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Chinese Autos and Asia Emerging Robotics

China EV & Asia Emerging Robotics Tour Takeaways: Beyond the Downturn



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*Over the past two weeks, we hosted our **1) inaugural China Humanoid Robotics & Auto Supply Chain Tour** (Sep 9-11) and **2) 4th China EV & Battery Value Chain Tour** (Sep 14-18), engaging with leading companies and industry experts across the ecosystem. This note highlights our key insights from management discussions, plant tours, and test rides.*

Looking into 2027, industry players generally hold a cautious view on China's domestic auto demand, citing weak consumer spending, limited policy support, and the possibility of flat to negative YoY growth. In contrast, sentiment on exports remains constructive, although most expect growth to moderate following the exceptionally strong expansion seen this year. Industry participants continue to expect EV penetration to reach 80-90% by 2030, supported by ongoing electrification and a further shift toward BEVs. In 2026 8M, China's wholesale auto volumes declined 5.3% YoY, with domestic demand down 19.7% while exports surged 71.8%. Domestic demand weakened further in August, with SAAR estimated at 19.4mn units, below the 20.7-20.8mn units recorded in June and July.

Policy headwinds remain key concerns for investors. A primary focus is the possibility of a reduction in China's current 13% export VAT rebate, given exports have become a major profit contributor for OEMs. Industry participants view a phased reduction, such as from 13% to 9%, as more likely than an immediate, complete, removal. Both BYD and Geely indicated that a 4ppt reduction could largely be offset through cost optimization and supply chain efficiencies. However, a move to 0% would likely require some cost pass-through to end customers. Separately, OEMs continue to prepare for increasing production overseas, to navigate potential EU PHEV tariffs and the IAA's proposed 70% localization threshold.

OEM vertical integration accelerates to drive cost savings and supply chain resilience. Against a backdrop of weak demand, intense competition, and compressed profitability, OEMs increasingly view vertical integration as a strategic priority. This trend is most evident in batteries and semiconductors. Li Auto has expanded cell sourcing to suppliers such as Sunwoda and CALB, and developed its own in-house battery pack integration. Xiaomi has also developed its own Longjia battery platform, reducing dependence on CATL *(covered by Neil Beveridge)*. Major OEMs are also accelerating development of proprietary ADAS chips. Following NIO, XPeng and Li Auto, Xiaomi has confirmed its chip ambitions, while BYD is widely believed to be pursuing a similar strategy. OEMs consistently highlight meaningful cost savings and improved supply chain security as key benefits. While investors remain concerned about technology competitiveness versus industry leaders such as Nvidia, OEMs believe the economics are compelling, with XPeng indicating that realized cost savings already exceed related R&D expenditures.

Humanoid robotics' commercialization approaching, but mass adoption still several years away. OEMs and automotive suppliers remain actively engaged in humanoid robot development, although most believe meaningful commercialization is still three to five years away. During our visit to EVE Energy, a humanoid robot "led" the showroom tour. The demonstration highlights the strategic focus on the technology. XPeng maintains one of the most accelerated commercialization timeline among OEMs, *(… continue on page 2)*

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targeting mass production in early 2027, with initial deployment through dealerships and showroom applications in both China and overseas markets. Other OEMs, including BYD, are increasingly evaluating humanoid robots for manufacturing applications, where labor replacement and productivity gains could be significant.

U.S. humanoid supply chain production ramps. The key US customer is progressing with its humanoid robot production ramp-up, with mass production potentially kicking off in October and weekly capacity reaching ~2,000 units by the end of this year. While this points to a meaningful inflection point for the key customer and for humanoid supply chain demand, it remains uncertain how much market share each individual supplier can sustainably secure with this client.

Government push to tackle overcapacity gains momentum. Industry consolidation has become a more prominent priority for the Chinese government as it seeks to address excess capacity and improve industry profitability. The recently announced potential restructuring between GAC and FAW, which we believe likely involves the Toyota JV, is an early indication of this trend. (LINK) According to industry experts we spoke with, OEMs seeking additional production capacity will likely need to acquire or consolidate existing facilities rather than pursue greenfield projects. Underutilized capacity could face further restructuring or closure. The latest 15th Five-Year Plan (LINK) also reiterated consolidation and capacity rationalization objectives.

Anti-involution: Industry behaviour improving alongside regulatory pressure
Suppliers broadly reported improvements in payment terms and commercial practices from OEMs following the government's anti-involution initiatives since last year. Several companies noted that OEMs have become more disciplined in negotiating annual price reductions and more measured in their interactions with suppliers, suggesting a gradual improvement in industry conduct and supply chain sustainability.

OEMs and suppliers confident in navigating geopolitical risks, investors remain more cautious. OEMs, auto parts and humanoid supply chain companies generally appear relaxed about potential geopolitical risks involving the U.S. Many suppliers have already established manufacturing footprints in Mexico and Thailand, which they believe could mitigate risks associated with tariffs or restrictions on Chinese automotive components. Investor sentiment is more cautious, however, given the uncertainty around whether overseas manufacturing alone will be sufficient to circumvent future trade barriers.

ESS outlook still bright, Next-Gen solid-state and sodium-ion battery adoption remains gradual. Discussions across the battery and EV ecosystem suggest solid-state batteries remain several years away from large-scale commercialization due to unresolved technical challenges. Early deployment is expected to occur in niche applications such as humanoid robots and eVTOLs, while broader adoption in passenger EVs remain distant. By contrast, the timing of sodium-ion battery adoption is viewed primarily as a function of lithium prices. BYD has confirmed it already possesses sodium-ion production capacity and is deploying the technology in energy storage applications. On ESS, industry participants are notably more constructive than investors, expecting demand growth of 20-50% next year. Longer term, expectations point to around 20% CAGR for China's ESS market and approximately 30% CAGR for overseas ESS markets through 2030.

Competition moving up the autonomous driving stack. L2++ competition is intensifying, with industry players looking to L3 as the next source of differentiation. However, the scope for sustained differentiation may be limited if commoditization emerges more quickly than expected. Beyond L3, ADAS leaders such as XPeng and Momenta are increasingly expanding into L4 robotaxi and robovan applications, moving into domains of dedicated L4 players like Pony AI and WeRide. As a result, competitive boundaries across the autonomy stack are becoming increasingly blurred, suggesting industry-wide

competitive intensity is set to rise further. Industry participants broadly agree that data remains the key enabler of autonomous driving progress, although views diverge on the relative importance of real-world versus synthetic data. For robotaxis, regulatory approvals and licensing are likely to remain the primary bottleneck to large-scale deployment.



