
- CATL seems set to gain more share in the domestic ESS market as the industry shifts from mandatory deployment to economy-oriented operation.
- CATL appears to be an AI enabler, which in turn, could double the battery TAM in the long term.
- We expect condensed batteries to penetrate the luxury car market.

Consensus Rating Distribution

100%	Overweight
0%	Equal-weight
0%	Underweight

● MS Rating

Risk Reward Themes

Electric Vehicles:	*Positive*
Renewable Energy:	*Positive*
Technology Diffusion:	*Positive*

View descriptions of Risk Rewards Themes here

BULL CASE Rmb675.00

20x 2027e EV/EBITDA

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Therefore, we think that under this scenario, valuation may jump to 20x EV/EBITDA in 2027, anchoring to LGES's average EV/EBITDA multiple over the past three years.

BASE CASE Rmb595.00

17x 2027e EV/EBITDA

We expect EBITDA growth of ~24% in 2026-27, driven by robust ESS demand, electric truck adoption, and market share gains.

BEAR CASE Rmb240.00

6x 2027e EV/EBITDA

Battery competition becomes severe owing to technology breakthroughs by Tier 2 battery makers; CATL faces market share loss and margin pressure.

Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ)

KEY EARNINGS INPUTS

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INVESTMENT DRIVERS

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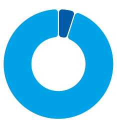
- Product mix improvement
- New technology development
- Market share development

GLOBAL REVENUE EXPOSURE



- 0-10% Europe ex UK
- 90-100% Mainland China

View explanation of regional hierarchies here

MS ALPHA MODELS

4/5 MOST | 3 Month Horizon

the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

RISKS TO DOWNSIDE

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

OWNERSHIP POSITIONING

Inst. Owners, % Active 93%

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

	Low	MS	Mean	High
Sales / Revenue (Rmb, mn)	505,600.0	584,041.0	581,491.7	764,113.1
EBIT (Rmb, mn)	80,375.0	95,177	103,108.1	120,028.7
Net income (Rmb, mn)	77,428.0	94,572	91,748.3	105,974.9
EPS (Rmb)	16.5	20.5	20.2	23.2

◆ Mean ◆

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf