*October 9, 2026 02:02 PM GMT*

## Contemporary Amperex Technology Co. Ltd. | Asia Pacific

# What the market is missing

| WHAT'S CHANGED | | |
|---|---|---|
| **Contemporary Amperex Technology Co. Ltd. (300750.SZ)** | **From** | **To** |
| Price Target | Rmb595.00 | **Rmb500.00** |
| **Contemporary Amperex Technology Co. Ltd. (3750.HK)** | | |
| Price Target | HK$815.00 | **HK$705.00** |

If the market's concerns about weaker macro conditions prove correct, we may have overestimated CATL's battery volume from China's ePV segment. However, we believe investors are underappreciating several areas that can support resilient earnings across cycles.

**What the market is underappreciating about demand:** We believe a robust e-commercial fleet market in China, re-accelerating EV adoption in Europe, and emerging EV inflection across overseas markets ex-US have collectively become too large for CATL revenue exposure to overlook. Meanwhile, China's ESS market is evolving toward a more diversified revenue model, with YTD EPC contract awards remaining strong. Around the globe, ESS demand should stay resilient through 2027, supported by grid flexibility needs, higher economics amid elevated gas prices, and inference scaling.

**TCO-equivalent $/kwh premium:** Based on our analysis, CATL could justify up to a Rmb0.24/Wh price premium over tier-2 peers to reach a parity level in total cost of ownership. Secondhand car markets also price CATL's batteries at a >Rmb0.1/Wh premium. These are well above CATL's current margin premium of just Rmb0.09/Wh over tier-2 peers, which we believe should be sustained. This also suggests CATL has passed a significant portion of its quality and performance advantages on to end users rather than fully retaining the value itself.

**Unique "CATL-inside" franchise:** We believe CATL has established a global consumer-brand franchise, and its market share and margin premium are increasingly determined by end user preference rather than OEM purchasing decisions. Besides superior reliability and performance, safety carries unlimited willingness to pay among consumers.

**Shaping the market:** CATL's new products have strengthened model cycles year to date, defending against the market down-cycle and realizing a 12% YoY increase in battery deployment in the domestic ePV market, vs. the industry's double-digit decline in domestic ePV sales. The company releases new products every year, improving unit battery capacity per car at a 7% CAGR over the past six years.

**Some investors are looking for a Rmb0.08/Wh net margin scenario:** The consequence could be an increasingly consolidated industry structure, as many tier-2 battery manufacturers have already fallen into negative cash profitability. As such, we view this as a bottom-fishing scenario for CATL shares.

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**Contemporary Amperex Technology Co. Ltd. (300750.SZ, 300750 CS)**

**Top Pick**

China Energy & Chemicals | China

| | |
|---|---|
| **Stock Rating** | **Overweight** |
| **Industry View** | **In-Line** |
| Price target | Rmb500.00 |
| Up/downside to price target (%) | 68 |
| Shr price, close (Oct 9, 2026) | Rmb297.75 |
| 52-Week Range | Rmb468.75-285.17 |
| Sh out, dil, curr (mn) | 4,564 |
| Mkt cap, curr (mn) | Rmb1,433,117 |
| EV, curr (mn) | Rmb1,250,374 |
| Avg daily trading value (mn) | Rmb12,343 |

| Fiscal Year Ending | 12/25 | 12/26e | 12/27e | 12/28e |
|---|---|---|---|---|
| Revenue, net (Rmb mn) | 423,702 | 607,716 | 717,435 | 873,553 |
| EBITDA (Rmb mn) | 97,874 | 132,552 | 152,469 | 189,028 |
| EPS, basic (Rmb)* | 15.53 | 21.04 | 24.77 | 30.79 |
| EPS (Rmb)** | 16.14 | 21.04 | 24.90 | 30.95 |
| Prior EPS (Rmb)** | - | 20.7 | 27.0 | 33.2 |
| P/E, basic* | 23.7 | 14.2 | 12.0 | 9.7 |
| P/BV | 5.2 | 3.6 | 3.1 | 2.6 |
| EV/EBITDA | 16.1 | 8.8 | 7.1 | 5.3 |
| RNOA (%) | 57.1 | 54.1 | 76.7 | 110.6 |
| Div yld (%) | 2.2 | 3.5 | 4.2 | 5.7 |
| FCF yld ratio (%)** | 5.1 | 8.9 | 9.3 | 10.3 |
| Net income (Rmb mn)* | 72,201 | 95,088 | 111,958 | 139,148 |

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework
** = Based on consensus methodology
* = GAAP or approximated based on GAAP
e = Morgan Stanley Research estimates

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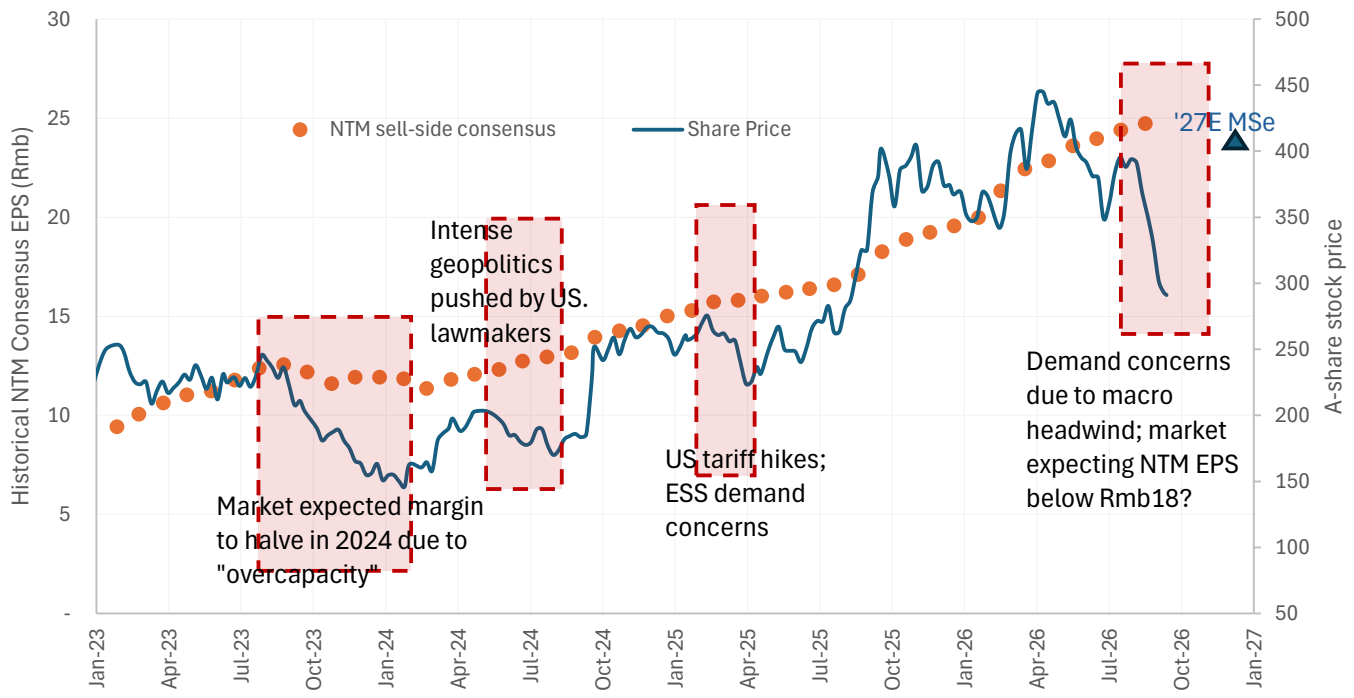
# Executive Summary

In our view, the key debate is whether the market is underappreciating several high-conviction growth vectors that could sustain earnings growth into 2027. Over the next 3-6 months, we see three critical checkpoints:

1. Management's 2027 production plan, which should provide greater visibility on growth expectations;
2. China's ESS tender contract awards in 4Q26, which could translate into battery shipments in 1Q27 and serve as an early indicator of demand outlook; and
3. 3Q26 and 4Q26 results, where we expect investors to focus on unit margin resilience amid ongoing concerns around industry competition.

Positive developments on these fronts would, in our view, challenge the prevailing earnings decline narrative currently embedded in buy-side expectations.

**Exhibit 1:** Buy-side and sell-side expectations have diverged drastically: who revises next?




Source: Factset, Morgan Stanley Research (E) estimates

## Our investment thesis

**We expect resilient growth in demand into 2027:** For EV batteries, we believe the market remains overly focused on weakness in China's ePV market (roughly one-third of CATL's EV battery volume) while underappreciating other application markets (two-thirds of volume), including electrification of commercial fleets in China, re-acceleration of EV adoption in Europe and an emerging EV inflection across the rest of the world (ex-US) that we expect to remain robust into next year. China's ESS market is shifting to a

diversified revenue model now despite less energy arbitrage in some provinces. YTD EPC contract awards continue to be strong. Globally, we remain constructive on ESS demand, which is increasingly underpinned by power system flexibility requirements and the growing LCOE advantage amid elevated gas prices. AIDC inference peak-shaving demand should add another layer of growth.

