BERNSTEIN
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Asian Autos

China Autos: Mid-Year Check-In; Exports cushion Domestic weakness, BYD and Xiaomi model updates



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Stronger than expected exports keep industry volumes resilient. At the start of the year, in our 2026 outlook report, we highlighted domestic demand headwinds alongside a constructive export outlook. As we assess industry performance ahead of earnings season, domestic demand has proven weaker than we anticipated, while exports have significantly exceeded our expectations. As a result, industry wholesale volumes have held up better than expected. **We now forecast China passenger vehicle wholesale volumes of c.29-30mn units in 2026, representing flat to -3% yoy growth. We expect domestic retail demand to reach 20-21mn units, down 11-13% yoy,** as the market works through significant pulled-forward demand into prior years and a higher comparison base. Exports remain the key growth driver, and we forecast **overseas shipments of 8.5-9.0mn units, up 40-50% yoy**, supported by strong demand across emerging markets and continued gains in global market share by Chinese OEMs. In addition to weak domestic demand, Chinese OEMs face rising raw material costs, a headwind we expect to become more evident in Q2 earnings. Meanwhile, RMB appreciation could create an additional earnings headwind for export-oriented OEMs unless effectively hedged.

BEVs gain ground as PHEVs slow. EV penetration started the year weak due to reduced subsidies and higher purchase taxes, but rebounded from March after the U.S.-Iran war, and supported by new model launches, superior price competitiveness and technology offerings. Within EVs, we see a clear shift from PHEVs to BEVs. Overall EV sales (BEV + PHEV) fell 14.2% yoy in 2026 1H, driven by a 27.2% decline in PHEVs, while BEVs declined only 6.1% and returned to growth in Q2 (+4.9% yoy). Longer-range, faster-charging BEVs are narrowing the gap with PHEVs, while policy support is increasingly favoring BEVs. We forecast domestic EV sales growth of 1-3% yoy in 2026, taking EV penetration to c.62%. Meanwhile, EV exports continue to gain momentum, growing an estimated 65-75% YoY, supporting overall EV wholesale shipment growth of 15-20% YoY.

We rate **BYD Outperform** with price targets for **1211.HK at HK$130.00** (*Old: HK$ 136.00*) and for **002594.CH at RMB114.00** *(Old: RMB 124.00)* based on our SOTP valuation, that correlates to 20x (previously 18x) 1-yr forward P/E. We lower our price targets to reflect reduced sales volume and earnings forecasts, primarily driven by weaker domestic industry demand. **BYD is our top Outperform pick in the sector**, supported by stabilizing domestic market share, accelerating international growth, and growing upside from its external battery business.

We rate **Xiaomi Outperform** with price target for **1810.HK at HK$38.00** (*Old: HK$ 43.00*) based on our SOTP valuation, that correlates to 25x 1-year foward P/E. We lower our price target primarily due to lower smartphone shipment and gross margin forecast due to memory upcycle, and EV forecast due to weaker YU7 momentum. Xiaomi's fundamentals remain challenged in the near term, with memory pricing headwinds weighing on the smartphone business and the scaling back of subsidies impacting the IoT and EV segments. However, the stock is trading at just 16x 2027E P/E (per Bloomberg), below its historical average of c.25x one-year forward P/E and -1 standard deviation at 17x. **We believe the current valuation offers an attractive risk-reward profile over a 12-month horizon.**

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	11 Aug 2026 Closing Price	Price Target	TTM Rel. Perf.	Reported EPS Cur	2025A	2026E	2027E	Reported P/E (x) 2025A	2026E	2027E
1211.HK (BYD)	O	HKD	89.70	**130.00**	(50.7)%	CNY	3.58	**4.15**	**5.57**	21.5	18.6	13.8
OLD				136.00				4.90	6.90			
002594.CH (BYD)	O	CNY	90.12	**114.00**	(45.7)%	CNY	3.58	**4.15**	**5.57**	25.2	21.7	16.2
OLD				124.00				4.90	6.90			
1810.HK (Xiaomi)	O	HKD	26.66	**38.00**	(68.9)%	CNY	1.62	**0.93**	**1.41**	14.1	24.8	16.3
OLD				43.00				1.02	1.77			
175.HK (Geely)	O	HKD	18.20	25.00	(34.7)%	CNY	1.67	1.82	2.26	0.4	0.4	0.3
2333.HK (Great Wall-H)	M	HKD	8.77	13.00	(68.9)%	CNY	1.16	1.21	1.40	0.4	0.4	0.4
2238.HK (GAC)	M	HKD	2.24	3.00	(61.8)%	CNY	(0.85)	(0.13)	(0.01)	(2.3)	(14.8)	(302.6)
LI (Li Auto)	M	USD	12.84	15.50	(68.0)%	CNY	1.13	(4.88)	2.27	76.6	(17.7)	38.2
2015.HK (Li Auto)	M	HKD	49.06	61.00	(79.5)%	CNY	0.57	(2.44)	1.13	74.6	(17.3)	37.2
9866.HK (NIO)	M	HKD	36.30	47.00	(36.5)%	CNY	(6.85)	(1.62)	(0.49)	(4.6)	(19.3)	(63.5)
NIO (NIO)	M	USD	4.82	6.00	(23.2)%	CNY	(6.85)	(1.62)	(0.49)	(4.7)	(20.1)	(66.1)
600104.CH (SAIC)	M	CNY	10.30	15.00	(72.6)%	CNY	0.89	0.97	1.05	11.6	10.6	9.8
9868.HK (XPeng)	M	HKD	45.74	78.00	(76.4)%	CNY	(0.60)	(1.02)	0.23	(65.7)	(38.7)	174.2
XPEV (XPeng)	M	USD	12.00	20.00	(65.2)%	CNY	(1.20)	(2.03)	0.45	(67.6)	(39.8)	179.2
ASIAX			1,926.85									
SPX			7,753.11									

PRICE TARGET CHANGE / ESTIMATE CHANGE IN BOLD

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

175.HK, 2333.HK valuation is EV/Sales (x); 2238.HK valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

We maintain a cautious outlook for the sector. The reduction in subsidies and a 5% purchase tax hike on EVs have slowed market momentum. This follows strong demand pulled forward into 2024-2025 and a high comparison base, while macro headwinds and weak consumer sentiment persist. The industry will also face pressure from material cost inflation headwinds. We expect industry wholesale volumes to reach c.29-30 mn units, representing flat to -3% yoy growth. We forecast domestic retail demand of 20-21mn units, declining 11-13% yoy. Exports should remain a growth driver, arriving at 8.5-9mn units, growing 40-50% yoy.

The long term secular growth outlook for EVs remains intact and even though EV transition has come to the mass adoption phase in China, we forecast domestic EV sales growth will be c.1-3% yoy for 2026 and drive EV penetration to 62%. EV exports is going from strength to strength and projected to grow c.65-75% yoy in 2026, bringing overall EV wholesale shipment to 15-20% yoy. We believe competition within the domestic market will remain intense and overseas markets are increasingly important as a strategic growth opportunity. For our EV names, we rate **BYD and Xiaomi Outperform**, and **XPeng, Li Auto, and NIO Market-Perform**. Within our traditional Chinese OEMs coverage, we rate **Geely Outperform** and **Great Wall, GAC, and SAIC Market-Perform**.

