09 Jul 2026 11:45:50 ET | 12 pages

China Battery Materials

Lithium into 2nd week of July – Our read to the sell off this week

CITI'S TAKE

Lithium price and equity names meltdown in the last two days, on (1) JXW resumption, and (2) potential proposal on LFP cathode capacity control ahead. Our read follows – (1) We expect CATL to give investors more colour on the JXW mine resumption, new battery capacity timeline, and full year battery output/shipment target in the upcoming results call of which the impact to lithium fundamental we estimate to skew to the positive, (2) we see immaterial impact from the potential capacity control proposal on LFP cathode ahead, as this echoes to our previous anti-involution call (see note) and the timeline remains uncertain, and (3) we await more details on JXW resumption (i.e. scale, cost, and etc), but we believe market has priced in most of the negative in the last few weeks.

Weekly wrap-up: Lithium **ASP** was in the downtrend WoW during last week. Among that, Li2CO3 and LiOH ASP is quoted at Rmb158.5k/t and Rmb142.5k/t as of 9th July respectively, vs Rmb162.5k/t and Rmb158.5k/t as of 2nd July. **Production wise**, China Li2CO3 production was -3% WoW at 24,855 tons last week. Among that, output from brine, lepidolite, spodumene, and recycle was +2%/-20%/-3%/+1% WoW respectively. **Inventory wise**, total inventory of Li2CO3 came in at 92,236 tons this week (-2% WoW / -2,338 tons WoW). Within that, inventory of downstream players (mainly cathode makers), smelters, and others (mainly battery makers and traders) were -2%, -9%, -8% WoW to 50,339 tons, 12,415 tons, and 29,482 tons respectively.

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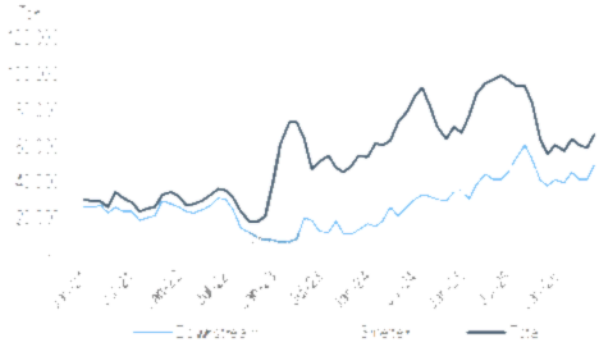
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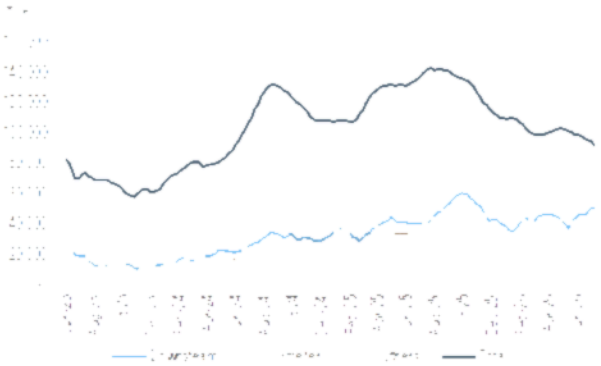
Figure 1. Lithium carbonate monthly inventory



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Source: Citi Research, SMM

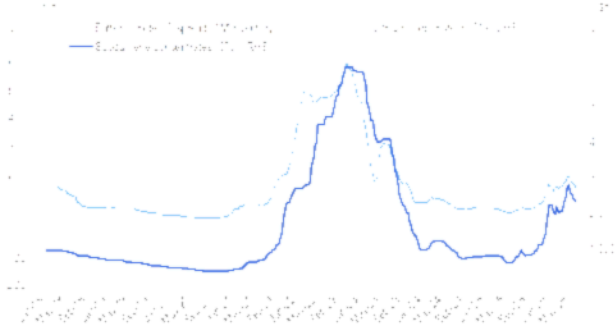
Figure 2. Lithium carbonate weekly inventory