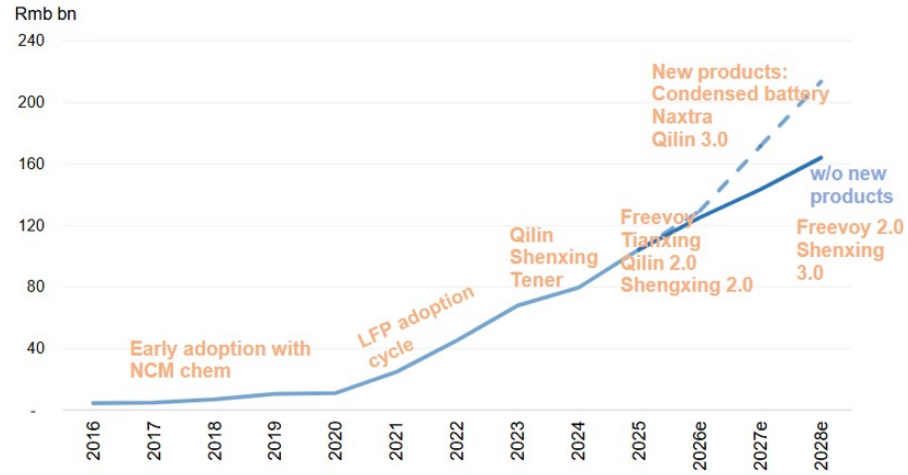
**TCO parity implied $/kwh premium of CATL's batteries still undervalued:** For battery end users, particularly in commercial applications, CATL's quality premium such as cycle life, degradation resistance, round-trip efficiency and low-temperature performance, created by its material science capability, directly translate into economic value. CATL's battery total cost of ownership (TCO) advantage suggests it can sustainably maintain the current profitability premium vs. tier-2 battery producers. Based on our analysis, if battery pricing fully converges toward TCO parity, CATL could justify up to a Rmb0.24/Wh price premium over tier-2 peers, well above the current margin premium of just Rmb0.09/Wh. This suggests CATL has passed a significant portion of its quality and performance advantages on to OEMs and end users rather than fully retaining the value itself.

**Unique "CATL-inside" franchise.** We believe CATL has established a global consumer-brand franchise, occupying a 70% share of the NCM battery market and a ~98% share among vehicle models priced above RMB400,000 in China. According to a NielsenIQ survey published in September 2026, 37.1% of Chinese respondents indicated they would consider giving up purchasing their desired vehicle models if they are not equipped with CATL batteries. We believe CATL's pricing/ margin premium is increasingly determined by end user preference rather than OEM purchasing decisions. Consumers are willing to pay for superior reliability and performance, and safety carries an unlimited willingness-to-pay.

**A Rmb0.08/Wh net margin scenario and the underlying industry structure:** Some investors are concerned that CATL's battery net margin could decline toward RMB0.08/Wh or less next year amid weaker macro conditions and new tax burden. However, the consequence of this could be an increasingly consolidated industry structure, as many tier-2 battery manufacturers have already fallen into negative cash profitability. As such, we view this as a bottom-fishing scenario for shares.

**Shaping the market, not just a market participant:** CATL's new products such as Qilin II and Freevoy have strengthened model cycles year to date, defending against the market downcycle with a 12% YoY increase in China ePV battery deployment (+3% in "CATL-inside" model sales and +9% in battery capacity per car), vs. a double-digit decline in China ePV retails. The company releases new products every year, improving unit battery capacity per car at a 7% CAGR over the past six years. We think the new products that will strengthen model cycles and drive battery capacity per car are Qilin III, Freevoy II, and Shengxing III, as well as condensed batteries. Sodium batteries could also see a powerful product cycle for energy storage next year.

**Exhibit 2:** CATL's product innovation cycles, strengthening EV model cycle, and development of energy storage market solutions help support EBITDA growth




Source: CATL, Morgan Stanley Research (e) estimates

**Valuation:** CATL-A saw a ~20x P/E based on buy-side forecasts and 11x consensus NTM P/E at a historical trough in early 2024. Our EV/EBITDA target multiple for CATL-A implies 20x 2027e P/E, vs. the 3-year average level of 17x, as the company is embracing a new powerful product cycle for sodium and condensed batteries.

## Where we could be wrong

1. If China's EV sales decline more sharply than we expect amid weaker macro consumption, as some investors fear, CATL could face further earnings downgrades as volume growth falls short of forecasts.
2. If industry competition proves more intense and tier-2 battery makers continue to operate at or near zero cash profitability, CATL's battery margins could see greater downside than we currently model. Although we view industry consolidation as the likely outcome under such a scenario, the adjustment process could be more prolonged and disruptive, resulting in weaker near-term profitability and earnings for CATL than our base case assumes.
3. Weaker macro conditions could weigh on commercial vehicle sales in China. Although we expect electrification penetration in the eCV segment to continue to rise, total battery deployment could still undershoot our expectations if fleet demand weakens materially.

# TCO-Equivalent Premium Analysis

**CATL's technology advantage could support ~Rmb0.2/Wh of TCO-equivalent premium**

We estimate that, if battery pricing fully converges toward TCO parity, CATL could justify up to Rmb0.24/Wh price premium over tier-2 peers. The key point is that battery procurement cost is the only upfront purchase cost, and one component of commercial-use economics. For high-utilization commercial fleets or energy storage, battery economy is ultimately determined by the amount of usable energy and productive mileage or energy dispatch delivered over the battery lifetime. Cycle life, degradation resistance, round-trip efficiency (RTE), and low-temperature performance therefore matter substantially more than the headline Rmb/Wh purchase price.

First, a longer cycle life and slower degradation reduce the probability of battery augmentation or replacement and, importantly, allow the vehicle to retain sufficient usable range later in life. Second, higher system efficiency lowers lifetime electricity consumption. Third, stronger low-temperature performance preserves usable capacity and charging efficiency during winter operation, reducing additional charging stops and lost vehicle utilization. Fourth, better retained battery health should support higher residual value at vehicle disposal.

**Exhibit 3:** Heavy-duty truck TCO analysis — CATL vs. peers

| TCO Benefit Driver | Annual / One-off Value (RMB) | Timing | PV Value (RMB) | PV / Initial Battery (RMB/kWh) |
|---|---|---|---|---|
| Energy efficiency savings | 8,750 | Annual | 58,713 | 117 |
| Charging / downtime productivity | 10,000 | Annual | 67,101 | 134 |
| Payload / freight contribution | 4,050 | Annual | 27,176 | 54 |
| Avoided augmentation / replacement | 40,000 | Year 8 | 21,611 | 43 |
| Low-temperature / winter productivity | 16,875 | Annual | 113,233 | 226 |
| Reliability / maintenance value | 2,000 | Annual | 13,420 | 27 |
| Residual value uplift | 20,000 | Year 10 | 9,264 | 19 |
| **Gross PV of identified TCO benefits** | | | **310,517** | 621 |
| Less: overlap / conservatism haircut | | | (139,733) | (279) |
| **Net PV TCO advantage** | | | **170,784** | 342 |
| **Break-even CATL purchase premium** | | | **170,784** | 342 |
| Assumed CATL actual price premium | | | 50,000 | 100 |
| **Customer net TCO benefit after paying CATL premium** | | | **120,784** | 242 |
| CATL capture of total TCO value | | | 29.3% | |

Source: CATL, Morgan Stanley Research estimates

**Key assumptions:**

**1) Battery longevity:** CATL's commercial platforms are increasingly designed around vehicle-life durability, with selected products offering 10-year/1mn-km warranties and heavy-duty solutions targeting substantially longer operating lives. If this allows a fleet to avoid even a partial mid-life battery augmentation of 100–150kWh, the present value of avoided replacement expenditure could already justify roughly Rmb50–80/kWh in upfront premiums on a 500kWh pack.

**2) Higher RTE provides another measurable source of lifetime savings:** For a high-

mileage electric truck consuming around 200–250MWh of battery energy annually, a 5ppt efficiency advantage can save several MWh of electricity each year. Over an 8-10-year operating period, the discounted electricity savings could contribute meaningfully to TCO value. The benefit becomes larger for high-mileage vehicles, higher electricity tariffs and fleets relying heavily on fast charging, where conversion and thermal-management losses are more consequential.

**3) Cold-weather performance adds a third layer of value that is poorly captured by headline battery capacity:** Two nominally identical 500kWh packs are not economically equivalent if one retains materially more usable energy at -20°C. Better low-temperature capacity retention means fewer winter charging stops, greater route completion certainty and less time spent heating the battery before charging. For fleets operating in Northern and Western China, we estimate that improved winter usable energy and charging performance could materially support lifetime economic value. The value can be considerably higher for vehicles operating continuously in very cold regions.

Putting these factors together, after allowing for overlap between benefits and discounting future savings, we arrive at an approximately 0.24/Wh of sustainable TCO advantage of CATL's batteries vs. tier-2 peers.

**On this basis, we believe CATL's advantages in cycle life, degradation resistance, RTE and cold-weather performance collectively create a meaningful economic moat that should support both higher market share and more resilient unit margins vs. tier-2 peers.**

# EV battery volume forecasts

**1) China's ePV market (one-third of EV battery volume in 2027):** CATL EV battery installations have increased 12% YoY in China's ePV market year to date, vs. a double-digit YoY decline in ePV sales. This has been driven by resilient premium model sales installed with CATL's batteries and increased battery capacity per unit, which we expect to continue into 2027 but at a slower pace, just offsetting the declining rate of ePV sales in 2027. We expect the company's battery sales to be flat YoY in China's ePV market in 2027.

**2) China's eCV market (one-third of volume):** CATL's battery installations have risen 53% YoY in China commercial fleets market year to date amid arbitrage opportunities from diesel to electricity switching (less than two years of payback). Amid high energy prices and diesel cracks seen for 2027 (global cracks already reaching historical highs), we expect this arbitrage opportunity to be further strengthened. Given still-low adoption of electric light commercial fleets currently, we expect battery installation in this market to remain robust for 2027. We expect CATL's battery sales in China eCV market to increase 50% YoY for 2027, alongside ongoing electrification in construction machinery and river vessels.

