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China Auto Industry

2027: Policy headwinds, earnings risk and exit strategy

- **Lingering headwinds but limited tailwinds**: We are cautious on the China auto sector's performance and expect 2H26 to see continued weakness, while we believe 2027 will be at best a relative rather than an absolute story. The sector is facing four structural challenges into 2027, which we believe will start to reflect in stock performance in 4Q26: ***1) weak domestic demand*** (JPMe flat to down 5%), ***2) further input cost hikes,*** e.g. memory chips, ***3) policy uncertainty*** – domestic NEV subsidy and possible export VAT rebate revision, and ***4) tariff and non-tariff measures*** that will slow Chinese OEMs' expansion in overseas markets and cap valuations. Against these, our recommendations are outlined below:
- **Sector stance**: In 2027, we believe China autos will at best perform in line with MXCN as domestic PV demand '*improves*' from (-21% yoy) in 2026 to (-5%) in 2027. Historically, yearly improvement supports relative performance, but earnings risk would cap upside. Within the sector, we prefer heavy duty trucks (HDT) over passenger vehicles (PV).
- We are making significant non-consensus changes based on two selection criteria among PV names into 4Q26-2027. We would focus on OEMs with: **1) undemanding valuations, and 2) better earnings visibility**.

1. **Initiate coverage of Chery Auto at OW,** with a Jun-27 PT of HK35 (link) Currently trading at ~4x 2027E PER, a ~20% FCF yield, with nearly 80% net cash to market cap, and deriving >90% of earnings from diversified overseas business, Chery is our top pick along with Sinotruk.
2. **Downgrade XPeng to Neutral** after our ~20% cut to 2027 revenue and our expectation of continued sizable losses (due to R&D spend). We also believe investors at this juncture may not attribute much value to AI initiatives that don't have an immediate earnings contribution.
3. **Downgrade BYD to Neutral:** Strategically, we believe BYD is the strongest Chinese brand to weather the structural headwinds. After ~10% earnings cuts in 2026/27E, our reservation lies in valuation – we believe the stock will largely trade around 13-15x 2027E PER or ~HK88.
4. **Downgrade Geely and Leapmotor to Neutral:** Similar to BYD, we believe Geely and Leapmotor are fairly valued: Assuming Geely expenses 60-70% of its R&D and at 10x 2027E PER, we believe Geely will largely trade at ~HK16. For Leapmotor, it is trading at ~12x 2027E PER, already pricing in its rapid growth outlook, in our view.
5. Our preferred picks among OEMs are **Chery Auto** (attractive valuation), **Sinotruk** (HDT>PV) and **Guangzhou Auto** (SOE reform).

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- **Be mindful of 1) geopolitics and 2) earnings downside, liquidity risk**: Across Chinese OEMs' overseas markets, W. Europe plays a top role (32% of PV retail sales YTD, followed by Latin America 14%). The EU's hawkish stance on Chinese brands through Industrial Accelerator Act (IAA) market access restrictions (here), possible tariffs on Plug-in Hybrid Electric Vehicle (PHEV) or a limit on market share (a similar move against Japanese brands in 1986) could slow Chinese OEM's expansion and cap share price valuations. Investors also need to watch earnings downside (JPMe 10-11% below consensus in 2026/27) and liquidity challenges for dealers in 2027.
- **China auto's '*Exit*' strategy**: We believe **supply reform –** presumably led by the China government – would be the most effective way to address fundamental issues in the sector – excessive capacity, weak pricing, low profitability and intense competition. On this, we welcome Guangzhou Auto and FAW's recent deal on Toyota business (here) and hope this will lead to long-term collaboration on their own brand businesses as well as broader M&A activity across the sector in the future.

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Equity Ratings and Price Targets

Company	Ticker	Mkt Cap ($ mn)	Price CCY	Price	Rating Cur	Rating Prev	Price Target Cur	Price Target End Date	Price Target Prev	Price Target End Date
BYD Company Limited - A	002594 CH	100,017	CNY	82.02	N	OW	88.00	Jun-27	124.00	Dec-26
BYD Company Limited - H	1211 HK	79,024	HKD	75.75	N	OW	88.00	Jun-27	124.00	Dec-26
Geely Automobile Holdings Ltd. (0175)	175 HK	17,482	HKD	14.98	N	OW	16.00	Jun-27	29.00	n/c
XPeng	XPEV US	8,173	USD	9.95	N	OW	11.50	Jun-27	24.00	n/c
XPeng - H	9868 HK	3,926	HKD	37.50	N	OW	45.00	Jun-27	94.00	n/c
Zhejiang Leapmotor Technology Co.,Ltd	9863 HK	4,105	HKD	34.26	N	OW	36.00	Jun-27	60.00	Dec-26
Guangzhou Automobile Group - A	601238 CH	5,622	CNY	5.60	OW	n/c	5.80	Jun-27	n/c	n/c
Guangzhou Automobile Group - H	2238 HK	2,181	HKD	2.54	OW	n/c	5.00	Jun-27	5.70	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates. n/c = no change. All prices as of 29 Sep 26 except for XPEV US [28 Sep 26].

Three structural headwinds in 2H26-2027

We elaborate on our stance regarding the three structural challenges facing the China auto industry and expected stock performance in greater detail below:

- Sluggish domestic demand
- Earnings downside risk
- Overseas policy headwinds

Domestic demand – sliding with policy uncertainty

1) China auto domestic demand outlook and forecasts

- We are cautious on China autos, with our main reservations centered on uncertainty around policy and earnings into 2027. On the earnings side, the key issues are lingering weak domestic demand and rising input costs, especially memory chips, which we expect may worsen in 2027.
- **2027 domestic PV demand flat to down**: We forecast domestic demand in 2027 to range from flat in a 'blue sky' scenario with some form of stimulus, to down 5% if there is no subsidy support. This cautious outlook reflects weak domestic demand momentum and the possibility that policy support may be needed to sustain consumption.
- We believe China auto's domestic market remains pressured by excess capacity, which continues to weigh on pricing and profitability. Auto industry-wide pricing discounts remain high at around 15-16% (measured by the difference between MSRP and actual transaction price), compared with a peak of about 17% in 1H25.

2) Policy uncertainty in domestic and overseas markets

- We see policy uncertainty as a central overhang for China autos into 2027. Key areas include: a) domestic new energy vehicle (NEV) subsidy policy, b) potential export VAT rebate reduction, c) the EU tariff on Chinese PHEVs, and d) the EU's Industrial Accelerator Act (IAA) non-tariff measures. Individually, these headwinds may be mitigated, but combined they are harder to contain and we think they will at least cap valuation upside.

- **On domestic policy**, we expect 2027 demand to depend partly on whether stimulus or subsidy support is provided. Our 2027 base case assumes some government stimulus to sustain the economy and domestic consumption, but we still note that forecast risk is more on the downside.
- We believe China auto industry **consolidation** is needed and that a government-led move is critical, given excess capacity and pressure on industry pricing and profitability. The government's anti-involution campaign since summer 2025 has not produced a satisfactory outcome, in our view, partly because excess capacity remains a key structural issue.
- **On overseas policy**, we expect the EU tariff on Chinese PHEV may happen by end-2027, while EU IAA-related market access measures may take effect from mid-2027. Separately, a potential export VAT rebate reduction is less clear, but could become a 2H27 issue if it materializes.
- By August 2026, Chinese brands had exceeded an 8% global market share outside China. If excluding the US, this would be around 11-12%; we expect Chinese brands' global share outside China and the US could reach 30-40% by 2030 if execution is strong and without overseas governments' tariffs and non-tariff barriers.
- We see OEMs' ability to mitigate geopolitical risk as increasingly important. For example, BYD is localizing in Europe, Brazil and Southeast Asia; Geely is using local partners and shared capacity; Leapmotor is leveraging Stellantis's manufacturing footprint; and Xpeng and Li Auto are exploring local partnerships and technology-service revenue.

3) Historical auto stock performance relative to underlying auto demand

- We are increasingly of the view that China autos' stock performance in 2H26-2027 will be a relative rather than an absolute story, as the sector starts to price the 2027 outlook into 4Q26. The three macro reservations for 2027 are a possible export VAT rebate cut, domestic subsidy policy, and geopolitics, including tariffs and non-tariff measures.
- Historically, we see a reasonably high correlation between the sector's relative/absolute performance (measured by MSCI China Auto Index) and underlying auto (wholesales) growth – namely, when yearly auto growth accelerates or improves from the prior year, the sector tends to outperform in absolute or relative terms (or both), and vice versa. In 2027, given our projection is that overall auto demand will improve or become 'less bad' compared with 2026, we believe the likelihood is that the sector may move in line with MXCN.

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Table 1: China auto sales

Sales Unit ('000)	2020A	2021A	2022A	2023A	2024A	2025A	2026E	2027E	2028E
Sedan	9,275	9,934	11,116	11,490	11,517	12,424	9,566	9,184	9,202
MPV	1,054	1,055	937	1,102	1,050	1,213	1,079	1,079	1,092
SUV	9,461	10,101	11,187	13,206	14,722	16,123	17,574	17,715	17,857
Crossover	388	391	323	265	274	343	264	251	256
Total PV	**20,178**	**21,481**	**23,563**	**26,063**	**27,563**	**30,103**	**28,484**	**28,229**	**28,407**
(yoy % change)	-6%	6%	10%	11%	6%	9%	-5%	-1%	1%
PV Export	760	1,603	2,527	4,140	4,955	6,038	9,697	11,636	12,335
(yoy % change)	5%	111%	58%	64%	20%	22%	61%	20%	6%
PV Import	1,000	939	769	767	686	470	418	405	393
(yoy % change)	-11%	-6%	-18%	0%	-11%	-31%	-11%	-3%	-3%
Total PV retail sales	**19,598**	**20,397**	**20,809**	**21,937**	**23,098**	**23,995**	**18,956**	**18,008**	**18,188**
(yoy % change)	-7%	4%	2.0%	5%	5%	4%	-21%	-5%	1%
Bus	430	489	398	483	503	565	604	616	628
Truck	3,140	2,972	2,324	2,786	2,594	2,786	2,925	2,983	3,043
Tractor	835	677	299	504	468	591	757	772	787
Bus chassis	18	16	10	8	8	9	10	10	10
Truck chassis	710	639	270	249	300	346	318	321	324
Total CV	**5,133**	**4,793**	**3,300**	**4,031**	**3,873**	**4,296**	**4,614**	**4,703**	**4,793**
(yoy % change)	19%	-7%	-31%	22%	-4%	11%	7%	2%	2%
CV Export	235	402	581	770	904	1,060	1,272	1,425	1,524
(yoy % change)	-21%	71%	45%	33%	17%	17%	20%	12%	7%
CV Import	18	6	13	17	18	10	11	12	13
(yoy % change)	11%	-64%	103%	26%	10%	-43%	7%	7%	7%
Total domestic CV wholesales	**4,917**	**4,397**	**2,733**	**3,277**	**2,987**	**3,247**	**3,353**	**3,290**	**3,282**
(yoy % change)	22%	-11%	-38%	20%	-9%	9%	3%	-2%	0%
Total vehicles	**25,311**	**26,274**	**26,864**	**30,094**	**31,436**	**34,400**	**33,098**	**32,932**	**33,201**
(yoy % change)	-2%	4%	2%	12%	4%	9%	-4%	-1%	1%
Total Export	995.00	2,005	3,108	4,910	5,859	7,098	10,969	13,061	13,859
(yoy % change)	-3%	102%	55%	58%	19%	21%	55%	19%	6%
Total Import	1,018.46	945.02	782.43	784	704	480.00	429.06	417.30	405.96
(yoy % change)	-10%	-7%	-17%	0%	-10%	-32%	-11%	-3%	-3%
Total domestic auto sales	**25,335**	**25,214**	**24,538**	**25,967**	**26,281**	**27,782**	**22,558**	**20,288**	**19,748**
(yoy % change)	-2%	0%	-3%	6%	1%	6%	-19%	-10%	-3%

Source: CAAM as of Sep 10 2026, J.P. Morgan estimates.

Table 2: China auto sales quarterly trends

	1Q26A	2Q26A	3Q26E	4Q26E
PV Wholesales	**5,935,284**	**6,784,141**	**7,344,325**	**8,374,782**
QOQ – JPMe	-33%	14%	8%	14%
Seasonal qoq	-10%	4%	-1%	22%
YOY – JPMe	-8%	-5%	-4%	-5%
Retail PV	**4,012,284**	**4,274,641**	**4,682,325**	**5,824,782**
QoQ – JPMe	-43%	7%	10%	24%
YoY– JPMe	-23%	-25%	-23%	-17%

Source: CAAM as of Sep 10 2026, J.P. Morgan estimates.

Table 3: China auto sector's performance and underlying sales pattern by year

Year	PV (whole)sales YoY growth	Is auto sales growth accelerating or decelerating?	MSCI China auto index yearly chg	MXCN yearly chg	Relative performance	Correlation between PV sales and Share price
2009	53%	Acceleration	220%	59%	161%	YES (abs and rel)
2010	33%	Deceleration	-16%	3%	-19%	YES (abs and rel)
2011	5%	Deceleration	-20%	-20%	0%	YES (abs and rel)
2012	7%	Acceleration	25%	19%	6%	YES (abs and rel)
2013	16%	Acceleration	32%	0%	31%	YES (abs and rel)
2014	10%	Deceleration	-8%	5%	-13%	YES (abs and rel)
2015	7%	Deceleration	-7%	-10%	4%	Yes (abs)
2016	15%	Acceleration	4%	-1%	5%	YES (abs and rel)
2017	1%	Deceleration	52%	104%	-51%	NO
2018	-4%	Deceleration	-49%	-20%	-29%	YES (abs and rel)
2019	-10%	Deceleration	9%	20%	-11%	YES (rel)
2020	-6%	Acceleration	212%	24%	188%	YES (abs and rel)
2021	6%	Acceleration	-11%	-22%	12%	YES (rel)
2022	10%	Acceleration	-52%	--24%	-28%	NO
2023	11%	Acceleration	13%	-13%	26%	YES (abs and rel)
2024	6%	Deceleration	+4%	+16%	-12%	YES (rel)
2025	9%	Acceleration	+3%	+29%	-26%	Yes (abs)
2026E	-5%	Deceleration	-24% (YTD)	-10% (YTD)	-15%	YES (abs and rel)
2027E	-1%	Acceleration	NA	NA	NA	NA

Source: CAAM data as of Sep 10 2026, Bloomberg Finance L.P. data as of Sep 23, 2026.

Profitability – Lingering challenges on cost inflation

1) 2026/27 earnings risks and key headwinds

YTD, we note that Bloomberg consensus estimates for the China auto sector have been revised down by over 40% YTD. Despite this, our collective 2026/27 estimates remain on average ~10-11% below the Street.

Table 4: China OEMs' 2H26/27 Net Profit JPMe vs Consensus (Unit: Rmb mn)

Company	Code	Rating	NP (LC) 2H26E	Consensus 2H26E	Diff	NP (LC) 27E	Consensus 27E	Diff
Nio Inc - Adr	NIO US	N	107	(373)	129%	1,451	2,282	-36%
Brilliance China	1114 HK	N	992	516	92%	1,994	1,417	41%
Xpeng Inc-Adr	XPEV US	N	(635)	(769)	17%	(2,485)	(136)	-1725%
Guangzhou Auto-H	2238 HK	OW	(3,601)	(3,797)	5%	(4,025)	(5,029)	20%
Chery Auto	9973 HK	OW	11,908	11,402	4%	27,613	25,335	9%
Geely Automobile	175 HK	N	12,560	12,150	3%	27,085	25,821	5%
Byd Company	1211 HK	N	25,746	26,518	-3%	50,000	50,168	0%
Zhejiang Leapm-H	9863 HK	N	2,597	2,729	-5%	4,504	5,217	-14%
Baic Motor-H	1958 HK	N	(1,421)	(1,352)	-5%	(509)	(1,613)	68%
Gwmotor	2333 HK	UW	5,790	6,344	-9%	8,963	10,479	-14%
Saic Motor-A	600104 CH	UW	4,891	5,565	-12%	11,404	12,205	-7%
Chongqing Chan-B	200625 CH	UW	1,063	2,842	-63%	2,380	5,031	-53%
Li Auto Inc -Adr	Li US	UW	(583)	521	-212%	2,384	2,774	-14%

Source: Bloomberg Finance L.P. and J.P. Morgan estimates as of Sep 25, 2026.

- **On companies where we are above Street consensus** – Geely Auto and Brilliance China: 1) We are moderately above the Street for Geely (3%/5% for 2H26-27 respectively). We believe the difference lies in our relative constructive view on its margin and expense saving. 2) For Brilliance China, we currently project that the company's earnings, especially at Brilliance-BMW JV, should be sustained in 2H26, followed by a recovery in 2027, along with BMW's new models such as iX3 SUV and i3 sedan, both hit the market in 4Q26. We shall monitor the sales performance; for now, given the competition dynamics in the Chinese market, we see potential risk to our projections more on the downside. 3) For Guangzhou Auto, it is mainly a corporate restructuring story between FAW and GAC's Toyota business initially, and over the longer term, own brand for both companies where we expect narrowing losses.
- **For the majority of the rest of the OEMs where we are below Street consensus**, we believe the main differences lie in our assumptions or projections on: a) volume outlook domestically, b) margin profile in light of intense competition and continued cost pressure, c) in several cases, elevated expenses including sales & marketing as well as R&D into autonomous driving technologies, and d) for overseas markets, tariff and non-tariff barriers can add unanticipated expenses or costs. Potential increases in competition can also lead to higher sales & marketing expenses. Among these companies, we believe we are more in-line with consensus on Li Auto's volume delivery in 2H26-2027; for Xpeng, the key difference in 2027 lies mainly in our higher R&D expenses for the company's AI initiatives – humanoid robot and robotaxi. For Nio, we believe investors should monitor the level of its profitability turnaround and FCF position.