BERNSTEIN TICKER TABLE

Ticker	Rating	Cur	21 Sep 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	81.20	130.00	(52.2)%	CNY	3.58	4.12	5.50	19.4	16.8	12.6
002594.CH (BYD)	O	CNY	85.22	114.00	(45.7)%	CNY	3.58	4.12	5.50	23.8	20.7	15.5
175.HK (Geely)	O	HKD	15.91	25.00	(40.0)%	CNY	1.67	2.09	2.29	8.1	6.5	5.9
2333.HK (Great Wall-H)	M	HKD	7.48	10.00	(80.1)%	CNY	1.16	0.98	1.25	5.5	6.5	5.1
2238.HK (GAC)	M	HKD	2.51	2.00	(49.4)%	CNY	(0.85)	(0.74)	(0.15)	(2.5)	(2.9)	(13.8)
LI (Li Auto)	M	USD	12.14	14.50	(68.2)%	CNY	1.13	(5.24)	1.08	71.9	(15.5)	75.0
2015.HK (Li Auto)	M	HKD	45.48	57.00	(78.6)%	CNY	0.57	(2.62)	0.54	68.6	(14.8)	71.6
9866.HK (NIO)	M	HKD	28.32	39.00	(75.5)%	CNY	(6.85)	(1.73)	(1.03)	(3.5)	(14.0)	(23.5)
NIO (NIO)	M	USD	3.66	5.00	(65.7)%	CNY	(6.85)	(1.73)	(1.03)	(3.6)	(14.2)	(23.8)
600104.CH (SAIC)	M	CNY	11.06	12.00	(66.3)%	CNY	0.89	0.72	0.85	12.5	15.5	13.0
1810.HK (Xiaomi)	O	HKD	27.58	35.00	(66.7)%	CNY	1.62	0.89	1.29	14.5	26.5	18.2
9868.HK (XPeng)	M	HKD	40.50	78.00	(75.6)%	CNY	(0.60)	(1.02)	0.23	(57.8)	(34.0)	153.1
XPEV (XPeng)	M	USD	10.62	20.00	(66.3)%	CNY	(1.20)	(2.03)	0.45	(59.4)	(35.0)	157.5
HSAI (Hesai)	O	USD	16.52	29.00	(66.9)%	CNY	2.91	3.18	5.26	38.0	34.8	21.0
2525.HK (Hesai)	O	HKD	16.57	29.00	(65.7)%	CNY	0.36	0.40	0.66	38.9	35.6	21.5
601689.CH (Tuopu)	O	CNY	45.76	75.00	(62.5)%	CNY	1.61	1.81	2.36	28.4	25.3	19.4
002472.CH (Shuanghuan)	O	CNY	37.90	60.00	(42.6)%	CNY	1.50	1.59	1.97	25.3	23.8	19.2
2050.HK (Sanhua)	M	HKD	25.04	27.00	(58.5)%	CNY	1.03	0.95	1.08	20.7	22.4	19.8
002050.CH (Sanhua)	M	CNY	36.18	39.00	(36.9)%	CNY	1.03	0.95	1.08	35.1	37.9	33.6
ASIAX			1,953.49									
SPX			7,650.50									

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

Source: Bloomberg, Bernstein estimates and analysis.

INVESTMENT IMPLICATIONS

For Chinese Autos, we rate **BYD, Geely, and Xiaomi** Outperform, and **XPeng, Li Auto, NIO, Great Wall, GAC, and SAIC** Market-Perform.

For Asia Emerging Robotics, we rate **Shuanghuan**, **Hesai** and **Tuopu** Outperform, **Sanhua** Market-Perform.

