Fast Take

China Auto Supply Chain

Equities

China

Auto Parts

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HEADLINE

Tesla's long-awaited Semi truck enters mass production.

OUR TAKE

Potential beneficiaries within our coverage and our estimated content value per vehicle (CPV) are as follows:

Shuanghuan — cRmb7,000 CPV;

Rongtai — cRmb5,000 CPV;

Yinlun — cRmb3,000 CPV;

Sanhua — cRmb3,000 CPV.

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Valuation Method and Risk Statement

We think risks to China's auto parts sector include: 1) demand for auto parts being dampened by lower auto production; 2) automakers, with earnings squeezed by slowing car sales, passing price pressure onto parts suppliers; 3) price pressure brought by intensified competition; 4) higher auto part costs due to raw material cost inflation; 5) worse-than-expected sector consolidation; and 6) product recalls triggered by product quality issues.