Table 5: China auto - 1H26A vs 2H26E consensus expectations: Revenue, Earnings and Net margins

Company	Code	Rating	Revenue: Y/Y %			NP: Y/Y %			NPM: Y/Y% (ppt diff.)		
			1H26A	2H26E - consensus	Delta (%)	1H26A	2H26E - consensus	Delta (%)	1H26A	2H26E - consensus	Delta (%)
Baic Motor-H	1958 HK	N	-30%	-9%	21%	-543%	470%	1013%	-3%	-2%	2%
Gwmotor	2333 HK	UW	11%	5%	-6%	-61%	80%	141%	-4%	2%	6%
Brilliance China	1114 HK	N	20%	0%	-20%	-54%	82%	136%	nm	37%	nm
Chongqing Chan-B	200625 CH	UW	-10%	13%	23%	-64%	59%	124%	-2%	1%	3%
Byd Company	1211 HK	N	-7%	27%	34%	-21%	55%	76%	-1%	1%	1%
Geely Automobile	175 HK	N	15%	23%	8%	-2%	61%	62%	-1%	1%	2%
Saic Motor-A	600104 CH	UW	0%	5%	5%	-14%	36%	51%	0%	0%	1%
Chery Auto	9973 HK	OW	1%	19%	18%	-12%	22%	34%	-1%	0%	1%
Nio Inc - Adr	NIO US	N	86%	27%	-59%	-101%	-81%	19%	35%	3%	-32%
Zhejiang Leapm-H	9863 HK	N	57%	65%	7%	531%	440%	-91%	0%	3%	2%
Guangzhou Auto-H	2238 HK	OW	9%	11%	2%	76%	-39%	-115%	-4%	5%	9%
Li Auto Inc -Adr	Li US	UW	-13%	15%	29%	-307%	-713%	-406%	-11%	1%	12%
Xpeng Inc-Adr	XPEV US	N	-4%	27%	31%	260%	-318%	-578%	-7%	-2%	4%

Source: Bloomberg Finance L.P. and J.P. Morgan estimates as of Sep 25, 2026

- In this analysis, we look at each company's actual delivery in 1H26 including yoy revenue growth, yoy earnings growth as well as net margin % point change vs 1H25. We then look at Bloomberg consensus for 2H26 and contrast 2H26E Street expectations versus 1H26 actual numbers. This analysis tells us how much consensus is expecting for each company in terms of yearly revenue or earnings growth as well as net margin change. The 'wider' the gap between 1H26A and 2H26E, the more challenge it is to deliver in 2H26.

- We rank our findings based on 2H26 net profit (NP) expectation momentum vs 1H26 delivery. Here, we note the market generally expects SOE OEMs such as BAIC, Brilliance China, Changan Auto as well as BAIC to see a meaningful earnings recovery in 2H26. In contrast, the market doesn't have high expectations for Xpeng, Li Auto as well as Guangzhou Auto.

2) Memory-chip price and cost headwinds in 2027

- We expect input-cost pressure to remain a key 2027 headwind, especially from memory chips. Based on our semiconductor analyst Jay Kwon's forecasts, **DRAM or NAND prices are likely to rise by over 20% in 2027**.

- During the recent 2Q26 results, several OEMs cited memory-chip and commodity inflation as 2Q/2H26 margin headwinds, and we note that if OEMs can maintain (flat or sustained) margins in 2H26, that would be a positive outcome. We also caution that strong CNY and potential **FX losses** could add near-term pressure for some OEMs.

3) Liquidity risk

As companies' earnings are reduced because of industry headwinds discussed in this report, we urge investors to be mindful of the potential liquidity challenges facing Chinese auto companies, including OEMs and auto dealers. Among them, we understand dealers' business model is mostly about inventory turnover i.e., the dealer needs to sell the cars as soon as possible in order to repay short-term debt borrowed from OEMs or banks through wholesales funding. This is one main reason why a dealer's inventory (in value terms) is similar to the size of its short-term debt. When pricing and demand are weak, a dealer may be forced to dump inventory at a loss (which has been the case in the past 1-2 years in China) – this would hurt the dealer's cash position and profitability. As we witnessed during the 1H26 results, we note that a major dealer's FCF (e.g. Zhongsheng Auto [Neutral rated]) has turned negative.

Table 6: Liquidity analysis for major OEMs

OEM	Cash conversion cycle (Days) 2025	Cash conversion cycle (Days) 1H26	Current ratio 2025	Current ratio 1H26	FCF/Equity 2025	FCF/Equity 1H26	Net debt/Equity 2025	Net debt/Equity 1H26
Chery Automobi-H	(52)	(23)	105%	103%	17%	65%	-110%	-180%
BYD Company	(18)	11	79%	87%	-37%	-3%	5%	18%
Geely Automobile	(37)	(6)	89%	92%	47%	19%	-23%	-11%
Nio Inc - Adr	(164)	(167)	98%	102%	-24%	-24%	-38%	-38%
Li Auto Inc -Adr	(153)	(145)	181%	181%	-18%	-13%	-114%	-107%
Zhejiang Leapm-H	(122)	(113)	93%	87%	56%	1%	-121%	-126%
Xpeng Inc-Adr	(140)	(150)	109%	111%	17%	19%	-45%	12%
Guangzhou Auto-H	3	(2)	113%	128%	-19%	-8%	-8%	15%
Gwmotor	33	45	109%	103%	32%	5%	-12%	-7%
Brilliance China	201	221	525%	550%	16%	16%	-19%	-19%
BAIC Motor-H	25	40	95%	93%	4%	5%	-20%	-2%
SAIC Motor-A	(1)	(2)	120%	120%	7%	14%	-23%	-23%
Chongqing Chan-B	55	67	121%	122%	-3%	-17%	-17%	-12%

Source: Company data (based on 1H26 company reports) and Bloomberg Finance. L.P. data as of Sep 23, 2026.

Overseas – Tariff and non-tariff measures

Current Tariff Measures

- **EU duties on China-made BEVs**: The EU introduced anti-subsidy duties on China-made BEVs from Oct-2024. The EU toolkit has expanded from BEV-specific tariffs of around 30% towards broader mechanisms, such as minimum price/volume caps and anti-dumping safeguards aimed at market-distorting excess capacity, especially from China.
- **Potential EU tariff on China-made PHEVs**: We see rising risk that Europe may impose trade-defense measures on Chinese PHEVs from 2027, given rapid Chinese-brand PHEV share gains in Europe. We note that Chinese brands have reached ~36% of Western Europe's PHEV market and 64% in Eastern Europe ex-Russia YTD, which could draw greater policy attention.
- **Possible China export VAT rebate reduction**: A potential reduction in China's vehicle export VAT rebate is another policy risk, although no formal adjustment has been announced. While no formal announcement or discussion has been made by the Chinese government on this regard, we believe it is possible that the Chinese government may face pressure when it negotiates with the EU as the current VAT rebate is clearly a form of 'subsidy' for Chinese car exporters. We will monitor closely if the Chinese government were to trim such rebates in exchange for more favorable terms when negotiating with the EU.

Non-Tariff Measures and Regulatory Barriers

- **EU Industrial Accelerator Act (IAA):** We believe the IAA is a major non-tariff policy risk because it is expected to tie subsidies and incentives to strict local-content rules rather than block Chinese imports outright. Implementation is viewed as unlikely before mid-2027 at the earliest, based on our recent discussion with industry expert (click here for our note), with the outcome dependent on Franco-German compromise and EU-China negotiations.
- **Local-content and battery-sourcing requirements**: We believe the EU policy direction is towards linking incentives and support measures to local-content requirements. This raises the strategic value of European manufacturing, localized supply chains and partnerships with incumbent OEMs, and could widen the gap between OEMs with credible localization plans and those relying mainly on direct exports.
- **Minimum selling price, sales quotas and compliance monitoring**: EU-China negotiations include minimum price mechanisms, FDI rules and potential sales quotas. Chinese exporters may need to commit to annual sales volume quotas and provide sufficient data to demonstrate compliance with minimum selling price schemes, IF these polices are indeed implemented.
- **Market-access and 'Made in Europe' rules**: The IAA is part of a broader EU package that includes CO_2 emission standards, fleet regulation and 'Made in Europe' rules. We view the likely effect as pressure on Chinese OEMs to localize production, secure battery supply and form strategic partnerships to maintain market access and profitability.

- **Operational and administrative barriers to localization**: Even where localization is the mitigation strategy, Chinese OEMs face higher capex, longer ramp-up periods, skilled labor shortages, higher energy costs, complex regulatory approvals and labor-union pressure in Europe.
- **Would the EU impose a strict market share up-limit for Chinese brands?** Recently, news from the EU and Bloomberg reported that that the EU is proposing for China to voluntarily set an up-limit of its hybrid vehicle market share to 15% in the EU (here). While nothing has been confirmed or formally discussed between the EU and China, we note that a few countries in Europe imposed similar restrictions on Japanese cars in 1986 when Japanese brands first entered European markets. Such restrictions were removed in 1999.

Recap of European's restriction on Japanese cars in 1986

Before the EU became a fully integrated single market in 1993, individual member states maintained their own severe bilateral restrictions against Japanese imports.

Countries with a strict stance: France: Strictly capped Japanese cars at a 3% market share. Italy: Maintained an extreme legacy restriction allowing only about 2,000 to 4,500 Japanese vehicles into the country per year. Spain & Portugal: Implemented highly restrictive caps to shield their local manufacturing plants. United Kingdom: restricted Japanese cars to roughly an 11% market share.

Open Markets: Countries without a domestic auto industry (such as Belgium, Denmark, Ireland, and Greece) remained open, where Japanese brands rapidly captured 20% to 40% of the market.

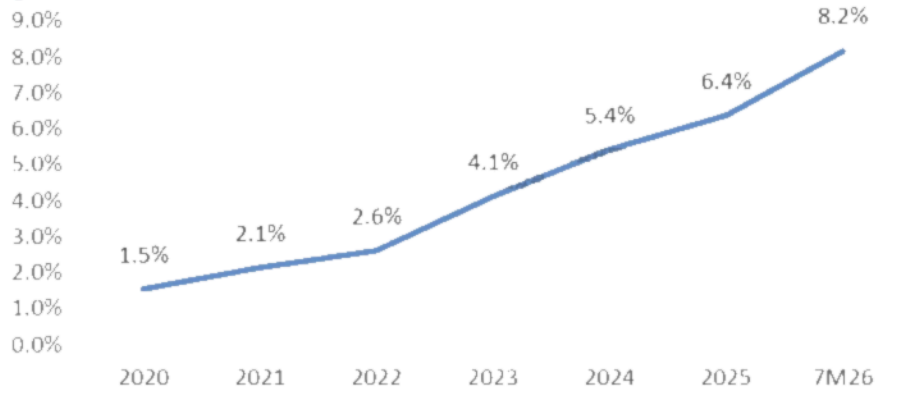
Europe officially removed all remaining import quotas and quantity restrictions on Japanese cars on December 31, 1991, clearing the way for the European Single Market.

Implications for Chinese OEM Strategy

- **Localization** becomes the key mitigation tool: We believe Chinese OEMs will increasingly face tariff and non-tariff headwinds as they expand offshore, and we believe localization plus partnerships with local OEMs or suppliers are the best mitigation strategy.
- **Companies with localization optionality are better placed:** EU policy escalation is incentivizing local production and partnerships, with likely winners being those with localization optionality, brand credibility and ecosystem differentiation. We view **BYD** as strategically and operationally best positioned among Chinese OEMs to continue expanding in Europe, while still needing to execute through regulatory and operational challenges.

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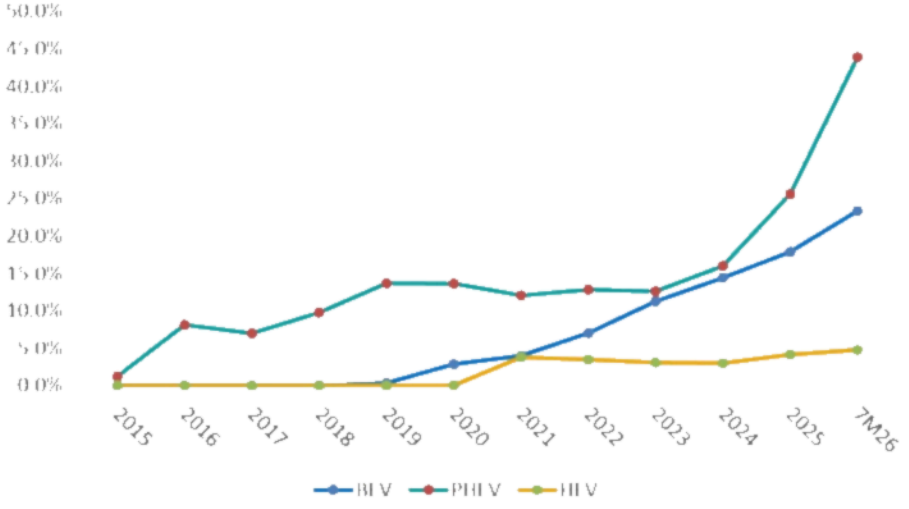
Figure 1: Chinese OEMs' retail market share in ex-China markets



Source: Marklines (data as of Sep 10, 2026), Bloomberg Finance L.P. (data as of Sep 23, 2026), J.P. Morgan
Note: 1) the overseas market share refers to the overall regions excluding China. 2) the market share of Chinese OEMs is calculated in terms of China OEM's group level rather than brand level

Chinese OEMs' overseas retail share reached 44% in PHEV, 23% in BEV and 5% in HEV in 7M26

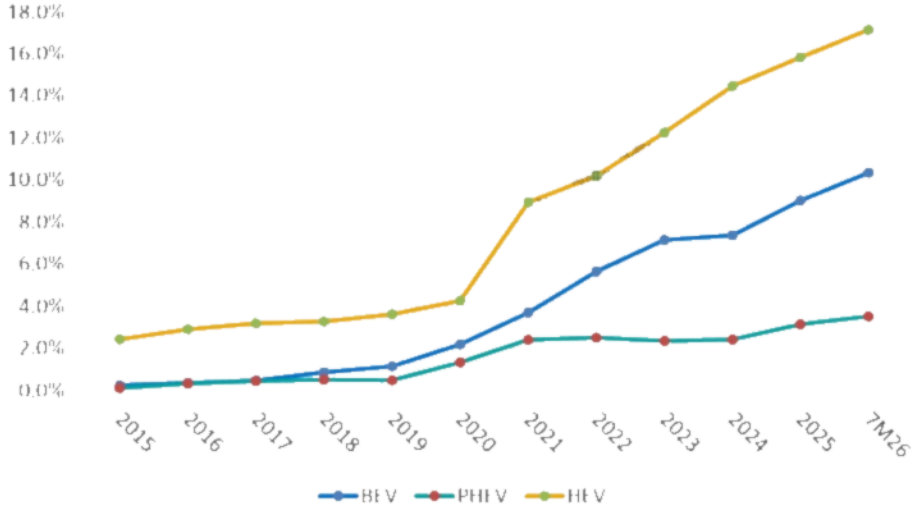
Figure 2: Chinese OEMs' retail market share in ex-China markets by powertrain



Source: Marklines (data as of Sep 10, 2026), Bloomberg Finance L.P. (data as of Sep 23, 2026), J.P. Morgan
Note: 1) the overseas market share refers to the overall regions excluding China. 2) the market share of Chinese OEMs is calculated in terms of China OEM's group level rather than brand level.

Ex-China overseas powertrain penetration reached 17% for HEV, 10% for BEV and 4% for PHEV in 7M26

Figure 3: Electrified powertrain penetration rate in ex-China regions



Source: Marklines (data as of Sep 10, 2026), Bloomberg Finance L.P. (data as of Sep 23, 2026), J.P. Morgan
Note: 1) the overseas market share refers to the overall regions excluding China. 2) the market share of Chinese OEMs is calculated in terms of China OEM's group level rather than brand level.

Table 7: Summary of key OEMs' overseas production base

OEM	Location	Mode	Status	Capacity (Units/Year)
BYD	Thailand (Rayong)	Full-Process	Jul 2024 (Operational)	150k
	Uzbekistan	Joint Venture	Jun 2024 (Operational)	50k
	Brazil	Full-Process	2025	Phase I: 150k
	Hungary	Full-Process	2026 (Est)	150k – 300k
	Indonesia	Full-Process	2026 (Est)	150k
SAIC (MG)	Thailand / India	Full-Process	Operational	200k+ (Combined)
	Pakistan / Egypt	CKD Assembly	2026 (Est)	50k+
	Europe (TBD)	Full-Process	TBD	TBD
GWM	Rayong, Thailand	Full-Process	Jun 2021 (Operational)	80k
	Tula, Russia	Full-Process	Jun 2019 (Operational)	80k – 150k
	Brazil	Full-Process	Aug 2025 (Operational)	Phase I: 100k
	Promoting KD (Knock-Down) plant projects in 10 countries, including Malaysia, Indonesia, Vietnam, Pakistan, Tunisia, and Ecuador.			
Leapmotor	Spain	KD, Stellantis JV	4Q26 (Expected)	
XPeng	Indonesia/Malaysia	KD	2026 (Expected)	Small-scale
	Austria (Magna)	OEM (Magna)	Operational	Tens of thousands
Chery	Malaysia	Full-Process	Operational (expanding)	Total 200k (by 2027E)
	Thailand	Joint Venture	Operational	50k
	Spain	Joint Venture	Operational (expanding)	Total 150k (by 2027E)
	Brazil	Joint Venture & Contract	Operational (expanding)	Total 100k (by 2027E)
	Vietnam	Joint Venture	2027 (Est)	30k
	Indonesia	Assembly	Operational	100k

Source: Company reports (2025 annual reports, May 2026), J.P. Morgan estimates

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Recommendations

We are cautious on the Chinese auto market – including earnings downside risk, limited valuation upside and uncertainty around policy headwinds – domestically and internationally. With this in mind, we prefer:

- Subsectors with a relative **favorable structural setup** – HDT or heavy duty trucks;
- OEMs with **undemanding valuations**, strong cash flow/ FCF and relatively higher earnings visibility;
- Longer term, **supply reform**, if it materializes, would be welcome and would be a powerful driver for the sector's sustained profitability in the future.

Considering the above criteria, our preferred picks include:

- **Sinotruk** in the HDT space – as the industry is highly concentrated among the top 5 players in China (~90% share). For export business, Sinotruk focuses on EMs such as Africa, SE Asia and Latin America where growth is solid (driven by FAI) or market share gain. The company also doesn't face the same tariff or non-tariff measures as PV OEMs in Europe.
- **Chery Auto** – For its undemanding valuation at ~4x 2027E PER, 20% FCF yield, and around 91% cash to market cap ratio (or ~77% net cash to market cap). Chery derives over 90% of its earnings from diversified overseas markets including Western Europe (20%) and others. Its overseas plants should also assist the company mitigate geopolitical headwinds.
- **Guangzhou Auto** – Driven by integration of Toyota business in China between the company and FAW. Longer term, we look forward to further restructuring between GAC and FAW's own brand businesses, which is the major drag to GAC's bottom line. In this note, we revise down GAC's 2H26-2027 estimates to conservatively incorporate potential provisions or loss from Honda JV and own brand business. LT and structurally, SOE reform is much needed in the Chinese auto industry and the key to address overcapacity and weak profitability problems in the sector. We anticipate reform will help GAC turnaround its earnings although we also recognize the process would take >1-2years in a very competitive Chinese market.

