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China Battery

Profit-pool rebalancing: CATL may take the first hit, but gain the most; downgrade CATL-H, CALB, EVE, Wuxi-A/H and Putailai

Asia Autos & EV Battery

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Battery stocks have materially underperformed over the past few months, initially on concerns over demand and now moves to earnings. We lower our earnings forecasts across the battery value chain and downgrade several covered names. We are now Neutral or Underweight on all tier-2 battery makers, battery materials and equipment names under our coverage. We also downgrade CATL-H to Neutral while maintaining **CATL-A as the only Overweight-rated stock in our battery universe**. While we continue to forecast global EV and ESS battery demand growth of 20-25% in 2027, above market expectations, we have become increasingly concerned that industry profitability is deteriorating faster than expected and that a broader reallocation of profits across the EV value chain is now under way.

- **The problem is not battery demand; it is industry profitability.** Our downgrade reflects a reassessment of earnings, rather than volumes, as weaker OEM profitability, tax burdens and trade restrictions pressure industry returns.
- **New tax policies may accelerate a re-negotiation of industry profit-sharing.** Battery consumption tax, lower export VAT rebates and growing trade barriers arrive at a time when OEM profitability is already under pressure. We estimate that the combined impact of the two battery tax policies could exceed Rmb100bn in 2027, excluding the impact of the NEV export VAT rebate adjustments. We believe a meaningful portion of this burden is likely to migrate upstream and to the broader value chain.
- **This is profit-pool rebalancing, not a traditional price war.** Unlike previous cycles, the current earnings reset is driven less by battery oversupply and more by deteriorating economics across the broader EV ecosystem. The key debate is no longer whether profits will decline, but how they will be redistributed.
- **CATL may take the first hit, but ultimately emerge stronger.** While our forecasts assume CATL will absorb a larger share of the industry's adjustment, we cut earnings estimates for tier-2 battery makers by a larger magnitude. Whether CATL passes through the burden or absorbs part of it, we believe the eventual outcome could be stronger customer stickiness, higher switching costs and greater industry consolidation.
- **We conservatively estimate CATL can still earn ~Rmb0.08/wh in 2027, even if it absorbs the full impact of recent tax changes.** Under tier-2 accounting standards, underlying profitability would remain >Rmb0.10/wh. As industry margins compress and funding requirements rise, we believe financial resilience could become the next competitive moat, reinforcing CATL's competitive advantage despite lower near-term earnings.
- **The next bull case likely comes from value creation.** CATL has rarely relied on outright price reductions to gain share. Instead, technologies that improve customer economics, such as CTP in 2019-20, have driven adoption. We believe sodium-ion batteries and battery swapping could represent the next potential "CTP moment."

See page 78 for analyst certification and important disclosures, including non-US analyst disclosures.

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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
CATL - A	300750 CH	176,068	CNY	267.02	OW	n/c	340.00	Jun-27	520.00	n/c
CATL - H	3750 HK	12,262	HKD	440.80	N	OW	500.00	Jun-27	725.00	n/c
CALB	3931 HK	1,496	HKD	15.42	N	OW	17.00	Jun-27	40.00	n/c
EVE Energy	300014 CH	14,637	CNY	45.04	UW	N	33.00	Jun-27	60.00	n/c
Gotion High-Tech	002074 CH	7,428	CNY	27.37	UW	n/c	18.00	Jun-27	20.00	n/c
Wuxi Lead - A	300450 CH	7,025	CNY	30.34	N	OW	28.00	Jun-27	45.00	n/c
Wuxi Lead - H	470 HK	283	HKD	20.74	N	OW	22.00	Jun-27	45.00	n/c
Putailai	603659 CH	6,266	CNY	19.54	N	OW	20.00	Jun-27	35.00	n/c
Yunnan Energy	002812 CH	6,697	CNY	45.63	N	n/c	50.00	Jun-27	60.00	n/c
Ronbay - A	688005 CH	2,159	CNY	20.79	UW	n/c	17.00	Jun-27	24.00	n/c
Dynanonic - A	300769 CH	1,458	CNY	35.02	UW	n/c	30.00	Jun-27	35.00	n/c
Hunan Yuneng – A	301358 CH	5,114	CNY	44.95	N	n/c	50.00	Jun-27	70.00	n/c

Source: Company data, Bloomberg Finance L.P., J.P. Morgan estimates, n/c = no change. All prices as of 19 Oct 26 except for 3750 HK [16 Oct 26] 3931 HK [16 Oct 26] 470 HK [16 Oct 26].

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Recommendation and valuation

We downgrade CALB, EVE, Putailai and Wuxi Lead-H/A to Neutral or Underweight following our earnings revisions across the battery value chain. We are now Neutral or Underweight on all tier-2 battery makers, battery materials and equipment names under our coverage. We also downgrade CATL-H to Neutral while maintaining CATL-A as the only Overweight-rated stock in our battery universe.

Share price likely to remain range-bound, with further downside risks

We expect CATL's share price to remain range-bound, with downside risk persisting as investors continue to reset earnings expectations through 1Q27. While CATL remains operationally best positioned in the sector, the market's focus has shifted from market share and technology leadership toward earnings downgrades, tax burdens and industry profit-pool rebalancing. As a result, we expect CATL's share price to remain range-bound, with downside risk persisting as investors continue to reset earnings expectations through 1Q27. In our view, investors are likely to wait for greater clarity on the earnings impact of recent policy changes and management's 2027 outlook before turning more constructive.

What might make us turn more constructive?

Earnings expectations fully reset

The most important catalyst would be a completion of the earnings downgrade cycle. We would become more constructive if consensus forecasts were to move closer to our revised earnings estimates, reducing the risk of further earnings cuts.

Sodium-ion and battery swapping prove scalable commercial adoption

We would become more constructive if sodium-ion batteries and battery swapping were to demonstrate scalable commercial adoption and meaningful customer value creation.

CATL has rarely relied on outright price cuts to gain share. Instead, during periods of industry pressure, CATL has introduced solutions that improve customer economics and expand battery adoption. The launch of LFP CTP in 2019-20 is a notable example, where lower system costs and improved TCO helped create value for OEMs without triggering a destructive pricing cycle.

We believe sodium-ion and battery swapping could represent the next "CTP moment." Rather than simply taking share from competitors, both technologies have the potential to expand the addressable market and improve customer economics. In our view, the next bull case for CATL would come from new solutions that create value for customers and expand demand.

Demand surprises, particularly from ESS

The largest upside risk to our view remains stronger-than-expected battery demand, especially from ESS. Accelerating grid investment, renewable integration and AI-driven power demand could support materially stronger ESS deployment than currently anticipated. If global EV and ESS battery demand growth for 2027 can sustainably exceed 35-40%, concerns around utilization, pricing pressure and industry profitability would likely ease meaningfully.

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Table 1: Valuation comparison of China battery supply chain

Company	Code	Rec	Cover analyst	Price 19-Oct	Mkt cap (US$M)	P/E (x) 26E	P/E (x) 27E	EV/EBITDA (x) 26E	EV/EBITDA (x) 27E	Dividend yield 26E	Dividend yield 27E	ROE 26E	ROE 27E	Price change YTD
Upstream - raw material						**8.5**	**8.0**	**6.0**	**5.5**	**2%**	**2%**	**19%**	**18%**	**-37%**
Tianqi Lithium	002466 CH	N	Avery Chan	36.4	8,772	7.7	7.7	3.3	2.8	3%	2%	17%	14%	-34%
Ganfeng Lithium	002460 CH	OW	Avery Chan	38.2	10,707	9.3	10.2	9.6	9.2	1%	1%	14%	12%	-39%
CMOC	3993 HK	OW	Avery Chan	14.6	47,644	8.6	7.7	5.2	4.4	4%	4%	33%	29%	-24%
Zhejiang Huayou	603799 CH	NC	-	32.6	9,233	8.6	6.5	na	na	2%	2%	13%	16%	-52%
Midstream - battery material						**17.5**	**13.5**	**10.4**	**8.8**	**1%**	**1%**	**12%**	**14%**	**-24%**
Beijing Easpring	300073 CH	NC	-	36.7	2,991	17.9	13.8	8.6	7.1	1%	2%	7%	9%	-36%
Shanghai Putailai	603659 CH	N	Rebecca Wen	19.5	6,271	12.9	10.4	9.3	7.2	1%	2%	14%	16%	-29%
Shanshan	600884 CH	NC	-	10.5	3,529	nm	nm	na	na	1%	1%	6%	7%	-22%
Shangtai	001301 CH	NC	-	47.2	2,574	15.4	8.3	na	na	2%	2%	14%	22%	-23%
Yunnan Energy	002812 CH	N	Rebecca Wen	45.6	6,701	15.6	11.9	na	na	0%	0%	8%	13%	-19%
Capchem	300037 CH	NC	-	56.4	6,359	18.9	15.6	16.1	13.0	2%	2%	18%	19%	8%
Do-Fluoride	002407 CH	NC	-	25.1	4,470	14.1	14.4	na	na	3%	4%	12%	11%	-26%
Shenzhen Senior	300568 CH	NC	-	13.8	2,898	28.1	15.9	na	na	1%	2%	7%	11%	-9%
Hunan Yuneng	301358 CH	N	Rebecca Wen	45.0	5,703	6.6	7.3	7.0	6.7	1%	1%	28%	24%	-30%
Dynanonic	300769 CH	UW	Rebecca Wen	35.0	1,468	15.3	12.8	na	na	0%	0%	14%	16%	-20%
Ningbo Ronbay	688005 CH	UW	Rebecca Wen	20.8	2,223	37.7	25.0	16.5	13.2	0%	0%	4%	7%	-41%
CNGR	300919 CH	OW	Parsley Ong	33.2	4,928	9.8	n/a	8.1	7.4	3%	0%	11%	12%	-28%
Battery equipment						**18.0**	**13.8**	**15.4**	**11.9**	**2%**	**2%**	**13%**	**15%**	**-42%**
Wuxi Lead-A	300450 CH	N	Rebecca Wen	30.3	7,395	21.5	16.4	16.8	12.5	2%	2%	16%	19%	-39%
Wuxi Lead-H	470 HK	N	Rebecca Wen	20.7	7,395	12.5	9.5	16.8	12.5	3%	4%	16%	19%	-55%
Yinghe	300457 CH	NC	-	19.0	1,838	18.5	15.3	12.6	10.7	1%	1%	9%	10%	-32%
Hangke	688006 CH	NC	-	17.3	1,563	19.6	13.8	na	na	1%	2%	8%	11%	-41%
Downstream cell makers						**15.7**	**15.8**	**7.9**	**6.0**	**2%**	**2%**	**14%**	**16%**	**-30%**
Gotion	002074 CH	UW	Rebecca Wen	27.4	7,433	25.8	38.0	9.2	na	1%	1%	7%	9%	-30%
CATL-A	300750 CH	OW	Rebecca Wen	267.0	188,453	13.8	12.1	7.9	6.0	4%	5%	26%	27%	-27%
CATL-H	3750 HK	N	Rebecca Wen	440.8	188,452	19.3	17.1	7.9	6.0	3%	3%	26%	27%	-12%
EVE Energy	300014 CH	UW	Rebecca Wen	45.0	14,650	12.6	14.0	10.1	8.1	2%	2%	15%	16%	-32%
CALB	3931 HK	N	Rebecca Wen	15.4	3,482	9.8	9.1	6.8	5.4	0%	0%	7%	9%	-39%
REPT	666 HK	NC	-	7.9	2,346	11.8	8.9	6.0	4.9	na	na	11%	13%	-41%
Sunwoda	300207 CH	NC	-	18.0	4,985	16.6	11.1	7.3	5.7	1%	2%	8%	11%	-31%
NEV OEMs						**9.2**	**13.5**	**3.5**	**2.1**	**4%**	**2%**	**0%**	**5%**	**-35%**
Brilliance China	1114 HK	N	Nick Lai	1.8	1,154	4.4	3.9	na	na	32%	11%	9%	10%	-56%
Great Wall Motor	2333 HK	UW	Nick Lai	7.0	15,261	6.2	5.7	5.4	4.6	6%	5%	9%	9%	-54%
Geely Automobile	175 HK	N	Nick Lai	15.0	20,629	6.0	4.8	2.4	1.6	4%	5%	21%	23%	-16%
GAC	2238 HK	OW	Nick Lai	2.2	6,311	nm	nm	na	na	0%	0%	-8%	-4%	-47%
SAIC	600104 CH	UW	Nick Lai	10.8	18,649	12.4	10.9	1.4	1.1	2%	2%	3%	4%	-29%
BAIC Motor-H	1958 HK	N	Nick Lai	0.7	735	nm	nm	na	na	0%	0%	-5%	-1%	-63%
Changan Auto	200625 CH	UW	Nick Lai	3.3	9,520	17.2	13.6	4.5	3.4	4%	2%	2%	3%	-23%
BYD	1211 HK	N	Nick Lai	73.8	102,518	13.3	11.3	na	na	1%	1%	16%	16%	-23%
NIO Inc - Adr	NIO US	N	Nick Lai	3.4	8,594	nm	nm	6.8	4.1	0%	0%	-55%	-19%	-33%
XPeng Inc - Adr	XPEV US	N	Nick Lai	9.2	8,856	nm	nm	nm	nm	nm	nm	-13%	-11%	-54%
Leapmotor	9863 HK	N	Nick Lai	35.2	6,059	15.8	9.2	4.0	0.2	0%	0%	17%	23%	-28%
Li Auto - Adr	LI US	UW	Nick Lai	11.3	11,747	nm	48.2	na	1.7	0%	0%	-7%	2%	-33%
Auto parts						**17.3**	**14.1**	**9.3**	**7.6**	**3%**	**3%**	**14%**	**15%**	**-30%**
Minth	425 HK	OW	Rebecca Wen	22.4	3,341	7.3	6.3	na	4.2	4%	5%	12%	13%	-29%
Nexteer	1316 HK	N	Rebecca Wen	4.4	1,415	8.1	6.7	2.0	1.9	3%	6%	8%	9%	-31%
Fuyao-H	3606 HK	N	Rebecca Wen	55.6	20,924	13.7	11.5	9.6	8.2	4%	5%	23%	25%	-17%
Fuyao-A	600660 CH	N	Rebecca Wen	55.5	20,924	16.1	13.5	9.6	8.2	4%	4%	23%	25%	-14%
Huayu	600741 CH	NC	-	15.7	7,408	6.9	6.3	1.9	3.5	6%	6%	10%	11%	-22%
Joyson	600699 CH	N	Rebecca Wen	20.6	4,503	18.3	15.0	4.0	3.3	1%	1%	9%	10%	-34%
Tuopu	601689 CH	UW	Rebecca Wen	40.5	10,531	25.3	22.2	na	na	1%	1%	11%	12%	-48%
Sanhua	002050 CH	OW	Karen Li	32.7	19,544	32.1	25.4	16.7	14.2	1%	1%	13%	14%	-41%
Sanhua-H	2050 HK	OW	Karen Li	21.6	19,544	21.2	16.8	16.7	14.2	1%	2%	n/a	n/a	-44%
Simple average						**14.4**	**13.1**	**8.8**	**7.0**	**2%**	**2%**	**12%**	**14%**	**-33%**

Source: Bloomberg Finance L.P., J.P. Morgan estimates. Note: Bloomberg consensus for Not Covered (NC) stocks, J.P. Morgan estimates for all others. "nm" = not meaningful (loss or near breakeven). EV/EBITDA (x) is from Bloomberg consensus.

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Where did we get it wrong?

Our Overweight call on CATL has not worked over the past few months. CATL shares have materially underperformed since early September as investors have increasingly focused on "de-CATL-ization," rising policy uncertainties and earnings downgrade risks. While we remain constructive on CATL's long-term competitive position, we acknowledge that our previous earnings expectations and valuation framework did not fully anticipate the magnitude of the industry's profit-pool rebalancing.

China passenger vehicle demand and pricing weakened more than expected

The first area where we were wrong was on the broader automotive industry backdrop. While China EV penetration continued to rise, overall passenger vehicle demand and pricing conditions have deteriorated more sharply than we had expected. OEMs have responded with increasingly aggressive promotions, financing incentives and price reductions, resulting in a more challenging earnings environment across the automotive sector.

New policy burdens emerge on top of an already-difficult earnings backdrop

A second surprise was the emergence of multiple policy headwinds within a short period of time. Changes to battery and NEV export VAT rebates, new battery consumption tax proposals and increasing trade barriers in overseas markets all add incremental burdens to the value chain. Individually, none of these measures may be enough to alter the industry's long-term trajectory. Collectively, however, they represent a meaningful transfer of value and have arrived at a time when industry profitability was already under pressure.

Higher interest rates create an additional burden

The latest global rate cycle has also proven less supportive than expected. Higher financing costs affect not only equity valuations, but also vehicle affordability, fleet economics and the project returns of energy storage investments. While we do not believe interest rates are the primary driver of industry weakness, they have become an additional headwind for an industry already dealing with slowing profitability and growing policy pressures.

Most important, we underestimated the pressure to rebalance the industry's profit pool

We believe the biggest mistake in our original thesis was not on CATL's market position, technology leadership or financial strength. Rather, we underestimated how much pressure would emerge to redistribute profits across the broader ecosystem.

China OEMs' profitability has deteriorated sharply. Governments have become increasingly focused on supply chain sustainability and anti-involution initiatives. In such an environment, CATL's industry-leading profitability increasingly makes it the most capable participant to absorb part of the burden.

As a result, the key debate is no longer whether CATL remains the industry's strongest player. The debate is how much of its excess profitability can be retained. We continue to believe CATL remains the clear quality leader in China's battery industry, but we now expect a larger share of industry value creation to be redistributed to support OEMs, suppliers and broader industry stability than previously assumed.

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What triggered the downgrade?

The problem is not battery demand; it is industry profitability

One of the key changes in our thesis is that we are becoming more cautious on industry earnings despite maintaining a constructive demand outlook. Importantly, our downgrade is not driven by weaker battery demand assumptions. We continue to forecast global EV and ESS demand growth at above 20% in 2027 (above buyside market expectations). Our long-term electrification thesis remains intact, and we continue to expect robust battery volume growth across both transportation and energy storage markets. In other words, our earnings revisions reflect a reassessment of industry profitability, not industry demand.

Instead, we have become increasingly concerned that the profit pool across the global EV value chain is deteriorating faster than expected. Auto OEM profitability has come under mounting pressure amid weaker-than-expected China auto demand, intensifying competition in Europe, increasingly restrictive trade measures, and new policy burdens including battery consumption tax and export VAT rebate adjustments for NEV and battery. At the same time, recent EV launches suggest pricing remains the industry's primary competitive weapon, despite already-compressed margins across the sector. While battery volumes continue to grow, the economics of the industry are becoming increasingly difficult to sustain. We therefore believe a larger share of the pressure will be transmitted upstream to battery manufacturers, materials suppliers and equipment vendors, leading to a broad-based earnings reset across the value chain despite continued demand growth.

Auto OEM profitability is deteriorating across both China and Europe

The first trigger is the worsening profitability outlook for global automakers.

In China, year-to-date domestic auto demand has been weaker than we had expected, while competitive intensity has remained exceptionally high. Despite continued volume growth, aggressive pricing has prevented most OEMs from converting revenue growth into earnings growth. As shown in Figures 2-4, aggregate earnings for major Chinese OEMs have declined materially over the past two years, while the majority of automakers reported lower profits in 1H26 vs. 1H25. In our view, the industry's primary challenge is no longer demand growth, but rather the economics of growth itself.

At the same time, competitive pressure has increasingly spread into overseas markets. Chinese automakers continue to gain share in Europe, intensifying competition for incumbent European OEMs and contributing to a broader decline in industry profitability. Aggregate earnings for major European OEMs have also trended lower over the past two years.

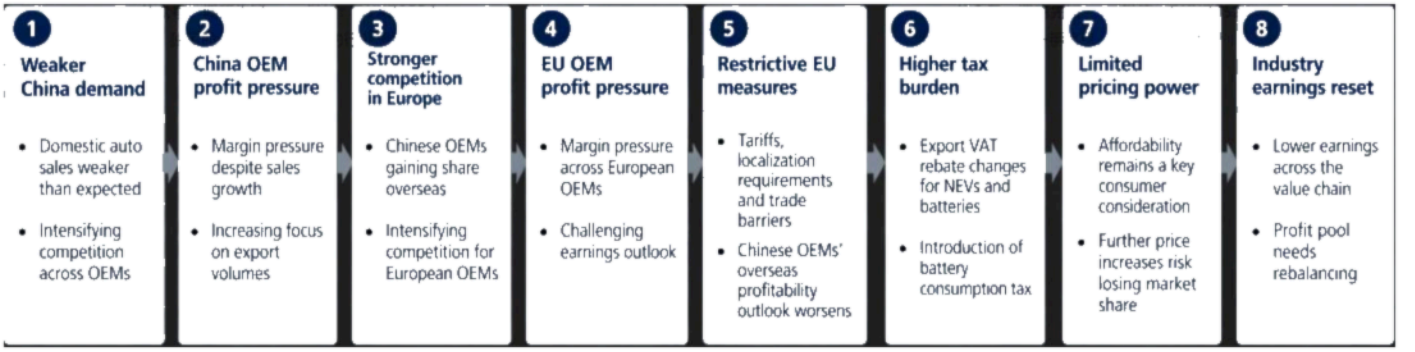
However, the challenges are no longer confined to European manuf
European policymakers respond through tariffs, localization require
restrictive measures targeting Chinese imports, the economics of ov
Chinese OEMs have also become more challenging. As a result, bo
European automakers now face a more difficult profitability outloo
previously anticipated.



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When OEM profitability has historically come under pressure, the burden has rarely remained at the OEM level. Instead, it has tended to migrate upstream through pricing negotiations, supplier concessions and procurement pressure. We believe this transmission process has now begun and is likely to intensify over the next 12 months.

Figure 1: Industry profit-pool rebalancing: A cause-and-effect framework

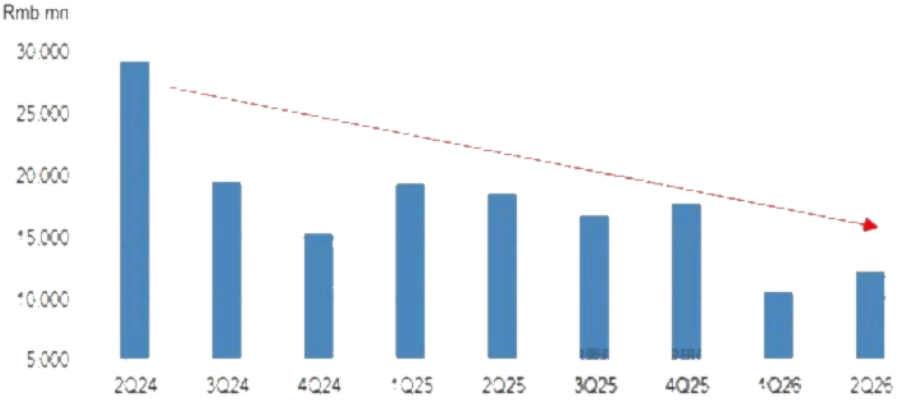


Source: J.P. Morgan.

Chinese and European OEMs' profitability trends

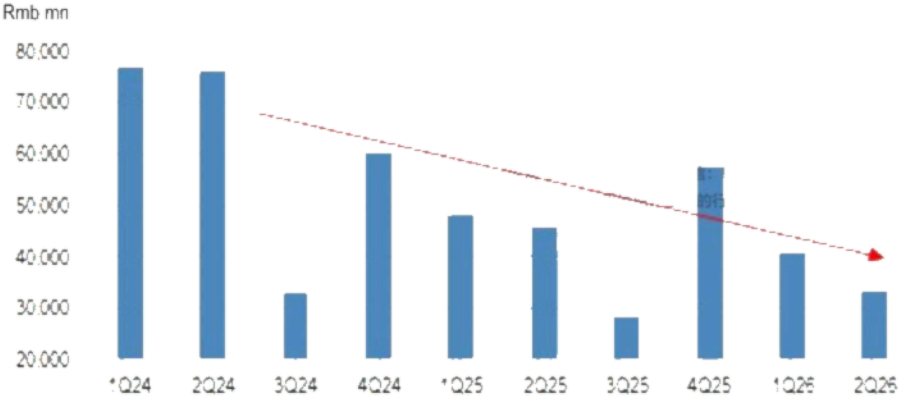
OEM profitability is deteriorating across both China and Europe despite continued EV adoption and volume growth. We believe the next phase of the cycle will be characterized by profit-pool reallocation, with increasing pressure transmitted upstream to the battery supply chain.

Figure 2: Aggregated net profit of 14 Chinese auto makers



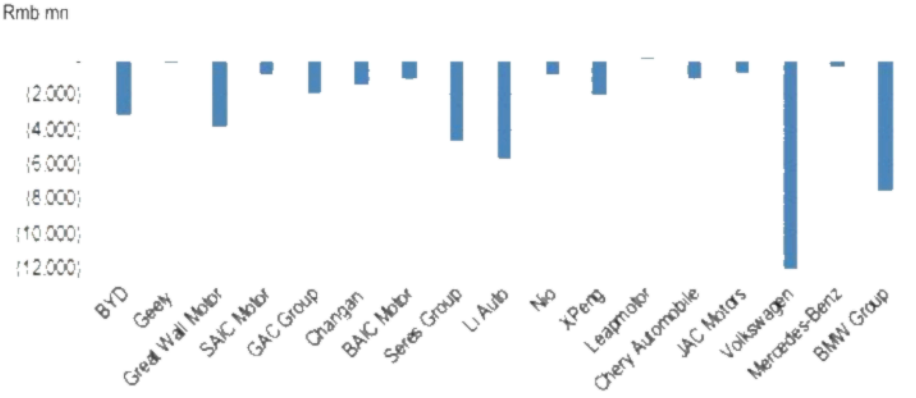
Source: Company data, J.P. Morgan.

Figure 3: Aggregated net profit of 5 European auto makers



Source: Company data, J.P. Morgan.

Figure 4: Net profit changes in 1H26 vs. 1H25 from key Chinese and European OEMs



Source: Company data, J.P. Morgan. Note: Nio and JAC narrowed losses in 1H26 vs. 1H25. We include their absolute losses in 1H26 in this chart.

New tax policies are forcing a re-negotiation of industry profit-sharing

Another major change is the emergence of new policy-related cost burdens across the EV ecosystem.

Recent adjustments to export VAT rebates for batteries and NEVs, together with the introduction of the battery consumption tax, have increased cost pressure on the value chain. While these measures may appear manageable in isolation, they arrive at a time when OEM profitability is already under significant stress and the more profitable export opportunities are being capped by the EU's trade barriers.

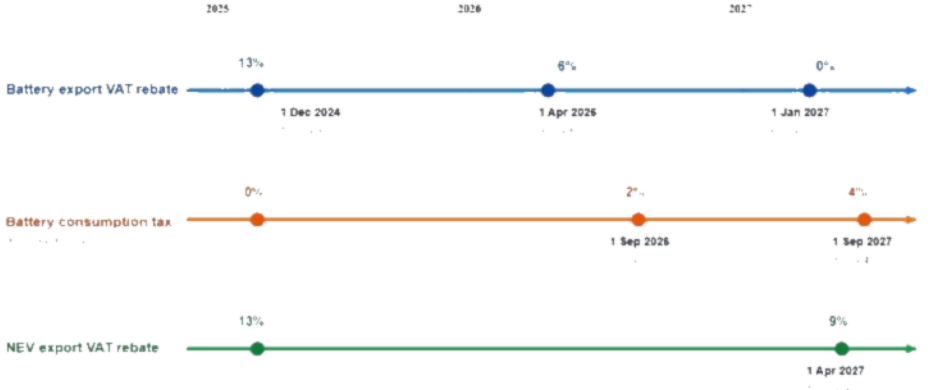
In theory, automakers could pass these incremental costs on to consumers through higher vehicle prices. In practice, however, the industry's competitive environment makes that difficult. With most OEMs prioritizing market share and volume growth, raising prices risks losing competitiveness at a time when affordability remains a key purchasing consideration for consumers.