VALUATION COMPS TABLE

EXHIBIT 1: **Global autos comps sheet**

		Market cap $m	EV $m	Cars Sold m	P/E CY	P/E NTM+1	P/E NTM+2	EV/EBITDA CY	EV/EBITDA NTM+1	EV/EBITDA NTM+2	EV/SALES CY	EV/SALES NTM+1	EV/SALES NTM+2	Dividend yield CY	Dividend yield FY+1	Dividend yield FY+2	FCF Yield FY+2	EBIT% FY+1	ROCE FY+1	Net debt / EBITDA CY	Net debt / EBITDA FY+1	Net debt / EBITDA FY+2
BYD		115,830	129,404	4.6	19.8x	15.4x	13.0x	6.9x	5.9x	5.1x	1.0x	0.9x	0.8x	1.2%	1.2%	1.2%	5.9%	5.9%	15.0%	-0.1x	-0.4x	-0.8x
Xiaomi		89,592	80,496	0.4	22.5x	16.1x	12.2x	17.2x	12.4x	9.4x	1.2x	1.0x	0.8x	0.0%	0.0%	0.0%	6.2%	7.0%	12.5%	-0.2x	-0.9x	-0.8x
Li		13,401	6,798	0.4	n.a.	20.9x	12.4x	38.1x	6.0x	4.0x	0.4x	0.3x	0.3x	0.0%	0.0%	0.0%	7.1%	1.7%	3.0%	-54.5x	-9.5x	-7.1x
NIO		12,077	12,796	0.3	1,205.9x	29.4x	15.5x	12.1x	8.3x	6.6x	0.6x	0.5x	0.5x	0.0%	0.0%	0.0%	9.2%	1.2%	5.0%	-0.2x	-0.5x	-0.5x
XPeng		11,497	10,995	0.4	n.a.	64.9x	21.7x	n.a.	26.0x	13.1x	0.8x	0.6x	0.5x	0.0%	0.0%	0.0%	8.7%	0.1%	0.2%	14.1x	-5.1x	-3.7x
China EVs		**242,398**	**240,489**	**6.2**	**25.6x**	**16.9x**	**13.0x**	**9.8x**	**7.6x**	**6.3x**	**0.9x**	**0.8x**	**0.7x**	**0.6%**	**0.6%**	**0.6%**	**6.4%**	**5.1%**	**11.7%**	**-0.6x**	**-0.9x**	**-1.2x**
Geely		25,624	24,293	3.0	8.1x	6.7x	5.7x	4.7x	4.0x	3.5x	0.4x	0.3x	0.3x	3.7%	3.7%	3.7%	17.0%	5.7%	21.9%	-1.6x	-1.8x	-2.0x
SAIC		17,827	29,125	4.5	10.9x	9.2x	8.0x	6.0x	5.3x	4.9x	0.3x	0.3x	0.3x	2.8%	2.8%	2.8%	6.4%	3.2%	4.0%	-2.9x	-2.8x	-2.3x
Great Wall		17,176	16,567	1.3	11.1x	9.2x	7.9x	5.7x	5.1x	4.5x	0.4x	0.4x	0.4x	4.9%	4.9%	4.9%	7.8%	4.8%	10.1%	-0.8x	-0.6x	-0.7x
GAC		6,647	9,768	1.7	n.a.	n.a.	33.4x	n.a.	22.0x	10.4x	0.6x	0.5x	0.5x	0.0%	0.0%	0.0%	-9.2%	-5.2%	-4.6%	4.7x	-1.6x	-0.5x
China OEMs		**67,273**	**79,754**	**10.6**	**11.6x**	**9.0x**	**7.4x**	**6.2x**	**5.2x**	**4.6x**	**0.4x**	**0.3x**	**0.3x**	**3.4%**	**3.4%**	**3.4%**	**9.3%**	**3.6%**	**6.0%**	**-1.9x**	**-1.9x**	**-1.8x**
Mercedes-Benz	§	52,325	27,296	2.2	9.0x	7.4x	6.7x	1.7x	1.5x	1.5x	0.2x	0.2x	0.2x	6.9%	6.9%	6.9%	9.7%	6.0%	3.9%	-2.3x	-2.0x	-2.1x
Volkswagen	§	43,853	42,330	9.0	4.4x	3.4x	3.0x	0.8x	0.8x	0.7x	0.1x	0.1x	0.1x	7.0%	7.0%	7.0%	12.7%	5.1%	3.5%	0.3x	0.3x	0.4x
BMW	§	42,074	30,050	2.5	8.9x	6.6x	5.5x	1.7x	1.5x	1.4x	0.2x	0.2x	0.2x	4.1%	4.1%	4.1%	10.3%	5.8%	3.7%	1.5x	1.5x	1.6x
Stellantis	*	16,168	8,409	5.5	8.6x	4.4x	3.1x	0.7x	0.6x	0.5x	0.0x	0.0x	0.0x	0.4%	0.4%	0.4%	-0.7%	2.8%	4.8%	-0.9x	-0.2x	-0.4x
Renault	§	9,805	41	2.3	5.0x	4.8x	4.6x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	7.8%	7.8%	7.8%	15.8%	4.7%	3.0%	-1.3x	-1.4x	-1.2x
Volvo Cars	&	6,150	5,831	0.7	10.6x	6.5x	4.9x	1.8x	1.5x	1.3x	0.2x	0.2x	0.2x	0.0%	0.0%	0.0%	15.6%	3.5%	6.4%	-0.7x	-0.8x	-0.9x
EU OEMs		**170,375**	**113,957**	**22.1**	**6.8x**	**5.2x**	**4.4x**	**1.1x**	**1.0x**	**0.9x**	**0.1x**	**0.1x**	**0.1x**	**5.4%**	**5.4%**	**5.4%**	**10%**	**4.8%**	**3.7%**	**-0.2x**	**-0.1x**	**0.0x**
GM	*	77,181	75,151	6.2	6.6x	6.4x	6.6x	3.4x	3.2x	3.1x	0.4x	0.4x	0.4x	0.8%	0.8%	0.8%	12.7%	8.4%	7.3%	-0.2x	-0.4x	-0.4x
Ford	*	55,826	52,980	4.4	7.6x	7.3x	6.8x	3.8x	3.6x	3.4x	0.3x	0.3x	0.3x	4.3%	4.3%	4.3%	5.7%	5.8%	5.9%	-0.1x	-0.2x	-0.3x
US OEMs		**133,007**	**128,131**	**10.6**	**7.0x**	**6.7x**	**6.7x**	**3.5x**	**3.3x**	**3.2x**	**0.3x**	**0.3x**	**0.3x**	**2.3%**	**2.3%**	**2.3%**	**10%**	**7.1%**	**6.7%**	**-0.2x**	**-0.3x**	**-0.3x**
Tesla	*	1,306,826	1,280,043	1.6	231.7x	169.0x	116.4x	92.9x	73.9x	52.9x	12.1x	10.6x	9.0x	0.0%	0.0%	0.0%	-0.6%	5.4%	6.1%	-1.9x	-1.2x	-0.6x
Rivian	*	23,730	25,224	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.4x	2.1x	1.6x	0.0%	0.0%	0.0%	-14.7%	-27.6%	-33.5%	0.7x	4.1x	######
Lucid	*	2,605	8,406	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.7x	2.3x	1.3x	0.0%	0.0%	0.0%	-104.3%	-69.5%	-41.7%	-0.4x	-1.3x	-5.1x
Polestar	*	1,992	4,824	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.3x	1.0x	0.7x	0.0%	0.0%	0.0%	-45.9%	-14.8%	59.8%	-4.1x	-5.2x	-39.5x
US EVs		**1,335,154**	**1,318,498**	**1.7**	**n.a.**	**984.3x**	**200.8x**	**160.9x**	**95.4x**	**56.5x**	**11.1x**	**9.4x**	**7.7x**	**0.0%**	**0.0%**	**0.0%**	**-1.1%**	**0.0%**	**0.0%**	**-2.8x**	**-1.4x**	**-0.5x**
Toyota	%	273,135	231,414	9.6	11.6x	10.7x	9.9x	6.1x	5.6x	5.2x	0.7x	0.7x	0.6x	3.5%	3.5%	3.5%	4.3%	8.1%	5.2%	5.5x	5.2x	4.7x
Honda	%	48,150	103,781	2.7	15.0x	9.5x	7.6x	10.7x	8.2x	6.8x	0.7x	0.7x	0.7x	4.3%	4.3%	4.3%	2.5%	4.7%	4.3%	5.4x	4.6x	4.1x
Suzuki	%	25,012	28,394	3.6	9.4x	9.0x	8.4x	5.2x	4.8x	4.5x	0.7x	0.6x	0.6x	2.6%	2.6%	2.6%	7.2%	9.1%	13.1%	-0.6x	-0.7x	-0.9x
Subaru	%	11,776	2,929	0.9	11.9x	9.9x	9.0x	1.3x	1.2x	1.1x	0.1x	0.1x	0.1x	4.6%	4.6%	4.6%	11.7%	4.1%	6.7%	-1.5x	-1.7x	-1.7x
Nissan	%	8,161	5,001	2.4	42.2x	9.3x	7.1x	1.4x	1.2x	1.0x	0.1x	0.1x	0.1x	0.0%	0.0%	0.0%	26.0%	2.0%	1.8%	12.5x	11.0x	9.9x
Mazda	%	4,684	2,641	1.1	7.2x	5.8x	5.2x	1.6x	1.4x	1.3x	0.1x	0.1x	0.1x	4.7%	4.7%	4.7%	10.9%	3.1%	6.2%	-1.4x	-1.0x	-1.4x
Mitsubishi	*	3,215	4,155	1.0	17.5x	10.8x	8.6x	3.8x	3.4x	3.3x	0.2x	0.2x	0.2x	2.9%	2.9%	2.9%	1.0%	3.2%	7.8%	-0.6x	-0.8x	-0.9x
Japanese OEMs		**374,134**	**378,314**	**21.3**	**11.9x**	**10.2x**	**9.2x**	**6.1x**	**5.4x**	**4.9x**	**0.5x**	**0.5x**	**0.5x**	**3.5%**	**3.5%**	**3.5%**	**5.0%**	**6.2%**	**5.1%**	**4.8x**	**4.4x**	**4.0x**
Hyundai	*	58,559	170,248	4.1	8.2x	7.3x	6.7x	13.9x	12.4x	11.5x	1.3x	1.2x	1.1x	2.8%	2.8%	2.8%	0.6%	6.5%	4.4%	8.7x	8.0x	7.5x
Kia	*	37,411	23,605	3.1	6.3x	5.7x	5.3x	2.5x	2.3x	2.1x	0.3x	0.3x	0.2x	5.0%	5.0%	5.0%	15.3%	8.6%	17.2%	-1.7x	-1.8x	-2.0x
Korean OEMs		**95,971**	**193,853**	**7.3**	**7.3x**	**6.6x**	**6.1x**	**9.0x**	**8.1x**	**7.5x**	**0.9x**	**0.8x**	**0.8x**	**3.7%**	**3.7%**	**3.7%**	**6%**	**7.3%**	**6.6%**	**4.2x**	**3.8x**	**3.4x**
Ferrari	§	71,558	63,689	0.014	35.6x	32.5x	30.2x	18.4x	16.8x	15.6x	7.2x	6.7x	6.3x	1.1%	1.1%	1.1%	2.7%	30.5%	36.2%	0.0x	-0.1x	-0.2x
Porsche AG	§	46,923	45,432	0.3	22.8x	20.2x	15.5x	6.1x	5.7x	5.0x	1.1x	1.1x	1.0x	2.2%	2.2%	2.2%	5.7%	8.1%	7.6%	1.2x	1.3x	1.1x
Aston Martin	&	481	2,492	0.005	n.a.	n.a.	n.a.	6.5x	5.2x	4.6x	1.2x	1.2x	1.1x	0.0%	0.0%	0.0%	-24.7%	-0.8%	-0.7%	5.3x	4.5x	4.1x
Luxury OEMs		**118,962**	**111,613**	**0.3**	**31.6x**	**27.8x**	**22.8x**	**9.9x**	**9.1x**	**8.1x**	**2.2x**	**2.1x**	**2.0x**	**1.5%**	**1.5%**	**1.5%**	**3.8%**	**11.8%**	**11.4%**	**1.0x**	**1.0x**	**0.8x**
Global OEMs (ex EV)		**959,721**	**1,005,623**	**72.2**	**9.8x**	**8.3x**	**7.4x**	**4.0x**	**3.6x**	**3.4x**	**0.4x**	**0.4x**	**0.4x**	**3.4%**	**3.4%**	**3.4%**	**8%**	**5.8%**	**5.0%**	**1.4x**	**1.3x**	**1.2x**
Global EVs		**1,577,552**	**1,558,987**	**7.9**	**220.1x**	**100.7x**	**62.3x**	**47.7x**	**34.4x**	**25.3x**	**4.2x**	**3.6x**	**3.1x**	**0.1%**	**0.1%**	**0.1%**	**0%**	**3.5%**	**6.0%**	**-1.2x**	**-1.1x**	**-0.9x**

Pricing date: Aug 11, 2026; § covered by Bernstein's Stephen Reitman; & covered by Bernstein's Harry Martin; % covered by Bernstein's Masahiro Akita* not covered by Bernstein; calculated EVs exclude finco debt
Source: Bloomberg, Bernstein analysis

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DETAILS

RECENT RESEARCH HIGHLIGHTS:

5 Aug 2026 - Electric Revolution: Resilience — Where China Leads, Where It Still Depends; Mapping China's Supply Chain Self-Sufficiency

4 Aug 2026 - China Smartphone Tracker (June): Lower yet still some inventory risk

3 Aug 2026 - China Autos Export Tracker: Q2 2026 +79% yoy — Momentum remains strong, EVs now account for over half of exports

16 Jul 2026 - Chinese Autos: Still Searching for a Bottom — June domestic sales -21% YoY, EV penetration 59%; Export +80% YoY

25 Jun 2026 - Electric Revolution: Resilience – In Check. Global EV Forecast, 2026 edition.

22 Jun 2026 - Chinese Autos: Why Automakers are entering Humanoid Robotics — and their competitive edge

19 Mar 2026 - Future of Tech: VLA as the next AI frontier in autonomous driving

5 Feb 2026 - China Autos: Under the hood — Rising metal and memory costs squeeze OEM margins

26 Jan 2026 - Chinese Autos: The Long View — Accelerating Global Expansion

6 Jan 2026 - Chinese Autos: 2026 Outlook — Cautious on domestic headwinds, Promising export prospects

EXHIBIT 2: **Domestic demand is expected to trend weak through the end of 2026, due to pulled-forward demand, a high comparison base, and a scale back of subsidies compared to prior year**