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Table 8: China Auto OEM Valuation comparison

Company	Code	Rating	Price (LC) Sep. 29	Target Mkt Cap (US$ Mn)	Mkt Cap (US$ Mn)	PE(x)		PB		ROE		Div		EV/EBITDA	
						26E	27E	26E	27E	26E	27E	26E	27E	26E	27E
PV OEM						**10.0**	**12.4**	**1.1**	**1.6**	**6%**	**6%**	**4%**	**2%**	**4.6**	**4.8**
Chery Auto	9973 HK	OW	23.3	25,870	17,207	5.7	4.2	1.7	1.3	33%	34%	4.3%	4.9%	2.2	1.8
GAC	2238 HK	OW	2.5	13,906	7,078	nm	nm	0.2	0.2	-15%	-8%	0.0%	0.0%	nm	nm
BYD	1211 HK	N	75.3	119,222	101,949	15.2	11.6	2.1	1.8	14%	16%	0.6%	0.7%	1.0	0.3
Geely	175 HK	N	15.0	22,027	20,623	6.0	4.8	1.2	1.0	21%	23%	3.5%	4.6%	2.2	1.6
Li Auto	Li US	UW	11.7	9,323	12,131	nm	50.0	1.2	1.1	-7%	2%	0.0%	0.0%	nm	5.3
NIO	NIO US	N	3.6	11,276	8,995	nm	nm	nm	9.5	nm	-19%	0.0%	0.0%	nm	nm
Xpeng	XPEV US	N	10.0	11,032	9,545	nm	nm	2.4	2.6	-13%	-11%	0.0%	0.0%	nm	nm
Leapmotor	9863 HK	N	34.6	6,152	5,909	15.6	9.1	2.4	1.8	17%	23%	0.0%	0.0%	nm	nm
GWM	2333 HK	UW	7.2	14,473	14,876	6.4	5.9	0.6	0.5	9%	9%	5.7%	4.8%	6.4	6.7
Brilliance	1114 HK	N	1.8	1,419	1,174	4.4	3.9	0.4	0.4	9%	10%	31.9%	11.3%	11.6	11.1
SAIC	600104 CH	UW	10.7	13,717	18,363	12.3	10.8	0.4	0.4	3%	4%	2.5%	2.5%	3.4	5.4
BAIC	1958 HK	N	0.7	806	725	nm	nm	0.1	0.1	-5%	-1%	0.0%	0.4%	2.3	1.9
Changan	200625 CH	UW	3.3	5,761	9,390	14.7	11.6	0.3	0.3	2%	3%	4.2%	2.0%	8.1	8.7

Source: Bloomberg Finance L.P as of close of September 29, 2026. J.P. Morgan estimates.

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J.P.Morgan

BYD Company Limited - A

Downgrade to Neutral on fair valuation despite us liking the company's long-term strategic position in global markets

We trim BYD 2026/27 earnings estimates by ~10%, reflecting our longer-term cautious stance in the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. **Our downgrade is a valuation call** as we think the stock is fairly valued at this level.

We set a June-27 PT for BYD-A at Rmb 88 (vs previous Dec-26 PT of Rmb124) by applying a ~10% premium to our BYD-H PT. BYD-A has been trading at a ~10% premium to BYD-H over the past two to three years, so we believe the 10% premium is fair. Our June-27 PT for BYD-H at HKD88 translates into 14x 2027 PER. We think the stock will largely move within a range of ~13-15x PER (or HKD80-95), driven by BYD's leadership position in the industry and competitive vertical integration business model.

Our long-term fundamental thesis on BYD can be summarized as:

- **Scale, product breadth and global footprint:** Against a cautious China autos backdrop – potentially muted 2027 domestic demand, rising input costs and policy uncertainty – we believe OEMs with scale advantage, diversified products across vehicle type/powertrain/price points, and a global footprints will show relative earnings resilience.
- **Overseas expansion is the dominant earnings engine:** BYD's overseas monthly run-rate is around 180k-200k units currently, with key markets including Europe, Latin America and Asia. We project overseas volume to top 2.5mn units in 2027, supported by solid demand, competitive products, distribution expansion and the ramp-up of overseas plants.
- **Localization is a strategic value protector:** BYD's overseas plants in Brazil, Thailand and Hungary are currently greenfield, directly run and wholly owned; however, we expect BYD to be flexible by market, using partners, JVs, equity stakes or M&A where justified. We see localization as important for tariff mitigation, policy alignment and local credibility.
- **Charging ecosystem is a key differentiator:** We see BYD's build-out of charging infrastructure, including a near-term overseas goal of more than 6,000 fast-charging stations, as strategically important because it shifts competition from 'specs and price' towards system capability, ownership experience and potentially better pricing discipline, especially in mature markets such as Europe.
- **Domestic volume can remain sustained despite a softer market:** We believe BYD can deliver sustained China volume as buyers focus more on ownership cost and as more NEVs are priced similarly to ICE vehicles in China. The company's recent ultra-fast charging strategy and production ramps across Hungary, Asia and Brazil add to the positive momentum.

▼ Neutral
Previous: Overweight

002594.SZ,002594 CH
Price (29 Sep 26): Rmb82.02

▼ Price Target (Jun-27): Rmb88.00
Prior (Dec-26): Rmb124.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	6.05	5.54	-8.4%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	30	45	36	61	83
Growth	41	59	6	10	70
Momentum	60	91	82	39	16
Quality	36	25	23	55	80
Low Vol	31	35	39	33	82

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

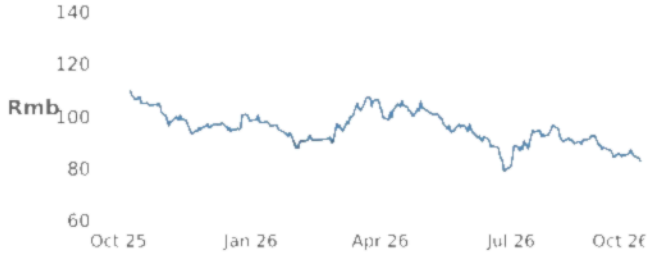
- **ESS and technology optionality add medium-/long-term upside:** BYD's energy storage system (ESS) shipments were 40-50GWh in 2025 and are expected to exceed 60-70GWh this year, with ESS projected to account for around 10% of revenue, on our estimates. We also see longer-term optionality from in-house advanced driver assistance systems (ADAS) chips and humanoid robotics initiatives.

Upside/ downside risks

Better- or worse-than-expected vehicle delivery in the domestic market; overseas policy and profitability will play a key role to upside or downside earnings as well as valuation swings.

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Price Performance



— 002594.SZ Price (Rmb) SSEA (rebased)

	YTD	1m	3m	12m
Abs	-16.1%	-11.2%	3.0%	-24.5%
Rel	-12.6%	-8.1%	9.0%	-23.7%

Company Data

Shares O/S (mn)	8,184
52-week range (Rmb)	112.48-77.60
Market cap ($ mn)	100,017
Exchange rate	6.71
Free float (%)	40.6%
3M ADV (mn)	36.71
3M ADV ($ mn)	487.1
Volatility (90 Day)	29
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	41|2|0

Key Metrics (FYE Dec)

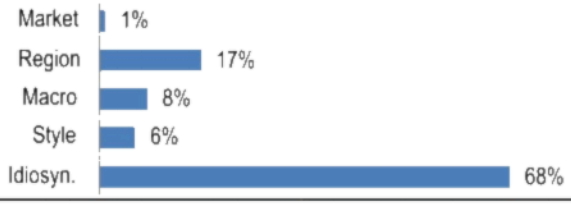
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	803,965	867,045	989,833	1,061,939
Adj. EBIT	39,104	52,768	61,978	74,667
Adj. EBITDA	119,629	130,910	139,079	150,910
Adj. net income	37,039	42,771	50,000	60,174
Adj. EPS	4.10	4.74	5.54	6.67
BBG EPS	4.00	4.25	5.61	6.77
Cashflow from operations	59,136	254,532	139,647	243,129
FCFF	(97,672)	182,532	67,647	171,129
Margins and Growth				
Revenue Growth Y/Y (%)	3.5%	7.8%	14.2%	7.3%
EBIT margin	4.9%	6.1%	6.3%	7.0%
EBIT Growth Y/Y (%)	(23.2%)	34.9%	17.5%	20.5%
EBITDA margin	14.9%	15.1%	14.1%	14.2%
EBITDA Growth Y/Y (%)	1.6%	9.4%	6.2%	8.5%
Net margin	4.6%	4.9%	5.1%	5.7%
Adj. EPS growth	(19.8%)	15.5%	16.9%	20.3%
Ratios				
Adj. tax rate	13.6%	15.2%	15.5%	15.6%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.3	NM	NM	NM
ROE	17.2%	16.2%	16.4%	17.0%
Valuation				
FCFF yield	(13.2%)	24.7%	9.1%	23.1%
Dividend yield	1.6%	0.4%	0.5%	0.7%
EV/Revenue	0.3	0.1	0.0	NM
EV/EBITDA	2.3	0.7	0.2	NM
Adj. P/E	20.0	17.3	14.8	12.3

Summary Investment Thesis and Valuation

We are Neutral on BYD and this reflects our longer term cautious stance in the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Our rating is a valuation call as we think the stock is fairly valued at this level.

We set a June-27 PT at Rmb 88 by applying a ~10% premium to our BYD-H PT. BYD-A has been trading at a ~10% premium to BYD-H over the past two to three years, so we believe the 10% premium is fair.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.05	0.12
Region: China	0.53	0.43
Macro:		
US 10 Year Yield	0.34	0.30
HSI Volatility Index	-0.26	-0.23
Emerging Economies CPI(YoY)	0.25	0.21
Quant Styles:		
Size	-0.47	-0.34
Momentum	-0.53	-0.32
Quality	0.26	0.18

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Table 9: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	Change	Revised	Previous	Change
Revenue	867,045	921,249	-6%	989,833	988,874	0%
Sales growth (%)	8%	15%		14%	7%	
COGS	711,541	751,798	-5%	800,681	797,557	0%
Gross profit	155,503	169,451	-8%	189,151	191,317	-1%
Gross margin (%)	18%	18%		19.1%	19.3%	
Operating profit	50,668	53,072	-5%	60,478	67,948	-11%
Operating margin (%)	6%	6%		6.1%	6.9%	
Pre-tax profit	48,068	52,972	-9%	61,978	67,848	-9%
Tax rate	17%	16%		15%	16%	
Net profit	38,071	42,548	-11%	50,000	54,599	-8%
Net margin (%)	4%	5%		5.1%	5.5%	
Net profit growth (%)	17%	30%		31%	28%	

Source: J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

BYD Company Limited - A *(Neutral: Price Target: Rmb88.00)*

Investment Thesis

We are Neutral on BYD and this reflects our longer term cautious stance in the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Our rating is a valuation call as we think the stock is fairly valued at this level.

Valuation

We set a June-27 PT for BYD-A at Rmb88, applying a ~10% premium to our BYD-H PT. BYD-A has been trading at a ~10% premium to BYD-H over the past two to three years, so we believe the 10% premium is fair. Our June-27 PT for BYD-H at HKD88 translates into 14x 2027E PER. We think the stock will largely move within the range of ~13-15x PER (or HKD80-95), driven by BYD's leadership position in the industry and competitive vertical integration business model.

Risks to Rating and Price Target

Downside risks to our rating and price target include worse-than-expected sales and industry competition from Chinese and foreign mass-market brands, such as Volkswagen, Geely and Great Wall Motor.

Upside risks include better-than-expected sales and unexpected policy stimulus.

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BYD Company Limited - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**777,102**	**803,965**	**867,045**	**989,833**	**1,061,939**
COGS	(626,047)	(661,305)	(711,541)	(800,681)	(850,893)
Gross profit	**151,056**	**142,660**	**155,503**	**189,151**	**211,046**
SG&A	(42,730)	(46,385)	(50,677)	(58,905)	(62,807)
Adj. EBITDA	**117,803**	**119,629**	**130,910**	**139,079**	**150,910**
D&A	(66,906)	(80,526)	(78,142)	(77,101)	(76,243)
Adj. EBIT	**50,897**	**39,104**	**52,768**	**61,978**	**74,667**
Net Interest	0	0	0	0	0
Adj. PBT	**54,029**	**44,174**	**52,768**	**61,978**	**74,667**
Tax	(8,093)	(5,992)	(8,018)	(9,580)	(11,611)
Minority Interest	(1,334)	(1,142)	(1,979)	(2,398)	(2,882)
Adj. Net Income	**44,603**	**37,039**	**42,771**	**50,000**	**60,174**
Reported EPS (Basic)	5.11	4.10	4.74	5.54	6.67
Adj. EPS	**5.11**	**4.10**	**4.74**	**5.54**	**6.67**
DPS	**1.03**	**1.32**	**0.36**	**0.42**	**0.55**
Payout ratio	20.2%	32.3%	7.6%	7.6%	8.3%
Shares outstanding	8,721	9,026	9,026	9,026	9,026

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	102,739	75,425	254,725	318,565	484,694
Accounts receivable	62,299	37,005	47,409	60,877	66,313
Inventories	116,036	138,421	95,511	145,790	87,331
Other current assets	89,498	120,618	120,618	120,618	120,618
Current assets	**370,572**	**371,468**	**518,262**	**645,850**	**758,955**
PP&E	262,307	292,776	290,909	289,452	288,314
LT investments	-	-	-	-	-
Other non current assets	150,476	219,486	217,311	215,168	213,562
Total assets	**783,356**	**883,730**	**1,026,483**	**1,150,469**	**1,260,831**
Short term borrowings	22,326	44,797	54,634	61,800	67,021
Payables	244,027	209,206	315,141	390,536	442,843
Other short term liabilities	229,632	214,448	214,448	214,448	214,448
Current liabilities	**495,985**	**468,451**	**584,224**	**666,784**	**724,312**
Long-term debt	8,258	65,703	55,866	48,700	43,479
Other long term liabilities	80,425	91,036	91,036	91,036	91,036
Total liabilities	**584,668**	**625,191**	**731,126**	**806,520**	**858,827**
Shareholders' equity	185,251	246,275	281,114	327,307	382,481
Minority interests	13,437	12,265	14,243	16,641	19,523
Total liabilities & equity	**783,356**	**883,730**	**1,026,483**	**1,150,469**	**1,260,831**
BVPS	**21.24**	**27.28**	**31.14**	**36.26**	**42.37**
y/y Growth	*33.5%*	*28.4%*	*14.1%*	*16.4%*	*16.9%*
Net debt/(cash)	(72,155)	35,075	(144,225)	(208,065)	(374,194)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**133,454**	**59,136**	**254,532**	**139,647**	**243,129**
o/w Depreciation & amortization	66,906	80,526	78,142	77,101	76,243
o/w Changes in working capital	(272)	(75,327)	138,441	11,648	105,330
Cash flow from investing activities	**(129,082)**	**(197,463)**	**(72,000)**	**(72,000)**	**(72,000)**
o/w Capital expenditure	(97,360)	(156,808)	(72,000)	(72,000)	(72,000)
as % of sales	*12.5%*	*19.5%*	*8.3%*	*7.3%*	*6.8%*
Cash flow from financing activities	**(10,268)**	**104,614**	**(3,231)**	**(3,807)**	**(5,000)**
o/w Dividends paid	(9,003)	(34,668)	(3,231)	(3,807)	(5,000)
o/w Shares issued/(repurchased)	98	40,222	0	0	0
o/w Net debt issued/(repaid)	(12,440)	64,786	0	0	0
Net change in cash	**(5,896)**	**(33,714)**	**179,300**	**63,840**	**166,129**
Adj. Free cash flow to firm	**36,094**	**(97,672)**	**182,532**	**67,647**	**171,129**
y/y Growth	*(24.2%)*	*(370.6%)*	*(286.9%)*	*(62.9%)*	*153.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.4%	17.7%	17.9%	19.1%	19.9%
EBITDA margin	15.2%	14.9%	15.1%	14.1%	14.2%
EBIT margin	6.5%	4.9%	6.1%	6.3%	7.0%
Net profit margin	5.7%	4.6%	4.9%	5.1%	5.7%
ROE	27.5%	17.2%	16.2%	16.4%	17.0%
ROA	6.1%	4.4%	4.5%	4.6%	5.0%
ROCE	22.0%	11.8%	12.0%	12.6%	13.5%
SG&A/Sales	5.5%	5.8%	5.8%	6.0%	5.9%
Net debt/Equity	NM	0.1	NM	NM	NM
Net debt/EBITDA	NM	0.3	NM	NM	NM
Sales/Assets (x)	1.1	1.0	0.9	0.9	0.9
Assets/Equity (x)	4.5	3.9	3.6	3.6	3.4
Interest cover (x)	-	-	-	-	-
Operating leverage	145.4%	(670.3%)	445.4%	123.3%	281.0%
Tax rate	15.0%	13.6%	15.2%	15.5%	15.6%
Revenue y/y Growth	29.0%	3.5%	7.8%	14.2%	7.3%
EBITDA y/y Growth	49.0%	1.6%	9.4%	6.2%	8.5%
EPS y/y Growth	48.2%	(19.8%)	15.5%	16.9%	20.3%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	16.0	20.0	17.3	14.8	12.3
P/BV (x)	3.9	3.0	2.6	2.3	1.9
EV/EBITDA (x)	1.5	2.3	0.7	0.2	NM
Dividend Yield	1.3%	1.6%	0.4%	0.5%	0.7%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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BYD Company Limited - H

Downgrade to Neutral on fair valuation despite us liking the company's long-term strategic position in global markets

We trim our 2026/27 earnings estimates by ~10% reflecting our longer-term cautious stance in the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. **Our downgrade is a valuation call** as we think the stock is fairly valued at this level.

Our June-27 PT for BYD-H at HKD88 translates into 14x 2027E PER. We think the stock will largely move within a range of ~13-15x PER (or HKD80-95), driven by BYD's leadership position in the industry and competitive vertical integration business model.

Our long-term fundamental thesis on BYD can be summarized as:

- **Scale, product breadth and global footprint:** Against a cautious China autos backdrop – potentially muted 2027 domestic demand, rising input costs and policy uncertainty – we expect OEMs with scale advantage, diversified products across vehicle type/powertrain/price points, and global footprint to show relative earnings resilience.
- **Overseas expansion is the dominant earnings engine:** BYD's overseas monthly run-rate is around 180k-200k units currently, with key markets including Europe, Latin America and Asia. We project overseas volume to top 2.5mn units in 2027, supported by solid demand, competitive products, distribution expansion and the ramp-up of overseas plants.
- **Localization is a strategic value protector:** BYD's overseas plants in Brazil, Thailand and Hungary are currently greenfield, directly run and wholly owned. However, we expect BYD to be flexible by market, using partners, JVs, equity stakes or M&A where justified. We see localization as important for tariff mitigation, policy alignment and local credibility.
- **Charging ecosystem is a key differentiator:** BYD's build-out of charging infrastructure, including a near-term overseas goal of more than 6,000 fast-charging stations, is seen as strategically important because it shifts competition from "specs and price" toward system capability, ownership experience and potentially better pricing discipline, especially in mature markets such as Europe.
- **Domestic volume can remain sustained despite a softer market:** We believe BYD can deliver sustained China volume as buyers focus more on ownership cost and as more NEVs are priced similarly to ICE vehicles in China. The company's recent ultra-fast charging strategy and production ramps across Hungary, Asia and Brazil add to the positive momentum.
- **ESS and technology optionality add medium-/long-term upside:** BYD's ESS shipments were 40-50GWh in 2025 and are expected to exceed 60-70GWh this year, with ESS projected to account for around 10% of revenue, on our estimates. We also see longer-term optionality from in-house ADAS chips and humanoid robotics initiatives.