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VALUATION COMPS TABLE

EXHIBIT 1: **Global autos comps sheet**

		Market cap	EV	Cars Sold	P/E			EV/EBITDA			EV/SALES			Dividend yield			FCF Yield	EBIT%	ROCE	Net debt / EBITDA		
		$m	$m	m	CY	NTM+1	NTM+2	CY	NTM+1	NTM+2	CY	NTM+1	NTM+2	CY	FY+1	FY+2	FY+2	FY+1	FY+1	CY	FY+1	FY+2
BYD		104,145	116,382	4.6	17.9x	13.9x	11.5x	6.0x	5.1x	4.5x	0.9x	0.8x	0.7x	1.4%	1.4%	1.4%	7.4%	6.0%	15.3%	0.0x	-0.2x	-0.4x
Xiaomi		84,453	72,323	0.4	22.1x	16.7x	13.1x	15.4x	11.9x	9.1x	1.1x	0.9x	0.8x	0.0%	0.0%	0.0%	6.2%	6.7%	11.4%	-0.1x	-1.0x	-0.9x
Li		12,490	6,798	0.4	n.a.	28.8x	14.0x	n.a.	7.5x	4.3x	0.4x	0.3x	0.3x	0.1%	0.1%	0.1%	6.5%	0.5%	0.8%	94.4x	-11.7x	-7.5x
NIO		9,906	10,393	0.4	n.a.	371.6x	26.0x	n.a.	34.2x	14.5x	0.8x	0.6x	0.5x	0.0%	0.0%	0.0%	10.0%	-0.7%	-1.6%	5.5x	-5.2x	-3.4x
XPeng		8,970	8,397	0.3	n.a.	24.2x	12.3x	8.2x	5.5x	4.3x	0.4x	0.4x	0.3x	0.0%	0.0%	0.0%	16.0%	1.0%	4.1%	-1.4x	-1.4x	-1.8x
China EVs		**219,965**	**214,293**	**6.2**	**25.3x**	**16.4x**	**12.6x**	**8.7x**	**6.8x**	**5.6x**	**0.9x**	**0.7x**	**0.7x**	**0.7%**	**0.7%**	**0.7%**	**7.3%**	**5.0%**	**11.1%**	**-0.5x**	**-0.8x**	**-1.0x**
Geely		21,750	20,412	3.0	6.9x	5.7x	4.8x	3.8x	3.3x	2.9x	0.3x	0.3x	0.3x	4.4%	4.4%	4.4%	17.6%	5.9%	22.1%	-1.6x	-1.5x	-1.7x
SAIC		19,287	16,541	4.5	12.0x	10.6x	9.2x	3.3x	3.0x	2.9x	0.2x	0.2x	0.2x	2.5%	2.5%	2.5%	5.9%	3.0%	3.9%	-2.4x	-2.3x	-2.5x
Great Wall		15,292	14,425	1.3	11.0x	9.1x	7.9x	5.2x	4.6x	4.1x	0.4x	0.4x	0.3x	5.2%	5.2%	5.2%	10.0%	4.8%	9.9%	-1.2x	-0.9x	-1.0x
GAC		6,446	9,399	1.7	n.a.	n.a.	n.a.	n.a.	123.3x	16.2x	0.6x	0.5x	0.5x	0.0%	0.0%	0.0%	-18.2%	-6.9%	-5.8%	-1.0x	16.1x	2.1x
China OEMs		**62,775**	**60,777**	**10.6**	**12.3x**	**9.3x**	**7.5x**	**4.8x**	**4.1x**	**3.6x**	**0.3x**	**0.3x**	**0.2x**	**3.6%**	**3.6%**	**3.6%**	**8.5%**	**3.5%**	**5.7%**	**-1.8x**	**-1.6x**	**-1.7x**
Mercedes-Benz	§	50,060	25,033	2.2	8.7x	7.1x	6.3x	1.5x	1.4x	1.3x	0.2x	0.2x	0.2x	7.2%	7.2%	7.2%	10.5%	5.9%	3.8%	-2.2x	-2.0x	-2.0x
Volkswagen	§	45,288	43,765	9.0	4.7x	3.6x	3.2x	0.9x	0.8x	0.8x	0.1x	0.1x	0.1x	6.5%	6.5%	6.5%	13.1%	4.8%	3.3%	0.0x	-0.1x	-0.1x
BMW	§	43,698	31,675	2.5	9.8x	7.0x	5.7x	1.8x	1.7x	1.5x	0.2x	0.2x	0.2x	3.8%	3.8%	3.8%	9.5%	5.8%	3.7%	2.9x	2.1x	2.1x
Stellantis	*	14,286	6,527	5.5	10.9x	4.8x	2.8x	0.6x	0.5x	0.4x	0.0x	0.0x	0.0x	0.7%	0.7%	0.7%	0.5%	2.6%	4.5%	-0.8x	-0.6x	-0.6x
Renault	§	9,581	-184	2.3	4.9x	4.7x	4.5x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	7.9%	7.9%	7.9%	16.5%	4.7%	3.0%	-1.3x	-1.4x	-1.2x
Volvo Cars	&	5,496	5,177	0.7	9.4x	5.8x	4.4x	1.5x	1.3x	1.2x	0.1x	0.1x	0.1x	0.0%	0.0%	0.0%	18.0%	3.6%	6.4%	-0.7x	-0.8x	-0.9x
EU OEMs		**168,408**	**111,993**	**22.1**	**7.1x**	**5.3x**	**4.4x**	**1.0x**	**1.0x**	**0.9x**	**0.1x**	**0.1x**	**0.1x**	**5.4%**	**5.4%**	**5.4%**	**11%**	**4.7%**	**3.6%**	**-0.1x**	**-0.2x**	**-0.2x**
GM	*	73,960	71,930	6.2	6.3x	6.0x	6.1x	3.2x	3.0x	3.0x	0.4x	0.4x	0.4x	0.9%	0.9%	0.9%	13.6%	8.4%	7.3%	-0.2x	-0.4x	-0.4x
Ford	*	53,234	50,388	4.4	7.0x	6.7x	6.4x	3.6x	3.4x	3.1x	0.3x	0.3x	0.3x	4.5%	4.5%	4.5%	7.7%	6.1%	6.2%	-0.1x	-0.3x	-0.3x
US OEMs		**127,195**	**122,319**	**10.6**	**6.6x**	**6.3x**	**6.2x**	**3.3x**	**3.1x**	**3.1x**	**0.3x**	**0.3x**	**0.3x**	**2.4%**	**2.4%**	**2.4%**	**11%**	**7.3%**	**6.8%**	**-0.2x**	**-0.3x**	**-0.4x**
Tesla	*	1,414,254	1,387,471	1.6	251.9x	182.3x	127.3x	99.7x	78.8x	56.0x	13.1x	11.6x	9.9x	0.0%	0.0%	0.0%	-0.6%	5.3%	6.0%	-1.9x	-1.0x	-0.1x
Rivian	*	22,051	23,545	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.2x	2.0x	1.5x	0.0%	0.0%	0.0%	-14.5%	-26.8%	-32.3%	0.8x	4.7x	539.8x
Lucid	*	1,592	7,394	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.6x	2.2x	1.1x	0.0%	0.0%	0.0%	-145.3%	-78.2%	-42.4%			
Polestar	*	1,051	3,883	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.2x	0.9x	0.6x	0.0%	0.0%	0.0%	n.a.	-22.1%	78.6%	-5.5x	-7.7x	-10.7x
US EVs		**1,438,948**	**1,422,292**	**1.7**	**n.a.**	**1,171.0x**	**234.2x**	**174.0x**	**101.1x**	**61.1x**	**12.0x**	**10.2x**	**8.4x**	**0.0%**	**0.0%**	**0.0%**	**-0.9%**	**-0.3%**	**-0.3%**	**-2.8x**	**-1.2x**	**-0.1x**
Toyota	%	283,041	240,891	9.6	11.8x	10.8x	10.1x	6.4x	5.7x	5.3x	0.7x	0.7x	0.7x	3.4%	3.4%	3.4%	4.0%	8.1%	5.3%	3.5x	3.3x	2.9x
Honda	%	49,236	104,791	2.7	14.4x	9.1x	7.7x	10.6x	7.8x	7.0x	0.7x	0.7x	0.6x	4.2%	4.2%	4.2%	1.4%	5.0%	4.7%	5.5x	4.4x	4.4x
Suzuki	%	25,597	28,939	3.6	8.7x	8.9x	8.3x	5.2x	4.8x	4.5x	0.6x	0.6x	0.6x	2.6%	2.6%	2.6%	6.5%	9.1%	13.4%	-0.6x	-0.7x	-0.8x
Subaru	%	12,212	3,364	0.9	12.3x	10.0x	9.1x	1.5x	1.3x	1.3x	0.1x	0.1x	0.1x	4.5%	4.5%	4.5%	11.7%	4.0%	6.8%	-1.8x	-1.9x	-2.0x
Nissan	%	7,431	4,256	2.4	34.2x	8.2x	6.2x	1.1x	0.9x	0.8x	0.1x	0.1x	0.0x	0.0%	0.0%	0.0%	11.3%	2.1%	2.0%	11.7x	10.3x	9.4x
Mazda	%	4,706	2,656	1.1	7.2x	6.1x	5.5x	1.5x	1.4x	1.3x	0.1x	0.1x	0.1x	4.7%	4.7%	4.7%	11.2%	3.1%	6.3%	-1.0x	-1.0x	-1.2x
Mitsubishi	*	3,459	4,393	1.0	18.6x	11.5x	9.4x	4.0x	3.6x	3.5x	0.2x	0.2x	0.2x	2.7%	2.7%	2.7%	-1.1%	3.1%	7.8%	-0.6x	-0.7x	-0.9x
Japanese OEMs		**385,682**	**389,290**	**21.3**	**11.9x**	**10.3x**	**9.3x**	**6.2x**	**5.4x**	**5.0x**	**0.5x**	**0.5x**	**0.5x**	**3.4%**	**3.4%**	**3.4%**	**4.3%**	**6.2%**	**5.2%**	**3.6x**	**3.2x**	**3.0x**
Hyundai	*	53,453	167,059	4.1	7.3x	6.5x	6.0x	13.3x	11.9x	11.0x	1.2x	1.1x	1.1x	3.1%	3.1%	3.1%	0.0%	6.5%	4.5%	8.9x	8.2x	7.6x
Kia	*	33,827	20,138	3.1	5.4x	5.0x	4.6x	2.1x	1.9x	1.8x	0.2x	0.2x	0.2x	5.7%	5.7%	5.7%	17.4%	8.5%	17.7%	-1.7x	-1.8x	-2.0x
Korean OEMs		**87,280**	**187,197**	**7.3**	**6.4x**	**5.8x**	**5.4x**	**8.4x**	**7.6x**	**7.1x**	**0.8x**	**0.8x**	**0.7x**	**4.1%**	**4.1%**	**4.1%**	**7%**	**7.3%**	**6.8%**	**4.3x**	**3.9x**	**3.5x**
Ferrari	§	72,534	64,980	0.014	35.9x	32.6x	30.4x	18.7x	17.0x	15.8x	7.3x	6.8x	6.4x	1.1%	1.1%	1.1%	2.7%	30.5%	36.5%	0.0x	-0.1x	-0.2x
Porsche AG	§	47,262	46,015	0.3	23.8x	21.7x	16.6x	6.2x	5.8x	5.1x	1.1x	1.2x	1.1x	2.2%	2.2%	2.2%	4.8%	7.6%	7.0%	1.3x	1.0x	1.0x
Aston Martin	&	445	2,456	0.005	n.a.	n.a.	n.a.	6.5x	5.1x	4.5x	1.2x	1.1x	1.1x	0.0%	0.0%	0.0%	-26.7%	-0.8%	-0.7%	5.4x	4.5x	4.1x
Luxury OEMs		**120,241**	**113,450**	**0.3**	**32.5x**	**28.9x**	**23.9x**	**10.1x**	**9.3x**	**8.3x**	**2.2x**	**2.2x**	**2.1x**	**1.5%**	**1.5%**	**1.5%**	**3.4%**	**11.5%**	**11.0%**	**1.0x**	**0.8x**	**0.7x**
Global OEMs (ex EV)		**951,581**	**985,027**	**72.2**	**9.7x**	**8.2x**	**7.3x**	**3.9x**	**3.5x**	**3.3x**	**0.4x**	**0.4x**	**0.4x**	**3.4%**	**3.4%**	**3.4%**	**8%**	**5.7%**	**5.0%**	**1.2x**	**1.0x**	**0.9x**
Global EVs		**1,658,912**	**1,636,586**	**7.9**	**271.2x**	**113.3x**	**70.3x**	**49.8x**	**35.9x**	**26.6x**	**4.5x**	**3.8x**	**3.3x**	**0.1%**	**0.1%**	**0.1%**	**0%**	**3.3%**	**5.6%**	**-1.1x**	**-0.9x**	**-0.6x**