	2026E					
	Wholesale			Retail		
	China passenger vehicles			China passenger vehicles		
	Total	Domestic	Export	Total	Domestic	Import
Units (mn)	c.29-30	c.20.5-21.5	c.8.5-9	c.20-21	c.20-21	c.0.4
YoY growth (%)	*- 0-3 %*	*- 11-14%*	*40-50%*	*- 11-13%*	*- 11-13%*	*-25%*
	Electric vehicles			Electric vehicles		
	Total	Domestic	Export	Total	Domestic	Import
Units (mn)	c.18-18.5	c.13.5-14	c.4-4.5	c.12.5-13	c.12.5-13	c.0.02
YoY growth (%)	*15-20%*	*5-7%*	*60-80%*	*1-3%*	*1-3%*	*nil.*
	ICE vehicles			ICE vehicles		
	Total	Domestic	Export	Total	Domestic	Import
Units (mn)	c.11-12	c.7-7.5	c.4-4.5	c.7.5-8	c.7-7.5	c.0.4
YoY growth (%)	*- 15-25%*	*- 30-40%*	*15-25%*	*- 30-35%*	*- 30-35%*	*-25%*

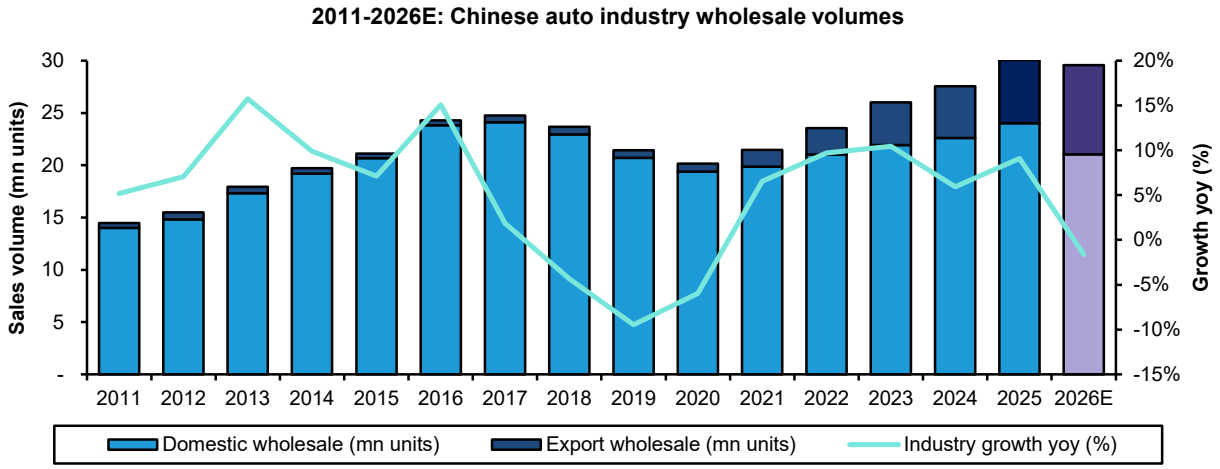
Bernstein's view

We expect industry wholesale volumes to reach c.29-30 mn units, representing flat to -3% yoy growth. We forecast domestic retail demand of 20-21mn units, declining 11-13% yoy. Exports should remain a growth driver, arriving at 8.5-9mn units, growing 40-50% yoy.

Domestic EV demand should grow 1-3%, dragged by weak PHEV demand and purchase tax hike to 5%, though still below the 10% for ICE. EV sales penetration reached c.60% in June 2026 and is forecasted to rise to around 63% in 2026, up from 54% in 2025. China's EV wholesale shipment may reach 15-20% in 2026, supported by exports.

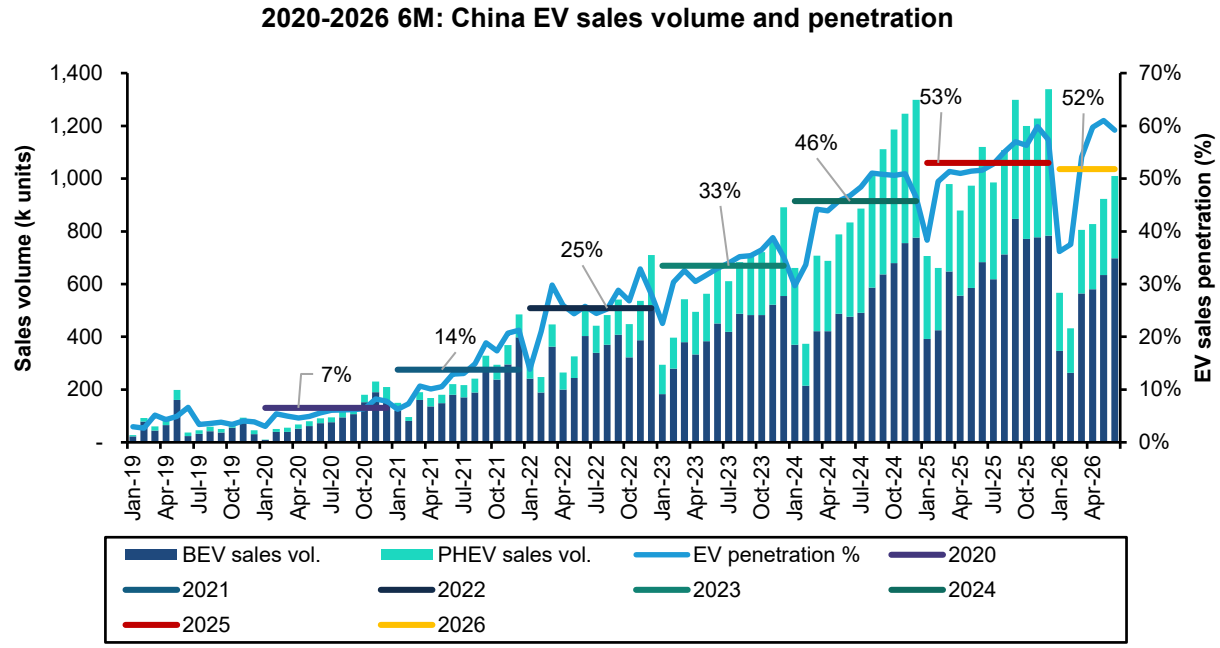
Source: CAAM, Bernstein estimates and analysis

EXHIBIT 3: **We forecast c.29-30mn units (flat to -3% yoy) of industry wholesale volume for 2026E, comprising c.20-21mn units (-11% to -13% yoy) for the domestic market and c.8.5-9mn units (+40% to +50% yoy) for exports**



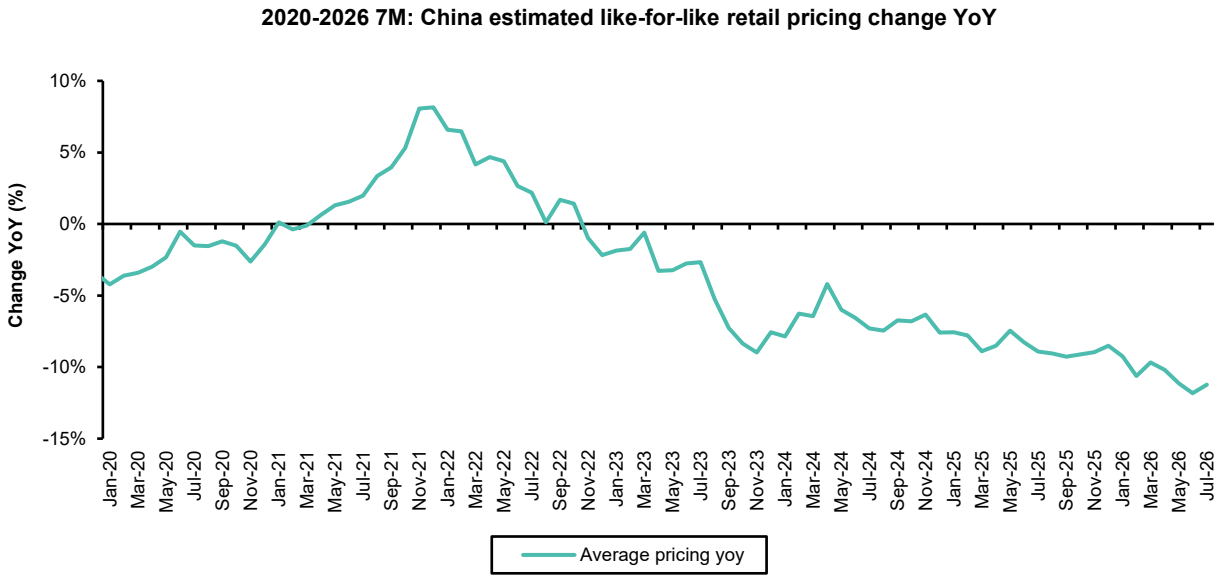
Source: CAAM, Bernstein estimates and analysis

EXHIBIT 4: **Overall EV sales (BEV + PHEV) declined 14.2% yoy to 4.6mn units in 2026 1H, primarily due to a 27.2% yoy drop in PHEV sales; BEV sales fell a more modest 6.1% yoy and returned to growth in Q2, rising 4.9% yoy**



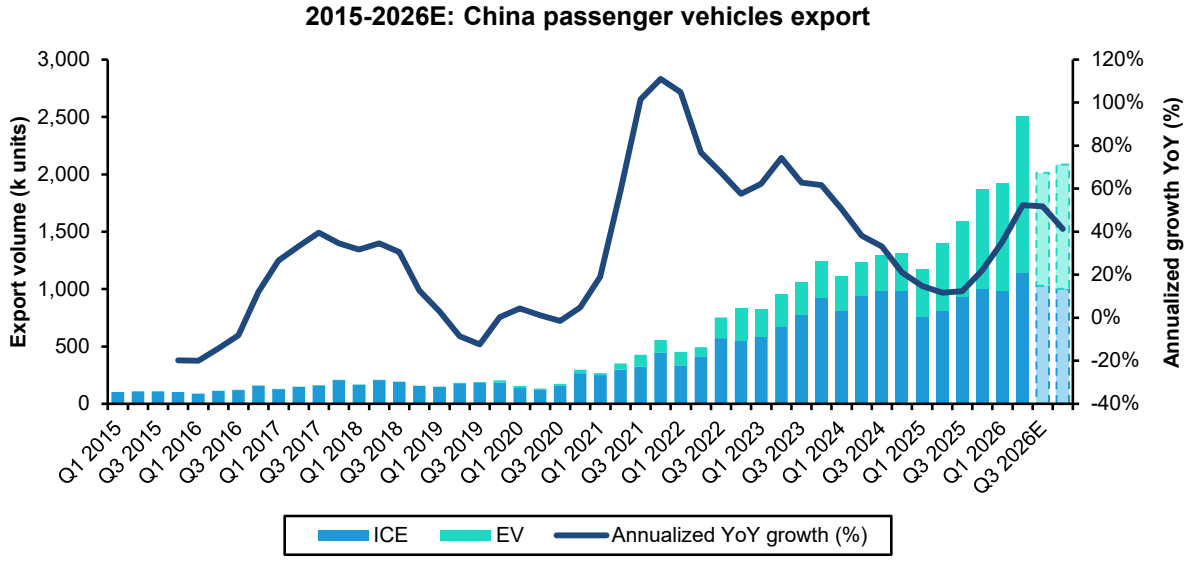
Source: C.A.D. and Bernstein analysis

EXHIBIT 5: **Retail pricing remained under pressure amid weak end-market demand, with like-for-like pricing declining by -1,173bps in June**