▼ Neutral
Previous: Overweight

1211.HK,1211 HK
Price (29 Sep 26): HK$75.75

▼ Price Target (Jun-27): HK$88.00
Prior (Dec-26): HK$124.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 27E (Rmb)	6.05	5.54	-8.4%

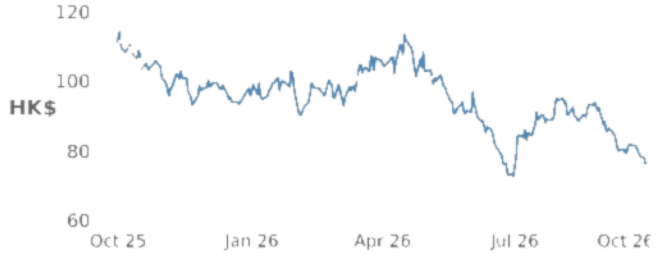
Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	24	40	32	57	81
Growth	44	63	7	15	73
Momentum	65	83	69	12	19
Quality	37	26	25	58	82
Low Vol	56	62	61	68	93
ESGQ	1	1	18	2	3

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



— 1211.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-20.6%	-17.6%	3.9%	-30.2%
Rel	-12.8%	-14.4%	-4.1%	-17.2%

Company Data

Shares O/S (mn)	8,184
52-week range (HK$)	114.70-71.40
Market cap ($ mn)	79,024
Exchange rate	7.85
Free float (%)	99.9%
3M ADV (mn)	20.55
3M ADV ($ mn)	225.2
Volatility (90 Day)	38
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	33|3|1

Key Metrics (FYE Dec)

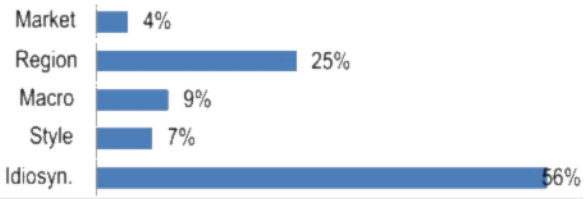
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	803,965	867,045	989,833	1,061,939
Adj. EBIT	39,104	52,768	61,978	74,667
Adj. EBITDA	119,629	130,910	139,079	150,910
Adj. net income	37,039	42,771	50,000	60,174
Adj. EPS	4.10	4.74	5.54	6.67
BBG EPS	3.98	4.27	5.52	6.64
Cashflow from operations	59,136	254,532	139,647	243,129
FCFF	(97,672)	182,532	67,647	171,129
Margins and Growth				
Revenue Growth Y/Y (%)	3.5%	7.8%	14.2%	7.3%
EBIT margin	4.9%	6.1%	6.3%	7.0%
EBIT Growth Y/Y (%)	(23.2%)	34.9%	17.5%	20.5%
EBITDA margin	14.9%	15.1%	14.1%	14.2%
EBITDA Growth Y/Y (%)	1.6%	9.4%	6.2%	8.5%
Net margin	4.6%	4.9%	5.1%	5.7%
Adj. EPS growth	(19.8%)	15.5%	16.9%	20.3%
Ratios				
Adj. tax rate	13.6%	15.2%	15.5%	15.6%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.3	NM	NM	NM
ROE	17.2%	16.2%	16.4%	17.0%
Valuation				
FCFF yield	(16.7%)	31.2%	11.6%	29.3%
Dividend yield	2.0%	0.6%	0.7%	0.9%
EV/Revenue	0.3	0.1	0.0	NM
EV/EBITDA	2.3	0.7	0.2	NM
Adj. P/E	15.8	13.7	11.7	9.7

Summary Investment Thesis and Valuation

We are Neutral on BYD and this reflects our longer term cautious stance on the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Our rating is a valuation call as we think the stock is fairly valued at this level.

We set a June-27 PT at HKD88 based on 14x FY27 P/E. We think the stock will largely move within a range of ~13-15x PER (or HKD80-95), driven by BYD's leadership position in the industry and competitive vertical integration business model.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.08	0.20
Region: China	0.62	0.51
Macro:		
Emerging Economies CPI(YoY)	0.38	0.33
US 10 Year Yield	0.26	0.30
Emerging Central Bank Rate	-0.31	-0.26
Quant Styles:		
Momentum	-0.58	-0.39
Size	-0.54	-0.37
Growth	-0.42	-0.22

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

BYD Company Limited - H *(Neutral: Price Target: HK$88.00)*

Investment Thesis

We are Neutral on BYD and this reflects our longer term cautious stance on the sector – including domestic demand, pricing, competition and overseas policy headwinds. Fundamentally, we believe BYD is best positioned among Chinese brands to weather the challenges. Our rating is a valuation call as we think the stock is fairly valued at this level.

Valuation

We set a June-27 PT at HKD88 based on 14x FY27 P/E. We think the stock will largely move within a range of ~13-15x PER (or HKD80-95), driven by BYD's leadership position in the industry and competitive vertical integration business model.

Risks to Rating and Price Target

Downside risks to our rating and price target include worse-than-expected sales and industry competition from Chinese and foreign mass-market brands, such as Volkswagen, Geely and Great Wall Motor.

Upside risks include better-than-expected sales and unexpected policy stimulus.

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BYD Company Limited - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**777,102**	**803,965**	**867,045**	**989,833**	**1,061,939**
COGS	(626,047)	(661,305)	(711,541)	(800,681)	(850,893)
Gross profit	**151,056**	**142,660**	**155,503**	**189,151**	**211,046**
SG&A	(42,730)	(46,385)	(50,677)	(58,905)	(62,807)
Adj. EBITDA	**117,803**	**119,629**	**130,910**	**139,079**	**150,910**
D&A	(66,906)	(80,526)	(78,142)	(77,101)	(76,243)
Adj. EBIT	**50,897**	**39,104**	**52,768**	**61,978**	**74,667**
Net Interest	0	0	0	0	0
Adj. PBT	**54,029**	**44,174**	**52,768**	**61,978**	**74,667**
Tax	(8,093)	(5,992)	(8,018)	(9,580)	(11,611)
Minority Interest	(1,334)	(1,142)	(1,979)	(2,398)	(2,882)
Adj. Net Income	**44,603**	**37,039**	**42,771**	**50,000**	**60,174**
Reported EPS (Basic)	5.11	4.10	4.74	5.54	6.67
Adj. EPS	**5.11**	**4.10**	**4.74**	**5.54**	**6.67**
DPS	**1.03**	**1.32**	**0.36**	**0.42**	**0.55**
Payout ratio	20.2%	32.3%	7.6%	7.6%	8.3%
Shares outstanding	8,721	9,026	9,026	9,026	9,026

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	102,739	75,425	254,725	318,565	484,694
Accounts receivable	62,299	37,005	47,409	60,877	66,313
Inventories	116,036	138,421	95,511	145,790	87,331
Other current assets	89,498	120,618	120,618	120,618	120,618
Current assets	**370,572**	**371,468**	**518,262**	**645,850**	**758,955**
PP&E	262,307	292,776	290,909	289,452	288,314
LT investments	-	-	-	-	-
Other non current assets	150,476	219,486	217,311	215,168	213,562
Total assets	**783,356**	**883,730**	**1,026,483**	**1,150,469**	**1,260,831**
Short term borrowings	22,326	44,797	54,634	61,800	67,021
Payables	244,027	209,206	315,141	390,536	442,843
Other short term liabilities	229,632	214,448	214,448	214,448	214,448
Current liabilities	**495,985**	**468,451**	**584,224**	**666,784**	**724,312**
Long-term debt	8,258	65,703	55,866	48,700	43,479
Other long term liabilities	80,425	91,036	91,036	91,036	91,036
Total liabilities	**584,668**	**625,191**	**731,126**	**806,520**	**858,827**
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Minority interests	13,437	12,265	14,243	16,641	19,523
Total liabilities & equity	**783,356**	**883,730**	**1,026,483**	**1,150,469**	**1,260,831**
BVPS	**21.24**	**27.28**	**31.14**	**36.26**	**42.37**
y/y Growth	*33.5%*	*28.4%*	*14.1%*	*16.4%*	*16.9%*
Net debt/(cash)	(72,155)	35,075	(144,225)	(208,065)	(374,194)

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Cash flow from operating activities	**133,454**	**59,136**	**254,532**	**139,647**	**243,129**
o/w Depreciation & amortization	66,906	80,526	78,142	77,101	76,243
o/w Changes in working capital	(272)	(75,327)	138,441	11,648	105,330
Cash flow from investing activities	**(129,082)**	**(197,463)**	**(72,000)**	**(72,000)**	**(72,000)**
o/w Capital expenditure	(97,360)	(156,808)	(72,000)	(72,000)	(72,000)
as % of sales	*12.5%*	*19.5%*	*8.3%*	*7.3%*	*6.8%*
Cash flow from financing activities	**(10,268)**	**104,614**	**(3,231)**	**(3,807)**	**(5,000)**
o/w Dividends paid	(9,003)	(34,668)	(3,231)	(3,807)	(5,000)
o/w Shares issued/(repurchased)	98	40,222	0	0	0
o/w Net debt issued/(repaid)	(12,440)	64,786	0	0	0
Net change in cash	**(5,896)**	**(33,714)**	**179,300**	**63,840**	**166,129**
Adj. Free cash flow to firm	**36,094**	**(97,672)**	**182,532**	**67,647**	**171,129**
y/y Growth	*(24.2%)*	*(370.6%)*	*(286.9%)*	*(62.9%)*	*153.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	19.4%	17.7%	17.9%	19.1%	19.9%
EBITDA margin	15.2%	14.9%	15.1%	14.1%	14.2%
EBIT margin	6.5%	4.9%	6.1%	6.3%	7.0%
Net profit margin	5.7%	4.6%	4.9%	5.1%	5.7%
ROE	27.5%	17.2%	16.2%	16.4%	17.0%
ROA	6.1%	4.4%	4.5%	4.6%	5.0%
ROCE	22.0%	11.8%	12.0%	12.6%	13.5%
SG&A/Sales	5.5%	5.8%	5.8%	6.0%	5.9%
Net debt/Equity	NM	0.1	NM	NM	NM
Net debt/EBITDA	NM	0.3	NM	NM	NM
Sales/Assets (x)	1.1	1.0	0.9	0.9	0.9
Assets/Equity (x)	4.5	3.9	3.6	3.6	3.4
Interest cover (x)	-	-	-	-	-
Operating leverage	145.4%	(670.3%)	445.4%	123.3%	281.0%
Tax rate	15.0%	13.6%	15.2%	15.5%	15.6%
Revenue y/y Growth	29.0%	3.5%	7.8%	14.2%	7.3%
EBITDA y/y Growth	49.0%	1.6%	9.4%	6.2%	8.5%
EPS y/y Growth	48.2%	(19.8%)	15.5%	16.9%	20.3%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	12.7	15.8	13.7	11.7	9.7
P/BV (x)	3.1	2.4	2.1	1.8	1.5
EV/EBITDA (x)	1.5	2.3	0.7	0.2	NM
Dividend Yield	1.6%	2.0%	0.6%	0.7%	0.9%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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J.P.Morgan

Geely Automobile Holdings Ltd. (0175)

Downgrade to Neutral on valuation

▼ Neutral
Previous: Overweight

0175.HK,175 HK
Price (29 Sep 26): HK$14.98

▼ Price Target (Jun-27): HK$16.00
Prior (Jun-27): HK$29.00

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	12	11	20	41	58
Growth	30	32	35	78	73
Momentum	33	70	18	70	57
Quality	35	27	35	79	76
Low Vol	62	76	75	80	79
ESGQ	9	3	7	1	14

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

We are maintaining our earnings estimates on Geely. Our rating change today is very much a reflection of our broader sector stance into year-end and 2027. Currently trading at ~5x 2027 PER, Geely's valuation is attractive vs peers. Nonetheless, if we were to expense ~60-70% of its R&D expenses (vs current around 40%), Geely would be trading at around 8-10x 2027 PER based on our analysis.

Our revised June-2027 PT HK16 is based on the expectation that stock can trade at 10x 2027 PER on adjusted earnings i.e. assuming 60% R&D capitalization so its earnings are more comparable to peers.

Our long-term fundamental thesis on Geely is summarized as:

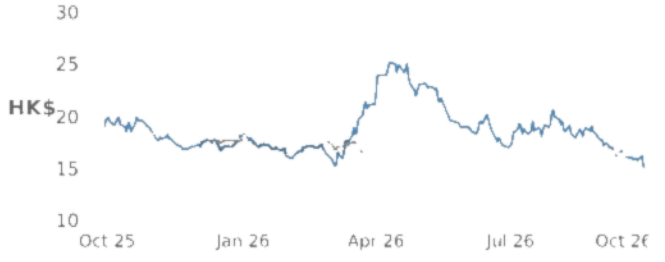
- **Product strategy / model cycle:** Platform-driven rollout with a strong model cycle across price points and segments (incl. premiumization + electrification), which we expect to support continued share gains.
- **Powertrain 'matrix' as a differentiator:** Geely is positioning with a broad mix (BEV/PHEV/HEV and also BEV/HEV/EREV framing), which should travel better in overseas markets (e.g., Europe) where the transition remains mixed by propulsion type.
- **Technology roadmap (AI/ADAS/robotaxi):** We see Geely as well-positioned on innovation; it is prioritizing AI-enabled autonomous driving and robotaxi initiatives (via a group subsidiary), supported by broader in-house/Group capabilities (e.g., chip/battery collaboration) and partnerships/JVs at the parent level.
- **Overseas plan = core earnings lever:** Overseas expansion is central – targets include ~1.1m overseas units in 2026 (vs ~0.4m in 2025) and overseas profit potentially >50-60% of total profit; strategy emphasizes localization via partners vs heavy greenfield capex. We further expect Geely's overseas volume to grow by over 30% in 2027.

Key upside/downside risks include: 1) better- or worse-than-expected domestic passenger vehicle market, 2) currency swing and FX loss – for now, a risk due to strong CNY vs EUR and USD, and 3) developments in overseas markets including Geely's execution and foreign governments' policies.

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Price Performance



	YTD	1m	3m	12m
Abs	-16.3%	-17.2%	-11.5%	-19.6%
Rel	-8.5%	-13.9%	-19.5%	-6.5%

Company Data

Shares O/S (mn)	9,156
52-week range (HK$)	25.62-14.80
Market cap ($ mn)	17,482
Exchange rate	7.85
Free float (%)	54.4%
3M ADV (mn)	41.87
3M ADV ($ mn)	96.4
Volatility (90 Day)	42
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	47|0|0

Key Metrics (FYE Dec)

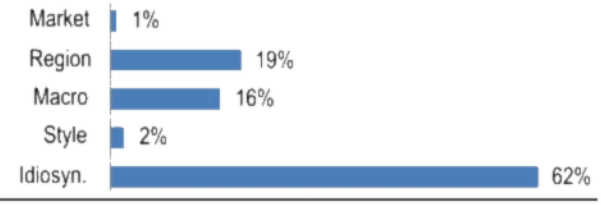
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	345,232	387,367	431,460	481,430
Adj. EBITDA	36,013	43,663	40,410	42,033
Adj. EBIT	20,093	23,274	29,121	34,751
Adj. net income	16,852	21,651	27,085	32,334
Net margin	4.9%	5.6%	6.3%	6.7%
Adj. EPS	1.63	2.09	2.62	3.12
BBG EPS	1.60	1.99	2.43	2.87
Cashflow from operations	47,274	47,288	53,453	34,236
FCFF	29,357	29,370	35,536	16,318
Margins and Growth				
Revenue Growth Y/Y (%)	43.7%	12.2%	11.4%	11.6%
EBITDA margin	10.4%	11.3%	9.4%	8.7%
EBITDA Growth Y/Y (%)	32.9%	21.2%	(7.5%)	4.0%
EBIT margin	5.8%	6.0%	6.7%	7.2%
Adj. EPS growth	(1.1%)	28.5%	25.1%	19.4%
Ratios				
Adj. tax rate	17.8%	9.0%	9.1%	9.1%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	16.9%	18.4%	19.7%	20.1%
ROE	18.8%	21.4%	22.6%	22.6%
Valuation				
FCFF yield	22.1%	22.1%	26.8%	12.3%
Dividend yield	2.4%	3.5%	4.6%	5.8%
EV/EBITDA	2.5	1.5	0.9	0.6
EV/Revenue	0.3	0.2	0.1	0.1
Adj. P/E	7.9	6.1	4.9	4.1

Summary Investment Thesis and Valuation

We are Neutral on Geely. We remain positive on its long-term positioning, underpinned by a strong product cycle across price segments, a broad BEV/PHEV/HEV portfolio, continued investment in AI and intelligent driving, and overseas expansion supported by localization and partnerships. Nevertheless, our cautious China auto outlook, intensifying domestic competition and rising overseas execution risks warrant a more balanced stance into 2027.

Our Jun-27 PT of HK$16 is based on the expectation that stock can trade at 10x 2027 PER on adjusted earnings, i.e., assuming 60% R&D capitalization so its earnings are more comparable to peers. 10x PER is below the historical average of 14x to reflect our conservative view of the industry.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.04	0.11
Region: China	0.43	0.45
Macro:		
Emerging Economies CPI(YoY)	0.48	0.44
Emerging Central Bank Rate	-0.50	-0.38
Markit EM Composite PMI SA	-0.35	-0.30
Quant Styles:		
Momentum	-0.38	-0.23
Quality	0.21	0.17
DivYld	0.31	0.16

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Geely Automobile Holdings Ltd. *(Neutral: Price Target: HKS16.00)*

Investment Thesis

We are Neutral on Geely. We remain positive on its long-term positioning, underpinned by a strong product cycle across price segments, a broad BEV/PHEV/HEV portfolio, continued investment in AI and intelligent driving, and overseas expansion supported by localization and partnerships. Nevertheless, our cautious China auto outlook, intensifying domestic competition and rising overseas execution risks warrant a more balanced stance into 2027.

Valuation

Our Jun-27 PT of HK$16 is based on the expectation that stock can trade at 10x 2027 PER on adjusted earnings, i.e., assuming 60% R&D capitalization so its earnings are more comparable to peers. 10x PER is below the historical average of 14x to reflect our conservative view of the industry.

Risks to Rating and Price Target

Key upside/downside risks include: 1) better- or worse-than-expected domestic passenger vehicle market, 2) currency swing and FX loss – for now, a risk due to strong CNY vs EUR and USD, and 3) developments in overseas markets including Geely's execution and foreign governments' policies.