Pricing date: Sep 21, 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

DETAILS

*Over the past two weeks, we hosted our **1) inaugural China Humanoid Robotics & Auto Supply Chain Tour** and **2) 4th Annual China EV & Battery Value Chain Tour**, engaging with leading companies and industry experts across the ecosystem. This note highlights our key insights from management discussions, plant tours, and vehicle test rides.*

MEETING WITH CHINA ASSOCIATION OF AUTOMOBILE MANUFACTURERS (CAAM)

We met with Mr. Shihua Chen, Deputy Secretary-General of the China Association of Automobile Manufacturers.

Latest thoughts on industry demand: China's auto market has weakened meaningfully in 2026According to Mr. Chen, the weakness in domestic demand is driven by changes to subsidy policies, high fuel prices affecting ICE-heavy and JV brands, depressed used-car residual values reducing consumers' incentives to upgrade, and financial pressure on dealers that has limited OEM inventory replenishment. Looking ahead, Mr. Chen expects 2H demand conditions to remain broadly similar to 1H, with no meaningful recovery in end-market demand. On electrification, NEV sales continued to grow despite the weaker market backdrop. Mr. Chen remains constructive on the long-term outlook for BEVs, arguing that battery safety concerns have largely been addressed, supporting regulations and standards are now well established, and fast-charging technology continues to improve rapidly.

Exports: Automotive exports remain the industry's most important offset to the weakness in domestic demand. Jan-Aug exports reached 7.15mn units, up 66.7% YoY, while NEV exports increased more than 120% YoY and now account for almost half of total exports. However, Mr. Chen expressed increasing concern that export growth may be running ahead of real end-market demand. He estimates total exports could approach 11mn units in 2026, but highlighted that export data measures vehicles shipped out of China rather than vehicles sold to final customers. According to the association, there was an estimated 1.5mn-unit gap in 1H26 between vehicles exported and vehicles ultimately retailed overseas. Brazil was cited as an example of front-loaded demand, with exports accelerating ahead of tariff implementation in July, while Europe faces growing trade-policy uncertainty.

Commercial vehicle electrification: Commercial vehicle electrification is one of the most underappreciated areas of growth in China's auto market. Rising diesel prices, government subsidies and lower operating costs have improved the economics of electric trucks, making freight operators increasingly willing to absorb higher upfront vehicle costs. Heavy-duty truck electrification penetration has already reached the mid-30% range, and the association believes adoption could ultimately exceed official targets. While current government planning targets 40% heavy-duty truck NEV penetration by 2030, Mr. Chen believes penetration could reach 50% over time.

Anti-involution, consolidation, and profitability pressures: Industry profitability continues to deteriorate. According to CAAM data, the auto manufacturing industry generated a profit margin of only 3.6% in Jan-Jul 2026, with total industry profits declining 20.4% YoY. Mr. Chen argued that OEM profitability is even weaker than aggregate industry data suggests, estimating that many manufacturers are operating on margins below 2%. While headline vehicle prices have stabilized relative to the peak of the price war, he warned that competitive intensity remains extremely high. OEMs increasingly use non-price mechanisms, including subsidies, financing incentives, and accelerated product refresh cycles, to preserve competitiveness without formally reducing sticker prices. Mr. Chen highlighted recent efforts to standardize supplier payment practices and improve industry governance, noting that policymakers are increasingly concerned about quality sacrifices and unsustainable pricing behavior.