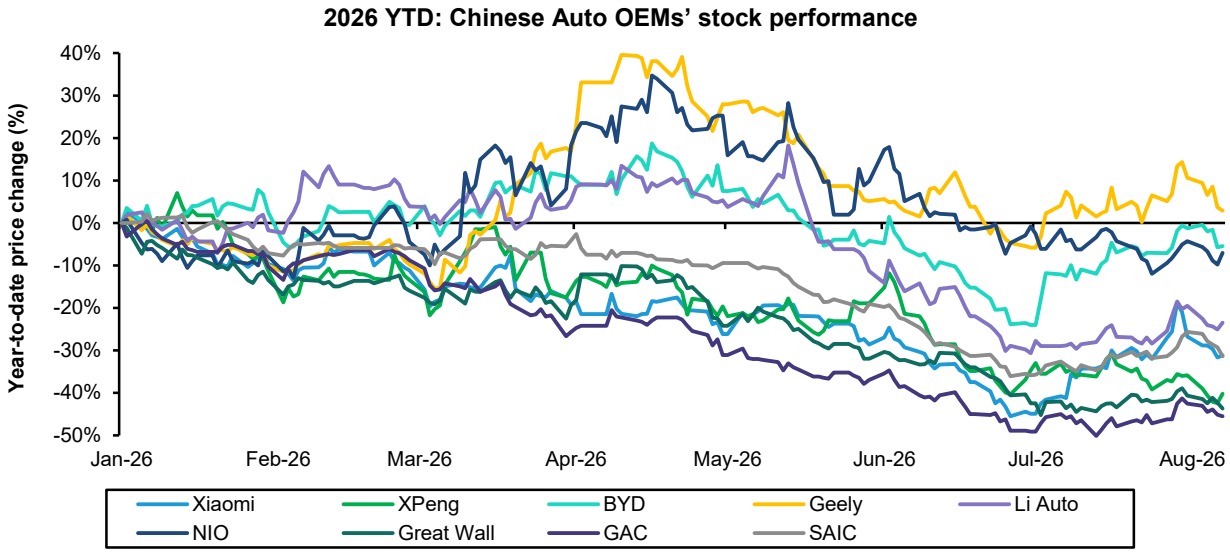
Source: C.A.D. and Bernstein analysis

EXHIBIT 6: **China auto exports maintained robust growth of +72% yoy in 2026 1H, with ICE +32% and EV +128%, and we expect EV export momentum to continue in 2H; PHEV export was particularly strong in 1H and grew +166%, while BEV export was also strong at +109%**



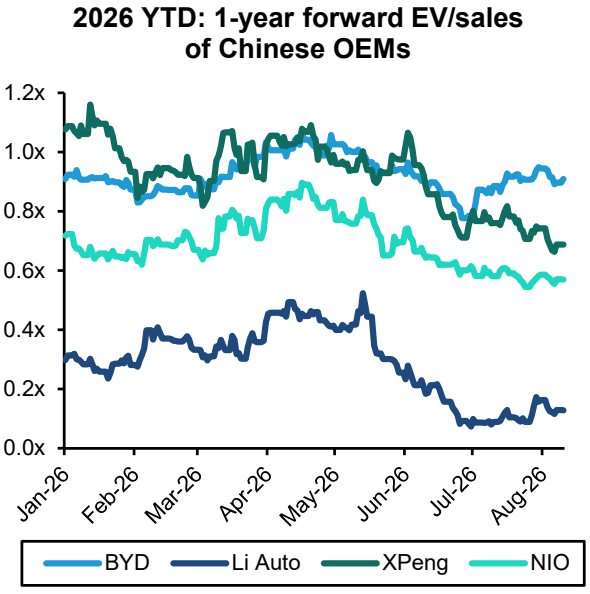
Source: CAAM, Bernstein estimates and analysis

EXHIBIT 7: **OEMs generally delivered weak performance in 2026 YTD, reflecting the soft domestic demand; With greater overseas exposure, Geely (+6.1%) and BYD (-3.4%) significantly outperformed peers; NIO ranked third, with a -7.1% decline YTD, supported by a strong product cycle**



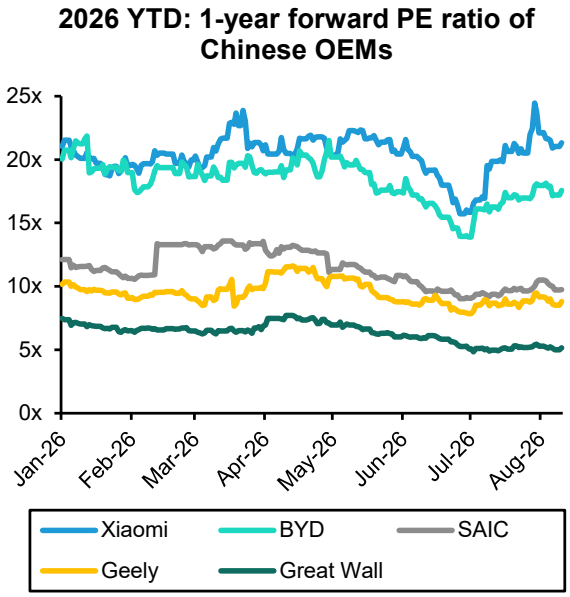
Stock performances updated through August 8, 2025 closing
Source: Bloomberg and Bernstein analysis

EXHIBIT 8: **EV pure plays saw multiple compression in 2Q26 as investor capital rotated into AI-related stocks, and weak domestic demand continued to weigh on sentiment**



Source: Bloomberg and Bernstein analysis

EXHIBIT 9: **Most of OEMs under our coverage experienced multiple compression in the second quarter of 2026**



Source: Bloomberg and Bernstein analysis

EXHIBIT 10: **Summary of recommendations**

	EV/Hardware	EV pure play	EV pure play	EV pure play	EV pure play	Traditional OEM	Traditional OEM	Traditional OEM	Traditional OEM
	Xiaomi	BYD	Li Auto	XPeng	NIO	Geely	Great Wall	GAC	SAIC
Primary ticker	**1810 HK Equity**	**1211 HK Equity**	**LI US Equity**	**XPEV US Equity**	**NIO US Equity**	**175 HK Equity**	**2333 HK Equity**	**2238 HK Equity**	**600104 CH Equity**
Rating	OUTPERFORM	OUTPERFORM	MARKET-PERFORM	MARKET-PERFORM	MARKET-PERFORM	OUTPERFORM	MARKET-PERFORM	MARKET-PERFORM	MARKET-PERFORM
Closing price (Aug 10, 2026)	HK$ 27.14	HK$ 88.65	US$ 12.37	US$ 13.19	US$ 4.81	HK$ 18.52	HK$ 8.94	HK$ 2.24	RMB 17.23
Price target	HK$ 38.00	HK$ 130.00	US$ 15.50	US$ 20.00	US$ 6.00	HK$ 25.00	HK$ 13.00	HK$ 3.00	RMB 15.00
Upside/downside potential	40%	47%	25%	52%	25%	35%	45%	34%	-13%
Secondary ticker	**n.a.**	**002594 CH Equity**	**2015 HK Equity**	**9868 HK Equity**	**9866 HK Equity**	**n.a.**	**601633 CH Equity**	**601238 CH Equity**	**n.a.**
Rating	n.a.	OUTPERFORM	MARKET-PERFORM	MARKET-PERFORM	MARKET-PERFORM	n.a.	n.a.	n.a.	n.a.
Closing price (Aug 10, 2026)	n.a.	RMB 92.65	HK$ 48.96	HK$ 51.30	HK$ 37.72	n.a.	n.a.	n.a.	n.a.
Price target	n.a.	RMB 114.00	HK$ 61.00	HK$ 78.00	HK$ 47.00	n.a.	n.a.	n.a.	n.a.
Upside/downside potential	n.a.	23%	25%	52%	25%	n.a.	n.a.	n.a.	n.a.
Market cap (US$ bn)	**168.6**	**109.6**	**26.1**	**18.9**	**8.5**	**21.4**	**15.5**	**4.3**	**26.6**
Enterprise value (US$ bn)	**159.5**	**115.3**	**13.3**	**15.3**	**6.7**	**19.4**	**15.4**	**1.5**	**17.8**
Revenue (Reporting ccy, RMB mn)									
2025A	457,287	803,965	112,313	76,720	87,488	345,232	222,824	96,542	656,244
2026E	458,414	942,000	110,811	95,742	125,506	386,018	235,825	101,480	657,598
2027E	539,845	1,070,504	127,232	115,042	136,903	434,422	250,121	111,637	683,875
2028E	628,226	1,176,082	139,854	128,705	149,712	451,616	265,762	116,730	704,329
2025-2028E CAGR	**11.2%**	**13.5%**	**7.6%**	**18.8%**	**19.6%**	**9.4%**	**6.0%**	**6.5%**	**2.4%**
EPS (Reporting ccy, RMB)									
2025A	1.62	3.58	0.57	(0.60)	(6.85)	1.67	1.16	(0.85)	0.89
2026E	0.93	4.15	(2.44)	(1.02)	(1.62)	1.82	1.21	(0.13)	0.97
2027E	1.41	5.57	1.13	0.23	(0.49)	2.26	1.40	(0.01)	1.05
2028E	1.86	6.37	2.58	0.79	0.70	2.47	1.50	0.03	1.15
2025-2028E CAGR	**5%**	**21%**	**66%**	**n.a.**	**n.a.**	**14%**	**9%**	**na**	**9%**
EV/sales									
2025A	2.5x	1.0x	0.8x	1.4x	0.5x	0.4x	0.5x	0.1x	0.2x
2026E	2.5x	0.9x	0.9x	1.1x	0.4x	0.4x	0.5x	0.1x	0.2x
2027E	2.1x	0.8x	0.7x	0.9x	0.3x	0.3x	0.4x	0.1x	0.2x
2028E	1.8x	0.7x	0.7x	0.8x	0.3x	0.3x	0.4x	0.1x	0.2x
P/E									
2025A	29.2x	24.1x	164.7x	n.a.	n.a.	9.1x	11.3x	n.a.	18.9x
2026E	50.7x	20.8x	n.a.	n.a.	n.a.	8.3x	10.8x	n.a.	17.1x
2027E	33.4x	15.5x	81.6x	314.5x	n.a.	6.7x	9.3x	n.a.	15.9x
2028E	25.2x	13.5x	35.9x	90.3x	n.a.	6.7x	8.7x	98.7x	14.5x
Consensus ratings									
Outperform	83%	89%	47%	81%	80%	96%	64%	29%	71%
Market-Perform	11%	5%	50%	13%	17%	4%	29%	47%	17%
Underperform	7%	5%	3%	6%	3%	0%	7%	24%	13%
Sell	3	2	1	2	1	0	2	4	3
Hold	5	2	17	4	5	2	8	8	4
Buy	38	33	16	25	24	45	18	5	17
Sell	7%	5%	3%	6%	3%	0%	7%	24%	13%
Hold	11%	5%	50%	13%	17%	4%	29%	47%	17%
Buy	83%	89%	47%	81%	80%	96%	64%	29%	71%