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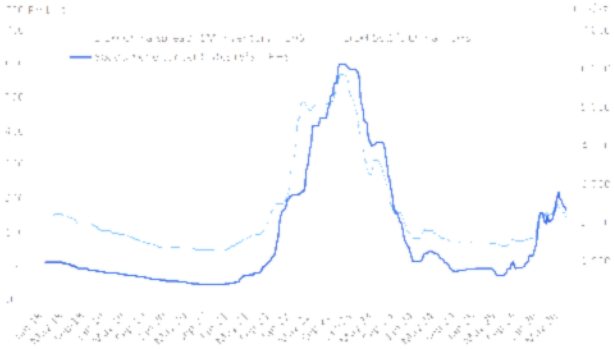
Figure 3. Spread of battery-grade LC (assume 1M inventory)



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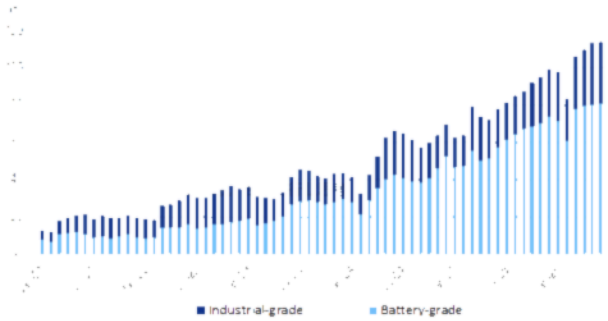
Figure 4. Spread of battery-grade LC (assume 1M inventory)



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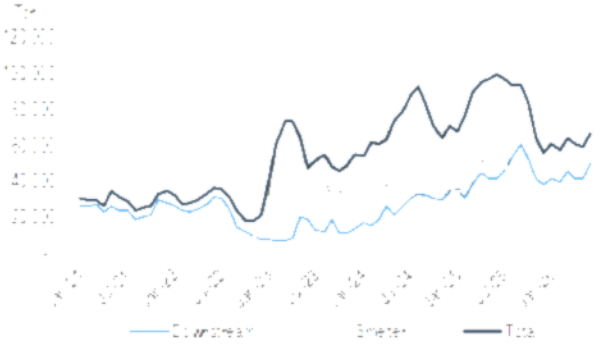
Figure 5. Lithium carbonate monthly production



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Source: Citi Research, SMM

Figure 6. Lithium carbonate weekly production



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Source: Citi Research, SMM

CATL

(3750.HK: HK$637.5: 1: 09 Jul 26: 16:10)

Valuation

We value CATL-H at HK$888/share, based on 28% premium, the historical H/A premium for CATL, on our A-share TP of Rmb603/sh. Our TP for the A-share is based on 17.5x 2026E EV/EBITDA, 0.25x SD above the stock's historical average since the listing of the A-share. We opt for an EV/EBITDA approach as it eliminates changes in capital structure. Our target price for H share implies 34.3x 26E P/E and 8.7x 26E P/B.

Risks

Our Quant model rates the CATL-H stock High Risk for its short trading history, which we believe is unwarranted given the company's established history as an operating company and given the A-share's long history. Downside risks that could mean the CATL-H shares fail to achieve our target price include: 1) lower-than-expected EV demand; 2) competition in the EV battery market turns fierce, resulting in a market share for CATL that is lower than our expectations; and 3) higher-than-expected raw material costs.

CATL

(300750.SZ: Rmb375.5: 1: 09 Jul 26: 15:00)

Valuation

We value CATL-A at Rmb603/share based on 17.5x 2026E EV/EBITDA, 0.25xSD above the stock's historical average since listing. We opt for an EV/EBITDA approach as it eliminates changes in capital structure. Our target price implies 26.8x 26E P/E and 6.8x 26E P/B.

Risks

Downside risks that could mean the CATL-A shares fail to achieve our target price include: 1) lower-than-expected EV demand; 2) competition in the EV battery market turns fierce, resulting in a market share for CATL that is lower than our expectations; and 3) higher-than-expected raw material costs.