BYD CO LTD (1211.HK/ 002594.CH, OUTPERFORM, PT HK$130.00/ RMB 114.00)

Technology-led share gains: BYD highlighted that its domestic market share has continued to increase to roughly 25-26% despite a challenging demand environment. Importantly, management emphasized these gains were achieved without significant price reductions and instead driven by technology upgrades, particularly flash charging and next-generation battery platforms. As the market matures, BYD expects its advantages to expand beyond technology leadership into scale, manufacturing efficiency and industrial-chain integration.

Overseas growth and localization: Overseas expansion remains the company's most important growth driver. Management reiterated that the overseas sales target of more than 1.8mn units for 2026 and 2.5mn units for 2027 appears achievable, while maintaining a long-term target of 5mn overseas sales before 2030, excluding North America. BYD believes Chinese OEM competitiveness has evolved from cost leadership to technology leadership, with years of R&D investment now translating into superior products and stronger value capture globally. Local manufacturing is viewed primarily as a market-access tool, with

capacity expansion underway across Brazil, Indonesia and Hungary to support future growth and mitigate tariff risks.

Flash charging ecosystem: Management presented flash charging as BYD's most important competitive differentiator (Exhibit 2). Rather than a standalone battery technology, BYD views its advantage as the integration of batteries, vehicle architecture, charging infrastructure, energy storage and power electronics. Management believes this ecosystem approach will be considerably harder for competitors to replicate than individual technologies and could support a more durable competitive advantage. With overseas markets still several generations behind China technologically, BYD sees a significant upgrade opportunity when flash-charging platforms begin rolling out internationally from 2027.

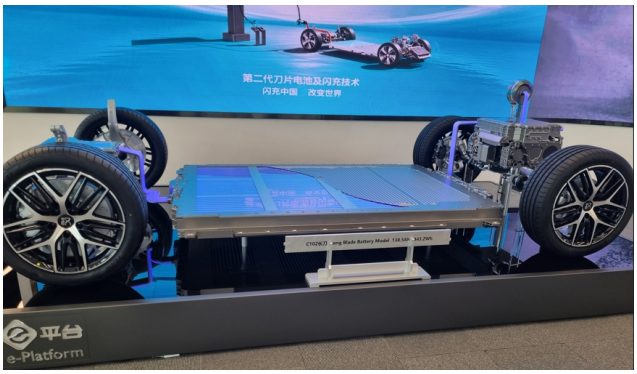
Battery, energy storage and profitability: Second-generation Blade Battery capacity remains the primary near-term production bottleneck, with output expected to increase by roughly 20k units per month (Exhibit 3). Beyond vehicles, management remains highly constructive on energy storage, where BYD shipped 60GWh in systems in 2025. Management indicated capex has likely peaked, while future profitability should be supported by technology premiums, product mix upgrades, improving overseas contribution and better asset utilization. Longer term, management continues to target 10mn annual vehicle sales, split roughly equally between China and overseas markets.

EXHIBIT 2: **Investors saw a live <10-min demonstration of the flash charging test in a -30 degrees Celsius thermal chamber**



Source: Bernstein photos

EXHIBIT 3: **BYD's second generation Blade Battery features long cells arranged directly within the vehicle floor to maximize space utilization and efficiency**



Source: Bernstein photos

EXHIBIT 4: **Investors on the trip had the opportunity to test drive BYD's vehicles including the Yangwang U9 (in red)**



Source: Bernstein photos

XIAOMI (1810.HK, OUTPERFORM, PT HK$35.00)

SkyNomad launch: SkyNomad reflects Xiaomi's ambition, as well as its innovation and execution capabilities to address underserved use cases in the current automotive market. Management highlighted that SkyNomad's customer demographics differ meaningfully from the SU7 and YU7 audience, skewing toward older buyers (primarily 35-40 years old), larger households, and multi-generational families. Unlike the more performance-oriented and impulse-driven purchasing behavior seen in earlier models (from a younger, primarily 30-35 years old, customer demographic), SkyNomad buyers place greater emphasis on space utilization, versatility, and family needs, resulting in a longer decision-making and conversion cycle. We note particularly strong interest in the Studio version at the showroom, which offers a differentiated interior architecture featuring rotating seats and flexible second- and third-row configurations. (Exhibit 5)

EV profitability and battery strategy: SkyNomad gross margins remain dependent on product mix and accessory attachment rates, with 20% vehicle margin as the goal. On batteries, Xiaomi is diversifying its battery sourcing from CATL *(covered by Neil Beveridge)* and BYD to Sunwoda and CALB, and is becoming more involved in battery development, packaging, and integration, viewing these areas as more attractive than pursuing full cell manufacturing.

International expansion: Europe remains the first target for Xiaomi's automotive globalization strategy, with Germany expected to be the initial launch market in 2H27 followed by right-hand-drive markets in 2028.

AI ecosystem: Management increasingly frames Xiaomi's competitive advantage around ownership of core technologies. The deployment of its in-house 3nm smartphone chip represents a significant milestone, with additional chips scheduled for launch next year and longer-term opportunities in automotive applications. At the same time, Xiaomi continues integrating AI across its Human × Car × Home ecosystem, leveraging control of both software and hardware platforms. During our visit, we saw a demonstration of a voice-activated smart home process from the vehicle through controlling smart home devices remotely. The company sees unique advantages stemming from control of both operating systems and hardware endpoints across smartphones, vehicles, and smart-home devices.

EXHIBIT 5: **Launched in July 2026, the SkyNomad marked Xiaomi's entry into the EREV SUV segment**



Source: Bernstein photos

GEELY (175.HK, PT HK$25.00)

Industry outlook: Management believes China's NEV penetration has already reached close to two-thirds of the market, implying future growth will moderate as the industry moves beyond the early adoption phase. Geely therefore remains committed to a multi-energy strategy spanning ICE, hybrid, PHEV and BEV powertrains. While competition remains intense, management argues that pricing pressure has evolved from direct discounting in 2025 to feature and specification upgrades in 2026, which are less damaging to profitability. The company expects industry consolidation to accelerate over the next 1-2 years as regulators and investors increasingly prioritize profitability over volume growth, ultimately leaving only a small group of dominant survivors.

