CATL (300750 CH/3750 HK)

A/H: Buy/Buy :Fundementals on track, sentiment yet to catch up

Equities
Automobiles

China

- Sector sentiment weak, but fundamentals firmly on track; sector 4Q production schedules/tendering activity are key
- Near-term earnings visibility remains high; the risk/reward is turning more attractive after the pullback
- Maintain Buy/Buy ratings on A/H shares; with TPs unchanged at RMB538/HKD783 on unchanged estimates

Weak sector beta, rather than weaker fundamentals, remains the key driver of CATL's recent underperformance. The lithium battery sector is currently caught between a strong reality and weak expectations: monthly production schedules remain healthy, with recent run-rates still growing at high-single digits MoM and >50% YoY, but the market remains divided on the sustainability of ESS demand, particularly in China. The key debate is the widening gap between domestic ESS shipments and installations, which has raised concerns on China's ESS demand outlook. We think part of this gap is structural, as ESS battery revenue is generally recognised upon grid connection, while the shipment-to-grid-connection cycle can range from six months to two years. The recent gap also reflects an increase in newly tendered projects and some installation delays as provincial implementation details following the national ESS policy framework continue to roll out. **We therefore see October-November production schedules, installations and tendering activity as the key indicators for a potential sentiment inflection as we enter 4Q.**

Recent negative headlines are largely recycled concerns and have limited implications for near-term earnings. The two main overhangs - potential delays to localisation at CATL's Hungary plant and selected new Li Auto/Xiaomi models not using CATL batteries - are not new developments. The Hungary ramp-up timeline likely postponed from end-2026 (per 2Q earnings call), but the near-term impact should be limited given the plant's still-small shipment scale and Europe's continued reliance on Chinese LFP batteries. In fact, Chinese production currently offers a more favourable cost structure and potentially higher margins than localised European production. Similarly, concerns over CATL's OEM share have resurfaced repeatedly over the past few years, while CATL has continued to maintain a resilient ~45% share of China's EV battery market (see Ex2). We view recent model-level changes more as a short-term cost and capacity optimisation by both OEMs and CATL, rather than evidence of a structural share loss. More importantly, neither issue should materially disrupt near-term earnings delivery.

The risk/reward is turning more attractive after the pullback. CATL A/H is trading at a 13x/18x 2027 PE on a 27% 2027 EPS growth outlook, and we see a more asymmetric setup, with downside increasingly limited but catalysts still ahead. We acknowledge that macro beta remains the biggest uncertainty, and the sector could stay highly sensitive to any negative headlines until demand visibility improves. However, with bearish expectations already heavily reflected in valuations, strong earnings delivery, and potentially more supportive technical factors such as possible A-share buybacks, we think the risk/reward is improving. The two key catalysts are clearer October production visibility by late September and CATL's 3Q results in late October, which could provide both fundamental validation and a potential reset of overly cautious expectations. See **valuation** and **risks** on *pages 4-5*.

A: BUY

TARGET PRICE (CNY)	PREVIOUS TARGET (CNY)
538.00	**538.00**
SHARE PRICE (CNY)	UPSIDE/DOWNSIDE
348.20	**+54.5%**

(as of 07 Sep 2026)

H: BUY

TARGET PRICE (HKD)	PREVIOUS TARGET (HKD)
783.00	**783.00**
SHARE PRICE (HKD)	UPSIDE/DOWNSIDE
572.50	**+36.8%**

(as of 07 Sep 2026)

MARKET DATA

BBG / RIC(A / H)	300750.SZ/3750.HK
Market cap (HKDm / USDm)	1,918,225/244,676
Free float (A / H)	86%/50%
3m ADTV (USDm) (A / H)	1,765/215

FINANCIALS AND RATIOS (CNY)

Year to	12/2025a	12/2026e	12/2027e	12/2028e
HSBC QH EPS	**15.82**	**21.33**	**27.04**	**30.48**
HSBC QH EPS prev	**15.82**	**21.33**	**27.04**	**30.48**
Change (%)	**0.0**	**0.0**	**0.0**	**0.0**
Consensus EPS	**15.43**	**20.99**	**25.91**	**30.55**