Source: Bloomberg, Company reports, Bernstein estimates and analysis

EXHIBIT 11: **Summary of Chinese EV coverage**

	Covered Xiaomi	Covered BYD	Covered Li Auto	Covered XPeng	Covered NIO	China EV market
Sales volume ('000 units)						
2025A	411	4,545	406	429	326	15,537
2026E	548	4,841	426	504	443	18,126
2027E	765	5,360	474	576	506	20,249
2028E	939	5,855	526	656	558	21,864
2025-2028E CAGR	**32%**	**9%**	**9%**	**15%**	**20%**	**12%**
Total revenue (RMB mn)						
2025A	457,287	803,965	112,313	76,720	87,488	
2026E	458,414	942,000	110,811	95,742	125,506	
2027E	539,845	1,070,504	127,232	115,042	136,903	
2028E	628,226	1,176,082	139,854	128,705	149,712	
2025-2028E CAGR	**11%**	**14%**	**8%**	**19%**	**20%**	
Gross margin (%)						
2025A	22.3%	17.7%	17.9%	18.9%	13.6%	
2026E	20.8%	19.3%	11.6%	18.9%	18.0%	
2027E	21.7%	20.6%	15.6%	19.6%	17.9%	
2028E	22.5%	20.8%	17.6%	20.2%	18.0%	
EBIT (RMB mn)						
2025A	28,806	40,185	(521)	(2,771)	(14,041)	
2026E	19,213	45,691	(7,170)	(2,655)	(3,255)	
2027E	37,758	61,864	706	(292)	(786)	
2028E	51,602	70,661	4,144	969	2,522	
2025-2028E CAGR	**21%**	**21%**	**na**	**na**	**na**	
EBIT margin (%)						
2025A	6.3%	5.0%	-0.5%	-3.6%	-16.0%	
2026E	4.2%	4.9%	-6.5%	-2.8%	-2.6%	
2027E	7.0%	5.8%	0.6%	-0.3%	-0.6%	
2028E	8.2%	6.0%	3.0%	0.8%	1.7%	
Primary ticker	**1810 HK Equity**	**1211 HK Equity**	**LI US Equity**	**XPEV US Equity**	**NIO US Equity**	
Rating	**O**	**O**	**M**	**M**	**M**	
Closing price (Aug 10, 2026)	HK$ 27.14	HK$ 88.65	US$ 12.37	US$ 13.19	US$ 4.81	
Price target	**HK$ 38.00**	**HK$ 130.00**	**US$ 15.50**	**US$ 20.00**	**US$ 6.00**	
Upside/downside potential	40%	47%	25%	52%	25%	
Secondary ticker	**n.a.**	**002594 CH Equity**	**2015 HK Equity**	**9868 HK Equity**	**9866 HK Equity**	
Rating	**n.a.**	**O**	**M**	**M**	**M**	
Closing price (Aug 10, 2026)	n.a.	RMB 92.65	HK$ 48.96	HK$ 51.30	HK$ 37.72	
Price target	**n.a.**	**RMB 114.00**	**HK$ 61.00**	**HK$ 78.00**	**HK$ 47.00**	
Upside/downside potential	n.a.	23%	25%	52%	25%	
Market cap (US$ bn)	**168.6**	**109.6**	**26.1**	**18.9**	**8.5**	
Enterprise value (US$ bn)	**159.5**	**115.3**	**13.3**	**15.3**	**6.7**	

Source: Bloomberg, Company reports, Bernstein estimates and analysis

BYD (1211.HK | 002594.CH): OUTPERFORM, PT HK$130.00 | RMB 114.00

BYD is our top Outperform pick in the sector, supported by stabilizing domestic market share, accelerating international growth, and growing upside from its external battery business.

Domestic demand improving. Following the launch of its 1.5MW flash charging platform in March 2026, BYD has rolled out multiple models, such as Denza Z9 GT, BYD Great Tang and Sealion 06, equipped with the new technology, which have been met with strong demand. Earlier production bottlenecks related to its second-generation LFP Blade Battery appear to be easing, which should support a faster pace of model launches and delivery growth for coming months. After domestic EV market share declined to 19% in January and February, BYD rebounded to 23% in March and has since remained stable through Q2, supported by the gradual ramp-up of deliveries for its latest flash-charging-equipped models. While policy changes have weighed on PHEV demand, with models offering less than 100km CLTC electric range no longer qualifying for purchase-tax incentives, BYD is benefiting from an improving product mix. The BYD brand accounted for 81% of domestic sales in 2026, down from 90% in 2025, while higher-end brands Denza and Fangchengbao increased their mix to 6% (from 4%) and 11%

(from 6%), respectively.

International growth remains robust. BYD has raised its 2026 overseas delivery target from 1.5mn units at the start of the year to 1.7-1.8mn units as of May. We believe there is potential to exceed this target and approach 1.9mn units. Elevated oil prices and disruption to shipping routes stemming from the U.S.-Iran conflict and Strait of Hormuz closures have continued to support EV adoption in several markets. Importantly, BYD's overseas success extends beyond BEVs, with its PHEV offerings also gaining traction. In Q2, BYD tracked approximately 8% EV market share in Europe, 12% in ASEAN, 33% in Oceania, and 48% in Latin America. In Australia, BYD delivered 18.9k vehicles in June 2026, narrowly behind Toyota's 19.1k and significantly ahead of Ford's 9.2k. While June's performance may prove exceptional, we believe BYD is well positioned to sustain a top-three ranking in the market.

Significant potential in external EV and ESS battery. In 2026 1H, we estimate BYD's total battery shipments reached 134GWh, with external shipments to third-party OEMs and energy storage projects accounting for more than 50% of total volume. According to SNE Research, battery installations supplied to external OEM customers grew 44% in 2026 1H, with Xiaomi, XPeng, and Mahindra & Mahindra among the largest customers. According to ICC data, BYD's ESS shipments increased 54% YoY in 2026 5M, making it the world's fourth-largest ESS supplier with a 7.7% market share. BYD has also secured several large-scale storage projects in the Middle East, including a 12.5GWh of contracts with Saudi Electricity Company in February 2025 and a11.275GWh supply contract with Masdar for its Abu Dhabi Round-the-Clock project in July 2026. We believe the rapidly growing external battery business remains an underappreciated driver of earnings growth and valuation upside.

We rate **BYD Outperform** with price targets for **1211.HK at HK$130.00** (*Old: HK$ 136.00*) and for **002594.CH at RMB114.00** *(Old: RMB 124.00)* based on our SOTP valuation, that correlates to 20x 1-yr forward P/E. We lower our price targets to reflect reduced sales volume and earnings forecasts, primarily driven by weaker domestic industry demand. We now forecast BYD to deliver sales volume of 4.9mn/ 5.4mn units in 2026/ 2027, including domestic units of 3.0mn/3.1mn and overseas units of 1.9mn/ 2.3mn. We lower our domestic sales volume forecast, partially offset by higher overseas expectations. We project EPS to reach RMB 4.15/ RMB 5.57 per share for 2026/ 2027.

Related research highlights:

30 Mar 2026 - BYD: Bringing synergies together — Power of Vertical Integration

9 Mar 2026 - BYD: 1,000km in 9 minutes Reality Check — Shenzhen trip takeaways

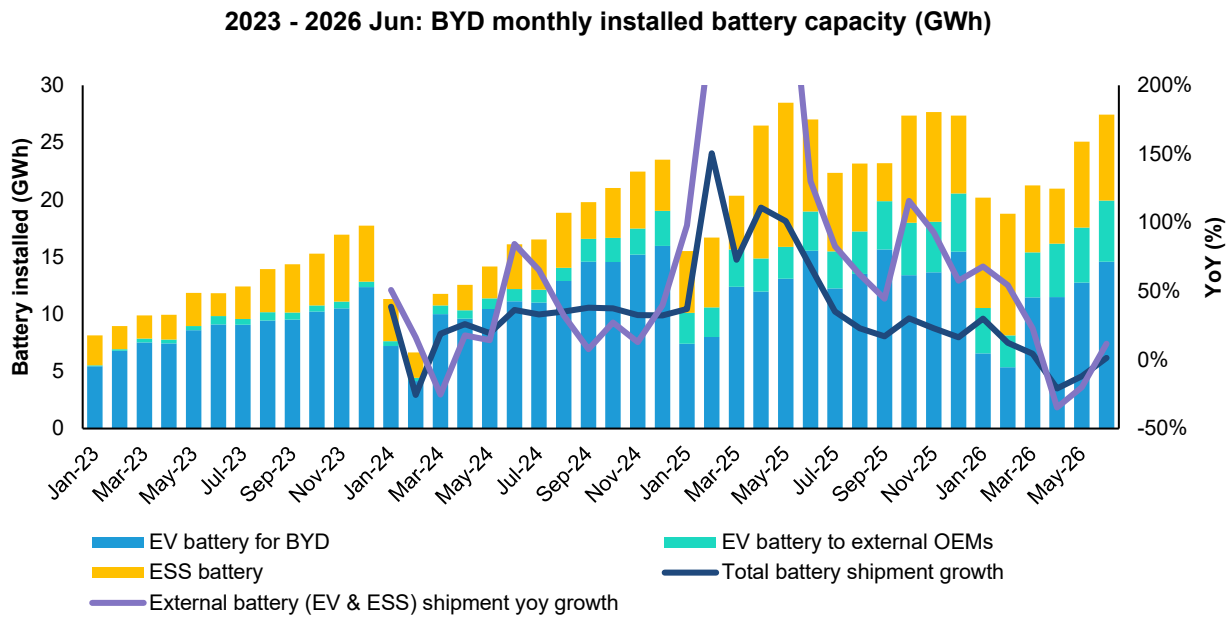
5 Mar 2026 - BYD: 97% in 9 minutes – Blade Battery 2.0 and 1.5 MW Flash Charging set new speed record

13 Jan 2026 - BYD: An Underappreciated Global Battery Leader

18 Nov 2025 - BYD vs. Toyota: Can BYD become the next Toyota?

EXHIBIT 12: **BYD's domestic EV market share fell to 19% in January and February before rebounding to 23% in March 2026, and has since stabilized through Q2, supported by the gradual ramp of deliveries for new models equipped with BYD's latest 1.5MW flash-charging technology**

EXHIBIT 14: **In 2026 1H, we estimate BYD's total battery shipments reached 134 GWh, with external shipments (to third-party OEMs and ESS projects) accounting for more than 50% of total battery installation**



Source: Company reports, SNE Research, and Bernstein analysis

EXHIBIT 15: **BYD: Summary of estimates**

BYD: Summary of estimate changes

	Revenue (RMB mn)				Net Profit (RMB mn)				EPS (RMB per share)			
	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
Bernstein - New	**803,965**	**942,000**	**1,070,504**	**1,176,082**	**33,761**	**38,857**	**52,159**	**59,636**	**3.58**	**4.15**	**5.57**	**6.37**
Bernstein - Old		942,000	1,083,241	1,205,468		39,224	59,176	69,146		4.19	6.32	7.39
New vs. Old		0%	-1%	-2%		-1%	-12%	-14%		-1%	-12%	-14%
Consensus		**911,430**	**1,003,351**	**1,100,486**		**39,517**	**50,707**	**60,118**		**4.33**	**5.57**	**6.63**
Upside /(downside)		3%	7%	7%		-2%	3%	-1%		-4%	0%	-4%