Export engine: Exports have become Geely's primary growth driver as management increasingly views overseas markets as a more attractive profit pool than the highly competitive domestic market. Since 2025, the company has reorganized its overseas operations around a "subsidiary + dealer" model, supported by dedicated R&D and finance teams. Geely entered the UK in 2025 and France in 2026, with monthly overseas retail sales now approaching 80k units. Current overseas profit per vehicle is RMB12k-15k, with margins still constrained by upfront brand-building and channel investment, but management expects profitability to improve as scale increases.

Localization strategy: A key differentiator in Geely's globalization strategy is its asset-light partnership model. Rather than building greenfield factories, Geely is leveraging existing capacity through Ford, Volvo, Renault and Proton. In Europe, the Ford Spain partnership could support up to 500k units of capacity, while discussions with Volvo could accelerate localization further. In Brazil, the Renault JV provides access to 300k-400k units of capacity, while Proton contributes 200k-300k units across Southeast Asia. Together with existing Belarus operations, management expects overseas capacity to exceed 800k units, providing significant flexibility to support future export growth and localization requirements.

Policy resilience: Management believes potential export tax rebate reductions and European localization requirements are manageable. A near-term rebate reduction could be absorbed through supplier negotiations, manufacturing efficiencies and modest pricing adjustments, while full removal of export incentives would be mitigated through accelerated overseas production. Geely also expects any future EU PHEV tariff regime to be more favorable than BEVs and believes potential 70% localization requirements can be achieved through Ford's established supply chain network and increasing European investment by Chinese suppliers.

EXHIBIT 6: **Zeekr 9X is a flagship luxury SUV positioned to elevate the brand's presence in the premium segment**



Source: Bernstein photos

XPENG (XPEV.US / 9868.HK, MARKET-PERFORM, PT US$20.00/ HK$78.00)

Autonomous driving & AI: Management highlighted the advantages of combining its in-house Turing chip, foundation models and over one million connected vehicles collecting real-world driving data. The company claims higher compute efficiency and lower latency than open-source models running on third-party chips, while world-model simulations help generate rare edge cases. Encouragingly, management indicated autonomous-driving capabilities transferred well to Europe, with testing in Munich requiring only limited localization, which could reduce overseas deployment costs and accelerate international ADAS rollouts.

International expansion & product cycle: Overseas deliveries are expected to at least double this year from ~24k units, with Europe and ASEAN contributing roughly equally. Management highlighted strong initial reception for the MONA L03 following its Munich debut, with the larger MONA L05 SUV set to launch overseas next year. After a relatively flat Q3, XPeng expects growth to reaccelerate in Q4 with four major launches, including the GX, G9L and additional MONA SUVs. Longer term, the company plans to broaden its presence in the RMB200k-300k segment, expand the MONA family and introduce additional premium models, while maintaining a dual-powertrain strategy with increasing EREV penetration in larger vehicles.

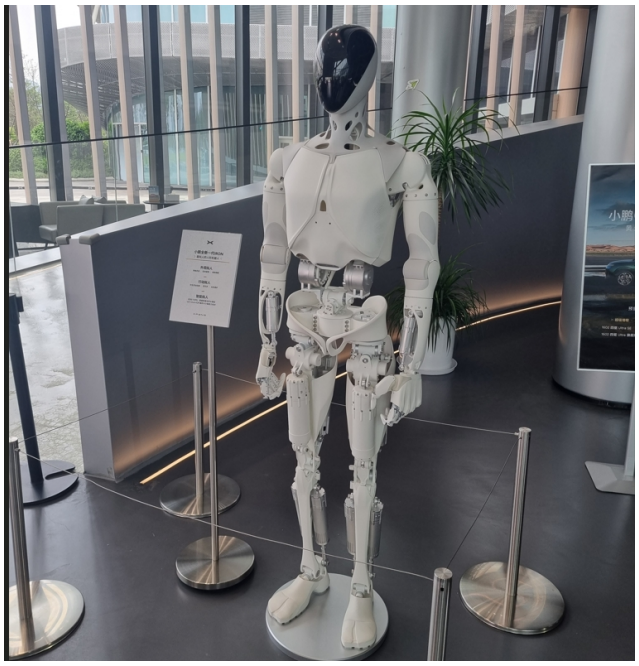
Robotaxi & humanoid robotics: Management outlined an increasingly ambitious Physical AI roadmap. Robotaxi fleets are already operating internally in Guangzhou using consumer vehicle platforms, with public deployment expected in Q4 and removal of safety operators targeted for early 2027. XPeng believes leveraging mass-market vehicle platforms provides substantial cost advantages versus bespoke robotaxi designs. Separately, following the US$900mn financing of its robotics business, XPeng is targeting mass production of humanoid robots by year-end with initial capacity of around 1,000 units per month. Early deployments will focus on XPeng stores and retail applications before expanding to broader commercial use cases and eventually factory environments.

Turing chip, investment & margins: The in-house Turing chip is now being deployed across XPeng's vehicle lineup and robotics platform. Management indicated cumulative cost savings from replacing external compute solutions have already exceeded the R&D investment required to develop the current chip generation. The company continues to increase AI investment, including partnerships with Alibaba Cloud and annual R&D spending of approximately RMB7bn. Despite ongoing inflation in AI-related components such as memory and PCBs, management expects vehicle gross margins to remain broadly stable in 2H, supported by improving MONA profitability, higher GX and G9L mix and growing overseas exposure, where vehicle gross margins exceed 20%.

Supply chain execution: XPeng acknowledged MONA deliveries were constrained by a bottleneck at one relatively low-value component supplier despite stronger-than-expected demand. While management noted that qualifying alternative suppliers requires extensive testing and validation, we view the episode as a reminder that supply-chain resilience remains critical as

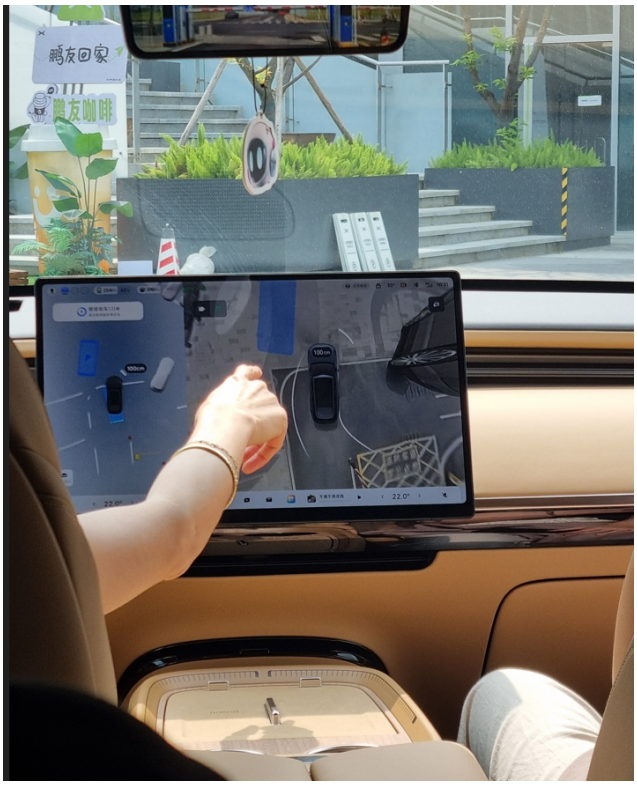
XPeng enters a period of accelerated product launches. In response, the company has strengthened supplier qualification and validation processes for upcoming models such as the G9L and L05 to reduce the risk of similar disruptions recurring.