Source: LSEG IBES, HSBC Qianhai Securities estimates

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Financials & valuation

Financial statements

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Profit & loss summary (CNYm)				
Revenue	423,702	631,698	770,820	851,756
EBITDA	97,874	130,980	164,894	184,764
Depreciation & amortisation	-26,937	-35,123	-38,466	-40,606
Operating profit/EBIT	70,938	95,857	126,428	144,158
Net interest	7,940	9,221	10,044	10,812
PBT	89,527	118,631	149,673	168,170
HSBC Qianhai PBT	89,527	118,631	149,673	168,170
Taxation	-12,740	-16,692	-21,701	-24,476
Net profit	72,201	97,354	123,387	139,110
HSBC Qianhai net profit	72,201	97,354	123,387	139,110
Cash flow summary (CNYm)				
Cash flow from operations	133,220	118,294	128,548	131,726
Capex	-42,345	-69,487	-61,666	-53,661
Cash flow from investment	-94,503	-69,487	-61,666	-53,661
Dividends	-36,101	-48,677	-61,694	-69,555
Change in net debt	-48,244	-23,596	-21,998	-20,164
FCF equity	90,663	48,807	66,882	78,065
Balance sheet summary (CNYm)				
Intangible fixed assets	21,062	35,658	46,529	53,828
Tangible fixed assets	176,134	195,901	208,230	213,985
Current assets	638,482	765,672	886,839	988,695
Cash & others	333,513	357,109	379,107	399,271
Total assets	974,828	1,157,963	1,315,280	1,439,399
Operating liabilities	509,187	628,171	715,417	761,603
Gross debt	94,614	94,614	94,614	94,614
Net debt	-238,899	-262,495	-284,493	-304,657
Shareholders' funds	337,108	392,883	454,576	524,131
Invested capital	-7,023	11,951	47,074	95,634

Ratio, growth and per share analysis

Year to	12/2025a	12/2026e	12/2027e	12/2028e
Y-o-y % change				
Revenue	17.0	49.1	22.0	10.5
EBITDA	23.1	33.8	25.9	12.0
Operating profit	30.0	35.1	31.9	14.0
PBT	41.7	32.5	26.2	12.4
HSBC Qianhai EPS	36.8	34.8	26.7	12.7
Ratios (%)				
Revenue/IC (x)	-22.0	256.4	26.1	11.9
ROIC	-327.8	3439.9	379.4	180.0
ROE	24.7	26.7	29.1	28.4
ROA	9.0	9.8	10.5	10.6
EBITDA margin	23.1	20.7	21.4	21.7
Operating profit margin	16.7	15.2	16.4	16.9
EBITDA/net interest (x)				
Net debt/equity	-64.4	-60.3	-56.3	-52.2
Net debt/EBITDA (x)	-2.4	-2.0	-1.7	-1.6
CF from operations/net debt				
Per share data (CNY)				
EPS reported (diluted)	15.82	21.33	27.04	30.48
HSBC Qianhai EPS (diluted)	15.82	21.33	27.04	30.48
DPS	7.91	10.67	13.52	15.24
Book value	73.87	86.09	99.60	114.85

Valuation data: 3750 HK

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	3.3	2.2	1.8	1.6
EV/EBITDA	14.3	10.5	8.2	7.2
EV/IC		115.4	28.8	14.0
PE*	31.0	23.0	18.1	16.1
PB	6.6	5.7	4.9	4.3
FCF yield (%)	5.5	3.0	4.1	4.8
Dividend yield (%)	1.6	2.2	2.8	3.1

* Based on HSBC Qianhai EPS (diluted)

Valuation data: 300750 CH

Year to	12/2025a	12/2026e	12/2027e	12/2028e
EV/sales	3.3	2.2	1.8	1.6
EV/EBITDA	14.3	10.5	8.2	7.2
EV/IC		115.4	28.8	14.0
PE*	22.0	16.3	12.9	11.4
PB	4.7	4.0	3.5	3.0
FCF yield (%)	5.5	3.0	4.1	4.8
Dividend yield (%)	2.3	3.1	3.9	4.4