Source: Company reports, Bloomberg, Bernstein estimates and analysis

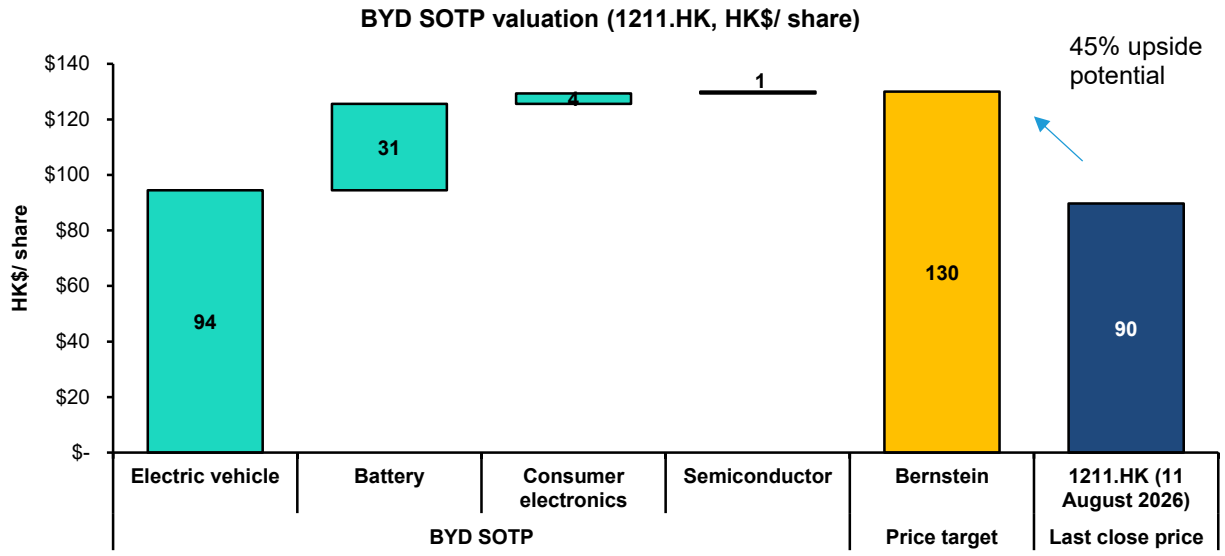
EXHIBIT 16: **BYD: SOTP valuation**

Business unit	Unit	Valuation method	Equity value	Comments
Electric vehicle	RMB mn	DCF	936,000	Assume 20% LT China market share, 8% EBIT, 11% WACC, and 2% LT growth
	RMB mn	P/E multiple	751,000	18x 2027E P/E
	RMB mn	EV/sales multiple	712,000	1x 2027E EV/Sales
Battery (to external clients)	RMB mn	DCF	293,000	Assume 2% market share on external sales, 10% EBIT, 11% WACC, and 2% LT growth
	RMB mn	P/E multiple	223,000	20x 2027E P/E
Consumer electronics (BYDE, 285.HK)	RMB mn	Market value	31,135	BYD holds 65.8% stake in BYDE (285.HK)
Semiconductor	RMB mn	Last transaction value	5,000	Benchmarked against last transaction value (RMB 10bn) ; BYD holds 72.3% in BYD Semi
Total Equity value	**RMB mn**		**1,045,135**	
Net debt/(cash)	RMB mn		28,763	
Minority interest	RMB mn		13,256	
Total Enterprise value	**RMB mn**		**1,087,155**	

BernE 12-month PT - H-share	**HK$/share**	**130.00**
Upside to current H share	%	44%
BernE 12-month PT - A-share	**RMB/share**	**114.00**
Upside to current A share	%	27%
Implied overall 2027E P/E multiple		20.0x

Source: Bloomberg, Bernstein estimates and analysis

EXHIBIT 17: **Over 70% of our valuation for BYD comes from EV business**



Source: Bloomberg, Bernstein estimates and analysis

XIAOMI (1810.HK): OUTPERFORM, PT HK$38.00

Xiaomi's fundamentals remain challenged in the near term, with memory pricing headwinds weighing on the smartphone business and the scaling back of subsidies impacting the IoT and EV segments. However, the stock is trading at just 16x 2027E P/E (per Bloomberg), below both its historical average of c.25x one-year forward P/E and -1 standard deviation at 17x. **We believe the current valuation offers an attractive risk-reward profile over a 12-month horizon.**

Smartphones: Xiaomi has been one of the most impacted smartphone vendors by the memory upcycle. According to Canalys, global smartphone shipments declined 6% YoY in Q2, while Xiaomi's shipments fell 26% (China -21%, international markets -28%). This underperformance largely reflects Xiaomi's greater exposure to the entry-level segment. Despite volume pressure, Xiaomi has continued to improve product mix, trimming lower-end SKUs and raising prices. We estimate ASP increased over 20% YoY to above RMB1,300 (flat to slightly up QoQ), limiting smartphone revenue decline to 9% YoY to RMB41bn, while gross margin remained above 8%.

Looking ahead, we expect pressure on the smartphone business to persist. While memory price increases should moderate in Q3, pricing remains on an upward trajectory, and we do not expect the cycle to peak until 2027 2H. Continued component cost inflation is therefore likely to weigh on handset profitability and limit earnings recovery in the near term. We now forecast Xiaomi's smartphone shipments to decline 20% YoY in 2026, followed by a 3.5% rebound in 2027. Smartphone ASP is expected to grow 15% YoY in 2026 and 1% in 2027. We believe the scope for additional ASP increases without materially impacting volumes is becoming increasingly limited. Longer term, however, we remain constructive on Xiaomi's market share and premiumization prospects. In fact, the current memory upcycle may ultimately accelerate Xiaomi's transition upmarket, reinforcing the pricing and product mix upgrade strategy it has pursued over the past several years. While painful in the near term, this could prove structurally beneficial for both brand positioning and profitability over time.

EV: Xiaomi delivered 104k vehicles in Q2, with roughly 70% of volumes coming from the new SU7 and the remainder from the YU7. YU7 demand moderated faster than expected, prompting the launch of a new base trim and GT variant in late May to support deliveries. Even so, we now expect the YU7 to achieve a steady-state run rate of 15-20k units per month, below our previous estimate of 25-30k. We forecast Q2 EV ASP of c.RMB230k, down QoQ due to a higher SU7 mix and lower YU7 contribution, while gross margin remains steady at around 20%.

Xiaomi's 2026 delivery target of 550k units is becoming increasingly challenging. While still achievable, it will require flawless execution and a rapid ramp of new SkyNomad models. After delivering 185k vehicles in 2026 1H, we estimate monthly deliveries of 20-25k for the SU7 and 15-20k for the YU7 in 2026 2H, supported by the new variants. We also expect the SkyNomad N90 and N70 to contribute 25-30k units per month from September. Meeting the company's guidance

would require deliveries of the new SUVs to begin in early September and scale quickly thereafter. **We now forecast 2026 deliveries of 548k units, with risks skewed to the downside**, followed by 765k units in 2027, driven primarily by a full year of SkyNomad deliveries. Despite near-term execution risks, we remain constructive on Xiaomi's EV business and see significant longer-term upside from overseas expansion, which is scheduled to begin in 2027 2H, starting with Germany and expanding into right-hand-drive markets in 2028 1H.

We rate **Xiaomi Outperform** with price target for **1810.HK at HK$38.00** (*Old: HK$ 43.00*) based on our SOTP valuation, that correlates to 25x 1-year foward P/E. We lower our price target primarily due to lower smartphone shipment and gross margin forecast for 2026 and 2027, and EV volume forecast for 2026 and 2027 primarily due to weaker-than-expected YU7 momentum. We project EPS to reach RMB 0.93/ RMB 1.41 per share for 2026/ 2027.

Related research highlights:

4 Aug 2026 - China Smartphone Tracker (June): Lower yet still some inventory risk

30 Jul 2026 - Xiaomi: SkyNomad N90 Max & N70 Max Debut - Our thoughts

27 May 2026 - Xiaomi Q1: Resilience on display amid memory cycle; fundamentals reinforced — reiterate Outperform

27 Apr 2026 - Xiaomi: 2026 Investor Day takeaways — AI, Overseas, Memory, and Humanoid robotics

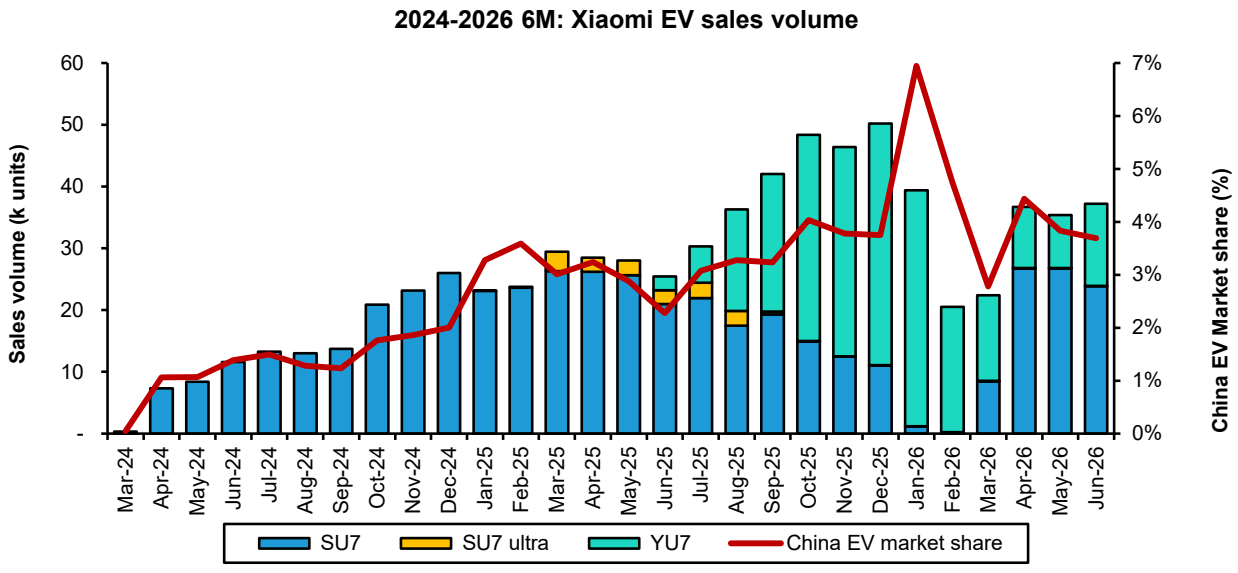
19 Mar 2026 - Xiaomi: Upgrades Best-Selling SU7 BEV sedan and launches MiMo-V2-Pro AI model – Quick Take

12 Nov 2025 - Xiaomi: Smartphone Premiumization on track, amid near-term pressure from rising memory prices; Lower PT to HK$57