EXHIBIT 7: **XPeng's Iron humanoid robot runs on their in-house Turing chip and will be first deployed in XPeng's stores as customer guides**



Source: Bernstein photos

EXHIBIT 8: **Investors were generally impressed by XPeng's autonomous parking function**



Source: Bernstein photos

NIO (NIO/9866.HK, MARKET PERFORM, PT: US$5.00/HK$39.00)

Battery-swapping: Battery swapping remains the centrepiece of NIO's competitive positioning and is increasingly becoming a key purchase consideration for premium BEV buyers, according to the company. Management noted that nearly 50% of the electricity consumed by NIO's fleet of over one million vehicles now comes from battery swapping rather than charging, while only around 30% of premium customers have access to home chargers. With more than 4,000 swap stations already deployed, management believes the network effect is becoming increasingly difficult to replicate. The company is also in discussions with multiple Chinese OEMs regarding adoption of NIO's battery swap platform, opening potential opportunities in technology licensing, service revenues and ecosystem expansion.

Battery swapping infrastructure monetisation: Beyond supporting vehicle sales, management increasingly views battery swapping as an infrastructure and energy business. A single station requires approximately RMB2m of capex and reaches breakeven at roughly 50-60 swaps per day, versus capacity of more than 300 swaps daily. Importantly, management stated the battery-swapping business would already be profitable if deployment were paused today. However, we note that NIO's average daily battery swaps stands at c. 30 per day only, below the company's breakeven threshold. Longer term, the company sees significant value from electricity arbitrage, leveraging off-peak charging, power trading and potential grid services. Adoption of third-party ownership is also increasing, with roughly 800 stations now owned by external investors (e.g. state-owned utility companies), helping reduce capital intensity while maintaining network expansion.

Ecosystem: Another key takeaway was the increasing contribution from NIO's services ecosystem. Through insurance, maintenance, service packages, financing and lifestyle offerings, management estimates annual service revenue of more

than RMB1,000-2,000 per NIO user and around RMB700 per ONVO and Firefly user, with gross margins of 40-50%. Around 70-80% of customers purchase service packages, while NIO's industry-leading NPS of roughly 80% continues to drive customer referrals and strengthen pricing power. Management increasingly views services as an important source of long-term profitability.

Technology: Management views NIO's vertically integrated technology stack as a key competitive advantage. The company has now deployed more than 300k units of its proprietary ADAS chip, continues to see high take rates for its self-developed active suspension system, and has rolled out its world-model autonomous driving platform to more than 800k users across NIO and ONVO. R&D remains concentrated on a small number of core technologies, including autonomous driving, battery swapping, chips and vehicle operating systems, with management arguing these capabilities create meaningful differentiation in both user experience and cost structure.

Outlook: Management remains focused primarily on China, where it continues to see substantial growth opportunities in premium BEVs. Management reiterated confidence in delivering 40-50% annual volume growth over the next two years, supported by new products and improving scale.

LI AUTO (LI.US / 2015.HK, MARKET PERFORM, PT US$14.50 / HK$57.00)

AI transition: Li Auto increasingly views the industry as shifting from electrification to intelligence, with AI, autonomous driving and semiconductor capabilities becoming the primary sources of differentiation. Management believes future competitiveness will be driven by ownership of core technologies, including chips, AI models and software, rather than vehicle hardware alone.

Product refresh: Li Auto is currently focused on its second development phase, comprising the L-series refresh, BEV expansion and overseas growth. Key upgrades include the self-developed Mach 100 chip, VLA model, drive-by-wire chassis architecture and third-generation range extender. Management remains optimistic on BEV adoption as charging infrastructure improves and consumer acceptance continues to increase.

China demand: While acknowledging a weak macro consumption backdrop, management remains constructive on the Chinese NEV market, noting that penetration continues to rise despite softer overall auto sales. Competition has intensified significantly in the premium segment, with Tesla, Huawei/AITO, Xiaomi, and Zeekr emerging as the major competitors, making it increasingly difficult for new entrants to gain share.

Vertical integration: Li Auto continues to deepen vertical integration across batteries and semiconductors. Management views batteries and chips as the most strategic components in future intelligent vehicles and sees greater in-house development as critical for supply security, cost optimisation and tighter hardware-software integration.

ADAS roadmap: Management highlighted AI and autonomous driving as key long-term investment areas. The company believes autonomous driving capability can progress gradually from L2 toward higher levels through continuous model improvement and data accumulation. LiDAR remains part of the current architecture as a safety redundancy, particularly for adverse weather and low-visibility scenarios.

Global expansion: International expansion remains focused on Central Asia, the Middle East and selected right-hand-drive markets, where Li Auto believes its premium positioning and EREV products are better suited. Europe remains part of the long-term strategy, primarily through BEV models. Management suggested overseas markets could eventually account for up to ~30% of sales in a best-case scenario, although domestic growth remains the primary near-term focus.

LEAPMOTOR (9863.HK, NOT COVERED)

Market consolidation: Management expects China's overall auto market size to remain broadly stable, with future growth driven primarily by NEV penetration rising from ~65% today towards 80-90% over the next 3-4 years. The bigger opportunity remains the potential to gain share from ICE and joint-venture brands. Industry consolidation is expected to occur through volume concentration rather than bankruptcies, with the current landscape of 30+ brands selling over 10k units/month viewed as unsustainable. Smaller players may survive with local government support but become increasingly niche and irrelevant over time.