* Based on HSBC Qianhai EPS (diluted)

ESG metrics

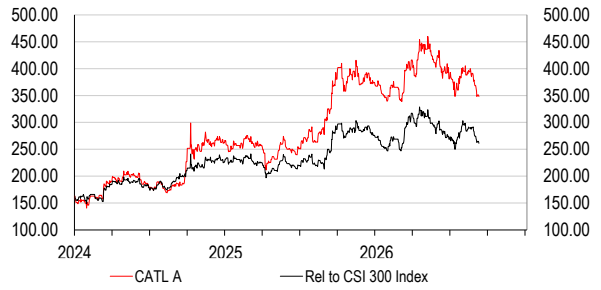
Environmental Indicators	12/2024a
GHG emission intensity*	46.8
Energy intensity*	n/a
CO_2 reduction policy	Yes
Social Indicators	**12/2024a**
Employee costs as % of revenues	n/a
Employee turnover (%)	n/a
Diversity policy	Yes

Governance Indicators	12/2025a
No. of board members	8
Average board tenure (years)	5.5
Female board members (%)	12.5
Board members independence (%)	37.5

Source: Company data, HSBC Qianhai Securities

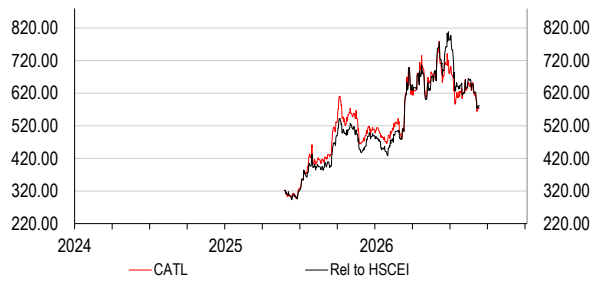
* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Price relative: 300750 CH



Source: HSBC Qianhai Securities

Price relative: 3750 HK



Source: HSBC Qianhai Securities
Note: Priced at close of 07 Sep 2026

Key charts

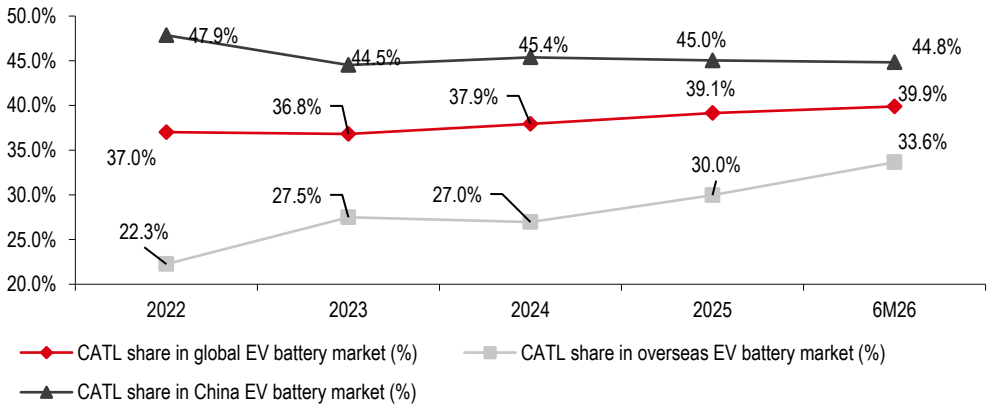
Exhibit 1. CATL's diversified EV customer base, top 5 and top 10 EV customers concentration is further decreasing