18 Jun 2025 - Xiaomi: Decoding Xiaomi EV's Success — Product, Marketing, Brand, and Ecosystem

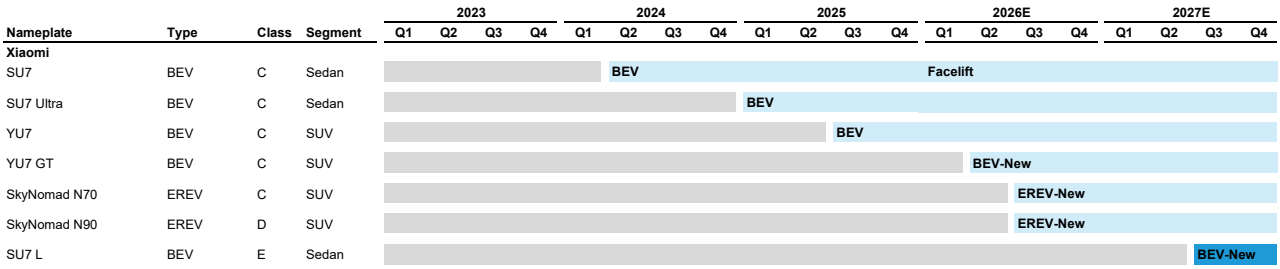
15 Apr 2025 - Xiaomi's EV-olution: A unique synergistic ecosystem with promising EV prospects; Initiating at Outperform — PT HK$55

EXHIBIT 18: **Xiaomi's share in China EV market increased to 4.2% in 2026 1H, vs. 3.0% in 2025 1H and 3.5% in 2025 2H; Xiaomi began delivery of the new SU7 from late March, and introduced the new YU7 base and GT trims in late May**



Source: C.A.D. and Bernstein analysis

EXHIBIT 19: **Xiaomi launched the new SU7 on March 19th and YU7 GT & Standard trims on May 21st; Xiaomi plans to begin delivery of the 2 EREV SUVs, SkyNomad N70 and N90, from September**



Source: Company disclosures, IHS, and Bernstein analysis

EXHIBIT 20: **Summary of key operating metrics forecasts**

RMB million	Current estimates			Old estimates			New vs. Old		
	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Overall financial metrics									
Revenue	458,414	539,845	628,226	498,073	625,084	720,503	-8.0%	-13.6%	-12.8%
Growth yoy %	*0.2%*	*17.8%*	*16.4%*	*8.9%*	*25.5%*	*15.3%*			
Gross profit	95,558	117,385	141,124	109,062	143,051	168,426	-12.4%	-17.9%	-16.2%
Gross margin %	*20.8%*	*21.7%*	*22.5%*	*21.9%*	*22.9%*	*23.4%*			
Operating profit	25,777	40,087	53,931	29,635	52,880	67,784	-13.0%	-24.2%	-20.4%
Operating margin %	*5.6%*	*7.4%*	*8.6%*	*5.9%*	*8.5%*	*9.4%*			
Net profit	23,813	36,193	47,822	26,401	45,822	58,043	-9.8%	-21.0%	-17.6%
Net margin %	*5.2%*	*6.7%*	*7.6%*	*5.3%*	*7.3%*	*8.1%*			
Basic EPS	0.93	1.41	1.86	1.02	1.77	2.24	-9.4%	-20.7%	-17.2%
Financial metrics by segment									
Smartphones									
Revenue	170,454	178,803	202,584	172,400	193,587	213,522	-1.1%	-7.6%	-5.1%
Gross margin %	8.1%	8.0%	10.0%	9.3%	10.0%	11.5%	-1.2ppt	-2.0ppt	-1.5ppt
IoT and lifestyle products									
Revenue	116,864	129,840	144,409	123,099	134,364	146,326	-5.1%	-3.4%	-1.3%
Gross margin %	21.1%	23.0%	23.0%	22.9%	23.5%	23.5%	-1.8ppt	-0.5ppt	-0.5ppt
Internet services									
Revenue	39,825	43,716	47,680	40,373	46,742	52,903	-1.4%	-6.5%	-9.9%
Gross margin %	75.8%	76.0%	76.0%	76.0%	76.5%	76.5%	-0.2ppt	-0.5ppt	-0.5ppt
EV & Other Initiatives									
Revenue	129,562	187,486	233,553	161,792	250,390	307,752	-19.9%	-25.1%	-24.1%
Gross margin %	20.8%	21.3%	22.0%	21.2%	22.5%	22.4%	-0.4ppt	-1.2ppt	-0.4ppt
Key operating metrics									
Smartphones									
Shipment volume	132	136	150	142	153	163	-7.2%	-10.7%	-7.7%
Global market share %	12.4%	12.6%	12.6%	13.4%	14.0%	14.6%			
Average selling price (RMB)	1,293	1,311	1,350	1,214	1,267	1,313	6.6%	3.5%	2.8%
EV									
Sales volume	547,755	765,200	939,200	641,156	1,000,000	1,189,000	-14.6%	-23.5%	-21.0%
ASP (RMB)	236,534	245,015	248,672	252,344	250,390	258,832	-6.3%	-2.1%	-3.9%

Source: Bloomberg, Bernstein analysis and estimates

EXHIBIT 21: **Xiaomi: Summary of estimates**

Xiaomi: Summary of estimate changes

	Revenue (RMB mn)				EPS (RMB per share)			
	2025	2026E	2027E	2028E	2025	2026E	2027E	2028E
Bernstein estimates	**457,287**	**458,414**	**539,845**	**628,226**	**1.62**	**0.93**	**1.41**	**1.86**
Bernstein - Old		498,073	625,084	720,503		1.02	1.77	2.24
New vs. Old		-8%	-14%	-13%		-9%	-21%	-17%
Consensus		**462,703**	**547,421**	**641,289**		**0.96**	**1.34**	**1.70**
Upside /(downside)		-1%	-1%	-2%		-4%	5%	9%

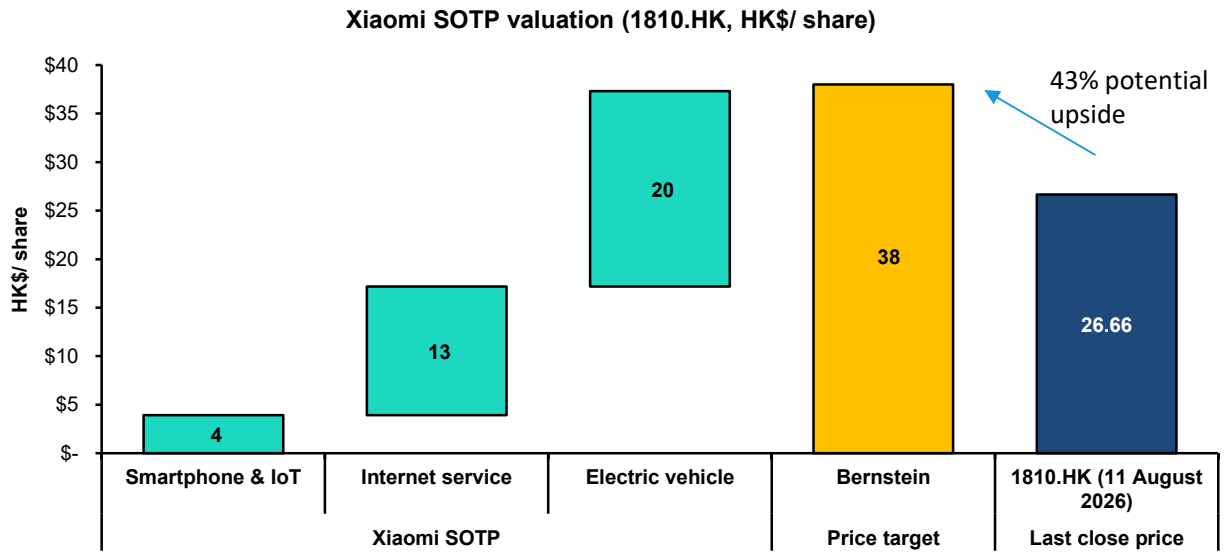
Source: Bloomberg, Bernstein estimates and analysis

EXHIBIT 22: **Xiaomi: SOTP valuation**

Business unit	Unit	Methodology	NOPAT	EBIT	Multiple	Equity value	Comments
Smartphone & IoT	RMB mn	P/E multiple	8,924		10x	89,240	10x 2027E P/E, benchmarking Xiaomi smartphone and IoT comps
	RMB mn	EV/EBIT multiple		10,624	8x	84,991	8x 2027E EV/EBIT, benchmarking Xiaomi smartphone and IoT comps
Internet services	RMB mn	P/E multiple	20,052		15x	300,785	15x 2027E P/E, benchmarking Xiaomi internet comps
	RMB mn	EV/EBIT multiple		23,872	12x	286,462	12x 2027E EV/EBIT, benchmarking Xiaomi internet comps
EV	RMB mn	DCF valuation				500,092	Assume 10% LT China market share & 5% outside China, 8% EBIT, 12% WACC, 2% LT growth
	RMB mn	P/E multiple			15x	507,227	15x exit P/E multiple based on 2035 earnings, discounted back at 12% WACC
	RMB mn	EV/Sales multiple			2x	392,748	Average 1-yr (2x) EV sales multiple
Total Equity value	**RMB mn**					**884,398**	
Net debt/(cash)	RMB mn					(71,573)	
Minority interest	RMB mn					467	
Total Enterprise value	**RMB mn**					**813,293**	
No. of shares outstanding	mn					25,678	
Valuation per share (RMB)	RMB/share					34.40	
Valuation per share (HKD)	HK$/share					37.90	
BernE 12-month PT (HKD)	**HK$/share**					**38.00**	
Upside to current price	%					40%	
Implied overall 2027E P/E multiple						25x	

Source: Company disclosures, Bloomberg, and Bernstein analysis

EXHIBIT 23: **We estimate Smartphone & IoT, Internet Services, and Electric Vehicles contribute to 10%, 35%, and 55% of Xiaomi's valuation, respectively**