As a result, the industry faces a critical question: Who will ultimately bear the additional burden?

Our view is that the burden is unlikely to be absorbed by consumers or OEMs only. Instead, it will increasingly be shared across the supply chain. OEMs are therefore becoming more motivated to seek cost reductions from battery suppliers, while battery companies are likely to exert further pressure on upstream vendors.

This dynamic is a key reason why we lower our earnings forecasts despite keeping our demand forecasts largely unchanged. Battery demand can continue to grow at a healthy pace while industry earnings move lower if a larger share of value is transferred away from suppliers toward end customers.

Figure 5: China NEV and battery tax policy timeline



Source: China Government, J.P. Morgan.

Figure 6: Battery consumption tax and export VAT rebate's financial impact

Policy	Financial statement impact	Key implications
Battery consumption tax	Does not impact revenue or COGS; separately recognized under taxes and surcharges (an operating expense item). If fully absorbed by battery manufacturers, the tax burden will reduce operating profit and net income, but have no impact on gross margin.	Only domestic revenue is impacted No impact to GPM OP and NP reduced
Battery export VAT rebate	Before end-2026, Vat rebate reduction mainly impacts COGS (increased COGS) and gross margin. From 1st Jan 2027, VAT export rebate is fully canceled. As such, export sales would be treated as subject to VAT, which could impact revenue recognition (reduced revenue)	Only export revenue is impacted GPM reduced

Source: J.P. Morgan.

Recent EV launches suggest pricing remains the industry's primary competitive weapon

Recent EV launches continue to point to an intensely competitive industry environment. Several new models have been introduced at prices below market expectations, including Xiaomi's YU7, Hyundai's Ioniq V and a number of other China-focused EV launches, despite already-compressed OEM profitability and widespread concerns regarding industry returns.

To us, these launches send an important signal: Pricing remains the industry's primary competitive weapon. Even OEMs with strong brands, differentiated products and healthy order books appear to be prioritizing market share and volume expansion over

near-term profitability. As a result, industry earnings pressure is likely to persist even if end market demand remains relatively healthy.

Higher rates may represent an additional headwind to industry economics

A further consideration is the shift to a higher-rate global environment relative to the industry's previous growth cycle. While the direct impact on EV and ESS demand is difficult to isolate, we believe higher financing costs could represent an incremental burden on industry economics. For EVs, financing affordability remains an important consideration in many overseas markets. For ESS projects, higher discount rates and funding costs may create additional pressure on project returns. We do not view this as a primary driver of our earnings revisions, but it may contribute to a more challenging profitability backdrop across the broader EV and energy storage value chain in the overseas market.

Industry profit pool needs to be rebalanced

We continue to forecast global EV and ESS demand growth of 20-25% in 2027, above current market expectations. However, despite healthy end market demand, profitability across the global EV value chain has deteriorated materially. Chinese OEMs face weaker-than-expected domestic demand, intensifying competition and growing policy burdens. European OEMs are experiencing increasing competitive pressure from Chinese imports, while Chinese OEMs themselves face a more challenging overseas operating environment due to tariffs, localization requirements and other restrictive measures. At the same time, recent EV launches suggest pricing remains the industry's primary competitive weapon despite already-compressed margins.

Under these conditions, we believe the industry's current profit distribution is becoming increasingly difficult to sustain. Consumers remain highly price-sensitive, OEM profitability continues to come under pressure, and new policy burdens are being introduced across the value chain. As a result, we believe a larger share of the new tax adjustment will be transmitted upstream to battery manufacturers (and eventually shared with the entire value chain, including material suppliers). The key debate is therefore no longer whether industry profits will fall, but how the industry's profit pool will ultimately be reallocated.

Who will bear the burden?

In theory, the incremental tax burden could be shared among consumers, OEMs and suppliers. In practice, however, we believe consumers are unlikely to absorb a meaningful portion of the adjustment. Recent EV launches remain aggressively priced, suggesting affordability and market share continue to take precedence over profitability.

At first glance, passing the cost on to consumers appears feasible. Our analysis suggests that the newly introduced 2% battery consumption tax would increase vehicle MSRP by only c.0.5-1% across a range of representative EV models if fully passed through. Such an increase is unlikely to materially affect affordability or end demand.

The challenge, in our view, is not affordability, but competition. In an industry where OEMs continue to prioritize volume growth and market share, no automaker wants to be the first to raise prices while competitors maintain existing pricing. This creates a classic prisoner's dilemma: While the industry as a whole may benefit from higher pricing, individual OEMs have strong incentives to keep prices unchanged in order to defend volumes and preserve market share. As a result, full pass-through to consumers may prove difficult despite the relatively modest impact on vehicle MSRP.

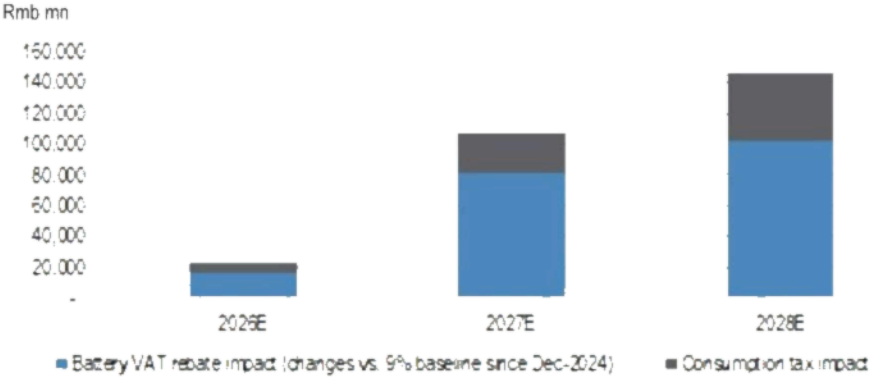
At the same time, OEM profitability is already under pressure. Competitive intensity remains elevated in China, while many European automakers face weaker earnings, rising localization requirements and increasing investment needs. Against this backdrop, OEMs have limited willingness and capacity to absorb incremental costs within their own profit pools.

As a result, we believe a meaningful portion of the burden is likely to migrate upstream through supplier price concessions, tax-sharing arrangements and other commercial support mechanisms. **We estimate that the industry's incremental tax burden could exceed Rmb100bn in 2027 alone.** Given the scale of the adjustment, it is unlikely to be

fully absorbed by either consumers or OEMs, making battery suppliers the most likely shock absorbers, in our view.

The key debate therefore shifts from demand to profit allocation: Who will share the burden, and who will ultimately benefit from it? We do not expect the adjustment to be distributed evenly. **Companies with stronger balance sheets, superior profitability and greater strategic importance to customers may absorb a larger portion of the burden in the near term. However, these same companies may ultimately emerge stronger if the adjustment accelerates industry consolidation and widens the competitive gap vs. weaker peers.**

Figure 7: Estimated total tax revenue impact from battery consumption tax and export VAT rebate changes



Source: J.P. Morgan estimates.

Figure 8: Consumption tax impact on EV MSRP appears manageable (<1%)

Battery Type	Car Model	MSRP (Rmb)	Battery capacity (kwh)	Battery cost based on spot price(Rmb)	Consumption tax impact (Rmb)	Tax impact % MSRP
LFP	Geely Xingyuan 310km	64,800	30.12	12,349	494	0.8%
LFP	Geely Xingyuan 410km	71,800	40.16	16,466	659	0.9%
LFP	Geely Xingyuan 480km	86,800	47.14	19,327	773	0.9%
LFP	Li Auto i6 RWD	249,800	87.3	35,793	1,432	0.6%
LFP	Li Auto i6 AWD	269,800	87.3	35,793	1,432	0.5%
LFP	Tesla Model Y	264,500	62.5	25,625	1,025	0.4%
LFP	Tesla Model Y long range	288,500	78.4	32,144	1,286	0.4%
NCM	NIO ES8 five-seat 655km	382,800	102	56,100	2,244	0.6%
NCM	NIO ES8 six-seat 635km	406,800	102	56,100	2,244	0.6%

Source: Autohome, J.P. Morgan estimates.

"CATL earns twice the profit of 15 Chinese OEMs combined" - A striking headline, but a misleading comparison

Following CATL's strong 1H26 results, several Chinese media reports (news) highlighted that the company's net profit exceeded the combined earnings of 15 major listed Chinese automakers. The headline is certainly eye-catching: "*CATL reported Rmb43.3bn in net profit during 1H26, while the aggregate net profit of 15 major A-share and H-share listed Chinese OEMs was only Rmb21.0bn, down c.40% YoY.*" On the surface, CATL generated roughly twice the profit of the entire listed Chinese auto sector combined.

However, we believe this comparison is misleading and not apples-to-apples. CATL is a global battery leader with significant exposure to overseas markets, ESS, commercial

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vehicles and other non-China passenger EV businesses. By our estimates, only roughly 20%+ of CATL's earnings are directly attributable to supplying batteries for China's passenger EV market, with the balance generated from overseas battery sales and other business segments. As a result, the more relevant comparison is not CATL's total corporate earnings vs. Chinese OEM profits, but rather the profit generated from CATL's China passenger EV battery business vs. that of domestic automakers.

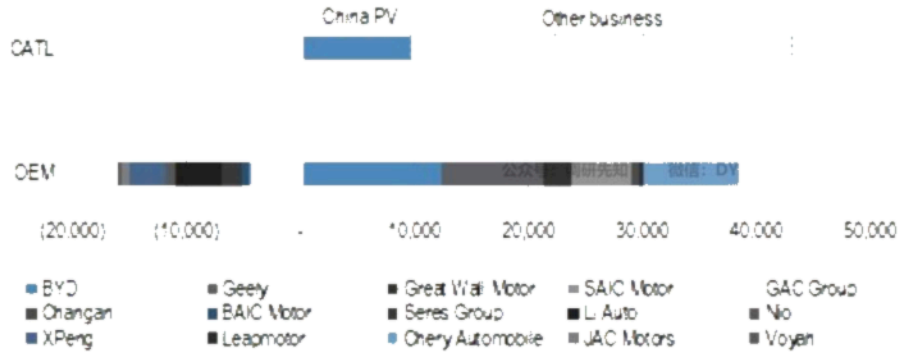
Viewed through this lens, the profit imbalance appears considerably less extreme than the headline figures suggest. Even so, perception may matter as much as reality during industry negotiations. The narrative that "CATL earns more than all Chinese OEMs combined" has become increasingly widespread and could reinforce OEM arguments that battery suppliers remain one of the few parts of the value chain still earning attractive returns.

As profitability deteriorates across both Chinese and European automakers, OEMs may become increasingly vocal in seeking cost concessions from suppliers. Whether or not the comparison is strictly fair, the optics could strengthen automakers' bargaining position and increase pressure on CATL to share a greater portion of its profitability with customers. This dynamic may become particularly relevant as policymakers place greater emphasis on supply chain sustainability and industrial profitability, rather than the earnings performance of any single participant in the value chain.

Chart takeaway: The figure below illustrates that only a relatively small portion of CATL's earnings is linked to China passenger vehicles, whereas the reported profit pool of Chinese OEMs is almost entirely generated from that market. As such, comparing CATL's total profits against Chinese OEM earnings likely overstates the degree of profit concentration in the China passenger EV ecosystem. However, perception often matters as much as economics in commercial negotiations, and the headline itself may be enough to intensify pressure for profit pool rebalancing.

Figure 9: CATL vs. OEM reported profit in 1H26

Rmb mn



Source: Company data, J.P. Morgan.

CATL may take the first hit and gain the most

This creates what we believe is the central investment debate for the battery sector. Our revised forecasts assume that CATL will absorb a meaningful portion of the industry's adjustment through tax-sharing and broader customer support. This is clearly negative

for near-term earnings. However, we do not believe lower profitability necessarily implies weaker competitiveness.

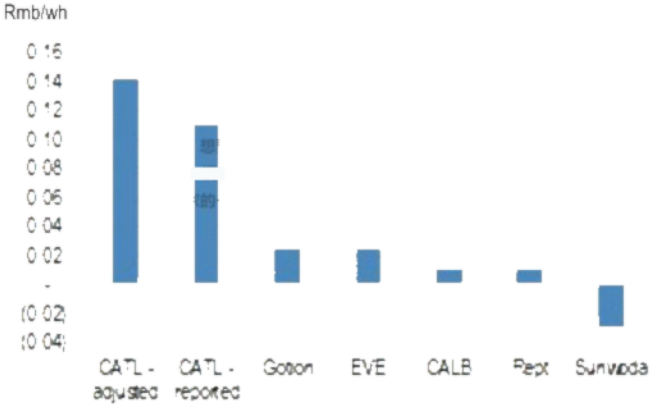
Importantly, our revised estimates already assume that CATL will bear a larger share of the industry adjustment than most tier-2 battery suppliers. Despite this, we cut 2027E earnings for tier-2 battery makers by a larger magnitude than for CATL. Under our revised forecasts, several tier-2 names could face profit declines in 2027, while CATL is still expected to deliver the strongest EPS growth among major battery manufacturers, at c.14% YoY. Our revised earnings forecasts are ~14% below Bloomberg consensus for CATL in 2027 (although we suspect that buyside expectations may have already moved closer to our revised forecasts following recent industry developments), compared with more than 30% below consensus for most tier-2 battery suppliers.

In our view, this reflects a critical difference between earnings pressure and competitive positioning. While CATL may initially absorb a larger portion of industry headwinds, tier-2 suppliers typically have far less profitability, weaker cash generation and more limited balance sheet flexibility. As a result, the same industry burden can have a ly larger impact on tier-2 earnings and investment capacity. The key differentiator, in our view, is not near-term earnings, but balance sheet strength. CATL remains one of the few battery makers capable of absorbing industry pressure while continuing to fund capex, R&D and customer support.

Unlike most peers, CATL possesses the profitability, balance sheet strength and cash generation required to absorb industry pressure without jeopardizing its long-term position. In our view, CATL may be using its profit pool to support customers, preserve market share and compress the pricing advantage of tier-2 competitors. If successful, this could accelerate industry consolidation and strengthen CATL's competitive position, despite lower near-term earnings.

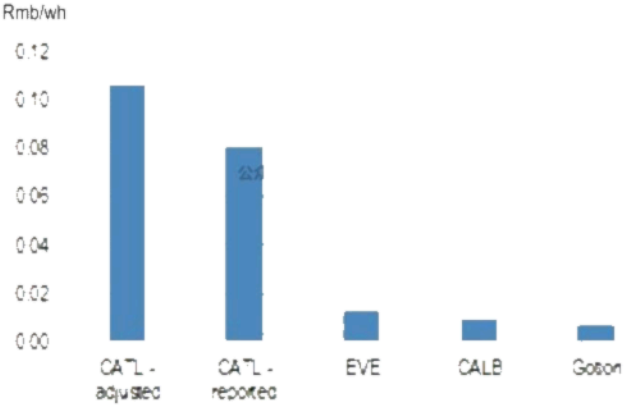
Importantly, we believe CATL's reported profitability may understate its underlying earnings power. CATL adopts some of the most conservative accounting policies among major Chinese battery manufacturers, including higher warranty provisions, shorter equipment depreciation schedules and full expensing of R&D spending. Our analysis suggests that if CATL were to apply accounting treatments similar to many tier-2 peers', reported profits could be more than 30% higher. Conversely, if tier-2 battery makers were to adopt CATL's accounting standards, profitability would decline materially, and several could become loss-making. As a result, **the true profitability gap between CATL and its peers is likely wider than headline earnings suggest, further strengthening CATL's ability to absorb industry pressure while maintaining investment, technology leadership and customer support**.

Figure 10: Net profit/unit - CATL adjusted profit vs. tier-2 (FY25)



Source: Company data, J.P. Morgan estimates.

Figure 11: Net profit/unit - CATL adjusted profit vs. tier-2 (FY27E)



Source: Company data, J.P. Morgan estimates.

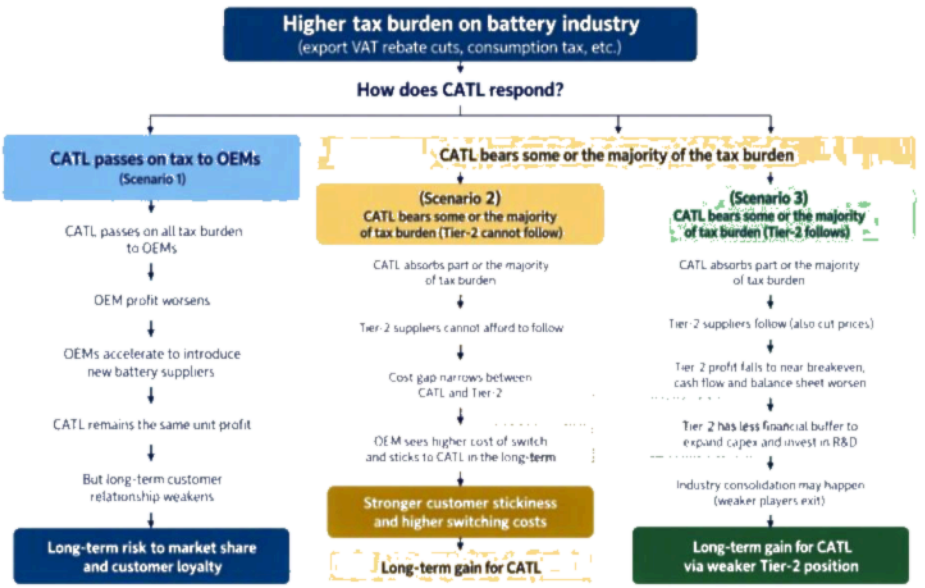
Table 2: Revised 2027E for battery makers

CATL sees the lowest earnings cut despite assuming a larger share of the industry's tax burden

	JPM estimate cuts	Revised EPS growth (YoY)	JPMe vs Bloomberg consensus
CATL	-13%	14%	-15%
CALB	-33%	8%	-37%
EVE	-22%	-10%	-32%
Gotion	-53%	-32%	-49%

Source: J.P. Morgan estimates.

Figure 12: CATL may take the first hit, but ultimately gain the most



Source: J.P. Morgan.

The key debate is not whether CATL will bear part of the industry's adjustment burden, but whether its financial strength will allow it to absorb the pain better than competitors. Our revised forecasts assume that CATL will take a larger share of the

burden, yet still deliver the highest earnings growth among major battery makers in 2027, suggesting that the transfer may ultimately reinforce, rather than weaken, its competitive position.

We conservatively estimate CATL's 2027 net unit profit at Rmb0.08/Wh

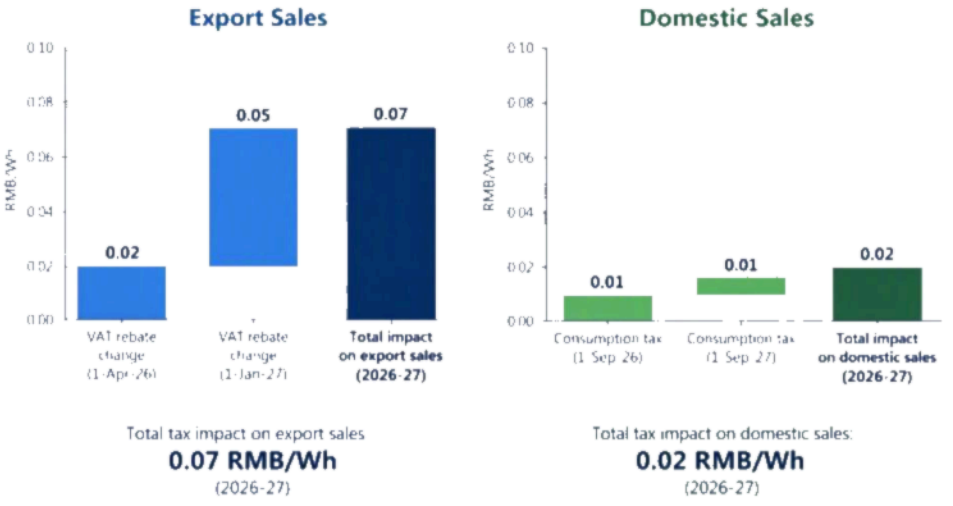
Under our worst-case framework, we assume that CATL will absorb 100% of the incremental tax burden arising from the recent policy changes, with no pass-through to downstream OEMs or ESS customers. Based on our estimates, the reduction in export VAT rebates could translate into an approximately Rmb0.07/Wh impact on export sales during 2026-27, while the newly introduced consumption tax could result in roughly a Rmb0.02/Wh impact on domestic sales.

Given CATL's current sales mix, we estimate that the combined impact on EV and ESS battery manufacturing profitability could exceed Rmb0.03/Wh on a post-tax basis by 2027 under this extreme assumption.

Importantly, battery manufacturing is no longer the sole profit contributor for CATL. Based on 1H26 disclosures, approximately 20% of gross profit was generated from non-manufacturing activities, including services and other value-added businesses, which are less directly exposed to these policy changes. We believe part of the pressure could be mitigated through internal efficiency improvements, product mix upgrades, procurement optimization and selective cost pass-through to the upstream.

As a result, despite assuming that CATL will bear the full tax burden, we conservatively estimate that CATL can still generate around Rmb0.08/Wh net profit in 2027. In our view, this should be regarded as a downside profitability scenario. The key debate is therefore not whether CATL will remain profitable, but rather how the industry's profit pool will ultimately be reallocated among battery makers, OEMs, suppliers and end customers.

Figure 13: Tax impact to unit profit (Rmb/wh) before income tax



Source: J.P. Morgan estimates.

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Table 3: Impact on CATL's EV+ESS unit profit (worst-case assumption: CATL bears 100% tax)

Rmb/wh

Time	1-Apr-26	1-Sep-26	1-Jan-27	1-Sep-27
Tax policy	VAT rebate -3%	Consumption tax +2%	VAT rebate -6%	Consumption tax +2%
Impact on CATL's EV+ESS unit profit (Rmb/wh)	0.009	0.006	0.019	0.006
Accumulated impact (PBT) (Rmb/wh)	0.009	0.015	0.034	0.039
Accumulated impact (PAT) (Rmb/wh)	0.008	0.013	0.029	0.034

Source: J.P. Morgan estimates.

Table 4: Impact on CATL's EV+ESS unit profit (worst-case assumption: CATL bears 100% tax)

Rmb/wh

Rmb/wh	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27
Quarterly impact (accumulated) (PAT)	0.008	0.010	0.013	0.029	0.029	0.030	0.034

Source: J.P. Morgan estimates.

Why we do not view this as a traditional price war

At first glance, our earnings cuts across the battery value chain could appear consistent with a traditional price war scenario. However, we believe the current industry dynamics are fundamentally different.

Price wars have historically been driven by suppliers sacrificing profitability to gain market share. In contrast, we believe the current earnings reset is primarily the result of industry profit-pool rebalancing, triggered by weaker OEM profitability, export VAT rebate reductions, new battery-related taxes and increasingly restrictive overseas policies. The key question is therefore not who will cut prices the most, but rather who will ultimately absorb the burden.

Importantly, we do not believe CATL's response will be another round of aggressive price reductions. History suggests CATL's preferred strategy has been to improve customer economics through technology and system-level innovation, rather than to compete solely on battery pricing. The introduction of CTP technology in 2020 is one example. Today, sodium-ion batteries and battery swapping may represent similar attempts to lower customers' total cost of ownership (TCO) without permanently giving up margins.

In our view, the industry's next competitive battleground may not be who can sell the cheapest battery, but who can offer the most compelling economics. Under this framework, CATL may take the first hit as industry profits are redistributed, but it is also one of the few players positioned to emerge with stronger competitive advantages once the rebalancing is complete.

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Figure 14: Why we do not view this as a traditional price war

	Traditional Price War	Current Industry Dynamic: Profit-Pool Rebalancing
Demand environment	Weak demand, oversupply	Demand remains relatively healthy, with structural growth
Key driver	Excess capacity leads to aggressive price cuts	Weaker OEM profitability, new taxes, VAT changes, tariffs and policy headwinds force burden sharing
Company behavior	Battery makers voluntarily cut prices and sacrifice margins to gain market share	Industry participants negotiate who absorbs the burden (OEMs, battery makers, suppliers, governments)
Primary objective	Gain market share	Maintain industry profitability and long-term competitiveness
Battery pricing	Continuous and aggressive ASP declines	Pricing remains competitive, but declines are driven by tax/policy costs rather than pure price competition
Industry winners	Lower-cost players gain share	Stronger players (e.g. CATL) absorb part of the burden while preserving relative earnings resilience
Outcome	Industry value destruction (everyone earns less)	Industry profit redistribution (margins shift across the value chain)



Source: J.P. Morgan.

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What can CATL offer in a tougher industry?

Lessons from 2019-20: Winning through TCO, not price wars

A key question for investors is what CATL can offer OEM and ESS customers if the industry enters another period of margin compression.

CATL has rarely relied on aggressive price cuts to gain market share. Instead, when customers face rising cost pressure, CATL's strategy has been to introduce new technologies that lower TCO while maintaining product performance and reliability. This approach allows customers to improve competitiveness without necessarily sacrificing product quality or user experience.

The industry's experience in 2019-20 provides a useful case study. Following the sharp reduction of China's NEV subsidies in 2019, OEM profitability came under pressure, and cost reduction became the industry's primary focus. Rather than competing through lower battery pricing, CATL accelerated the n of Cell-to-Pack (CTP) technology and helped revive LFP batteries for passenger vehicles. CATL's CTP solution improved pack-level energy density while reducing pack complexity and cost, allowing OEMs to partially offset the impact of lower subsidies without materially compromising vehicle range.

The strategy proved highly successful. Prior to the introduction of CTP, CATL and BYD together accounted for only around 6% of China's passenger vehicle LFP battery market in 2019. Following the launch of CTP-based LFP solutions and the n of Tesla Model 3 LFP EV, CATL rapidly expanded its presence in the segment and emerged as the market leader in passenger-vehicle LFP batteries during 2020-21.

Importantly, the market share gains were not achieved through a pure pricing strategy. Instead, CATL created value for customers by enabling a lower-cost battery chemistry to meet increasingly demanding performance requirements. In other words, CATL helped OEMs lower system-level costs and improve vehicle economics at a time when profitability pressures were intensifying.

Figure 15: Central government NEV subsidies for passenger vehicles

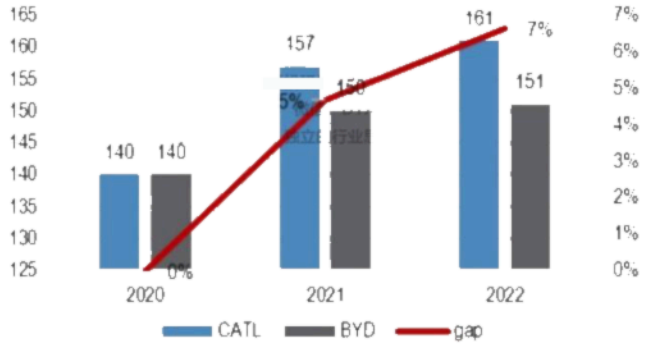
A significant subsidy cut from 2H19

	EV driving range R (km)						
	Pure EV						PHEV
	100 ≤ R < 150	150≤R < 200	200≤R < 250	250≤R < 300	300≤R < 400	R≥400	R ≥ 50
2016	25,000	45,000	45,000	55,000	55,000	55,000	30,000
2017	20,000	36,000	36,000	44,000	44,000	44,000	24,000
% chg	-20%	-20%	-20%	-20%	-20%	-20%	-20%
2018	0	15,000	24,000	34,000	45,000	50,000	22,000
% chg	-100%	-58%	-33%	-23%	2%	-14%	-8%
2019	0	0	0	18,000	18,000	25,000	10,000
% chg	0%	-100%	-100%	-47%	-60%	-50%	-55%
2020	0	0	0	0	16,200	22,500	8,500
% chg	0%	0%	0%	-100%	-10%	-10%	-15%
2021	0	0	0	0	12,960	18,000	6,800
% chg	0%	0%	0%	0%	-20%	-20%	-20%
2022	0	0	0	0	9,072	12,600	4,760
% chg	0%	0%	0%	0%	-30%	-30%	-30%
2023	0	0	0	0	0	0	0

Source: Ministry of Finance, J.P. Morgan

Figure 16: CATL's LFP battery energy density and gap vs. BYD

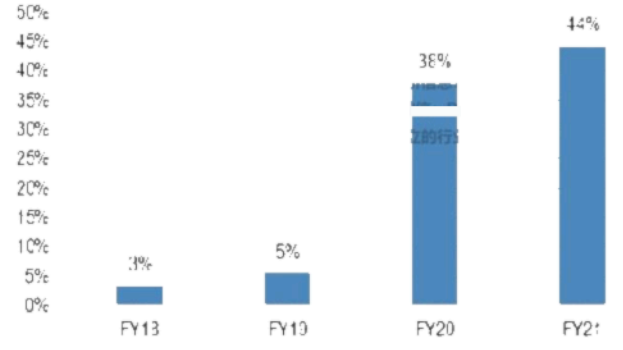
Wh/kg pack-level energy density



Source: GGII, J.P.Morgan.