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Geely Automobile Holdings Ltd. (0175): Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**240,194**	**345,232**	**387,367**	**431,460**	**481,430**
COGS	(201,993)	(287,885)	(319,861)	(355,641)	(394,768)
Gross profit	**38,201**	**57,347**	**67,506**	**75,818**	**86,662**
SG&A	(4,897)	(6,482)	(6,973)	(6,903)	(7,558)
Adj. EBITDA	**27,105**	**36,013**	**43,663**	**40,410**	**42,033**
D&A	(9,393)	(15,920)	(20,389)	(11,289)	(7,281)
Adj. EBIT	**17,711**	**20,093**	**23,274**	**29,121**	**34,751**
Net Interest	692	137	196	273	365
Adj. PBT	**18,404**	**20,230**	**23,470**	**29,394**	**35,116**
Tax	(1,604)	(3,601)	(2,106)	(2,669)	(3,213)
Minority Interest	(167)	224	288	360	430
Adj. Net Income	**16,632**	**16,852**	**21,651**	**27,085**	**32,334**
Reported EPS	1.65	1.63	2.09	2.62	3.12
Adj. EPS	**1.65**	**1.63**	**2.09**	**2.62**	**3.12**
DPS	**0.20**	**0.31**	**0.45**	**0.59**	**0.74**
Payout ratio	12.1%	19.1%	21.5%	22.6%	23.7%
Shares outstanding	10,103	10,354	10,354	10,354	10,354

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	40,865	65,319	91,104	121,698	131,667
Accounts receivable	58,307	58,768	81,719	91,020	101,562
Inventories	23,078	31,934	38,172	30,033	45,676
Other current assets	3,072	3,392	391	435	486
Current assets	**125,322**	**159,413**	**211,385**	**243,187**	**279,391**
PP&E	26,384	34,370	18,108	10,947	7,794
LT investments	-	-	-	-	-
Other non current assets	77,686	96,627	111,717	126,807	141,896
Total assets	**229,392**	**290,410**	**341,211**	**380,941**	**429,081**
Short term borrowings	834	11,996	11,996	11,996	11,996
Payables	125,379	101,568	128,461	139,513	154,554
Other short term liabilities	988	65,895	72,978	80,904	89,571
Current liabilities	**127,200**	**179,459**	**213,435**	**232,412**	**256,120**
Long-term debt	1,762	2,000	2,000	2,000	2,000
Other long term liabilities	8,010	15,335	15,335	15,335	15,335
Total liabilities	**136,972**	**196,795**	**230,771**	**249,748**	**273,456**
Shareholders' equity	86,742	92,398	109,511	130,624	155,485
Minority interests	5,678	1,217	929	569	140
Total liabilities & equity	**229,392**	**290,410**	**341,210**	**380,940**	**429,081**
BVPS	**8.62**	**9.14**	**10.83**	**12.92**	**15.38**
y/y Growth	*7.7%*	*6.1%*	*18.5%*	*19.3%*	*19.0%*
Net debt/(cash)	(41,341)	(54,715)	(77,499)	(108,138)	(118,157)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**26,507**	**47,274**	**47,288**	**53,453**	**34,236**
o/w Depreciation & amortization	9,393	15,920	20,389	11,289	7,281
o/w Changes in working capital	9,316	18,278	4,787	17,814	(2,477)
Cash flow from investing activities	**(9,132)**	**(23,370)**	**(17,160)**	**(17,160)**	**(17,160)**
o/w Capital expenditure	(12,836)	(17,918)	(17,918)	(17,918)	(17,918)
as % of sales	*5.3%*	*5.2%*	*4.6%*	*4.2%*	*3.7%*
Cash flow from financing activities	**(13,297)**	**(1,839)**	**(4,343)**	**(5,699)**	**(7,106)**
o/w Dividends paid	(2,195)	(3,119)	(4,539)	(5,973)	(7,472)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	(10,051)	8,366	0	0	0
Net change in cash	**4,090**	**22,262**	**25,785**	**30,594**	**9,969**
Adj. Free cash flow to firm	**13,671**	**29,357**	**29,370**	**35,536**	**16,318**
y/y Growth	*90.1%*	*114.7%*	*0.0%*	*21.0%*	*(54.1%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	15.9%	16.6%	17.4%	17.6%	18.0%
EBITDA margin	11.3%	10.4%	11.3%	9.4%	8.7%
EBIT margin	7.4%	5.8%	6.0%	6.7%	7.2%
Net profit margin	6.9%	4.9%	5.6%	6.3%	6.7%
ROE	19.9%	18.8%	21.4%	22.6%	22.6%
ROA	7.9%	6.5%	6.9%	7.5%	8.0%
ROCE	18.7%	16.9%	18.4%	19.7%	20.1%
SG&A/Sales	2.0%	1.9%	1.8%	1.6%	1.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	1.1	1.3	1.2	1.2	1.2
Assets/Equity (x)	2.52	2.90	3.13	3.01	2.83
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	887.4%	30.8%	129.7%	220.7%	166.9%
Tax rate	8.7%	17.8%	9.0%	9.1%	9.1%
Revenue y/y Growth	34.0%	43.7%	12.2%	11.4%	11.6%
EBITDA y/y Growth	115.0%	32.9%	21.2%	(7.5%)	4.0%
EPS y/y Growth	214.2%	(1.1%)	28.5%	25.1%	19.4%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	7.8	7.9	6.1	4.9	4.1
P/BV (x)	1.5	1.4	1.2	1.0	0.8
EV/EBITDA (x)	4.0	2.5	1.5	0.9	0.6
Dividend Yield	1.6%	2.4%	3.5%	4.6%	5.8%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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XPeng

Downgrade to Neutral following earnings revisions

▼ Neutral
Previous: Overweight

XPEV,XPEV US
Price (28 Sep 26): $9.95

▼ Price Target (Jun-27): $11.50
Prior (Jun-27): $24.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 27E (Rmb mn)	130,224	103,488	-20.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	56	74	75	68	43
Growth	58	18	15	25	31
Momentum	100	100	18	25	91
Quality	94	97	97	96	95
Low Vol	87	96	97	99	99

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

We revise down XPeng's 2027 sales volume by ~20% to ~580k units from ~730k units (and Bloomberg consensus ~640k units) to reflect our cautious view on the broader auto market. In addition, while we welcome XPeng's efforts on AI initiatives – including humanoid robot and robotaxi – these new businesses may not generate an immediate near-term profit contribution, which many investors pay attention to. To support fast growing AI initiatives, we forecast XPeng's R&D spending will edge up further to ~Rmb14-14.5bn in 2027, from Rmb12bn this year and higher than Bloomberg consensus at Rmb12.9bn. All these lead our 2026/27 non-GAAP earnings estimates meaningfully below Street consensus.

In the near term, i.e. 4Q26, we project XPeng to deliver a 30-35% QoQ volume rebound thanks to new launches, e.g. Mona L03 and L05 SUVs. A higher overseas revenue contribution (JPMe ~30% of 4Q26 revenue) would boost vehicle GPM to ~14-15%, in our view. At the same time, we believe the company will also book carbon credit revenue from sales of carbon credits to Porsche, which should support overall GPM towards 20% – a positive development if it materializes.

In terms of valuation, we now apply a more conservative approach – similar to Geely or BYD. One key consideration is we believe investors may not be willing to attribute much value to business that is still is loss-making with limited turnaround visibility in 1-2 years, namely XPeng's AI initiatives (Robotaxi and humanoid robot). We apply a more conservative approach here in our sum-of-the-parts analysis. We set our Jun-27 PT at US$11.5 (previous US$24). We value the company based on SOTP methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S (vs previous 0.6x) to reflect our more cautious view on the broader market.

Our key fundamental thesis on XPeng is summarized as:

- **XPeng remains positioned as a company-specific AI optionality story within China autos**; We forecast its humanoid robots and robotaxi deployment into 1H27 as potential differentiators, although our broader China auto sector stance is cautious over the next 9-12 months.
- **The next major leg-up in 2026-27** is expected to be driven by XPeng's AI initiatives – robotaxi, humanoid robot – supported by in-house capabilities, including self-designed chips, VLA, and VLM. However, a noticeable revenue contribution may not appear until 2H27 or beyond.
- **XPeng's humanoid robotics push is progressing rapidly**: The IRON robot is targeting mass production by end-2026, with over 1,000 units per month production capability, initial deployments planned for XPeng stores, and broader commercial deliveries in China and overseas expected from 2027. We believe total delivery of XPeng IRON robots could be a couple of thousands units - mostly from 2Q or 2H27.
- **New models (L03 / L05) underpin the 2H26 ramp:** Under the MONA umbrella, we expect L03 SUV will boost 2H26 volume, followed by L05 in 4Q26, alongside other refresh/new-nameplate activity (e.g., G9L) to support sequential volume growth through 2H26 and into 2027.

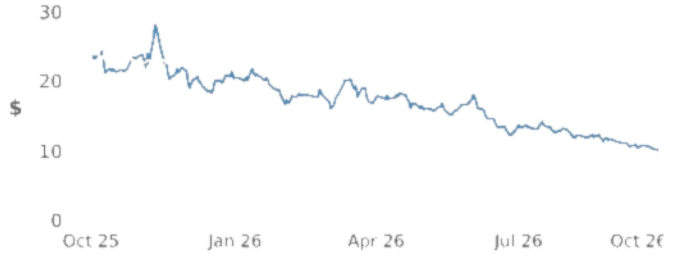
- **Vehicle strategy = scale a platform while managing launch costs:** The logic is that a broader MONA lineup (moving beyond a single earlier model) should improve platform utilization and gross margin potential with scale (JPMe Mona brand to reach >10% vehicle GM with economies of scales).
- **Overseas plan is integrated into the product rollout:** XPeng intends to launch L03 and then L05 SUVs in both domestic and international markets (including upcoming Paris auto show in Oct), while pursuing localized/CKD-style assembly capacity (flagged: Austria, Indonesia, Malaysia) to help mitigate tariff and non-tariff friction over time as it expands distribution.

Key upside/ downside risks and milestones are execution-led: We will monitor XPeng's new model launches and order flow, robotaxi n in 4Q26, humanoid robot cost management and shipment volumes in 1H27, and potential pressure from AI spend, with XPeng still expected to report non-GAAP net losses this year despite improving vehicle economics.

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Price Performance



— XPEV Price ($) HSCI (rebased)

	YTD	1m	3m	12m
Abs	-50.9%	-13.7%	-17.7%	-56.3%
Rel	-43.7%	-9.6%	-24.7%	-44.5%

Company Data

Shares O/S (mn)	821
52-week range ($)	28.24-9.94
Market cap ($ mn)	8,173
Exchange rate	1.00
Free float (%)	-
3M ADV (mn)	7.22
3M ADV ($ mn)	86.4
Volatility (90 Day)	44
Index	HSCI
BBG ANR (Buy | Hold | Sell)	25|4|2

Key Metrics (FYE Dec)

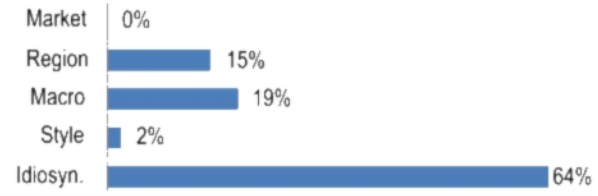
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	76,720	84,620	103,488	114,485
Adj. EBITDA	(399)	(1,154)	(626)	921
Adj. EBIT	(2,771)	(3,759)	(3,359)	(1,921)
Adj. net income	(1,139)	(3,819)	(2,795)	(1,384)
Net margin	(1.5%)	(4.5%)	(2.7%)	(1.2%)
Adj. EPS	(1.20)	(4.01)	(2.94)	(1.45)
BBG EPS	(1.32)	(3.80)	0.16	2.72
Cashflow from operations	8,259	(1,687)	3,243	2,485
FCFF	7,390	(3,560)	(1,143)	(934)
Margins and Growth				
Revenue Growth Y/Y (%)	87.7%	10.3%	22.3%	10.6%
EBITDA margin	(0.5%)	(1.4%)	(0.6%)	0.8%
EBITDA Growth Y/Y (%)	(91.2%)	189.0%	(45.7%)	(247.1%)
EBIT margin	(3.6%)	(4.4%)	(3.2%)	(1.7%)
Adj. EPS growth	(80.5%)	235.2%	(26.8%)	(50.5%)
Ratios				
Adj. tax rate	(1.2%)	(3.7%)	0.0%	0.0%
Interest cover	0.5	2.1	2.8	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	16.2	1.5	1.4	NM
ROCE	(6.8%)	(9.8%)	(9.0%)	(5.3%)
ROE	(3.7%)	(13.4%)	(10.9%)	(5.8%)
Valuation				
FCFF yield	11.6%	(5.6%)	(1.8%)	(1.5%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	NM	71.7
EV/Revenue	0.8	0.8	0.6	0.6
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

We set our Jun-27 PT at US$11.5. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative. Our Jun-27 PT translates to 0.9x/0.7x 2026/27E P/S multiples.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.01	0.13
Region: China	0.51	0.44
Macro:		
JP Morgan EMBI Global Spread	-0.14	-0.26
JPM Forecast Revision EM	-0.01	-0.25
HSI Volatility Index	-0.19	-0.24
Quant Styles:		
Momentum	-0.50	-0.28
Size	-0.38	-0.22
LowVol	0.34	0.14

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Table 10: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	84,620	84,791	0%	103,488	130,224	-21%
Sales growth (yoy%)	10%	11%		22%	54%	
COGS	68,201	69,031	-1%	86,173	110,240	-22%
Gross profit	16,420	15,759	4%	17,314	19,984	-13%
Gross margin (%)	19%	19%		17%	15%	
Operating profit	(3,759)	(4,453)	16%	(3,359)	(1,733)	-94%
Operating margin (%)	-4%	-5%		-3%	-1%	
OP (Non- GAAP)	(3,498)	(4,191)	17%	(3,048)	(1,342)	-127%
OPM- adj (%)	-4%	-5%		-3%	-1%	
Pre-tax profit	(3,681)	(4,374)	16%	(2,795)	(1,156)	-142%
Net profit	(3,819)	(4,458)	14%	(2,795)	(1,158)	-141%
Net margin (%)	-5%	-5%		-3%	-1%	
Net profit growth (yoy%)	235%	291%		-27%	-74%	
NP (Non- GAAP)	(3,558)	(4,197)	15%	(2,485)	(767)	-224%
NPM- adj (%)	-4%	-5%		-2%	-1%	

Source: J.P. Morgan Estimates.

Investment Thesis, Valuation and Risks

XPeng Inc. *(Neutral: Price Target: $11.50)*

Investment Thesis

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

Valuation

We set our Jun-27 PT at US$11.5. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative. Our Jun-27 PT translates to 0.9x/0.7x 2026/27E P/S multiples.

SOTP valuation

(USDmn)	Implied mkt cap
Vehicle sales	7,355
Robotaxi service	566
Humanoid robot	2,985
Total implied equity value (USD mn)	10,906
Implied value per share (USD)	11.5
Implied value per share (HKD)	45

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our PT include: worse-than-expected pricing competition in China's NEV market; execution risk and worse-than-expected competition in robotaxi, humanoid robots and other business. Key factors to track for validating or falsifying our valuation thesis on the three new initiatives include: the launch of L4 vehicles by end-2026, cost management and shipment volumes of humanoid robots, progress in the certification process for other business, and the execution of supply chain operations.

Potential upside catalysts include successful collaboration between XPeng and VW on future products and technology, better-than-expected development and demand in robotaxi, humanoid robots and other business.

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XPeng: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**40,866**	**76,720**	**84,620**	**103,488**	**114,485**
COGS	(35,021)	(62,247)	(68,201)	(86,173)	(95,343)
Gross profit	**5,846**	**14,473**	**16,420**	**17,314**	**19,142**
SG&A	(6,871)	(9,398)	(8,960)	(8,178)	(8,729)
Adj. EBITDA	**(4,549)**	**(399)**	**(1,154)**	**(626)**	**921**
D&A	(2,109)	(2,372)	(2,605)	(2,732)	(2,843)
Adj. EBIT	**(6,658)**	**(2,771)**	**(3,759)**	**(3,359)**	**(1,921)**
Net Interest	1,031	783	541	220	182
Adj. PBT	**(5,831)**	**(1,157)**	**(3,681)**	**(2,795)**	**(1,384)**
Tax	70	(14)	(137)	0	0
Minority Interest	0	0	0	0	0
Adj. Net Income	**(5,790)**	**(1,139)**	**(3,819)**	**(2,795)**	**(1,384)**
Reported EPS (Basic)	(6.12)	(1.20)	(4.01)	(2.94)	(1.45)
Adj. EPS	**(6.12)**	**(1.20)**	**(4.01)**	**(2.94)**	**(1.45)**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	946	952	952	952	952

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	18,586	17,330	13,067	12,734	12,644
Accounts receivable	2,450	1,997	1,206	1,474	1,631
Inventories	5,563	10,381	10,277	12,513	13,844
Other current assets	23,137	33,547	33,547	33,547	33,547
Current assets	**49,736**	**63,254**	**58,096**	**60,268**	**61,666**
PP&E	11,522	13,527	15,440	18,029	19,337
LT investments	1,963	1,469	1,469	1,469	1,469
Other non current assets	19,485	24,913	23,470	22,224	21,148
Total assets	**82,706**	**103,163**	**98,475**	**101,990**	**103,620**
Short term borrowings	4,609	4,282	4,282	4,282	4,282
Payables	23,080	37,163	36,996	42,496	44,667
Other short term liabilities	12,175	16,668	15,205	15,205	15,205
Current liabilities	**39,865**	**58,113**	**56,483**	**61,983**	**64,154**
Long-term debt	5,665	6,589	7,089	7,589	8,089
Other long term liabilities	5,902	8,092	8,092	8,092	8,092
Total liabilities	**51,431**	**72,794**	**71,664**	**77,664**	**80,335**
Shareholders' equity	31,275	30,368	26,811	24,326	23,285
Minority interests	0	0	0	0	0
Total liabilities & equity	**82,706**	**103,163**	**98,475**	**101,990**	**103,620**
BVPS	**33.07**	**31.90**	**28.16**	**25.55**	**24.46**
y/y Growth	*(20.8%)*	*(3.5%)*	*(11.7%)*	*(9.3%)*	*(4.3%)*
Net debt/(cash)	(8,313)	(6,459)	(1,696)	(864)	(273)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(2,012)**	**8,259**	**(1,687)**	**3,243**	**2,485**
o/w Depreciation & amortization	2,109	2,372	2,605	2,732	2,843
o/w Changes in working capital	56	8,697	728	2,995	683
Cash flow from investing activities	**(1,255)**	**(7,334)**	**(3,075)**	**(4,075)**	**(3,075)**
o/w Capital expenditure	(2,226)	(3,156)	(3,075)	(4,075)	(3,075)
as % of sales	*5.4%*	*4.1%*	*3.6%*	*3.9%*	*2.7%*
Cash flow from financing activities	**669**	**515**	**500**	**500**	**500**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	1,197	515	500	500	500
Net change in cash	**(2,562)**	**1,661**	**(4,262)**	**(333)**	**(91)**
Adj. Free cash flow to firm	**(5,388)**	**7,390**	**(3,560)**	**(1,143)**	**(934)**
y/y Growth	*48.5%*	*(237.2%)*	*(148.2%)*	*(67.9%)*	*(18.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.3%	18.9%	19.4%	16.7%	16.7%
EBITDA margin	(11.1%)	(0.5%)	(1.4%)	(0.6%)	0.8%
EBIT margin	(16.3%)	(3.6%)	(4.4%)	(3.2%)	(1.7%)
Net profit margin	(14.2%)	(1.5%)	(4.5%)	(2.7%)	(1.2%)
ROE	(17.1%)	(3.7%)	(13.4%)	(10.9%)	(5.8%)
ROA	(6.9%)	(1.2%)	(3.8%)	(2.8%)	(1.3%)
ROCE	(15.4%)	(6.8%)	(9.8%)	(9.0%)	(5.3%)
SG&A/Sales	16.8%	12.3%	10.6%	7.9%	7.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	1.8	16.2	1.5	1.4	NM
Sales/Assets (x)	0.5	0.8	0.8	1.0	1.1
Assets/Equity (x)	2.5	3.0	3.5	3.9	4.3
Interest cover (x)	4.4	0.5	2.1	2.8	NM
Operating leverage	(117.0%)	(66.5%)	346.2%	(47.8%)	(402.7%)
Tax rate	(1.2%)	(1.2%)	(3.7%)	0.0%	0.0%
Revenue y/y Growth	33.2%	87.7%	10.3%	22.3%	10.6%
EBITDA y/y Growth	(49.5%)	(91.2%)	189.0%	(45.7%)	(247.1%)
EPS y/y Growth	(48.6%)	(80.5%)	235.2%	(26.8%)	(50.5%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	NM	NM	NM
P/BV (x)	2.0	2.1	2.4	2.6	2.7
EV/EBITDA (x)	NM	NM	NM	NM	71.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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XPeng - H

Downgrade to Neutral following earnings revisions

We revise down XPeng's 2027 sales volume by ~20% to ~580k units from ~730k units (and Bloomberg consensus ~640k units) to reflect our cautious view on the broader auto market. In addition, while we welcome XPeng's efforts on AI initiatives – including humanoid robot and robotaxi – these new businesses may not generate an immediate near-term profit contribution, which many investors pay attention to. To support fast growing AI initiatives, we forecast XPeng's R&D spending will edge up further to ~Rmb14-14.5bn in 2027, from Rmb12bn this year and higher than Bloomberg consensus at Rmb12.9bn. All these lead our 2026/27 non-GAAP earnings estimates meaningfully below Street consensus.