**3) Global EV market (one-third of volume):** CATL's battery installations have increased 32% yoy in Europe and 158% yoy in ROW (ex. China, US and Europe) year to date amid inflection of battery adoption in the global auto market. For 2027, we expect company's battery sales to increase by 25% YoY and 40% YoY in those respective regions.

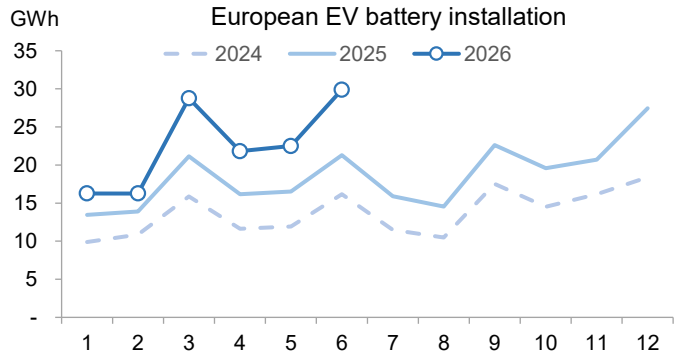


**Exhibit 4:** CATL's EV batteries volume forecasts

| EV Batteries | 2023 | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|
| Global EV battery deployment | 760 | 929 | 1,167 | 1,433 | 1,677 | 2,013 |
| China ePV | 344 | 472 | 583 | 618 | 587 | 635 |
| EU BEV | 184 | 176 | 220 | 297 | 386 | 463 |
| US ePV | 96 | 105 | 121 | 110 | 121 | 133 |
| ROW ePV | 87 | 97 | 96 | 181 | 253 | 329 |
| eBUS | 22 | 24 | 11 | 22 | 22 | 22 |
| eTruck | 28 | 54 | 137 | 205 | 308 | 432 |
| | | | | | | |
| CATL market share% | | | | | | |
| China ePV | 42% | 42% | 40% | 43% | 45% | 45% |
| EU BEV | 36% | 38% | 43% | 44% | 45% | 46% |
| US ePV | 16% | 12% | 8% | 11% | 11% | 11% |
| ROW ePV | 23% | 25% | 26% | 34% | 35% | 37% |
| eBUS | 83% | 82% | 80% | 78% | 80% | 80% |
| eTruck | 65% | 66% | 62% | 62% | 62% | 62% |
| | | | | | | |
| CATL sales | | | | | | |
| China ePV | 165 | 211 | 268 | 294 | 296 | 320 |
| EU ePV | 76 | 71 | 112 | 144 | 191 | 234 |
| ROW ePV | 35 | 37 | 35 | 81 | 112 | 150 |
| eCV | 36 | 55 | 103 | 159 | 230 | 314 |
| Others (machinery & marines) | 10 | 6 | 23 | 35 | 45 | 59 |
| **Total sales** | **321** | **381** | **541** | **712** | **874** | **1,077** |
| YoY % | | 19% | 42% | 32% | 23% | 23% |
| | | | | | | |
| Sales/deployment ratio | 1.14 | 1.07 | 1.19 | 1.17 | 1.17 | 1.17 |
| | | | | | | |
| **Proportion %** | | | | | | |
| China ePV | 51% | 55% | 50% | 41% | 34% | 30% |
| EU ePV | 24% | 19% | 21% | 20% | 22% | 22% |
| ROW ePV | 11% | 10% | 6% | 11% | 13% | 14% |
| e-commercial fleets | 14% | 16% | 23% | 27% | 31% | 35% |
| Total | 100% | 100% | 100% | 100% | 100% | 100% |

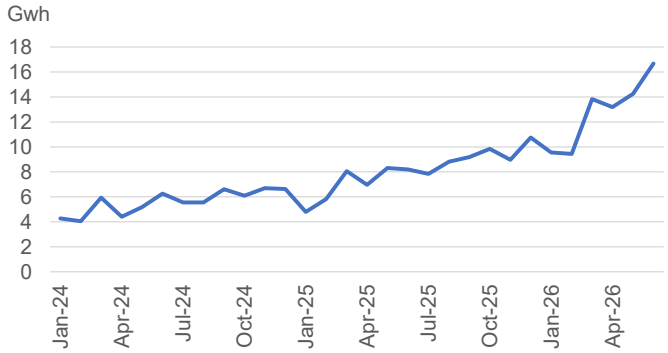
Source: SNE, CATL, Morgan Stanley Research (e) estimates

**Exhibit 5:** European EV battery installations re-accelerating




Source: SNE, Morgan Stanley Research estimates

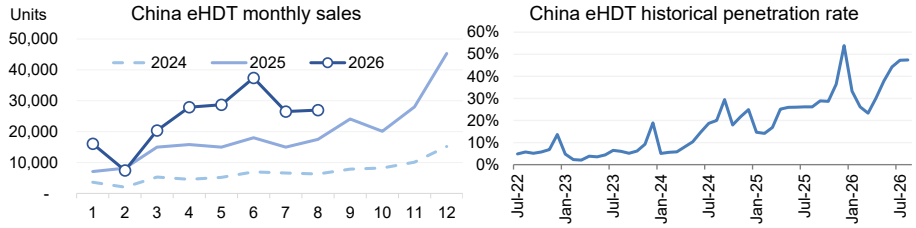
**Exhibit 6:** ROW (ex. China, Europe and US) EV battery adoption inflecting




Source: SNE, Morgan Stanley Research estimates

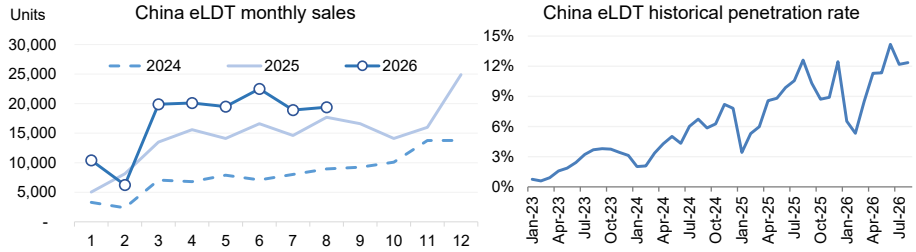
**Exhibit 7:**

China – electric heavy duty truck sales




Source: CAAM, Morgan Stanley Research

**Exhibit 8:** China – electric light duty truck sales




Source: CAAM, Morgan Stanley Research

**Exhibit 9:** Compelling electric HDT payback: 2.4 years without subsidy; 1.8 years with subsidy at $100 Brent

| Without subsidy | US$/CNY rate | 6.8 |
|---|---|---|
| **electric HDT** | | |
| Range | km | 500 |
| Battery pack price | US$/kWh | 80 |
| Battery capacity | kWh | 550 |
| Battery cost | US$ | 44,000 |
| | | |
| ASP of eTruck | US$ | 102,941 |
| - Purchase tax benefit | US$ | 0 |
| - Subsidy | US$ | 0 |
| - Battery replacement cost | US$ | 0 |
| Net payment | US$ | 102,941 |
| | | |
| Eletricity price | US$/kWh | 0.09 |
| Annual mileage | km/year | 227,500 |
| Annual electricity cost | US$/year | 23,243 |
| | | |
| Brent price | US$/bbl | 100 |
| Diesel Price | US$/liter | 1.16 |
| Diesel consumed | liter per km | 0.25 |
| Diesel cost per year | US$/year | 66,150 |
| Emission cost | US$/year | 0 |
| | | |
| Net cash flow | US$/year | 42,907 |
| Payback period | year | 2.4 |

| With subsidy | US$/CNY rate | 6.8 |
|---|---|---|
| **electric HDT** | | |
| Range | km | 500 |
| Battery pack price | US$/kWh | 80 |
| Battery capacity | kWh | 550 |
| Battery cost | US$ | 44,000 |
| | | |
| ASP of eTruck | US$ | 102,941 |
| - Purchase tax benefit | US$ | 5,147 |
| - Subsidy | US$ | 22,059 |
| - Battery replacement cost | US$ | 0 |
| Net payment | US$ | 75,735 |
| | | |
| Eletricity price | US$/kWh | 0.09 |
| Annual mileage | km/year | 227,500 |
| Annual electricity cost | US$/year | 23,243 |
| | | |
| Brent price | US$/bbl | 100 |
| Diesel Price | US$/liter | 1.16 |
| Diesel consumed | liter per km | 0.25 |
| Diesel cost per year | US$/year | 66,150 |
| Emission cost | US$/year | 0 |
| | | |
| Net cash flow | US$/year | 42,907 |
| Payback period | year | 1.8 |

Source: Morgan Stanley estimate

# ESS batteries – new forecasts

**1) China's market:** We believe China's ESS market is undergoing a structural transition in the industry's revenue model, from a merchant energy arbitrage model toward a combination of capacity value, spot arbitrage and ancillary-service revenues. China's utility-scale energy storage pipeline remains notably strong year to date despite deterioration in peak-valley arbitrage economics in several provinces alongside increased grid system charges.