Source: Bloomberg and Bernstein analysis

APPENDIX - FINANCIAL FORECASTS

EXHIBIT 24: **BYD: Financial forecasts**

RMB mn	2023	2024	2025	2026E	2027E	2028E
INCOME STATEMENT						
Revenue	**602,315**	**777,102**	**803,965**	**942,000**	**1,070,504**	**1,176,082**
yoy%	42.0%	29.0%	3.5%	17.2%	13.6%	9.9%
Cost of sales	(490,399)	(626,047)	(661,305)	(760,121)	(850,515)	(931,702)
Gross profit	**111,916**	**151,056**	**142,660**	**181,878**	**219,989**	**244,380**
Gross margin %	18.6%	19.4%	17.7%	19.3%	20.6%	20.8%
Taxes and surcharges	(10,350)	(14,752)	(13,581)	(14,395)	(16,359)	(17,972)
Selling and distribution costs	(15,371)	(24,085)	(26,185)	(32,903)	(37,392)	(41,080)
R&D expenses	(39,575)	(53,195)	(57,978)	(68,491)	(77,612)	(85,266)
Administrative expenses	(13,462)	(18,645)	(20,200)	(24,877)	(26,763)	(29,402)
EBIT - excluding JCE/associate income	**33,159**	**40,379**	**24,717**	**41,211**	**61,864**	**70,661**
EBIT margin %	5.5%	5.2%	3.1%	4.4%	5.8%	6.0%
Operating profit	**38,103**	**50,486**	**40,185**	**45,691**	**61,864**	**70,661**
Operating margin %	6.3%	6.5%	5.0%	4.9%	5.8%	6.0%
Profit before income tax	**37,269**	**49,681**	**39,753**	**45,742**	**61,364**	**70,161**
Income tax credit/(expense)	(5,925)	(8,093)	(5,992)	(6,885)	(9,205)	(10,524)
Profit for the year	**31,344**	**41,588**	**33,761**	**38,857**	**52,159**	**59,637**
Net margin %	5.2%	5.4%	4.2%	4.1%	4.9%	5.1%
Less: Non-controlling interests	1,303	1,334	1,142	992	1,331	1,522
Profits to equity holders of the company	**30,041**	**40,254**	**32,619**	**37,865**	**50,828**	**58,114**
Earnings per share (RMB)	**10.32**	**4.61**	**3.58**	**4.15**	**5.57**	**6.37**
CASH FLOW STATEMENT						
Profit for the year	**31,344**	**41,588**	**33,761**	**38,857**	**52,159**	**59,636**
Net cash flows from/(used in) operating activities	**169,725**	**133,454**	**59,136**	**193,204**	**153,944**	**196,454**
Purchases of PPE	(122,094)	(97,357)	(156,808)	(122,460)	(139,165)	(135,249)
Other cash flow relating to investing activities	(3,570)	(31,723)	(40,655)	(8,690)	(10,428)	(6,257)
Net cash flows generated from/(used in) investing activities	**(125,664)**	**(129,079)**	**(197,463)**	**(131,150)**	**(149,593)**	**(141,506)**
Proceeds/(Repayment) of bank loans	18,073	(12,440)	64,786	20,000	20,000	20,000
Other cash flow relating to financing activities	(5,256)	2,172	39,828	(5,676)	(7,503)	(7,428)
Net cash flows generated from/(used in) financing activities	**12,817**	**(10,268)**	**104,614**	**14,324**	**12,497**	**12,572**
Cash and cash equivalents at beginning of the year	51,182	108,512	102,257	75,425	151,804	168,651
Exchange losses on cash and cash equivalents	451	(356)	(148)	-	-	-
Cash and cash equivalents at end of the year	**108,512**	**102,263**	**68,395**	**151,804**	**168,651**	**236,170**

RMB mn	2023	2024E	2025E	2026E	2027E	2028E
BALANCE SHEET						
Assets						
Cash	109,094	102,739	75,425	151,804	168,651	236,170
Financial assets	9,563	40,939	54,533	54,533	54,533	54,533
Trade receivables	61,866	62,299	37,005	58,177	66,113	72,633
Accounts receivable financing	5,565	10,450	5,484	9,335	10,608	11,655
Inventories	87,677	116,036	138,421	146,240	163,630	179,250
Other current assets	28,357	38,109	60,601	67,135	73,493	78,716
Total current assets	**302,121**	**370,572**	**371,468**	**487,223**	**537,028**	**632,956**
Long-term equity investments	8,238	10,206	13,057	15,668	18,802	20,682
PP&E/Fixed assets	230,904	262,287	292,776	313,782	342,387	362,637
Construction in progress	34,726	19,954	48,294	48,294	48,294	48,294
Intangible assets	37,236	38,424	41,485	63,522	86,109	102,595
Other non-current assets	66,322	81,912	116,651	122,729	130,023	134,400
Total non-current assets	**377,426**	**412,784**	**512,262**	**563,995**	**625,614**	**668,607**
Total assets	**679,548**	**783,356**	**883,730**	**1,051,218**	**1,162,642**	**1,301,563**
Liabilities						
Trade payables	194,430	241,643	186,742	229,078	233,018	255,261
Bills payables	4,053	2,384	22,464	14,280	15,979	17,504
Other payables	164,973	144,989	119,483	172,850	188,744	206,761
Unearned revenue / Contract liabilities	34,699	43,730	51,471	60,308	68,535	75,295
Other current liabilities	55,512	63,239	88,291	98,142	105,150	113,319
Total current liabilities	**453,667**	**495,985**	**468,451**	**574,658**	**611,427**	**668,140**
Total non-current liabilities	**75,419**	**88,682**	**156,739**	**179,163**	**201,660**	**224,232**
Total liabilities	**529,086**	**584,668**	**625,191**	**753,822**	**813,087**	**892,371**
Total equity	**150,462**	**198,688**	**258,539**	**297,396**	**349,556**	**409,192**
Total liabilities and equity	**679,548**	**783,356**	**883,730**	**1,051,218**	**1,162,642**	**1,301,563**

Source: Company, Bernstein analysis and estimates

EXHIBIT 25: **Xiaomi: Summary of financials**

RMB mn	2023	2024	2025	2026E	2027E	2028E
INCOME STATEMENT						
Revenue	**270,970**	**365,906**	**457,287**	**458,414**	**539,845**	**628,226**
yoy%	-3.2%	35.0%	25.0%	0.2%	17.8%	16.4%
Cost of sales	(213,494)	(289,346)	(355,481)	(362,855)	(422,459)	(487,102)
Gross profit	**57,476**	**76,560**	**101,806**	**95,558**	**117,385**	**141,124**
Gross margin %	21.2%	20.9%	22.3%	20.8%	21.7%	22.5%
Research and development expenses	(19,098)	(24,050)	(33,132)	(37,696)	(37,789)	(40,835)
Selling and marketing expenses	(19,227)	(25,390)	(33,214)	(31,629)	(33,740)	(39,264)
Administrative expenses	(5,127)	(5,601)	(6,653)	(7,019)	(8,098)	(9,423)
EBIT	**14,025**	**21,519**	**28,806**	**19,213**	**37,758**	**51,602**
EBIT margin %	5.2%	5.9%	6.3%	4.2%	7.0%	8.2%
Operating profit	**20,009**	**24,503**	**47,901**	**25,777**	**40,087**	**53,931**
Operating margin %	7.4%	6.7%	10.5%	5.6%	7.4%	8.6%
Profit before income tax	**22,011**	**28,127**	**49,647**	**28,593**	**43,087**	**56,931**
Income tax expenses	(4,537)	(4,548)	(8,080)	(4,780)	(6,894)	(9,109)
Profit for the year	**17,474**	**23,578**	**41,566**	**23,813**	**36,193**	**47,822**
Net margin %	6.4%	6.4%	9.1%	5.2%	6.7%	7.6%
Less: Non-controlling interests	(1)	(80)	(77)	58	88	116
Profits to equity holders of the company	**17,473**	**23,499**	**41,489**	**23,871**	**36,281**	**47,938**
Earnings per share (RMB) - Basic	**0.70**	**0.95**	**1.62**	**0.93**	**1.41**	**1.86**
Earnings per share (RMB) - Diluted	**0.69**	**0.93**	**1.57**	**0.90**	**1.36**	**1.80**
CASH FLOW STATEMENT						
Profit for the year	**17,474**	**23,578**	**41,566**	**23,813**	**36,193**	**47,822**
Adjustments:	4,982	10,589	3,388	16,614	18,575	20,374
Changes in working capital	17,319	3,995	(14,220)	5,634	(8,351)	6,495
Net cash flows from/(used in) operating activities	**41,300**	**39,243**	**34,142**	**46,061**	**46,417**	**74,690**
Purchases of PPE	(6,269)	(7,297)	(12,769)	(13,752)	(15,116)	(15,077)
Other cash flow relating to investing activities	(28,900)	(29,634)	(58,910)	4,863	4,185	4,185
Net cash flows generated from/(used in) investing activities	**(35,169)**	**(36,931)**	**(71,679)**	**(8,890)**	**(10,931)**	**(10,893)**
Proceeds/(Repayment) of bank loans	4,844	6,733	5,297	1,000	1,000	1,000
Other cash flow relating to financing activities	(5,349)	(10,708)	25,470	-	-	-
Net cash flows generated from/(used in) financing activities	**(505)**	**(3,976)**	**30,768**	**1,000**	**1,000**	**1,000**
Cash and cash equivalents at beginning of the year	80,447	86,471	84,928	78,183	116,354	152,839
Exchange losses on cash and cash equivalents	398	120	23	-	-	-
Cash and cash equivalents at end of the year	**86,471**	**84,928**	**78,183**	**116,354**	**152,839**	**217,637**

RMB mn	2023	2024E	2025E	2026E	2027E	2028E
BALANCE SHEET						
Assets						
Cash	38,425	39,138	31,493	69,664	106,150	170,947
Inventories	44,423	62,510	80,989	48,247	102,218	71,270
Trade receivables	12,151	14,589	15,240	14,902	20,594	20,714
Other current assets	104,054	109,473	127,088	126,972	132,777	139,096
Total current assets	**199,053**	**225,709**	**254,811**	**259,785**	**361,739**	**402,026**
Property, plant and equipment	13,721	33,661	26,914	65,086	101,571	166,368
Intangible assets	8,629	5,476	4,579	4,579	4,579	4,579
Equity method investments	6,922	6,151	6,268	6,241	6,214	6,188
Long-term investments	60,200	14,589	15,240	14,902	20,594	20,714
Other non-current assets	35,723	117,569	200,284	172,338	135,925	76,700
Total non-current assets	**125,195**	**177,447**	**253,285**	**263,146**	**268,883**	**274,548**
Total assets	**324,247**	**403,155**	**508,096**	**522,931**	**630,623**	**676,575**
Liabilities						
Trade payables	62,099	98,281	110,699	88,125	143,359	123,546
Other payables and accruals	25,615	36,372	35,352	36,085	42,013	48,441
Advance from customers	13,615	16,581	19,273	25,213	29,691	34,552
Borrowings	6,183	13,327	13,202	14,202	15,202	16,202
Other current liabilities	8,076	10,824	13,879	13,879	13,879	13,879
Total current liabilities	**115,588**	**175,385**	**192,405**	**177,505**	**244,145**	**236,621**
Borrowings	21,674	17,276	22,921	22,921	22,921	22,921
Deferred income tax liabilities	1,494	1,282	2,401	2,601	2,601	2,601
Warranty provision	1,216	1,695	3,652	3,652	3,652	3,652
Other non-current liabilities	20,014	18,312	20,393	20,393	20,393	20,393
Total non-current liabilities	**44,398**	**38,565**	**49,367**	**49,567**	**49,567**	**49,567**
Total liabilities	**159,986**	**213,950**	**241,773**			**,188**
Total equity	**164,262**	**189,205**	**266,323**	**295,859**	**336,911**	**390,386**
Total liabilities and equity	**324,247**	**403,155**	**508,096**	**522,931**	**630,623**	**676,575**

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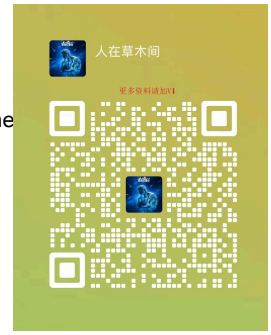
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