We set our Jun-27 PT at HK$45 (previously HK$94). We value the company based on a sum-of-the-parts (SOTP) valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S (vs 0.6x previously) to reflect our more cautious view on the broader market.

▼ Neutral
Previous: Overweight

9868.HK,9868 HK
Price (29 Sep 26): HK$37.50

▼ Price Target (Jun-27): HK$45.00
Prior (Jun-27): HK$94.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 27E (Rmb mn)	130,224	103,488	-20.5%

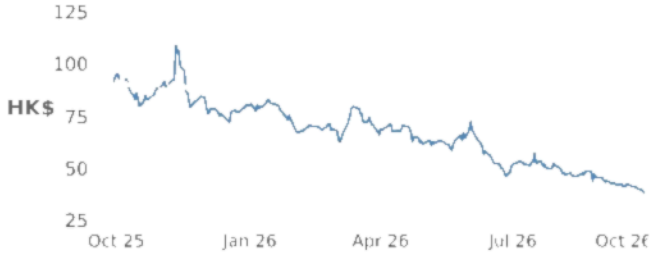
Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	74	87	86	97	61
Growth	68	16	12	34	24
Momentum	100	96	8	23	
Quality	93	97	97	96	95
Low Vol	85	94	96	99	95
ESGQ	7	11	8	3	-

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



— 9868.HK Price (HK$) HSI (rebased)

	YTD	1m	3m	12m
Abs	-52.7%	-16.3%	-20.9%	-58.3%
Rel	-48.8%	-12.6%	-27.9%	-50.8%

Company Data

Shares O/S (mn)	821
52-week range (HK$)	110.80-37.30
Market cap ($ mn)	3,926
Exchange rate	7.85
Free float (%)	73.5%
3M ADV (mn)	13.18
3M ADV ($ mn)	80.2
Volatility (90 Day)	53
Index	HSI
BBG ANR (Buy | Hold | Sell)	40|3|1

Key Metrics (FYE Dec)

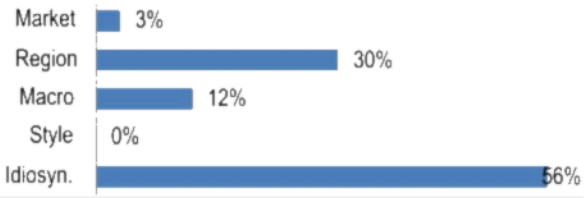
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	76,720	84,620	103,488	114,485
Adj. EBITDA	(399)	(1,154)	(626)	921
Adj. EBIT	(2,771)	(3,759)	(3,359)	(1,921)
Adj. net income	(1,139)	(3,819)	(2,795)	(1,384)
Net margin	(1.5%)	(4.5%)	(2.7%)	(1.2%)
Adj. EPS	(1.20)	(4.01)	(2.94)	(1.45)
BBG EPS	(0.66)	(1.90)	0.08	1.36
Cashflow from operations	8,259	(1,687)	3,243	2,485
FCFF	7,390	(3,560)	(1,143)	(934)
Margins and Growth				
Revenue Growth Y/Y (%)	87.7%	10.3%	22.3%	10.6%
EBITDA margin	(0.5%)	(1.4%)	(0.6%)	0.8%
EBITDA Growth Y/Y (%)	(91.2%)	189.0%	(45.7%)	(247.1%)
EBIT margin	(3.6%)	(4.4%)	(3.2%)	(1.7%)
Adj. EPS growth	(80.5%)	235.2%	(26.8%)	(50.5%)
Ratios				
Adj. tax rate	(1.2%)	(3.7%)	0.0%	0.0%
Interest cover	0.5	2.1	2.8	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	16.2	1.5	1.4	NM
ROCE	(6.8%)	(9.8%)	(9.0%)	(5.3%)
ROE	(3.7%)	(13.4%)	(10.9%)	(5.8%)
Valuation				
FCFF yield	24.2%	(11.7%)	(3.7%)	(3.1%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	NM	71.7
EV/Revenue	0.8	0.8	0.6	0.6
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

We set our Jun-27 PT at HK$45. We value the company based on SOTP methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative. Our Jun-27 PT translates to 0.9x/0.7x 2026/27E P/S multiples.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.08	0.17
Region: China	0.57	0.56
Macro:		
HSI Volatility Index	-0.23	-0.29
US 10 Year Yield	0.27	0.25
JPM Forecast Revision EM	-0.06	-0.24
Quant Styles:		
Size	-0.38	-0.24
Momentum	-0.41	-0.22
LowVol	0.27	0.10

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

XPeng Inc. - H *(Neutral; Price Target: HK$45.00)*

Investment Thesis

We are Neutral on XPeng. Its planned robotaxi and humanoid-robot deployments into 1H27 provide company-specific AI optionality, but we remain conservative given weaker volume expectations, rising R&D investment and limited near-term monetization. With losses expected to continue through 2027 and our cautious sector outlook, we see limited valuation upside.

Valuation

We set our Jun-27 PT at HK$45. We value the company based on a sum-of-the-parts valuation methodology. For vehicle sales, we apply a 0.4x FY27E P/S and EV/S to reflect our more cautious view on the broader market. For the other business initiatives (incl. robotaxi and humanoid robot), we use the bear case valuation of each business initiative. Our Jun-27 PT translates to 0.9x/0.7x 2026/27E P/S multiples.

SOTP valuation

(USDmn)	Implied mkt cap
Vehicle sales	7,355
Robotaxi service	566
Humanoid robot	2,985
Total implied equity value (USD mn)	10,906
Implied value per share (USD)	11.5
Implied value per share (HKD)	45

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our rating and price target include: worse-than-expected pricing competition in China's NEV market; execution risk and worse-than-expected competition in robotaxi, humanoid robots and other business. Key factors to track for validating or falsifying our valuation thesis on the three new initiatives include: the launch of L4 vehicles by end-2026, cost management and shipment volumes of humanoid robots, progress in the certification process for other business, and the execution of supply chain operations.

Potential upside catalysts include successful collaboration between XPeng and VW on future products and technology, better-than-expected development and demand in robotaxi, humanoid robots and other business.

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XPeng - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**40,866**	**76,720**	**84,620**	**103,488**	**114,485**
COGS	(35,021)	(62,247)	(68,201)	(86,173)	(95,343)
Gross profit	**5,846**	**14,473**	**16,420**	**17,314**	**19,142**
SG&A	(6,871)	(9,398)	(8,960)	(8,178)	(8,729)
Adj. EBITDA	**(4,549)**	**(399)**	**(1,154)**	**(626)**	**921**
D&A	(2,109)	(2,372)	(2,605)	(2,732)	(2,843)
Adj. EBIT	**(6,658)**	**(2,771)**	**(3,759)**	**(3,359)**	**(1,921)**
Net Interest	1,031	783	541	220	182
Adj. PBT	**(5,831)**	**(1,157)**	**(3,681)**	**(2,795)**	**(1,384)**
Tax	70	(14)	(137)	0	0
Minority Interest	0	0	0	0	0
Adj. Net Income	**(5,790)**	**(1,139)**	**(3,819)**	**(2,795)**	**(1,384)**
Reported EPS (Basic)	(6.12)	(1.20)	(4.01)	(2.94)	(1.45)
Adj. EPS	**(6.12)**	**(1.20)**	**(4.01)**	**(2.94)**	**(1.45)**
DPS	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	946	952	952	952	952

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	18,586	17,330	13,067	12,734	12,644
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Other current assets	23,137	33,547	33,547	33,547	33,547
Current assets	**49,736**	**63,254**	**58,096**	**60,268**	**61,666**
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Total assets	**82,706**	**103,163**	**98,475**	**101,990**	**103,620**
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Payables	23,080	37,163	36,996	42,496	44,667
Other short term liabilities	12,175	16,668	15,205	15,205	15,205
Current liabilities	**39,865**	**58,113**	**56,483**	**61,983**	**64,154**
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Other long term liabilities	5,902	8,092	8,092	8,092	8,092
Total liabilities	**51,431**	**72,794**	**71,664**	**77,664**	**80,335**
Shareholders' equity	31,275	30,368	26,811	24,326	23,285
Minority interests	0	0	0	0	0
Total liabilities & equity	**82,706**	**103,163**	**98,475**	**101,990**	**103,620**
BVPS	**33.07**	**31.90**	**28.16**	**25.55**	**24.46**
y/y Growth	*(20.8%)*	*(3.5%)*	*(11.7%)*	*(9.3%)*	*(4.3%)*
Net debt/(cash)	(8,313)	(6,459)	(1,696)	(864)	(273)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(2,012)**	**8,259**	**(1,687)**	**3,243**	**2,485**
o/w Depreciation & amortization	2,109	2,372	2,605	2,732	2,843
o/w Changes in working capital	56	8,697	728	2,995	683
Cash flow from investing activities	**(1,255)**	**(7,334)**	**(3,075)**	**(4,075)**	**(3,075)**
o/w Capital expenditure	(2,226)	(3,156)	(3,075)	(4,075)	(3,075)
as % of sales	*5.4%*	*4.1%*	*3.6%*	*3.9%*	*2.7%*
Cash flow from financing activities	**669**	**515**	**500**	**500**	**500**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	1,197	515	500	500	500
Net change in cash	**(2,562)**	**1,661**	**(4,262)**	**(333)**	**(91)**
Adj. Free cash flow to firm	**(5,388)**	**7,390**	**(3,560)**	**(1,143)**	**(934)**
y/y Growth	*48.5%*	*(237.2%)*	*(148.2%)*	*(67.9%)*	*(18.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	14.3%	18.9%	19.4%	16.7%	16.7%
EBITDA margin	(11.1%)	(0.5%)	(1.4%)	(0.6%)	0.8%
EBIT margin	(16.3%)	(3.6%)	(4.4%)	(3.2%)	(1.7%)
Net profit margin	(14.2%)	(1.5%)	(4.5%)	(2.7%)	(1.2%)
ROE	(17.1%)	(3.7%)	(13.4%)	(10.9%)	(5.8%)
ROA	(6.9%)	(1.2%)	(3.8%)	(2.8%)	(1.3%)
ROCE	(15.4%)	(6.8%)	(9.8%)	(9.0%)	(5.3%)
SG&A/Sales	16.8%	12.3%	10.6%	7.9%	7.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	1.8	16.2	1.5	1.4	NM
Sales/Assets (x)	0.5	0.8	0.8	1.0	1.1
Assets/Equity (x)	2.5	3.0	3.5	3.9	4.3
Interest cover (x)	4.4	0.5	2.1	2.8	NM
Operating leverage	(117.0%)	(66.5%)	346.2%	(47.8%)	(402.7%)
Tax rate	(1.2%)	(1.2%)	(3.7%)	0.0%	0.0%
Revenue y/y Growth	33.2%	87.7%	10.3%	22.3%	10.6%
EBITDA y/y Growth	(49.5%)	(91.2%)	189.0%	(45.7%)	(247.1%)
EPS y/y Growth	(48.6%)	(80.5%)	235.2%	(26.8%)	(50.5%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	NM	NM	NM
P/BV (x)	1.0	1.0	1.1	1.3	1.3
EV/EBITDA (x)	NM	NM	NM	NM	71.7
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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Zhejiang Leapmotor Technology Co.,Ltd

Downgrade to Neutral as volume takes priority over profitability

▼ Neutral
Previous: Overweight

9863.HK,9863 HK
Price (29 Sep 26): HK$34.26

▼ Price Target (Jun-27): HK$36.00
Prior (Dec-26): HK$60.00

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	34	47	86	100	99
Growth	4	3	7	35	88
Momentum	78	76	2	3	
Quality	84	98	99	98	
Low Vol	84	87	93	97	

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

We are maintaining our earnings estimates on Leapmotor; our rating downgrade today is a valuation call – similar to BYD and Geely Auto. On one hand, we like Leapmotor's rapid volume growth potential in both domestic and international markets, however, our reservation is the company prioritizes volume or market share gain over profitability – which arguably makes sense in this competitive market. This would cap the company's valuation upside.

Leapmotor is currently trading at ~12x 2027 PER on our estimates, as the company has successfully turned a profit in 2H25-1H26. We believe current valuation has reflected the company's fast growing opportunity. From here, intense competition and policy uncertainty could together cap valuation upside unless Leapmotor can deliver meaningful earnings surprise – on this, we note management guidance on 2026 earnings is revised down to ~Rmb3bn now from Rmb5bn earlier this year as a result of the fierce competitive environment in the Chinese market and cost inflation, which together pressure industry profitability including for Leapmotor.

Our thesis on Leapmotor is summarized as:

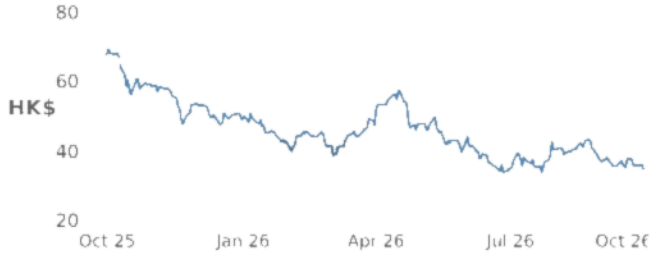
- **Product (portfolio + launch cadence):** Leapmotor has built out a full A/B/C/D-series product matrix targeting the Rmb60k-300k mass-market band, with B/C as the volume base and D-series (e.g., D19 SUV, D99 MPV) intended to lift mix; near-term volume is driven by D19/D99 plus A10/A05. We project sharp volume growth of over 60% HoH in 2H26 thanks to aggressive new launches.
- **Technology (cost-efficient in-house stack + iteration):** Leapmotor's technology roadmap emphasizes smart driving, in-house chips, and digital architecture, framed around rapid iteration and cost control.
- **Overseas plan (export ramp + Stellantis-enabled localization):** Overseas growth is central: 1H26 exports +373% YoY to 96k units (27% of deliveries), with FY26 overseas sales estimated to reach ~200k and ~350k-400k in FY27 (JPMe); Europe is the lead market with South America building, supported by Stellantis distribution/manufacturing and a localization path (production in Malaysia, Spain from Oct-2026, Brazil in 2H27) to mitigate tariff/geopolitical risk.

Upside/ downside risks to our analysis include better- or worse-than-expected volume delivery and profitability in both domestic and international markets.

Our June-27 PT of HKD36 (vs previous Dec-26 PT HK$60) is based on 10x 2027E PER (from 2026E 20x PER and 0.6x PS).

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Price Performance



	YTD	1m	3m	12m
Abs	-29.5%	-11.8%	1.4%	-47.8%
Rel	-21.7%	-8.6%	-6.7%	-34.8%

Company Data

Shares O/S (mn)	940
52-week range (HK$)	69.20-32.80
Market cap ($ mn)	4,105
Exchange rate	7.85
Free float (%)	59.4%
3M ADV (mn)	7.77
3M ADV ($ mn)	37.3
Volatility (90 Day)	54
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	37|0|0

Key Metrics (FYE Dec)

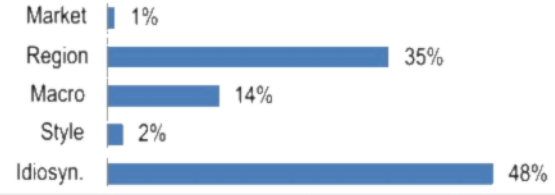
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	64,732	120,175	164,587	180,153
Adj. EBITDA	1,254	4,267	5,873	7,478
Adj. EBIT	177	2,498	3,989	5,493
Adj. net income	538	2,630	4,504	6,492
Net margin	0.8%	2.2%	2.7%	3.6%
Adj. EPS	0.38	1.89	3.24	4.67
BBG EPS	0.52	1.99	3.66	5.07
Cashflow from operations	12,623	26,385	31,720	23,845
FCFF	7,353	23,404	28,570	20,641
Margins and Growth				
Revenue Growth Y/Y (%)	101.3%	85.7%	37.0%	9.5%
EBITDA margin	1.9%	3.6%	3.6%	4.2%
EBITDA Growth Y/Y (%)	(153.8%)	240.2%	37.6%	27.3%
EBIT margin	0.3%	2.1%	2.4%	3.0%
Adj. EPS growth	(118.2%)	392.3%	71.2%	44.2%
Ratios				
Adj. tax rate	0.0%	5.0%	5.0%	5.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	1.4%	14.4%	16.7%	16.9%
ROE	4.5%	16.8%	22.7%	25.0%
Valuation				
FCFF yield	17.9%	57.5%	70.1%	50.7%
Dividend yield	-	-	-	-
EV/EBITDA	13.6	NM	NM	NM
EV/Revenue	0.3	NM	NM	NM
Adj. P/E	76.2	15.5	9.0	6.3

Summary Investment Thesis and Valuation

Our Neutral rating is a valuation call- similar to BYD and Geely Auto. On the one hand, we like Leapmotor's rapid volume growth potential in both domestic and international markets, nonetheless, our reservation is the company prioritizes volume or market share gain over profitability- which arguably makes sense in this competitive market. This would cap the company's valuation upside.