For standalone ESS projects, the rollout of capacity payments has largely offset this impact and, in many cases, preserved or even improved project IRRs. At the same time, new solar installations have incorporated limited storage capacity this year following the removal of mandatory ESS deployment requirements. However, we view this as a timing issue rather than a structural demand concern. As market-based electricity pricing mechanisms continue to be implemented for solar projects, we expect spot arbitrage to widen, strengthening the economic case for co-located storage and driving a delayed wave of ESS installations alongside renewable assets. In addition, we see further nationwide rollout of capacity payments in the next couple of years. We expect CATL's ESS batteries sales to increase 20% YoY in China in 2027, down from our previous 40% forecast, to reflect less merchant arbitrage in some provinces.

**2) Global markets:** ESS deployment has increased by approximately 84% YoY in global ex-China markets year-to-date, driven primarily by North America, Europe, and the Middle East. We believe the investment case for ESS is evolving from optionality to necessity, supported by rising natural gas and power prices that enhance project economics, growing energy security initiatives across regions, and increasing grid flexibility requirements as AI-related power demand accelerates. In parallel, the rapid scaling of AI inference workloads is likely to create an additional layer of demand for distributed power and energy storage infrastructure, further strengthening the long-term growth outlook. Against this backdrop, we expect global ESS demand excluding China to grow around 30% in 2027, supported by both favorable economics and structural demand drivers.

**3) Significant ESS mix improvement:** As 587ah cell ramps up, we expect CATL's ESS mix to improve given 587ah cell's Rmb2.5cents/wh margin premium over 314ah cell. This will significant offset impact from the new consumption tax in the next two years, in our view.

**Exhibit 10:** CATL ESS battery volume forecasts

| ESS sales (GWh) | 2023 | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|---|
| China | | 31 | 32 | 100 | 120 | 144 |
| US | | 39 | 20 | 35 | 40 | 48 |
| EU | | 15 | 20 | 35 | 49 | 66 |
| ROW | | 8 | 49 | 66 | 89 | 105 |
| **Total** | | 93 | 121 | 236 | 298 | 363 |
| YoY % | | | 30% | 95% | 26% | 22% |
| | | | | | | |
| By products | | | | | | |
| <=314 Ah | | 93 | 121 | 186 | 178 | 173 |
| 587 Ah | | - | - | 50 | 120 | 190 |
| *- as % of total* | | | | *21%* | *40%* | *52%* |
| | | | | | | |
| GP RMB/wh | | | | | | |
| 314 Ah | | 0.165 | 0.138 | 0.113 | 0.108 | 0.108 |
| 587 Ah | | | | 0.138 | 0.128 | 0.123 |
| Avg. | | 0.165 | 0.138 | 0.118 | 0.116 | 0.116 |

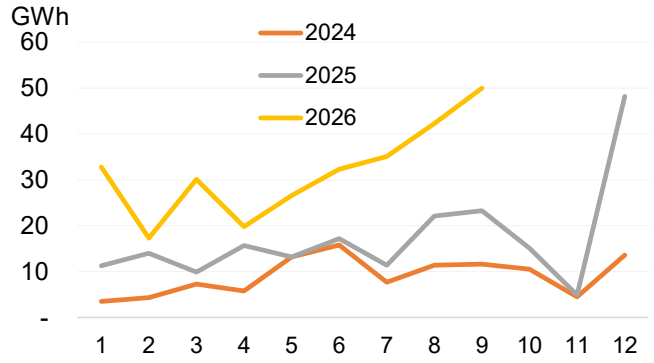
Source: Company data, Morgan Stanley Research (e) estimates

# China – ESS: Strong tender pipeline despite weaker merchant spreads

China's utility-scale energy storage pipeline remains notably strong despite deterioration in spot-market arbitrage economics in several provinces due to narrowed tariff spreads and rising grid system charges. We believe this apparent disconnect reflects a structural transition in the industry's revenue model from a predominantly peak-valley arbitrage one toward a combination of capacity value, spot-market arbitrage and ancillary service revenues. At the same time, a sizeable backlog of projects that have already secured development quotas, land, grid-connection rights and other approvals continues to move into the EPC stage.

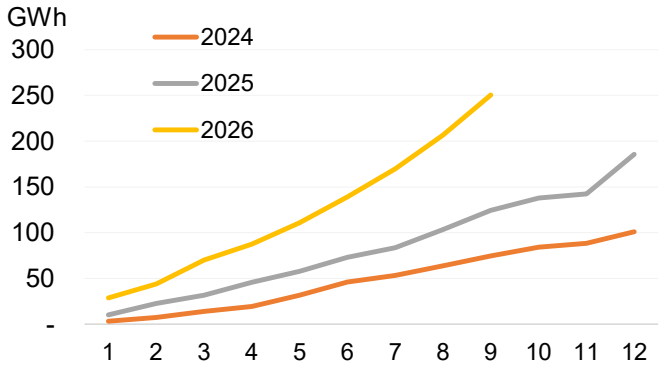
In 1H26, energy storage EPC/PC awards were 165.6GWh, up 106% YoY, of which grid-side projects accounted for 146.5GWh, up 130% YoY. Momentum strengthened further in August, with monthly EPC/PC awards reaching 42.3GWh, including 37.1GWh of grid-side projects.

**Exhibit 11:** Monthly EPC contract awards




Source: CNESA, Morgan Stanley Research

**Exhibit 12:** YTD cumulative EPC contract awards (risk-adjusted)




Source: CNESA, Morgan Stanley Research

We see four key reasons why project activity remains strong despite weaker energy spreads:

**1. Capacity remuneration is becoming an increasingly important part of project economics, providing a partial hedge against merchant-spread compression**

The most important structural change in 2026 has been the introduction of a nationwide framework for compensating the reliable capacity value provided by new energy storage.

NDRC's Pricing Document No. 114, issued in January 2026, established the principle that, once continuous spot-market operation is in place, reliable generation-side capacity should receive capacity remuneration, explicitly bringing new energy storage into the framework.

Implementation at the provincial level has been rapid. At least 13 provinces have now introduced or clarified capacity-remuneration mechanisms for storage. Headline tariffs can overstate the actual economics for shorter-duration systems, however, as payments are typically adjusted for the project's reliable discharge duration. We think capacity payments are likely to increase project IRR by 4-7ppt for 4h ESS.

**Exhibit 13:** Provinces in China implementing ESS capacity payment

| Province | Headline capacity payment | Approx. effective payment for a 4h BESS |
|---|---|---|
| Gansu | RMB330/kW-year | ~RMB220/kW-year |
| Jilin | RMB330/kW-year | ~RMB165/kW-year |
| Qinghai | RMB185/kW-year × adjustment factors | ~RMB75–90/kW-year |
| Xinjiang | RMB165/kW-year | ~RMB110/kW-year |
| Shaanxi | RMB165/kW-year | ~RMB110/kW-year |
| Ningxia | RMB165/kW-year | ~RMB66/kW-year |
| Hebei | ~RMB100/kW-year | ~RMB100/kW-year, subject to applicable adjustment |
| Western Inner Mongolia | No fixed RMB/kW tariff | Discharge-volume-based compensation |

Source: NDRC

Gansu provides a useful illustration that capacity revenue can more than offset a meaningful portion of the deterioration in merchant arbitrage economics:

- Consider a 100MW/400MWh project operating at 320 equivalent full cycles per year. First-year discharged energy would be approximately 400MWh × 320 = 128GWh.
- If the achievable spot-market spread would be compressed from RMB0.20/kWh to RMB0.13/kWh, annual gross arbitrage revenue would fall by approximately 128GWh × RMB0.07/kWh = RMB9.0m per year.
- However, a 4-hour storage project in Gansu can receive an effective capacity payment of approximately RMB220/kW-year, equivalent to: 100MW × RMB220/kW-year = RMB22m per year.

**2. Lower battery costs**

The second support for project economics is a continued decline in battery costs driven by lithium price correction in 2H26. We estimate the current lithium carbonate price implies ESS project IRR will improve 0.7-1ppt from 1H26 levels.

**3. Longer duration requirement**

China's ESS market has shifted toward longer-duration storage, driven by the capacity price policy. In 1H26, China recorded approximately 80.1GW / 227.9GWh of EPC tenders, implying an average duration of roughly 2.85 hours. New large-scale projects are increasingly being designed for 4-hour or longer duration, particularly in renewable-heavy regions where the system increasingly needs storage to shift substantial volumes of midday renewable generation into the evening peak, and longer duration ESS will normally obtain higher capacity payments, according to the policy.

**4. Storage is shifting from an optional merchant asset to a system requirement**

The more fundamental driver, in our view, is the rapid rise in renewable penetration, particularly across Northwest China. Higher solar penetration creates increasingly pronounced intraday imbalances; storage directly addresses this mismatch by absorbing surplus electricity during periods of renewable oversupply and releasing it during periods of system scarcity.

Importantly, while storage additions compress the merchant spread, the system value of storage does not disappear. On the contrary, its contribution to reliable capacity, ramping capability, frequency regulation and renewable integration becomes increasingly valuable as variable renewable penetration rises, moving toward a multi-layer revenue framework of Energy + Capacity + Ancillary Services, in our view.

# Estimate revisions

**Volume:** We cut our EV battery volume forecasts 5.8% for 2027 and 2.7% for 2028, to reflect weakness of China ePV battery against backdrop of weaker macro conditions. We reduce ESS volume assumptions by 2.2% and 5.9%, respectively, to reflect China less merchant arbitrage in some provinces.

**Margin:** For LFP EV batteries, we now expect a Rmb1cent/Wh decline YoY in 2027 to reflect VAT refund reduction and new consumption tax, which also implies tier-2 peers becoming more or less breakeven. For NCM batteries, we expect its unit margin to remain stable YoY in 2027 and see pass-through most of new tax to downstream in this premium market as we think consumer are willing to pay for superior reliability and performance of batteries.