Figure 17: CATL's market share in China's PV LFP market rose significantly after the launch of CTP LFP

Share of China's passenger vehicle LFP market



Source: GGII, J.P.Morgan.

What is CATL's next CTP moment?

The key investment question is whether CATL can replicate the success of the 2019-20 CTP/LFP transition.

At the time, CTP was more than just a new battery design. It was a system-level solution that helped OEMs reduce total vehicle costs while maintaining product competitiveness. By solving customers' profitability challenges, rather than competing through aggressive price cuts, CATL strengthened both its market position and pricing power.

As the industry once again faces intensifying margin pressure, we recommend to focuse on identifying CATL's next "CTP moment": technologies or business models that can materially improve customer economics and expand industry profit pools.

While it remains too early to reach definitive conclusions, we believe two areas deserve particular attention: sodium-ion batteries and battery swapping. Both have the potential to lower system-level ownership costs and create incremental demand, rather than merely redistribute market share.

Candidate #1: Sodium-ion battery (ESS first, potentially EV later)

Sodium-ion batteries could represent CATL's closest analogue to the CTP opportunity that emerged during the industry's last major profitability downturn.

Importantly, we believe investors are overly focused on sodium-ion's potential cost advantages. While lower raw material dependence remains an attractive feature, the more important investment takeaway is that sodium-ion offers a combination of attributes that conventional lithium-ion batteries struggle to replicate simultaneously, including superior low-temperature performance, higher safety and potentially much longer cycle life. CATL's latest Naxtra sodium-ion battery delivers over 10,000 cycles, retains meaningful power output at -40°C and achieves energy density of 175Wh/kg, approaching LFP batteries.

Sodium-ion is not simply a cheaper battery chemistry; it is a potentially different value proposition

This distinction matters because industry competition is increasingly shifting away from battery costs alone. Ownership economics for EV customers in cold-weather markets, commercial vehicle operators, ESS developers and backup power operators are increasingly driven by system reliability, replacement frequency and operating performance across extreme conditions. In these applications, lower lifecycle costs may ultimately prove more important than lower upfront battery costs.

CATL appears to be leading the sodium-ion n cycle

As with CTP, CATL's advantage may not be technological invention alone, but large-scale n.

The company was among the earliest battery makers to commercialize sodium-ion technology and remains one of the few players developing a full product roadmap across passenger vehicles, ESS, commercial vehicles, start-stop batteries and battery-swapping applications. CATL's second-generation sodium-ion battery is already approaching LFP-level energy density, while future generations target further performance improvements.

More important, industry feedback suggests that sodium-ion's biggest hurdle today is no longer laboratory performance, but manufacturing scale, supply chain development and cost reduction. Similar to the early days of LFP batteries, future industry leadership is likely to depend on engineering execution and volume scale, rather than chemistry alone.

The cost argument may improve meaningfully with scale

At present, sodium-ion economics remain unappealing. Cell costs are still generally above LFP due to limited production scale, immature supply chains and lower manufacturing yields. However, we believe the key constraint is scale, rather than technology. Much of the cost disadvantage today reflects underutilized capacity, an early-stage materials ecosystem and manufacturing processes that have yet to benefit from the learning curve enjoyed by LFP.

The cost curve could improve meaningfully as production scales up. ICCSino estimates suggest that sodium-ion battery costs could decline to approximately Rmb0.30-0.35/Wh by 2028, driven by higher utilization rates, improving yields and continued material cost reductions. ICCSino estimates a theoretical production-cost floor of roughly Rmb0.25-0.30/Wh, potentially well below today's LFP battery selling prices of Rmb0.35-0.45/Wh. In our view, sodium-ion's investment appeal lies less in its current economics and more in its potential to become one of the few battery chemistries with a credible pathway to costs below LFP over time.

CATL may be uniquely positioned to break the chicken-and-egg cycle

The biggest challenge for sodium-ion today is a classic chicken-and-egg problem. Without volume, costs remain uncompetitive. Without competitive costs, adoption remains limited.

In our view, few companies possess the balance sheet capacity, manufacturing capability, customer relationships and downstream ecosystem required to break this cycle. CATL is arguably the only player with sufficient scale to push sodium-ion across multiple end markets.

This is why we view sodium-ion through the same lens as CATL's earlier CTP strategy. The key question is not whether sodium-ion is cheaper today. The key question is whether CATL can scale the technology rapidly enough to reshape the industry's future cost curve.

If successful, sodium-ion could become another example of CATL helping customers reduce total ownership costs without resorting to pure price competition. That was the essence of the CTP playbook in 2020, and it may ultimately prove to be the defining feature of CATL's sodium-ion strategy, as well.

> We do not view sodium-ion as an immediate earnings driver. Instead, we see it as one of the few technologies with the potential to simultaneously expand CATL's addressable market, improve customer economics and reinforce the company's technology leadership. That combination could become increasingly valuable in a tougher industry environment.

Candidate #2: Battery swapping (PV and CV)

Battery swapping may represent an even more ambitious attempt to reshape industry economics than sodium-ion batteries.

Unlike sodium-ion, which seeks primarily to lower battery costs, battery swapping fundamentally changes how consumers purchase, use and finance electric vehicles. In our view, the strategic significance of battery swapping lies not in faster energy replenishment, but in its ability to improve affordability and total ownership economics for both consumers and fleet operators.

Battery costs have historically represented one of the biggest barriers to EV adoption, particularly in the mass-market segment. Rather than competing through lower battery pricing, CATL's battery-swapping model separates battery ownership from vehicle ownership, allowing consumers to purchase vehicles without paying for the battery upfront. Based on our estimates, this could reduce initial vehicle purchase costs by approximately 30%, equivalent to roughly Rmb20,000-30,000 per vehicle in the Rmb100,000-200,000 segment. Consumers may also benefit from lower insurance expenses and future battery-upgrade flexibility.

The opportunity may be even larger in commercial vehicles

Vehicle utilization is often more important than battery ownership for heavy-duty trucks and fleet operators. Downtime translates directly into lost earnings, while battery replacement costs remain a major uncertainty for fleet economics. CATL's battery-swapping strategy for commercial vehicles therefore focuses on improving utilization, reducing capital intensity and extending vehicle operating life. CATL has launched the QiJi battery-swapping platform for heavy-duty trucks alongside its passenger-vehicle Chocolate ecosystem.

Importantly, commercial vehicles are also among the most battery-intensive segments. CATL already enjoys a substantially higher market share in China's commercial vehicle battery market than in passenger vehicles, supported by its strength in battery reliability, cycle life and durability. Battery quality and lifecycle performance become more important economic variables as battery assets increasingly become shared infrastructure, rather than one-time vehicle components.

CATL may be uniquely positioned to make battery swapping work

Battery swapping has historically struggled because it requires simultaneous adoption by consumers, OEMs and infrastructure providers. In our view, CATL is one of the few companies globally with the scale to solve this coordination problem.

The company already has relationships with virtually every major Chinese OEM, is building standardized battery formats and has announced partnerships with Sinopec, Didi, Nio and multiple automakers. Standardization could also reduce OEM development costs and shorten product development cycles, creating incentives for manufacturers to participate in the ecosystem.

More important, CATL's competitive advantage may not come from operating swap stations themselves, but from controlling the battery standard and ecosystem. Similar to how CATL benefited from setting technical standards in previous industry cycles, battery swapping could further enhance the company's position at the center of the EV ecosystem.

Why battery quality matters even more under swapping

A frequently overlooked aspect of battery swapping is that battery quality becomes an economic asset.

Under a traditional ownership model, battery lifecycle performance is primarily the concern of the vehicle owner. Under a battery-swapping model, however, battery assets are continuously reused across multiple users and potentially multiple vehicle lives. As a result, longer cycle life directly improves battery-bank economics and infrastructure returns.

This is where CATL's competitive advantage may become more pronounced. A battery capable of delivering significantly more cycles can generate more revenue over its useful life and support higher infrastructure utilization. In our view, this creates a natural competitive advantage for suppliers with stronger quality, reliability and lifecycle performance.

Investment implications

Like CTP in 2020, battery swapping is ultimately an economics story rather than a technology story.

The objective is not to offer a cheaper battery. The objective is to lower vehicle ownership costs, expand EV affordability and unlock demand that would otherwise remain inaccessible. If successful, battery swapping could help CATL gain share in segments where it has historically chosen not to compete aggressively on price, while simultaneously expanding overall EV penetration.

Table 5: PV models supporting CATL battery swapping

OEM	Model	SOP
FAW Hongqi	EH7 Choco-Swap variant	Apr-25
Changan / Deepal	Qiyuan A05, Qiyuan A07 and Deepal SL03 swap variants	Apr-25
Chery	iCAR V23 swap variant	Apr-25
GAC Aion	AION V swap variant	Apr-25
GAC Aion	AION S swap variant	Apr-26
FAW Hongqi	E-QM5	Oct-25
GAC Aion	AION UT super	Nov-25
GAC Aion	AION RT super	Apr-26
BAIC Arcfox	S3 / Beta S3 swap variant	May-26
BAIC	BEIJING EU8 swap variant	May-26

Source: Company data, J.P. Morgan.

Table 6: CATL battery swap station rollout

Segment	Business	Disclosed rollout	Targets
Passenger vehicle	Choco-Swap network	1,020 stations across 45 cities at end-2025; over 1,470 stations across 99 cities by April 2026 Latest station count: 2,520 completed stations across 200 cities and 31 provinces as of 29 September 2026	End-2026 target: over 3,000 stations across approximately 216 cities
	Highway network	The Laohekou service-area station in Hubei commenced operations in September 2026, alongside further provincial agreements; chocolateswap.com	Over 1,000 highway sites expected to be contracted by end-2026; 1,000 stations expected to be completed in 2027, forming an "11 vertical, nine horizontal" network
Heavy-duty truck	QIJI network	End-2025 base = 305 stations; as of Sep 2026: cumulative stations >450	900 cumulative stations targeted for end-2026, with a "five vertical, five horizontal" trunk-line network

Source: Company data, J.P. Morgan.

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Financial resilience the next competitive moat

Financial resilience may emerge as the next competitive differentiator

The current market debate has focused largely on technology convergence and market share shifts. However, we believe investors may increasingly need to focus on an equally important question: Which battery makers can continue funding capacity expansion and R&D in a lower-profit environment?

Cash flow generation, rather than shipment growth, may become the key differentiator as industry profitability comes under pressure. CATL remains the only global battery manufacturer generating consistent positive free cash flow while maintaining a net-cash balance sheet. By contrast, many tier-2 players continue to operate with significantly lower profitability, weaker operating cash flow generation and higher reliance on external financing.

Anti-involution measures could create additional working capital pressures

China's ongoing anti-involution campaign is also increasing focus on supplier-payment practices across manufacturing industries. Recent disclosures by CATL and BYD suggest efforts to shorten payment cycles and improve settlement terms with suppliers. While such measures may benefit upstream suppliers and improve supply chain sustainability, they are also likely to reduce the working capital financing benefit historically enjoyed by battery manufacturers.

For battery makers, shorter payable days directly translate into lower operating cash flow and higher working capital requirements. The impact may be manageable for companies with strong balance sheets and large cash reserves. However, the resulting working capital outflow could become increasingly material for players already generating thin margins and limited operating cash flow. 1H26 reports showed significant dispersion in operating cash flow generation across battery makers, with several tier-2 players generating minimal or even negative operating cash flow per unit in recent periods.

Higher leverage may be required to sustain expansion and R&D

At the same time, the industry remains highly capital-intensive. Battery manufacturers continue to invest heavily in new capacity, next-generation technologies, sodium-ion batteries, semi-solid-state batteries and overseas localization projects. For tier-2 players, slowing profitability and weaker operating cash flow may increasingly force a trade-off between balance sheet strength and growth ambitions.

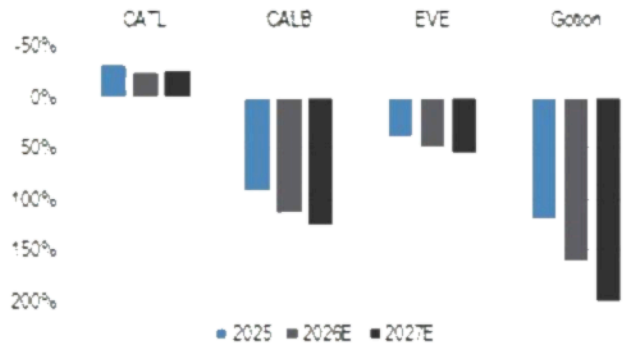
We therefore expect a number of tier-2 players to generate increasingly negative free cash flow over the next one to two years, particularly if industry pricing remains under pressure and working capital conditions tighten. Maintaining expansion plans and R&D investments may consequently require higher leverage, additional equity financing or slower investment spending.

In our view, this highlights an increasingly competitive advantage for CATL. The company's superior profitability, operating cash flow generation and net-cash position provide greater flexibility to continue investing through the cycle, while

weaker players may face growing balance sheet constraints. Over time, financial resilience could become just as important as technology and market share in determining industry winners.

Figure 18: Net debt (cash) to equity

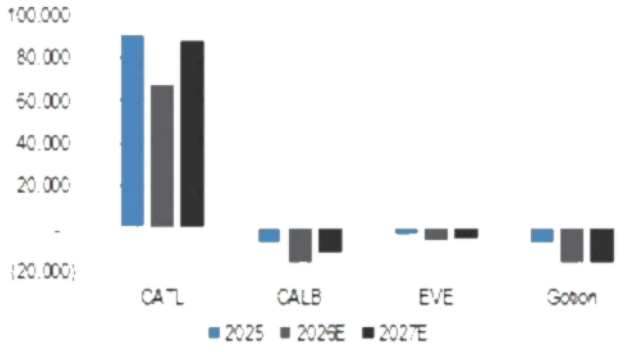
CATL is the only player in a net-cash position; tier-2 players may need to raise leverage



Source: Company data, J.P. Morgan estimates.

Figure 19: Free cash flow

Rmb mn



Source: Company data, J.P. Morgan estimates.

Cash flow analysis: CATL the only player consistently generating FCF

Figure 20: Battery makers' free cash flow analysis

Company	Ticker	OPCF (Rmb mn)				Capex (Rmb mn)				FCF (Rmb mn)			
		2023	2024	2025	1H26	2023	2024	2025	1H26	2023	2024	2025	1H26
CATL	300750 CH	91,659	95,605	132,821	61,640	(33,625)	(31,180)	(42,345)	(25,073)	58,034	64,425	90,476	36,567
BYD	002594 CH	169,268	133,300	60,318	36,332	(122,094)	(97,360)	(156,808)	(44,703)	47,174	35,940	(96,490)	(8,371)
CALB	3931 HK	2,069	2,114	9,066	1,879	(20,012)	(16,460)	(15,790)	(15,624)	(17,943)	(14,346)	(6,724)	(13,745)
EVE	300014 CH	8,267	4,017	7,553	(408)	(5,003)	(5,545)	(10,446)	(5,343)	3,264	(1,528)	(2,893)	(5,751)
Gotion	002074 CH	974	1,344	2,204	(393)	(13,130)	(9,068)	(10,171)	(9,779)	(12,156)	(7,724)	(7,967)	(10,172)
Sunwoda	300207 CH	2,989	2,834	3,501	(2,413)	(5,896)	(6,193)	(8,411)	(5,292)	(2,908)	(3,360)	(4,910)	(7,705)
Rept	666 HK	1,075	1,157	3,136	3,303	(5,669)	(3,946)	(3,041)	(3,299)	(4,594)	(2,789)	95	4
Great Power	300438 CH	344	(328)	892	129	(1,464)	(543)	(546)	(239)	(1,120)	(871)	346	(110)
Farasis	688567 CH	540	802	1,660	180	(1,073)	(1,558)	(479)	(293)	(534)	(756)	1,180	(113)
Zenergy	3677 HK	284	(361)	1,437	640	(792)	(615)	(2,588)	(1,971)	(507)	(976)	(1,151)	(1,331)
LGES	373220 KS	24,103	26,952	22,420	(1,378)	(53,818)	(65,376)	(54,803)	(15,139)	(29,715)	(38,424)	(32,382)	(16,517)
SDI	006400 KS	11,408	(726)	4,008	512	(21,956)	(33,067)	(15,513)	(5,213)	(10,547)	(33,792)	(11,505)	(4,701)
SK Innovation	096770 KS	29,113	11,771	11,549	11,289	(60,950)	(52,874)	(27,150)	(8,423)	(31,837)	(41,103)	(15,601)	2,866

Source: Company data, Bloomberg Finance L.P., J.P. Morgan.

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Cash burn analysis: Chinese tier-2 players' cash on hand can support only two to five quarters of cash burn

Figure 21: Battery makers' cash burn analysis

Company	Ticker	1H26 (Rmb mn)				Cash burn (no. of quarters), assume capex at same rate
		Cash on hand	OPCF	Capex	FCF	
CATL	300750 CH	430 876	61 640	25,073	36 567	
BYD	002594 CH	134 904	36 332	44 703	(8 371)	32
CALB	3931 HK	13 808	1 879	15 624	(13 745)	2
EVE	300014 CH	14 329	(408)	5 343	(5 751)	5
Gotion	002074 CH	16 640	(393)	9 779	(10 172)	3
Sunwoda	300207 CH	11 424	(2 413)	5 292	(7 705)	3
Rept	666 HK	9 249	3 303	3 299	4	
Great Power	300438 CH	1 389	129	239	(110)	25
Farasis	688567 CH	3 337	180	293	(113)	59
Zenergy	3677 HK	4 822	640	1 971	(1 331)	7
LGES	373220 KS	31 405	(1 378)	15 139	(16 517)	4
SDI	006400 KS	7 054	512	5 213	(4 701)	3
SK Innovation	096770 KS	59 571	11 289	8 423	2 866	

Source: Company data, Bloomberg Finance L.P., J.P. Morgan.

Gearing and interest coverage analysis

Figure 22: Battery makers' net debt/equity and interest coverage ratio analysis

Company	Ticker	Net debt (Cash) / equity				Interest coverage (EBIT/ Interest)			
		2023	2024	2025	1H26	2023	2024	2025	1H26
CATL	300750 CH	(63%)	(34%)	(46%)	(31%)	13	14	27	35
BYD	002594 CH	(45%)	(51%)	5%	18%	19	24	14	10
CALB	3931 HK	43%	96%	106%	119%	2	2	3	4
EVE	300014 CH	38%	37%	49%	53%	9	7	5	9
Gotion	002074 CH	111%	125%	122%	134%	1	1	2	3
Sunwoda	300207 CH	32%	61%	99%	109%	1	1	0	3
Rept	666 HK	6%	55%	35%	24%	(7)	(3)	3	6
Great Power	300438 CH	47%	95%	94%	88%	2	(3)	2	21
Farasis	688567 CH	54%	46%	27%	19%	(6)	(0)	(2)	(3)
Zenergy	3677 HK	39%	34%	20%	32%	(7)	(1)	3	3
LGES	373220 KS	24%	37%	64%	72%	7	1	2	(0)
SDI	006400 KS	13%	42%	34%	40%	6	1	(5)	0
SK Innovation	096770 KS	56%	78%	68%	69%	2	0	0	7

Source: Company data, Bloomberg Finance L.P., J.P. Morgan.

ROE comparison

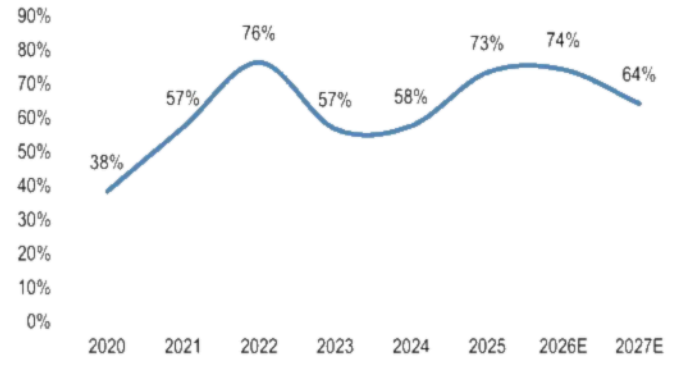
Table 7: ROE comparison

	2022	2023	2024	2025	1H26
CATL	25%	24%	25%	25%	25%
EVE	15%	12%	11%	10%	13%
Gotion	1%	4%	5%	9%	12%
Sunwoda	6%	5%	6%	4%	3%
Great Power	19%	1%	-5%	4%	20%
CALB	2%	1%	2%	4%	6%
Rept	-6%	-13%	-11%	6%	13%
Zenergy	-77%	-16%	2%	12%	12%
LG Energy Solution	6%	6%	-5%	-5%	
Samsung SDI	12%	11%	3%	-3%	
SK Innovation	8%	1%	-10%	-14%	
Panasonic	9%	8%	11%	8%	

Source: Company data, Bloomberg Finance L.P., J.P. Morgan. Note: CATL numbers are based on China GAAP.

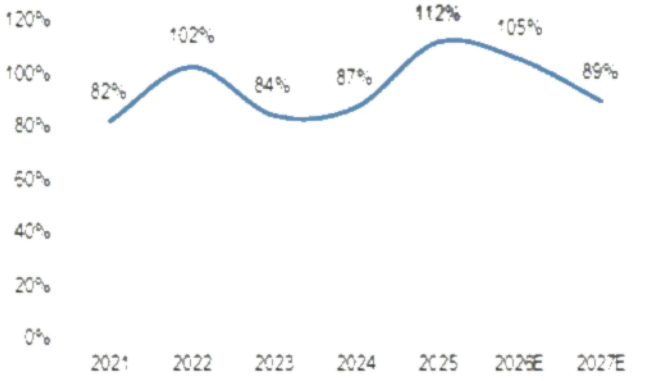
Appendix: Battery and material supply-demand charts

Figure 23: China EV and ESS battery industry capacity utilization rate (based on designed capacity)



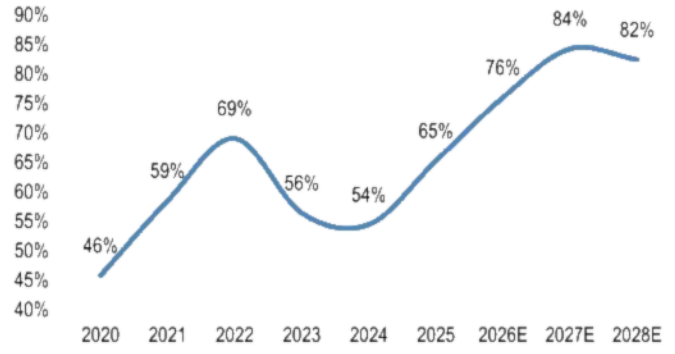
Source: J.P. Morgan calculations. Note: Calculations based on company data.

Figure 24: China EV and ESS battery industry capacity utilization rate from top 6 players (industry demand vs. top 6 players' capacity)



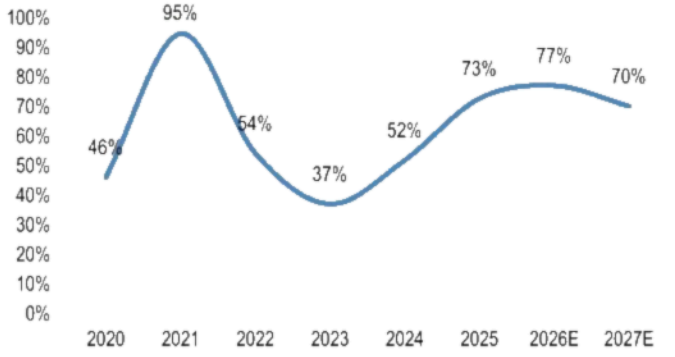
Source: Company data, J.P. Morgan calculations. Note: We use industry demand vs. top 6 players' capacity for this chart. Top 6 players include: CATL, BYD, CALB, EVE, Gotion and Sunwoda.

Figure 25: Wet separator industry capacity utilization rate



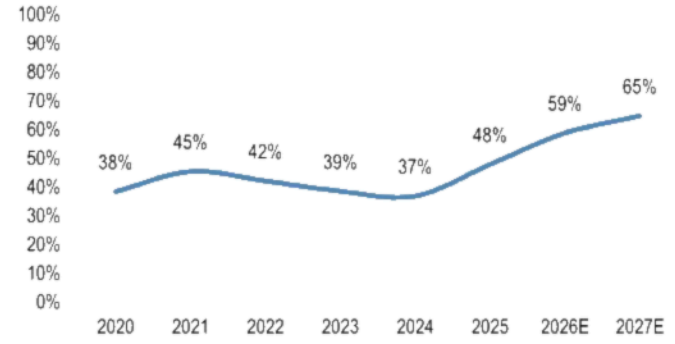
Source: J.P. Morgan calculations and estimates. Note: Calculations based on company data.

Figure 26: LFP cathode industry capacity utilization rate



Source: J.P. Morgan calculations and estimates. Note: Calculations based on company data.

Figure 27: Anode industry capacity utilization rate



Source: Company data, J.P. Morgan estimates.

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Overweight

300750.SZ, 300750 CH
Price (19 Oct 26):Rmb267.02

▼ **Price Target (Jun-27):Rmb340.00**
Prior (Jun-27):Rmb520.00

CATL - A

Remain OW

Estimate revisions: We cut our 2026/27 net profit forecast for CATL by 6%/14% to reflect potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Table 8: Estimate revisions

	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	621,278	658,388	-6%	740,951	791,845	-6%
Sales growth (yoy%)	47%	55%		19%	20%	
COGS	476,627	503,149	-5%	578,269	604,372	-4%
Gross profit	144,651	155,238	-7%	162,682	187,473	-13%
Gross margin (%)	23%	24%		22%	24%	
Operating profit	114,333	118,097	-3%	127,278	143,364	-11%
Operating margin (%)	18%	18%		17%	18%	
Pre-tax profit	114,533	118,297	-3%	127,478	143,564	-11%
Tax rate	15%	14%		15%	14%	
Net profit	89,565	95,404	-6%	99,688	115,781	-14%
Net margin (%)	14%	14%		13%	15%	
Net profit growth (yoy%)	24%	32%		11%	21%	
EPS (basic)	19.4	20.6	-6%	22.0	25.4	-13%

Source: J.P. Morgan estimates.