Our June-27 PT of HKD36 is based on 10x 2027E PER, at the relatively higher end of the sector's trading band ~6x to ~12x. We believe this is fair as it captures Leapmotor's rapid top-line growth opportunity vs peers such as Great Wall or Geely (~6x 2027E) but still at discount to BYD (~12x) given BYD's stronger global market position. China auto's 2027E blended average PER is now ~10x. The company is turning profitable and we believe the company's valuation methodology would shift from sales multiple (i.e. P/Sales or EV/Sales) to simple earnings multiple (e.g. PER) as we enter 2H26 and 2027. Our multiple takes into account the latest developments and challenges in both the China EV sector and broader equity markets, including slowing of demand and a worsening of the competitive environment.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	-0.06	0.09
Region: China	0.62	0.60
Macro:		
HSI Volatility Index	-0.06	-0.32
Emerging Economies CPI(YoY)	0.37	0.28
JPM Forecast Revision EM	-0.26	-0.24
Quant Styles:		
Size	-0.48	-0.26
Momentum	-0.47	-0.26
DivYld	0.27	0.08

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Table 11: Earnings revisions

	2026E			2027E		
Rmb mn	Current	Previous	diff	Current	Previous	diff
Net Sales	120,175	119,835	0%	164,587	155,837	6%
Sales growth (%)	86%	85%		37%	30%	
COGS	104,593	101,394	3%	142,577	132,501	8%
Gross profit	15,583	18,441	-15%	22,010	23,335	-6%
Gross margin (%)	13.0%	15.4%		13.4%	15.0%	
Operating profit	2,498	2,470	1%	3,989	4,020	-1%
Operating margin (%)	2.1%	2.1%		2.4%	2.6%	
Pre-tax profit	2,769	2,742	1%	4,741	4,747	0%
Tax rate	5%	5%		5%	5%	
Net profit	2,630	2,605	1%	4,504	4,510	0%
Net margin (%)	2%	2%		3%	3%	
Net profit growth (%)	389%	384%		71%	73%	
NP (Non- IFRS)	3,111	3,084	1%	5,162	5,133	1%
NPM- adj (%)	3%	3%		3%	3%	

Source: J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Zhejiang Leapmotor Technology Co.,Ltd *(Neutral; Price Target: HK$36.00)*

Investment Thesis

Our Neutral rating is a valuation call- similar to BYD and Geely Auto. On the one hand, we like Leapmotor's rapid volume growth potential in both domestic and international markets, nonetheless, our reservation is the company prioritizes volume or market share gain over profitability- which arguably makes sense in this competitive market. This would cap the company's valuation upside.

Valuation

Our June-27 PT of HKD36 is based on 10x 2027E PER, at the relatively higher end of the sector's trading band ~6x to ~12x. We believe this is fair as it captures Leapmotor's rapid top-line growth opportunity vs peers such as Great Wall or Geely (~6x 2027E) but still at discount to BYD (~12x) given BYD's stronger global market position. China auto's 2027E blended average PER is now ~10x. The company is turning profitable and we believe the company's valuation methodology would shift from sales multiple (i.e. P/Sales or EV/Sales) to simple earnings multiple (e.g. PER) as we enter 2H26 and 2027. Our multiple takes into account the latest developments and challenges in both the China EV sector and broader equity markets, including slowing of demand and a worsening of the competitive environment.

Risks to Rating and Price Target

Downside risks to our rating and price target include: 1) fiercer-than-expected competition in the China NEV market; and 2) worse-than-expected vehicle deliveries.

Upside risks include better-than-expected volume, revenue and profitability in both domestic and overseas markets – including carbon credit revenue from Stellantis in 2027E.

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Zhejiang Leapmotor Technology Co.,Ltd: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**32,164**	**64,732**	**120,175**	**164,587**	**180,153**
COGS	(29,470)	(55,320)	(104,593)	(142,577)	(152,884)
Gross profit	**2,694**	**9,412**	**15,583**	**22,010**	**27,269**
SG&A	(3,275)	(5,595)	(7,239)	(9,770)	(11,945)
Adj. EBITDA	**(2,331)**	**1,254**	**4,267**	**5,873**	**7,478**
D&A	(840)	(1,077)	(1,769)	(1,884)	(1,984)
Adj. EBIT	**(3,171)**	**177**	**2,498**	**3,989**	**5,493**
Net Interest	309	294	194	667	1,247
Adj. PBT	**(2,821)**	**538**	**2,769**	**4,741**	**6,834**
Tax	(0)	0	(138)	(237)	(342)
Minority Interest	0	0	0	0	0
Adj. Net Income	**(2,821)**	**538**	**2,630**	**4,504**	**6,492**
Reported EPS	(2.11)	0.38	1.89	3.24	4.67
Adj. EPS	**(2.11)**	**0.38**	**1.89**	**3.24**	**4.67**
DPS	**-**	**-**	**-**	**-**	**-**
Payout ratio	-	-	-	-	-
Shares outstanding	1,337	1,400	1,390	1,390	1,390

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,378	10,985	36,643	67,637	90,756
Accounts receivable	1,981	5,210	2,231	1,583	1,476
Inventories	2,023	4,548	10,603	14,453	15,498
Other current assets	16,070	18,918	18,918	18,918	18,918
Current assets	**26,453**	**39,662**	**68,394**	**102,592**	**126,647**
PP&E	5,537	10,243	11,283	12,192	12,985
LT investments	4,033	10,125	10,125	10,125	10,125
Other non current assets	1,624	2,788	2,783	2,802	2,845
Total assets	**37,647**	**62,818**	**92,586**	**127,710**	**152,602**
Short term borrowings	1,266	654	1,154	1,654	2,154
Payables	18,903	33,099	53,866	77,364	91,779
Other short term liabilities	4,806	9,077	12,966	17,431	18,695
Current liabilities	**24,975**	**42,829**	**67,985**	**96,448**	**112,627**
Long-term debt	1,108	2,307	3,807	5,307	6,807
Other long term liabilities	1,493	3,564	3,564	3,564	3,564
Total liabilities	**27,576**	**48,700**	**75,357**	**105,319**	**122,998**
Shareholders' equity	10,071	14,118	17,229	22,391	29,603
Minority interests	0	0	0	0	0
Total liabilities & equity	**37,647**	**62,818**	**92,586**	**127,710**	**152,602**
BVPS	**7.53**	**10.16**	**12.40**	**16.11**	**21.30**
y/y Growth	*(29.8%)*	*34.9%*	*22.0%*	*30.0%*	*32.2%*
Net debt/(cash)	(5,258)	(11,173)	(34,831)	(63,825)	(84,944)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**8,471**	**12,623**	**26,385**	**31,720**	**23,845**
o/w Depreciation & amortization	840	1,077	1,769	1,884	1,984
o/w Changes in working capital	11,809	10,492	21,582	24,759	14,742
Cash flow from investing activities	**(13,323)**	**(11,086)**	**(2,726)**	**(2,726)**	**(2,726)**
o/w Capital expenditure	(2,151)	(4,799)	(2,677)	(2,677)	(2,677)
as % of sales	*6.7%*	*7.4%*	*2.2%*	*1.6%*	*1.5%*
Cash flow from financing activities	**(503)**	**3,097**	**2,000**	**2,000**	**2,000**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	2,993	0	0	0
o/w Net debt issued/(repaid)	(413)	396	2,000	2,000	2,000
Net change in cash	**(5,353)**	**4,607**	**25,658**	**30,994**	**23,119**
Adj. Free cash flow to firm	**5,910**	**7,353**	**23,404**	**28,570**	**20,641**
y/y Growth	*(785.3%)*	*24.4%*	*218.3%*	*22.1%*	*(27.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	8.4%	14.5%	13.0%	13.4%	15.1%
EBITDA margin	(7.2%)	1.9%	3.6%	3.6%	4.2%
EBIT margin	(9.9%)	0.3%	2.1%	2.4%	3.0%
Net profit margin	(8.8%)	0.8%	2.2%	2.7%	3.6%
ROE	(25.0%)	4.5%	16.8%	22.7%	25.0%
ROA	(8.5%)	1.1%	3.4%	4.1%	4.6%
ROCE	(27.1%)	1.4%	14.4%	16.7%	16.9%
SG&A/Sales	10.2%	8.6%	6.0%	5.9%	6.6%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	2.3	NM	NM	NM	NM
Sales/Assets (x)	1.0	1.3	1.5	1.5	1.3
Assets/Equity (x)	2.9	4.2	5.0	5.6	5.4
Interest cover (x)	7.6	NM	NM	NM	NM
Operating leverage	(29.9%)	(104.3%)	1527.4%	161.5%	398.9%
Tax rate	(0.0%)	0.0%	5.0%	5.0%	5.0%
Revenue y/y Growth	92.1%	101.3%	85.7%	37.0%	9.5%
EBITDA y/y Growth	(38.3%)	(153.8%)	240.2%	37.6%	27.3%
EPS y/y Growth	(41.7%)	(118.2%)	392.3%	71.2%	44.2%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	76.2	15.5	9.0	6.3
P/BV (x)	3.9	2.9	2.4	1.8	1.4
EV/EBITDA (x)	NM	13.6	NM	NM	NM
Dividend Yield	-	-	-	-	-

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which



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J.P.Morgan

Guangzhou Automobile Group - A

Overweight

601238.SS,601238 CH
Price (29 Sep 26): Rmb5.60

Price Target (Jun-27): Rmb5.80

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	(0.48)	(0.78)	-61.0%
Adj. EPS - 27E (Rmb)	(0.05)	(0.39)	-666.2%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	94	87	74	36	51
Growth	97	99	83	83	84
Momentum	98	98	100	82	20
Quality	95	90	91	74	71
Low Vol	26	30	29	29	60

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

LT beneficiary on SOE reform though execution is the key

We recently upgraded Guangzhou Auto (GAC) to OW following the company's announcement of M&A deal with FAW where FAW and GAC will integrate their Toyota business in China (link). Strategically, we believe this marks an important milestone towards potentially more consolidation in the China auto industry. We believe the integration of Toyota business is the first step; long term .e.g. 2H27-2028, we believe both companies will explore the same opportunity of consolidating or integrating their own brand businesses.

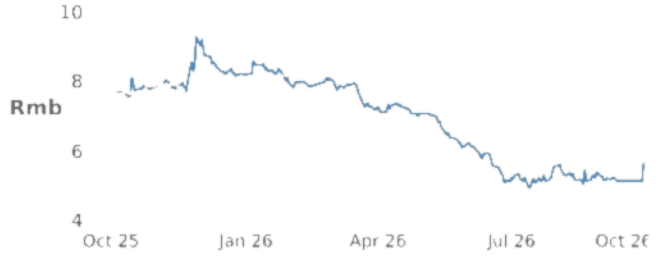
While we are structurally positive on GAC's future, we believe M&A and consolidation will take time, implying investors may not see immediate benefit on earnings in the next 6-9 months.

While we welcome GAC's long term strategic move, in the near term, we believe a challenging domestic market will continue to pressure GAC's Honda JV and also its own brand business although Toyota JV's profitability and industry position shall remain robust. We are revising down GAC's 2026-27 earnings to reflect potential provision at Honda JV (given its weak sales volume, down ~50% YTD) and lingering loss at own brand. Following our conservative earnings revisions, we adjust GAC-A's PT Rmb5.5 on 0.6x Price to Book.

Risks to our investment view include: worse-than-expected or longer-than-expected execution of M&A deal at Toyota and own brand business, which eventually would lead to prolonged earnings recovery in 2027-28.

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Price Performance



	YTD	1m	3m	12m
Abs	-31.4%	4.5%	9.4%	-26.2%
Rel	-27.9%	7.6%	15.4%	-25.4%

Company Data

Shares O/S (mn)	6,738
52-week range (Rmb)	9.57-4.82
Market cap ($ mn)	5,622
Exchange rate	6.71
Free float (%)	16.0%
3M ADV (mn)	26.83
3M ADV ($ mn)	20.8
Volatility (90 Day)	37
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	8|2|4

Key Metrics (FYE Dec)

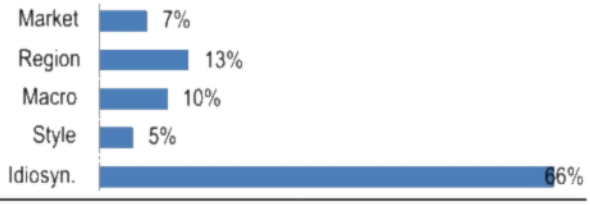
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	96,542	96,708	109,931	111,377
Adj. EBITDA	(2,165)	(5,075)	128	4,532
Adj. EBIT	(11,583)	(10,383)	(4,974)	(425)
Adj. net income	(8,784)	(8,068)	(4,025)	(500)
Net margin	(9.1%)	(8.3%)	(3.7%)	(0.4%)
Adj. EPS	(0.85)	(0.78)	(0.39)	(0.05)
BBG EPS	(0.52)	(0.77)	(0.47)	(0.13)
Cashflow from operations	(16,199)	(9,735)	(10,067)	4,233
FCFF	(25,074)	(15,735)	(16,067)	(1,767)
Margins and Growth				
Revenue Growth Y/Y (%)	(10.4%)	0.2%	13.7%	1.3%
EBITDA margin	(2.2%)	(5.2%)	0.1%	4.1%
EBITDA Growth Y/Y (%)	(125.8%)	134.4%	(102.5%)	3435.8%
EBIT margin	(12.0%)	(10.7%)	(4.5%)	(0.4%)
Adj. EPS growth	(1166.5%)	(8.1%)	(50.1%)	(87.6%)
Ratios				
Adj. tax rate	(4.8%)	(19.0%)	(22.4%)	(57.7%)
Interest cover	NM	NM	0.2	5.1
Net debt/Equity	NM	NM	0.1	0.0
Net debt/EBITDA	9.0	1.5	40.5	0.8
ROCE	(9.9%)	(10.9%)	(5.6%)	(0.6%)
ROE	(8.0%)	(8.0%)	(4.2%)	(0.5%)
Valuation				
FCFF yield	(43.1%)	(27.0%)	(27.6%)	(3.0%)
Dividend yield	0.9%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	1,109.9	32.0
EV/Revenue	1.1	1.3	1.3	1.3
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

Guangzhou Auto is executing a broad restructuring to address its profitability challenges through organizational reform, product renewal and overseas expansion. The proposed M&A with FAW could further support the turnaround by facilitating the integration of Toyota's China operations and improving operational efficiency. While execution remains subject to the final transaction structure and regulatory and shareholder approvals, we see the deal as a positive move for GAC and have an Overweight rating on GAC-A.

Our Jun-27 PT of Rmb5.8 is based on 0.6x 2027E P/BV and also in line with GAC's proposed transaction with FAW. This is also below GAC-A's historical average of 1.6x. Given that P/E can swing a lot, we use pure P/BV to value the stock. GAC-H's P/B expanded by 88%/160% during 2012-13/2016-17 when the company saw a meaningful earnings rebound of 134%/75%. The 0.5x P/B/0.6x P/B multiples for the H/A share reflect the potential benefits from the proposed M&A, with 0.6x P/B an important valuation benchmark based on Dongfeng's privatization.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.35	0.27
Region: China	0.66	0.38
Macro:		
HSI Volatility Index	-0.29	-0.31
JPM Global Equity Sentiment	0.17	0.28
JPM EM Currency(EMCI) Fixing	0.16	0.16
Quant Styles:		
Size	-0.73	-0.35
Momentum	-0.58	-0.26
Quality	0.28	0.13

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

Table 12: Earnings revisions

	2026E			2027E		
RMBmn	Revised	Previous	% change	Revised	Previous	% change
Revenue	96,708	96,708	0%	109,931	109,931	0%
Sales growth (%)	0%	0%		14%	14%	
COGS	100,408	95,927	5%	106,413	103,077	3%
Gross profit	(3,700)	780	-574%	3,519	6,854	-49%
Gross margin (%)	-4%	1%		3%	6%	
Operating profit	(13,491)	(9,468)	-43%	(8,615)	(4,097)	-110%
Operating margin (%)	-14.0%	-9.8%		-7.8%	-3.7%	
JV/Associate profit	3,108	3,339	-7%	3,642	3,756	-3%
growth (%)	25%	34%		17%	12%	
Pre-tax profit	(11,066)	(6,812)	-62%	(5,761)	(1,128)	-410%
Pretax margin	-11%	-7%		-5%	-1%	
Net profit	(8,068)	(5,012)	-61%	(4,025)	(525)	-666%
Net margin (%)	-8%	-5%		-4%	0%	
Net profit growth (%)	-8%	-43%		-50%	-90%	

Source: J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Guangzhou Automobile Group - A *(Overweight: Price Target: Rmb5.80)*

Investment Thesis

Guangzhou Auto is executing a broad restructuring to address its profitability challenges through organizational reform, product renewal and overseas expansion. The proposed M&A with FAW could further support the turnaround by facilitating the integration of Toyota's China operations and improving operational efficiency. While execution remains subject to the final transaction structure and regulatory and shareholder approvals, we see the deal as a positive move for GAC and have an Overweight rating on GAC-A.

Valuation

Our Jun-27 PT of Rmb5.8 is based on 0.6x 2027E P/BV and in line with GAC's proposed transaction with FAW. This is also below GAC-A's historical average of 1.6x. Given that P/E can swing a lot, we use pure P/BV to value the stock. GAC-H's P/B expanded by 88%/160% during 2012-13/2016-17 when the company saw a meaningful earnings rebound of 134%/75%. The 0.5x P/B/0.6x P/B multiples for the H/A share reflect the potential benefits from the proposed M&A, with 0.6x P/B an important valuation benchmark based on Dongfeng's privatization.

Risks to Rating and Price Target

Upside/downside risks to our rating and price target include: 1) better-/worse-than-expected operating improvement and profitability at GAC own brands and major JVs; 2) better-/worse-than-anticipated sales volume growth in overseas and domestic markets; and 3) better/worse situation in proposed M&A and the following operating synergies.