	2025 (in GWh)	%		7M26 (in GWh)	%
Geely	52	16%	Geely	32	15%
Tesla	46	15%	Tesla	24	11%
Changan	28	9%	Changan	17	8%
Seres	23	7%	Li Auto	15	7%
VW	17	5%	Xiaomi	14	7%
Xiaomi	16	5%	NIO	14	7%
Li Auto	15	5%	Seres	13	6%
NIO	15	5%	SAIC	10	5%
SAIC	14	4%	VW	8	4%
Chery	13	4%	Mercedes	7	3%
Others	78	25%	Others	53	26%
Total	**317**	**100%**	**Total**	**207**	**100%**
CR5		**52%**			**49%**
CR10		**75%**			**74%**

Note: Based on installments data

Source: Rho Motion data, HSBC Qianhai estimates

Exhibit 2. CATL's domestic EV MS has been kept resilient at around 45% during past three years, with overseas continuous shares gain



Source: SNE Research data, HSBC Qianhai Securities



Valuation and risks

Maintain Buy ratings on A/H shares with unchanged TPs of RMB538.00 and HKD783.00

We continue to use a DCF model to value CATL shares, with our unchanged estimates and key assumptions, including a risk-free rate of 4.25% (unchanged), a China stock market premium of 4.75% (unchanged), a WACC of 5.7% on an updated beta of 0.88, and a perpetual growth rate of 2.5% (all unchanged). We arrive at our A-share target price of RMB538.00 (unchanged). Our target price implies c55% upside from the current levels; accordingly, we maintain our Buy rating on the stock. By applying an end-2026 RMB-HKD FX rate of 1.17 and an H-to-A-share premium of 25% (all unchanged), we arrive at our H-share target price of HKD783.00 (unchanged). Our H-share target price implies c37% upside from current levels, and we maintain our Buy rating on the stock.

Exhibit 3. DCF valuation assumptions: Cash flow

(RMBm)	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e
EBIT	95,857	126,428	144,158	160,470	174,519	187,448	196,697	204,017	211,612	214,501
Tax rate	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
Tax-effected EBIT	81,478	107,464	122,534	136,400	148,341	159,331	167,192	173,415	179,870	182,326
Plus: D&A	35,123	38,466	40,606	41,833	42,956	44,147	45,330	46,497	47,633	48,611
Less: Capex	(69,487)	(61,666)	(53,661)	(46,847)	(45,535)	(45,899)	(45,899)	(45,784)	(45,543)	(44,304)
+ / - Changes in working capital	2,813	(24,940)	(43,367)	(36,746)	75,381	78,190	61,778	(76,009)	(21,396)	(114,650)
Free cash flow	**49,928**	**59,325**	**66,112**	**94,640**	**221,143**	**235,769**	**228,401**	**98,118**	**160,563**	**71,984**
Terminal value										**2,286,467**
Total free cash flow	**49,928**	**59,325**	**66,112**	**94,640**	**221,143**	**235,769**	**228,401**	**98,118**	**160,563**	**2,358,450**

Source: HSBC Qianhai Securities estimates

Exhibit 4. DCF valuation assumptions

WACC		Perpetual growth method		
Risk-free rate	4.25%	Terminal value	RMBm	2,286,467
China stock market premium (for pure A-shares)	4.75%	Enterprise value	RMBm	2,234,309
β beta coefficient	0.88	Less: Net debt (2026e)	RMBm	(262,495)
Cost of Equity	8.4%	Less: Minority interest (2026e)	RMBm	42,296
Cost of debt (average 2026-28e)	2.6%	Equity value	RMBm	2,454,508
Tax rate (average 2026-28e)	15.0%	Share count	m	4,564
After-tax cost of debt	2.18%	**Target price – A-shares**	**RMB**	**538**
Long-term debt/equity ratio	43.0%	FX rate RMB-HKD		1.17
WACC	**5.7%**	H- to A- shares premium		25%
Perpetual growth rate	2.5%	**Target price – H-shares**	**HKD**	**783**