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	20.62	19.36	-6.1%
Adj. EPS - 27E (Rmb)	25.40	21.98	-13.5%

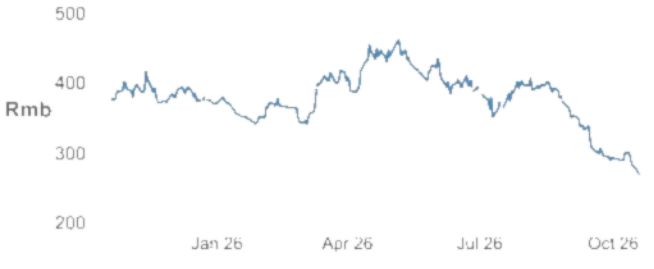
Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	12	26	26	25	69
Growth	7	31	13	22	12
Momentum	67	16	23	57	10
Quality	2	21	12	29	66
Low Vol	49	44	58	57	74

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



	YTD	1m	3m	12m
Abs	-27.3%	-11.6%	-25.8%	-25.4%
Rel	-21.3%	-6.9%	-24.9%	-22.0%

Company Data

Shares O/S (mn)	4,409
52-week range (Rmb)	468.75-267.02
Market cap ($ mn)	176,068
Exchange rate	6.69
Free float (%)	53.6%
3M ADV (mn)	32.23
3M ADV ($ mn)	1,672.3
Volatility (90 Day)	38
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	47|0|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	423,702	621,278	740,951	868,942
Adj. EBITDA	114,353	143,512	158,513	184,968
Adj. EBIT	89,519	114,333	127,278	150,675
Adj. net income	72,201	89,565	99,688	118,023
Adj. EPS	16.14	19.36	21.98	26.03
BBG EPS	15.20	20.74	25.78	30.97
Cashflow from operations	133,220	110,997	132,213	176,882
FCFF	90,875	67,262	88,478	117,507
Margins and Growth				
Revenue Growth Y/Y (%)	17.0%	46.6%	19.3%	17.3%
EBITDA margin	27.0%	23.1%	21.4%	21.3%
EBITDA Growth Y/Y (%)	31.5%	25.5%	10.5%	16.7%
EBIT margin	21.1%	18.4%	17.2%	17.3%
Net margin	17.0%	14.4%	13.5%	13.6%
Adj. EPS growth	39.4%	19.9%	13.6%	18.4%
Ratios				
Adj. tax rate	14.2%	15.0%	15.0%	15.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	15.2%	16.8%	17.5%	19.1%
ROE	24.7%	24.5%	23.6%	24.2%
Valuation				
FCFF yield	7.6%	5.4%	7.3%	9.7%
Dividend yield	3.0%	3.6%	4.1%	4.9%
EV/Revenue	4.6	2.0	1.7	1.4
EV/EBITDA	17.1	8.7	7.7	6.6
Adj. P/E	16.5	13.8	12.1	10.3

Summary Investment Thesis and Valuation

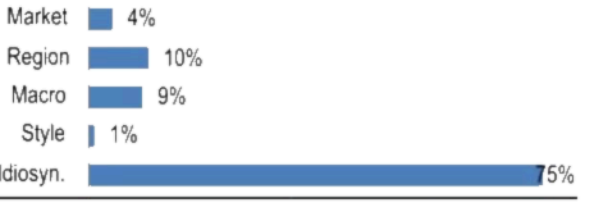
Investment Thesis

We like CATL's technology and leadership position in the global EV and ESS battery markets. Despite continued pricing pressure in the supply chain, CATL has demonstrated the ability to deliver resilient profits thanks to its technology leadership. We remain OW on CATL-A, our top pick in the supply chain.

Valuation

Our Jun-27 PT is Rmb340, based on a 16x 2027E P/E (vs. 20.5x previously). This is below CATL-A's historical trading average of 30x, given the lower growth profile vs. the industry's early stage.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.14	0.21
Region: China	0.13	0.33
Macro:		
US 10 Year Yield	0.28	0.22
Emerging Economies CPI(YoY)	-0.23	-0.19
Emerging Central Bank Rate	0.26	0.18
Quant Styles:		
Quality	0.28	0.17
Momentum	-0.34	-0.15
Size	-0.23	-0.12

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

CATL - A *(Overweight; Price Target: Rmb340.00)*

Investment Thesis
We like CATL's technology and leadership position in the global EV and ESS battery markets. Despite continued pricing pressure in the supply chain, CATL has demonstrated the ability to deliver resilient profits thanks to its technology leadership. We remain OW on CATL-A, our top pick in the supply chain.

Valuation
Our Jun-27 PT is Rmb340, based on a 16x 2027E P/E. This is below CATL-A's historical trading average of 30x, given the lower growth profile vs. the industry's early stage

Risks to Rating and Price Target
Downside risks include lower-than-expected sales volume or margins, and US-China geopolitical risks.

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CATL - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**362,013**	**423,702**	**621,278**	**740,951**	**868,942**
COGS	(273,519)	(312,383)	(476,627)	(578,269)	(675,898)
Gross profit	**88,494**	**111,319**	**144,651**	**162,682**	**193,044**
SG&A	(9,121)	(7,462)	(16,993)	(19,576)	(21,603)
Adj. EBITDA	**86,960**	**114,353**	**143,512**	**158,513**	**184,968**
D&A	(22,908)	(24,835)	(29,180)	(31,235)	(34,294)
Adj. EBIT	**64,052**	**89,519**	**114,333**	**127,278**	**150,675**
Net Interest	5,624	7,861	1,335	1,541	2,119
Adj. PBT	**63,182**	**89,527**	**114,533**	**127,478**	**150,925**
Tax	(9,175)	(12,740)	(17,180)	(19,122)	(22,639)
Minority Interest	(3,262)	(4,585)	(7,788)	(8,668)	(10,263)
Adj. Net Income	**50,745**	**72,201**	**89,565**	**99,688**	**118,023**
Reported EPS	11.58	16.14	19.36	21.98	26.03
Adj. EPS	**11.58**	**16.14**	**19.36**	**21.98**	**26.03**
DPS	**5.78**	**7.96**	**9.68**	**10.99**	**13.01**
Payout ratio	49.9%	49.3%	50.0%	50.0%	50.0%
Shares outstanding	4,382	4,473	4,627	4,535	4,535

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	303,512	333,513	311,825	307,391	331,589
Accounts receivable	117,445	119,609	119,609	119,609	119,609
Inventories	59,836	94,526	139,217	152,294	181,025
Other current assets	29,349	90,834	90,834	90,834	90,834
Current assets	**510,142**	**638,482**	**661,485**	**670,128**	**723,057**
PP&E	142,344	176,134	187,562	197,028	219,167
LT investments	66,692	81,181	131,754	180,634	224,850
Other non current assets	67,480	79,031	82,158	85,192	88,135
Total assets	**786,658**	**974,828**	**1,062,959**	**1,132,982**	**1,255,209**
Short term borrowings	109,934	138,450	136,848	120,604	136,640
Payables	130,977	160,329	195,586	225,530	260,528
Other short term liabilities	76,260	100,847	100,847	100,847	100,847
Current liabilities	**317,172**	**399,626**	**433,281**	**446,981**	**498,015**
Long-term debt	93,161	81,678	71,428	61,178	50,928
Other long term liabilities	102,869	122,497	122,497	122,497	122,497
Total liabilities	**513,202**	**603,801**	**627,207**	**630,656**	**671,440**
Shareholders' equity	246,930	337,108	394,046	451,951	523,130
Minority interests	26,526	33,919	41,707	50,375	60,638
Total liabilities & equity	**786,658**	**974,828**	**1,062,959**	**1,132,982**	**1,255,209**
BVPS	**56.35**	**75.36**	**85.16**	**99.66**	**115.36**
y/y Growth	*23.4%*	*33.7%*	*13.0%*	*17.0%*	*15.7%*
Net debt/(cash)	(100,417)	(113,385)	(103,549)	(125,609)	(144,021)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**96,990**	**133,220**	**110,997**	**132,213**	**176,882**
o/w Depreciation & amortization	22,908	24,835	29,180	31,235	34,294
o/w Changes in working capital	15,235	33,216	(11,035)	622	22,303
Cash flow from investing activities	**(48,875)**	**(94,476)**	**(89,808)**	**(84,615)**	**(95,591)**
o/w Capital expenditure	(31,180)	(42,345)	(43,735)	(43,735)	(59,375)
as % of sales	*8.6%*	*10.0%*	*7.0%*	*5.9%*	*6.8%*
Cash flow from financing activities	**(14,524)**	**(6,310)**	**(42,876)**	**(52,032)**	**(57,094)**
o/w Dividends paid	(25,807)	(34,923)	(35,626)	(44,782)	(49,844)
o/w Shares issued/(repurchased)	2,560	44,814	3,000	3,000	3,000
o/w Net debt issued/(repaid)	10,568	(11,912)	(10,250)	(10,250)	(10,250)
Net change in cash	**31,994**	**29,770**	**(21,688)**	**(4,434)**	**24,198**
Adj. Free cash flow to firm	**65,810**	**90,875**	**67,262**	**88,478**	**117,507**
y/y Growth	*11.2%*	*38.1%*	*(26.0%)*	*31.5%*	*32.8%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	24.4%	26.3%	23.3%	22.0%	22.2%
EBITDA margin	24.0%	27.0%	23.1%	21.4%	21.3%
EBIT margin	17.7%	21.1%	18.4%	17.2%	17.3%
Net profit margin	14.0%	17.0%	14.4%	13.5%	13.6%
ROE	22.8%	24.7%	24.5%	23.6%	24.2%
ROA	6.7%	8.2%	8.8%	9.1%	9.9%
ROCE	12.9%	15.2%	16.8%	17.5%	19.1%
SG&A/Sales	2.5%	1.8%	2.7%	2.6%	2.5%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.5	0.6	0.7	0.7
Assets/Equity (x)	3.4	3.0	2.8	2.6	2.4
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	(198.2%)	233.3%	59.4%	58.8%	106.4%
Tax rate	14.5%	14.2%	15.0%	15.0%	15.0%
Revenue y/y Growth	(9.7%)	17.0%	46.6%	19.3%	17.3%
EBITDA y/y Growth	15.7%	31.5%	25.5%	10.5%	16.7%
EPS y/y Growth	(1.7%)	39.4%	19.9%	13.6%	18.4%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	23.1	16.5	13.8	12.1	10.3
P/BV (x)	4.7	3.5	3.1	2.7	2.3
EV/EBITDA (x)	14.1	17.1	8.7	7.7	6.6
Dividend Yield	2.2%	3.0%	3.6%	4.1%	4.9%

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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▼Neutral

Previous: Overweight

3750.HK, 3750 HK
Price (16 Oct 26):HK$440.80

▼Price Target (Jun-27):HK$500.00
Prior (Jun-27):HK$725.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	20.62	19.36	-6.1%
Adj. EPS - 27E (Rmb)	25.40	21.98	-13.5%

Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	51	63	70	23	
Growth	7	16	5		
Momentum	66	21	32		
Quality	2	7	7		
Low Vol	58	55	61		

CATL - H

Downgrade to Neutral

Estimate revisions: We cut our 2026/27 net profit forecast for CATL by 6%/14% to reflect potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Table 9: Estimate revisions

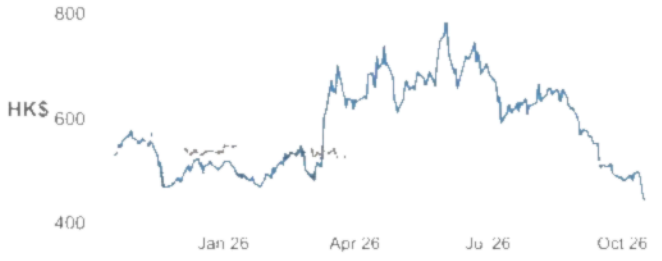
	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	621,278	658,388	-6%	740,951	791,845	-6%
Sales growth (yoy%)	47%	55%		19%	20%	
COGS	476,627	503,149	-5%	578,269	604,372	-4%
Gross profit	144,651	155,238	-7%	162,682	187,473	-13%
Gross margin (%)	23%	24%		22%	24%	
Operating profit	114,333	118,097	-3%	127,278	143,364	-11%
Operating margin (%)	18%	18%		17%	18%	
Pre-tax profit	114,533	118,297	-3%	127,478	143,564	-11%
Tax rate	15%	14%		15%	14%	
Net profit	89,565	95,404	-6%	99,688	115,781	-14%
Net margin (%)	14%	14%		13%	15%	
Net profit growth (yoy%)	24%	32%		11%	21%	
EPS (basic)	19.4	20.6	-6%	22.0	25.4	-13%

Source: J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-12.8%	-12.0%	-29.0%	-17.7%
Rel	-7.2%	-9.9%	-25.7%	-11.1%

Company Data

Shares O/S (mn)	218
52-week range (HK$)	794.50-431.00
Market cap ($ mn)	12,262
Exchange rate	7.85
Free float (%)	81.0%
3M ADV (mn)	2.58
3M ADV ($ mn)	183.7
Volatility (90 Day)	40
Index	HSI
BBG ANR (Buy | Hold | Sell)	24|2|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	423,702	621,278	740,951	868,942
Adj. EBITDA	114,353	143,512	158,513	184,968
Adj. EBIT	89,519	114,333	127,278	150,675
Adj. net income	72,201	89,565	99,688	118,023
Adj. EPS	16.14	19.36	21.98	26.03
BBG EPS	15.26	20.74	25.51	30.24
Cashflow from operations	133,220	110,997	132,213	176,882
FCFF	90,875	67,262	88,478	117,507
Margins and Growth				
Revenue Growth Y/Y (%)	17.0%	46.6%	19.3%	17.3%
EBITDA margin	27.0%	23.1%	21.4%	21.3%
EBITDA Growth Y/Y (%)	31.5%	25.5%	10.5%	16.7%
EBIT margin	21.1%	18.4%	17.2%	17.3%
Net margin	17.0%	14.4%	13.5%	13.6%
Adj. EPS growth	39.4%	19.9%	13.6%	18.4%
Ratios				
Adj. tax rate	14.2%	15.0%	15.0%	15.0%
Interest cover	NM	NM	NM	NM
Net debt/Equity	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM
ROCE	15.2%	16.8%	17.5%	19.1%
ROE	24.7%	24.5%	23.6%	24.2%
Valuation				
FCFF yield	5.4%	3.9%	5.2%	6.9%
Dividend yield	2.1%	2.6%	2.9%	3.5%
EV/Revenue	4.6	2.0	1.7	1.4
EV/EBITDA	17.1	8.7	7.7	6.6
Adj. P/E	23.3	19.4	17.1	14.4

Summary Investment Thesis and Valuation

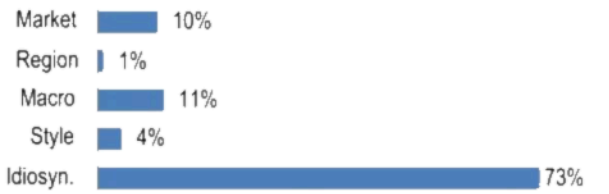
Investment Thesis

We like CATL's technology and leadership position in the global EV and ESS battery markets. Despite continued pricing pressure in the supply chain, CATL has demonstrated the ability to deliver resilient profits thanks to its technology leadership. We appreciate the scarcity value of CATL-H in the H-share market, as its limited share supply supports a valuation premium, in our view. We rate the stock Neutral because we view the current valuation as fair.

Valuation

Our Jun-27 PT is HK$500, based on 19x 2027E P/E (vs. 24x previously). We lower our target multiple to reflect weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds. Our new multiple is below CATL-H's historical trading average, given the lower growth profile under tax headwinds.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.25	0.32
Region: Hong Kong	-0.18	-0.12
Macro:		
US 10 Year Yield	0.29	0.29
JPM Forecast Revision EM	-0.16	-0.21
JP Morgan GBI-EM Global Div	-0.31	-0.18
Quant Styles:		
Growth	-0.07	0.11
LowVol	0.08	-0.10
Quality	0.24	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

CATL - H *(Neutral; Price Target: HK$500.00)*

Investment Thesis
We like CATL's technology and leadership position in the global EV and ESS battery markets. Despite continued pricing pressure in the supply chain, CATL has demonstrated the ability to deliver resilient profits thanks to its technology leadership. We appreciate the scarcity value of CATL-H in the H-share market, as its limited share supply supports a valuation premium, in our view. We rate the stock Neutral because we view the current valuation as fair.

Valuation
Our Jun-27 PT is HK$500, based on 19x 2027E P/E. Our target multiple reflects weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds, and is below CATL-H's historical trading average, given the lower growth profile under tax headwinds.

Risks to Rating and Price Target
Upside/downside risks include better-/lower-than-expected sales volume or margins, and US-China geopolitical risks.

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CATL - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**362,013**	**423,702**	**621,278**	**740,951**	**868,942**
COGS	(273,519)	(312,383)	(476,627)	(578,269)	(675,898)
Gross profit	**88,494**	**111,319**	**144,651**	**162,682**	**193,044**
SG&A	(9,121)	(7,462)	(16,993)	(19,576)	(21,603)
Adj. EBITDA	**86,960**	**114,353**	**143,512**	**158,513**	**184,968**
D&A	(22,908)	(24,835)	(29,180)	(31,235)	(34,294)
Adj. EBIT	**64,052**	**89,519**	**114,333**	**127,278**	**150,675**
Net Interest	5,624	7,861	1,335	1,541	2,119
Adj. PBT	**63,182**	**89,527**	**114,533**	**127,478**	**150,925**
Tax	(9,175)	(12,740)	(17,180)	(19,122)	(22,639)
Minority Interest	(3,262)	(4,585)	(7,788)	(8,668)	(10,263)
Adj. Net Income	**50,745**	**72,201**	**89,565**	**99,688**	**118,023**
Reported EPS	11.58	16.14	19.36	21.98	26.03
Adj. EPS	**11.58**	**16.14**	**19.36**	**21.98**	**26.03**
DPS	**5.78**	**7.96**	**9.68**	**10.99**	**13.01**
Payout ratio	49.9%	49.3%	50.0%	50.0%	50.0%
Shares outstanding	4,382	4,473	4,627	4,535	4,535

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	303,512	333,513	311,825	307,391	331,589
Accounts receivable	117,445	119,609	119,609	119,609	119,609
Inventories	59,836	94,526	139,217	152,294	181,025
Other current assets	29,349	90,834	90,834	90,834	90,834
Current assets	**510,142**	**638,482**	**661,485**	**670,128**	**723,057**
PP&E	142,344	176,134	187,562	197,028	219,167
LT investments	66,692	81,181	131,754	180,634	224,850
Other non current assets	67,480	79,031	82,158	85,192	88,135
Total assets	**786,658**	**974,828**	**1,062,959**	**1,132,982**	**1,255,209**
Short term borrowings	109,934	138,450	136,848	120,604	136,640
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Other short term liabilities	76,260	100,847	100,847	100,847	100,847
Current liabilities	**317,172**	**399,626**	**433,281**	**446,981**	**498,015**
Long-term debt	93,161	81,678	71,428	61,178	50,928
Other long term liabilities	102,869	122,497	122,497	122,497	122,497
Total liabilities	**513,202**	**603,801**	**627,207**	**630,656**	**671,440**
Shareholders' equity	246,930	337,108	394,046	451,951	523,130
Minority interests	26,526	33,919	41,707	50,375	60,638
Total liabilities & equity	**786,658**	**974,828**	**1,062,959**	**1,132,982**	**1,255,209**
BVPS	**56.35**	**75.36**	**85.16**	**99.66**	**115.36**
y/y Growth	*23.4%*	*33.7%*	*13.0%*	*17.0%*	*15.7%*
Net debt/(cash)	(100,417)	(113,385)	(103,549)	(125,609)	(144,021)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**96,990**	**133,220**	**110,997**	**132,213**	**176,882**
o/w Depreciation & amortization	22,908	24,835	29,180	31,235	34,294
o/w Changes in working capital	15,235	33,216	(11,035)	622	22,303
Cash flow from investing activities	**(48,875)**	**(94,476)**	**(89,808)**	**(84,615)**	**(95,591)**
o/w Capital expenditure	(31,180)	(42,345)	(43,735)	(43,735)	(59,375)
as % of sales	*8.6%*	*10.0%*	*7.0%*	*5.9%*	*6.8%*
Cash flow from financing activities	**(14,524)**	**(6,310)**	**(42,876)**	**(52,032)**	**(57,094)**
o/w Dividends paid	(25,807)	(34,923)	(35,626)	(44,782)	(49,844)
o/w Shares issued/(repurchased)	2,560	44,814	3,000	3,000	3,000
o/w Net debt issued/(repaid)	10,568	(11,912)	(10,250)	(10,250)	(10,250)
Net change in cash	**31,994**	**29,770**	**(21,688)**	**(4,434)**	**24,198**
Adj. Free cash flow to firm	**65,810**	**90,875**	**67,262**	**88,478**	**117,507**
y/y Growth	*11.2%*	*38.1%*	*(26.0%)*	*31.5%*	*32.8%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	24.4%	26.3%	23.3%	22.0%	22.2%
EBITDA margin	24.0%	27.0%	23.1%	21.4%	21.3%
EBIT margin	17.7%	21.1%	18.4%	17.2%	17.3%
Net profit margin	14.0%	17.0%	14.4%	13.5%	13.6%
ROE	22.8%	24.7%	24.5%	23.6%	24.2%
ROA	6.7%	8.2%	8.8%	9.1%	9.9%
ROCE	12.9%	15.2%	16.8%	17.5%	19.1%
SG&A/Sales	2.5%	1.8%	2.7%	2.6%	2.5%
Net debt/Equity	NM	NM	NM	NM	NM
Net debt/EBITDA	NM	NM	NM	NM	NM
Sales/Assets (x)	0.5	0.5	0.6	0.7	0.7
Assets/Equity (x)	3.4	3.0	2.8	2.6	2.4
Interest cover (x)	NM	NM	NM	NM	NM
Operating leverage	(198.2%)	233.3%	59.4%	58.8%	106.4%
Tax rate	14.5%	14.2%	15.0%	15.0%	15.0%
Revenue y/y Growth	(9.7%)	17.0%	46.6%	19.3%	17.3%
EBITDA y/y Growth	15.7%	31.5%	25.5%	10.5%	16.7%
EPS y/y Growth	(1.7%)	39.4%	19.9%	13.6%	18.4%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	32.5	23.3	19.4	17.1	14.4
P/BV (x)	6.7	5.0	4.4	3.8	3.3
EV/EBITDA (x)	14.1	17.1	8.7	7.7	6.6
Dividend Yield	1.5%	2.1%	2.6%	2.9%	3.5%

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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▼Neutral

Previous: Overweight

3931.HK, 3931 HK
Price (16 Oct 26):HK$15.42

▼Price Target (Jun-27):HK$17.00
Prior (Jun-27):HK$40.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.51	1.34	-10.7%
Adj. EPS - 27E (Rmb)	2.15	1.45	-32.6%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	13	37	46	34	54
Growth	8	3	2	2	
Momentum	85	18	7	92	
Quality	75	81	78	91	90
Low Vol	89	90	87	98	

CALB

Downgrade to Neutral

Estimate revisions: We cut our 2026/27 net profit forecast for CALB by 11%/33% to reflect potential margin pressure from export VAT rebate reductions and consumption tax headwinds. We downgrade CALB to Neutral.

Table 10: Estimate revisions

	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	75,097	75,097	0%	115,149	101,173	14%
Sales growth (yoy%)	69%	69%		53%	35%	
COGS	63,007	62,872	0%	97,877	84,560	16%
Gross profit	12,091	12,226	-1%	17,272	16,613	4%
Gross margin (%)	16.1%	16.3%		15.0%	16.4%	
Operating profit	4,717	4,574	3%	6,234	6,374	-2%
Operating margin (%)	6%	6%		5%	6%	
Pre-tax profit	3,665	4,107	-11%	4,254	5,855	-27%
Tax rate	8%	8%		10%	8%	
Net profit	2,382	2,669	-11%	2,565	3,805	-33%
Net margin (%)	3.2%	3.6%		2.2%	3.8%	
Net profit growth (yoy%)	61%	81%		8%	43%	
EPS (basic)	1.34	1.51	-11%	1.45	2.15	-33%

Source. J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-38.6%	-12.0%	-23.5%	-51.4%
Rel	-29.8%	-11.0%	-21.2%	-39.2%

Company Data

Shares O/S (mn)	761
52-week range (HK$)	39.30-14.90
Market cap ($ mn)	1,496
Exchange rate	7.85
Free float (%)	53.1%
3M ADV (mn)	4.59
3M ADV ($ mn)	10.3
Volatility (90 Day)	55
Index	HSCEI
BBG ANR (Buy | Hold | Sell)	17|1|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	44,400	75,097	115,149	141,250
Adj. EBITDA	5,910	8,024	10,048	12,128
Adj. EBIT	3,126	4,717	6,234	7,944
Adj. net income	1,476	2,382	2,565	3,419
Net margin	3.3%	3.2%	2.2%	2.4%
Adj. EPS	0.83	1.34	1.45	1.93
BBG EPS	0.73	1.49	2.29	2.91
Cashflow from operations	10,160	5,241	6,711	7,947
FCFF	(13,546)	(15,042)	(10,714)	(4,839)
Margins and Growth				
Revenue Growth Y/Y (%)	60.0%	69.1%	53.3%	22.7%
EBITDA margin	13.3%	10.7%	8.7%	8.6%
EBITDA Growth Y/Y (%)	60.6%	35.8%	25.2%	20.7%
EBIT margin	7.0%	6.3%	5.4%	5.6%
Adj. EPS growth	149.6%	61.5%	7.7%	33.3%
Ratios				
Adj. tax rate	7.7%	7.7%	10.0%	13.0%
Interest cover	6.9	7.6	5.1	6.4
Net debt/Equity	0.9	1.1	1.2	1.2
Net debt/EBITDA	8.3	8.0	7.5	6.6
ROCE	3.3%	4.4%	5.0%	5.6%
ROE	4.1%	6.3%	6.3%	7.9%
Valuation				
FCFF yield	(58.2%)	(64.6%)	(46.0%)	(20.8%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	13.9	12.3	11.1	9.7
EV/Revenue	1.9	1.3	1.0	0.8
Adj. P/E	15.8	9.8	9.1	6.8

Summary Investment Thesis and Valuation

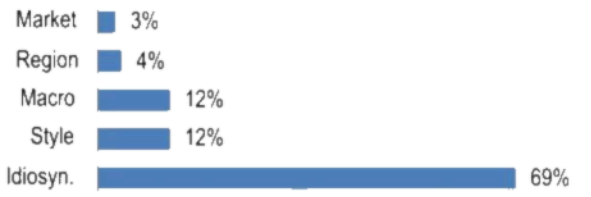
Investment Thesis

CALB is the third-largest battery maker in China based on battery installation, with domestic market share having increased from 1% in 2017-18 to 6% in 2020-22 and 7-8% in 2023-25. We like CALB's market share gain trend and believe CALB is the beneficiary of China EV premiumization, driven by its high exposure to B+ segment EV models. We downgrade CALB to Neutral because we are concerned about potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Valuation

Our Jun-27 PT is HK$17, based on a 10x 2027E P/E (vs. our previous Jun-26 PT of HK$40, which was based on a 16x 2027E P/E). We lower our target multiple to reflect weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds. Our target multiple is lower than CALB's historical trading average, given the lower growth profile vs. the industry's early stage.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.25	0.26
Region: China	0.06	0.26
Macro:		
JP Morgan EMBI Global Spread	-0.18	-0.20
HSI Volatility Index	-0.08	-0.19
JPM China A-shares Sentiment	0.11	0.15
Quant Styles:		
Growth	0.19	0.25
LowVol	-0.14	-0.23
DivYld	-0.15	-0.21

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

CALB *(Neutral; Price Target: HK$17.00)*

Investment Thesis

CALB is the third-largest battery maker in China based on battery installation, with domestic market share having increased from 1% in 2017-18 to 6% in 2020-22 and 7-8% in 2023-25. We like CALB's market share gain trend and believe CALB is the beneficiary of China EV premiumization, driven by its high exposure to B+ segment EV models. We downgrade CALB to Neutral because we are concerned about potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Valuation

Our Jun-27 PT is HK$17, based on a 10x 2027E P/E. Our target multiple reflects weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds, and is lower than CALB's historical trading average, given the lower growth profile vs. the industry's early stage.