For ESS batteries (LFP), as 587ah cell ramps up, we expect CATL's ESS mix to improve on 587ah cell's Rmb2.5cents/wh margin premium over 314ah cell (Exhibit 9). This will significant offset the impact of new consumption tax in the next two years, in our view.

Overall, we expect unit net margin to decline by Rmb0.5 cent/Wh in 2027 due to the negative impact from export VAT refund removal and new consumption tax, partially offset by mix improvement and CATL's consumer-brand franchise in premium model market.

All told, our EPS estimates increase 1.5% for 2026, reflecting the share buyback, and decline 7.9% for 2027 and 6.8% for 2028.

**Exhibit 14:** New estimates vs. old

| | FY2026E | | | | FY2027E | | | | FY2028E | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RMB mn) | New | Old | chg% | yoy% | New | Old | chg% | yoy% | New | Old | chg% | yoy% |
| EV battery sales (GWh) | 712 | 712 | 0.0% | 31.7% | 875 | 929 | -5.8% | 22.9% | 1,111 | 1,142 | -2.7% | 27.0% |
| ESS battery sales (GWh) | 236 | 218 | 8.5% | 95.0% | 298 | 305 | -2.2% | 26.4% | 363 | 386 | -5.9% | 21.8% |
| Battery ASP (Rmb/Wh) | 0.58 | 0.59 | -0.7% | 1.7% | 0.56 | 0.57 | -1.8% | -4.1% | 0.55 | 0.55 | -1.2% | -2.2% |
| Unit COGS (Rmb/Wh) | 0.45 | 0.46 | -1.0% | 4.3% | 0.43 | 0.43 | -0.2% | -4.4% | 0.42 | 0.41 | 0.3% | -3.9% |
| Battery GP margin (Rmb/Wh) | 0.130 | 0.130 | 0.5% | -6.4% | 0.126 | 0.135 | -6.9% | -3.1% | 0.131 | 0.139 | -5.6% | 3.8% |
| **Revenue** | **607,716** | 600,613 | **1.2%** | **43.4%** | **717,435** | 764,053 | **-6.1%** | **18.1%** | **873,553** | 913,750 | **-4.4%** | **21.8%** |
| **Gross Profit** | **150,216** | 147,179 | **2.1%** | **34.9%** | **176,351** | 194,325 | **-9.2%** | **17.4%** | **222,013** | 240,952 | **-7.9%** | **25.9%** |
| GP mgn % | 25% | 25% | 0.2 ppt | -1.6 ppt | 25% | 25% | -0.9 ppt | -0.1 ppt | 25% | 26% | 0.0 ppt | 0.0 ppt |
| - EV Battery | 95,704 | 96,372 | -0.7% | 26.9% | 114,256 | 129,818 | -12.0% | 19.4% | 151,655 | 162,549 | -6.7% | 32.7% |
| - ESS | 27,848 | 24,143 | 15.3% | 67.0% | 33,848 | 37,402 | -9.5% | 21.5% | 41,606 | 49,490 | -15.9% | 22.9% |
| - Battery material | 9,601 | 9,601 | 0.0% | 61.1% | 10,584 | 9,442 | 12.1% | 10.2% | 10,880 | 11,040 | -1.4% | 2.8% |
| - Battery mineral resources | 1,400 | 1,400 | 0.0% | 108.2% | 2,000 | 2,000 | 0.0% | 42.9% | 2,000 | 2,000 | 0.0% | 0.0% |
| - Others | 15,663 | 15,663 | 0.0% | 24.6% | 15,663 | 15,663 | 0.0% | 0.0% | 15,873 | 15,873 | 0.0% | 1.3% |
| SG&A | (51,950) | (48,349) | 7.4% | 28.7% | (59,177) | (61,506) | -3.8% | 13.9% | (72,055) | (73,557) | -2.0% | 21.8% |
| Adj. EBITDA | 132,552 | 133,116 | -0.4% | 24.3% | 152,469 | 168,113 | -9.3% | 15.0% | 189,028 | 208,320 | -9.3% | 24.0% |
| EBITDA mgn % | 22% | 22% | -0.4 ppt | -3.4 ppt | 21% | 22% | -0.8 ppt | -0.6 ppt | 22% | 23% | -0.1 ppt | 0.0 ppt |
| EBIT | 98,266 | 98,829 | -0.6% | 38.5% | 117,174 | 132,819 | -11.8% | 19.2% | 149,958 | 167,395 | -10.4% | 28.0% |
| EBIT mgn-% | 16% | 16% | -0.3 ppt | -0.6 ppt | 16% | 17% | -1.1 ppt | 0.2 ppt | 17% | 18% | -0.1 ppt | 0.1 ppt |
| Financial cost, net | 5,230 | 5,233 | 0.0% | -34.1% | 10,033 | 10,187 | -1.5% | 91.8% | 9,941 | 10,089 | -1.5% | -0.9% |
| PBT | 117,875 | 118,438 | -0.5% | 31.7% | 138,990 | 154,783 | -10.2% | 17.9% | 172,478 | 190,063 | -9.3% | 24.1% |
| Net Income | 95,088 | 95,463 | -0.4% | 31.7% | 111,958 | 125,140 | -10.5% | 17.7% | 139,148 | 153,688 | -9.5% | 24.3% |
| Net mgn-% | 16% | 16% | -0.2 ppt | -1.4 ppt | 16% | 16% | -0.8 ppt | 0.0 ppt | 16% | 17% | -0.1 ppt | 0.0 ppt |
| EPS | 21.04 | 20.73 | 1.5% | 30.4% | 24.90 | 27.05 | -7.9% | 18.3% | 30.95 | 33.22 | -6.8% | 24.3% |

Source: CATL, Morgan Stanley Research (E) estimates

# Valuation

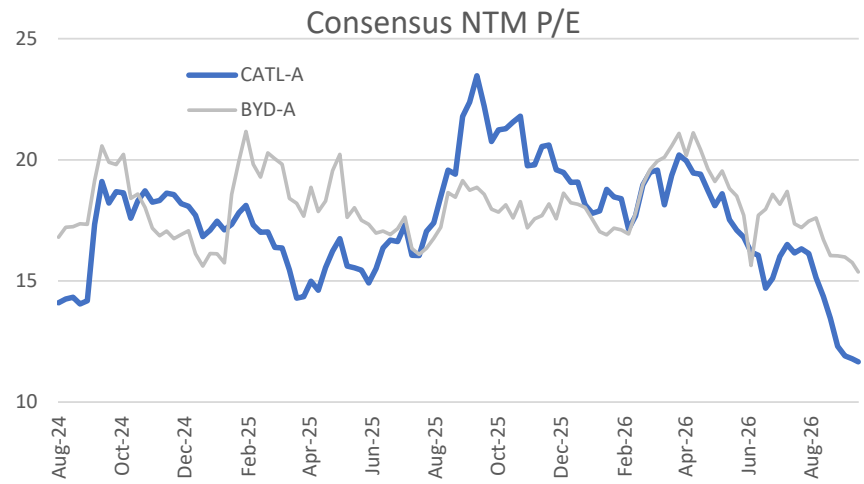
We continue to apply EV/EBITDA methodology. We view BYD and LGES as global comparable peers, while other tier 2 or battery material suppliers are too small with slim margins to attain apples-to-apples comparisons.

Among A shares, CATL-A and BYD-A have traded at the same average NTM P/E ratio of 17x over the past three years, given both positions as industry leaders. The market appears concerned more about CATL's earnings resilience next year amid expectations of a narrowing margin premium over tier-2 battery peers. We think this is overstated the above analysis in the "TCO-Equivalent Premium Analysis" section.

We maintain our EV/EBITDA target multiple at 13x, implying 20x P/E next year, a +0.5stdv over the past three years to reflect the company's earnings resilience across the macro downcycle and new strong product cycle including sodium batteries and condensed batteries in the next three years. All told, our price target for CATL-A falls 16% to Rmb500.

We don't think CATL will face structural de-rating. It is entering what appears to be a powerful sodium battery product cycle, resulting in potential growth re-acceleration over the next three years, along with condensed batteries to support margins and a global electrification and ESS super-cycle heading into 2030. We think the recent share price correction reflects market concerns about macro conditions next year, rather than structural problems in the competitive landscape. We believe the company will continue to take global leadership and innovate its product portfolio, creating more battery adoption in the medium and long terms.

**Exhibit 15:** NTM P/E of CATL-A vs. BYD-A




Source: Factset, Morgan Stanley Research

For the H-shares, we keep our target H/A premium at 20%, implying a 16x EV/EBITDA multiple for 2027, on par with LGES. Our price target declines 13%, to HK$705.