Cost leadership: Management repeatedly emphasized that Leapmotor's electronics heritage, founder-led engineering culture, and strong supply chain expertise underpin its cost advantage. With ~RMB4bn of annual R&D spending, ~1mn units of sales

volume and roughly 70% vertical integration, the company believes it can achieve competitive products while avoiding costly missteps. ADAS investment has been particularly disciplined, with only RMB1-2bn spent over the past five years, reflecting management's view that autonomous driving capabilities will ultimately become a commodity rather than a lasting differentiator, and Leapmotor is comfortable being a fast follower rather than a frontrunner.

Margin trajectory: Vehicle gross margin is currently around 10-11%, with overall gross margin at 12-13%. Management believes gross margin can ultimately reach 12-14%, supported by higher scale, with annual sales potentially rising to 1.5-1.6mn units. Rising component costs and intense competition have delayed the profit trajectory, as cost inflation cannot be immediately passed through to consumers. Instead, profitability improvements will rely on scale benefits, internal efficiency gains and further cost reductions.

International expansion: The Stellantis JV remains central to Leapmotor's overseas strategy. The JV handles international sales and distribution while leveraging Stellantis' dealer network, logistics infrastructure and manufacturing footprint. Vehicles are currently exported from China, but local production is gradually increasing to address tariffs and localization requirements, with Spain expected to become a major production base (100k capacity initially, expandable to 200k). Over time, Leapmotor expects profit to shift from vehicle exports toward component sales and its 49% share of JV earnings.

Product and technology strategy: Management continues to position Leapmotor as an affordable-value brand, with core volume concentrated in the RMB120k-150k range. Product launches will remain aggressive, with 4-6 new C- and D-segment models planned next year as the company seeks to cover all key mass-market segments. Management also highlighted weakening brand loyalty among younger consumers, making product competitiveness and value-for-money increasingly important purchase drivers.

MOMENTA (6880.HK, NOT COVERED)

ADAS leadership: Momenta estimates it has a leading 60% market share in China's urban NOA intelligent-driving software market. The company has accumulated 219 nominations across 26 OEMs, of which 105 programs have already reached SOP, leaving a backlog of 114 programs yet to be commercialised. Management believes the existing pipeline provides strong multi-year revenue visibility and underpins future growth. Management stated that the mass-production ADAS business has already reached breakeven and expects the group as a whole to achieve breakeven next year, despite continuing to invest aggressively in AI development and R&D.

Data flywheel: The company has accumulated more than 13 billion kilometres of driving data and has over 1 million vehicles on the road collecting real-world driving information. Management confirmed that OEM agreements allow the company to utilise anonymised driving data for model training, meaning every additional vehicle deployment further strengthens the quality of its algorithms and widens the gap versus smaller competitors.

L3 rollout: Management views L3 autonomy as the next major catalyst for the industry. Development projects are already underway with several OEMs, including BYD, Chery, SAIC and Mercedes-Benz, with the Audi E7X expected to be the first production vehicle equipped with Momenta's L3 solution in 2H27. While current L2++ ASPs are around RMB1,900, management expects L3 monetisation to be materially higher and is evaluating subscription-based pricing models similar to Tesla FSD, potentially creating a more attractive recurring revenue stream.

International expansion: Momenta is increasingly becoming a global ADAS supplier rather than a China-only player. Vehicle programs equipped with Momenta solutions have already been exported to markets including the UK, UAE, Singapore, Australia and Thailand. Beyond supporting Chinese OEMs overseas, management is now working with international OEMs on global vehicle platforms, with the first global model expected to launch shortly. We think this represents a significant opportunity to expand the company's total addressable market beyond China.

Robotaxi and Robovan: While the investment case today is driven primarily by the mass-production ADAS business, management believes Robotaxis, Robovans and eventually Robotrucks could become meaningful future growth drivers. These businesses leverage the same underlying AI model and technology stack, allowing R&D costs to be shared across multiple applications. Management is also pursuing an asset-light model, with OEMs, mobility platforms and capital partners providing vehicles and customers, while Momenta focuses on technology and operations. We believe this approach should allow the company to participate in autonomous mobility growth without taking on significant balance sheet risk.

PONY.AI (2026.HK/PONY, NOT COVERED)

Fleet scale and city expansion: Pony.ai believes it has moved beyond the pilot stage and is now entering scaled commercialization. The fleet reached ~2,000 robotaxis by mid-year and is targeted to reach 3,500 vehicles by year-end. Management expects robotaxi revenue growth to broadly track fleet growth. Geographic expansion is also accelerating, with operations targeted in 20+ cities by year-end versus only ~6-7 cities at the end of last year. Importantly, management highlighted that Pony remains the only robotaxi company operating across all four Tier 1 Chinese cities, which it views as evidence of both regulatory trust and execution capability.

Unit economics: Robotaxi unit economic breakeven has already been achieved in both Guangzhou (November 2025) and Shenzhen (January 2026) following deployment of the Generation 7 platform. In Guangzhou, approximately RMB299/day of revenue covers all costs, including vehicle depreciation, charging, maintenance, cleaning, insurance, communications, parking and parts replacement. Shenzhen is already generating around RMB320/day and management believes this can increase to roughly RMB340/day. Meanwhile, BOM cost has fallen from ~RMB300k initially to ~RMB270k today and is targeted to decline below RMB240k near term.

Overseas strategy: Management highlighted that after spending the past year validating Generation 7 economics domestically, international deployment has become a major focus. The Middle East is currently the most advanced market, with driverless services already operating in Doha through a local taxi partner and commercial operations expected to begin in Dubai by year-end. Management targets a triple-digit fleet size in the region by year-end. In Europe, Croatia represents the first meaningful deployment via a three-party partnership involving Uber, Pony.ai and a local fleet operator. A consistent theme was that Pony wants to be an "AI driver provider" rather than a fleet owner. Under this model, Pony supplies the autonomous driving technology, partners provide demand aggregation and fleet ownership, and Pony avoids heavy CAPEX requirements while monetizing both software and vehicle sales.

L4 autonomy vs L2: We think the strongest technological message was management's view that the gap between L2+ ADAS and true L4 robotaxis is much larger than generally appreciated. Management argued that imitation learning can only produce systems comparable to human drivers, whereas robotaxis must be materially safer than humans to satisfy regulators and the public. As a result, reinforcement learning, world models and synthetic data generation become critical. The company believes its five-year head start in these areas is a competitive advantage, particularly for handling rare corner cases that may only occur a handful of times in hundreds of millions of miles of real-world driving. Management cited examples such as generating thousands of synthetic scenarios involving pedestrians lying on the road and using simulation to train AI systems that would otherwise never see enough real-world examples. High-fidelity world models dramatically reduce data collection requirements, accelerate development and create significant barriers to entry for newer robotaxi entrants, including L2-focused players that have only recently started investing in these capabilities.



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