Risks to Rating and Price Target

Upside/downside risks include: (1) better-/worse-than-expected EV/ESS demand; and (2) better-/worse-than-expected unit profit.

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CALB: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**27,752**	**44,400**	**75,097**	**115,149**	**141,250**
COGS	(23,342)	(36,988)	(63,007)	(97,877)	(119,780)
Gross profit	**4,410**	**7,412**	**12,091**	**17,272**	**21,470**
SG&A	(1,873)	(2,262)	(3,492)	(5,354)	(6,568)
Adj. EBITDA	**3,679**	**5,910**	**8,024**	**10,048**	**12,128**
D&A	(2,474)	(2,784)	(3,307)	(3,814)	(4,185)
Adj. EBIT	**1,205**	**3,126**	**4,717**	**6,234**	**7,944**
Net Interest	(415)	(855)	(1,052)	(1,980)	(1,897)
Adj. PBT	**790**	**2,270**	**3,665**	**4,254**	**6,047**
Tax	53	(175)	(283)	(425)	(786)
Minority Interest	(252)	(620)	(1,000)	(1,263)	(1,841)
Adj. Net Income	**591**	**1,476**	**2,382**	**2,565**	**3,419**
Reported EPS	0.33	0.83	1.34	1.45	1.93
Adj. EPS	**0.33**	**0.83**	**1.34**	**1.45**	**1.93**
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	1,772	1,772	1,772	1,772	1,772

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	9,059	9,638	523	1,878	3,468
Accounts receivable	8,414	14,965	22,726	31,174	39,559
Inventories	5,263	7,164	13,810	21,452	26,253
Other current assets	12,869	15,751	18,840	21,393	24,525
Current assets	**35,605**	**47,517**	**55,898**	**75,897**	**93,805**
PP&E	81,005	92	108,818	122,377	130,613
LT investments	994	1,143	1,143	1,143	1,143
Other non current assets	4,869	99,803	8,626	9,110	9,546
Total assets	**122,473**	**148,555**	**174,485**	**208,527**	**235,107**
Short term borrowings	18,960	25,108	26,108	33,108	34,108
Payables	19,487	27,037	36,479	47,519	57,744
Other short term liabilities	7,138	8,146	14,517	20,885	25,281
Current liabilities	**45,584**	**60,290**	**77,104**	**101,512**	**117,133**
Long-term debt	27,156	30,247	35,747	41,247	46,747
Other long term liabilities	1,679	4,561	4,795	5,100	5,299
Total liabilities	**74,419**	**95,099**	**117,646**	**147,859**	**169,178**
Shareholders' equity	35,184	36,739	39,121	41,686	45,106
Minority interests	12,870	16,718	17,718	18,981	20,823
Total liabilities & equity	**122,473**	**148,555**	**174,485**	**208,527**	**235,107**
BVPS	**19.86**	**20.73**	**22.08**	**23.52**	**25.45**
y/y Growth	*1.6%*	*4.4%*	*6.5%*	*6.6%*	*8.2%*
Net debt/(cash)	37,193	48,795	64,411	75,556	80,465

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**3,113**	**10,160**	**5,241**	**6,711**	**7,947**
o/w Depreciation & amortization	2,474	2,784	3,307	3,814	4,185
o/w Changes in working capital	1,818	(945)	(1,683)	(1,236)	(1,697)
Cash flow from investing activities	**(18,284)**	**(16,945)**	**(20,856)**	**(17,856)**	**(12,856)**
o/w Capital expenditure	(16,335)	(15,336)	(20,000)	(17,000)	(12,000)
as % of sales	*58.9%*	*34.5%*	*26.6%*	*14.8%*	*8.5%*
Cash flow from financing activities	**16,394**	**11,354**	**6,500**	**12,500**	**6,500**
o/w Dividends paid	-	-	-	-	-
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	16,613	11,139	6,500	12,500	6,500
Net change in cash	**1,225**	**4,570**	**(9,115)**	**1,355**	**1,591**
Adj. Free cash flow to firm	**(13,698)**	**(13,546)**	**(15,042)**	**(10,714)**	**(4,839)**
y/y Growth	*(14.4%)*	*(1.1%)*	*11.0%*	*(28.8%)*	*(54.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	15.9%	16.7%	16.1%	15.0%	15.2%
EBITDA margin	13.3%	13.3%	10.7%	8.7%	8.6%
EBIT margin	4.3%	7.0%	6.3%	5.4%	5.6%
Net profit margin	2.1%	3.3%	3.2%	2.2%	2.4%
ROE	1.7%	4.1%	6.3%	6.3%	7.9%
ROA	0.5%	1.1%	1.5%	1.3%	1.5%
ROCE	1.5%	3.3%	4.4%	5.0%	5.6%
SG&A/Sales	6.8%	5.1%	4.7%	4.7%	4.7%
Net debt/Equity	0.8	0.9	1.1	1.2	1.2
Net debt/EBITDA	10.1	8.3	8.0	7.5	6.6
Sales/Assets (x)	0.2	0.3	0.5	0.6	0.6
Assets/Equity (x)	3.3	3.8	4.3	4.7	5.1
Interest cover (x)	8.9	6.9	7.6	5.1	6.4
Operating leverage	2091.0%	265.6%	73.6%	60.3%	121.0%
Tax rate	6.8%	7.7%	7.7%	10.0%	13.0%
Revenue y/y Growth	2.8%	60.0%	69.1%	53.3%	22.7%
EBITDA y/y Growth	46.3%	60.6%	35.8%	25.2%	20.7%
EPS y/y Growth	100.8%	149.6%	61.5%	7.7%	33.3%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	39.4	15.8	9.8	9.1	6.8
P/BV (x)	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (x)	18.3	13.9	12.3	11.1	9.7
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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J.P.Morgan

▼Underweight

Previous: Neutral

300014.SZ, 300014 CH
Price (19 Oct 26):Rmb45.04

▼Price Target (Jun-27):Rmb33.00
Prior (Jun-27):Rmb60.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 27E (Rmb mn)	126,837	136,104	7.3%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	38	52	63	55	84
Growth	14	15	28	11	5
Momentum	70	36	20	91	16
Quality	47	48	51	50	32
Low Vol	74	77	85	78	88
ESGQ	1	89	88	97	95

EVE Energy

Downgrade to UW

Estimate revisions: We cut our 2027 net profit forecast for EVE by 22% to reflect potential margin pressure from export VAT rebate reductions and consumption tax headwinds. We downgrade EVE to UW.

Table 11: Estimate revisions

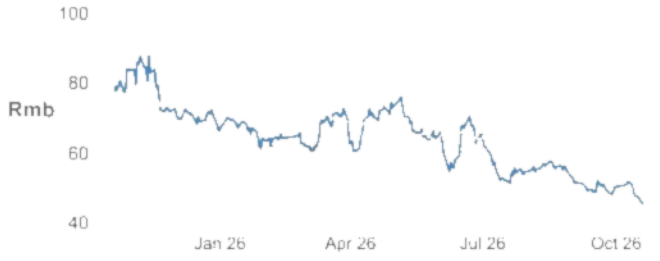
	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	104,259	105,054	-1%	136,104	126,837	7%
Sales growth (yoy%)	70%	71%		31%	21%	
COGS	89,180	89,008	0%	116,942	107,339	9%
Gross profit	15,079	16,046	-6%	19,162	19,497	-2%
Gross margin (%)	14.5%	15.3%		14.1%	15.4%	
Operating profit	7,950	7,422	7%	7,165	9,113	-21%
Operating margin (%)	8%	7%		5%	7%	
Pre-tax profit	7,861	7,333	7%	7,064	9,019	-22%
Tax rate	4%	4%		4%	4%	
Net profit	7,311	6,822	7%	6,580	8,391	-22%
Net margin (%)	7%	6%		5%	7%	
Net profit growth (yoy%)	77%	65%		-10%	23%	
EPS (basic)	3.57	3.33		3.21	4.10	
EPS (fully diluted)	3.57	3.33	7%	3.21	4.10	-22%

Source: J.P. Morgan estimates.

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



— 300014.SZ Price (Rmb) SHEN.B (rebased)

	YTD	1m	3m	12m
Abs	-31.5%	-12.6%	-12.8%	-41.0%
Rel	-23.5%	-12.2%	-19.0%	-27.7%

Company Data

Shares O/S (mn)	2,173
52-week range (Rmb)	89.90-45.02
Market cap ($ mn)	14,637
Exchange rate	6.69
Free float (%)	61.0%
3M ADV (mn)	37.00
3M ADV ($ mn)	292.3
Volatility (90 Day)	48
Index	SZBSHR
BBG ANR (Buy | Hold | Sell)	26|5|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	61,470	104,259	136,104	159,703
Adj. EBITDA	7,694	11,606	11,492	13,894
Adj. EBIT	4,488	7,950	7,165	8,958
Adj. net income	4,134	7,311	6,580	7,855
Adj. EPS	1.96	3.57	3.21	3.84
BBG EPS	2.20	3.37	4.51	5.53
Cashflow from operations	7,492	3,890	5,592	7,021
FCFF	(3,274)	(3,902)	(3,192)	(1,189)
Margins and Growth				
Revenue Growth Y/Y (%)	26.4%	69.6%	30.5%	17.3%
EBITDA margin	12.5%	11.1%	8.4%	8.7%
EBITDA Growth Y/Y (%)	6.2%	50.9%	(1.0%)	20.9%
EBIT margin	7.3%	7.6%	5.3%	5.6%
Net margin	6.7%	7.0%	4.8%	4.9%
Adj. EPS growth	0.0%	82.3%	(10.0%)	19.4%
Ratios				
Adj. tax rate	3.1%	3.2%	3.1%	5.5%
Interest cover	-	-	-	-
Net debt/Equity	0.4	0.5	0.5	0.6
Net debt/EBITDA	2.3	2.2	2.7	2.6
ROCE	6.9%	10.5%	8.4%	9.0%
ROE	10.3%	16.1%	12.9%	13.9%
Valuation				
FCFF yield	(3.4%)	(4.2%)	(3.5%)	(1.3%)
Dividend yield	1.1%	1.9%	1.7%	2.1%
EV/Revenue	2.0	1.2	1.0	0.9
EV/EBITDA	16.0	11.2	11.9	10.2
Adj. P/E	23.0	12.6	14.0	11.7

Summary Investment Thesis and Valuation

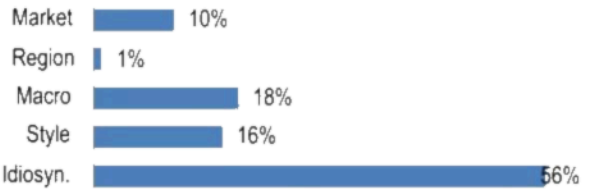
Investment Thesis

EVE is the market leader in several consumer battery applications and has expanded into EV battery and ESS (energy storage system) applications. EVE also holds a ~31% stake in Smoore (6969 HK) (plans to cut holding to 28%), an e-cigarette vaping device ODM that contributed ~8-10% of the company's net profit. We rate the stock UW because we are concerned about potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Valuation

Our Jun-27 PT is Rmb33, based on a 10x 2027E P/E (vs. 15x previously). We lower our target multiple to reflect weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds. Our target multiple is below EVE's historical trading average, given the lower growth profile vs. the industry's early stage.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.43	0.32
Region: China	-0.18	0.10
Macro:		
Emerging Central Bank Rate	0.40	0.28
JPM China A-shares Sentiment	0.27	0.28
Emerging Economies CPI(YoY)	-0.36	-0.25
Quant Styles:		
Growth	0.31	0.34
DivYld	-0.26	-0.26
LowVol	-0.18	-0.24

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

EVE Energy *(Underweight; Price Target: Rmb33.00)*

Investment Thesis

EVE is the market leader in several consumer battery applications and has expanded into EV battery and ESS (energy storage system) applications. EVE also holds a ~31% stake in Smoore (6969 HK) (plans to cut holding to 28%), an e-cigarette vaping device ODM that contributed ~8-10% of the company's net profit. We rate the stock UW because we are concerned about potential margin pressure from export VAT rebate reductions and consumption tax headwinds.

Valuation

Our Jun-27 PT is Rmb33, based on a 10x 2027E P/E. Our target multiple reflects weaker market sentiment and potential margin pressure from export VAT rebate reductions and consumption tax headwinds, and is below EVE's historical trading average, given the lower growth profile vs. the industry's early stage.

Risks to Rating and Price Target

Upside risks include: (1) better-than-expected battery shipments; (2) less pricing and margin pressure; and (3) better-than-expected regulatory policies related to the e-cigarette industry.

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EVE Energy: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**48,615**	**61,470**	**104,259**	**136,104**	**159,703**
COGS	(40,149)	(51,528)	(89,180)	(116,942)	(137,014)
Gross profit	**8,465**	**9,941**	**15,079**	**19,162**	**22,689**
SG&A	(2,281)	(3,954)	(4,922)	(6,009)	(6,553)
Adj. EBITDA	**7,243**	**7,694**	**11,606**	**11,492**	**13,894**
D&A	(2,547)	(3,206)	(3,657)	(4,327)	(4,935)
Adj. EBIT	**4,696**	**4,488**	**7,950**	**7,165**	**8,958**
Net Interest	-	-	-	-	-
Adj. PBT	**4,638**	**4,440**	**7,861**	**7,064**	**8,839**
Tax	(417)	(138)	(253)	(217)	(483)
Minority Interest	(146)	(168)	(297)	(267)	(501)
Adj. Net Income	**4,076**	**4,134**	**7,311**	**6,580**	**7,855**
Reported EPS	1.96	1.96	3.57	3.21	3.84
Adj. EPS	**1.96**	**1.96**	**3.57**	**3.21**	**3.84**
DPS	**0.50**	**0.49**	**0.87**	**0.78**	**0.93**
Payout ratio	25.5%	25.0%	24.3%	24.3%	24.3%
Shares outstanding	2,079	2,109	2,047	2,047	2,047

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	9,065	8,502	4,455	3,338	4,828
Accounts receivable	13,099	14,860	23,268	32,116	43,172
Inventories	5,251	8,240	14,660	22,427	30,030
Other current assets	10,570	22,071	23,288	24,193	24,864
Current assets	**37,985**	**53,673**	**65,670**	**82,074**	**102,895**
PP&E	39,626	49,675	55,714	61,101	65,898
LT investments	15,165	12,521	14,126	16,006	18,290
Other non current assets	8,115	9,673	9,091	8,682	8,285
Total assets	**100,891**	**125,542**	**144,601**	**167,863**	**195,367**
Short term borrowings	10,783	12,437	12,437	12,437	12,437
Payables	25,512	33,010	41,806	53,340	66,853
Other short term liabilities	3,543	6,804	7,461	9,116	10,347
Current liabilities	**39,838**	**52,251**	**61,704**	**74,893**	**89,637**
Long-term debt	18,068	25,725	28,725	33,725	39,725
Other long term liabilities	1,985	2,595	2,595	2,595	2,595
Total liabilities	**59,891**	**80,571**	**93,024**	**111,213**	**131,957**
Shareholders' equity	37,581	42,320	48,628	53,435	59,693
Minority interests	3,418	2,652	2,948	3,215	3,717
Total liabilities & equity	**100,891**	**125,542**	**144,601**	**167,863**	**195,367**
BVPS	**18.07**	**20.06**	**23.76**	**26.11**	**29.17**
y/y Growth	*7.0%*	*11.0%*	*18.4%*	*9.9%*	*11.7%*
Net debt/(cash)	10,240	17,929	24,977	31,093	35,603

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**4,434**	**7,492**	**3,890**	**5,592**	**7,021**
o/w Depreciation & amortization	2,547	3,206	3,657	4,327	4,935
o/w Changes in working capital	(2,833)	(792)	(6,032)	(5,081)	(5,146)
Cash flow from investing activities	**(7,310)**	**(12,616)**	**(9,935)**	**(9,935)**	**(9,935)**
o/w Capital expenditure	(5,545)	(10,446)	(9,935)	(9,935)	(9,935)
as % of sales	*11.4%*	*17.0%*	*9.5%*	*7.3%*	*6.2%*
Cash flow from financing activities	**1,400**	**4,383**	**1,997**	**3,226**	**4,404**
o/w Dividends paid	(1,753)	(3,029)	(1,003)	(1,774)	(1,596)
o/w Shares issued/(repurchased)	28	816	0	0	0
o/w Net debt issued/(repaid)	3,768	7,522	3,000	5,000	6,000
Net change in cash	**(1,476)**	**(741)**	**(4,047)**	**(1,117)**	**1,490**
Adj. Free cash flow to firm	**(1,128)**	**(3,274)**	**(3,902)**	**(3,192)**	**(1,189)**
y/y Growth	*(130.8%)*	*190.2%*	*19.2%*	*(18.2%)*	*(62.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	17.4%	16.2%	14.5%	14.1%	14.2%
EBITDA margin	14.9%	12.5%	11.1%	8.4%	8.7%
EBIT margin	9.7%	7.3%	7.6%	5.3%	5.6%
Net profit margin	8.4%	6.7%	7.0%	4.8%	4.9%
ROE	11.3%	10.3%	16.1%	12.9%	13.9%
ROA	4.2%	3.7%	5.4%	4.2%	4.3%
ROCE	7.8%	6.9%	10.5%	8.4%	9.0%
SG&A/Sales	4.7%	6.4%	4.7%	4.4%	4.1%
Net debt/Equity	0.2	0.4	0.5	0.5	0.6
Net debt/EBITDA	1.4	2.3	2.2	2.7	2.6
Sales/Assets (x)	0.5	0.5	0.8	0.9	0.9
Assets/Equity (x)	2.7	2.8	3.0	3.1	3.2
Interest cover (x)	-	-	-	-	-
Operating leverage	890.1%	(16.8%)	110.8%	(32.3%)	144.3%
Tax rate	9.0%	3.1%	3.2%	3.1%	5.5%
Revenue y/y Growth	(0.3%)	26.4%	69.6%	30.5%	17.3%
EBITDA y/y Growth	15.5%	6.2%	50.9%	(1.0%)	20.9%
EPS y/y Growth	(0.5%)	0.0%	82.3%	(10.0%)	19.4%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	23.0	23.0	12.6	14.0	11.7
P/BV (x)	2.5	2.2	1.9	1.7	1.5
EV/EBITDA (x)	16.0	16.0	11.2	11.9	10.2
Dividend Yield	1.1%	1.1%	1.9%	1.7%	2.1%

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

Underweight

002074.SZ, 002074 CH
Price (19 Oct 26):Rmb27.37

▼ **Price Target (Jun-27):Rmb18.00**
Prior (Jun-27):Rmb20.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.12	1.06	-5.6%
Adj. EPS - 27E (Rmb)	1.53	0.72	-52.9%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	59	64	71	74	87
Growth	39	3	20	3	27
Momentum	51	6	9	76	21
Quality	77	77	82	90	90
Low Vol	60	56	61	61	87
ESGQ	20	23	9	92	12

Gotion High-Tech

Remain UW

Estimate revisions: We reduce our 2026/27 net profit forecast for Gotion by 6%/53% to reflect potential margin pressure from export VAT rebate reductions and consumption tax headwinds. We remain UW on Gotion.

Table 12: Estimate revisions

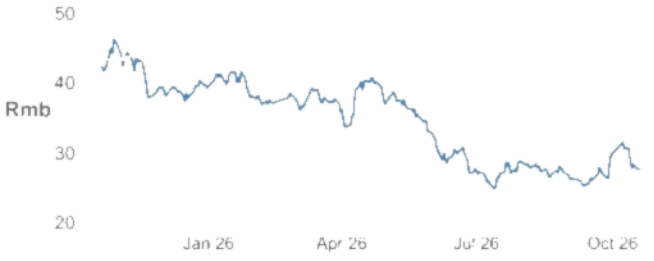
	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	60,372	60,918	-1%	74,438	75,900	-2%
Sales growth (yoy%)	34%	35%		23%	25%	
COGS	51,145	50,966	0%	63,433	63,397	0%
Gross profit	9,228	9,952	-7%	11,005	12,503	-12%
Gross margin (%)	15%	16%		15%	16%	
Operating profit	2,023	2,243	-10%	1,444	3,047	-53%
Operating margin (%)	3%	3.7%		2%	4.0%	
Pre-tax profit	1,900	2,119	-10%	1,292	2,893	-55%
Tax rate	-3%	9%		-3%	9%	
Net profit	1,912	2,025	-6%	1,301	2,764	-53%
Net margin (%)	3%	3%		2%	4%	
Net profit growth (yoy%)	-20%	-15%		-32%	36%	
EPS (basic)	1.06	1.12		0.72	1.53	
EPS (fully diluted)	1.06	1.12	-6%	0.72	1.53	-53%

Source: J.P. Morgan estimates.

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



— 002074.SZ Price (Rmb) SHCOMP (rebased)

	YTD	1m	3m	12m
Abs	-30.0%	4.7%	1.7%	-32.4%
Rel	-24.0%	9.3%	2.6%	-29.0%

Company Data

Shares O/S (mn)	1,815
52-week range (Rmb)	47.58-24.26
Market cap ($ mn)	7,428
Exchange rate	6.69
Free float (%)	56.9%
3M ADV (mn)	34.62
3M ADV ($ mn)	145.0
Volatility (90 Day)	42
Index	SSE
BBG ANR (Buy | Hold | Sell)	13|5|3

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	45,070	60,372	74,438	89,894
Adj. EBITDA	5,755	6,514	6,954	7,468
Adj. EBIT	2,345	2,023	1,444	1,057
Adj. net income	2,383	1,912	1,301	880
Adj. EPS	1.32	1.06	0.72	0.49
BBG EPS	1.74	1.09	1.44	1.88
Cashflow from operations	3,624	2,241	2,461	2,793
FCFF	(5,889)	(16,388)	(16,161)	(14,894)
Margins and Growth				
Revenue Growth Y/Y (%)	27.3%	34.0%	23.3%	20.8%
EBITDA margin	12.8%	10.8%	9.3%	8.3%
EBITDA Growth Y/Y (%)	57.5%	13.2%	6.8%	7.4%
EBIT margin	5.2%	3.4%	1.9%	1.2%
Net margin	5.3%	3.2%	1.7%	1.0%
Adj. EPS growth	94.1%	(19.8%)	(32.0%)	(32.3%)
Ratios				
Adj. tax rate	1.6%	3.1%	3.1%	3.1%
Interest cover	-	-	-	-
Net debt/Equity	1.2	1.6	2.0	2.4
Net debt/EBITDA	7.7	9.4	11.3	13.0
ROCE	2.7%	2.1%	1.3%	0.8%
ROE	8.7%	6.4%	4.2%	2.7%
Valuation				
FCFF yield	(11.9%)	(33.2%)	(32.7%)	(30.1%)
Dividend yield	0.4%	0.7%	0.6%	0.4%
EV/Revenue	2.3	2.0	1.8	1.7
EV/EBITDA	17.7	18.3	19.6	20.7
Adj. P/E	20.7	25.8	38.0	56.2

Summary Investment Thesis and Valuation

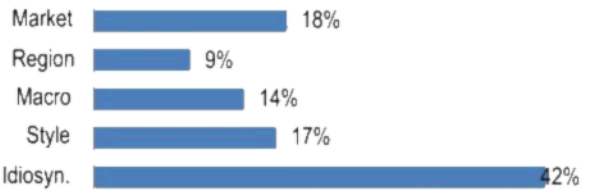
Investment Thesis

Gotion is a leading battery maker that could see meaningful volume growth along with increased volume supply to parent company VW. However, despite factoring in aggressive assumptions on volume growth and a unit profit recovery, we believe Gotion's valuation has traded far beyond the industry average. We remain UW on Gotion.

Valuation

Our Jun-27 PT is Rmb18, based on a 21x 2026E-27E P/E (vs. our previous Jun-27 PT of Rmb20, based on a 13x 2027E P/E). We lift our target multiple to reflect Gotion's ASSB exposure. Our target multiple is below the company's historical trading range, given the distressed core earnings.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.46	0.44
Region: China	0.32	0.34
Macro:		
JPM Global Equity Sentiment	0.30	0.31
JPM China A-shares Sentiment	0.31	0.30
HSI Volatility Index	-0.18	-0.26
Quant Styles:		
Size	-0.53	-0.34
Quality	0.27	0.25
Growth	-0.16	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.

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Investment Thesis, Valuation and Risks

Gotion High-Tech *(Underweight; Price Target: Rmb18.00)*

Investment Thesis

Gotion is a leading battery maker that could see meaningful volume growth along with increased volume supply to parent company VW. However, despite factoring in aggressive assumptions on volume growth and a unit profit recovery, we believe Gotion's valuation has traded far beyond the industry average. We remain UW on Gotion.

Valuation

Our Jun-27 PT is Rmb18, based on a 21x 2026E-27E P/E. Our target multiple reflects Gotion's ASSB exposure and is below the company's historical trading range, given the distressed core earnings.

Risks to Rating and Price Target

Upside risks include: (1) better-than-expected NEV sales; (2) better-than-expected pricing and margins; and (3) better-than-expected cooperation with VW Group.