**Exhibit 16:** CATL – valuation

| Base case: CATL-A | Rmb mn |
|---|---|
| 27E EBITDA | 152,469 |
| X multiple | 13.0 |
| EV | 1,982,091 |
| Minus: | |
| '26 net debt | (303,307) |
| MI | 36,925 |
| Target value | 2,248,473 |
| ÷ Shares out | 4,519 |
| Value/shr (Rmb) | 498 |
| Roundup PT-A (Rmb) | 500 |

| Base case: CATL-H | Rmb mn |
|---|---|
| 27E EBITDA | 152,469 |
| X multiple | 16.0 |
| EV | 2,439,497 |
| Minus: | |
| '26 net debt | (303,307) |
| MI | 36,925 |
| Target value | 2,705,879 |
| ÷ Shares out | 4,496 |
| Value/shr (Rmb) | 602 |
| Roundup PT-H (HK$) | 705 |
| | |
| H/A premium | 20% |
| @ex-rate | 1.17 |

Source: Morgan Stanley Research estimates

# Financial summary

**Exhibit 17:** Financial summary

| Assumptions | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Sales - EV battery (GWh) | 381.0 | 541.0 | 712.4 | 875.2 | 1,111.3 |
| Sales - ESS (GWh) | 93.0 | 121.0 | 236.0 | 298.4 | 363.4 |
| ASP - EV battery (Rmb/Wh) | 0.66 | 0.59 | 0.61 | 0.58 | 0.56 |
| ASP - ESS (Rmb/Wh) | 0.62 | 0.52 | 0.51 | 0.50 | 0.49 |
| GP margin - EV battery (%) | 24% | 24% | 22% | 23% | 24% |
| GP margin - ESS (%) | 27% | 27% | 23% | 23% | 23% |

| Income Statement (Rmb mn) | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Net sales | 362,013 | 423,702 | 607,716 | 717,435 | 873,553 |
| Gross profit | 88,494 | 111,319 | 150,216 | 176,351 | 222,013 |
| **EBITDA** | **79,515** | **97,874** | **132,552** | **152,469** | **189,028** |
| **EBIT** | **54,577** | **70,938** | **98,266** | **117,174** | **149,958** |
| Net financing cost | 4,132 | 7,940 | 5,130 | 9,937 | 9,941 |
| **Pre-tax profit** | **63,182** | **89,527** | **117,875** | **138,990** | **172,478** |
| Tax | (9,175) | (12,740) | (16,774) | (19,779) | (24,545) |
| Minority interest | (3,262) | (4,585) | (6,012) | (7,253) | (8,785) |
| **Net profit** | **50,745** | **72,201** | **95,088** | **111,958** | **139,148** |
| **MW net income** | **50,745** | **72,201** | **95,088** | **111,958** | **139,148** |

| Cash Flow (Rmb mn) | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| EBITDA | 79,515 | 97,874 | 132,552 | 152,469 | 189,028 |
| -Taxes paid | (9,175) | (12,740) | (16,774) | (19,779) | (24,545) |
| -Working capital | 14,775 | 33,134 | 35,514 | 39,414 | 35,063 |
| -Others | (4,811) | (9,427) | (7,971) | (7,971) | (7,971) |
| **Operating cash flow** | **96,990** | **133,220** | **170,133** | **192,667** | **219,804** |
| -Capex | (31,180) | (42,345) | (44,039) | (59,796) | (71,798) |
| FCF | 65,810 | 90,875 | 126,094 | 132,871 | 148,006 |
| **Investing cash flow** | **(48,875)** | **(94,503)** | **(39,545)** | **(55,649)** | **(68,033)** |
| Equity raised | 2,560 | 44,814 | - | - | - |
| Debt raised | 30,540 | 39,790 | - | - | - |
| Dividend | (25,807) | (34,923) | (35,918) | (47,544) | (55,979) |
| **Financing cash flow** | **(14,524)** | **(6,310)** | **(36,119)** | **(54,288)** | **(63,488)** |
| **Net cash flow** | **31,994** | **29,743** | **94,469** | **82,731** | **88,283** |

| Per Share Data (Rmb) | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| EPS for Consensus | 11.55 | 16.14 | 21.04 | 24.90 | 30.95 |
| DPS | 6.05 | 8.03 | 10.52 | 12.45 | 17.02 |
| BVPS | 62.25 | 82.94 | 95.86 | 111.47 | 130.95 |

| Profitability Ratios % | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| ROE | 23% | 25% | 26% | 26% | 28% |
| EBITDA margin | 22% | 23% | 22% | 21% | 22% |
| EBIT margin | 15% | 17% | 16% | 16% | 17% |
| Net profit margin | 14% | 17% | 16% | 16% | 16% |
| Net Debt / Equity % | -61% | -58% | -70% | -77% | -81% |
| Days sales AR outstanding | 127 | 119 | 119 | 119 | 119 |
| Days in inventory | 60 | 81 | 80 | 77 | 77 |
| Days payable outstanding | 245 | 266 | 261 | 262 | 259 |
| Cash conversion cycle | (57) | (66) | (62) | (66) | (63) |

| Balance Sheet (Rmb mn) | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Cash & equivalents | 303,512 | 333,513 | 427,982 | 510,712 | 598,995 |
| Receivables | 126,153 | 137,766 | 197,598 | 233,273 | 284,035 |
| Inventories | 59,836 | 94,526 | 133,697 | 150,661 | 183,446 |
| PP&E | 112,589 | 146,401 | 151,153 | 168,954 | 195,682 |
| Intangible asset | 14,420 | 15,264 | 15,264 | 15,264 | 15,264 |
| Long-term investment | 54,792 | 64,884 | 64,884 | 64,884 | 64,884 |
| Other current asset | 6,286 | 12,379 | 12,379 | 12,379 | 12,379 |
| Other asset | 109,071 | 170,094 | 176,387 | 183,309 | 190,924 |
| **Total Assets** | **786,658** | **974,828** | **1,179,345** | **1,339,438** | **1,545,609** |
| Payables | 242,585 | 308,996 | 434,625 | 514,030 | 618,963 |
| Borrowings | 135,739 | 116,851 | 124,675 | 124,675 | 124,675 |
| Other current liability | 32,009 | 55,457 | 64,346 | 76,993 | 90,670 |
| Other liabilities | 102,869 | 122,497 | 122,497 | 122,497 | 122,497 |
| **Total Liabilities** | **513,202** | **603,801** | **746,142** | **838,195** | **956,804** |
| Shareholders equity | 246,930 | 337,108 | 396,278 | 460,692 | 543,861 |
| Minority interest | 26,526 | 33,919 | 36,925 | 40,551 | 44,944 |
| **Total Equity** | **273,456** | **371,026** | **433,203** | **501,243** | **588,805** |

| Growth % | 2024 | 2025 | 2026e | 2027e | 2028e |
|---|---|---|---|---|---|
| Battery volume | 22% | 40% | 43% | 24% | 26% |
| Battery ASP | -25% | -12% | 3% | -5% | -2% |
| Battery GP per Wh | -1% | -12% | -4% | -3% | 5% |
| Sales | -10% | 17% | 43% | 18% | 22% |
| Gross profit | 15% | 26% | 35% | 17% | 26% |
| EBITDA | 17% | 23% | 35% | 15% | 24% |
| EBIT | 20% | 30% | 39% | 19% | 28% |
| Net profit | 15% | 42% | 32% | 18% | 24% |

Source: CATL, Morgan Stanley Research (e) estimates

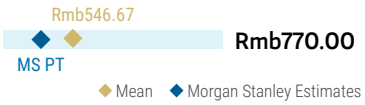
# Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ) Top Pick

Resilient business model through macro cycles

## PRICE TARGET Rmb500.00

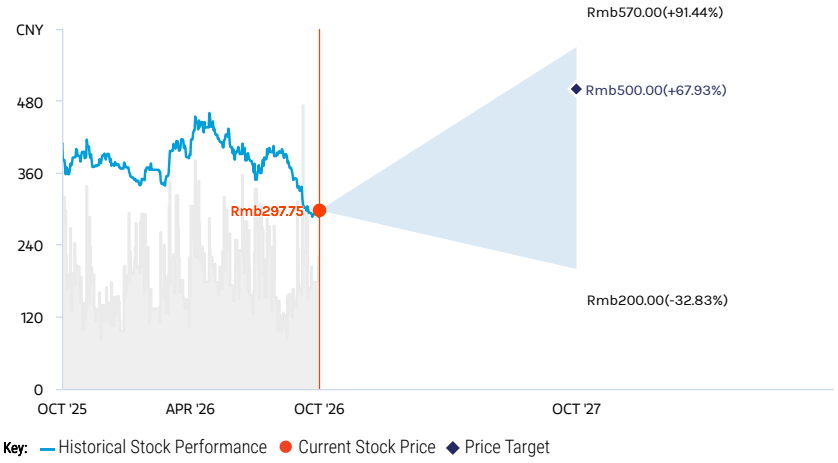
Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 13x EV/EBITDA multiple to 2027E EBITDA, which implies a 20x P/E for 2027E. This is the three-year +0.5 SD level, to reflect a potential new product cycle. Our target value implies a 35% discount to our DCF-based NAV, showing valuation discipline.

**Consensus Price Target Distribution**




Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART

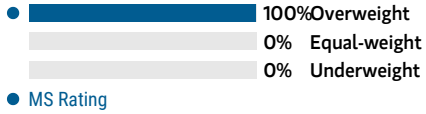



Source: Refinitiv, Morgan Stanley Research

## OVERWEIGHT THESIS

- We expect CATL to generate resilient earnings next year through China's macro cycles, driven by global ex-China electrification and ESS demand.
- Its consumer brand franchise appears likely to help maintain or improve share in the domestic market, with unit net margin premium over tier 2 battery companies remaining at Rmb9cents/wh.
- We find it meaningful that CATL is simultaneously expanding its competitive footprint across a broader addressable market, despite near-term margin dilution from mix effects.
- CATL-A is our Top Pick. A potential sodium battery product cycle would likely result in growth reacceleration and re-rating in the next three years.

**Consensus Rating Distribution**




Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| **Electric Vehicles:** | *Positive* |
| **Renewable Energy:** | *Positive* |
| **Technology Diffusion:** | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE Rmb570.00

**15x 2027e EV/EBITDA**

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Under this scenario, valuation could rise to 15x EV/EBITDA for 2027, anchoring to LGES's average EV/EBITDA multiple over the past three years.