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Guangzhou Automobile Group - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**107,784**	**96,542**	**96,708**	**109,931**	**111,377**
COGS	(105,346)	(101,967)	(100,408)	(106,413)	(104,593)
Gross profit	**2,438**	**(5,425)**	**(3,700)**	**3,519**	**6,784**
SG&A	(2,436)	(1,859)	(6,383)	(8,232)	(7,490)
Adj. EBITDA	**8,379**	**(2,165)**	**(5,075)**	**128**	**4,532**
D&A	(8,815)	(9,418)	(5,308)	(5,102)	(4,957)
Adj. EBIT	**(436)**	**(11,583)**	**(10,383)**	**(4,974)**	**(425)**
Net Interest	(291)	(478)	(683)	(787)	(890)
Adj. PBT	**(727)**	**(12,060)**	**(11,066)**	**(5,761)**	**(1,315)**
Tax	233	578	2,102	1,288	759
Minority Interest	1,318	2,698	896	447	56
Adj. Net Income	**824**	**(8,784)**	**(8,068)**	**(4,025)**	**(500)**
Reported EPS (Basic)	0.08	(0.85)	(0.78)	(0.39)	(0.05)
Adj. EPS	**0.08**	**(0.85)**	**(0.78)**	**(0.39)**	**(0.05)**
DPS	**0.15**	**0.05**	**0.00**	**0.00**	**0.00**
Payout ratio	189.3%	NM	0.0%	0.0%	0.0%
Shares outstanding	10,392	10,392	10,392	10,392	10,392

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	46,422	31,072	20,654	9,800	13,142
Accounts receivable	28,003	26,320	23,846	27,106	27,463
Inventories	15,688	16,446	15,465	16,605	12,051
Other current assets	20,973	24,193	24,193	24,193	24,193
Current assets	**111,086**	**98,031**	**84,158**	**77,704**	**76,850**
PP&E	28,396	27,064	30,659	33,966	37,009
LT investments	-	-	-	-	-
Other non current assets	93,030	89,902	90,108	91,340	93,579
Total assets	**232,512**	**214,997**	**204,925**	**203,011**	**207,438**
Short term borrowings	0	0	0	0	0
Payables	63,227	54,664	47,555	44,114	43,096
Other short term liabilities	27,551	32,438	36,694	40,950	45,207
Current liabilities	**90,778**	**87,102**	**84,250**	**85,064**	**88,303**
Long-term debt	13,696	11,506	13,250	14,993	16,737
Other long term liabilities	6,207	6,652	6,652	6,652	6,652
Total liabilities	**110,682**	**105,260**	**104,151**	**106,709**	**111,692**
Shareholders' equity	114,408	105,286	97,218	93,193	92,693
Minority interests	7,423	4,452	3,556	3,109	3,053
Total liabilities & equity	**232,512**	**214,997**	**204,925**	**203,011**	**207,438**
BVPS	**11.01**	**10.23**	**9.45**	**9.06**	**9.01**
y/y Growth	*(0.8%)*	*(7.1%)*	*(7.7%)*	*(4.1%)*	*(0.5%)*
Net debt/(cash)	(32,726)	(19,566)	(7,404)	5,194	3,595

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**8,299**	**(16,199)**	**(9,735)**	**(10,067)**	**4,233**
o/w Depreciation & amortization	8,815	9,418	5,308	5,102	4,957
o/w Changes in working capital	6,199	(12,172)	(3,653)	(7,842)	3,180
Cash flow from investing activities	**(16,203)**	**(2,522)**	**(6,000)**	**(6,000)**	**(6,000)**
o/w Capital expenditure	(10,700)	(8,875)	(6,000)	(6,000)	(6,000)
as % of sales	*9.9%*	*9.2%*	*6.2%*	*5.5%*	*5.4%*
Cash flow from financing activities	**4,818**	**6,051**	**5,317**	**5,213**	**5,110**
o/w Dividends paid	(1,459)	(302)	0	0	0
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	7,663	7,937	6,000	6,000	6,000
Net change in cash	**(3,086)**	**(12,669)**	**(10,418)**	**(10,854)**	**3,343**
Adj. Free cash flow to firm	**(2,401)**	**(25,074)**	**(15,735)**	**(16,067)**	**(1,767)**
y/y Growth	*(64.9%)*	*944.5%*	*(37.2%)*	*2.1%*	*(89.0%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	2.3%	(5.6%)	(3.8%)	3.2%	6.1%
EBITDA margin	7.8%	(2.2%)	(5.2%)	0.1%	4.1%
EBIT margin	(0.4%)	(12.0%)	(10.7%)	(4.5%)	(0.4%)
Net profit margin	0.8%	(9.1%)	(8.3%)	(3.7%)	(0.4%)
ROE	0.7%	(8.0%)	(8.0%)	(4.2%)	(0.5%)
ROA	0.4%	(3.9%)	(3.8%)	(2.0%)	(0.2%)
ROCE	(0.4%)	(9.9%)	(10.9%)	(5.6%)	(0.6%)
SG&A/Sales	2.3%	1.9%	6.6%	7.5%	6.7%
Net debt/Equity	NM	NM	NM	0.1	0.0
Net debt/EBITDA	NM	9.0	1.5	40.5	0.8
Sales/Assets (x)	0.5	0.4	0.5	0.5	0.5
Assets/Equity (x)	1.96	2.04	2.07	2.14	2.21
Interest cover (x)	28.8	NM	NM	0.2	5.1
Operating leverage	665.2%	(24535.4%)	(6051.0%)	(381.0%)	(6954.3%)
Tax rate	(32.0%)	(4.8%)	(19.0%)	(22.4%)	(57.7%)
Revenue y/y Growth	(16.9%)	(10.4%)	0.2%	13.7%	1.3%
EBITDA y/y Growth	(22.4%)	(125.8%)	134.4%	(102.5%)	3435.8%
EPS y/y Growth	(81.3%)	(1166.5%)	(8.1%)	(50.1%)	(87.6%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	70.7	NM	NM	NM	NM
P/BV (x)	0.5	0.5	0.6	0.6	0.6
EV/EBITDA (x)	11.4	NM	NM	1,109.9	32.0
Dividend Yield	2.7%	0.9%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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J.P.Morgan

Guangzhou Automobile Group - H

LT beneficiary on SOE reform though execution is the key

We are revising down GAC's 2026-27 earnings to reflect potential provisions at the Honda JV (given its weak sales volume, down ~50% YTD) and lingering losses at its own brand. Following our conservative earnings revisions, we adjust GAC-H's PT to HK$5.00, based on 0.5x Price to Book.

Overweight

2238.HK,2238 HK

Price (29 Sep 26): HK$2.54

▼ **Price Target (Jun-27): HK$5.00**
Prior (Jun-27): HK$5.70

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	(0.48)	(0.78)	-61.0%
Adj. EPS - 27E (Rmb)	(0.05)	(0.39)	-666.2%

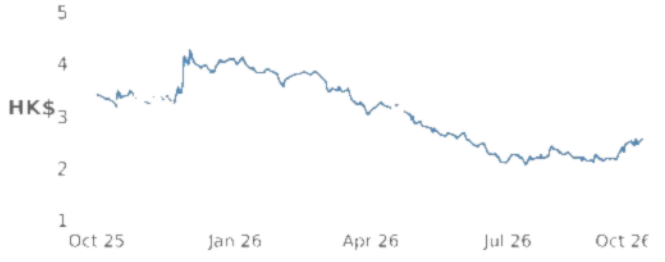
Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	64	45	21	5	18
Growth	96	99	88	87	84
Momentum	99	97	97	91	49
Quality	96	91	91	82	71
Low Vol	55	80	78	38	64
ESGQ	23	13	2	15	5

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



— 2238.HK Price (HK$) HSCEI (rebased)

	YTD	1m	3m	12m
Abs	-37.9%	12.9%	21.5%	-24.4%
Rel	-30.1%	16.1%	13.5%	-11.3%

Company Data

Shares O/S (mn)	6,738
52-week range (HK$)	4.38-2.02
Market cap ($ mn)	2,181
Exchange rate	7.85
Free float (%)	80.4%
3M ADV (mn)	15.81
3M ADV ($ mn)	4.6
Volatility (90 Day)	46
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	6|6|4

Key Metrics (FYE Dec)

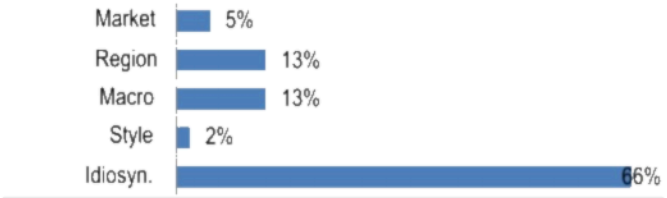
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	96,542	96,708	109,931	111,377
Adj. EBITDA	(2,165)	(5,075)	128	4,532
Adj. EBIT	(11,583)	(10,383)	(4,974)	(425)
Adj. net income	(8,784)	(8,068)	(4,025)	(500)
Net margin	(9.1%)	(8.3%)	(3.7%)	(0.4%)
Adj. EPS	(0.85)	(0.78)	(0.39)	(0.05)
BBG EPS	(0.55)	(0.81)	(0.49)	(0.25)
Cashflow from operations	(16,199)	(9,735)	(10,067)	4,233
FCFF	(25,074)	(15,735)	(16,067)	(1,767)
Margins and Growth				
Revenue Growth Y/Y (%)	(10.4%)	0.2%	13.7%	1.3%
EBITDA margin	(2.2%)	(5.2%)	0.1%	4.1%
EBITDA Growth Y/Y (%)	(125.8%)	134.4%	(102.5%)	3435.8%
EBIT margin	(12.0%)	(10.7%)	(4.5%)	(0.4%)
Adj. EPS growth	(1166.5%)	(8.1%)	(50.1%)	(87.6%)
Ratios				
Adj. tax rate	(4.8%)	(19.0%)	(22.4%)	(57.7%)
Interest cover	NM	NM	0.2	5.1
Net debt/Equity	0.1	0.2	0.4	0.5
Net debt/EBITDA	NM	NM	326.0	9.8
ROCE	(8.2%)	(8.6%)	(4.2%)	(0.5%)
ROE	(8.0%)	(8.0%)	(4.2%)	(0.5%)
Valuation				
FCFF yield	(111.0%)	(69.7%)	(71.1%)	(7.8%)
Dividend yield	2.3%	0.0%	0.0%	0.0%
EV/EBITDA	NM	NM	1,109.9	32.0
EV/Revenue	1.1	1.3	1.3	1.3
Adj. P/E	NM	NM	NM	NM

Summary Investment Thesis and Valuation

Guangzhou Auto is executing a broad restructuring to address its profitability challenges through organizational reform, product renewal and overseas expansion. The proposed M&A with FAW could further support the turnaround by facilitating the integration of Toyota's China operations and improving operational efficiency. While execution remains subject to the final transaction structure and regulatory and shareholder approvals, we see the deal as a positive move for GAC and have an Overweight rating on GAC-H.

Our Jun-27 PT of HK$5 is based on 0.5x 2027E P/B, which is below GAC-H's historical average of 1.0x. Given that P/E can swing a lot, we use pure P/BV to value the stock. GAC-H's P/B expanded by 88%/160% during 2012-13/2016-17 when the company saw meaningful earnings rebounds of 134%/75%. The 0.5x P/B multiple reflects the potential benefits from the proposed M&A, with 0.6x P/B an important valuation benchmark based on Dongfeng's privatization.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.32	0.24
Region: China	0.60	0.38
Macro:		
HSI Volatility Index	-0.28	-0.33
JP Morgan GBI-EM Global Div	0.14	0.22
JPM EM Currency(EMCI) Fixing	0.13	0.19
Quant Styles:		
Size	-0.81	-0.27
Momentum	-0.69	-0.22
Quality	0.26	0.15

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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Investment Thesis, Valuation and Risks

Guangzhou Automobile Group - H *(Overweight: Price Target: HK$5.00)*

Investment Thesis

Guangzhou Auto is executing a broad restructuring to address its profitability challenges through organizational reform, product renewal and overseas expansion. The proposed M&A with FAW could further support the turnaround by facilitating the integration of Toyota's China operations and improving operational efficiency. While execution remains subject to the final transaction structure and regulatory and shareholder approvals, we see the deal as a positive move for GAC and have an Overweight rating on GAC-H.

Valuation

Our Jun-27 PT of HK$5 is based on 0.5x 2027E P/B, which is below GAC-H's historical average of 1.0x. Given that P/E can swing a lot, we use pure P/BV to value the stock. GAC-H's P/B expanded by 88%/160% during 2012-13/2016-17 when the company saw meaningful earnings rebounds of 134%/75%. The 0.5x P/B multiple reflects the potential benefits from the proposed M&A, with 0.6x P/B an important valuation benchmark based on Dongfeng's privatization.

Risks to Rating and Price Target

Upside/downside risks to our rating and price target include: 1) better-/worse-than-expected operating improvement and profitability at GAC own brands and major JVs; 2) better-/worse-than-anticipated sales volume growth in overseas and domestic markets, and 3) better-/worse situation in proposed M&A and the following operating synergies.

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Revenue	**107,784**	**96,542**	**96,708**	**109,931**	**111,377**
COGS	(105,346)	(101,967)	(100,408)	(106,413)	(104,593)
Gross profit	**2,438**	**(5,425)**	**(3,700)**	**3,519**	**6,784**
SG&A	(2,436)	(1,859)	(6,383)	(8,232)	(7,490)
Adj. EBITDA	**8,379**	**(2,165)**	**(5,075)**	**128**	**4,532**
D&A	(8,815)	(9,418)	(5,308)	(5,102)	(4,957)
Adj. EBIT	**(436)**	**(11,583)**	**(10,383)**	**(4,974)**	**(425)**
Net Interest	(291)	(478)	(683)	(787)	(890)
Adj. PBT	**(727)**	**(12,060)**	**(11,066)**	**(5,761)**	**(1,315)**
Tax	233	578	2,102	1,288	759
Minority Interest	1,318	2,698	896	447	56
Adj. Net Income	**824**	**(8,784)**	**(8,068)**	**(4,025)**	**(500)**
Reported EPS	0.08	(0.85)	(0.78)	(0.39)	(0.05)
Adj. EPS	**0.08**	**(0.85)**	**(0.78)**	**(0.39)**	**(0.05)**
DPS	**0.15**	**0.05**	**0.00**	**0.00**	**0.00**
Payout ratio	189.3%	NM	0.0%	0.0%	0.0%
Shares outstanding	10,392	10,392	10,392	10,392	10,392

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	46,422	31,072	20,654	9,800	13,142
Accounts receivable	28,003	26,320	23,846	27,106	27,463
Inventories	15,688	16,446	15,465	16,605	12,051
Other current assets	20,973	24,193	24,193	24,193	24,193
Current assets	**111,086**	**98,031**	**84,158**	**77,704**	**76,850**
PP&E	28,396	27,064	30,659	33,966	37,009
LT investments	-	-	-	-	-
Other non current assets	93,030	89,902	90,108	91,340	93,579
Total assets	**232,512**	**214,997**	**204,925**	**203,011**	**207,438**
Short term borrowings	0	0	0	0	0
Payables	63,227	54,664	47,555	44,114	43,096
Other short term liabilities	27,551	32,438	36,694	40,950	45,207
Current liabilities	**90,778**	**87,102**	**84,250**	**85,064**	**88,303**
Long-term debt	13,696	11,506	13,250	14,993	16,737
Other long term liabilities	6,207	6,652	6,652	6,652	6,652
Total liabilities	**110,682**	**105,260**	**104,151**	**106,709**	**111,692**
Shareholders' equity	114,408	105,286	97,218	93,193	92,693
Minority interests	7,423	4,452	3,556	3,109	3,053
Total liabilities & equity	**232,512**	**214,997**	**204,925**	**203,011**	**207,438**
BVPS	**11.01**	**10.23**	**9.45**	**9.06**	**9.01**
y/y Growth	*(0.8%)*	*(7.1%)*	*(7.7%)*	*(4.1%)*	*(0.5%)*
Net debt/(cash)	(9,404)	8,517	24,935	41,789	44,446

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**8,299**	**(16,199)**	**(9,735)**	**(10,067)**	**4,233**
o/w Depreciation & amortization	8,815	9,418	5,308	5,102	4,957
o/w Changes in working capital	6,199	(12,172)	(3,653)	(7,842)	3,180
Cash flow from investing activities	**(16,203)**	**(2,522)**	**(6,000)**	**(6,000)**	**(6,000)**
o/w Capital expenditure	(10,700)	(8,875)	(6,000)	(6,000)	(6,000)
as % of sales	*9.9%*	*9.2%*	*6.2%*	*5.5%*	*5.4%*
Cash flow from financing activities	**4,818**	**6,051**	**5,317**	**5,213**	**5,110**
o/w Dividends paid	(1,459)	(302)	0	0	0
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	7,663	7,937	6,000	6,000	6,000
Net change in cash	**(3,086)**	**(12,669)**	**(10,418)**	**(10,854)**	**3,343**
Adj. Free cash flow to firm	**(2,401)**	**(25,074)**	**(15,735)**	**(16,067)**	**(1,767)**
y/y Growth	*(64.9%)*	*944.5%*	*(37.2%)*	*2.1%*	*(89.0%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	2.3%	(5.6%)	(3.8%)	3.2%	6.1%
EBITDA margin	7.8%	(2.2%)	(5.2%)	0.1%	4.1%
EBIT margin	(0.4%)	(12.0%)	(10.7%)	(4.5%)	(0.4%)
Net profit margin	0.8%	(9.1%)	(8.3%)	(3.7%)	(0.4%)
ROE	0.7%	(8.0%)	(8.0%)	(4.2%)	(0.5%)
ROA	0.4%	(3.9%)	(3.8%)	(2.0%)	(0.2%)
ROCE	(0.4%)	(8.2%)	(8.6%)	(4.2%)	(0.5%)
SG&A/Sales	2.3%	1.9%	6.6%	7.5%	6.7%
Net debt/Equity	NM	0.1	0.2	0.4	0.5
Net debt/EBITDA	NM	NM	NM	326.0	9.8
Sales/Assets (x)	0.5	0.4	0.5	0.5	0.5
Assets/Equity (x)	1.96	2.04	2.07	2.14	2.21
Interest cover (x)	28.8	NM	NM	0.2	5.1
Operating leverage	665.2%	(24535.4%)	(6051.0%)	(381.0%)	(6954.3%)
Tax rate	(32.0%)	(4.8%)	(19.0%)	(22.4%)	(57.7%)
Revenue y/y Growth	(16.9%)	(10.4%)	0.2%	13.7%	1.3%
EBITDA y/y Growth	(22.4%)	(125.8%)	134.4%	(102.5%)	3435.8%
EPS y/y Growth	(81.3%)	(1166.5%)	(8.1%)	(50.1%)	(87.6%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	27.4	NM	NM	NM	NM
P/BV (x)	0.2	0.2	0.2	0.2	0.2
EV/EBITDA (x)	11.4	NM	NM	1,109.9	32.0
Dividend Yield	6.9%	2.3%	0.0%	0.0%	0.0%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which