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Gotion High-Tech: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**35,392**	**45,070**	**60,372**	**74,438**	**89,894**
COGS	(29,020)	(37,780)	(51,145)	(63,433)	(76,528)
Gross profit	**6,372**	**7,290**	**9,228**	**11,005**	**13,367**
SG&A	(3,075)	(3,825)	(4,835)	(6,009)	(6,683)
Adj. EBITDA	**3,654**	**5,755**	**6,514**	**6,954**	**7,468**
D&A	(2,371)	(3,410)	(4,491)	(5,510)	(6,411)
Adj. EBIT	**1,283**	**2,345**	**2,023**	**1,444**	**1,057**
Net Interest	-	-	-	-	-
Adj. PBT	**1,263**	**2,253**	**1,900**	**1,292**	**874**
Tax	(109)	35	58	40	27
Minority Interest	53	95	(46)	(31)	(21)
Adj. Net Income	**1,207**	**2,383**	**1,912**	**1,301**	**880**
Reported EPS (Basic)	0.68	1.32	1.06	0.72	0.49
Adj. EPS	**0.68**	**1.32**	**1.06**	**0.72**	**0.49**
DPS	**0.10**	**0.10**	**0.19**	**0.16**	**0.11**
Payout ratio	14.7%	7.6%	18.3%	21.6%	21.7%
Shares outstanding	1,775	1,806	1,806	1,806	1,806

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	16,548	16,813	4,329	4,217	5,527
Accounts receivable	16,454	16,300	21,797	24,951	30,063
Inventories	7,121	9,690	14,713	19,986	24,950
Other current assets	8,639	11,127	8,088	7,295	7,198
Current assets	**48,763**	**53,931**	**48,927**	**56,448**	**67,739**
PP&E	44,817	55,183	67,736	79,347	89,128
LT investments	2,652	3,311	2,203	1,362	821
Other non current assets	11,608	14,789	15,862	16,857	17,781
Total assets	**107,840**	**127,215**	**134,728**	**154,014**	**175,469**
Short term borrowings	35,370	41,201	42,019	43,189	46,786
Payables	16,648	19,149	19,149	19,149	19,149
Other short term liabilities	3,553	5,984	7,072	8,138	9,286
Current liabilities	**55,572**	**66,334**	**68,240**	**70,476**	**75,221**
Long-term debt	18,510	19,852	23,852	39,852	55,852
Other long term liabilities	3,862	4,122	4,122	4,122	4,122
Total liabilities	**77,943**	**90,308**	**96,214**	**114,450**	**135,195**
Shareholders' equity	25,960	29,124	30,686	31,705	32,394
Minority interests	3,936	7,782	7,828	7,859	7,880
Total liabilities & equity	**107,840**	**127,215**	**134,728**	**154,014**	**175,469**
BVPS	**14.63**	**16.13**	**17.00**	**17.56**	**17.94**
y/y Growth	*3.4%*	*10.3%*	*5.4%*	*3.3%*	*2.2%*
Net debt/(cash)	37,332	44,240	61,542	78,824	97,110

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**2,706**	**3,624**	**2,241**	**2,461**	**2,793**
o/w Depreciation & amortization	2,371	3,410	4,491	5,510	6,411
o/w Changes in working capital	(2,639)	(2,792)	(5,971)	(5,786)	(5,690)
Cash flow from investing activities	**(7,107)**	**(10,296)**	**(17,874)**	**(17,792)**	**(16,792)**
o/w Capital expenditure	(9,068)	(10,171)	(18,116)	(18,116)	(17,116)
as % of sales	*25.6%*	*22.6%*	*30.0%*	*24.3%*	*19.0%*
Cash flow from financing activities	**5,480**	**7,240**	**3,150**	**15,219**	**15,309**
o/w Dividends paid	(1,542)	(1,698)	(350)	(281)	(191)
o/w Shares issued/(repurchased)	3,360	5,078	0	0	0
o/w Net debt issued/(repaid)	4,488	3,532	3,500	15,500	15,500
Net change in cash	**1,228**	**250**	**(12,484)**	**(112)**	**1,310**
Adj. Free cash flow to firm	**(6,972)**	**(5,889)**	**(16,388)**	**(16,161)**	**(14,894)**
y/y Growth	*(39.0%)*	*(15.5%)*	*178.3%*	*(1.4%)*	*(7.8%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	18.0%	16.2%	15.3%	14.8%	14.9%
EBITDA margin	10.3%	12.8%	10.8%	9.3%	8.3%
EBIT margin	3.6%	5.2%	3.4%	1.9%	1.2%
Net profit margin	3.4%	5.3%	3.2%	1.7%	1.0%
ROE	4.7%	8.7%	6.4%	4.2%	2.7%
ROA	1.2%	2.0%	1.5%	0.9%	0.5%
ROCE	1.6%	2.7%	2.1%	1.3%	0.8%
SG&A/Sales	8.7%	8.5%	8.0%	8.1%	7.4%
Net debt/Equity	1.2	1.2	1.6	2.0	2.4
Net debt/EBITDA	10.2	7.7	9.4	11.3	13.0
Sales/Assets (x)	0.4	0.4	0.5	0.5	0.5
Assets/Equity (x)	3.9	4.3	4.4	4.6	5.1
Interest cover (x)	-	-	-	-	-
Operating leverage	263.0%	302.7%	(40.5%)	(122.8%)	(128.9%)
Tax rate	8.6%	1.6%	3.1%	3.1%	3.1%
Revenue y/y Growth	12.0%	27.3%	34.0%	23.3%	20.8%
EBITDA y/y Growth	30.2%	57.5%	13.2%	6.8%	7.4%
EPS y/y Growth	28.3%	94.1%	(19.8%)	(32.0%)	(32.3%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	40.3	20.7	25.8	38.0	56.2
P/BV (x)	1.9	1.7	1.6	1.6	1.5
EV/EBITDA (x)	24.9	17.7	18.3	19.6	20.7
Dividend Yield	0.4%	0.4%	0.7%	0.6%	0.4%

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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▼Neutral

Previous: Overweight

300450.SZ, 300450 CH
Price (19 Oct 26):Rmb30.34

▼Price Target (Jun-27):Rmb28.00
Prior (Jun-27):Rmb45.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.70	1.41	-17.1%
Adj. EPS - 27E (Rmb)	2.35	1.85	-21.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	78	88	90	53	93
Growth	9	1	6	28	23
Momentum	78	14	4	85	15
Quality	46	50	79	40	68
Low Vol	86	90	91	56	72

Wuxi Lead - A

Downgrade to Neutral

Estimate revisions: We cut our 2026/27 net profit forecast for Wuxi Lead by 17%/22% to reflect policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We downgrade Wuxi Lead-A to Neutral.

Table 13: Estimate revisions

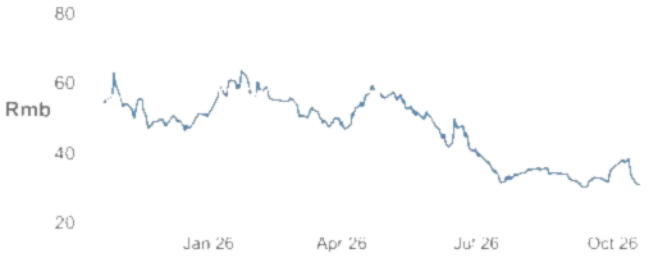
	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	18,417	19,958	-8%	24,198	24,763	-2%
Sales growth (yoy%)	28%	38%		31%	24%	
COGS	12,409	12,912	-4%	16,271	15,818	3%
Gross profit	6,007	7,047	-15%	7,927	8,945	-11%
Gross margin (%)	33%	35%		33%	36%	
Operating profit	2,515	3,038	-17%	3,328	4,246	-22%
Operating margin (%)	13.7%	15.2%		13.8%	17.1%	
Pre-tax profit	2,522	3,046	-17%	3,337	4,256	-22%
Tax rate	8%	8%		8%	8%	
Net profit	2,336	2,820	-17%	3,090	3,941	-22%
Net margin (%)	12.7%	14.1%		12.8%	15.9%	
Net profit growth (yoy%)	49%	80%		32%	40%	
EPS (basic)	1.41	1.70		1.85	2.35	
EPS (fully diluted)	1.41	1.70	-17%	1.85	2.35	-22%

Source. J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-39.3%	-6.7%	-2.3%	-42.0%
Rel	-33.3%	-2.1%	-1.4%	-38.6%

Company Data

Shares O/S (mn)	1,548
52-week range (Rmb)	67.48-29.02
Market cap ($ mn)	7,025
Exchange rate	6.69
Free float (%)	67.7%
3M ADV (mn)	45.69
3M ADV ($ mn)	230.1
Volatility (90 Day)	56
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	20|0|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	14,443	18,417	24,198	31,182
Adj. EBITDA	1,975	2,819	3,630	4,617
Adj. EBIT	1,683	2,515	3,328	4,316
Adj. net income	1,564	2,336	3,090	4,008
Adj. EPS	1.01	1.41	1.85	2.40
BBG EPS	1.06	1.47	1.98	2.49
Cashflow from operations	4,957	5,257	5,895	7,428
FCFF	4,103	5,374	6,081	7,661
Margins and Growth				
Revenue Growth Y/Y (%)	21.8%	27.5%	31.4%	28.9%
EBITDA margin	13.7%	15.3%	15.0%	14.8%
EBITDA Growth Y/Y (%)	327.5%	42.8%	28.7%	27.2%
EBIT margin	11.7%	13.7%	13.8%	13.8%
Net margin	10.8%	12.7%	12.8%	12.9%
Adj. EPS growth	448.9%	39.7%	30.9%	29.7%
Ratios				
Adj. tax rate	7.6%	7.6%	7.6%	7.6%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.4	NM	NM	NM
ROCE	7.9%	11.2%	13.4%	15.3%
ROE	12.6%	16.6%	19.1%	21.1%
Valuation				
FCFF yield	8.7%	10.7%	12.0%	15.1%
Dividend yield	0.9%	1.3%	1.7%	0.0%
EV/Revenue	5.3	3.9	2.8	2.0
EV/EBITDA	39.1	25.7	18.7	13.5
Adj. P/E	30.0	21.5	16.4	12.7

Summary Investment Thesis and Valuation

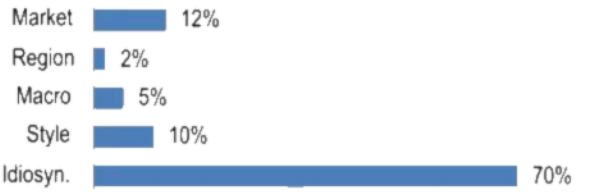
Investment Thesis

Wuxi Lead is the world's largest battery equipment maker and potentially the only supplier with the ability to supply all the machines needed for the entire battery production line. We like Wuxi Lead for its dominant positioning in the global lithium-ion equipment market and advanced technology. However, we are concerned about the impact of policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We rate Wuxi Lead-A Neutral.

Valuation

Our Jun-27 PT is Rmb28, based on a 15x 2027E P/E (vs. 19x previously). We lower our target multiple to reflect the increased uncertainty around downstream battery expansion plans and a more balanced risk/reward profile following recent share price performance. Our target multiple is below the historical trading average to reflect mean reversion from a peak-cycle valuation.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.67	0.36
Region: China	-0.01	0.14
Macro:		
JPM Global Equity Sentiment	0.17	0.20
JPM China A-shares Sentiment	0.32	0.16
HSI Volatility Index	-0.09	-0.15
Quant Styles:		
Growth	0.34	0.29
DivYld	-0.30	-0.25
Value	-0.30	-0.23

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

Wuxi Lead - A *(Neutral; Price Target: Rmb28.00)*

Investment Thesis

Wuxi Lead is the world's largest battery equipment maker and potentially the only supplier with the ability to supply all the machines needed for the entire battery production line. We like Wuxi Lead for its dominant positioning in the global lithium-ion equipment market and advanced technology. However, we are concerned about the impact of policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We rate Wuxi Lead-A Neutral.

Valuation

Our Jun-27 PT is Rmb28, based on a 15x 2027E P/E. Our target multiple reflects the increased uncertainty around downstream battery expansion plans and a more balanced risk/reward profile following recent share price performance, and is below the historical trading average to reflect mean reversion from a peak-cycle valuation.

Risks to Rating and Price Target

Upside/downside risks include: (1) better-/worse-than-expected capacity expansion at battery makers - Wuxi Lead's new order intake is highly dependent on the capital expenditures of downstream battery makers, so its operations could be better/worse than expected if major battery makers accelerate/slow capacity expansion plans; and (2) less/more competition and margin pressure than expected - Wuxi Lead could benefit/suffer from easing/strengthened competitive intensity and pricing pressure in the lithium battery equipment industry, leading to better-/worse-than-expected profitability.

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Wuxi Lead - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**11,855**	**14,443**	**18,417**	**24,198**	**31,182**
COGS	(7,708)	(9,630)	(12,409)	(16,271)	(20,953)
Gross profit	**4,147**	**4,813**	**6,007**	**7,927**	**10,228**
SG&A	(1,436)	(1,481)	(1,730)	(2,098)	(2,628)
Adj. EBITDA	**462**	**1,975**	**2,819**	**3,630**	**4,617**
D&A	(255)	(291)	(304)	(302)	(300)
Adj. EBIT	**207**	**1,683**	**2,515**	**3,328**	**4,316**
Net Interest	-	-	-	-	-
Adj. PBT	**112**	**1,689**	**2,522**	**3,337**	**4,329**
Tax	156	(129)	(193)	(255)	(331)
Minority Interest	18	4	6	8	10
Adj. Net Income	**286**	**1,564**	**2,336**	**3,090**	**4,008**
Reported EPS	0.18	1.01	1.41	1.85	2.40
Adj. EPS	**0.18**	**1.01**	**1.41**	**1.85**	**2.40**
DPS	**0.06**	**0.29**	**0.40**	**0.52**	**0.00**
Payout ratio	30.4%	28.4%	28.4%	28.4%	0.0%
Shares outstanding	1,555	1,548	1,656	1,673	1,673

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	4,230	6,057	10,504	15,394	21,609
Accounts receivable	8,626	6,710	6,892	7,131	7,438
Inventories	13,580	14,957	13,599	13,373	14,352
Other current assets	4,135	5,315	5,367	5,387	5,509
Current assets	**30,571**	**33,039**	**36,363**	**41,285**	**48,908**
PP&E	2,392	2,591	2,358	2,120	1,878
LT investments	0	0	0	0	0
Other non current assets	3,220	3,443	3,403	3,369	3,341
Total assets	**36,183**	**39,073**	**42,123**	**46,774**	**54,127**
Short term borrowings	3,417	4,711	4,711	5,288	6,032
Payables	3,770	4,470	5,966	7,928	11,717
Other short term liabilities	14,478	14,268	14,268	14,268	14,268
Current liabilities	**21,665**	**23,449**	**24,945**	**27,484**	**32,016**
Long-term debt	2,477	1,817	1,517	1,217	917
Other long term liabilities	462	688	688	688	688
Total liabilities	**24,603**	**25,953**	**27,149**	**29,388**	**33,620**
Shareholders' equity	11,598	13,140	15,000	17,420	20,550
Minority interests	(18)	(20)	(26)	(34)	(44)
Total liabilities & equity	**36,183**	**39,073**	**42,123**	**46,774**	**54,127**
BVPS	**7.46**	**8.49**	**9.06**	**10.41**	**12.28**
y/y Growth	*(1.1%)*	*13.8%*	*6.8%*	*14.9%*	*18.0%*
Net debt/(cash)	3,330	799	(3,949)	(8,561)	(14,332)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(1,567)**	**4,957**	**5,257**	**5,895**	**7,428**
o/w Depreciation & amortization	255	291	304	302	300
o/w Changes in working capital	(3,239)	2,376	2,672	2,526	3,247
Cash flow from investing activities	**(1,220)**	**(1,813)**	**(34)**	**(34)**	**(34)**
o/w Capital expenditure	(873)	(555)	(34)	(34)	(34)
as % of sales	*7.4%*	*3.8%*	*0.2%*	*0.1%*	*0.1%*
Cash flow from financing activities	**3,846**	**(1,515)**	**(775)**	**(971)**	**(1,178)**
o/w Dividends paid	(565)	(195)	(475)	(671)	(878)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	4,584	(1,130)	(300)	(300)	(300)
Net change in cash	**1,076**	**1,633**	**4,448**	**4,889**	**6,215**
Adj. Free cash flow to firm	**(3,010)**	**4,103**	**5,374**	**6,081**	**7,661**
y/y Growth	*33.4%*	*(236.3%)*	*31.0%*	*13.2%*	*26.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	35.0%	33.3%	32.6%	32.8%	32.8%
EBITDA margin	3.9%	13.7%	15.3%	15.0%	14.8%
EBIT margin	1.7%	11.7%	13.7%	13.8%	13.8%
Net profit margin	2.4%	10.8%	12.7%	12.8%	12.9%
ROE	2.4%	12.6%	16.6%	19.1%	21.1%
ROA	0.8%	4.2%	5.8%	7.0%	7.9%
ROCE	(0.4%)	7.9%	11.2%	13.4%	15.3%
SG&A/Sales	12.1%	10.3%	9.4%	8.7%	8.4%
Net debt/Equity	0.3	0.1	NM	NM	NM
Net debt/EBITDA	7.2	0.4	NM	NM	NM
Sales/Assets (x)	0.3	0.4	0.5	0.5	0.6
Assets/Equity (x)	3.05	3.04	2.89	2.74	2.66
Interest cover (x)	-	-	-	-	-
Operating leverage	310.0%	3265.3%	179.7%	102.9%	102.9%
Tax rate	138.8%	7.6%	7.6%	7.6%	7.6%
Revenue y/y Growth	(28.7%)	21.8%	27.5%	31.4%	28.9%
EBITDA y/y Growth	(78.0%)	327.5%	42.8%	28.7%	27.2%
EPS y/y Growth	(83.7%)	448.9%	39.7%	30.9%	29.7%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	164.9	30.0	21.5	16.4	12.7
P/BV (x)	4.1	3.6	3.3	2.9	2.5
EV/EBITDA (x)	172.8	39.1	25.7	18.7	13.5
Dividend Yield	0.2%	0.9%	1.3%	1.7%	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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▼Neutral

Previous: Overweight

470.HK, 470 HK
Price (16 Oct 26):HK$20.74

▼Price Target (Jun-27):HK$22.00
Prior (Jun-27):HK$45.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	1.70	1.41	-17.1%
Adj. EPS - 27E (Rmb)	2.35	1.85	-21.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	50	79	81	77	
Growth	13				
Momentum	84				
Quality	52	82	81		
Low Vol	94	94			

Wuxi Lead - H

Downgrade to Neutral

Estimate revisions: We cut our 2026/27 net profit forecast for Wuxi Lead by 17%/22% to reflect policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We downgrade Wuxi Lead-H to Neutral.

Table 14: Estimate revisions

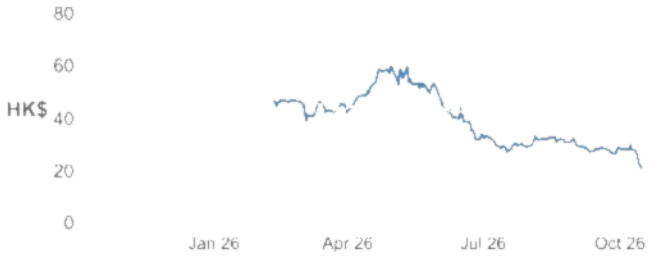
	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	18,417	19,958	-8%	24,198	24,763	-2%
Sales growth (yoy%)	28%	38%		31%	24%	
COGS	12,409	12,912	-4%	16,271	15,818	3%
Gross profit	6,007	7,047	-15%	7,927	8,945	-11%
Gross margin (%)	33%	35%		33%	36%	
Operating profit	2,515	3,038	-17%	3,328	4,246	-22%
Operating margin (%)	13.7%	15.2%		13.8%	17.1%	
Pre-tax profit	2,522	3,046	-17%	3,337	4,256	-22%
Tax rate	8%	8%		8%	8%	
Net profit	2,336	2,820	-17%	3,090	3,941	-22%
Net margin (%)	12.7%	14.1%		12.8%	15.9%	
Net profit growth (yoy%)	49%	80%		32%	40%	
EPS (basic)	1.41	1.70		1.85	2.35	
EPS (fully diluted)	1.41	1.70	-17%	1.85	2.35	-22%

Source. J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-	-24.3%	-26.4%	-
Rel	-	-21.3%	-21.9%	-

Company Data

Shares O/S (mn)	107
52-week range (HK$)	61.85-19.73
Market cap ($ mn)	283
Exchange rate	7.85
Free float (%)	59.3%
3M ADV (mn)	2.09
3M ADV ($ mn)	7.3
Volatility (90 Day)	64
Index	HSCI
BBG ANR (Buy | Hold | Sell)	7|1|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	14,443	18,417	24,198	31,182
Adj. EBITDA	1,975	2,819	3,630	4,617
Adj. EBIT	1,683	2,515	3,328	4,316
Adj. net income	1,564	2,336	3,090	4,008
Adj. EPS	1.01	1.41	1.85	2.40
BBG EPS	-	1.47	1.98	2.46
Cashflow from operations	4,957	5,257	5,895	7,428
FCFF	4,103	5,374	6,081	7,661
Margins and Growth				
Revenue Growth Y/Y (%)	21.8%	27.5%	31.4%	28.9%
EBITDA margin	13.7%	15.3%	15.0%	14.8%
EBITDA Growth Y/Y (%)	327.5%	42.8%	28.7%	27.2%
EBIT margin	11.7%	13.7%	13.8%	13.8%
Net margin	10.8%	12.7%	12.8%	12.9%
Adj. EPS growth	448.9%	39.7%	30.9%	29.7%
Ratios				
Adj. tax rate	7.6%	7.6%	7.6%	7.6%
Interest cover	-	-	-	-
Net debt/Equity	0.1	NM	NM	NM
Net debt/EBITDA	0.4	NM	NM	NM
ROCE	7.9%	11.2%	13.4%	15.3%
ROE	12.6%	16.6%	19.1%	21.1%
Valuation				
FCFF yield	15.0%	18.4%	20.6%	25.9%
Dividend yield	1.6%	2.3%	3.0%	0.0%
EV/Revenue	5.3	3.9	2.8	2.0
EV/EBITDA	39.1	25.7	18.7	13.5
Adj. P/E	17.5	12.5	9.6	7.4

Summary Investment Thesis and Valuation

Investment Thesis

Wuxi Lead is the world's largest battery equipment maker and potentially the only supplier with the ability to supply all the machines needed for the entire battery production line. We like Wuxi Lead for its dominant positioning in the global lithium-ion equipment market and advanced technology. However, we are concerned about the impact of policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We rate Wuxi Lead-H Neutral.

Valuation

Our Jun-27 PT of HK$22 is based on a 10x 2027E P/E (vs. 17x previously). We lower our target multiple to reflect the increased uncertainty around downstream battery expansion plans and a more balanced risk/reward profile following recent share price performance.

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

Wuxi Lead - H *(Neutral; Price Target: HK$22.00)*

Investment Thesis

Wuxi Lead is the world's largest battery equipment maker and potentially the only supplier with the ability to supply all the machines needed for the entire battery production line. We like Wuxi Lead for its dominant positioning in the global lithium-ion equipment market and advanced technology. However, we are concerned about the impact of policy-driven restrictions on capacity expansion and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We rate Wuxi Lead-H Neutral.

Valuation

Our Jun-27 PT of HK$22 is based on a 10x 2027E P/E. Our target multiple reflects the increased uncertainty around downstream battery expansion plans and a more balanced risk/reward profile following recent share price performance.

Risks to Rating and Price Target

Upside/downside risks include: (1) better-/worse-than-expected capacity expansion at battery makers - Wuxi Lead's new order intake is highly dependent on the capital expenditures of downstream battery makers, so its operations could be better/worse than expected if major battery makers accelerate/slow capacity expansion plans; and (2) less/more competition and margin pressure than expected - Wuxi Lead could benefit/suffer from easing/strengthened competitive intensity and pricing pressure in the lithium battery equipment industry, leading to better-/worse-than-expected profitability.

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Wuxi Lead - H: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**11,855**	**14,443**	**18,417**	**24,198**	**31,182**
COGS	(7,708)	(9,630)	(12,409)	(16,271)	(20,953)
Gross profit	**4,147**	**4,813**	**6,007**	**7,927**	**10,228**
SG&A	(1,436)	(1,481)	(1,730)	(2,098)	(2,628)
Adj. EBITDA	**462**	**1,975**	**2,819**	**3,630**	**4,617**
D&A	(255)	(291)	(304)	(302)	(300)
Adj. EBIT	**207**	**1,683**	**2,515**	**3,328**	**4,316**
Net Interest	-	-	-	-	-
Adj. PBT	**112**	**1,689**	**2,522**	**3,337**	**4,329**
Tax	156	(129)	(193)	(255)	(331)
Minority Interest	18	4	6	8	10
Adj. Net Income	**286**	**1,564**	**2,336**	**3,090**	**4,008**
Reported EPS	0.18	1.01	1.41	1.85	2.40
Adj. EPS	**0.18**	**1.01**	**1.41**	**1.85**	**2.40**
DPS	**0.06**	**0.29**	**0.40**	**0.52**	**0.00**
Payout ratio	30.4%	28.4%	28.4%	28.4%	0.0%
Shares outstanding	1,555	1,548	1,656	1,673	1,673

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	4,230	6,057	10,504	15,394	21,609
Accounts receivable	8,626	6,710	6,892	7,131	7,438
Inventories	13,580	14,957	13,599	13,373	14,352
Other current assets	4,135	5,315	5,367	5,387	5,509
Current assets	**30,571**	**33,039**	**36,363**	**41,285**	**48,908**
PP&E	2,392	2,591	2,358	2,120	1,878
LT investments	0	0	0	0	0
Other non current assets	3,220	3,443	3,403	3,369	3,341
Total assets	**36,183**	**39,073**	**42,123**	**46,774**	**54,127**
Short term borrowings	3,417	4,711	4,711	5,288	6,032
Payables	3,770	4,470	5,966	7,928	11,717
Other short term liabilities	14,478	14,268	14,268	14,268	14,268
Current liabilities	**21,665**	**23,449**	**24,945**	**27,484**	**32,016**
Long-term debt	2,477	1,817	1,517	1,217	917
Other long term liabilities	462	688	688	688	688
Total liabilities	**24,603**	**25,953**	**27,149**	**29,388**	**33,620**
Shareholders' equity	11,598	13,140	15,000	17,420	20,550
Minority interests	(18)	(20)	(26)	(34)	(44)
Total liabilities & equity	**36,183**	**39,073**	**42,123**	**46,774**	**54,127**
BVPS	**7.46**	**8.49**	**9.06**	**10.41**	**12.28**
y/y Growth	*(1.1%)*	*13.8%*	*6.8%*	*14.9%*	*18.0%*
Net debt/(cash)	3,330	799	(3,949)	(8,561)	(14,332)

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(1,567)**	**4,957**	**5,257**	**5,895**	**7,428**
o/w Depreciation & amortization	255	291	304	302	300
o/w Changes in working capital	(3,239)	2,376	2,672	2,526	3,247
Cash flow from investing activities	**(1,220)**	**(1,813)**	**(34)**	**(34)**	**(34)**
o/w Capital expenditure	(873)	(555)	(34)	(34)	(34)
as % of sales	*7.4%*	*3.8%*	*0.2%*	*0.1%*	*0.1%*
Cash flow from financing activities	**3,846**	**(1,515)**	**(775)**	**(971)**	**(1,178)**
o/w Dividends paid	(565)	(195)	(475)	(671)	(878)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	4,584	(1,130)	(300)	(300)	(300)
Net change in cash	**1,076**	**1,633**	**4,448**	**4,889**	**6,215**
Adj. Free cash flow to firm	**(3,010)**	**4,103**	**5,374**	**6,081**	**7,661**
y/y Growth	*33.4%*	*(236.3%)*	*31.0%*	*13.2%*	*26.0%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	35.0%	33.3%	32.6%	32.8%	32.8%
EBITDA margin	3.9%	13.7%	15.3%	15.0%	14.8%
EBIT margin	1.7%	11.7%	13.7%	13.8%	13.8%
Net profit margin	2.4%	10.8%	12.7%	12.8%	12.9%
ROE	2.4%	12.6%	16.6%	19.1%	21.1%
ROA	0.8%	4.2%	5.8%	7.0%	7.9%
ROCE	(0.4%)	7.9%	11.2%	13.4%	15.3%
SG&A/Sales	12.1%	10.3%	9.4%	8.7%	8.4%
Net debt/Equity	0.3	0.1	NM	NM	NM
Net debt/EBITDA	7.2	0.4	NM	NM	NM
Sales/Assets (x)	0.3	0.4	0.5	0.5	0.6
Assets/Equity (x)	3.0	3.0	2.9	2.7	2.7
Interest cover (x)	-	-	-	-	-
Operating leverage	310.0%	3265.3%	179.7%	102.9%	102.9%
Tax rate	138.8%	7.6%	7.6%	7.6%	7.6%
Revenue y/y Growth	(28.7%)	21.8%	27.5%	31.4%	28.9%
EBITDA y/y Growth	(78.0%)	327.5%	42.8%	28.7%	27.2%
EPS y/y Growth	(83.7%)	448.9%	39.7%	30.9%	29.7%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	96.0	17.5	12.5	9.6	7.4
P/BV (x)	2.4	2.1	2.0	1.7	1.4
EV/EBITDA (x)	172.8	39.1	25.7	18.7	13.5
Dividend Yield	0.3%	1.6%	2.3%	3.0%	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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▼Neutral

Previous: Overweight

603659.SS, 603659 CH
Price (19 Oct 26):Rmb19.54

▼Price Target (Jun-27):Rmb20.00
Prior (Jun-27):Rmb35.00

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 26E (Rmb mn)	19,412	22,669	16.8%
Revenue - 27E (Rmb mn)	26,769	28,505	6.5%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	60	72	70	71	94
Growth	26	37	23	37	16
Momentum	74	10	14	83	4
Quality	49	54	66	38	66
Low Vol	66	72	74	48	82
ESGQ	19	17	15	1	-

Putailai

Downgrade to Neutral

Estimate revisions: We cut our 2027 net profit forecast for Putailai by 13% to reflect potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds. We downgrade Putailai to Neutral.