## BASE CASE Rmb500.00

**13x 2027e EV/EBITDA**

We expect EBITDA growth of ~20% in 2026-28, driven by robust ESS demand, electric truck adoption, global electrification and market share gains.

## BEAR CASE Rmb200.00

**7x 2027e EV/EBITDA**

Battery competition becomes severe owing to technology breakthroughs by tier-2 battery makers; CATL faces market share loss and margin pressure.

# Risk Reward – Contemporary Amperex Technology Co. Ltd. (300750.SZ)

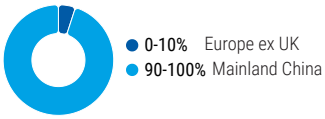
## KEY EARNINGS INPUTS

| Drivers | Dec 2025 | Dec 2026e | Dec 2027e | Dec 2028e |
|---|---|---|---|---|
| EV Battery sales volume (GWh) | 541.0 | 712.4 | 875.2 | 1,111.3 |
| EV Battery ASP (Rmb/Wh) | 0.6 | 0.6 | 0.6 | 0.6 |
| EV Battery gross margin (%) | 23.8 | 22.2 | 22.6 | 24.2 |

## INVESTMENT DRIVERS

- EV penetration (including both PV and CV)
- ESS economics and adoption
- Product mix improvement
- New technology development
- Market share development

## GLOBAL REVENUE EXPOSURE




Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

## MS ALPHA MODELS

4/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

## RISKS TO PT/RATING

### RISKS TO UPSIDE

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

### RISKS TO DOWNSIDE

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

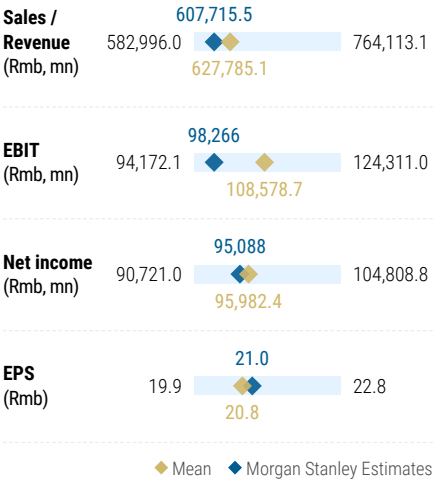
## OWNERSHIP POSITIONING

**Inst. Owners, % Active** 95.7%

Source: Refinitiv, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2026e*




Source: Refinitiv, Morgan Stanley Research

# Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK)

Resilient business model through macro cycles

## PRICE TARGET HK$705.00

Base case, EV/EBITDA. We use this methodology to remain consistent with the approach taken by our global battery analysts for international peers. We assign a 16x EV/EBITDA multiple to 2027E EBITDA, on par with LGES, implying a 20% H/A target premium. Our A-share target multiple is 13x, implying 20x 2027E P/E, +0.5 SD over the past three years, to reflect the company's new product cycle.

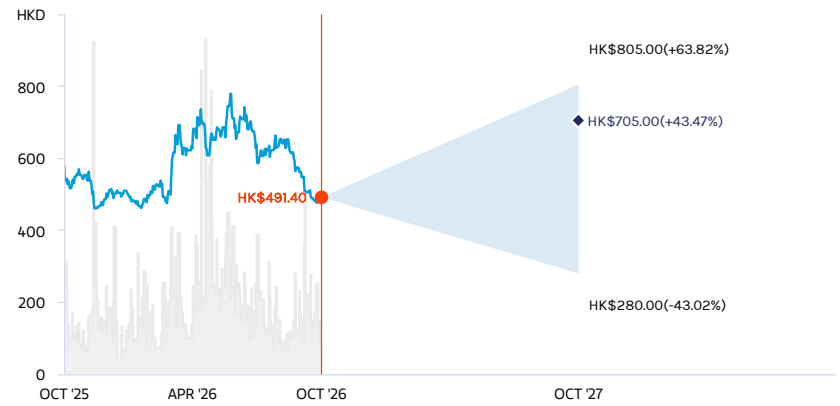
**Consensus Price Target Distribution** HK$606.22 HK$777.12 HK$947.34

MS PT

◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

## RISK REWARD CHART




Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

## OVERWEIGHT THESIS

- We expect CATL to generate resilient earnings next year through China's macro cycles, driven by global ex-China electrification and ESS demand.
- Its consumer brand franchise should help maintain or improve share in the domestic market, with unit net margin premium over tier 2 battery companies remaining at Rmb9cents/wh.
- We find it meaningful that CATL is simultaneously expanding its competitive footprint across a broader addressable market, despite near-term margin dilution from mix effects.
- A potential sodium battery product cycle could result in growth reacceleration and re-rating over the next three years.
- We remain OW on both the H- and A-shares, with the latter our Top Pick.

**Consensus Rating Distribution**

| | |
|---|---|
| 94% | Overweight |
| 6% | Equal-weight |
| 0% | Underweight |

● MS Rating

Source: Refinitiv, Morgan Stanley Research

**Risk Reward Themes**

| | |
|---|---|
| **Electric Vehicles:** | *Positive* |
| **Renewable Energy:** | *Positive* |
| **Secular Growth:** | *Positive* |

View descriptions of Risk Rewards Themes here

## BULL CASE HK$805.00

**18x 2027e EV/EBITDA**

We think CATL will stay on the path of multi-fold R&D investment vs. peers, leading technology iteration, and generating high ROE. Under this scenario, valuation could rise to 18x EV/EBITDA in 2027, anchoring to global peers' average EV/EBITDA multiple over the past three years.

## BASE CASE HK$705.00

**16x 2027e EV/EBITDA**

We expect EBITDA growth of ~20% in 2026-27, driven by robust ESS demand, electric truck adoption, and market share gains.

## BEAR CASE HK$280.00

**8x 2027e EV/EBITDA**

Battery competition becomes severe owing to technology breakthroughs by tier-2 battery makers; CATL faces market share loss and margin pressure.

# Risk Reward – Contemporary Amperex Technology Co. Ltd. (3750.HK)

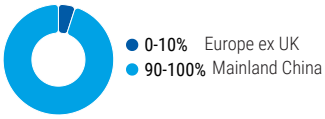
## KEY EARNINGS INPUTS

| Drivers | Dec 2025 | Dec 2026e | Dec 2027e | Dec 2028e |
|---|---|---|---|---|
| EV Battery sales volume (GWh) | 541.0 | 712.4 | 875.2 | 1,111.3 |
| EV Battery ASP (Rmb/Wh) | 0.6 | 0.6 | 0.6 | 0.6 |
| EV Battery gross margin (%) | 23.8 | 22.2 | 22.6 | 24.2 |

## INVESTMENT DRIVERS

- EV penetration (including both PV and CV)
- ESS economics and adoption
- Product mix improvement
- New technology development
- Market share development

## GLOBAL REVENUE EXPOSURE




Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies here

## MS ALPHA MODELS

2/5 MOST — 3 Month Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

## RISKS TO PT/RATING

### RISKS TO UPSIDE

- Faster-than-expected EV penetration and ESS application
- Lower geopolitical risks
- Better-than-expected margins
- Higher-than-expected market share gain

### RISKS TO DOWNSIDE

- Weaker EV penetration and ESS application
- Potential threats from other battery makers
- Geopolitical risks lead to decoupling of battery supply chain
- Stall in market share gain

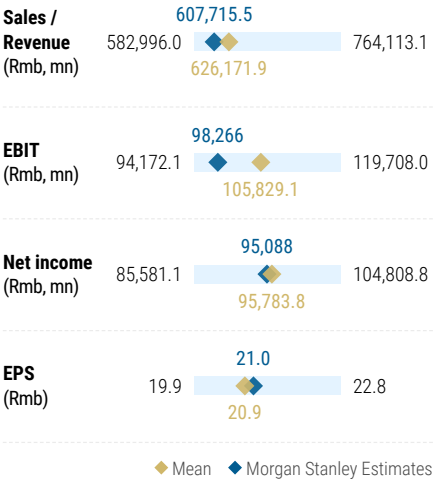
## OWNERSHIP POSITIONING

**Inst. Owners, % Active** 72.8%

Source: Refinitiv, Morgan Stanley Research

## MS ESTIMATES VS. CONSENSUS

*FY Dec 2026e*




Source: Refinitiv, Morgan Stanley Research

# Risk Reward Reference links

1. View explanation of Options Probabilities methodology - Options_Probabilities_Exhibit_Link.pdf

2. View descriptions of Risk Rewards Themes - RR_Themes_Exhibit_Link.pdf

3. View explanation of regional hierarchies - GEG_Exhibit_Link.pdf

4. View explanation of Theme/Exposure methodology - ESG_Sustainable_Solutions_External_Link.pdf

5. View explanation of HERS methodology - ESG_HERS_External_Link.pdf

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(as of September 30, 2026)

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| | Coverage Universe | | Investment Banking Clients (IBC) | | | Other Material Investment Services Clients (MISC) | |
|---|---|---|---|---|---|---|---|
| Stock Rating Category | Count | % of Total | Count | % of Total IBC | % of Rating Category | Count | % of Total Other MISC |
| Overweight/Buy | 1599 | 43% | 455 | 48% | 28% | 783 | 44% |
| Equal-weight/Hold | 1563 | 42% | 394 | 42% | 25% | 763 | 43% |
| Not-Rated/Hold | 2 | 0% | 1 | 0% | 50% | 1 | 0% |
| Underweight/Sell | 570 | 15% | 96 | 10% | 17% | 227 | 13% |
| Total | 3,734 | | 946 | | | 1774 | |