Source: HSBC Qianhai Securities estimates

Potential share price catalysts

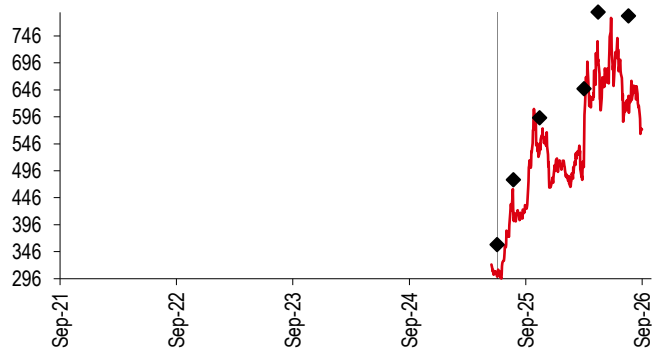
- Strong 3Q26 results and sustainable high utilisation rates.
- Robust ESS battery demand continues, and accelerating realisation of ESS projects in AIDC.
- Accelerating European EV adoption and market share gains by CATL; more order wins globally due to its leading technological leadership and affordable mass-market supply capabilities.
- Easing of global trade tensions and improving overseas execution.
- Strengthening of its already extensive competitive advantages on continuous product innovation and attractive valuation amid global peers.

Key downside risks

- Worse-than-expected raw materials price hike and passed-through.
- ASP and margin pressure after the launch of the rebate programme.
- Potentially less favourable regulatory environment in overseas markets.
- Weaker-than-expected execution of CATL's overseas expansion and unfavourable overseas tariff policies.
- Lower-than-expected EV/ESS market growth and market share wins.
- Potential quality/IP disputes (especially in the global market).

Share price and rating changes for long-term investment opportunities

CATL (3750.HK) share price performance HKD Vs HSBC rating history



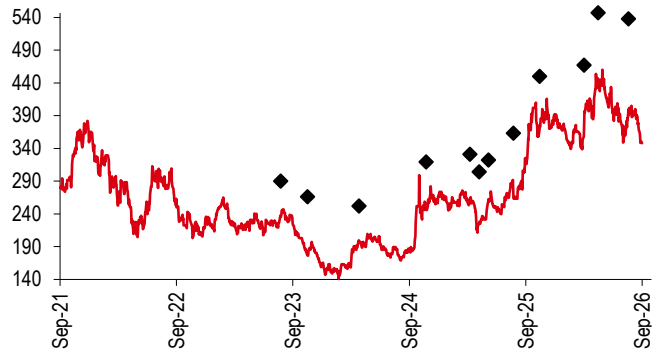
Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Buy	10 Jun 2025	Elaine Chen
Target price	**Value**	**Date**	**Analyst**
Price 1	359.00	10 Jun 2025	Elaine Chen
Price 2	479.00	31 Jul 2025	Elaine Chen
Price 3	594.00	21 Oct 2025	Elaine Chen
Price 4	648.00	10 Mar 2026	Elaine Chen
Price 5	790.00	23 Apr 2026	Elaine Chen
Price 6	783.00	27 Jul 2026	Elaine Chen

Source: HSBC

CATL A (300750.SZ) share price performance CNY Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
N/A	Buy	30 Oct 2020	Yuqian Ding
Target price	**Value**	**Date**	**Analyst**
Price 1	290.00	01 Aug 2023	Yuqian Ding
Price 2	266.00	24 Oct 2023	Yuqian Ding
Price 3	252.00	03 Apr 2024	Yuqian Ding
Price 4	319.00	30 Oct 2024	Yuqian Ding
Price 5	331.00	17 Mar 2025	Elaine Chen
Price 6	304.00	15 Apr 2025	Elaine Chen
Price 7	322.00	14 May 2025	Elaine Chen
Price 8	363.00	31 Jul 2025	Elaine Chen
Price 9	450.00	21 Oct 2025	Elaine Chen
Price 10	467.00	10 Mar 2026	Elaine Chen
Price 11	547.00	23 Apr 2026	Elaine Chen
Price 12	538.00	27 Jul 2026	Elaine Chen

Source: HSBC

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Company	Ticker	Recent price	Price date	Disclosure
CATL	3750.HK	572.50	07 Sep 2026	4, 7, 11
CATL A	300750.SZ	348.20	07 Sep 2026	4, 7, 11

Source: HSBC

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