Figure 28: Estimate revisions

	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	22,669	19,412	17%	28,505	26,769	6%
Sales growth (yoy%)	44%	24%		26%	38%	
COGS	16,715	12,981	29%	20,962	17,674	19%
Gross profit	5,953	6,430	-7%	7,543	9,095	-17%
Gross margin (%)	26.3%	33.1%		26.5%	34.0%	
Operating profit	4,008	4,003	0%	4,959	5,727	-13%
Operating margin (%)	18%	21%		17%	21%	
Pre-tax profit	3,990	3,986	0%	4,942	5,709	-13%
Tax rate	12%	12%		12%	12%	
Net profit	3,192	3,188	0%	3,953	4,567	-13%
Net margin (%)	14.1%	16.4%		13.9%	17.1%	
Net profit growth (yoy%)	35%	35%		24%	43%	
EPS (basic)	1.52	1.51	0%	1.88	2.17	-13%
EPS (fully diluted)	1.52	1.51	0%	1.88	2.17	-13%

Source: J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-28.5%	-12.3%	-10.0%	-25.9%
Rel	-22.5%	-7.6%	-9.1%	-22.5%

Company Data

Shares O/S (mn)	2,144
52-week range (Rmb)	37.66-19.17
Market cap ($ mn)	6,266
Exchange rate	6.69
Free float (%)	43.3%
3M ADV (mn)	26.23
3M ADV ($ mn)	90.3
Volatility (90 Day)	42
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	16|1|1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	15,711	22,669	28,505	34,203
Adj. EBITDA	3,063	4,118	5,086	6,048
Adj. EBIT	2,967	4,008	4,959	5,906
Adj. net income	2,359	3,192	3,953	4,711
Net margin	15.0%	14.1%	13.9%	13.8%
Adj. EPS	1.12	1.52	1.88	2.24
BBG EPS	1.12	1.52	2.03	2.51
Cashflow from operations	2,697	1,773	2,444	2,730
FCFF	1,266	(2,354)	(2,337)	(1,792)
Margins and Growth				
Revenue Growth Y/Y (%)	16.8%	44.3%	25.7%	20.0%
EBITDA margin	19.5%	18.2%	17.8%	17.7%
EBITDA Growth Y/Y (%)	90.6%	34.4%	23.5%	18.9%
EBIT margin	18.9%	17.7%	17.4%	17.3%
Adj. EPS growth	100.0%	35.3%	23.8%	19.2%
Ratios				
Adj. tax rate	11.7%	11.7%	11.7%	11.7%
Interest cover	-	-	-	-
Net debt/Equity	0.1	0.2	0.2	0.2
Net debt/EBITDA	0.5	1.1	1.2	1.3
ROCE	9.5%	12.0%	13.4%	13.9%
ROE	12.2%	14.7%	15.9%	16.6%
Valuation				
FCFF yield	3.1%	(5.7%)	(5.7%)	(4.4%)
Dividend yield	0.9%	1.2%	1.6%	2.0%
EV/EBITDA	16.1	12.0	9.8	8.6
EV/Revenue	3.1	2.2	1.7	1.5
Adj. P/E	17.4	12.9	10.4	8.7

Summary Investment Thesis and Valuation

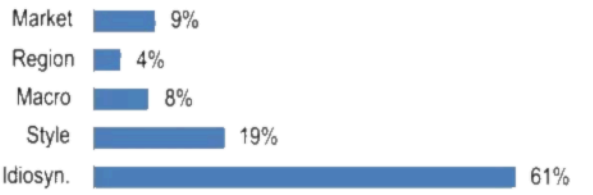
Investment Thesis

Putailai is a consolidated battery materials platform supplier of anode, separator and PVDF battery materials, as well as equipment. We expect it to benefit from the strong volume growth of coated separator and the long-term growth in base separator expansion. We downgrade Putailai to Neutral because we are concerned about the potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds.

Valuation

Our Jun-27 PT is Rmb20, based on an 11x 2027E P/E (vs. 16x previously). We lower our target multiple to reflect weaker market sentiment and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.30	0.31
Region: China	0.09	0.20
Macro:		
JPM China A-shares Sentiment	0.21	0.24
Generic 1st 'CO' Future	-0.11	-0.19
HSI Volatility Index	-0.11	-0.18
Quant Styles:		
Growth	0.23	0.32
DivYld	-0.17	-0.26
Value	-0.15	-0.21

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

Putailai *(Neutral; Price Target: Rmb20.00)*

Investment Thesis
Putailai is a consolidated battery materials platform supplier of anode, separator and PVDF battery materials, as well as equipment. We expect it to benefit from the strong volume growth of coated separator and the long-term growth in base separator expansion. We rate Putailai Neutral because we are concerned about the potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds.

Valuation
Our Jun-27 PT is Rmb20, based on an 11x 2027E P/E. Our target multiple reflects weaker market sentiment and potential margin pressure from profit-sharing across the battery supply chain in response to export VAT rebate reductions and consumption tax headwinds.

Risks to Rating and Price Target
Upside/downside risks include: (1) better-/worse-than-expected industry demand; and (2) better-/worse-than-expected unit profit and industry (price) competition.

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Putailai: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**13,448**	**15,711**	**22,669**	**28,505**	**34,203**
COGS	(9,751)	(10,727)	(16,715)	(20,962)	(25,124)
Gross profit	**3,698**	**4,984**	**5,953**	**7,543**	**9,079**
SG&A	(769)	(898)	(1,020)	(1,268)	(1,505)
Adj. EBITDA	**1,607**	**3,063**	**4,118**	**5,086**	**6,048**
D&A	(85)	(96)	(110)	(127)	(142)
Adj. EBIT	**1,522**	**2,967**	**4,008**	**4,959**	**5,906**
Net Interest	-	-	-	-	-
Adj. PBT	**1,517**	**2,949**	**3,990**	**4,942**	**5,889**
Tax	(132)	(344)	(466)	(577)	(688)
Minority Interest	(194)	(246)	(332)	(411)	(490)
Adj. Net Income	**1,191**	**2,359**	**3,192**	**3,953**	**4,711**
Reported EPS	0.56	1.12	1.52	1.88	2.24
Adj. EPS	**0.56**	**1.12**	**1.52**	**1.88**	**2.24**
DPS	**0.14**	**0.17**	**0.23**	**0.31**	**0.39**
Payout ratio	25.0%	15.2%	15.2%	16.6%	17.2%
Shares outstanding	2,126	2,106	2,106	2,106	2,106

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	6,586	5,983	3,260	2,036	2,442
Accounts receivable	3,937	4,873	8,457	12,069	15,545
Inventories	8,364	8,905	10,533	12,060	14,455
Other current assets	4,527	6,968	7,816	8,572	9,308
Current assets	**23,415**	**26,729**	**30,067**	**34,737**	**41,749**
PP&E	14,915	16,608	20,538	23,950	27,346
LT investments	451	517	517	517	517
Other non current assets	3,323	2,417	2,249	2,083	1,917
Total assets	**42,104**	**46,271**	**53,370**	**61,286**	**71,529**
Short term borrowings	7,350	9,297	12,823	14,891	17,369
Payables	3,065	4,551	4,551	4,551	4,551
Other short term liabilities	6,444	6,063	6,596	8,236	9,611
Current liabilities	**16,858**	**19,911**	**23,970**	**27,678**	**31,531**
Long-term debt	4,787	3,499	3,499	3,999	5,999
Other long term liabilities	918	1,079	1,079	1,079	1,079
Total liabilities	**22,563**	**24,489**	**28,549**	**32,756**	**38,610**
Shareholders' equity	18,387	20,434	23,141	26,439	30,337
Minority interests	1,153	1,348	1,680	2,092	2,582
Total liabilities & equity	**42,104**	**46,271**	**53,370**	**61,286**	**71,529**
BVPS	**8.65**	**9.70**	**10.99**	**12.55**	**14.40**
y/y Growth	*(1.1%)*	*12.2%*	*13.2%*	*14.2%*	*14.7%*
Net debt/(cash)	1,833	1,652	4,375	6,099	7,693

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**2,372**	**2,697**	**1,773**	**2,444**	**2,730**
o/w Depreciation & amortization	85	96	110	127	142
o/w Changes in working capital	(672)	(1,295)	(2,116)	(3,456)	(3,762)
Cash flow from investing activities	**(3,709)**	**(2,974)**	**(4,012)**	**(3,512)**	**(3,512)**
o/w Capital expenditure	(3,263)	(1,519)	(4,012)	(3,512)	(3,512)
as % of sales	*24.3%*	*9.7%*	*17.7%*	*12.3%*	*10.3%*
Cash flow from financing activities	**(881)**	**(670)**	**(484)**	**(155)**	**1,188**
o/w Dividends paid	(625)	(646)	(484)	(655)	(812)
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	(271)	(78)	0	500	2,000
Net change in cash	**(2,216)**	**(947)**	**(2,723)**	**(1,224)**	**406**
Adj. Free cash flow to firm	**(780)**	**1,266**	**(2,354)**	**(2,337)**	**(1,792)**
y/y Growth	*(66.3%)*	*(262.3%)*	*(286.0%)*	*(0.7%)*	*(23.3%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	27.5%	31.7%	26.3%	26.5%	26.5%
EBITDA margin	11.9%	19.5%	18.2%	17.8%	17.7%
EBIT margin	11.3%	18.9%	17.7%	17.4%	17.3%
Net profit margin	8.9%	15.0%	14.1%	13.9%	13.8%
ROE	6.6%	12.2%	14.7%	15.9%	16.6%
ROA	2.8%	5.3%	6.4%	6.9%	7.1%
ROCE	5.3%	9.5%	12.0%	13.4%	13.9%
SG&A/Sales	5.7%	5.7%	4.5%	4.5%	4.4%
Net debt/Equity	0.1	0.1	0.2	0.2	0.2
Net debt/EBITDA	1.1	0.5	1.1	1.2	1.3
Sales/Assets (x)	0.3	0.4	0.5	0.5	0.5
Assets/Equity (x)	2.4	2.3	2.3	2.3	2.3
Interest cover (x)	-	-	-	-	-
Operating leverage	289.0%	564.4%	79.2%	92.2%	95.5%
Tax rate	8.7%	11.7%	11.7%	11.7%	11.7%
Revenue y/y Growth	(12.3%)	16.8%	44.3%	25.7%	20.0%
EBITDA y/y Growth	(47.2%)	90.6%	34.4%	23.5%	18.9%
EPS y/y Growth	(40.4%)	100.0%	35.3%	23.8%	19.2%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	34.9	17.4	12.9	10.4	8.7
P/BV (x)	2.3	2.0	1.8	1.6	1.4
EV/EBITDA (x)	31.1	16.1	12.0	9.8	8.6
Dividend Yield	0.7%	0.9%	1.2%	1.6%	2.0%

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

Neutral

002812.SZ, 002812 CH
Price (19 Oct 26):Rmb45.63

▼ **Price Target (Jun-27):Rmb50.00**
Prior (Jun-27):Rmb60.00

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Revenue - 26E (Rmb mn)	20,342	22,109	8.7%
Revenue - 27E (Rmb mn)	25,288	27,748	9.7%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	40	67	72	43	79
Growth	13	35	33	48	14
Momentum	22	7	96	99	4
Quality	87	92	91	44	62
Low Vol	82	75	64	63	78

Yunnan Energy

Remain Neutral

Estimate revisions: We raise our 2026/27 earnings forecast for Yunnan Energy by 60%/15% to factor in higher volume and stronger unit profit, driven by price hikes.

Table 15: Estimate revisions

	2026E			2027E		
RMB mn	Revised	Previous	% change	Revised	Previous	% change
Net Sales	22,109	20,342	9%	27,748	25,288	10%
Sales growth (yoy%)	62%	49%		26%	24%	
COGS	15,369	14,916	3%	19,319	18,409	5%
Gross profit	6,740	5,426	24%	8,429	6,879	23%
Gross margin (%)	30%	27%		30%	27%	
Operating profit	3,414	2,140	60%	4,419	3,811	16%
Operating margin (%)	15%	11%		16%	15%	
Pre-tax profit	3,395	2,121	60%	4,399	3,791	16%
Net profit	2,869	1,796	60%	3,769	3,280	15%
Net margin (%)	13%	9%		14%	13%	
Net profit growth (yoy%)	1912%	1160%		31%	83%	
EPS (basic)	2.92	1.83	60%	3.84	3.34	15%

Source: J.P. Morgan estimates.

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



	YTD	1m	3m	12m
Abs	-19.4%	-6.1%	-9.0%	10.4%
Rel	-13.4%	-1.4%	-8.1%	13.8%

Company Data

Shares O/S (mn)	981
52-week range (Rmb)	87.71-39.12
Market cap ($ mn)	6,697
Exchange rate	6.69
Free float (%)	54.0%
3M ADV (mn)	21.12
3M ADV ($ mn)	161.3
Volatility (90 Day)	54
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	23|1|0

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	13,633	22,109	27,748	31,794
Adj. EBITDA	2,964	6,328	7,266	7,896
Adj. EBIT	783	3,940	4,927	5,622
Adj. net income	143	2,869	3,769	4,054
Net margin	1.0%	13.0%	13.6%	12.8%
Adj. EPS	0.15	2.92	3.84	4.13
BBG EPS	0.14	2.36	4.13	4.97
Cashflow from operations	1,144	2,934	3,340	4,727
FCFF	(1,027)	367	1,237	2,503
Margins and Growth				
Revenue Growth Y/Y (%)	34.1%	62.2%	25.5%	14.6%
EBITDA margin	21.7%	28.6%	26.2%	24.8%
EBITDA Growth Y/Y (%)	133.8%	113.5%	14.8%	8.7%
EBIT margin	5.7%	17.8%	17.8%	17.7%
Adj. EPS growth	(125.7%)	1892.0%	31.4%	7.5%
Ratios				
Adj. tax rate	67.8%	11.6%	10.0%	10.1%
Interest cover	-	-	-	-
Net debt/Equity	0.6	0.5	0.4	0.4
Net debt/EBITDA	5.1	2.4	2.1	1.9
ROCE	0.6%	7.6%	8.6%	8.6%
ROE	0.6%	10.7%	12.5%	11.9%
Valuation				
FCFF yield	(2.3%)	0.8%	2.8%	5.6%
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/EBITDA	21.0	9.9	8.8	8.2
EV/Revenue	4.6	2.8	2.3	2.0
Adj. P/E	311.2	15.6	11.9	11.1

Summary Investment Thesis and Valuation

Investment Thesis

Yunnan Energy is the leading separator player in China and globally. We expect the global wet separator utilization rate to improve in 2026-27. We expect Yunnan Energy's earnings recovery in 2026/27 to be driven by unit profit improvement. We rate Yunnan Energy Neutral because we view the current valuation as fair.

Valuation

Our Jun-27 PT is Rmb50, based on a 13x 2027E P/E (vs. 18x previously). We apply a lower target multiple to reflect softer market sentiment and a more balanced risk/reward profile. Our target multiple is below the average of the historical trading range.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.15	0.25
Region: China	0.01	0.11
Macro:		
JP Morgan EMBI Global Spread	0.01	-0.16
Citi Economic Surprise - EM	0.06	0.12
Markit EM Composite PMI SA	0.19	0.12
Quant Styles:		
Size	-0.18	-0.13
Growth	0.06	0.07
DivYld	-0.01	-0.07

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

Yunnan Energy *(Neutral; Price Target: Rmb50.00)*

Investment Thesis
Yunnan Energy is the leading separator player in China and globally. We expect the global wet separator utilization rate to improve in 2026-27. We expect Yunnan Energy's earnings recovery in 2026/27 to be driven by unit profit improvement. We rate Yunnan Energy Neutral because we view the current valuation as fair.

Valuation
Our Jun-27 PT is Rmb50, based on a 13x 2027E P/E. Our target multiple reflects softer market sentiment and a more balanced risk/reward profile, and is below the average of the historical trading range.

Risks to Rating and Price Target
Upside risks include: (1) better-than-expected industry demand; and (2) better-than-expected unit profit and industry (price) competition.

Downside risks include: (1) worse-than-expected industry demand; (2) worse-than-expected unit profit and industry (price) competition; and (3) more new capacity expansion.

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Yunnan Energy: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**10,164**	**13,633**	**22,109**	**27,748**	**31,794**
COGS	(9,039)	(11,074)	(15,369)	(19,319)	(22,153)
Gross profit	**1,125**	**2,559**	**6,740**	**8,429**	**9,641**
SG&A	(745)	(904)	(1,508)	(1,889)	(2,176)
Adj. EBITDA	**1,268**	**2,964**	**6,328**	**7,266**	**7,896**
D&A	(1,794)	(2,181)	(2,388)	(2,339)	(2,274)
Adj. EBIT	**(526)**	**783**	**3,940**	**4,927**	**5,622**
Net Interest	-	-	-	-	-
Adj. PBT	**(845)**	**438**	**3,395**	**4,399**	**5,121**
Tax	185	(297)	(392)	(439)	(516)
Minority Interest	104	2	(134)	(190)	(552)
Adj. Net Income	**(556)**	**143**	**2,869**	**3,769**	**4,054**
Reported EPS	(0.57)	0.15	2.92	3.84	4.13
Adj. EPS	**(0.57)**	**0.15**	**2.92**	**3.84**	**4.13**
DPS	**1.55**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	NM	0.0%	0.0%	0.0%	0.0%
Shares outstanding	976	972	982	982	982

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	2,574	2,909	4,670	7,467	11,768
Accounts receivable	6,102	7,412	11,666	16,834	20,729
Inventories	2,963	2,280	3,638	4,573	5,244
Other current assets	2,185	2,678	1,244	1,004	991
Current assets	**13,824**	**15,279**	**21,219**	**29,879**	**38,732**
PP&E	28,792	29,789	29,444	28,647	27,914
LT investments	-	-	-	-	-
Other non current assets	4,583	3,680	2,944	2,197	1,451
Total assets	**47,200**	**48,747**	**53,606**	**60,722**	**68,097**
Short term borrowings	10,433	10,875	11,659	12,427	12,929
Payables	2,010	2,310	2,721	4,446	5,948
Other short term liabilities	1,200	1,309	1,480	1,537	1,577
Current liabilities	**13,644**	**14,494**	**15,861**	**18,410**	**20,454**
Long-term debt	5,070	4,993	4,993	4,993	4,993
Other long term liabilities	2,281	2,044	2,044	2,044	2,044
Total liabilities	**20,995**	**21,531**	**22,898**	**25,446**	**27,491**
Shareholders' equity	24,471	25,467	28,335	32,105	36,158
Minority interests	1,734	1,749	2,373	3,171	4,448
Total liabilities & equity	**47,200**	**48,747**	**53,606**	**60,722**	**68,097**
BVPS	**25.07**	**26.20**	**28.85**	**32.69**	**36.82**
y/y Growth	*(12.2%)*	*4.5%*	*10.1%*	*13.3%*	*12.6%*
Net debt/(cash)	15,429	15,102	15,102	15,102	15,102

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**1,158**	**1,144**	**2,934**	**3,340**	**4,727**
o/w Depreciation & amortization	1,794	2,181	2,388	2,339	2,274
o/w Changes in working capital	(317)	(1,914)	(2,884)	(3,304)	(2,501)
Cash flow from investing activities	**(2,632)**	**(1,353)**	**(1,664)**	**(1,151)**	**(1,151)**
o/w Capital expenditure	(2,859)	(1,735)	(2,000)	(1,500)	(1,500)
as % of sales	*28.1%*	*12.7%*	*9.0%*	*5.4%*	*4.7%*
Cash flow from financing activities	**414**	**732**	**490**	**608**	**725**
o/w Dividends paid	(1,911)	(335)	0	0	0
o/w Shares issued/(repurchased)	201	101	0	0	0
o/w Net debt issued/(repaid)	2,875	1,199	0	0	0
Net change in cash	**(1,056)**	**505**	**1,761**	**2,797**	**4,301**
Adj. Free cash flow to firm	**(1,579)**	**(1,027)**	**367**	**1,237**	**2,503**
y/y Growth	*(71.1%)*	*(35.0%)*	*(135.8%)*	*236.7%*	*102.3%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	11.1%	18.8%	30.5%	30.4%	30.3%
EBITDA margin	12.5%	21.7%	28.6%	26.2%	24.8%
EBIT margin	(5.2%)	5.7%	17.8%	17.8%	17.7%
Net profit margin	(5.5%)	1.0%	13.0%	13.6%	12.8%
ROE	(2.2%)	0.6%	10.7%	12.5%	11.9%
ROA	(1.2%)	0.3%	5.6%	6.6%	6.3%
ROCE	(1.5%)	0.6%	7.6%	8.6%	8.6%
SG&A/Sales	7.3%	6.6%	6.8%	6.8%	6.8%
Net debt/Equity	0.6	0.6	0.5	0.4	0.4
Net debt/EBITDA	12.2	5.1	2.4	2.1	1.9
Sales/Assets (x)	0.2	0.3	0.4	0.5	0.5
Assets/Equity (x)	1.8	1.9	1.9	1.9	1.9
Interest cover (x)	-	-	-	-	-
Operating leverage	744.7%	(729.4%)	648.3%	98.3%	96.8%
Tax rate	(21.9%)	67.8%	11.6%	10.0%	10.1%
Revenue y/y Growth	(15.6%)	34.1%	62.2%	25.5%	14.6%
EBITDA y/y Growth	(73.2%)	133.8%	113.5%	14.8%	8.7%
EPS y/y Growth	(121.3%)	(125.7%)	1892.0%	31.4%	7.5%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	311.2	15.6	11.9	11.1
P/BV (x)	1.8	1.7	1.6	1.4	1.2
EV/EBITDA (x)	49.3	21.0	9.9	8.8	8.2
Dividend Yield	3.4%	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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Underweight

688005.SS, 688005 CH
Price (19 Oct 26):Rmb20.79

▼ **Price Target (Jun-27):Rmb17.00**
Prior (Jun-27):Rmb24.00

Ronbay - A

Remain UW

We trim our Jun-27 PT to Rmb17, based on a 20x 2027E P/E (vs. 29x previously). We apply a lower target multiple to reflect softer market sentiment and a more balanced risk/reward profile.

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	70	83	71	37	81
Growth	7	22	44	48	1
Momentum	24	87	73	96	4
Quality	86	91	85	52	80
Low Vol	83	87	85	71	97

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



	YTD	1m	3m	12m
Abs	-41.3%	-13.6%	-13.3%	-24.0%
Rel	-35.3%	-9.0%	-12.4%	-20.6%

Company Data

Shares O/S (mn)	694
52-week range (Rmb)	40.80-20.78
Market cap ($ mn)	2,159
Exchange rate	6.69
Free float (%)	61.8%
3M ADV (mn)	11.91
3M ADV ($ mn)	45.7
Volatility (90 Day)	47
Index	SHASHR
BBG ANR (Buy | Hold | Sell)	7|2|2

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	12,267	20,657	30,632	42,164
Adj. EBITDA	757	1,219	1,459	1,552
Adj. EBIT	9	548	745	829
Adj. net income	(187)	383	577	688
Adj. EPS	(0.27)	0.55	0.83	0.99
BBG EPS	0.06	0.54	0.94	1.22
Cashflow from operations	1,135	1,941	4,459	3,838
FCFF	28	3,394	5,103	(968)
Margins and Growth				
Revenue Growth Y/Y (%)	(18.7%)	68.4%	48.3%	37.6%
EBITDA margin	6.2%	5.9%	4.8%	3.7%
EBITDA Growth Y/Y (%)	(33.4%)	60.9%	19.7%	6.3%
EBIT margin	0.1%	2.7%	2.4%	2.0%
Net margin	(1.5%)	1.9%	1.9%	1.6%
Adj. EPS growth	(165.1%)	(304.1%)	50.8%	19.3%
Ratios				
Adj. tax rate	(32.9%)	10.0%	10.0%	10.0%
Interest cover	5.8	10.7	16.1	31.6
Net debt/Equity	0.5	0.3	0.1	0.1
Net debt/EBITDA	5.2	1.8	0.4	0.8
ROCE	0.1%	3.3%	4.3%	4.6%
ROE	(2.3%)	4.7%	6.7%	7.4%
Valuation				
FCFF yield	0.2%	23.5%	35.4%	(6.7%)
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/Revenue	1.5	0.8	0.5	0.4
EV/EBITDA	24.8	14.0	10.6	10.4
Adj. P/E	NM	37.7	25.0	21.0

Summary Investment Thesis and Valuation

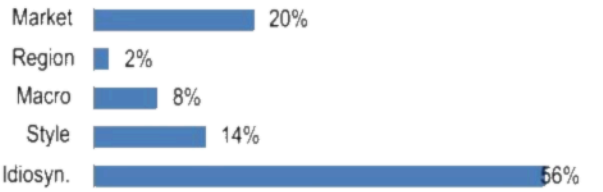
Investment Thesis

Ronbay is the leading NCM cathode manufacturer. We remain UW on Ronbay, as overseas NCM demand might be cannibalized by faster-than-expected LFP adoption in ex-China markets, leading to downside in orders. We are also concerned about the overcapacity in the NCM cathode industry pressuring Ronbay's margin. We view the current valuation as stretched.

Valuation

Our Jun-27 PT is Rmb17, based on a 20x 2027E P/E (vs. 29x previously). We apply a lower target multiple to reflect softer market sentiment and a more balanced risk/reward profile. Our target multiple is below the historical average to reflect our concerns about NCM cathode demand and industry overcapacity.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.58	0.45
Region: China	0.27	0.16
Macro:		
Emerging Economies CPI(YoY)	-0.27	-0.22
Generic 1st 'CO' Future	-0.21	-0.18
JPM China A-shares Sentiment	0.24	0.16
Quant Styles:		
Size	-0.32	-0.26
Growth	0.14	0.15
DivYld	-0.14	-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.

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Investment Thesis, Valuation and Risks

Ronbay - A *(Underweight; Price Target: Rmb17.00)*

Investment Thesis

Ronbay is the leading NCM cathode manufacturer. We remain UW on Ronbay, as overseas NCM demand might be cannibalized by faster-than-expected LFP adoption in ex-China markets, leading to downside in orders. We are also concerned about the overcapacity in the NCM cathode industry pressuring Ronbay's margin. We view the current valuation as stretched.

Valuation

Our Jun-27 PT is Rmb17, based on a 20x 2027E P/E. Our target multiple reflects softer market sentiment and a more balanced risk/reward profile, and is below the historical average to reflect our concerns about NCM cathode demand and industry overcapacity.

Risks to Rating and Price Target

Upside risks include: (1) better-than-expected battery demand; (2) significant order wins from overseas customers; (3) higher processing margin due to customer diversification or internal cost reduction; and (4) cathode players' exit/capacity shutdowns, which would improve industry supply-demand dynamics.