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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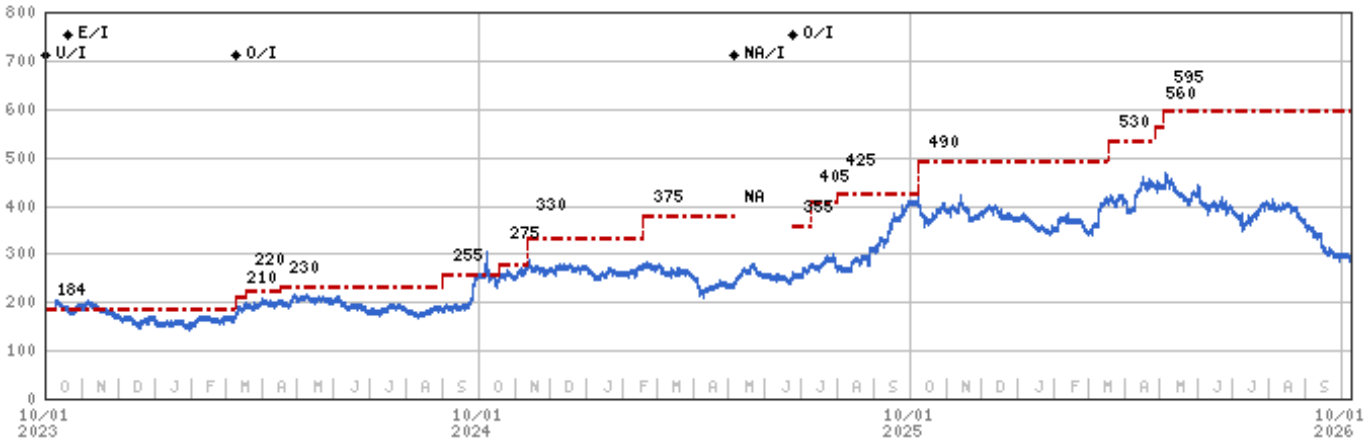
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## Stock Price, Price Target and Rating History (See Rating Definitions)

Contemporary Amperex Technology Co. Ltd. (300750.SZ) - As of 10/09/26 GMT in CNY
Industry : China Energy & Chemicals




Stock Rating History: 10/1/21 : U/A; 8/18/22 : U/I; 1/30/23 : E/I; 6/7/23 : U/I; 10/20/23 : E/I; 3/10/24 : O/I; 5/5/25 : NA/I; 6/25/25 : O/I

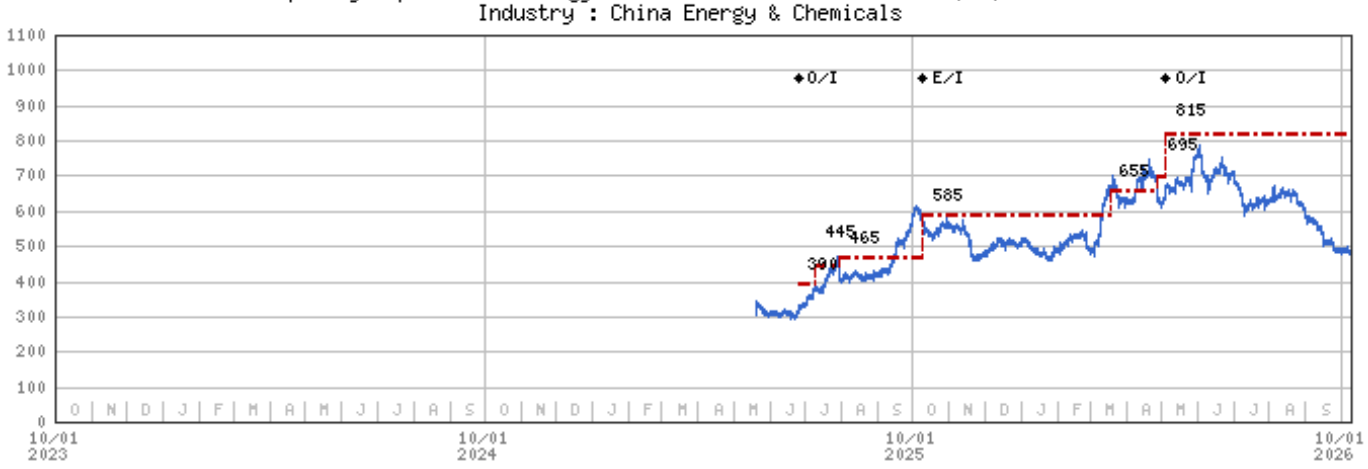
Price Target History: 9/2/20 : 139.44; 11/16/21 : 203.33; 4/11/22 : 210; 5/3/22 : 180.56; 5/5/22 : 155.56; 9/2/22 : 161.11; 11/3/22 : 172.22; 1/18/23 : 194.44; 1/30/23 : 227.78; 2/22/23 : 211.11; 3/14/23 : 213.89; 6/7/23 : 180; 6/21/23 : 184; 3/10/24 : 210; 3/18/24 : 220; 4/16/24 : 230; 9/1/24 : 255; 10/19/24 : 275; 11/11/24 : 330; 2/18/25 : 375; 5/5/25 : NA; 6/25/25 : 355; 7/9/25 : 405; 7/31/25 : 425; 10/9/25 : 490; 3/18/26 : 530; 4/27/26 : 560; 5/4/26 : 595

Source: Morgan Stanley Research  Date Format : MM/DD/YY  Price Target  No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)  Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
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Contemporary Amperex Technology Co. Ltd. (3750.HK) - As of 10/09/26 GMT in HKD
Industry : China Energy & Chemicals




Stock Rating History: 6/25/25 : O/I; 10/9/25 : E/I; 5/4/26 : O/I

Price Target History: 6/25/25 : 390; 7/9/25 : 445; 7/31/25 : 465; 10/9/25 : 585; 3/18/26 : 655; 4/27/26 : 695; 5/4/26 : 815

Source: Morgan Stanley Research  Date Format : MM/DD/YY  Price Target  No Price Target Assigned (NA)
Stock Price (Not Covered by Current Analyst)  Stock Price (Covered by Current Analyst)
Stock and Industry Ratings (abbreviations below) appear as ◆ Stock Rating/Industry View
Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)
Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

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## INDUSTRY COVERAGE: China Energy & Chemicals

| COMPANY (TICKER) | RATING (AS OF) | PRICE* (10/09/2026) |
|---|---|---|
| **Jack Lu** | | |
| China Oilfield Services Ltd. (2883.HK) | E (03/28/2026) | HK$7.66 |
| China Oilfield Services Ltd. (601808.SS) | U (03/28/2026) | Rmb12.57 |
| China Petroleum & Chemical Corp. (600028.SS) | E (08/19/2024) | Rmb5.39 |
| China Petroleum & Chemical Corp. (0386.HK) | O (07/29/2025) | HK$4.54 |
| CNOOC (0883.HK) | O (03/17/2021) | HK$23.90 |
| Contemporary Amperex Technology Co. Ltd. (300750.SZ) | O (06/25/2025) | Rmb297.75 |
| Contemporary Amperex Technology Co. Ltd. (3750.HK) | O (05/04/2026) | HK$491.40 |
| EVE Energy Co Ltd (300014.SZ) | E (05/31/2022) | Rmb51.32 |
| Gotion High Tech Co Ltd (002074.SZ) | E (04/17/2023) | Rmb30.41 |
| Guangzhou Tinci Materials Technology Co (002709.SZ) | E (01/08/2026) | Rmb35.68 |
| Hengli Petrochemical Co Ltd (600346.SS) | ++ | Rmb16.45 |
| Ningbo Ronbay New Energy Technology (688005.SS) | U (10/27/2025) | Rmb24.55 |
| Ningxia Baofeng Energy Group Co., Ltd. (600989.SS) | E (04/15/2026) | Rmb23.25 |
| PetroChina (601857.SS) | O (08/19/2024) | Rmb11.60 |
| PetroChina (0857.HK) | O (03/17/2021) | HK$9.83 |
| REPT Battero Energy Co (0666.HK) | E (10/20/2025) | HK$8.61 |
| Rongsheng Petrochemical Co Ltd (002493.SZ) | O (09/09/2026) | Rmb13.20 |
| Shanghai Putailai New Energy Tech Co Ltd (603659.SS) | U (10/27/2025) | Rmb22.33 |
| Shenzhen Senior Technology Material Co (300568.SZ) | E (01/08/2026) | Rmb15.69 |
| Yunnan Energy New Material Co Ltd (002812.SZ) | O (10/27/2025) | Rmb47.85 |
| **Kaylee Xu** | | |
| Jiangsu Cnano Technology Co Ltd (688116.SS) | U (03/10/2025) | Rmb34.40 |
| Jiangsu Yangnong Chemical (600486.SS) | O (06/12/2026) | Rmb52.58 |
| Shandong Sinocera Functional Material (300285.SZ) | E (03/23/2026) | Rmb56.04 |
| Shenzhen Capchem Technology Co Ltd (300037.SZ) | O (07/14/2026) | Rmb64.79 |
| Sunresin New Materials Co Ltd (300487.SZ) | E (10/25/2024) | Rmb65.46 |
| Wanhua Chemical (600309.SS) | O (04/10/2026) | Rmb70.20 |
| Zhejiang NHU Co. Ltd. (002001.SZ) | E (01/26/2026) | Rmb26.58 |

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* Historical prices are not split adjusted.

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