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Ronbay - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**15,088**	**12,267**	**20,657**	**30,632**	**42,164**
COGS	(13,633)	(11,413)	(19,214)	(28,560)	(39,877)
Gross profit	**1,455**	**854**	**1,443**	**2,072**	**2,287**
SG&A	(917)	(925)	(950)	(1,440)	(1,687)
Adj. EBITDA	**1,137**	**757**	**1,219**	**1,459**	**1,552**
D&A	(589)	(749)	(671)	(715)	(723)
Adj. EBIT	**548**	**9**	**548**	**745**	**829**
Net Interest	(118)	(130)	(114)	(91)	(49)
Adj. PBT	**430**	**(122)**	**434**	**654**	**780**
Tax	(101)	(40)	(43)	(65)	(78)
Minority Interest	(33)	(26)	(8)	(12)	(14)
Adj. Net Income	**296**	**(187)**	**383**	**577**	**688**
Reported EPS	0.41	(0.27)	0.55	0.83	0.99
Adj. EPS	**0.41**	**(0.27)**	**0.55**	**0.83**	**0.99**
DPS	**0.63**	**0.00**	**0.00**	**0.00**	**0.00**
Payout ratio	152.8%	0.0%	0.0%	0.0%	0.0%
Shares outstanding	713	694	694	694	694

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	2,951	2,888	4,584	6,205	5,549
Accounts receivable	7,792	6,272	11,741	18,000	21,260
Inventories	2,222	2,137	3,895	6,135	6,779
Other current assets	1,327	829	996	1,187	1,287
Current assets	**14,291**	**12,125**	**21,217**	**31,527**	**34,875**
PP&E	7,294	7,569	7,142	7,404	10,832
LT investments	80	101	101	101	101
Other non current assets	2,958	3,172	3,172	3,172	3,172
Total assets	**24,623**	**22,968**	**31,632**	**42,204**	**48,980**
Short term borrowings	2,272	2,496	2,496	2,496	2,496
Payables	8,573	7,194	15,342	25,174	31,156
Other short term liabilities	240	535	661	812	905
Current liabilities	**11,085**	**10,225**	**18,499**	**28,482**	**34,557**
Long-term debt	4,100	4,299	4,299	4,299	4,299
Other long term liabilities	251	280	280	280	280
Total liabilities	**15,435**	**14,804**	**23,078**	**33,061**	**39,135**
Shareholders' equity	8,441	7,995	8,377	8,954	9,642
Minority interests	747	169	177	189	203
Total liabilities & equity	**24,623**	**22,968**	**31,632**	**42,204**	**48,980**
BVPS	**11.83**	**11.52**	**12.07**	**12.90**	**13.89**
y/y Growth	*(7.3%)*	*(2.7%)*	*4.8%*	*6.9%*	*7.7%*
Net debt/(cash)	3,421	3,908	2,211	591	1,246

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**523**	**1,135**	**1,941**	**4,459**	**3,838**
o/w Depreciation & amortization	589	749	671	715	723
o/w Changes in working capital	(994)	207	879	1,294	2,070
Cash flow from investing activities	**(2,307)**	**(278)**	**(244)**	**(977)**	**(4,151)**
o/w Capital expenditure	(1,776)	(621)	(244)	(977)	(4,151)
as % of sales	*11.8%*	*5.1%*	*1.2%*	*3.2%*	*9.8%*
Cash flow from financing activities	**(564)**	**(480)**	**0**	**0**	**0**
o/w Dividends paid	(326)	(453)	0	0	0
o/w Shares issued/(repurchased)	0	0	0	0	0
o/w Net debt issued/(repaid)	853	425	0	0	0
Net change in cash	**(2,355)**	**295**	**1,697**	**3,483**	**(313)**
Adj. Free cash flow to firm	**(4,828)**	**28**	**3,394**	**5,103**	**(968)**
y/y Growth	*(1478.6%)*	*(100.6%)*	*12125.4%*	*50.4%*	*(119.0%)*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	9.6%	7.0%	7.0%	6.8%	5.4%
EBITDA margin	7.5%	6.2%	5.9%	4.8%	3.7%
EBIT margin	3.6%	0.1%	2.7%	2.4%	2.0%
Net profit margin	2.0%	(1.5%)	1.9%	1.9%	1.6%
ROE	3.5%	(2.3%)	4.7%	6.7%	7.4%
ROA	1.2%	(0.8%)	1.4%	1.6%	1.5%
ROCE	2.9%	0.1%	3.3%	4.3%	4.6%
SG&A/Sales	6.1%	7.5%	4.6%	4.7%	4.0%
Net debt/Equity	0.4	0.5	0.3	0.1	0.1
Net debt/EBITDA	3.0	5.2	1.8	0.4	0.8
Sales/Assets (x)	0.6	0.5	0.8	0.8	0.9
Assets/Equity (x)	2.9	2.9	3.3	4.3	4.9
Interest cover (x)	9.6	5.8	10.7	16.1	31.6
Operating leverage	105.1%	526.7%	9243.0%	74.5%	30.0%
Tax rate	23.5%	(32.9%)	10.0%	10.0%	10.0%
Revenue y/y Growth	(33.4%)	(18.7%)	68.4%	48.3%	37.6%
EBITDA y/y Growth	(9.5%)	(33.4%)	60.9%	19.7%	6.3%
EPS y/y Growth	(51.3%)	(165.1%)	(304.1%)	50.8%	19.3%

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	50.1	NM	37.7	25.0	21.0
P/BV (x)	1.8	1.8	1.7	1.6	1.5
EV/EBITDA (x)	16.6	24.8	14.0	10.6	10.4
Dividend Yield	3.0%	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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Underweight

300769.SZ, 300769 CH
Price (19 Oct 26):Rmb35.02

▼ **Price Target (Jun-27):Rmb30.00**
Prior (Jun-27):Rmb35.00

Dynanonic - A

Remain UW

We expect earnings to recover in 2026, but we remain cautious on the sustainability of LFP cathode processing fee increases, given the industry's high capacity elasticity. Softer market sentiment and a more balanced risk/reward outlook also temper our valuation assessment. We trim our Jun-27 PT to Rmb30, based on a 14x 2027E P/E.

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.29	2.44	6.6%
Adj. EPS - 27E (Rmb)	2.74	2.20	-19.6%

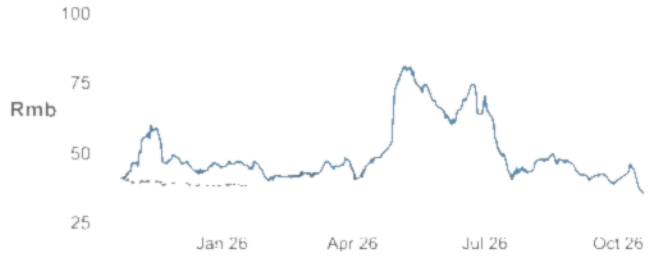
Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	38	71	75	24	89
Growth	14	18	22	96	3
Momentum	41	28	52	99	2
Quality	97	98	98	26	88
Low Vol	86	86	93	85	94

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



— 300769.SZ Price (Rmb) SHEN.B (rebased)

	YTD	1m	3m	12m
Abs	-20.4%	-16.6%	-19.4%	-10.6%
Rel	-12.4%	-16.2%	-25.6%	2.6%

Company Data

Shares O/S (mn)	278
52-week range (Rmb)	88.30-34.56
Market cap ($ mn)	1,458
Exchange rate	6.69
Free float (%)	75.8%
3M ADV (mn)	12.96
3M ADV ($ mn)	84.5
Volatility (90 Day)	62
Index	SZBSHR
BBG ANR (Buy | Hold | Sell)	5|4|1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	8,716	20,467	21,617	24,051
EBITDA	(182)	2,090	2,010	1,962
Adj. EBITDA	(182)	2,090	2,010	1,962
Adj. EBIT	(974)	1,188	1,118	1,116
Adj. net income	(821)	679	613	610
Net income	(821)	679	613	610
Adj. EPS	(2.95)	2.44	2.20	2.19
BBG EPS	(2.04)	2.99	3.87	4.68
Net debt	3,210	4,218	5,510	1,146
Cashflow from operations	(768)	(1,011)	1,051	4,905
Investing cashflow	(407)	(541)	(541)	(541)
FCFF	3,348	(1,340)	742	4,597
Margins and Growth				
Revenue Growth Y/Y (%)	14.5%	134.8%	5.6%	11.3%
EBITDA Growth Y/Y (%)	(78.2%)	(1249.2%)	(3.8%)	(2.4%)
Adj. EPS growth	(38.7%)	(182.7%)	(9.8%)	(0.4%)
Ratios				
Adj. tax rate	(6.5%)	15.8%	15.8%	15.8%
Net debt/EBITDA	NM	2.0	2.7	0.6
ROCE	(9.9%)	8.6%	7.1%	6.7%
ROE	(15.6%)	12.8%	10.3%	9.3%
Valuation				
FCFF yield	34.3%	(13.7%)	7.6%	47.2%
Dividend yield	0.0%	0.0%	0.0%	0.0%
EV/Revenue	2.1	0.9	1.0	0.7
EV/EBITDA	NM	9.3	10.3	8.4
Adj. P/E	NM	14.4	15.9	16.0
P/ BV	2.7	2.4	2.2	2.0

Summary Investment Thesis and Valuation

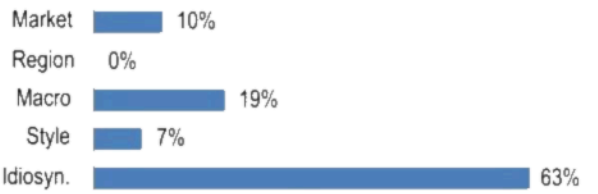
Investment Thesis

Dynanonic is a leading LFP cathode supplier globally. Its key customers include CATL and EVE Energy, and it has LFP cathode JVs with these two companies. Despite the industry's supply-demand improvement in 2026-27, we remain cautious on the LFP cathode industry, as its high capacity elasticity—with capacity expansion taking only ~4-5 months (for production line only) raises concerns that current price increases may not be sustainable. We rate Dynanonic UW, based on valuation.

Valuation

Our Jun-27 PT is Rmb30, based on a 14x 2027E P/E (vs. 13x previously). We apply a lower target multiple to reflect softer market sentiment and a more balanced risk/reward profile. While we expect an earnings recovery in 2026, we remain concerned about the sustainability of cathode processing fee improvements, given the industry's high capacity elasticity.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.29	0.32
Region: China	-0.11	0.06
Macro:		
Markit EM Composite PMI SA	0.44	0.35
JPM Global Equity Sentiment	0.27	0.25
JPM China A-shares Sentiment	0.04	0.20
Quant Styles:		
DivYld	-0.33	-0.29
Value	-0.33	-0.27
Growth	0.29	0.26

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

Dynanonic - A *(Underweight; Price Target: Rmb30.00)*

Investment Thesis

Dynanonic is a leading LFP cathode supplier globally. Its key customers include CATL and EVE Energy, and it has LFP cathode JVs with these two companies. Despite the industry's supply-demand improvement in 2026-27, we remain cautious on the LFP cathode industry, as its high capacity elasticity—with capacity expansion taking only ~4-5 months (for production line only)—raises concerns that current price increases may not be sustainable. We rate Dynanonic UW, based on valuation.

Valuation

Our Jun-27 PT is Rmb30, based on a 14x 2027E P/E. Our target multiple reflects softer market sentiment and a more balanced risk/reward profile. While we expect an earnings recovery in 2026, we remain concerned about the sustainability of cathode processing fee improvements, given the industry's high capacity elasticity.

Risks to Rating and Price Target

Upside risks include: (1) better-than-expected battery demand; (2) significant LFMP order wins with increasing LFMP adoption; (3) higher processing margin due to customer diversification or internal cost reduction; and (4) cathode players' exits/capacity shutdowns, improving industry supply-demand dynamics.

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Dynanonic - A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**7,613**	**8,716**	**20,467**	**21,617**	**24,051**
COGS	(8,027)	(8,674)	(18,617)	(19,905)	(22,268)
Gross profit	**(414)**	**43**	**1,851**	**1,712**	**1,783**
SG&A	(351)	(298)	(271)	(411)	(457)
Adj. EBITDA	**(833)**	**(182)**	**2,090**	**2,010**	**1,962**
D&A	(756)	(793)	(902)	(891)	(845)
Adj. EBIT	**(1,590)**	**(974)**	**1,188**	**1,118**	**1,116**
Net Interest	(181)	(177)	(252)	(276)	(277)
Adj. PBT	**(1,769)**	**(1,162)**	**916**	**827**	**823**
Tax	167	75	(145)	(131)	(130)
Minority Interest	264	266	(92)	(83)	(83)
Adj. Net Income	**(1,338)**	**(821)**	**679**	**613**	**610**
Reported EPS	(4.81)	(2.95)	2.44	2.20	2.19
Adj. EPS	**(4.81)**	**(2.95)**	**2.44**	**2.20**	**2.19**
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	278	278	278	278	278

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	3,036	1,919	3,183	1,891	6,255
Accounts receivable	2,289	2,580	5,384	6,872	8,173
Inventories	981	1,246	2,069	2,497	2,809
Other current assets	702	547	757	815	866
Current assets	**7,008**	**6,292**	**11,393**	**12,075**	**18,103**
PP&E	5,317	6,444	6,658	6,307	6,003
LT investments	178	172	58	58	58
Other non current assets	5,306	3,907	2,766	2,766	2,766
Total assets	**17,809**	**16,816**	**20,874**	**21,206**	**26,929**
Short term borrowings	3,503	3,116	5,302	5,302	5,302
Payables	4,256	3,692	4,890	5,901	10,879
Other short term liabilities	203	243	247	257	309
Current liabilities	**7,962**	**7,050**	**10,438**	**11,460**	**16,490**
Long-term debt	1,810	2,013	2,099	2,099	2,099
Other long term liabilities	1,153	1,687	1,644	1,644	1,644
Total liabilities	**10,925**	**10,750**	**14,182**	**15,204**	**20,234**
Shareholders' equity	5,545	4,991	5,639	6,252	6,862
Minority interests	1,338	1,075	1,171	1,254	1,337
Total liabilities & equity	**17,809**	**16,816**	**20,992**	**22,710**	**28,433**
BVPS	**14.41**	**12.97**	**14.66**	**16.25**	**17.84**
y/y Growth	*(43.5%)*	*(10.0%)*	*13.0%*	*10.9%*	*9.8%*
Net debt/(cash)	2,277	3,210	4,218	5,510	1,146

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**143**	**(768)**	**(1,011)**	**1,051**	**4,905**
o/w Depreciation & amortization	756	793	902	891	845
o/w Changes in working capital	812	(1,152)	(2,566)	(952)	3,366
Cash flow from investing activities	**1,051**	**(407)**	**(541)**	**(541)**	**(541)**
o/w Capital expenditure	(477)	(555)	(541)	(541)	(541)
as % of sales	*6.3%*	*6.4%*	*2.6%*	*2.5%*	*2.2%*
Cash flow from financing activities	**(1,280)**	**(53)**	**633**	**0**	**0**
o/w Dividends paid	(166)	(129)	(85)	0	0
o/w Shares issued/(repurchased)	-	-	-	-	-
o/w Net debt issued/(repaid)	(725)	(95)	2,705	0	0
Net change in cash	**(86)**	**(1,228)**	**(923)**	**510**	**4,364**
Adj. Free cash flow to firm	**5,485**	**3,348**	**(1,340)**	**742**	**4,597**
y/y Growth	*(29.9%)*	*(39.0%)*	*(140.0%)*	*(155.4%)*	*519.1%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	(5.4%)	0.5%	9.0%	7.9%	7.4%
EBITDA margin	(10.9%)	(2.1%)	10.2%	9.3%	8.2%
EBIT margin	(20.9%)	(11.2%)	5.8%	5.2%	4.6%
Net profit margin	(17.6%)	(9.4%)	3.3%	2.8%	2.5%
ROE	(21.1%)	(15.6%)	12.8%	10.3%	9.3%
ROA	(6.9%)	(4.7%)	3.6%	2.9%	2.5%
ROCE	(14.4%)	(9.9%)	8.6%	7.1%	6.7%
SG&A/Sales	4.6%	3.4%	1.3%	1.9%	1.9%
Net debt/Equity	0.3	0.5	0.6	0.7	0.1
Net debt/EBITDA	NM	NM	2.0	2.7	0.6
Sales/Assets (x)	0.4	0.5	1.1	1.0	1.0
Assets/Equity (x)	3.0	3.3	3.5	3.5	3.7
Interest cover (x)	NM	NM	8.3	7.3	7.1
Operating leverage	31.7%	(267.0%)	(164.6%)	(103.8%)	(1.6%)
Tax rate	(9.4%)	(6.5%)	15.8%	15.8%	15.8%
Revenue y/y Growth	(55.1%)	14.5%	134.8%	5.6%	11.3%
EBITDA y/y Growth	(36.3%)	(78.2%)	(1249.2%)	(3.8%)	(2.4%)
EPS y/y Growth	(18.1%)	(38.7%)	(182.7%)	(9.8%)	(0.4%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	NM	NM	14.4	15.9	16.0
P/BV (x)	2.4	2.7	2.4	2.2	2.0
EV/EBITDA (x)	NM	NM	9.3	10.3	8.4
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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J.P.Morgan

Neutral

301358.SZ, 301358 CH
Price (19 Oct 26):Rmb44.95

▼ **Price Target (Jun-27):Rmb50.00**
Prior (Jun-27):Rmb70.00

Hunan Yuneng – A

Remain Neutral

We raise our 2026/27 net profit forecast for Hunan Yuneng by 25%/16% to factor in higher unit profit, driven by LFP cathode processing fee hikes.

Asia Autos & EV Battery

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	5.15	6.44	25.1%
Adj. EPS - 27E (Rmb)	5.85	6.78	15.9%

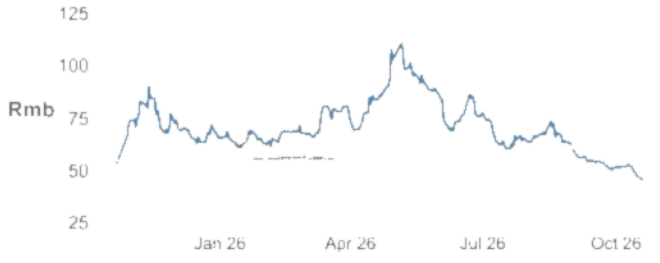
Style Exposure

Quant	Current	Hist %Rank (1=Top)			
Factors	%Rank	6M	1Y	3Y	5Y
Value	23	54	55	50	96
Growth	5	5	13	2	91
Momentum	51	4	41	74	
Quality	59	77	83	1	81
Low Vol	90	91	90	55	

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



— 301358.SZ Price (Rmb) SHAN.B (rebased)

	YTD	1m	3m	12m
Abs	-30.5%	-16.6%	-24.4%	-16.0%
Rel	-48.3%	-17.7%	-35.5%	-31.0%

Company Data

Shares O/S (mn)	761
52-week range (Rmb)	110.00-44.64
Market cap ($ mn)	5,114
Exchange rate	6.69
Free float (%)	50.0%
3M ADV (mn)	17.63
3M ADV ($ mn)	160.4
Volatility (90 Day)	51
Index	SHBSHR
BBG ANR (Buy | Hold | Sell)	7|1|1

Key Metrics (FYE Dec)

Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	34,625	80,857	84,243	86,889
Adj. EBITDA	3,817	7,687	7,852	7,245
Adj. EBIT	1,674	6,494	6,674	6,081
Adj. net income	1,435	5,243	5,523	5,028
Adj. EPS	1.89	6.44	6.78	6.18
BBG EPS	1.86	6.18	6.70	7.46
Cashflow from operations	(1,546)	1,705	3,989	4,590
FCFF	(3,772)	705	2,989	3,590
Margins and Growth				
Revenue Growth Y/Y (%)	53.2%	133.5%	4.2%	3.1%
EBITDA margin	11.0%	9.5%	9.3%	8.3%
EBITDA Growth Y/Y (%)	54.9%	101.4%	2.1%	(7.7%)
EBIT margin	4.8%	8.0%	7.9%	7.0%
Net margin	4.1%	6.5%	6.6%	5.8%
Adj. EPS growth	162.8%	239.9%	5.3%	(9.0%)
Ratios				
Adj. tax rate	13.9%	17.0%	15.0%	15.0%
Interest cover	18.8	58.1	59.9	58.5
Net debt/Equity	0.8	0.5	0.3	0.1
Net debt/EBITDA	2.6	1.2	0.9	0.6
ROCE	6.5%	19.6%	17.4%	13.8%
ROE	11.7%	33.9%	26.9%	19.9%
Valuation				
FCFF yield	(11.1%)	1.9%	8.2%	9.8%
Dividend yield	0.4%	1.4%	1.5%	1.4%
EV/Revenue	1.3	0.6	0.5	0.5
EV/EBITDA	11.8	5.8	5.4	5.5
Adj. P/E	23.7	7.0	6.6	7.3

Summary Investment Thesis and Valuation

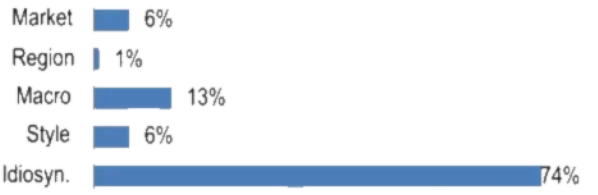
Investment Thesis

Hunan Yuneng is the largest LFP cathode producer globally, with a ~30% market share. It has an SOE background (backed by Hunan SASAC), with CATL and BYD as strategic investors. We like the company's leadership scale and better cost control vs. peers', as it is the only LFP cathode company making a profit in the industry downcycle. Despite the industry's supply-demand improvement in 2026E-27E, we remain cautious on the LFP cathode industry, as its high capacity elasticity—with capacity expansion taking only ~4-5 months (for production line only)—raises concerns that current price increases may not be sustainable. We rate Hunan Yuneng Neutral, based on valuation.

Valuation

Our Jun-27 PT is Rmb50, based on a 7x 2027E P/E (vs. 12x previously). We apply a lower target multiple to reflect softer market sentiment and a more balanced risk/reward profile. Our target multiple is below the average of the historical trading range.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.20	0.26
Region: China	-0.10	0.09
Macro:		
Emerging Central Bank Rate	0.28	0.26
Emerging Economies CPI(YoY)	-0.26	-0.22
HSI Volatility Index	0.06	-0.21
Quant Styles:		
DivYld	-0.20	-0.22
Growth	0.21	0.22
Value	-0.21	-0.19

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

Hunan Yuneng – A *(Neutral; Price Target: Rmb50.00)*

Investment Thesis

Hunan Yuneng is the largest LFP cathode producer globally, with a ~30% market share. It has an SOE background (backed by Hunan SASAC), with CATL and BYD as strategic investors. We like the company's leadership scale and better cost control vs. peers', as it is the only LFP cathode company making a profit in the industry downcycle. Despite the industry's supply-demand improvement in 2026E-27E, we remain cautious on the LFP cathode industry, as its high capacity elasticity—with capacity expansion taking only ~4-5 months (for production line only)—raises concerns that current price increases may not be sustainable. We rate Hunan Yuneng Neutral, based on valuation.

Valuation

Our Jun-27 PT is Rmb50, based on a 7x 2027E P/E. Our target multiple reflects softer market sentiment and a more balanced risk/reward profile, and is below the average of the historical trading range.

Risks to Rating and Price Target

Upside/downside risks include: (1) better-/worse-than-expected LFP battery demand; and (2) better-/worse-than-expected LFP cathode industry supply-demand.

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Hunan Yuneng – A: Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	**22,599**	**34,625**	**80,857**	**84,243**	**86,889**
COGS	(20,825)	(31,455)	(72,512)	(75,632)	(78,809)
Gross profit	**1,685**	**3,023**	**8,103**	**8,359**	**7,819**
SG&A	(457)	(545)	(720)	(758)	(782)
Adj. EBITDA	**2,465**	**3,817**	**7,687**	**7,852**	**7,245**
D&A	(1,606)	(2,143)	(1,194)	(1,178)	(1,164)
Adj. EBIT	**859**	**1,674**	**6,494**	**6,674**	**6,081**
Net Interest	(157)	(203)	(132)	(131)	(124)
Adj. PBT	**706**	**1,472**	**6,361**	**6,543**	**5,957**
Tax	(116)	(205)	(1,081)	(981)	(894)
Minority Interest	4	10	(37)	(39)	(35)
Adj. Net Income	**546**	**1,435**	**5,243**	**5,523**	**5,028**
Reported EPS	0.78	1.69	6.44	6.78	6.18
Adj. EPS	**0.72**	**1.89**	**6.44**	**6.78**	**6.18**
DPS	**0.16**	**0.16**	**0.65**	**0.68**	**0.62**
Payout ratio	20.0%	9.3%	10.0%	10.0%	10.0%
Shares outstanding	757	757	814	814	814

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	1,491	2,337	2,790	5,155	8,095
Accounts receivable	9,511	12,848	28,612	29,797	30,724
Inventories	2,798	3,629	8,147	8,898	9,851
Other current assets	1,654	2,044	2,954	3,023	3,076
Current assets	**15,455**	**20,857**	**42,503**	**46,873**	**51,746**
PP&E	13,508	16,378	16,184	16,006	15,842
LT investments	30	32	32	32	32
Other non current assets	1,350	1,825	1,825	1,825	1,825
Total assets	**30,342**	**39,092**	**60,545**	**64,736**	**69,446**
Short term borrowings	3,784	6,739	6,739	6,739	6,739
Payables	9,970	11,578	27,844	26,968	27,132
Other short term liabilities	933	2,101	2,127	2,126	2,126
Current liabilities	**14,687**	**20,418**	**36,711**	**35,833**	**35,997**
Long-term debt	3,759	5,342	5,342	5,342	5,342
Other long term liabilities	236	388	388	388	388
Total liabilities	**18,682**	**26,149**	**42,441**	**41,563**	**41,728**
Shareholders' equity	11,606	12,883	18,006	23,036	27,546
Minority interests	54	61	98	137	172
Total liabilities & equity	**30,342**	**39,092**	**60,545**	**64,736**	**69,446**
BVPS	**15.25**	**16.93**	**22.00**	**28.13**	**33.63**
y/y Growth	*(1.7%)*	*11.0%*	*29.9%*	*27.9%*	*19.5%*
Net debt/(cash)	6,061	9,878	9,424	7,059	4,119

Cash Flow Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operating activities	**(1,042)**	**(1,546)**	**1,705**	**3,989**	**4,590**
o/w Depreciation & amortization	1,606	2,143	1,194	1,178	1,164
o/w Changes in working capital	(1,491)	(2,961)	(4,901)	(2,882)	(1,769)
Cash flow from investing activities	**(1,331)**	**(2,196)**	**(1,000)**	**(1,000)**	**(1,000)**
o/w Capital expenditure	(1,301)	(2,226)	(1,000)	(1,000)	(1,000)
as % of sales	*5.8%*	*6.4%*	*1.2%*	*1.2%*	*1.2%*
Cash flow from financing activities	**2,253**	**4,236**	**(251)**	**(624)**	**(650)**
o/w Dividends paid	(303)	(100)	(120)	(492)	(518)
o/w Shares issued/(repurchased)	25	78	0	0	0
o/w Net debt issued/(repaid)	1,495	1,960	(131)	(131)	(131)
Net change in cash	**(121)**	**496**	**453**	**2,365**	**2,940**
Adj. Free cash flow to firm	**(2,343)**	**(3,772)**	**705**	**2,989**	**3,590**
y/y Growth	*7.7%*	*61.0%*	*(118.7%)*	*324.2%*	*20.1%*

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Gross margin	7.5%	8.7%	10.0%	9.9%	9.0%
EBITDA margin	10.9%	11.0%	9.5%	9.3%	8.3%
EBIT margin	3.8%	4.8%	8.0%	7.9%	7.0%
Net profit margin	2.4%	4.1%	6.5%	6.6%	5.8%
ROE	4.8%	11.7%	33.9%	26.9%	19.9%
ROA	1.9%	4.1%	10.5%	8.8%	7.5%
ROCE	4.1%	6.5%	19.6%	17.4%	13.8%
SG&A/Sales	2.0%	1.6%	0.9%	0.9%	0.9%
Net debt/Equity	0.5	0.8	0.5	0.3	0.1
Net debt/EBITDA	2.5	2.6	1.2	0.9	0.6
Sales/Assets (x)	0.8	1.0	1.6	1.3	1.3
Assets/Equity (x)	2.5	2.8	3.2	3.1	2.7
Interest cover (x)	15.7	18.8	58.1	59.9	58.5
Operating leverage	129.0%	178.1%	215.6%	66.2%	(282.9%)
Tax rate	16.4%	13.9%	17.0%	15.0%	15.0%
Revenue y/y Growth	(45.4%)	53.2%	133.5%	4.2%	3.1%
EBITDA y/y Growth	(22.0%)	54.9%	101.4%	2.1%	(7.7%)
EPS y/y Growth	(65.6%)	162.8%	239.9%	5.3%	(9.0%)

Valuation	FY24A	FY25A	FY26E	FY27E	FY28E
P/E (x)	62.4	23.7	7.0	6.6	7.3
P/BV (x)	2.9	2.7	2.0	1.6	1.3
EV/EBITDA (x)	16.8	11.8	5.8	5.4	5.5
Dividend Yield	0.3%	0.4%	1.4%	1.5%	1.4%

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